

# Current Hawaii Economic Conditions

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# Summary of Current Hawaii Economic Conditions

- **Lowest unemployment rate in Hawaii's history and lowest in the nation, 2.2% Y-T-D through November 2018**
- **Record high level of labor force, employment, and job count**
- **Non-ag Payroll job grew 1.7%, adding 11,100 jobs through November 2018**
- **Tourism industry growth strong, 6.1% for arrivals and 8.0% for expenditures Y-T-D through November**
- **Value of private building permit increased 0.2% Y-T-D through November**
- **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 2.5%, individual income tax increased 12.8% through November**

# 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 January 2019 | 115              |
| Average Expansion, 1945-2009 (11 cycles) |                    | 58.4             |

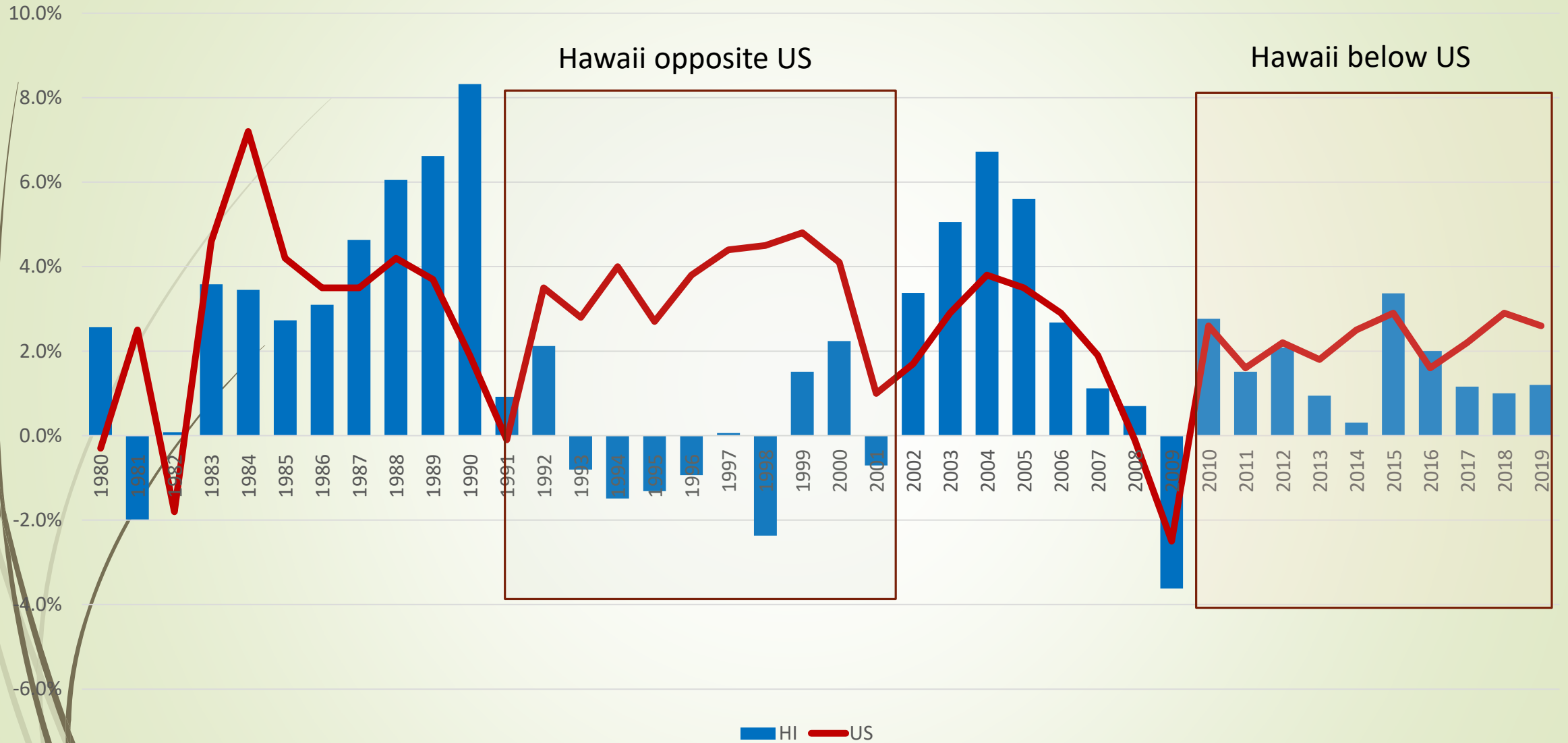
Source: National Bureau Economic Research, US Business Cycle Expansions and Contractions

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

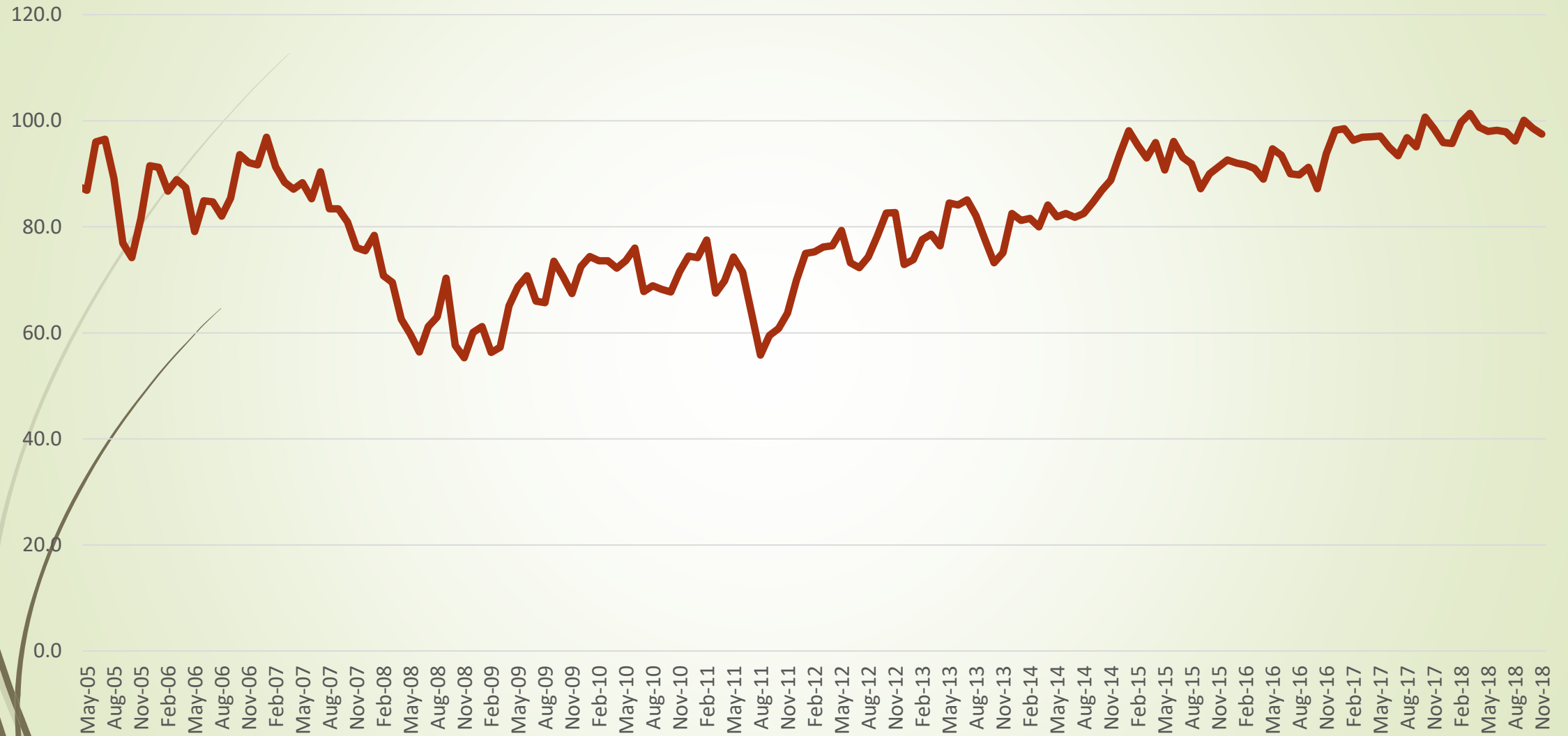
| Period    | U.S. | Hawaii |
|-----------|------|--------|
| 1957-1967 | 4.3% | 6.5%   |
| 1967-1977 | 3.1% | 5.1%   |
| 1977-1987 | 3.2% | 3.3%   |
| 1987-1997 | 3.1% | 1.9%   |
| 1997-2007 | 3.0% | 2.4%   |
| 2007-2017 | 1.4% | 1.1%   |
|           |      |        |
| 1957-1987 | 3.5% | 4.9%   |
|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

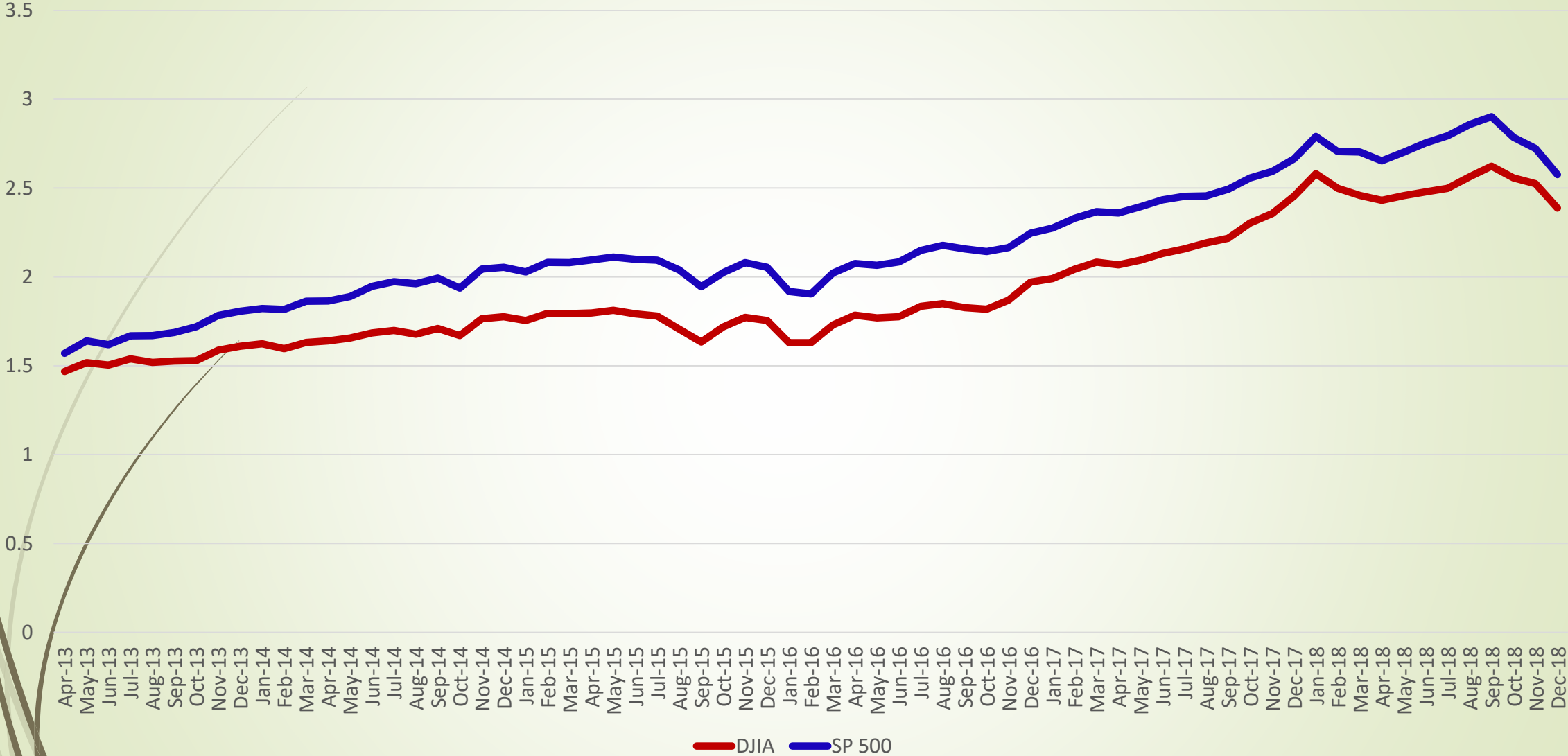


Source: Federal Reserve Bank of St. Louis, University of Michigan Survey of Consumers



# Stock Market Indicators

1,000 for DJIA;  
1,000 for SP



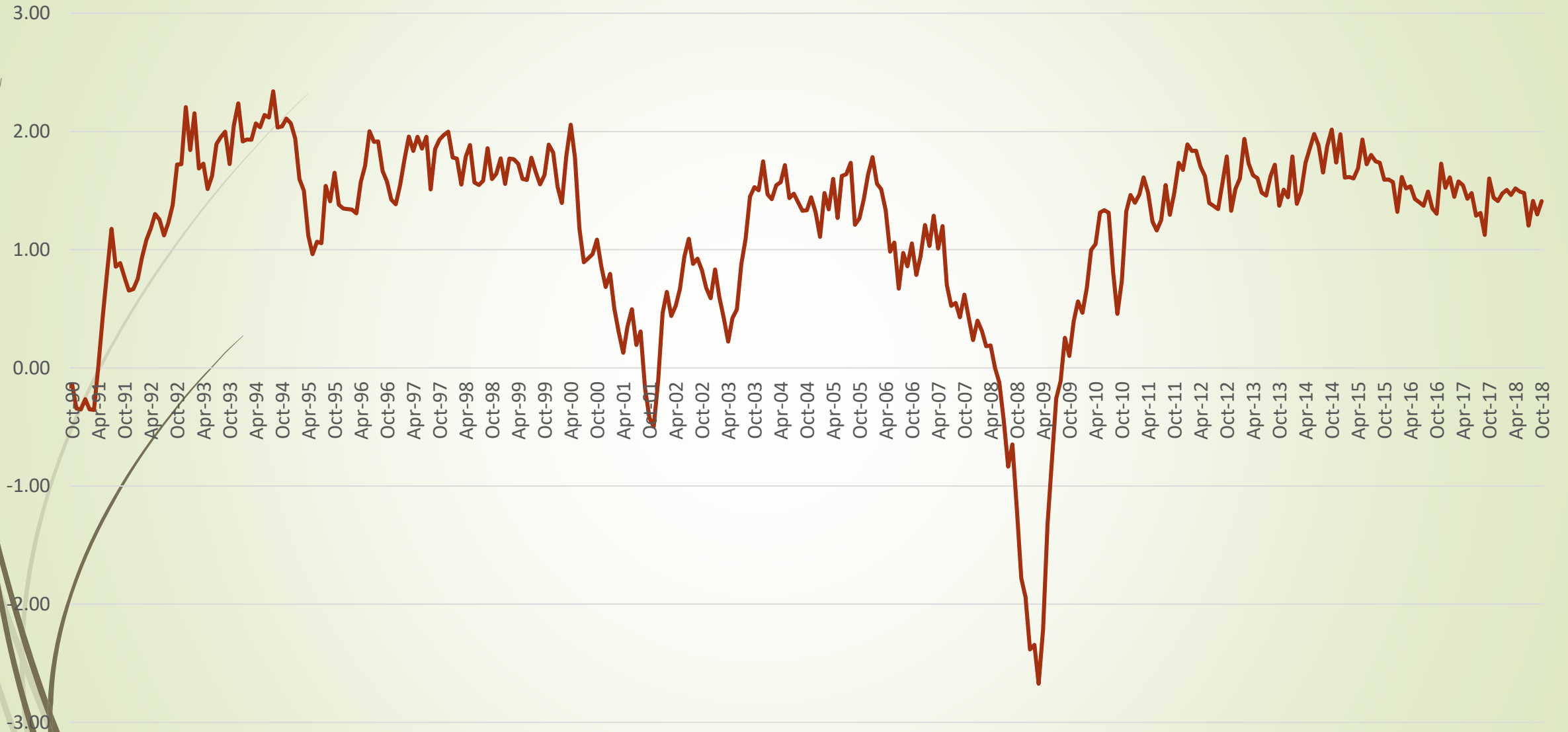
\*As of 12/27/2018

Source: Federal Reserve Bank of St. Louis





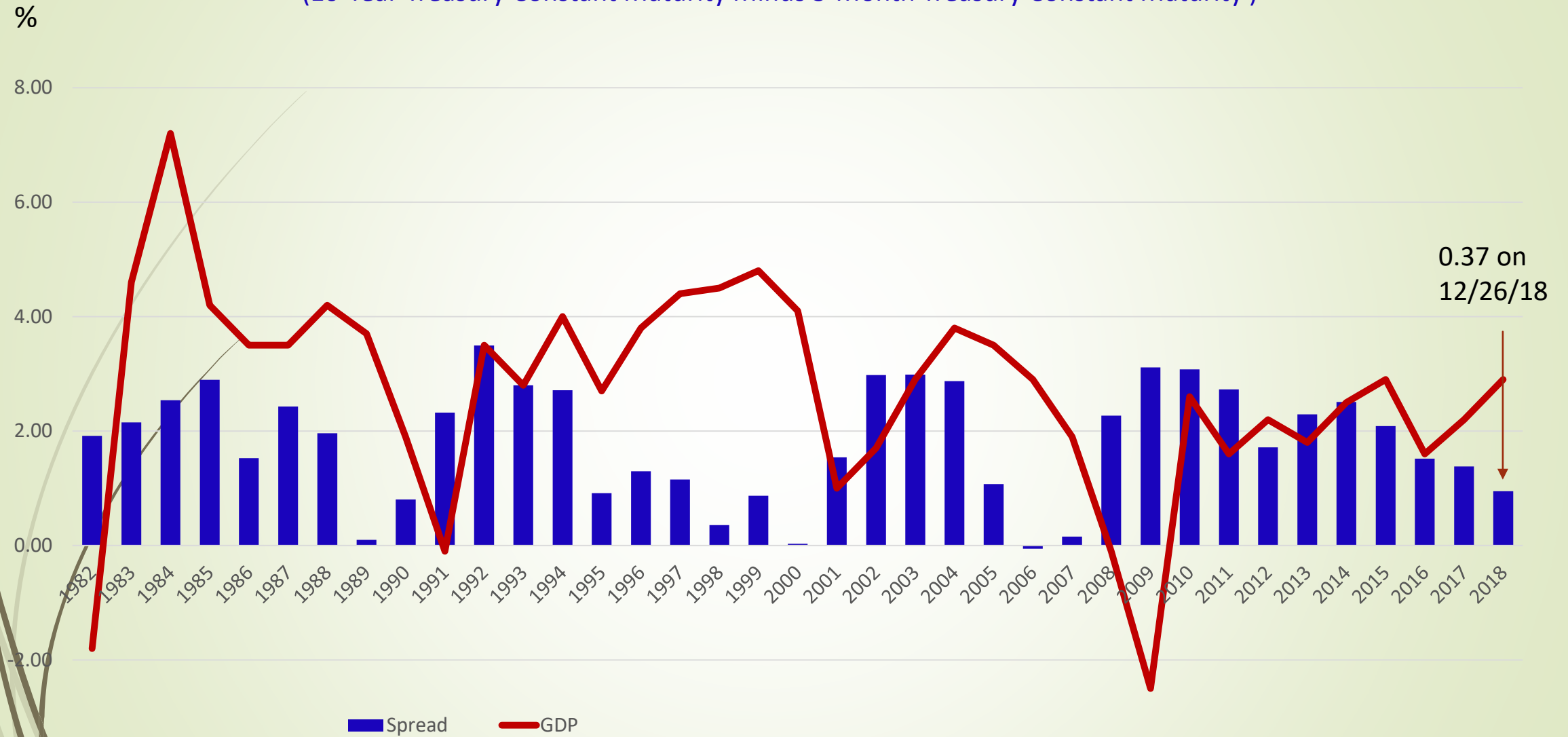
# Leading Economic Index for the United States



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

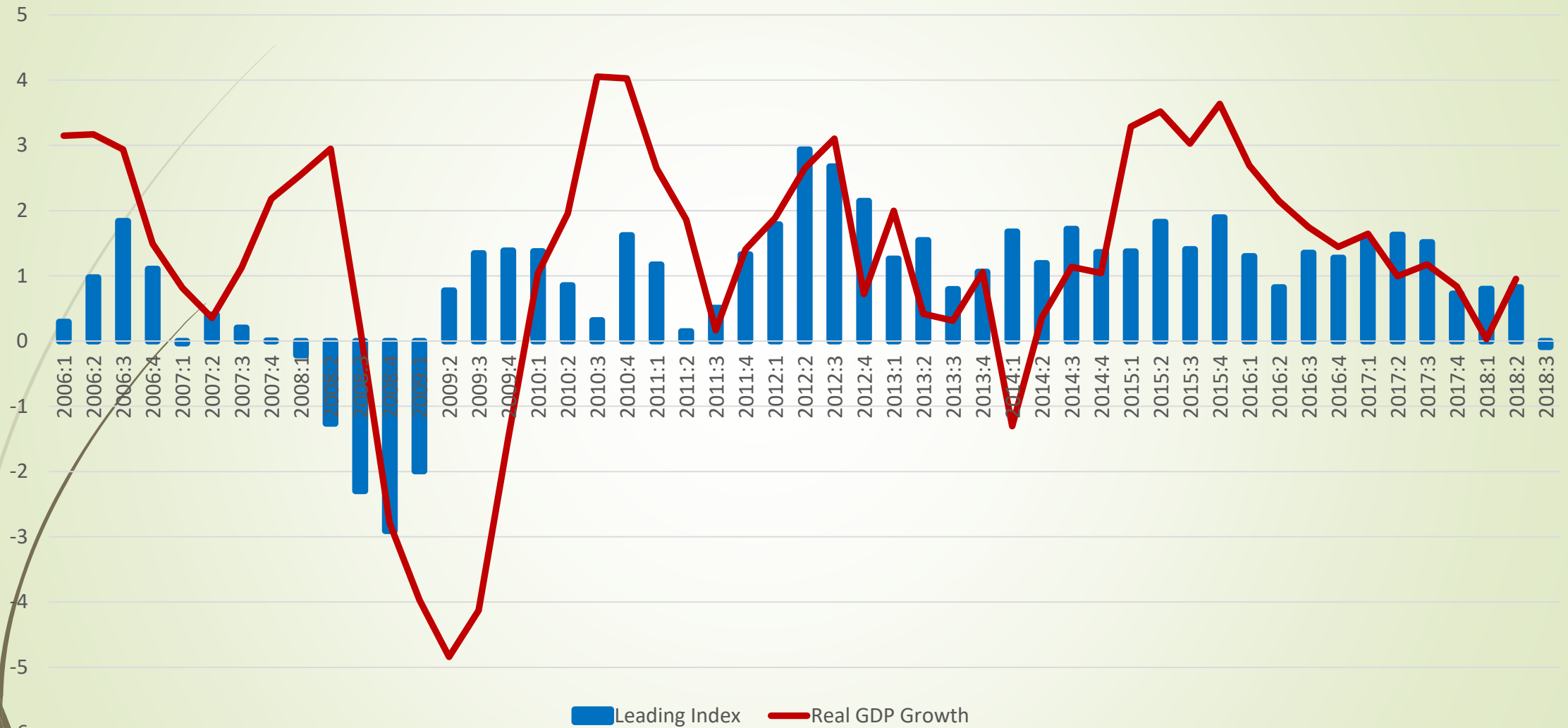
## Most of the world economies will have slower growth in 2019

| Economy        | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|------|------|------|------|------|
| USA.           | 1.4  | 1.5  | 2.3  | 2.9  | 2.6  |
| Canada         | 0.9  | 1.4  | 3.0  | 2.1  | 2.0  |
| Japan          | 2.8  | 1.0  | 1.7  | 1.0  | 1.1  |
| S. Korea       | 2.1  | 2.9  | 3.1  | 2.6  | 2.6  |
| Hong Kong      | 1.5  | 2.2  | 3.8  | 3.4  | 2.6  |
| Taiwan         | 6.7  | 1.4  | 2.9  | 2.6  | 2.2  |
| China          | 6.9  | 6.7  | 6.9  | 6.6  | 6.2  |
| United Kingdom | 1.9  | 1.8  | 1.7  | 1.3  | 1.4  |
| Germany        | 1.2  | 2.2  | 2.5  | 1.7  | 1.7  |
| France         | 1.8  | 1.1  | 2.3  | 1.6  | 1.6  |
| Eurozone       | 2.6  | 1.9  | 2.5  | 1.9  | 1.7  |
| Australia      | -3.5 | 2.6  | 2.2  | 3.2  | 2.7  |
| Brazil         | 1.4  | -3.5 | 1.0  | 1.3  | 2.4  |

Source: Blue Chip Economic Indicators, December 10<sup>th</sup>, 2018

# Hawaii's General Economy

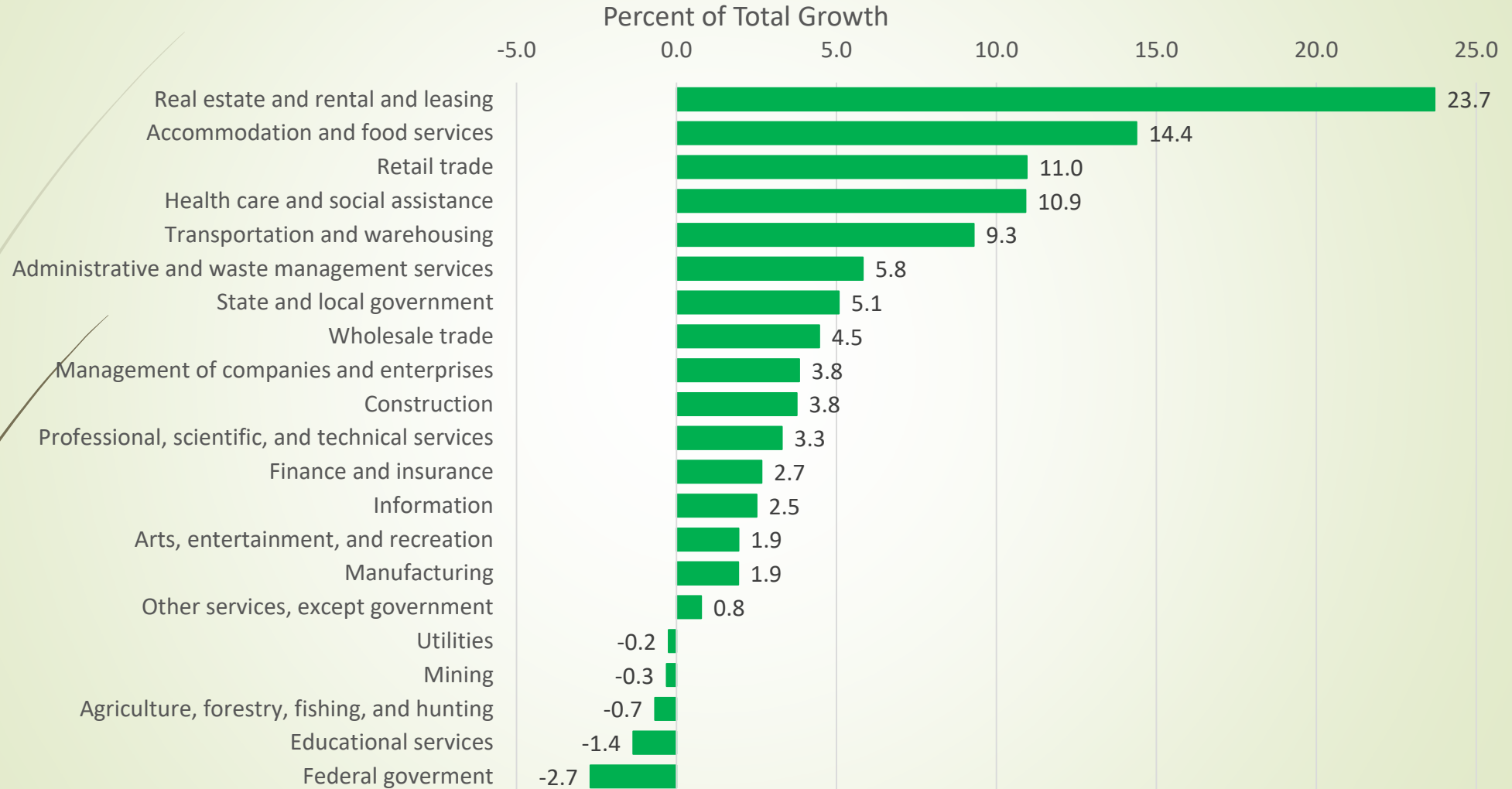
# Hawaii leading index and real GDP growth



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

# Sector Contribution to Real GDP Growth: 2010-2017

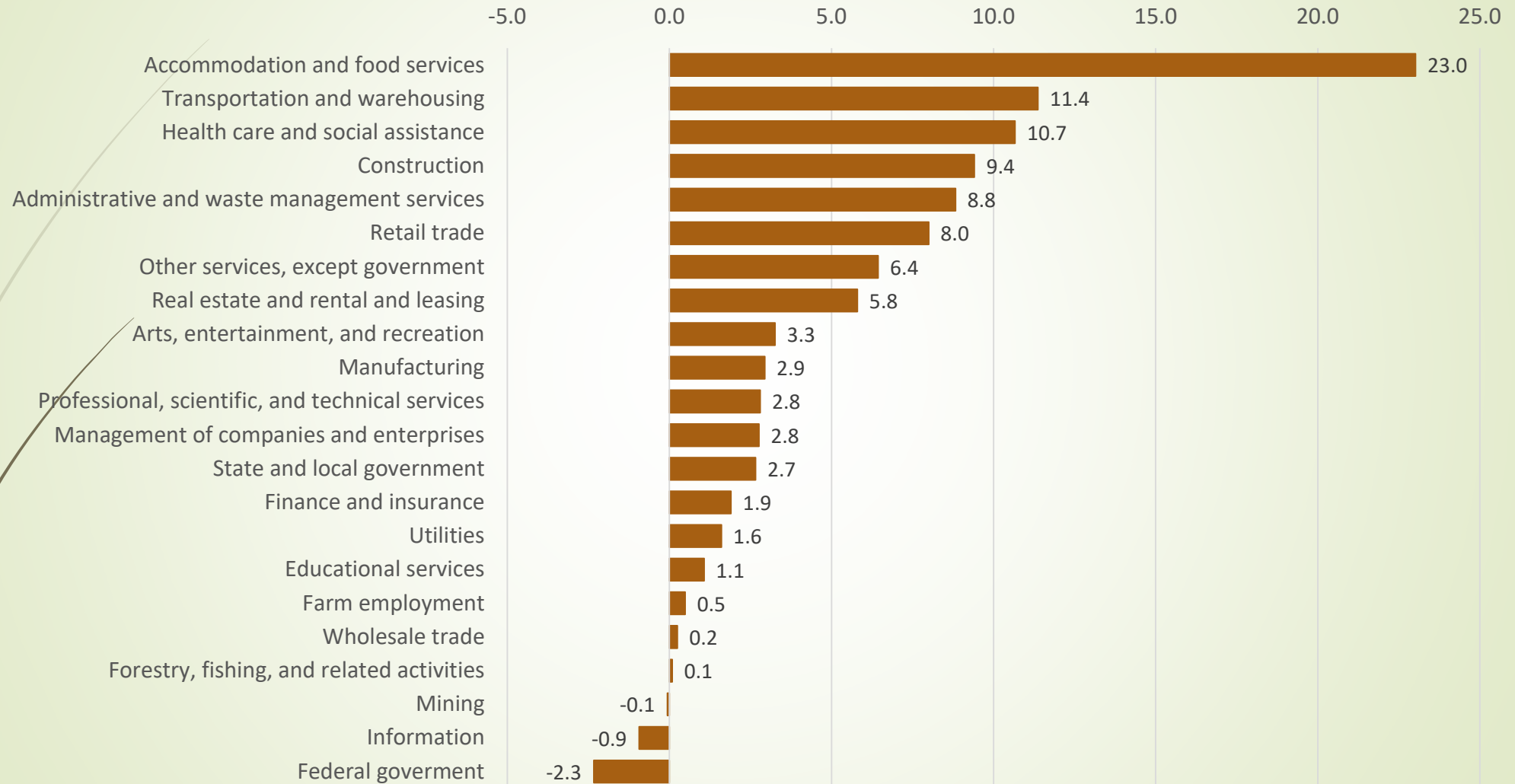
Real GDP growth = 11.9% between 2010-2017, Real Estate sector contributed the most



Source: BEA

# Sector Contribution to Employment Growth: 2010-2017

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

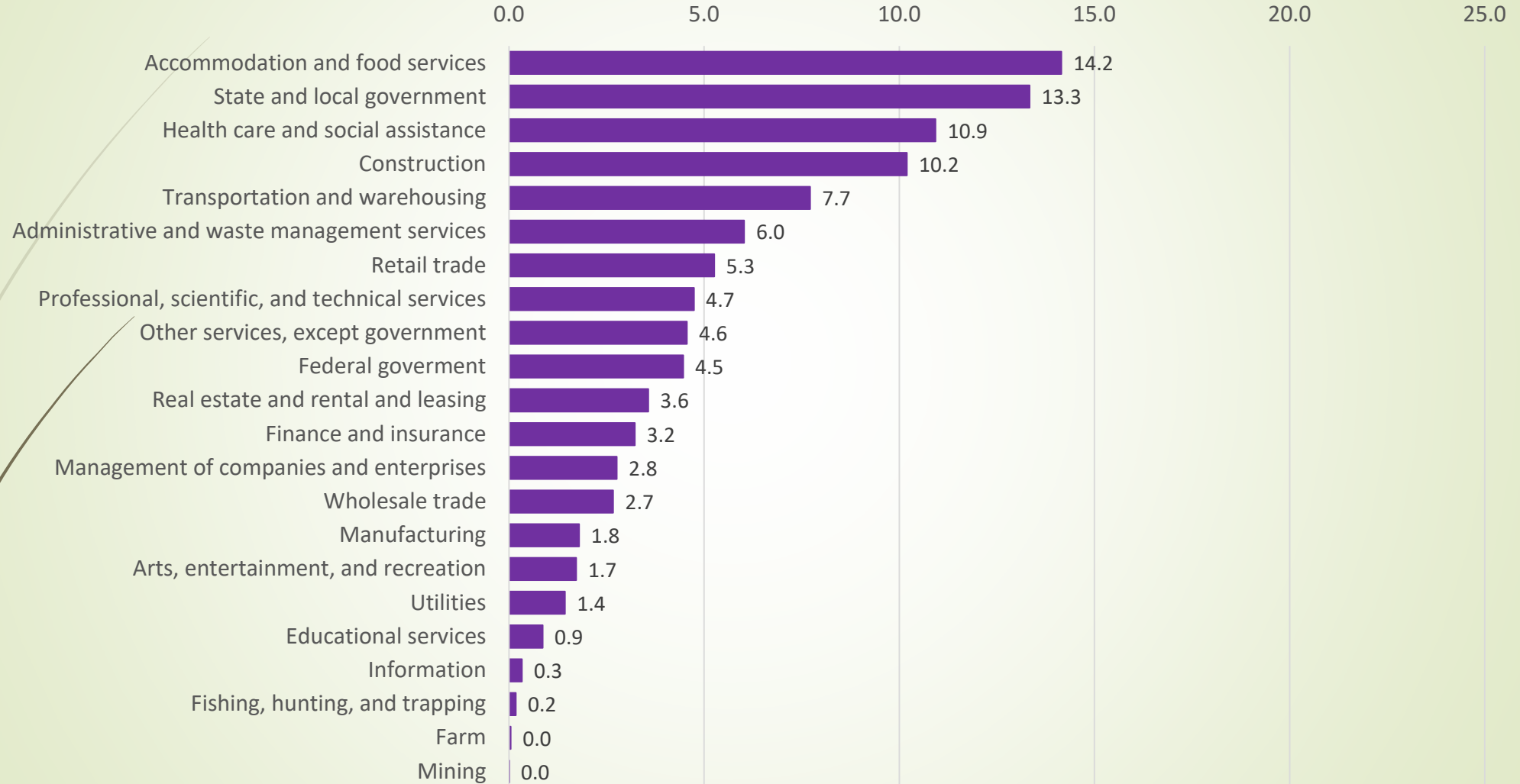


Source: BEA



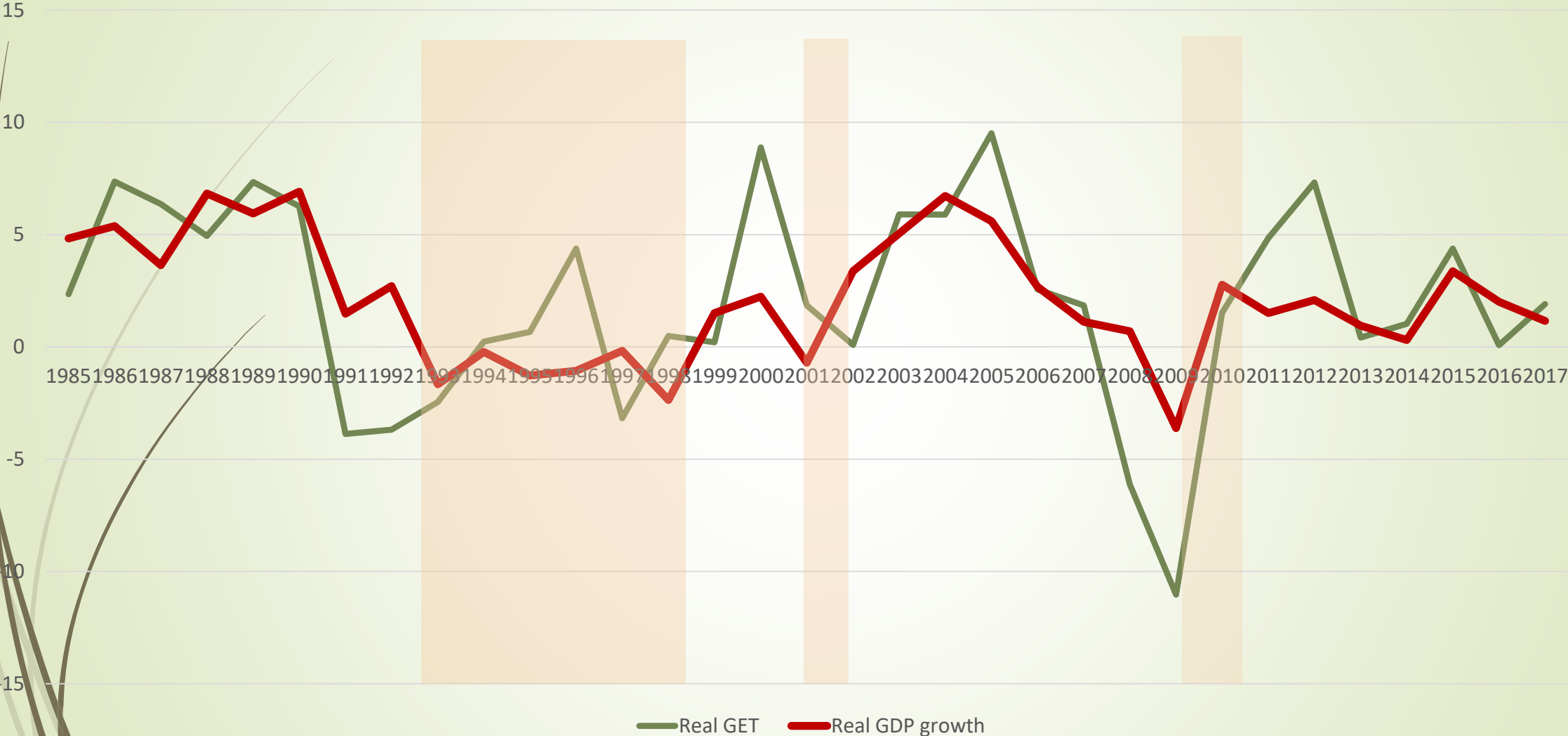
# Sector Contribution to Earnings Growth: 2010-2017

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

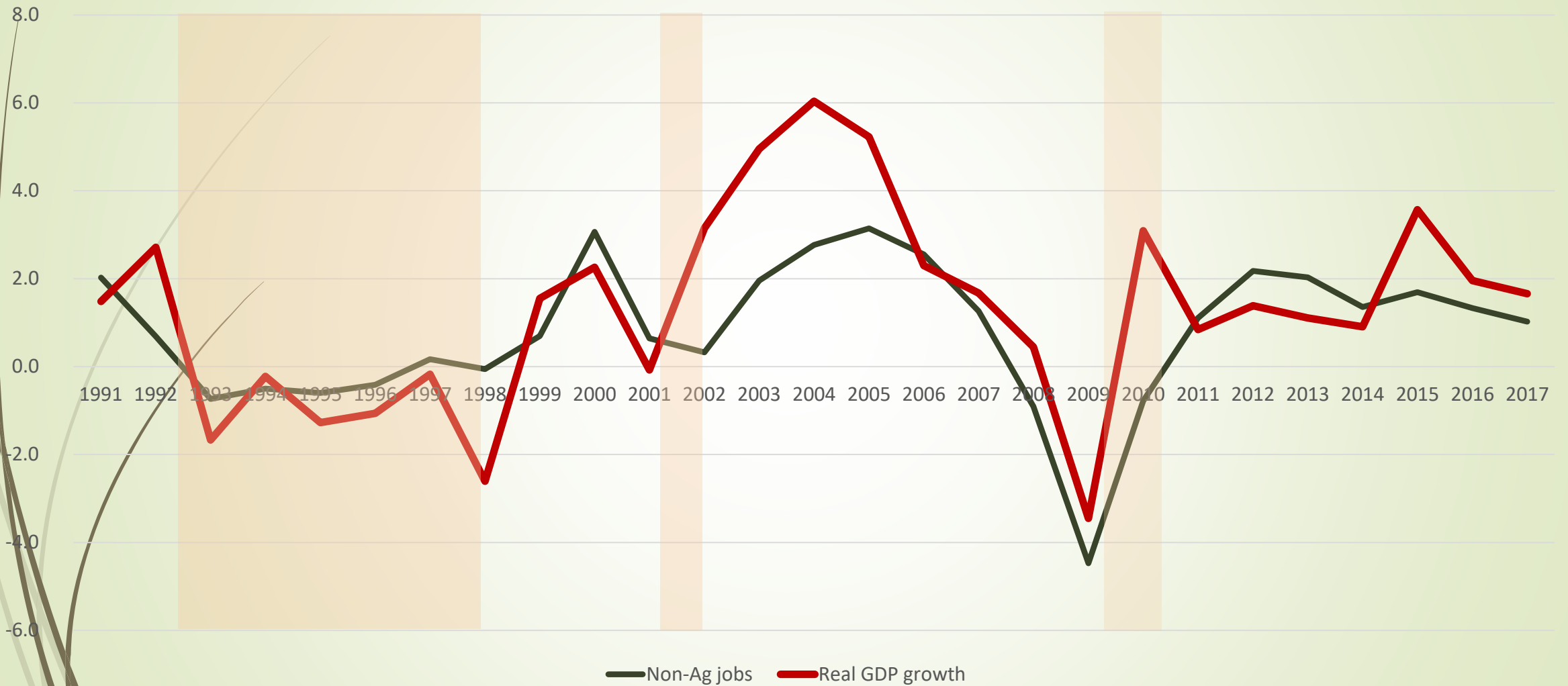


Source: BEA

# Hawaii real GET revenue and real GDP growth rates



# Hawaii non-ag payroll jobs and real GDP growth rates

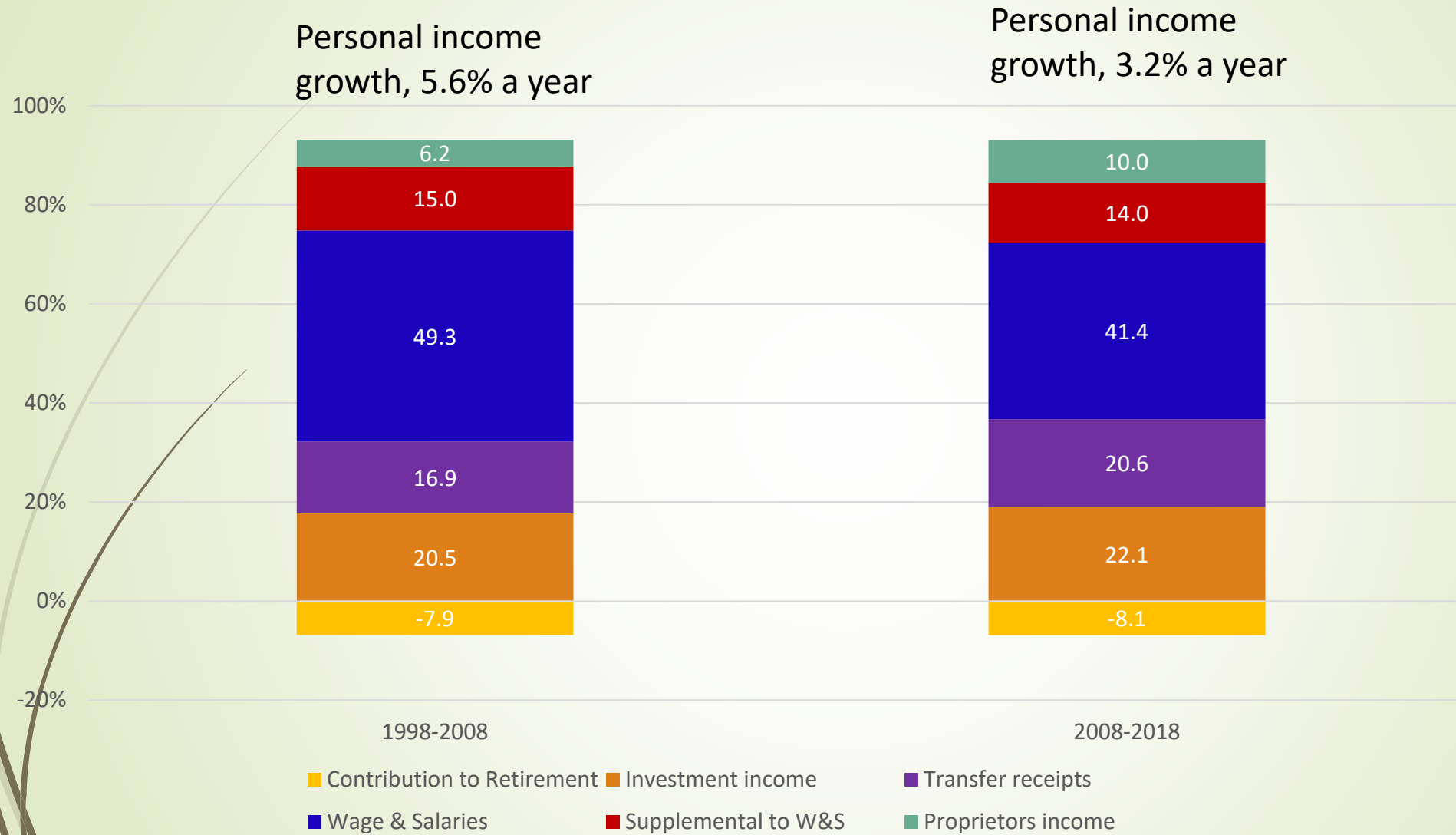


## Hawaii Ranking of Index of Economic Momentum

| Year | Overall ranking | Personal income | Population | Employment |
|------|-----------------|-----------------|------------|------------|
| 2018 | 46              | 51              | 48         | 16         |
| 2017 | 31              | 21              | 47         | 38         |
| 2016 | 13              | 8               | 33         | 6          |

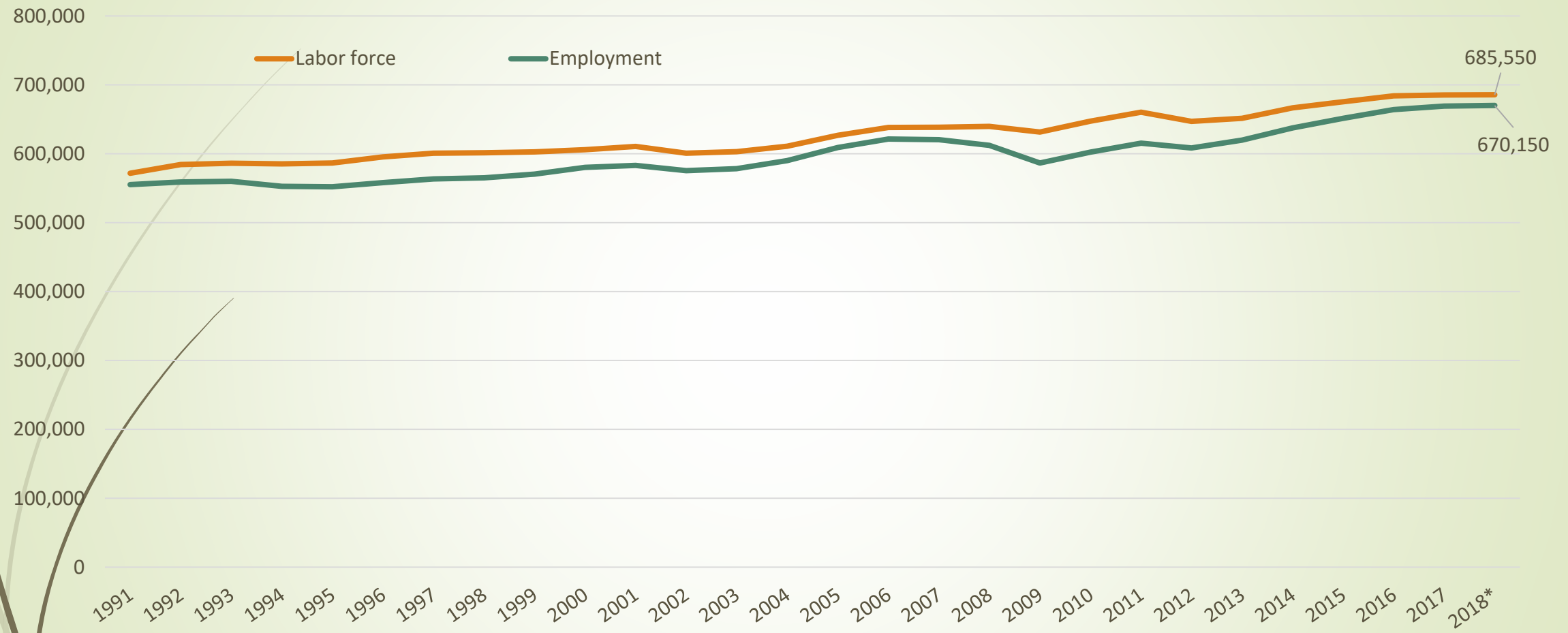
Source: FFIS, State Policy Reports

# Personal transfer receipts contributes more to personal income growth



# Labor Market Conditions

# Statewide labor force & employment flattening

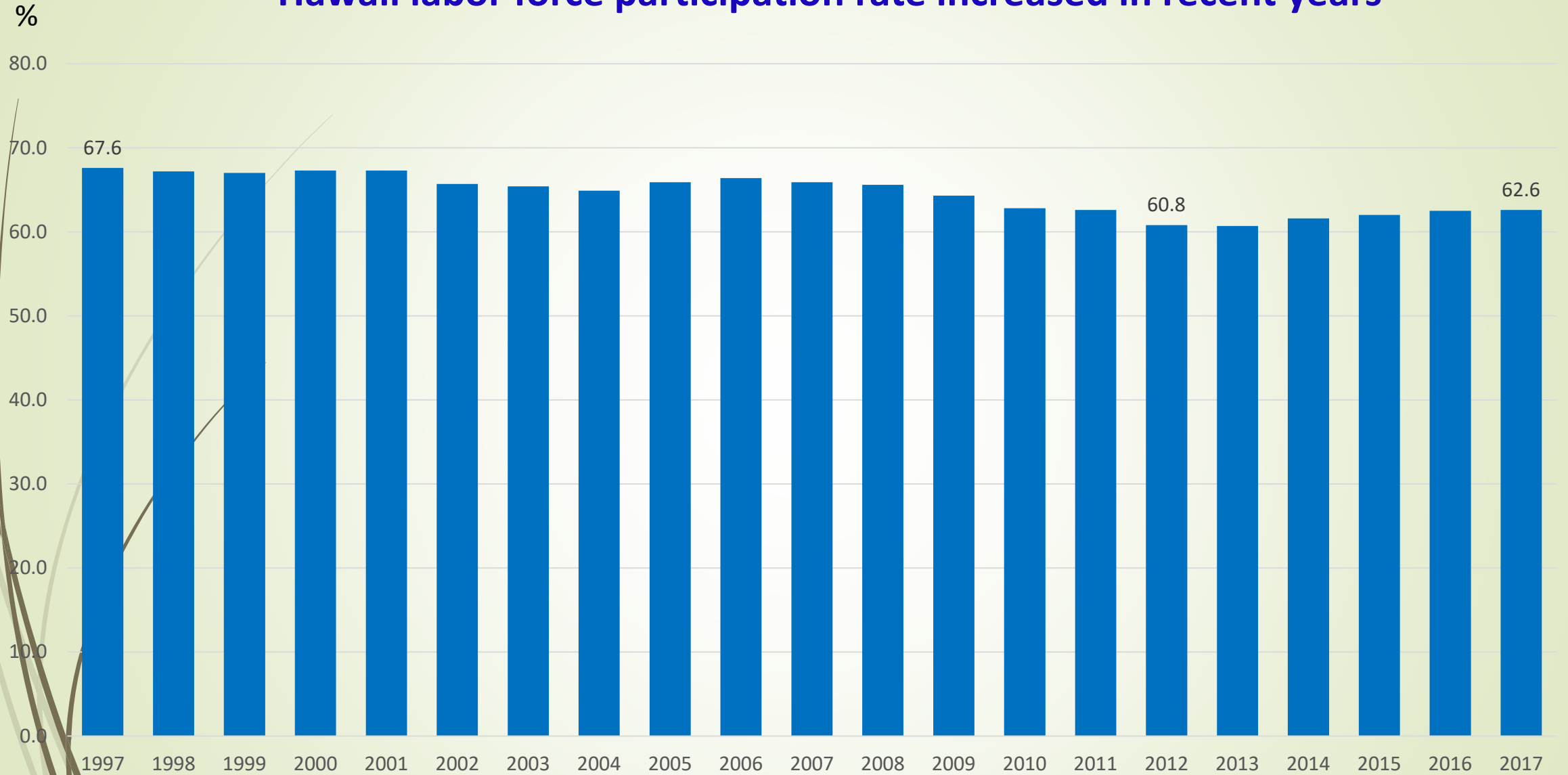


\*2018 number is November YTD number

Source: Hawaii State Department of Labor and Industrial Relations.

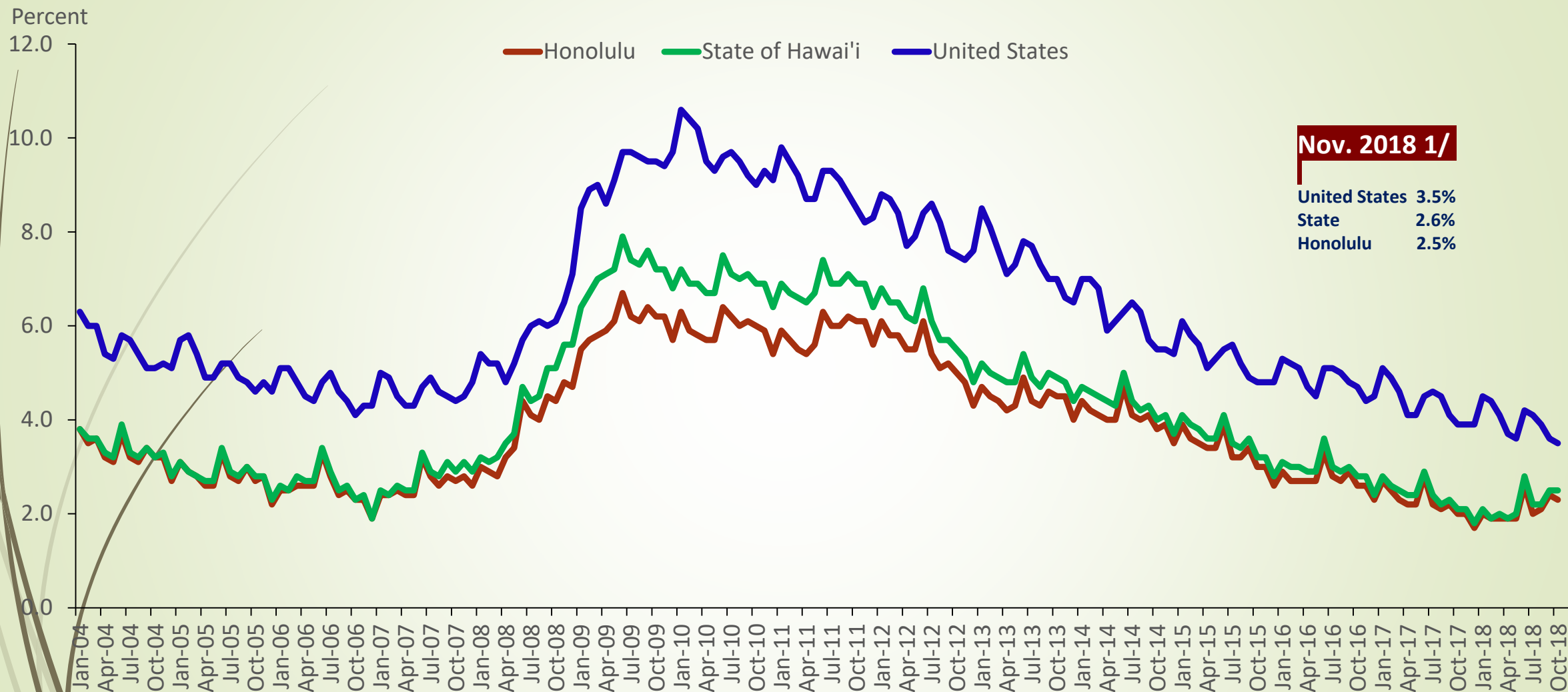


# Hawaii labor force participation rate increased in recent years



Source: Bureau of Labor Statistics

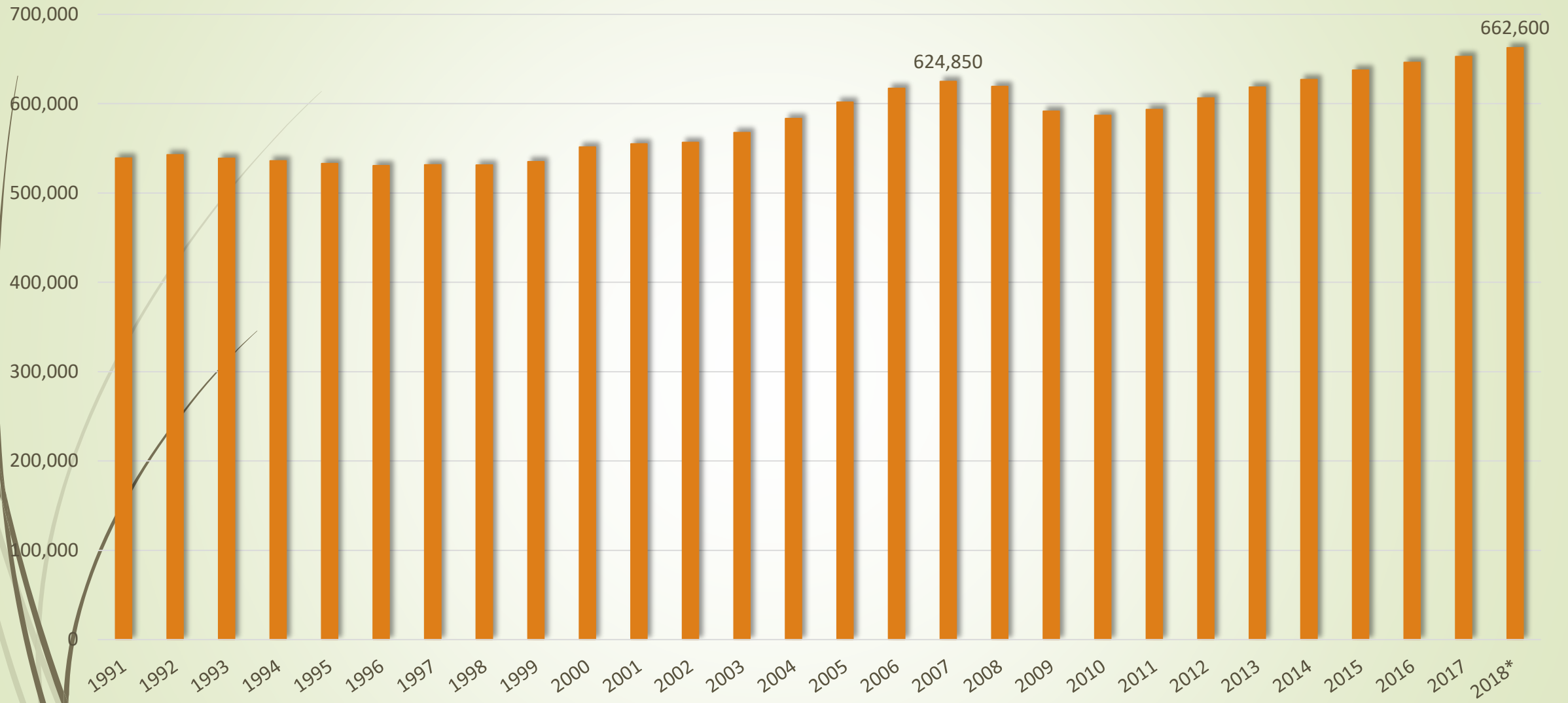
# Unemployment rate has been at record low level for past 11 months and the lowest in the nation since late 2016



1/ Not seasonally adjusted

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

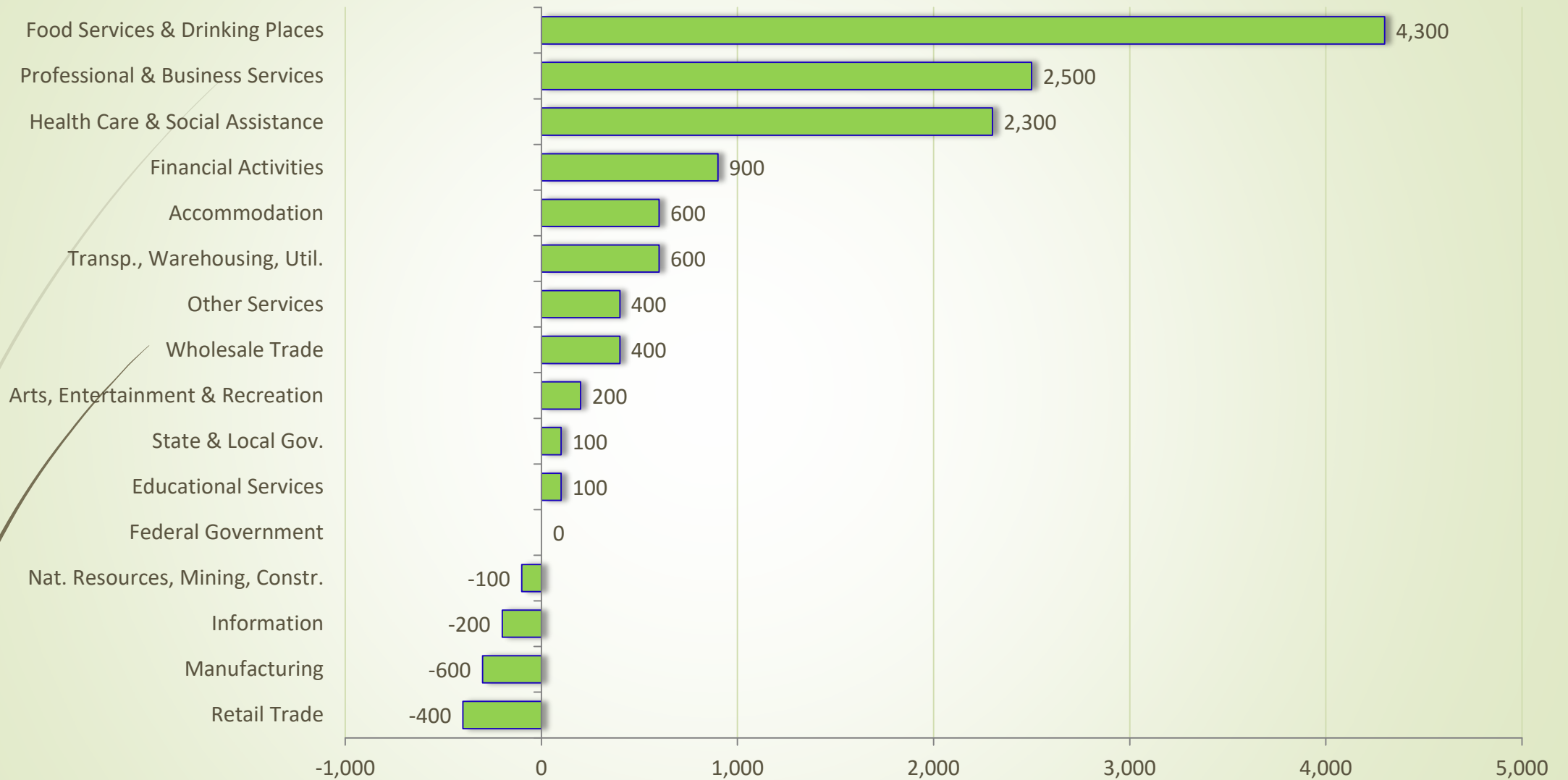
# Non-ag. payroll job count continues to grow



\*2018 number is November YTD number

Source: Hawaii State Department of Labor and Industrial Relations.

# Statewide gained 11,100 non-ag payroll jobs in November YTD 2018

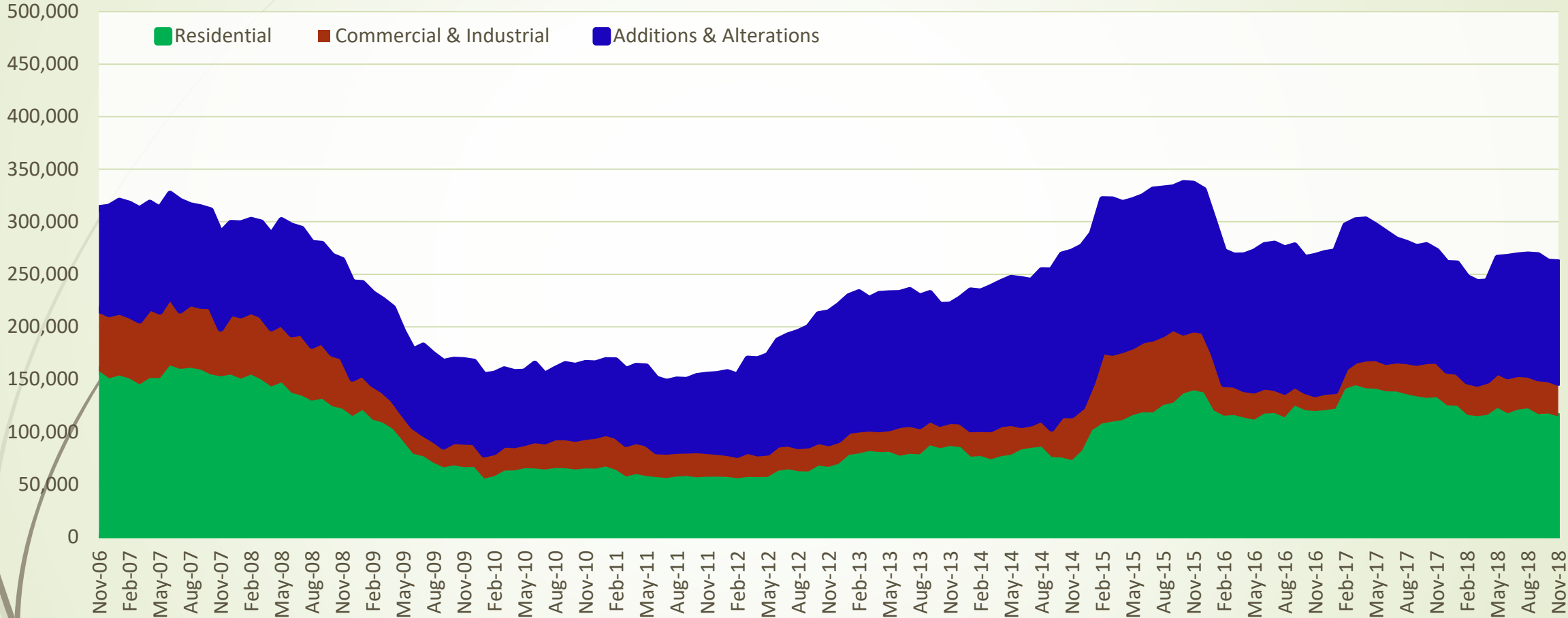


Source: Hawaii State Department of Labor and Industrial Relations.

# Construction and Real Estate

# Value of private construction permits flat Y-T-D through November 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. Nov. 2017 YTD and Nov. 2018 YTD)

| Island | Single Family Homes |              | Condo Homes  |              |
|--------|---------------------|--------------|--------------|--------------|
|        | Closed sales        | Median price | Closed sales | Median price |
| Oahu   | -5.6%               | 4.2%         | -2.3%        | 4.9%         |
| Maui   | 3.2%                | 2.4%         | 16.8%        | 12.1%        |
| Hawaii | -6.4%               | 1.4%         | -4.5%        | 12.7%        |
| Kauai  | 7.8%                | 5.8%         | 12.0%        | 5.9%         |

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.

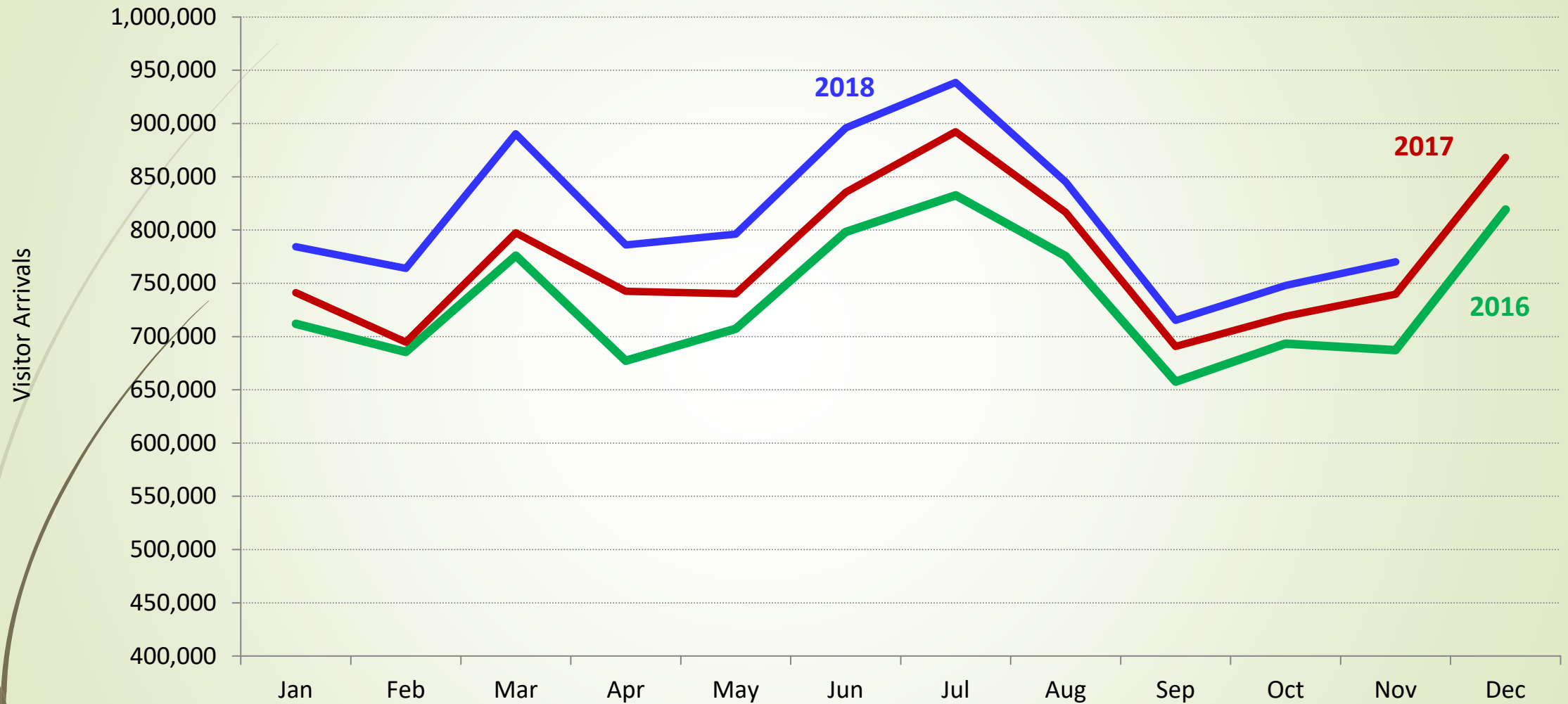
## Median Home Prices: Nov. 2017 YTD and Nov. 2018 YTD

| Island | Single Family Homes |               | Condo Homes   |               |
|--------|---------------------|---------------|---------------|---------------|
|        | Nov. 2017 YTD       | Nov. 2018 YTD | Nov. 2017 YTD | Nov. 2018 YTD |
| Oahu   | \$758,000           | \$790,000     | \$405,000     | \$425,000     |
| Maui   | \$695,000           | \$712,000     | \$446,000     | \$500,000     |
| Hawaii | \$350,000           | \$355,000     | \$310,500     | \$350,000     |
| Kauai  | \$668,000           | \$706,950     | \$425,000     | \$450,000     |

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

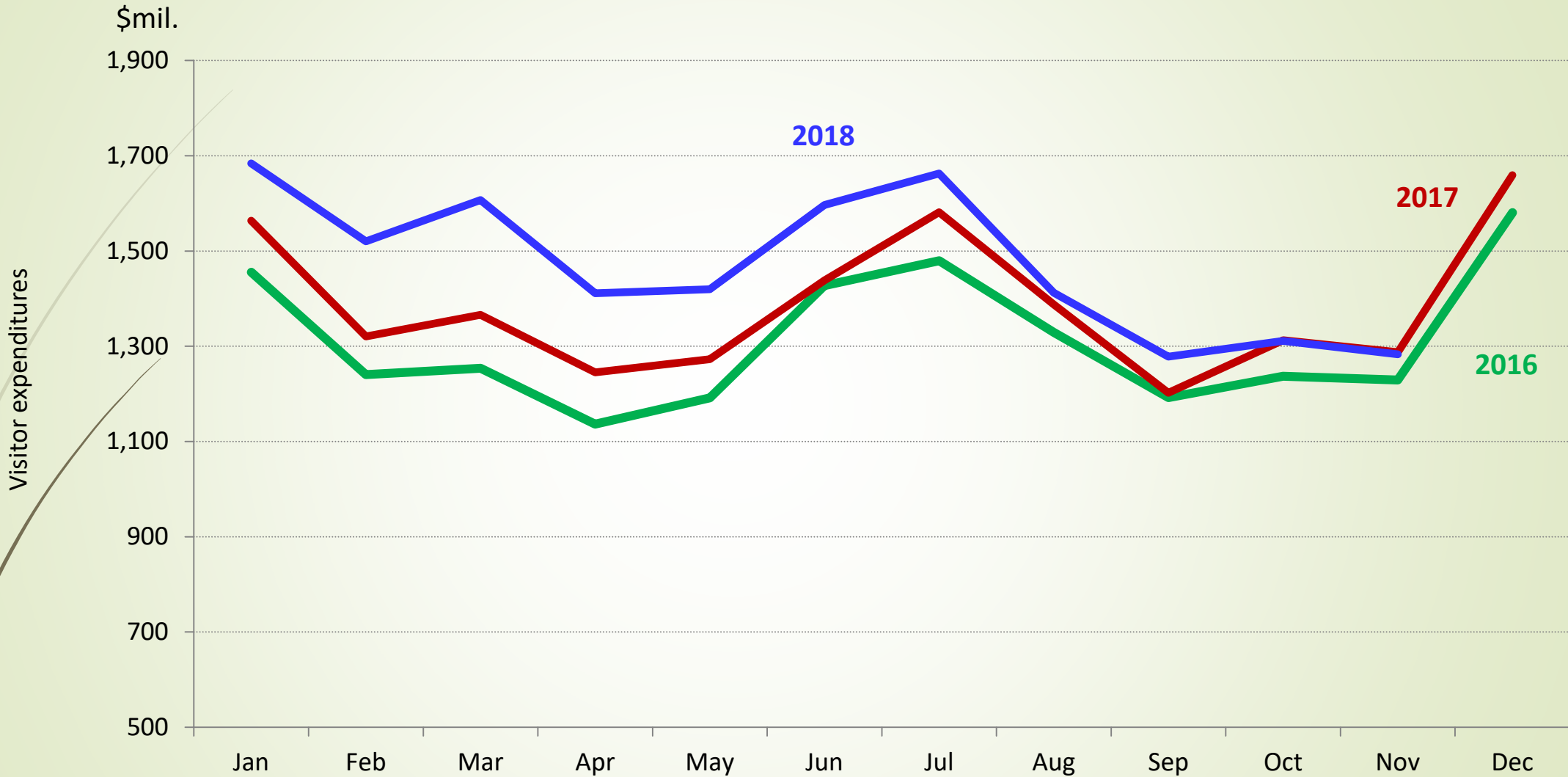
# Tourism

# Visitor arrivals by air increased 6.2% during the first 11 months of 2018



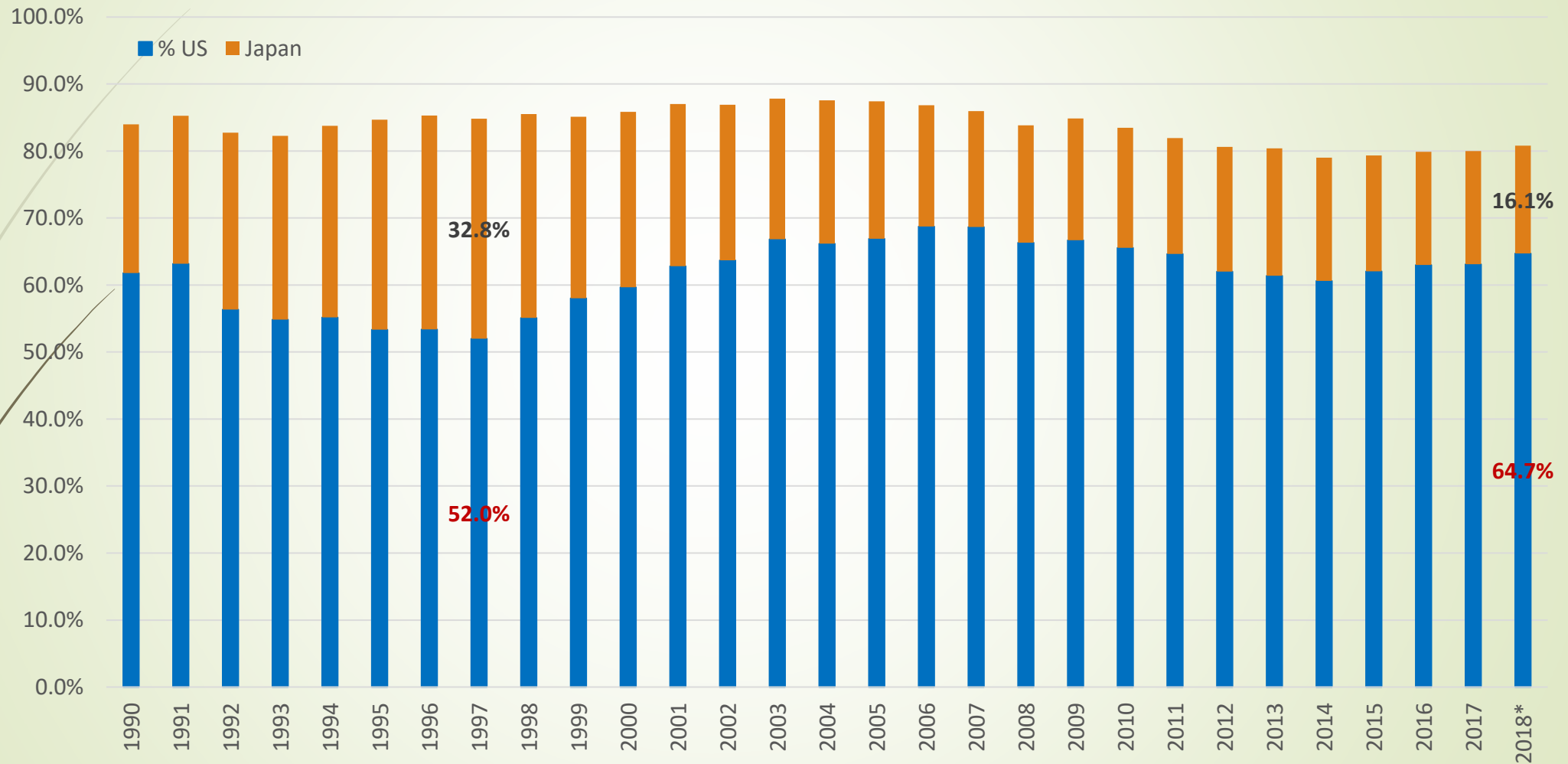
Source: Hawaii Tourism Authority

# Visitor expenditures increased 8.0% during the first 11 months of 2018



Source: Hawaii Tourism Authority

# US and Japanese visitor arrivals by air

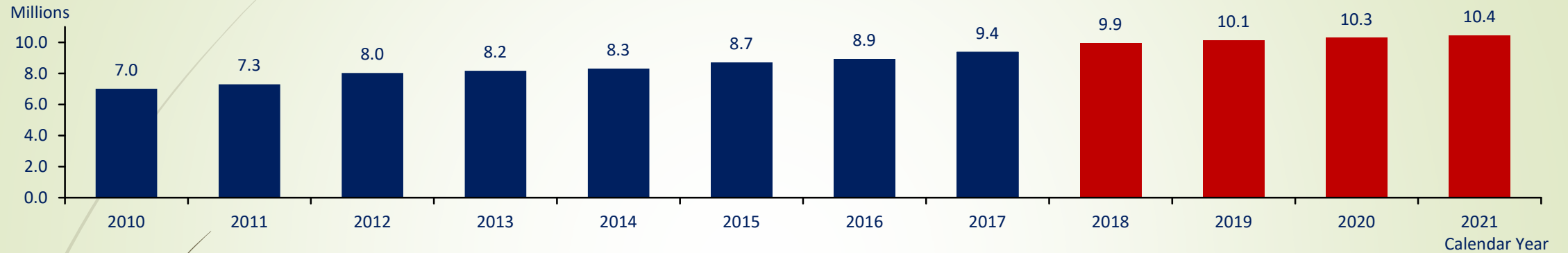


\*First 11 months

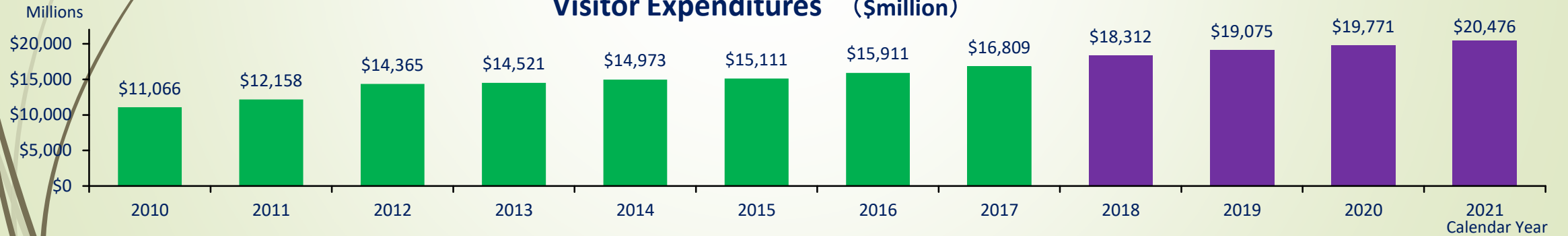
Source: Hawaii Tourism Authority, DBEDT

# Hawaii Visitor Arrivals and Expenditures

## Visitor Arrivals (million)



## Visitor Expenditures (\$million)



Source: Hawaii Tourism Authority and DBEDT



## Air seats in first 9 months of 2019 on scheduled flights by market

| MARKET     | 2019      | 2018      | % change |
|------------|-----------|-----------|----------|
| TOTAL      | 9,972,392 | 9,925,183 | 0.5      |
| US WEST    | 6,201,512 | 6,131,662 | 1.1      |
| US EAST    | 909,988   | 862,886   | 5.5      |
| JAPAN      | 1,505,958 | 1,526,386 | -1.3     |
| CANADA     | 383,362   | 343,038   | 11.8     |
| OTHER ASIA | 354,096   | 426,206   | -16.9    |
| OCEANIA    | 381,890   | 400,932   | -4.7     |
| OTHER      | 235,586   | 234,073   | 0.6      |

Source: Hawaii Tourism Authority

## Air seats in first 9 months of 2019 on scheduled flights by airport

| Airport     | 2019      | 2018      | % change |
|-------------|-----------|-----------|----------|
| STATE TOTAL | 9,972,392 | 9,925,183 | 0.5      |
| Honolulu    | 6,125,540 | 6,160,927 | -0.6     |
| Kahului     | 2,070,942 | 1,994,575 | 3.8      |
| Kona        | 985,217   | 979,605   | 0.6      |
| Hilo        | 34,362    | 42,343    | -18.8    |
| Lihue       | 756,331   | 747,733   | 1.1      |

Source: Hawaii Tourism Authority

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

| Indicator                   | Annual average growth, % |                         | 2018 | 2019 | 2020 |
|-----------------------------|--------------------------|-------------------------|------|------|------|
|                             | 30 years,<br>1987 - 2017 | 20 years,<br>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