



UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

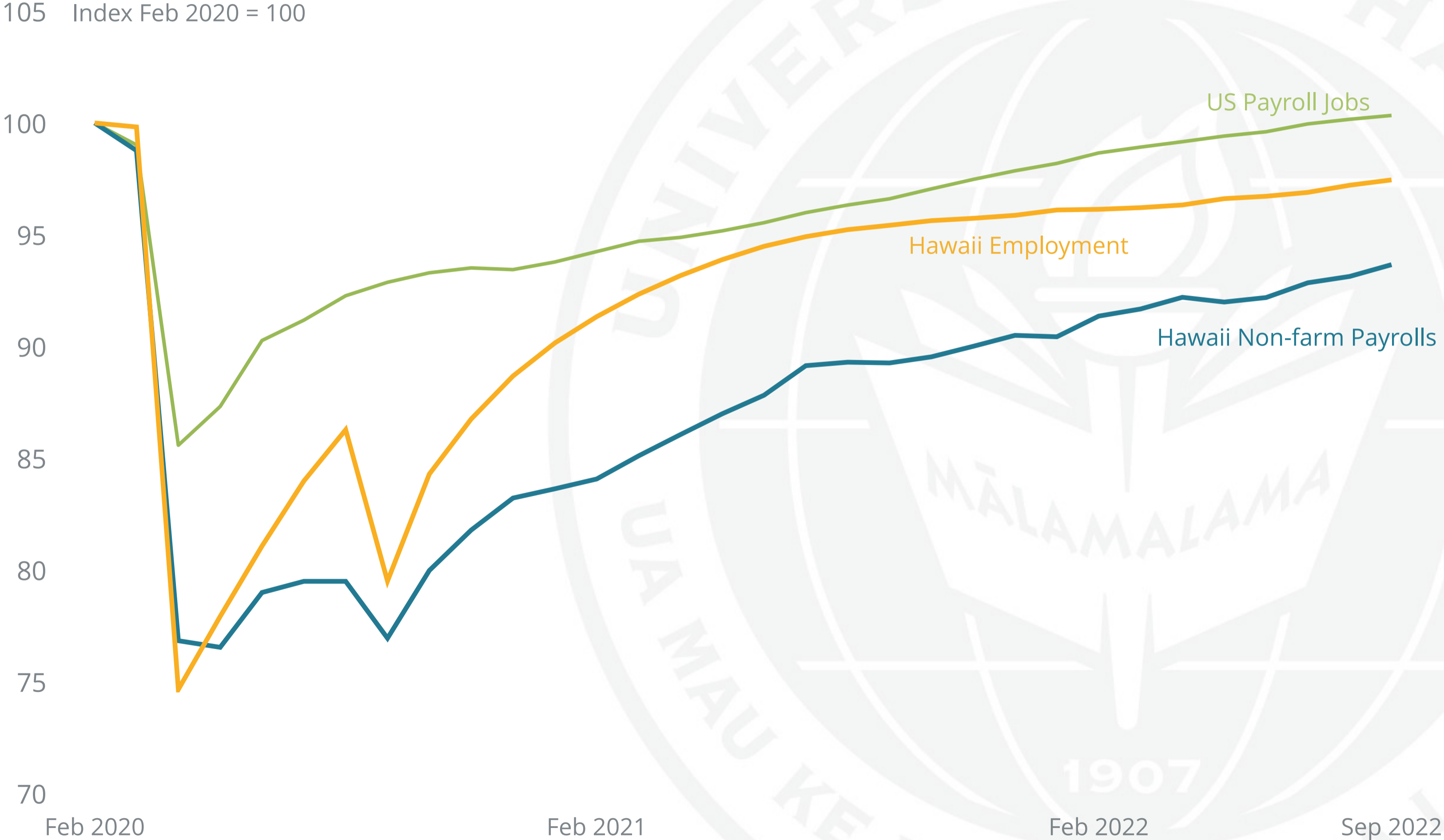
US RECESSION WILL WEIGH ON HAWAII RECOVERY

DR. CARL BONHAM
EXECUTIVE DIRECTOR, UHERO
PROFESSOR, DEPARTMENT OF ECONOMICS

HBR ECONOMIC FORUM
NOVEMBER 3, 2022

Hawaii recovery is still a work in progress

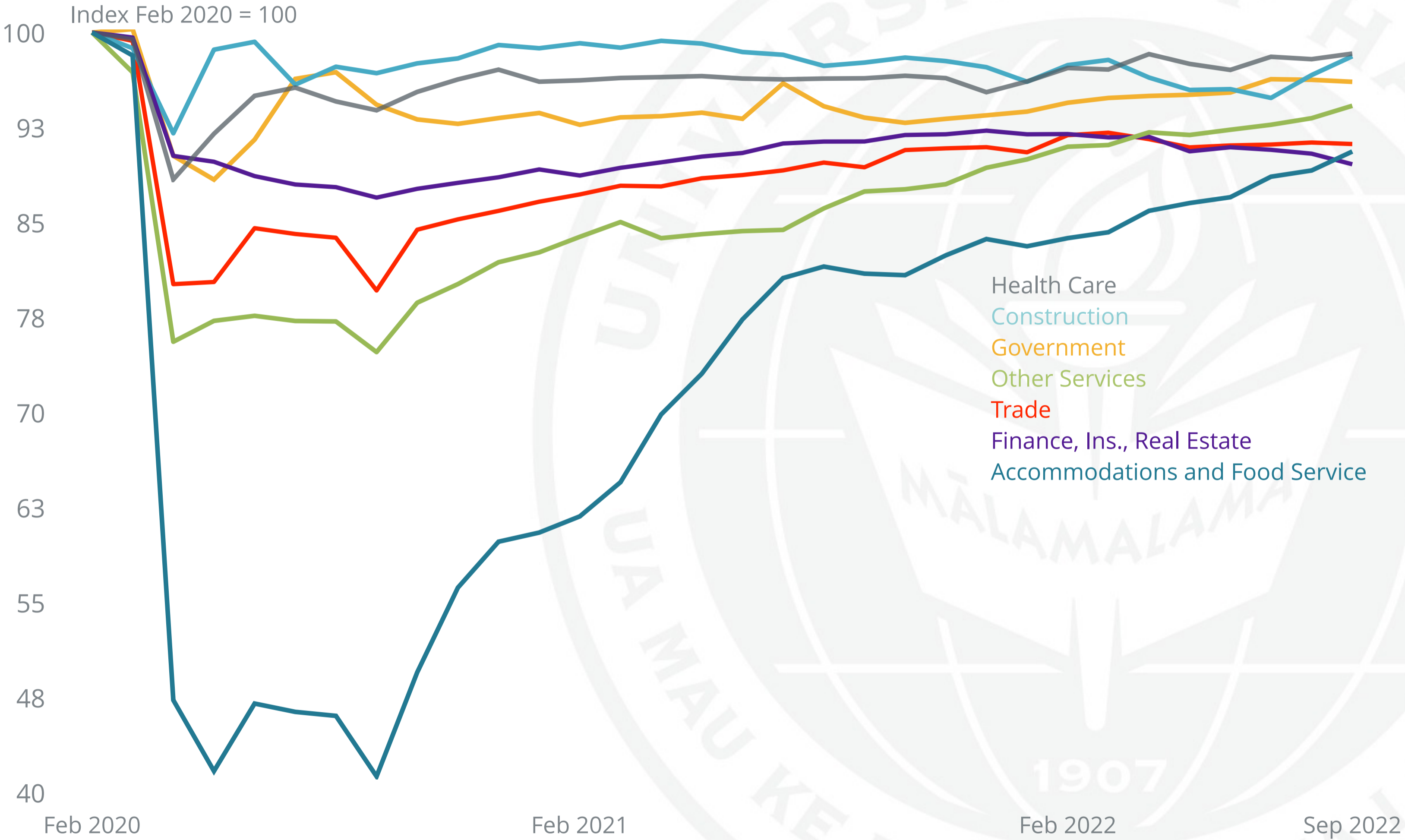
new business formation, gigs, 2nd jobs, covid all make payrolls hard to fill



Source: BLS. [UHEROdata](#), UHERO internal benchmarks.

Ongoing tourism recovery is just one of the challenges

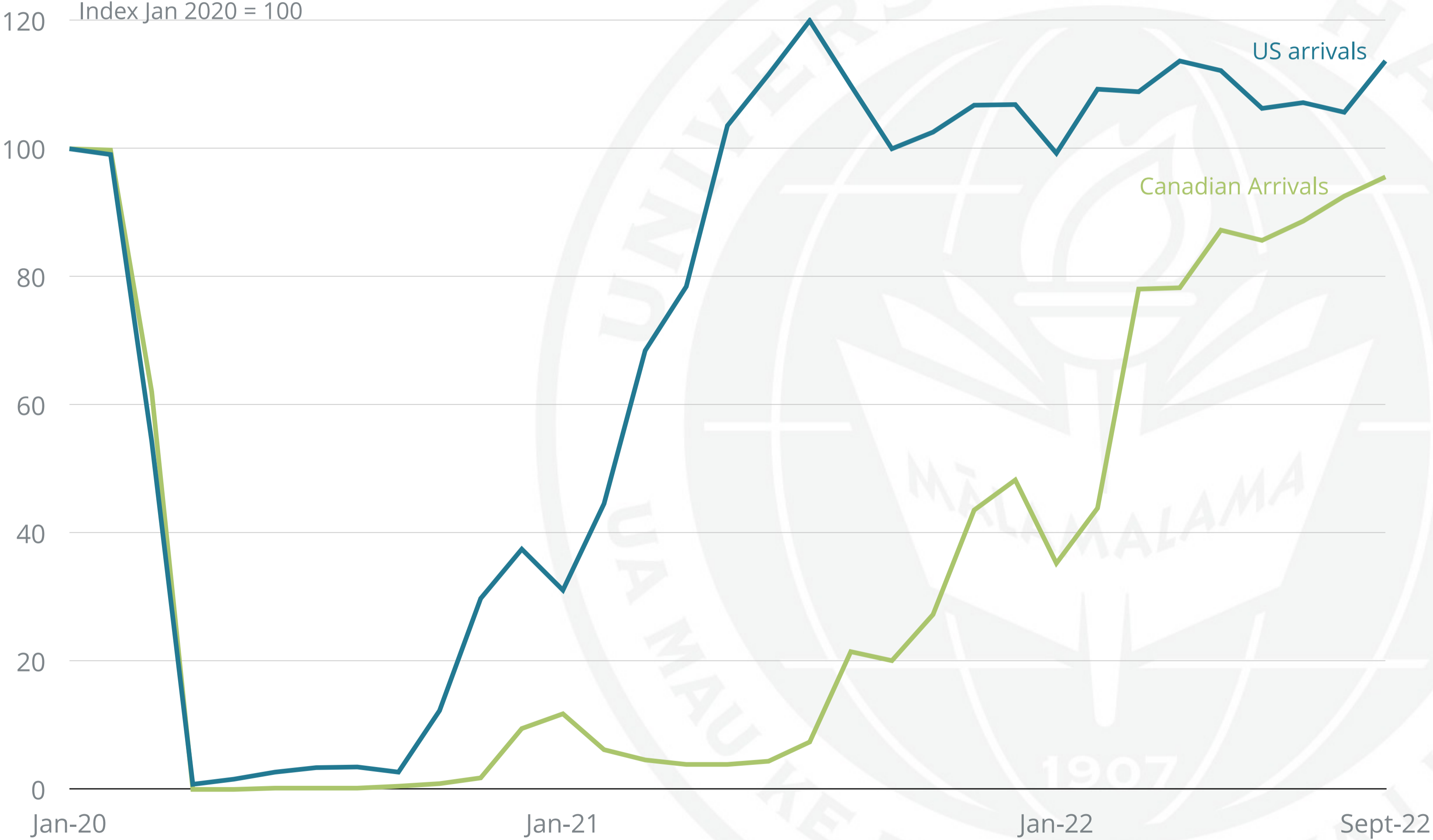
only health care and construction are close to pre-pandemic payrolls



Source: BLS. UHEROdata, UHERO internal benchmarks.

Continued tourism growth depends on international recovery

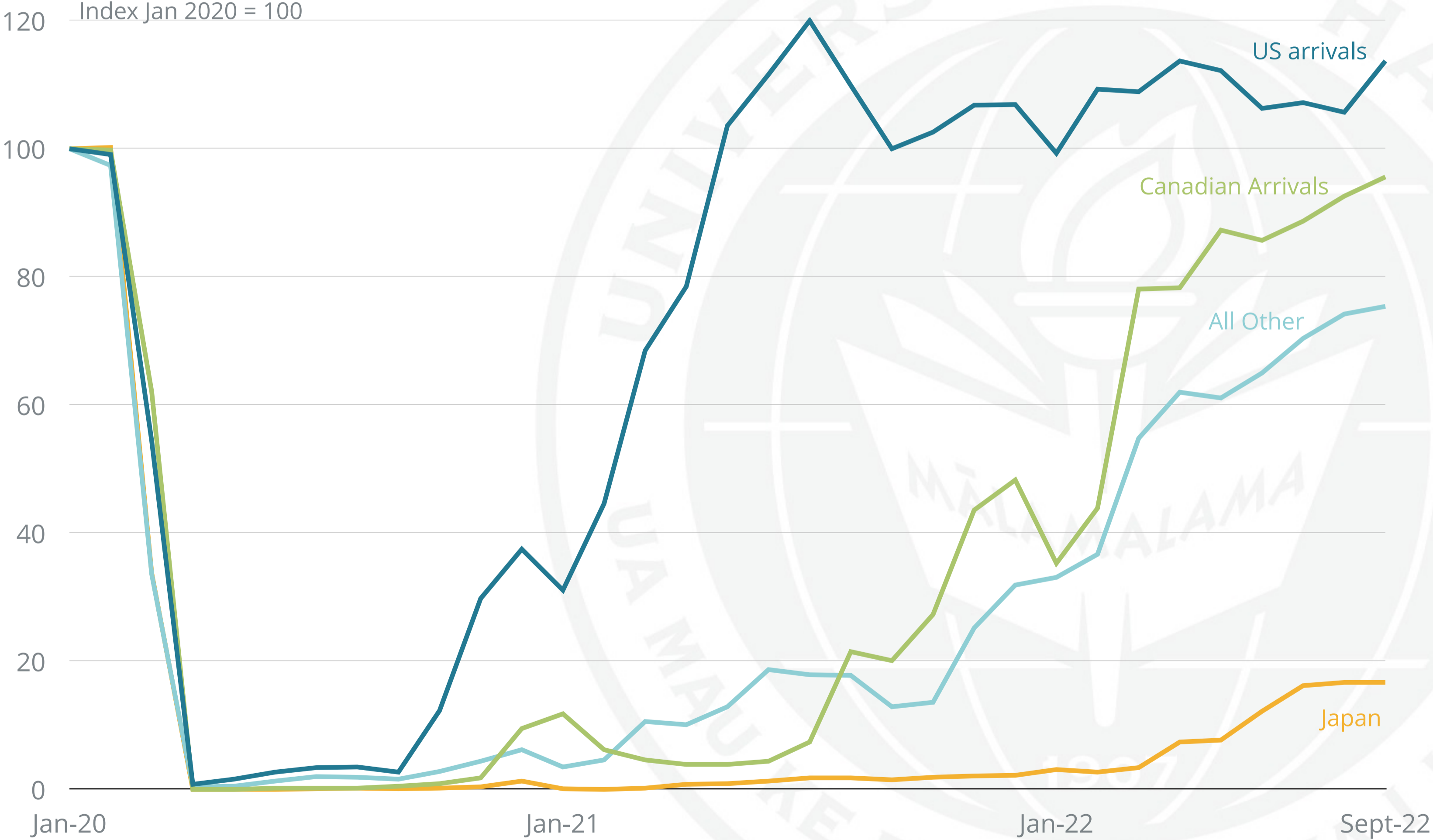
and the Japan visitor recovery has stalled since July



Source: HTA, [UHERO.data](https://www.uhero.hawaii.edu).

Continued tourism growth depends on international recovery

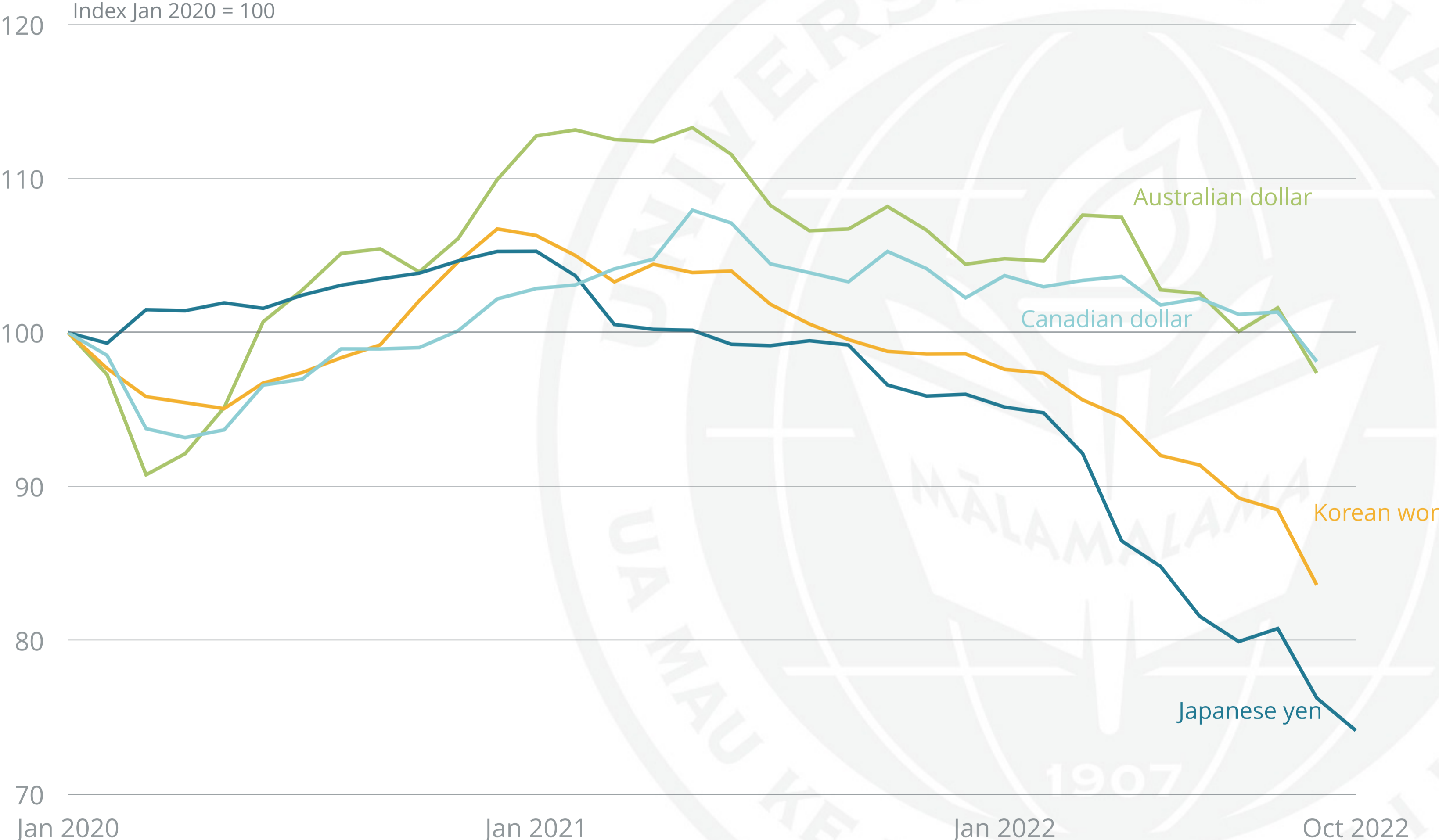
and the Japan visitor recovery has stalled since July



Source: HTA, [UHERO.data](https://www.uhero.hawaii.edu).

Rising costs are stifling pent up demand

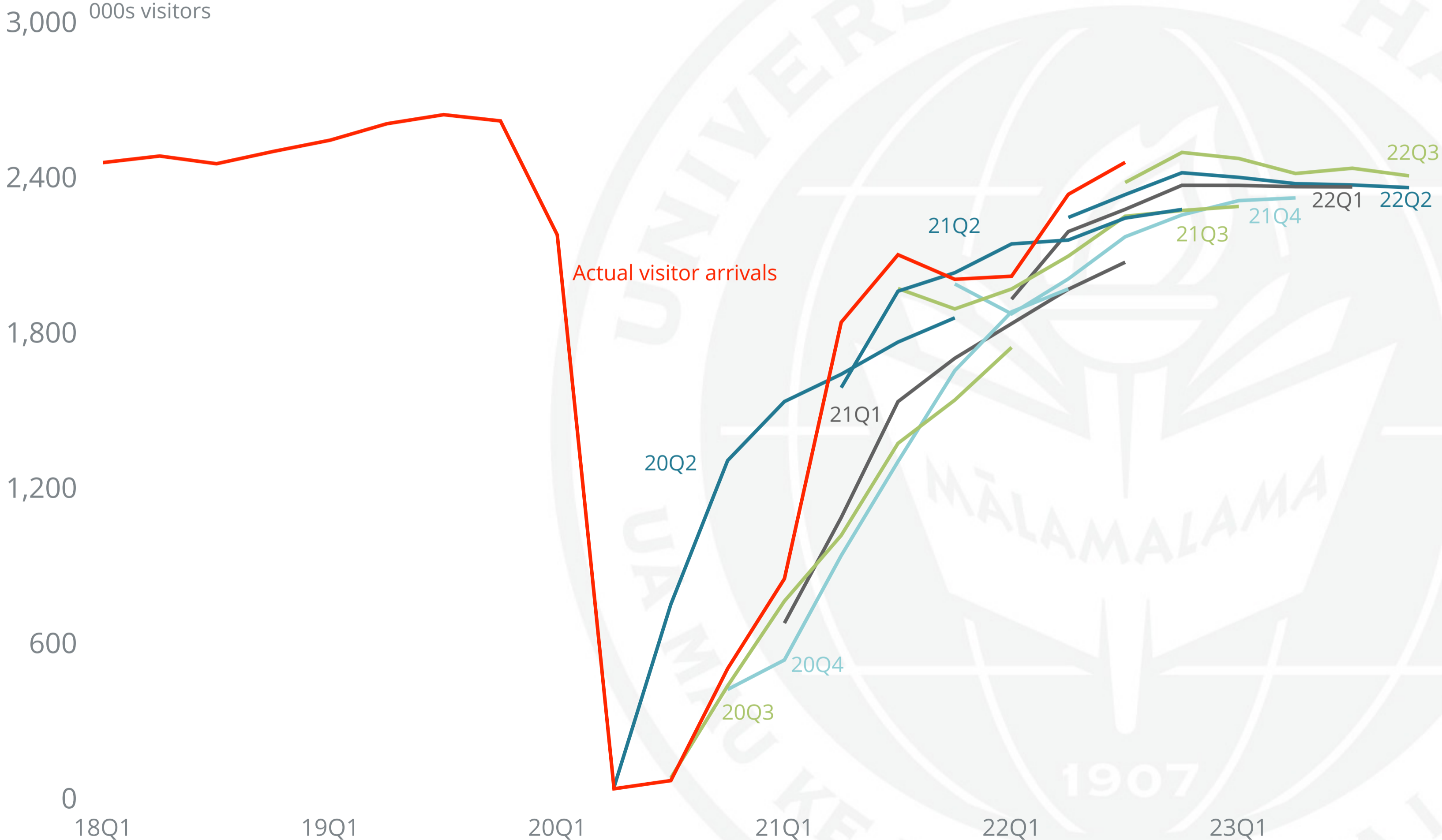
Hotel rooms +30%, Food and Drink + 18%, Yen - 26%



Source: FRED

US visitors continue to surprise to the upside

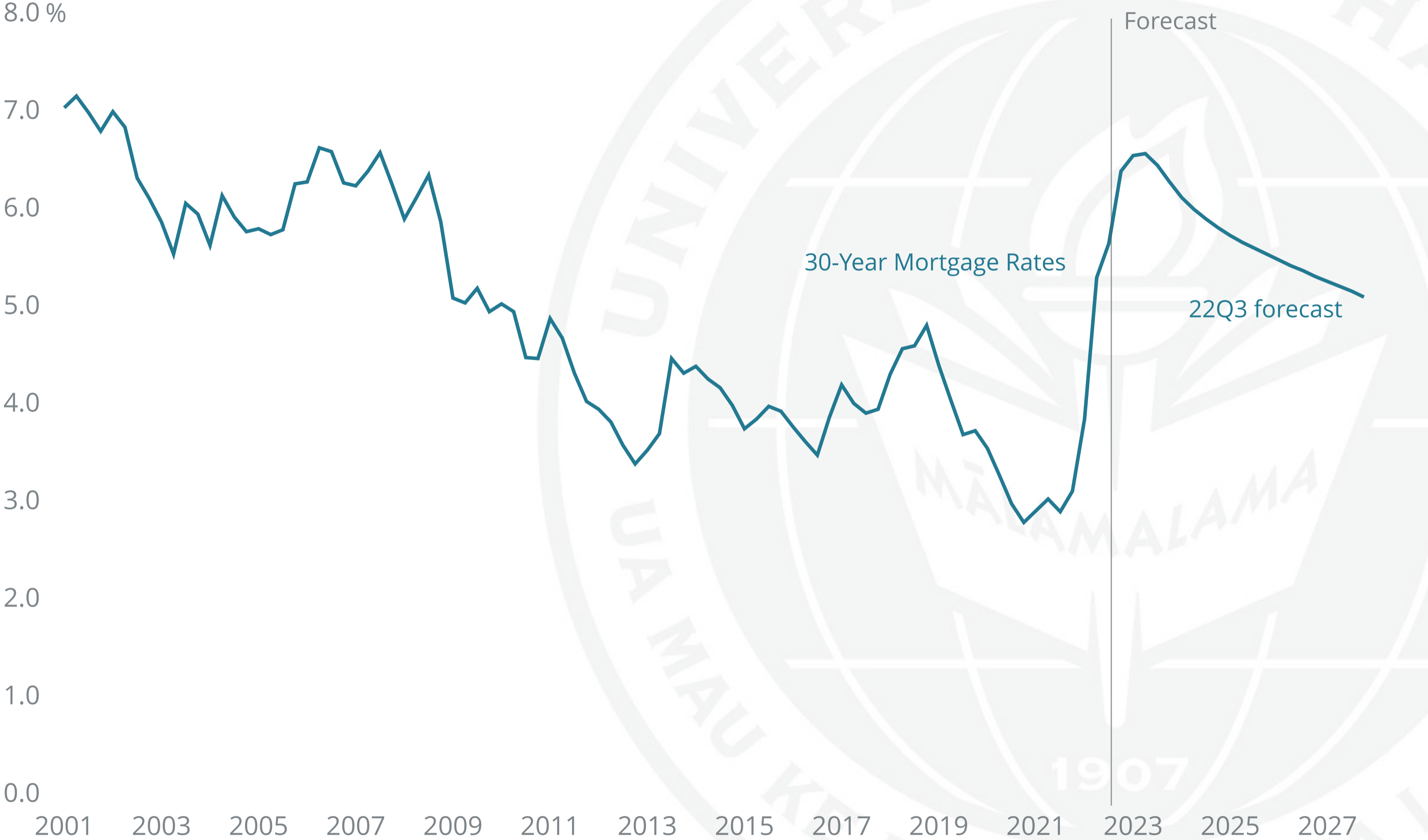
US strength vs international weakness



Source: Source: HTA, UHERO forecasts.

Other surprises are not nearly as positive

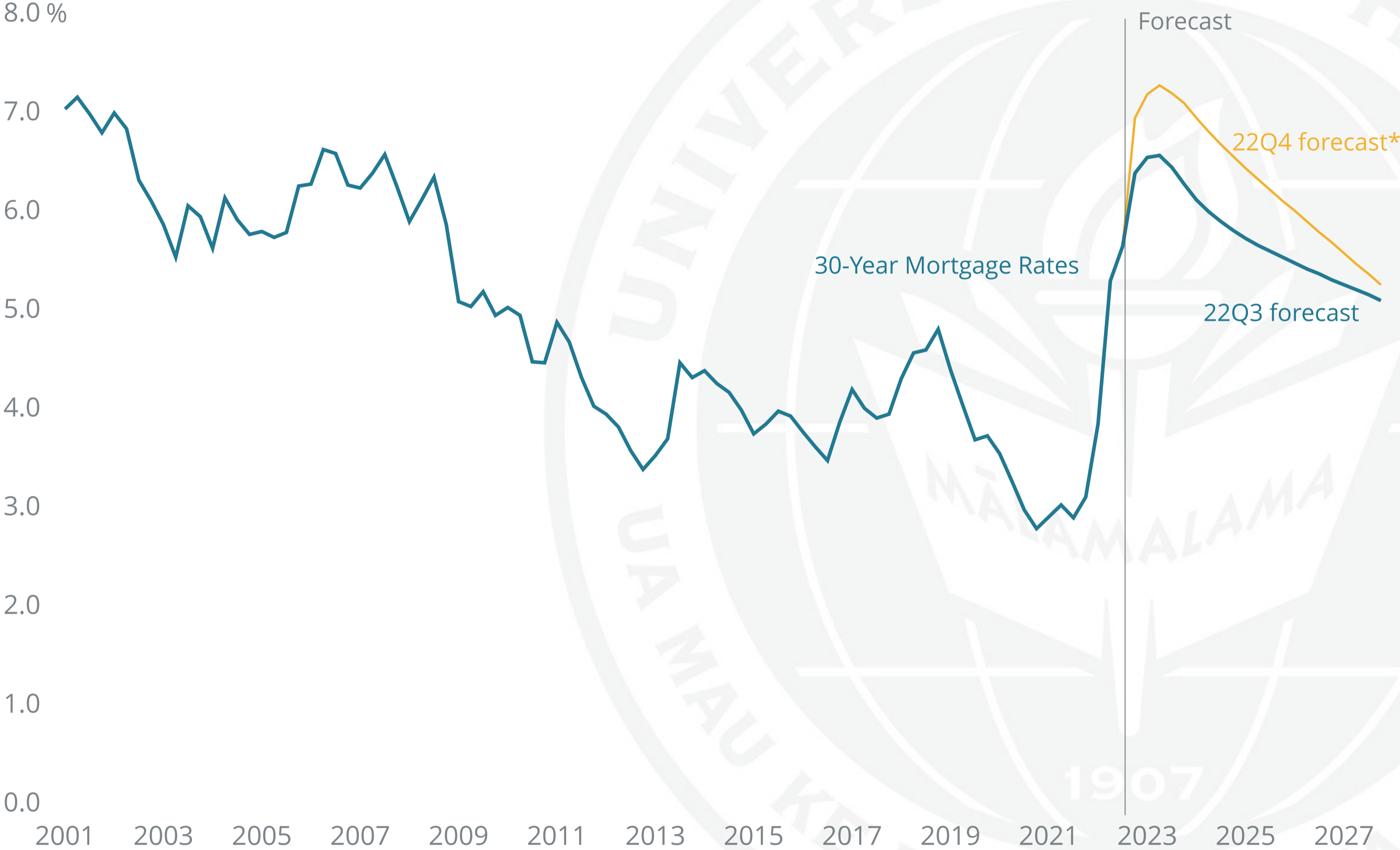
Builders are being squeezed by rising costs and falling demand



Source: Federal Reserve Board, UHERO 22Q3 forecast, 22Q4 preliminary forecast.

Other surprises are not nearly as positive

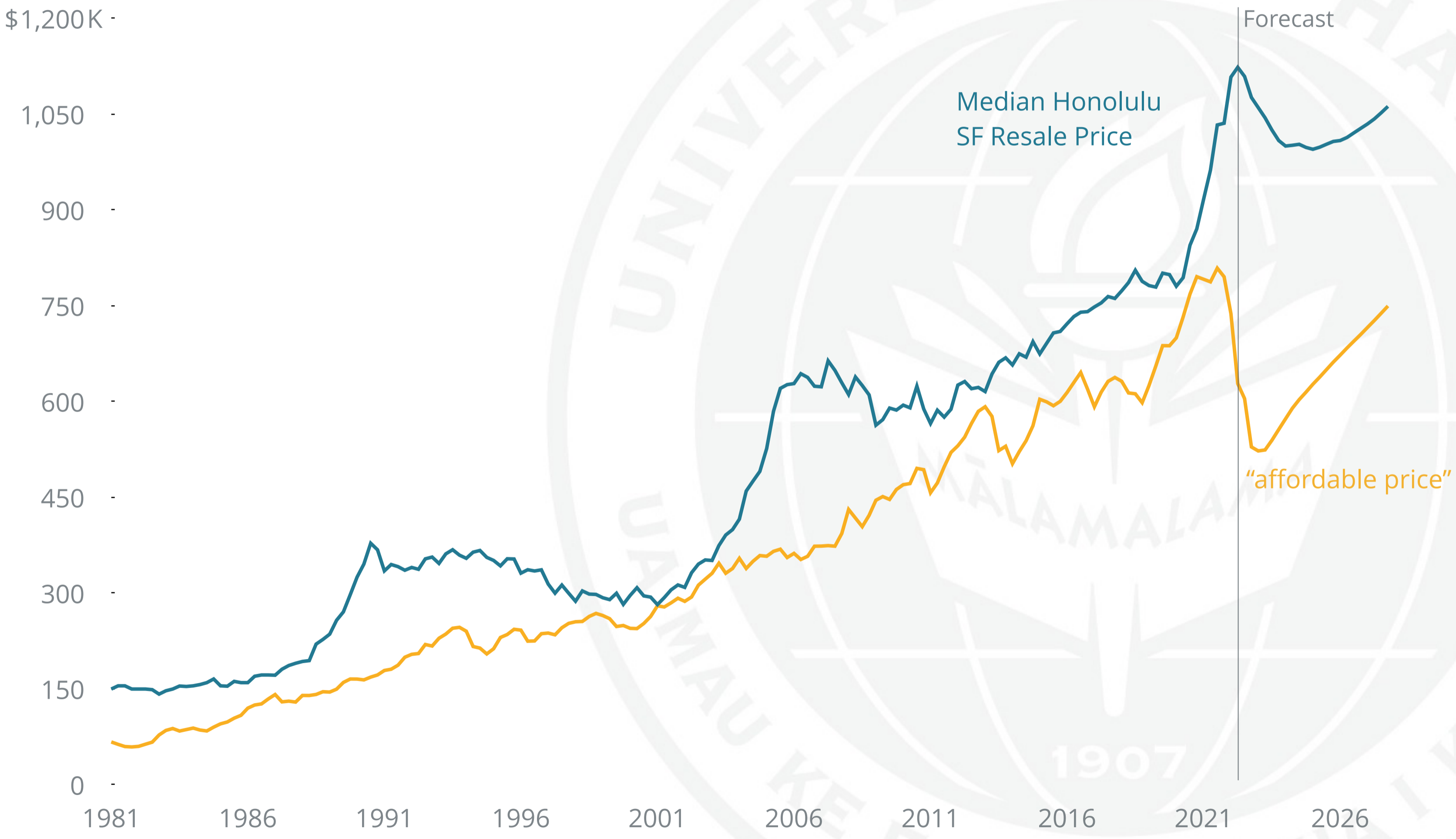
Builders are being squeezed by rising costs and falling demand



Source: Federal Reserve Board, UHERO 22Q3 forecast, 22Q4 preliminary forecast.

Builders squeezed by rising costs and falling demand

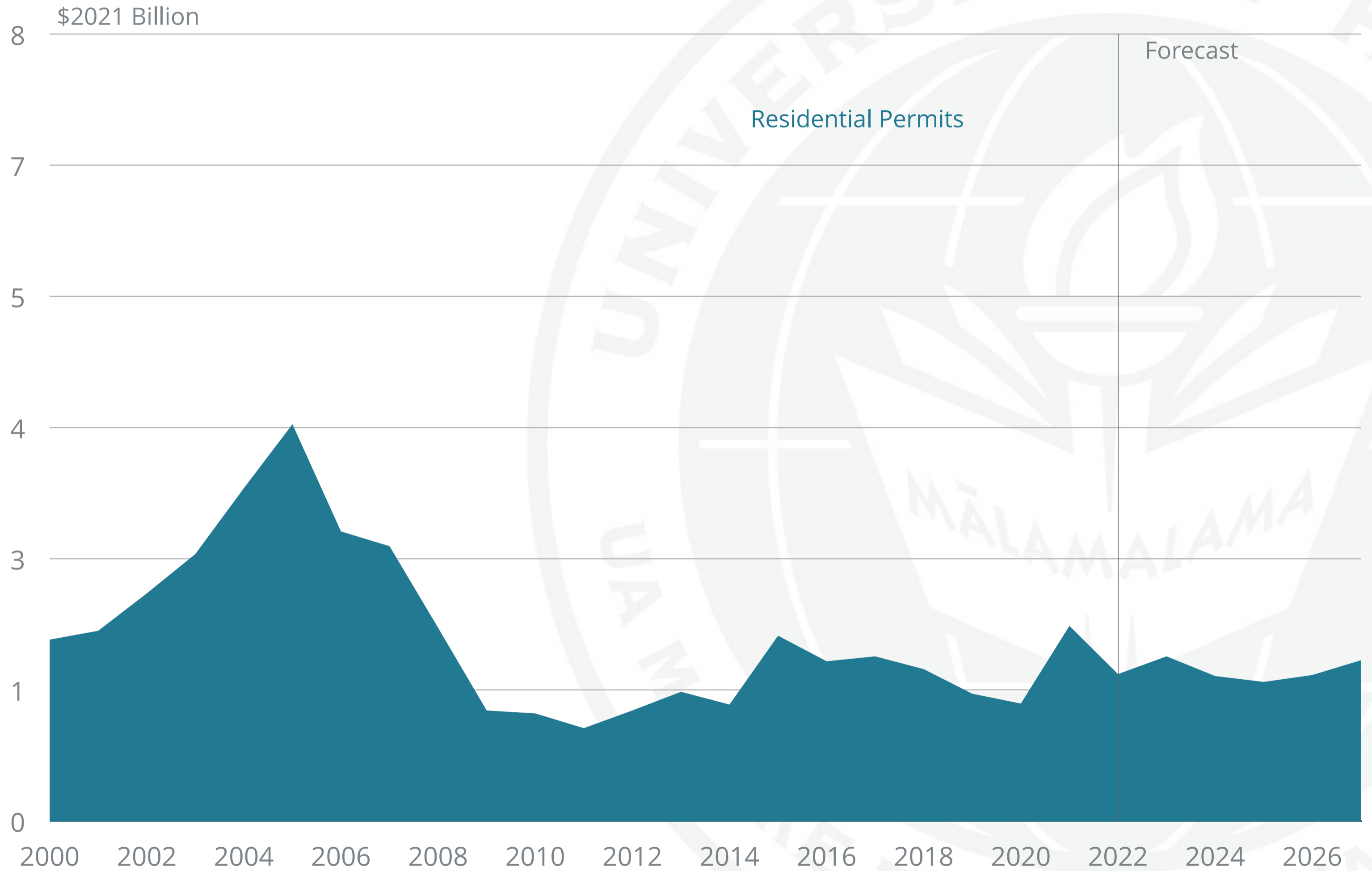
affordability has collapsed with surging mortgage rates and prices



Source: Honolulu Board of Realtors, UHERO 22Q4 preliminary forecast.

Construction spending helps offsets decline in visitor spending

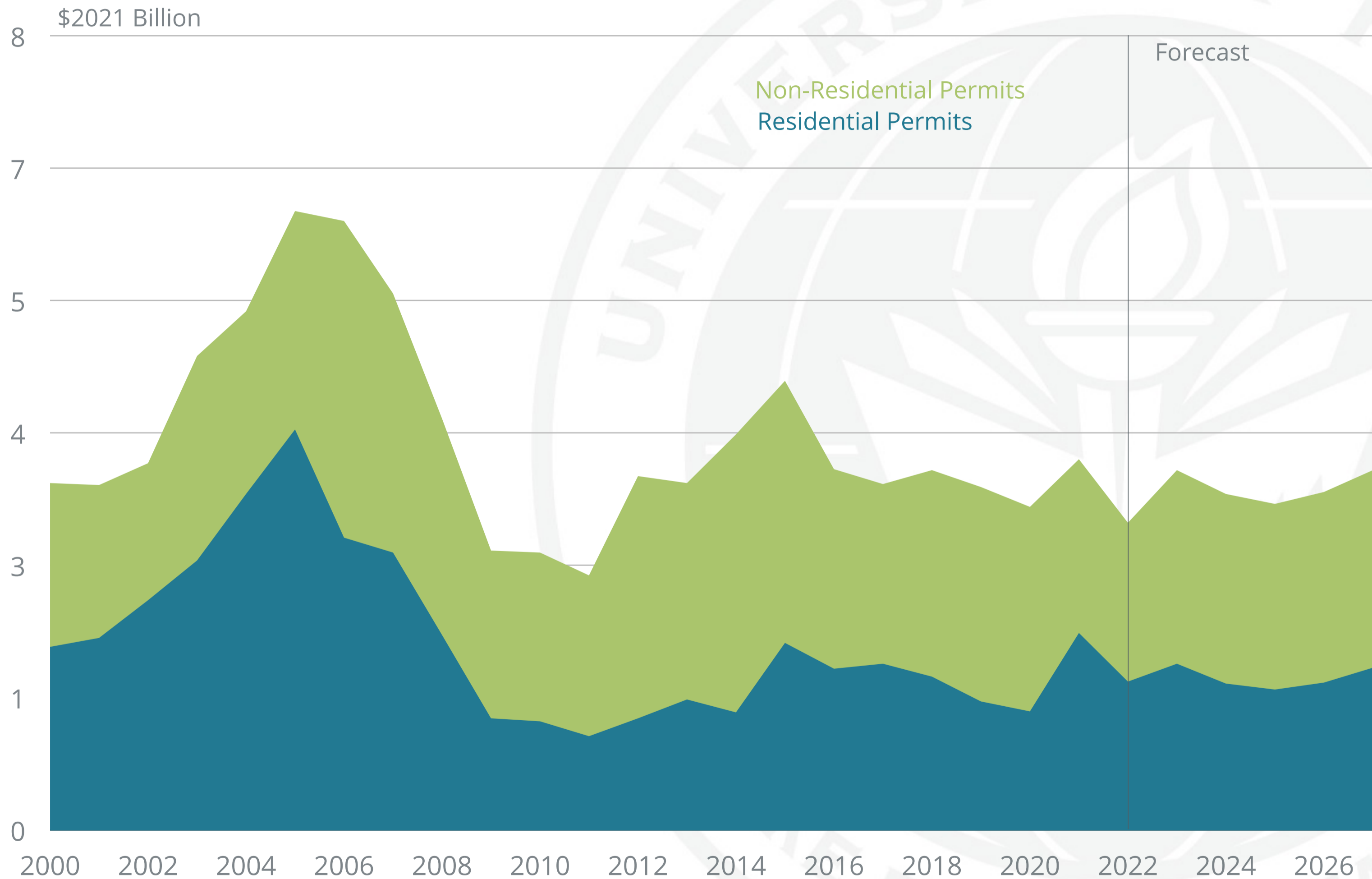
With federal IJA and DoD\$—this time may really be different



Source: DBEDT, UHERO 22Q4 preliminary forecast.

Construction spending helps offsets decline in visitor spending

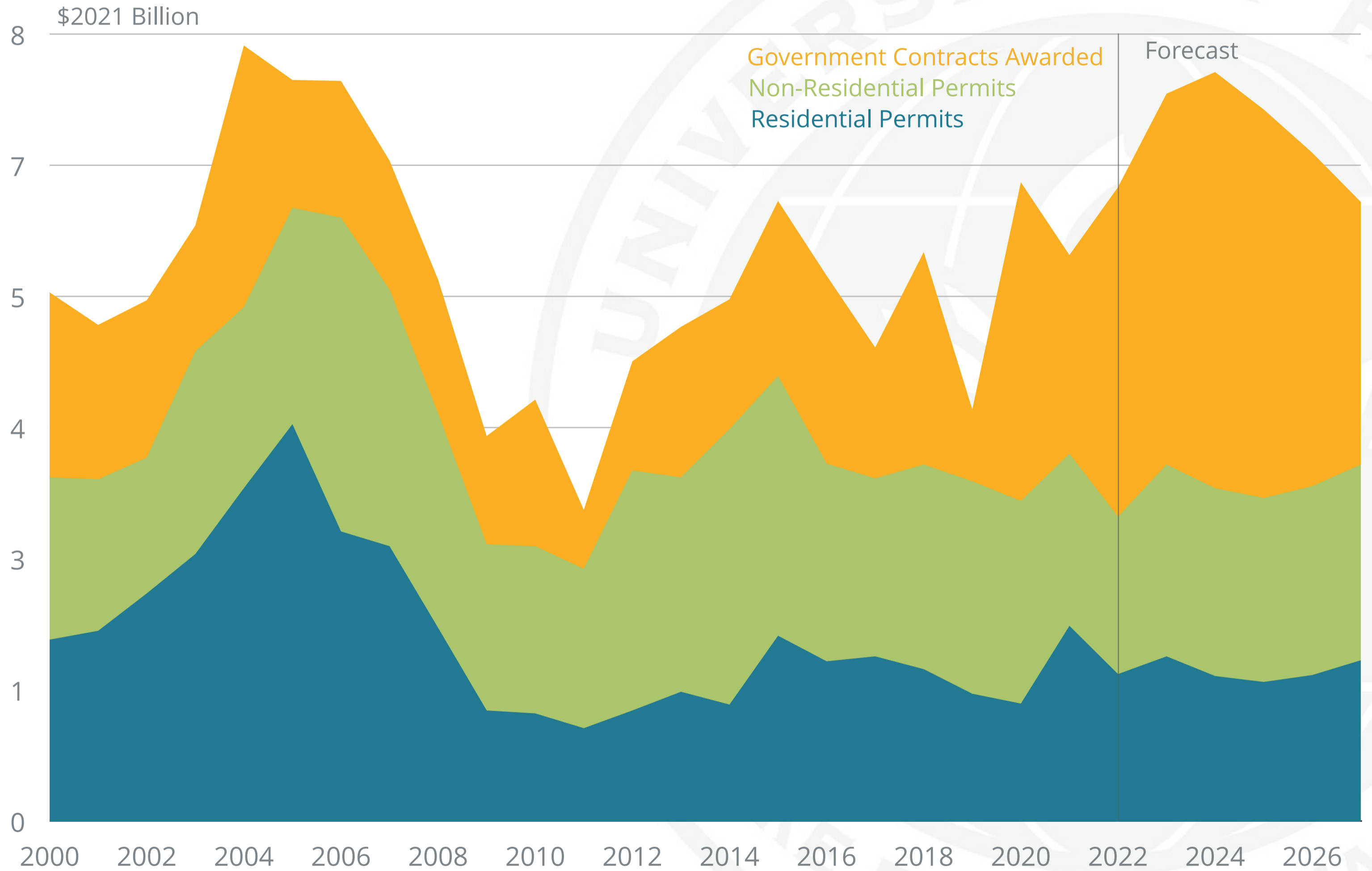
With federal IJA and DoD\$—this time may really be different



Source: DBEDT, UHERO 22Q4 preliminary forecast.

Construction spending helps offsets decline in visitor spending

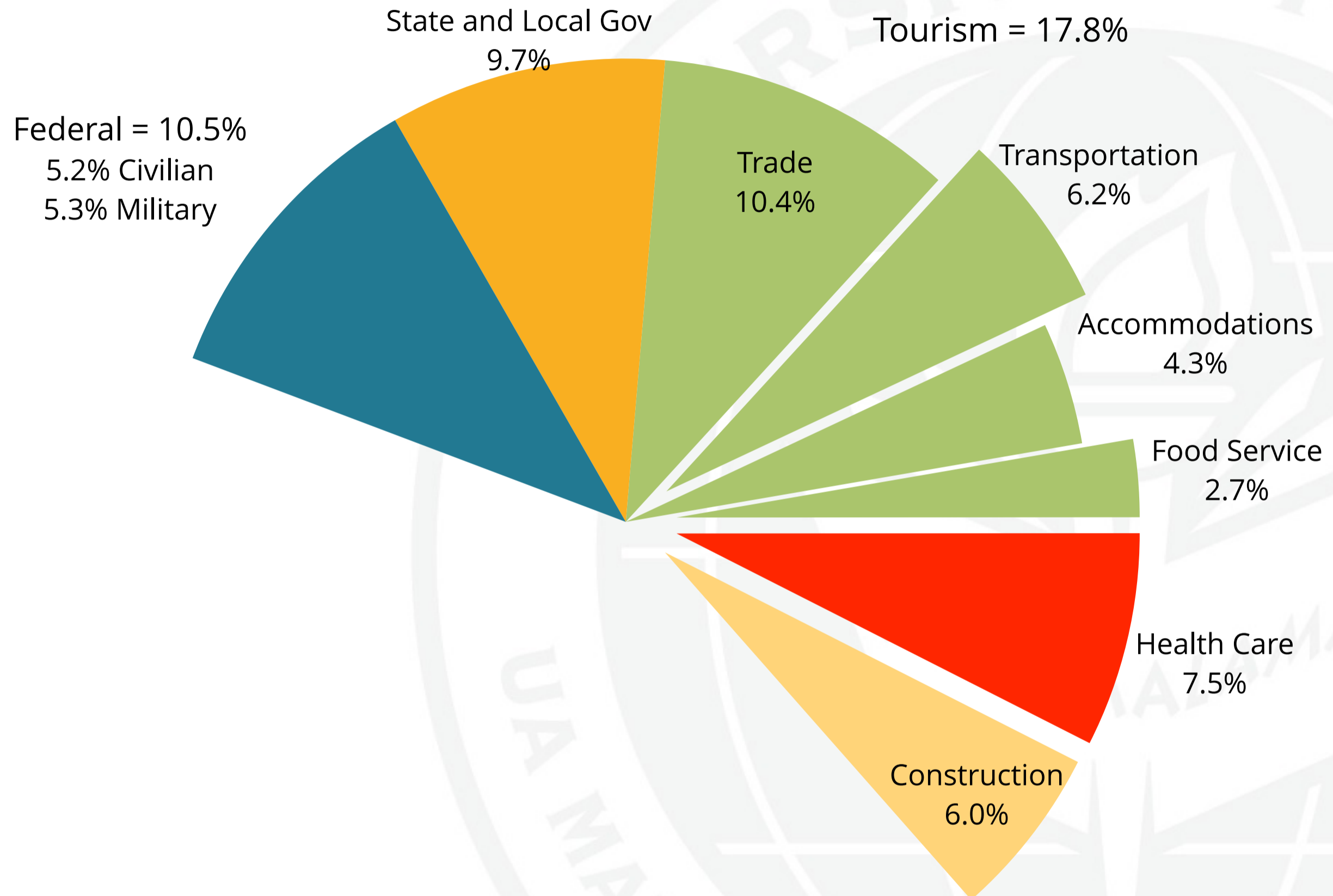
With federal IJA and DoD\$—this time may really be different



Source: DBEDT, UHERO 22Q4 preliminary forecast.

What lies ahead post pandemic recovery?

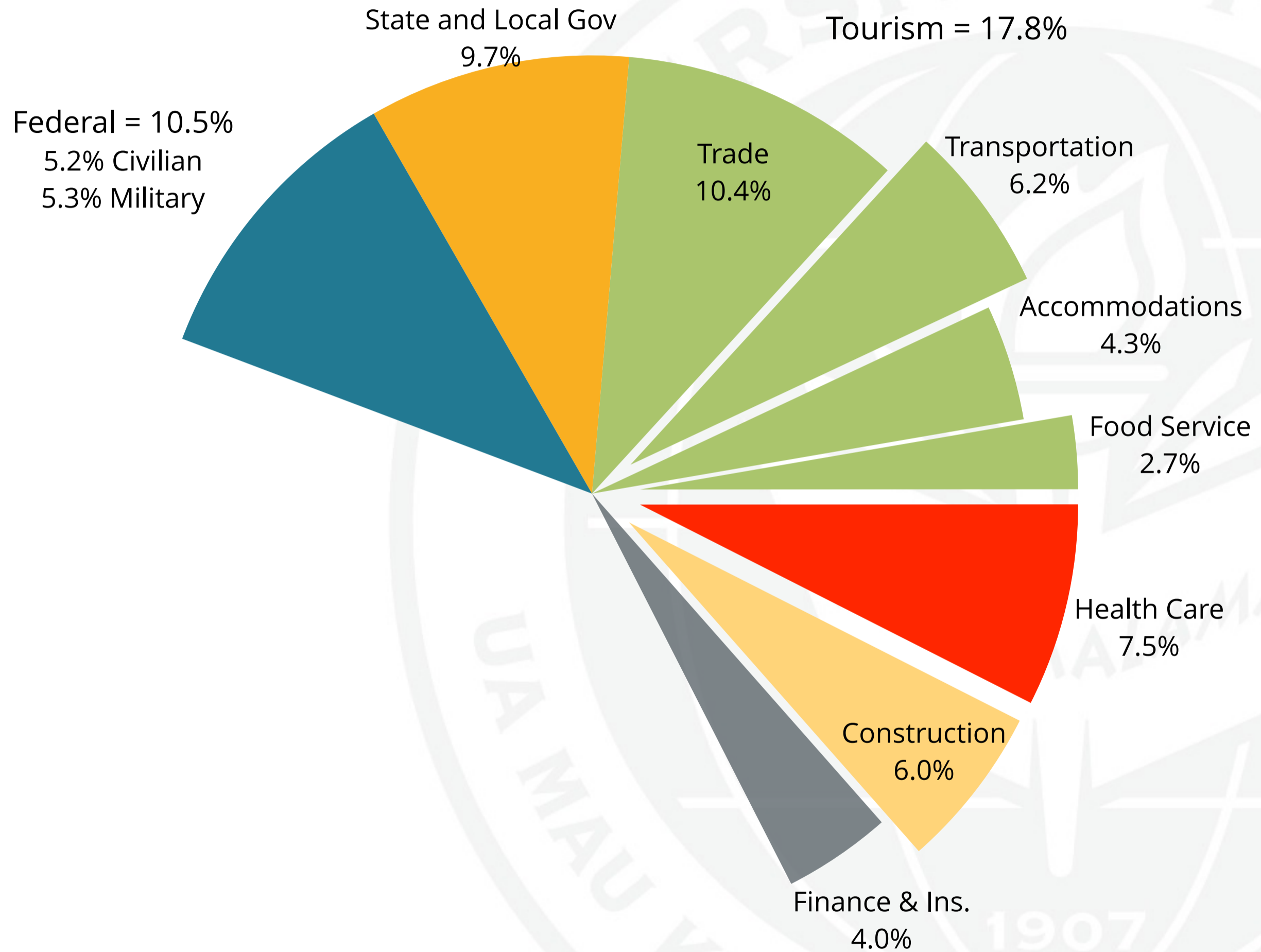
Industry shares of 2019 GDP



Source: BEA, DBEDT, UHERO.

What lies ahead post pandemic recovery?

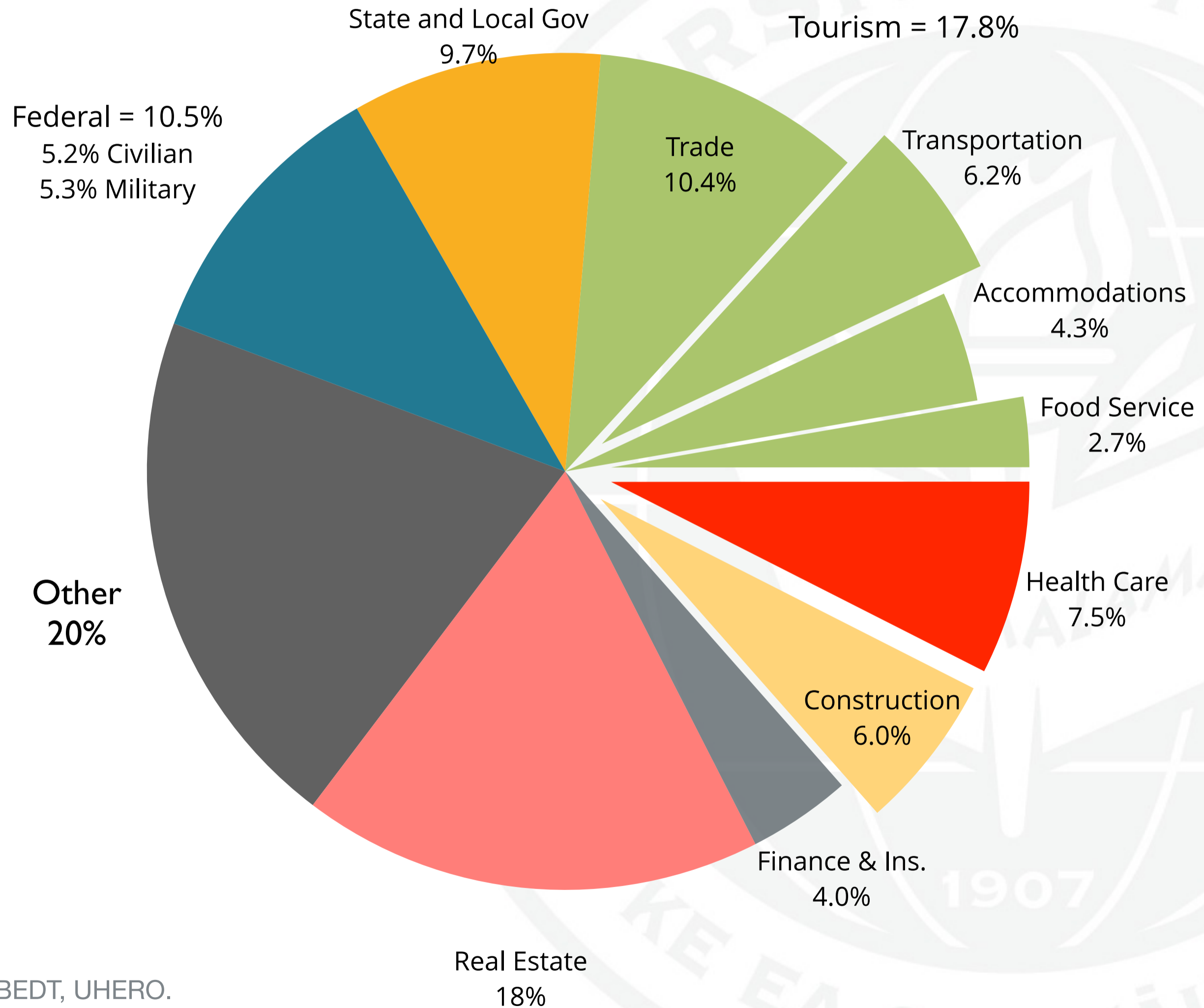
Industry shares of 2019 GDP



Source: BEA, DBEDT, UHERO.

What lies ahead post pandemic recovery?

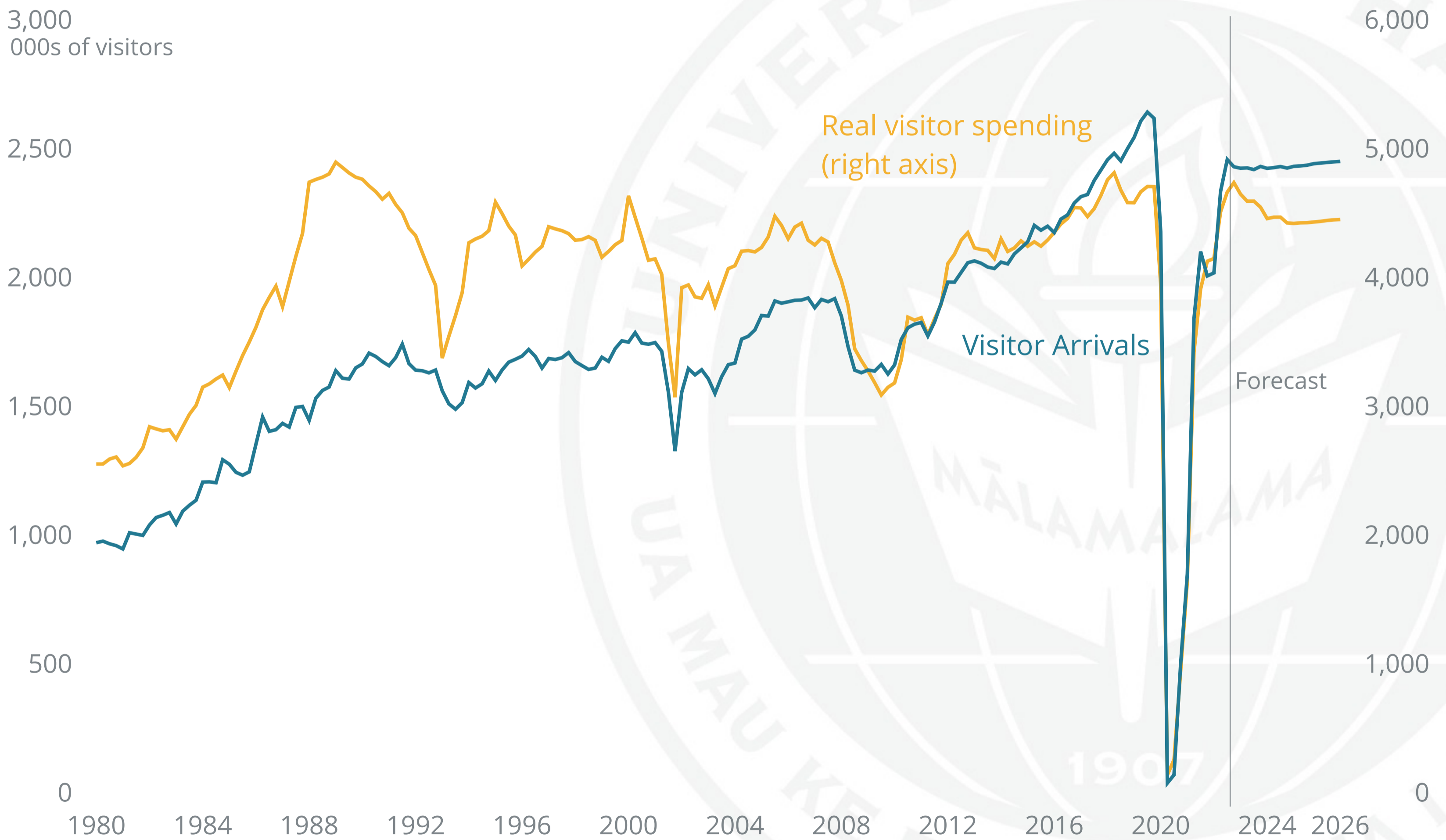
Industry shares of 2019 GDP



Source: BEA, DBEDT, UHERO.

When the recovery is over—

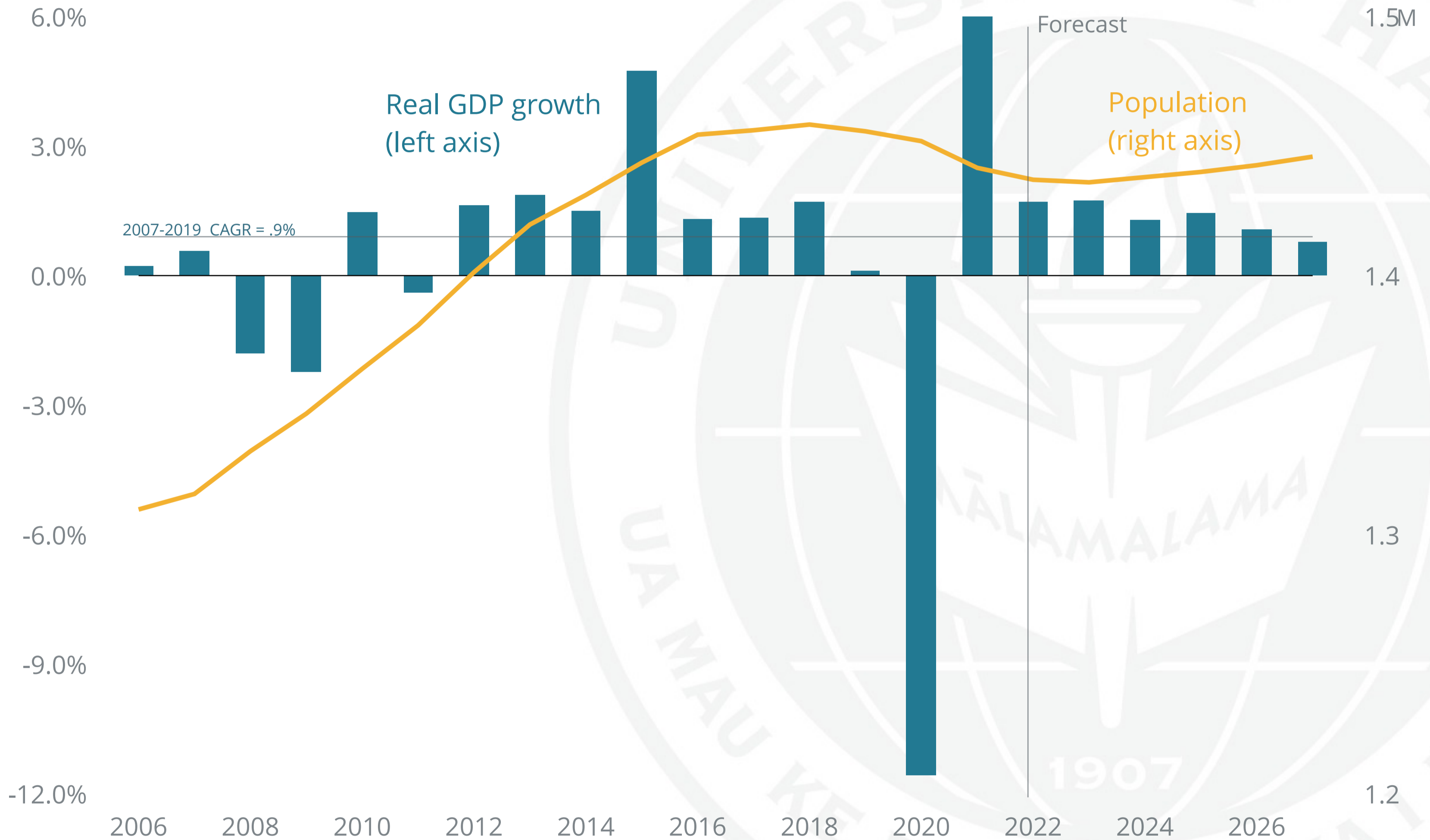
can tourism “management” change this picture?



Source: HTA, BLS, UHERO 22Q4 preliminary forecast. Nominal visitor spending deflated using Honolulu CPI.

What lies at the end of Hawaii's recovery?

pre-pandemic cycle saw less than 1% real growth



Source: BEA, CENSUS, UHERO estimates of intercensal population (2011-2019), UHERO 22Q4 preliminary forecast.



BLOGS

[Blog: To Tax or Not to Tax Sale of Food and Medicine](#)

August 15, 2022

By James Mak Inflation is soaring at the highest rate since the early 1980s. Not surprisingly, many Hawaii residents are struggling financially today. Sadly, this

[Read More »](#)
[Blog: Is O'ahu's new Comprehensive Economic Development Strategy strategic enough?](#)

July 7, 2022

By Steven Bond-Smith The draft O'ahu Comprehensive Economic Development Strategy (CEDS) for 2022-2026 is now out for public comment. The importance of the CEDS is

[Read More »](#)
[Blog: Managing for diverse coastal uses and values under sea level rise: perspectives from O'ahu](#)

June 7, 2022

By Leah Bremer, Makena Coffman, Alisha Summers, Lisa Kelley, and Billy Kinney "That whole experience of bonding, the family, the fresh air, that's so critical.

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NEWS

[New publication to understand COVID-19 disparities in Native Hawaiians and other Pacific Islander \(NHPI\)-enriched communities](#)

September 16, 2022

New publication out today by UHERO's Ruben Juarez and team, "Vaccine-Associated Shifts in SARS-CoV-2 Infectivity Among the Native Hawaiian and Other Pacific Islander Population in Hawaii".

[Read More »](#)
[New publication explores role of trust and information consumption on vaccine and booster uptake](#)

September 1, 2022

Congratulations to Ruben Juarez and team for their new publication in Vaccines. To understand contributors to vaccine hesitancy and how they change over time, the

[Read More »](#)
[Sumner La Croix awarded the Best Paper of 2021 by Economic Record](#)

September 1, 2022

A paper by UHERO's Sumner La Croix, "Australia's Forgotten Copper Mining Boom: High unemployment, Social



BRIEFS

[Measuring the Burden of Housing Regulation in Hawaii](#)

April 14, 2022

By Rachel Inafuku, Justin Tyndall, and Carl Bonham Home prices in Hawaii are among the highest in the nation: in 2021 the median single-family home resale

[Read More »](#)
[COVID-19 Mandates: Recommendations for Hawai'i Businesses](#)

August 23, 2021

Read the summary blog post. By Ruben Juarez, Alikea Maunakea, May Okihiro, and Carl Bonham Faced with the largest increase in cases since the beginning

[Read More »](#)
[Developing a Dream Destination: From Laissez-Faire to Destination Management](#)

July 19, 2021

Read the summary blog post. By James Mak In 2008, I published an interpretive history of how public policies toward tourism in Hawaii changed over

[Read More »](#)


FORECASTS

[UHERO Forecast for the State of Hawaii: Foreign visitors will provide lift, but risks have multiplied](#)

May 12, 2022

Hawaii's recovery has resumed now that the Delta and Omicron waves are behind us. Once the Asian COVID-19 wave recedes, the long-awaited return of international

[Read More »](#)
[UHERO Forecast for the State of Hawaii: With Omicron in the rearview mirror, a clearer road ahead?](#)

March 5, 2022

The two COVID-19 waves since last summer caused a pullback in Hawaii tourism and a pause in labor market recovery. Visitor arrivals are now picking

[Read More »](#)
[UHERO Forecast for the State of Hawaii: Recovery resumes, but Omicron looms](#)

December 17, 2021

Economic recovery resumed with the end of Hawaii's COVID-19 wave. Now Omicron is a new threat. Renewed international travel



REPORTS

[UHERO Public Health Report: Health Effects and Views of COVID-19 in Hawai'i](#)

June 20, 2022

The COVID-19 pandemic has had significant adverse impacts in the state of Hawai'i beyond the direct effects of COVID-19 itself, including indirect effects on mental

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[Restoring Ecosystem Services and Biodiversity through Cost-Effective and Resilient Agroforestry Systems](#)

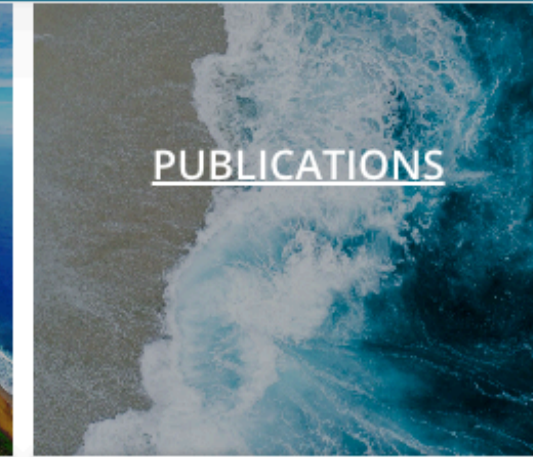
May 12, 2022

Since September 2018, our project team, composed of University of Hawai'i faculty and students, Kāko'o Ōiwi staff, and other partners have worked together to: 1)

[Read More »](#)
[Economic Impact of Astronomy in Hawai'i: 2019 Update](#)

April 24, 2022

Astronomy continues to be a sizable and stabilizing source of economic activity. In 2019, local astronomy related expenditures in the state totaled \$110.02 million with



PUBLICATIONS

[Vaccine-Associated Shifts in SARS-CoV-2 Infectivity Among the Native Hawaiian and Other Pacific Islander Population in Hawaii](#)

September 16, 2022

Abstract: Native Hawaiians and other Pacific Islanders (NHPIs) across the country have experienced significant disparities because of the COVID-19 pandemic. The Pacific Alliance Against COVID-19

[Read More »](#)
[Dynamics of Trust and Consumption of COVID-19 Information Implicate a Mechanism for COVID-19 Vaccine and Booster Uptake](#)

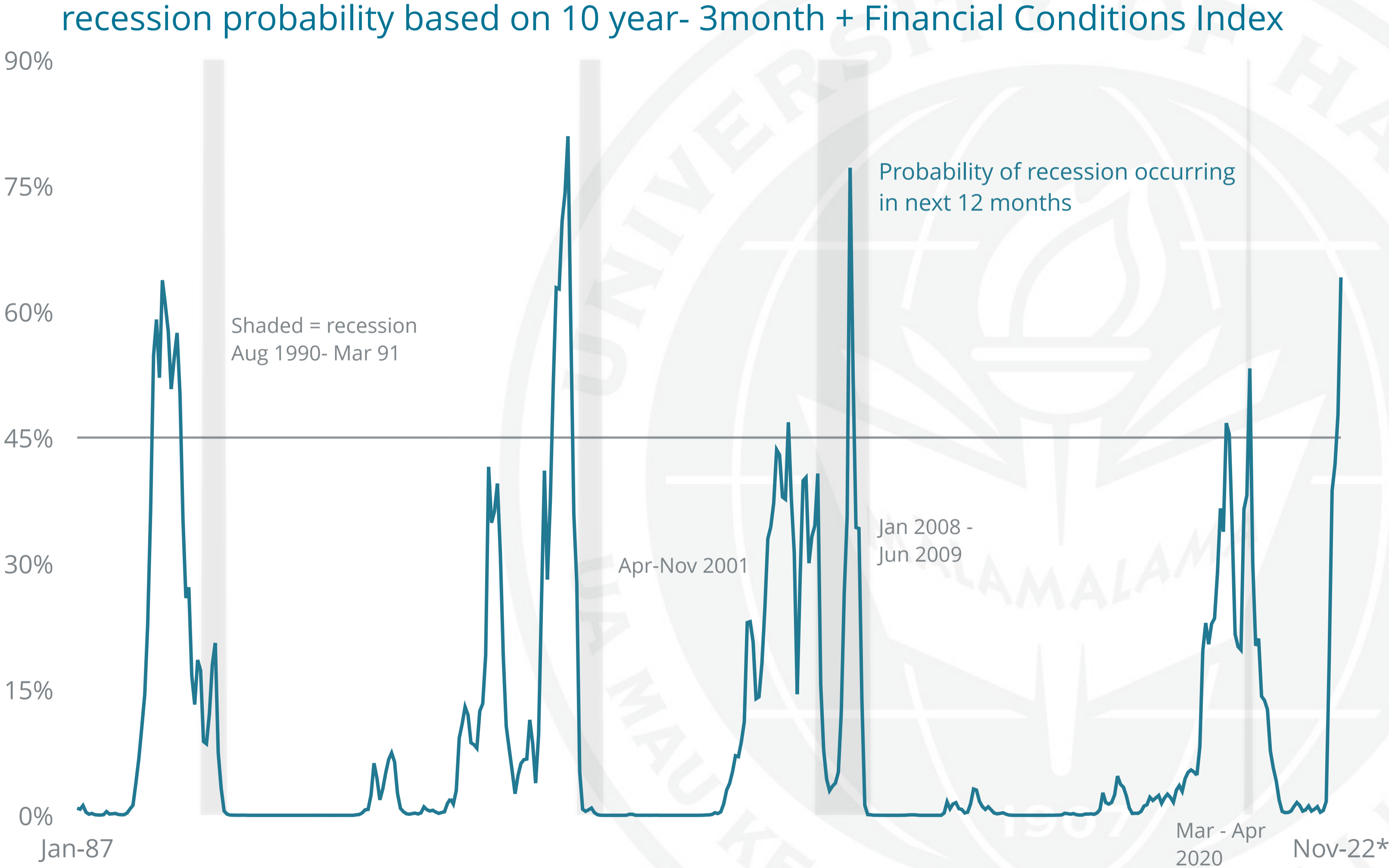
August 31, 2022

Abstract: Vaccine hesitancy remains a significant barrier to achieving herd immunity and preventing the further spread of COVID-19. Understanding contributors to vaccine hesitancy and how

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[Biocultural values of groundwater dependent ecosystems in Kona, Hawai'i](#)

August 24, 2022

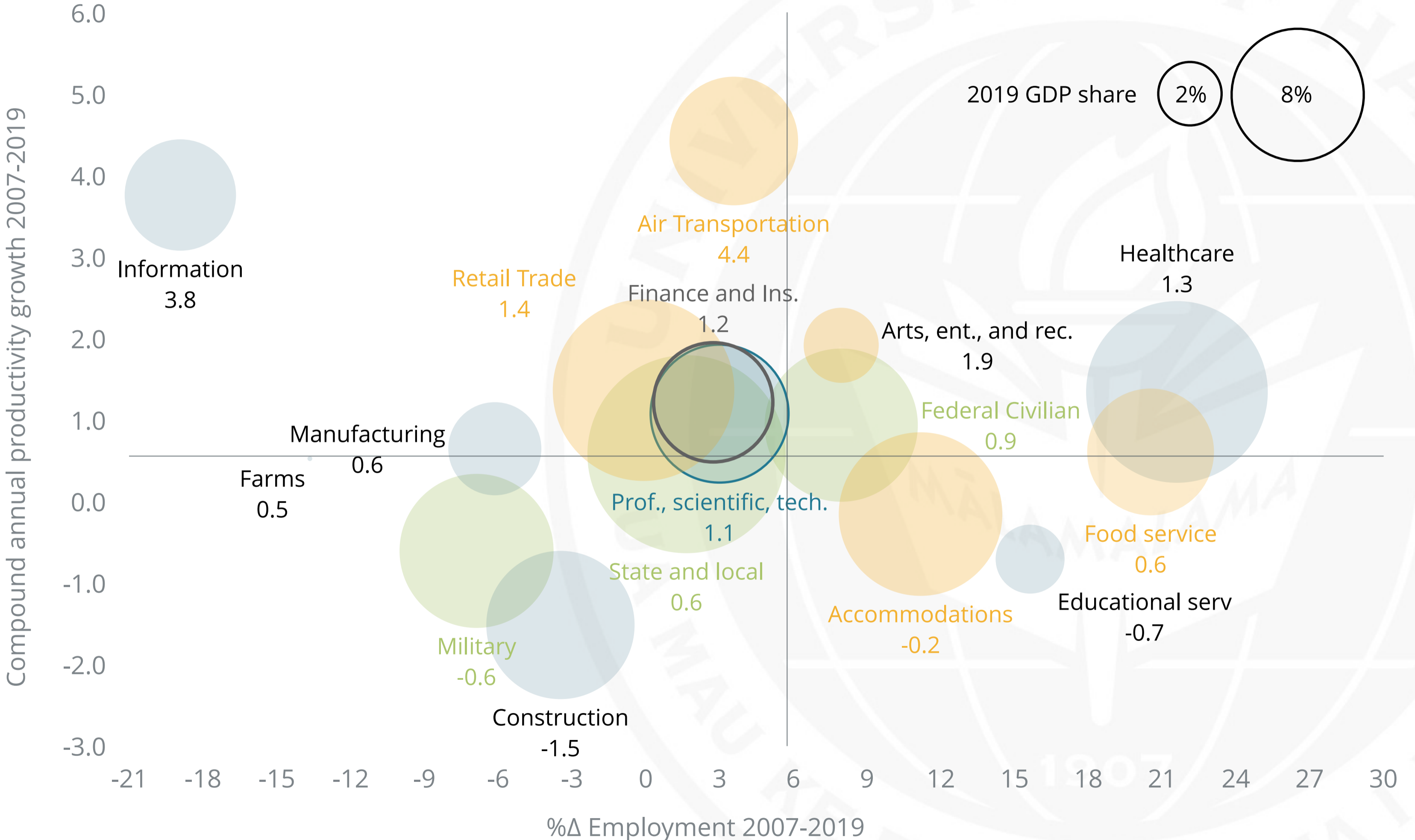
Recession signal has surged with latest Fed moves



Source: UHERO, Nov-22 probability as of 11/02/22.

Productivity and employment growth pre-pandemic

Healthcare leads the way in employment and productivity

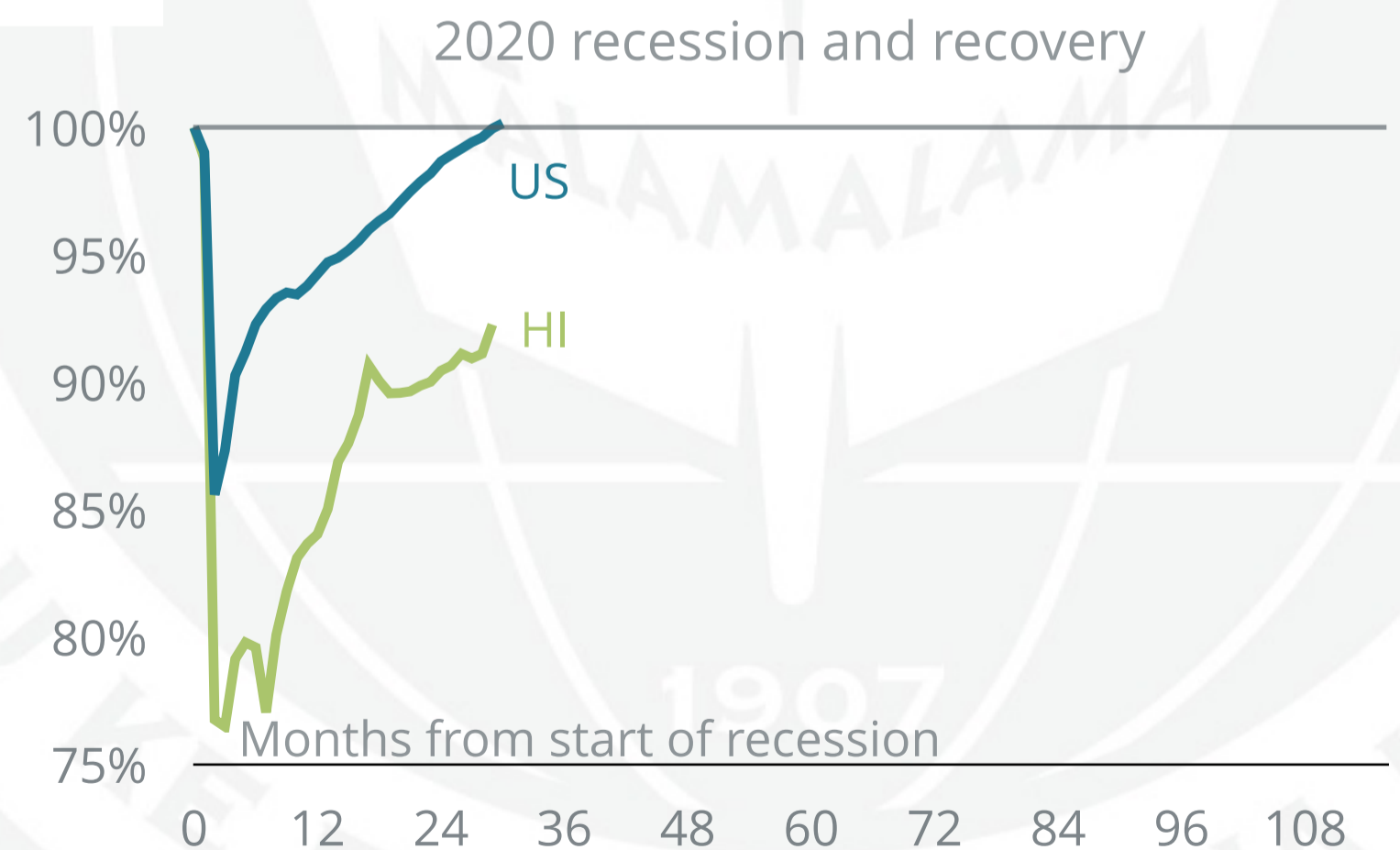
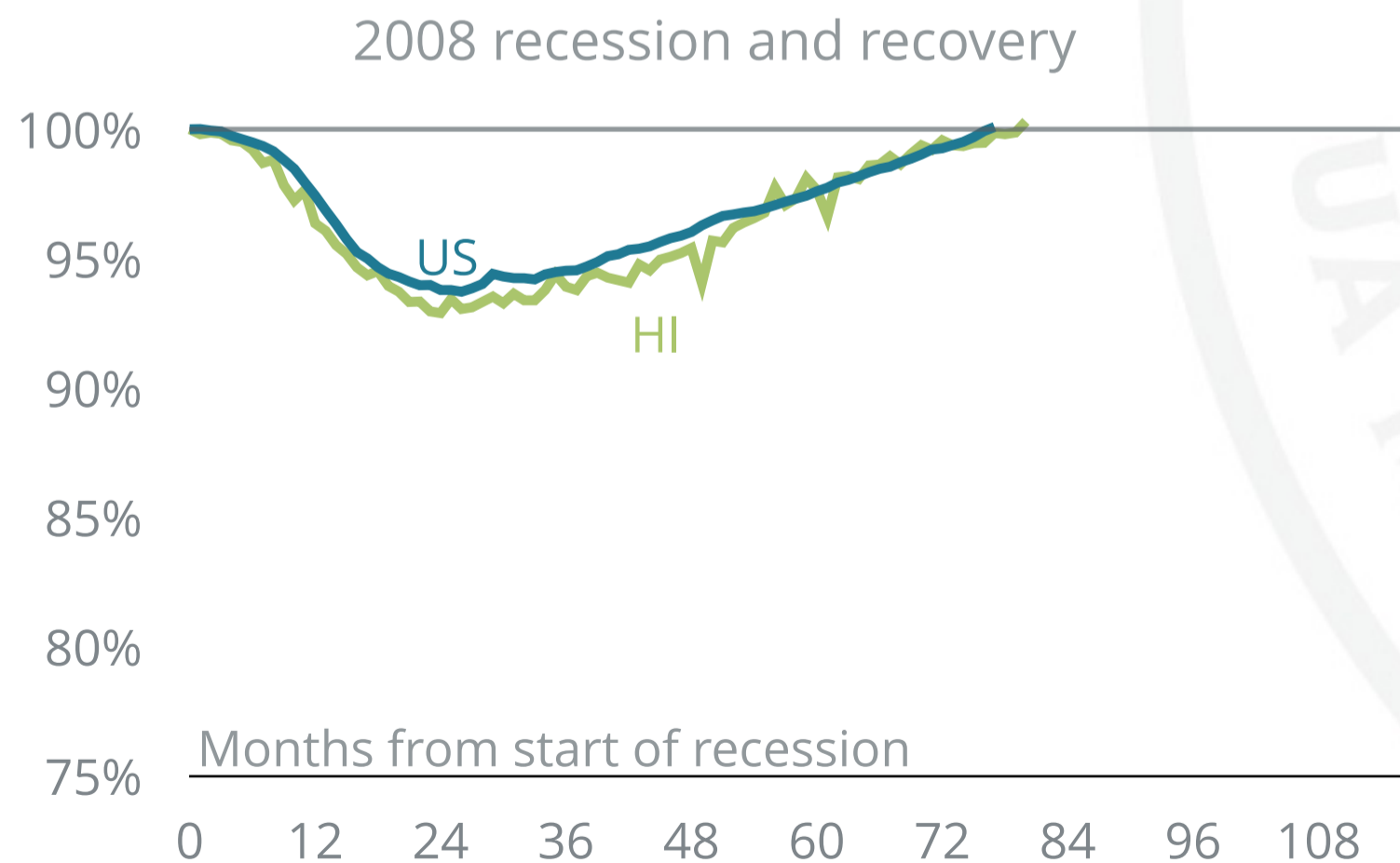
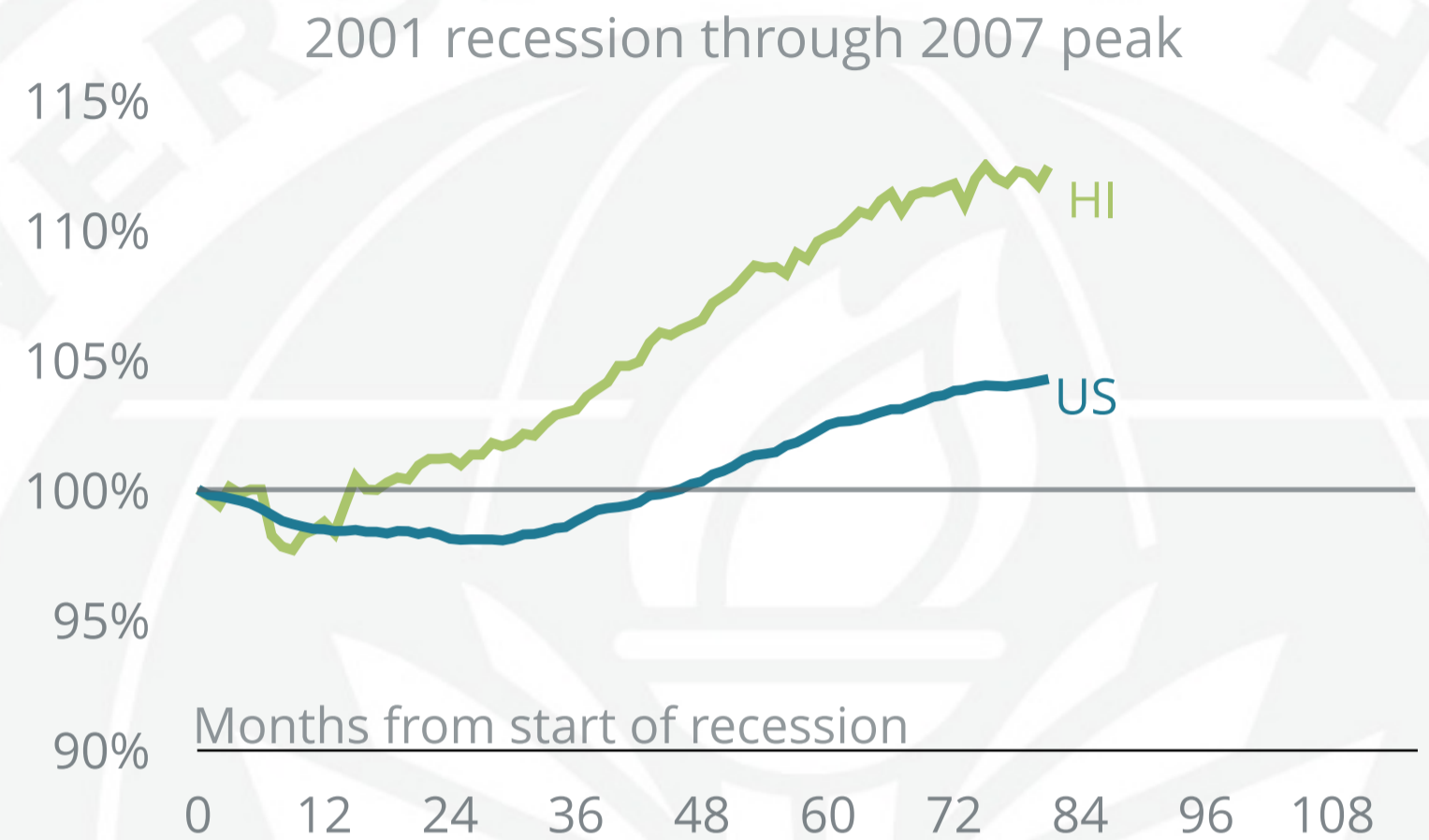
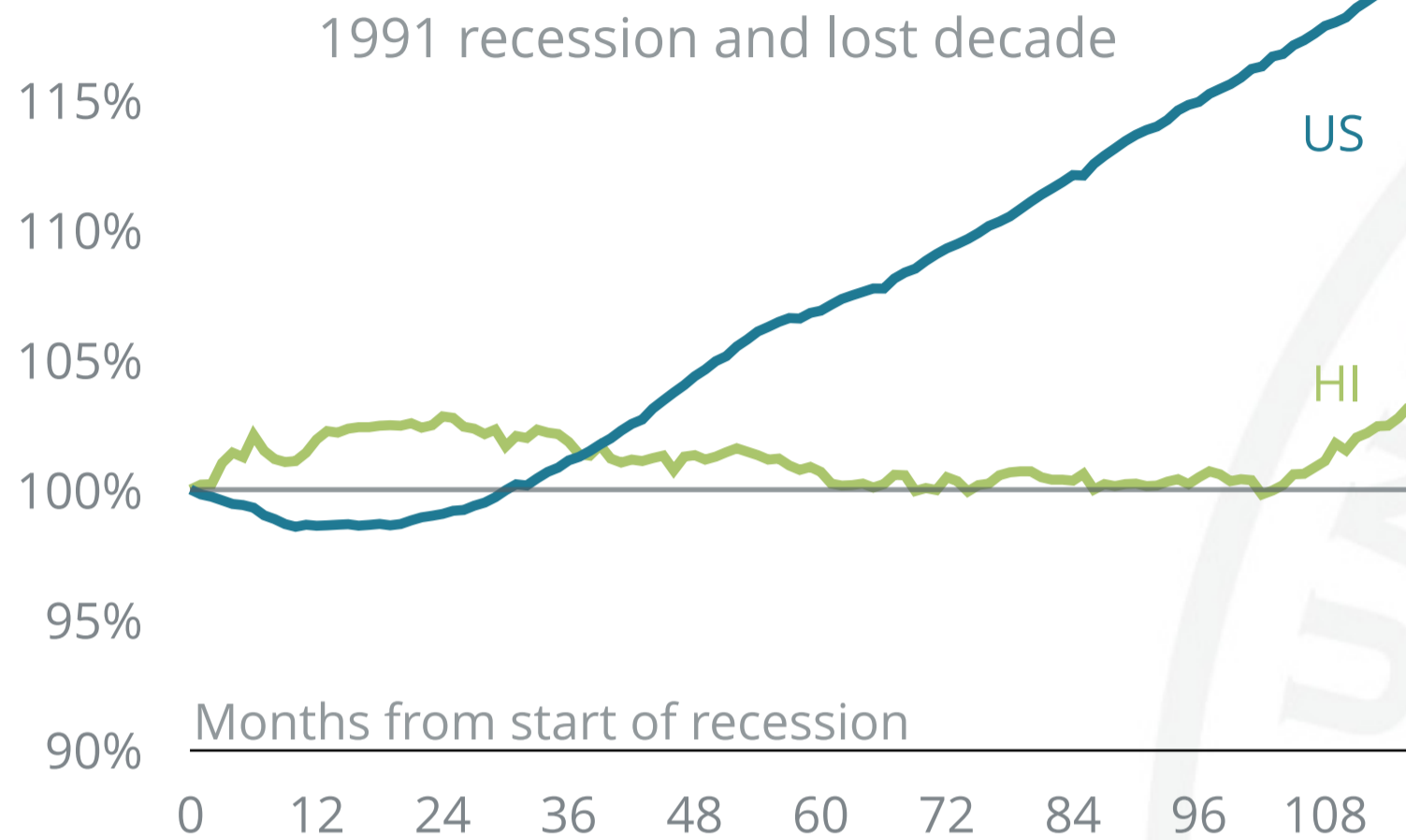


2019 GDP share 2% 8%

Source: BEA, UHERO.

Its never a good time, but every recession is different

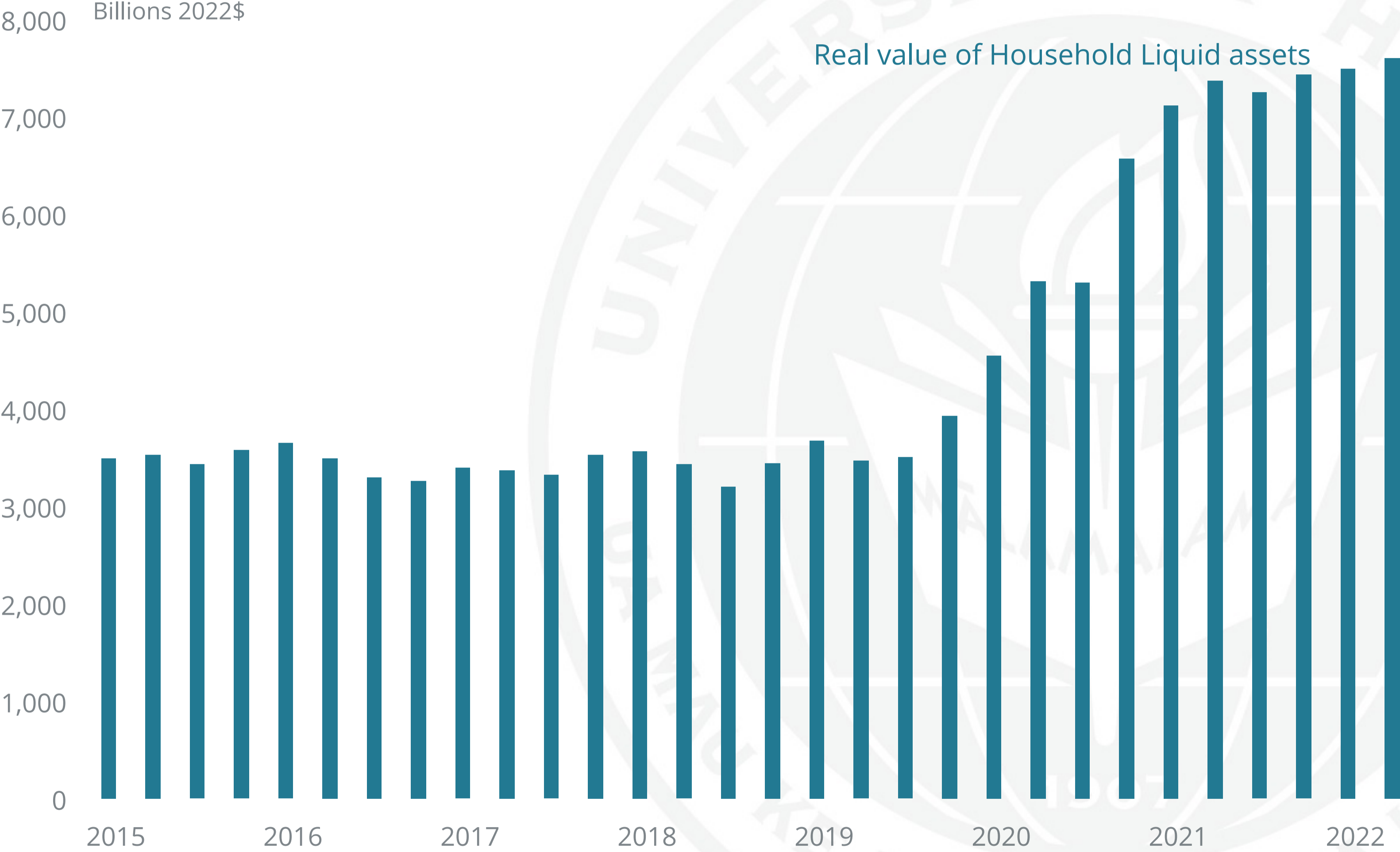
as a small open economy, Hawaii can be battered or buoyed by external forces



Source: BLS, UHERO.

Is a soft landing even possible?

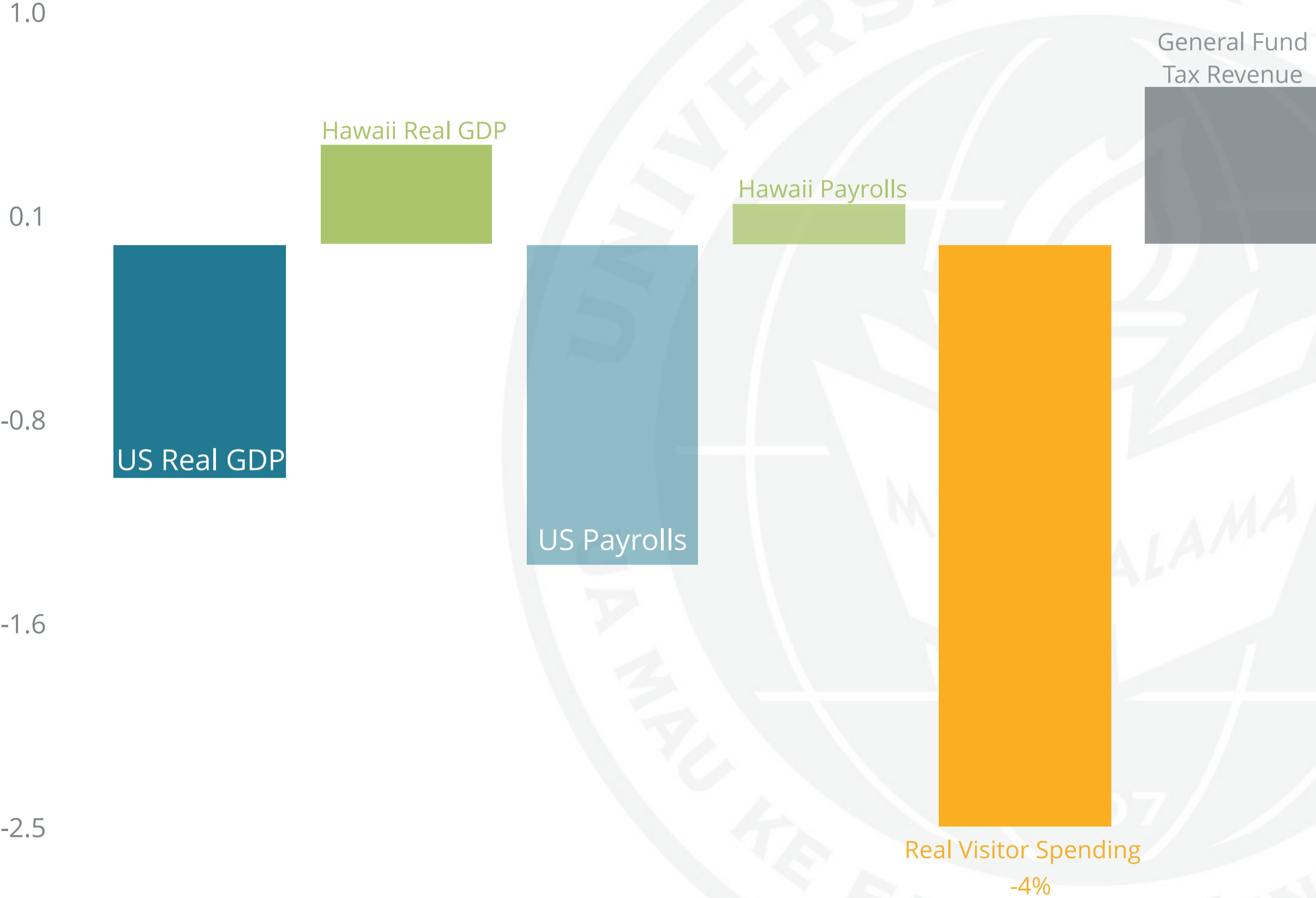
real household cash balances still > 2x pre pandemic levels



Source: [Federal Reserve](#), [UHERO.data](#). Checkable Deposits + MMA deflated using CPI.

Hawaii experience during US recessions

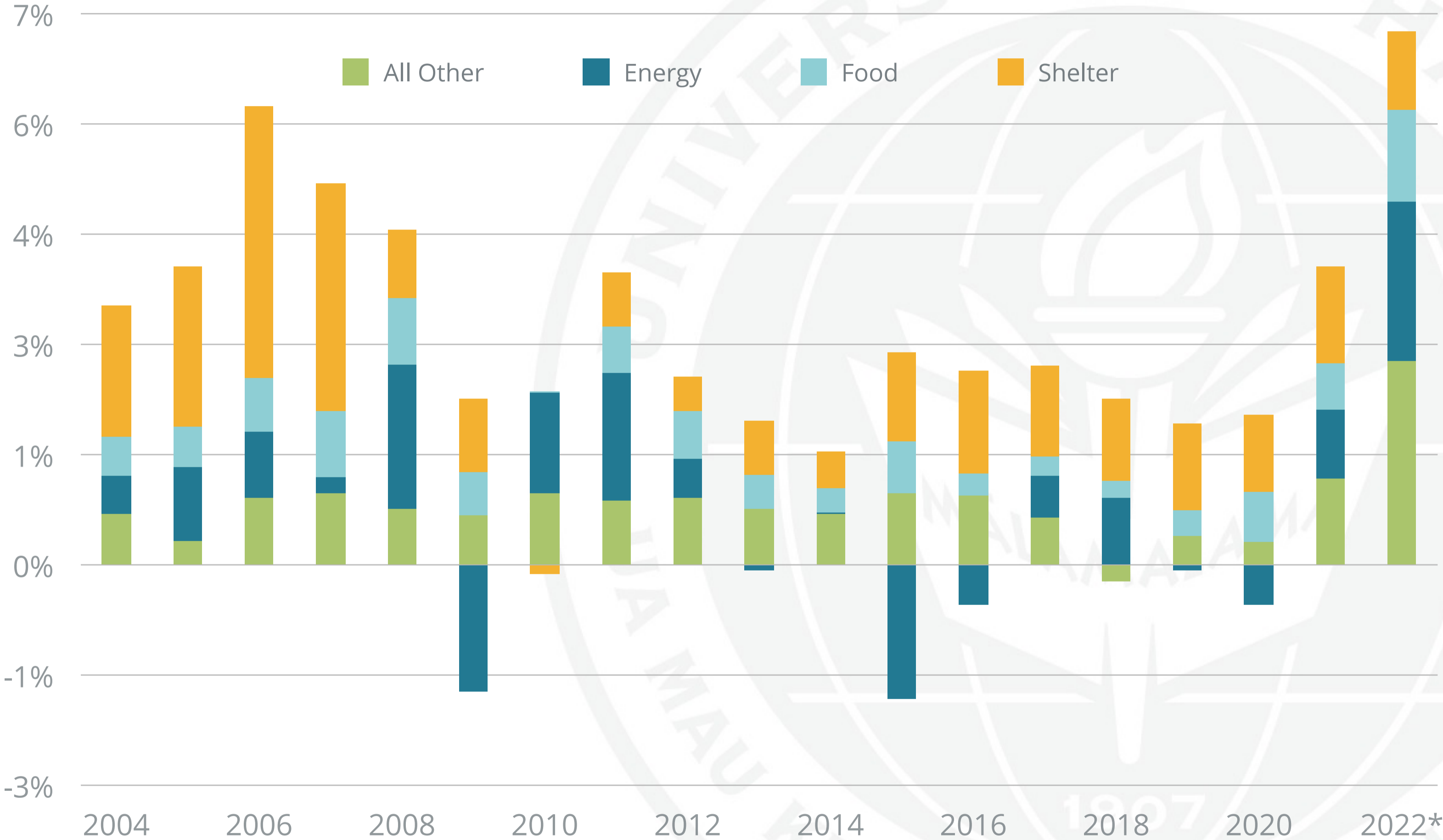
average % Δ in 4 recessions: 1980, 1981, 1990, 2001



Source: BEA, BLS, HTA, UHERO.

Rising rents are still largely missing in Honolulu CPI

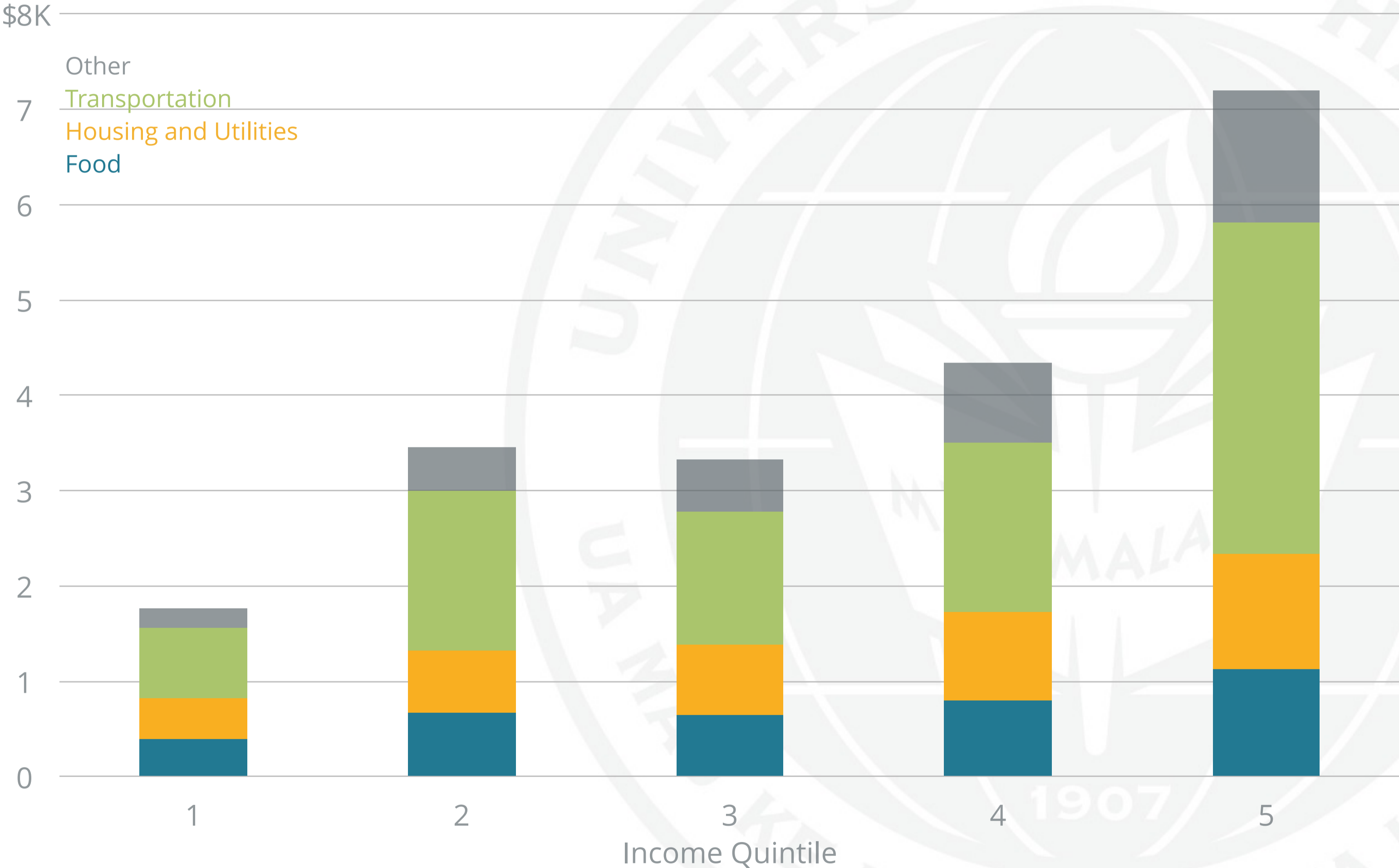
contributions to Honolulu consumer price inflation



Source: BLS, UHERO 22Q3 forecast, 2022 inflation numbers are second quarter values.

Hawaii households struggling with higher prices

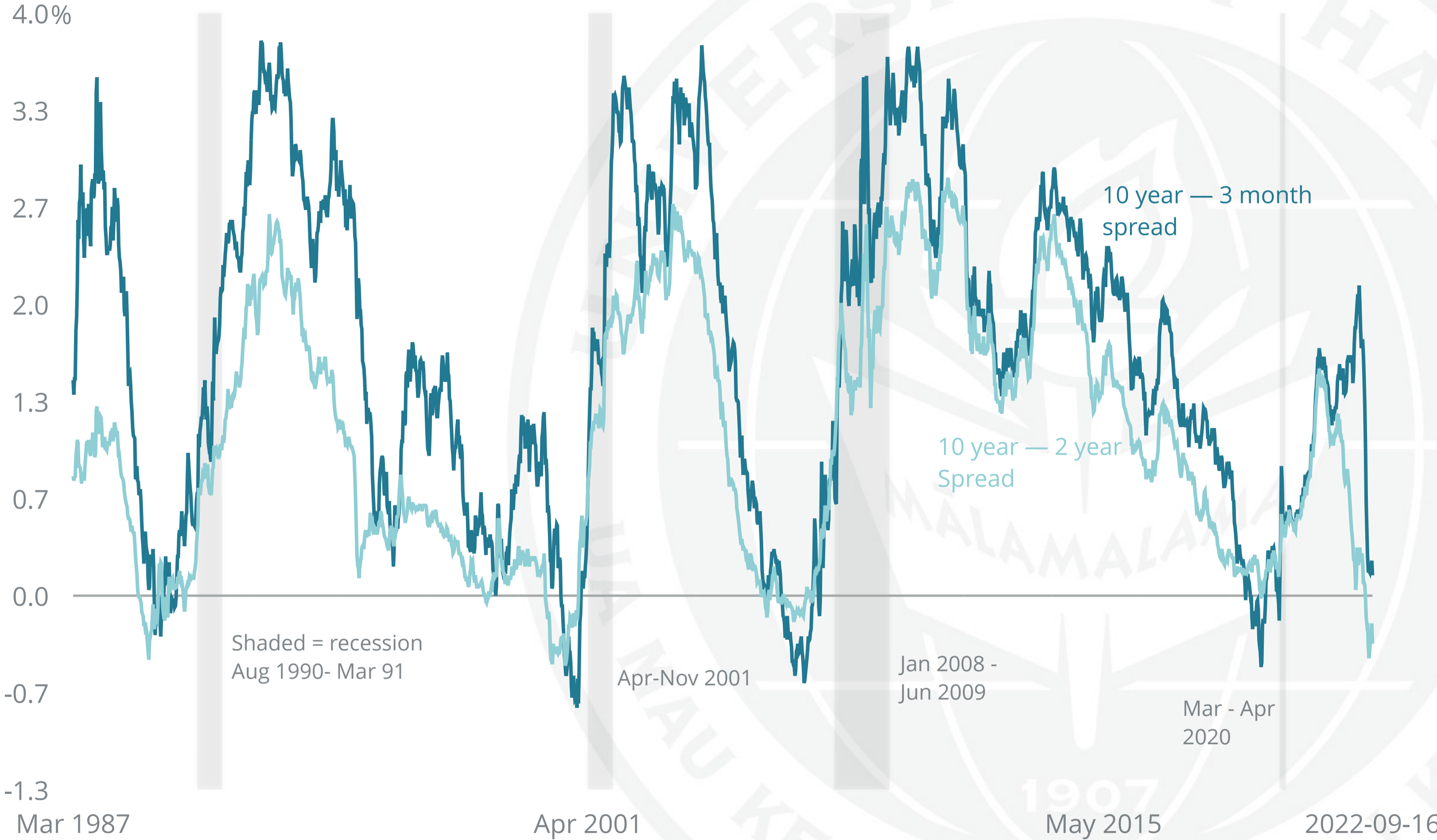
Annual cost of excess inflation in Hawaii by quintile and component



Source: [The Cost of Excess Inflation in Hawaii](#).

Recession signals are heading for agreement

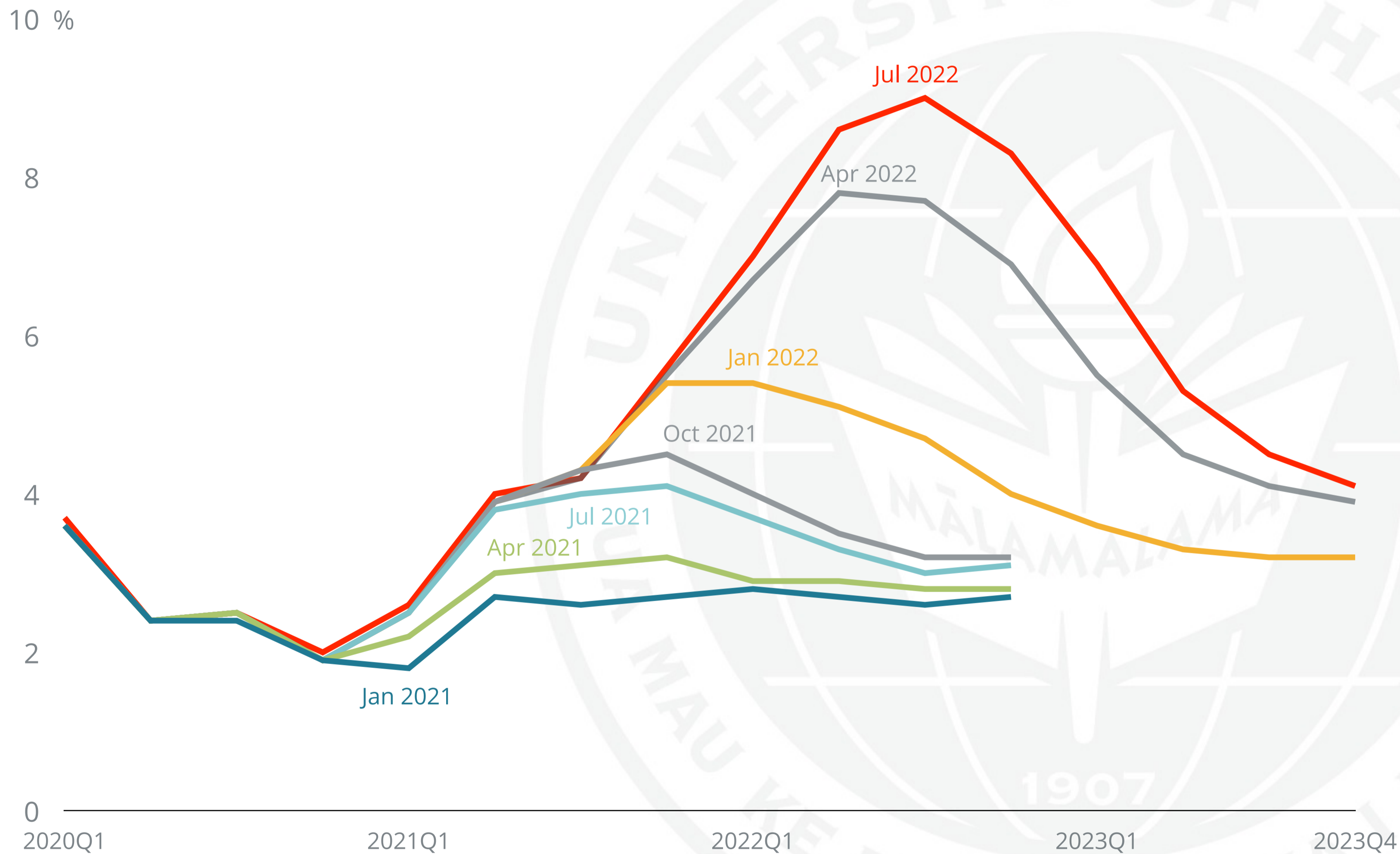
both spreads are likely to turn negative tomorrow



Source: Federal Reserve Board, via FRED.

Global inflation forecasts: serial upside surprises

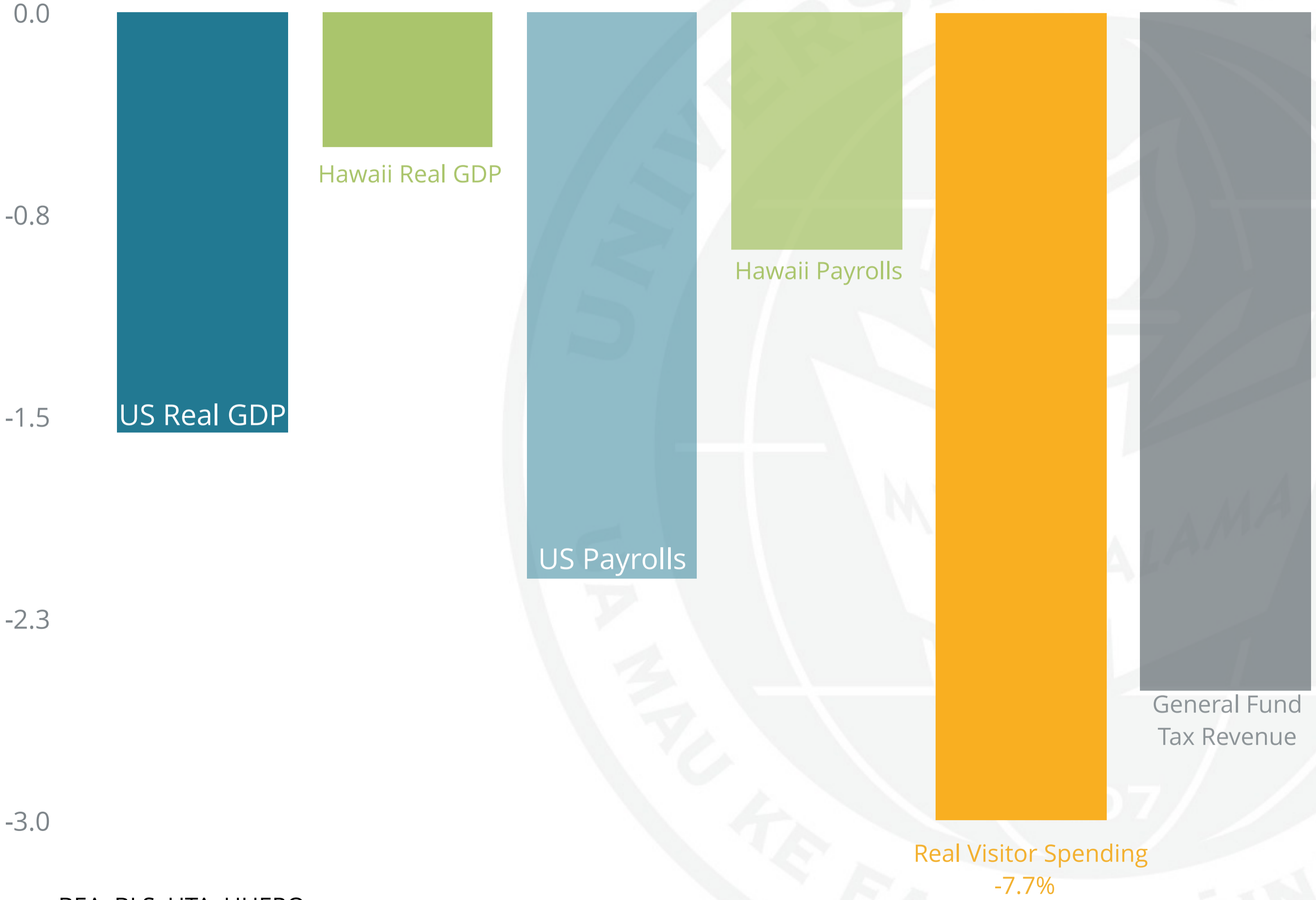
Vintages of IMF inflation projections (World Economic Outlook)



Source: [International Monetary Fund](https://www.imf.org/).

Hawaii experience during US recessions

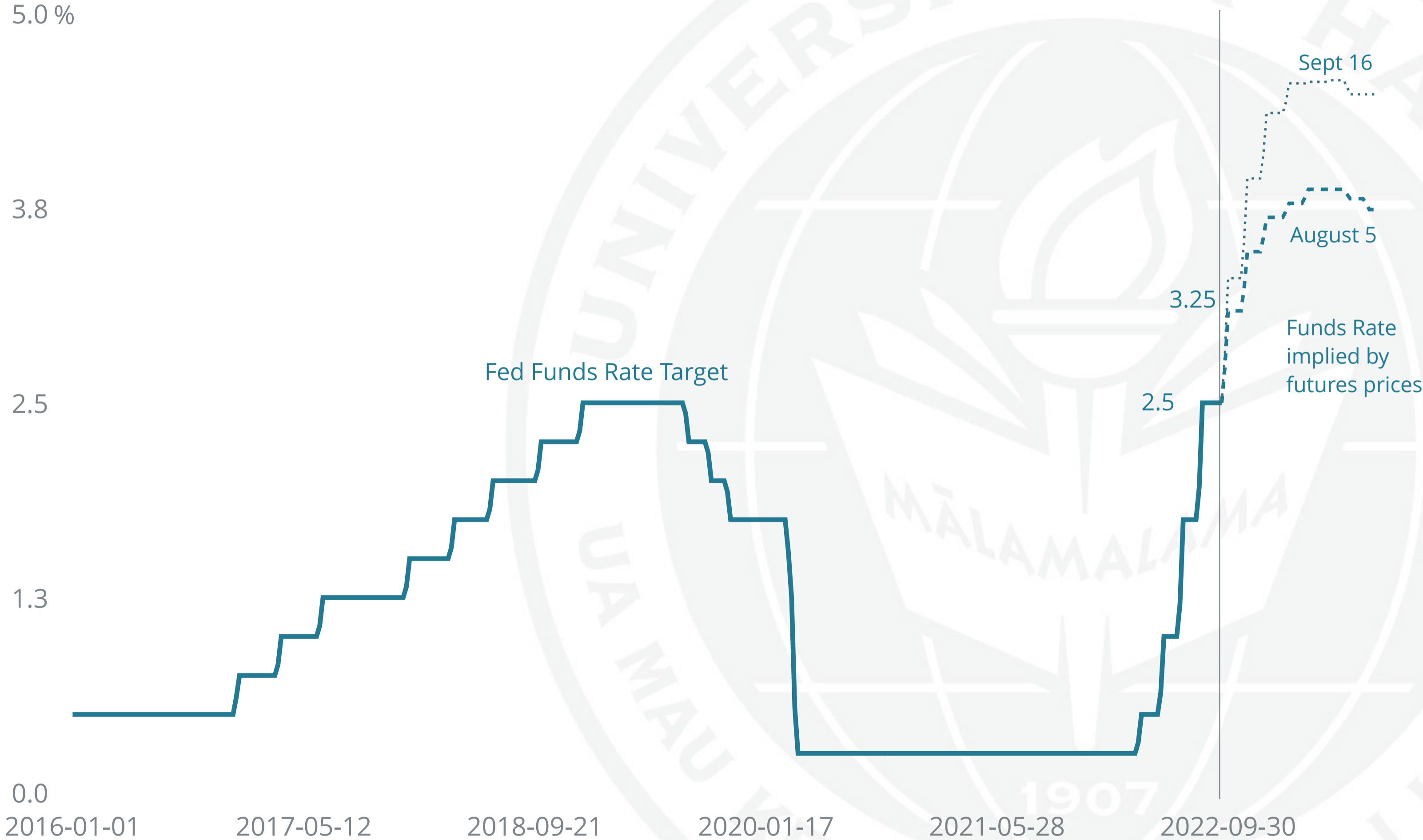
average % decline in previous five recessions



Source: BEA, BLS, HTA, UHERO.

Fed pause might be wise, but markets are too optimistic

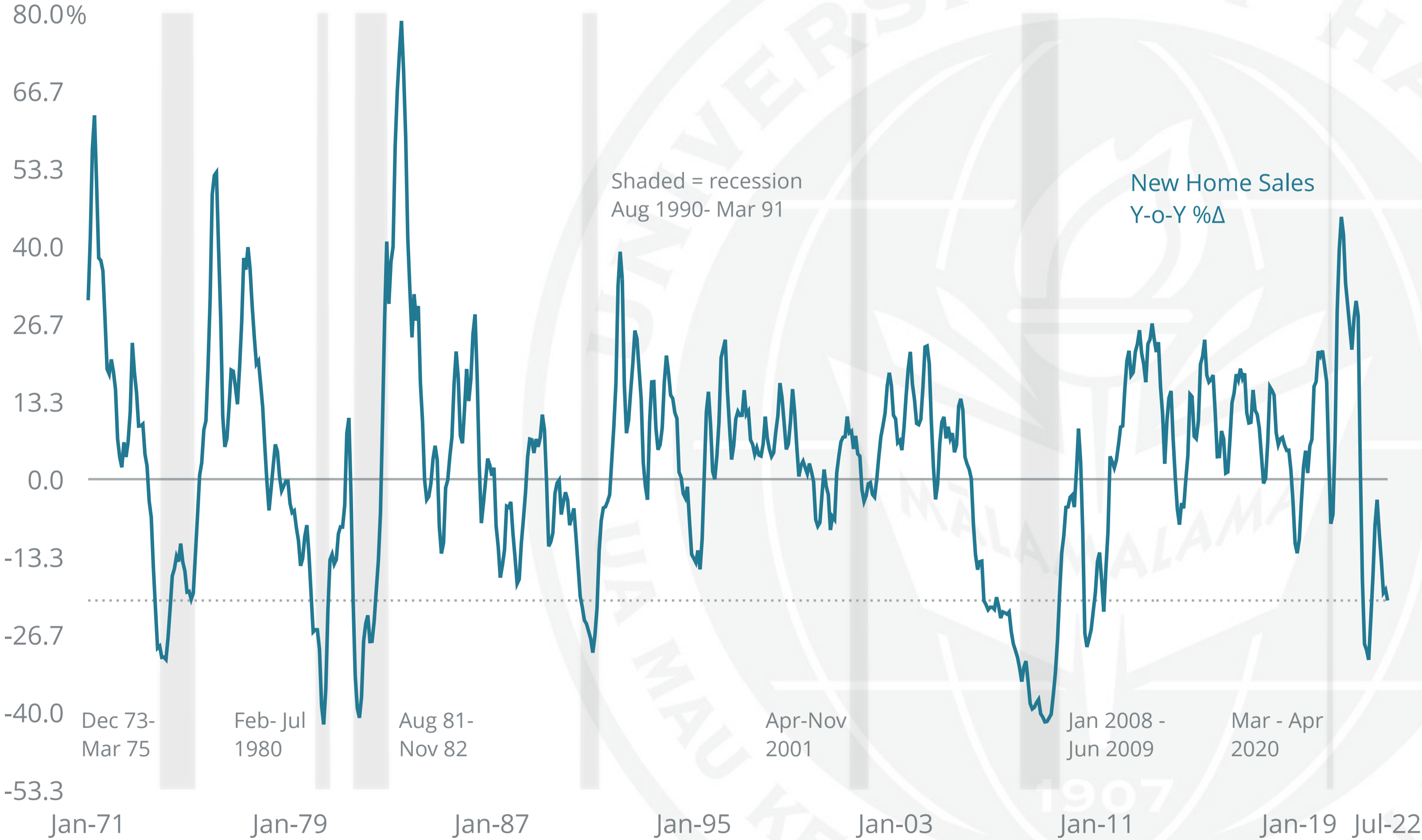
Futures implied funds rate peaks at 4.6%—below neutral rate?



Source: [Federal Reserve Board](#), [CME Fedwatch](#) updated 8/16/2022.

New Home Sales have fallen sharply with rate shock

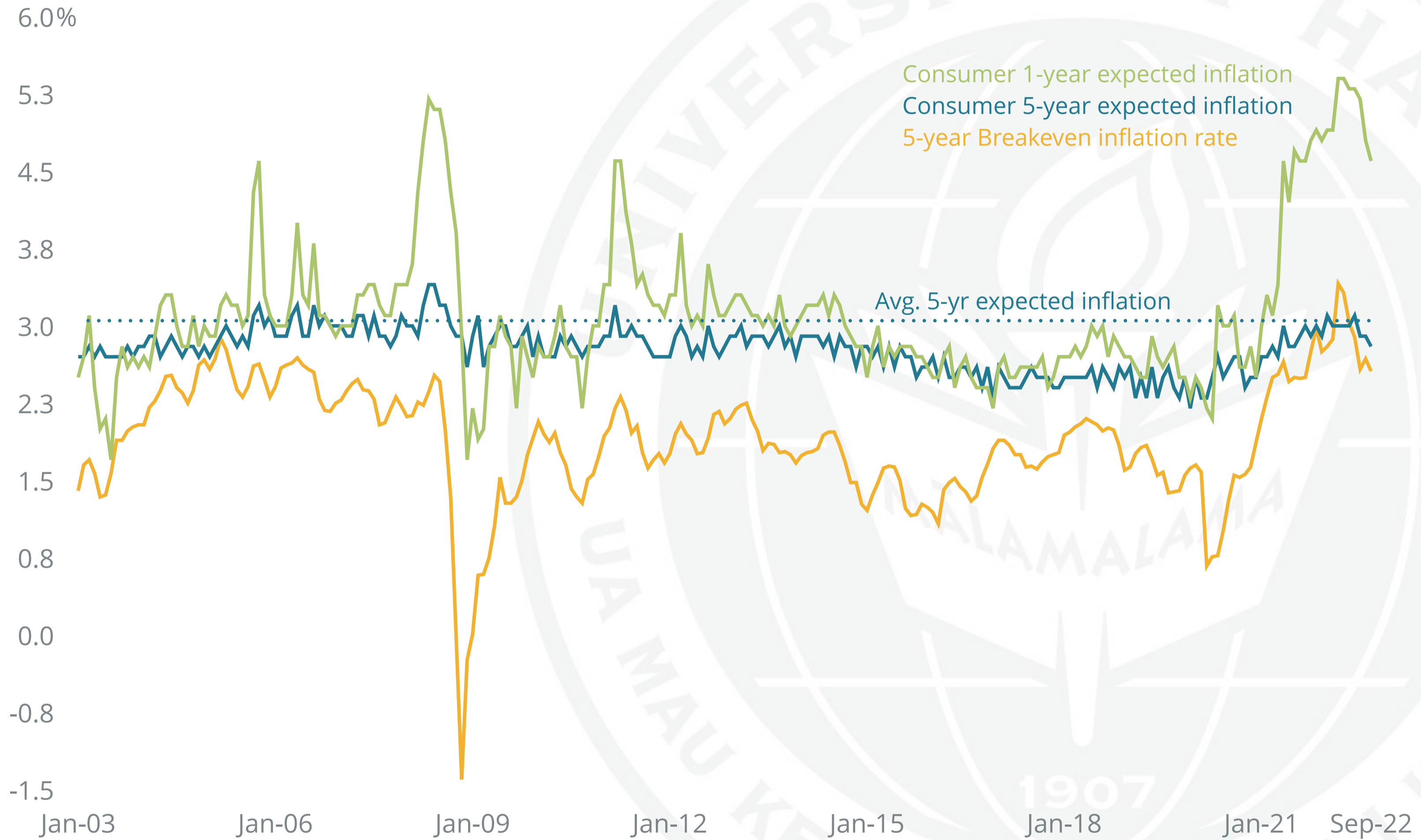
declines of 20% precede most recessions



Source: Census, via FRED. 12 month % Δ of 3 month moving average of total new home sales.

The good news—consumers don't expect this to last

there is little evidence that inflation expectations are unanchored



Source: [UHERO.data](#), [University of Michigan](#), [FRED](#)