



UHERO

THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

# OUTLOOK MORE UNCERTAIN AS FEDERAL POLICY CHANGES LOOM

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HOUSE FINANCE PRE-SESSION BRIEFING  
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# Economic Uncertainty as we wait for concrete policy plans.

- **Tax Cuts**— The TCJA will be extended. But how much of the campaign promises will be delivered: cut the corporate rate to 15%, no taxes on tip, SS or overtime income
  - The US and by extension Hawaii could experience a sugar high from deficit spending in 2025-26 with real GDP growth boosted by 25-50bp and inflation by 30bp.
- **Immigration**— Promised mass deportations, and policy changes that reduce unauthorized immigration will also weigh on legal immigration. No one knows how extensive deportations will be.
  - Deportation of large numbers of unauthorized workers could lead to a decline in the US labor force, rising wage inflation, and weaker economic growth. Deporting 1m workers reduces the US labor force by 50bp and lowers real GDP growth by 50bp.
- **Tariffs**— Are promises of 10-20% across the board tariffs just bargaining chips or firm policy?
  - With a 10% tariff in 2025 (60% on China), US real GDP growth is 50-75bp lower in 2025-26 and mostly recovers by the end of the decade. Inflation is 100bp higher by the end of 2025.
- **Deregulation**— end of a litany of environmental, energy, and financial regulations.

# With new policies for tax, tariff and immigration

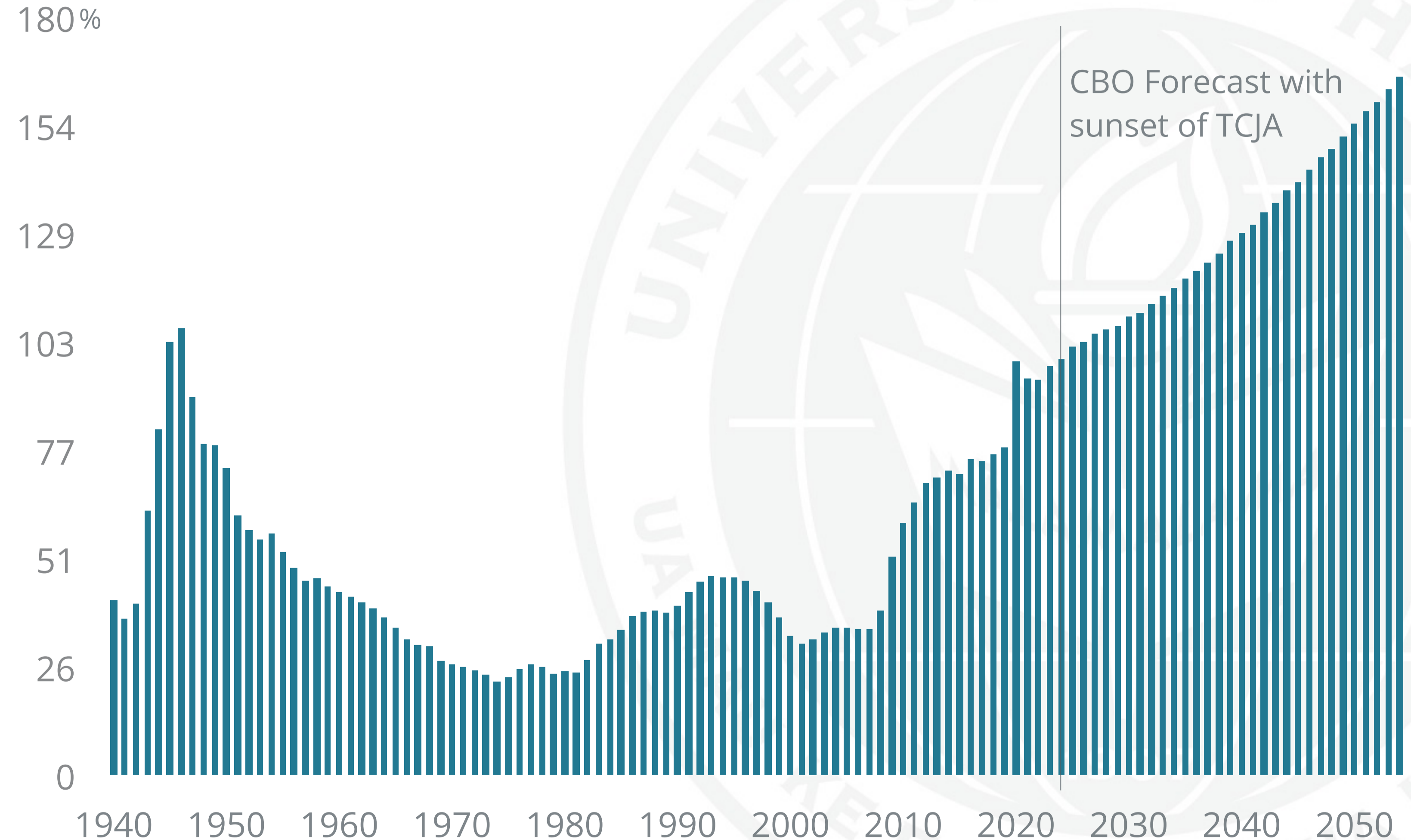
Inflation expectations began to rise as odds of new polices increased



Source: Federal Reserve Board, [UHERO.data](https://www.theredbook.org/).

# Will concern over deficits curb tax cut plans? They should

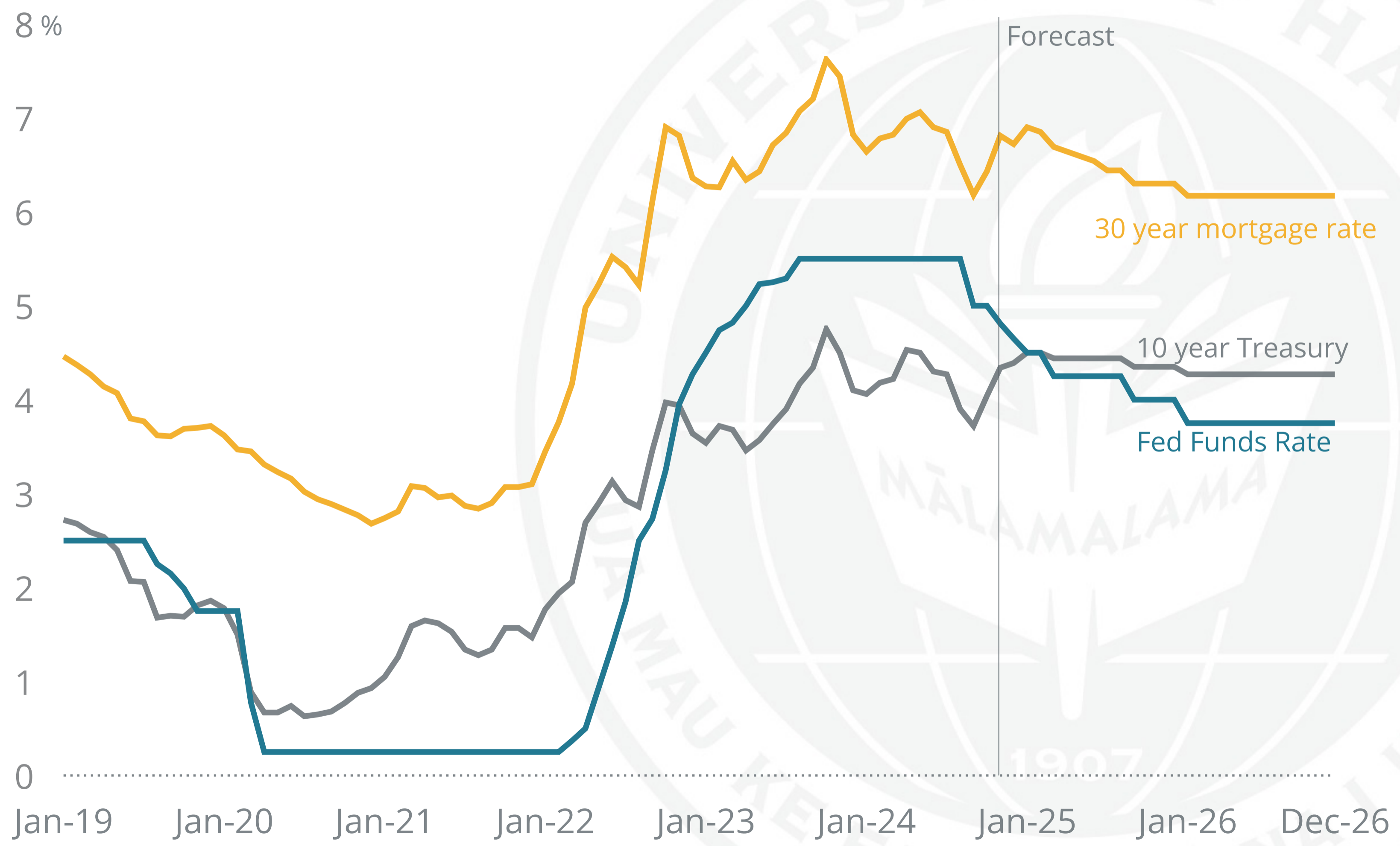
Federal debt held by the public as a % of GDP



Source: FRED, Congressional Budget Office.

# With new policies for tax, tariff and immigration

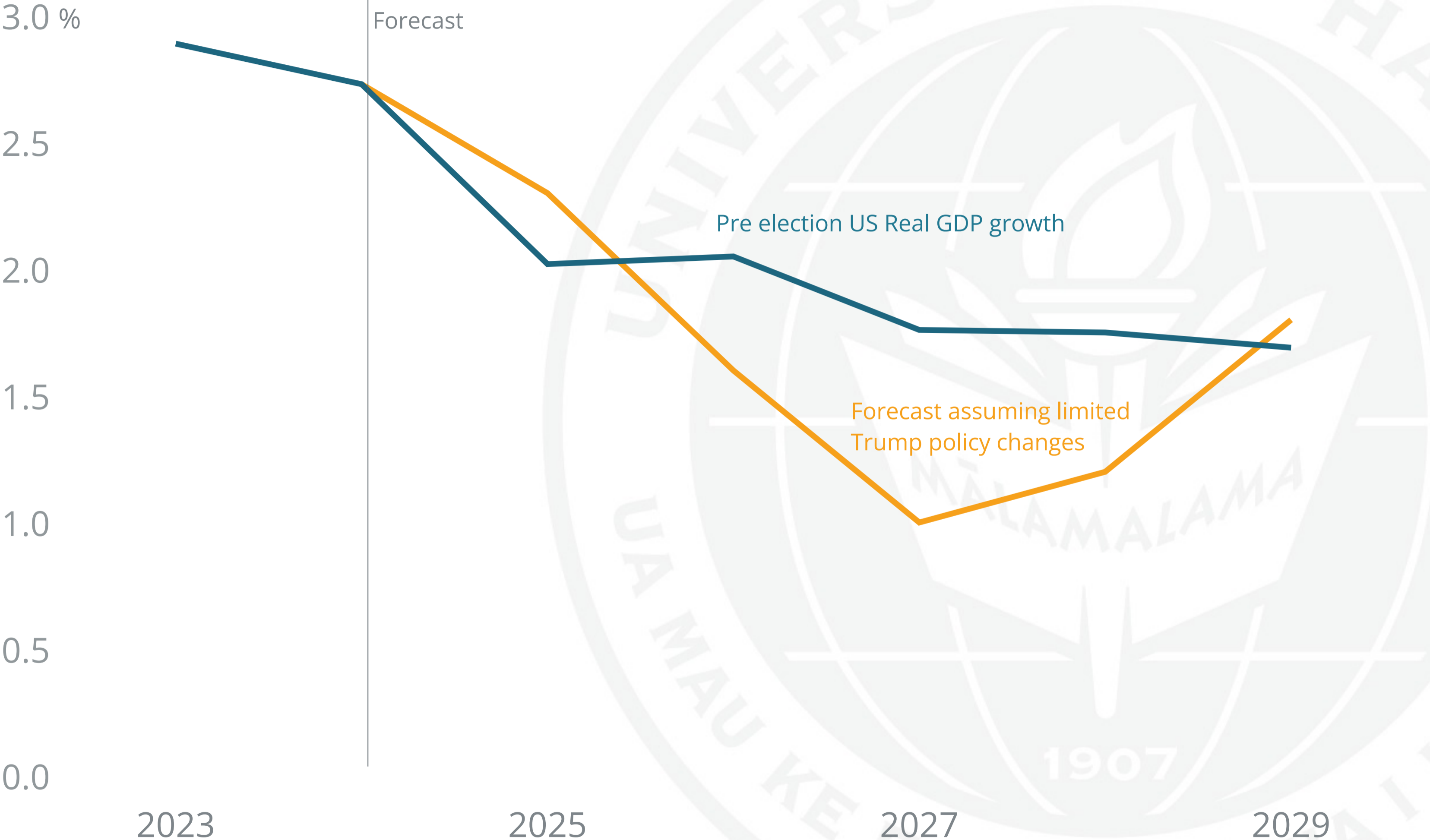
rates will not come down nearly as much as was expected just six months ago



Source: Federal Reserve Board, UHERO.data.

# Resilient US economy underpins Hawai'i's economy

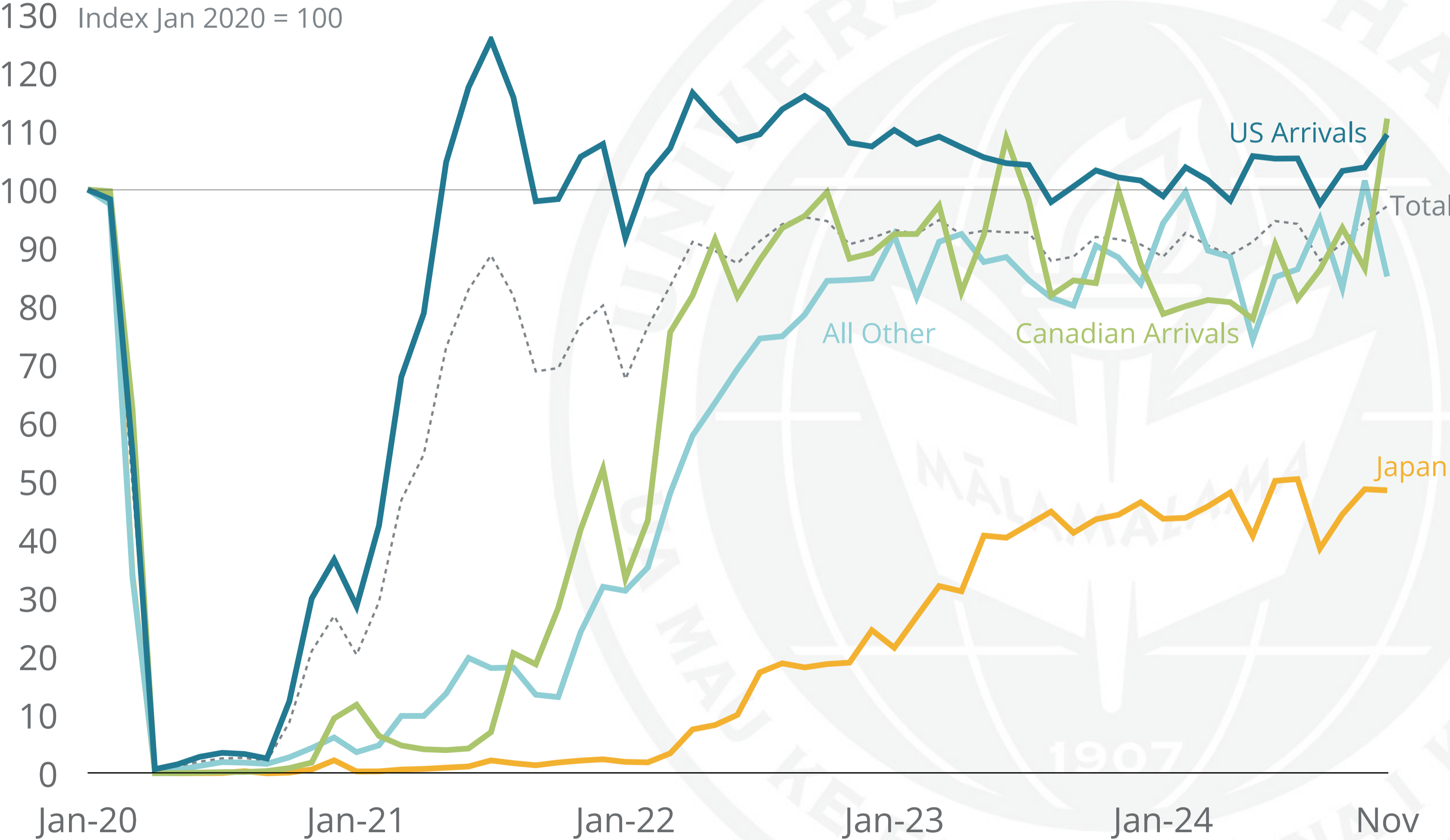
now the US economy must confront policy uncertainty



Source: BEA, UHERO forecasts.

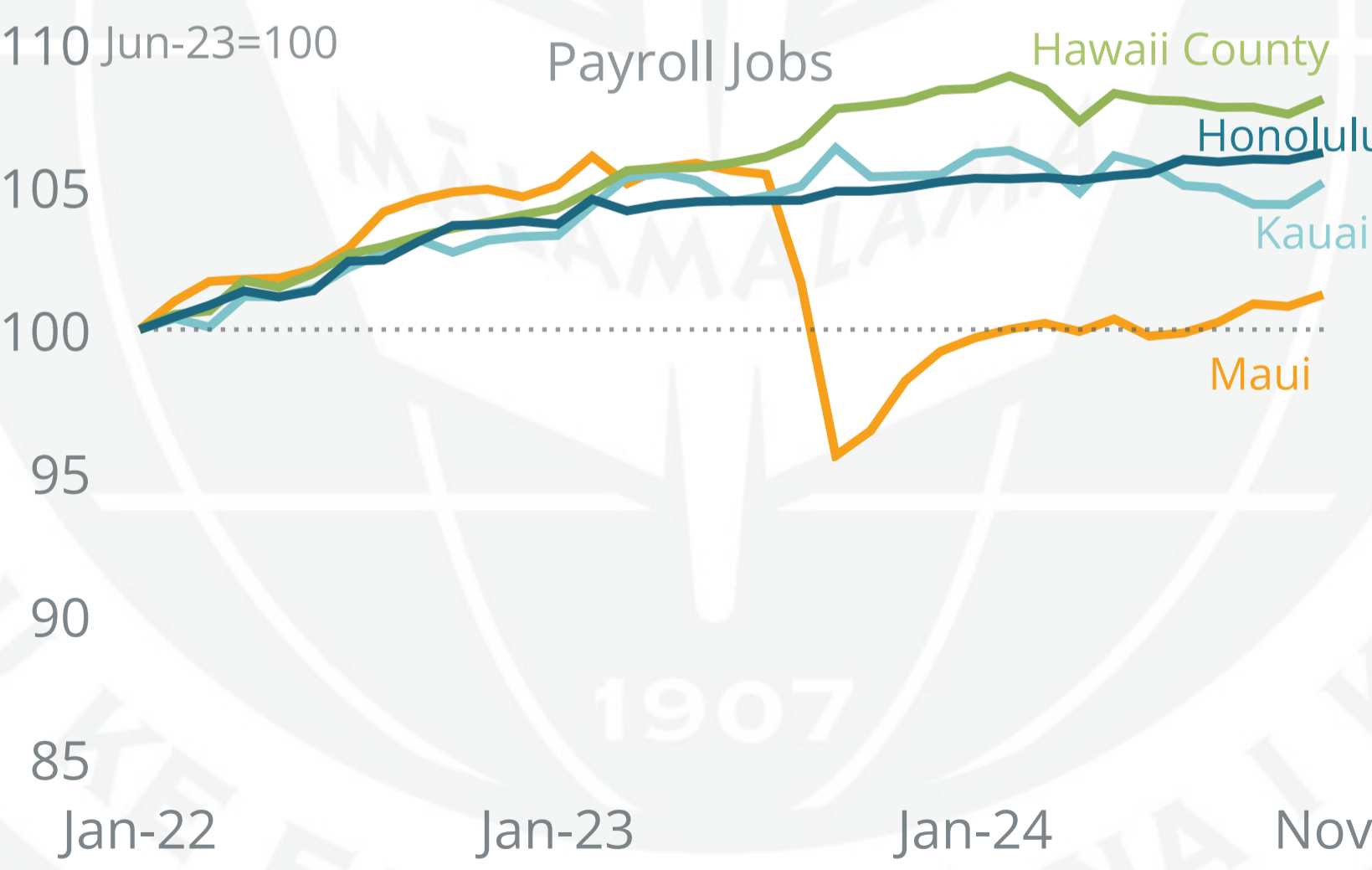
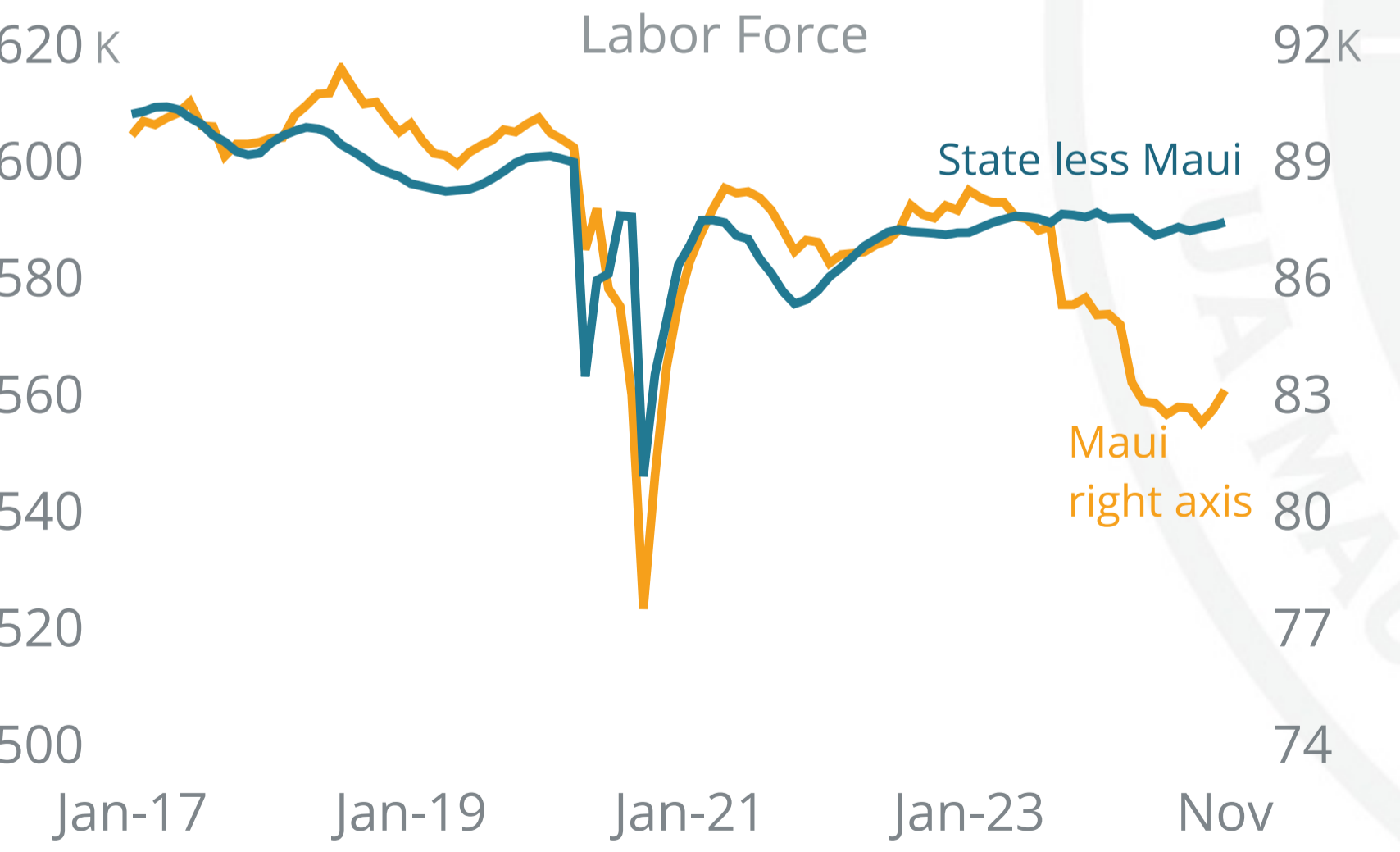
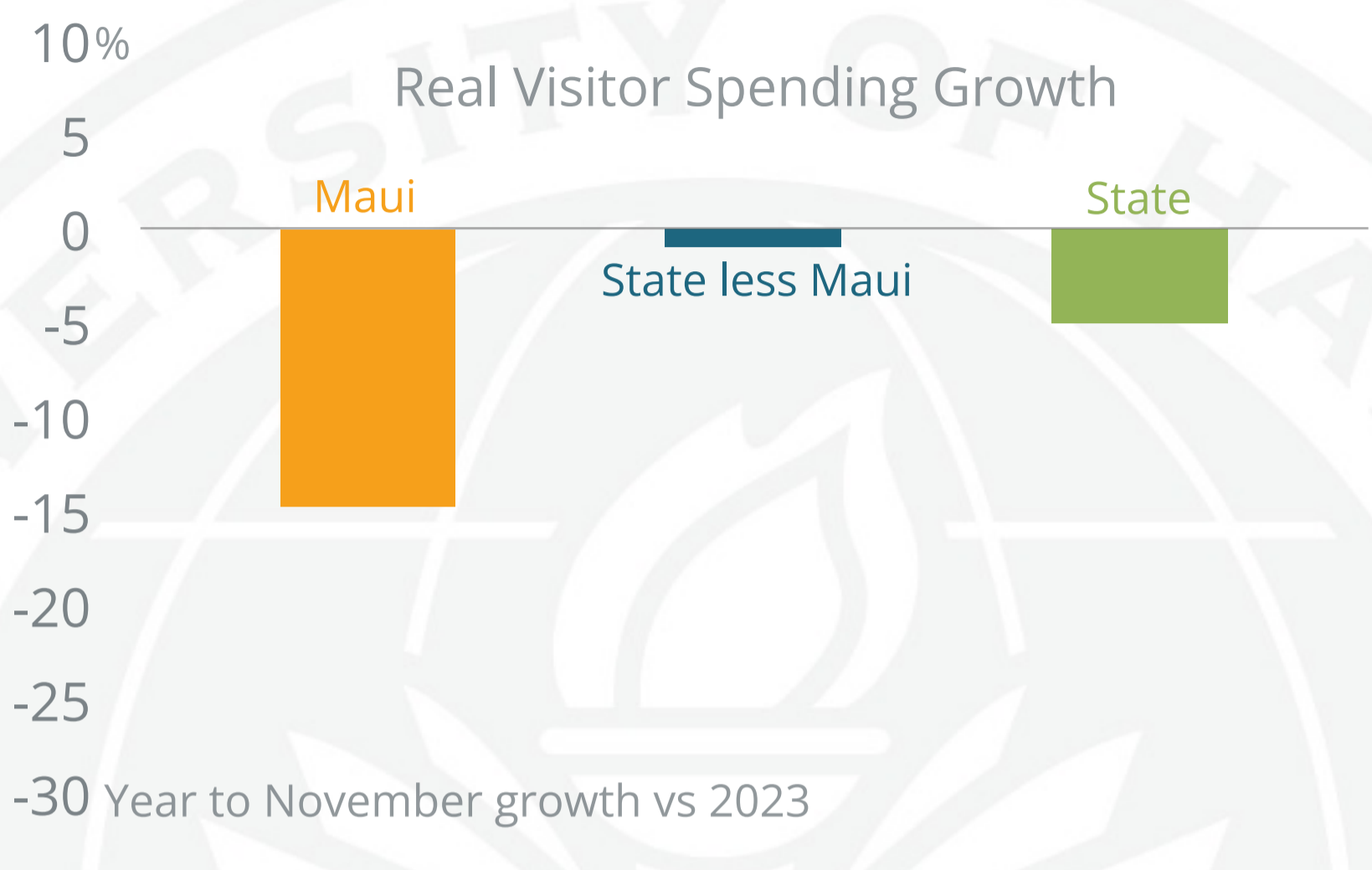
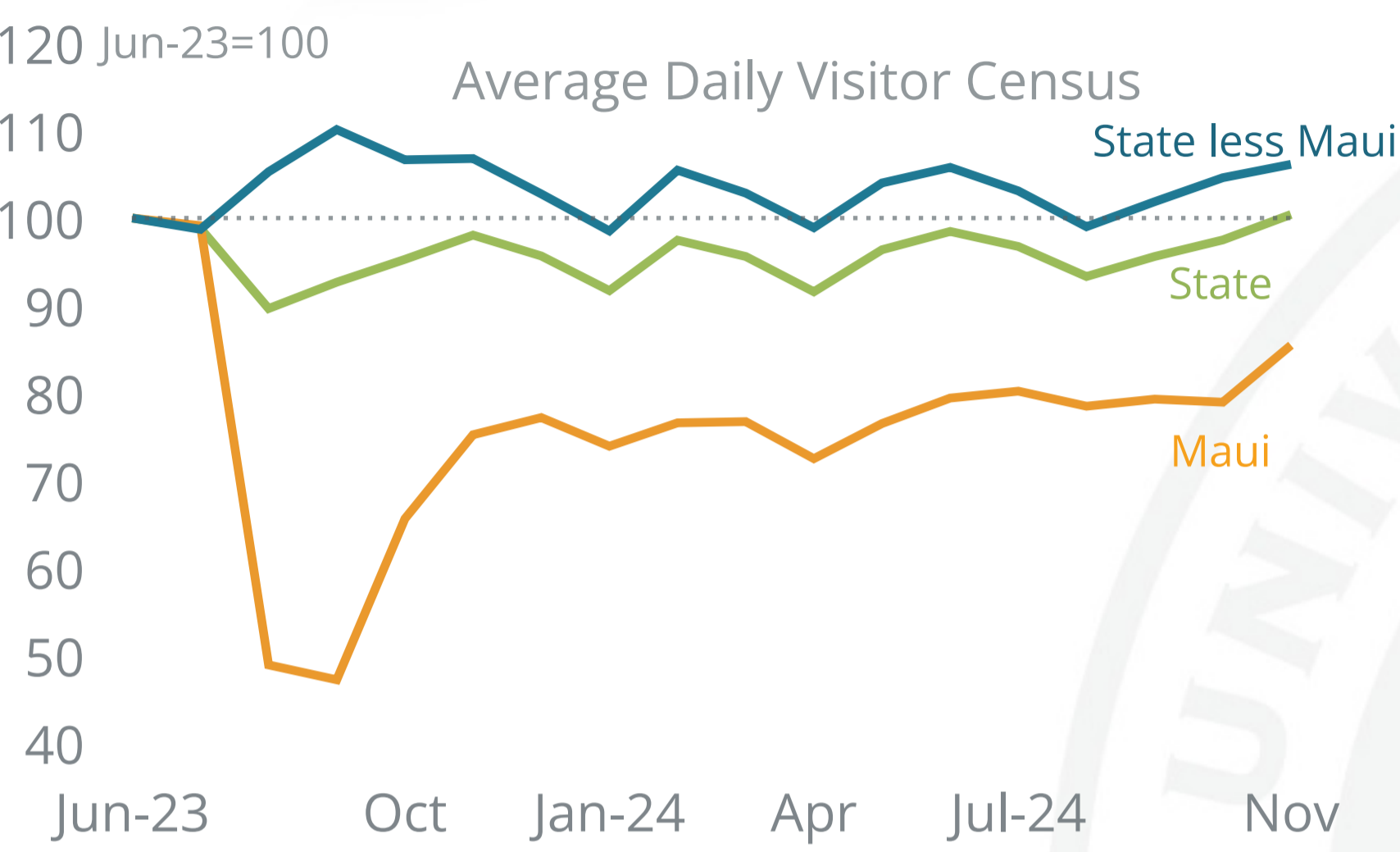
# US market and exchange rates are critical to tourism outlook

US visitors contribute 75% of total Hawai'i visitor spending



Source: HTA, UHERO.data.

# Statewide weakness is mostly but not exclusively on Maui

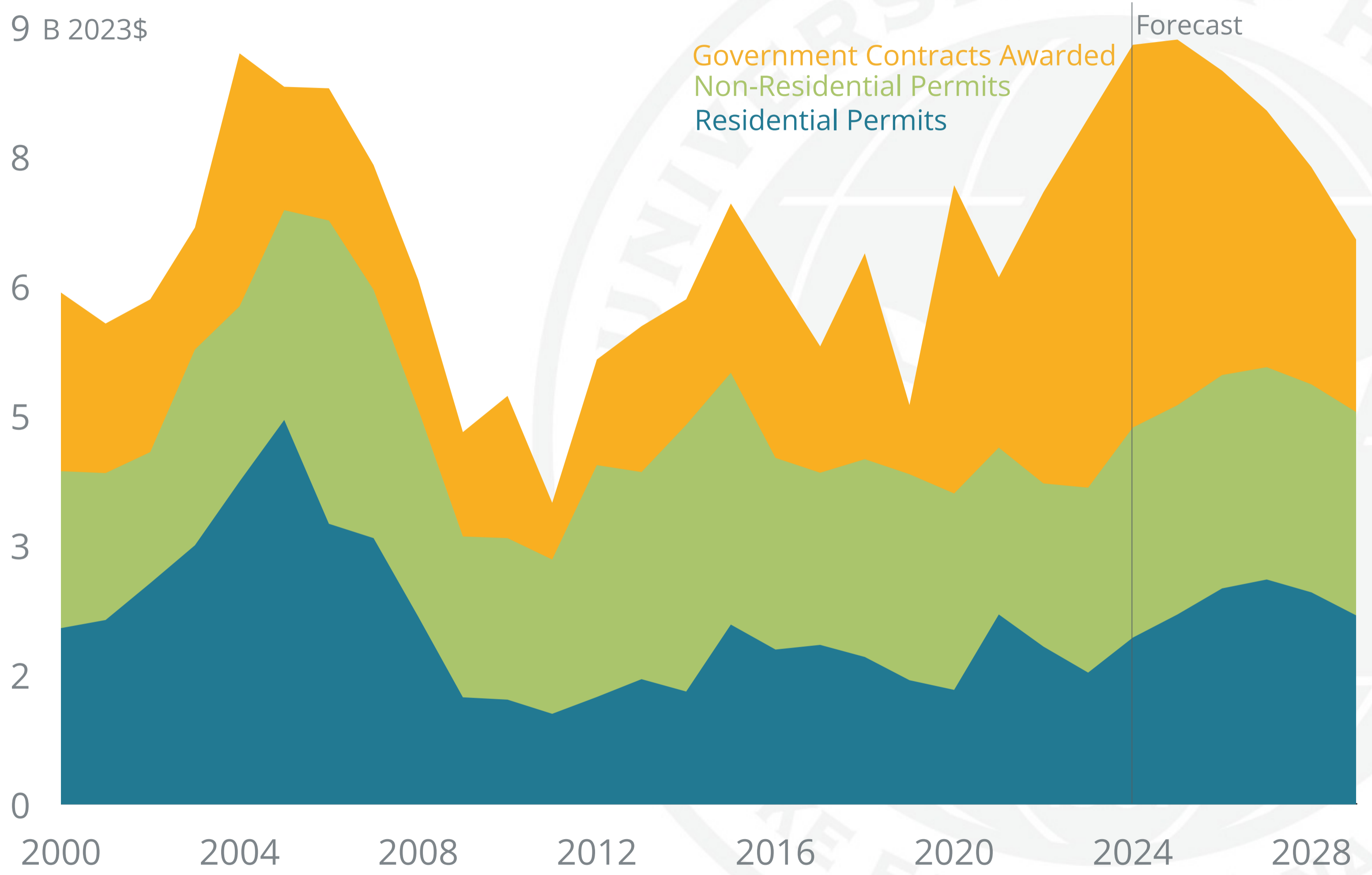


Source: BLS, DBEDT, UHERO.



# Short run tourism losses are offset by construction spending

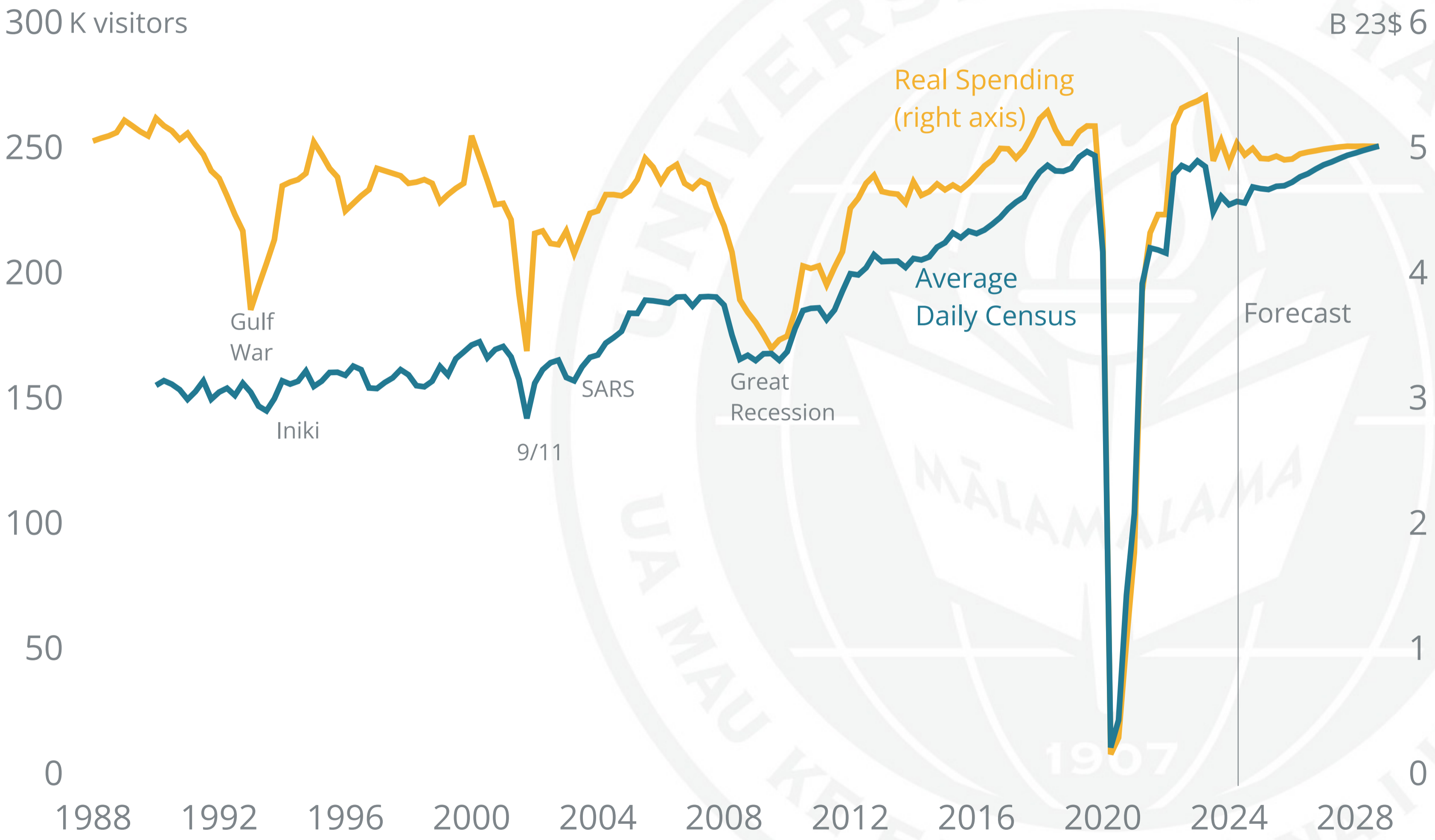
but note the relatively stagnant home building numbers



Source: DBEDT, UHERO forecasts.

# Where do we go post recovery?

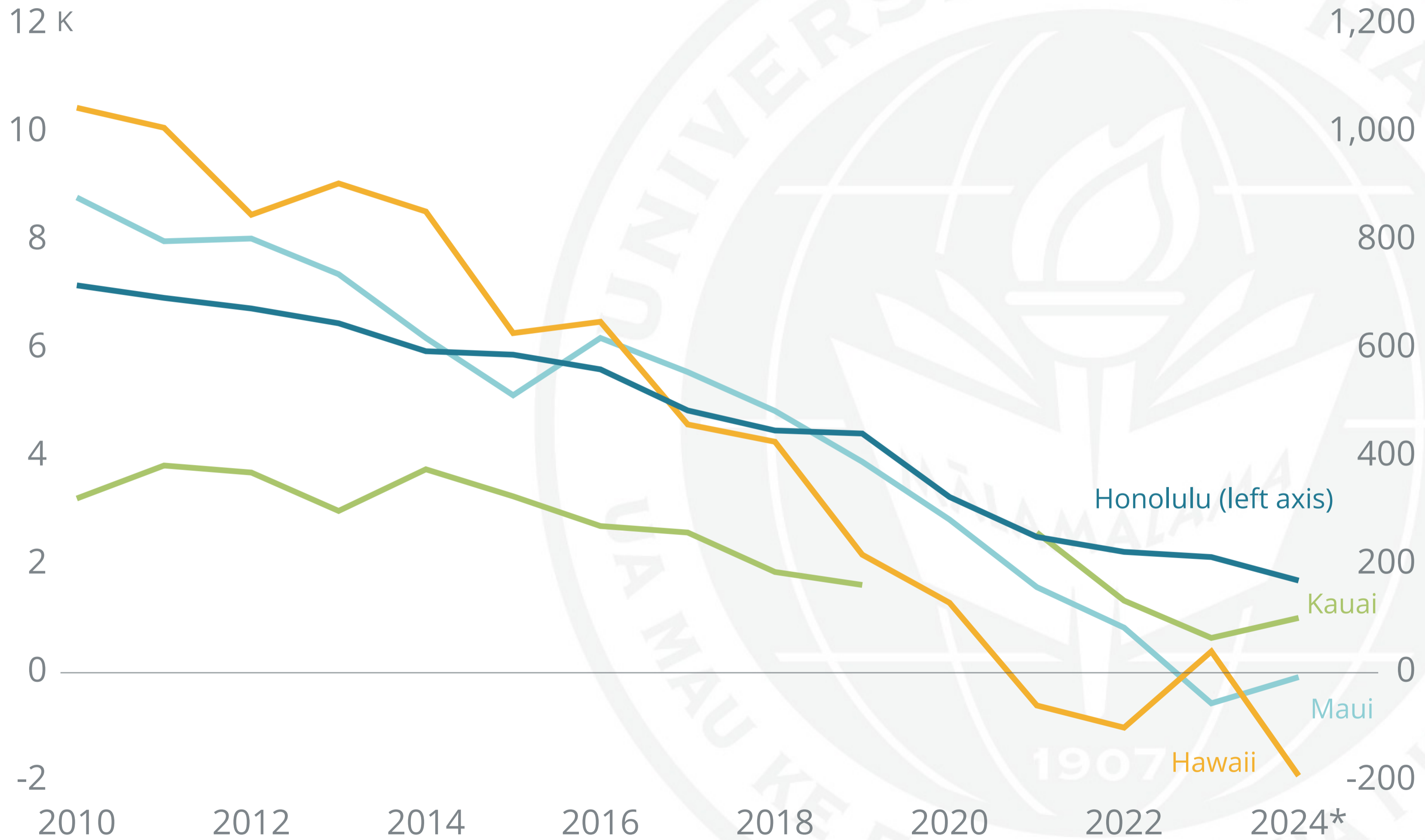
visitor spending will return to trend— no growth



Source: HTA, UHERO forecasts.

# Long-term prospects depend on good jobs, homes, schools ...

and migration, as natural population change has fallen to near zero

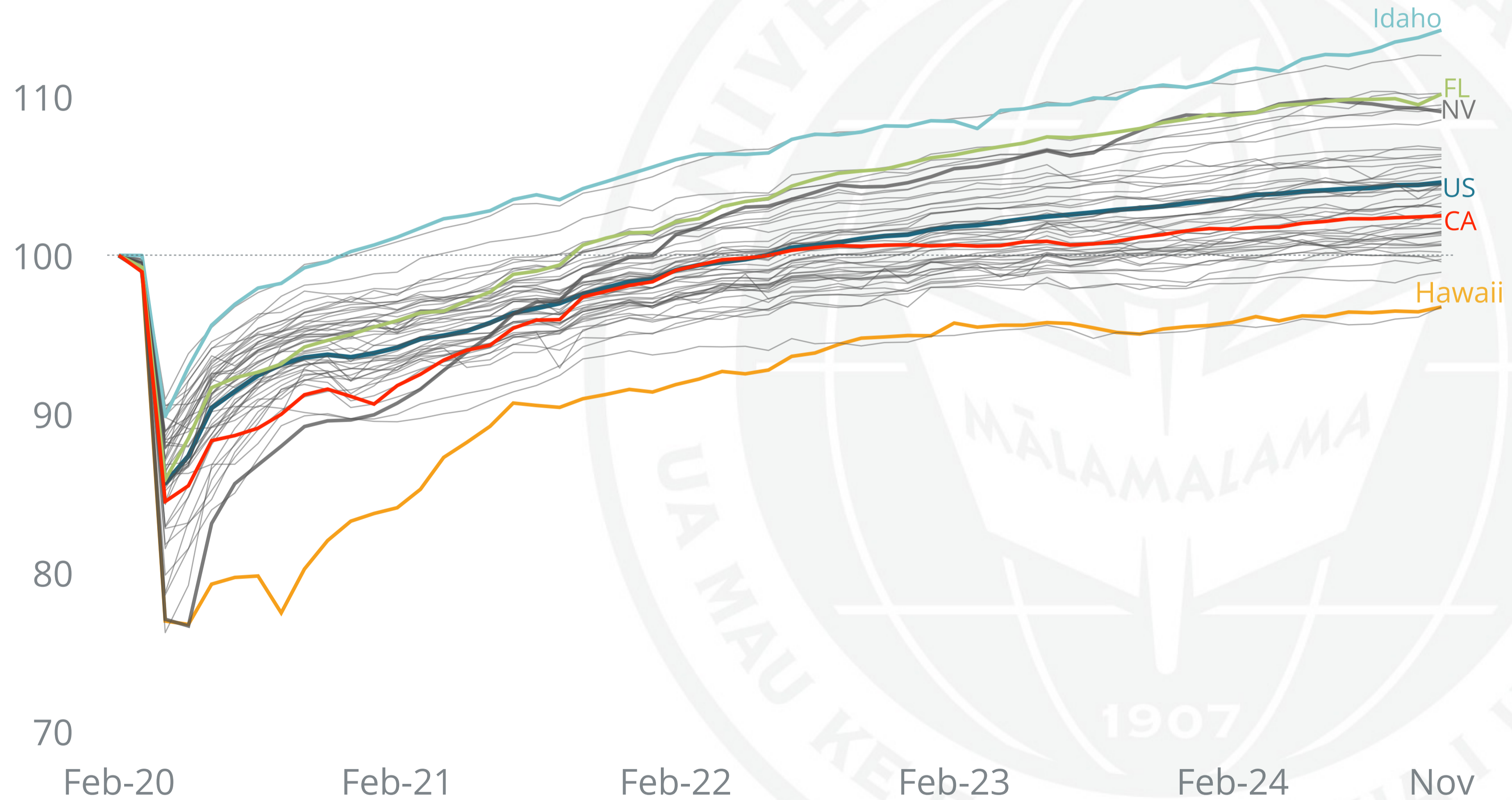


Source: DOH, UHERO, 2024 estimate based on year-to-date births and deaths.

# There is little sign of progress on the good jobs front

Hawaii is one of four states where payroll job counts have not recovered

120 Index Feb 2020 = 100



Source: US Bureau of Labor Statistics, UHERO.data.



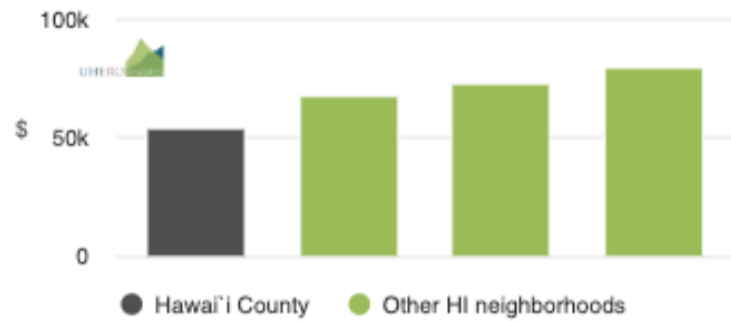
# Hawai'i Housing Dashboard

Home Factsheet Builder Latest Research

## Hawai'i County

### Rank: Rental Affordability

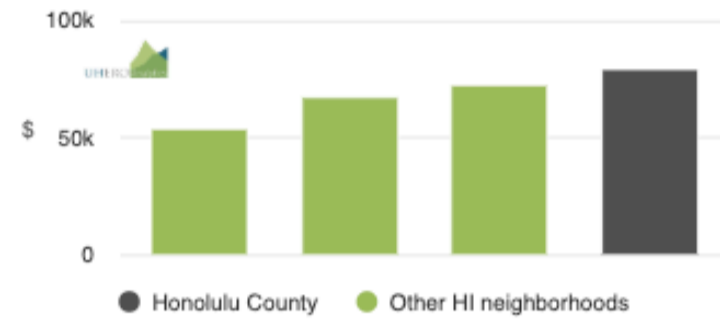
Annual income needed to afford the median rent in Hawai'i County vs. other HI neighborhoods in 2022



## Honolulu County

### Rank: Rental Affordability

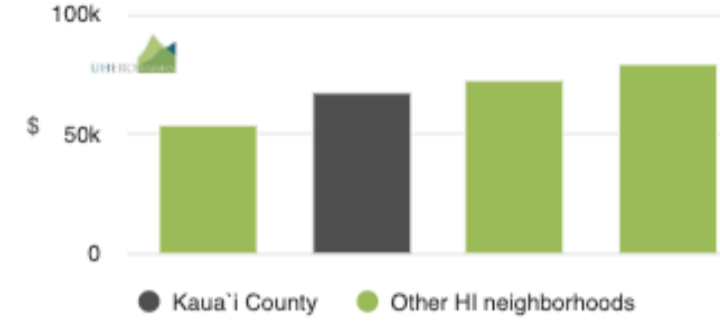
Annual income needed to afford the median rent in Honolulu County vs. other HI neighborhoods in 2022



## Kaua'i County

### Rank: Rental Affordability

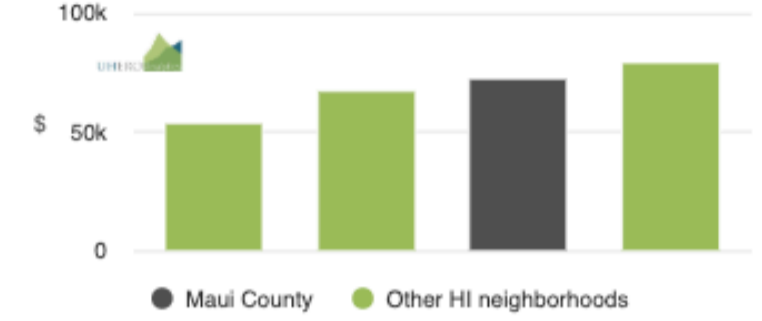
Annual income needed to afford the median rent in Kaua'i County vs. other HI neighborhoods in 2022



## Maui County

### Rank: Rental Affordability

Annual income needed to afford the median rent in Maui County vs. other HI neighborhoods in 2022



### Rental Market Summary Data

Rental Population	
Renter share (2022)	29%
Rents	
Median rent (Source: Census Bureau, 2022)	\$1,352
Median rent (Source: Craigslist, 2023)	\$1,800
Rental Affordability	
Median rent paid as share of income (2022)	30%
Share of households who spend 30% or more of their income on rent (2022)	50%
Share of households who spend 50% or more of their income on rent (2022)	27%
Annual income needed to afford the median rent (2022)	\$54,080

### Rental Market Summary Data

Rental Population	
Renter share (2022)	41%
Rents	
Median rent (Source: Census Bureau, 2022)	\$1,976
Median rent (Source: Craigslist, 2023)	\$2,023
Rental Affordability	
Median rent paid as share of income (2022)	34%
Share of households who spend 30% or more of their income on rent (2022)	58%
Share of households who spend 50% or more of their income on rent (2022)	29%
Annual income needed to afford the median rent (2022)	\$79,040

### Rental Market Summary Data

Rental Population	
Renter share (2022)	35%
Rents	
Median rent (Source: Census Bureau, 2022)	\$1,686
Median rent (Source: Craigslist, 2023)	\$2,200
Rental Affordability	
Median rent paid as share of income (2022)	29%
Share of households who spend 30% or more of their income on rent (2022)	47%
Share of households who spend 50% or more of their income on rent (2022)	23%
Annual income needed to afford the median rent (2022)	\$67,440

### Rental Market Summary Data

Rental Population	
Renter share (2022)	35%
Rents	
Median rent (Source: Census Bureau, 2022)	\$1,805
Median rent (Source: Craigslist, 2023)	\$2,400
Rental Affordability	
Median rent paid as share of income (2022)	32%
Share of households who spend 30% or more of their income on rent (2022)	53%
Share of households who spend 50% or more of their income on rent (2022)	28%
Annual income needed to afford the median rent (2022)	\$72,200

Property Transactions	
Single-family homes (2023)	2,023
Share of Mainland and foreign buyers of single-family homes (2023)	30%
Condominiums (2023)	644
Share of Mainland and foreign buyers of condominiums (2023)	52%
Home Affordability	
Median monthly owner costs (2022)	\$2,005
Median monthly owner costs as share of income (2022)	24%
Annual income needed to afford a mortgage on the median-priced single-family home (2023)	\$93,316
Annual income needed to afford a mortgage on the median-priced condominium (2023)	\$122,124

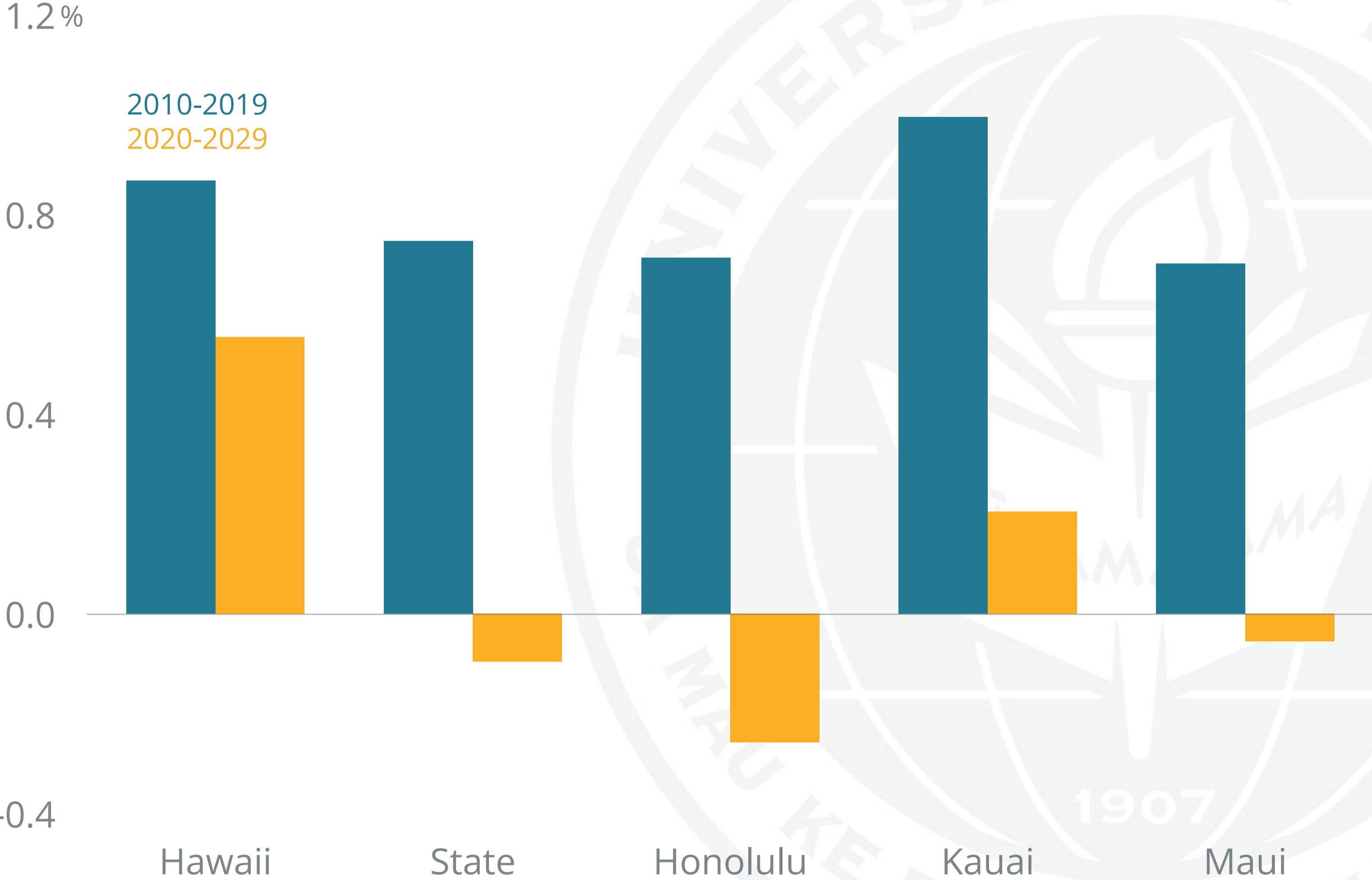
Property Transactions	
Single-family homes (2023)	2,604
Share of Mainland and foreign buyers of single-family homes (2023)	10%
Condominiums (2023)	5,351
Share of Mainland and foreign buyers of condominiums (2023)	17%
Home Affordability	
Median monthly owner costs (2022)	\$2,969
Median monthly owner costs as share of income (2022)	26%
Annual income needed to afford a mortgage on the median-priced single-family home (2023)	\$215,022
Annual income needed to afford a mortgage on the median-priced condominium (2023)	\$118,326

Property Transactions	
Single-family homes (2023)	426
Share of Mainland and foreign buyers of single-family homes (2023)	37%
Condominiums (2023)	296
Share of Mainland and foreign buyers of condominiums (2023)	60%
Home Affordability	
Median monthly owner costs (2022)	\$2,641
Median monthly owner costs as share of income (2022)	27%
Annual income needed to afford a mortgage on the median-priced single-family home (2023)	\$197,278
Annual income needed to afford a mortgage on the median-priced condominium (2023)	\$166,997

Property Transactions	
Single-family homes (2023)	583
Share of Mainland and foreign buyers of single-family homes (2023)	25%
Condominiums (2023)	1,046
Share of Mainland and foreign buyers of condominiums (2023)	53%
Home Affordability	
Median monthly owner costs (2022)	\$2,730
Median monthly owner costs as share of income (2022)	27%
Annual income needed to afford a mortgage on the median-priced single-family home (2023)	\$219,198
Annual income needed to afford a mortgage on the median-priced condominium (2023)	\$166,799

# Both housing and job prospects weigh on Hawaii's economy

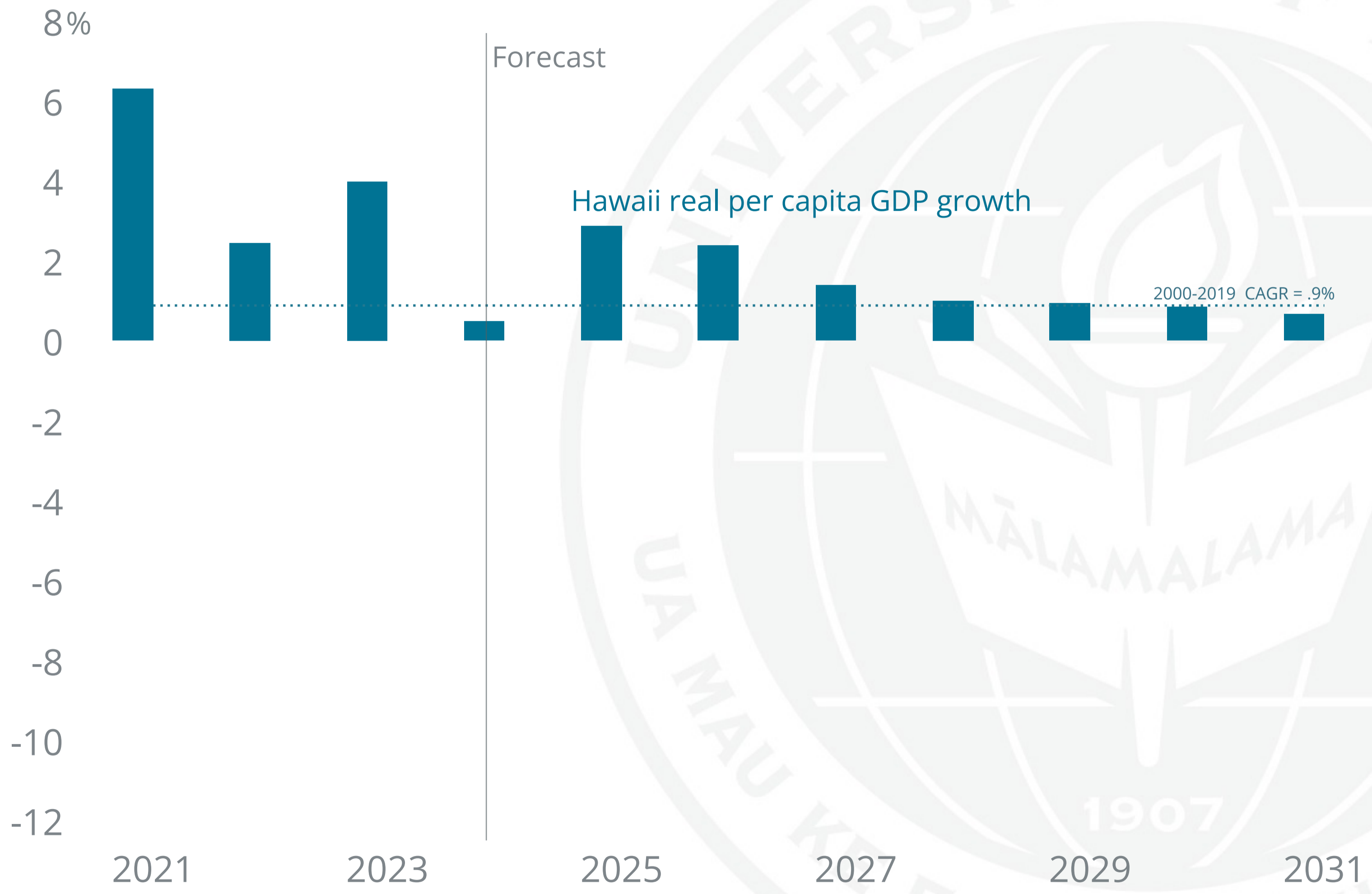
resident population, average annual growth rates by decade



Source: Census, UHERO forecasts.

# Short run outlook is reasonably good

but the longer term outlook is less hopeful



Source: BEA, Census, BLS, UHERO forecasts.

# Insights



## BLOGS

### [How Expanding Access to Preschool Can Benefit Hawaii's Future](#)

August 1, 2024

By: Rachel Inafuku The State of Hawaii has identified a significant gap in preschool enrollment among its youngest learners. Of the 33,224 3- and 4-year...

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### [Why Not Just Tax Them? A Middle Ground on Addressing Short-Term Rentals](#)

July 29, 2024

By Dylan Moore Maui is at a crossroads, grappling with a severe housing crisis exacerbated by last year's wildfires. In response, Mayor Richard Bissen has...

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### [Potential opportunities to diversify the economy of Hawai'i](#)

July 2, 2024

Read the full report By: Steven Bond-Smith and Sumit Ilamkar The economy of Hawai'i is extraordinarily concentrated in the tourism industry. As a result of...

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## NEWS

### [The Maui Wildfire Exposure Study receives a \\$1.4M grant from NIH](#)

August 6, 2024

The Maui Wildfire Exposure Study (MauiWES) led by Ruben Juarez (UHERO) and Alikea Maunakea (JABSOM) has received a \$1.4 million grant from the NIH to...

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### [UHERO welcomes Trey Gordner](#)

July 3, 2024

We are pleased to welcome Trey Gordner, who joined UHERO in June as a Policy Researcher/Data Scientist and was recently named a Lincoln Institute Vibrant...

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### [Recent findings from the Maui Wildfire Exposure Study featured in The Washington Post](#)

May 15, 2024

Months after Maui fires, residents report troubling health problems A new report details respiratory ailments, mental health conditions and lack of access to medical care...

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## BRIEFS

### [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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### [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...

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### [Dissolving the Hawaii Tourism Authority](#)

April 5, 2023

Read the summary blog post. By Paul Brewbaker, Frank Haas, and James Mak State lawmakers in the 2023 state legislature are bashing the Hawaii Tourism...



## FORECASTS

### [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...

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### [UHERO Forecast for the State of Hawai'i: Near-term slowing expected as pandemic recovery ends](#)

February 23, 2024

Hawaii's economy has been sustained by a resilient US and the gradual return of international visitors. With the Islands' post-pandemic recovery now largely complete, the...

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### [UHERO Forecast for the State of Hawai'i: State facing headwinds as Maui recovery begins](#)

December 15, 2023

Hawaii's economy has been resilient in the face of weakening US and global economies, high interest rates, and the glacial return



## REPORTS

### [Potential opportunities to diversify the economy of Hawai'i](#)

July 2, 2024

Read the summary blog post. The economy of Hawai'i is extraordinarily concentrated in the tourism industry. As a result of tourism's dominance, Hawai'i's economy faces...

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### [Exploring the Gender Pay Gap in Hawai'i](#)

May 28, 2024

The US has made substantial progress in closing the historical earnings gap between men and women, but data from the American Community Survey (ACS) shows...

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### [The Hawaii Housing Factbook 2024](#)

May 20, 2024

The past year has brought significant shocks to the housing market in Hawai'i. In 2023, only one in five local households could afford a mortgage...

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## PUBLICATIONS

### [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 focuses on training a new generation of...

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### [Threshold regressions for more objective urban and regional policies](#)

April 4, 2024

Abstract: Achieving policy goals often requires different policies for different places, but the assignment of places to policies is often arbitrary, political, or based on...

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### [Male-biased sex ratios, marriage, and household composition in early twentieth-century Hawai'i](#)

January 31, 2024

Abstract: Immigration to Hawai'i between 1870 and 1930 led to a more than six-fold increase in population and high and rapidly