

# Hawaii Economic Outlook

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to the

PATA/TTRA

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# Summary of Current Hawaii Economic Conditions

- **Lowest unemployment rate in Hawaii's history and lowest in the nation, 2.3% for 2018**
- **Record high level of employment, and job count in 2018**
- **Non-ag Payroll job grew 1.7%, adding 10,800 jobs in 2018**
- **Tourism industry growth strong, 5.9% for arrivals and 6.8% for expenditures in 2018**
- **Value of private building permit increased 4.2% in 2018**
- **Median home sale prices continue to increase on all counties for both single family and condos**
- **Home sales decreased on Oahu and Big Island for both single family and condo but increased significantly on Maui and Kauai**
- **General excise tax revenue increased 2.3%, individual income tax increased 10.9% for CY 2018**

# The U.S. and World Economies

# U.S. business cycles reference dates

Trough	Peak	Expansion Months
October 1945 (IV)	November 1948(IV)	37
October 1949 (IV)	July 1953(III)	45
May 1954 (II)	August 1957(III)	39
April 1958 (II)	April 1960(II)	24
February 1961 (I)	December 1969(IV)	106
November 1970 (IV)	November 1973(IV)	36
March 1975 (I)	January 1980(I)	58
July 1980 (III)	July 1981(III)	12
November 1982 (IV)	July 1990(III)	92
March 1991 (I)	March 2001(I)	120
November 2001 (IV)	December 2007(IV)	73
June 2009 (II)	As of February 2019	116
Average Expansion, 1945-2009 (11 cycles)		58.4

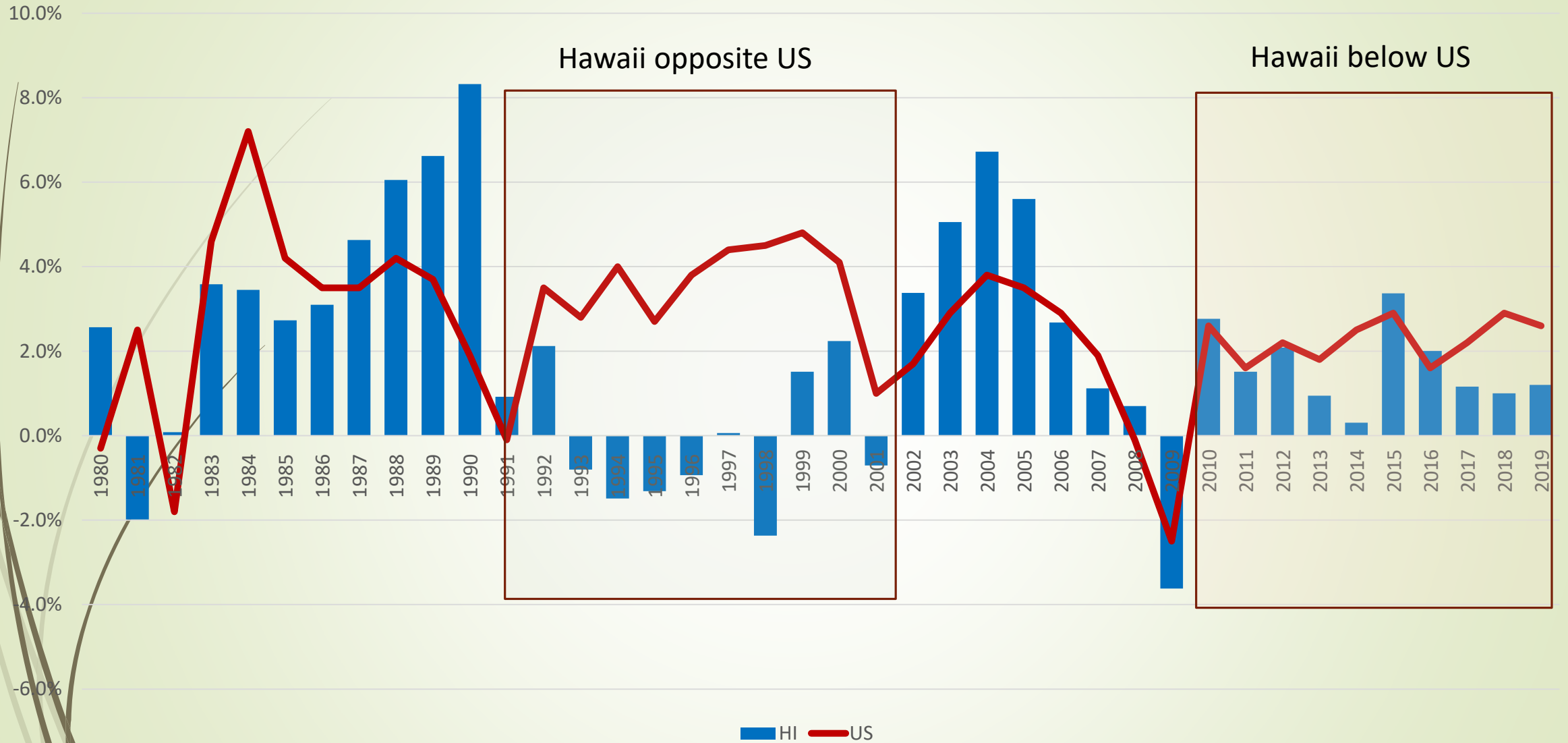
Source: National Bureau Economic Research, US Business Cycle Expansions and Contractions

# Hawaii's economy has gone through different growth path than the U.S.

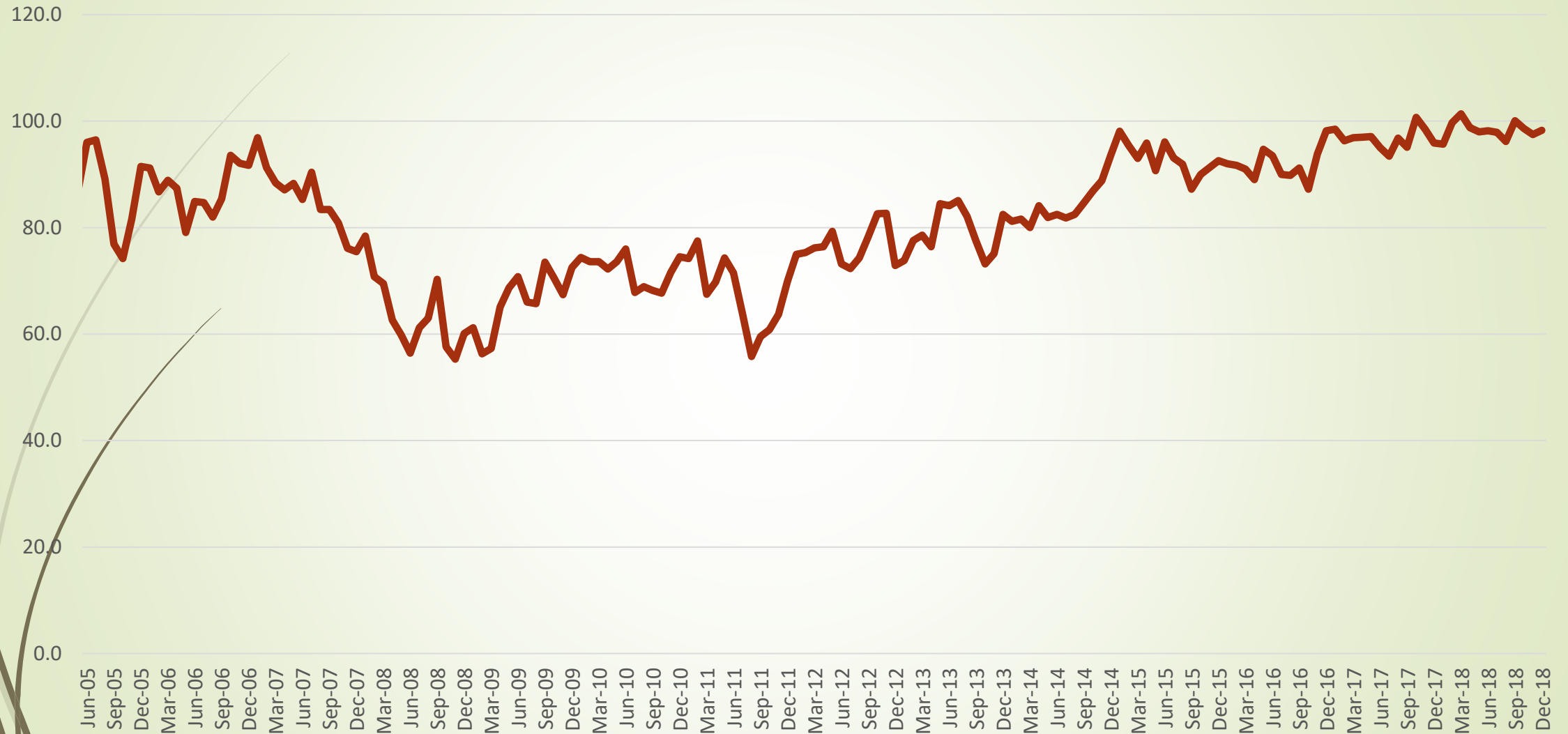
Period	U.S.	Hawaii
1957-1967	4.3%	6.5%
1967-1977	3.1%	5.1%
1977-1987	3.2%	3.3%
1987-1997	3.1%	1.9%
1997-2007	3.0%	2.4%
2007-2017	1.4%	1.1%
1957-1987	3.5%	4.9%
1987-2017	2.5%	1.8%

Source: U.S. Bureau of Economic Analysis and Hawaii DBEDT

# US and Hawaii GDP growth



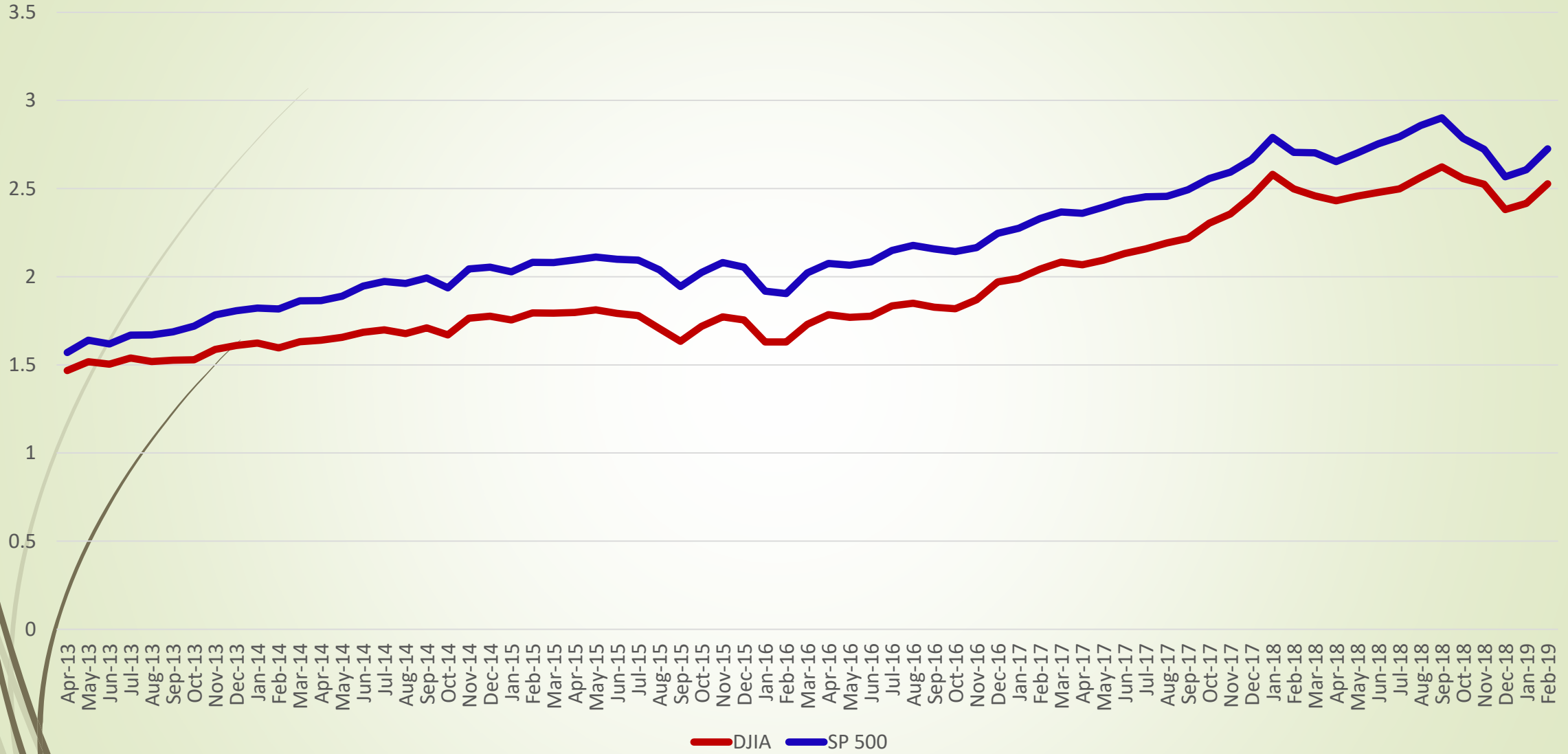
# U.S. Consumer Sentiment Index



Source: Federal Reserve Bank of St. Louis, University of Michigan Survey of Consumers

# Stock Market Indicators

1,000 for DJIA;  
1,000 for SP

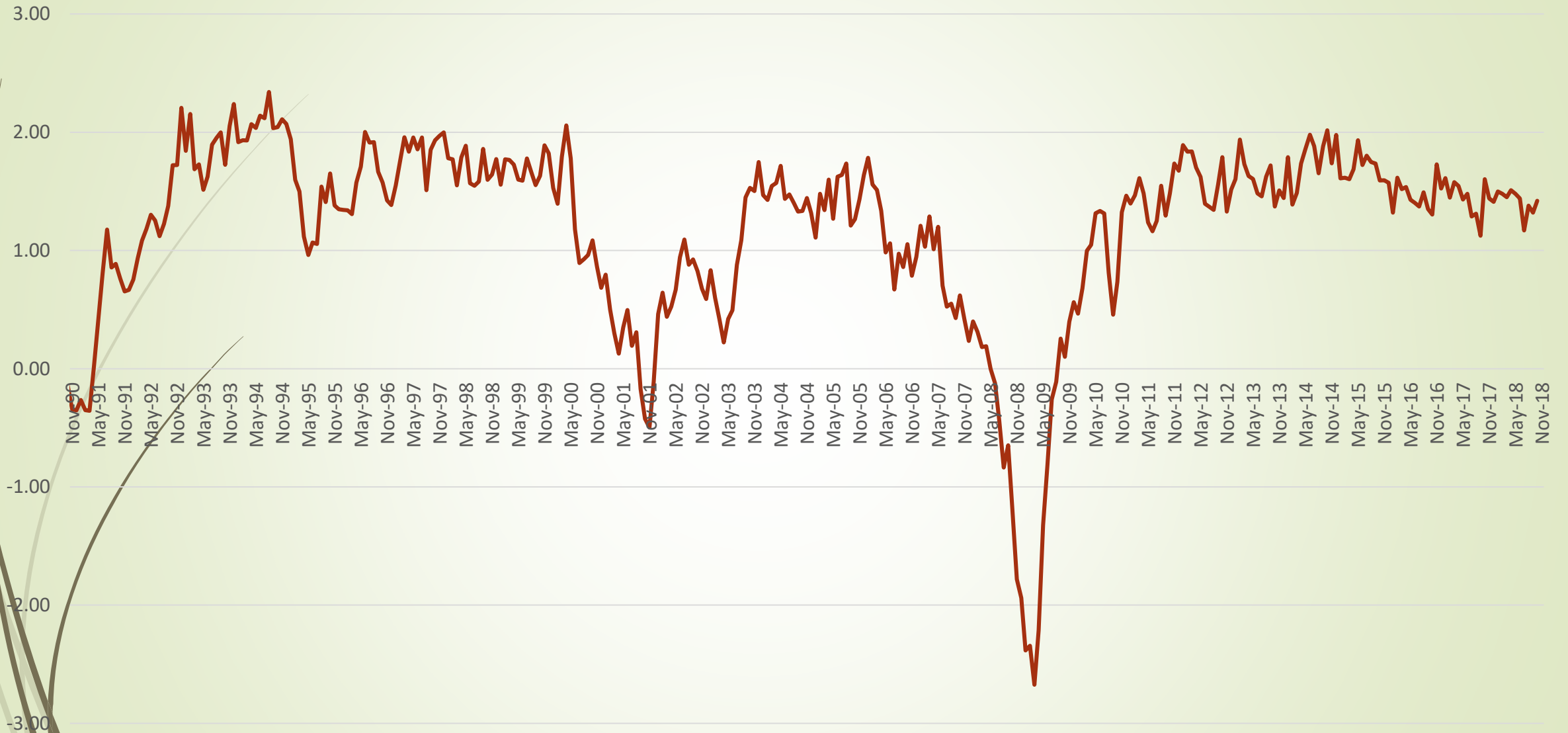


\*As of 2/6/2019

Source: Federal Reserve Bank of St. Louis



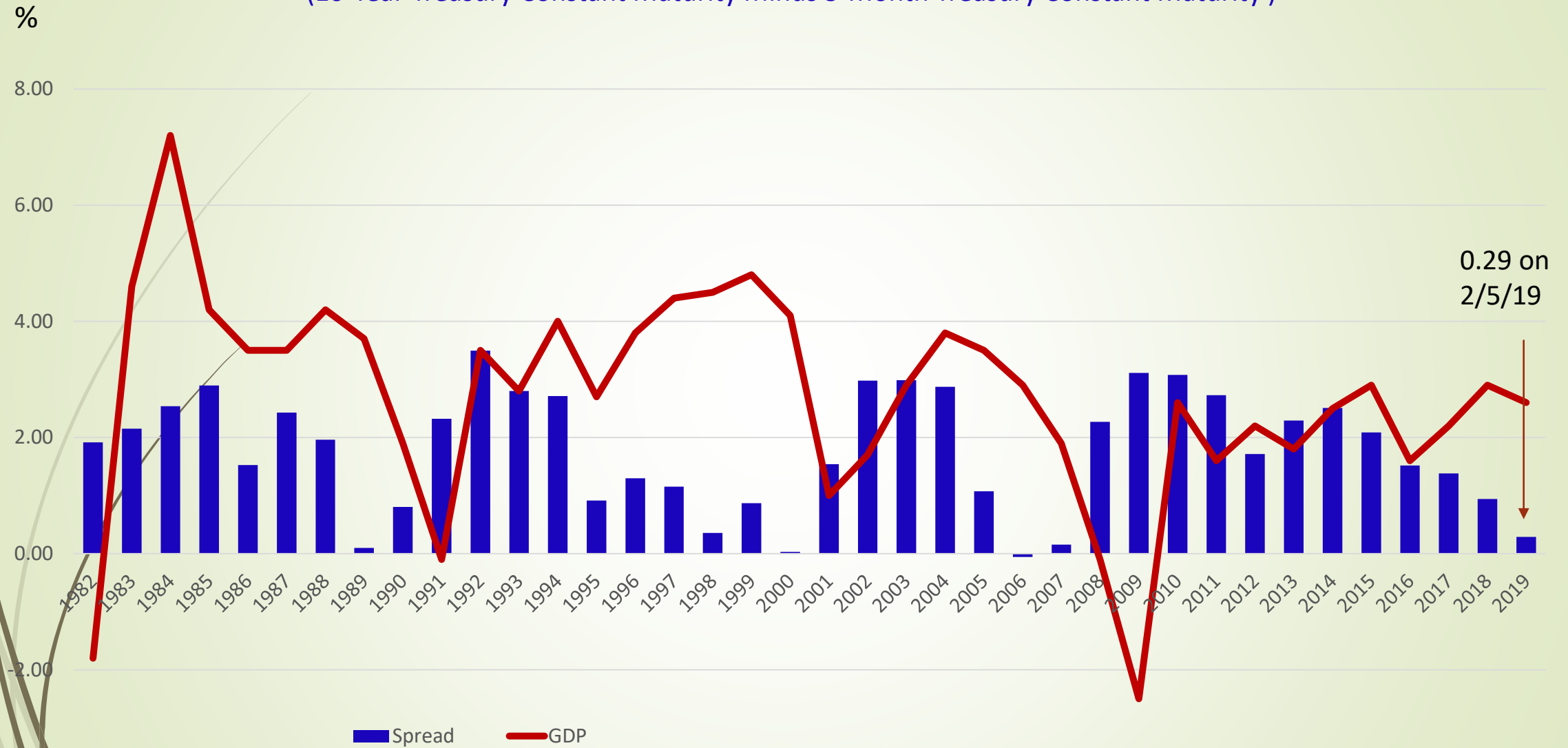
# Leading Economic Index for the United States



Source: Federal Reserve Bank of Philadelphia

# Interest rate spread and economic growth

(10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity)



Source: Federal Reserve Bank of St. Louis and U.S. Bureau of Economic Analysis

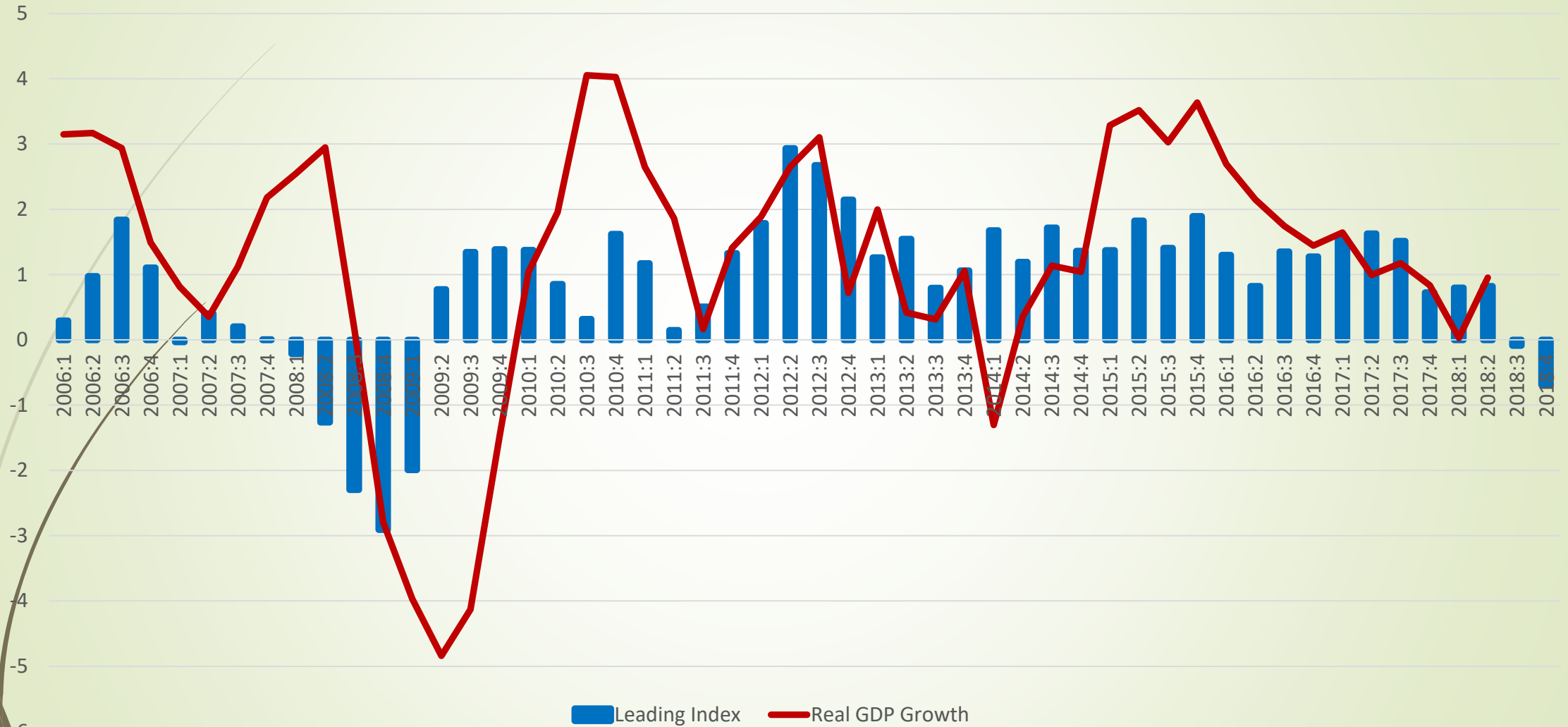
## Most of the world economies will have slower growth in 2019

Economy	2015	2016	2017	2018	2019	2020
USA.	1.4	1.5	2.3	2.9	2.6	1.9
Canada	0.9	1.4	3.0	2.1	1.9	1.8
Japan	2.8	1.0	1.9	1.0	1.0	0.6
S. Korea	2.1	2.9	3.1	2.6	2.6	2.5
Hong Kong	1.5	2.2	3.8	3.4	2.7	2.5
Taiwan	6.7	1.4	3.1	2.6	2.3	2.2
China	6.9	6.7	6.9	6.6	6.2	6.1
United Kingdom	1.9	1.8	1.8	1.3	1.4	1.5
Germany	1.2	2.2	2.5	1.7	1.6	1.5
France	1.8	1.1	2.3	1.6	1.6	1.5
Eurozone	2.6	1.9	2.5	1.9	1.7	1.6
Australia	-3.5	2.6	2.4	3.2	2.7	2.6
Brazil	1.4	-3.5	1.1	1.3	2.4	2.5

Source: Blue Chip Economic Indicators, January 10<sup>th</sup>, 2019

# Hawaii's General Economy

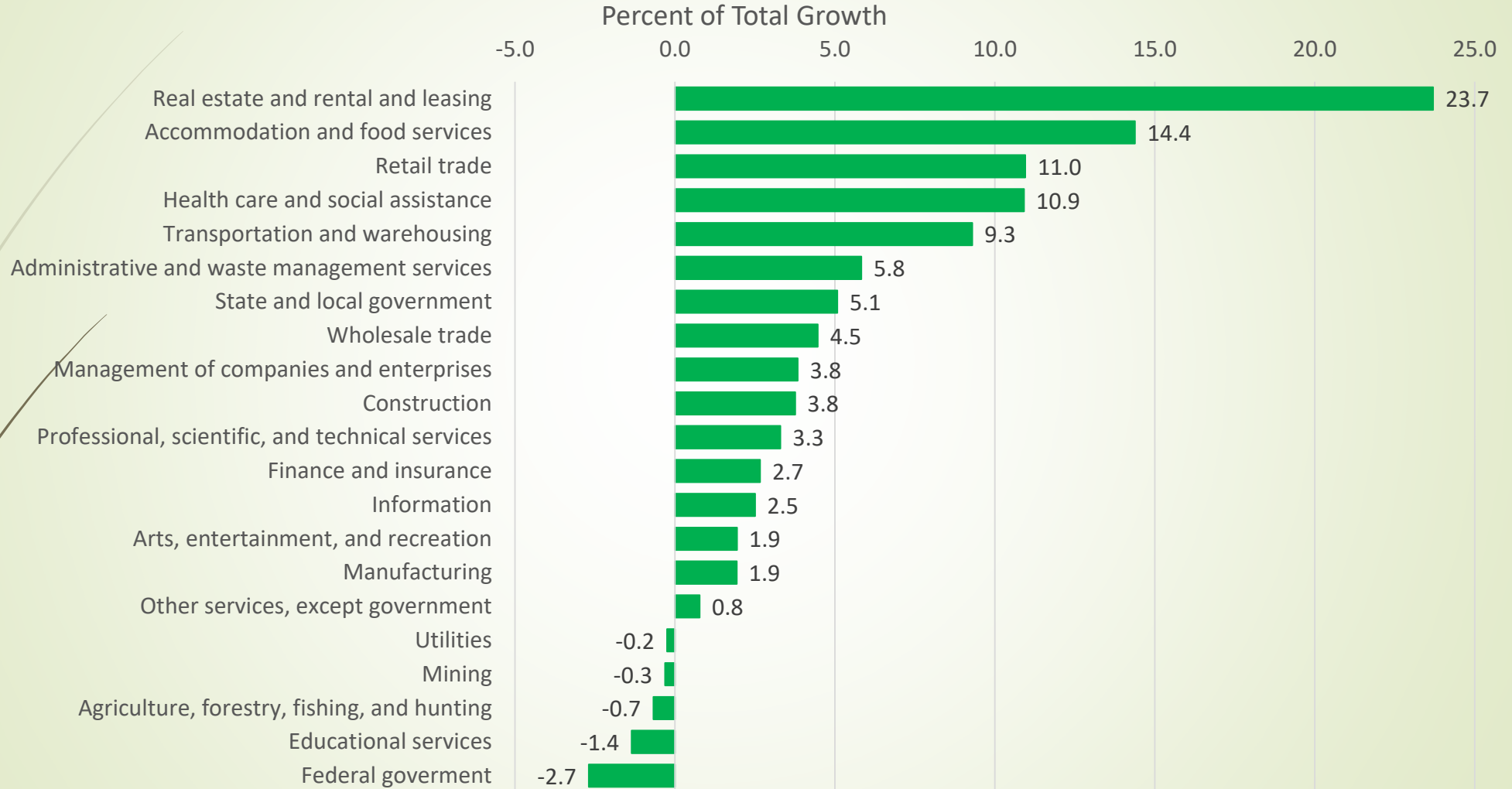
# Hawaii leading index and real GDP growth



Source: Federal Reserve Bank of St. Louis, US Bureau of Economic Analysis

# Sector Contribution to Real GDP Growth: 2010-2017

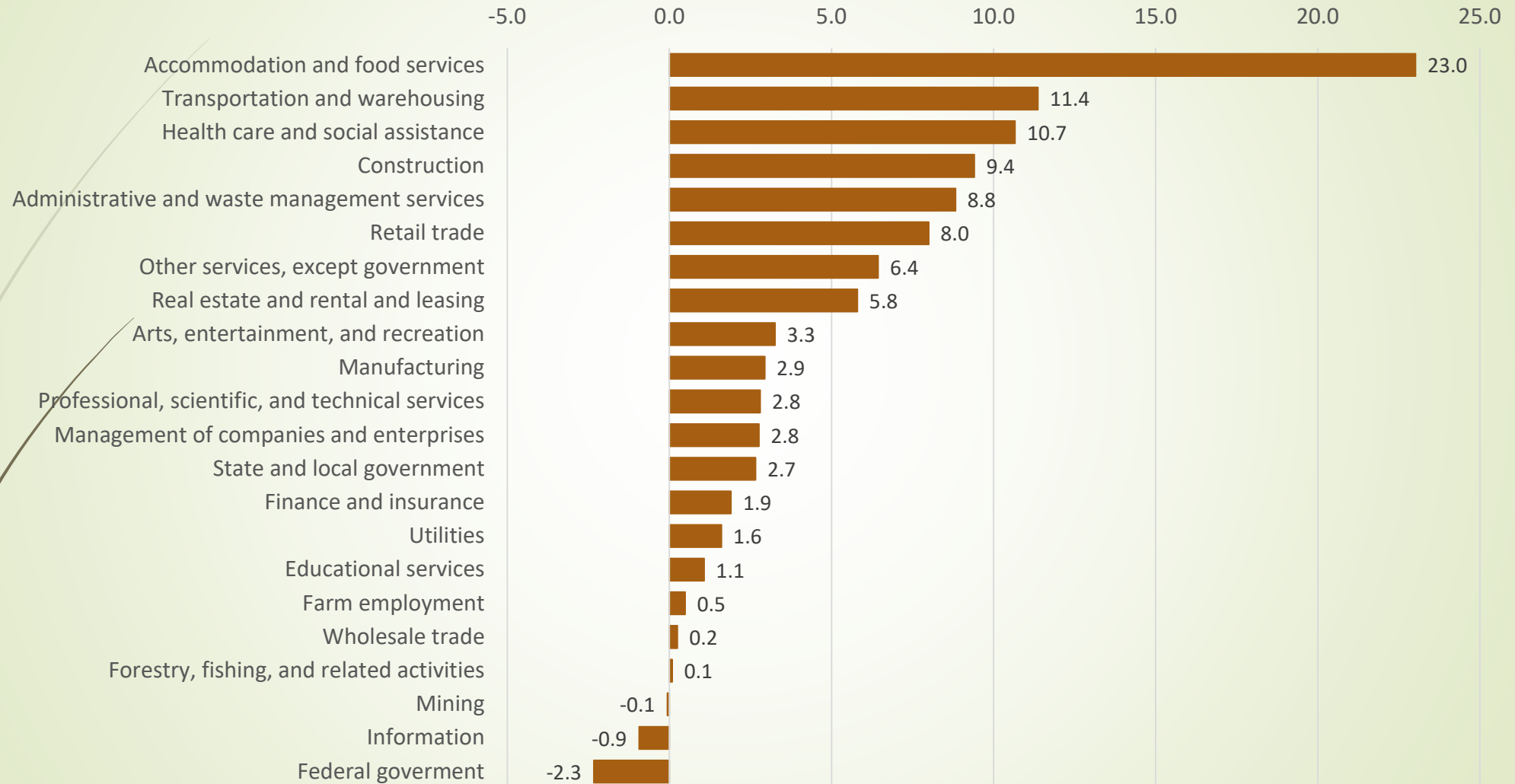
Real GDP growth = 11.9% between 2010-2017, Real Estate sector contributed the most



Source: BEA

# Sector Contribution to Employment Growth: 2010-2017

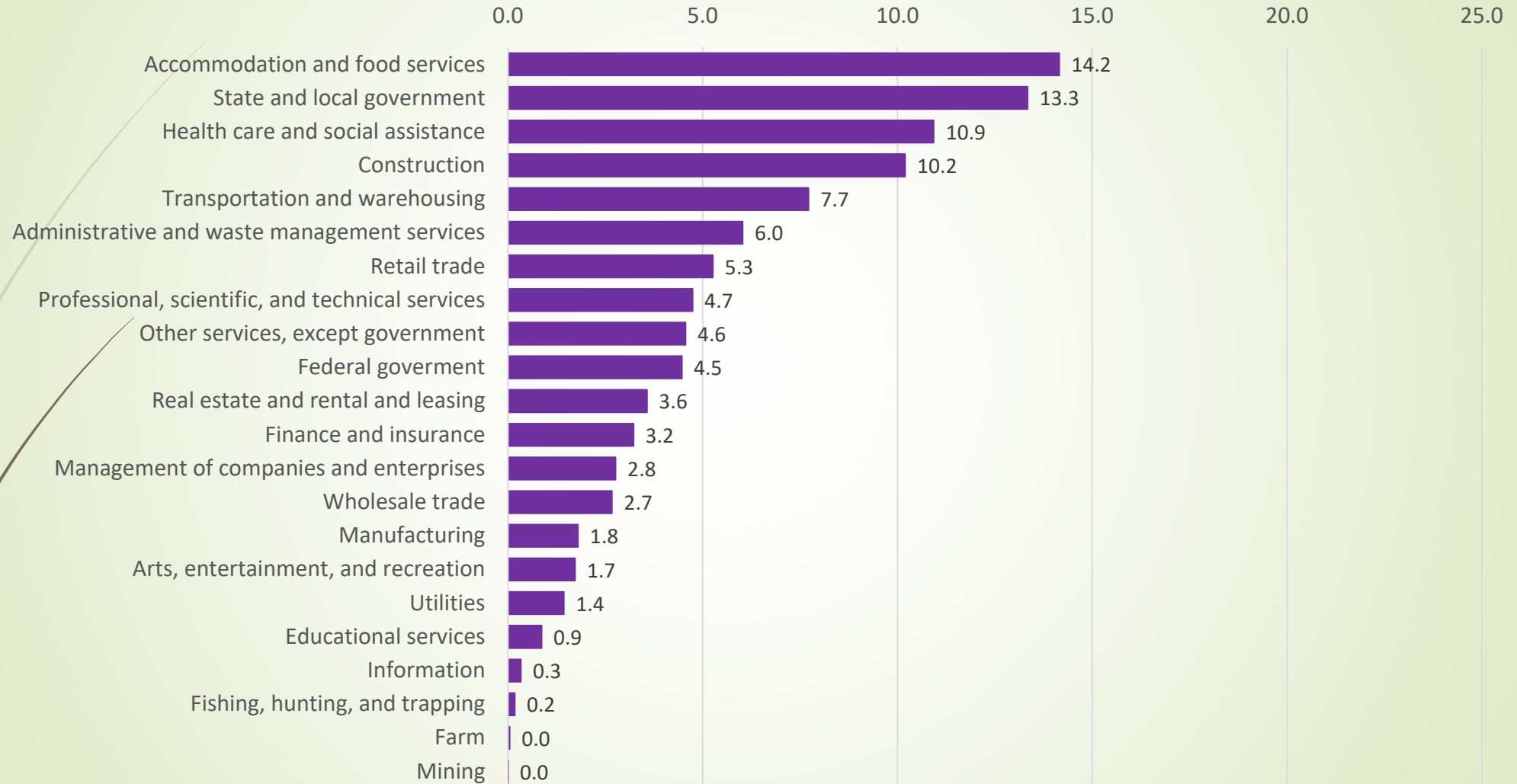
Employment growth = 11.8% between 2010-2017, tourism sectors contributed the most to the growth



Source: BEA

# Sector Contribution to Earnings Growth: 2010-2017

Earnings growth = 30.1% between 2010-2017, Accommodation and food services sector contributed the most

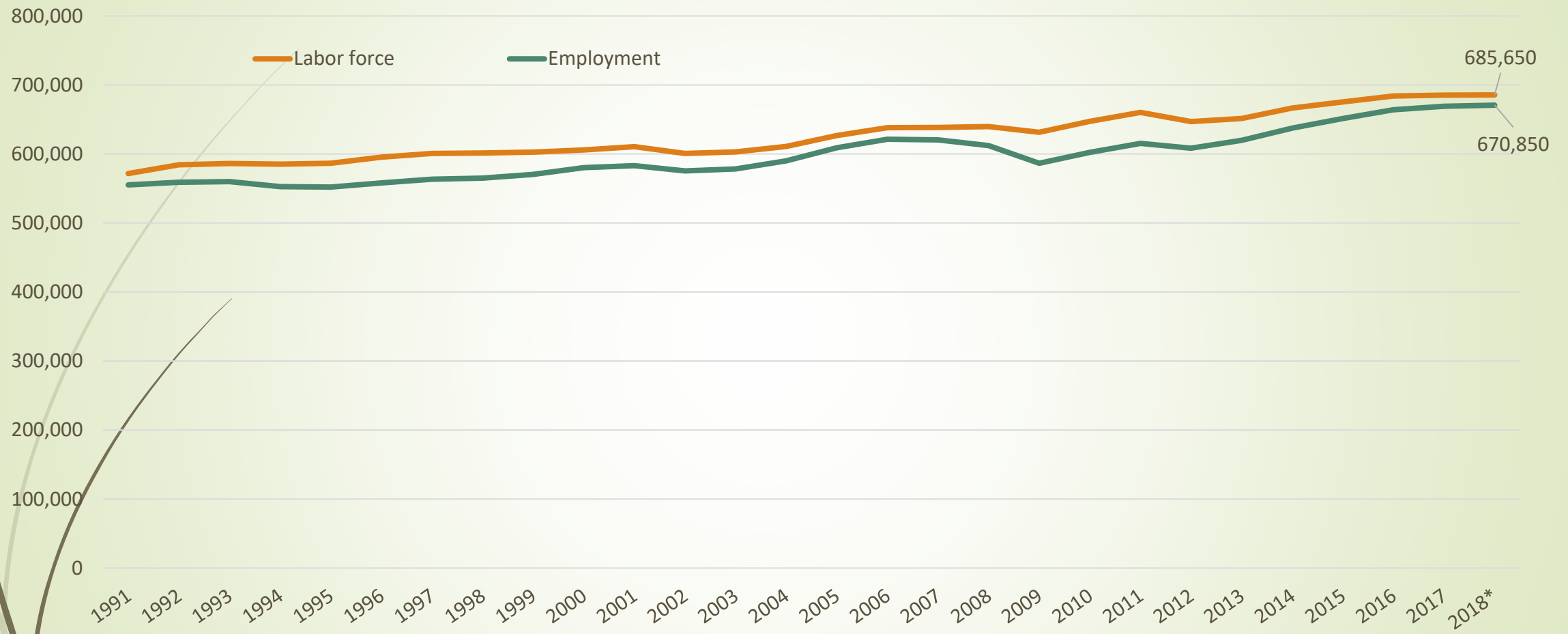


Source: BEA



# Labor Market Conditions

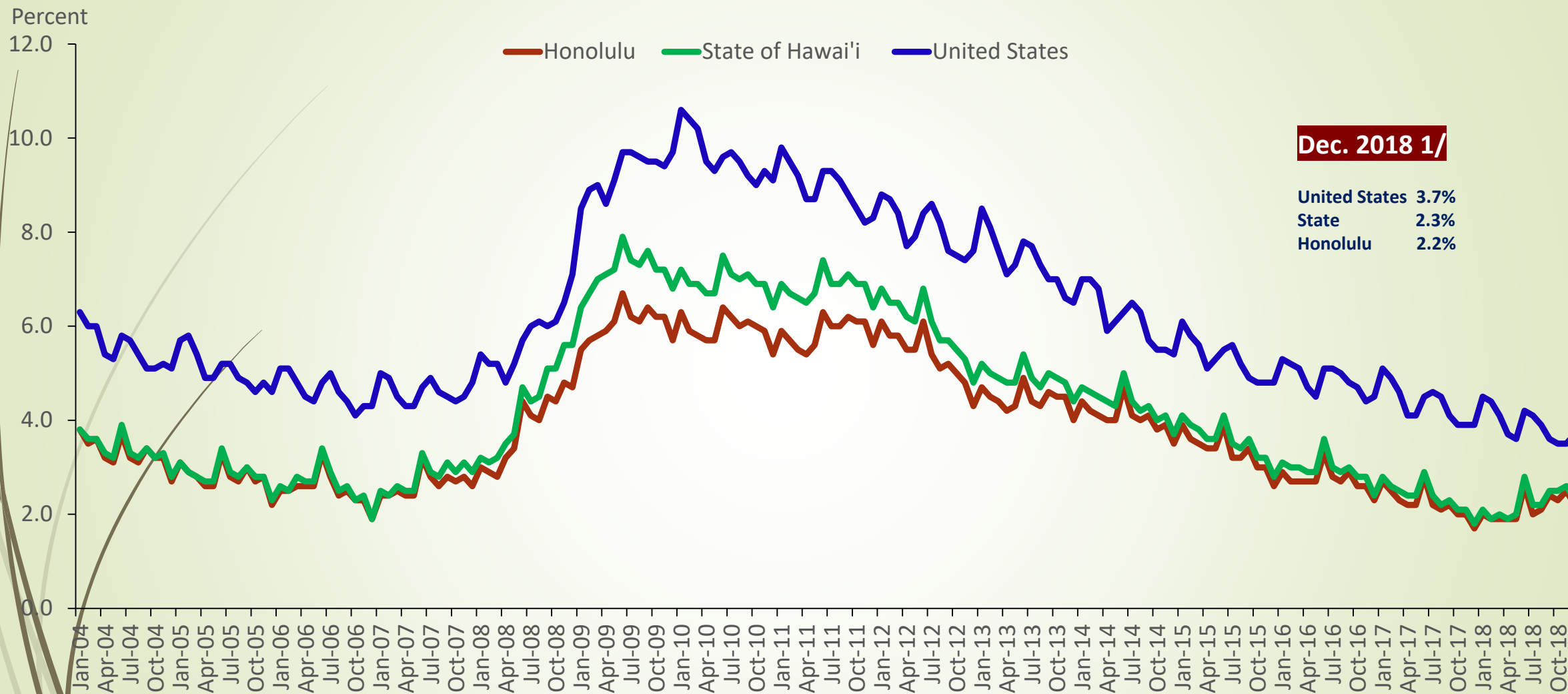
# Statewide labor force & employment flattening



\*2018 number is preliminary

Source: Hawaii State Department of Labor and Industrial Relations.

# Unemployment rate has been at record low level for past 12 months and the lowest in the nation since late 2016



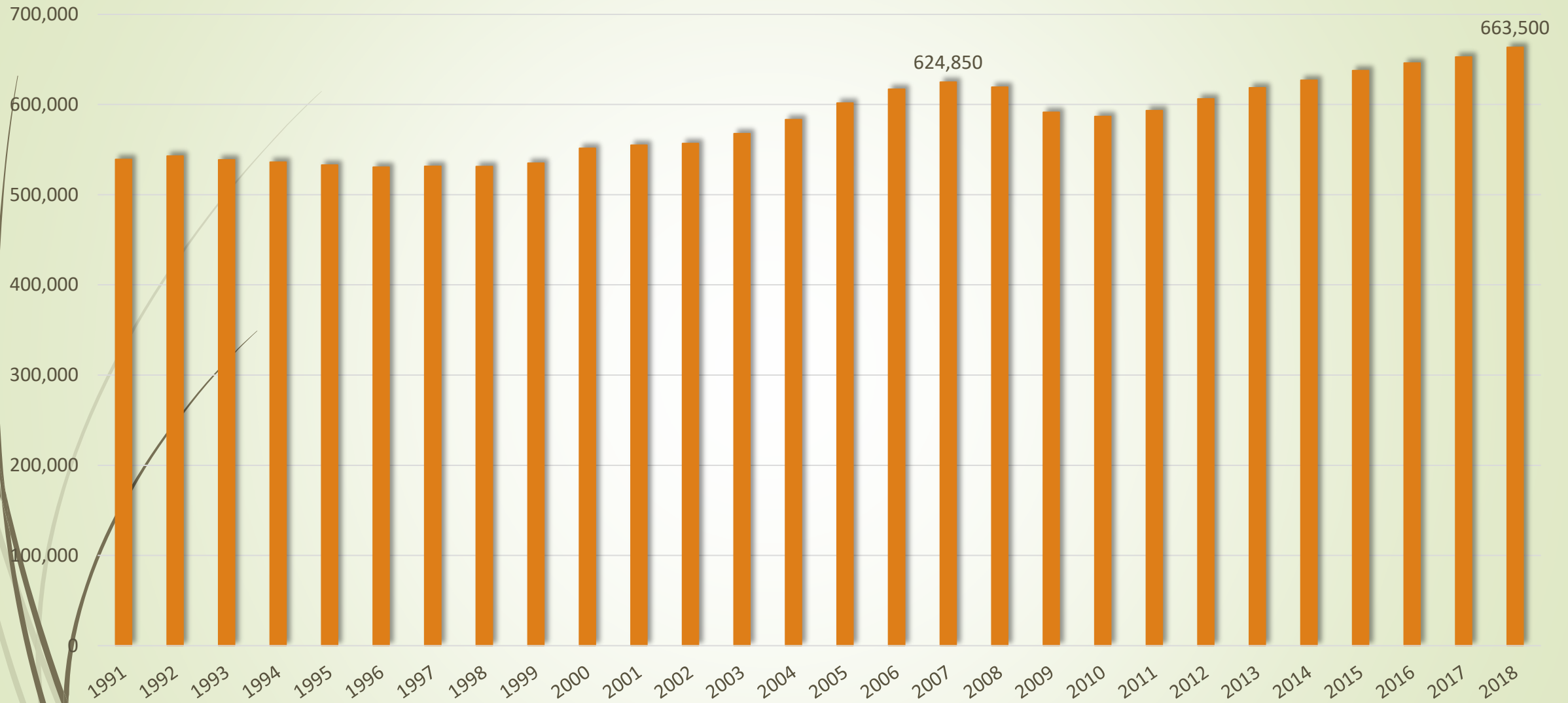
**Dec. 2018 1/**

United States 3.7%  
 State 2.3%  
 Honolulu 2.2%

1/ Not seasonally adjusted

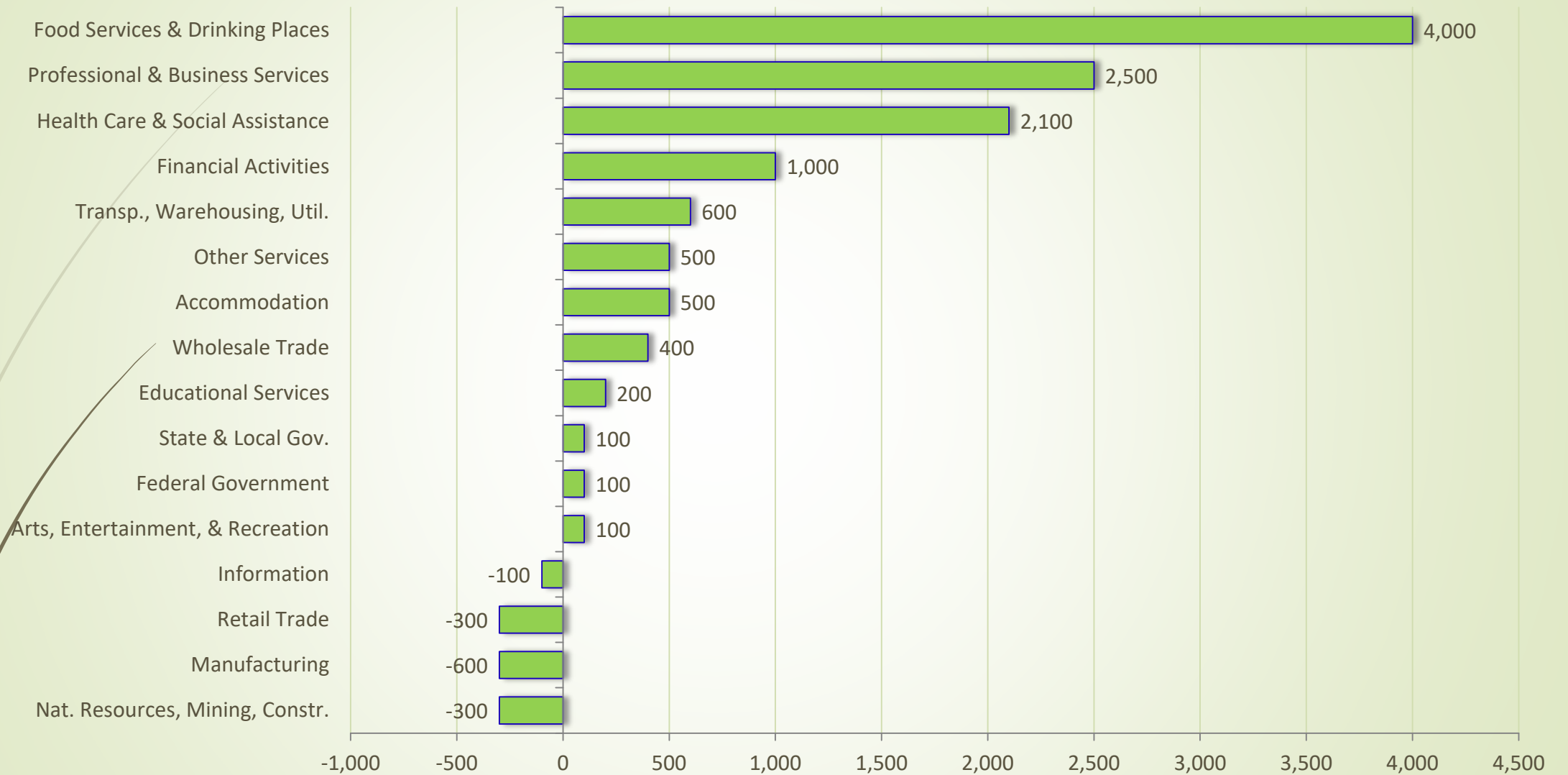
Source: U.S. Bureau of Labor Statistics, Hawaii State Department of Labor & Industrial Relations

# Non-ag. payroll job count continues to grow



Source: Hawaii State Department of Labor and Industrial Relations.

# Statewide gained 10,800 non-ag payroll jobs in 2018

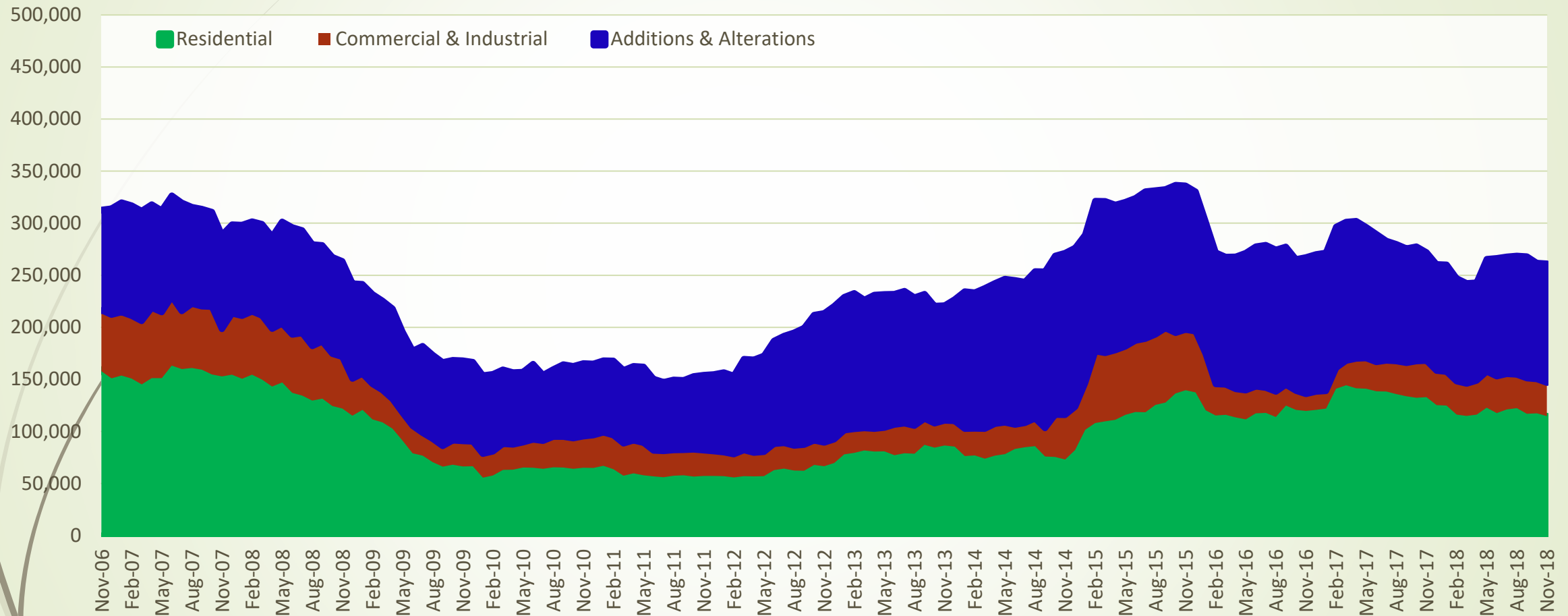


Source: Hawaii State Department of Labor and Industrial Relations.

# Construction and Real Estate

# Value of private construction permits increased 4.2% in 2018

12 Month Moving Average of Building Authorizations



Source: County building departments and U.S. Census Bureau.

# Government contract awarded increased 39.3% during first 3Qs in 2018

\$ mil.

1,000.0

900.0

800.0

700.0

600.0

500.0

400.0

300.0

200.0

100.0

0.0

2006:Q1 2006:Q2 2006:Q3 2006:Q4 2007:Q1 2007:Q2 2007:Q3 2007:Q4 2008:Q1 2008:Q2 2008:Q3 2008:Q4 2009:Q1 2009:Q2 2009:Q3 2009:Q4 2010:Q1 2010:Q2 2010:Q3 2010:Q4 2011:Q1 2011:Q2 2011:Q3 2011:Q4 2012:Q1 2012:Q2 2012:Q3 2012:Q4 2013:Q1 2013:Q2 2013:Q3 2013:Q4 2014:Q1 2014:Q2 2014:Q3 2014:Q4 2015:Q1 2015:Q2 2015:Q3 2015:Q4 2016:Q1 2016:Q2 2016:Q3 2016:Q4 2017:Q1 2017:Q2 2017:Q3 2017:Q4 2018:Q1 2018:Q2 2018:Q3



# Real estate market statistics are mixed

(% change btw. 2017 and 2018 YTD)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Oahu	-7.7%	4.6%	-2.5%	3.7%
Maui	3.3%	2.2%	13.8%	12.4%
Hawaii	-6.7%	2.5%	-2.6%	12.9%
Kauai	8.2%	6.0%	11.1%	5.5%

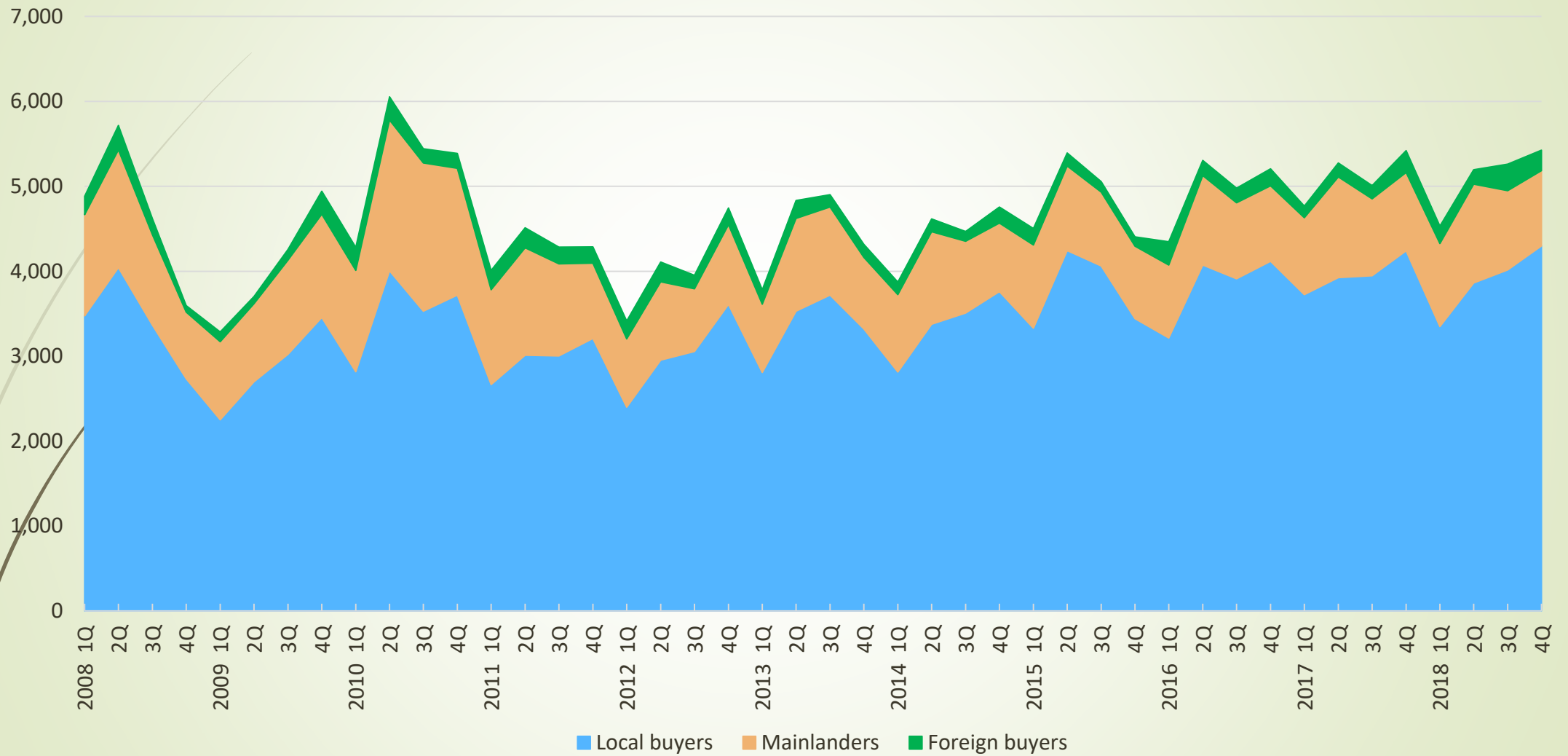
Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui.

## Median Home Prices: 2017 and 2018

Island	Single Family Homes		Condo Homes	
	2017	2018	2017	2018
Oahu	\$755,000	\$790,000	\$405,000	\$420,000
Maui	\$695,000	\$710,000	\$445,000	\$500,000
Hawaii	\$350,000	\$358,750	\$310,000	\$350,000
Kauai	\$660,000	\$699,500	\$435,000	\$459,000

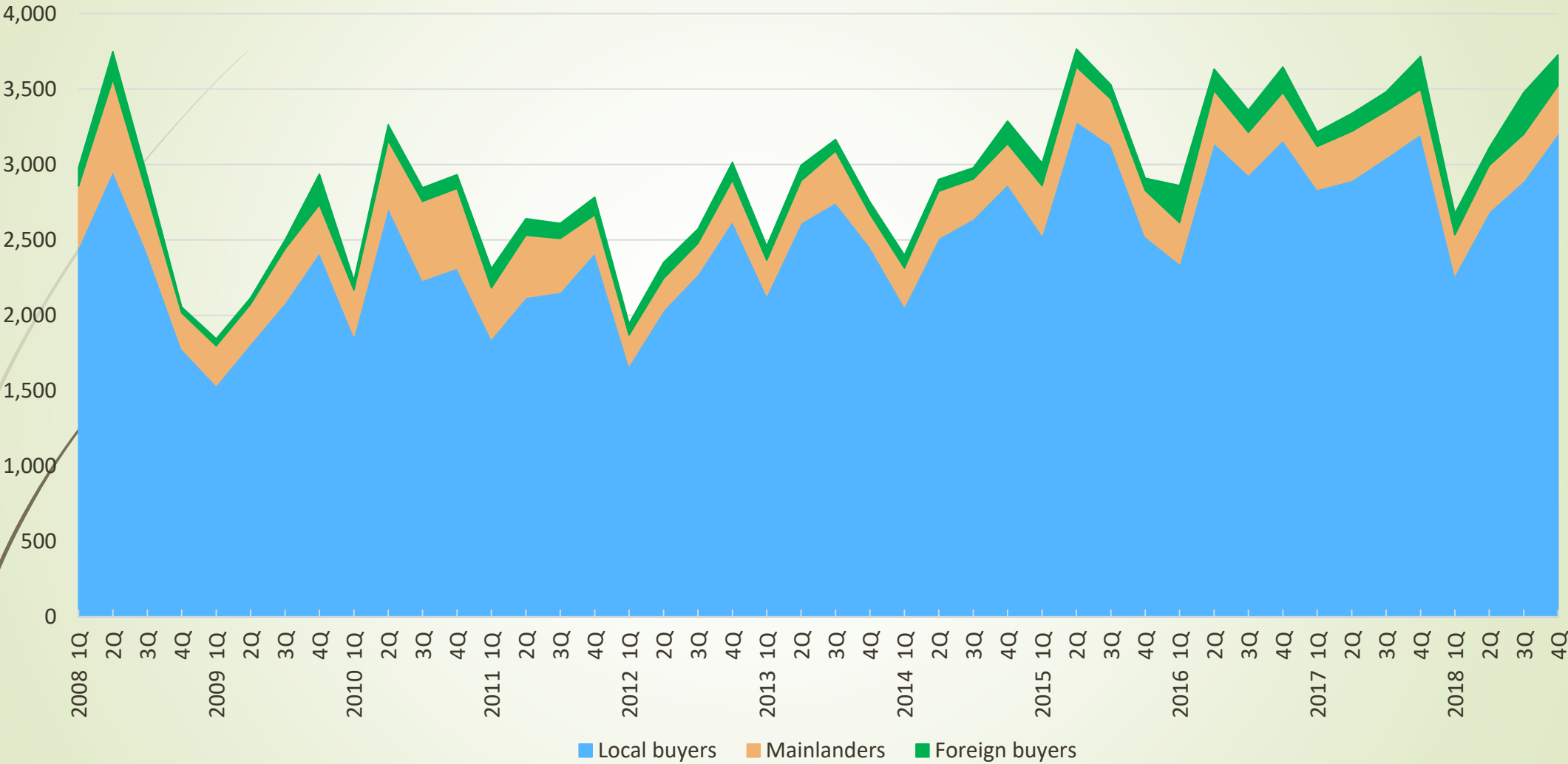
Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui

# Local purchases of home increased while out-of-state stable: State



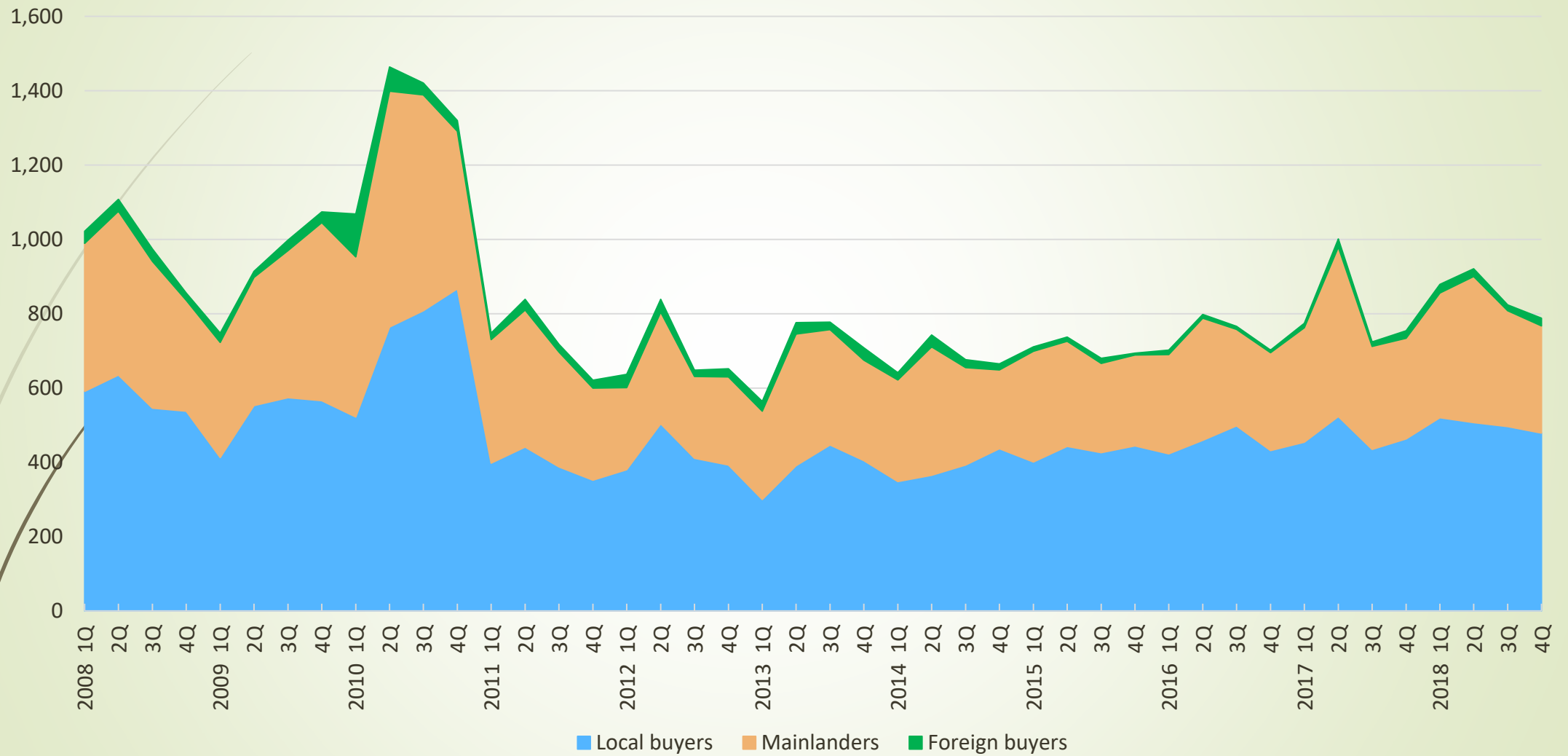
Source: Title Guaranty of Hawaii, Inc. based on Hawaii Department of Natural Resources, Bureau of Conveyances data.  
Calculations by Hawaii Department of Business, Economic Development & Tourism.

# More local purchases on Oahu in recent years



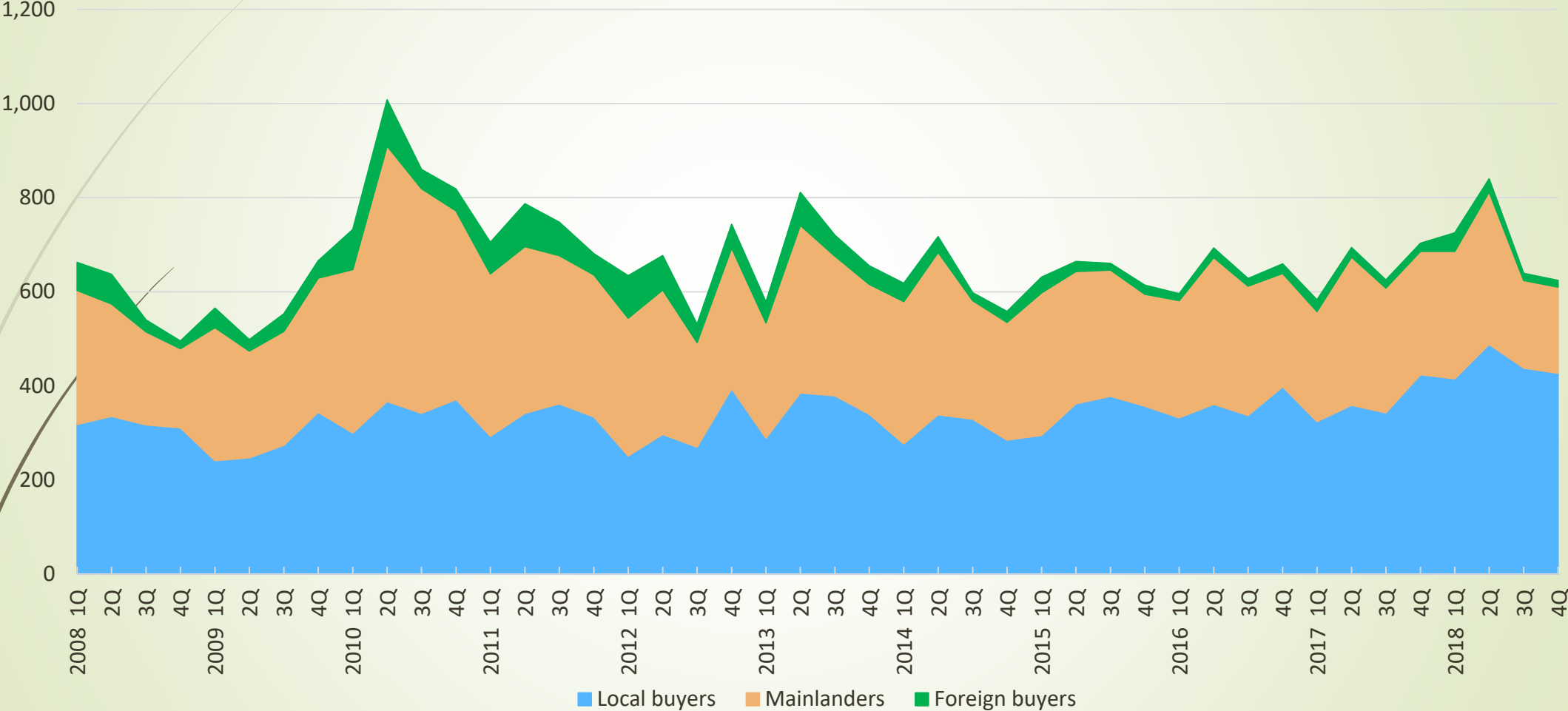
Source: Title Guaranty of Hawaii, Inc. based on Hawaii Department of Natural Resources, Bureau of Conveyances data.  
 Calculations by Hawaii Department of Business, Economic Development & Tourism.

# Home sales on the Big Island in 2018



Source: Title Guaranty of Hawaii, Inc. based on Hawaii Department of Natural Resources, Bureau of Conveyances data.  
 Calculations by Hawaii Department of Business, Economic Development & Tourism.

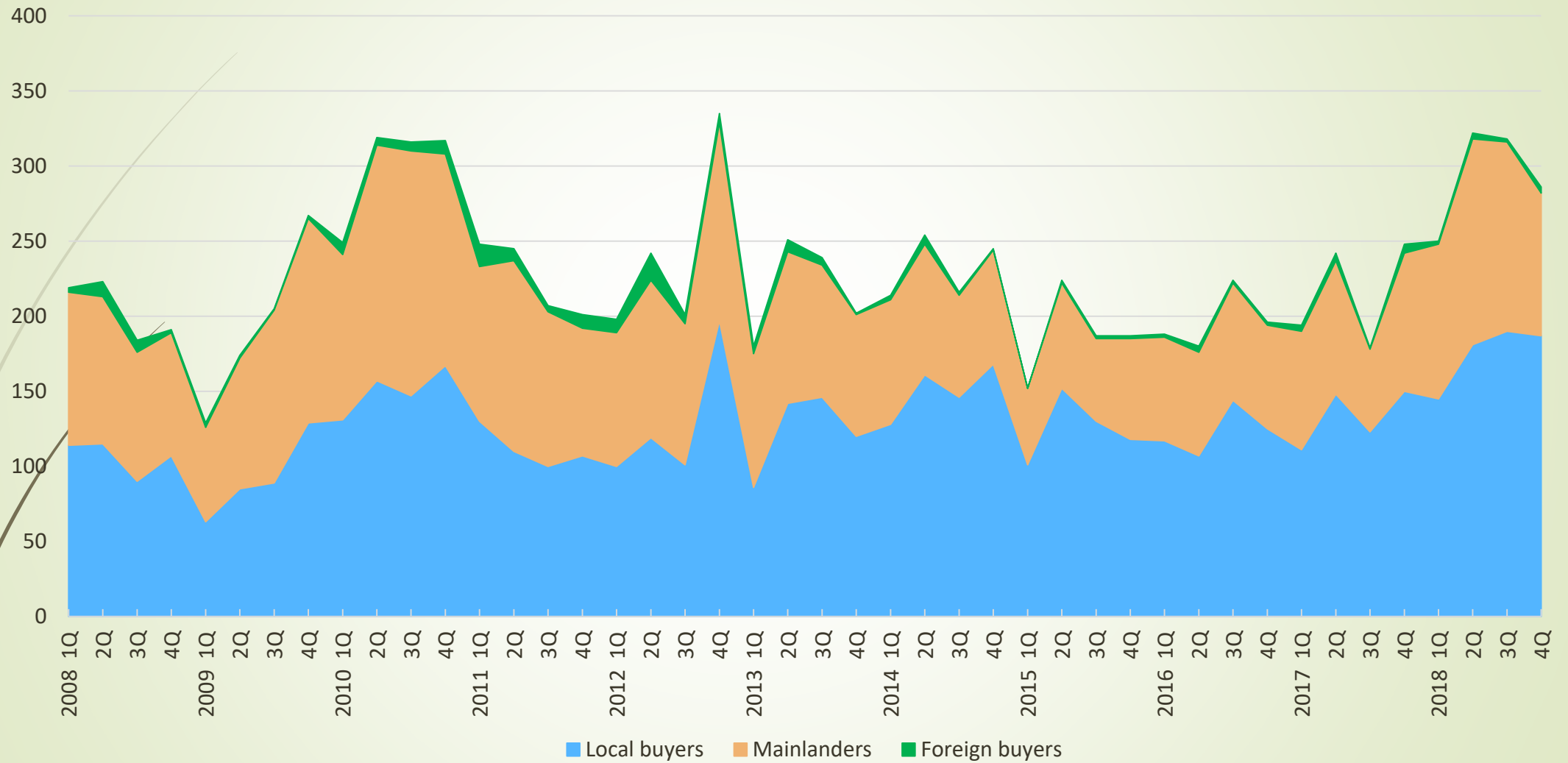
# Home sales in Maui County



Source: Title Guaranty of Hawaii, Inc. based on Hawaii Department of Natural Resources, Bureau of Conveyances data.  
 Calculations by Hawaii Department of Business, Economic Development & Tourism.



# Home sales in Kauai County



Source: Title Guaranty of Hawaii, Inc. based on Hawaii Department of Natural Resources, Bureau of Conveyances data.  
 Calculations by Hawaii Department of Business, Economic Development & Tourism.

# Tourism



## Air seats in 2019 on scheduled flights by market

MARKET	2019	2018	% change
TOTAL	13,312,387	13,138,502	1.3
US WEST	8,324,599	8,121,002	2.5
US EAST	1,165,291	1,098,631	6.1
JAPAN	1,997,875	2,042,595	-2.2
CANADA	528,036	488,857	8.0
OTHER ASIA	476,342	541,557	-12.0
OCEANIA	503,166	533,045	-5.6
OTHER	317,078	312,815	1.4

Source: Hawaii Tourism Authority

## Air seats in 2019 on scheduled flights by airport

Airport	2019	2018	% change
<b>STATE TOTAL</b>	<b>13,312,387</b>	<b>13,138,502</b>	<b>1.3</b>
Honolulu	8,200,002	8,182,633	0.2
Kahului	2,760,886	2,622,292	5.3
Kona	1,283,070	1,279,464	0.3
Hilo	45,816	54,295	-15.6
Lihue	1,022,613	999,818	2.3

Source: Hawaii Tourism Authority

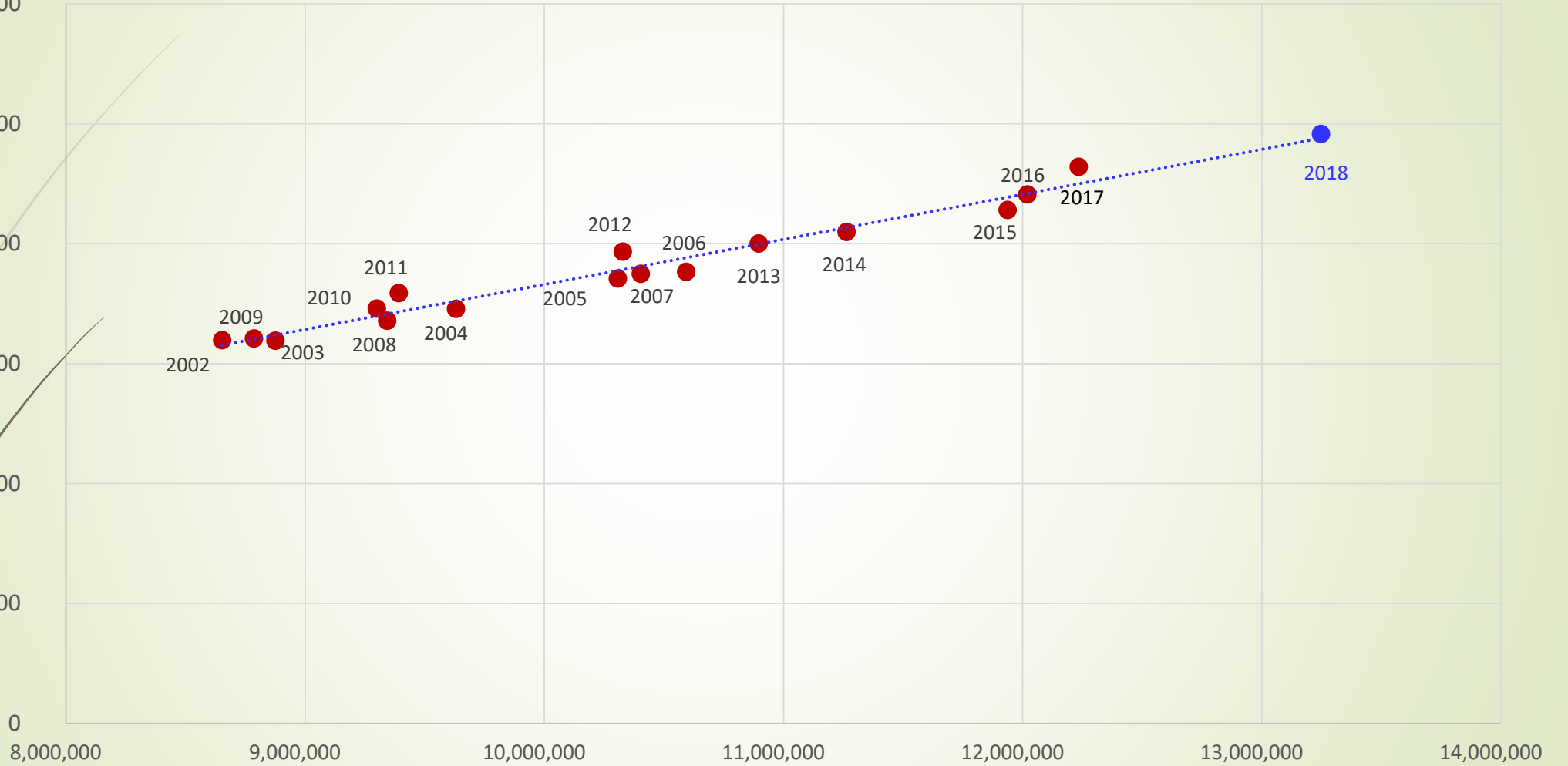
## If the air seats growth is 1.3% in 2019, then visitor arrivals growth could be 1.4%

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019P
Total air seats	9,299,913	9,392,291	10,328,316	10,896,815	11,264,105	11,937,726	12,020,545	12,235,608	13,248,069	13,421,954
Total passengers	8,258,740	8,556,041	9,232,172	9,513,611	9,691,996	10,132,074	10,462,968	10,830,761	11,442,784	11,772,146
Load factor	88.8%	91.1%	89.4%	87.3%	86.0%	84.9%	87.0%	88.5%	86.4%	87.71%
Visitors by air	6,916,894	7,174,397	7,867,143	8,003,474	8,196,342	8,563,018	8,821,802	9,277,613	9,827,132	9,965,544
Returning residents and in transit	1,341,846	1,381,644	1,365,029	1,510,137	1,495,654	1,569,056	1,641,166	1,553,148	1,615,652	1,806,601
% of visitors	83.8%	83.9%	85.2%	84.1%	84.6%	84.5%	84.3%	85.7%	85.9%	84.7

Source: HTA

# Air Visitors and Air Seats

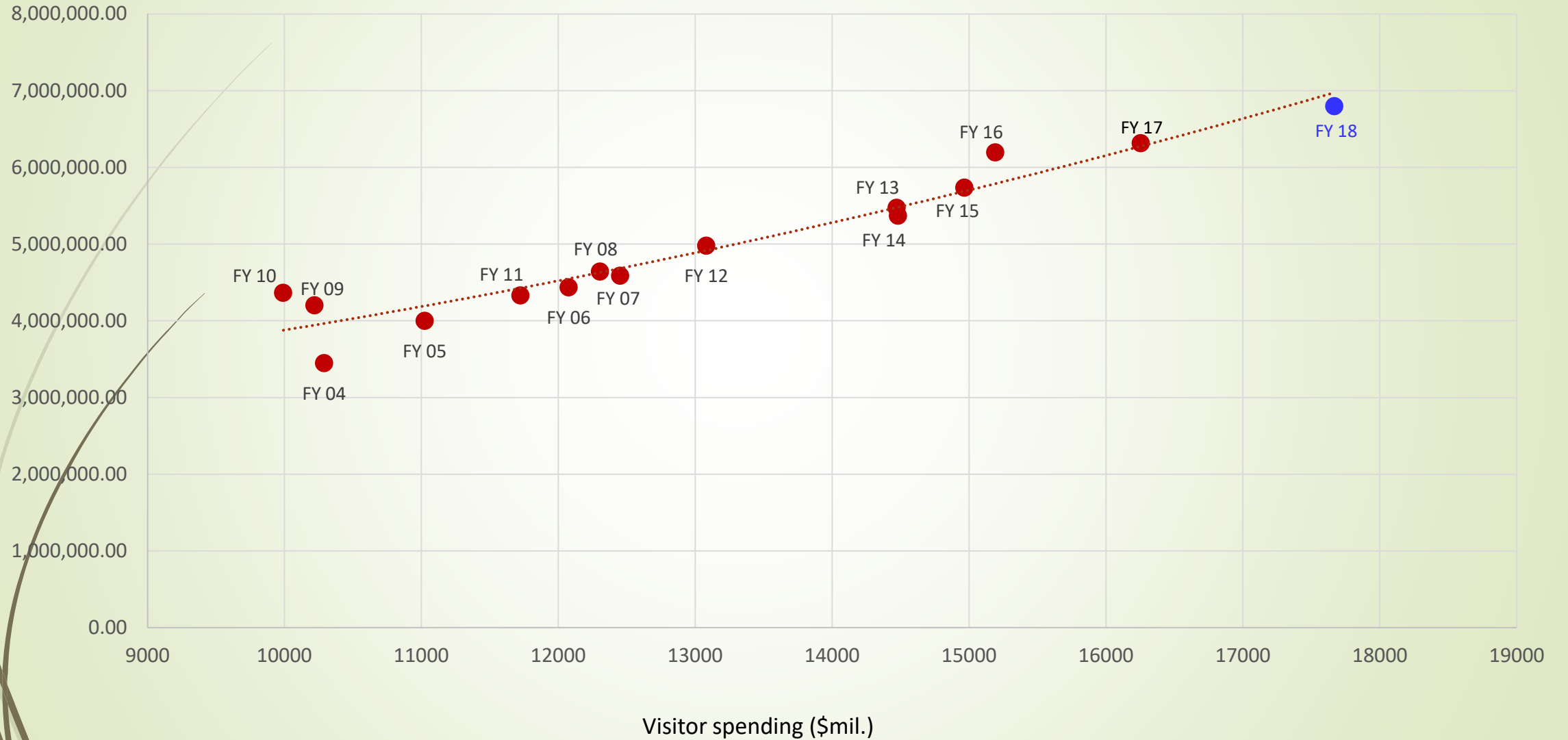
Visitors  
12,000,000



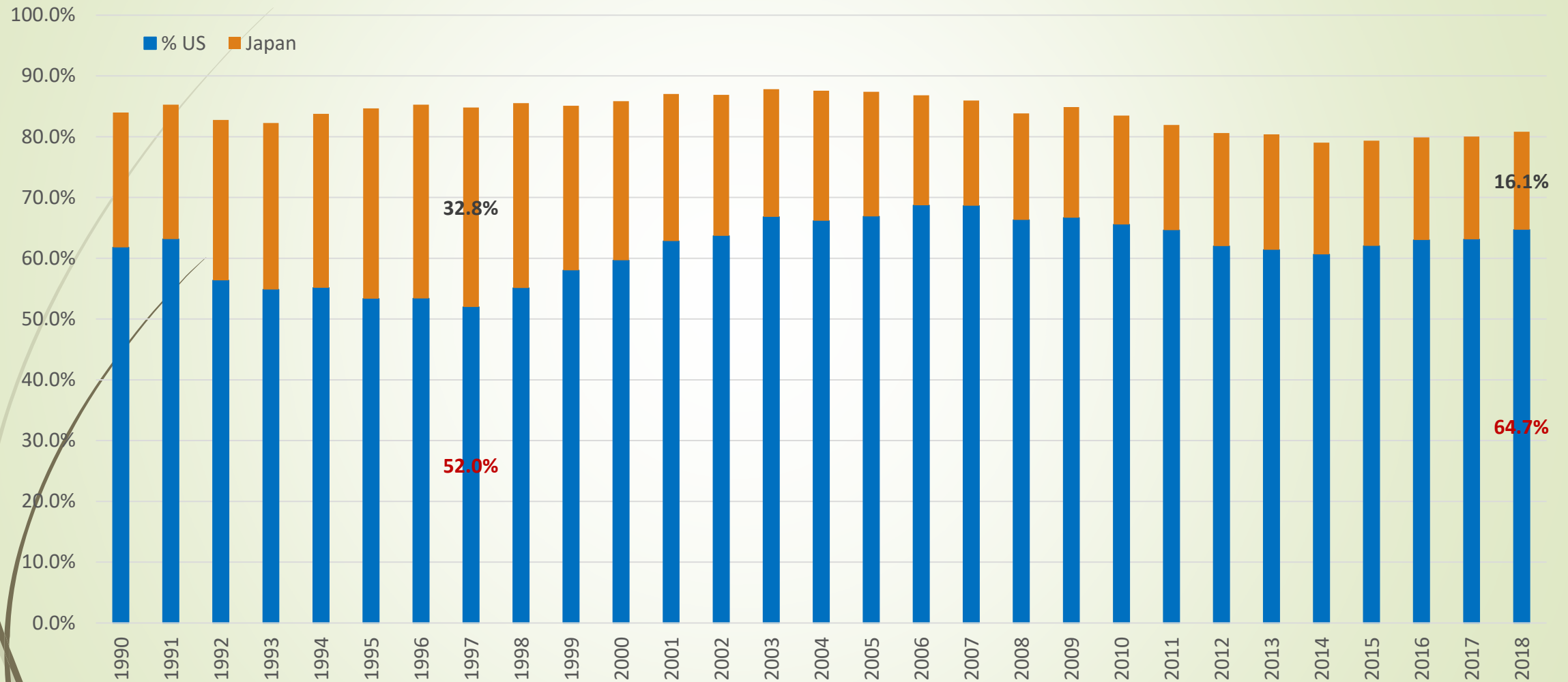
Air Seats

# Visitor Spending and General Fund Revenue

General Fund  
(\$1,000)



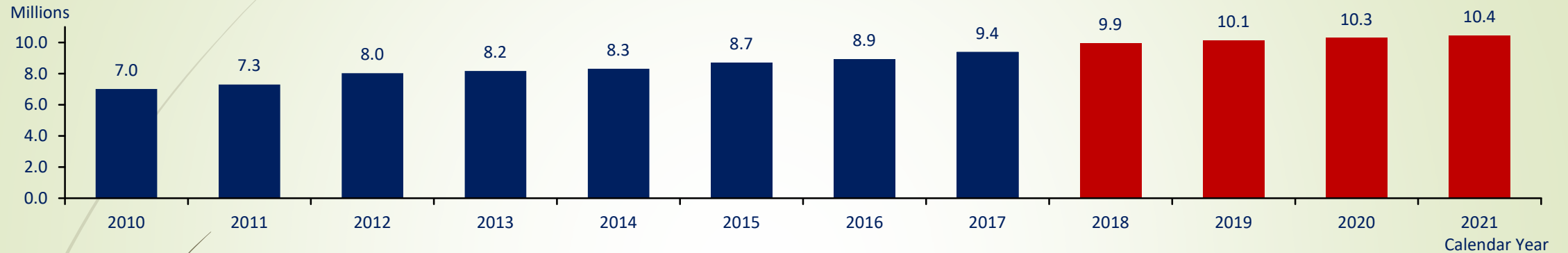
# US and Japanese visitor arrivals by air



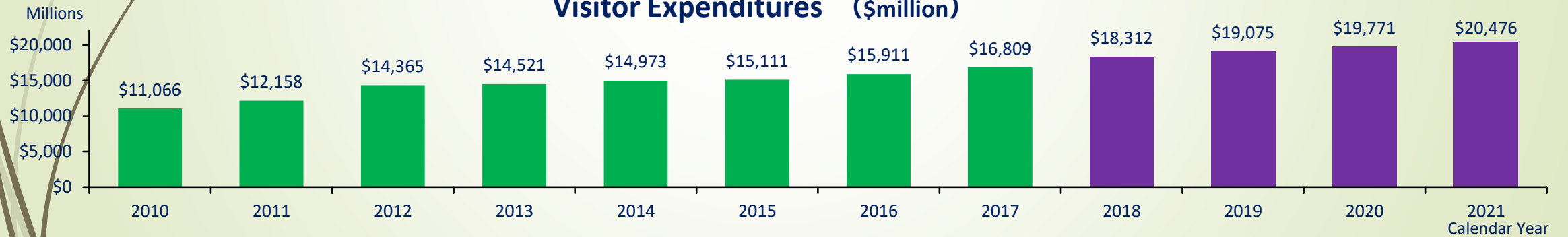
Source: Hawaii Tourism Authority, DBEDT

# Hawaii Visitor Arrivals and Expenditures

## Visitor Arrivals (million)



## Visitor Expenditures (\$million)



Source: Hawaii Tourism Authority and DBEDT

## Hawaii's economy will grow at lower pace in next few years

Indicator	Annual average growth, %		2018	2019	2020
	30 years, 1987 - 2017	20 years, 1997 -2017			
Real GDP	1.8	1.8	1.0	1.2	1.4
Real personal income	1.7	2.0	1.6	1.7	1.7
Honolulu inflation rate	2.8	2.2	2.0	2.3	2.5
Non-Ag wage and salary jobs	1.0	1.0	1.2	0.9	0.9
Unemployment rate 1/	4.4	4.6	2.3	2.5	3.0
Visitor arrivals by air	1.6	1.6	5.8	1.8	1.5

1/ Average of 30 years, 1987 – 2017.

Source: DBEDT