

Current Hawaii Economic Conditions

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to the

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Summary of Current Hawaii Economic Conditions

- **Lowest unemployment rate in Hawaii's history and lowest in the nation, 2.2% Y-T-D through November 2018**
- **Record high level of labor force, employment, and job count**
- **Non-ag Payroll job grew 1.7%, adding 11,100 jobs through November 2018**
- **Tourism industry growth strong, 6.1% for arrivals and 8.0% for expenditures Y-T-D through November**
- **Value of private building permit increased 0.2% Y-T-D through November**
- **Median home sale prices continue to increase on all counties for both single family and condos**
- **Home sales decreased on Oahu and Big Island for both single family and condo but increased significantly on Maui and Kauai**
- **General excise tax revenue increased 2.5%, individual income tax increased 12.8% through November**

The U.S. and World Economies

U.S. business cycles reference dates

Trough	Peak	Expansion Months
October 1945 (IV)	November 1948(IV)	37
October 1949 (IV)	July 1953(III)	45
May 1954 (II)	August 1957(III)	39
April 1958 (II)	April 1960(II)	24
February 1961 (I)	December 1969(IV)	106
November 1970 (IV)	November 1973(IV)	36
March 1975 (I)	January 1980(I)	58
July 1980 (III)	July 1981(III)	12
November 1982 (IV)	July 1990(III)	92
March 1991 (I)	March 2001(I)	120
November 2001 (IV)	December 2007(IV)	73
June 2009 (II)	As of January 2019	115
Average Expansion, 1945-2009 (11 cycles)		58.4

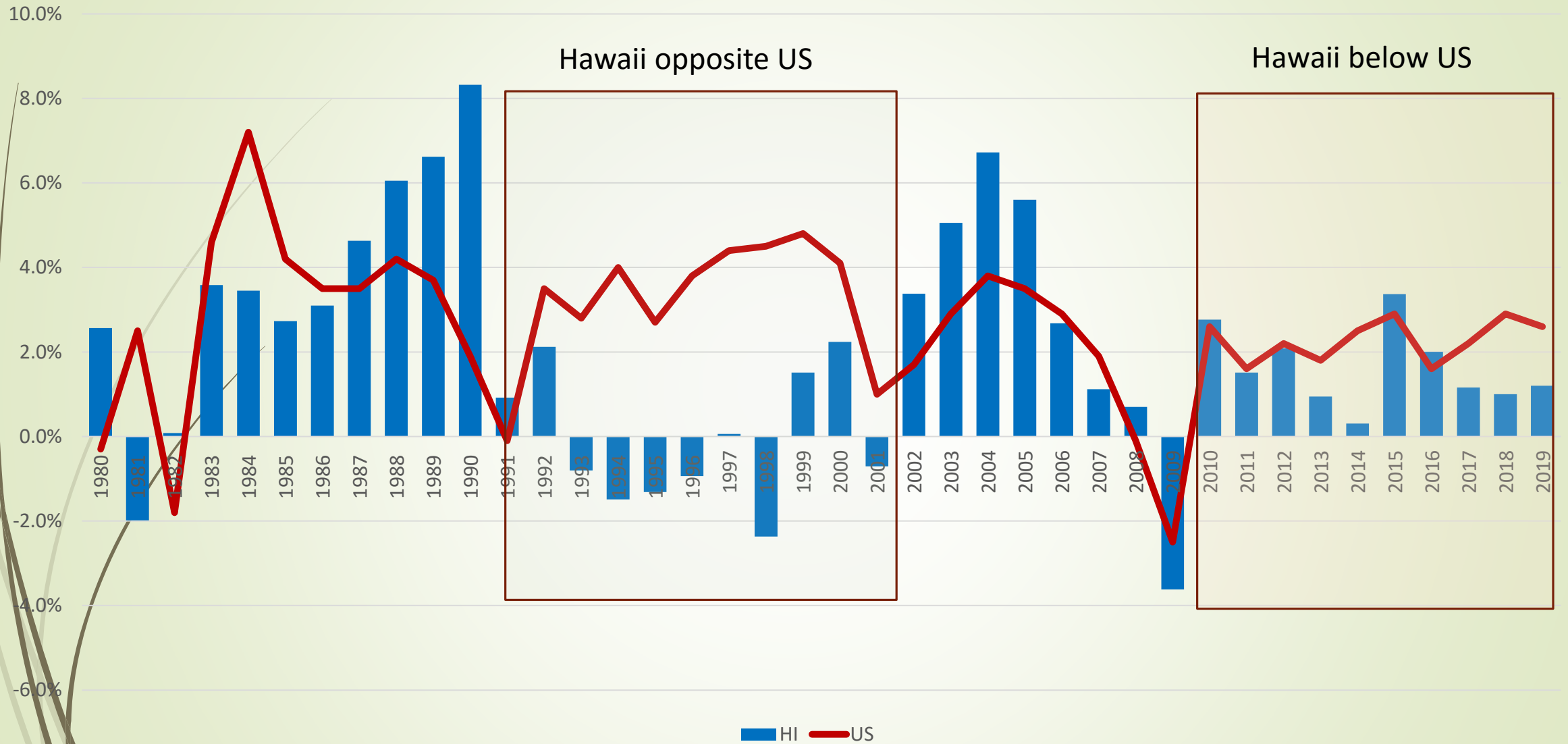
Source: National Bureau Economic Research, US Business Cycle Expansions and Contractions

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

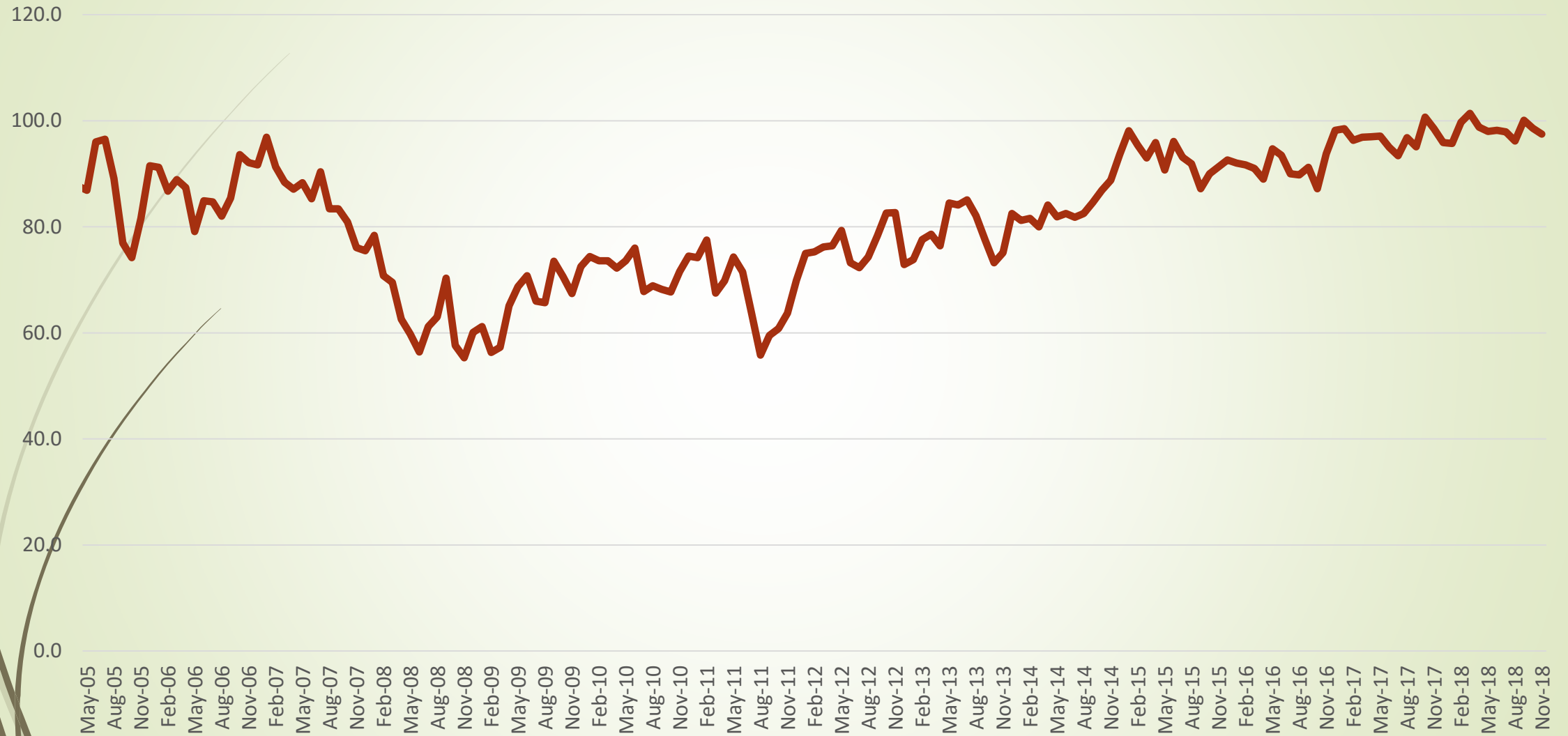
Period	U.S.	Hawaii
1957-1967	4.3%	6.5%
1967-1977	3.1%	5.1%
1977-1987	3.2%	3.3%
1987-1997	3.1%	1.9%
1997-2007	3.0%	2.4%
2007-2017	1.4%	1.1%
1957-1987	3.5%	4.9%
1987-2017	2.5%	1.8%

Source: U.S. Bureau of Economic Analysis and Hawaii DBEDT

US and Hawaii GDP growth



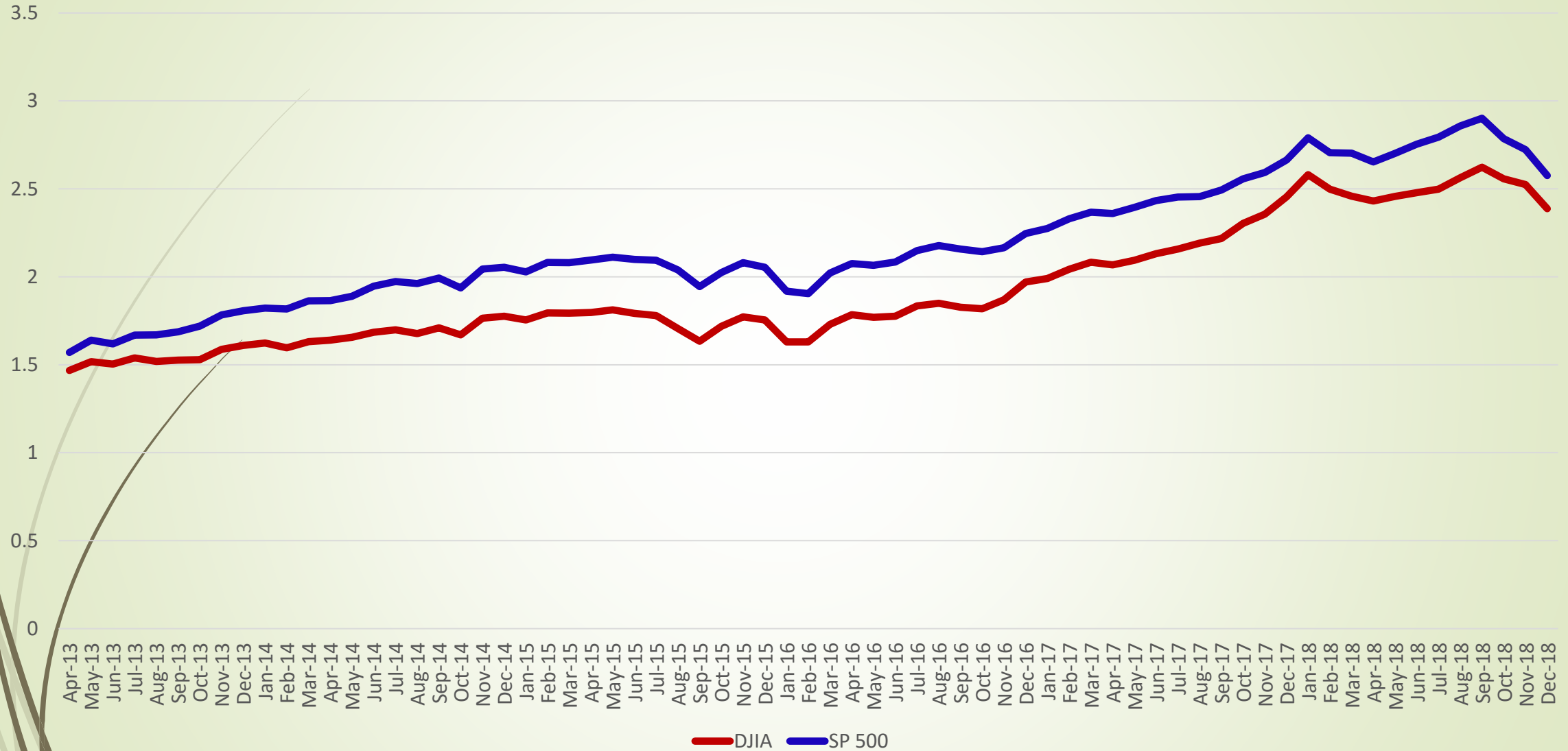
U.S. Consumer Sentiment Index



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

Stock Market Indicators

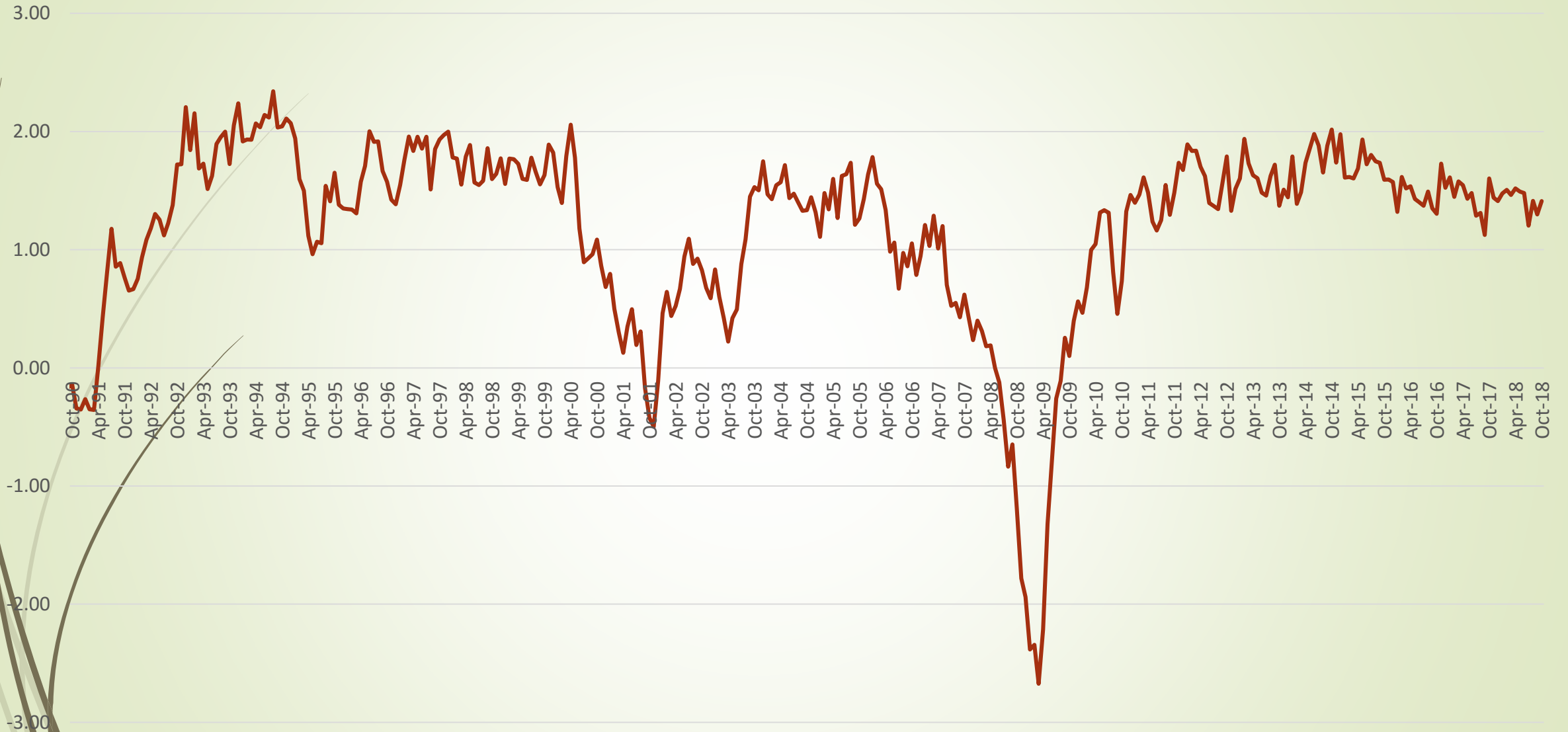
1,0000 for DJIA;
1,000 for SP



*As of 12/27/2018

Source: Federal Reserve Bank of St. Louis

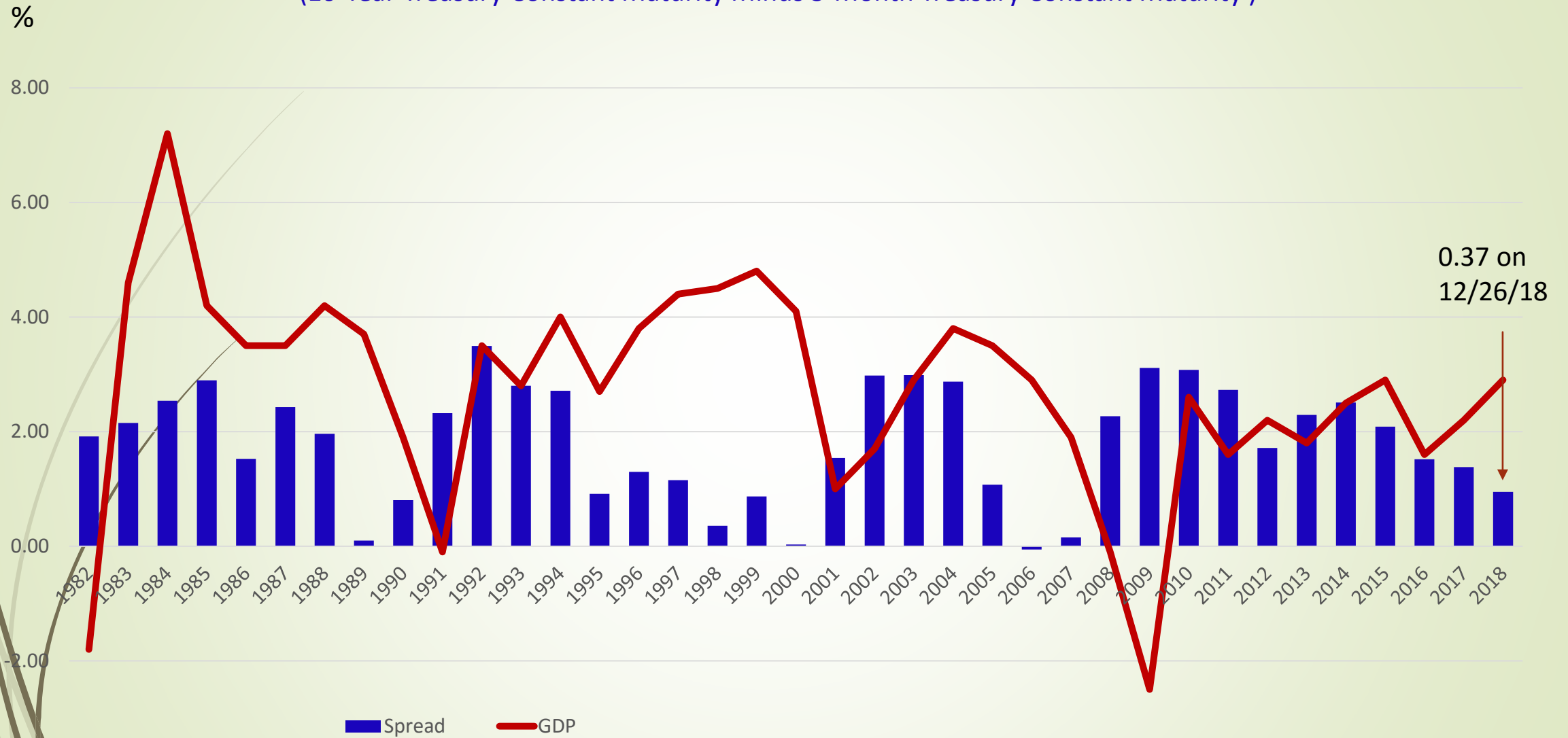
Leading Economic Index for the United States



Source: Federal Reserve Bank of Philadelphia

Interest rate spread and economic growth

(10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity)



Source: Federal Reserve Bank of St. Louis and U.S. Bureau of Economic Analysis

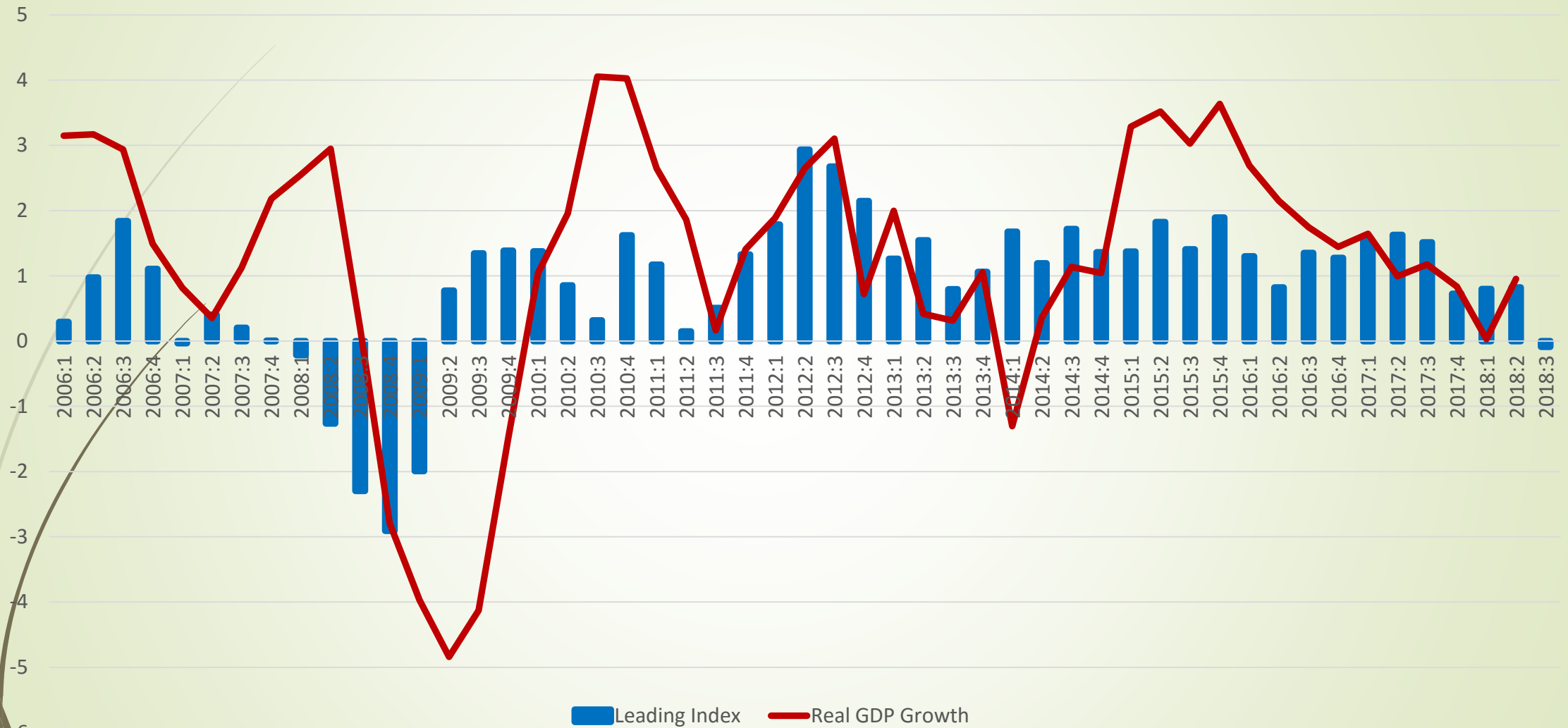
Most of the world economies will have slower growth in 2019

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

Source: Blue Chip Economic Indicators, December 10th, 2018

Hawaii's General Economy

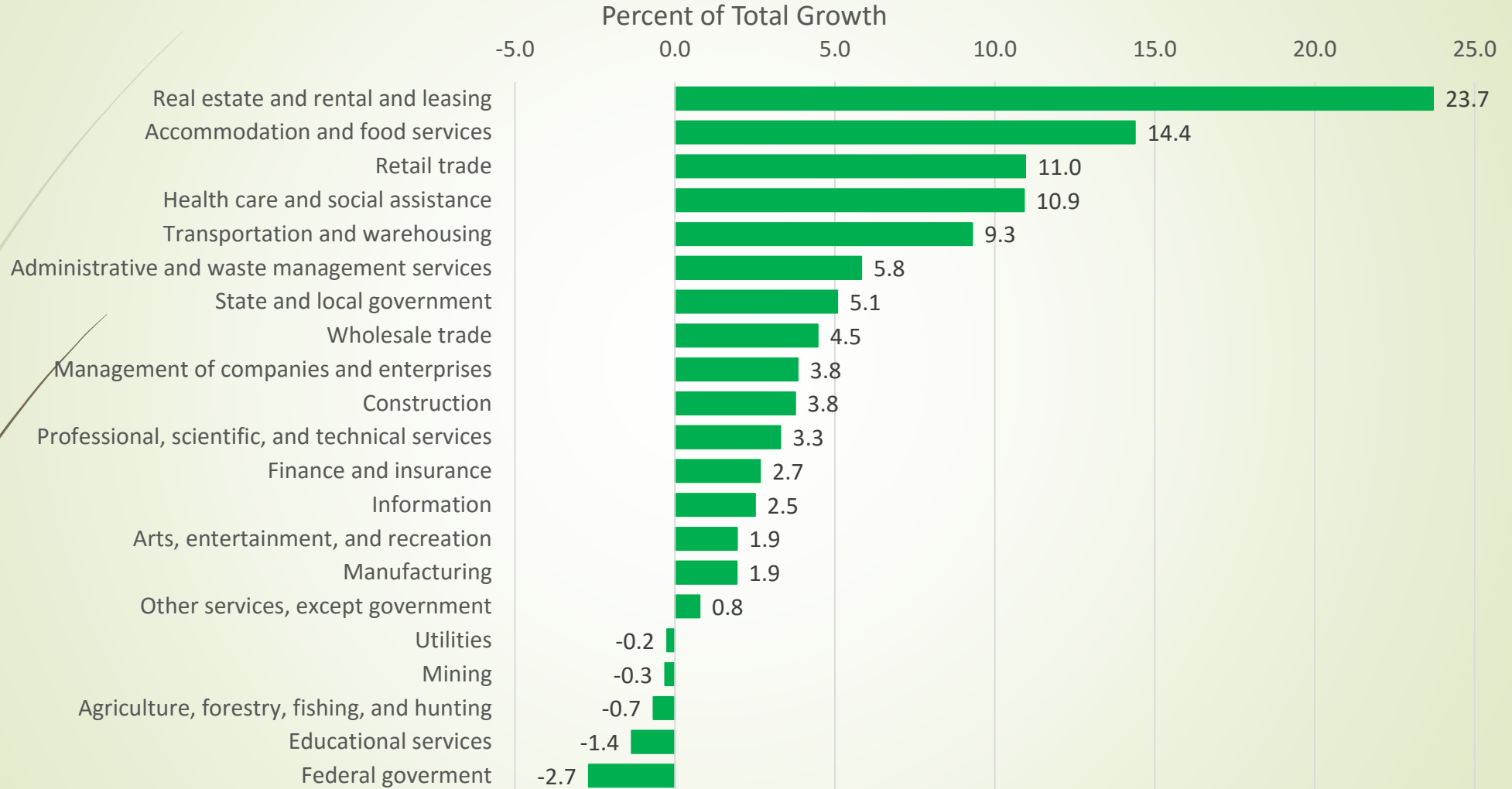
Hawaii leading index and real GDP growth



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

Sector Contribution to Real GDP Growth: 2010-2017

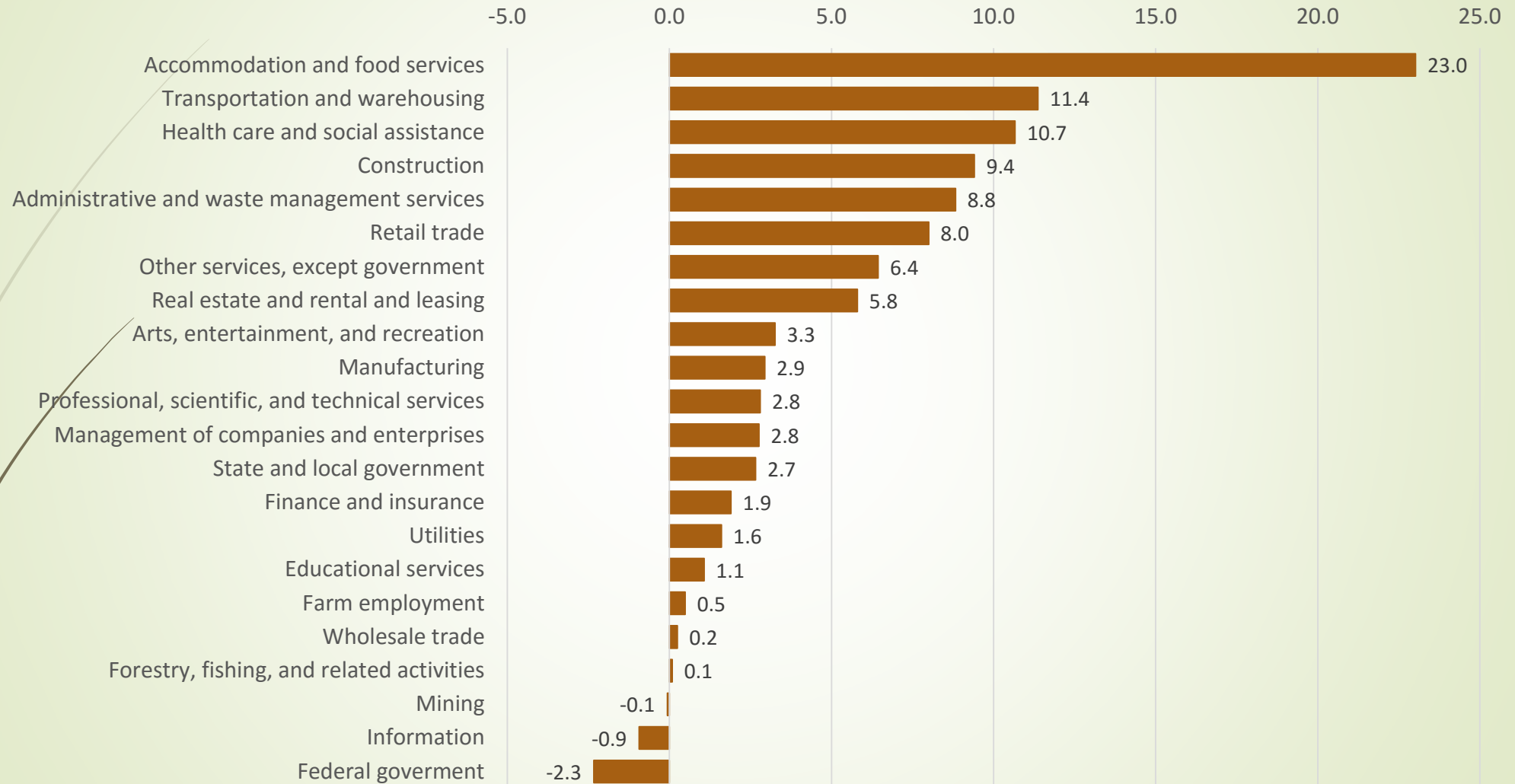
Real GDP growth = 11.9% between 2010-2017, Real Estate sector contributed the most



Source: BEA

Sector Contribution to Employment Growth: 2010-2017

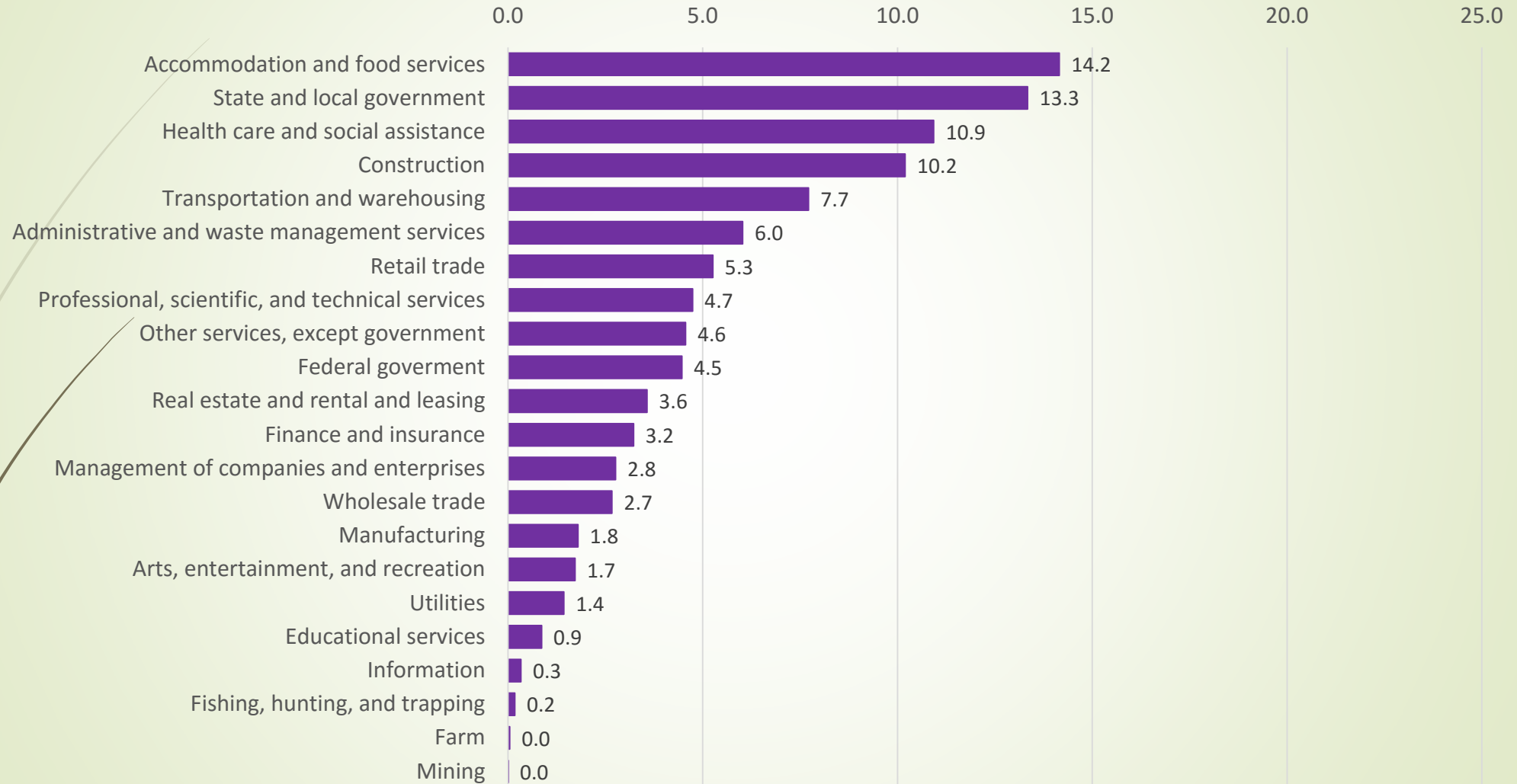
Employment growth = 11.8% between 2010-2017, tourism sectors contributed the most to the growth



Source: BEA

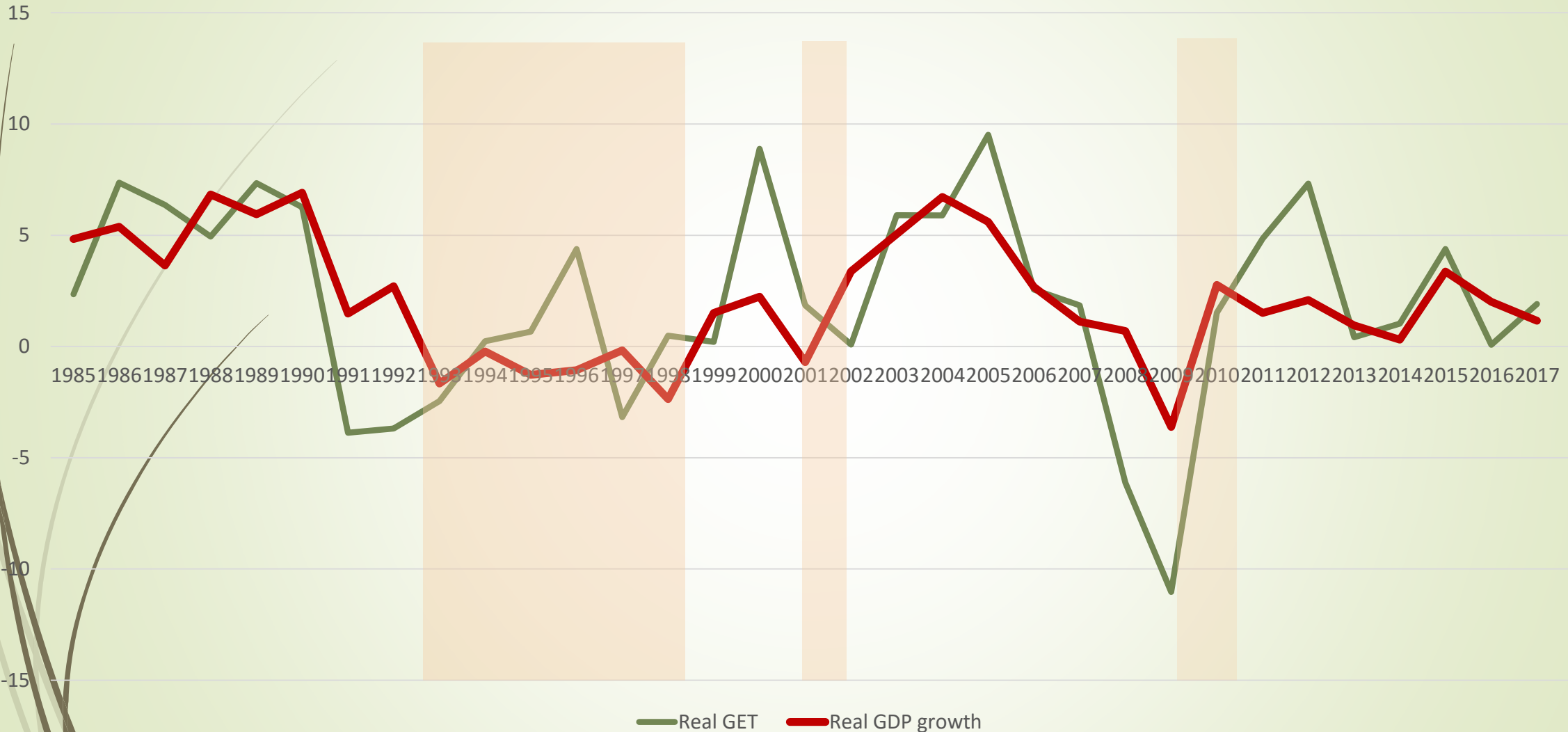
Sector Contribution to Earnings Growth: 2010-2017

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

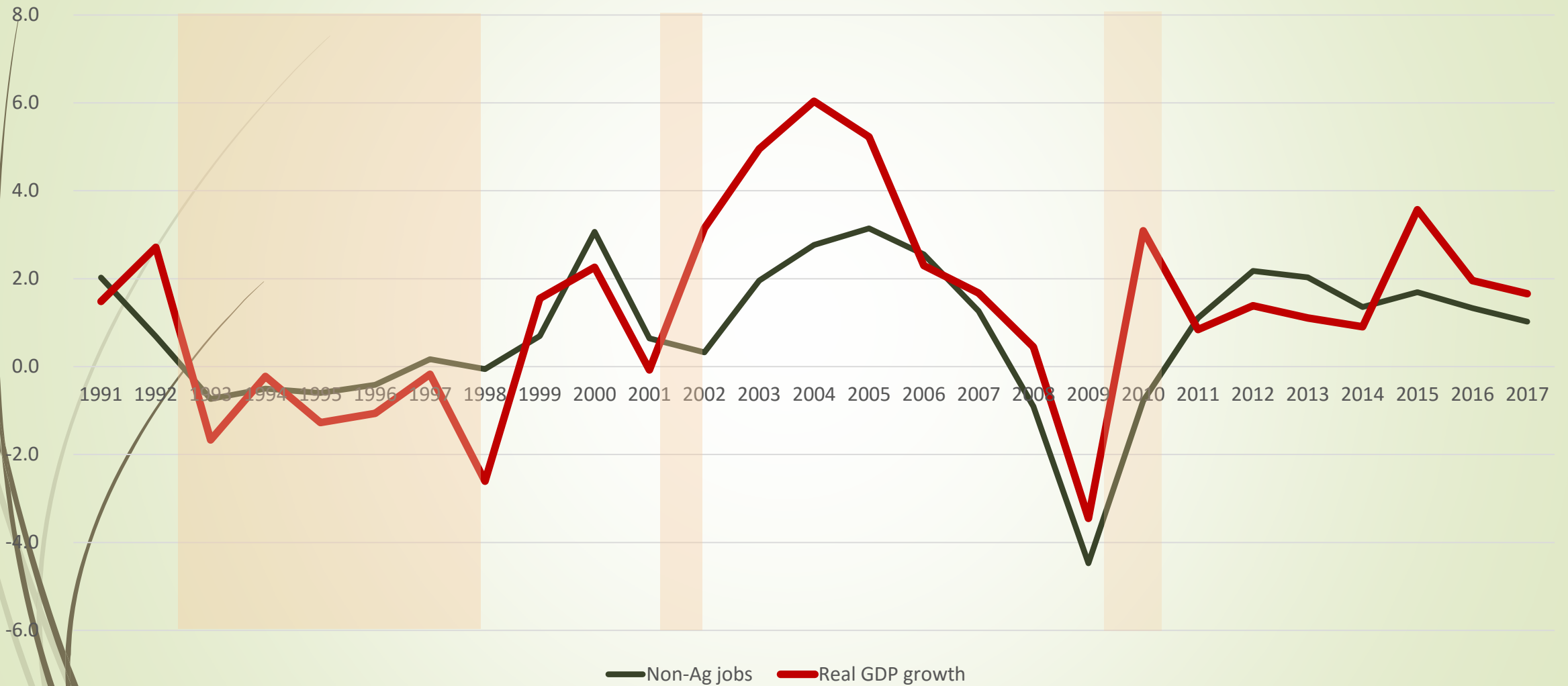


Source: BEA

Hawaii real GET revenue and real GDP growth rates



Hawaii non-ag payroll jobs and real GDP growth rates

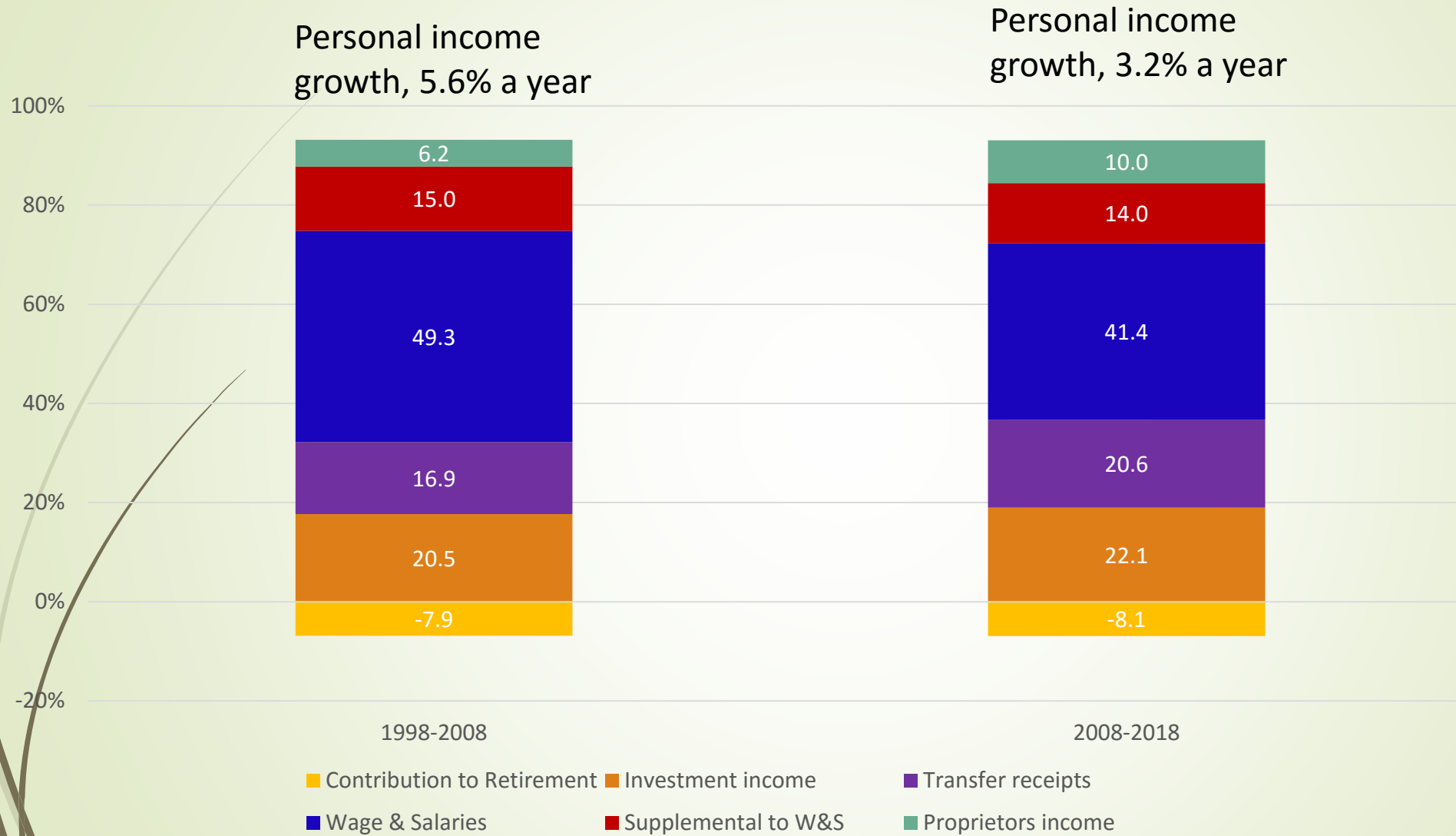


Hawaii Ranking of Index of Economic Momentum

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

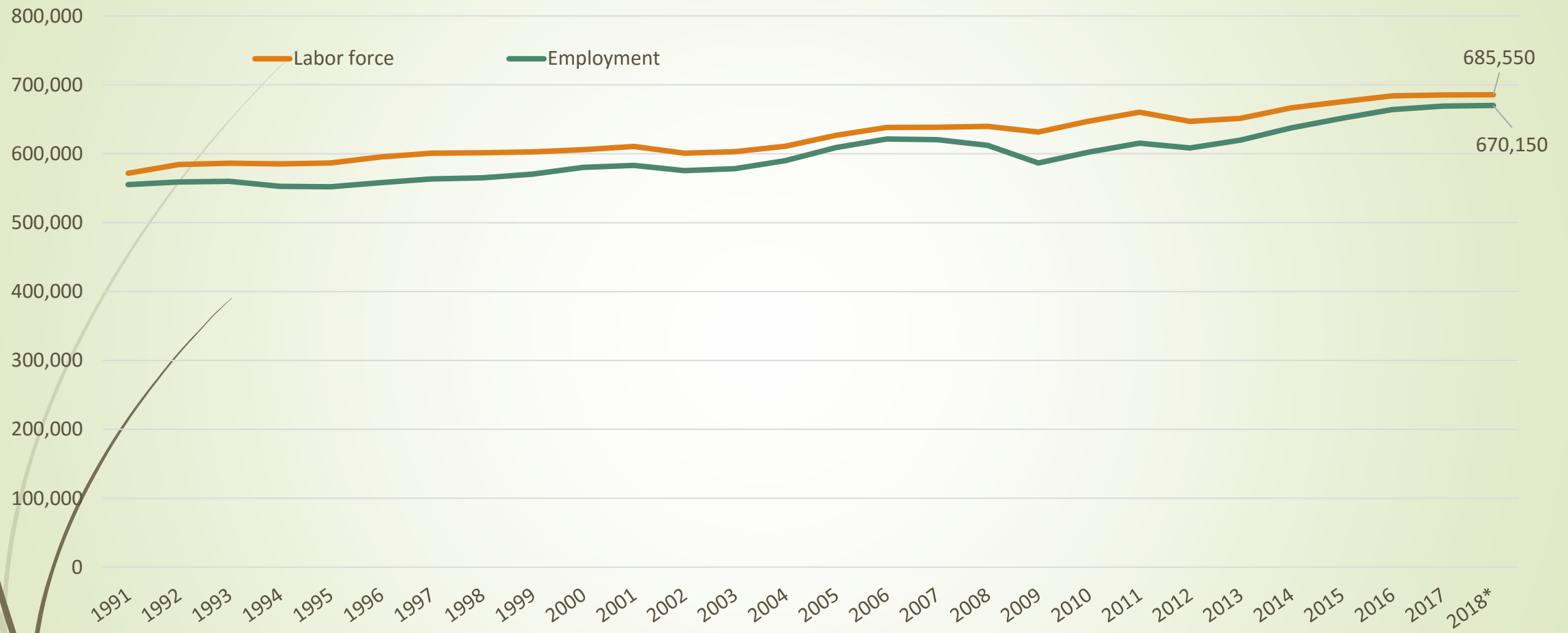
Source: FFIS, State Policy Reports

Personal transfer receipts contributes more to personal income growth



Labor Market Conditions

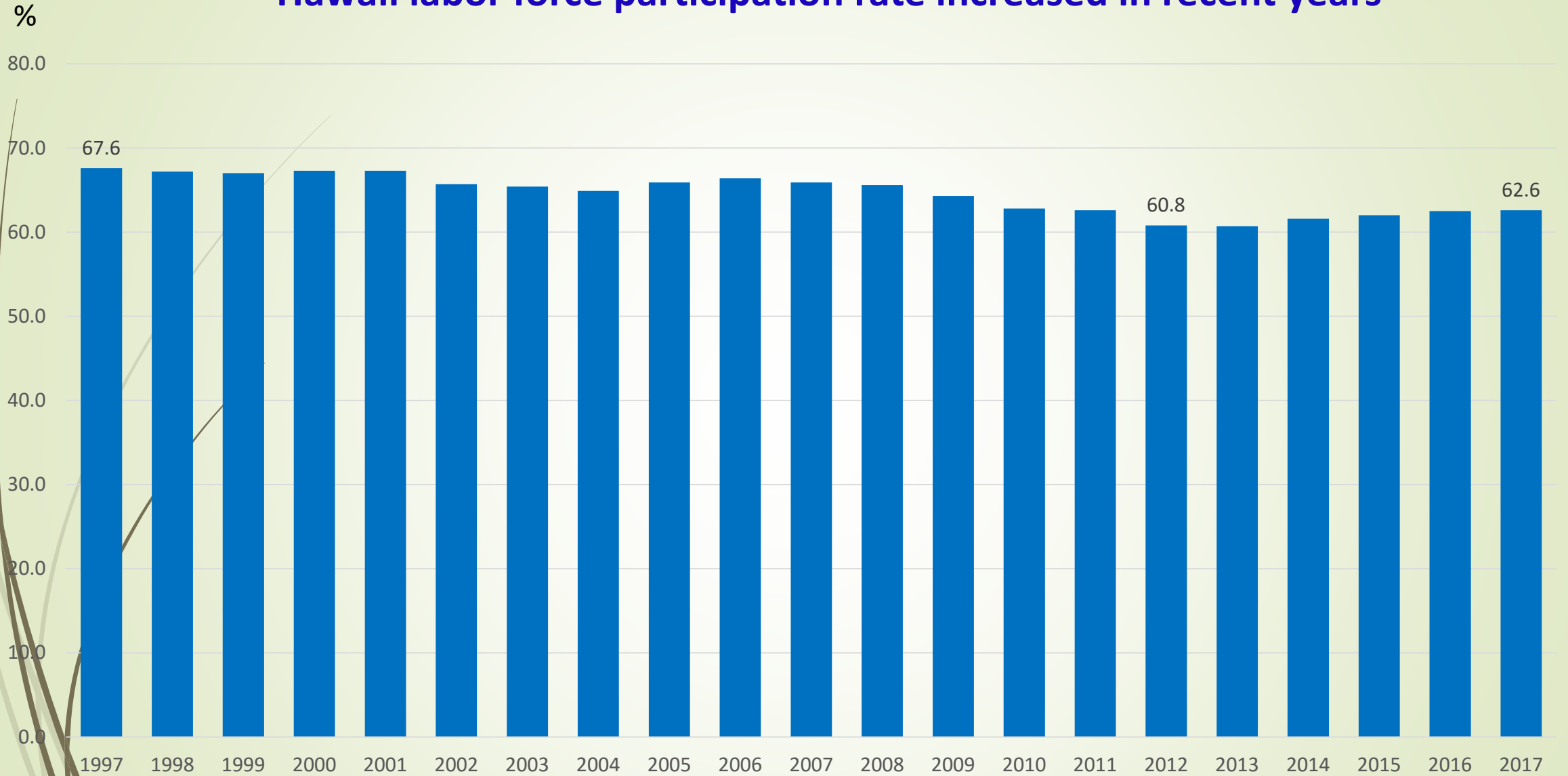
Statewide labor force & employment flattening



*2018 number is November YTD number

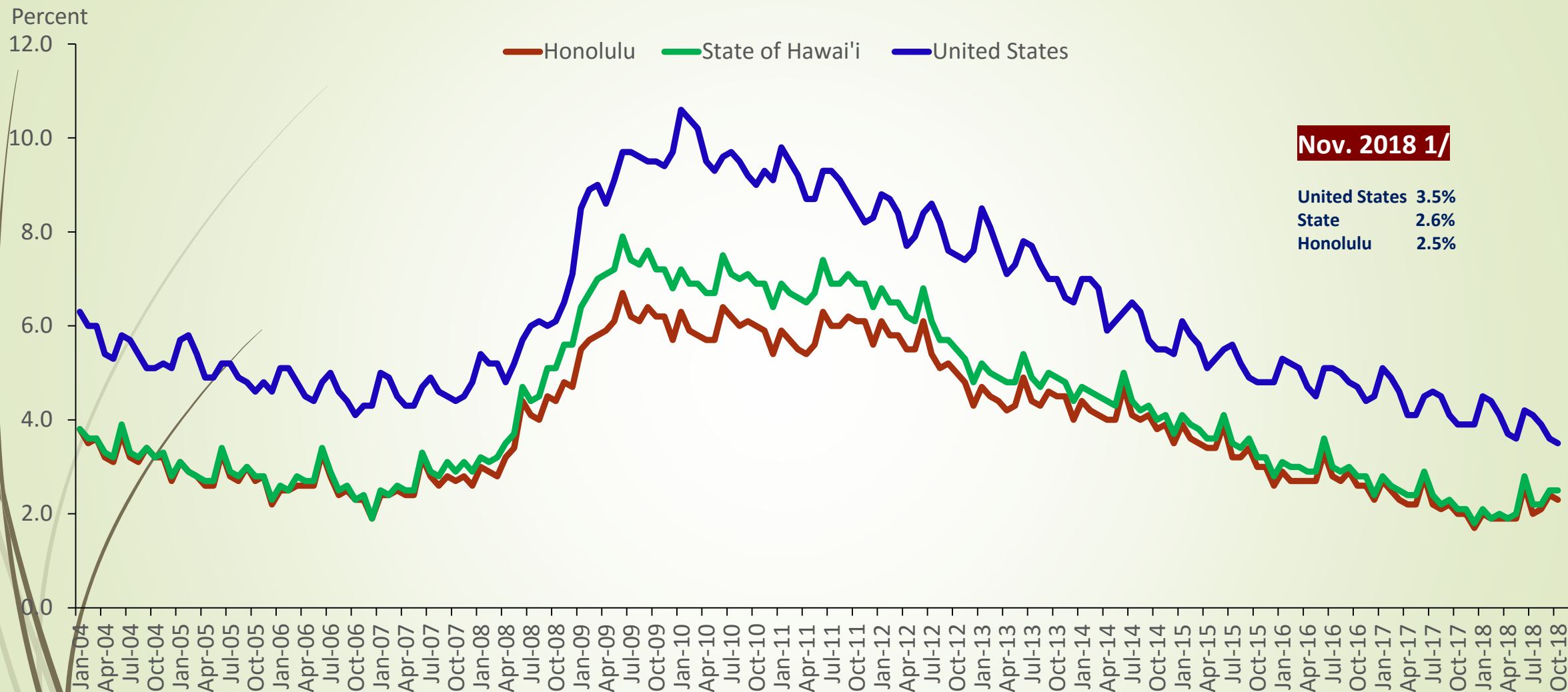
Source: Hawaii State Department of Labor and Industrial Relations.

Hawaii labor force participation rate increased in recent years



Source: Bureau of Labor Statistics

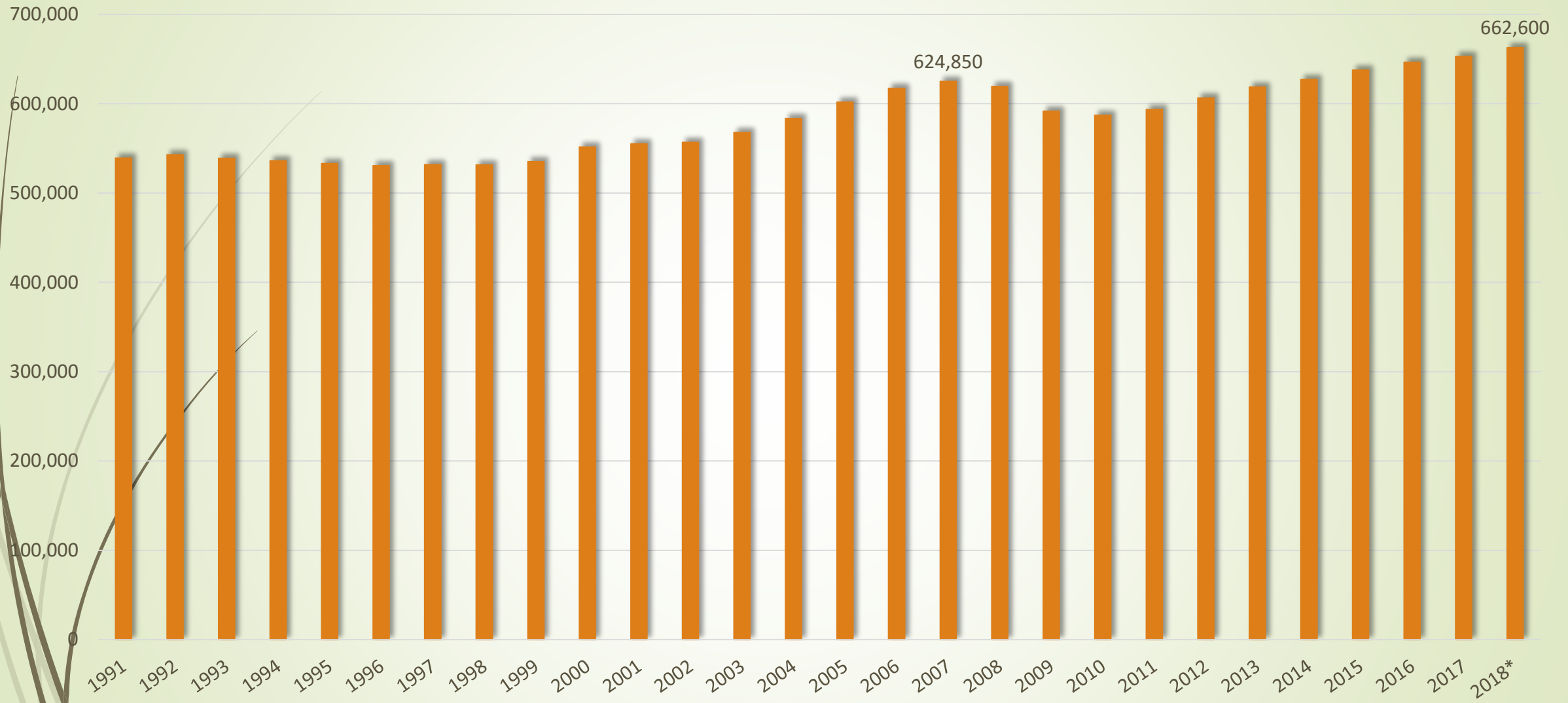
Unemployment rate has been at record low level for past 11 months and the lowest in the nation since late 2016



1/ Not seasonally adjusted

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

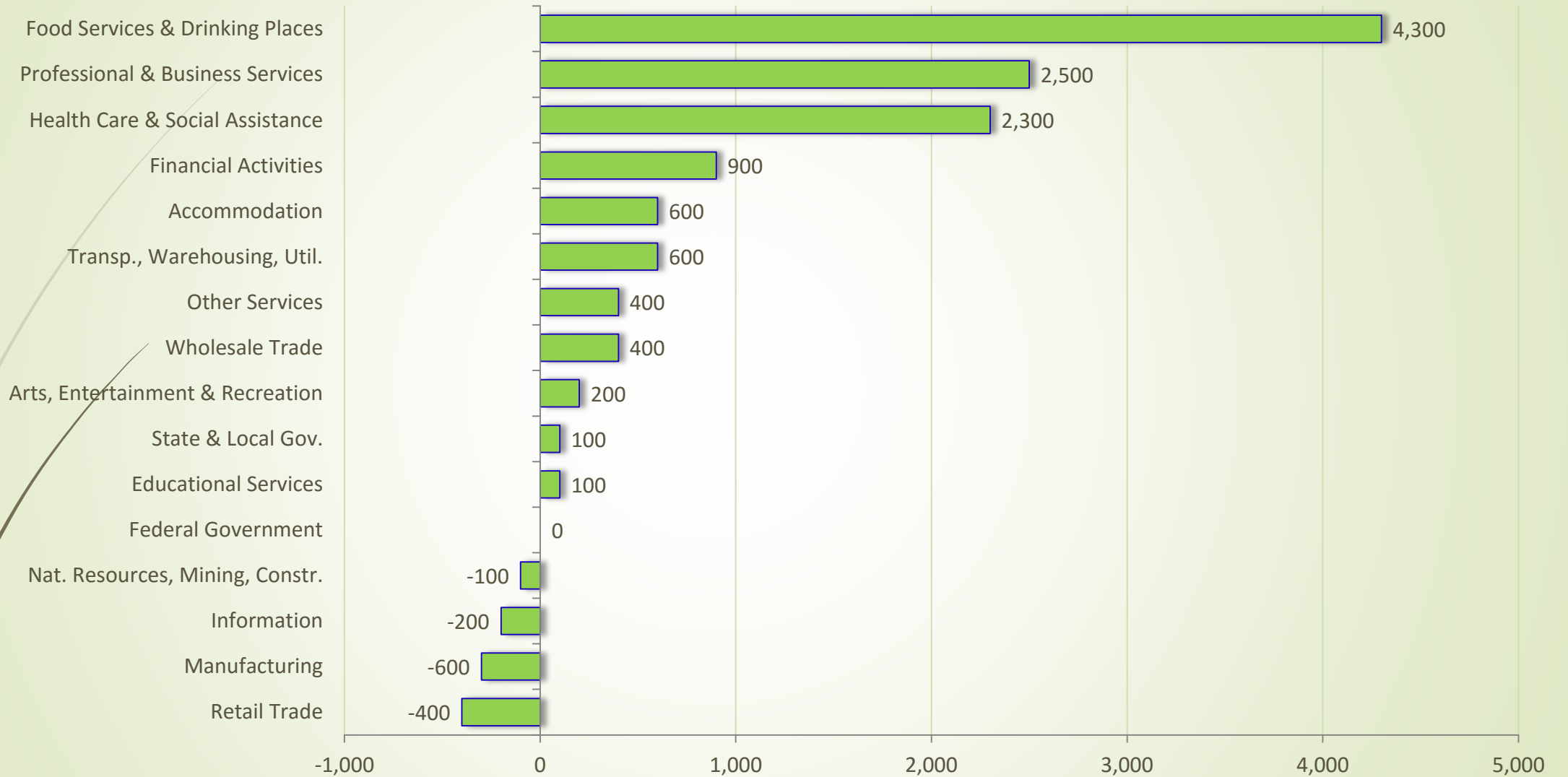
Non-ag. payroll job count continues to grow



*2018 number is November YTD number

Source: Hawaii State Department of Labor and Industrial Relations.

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

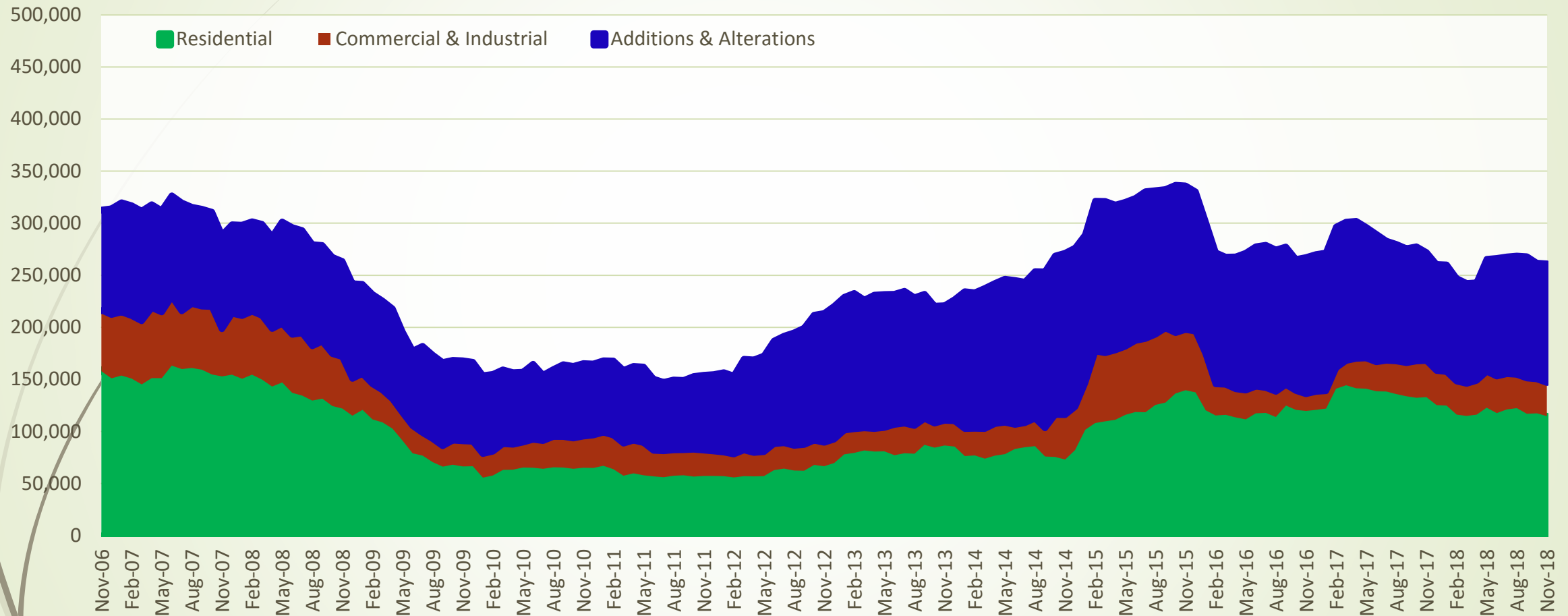


Source: Hawaii State Department of Labor and Industrial Relations.

Construction and Real Estate

Value of private construction permits flat Y-T-D through November 2018

12 Month Moving Average of Building Authorizations



Source: County building departments and U.S. Census Bureau.

Government contract awarded increased 39.3% during first 3Qs in 2018

\$ mil.

1,000.0

900.0

800.0

700.0

600.0

500.0

400.0

300.0

200.0

100.0

0.0

2006:Q1 2006:Q2 2006:Q3 2006:Q4 2007:Q1 2007:Q2 2007:Q3 2007:Q4 2008:Q1 2008:Q2 2008:Q3 2008:Q4 2009:Q1 2009:Q2 2009:Q3 2009:Q4 2010:Q1 2010:Q2 2010:Q3 2010:Q4 2011:Q1 2011:Q2 2011:Q3 2011:Q4 2012:Q1 2012:Q2 2012:Q3 2012:Q4 2013:Q1 2013:Q2 2013:Q3 2013:Q4 2014:Q1 2014:Q2 2014:Q3 2014:Q4 2015:Q1 2015:Q2 2015:Q3 2015:Q4 2016:Q1 2016:Q2 2016:Q3 2016:Q4 2017:Q1 2017:Q2 2017:Q3 2017:Q4 2018:Q1 2018:Q2 2018:Q3

Real estate market statistics are mixed

(% change btw. Nov. 2017 YTD and Nov. 2018 YTD)

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

Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui.

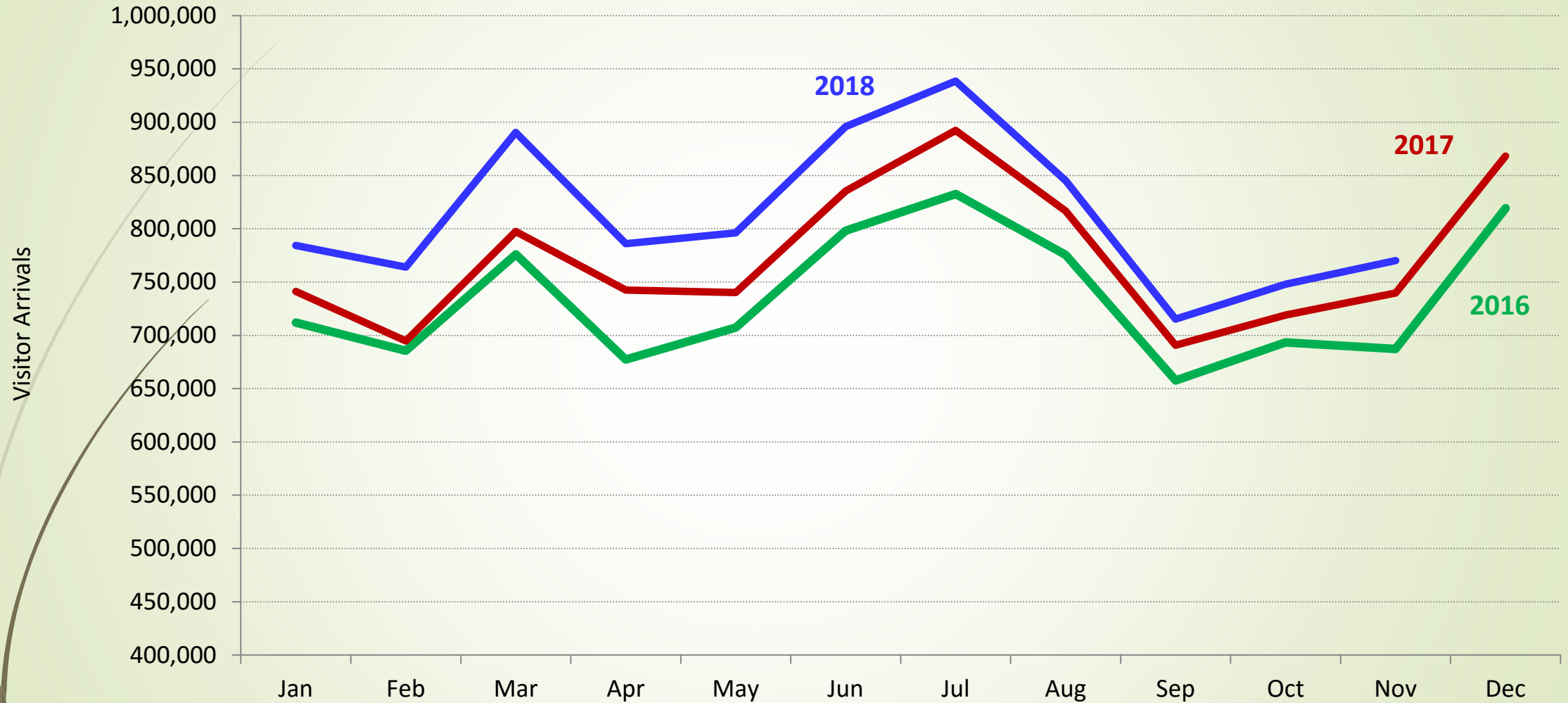
Median Home Prices: Nov. 2017 YTD and Nov. 2018 YTD

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

Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui

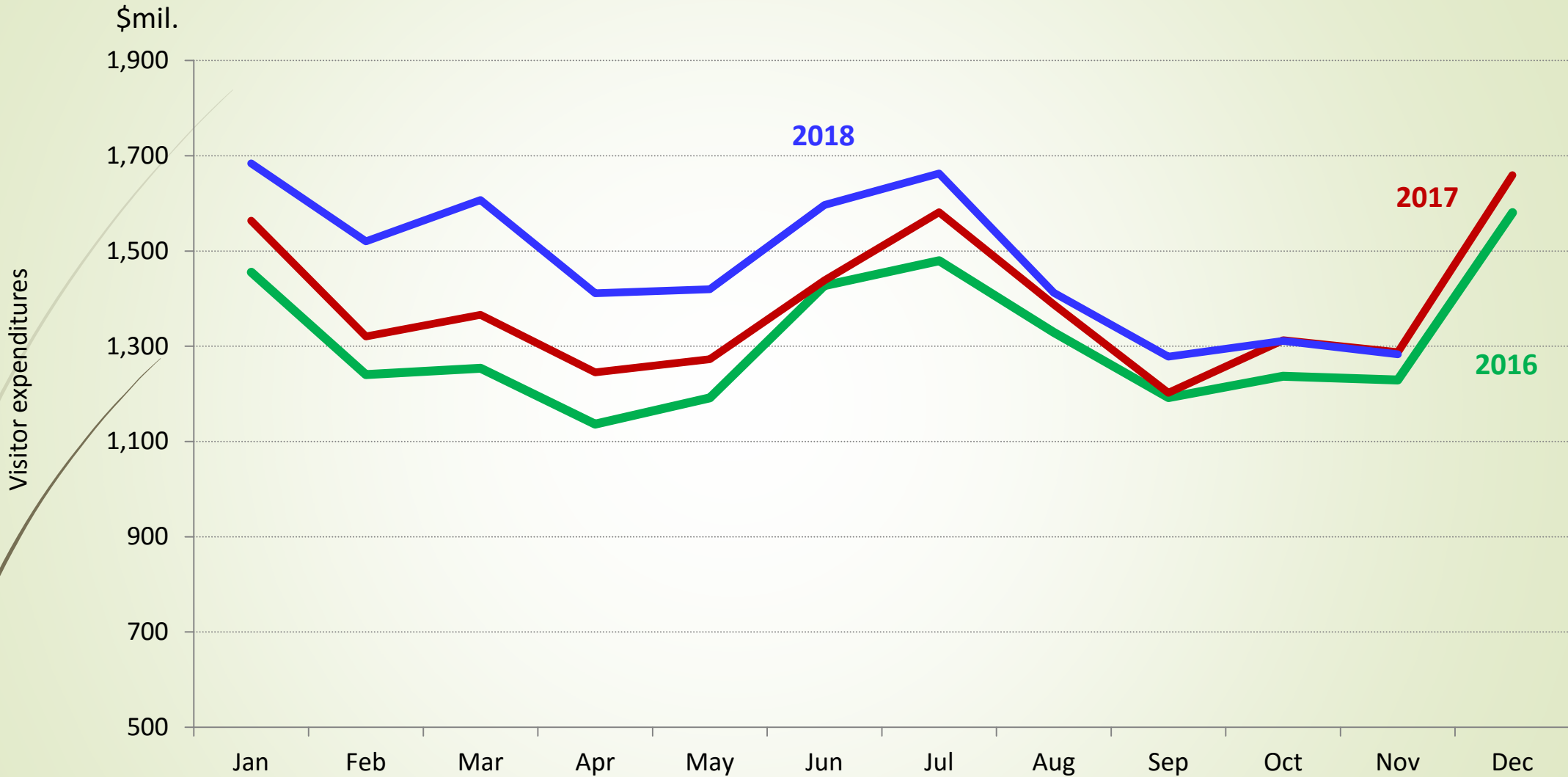
Tourism

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



Source: Hawaii Tourism Authority

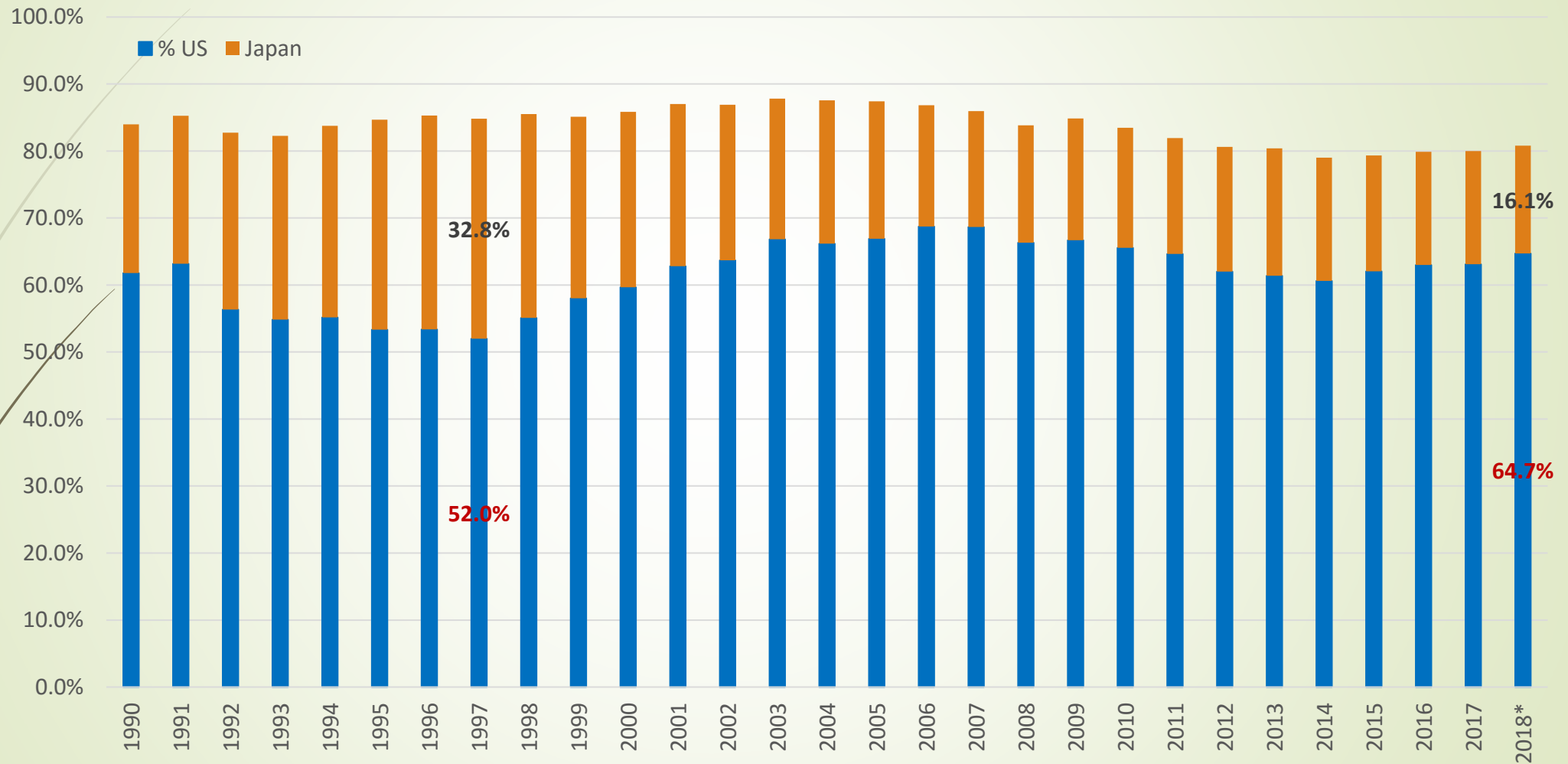
Visitor expenditures increased 8.0% during the first 11 months of 2018



Source: Hawaii Tourism Authority



US and Japanese visitor arrivals by air

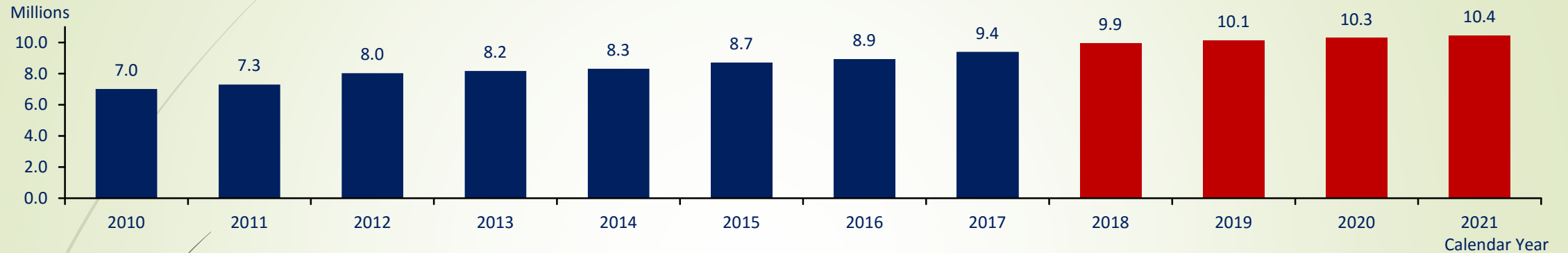


*First 11 months

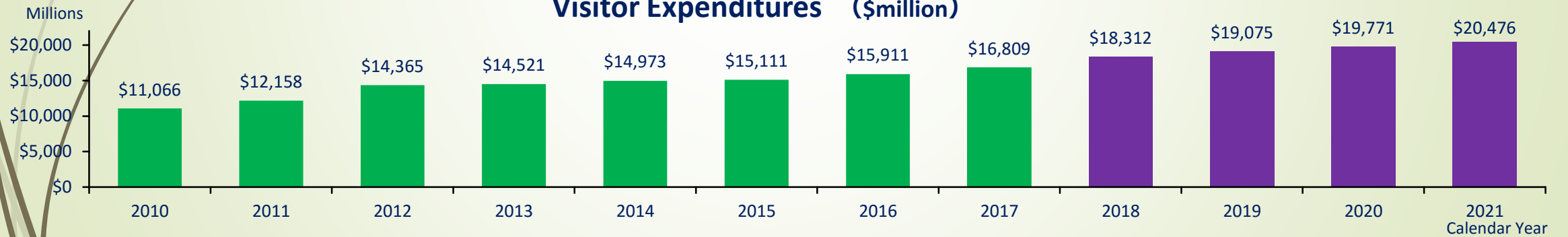
Source: Hawaii Tourism Authority, DBEDT

Hawaii Visitor Arrivals and Expenditures

Visitor Arrivals (million)



Visitor Expenditures (\$million)



Source: Hawaii Tourism Authority and DBEDT

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

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

Source: Hawaii Tourism Authority

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

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

Source: Hawaii Tourism Authority

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

Indicator	Annual average growth, %		2018	2019	2020
	30 years, 1987 - 2017	20 years, 1997 -2017			
Real GDP	1.8	1.8	1.0	1.2	1.4
Real personal income	1.7	2.0	1.6	1.7	1.7
Honolulu inflation rate	2.8	2.2	2.0	2.3	2.5
Non-Ag wage and salary jobs	1.0	1.0	1.2	0.9	0.9
Unemployment rate 1/	4.4	4.6	2.3	2.5	3.0
Visitor arrivals by air	1.6	1.6	5.8	1.8	1.5

1/ Average of 30 years, 1987 – 2017.

Source: DBEDT