

**U H E R O**

Celebrating Ten Years of Service to Hawaii

# **UHERO Forecast Update: Growth Expected in New Year**

**Senate Ways & Means — House Finance  
Joint Economic Briefing  
January 5, 2009**

**Dr. Carl Bonham  
Executive Director, UHERO**



**University of  
Hawai'i  
E conomic  
R esearch  
O rganization**

# Overview

- US and global recessions have ended
  - But prospects are for a relatively weak recovery
  - And chance of double dip is very real

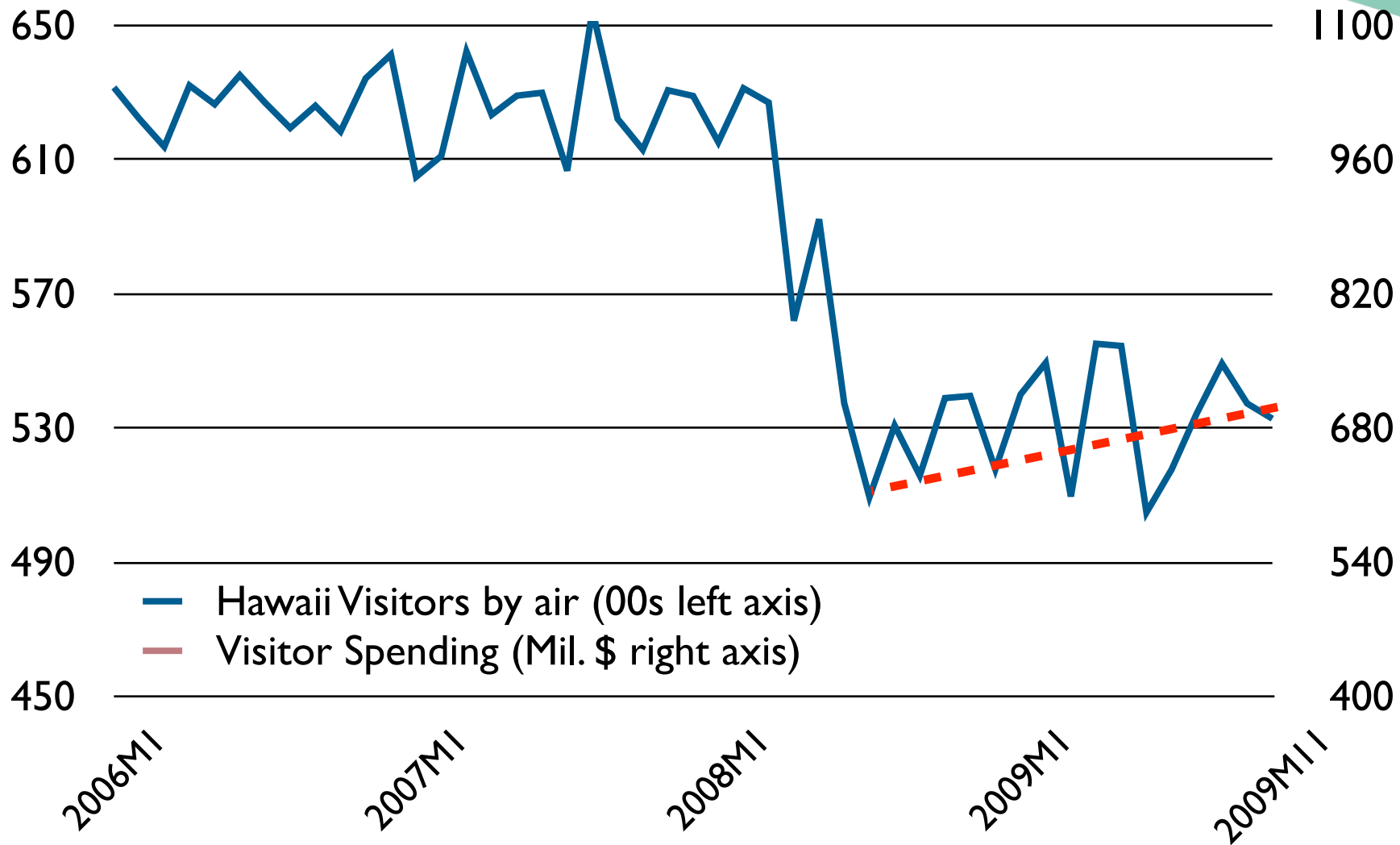
# Overview

- US and global recessions have ended
  - But prospects are for a relatively weak recovery
  - And chance of double dip is very real
- Hawaii economy continues to contract
  - Signs of bottom but no significant growth yet
  - Weak growth beginning to show up in labor income
  - Key sectors still at risk

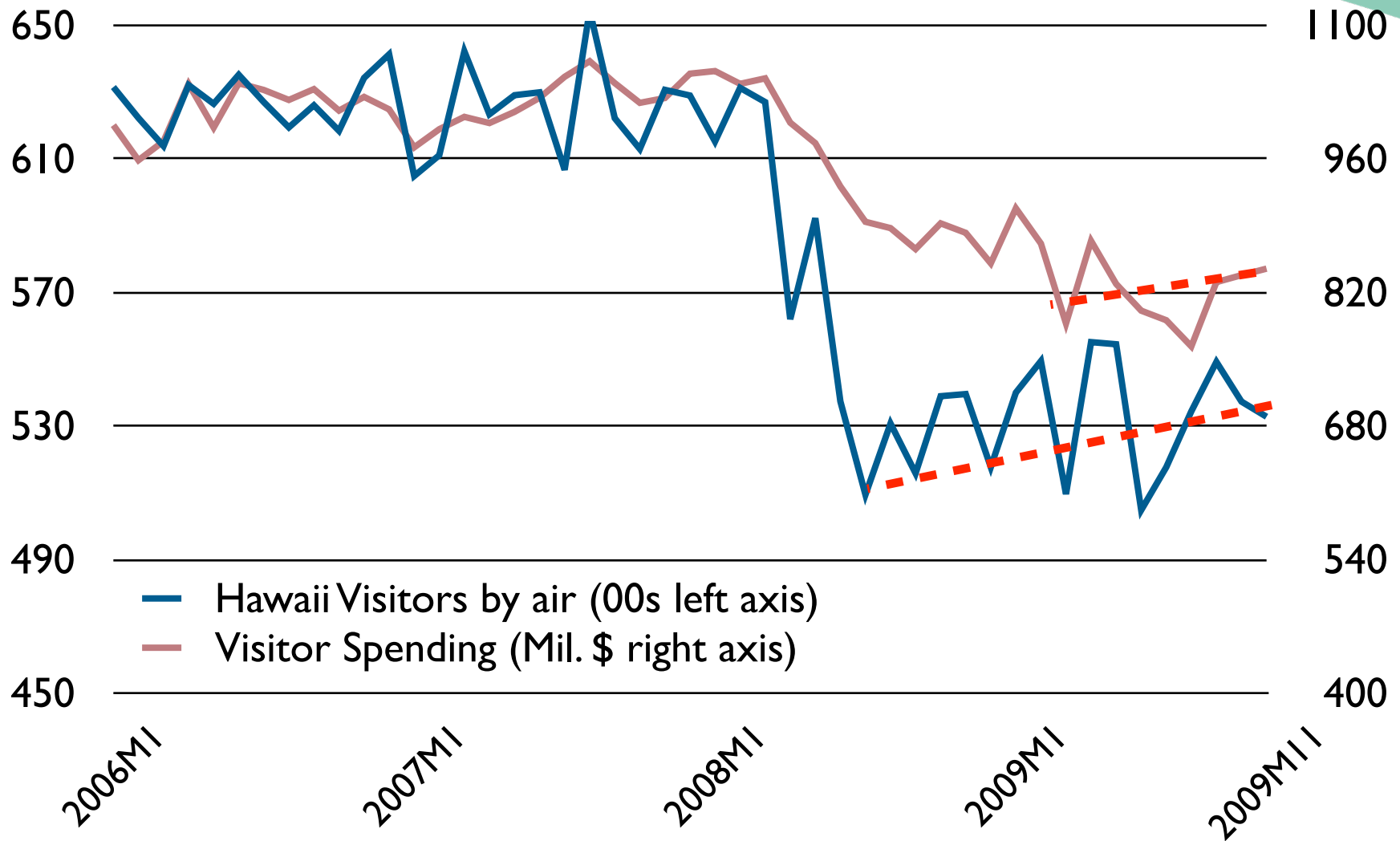
# Evidence of Hawaii Recovery?

- Visitor Arrivals have stabilized
  - Even spending appears to have bottomed
  - Glimmer of hope in September through November spending

# A bottom forming for tourism



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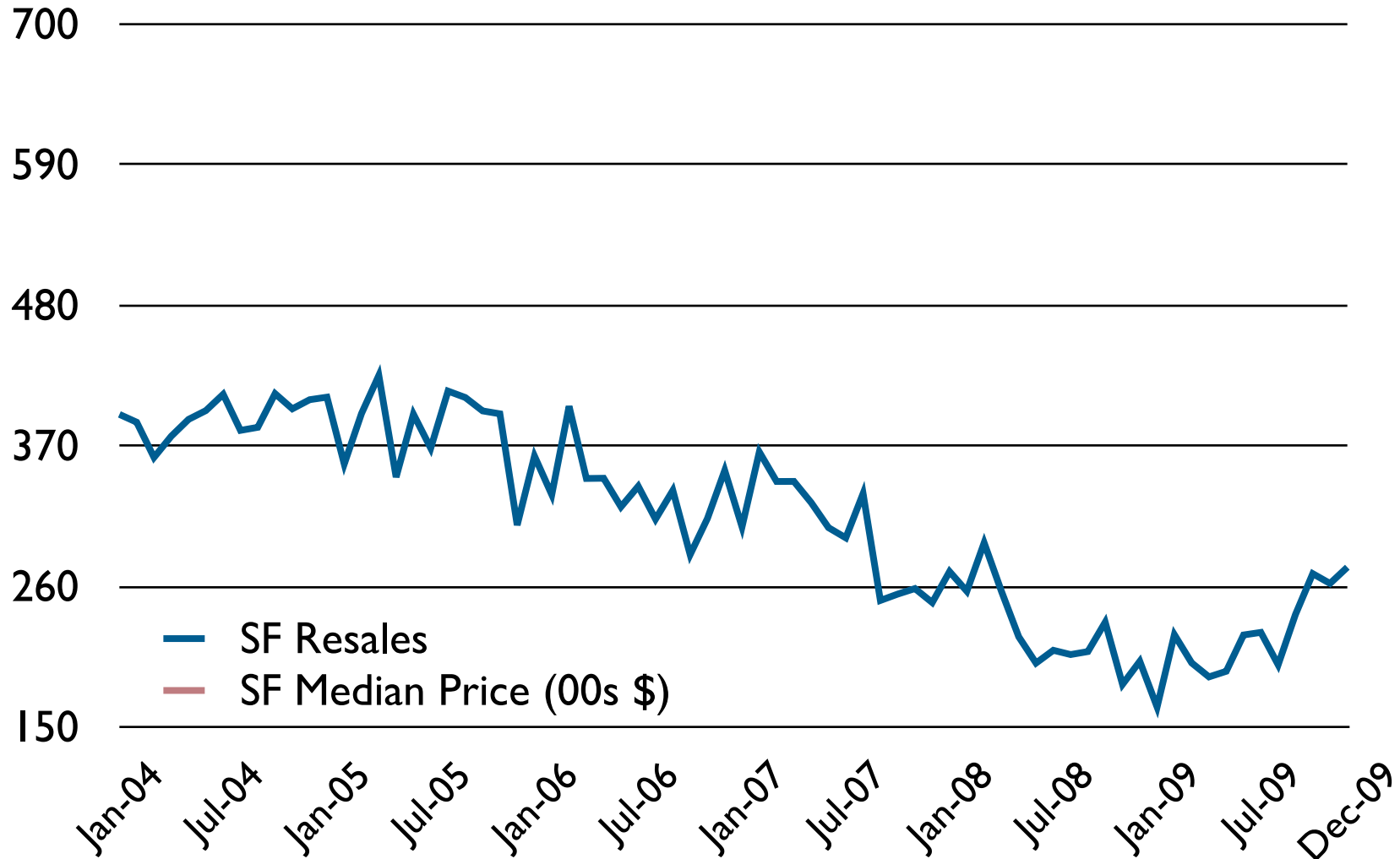
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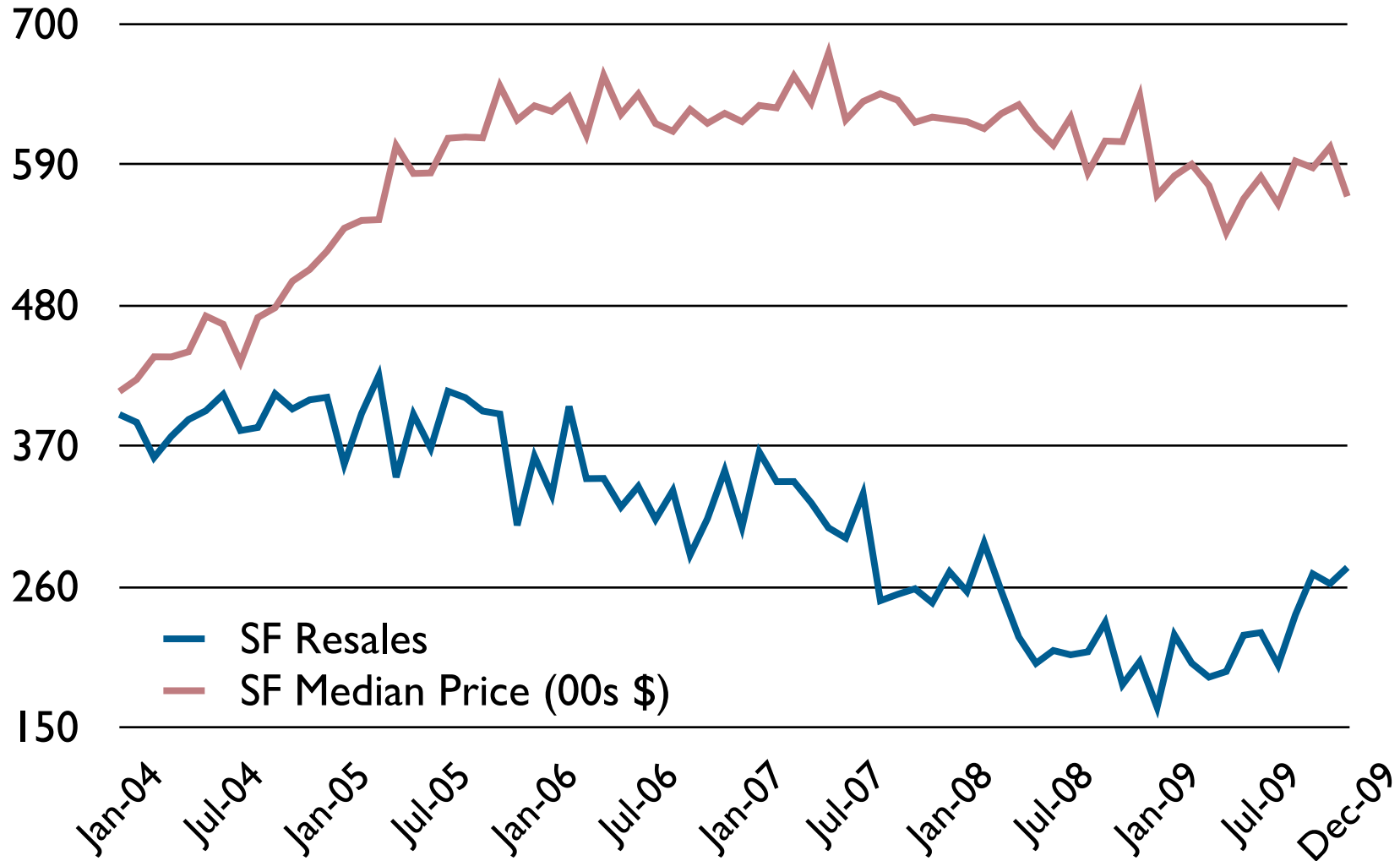
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- Home sales are up and prices appear to be stabilizing
  - Tax credit expires this spring
  - Mortgage rates to rise with expiration of FED interventions
  - Downside risk still exists with lingering labor market weakness



# Home Prices Bottom?



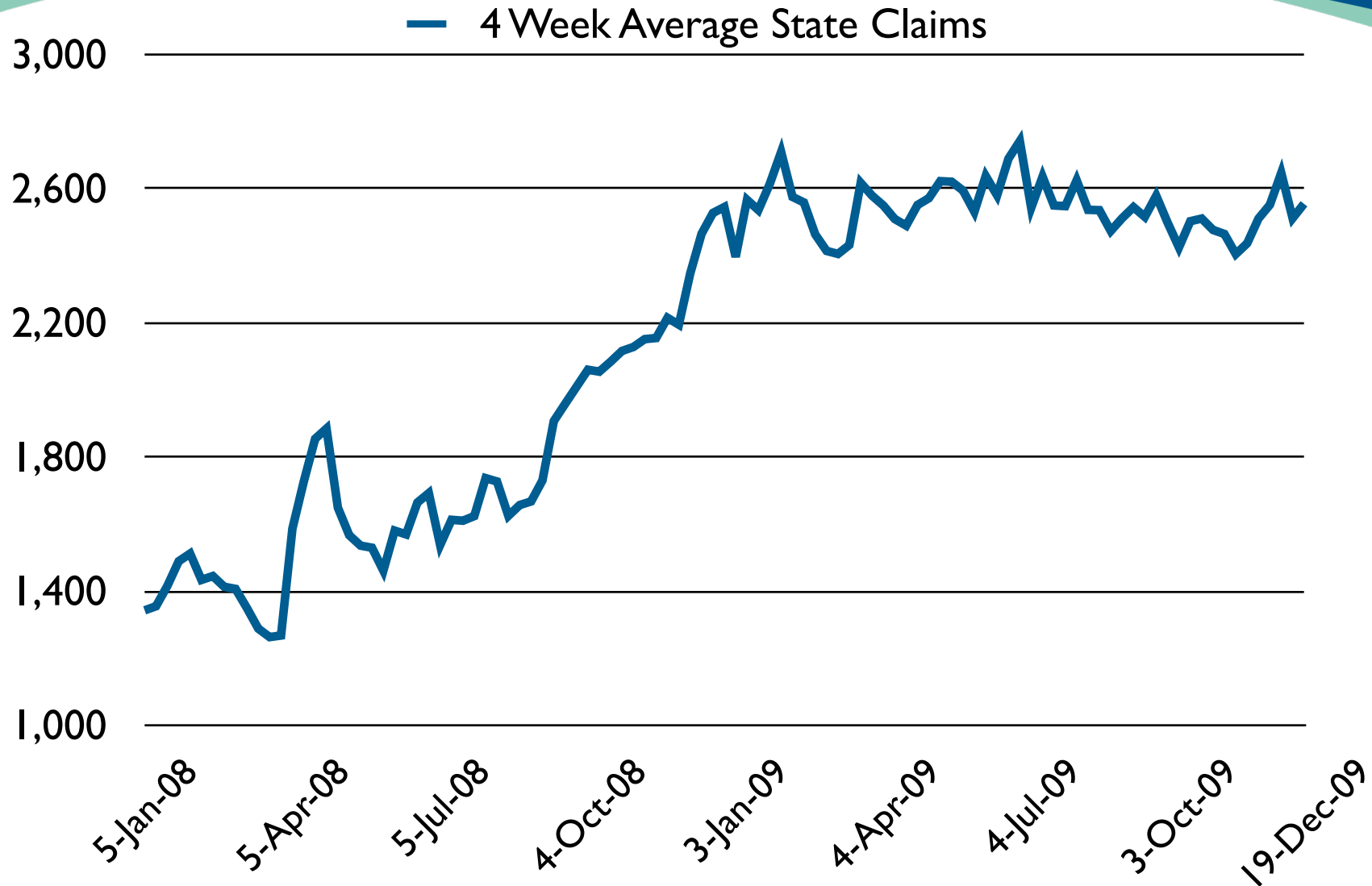
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# Evidence of Hawaii Recovery?

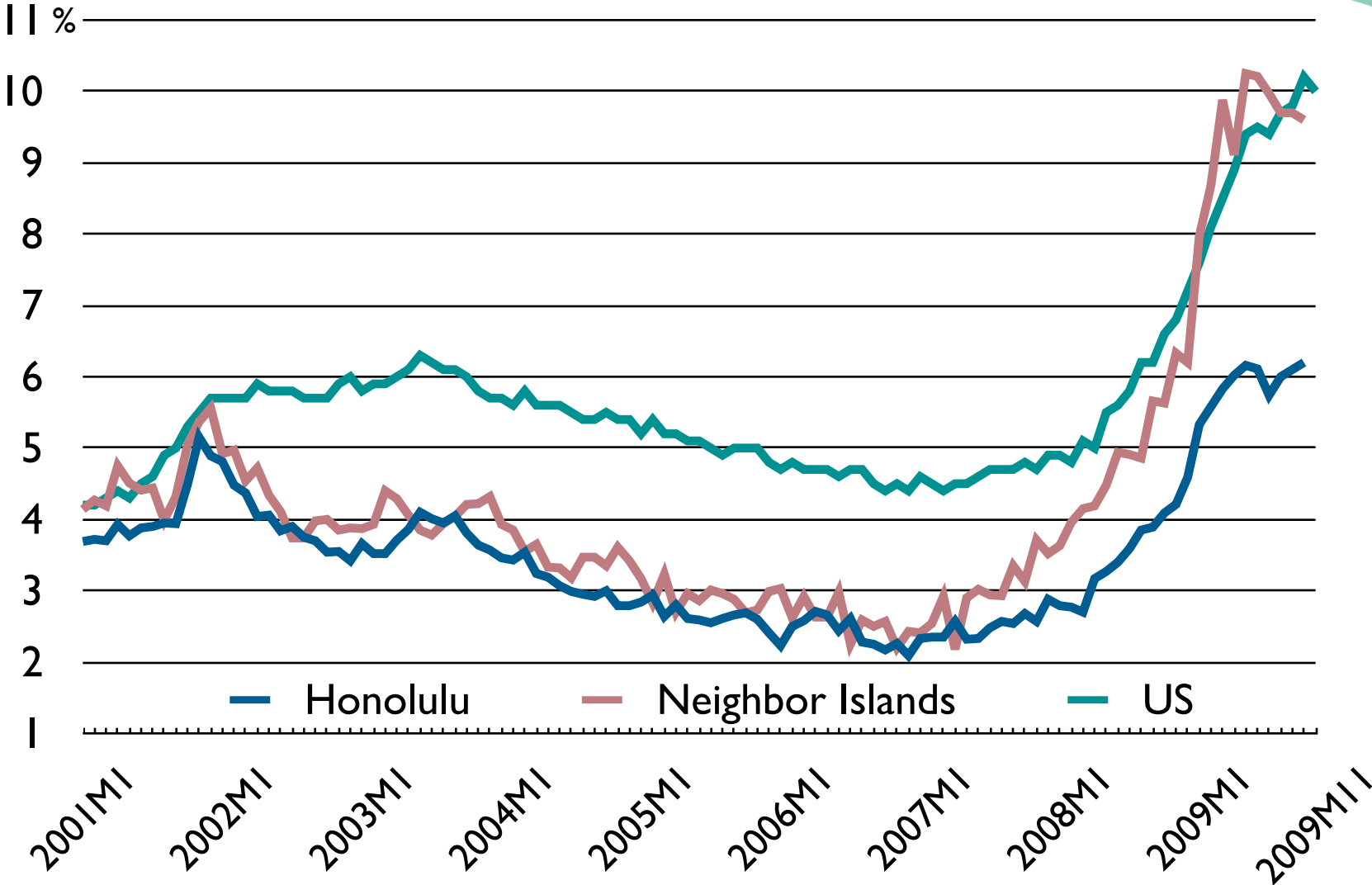
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  - Downside risk still exists with lingering labor market weakness
- Unemployment has probably not yet peaked

# Initial unemployment claims



# Labor markets to remain weak

## Unemployment Rate (SA)



# Forecast summary

## ➤ Protracted tourism slump

- As recession ends, consumer spending will remain weak
- Lower prices have increased sales, hurting revenue and tax collections
- U.S. economy still poses risk
  - » rapid rebound?
  - » slow growth?
  - » or double dip?

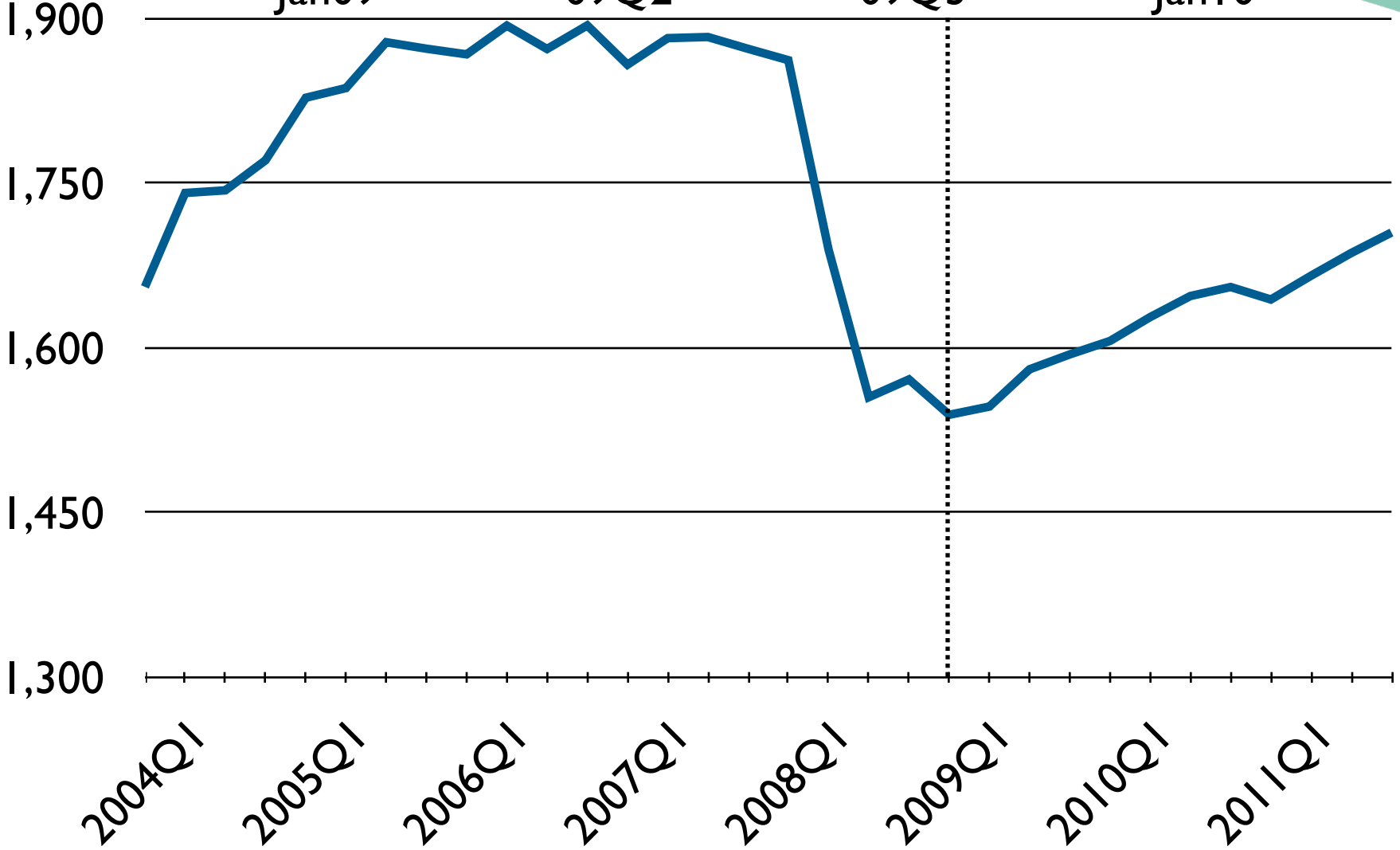
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    - » or double dip?
  
- Economy has bottomed out but growth will be weak
  - State fiscal crisis acts as drag on economy offsetting ARRA
  - High unemployment will linger into 2011

# Tourism Outlook Stabilizing

State Visitor Arrivals (000s)

Jan09    09Q2    09Q3    Jan10

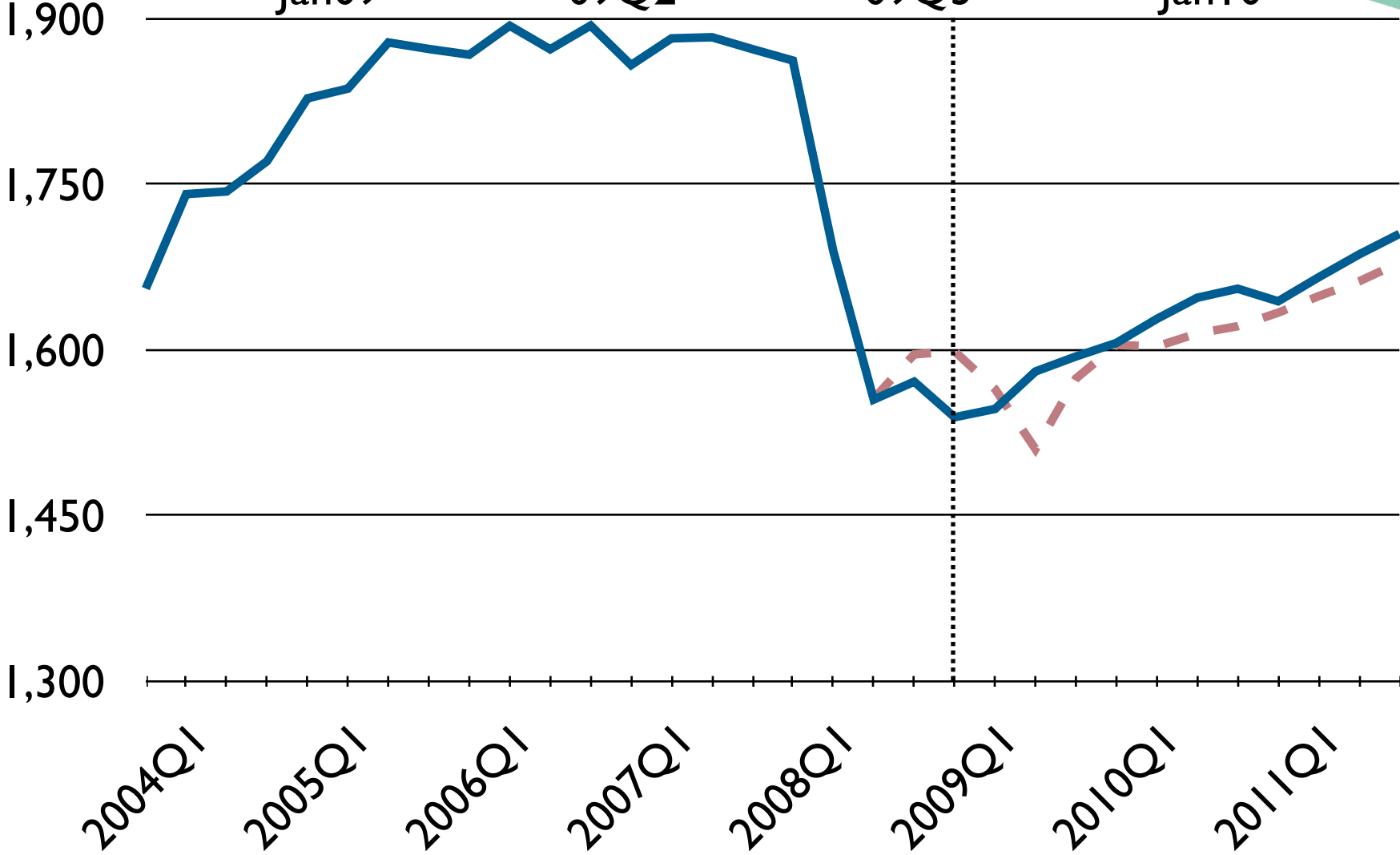




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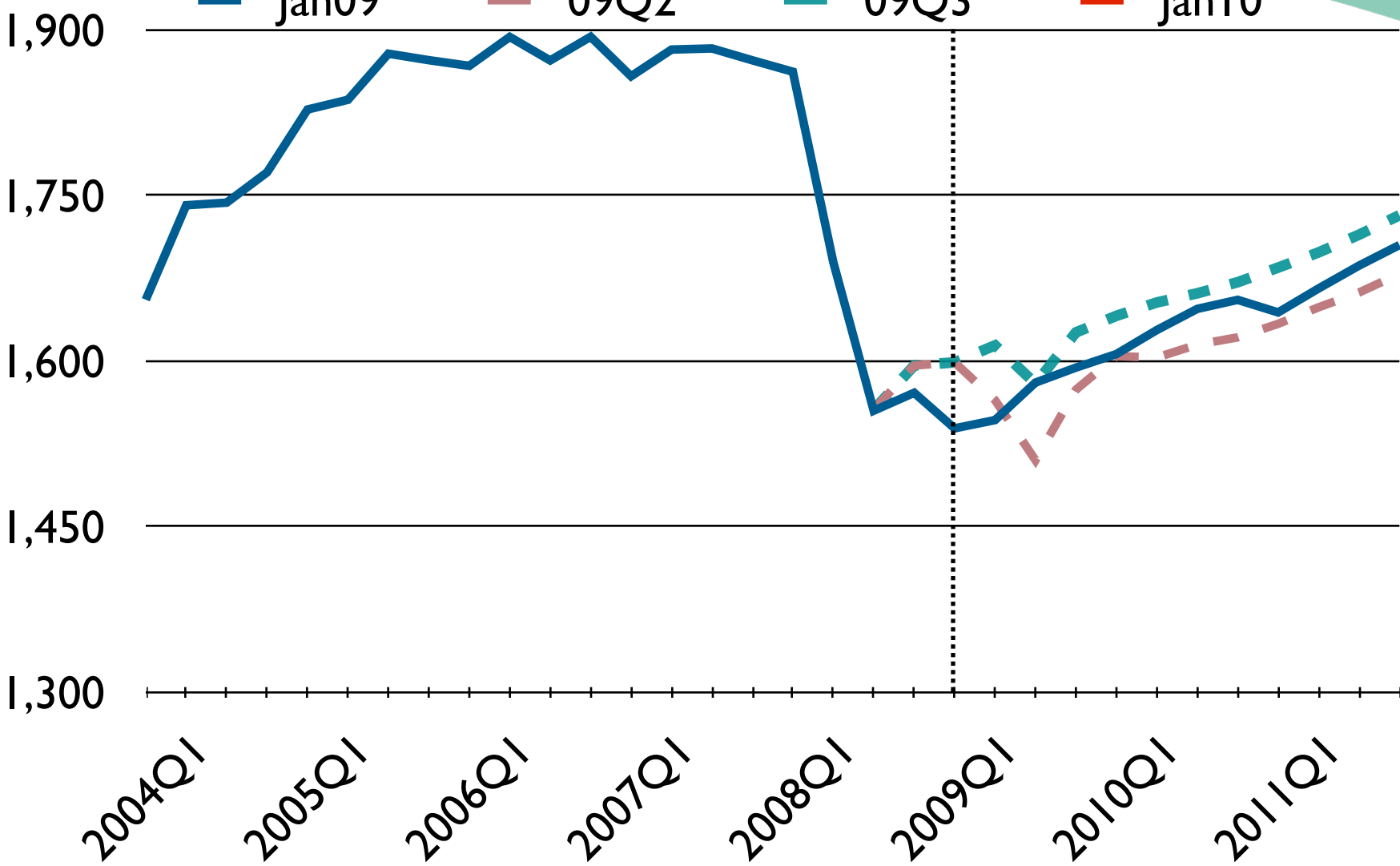
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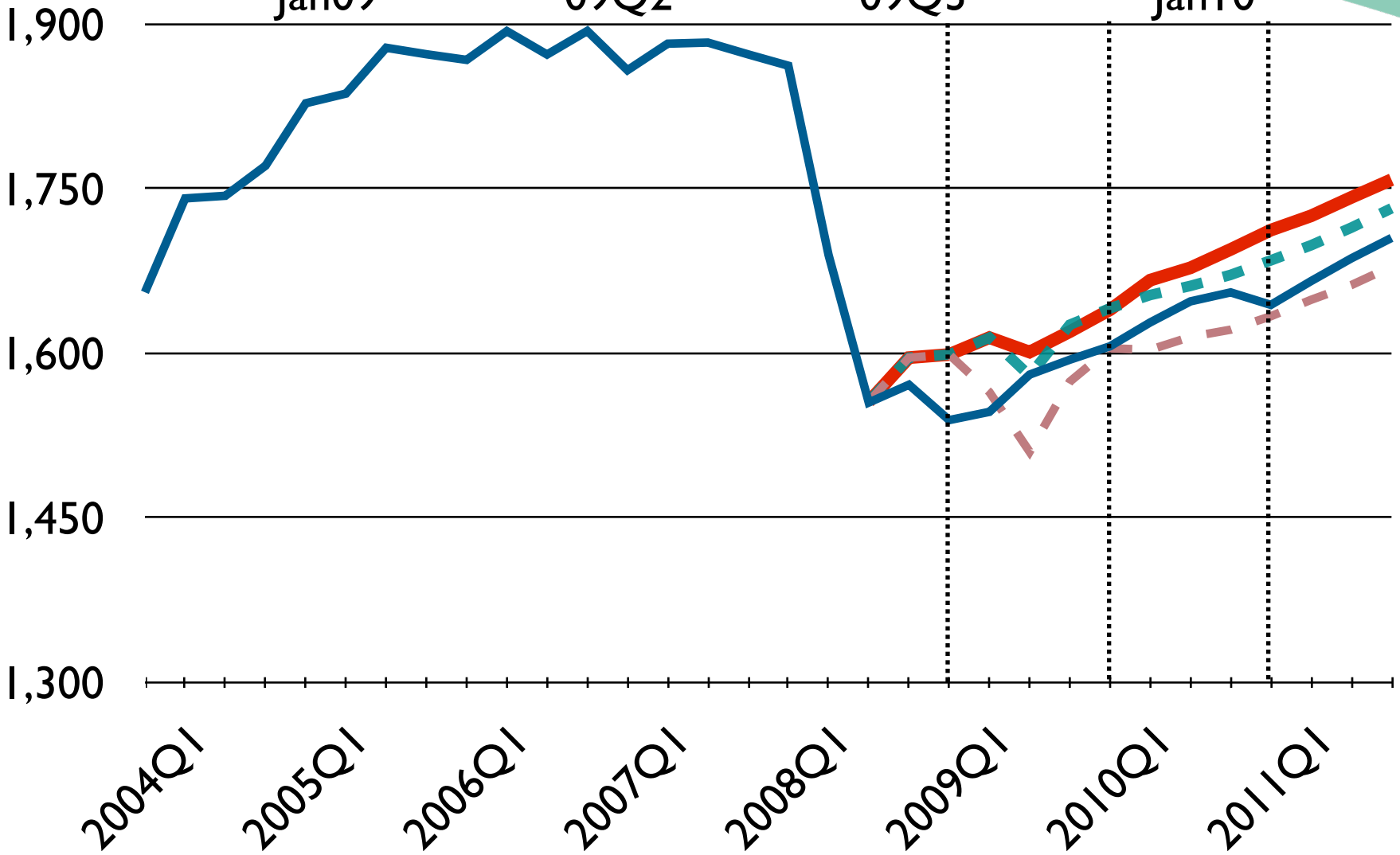
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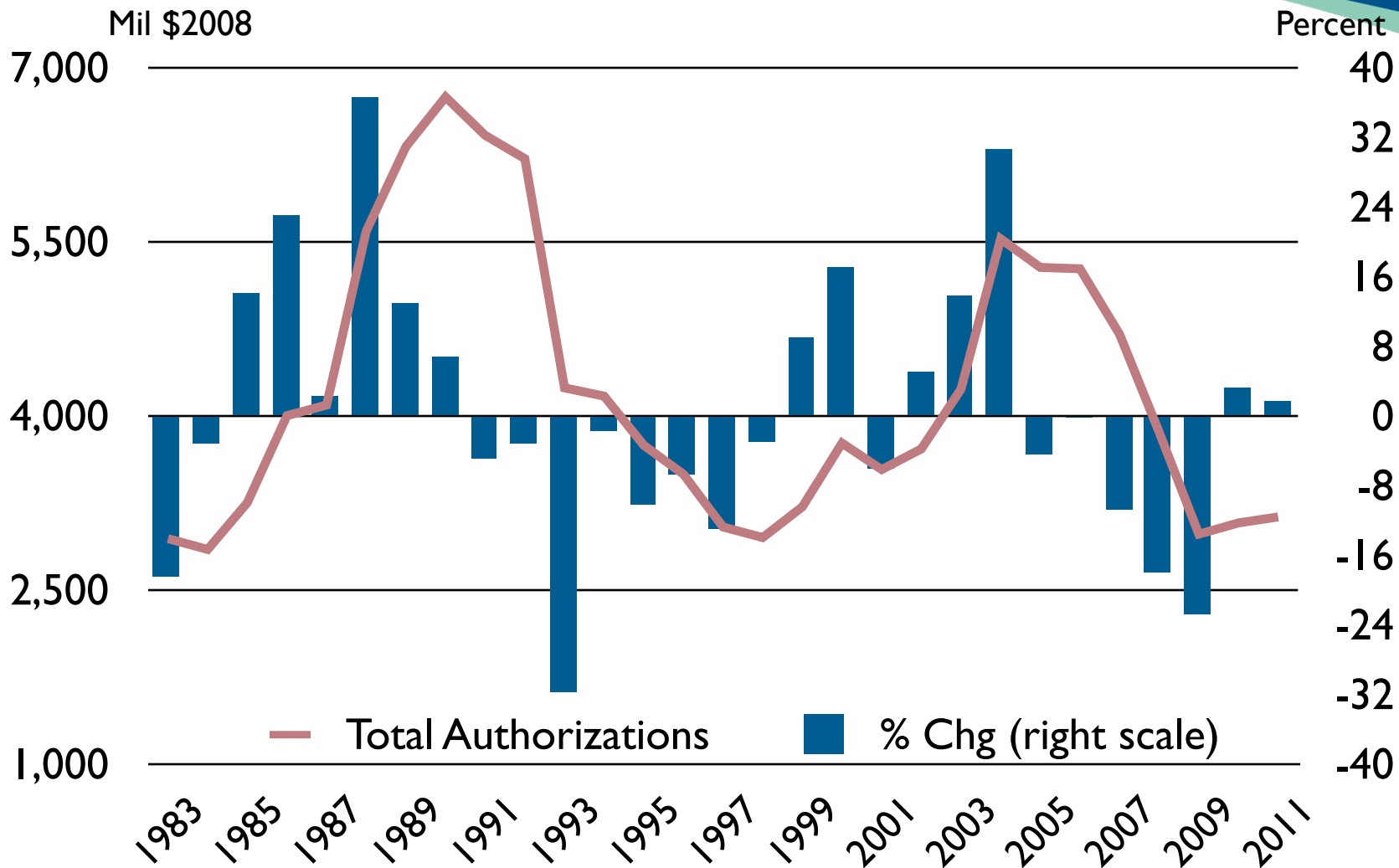
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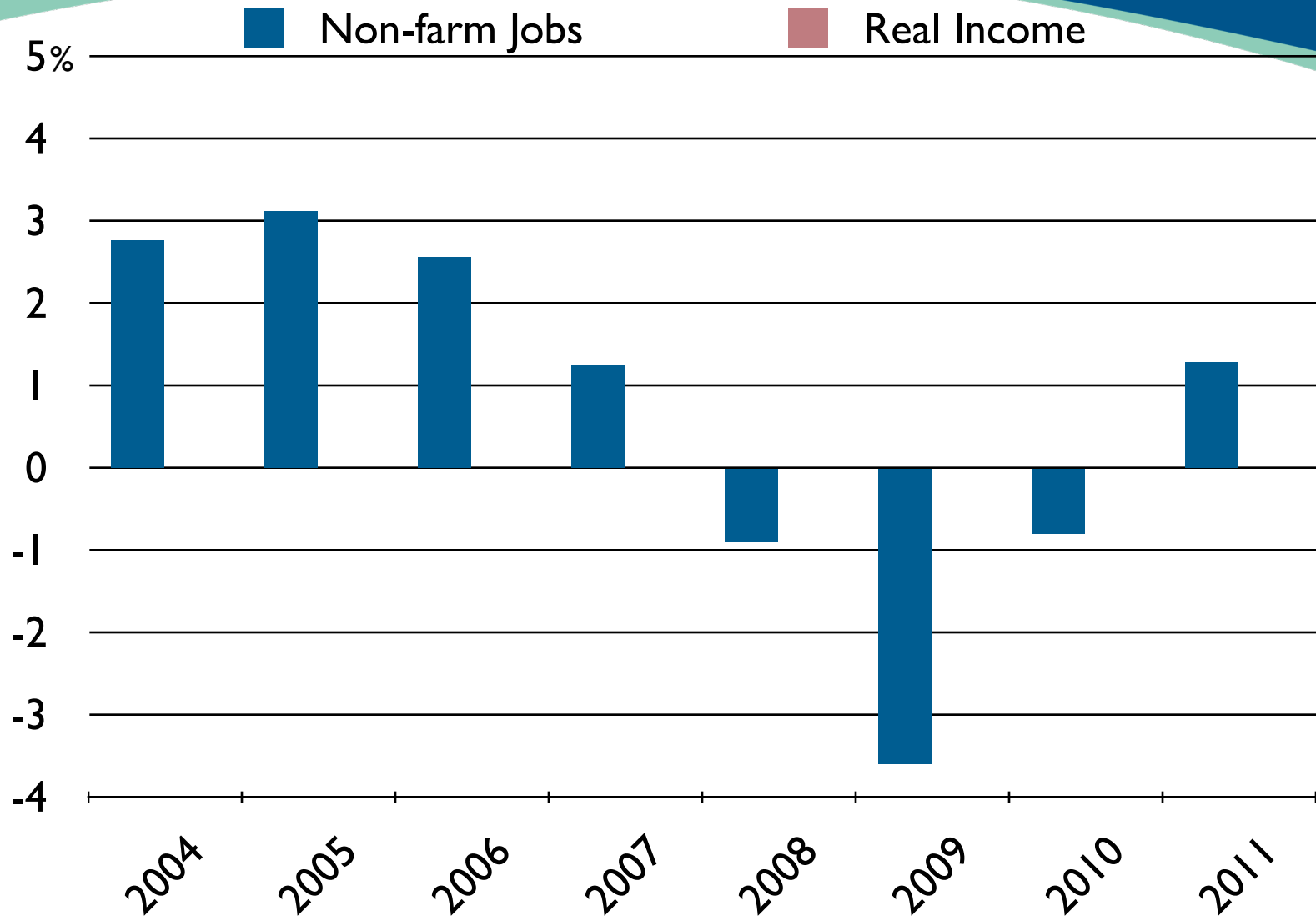
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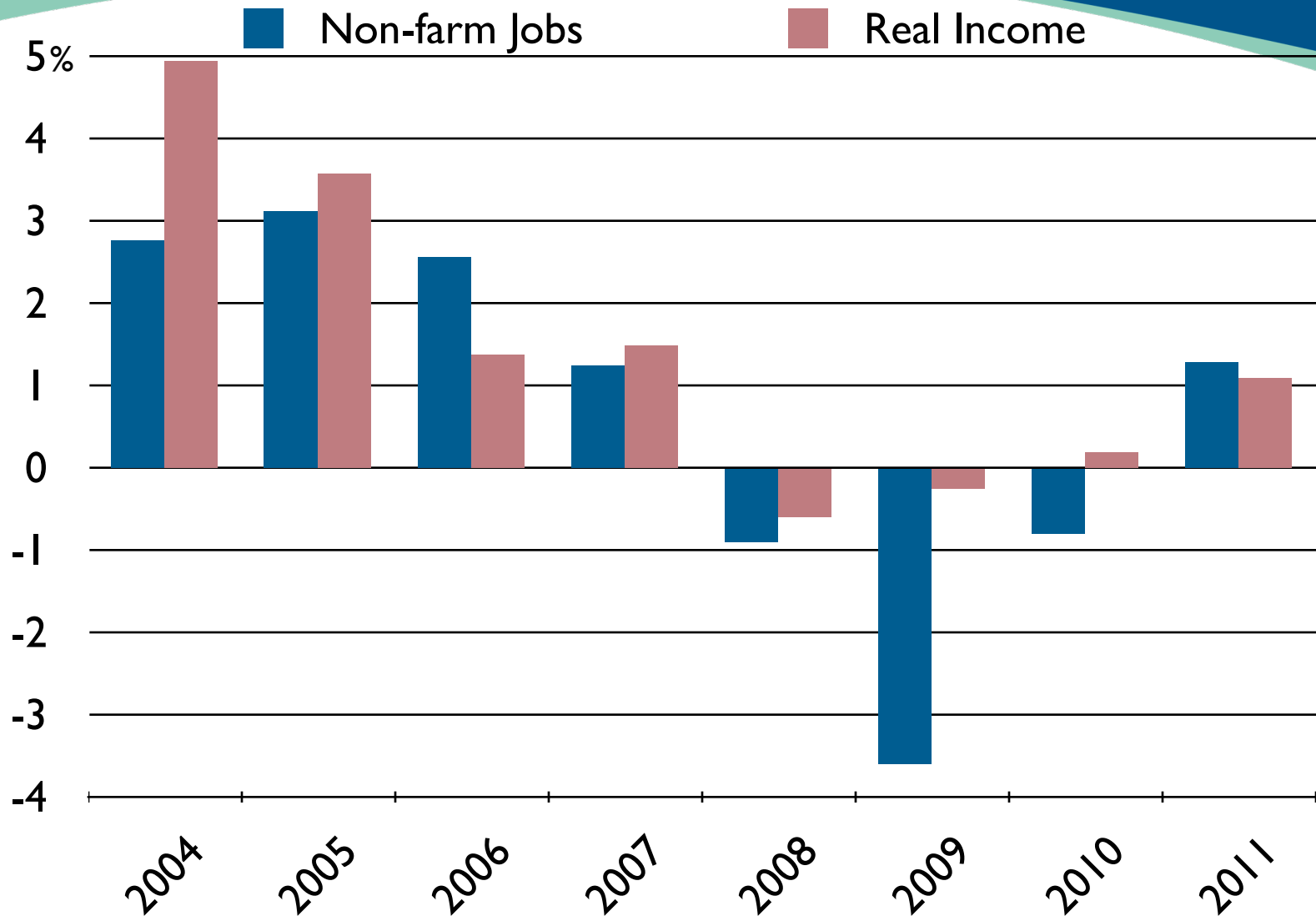
# Building authorizations expected to bottom



# Slow recovery



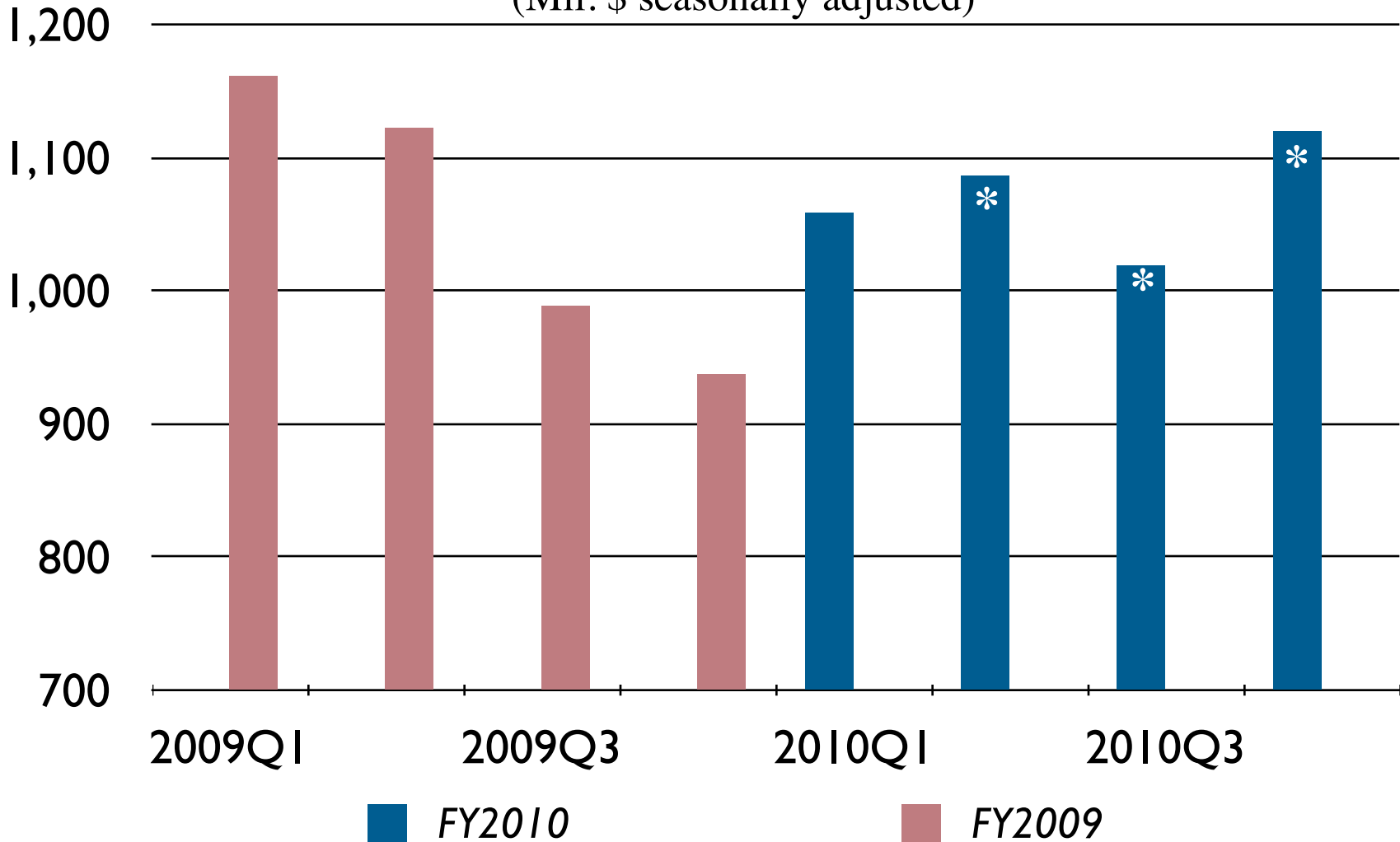
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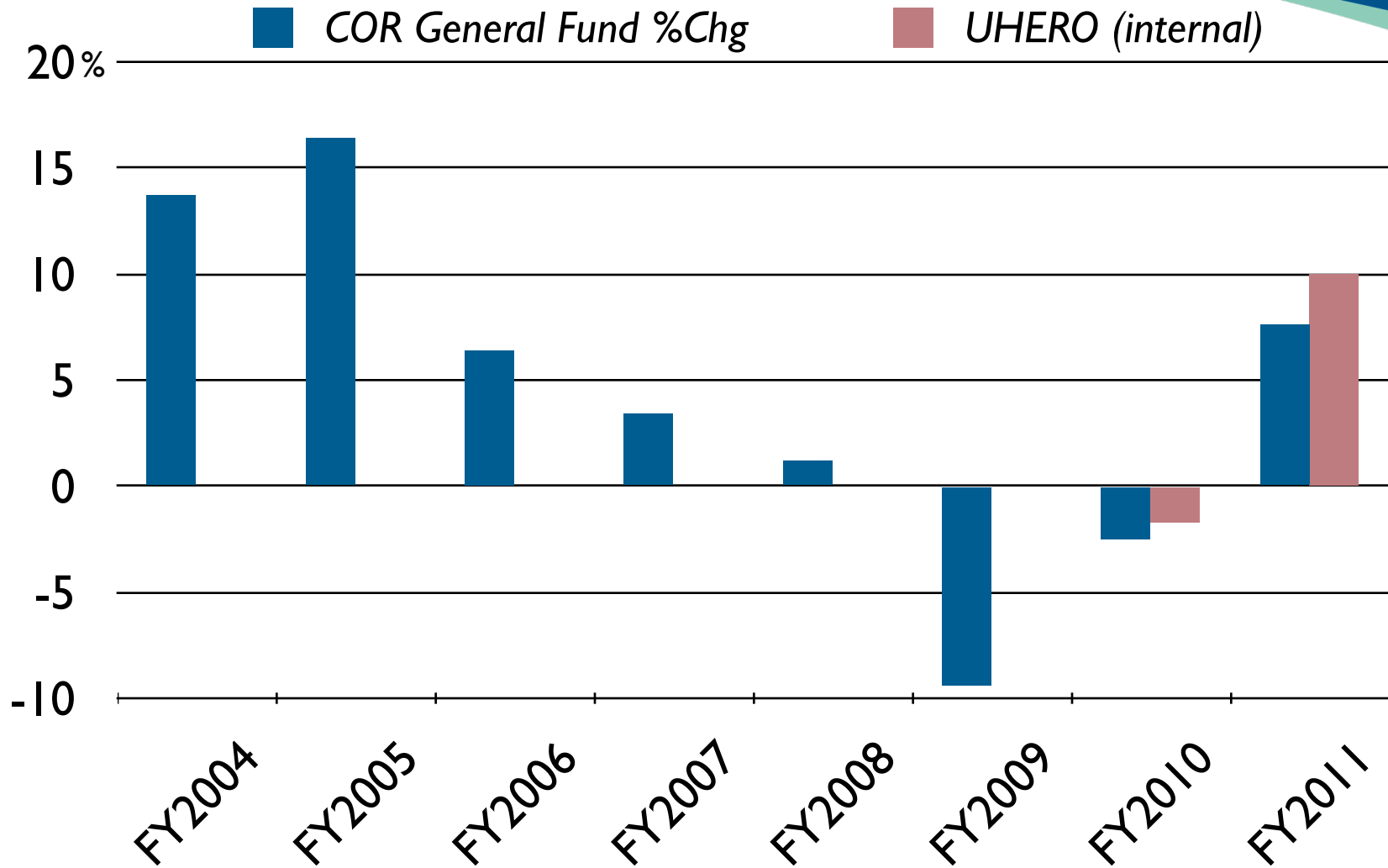
# State fiscal crisis

## General Fund Tax Revenue

(Mil. \$ seasonally adjusted)



# State fiscal crisis







Mahalo