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
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

Hawaii Visitors by air (00s left axis)
Visitor Spending (Mil. $ right axis)
A bottom forming for tourism

Hawaii Visitors by air (00s left axis)
Visitor Spending (Mil. $ right axis)
Evidence of Hawaii Recovery?

- Visitor Arrivals have stabilized
  - But visitor spending is down —discounting is the rule
  - Glimmer of hope in September through November spending
Evidence of Hawaii Recovery?

- Visitor Arrivals have stabilized
  - But visitor spending is down — discounting is the rule
  - Glimmer of hope in September through November spending

- 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?

- SF Resales
- SF Median Price (00s $)

Jan-04 Jul-04 Jan-05 Jul-05 Jan-06 Jul-06 Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Dec-09

January 5, 2010

www.uhero.hawaii.edu
Home Prices Bottom?

SF Resales
SF Median Price (00s $)

Jan-04  Jul-04  Jan-05  Jul-05  Jan-06  Jul-06  Jan-07  Jul-07  Jan-08  Jul-08  Jan-09  Jul-09  Dec-09

150  260  370  480  590  700
Evidence of Hawaii Recovery?

- Visitor Arrivals have stabilized
  - But visitor spending is down —discounting is the rule
  - Glimmer of hope in September through November spending

- 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

- Unemployment has probably not yet peaked
Initial unemployment claims

4 Week Average State Claims

January 5, 2010
Labor markets to remain weak

Unemployment Rate (SA)

January 5, 2010
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?
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?

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

State Visitor Arrivals (000s):

- 2004Q1: 1,300
- 2005Q1: 1,450
- 2006Q1: 1,600
- 2007Q1: 1,750
- 2008Q1: 1,900
- 2009Q1: 1,750
- 2009Q2: 1,600
- 2009Q3: 1,450
- 2010Q1: 1,300
- 2011Q1: 1,300

January 5, 2010

www.uhero.hawaii.edu
Tourism Outlook Stabilizing

State Visitor Arrivals (000s)

Jan09 | 09Q2 | 09Q3 | Jan10

- 2004Q1
- 2005Q1
- 2006Q1
- 2007Q1
- 2008Q1
- 2009Q1
- 2010Q1
- 2011Q1

January 5, 2010

www.uhero.hawaii.edu
Tourism Outlook Stabilizing

State Visitor Arrivals (000s)

State Visitor Arrivals (000s)

2004Q1  2005Q1  2006Q1  2007Q1  2008Q1  2009Q1  2010Q1  2011Q1

January 5, 2010

www.uhero.hawaii.edu
Building authorizations expected to bottom

- Total Authorizations
- % Chg (right scale)

January 5, 2010
Slow recovery

- Non-farm Jobs
- Real Income

2004 - 2011

January 5, 2010
Slow recovery

- Non-farm Jobs
- Real Income

January 5, 2010
State fiscal crisis

General Fund Tax Revenue
(Mil. $ seasonally adjusted)

FY2009
FY2010

January 5, 2010
State fiscal crisis

- Cor General Fund %Chg
- UHERO (internal)

FY2004: 14%
FY2005: 16%
FY2006: 5%
FY2007: 3%
FY2008: 2%
FY2009: -10%
FY2010: -5%
FY2011: 10%