



UHERO FORECAST PROJECT

COUNTY FORECAST:
PUBLIC EDITION

HEALTHY COUNTY ECONOMIES FACE GROWING PAINS

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UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO COUNTY FORECAST

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Executive Summary

Hawaii's four counties are enjoying robust economic conditions, and prospects are good for continued growth. Tourism gains, facilitated by expanding airline service and the availability of alternative accommodations, keep surprising to the upside, even as the large visitor volume is straining local infrastructure and communities. Construction activity remains at healthy levels, although generally well off mid-2000s peaks on the Neighbor Islands. Record low unemployment rates will limit job growth in each county but bring welcome income gains. While an end to the current expansion is not yet in sight, Hawaii's counties remain vulnerable to adverse developments both at home and beyond our shores.

- The tourism industry is profiting from healthy economic conditions in the US and the Asia-Pacific region. Extra disposable income from the recent federal tax cuts will support domestic travel and boost arrivals to the Neighbor Islands. Oahu will benefit from buoyant international arrivals, as the weaker dollar makes a Hawaii trip more affordable. Airlines, optimistic about continuing visitor demand, are adding capacity. This will maintain high occupancy rates, despite some growth in the room stock and the surge of the home vacation rental industry.
- Construction on Oahu has bounced back from last year's lull, but industry jobs on the Neighbor Islands remain well below their previous bubble-driven peak. The pace of homebuilding statewide remains well short of levels needed to satisfy household formation. Anemic income growth and rising interest rates will further erode affordability and make it more costly for developers to finance new projects.
- With non-farm payrolls surpassing pre-recession levels and unemployment rates at all-time lows, many firms report difficulty finding workers. Labor shortage has also been exacerbated by net outmigration from the state, leading to a recent labor force decline in all four counties. The tourism industry will produce the greatest number of new jobs as it works to satisfy visitor demand. Tight labor market conditions will propel moderate income growth, but rising inflation will limit the gains in purchasing power.
- The counties face similar headwinds in a number of areas. The large number of visitors has led to congestion in many communities, and the spread of home vacation rentals has had a negative impact on local housing markets. Homelessness continues to be a chronic issue across the state. Despite rising property values, county governments are struggling to finance their non-discretionary expenses. And as always, even with relatively healthy global economic conditions, external shocks could upset the current expansion, whether through trade wars, Fed interest rate hikes, or rising geopolitical tensions.
- Hawaii has experienced two natural disasters this spring, first the April flooding on Kauai's north shore and then the dramatic new Kilauea eruption phase that began May 3rd. There have been anecdotal reports that the Kauai floods have caused some visitor slowing beyond the directly-affected areas, and that bookings for Big Island travel have taken a hit in recent weeks. However, available hard data do not yet show significant adverse impacts.

Forecast Summary

COUNTY MAJOR ECONOMIC INDICATORS YEAR-OVER-YEAR % CHANGE

	2015	2016	2017	2018	2019	2020
HONOLULU						
Non-farm Payrolls Jobs	1.5	0.9	0.8	1.2	0.5	0.5
Real Personal Income	3.8	0.9	0.2	1.7	1.6	1.3
Visitor Arrivals	2.8	2.0	4.1	4.3	1.7	0.7
U.S. Visitor Arrivals	4.8	3.1	4.2	5.5	2.1	0.7
Japan Visitor Arrivals	-2.2	0.4	3.8	0.7	1.2	0.4
Other Visitor Arrivals	4.8	1.7	4.3	5.8	1.6	0.8
HAWAII						
Non-farm Payrolls Jobs	2.3	3.1	1.0	1.4	1.4	1.1
Real Personal Income	6.4	3.0	0.9	2.5	2.3	2.0
Visitor Arrivals	4.1	2.3	13.7	11.7	2.1	1.3
U.S. Visitor Arrivals	7.4	3.8	10.1	11.2	2.9	1.6
Japan Visitor Arrivals	-17.5	1.7	31.1	18.7	0.9	1.1
Other Visitor Arrivals	5.8	-1.9	17.9	9.8	0.5	0.6
MAUI						
Non-farm Payrolls Jobs	2.6	2.2	2.1	1.9	1.4	1.1
Real Personal Income	5.3	2.6	1.4	2.8	2.3	1.8
Visitor Arrivals	5.0	3.8	3.9	7.4	2.7	1.2
U.S. Visitor Arrivals	7.0	5.6	4.5	9.5	2.6	0.8
Japan Visitor Arrivals	0.4	-9.5	5.9	-5.5	4.9	0.1
Other Visitor Arrivals	-0.7	-0.7	1.7	1.1	2.8	2.9
KAUAI						
Non-farm Payrolls Jobs	1.6	2.0	2.1	1.9	1.7	0.7
Real Personal Income	4.2	1.5	2.0	2.9	2.4	1.5
Visitor Arrivals	4.8	1.2	7.5	10.7	4.3	1.6
U.S. Visitor Arrivals	4.8	3.0	6.7	11.9	4.8	1.7
Japan Visitor Arrivals	7.8	-10.6	13.7	5.4	4.4	1.6
Other Visitor Arrivals	4.2	-6.3	11.0	5.4	1.4	1.1

Note: Source is UHERO. Figures for 2017 Income are UHERO estimates. Figures for 2018 - 2020 are forecasts.

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