

Where Are We in Recovery and Where Are We Heading For?

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Department of Business, Economic Development & Tourism

At

Senate Committee on Ways and Means

January 20, 2023

General Economic Conditions



December 2022 world economic growth projections

Economy	2019	2020	2021	2022	2023	2024
USA	2.3	-3.4	5.7	1.9	0.5	1.2
Canada	1.9	-5.1	5.0	3.4	0.4	1.6
Japan	-0.2	-4.7	1.7	1.5	1.2	1.2
S. Korea	2.2	-0.7	4.1	2.6	1.2	2.1
Hong Kong	-1.7	-6.5	6.3	-2.7	2.7	3.5
Taiwan	3.1	3.4	6.5	3.1	2.1	2.4
China	6.0	2.2	8.1	3.0	4.7	5.2
United Kingdom	1.7	-11.0	7.5	4.3	-1.1	0.8
Germany	1.1	-4.1	2.6	1.7	-0.5	1.6
France	1.8	-7.9	6.8	2.5	0.1	1.3
Euro area	1.6	-6.3	5.3	3.2	-0.1	1.4
Australia	2.0	-1.8	5.2	3.8	1.6	2.0
Brazil	1.2	-3.3	5.0	2.9	0.8	2.1

Source: Blue Chip Economic Indicators, January 10, 2023

A Historical Review of Hawaii's Economic Growth

Indicator	Annual average growth, %				
	20 years, 1999 – 2019	2020	2021	2022*	2023*
Real GDP	1.9	-11.5	6.3	2.6	1.7
Real personal income	1.9	2.7	1.9	-4.6	0.7
Honolulu inflation rate	2.5	1.6	3.8	6.5	3.1
Non-Ag wage and salary jobs	1.0	-15.0	4.2	4.3	3.0
Unemployment rate	4.1	12.0	5.7	3.6	3.5
Visitor arrivals by air	2.1	-73.9	150.3	35.4	5.0

* DBEDT forecast, November 30, 2022

Source: DBEDT

DBEDT November 2022 economic forecast

Economic Indicators	2019	2020	2021	2022	2023	2024	2025
	Actual			Forecast			
Total population (1,000)	1,416	1,452	1,442	1,439	1,440	1,442	1,444
Visitor arrivals (1,000)	10,387	2,708	6,778	9,267	9,816	10,213	10,518
Visitor expenditures (\$M)	17,844	5,162	13,154	19,455	20,909	21,743	22,850
Honolulu consumer inflation rate (%)	1.6	1.6	3.8	6.5	3.1	2.3	2.1
Personal income (\$M)	78,516	83,110	87,858	86,995	89,300	91,817	94,549
Non-agricultural wage & salary jobs (1,000)	658.6	559.9	583.5	608.9	627.1	641.3	653.4
Civilian unemployment rate (%)	2.5	12.0	5.7	3.6	3.5	3.2	2.9
Real gross domestic product growth rate (%)	-0.8	-11.5	6.3	2.6	1.7	2.1	2.0

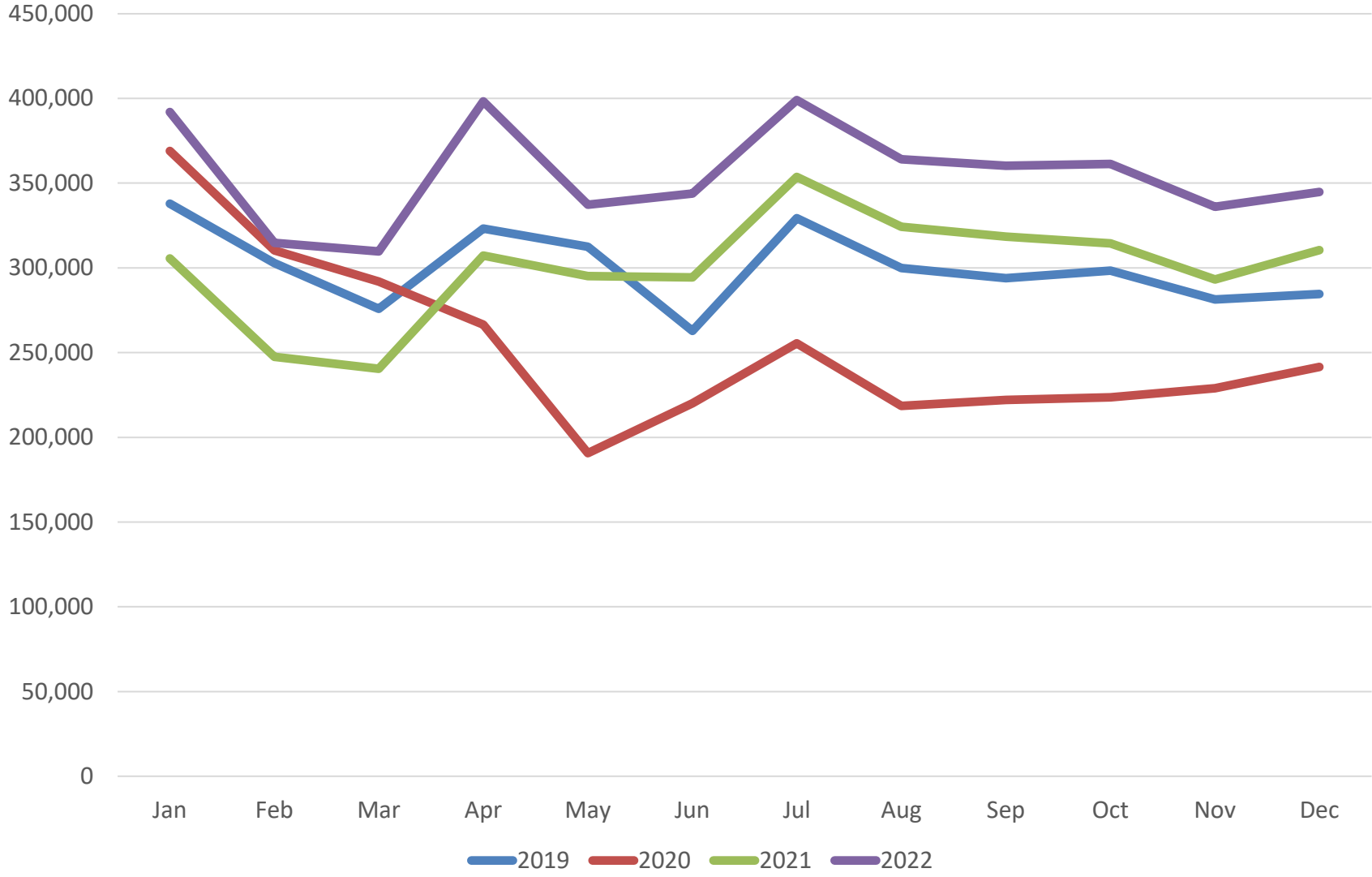
Source: Hawaii State Department of Business, Economic Development & Tourism, November 30, 2022

Economic recovery by county (Jan-Nov 2022 as % of Jan-Nov 2019)

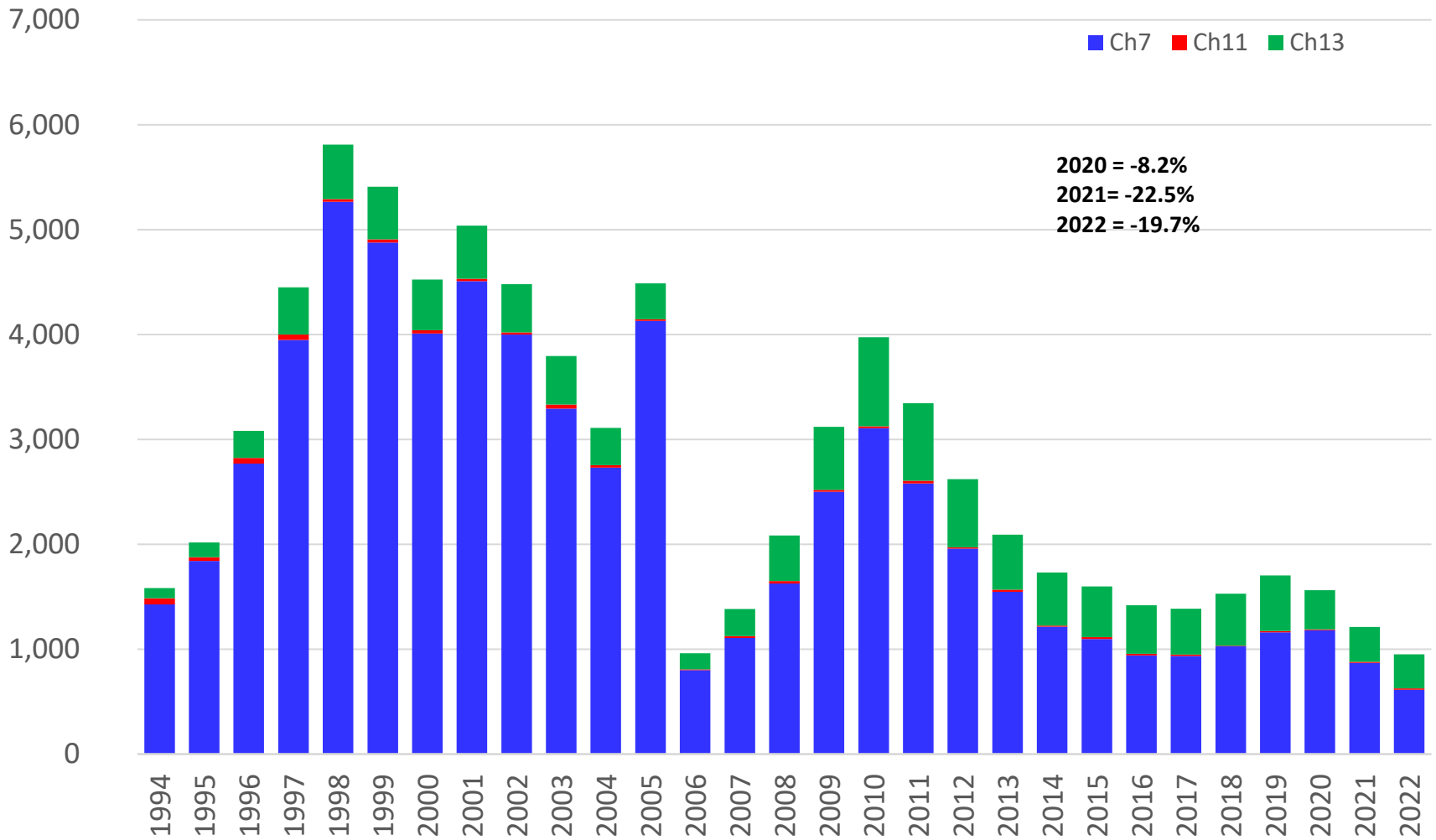
Indicator	State	Honolulu	Hawaii	Maui	Kauai
Labor force	98.4	98.3	100.1	97.2	97.6
Employment	97.2	97.1	99.5	95.2	95.8
Unemployment	144.2	143.8	116.3	175.6	171.4
Unemployment rate (% points above 2019)	1.2	1.1	0.5	2.0	1.9
Total non-ag payroll job	92.5	92.6	94.6	90.4	90.9
Total value of private building permits	106.0	92.7	151.4	116.8	110.4
Air visitor arrivals	89.2	78.2	95.6	95.3	98.2
Air visitor expenditures	109.1	104.3	116.5	111.3	114.8
Single family home sales	97.9	95.1	108.2	93.4	82.0
Condo home sales	112.4	120.3	92.3	97.2	109.9

Source: DLIR, DBEDT, County Building Dept, and BOR

State General Excise Tax Collection Increased 18.2% in CY 2022



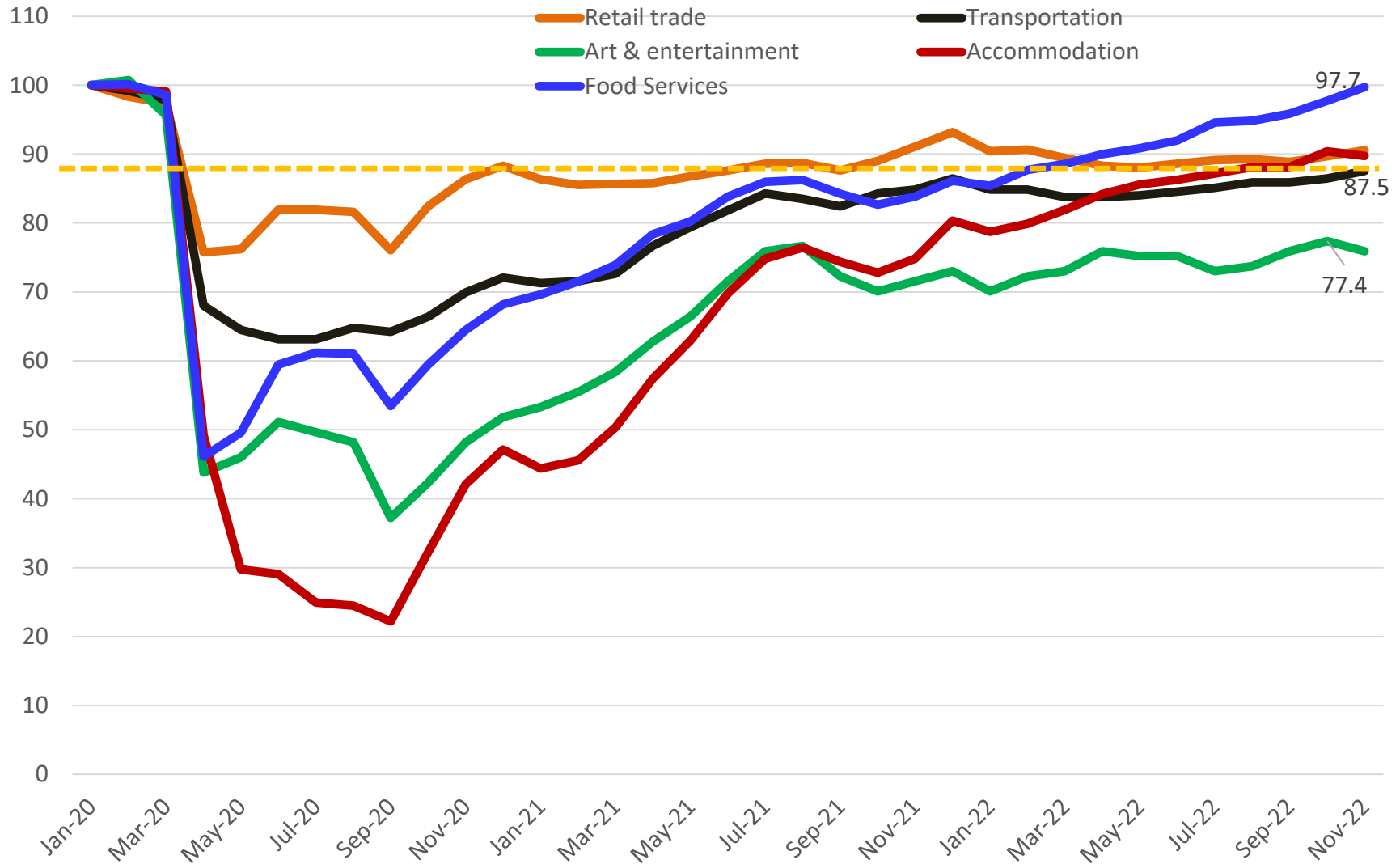
Hawaii bankruptcy filings decreased 3 years in a row



Labor Market

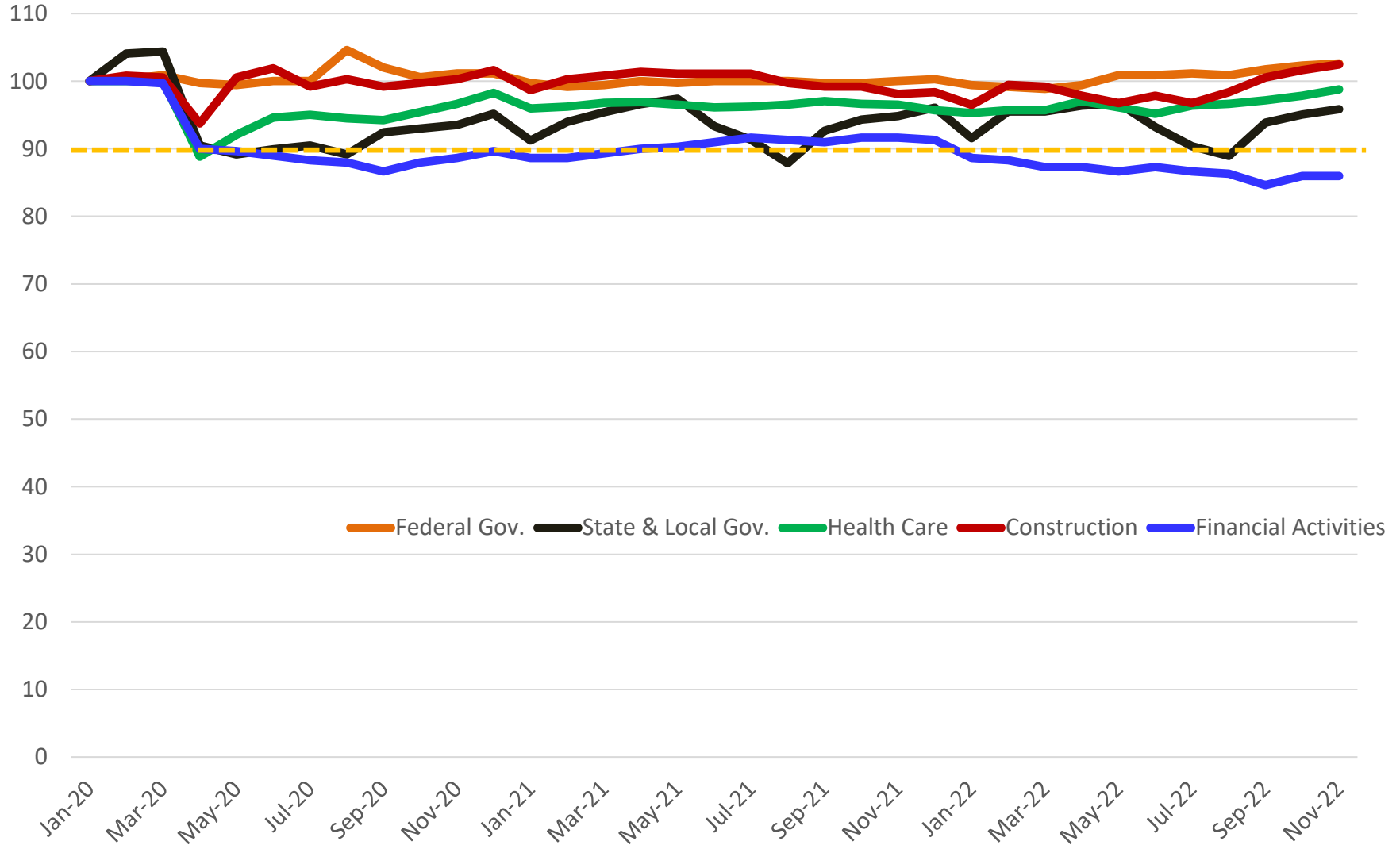


Tourism-related industry payroll jobs recovery (Jan. 2020=100)



Source: DBEDT

Non-tourism related industry payroll jobs recovery (Jan. 2020 =100)



Source: DBEDT

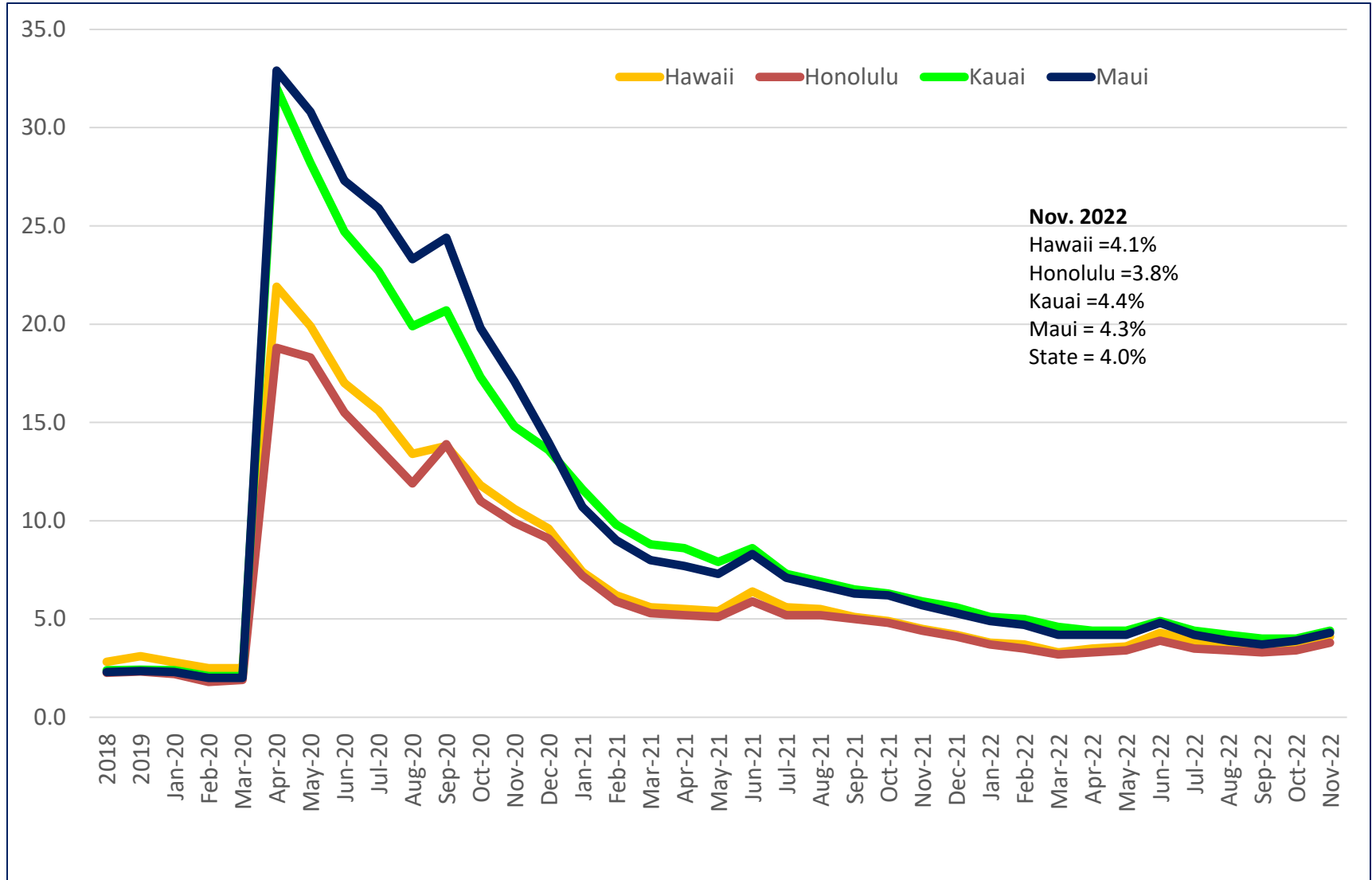
Job recovery month of November 2022 VS 2019

Industry	State	Honolulu County	Hawaii County	Maui County	Kauai County
Number of payroll jobs still lost	42,400	31,500	3,000	5,800	2,200
Total	93.6	93.5	95.8	92.8	93.4
Construction	99.0	98.9	102.6	91.5	109.5
Manufacturing	89.2	84.4	107.1	100.0	120.0
Wholesale trade	85.8	86.8	77.8	87.5	80.0
Retail trade	89.2	86.9	99.0	90.1	92.7
Transportation & utilities	87.8	87.1	90.6	91.1	100.0
Information	98.9	97.5	116.7	100.0	100.0
Financial activities	85.1	86.3	74.1	87.1	75.0
Professional & business services	95.0	95.2	90.0	97.2	87.5
Educational services	100.7	96.7	115.4	116.7	100.0
Health care	98.8	99.6	95.0	100.0	90.0
Hospitality	93.9	93.6	101.4	90.2	93.3
Other services	91.2	90.8	100.0	94.1	90.9
Government	95.3	95.9	92.9	92.5	94.2

Unemployment rate by county

(Not seasonally adjusted)

%



Average weekly initial unemployment claims

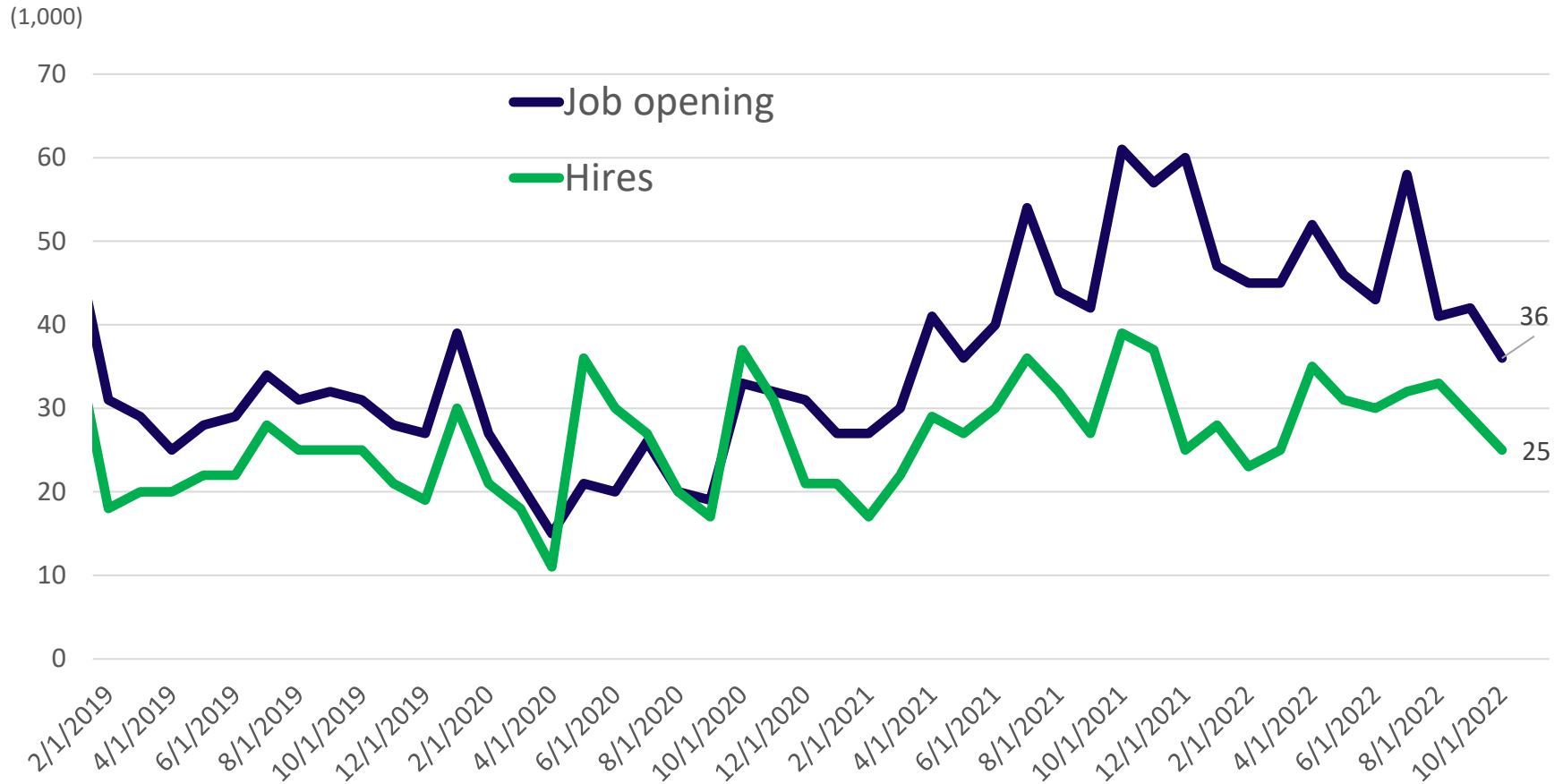
Year	Oahu	Hawaii	Maui	Kauai	State
2008	929	372	299	129	1,729
2009	1,290	494	487	194	2,464
2010	1,207	447	356	182	2,191
2011	1,148	393	281	155	1,976
2012	1,058	331	241	119	1,749
2013	1,088	324	253	114	1,779
2014	965	275	232	107	1,579
2015	796	217	191	84	1,288
2016	743	215	175	74	1,207
2017	796	205	167	70	1,238
2018	777	232	156	72	1,236
2019	746	212	144	73	1,176
2020	5,211	1,070	1,400	587	8,268
2021	1,745	343	367	169	2,624
2022*	865	170	150	54	1,262

As of December 24, 2022

Source: Hawaii DLIR

Job vacancies have been high since 2021

(unfilled positions was 7,500 a month in 2019, at 16,000 during first 10 months of 2022)



Source: U.S. Bureau of Labor Statistics

Construction and Real Estate



CURRENT DEVELOPMENTS

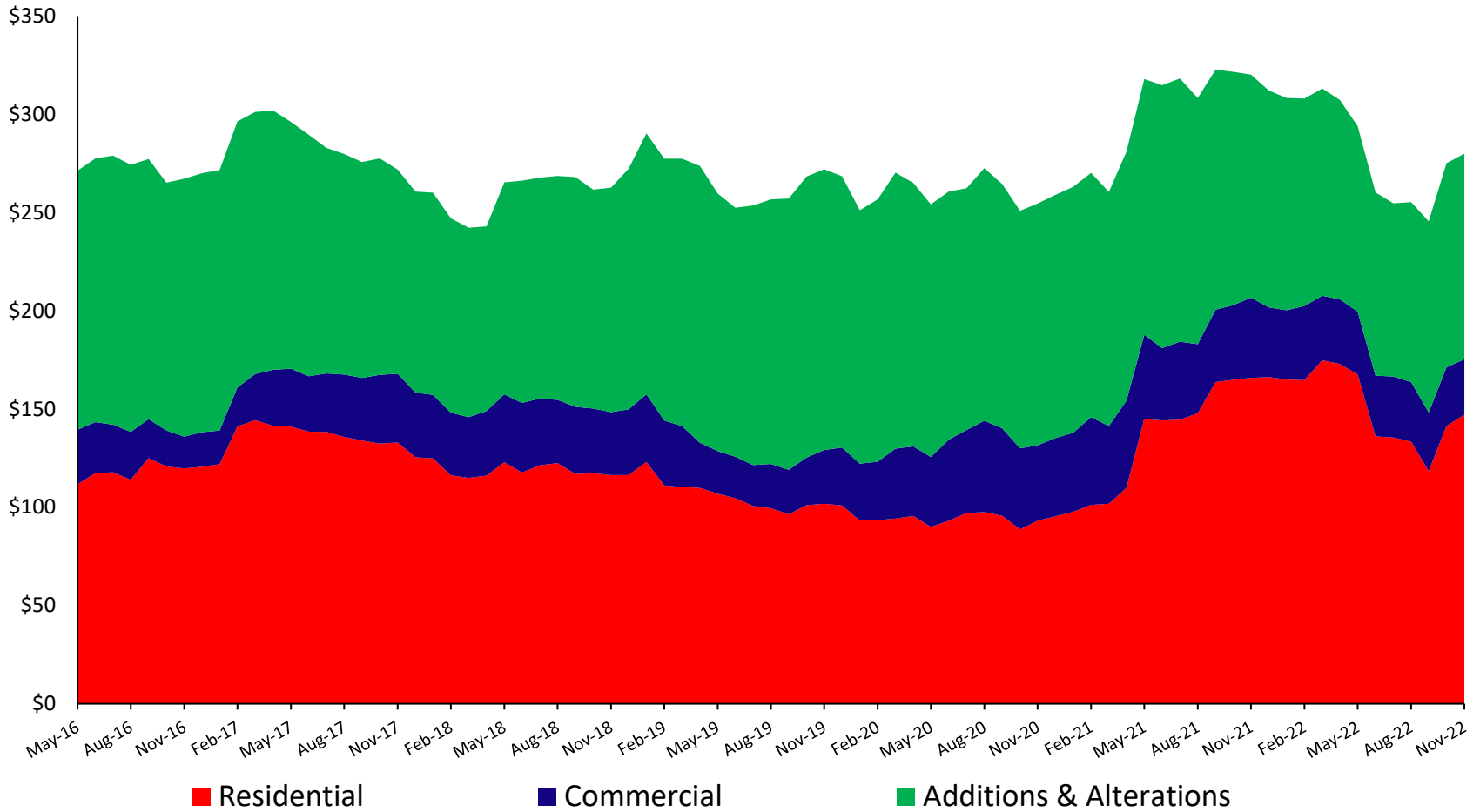
- A. The Collection
- B. Halekauwila Place
- C. 801 South Street - Building 'A'
- D. Ward Village, Land Block 5 - Project 1
- E. Symphony Honolulu
- F. Ward Village, Land Block 2 - Project 1
- G. Ward Village, Land Block 3 - Project 1
- H. Waihonua

ANTICIPATED DEVELOPMENTS

- 1. Keauhou Lane
- 2. 801 South Street - Building 'B'
- 3. Art Space

Value of Hawai'i private building permits issued (\$ in Millions)

10.9% decrease year-to-date though November 2022 (12-month rolling average basis)



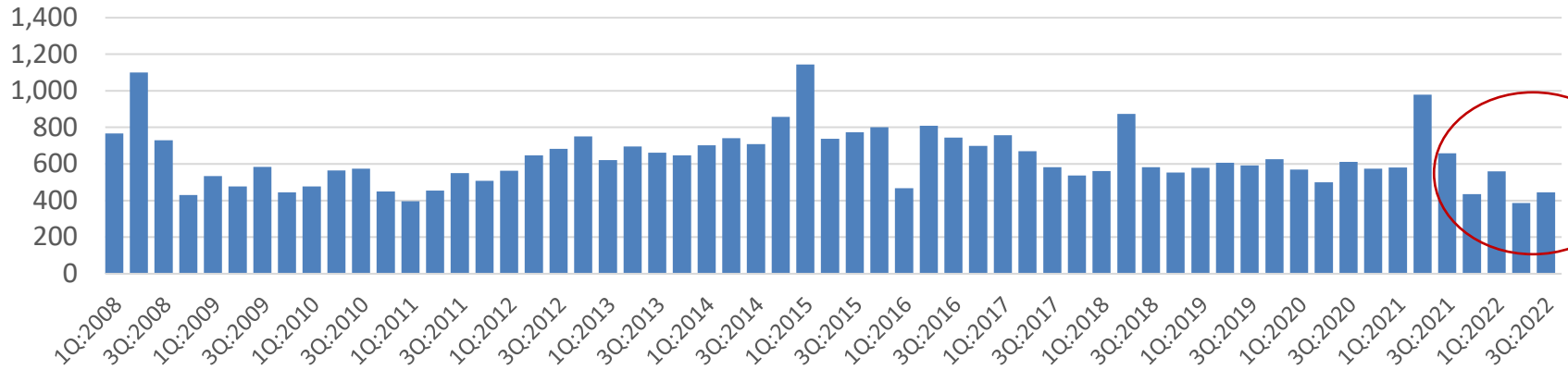
Sources: County Building Departments

Private residential homes authorized (# of units)

Year	Hawaii	Honolulu	Kauai	Maui	State
2008	1,551	1,943	498	776	4,768
2009	784	1,031	512	395	2,722
2010	1,102	1,826	172	280	3,380
2011	689	1,731	132	218	2,770
2012	535	1,979	235	506	3,255
2013	574	2,474	158	355	3,561
2014	715	1,574	187	343	2,819
2015	848	3,692	199	509	5,248
2016	841	2,578	229	477	4,125
2017	796	2,444	312	863	4,415
2018	1,054	2,556	364	838	4,812
2019	787	1,936	180	657	3,560
2020	954	1,218	178	526	2,876
2021	1,005	3,219	170	880	5,274
3Q 2021	689	2,895	133	564	4,281
3Q 2022	722	1,311	113	320	2,466

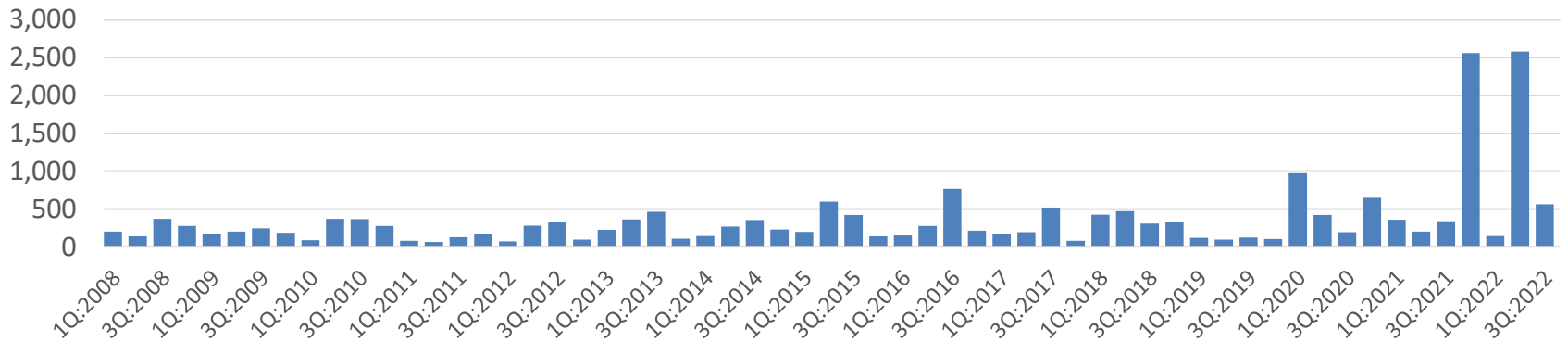
Real private building permits authorized

(Millions of 2012 dollars)



Real government contracts awarded

(millions of 2012 dollars)



Real estate sales

(% change between 2022 and 2021)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Oahu	-23.2%	11.6%	-11.8%	7.4%
Maui*	-24.1%	13.9%	-32.3%	19.6%
Hawaii	-18.7%	4.9%	-32.6%	19.8%
Kauai	-30.3%	7.3%	-22.4%	17.9%

*Maui is 11 months

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: 2022 and 2021

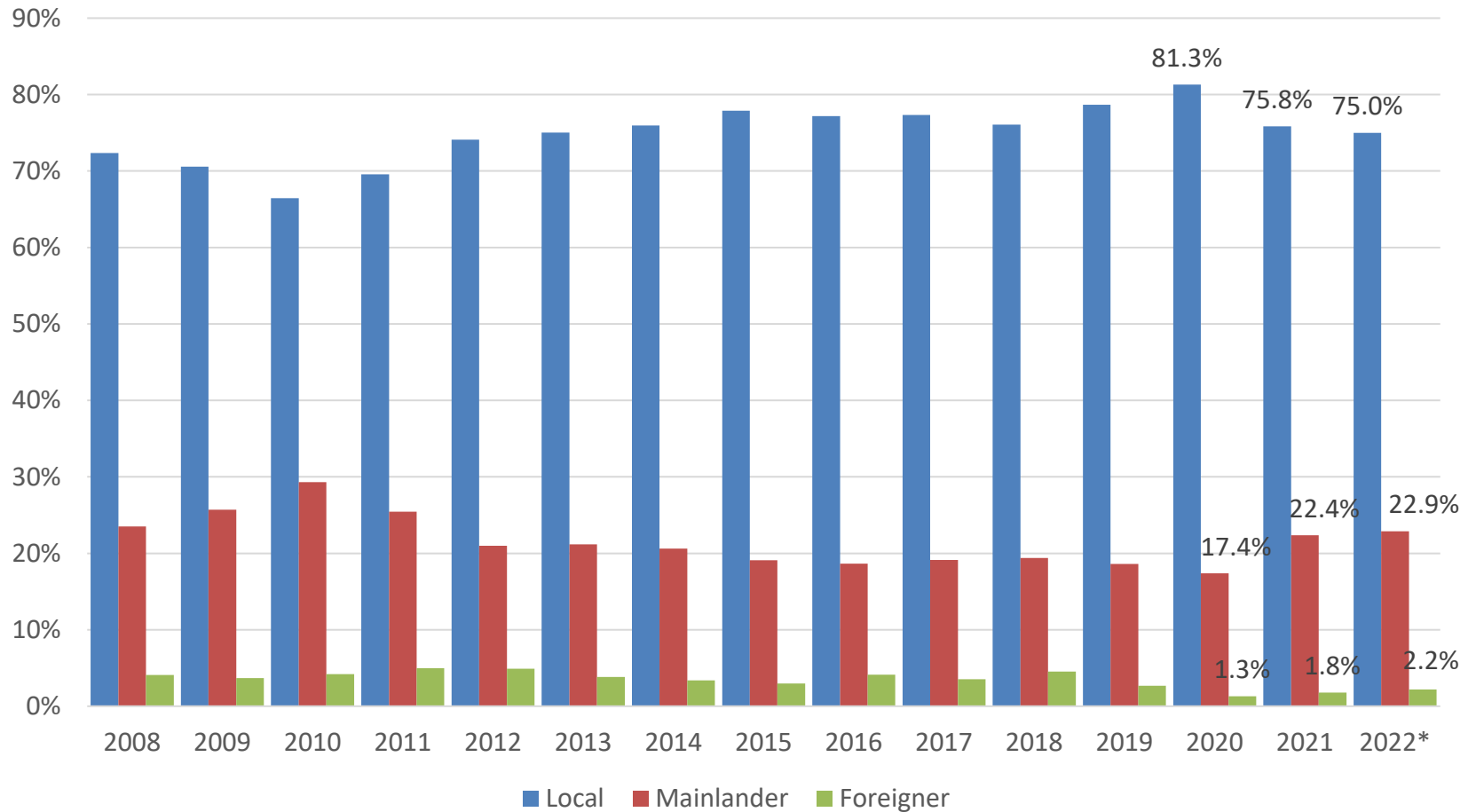
Island	Single Family Homes		Condo Homes	
	2022	2021	2022	2021
Oahu	\$1,105,000	\$990,000	\$510,000	\$475,000
Maui*	\$1,120,000	\$983,500	\$777,500	\$650,000
Hawaii	\$500,000	\$476,500	\$575,000	\$480,000
Kauai	\$1,150,000	\$1,067,500	\$710,000	\$602,000

*Maui is 11 months

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.

25% of homes were bought by out-of-state buyers in 1st 3Qs 2022

Home Sales By Place of Residents of Buyers: 2008-2022

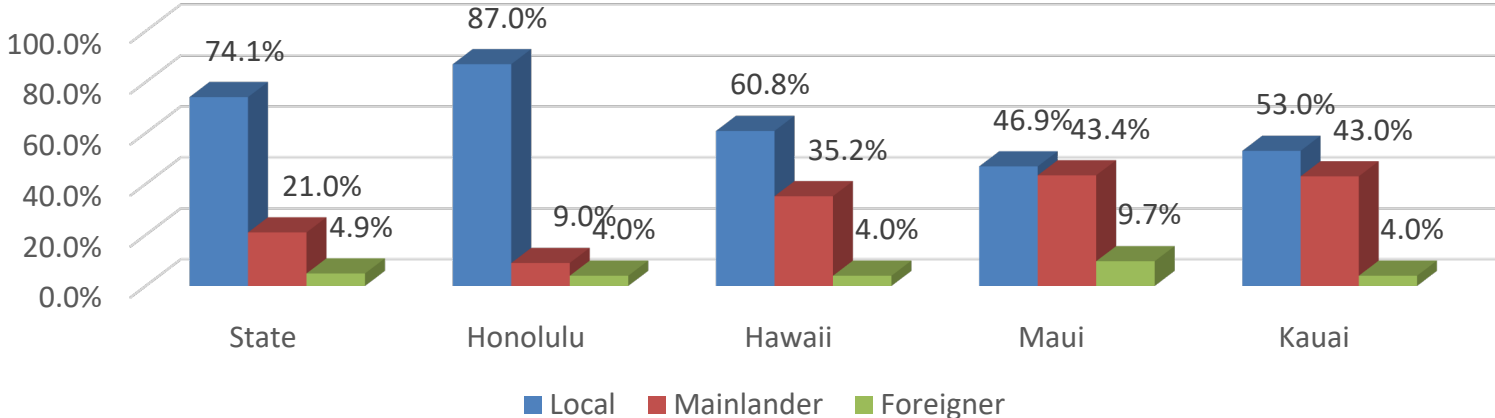


* First 3 quarters

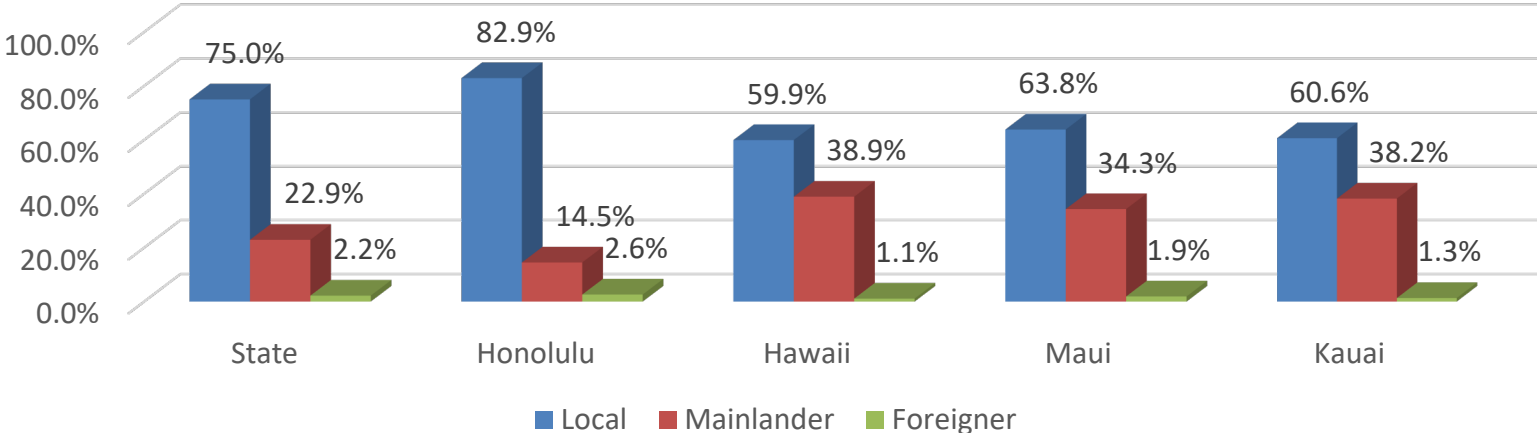
Source: Title Guaranty.

More local home buyers in 2022 than 10 years ago

2012 Home Sales



2022 Home Sales (1st 3 Quarters)

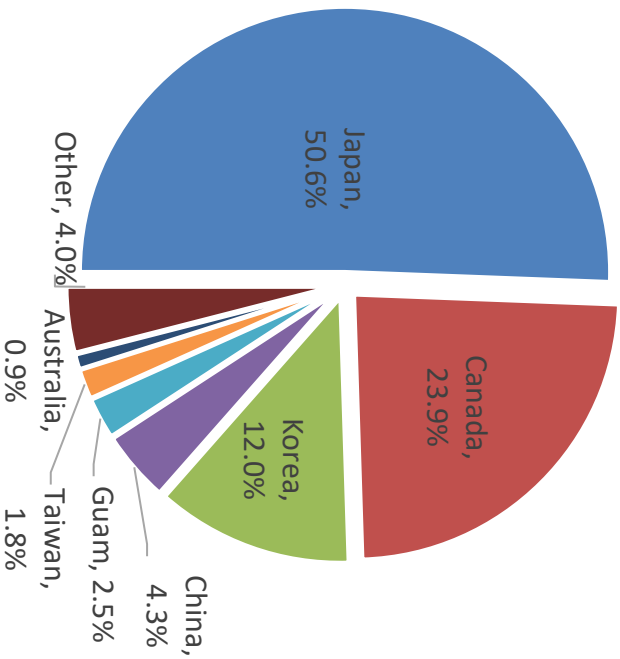


Source: Title Guaranty

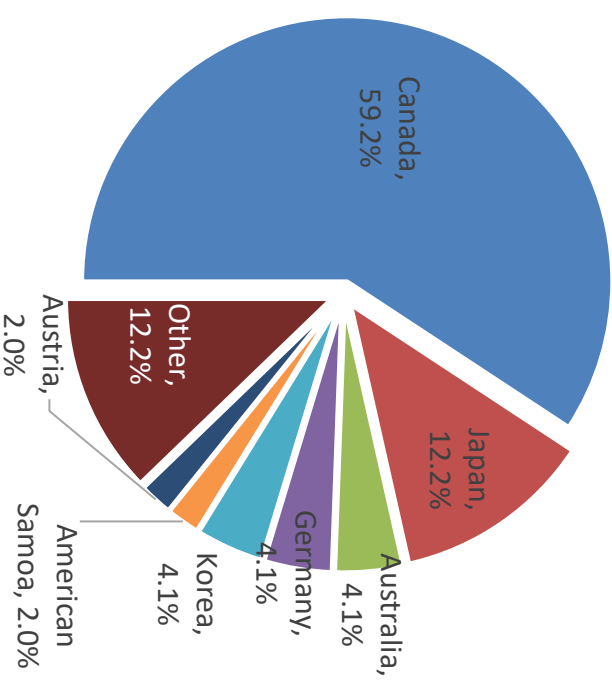
Hawaii residential properties purchased by foreigners

Statewide, 2022 (1st 3 quarters)

Condo homes

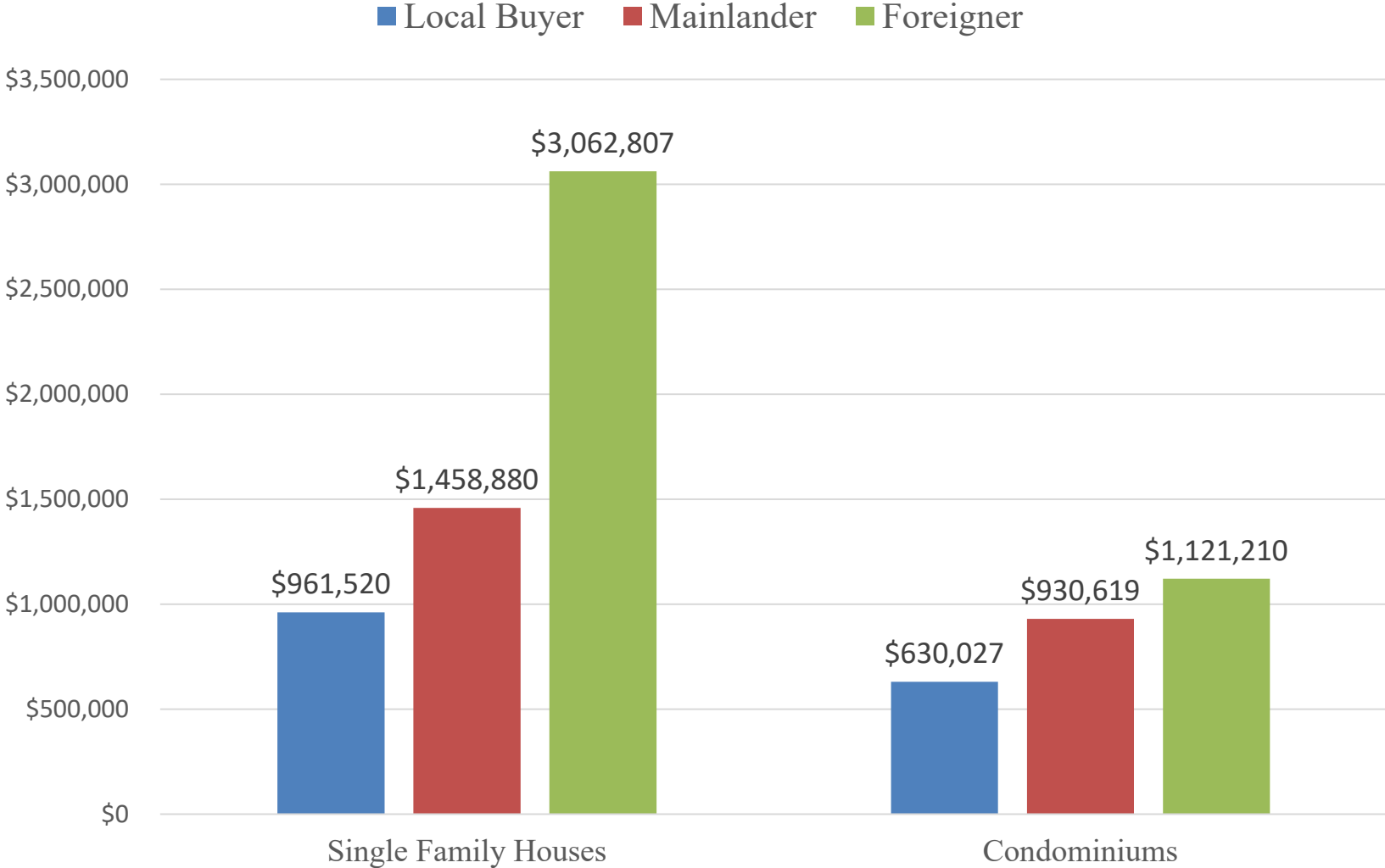


Single family homes



Source: Title Guaranty

Out-of-state buyers continues to purchase the high-end homes: 2022 (1st 3 quarters)



Source: Title Guaranty

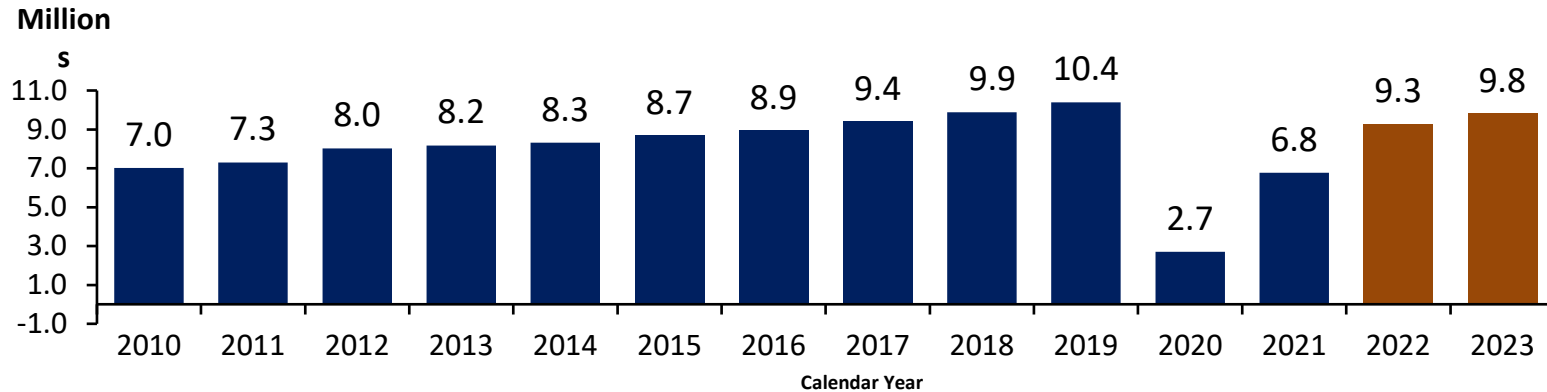


Tourism Industry



Total visitor arrivals and expenditures

Visitor Arrivals

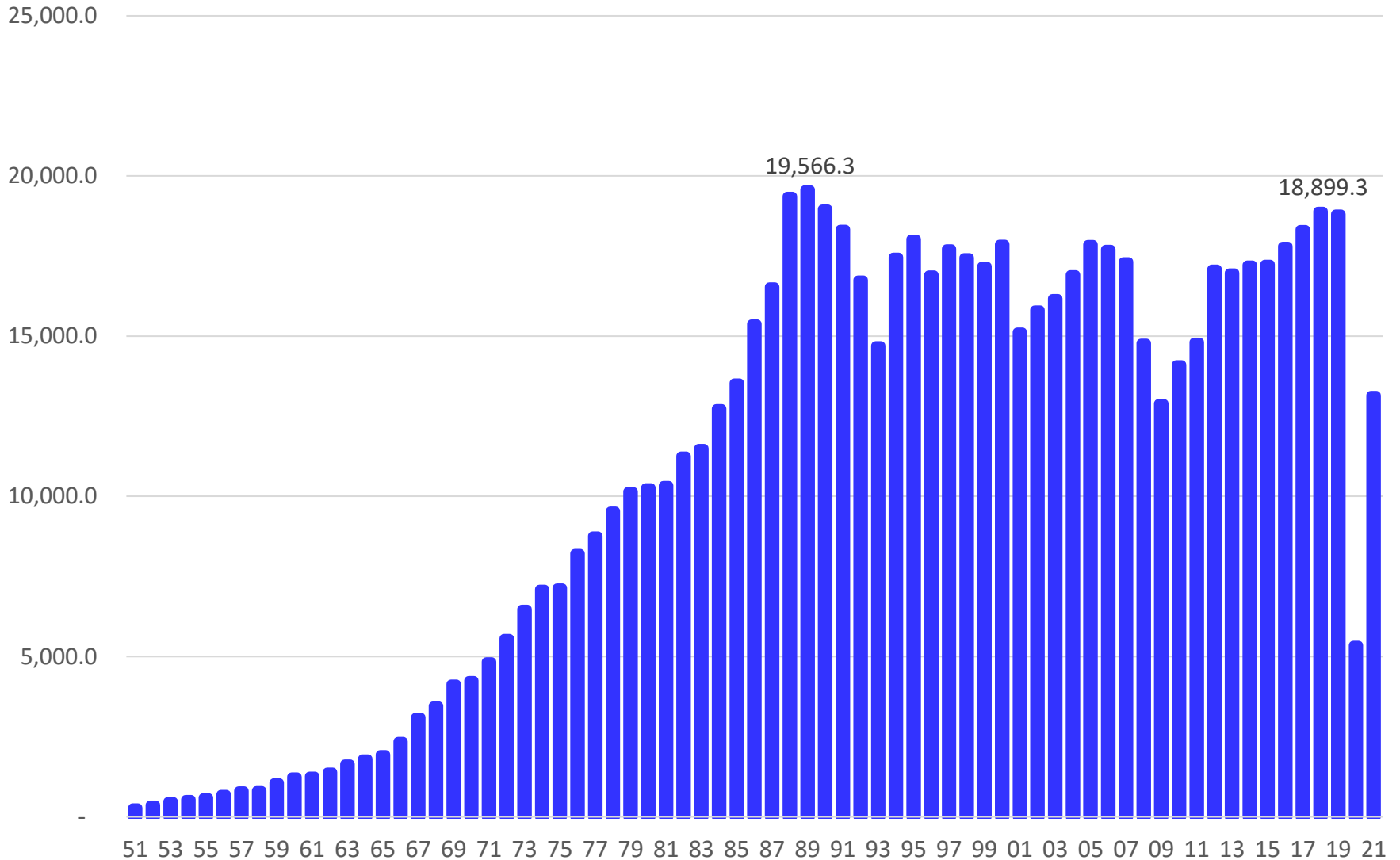


Visitor Expenditures



2022 and 2023 figures are DBEDT forecast

Real visitor expenditures (in 2021 \$mil)



Source: HTA and DBEDT

Hotel occupancy and room rate year-to-data through October

Area	Hotel Occupancy Rate				Average Daily Room Rate				% change from 2019
	2019	2020	2021	2022	2019	2020	2021	2022	
State	81.1%	41.3%	55.7%	74.2%	\$278.03	\$267.91	\$317.19	\$366.81	31.9%
Oahu	84.5%	43.2%	53.7%	75.8%	\$237.42	\$220.87	\$216.58	\$263.53	11.0%
Maui County	78.1%	37.7%	59.0%	68.2%	\$391.01	\$404.59	\$517.47	\$600.87	53.7%
Big Island	76.9%	43.8%	58.3%	75.6%	\$261.05	\$248.95	\$326.97	\$395.14	51.4%
Kauai	72.6%	36.2%	54.9%	78.5%	\$280.28	\$269.89	\$302.52	\$396.97	41.6%

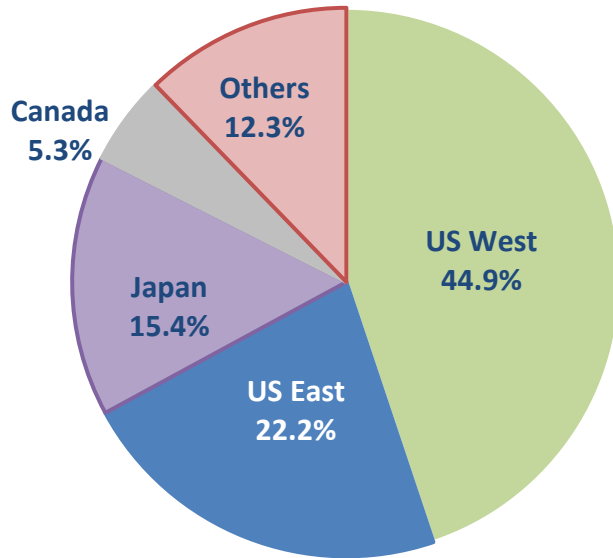
Source: HTA

2022 air visitor recovery from the same month in 2019 (%)

Island	22-Jan	22-Feb	22-Mar	22-Apr	22-May	22-Jun	22-Jul	22-Aug	22-Sep	22-Oct	22-Nov
State	70.4	81.6	85.7	98.2	92.6	89.0	92.4	89.6	96.3	93.6	90.9
Oahu	56.8	67.9	77.2	85.4	81.9	77.8	82.0	79.6	84.1	83.3	91.5
Kauai	79.9	84.7	86.7	108.8	102.8	99.1	99.3	100.5	112.5	106.3	83.8
Maui Isl.	78.5	87.2	88.1	102.6	98.3	97.4	99.0	97.0	104.0	95.8	102.5
Molokai	51.8	58.5	68.0	84.0	63.2	61.4	61.1	93.9	62.5	76.0	98.5
Lanai	60.3	77.5	59.6	123.9	86.4	67.4	67.0	72.5	95.0	94.8	88.3
Hawaii Isl.	75.1	88.5	88.1	107.7	100.2	96.3	97.6	93.5	105.3	108.4	98.7

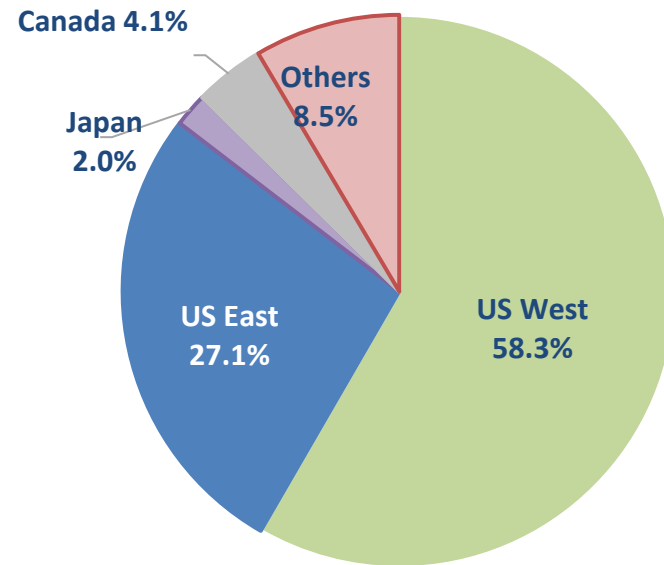
Hawaii visitors by major market area

2019



U.S. = 67.1%

2022*



U.S. = 85.4%

*2022 through November

Source: DBEDT, Hawaii Tourism Authority

DBEDT Air Visitor Forecast by Market

Year	US	Japan	Canada	Europe	Oceania	Korea	Others	Total
2021	6,468,900	18,936	87,900	18,775	6,524	10,652	166,074	6,777,761
2022	7,815,114	188,250	368,681	113,163	188,476	110,276	391,727	9,175,688
2023	7,324,340	819,170	510,776	115,647	240,932	163,834	462,590	9,637,289
2024	7,154,448	1,194,080	541,852	130,446	326,114	195,669	491,680	10,034,289
2025	6,885,966	1,581,911	568,661	144,750	413,572	227,464	516,964	10,339,289
Annual growth rate								
2022	20.8	894.1%	319.4%	502.7%	2,789.0%	935.3%	135.9%	35.4%
2023	-6.3	335.1%	38.5%	2.2%	27.8%	48.6%	18.1%	5.0%
2024	-2.3	45.8%	6.1%	12.8%	35.4%	19.4%	6.3%	4.1%
2025	-3.8	32.5%	4.9%	11.0%	26.8%	16.2%	5.1%	3.0%

Source: DBEDT

Statewide scheduled air seats from all sources 1Q 2022 and 2023

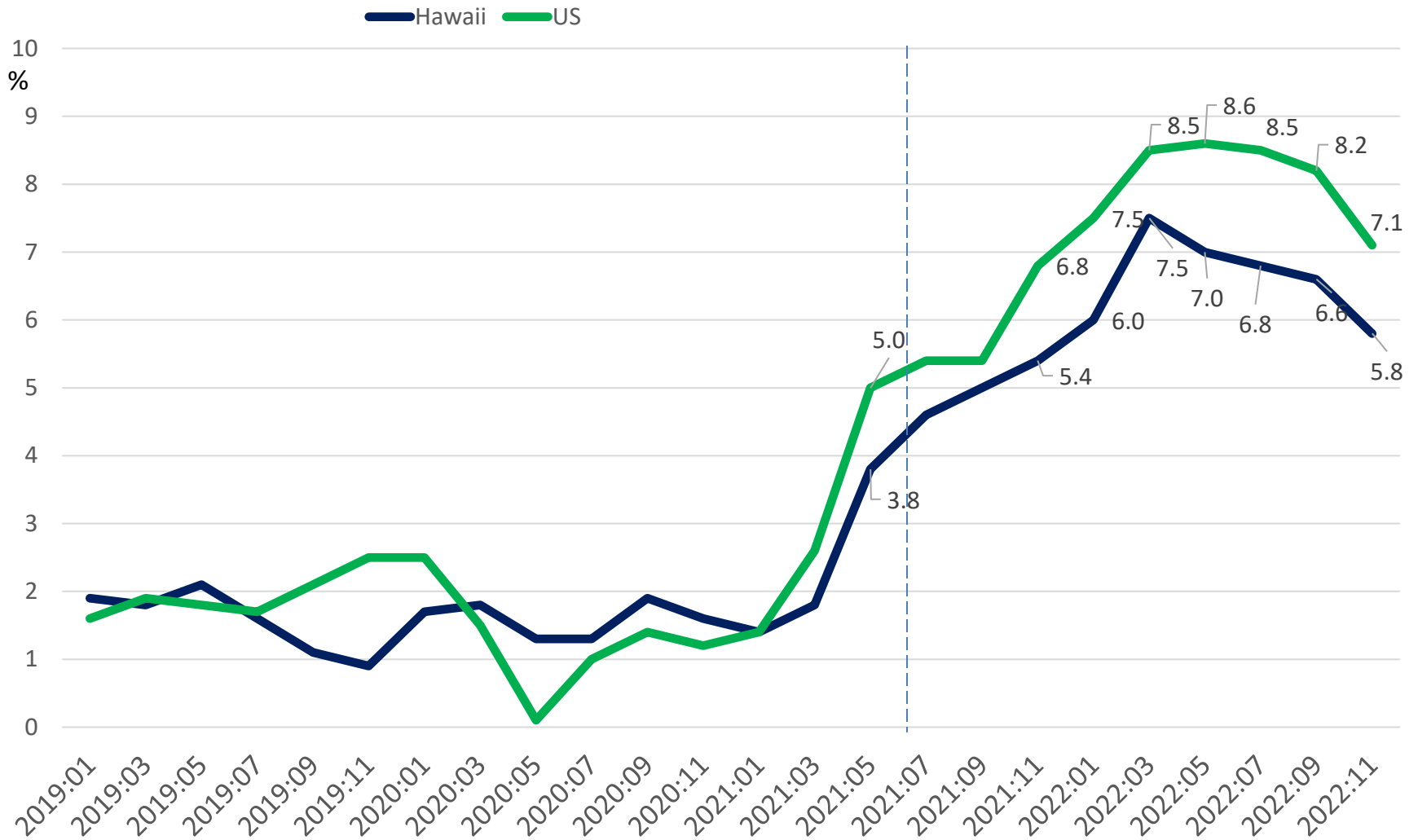
Month	Year	Total	U.S.	Japan	Canada	Other Asia	Oceania	Other
January	2022	1,034,876	922,585	16,033	60,041	11,071	11,165	13,981
	2023	1,179,663	951,211	77,091	66,556	26,881	32,232	25,692
	% change	14.0	3.1	380.8	10.9	142.8	188.7	83.8
February	2022	937,640	840,581	17,979	53,996	7,283	4,448	13,353
	2023	1,046,032	846,821	67,334	60,446	24,264	24,155	23,012
	% change	11.6	0.7	274.5	11.9	233	443.1	72.3
March	2022	1,159,954	1,029,748	17,231	77,439	7,282	12,260	15,994
	2022	1,235,141	991,413	96,277	68,685	26,824	25,810	26,132
	% change	6.5	-3.7	458.7	-11.3	268.4	110.5	63.4

Source: DBEDT

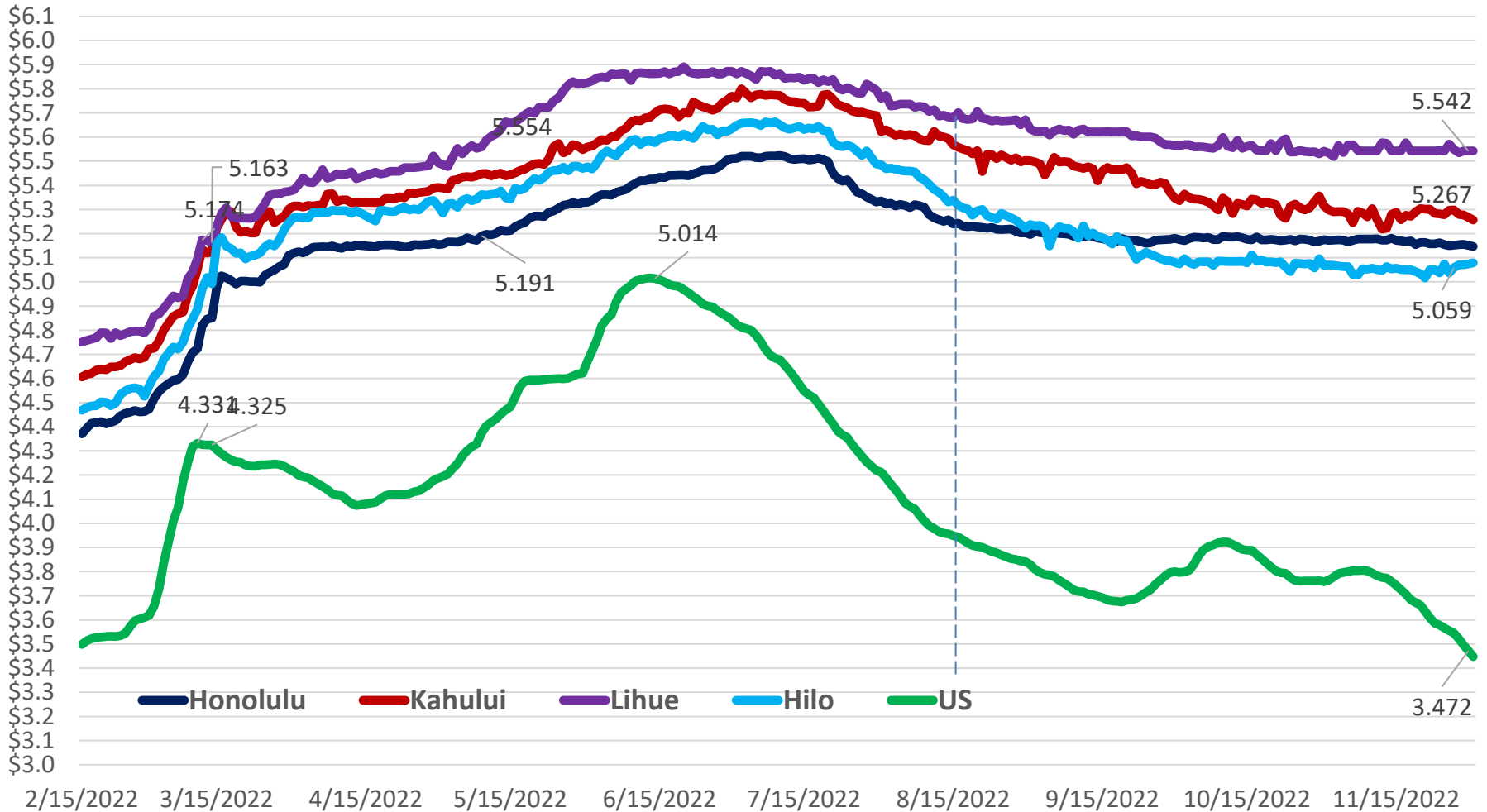
Inflation



Consumer inflation for both U.S. and Hawai'i started to decline since July 2022



U.S. regular unleaded gasoline price fluctuated more than Hawaii





UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

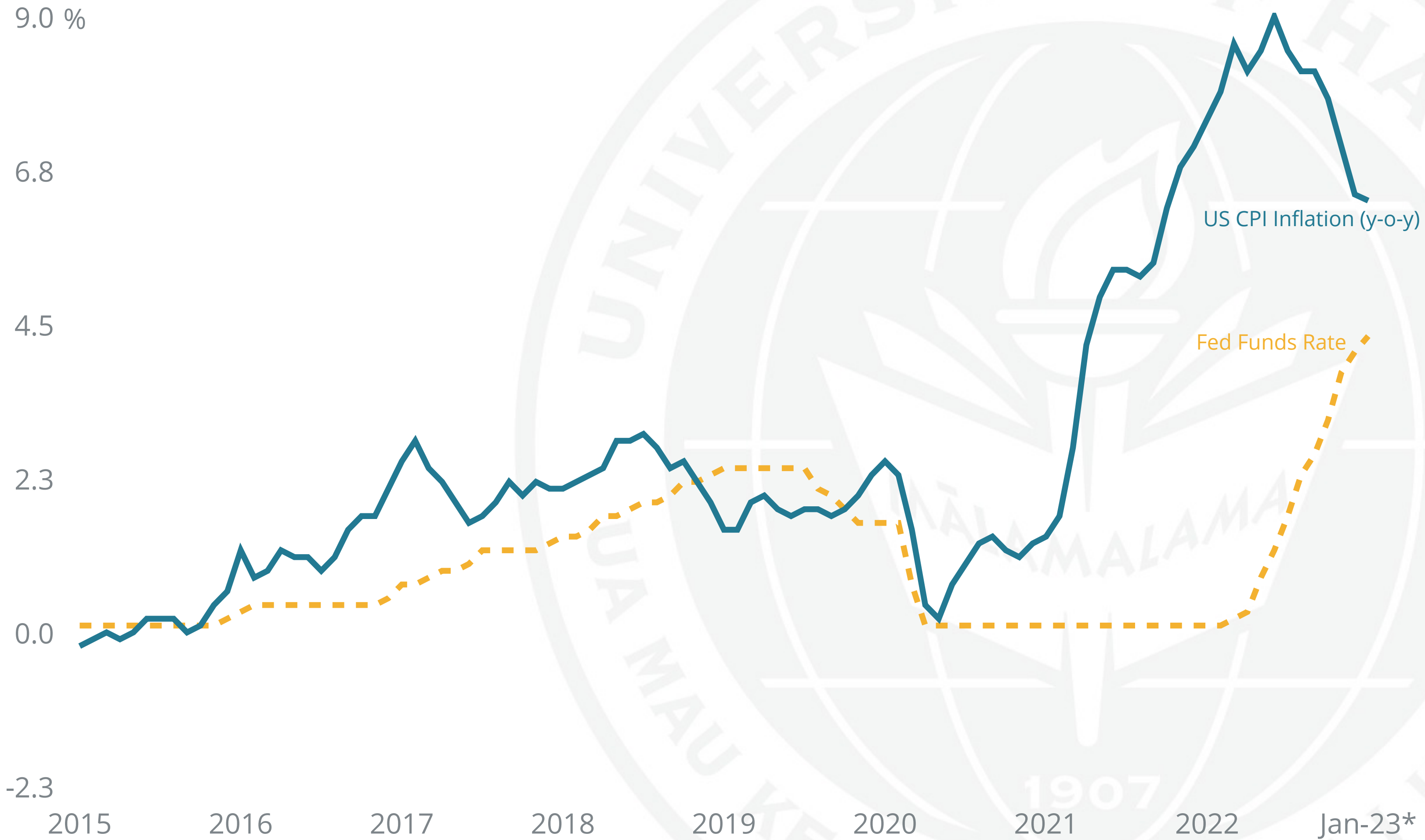
GLOBAL WAR ON INFLATION WILL HINDER HAWAII GROWTH

DR. CARL BONHAM
EXECUTIVE DIRECTOR, UHERO
PROFESSOR, DEPARTMENT OF ECONOMICS

SENATE WAYS AND MEANS COMMITTEE
LEGISLATIVE BRIEFING
JANUARY 20, 2023

All eyes continue to be focused on inflation and the Fed

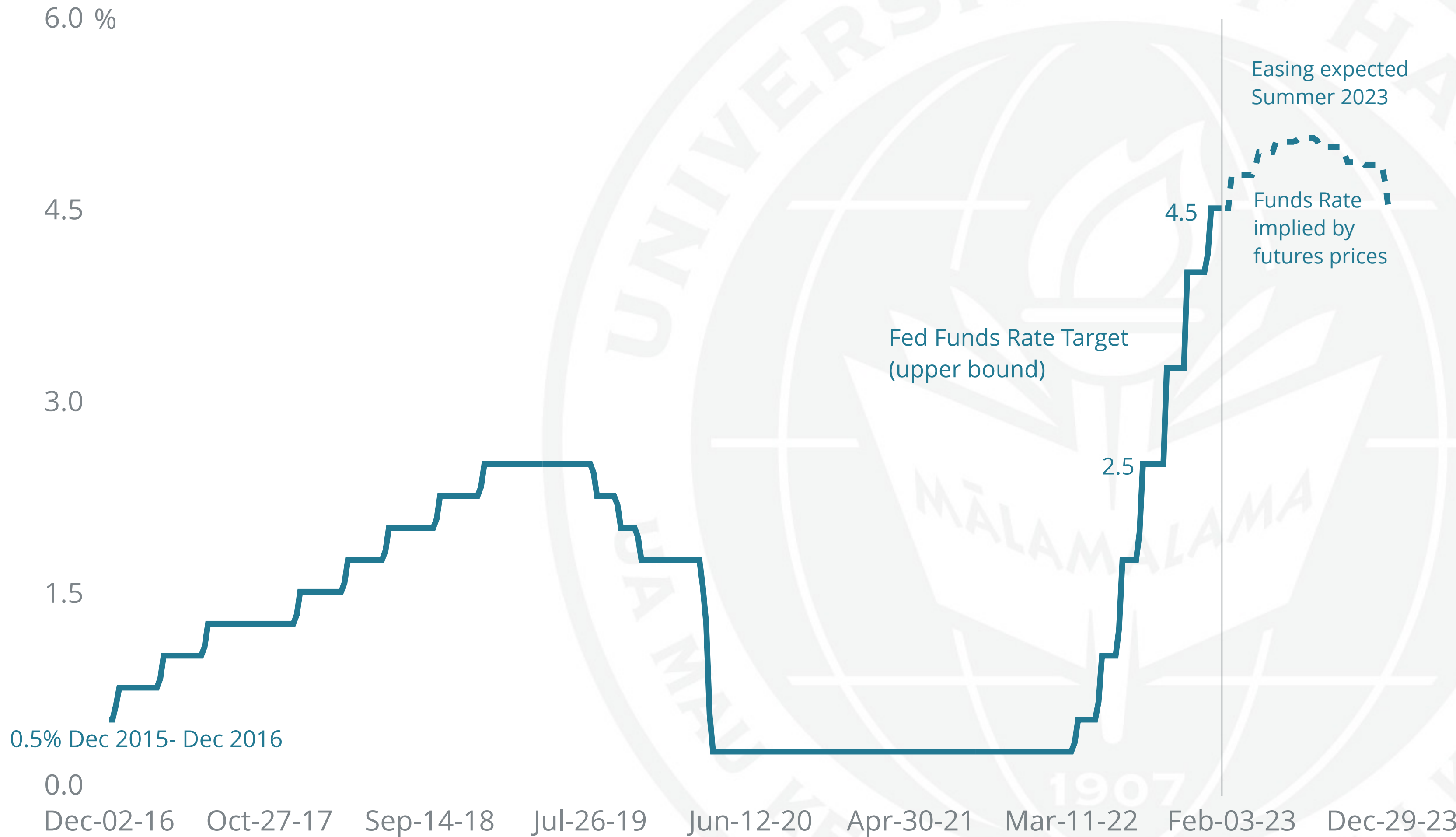
the sharpest policy change in 40 years— where does this end?



Source: [Federal Reserve Board](#), [BLS](#), [UHERO.data](#). Dec. inflation is [Cleveland Fed Nowcast](#).

The bond market expects rates to start falling by summer

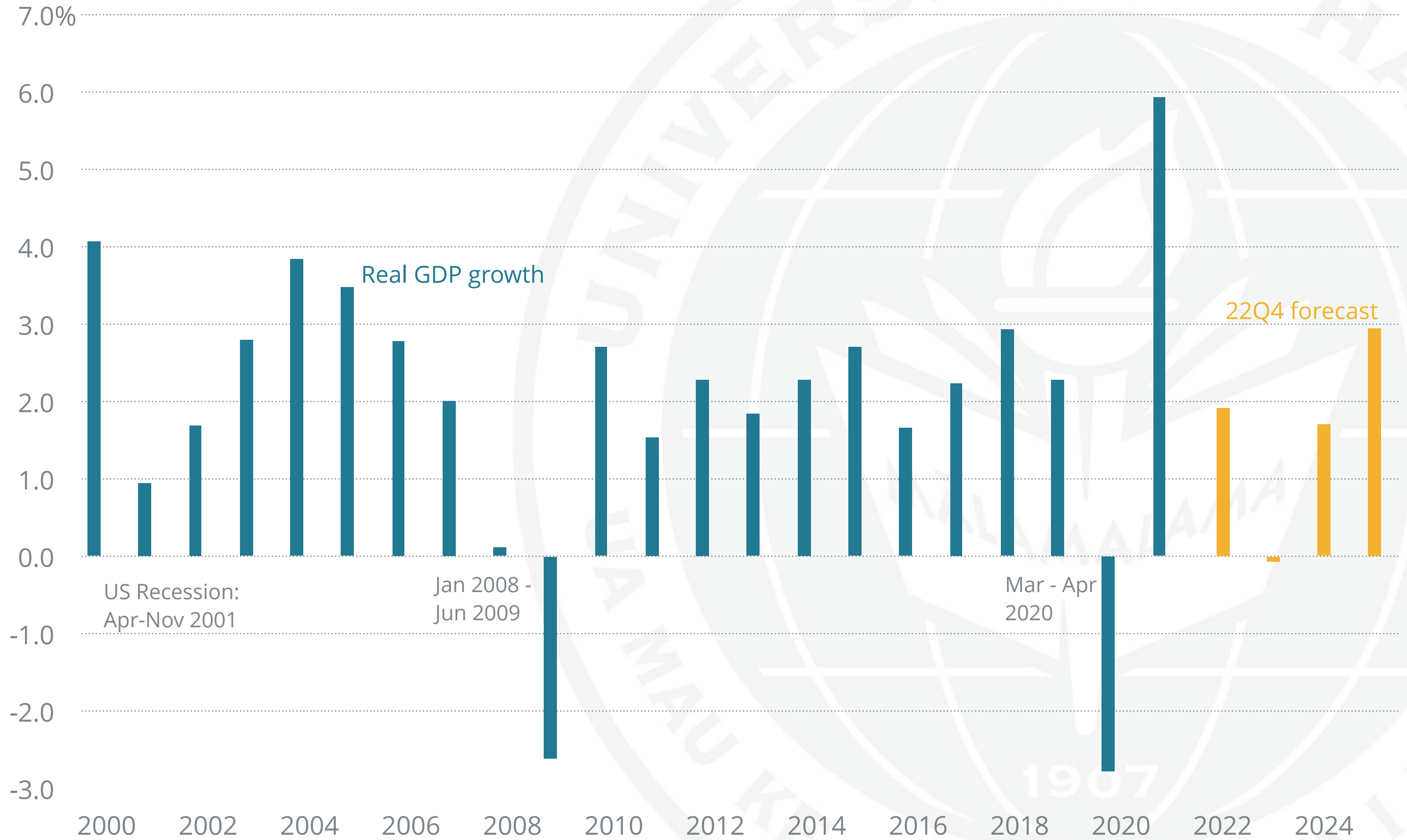
either inflation roles over or the economy does



Source: [Federal Reserve Board](#), [CME Fedwatch](#) updated 01/18/2023.

Our base case—persistent inflation, mild recession

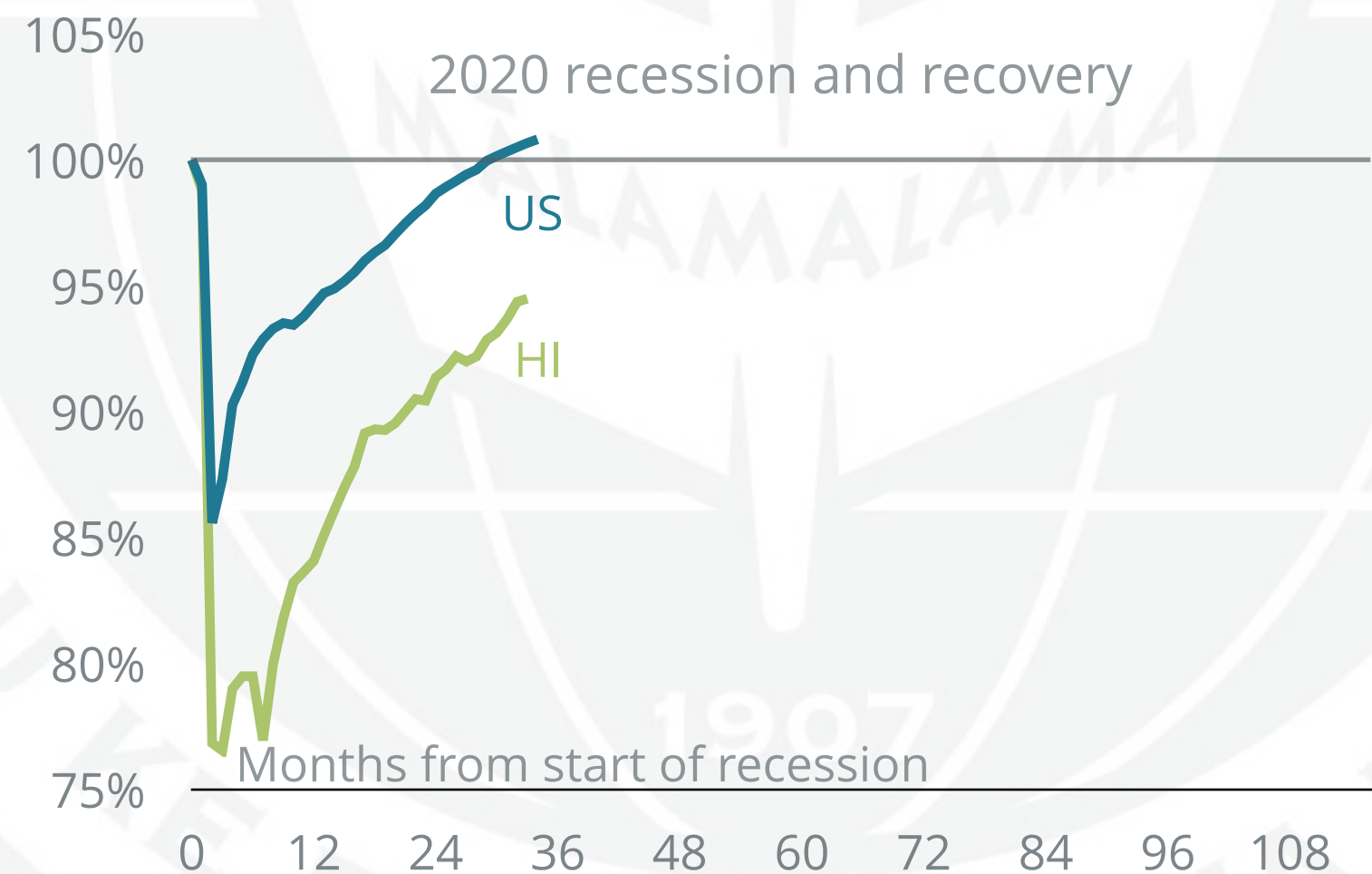
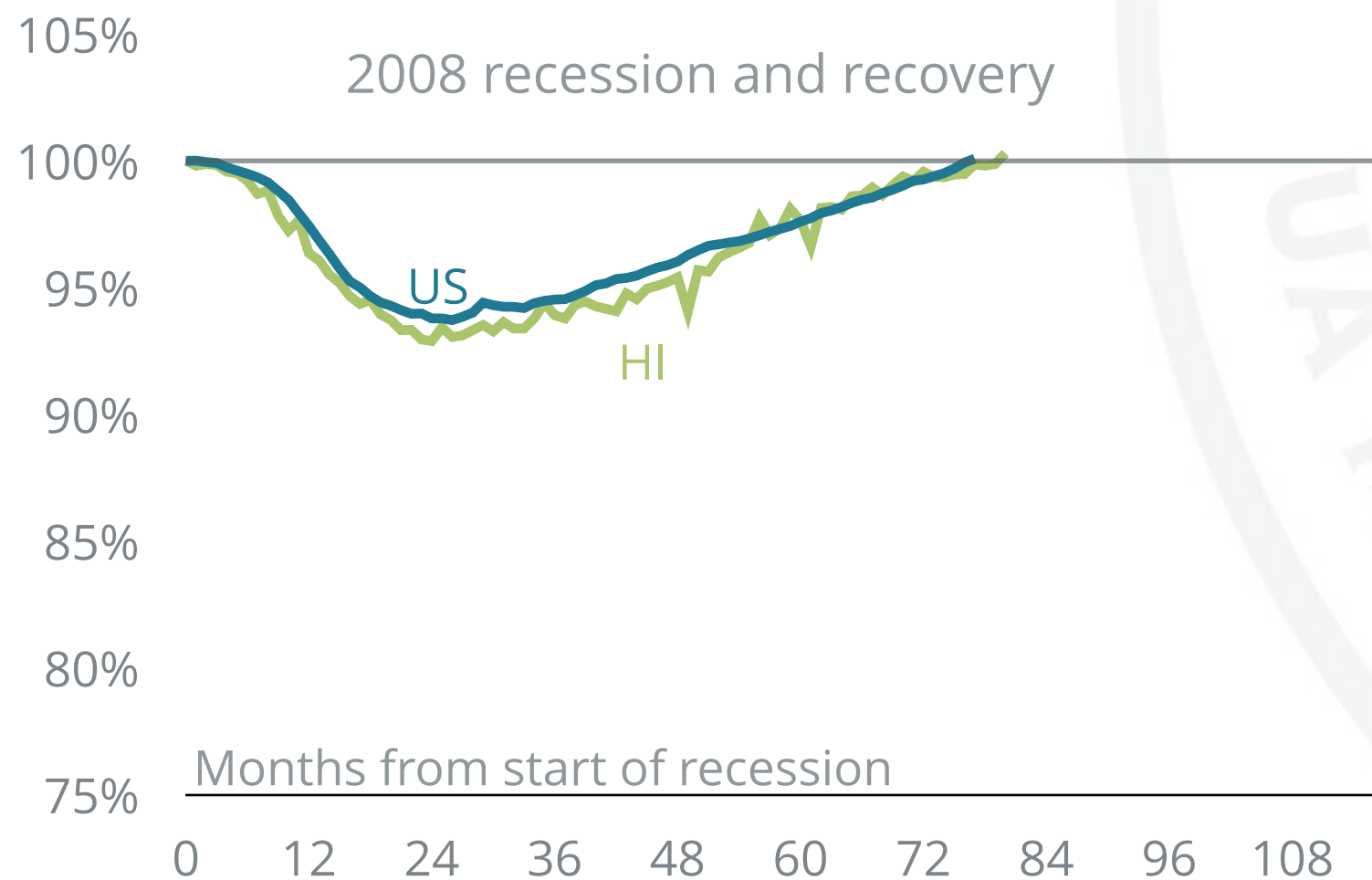
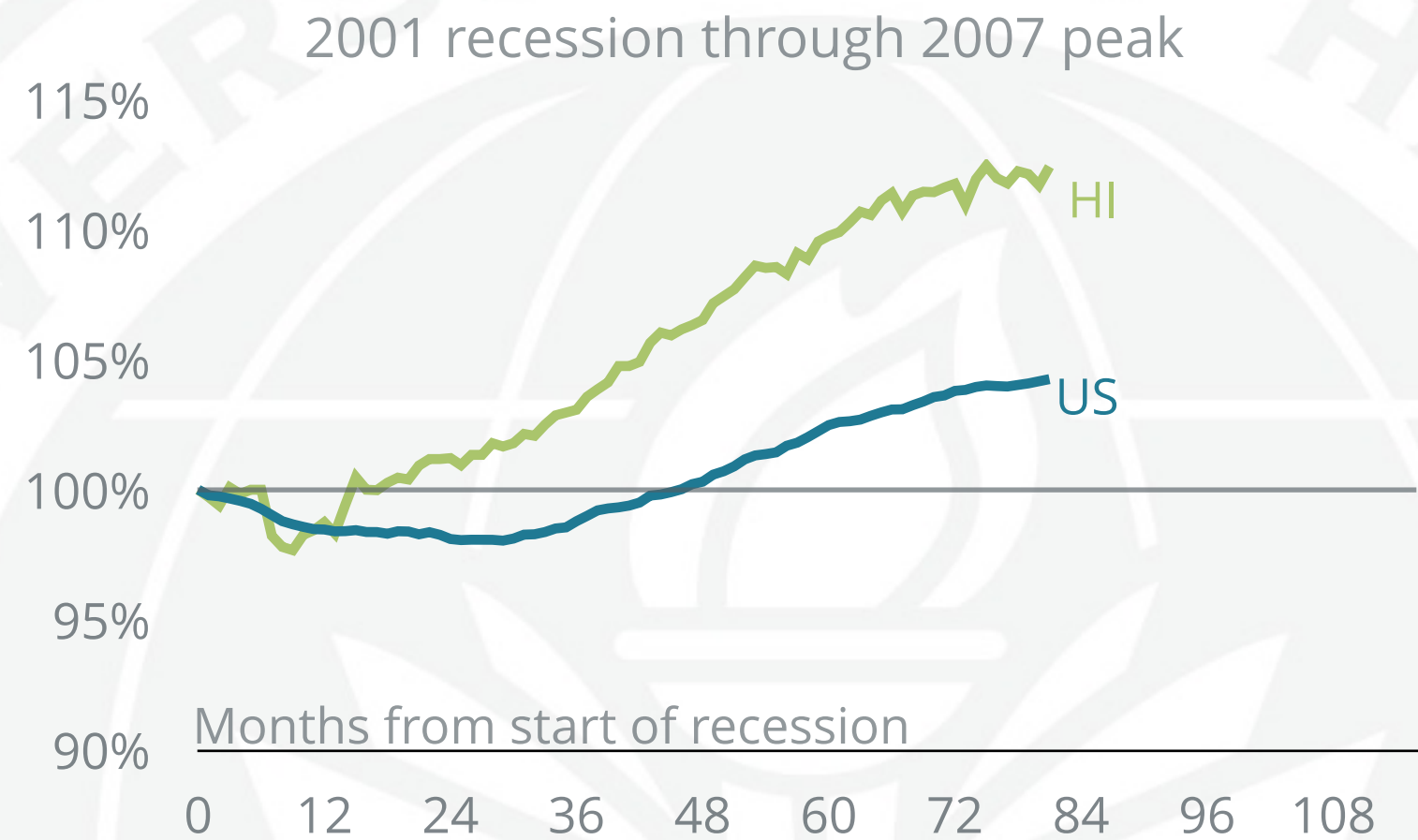
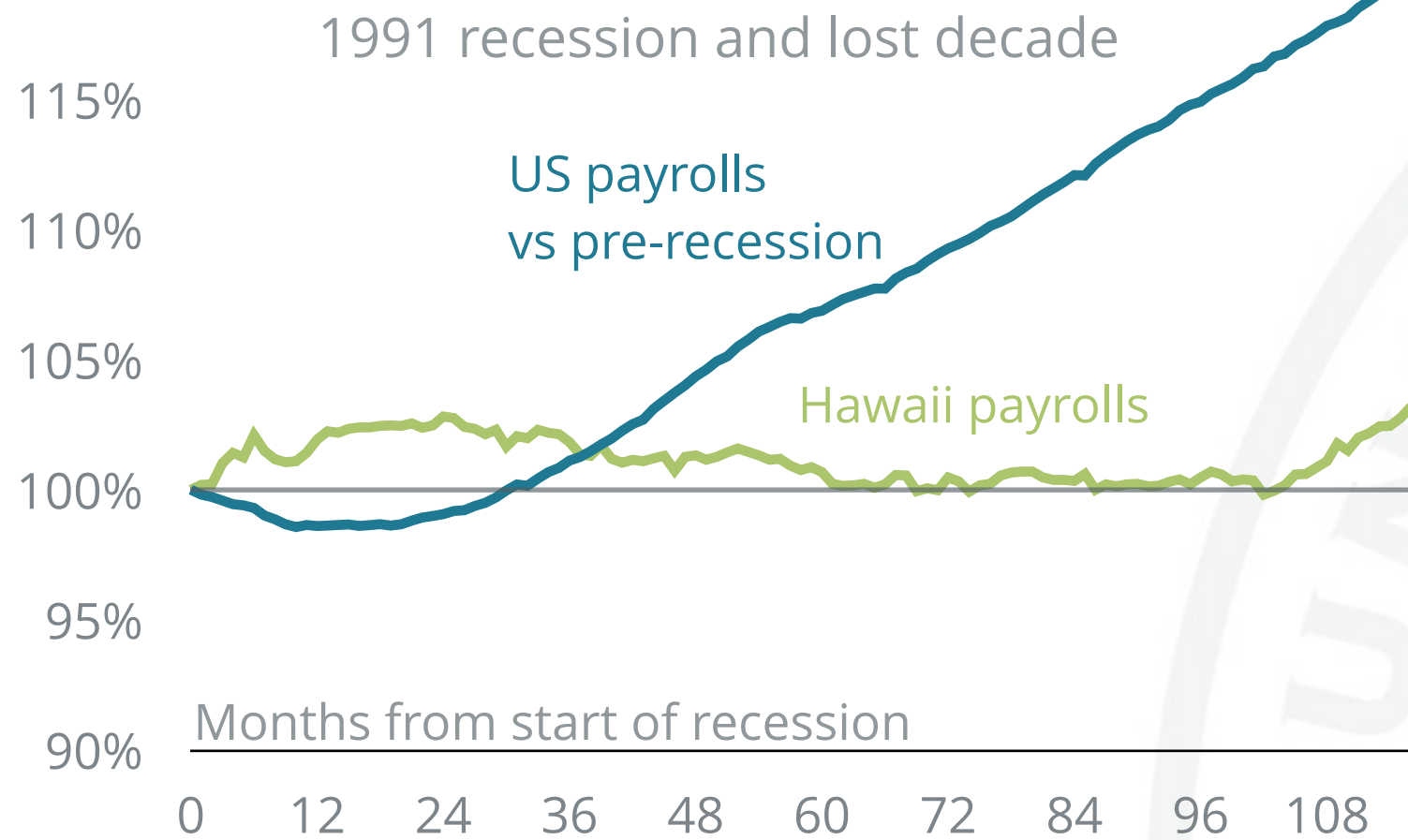
US Real GDP growth



Source: BEA, UHERO forecasts.

Its never a good time, but every recession is different

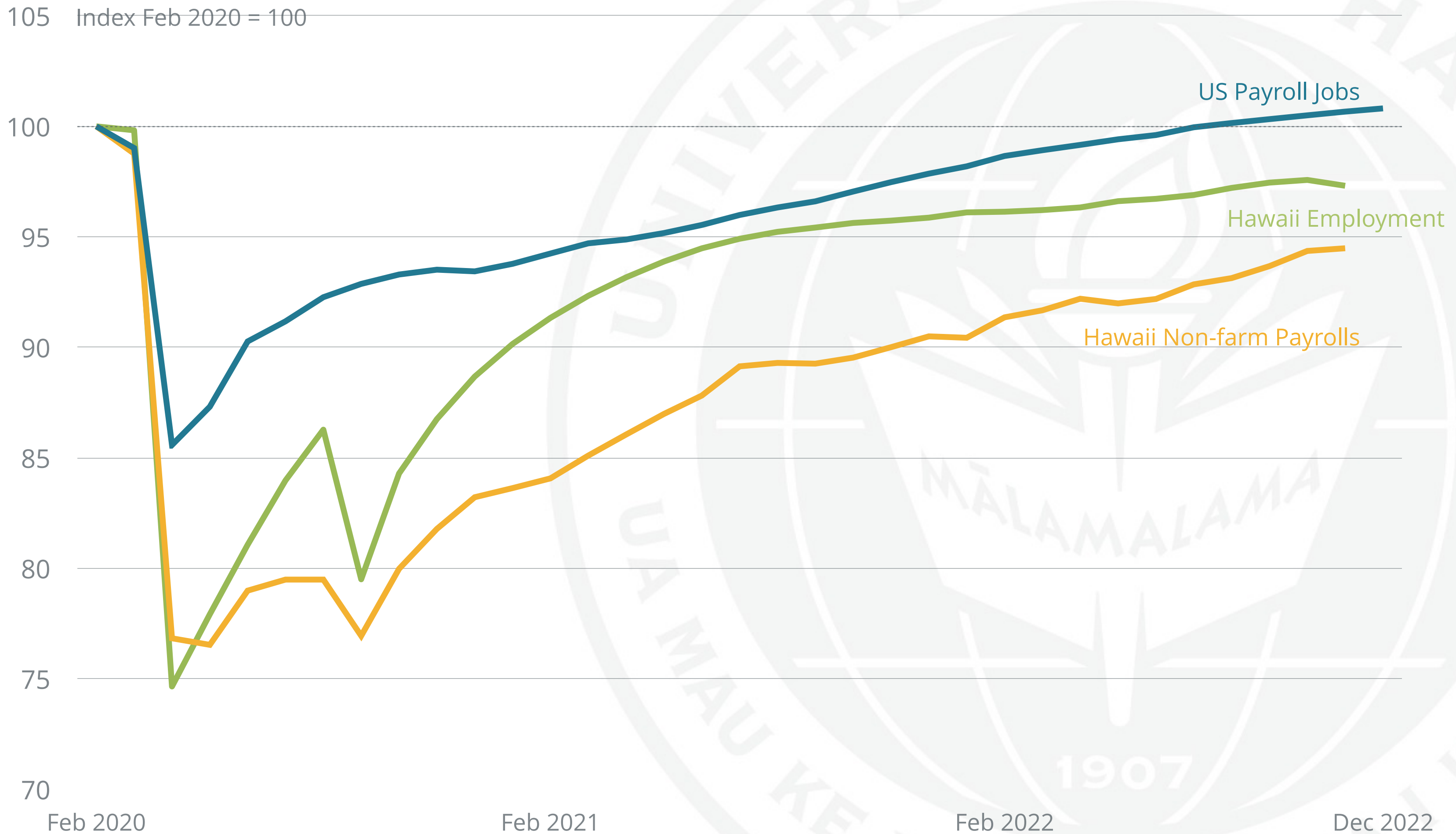
as a small open economy, Hawaii can be battered or buoyed by external forces



Source: BLS, UHERO.

This time Hawaii is out of sync—recovery a work in progress

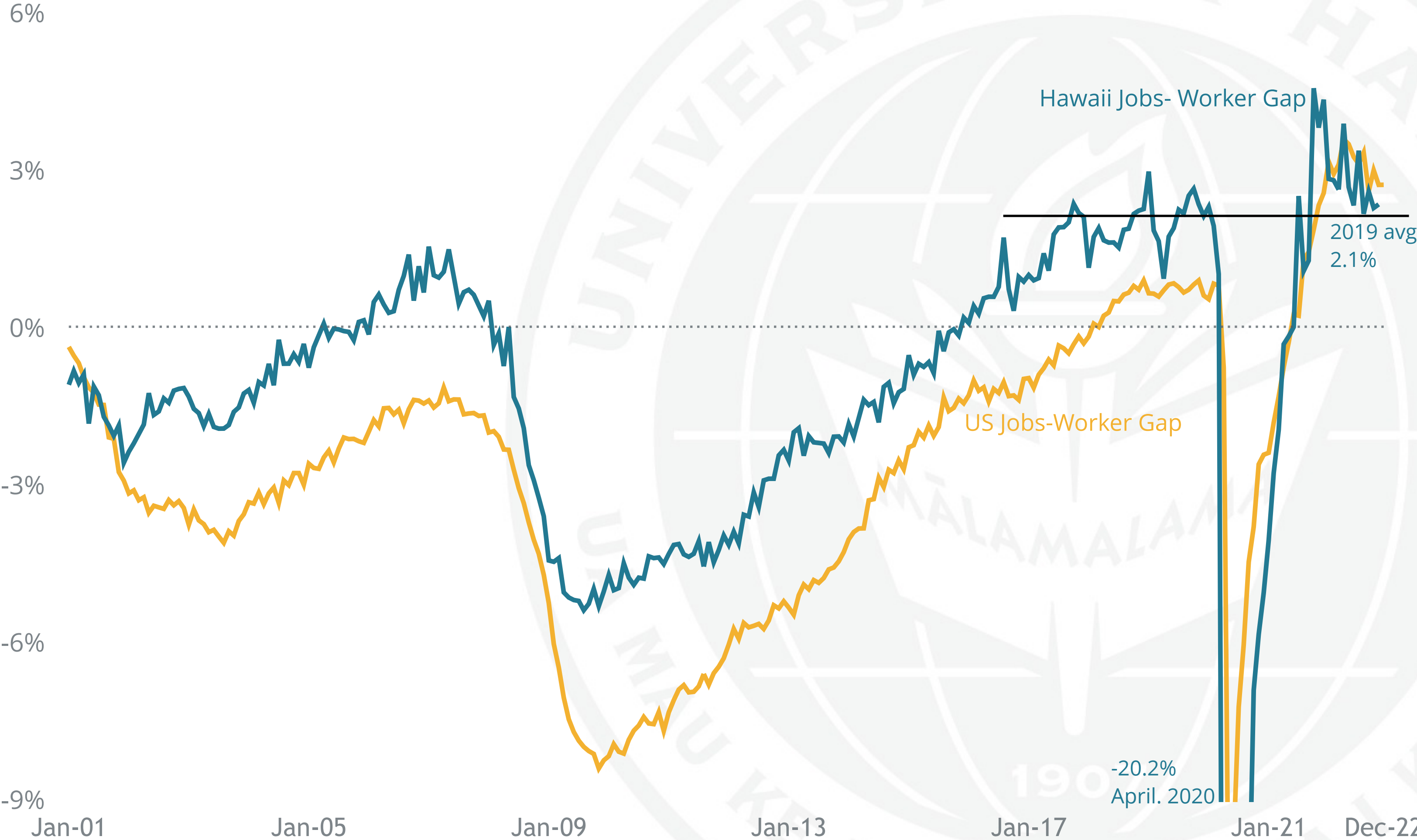
new business formation, gigs, 2nd jobs, long covid all make payrolls hard to fill



Source: BLS. [UHERO.data](https://uhero.data), UHERO internal benchmarks.

Labor markets remain tight

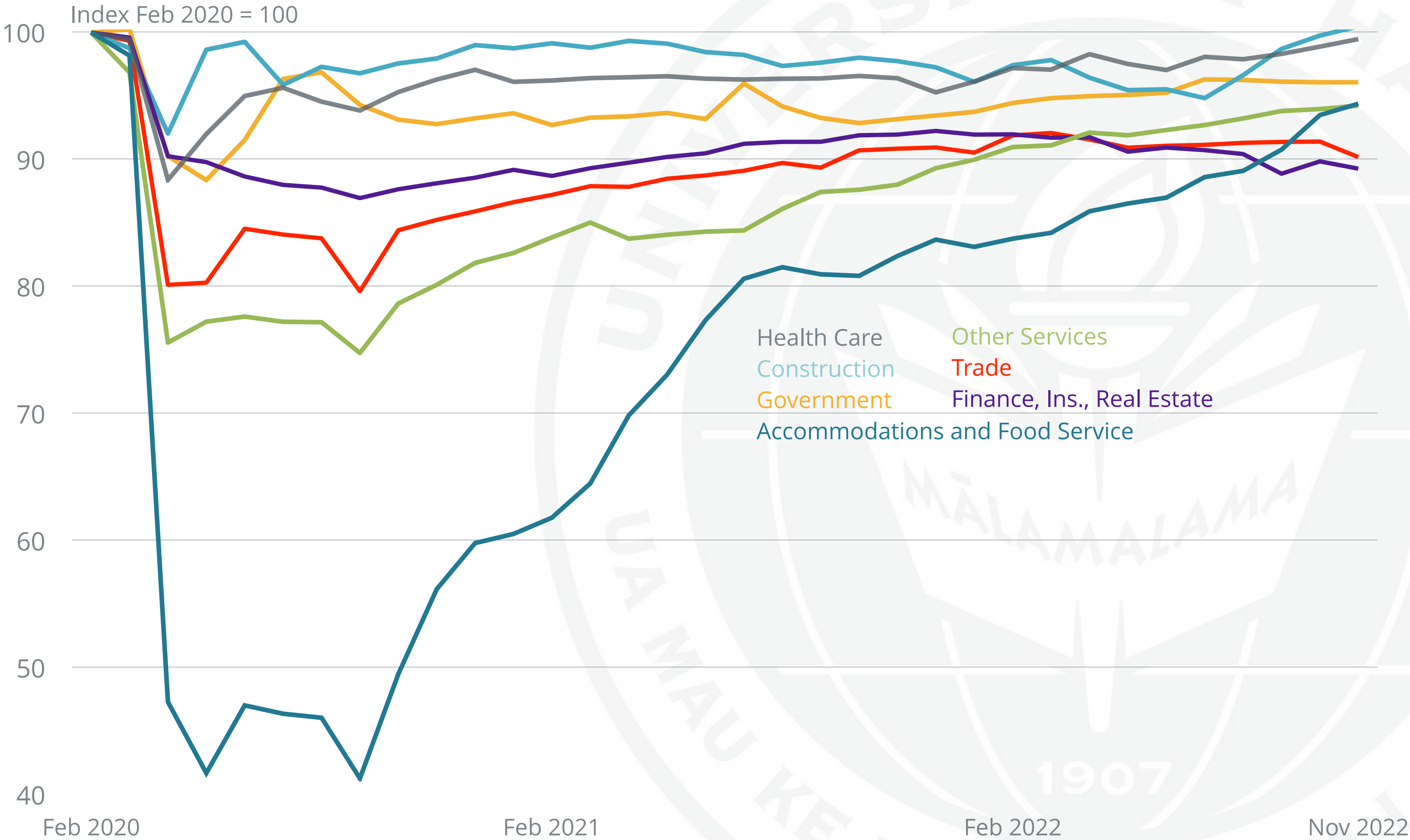
Jobs-Worker Gap



Source: BLS, UHERO.data.

Recovery of tourism jobs is just one of the challenges

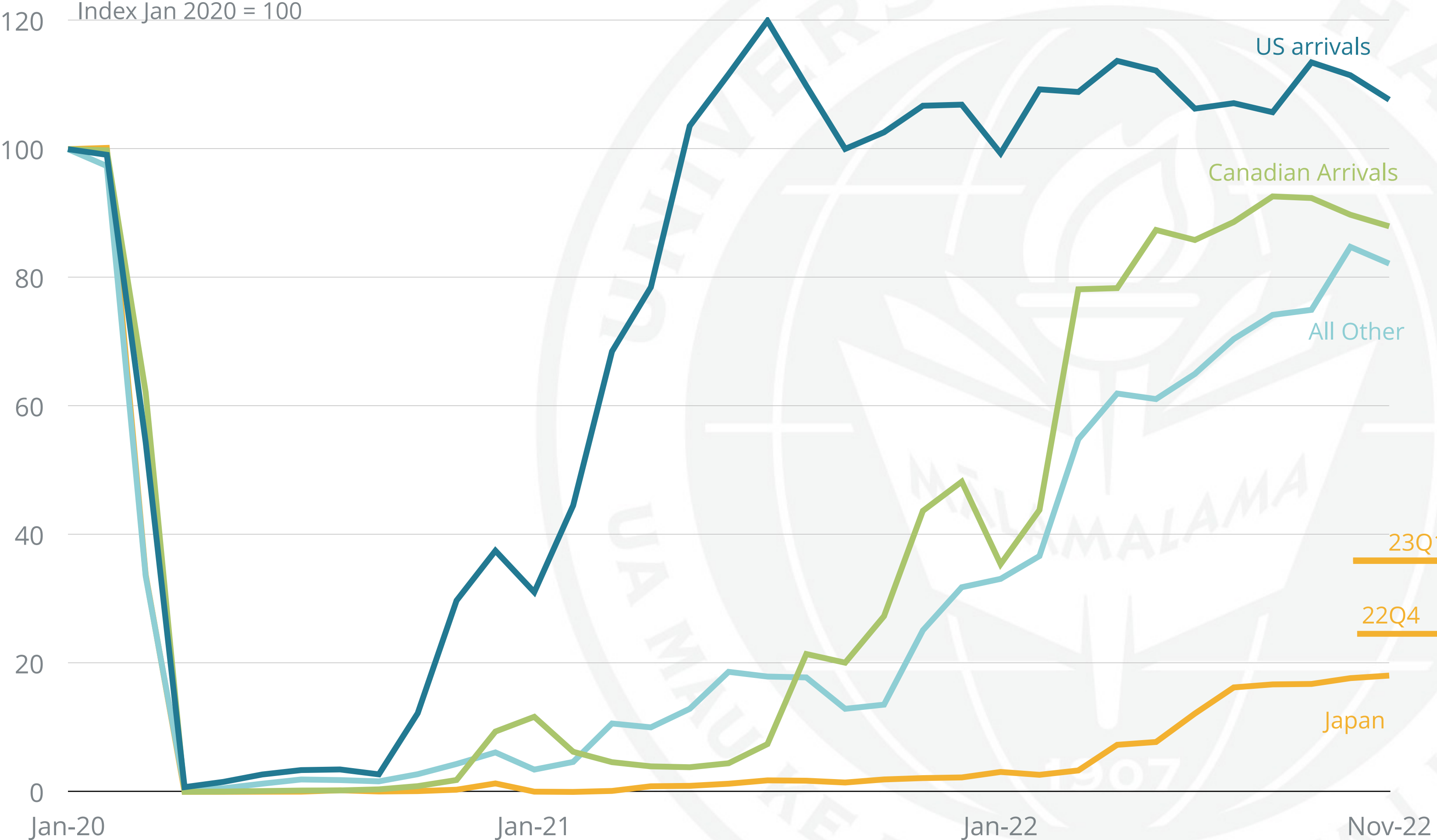
only health care and construction are close to pre-pandemic payrolls



Source: BLS. [UHERO.data](#), UHERO internal benchmarks.

Can Japanese travel offset decline in US visitors?

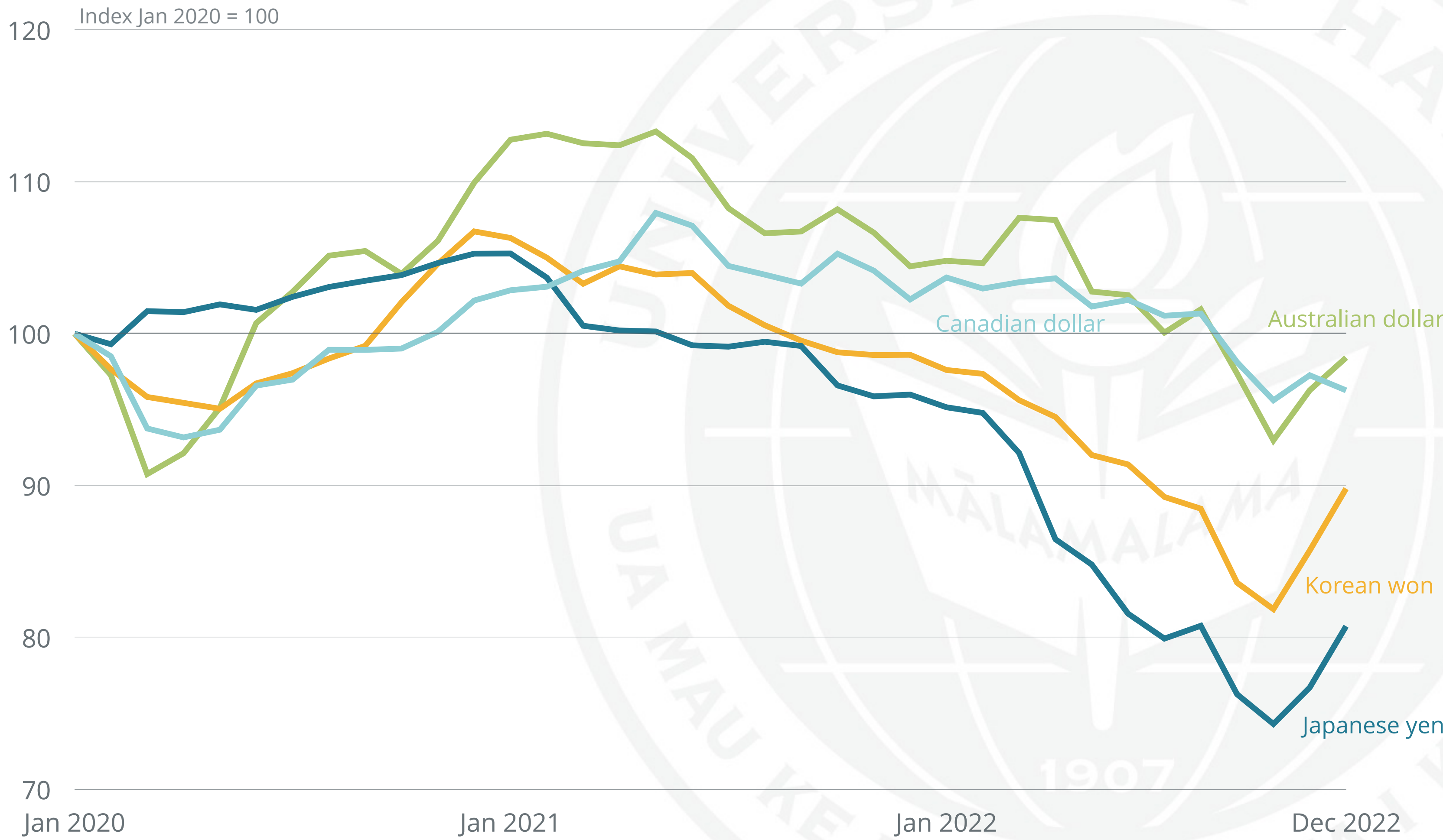
the Japan visitor recovery has stalled since July



Source: HTA, UHERO.data.

Soaring costs have stifled pent up Japanese demand

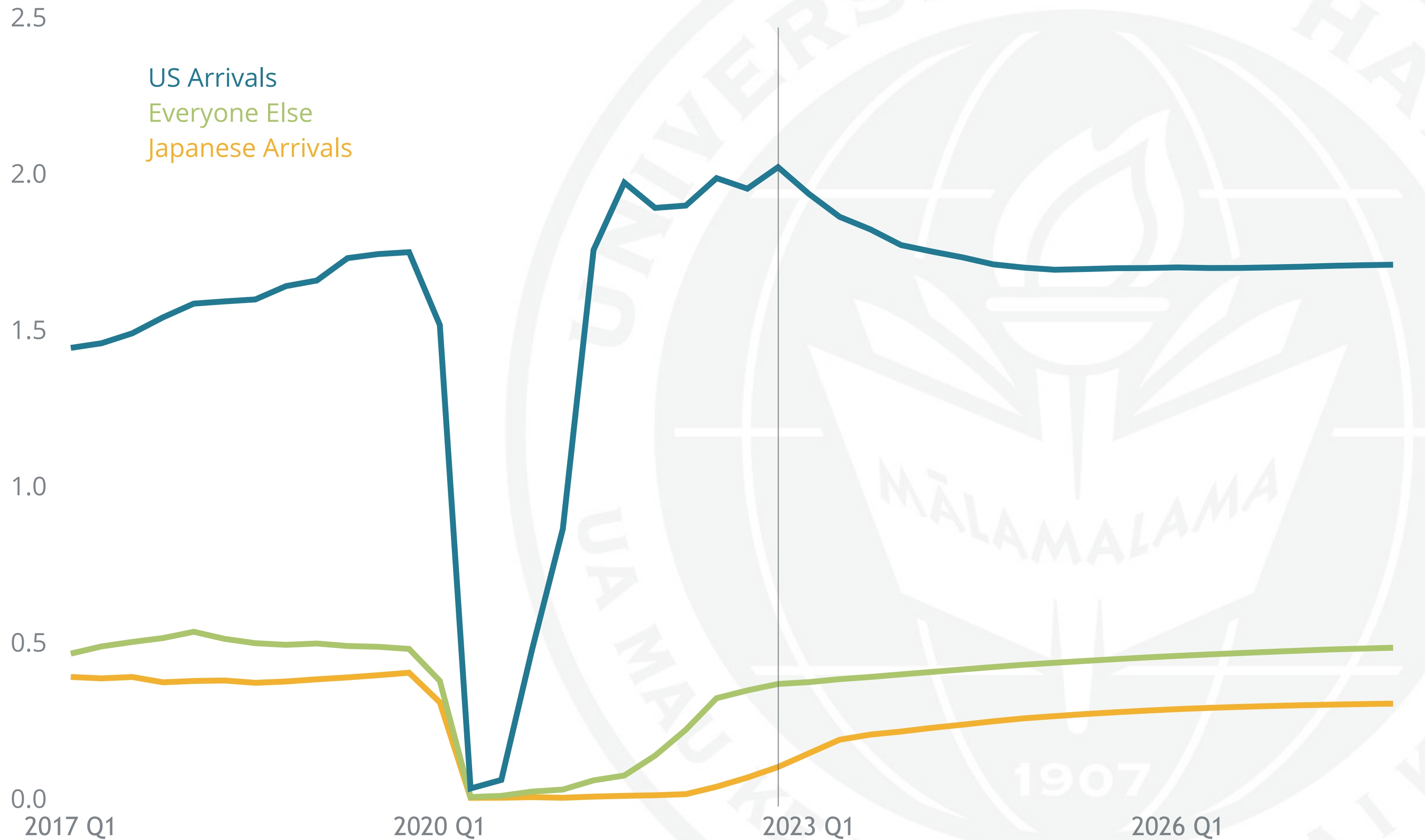
Hotel rooms +30%, Food and Drink + 18%, Yen - 24%



Source: FRED.

Tourism forecast relies on a pretty optimistic balancing act

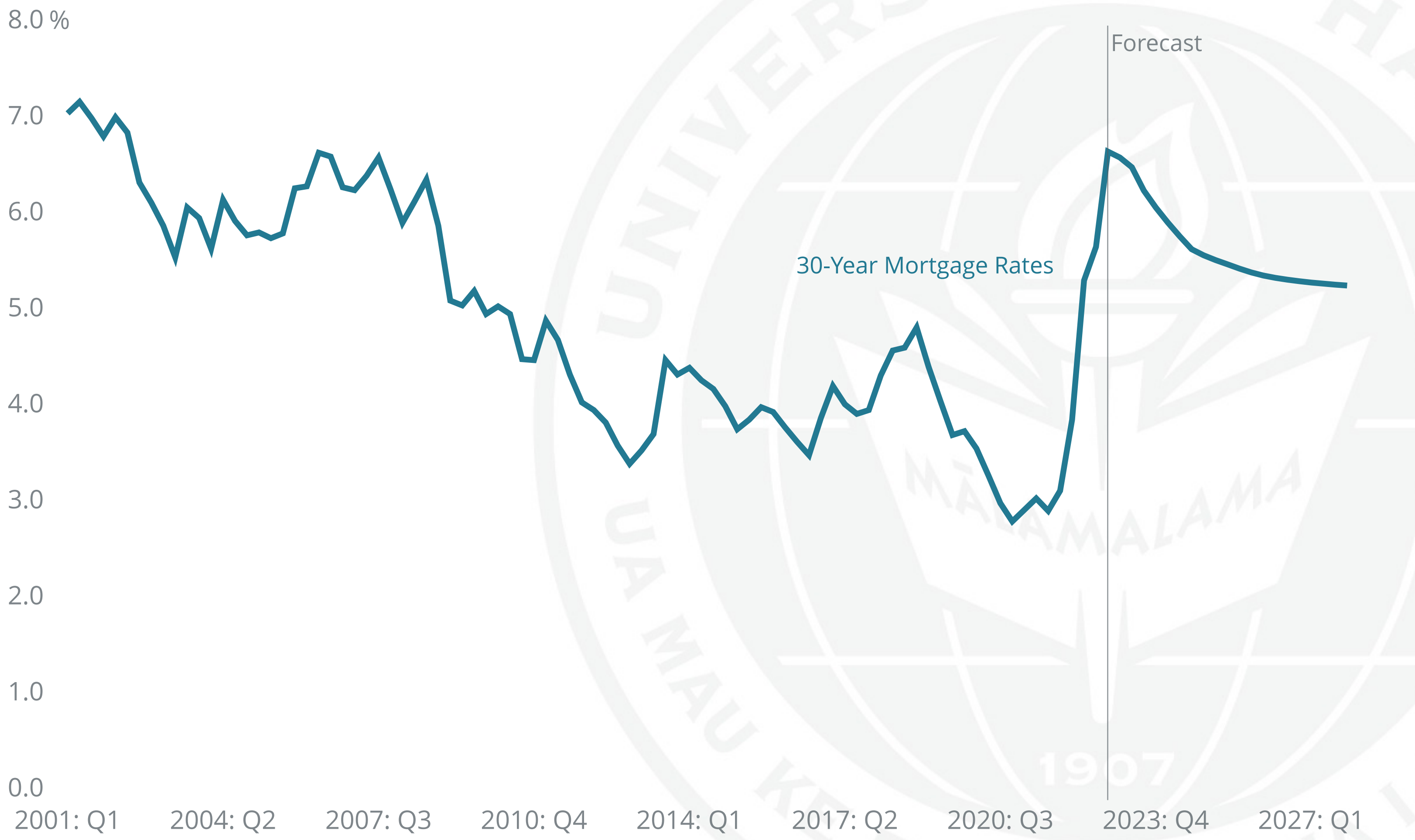
International recovery needs to offset small decline in US visitors



Source: Source: HTA, [UHERO forecasts](#).

While construction has been a bright spot

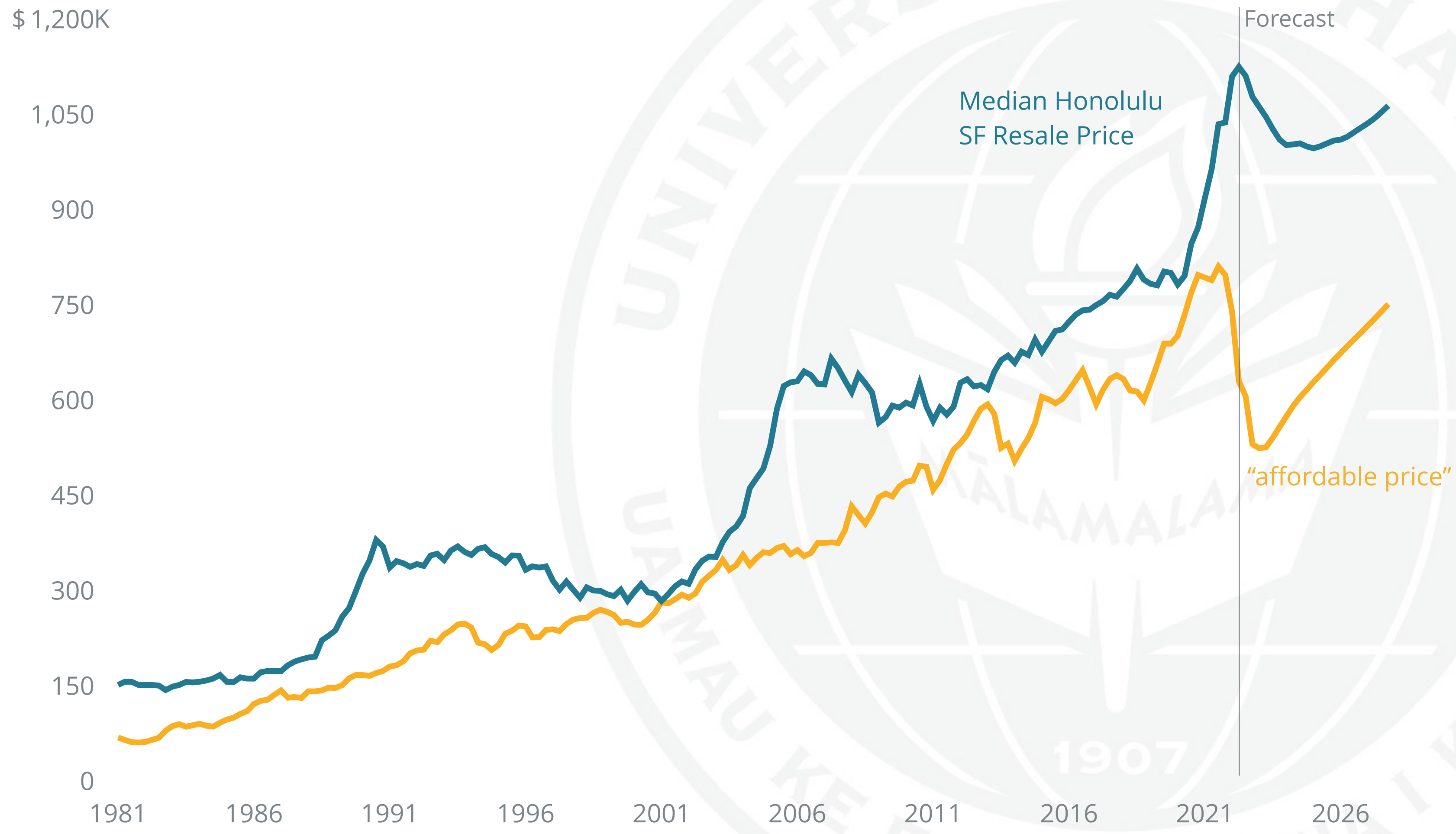
Builders are being squeezed by rising costs and falling demand



Source: Federal Reserve Board, [UHERO forecasts](#).

Builders squeezed by rising costs and falling demand

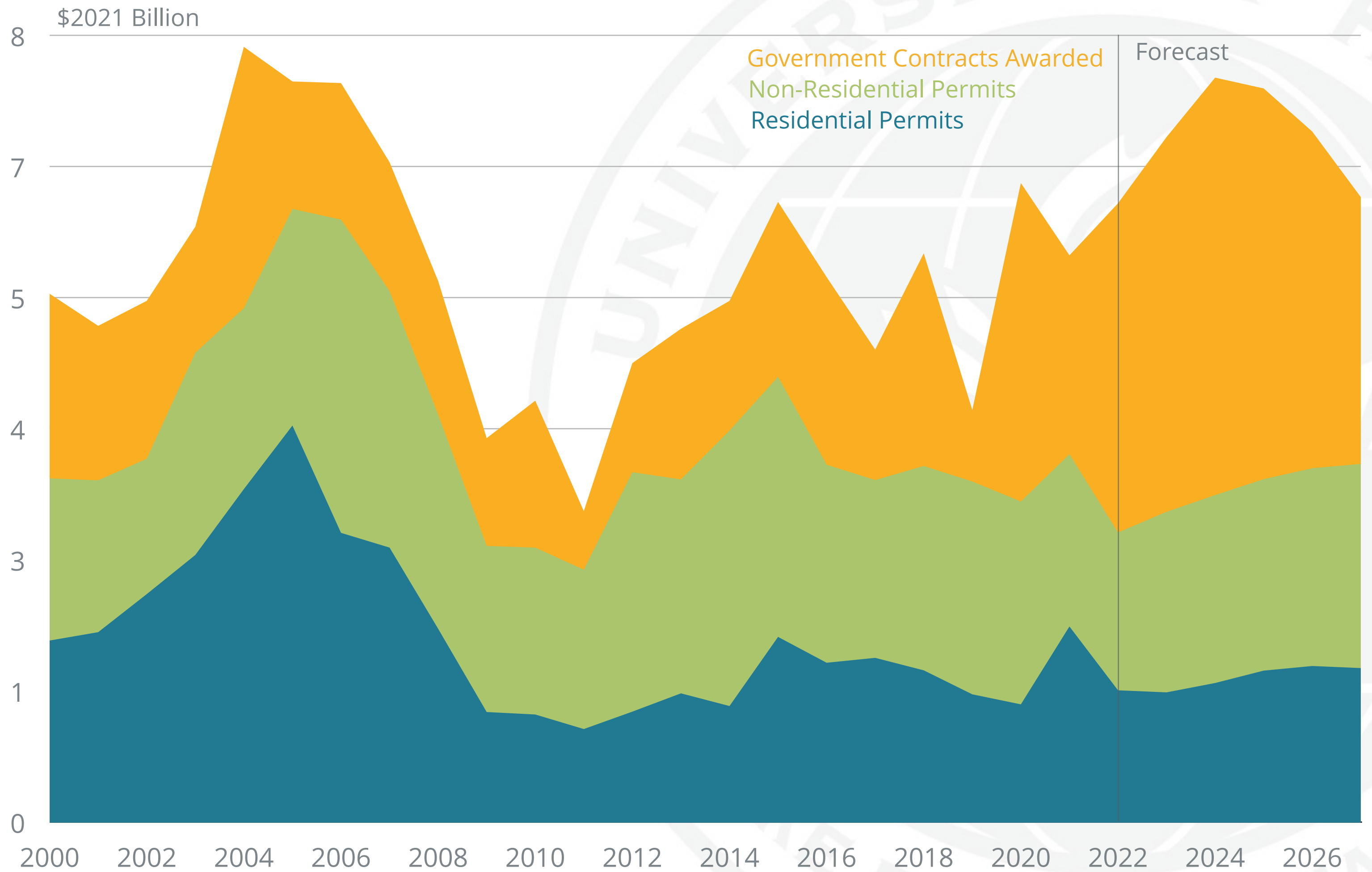
affordability has collapsed with surging mortgage rates and prices



Source: Honolulu Board of Realtors, [UHERO forecasts](#).

Construction spending helps offsets decline in visitor spending

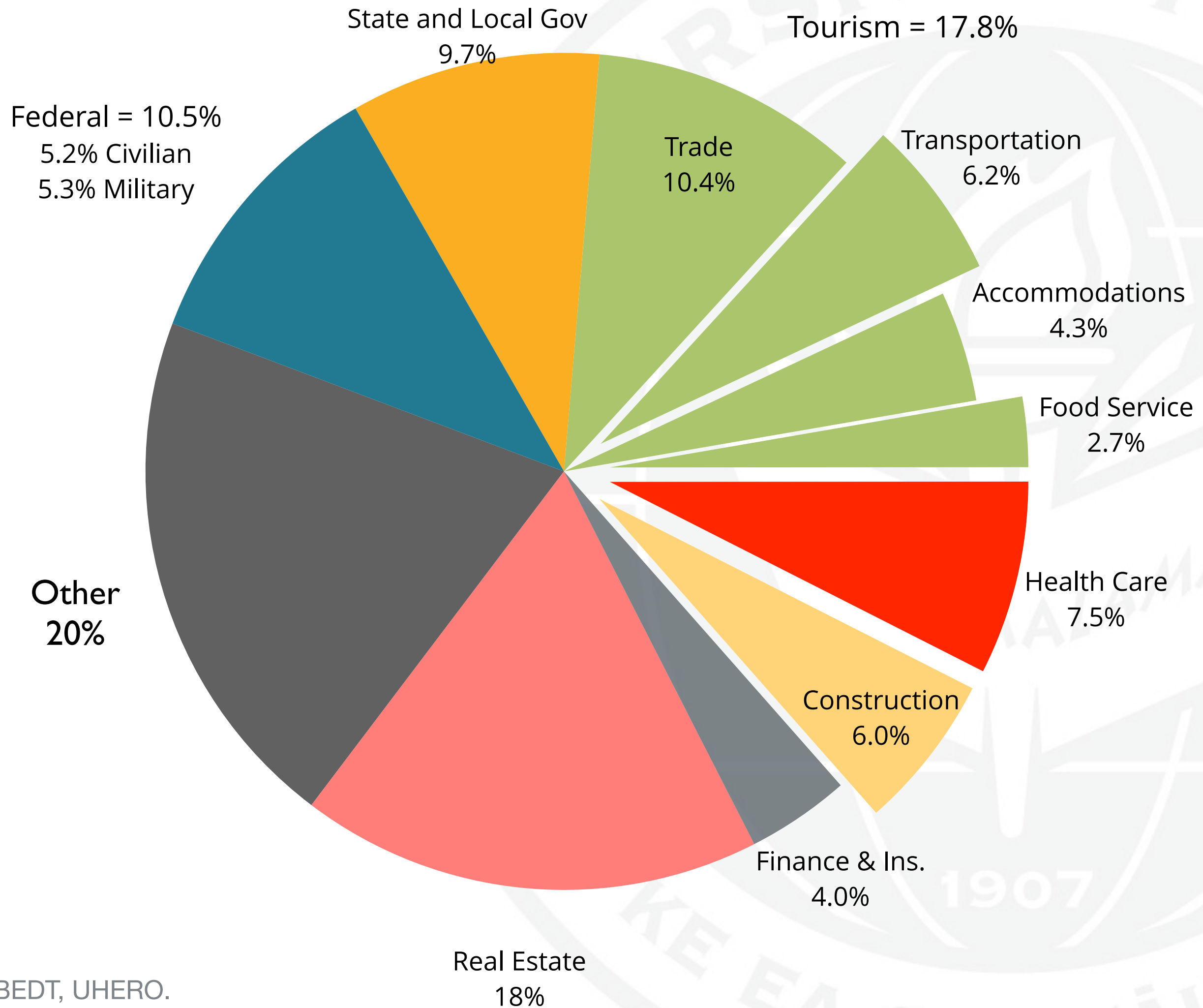
With federal IJA and DoD\$—this time may really be different



Source: DBEDT, UHERO forecasts.

What lies ahead post pandemic recovery?

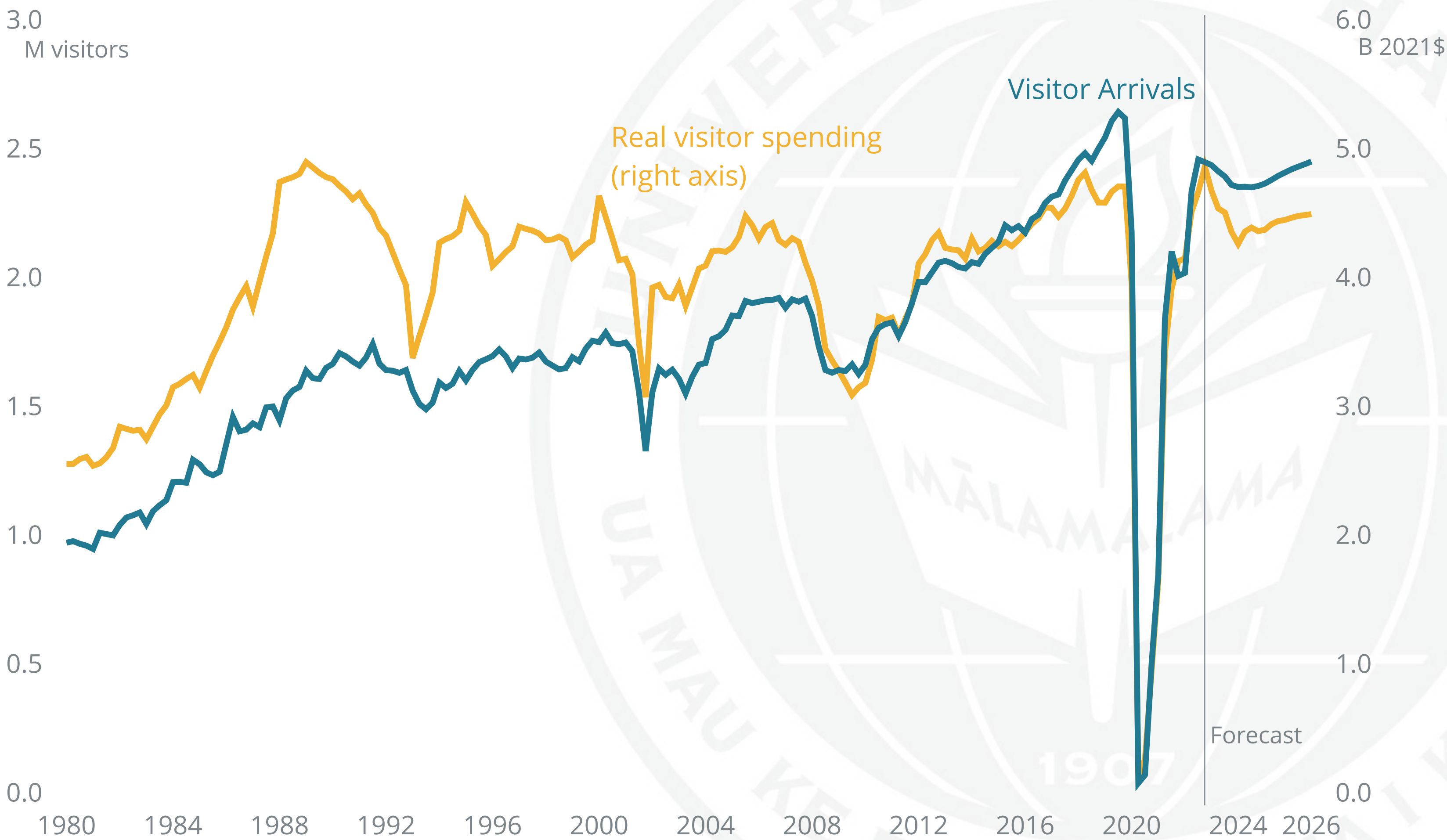
Industry shares of 2019 GDP



Source: BEA, DBEDT, UHERO.

When the recovery is over, then what

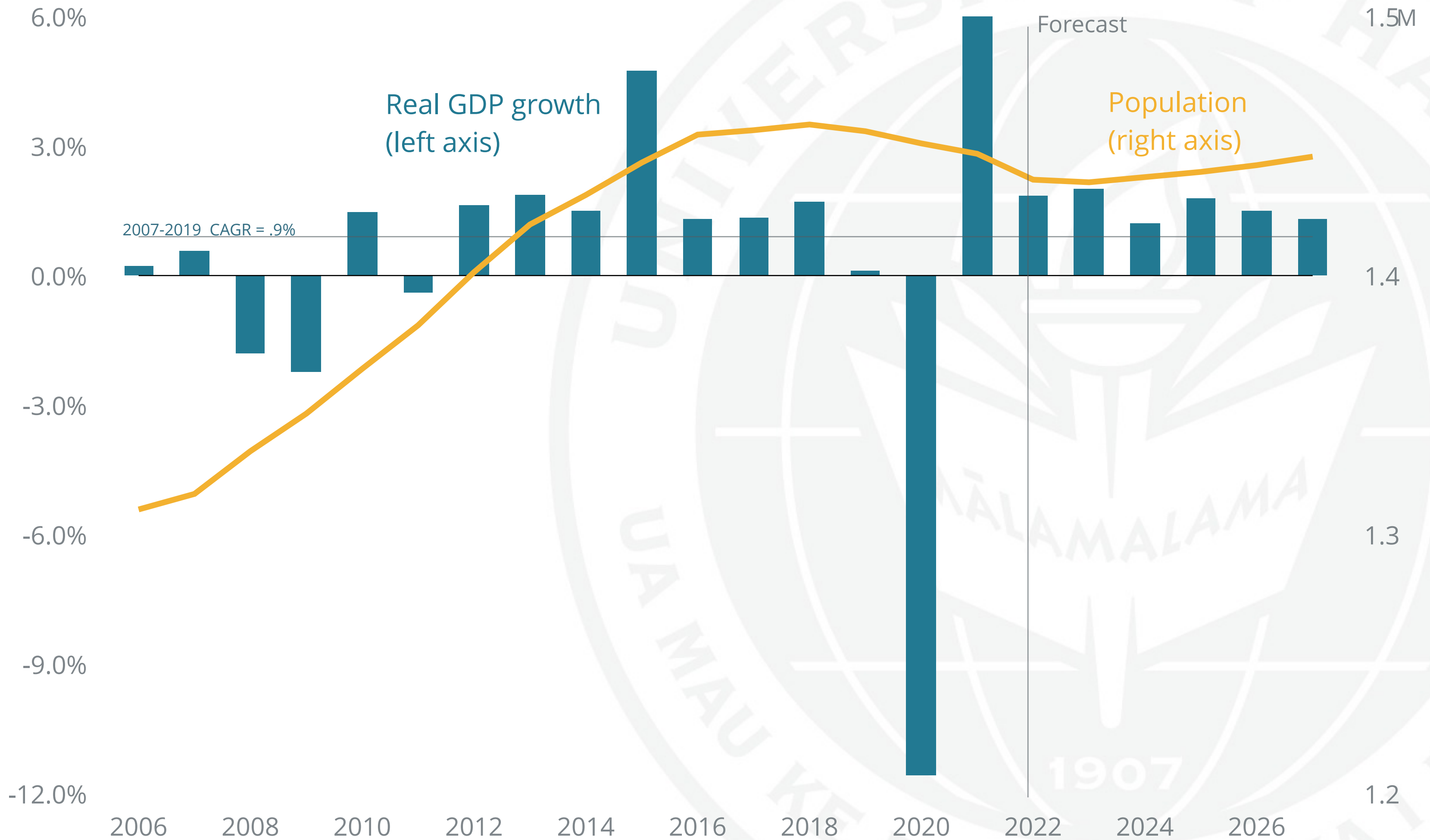
can tourism "management" change this picture?



Source: HTA, BLS, UHERO forecasts. Nominal visitor spending deflated using Honolulu CPI.

What lies at the end of Hawaii's recovery?

pre-pandemic cycle saw less than 1% real growth



Source: BEA, CENSUS, UHERO estimates of intercensal population (2011-2019), UHERO forecasts.



BLOGS

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[Measuring the Burden of Housing Regulation in Hawaii](#)

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REPORTS

[UHERO Public Health Report: Health Effects and Views of COVID-19 in Hawai'i](#)

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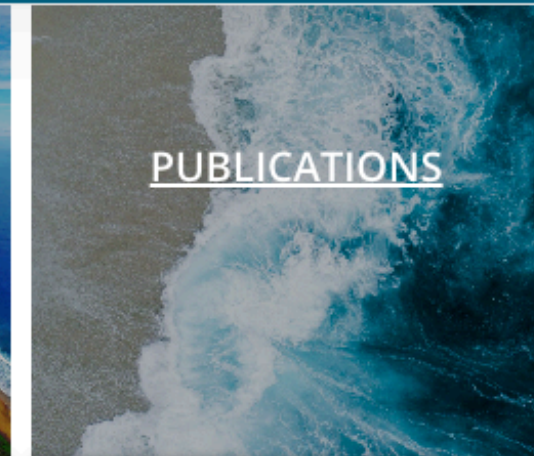
Since September 2018, our project team, composed of University of Hawai'i faculty and students, Kāko'o 'Ōiwi staff, and other partners have worked together to: 1)

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PUBLICATIONS

[Vaccine-Associated Shifts in SARS-CoV-2 Infectivity Among the Native Hawaiian and Other Pacific Islander Population in Hawaii](#)

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Abstract: Native Hawaiians and other Pacific Islanders (NHPIs) across the country have experienced significant disparities because of the COVID-19 pandemic. The Pacific Alliance Against COVID-19

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[Dynamics of Trust and Consumption of COVID-19 Information Implicate a Mechanism for COVID-19 Vaccine and Booster Uptake](#)

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