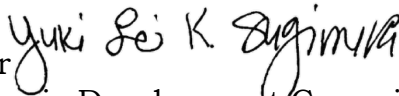


April 14, 2026

MEMO TO: BFED-1 File

F R O M: Yuki Lei K. Sugimura, Chair 
Budget, Finance, and Economic Development Committee

SUBJECT: **TRANSMITTAL OF INFORMATIONAL DOCUMENTS RELATING
TO PROPOSED FISCAL YEAR 2027 BUDGET FOR THE COUNTY
OF MAUI** (BFED-1)

The attached informational documents pertain to Item 1 on the Committee's agenda.

bfed:2027bgt:260414afile01:kes

Attachments

March 6, 2026

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MEMO TO: BFED-20(25) File

F R O M: Yuki Lei K. Sugimura, Chair *Yuki Lei K. Sugimura*
Budget, Finance, and Economic Development Committee

SUBJECT: **TRANSMITTAL OF INFORMATIONAL DOCUMENT RELATING TO
COUNTY OF MAUI AND STATE OF HAWAI'I ECONOMIC
OUTLOOK** (BFED-20(25))

The attached informational document pertains to Item 20(25) on the Committee's agenda.

bfed:ltr:020(25)afile01:kes

Attachment



UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO FORECAST FOR THE STATE OF HAWAII

HAWAII MOVES BEYOND RECESSION, BUT SLOWLY

FEBRUARY 27, 2026





UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO FORECAST FOR THE STATE OF HAWAII

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Executive Summary

Hawaii's economy is moving beyond last year's mild jobs recession, but the recovery will be gradual. After job losses tied to a tourism downturn and federal job cuts, payrolls have begun to edge upward. A resilient US economy and continued strength in construction are providing support, even as international visitor markets languish. Tepid job and income growth will become the new normal, because of anemic population trends and structural underperformance.

- The US economy has held up better than expected, with solid consumer spending, investments in artificial intelligence, and improving productivity. Economic gains slowed in the fourth quarter, partly because of the federal government shutdown. We expect growth to remain near 2% this year before slowing somewhat in 2027. It is too soon to know the effects of the recent Supreme Court decision invalidating the Administration's broad tariffs. Globally, conditions have improved modestly, but continued trade tensions and policy uncertainty present ongoing risks.
- Tourism has stabilized but is not yet expanding. In 2025, the average daily visitor census dropped 1.3%. The Japanese recovery has resumed at a moderate pace, but arrivals from other international markets have fallen sharply, reflecting adverse reaction to US federal policy. Domestic visitors have helped offset these losses, and spending rose last year even as visitor numbers declined. Arrivals will stabilize this year, but a more substantial recovery in visitor headcounts is not expected until 2027.
- The local labor market has improved modestly after contracting in the first half of 2025. We now expect a small net increase in payroll jobs this year. Construction, health care, and the accommodations and food service sectors will continue to add jobs, while federal civilian employment losses will pull down growth numbers. The unemployment rate will remain near its current low 2.2% level.
- Inflation in Honolulu is expected to peak just above 3% in the second half of this year, although persistent US inflation and the recent Supreme Court ruling introduce considerable uncertainty. Local inflation will then ease to a 2.5% trend. Mortgage rates will remain near 6%, weighing on housing affordability even as construction activity overall remains elevated.
- Overall, Hawaii's economy is expected to expand at a modest rate over the next several years. Real income will grow by about 1% annually. Real GDP will expand by 1.6% this year before converging to a similarly slow long-run growth path. Forecast risks remain significant, including trade policy uncertainty, potential additional federal workforce reductions, and ongoing weakness in international tourism. While the adoption of artificial intelligence holds promise, Hawaii's road ahead still looks to be one with slower growth than we have seen in the past.

Forecast Summary

MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2024	2025	2026	2027	2028
STATE OF HAWAII					
Nonfarm Payrolls (Thou)	639.3	643.0	644.0	645.3	647.0
% Change	1.1	0.6	0.2	0.2	0.3
Unemployment Rate (%)	3.0	2.7	2.3	2.3	2.3
Real Personal Income (Mil 2025\$)	102,699.8	105,092.2	106,025.9	107,248.2	108,453.0
% Change	1.5	2.3	0.9	1.1	1.1
Real GDP (Mil 2025\$)	117,627.4	121,283.4	123,236.8	124,966.3	126,570.3
% Change	0.9	3.1	1.6	1.4	1.3
Average Daily Census (Thou)	230.5	227.5	226.8	232.4	239.6
% Change	-1.8	-1.3	-0.3	2.5	3.1
Real Visitor Expenditures (Mil 2025\$)	20,430.2	21,152.1	21,296.7	21,448.5	21,656.6
% Change	-5.3	3.5	0.7	0.7	1.0
HONOLULU COUNTY					
Nonfarm Payrolls (Thou)	460.9	463.9	464.3	465.1	466.1
% Change	1.3	0.6	0.1	0.2	0.2
Unemployment Rate (%)	2.7	2.5	2.2	2.2	2.2
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Real Personal Income (Mil 2025\$)	74,587.7	76,308.4	76,983.9	77,813.0	78,666.1
% Change	1.7	2.3	0.9	1.1	1.1
Average Daily Census (Thou)	112.6	108.1	105.5	107.5	110.5
% Change	1.4	-4.0	-2.5	2.0	2.7
HAWAII COUNTY					
Nonfarm Payrolls (Thou)	72.4	72.1	71.9	72.1	72.3
% Change	1.8	-0.4	-0.3	0.2	0.3
Unemployment Rate (%)	3.2	3.0	2.7	2.8	2.8
Real Personal Income (Mil 2025\$)	12,103.6	12,331.8	12,410.0	12,580.9	12,733.6
% Change	1.9	1.9	0.6	1.4	1.2
Average Daily Census (Thou)	37.0	36.1	36.1	36.8	37.9
% Change	-3.5	-2.5	-0.1	2.0	3.0
KAUAI COUNTY					
Nonfarm Payrolls (Thou)	32.4	32.8	32.9	33.0	33.1
% Change	1.4	1.2	0.3	0.3	0.4
Unemployment Rate (%)	2.6	2.5	2.2	2.2	2.2
Real Personal Income (Mil 2025\$)	4,959.9	5,102.2	5,147.9	5,216.6	5,276.9
% Change	1.4	2.9	0.9	1.3	1.2
Average Daily Census (Thou)	28.4	28.7	28.9	29.2	29.6
% Change	-2.2	1.1	0.7	1.0	1.3
MAUI COUNTY					
Nonfarm Payrolls (Thou)	73.5	74.2	74.9	75.2	75.5
% Change	-1.0	0.9	0.9	0.3	0.4
Unemployment Rate (%)	4.3	3.0	2.6	2.6	2.6
Real Personal Income (Mil 2025\$)	11,052.6	11,349.8	11,484.0	11,637.7	11,776.4
% Change	0.0	2.7	1.2	1.3	1.2
Average Daily Census (Thou)	52.5	54.6	56.4	58.9	61.7
% Change	-6.8	3.9	3.3	4.4	4.7

Note: Source is UHERO. Nonfarm Payrolls for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Income figures for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts.

First Quarter Hawaii Forecast

Hawaii's economic conditions are gradually improving. After months of job losses brought on by a tourism slump and federal cuts, there are signs of a turnaround. A resilient US economy will support our largest visitor market, even as international markets continue to lag. Together with coming tax incentives and lower interest rates, this resilience will also buoy local demand.

While our outlook for the overall economy is now somewhat more positive, the pace of recovery will be slow, with job growth edging up only gradually and income gains limited. Risks to the near-term forecast remain considerable, including the fate and effects of tariffs, US economic and geopolitical policy uncertainty, and state fiscal challenges. Over the long run, Hawaii's slow-growing population and structural underperformance will present challenges to raising the local standard of living.

US economy defies challenges

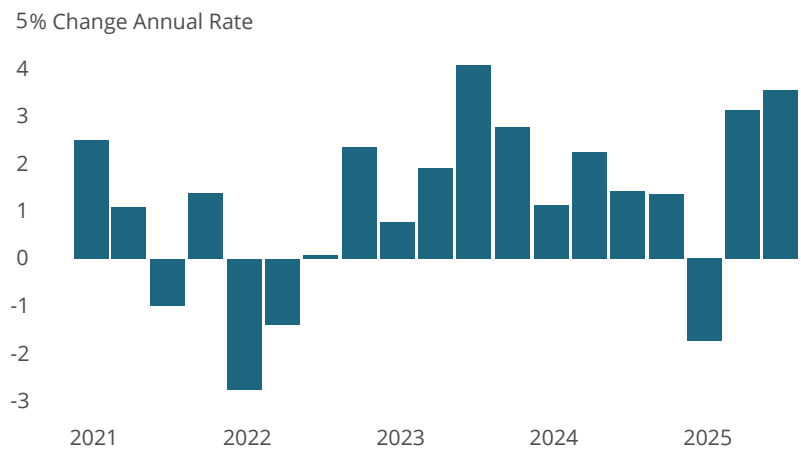
The primary driver of the US economy continues to be consumer spending, which has firmed after a weak start to 2025. We are seeing an unusually large share of spending by the highest income folks, supported by stock market gains. This has buoyed spending even as weak labor markets, moderate income growth, and high prices have held back spending by lower-income households.

Together with some improvement in net exports, buoyant consumer spending lifted overall economic growth sharply in the third quarter. Real gross domestic product, our broadest measure of economic activity, expanded at a 4.4% annual rate in the July-to-September period. However, the economy downshifted to 1.4% in the fourth quarter, as export growth stalled and the federal shutdown contributed to a sharp pullback in government spending. Annual growth for 2025 as a whole came in at 2.2%.

Despite relatively healthy economic growth, labor market conditions are generally weak. There was a monthly average of only 15,000 net jobs created in 2025. Preliminary estimates for January 2026 showed an encouraging 130,000 job bump and the unemployment rate has ticked down for two

US LABOR PRODUCTIVITY GROWTH

AI may be helping to boost US productivity and growth prospects.



consecutive months. But job growth remains concentrated in the health care sector, and large downward revisions have become commonplace. A broad-based employment expansion remains somewhere down the road.

Yet output has expanded to meet demand despite low job growth. This results in part from strong labor productivity growth in recent quarters. One possible cause of this acceleration is efficiency gains from new artificial intelligence (AI) tools and the productivity benefits of related capital investment in equipment and software. AI-related data center investment has been the biggest driver of nonresidential construction this year, and data equipment and software have supported what has otherwise been lackluster business investment. Both new technologies and capital investment increase labor productivity, but identifying the specific causes of productivity gains is difficult.

Despite this apparent strength, the Administration's abrupt, high, and volatile tariff policies have caused substantial business disruption and whipsawed US trade and growth numbers. In late 2024 and early 2025, imports surged as businesses raced to avoid looming trade levies. Later in 2025, imports dropped sharply, as the effects of tariffs began to bite. For the year overall, the trade balance was virtually the same as in 2024. The recent decision by the US Supreme Court that outlawed President Trump's broad tariffs is welcome news, although the Administration will move to implement many through other authority, continuing trade uncertainty.

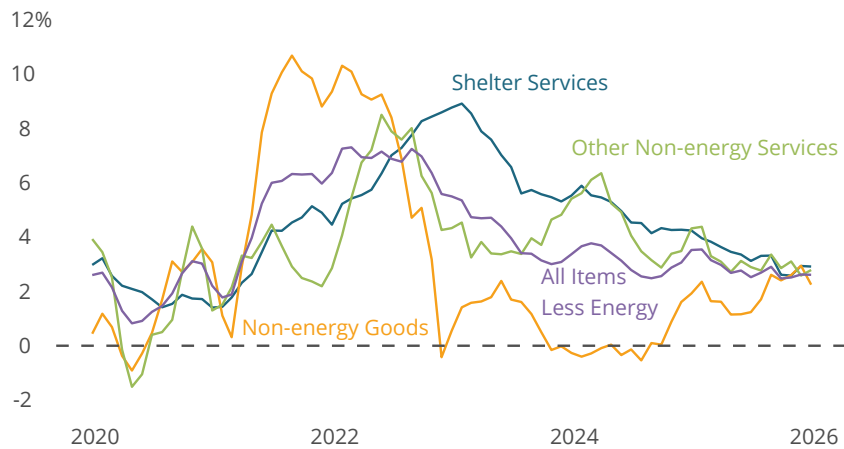
As we noted in our last report, tariffs have lifted inflation by a bit less than one percentage point so far. This effect has been somewhat less than anticipated because of the large number of tariff exemptions granted and some avoidance by businesses. But at least 90% of tariff costs are being borne by the US—either by US importers or US consumers—rather than foreign exporters, and it is becoming increasingly difficult for American firms to “eat” these costs rather than passing them along to the public. There is evidence that some of the biggest tariff impacts, such as those on metals, have yet to fully feed through into prices. Whether that indeed occurs or whether tariff refunds reverse cost pressures will depend on how policy develops in the wake of the Supreme Court decision

Inflation threat not yet vanquished

Overall inflation performance over the past year has been mixed. Top-line inflation measures have eased, driven largely by downward trends in housing and other non-energy services. But there are signs that the fight against inflation is not yet over. While monthly data are volatile, there have recently been upticks in several large service categories. And there is evidence that the loss of data during last fall's federal government shutdown has caused some underestimation of inflation, especially for shelter costs. We think that US inflation will move up a bit this year, averaging 3% for the year overall, before converging to 2.5% by 2028.

Recently, there have been warnings of a pullback by investors from US assets. In the October-to-January period, ten-year Treasury yields moved back up above 4%, and gold and silver prices soared, what became known as the “debasement trade,” referring to concerns that burgeoning US government debt and a more dovish Federal Reserve had raised the risk of persistent high inflation and rising US credit risk. Precious metals prices have since given up some of those gains.

**US NON-ENERGY
CPI INFLATION,
ANNUALIZED SIX-
MONTH CHANGES**
Inflation has eased, but
the fight is not yet over.



The value of the dollar against a trade-weighted basket of major foreign currencies has fallen by 10% since the start of the year. Still, the recent dollar movements do no more than reverse gains posted in late 2024 and 2025, so it appears too soon to know whether this marks a turning point in the dollar’s role. President Trump appears happy to see the dollar sink lower in order to support further improvement in the US trade balance.

Part of the current credit uncertainty involves how Fed policy may be affected by the new Fed Chair Nominee Kevin Warsh, who is slated to take the helm in May. The contrast between his past hawkish position on interest rates and his support for President Trump makes it difficult to assess his ultimate policy leanings, although markets seem to have judged that he will likely continue a cautious policy stance. Congressional reaction to the Justice Department probe of current Chair Jerome Powell could delay Senate approval at a crucial time.

**Japan faces debt
reckoning**

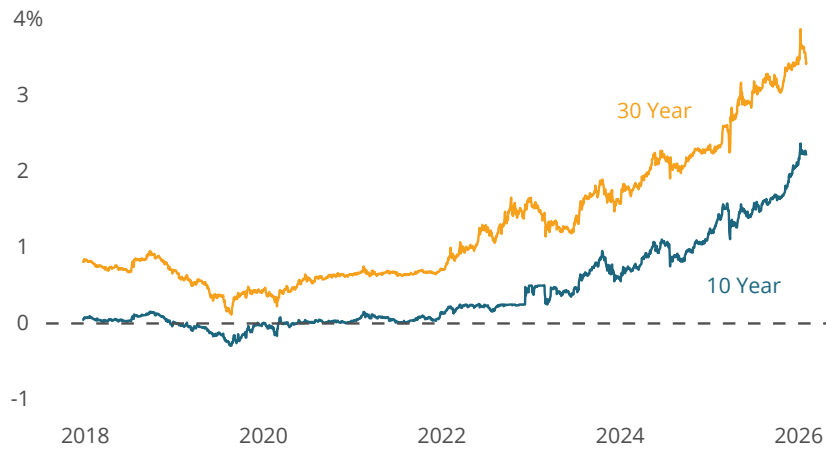
Japan’s economic news has been dominated by a dramatic selloff of government bonds that has pushed the 10-year rate above 2% and the 30-year yield to nearly 4%. Japan has long sustained a public debt load of more than 200% of GDP, but the bond price collapse suggests that solvency concerns are increasing. But higher rates may in part reflect the recent return to positive inflation and perhaps stronger anticipated growth. In any case, it will be difficult for the debt situation to be maintained if rates remain at these levels.

The pullback from Japanese debt securities has resulted in a further decline in the already-weak yen. Indications that a coordinated intervention to support the yen might be coming led to a recent rally, but the currency remains weak. This weakness will continue to pose a headwind for Japanese visitors to Hawaii.

Canada’s economy weakened sharply in the second quarter as U.S. tariff increases triggered a steep drop in exports, pulling real GDP down 0.4% on the quarter (-1.6% annualized). Growth recovered in the third quarter, with output expanding at a 2.6% annualized pace and averting a technical recession. The improvement largely reflected trade dynamics—imports contracted and exports posted modest gains—while domestic demand remained soft. Even with this rebound, the outlook remains vulnerable given persistent trade policy uncertainty.

JAPANESE GOVERNMENT BOND YIELDS

Surging Japanese interest rates threaten government debt sustainability.



China's economic performance remains uneven, with external resilience offset by persistent domestic weakness. Exports have continued to expand despite high tariffs on exports to the US, as firms redirected shipments toward Asia, Europe, and other markets, although it remains unclear how much of this reflects durable new demand versus re-routing of goods. In contrast, domestic activity remains subdued: the prolonged property downturn has weighed heavily on household wealth and confidence, excess capacity in several manufacturing sectors continues to suppress pricing power, and deflationary pressures have re-emerged. As a result, China is likely to avoid a sharp contraction but is expected to grow at a pace well below pre-pandemic norms, with downside risks tied to further deterioration in real estate and a softer global demand environment.

In Australia, the central bank raised interest rates in February, after three rate cuts in 2025. The policy change reflected renewed concern about rising inflation, which had accelerated from about 2% mid-year to 3.8% in December, even as GDP growth remains below trend, held back by tepid consumer spending. Tighter monetary conditions will restrain growth going forward.

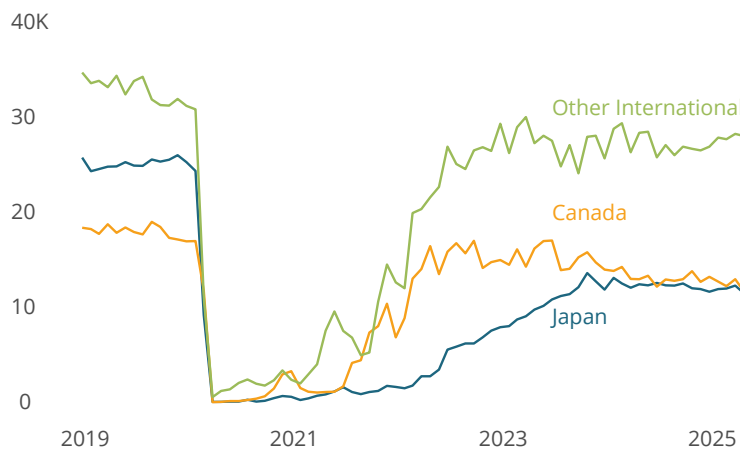
Overall, the outlook for global growth has improved modestly from earlier in the year. Stronger anticipated growth in the US will be partly offset by a still-weak Europe. AI-driven demand for Asian and Mexican electronic components will support growth in these countries, while there will be marginally weaker performance in some other emerging economies. More trade disruption remains in the pipeline. According to the IMF, global growth will come in at 3.3% this year and 3.2% in 2027.

Narrow visitor spending gains end tourism stall

Last year was challenging for the visitor industry. Despite modest gains at the beginning of 2025, the tourism sector faced significant headwinds, mostly from the contraction of international arrivals. Entering 2026, conditions remain largely stagnant, defined by flat visitor volumes, persistent softness in international markets, and a deteriorating political climate. Fortunately, an unexpected surge in domestic visitor spending that began in July offset the downturn seen in the year's first half.

In 2025, 9.6 million tourists visited the state, almost 1% fewer than in 2024. The visitor losses were confined to Oahu, with gains on the Neighbor Islands. Visitor arrivals rose 7% on Maui as recovery continued, and inched higher on the Big Island and Kauai.

AVERAGE DAILY VISITOR CENSUS
Slumping international markets have weighed on the visitor industry.



The average daily census came in slightly softer than arrivals, as visitors' length of stay shortened. The weakness was more pronounced during the second half of 2025, with a 3–4% decline driven by sharply downward trends in the Canadian and other international markets. This may, in part, reflect the sometimes vehement negative reactions abroad to some Trump Administration policies and actions. The Japanese visitor census fluctuated within a narrow range throughout the year, but remains at less than half its pre-pandemic level. The weakness in Japanese travel to Hawaii differs from the steady increase in outbound travel from Japan to other international destinations, including Korea, but also to the US Mainland.

One piece of good news for the Japanese market is growth in the number of first-time visitors. Their share of the total is approaching the 32% share seen before the pandemic. As the Japanese population ages, the share of younger first-time visitors is expected to grow further; capitalizing on this will require consideration of ways to market to this new generation that may be more price-conscious and interested in social media worthy experiences.

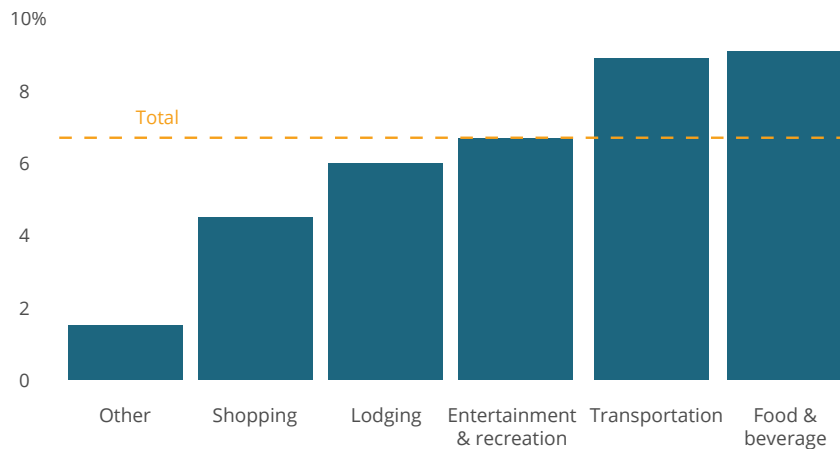
Airlines adjusted to the difference in demand last year by reducing airlift from Japan, Canada and Oceania and increasing lift from the US West and other international markets, including Seoul and the Pacific Islands. After a small drop in total airline capacity in 2025, the seats outlook projects an increase of more than 5% this quarter, with additional lift from San Francisco, Los Angeles, San Diego and Dallas. The seat outlook indicates double-digit capacity growth for each of the Neighbor Islands this quarter, but only a modest 1.5% gain on seats to Oahu.

Despite soft visitor numbers, real visitor expenditures grew 3.1% last year, edging to within 2% of the all-time peak reached in 2023 during the post-pandemic travel surge. The strength in headline visitor expenditures was driven primarily by the ongoing recovery on Maui. Real visitor spending on Kauai and the Big Island ended the year down 0.6% and 2.2%, respectively; Oahu spending grew by 2.6%, and spending jumped 9.2% in Maui County.

Per-person real daily visitor spending rose above \$270 in the fourth quarter, its highest level in more than ten years. (But see the box, "Visitor spending is not *really* setting new records.") Growth was driven by the domestic market, where daily expenditures jumped by double-digit rates during the fall. While this suggests a shift toward higher-spending travel behavior, a portion of the increase also reflects that some of the prices faced by tourists have risen faster than overall inflation. In contrast to US tourists, real daily spending by Japanese and Canadian visitors dropped 1% last year, and it fell

**VISITOR SPENDING
GROWTH BY
CATEGORY IN 2025**

Visitor spending was up across the board last year.



nearly 5% for visitors from other international markets. Together with the decline in international visitor headcount, weak daily spending trimmed total international expenditures by more than 5% in 2025.

Tourists spend over 70% on food, beverage and lodging, with the remaining 30% going toward entertainment, recreation, transportation, shopping and other expenses. In 2025, expenditures on all but a few small categories grew by 6% or more. However, a share of those increases also reflect changing prices. For example, the Honolulu consumer price index for food away from home increased by more than 3% last year. So price increases for the food and beverages that visitors purchase may explain a large portion of the increase in spending on that category, rather than more meals being purchased or more visits to higher quality restaurants.

Although statewide occupancy remained stable in the final quarter of 2025, room revenue rose. Revenue per available room (RevPAR) was up 2% during this period, with increases primarily in luxury and upscale hotels. Waikiki and most luxury properties on Oahu, as well as premier resorts in Maui County, posted gains in occupancy rates and RevPAR. Meanwhile, discounting outside the high-end has offset much of the high-end gains. This supports the view that the relative strength of visitor spending is being driven by more affluent tourists. For the year as a whole, statewide RevPAR fell 1% after adjusting for inflation.

A near-term constraint on the visitor industry is the multi-year closure of the Hawaii Convention Center for planned renovations. While conferences may be shifted into hotel ballrooms, this largely represents a reallocation of space rather than new demand. Local business and community events that would normally use those hotel facilities may be displaced into lower-tier venues that typically struggle to attract activity. Undoubtedly, the closure of the center will weigh on new convention business for the next few years, even as the disruption may redirect smaller convention and meeting business to the Neighbor Islands.

Overall, the visitor industry enters 2026 with revenue gains driven by stronger spending rather than by an expansion in visitor volumes. Even as visitor arrivals and occupancy rates have largely leveled off, the industry has been buoyed by a significant surge in domestic visitor spending. However, the persistent softness of international markets and continuing dependence on US visitors leave the industry vulnerable. Re-engaging international travelers will remain a primary challenge as the industry navigates changing travel demographics complicated by rising local costs and a shifting political landscape.

Visitor spending is not *really* setting new records

Visitor spending growth accelerated in late 2025, despite a decline in visitor numbers, according to preliminary data from the Department of Business, Economic Development & Tourism (DBEDT). This meant that, in nominal dollars, per-person daily tourism expenditure reached a new record of \$279 in October 2025, with similar levels in November and December. But after adjusting for inflation using the Honolulu Consumer Price Index (CPI), it is similar to a previous peak of \$276 in February 2013 and about 25% below the February 2001 peak of \$367 (both measured in 2025 dollars). So, it's not really a new record at all in real (inflation-adjusted) terms.

But that's not the only factor missing from the historical comparison. Per-person per-day spending data has only been collected since 2001. We have much longer records for other measures of visitor activity. Total visitor spending data dates back to 1964; annual visitor arrivals to 1975; and average length of stay to 1990. Using the seasonally adjusted data, we can calculate a quarterly measure of per-person-per-day spending back to 1990. On this measure, the record for real per-person daily spending was set in the first quarter of 1991 at just over \$400 per day (in 2025 dollars).

But in fact, that's not even the true peak. Length of stay has been fairly stable over time. It was about eight-and-a-half days in 1990, and it is still about eight-and-a-half days in 2025. If we assume the average length of stay between 1975 and 1989 was also 8.5 days, then we can estimate quarterly per-person daily spending back to 1975. On this measure, the record was set in the first quarter of 1988, at over \$450 (in 2025 dollars). Back then, a vacation in Hawaii cost an average of \$4,000 per person in today's dollars. Now, it is less than \$2,400.



While the recent uptick in per-person spending is welcome news, Hawaii is not, in fact, attracting high-value visitors like it did in the late 1980s and early 1990s. Rather, the long-term decline in per-person spending shows the ongoing challenge of an industry that has only managed to sustain total visitor spending around the level it was in 1989 by adding more bodies, each bringing in less spending to support the local economy.

State policy focuses on fiscal challenges and affordability

Both Governor Josh Green and legislative leaders are targeting measures aimed at addressing Hawaii's housing affordability problems, and protecting core services.

In his State of the State address, Governor Green linked policy priorities to emerging fiscal risks. Federal spending cuts, on top of Hawai'i's 2024 state income-tax reductions, have increased pressure on the state budget. The key question for policymakers is whether to revise or pause the scheduled 2027–2029 income-tax changes, cut spending, or both. Because Hawai'i is required to balance its budget, any loss of federal money must be offset by higher state revenue or cuts in public services. A pause in the tax cuts or reduced state spending in response, would therefore be part of the same fiscal squeeze created by the federal cuts, not an additional one.

The Green Fee, a Transient Accommodations Tax increase that began on January 1, 2026 is now raising revenue from visitors, but the funding stream is earmarked for climate resilience initiatives and so will not improve the State's budget balance. The Green Fee's cruise-ship provision—an 11% levy on cruise passenger fares, prorated by days in Hawaii—has faced legal challenges, but this does not materially change the fiscal picture.

The Governor's speech highlighted affordability steps—food assistance, school meals, and childcare support. These targeted benefits raise near-term demand, helping to stabilize household spending against the backdrop of federal cuts to such support. He also emphasized the need for more efforts to increase housing supply to address affordability challenges. We will return to this, below.

Efforts to accelerate housing approvals will matter only if they translate into increased financing, construction starts, and completed units. The State is also continuing to invest in supportive housing for unhoused people (including kauhale villages) noting that it also reduces the cost of repeated emergency care use.

Governor Green also noted support for shifting homes back to residential use from absentee ownership, with a stated goal of returning roughly 10,000 homes. That aspirational target will only translate into a real supply increase if counties follow through with enforceable actions, funding, and measurable conversions, and if the approach can clear the legal barriers now facing Maui. At the same time, short-term rental conversions would also reduce visitor capacity, so housing-market gains may come with tradeoffs for tourism activity, jobs, and incomes, as documented in a recent [UHERO analysis](#) of the Maui short-term rental phase-out.

Federal policy changes affect Hawaii too

A number of federal policy changes have direct effects on Hawaii, primarily through elements of the 2025 One Big Beautiful Bill Act (OBBBA) that are coming into effect.

On SNAP, OBBBA requires Hawaii to broaden and enforce work requirements (including for some older adults and parents). These requirements will effectively eliminate program benefits for some households in a high-cost state where food insecurity is a persistent concern. The law also shifts additional SNAP-related costs onto Hawaii beginning toward the end of this year, adding strain to the State budget. As we noted above, these federal cuts

also create headwinds for the state economy, by requiring either a reduction in public services, a pause in state tax cuts, or both, to offset the lost funding.

On Medicaid, new federal work requirements and enrollment rules may also reduce coverage, which is particularly consequential in Hawaii, where Med-QUEST covers roughly 400,000 residents, about 30% of the population. About one-third of Hawaii children receive health benefits through Medicaid and CHIP. These federal programs are especially important for Neighbor Island and rural hospitals. Coverage losses will raise risks to the continuity of care and uncompensated-care pressures for facilities as changes roll out.

The OBBBA also delivers offsetting benefits for Hawaii in 2026, primarily through federal tax relief. It will raise after-tax income for some families through an expanded Child Tax Credit. A higher SALT deduction cap will reduce federal income taxes for some higher-income households—especially those who own expensive homes. The law also adds a \$6,000 senior deduction for many taxpayers age 65 and older. Finally, new deductions for qualified tips and qualified overtime will increase take-home pay for some workers, particularly in Hawaii’s hospitality sector.

Federal policy
impacts extend
beyond the
OBBBA

The federal Rural Health Transformation Program will bring a sizable funding inflow to Hawaii over the next five years. Under this new CMS program, Hawaii is slated to receive roughly \$189 million in FY 2026, with additional funding to support a multi-year effort to strengthen rural and NeighborIsland healthcare delivery, including workforce capacity, access, and care coordination. Even so, this funding will not fully offset the scale of potential federal safety-net reductions from the sizable Medicaid coverage losses. And the economic benefits will depend on how quickly and effectively the state deploys the federal resources.

FEMA recently extended Temporary Housing Assistance for Maui wildfire survivors through February 28, 2027. This continued support for roughly 1,000 households reduces near-term displacement risk and helps limit further disruption to local employment and schooling, but it does not address the underlying housing shortage and mainly buys time as interim and permanent housing options expand.

Other aspects of national policy also affect Hawaii. High borrowing costs impose burdens on local residents, both for financing autos and consumer durables goods, and on mortgage costs. The Federal Reserve has reduced its key short-term interest rate to 3.5%–3.75% range, but consumer lending rates remain very high, and mortgage rates remain stuck near 6%. High long-term interest rates will continue to weigh on home affordability, but also on other types of business and public-sector investment.

As we go to press, the US Supreme Court has ruled that the President lacks the authority to impose broad tariffs under the Emergency Economic Powers Act. While welcome news, some tariffs under other authorities will be implemented. Ongoing tariff changes and regulatory ambiguity weigh on Hawaii businesses that rely on imported goods and intermediate inputs, just as they do on businesses nationwide. While the ruling against existing tariffs could potentially provide import price relief, it does not eliminate uncertainty and volatility affecting costs, supply chains, and investment decisions, because the Administration will pursue other legal avenues to reimpose many of them.

Soft labor market persists, despite low unemployment rate

Hawaii’s labor market passed through a mild recession in the first half of last year. Between January and July 2025, the number of payroll jobs declined by nearly 4,000 jobs, or 0.6%, before modest growth resumed in August. The average number of jobs for the year as a whole was 0.6% higher than in 2024. (Note that all job numbers refer to UHERO estimates of pending government benchmark revisions.)

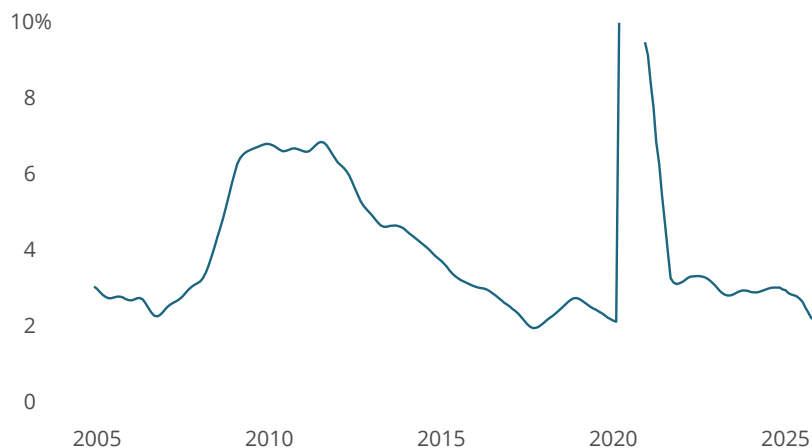
The tepid pace of job recovery indicates a labor market that remains very soft. Accompanying this is a very slowly growing labor force, which expanded by just 1,300 workers last year. A significant labor market pickup has yet to occur.

Job openings continue to trend downward. As of November 2025, the number of job openings was more than 26% lower than a year earlier. Similarly, data from the [Indeed Hiring Lab](#) (which reflects private sector employment in the state) indicates that job postings have been trending downward over time, with postings in January down by 35 percentage points from their peak in early 2023. Overall, the decline in job vacancies, combined with limited payroll and labor force growth, points to softening labor market conditions across the state.

While indicators such as job openings and payroll employment growth point to weakening labor market conditions, the unemployment rate has continued to decline. In December, Hawaii’s statewide unemployment rate fell to 2.2%, the lowest level recorded since before the COVID-19 pandemic and far lower than the national average of 4.3%. In part, the recent decline in Hawaii unemployment reflects a flattening of labor force growth relative to that of employment measured by the household survey. But Hawaii has historically maintained a lower unemployment rate than the US overall, reflecting structural characteristics of its labor market rather than cyclical differences in economic performance.

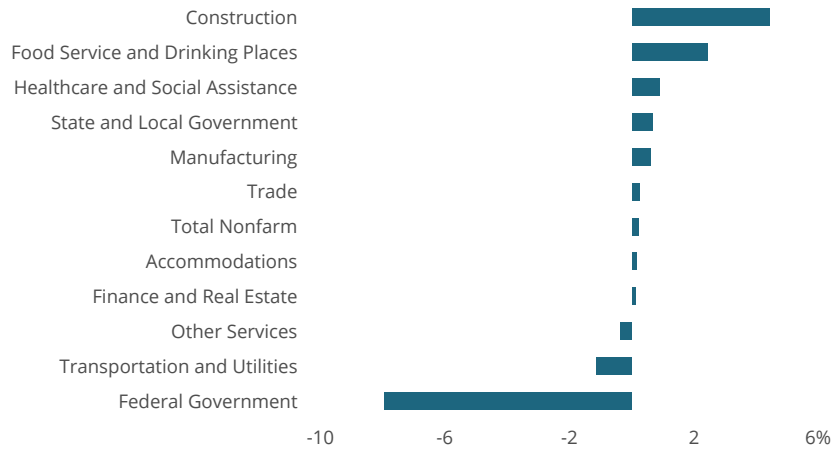
Within industries, the most notable development has been the sharp decline in federal government jobs over the last year. In December 2025, federal civilian payrolls were 8% lower than a year earlier, representing a loss of roughly 2,800 jobs. The decline is five percentage points larger than projected in our previous forecast and offsets most of the gains in other

HAWAII UNEMPLOYMENT RATE
Unemployment dropped to 2.2% in December 2025.



**CHANGE IN PAYROLLS
BY INDUSTRY,
DECEMBER 2024 TO
DECEMBER 2025
(YEAR-OVER-YEAR
PERCENT CHANGE)**

Federal employment has declined sharply, while most other industries saw limited growth.



sectors. The contraction in federal employment reflects deliberate federal employment downsizing. The working group, termed the Department of Government Efficiency (DOGE), targeted a sharp reduction in the size of the federal workforce, largely through buyout incentive programs to encourage resignations and early retirements. Nationally, federal payrolls have declined by about 300,000 workers over the past year through these voluntary separation and deferred resignation offers as well as normal attrition.

In Hawaii, construction remains a bright spot in the labor market. Construction payrolls grew by more than 4% over the past year, adding about 1,700 jobs. This expansion reflects elevated government contracting and increased building activity, with construction job counts hovering at or near historical highs on Oahu and in Maui County. Food services and health care and social assistance have also posted gains, adding approximately 1,600 and 700 jobs, respectively. However, payrolls across other sectors have been much more muted. Job counts in most sectors grew by less than 1% over the past year; the transportation and utilities sector and our broad other services category posted declines.

Beyond weak payroll growth, Hawaii’s labor force has been constrained by population losses that began in 2018. This reflects both a decline in natural growth (births minus deaths) and outmigration. International migration has historically been an important share of in-migration for the state. The marked reduction in permitted legal immigration and concerns by potential immigrants about shifting immigration policies may further constrain labor force growth. The role of immigrants in the state’s economy is significant, with foreign-born individuals comprising roughly 18% of Hawaii’s population in 2023 and a substantial portion of the state’s workforce.

A large number of studies over the years have found that immigrants have [significant positive impacts](#) on the economy. Immigrants are more likely to be employed and more entrepreneurial than native-born residents. Because on average they are relatively young, they help to support public budgets by paying more in taxes than they receive in benefits. Given the state’s reliance on its immigrant workforce, a significant slowdown in international in-migration and decline in the current foreign-born population would further dampen labor force growth and exacerbate existing workforce constraints.

The statewide minimum wage increase to \$16 per hour on January 1 adds another near-term cost and a potential headwind by raising labor costs in low-wage jobs, even as it boosts pay for affected workers and their household

spending power. Previous increases occurred when labor market conditions were stronger and fewer workers earned wages at or near the minimum wage. In a weaker labor market, firms may have less ability to absorb the increase through demand growth, raising the risk of reduced hours or slower hiring.

Condo Market Cools Amid Policy Shocks

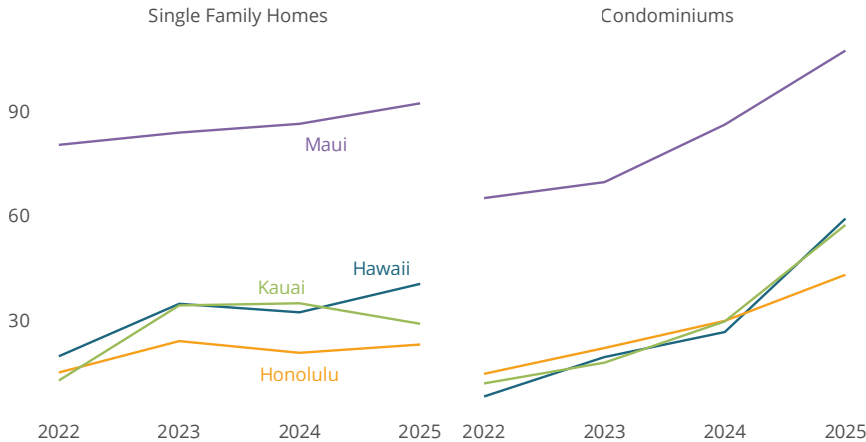
Home prices were largely flat in 2025, with modest gains in the single-family market offset by declines in condominiums. Single-family home prices rose 4% on Oahu and 3% on the Big Island, while Maui and Kauai cooled, with prices falling 2% and 10%, respectively. Statewide, the condominium market has been weighed down by insurance market challenges. Honolulu recorded its first year of condominium price declines since 2011, with median prices down 2%. Maui condo prices have declined by a much larger 20%, an issue we will return to below. Median days on market for condominiums have increased across the counties, a forward-looking indicator of a softening market. Since 2022, median days on market have increased nearly fivefold on the Big Island and Kauai, and now exceed 100 days on Maui.

Maui County’s treatment of short-term vacation rentals operating in *Minatoya List* buildings entered a new phase in December with the passage of Bill 9. The ordinance establishes a timetable to phase out about 7,000 short-term vacation rentals in apartment-zoned districts, beginning in West Maui in 2029 and extending countywide by 2031. Converting these units to long-term housing could increase Maui’s housing stock by up to 13%, roughly equivalent to a decade of new construction. Debate of Bill 9 over the past couple years has already chilled the Maui condo market, as investors looked ahead to its implementation. [UHERO estimates](#) that a full phase-out of *Minatoya List* rentals could reduce Maui condominium prices by 20–40%. Analysis of deed transfer data suggest this adjustment is already underway: while the statewide median condominium price in 2025 was 4% below its 2023 level, Maui prices declined by 11% over the same period. Among *Minatoya List* properties, median prices have fallen 16%.

The ultimate impact of the policy remains uncertain. Alongside Bill 9, the Maui County Council is advancing a rezoning proposal that could exempt more than half of the affected units by allowing continued vacation rental use in newly designated hotel-mixed zoning districts. Legal challenges

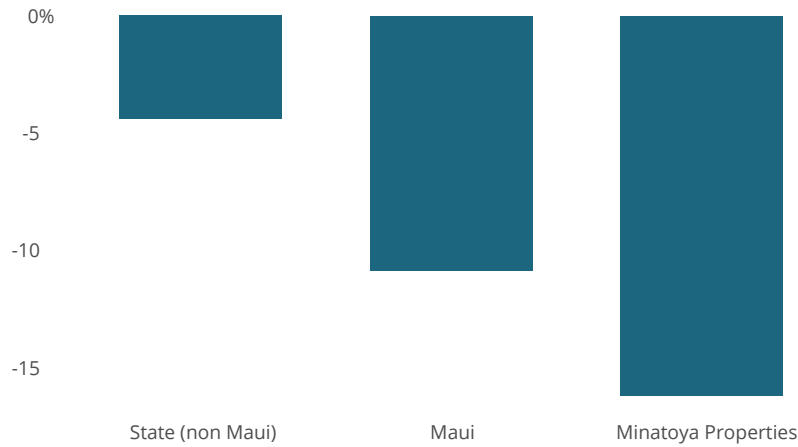
MEDIAN DAYS ON THE RESALE MARKET

The median days on market for real estate listings are rising, particularly in the condo market.



**CHANGE IN MEDIAN
CONDOMINIUM PRICE,
2023-2025**

Bill 9 has contributed to a significant decline in Maui's median condominium price.



add further uncertainty, as condominium owners in resort areas such as Kaanapali have argued that the phase-out violates their property rights. If the courts uphold Bill 9 and exemptions are limited, further declines in Maui condominium prices are likely. Following through with the full policy will also have consequences for the broader economy, because the removal of a significant number of vacation rentals would cause a contraction in tourist spending, or at least prevent full recovery from the post fire spending downturn.

In 2025, the value of residential building permits increased significantly in Honolulu to \$1.3 billion, up 26% from 2024, but remained relatively flat on the Neighbor Islands. Above, we discussed the Governor's goal of shifting homes back to residential use from absentee ownership. The Governor has also outlined ambitious targets for new home construction, noting that the State is currently tracking 62,000 housing units in various stages of development. The largest share of this total comes from planned development in and around Honolulu's Iwilei neighborhood, where proposals envision 27,500 new homes.

The Governor's initiative to develop *kauhale villages* of tiny homes for individuals experiencing homelessness continues to advance, with the twenty-fifth site expected to open soon in Waimanalo and a request for \$50 million in additional appropriations. However, State efforts will need to persist in the face of county-level barriers to housing development. For example, the Honolulu City Council is considering a bill that would scale back the county's Bill 7 affordable rental housing program in response to neighborhood opposition to larger residential buildings. Efforts to accelerate housing approvals will matter only if they translate into increased financing, construction starts, and completed units.

Construction activity tied to government contracts has remained strong, led by ongoing military infrastructure upgrades at Pearl Harbor. Other recent contract awards include \$110 million in planned spending on the Hawaii Convention Center for roof repairs and other upgrades. The work will require the closure of the Convention Center for up to two years. The Aloha Stadium redevelopment has also moved forward with plans for demolition to be completed by August of this year, and stadium completion planned for 2029. The State has contributed \$350 million to the project. The current site plan also includes 4,100 housing units, hotels, and other amenities, though completion of these will exceed the stadium construction timeline.

THE HAWAII OUTLOOK

Our near-term Hawaii forecast is somewhat more optimistic than the outlook we described in the fourth quarter of last year. This reflects the return to job growth after a period of contraction during the first half of last year, as well as the more favorable assessment of underlying US macro conditions that we discussed above. We expect Hawaii to post a small net increase in payroll jobs this year, rather than the net loss we had in our previous forecast. Relatively weak conditions will still prevail in a range of industries. The decline in visitor numbers appears to have ended in 2025, although annual growth in the visitor census will not be observed until 2027.

While federal tax cuts may support growth this year, accompanying benefit cuts will impose costs, particularly for lower-income households. The State's deteriorating fiscal position raises further challenges to maintaining basic services. On the upside, international visitor markets could recover more quickly than anticipated. AI adoption has the potential to raise economic prospects in what is otherwise a very low long-run growth environment.

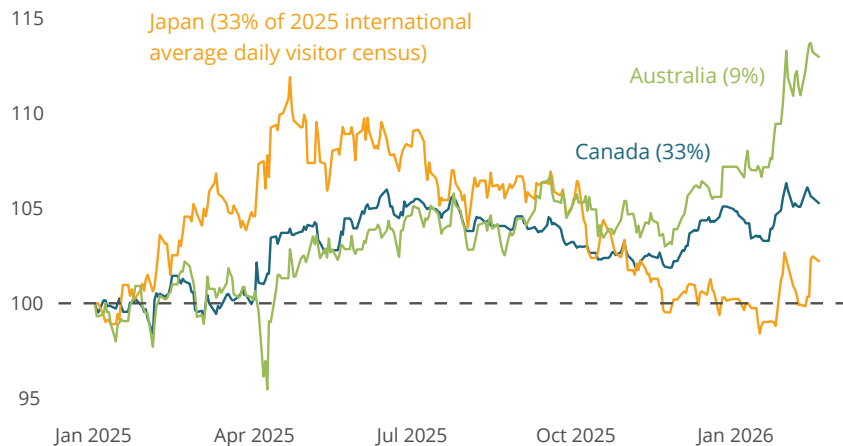
A more favorable external economic environment

Prospects for the performance of the external economy that affects Hawaii have improved since the time of our last report. Consumer spending remains sound, despite some year-end slowing. Together with ongoing AI investment, this leads us to increase our forecast for US growth in 2026. AI-related capital investment contributed to last year's growth, and the announced AI investment pipeline will support the economy in 2026 and the adoption of AI thereafter. This year should also benefit from the coming tax cuts, although there are offsetting benefit cuts.

The recent Supreme Court decision invalidating the Administration's broad tariffs may alleviate the pressure on some business costs and prices, but a range of new tariffs will be coming and related uncertainty will remain very high. This leaves the ultimate inflationary impact unclear. At the same time, we believe that we are yet to see the full adverse impacts of deportations on labor supply and costs. Because of these factors, we anticipate some slowing of the US economy in 2027. The outyear forecast continues to be

US DOLLAR CURRENCY VALUES FOR HAWAII'S LARGEST INTERNATIONAL MARKETS (JANUARY 1, 2025 = 100)

Since late spring, the yen has retreated to a low value.



characterized by restrained growth in an aging and slow-growing population. AI adoption represents a forecast risk, which we will return to in the conclusion.

As we noted above, the outlook for the rest of the world remains largely unchanged. Despite the Japanese debt selloff, we see marginally stronger growth this year. The Asian region as a whole will continue to benefit from strong semiconductor sales to fuel US AI investments. But the US-led trade war and policy uncertainty will continue to weigh on global economic conditions.

Gradual tourism recovery in the cards

Measured by statewide visitor headcounts, 2025 came in roughly in line with our expectations. Second-half weakness followed a strong start to the year, and so annual arrivals fell modestly (-0.6%). Early indications are that 2026 will look much the same, with a poorer outlook for international visitors offsetting modest expansion of US travel.

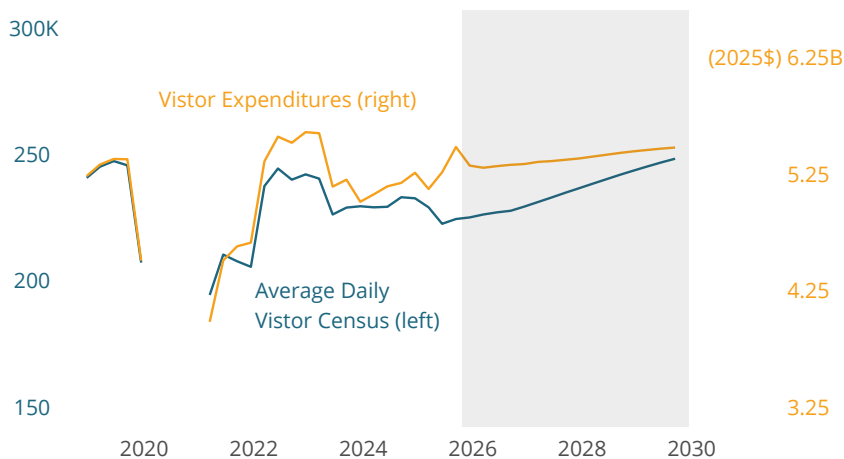
The average daily census, which takes into account visitors' length of stay, is now stabilizing. Following two years of decline, recovery will begin later this year, with annual growth rising to 2.5% in 2027. We continue to believe that the recovery of visitors will be gradual, with the visitor census remaining below its post-pandemic 2022 peak until later in the decade.

The soft near-term visitor outlook results in large part from the depth of decline we have observed in international markets. While modest recovery of the stagnant Japanese market is now resuming, the yen's depreciation since last spring will serve as an additional headwind. International markets other than Japan ended last year nearly 16% lower than a year earlier. Given the extent of deterioration in foreign attitudes toward US domestic and foreign policies, we think these markets will take a considerable time to recover.

We expect better performance from the US market. The market picked up at the end of last year after only a modest falloff and looks poised to make limited gains this year as US macro conditions remain solid. Over the longer run, we continue to believe that the scope for further US market gains is modest, in part because of slower trend US growth and competition from international market recoveries as they occur.

REAL VISITOR EXPENDITURES AND AVERAGE DAILY CENSUS

Following last year's bump, spending will remain relatively flat.



Despite weak visitor numbers, spending by tourists continued to grow at a moderately rapid clip as per-person spending increased. We expect 2026 to be weaker, and—consistent with history—inflation-adjusted visitor spending will grow more slowly than average daily visitor census in coming years.

There are some important differences in the visitor industry forecast across the four counties. After taking the biggest hit to visitor numbers last year, the counties most dependent on international markets, Honolulu and the Big Island, will stabilize this year but still post annual losses for the year as a whole, before recovery takes hold. US-focused Kauai actually grew their visitor numbers in 2025 but will see more limited growth this year. Maui of course is the standout, as ongoing recovery from the disastrous 2023 wildfires will continue to propel rising tourism activity, if at a slower pace than last year. Still, growth in Maui daily census will average about 4% annual growth over the next four years. Even at that rate, visitor numbers will remain below pre-fire levels at the end of the decade. Note that this forecast does not yet include potential impacts from the phase out of Minatoya list properties that, pending further council and legal decisions, could begin as early as 2029.

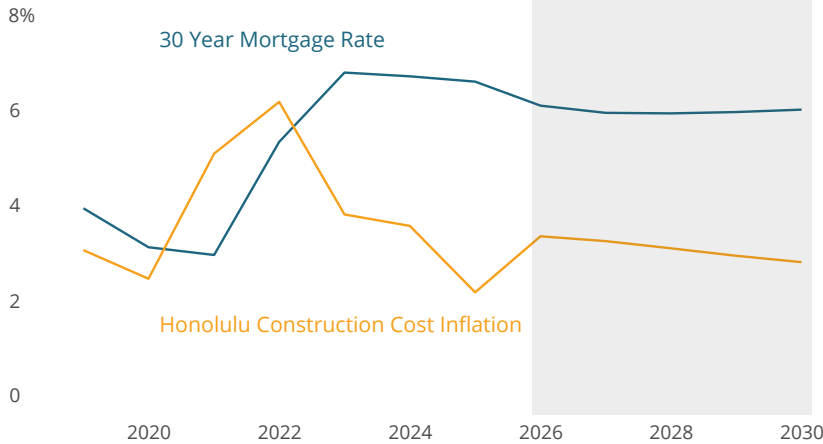
Construction picture still pretty

The Hawaii construction industry has been a substantial contributor to growth for a number of years. This has been supported by an exceptionally high volume of federal and locally-funded construction, as well as ongoing private residential and nonresidential building. Maui rebuilding has added to the mix.

Overall construction sector activity will remain at a high level for the next several years, although incremental growth will slow considerably. This reflects the likely plateauing of the current residential building boom on Oahu and the flattening of government contracts awarded (albeit at a high level). Growth in the construction job base slowed from 3.4% growth in 2024 to 2.3% last year and will decelerate further to about 2% growth this year. (Note that the bump in residential permitting in 2027 reflects our anticipation that permits for both current and planned construction will be issued with a considerable lag, as has been the recent experience.)

30 YEAR MORTGAGE RATE AND HONOLULU CONSTRUCTION COST INFLATION FOR SINGLE FAMILY HOMES

High interest rates and building costs will continue to weigh on the construction industry.



The construction industry will continue to be challenged by moderately high rates of cost inflation, in part because of the ongoing feed-through of tariffs, but also limits to available labor. Long-term interest rates have eased a bit from a year ago. But we expect long-term bond rates to remain close to their current level, leaving the rate on 30-year fixed rate mortgage to settle near 6%, considerably higher than before and during the pandemic. That will not prevent an increase in home demand, but it will certainly weigh on affordability.

By 2028, the current construction cycle will begin to ebb, after peaking above 41,000 jobs statewide, an all-time high. The real contracting tax base, a broad measure of industry activity, will peak later in the decade above \$14.4 billion. The retreat will be gradual, and construction will continue to play an outsized role in the Islands for some time.

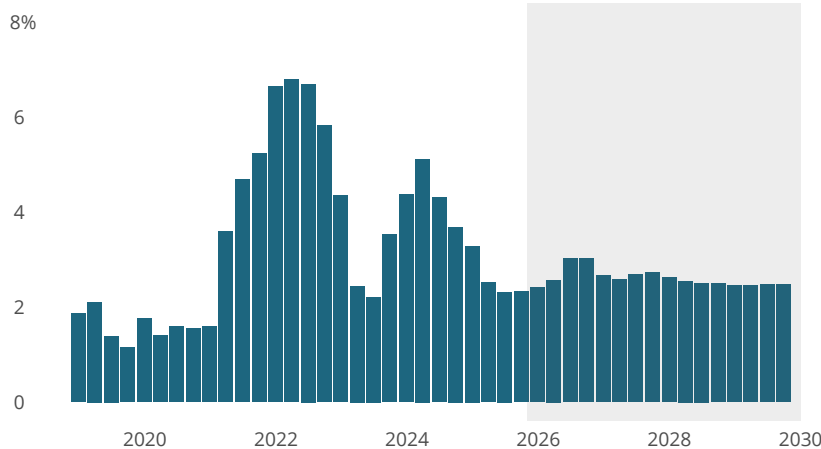
Further impact of tariffs on prices is uncertain

As we discussed above, Trump Administration tariffs have imposed a considerable burden on American businesses and consumers. These include the direct effects on costs and prices but also expensive reshuffling of production networks. So far, businesses have been hesitant to pass along these costs to consumers, but at the national level, inflation has risen about one percentage point above what it would otherwise have been. It is likely that the impact in Hawaii has been similar.

Looking to 2026, further pass-through of tariffs into consumer prices is likely, as the ability of firms to “eat” the cost declines. But the recent Supreme Court decision invalidating the Administration’s broad application of tariffs makes this difficult to gauge. We expect that Honolulu consumer price inflation will peak just above 3% in the second half of this year, before gradually retreating toward a 2.5% trend. On an annual basis, 2026 inflation will come in at about 2.8%, compared with last year’s 2.6% rise.

HONOLULU INFLATION RATE FORECAST

Some further passthrough of tariffs will prod inflation slightly higher.



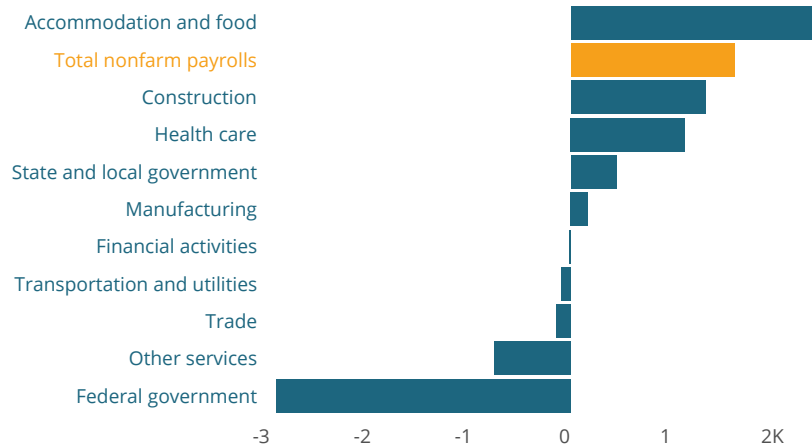
Labor market recovery will continue

With a mild employment recovery now underway, payroll jobs will post a modest 0.2% gain this year. This stands in contrast to the small net decline we had forecast in December.

A moderately stronger outlook for tourism will support growth, as jobs in the accommodations and food service sector rise 1%. Health care is now expected to continue its above-trend growth for another year, before slowing

PROJECTED PAYROLL CHANGES BETWEEN 2024Q4 AND 2026Q4

Federal payrolls will account for most of the job losses over the 2025-2026 period.



toward a roughly half-percent trend. The financial, insurance and real estate sector will see moderate gains. Growth of construction payrolls will lead all sectors.

Hawaii’s federal government job losses have been markedly larger than anticipated early last year, plummeting by about 3,000 jobs over the course of 2025; while they will stabilize, we nevertheless see a large year-over-year loss for 2026. In contrast, state and local government job shedding will be more limited. There have been (so far) no significant losses of state and local government jobs.

Hawaii’s unemployment rate is now very low, ending the year at 2.2%. In part this reflects structural differences such as lower labor turnover and incentives for outmigration in a high-cost state. These factors, together with low labor force growth will keep unemployment near this level over the forecast horizon.

As always, there are differences in labor market performance across counties. Honolulu and Kauai will see job growth this year near the statewide average of 0.2%. Maui growth will be stronger, supported in part by the ongoing recovery of the visitor industry. Hawaii county will post a net job decline for 2026 overall, but this reflects in part losses in tourism-related sectors and several others that occurred late last year and therefore represent a low starting point for this year’s forecasts. Hawaii County saw a significant drop in real visitor spending last year, which likely played a role in this weakness. Over the next five years, job growth on the Neighbor Islands will outpace that of Oahu, primarily because of their more rapid trend population growth.

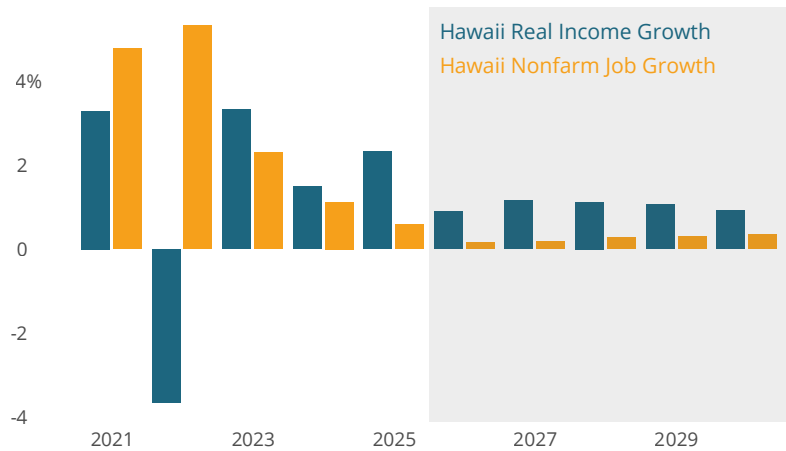
A restrained aggregate growth forecast

The outlook for income growth has also improved somewhat in recent months, even if 2026 as a whole will come in weaker than an unexpectedly-strong 2025. Honolulu will roughly match the statewide pattern—this is nearly always the case given its dominant income share—while Maui will be just a tad stronger. As we noted above, federal income tax cuts and especially business tax incentives, will be supportive this year, although we will see slower growth in transfer payment income because of the accompanying cuts to lower-income support programs.

The moderately better near-term outlook is reflected in sector-level income forecasts. To some extent, industry labor income performance mirrors that of payroll jobs. But there are also idiosyncratic differences in recent developments that shape these forecasts. Overall, real income will

HAWAII REAL INCOME AND PAYROLL JOB GROWTH

A flat labor market will restrain future growth.



post a nearly 1% gain in 2026, compared with 0% growth in our previous forecast. The increase is wholly due to a much more optimistic outlook for labor income, which we now see expanding modestly this year rather than contracting.

Sectors that will see the strongest income growth include construction, health care, and accommodations and food services. (The latter will benefit from recent minimum wage increases.) Among large sectors, only government will see income losses in 2026. Real income growth will be about 1% for all counties except Hawaii County. The Big Island will see only 0.6% real income growth, largely reflecting its aggregate job losses. As with jobs, real income growth will be a bit stronger on the Neighbor Islands than on Oahu over the medium run because of their more favorable demographics.

Beyond 2026, we see a return to a restrained growth path for Hawaii, with real labor income rising just a bit more than a half-percent. Stronger anticipated growth in dividends, interest, and rent, as well as a bit firmer job growth, will propel annual real income gains in the 1% range. This is about as good as we can expect in Hawaii’s slow-growth economy. Potential delays in State income tax cuts or reduced State spending would lower this to some extent. And of course more chaos out of Washington is an ever present risk.

Real gross domestic product, our broadest measure of economic activity, will grow by 1.6% this year after a strong 3% showing last year. Real GDP growth will trend toward 1% over several years, although adoption of AI might raise this a bit over time.

AI and other forecast uncertainties

This forecast represents an improvement over our previous outlook. While tourism numbers have taken a significant hit, a resilient US economy has prevented the feared pullback in mainland visitors, and overall visitor spending has remained strong. Still, recovery will take a few years. On the macro home front, the return to growth after a half-year of job losses sets the stage for modest continuing job gains in 2026. As in previous forecasts, the path forward is characterized by trend growth that is much slower than we have seen in the past.

One factor that supports a moderately optimistic Hawaii outlook is fairly favorable prospects for the US economy. At the same time, we have yet to feel the full drag from deportations. And the Supreme Court’s ruling on tariffs, while likely to provide some price and cost relief, leaves their future path unclear. It is an understatement to say that federal policy uncertainty

remains unusually high. As a result, we still expect some US softening over the next two years.

But we are now in a position to ask whether we are near the bottom of the US employment slowdown. Recent downward benchmark revisions confirm that job growth has been essentially flat now for nearly two years and job opportunities remain limited, but the unemployment rate may have stabilized. More broadly, consumer spending ramped back up during the summer and fall, and productivity growth has improved. Gains from AI-related investment and early adoption should prevent the economy from sliding much below 2%. AI may be arriving at just the right time.

AI adoption will increase productivity and growth in coming years—potentially by a lot, although estimates vary widely. But there are downside risks, as well. Major data service companies are making vast investments in computing capacity, which will lift the economy in the near term. But if there is over-investment, large losses could occur, potentially resulting in a meltdown in either AI or other industry stocks. Recent volatility, especially in areas that are feared to be adversely affected by AI adoption, illustrate these largely unknown risks.

An upside risk for the local economy is a faster recovery of international tourism. In our baseline forecast, we assume that the growing damage to the US reputation abroad will mean no recovery of Canadian and many other visitor markets this year and only gradual recovery thereafter. But some visitors who have delayed Hawaii vacations might begin to return sooner. While it seems unlikely that the US standing in the world will improve in the near term, we suppose anything is possible.

It is worth repeating again the concerns we have about long-term prospects for the health of the Hawaii economy and our residents' standard of living. We have seen significant outmigration in recent years, and, as for the US overall, the future will be one of very slow population and labor force growth. Restrictive US immigration policy will exacerbate these trends. This will increase the burden of providing needed workers and the fiscal burden of providing necessary services. To mitigate, we need to work on ways to raise productivity growth in the Islands.

TABLE 1: MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2024	2025	2026	2027	2028
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	639.3	643.0	644.0	645.3	647.0
% Change	1.1	0.6	0.2	0.2	0.3
Unemployment Rate (%)	3.0	2.7	2.3	2.3	2.3
Population (Thou)	1,434.4	1,432.3	1,432.2	1,431.5	1,431.2
% Change	0.0	-0.1	0.0	-0.1	0.0
Nominal Personal Income (Mil \$)	102,699.8	107,836.0	111,797.8	116,102.3	120,394.1
% Change	5.9	5.0	3.7	3.9	3.7
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Real GDP (Mil 2025\$)	117,627.4	121,283.4	123,236.8	124,966.3	126,570.3
% Change	0.9	3.1	1.6	1.4	1.3
Real Personal Income (Mil 2025\$)	102,699.8	105,092.2	106,025.9	107,248.2	108,453.0
% Change	1.5	2.3	0.9	1.1	1.1
Real Per Capita Income (Thou 2025\$)	71.6	73.4	74.0	74.9	75.8
% Change	1.5	2.5	0.9	1.2	1.1
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	9,706.0	9,645.2	9,586.2	9,741.2	10,020.1
% Change	0.5	-0.6	-0.6	1.6	2.9
U.S. Visitors	7,384.1	7,413.3	7,479.6	7,539.6	7,669.1
% Change	-0.6	0.4	0.9	0.8	1.7
Japanese Visitors	707.9	735.4	767.8	818.0	906.5
% Change	20.1	3.9	4.4	6.5	10.8
Other Visitors	1,613.9	1,496.6	1,338.7	1,383.5	1,444.6
% Change	-1.7	-7.3	-10.6	3.4	4.4
Average Daily Census (Thou)	230.5	227.5	226.8	232.4	239.6
% Change	-1.8	-1.3	-0.3	2.5	3.1
Average Daily Room Rate (\$)	363.4	366.5	366.0	369.6	375.4
% Change	-3.7	0.8	-0.1	1.0	1.6
Occupancy Rate (%)	66.2	65.0	63.2	64.7	66.6
Real Visitor Expenditures (Mil 2025\$)	20,428.2	21,150.1	21,294.7	21,446.4	21,654.5
% Change	-5.3	3.5	0.7	0.7	1.0

Note: Source is UHERO. Nonfarm Payrolls for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Figures for income and GDP for 2025 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2026-2028 are forecasts.

TABLE 2: JOBS BY INDUSTRY

STATE OF HAWAII FORECAST

	2024	2025	2026	2027	2028
Nonfarm Payrolls (Thou)	639.3	643.0	644.0	645.3	647.0
% Change	1.1	0.6	0.2	0.2	0.3
Construction and Mining	39.4	40.3	41.0	41.1	40.8
% Change	3.4	2.3	1.9	0.1	-0.8
Manufacturing	12.9	13.2	13.2	13.3	13.3
% Change	1.5	1.8	0.7	0.4	0.2
Trade	82.1	81.8	81.8	82.2	82.6
% Change	-0.8	-0.3	0.0	0.5	0.5
Transportation and Utilities	34.5	35.1	35.1	35.1	35.2
% Change	0.3	1.6	0.0	0.2	0.2
Finance, Insurance and Real Estate	27.3	27.0	27.2	27.3	27.4
% Change	-1.7	-1.0	0.7	0.3	0.3
Services	316.8	318.5	320.4	321.1	322.3
% Change	1.1	0.5	0.6	0.2	0.4
Health Care and Soc. Assistance	75.7	76.5	77.3	77.5	77.8
% Change	2.0	1.0	1.0	0.3	0.4
Accommodation and Food	106.1	107.8	108.9	109.2	109.7
% Change	0.8	1.5	1.1	0.2	0.5
Other	134.9	134.2	134.3	134.4	134.8
% Change	0.7	-0.5	0.0	0.1	0.3
Government	126.3	127.2	125.2	125.2	125.4
% Change	2.7	0.7	-1.6	0.0	0.2
Federal Government	35.6	34.5	32.7	32.9	33.2
% Change	1.6	-3.1	-5.3	0.6	0.9
State and Local Government	90.7	92.7	92.5	92.3	92.2
% Change	3.1	2.2	-0.2	-0.2	-0.1

Note: Source is UHERO. Industry job counts for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Figures for 2026-2028 are forecasts.

TABLE 3: PERSONAL INCOME BY INDUSTRY

STATE OF HAWAII FORECAST

	2024	2025	2026	2027	2028
Real Personal Income (Mil 2025\$)	102,699.8	105,092.2	106,025.9	107,248.2	108,453.0
% Change	1.5	2.3	0.9	1.1	1.1
Labor & Proprietors' Income	70,483.6	72,289.2	72,484.2	72,890.6	73,324.2
% Change	1.1	2.6	0.3	0.6	0.6
Construction and Mining	5,454.4	5,594.2	5,687.8	5,710.3	5,684.4
% Change	4.5	2.6	1.7	0.4	-0.5
Manufacturing	1,117.4	1,121.1	1,106.7	1,119.2	1,129.7
% Change	-0.2	0.3	-1.3	1.1	0.9
Trade	5,624.1	5,654.2	5,690.5	5,707.1	5,738.7
% Change	-1.9	0.5	0.6	0.3	0.6
Transportation and Utilities	4,255.8	4,317.9	4,324.3	4,343.4	4,369.1
% Change	0.6	1.5	0.1	0.4	0.6
Finance, Insurance & Real Estate	5,247.8	5,298.7	5,309.2	5,345.8	5,392.2
% Change	-2.5	1.0	0.2	0.7	0.9
Services	28,794.5	29,322.3	29,680.1	29,874.3	30,111.3
% Change	0.7	1.8	1.2	0.7	0.8
Health Care & Soc. Assist. (% ch.)	1.1	2.9	2.0	0.7	0.6
Accommodation & Food (% ch.)	-0.2	-0.1	1.6	0.8	1.1
Other (% ch.)	0.8	2.2	0.5	0.6	0.8
Government	19,555.0	20,468.8	20,245.4	20,348.9	20,454.7
% Change	2.9	4.7	-1.1	0.5	0.5
Federal, civilian (% ch.)	1.0	-3.2	-5.0	0.6	1.1
State & Local (% ch.)	3.3	10.4	-1.1	0.1	-0.2
Less Social Security Taxes (-)	8,381.4	8,629.6	8,642.0	8,690.4	8,742.1
% Change	-1.2	3.0	0.1	0.6	0.6
Transfer Payments	18,073.4	18,777.9	19,238.5	19,569.1	19,905.0
% Change	-0.3	3.9	2.5	1.7	1.7
Dividends, Interest and Rent	22,528.2	22,658.8	22,949.1	23,483.0	23,970.0
% Change	3.2	0.6	1.3	2.3	2.1
Population (Thou)	1,434.4	1,432.3	1,432.2	1,431.5	1,431.2
% Change	0.0	-0.1	0.0	-0.1	0.0
Real Per Capita Income (Thou 2025\$)	71.6	73.4	74.0	74.9	75.8
% Change	1.5	2.5	0.9	1.2	1.1
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Nominal Personal Income (Mil \$)	102,699.8	107,836.0	111,797.8	116,102.3	120,394.1
% Change	5.9	5.0	3.7	3.9	3.7

Note: Source is UHERO. Figures for income and GDP for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts.

TABLE 4: CONSTRUCTION INDICATORS

STATE OF HAWAII FORECAST

	2024	2025	2026	2027	2028
BUILDING PERMITS					
Total Commitments to Build (Mil 2025\$)	9,170.5	8,942.0	9,018.6	9,928.5	9,743.0
% Change	14.4	-2.5	0.9	10.1	-1.9
Private Building Permits	4,971.5	4,194.2	4,160.2	5,041.4	4,840.6
% Change	30.9	-15.6	-0.8	21.2	-4.0
Residential Building Permits	2,240.0	2,123.2	1,957.0	2,605.3	2,410.8
% Change	41.7	-5.2	-7.8	33.1	-7.5
Non-Residential Building Permits	2,731.6	2,071.0	2,203.2	2,436.1	2,429.9
% Change	23.2	-24.2	6.4	10.6	-0.3
Government Contracts Awarded	4,198.9	4,747.8	4,858.5	4,887.1	4,902.4
% Change	-0.5	13.1	2.3	0.6	0.3
CONSTRUCTION ACTIVITY					
Real Contracting Tax Base (Mil 2025\$)	13,917.5	13,878.4	12,426.1	14,196.2	14,247.4
% Change	13.8	-0.3	-10.5	14.2	0.4
Nominal Contracting Tax Base (Mil \$)	13,917.5	14,179.6	13,121.1	15,477.2	16,014.5
% Change	17.9	1.9	-7.5	18.0	3.5
Construction and Mining Jobs (Thou)	39.4	40.3	41.0	41.1	40.8
% Change	3.4	2.3	1.9	0.1	-0.8
Real Construction Income (Mil 2025\$)	5,454.4	5,594.2	5,687.8	5,710.3	5,684.4
% Change	4.5	2.6	1.7	0.4	-0.5
PRICES AND COSTS (HONOLULU)					
Median Home Price (Thou \$)	1,100.0	1,149.5	1,167.0	1,197.0	1,224.2
% Change	4.2	4.5	1.5	2.6	2.3
Median Condo Price (Thou \$)	516.1	507.9	508.9	516.1	526.6
% Change	1.4	-1.6	0.2	1.4	2.0
Honolulu Housing Affordability Index	54.8	57.1	61.1	62.5	63.0
% Change	2.2	4.2	7.0	2.3	0.8
Construction Cost Index (2025=100)	100.0	102.2	105.6	109.0	112.4
% Change	3.6	2.2	3.4	3.2	3.1
30-Year Mortgage Rate (%)	6.7	6.6	6.1	6.0	5.9

Note: Source is UHERO. Figures for 2026-2028 are forecasts. Commitments to Build are the sum of private permits and public contracts awarded. Permits and tax base are deflated by Honolulu Construction Cost Index. Figures for Total Commitments to Build and Real Government Contracts Awarded for 2024 and 2025 are UHERO estimates. Construction job counts for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Income is deflated by Honolulu CPI. Housing affordability index is the ratio of median family income to qualifying income for a loan for the median-priced home (times 100).

TABLE 5: MAJOR ECONOMIC INDICATORS

HONOLULU COUNTY FORECAST

	2024	2025	2026	2027	2028
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	460.9	463.9	464.3	465.1	466.1
% Change	1.3	0.6	0.1	0.2	0.2
Unemployment Rate (%)	2.7	2.5	2.2	2.2	2.2
Population (Thou)	990.5	988.4	987.0	985.6	984.6
% Change	0.0	-0.2	-0.1	-0.1	-0.1
Nominal Personal Income (Mil \$)	74,587.7	78,300.6	81,174.8	84,237.0	87,327.6
% Change	6.1	5.0	3.7	3.8	3.7
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Real Personal Income (Mil 2025\$)	74,587.7	76,308.4	76,983.9	77,813.0	78,666.1
% Change	1.7	2.3	0.9	1.1	1.1
Real Per Capita Income (Thou 2025\$)	75.3	77.2	78.0	78.9	79.9
% Change	1.6	2.6	1.0	1.2	1.2
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	5,828.6	5,655.1	5,561.2	5,657.9	5,822.6
% Change	3.8	-3.0	-1.7	1.7	2.9
U.S. Visitors	4,009.5	3,892.7	3,867.7	3,883.5	3,919.5
% Change	2.2	-2.9	-0.6	0.4	0.9
Japanese Visitors	684.4	709.1	756.9	806.4	893.9
% Change	19.2	3.6	6.8	6.5	10.8
Other Visitors	1,134.7	1,053.3	936.6	968.0	1,009.2
% Change	1.5	-7.2	-11.1	3.4	4.3
Average Daily Census (Thou)	112.6	108.1	105.5	107.5	110.5
% Change	1.4	-4.0	-2.5	2.0	2.7
Occupancy Rate (%)	75.2	72.1	68.2	69.8	71.9

Note: Source is UHERO. Nonfarm Payrolls for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Income figures for 2025 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2026-2028 are forecasts.

TABLE 6: JOBS BY INDUSTRY

HONOLULU COUNTY FORECAST

	2024	2025	2026	2027	2028
Nonfarm Payrolls (Thou)	460.9	463.9	464.3	465.1	466.1
% Change	1.3	0.6	0.1	0.2	0.2
Construction and Mining	28.3	29.1	29.7	29.8	29.5
% Change	3.5	2.6	2.2	0.2	-0.8
Manufacturing	9.5	9.8	9.8	9.8	9.8
% Change	2.7	2.5	0.0	0.3	-0.1
Trade	55.8	55.6	55.4	55.7	55.9
% Change	-0.5	-0.3	-0.4	0.4	0.5
Transportation and Utilities	25.1	25.8	25.8	25.8	25.9
% Change	0.1	2.9	0.0	0.0	0.1
Finance, Insurance and Real Estate	20.9	20.8	20.9	21.0	21.0
% Change	-1.8	-0.7	0.8	0.3	0.2
Services	224.0	225.1	226.9	227.2	228.0
% Change	1.3	0.5	0.8	0.2	0.3
Health Care and Soc. Assistance	56.8	57.6	58.4	58.5	58.7
% Change	1.7	1.5	1.2	0.2	0.3
Accommodation and Food	64.1	65.1	66.2	66.4	66.6
% Change	1.7	1.5	1.7	0.3	0.4
Other	103.1	102.4	102.3	102.4	102.7
% Change	0.8	-0.7	-0.1	0.0	0.3
Government	97.3	97.8	95.8	95.8	96.0
% Change	2.8	0.5	-2.0	0.0	0.2
Federal Government	32.8	31.9	30.2	30.4	30.6
% Change	1.7	-2.8	-5.0	0.5	0.8
State and Local Government	64.5	65.9	65.5	65.4	65.4
% Change	3.4	2.2	-0.5	-0.2	0.0

Note: Source is UHERO. Industry job counts for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Figures for 2026-2028 are forecasts.

TABLE 7: PERSONAL INCOME BY INDUSTRY

HONOLULU COUNTY FORECAST

	2024	2025	2026	2027	2028
Real Personal Income (Mil 2025\$)	74,587.7	76,308.4	76,983.9	77,813.0	78,666.1
% Change	1.7	2.3	0.9	1.1	1.1
Labor & Proprietors' Income	53,104.2	54,427.1	54,598.9	54,885.1	55,205.1
% Change	1.3	2.5	0.3	0.5	0.6
Construction and Mining	3,957.8	4,057.5	4,135.6	4,150.1	4,129.2
% Change	4.2	2.5	1.9	0.3	-0.5
Manufacturing	918.5	926.1	909.5	919.5	926.1
% Change	6.5	0.8	-1.8	1.1	0.7
Trade	3,857.1	3,879.8	3,889.6	3,900.3	3,921.2
% Change	-1.6	0.6	0.2	0.3	0.5
Transportation and Utilities	3,358.2	3,439.3	3,445.7	3,455.8	3,472.7
% Change	0.0	2.4	0.2	0.3	0.5
Finance, Insurance & Real Estate	3,914.7	3,967.7	3,980.1	4,004.8	4,035.9
% Change	-2.5	1.4	0.3	0.6	0.8
Services	20,444.3	20,852.4	21,122.8	21,247.4	21,406.5
% Change	0.7	2.0	1.3	0.6	0.8
Health Care & Soc. Assist. (% ch.)	0.9	3.3	2.2	0.6	0.5
Accommodation & Food (% ch.)	1.7	-0.1	2.2	0.8	1.0
Other (% ch.)	0.3	2.0	0.5	0.5	0.8
Government	16,497.7	17,165.3	16,975.8	17,067.1	17,173.2
% Change	2.8	4.0	-1.1	0.5	0.6
Federal, civilian (% ch.)	0.9	-3.0	-4.8	0.5	1.0
State & Local (% ch.)	3.4	10.4	-1.4	0.1	-0.2
Less Social Security Taxes (-)	6,330.4	6,489.1	6,509.6	6,543.7	6,581.9
% Change	-0.8	2.5	0.3	0.5	0.6
Transfer Payments	12,036.2	12,497.1	12,815.7	13,016.6	13,245.1
% Change	0.3	3.8	2.5	1.6	1.8
Dividends, Interest and Rent	15,835.8	15,929.6	16,133.9	16,508.4	16,851.7
% Change	3.0	0.6	1.3	2.3	2.1
Population (Thou)	990.5	988.4	987.0	985.6	984.6
% Change	0.0	-0.2	-0.1	-0.1	-0.1
Real Per Capita Income (Thou 2025\$)	75.3	77.2	78.0	78.9	79.9
% Change	1.6	2.6	1.0	1.2	1.2
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Nominal Personal Income (Mil \$)	74,587.7	78,300.6	81,174.8	84,237.0	87,327.6
% Change	6.1	5.0	3.7	3.8	3.7

Note: Source is UHERO. Income figures for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts.

TABLE 8: MAJOR ECONOMIC INDICATORS

HAWAII COUNTY FORECAST

	2024	2025	2026	2027	2028
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	72.4	72.1	71.9	72.1	72.3
% Change	1.8	-0.4	-0.3	0.2	0.3
Unemployment Rate (%)	3.2	3.0	2.7	2.8	2.8
Population (Thou)	208.2	208.5	208.8	209.1	209.3
% Change	0.5	0.1	0.2	0.1	0.1
Nominal Personal Income (Mil \$)	12,103.6	12,653.8	13,085.6	13,619.5	14,135.6
% Change	6.3	4.5	3.4	4.1	3.8
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Real Personal Income (Mil 2025\$)	12,103.6	12,331.8	12,410.0	12,580.9	12,733.6
% Change	1.9	1.9	0.6	1.4	1.2
Real Per Capita Income (Thou 2025\$)	58.1	59.1	59.4	60.2	60.8
% Change	1.3	1.7	0.5	1.2	1.1
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	1,733.7	1,740.1	1,727.4	1,760.2	1,812.5
% Change	-2.5	0.4	-0.7	1.9	3.0
U.S. Visitors	1,414.7	1,422.4	1,409.9	1,428.5	1,458.8
% Change	-3.9	0.5	-0.9	1.3	2.1
Japanese Visitors	46.9	48.8	53.8	57.3	68.6
% Change	4.8	4.0	10.1	6.5	19.7
Other Visitors	272.1	268.9	263.7	274.5	285.1
% Change	3.5	-1.2	-1.9	4.1	3.9
Average Daily Census (Thou)	37.0	36.1	36.1	36.8	37.9
% Change	-3.5	-2.5	-0.1	2.0	3.0
Occupancy Rate (%)	57.1	56.9	55.8	57.0	58.7

Note: Source is UHERO. Nonfarm Payrolls for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Income figures for 2025 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2026-2028 are forecasts.

TABLE 9: JOBS BY INDUSTRY

HAWAII COUNTY FORECAST

	2024	2025	2026	2027	2028
Nonfarm Payrolls (Thou)	72.4	72.1	71.9	72.1	72.3
% Change	1.8	-0.4	-0.3	0.2	0.3
Construction and Mining	4.1	4.1	4.1	4.1	4.1
% Change	5.0	1.0	0.4	-0.1	-0.8
Manufacturing	1.7	1.7	1.7	1.7	1.7
% Change	2.7	-1.8	2.1	0.5	0.8
Trade	12.0	12.0	12.0	12.1	12.1
% Change	1.0	-0.2	0.2	0.4	0.5
Transportation and Utilities	3.5	3.3	3.3	3.3	3.3
% Change	2.1	-3.6	-0.9	0.6	0.6
Finance, Insurance and Real Estate	2.6	2.5	2.5	2.5	2.5
% Change	0.1	-4.0	-0.3	0.4	0.6
Services	33.5	33.2	33.0	33.1	33.3
% Change	1.3	-0.7	-0.5	0.3	0.5
Health Care and Soc. Assistance	7.9	7.9	7.9	7.9	8.0
% Change	4.7	-0.4	-0.3	0.7	0.6
Accommodation and Food	13.4	13.2	13.2	13.2	13.2
% Change	-1.4	-1.1	-0.7	0.1	0.6
Other	12.2	12.1	12.0	12.1	12.1
% Change	2.4	-0.5	-0.5	0.1	0.2
Government	15.1	15.3	15.2	15.2	15.2
% Change	3.0	1.2	-0.7	-0.1	0.1
Federal Government	1.4	1.3	1.2	1.2	1.2
% Change	2.1	-6.6	-9.6	1.9	2.4
State and Local Government	13.7	14.0	14.0	14.0	14.0
% Change	3.1	2.0	0.1	-0.3	-0.1

Note: Source is UHERO. Industry job counts for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Figures for 2026-2028 are forecasts.

TABLE 10: PERSONAL INCOME BY INDUSTRY

HAWAII COUNTY FORECAST

	2024	2025	2026	2027	2028
Real Personal Income (Mil 2025\$)	12,103.6	12,331.8	12,410.0	12,580.9	12,733.6
% Change	1.9	1.9	0.6	1.4	1.2
Labor & Proprietors' Income	6,949.7	7,070.5	7,035.1	7,079.4	7,122.2
% Change	1.4	1.7	-0.5	0.6	0.6
Construction and Mining	—	—	—	—	—
% Change	—	—	—	—	—
Manufacturing	—	—	—	—	—
% Change	—	—	—	—	—
Trade	—	—	—	—	—
% Change	—	—	—	—	—
Transportation and Utilities	—	—	—	—	—
% Change	—	—	—	—	—
Finance, Insurance & Real Estate	—	—	—	—	—
% Change	—	—	—	—	—
Services	—	—	—	—	—
% Change	—	—	—	—	—
Health Care & Soc. Assist. (% ch.)	—	—	—	—	—
Accommodation & Food (% ch.)	—	—	—	—	—
Other (% ch.)	—	—	—	—	—
Government	1,570.4	1,698.7	1,672.9	1,678.1	1,677.2
% Change	4.5	8.2	-1.5	0.3	-0.1
Federal, civilian (% ch.)	3.0	-5.7	-8.5	1.9	2.6
State & Local (% ch.)	4.8	10.3	-0.9	0.1	-0.4
Less Social Security Taxes (-)	864.8	896.9	891.2	899.5	906.6
% Change	-1.5	3.7	-0.6	0.9	0.8
Transfer Payments	3,074.4	3,199.3	3,269.2	3,335.0	3,389.8
% Change	-1.1	4.1	2.2	2.0	1.6
Dividends, Interest and Rent	2,911.6	2,927.1	2,966.1	3,035.5	3,097.8
% Change	5.1	0.5	1.3	2.3	2.0
Population (Thou)	208.2	208.5	208.8	209.1	209.3
% Change	0.5	0.1	0.2	0.1	0.1
Real Per Capita Income (Thou 2025\$)	58.1	59.1	59.4	60.2	60.8
% Change	1.3	1.7	0.5	1.2	1.1
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Nominal Personal Income (Mil \$)	12,103.6	12,653.8	13,085.6	13,619.5	14,135.6
% Change	6.3	4.5	3.4	4.1	3.8

Note: Source is UHERO. Income figures for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 11: MAJOR ECONOMIC INDICATORS

KAUAI COUNTY FORECAST

	2024	2025	2026	2027	2028
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	32.4	32.8	32.9	33.0	33.1
% Change	1.4	1.2	0.3	0.3	0.4
Unemployment Rate (%)	2.6	2.5	2.2	2.2	2.2
Population (Thou)	73.3	73.4	73.5	73.6	73.7
% Change	-0.5	0.2	0.2	0.1	0.2
Nominal Personal Income (Mil \$)	4,959.9	5,235.4	5,428.1	5,647.3	5,857.9
% Change	5.8	5.6	3.7	4.0	3.7
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Real Personal Income (Mil 2025\$)	4,959.9	5,102.2	5,147.9	5,216.6	5,276.9
% Change	1.4	2.9	0.9	1.3	1.2
Real Per Capita Income (Thou 2025\$)	67.7	69.5	70.0	70.8	71.6
% Change	1.8	2.7	0.7	1.2	1.0
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	1,397.3	1,412.0	1,413.5	1,428.3	1,445.5
% Change	-1.5	1.1	0.1	1.1	1.2
U.S. Visitors	1,234.8	1,244.3	1,247.2	1,254.4	1,263.5
% Change	-1.1	0.8	0.2	0.6	0.7
Japanese Visitors	6.5	6.7	7.7	8.9	10.3
% Change	9.8	4.0	14.8	16.0	14.9
Other Visitors	156.1	161.0	158.5	165.0	171.7
% Change	-5.0	3.1	-1.5	4.1	4.1
Average Daily Census (Thou)	28.4	28.7	28.9	29.2	29.6
% Change	-2.2	1.1	0.7	1.0	1.3
Occupancy Rate (%)	62.9	64.0	64.4	64.8	65.4

Note: Source is UHERO. Nonfarm Payrolls for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Income figures for 2025 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2026-2028 are forecasts.

TABLE 12: JOBS BY INDUSTRY

KAUAI COUNTY FORECAST

	2024	2025	2026	2027	2028
Nonfarm Payrolls (Thou)	32.4	32.8	32.9	33.0	33.1
% Change	1.4	1.2	0.3	0.3	0.4
Construction and Mining	2.1	2.2	2.2	2.2	2.2
% Change	0.6	3.8	1.1	-0.1	-0.8
Manufacturing	0.5	0.5	0.6	0.6	0.6
% Change	-8.9	-0.1	3.2	0.7	1.0
Trade	4.3	4.2	4.3	4.3	4.3
% Change	-2.2	-1.8	1.0	0.5	0.5
Transportation and Utilities	1.8	1.9	1.9	1.9	1.9
% Change	3.2	1.2	-0.2	0.6	0.6
Finance, Insurance and Real Estate	1.1	1.1	1.1	1.1	1.1
% Change	0.8	-0.6	0.3	0.4	0.7
Services	17.4	17.7	17.8	17.8	17.9
% Change	2.2	1.6	0.2	0.3	0.5
Health Care and Soc. Assistance	2.7	2.7	2.7	2.8	2.8
% Change	0.3	0.2	0.4	0.8	0.7
Accommodation and Food	9.1	9.3	9.3	9.4	9.4
% Change	4.1	3.3	0.1	0.1	0.6
Other	5.7	5.7	5.7	5.7	5.7
% Change	0.2	-0.5	0.3	0.2	0.3
Government	5.1	5.2	5.1	5.1	5.2
% Change	2.9	1.9	-0.2	0.0	0.2
Federal Government	0.6	0.6	0.5	0.5	0.5
% Change	-0.3	-6.6	-8.8	1.9	2.4
State and Local Government	4.5	4.6	4.6	4.6	4.6
% Change	3.3	3.0	0.8	-0.2	-0.1

Note: Source is UHERO. Industry job counts for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Figures for 2026-2028 are forecasts.

TABLE 13: PERSONAL INCOME BY INDUSTRY

KAUAI COUNTY FORECAST

	2024	2025	2026	2027	2028
Real Personal Income (Mil 2025\$)	4,959.9	5,102.2	5,147.9	5,216.6	5,276.9
% Change	1.4	2.9	0.9	1.3	1.2
Labor & Proprietors' Income	3,222.4	3,337.2	3,342.3	3,364.2	3,385.1
% Change	1.7	3.6	0.2	0.7	0.6
Construction and Mining	—	—	—	—	—
% Change	—	—	—	—	—
Manufacturing	—	—	—	—	—
% Change	—	—	—	—	—
Trade	—	—	—	—	—
% Change	—	—	—	—	—
Transportation and Utilities	—	—	—	—	—
% Change	—	—	—	—	—
Finance, Insurance & Real Estate	—	—	—	—	—
% Change	—	—	—	—	—
Services	—	—	—	—	—
% Change	—	—	—	—	—
Health Care & Soc. Assist. (% ch.)	—	—	—	—	—
Accommodation & Food (% ch.)	—	—	—	—	—
Other (% ch.)	—	—	—	—	—
Government	532.3	577.8	572.3	574.7	575.1
% Change	3.2	8.6	-0.9	0.4	0.1
Federal, civilian (% ch.)	-1.3	-5.7	-7.7	1.9	2.6
State & Local (% ch.)	4.1	11.7	-0.1	0.1	-0.4
Less Social Security Taxes (-)	387.9	406.4	405.1	407.8	410.4
% Change	-0.9	4.8	-0.3	0.7	0.6
Transfer Payments	1,007.1	1,047.3	1,071.2	1,093.8	1,111.5
% Change	-1.6	4.0	2.3	2.1	1.6
Dividends, Interest and Rent	1,130.8	1,136.4	1,151.3	1,178.1	1,202.4
% Change	2.4	0.5	1.3	2.3	2.1
Population (Thou)	73.3	73.4	73.5	73.6	73.7
% Change	-0.5	0.2	0.2	0.1	0.2
Real Per Capita Income (Thou 2025\$)	67.7	69.5	70.0	70.8	71.6
% Change	1.8	2.7	0.7	1.2	1.0
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Nominal Personal Income (Mil \$)	4,959.9	5,235.4	5,428.1	5,647.3	5,857.9
% Change	5.8	5.6	3.7	4.0	3.7

Note: Source is UHERO. Income figures for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 14: MAJOR ECONOMIC INDICATORS

MAUI COUNTY FORECAST

	2024	2025	2026	2027	2028
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	73.5	74.2	74.9	75.2	75.5
% Change	-1.0	0.9	0.9	0.3	0.4
Unemployment Rate (%)	4.3	3.0	2.6	2.6	2.6
Population (Thou)	162.5	162.6	162.9	163.2	163.5
% Change	-1.0	0.1	0.2	0.2	0.2
Nominal Personal Income (Mil \$)	11,052.6	11,646.2	12,109.2	12,598.5	13,073.0
% Change	4.4	5.4	4.0	4.0	3.8
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Real Personal Income (Mil 2025\$)	11,052.6	11,349.8	11,484.0	11,637.7	11,776.4
% Change	0.0	2.7	1.2	1.3	1.2
Real Per Capita Income (Thou 2025\$)	68.0	69.8	70.5	71.3	72.0
% Change	1.0	2.6	1.0	1.1	1.0
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	2,388.0	2,533.0	2,591.9	2,689.4	2,804.1
% Change	-5.7	6.1	2.3	3.8	4.3
U.S. Visitors	2,032.6	2,164.8	2,221.4	2,301.6	2,395.4
% Change	-4.1	6.5	2.6	3.6	4.1
Japanese Visitors	13.4	15.1	16.7	17.4	18.9
% Change	12.7	12.2	10.5	4.7	8.4
Other Visitors	342.0	353.2	353.8	370.4	389.8
% Change	-14.4	3.3	0.2	4.7	5.2
Average Daily Census (Thou)	52.5	54.6	56.4	58.9	61.7
% Change	-6.8	3.9	3.3	4.4	4.7
Occupancy Rate (%)	58.2	58.3	59.5	61.6	64.0

Note: Source is UHERO. Nonfarm Payrolls for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Income figures for 2025 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2026-2028 are forecasts.

TABLE 15: JOBS BY INDUSTRY

MAUI COUNTY FORECAST

	2024	2025	2026	2027	2028
Nonfarm Payrolls (Thou)	73.5	74.2	74.9	75.2	75.5
% Change	-1.0	0.9	0.9	0.3	0.4
Construction and Mining	4.8	4.9	5.0	5.0	4.9
% Change	2.7	0.7	1.6	0.0	-0.7
Manufacturing	1.1	1.2	1.2	1.2	1.2
% Change	-4.0	2.5	3.8	0.7	1.0
Trade	10.0	9.9	10.1	10.2	10.2
% Change	-3.8	-0.3	1.7	0.6	0.6
Transportation and Utilities	4.2	4.1	4.1	4.1	4.2
% Change	-1.3	-1.4	0.5	0.8	0.7
Finance, Insurance and Real Estate	2.7	2.7	2.7	2.7	2.7
% Change	-3.4	-0.9	0.9	0.5	0.7
Services	41.8	42.4	42.8	42.9	43.1
% Change	-0.7	1.5	0.8	0.3	0.5
Health Care and Soc. Assistance	8.3	8.2	8.3	8.4	8.4
% Change	2.7	-0.5	1.0	0.8	0.6
Accommodation and Food	19.6	20.1	20.3	20.3	20.4
% Change	-2.0	2.7	0.7	0.2	0.6
Other	14.0	14.1	14.2	14.2	14.3
% Change	-0.8	1.0	0.8	0.2	0.3
Government	8.9	9.0	9.0	9.0	9.0
% Change	0.5	0.9	0.5	0.0	0.2
Federal Government	0.9	0.8	0.8	0.8	0.8
% Change	-1.8	-7.9	-8.4	2.0	2.4
State and Local Government	8.0	8.2	8.3	8.3	8.3
% Change	0.8	1.9	1.4	-0.1	-0.1

Note: Source is UHERO. Industry job counts for 2024 and 2025 are UHERO estimates of the March 2026 benchmark revision. Figures for 2026-2028 are forecasts.

TABLE 16: PERSONAL INCOME BY INDUSTRY

MAUI COUNTY FORECAST

	2024	2025	2026	2027	2028
Real Personal Income (Mil 2025\$)	11,052.6	11,349.8	11,484.0	11,637.7	11,776.4
% Change	0.0	2.7	1.2	1.3	1.2
Labor & Proprietors' Income	7,207.3	7,450.6	7,504.0	7,558.0	7,607.9
% Change	-0.8	3.4	0.7	0.7	0.7
Construction and Mining	667.8	682.8	689.2	691.1	689.0
% Change	8.1	2.2	0.9	0.3	-0.3
Manufacturing	88.1	93.8	98.0	99.4	100.9
% Change	-4.8	6.4	4.5	1.4	1.6
Trade	681.4	702.8	717.1	726.9	735.1
% Change	-5.1	3.1	2.0	1.4	1.1
Transportation and Utilities	366.6	370.8	371.7	376.4	380.4
% Change	-1.2	1.1	0.2	1.3	1.1
Finance, Insurance & Real Estate	504.5	508.7	510.6	512.9	515.5
% Change	-3.4	0.8	0.4	0.5	0.5
Services	3,873.7	4,037.0	4,060.1	4,090.2	4,122.4
% Change	-1.6	4.2	0.6	0.7	0.8
Health Care & Soc. Assist. (% ch.)	1.5	2.0	0.8	1.2	0.9
Accommodation & Food (% ch.)	-4.8	6.5	0.5	0.7	1.1
Other (% ch.)	0.4	3.1	0.5	0.6	0.5
Government	954.6	1,025.6	1,022.9	1,027.4	1,027.7
% Change	0.3	7.4	-0.3	0.4	0.0
Federal, civilian (% ch.)	1.2	-7.0	-7.2	2.0	2.6
State & Local (% ch.)	0.0	10.0	0.4	0.2	-0.4
Less Social Security Taxes (-)	798.4	836.9	835.6	839.0	842.8
% Change	-3.6	4.8	-0.1	0.4	0.5
Transfer Payments	1,955.6	2,034.2	2,082.4	2,123.7	2,158.6
% Change	-1.7	4.0	2.4	2.0	1.6
Dividends, Interest and Rent	2,650.0	2,665.0	2,697.2	2,760.4	2,817.4
% Change	2.2	0.6	1.2	2.3	2.1
Population (Thou)	162.5	162.6	162.9	163.2	163.5
% Change	-1.0	0.1	0.2	0.2	0.2
Real Per Capita Income (Thou 2025\$)	68.0	69.8	70.5	71.3	72.0
% Change	1.0	2.6	1.0	1.1	1.0
Inflation Rate, Honolulu MSA (%)	4.4	2.6	2.8	2.7	2.5
Nominal Personal Income (Mil \$)	11,052.6	11,646.2	12,109.2	12,598.5	13,073.0
% Change	4.4	5.4	4.0	4.0	3.8

Note: Source is UHERO. Income figures for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts.

TABLE 17: EXTERNAL INDICATORS

STATE OF HAWAII FORECAST

	2024	2025	2026	2027	2028
U.S. FACTORS					
Employment (Thou)	162,565.3	162,664.4	163,333.1	163,940.1	165,118.2
% Change	0.4	0.1	0.4	0.4	0.7
Unemployment Rate (%)	4.0	4.3	4.5	4.6	4.3
Inflation Rate (%)	3.0	2.7	3.0	2.8	2.5
Real GDP (Bil chained 2012\$)	23,358.4	23,871.1	24,382.5	24,817.4	25,388.0
% Change	2.8	2.2	2.1	1.8	2.3
Population (Thou)	340,212.0	342,230.1	343,236.0	344,045.5	344,888.9
% Change	0.9	0.6	0.3	0.2	0.2
JAPAN FACTORS					
Employment (Thou)	67,806.7	68,284.2	68,311.4	68,042.9	67,825.4
% Change	0.5	0.7	0.0	-0.4	-0.3
Unemployment Rate (%)	2.5	2.5	2.6	2.6	2.5
Inflation Rate (%)	2.7	3.2	2.1	1.4	1.2
Real GDP (Bil chained 2012\$)	584,471.7	591,700.3	593,596.0	597,991.1	602,217.4
% Change	-0.2	1.2	0.3	0.7	0.7
Population (Thou)	123,975.4	123,372.4	122,711.3	122,027.3	121,326.0
% Change	-0.4	-0.5	-0.5	-0.6	-0.6
Exchange Rate (Yen/\$)	151.5	149.6	150.8	144.0	137.3
% Change	7.8	-1.2	0.8	-4.5	-4.6

Note: Source is UHERO. US Employment for 2024 and 2025 is adjusted by UHERO to reflect population revisions by the US Census Bureau. Figures for Japanese population and GDP for 2025 are UHERO estimates. Figures for 2026-2028 are forecasts.

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BEFORE THE IRAN WAR:
HAWAI'I MOVES BEYOND RECESSION,
BUT SLOWLY

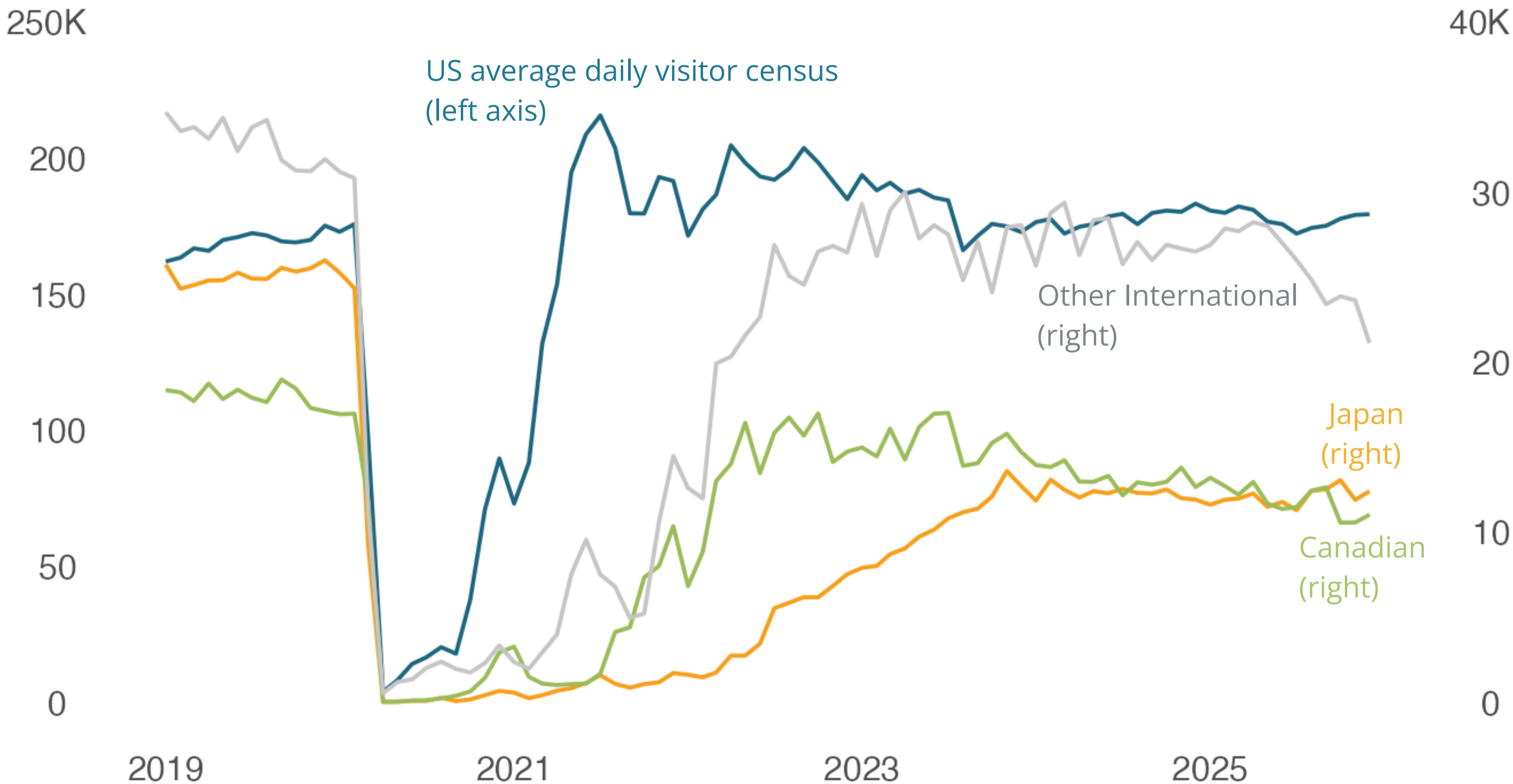
DR. CARL BONHAM
EXECUTIVE DIRECTOR, UHERO
PROFESSOR, DEPARTMENT OF ECONOMICS

MAUI COUNCIL BFED COMMITTEE
MARCH 25, 2026

Received at BFED meeting on 03/25/2026.

Hawai'i outlook relies on US economy, now more than ever

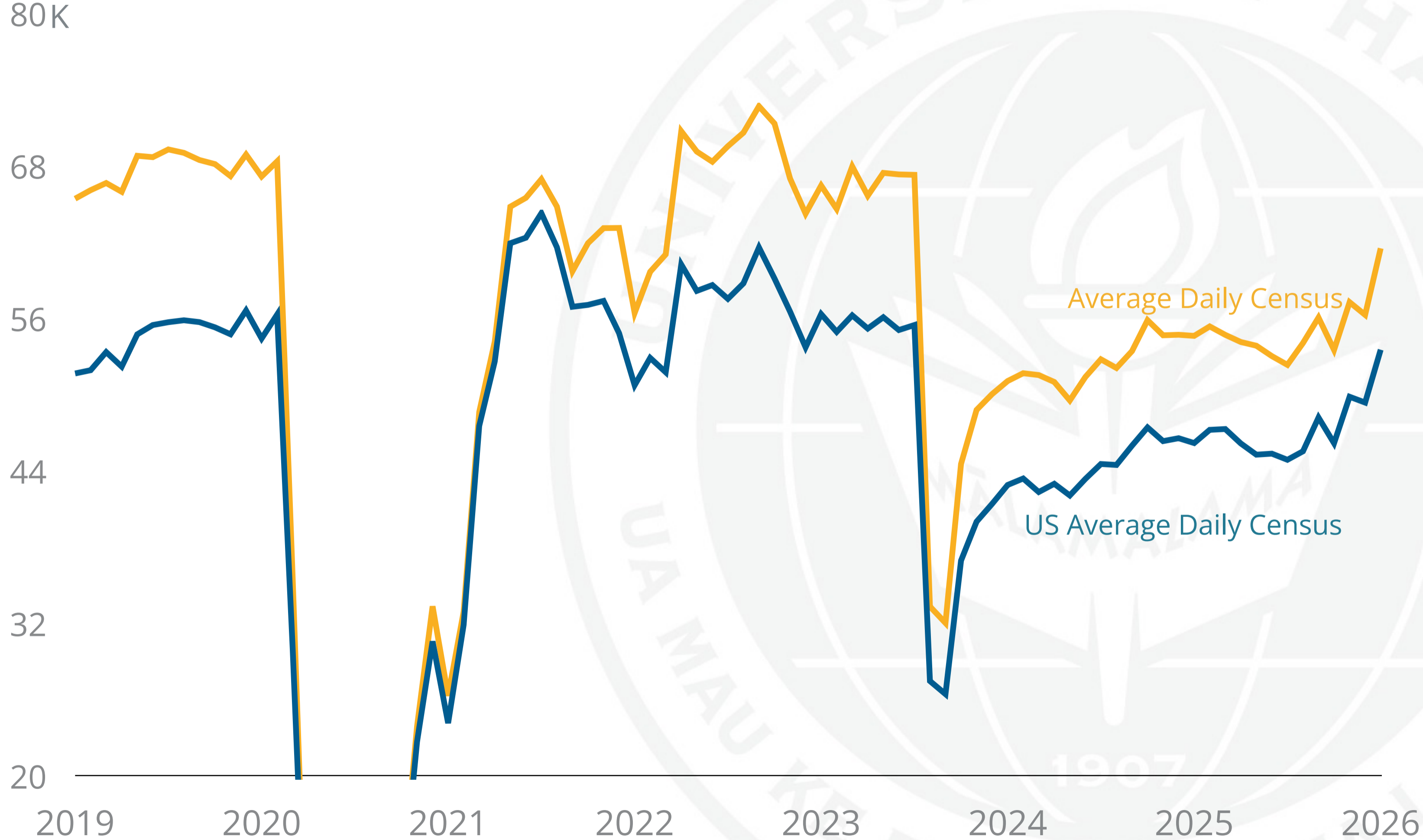
US visitors contribute almost 80% of spending as International visitors stay home



Source: UHERO.data, DBEDT.

Maui outlook relies on US economy, now more than ever

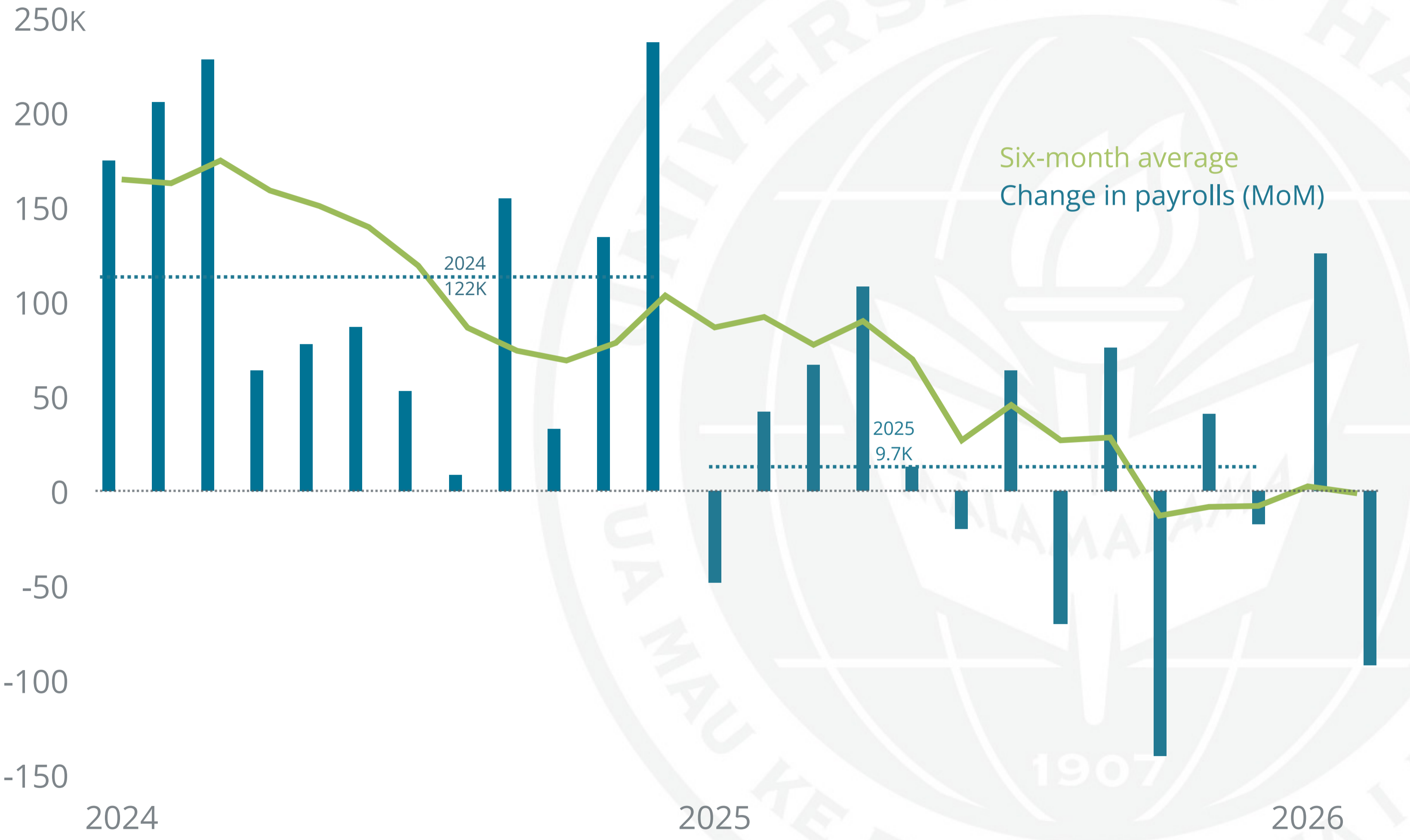
87% of Maui visitors are US visitors



Source: DBEDT, UHERO.data.

Yet US economic resilience is being tested

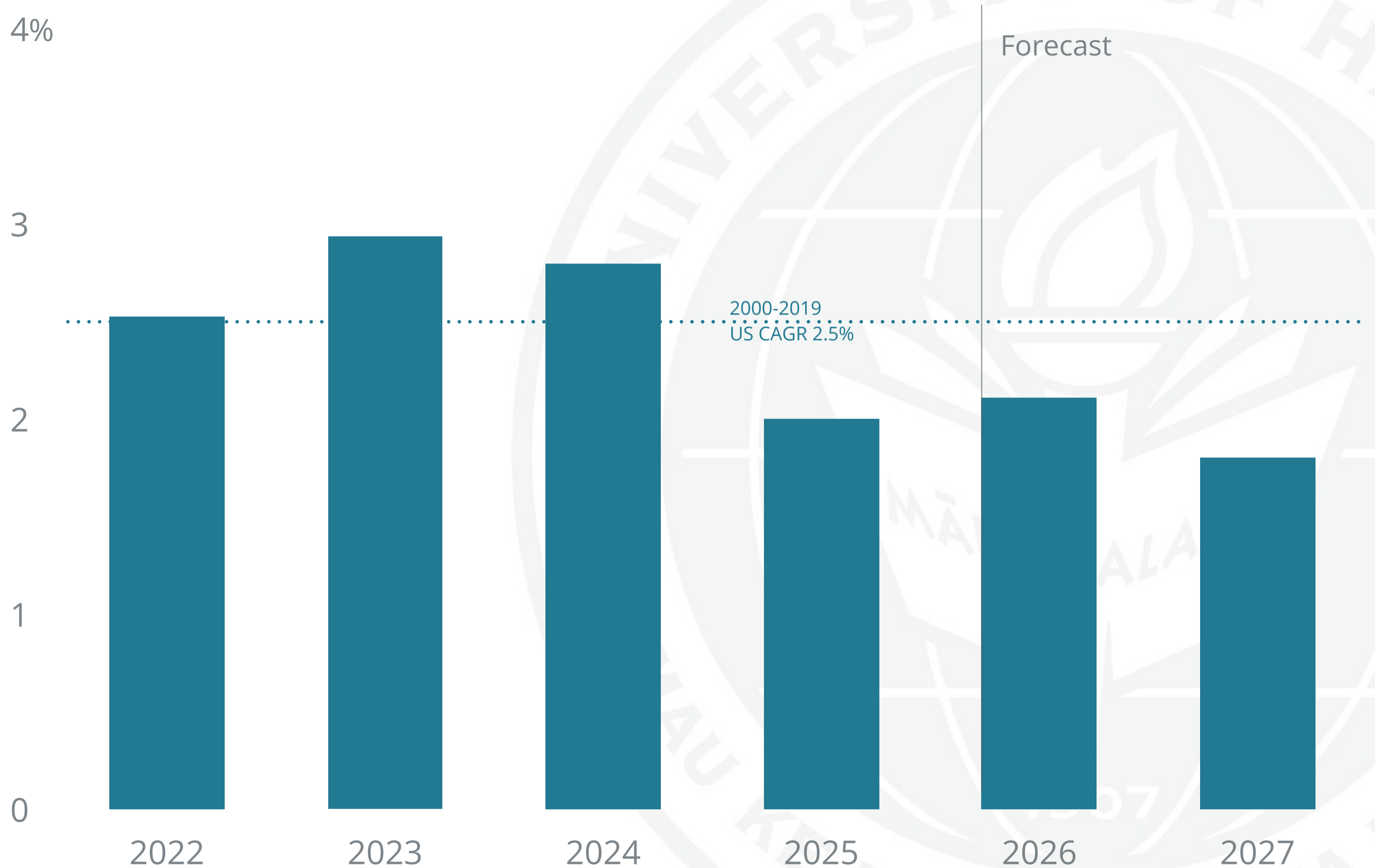
monthly change in US non farm payroll jobs



Source: UHERO.data, BLS.

Wealthy consumers and AI investment power GDP growth

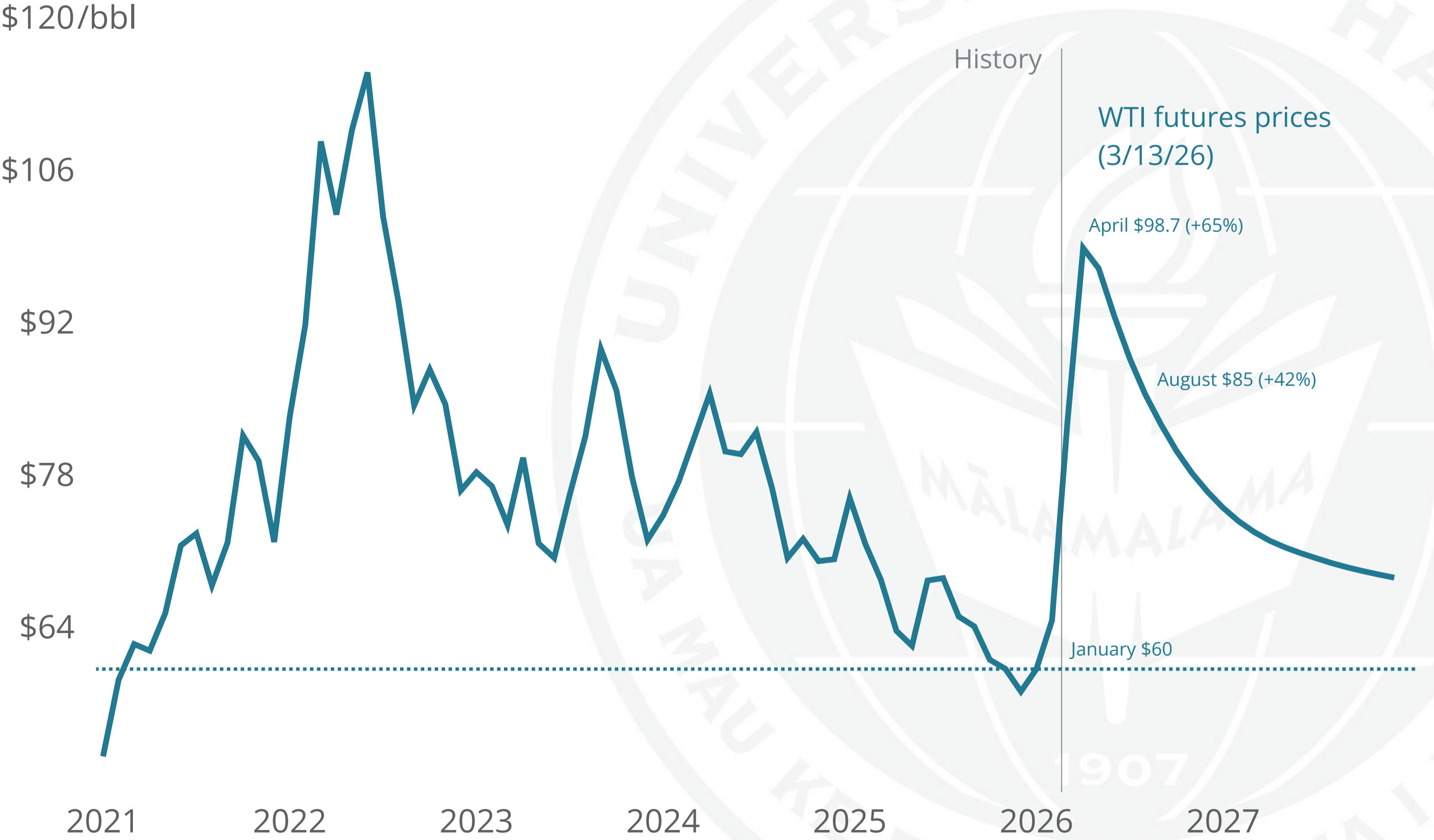
US economic growth has proven resilient, yet below potential



Source: UHERO forecasts.

Oil Prices surge— April contracts up 60% vs January

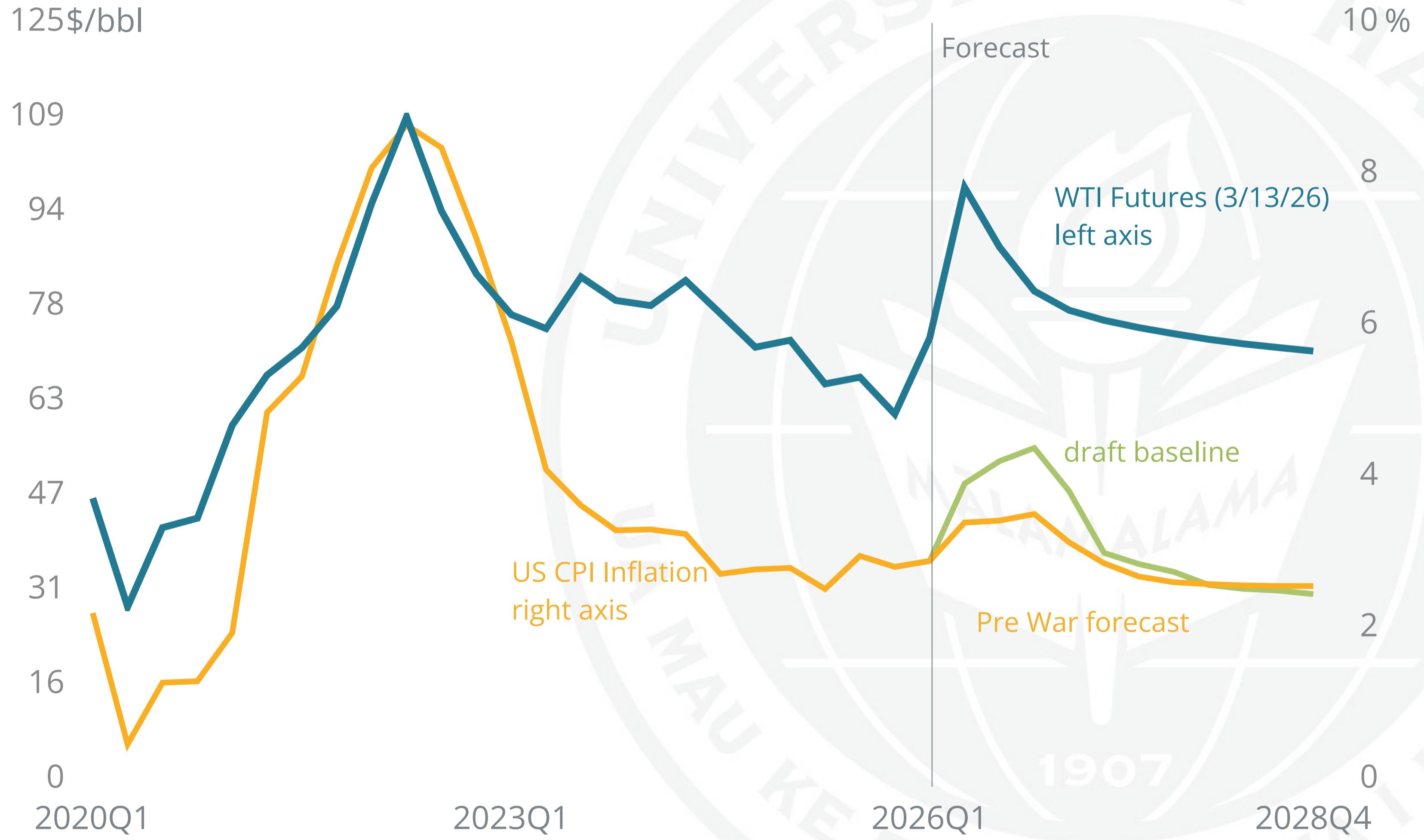
traders continue to bet on quick reopening of Strait of Hormuz



Source: UHERO.data, CME Group CL price.

Even a 4-6 week closure will raise inflation for rest of the year

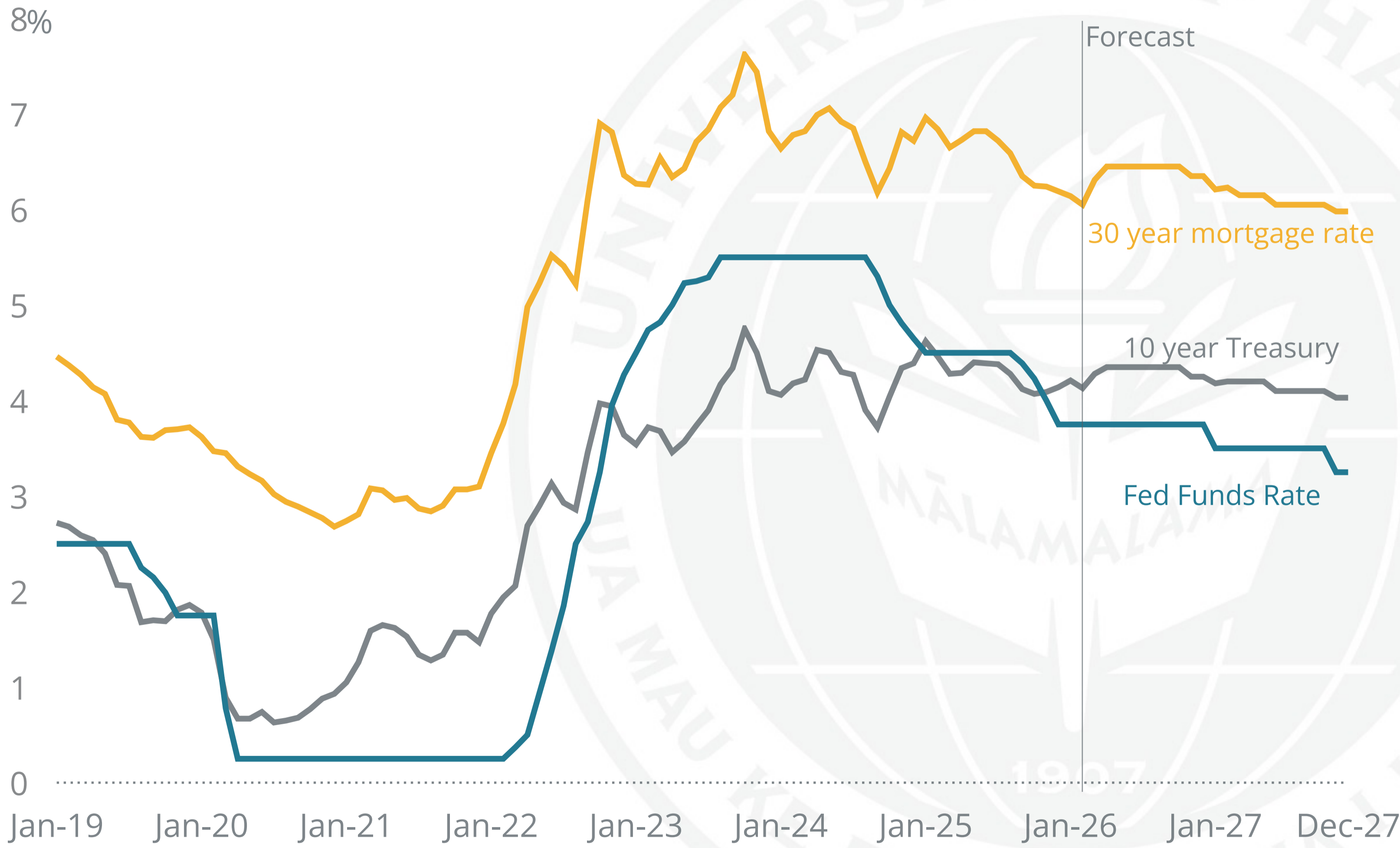
and reinforce the FED pause



Source: Federal Reserve Board, UHERO.data.

Even a four week closure will raise inflation for rest of the year

and rates are rising even with FED pause



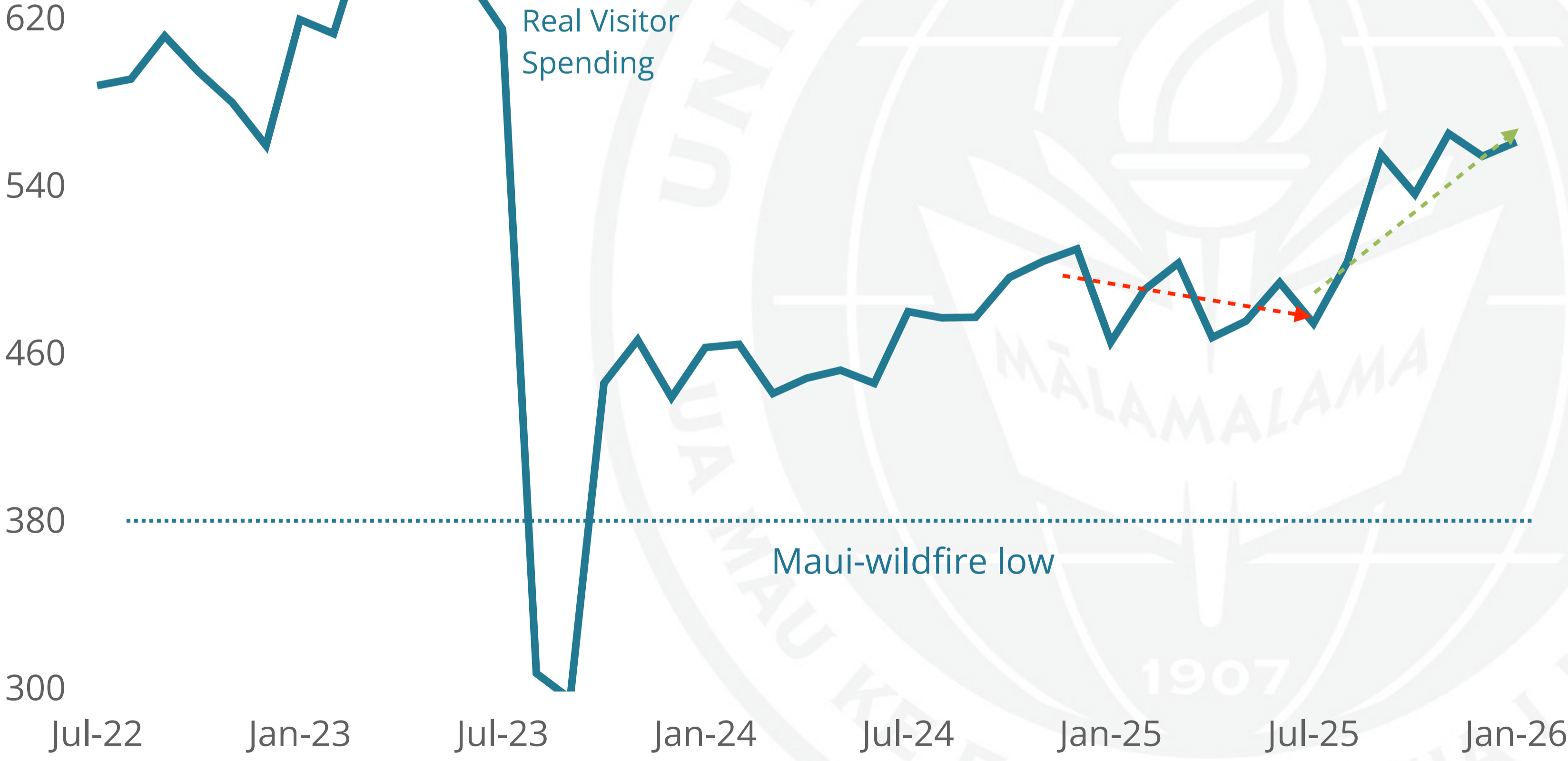
Source: Federal Reserve Board, UHERO.data.

Looking back: Narrow visitor spending gains end tourism stall

High-spending visitors have saved an otherwise weak tourism picture

700M \$2025

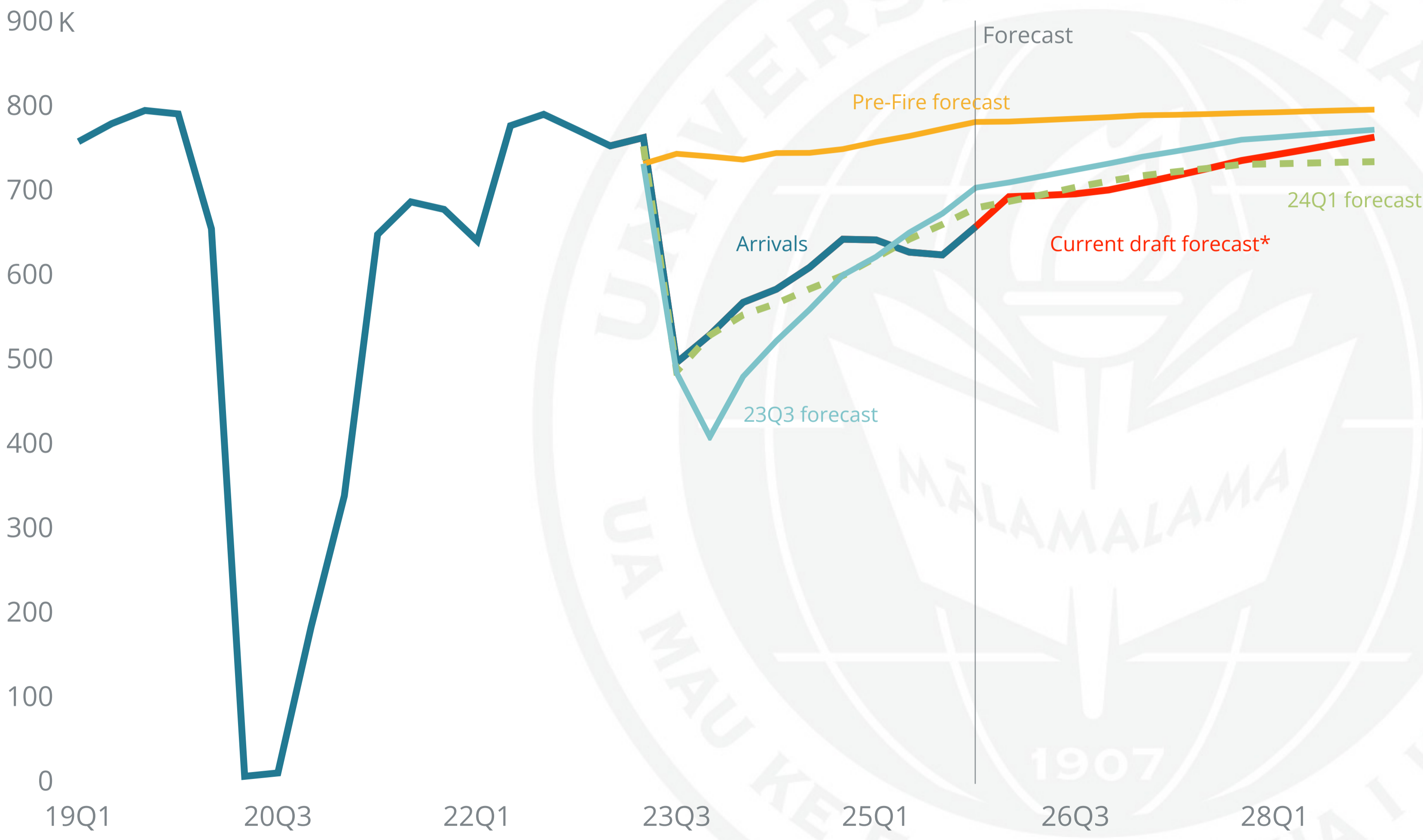
Maui County
Real Visitor
Spending



Source: UHERO.data, DBEDT, seasonally adjusted by UHERO, deflated using Honolulu CPI.

Maui County Visitor forecast without Bill 9 impacts

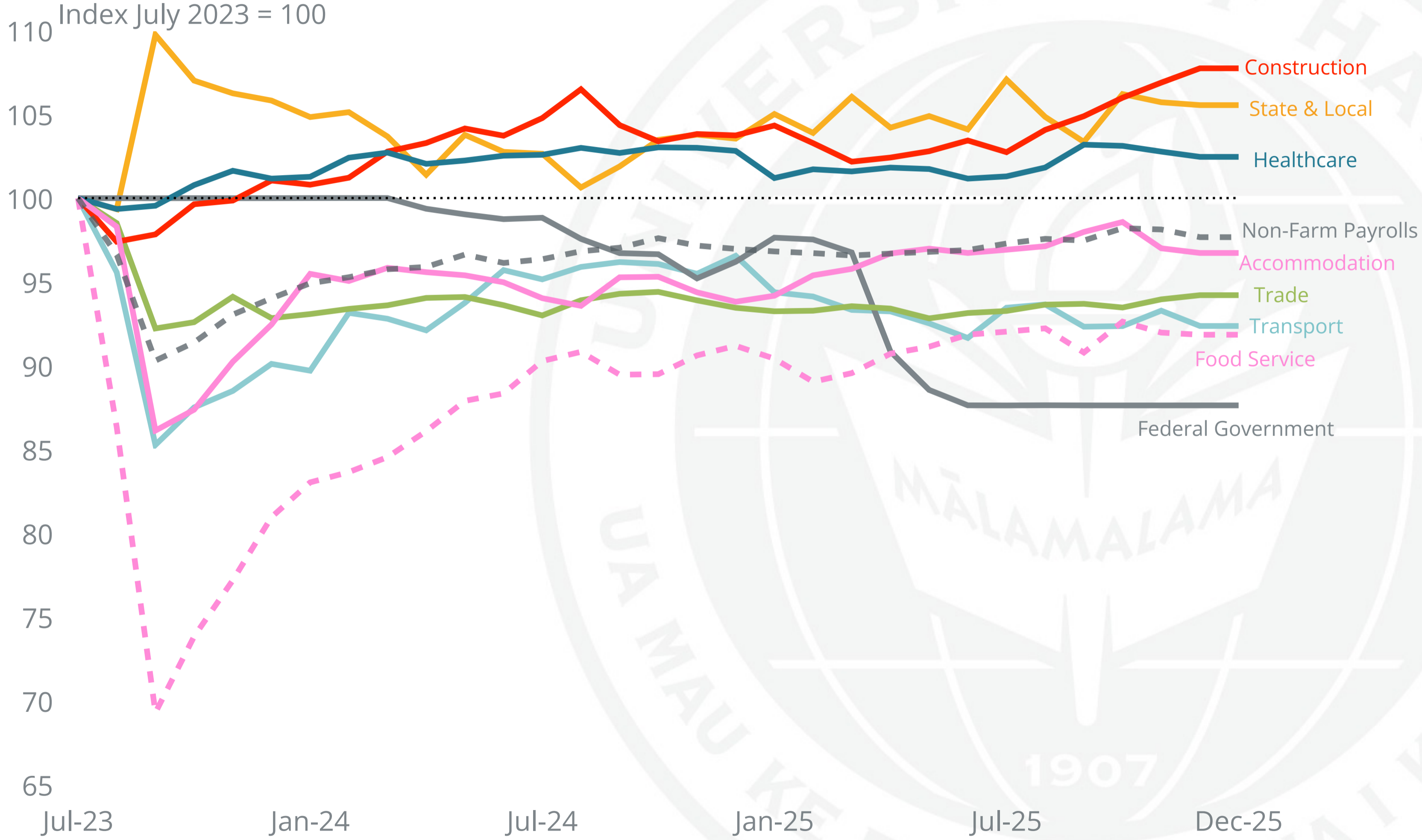
after initial pessimism, forecasts have converged on prolonged recovery



Source: DBEDT, UHERO forecasts, * current forecast ~26Q1 forecast adjusted for January arrivals but not oil price shock.

While payroll jobs remain well below pre-fire levels

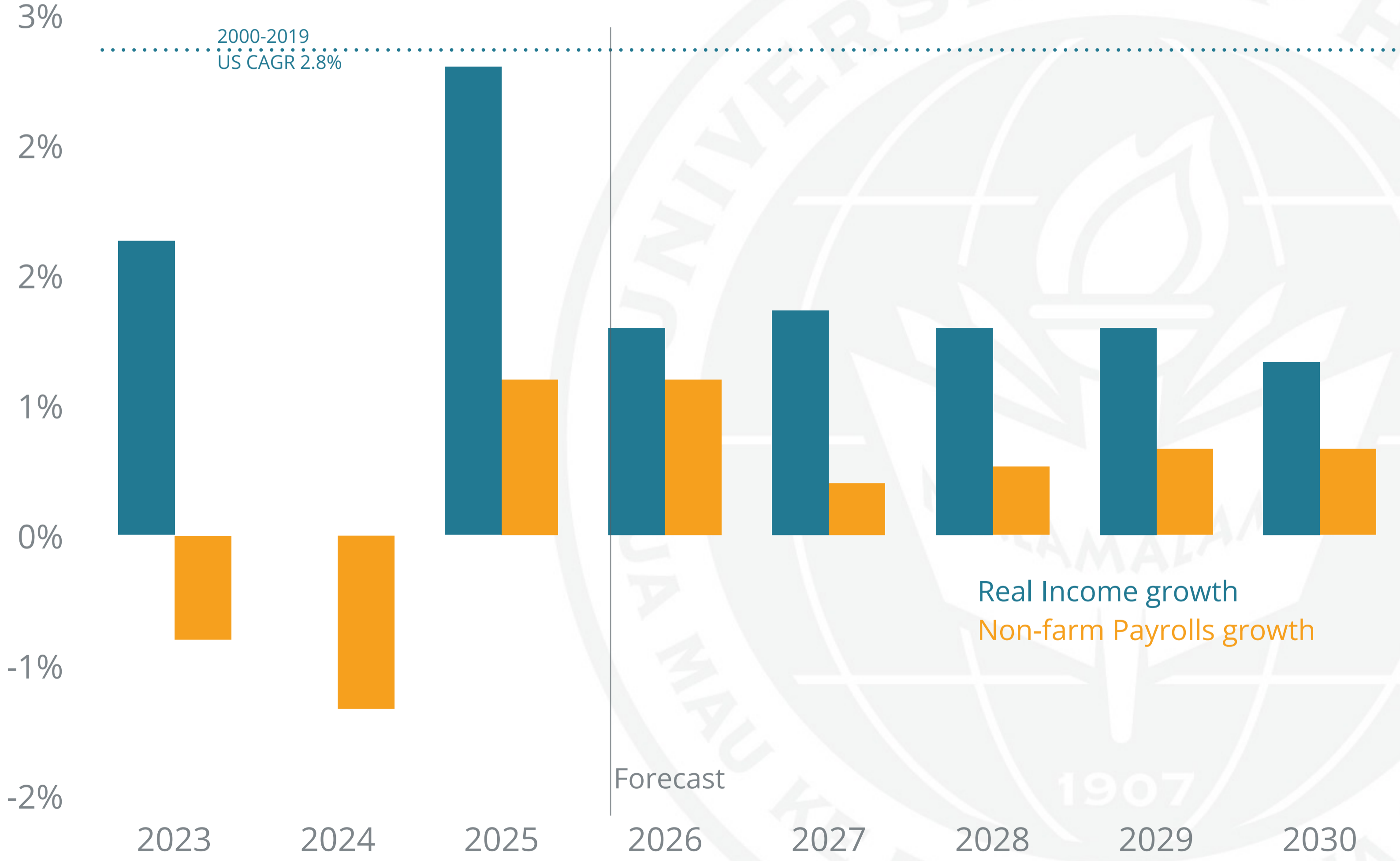
payrolls by sector vs July 2023



Source: DBEDT, UHERO forecasts, * current forecast ~26Q1 forecast adjusted for January arrivals but not oil price shock.

Sub-par growth is inevitable without population gains

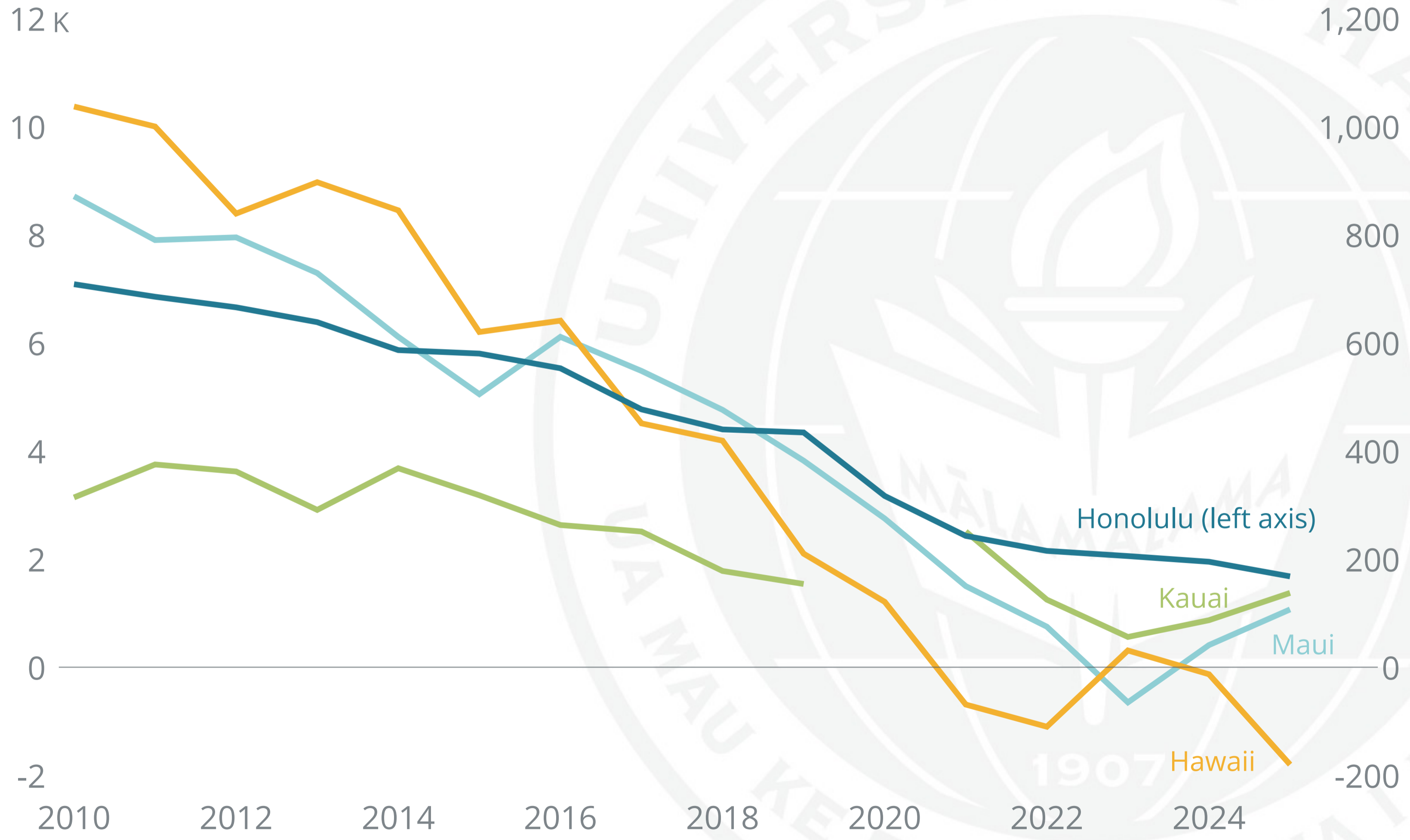
With minimal labor market growth income gains will underperform



Source: UHERO forecasts.

Long term risk comes from demographics

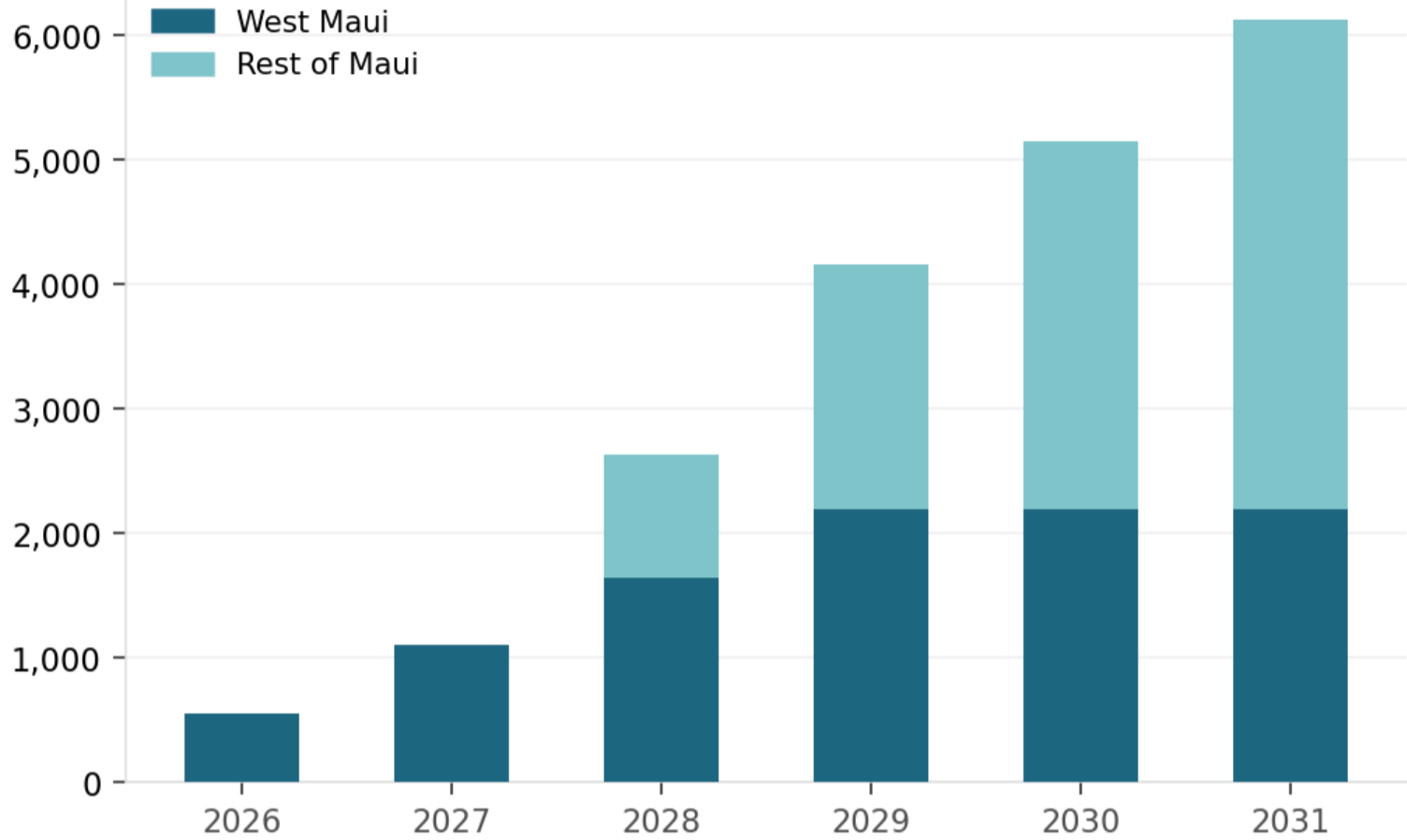
natural population change has fallen to near zero



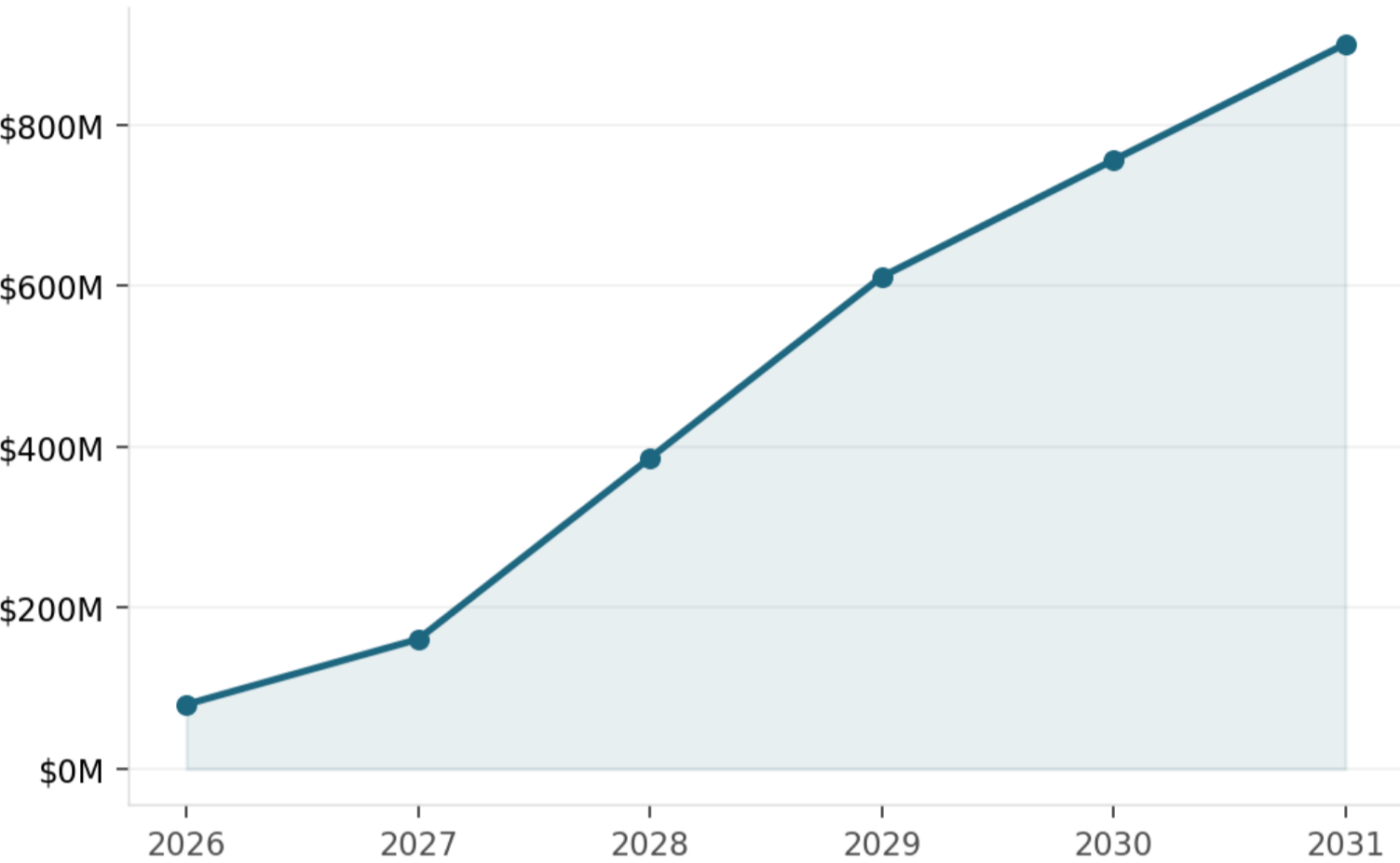
Source: DOH, UHERO, 2025 estimate based on year-to-date births and deaths.

And risk of spending, jobs and revenue losses as Bill 9 binds

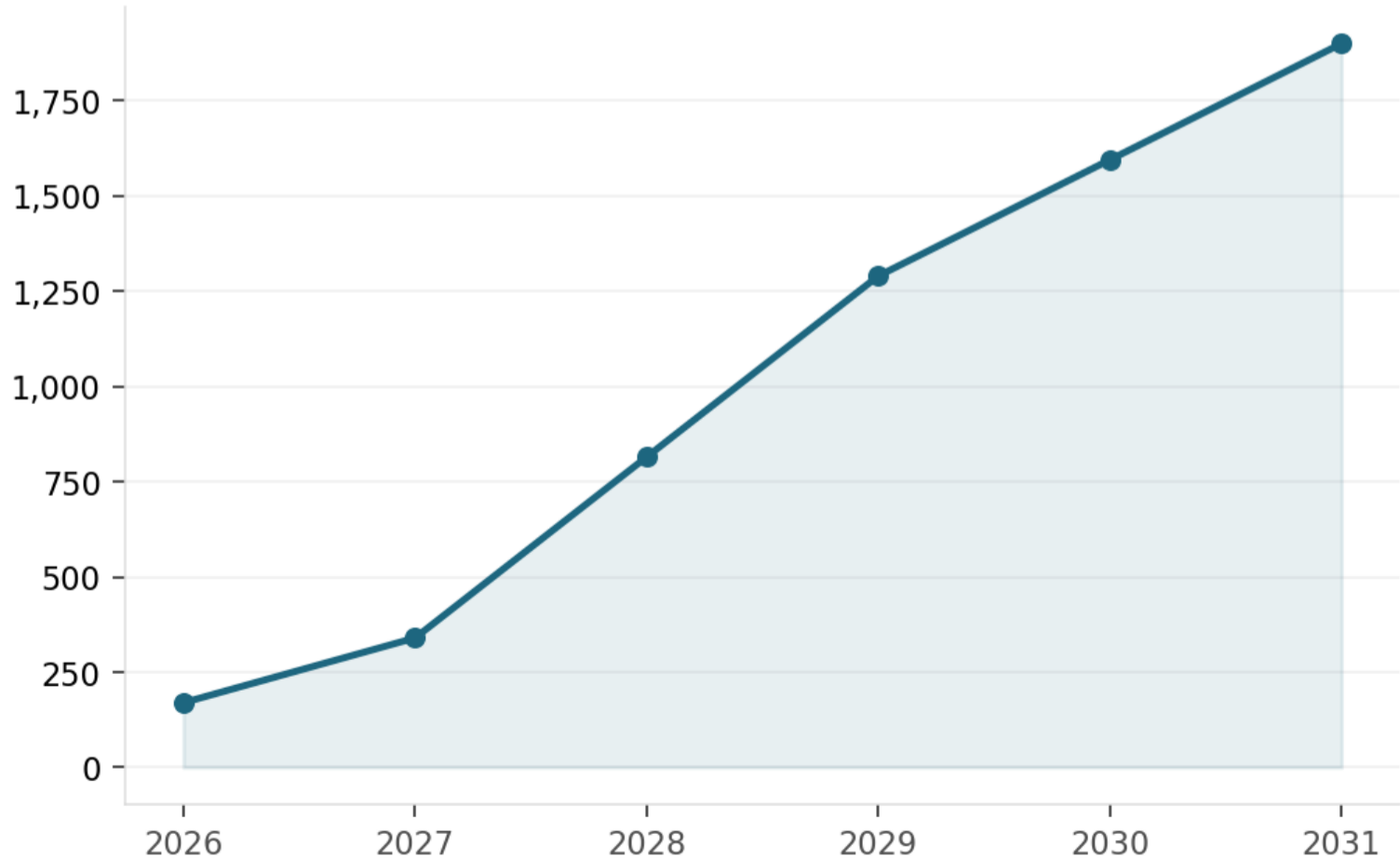
Potential reduction in TVR supply if units exit as deadlines loom (cumulative)



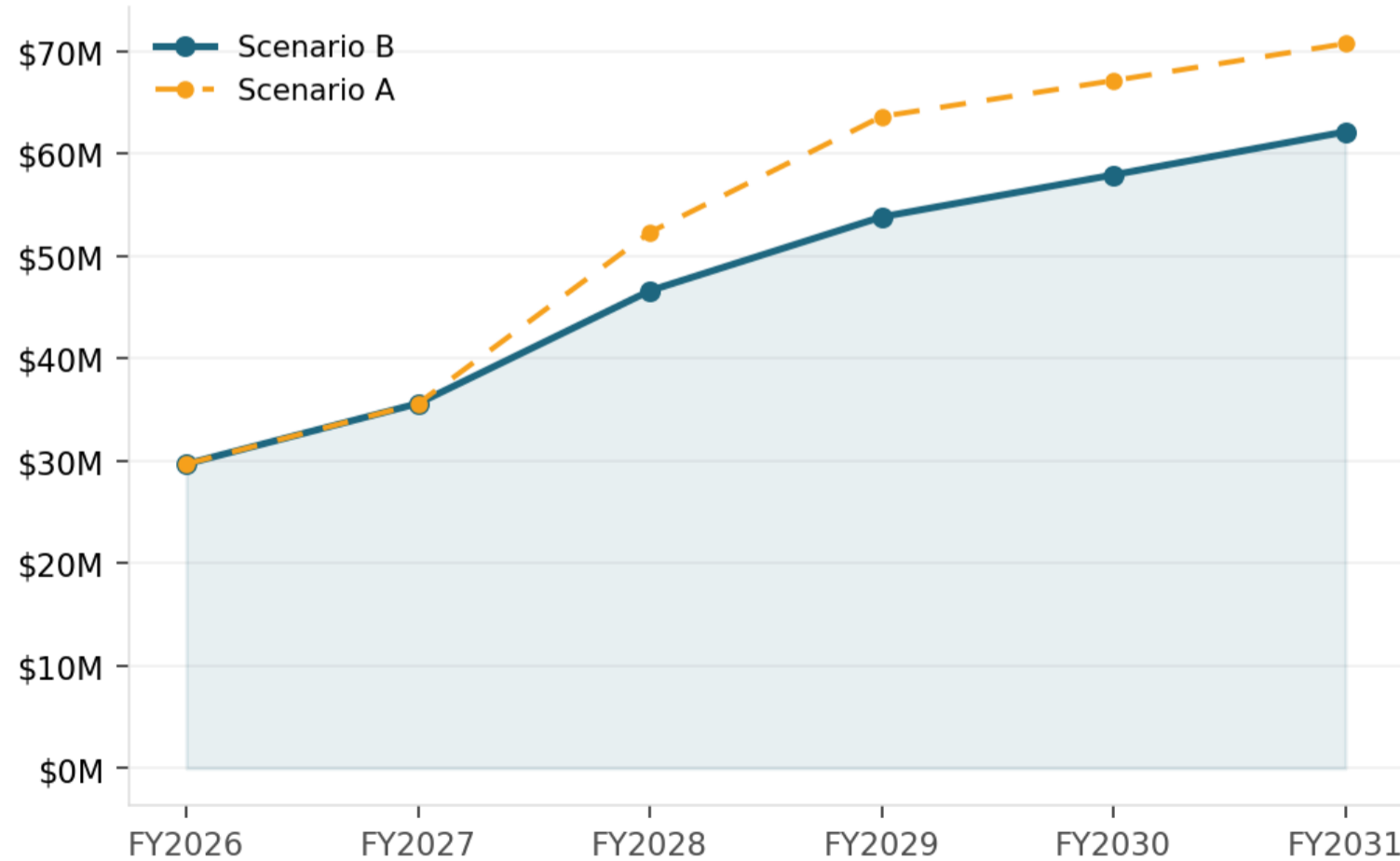
Potential visitor spending loss (\$M)



Potential job impacts

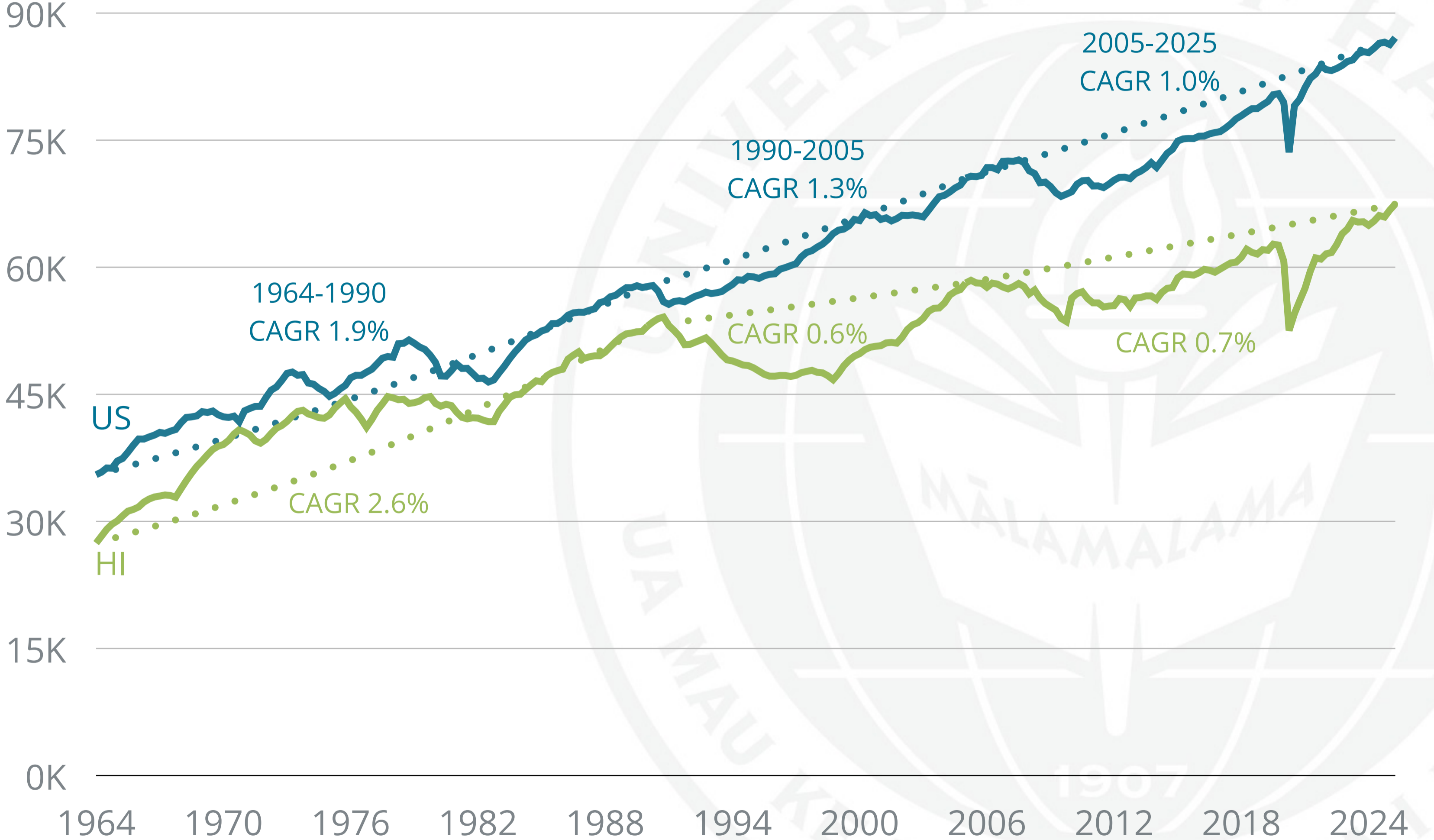


Potential RPT revenue loss vs. \$116M baseline (\$M)



Longer term prospects: Is Hawai'i Being Left Behind?

Hawai'i's Cost of Living-adjusted GDP per capita fell behind the US in 90s



Source: Is Hawaii Being Left Behind, Steven Bond-Smith.



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Aloha Chair Sugimura,

Thank you for your March 28, 2026 letter and for the opportunity to respond to the Committee's questions regarding Maui County's and Hawai'i's economic outlook.

My short answer is that Maui should pursue diversification, but in a practical way. For a small, remote county, diversification does not mean replacing tourism with one new "big" industry. It means reducing vulnerability by lowering housing and infrastructure costs, removing barriers that prevent local business formation and expansion, and building on sectors that are related to Maui's existing strengths and hard-to-replicate assets.

1. Visitor spending leakage

UHERO's input-output work shows that tourism-related imports are substantial. In the statewide example reported in "The Direct and Indirect Contributions of Tourism to Regional GDP: Hawaii," tourism final demand was \$14.235 billion, of which \$3.304 billion—about 23 cents of every dollar—was attributable to imports.¹

2. Meaning of diversification and affordability

Hawai'i's industry concentration reflects the economic forces of isolation, small scale, and integration with the U.S. mainland market, which together make it difficult for most traded industries to achieve sufficient scale outside of tourism (Bond-Smith, 2024).² Diversification does not mean replacing tourism or restricting visitor numbers — tourism is Maui's comparative advantage, and many diversification opportunities will build out from this existing strength in tourism. The purpose of diversifying is to reduce the economy's exposure to short-term volatility and improve opportunities for long-term growth amid flat tourism spending.

In practical terms, this involves three things. First, identifying feasible industries that are more likely to succeed because they are related to existing capabilities. More importantly,

¹ UHERO (2011), The Direct and Indirect Contributions of Tourism to Regional GDP: Hawaii, https://uhero.hawaii.edu/wp-content/uploads/2019/08/WP_2011-5.pdf

² Bond-Smith, S. (2024), "Diversifying Hawai'i's Specialized Economy: A Spatial Economic Perspective," *Economic Development Quarterly*, 38(1), 40–59.

diversification requires a policy approach that diagnoses and addresses the specific barriers that prevent industries from developing, paying particular attention to the related areas considered to have more potential. Such barriers include, but are not limited to infrastructure gaps, regulatory barriers and bottlenecks, and coordination failures. Resolving these barriers to promote diversification and economic growth will involve the deep knowledge of industry participants, who understand the issues facing economic activity, while avoiding subsidies for individual firms or attempts to pick winners. Third, reducing the structural economy wide barriers, particularly water, housing, and energy, that constrain both existing businesses and potential new entrants across all sectors. UHERO has ongoing research on institutional approaches to identifying and removing barriers to diversification and growth in Hawai'i, which we expect to produce additional guidance as that work progresses.

3. Promising sectors

UHERO research identifies several suitable areas for Maui County, by identifying industries connected to existing activities and therefore more likely to develop successfully (Bond-Smith and Ilamkar, 2024).³ For Maui County, ocean-based industries are the overarching theme: commercial fishing, aquaculture, boat building, port and harbor operations, and seafood preparation all appear as related opportunities. These industries are also location-bound: they rely on developing local resources that cannot be extracted or replicated elsewhere, and if developed these industries are therefore also more likely to remain in the long term. Beyond the ocean cluster, media production and hospitality-linked industries also appear as related areas for Maui.

Economic activity in Hawai'i generally depends on an immobile factor of production, such as its climate, location, or natural environment, and diversification is also more likely to succeed where that characteristic holds (Bond-Smith, 2024).⁴

4. Role of energy investment

Energy investment should be viewed primarily as infrastructure that supports all sectors, rather than as diversification. In this way, an affordable energy system supports diversification by enabling other economic activities that may be prevented by high energy costs. Hawai'i has long positioned itself as a leader in clean energy innovation, but in practice leadership in deployment and innovation is now being driven by places like California and internationally by China and the European Union. For Maui, the key opportunity is leadership in deployment and integration of island-scale energy systems.

³ Bond-Smith, S. and Ilamkar, S. (2024), "Potential Opportunities to Diversify the Economy of Hawai'i," UHERO Report.

⁴ Bond-Smith, S. (2024), "Diversifying Hawai'i's Specialized Economy: A Spatial Economic Perspective," *Economic Development Quarterly*, 38(1), 40–59.

Lower energy costs and improved reliability benefit all sectors and are a prerequisite for diversification.⁵

5. Sports

Sports and event tourism can generate visitor demand, but two considerations apply. First, competitive bidding for events can create a so-called *winner's curse*: the winning bid tends to exceed the event's actual economic value to the host. Second, events held during peak periods largely crowd out visitors who would have come anyway, since accommodation and airlift capacity are fixed in the short run. The net economic benefit is therefore concentrated in off-peak periods when spare capacity exists. Sports can be a useful niche for filling that off-peak demand but should not be viewed as a primary diversification strategy.

6. Film and production

Film production is a highly mobile industry. Thirty-seven states and over 60 countries currently offer production tax credits, and productions frequently cite cost as the primary factor in location decisions.⁶ Hawai'i offers a refundable credit of 22 percent on O'ahu and 27 percent on neighbor islands; several competing jurisdictions offer 30–40 percent. However, tax credits create a race to the bottom where jurisdictions compete by offering larger subsidies without expanding the overall industry.

Hawai'i also faces structural cost disadvantages. Limited studio infrastructure means productions often come for exterior shots but return to the mainland for interior work. Housing costs, the general excise tax, and the logistics of isolation add to production budgets. DBEDT's 2025 assessment finds that 27 percent of qualified production spending in 2024 went to non-residents and out-of-state businesses, the average local below-the-line wage was \$7,771 (reflecting short-duration and part-time work), and the credit produced a net fiscal loss to the state of \$19–27 million.⁶

Film production is generally not location-bound — most productions can relocate to whichever jurisdiction offers the best cost structure, and there is little evidence that the credit has generated a self-sustaining industry cluster.^{6,7} The exception is production work that depends on something specific to Hawai'i — its landscapes, culture, or settings that cannot be replicated elsewhere. The industry's growth is more likely to be durable where it is tied to those immobile assets rather than to the relative generosity of the tax credit.

⁵ UHERO energy research, <https://uhero.hawaii.edu/governing-green-power/>

⁶ DBEDT (2025), *Assessing the Impacts of Hawai'i's Film Tax Credit in 2024*, Research and Economic Analysis Division, Department of Business, Economic Development and Tourism, State of Hawaii.

⁷ UHERO film industry analysis, <https://uhero.hawaii.edu/understanding-the-role-of-the-hawaii-film-tv-digital-production-tax-credit-in-diversifying-the-hawaii-economy/>

7. Technology and AI

In a labor-constrained economy like Maui's, automation and AI are more likely to address existing labor shortages than to displace workers. Hawai'i faces persistent difficulty attracting and retaining workers due to high housing costs and limited wage growth, and many sectors already operate below full staffing. In that context, technology that reduces administrative burden or enables existing workers to be more productive can support investment and reduce costs.⁸

UHERO does not currently have research identifying which specific sectors in Hawai'i would benefit most from automation or AI adoption. The answer will depend on the nature of the technology, the structure of each industry, and whether adoption complements or substitutes for local labor. These questions all require sector-specific analysis we have not yet undertaken.

8. Visitor targeting

The relevant question relates to the net value-added locally relative to the strain on housing, infrastructure, and the environment. Targeting higher-spending visitors is often proposed as a way to increase revenue without increasing visitor numbers, but it is not clear (without much more analysis) that margins are higher for this segment. Luxury tourism may be more (or less) resource-intensive, such as water requirements for golf courses and resort amenities, compared to lower-spending visitors who stay in modest accommodation and consume fewer resources.

Rather than focusing narrowly on attracting a particular spending tier, the more productive approach is to increase the value-added of the tourism industry as a whole. Real per-visitor spending in Hawai'i peaked in 1988 and has been roughly flat or declining in inflation-adjusted terms since, with aggregate revenue maintained largely by increasing visitor numbers rather than by raising productivity.⁹ A tourism sector that generates more local income per visitor, through higher-quality services and local sourcing, would support the economy more effectively than continued growth in volume or shifts in the composition of arrivals. It is possible that the most effective way to reach that goal is by allowing for redevelopment and upgrading of existing resort properties.

On the question of incentives: marketing or subsidies aimed at attracting particular visitor segments face similar competitive dynamics to film tax credits: every destination competes for the same high-spending visitors, and incentives that succeed mainly by undercutting rivals involve a transfer from taxpayers to visitors who may have come regardless. Investments in destination quality, infrastructure, and resident well-being are more likely to attract and retain higher-value tourism over time than targeted incentives.

⁸ UHERO AI research, <https://uhero.hawaii.edu/beyond-the-hype-what-research-shows-about-the-value-of-college-in-the-ai-era/>

⁹ Bond-Smith, S. (2026), "Beyond the Price of Paradise: Is Hawai'i Being Left Behind?," UHERO Report.

9. Airport access

Improvements in airport operations can enhance visitor experience but so long as airports are of sufficient quality, they are not a primary driver of long-term visitor demand.

Another relevant dimension of airport and inter-island transport policy is ease of travel between islands for residents. Affordable, reliable inter-island connections expand the effective labor market for Maui residents, opening hybrid and remote employment opportunities with employers based elsewhere in the state. Reducing the cost and friction of inter-island travel would give Maui workers access to a wider range of jobs without requiring relocation.

In closing, a focus on lower structural costs, an expanded housing supply, and supportive conditions in sectors where Maui has durable advantages would support a more vibrant, diversified, and productive Maui economy.

Mahalo for the opportunity to provide these views.

Sincerely,

Carl S. Bonham
Executive Director

A handwritten signature in black ink, appearing to read 'Carl S. Bonham', with a long horizontal flourish extending to the right.

University of Hawai'i Economic Research Organization