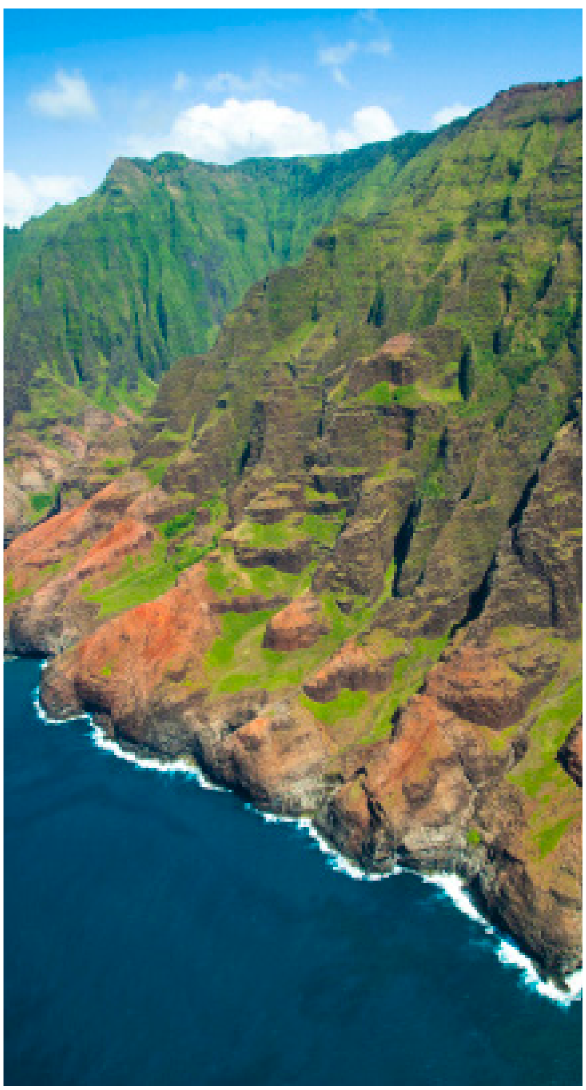
UHERO
THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAI'I

UHERO FORECAST FOR THE STATE OF HAWAII

Lagging Maui recovery, slower speed limit for Hawaii growth

SEPTEMBER 20, 2024



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EXECUTIVE SUMMARY

Hawaii's economic outlook continues to be a story of two economies: a Maui economy that will only gradually recover from its post-wildfire downturn, and the other counties as a group, whose visitor industries will continue to operate at a high level, and whose macroeconomic conditions will remain broadly favorable. Hawaii's trend growth is now slower than in past decades. That will continue to be the case because of limited population and labor force growth in coming years.

- Global economic conditions remain broadly favorable, with considerable variation across countries. The US has remained strong longer than expected, and disinflation progress and softer labor markets now set the stage for the first Federal Reserve interest rate cut. The Bank of Canada has already gone down that road, after the economy slowed significantly. Japan also slowed sharply in 2023, but forward-looking indicators are more positive. The Australian economy continues to languish, with less progress reducing inflation. China continues to underperform, reflecting a weak property market, stagnant consumer spending, and falling prices.

- Statewide tourism figures are down slightly from last year, but Oahu experienced a summer boost. The US market, which has dominated in recent years, will see only incremental growth. The post-wildfire recovery on Maui has essentially stalled for now. And Maui hotels are seeing falling occupancy rates, as displaced residents are moved to other housing. After stabilizing in 2025, statewide real visitor spending will be essentially flat through the end of the decade.

- After tracking our forecasts for several years, the Japanese visitor recovery has slowed, and their number remains at roughly half their pre-COVID level. The weak yen has weighed heavily on daily spending. The currency has regained some lost ground as the Bank of Japan has begun to raise interest rates. Further appreciation should help to boost this market, although it will not play as large a role in Hawaii as it has in the past. Visitors from other countries will add to growth.

- The aftermath of Maui's wildfires continue to disrupt the local labor market. Coupled with the Valley Isle's ongoing housing crisis, this has driven some residents to leave. Unfortunately, data on out-migration is extremely limited. The county's labor force has fallen by 5%, implying a loss of approximately 4,200 workers. When activity picks up, labor shortages will be a problem.

- Labor conditions in the rest of the state were largely unaffected in the fires' aftermath, but there has been some statewide slowing of job growth since the middle of last year. This has eased an unusually tight labor market, although some businesses still face hiring difficulties. Job growth for many industries was weak this year, but will strengthen a bit in 2025.

- Housing affordability is a challenge across the Islands, but nowhere worse than on Maui. Full Maui home rebuilding will take many years, and in the meantime rents have shot up. There remains uncertainty about the proposal to turn 7,000 short-term rental units into long-term housing. Condos across the state face a crisis in obtaining master policy insurance, prompting the State to intervene. Pending interest rate declines will give the home resale market a lift. Overall construction will continue at a high level, supported by Maui rebuilding, other housing development, and the huge federal military projects.

- While the 2024 elections remain six weeks down the road, we can already evaluate the potential economic effects of major policy proposals. In Hawaii, we also take a look at the effects of the recent substantial income tax cuts.

- Inflation has proven more persistent in Hawaii than on the mainland, because of a slower feedthrough of rents into the CPI. But pay raises have exceeded non-shelter inflation so that real purchasing power for many Hawaii residents has grown. Total real personal income will rise 1.4% this year, with a slightly stronger gain in 2025.

- Hawaii has long seen dismal growth in per capita income, hampering our ability to attract in-migration of new families or to provide opportunities that would prevent out-migration of Hawaii residents. As our society ages and young peoples' preferences have shifted, the "natural" growth of our population from births being higher than deaths is ending. We will need net in-migration if we are to see significant future labor force growth sufficient to meet looming challenges.

- These long-term shifts make efforts like the recent Pre-K program expansion and childcare tax credits key to bolstering labor force participation. Even with such support, we see unfavorable demographics holding down long-term growth. Annual additions to the job base will drop toward 0.5%, and real income growth will decelerate to 1-1.5% over the next five years. Real gross domestic product will pick up to 2.8% in 2025, as the drag from soft overall tourism numbers eases and Maui rebuilding kicks into higher gear. Longer term, real per capita income growth will slow towards a trend of about 1% by 2029.

- Hawaii stands to benefit as the Fed cuts interest rates over the next few years. But there is a risk that the Fed has waited too long to begin cuts, and that slowing already in the pipeline—and related financial fallout—might tip the US economy into a recession. That would be bad news for a Hawaii economy that is heavily reliant on tourism revenue and that needs companies to be able to undertake investment and expansion plans.

Forecast Summary

MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
STATE OF HAWAII					
Nonfarm Payrolls (Thou)	632.7	**636.8**	642.0	646.3	650.5
% Change	2.4	**0.7**	0.8	0.7	0.7
Unemployment Rate (%)	3.0	**3.0**	2.7	2.7	2.6
Real Personal Income (Mil 2023$)	93,653.5	**94,975.7**	96,629.1	98,029.9	99,375.6
% Change	2.1	**1.4**	1.7	1.4	1.4
Real GDP (Mil 2023$)	108,022.8	**109,100.9**	112,149.9	114,732.9	116,937.5
% Change	3.6	**1.0**	2.8	2.3	1.9
Total Visitor Arrivals by Air (Thou)	9,644.5	**9,731.1**	10,118.9	10,286.7	10,448.8
% Change	4.5	**0.9**	4.0	1.7	1.6
Average Daily Census (Thou)	234.5	**229.4**	237.2	243.0	248.7
% Change	1.1	**−2.2**	3.4	2.4	2.3
Real Visitor Expenditures (Mil 2023$)	20,708.0	**19,887.2**	19,933.7	20,013.0	20,150.8
% Change	2.3	**−4.0**	0.2	0.4	0.7
HONOLULU COUNTY					
Nonfarm Payrolls (Thou)	455.6	**459.5**	462.7	465.6	468.1
% Change	2.5	**0.9**	0.7	0.6	0.5
Unemployment Rate (%)	2.7	**2.8**	2.6	2.5	2.6
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Real Personal Income (Mil 2023$)	68,013.5	**69,180.5**	70,373.1	71,361.1	72,255.3
% Change	2.0	**1.7**	1.7	1.4	1.2
Total Visitor Arrivals by Air (Thou)	5,615.0	**5,894.7**	5,962.7	5,956.4	6,044.1
% Change	15.6	**5.0**	1.1	−0.1	1.5
HAWAII COUNTY					
Nonfarm Payrolls (Thou)	70.9	**72.3**	72.9	73.5	74.0
% Change	4.1	**1.9**	0.9	0.7	0.7
Unemployment Rate (%)	3.0	**2.8**	2.6	2.6	2.5
Real Personal Income (Mil 2023$)	10,851.3	**11,039.5**	11,237.1	11,421.1	11,599.0
% Change	3.1	**1.7**	1.8	1.6	1.6
Total Visitor Arrivals by Air (Thou)	1,766.7	**1,751.3**	1,872.6	1,898.2	1,922.5
% Change	5.9	**−0.9**	6.9	1.4	1.3
MAUI COUNTY					
Nonfarm Payrolls (Thou)	74.4	**72.9**	74.1	74.9	75.8
% Change	−0.3	**−2.0**	1.6	1.1	1.2
Unemployment Rate (%)	4.4	**4.0**	3.5	3.4	3.2
Real Personal Income (Mil 2023$)	10,378.9	**10,317.9**	10,505.9	10,657.7	10,857.0
% Change	1.4	**−0.6**	1.8	1.4	1.9
Total Visitor Arrivals by Air (Thou)	2,526.5	**2,358.1**	2,647.1	2,781.3	2,859.9
% Change	−14.9	**−6.7**	12.3	5.1	2.8
KAUAI COUNTY					
Nonfarm Payrolls (Thou)	31.7	**32.0**	32.2	32.4	32.6
% Change	3.2	**0.8**	0.5	0.7	0.8
Unemployment Rate (%)	2.6	**2.6**	2.7	2.6	2.5
Real Personal Income (Mil 2023$)	4,409.9	**4,437.9**	4,513.0	4,590.0	4,664.3
% Change	2.2	**0.6**	1.7	1.7	1.6
Total Visitor Arrivals by Air (Thou)	1,416.9	**1,381.0**	1,431.3	1,443.1	1,454.1
% Change	5.3	**−2.5**	3.6	0.8	0.8

Note: Source is UHERO. Nonfarm Payrolls for 2023 are UHERO estimates of the benchmark revision. Figures for county income for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

THIRD QUARTER HAWAII FORECAST

The Hawaii economy has continued to show considerable resilience. One year after the devastating Maui wildfires, tourism and macro indicators for the Valley Isle lag well behind their pre-fire levels, with further recovery likely to take a number of years. But the rest of the state has seen relatively stable tourism numbers and a low unemployment rate. That near-term health should continue for the next few years at least, as Japanese visitors resume their very slow recovery.

At the same time, the last four years have confirmed the challenges facing Hawaii over the long term. Hawaii is the standout laggard among states for job growth since the pandemic. Early on this reflected lagging tourism recovery; now it simply embodies Hawaii's chronic underperformance, caused by high relative costs, reliance on low-productivity-growth services, and lack of diversification. Now that is compounded by stagnant or negative population growth. Because the local population will continue to age, trend growth in the labor force will be slow going forward, meaning a low rate of job and income growth will be the norm.

A mostly favorable global economy, but weakness in Asia

Global economic conditions remain broadly favorable, but there is considerable variation across key countries and regions. The US economy has remained strong for longer than expected, but disinflation progress and a gradual weakening of labor markets have set the stage for the first Federal Reserve interest rate cuts since the central bank began hiking rates in early 2022. Japan has slowed sharply over the past year, while forward-looking indicators are more positive. In Europe, last year's downturn is likely to have bottomed out, as rising wages and lower financing costs support consumer and investment spending. But weak exports have led to recent softening in Germany, the continent's largest economy.

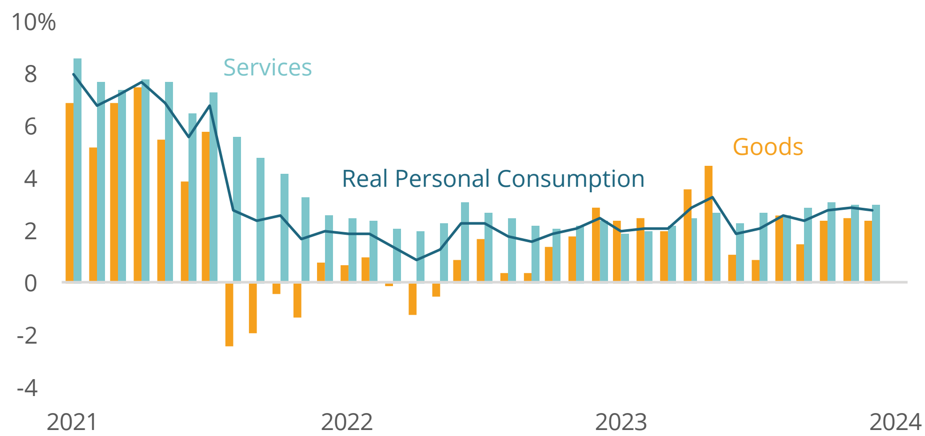
In Asia, China has continued to underperform, reflecting a very weak property market, slowing consumer spending, and falling prices. A weak China has weighed on other Asian developing and emerging economies, although as a group they have recovered a bit more strongly than China.

In the following sections, we will review conditions and prospects for countries that are of particular relevance to Hawaii.

US labor market weakening sets the stage for interest rate cuts

The United States has outperformed most other advanced economies during the post-COVID recovery. That has continued over the past year. After cooling at the start of the year, real gross domestic product expanded at a strong 3% annual rate in the second quarter. As has generally been the case, the quarter's growth was driven mostly by consumer spending, but also by a promising uptick in business investment.

REAL PERSONAL CONSUMPTION EXPENDITURE, YEAR-OVER-YEAR GROWTH
US consumers have sustained the post-COVID expansion.

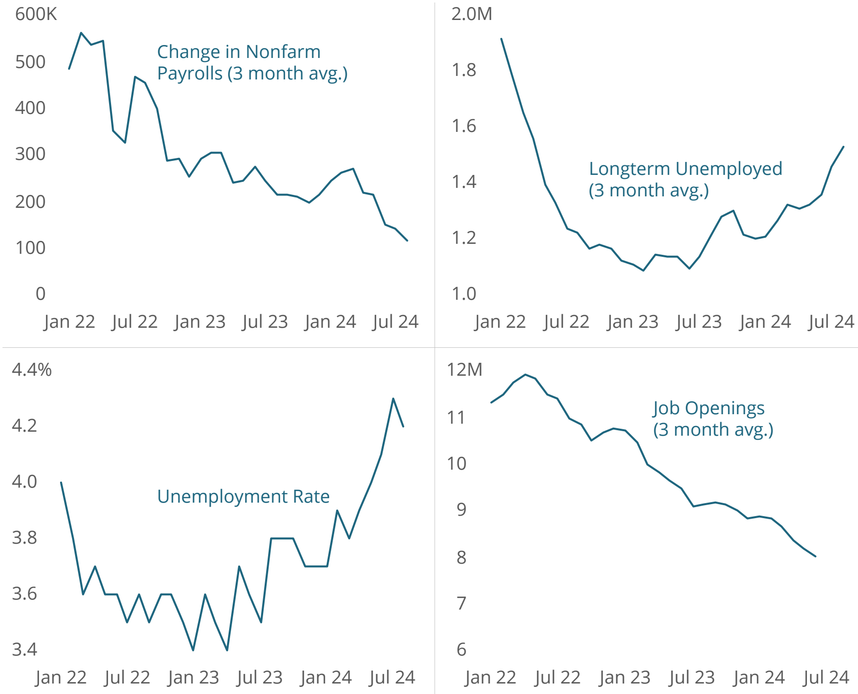


The resilience of the US consumer has allowed the post-COVID economic expansion to continue as long as it has. But, except for the support of home and equity wealth, the underpinnings of household spending have weakened. Most households have long since depleted saved income from pandemic-era federal income supports, and spending has outstripped income growth recently. The tight labor market that provided easy access to new jobs has weakened. Even though layoffs are still limited, concerns about job security have increased and stories of painful job searches are everywhere.

Signs of economic weakening, together with progress on the inflation front, have prompted the Federal Reserve to announce a pivot toward supporting the labor market, rather than maintaining high interest rates to fight inflation. At the Fed's annual Jackson Hole Symposium, Chair Jerome Powell announced, "The time has come for policy to adjust." Fed policymakers are poised to cut rates when they meet September 17-18. How large that cut will be remains to be seen. Fed Chair Jerrome Powell continued the cautious language that has become his signature, but he made it clear that labor market risks will be a central part of future rate cut plans.

The pivot to rate cuts is possible because of the success of the Fed's disinflation program. Higher rates have discouraged some spending, and the end of many pandemic-era and Ukraine war supply constraints have brought down production costs. On a year-over-year basis, the Fed's preferred PCE measure of inflation has receded to 2.5%, only a half-percent above their 2% long-run target. Inflation has been even lower than that in recent months, as inflation of many service prices has declined. Housing costs have edged down more slowly, but inflation excluding shelter has been roughly at the target rate since December of last year. To be sure, lower inflation does not erase the cumulative effect on prices of high inflation since 2021, something that weighs on consumers and has become a hot button political issue.

SELECT US LABOR MARKET INDICATORS
The weakening of the US labor market has been evident for months.



The weakening of labor markets has been evident for many months. Growth in the number of people reporting that they are employed has dwindled, and monthly job growth has slowed. (A recent large benchmark revision indicates that job growth has slowed faster than previously thought.) Unemployment is running at 4.2%, although part of the recent rise was due to increased labor supply rather than a drop in business demand for workers. But there also remain signs of labor market strength, in particular there has been no increase yet in layoffs.

Looming on the horizon are election risks. As we are writing, a Democratic party invigorated by the nomination of Kamala Harris is now competitive with Donald Trump in many key states where President Biden had been lagging badly. The race is likely to remain very close. That means the path ahead for policy is largely unknown, but it is likely that a divided government will continue to limit significant Congressional action. Both parties have made extravagant promises that may prove impracticable. And whether we are in for broad structural changes in the executive branch also hangs in the balance. (See the box, Election 2024: Evaluating Major Policy Proposals.)

Almost regardless of the election outcome, we expect that the US economy will slow in the coming months but avoid a recession, that is, an outright contraction of economic activity. Because of recent strength, real GDP will expand by 2.5% this year, slowing to 1.4% in 2025. Barring any disastrous new federal policies, the economy will settle onto a growth path of about 1.7-1.8% per year. This is lower than in the past because of our aging population and its slower growth. The recent surge in the foreign-born labor force makes it clear that future immigration policy will be an important determinant of long-run growth prospects

Election 2024: Evaluating Major Policy Proposals

The 2024 election is now just weeks away. Even without knowing the outcome, we can already consider the potential economic effects of some of the policy proposals of the two camps. A likely divided government next year, in which neither party holds both the House and the Senate, may make it very difficult to pass new legislation, especially if it includes new spending or taxes. But some policy proposals floated by the candidates could be advanced through executive order and other existing powers. Here we look at a few of the major proposals. This discussion focuses on what economics can tell us about likely impacts, not any associated political views.

Taxes on tips

Both presidential candidates have announced plans to remove income taxes on tips. The Budget Lab at Yale estimates that tipped workers were about 2.5% of all employment nationally in 2023, and tipped workers are a larger share of employment in Hawaii. So, the removal of income taxes on tips could boost income for a limited share of the population. But the policy would also incentivize workers and employers to shift more of their remuneration to tips.

While the policy would give tax relief to tipped workers, who often—but not always—earn less than other workers, removing taxation of tips may not be a very effective way of targeting low income workers. The Budget Lab notes that in 2023 only 4% of workers earning less than $25 per hour worked in tipped occupations. Because more than a third of tipped workers do not currently pay any income tax, the tipped workers who benefit the most would be the higher earners, with no relief to the lowest-earners. Overall, the administrative cost of exempting particular occupations, setting income limits for the exemption, and the relatively poor targeting of tax relief suggests that other policies may be more effective at achieving policy goals.

Tips were not taxed prior to 1984, when the Reagan administration introduced an unemployment tax on tips and an income tax in 1988. Rhetoric at the time focussed on restaurant owners simplifying tips to a percentage service charge to reduce the administrative burden. But any reduction in the administrative burden would be limited since it is proposed that payroll taxes would still apply.

Price gouging

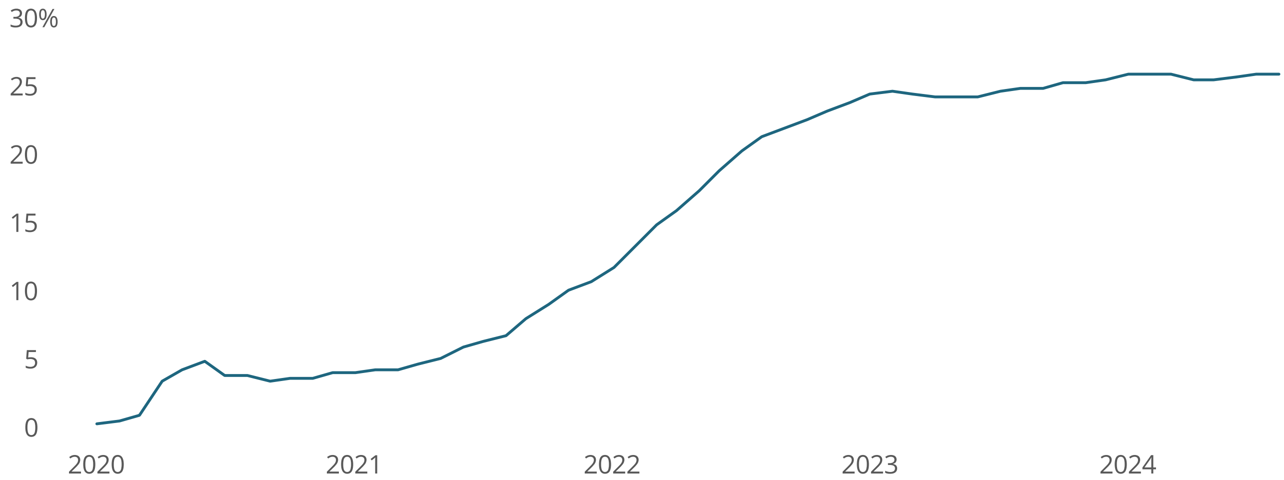
One of the biggest and most politically-charged concerns about inflation has been the rising price of food. While inflation of food prices eased substantially in 2023, prices today are still much higher than before the pandemic. Some have raised concerns that a lack of competition in some markets may be facilitating excessively high price setting and allowing high prices to persist.

In principle, proposed investigations of price fixing and actions to ban price gouging could be implemented by the Federal Trade Commission and the Department of Justice. But without more detail, it is difficult to know the impacts of proposed policies. Prices are an important way that markets reveal where there are shortages and encourage businesses to increase production. This means that regulation of prices could trigger shortages or cause them to persist.

And existing state-level price gouging laws are not really intended to address the kind of high prices we see now. Instead, their aim is to prevent businesses from exploiting a crisis and are triggered in emergencies, such as a hurricane or the COVID-19 pandemic. A national equivalent ban on price gouging could allow the federal government to pursue wider-spread opportunistic pricing in such cases, where state action might be difficult. But while the rhetoric around price-gouging laws has focussed on addressing inflation, such emergency-related laws are unlikely to prevent general price rises.

More promising for consumer prices are proposals that address price fixing and enhance anti-trust laws. Policies that promote competition could help to address high prices by reducing excessive profit margins and strengthening incentives for more efficient firms to thrive. None are likely to bring prices back down to pre-pandemic levels.

INCREASE IN CONSUMER PRICES OF FOOD AT HOME SINCE JANUARY 2020



Import tariffs

Proposed high tariffs would not bring prices down and would be unlikely to lead to large-scale reshoring of production. A substantial share of any tariff (tax on imports) is ultimately paid by American consumers in the form of higher prices. Even when goods are manufactured in the US, global supply chains mean that many components used by US manufacturers are imported from abroad. Reshoring that supply chain to the US would entail both substantial investment costs and the higher ongoing cost of producing domestically. In some cases it may be impossible, if needed components are only available abroad. The higher cost of US manufacturing would be passed along to US consumers and result in lost global export shares of US firms. If tariffs are disproportionately focused on China, companies would be less likely to reshore manufacturing to the US, opting instead to relocate those parts of their production process to another foreign locale. US tariffs would almost certainly be met with countervailing foreign tariffs, causing extensive losses for US exporters, and because tariffs tend to cause currency appreciation, this would further harm US export competitiveness.

We have compelling evidence about the costs to American consumers from the last bout of tariffs on imports from China. The 2018 trade war is estimated to have cost US consumers $3 billion per month and $1.4 billion in deadweight income losses. The Peterson Institute for International Economics estimates that the tariffs on steel alone cost consumers $650,000 per steel-manufacturing job saved or created. They also found that the downstream jobs lost due to higher prices of steel likely exceeded the number of jobs saved in steel manufacturing by a large magnitude.

Although new tariffs could almost certainly be implemented without legislation, the discussion of tariffs has been paired with proposals for income tax cuts. But the revenue collected from tariffs is a relatively small share of overall government revenue and very unlikely to replace lost revenue from tax cuts even at higher tariff rates.

Housing policies

A $25,000 subsidy to new home buyers would help the lucky few who are eligible to purchase a home. The buyer subsidy would give first-time home buyers an edge over others. But, wherever supply is unable to respond to increased demand, it would also push up the general cost of housing.

Alongside this buyer subsidy, a companion proposal to support developers would potentially increase the number of new homes built. This would put downward pressure on the cost of both new and existing homes, even for buyers of homes not directly supported by either subsidy. On this basis, the proposal seems likely to be more effective than many existing affordable housing requirements. These typically act as a tax on developers by requiring a share of new developments to be affordably priced, reducing the overall supply of homes and potentially increasing market prices.

Canada faces growing headwinds

The Canadian economy slowed sharply last year, virtually across the board. The consumer spending contribution to growth fell by more than half to 1.2%, and fixed investment showed a sharper decline than in 2022. The only strong element was exports, which offset the drag from the other non-consumption categories. For the year, Canada's real GDP grew by just 1.2%, compared with 3.8% in 2022, but that actually hides a slight contraction in the second half of 2023.

Growth picked up in the first quarter of this year, with consumption, exports, and fixed investment all playing a role. Still, overall weakness over the past three quarters and inflation progress led to the first three quarter-point interest rate cuts by the Bank of Canada beginning in June. Consumer spending will face stiff headwinds this year and next as home mortgages roll over from previously very low rates (Canada does not have long-term mortgages), and as the labor market weakens. The IMF forecasts just 1.3% for this year as a whole, before firming to 2.4% in 2025.

After a slump, the Japanese outlook looks better

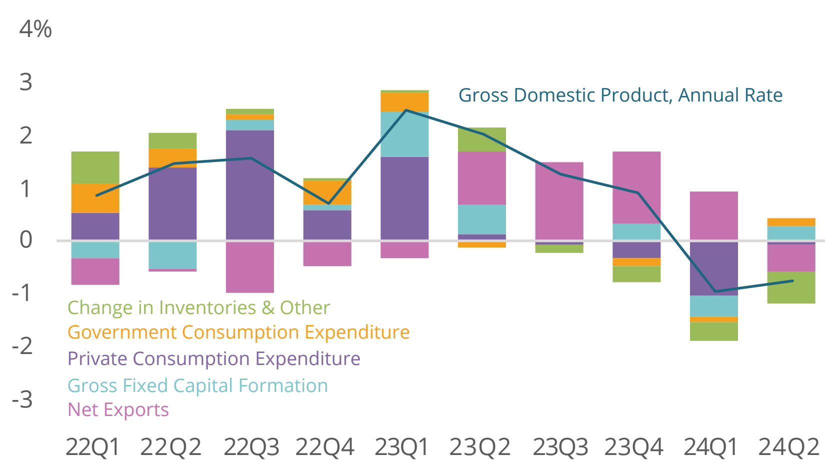
The Japanese economy has been weak over the past year, with GDP growth decelerating on a year-over-year basis from about 2.5% in the first quarter of 2023 to roughly -1% in the first quarter of 2024. The biggest factor pulling the economy down has been consumer spending, held back by the adverse effects of inflation on the purchasing power of income. Government spending and capital formation also turned negative in the second half of last year.

This spring saw a sharp return to quarterly growth, which is not fully evident in year-over-year numbers. The second quarter upturn was driven by consumer spending. Spending on durable goods shifted from a nearly 2% annual rate of contraction in the first quarter to more than 1% annualized growth in the second quarter. Exports recovered from a first quarter decline, and non-residential investment also strengthened.

Given the recent volatility of Japanese expenditure data, we do not want to read too much into this one-quarter turnaround, which after all still leaves year-over-year growth in negative territory. But there are reasons to be optimistic that this may represent the bottom of this contraction cycle. Of

JAPAN CONTRIBUTIONS TO YEAR-OVER-YEAR REAL GDP GROWTH

Japan may be at the bottom of this contraction cycle.



most importance are pending wage increases that will help to offset the heavy losses inflicted by inflation. The largest group of Japanese unions won salary increases above 5% for the coming year. At the same time, as in the US, pandemic-era savings have been exhausted, resulting in a decline in the household savings rate to roughly zero. So ongoing growth in real income will be necessary if a consumption rebound is to be sustained.

Forward-looking indicators are generally positive. Consumer confidence has been on a mostly upward trend since late 2022. And leading indicators of business activity have shown improvement since the start of the year, although the apparent strength of improvement varies between sources. The Japanese Cabinet Office LEI has signaled net expansion since January; the Conference Board's measure is still signaling contraction, but has become less negative recently.

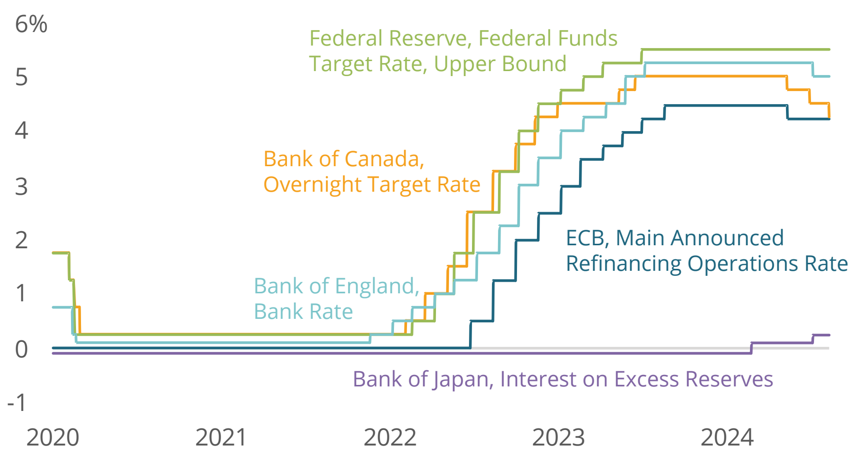
The Bank of Japan's extensive *Tankan* survey of overall business conditions has been above the break-even point since the fourth quarter of 2022, and actual results have exceeded expectations. The business outlook has continued to rise for all but small businesses, and firms continue to report employment needs. At the same time, businesses' outlook for profits has worsened.

The big story of the past month or so has been a sharp appreciation of the yen, following a sustained period of value loss. The yen soared from 162 to 145 yen/$ between June 11 and August 8, and it moved to 142 yen/dollar in early September. The apparent cause is the effect of BoJ interest rate hikes. This has led to an unwinding of some speculative currency investments tied to what is known as the "carry trade," the practice of borrowing at super-low Japanese interest rates, then converting those funds to foreign currency in order to invest in higher-return assets abroad.

It is likely that further BoJ hikes, together with cuts in policy interest rates in the US and other countries, will lead to a further unwinding of yen investment positions, and therefore further appreciation of the currency. Still, it is worth noting that even with the recent move, the yen remains 37% weaker in nominal terms than January 2021, and even more if you take into account relative changes in national inflation rates that affect the purchasing power of the yen abroad.

CENTRAL BANK POLICY INTEREST RATE TARGETS

Pending US rate cuts and Japan hikes will support yen appreciation.



The potential economic impacts of yen appreciation are complex. On the negative side, a stronger yen may hamper exports—which have already been weak—by reducing price competitiveness abroad. But a strong yen also reduces the cost of the large volume of imported inputs to Japanese production. A stronger yen may also bring to an end the surge in inbound tourism.

On the positive side, a stronger yen increases the purchasing power of Japanese residents abroad, reducing the cost of foreign travel and of imported consumer goods. These raise the welfare of Japanese citizens, even as they weigh on domestic demand. Perhaps most importantly, a stronger yen will help the BoJ in its inflation fight—which is not yet complete—by reducing import prices. We expect that there are at least several rate increases to come, and that these will bring the inflation rate down to 2.2% next year and 1.3% in 2026.

Japanese growth will continue to be constrained by relatively weak income growth and higher interest rates. Overall, we see the Japanese economy returning to roughly 1% annual real GDP growth next year, before growth begins to trend lower. It is important to remember that Japan's population is now shrinking, so per-capita growth will be somewhat higher than this.

China's economy struggles to get back on track

China's economy suffered in 2023 from weak net exports, but real GDP growth had been held aloft by a pickup in consumer spending. That has since cooled, with the consumer's contribution to growth falling from 5.4 percentage points (year-over-year) in the second quarter of last year to just 2.2 percentage points in the second quarter of this year. Consumer sentiment has not recovered from a 2022 plunge, and the S&P purchasing managers index for manufacturing dipped below the break-even point in July.

Underpinning poor confidence is the ongoing housing crisis, where overbuilding has led to dropping prices and large housing wealth losses for homeowners. And with consumer spending weak and export growth tepid, businesses have cut back on hiring, further undercutting households' outlook. Now China sees deepening deflation, with falling prices and wages threatening to delay spending and undercut profits. The government seems unable to provide the extent of support that would be needed to get things

OECD COMPOSITE INDEX OF CHINA CONSUMER CONFIDENCE, SEASONALLY ADJUSTED

Chinese consumers remain pessimistic about the economic outlook.

back on track. While this year's expected 5% GDP growth is turning out a bit stronger than earlier expected, it remains relatively weak by China's standards, and the IMF predicts further slowing to 4.5% in 2024. At this point there is little reason to be optimistic about performance over the next several years.

Ongoing Challenges in Asian and Oceania

The Korean economy has struggled to get onto a satisfactory growth path, with real GDP falling into negative territory in the second quarter. In 2023, real GDP expanded just 1.4%, as high interest rates weighed on consumption and investment was hampered by a semiconductor downturn. The economy strengthened at the start of the year but contracted in the second quarter. The IMF's 2.5% growth projection for this year may be optimistic.

The Australian economy continued to languish in the first quarter, expanding at just a 0.5% annual rate. As has been the case, consumer spending remained moribund, rising at a 1% annual rate in the twelve months ending in September. Gross fixed capital formation contracted for the second quarter in a row, and a surge in imports further dragged down growth. Without a large upward swing in inventories, the economy would have contracted for the quarter.

Australia's inflation remains elevated, at 4% year-over-year and for the past four months annualized. Because of the persistence of inflation, the Reserve Bank of Australia recently indicated that it will be "some time yet before inflation is sustainably in the target range," keeping its policy rate unchanged at 4.35% at its August 6 meeting.

New Zealand's economy moved sharply into positive territory in the first quarter, after two years bouncing around the zero growth level. Most promising was a return to positive consumption growth, and investment also moved higher. But the largest growth contribution came from a decline in imports, likely a lingering sign of economic weakness.

The global environment facing Hawaii is mixed

The overall outlook for global growth is for more of what we saw over the past year. Total world real GDP will rise 3.2% this year according to the IMF, roughly the same as in 2023. Growth in the euro area will be stronger, but still subdued, we have seen that Japan has struggled to get back on track, and China faces particularly daunting challenges. Emerging and developing Asia aside from China will continue to see fairly healthy growth, as will low income countries.

For Hawaii, the regional outlook is very much a mixed bag. Even with some slowing, continuing relative US strength will support Hawaii tourism, and anticipated interest rate cuts will also benefit local residents. But the Japanese economy's tough slog will delay the stronger recovery that we have hoped for.

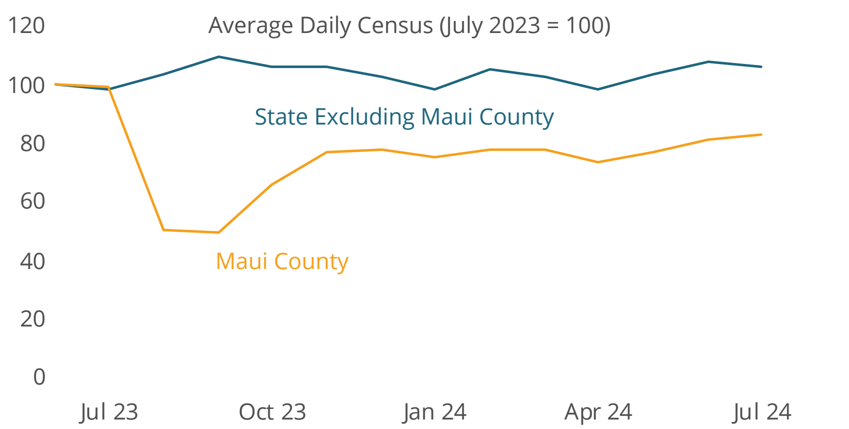
Inflation has proven more persistent than expected for the world economy overall. As in the US, it is the service side of the economy where this has been most persistent. Across the countries that matter most to Hawaii, some are further along in the disinflation process than others, implying differing timing of pending policy changes. Canada has already cut interest rates three times, and Korea's inflation looks well in hand. Australia is taking longer to disinflate. Japan has just begun hiking rates, while the Fed is ready for a September rate cut. An important implication of differing interest rate policies is potential pressure on exchange rates. Most important in this regard is Japan, where higher rates have already caused yen appreciation, which if it continues, would be a help to this lagging visitor market.

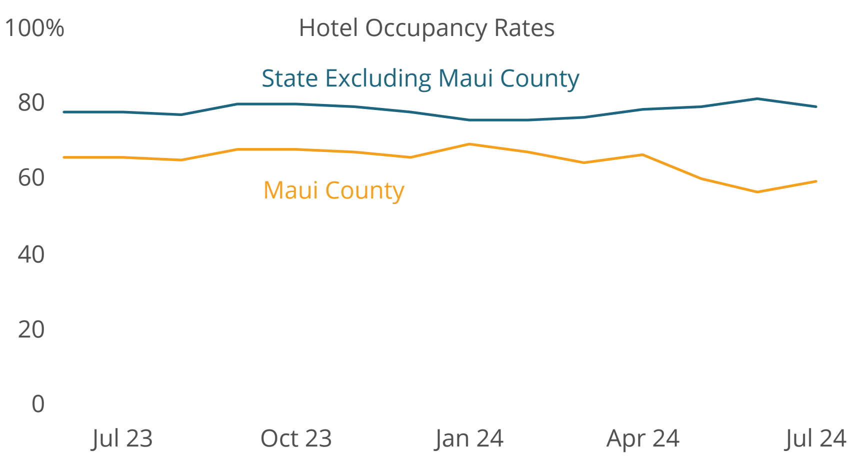
Maui tourism remains depressed, while the rest of the state is doing well

Statewide tourism figures are down slightly. But a closer look reveals that the industry's fortunes vary significantly between islands, and the state excluding Maui looks to have experienced a summer boost centered on Oahu. The average daily census of visitors to Hawaii was about 7% lower in the second quarter compared with 2023, primarily due to Maui seeing just three-quarters of last year's visitor numbers.

The post-wildfire recovery that Maui saw late last year has essentially stalled. Now, Maui hotels are facing new challenges. In the aftermath of the wildfires, Maui occupancy rates were buoyed by the use of hotel rooms to house displaced residents and recovery workers. This meant that hotels were partially insulated from the economic effects of the drop in visitors that followed the wildfires. As displaced residents began to be moved into housing from hotel rooms, occupancy rates began to fall in May. This helps to explain in part why Maui room rates remain more than 5% lower than a year ago, while they changed little in all other parts of the state. To restore occupancy rates and restart the recovery of visitor numbers, visitor industry groups plan to launch promotions this fall.

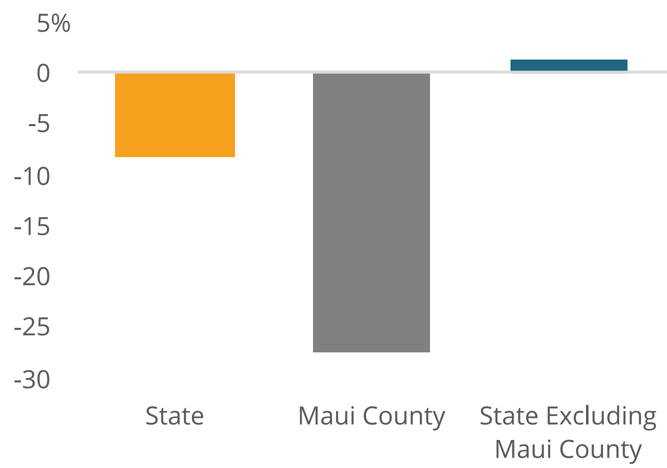
AVERAGE DAILY CENSUS AND HOTEL OCCUPANCY RATES, SEASONALLY ADJUSTED
Maui visitor industry recovery has largely stalled.





TOTAL REAL VISITOR SPENDING, JANUARY TO JULY 2024, YEAR-OVER-YEAR CHANGE

Spending has declined due to fewer visitors and lower spending per visitor.



While average daily visitor numbers on Maui remain depressed, in the second quarter the rest of the state saw nearly as many visitors per day as during the same period last year. The increase was centered on Oahu, where the number of visitors per day rose more than 1%. The Big Island and Kauai saw 2.5% and about 3.5% fewer visitors per day, respectively, than in the same quarter of 2023.

The early summer months continued this pattern. Visitor numbers to Honolulu County thrived during June and July, up more than 7% over last year. Hawaii Island hosted about 2.5% fewer visitors per day in June and July than in the same period of 2023, and Kauai saw a very slight dip in visitors.

Maui has long attracted higher-spending travelers than the other islands, in part due to its larger proportion of expensive resorts. With Maui's tourism sector still reeling from the wildfires, some of these high-spending visitors are now exploring other islands, which could contribute to the increased spending observed on Kauai and the Big Island, despite their relatively flat visitor numbers. Real visitor spending in the second quarter of 2024 was up more than 5% on Kauai and the Big Island. These gains were not large enough to fully offset the absence from the state of some high-spending Maui-bound visitors who avoided the state altogether. Furthermore, those visitors coming to Maui are spending less per day, perhgaps in part due to lower room rates. The state overall experienced a nearly 12% year-over-year decline in real spending in the second quarter.

The effect on total spending of absent Maui visitors is further compounded by a shortfall of international visitors from markets other than Japan and a decrease in their daily spending. The average daily census of these visitors declined by about 13% across all four counties in the second quarter compared with the same quarter last year. The loss was of course particularly pronounced on Maui, where they numbered just 70% of last year's level. Statewide inflation-adjusted daily spending by this group of visitors was down more than 20%.

One final thing holding down visitor revenue: the average length of stay has declined by more than 2% statewide relative to last year. This suggests that even were visitors to spend more per day, their shorter stays would result in lower overall spending during their Hawaii vacations.

We noted above the challenges that Maui hotels now face, as their use for emergency housing ends. The state's hotel industry overall is experiencing a mixed performance, with broad signs of stability but significant variation across counties. The statewide occupancy rate was 1.5 percentage points lower in the second quarter than a year ago. Maui occupancy played the biggest role in the drop, 5 percentage points lower than in the same quarter of 2023. Hawaii Island and Kauai accommodations experienced declines of about 3.5 and 2 percentage points, respectively, while the Honolulu occupancy rate was flat.

Japanese visitor recovery still lagging and uncertain

State tourism continues to suffer from the very slow pace of Japanese market recovery. The overall number of Japanese travelers to Hawaii currently sits at roughly half of what it was before the pandemic, and Japanese real per-person real visitor spending is languishing, 5% lower than during the second quarter of last year, and fully 19% lower than in the second quarter of 2019.

The delayed recovery of the Japanese market is not unique to Hawaii, but we are among the hardest hit visitor destinations. South Korea, New Zealand, and Australia have seen a strong return of Japanese visitors, with numbers nearing pre-pandemic levels. Meanwhile, parts of Asia, Hawaii, and the US as a whole still struggle to attract Japanese tourists back in comparable numbers.

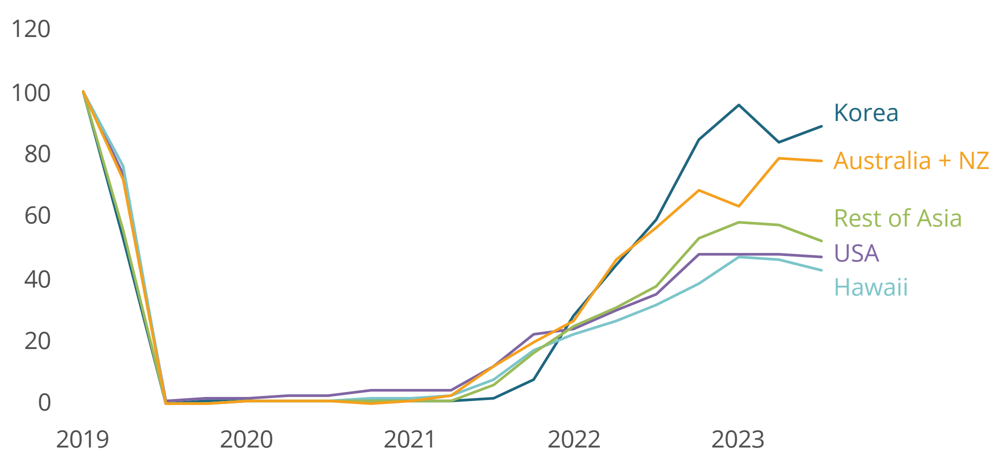
Several factors likely contribute to this uneven recovery. One that has been suggested is a shift in Japanese travelers' preferences toward closer destinations because travel is cheaper, less time-consuming, and perceived as safer in a post-COVID world. But Japanese visitor numbers to some closer destinations, such as in Taiwan and Thailand, also remain subdued. So the effect of geography remains unclear.

The most important factors appear to be costs, both those related to exchange rate shifts and to the effects of inflation. While the yen has held its value against the South Korean won, it has weakened precipitously against the US dollar over the past three years. Despite a limited recent rally, the yen remains significantly below its pre-pandemic level. Coupled with relatively higher inflation in the US than in some other tourist destinations, this means the cost in yen of a US vacation has increased considerably more for Japanese tourists than the cost of traveling, say, to Korea. And of course some Japanese visitors are simply deciding to stay home, pressed by a weak economy and higher consumer prices.

Some relief may be coming. As we discussed above, the yen will likely rise further in value as the Bank of Japan raises interest rates and other central banks cut, helping to restore the currency's purchasing power in the US.

JAPANESE OUTBOUND TRAVEL, INDEXED TO SAME QUARTER IN 2019

Japanese outbound tourism hasn't recovered globally, but is most depressed for Hawaii and the US.



Labor actions could add to Hawaii's tourism challenges

The recent nationwide hotel workers' strike, which affected seven resorts in Waikiki and one on Kauai, could hamper local tourism. More than 5,000 hotel workers represented by UNITE HERE! Local 5 went on strike for three days starting in the middle of the busy Labor Day weekend. So far, these have been limited and targeted actions, but further strikes could be called at any time. Labor actions create service disruptions, reduce spending, and affect guest capacity. The potential economic impact of strike actions is of concern, given that Honolulu alone generates more than 40% of the state's tourism revenue.

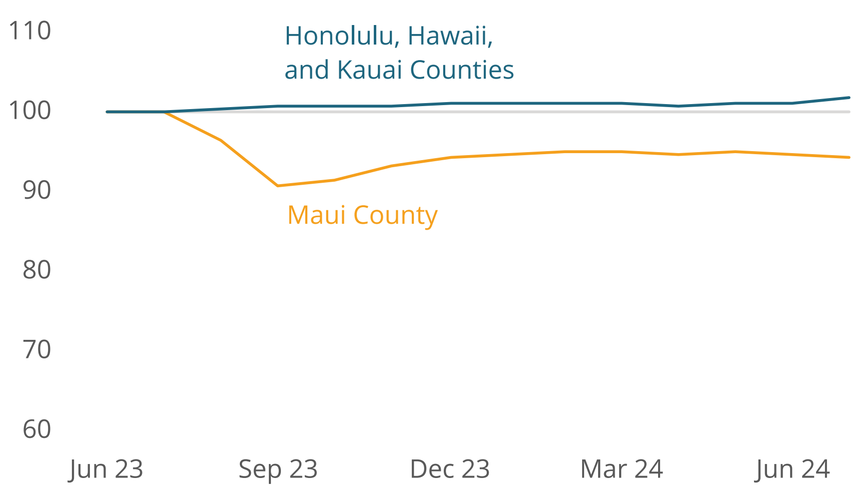
In addition to strikes at major hotels, flight attendants at United Airlines have also authorized strikes after working on a temporary contract for three years. With United flying to five airports in Hawaii, if a strike is called it would reduce seat capacity for visitors to all of the islands. The potential strikes would come at a particularly challenging time for the industry in the aftermath of the Maui wildfires and the still painfully slow post-COVID recovery of the Japanese market.

Maui's labor market languishes, and the rest of Hawaii is flat

The Maui wildfires continue to disrupt the Maui labor market, while labor conditions in the rest of the state appear to remain largely unaffected. Since the beginning of the year, payroll growth in Honolulu and Kauai Counties has increased by just over 1%, and year-to-date growth in Hawaii County has been nearly 3%. In contrast, total nonfarm jobs in Maui County, which fell off immediately after the wildfires, are on a slow, delayed path to recovery. From its lowest point in September, Maui County has regained almost 40% of the lost jobs, but the county remains more than 4,000 jobs below the pre-wildfire level.

This year's job growth outside of Maui reflects a weakening pace of expansion since the middle of last year. Over the past four quarters, Honolulu, Kauai, and Hawaii Counties have seen only limited job gains. Payrolls of Hawaii Island companies have grown by 2%, with Honolulu County a tad behind that pace. Growth in Kauai's payrolls have been weaker, at less than 1% growth year-over-year. Data from the much smaller household survey are even weaker, with the number of people reporting that they are employed flat-to-down in all counties.

NUMBER OF PAYROLL JOBS (INDEX, JAN 2023 = 100)
Maui County jobs remain well below pre-fire levels.



Challenging labor market conditions on Maui, coupled with the Valley Isle's ongoing housing crisis, have driven some residents to leave. The critical question is not whether Maui has lost residents, but how many. Unfortunately, data on out-migration is extremely limited, with no definitive source indicating exactly how many residents have left Maui or whether they plan to return. Even before the wildfires, the state as a whole was experiencing a steady population decline. According to the Census Bureau, Hawaii had 23,000 fewer residents in the second quarter of 2023 compared with the last quarter of 2018. Although this decline was primarily on Oahu, Maui County experienced a similar—albeit less pronounced—trend, losing a net 600 residents during the same period. The wildfires have exacerbated the decline.

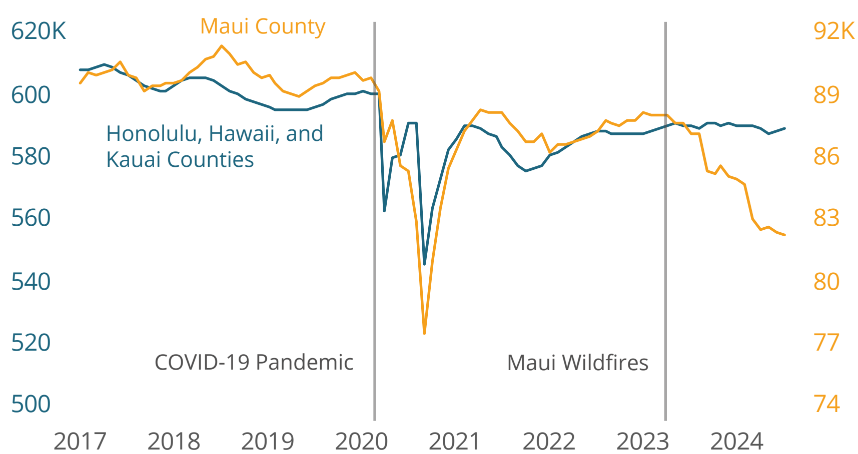
Although we lack comprehensive data on out-migration, some information can be gleaned from changes in the county's labor force. As of July 2023, prior to the wildfires, Hawaii's labor force was already 13,000 workers below pre-pandemic levels. While the labor force in the rest of the state has remained stable since then, Maui County has seen a significant decline. Since the disaster hit, the county's labor force has decreased by 5%, implying a loss of approximately 4,200 workers. Some of this reflects out-migration, but likely also includes workers who, despite remaining on the island, have exited the labor force due to various issues related to the disaster, such as mental and physical health challenges, job and housing instability, the time needed to deal with post-disaster relief and relocation, and so forth.

If and when visitors return to Maui at pre-fire levels, the demand for labor will rebound. But given the significant drop in the labor force, the county may struggle to find enough workers to fill these positions. Although the state-level labor shortage—where there were roughly 20,000 more jobs than available workers in 2022—has eased, conditions on Maui will become tighter in coming years.

Statewide labor market conditions have become more balanced since the extreme job shortages that were evident during the early post-pandemic recovery. But some sectors continue to face challenges finding workers. The food service sector, in particular, has been grappling with a persistent labor shortage, contributing to rising wages. To attract new hires, firms have increasingly offered signing bonuses and higher starting wages. Between

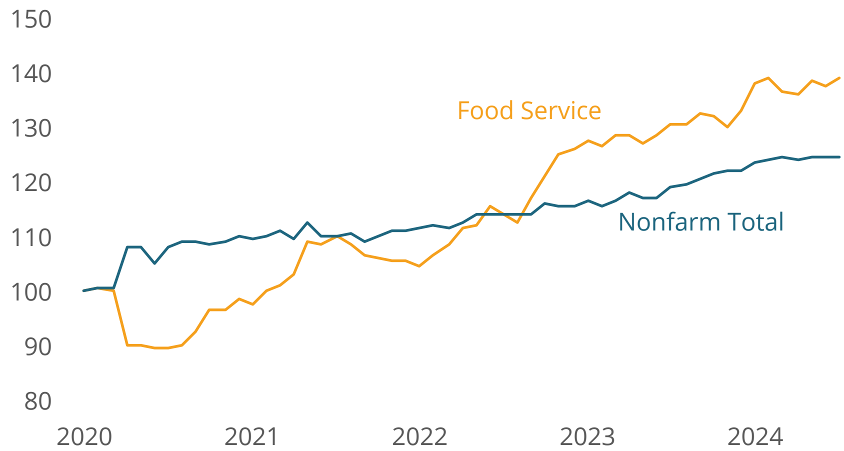
CIVILIAN LABOR FORCE

Maui county's labor force has taken a hit since the wildfires, while the rest of the state remains steady.



AVERAGE WAGES (INDEX, JANUARY 2020=100)

Wages continue to rise in the food service industry as employers face worker shortages.



January 2020 and July of this year, wages in the food service industry rose 39%, outpacing average wage growth across all sectors by 15 percentage points. Even with higher pay, hiring has been slow. Job counts in the industry are 5% below their pre-COVID level. As of June, one-fifth of restaurants in Hawaii had job openings for chefs, while 75% were seeking cooks, according to the Hawaii Restaurant Association. These figures align with national trends reported by the National Restaurant Association. In 2023, 62% of restaurant operators nationwide reported insufficient staff to meet demand, and 80% faced difficulties filling open positions.

The construction industry is also facing a worker shortage, driven by exceptionally strong demand. Even before the Maui wildfires, construction payrolls in Hawaii were expected to grow due to the record surge in government contracts, largely related to expansive federal work at Pearl Harbor. Since the Maui wildfires, the construction sector has seen a 9% increase in payrolls, compared with just 1% growth across nonfarm jobs as a whole. This growth has been centered in Honolulu and Maui Counties. The construction industry is expected to remain strong in the coming years due to a combination of public sector projects, Maui's rebuilding efforts, and ongoing home construction.

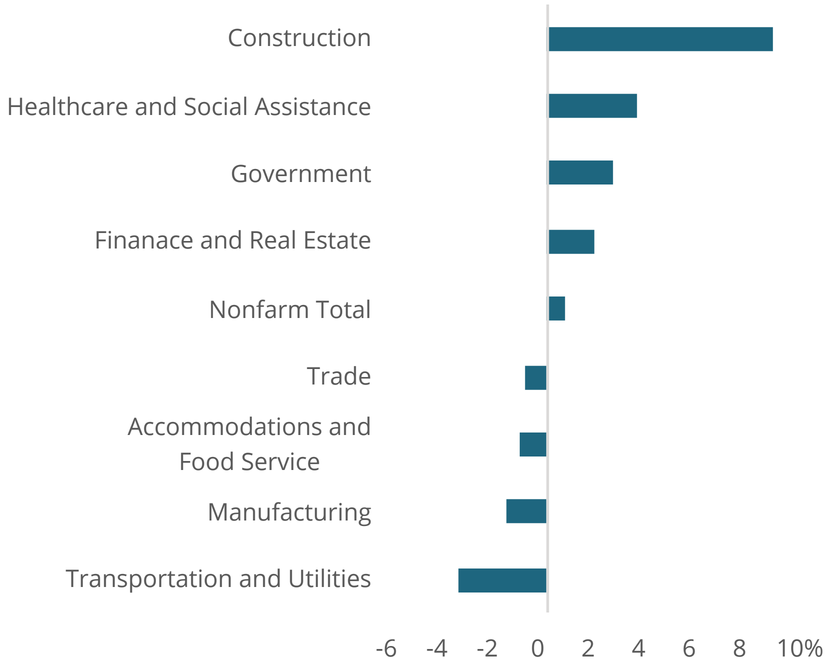
The accommodations industry has faced ongoing challenges replenishing its labor supply since the pandemic. While visitor arrivals have returned to pre-COVID levels, there are roughly 4,000 fewer filled accommodation jobs, 9% fewer than before the pandemic. As we noted above, 5,000 members of UNITE HERE! Local 5 from seven Waikiki hotels and one Kauai property went on strike for three days during the Labor Day weekend citing staffing shortages as a main concern.

State and county agencies also report trouble finding qualified workers. For example, the Department of Human Resources Development reports the percentage of vacant positions increased from 18% in 2019 to 27% by the end of last year. But we note that the public sector routinely reports a shortage of available workers.

More favorable near-term labor conditions, but looming future challenges

Overall labor market tightness, as measured by job openings, has eased, making labor shortages outside of Maui less likely to constrain economic growth or place further upward pressure on business costs and prices in the near term. But going forward, the state's declining and aging resident population points to persistent relatively tight labor market conditions for the years to come.

CHANGE IN PAYROLL JOBS SINCE JULY, 2023
Construction payrolls have surged since the Maui wildfires.



The weak anticipated labor force growth will make it important to use all of Hawaii's potential workforce more fully. Increased state support for childcare in the Islands could help parents of young children join or remain in the workforce. The new school year has seen the Executive Office on Early Learning Public Prekindergarten Program open 44 new public school classrooms for keiki aged 3 to 5, bringing the total to 92 classrooms at 74 sites. While still quite small, the State is hoping to open 465 new classrooms for Pre-K children by 2032.

The new pre-K program comes on the heels of a 2023 expansion of the child and dependent care tax credit and the State Department of Human Services' Preschool Open Doors program that expanded at the start of this year. The expanded tax credit provides up to four times as large a benefit as the previous credit. The Preschool Open Doors program subsidizes childcare for low-to-middle-income households, although applications are assessed on a first come, first served basis until funds are exhausted. Increased early-childhood education through the expansion of these programs will provide significant benefits to Hawaii's keiki.

Beyond the benefits to the children supported by these programs, tax credits and subsidies for childcare costs increase household disposable income. Expanded access and reduced out-of-pocket childcare costs will also enable more parents to work, even part time, without such a significant share of their income being exhausted by childcare costs. These work incentives may be muted somewhat for two-parent families in Hawaii, because the credit is limited to the minimum earned income of the two spouses.

Since these initiatives are focused on childcare, they have different effects than standard child tax credits that reduce the tax burden on families regardless of childcare expenses and the parents' employment status. For example, the now-expired enhanced federal child tax credit of the pandemic era substantially reduced child poverty nationwide. Current federal proposals to reinstate the higher tax credit would be expected to have a similar positive effect.

Major state income tax changes will have mixed effects

The expansive State tax cuts signed into law in June will reduce State revenue but put more income into Hawaii residents' pockets. Tax relief under the legislation will increase through the end of the decade. While the changes in tax rates begin in 2025, residents will see some benefits in the current tax year when the standard deduction doubles.

The tax relief will help residents deal with the rise in prices that has occurred over the past few years and reduce the effects of "bracket creep," when pay raises push workers into higher tax brackets. By raising take-home pay, the tax cuts will also increase the incentive to work, which could increase labor force participation rates, although the magnitude of such effects may be limited. With the biggest tax rate reductions occurring in the lowest tax brackets and the standard deduction doubling, the new law will also make Hawaii's tax system more progressive, reducing taxes as a share of income the most for those at the low end of the income distribution.

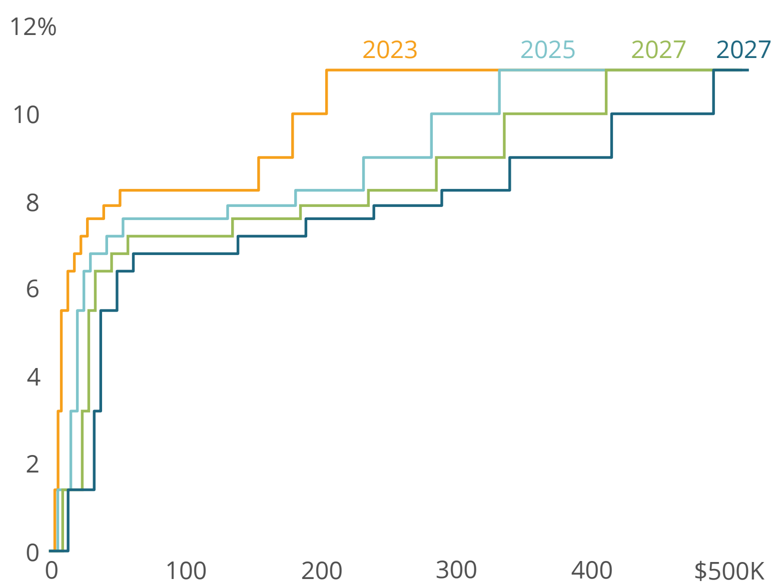
Proponents of the cuts have argued that they are fully funded because the State's revenue forecast shows more growth in revenue than will be needed to cover relatively flat projected spending. But if those assumptions are incorrect, the State could end up with a billion dollar hole to fill, putting the tax cut program in jeopardy. The State would then have to find savings from reduced spending or extra revenue from other sources if it wanted to maintain the new lower income tax rates.

Recent developments are not particularly favorable. The State Council on Revenues is already forecasting tax collections this year to be $125 million less than when the budget was adopted in April. The State Department of Taxation projects that the cuts will reduce tax collections by nearly $600 million in the 2026 fiscal year. The last major State income tax cut in 1998 was partly reversed during the Great Recession to reduce the size of required budget cuts. And if revenue needs were to deplete "rainy day" fund balances, the State would risk lower ratings and higher interest rates on future bond offerings.

While cutting income taxes can incentivize increased labor participation and earnings, creating additional tax revenue, such responses will only partially offset the revenue costs of the cuts. The large cost of the tax cuts could even

STATE TAX BRACKET CHANGES FOR AN INDIVIDUAL FILING UNDER THE STANDARD DEDUCTION

Tax changes make Hawaii's tax system more progressive.



result in a negative net economic impact on the state's economy. As in other states, Hawaii's state government is required to balance its annual budget, meaning that spending must equal projected revenue. If tax cuts impose cuts in State spending, the drop in total demand for goods and services will reduce income growth and economic activity. And if some of this foregone State spending would have improved infrastructure or education, the adverse economic effect would be more pronounced and persistent, since residents would miss out on the productivity benefits that go along with such investments.

So there is clearly a potential tradeoff here between supporting low-income families and increasing tax system equity on the one hand, and potential adverse overall economic effects on the other. This does not admit an easy answer.

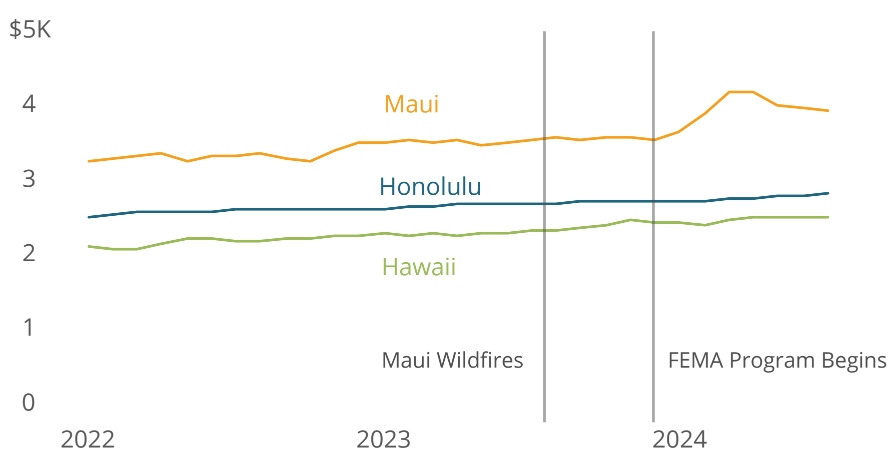
Housing is less available and more expensive

Housing affordability has always been a challenge in Hawaii, and now there are new impediments, including skyrocketing condominium insurance premiums, an acute housing shortage on Maui, and the potential for construction bottlenecks that could limit new home building. Several important policy proposals have been put forward by the counties and the State that aim to address these challenges.

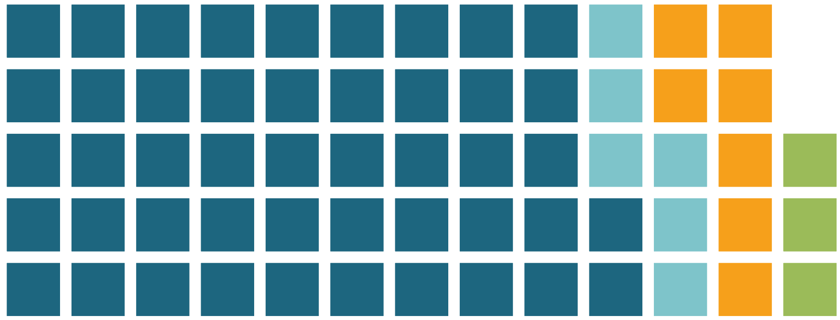
One year ago, the Maui wildfires destroyed 4,000 housing units, eliminating nearly 6% of Maui's housing stock. Simultaneously, the fires displaced 6,000 households, generating new demand for existing homes. FEMA responded by providing rental payments to homeowners willing to rent to displaced residents. But there are concerns that the FEMA-run direct lease program has contributed to higher market rents. FEMA offered rents well above market prices to entice operators of vacation rentals to convert their units to house fire survivors. While the program was targeted at vacation rentals, non-vacation rental units were also eligible. A FEMA-commissioned report identified 370 units in the FEMA program that were already long-term rental units. In an already tight Maui housing market, this may have further restricted available supply and inflated prices. Rent estimates from Zillow show a clear increase in rents on Maui coinciding with the roll out of the FEMA program. Today, rents on Maui are 11% higher than a year ago, with

MEDIAN RENT BY COUNTY

Rents on Maui have increased significantly this year, while Honolulu and Hawaii counties have seen only marginal increases.



MAUI COUNTY'S CURRENT HOUSING STOCK, 1 SQUARE = 1,000 PROPERTIES
Of Maui's 63,000 housing units, 13,000 have been used as vacation short-term rentals.



typical rents currently in the $4,000 range. Asking rents from Craigslist for Maui rentals are up 16%, significantly higher than in the other counties.

A Maui County proposal to convert 7,000 vacation rentals to long-term housing has been the focus of intense policy debate. The units were covered by the *Minatoya List*, which provided permission for units in apartment zoned areas to operate as short-term rentals. The proposed policy would rescind this permission. A recent UHERO blog post provides a discussion of how the policy would affect housing supply. 7,000 units would represent a 13% expansion in Maui's overall supply of long-term housing units, representing a huge increase in supply. At the same time, the possibility that these units could lose their ability to operate as vacation rentals might encourage some owners to sell their units in anticipation of future losses or fail to maintain their properties adequately.

In fact, new condo listings on Maui are up nearly 50% from a year ago, the number of days a property stays on the market has risen 55%, and the inventory of available condos has tripled to 715 units, compared with only 231 a year ago. Lest we read too much into this, condominium inventory has surged statewide. Of course high interest rates play a role, and likely also the current difficulty obtaining condo property insurance, which we will return to below. In any case, for Oahu and Maui, condo resales in the past twenty years were only lower than their current levels during crises: the aftermath of the Global Financial Crisis in 2009-2010 and in the spring of 2020 at the beginning of the COVID shutdowns.

Insurance premiums for condominium buildings have been increasing across the US, as insurers react to large past losses from natural disasters and try to limit future liabilities. Hawaii may experience relatively acute effects because of the high number of condominium buildings here, potentially higher exposure to natural disasters, and a shallow local insurance market. The market recently saw a major provider exit altogether. Higher insurance rates could degrade affordability by forcing homeowner associations to raise fees. And failure to maintain 100% structure insurance can make it impossible for buyers to obtain a mortgage, which is already disrupting the condominium market. Developer concerns over the ability (or cost) of obtaining insurance could also cause new housing development plans to be delayed or abandoned altogether.

In response to sharply rising insurance premiums, the Governor issued an Emergency Proclamation that provides funding to two state agencies and enables them to provide condominium insurance directly. The move may help stabilize the insurance market, allowing buildings to obtain insurance

GOVERNMENT CONTRACTS AWARDED, THREE YEAR MOVING AVERAGE

The annual flow of government contracts to the state has averaged nearly $1.4 billion in recent years.

and potential buyers to qualify for mortgages. The agencies will face the same economic realities, which means they may still need to charge high rates for insurance, or they will end up offloading disaster risk from homeowners to the State. It is not clear when the agencies will begin issuing policies. The Hawaii Hurricane Relief Fund, one of the agencies empowered to issue policies, decided to delay action at a recent board meeting.

Construction industry demand continues to be fueled by massive government infrastructure projects. The largest of these is a $8 billion NAVFAC commitment for harbor improvements in the Pacific. Roughly 40% of this spending will be directed to Pearl Harbor, with much of the remainder focused in Washington State. The NAVFAC contracts were announced in 2021, but construction will span many years. The Navy also awarded a $1 billion contract in 2022 for other state harbor upgrades and awarded a $2.8 billion contract in 2023 for upgrades to a Pearl Harbor dry dock. The largest non-military contract in recent years has been a $2.6 billion Hawaii County contract for road improvements. Cumulatively, government spending represents a huge source of economic activity in the state. But, as we have noted, high construction demand and a limited supply of workers—especially skilled laborers—may serve as a constraint on some projects. It will also contribute to high building costs across the state.

THE HAWAII OUTLOOK

Hawaii's economic outlook continues to be a story of two economies: a Maui economy that will only gradually recover from its post-wildfire downturn, and the other counties as a group, whose visitor industries will continue to operate at a high level, and whose macroeconomic conditions will remain generally favorable. Statewide, growth is now expanding more slowly than in past decades, and that will continue to be the case because of limited population and labor force growth in coming years. Hawaii nonfarm payroll employment will expand by less than 1% for this year as a whole, in line with our May forecast. Real personal income will expand 1.4%. Growth will accelerate a bit next year before retreating to a more modest trend in the second half of the decade.

A significant change from the time of our May forecast is an even more attenuated pace of Japanese visitor return. The recovery following the pandemic had tracked our forecasts well through the end of last year but has since flattened out. This reinforces our view that the number of Japanese visitors will remain well below pre-pandemic levels throughout the forecast horizon.

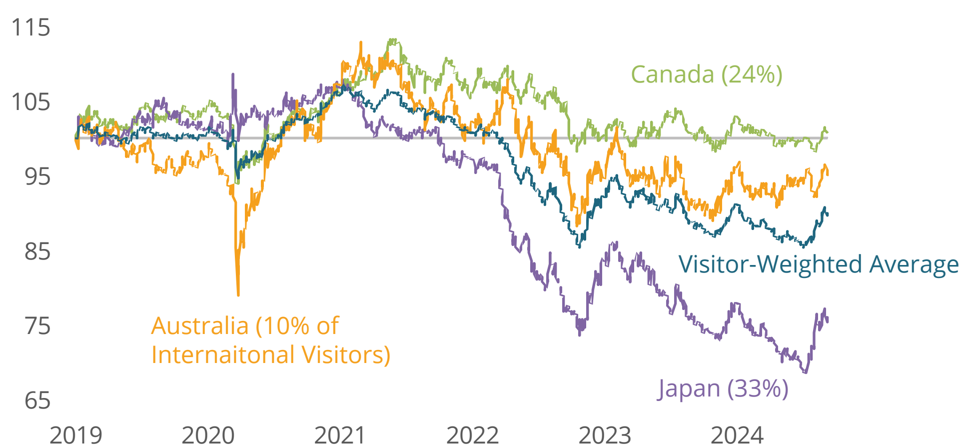
Our outlook for Maui's post-fire recovery has not changed significantly from our previous forecast. The return of visitors will take time, and housing and other barriers to work will mean a gradual return of jobs, as well. Construction has already picked up on Maui, and that sector will continue to provide support as rebuilding accelerates. As we noted above, the sharp decline in the county's labor force—steeper than we had expected—may constrain employment recovery going forward.

Returning international visitors will contribute more to growth

North American visitors continue to dominate the Hawaii tourism market, as they have since the pandemic. Visitors from the US represent more than three-quarters of all arrivals this year, far higher than their two-thirds market share in 2019. Even aside from the post-fire-related tourism slump on Maui, US visitor numbers for the rest of the state have softened this year, ranging from flat on Oahu to a more than 3% decline for Hawaii County. Statewide, the US market will see incremental growth next year, as a Maui visitor recovery edges forward.

EFFECTIVE CURRENCY VALUES (2019 VISITOR DAY SHARES IN PARENTHESES)

Recovering foreign currencies will reduce some of the drag on foreign visitors' purchasing power.



Despite the disappointing Japanese market recovery path, the number of Japanese visitors will continue its gradual climb, providing lift for the tourism sector. After roughly 25% growth this year, 2025 will see growth slip below 14%, and continue to slow thereafter. By 2027, the number of visitors from Japan will have climbed more than 430,000 from its 2023 level, but will still lag their pre-COVID numbers by more than a third.

Visitors from other international markets will also be an important source of growth over the next several years, with arrivals growing at an average rate of just under 3% per year over the next three years. At the same time, we have noted the challenges that face many overseas economies, including a weak Canada, dangerously poor Chinese economic conditions, rising protectionism, and global security concerns.

The beginning of dollar retreat, particularly but not solely against the yen, will help to raise foreign purchasing power here. A sharper yen appreciation is possible as US interest rates fall relative to those in Japan. This is a bit of a two-edged sword if it leads to a weaker domestic Japanese economy, but on net it would likely raise the number of Japanese residents traveling to the Islands above our current forecast. Still, because of population decline and an apparent shift toward other Asian and Oceanian destinations in the post-pandemic period, we do not expect Japanese arrivals to reclaim their previous peak.

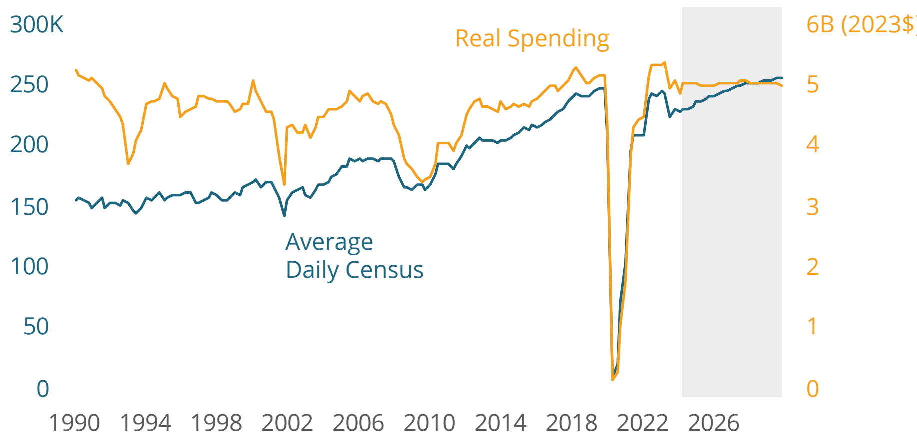
Statewide visitor arrivals will expand by 4% next year, following roughly 1% growth for 2024 as a whole. The average daily visitor census, which gives a more complete account of these visitors' economic impact, will climb more than 3% next year, after this year's roughly 2% contraction. (The visitor census has declined this year because of a falloff in the average length of stay, partly due to fewer longer-staying Maui visitors in the overall mix.)

Across the counties, Oahu and the Big Island will benefit from the ongoing gradual return of Japanese visitors. After a relatively strong showing this year, growth of arrivals to Oahu will slow to just over 1% in 2025. In contrast, total arrivals to the Big Island and Kauai will see growth in the 4-7% range next year, following a relatively weak 2024. Of course, the extent of US visitor recovery across the state will depend crucially on the continued resilience of the US economy. Visitor growth will taper off the following year in these three counties.

The Maui visitor industry will see only gradual progress

Maui will continue to suffer from post-fire constraints to capacity and the reluctance of some would-be visitors to return. While a significant partial return of visitors had already occurred by late last year, in July 2024 the county had 60,000 fewer visitors than a year earlier, a deficit of 20%. As recovery continues, year-over-year visitor growth will surpass 12% in 2025, but this will still be insufficient to fully make up the deficit. The gradual anticipated recovery of the Maui visitor industry will result in an annualized arrivals shortfall of 182,000 in the first half of 2027, compared with the first half of last year. The average daily census for 2027 as a whole will be 2,600 below the 2022 level. This projected recovery is conditional on the existing stock of short-term rentals. If the proposed ordinance to ban Minatoya List short-term rentals is adopted, we may well see a much lower Maui visitor industry path in future forecasts.

TOTAL REAL VISITOR SPENDING AND AVERAGE DAILY CENSUS
Real visitor spending will be essentially flat for the remainder of the decade.



The initial Maui visitor industry recovery has been constrained by the use of hotel rooms and short-term vacation rentals to house displaced residents as well as recovery and reconstruction workers. With almost all displaced residents moved to alternative housing, hoteliers now have many rooms to bring to market. But other factors will weigh on recovery, including highway congestion during rebuilding, potential resource bottlenecks, and the reluctance of some travelers to choose Maui as a travel destination until recovery is further along.

Statewide real visitor spending rose in 2022 and early 2023 to levels last seen in the late nineteen-eighties, driven in part by the rapid rise in the cost of accommodation. Visitor outlays then receded in line with the softening average daily census, and of course they plummeted following the Maui wildfires. After a net decline this year, real visitor expenditures will stabilize in 2025. After that, real spending will be essentially flat through the end of the decade. This represents a slower pace of inflation-adjusted spending growth than the growth of visitors and is in line with average real spending growth in the three decades ending in 2019.

Looking further ahead, the composition of Hawaii tourism will be somewhat different than it was in the past. The pandemic and its aftermath shifted the visitor mix further toward the North American markets. While the Japanese visitor return will continue, we do not expect Japanese guests to garner as large a share of Hawaii tourism as they have in the past, primarily because of further population decline and an apparent shift toward other destinations. By the end of the decade, the Japanese market will account for less than 11% of all visitors to Hawaii, compared with 15% in 2019 and about 18% in 2010.

A near-term job pickup after the wildfires, but slower long-run growth

In late August, the US Bureau of Labor Statistics released a preliminary revision of job counts in the state through March. The downward adjustment of 1,000 jobs essentially matches UHERO's internal estimates and suggests that the Hawaii labor market has grown less than a half percent during the twelve months ending in July. We now expect that statewide job growth will come in well below 1% this year, with further deceleration over the forecast period.

This slowing trend reflects much more modest growth in the labor force than in past decades. The state's labor force is now nearly 20,000 people below its level at the end of 2019 due to a combination of declining population and a slightly lower rate of labor force participation. The extent of this population and labor force downshift varies across counties, in part because of differing

Hawaii's weak post-COVID expansion a sign of things to come

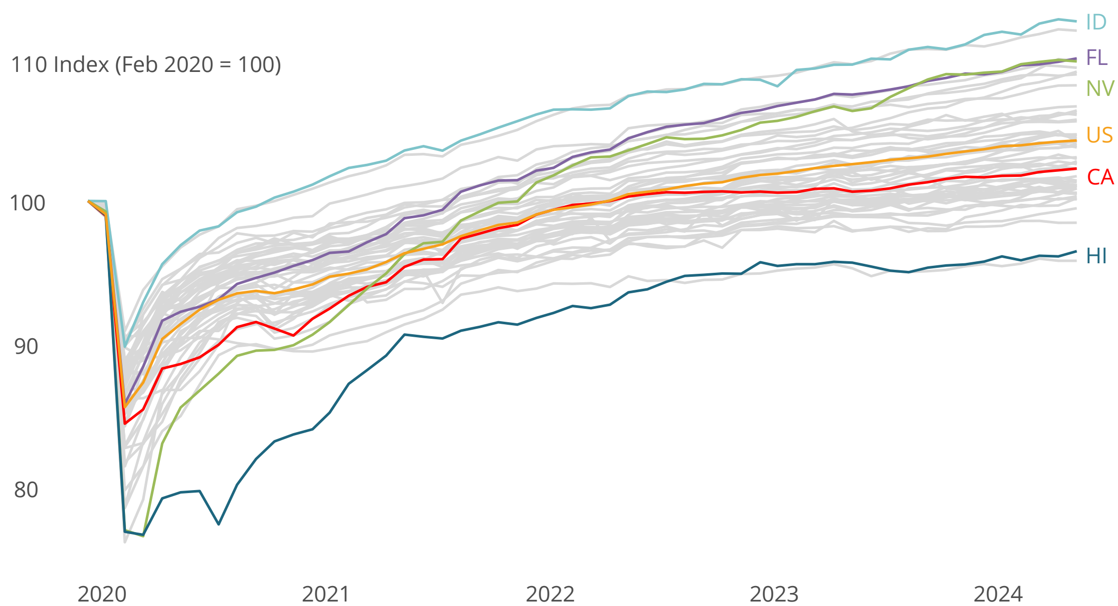
The US economic recovery from the COVID-19 pandemic was one of the strongest among advanced economies, but Hawaii's recovery lagged well behind the rest of the nation. Hawaii was hit harder than any other state. Then visitor restrictions, such as testing requirements and later vaccine exemptions, delayed the recovery of tourism in Hawaii compared with the recovery of other industries that play a larger role on the continent. But this slow recovery is likely to persist.

Pent-up travel demand in late 2020 through 2022—when visitors tried to make up for vacations they had been unable to take during the pandemic—enabled a record number of US tourists to come to Hawaii. However, because Hawaii usually sees more international visitors than other US destinations, this initial bounceback was still not enough for Hawaii's overall economic recovery to catch up. But by mid 2023 the visitor census was at its pre-pandemic level and real tourism spending reached an all-time high. And still, jobs had not recovered. In 2024, Japanese tourists have still not returned to Hawaii in their former numbers, which particularly affects Oahu. And the wildfire disaster on Maui has again punctured tourism numbers.

So, Hawaii's economic recovery continues to lag. Among the 50 states and Washington DC, only four have not regained their pre-pandemic levels of payroll jobs, and Hawaii is tied for last place with DC, where tightened federal spending and remote work has limited its recovery of jobs. GDP and income growth show similar trends, and a gap has now emerged in per capita terms, with Hawaii's per-person GDP falling 5-10% behind the nation overall.

POST-PANDEMIC JOB RECOVERY

Hawaii is one of four states where payroll job counts have not recovered.



The tepid pace of Hawaii's recovery is compounded by its declining population. Natural population growth—births minus deaths—has declined substantially in Hawaii over the past decade and now hovers close to zero in all counties except Honolulu. The combination of out-migration and a rapidly aging population means fewer people in the labor force. A more robust labor market recovery in Hawaii requires inward migration, the opposite of the recent trend.

This is not a short-term phenomenon. Hawaii's job recovery in previous recessions was similarly lagging and reflects a long-run trend of slow growth. But notably, the lack of growth in personal income over at least the past decade and a decline in natural population growth recently make the job recovery this time slower than after previous recessions.

In the 1991 recession, Hawaii was hit harder than anywhere else in the nation, and three years later it was also in last place in its recovery of payroll jobs. Hawaii's slow-growth 1990s can be attributed to several factors, including Japan's lost decade, a post-Cold-War California slowdown, Hurricane Iniki, the end of plantation agriculture, and the Asian Financial Crisis. But the population never declined during this period. Hawaii had seen substantial economic growth in the 1970's and 1980's, experiencing per capita personal incomes that were about 16% higher than the US average during the 1991 recession. Higher incomes helped sustain inward migration and births still exceeded deaths by some margin.

In the 2001 recession that followed the dot-com bubble, Hawaii didn't lose a significant number of payroll jobs but experienced a small, temporary, decline in its population. Incomes in Hawaii had fallen behind the US during the late 1990's leading to out-migration from 1995, though local birth rates sustained population growth until 1999, when the population declined for the first time in decades, even prior to the start of the recession.

In the 2008-2009 Great Recession, Hawaii was again one of the slowest to recover over the following 3-4 years. But per capita income growth had resumed by the early 2000s and was again ahead of the US by the time the Great Recession hit in 2008. Once again, higher incomes in Hawaii sustained the local population.

The additional challenges in the recovery from the COVID-19 recession are that natural population growth has slowed to almost zero and a sustained income gap has emerged. Slower income growth in the decade since the Great Recession meant that average incomes in Hawaii fell behind the US by about 2012, slowing population growth. Net out-migration had already begun around 2015 and the population began to decline in 2019, before the pandemic hit. Natural population growth had declined enough that it was no longer sufficient to compensate for residents leaving. The income shortfall creates an incentive for Hawaii residents to seek higher incomes and job opportunities on the mainland, and it deters would-be migrants from relocating to Hawaii. So, a declining population and labor force even more severely limits the recovery of jobs compared with previous recessions.

The income gap makes it difficult for some residents to justify staying in Hawaii or for new hires to justify relocating here. And a lack of natural population growth means Hawaii needs to attract and retain its workforce to support a recovery of jobs. At its root, a lack of productivity growth limits the ability of employers to offer higher wages to attract jobs and workers back. Ultimately, the only way to address the job recovery is to find new sources of productivity growth to support wage growth and a relatively better standard of living.

migration patterns. Oahu's and Maui's populations were declining even before the wildfires, and this has not been offset by gains on Kauai and the Big Island.

Meager expansion of the labor force will constrain the state's economy in the near term, and the sluggish trend in population growth will limit employment gains thereafter. (See the box, *Hawaii's weak post-COVID expansion a sign of things to come.*) And the long-run decrease in population growth will be accompanied by an aging of the state's population, which will impose additional costs in government services and shortages of skilled workers for Hawaii businesses. In the coming decades, all employers will need to become more efficient and more flexible in how they use labor, adapting to the needs of older workers to encourage their continued participation in the labor market.

Looking at sectors, nearly all Hawaii industries are experiencing smaller job gains this year than last. In part, this simply reflects a maturing of the post-pandemic recovery, but fallout from the Maui fires and somewhat softer macroeconomic conditions also play a role. Next year will see improvement in sectors linked to tourism, while some other industries will experience weaker job growth.

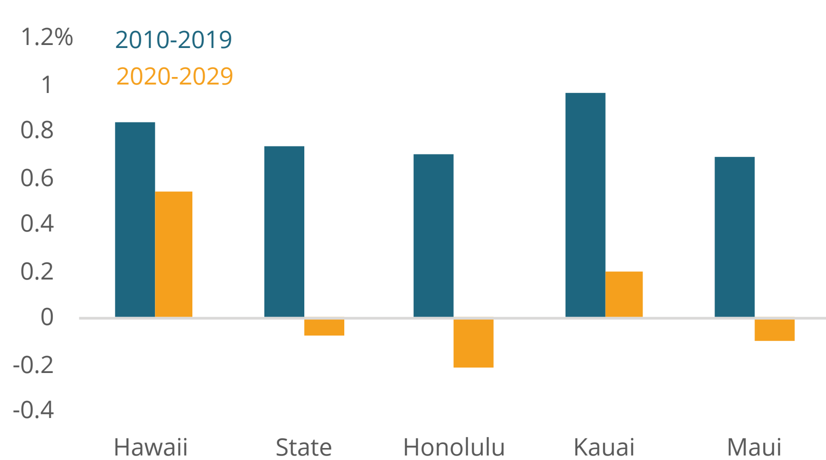
Tourism-related industries are seeing significantly fewer job gains this year, and in some cases outright net losses. As we move into 2025, the direct negative employment effects of the Maui wildfires will be behind us. Job growth will turn positive, but it will still take several years to rebuild the jobs lost from the wildfires. Statewide, jobs in the accommodations and food services sector will expand by 1.3% after this year's 0.7% growth. Trade jobs will turn from negative to positive, as will the transportation and utilities sector.

Despite the pending Maui reconstruction buildup, construction job growth will slow a bit from this year's nearly 5% pace. (We will have more to say about the construction outlook, below.) Federal, state, and local jobs will be flat after moderate payroll additions this year. Finance, insurance, and real estate and the small manufacturing industry will see moderate expansion.

Over the next two years, we will begin to see the beginning of convergence to the slower trend growth path that we described above. Aggregate

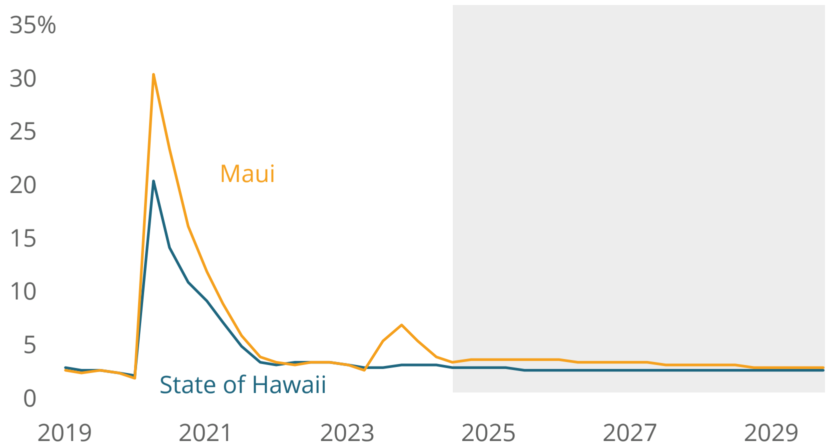
RESIDENT POPULATION, AVERAGE ANNUAL GROWTH RATES BY DECADE

County rates of population growth will be much slower or negative this decade, after moderate growth in the 2010s.



UNEMPLOYMENT RATE FORECAST

Maui unemployment will only gradually converge to the statewide average.



nonfarm job growth will slow from 0.8% next year to a half-percent by 2028, and this slowing trend will be observed to varying degrees across most industries. Note in particular the flattening our of the public sector job base. This reflects in part the reduced need for some public services when the population is mostly constant, as well as the pressure we see on State finances because of the tax cut program.

Looking at Maui County in particular, we have observed above that the island's lost job base has seen only partial recovery so far. With the early rehiring period behind us, we expect job numbers to turn positive, rising by 1.6% next year. Note that beginning with the upcoming fourth quarter, year-over-year growth will appear to be substantially higher, because activity and the number of jobs will be compared to the suppressed levels that followed the August 2023 wildfires.

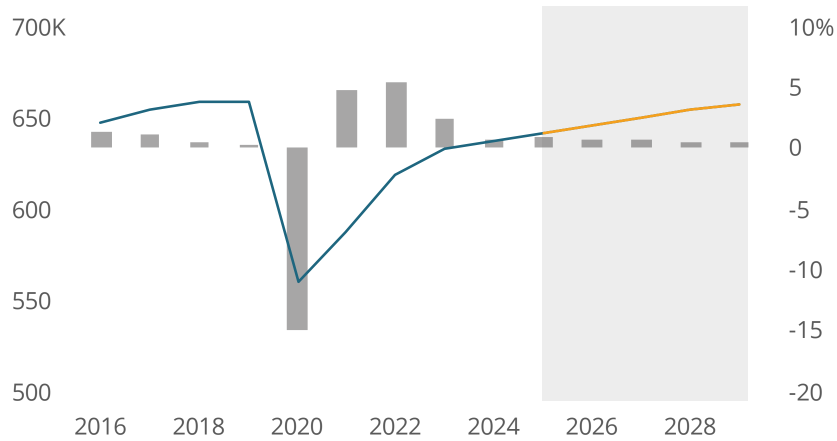
Population losses will also weigh on Maui's recovery. We estimate that the county has already seen a loss of more than one thousand households, and it is unclear whether this will be a temporary or more permanent population loss. As rebuilding begins in earnest, construction activity will be an important source of jobs and income, but for many other sectors of the economy time to rebuild and construction-related disruptions will delay full recovery through the remainder of the decade.

Maui's annual unemployment rate will average 4% this year, receding slowly to 2.8% by 2029. This is a lower unemployment path than in our last forecast, reflecting both the unemployed workers who have left the labor force this spring and a more drawn out labor force recovery. At 2.8%, unemployment on the Valley Isle will still be much higher than the 1.9% recorded in January 2020. To be sure, the unemployment rate is only one indicator of labor market performance in a county that has seen population and labor force losses.

Federal projects and Maui rebuilding will sustain the construction boom

Over the past several years, a very large volume of government projects has entered the construction pipeline, on top of a relatively stable volume of private permits. As a result, total inflation-adjusted building authorizations have risen significantly above the pre-pandemic level and are on par with those seen before the mid-2000s Global Financial Crisis. The number of industry jobs has surged to a record high. Maui rebuilding and projects slated for construction across the state will push that total to 41,500 workers by late-2026, before this building cycle begins to wane. (Note that some of the

HAWAII NONFARM PAYROLL JOB FORECAST
Demographic trends will constrain future job growth.



additional construction workers recorded in the Honolulu job counts are likely working on Maui.)

This building boom, coming at a time when the industry was already operating at a high level of activity, will impose significant strain on construction resources for the remainder of the decade. Increased demand for construction materials and skilled labor will drive up building costs; by 2027, they will be more than 20% higher than in 2022. And the pool of construction workers, already in short supply, will need to grow further. Maui alone is estimated to need an additional 2,000 construction workers just for the reconstruction of its 2,000 lost structures. Earlier this year, Governor Green signed a Project Labor Agreement designed to prioritize the local labor supply before recruiting workers from out of state. But certainly some of this need will have to be met by an influx of construction workers from the mainland, and this has likely already begun. Housing incoming construction workers will be a challenge, where shelter needs for laborers will compete with resident housing in an exceptionally tight market.

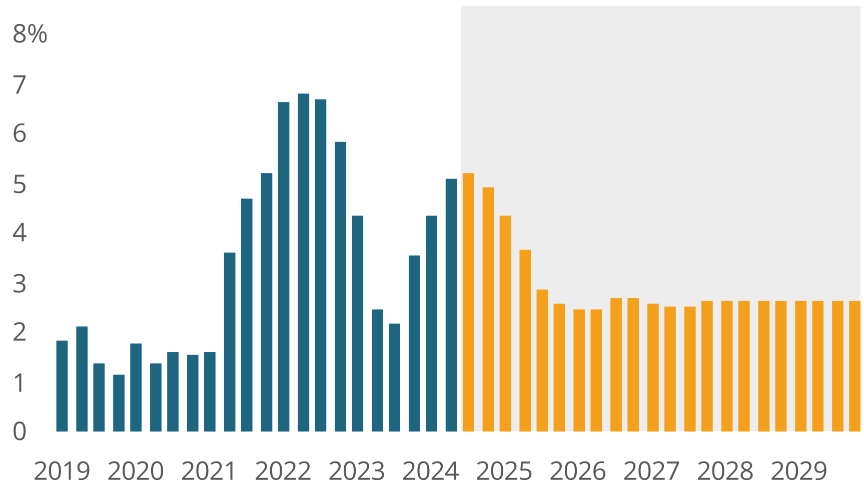
Late passthrough of shelter costs has delayed inflation progress

After a temporary lull, Honolulu inflation picked up to a 4.6% annualized pace in the first half of this year. The increase was driven almost entirely by a surge in shelter costs. The most recent data showed promising downward movements in some areas, but the feedthrough of rents into estimated shelter costs, which is occurring later here than in many mainland markets, will keep overall inflation above 4% through the beginning of next year, and inflation will not dip below 3% until late 2025. This is a significantly slower pace of disinflation than is occurring for the US as a whole. It is unusual for Honolulu prices to diverge to the upside while the Hawaii economy is underperforming the national economy so significantly. Inflation will settle at an annual pace of about 2.6% from 2026 onward, near its long-run average. Excess demand for goods and services associated with Maui rebuilding represent an upside risk.

Prices of goods other than shelter have been relatively stable: a measure of inflation that excludes shelter rose at a 1.8% annualized rate for the twelve months ending in July. Consequently, while higher housing costs are reducing local purchasing power for renting households, the affordability of other goods and services has not deteriorated to the same extent.

Pay raises in recent months have exceeded non-shelter price appreciation (although hourly earnings ticked down in July), so, despite persistent

HONOLULU CONSUMER INFLATION FORECAST
A delayed feedthrough of rents is slowing local inflation progress.



inflation, there has been a rise in the overall real purchasing power of the average Hawaii resident. Inflation-adjusted real personal income growth will average 1.4% for this year as a whole, with a slightly stronger gain in 2025. As job growth begins to trend lower, real income growth will decelerate to just over 1% over the next five years.

Real gross domestic product, our broadest measure of economic activity, is slowing sharply from 3.6% in 2023 to 1% this year. Growth will pick up to 2.8% in 2025 as the drag from soft overall tourism numbers eases and Maui rebuilding kicks into higher gear. Longer term, real per capita GDP growth will slow towards a trend of about 1% by 2029.

Looming macro risks and long-run challenges

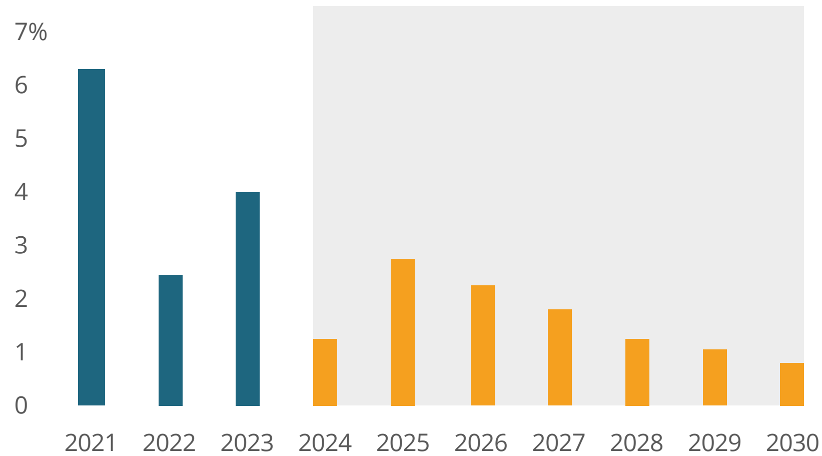
If we look back a year, Hawaii has done somewhat better than many feared. The tragic Maui wildfires of last August of course dealt a heavy blow to the Valley Isle, and the recovery is proceeding slowly. But the state as a whole has weathered the economic disruption well, in part because some would-be Maui visitors have chosen alternative Hawaii islands, but also because a booming construction industry has provided substantial growth support. Maui rebuilding and large scale public-sector projects mean that this support will continue.

Hawaii will benefit over the next few years as the Fed brings interest rates back in line with sustainable long-run levels. That will help restart the home resale market and reduce the high cost of financing credit card and other short-term household debt. It will also reduce capital costs for Hawaii businesses. But it is important to point out that—barring a recession—interest rates will not return to the super-low levels we saw before and especially during the pandemic. For example, we expect rates on a thirty-year fixed rate mortgage to settle at 5.6-5.8%, much higher than the 4% average over the 2015-2019 period.

And the Fed's transition to lower rates will be accompanied by significant macroeconomic risks. The Fed has waited long to begin reducing rates after pushing them to high levels in 2022-2023 in their battle against the post-pandemic inflation surge. They may well have waited too long, given the weakening already evident in US labor markets and the pending slowdown in consumer spending. Lower interest rates will help to support growth, but that takes time, so there is a risk that slowing already in the pipeline—and related financial fallout— might tip the economy into a recession. That would

HAWAII PER CAPITA REAL GDP GROWTH

Trend economic growth per person will be modest.



be bad news for a Hawaii economy that is heavily reliant on tourism revenue and that needs companies to be able to undertake investment and expansion plans.

These are the short-term risks. But they occur against a longer-term backdrop that looks anything but promising for Hawaii. As we have discussed in this report, Hawaii has seen dismal growth in per capita income in recent years, and that has hampered our ability to attract in-migration of new families or to provide opportunities that would prevent out-migration of Hawaii residents. Hawaii's underperformance since the pandemic recovery has as much or more to do with these longer-term constraints as it does with the lagging recovery of employment in some battered industries.

Because of Hawaii's high living costs, this is not a wholly new story, but, increasingly, unfavorable demographics will make it even harder to overcome. As our society ages and young peoples' preferences have changed, the "natural" growth of our population from births being higher than deaths is ending. We will need net in-migration if we are to see significant future labor force growth. And despite our well-founded concerns about accommodating growth, a stagnant economy would make it very difficult to address our need for essential public services, to deal with looming challenges such as climate change, and to raise or maintain a satisfactory local standard of living.

TABLE 1: MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	632.7	**636.8**	642.0	646.3	650.5
% Change	2.4	**0.7**	0.8	0.7	0.7
Unemployment Rate (%)	3.0	**3.0**	2.7	2.7	2.6
Population (Thou)	1,435.1	**1,432.8**	1,432.8	1,434.1	1,436.6
% Change	−0.3	**−0.2**	0.0	0.1	0.2
Nominal Personal Income (Mil $)	93,653.5	**99,631.3**	104,760.9	109,038.1	113,363.0
% Change	5.3	**6.4**	5.2	4.1	4.0
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Real GDP (Mil 2023$)	108,022.8	**109,100.9**	112,149.9	114,732.9	116,937.5
% Change	3.6	**1.0**	2.8	2.3	1.9
Real Personal Income (Mil 2023$)	93,653.5	**94,975.7**	96,629.1	98,029.9	99,375.6
% Change	2.1	**1.4**	1.7	1.4	1.4
Real Per Capita Income (Thou 2023$)	65.3	**66.3**	67.5	68.4	69.2
% Change	2.4	**1.6**	1.7	1.4	1.2
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	9,644.5	**9,731.1**	10,118.9	10,286.7	10,448.8
% Change	4.5	**0.9**	4.0	1.7	1.6
U.S. Visitors	7,422.8	**7,365.0**	7,585.6	7,615.1	7,645.8
% Change	−4.0	**−0.8**	3.0	0.4	0.4
Japanese Visitors	573.7	**719.1**	819.4	915.8	1,007.3
% Change	196.2	**25.3**	13.9	11.8	10.0
Other Visitors	1,648.0	**1,647.1**	1,713.9	1,755.8	1,795.7
% Change	26.4	**−0.1**	4.1	2.4	2.3
Average Daily Census (Thou)	234.5	**229.4**	237.2	243.0	248.7
% Change	1.1	**−2.2**	3.4	2.4	2.3
Average Daily Room Rate ($)	377.4	**368.2**	370.6	382.7	400.6
% Change	1.9	**−2.4**	0.7	3.2	4.7
Occupancy Rate (%)	69.4	**68.7**	70.9	72.3	73.7
Real Visitor Expenditures (Mil 2023$)	20,714.4	**19,900.8**	19,947.2	20,026.6	20,164.5
% Change	2.3	**−3.9**	0.2	0.4	0.7

Note: Source is UHERO. Nonfarm Payrolls for 2023 are UHERO estimates of the 2024 benchmark revision. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2027 are forecasts.

TABLE 2: JOBS BY INDUSTRY

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	632.7	**636.8**	642.0	646.3	650.5
% Change	2.4	**0.7**	0.8	0.7	0.7
Construction and Mining	38.1	**40.0**	41.1	41.4	41.4
% Change	2.5	**4.8**	2.9	0.6	0.2
Manufacturing	12.7	**12.8**	13.0	13.2	13.4
% Change	0.9	**1.0**	1.1	1.6	1.5
Trade	82.8	**82.1**	82.9	83.4	84.1
% Change	0.8	**−0.8**	0.9	0.7	0.8
Transportation and Utilities	34.3	**33.7**	34.0	34.1	34.2
% Change	3.6	**−1.7**	0.9	0.3	0.4
Finance, Insurance and Real Estate	27.8	**27.1**	27.2	27.5	27.7
% Change	−0.1	**−2.6**	0.6	0.9	0.8
Services	313.9	**316.3**	319.0	321.8	324.5
% Change	3.1	**0.8**	0.8	0.9	0.8
Health Care and Soc. Assistance	74.2	**75.7**	76.5	77.3	78.1
% Change	2.4	**2.1**	1.0	1.0	1.1
Accommodation and Food	105.7	**106.5**	107.9	108.9	109.8
% Change	5.5	**0.7**	1.3	1.0	0.8
Other	134.1	**134.2**	134.7	135.6	136.6
% Change	1.7	**0.1**	0.4	0.7	0.7
Government	123.0	**124.8**	124.8	125.0	125.2
% Change	1.9	**1.4**	0.0	0.1	0.2
Federal Government	35.1	**35.5**	35.6	35.6	35.6
% Change	1.1	**1.3**	0.1	0.0	0.0
State and Local Government	88.0	**89.2**	89.2	89.4	89.6
% Change	2.2	**1.4**	0.0	0.2	0.2

Note: Source is UHERO. Industry job counts for 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024- 2027 are forecasts.

TABLE 3: PERSONAL INCOME BY INDUSTRY

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2023$)	93,653.5	**94,975.7**	96,629.1	98,029.9	99,375.6
% Change	2.1	**1.4**	1.7	1.4	1.4
Labor & Proprietors' Income	65,346.0	**66,564.7**	67,823.5	68,863.9	69,773.3
% Change	3.1	**1.9**	1.9	1.5	1.3
Construction and Mining	4,946.6	**5,257.4**	5,557.3	5,709.4	5,766.7
% Change	2.8	**6.3**	5.7	2.7	1.0
Manufacturing	1,039.7	**1,029.9**	1,054.8	1,086.9	1,115.9
% Change	2.0	**−0.9**	2.4	3.0	2.7
Trade	5,214.4	**5,231.3**	5,359.2	5,446.1	5,513.2
% Change	1.5	**0.3**	2.5	1.6	1.2
Transportation and Utilities	3,972.8	**4,059.0**	4,099.7	4,115.1	4,142.0
% Change	9.4	**2.2**	1.0	0.4	0.7
Finance, Insurance & Real Estate	4,522.2	**4,406.9**	4,458.2	4,533.8	4,606.4
% Change	−4.1	**−2.5**	1.2	1.7	1.6
Services	27,262.3	**27,574.1**	28,019.5	28,518.5	28,978.1
% Change	4.3	**1.1**	1.6	1.8	1.6
Health Care & Soc. Assist. (% ch.)	4.5	**2.9**	1.4	1.3	1.3
Accommodation & Food (% ch.)	5.2	**−0.7**	2.9	3.1	2.2
Other (% ch.)	3.7	**1.1**	1.2	1.4	1.5
Government	18,044.9	**18,660.3**	18,928.1	19,104.8	19,299.8
% Change	2.7	**3.4**	1.4	0.9	1.0
Federal, civilian (% ch.)	4.0	**2.9**	0.4	0.4	0.3
State & Local (% ch.)	1.9	**2.9**	2.2	1.0	1.5
Less Social Security Taxes (-)	7,682.3	**7,838.5**	7,978.6	8,101.0	8,208.0
% Change	3.3	**2.0**	1.8	1.5	1.3
Transfer Payments	17,039.5	**17,219.4**	17,638.2	18,011.5	18,390.8
% Change	−2.4	**1.1**	2.4	2.1	2.1
Dividends, Interest and Rent	18,951.5	**19,032.0**	19,147.9	19,257.5	19,421.3
% Change	3.3	**0.4**	0.6	0.6	0.8
Population (Thou)	1,435.1	**1,432.8**	1,432.8	1,434.1	1,436.6
% Change	−0.3	**−0.2**	0.0	0.1	0.2
Real Per Capita Income (Thou 2023$)	65.3	**66.3**	67.5	68.4	69.2
% Change	2.4	**1.6**	1.7	1.4	1.2
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Nominal Personal Income (Mil $)	93,653.5	**99,631.3**	104,760.9	109,038.1	113,363.0
% Change	5.3	**6.4**	5.2	4.1	4.0

Note: Source is UHERO. Figures for 2024-2027 are forecasts.

TABLE 4: CONSTRUCTION INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
BUILDING PERMITS					
Total Commitments to Build (Mil 2023$)	7,944.2	**8,794.0**	8,855.2	8,494.7	8,032.8
% Change	12.1	**10.7**	0.7	−4.1	−5.4
Private Building Permits	3,667.2	**4,362.8**	4,622.2	4,970.9	5,062.2
% Change	−1.3	**19.0**	5.9	7.5	1.8
Residential Building Permits	1,526.1	**1,931.1**	2,198.9	2,500.6	2,604.1
% Change	−16.5	**26.5**	13.9	13.7	4.1
Non-Residential Building Permits	2,141.1	**2,431.7**	2,423.3	2,470.3	2,458.1
% Change	13.4	**13.6**	−0.3	1.9	−0.5
Government Contracts Awarded	4,277.0	**4,431.1**	4,233.0	3,523.8	2,970.5
% Change	26.8	**3.6**	−4.5	−16.8	−15.7
CONSTRUCTION ACTIVITY					
Real Contracting Tax Base (Mil 2023$)	11,830.1	**13,194.2**	13,823.0	14,025.9	14,207.5
% Change	5.5	**11.5**	4.8	1.5	1.3
Nominal Contracting Tax Base (Mil $)	11,830.1	**13,695.7**	15,044.5	15,860.2	16,599.0
% Change	9.5	**15.8**	9.8	5.4	4.7
Construction and Mining Jobs (Thou)	38.1	**40.0**	41.1	41.4	41.4
% Change	2.5	**4.8**	2.9	0.6	0.2
Real Construction Income (Mil 2023$)	4,946.6	**5,257.4**	5,557.3	5,709.4	5,766.7
% Change	2.8	**6.3**	5.7	2.7	1.0
PRICES AND COSTS (HONOLULU)					
Median Home Price (Thou $)	1,055.5	**1,097.4**	1,126.4	1,162.2	1,201.5
% Change	−4.5	**4.0**	2.6	3.2	3.4
Median Condo Price (Thou $)	508.0	**514.0**	520.5	525.4	534.4
% Change	0.3	**1.2**	1.3	0.9	1.7
Honolulu Housing Affordability Index	54.0	**55.6**	62.6	63.4	62.8
% Change	−5.3	**3.0**	12.5	1.4	−1.0
Construction Cost Index (2023=100)	100.0	**103.8**	108.8	113.1	116.8
% Change	3.8	**3.8**	4.8	3.9	3.3
30-Year Mortgage Rate (%)	6.8	**6.7**	5.7	5.6	5.7

Note: Source is UHERO. Figures for 2024-2027 are forecasts. Commitments to Build are the sum of private permits and public contracts awarded. Permits and tax base are deflated by Honolulu Construction Cost Index. Figures for Total Commitments to Build and Real Government Contracts Awarded for 2021-2023 are UHERO estimates. Income is deflated by Honolulu CPI. Housing affordability index is the ratio of median family income to qualifying income for a loan for the median-priced home (times 100).

TABLE 5: MAJOR ECONOMIC INDICATORS

HONOLULU COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	455.6	**459.5**	462.7	465.6	468.1
% Change	2.5	**0.9**	0.7	0.6	0.5
Unemployment Rate (%)	2.7	**2.8**	2.6	2.5	2.6
Population (Thou)	989.4	**989.4**	988.7	989.1	990.4
% Change	−0.5	**0.0**	−0.1	0.0	0.1
Nominal Personal Income (Mil $)	68,013.5	**72,571.6**	76,295.4	79,374.6	82,425.5
% Change	5.2	**6.7**	5.1	4.0	3.8
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Real Personal Income (Mil 2023$)	68,013.5	**69,180.5**	70,373.1	71,361.1	72,255.3
% Change	2.0	**1.7**	1.7	1.4	1.2
Real Per Capita Income (Thou 2023$)	68.7	**69.9**	71.2	72.2	73.0
% Change	2.6	**1.7**	1.8	1.4	1.1
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	5,615.0	**5,894.7**	5,962.7	5,956.4	6,044.1
% Change	15.6	**5.0**	1.1	−0.1	1.5
U.S. Visitors	3,921.0	**3,974.2**	3,904.1	3,793.3	3,771.7
% Change	2.4	**1.4**	−1.8	−2.8	−0.6
Japanese Visitors	558.3	**724.1**	829.7	912.6	999.4
% Change	199.9	**29.7**	14.6	10.0	9.5
Other Visitors	1,135.7	**1,196.4**	1,228.8	1,250.5	1,273.0
% Change	35.0	**5.3**	2.7	1.8	1.8
Average Daily Census (Thou)	111.3	**112.8**	112.1	113.2	115.1
% Change	12.3	**1.4**	−0.6	0.9	1.7
Occupancy Rate (%)	76.8	**77.5**	77.2	78.1	79.5

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

TABLE 6: JOBS BY INDUSTRY

HONOLULU COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	455.6	**459.5**	462.7	465.6	468.1
% Change	2.5	**0.9**	0.7	0.6	0.5
Construction and Mining	27.4	**29.2**	30.1	30.3	30.1
% Change	2.4	**6.6**	3.2	0.3	−0.3
Manufacturing	9.3	**9.4**	9.4	9.6	9.8
% Change	0.4	**1.2**	0.7	1.9	1.6
Trade	56.2	**55.9**	56.5	57.0	57.5
% Change	0.2	**−0.5**	1.2	0.8	0.9
Transportation and Utilities	25.3	**24.6**	24.9	25.0	25.1
% Change	4.7	**−2.6**	1.2	0.3	0.3
Finance, Insurance and Real Estate	21.2	**20.7**	20.8	21.0	21.1
% Change	−0.3	**−2.4**	0.5	0.7	0.5
Services	221.8	**224.9**	226.0	227.8	229.3
% Change	3.5	**1.4**	0.5	0.8	0.7
Health Care and Soc. Assistance	55.9	**57.0**	57.6	58.2	58.8
% Change	2.5	**2.0**	1.1	1.0	1.1
Accommodation and Food	63.5	**64.5**	64.9	65.4	65.7
% Change	6.9	**1.6**	0.6	0.8	0.5
Other	102.5	**103.4**	103.6	104.2	104.8
% Change	2.1	**0.9**	0.1	0.6	0.6
Government	94.4	**94.9**	94.8	95.0	95.2
% Change	1.6	**0.5**	0.0	0.2	0.2
Federal Government	32.2	**32.7**	32.7	32.7	32.7
% Change	1.2	**1.4**	0.1	0.0	0.0
State and Local Government	62.2	**62.2**	62.1	62.3	62.5
% Change	1.8	**0.0**	−0.1	0.2	0.3

Note: Source is UHERO. Industry job counts for 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2027 are forecasts.

TABLE 7: PERSONAL INCOME BY INDUSTRY

HONOLULU COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2023$)	68,013.5	**69,180.5**	70,373.1	71,361.1	72,255.3
% Change	2.0	**1.7**	1.7	1.4	1.2
Labor & Proprietors' Income	49,401.6	**50,521.8**	51,408.9	52,123.8	52,715.0
% Change	3.5	**2.3**	1.8	1.4	1.1
Construction and Mining	3,595.3	**3,894.0**	4,127.5	4,233.7	4,245.5
% Change	2.8	**8.3**	6.0	2.6	0.3
Manufacturing	790.1	**783.8**	800.3	825.7	849.6
% Change	1.6	**−0.8**	2.1	3.2	2.9
Trade	3,598.8	**3,631.2**	3,721.2	3,788.5	3,844.1
% Change	1.1	**0.9**	2.5	1.8	1.5
Transportation and Utilities	3,140.4	**3,185.4**	3,227.0	3,240.8	3,258.4
% Change	10.6	**1.4**	1.3	0.4	0.5
Finance, Insurance & Real Estate	3,326.6	**3,252.7**	3,282.6	3,323.6	3,361.2
% Change	−3.1	**−2.2**	0.9	1.2	1.1
Services	19,652.9	**20,015.2**	20,291.1	20,606.8	20,901.8
% Change	4.8	**1.8**	1.4	1.6	1.4
Health Care & Soc. Assist. (% ch.)	4.6	**2.6**	1.4	1.4	1.3
Accommodation & Food (% ch.)	7.6	**0.3**	2.3	3.0	1.9
Other (% ch.)	4.0	**1.9**	1.1	1.2	1.3
Government	15,187.8	**15,649.3**	15,849.1	15,994.3	16,143.6
% Change	2.8	**3.0**	1.3	0.9	0.9
Federal, civilian (% ch.)	4.0	**3.0**	0.4	0.4	0.3
State & Local (% ch.)	1.6	**1.6**	2.0	1.0	1.4
Less Social Security Taxes (-)	5,809.9	**5,941.6**	6,046.0	6,130.1	6,199.6
% Change	3.5	**2.3**	1.8	1.4	1.1
Transfer Payments	11,290.0	**11,363.7**	11,627.4	11,844.1	12,101.7
% Change	−2.5	**0.7**	2.3	1.9	2.2
Dividends, Interest and Rent	13,435.1	**13,494.2**	13,578.5	13,656.4	13,774.0
% Change	3.2	**0.4**	0.6	0.6	0.9
Population (Thou)	989.4	**989.4**	988.7	989.1	990.4
% Change	−0.5	**0.0**	−0.1	0.0	0.1
Real Per Capita Income (Thou 2023$)	68.7	**69.9**	71.2	72.2	73.0
% Change	2.6	**1.7**	1.8	1.4	1.1
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Nominal Personal Income (Mil $)	68,013.5	**72,571.6**	76,295.4	79,374.6	82,425.5
% Change	5.2	**6.7**	5.1	4.0	3.8

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

TABLE 8: MAJOR ECONOMIC INDICATORS

HAWAII COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	70.9	**72.3**	72.9	73.5	74.0
% Change	4.1	**1.9**	0.9	0.7	0.7
Unemployment Rate (%)	3.0	**2.8**	2.6	2.6	2.5
Population (Thou)	207.6	**208.6**	209.3	209.7	210.1
% Change	0.6	**0.5**	0.3	0.2	0.2
Nominal Personal Income (Mil $)	10,851.3	**11,580.6**	12,182.8	12,703.6	13,231.6
% Change	6.3	**6.7**	5.2	4.3	4.2
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Real Personal Income (Mil 2023$)	10,851.3	**11,039.5**	11,237.1	11,421.1	11,599.0
% Change	3.1	**1.7**	1.8	1.6	1.6
Real Per Capita Income (Thou 2023$)	52.3	**52.9**	53.7	54.5	55.2
% Change	2.5	**1.2**	1.5	1.4	1.4
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	1,766.7	**1,751.3**	1,872.6	1,898.2	1,922.5
% Change	5.9	**−0.9**	6.9	1.4	1.3
U.S. Visitors	1,469.6	**1,428.0**	1,499.8	1,504.8	1,507.5
% Change	2.3	**−2.8**	5.0	0.3	0.2
Japanese Visitors	43.2	**50.2**	68.7	81.1	93.9
% Change	178.2	**16.2**	36.9	18.1	15.8
Other Visitors	253.9	**273.1**	304.1	312.2	321.0
% Change	17.8	**7.6**	11.3	2.7	2.8
Average Daily Census (Thou)	38.2	**36.7**	38.5	39.3	40.1
% Change	1.3	**−3.9**	4.8	2.1	2.1
Occupancy Rate (%)	67.3	**61.3**	65.1	66.3	67.7

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

TABLE 9: JOBS BY INDUSTRY

HAWAII COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	70.9	**72.3**	72.9	73.5	74.0
% Change	4.1	**1.9**	0.9	0.7	0.7
Construction and Mining	3.9	**3.9**	3.9	4.0	4.0
% Change	4.3	**−1.1**	1.7	0.9	1.6
Manufacturing	1.6	**1.7**	1.7	1.7	1.7
% Change	3.8	**5.2**	0.9	0.2	0.0
Trade	11.9	**12.1**	12.1	12.1	12.1
% Change	4.9	**1.3**	0.0	0.0	0.1
Transportation and Utilities	3.2	**3.5**	3.4	3.4	3.4
% Change	3.8	**6.3**	−1.0	−0.7	−0.3
Finance, Insurance and Real Estate	2.6	**2.6**	2.6	2.6	2.7
% Change	3.8	**−0.6**	0.5	1.6	1.4
Services	33.0	**33.7**	34.1	34.4	34.7
% Change	4.7	**2.0**	1.3	0.9	0.8
Health Care and Soc. Assistance	7.6	**7.8**	7.9	8.0	8.1
% Change	2.9	**2.7**	1.2	1.5	1.4
Accommodation and Food	13.4	**13.7**	13.9	14.1	14.2
% Change	7.2	**2.2**	2.0	0.9	0.8
Other	12.0	**12.2**	12.3	12.3	12.4
% Change	3.2	**1.4**	0.5	0.5	0.5
Government	14.6	**15.0**	15.1	15.3	15.4
% Change	2.1	**2.2**	1.1	1.0	0.9
Federal Government	1.3	**1.4**	1.4	1.4	1.4
% Change	0.6	**2.7**	0.0	0.0	−0.1
State and Local Government	13.3	**13.6**	13.8	13.9	14.0
% Change	2.2	**2.2**	1.2	1.1	1.0

Note: Source is UHERO. Industry job counts for 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2027 are forecasts.

TABLE 10: PERSONAL INCOME BY INDUSTRY

HAWAII COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2023$)	10,851.3	**11,039.5**	11,237.1	11,421.1	11,599.0
% Change	3.1	**1.7**	1.8	1.6	1.6
Labor & Proprietors' Income	6,281.4	**6,444.6**	6,587.1	6,715.9	6,832.4
% Change	4.1	**2.6**	2.2	2.0	1.7
Construction	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Manufacturing	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Trade	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Transportation and Utilities	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Finance, Insurance & Real Estate	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Services	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Health Care & Soc. Assist. (% ch.)	—	**—**	—	—	—
Accommodation & Food (% ch.)	—	**—**	—	—	—
Other (% ch.)	—	**—**	—	—	—
Government	1,427.7	**1,477.7**	1,524.2	1,552.6	1,587.2
% Change	2.2	**3.5**	3.1	1.9	2.2
Federal, civilian (% ch.)	3.7	**3.5**	0.6	0.3	0.2
State & Local (% ch.)	1.9	**3.3**	3.6	2.1	2.6
Less Social Security Taxes (-)	784.6	**804.0**	820.4	838.3	854.7
% Change	4.0	**2.5**	2.0	2.2	2.0
Transfer Payments	2,890.3	**2,953.3**	3,025.7	3,101.2	3,159.0
% Change	−2.5	**2.2**	2.5	2.5	1.9
Dividends, Interest and Rent	2,335.2	**2,348.9**	2,363.9	2,377.6	2,397.4
% Change	3.7	**0.6**	0.6	0.6	0.8
Population (Thou)	207.6	**208.6**	209.3	209.7	210.1
% Change	0.6	**0.5**	0.3	0.2	0.2
Real Per Capita Income (Thou 2023$)	52.3	**52.9**	53.7	54.5	55.2
% Change	2.5	**1.2**	1.5	1.4	1.4
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Nominal Personal Income (Mil $)	10,851.3	**11,580.6**	12,182.8	12,703.6	13,231.6
% Change	6.3	**6.7**	5.2	4.3	4.2

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 11: MAJOR ECONOMIC INDICATORS

MAUI COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	74.4	**72.9**	74.1	74.9	75.8
% Change	−0.3	**−2.0**	1.6	1.1	1.2
Unemployment Rate (%)	4.4	**4.0**	3.5	3.4	3.2
Population (Thou)	164.3	**160.8**	160.9	161.2	161.8
% Change	−0.1	**−2.1**	0.0	0.2	0.4
Nominal Personal Income (Mil $)	10,378.9	**10,823.6**	11,390.0	11,854.5	12,385.2
% Change	4.5	**4.3**	5.2	4.1	4.5
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Real Personal Income (Mil 2023$)	10,378.9	**10,317.9**	10,505.9	10,657.7	10,857.0
% Change	1.4	**−0.6**	1.8	1.4	1.9
Real Per Capita Income (Thou 2023$)	63.2	**64.2**	65.3	66.1	67.1
% Change	1.5	**1.5**	1.8	1.2	1.5
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	2,526.5	**2,358.1**	2,647.1	2,781.3	2,859.9
% Change	−14.9	**−6.7**	12.3	5.1	2.8
U.S. Visitors	2,127.1	**1,994.3**	2,242.5	2,346.4	2,394.1
% Change	−16.8	**−6.2**	12.4	4.6	2.0
Japanese Visitors	11.8	**15.1**	16.2	16.8	17.6
% Change	107.2	**27.3**	7.7	3.6	4.8
Other Visitors	387.5	**348.8**	388.4	418.0	448.2
% Change	−4.5	**−10.0**	11.4	7.6	7.2
Average Daily Census (Thou)	56.1	**51.8**	57.9	61.5	63.9
% Change	−15.6	**−7.8**	11.8	6.2	3.9
Occupancy Rate (%)	57.6	**58.0**	63.3	65.9	67.4

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

TABLE 12: JOBS BY INDUSTRY

MAUI COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	74.4	**72.9**	74.1	74.9	75.8
% Change	−0.3	**−2.0**	1.6	1.1	1.2
Construction and Mining	4.7	**4.8**	5.0	5.0	5.1
% Change	2.5	**2.3**	2.6	1.6	1.6
Manufacturing	1.2	**1.2**	1.2	1.2	1.2
% Change	−1.6	**−1.9**	2.6	1.4	1.4
Trade	10.4	**9.9**	10.0	10.1	10.2
% Change	−1.0	**−4.5**	0.9	0.7	1.0
Transportation and Utilities	4.1	**3.9**	4.0	4.0	4.1
% Change	−1.6	**−4.1**	1.3	1.2	1.8
Finance, Insurance and Real Estate	2.8	**2.6**	2.7	2.7	2.8
% Change	−2.6	**−6.8**	1.5	2.2	2.1
Services	42.2	**40.5**	41.5	42.2	42.9
% Change	−1.2	**−4.1**	2.5	1.7	1.8
Health Care and Soc. Assistance	8.0	**8.3**	8.3	8.4	8.4
% Change	1.5	**3.5**	0.4	0.4	0.5
Accommodation and Food	20.3	**19.4**	20.1	20.5	20.9
% Change	−0.9	**−4.3**	3.3	1.9	2.0
Other	13.9	**12.7**	13.0	13.3	13.6
% Change	−3.2	**−8.2**	2.5	2.2	2.4
Government	9.1	**10.0**	9.9	9.7	9.5
% Change	5.4	**10.8**	−1.5	−1.9	−1.8
Federal Government	0.9	**0.9**	0.9	0.9	0.9
% Change	0.9	**1.0**	0.1	−0.2	−0.2
State and Local Government	8.2	**9.1**	9.0	8.8	8.6
% Change	5.9	**11.9**	−1.7	−2.0	−1.9

Note: Source is UHERO. Industry job counts for 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2027 are forecasts.

TABLE 13: PERSONAL INCOME BY INDUSTRY

MAUI COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2023$)	10,378.9	**10,317.9**	10,505.9	10,657.7	10,857.0
% Change	1.4	**−0.6**	1.8	1.4	1.9
Labor & Proprietors' Income	6,814.2	**6,707.7**	6,885.3	7,027.3	7,173.2
% Change	−0.3	**−1.6**	2.6	2.1	2.1
Construction	593.9	**606.0**	622.2	634.3	645.9
% Change	1.8	**2.0**	2.7	1.9	1.8
Manufacturing	92.2	**90.5**	94.4	97.1	99.7
% Change	−1.9	**−1.8**	4.3	2.8	2.7
Trade	628.5	**590.3**	608.2	623.9	641.1
% Change	−1.5	**−6.1**	3.0	2.6	2.8
Transportation and Utilities	345.6	**331.8**	340.1	348.1	358.1
% Change	−1.7	**−4.0**	2.5	2.4	2.9
Finance, Insurance & Real Estate	626.3	**609.9**	615.9	623.8	631.4
% Change	−1.1	**−2.6**	1.0	1.3	1.2
Services	3,559.7	**3,417.4**	3,547.3	3,651.2	3,756.7
% Change	−1.4	**−4.0**	3.8	2.9	2.9
Health Care & Soc. Assist. (% ch.)	1.5	**4.0**	1.4	1.4	1.4
Accommodation & Food (% ch.)	−1.2	**−4.8**	5.5	3.6	3.5
Other (% ch.)	−3.0	**−7.5**	3.3	3.1	3.1
Government	911.9	**1,013.5**	1,020.3	1,012.2	1,009.1
% Change	5.2	**11.1**	0.7	−0.8	−0.3
Federal, civilian (% ch.)	4.3	**1.9**	0.7	0.1	0.1
State & Local (% ch.)	5.4	**13.0**	0.7	−1.0	−0.4
Less Social Security Taxes (-)	744.4	**746.1**	759.1	771.5	784.7
% Change	1.8	**0.2**	1.8	1.6	1.7
Transfer Payments	1,888.4	**1,912.6**	1,969.7	2,024.6	2,068.1
% Change	−1.3	**1.3**	3.0	2.8	2.1
Dividends, Interest and Rent	2,258.9	**2,266.3**	2,278.1	2,291.6	2,312.0
% Change	3.2	**0.3**	0.5	0.6	0.9
Population (Thou)	164.3	**160.8**	160.9	161.2	161.8
% Change	−0.1	**−2.1**	0.0	0.2	0.4
Real Per Capita Income (Thou 2023$)	63.2	**64.2**	65.3	66.1	67.1
% Change	1.5	**1.5**	1.8	1.2	1.5
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Nominal Personal Income (Mil $)	10,378.9	**10,823.6**	11,390.0	11,854.5	12,385.2
% Change	4.5	**4.3**	5.2	4.1	4.5

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

TABLE 14: MAJOR ECONOMIC INDICATORS

KAUAI COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	31.7	**32.0**	32.2	32.4	32.6
% Change	3.2	**0.8**	0.5	0.7	0.8
Unemployment Rate (%)	2.6	**2.6**	2.7	2.6	2.5
Population (Thou)	73.8	**73.9**	74.0	74.1	74.2
% Change	0.1	**0.1**	0.1	0.1	0.2
Nominal Personal Income (Mil $)	4,409.9	**4,655.4**	4,892.8	5,105.5	5,320.8
% Change	5.4	**5.6**	5.1	4.3	4.2
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Real Personal Income (Mil 2023$)	4,409.9	**4,437.9**	4,513.0	4,590.0	4,664.3
% Change	2.2	**0.6**	1.7	1.7	1.6
Real Per Capita Income (Thou 2023$)	59.7	**60.0**	61.0	62.0	62.8
% Change	2.1	**0.5**	1.6	1.6	1.4
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	1,416.9	**1,381.0**	1,431.3	1,443.1	1,454.1
% Change	5.3	**−2.5**	3.6	0.8	0.8
U.S. Visitors	1,247.4	**1,211.5**	1,244.0	1,248.9	1,253.9
% Change	3.3	**−2.9**	2.7	0.4	0.4
Japanese Visitors	5.8	**7.5**	9.6	11.2	12.5
% Change	96.6	**29.0**	28.2	16.6	12.1
Other Visitors	163.7	**162.0**	177.7	183.0	187.6
% Change	20.7	**−1.0**	9.7	3.0	2.5
Average Daily Census (Thou)	28.9	**28.1**	28.7	29.1	29.6
% Change	1.0	**−2.6**	2.1	1.2	1.8
Occupancy Rate (%)	73.7	**71.7**	74.1	75.0	76.2

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts.

TABLE 15: JOBS BY INDUSTRY

KAUAI COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	31.7	**32.0**	32.2	32.4	32.6
% Change	3.2	**0.8**	0.5	0.7	0.8
Construction and Mining	2.1	**2.1**	2.1	2.1	2.2
% Change	0.8	**−2.2**	1.6	1.2	1.9
Manufacturing	0.6	**0.6**	0.6	0.6	0.6
% Change	5.9	**−6.6**	3.3	2.9	2.8
Trade	4.4	**4.3**	4.3	4.3	4.3
% Change	1.4	**−1.9**	0.0	0.5	0.7
Transportation and Utilities	1.7	**1.7**	1.7	1.7	1.7
% Change	−0.1	**1.5**	−0.5	0.1	0.6
Finance, Insurance and Real Estate	1.1	**1.1**	1.1	1.1	1.1
% Change	1.5	**−0.1**	−0.3	1.1	1.1
Services	16.9	**17.4**	17.4	17.5	17.6
% Change	5.3	**2.6**	0.5	0.4	0.5
Health Care and Soc. Assistance	2.7	**2.6**	2.7	2.7	2.8
% Change	1.4	**−1.0**	1.4	2.1	2.1
Accommodation and Food	8.6	**8.9**	9.0	9.0	9.0
% Change	8.2	**3.9**	0.9	0.3	0.3
Other	5.7	**5.8**	5.8	5.8	5.8
% Change	3.0	**2.4**	−0.6	−0.1	0.0
Government	5.0	**4.9**	5.0	5.0	5.1
% Change	0.1	**−0.5**	0.9	1.2	1.3
Federal Government	0.6	**0.6**	0.6	0.6	0.6
% Change	−1.1	**−3.0**	0.8	1.1	1.1
State and Local Government	4.3	**4.3**	4.4	4.4	4.5
% Change	0.3	**−0.1**	0.9	1.2	1.4

Note: Source is UHERO. Industry job counts for 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2027 are forecasts.

TABLE 16: PERSONAL INCOME BY INDUSTRY

KAUAI COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2023$)	4,409.9	**4,437.9**	4,513.0	4,590.0	4,664.3
% Change	2.2	**0.6**	1.7	1.7	1.6
Labor & Proprietors' Income	2,843.7	**2,885.4**	2,936.8	2,991.4	3,047.2
% Change	3.1	**1.5**	1.8	1.9	1.9
Construction	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Manufacturing	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Trade	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Transportation and Utilities	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Finance, Insurance & Real Estate	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Services	—	**—**	—	—	—
% Change	—	**—**	—	—	—
Health Care & Soc. Assist. (% ch.)	—	**—**	—	—	—
Accommodation & Food (% ch.)	—	**—**	—	—	—
Other (% ch.)	—	**—**	—	—	—
Government	514.5	**516.7**	531.5	542.7	556.7
% Change	0.3	**0.4**	2.9	2.1	2.6
Federal, civilian (% ch.)	2.0	**−2.1**	1.3	1.3	1.4
State & Local (% ch.)	−0.1	**0.9**	3.3	2.3	2.9
Less Social Security Taxes (-)	343.0	**346.3**	352.7	360.7	368.5
% Change	2.5	**1.0**	1.9	2.3	2.2
Transfer Payments	974.3	**993.0**	1,018.9	1,045.0	1,065.6
% Change	−2.9	**1.9**	2.6	2.6	2.0
Dividends, Interest and Rent	922.6	**922.9**	927.5	932.1	938.1
% Change	2.5	**0.0**	0.5	0.5	0.7
Population (Thou)	73.8	**73.9**	74.0	74.1	74.2
% Change	0.1	**0.1**	0.1	0.1	0.2
Real Per Capita Income (Thou 2023$)	59.7	**60.0**	61.0	62.0	62.8
% Change	2.1	**0.5**	1.6	1.6	1.4
Inflation Rate, Honolulu MSA (%)	3.1	**4.9**	3.4	2.6	2.6
Nominal Personal Income (Mil $)	4,409.9	**4,655.4**	4,892.8	5,105.5	5,320.8
% Change	5.4	**5.6**	5.1	4.3	4.2

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2027 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 17: EXTERNAL INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
U.S. FACTORS					
Employment (Thou)	161,044.8	**161,216.7**	162,146.5	163,851.4	165,115.4
% Change	1.7	**0.1**	0.6	1.1	0.8
Unemployment Rate (%)	3.6	**4.1**	4.4	4.1	4.0
Inflation Rate (%)	4.1	**3.0**	2.3	2.5	2.5
Real GDP (Bil chained 2012$)	22,376.9	**22,937.8**	23,269.5	23,715.6	24,143.5
% Change	2.5	**2.5**	1.4	1.9	1.8
Population (Thou)	335,208.5	**336,919.5**	338,605.5	340,237.1	341,793.6
% Change	0.5	**0.5**	0.5	0.5	0.5
JAPAN FACTORS					
Employment (Thou)	67,469.2	**67,666.4**	67,641.2	67,425.2	67,009.4
% Change	0.4	**0.3**	0.0	−0.3	−0.6
Unemployment Rate (%)	2.6	**2.6**	2.5	2.4	2.3
Inflation Rate (%)	3.3	**2.6**	2.2	1.3	1.2
Real GDP (Bil chained 2011 yen)	560,278.6	**559,111.1**	565,526.4	569,297.9	571,585.1
% Change	1.8	**−0.2**	1.1	0.7	0.4
Population (Thou)	124,516.6	**123,873.4**	123,203.6	122,526.8	121,844.3
% Change	−0.5	**−0.5**	−0.5	−0.6	−0.6
Exchange Rate (Yen/$)	140.5	**149.8**	142.6	135.1	131.2
% Change	6.9	**6.6**	−4.8	−5.2	−2.9

Note: Source is UHERO. Figures for 2024-2027 are forecasts.

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