

Current Hawaii Economic Conditions

Presented by

Pearl Imada Iboshi

**Department of Business, Economic
Development & Tourism**

at

**Committee on Finance and
Committee on Ways and Means**

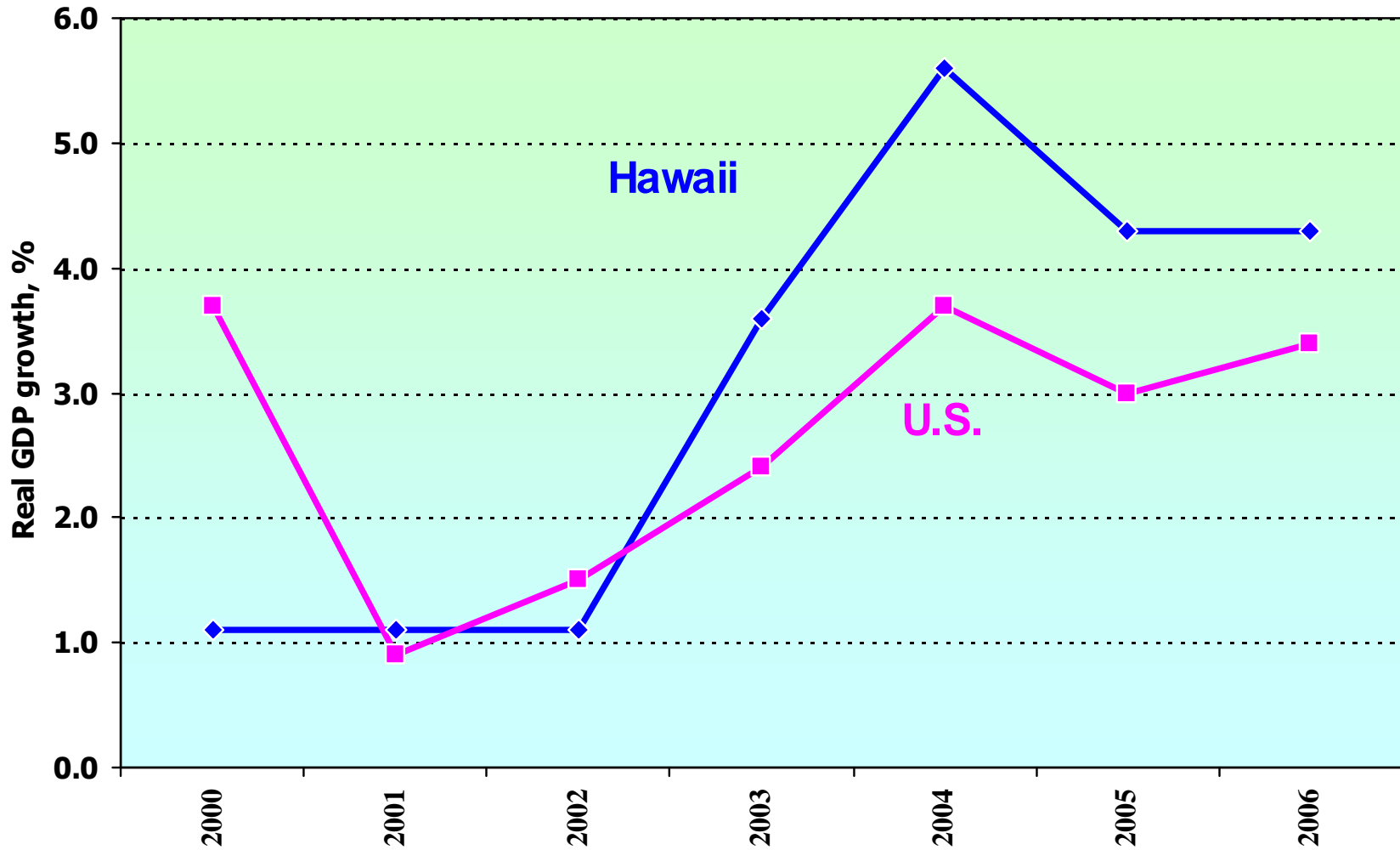
January 11, 2008

Economic Update

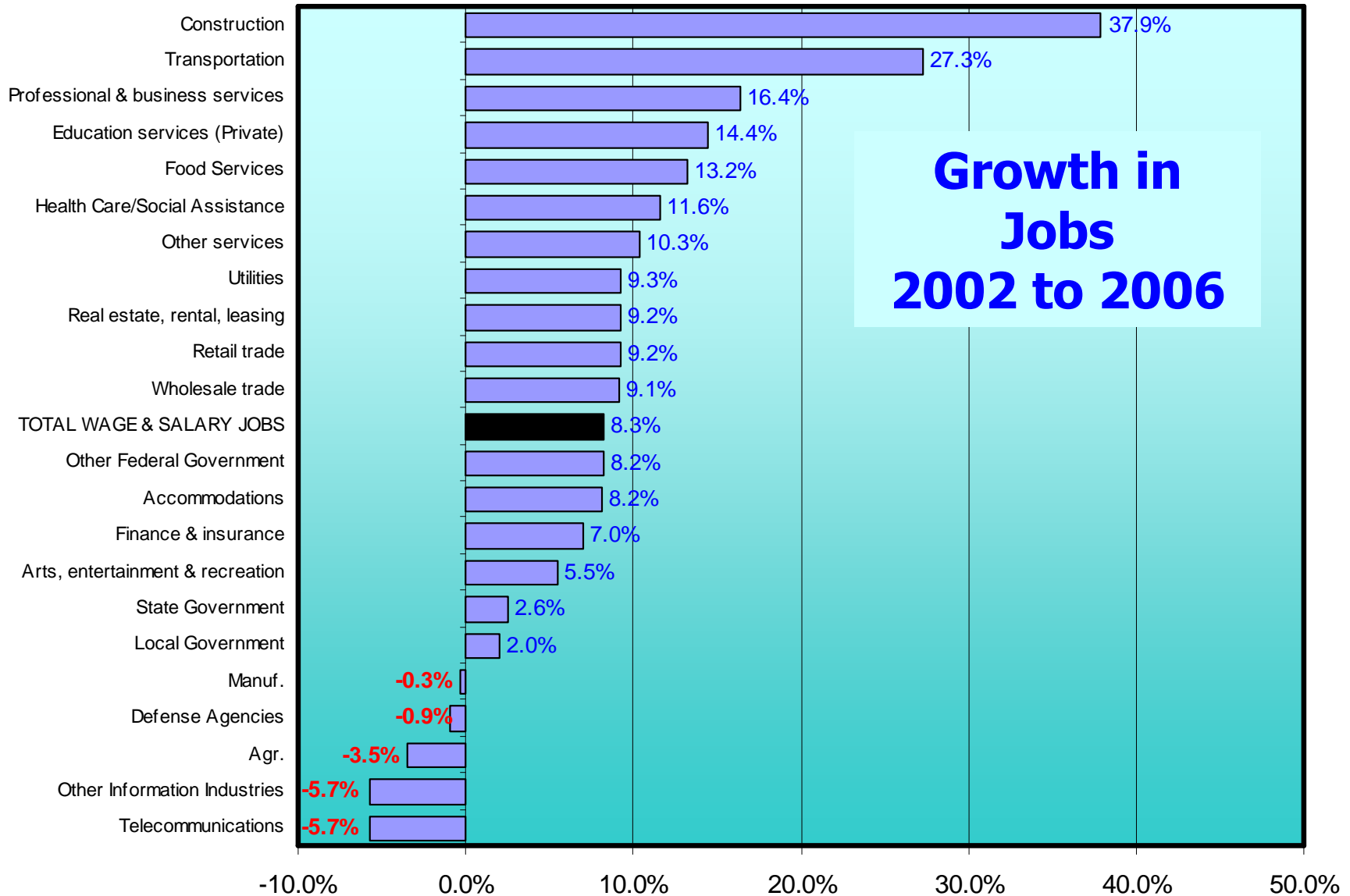
Highlights of Hawaii's Economy

- **Hawaii's key economic indicators remain mostly positive, but rates of growth have slowed**
- **Job growth remains strong**
- **Unemployment rate remains one of the lowest in the nation**
- **Building permits levels remain high, commercial, industrial and government construction remains strong**
- **Real personal income growth continues despite higher inflation**
- **Overall federal expenditures trends are favorable**

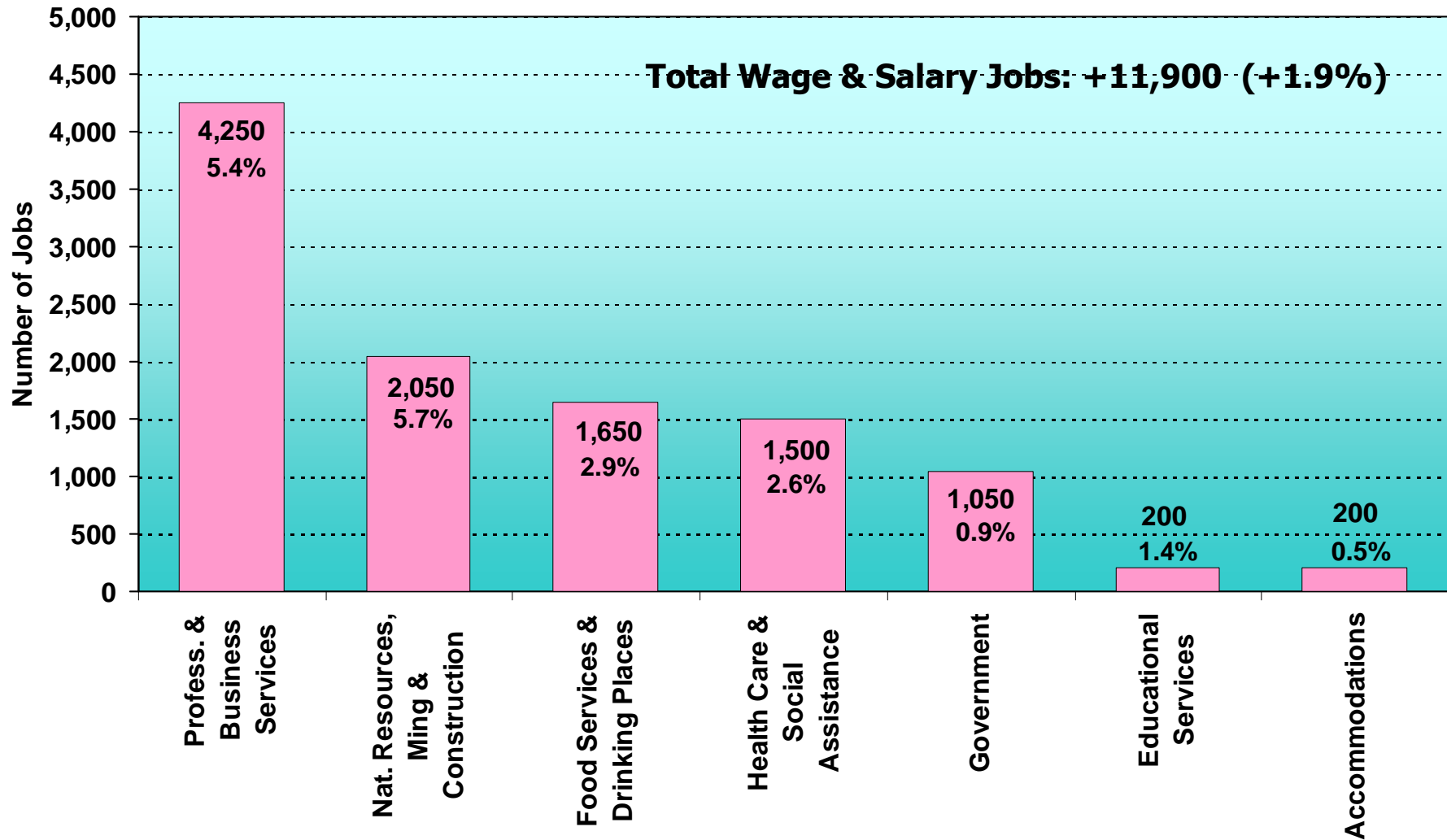
Hawaii's economic growth rates have surpassed the nation since 2003, and ranked the 11th among 50 states in 2006



Over the last four years, the strongest growth has been in construction and transportation

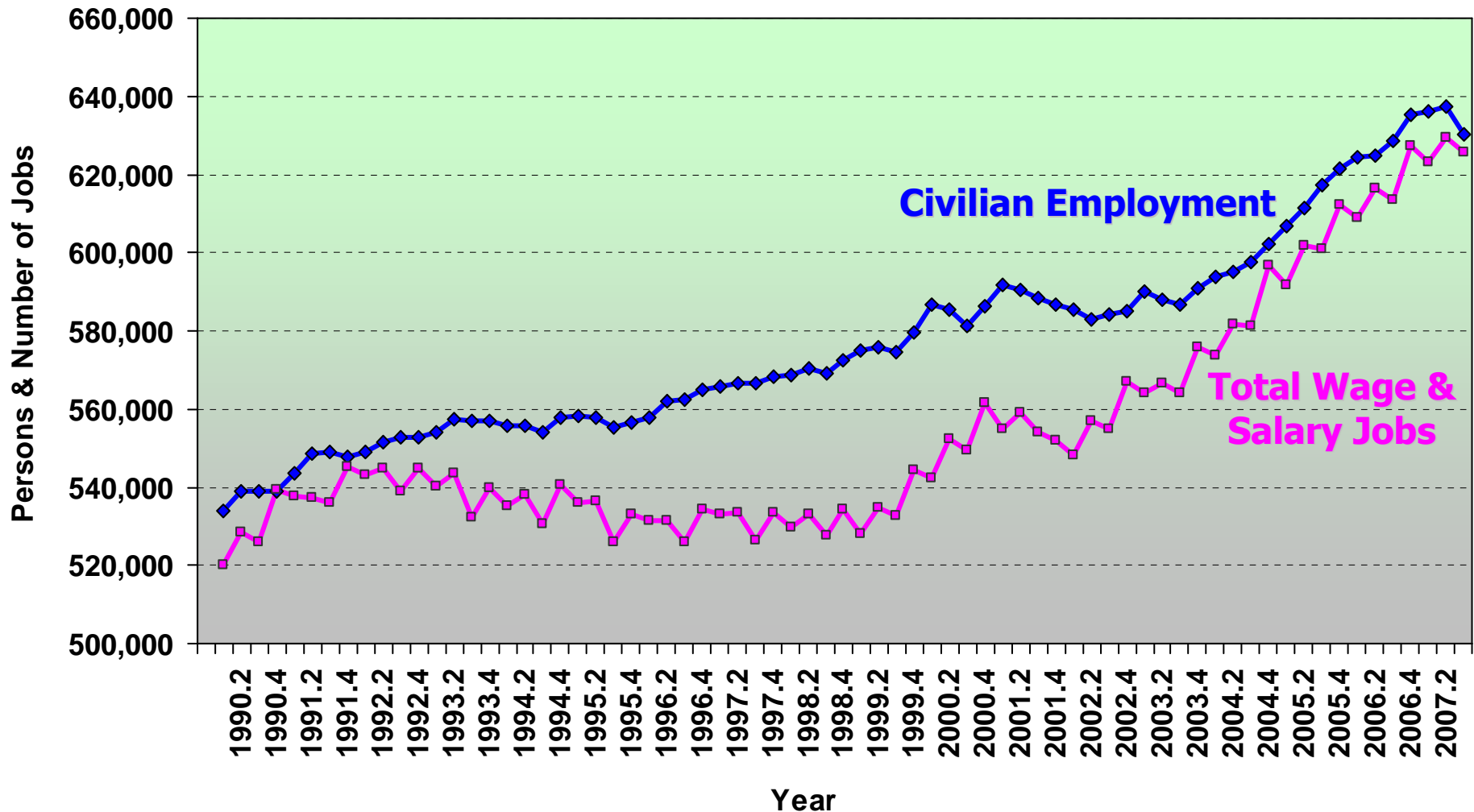


Job Growth 2007 YTD (January through November)



Source: Hawaii State Department of Labor and Industrial Relations

Past Decade – Moderate Employment Growth Since 2002 – Rapid Growth

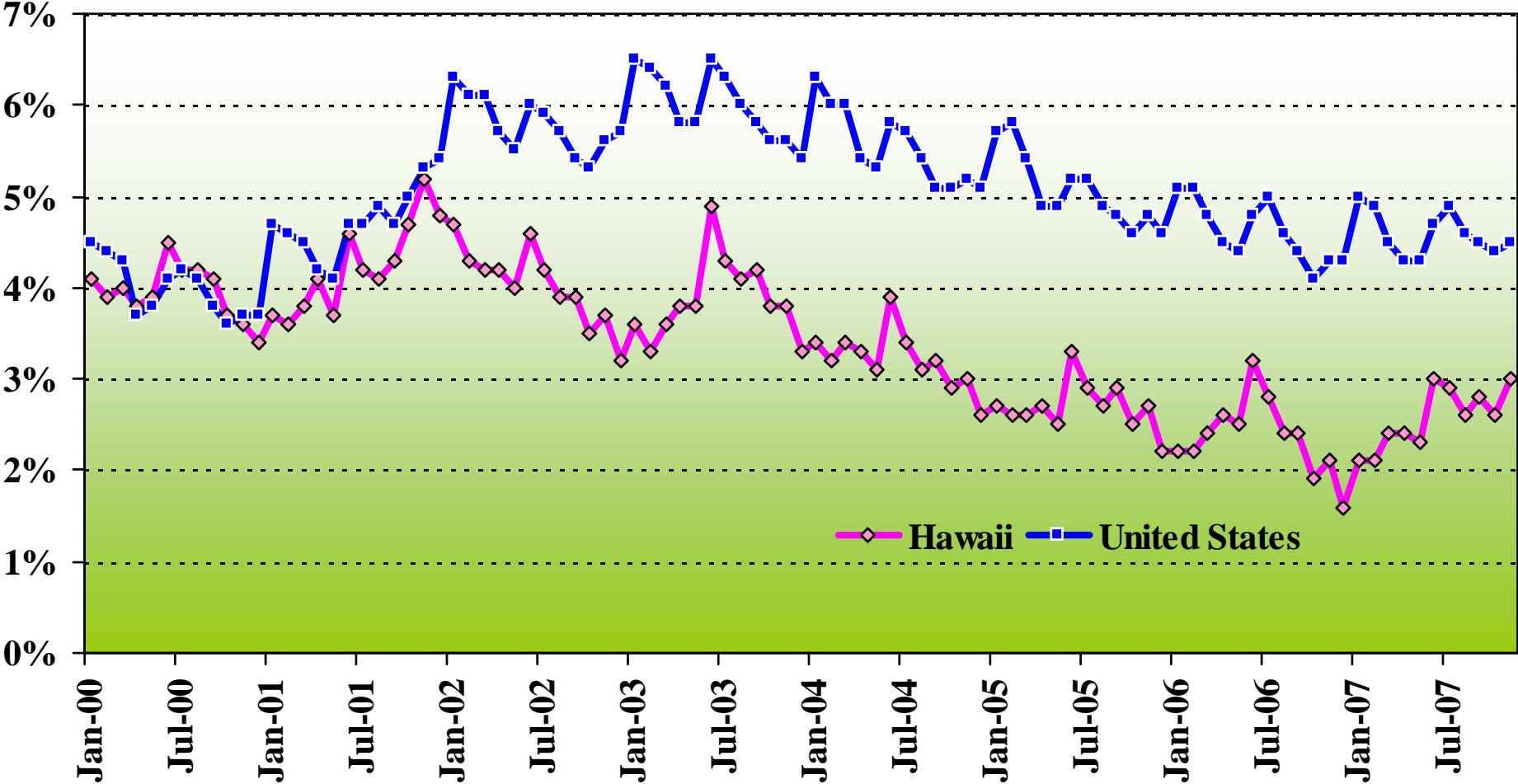


Source: Hawaii State Department of Labor and Industrial Relations

* Through 3rd quarter 2007

Since May 2001, Hawaii's unemployment rate has been below the U.S. average, and one of the lowest in the nation since 2005

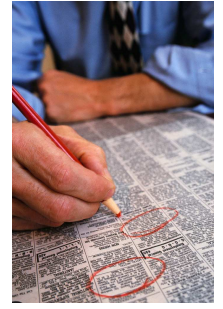
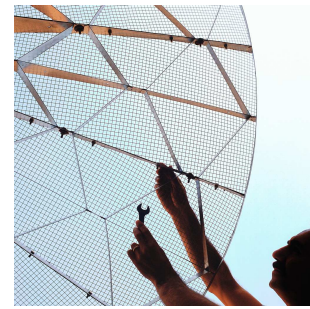
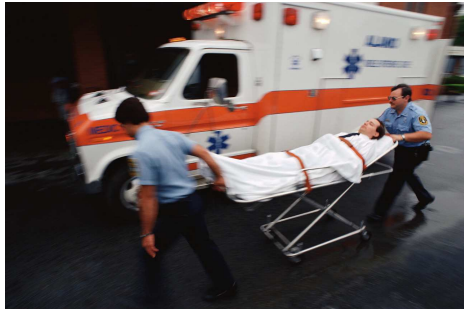
Unemployment Rates - 2000 to 2007*



Source: Hawaii State Department of Labor and Industrial Relations

* Through November 2007

Job Growth



2006

2007*

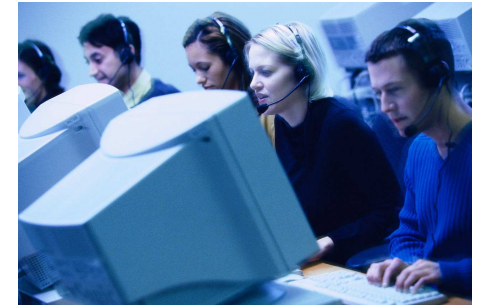
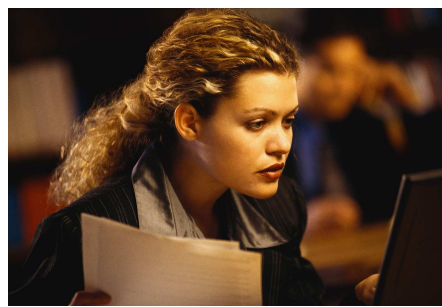
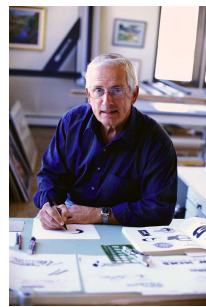
2008*

**Total
Wage and Salary Jobs**

2.4%

1.9%

1.5%

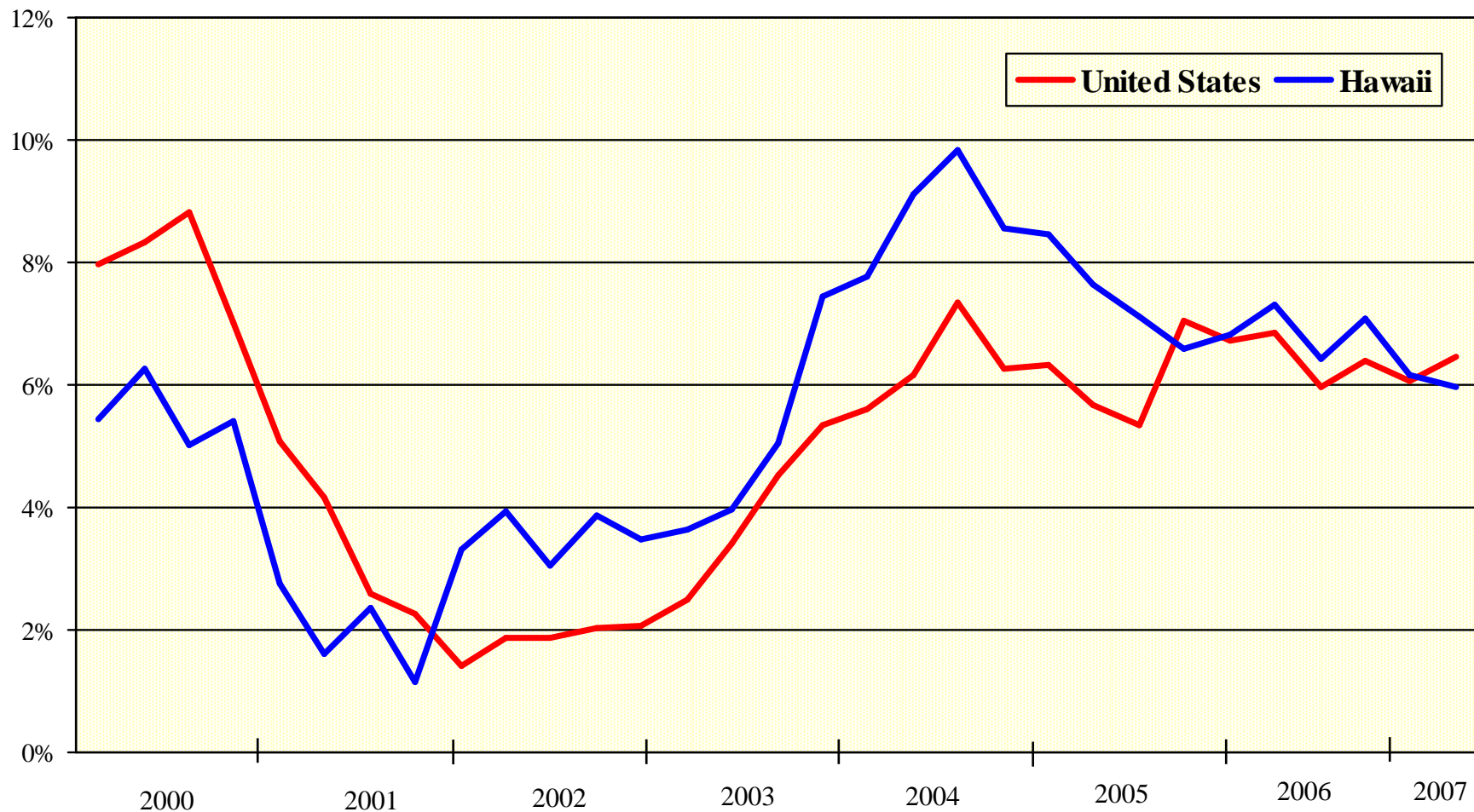


**Forecast*

Personal Income

Hawaii Aligned to the Nation in Personal Income Growth

Quarterly Personal Income Growth - 2000 to 2007 3rd Quarter (percentage change from previous year)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Personal Income Growth



2006

2007*

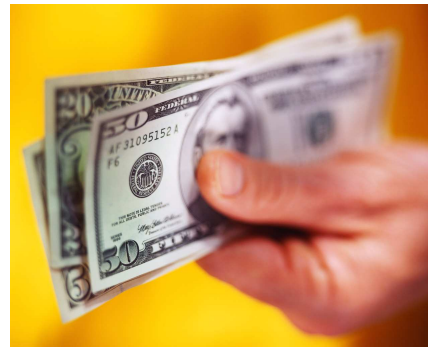
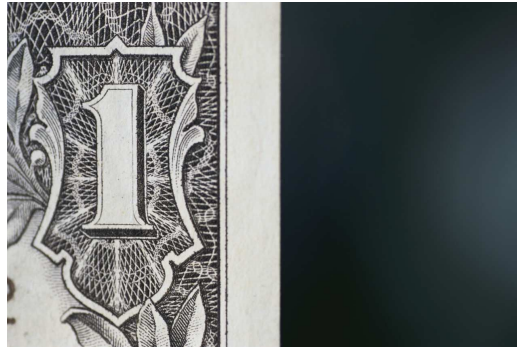
2008*

**Nominal Total
Personal Income**

6.8%

6.4%

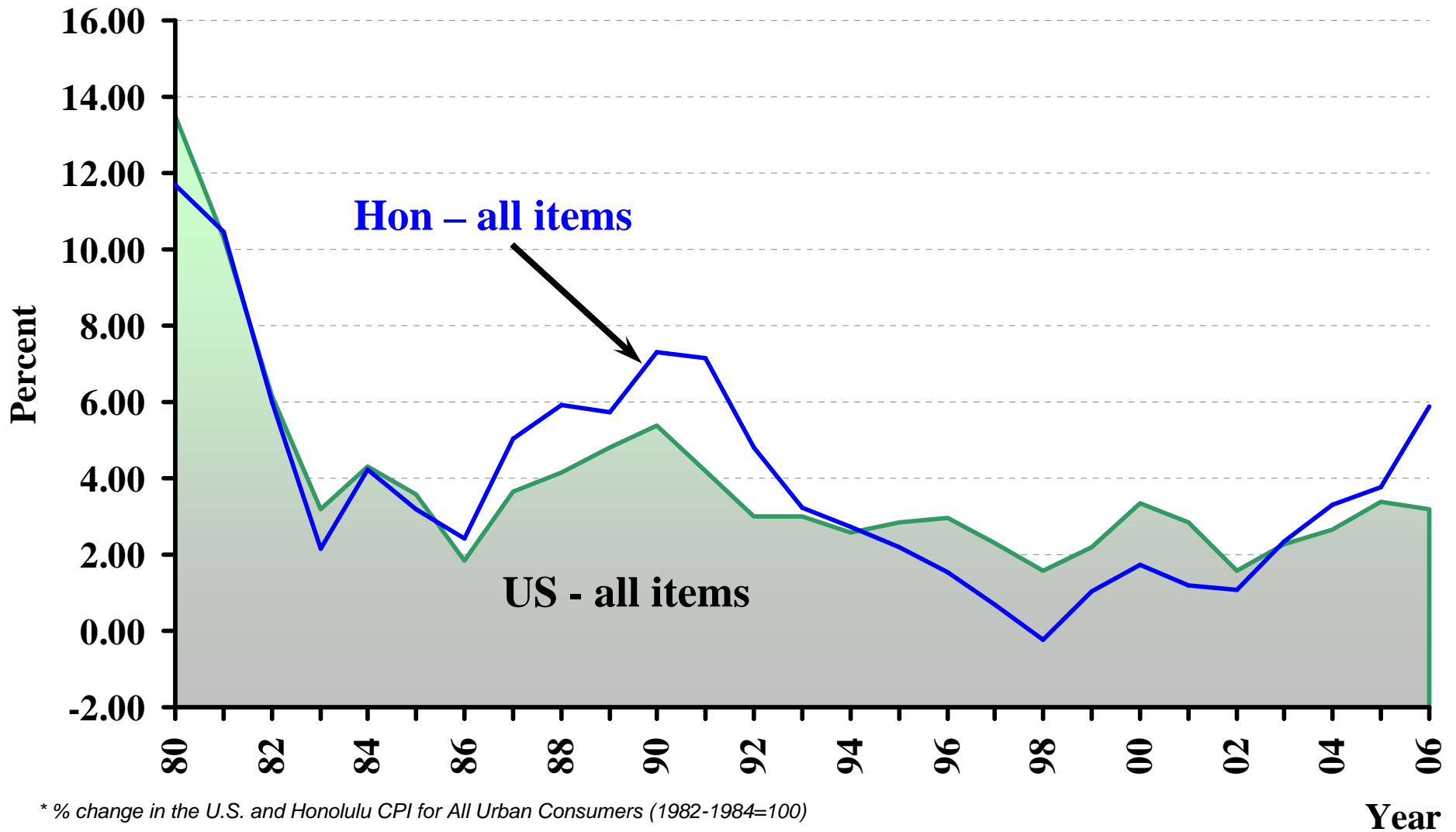
5.7%



**Forecast*

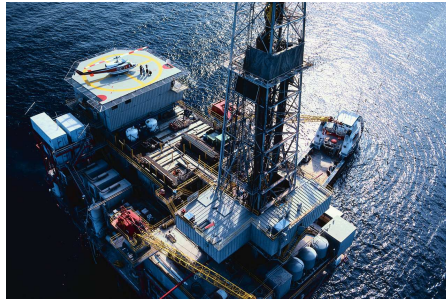
Honolulu and US Consumer Inflation Rate*

Honolulu consumer inflation was 5.9% in 2006 and 5.0% for 1st half of 2007



* % change in the U.S. and Honolulu CPI for All Urban Consumers (1982-1984=100)

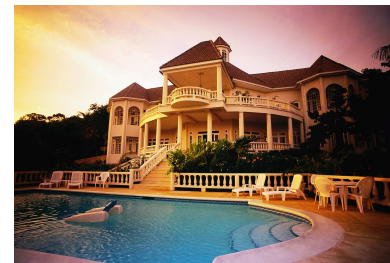
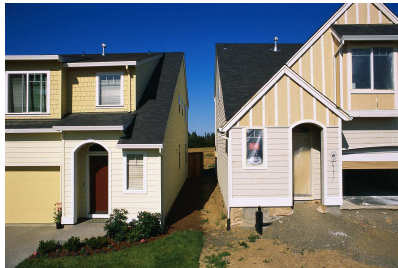
Honolulu CPI



2006 2007* 2008*

**Percent change in
Honolulu CPI-U**

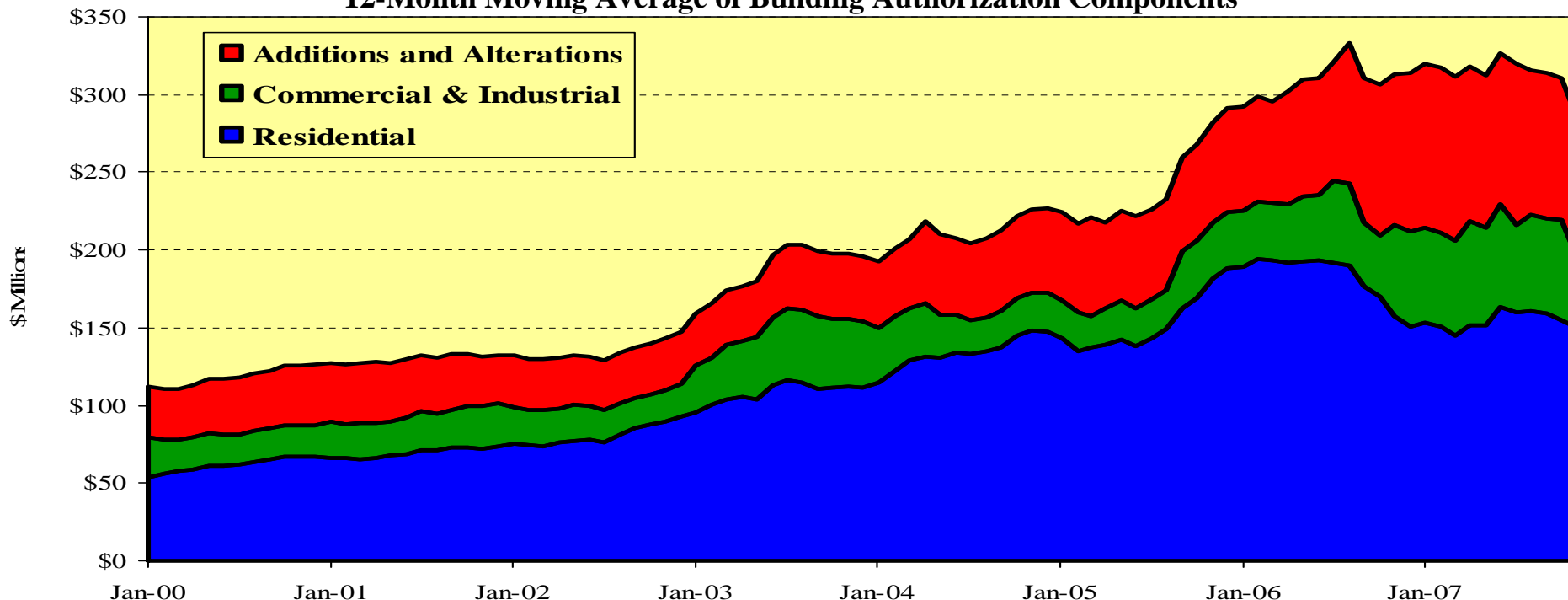
5.9% 4.5% 3.8%



Construction & Housing

Building Permit Authorizations Remain High

12-Month Moving Average of Building Authorization Components*



- **Military activity continues to further bolster Hawaii's construction market**
 - **Military construction and defense-related spending are estimated at \$767 million in FY 2006 and \$622 million in FY 2007**
 - **The Public Private Housing Venture includes 17,000 military housing units, construction of over 1,000 of which are planned to be completed in 2007**

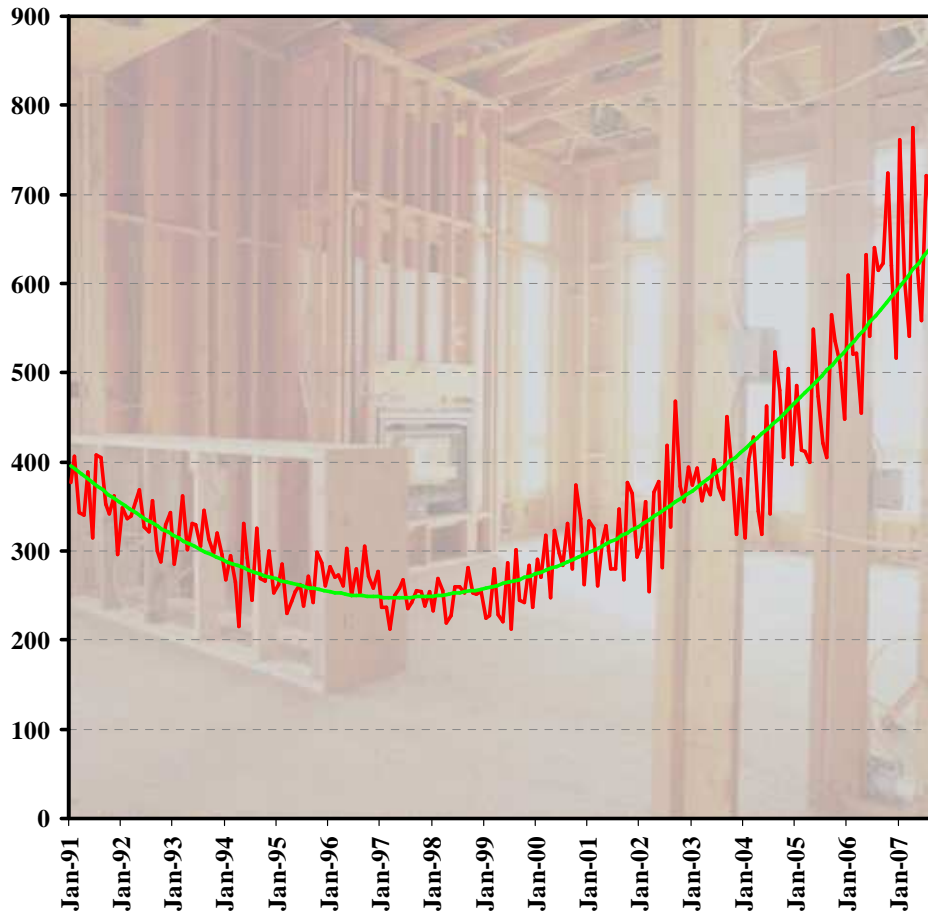
* Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through November 2007

Source: County building departments.

Construction & Housing – Contd.

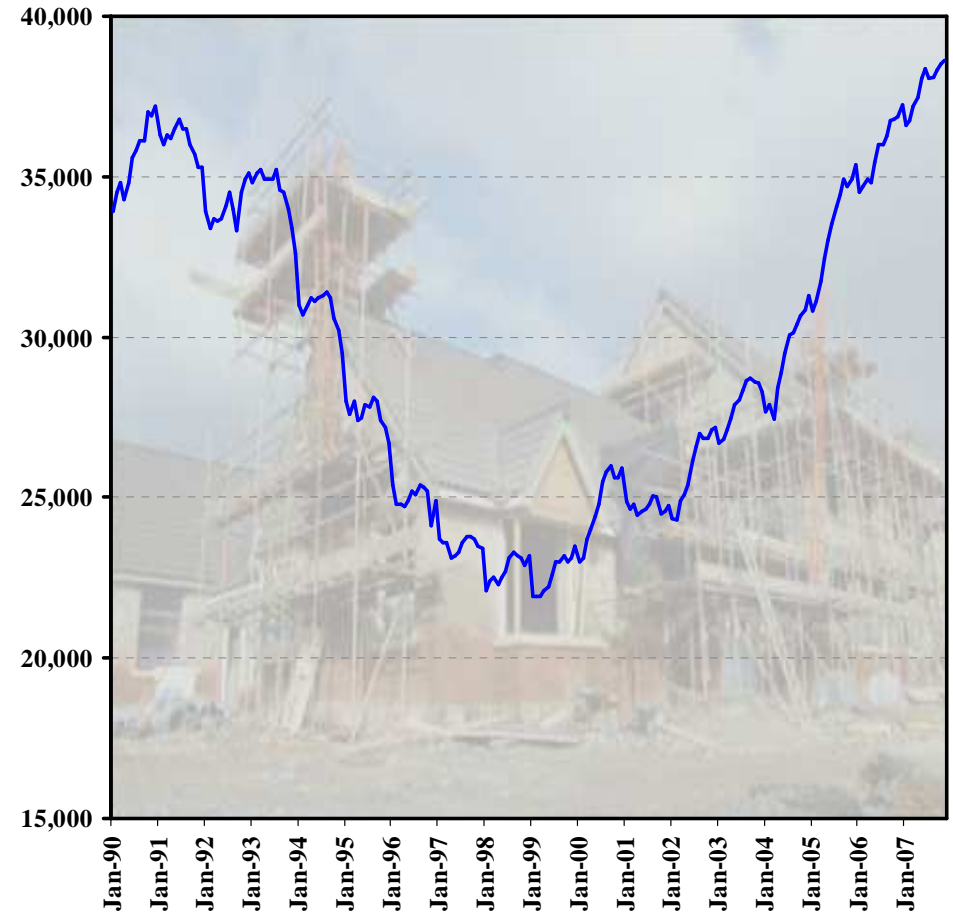
Construction Put in Place and Construction Jobs Continue to Grow

Monthly Construction Tax Base million \$US



Through September 2007

Hawaii Construction Jobs Monthly 1990-2007

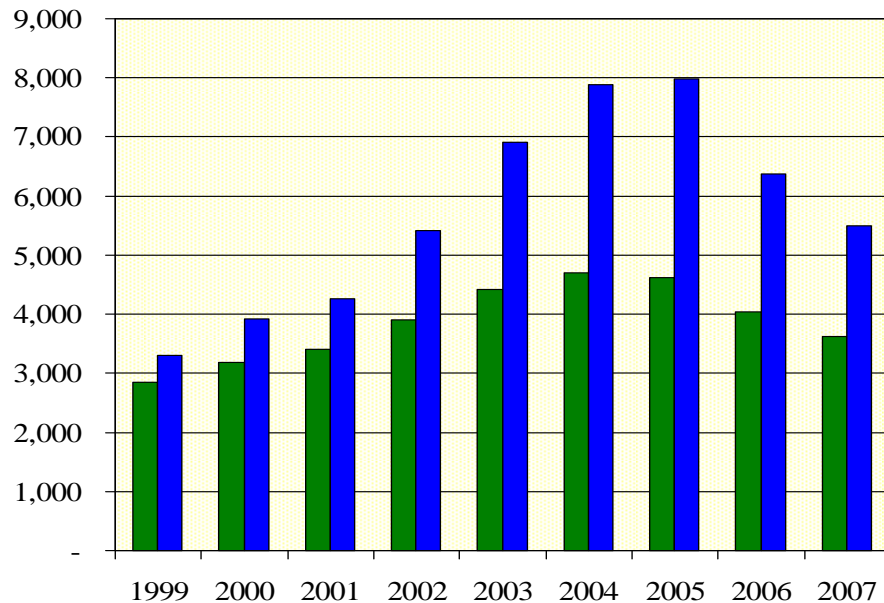


Through November 2007

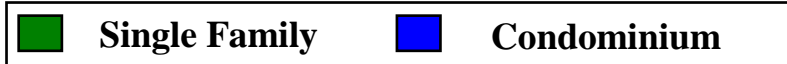
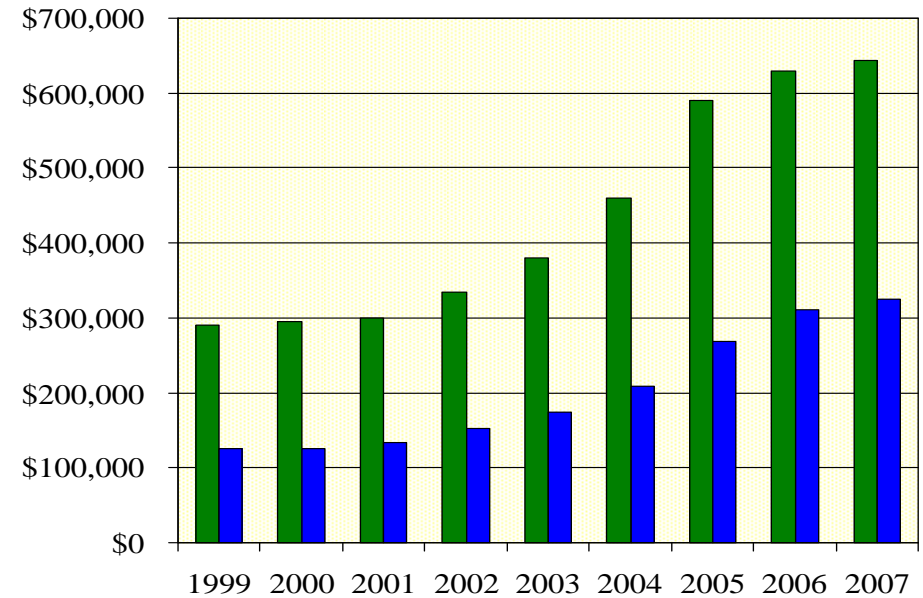
Construction & Housing – Contd.

Oahu Housing Trends

Number of Transactions
(1999 to 2007)



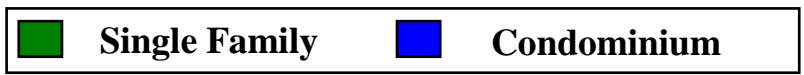
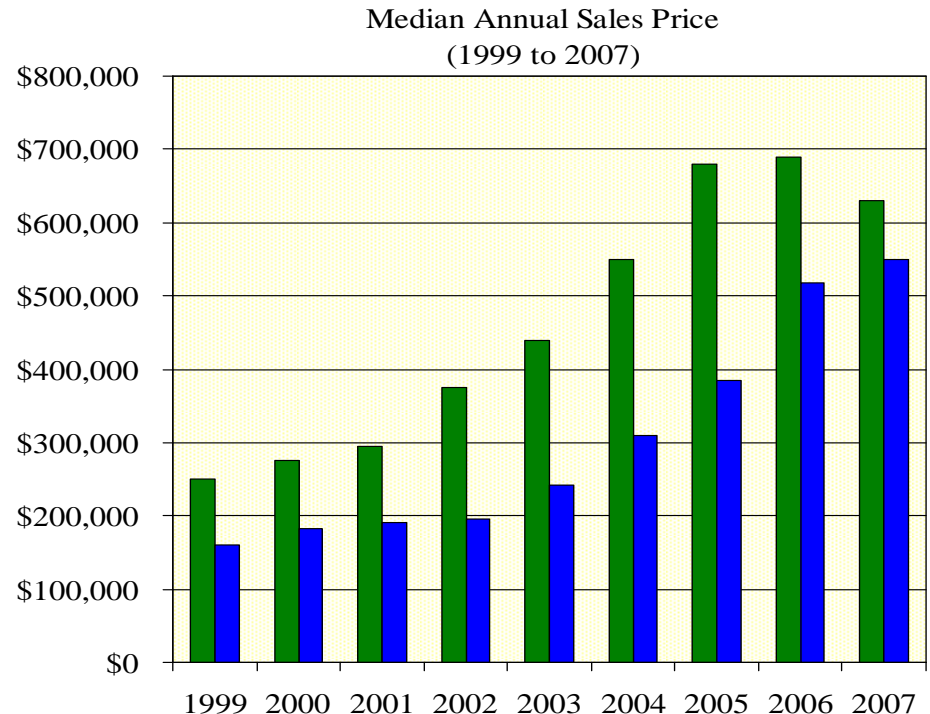
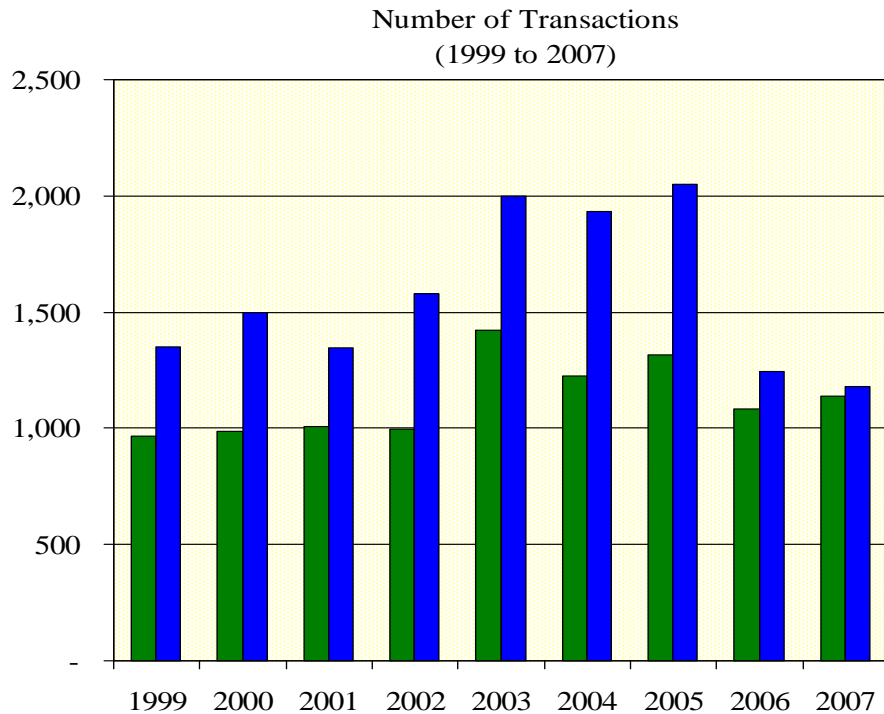
Median Annual Sales Price
(1999 to 2007)



Source: Honolulu Board of Realtors, Research Department

Construction & Housing – Contd.

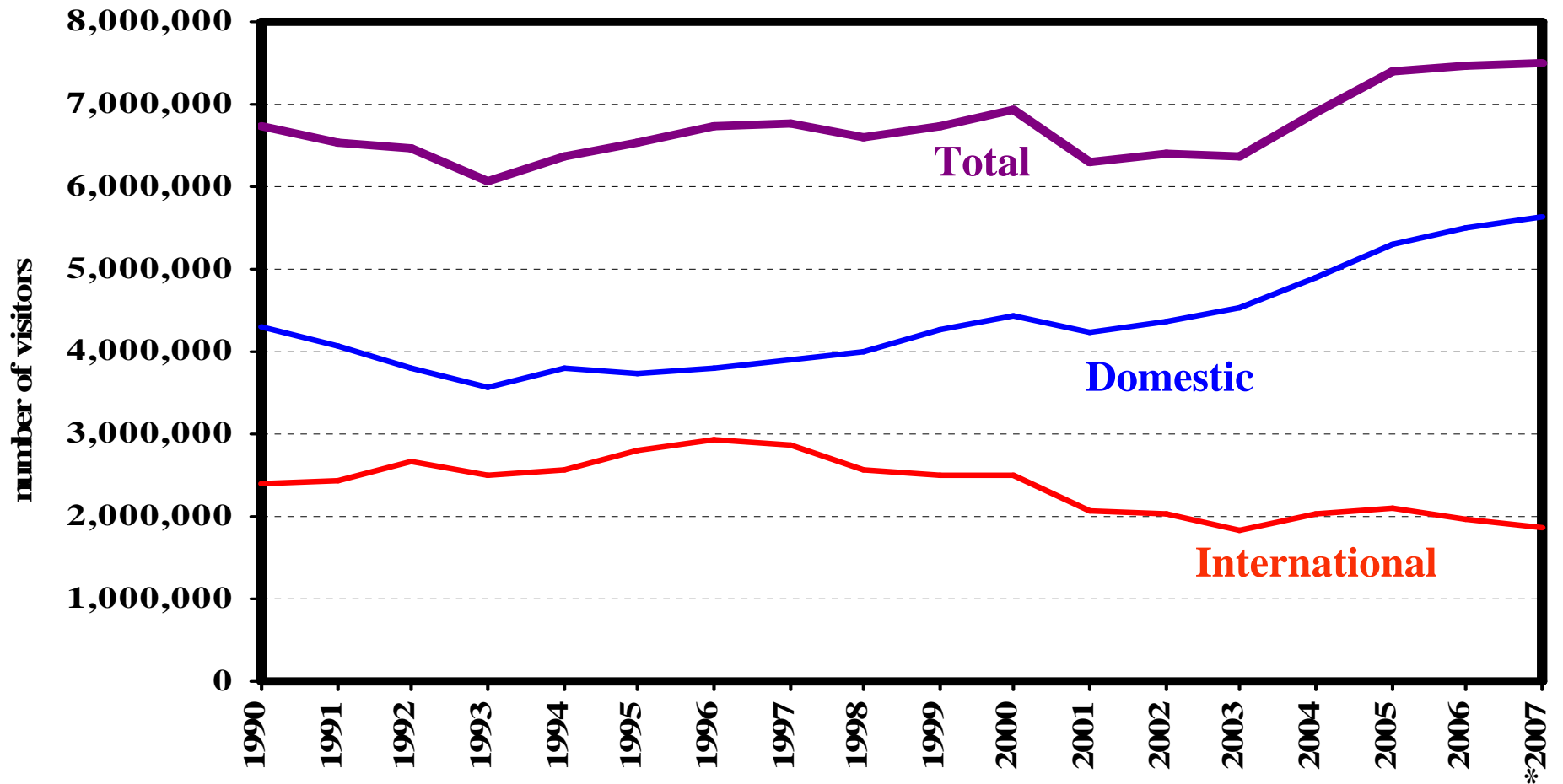
Maui Housing Trends



Source: Realtors Association of Maui

Visitor Activity

Visitor Arrivals to Hawaii by Air: 1990 to 2007*

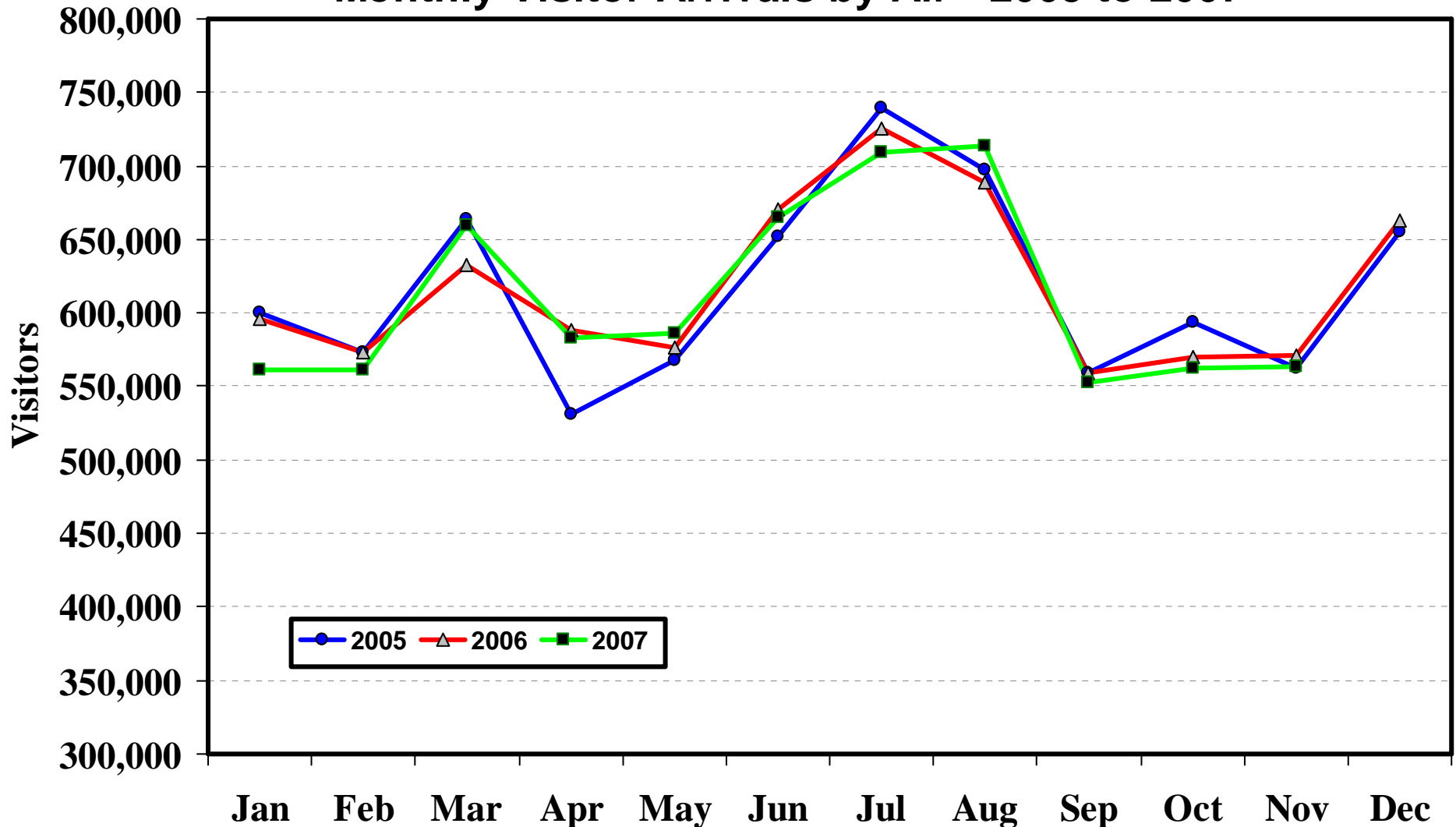


* 2007 Estimate

Source: Hawaii State Department of Business, Economic Development and Tourism

Visitor Activity – Contd.

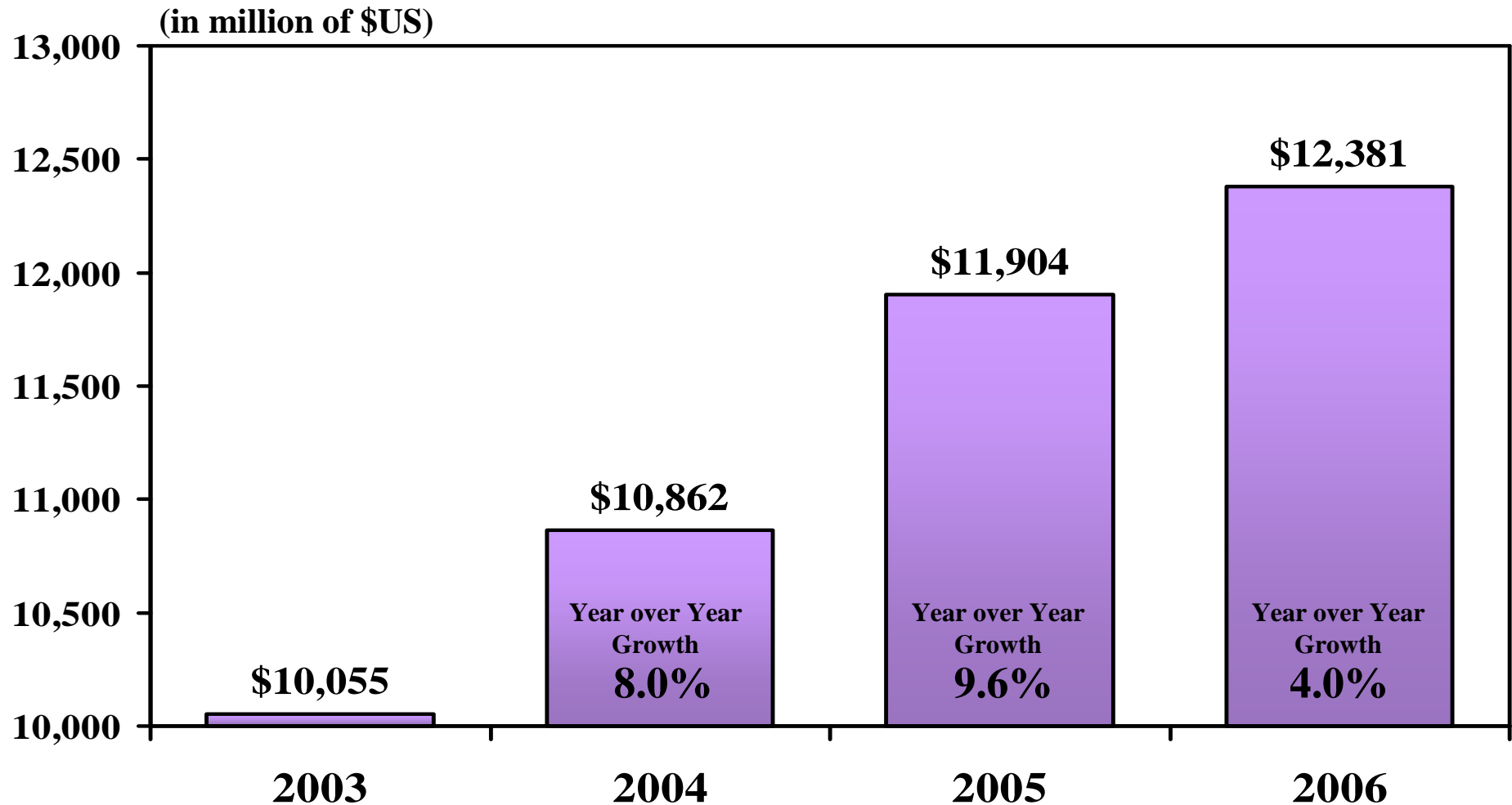
Monthly Visitor Arrivals by Air - 2005 to 2007



Source: Hawaii State Department of Business, Economic Development and Tourism

Visitor Activity – Contd.

Total Annual Visitor Expenditure: 2003 to 2006

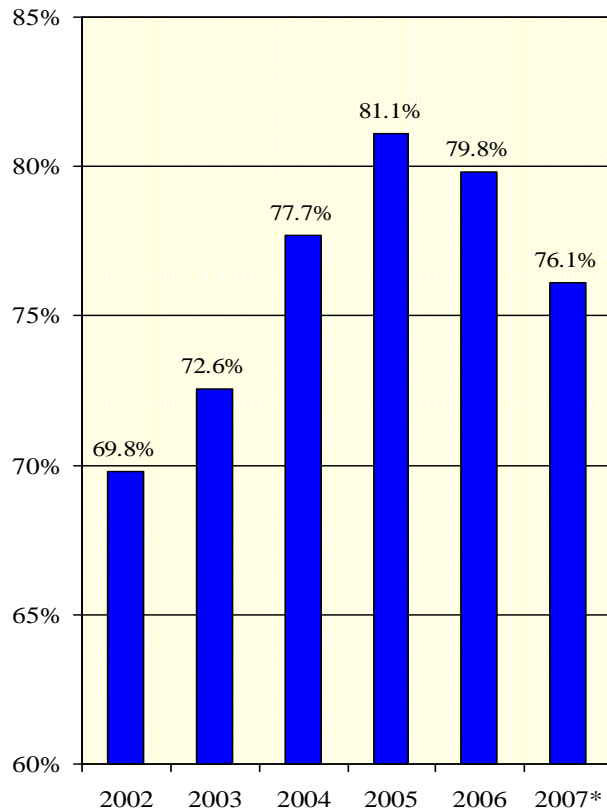


Hawai'i State Department of Business, Economic Development and Tourism

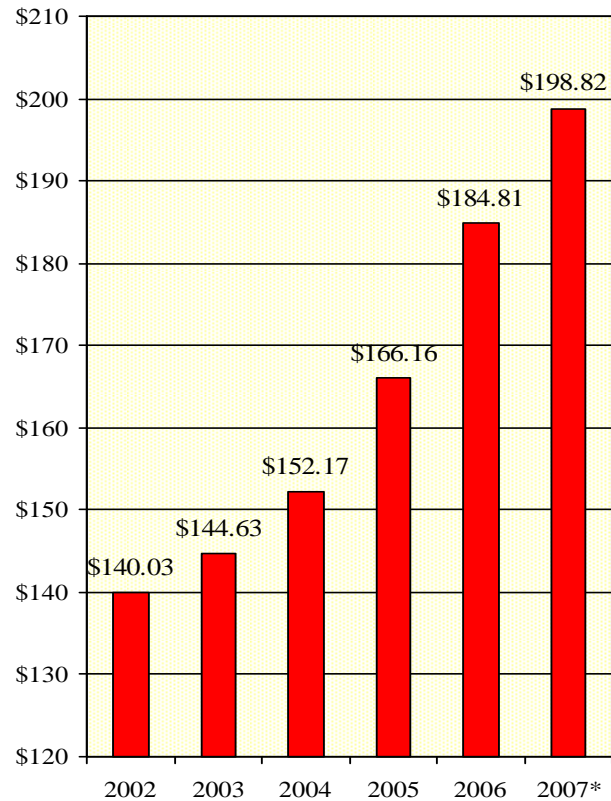
Visitor Activity – Contd.

Hotel occupancy remains above 75% and room rates at record levels

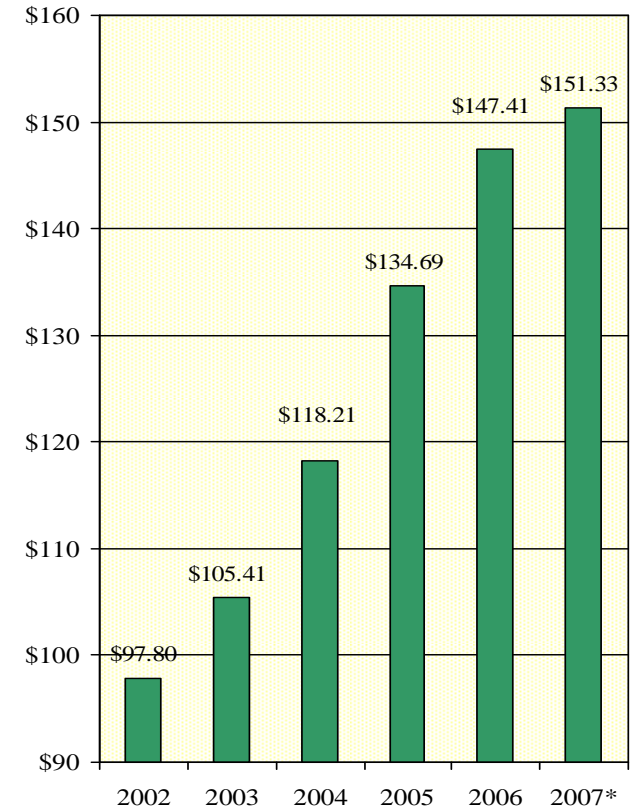
**Average Occupancy Rates
2002 to 2007**



**Average Hotel Room Rates
2002 to 2007**



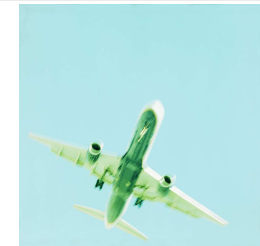
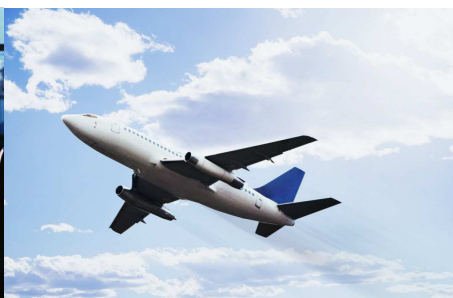
**Average Room Revenue per Available Room
2002 to 2007**



Source: Smith Travel Research, Hospitality Advisors LLC

* Through October 2007

Visitor Activity – Contd.

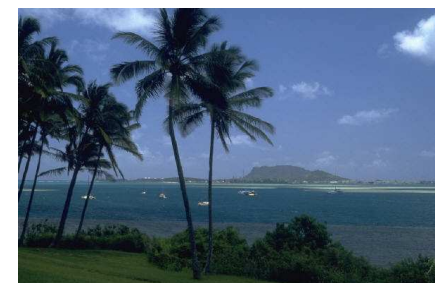
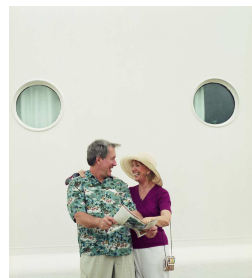
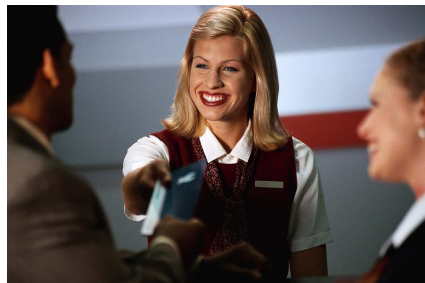


2006

2007*

2008*

| | | | |
|-----------------------------|-------------|--------------|-------------|
| Visitor Arrivals | 0.9% | -0.8% | 1.0% |
| Visitor Expenditures | 4.0% | 2.0% | 4.0% |



**Forecast*

External Conditions

Blue Chip Forecast for U.S. and Japan Real GDP Growth

| | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|----------------------|-------------|-------------|-------------|
| United States | 2.2 | 2.2 | 2.7 |

| | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|--------------|-------------|-------------|-------------|
| Japan | 1.9 | 1.5 | 2.0 |

Source: Blue Chip Forecast, December 2007 for 2007 and January 2008 for 2008 & 2009

Summary

Summary of Actual and Forecasted Key Economic Indicators for Hawaii: CY 2006 to 2008 (Annual % Change)

| | Actual CY 2006 | Forecasted CY 2007 | Forecasted CY 2008 |
|----------------------------|-------------------|-----------------------|-----------------------|
| Total Population | 1.0% | 1.1% | 1.1% |
| Visitor Arrivals | 0.9% | -0.8% | 1.0% |
| Visitor Expenditures | 4.0% | 2.0% | 4.0% |
| Honolulu CPI-U | 5.9% | 4.5% | 3.8% |
| Personal Income | 6.8% | 6.4% | 5.7% |
| Real Personal Income | 0.9% | 1.8% | 1.8% |
| Total Wage and Salary Jobs | 2.4% | 1.9% | 1.5% |

Source: Department of Business, Economic Development & Tourism



<http://www.hawaii.gov/dbedt/>