

Current Hawaii Economic Conditions

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to the

Committee on Ways and Means

and

Committee on Finance

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DBEDT November 2011 Forecast

Key Economic Indicators for Hawaii are positive in 2011 and continue to be positive in 2012

(Annual % Change)

	Actual CY 2010	Forecasted CY 2011	Forecasted CY 2012
Total Population	1.3%	1.0%	1.0%
Visitor Arrivals	8.7%	2.5%	3.4%
Visitor Expenditures	11.7%	13.1%	5.6%
Honolulu CPI-U	2.1%	3.3%	2.8%
Personal Income	3.7%	4.6%	4.0%
Real Personal Income	1.6%	1.3%	1.2%
Total Wage and Salary Jobs	-0.8%	1.3%	1.6%

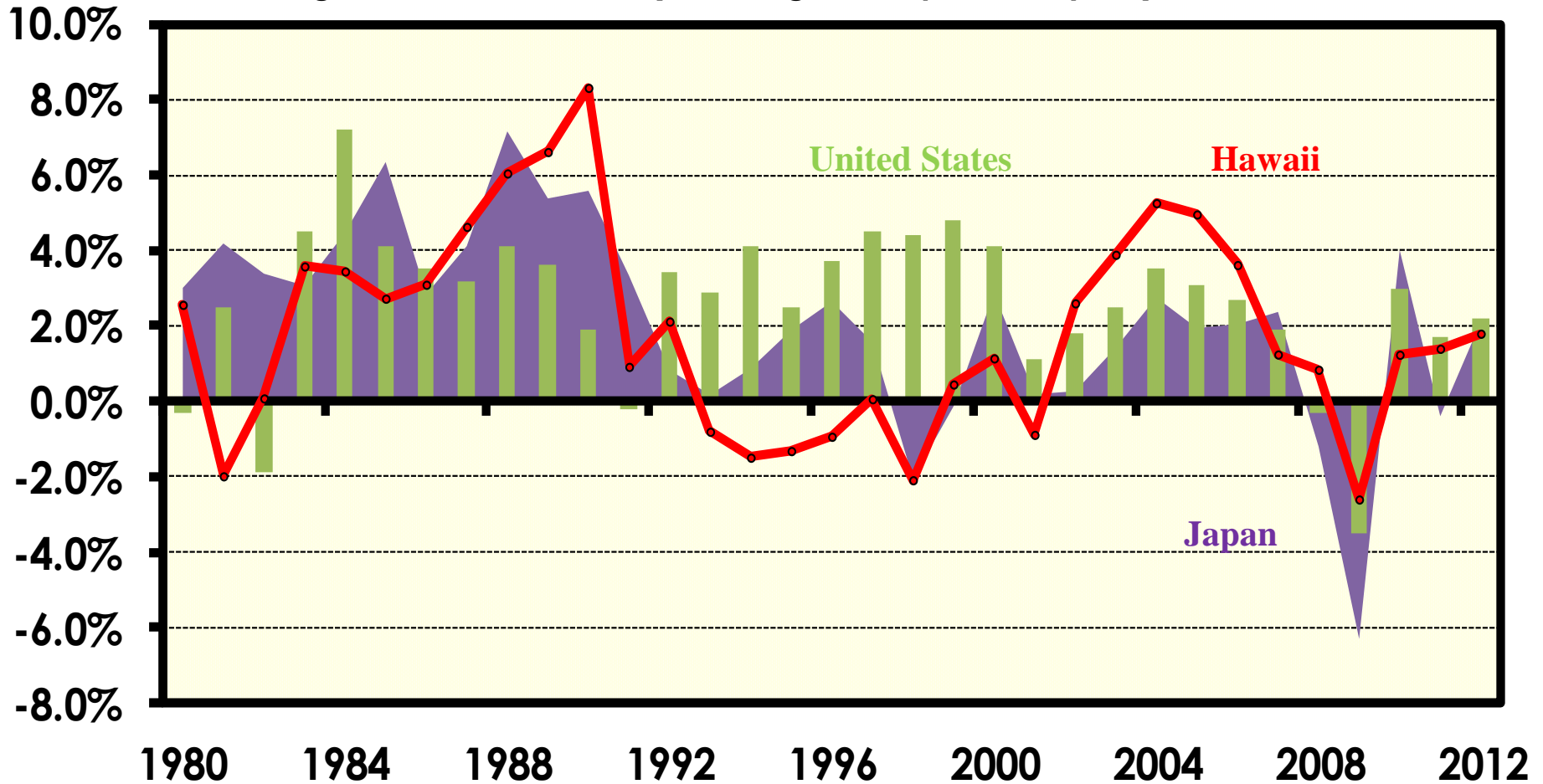
Source: Department of Business, Economic Development & Tourism

Latest developments in Hawaii's Economy

- State general fund tax revenues increased 7.8% during the 1st 11 months of 2011, but for the current fiscal year FY 2012, general fund revenues increased 17.9%. The increase in general fund revenue was due to economic growth, tax law change, and the effect of tax refund
- Visitor industry performed better than expected with 3.4% increase in visitor arrivals, and 15.1% increase in spending during first 11 months. Passenger count for December increased by 4.4%
- Labor market improving. Wage and salary job counts increased 1.3% during the 1st 11 months of 2011. Unemployment claims for the whole year of 2011 were 8% lower than those in 2010
- Construction activities measured by value of building permit during the 1st 11 months of 2011 was 7.7% behind the 2010 level, additions and alterations grew by 5.0%, many of them are solar-related projects

Hawaii's economy is influenced by the US and Japan, Hawaii's economic growth is expected to be lower than those of U.S. and Japan in 2012

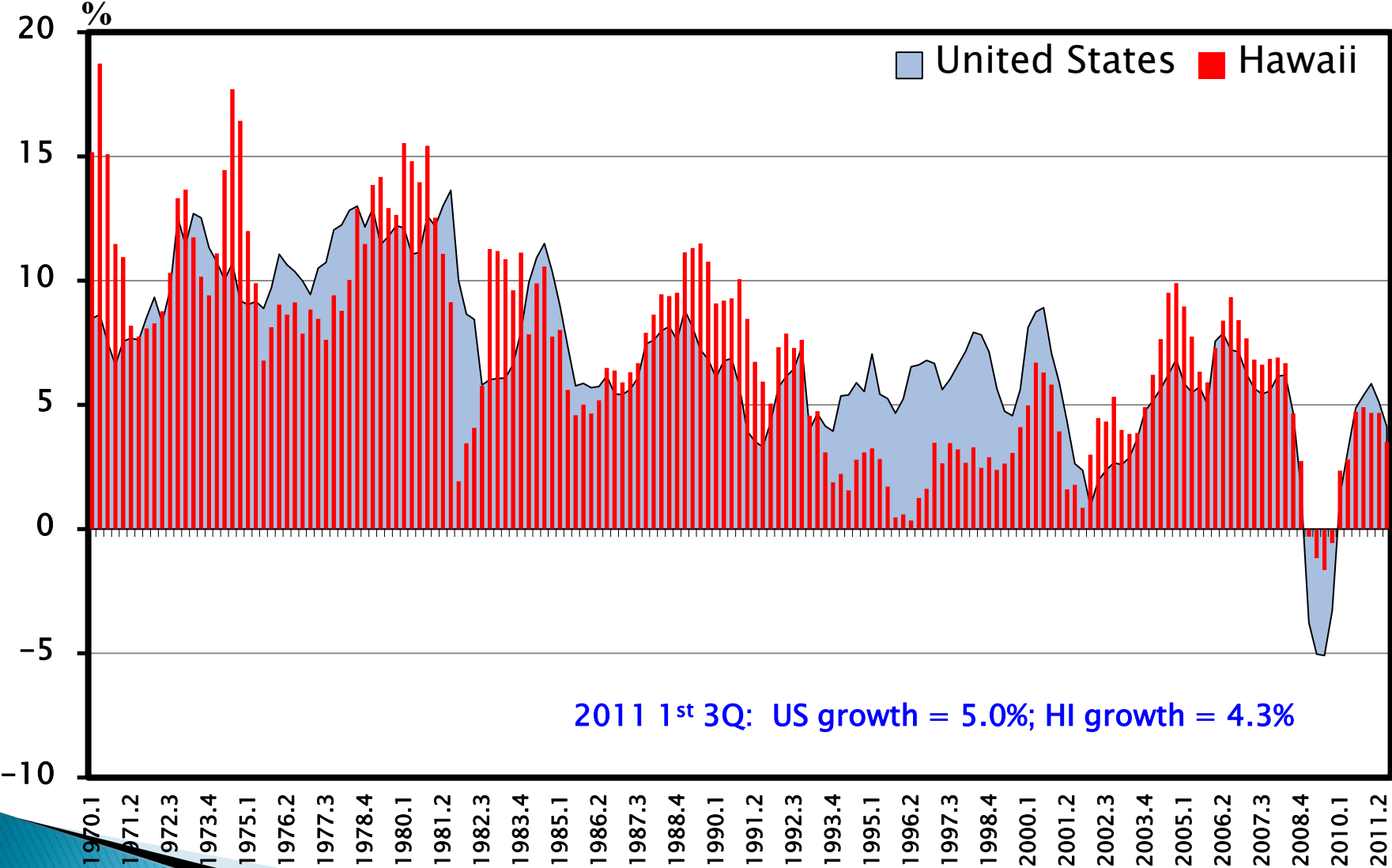
Real GDP growth, 1980 to 2012 (% change from previous year)



Source: US Bureau of Economic Analysis, Japan Ministry of Internal Affairs and Communications

Personal Income

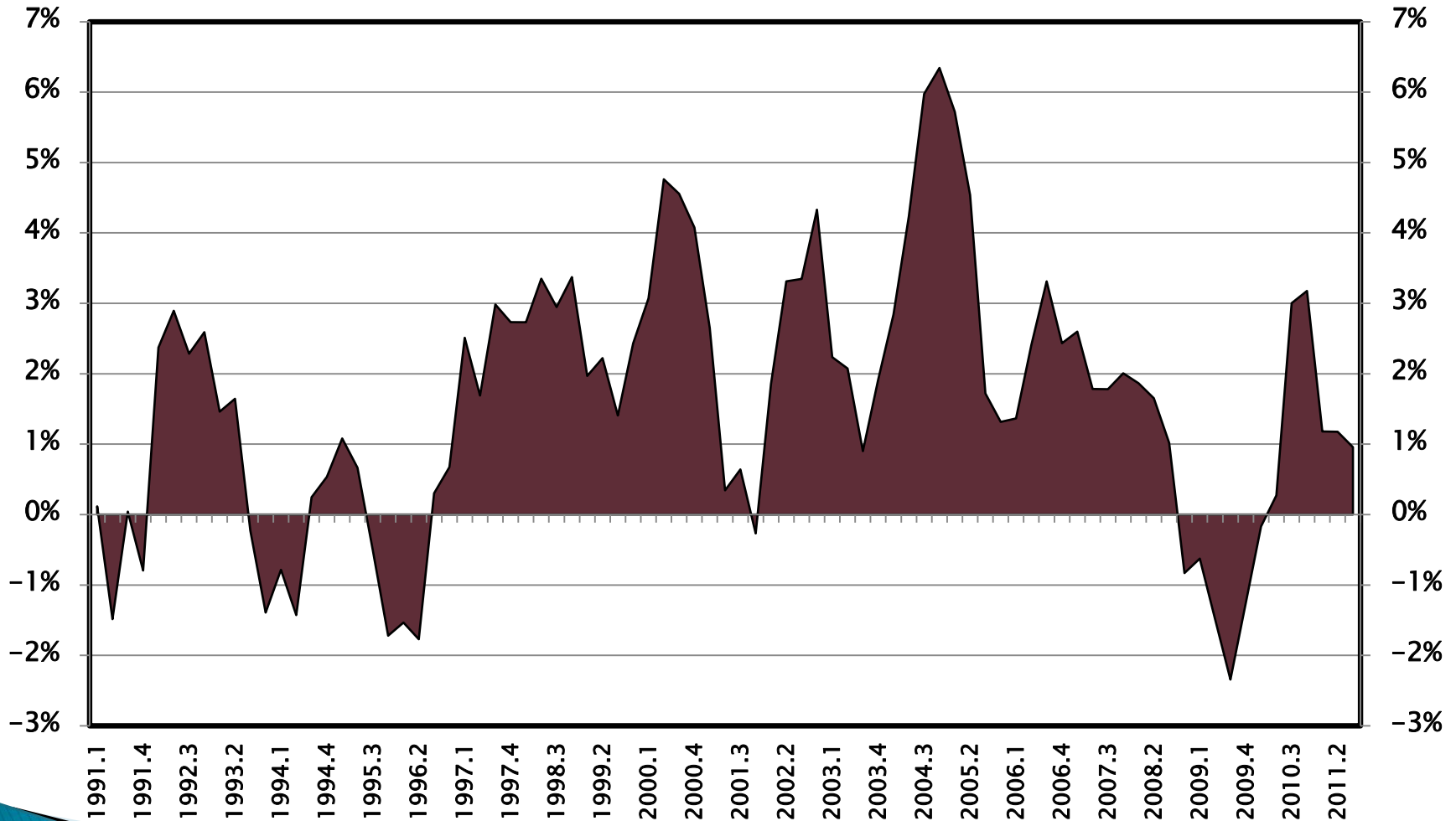
Hawaii Personal Income Growth Has Been Following the U.S. in Most of the Cycles, our growth rates are now below the U.S. (Quarterly year-over-year growth rate)



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

Real personal income growth turned positive in the 2nd quarter of 2010

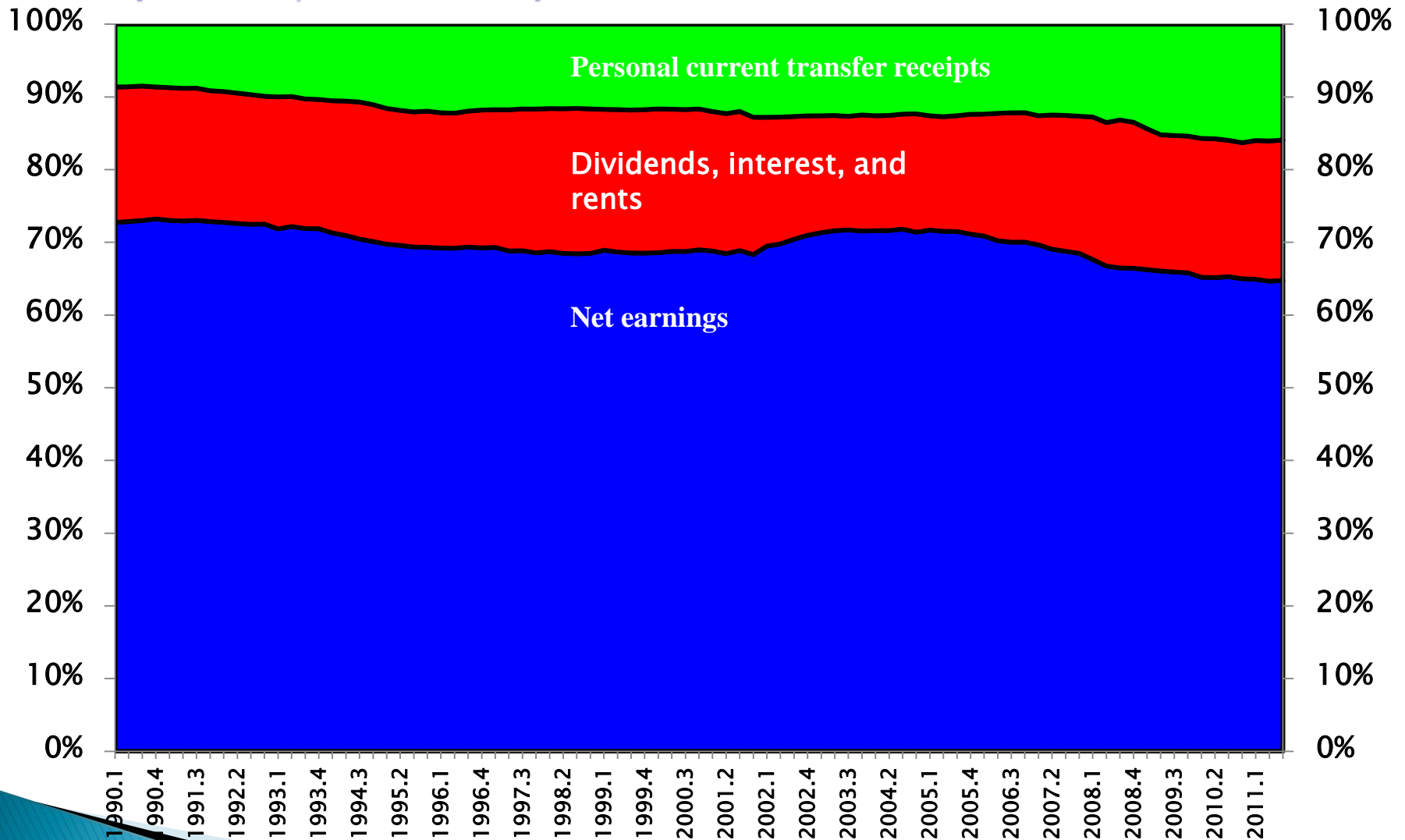
(deflated by Honolulu CPI, quarterly year-over-year growth)



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

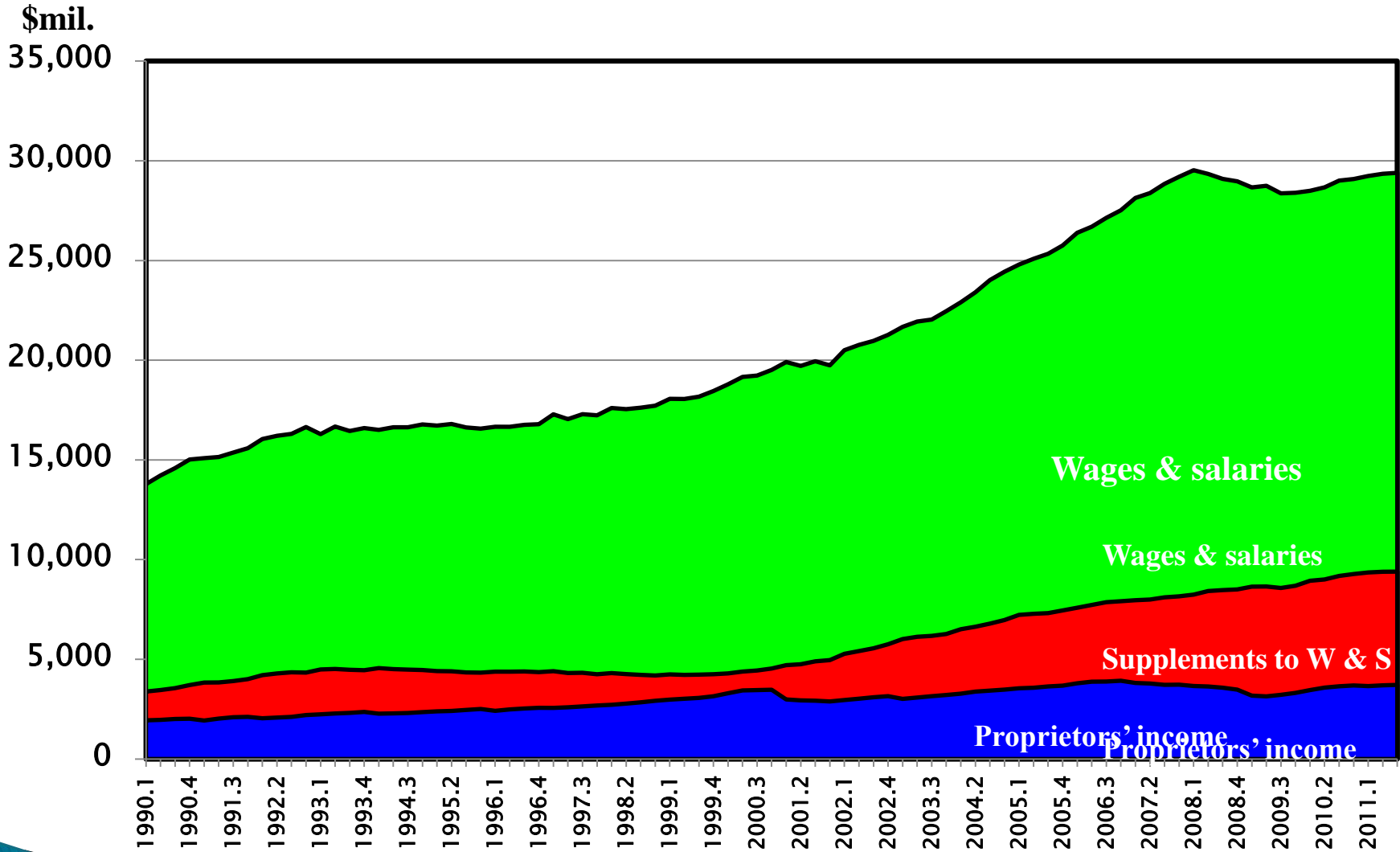
Hawaii Personal Income Component: Earnings declined, transfer receipts increased

(% share in personal income)



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

Since 2007, Hawaii wage & salaries and proprietors' income were flat while worker's benefits increased

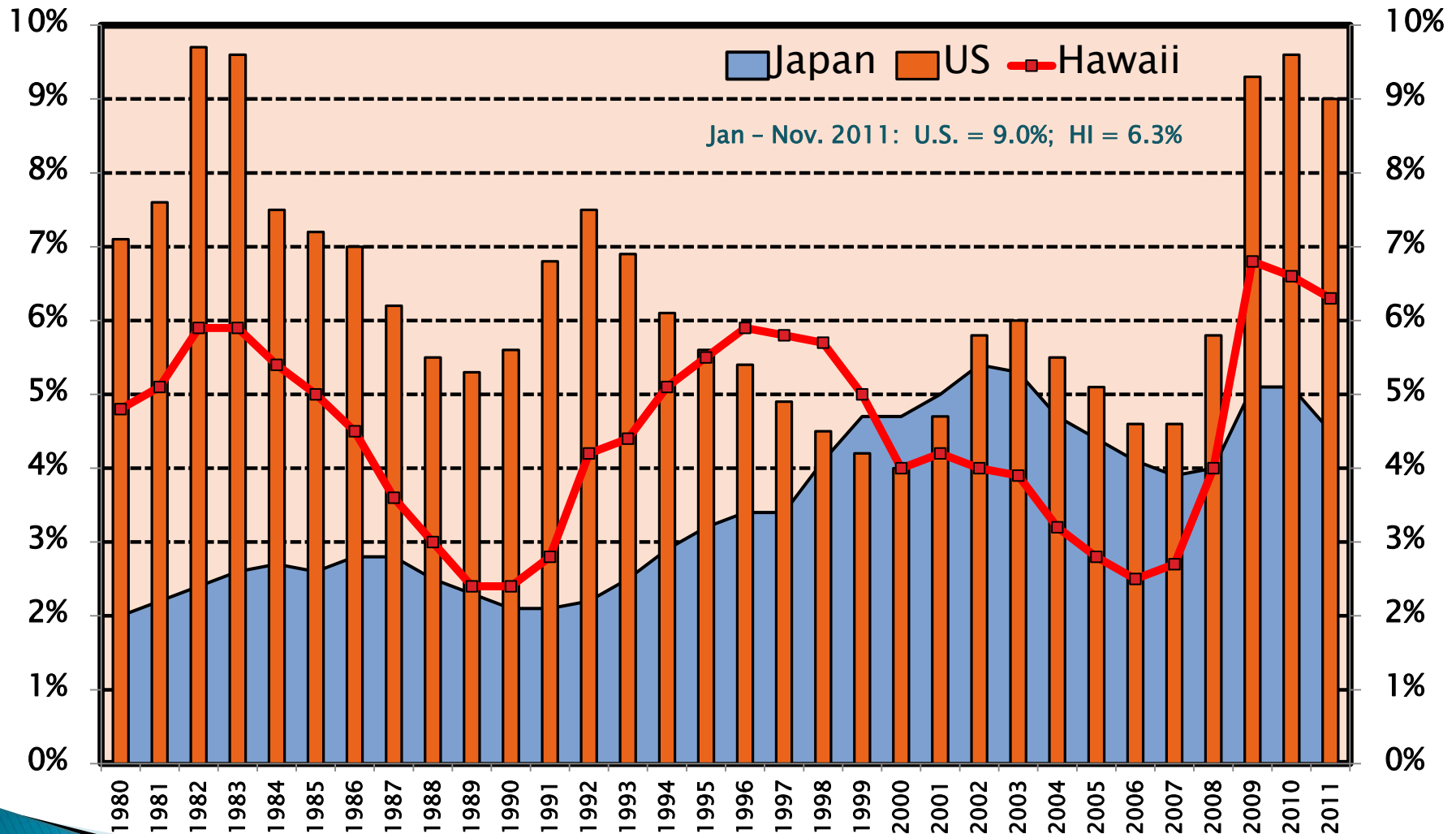


Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

Labor Market Conditions

Hawaii's unemployment rate has been following the U.S. trend but lower than the U.S. for most years

Unemployment Rate, 1980 to 2011*

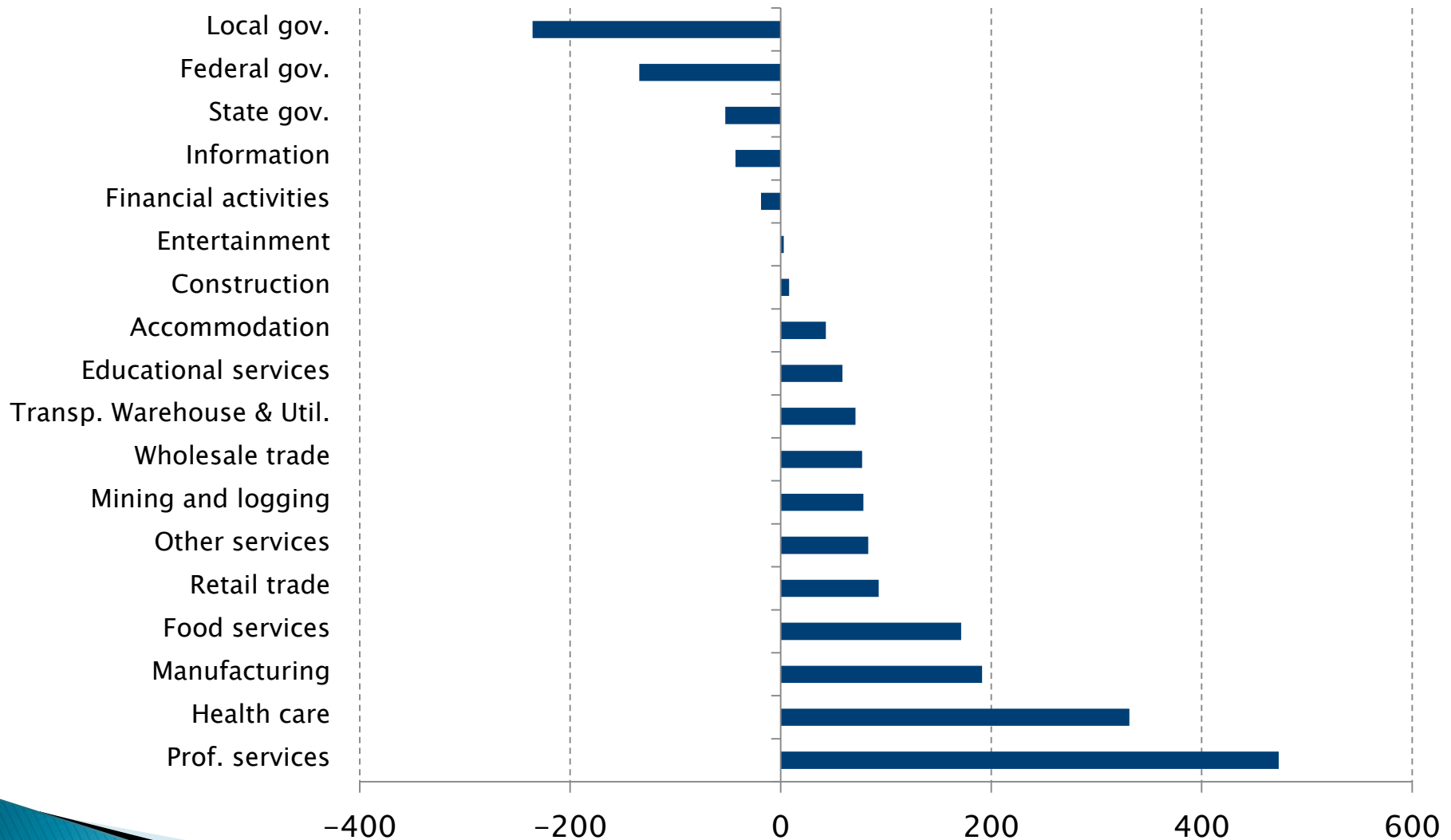


Source: US BLS, Hawaii DLIR, Japan Ministry of Internal Affairs and Communications

* First 11 months

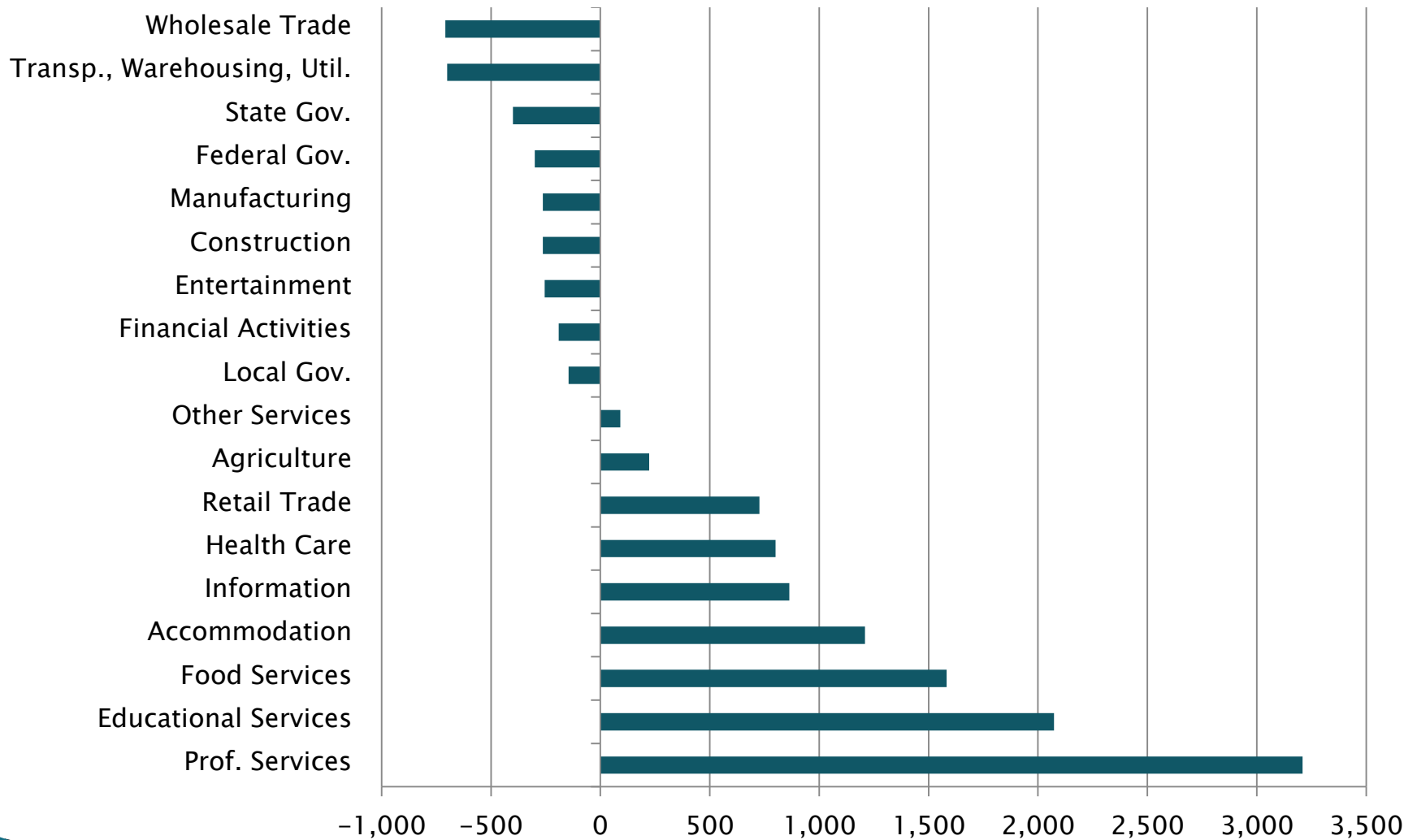
In the United States, most of the industries gained jobs during the 1st 11 months of 2011

(change in jobs from same period in prior year, in 1,000 jobs)



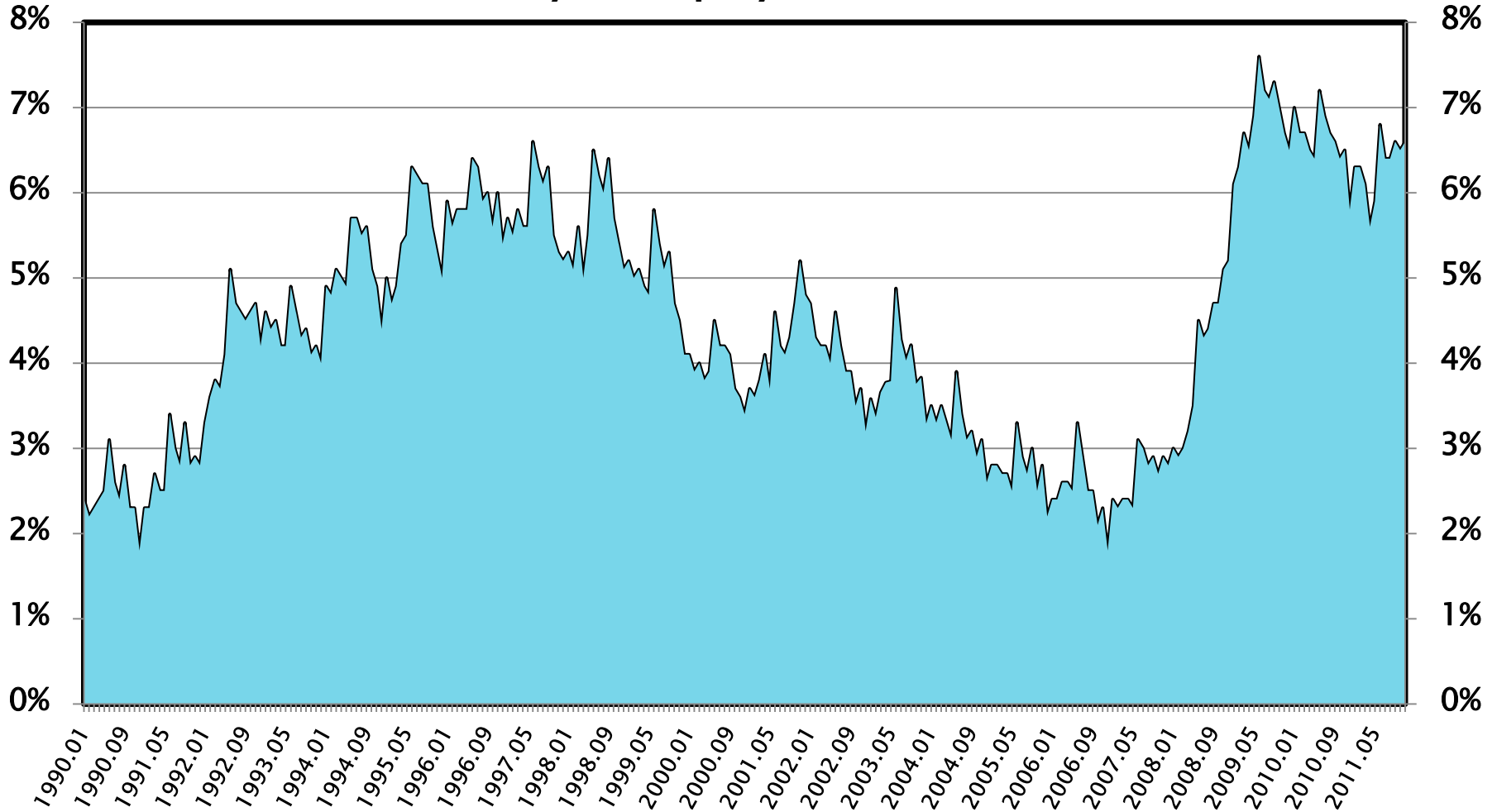
Source: BLS

In Hawaii, half of the industries are still losing jobs during the 1st 11 Months 2011, but the gain was big enough to offset the lost



Unemployment rate was improving but stalled during the past few months

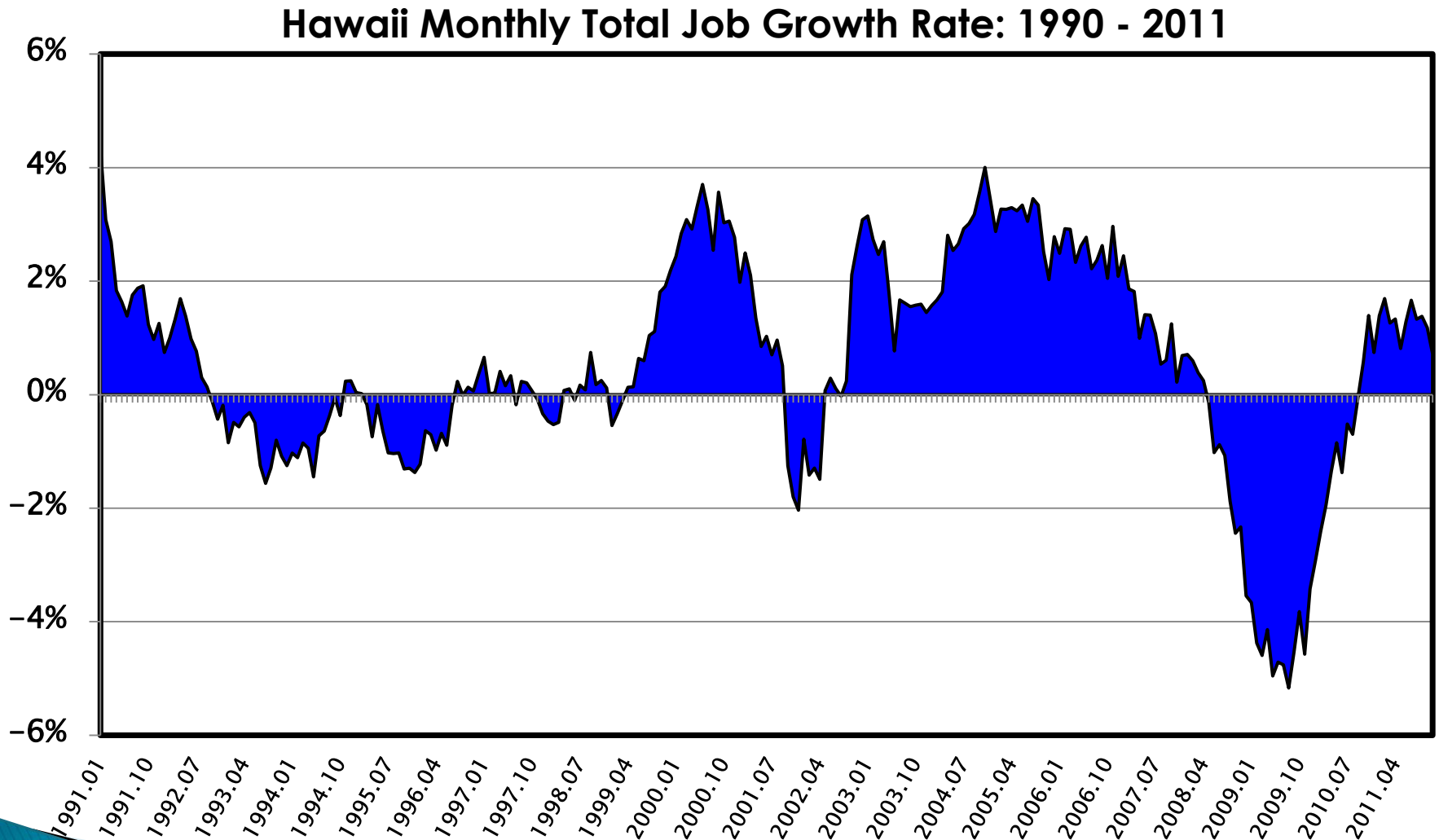
Hawaii Monthly Unemployment Rate: 1990 - 2011



Source: Hawaii State Department of Labor and Industrial Relations Updated thru November 2011

Hawaii Payroll Jobs Started to Grow in July 2010

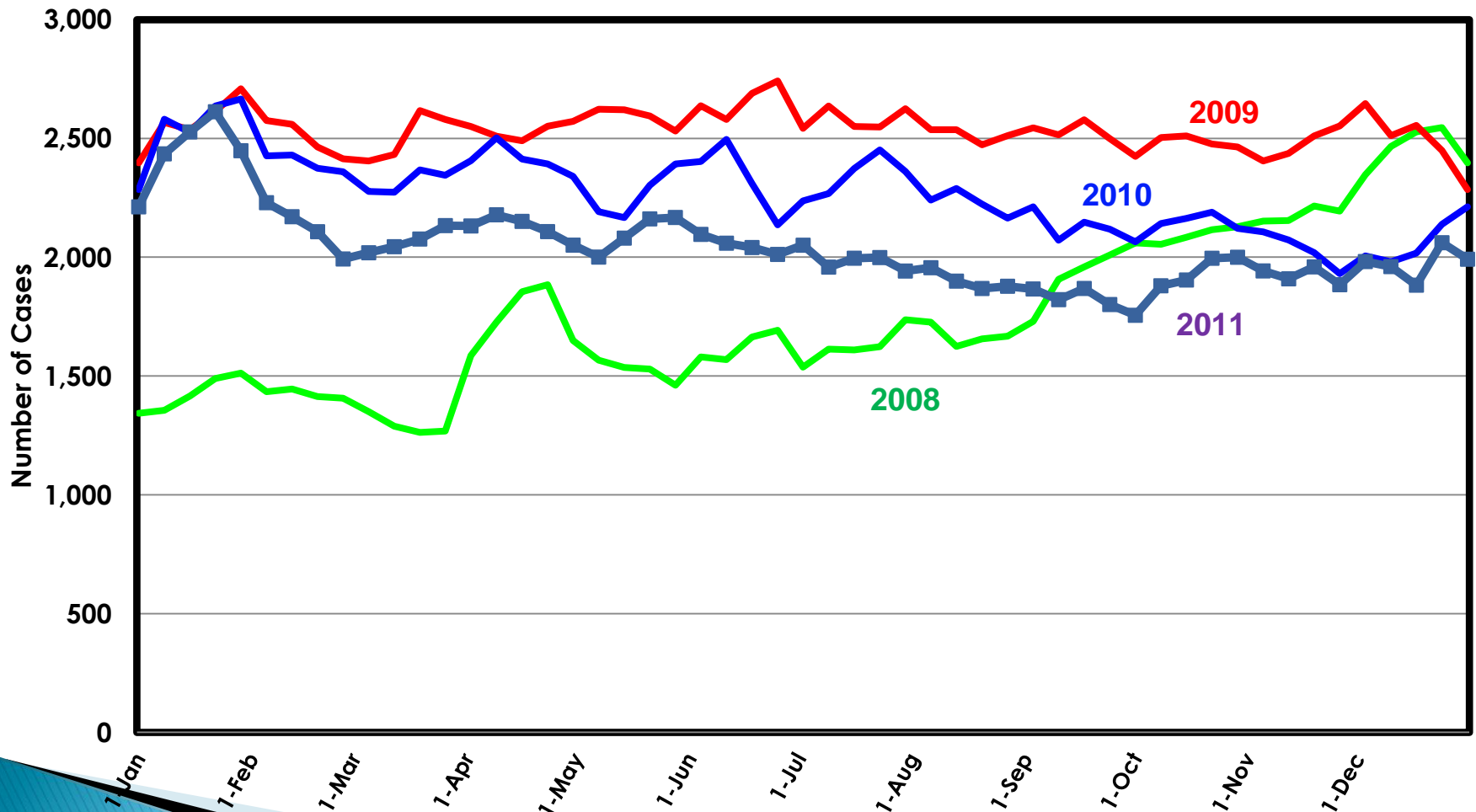
(monthly year-over-year growth rate)



Source: Hawaii State Department of Labor and Industrial Relations Updated thru November 2011

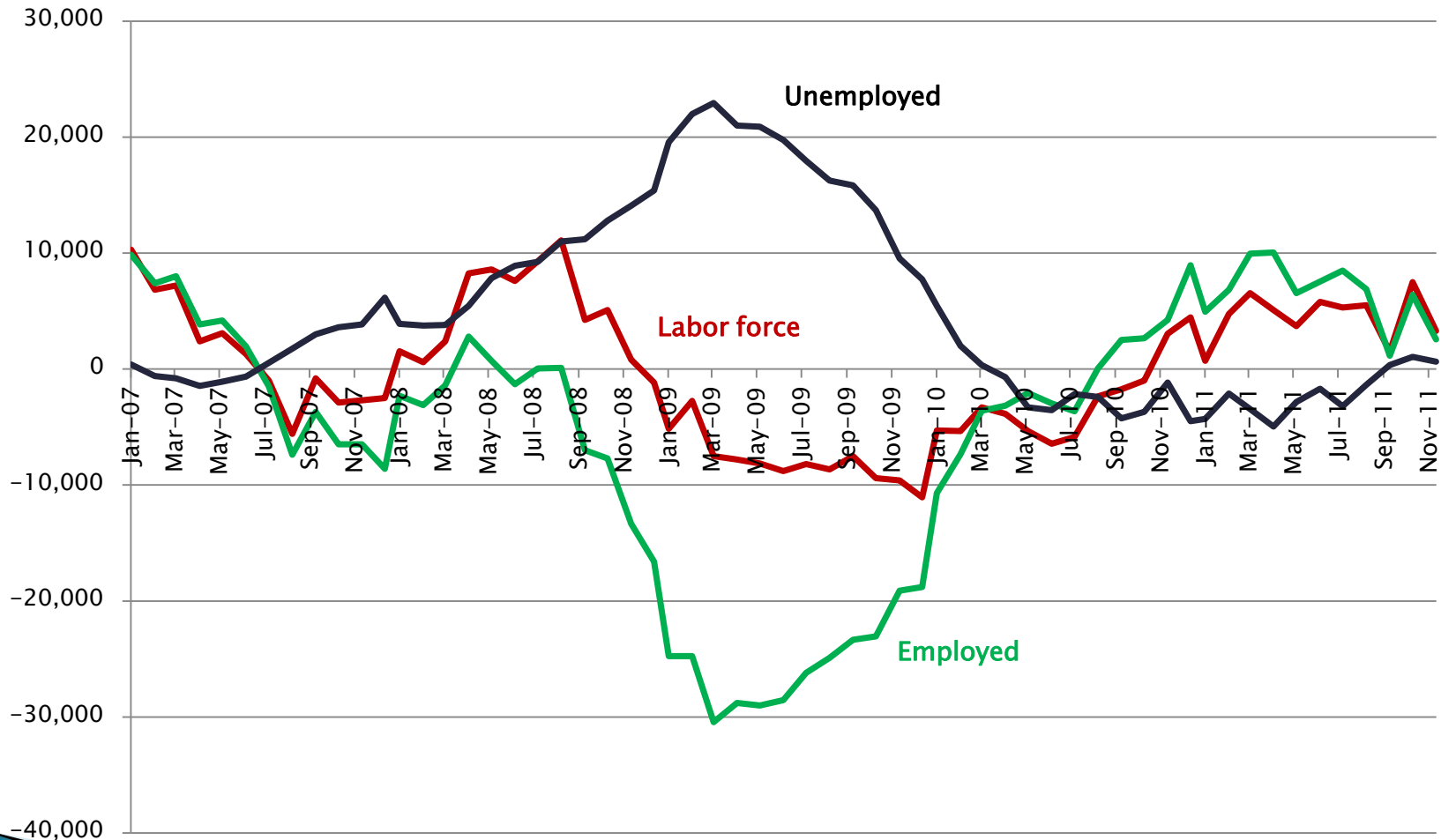
Initial unemployment claims have been declining since the beginning of 2010, but has a sign of leveling off in recent months

Comparison of Initial Unemployment Claims



In Hawaii, employment is rising as well as the labor force.
In recent months, the labor force is increasing faster than employment causing unemployment to rise

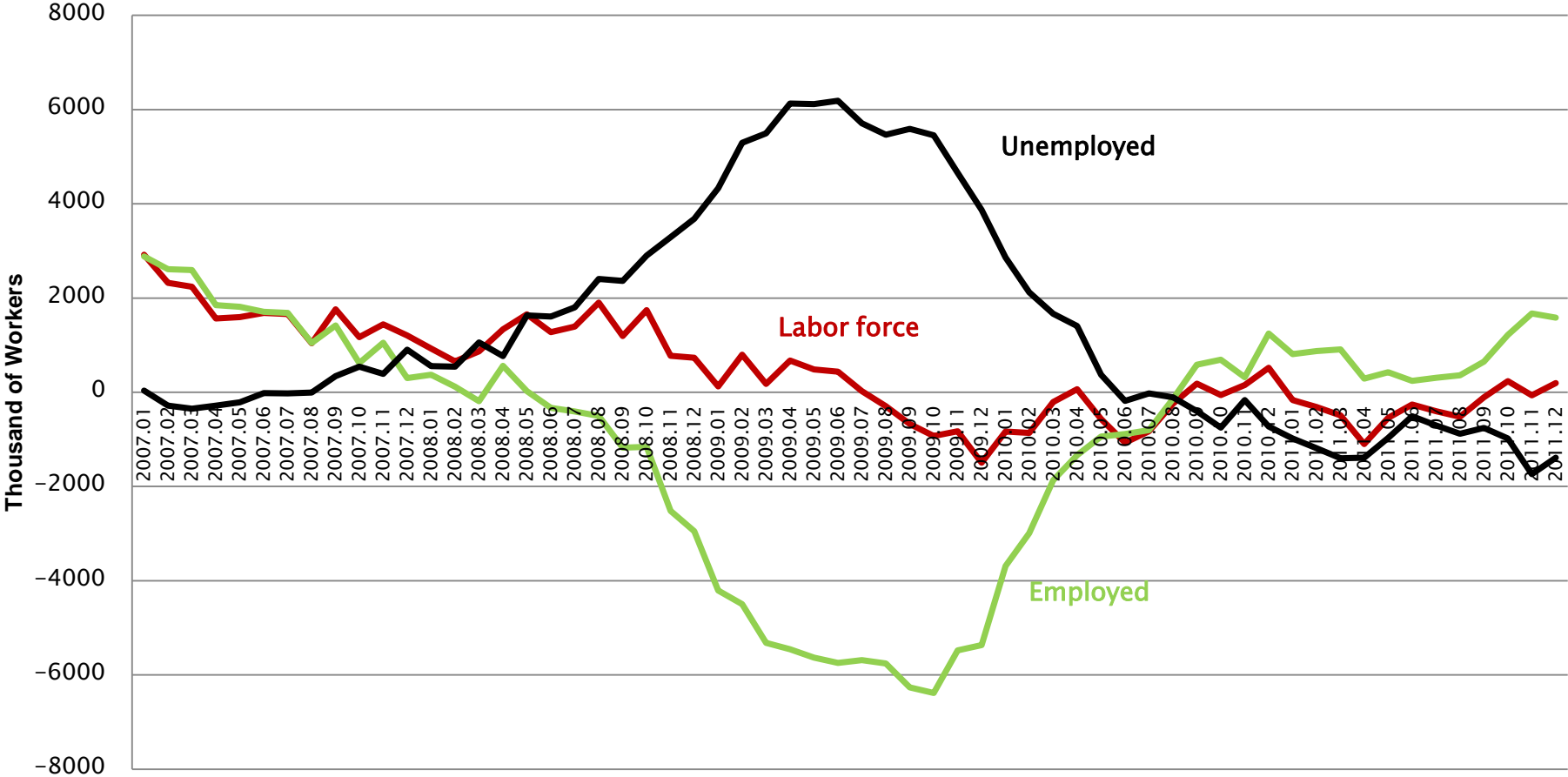
Changes from the same month in prior year



Source: Hawaii DLIR

In the United States, employment increased while the labor force decreased causing an unemployment to decrease

Changes from the same month in prior year

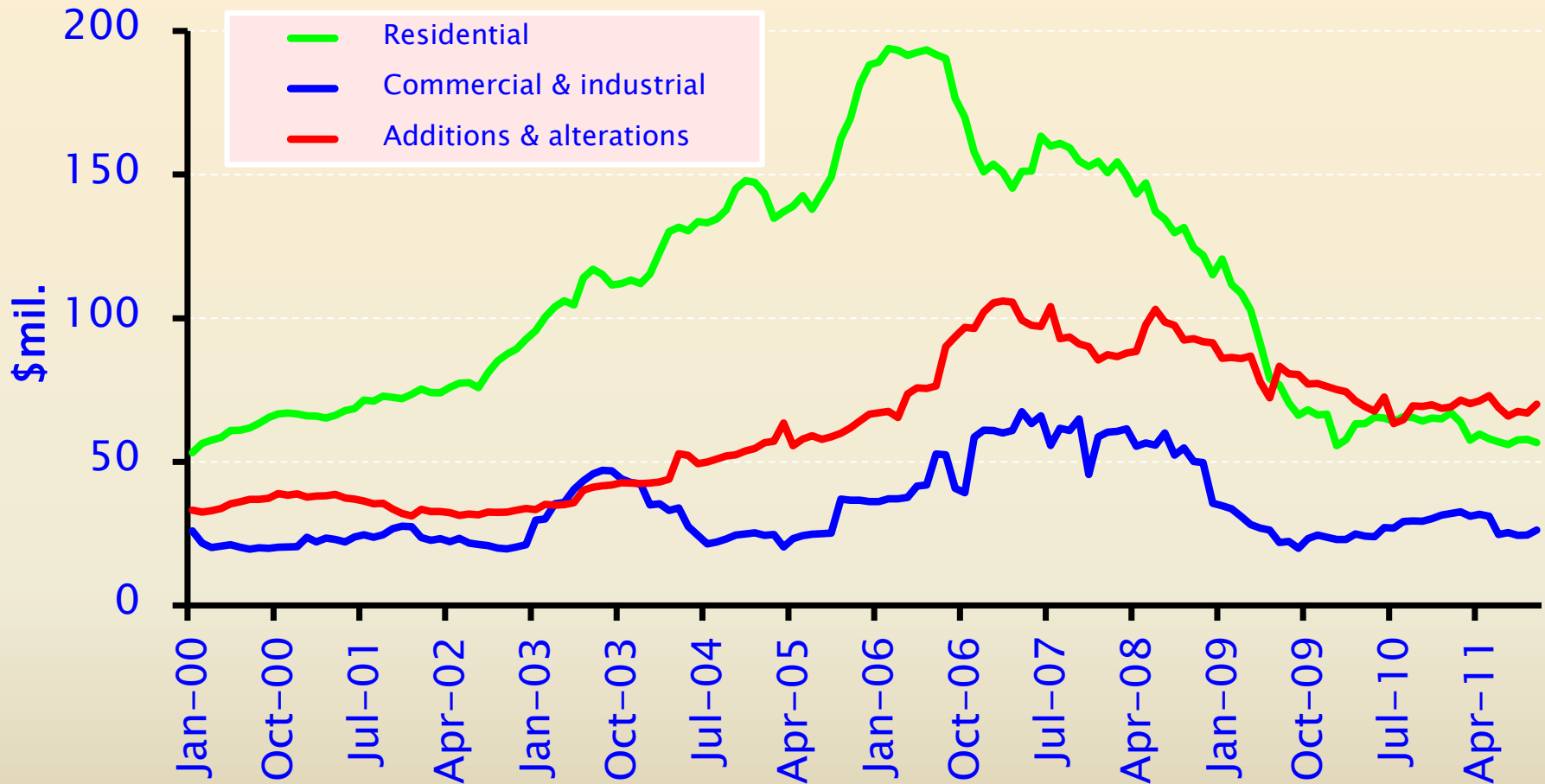


Source: Bureau of Labor Statistics

Construction

The values of private building permits are still low

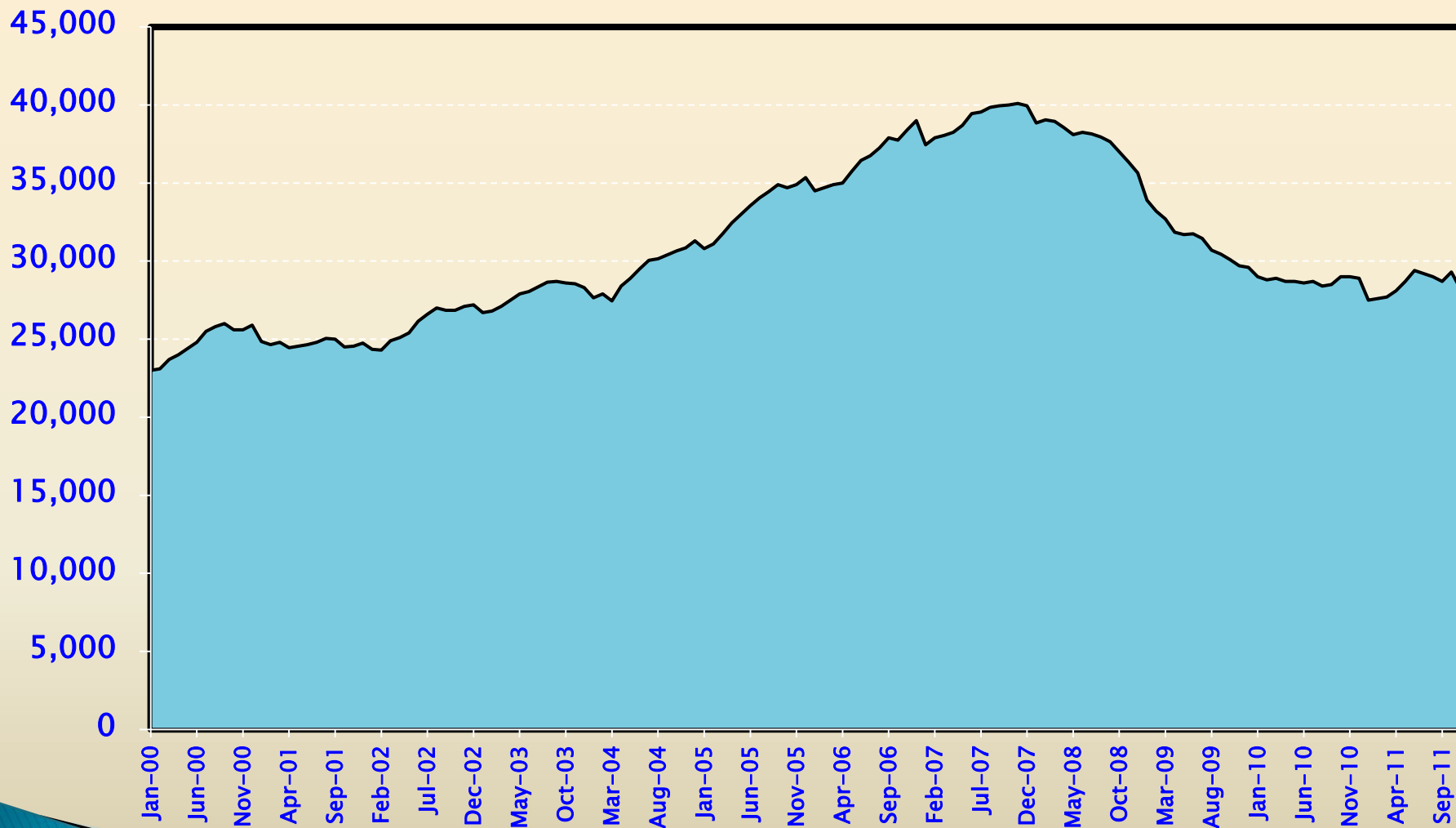
12-Month Moving Average of Building Authorization Components*



* Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through October 2011

Source: County building departments.

Construction job count flat in 2011: lost jobs in the 1st quarter, added jobs in the 2nd and 3rd quarters



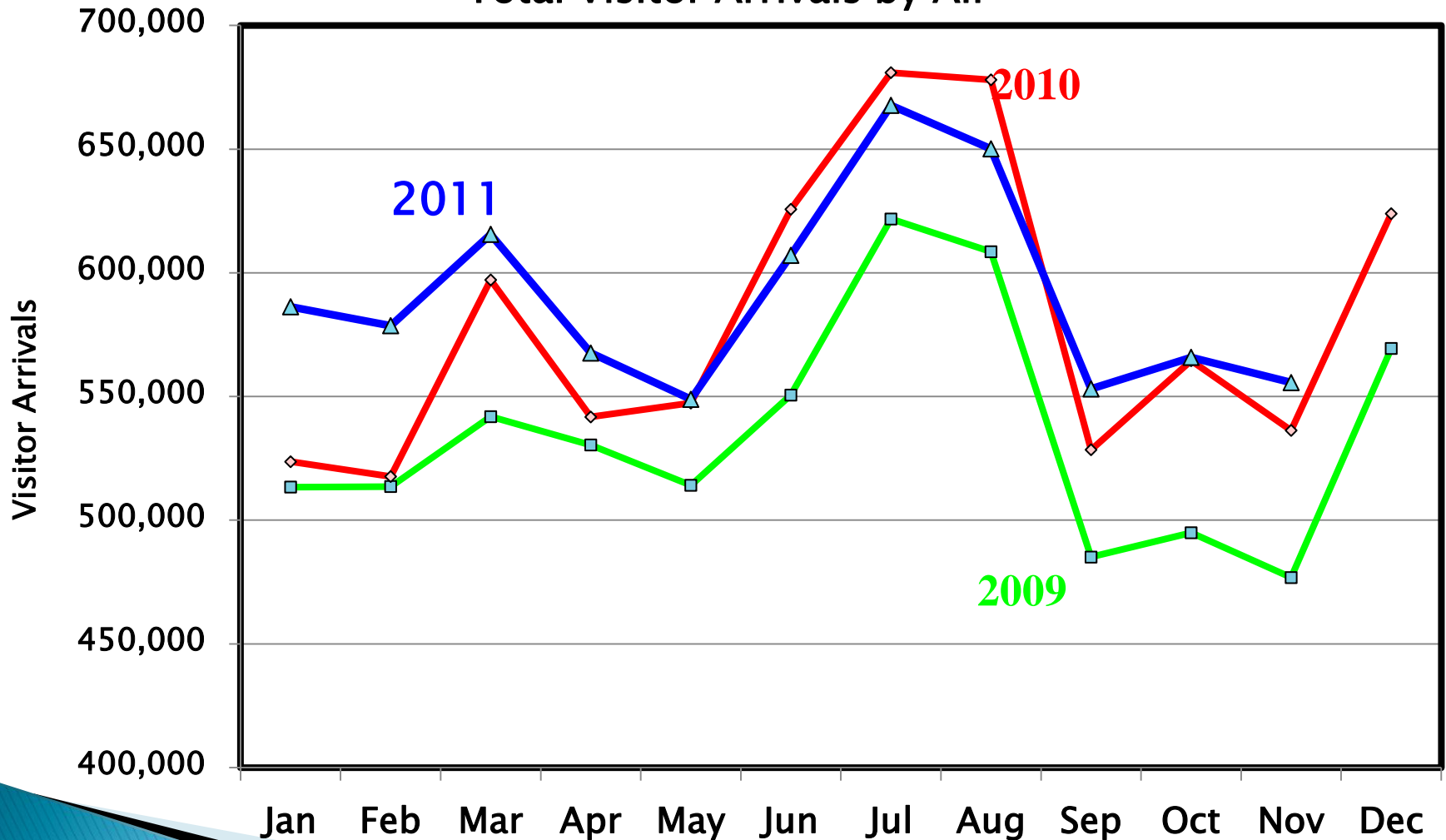
Updated thru November 2011

Source: Hawaii State Department of Labor and Industrial Relations

Tourism

Monthly Visitor Arrivals by Air 2009 to 2011

Total Visitor Arrivals by Air



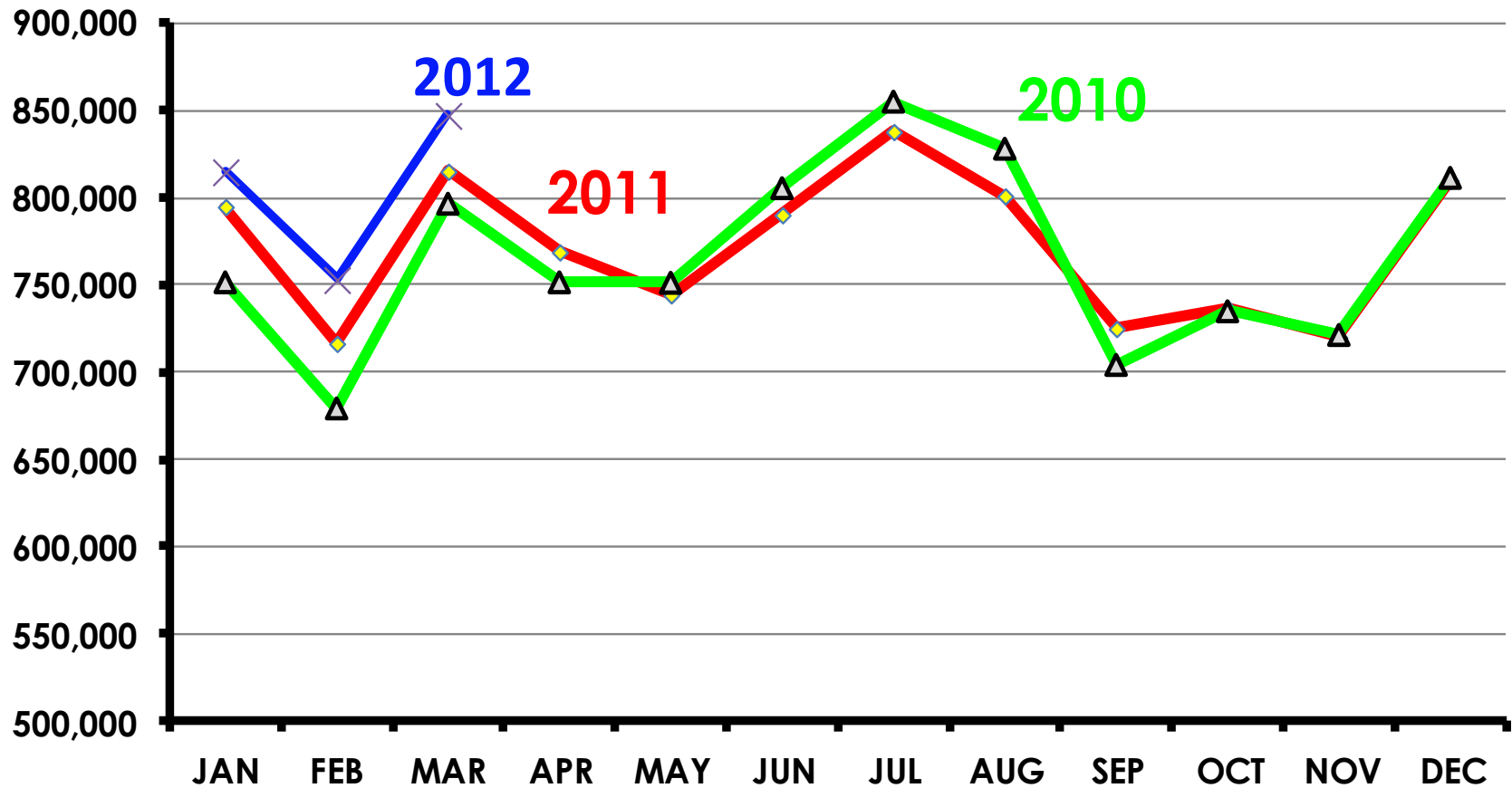
Through November 2011

Source: Hawai'i Tourism



Scheduled airseats are expected to increase 3.8% during 1st quarter 2012

Scheduled Airseats 2010 – March 2012

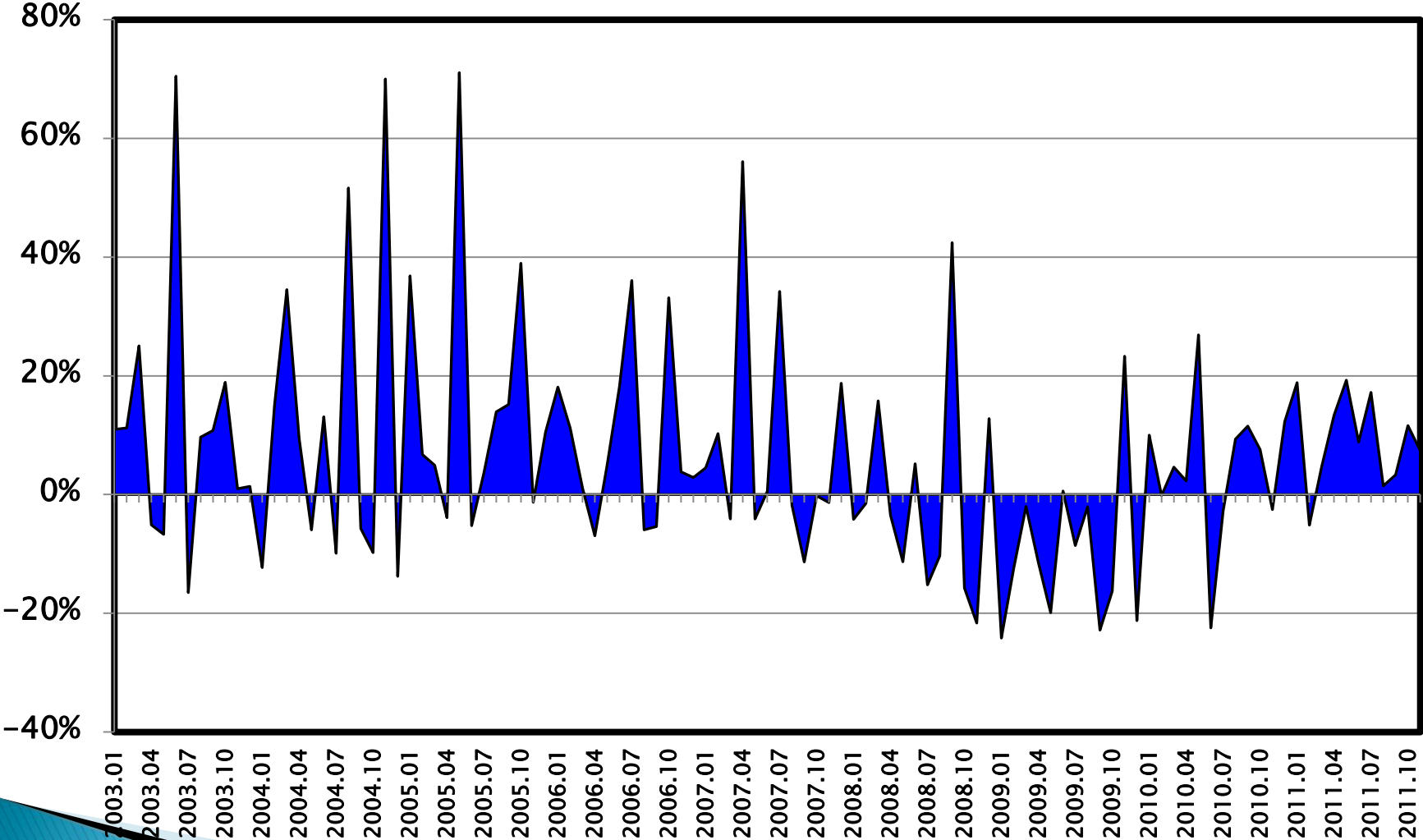


Source: HTA

Tax Revenues

General excise tax revenues continue to show improvement

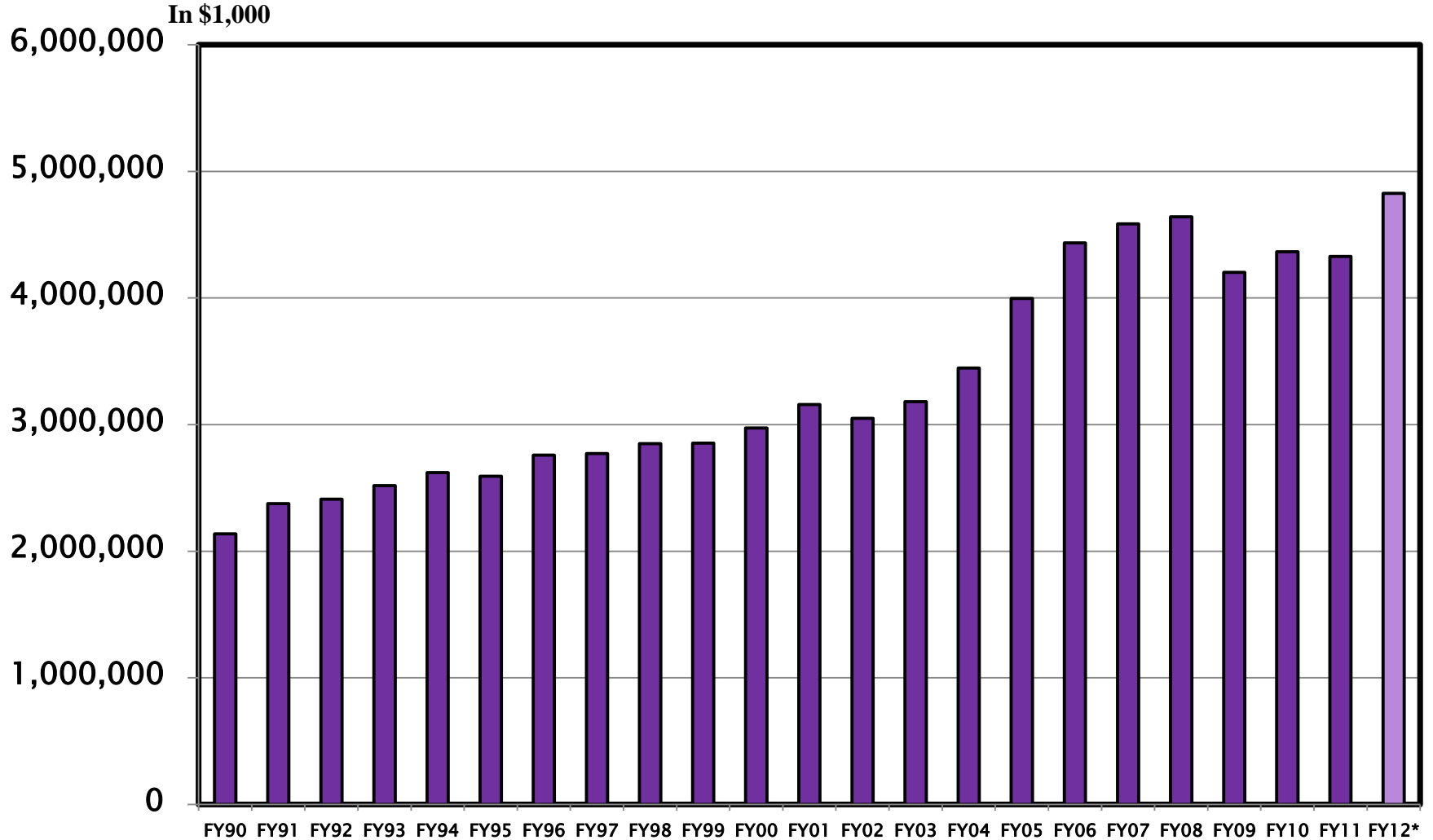
Monthly year-over-year growth rate



Source: Hawaii State Department of Labor Taxation Through November 2011



General fund tax revenue: FY 1990 to FY 2012

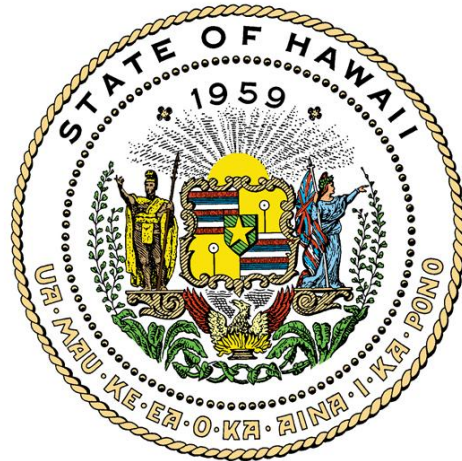


COR Forecast of 11.5% growth on January 5, 2012

Summary

- Hawaii's economy is still on the recovery path – the recovery process is slower than expected
- Visitor industry performed strong in 2011 despite the earthquake in Japan and the economic uncertainties in the world; this sector will continue to grow in 2012
- Labor market will continue to improve in 2012
- Private construction will have another year of flat but government construction will play an important role in the sector
- Personal income will continue to grow at a rate slower than the national average
- Hawaii's economic growth will continue to be lagging the nation in 2012 and the unemployment rate will still be better than the nation

Mahalo



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