

HAWAI'I'S ECONOMIC FORECAST

FIN Economic and Budget Briefing
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Outlook: National

December 2025 world economic growth projections

Economy	2020	2021	2022	2023	2024	2025	2026
USA	-2.1	6.2	2.5	2.9	2.8	1.9	1.9
Canada	-5.0	6.0	4.6	1.8	1.0	1.4	1.1
Japan	-4.2	2.7	1.0	1.2	0.1	1.2	0.7
S. Korea	-0.7	4.6	2.7	1.6	2.0	1.0	2.0
Hong Kong	-6.5	6.5	-3.7	3.2	2.5	3.1	2.1
Taiwan	3.4	6.6	2.6	1.3	3.7	6.3	2.7
China	2.3	8.6	3.1	5.4	5.0	4.9	4.3
United Kingdom	-10.0	8.5	5.1	0.3	1.1	1.4	1.0
Germany	-4.1	3.9	1.8	-0.9	-0.5	0.3	1.1
France	-7.4	6.9	2.7	1.4	1.2	0.8	0.9
Euro area	-6.0	6.4	3.5	0.4	0.9	1.3	1.1
Australia	-2.0	5.4	4.1	2.0	1.1	1.8	2.2
Brazil	-3.3	4.8	3.0	3.2	3.4	2.4	1.6

Source : Blue Chip Economic Indicators, December 10, 2025 (forecasts); St. Louis Fed (historical data); World Bank (historical data)

Outlook: National

What's driving the US Economy?



Growth Accelerators

1. AI Capital Expenditure Boom
 - Investment in data centers up 44% YoY, \$371 billion, 0.4% of GDP
2. Strong Consumption from High-Income Households:
 - Real spending by top income quartile +16.7% since 2018 vs +7.9% lower-income
3. Strong Asset Markets and Wealth Effect
 - Household net worth reached \$167.3 T in Q2 2025 (+6.3% YoY)
 - Source: St Louis Fed, Fed Board of Governors
 - S&P500 +15.1% YoY as of Dec. 22, 2025
 - Source: St Louis Fed, S&P



Growth Inhibitors

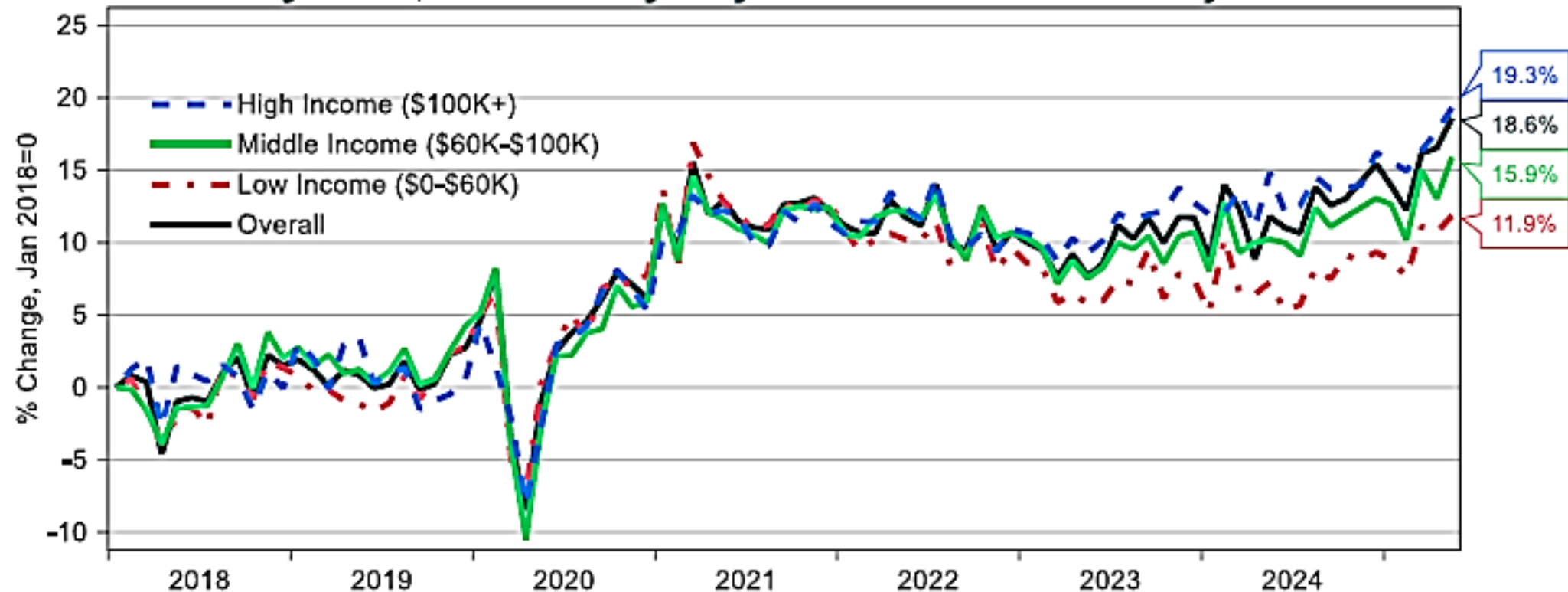
1. Tariffs and Trade Policy Uncertainty
 - Avg tariff 2.42% --> 14.36%
 - -0.5 of GDP in 2025
 - -0.4 GDP in 2026
 - \$1,300 loss in real income per HH
 - Source: The Budget Lab at Yale, Nov. 17, 2025
 - Assumes substitution by households
2. Cooling Labor Demand
 - Job openings down to 7.2M (Mar 2025) from 8.1M last year
3. Immigration and Labor Supply Constraints
 - Foreign-born labor force participation has generally been lower during 2025
 - Source: St Louis Fed, BLS

Unknowns: Inflation, interest rates, AI productivity boom, federal policy

Outlook: National

High income households are driving consumption growth

Figure 1. Growth of average retail spending, excluding motor vehicles and parts, overall and decomposed by household income
Jan 2018–May 2025, Seasonally Adjusted and Inflation Adjusted



Source: Numerator, Retail Spending by Household Income, June 17, 2025

Forecast: State

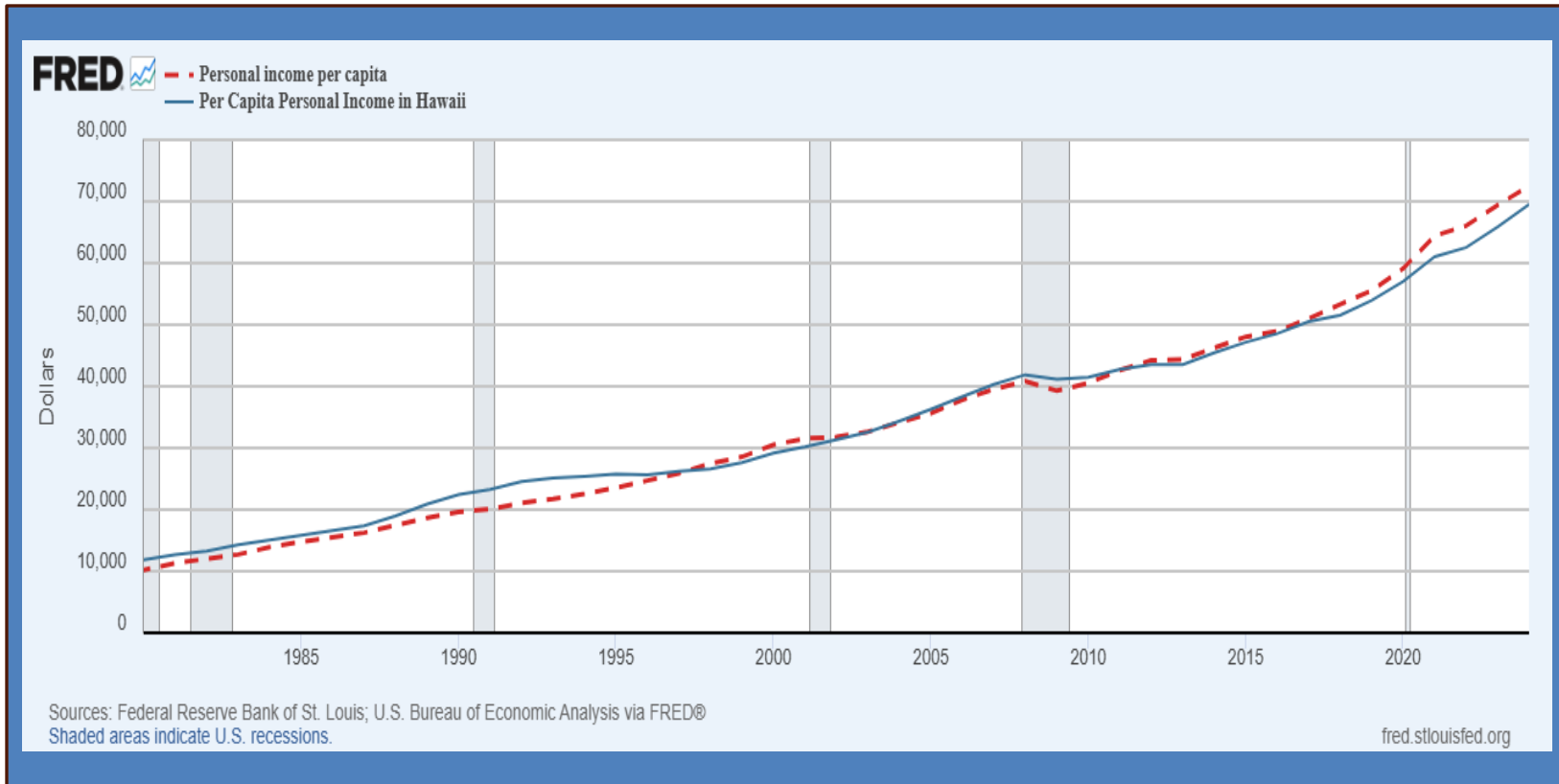
ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2023 TO 2028

Economic Indicators	2023	2024 1/	2025	2026	2027	2028
	Actual		Forecast			
Total population (thousands) 2/	1,441	1,446	1,448	1,450	1,452	1,454
Visitor arrivals (thousands) 3/	9,658	9,701	9,698	9,761	9,851	9,960
Visitor expenditures (million dollars) 3/	20,866	20,720	21,550	22,070	22,687	23,370
Honolulu CPI-U (1982-84=100)	326.0	340.2	349.7	359.2	368.0	376.4
Non-agricultural wage & salary jobs (thousands)	632.3	639.0	648.1	654.2	659.8	665.3
Gross domestic product (million dollars)	111,740	117,627	122,725	127,937	133,269	138,885
Real gross domestic product (millions of chained 2017\$)	89,642	91,878	93,308	94,703	96,353	98,184
Annual Percentage Change						
Total population	0.1	0.3	0.1	0.1	0.1	0.1
Visitor arrivals	4.6	0.5	0.0	0.7	0.9	1.1
Visitor expenditures	5.4	-0.7	4.0	2.4	2.8	3.0
Honolulu CPI-U	3.1	4.4	2.8	2.7	2.5	2.3
Non-agricultural wage & salary jobs	2.3	1.1	1.4	0.9	0.9	0.8
Gross domestic product	6.9	5.3	4.3	4.2	4.2	4.2
Real gross domestic product	2.0	2.5	1.6	1.5	1.7	1.9
Gross domestic product deflator	4.8	2.7	2.7	2.7	2.4	2.3

Key Takeaways

- Population growth remains flat
- Income growth subdued due to tariffs and policy uncertainty, accelerating in 2027 and 2028
- Inflation is elevated in 2026
- Visitor arrivals growth lower in 2025/2026, increasing in 2027/2028

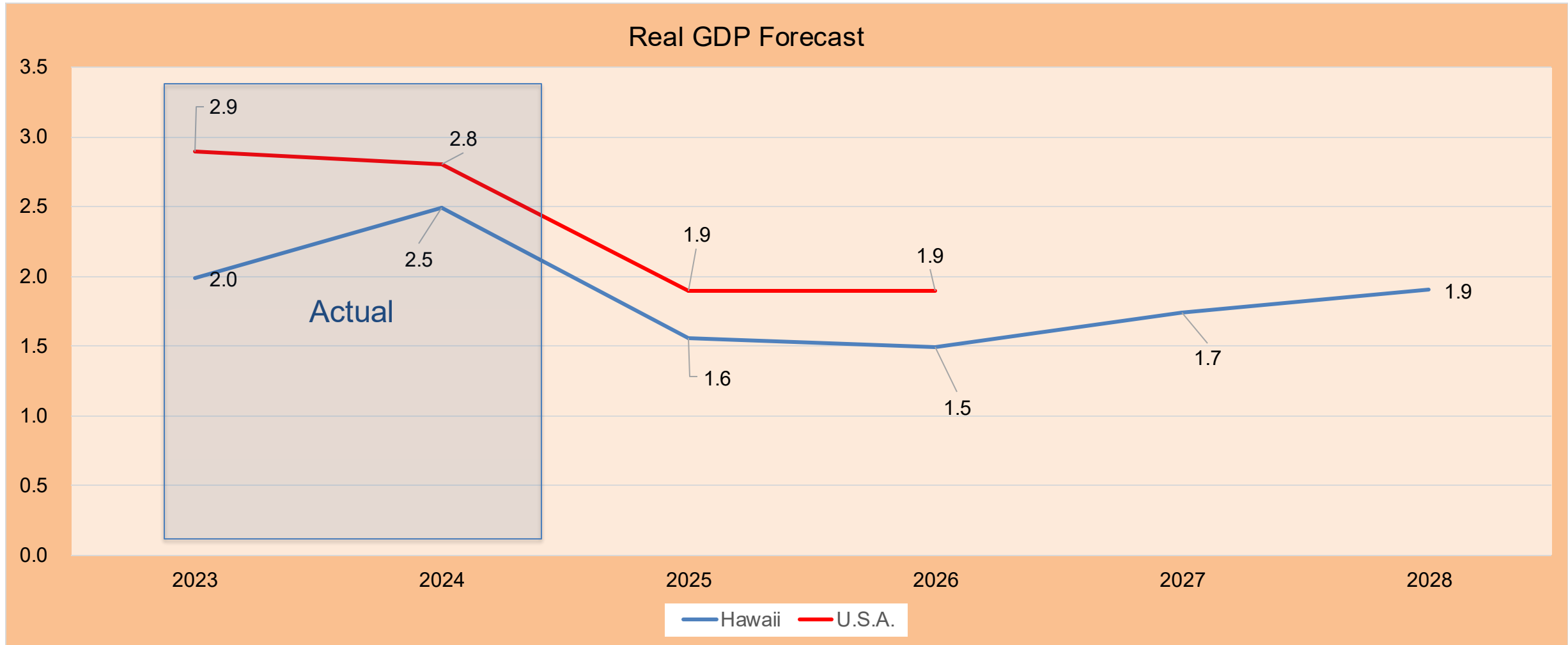
Hawai'i's income relative to the U.S. has gradually declined over the last 40 years



Year	Per-Capita Personal Income Hawaii	Per-Capita Personal Income USA	Difference
1980	\$11,872	\$10,207	+16%
2024	\$69,520	\$73,207	-5%

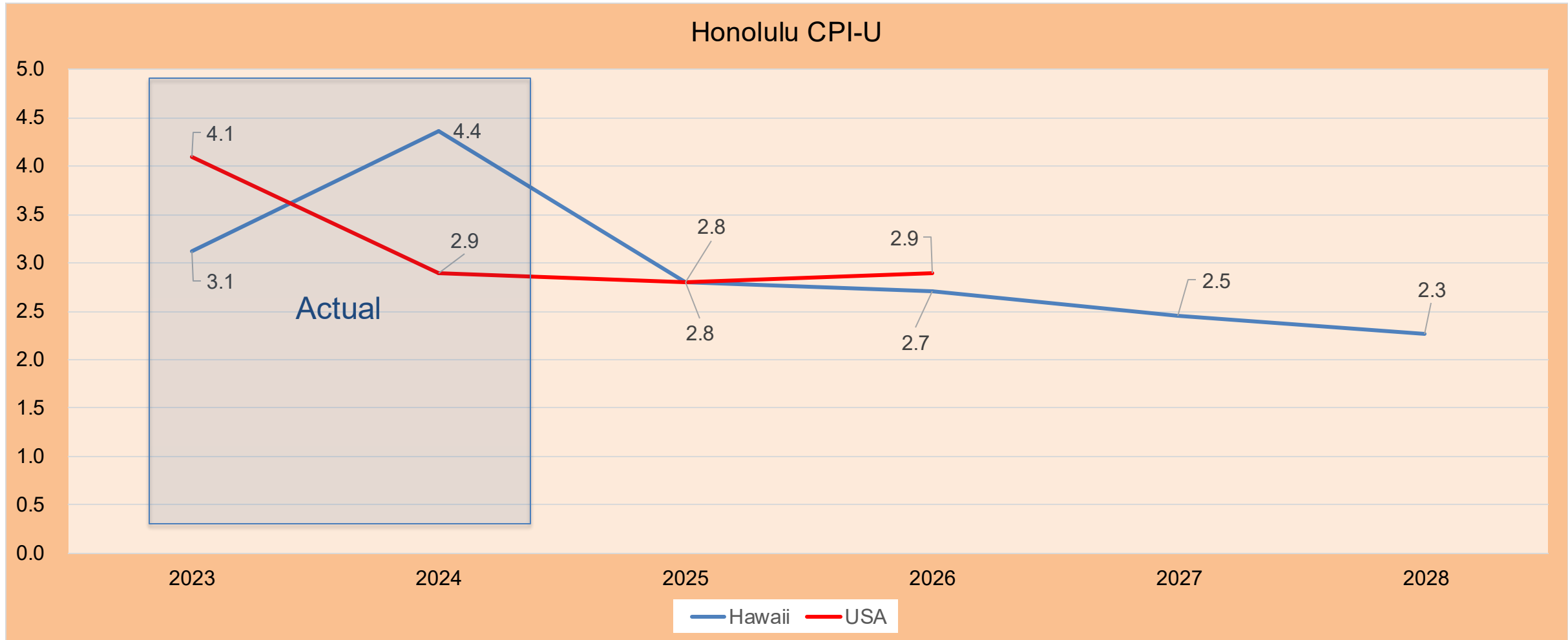
Forecast: State

GDP growth is forecasted to dip in 2026 and gradually recover in 2027 and 2028.
HI is forecasted to grow less than the nation

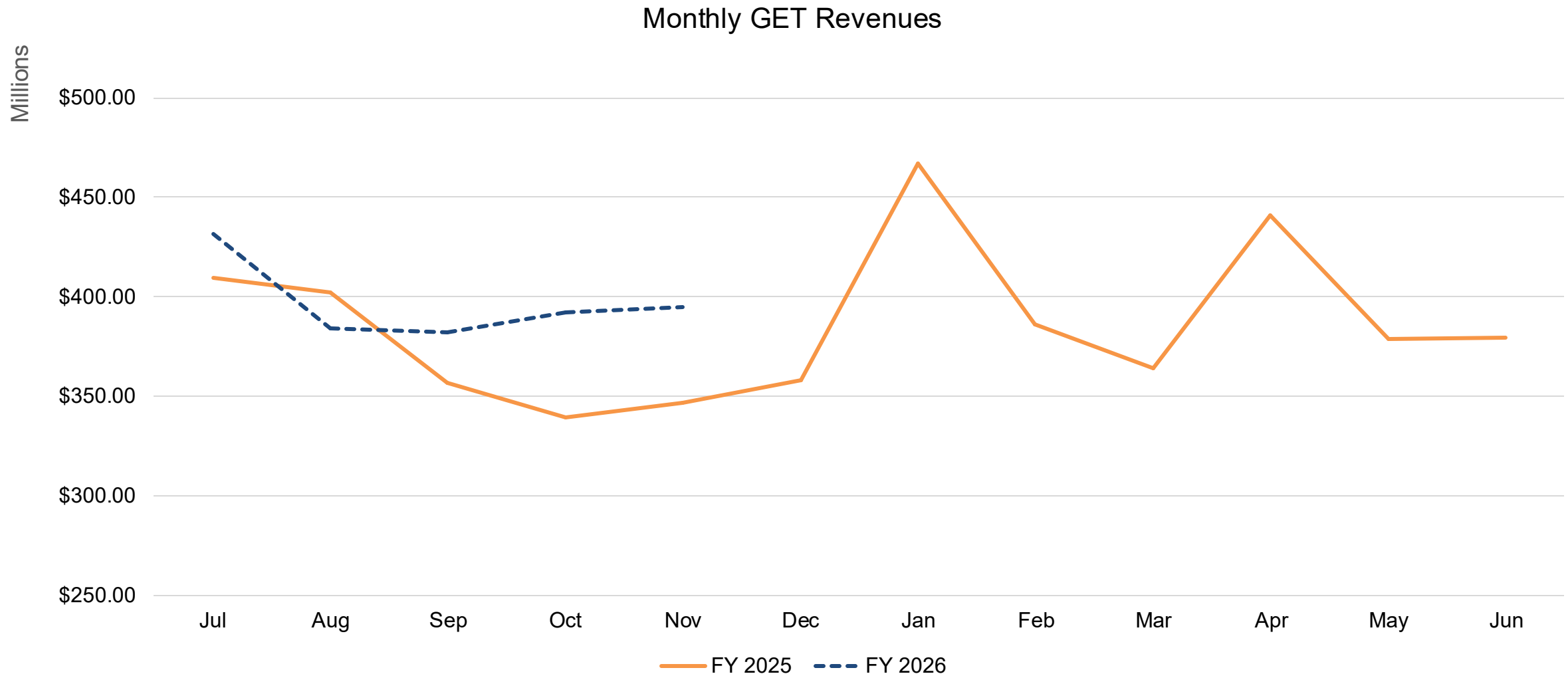


Forecast: State

Inflationary pressures are highest in the end of 2025 and first half of 2026 as the impacts of tariffs make there way through the economy



GET Collections are improving relative to 2025



Adjusted tax collections signal a resilient economy

Unadjusted

Tax Collections

YTD through Nov 2025

- General Fund -10.5%
- GE Tax +7.3%
- Individual Income Tax -15.4%

Adjusted

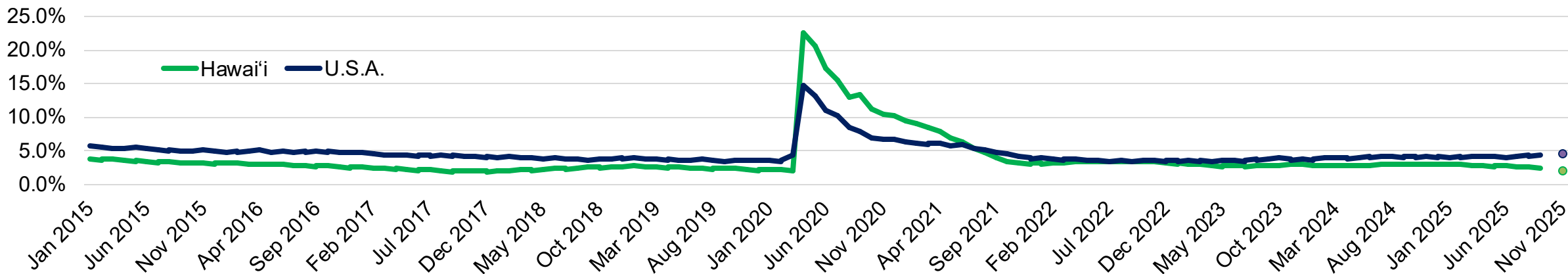
Tax Collections

YTD through Nov 2025

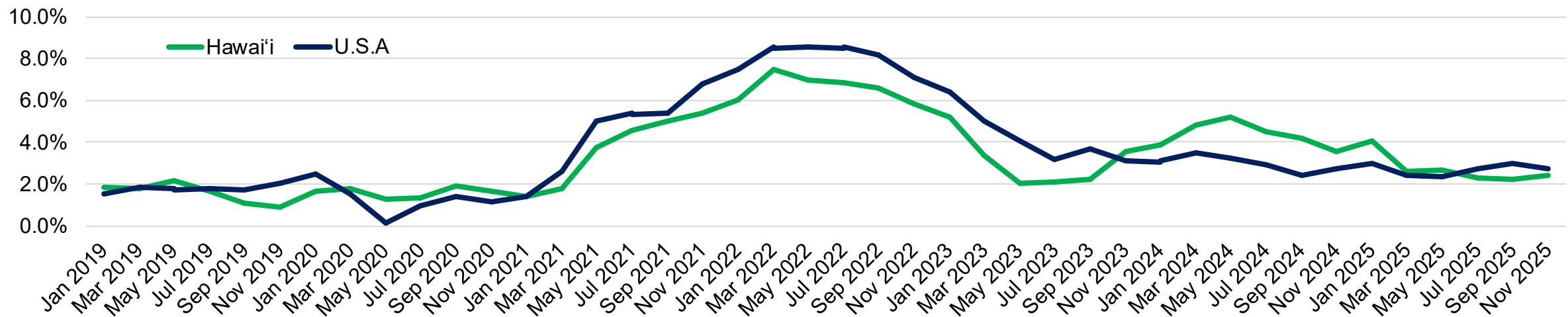
Adjusted for IIT Tax Cut and
Sep 24 estate tax payment

- General Fund +3.0%
- GE Tax +7.3%
- Individual Income Tax +2.2%

**As of November, HI unemployment rate was 2.4% points lower than the nation
(2.2% vs 4.6%)**

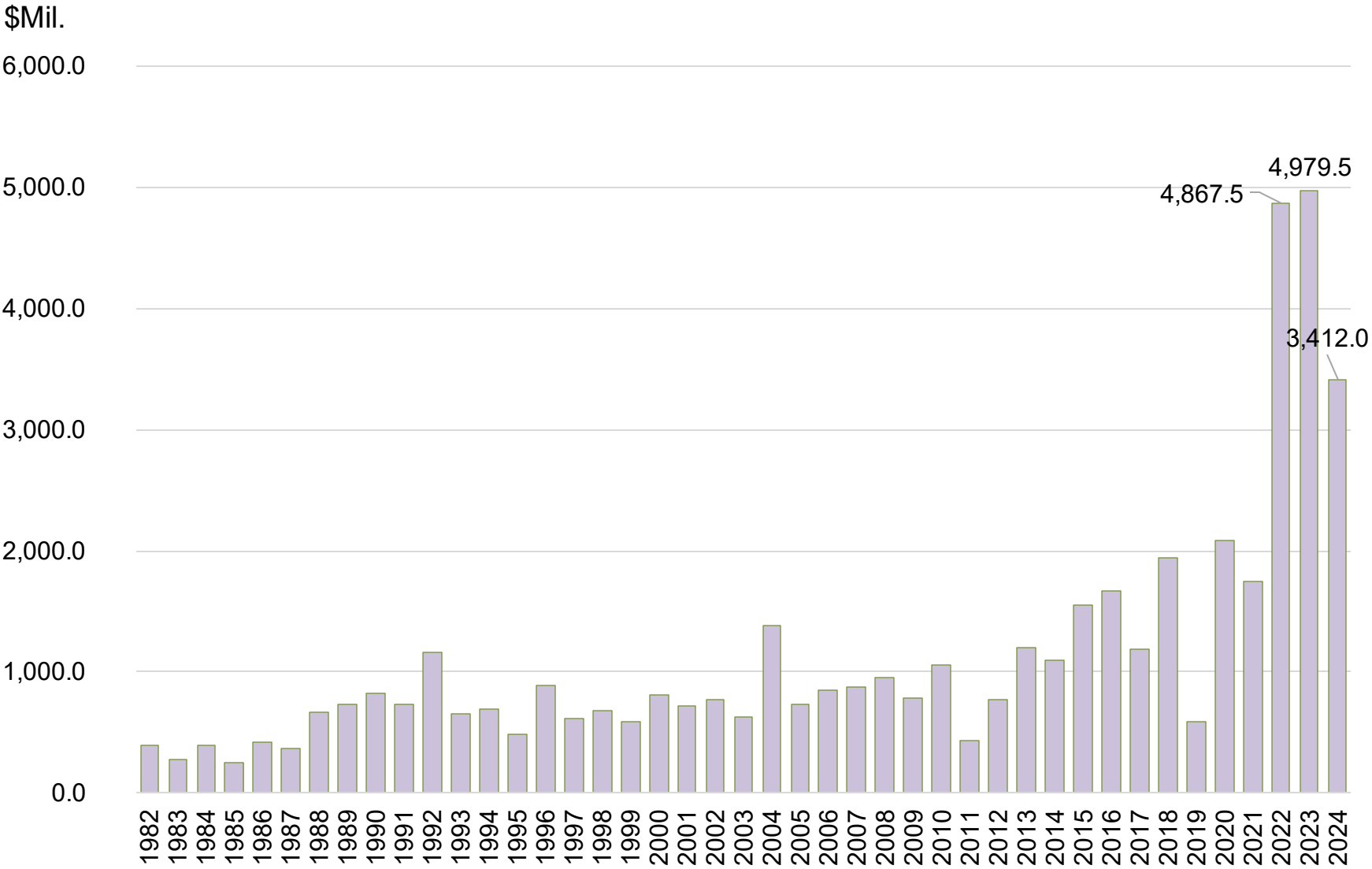


**As of November, HI consumer inflation was 0.3% point lower than the nation
(2.4% vs 2.7%)**



Source: BLS

Government contract awarded increased significantly in 2022 and 2023, then moderated in 2024



One Big Beautiful Bill Act

- Signed into law: July 4, 2025
- Keeps TCJA provisions, New tax cuts start 2025; SNAP/Medicaid reductions phase in late 2026, 2027

Stimulative Provisions

- 1) Raises standard deduction, expands Child Tax Credit
- 2) No tax on tips or overtime (2025-2028)
- 3) Raises SALT \$10K -> \$40K (2025-2029)
- 4) Full expensing of investment deduction

Contractionary Provisions

- 1) **Medicaid:** work requirement and reduced federal match (Jan 1, 2027)
- 2) **SNAP:** Tighter eligibility & funding cuts (late 2026, early 2027)

OBBA will mildly boost HI's economy in 25/26 and impose a small drag 27-29

Year	SALT (\$M)	Tips/OT (\$M)	CTC (\$M)	Tax Gains(+) (\$M)	SNAP (-) (\$M)	Medicaid (-) (\$M)	Total Cuts (-) (\$M)	Net Transfer to HHs (\$M)	% HI GDP
2025	79	110	40	229	-10	-0	-10	219	0.12
2026	79	110	40	229	-30	-25	-55	174	0.01
2027	79	110	40	229	-203	-399	-602	-373	-0.19
2028	79	110	40	229	-214	-421	-634	-405	-0.19
2029	79	0	40	119	-217	-427	-644	-525	-0.24

Source: DBEDT calculations

Summary

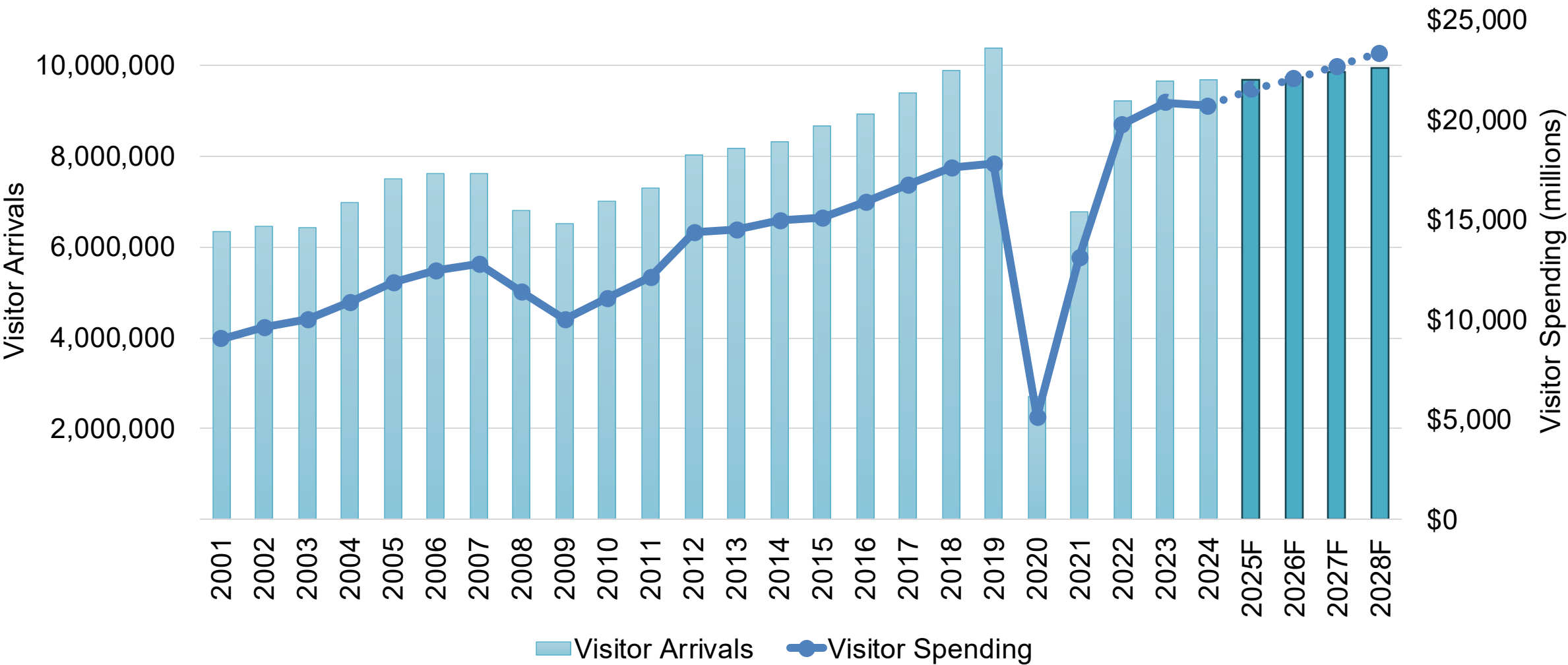
Slower but positive growth in 2026 with a gradual rebound in 2027 and 2028

- The **US economy** proving more **resilient** than expected
- **Higher Inflation** expected in **2026** due to tariffs and then recedes
- Flat visitor arrivals but **stronger visitor spending** from high income consumers will help
- **Construction and other non-tourism sectors** driving growth
- **AI productivity boom** expected in 2028 of 0.5%
- **Hawaii** growing **less** than the rest of country
- Fiscal transfers having a **small negative drag** in 27 and 28

Potential Risks

- **Stagflation:** high inflations forced FED to increase rates despite low growth
- **Asset market meltdown**, reducing consumer spending
- **Policy uncertainty**
- **Tariffs** cause more economic pain than expected
- Consumer and business **sentiment** does not improve

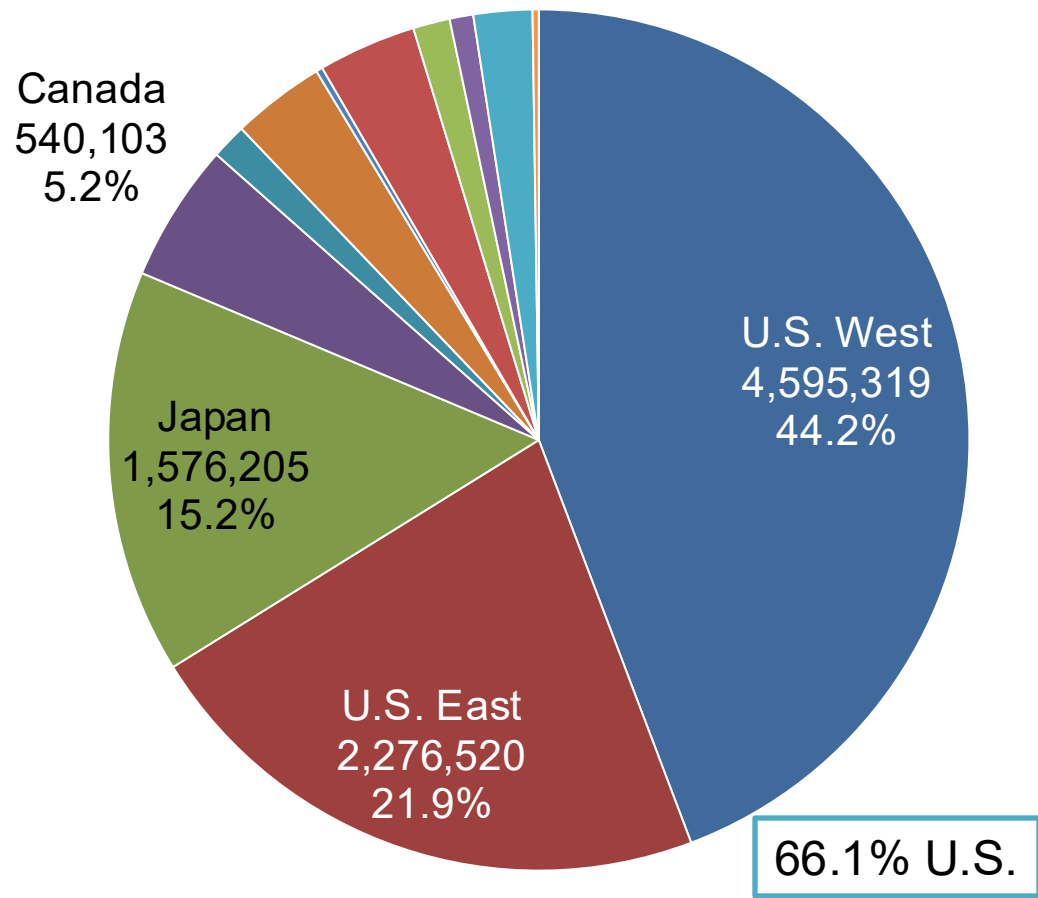
Visitor arrivals flat with moderate spending growth



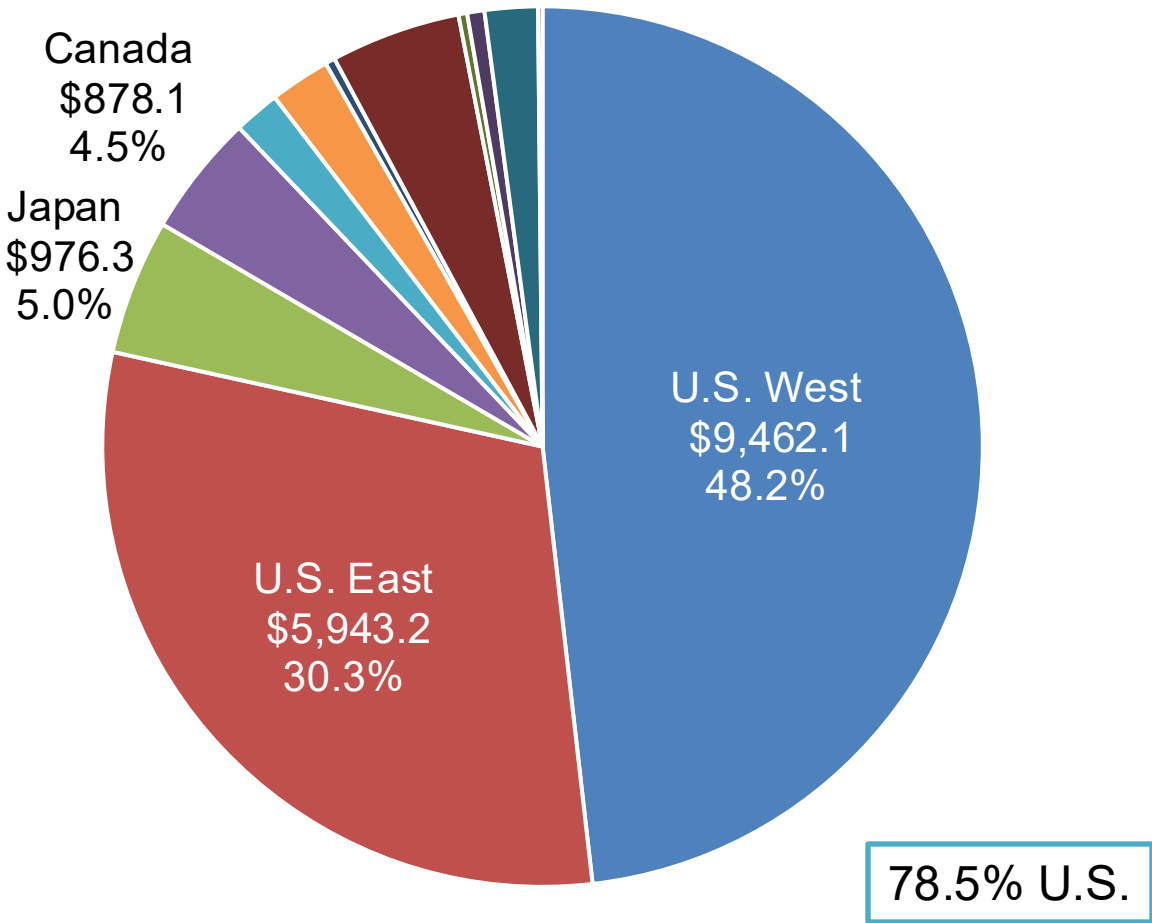
Source: DBEDT, Q4 2025 Forecast

Hawai'i Visitor Arrival Mix

2019



YTD November 2025P



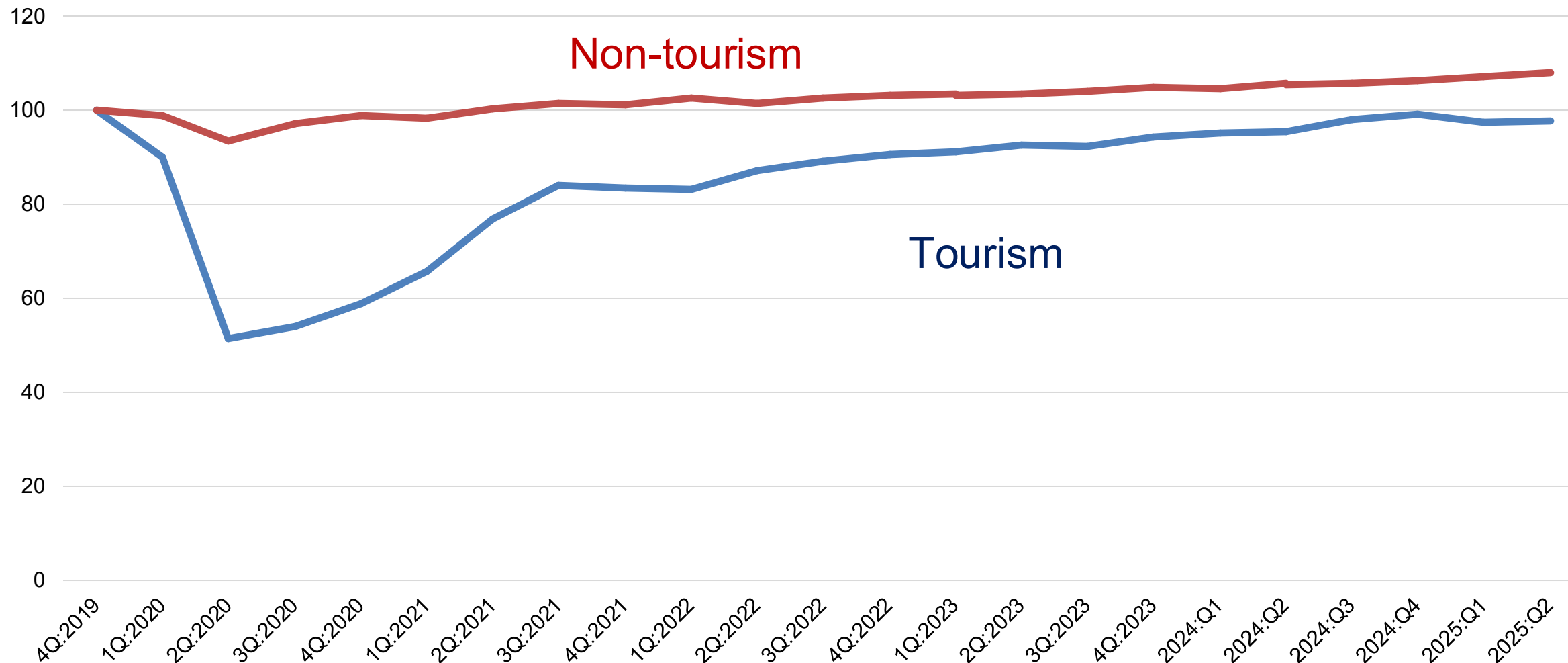
Source: DBEDT, Note: 2025 figures are preliminary

Tourism Recovery by Market – YTD November

	Visitor Arrivals			Visitor Expenditures		
Market	YTD 2019	YTD 2025	Recovery Rate	YTD 2019	YTD 2025	Recovery Rate
TOTAL	9,434,232	8,774,096	93.0%	\$ 15,963.9	\$ 19,636.7	123.0%
U.S. West	4,176,799	4,577,631	109.6%	\$ 6,254.4	\$ 9,462.1	151.3%
U.S. East	2,061,163	2,170,555	105.3%	\$ 4,195.9	\$ 5,943.2	141.6%
Japan	1,439,570	659,993	45.8%	\$ 2,037.4	\$ 976.3	47.9%
Canada	475,922	347,712	73.1%	\$ 951.9	\$ 878.1	92.2%
All Others	1,148,583	887,059	77.2%	\$ 2,470.2	\$ 2,314.4	93.7%
Cruise ship	132,195	131,147	99.2%	\$ 54.0	\$ 62.7	116.1%

Real GDP recovery by Tourism and Non-tourism sectors

(4Q:2019=100)



Source: DBEDT

Mahalo!

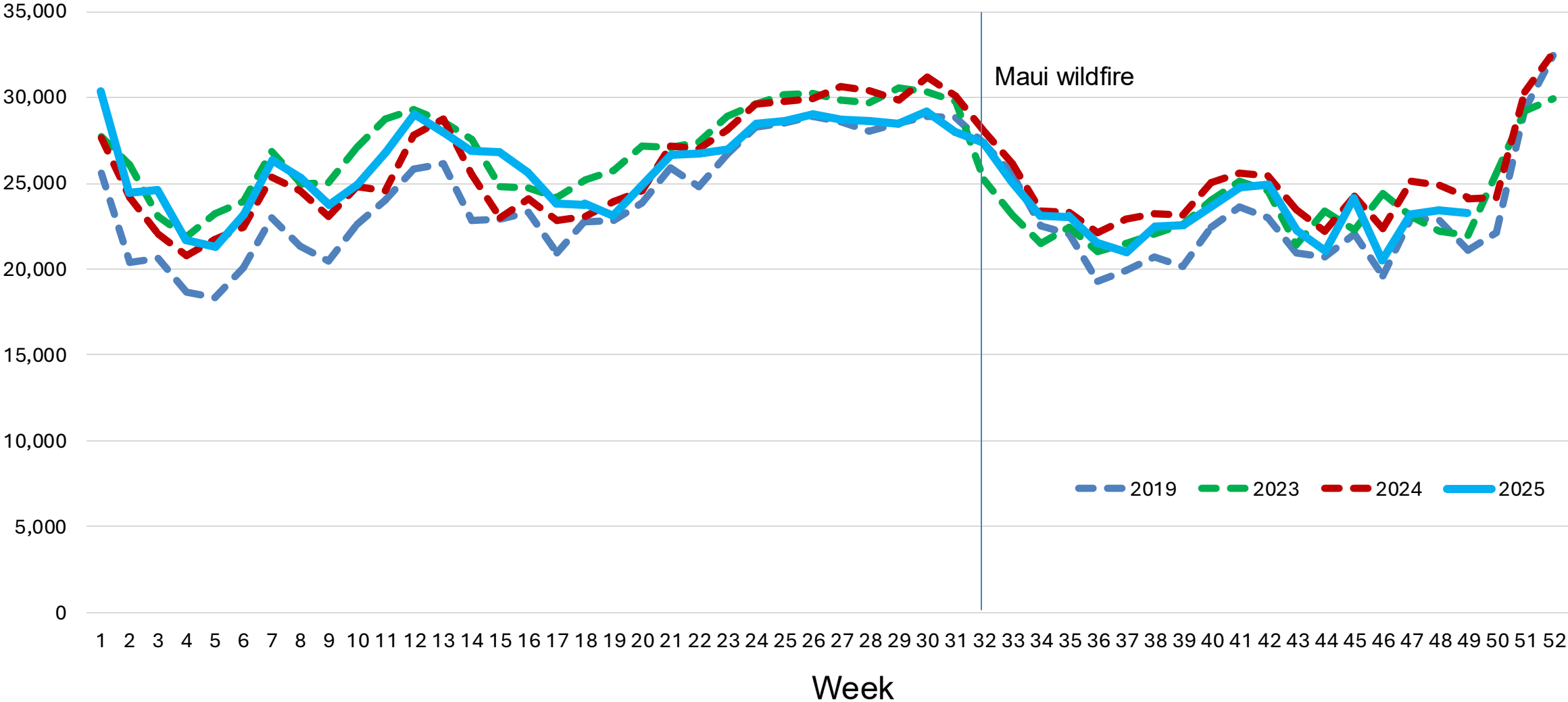


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ECONOMIC DEVELOPMENT & TOURISM

QUESTIONS PLEASE!

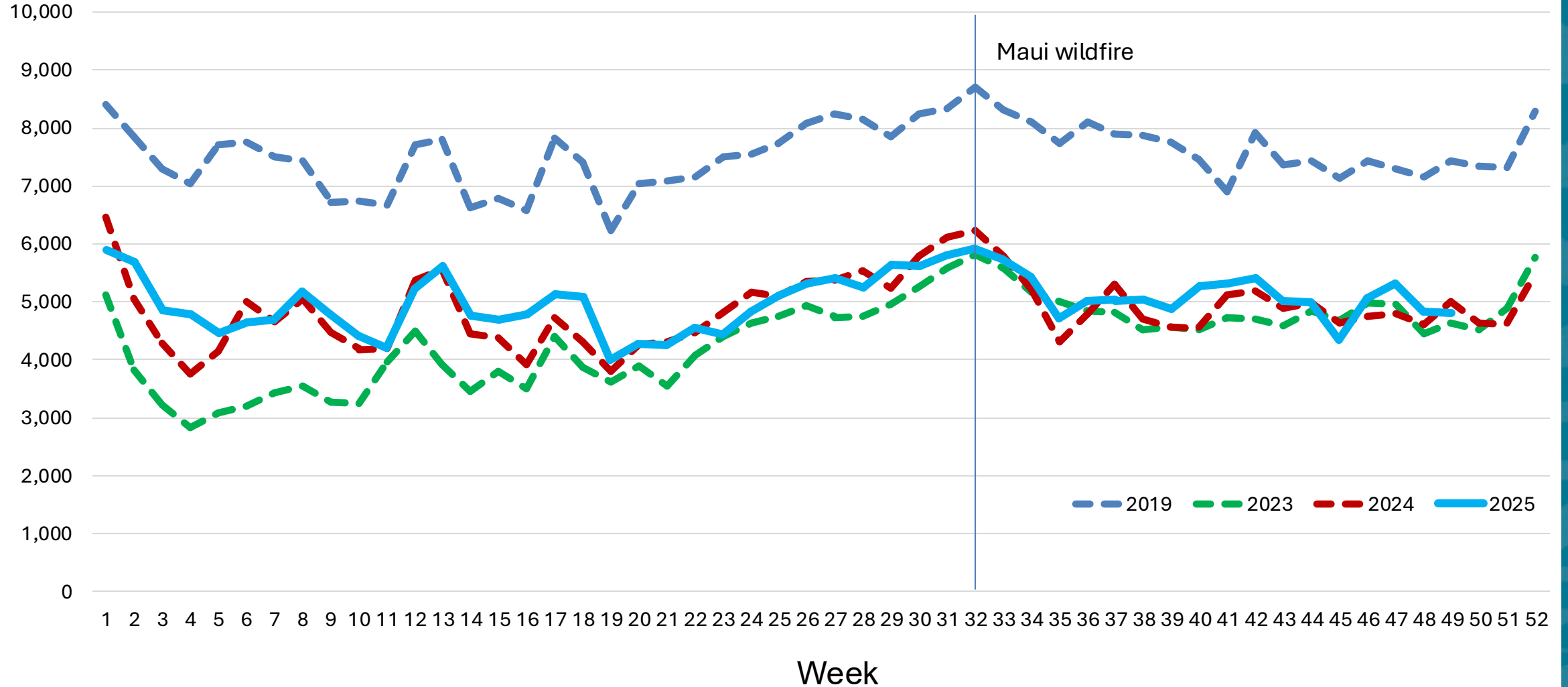


Statewide average daily domestic passenger count



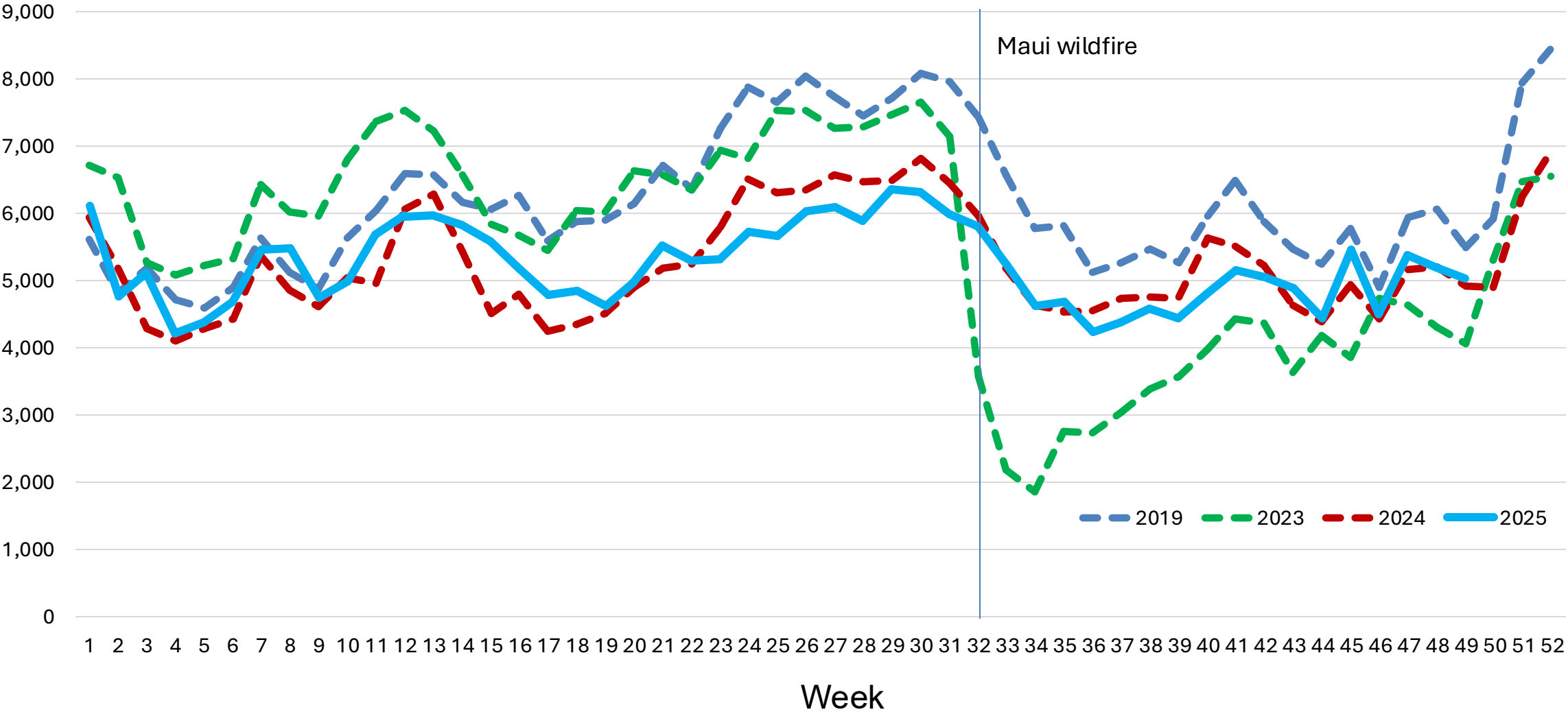
Source: DBEDT

Statewide average daily international passenger count



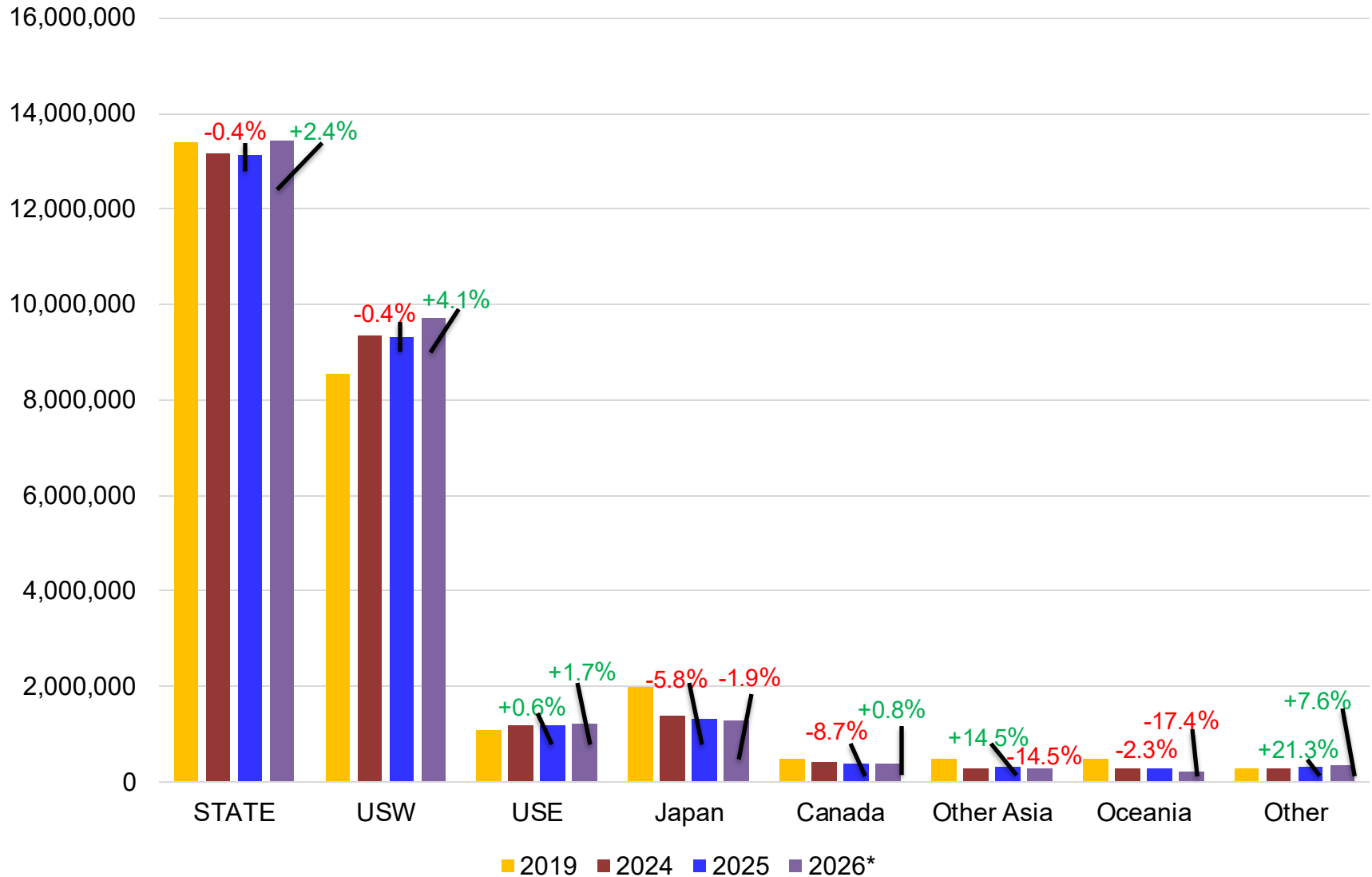
Source: DBEDT

Maui average daily domestic passenger count



Source: DBEDT

Scheduled air seats by market: 2026, 2025, 2024, and 2019

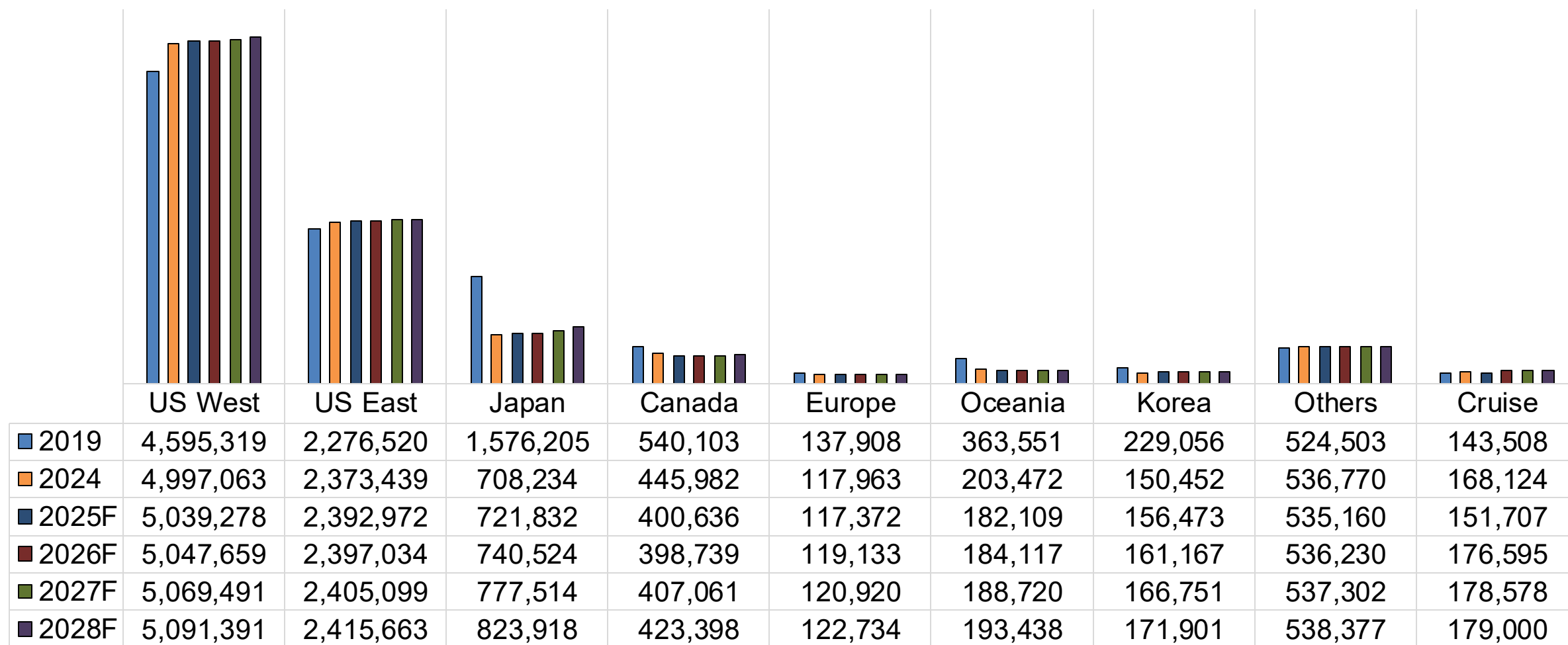


Source: Diio

*Calendar 2026 scheduled air seats is estimated based on data through November 2026 and estimated December 2026 seats

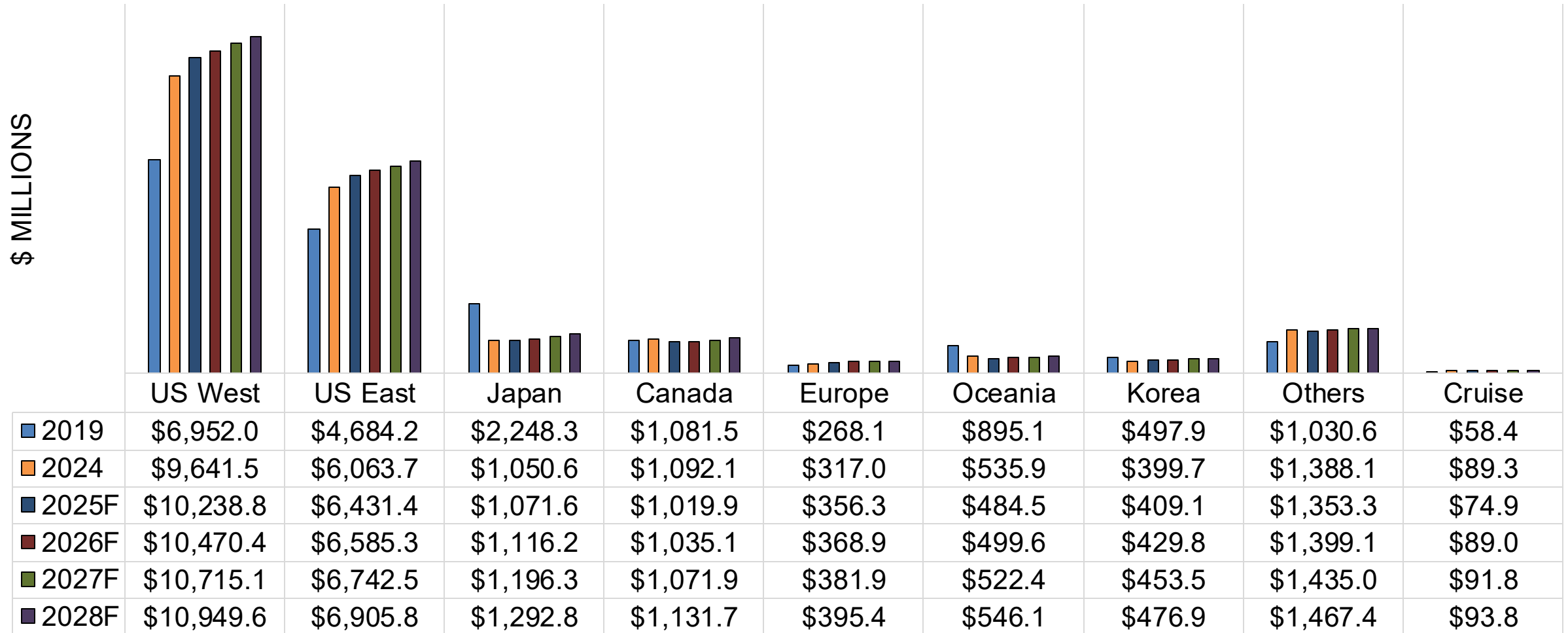


DBEDT Tourism Forecast – Visitor Arrivals



Source: DBEDT, Q4 2025 Forecast

DBEDT Tourism Forecast – Visitor Spending



Source: DBEDT, Q4 2025 Forecast