

Hang tight; rough waters ahead

THE CHAMBER VIEW

by Pamela Tumpap



The big question we are asked routinely at the Maui Chamber of Commerce is:

"When do you expect the economy to turn around?" Unfortunately, we have no crystal ball. Like everyone else, we are wondering when the bottom will be reached and recovery can begin. However, we recognize that access to economic information is crucial, particularly in these economic times. For this reason, we provide several economic updates to our members each year, so they can plan most advantageously and position their businesses for moving forward.

As part of an ongoing chamber series, Carl Bonham, executive director of the University of Hawaii Economic Research Organization and associate professor in the Economics Department at UH-Manoa, spoke with chamber members at our annual American Savings Bank Economic Update and Maui SBA Awards on April 15.

He said his presentation would not be particularly upbeat, but reminded us that what goes down, must come up. It is important to remember that this, too, will pass; however, we must take appropriate steps to survive in the meantime.

He shared that economists still don't know when conditions will hit bottom. He said economists typically underproject a drop as well as a recovery because it is hard for them to believe things can get bad so quickly, and equally hard to believe, when things have been so

earlier economic projections underestimated how hard this recession would hit. Anticipated revenues were not realized and we are grappling with significant shortfalls for our state, county, businesses and residents.

Bonham reported that the U.S. and global economies are now in the most severe recession since the end of World War II and that a deeper, longer recession in Hawaii is expected.

He explained that the global recession is undermining our visitor industry, and California represents an Achilles heel for tourism. Given the mess California is in and the sizable 29 percent visitor market share that state represents for us, the drop in this market alone is a significant blow. This market has gone from peak to trough, experiencing close to a 30 percent drop.

Additionally, many retirees are not traveling or traveling less as their 401(k)s essentially have been cut in half. With spending constraints and challenges with U.S., Japan and other Asian markets, the visitor industry will recover slower than previously expected. The visitor industry will end in decline this year and be flat, with visitor spending down, in 2010. While lower prices of airfares, gas and hotel rooms will help our visitor industry, the rest of the world's tourist destinations are also on sale, and cuts can go only so deep before they hurt rather than help.

The construction industry, also key to our economic stability, continues to decline given the global credit crisis and recession. Residential construction is headed downward, with lower demand due to reduced wealth. Commercial construction is also down. However, federal economic-stimulus dollars are ex-

pected to remain high, above 6 percent, for the next several years. (Note: The unemployment rate does not reflect underemployment by those who have had their hours reduced, or lost their second or third jobs and are bringing less income home.)

The current circumstances weigh heavily on consumer confidence and spending. Retail and food-and-beverage sales are not expected to see strong growth for several years out.

More job losses, bankruptcies, foreclosures and business closings are expected. Some in our community barely are hanging on now. Others are OK at the moment, but will face hardships when their unemployment runs out. All will be impacted by the reduced revenues and by cuts at county and state levels.

This realization is hitting

home, and people are getting that it is not a matter of holding tight for the next six months or so; it is a matter of preparing for tough times ahead for the next few years.

We thank Bonham for his work and the update. Despite this uncomfortable news, we need to plan, adapt, make changes and be innovative. We must continue to support our existing industries and businesses, buy Maui first, network and partner, come up with equitable solutions, and protect jobs.

While the waters ahead appear to be rough and choppy, we will navigate to better times, and your chamber is here to help. Please visit our Web site at www.mauichamber.com for information on our activities and programs to benefit businesses and the community.

■ *Pamela Tumpap is president of the Maui Chamber of Commerce.*