



UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

Forecast Project

HAWAII'S ECONOMY IN NEED OF AN ENGINE

**DR. CARL BONHAM
EXECUTIVE DIRECTOR, UHERO**

**Joint Economic Briefing
Senate Ways and Means
House Finance**

January 21, 2015

OVERVIEW

2014 Retrospective

- ▶ Record year for tourism despite recession, currencies, capacity...
- ▶ Sequestration's drag continued.
- ▶ Construction cycle proves elusive.
- ▶ Non-farm jobs surpass previous peak in tightening labor market

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Questions for 2015

- ▶ How low can they go—energy, the yen, inflation?
- ▶ Does US surge continue?
- ▶ Can Hawaii find a growth engine?
- ▶ Tourism & Federal spending weak but steady?

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Questions for 2015

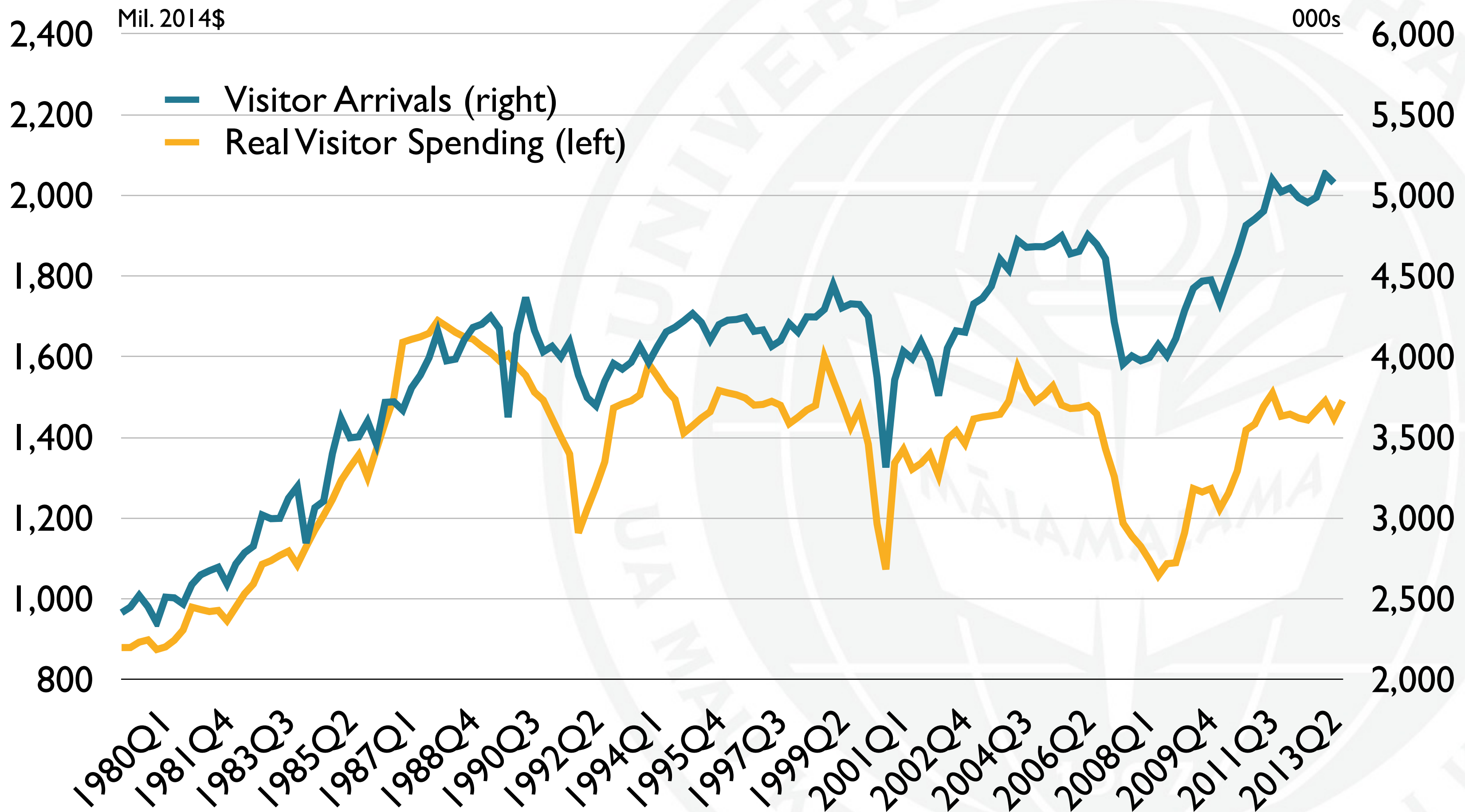
- ▶ How low can they go—energy, the yen, inflation?
- ▶ Does US surge continue?
- ▶ Can Hawaii find a growth engine?
- ▶ Tourism & Federal spending weak but steady?

Risks:

- ▶ Policy, Terrorism, Switzerland!

ANOTHER RECORD YEAR—AT LEAST FOR ARRIVALS

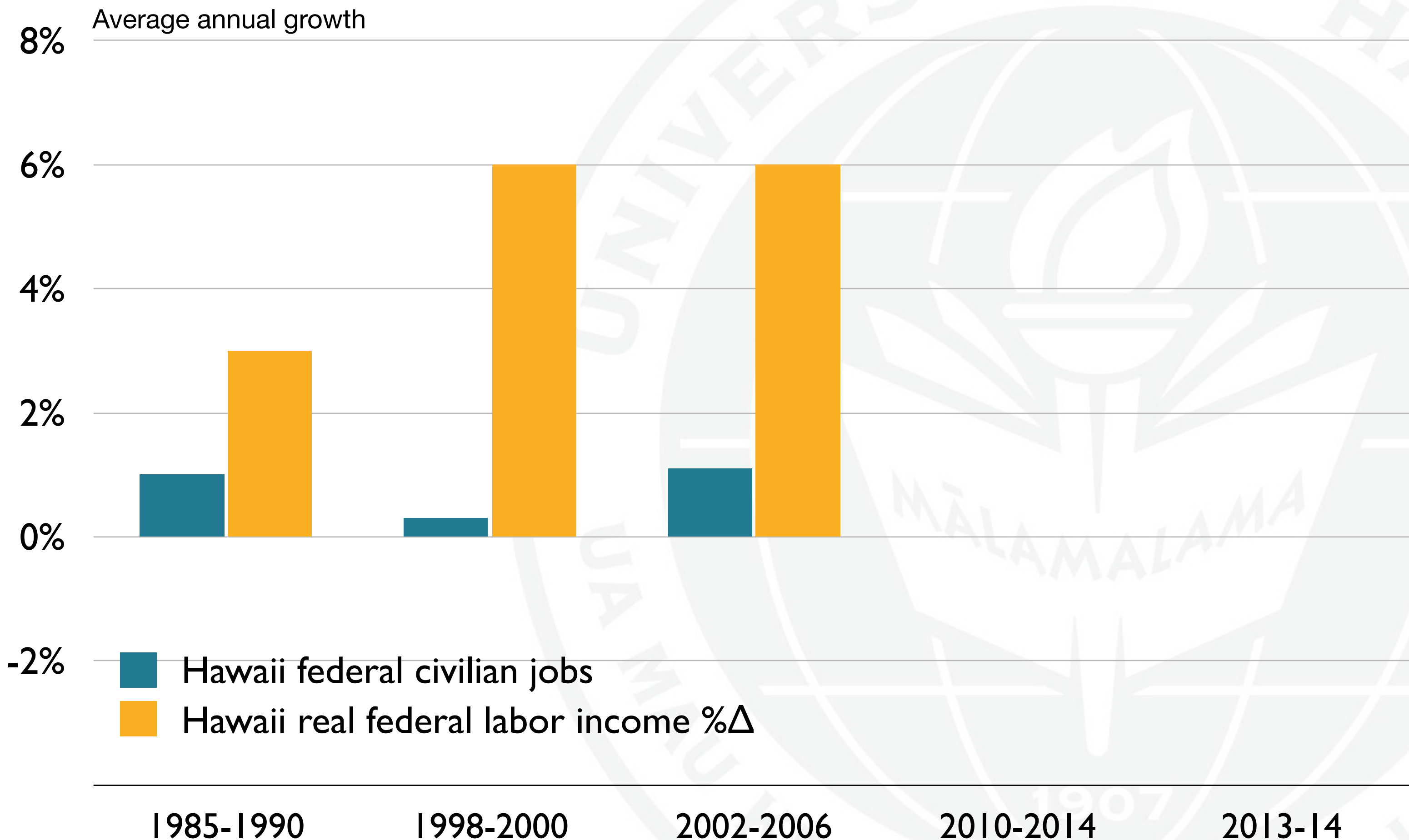
statewide arrivals and real spending



* Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.

SEQUESTRATION DRAG CONTINUED IN 2014

federal spending across expansions— is more bad policy coming?



* Source: BLS, BEA, UHERO

SEQUESTRATION DRAG CONTINUED IN 2014

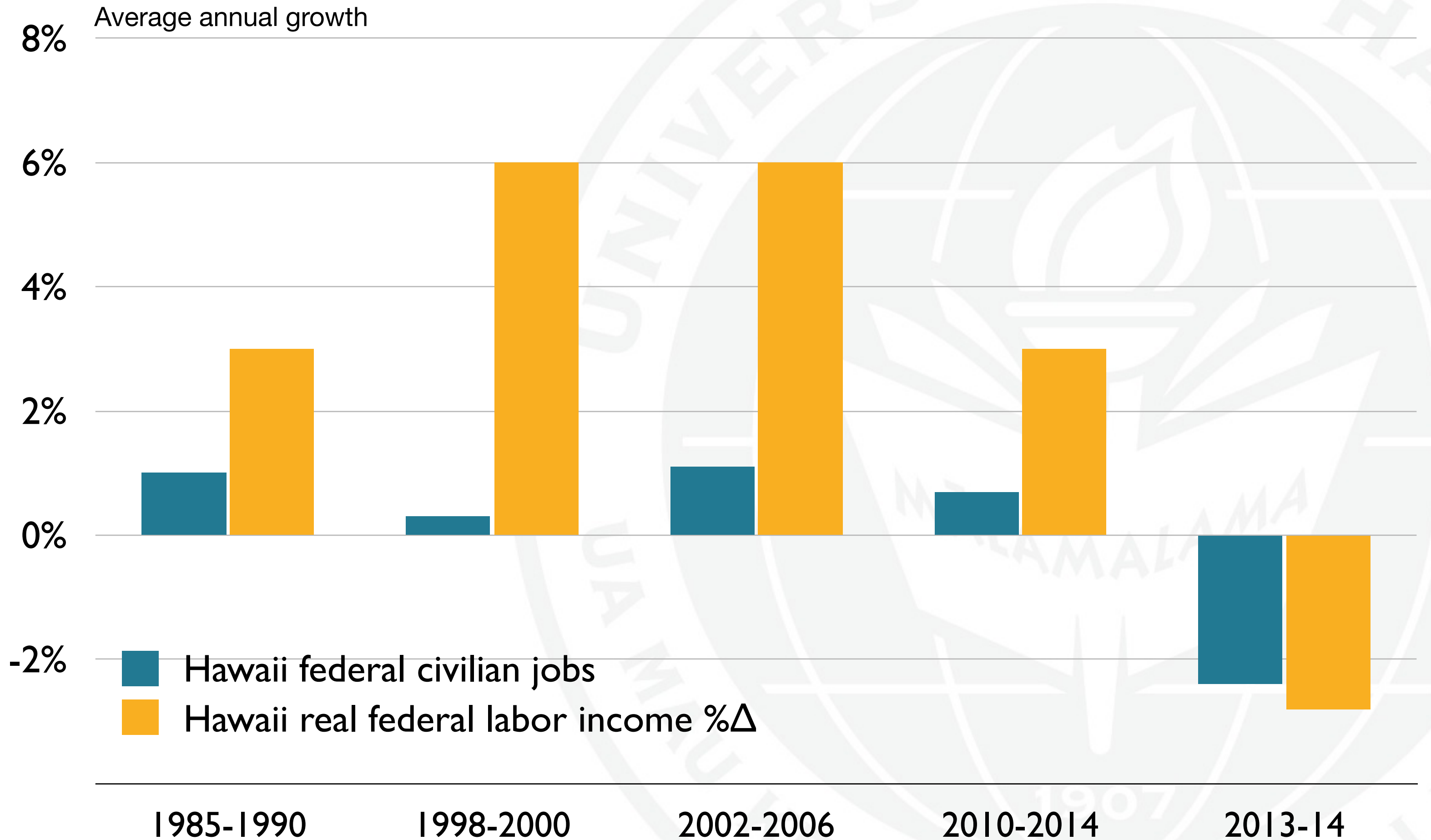
federal spending across expansions— is more bad policy coming?



* Source: BLS, BEA, UHERO

SEQUESTRATION DRAG CONTINUED IN 2014

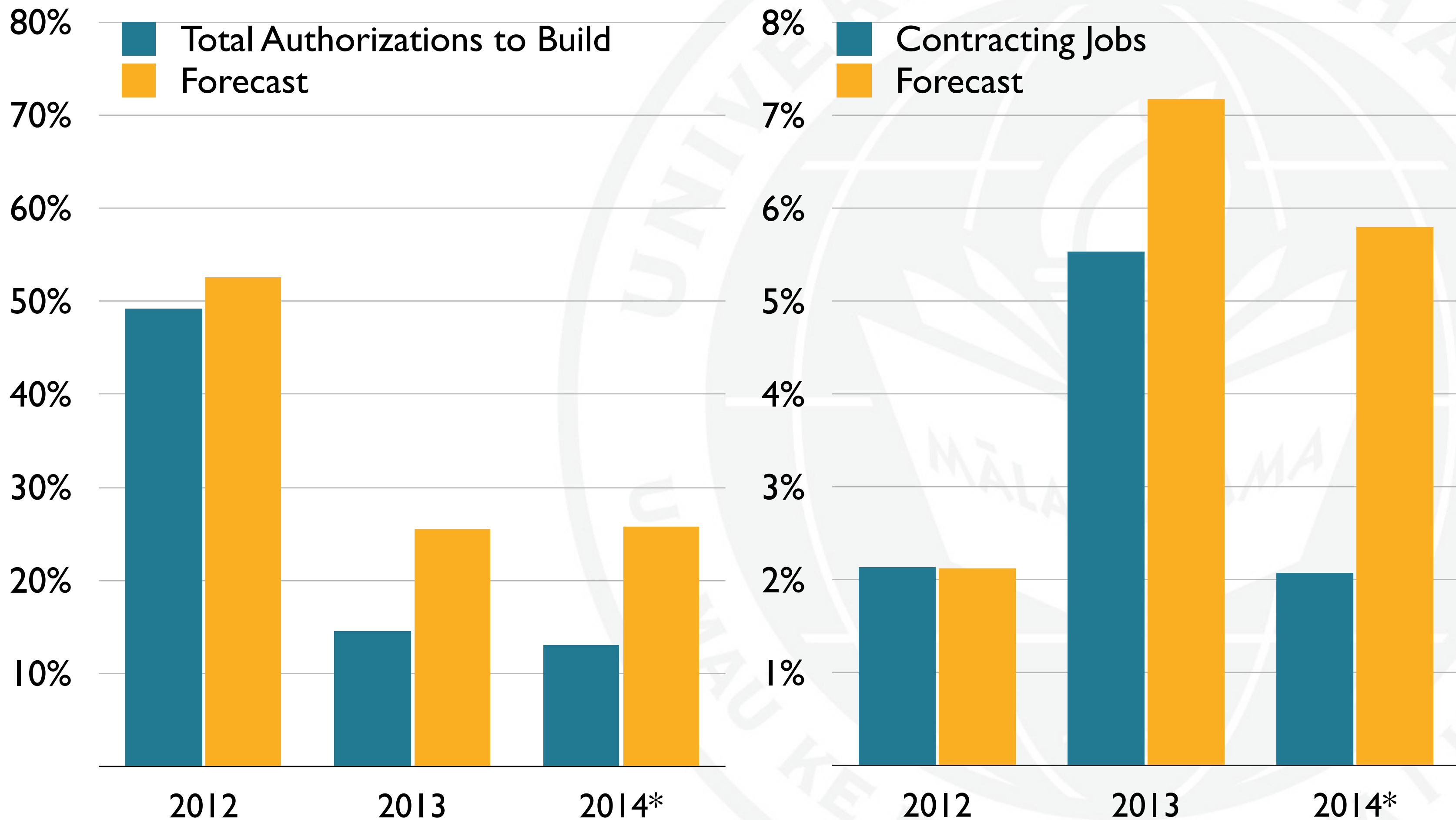
federal spending across expansions— is more bad policy coming?



* Source: BLS, BEA, UHERO

TO BE TAKEN W/GRAIN OF HAWAI'IAN SALT

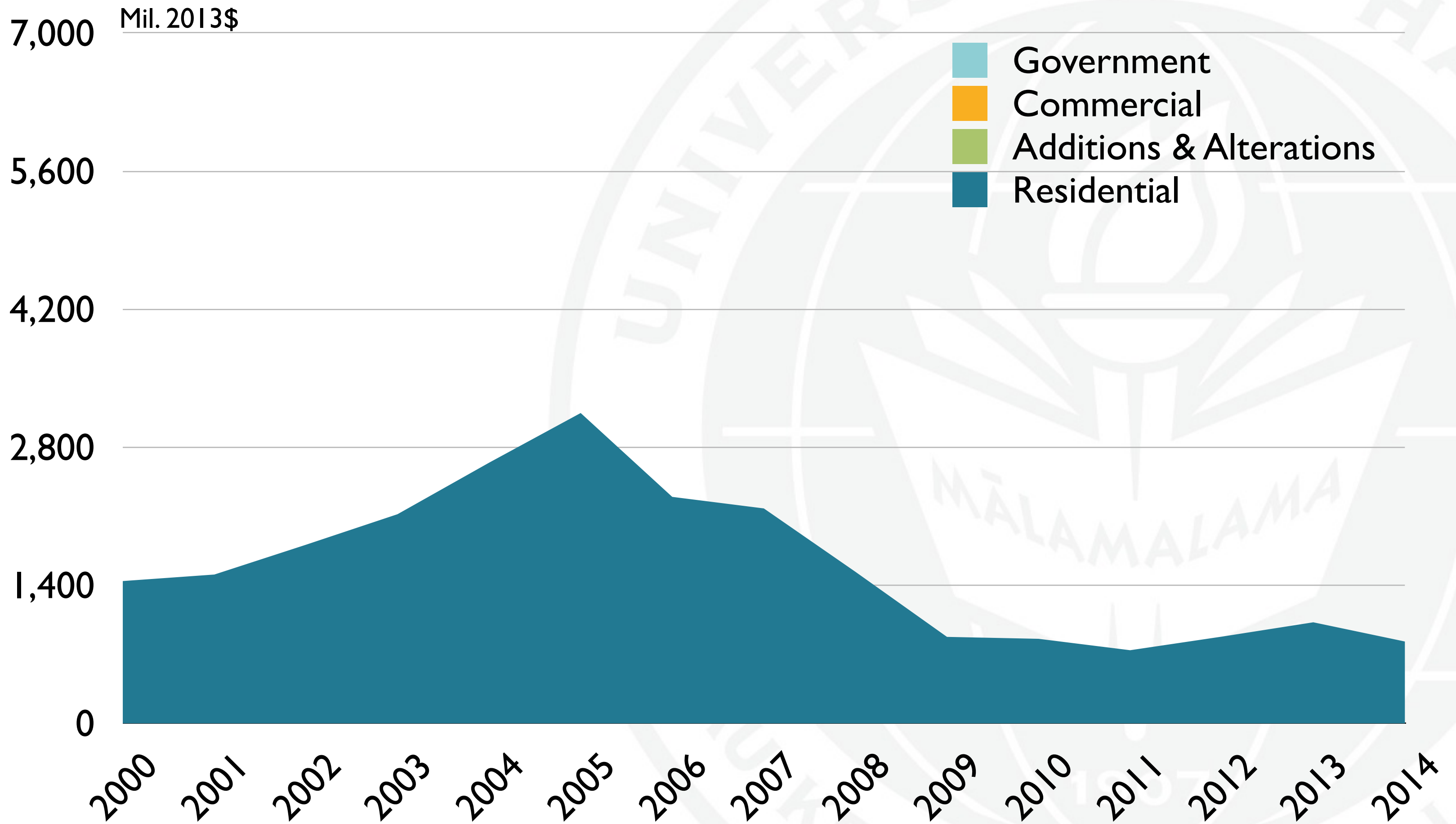
forecasting the Hawaii construction cycle



* Source: DBEDT, BLS, UHERO. Forecasts are from UHERO's construction forecast released in Q1 each year. 2014 estimated

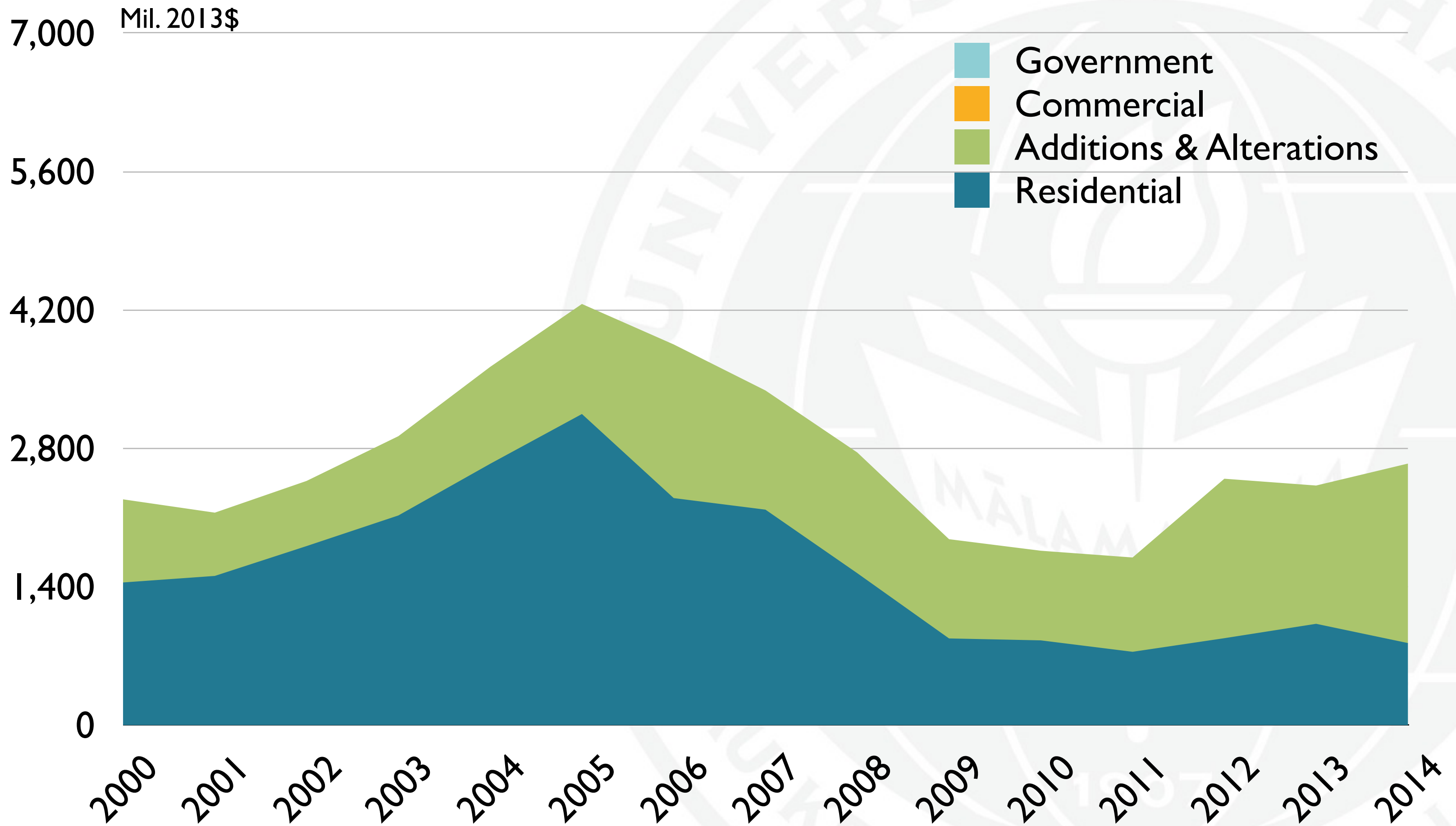
INVESTMENT — ON AGAIN OFF AGAIN

Statewide Authorizations to Build — 2nd year of weak expansion



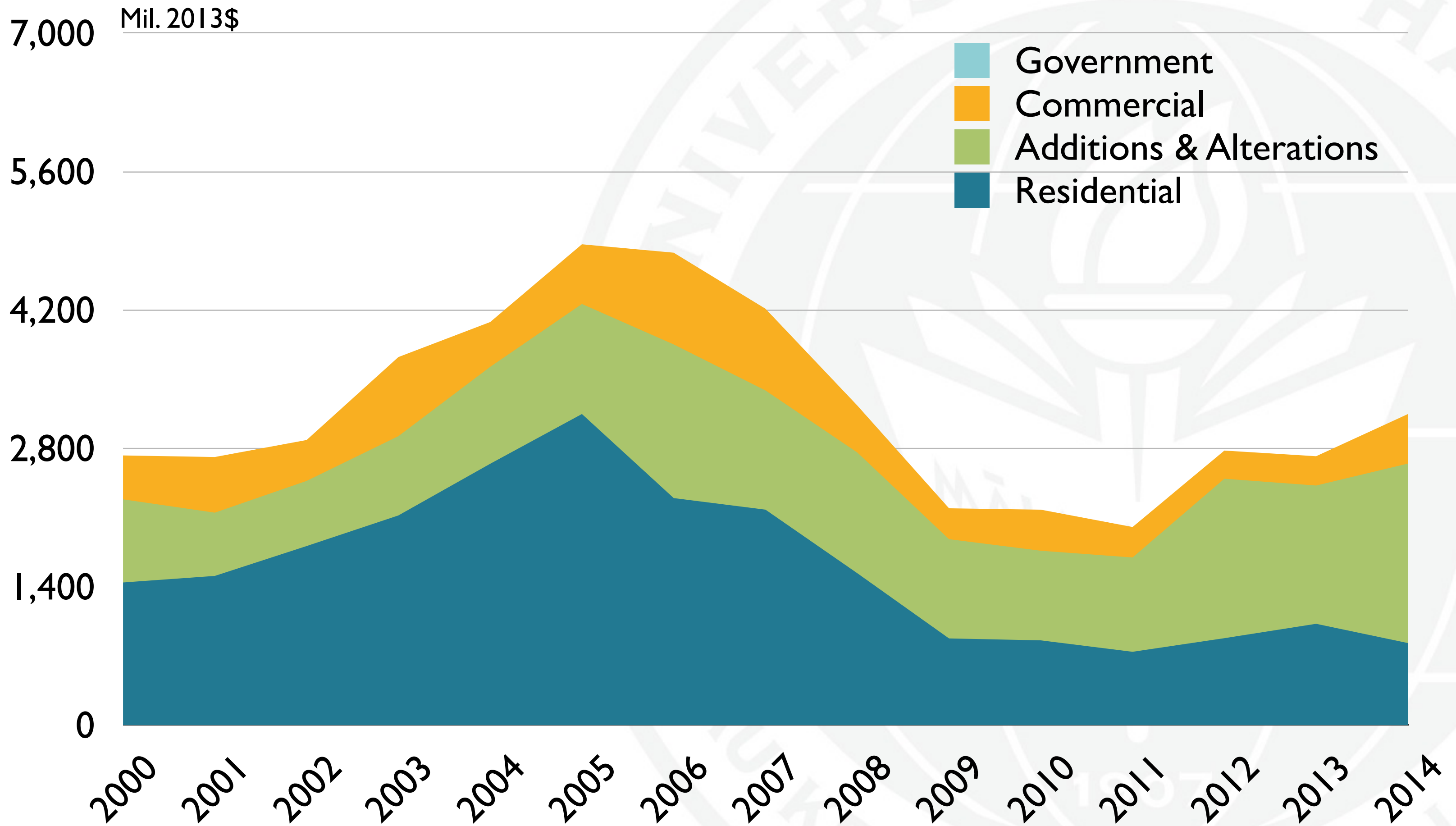
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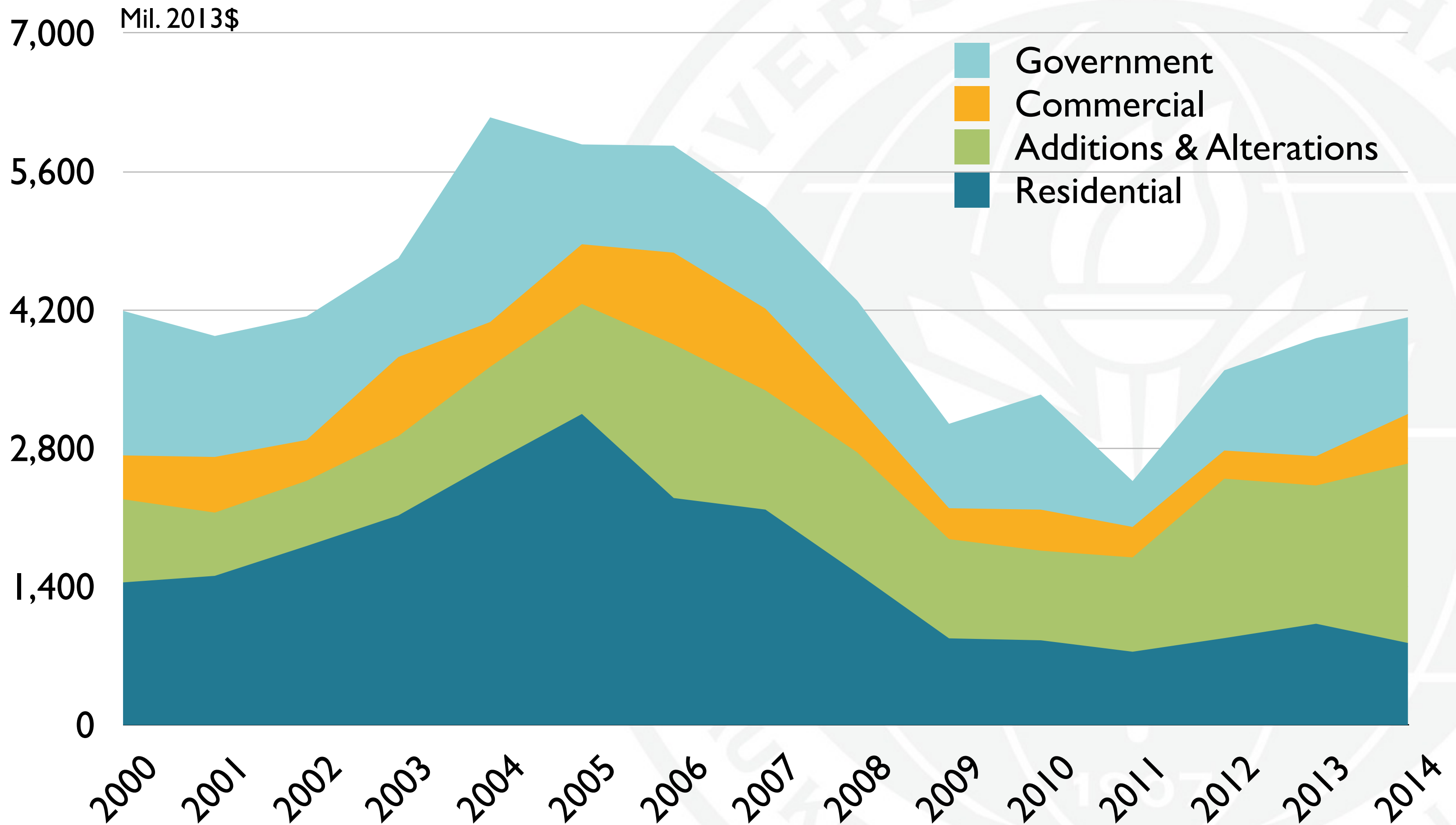
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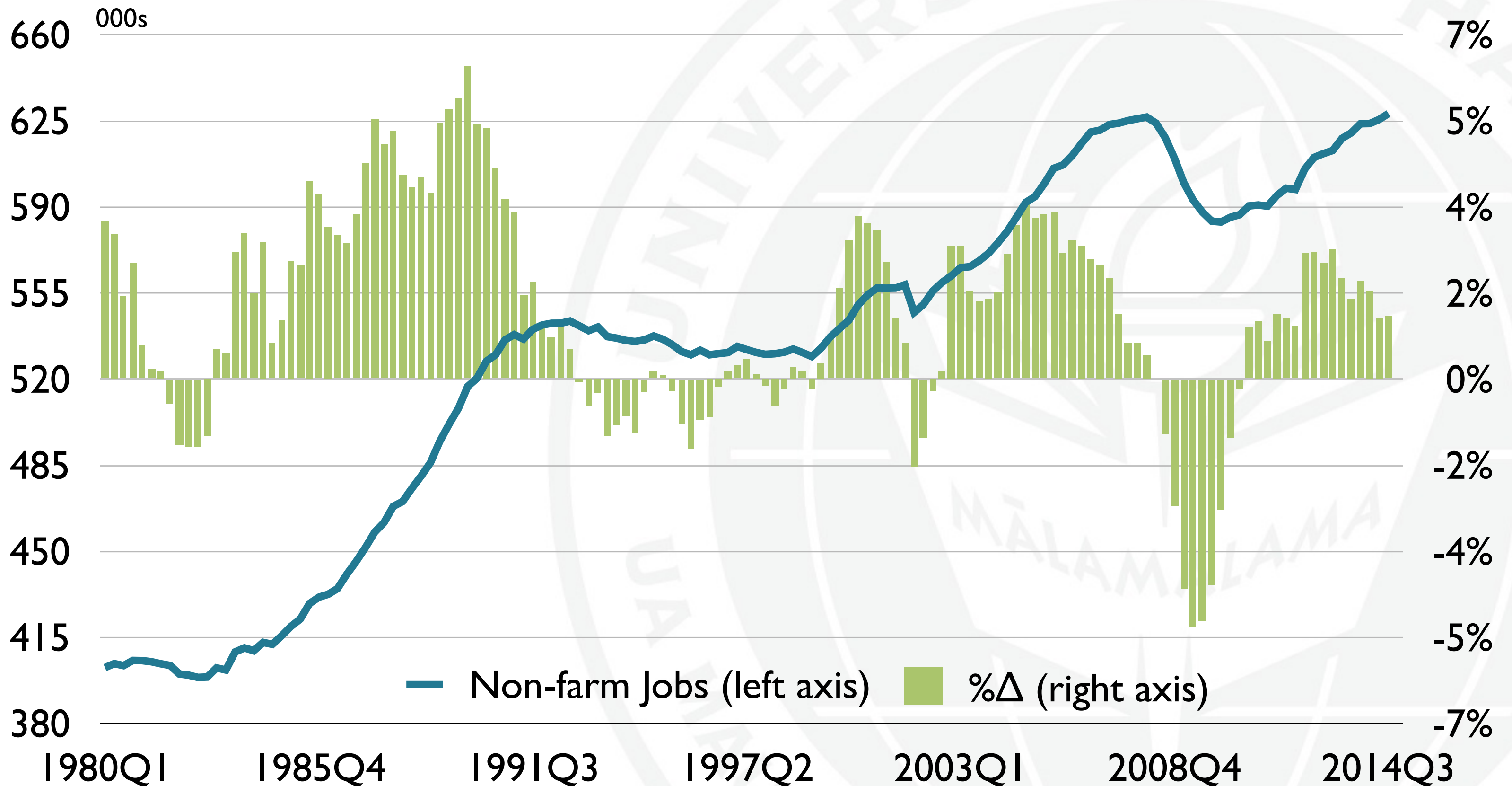
Statewide Authorizations to Build — 2nd year of weak expansion



* Source: DBEDT, UHERO

PAYROLL JOBS FINALLY PASS PREVIOUS PEAK

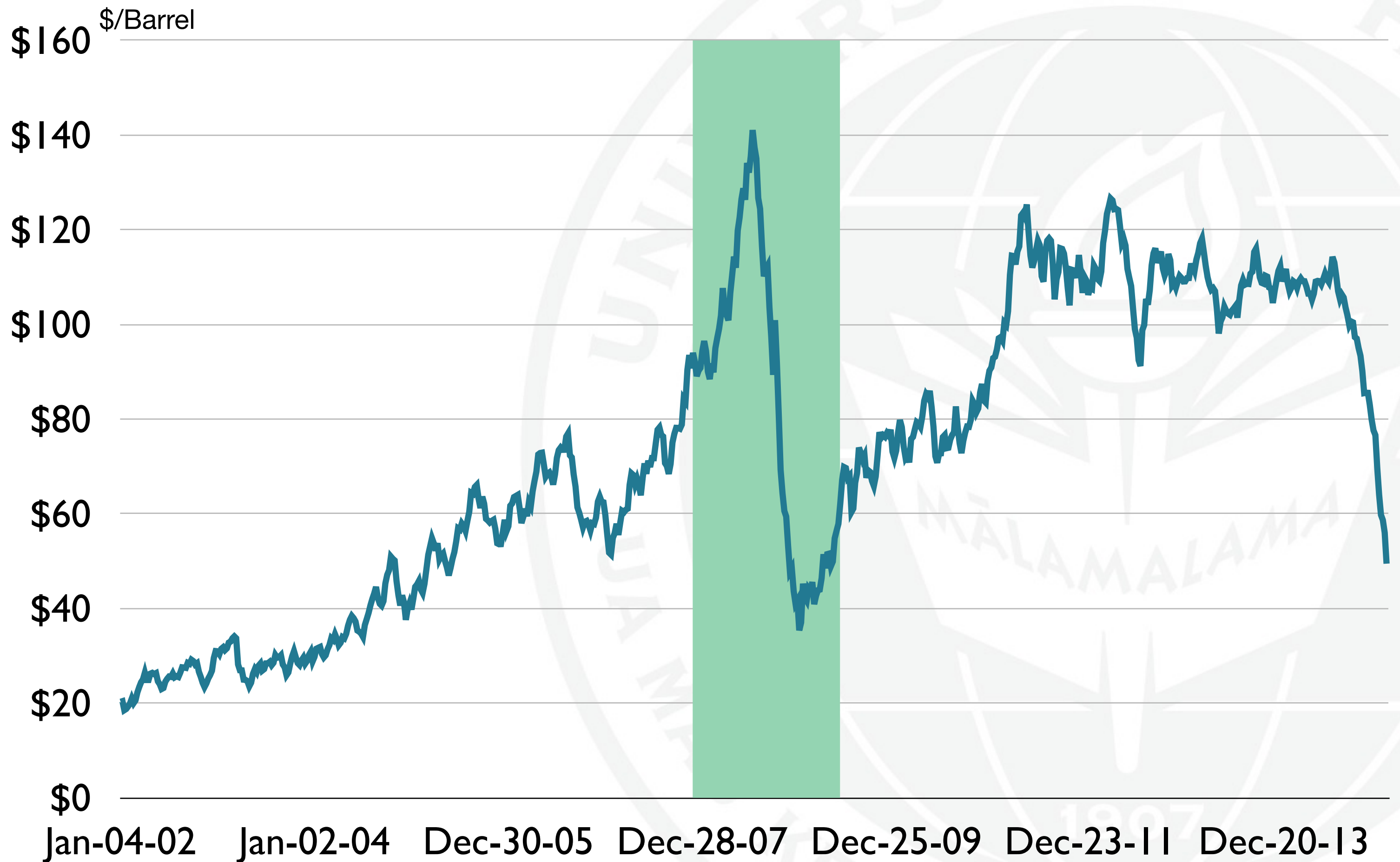
statewide payroll jobs



* Source: BLS

HOW LOW CAN IT GO?

Crude Oil Prices (Ice Brent)

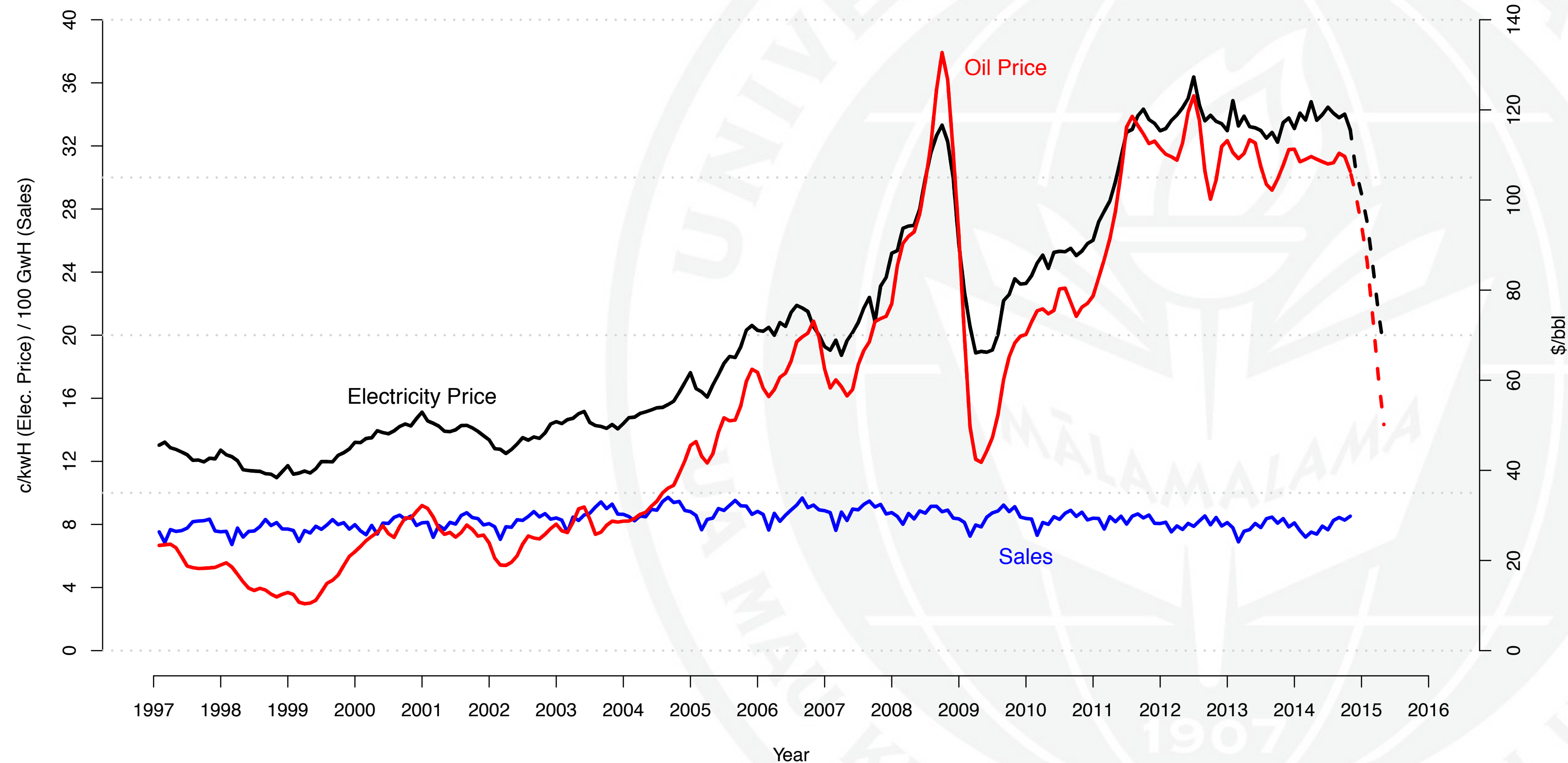


* Source: U.S. Energy Information Administration

HOW LOW CAN IT GO?

oil price and Oahu electric rates

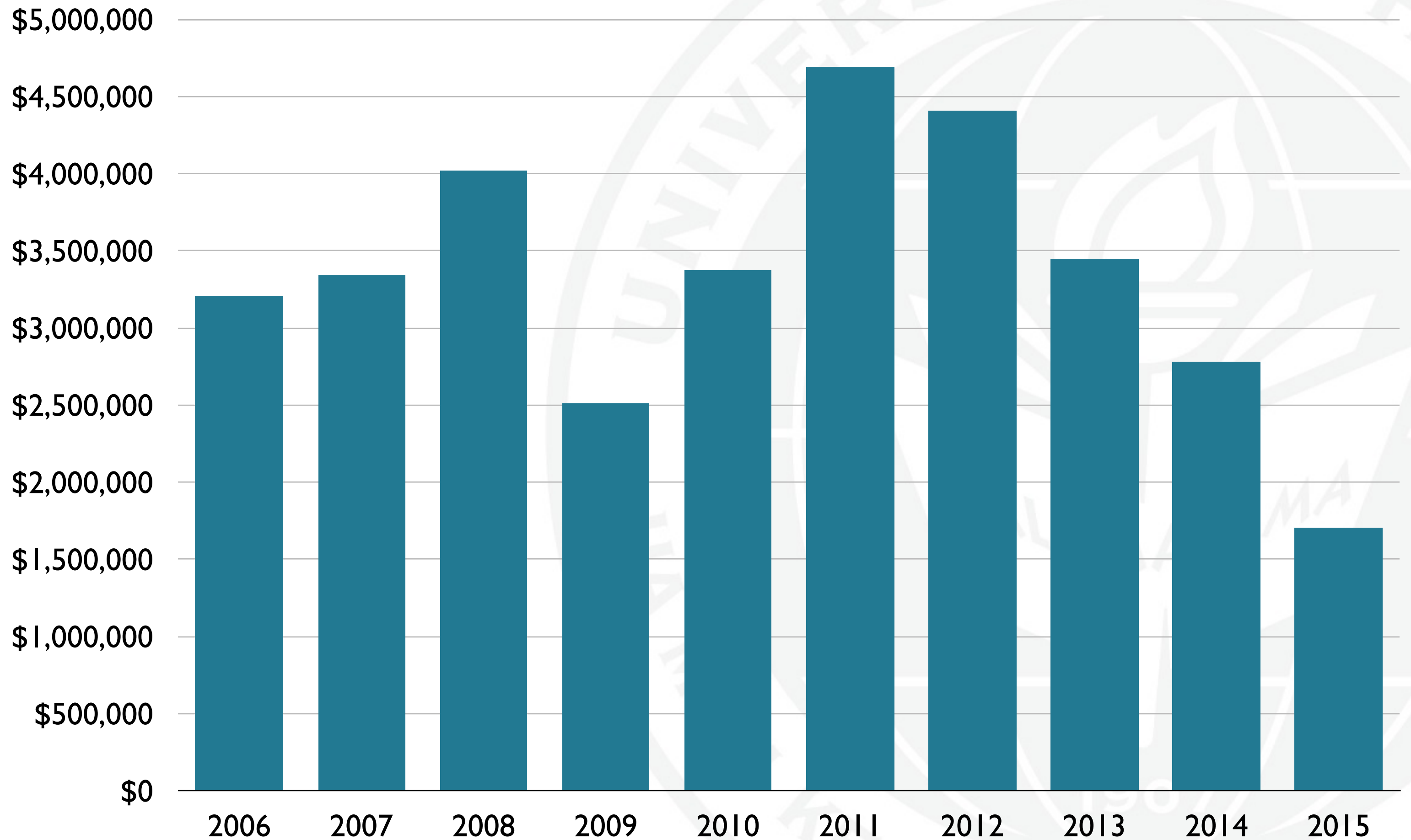
Electricity Price, Sales, and Oil price (average of 3 previous months)



* Source: UHERO Project Environment, Michael Roberts and Karl Jandoc. Oil price is Brent Crude, Electricity Price and Sales are for Oahu only.

\$50/BARREL OIL IS A BIG DEAL IN HAWAII

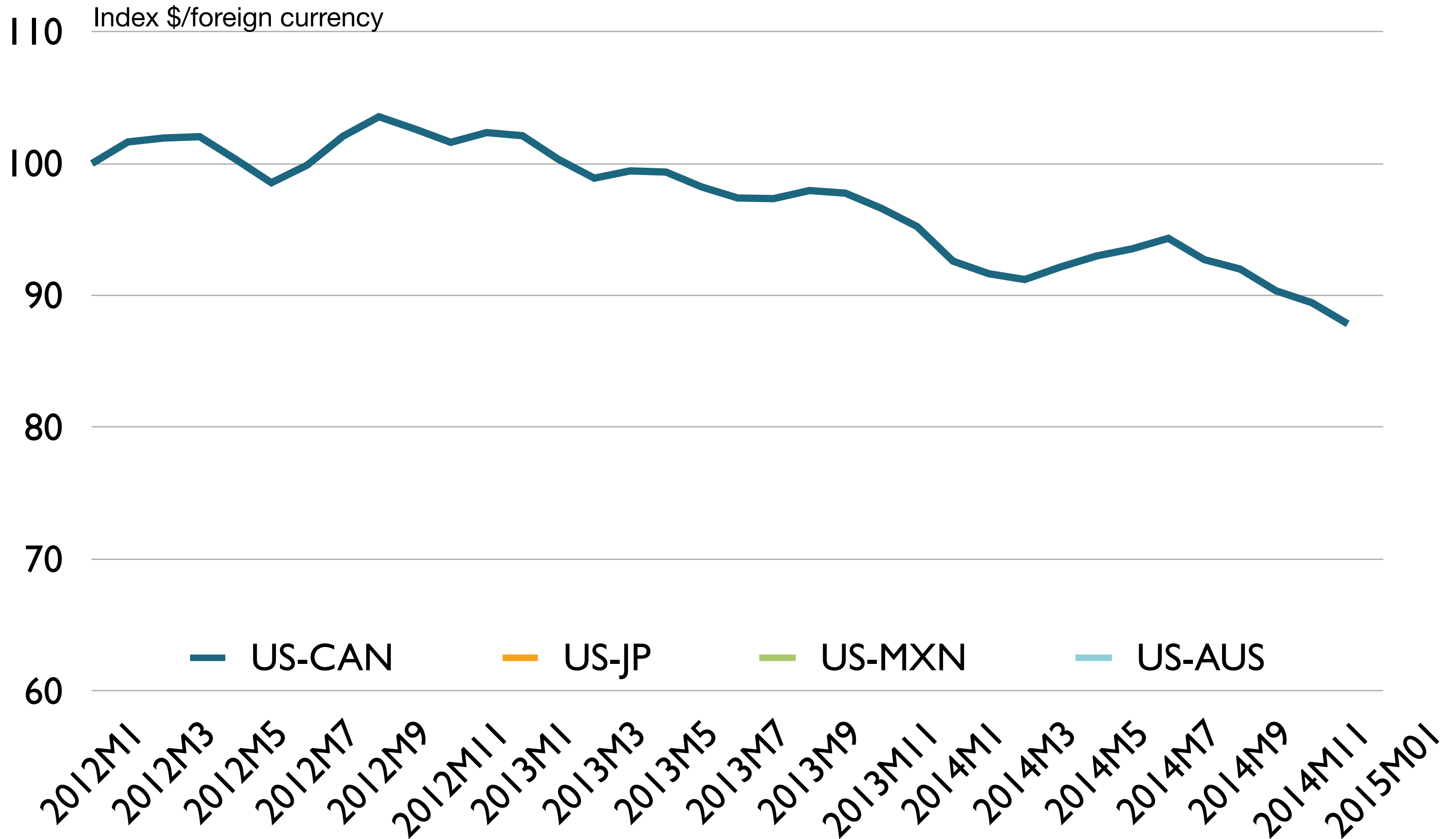
total cost of foreign petroleum imports at Brent prices



* Source: EIA, DBEDT, UHERO

HOW LOW CAN THEY GO?

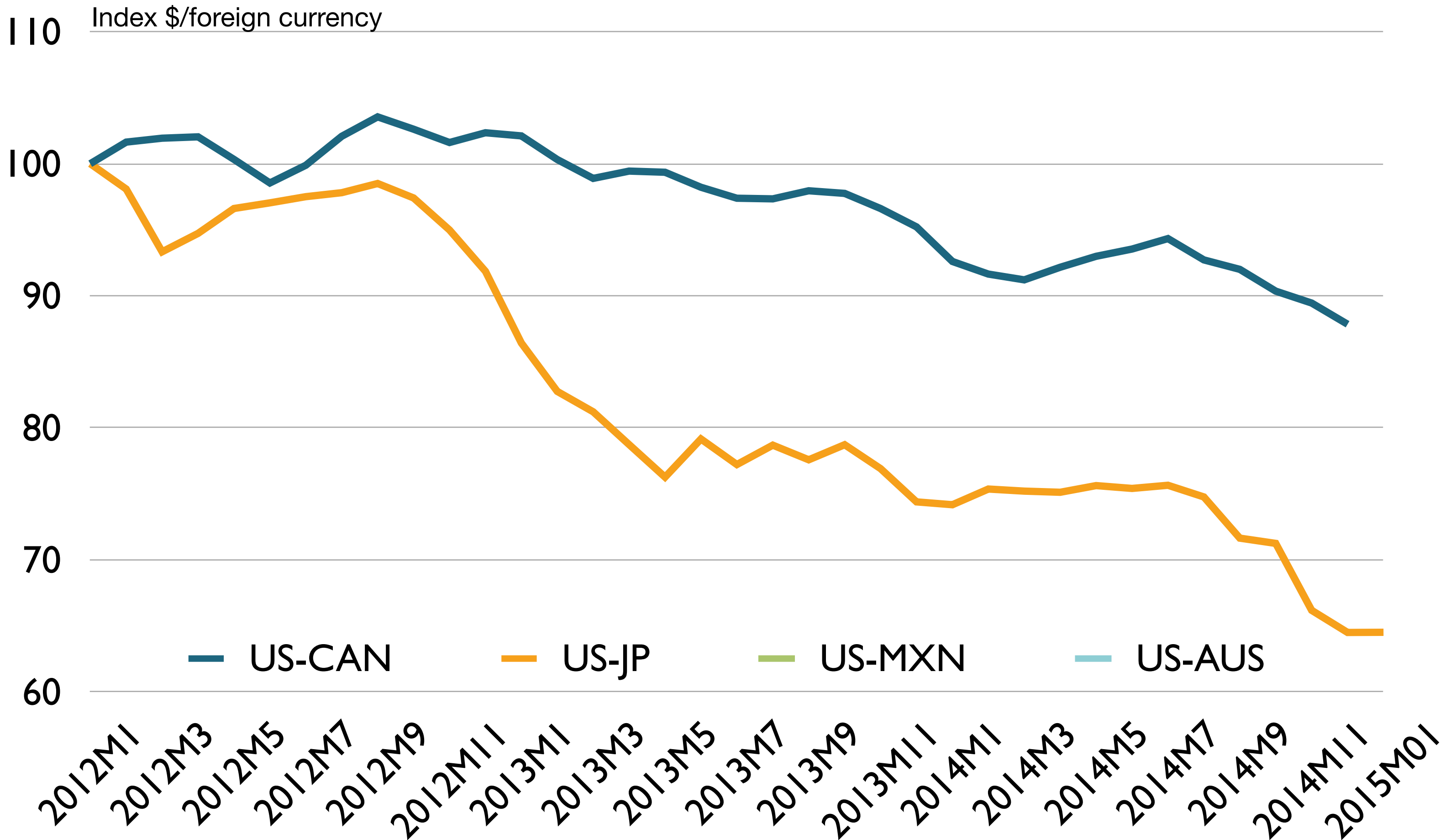
dollar strength is a drag on exports



* Source: Federal Reserve Bank of St. Louis

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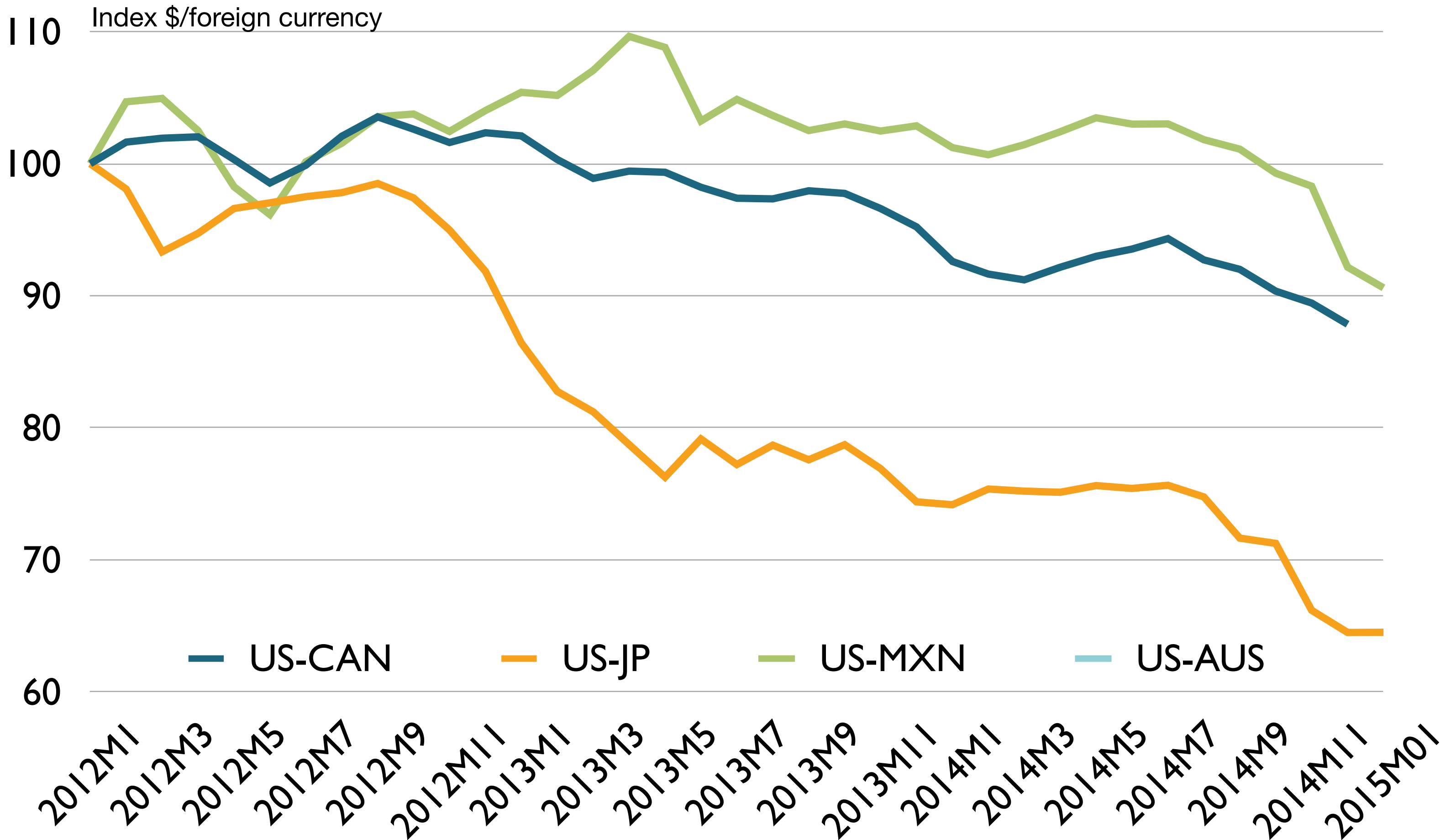
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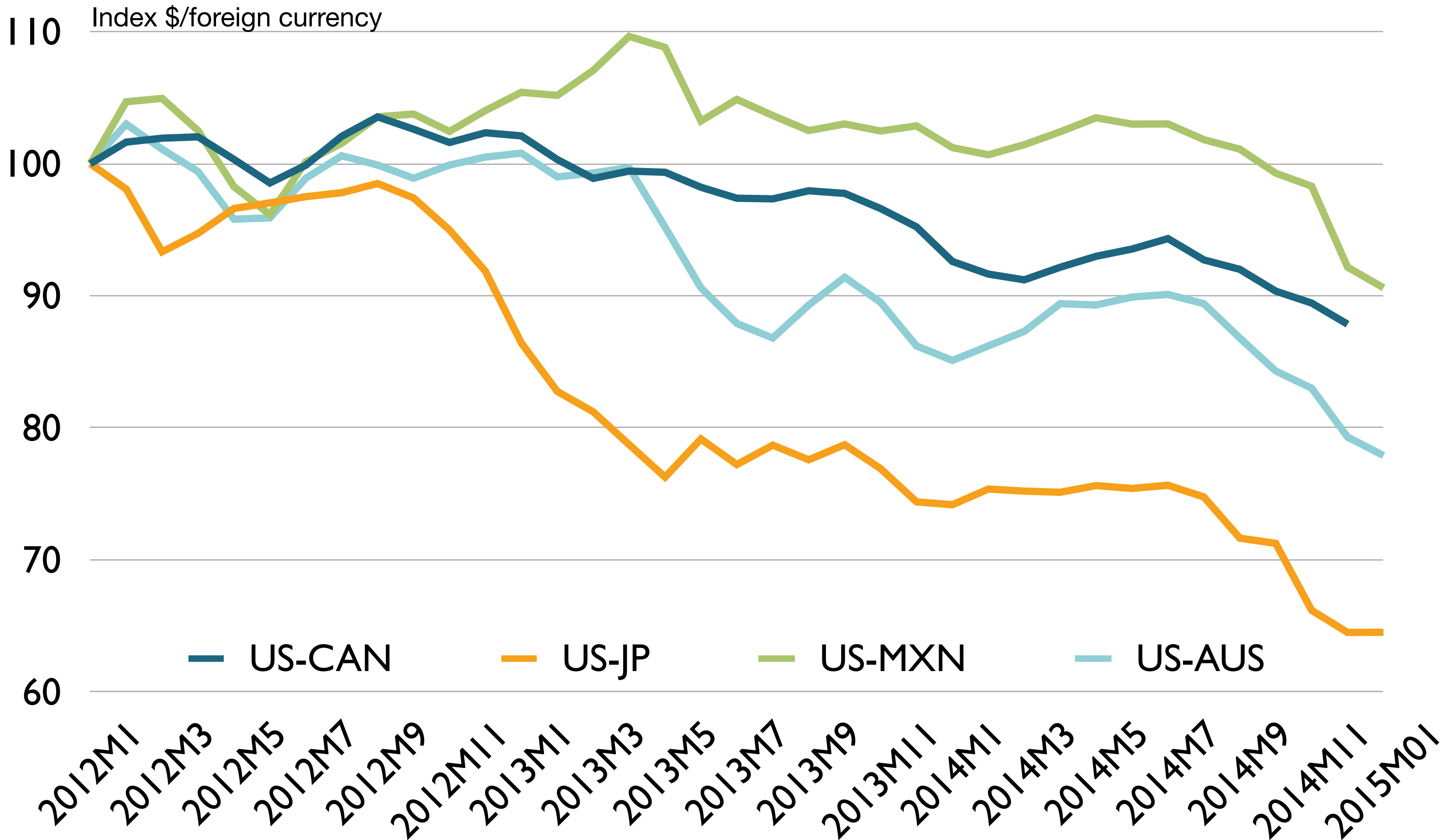
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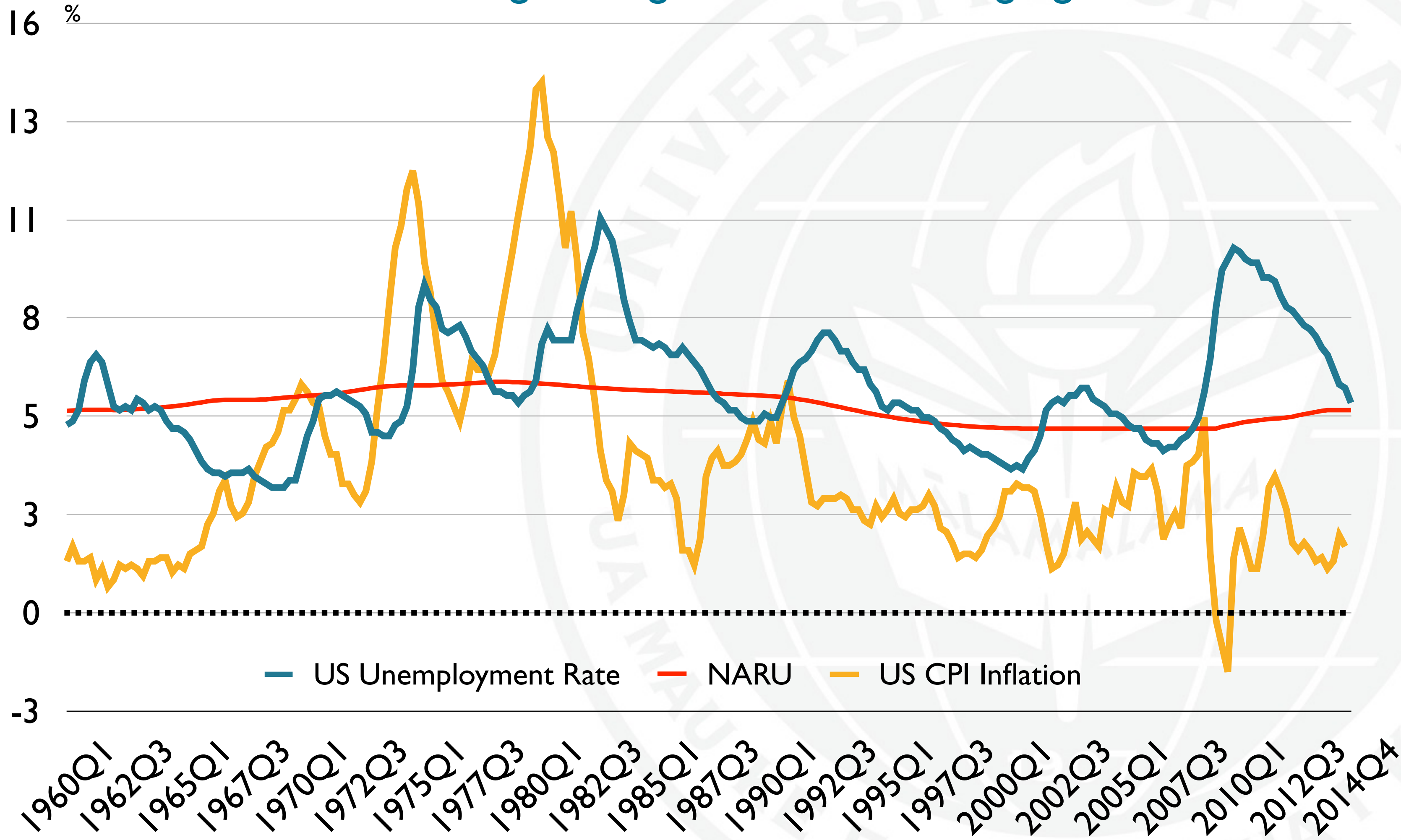
dollar strength is a drag on exports



* Source: Federal Reserve Bank of St. Louis

ARE WE THERE YET?

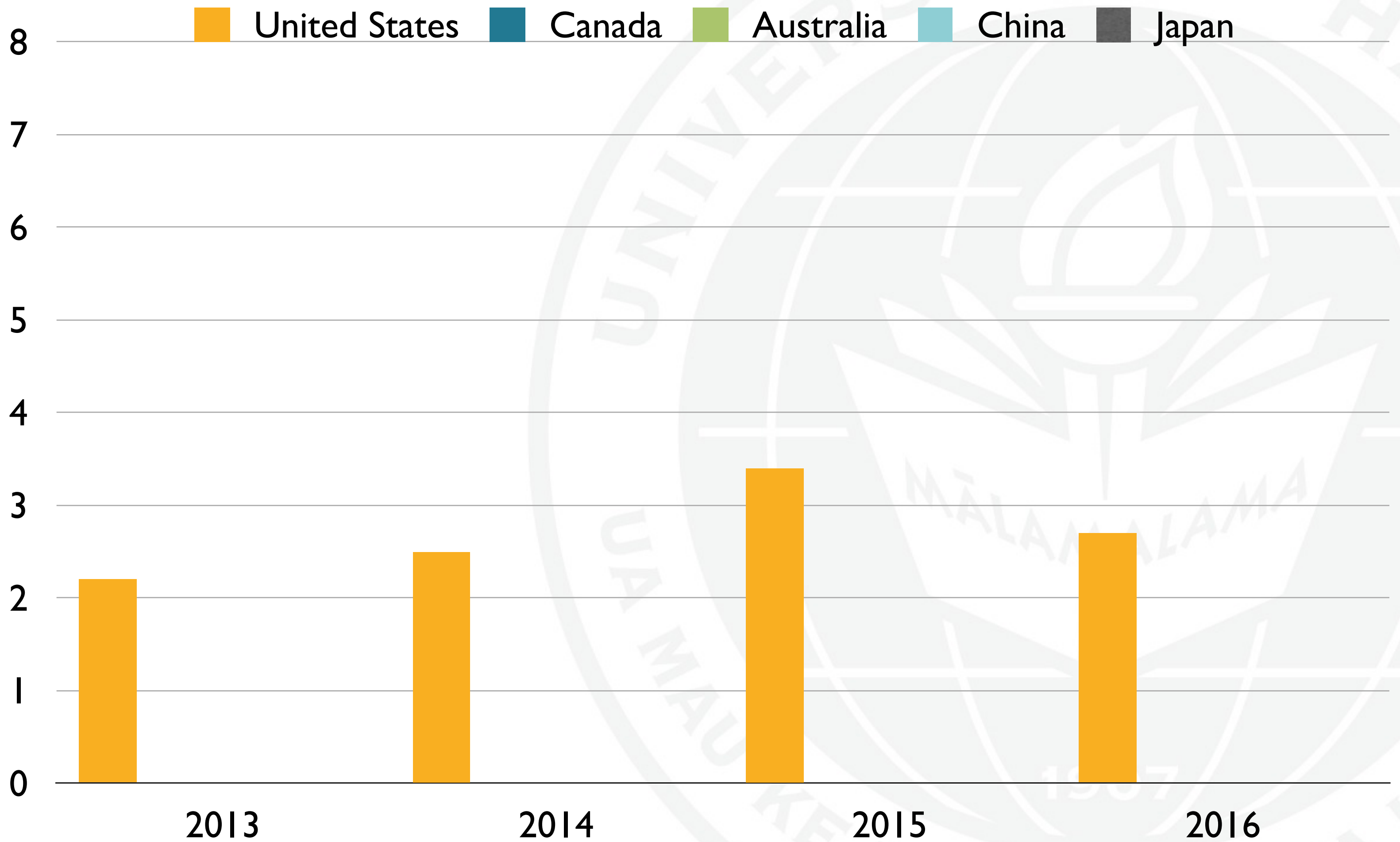
is labor market tightening? where is the wage growth



* Source: CBO, BLS

UHERO'S ASIA PACIFIC FORECAST

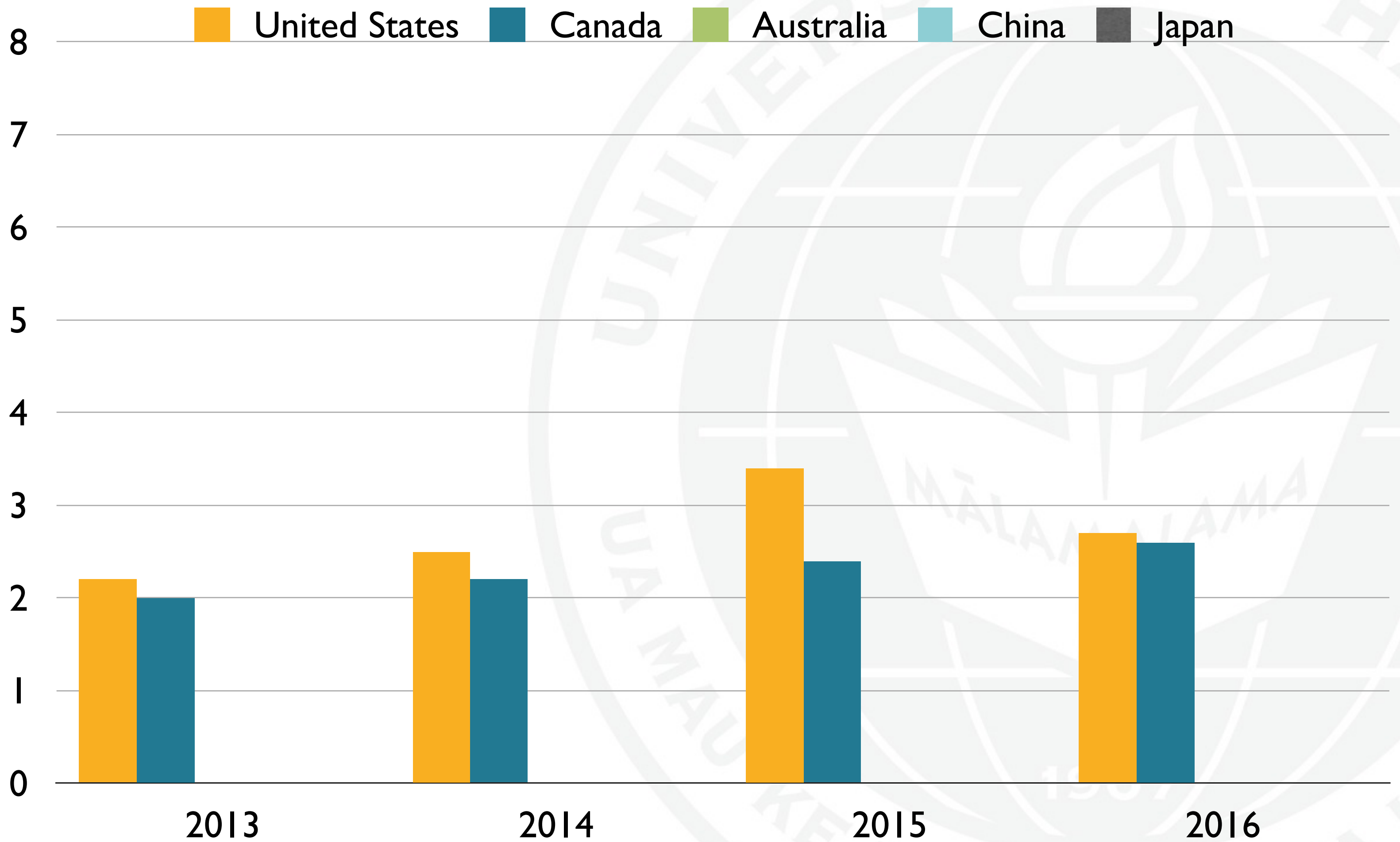
US surge will continue—real GDP growth accelerates



* Source: UHERO

UHERO'S ASIA PACIFIC FORECAST

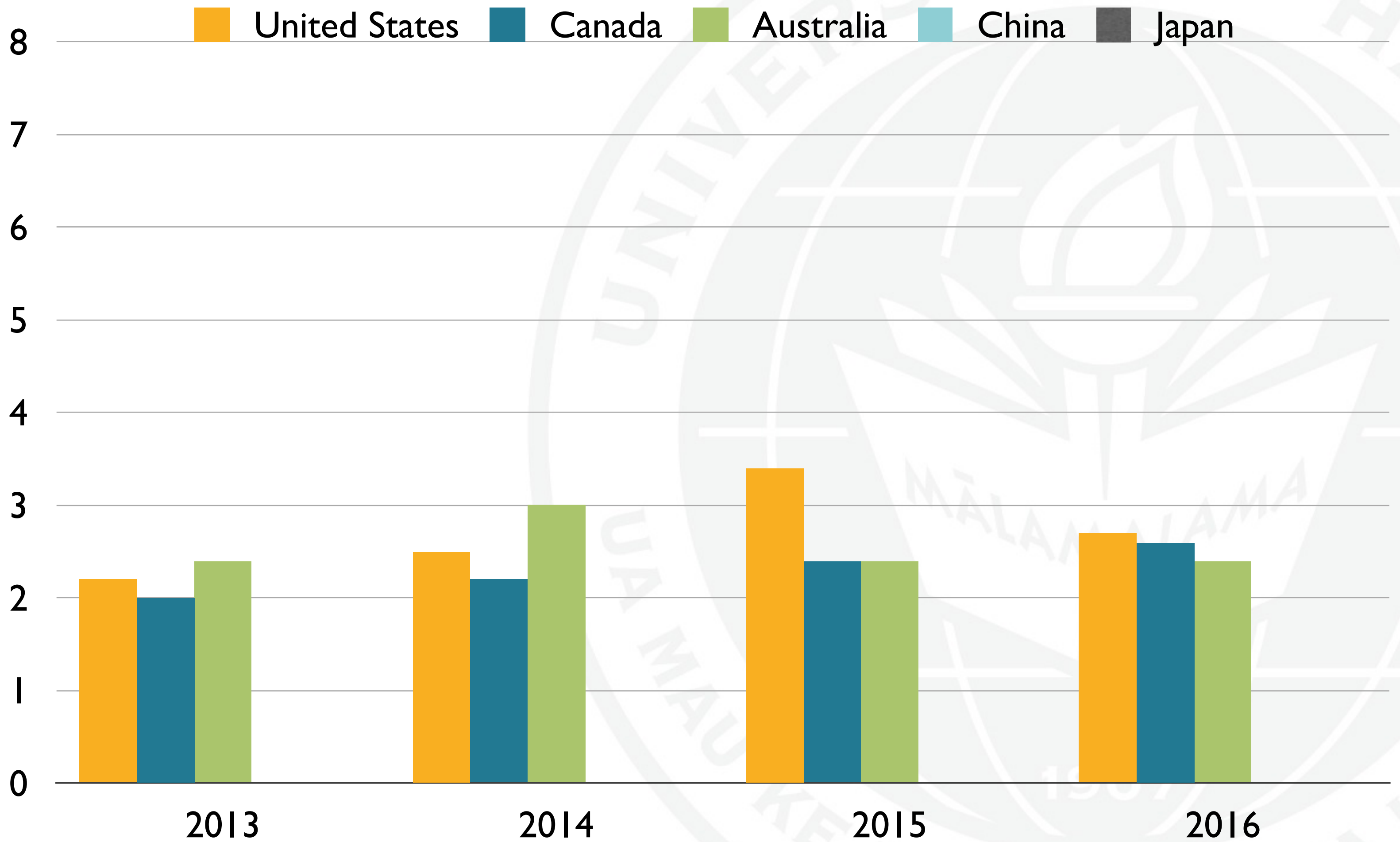
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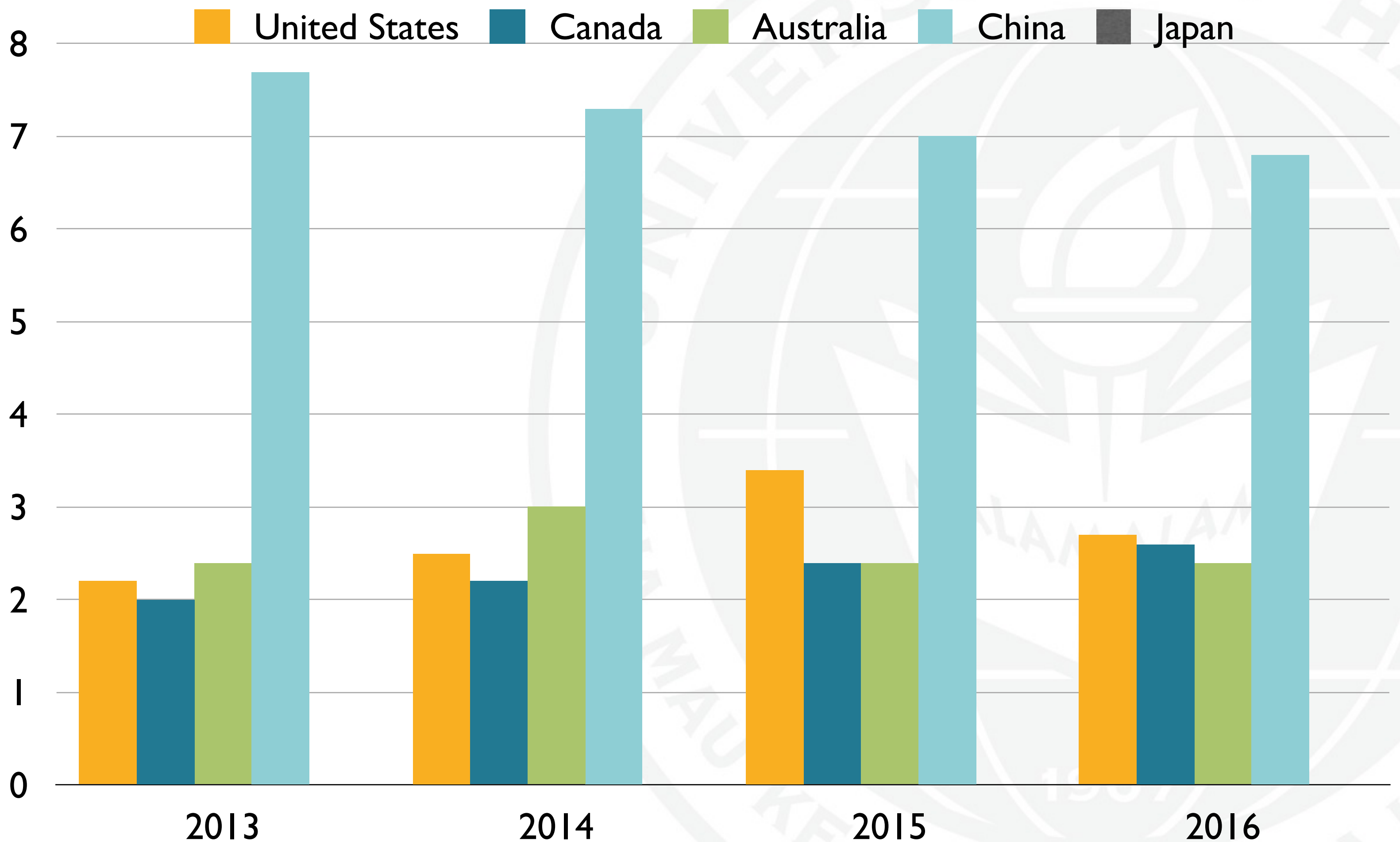
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UHERO'S ASIA PACIFIC FORECAST

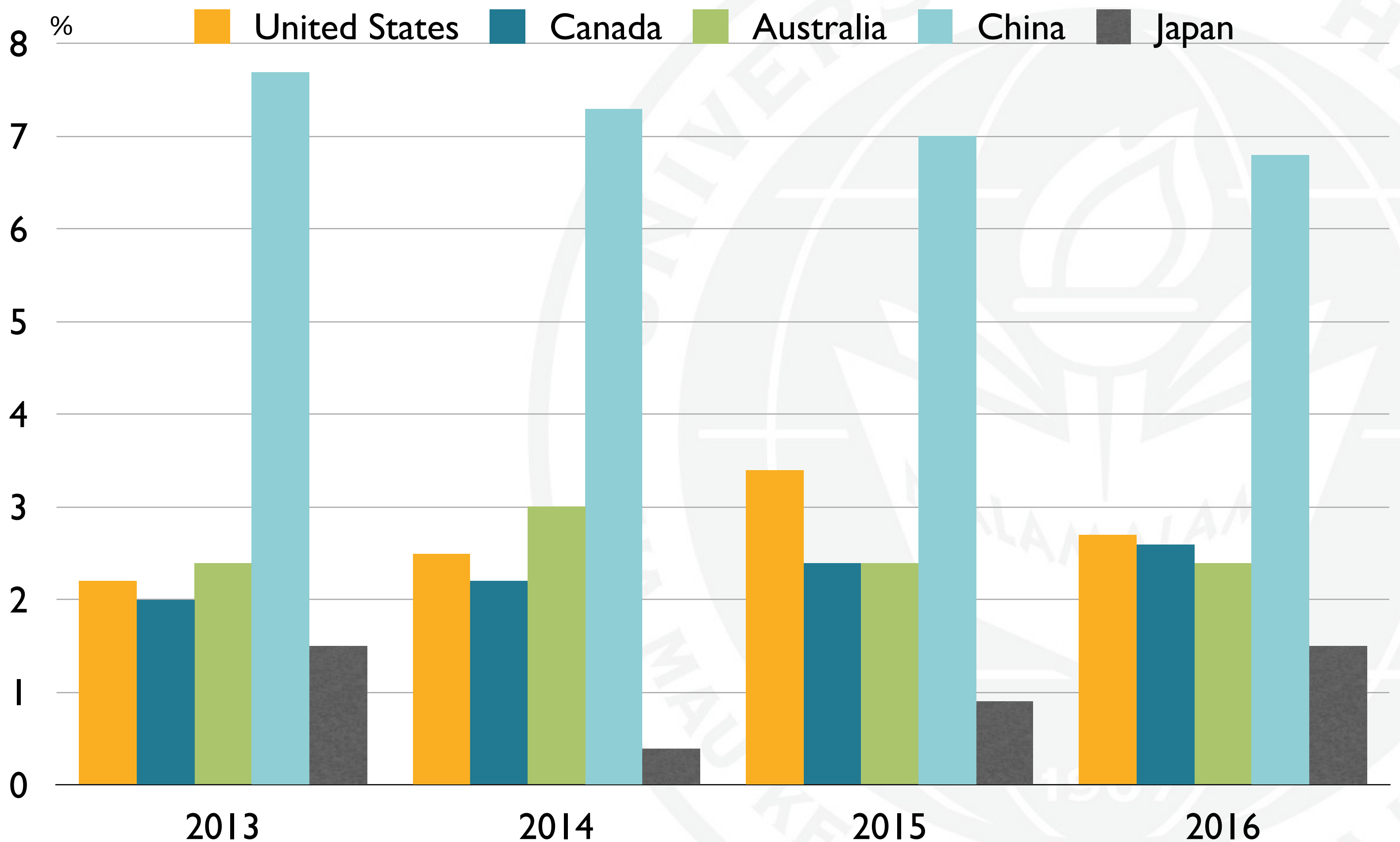
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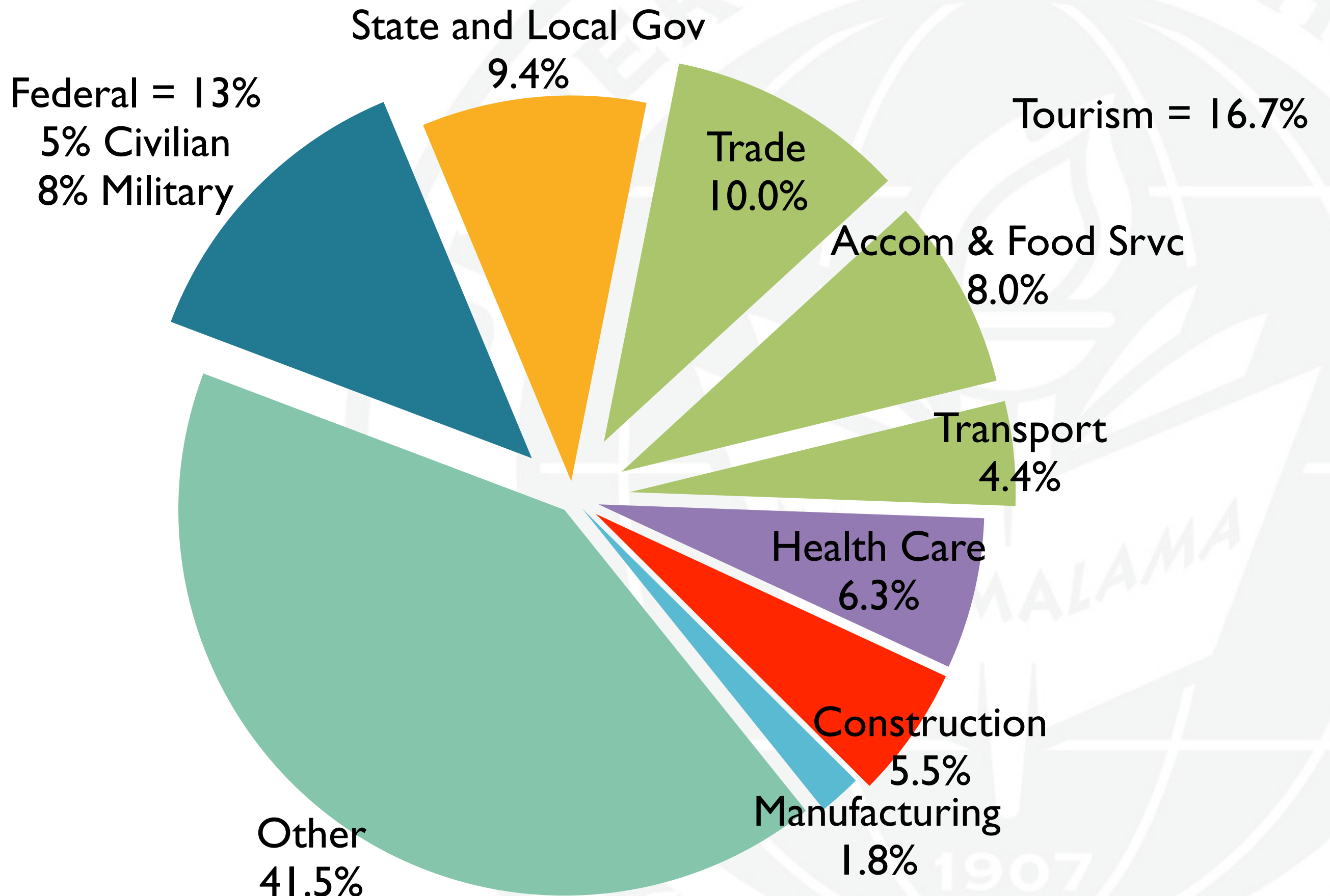
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HAWAII NEEDS AN ENGINE

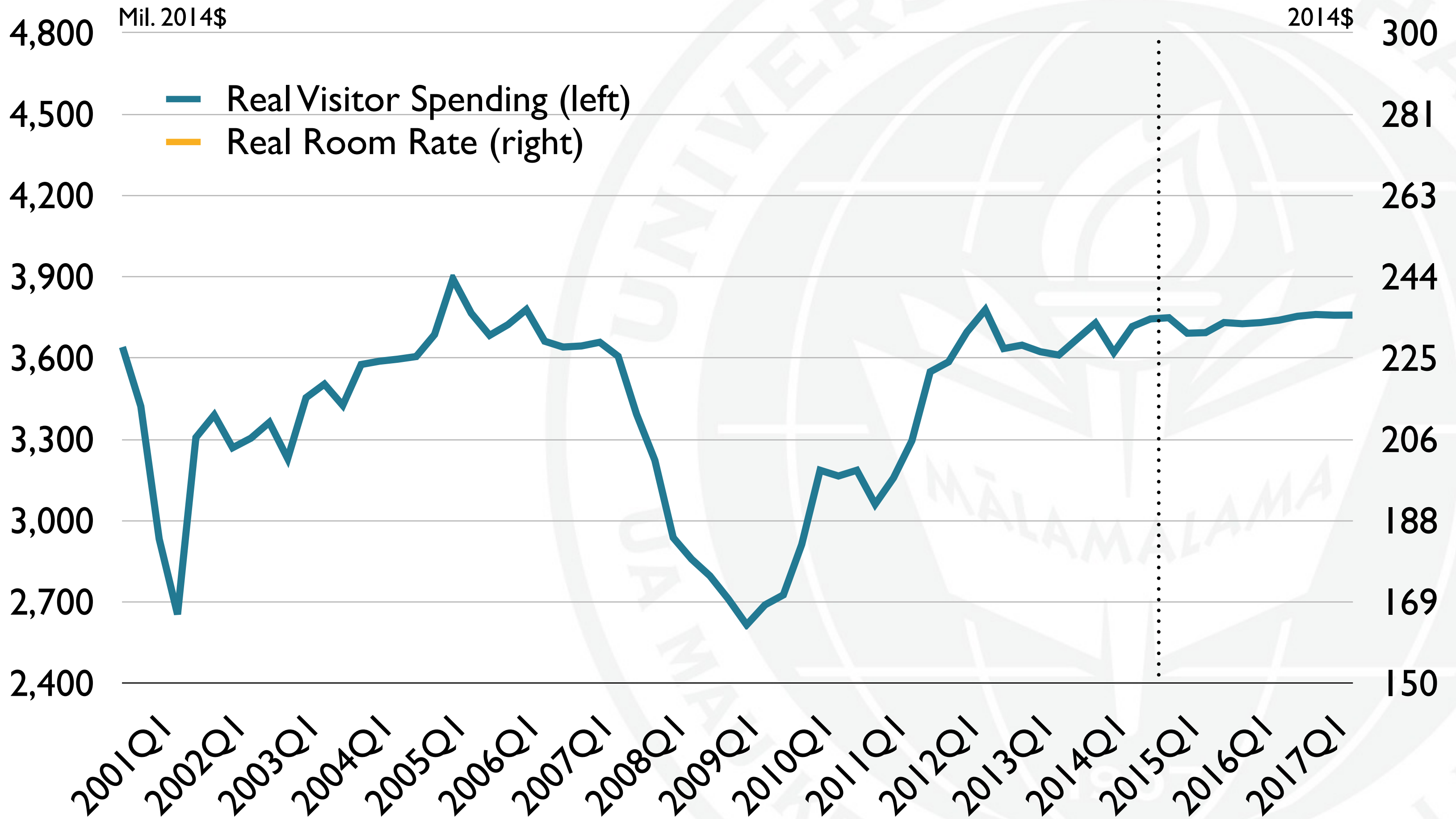
Contributions to Hawaii 2013 GDP



Source: DBEDT, contributions due to Tourism and Innovation sectors have been removed from other sectors

SLOW, BUT STEADY? GROWTH

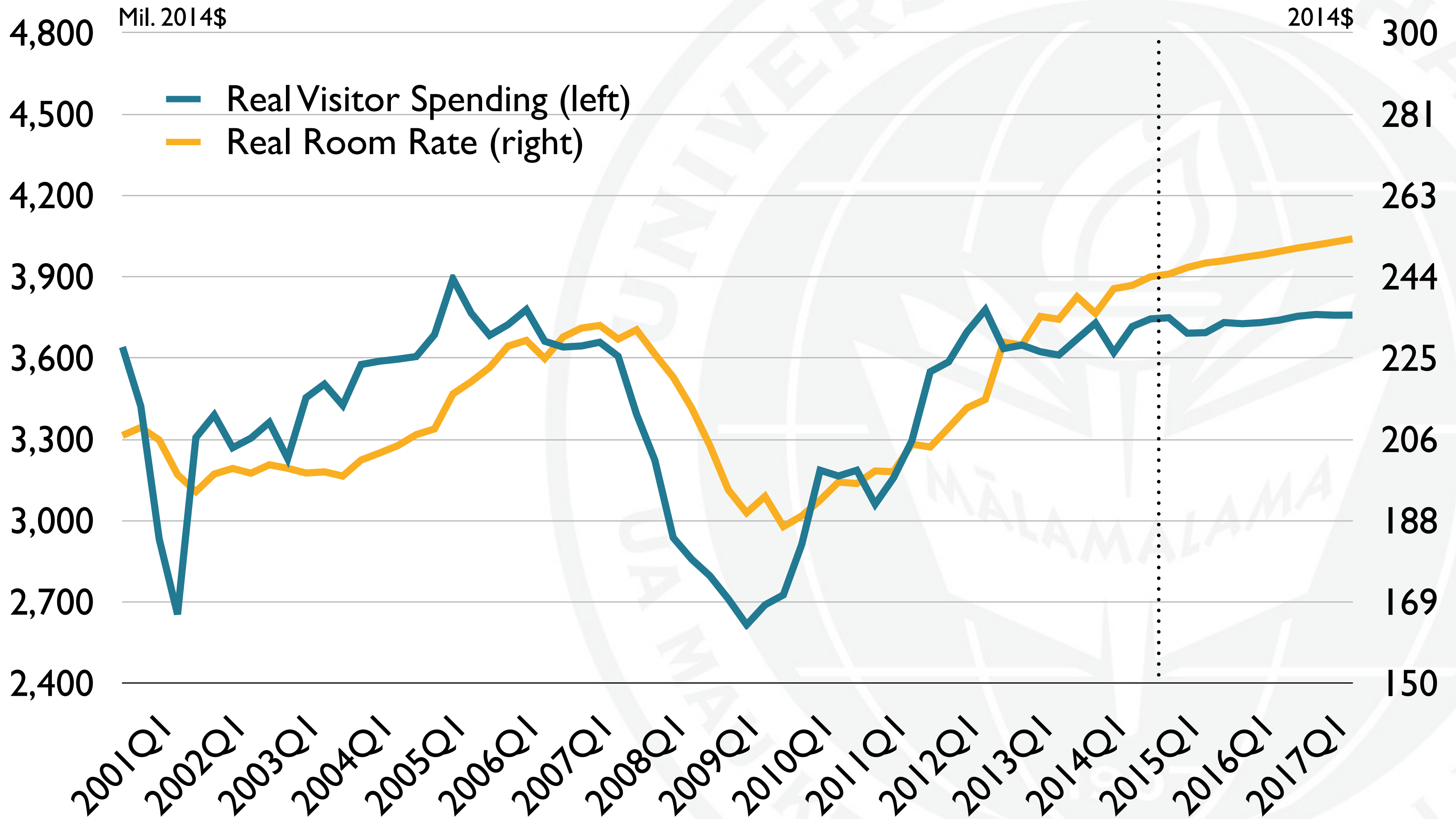
real statewide room rate and visitor spending



* Source: Hospitality Advisors, HTA, BLS, UHERO

SLOW, BUT STEADY? GROWTH

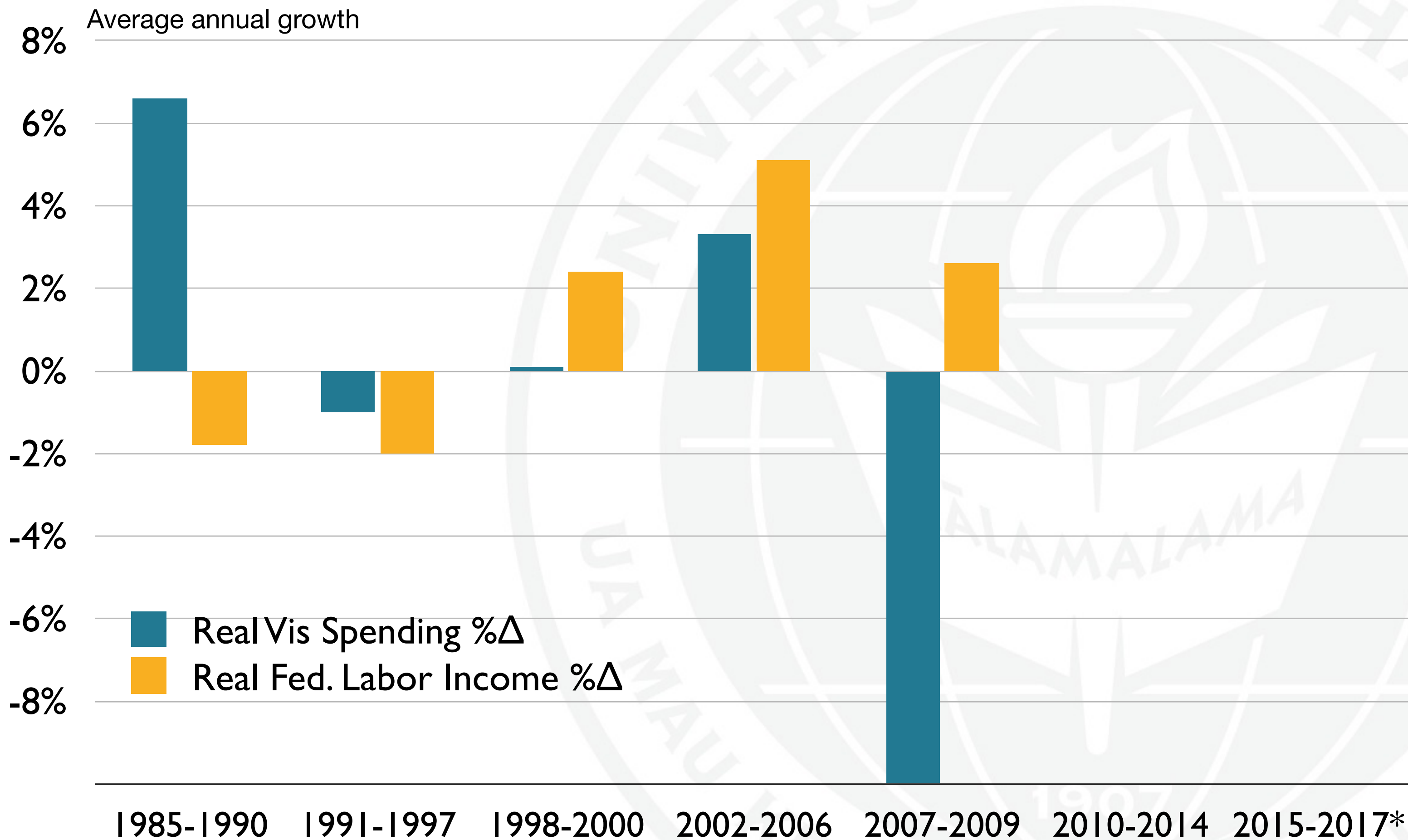
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* Source: Hospitality Advisors, HTA, BLS, UHERO

HAWAII IN NEED OF AN ENGINE

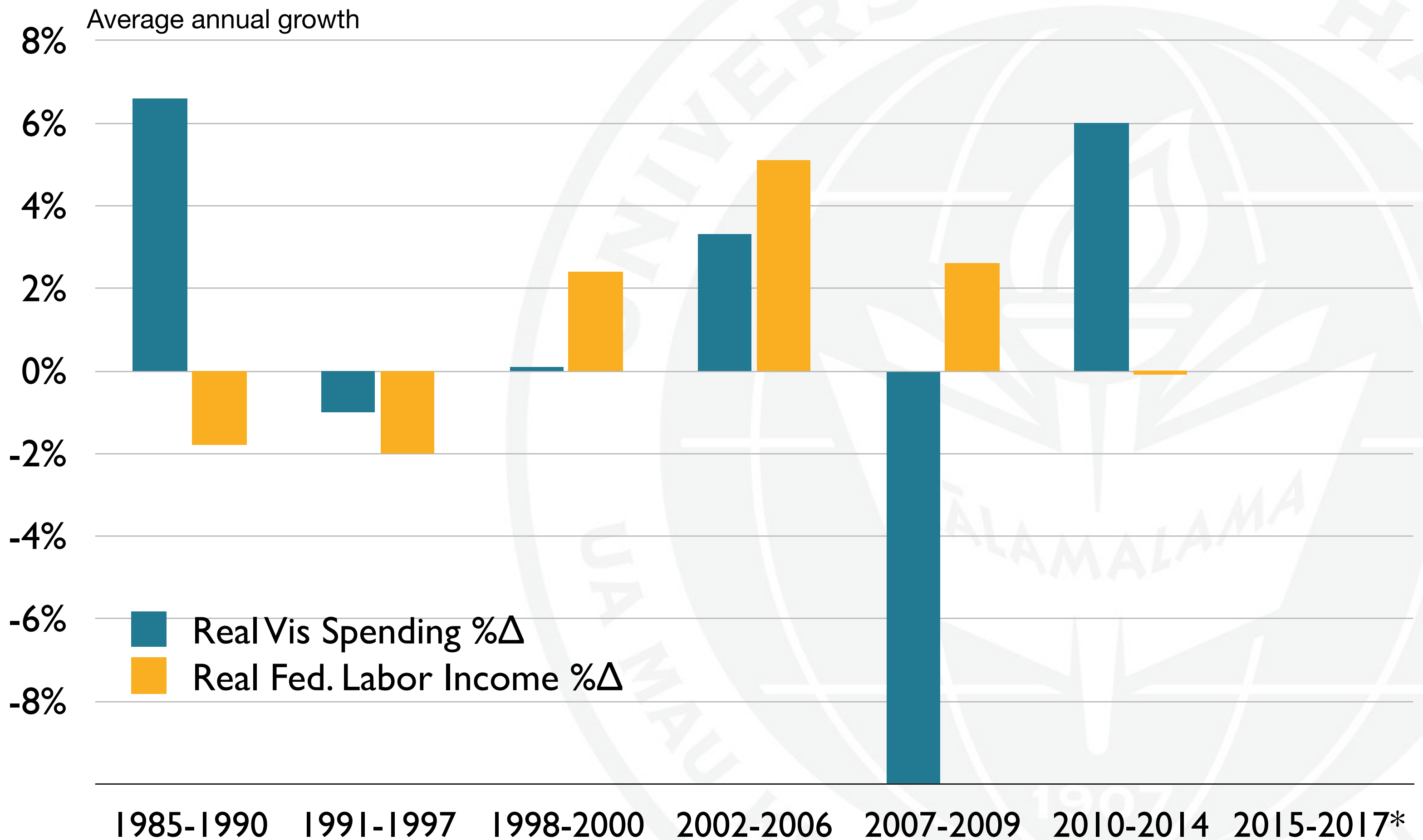
stool is missing a few legs



* Source: HTA, BLS, BEA, DOT, UHERO

HAWAII IN NEED OF AN ENGINE

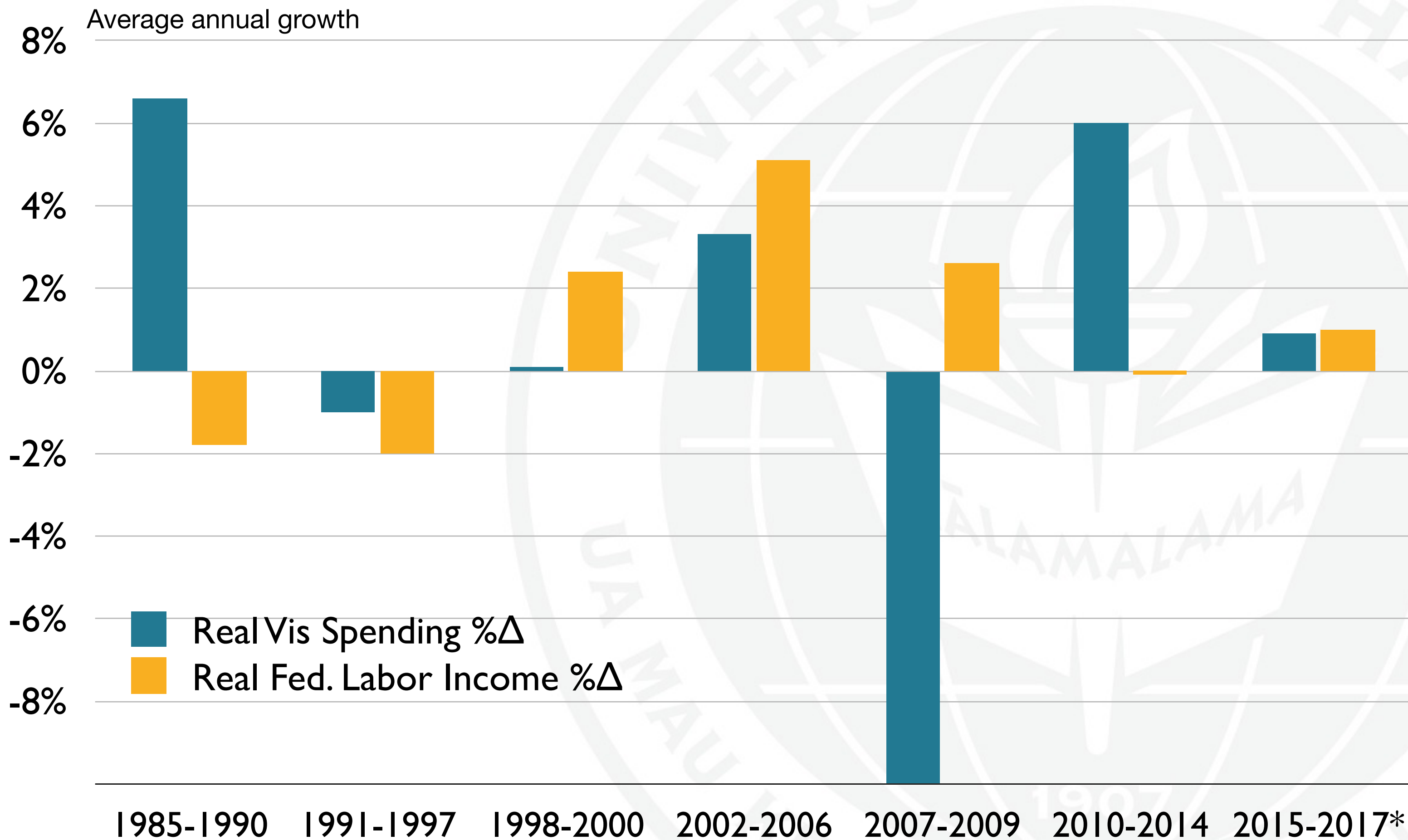
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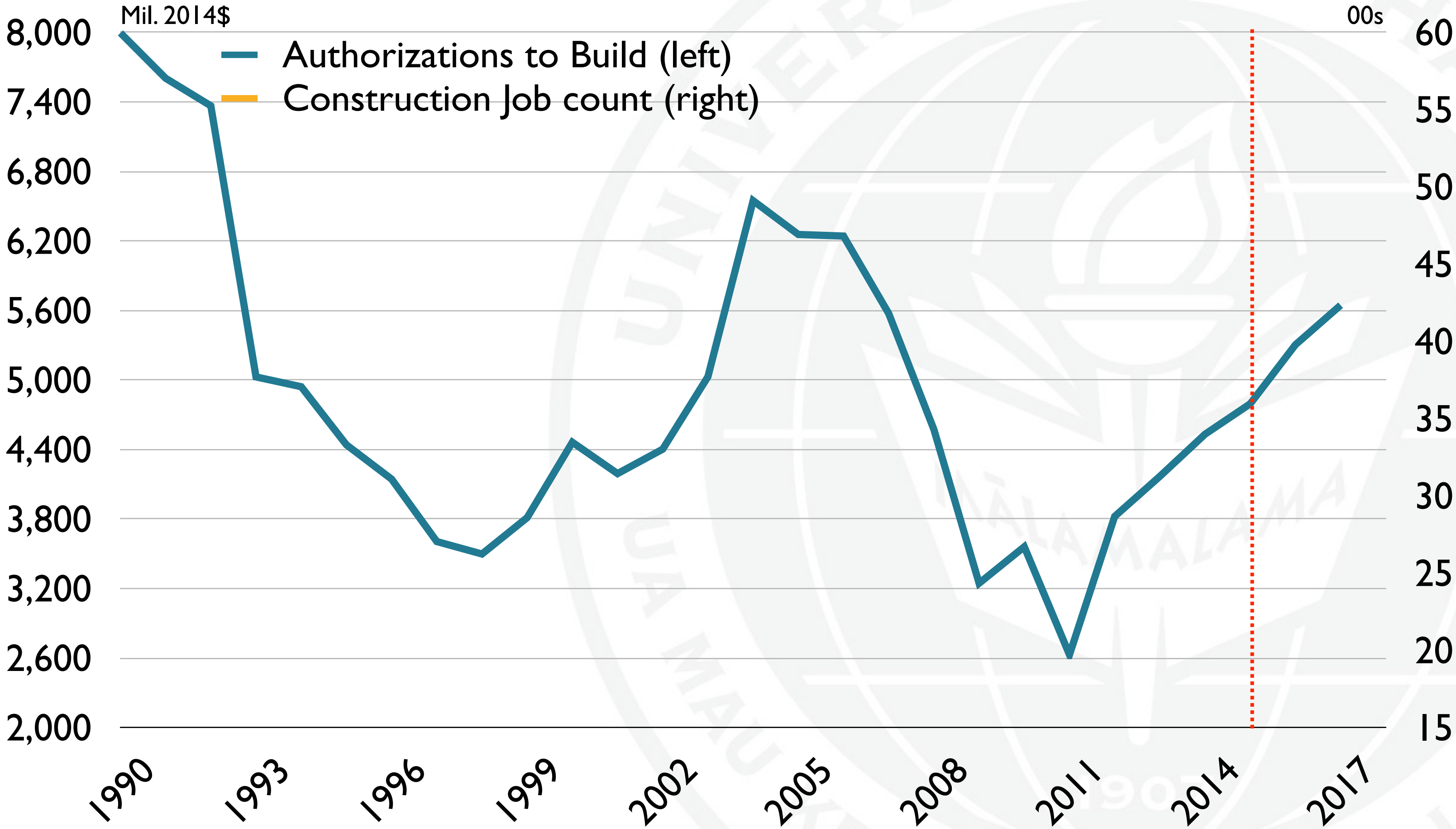
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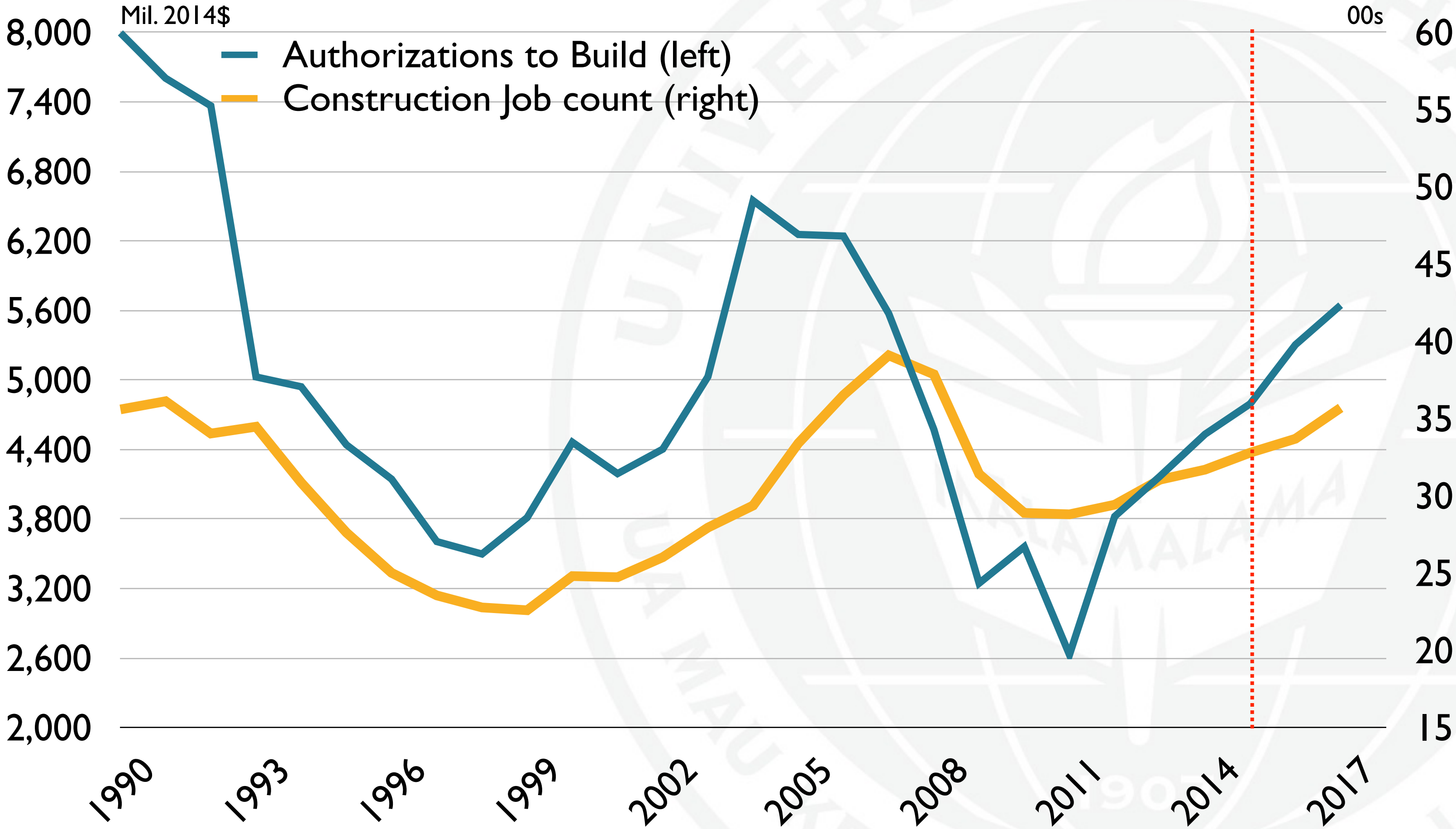
NOT MUCH OF AN ENGINE HERE

Hawaii construction indicators



NOT MUCH OF AN ENGINE HERE

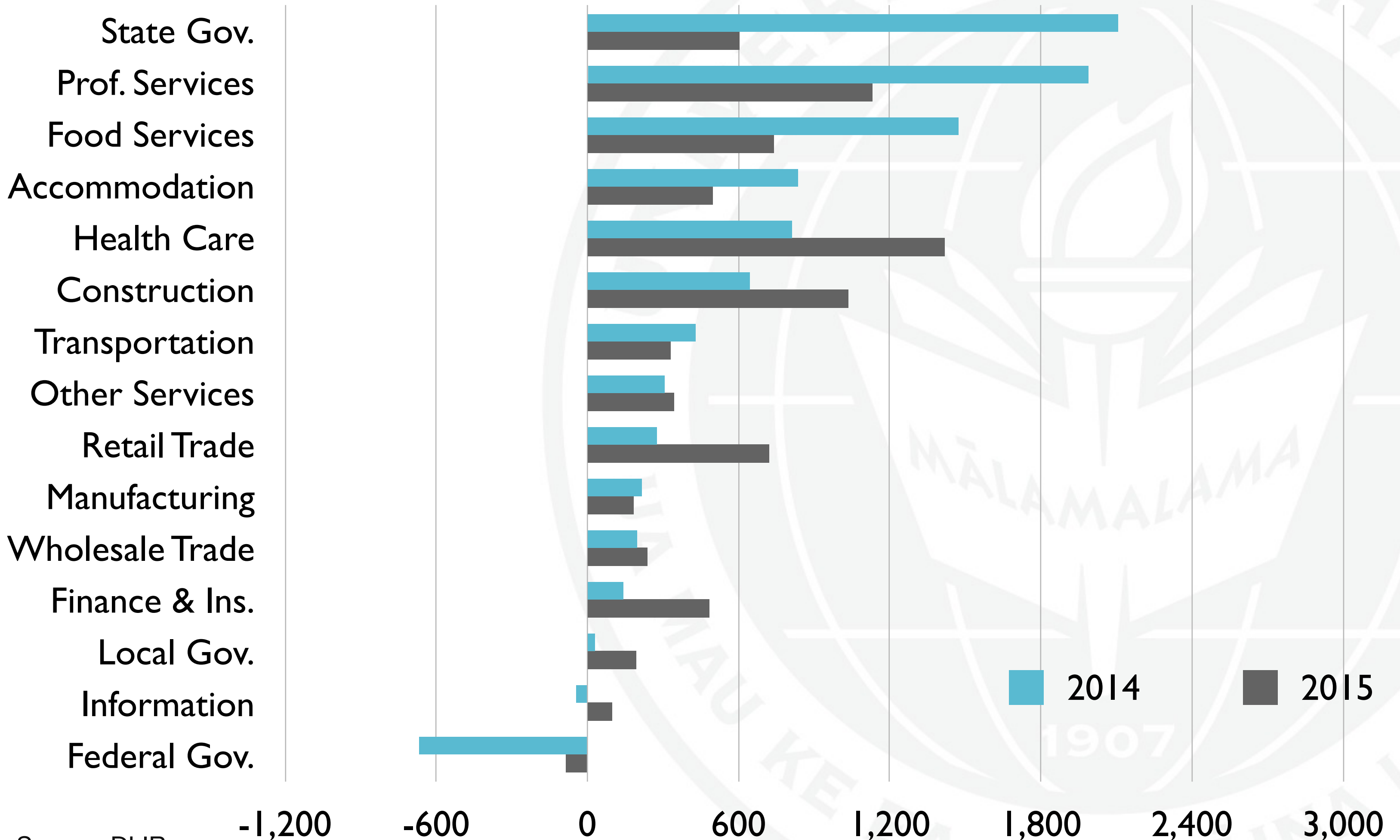
Hawaii construction indicators



* Source: BLS, DBEDT, UHERO

BALANCED GROWTH TRUMPS ENGINES

estimate and forecasted change in Hawaii payroll jobs



Source: DLIR

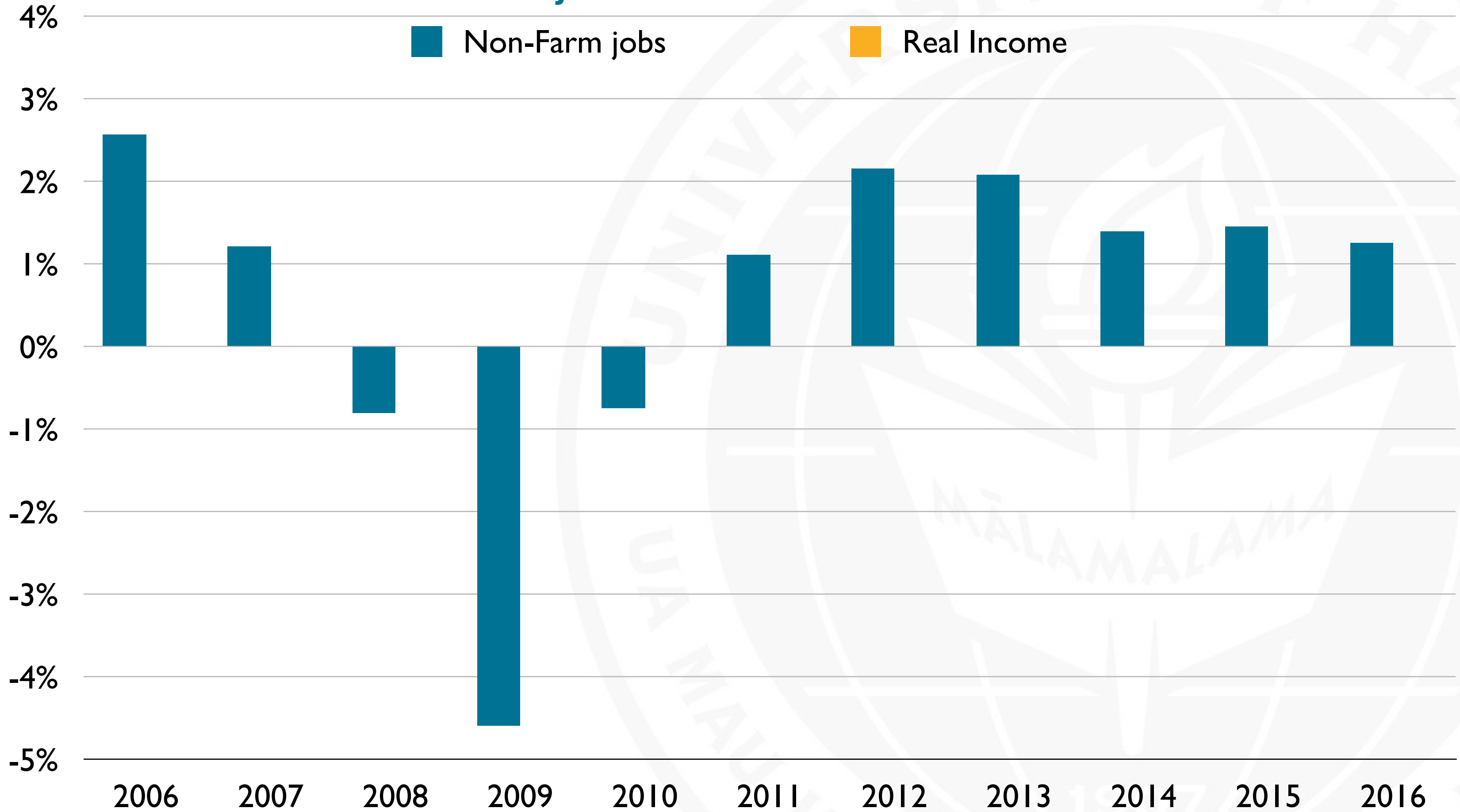
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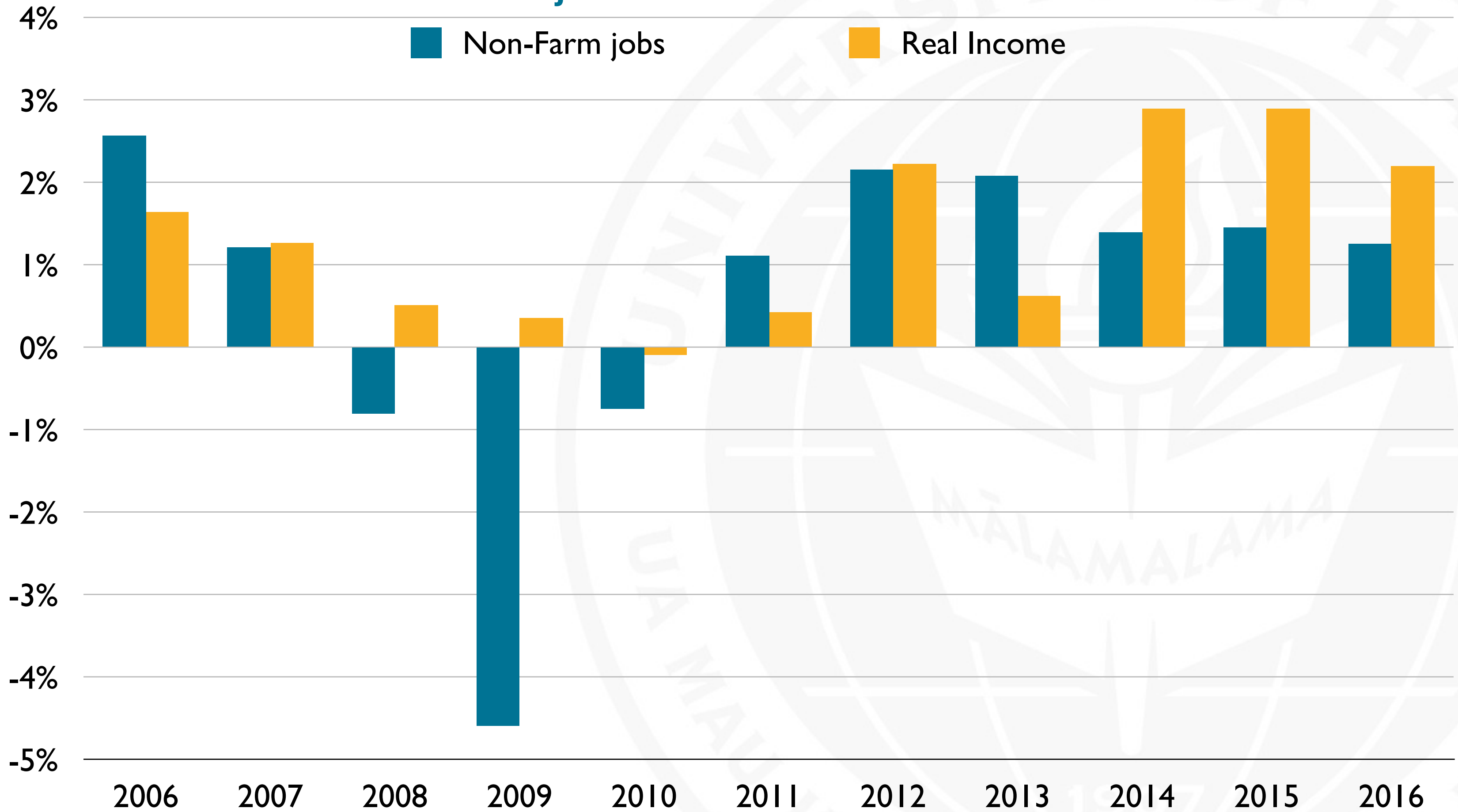
BUT BALANCED EXPANSION IS FRAGILE

Hawaii job and income forecasts



BUT BALANCED EXPANSION IS FRAGILE

Hawaii job and income forecasts



* Source: UHERO



ABOUT UHERO

DATA

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PRODUCTS

NEWS

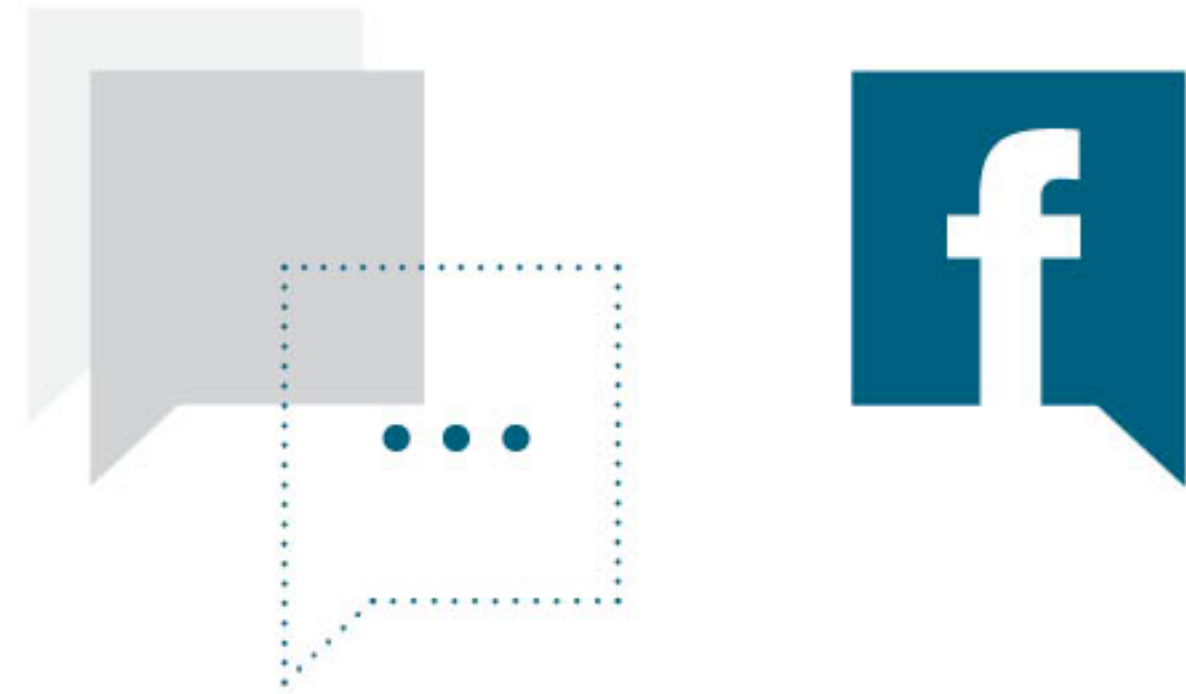
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UPDATES

FEBRUARY 11, 2013

UHERO Study Finds That PV Systems Have a Positive Rate of Return of 14% For Households, But Could Cost the State Up To \$1.4B in Residential Tax Credits

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

MORE NEWS

MORE PRODUCTS

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

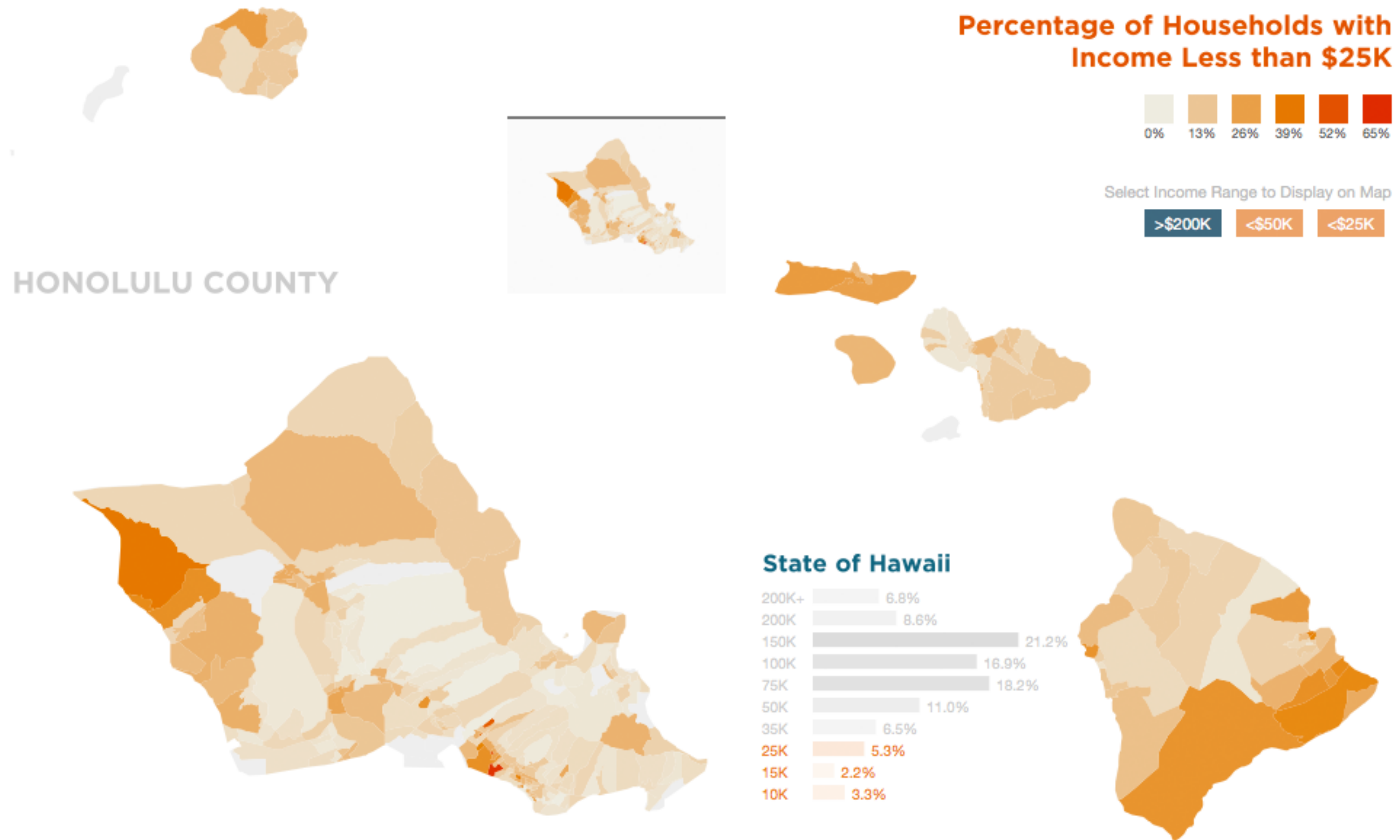
Read the Public Summary



MORE UHERO FORECASTS

HAWAII INCOME DISTRIBUTION MAP [BETA]

COMPARING HOUSHOLD INCOMES



CENSUS TRACT INCOME DISTRIBUTIONS

Map showing census tract income distributions across the state of Hawaii. The map is currently set to display data for the state of Hawaii. The legend indicates that the percentage of households with income less than \$25K is 5.3% for the selected income range.



MAHALO

January 21, 2015

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