

New economic forecast shows less decline

THE ECONOMY

BY JANIS L. MAGIN
PACIFIC BUSINESS NEWS

University of Hawaii economists are forecasting smaller-than-expected declines in visitor arrivals and income this year followed by modest growth next year.

But they warn that it won't be "a return to business as usual" for the state for some time.

Hawaii's economy will continue to shed jobs over the next six months and it will take more than two years for personal income to return to 2007 levels, according to the quarterly forecast released today by the University of Hawaii Economic Research Organization.

The number of visitors from Japan is forecast to fall by 4.1 percent this year, far less than the 13.8 percent drop predicted in June, UHERO said in the report.

That will put the total visitor count this year at 4.4 percent less than 2008, compared with a 6.8 percent drop that UHERO had forecast in June.

"If the Japanese had stayed away in the way that we had expected, then things could be quite a bit worse," said UH economist Carl Bonham, UHERO's executive director and author of the report with UH economists Byron Gangnes and Kimberly Burnett. "That's the biggest difference in the visitor sector — the Japanese have started coming back."

The visitor count is expected to show 3.2 percent growth in 2010.

While that's a sign that the count is starting to stabilize at the 2002-2003 levels, visitor spending has yet to show signs of recovery and is forecast to drop 12 percent this year before rising 2 percent in 2010.

Payroll jobs are forecast to drop 3 percent this year, and just under 1 percent next year, but most of that will be at the start of the year, Bonham said.

He noted that the August job count came in at 594,500, which was less than the total count forecast for next year. The number of jobs is forecast to fall during this quarter, and then again during the fourth quarter and the first quarter of

2010 before showing some growth, of about 1,000 jobs, in the spring, he said.

"As of right now, if you look at Hawaii's economy, there's no clear evidence that we've hit bottom," Bonham said. "The closest sign of bottoming is that stabilization of the visitor count — that's something that has to happen before you get spending up."

The growth in visitors next year and increased spending are driving the bottoming out of job counts in the first part of next year.

"We are still talking about a recovery coming in the beginning of 2010," Bonham said. "We'll call it a recovery simply because real output won't be falling anymore. But if people are still losing jobs, a lot of people will be feeling poor."

The forecast for the unemployment rate, unchanged from three months ago, has it reaching 7.4 percent this year and 8.1 percent in 2010 before falling back to 7.5 percent in 2011.

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Tech group chooses leader with strong Asian ties

TECHNOLOGY

BY NANEAL KALANI
PACIFIC BUSINESS NEWS

Seeing China as a potential resource for money, customers and partners, a Honolulu nonprofit tech-mentoring firm has tapped Bee Leng Chua to serve as its executive director, hoping that her strong connections with Asian markets will help its member clients.



Chua

Chua, 57, had been recruited to Hawaii in 2007 as the founding director of a new entrepreneur center at Hawaii Pacific University. Before that, she had spent 18 years at the Chinese University of Hong Kong, running entrepreneurial programs and

teaching business courses. Her connections with Asia caught the attention of the Hawaii Business and Entrepreneur Acceleration Mentors, better known as HiBEAM.

The nonprofit, formed in 2000, provides mentoring and advice to early-stage Hawaii technology companies to help them accelerate their growth and attract funding. Companies in HiBEAM's portfolio — there are currently 10 — get strategic advice through its volunteer board, which includes venture capitalists, corporate investors, angel

HiBEAM's current portfolio

- Adama Materials
- Agis
- Cardax Pharmaceuticals
- Chipln
- Firetide
- Hawaii Biotech
- Hoana Medical
- Nanopoint
- People Bridge
- Sopogy

investors, entrepreneurs, lawyers, accountants and public relations professionals. Since its founding, HiBEAM portfolio companies have raised more than \$100 million.

"HiBEAM's goal is to create a virtual incubator for our members," said Bill Richardson, HiBEAM's board chairman and managing director at DragonBridge Capital. "Bee Leng has a special value that she brings, which is her deep connections into the Asian marketplace. Looking at the economy, we're looking toward Asia to help get this global turmoil resolved. We thought she'd be the most valuable to our portfolio companies."

"One of my goals is to leverage my Asia contacts with HiBEAM's mission," Chua told PBN. "I'm starting to study the needs of our portfolio companies and identify how these can be fulfilled by relationships in Hong Kong, China and Singapore. The needs in Asia overlap well with Hawaii's core competencies and strategic directions. Asia has capital, potential markets and business

partners, and Hawaii is uniquely positioned to be a good partner."

To receive the formal mentoring, member companies offer HiBEAM a small percentage of the equity in their business.

Honolulu-based Hoku Scientific is HiBEAM's greatest example of success: HiBEAM received \$1 million when its former client went public in 2005. At the time, HiBEAM said the payout would allow it to be self-sustaining for the next three to five years.

"This structure motivates HiBEAM to help our entrepreneurs grow their businesses," Chua said. "We focus on high-growth companies, meaning they must have the capacity and the desire in their business plans to grow and eventually be ready for an initial public offering or an acquisition, or be very attractive for rounds of funding. We're always on the lookout for potential members."

Chua still teaches at HPU, but has a reduced load to devote time to running HiBEAM, where she is the nonprofit's only paid employee.

Chua holds an undergraduate degree in communications from the University of Wisconsin at Stevens Point, a master's degree in Asia studies and a doctorate in organizational behavior, both from Ohio University.

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