

Economics and COVID-19

Hawai'i's economy after six months of COVID-19

Community Meeting Summary: September 28, 2020

Guest Presenter		Interested in learning more?	
Paul Brewbaker, Ph.D., CBE TZ Economics		Email communitymeetings@pulamalanai.com for a copy of the presentation materials	
COVID-19: how do we compare?		Stay tuned for Part 2 of this Community Meeting where Paul will dive into Lāna'i's economy, in Q1 2021!	
<ul style="list-style-type: none"> O'ahu peaked at over 200 COVID-19 cases/ million people... worse than Spain, Italy, and France in March Other US States are much worse than O'ahu, but they are not the examples we should strive for 1918 Pandemic proved social distancing polices are crucial 			
How is COVID-19 affecting the economy?		What's next?	
Real Estate	<ul style="list-style-type: none"> Maui's home sales stopped suddenly in Feb 2020 then had a remarkable rebound The Feb drop was as deep as the 18 months following the Great Recession 	Long term Is up to us	<ul style="list-style-type: none"> After two world wars, global pandemic and Great Depression, Hawai'i experienced growth 1950-80s Up to us to ensure that happens again
Savings	<ul style="list-style-type: none"> Personal savings rates increased from 7.5% to 33% in April 2020 Higher savings means less money in the economy Cutting payroll taxes won't increase consumption <ul style="list-style-type: none"> As long as uncertainty remains, people save 	Work from Home (WFH) & Hybrid Jobs	<ul style="list-style-type: none"> The share of working days spent at home is expected to triple after the COVID-19 crisis ends Live in Hawai'i ≠ work in Hawai'i <ul style="list-style-type: none"> You could live on Lāna'i and work remotely at Google! Further democratization of undocumented vacation rentals
Spending	<ul style="list-style-type: none"> U.S. retail and food services sales dropped in April and partially recovered in July More money, but less time, is being spent at grocery stores & less money and less time is being spent at restaurants Maui spending dropped before statewide lockdown in March, recovering in spring, fading over summer 	Commercial Real Estate fall-out	<ul style="list-style-type: none"> Downtown 10% office vacancy rate Time for condo conversion, day-care downstairs
		Retail Zombie Apocalypse	<ul style="list-style-type: none"> Creative Destruction (e.g., e-commerce) accelerated by pandemic
Employment	<ul style="list-style-type: none"> Neighbor islands hit harder by unemployment relative to O'ahu due to dependence on tourism 	Polarization on steroids	<ul style="list-style-type: none"> Demise of low cognitive skills, routine-task occupations Further rise of high-cognitive skills, non-routine occupations
Long-term trends are what matters		Recommendations	
<ul style="list-style-type: none"> The graph shows the median real GDP growth forecasts & ranges, provided by the Federal Open Market Committee COVID-19 caused a drop in 2020, and current long term outlook has modest improvement, w/ risks of backsliding Solve the epidemiological problem and you solve the economic problem 		Everyone says diversify ...	<ul style="list-style-type: none"> "I thought we were already doing that!" Tourism, low hanging fruit--natural resource endowment The tourism anchor provides us the opportunity to "try" other things We should create a foundation for everyone's creativity, e.g., flexible zoning
<p>GDP percentage change, year-over-year U.S. recessions are shaded grey</p>		Low interest rates	<ul style="list-style-type: none"> It is prudent to take advantage of the opportunity to borrow at low costs The government should expand broadband service and infrastructure
		Use your voice!	<ul style="list-style-type: none"> If you have ideas, talk to your bankers and elected officials

For more information, please reach out to communitymeetings@pulamalanai.com

Info as of September 28, 2020