



UHERO
THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

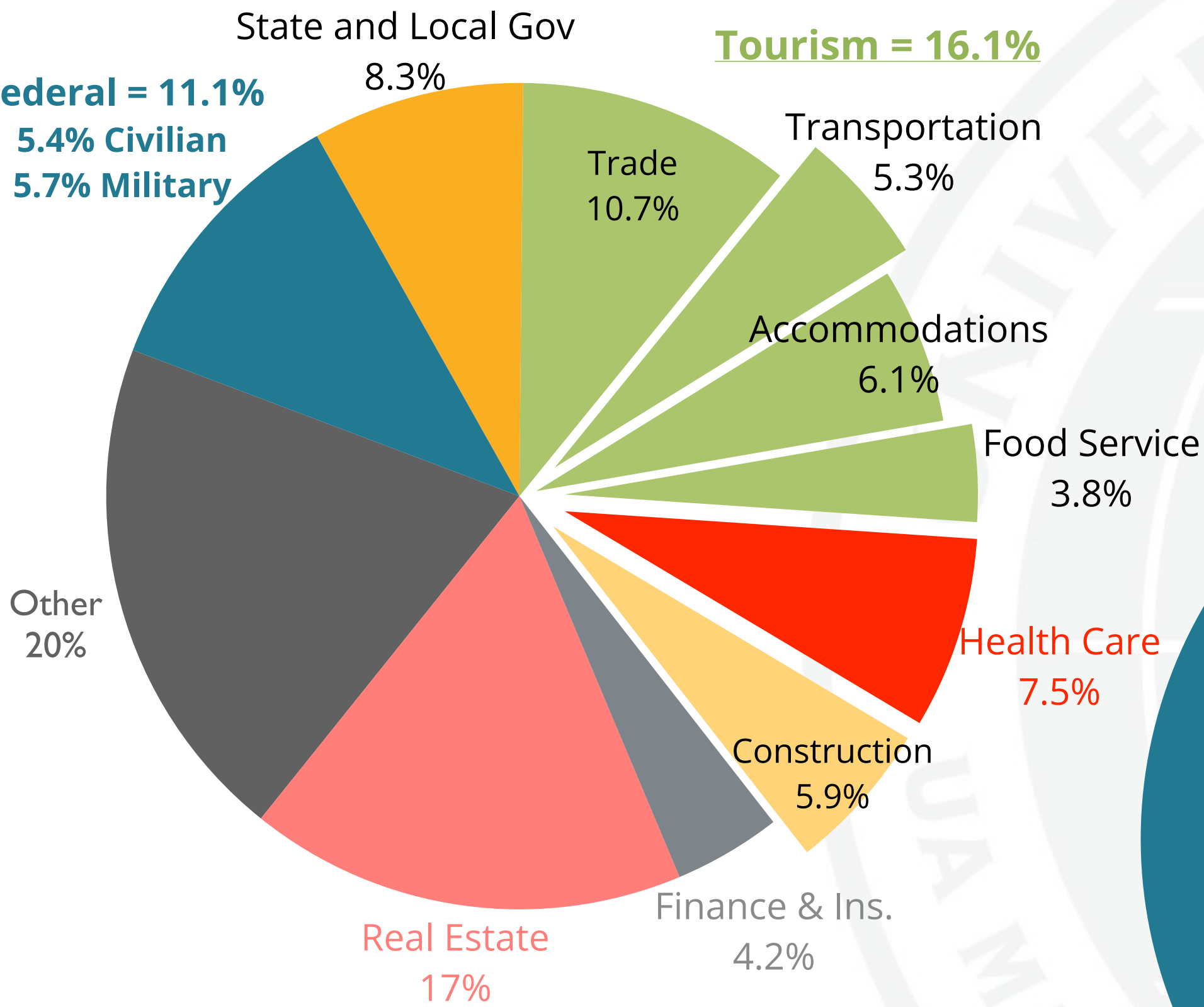
MILD RECESSION AND WEAK RECOVERY IN 2026

DR. CARL BONHAM
EXECUTIVE DIRECTOR, UHERO
PROFESSOR, DEPARTMENT OF ECONOMICS

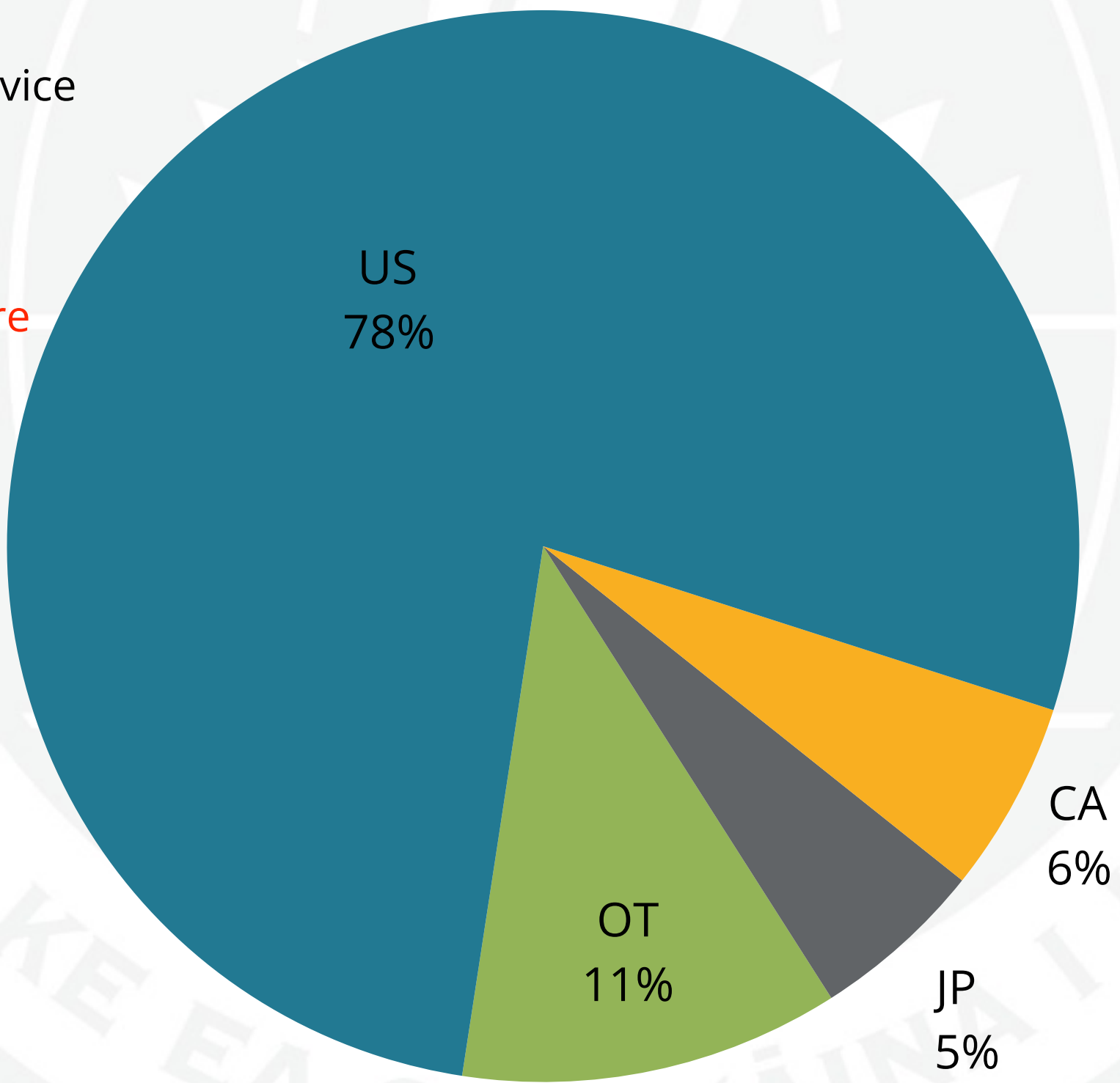
HOUSE FINANCE PRE-SESSION BRIEFING
JANUARY 8, 2026

Highly specialized and dependent on the US economy

Industry shares of 2024 GDP



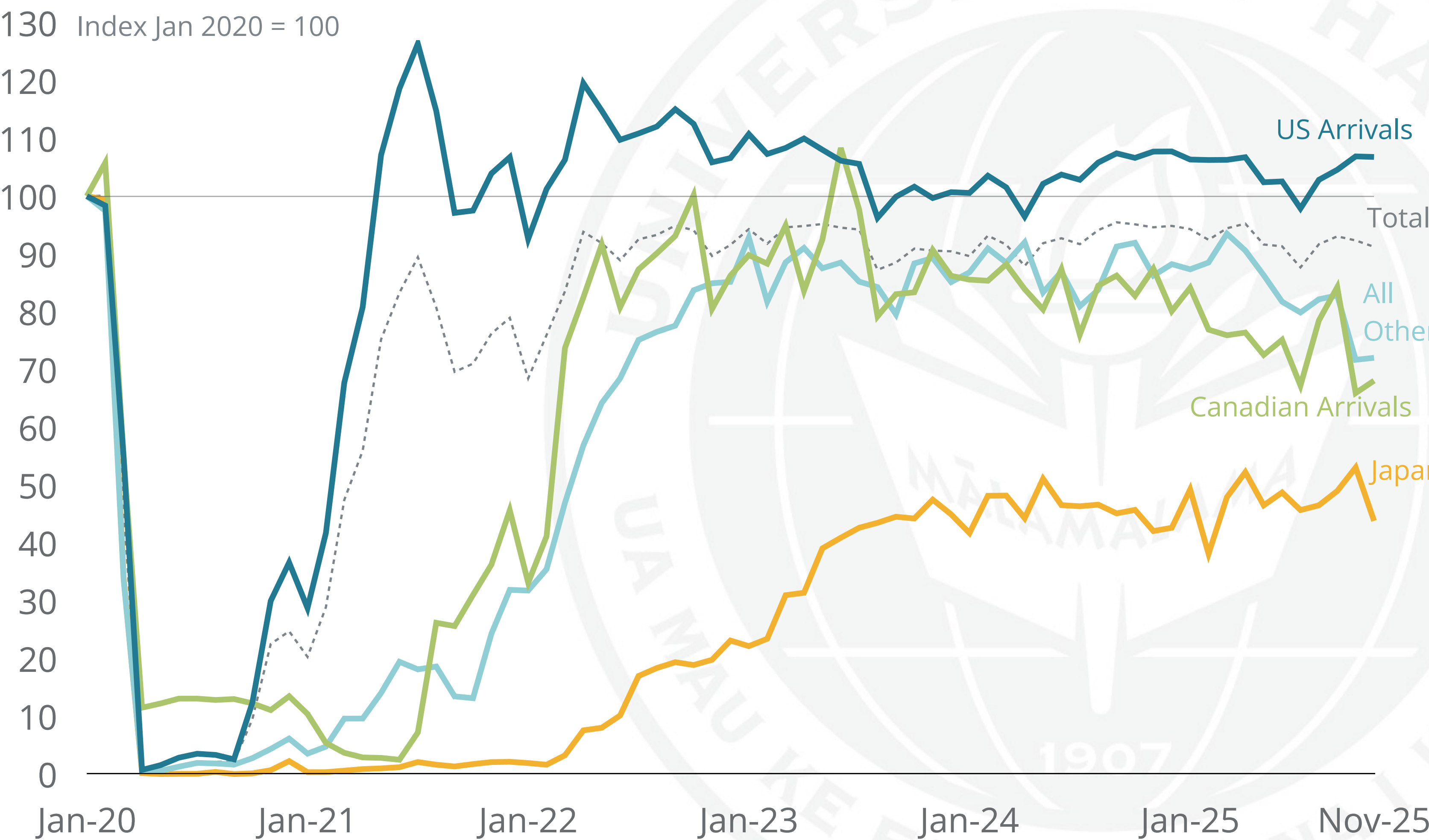
2024 Visitor Census



Source: BEA, DBEDT, UHERO.data.

Yet another look at Hawai'i's reliance on US visitors

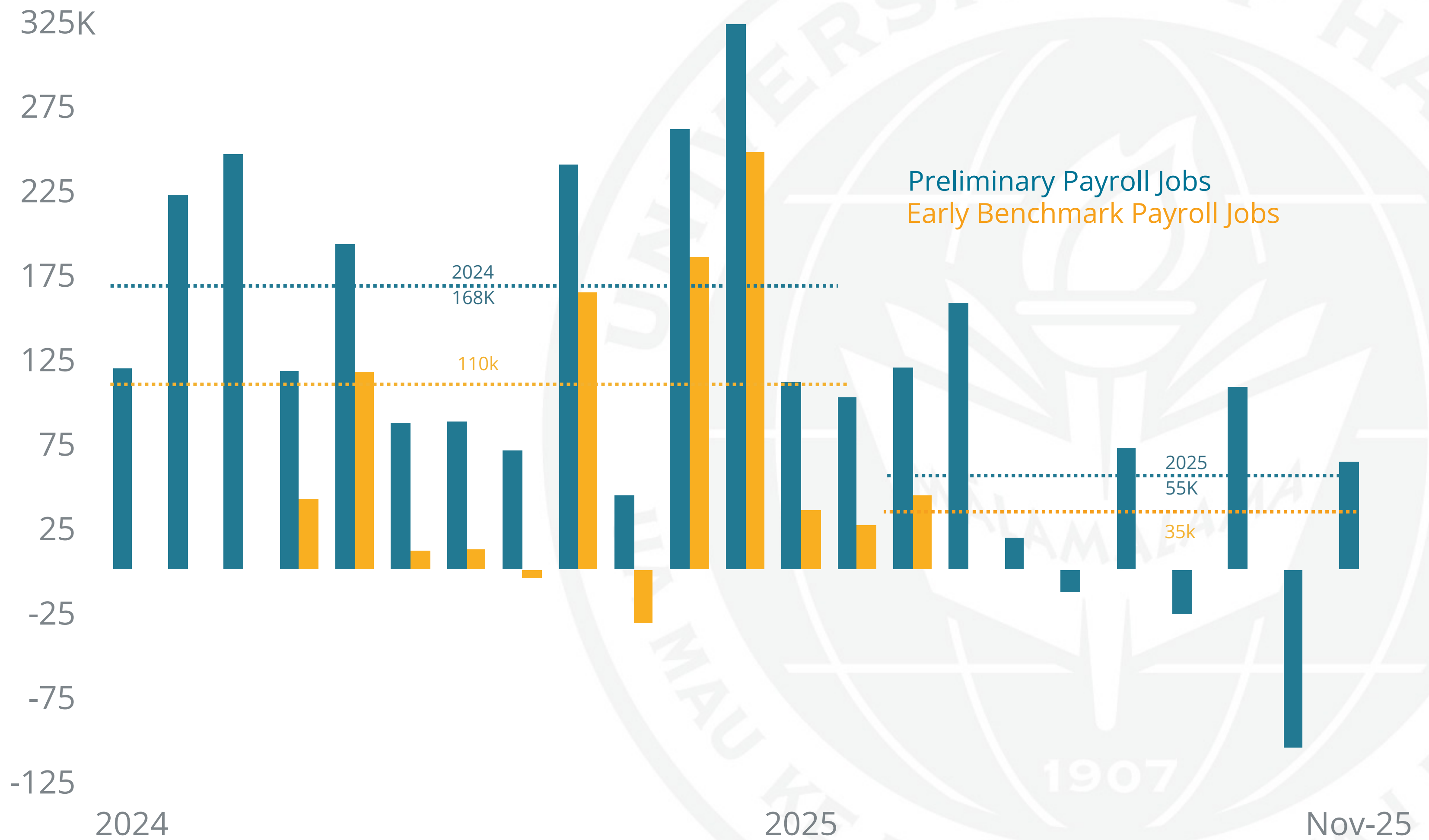
US visitors contribute 79% of total Hawai'i visitor spending



Source: HTA, UHERO.data.

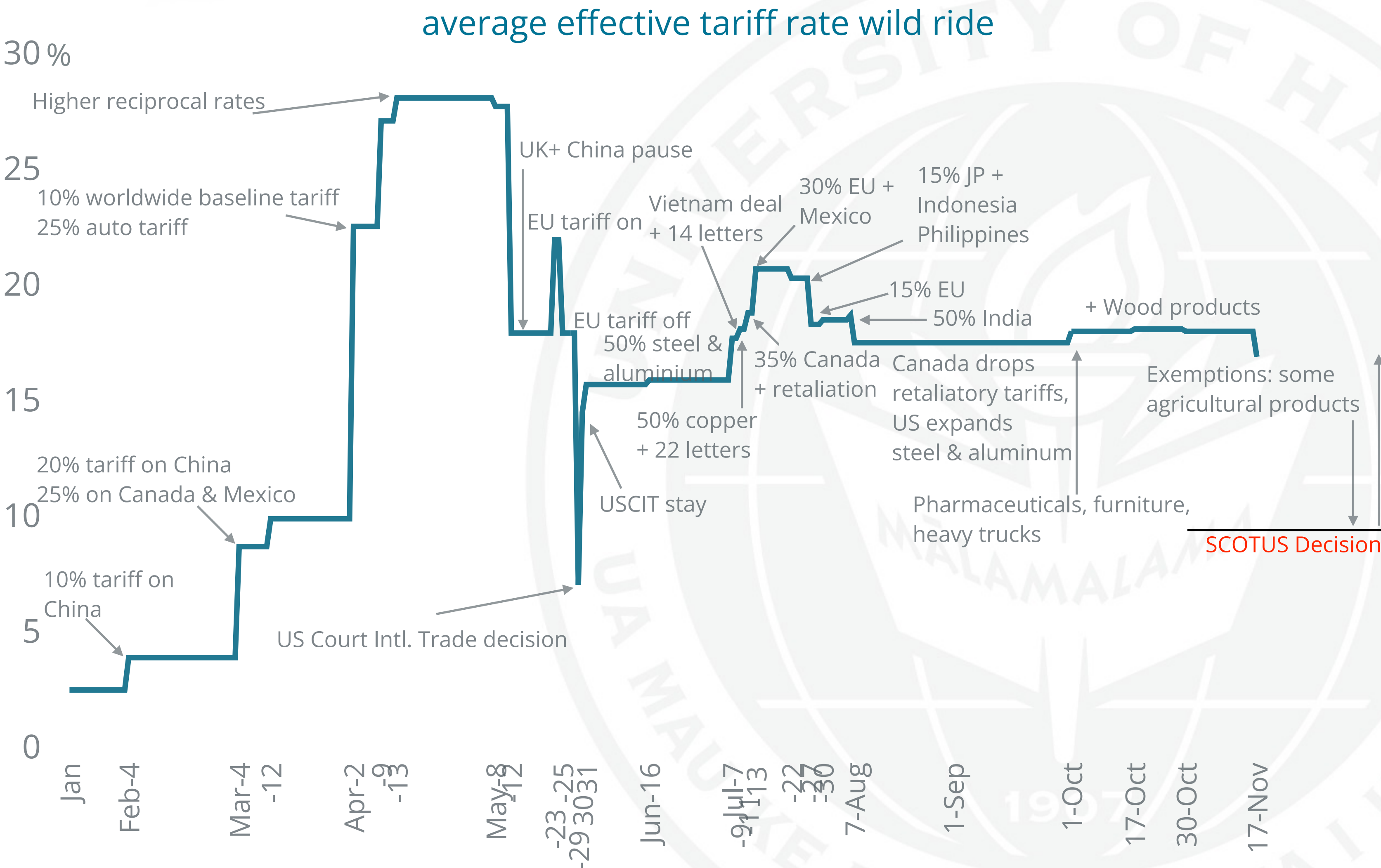
A resilient US economy has been critical for Hawai‘i

monthly change in US non farm payroll jobs



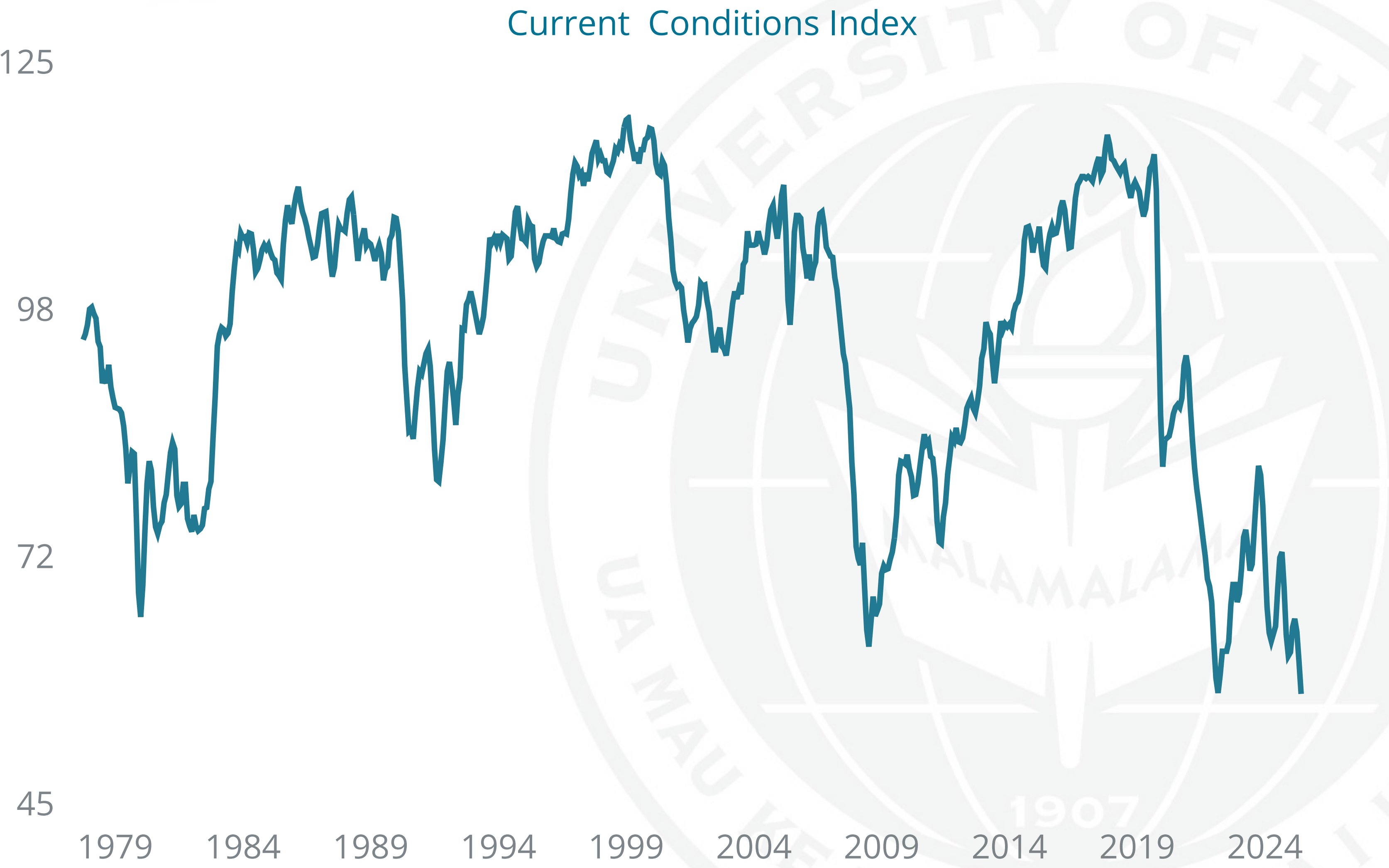
Source: BLS, UHERO early benchmark

When and where to buy, produce, invest, hire



Source: Budget Lab at Yale

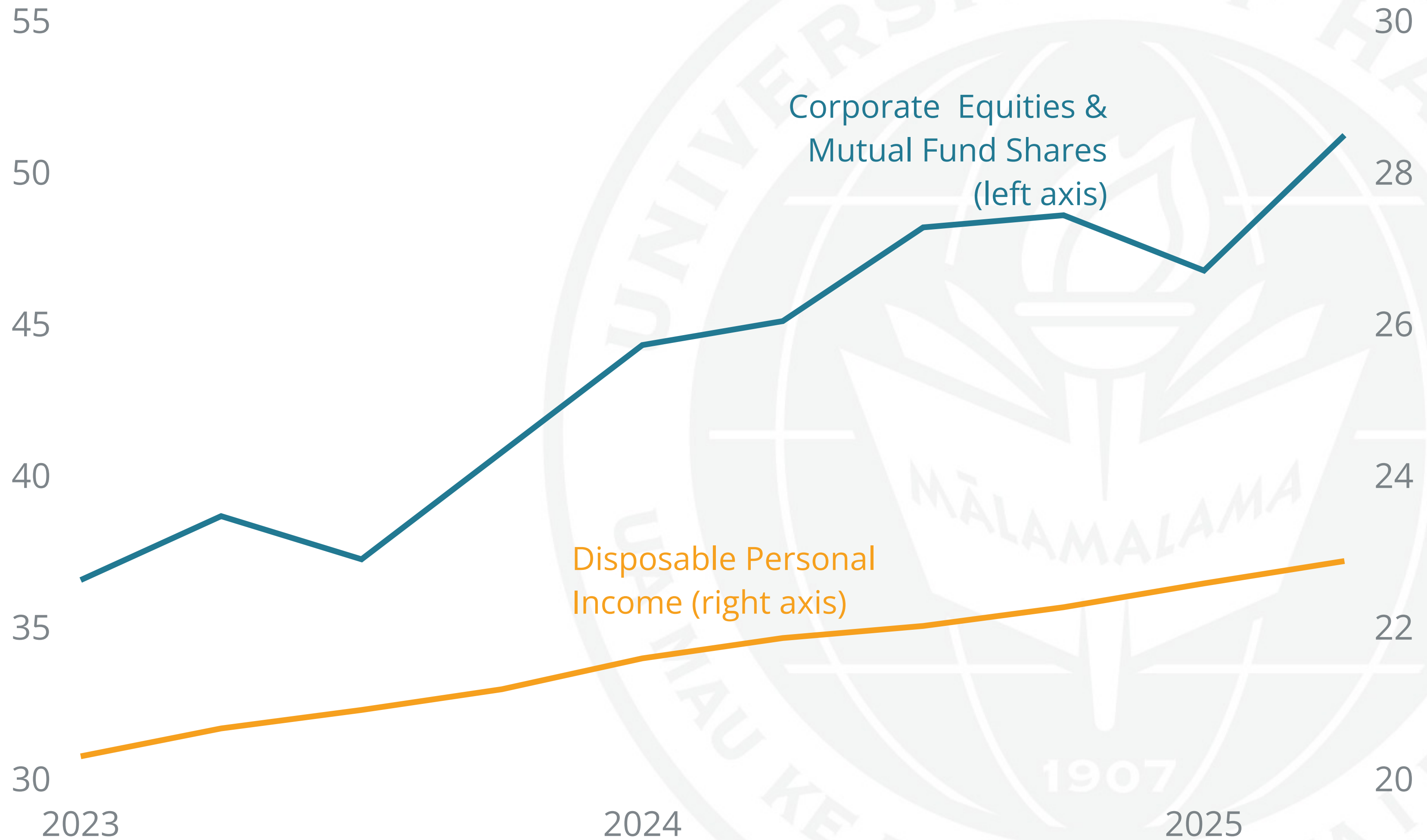
Consumers believe current conditions are worst in 40+ years!



Source: University of Michigan Survey Research Center.

Yet, stock market gains support high income spenders

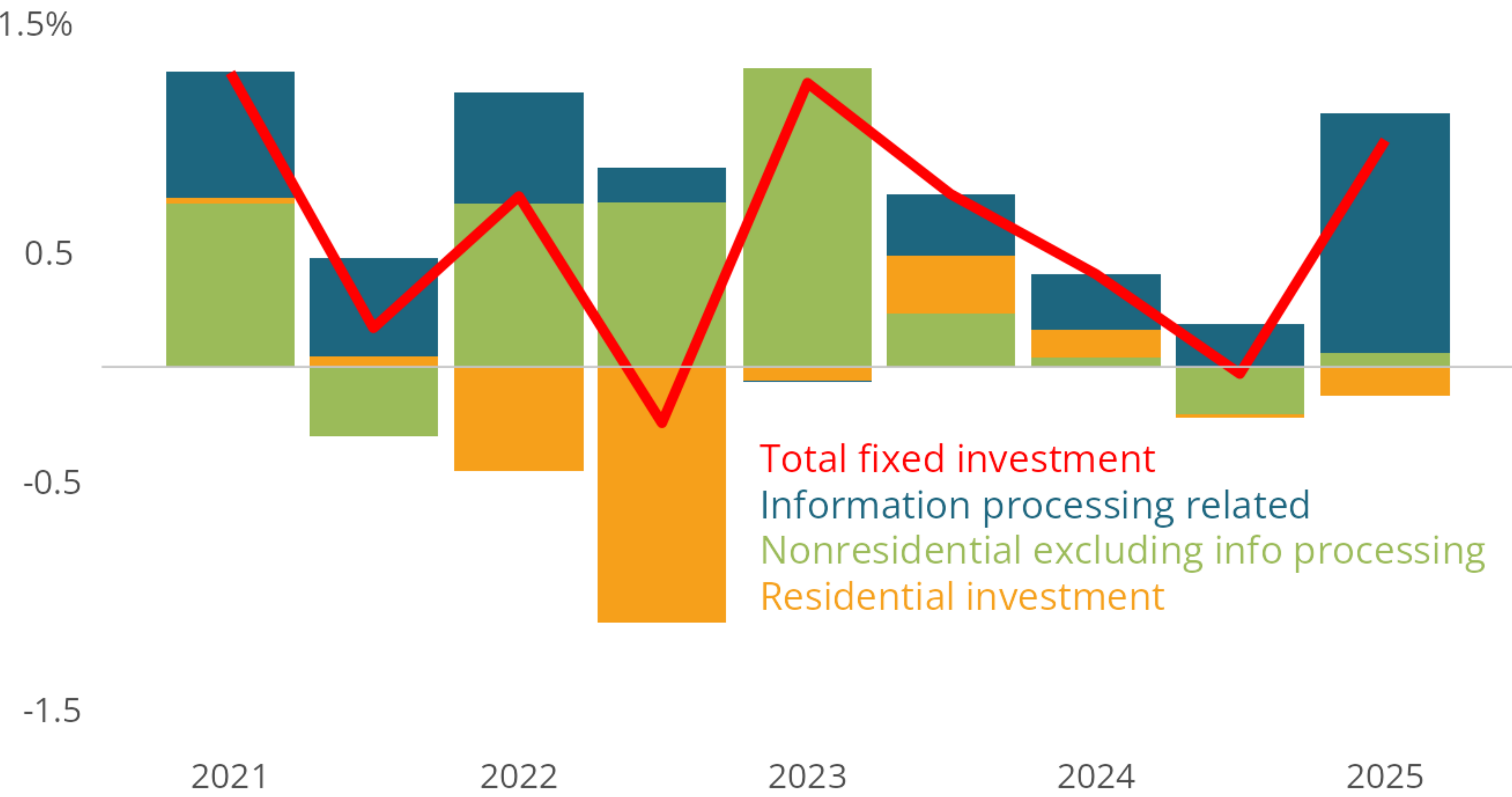
change in US personal income and stock market wealth



Source: BEA, FED.

And AI investments power capital formation

investment contributions to US real GDP growth (half-year periods, annualized).

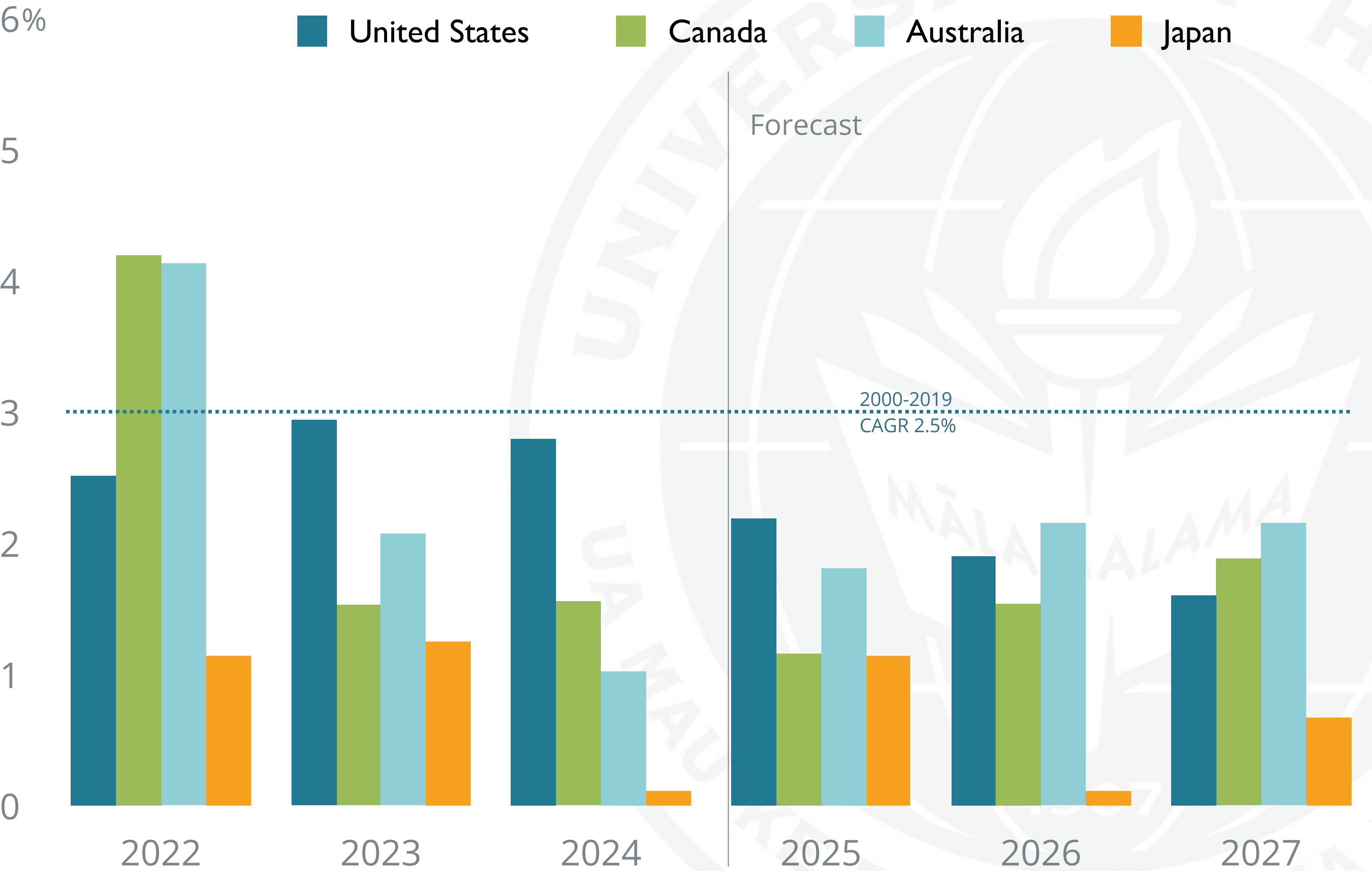


Total fixed investment
Information processing related
Nonresidential excluding info processing
Residential investment

Source: BEA, UHERO.

Headwinds outweigh tax cuts, interest rates and data centers

inflation bump should be temporary yet current policy drag is persistent



Source: UHERO forecasts.

A weak summer for tourism, fall bounce is welcome

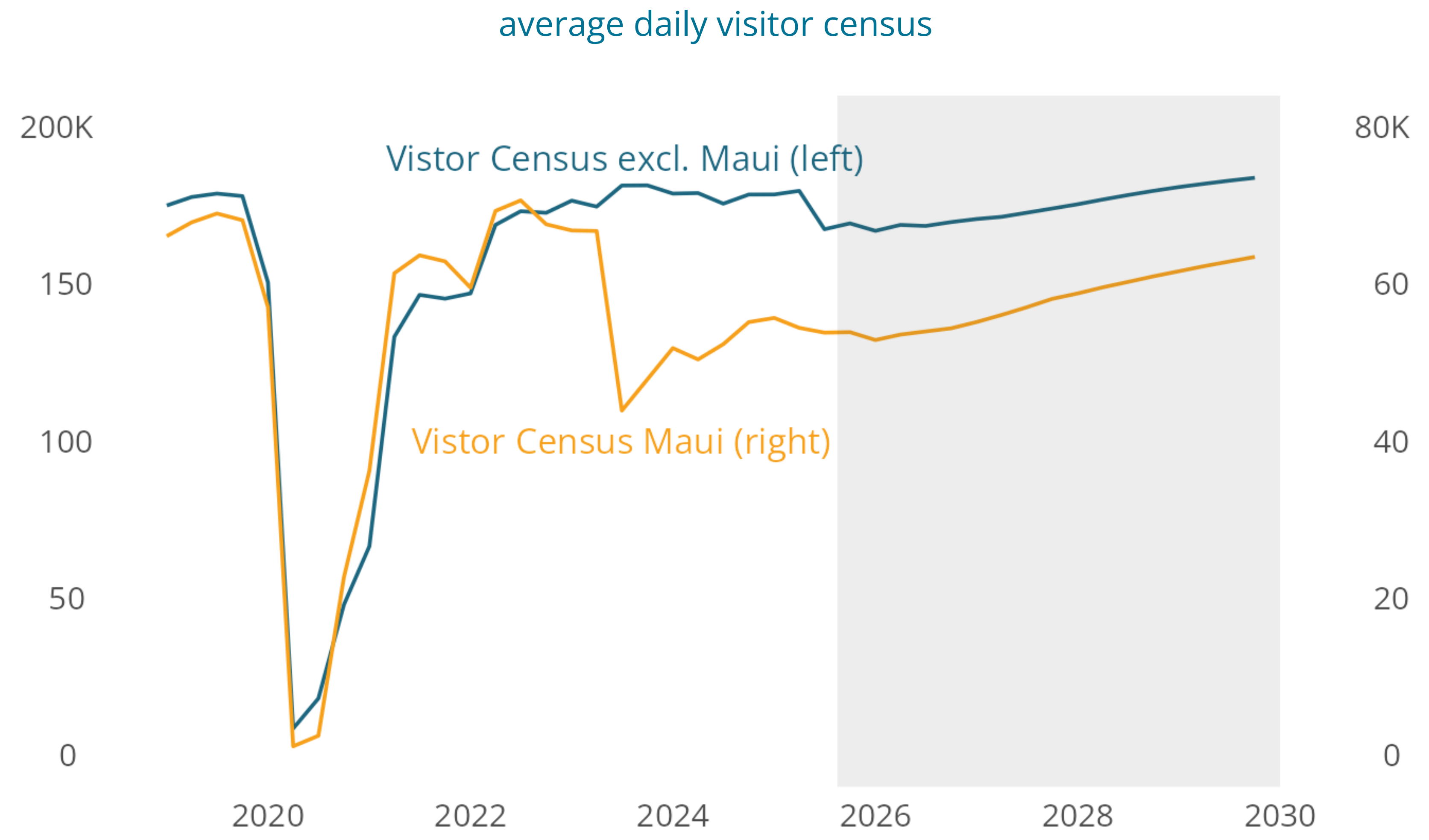
Are visitors really spending 15% more on food, entertainment and transportation?

2 B \$2024



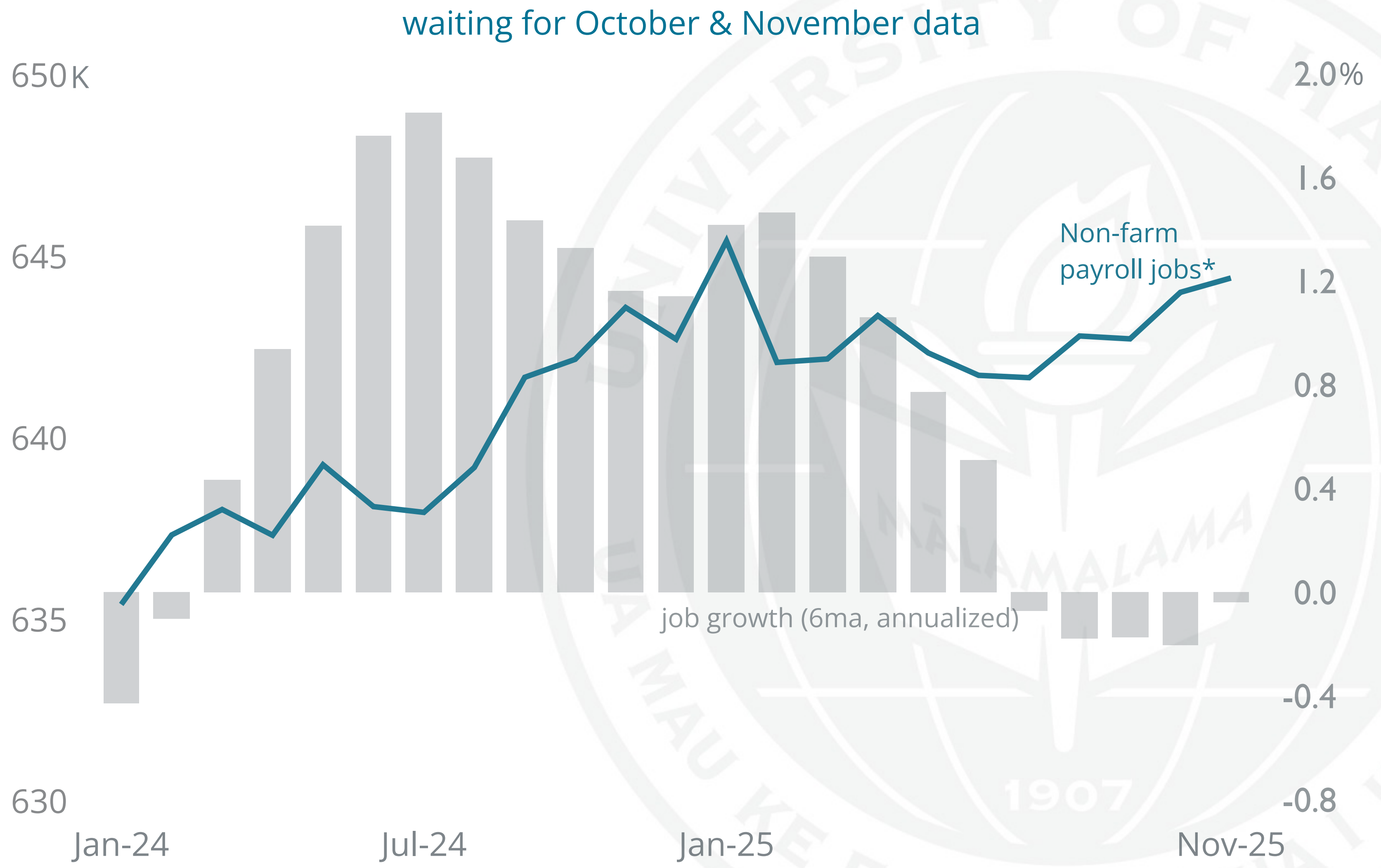
Source: DBEDT, seasonally adjusted by UHERO, deflated using Honolulu CPI.

Recovery from summer downturn will take some time



Source: DBEDT, [UHERO forecasts](#),

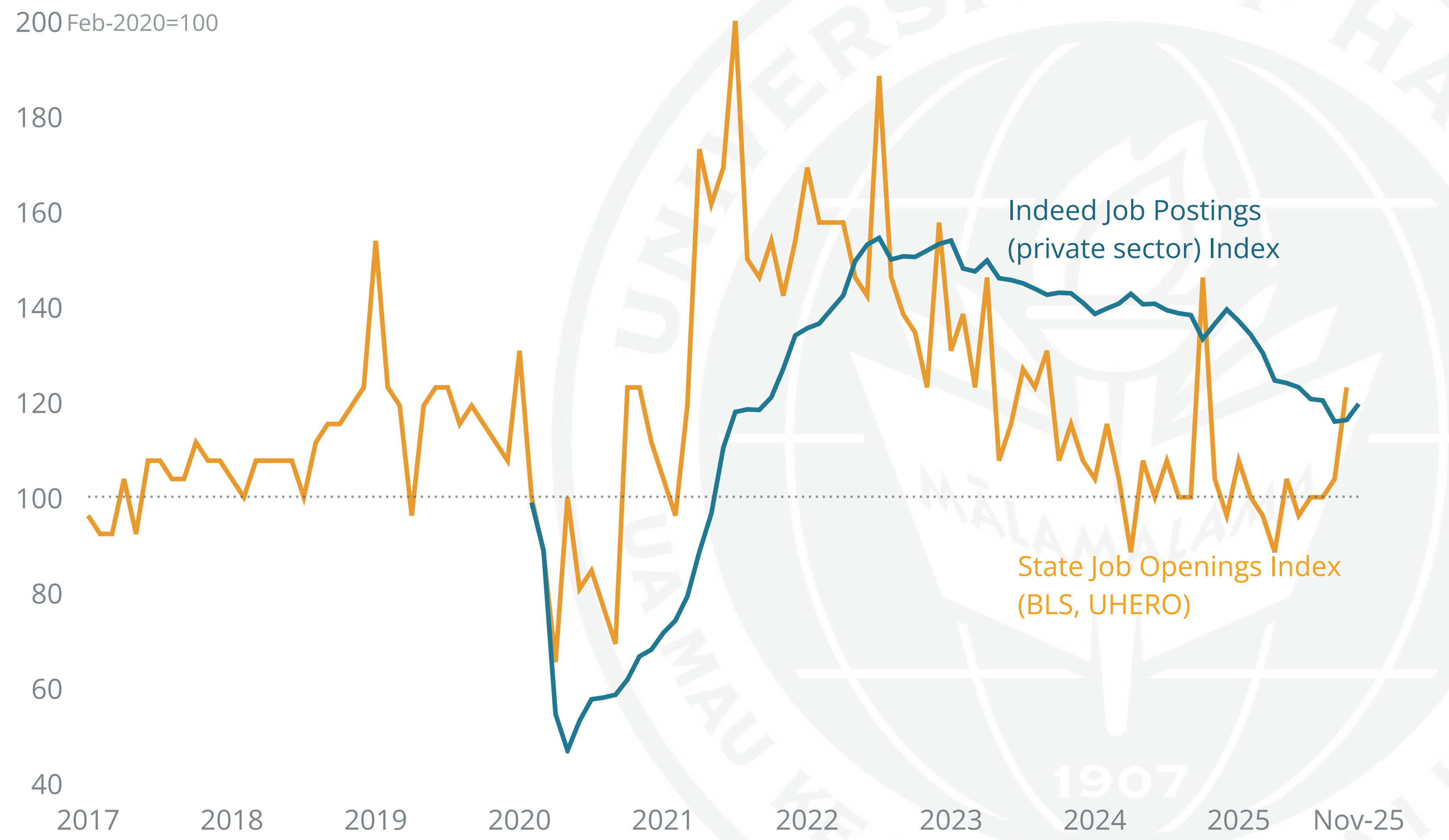
With federal cuts and tourism slowdown, job creation stalls



Source: BLS, *UHERO early-benchmark estimates

Incoming minimum wage increase confronts weak hiring

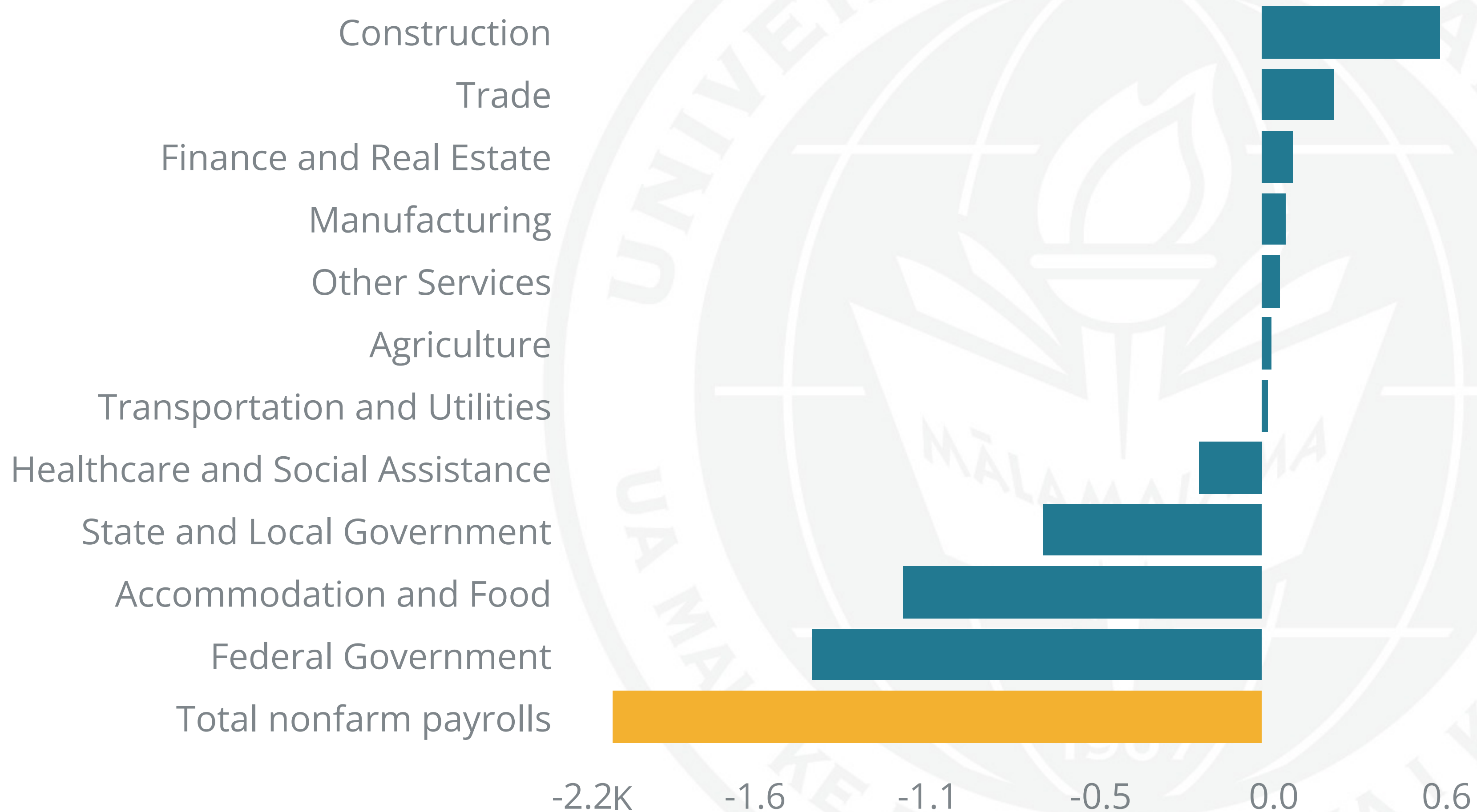
the last time job openings were this low was 2018



Source: Indeed, BLS, UHERO.

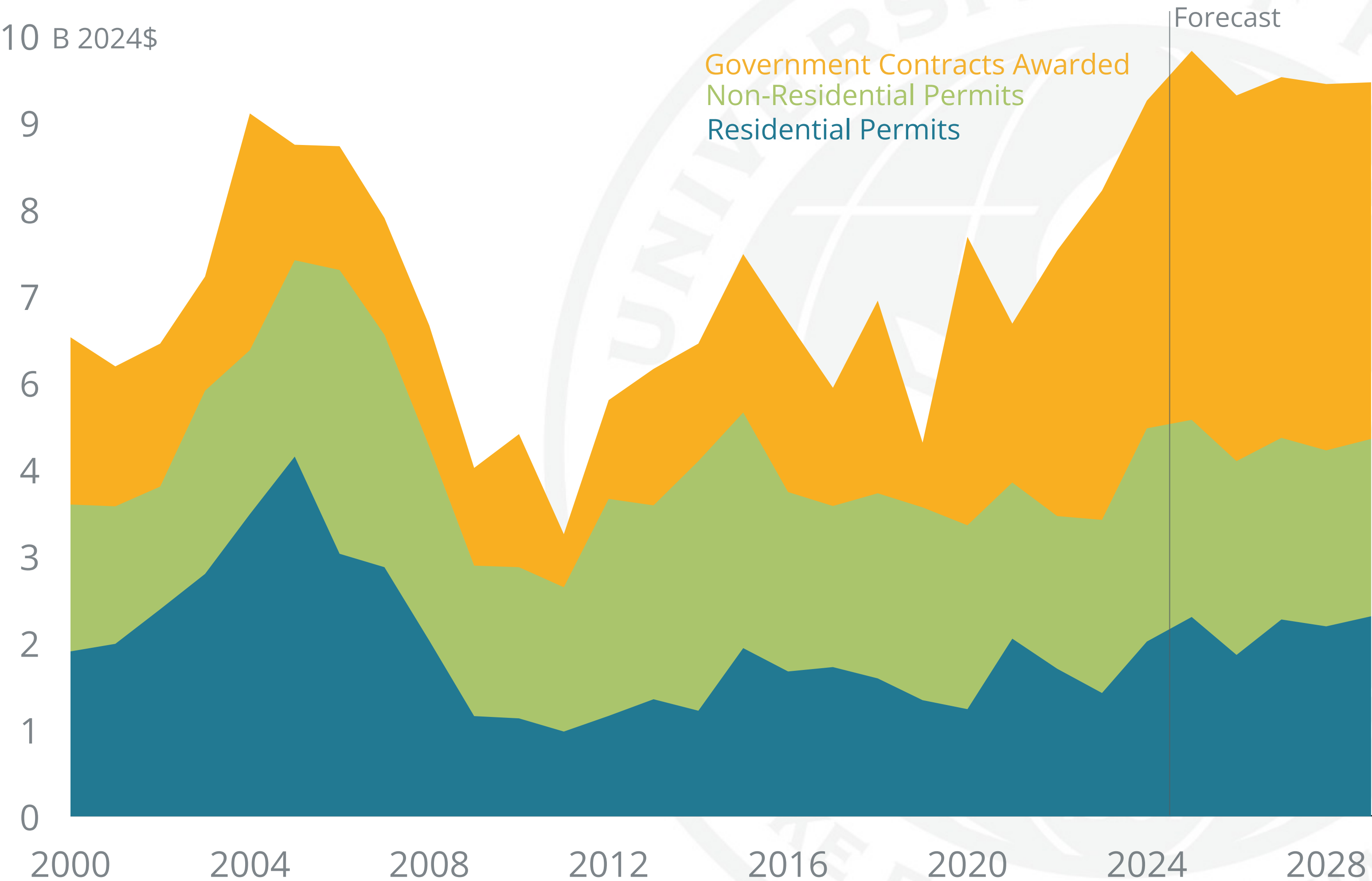
Jobs losses are expected to be concentrated by policy impact

Forecast change in Hawai'i jobs by industry 25Q2 to 26Q4



One area federal spending is helping— construction

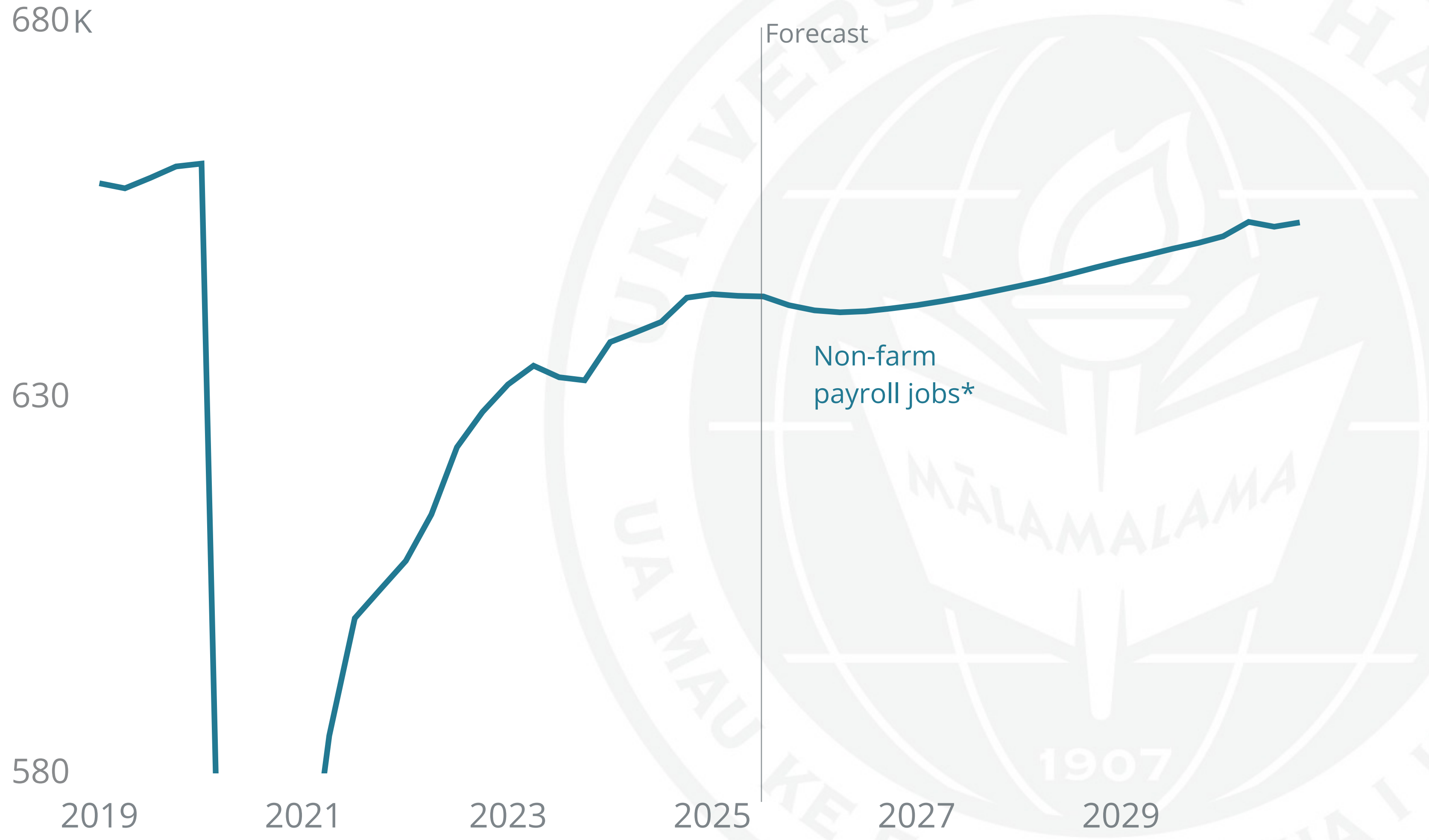
dominated by federal projects with some gains in home building



Source: DBEDT, UHERO forecasts.

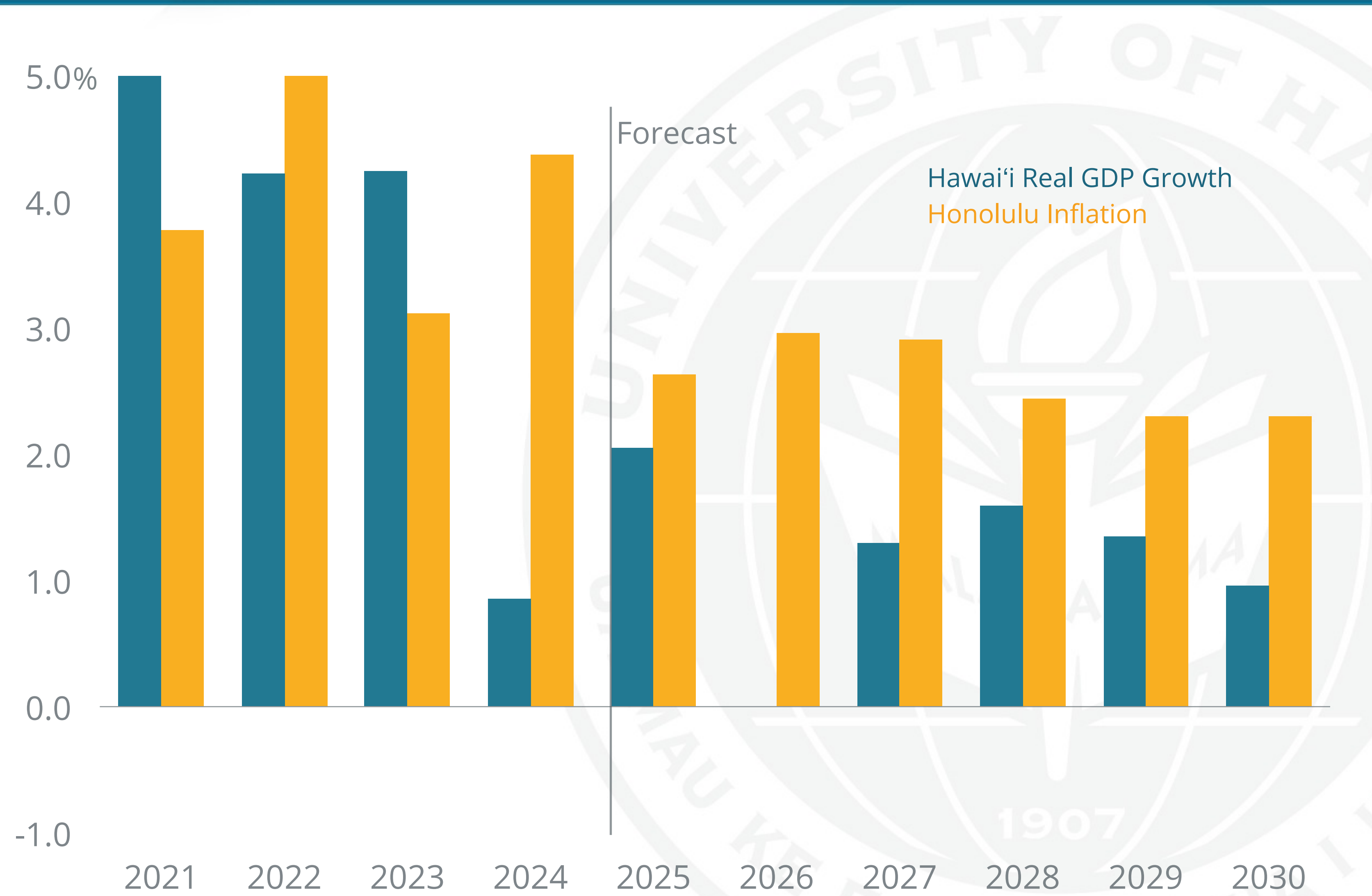
Hawai'i job creation is expected to remain weak

as hiring falls to post pandemic lows



Source: BLS, *UHERO early-benchmark estimates

Inflation will begin to ease and growth resume late next year



Source: BEA, BLS, [UHERO forecasts](#).

Insights

BLOGS



[Immigration Economics](#)

January 31, 2025

By Byron Gangnes Immigrants have always been an important part of America's population. But for just as long there have been concerns about the impact...

[Migration Effects of the Maui Wildfires: Early Indicators from State Tax Filings](#)

January 14, 2025

By Dylan Moore and Baybars Karacaovali (Office of Tax Research and Planning, Hawai'i Department of Taxation)* Executive Summary: An analysis of state income tax filing...

[Maui Wildfire Exposure Study and Registry Workshop](#)

December 23, 2024

By Ruben Juarez and Alika Maunakea Enhancing Resilience: Building Sustainable Health Registries for Disaster-Affected Communities December 4-7, 2024, Lahaina, Maui Workshop Summary, Lessons Learned, and Steps Forward...

[A Honolulu Empty Homes Tax: Impacts on Housing Supply and County Revenue](#)

NEWS



[Carbon Benefits of Agroforestry Transitions on Fallow Agricultural Lands – New UHERO Environment publication in Scientific Reports](#)

February 13, 2025

New UHERO Environment publication in Scientific Reports demonstrates important carbon benefits of transitioning fallow agricultural lands into varying agroforestry systems across Hawai'i.
<https://www.nature.com/articles/s41598-025-87891-y>

[City partners with UHERO to launch Subsidized Housing Tracker](#)

January 16, 2025

Addressing O'ahu's housing shortage and its impact on affordability, the City and County of Honolulu's Office of Housing, in partnership with the University of Hawai'i...

[UHERO's Carl Bonham and Colin Moore on Spotlight Now](#)

January 2, 2025

UHERO Executive Director Carl Bonham and Associate Professor Colin Moore appeared on Hawai'i News Now's Spotlight Now to reflect on the major economic and legislative...

BRIEFS



[Considerations for understanding water availability in West Maui](#)

January 21, 2025

This piece intends to highlight some of the inherent tradeoffs that make managing water in West Maui especially challenging. In particular, subtracting current/authorized use from...

[Wealth by Association? How Social Networks Drive Inequality in Hawaii](#)

April 25, 2024

Studies show that economic connectedness, a poor individual's share of wealthy friends, significantly impacts economic mobility. Hawaii ranks highly in this metric compared to other...

[Taxing Tourists to Generate Revenue to Address the Negative Impacts of Climate Change on Hawai'i Natural Resources](#)

April 5, 2024

There is widespread agreement among Hawai'i residents that the state government needs to spend more money on natural resource stewardship. A critical question is how...

[Brief: Dissolving the Hawaii](#)

FORECASTS



[UHERO Forecast for the State of Hawai'i: Outlook more uncertain as federal policy changes loom](#)

December 13, 2024

Hawaii's economic expansion continues, but slowly. Now the incoming Trump Administration introduces uncertainty. Under the assumption of policy changes that are sharp but limited in...

[UHERO Forecast for the State of Hawai'i: Lagging Maui recovery, slower speed limit for Hawaii growth](#)

September 20, 2024

Hawaii's economic outlook continues to be a story of two economies: a Maui economy that will only gradually recover from its post-wildfire downturn, and the...

[UHERO Forecast for the State of Hawai'i: Expansion intact, but counties poised for slower growth](#)

May 10, 2024

Hawaii's economy will continue to grow, but at a slower pace than in past years. Maui rebuilding and the incremental return of international travelers will...

REPORTS



[Investigating and Tackling Barriers and Needs for Small Business Success in Honolulu](#)

February 3, 2025

This report examines the state of small businesses in Honolulu in 2024, using both quantitative data and qualitative insights to identify key needs, challenges, and...

[Aging and Hawai'i's Generational Economy](#)

December 18, 2024

Hawai'i's population is aging rapidly. By 2035 one in four people will be 65 or older according to the most recent projections. The purpose of...

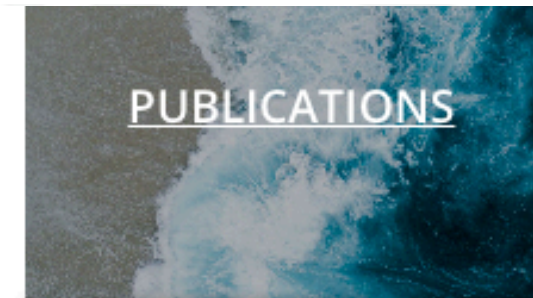
[One year after the wildfires: Rising poverty and housing instability point to ongoing gaps in assistance](#)

October 8, 2024

The Maui Recovery Survey: Housing & Jobs monitors the housing and economic recovery of fire-impacted households on Maui. This initiative, launched one year after the...

[A Proposal for Real-Time Pricing Tariffs for Large Electricity Customers](#)

PUBLICATIONS



[New Study Reveals Food Insecurity as a Major Driver of Mental Health Challenges in Hawai'i](#)

February 24, 2025

A study published today in Frontiers in Public Health provides a comprehensive examination of how socioeconomic factors, particularly food insecurity, shape mental health outcomes among...

[Carbon benefits through agroforestry transitions on unmanaged fallow agricultural land in Hawai'i](#)

February 12, 2025

There are growing efforts to incorporate agroforestry into ecosystem service incentive programs. Indigenous and other place-based multi-strata agroforestry systems are important conservation and agricultural strategies...

[Co-Production of Knowledge at Sumida Farm Trains a New Generation of Community-Engaged Scientists](#)

May 13, 2024

A collaboration between the University of Hawai'i (UH), Hawai'i Sea Grant, and the fourth generation of Sumida farmers