



**UHERO**

THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

Forecast Project

# No Shutdown for Hawaii Growth

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**Senate Committee on Ways and Means**  
**House Committee on Finance**  
**Honolulu, Hawaii**  
**December 18, 2013**

# No Shutdown for Hawaii Economy

## US performance in the face of fiscal austerity

- ▶ Federal damage significant this year
- ▶ Areas of private sector strength

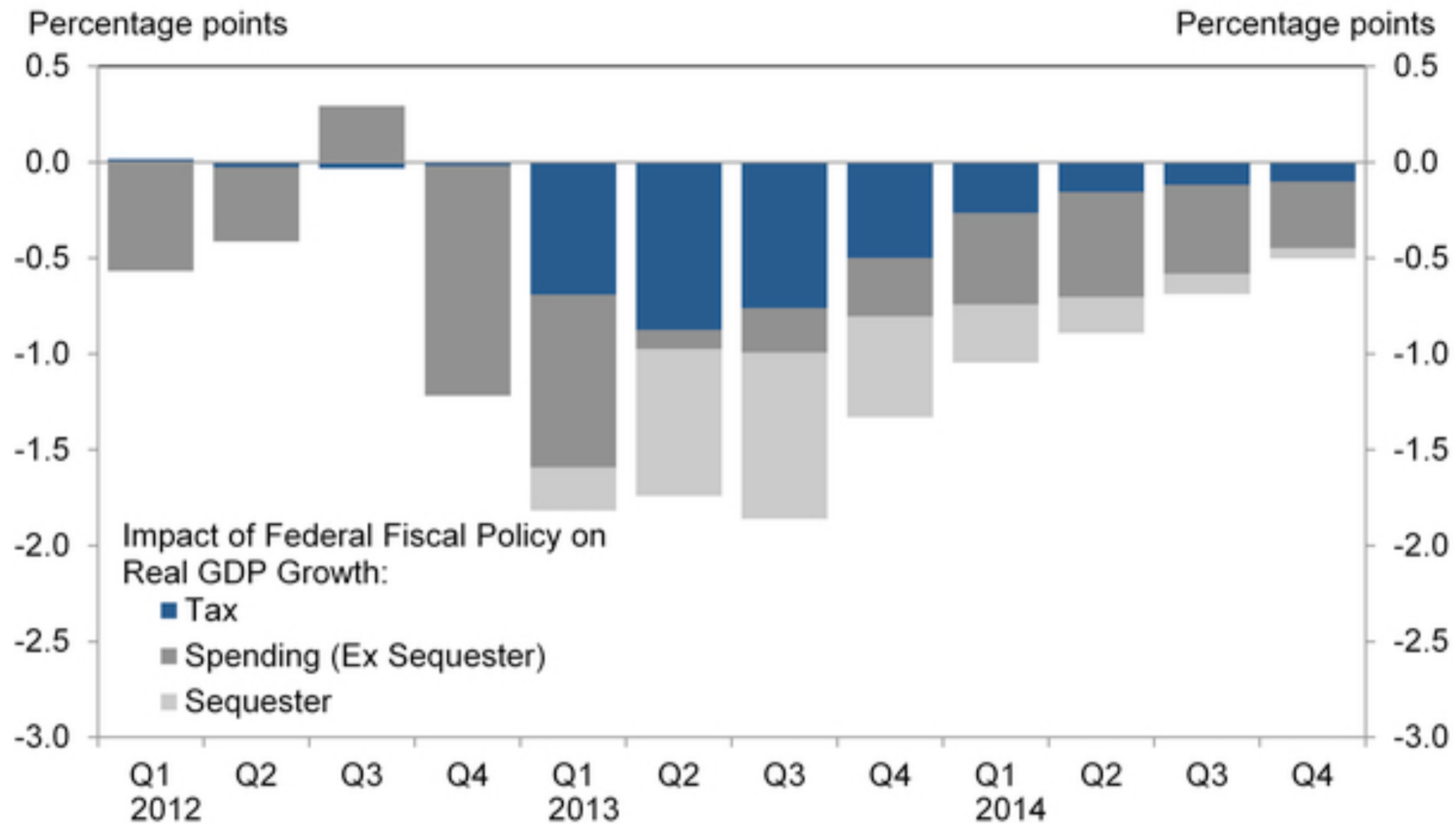
## Prospects for the US and the Asia-Pacific region

- ▶ What's on tap?
- ▶ What are the concerns?

## Hawaii conditions and outlook

- ▶ Is there room for more tourism?
- ▶ Construction boom developing

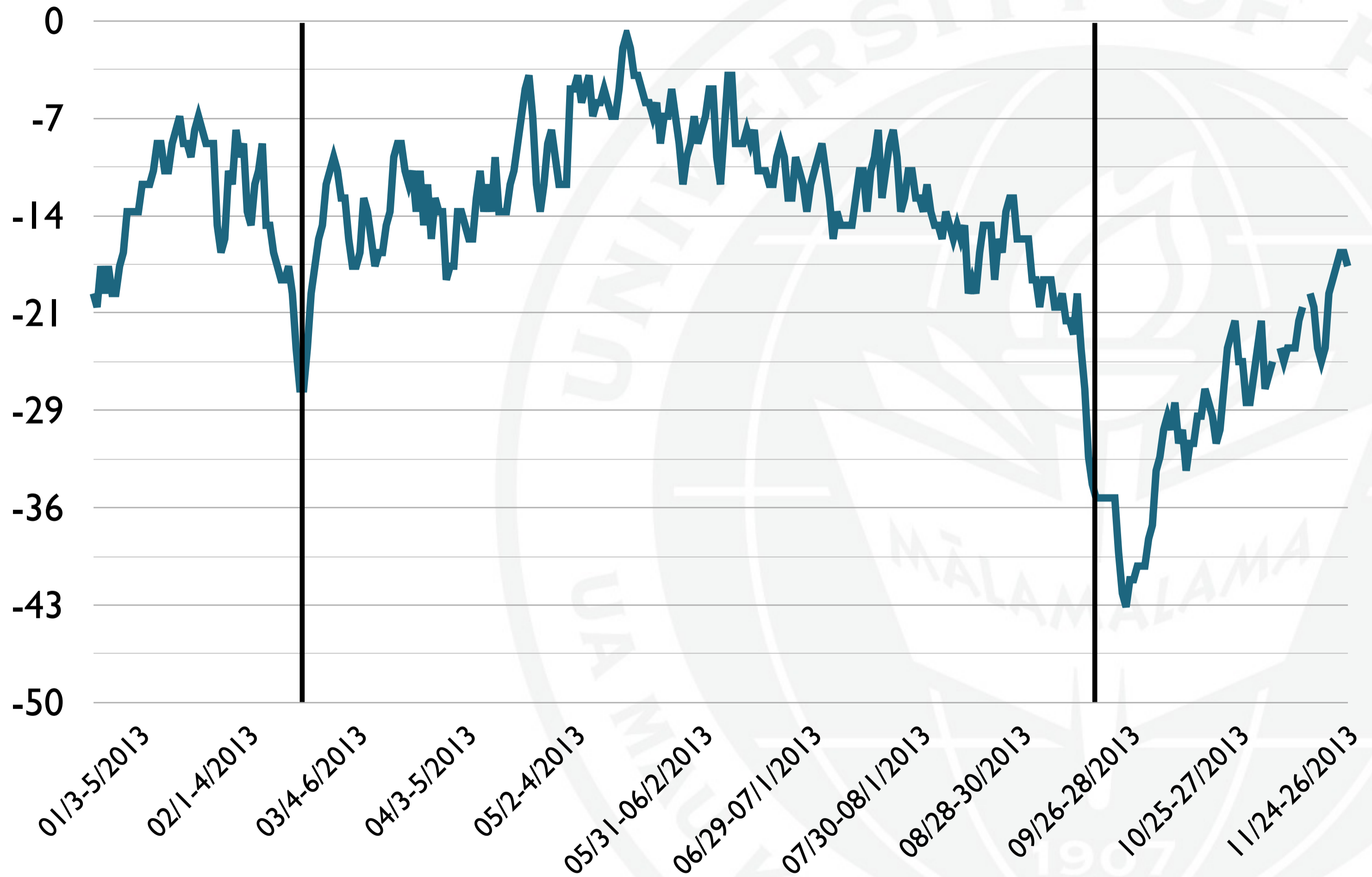
# Excessive austerity, even before shutdown



Source: Goldman Sachs via [calculatedriskblog.com](http://calculatedriskblog.com)

# Budget turmoil took toll on confidence

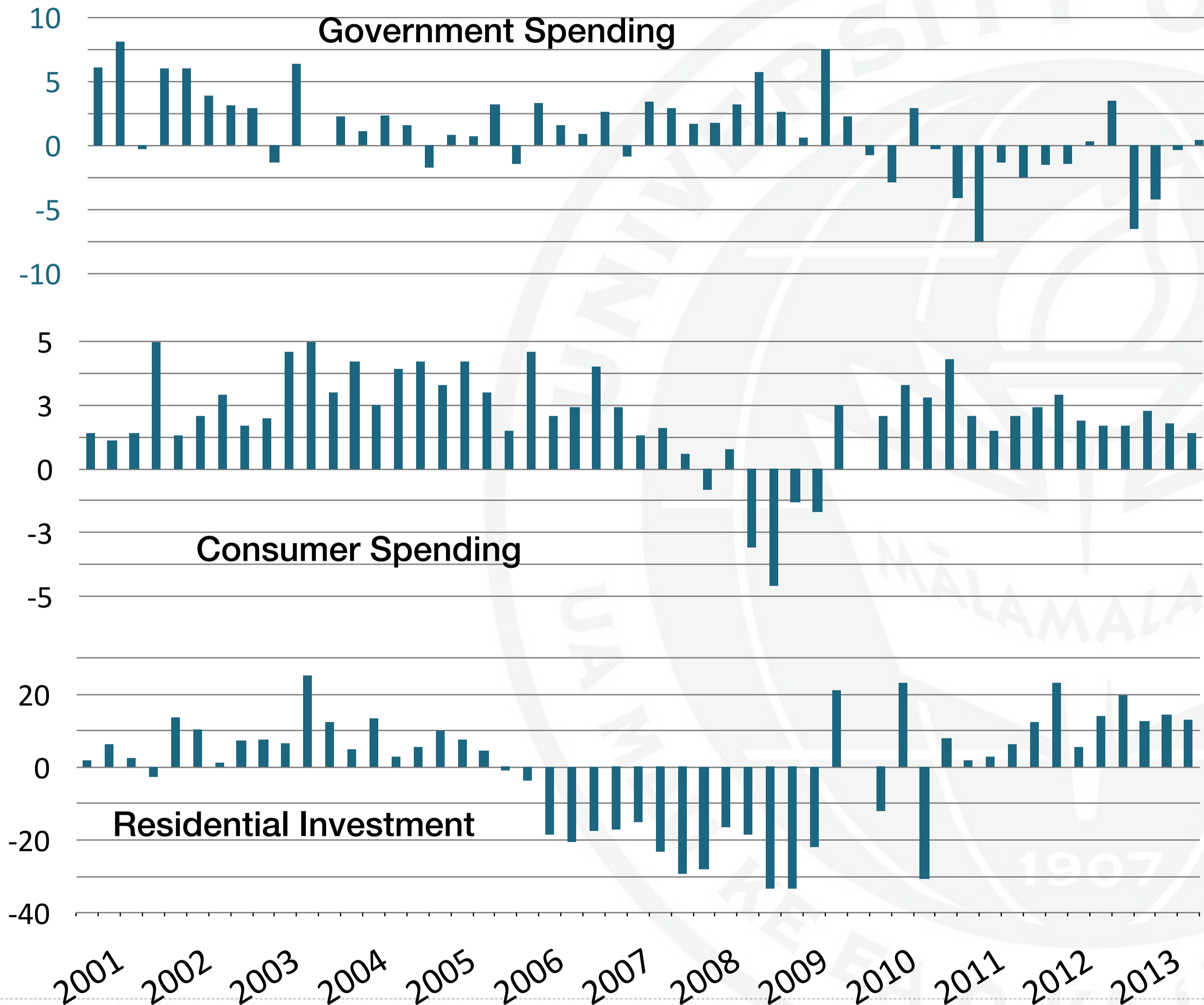
## Gallup Daily: U.S. Economic Confidence Index



Source: Gallup, <http://www.gallup.com/poll/151550/gallup-daily-economic-confidence-index.aspx>

# No surprise that consumer spending is weak

Percent



# The US and Asia-Pacific Forecast

## 2013 has turned out to be another weak year

- ▶ Slow US and Europe hit exports
- ▶ China's lower growth path

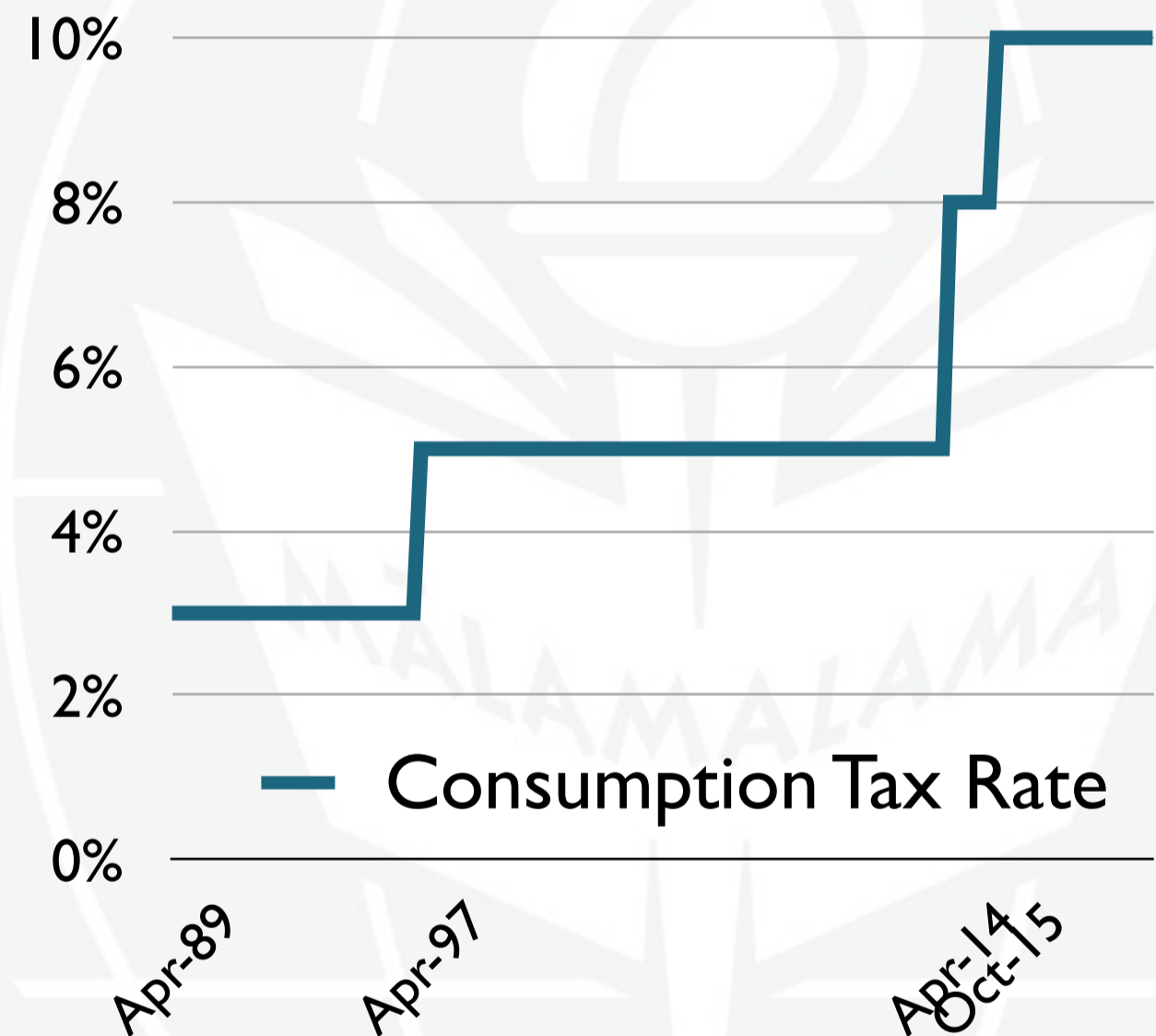
## Picture appears to have stabilized

- ▶ Europe has exited recession
- ▶ US growth expected to firm

## Big risks are policy related

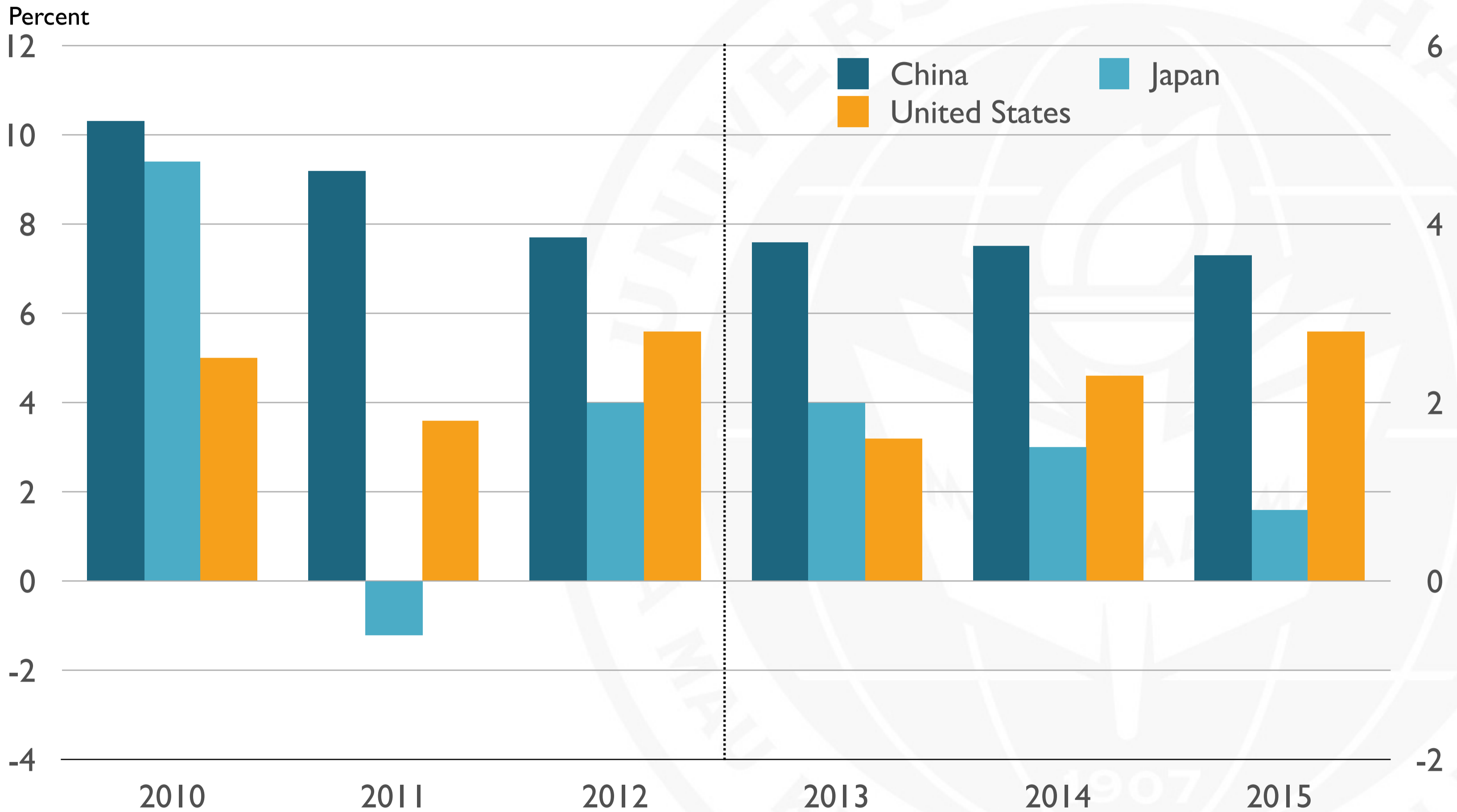
- ▶ Are we out of fiscal woods?
  - ▶ Backend of *Abenomics*
- ▶ How will Fed manage tapering?

Japan fiscal contraction in the pipeline



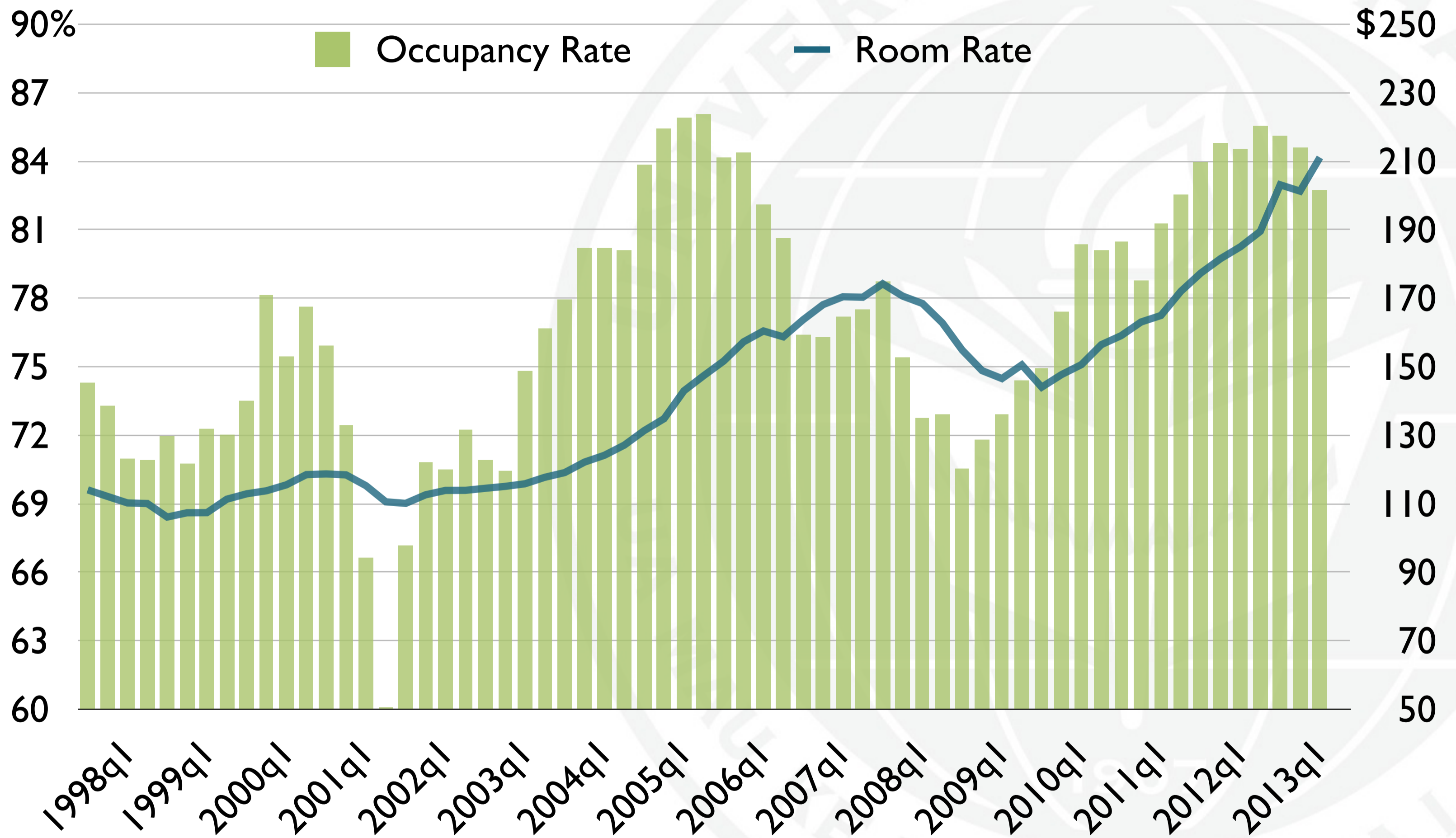
# Stronger US, but Japan at risk

## Growth of Real GDP



# Not much headroom for Hawaii tourism

## Oahu Room Revenue and Occupancy Rates

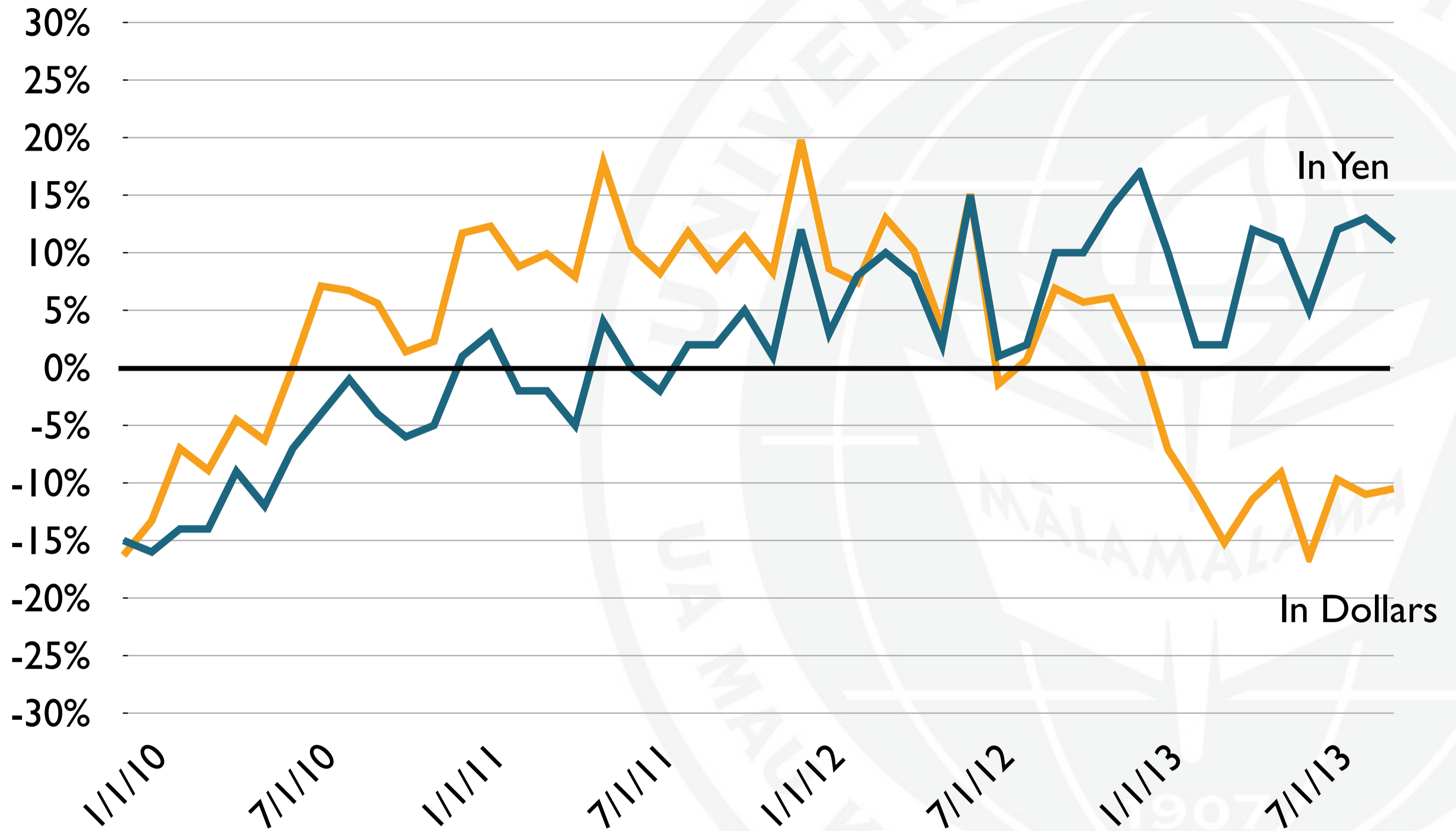


\* Source: Hospitality Advisors & UHERO



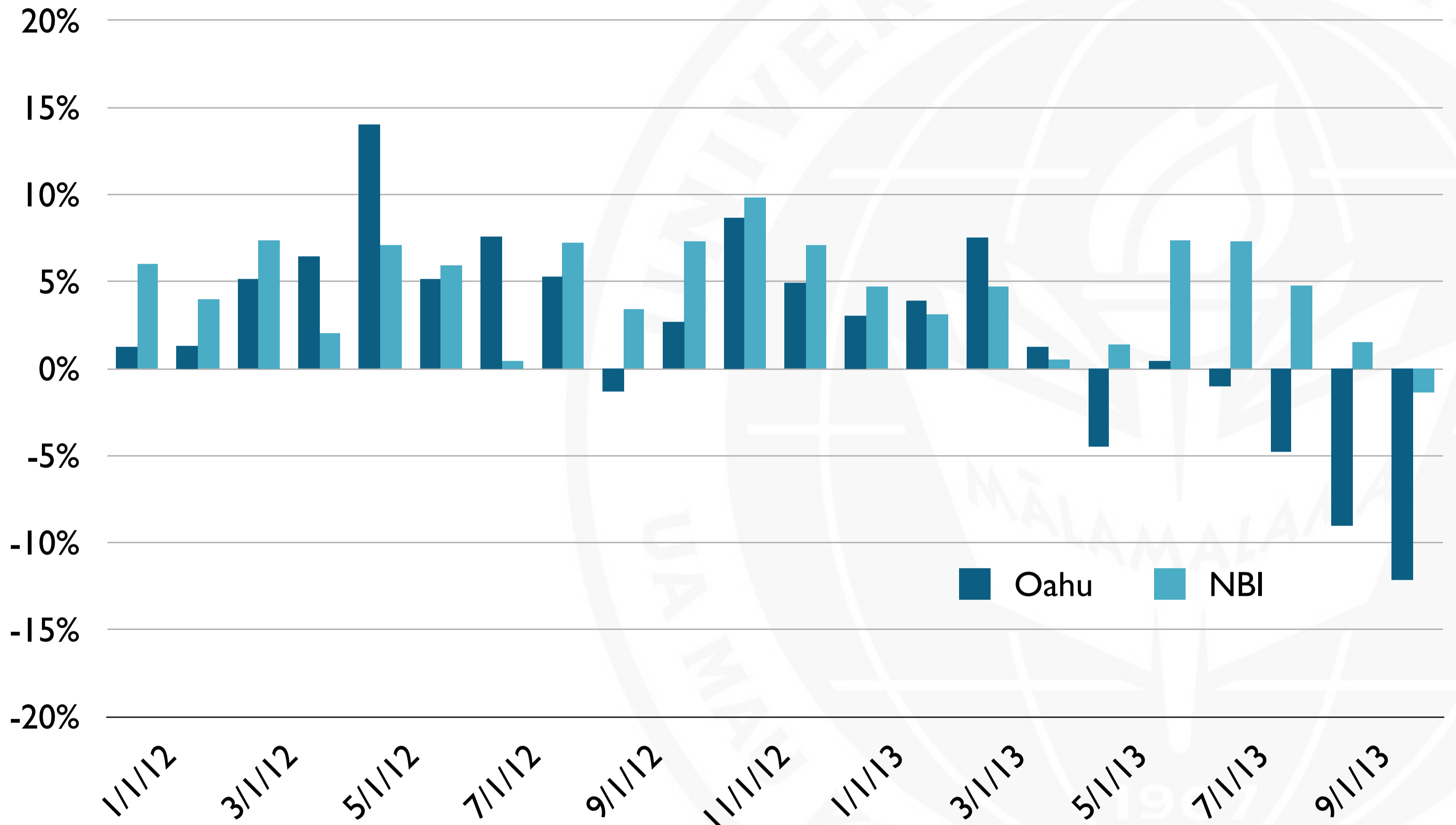
# This year's slowing: Lower Japanese spending

## Year-on-year growth in per-person, per-day spending



# This year's slowing: Neighbor Islands faring better

## Year-on-year growth in US visitor days



# Arrivals growth slowdown

## Statewide Visitor Arrivals

Thou. (SA)

2,200

2,000

1,800

1,600

1,400

1,200

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

History

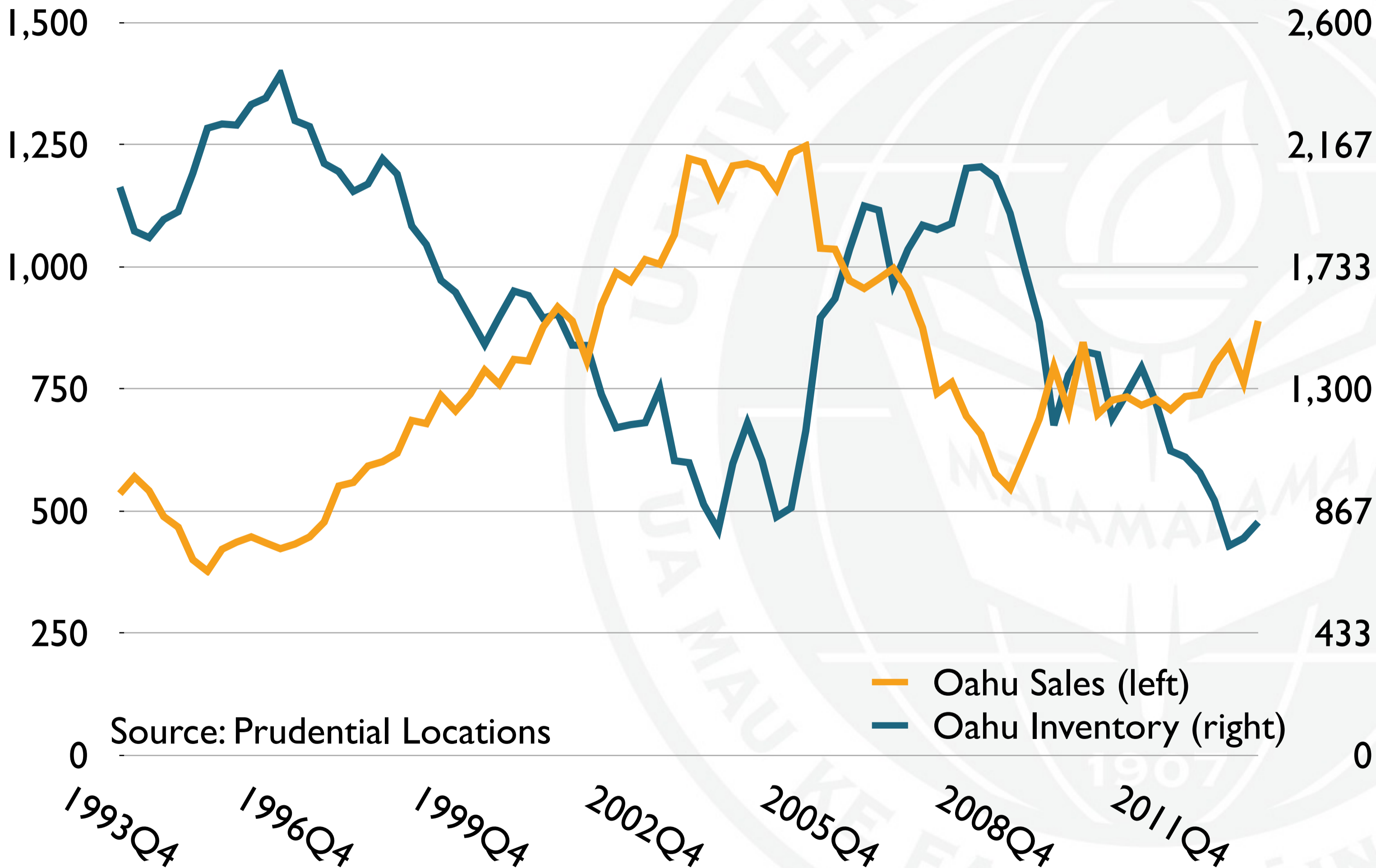
I3Q4 Forecast

Updated Forecast

\* Source: Hawaii Tourism Authority  
Seasonal Adjusted—UHERO

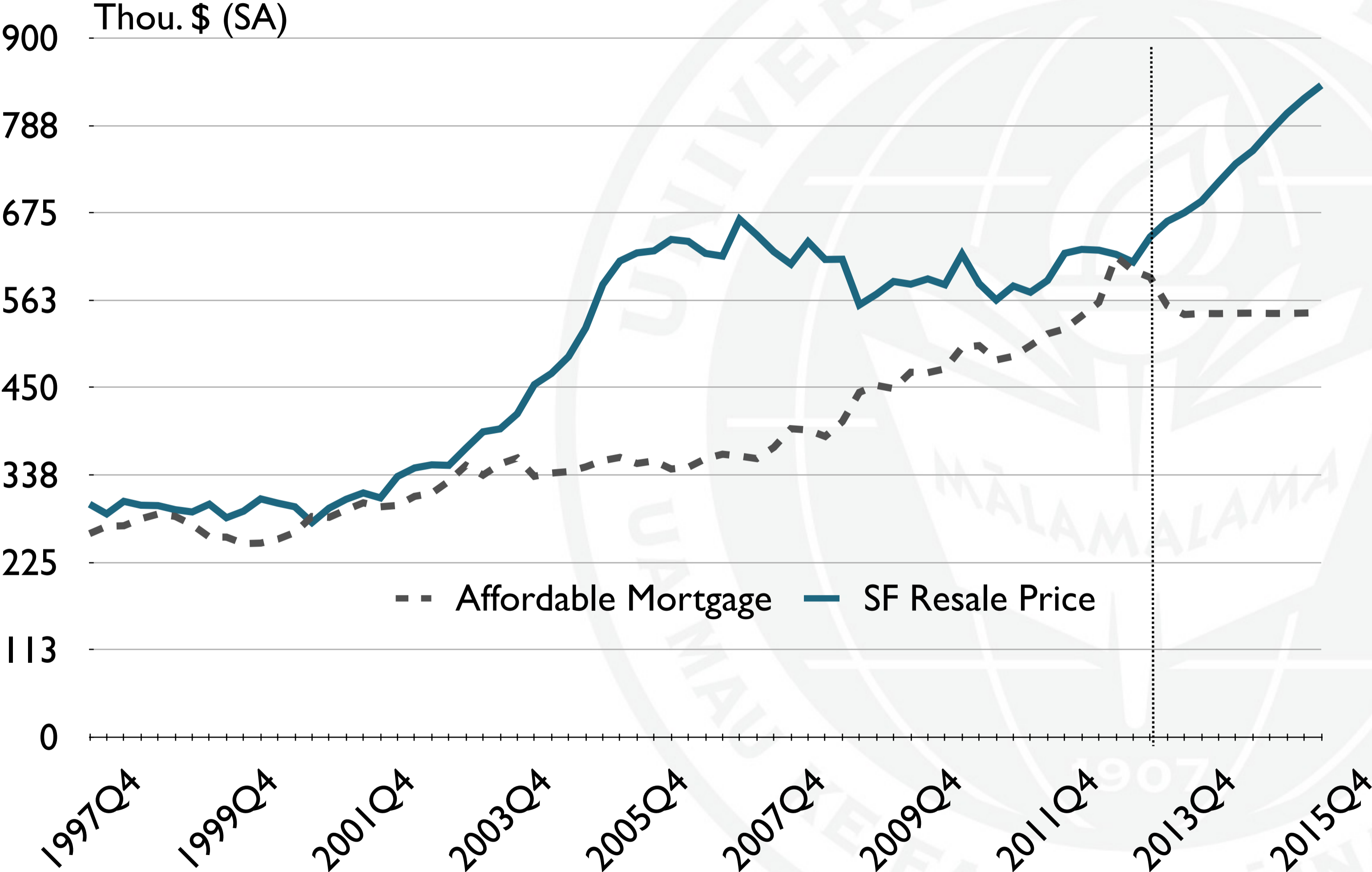
# Don't bet against the cycle

## Oahu Single Family Sales and Inventory



# Don't bet against the cycle

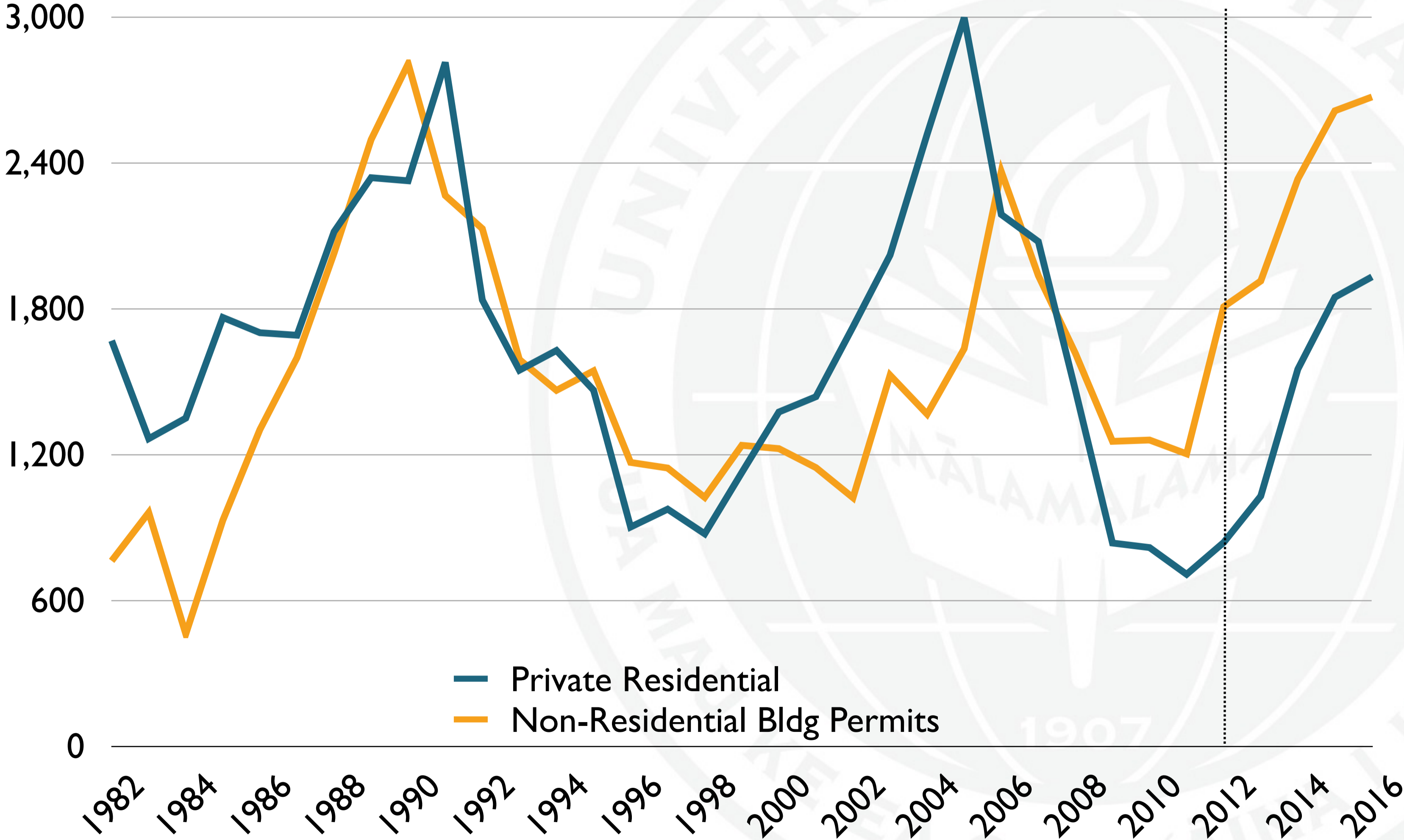
## Oahu Home Price Dynamics



# Don't bet against the cycle

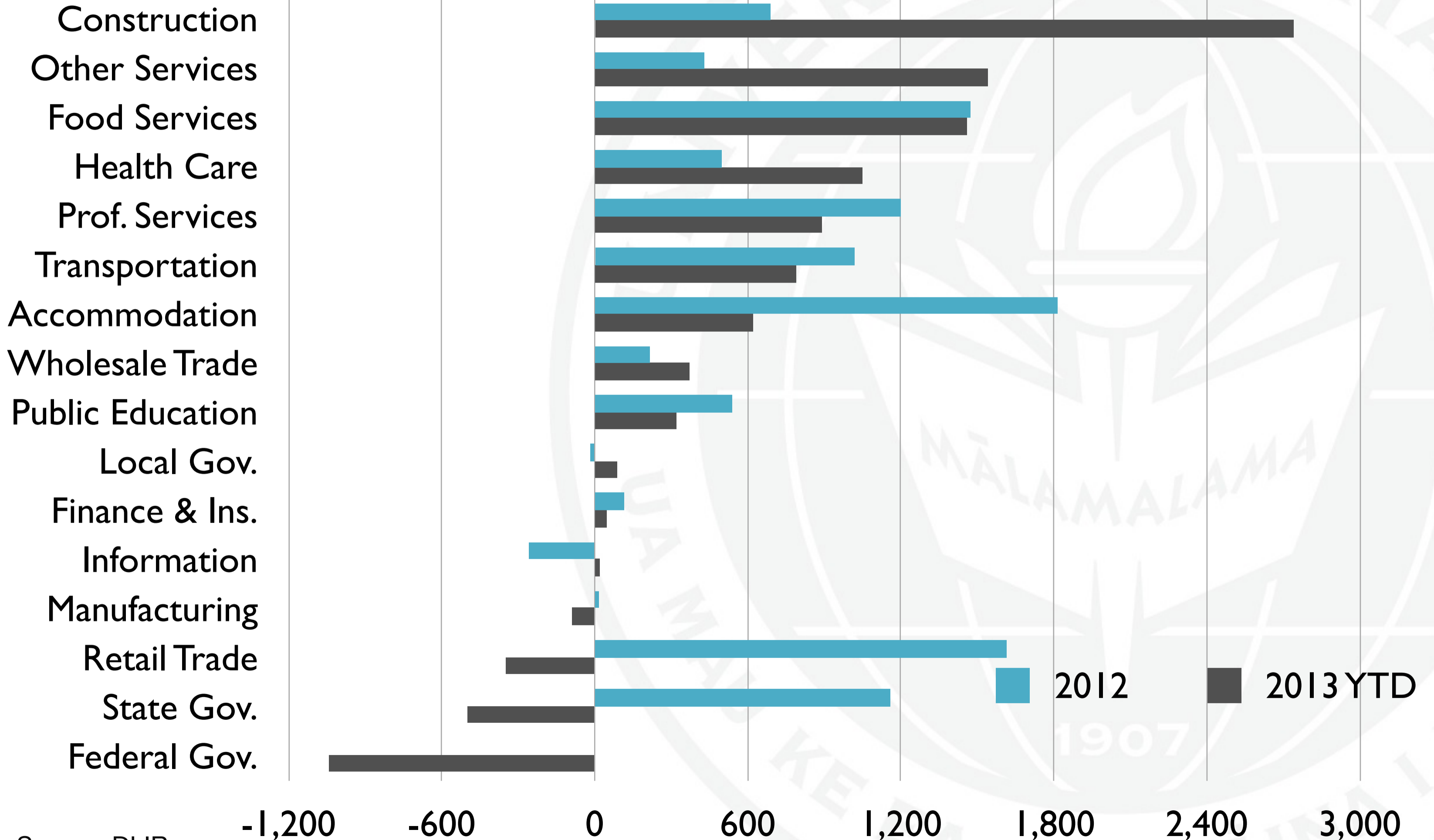
## Real Building Permits—Statewide

Mil. 12\$



# Growth leaders changing

## Change in State Job Counts



Source: DLIR

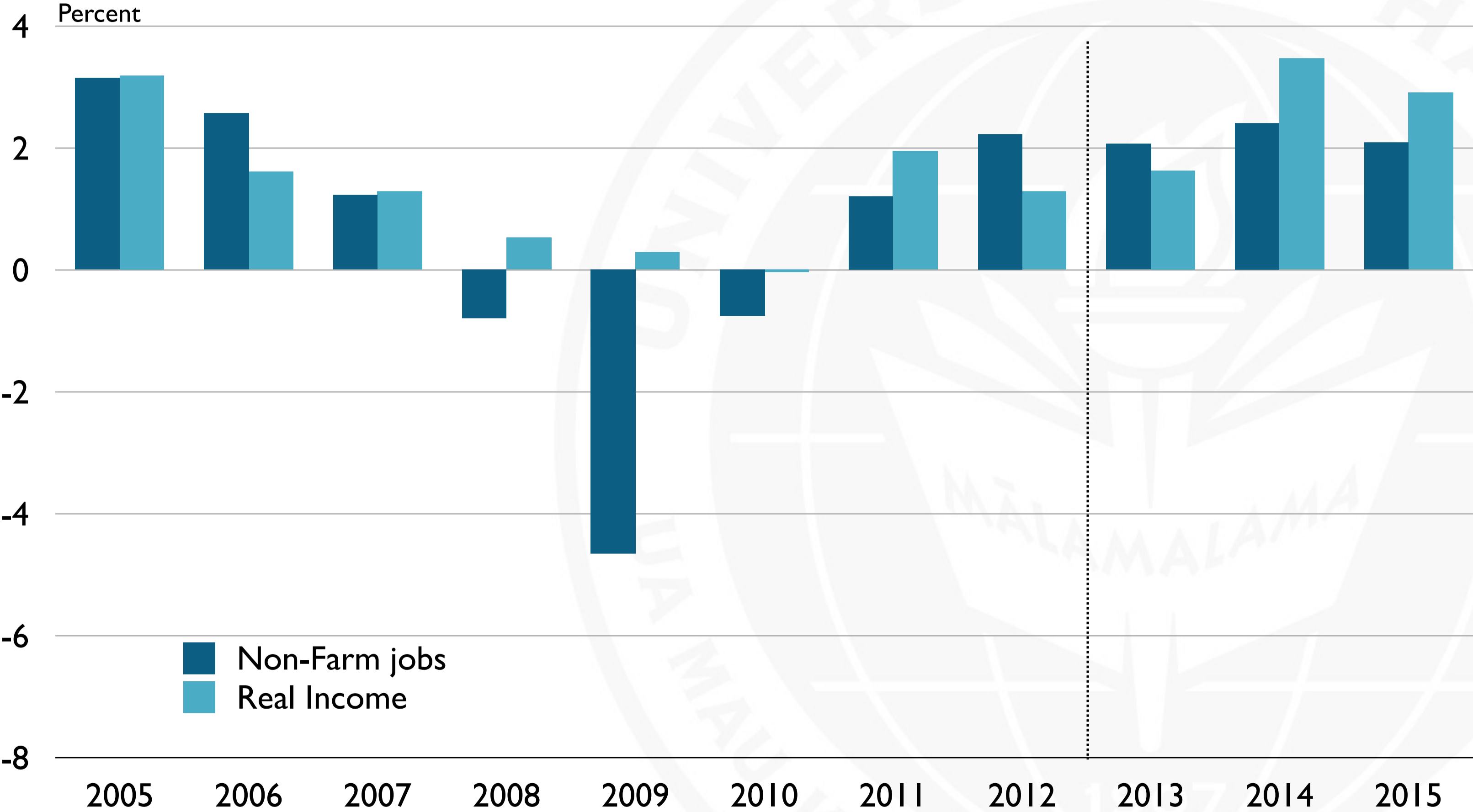
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# Expansion expected to gain speed

## Hawaii Job and Income Forecasts





# No Shutdown for Hawaii Economy

## The environment for growth is improving

- ▶ The worst of the federal drag is behind us
- ▶ Private sector conditions will strengthen
  - ▶ Improving confidence and labor market gains
  - ▶ Housing and construction
- ▶ Apart from Japanese worries, Asia-Pacific will strengthen

## Hawaii's expansion will continue

- ▶ Tourism upside is limited
- ▶ But the construction upswing has staying power
- ▶ Moderate economic gains will continue to spread

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CHART GALLERY



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**NOVEMBER 18, 2011**  
KITV Project Economy: Super Committee With Super Deadline

Q & A: Super Committee Decisions Due Next Week

**NOVEMBER 11, 2011**  
KITV Project Economy: APEC's Impact On Local Economy

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### BLOG

*Almost four years after the start of the great recession total output of goods and services in the US has surpassed its pre-recession peak.*

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### VISUALIZE

Median Airfare from US Mainland to Hawaii

[BLOG POST](#)



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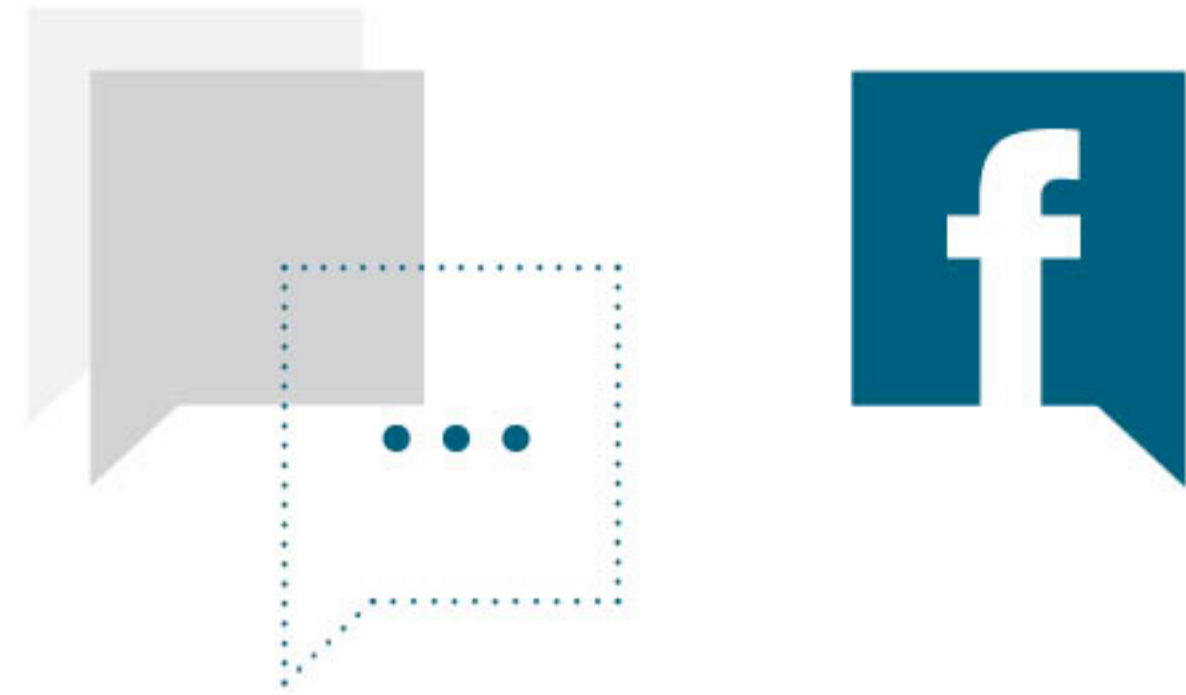
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**Tax Credit Incentives for Residential Solar Photovoltaic in Hawai'i**

FEBRUARY 7, 2013

**Q & A Summary: The Impact of Marriage Equality on Hawai'i's Economy and Government**

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## UHERO FORUM

RESEARCH DRIVEN DIALOGUE

The Inaugural UHERO Forum, held on October 29, was a success with more than 160 people in attendance. Critical issues facing the State of Hawai'i were highlighted, including energy policy, economic development, and sustainability.

VIEW PROGRAM

### LATEST FORECAST


#### Developing Countries Buoy Asian Growth

December 7, 2012

[Read the Public Summary](#)



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# Mahalo

December 18, 2013

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