

# HAWAII'S ECONOMIC FORECAST

**WAM Economic and Budget Briefing**  
**January 7, 2026**

Dept. of Business, Economic Development & Tourism

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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

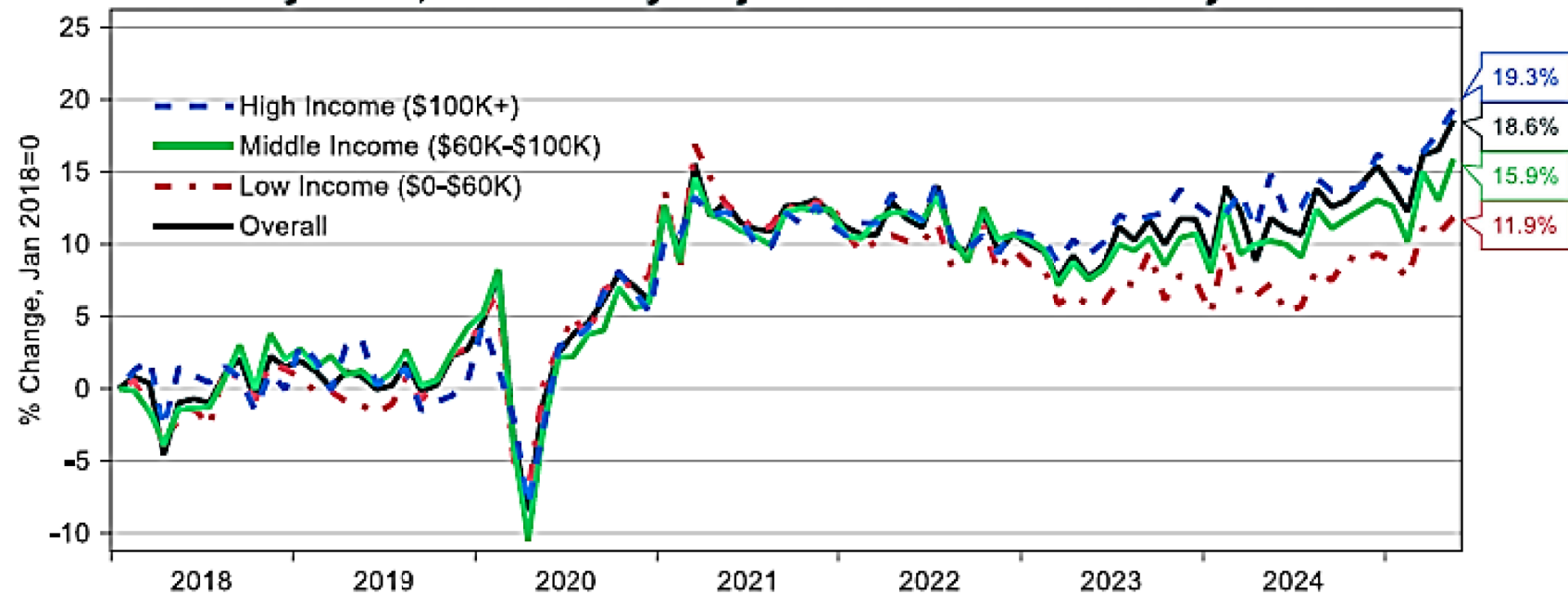
**Unknowns:** Inflation, interest rates, AI productivity boom, federal policy

# 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

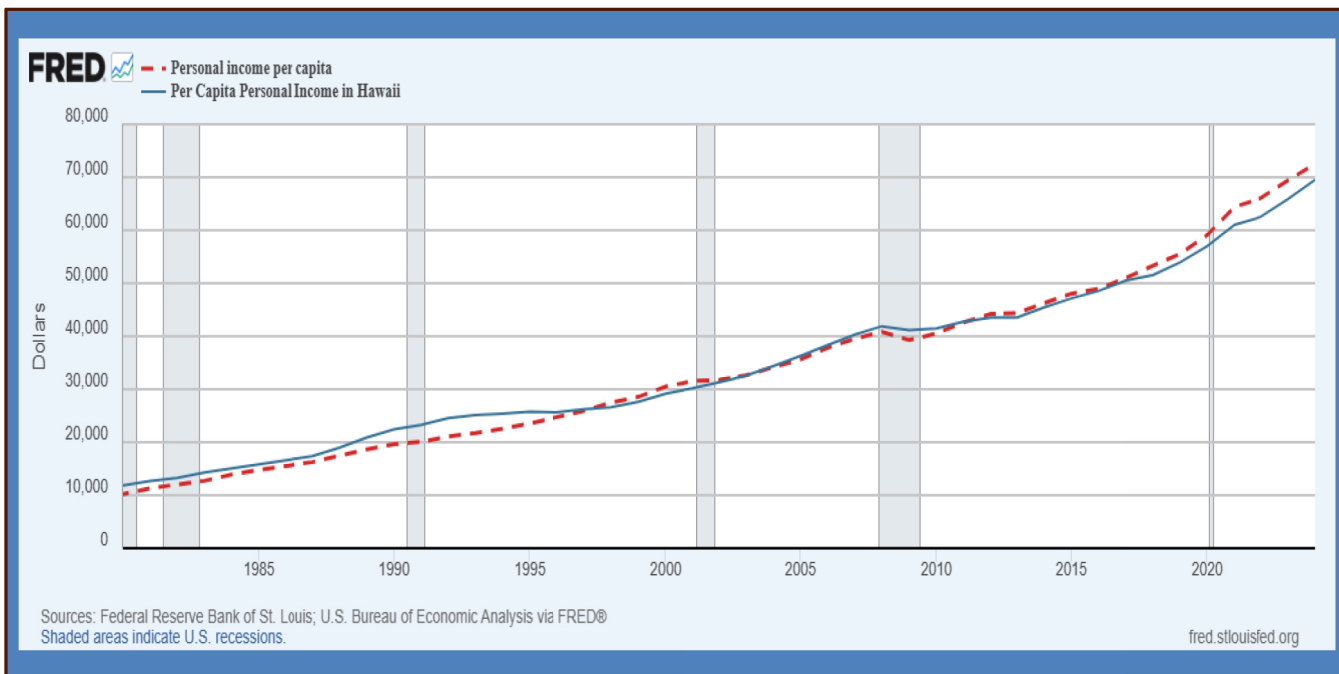
## ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2023 TO 2028

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
<b>Annual Percentage Change</b>						
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

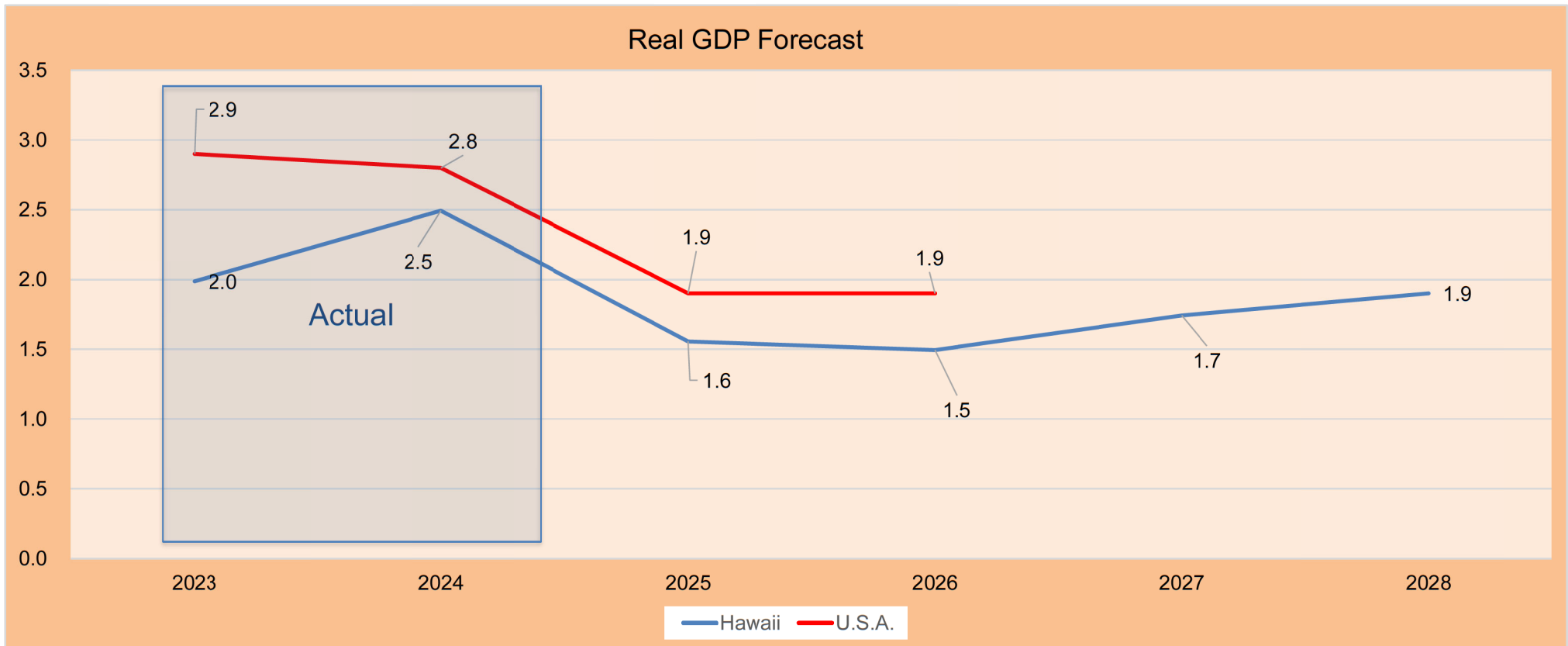
# Hawai'i's income relative to the U.S. has gradually declined over the last 40 years



Year	Per-Capita Personal Income Hawaii	Per-Capita Personal Income USA	Difference
1980	\$11,872	\$10,207	+16%
2024	\$73,403	\$69,520	-5.2%

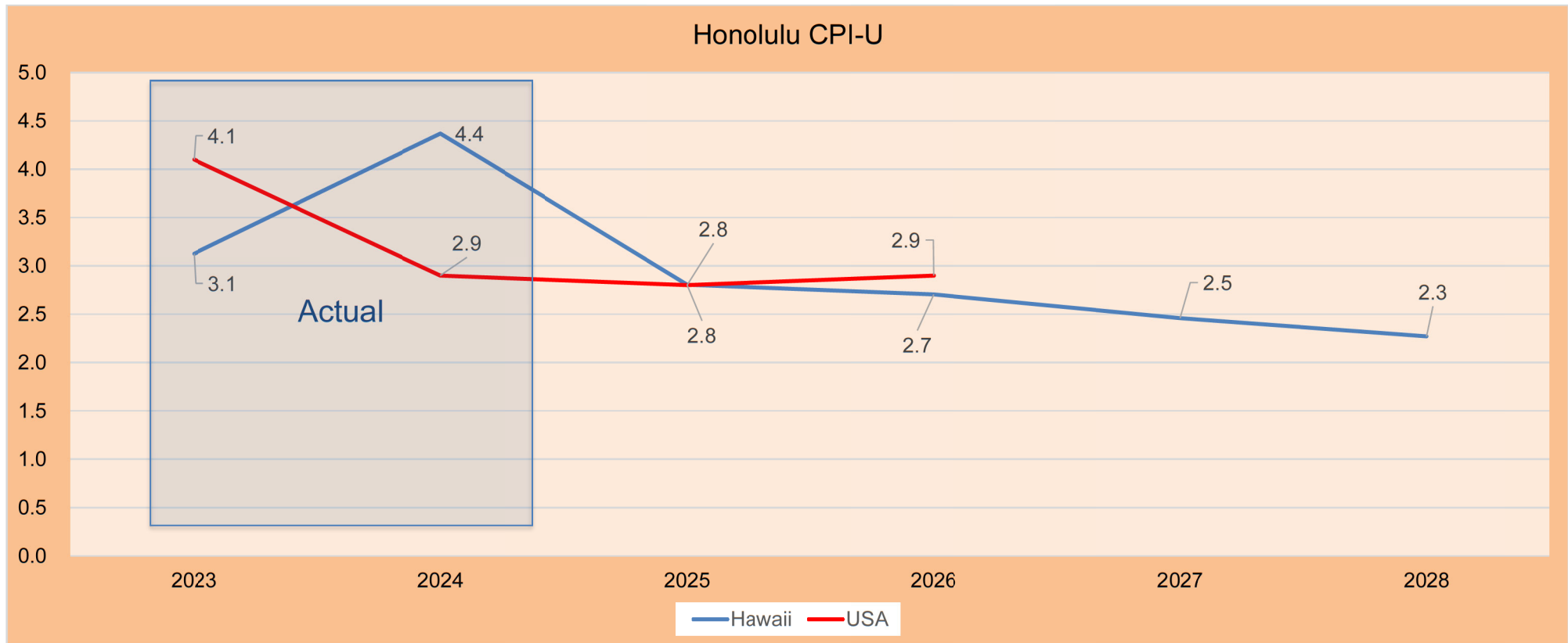
## Forecast: State

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



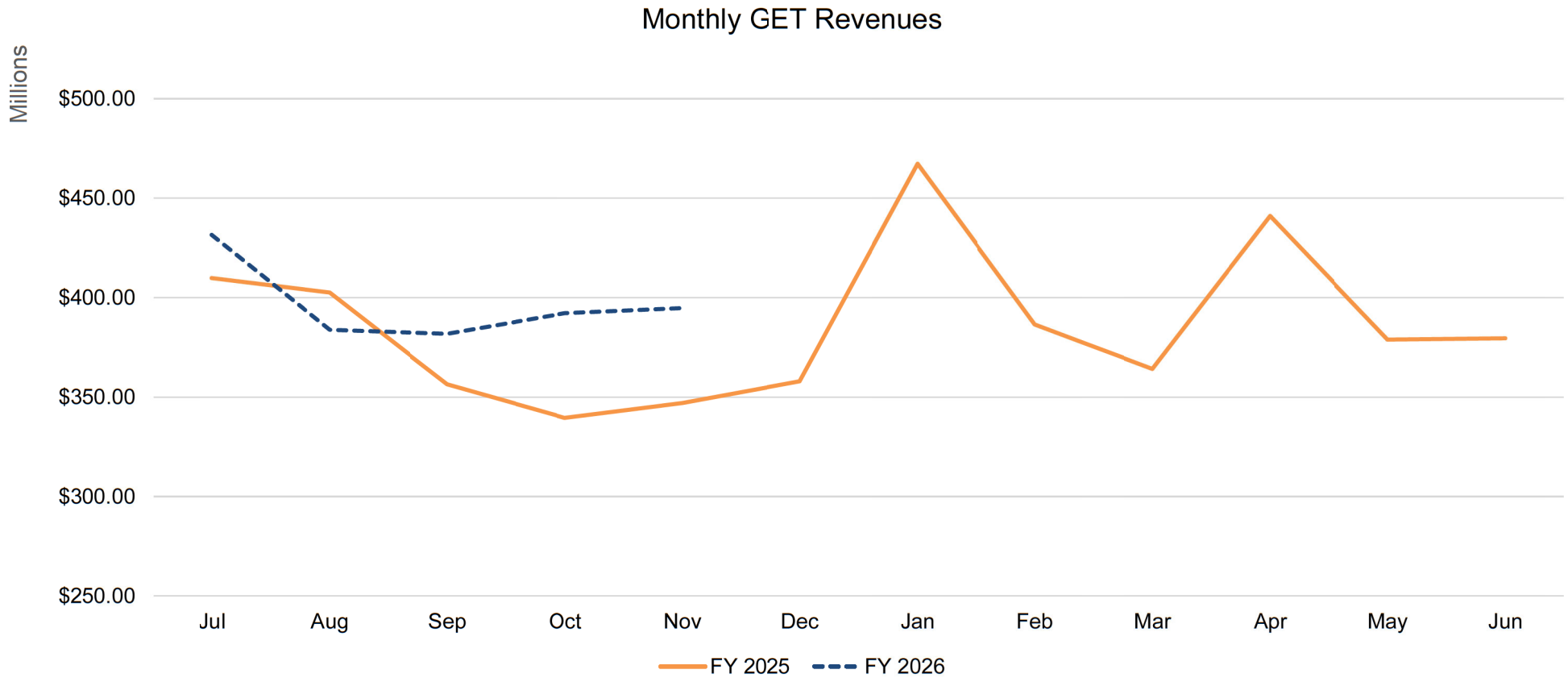
## Forecast: State

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



## Outlook: Revenues

### 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%

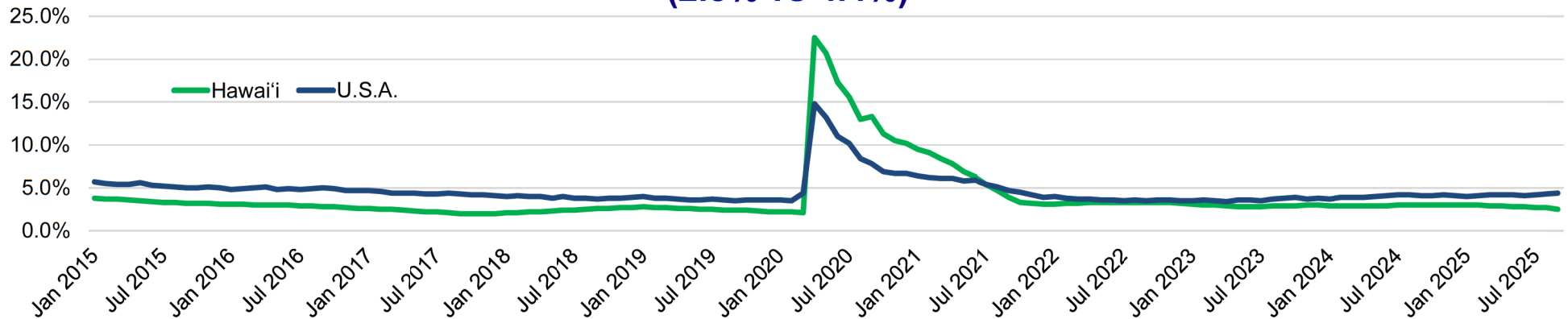
### Adjusted

Tax Collections  
YTD through Nov 2025  
Adjusted for IIT Tax Cut and  
Sep 24 estate tax payment

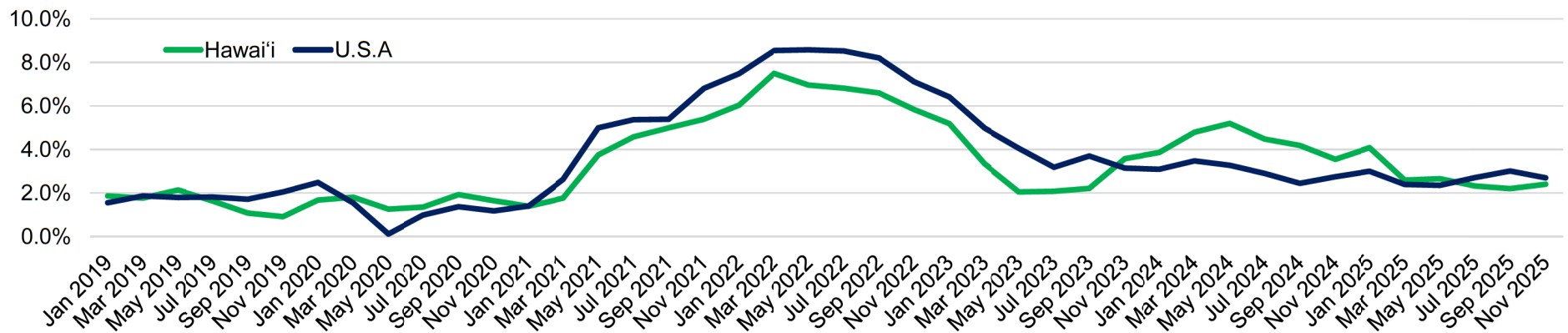
- General Fund +3.0%
- GE Tax +7.3%
- Individual Income Tax +2.2%

## Outlook: Inflation & Employment

**As of September, HI unemployment rate was 1.9% points lower than the nation  
(2.5% vs 4.4%)**

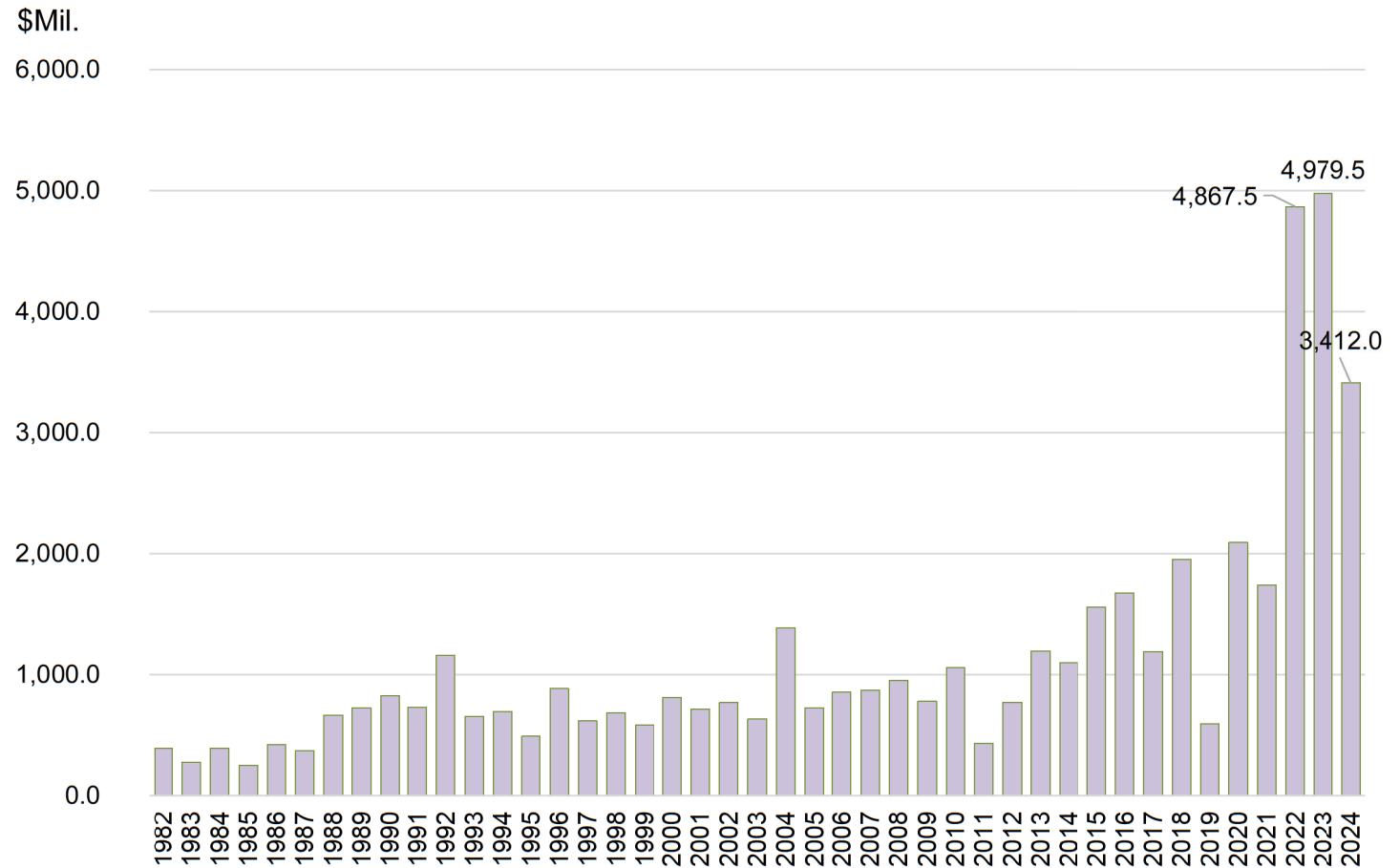


**As of November, HI consumer inflation was 0.3% point lower than the nation  
(2.4% vs 2.7%)**



Source: BLS

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



Source: Building Industry Hawaii

## 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)

## Outlook: Federal Transfers

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

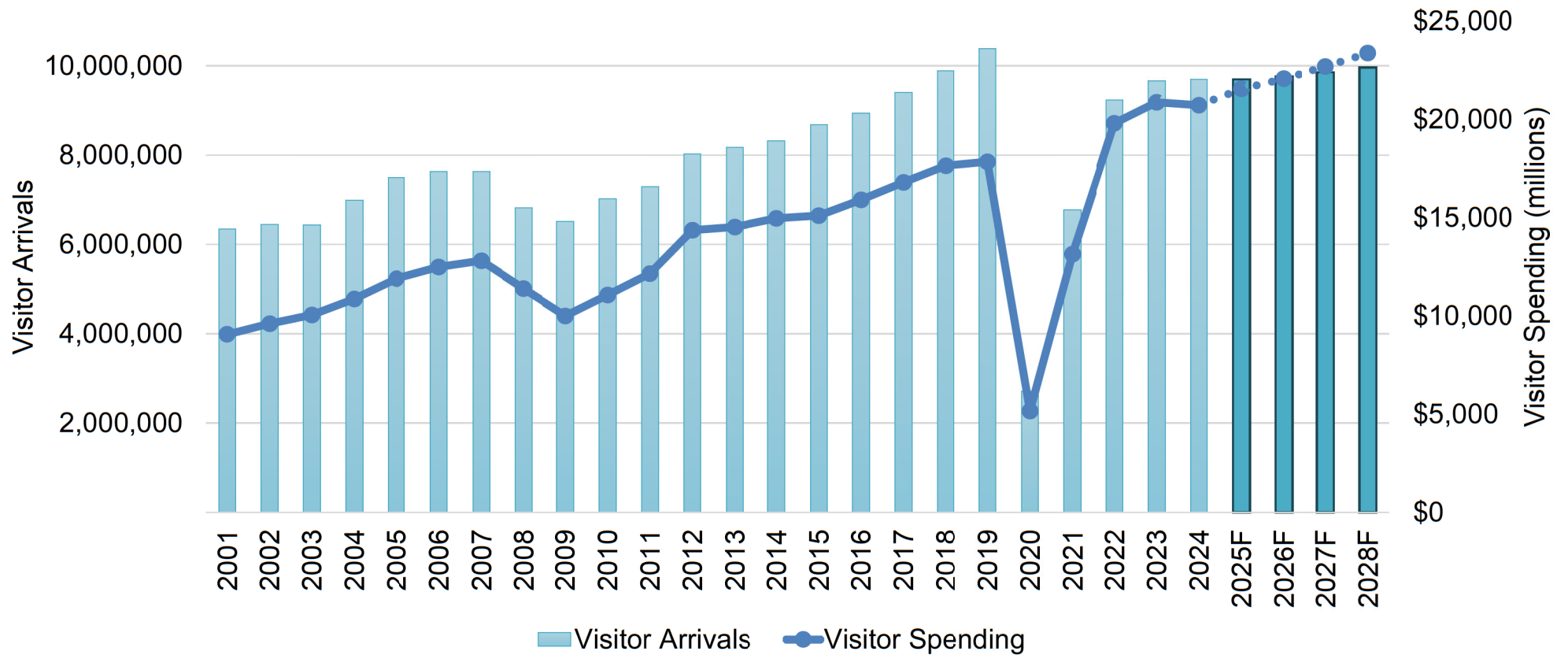
## Slower but positive growth in 2026 with a gradual rebound in 2027 and 2028

- 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

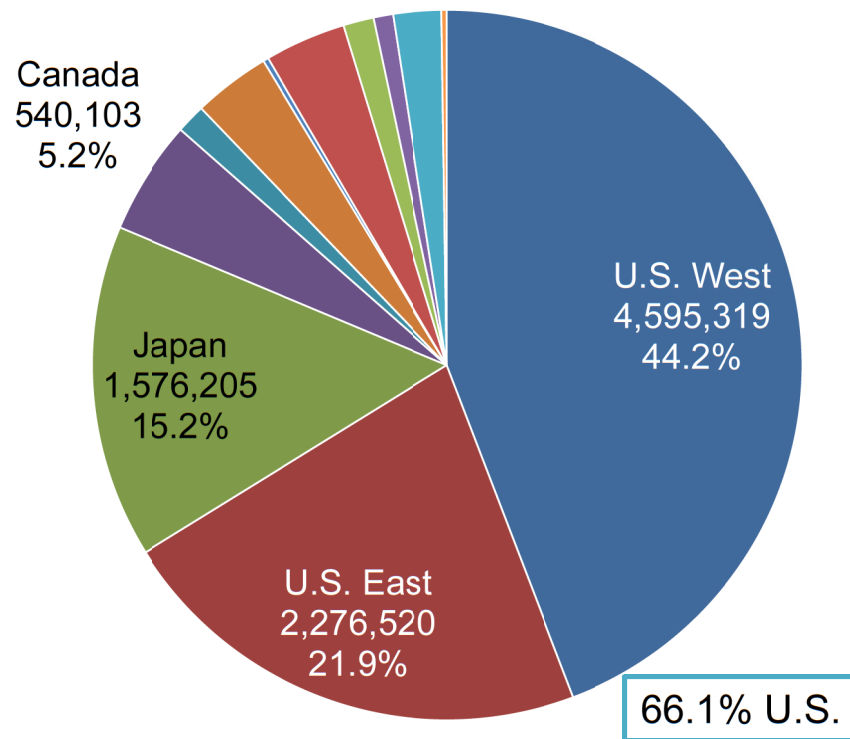
# Visitor arrivals flat with moderate spending growth



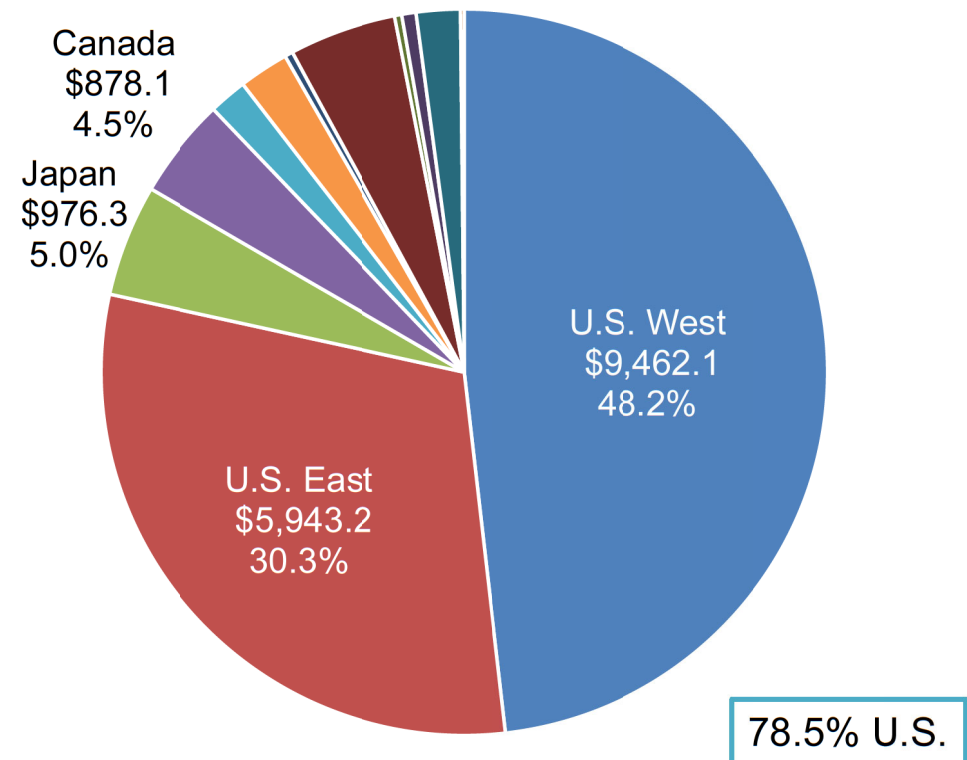
Source: DBEDT, Q4 2025 Forecast

# Hawai'i Visitor Arrival Mix

2019



YTD November 2025P



Source: DBEDT, Note: 2025 figures are preliminary

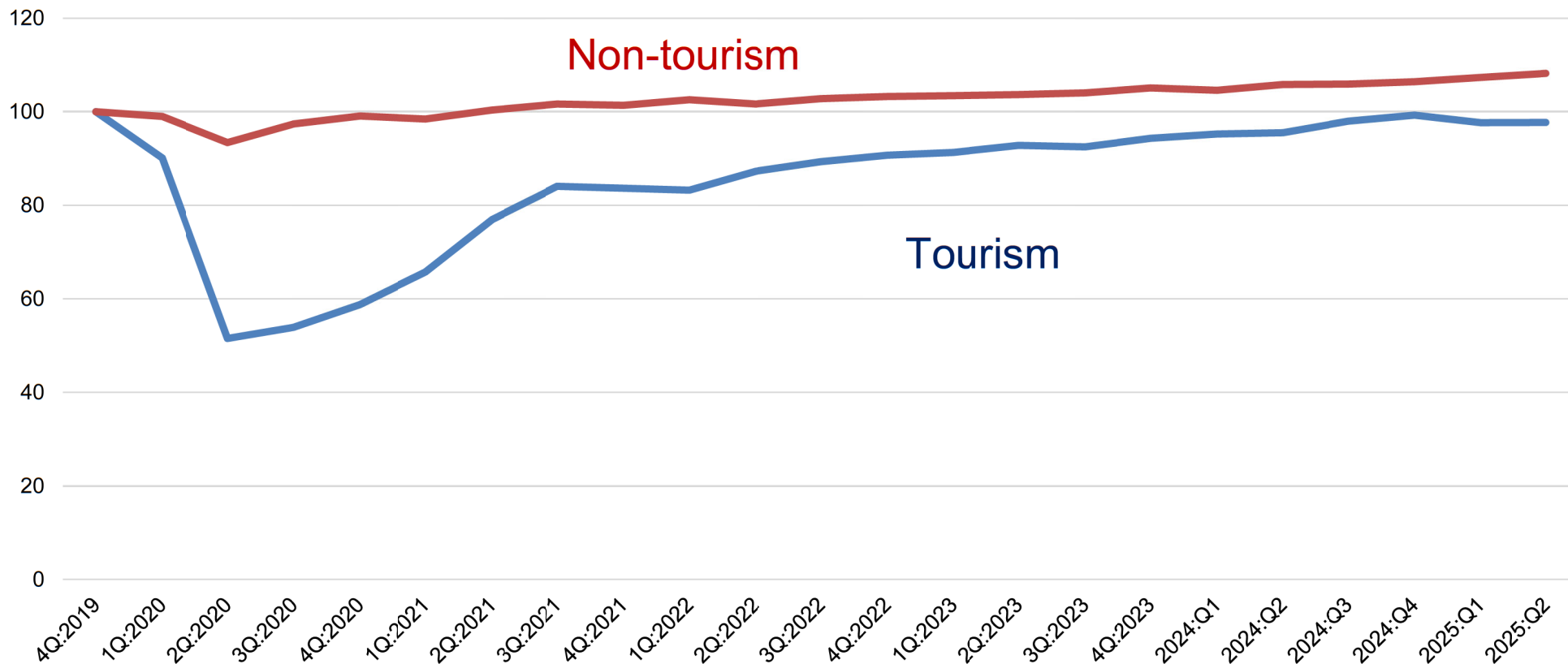
## Tourism Recovery by Market – YTD November

Market	Visitor Arrivals			Visitor Expenditures		
	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%

Source: DBEDT

# Real GDP recovery by Tourism and Non-tourism sectors

(4Q:2019=100)



Source: DBEDT



# Mahalo!

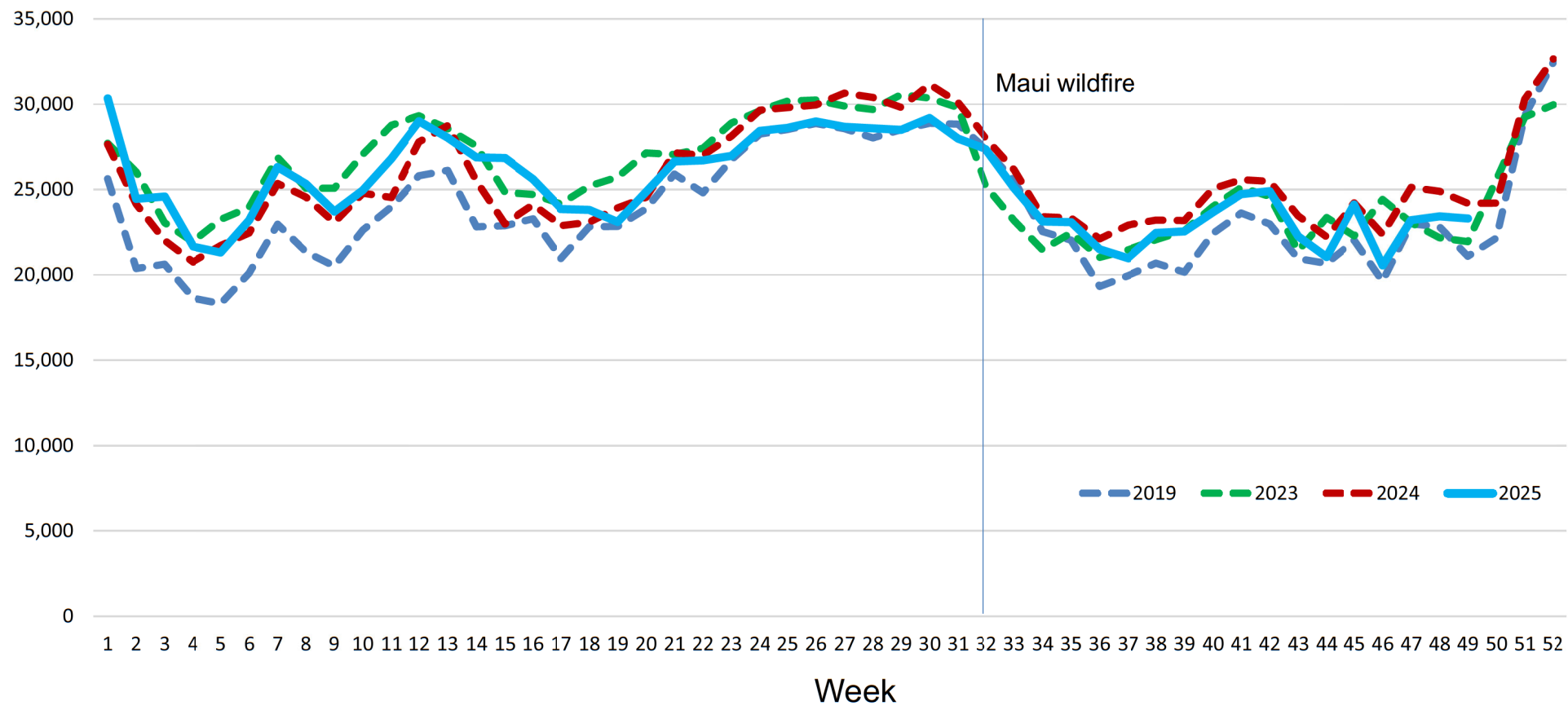


STATE OF HAWAI'I • DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM

# QUESTIONS PLEASE!

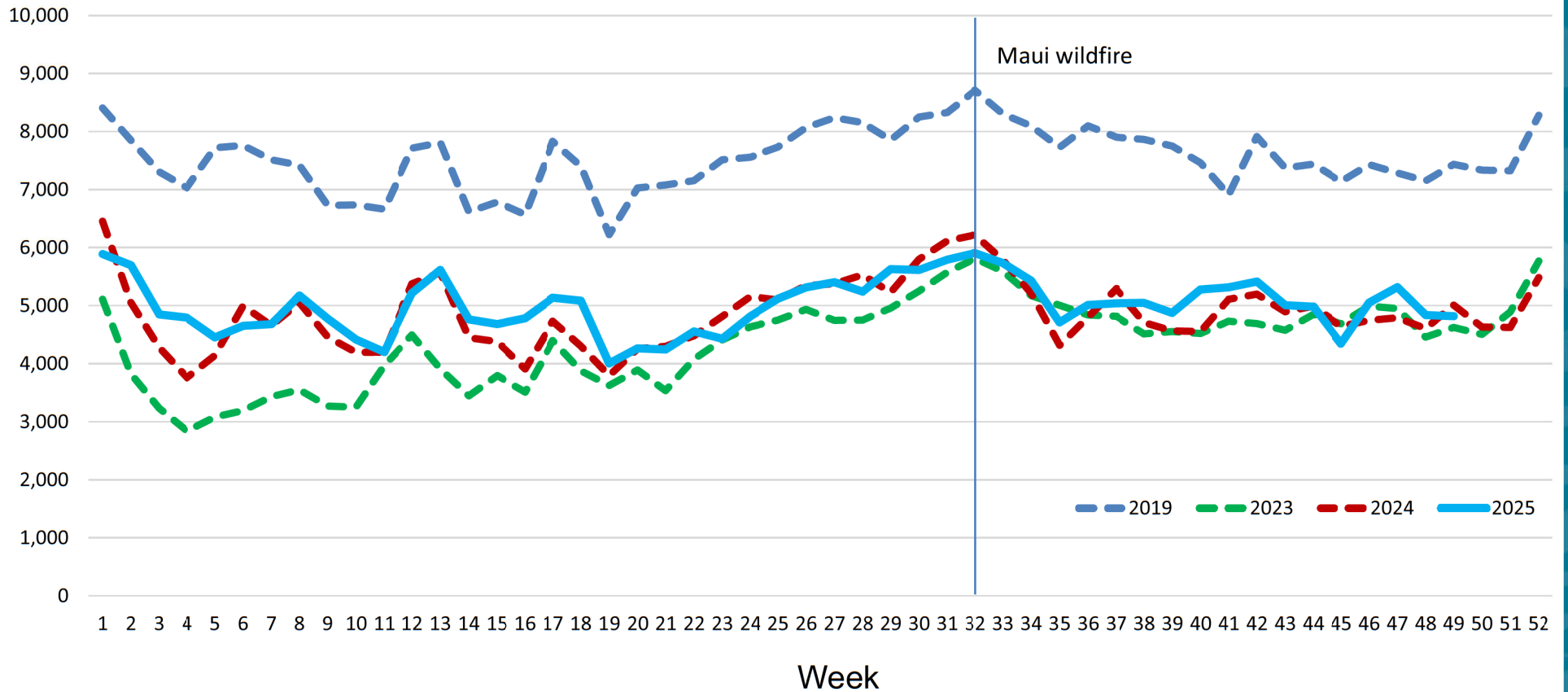


# Statewide average daily domestic passenger count



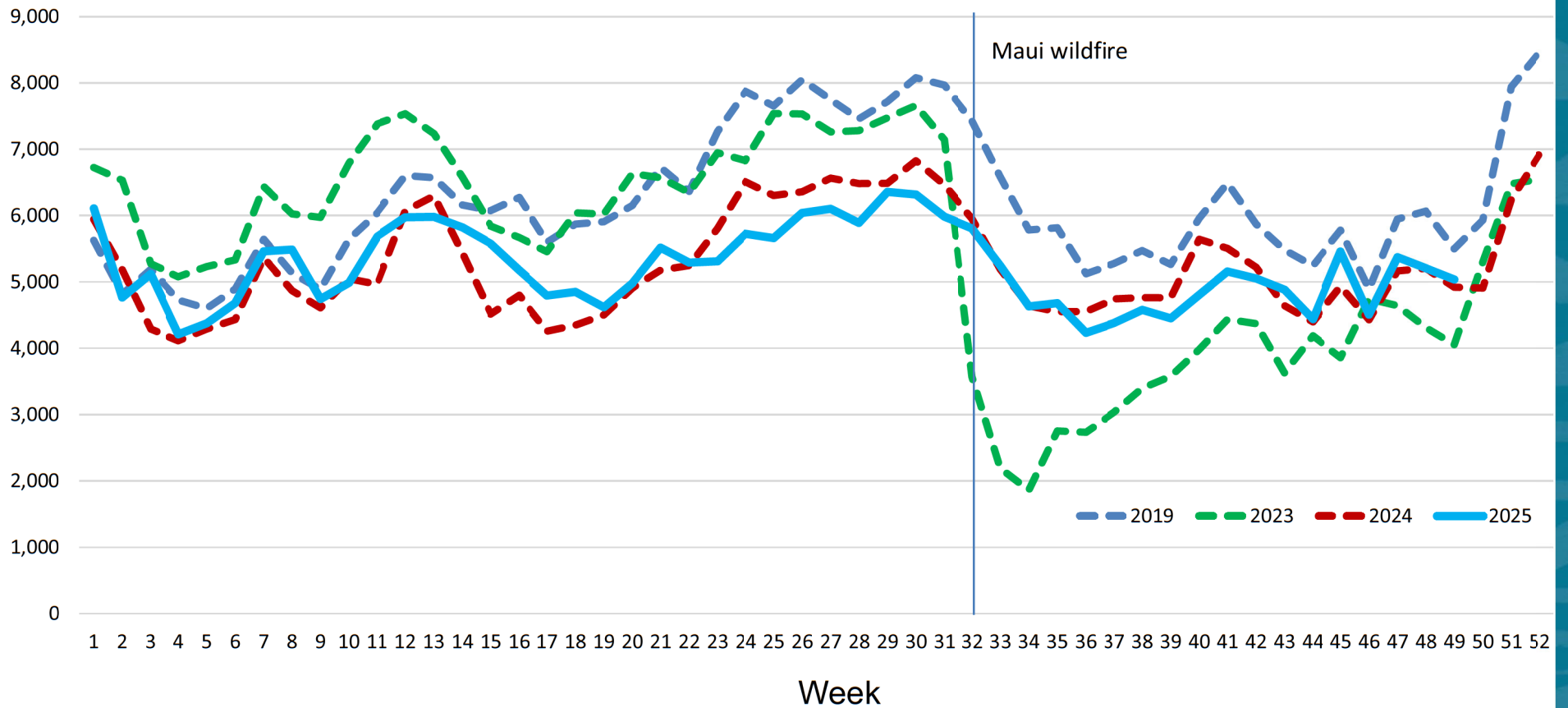
Source: DBEDT

# Statewide average daily international passenger count



Source: DBEDT

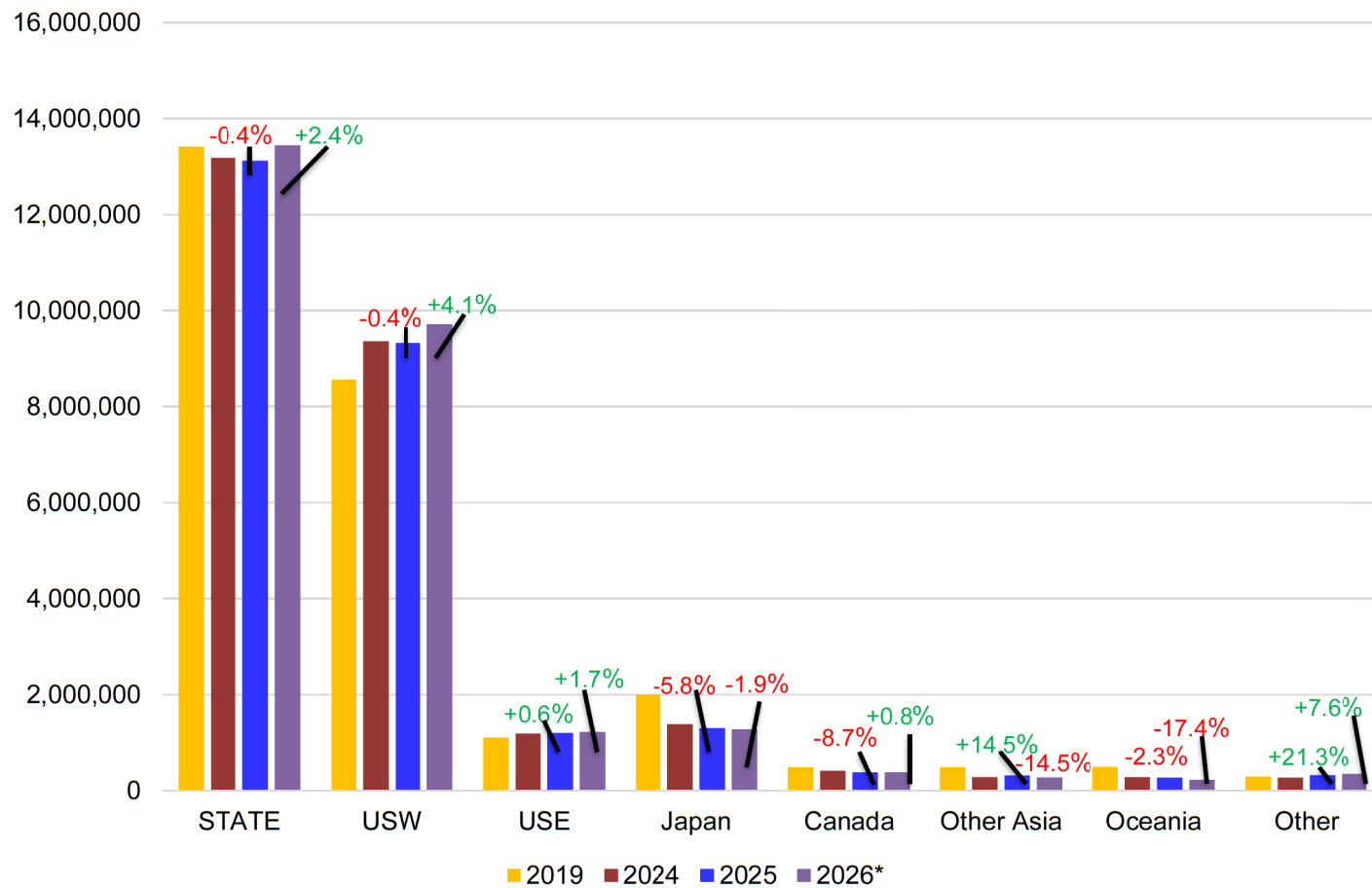
## Maui average daily domestic passenger count



Source: DBEDT



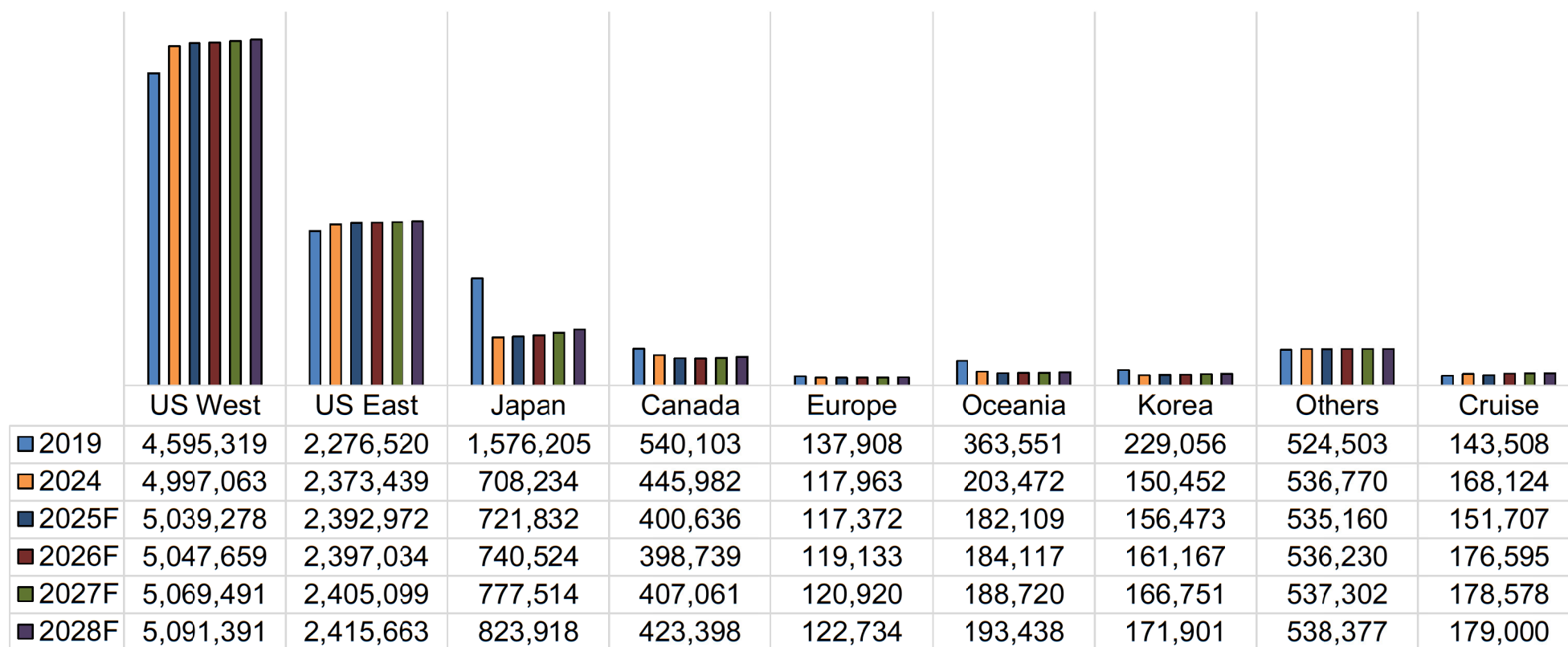
## Scheduled air seats by market: 2026, 2025, 2024, and 2019



Source: Diio

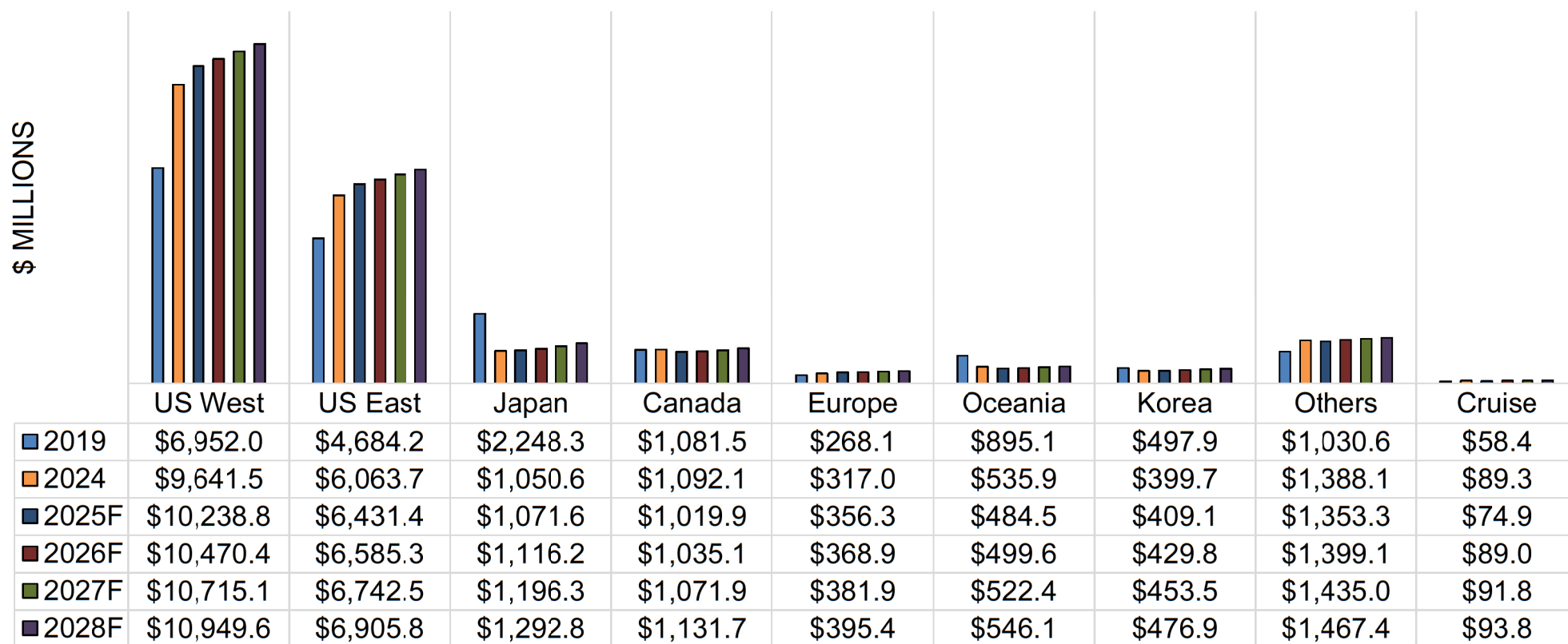
\*Calendar 2026 scheduled air seats is estimated based on data through November 2026 and estimated December 2026 seats

# DBEDT Tourism Forecast – Visitor Arrivals



Source: DBEDT, Q4 2025 Forecast

# DBEDT Tourism Forecast – Visitor Spending



Source: DBEDT, Q4 2025 Forecast





**UHERO**  
THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

# MILD RECESSION AND WEAK RECOVERY IN 2026

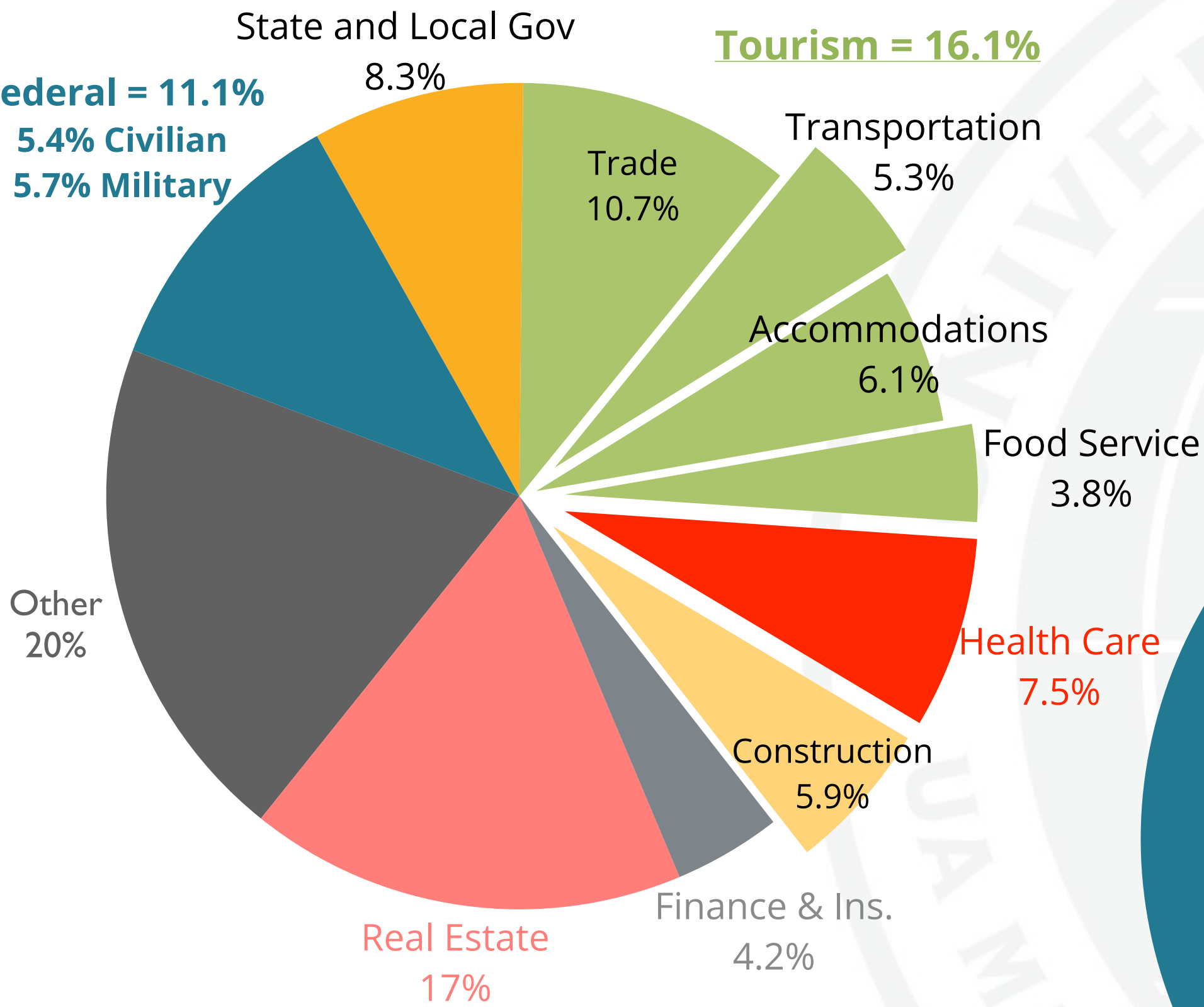
DR. CARL BONHAM  
EXECUTIVE DIRECTOR, UHERO  
PROFESSOR, DEPARTMENT OF ECONOMICS

SENATE WAYS AND MEANS COMMITTEE  
JANUARY 7, 2026

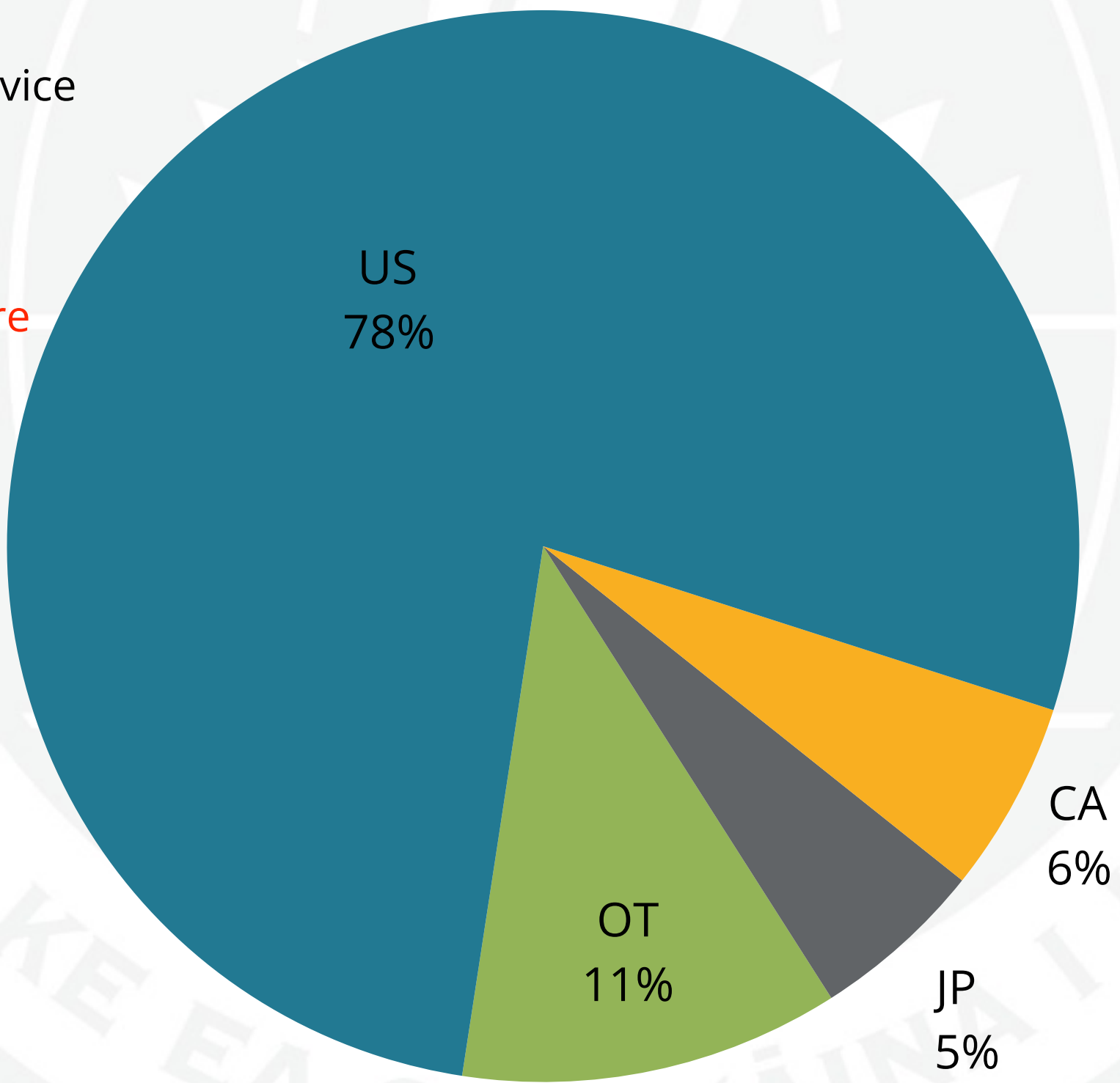


# Highly specialized and dependent on the US economy

Industry shares of 2024 GDP



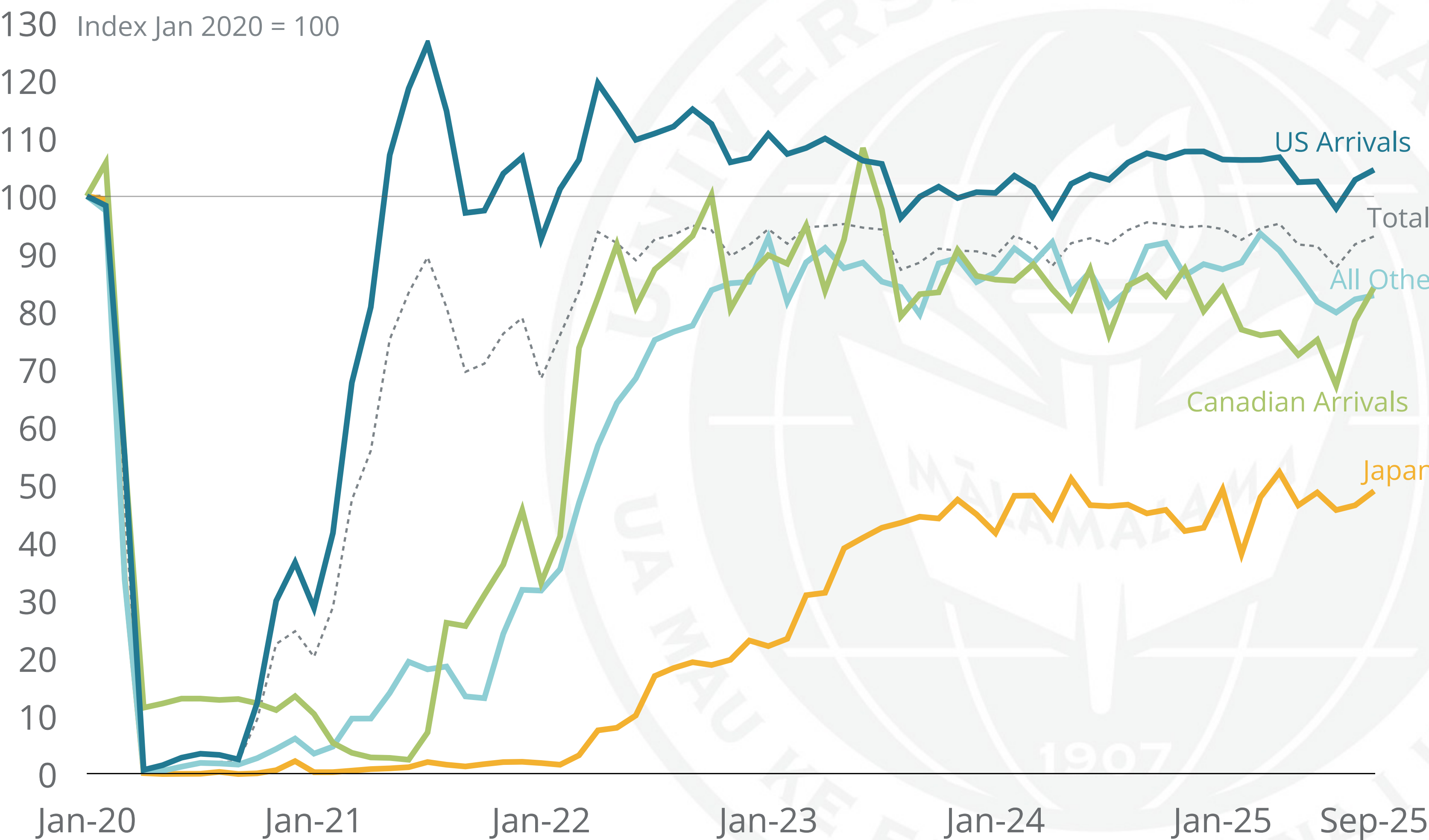
2024 Visitor Census



Source: BEA, DBEDT, UHERO.data.

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

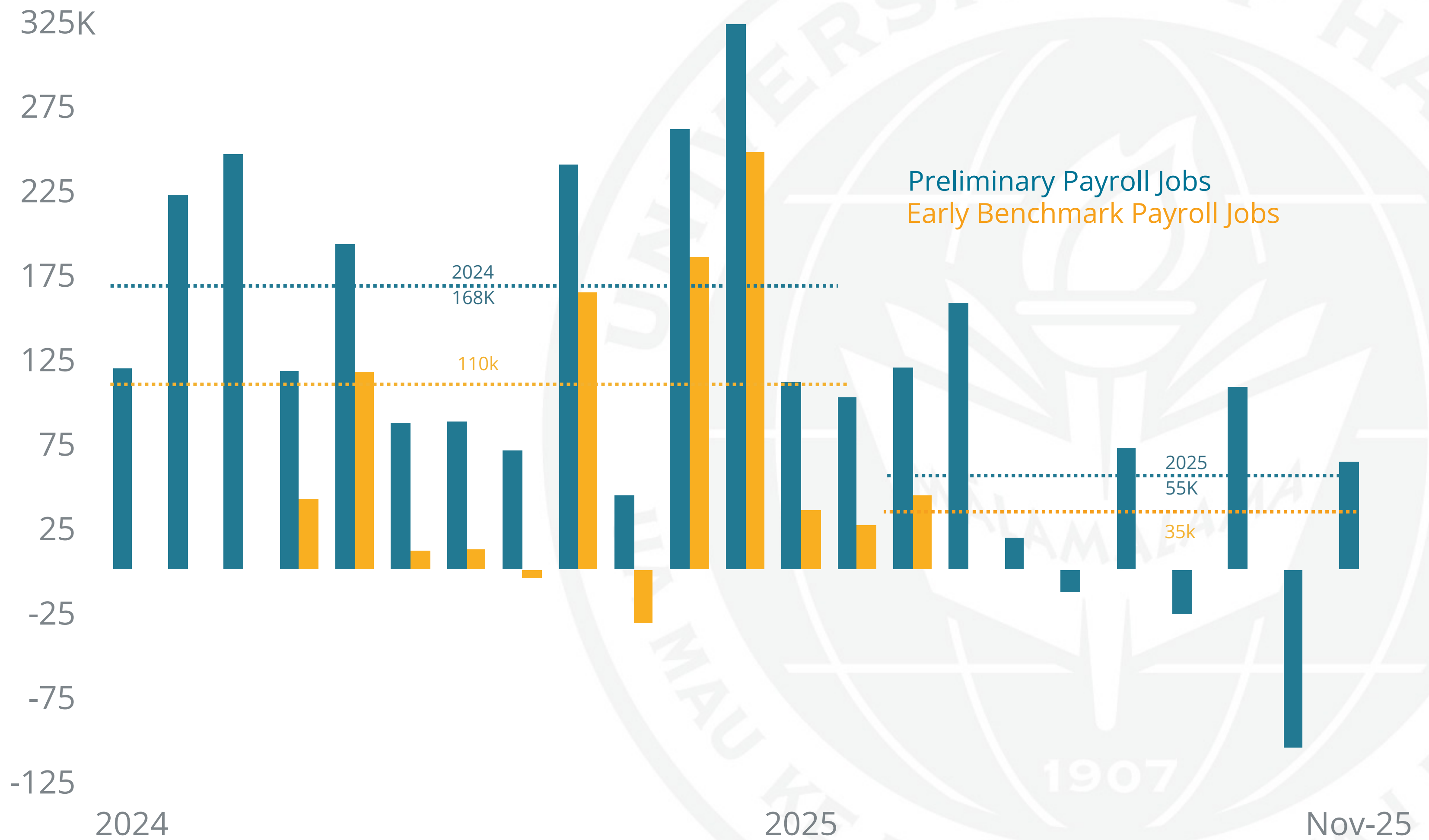
US visitors contribute 79% of total Hawai'i visitor spending



Source: HTA, UHERO.data.

# A resilient US economy has been critical for Hawai‘i

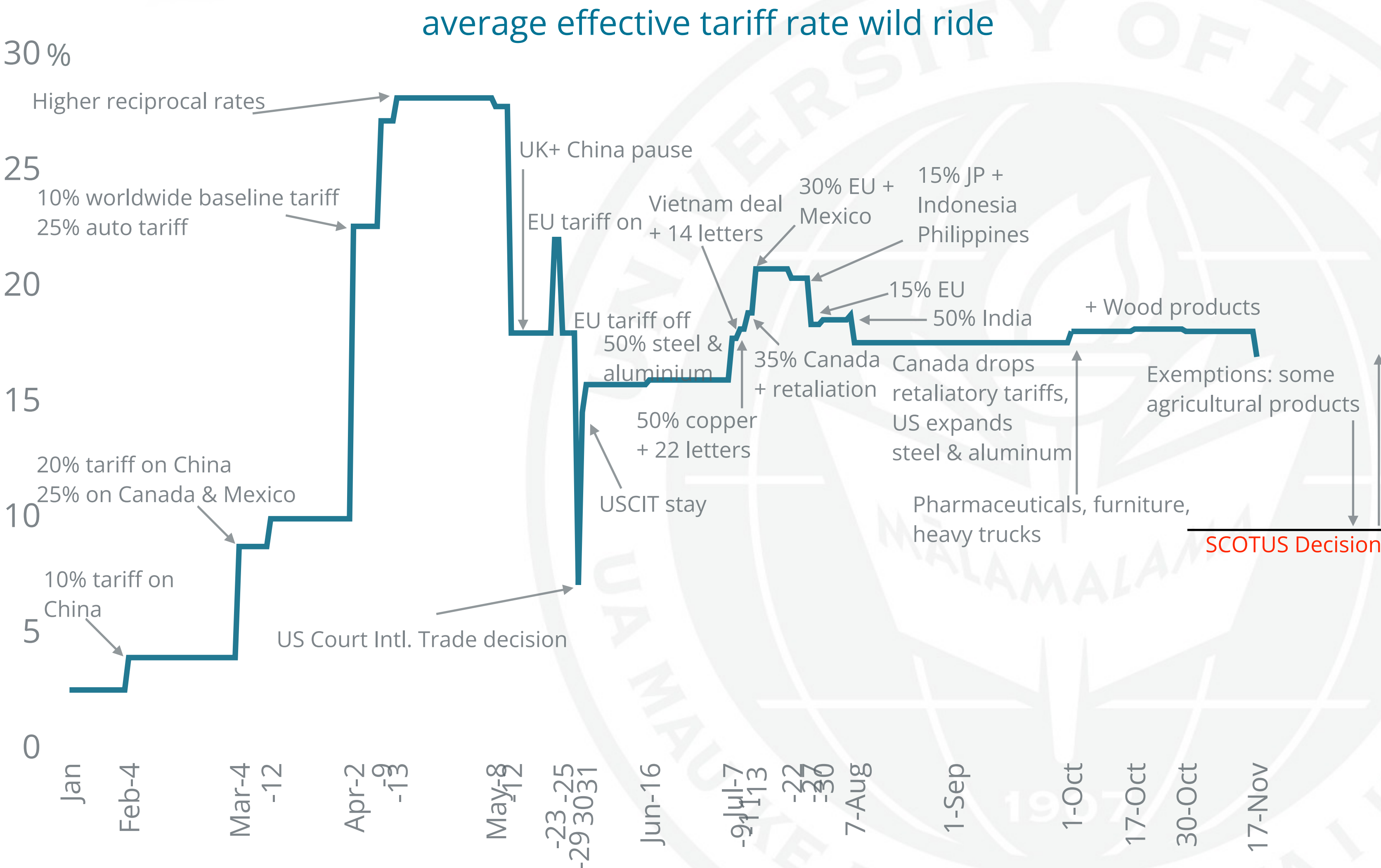
monthly change in US non farm payroll jobs



Source: BLS, UHERO early benchmark

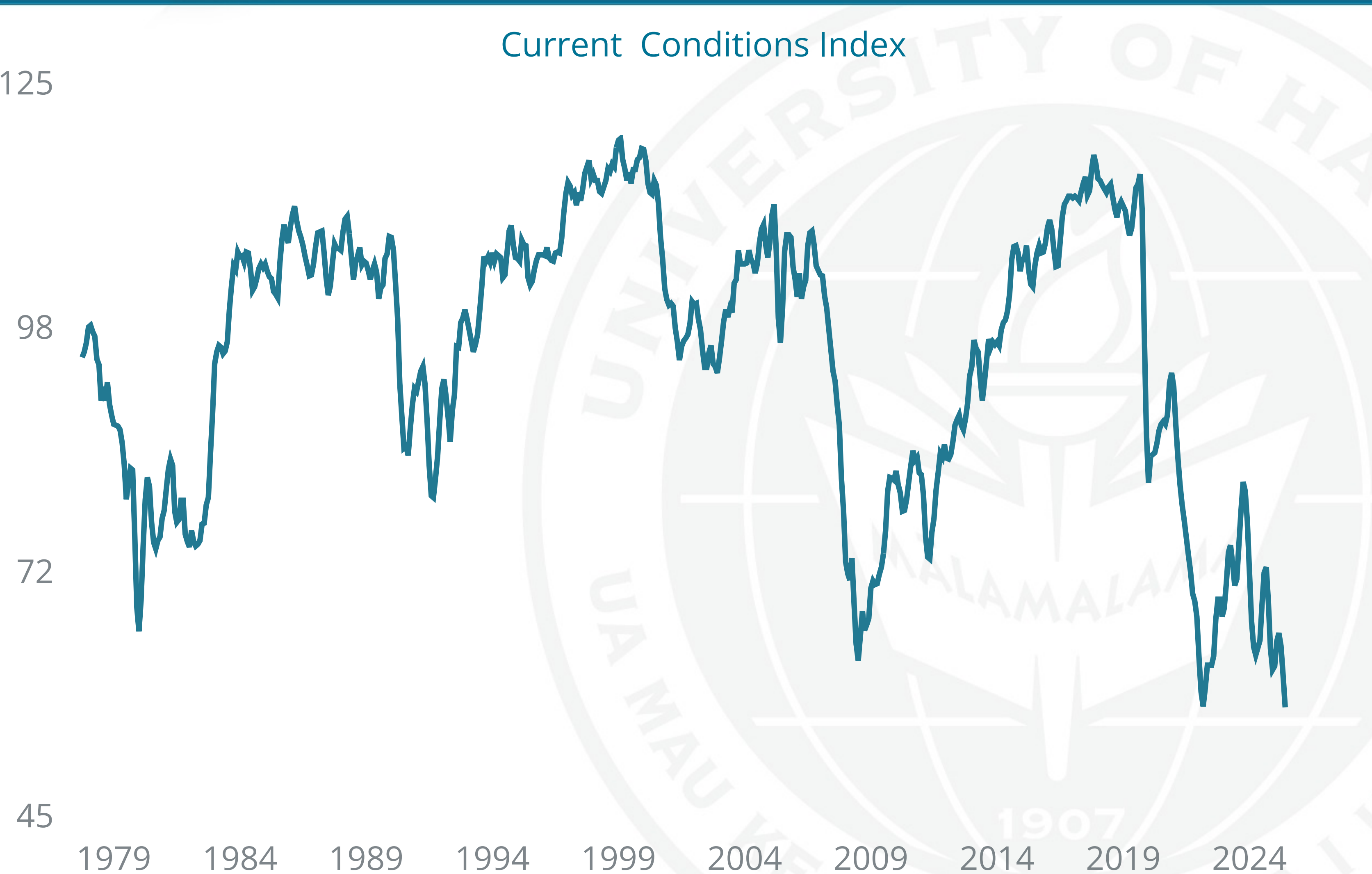


# When and where to buy, produce, invest, hire



Source: Budget Lab at Yale

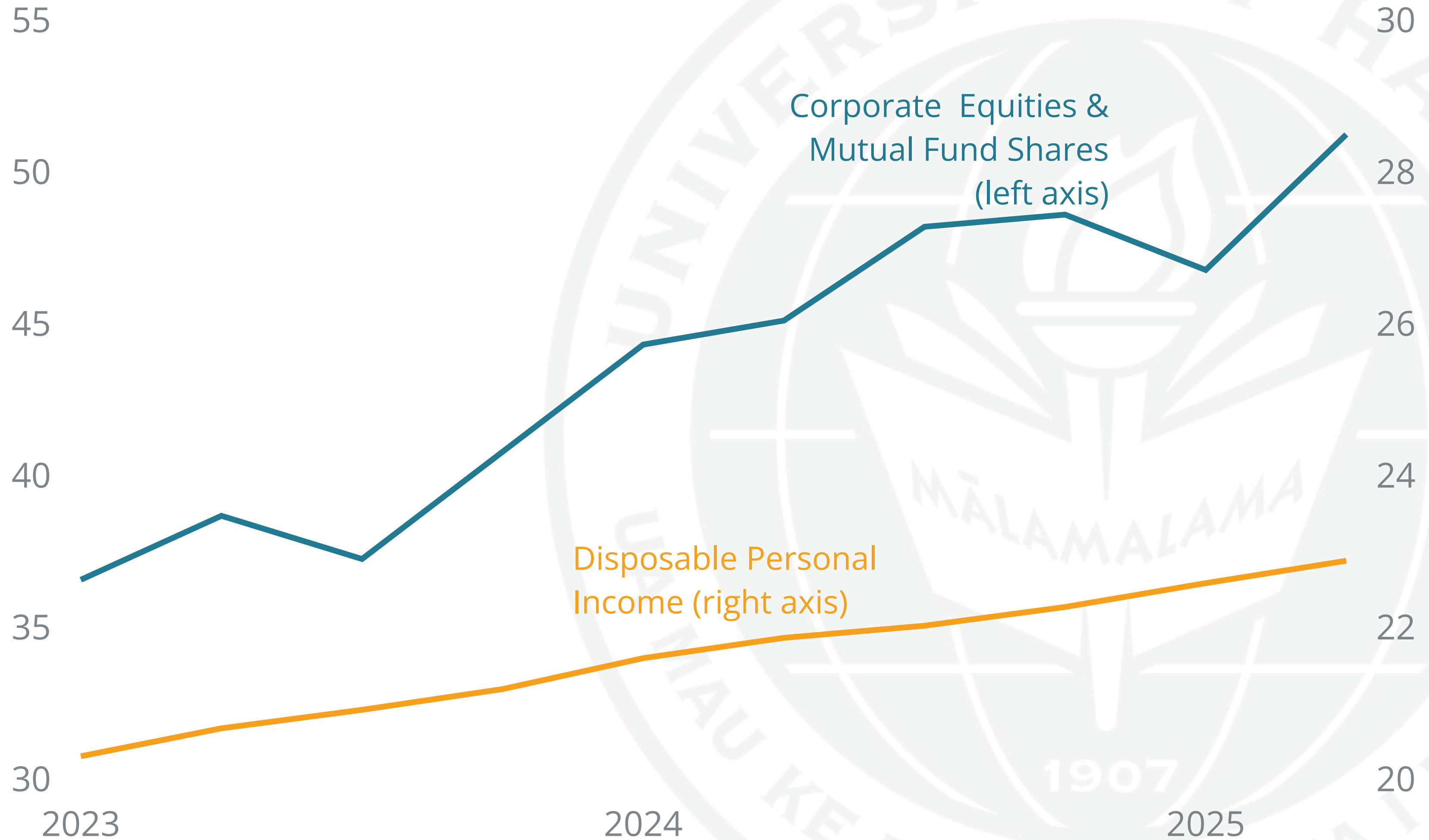
# Consumers believe current conditions are worst in 40+ years!



Source: University of Michigan Survey Research Center.

# Yet, stock market gains support high income spenders

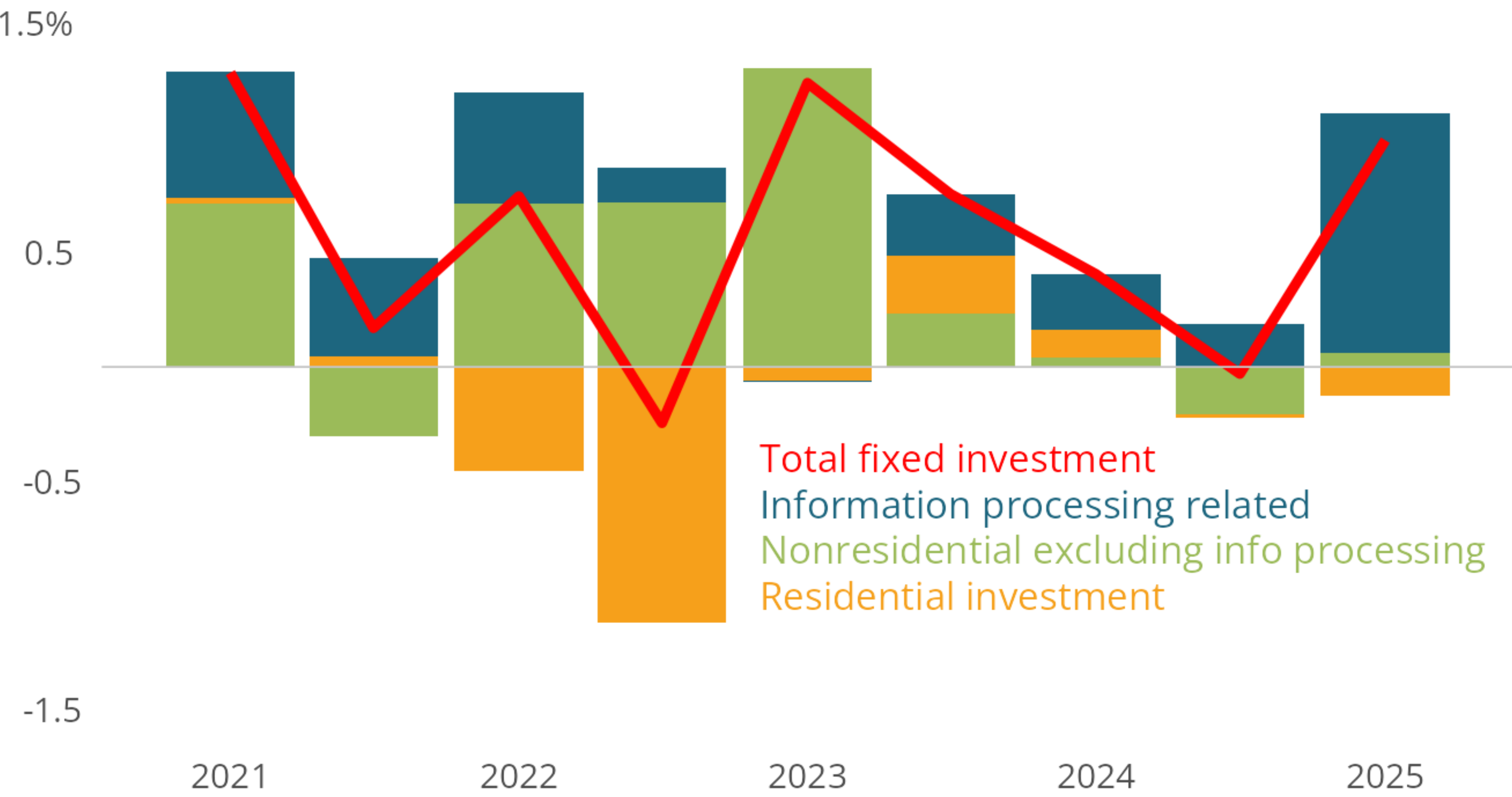
change in US personal income and stock market wealth



Source: BEA, FED.

# And AI investments power capital formation

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



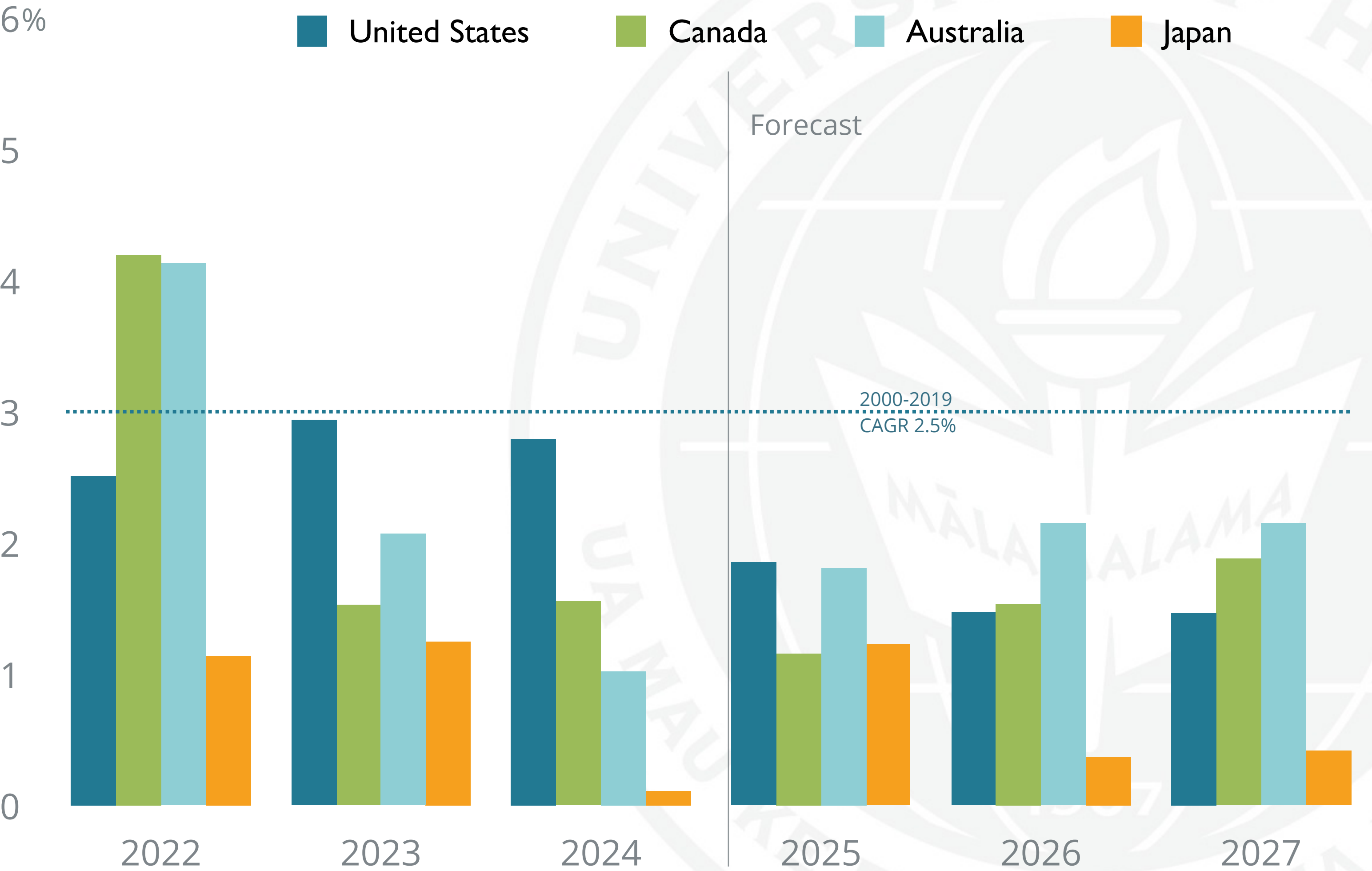
Total fixed investment  
Information processing related  
Nonresidential excluding info processing  
Residential investment

Source: BEA, UHERO.



# Headwinds outweigh tax cuts, interest rates and data centers

inflation bump should be temporary yet current policy drag is persistent

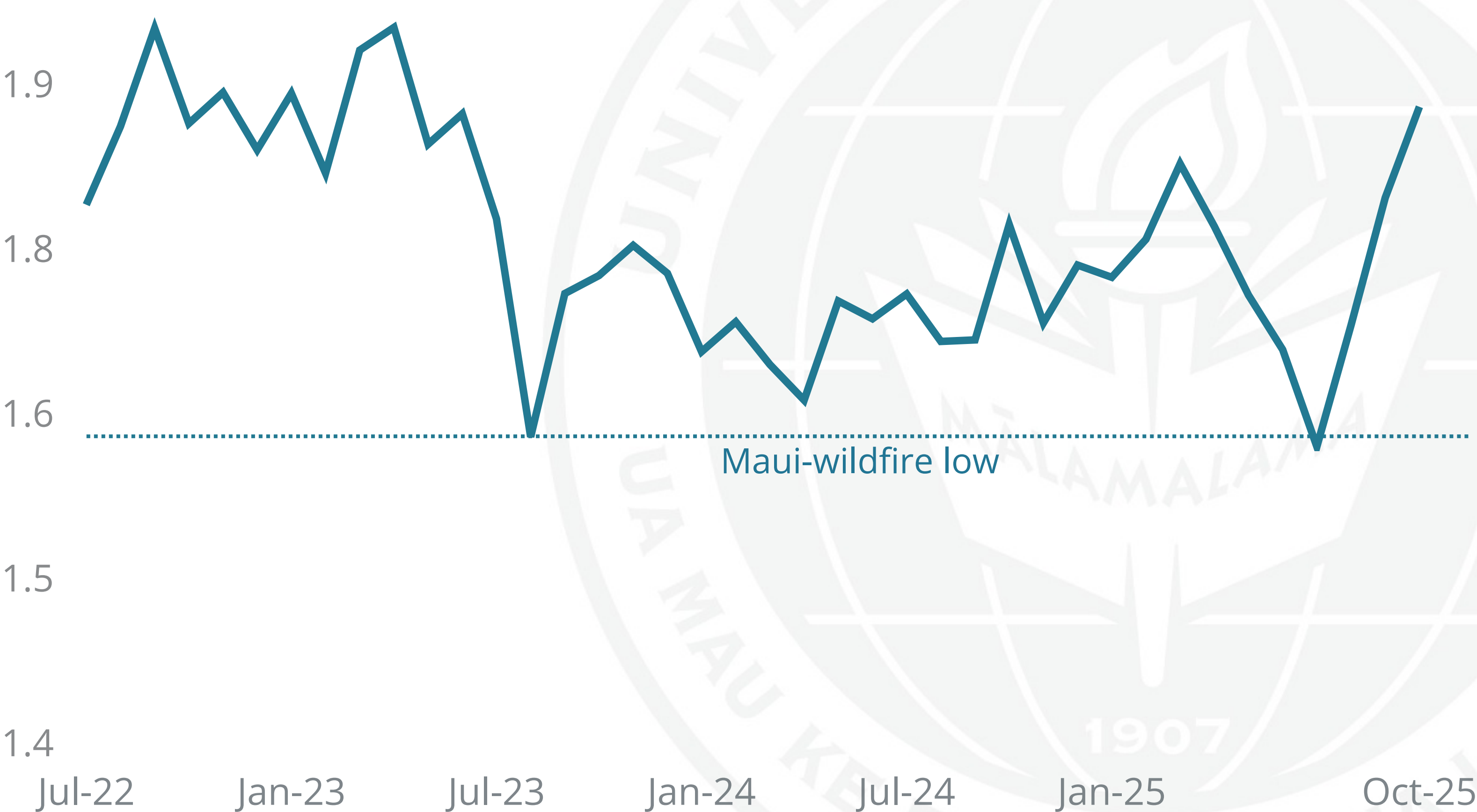


Source: UHERO forecasts.

# A weak summer for tourism, fall bounce is welcome

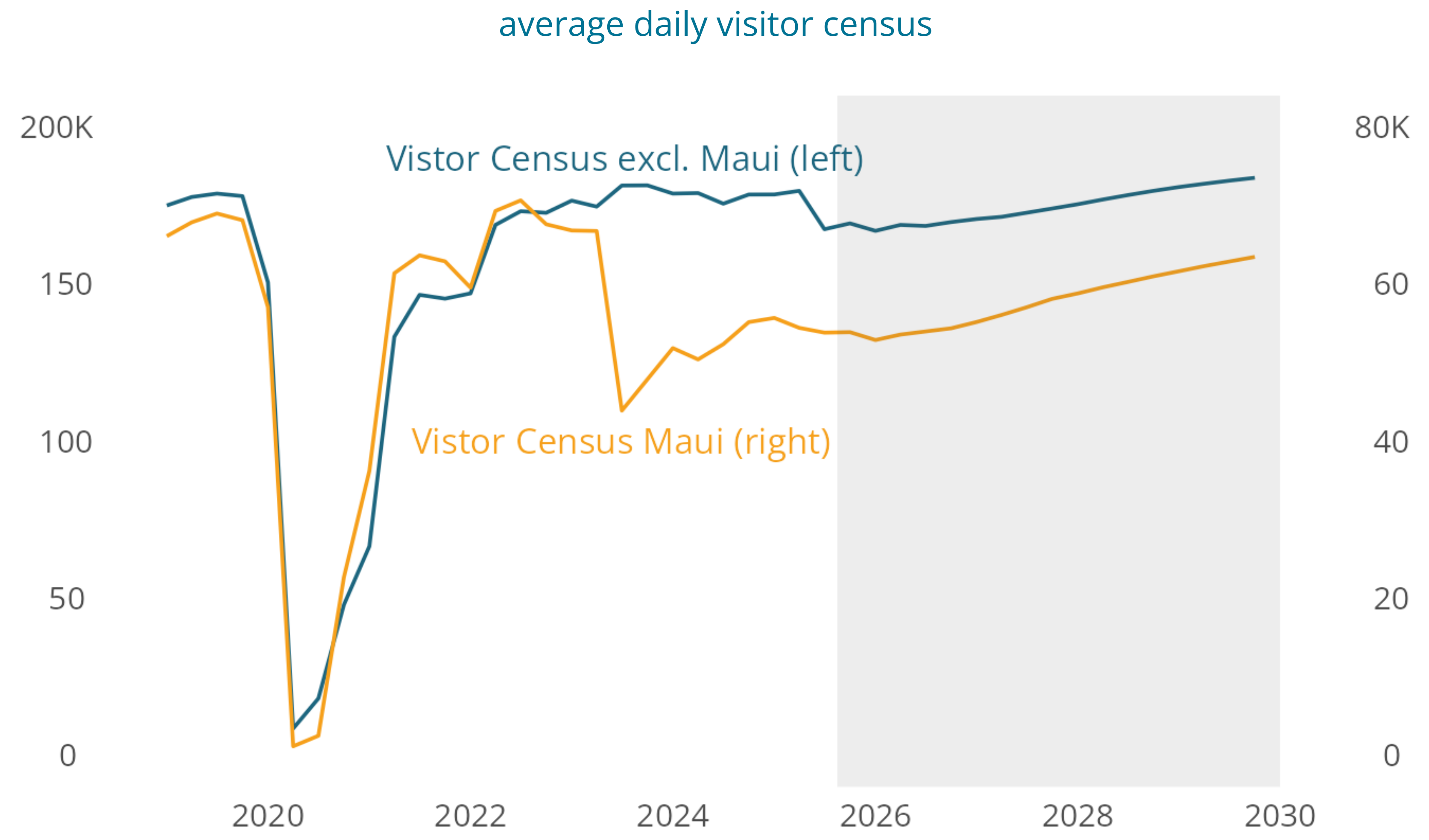
Are visitors really spending 15% more on food, entertainment and transportation?

2 B \$2024



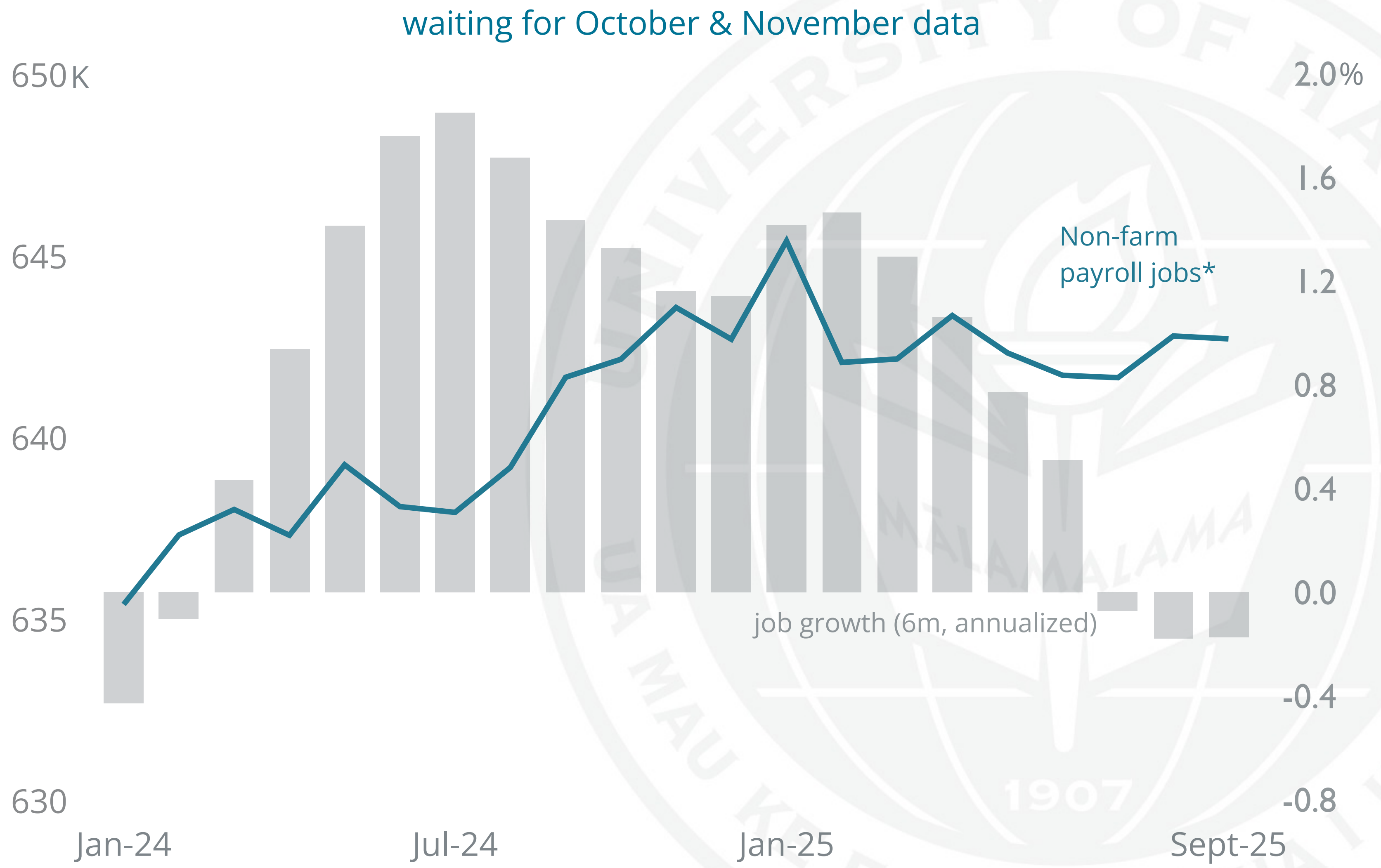
Source: DBEDT, seasonally adjusted by UHERO, deflated using Honolulu CPI.

# Recovery from summer downturn will take some time



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

# With federal cuts and tourism slowdown, job creation stalls

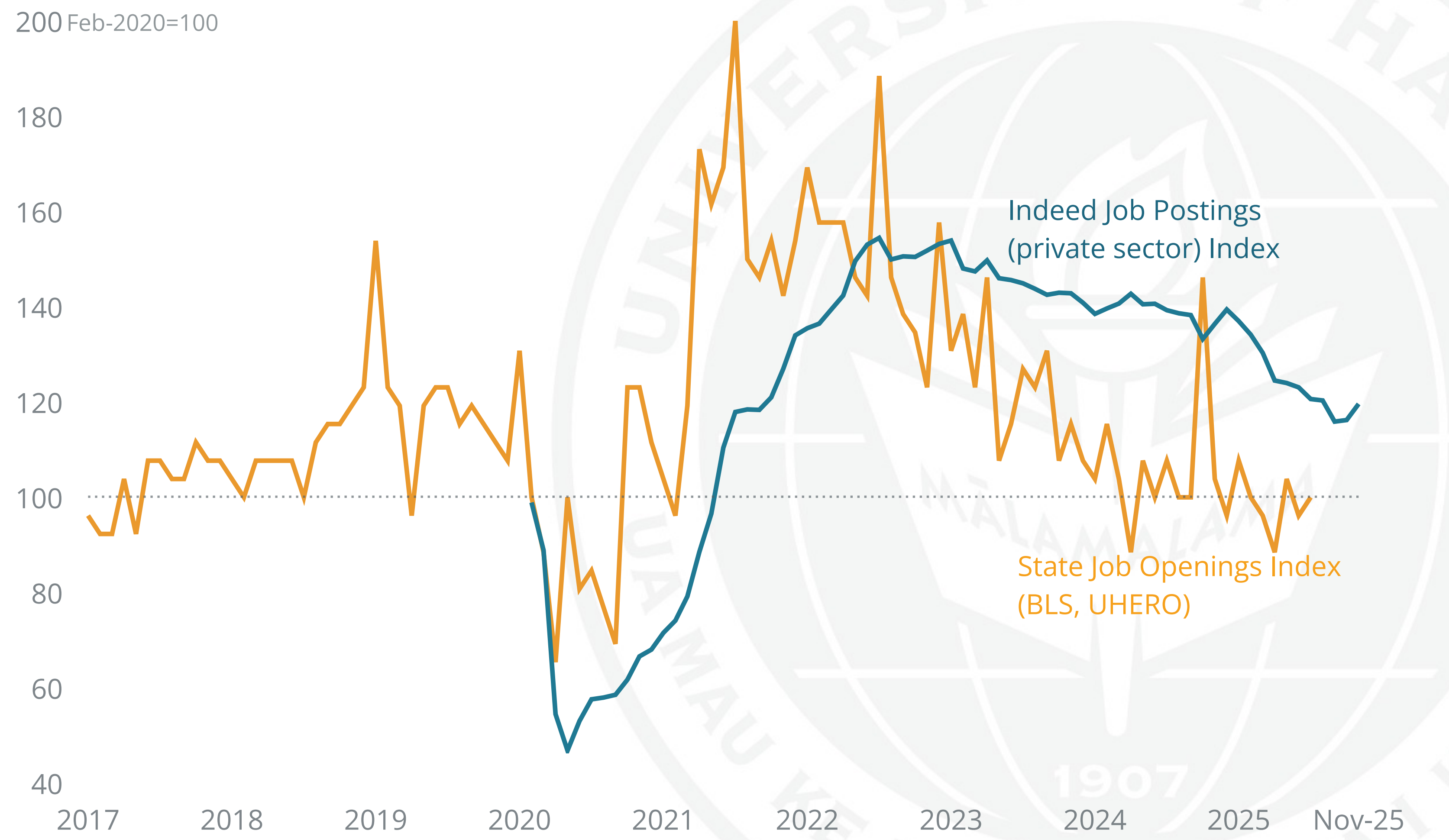


Source: BLS, \*UHERO early-benchmark estimates



# Incoming minimum wage increase confronts weak hiring

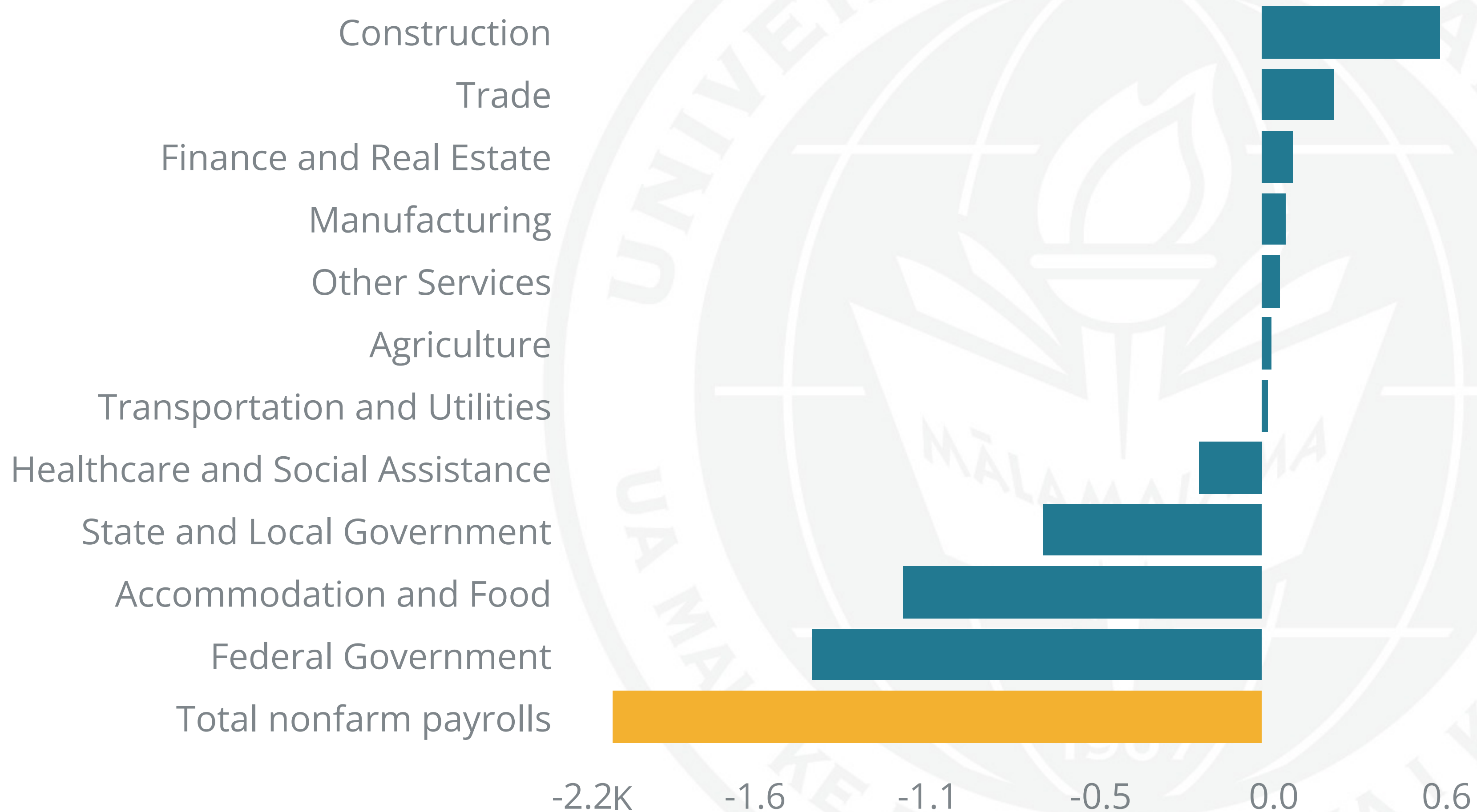
the last time job openings were this low was 2017



Source: Indeed, BLS, UHERO.

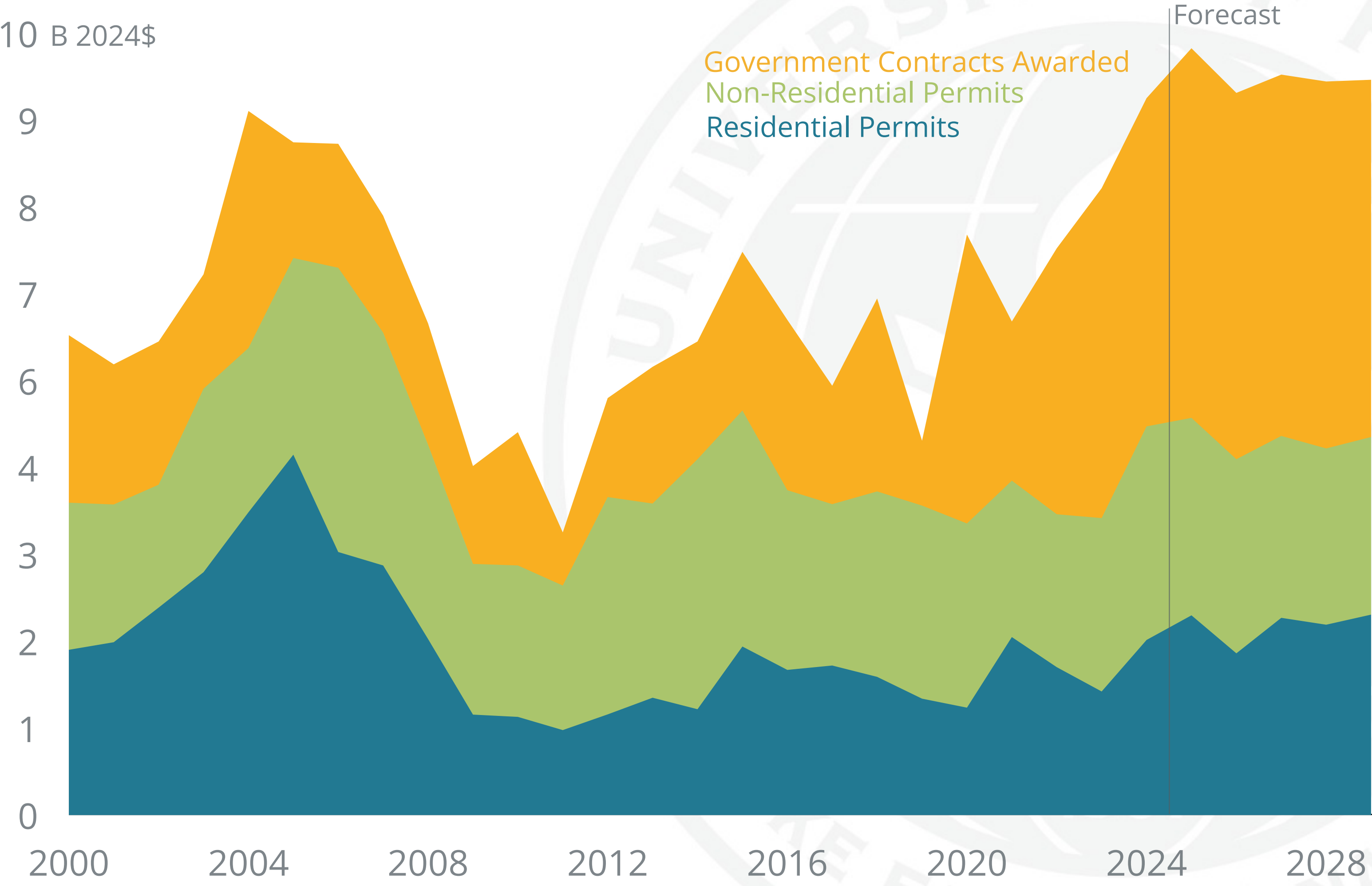
# Jobs losses are expected to be concentrated by policy impact

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



# One area federal spending is helping— construction

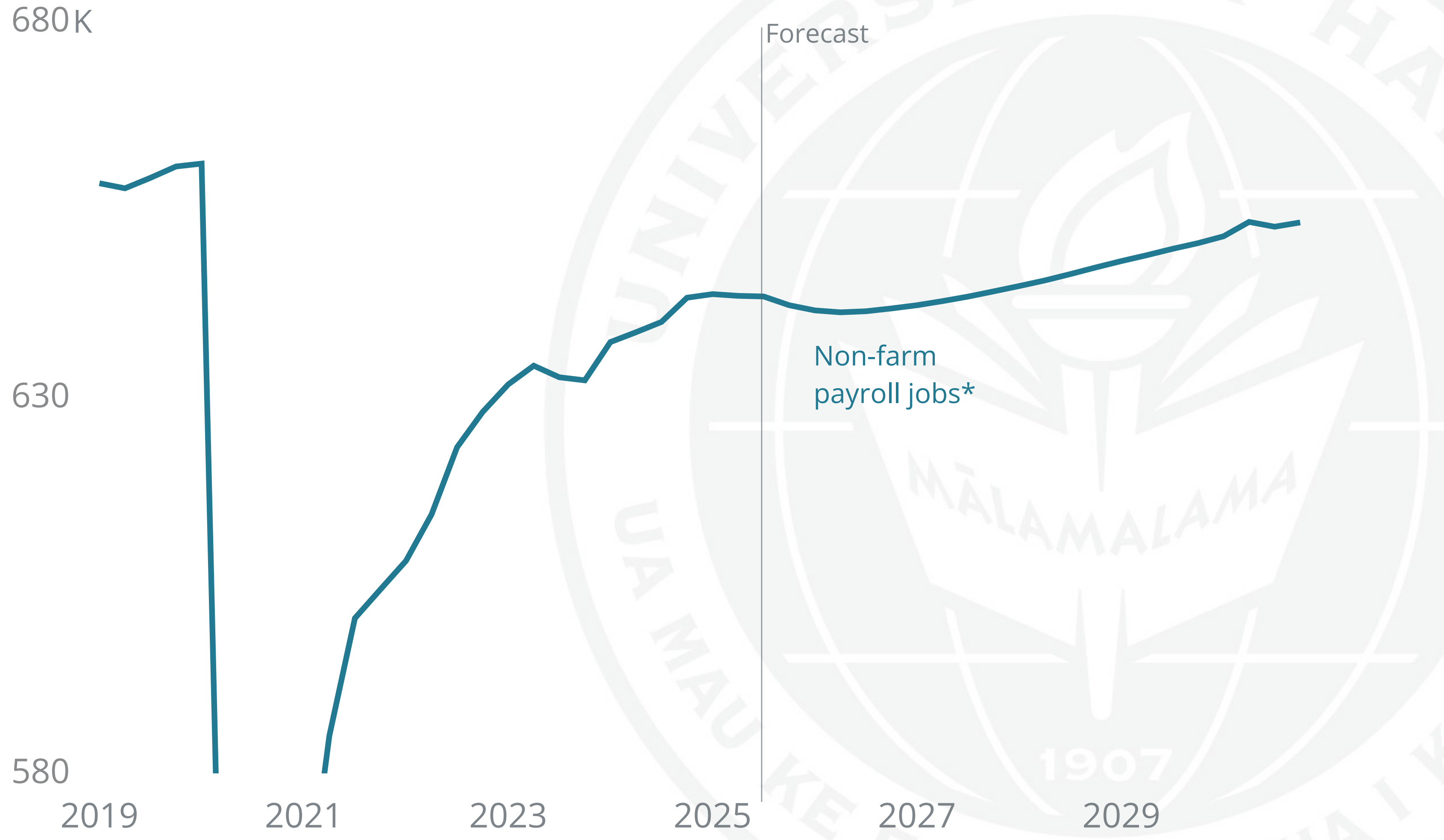
dominated by federal projects with some gains in home building



Source: DBEDT, UHERO forecasts.

# Hawai'i job creation is expected to remain weak

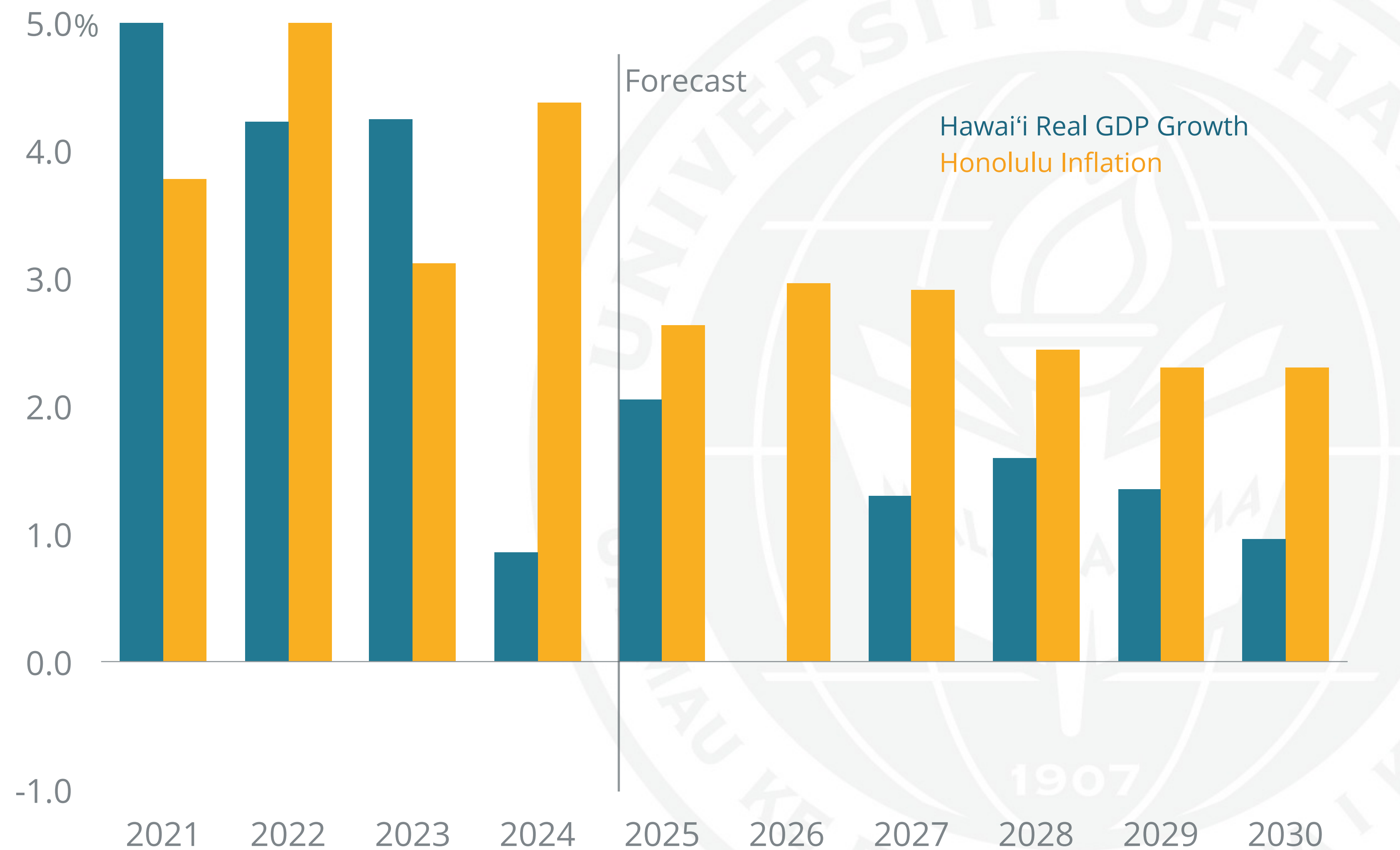
as hiring falls to post pandemic lows



Source: BLS, \*UHERO early-benchmark estimates



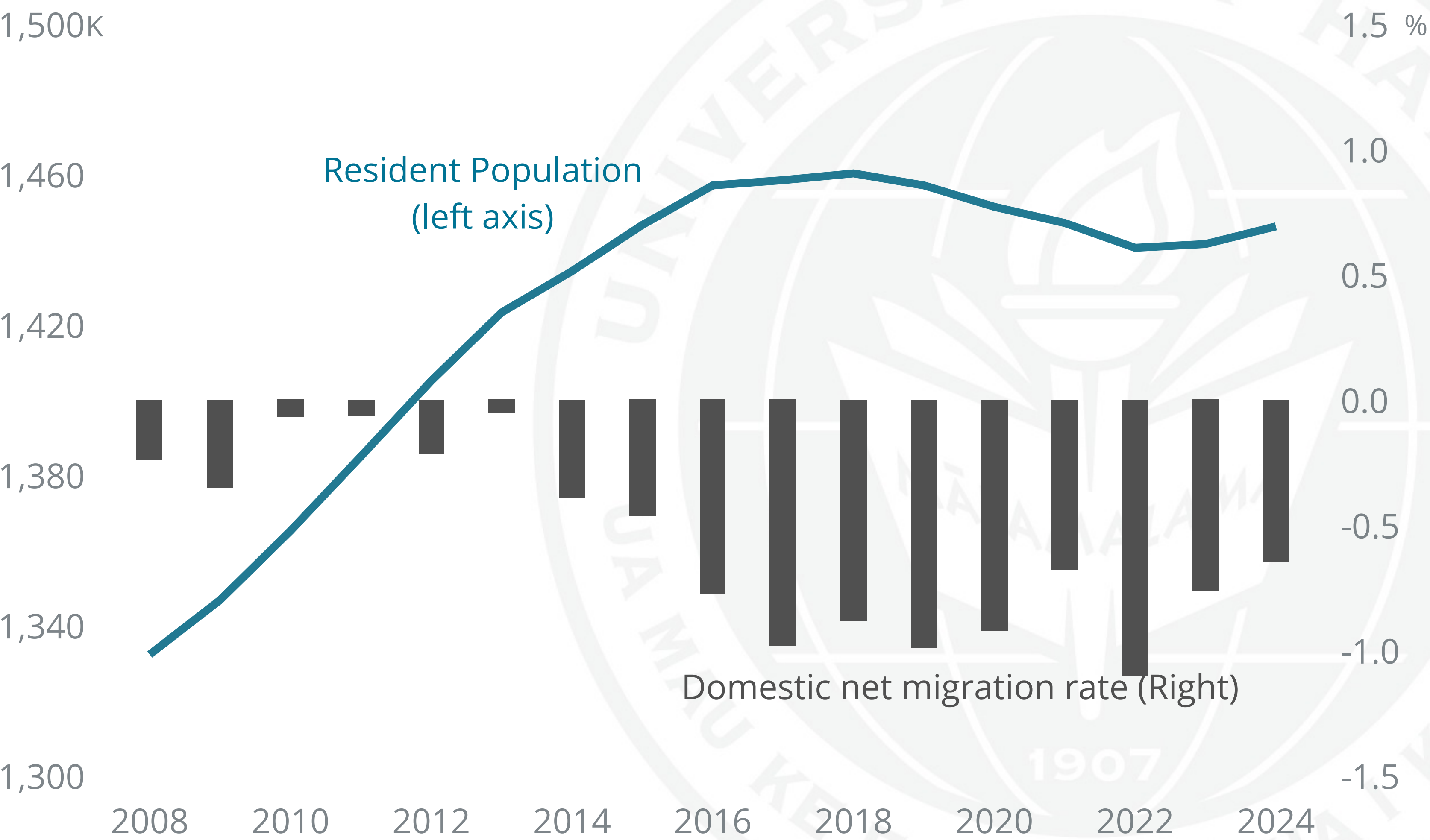
# Inflation will begin to ease and growth resume late next year



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

# Longer term prospects: Why are Hawai'i residents leaving?

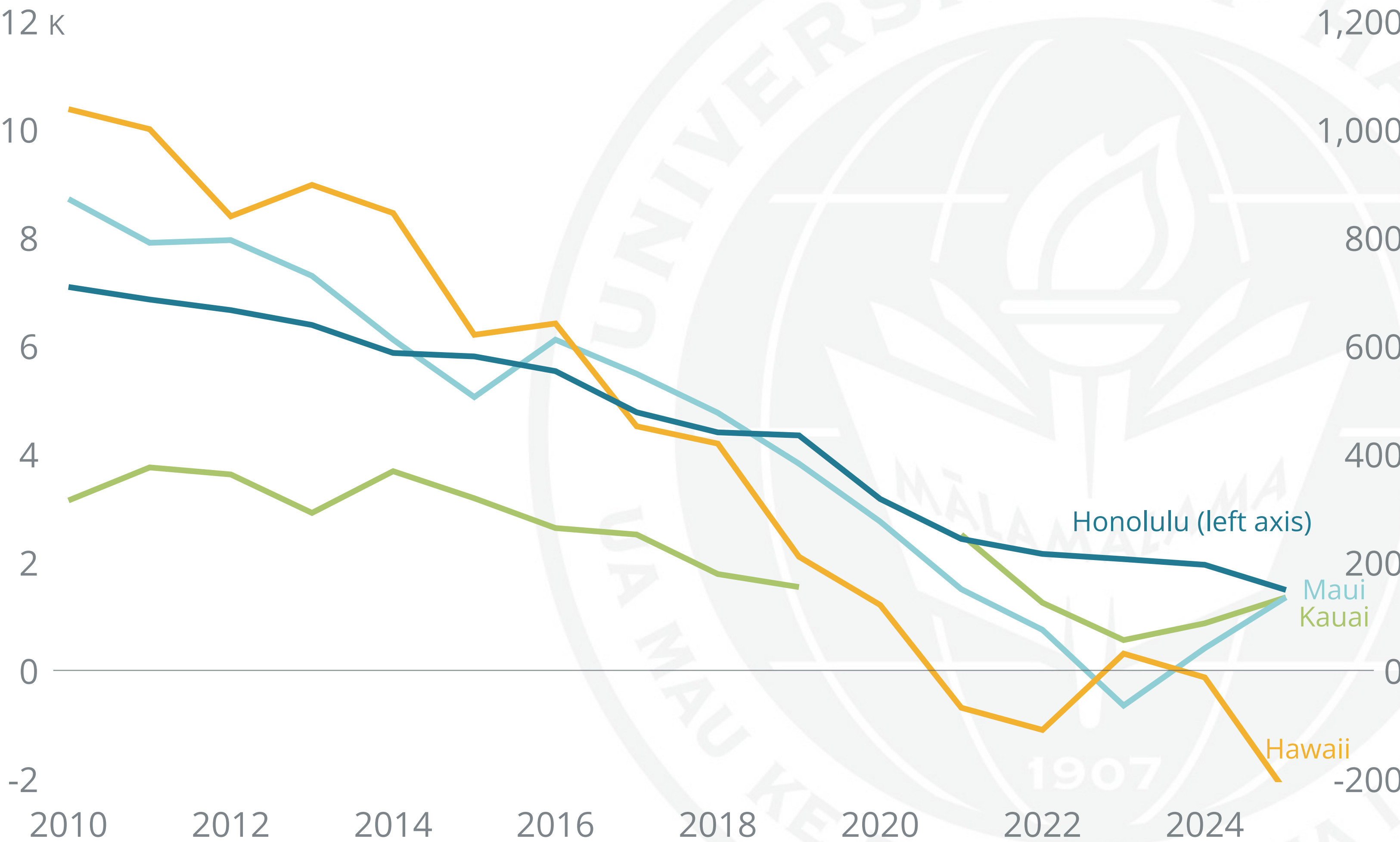
domestic net migration has been negative in 23 of the last 25 years



Source: Census, [UHERO.data](#).

# Priced out of paradise?

natural population change has fallen to near zero

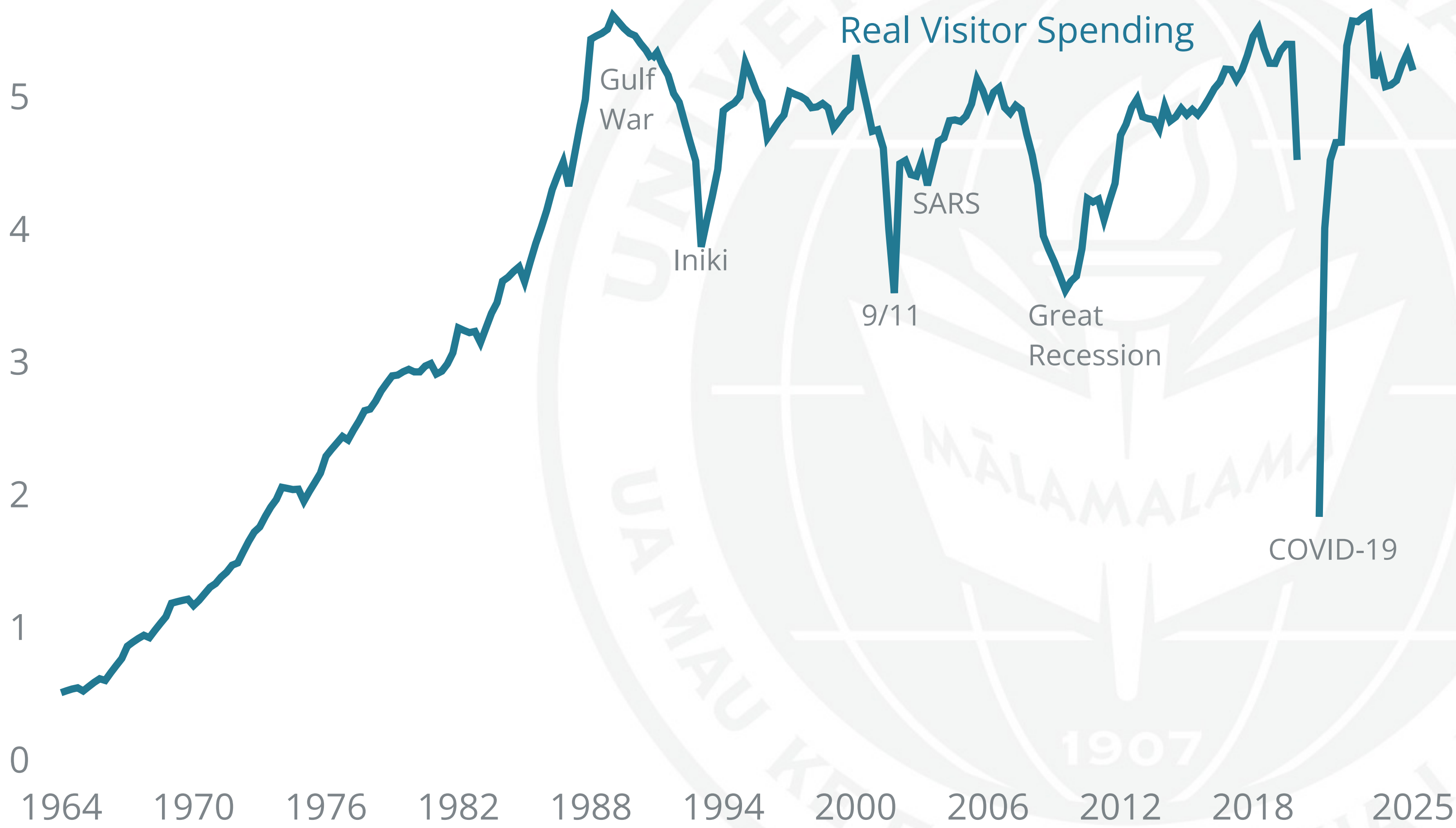


Source: DOH, UHERO, 2025 estimate based on year-to-date births and deaths.

# Tourism fueled Hawaii growth for close to 30 years

mature market, end of growth phase, repeat visitors all contribute to stagnation

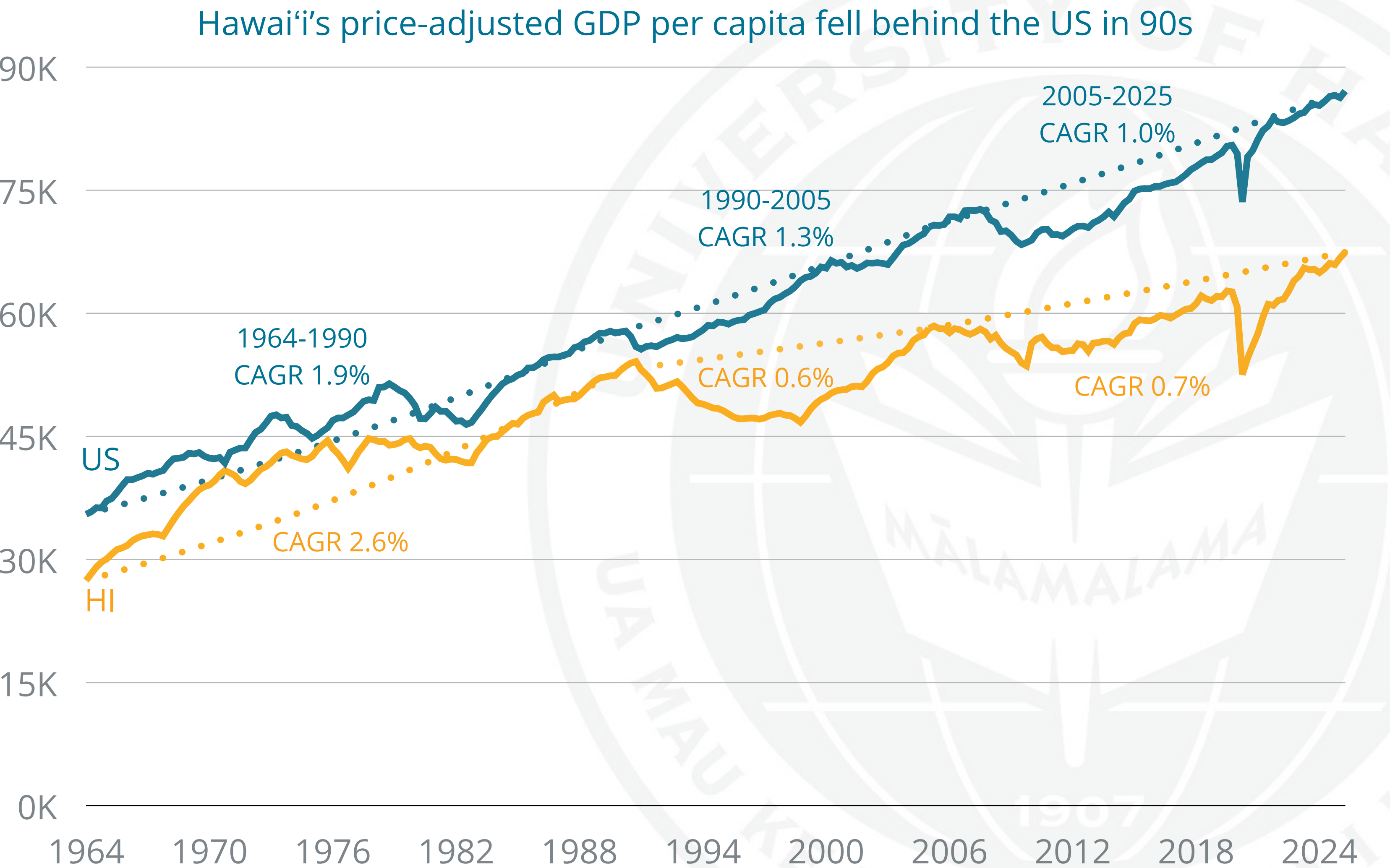
6 B 24\$



Source: DBEDT, [UHERO.data](#), nominal visitor spending deflated using Honolulu CPI.



# When tourism spending stalled, so did Hawai‘i



Source: BEA, BLS. All values in 2024 dollars deflated by US CPI. Hawaii GDP adjusted for local price levels using Urban Hawaii CPI-based RPP (Bond-Smith & Lee, 2025). 1964-1968 uses the 1969 RPP observation. 2024 uses the 2023 RPP observation.



# 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...

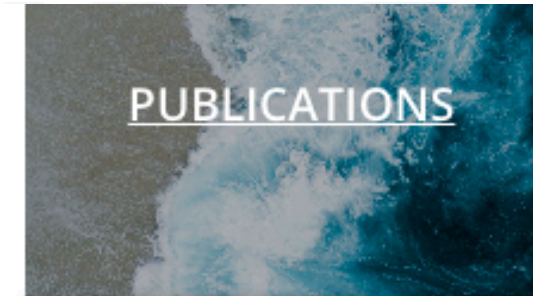
### [One year after the wildfires: Rising poverty and housing instability point to ongoing gaps in assistance](#)

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