



State of Hawaii

Department of Business, Economic Development & Tourism

Ka 'Oihana Ho'omōhala Pā'oihana, 'Imi Waiwai a Ho'omāka'iaka'

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STATE ECONOMIC FORECAST UNCHANGED DESPITE SIGNIFICANT DOWNWARD REVISION FOR THE U.S. ECONOMY

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HONOLULU—The Department of Business, Economic Development and Tourism (DBEDT) released its fourth quarter 2022 Statistical and Economic Report today. DBEDT kept economic growth projections for 2022 and 2023 for the State unchanged at 2.6 percent and 1.7 percent, respectively. The same projections were made in the third quarter because economic recovery remaining firm as consumer inflation declines. According to the most recent (November 2022) economic projections by top 50 economic forecasting organizations published in Blue Chip Economic Indicators, U.S. economic growth in 2022 is expected to be at 1.8 percent in 2022 and a mere 0.2 percent in 2023.

Though the U.S. economy is likely to enter into a recession in the early part of 2023, the impact on Hawaii economy is likely to be small due to the following reasons:

Tourism recovery remains strong. During the first 10 months of 2022, Hawaii welcomed a total of 7.6 million visitors, representing an 88.6 percent recovery from the same period in 2019. U.S. visitors were 13.8 percent higher than those who came during the same period in 2019. International visitors recovered 38.1 percent with Canadian visitors leading the recovery at 69.8 percent, Japanese visitors at 10.3 percent, and other international visitors at 59.7 percent.

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

Island	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
State	70.4	81.6	85.7	98.2	92.6	89	92.4	89.6	96.3	93.6
Oahu	56.8	67.9	77.2	85.4	81.9	77.8	82	79.6	84.1	83.3
Kauai	79.9	84.7	86.7	108.8	102.8	99.1	99.3	100.5	112.5	106.3
Maui Island	78.5	87.2	88.1	102.6	98.3	97.4	99	97	104	95.8

Molokai	51.8	58.5	68	84	63.2	61.4	61.1	93.9	62.5	76
Lanai	60.3	77.5	59.6	123.9	86.4	67.4	67	72.5	95	94.8
Hawaii Island	75.1	88.5	88.1	107.7	100.2	96.3	97.6	93.5	105.3	108.4

Source: HTA and DBEDT

Visitor arrivals to Maui, Kauai, and Hawaii islands have recovered over 95 percent during the first 10 months of 2022 while Oahu's recovery was below 80 percent. Historically, about 50 percent of the Oahu visitors are international visitors and international visitor recovery remains low.

Through October 2022, visitor spending in current dollars totaled \$15.9 billion, representing an 8.5 percent increase over the spending amount of the same period in 2019. After adjusting for inflation, visitor expenditure recovery during the first 10 months of 2022 was approximately 95 percent of the 2019 level.

In October 2022, the statewide hotel occupancy rate was at 72 percent, 7.5 percentage points lower than October 2019. The statewide hotel room rate in October 2022 was at \$338.24 per night, representing 32.4 percent increase from October 2019. Comparing October 2022 with October 2019, average room rates increased more than 50 percent in Maui County (+56.4%) and Hawaii County (+51.6%), with an increase of 43.6 percent in Kauai County. Oahu had the lowest growth rate at 11.5 percent.

Reflecting the higher room rate, the state accommodation tax revenue increased 31.1 percent between the two periods.

As currently scheduled, total air seats during the December 2022 to January 2023 period will be fully recovered from the December 2019-January 2020 period. Seats from the U.S. mainland will be 17.5 percent higher and seats from international airports will recover 65.4 percent. Flights from Japan are scheduled to recover 47.4 percent between the two periods.

Labor Market Conditions Continued to Improve. Hawaii's labor market conditions continued to improve throughout the first 10 months of 2022, with the unemployment rate at 4.0 percent seasonally adjusted and 3.7 percent not seasonally during the first 10 months of 2022. As a comparison, the seasonally adjusted unemployment rate was 6.1 percent and not seasonally adjusted rate was 6.0 percent during the first 10 months of 2021. Hawaii's seasonally adjusted unemployment rate during the first 10 months of 2021 was the 12th highest in the nation and now dropped to the 16th highest during the first 10 months of 2022.

Total seasonally adjusted employment, including those with payroll jobs and those working as proprietors, continued to improve. In January 2022, total employment was 96.6 percent of the January 2019 level, and in October total employment improved to 97.5 percent of the 2019 level.

Non-agriculture payroll job recovery: October 2022 vs October 2019 (Not seasonally adjusted)

Industry	State	Honolulu County	Hawaii County	Maui County	Kauai County
Number of payroll jobs still lost	40,400	28,500	3,200	5,800	2,500
Total (% of Oct. 2019 level)	93.9	94.0	95.5	92.8	92.5
Construction	98.7	98.9	105.4	93.6	104.8
Manufacturing	90.6	85.3	114.3	100.0	120.0
Wholesale trade	86.8	87.5	88.2	87.5	80.0
Retail trade	91.0	88.5	102.1	90.9	95.1
Transportation & utilities	87.6	87.4	90.6	90.9	100.0
Information	103.4	102.7	85.7	100.0	100.0
Financial activities	85.1	87.4	74.1	87.1	75.0
Professional & business services	95.8	96.1	91.3	97.3	87.5
Educational services	96.6	94.0	107.7	108.3	100.0
Health care	98.4	99.6	93.8	98.8	93.3
Hospitality	94.1	94.7	97.9	90.5	90.5
Other services	89.1	88.9	90.9	91.2	90.9
Government	95.5	96.1	93.4	92.4	92.3

Source: Hawaii State DLIR and DBEDT

The not seasonally adjusted non-agricultural payroll jobs grew 4.6 percent during the first 10 months of 2022 from the same period in 2021, representing a recovery rate of 92.3 compared with the same period 2019 level. In October 2022, non-agriculture payroll jobs (not seasonally adjusted), for all industries combined, recovered 93.9 percent as compared with the same month in 2019. Wholesale trade, transportsations and utilities, financial activities, and other services had recovery rates less than 90 percent, and all other industries had more than 90 percent recovery. The low recovery rate in financial activities was mainly caused by the reduction of 1,200 jobs in finance and insurance, and 500 job loss in real estate and rental and leasing industries just for the month of October 2022 as compared with the same month a year ago.

Hawaii's civilian labor force (seasonally adjusted) participation rate improved to 60.8 percent during the June-October 2022 period and represented the highest since March 2020. The average civilian labor force participation rate in 2019 was 60.9 percent.

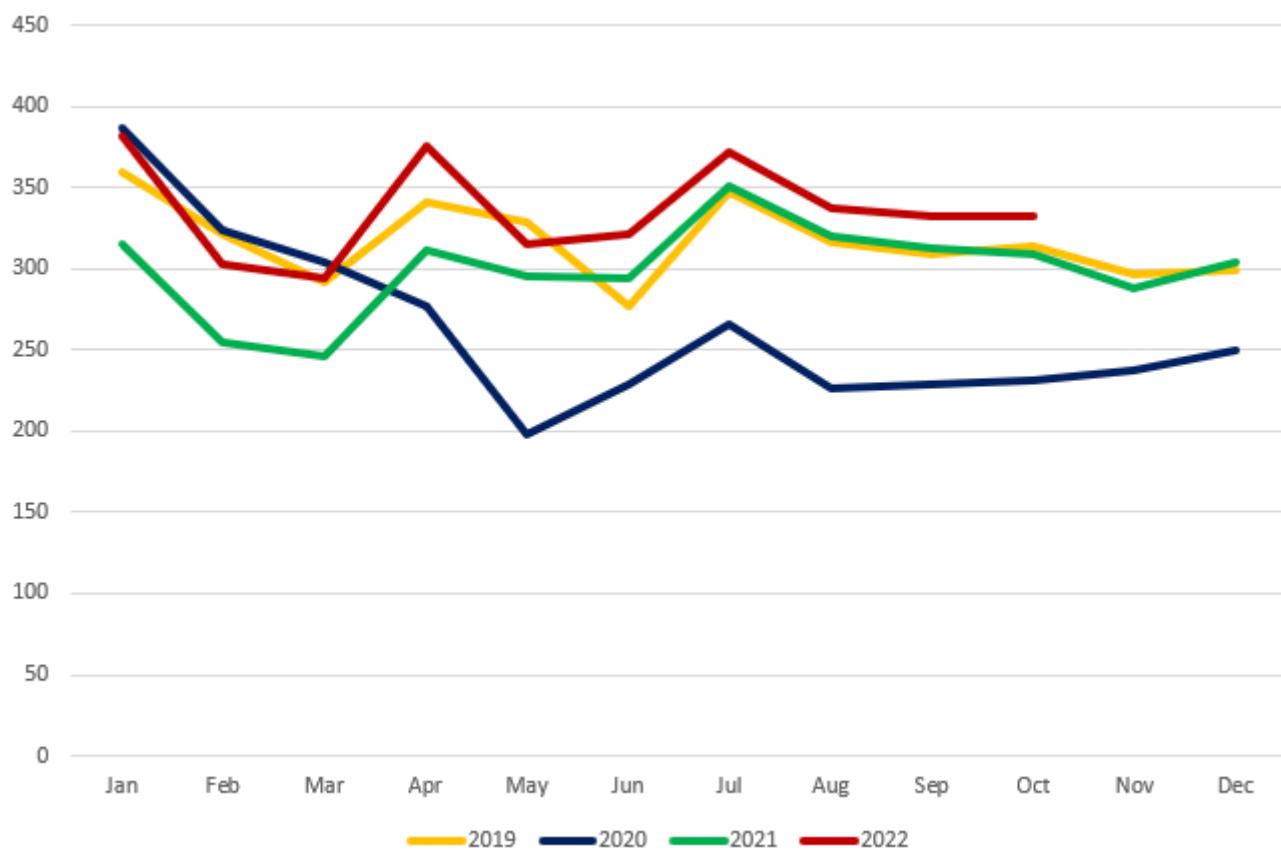
Initial unemployment claims, between the week ending March 5, 2022, and the week ending November 19, 2022, have been stable at 1,175 per week; this was similar to the same period in 2019 when the average weekly initial unemployment claims were at 1,172.

During the first nine months of 2022, the average monthly job openings was 46,400 and the average monthly hires was 29,600, leaving 16,800 positions unfilled. Most of the unfilled jobs were in healthcare and tourism related industries. The average number of positions unfilled during the first nine months of 2019 was 7,900.

State Tax Collections Continue to Rise. During the first 10 months of calendar year 2022, state general excise tax (GET) revenue increased 19.3 percent from the same period a year ago; GET is an indicator reflecting Hawaii current business conditions. The increase in GET revenues was partially due to the higher inflation rate and partially due to economic growth. Inflation for commodities in Honolulu during the first nine months of 2022 was 11.1 percent, and inflation for services was 4.7 percent during the same period.

Monthly General Excise Tax Collections

(in millions of 2021 dollars)



Construction Activity and Home Sales Declining. The construction industry, as measured by the contracting tax base in current dollars increased by 3.4 percent during the first seven months of 2022. However, construction industry price level increase 15.9 percent between the first half of 2021 and first half of 2022. After adjusting for inflation, real contracting tax base decreased by 10.7 percent during the first seven months of 2022.

The value of private building permits declined 13.5 percent during the first 10 months of 2022. Construction payroll jobs also decreased 1.9 percent in the first 10 months of 2022.

Government contracts awarded increased 334.6 percent during the first nine months of 2022 as compared with the same period in 2021. Included in the contracts, the U.S. Navy awarded \$945.3 million, and the State Department of Transportation awarded \$2.6 billion to Hawaii businesses during the second quarter of 2022. The value of government contracts awarded during the first three quarters of 2022 was the highest since the 1980s for a 3-quarter period.

During the first nine months of 2022, there were 17,237 homes sold statewide, which represents a 10.4 percent decrease from the same period in 2021. The average sales price for single-family homes in the first nine months of 2022 was \$1,087,736, representing a 4.1 percent increase from the first nine months of 2021. The average sales price for condominiums was \$716,065, an increase of 8.3 percent from the same period in 2021.

Of the homes sold during first nine months of 2022, 12,922 units or 75.0 percent were sold to local buyers and 4,315 units or 25.0 percent were sold to out-of-state buyers. Of the homes sold between 2008 and 2021, 25 percent of them were sold to out-of-state buyers.

Honolulu Consumer Inflation Declining. Inflation in the Honolulu area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), averaged 6.8 percent during the first nine months of 2022. There was a downward trend from 7.5 percent in March to 7.0 percent in May, 6.8 percent in July, and 6.6 percent in September. The increase in inflation was partly driven by energy prices, which jumped 35.2 percent due to an increase in crude oil prices. Supply chain disruptions also contributed to the higher inflation rate.

The Federal Reserve Bank continues to fight inflation through incremental interest rate hikes. The Federal Funds target rate increased by 50 basis points (0.5%) in May 2022, by 75 basis points (0.75%) in June, July, September, and November. Higher interest rates have negative impacts on investments, especially on home sales.

Forecasting Results

In the current report, DBEDT predicts that Hawaii's economic growth rate, as measured by the percentage change in real gross domestic product (GDP), will increase 2.6 percent in 2022 over the previous year. In 2023, Hawaii's economic growth is expected to slow down further, to 1.7 percent, due to the expected global economic downturn. U.S. economic growth is expected to grow at a mere 0.2 percent in 2023, with more than a 50 percent possibility that the U.S. economy will enter a recession according to Blue Chip Economic Indicators. In 2024 and 2025, Hawaii's economic growth is expected to return to normal growth levels at about 2 percent.

Visitor arrivals are projected to be 9.3 million in 2022, slightly higher than the number projected in the third quarter. Arrivals are projected to increase to 9.8 million in 2023, 10.2 million in 2024, and 10.5 million in 2025, fully recovering to the 2019 level. Visitor spending is projected to be \$19.5 billion in 2022, which is slightly higher than previously projected; this is due to the higher than expected average visitor daily spending. During the first 10 months of 2022, daily visitor spending increased 14.6 percent from the same period in 2021. Total visitor spending is projected to grow at 7.5 percent, 4 percent, and 5.1 percent, respectively for 2023, 2024, and 2025.

Non-agriculture payroll jobs are forecast to increase by 4.3 percent in 2022, slightly higher than previously projected. Payroll job counts will increase by 3 percent in 2023, 2.3 percent in 2024, and 1.9 percent in 2025. For the current forecasting period (up to 2025), non-agriculture payroll jobs will recover to the pre-pandemic (2019) level by 2025.

The state unemployment rate will continue to improve as economic recovery continues. The rate (not seasonally adjusted) is projected to be 3.6 percent in 2022, 3.5 percent in 2023, 3.2 percent in 2024 and will finally decrease to 2.9 percent in 2025.

During the pandemic, personal income surged due to government transfers related to unemployment insurance payments and other CARES Act funds. Due to a reduction in government support, personal income is expected to decrease in 2022 by 1 percent, and then grow between 2.6 and 3.0 percent for the following years until 2025.

As measured by the Honolulu Consumer Price Index for urban consumers, inflation is expected to be 6.5 percent in 2022, still lower than the projected U.S. consumer inflation rate of 8.0 percent. Hawaii consumer inflation is expected to fluctuate between 2.1 and 3.1 percent in the following years until 2025. These inflation projections are similar to those projected last quarter (3Q 2022).

Statement by Director Mike McCartney

Since the last DBEDT economic forecast in August of this year, the state's economy has remained firm, with improvements in major indicators. Our visitor industry performance, labor market conditions, and general excise tax revenue collections are all improving. We've seen the construction and real estate industries slowing down in the last few months, but they are likely to improve as we enter into the new year.

Inflation has been trending downward since March and is expected to decrease further in the coming months. Additionally, record levels of government construction projects have been awarded during the past 10 months, and this will help the construction industry in the months to come.

We are optimistic for the future of our economy.

The full report is available at: dbedt.hawaii.gov/economic/qser/.

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About the Department of Business, Economic Development & Tourism (DBEDT)

DBEDT is Hawaii's resource center for economic and statistical data, business development opportunities, energy and conservation information, and foreign trade advantages. DBEDT's mission is to achieve a Hawaii economy that embraces innovation and is globally competitive, dynamic and productive, providing opportunities for all Hawaii's citizens. Through its attached agencies, the department fosters planned community development, creates affordable workforce housing units in high-quality living environments, and promotes innovation sector job growth.

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ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2020 TO 2025

Economic Indicators	2020	2021 ¹	2022	2023	2024	2025
	Actual		Forecast			
Total population (thousands) ²	1,452	1,442	1,439	1,440	1,442	1,444
Visitor arrivals (thousands) ³	2,708	6,778	9,267	9,816	10,213	10,518
Visitor days (thousands) ³	28,660	65,312	84,872	87,968	89,798	91,753
Visitor expenditures (million dollars) ³	5,162	13,154	19,455	20,909	21,743	22,850
Honolulu CPI-U (1982-84=100)	286.0	296.8	316.1	326.1	333.4	340.6
Personal income (million dollars)	83,110	87,858	86,995	89,300	91,817	94,549
Real personal income (millions of 2012\$)	66,459	68,552	65,415	65,851	66,452	67,261
Personal income deflator (2012=100)	125.1	127.8	133.0	135.6	138.2	140.6
Non-agricultural wage & salary jobs (thousands)	559.9	583.5	608.9	627.1	641.3	653.4
Civilian unemployment rate	12.0	5.7	3.6	3.5	3.2	2.9
Gross domestic product (million dollars)	82,536	91,096	98,375	102,700	106,973	110,934
Real gross domestic product (millions of 2012\$)	70,109	74,547	76,485	77,786	79,419	81,008
Gross domestic product deflator (2012=100)	117.7	122.2	128.6	132.0	134.7	136.9
Annual Percentage Change						
Total population	(NA)	-0.7	-0.2	0.1	0.1	0.1
Visitor arrivals	-73.9	150.3	36.7	5.9	4.1	3.0
Visitor days	-68.3	127.9	29.9	3.6	2.1	2.2
Visitor expenditures	-71.1	154.8	47.9	7.5	4.0	5.1

Honolulu CPI-U	1.6	3.8	6.5	3.1	2.3	2.1
Personal income	5.1	5.7	-1.0	2.6	2.8	3.0
Real personal income	3.4	3.1	-4.6	0.7	0.9	1.2
Personal income deflator (2012=100)	1.7	2.2	4.0	2.0	1.9	1.7
Non-agricultural wage & salary jobs	-15.0	4.2	4.3	3.0	2.3	1.9
Civilian unemployment rate ⁴	9.5	-6.3	-2.1	-0.1	-0.3	-0.3
Gross domestic product	-9.7	10.4	8.0	4.4	4.2	3.7
Real gross domestic product	-10.8	6.3	2.6	1.7	2.1	2.0
Gross domestic product deflator (2012=100)	1.1	3.8	5.3	2.7	2.0	1.7

NA Not available or not applicable.

1/ Some of the indicators are preliminary or estimated such as visitor expenditures, personal income, and gross domestic product.

2/ July 1 count.

3/ Visitors who came to Hawaii by air and by cruise ship. Expenditures includes supplementary business expenditures.

4/ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, November 22, 2022.