

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

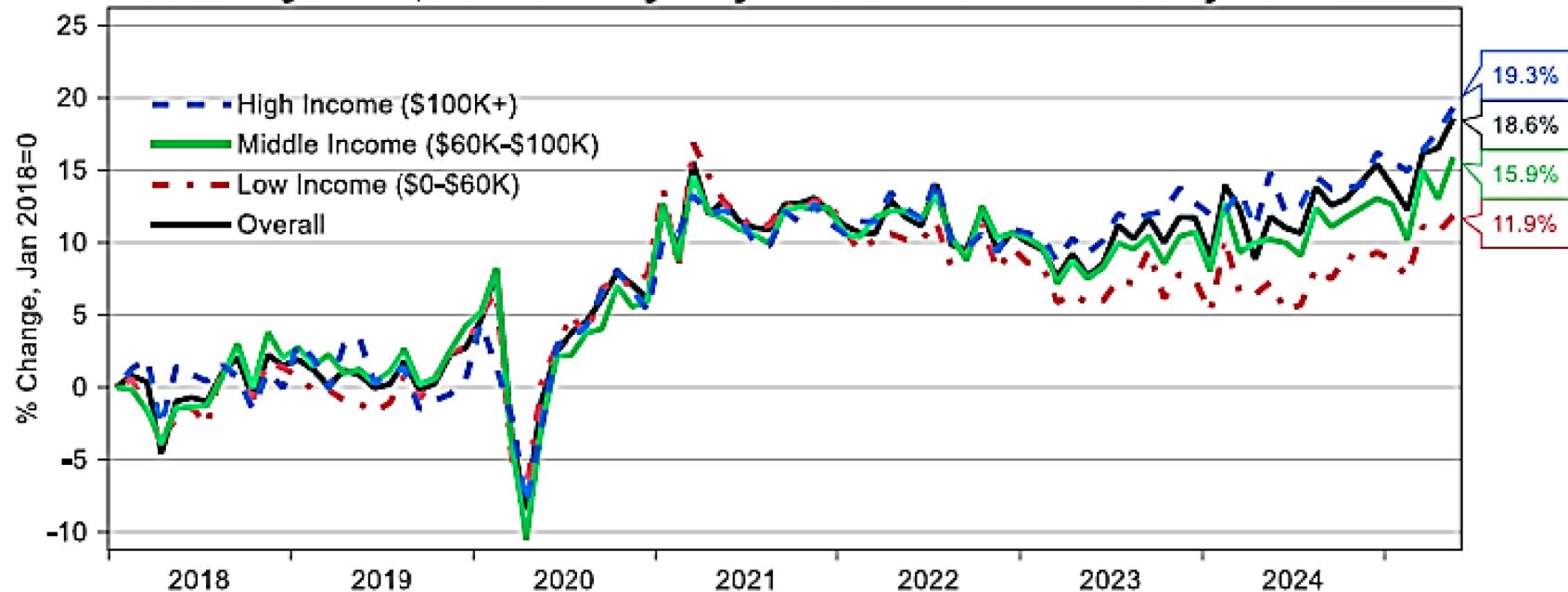
Unknowns: Inflation, interest rates, AI productivity boom, federal policy

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

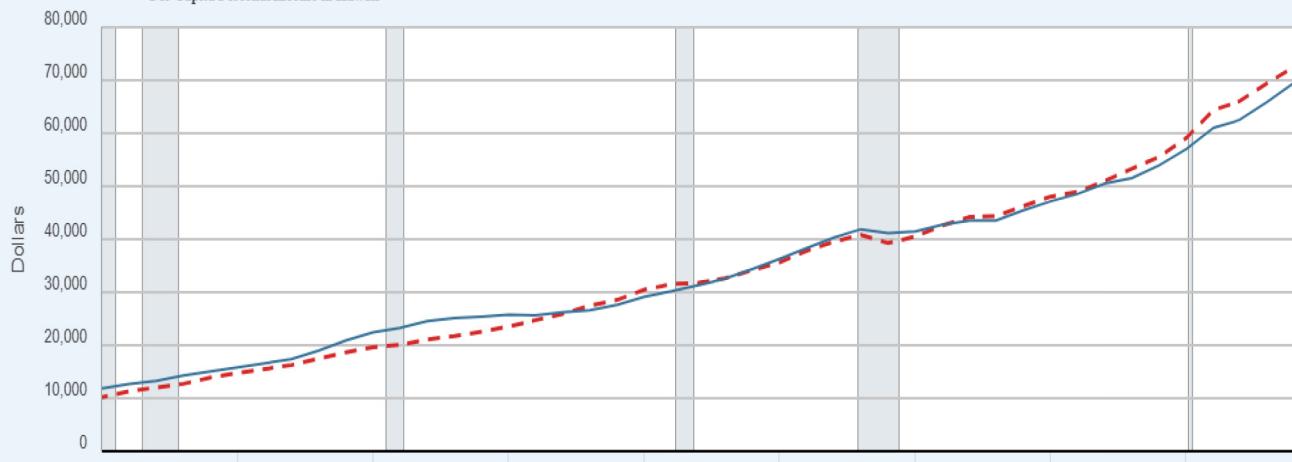
| Economic Indicators | 2023 | 2024 1/ | 2025 | 2026 | 2027 | 2028 |
|--|---------|---------|----------|---------|---------|---------|
| | Actual | | Forecast | | | |
| Total population (thousands) 2/ | 1,441 | 1,446 | 1,448 | 1,450 | 1,452 | 1,454 |
| Visitor arrivals (thousands) 3/ | 9,658 | 9,701 | 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 |
| 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

FRED  Personal income per capita
Per Capita Personal Income in Hawaii



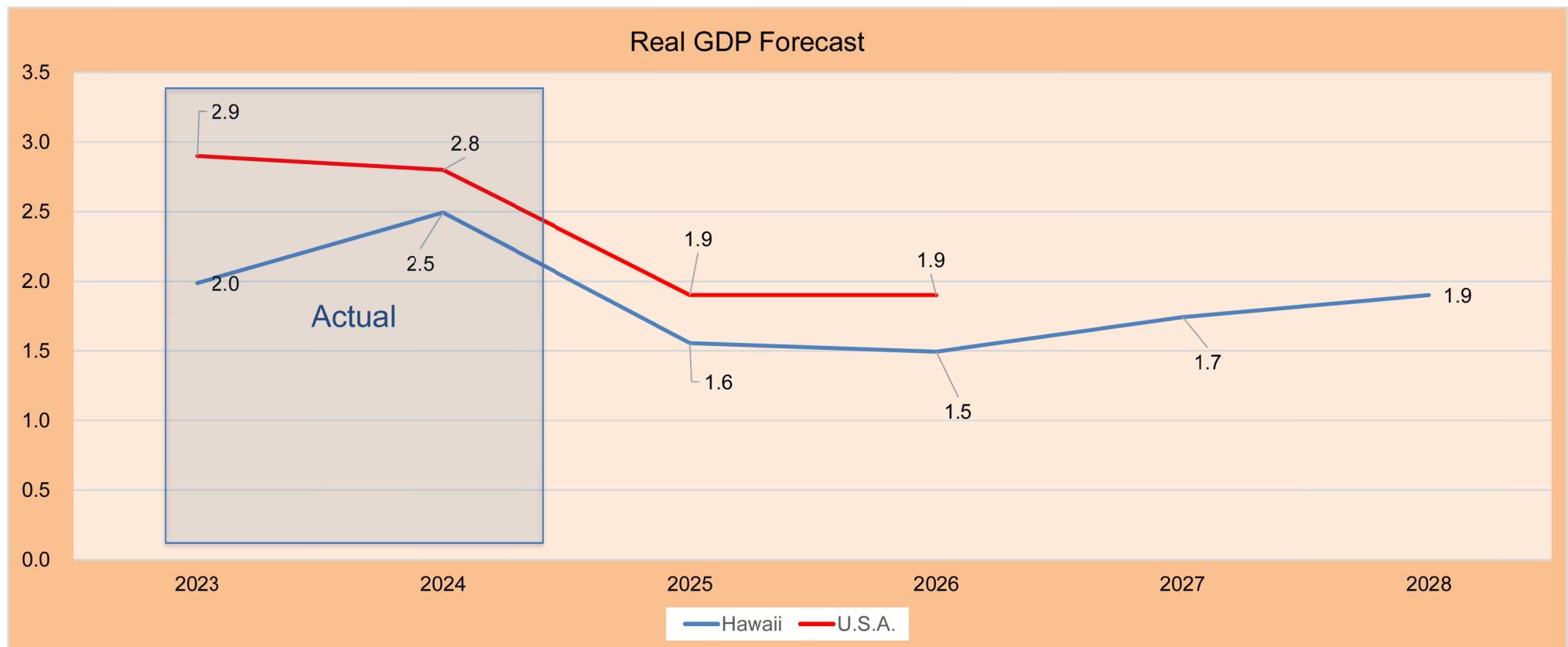
Sources: Federal Reserve Bank of St. Louis; U.S. Bureau of Economic Analysis via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

| 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% |

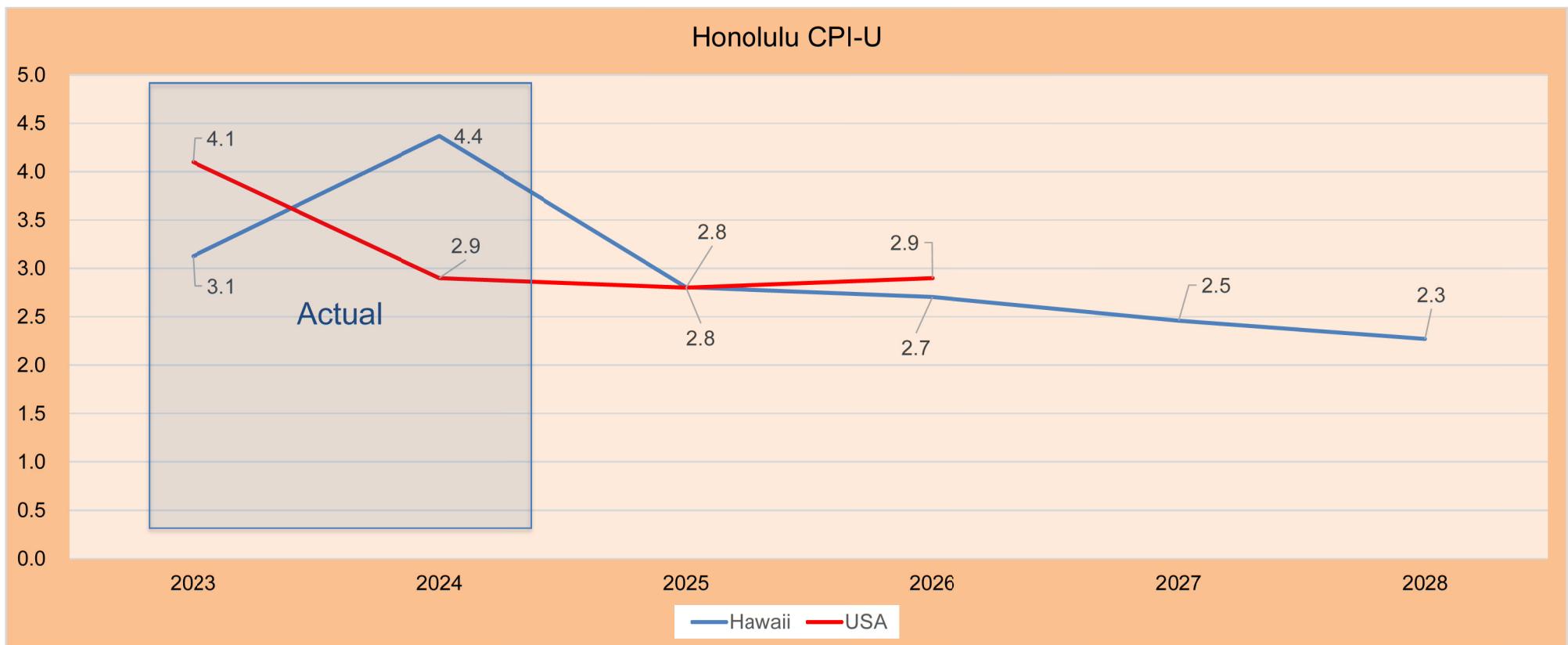
Forecast: State

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



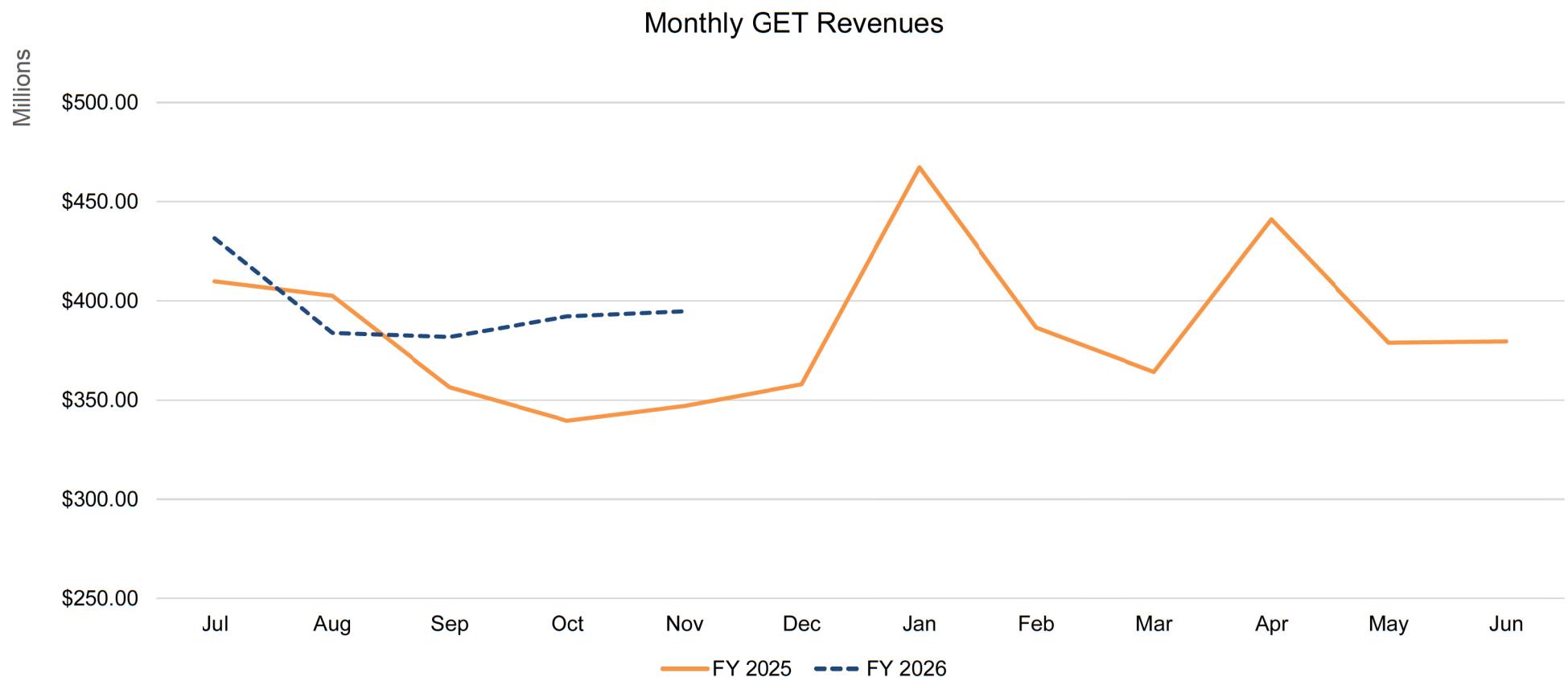
Forecast: State

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

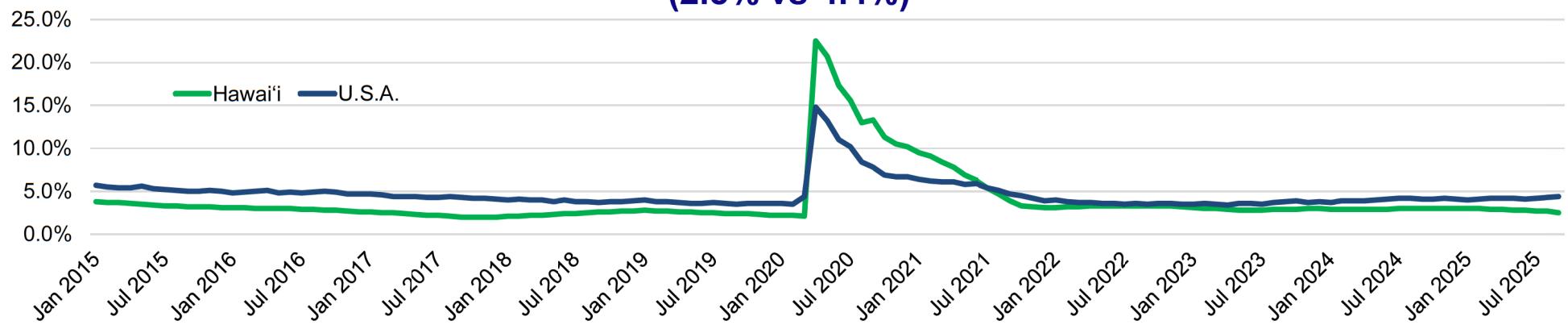
YTD through Nov 2025

Adjusted for IIT Tax Cut and
Sep 24 estate tax payment

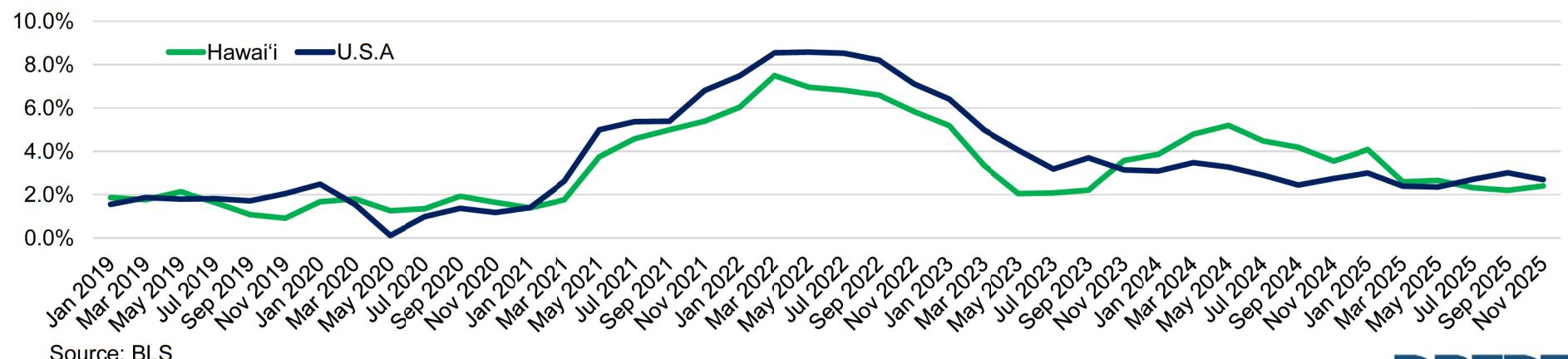
- General Fund +3.0%
- GE Tax +7.3%
- Individual Income Tax +2.2%

Outlook: Inflation & Employment

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

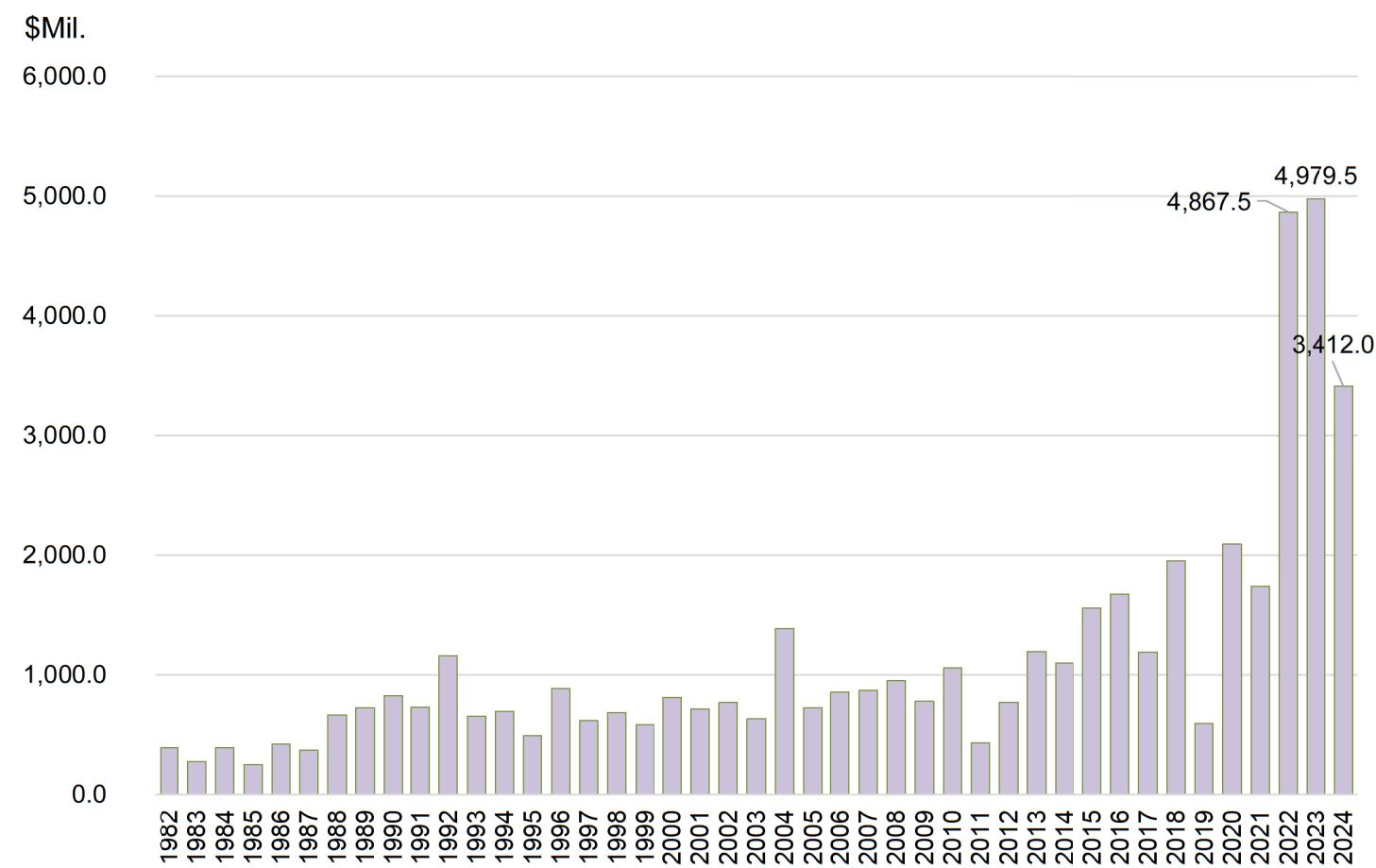


**As of November, HI consumer inflation was 0.3% point lower than the nation
(2.4% vs 2.7%)**



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

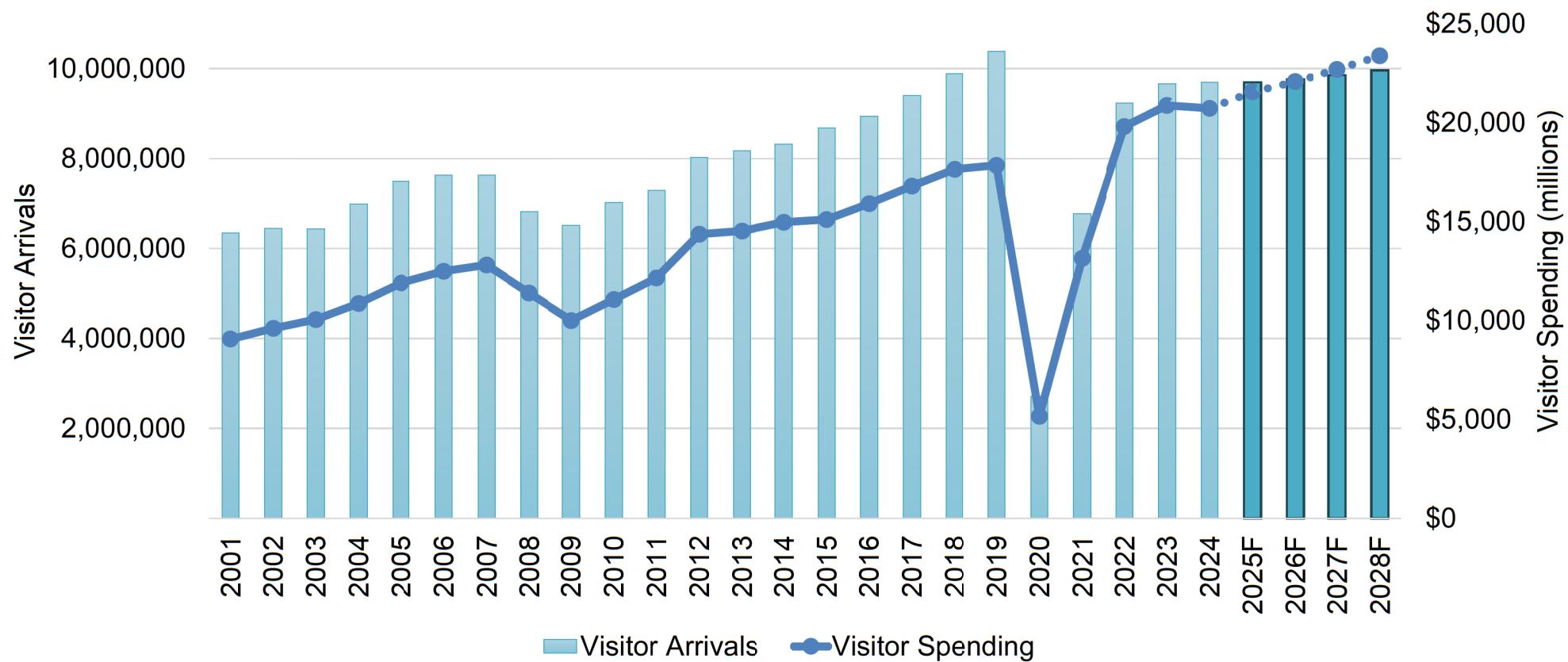
Slower but positive growth in 2026 with a gradual rebound in 2027 and 2028

- 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

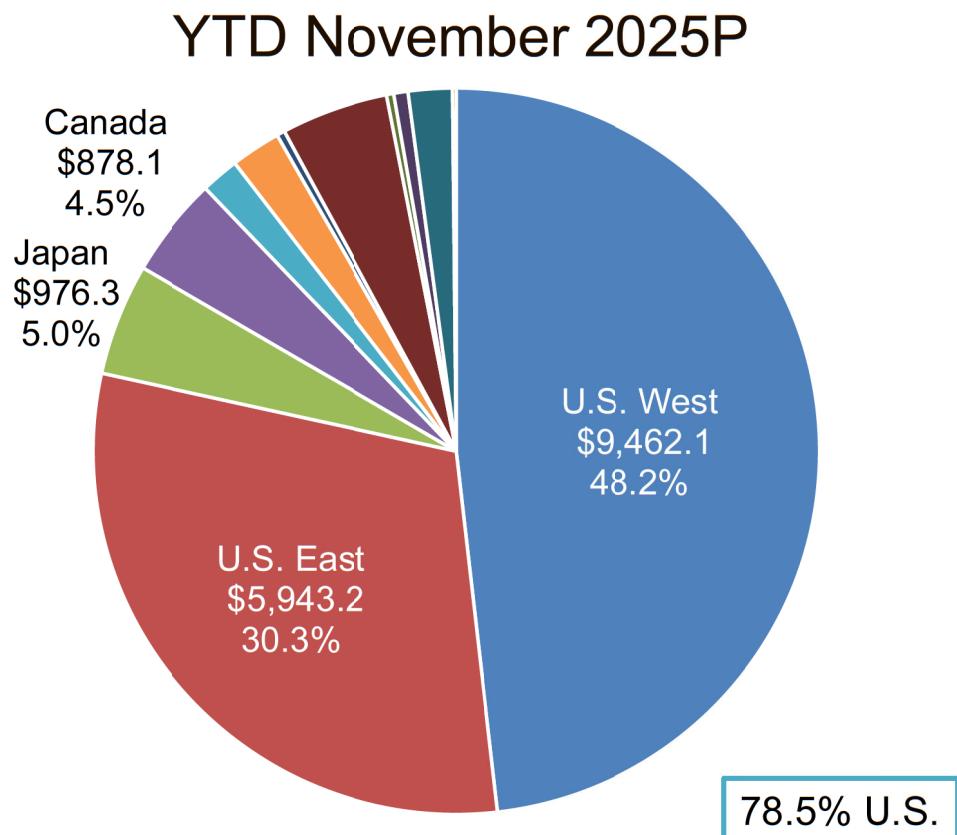
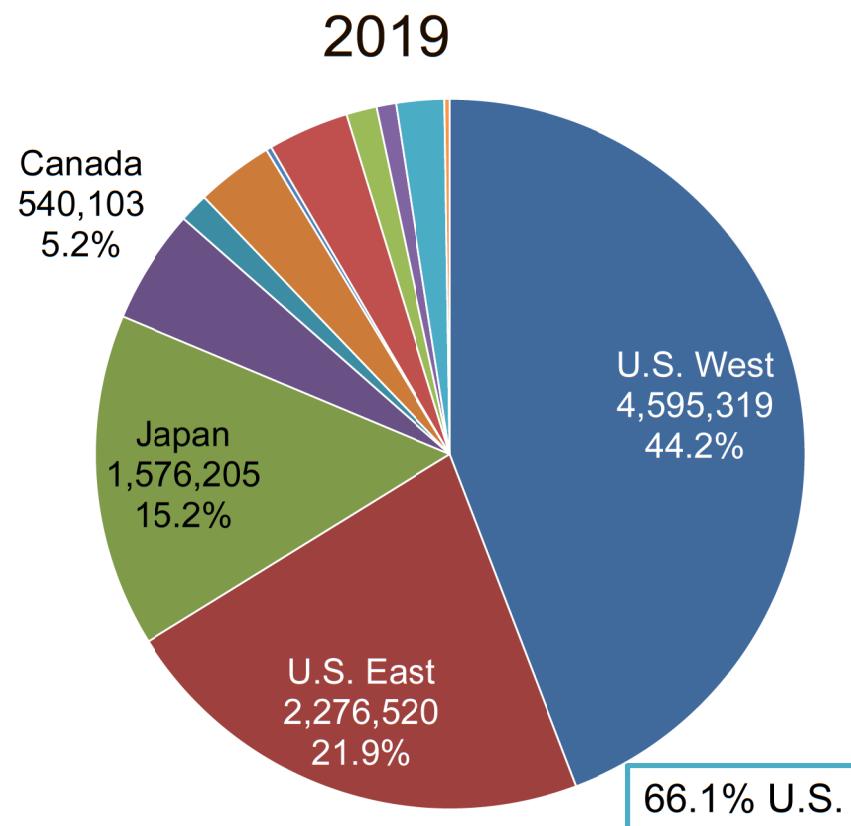
- **Stagflation:** high inflations forced FED to increase rates despite low growth
- **Asset market meltdown**, reducing consumer spending
- **Policy uncertainty**
- **Tariffs** cause more economic pain than expected
- Consumer and business **sentiment** does not improve

Visitor arrivals flat with moderate spending growth



Source: DBEDT, Q4 2025 Forecast

Hawai‘i Visitor Arrival Mix



Source: DBEDT, Note: 2025 figures are preliminary

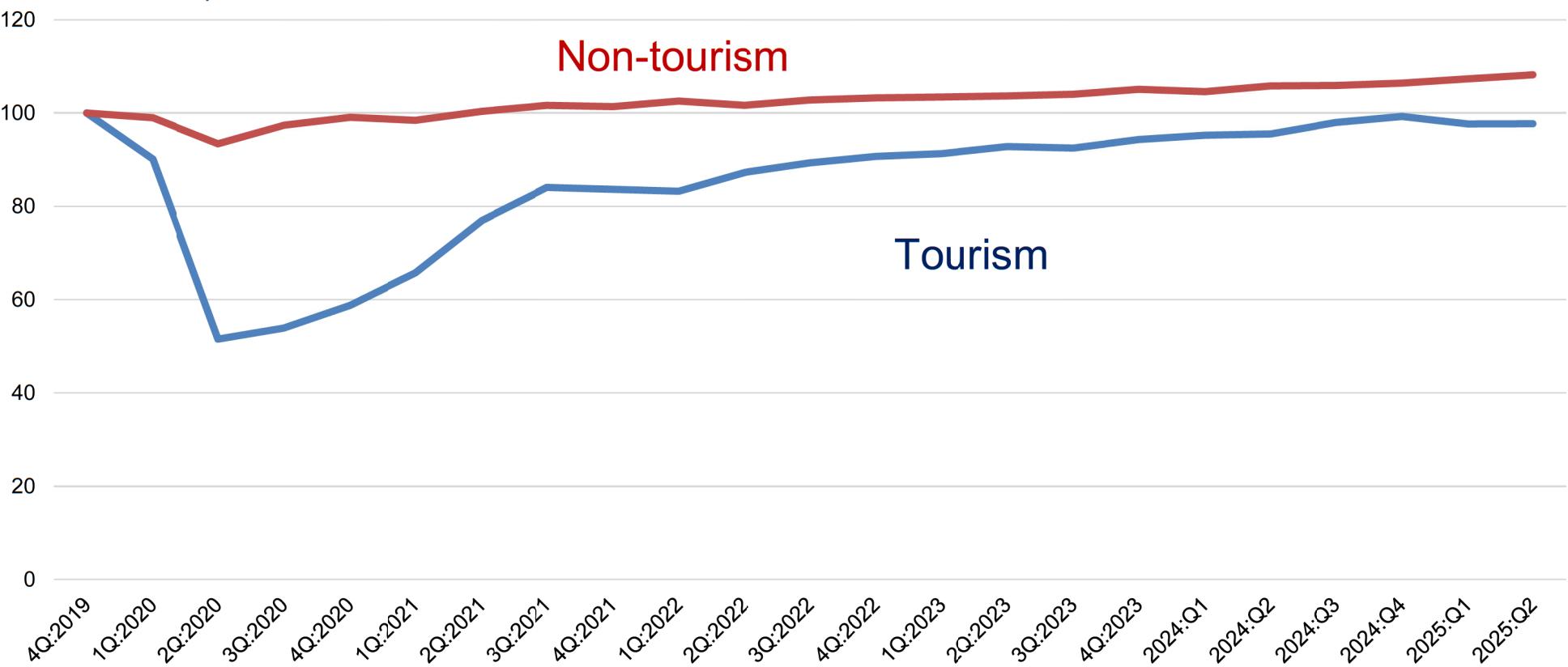
Outlook: Tourism

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% |

Outlook: Tourism

Real GDP recovery by Tourism and Non-tourism sectors (4Q:2019=100)



Source: DBEDT

DBEDT

Mahalo!

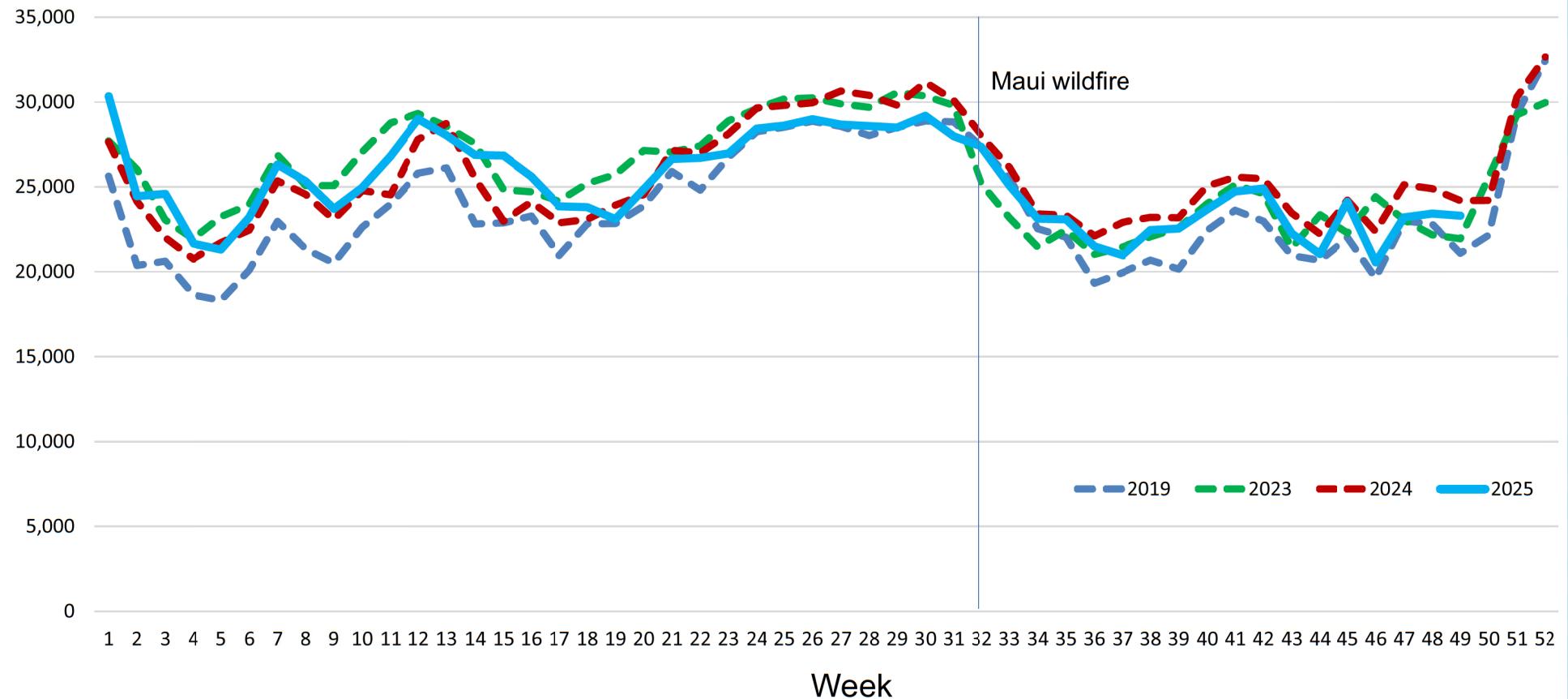


STATE OF HAWAII • DEPARTMENT OF BUSINESS,
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QUESTIONS PLEASE!

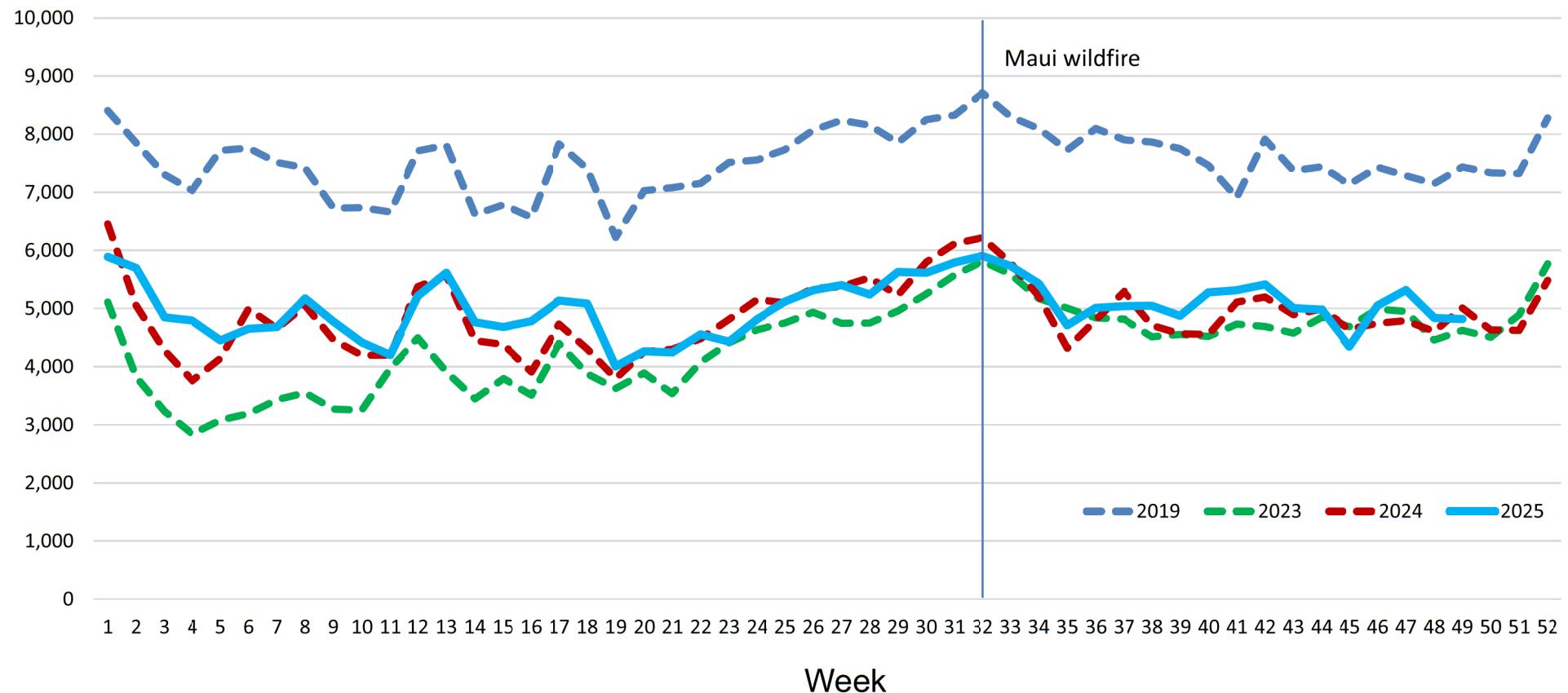


Statewide average daily domestic passenger count



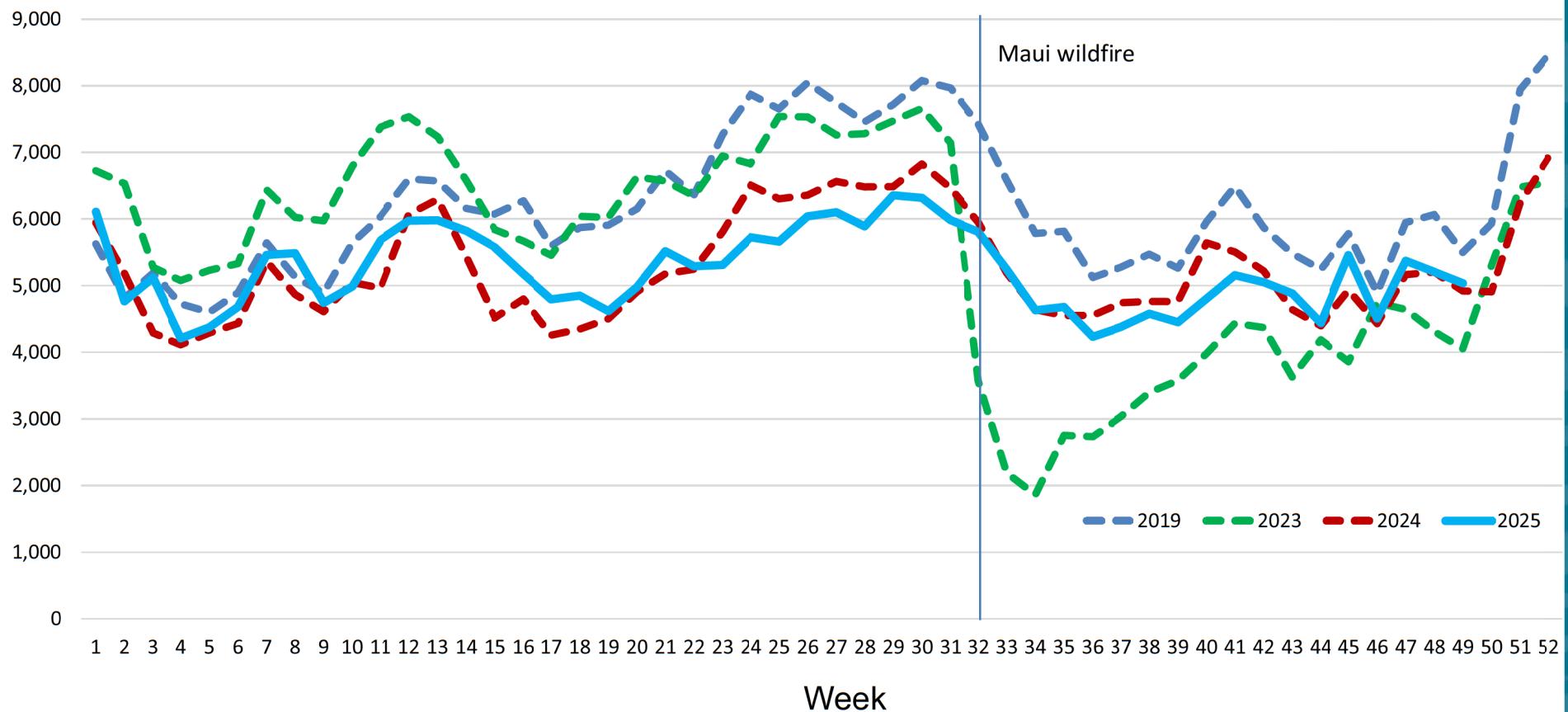
Source: DBEDT

Statewide average daily international passenger count



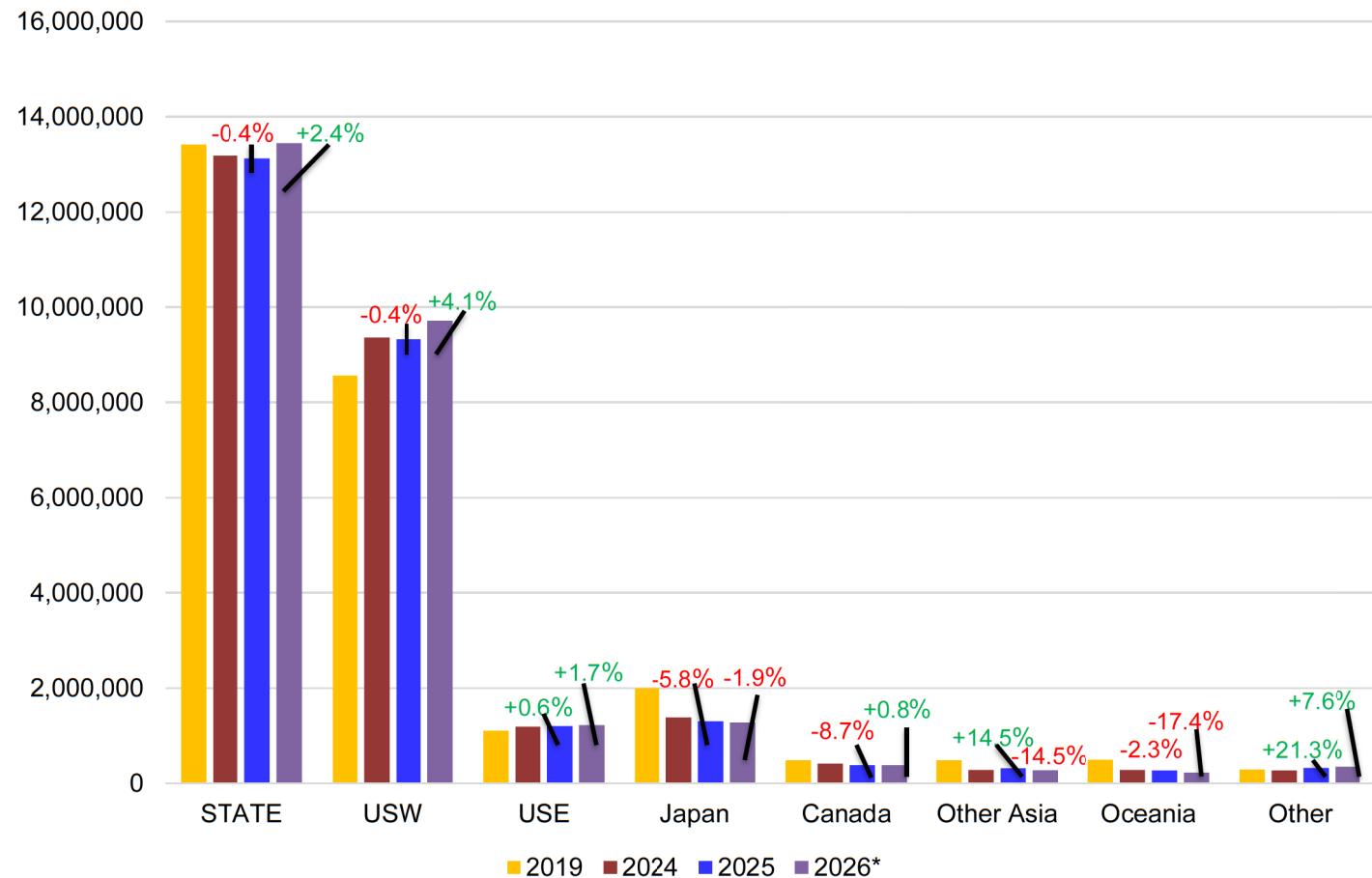
Source: DBEDT

Maui average daily domestic passenger count



Source: DBEDT

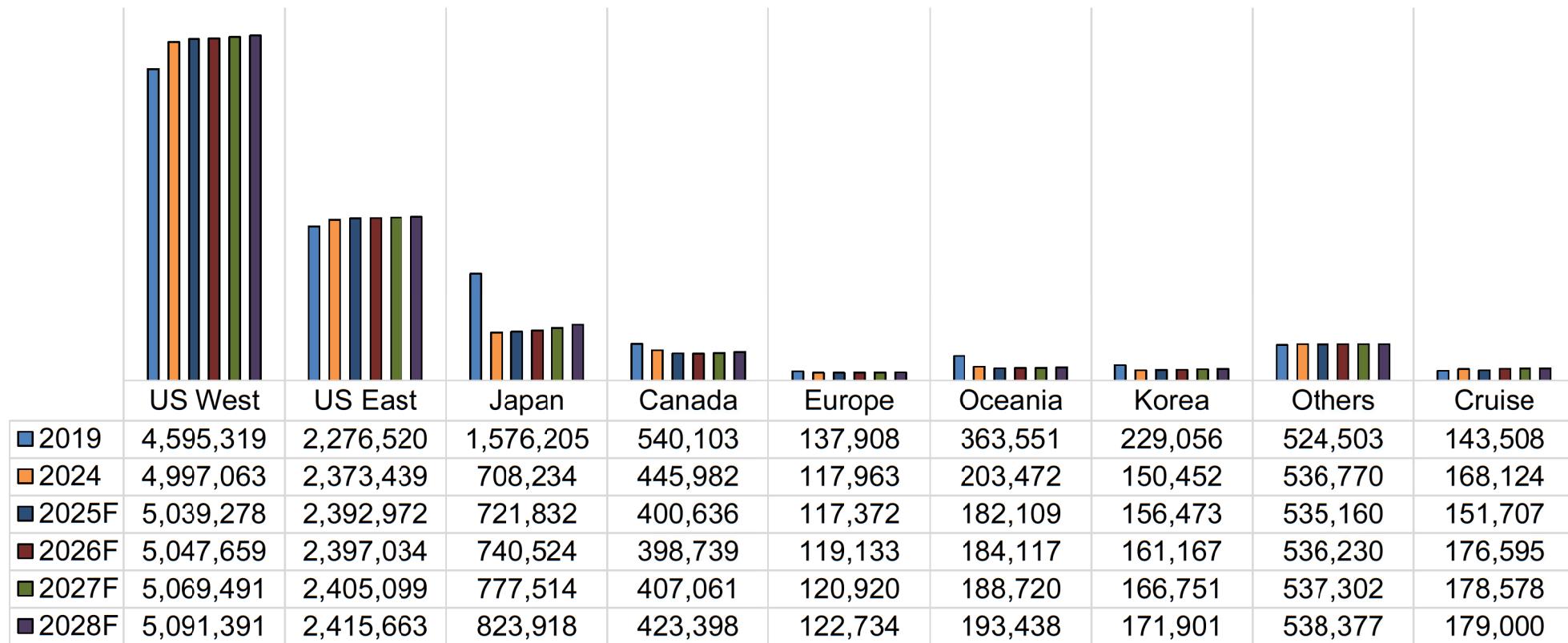
Scheduled air seats by market: 2026, 2025, 2024, and 2019



Source: Diio

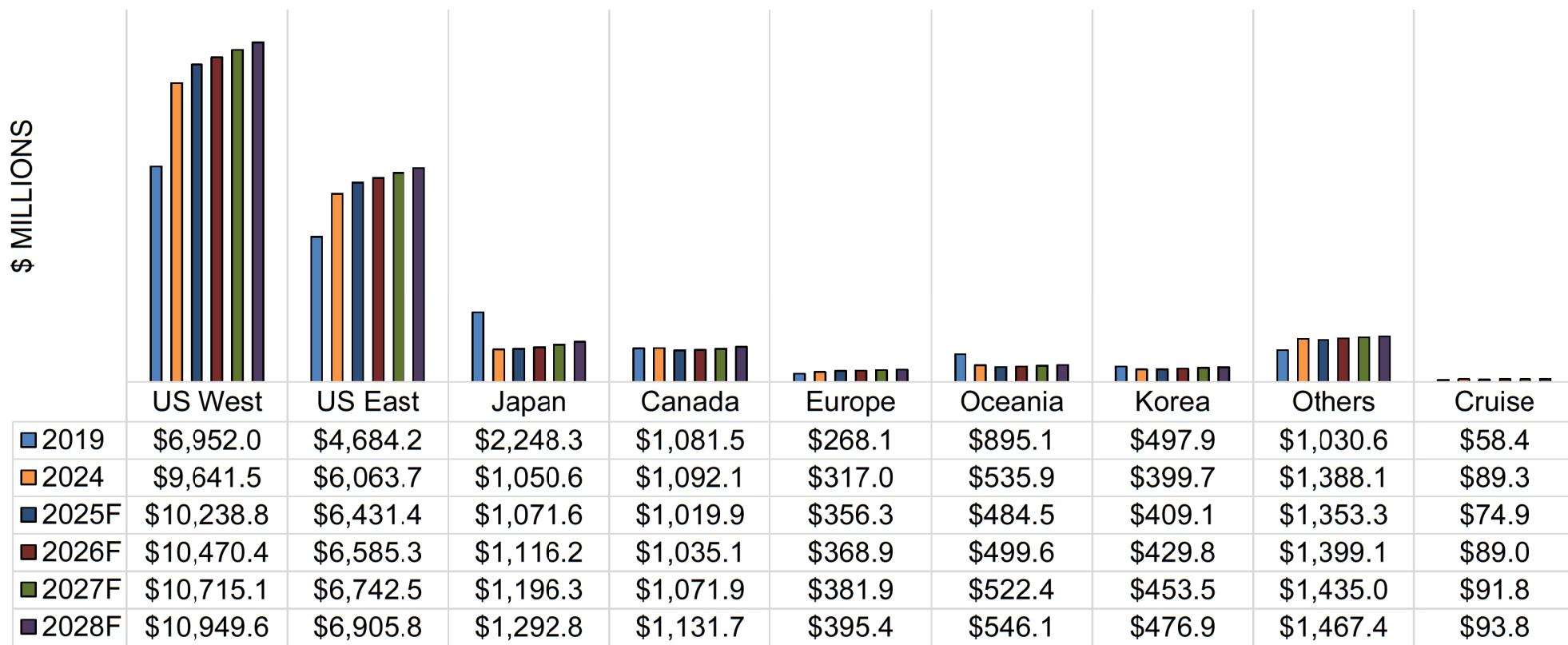
*Calendar 2026 scheduled air seats is estimated based on data through November 2026 and estimated December 2026 seats

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

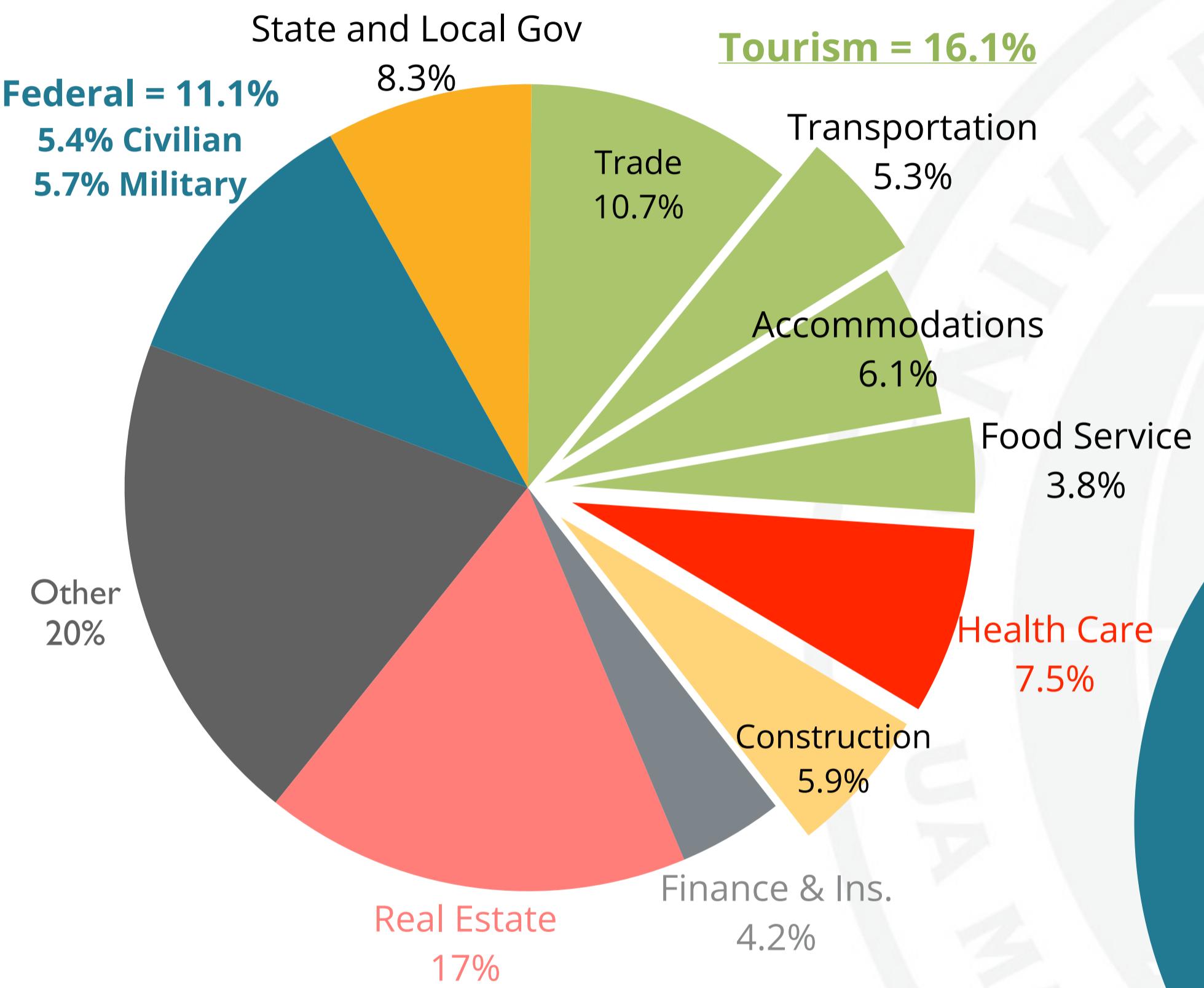
MILD RECESSION AND WEAK RECOVERY IN 2026

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

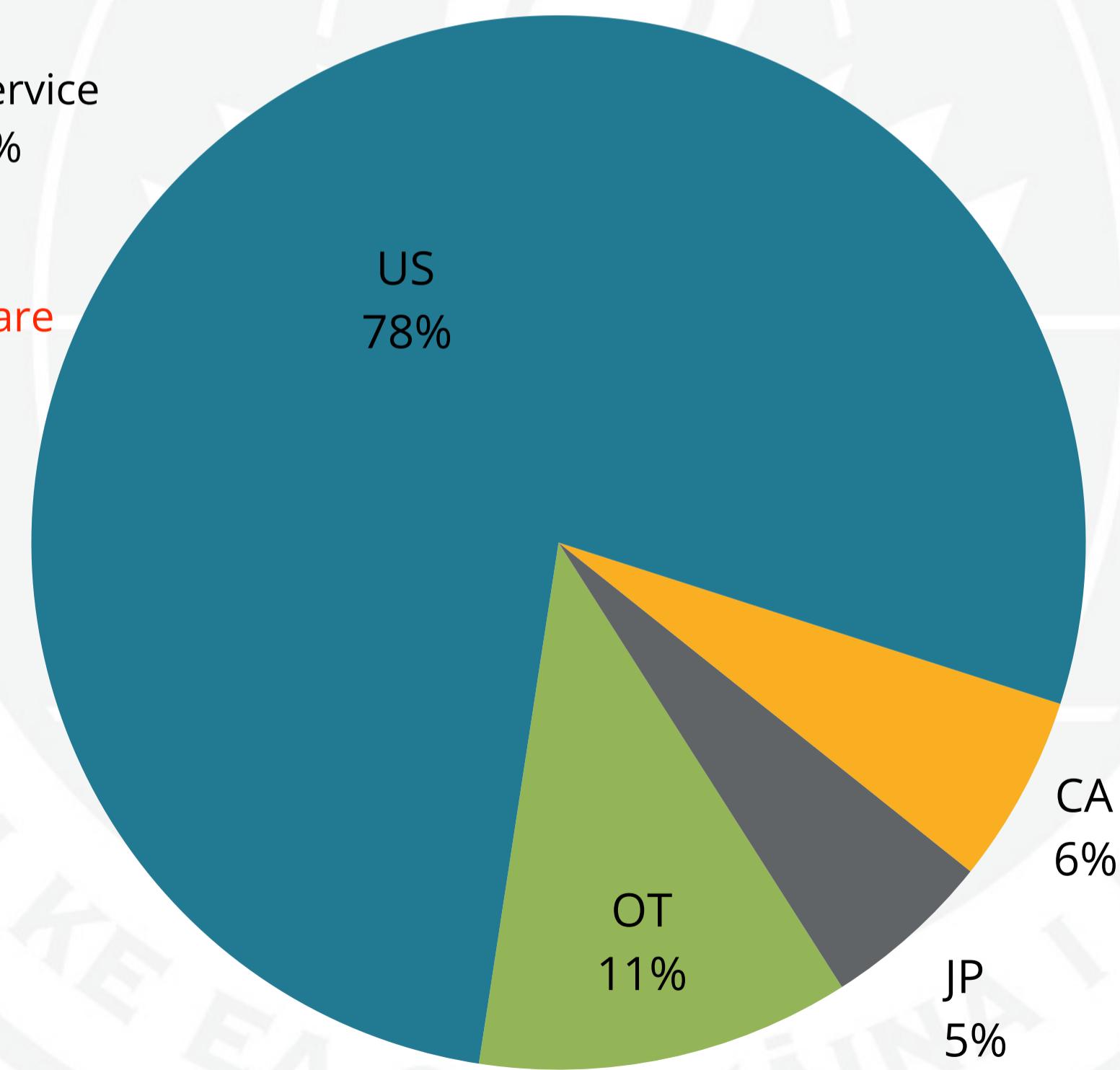
SENATE WAYS AND MEANS COMMITTEE
JANUARY 7, 2026

Highly specialized and dependent on the US economy

Industry shares of 2024 GDP



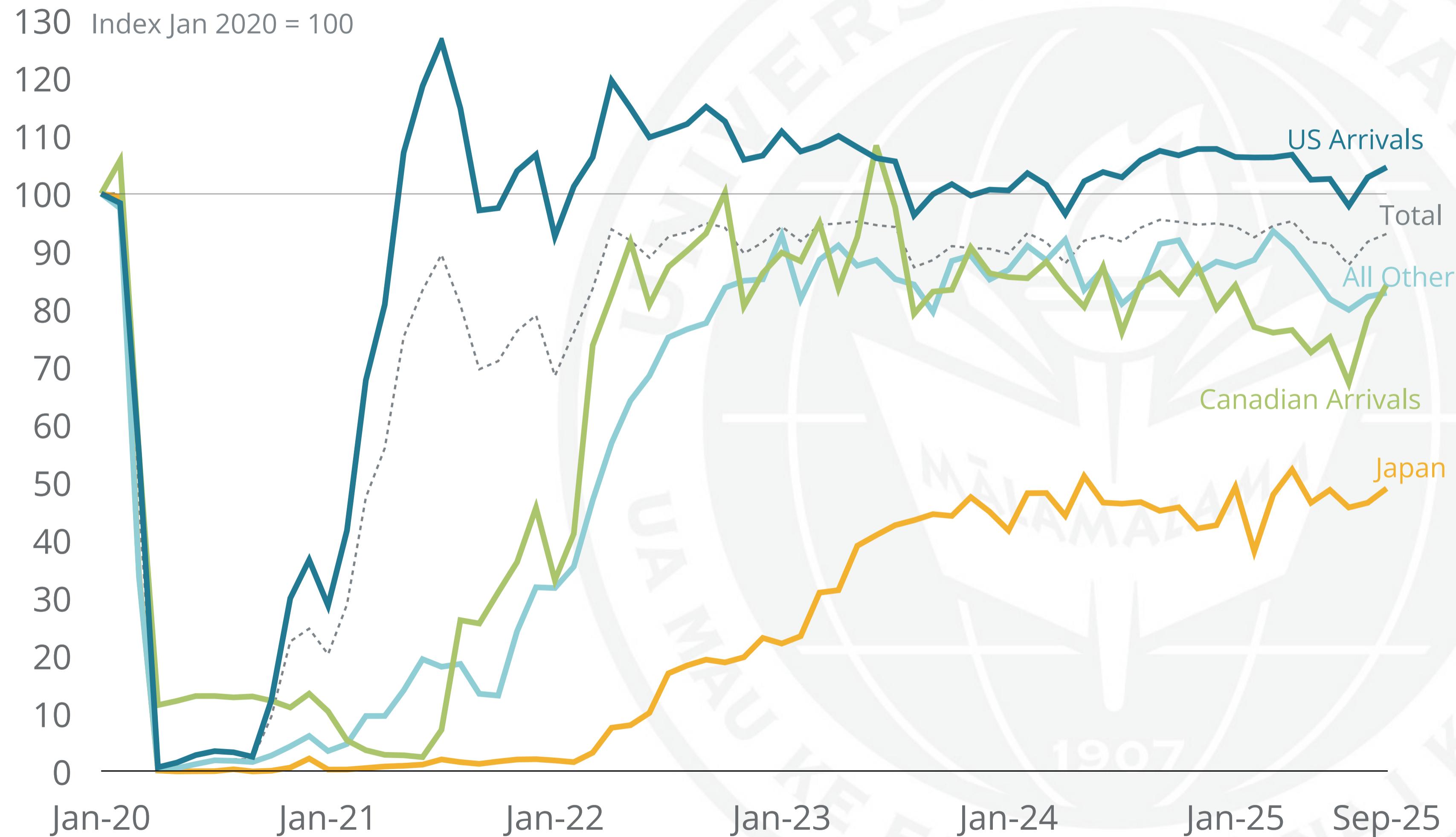
2024 Visitor Census



Source: BEA, DBEDT, UHERO.data.

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

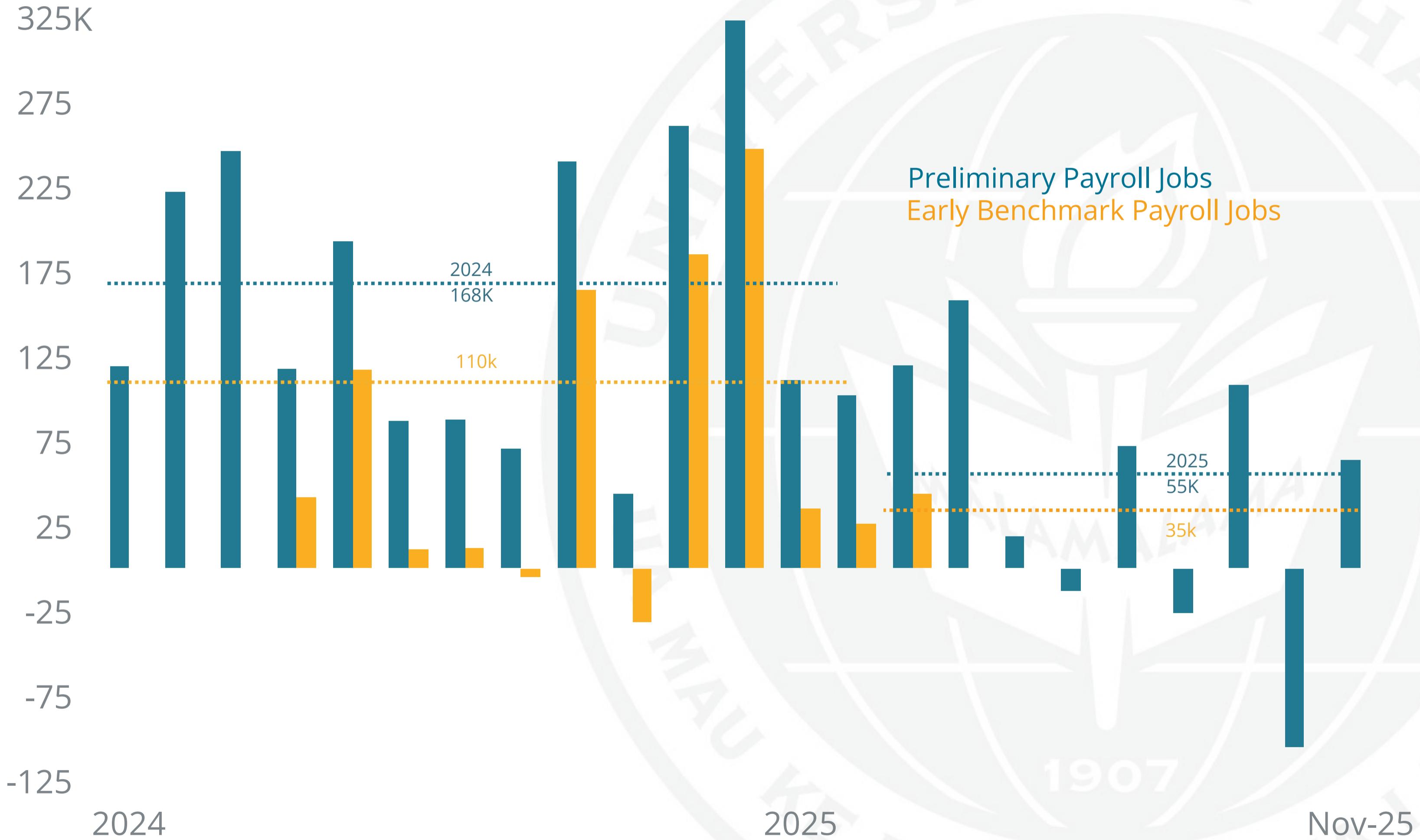
US visitors contribute 79% of total Hawai‘i visitor spending



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

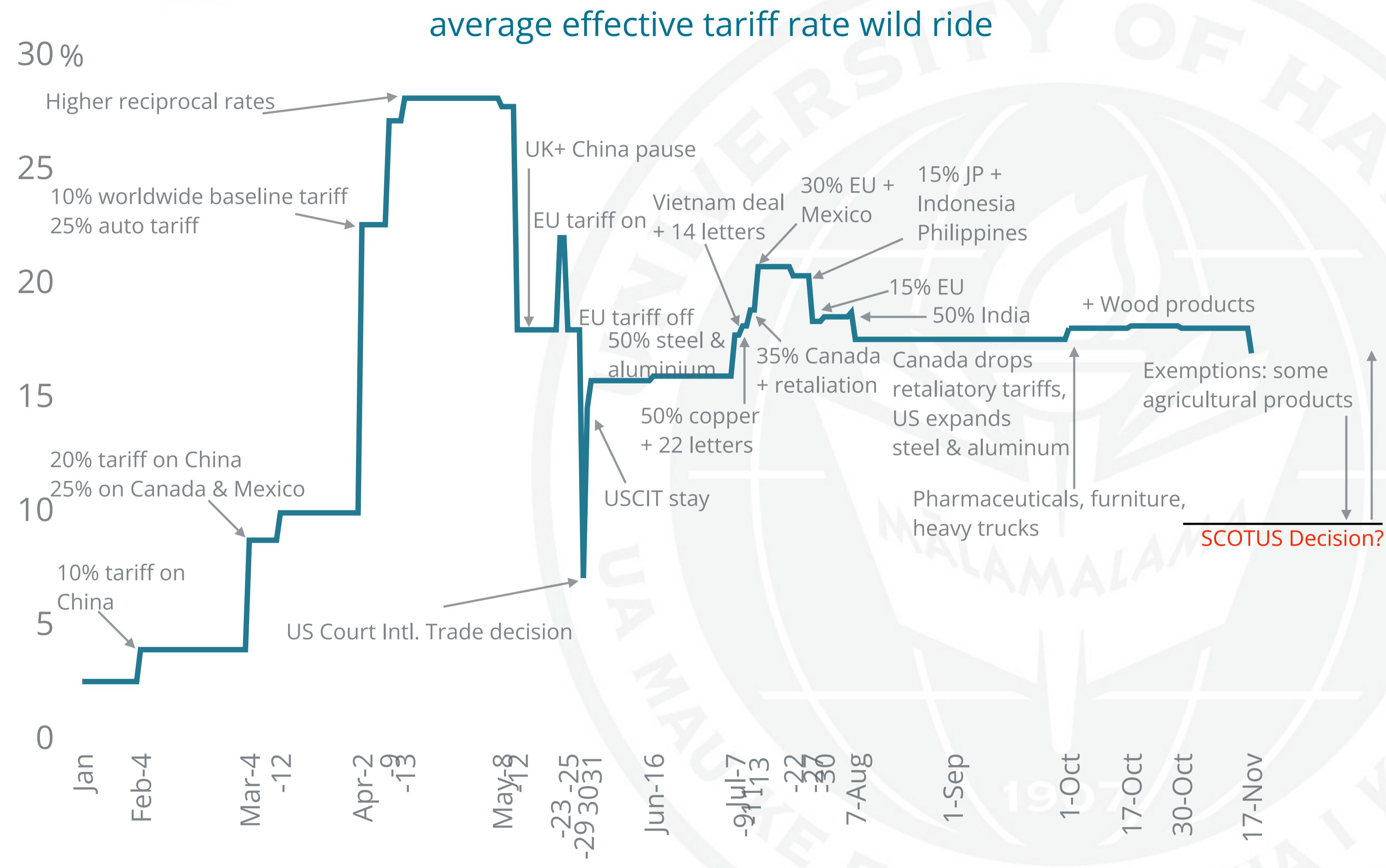
A resilient US economy has been critical for Hawai‘i

monthly change in US non farm payroll jobs



Source: BLS, UHERO early benchmark

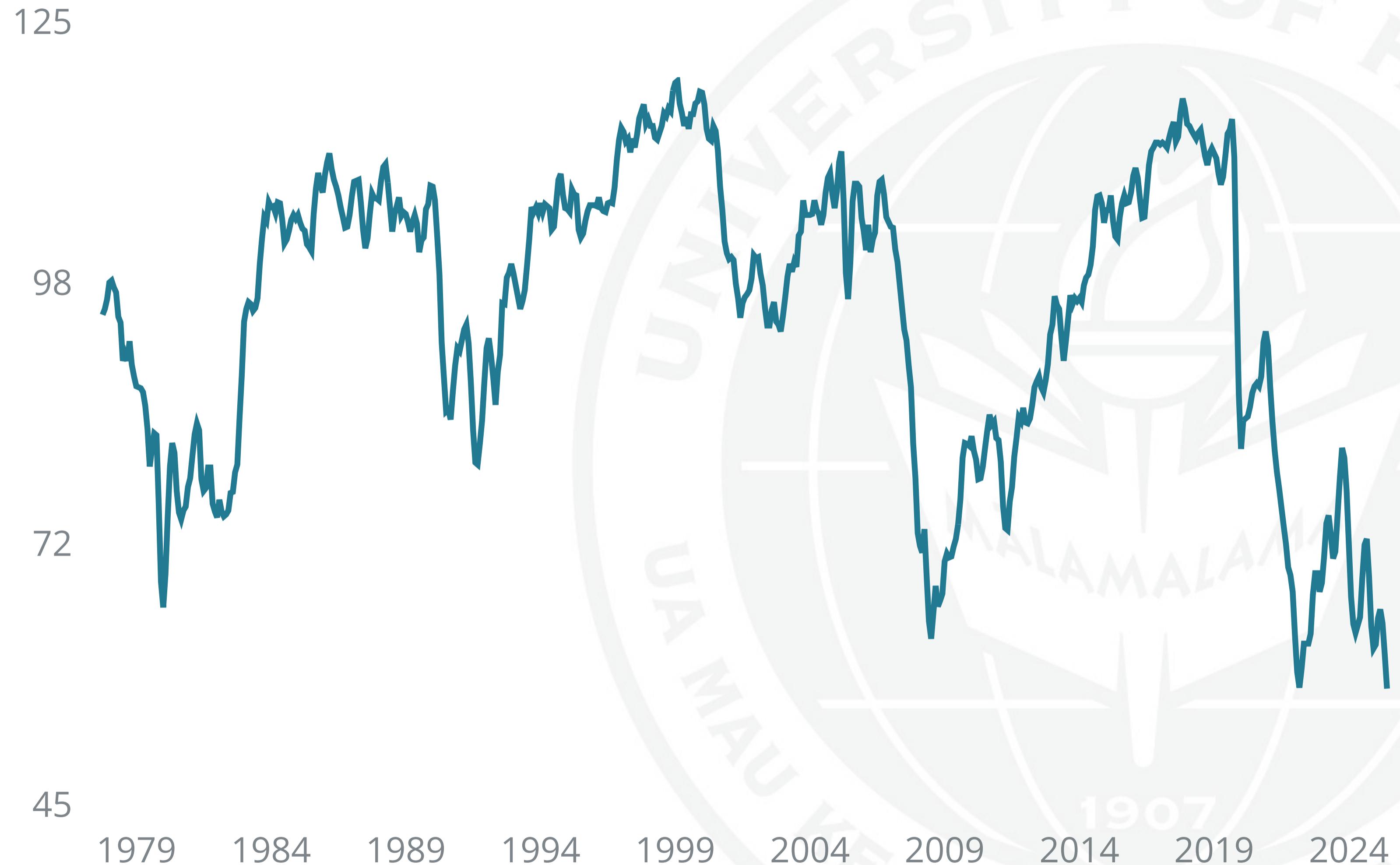
When and where to buy, produce, invest, hire



Source: Budget Lab at Yale

Consumers believe current conditions are worst in 40+ years!

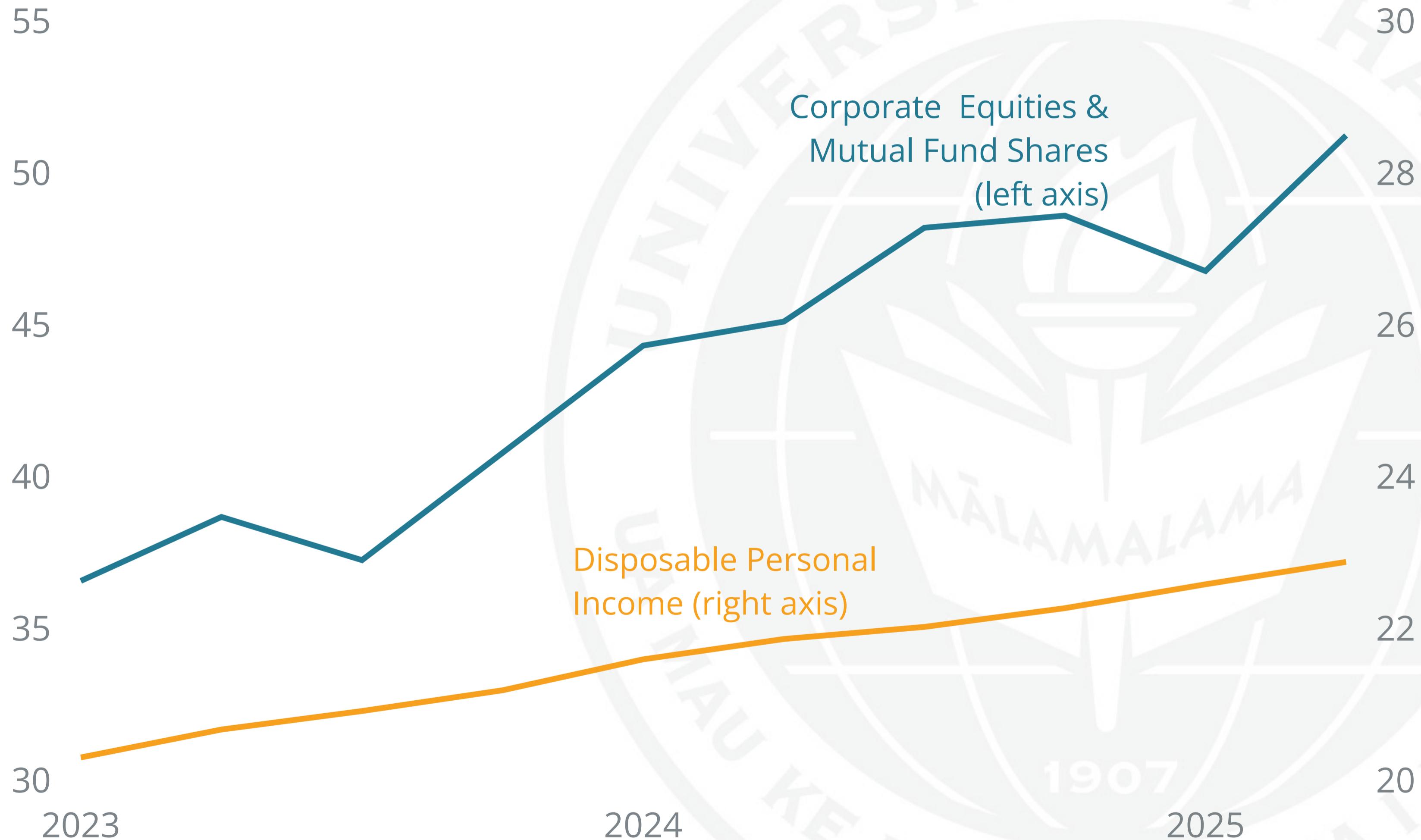
Current Conditions Index



Source: University of Michigan Survey Research Center.

Yet, stock market gains support high income spenders

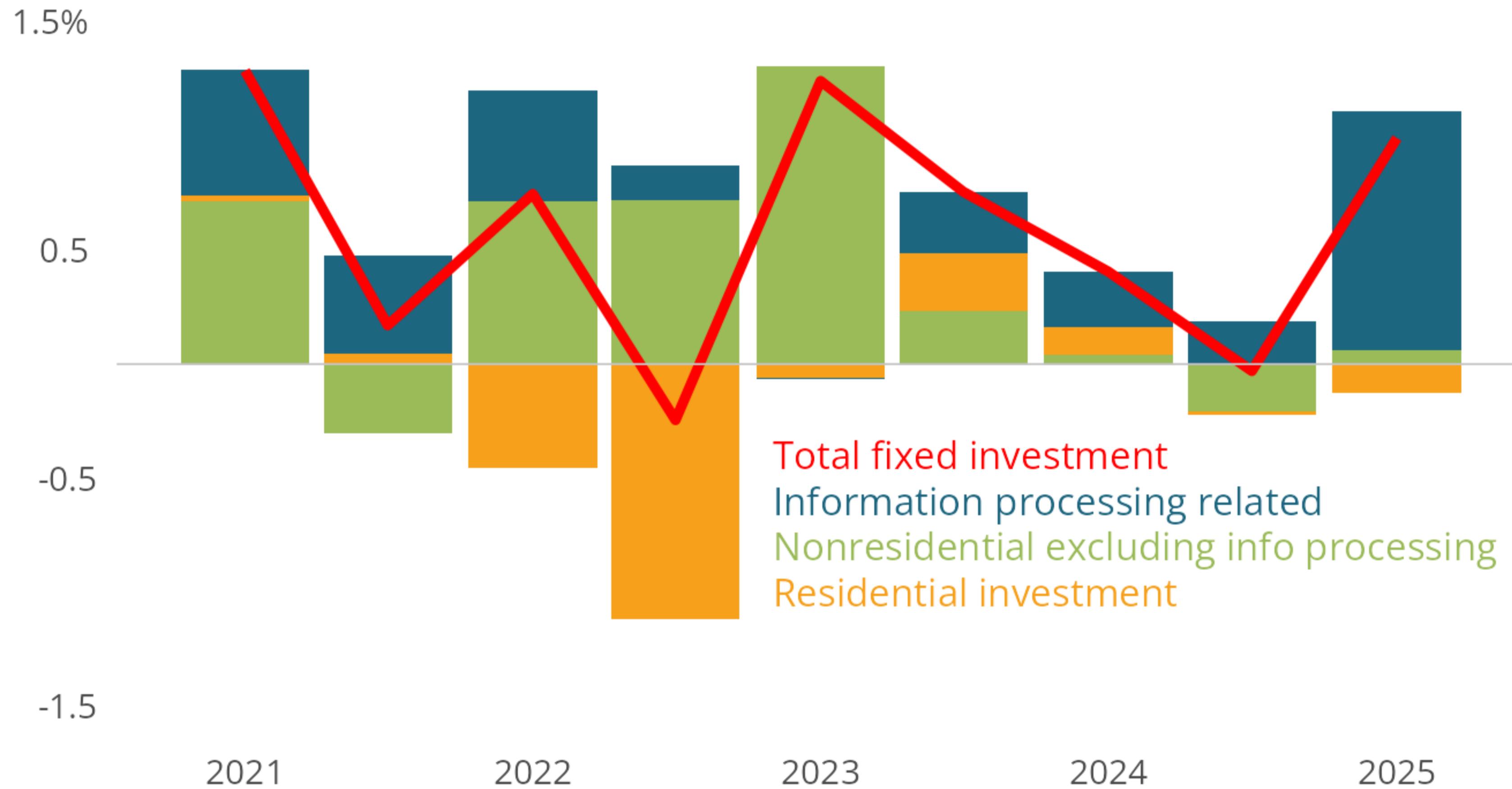
change in US personal income and stock market wealth



Source: BEA, FED.

And AI investments power capital formation

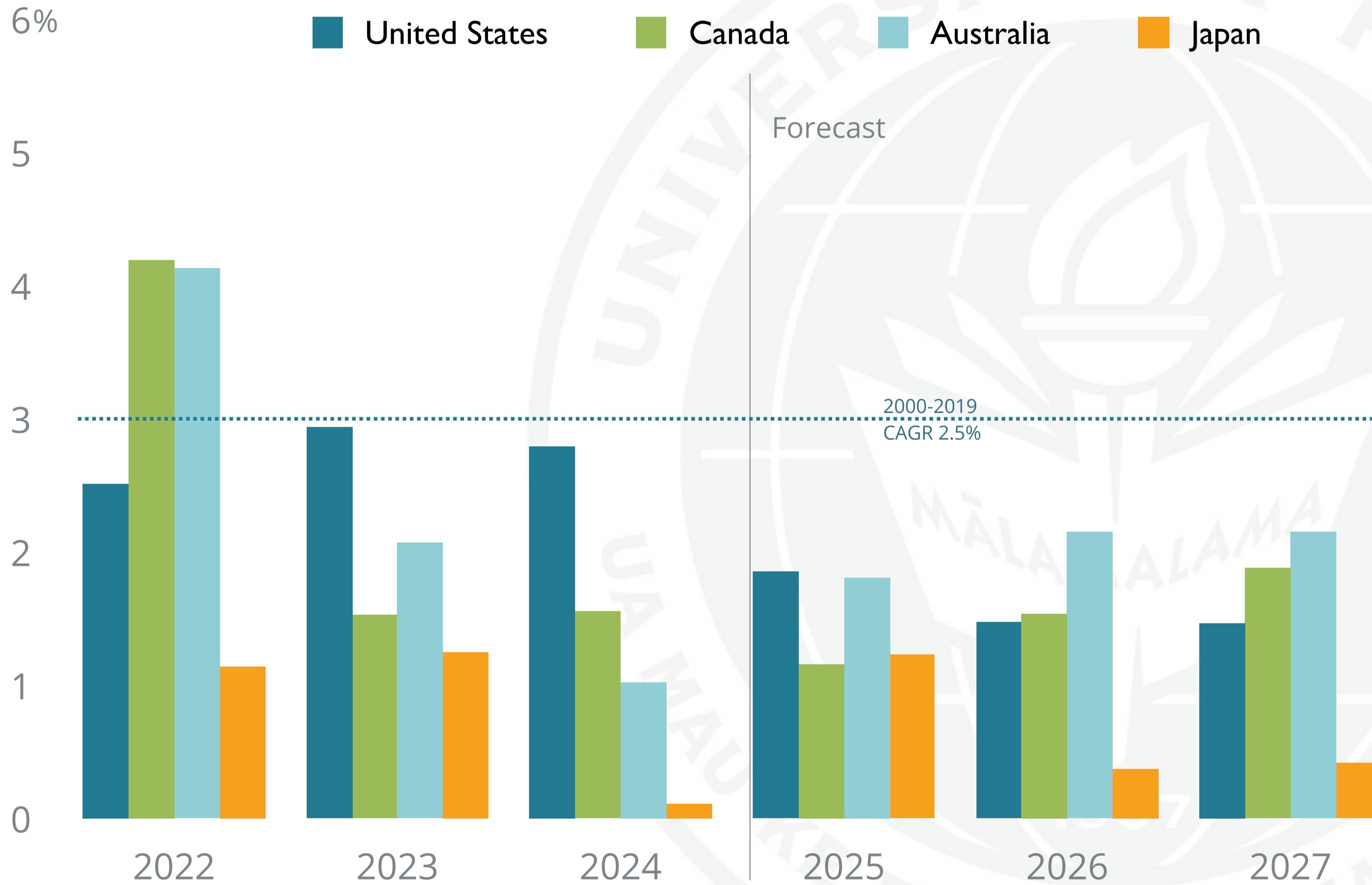
investment contributions to US real GDP growth (half-year periods, annualized).



Source: BEA, UHERO.

Headwinds outweigh tax cuts, interest rates and data centers

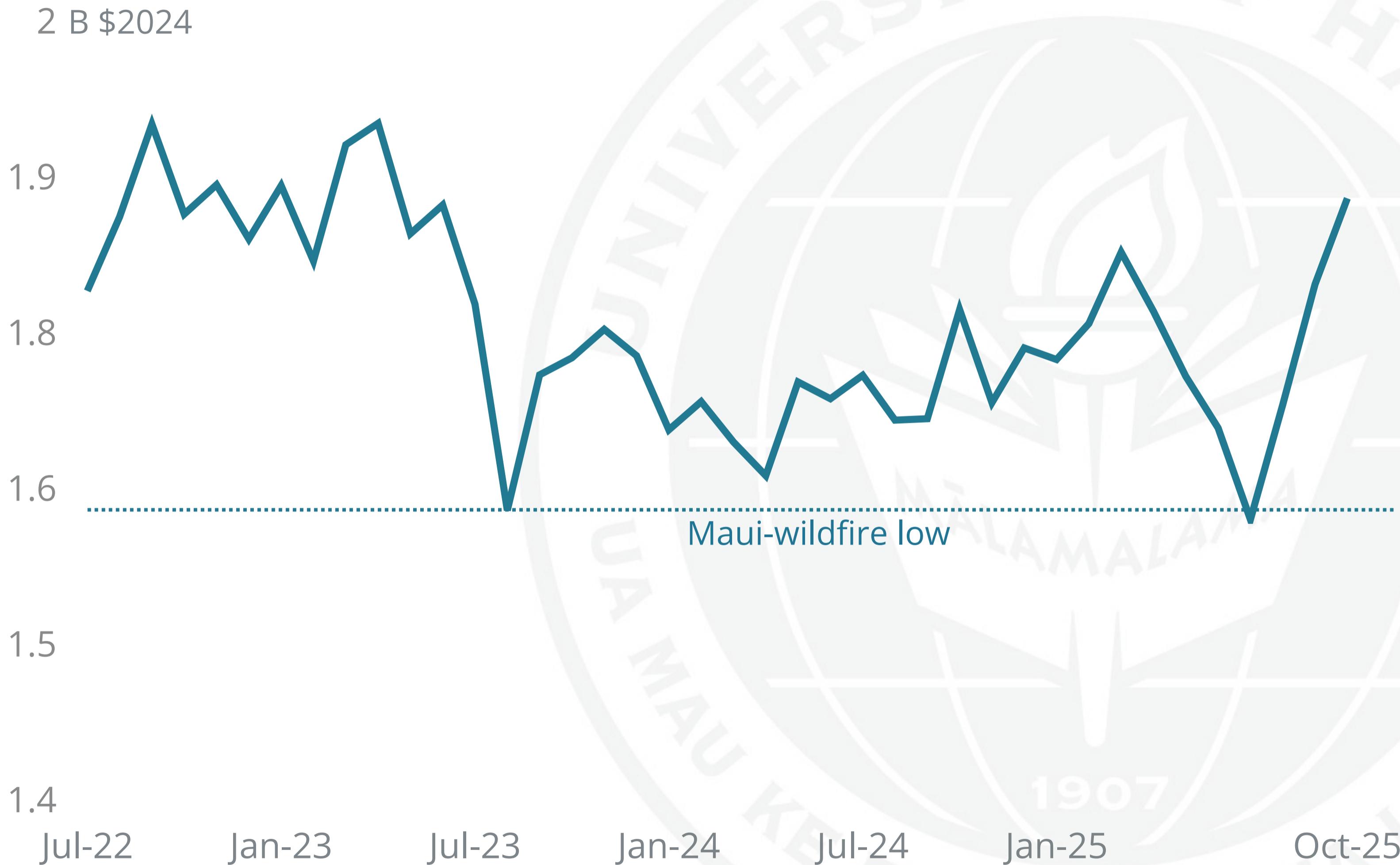
inflation bump **should** be temporary yet current policy drag is persistent



Source: UHERO forecasts.

A weak summer for tourism, fall bounce is welcome

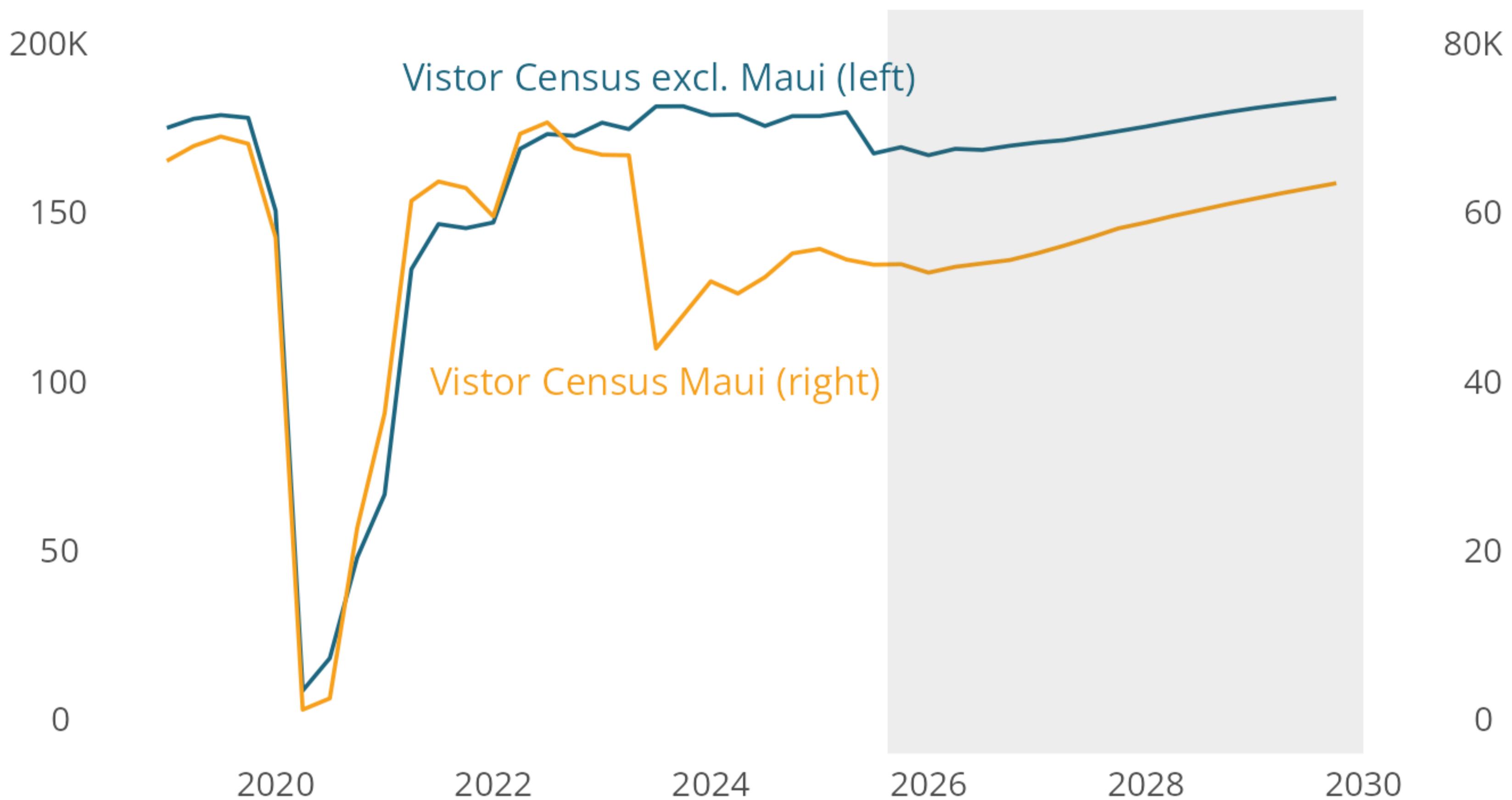
Are visitors really spending 15% more on food, entertainment and transportation?



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

Recovery from summer downturn will take some time

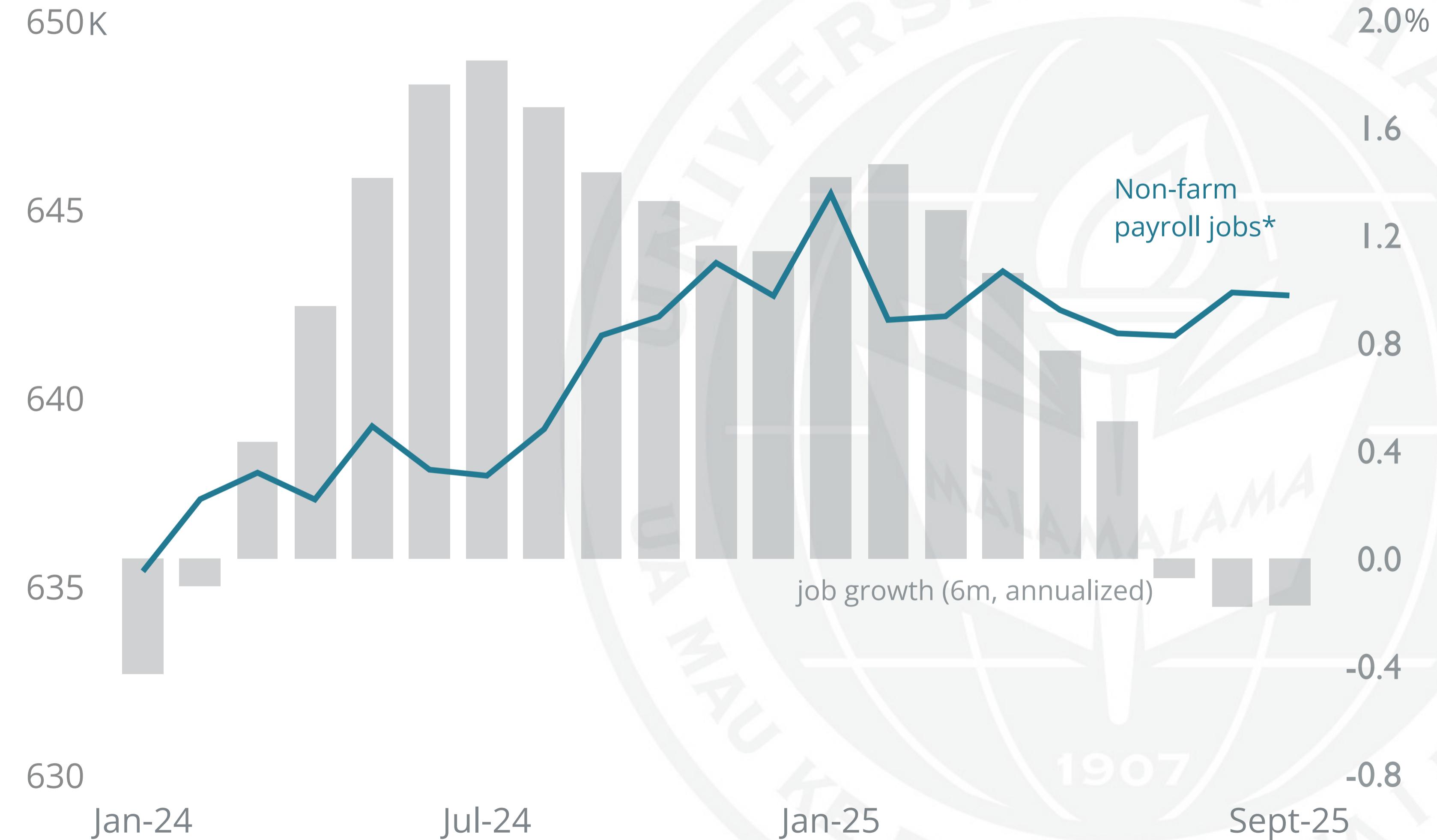
average daily visitor census



Source: DBEDT, UHERO forecasts,

With federal cuts and tourism slowdown, job creation stalls

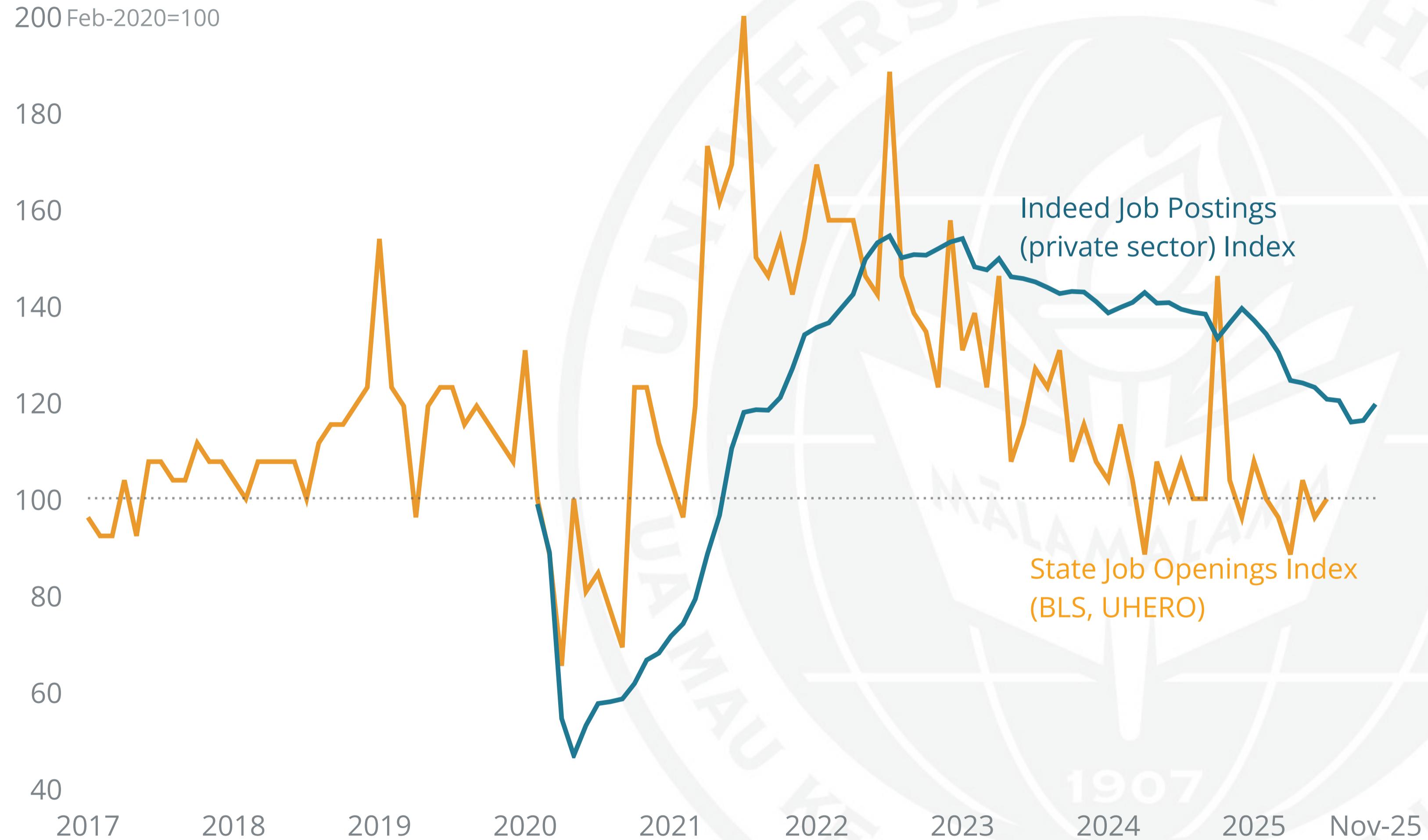
waiting for October & November data



Source: BLS, *UHERO early-benchmark estimates

Incoming minimum wage increase confronts weak hiring

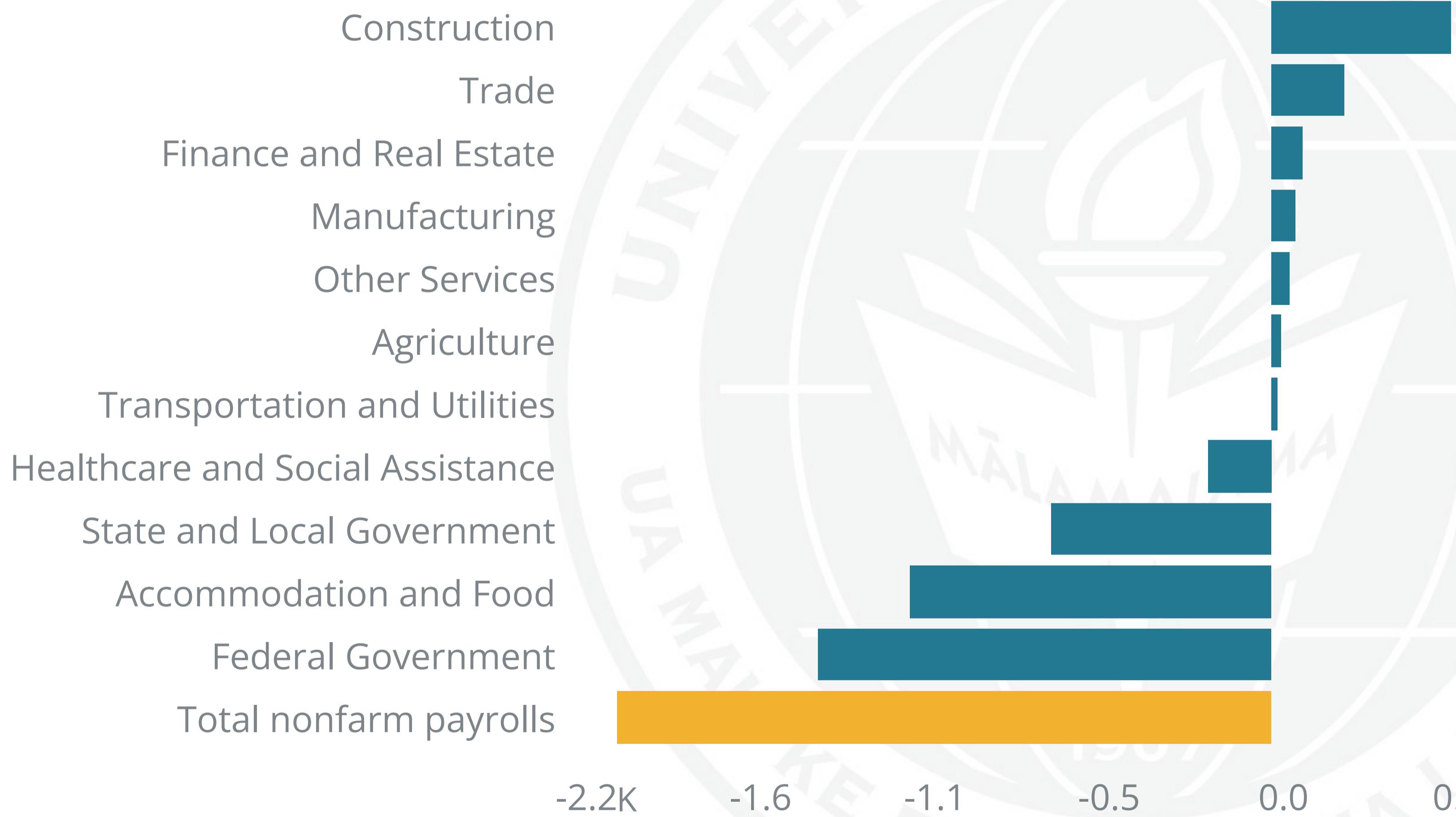
the last time job openings were this low was 2017



Source: Indeed, BLS, UHERO.

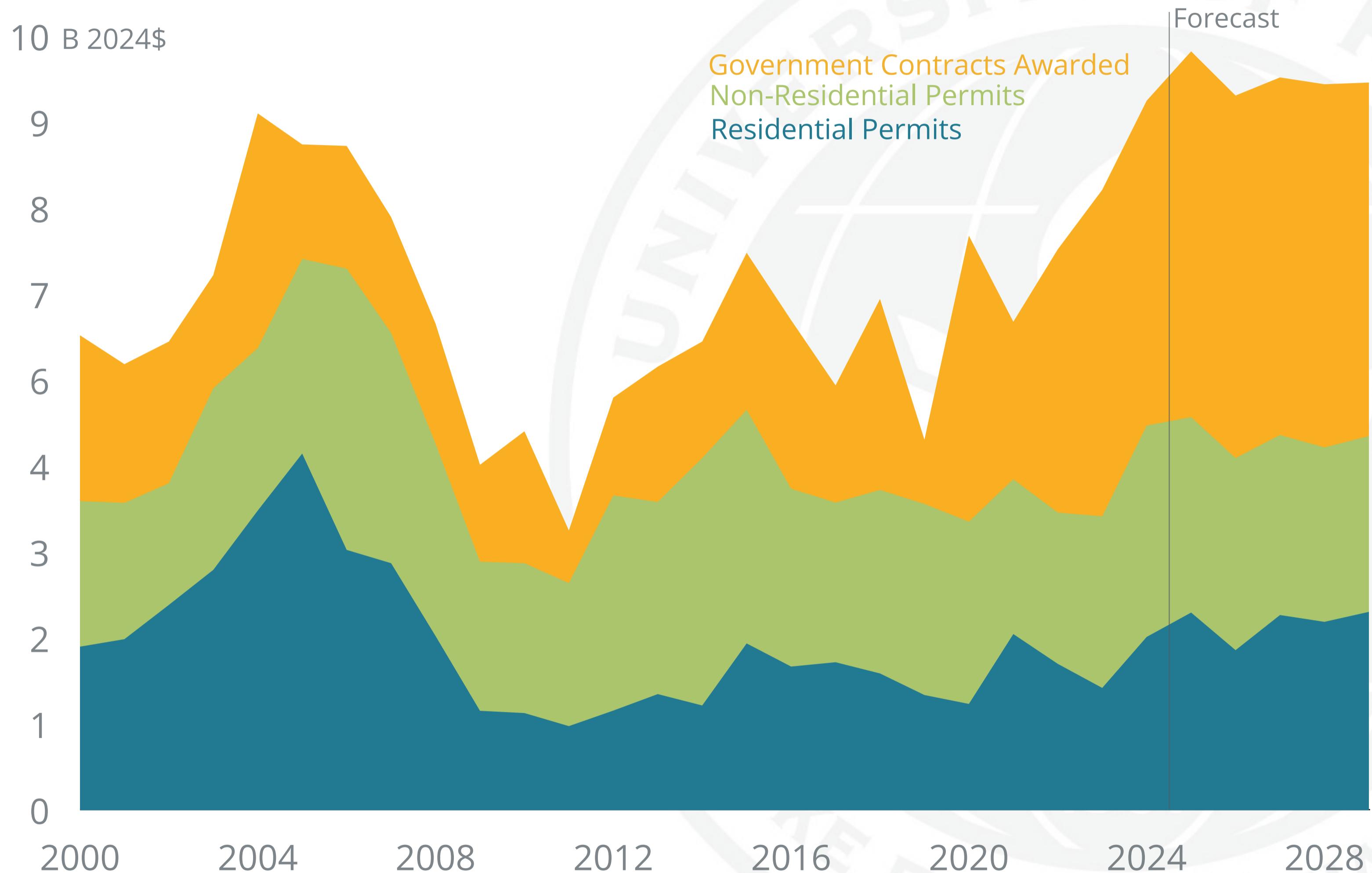
Jobs losses are expected to be concentrated by policy impact

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



One area federal spending is helping— construction

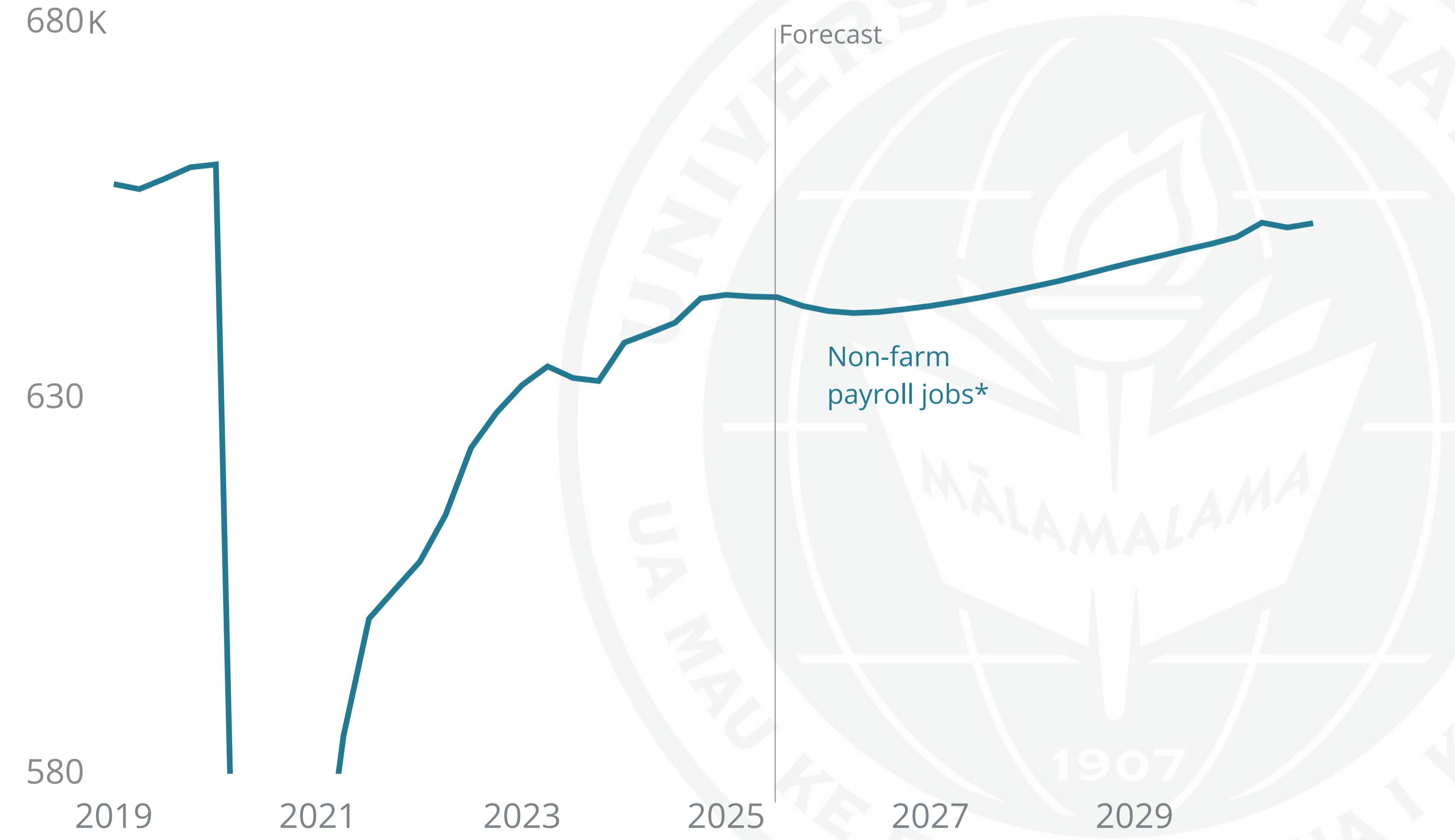
dominated by federal projects with some gains in home building



Source: DBEDT, UHERO forecasts.

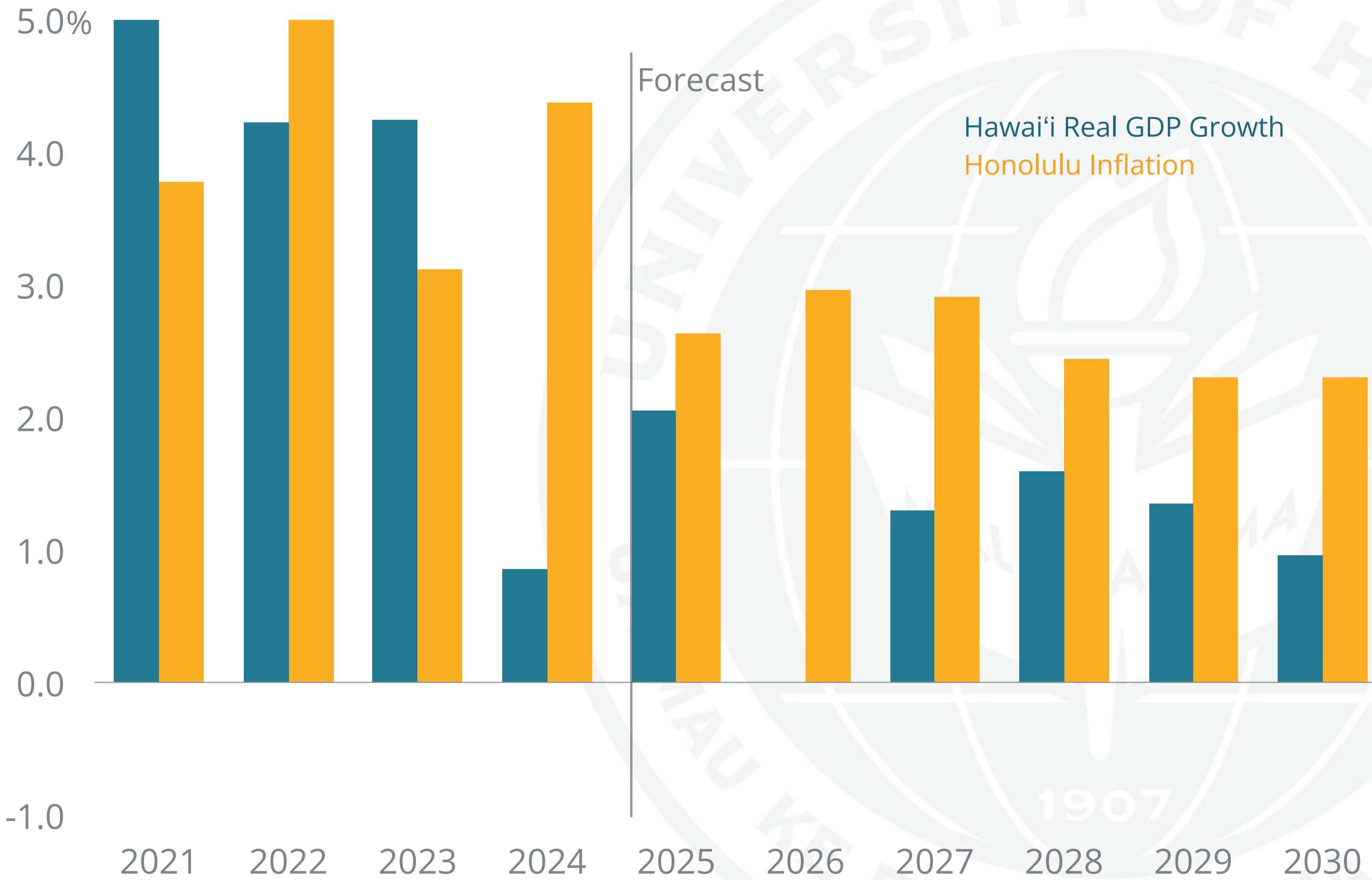
Hawai‘i job creation is expected to remain weak

as hiring falls to post pandemic lows



Source: BLS, *UHERO early-benchmark estimates

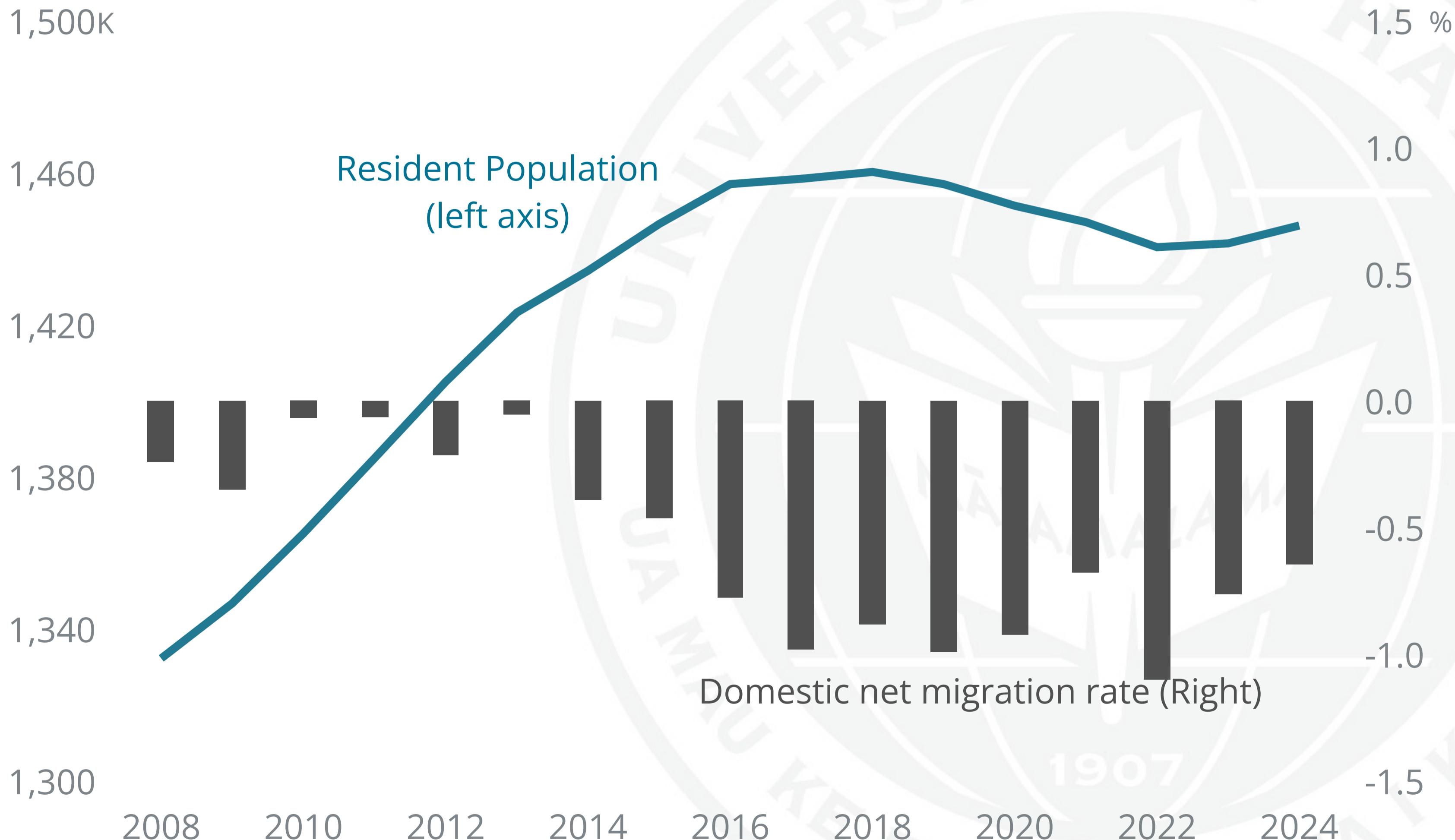
Inflation will begin to ease and growth resume late next year



Source: BEA, BLS, UHERO forecasts.

Longer term prospects: Why are Hawai‘i residents leaving?

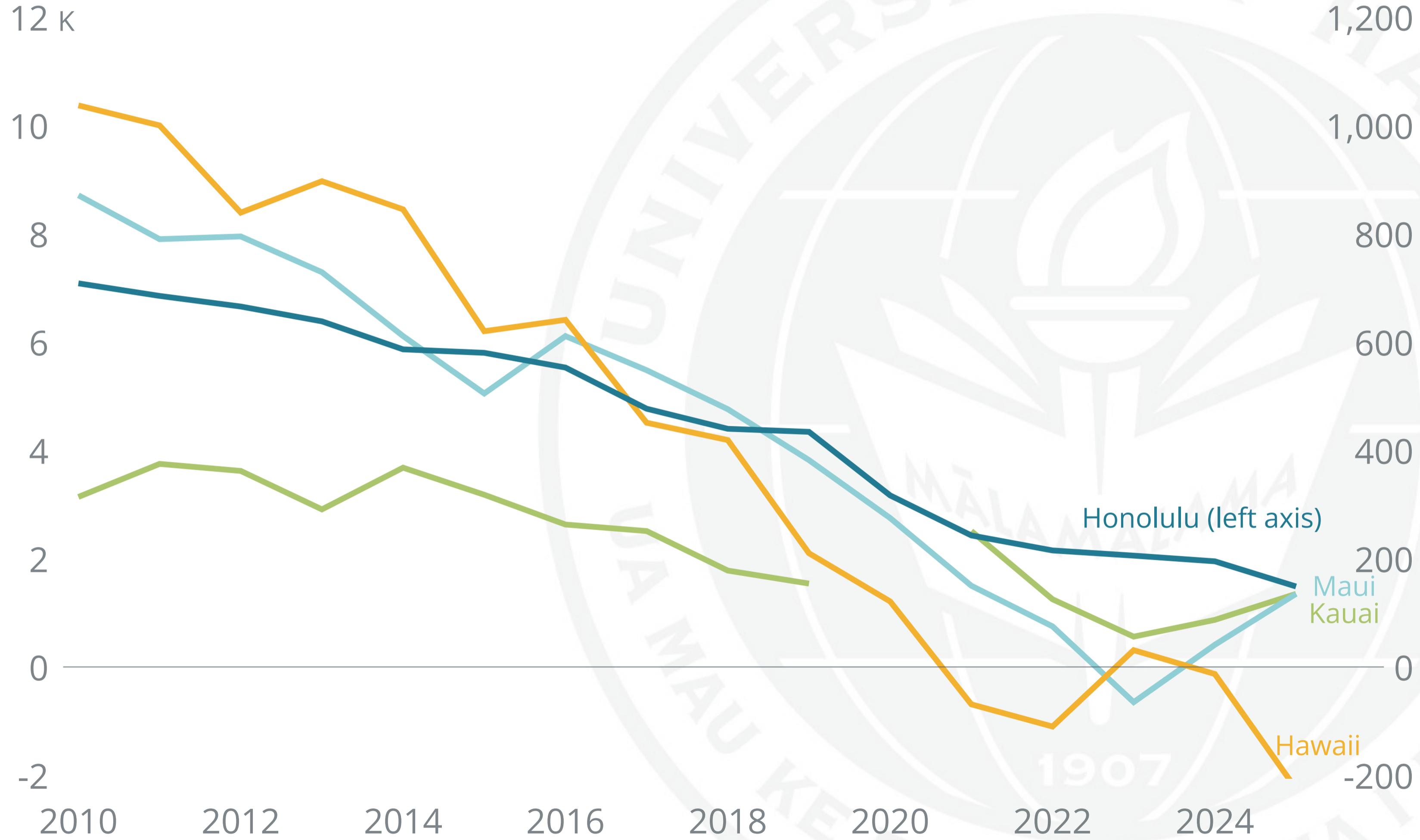
domestic net migration has been negative in 23 of the last 25 years



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

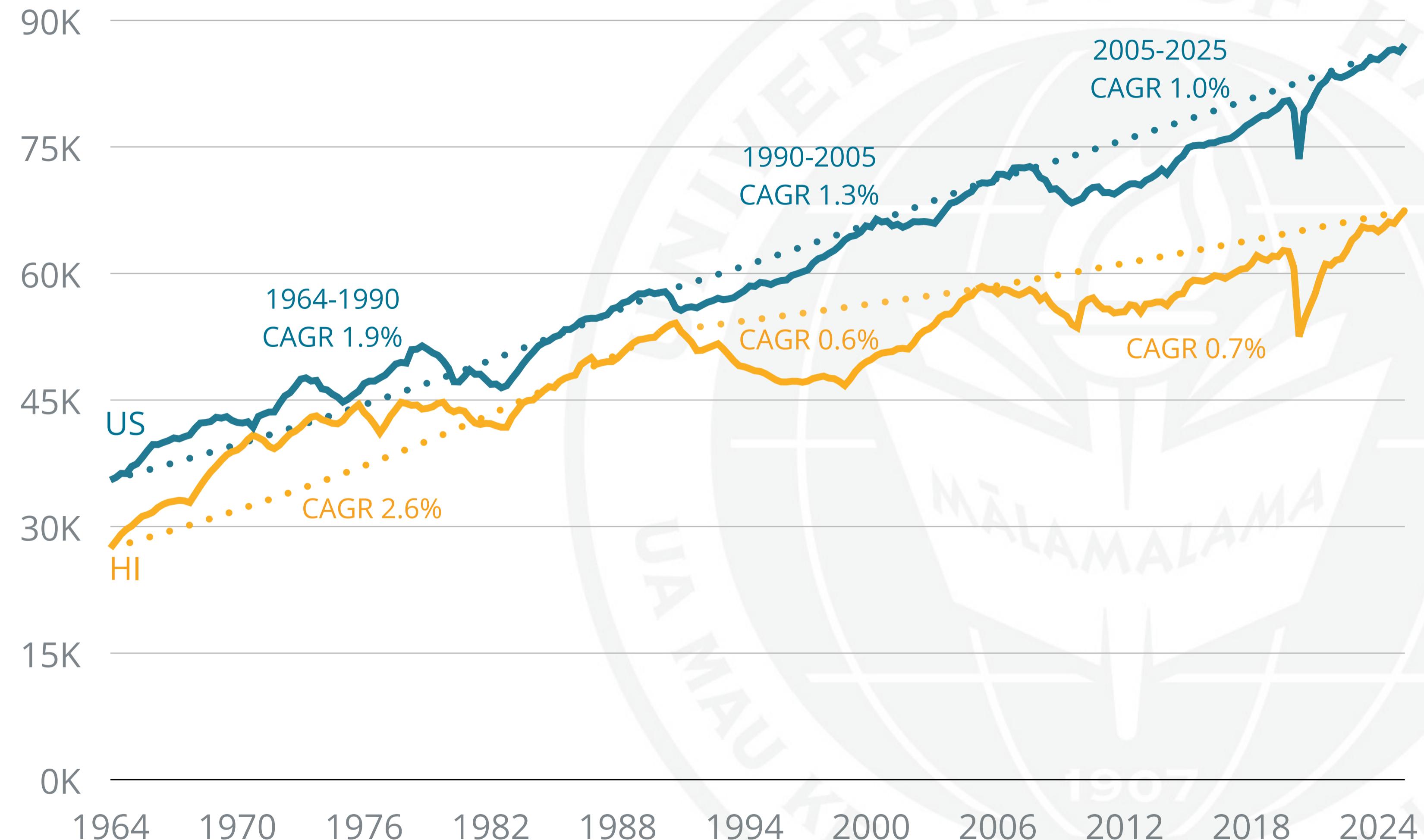
mature market, end of growth phase, repeat visitors all contribute to stagnation



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

When tourism spending stalled, so did Hawai‘i

Hawai‘i's price-adjusted GDP per capita fell behind the US in 90s



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](#)

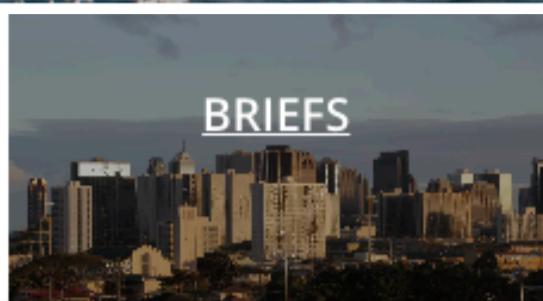
January 16, 2025

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...

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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](#)

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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](#)

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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

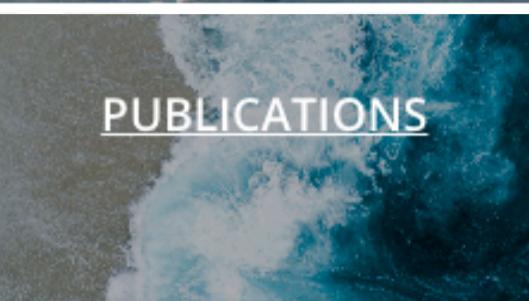
Hawai'i's population is aging rapidly. By 2035 one in four people will be 65 or older according to the most recent projections. The purpose of...

[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](#)

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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