Hawaii personal income to drop 7% this year, stay 'in the doldrums' in 21

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The effects of the Covid-19 pandemic on the Hawaii economy is expected to cause personal income to drop by 7% this year, and the state Council on Revenues forecasts zero growth from that level in 2021, even if the tourism industry reopens next month as planned.

Visitor arrivals plunged 98% in June from the same month in 2019, the third full month of the state's mandatory 14-day quarantine, which Gov. David Ige has said could be lifted on Sept. 1.

The council, which met virtually on Thursday, also noted that additional unemployment payments of $600 a week from the federal CARES Act expired this week, and that Ige used a line-item veto to take $230 million out of the state budget that would have boosted unemployment insurance payments in Hawaii by $100 per week, which will further impact personal income in the state. Ige said the state was waiting for Congress to act on a proposed bill that would reduce the so-called plus-up to $200 a week.

Members of the council noted that the tourism industry has already missed the busy summer season, which reduced personal income by one whole percentage point, member Carl Bonham, a University of Hawaii economics professor and executive director of the University of Hawaii Economic Research Organization, told the council.

And tourism is set to reopen on Sept. 1 — or in October if there is further delay from the increase in coronavirus cases — during a traditionally slow time of the year for tourism.

Member Kristi Maynard, chief financial officer at Finance Factors, pointed out that tourism had already dropped off before the 14-day quarantine went into effect in late March, so lifting the quarantine doesn't necessarily mean visitors will return in large numbers.

Vice Chair Marilyn Niwao, a certified public accountant on Maui, noted that some retail and restaurant businesses, as well as others tied to tourism, may not be able to hold on until the quarantine is lifted and will opt to close rather than continue to lose money. That may alter the experience for visitors who do come back — and may make it harder for them to find places to spend money.

The council noted that even though any growth in tourism would improve the growth rate, there’s currently no indication that it will be enough to move the needle for 2021.

“We’ll stay in the 2020 doldrums through 2021,” Chair Kurt Kawafuchi said after the vote for zero growth next year.

Despite that, Bonham was optimistic things could change.

"There’s all kinds of things that are possible, very possible, to completely change 2021 for the positive,” he said, whether a vaccine becomes available or testing becomes more widespread and cheaper. He also noted that a new administration in Washington DC could implement a national testing strategy.

“We could see in January and February that we mandate everybody who flies on an airplane has to be tested before they fly,” he said. “That could completely change attitudes toward travel. I think there’s some real upside.”

Maynard noted that even if current business owners make the decision to close, there will be others who will open new businesses.

“The natural state of the economy is to grow,” she said.