Hawaii In Pause Mode

Dr. Carl Bonham
Executive Director, UHERO

Workforce Development Council

January 12, 2012
Overview

Hawaii’s gradual recovery continues

- Strong visitor industry performance has slowed
- Job market remains weak
- Home prices have resumed their decline
- Construction at bottom?
Overview

Hawaii’s gradual recovery continues

- Strong visitor industry performance has slowed
- Job market remains weak
- Home prices have resumed their decline
- Construction at bottom?

Risks to recovery are significant

- Oil price uncertainty with Iran sanctions ...
- Recent US strength at risk in election year
  - DC gridlock and austerity fever
  - Negative campaign to come
- Global growth has weakened with Euro area recession
- Disorderly Greek default looms. Who is next?
Hawaii Tourism Recovery a 2010 story

State Visitor Arrivals & Spending

Thousands*

State Visitors (left axis)

Spending (right axis)

January 12, 2012
Hawaii Tourism Recovery a 2010 Story

State Visitor Arrivals & Spending

Thousands*

State Visitors (left axis)

Spending (right axis)

* Seasonally adjusted—UHERO
Source: HTA

January 12, 2012
Spending and arrivals barely growing in 2011

State Visitor Arrivals & Spending

Thousands*

Mil. $*

State Visitors (left axis)

Spending (right axis)
Spending And Arrivals barely growing in 2011

State Visitor Arrivals & Spending

2010 Jan  Mar  May  Jul  Sep  Nov  2011 Jan  Mar  May  Jul  Sep  Nov

Thousands*
400  480  560  640  720  800

Mil. $*
600  720  840  960  1,080  1,200

* Seasonally adjusted—UHERO
Source: HTA

Disney Magic

State Visitors (left axis)
Spending (right axis)

January 12, 2012
Nominal spending setting records, but

Real Visitor Spending Forecast

Spending

Forecast

-16%

-33%

+26%

Millions 11$
2011 Job Market Still Very Weak

State Job Count vs Unemployment Rate

- Unemployment Rate* (left axis)
- Non-farm Jobs* (right axis)

January 12, 2012
2011 Job Market Still Very Weak

State Job Count vs Unemployment Rate

Unemployment Rate* (left axis)
Non-farm Jobs* (right axis)

* Seasonally adjusted—UHERO
Source: BLS

January 12, 2012
And Job Growth Still Highly Uneven

change in State job counts (00s) by sector through November

- Prof. Services
- Educational Services
- Food Services
- Accommodation
- Information
- Health Care
- Retail Trade
- Agriculture
- Other Services
- Local Gov.
- Finance & Ins.
- Entertainment
- Construction
- Manufacturing
- Federal Gov.
- State Gov.
- Transp. Warehousing, Util
- Wholesale Trade

January 12, 2012
Oahu is where the growth is

change in Oahu job counts (00s) by sector through November

Prof. Services
Educational Services
Food Services
Accommodation
Information
Health Care
Retail Trade
Agriculture
Other Services
Local Gov.
Finance & Ins.
Entertainment
Construction
Manufacturing
Federal Gov.
State Gov.
Transp. Warehousing, Util*
Wholesale Trade

* UHERO estimate

January 12, 2012
Gainers and Losers Balance Out

Change in job counts (00s) by sector through November

Prof. Services
Educational Services
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Agriculture
Other Services
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Finance & Ins.
Entertainment
Construction
Manufacturing
Federal Gov.
State Gov.
Transp. Warehousing, Util*
Wholesale Trade

MAUI
HAWAII
KAUI

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Oahu Single Family Resales

Home sales decline


50 135 220 305 390 475

Resales*  Trend

* Seasonally adjusted—UHERO
Source: Honolulu Board of Realtors

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Building plans still near 30 year lows

Real Building Plans–Statewide

Mil. 2010$

- Private (left axis)
- Government Contracts (right axis)
Building plans still near 30 year lows

Real Building Plans–Statewide

- Private (left axis)
- Government Contracts (right axis)

January 12, 2012
Honolulu Single Family Median Resale Prices

Best Affordability in a decade—for now

Thou. $ (SA)

January 12, 2012
Job Growth Spreading

State Job Growth by Sector

2011 vs. 2012

-6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6%


January 12, 2012
Risks have not gone away
**SLUGGISH US ECONOMY LIKELY TO CONTINUE**

US Real GDP and Non-Farm Payroll Employment

*Seasonally adjusted

January 12, 2012
Federal Downsizing Can’t Help

Federal Contribution to Hawaii GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Military</th>
<th>Federal Civilian</th>
<th>Non Federal</th>
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<td>1997</td>
<td>14,000</td>
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<td>2010</td>
<td>14,000</td>
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14% Federal Contribution to Hawaii GDP
European Debt Crisis Spreads

Ten year sovereign debt yields

Greece

Portugal

Italy

Germany

Source: Bloomberg
## Hawaii Economic Indicators

### Year-over-Year Percent Change

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tr>
<td>Visitor Arrivals</td>
<td>-4.4</td>
<td>8.8</td>
<td>2.1</td>
<td>2.7</td>
<td>1.9</td>
<td>2.0</td>
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<tr>
<td>U.S. Visitor Arrivals</td>
<td>-3.9</td>
<td>7.3</td>
<td>0.8</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
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<tr>
<td>Japan Visitor Arrivals</td>
<td>-0.6</td>
<td>6.1</td>
<td>-6.6</td>
<td>5.4</td>
<td>0.5</td>
<td>0.8</td>
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<tr>
<td>Other Visitor Arrivals</td>
<td>-10.5</td>
<td>18.3</td>
<td>17.0</td>
<td>5.1</td>
<td>4.8</td>
<td>4.6</td>
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<tr>
<td>Payroll Jobs</td>
<td>-4.5</td>
<td>-0.8</td>
<td>1.2</td>
<td>1.7</td>
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<td>1.9</td>
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<td>Employment</td>
<td>-4.1</td>
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<td>1.6</td>
<td>1.5</td>
<td>1.8</td>
<td>1.9</td>
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<tr>
<td>Unemployment Rate (%)</td>
<td>6.8</td>
<td>6.6</td>
<td>6.0</td>
<td>5.5</td>
<td>5.0</td>
<td>4.6</td>
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<tr>
<td>Inflation Rate, Honolulu MSA (%)</td>
<td>0.5</td>
<td>2.1</td>
<td>3.2</td>
<td>1.6</td>
<td>2.1</td>
<td>1.7</td>
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<tr>
<td>Real Personal Income</td>
<td>-1.4</td>
<td>1.6</td>
<td>1.3</td>
<td>0.9</td>
<td>2.1</td>
<td>2.3</td>
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<tr>
<td>Real GDP</td>
<td>-1.6</td>
<td>-0.1</td>
<td>1.7</td>
<td>2.1</td>
<td>3.0</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Note: Source is UHERO. Figures for 2011-2014 are forecasts from 2011Q4 State Forecast Update.
2011 Q4: STATE FORECAST UPDATE

HAWAII IN PAUSE MODE

UPDATES

NOVEMBER 18, 2011
KITV Project Economy: Super Committee With Super Deadline

Q & A: Super Committee Decisions Due Next Week

NOVEMBER 11, 2011
KITV Project Economy: APEC’s Impact On Local Economy

BLOG

Almost four years after the start of the great recession total output of goods and services in the US has surpassed its pre-recession peak.

Read more...

VISUALIZE

Median Airfare from US Mainland to Hawaii
NonFarm Jobs (Thou.), 2009

Statewide At a Glance

<table>
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<tr>
<th>Indicators</th>
<th>Source</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>NonFarm Jobs (Thou.)</td>
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<td>601.6</td>
<td>617.1</td>
<td>624.9</td>
<td>619.2</td>
<td>591.5</td>
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<td>Population (Thou.)</td>
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<td>1,264.5</td>
<td>1,275.3</td>
<td>1,277.4</td>
<td>1,286.2</td>
<td>1,205.2</td>
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<tr>
<td>Real Per Capita Income (1982-84 Thou.)</td>
<td></td>
<td>18.1</td>
<td>18.4</td>
<td>18.6</td>
<td>18.4</td>
<td></td>
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<tr>
<td>Visitors (Thou.)</td>
<td></td>
<td>7,416.6</td>
<td>7,528.1</td>
<td>7,496.8</td>
<td>6,713.4</td>
<td>6,419.1</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td></td>
<td>2.7</td>
<td>2.5</td>
<td>2.6</td>
<td>4.0</td>
<td>6.8</td>
</tr>
</tbody>
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Click here for more detailed information