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# NEWS RELEASE: DBEDT CONTINUES TO PROJECT SLUGGISH ECONOMIC GROWTH IN 2024

Posted on Jun 6, 2024 in [Latest Department News](#), [Newsroom](#)

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**DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM**

**RESEARCH AND ECONOMIC ANALYSIS DIVISION**

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**FOR IMMEDIATE RELEASE**

June 6, 2024

## **DBEDT CONTINUES TO PROJECT SLUGGISH ECONOMIC GROWTH IN 2024**

The Department of Business, Economic Development and Tourism (DBEDT) released its second quarter 2024 Statistical and Economic Report today. In the report, DBEDT revised its economic growth projections for 2024, as measured by the growth of real gross domestic product (GDP), downward from 1.5 percent projected in the previous quarter, to 1.3 percent. Projections for 2025-2027 remain at about 2.0 percent economic growth which is similar to the average annual growth rate during the 2009-2019 period.

The forecast for slower economic growth in 2024 is due to several factors including decreased air visitor arrivals and expenditures, higher-than-expected inflation, declines in the civilian labor force, and slower job growth. During the first four months of 2024, total visitors to Hawai'i declined by 3.9 percent compared to the same period in 2023. Statewide total visitor expenditures declined by 5.1 percent during the same period.

The state general excise tax (GET) revenue, which is a comprehensive measure of economic activity, decreased by 6.3 percent in April 2024 compared to April 2023. GET month-over-month revenue last decreased in August 2023. The Honolulu Consumer Price Index, a measure of consumer inflation for O'ahu, increased 3.9 percent in January 2024 over January 2023, and 4.8 percent in March 2024 compared to March 2023. As a comparison, the U.S. consumer inflation in March 2024 was at 3.5 percent.

Construction remains a bright spot for the economy. In April 2024, construction added 3,300 jobs (not seasonally adjusted) compared to the same month in 2023. The construction industry is currently at a record high of 41,400 workers (not seasonally adjusted) statewide. Hawai'i's statewide unemployment rate (not seasonally adjusted) for April 2024 was 2.8 percent, lower than the U.S. unemployment rate (not seasonally adjusted) of 3.5 percent.

### **Maui Wildfires Continue to Impact Economic Recovery**

Hawai'i's real gross domestic product (GDP) in the fourth quarter of 2023 (latest data available) is 97.6 percent of Hawai'i's real GDP for the same period in 2019. Hawai'i's real GDP for 2023 recovered to 97.7 percent compared to 2019. As of April 2024, Hawai'i's civilian labor force had recovered to 97.2 percent, the number of civilian people employed to 96.8 percent, and the number of non-agriculture payroll jobs to 96.7 percent of the same month 2019 levels.

The Maui wildfires continue to have pronounced impacts on the economic indicators for all counties, but especially Maui County. Between January and April 2024, visitor arrivals by air to Maui County fell 24.0 percent and expenditures decreased 22.6 percent compared to the same four months in 2023. Air visitor arrivals to Honolulu increased during this period, however, air visitor arrivals to Honolulu declined in April by 2.8 percent compared to April 2023. The last time month-over-month air visitor arrivals to Honolulu declined was in March 2021. Air visitor arrivals to the state decreased by 4.5 percent while expenditures decreased by 5.3 percent in the first four months of 2024 compared to the same period in 2023.

All counties saw decreases in the labor force and the number of civilians employed for the first four months of 2024 compared to the first four months of 2023. Maui County experienced the largest percentage reduction in its labor force at 5.3 percent, followed by Kaua'i County at 0.8

percent, Honolulu County at 0.5 percent, and Hawai'i County at 0.3 percent. Between January and April of 2024, the number of civilians employed in Maui County was 7.4 percent lower and the number of payroll jobs was 7.2 percent lower compared to the same period in 2023. The other counties gained jobs during this period, with the largest percentage increases in Hawai'i County and Honolulu County.

## Growth in Economic Indicators by County

January through April 2024 compared to January through April 2023

	Hawai'i County	Honolulu County	Kaua'i County	Maui County	State of Hawai'i
Air visitor arrivals	-1.6%	3.3%	-2.7%	-24.0%	-4.5%
Air visitor expenditures	15.6%	-1.9%	7.9%	-22.6%	-5.3%
Civilian labor force	-0.3%	-0.5%	-0.8%	-5.3%	-1.1%
Number of civilian people employed	-0.1%	-0.3%	-0.6%	-7.4%	-1.2%
Non-agriculture payroll jobs	1.6%	1.5%	1.0%	-7.2%	0.4%
Value of private building permits	5.8%	92.2%	-4.6%	-27.6%	34.8%

A breakdown of the net jobs gained and lost by county and by sector, highlights areas of strength for Hawai'i's economy and areas of concern.

## Net Job Gains and Losses by Sector and County, Not Seasonally Adjusted

January – April 2024 compared to January – April 2023

- Construction added 2,800 jobs statewide or 7.4 percent (not seasonally adjusted) during the first four months of 2024 compared to the first four months of 2023. Most of the growth in jobs was in Honolulu County. Between January to April 2024, Honolulu County's private building permit value increased by 92.2 percent over the same period in 2023. Although Maui County's private building permit value fell by 27.6 percent during this period, residential building permits and additions and alterations increased by 79.0 percent and 40.3 percent, respectively.
- Other industry sectors with statewide job gains have been Private Educational Services; Health Care & Social Assistance; Arts, Entertainment & Recreation; Accommodation; and

Government. Following Construction, the second-largest private sector industry increase in jobs was in Health Care & Social Assistance, which added 2,100 jobs or 2.9 percent (not seasonally adjusted) in the first four months of 2024 compared to the same period in 2023. The number of Health Care & Social Assistance jobs in April 2024 is the highest it has ever been at 76,400 (not seasonally adjusted).

- The Information sector saw a 25.0 percent decline in jobs (not seasonally adjusted) in the first four months of 2024 compared to the same period in 2023. More than 95 percent of the Information jobs lost were in Honolulu County.
- Maui County experienced job losses in several sectors, especially the tourism-related sectors of Food Services & Drinking Places; Accommodation; and Transportation, Warehousing & Utilities. Maui County gained jobs in Construction, Health Care & Social Assistance, and Government. Maui County gained approximately 1,200 state and local government jobs (not seasonally adjusted) in January through April 2024, compared to the same period in 2023, consistent with ongoing efforts to help residents recover from the wildfire tragedy.

The unemployment rate (not seasonally adjusted) for the first four months of 2024 is 2.9 percent, 0.1 percentage point higher than the same period in 2023. The U.S. average unemployment rate (not seasonally adjusted) for the first four months of 2024 is 3.5 percent. During the month of May 2024, the average weekly initial unemployment claims was 1,140, slightly higher than the average weekly initial unemployment claims of 1,055 in May 2023. Maui County weekly initial unemployment claims represented about 17.0 percent of the May 2024 claims.

### **National Economic Conditions**

According to the most recent (May 2024) economic projections by the top 50 economic forecasting organizations published in Blue Chip Economic Indicators, U.S. economic growth is expected to be 2.4 percent in 2024 and 1.8 percent in 2025. Growth in the first quarter of 2024 was slower than expected at 2.9 percent over the first quarter of 2023 (seasonally adjusted) compared to the 3.1 percent growth projected in April. Increases in consumer spending, fixed investment, and state and local government spending were partly offset by a decrease in private inventory investment and an increase in imports.

Following seven interest rate hikes in 2022 and four interest rates hikes in 2023, with the last increase in July 2023, the Federal Reserve has left interest rates unchanged at its last six meetings. Higher-than-expected inflation in the first quarter of 2024 has led most economists to expect that the first rate cut will now occur in September 2024.

### **Forecasting Results**

In the current report, DBEDT predicts that the economic growth rate for Hawai'i, as measured by the percentage change in real GDP, will increase by 1.3 percent in 2024 from 2023. Economic growth is expected to reach 2.1 percent for the state in 2025 and 2026, as reconstruction activities on Maui progress. In 2027, economic growth for Hawai'i is expected to be 1.8 percent.

Visitor arrivals are projected to be 9.6 million in 2024, lower than previously projected. A full visitor arrival recovery is projected to occur in 2027, when 10.4 million visitors will come to the state. Visitor spending is projected to be \$21.1 billion in 2024 and is expected to increase to \$23.7 billion by 2027.

As currently scheduled, total air seats are expected to increase by 2.6 percent during the next three months (June to August 2024), compared to the same period of the previous year. The increase in air seats is largely from Japan, where capacity is forecast to increase by 30.1 percent from 2023 levels. This increase in capacity, however, may reflect both visitors from Japan and increased demand from Hawai'i residents going to Japan due to the weak yen. Air seats from international destinations overall are forecast to increase by 13.4 percent. Air seats from the U.S. are expected to increase by 0.5 percent in between June and August 2024 compared with the same period in 2023.

Non-agriculture payroll jobs growth is expected to slow to 0.6 percent in 2024 and then increase to 1.7 percent in 2025, 1.4 percent in 2026, and 1.2 percent in 2027. A full recovery of non-agriculture payroll jobs is expected to occur in 2027 when the total will reach 663,700 jobs, surpassing the 2019 total of 659,000.

The state unemployment rate is expected to be at 2.8 percent in 2024 and will improve to 2.6 percent in 2025, 2.5 percent in 2026, and 2.4 percent in 2027.

Personal income is expected to grow at rates of around 4 percent in the next few years, similar to projections in the previous quarter.

As measured by the Honolulu Consumer Price Index for Urban Consumers, inflation is expected to be 3.6 percent in 2024, which is higher than the projected U.S. consumer inflation rate of 3.1 percent for the same year. Hawai'i consumer inflation is expected to decrease to 2.3 percent by 2027.

Hawai'i's population is expected decrease by 0.1 percent in 2024, remain flat in 2025, and then increase by 0.1 percent in 2026 and by 0.2 percent in 2027.

### **Statement of DBEDT Director James Kunane Tokioka**

Hawai'i's economy continues to recover from both the COVID-19 pandemic and the Maui wild-fire tragedy. Though Hawai'i has a lower unemployment rate (not seasonally adjusted) at 2.8 percent compared to the U.S. rate of 3.5 percent, labor force and civilian employment dropped in all the counties during the first four months of 2024. Data on visitor arrivals, visitor expenditures, state general excise tax collection, and inflation also indicate that growth will be slower in 2024. However, it is encouraging to see strong growth in construction and continued growth in health care and social assistance jobs. Jobs in both sectors are at record-high levels.

We remain steadfast in our support of the state's and especially Maui's economic recovery, recognizing that Maui County residents and businesses continue to experience higher unemployment, declines in the labor force, and job losses. The increase in the value of residential private building permits for Maui County is positive and the opening of the County of Maui Recovery Permit Center at the end of April should streamline the permitting process for those seeking to rebuild. Targeted efforts are also underway to reinvigorate visitor travel to Hawai'i, with an emphasis on supporting Maui. Although recovery will take time, there are signs that our economy will continue to improve and grow.

The full report is available at: [dbedt.hawaii.gov/economic/qser/](http://dbedt.hawaii.gov/economic/qser/) (<http://dbedt.hawaii.gov/economic/qser/>).

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