

# Current Hawaii Economic Conditions

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to the

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and  
Committee on Finance

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# Hawaii's Economy

- Economic forecast for 2014 and 2015
- Industry structure
- Labor market conditions
- Construction
- Tourism
- Real estate

## A Historical Review of Hawaii's Economic Growth

Indicator	Annual average growth, %			
	30 years, 1983 - 2013	20 years, 1993 -2013	2014	2015
Real GDP	2.1	1.2	2.6	2.8
Real personal income	1.9	1.7	2.6	2.5
Honolulu inflation rate	3.2	2.3	1.5	2.2
Wage and salary jobs	1.0	0.6	1.3	1.5
Unemployment rate 1/	4.5	4.7	4.4	4.1
Visitor arrivals	2.1	1.4	0.8	1.9
Real visitor expenditures 2/	1.3	0.7	1.2	1.4

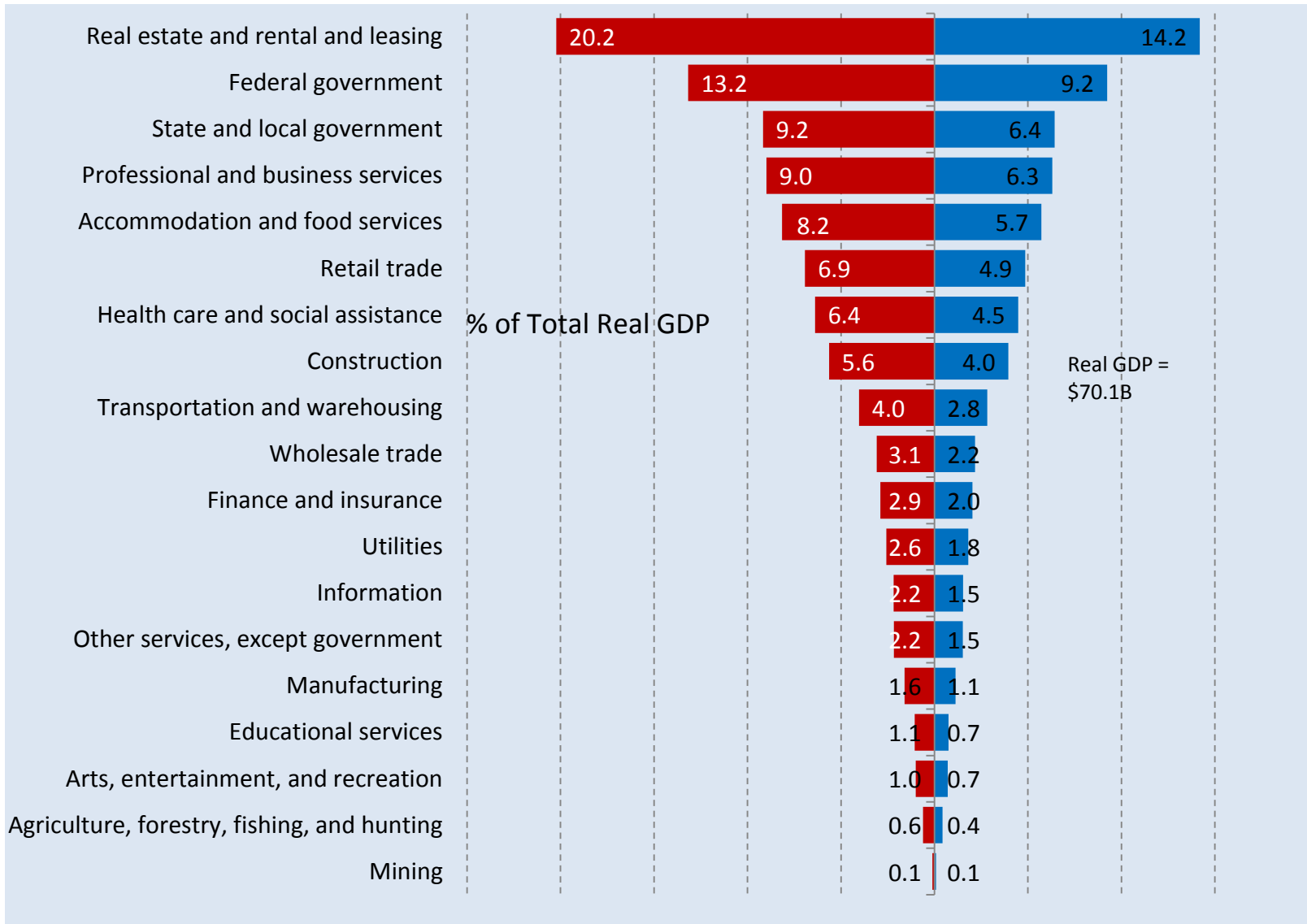
1/ Average of 30 years, 1983 – 2013.

2/ Deflated by Honolulu CPI.

## The Economies of Hawaii Visitor Origin Countries Will Look Better in 2015

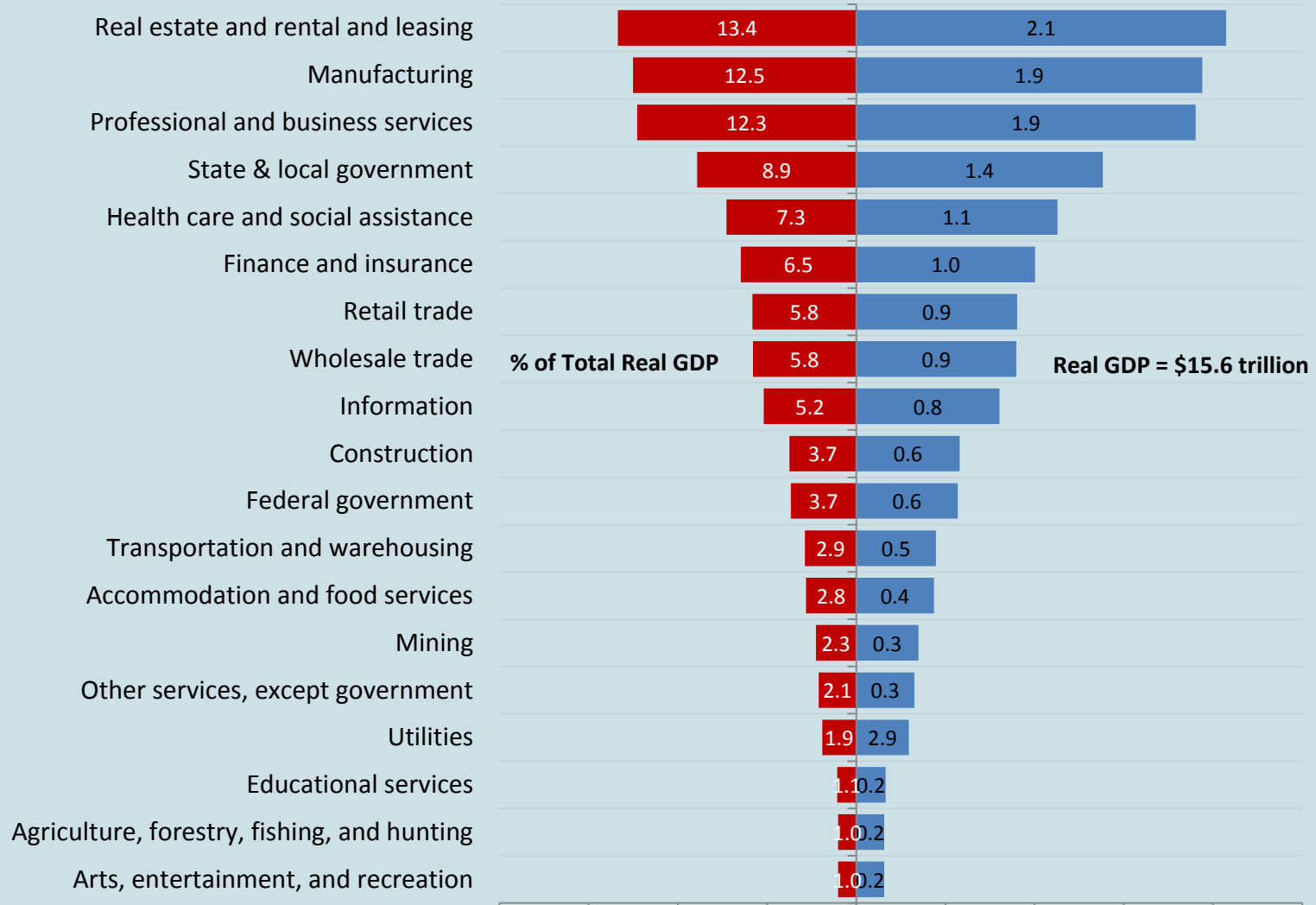
	2013	2014	2015	2016
USA.	2.2	2.3	3.2	2.9
Canada	2.0	2.4	2.4	2.4
Japan	1.6	0.6	1.0	1.5
S. Korea	3.0	3.4	3.6	3.7
Hong Kong	2.9	2.3	2.8	2.9
Taiwan	2.2	3.5	3.6	3.5
China	7.7	7.3	6.9	6.8
United Kingdom	1.7	3.0	2.6	2.4
Germany	3.0	3.4	3.6	3.7
France	0.4	0.4	0.8	1.3
Eurozone	-0.4	0.8	1.2	1.5
Australia	2.1	3.0	2.7	2.8
Brazil	2.5	0.2	0.8	1.9

# Hawaii Real GDP by Industry: 2013



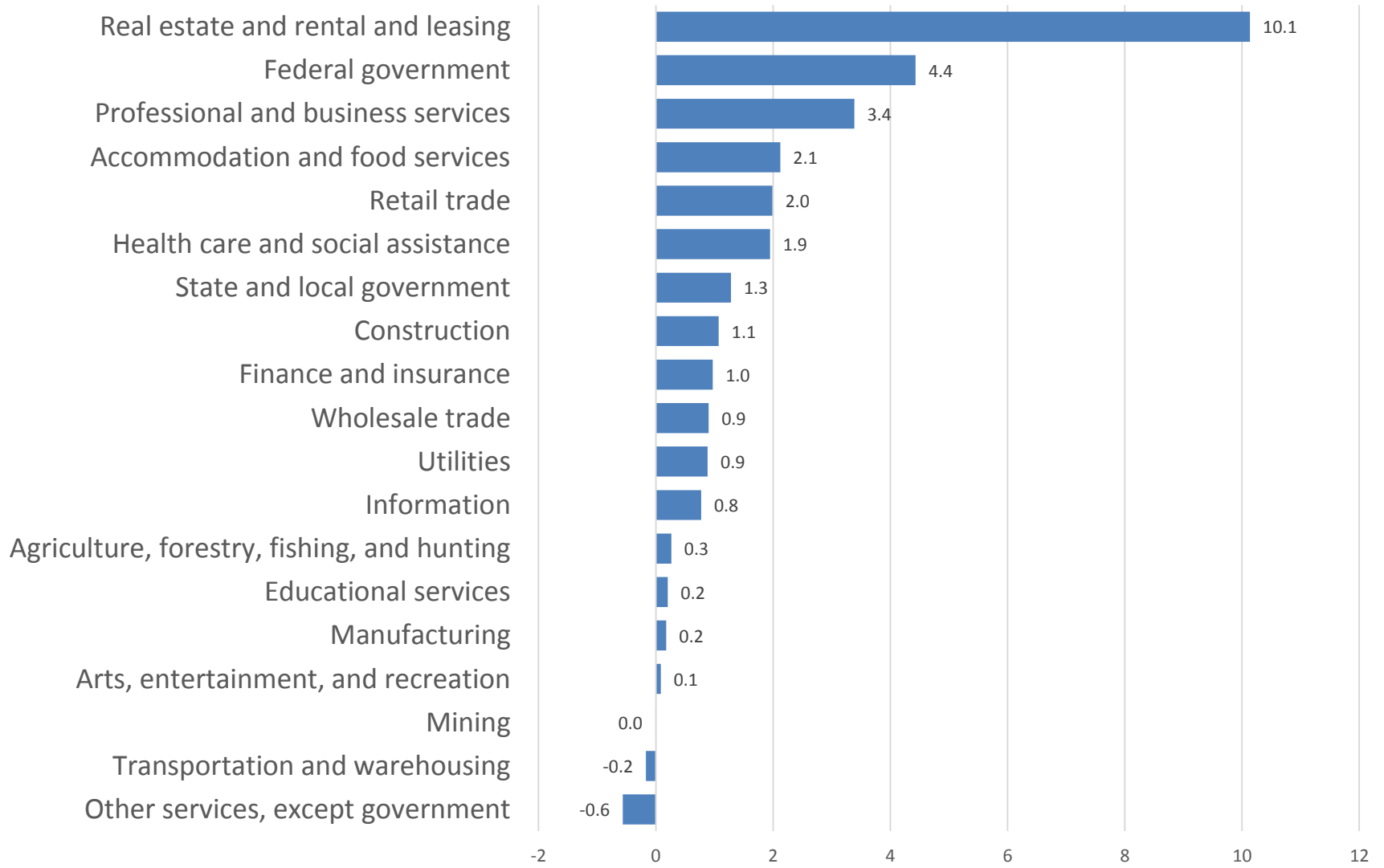
Tourism consists of partial of other industries and contributed 16.7% of real GDP in 2013  
 Source: U.S. Bureau of Economic Analysis

# U.S. Real GDP by Industry: 2013



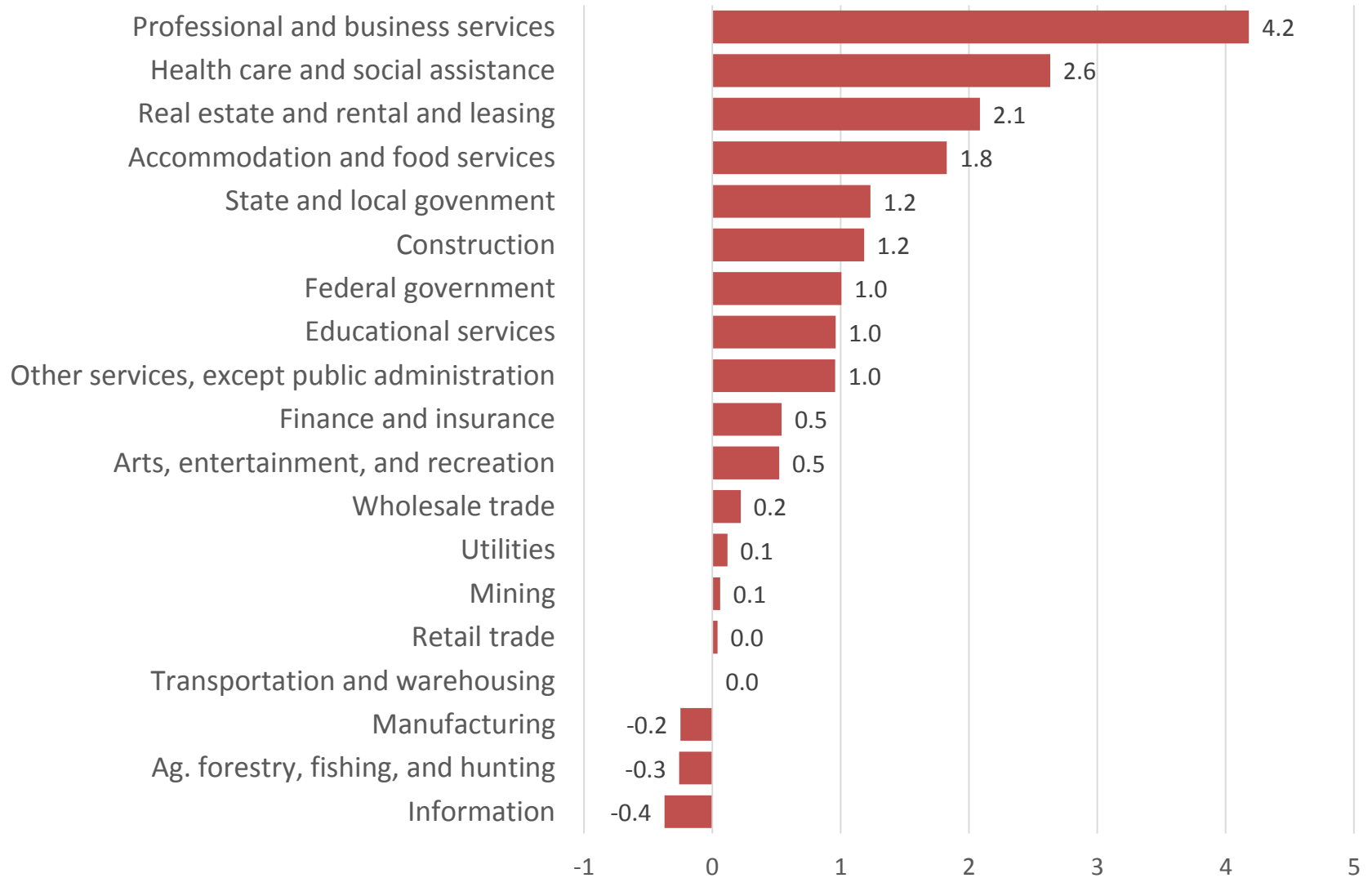
# Industry Contribution to Economic Growth: 1998 to 2013

Total real GDP growth = 32.2%



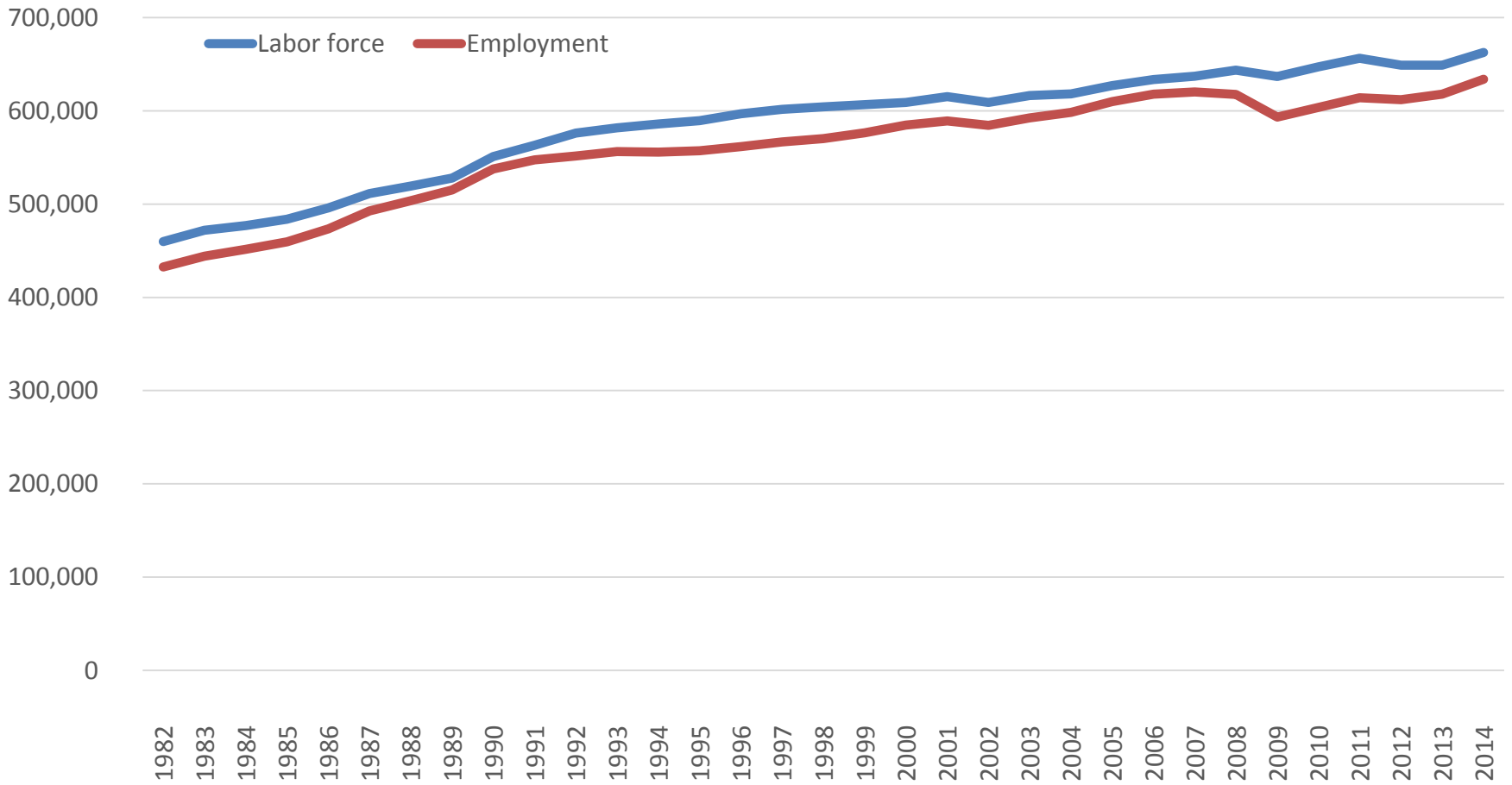
# Industry Contribution to Job Growth: 1998 – 2013

Total job growth = 16.9%





# Statewide Labor Force and Employment Have Reached Historical High Levels During the First 11 Months of 2014



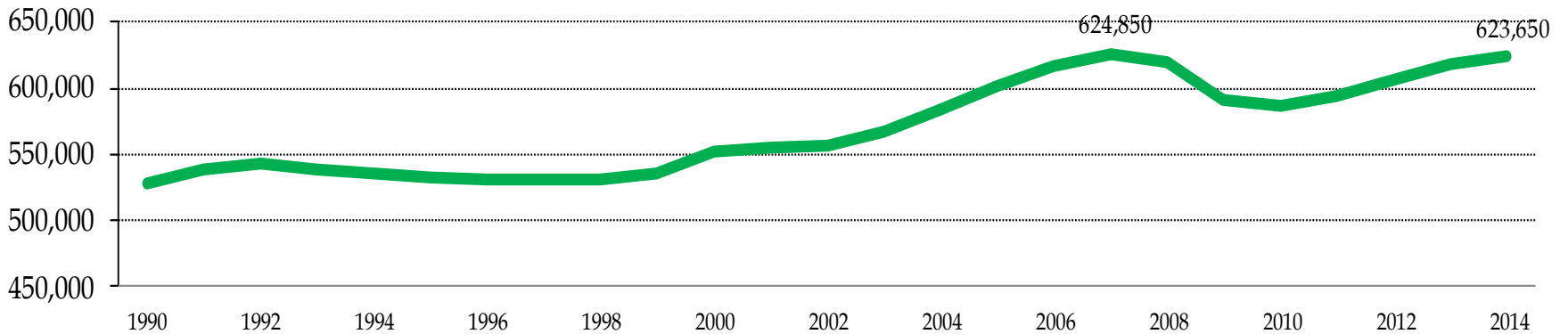
\* 2014 represent the first 11 months

Source: Hawaii State Department of Labor and Industrial Relations

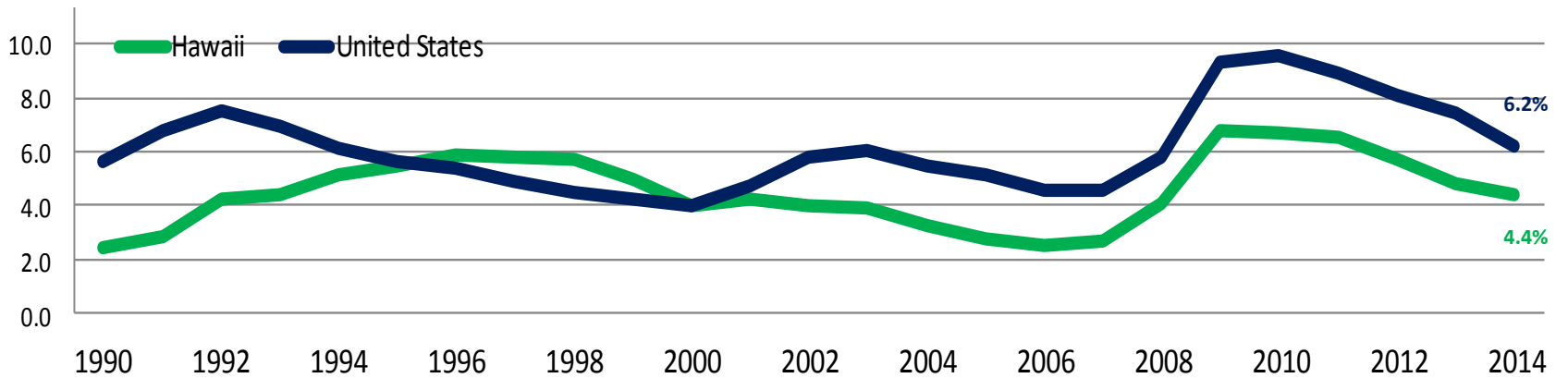
# Job Count / Unemployment Rates

*Job count is approaching the peak level of 2007 during 1<sup>st</sup> 11 months of 2014; unemployment rate averaged 4.4%, which is ranked the 7th lowest in the nation*

**Wage and Salary Jobs – 1990 to 2014\***



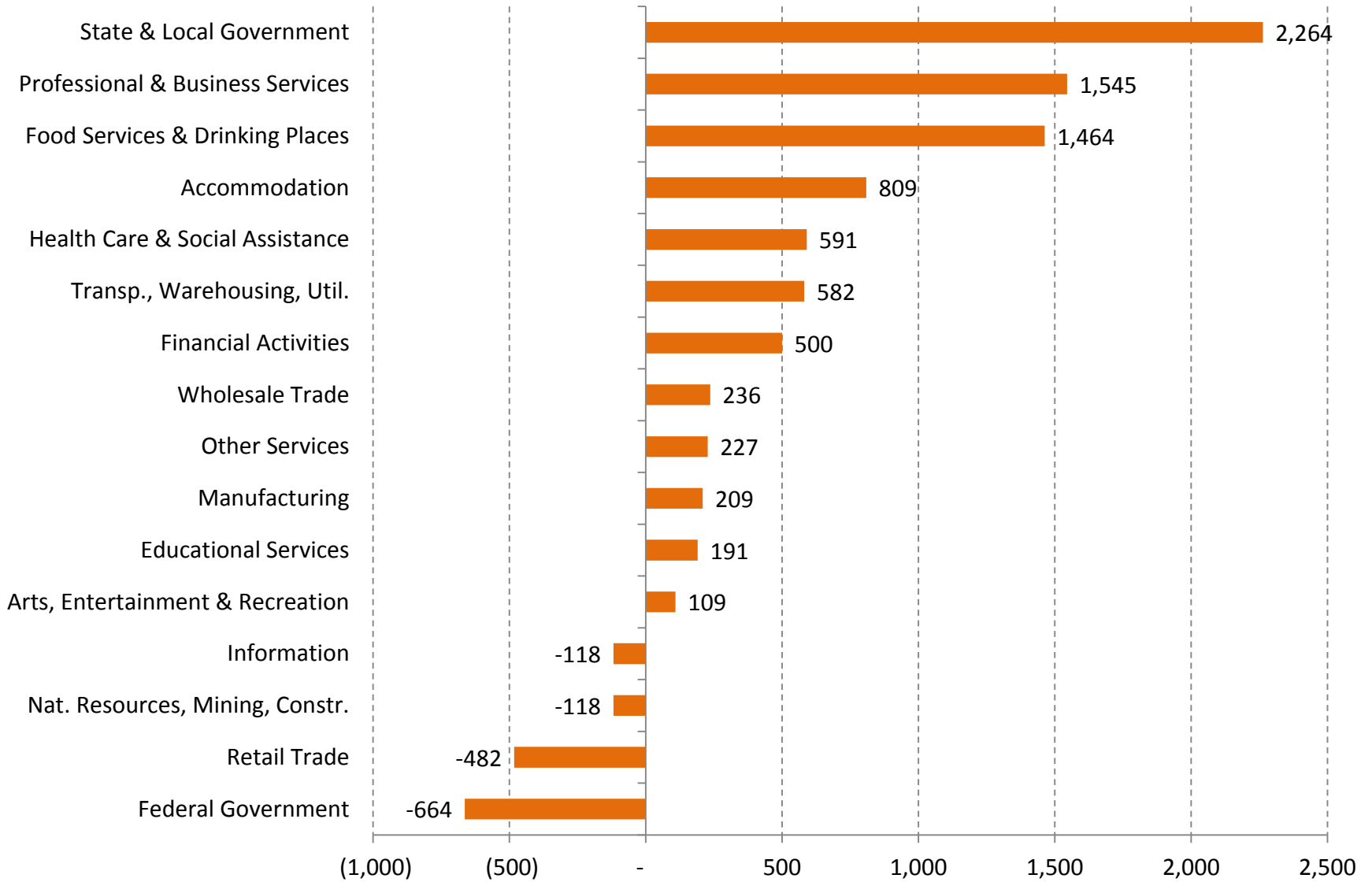
**Unemployment Rates – 1990 to 2014\***



\* 2014 number is the average of the first 11 months

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

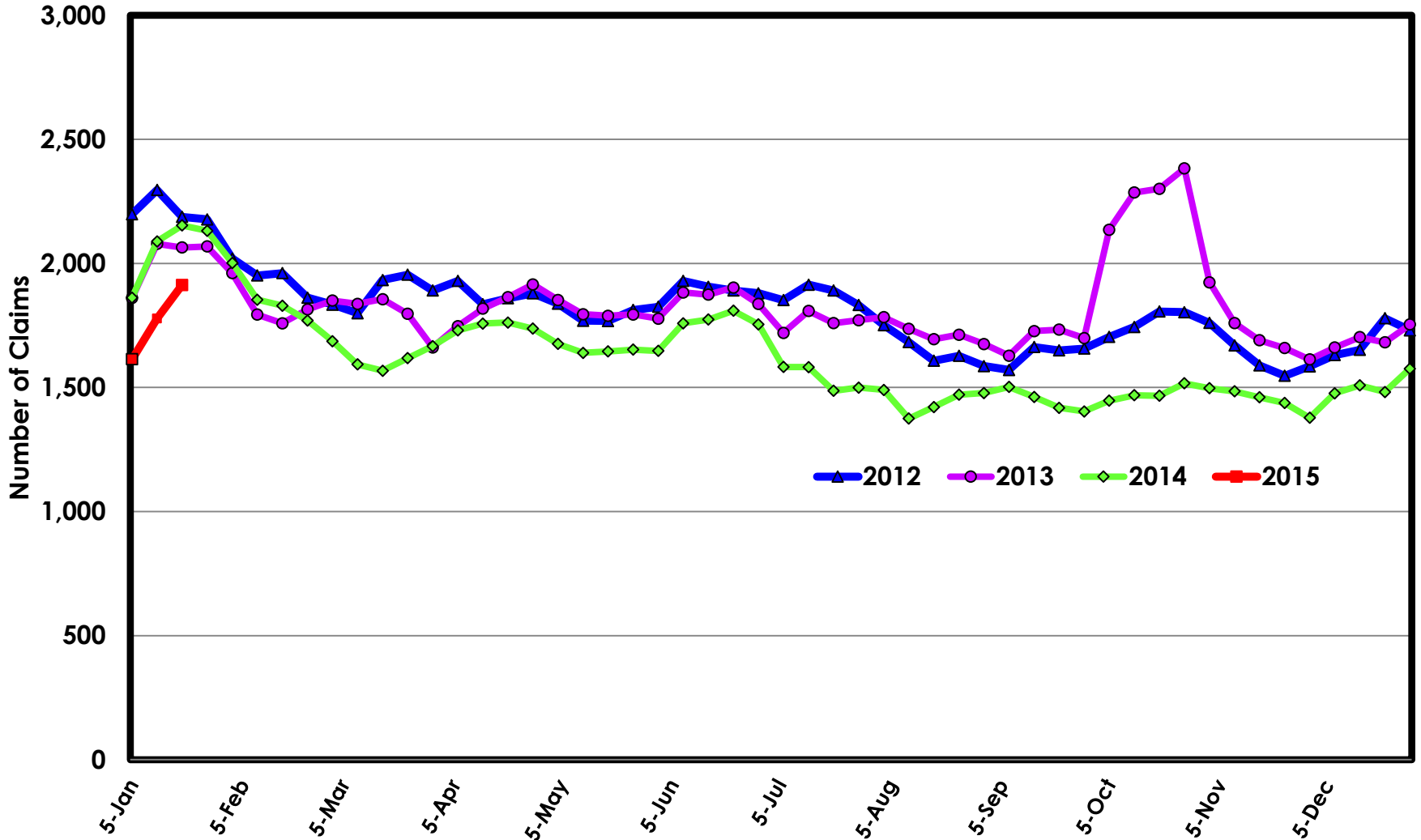
# During the 1<sup>st</sup> 11 months of 2014, Hawaii Gained 7,350 Jobs



Source: Hawaii State Department of Labor and Industrial Relations

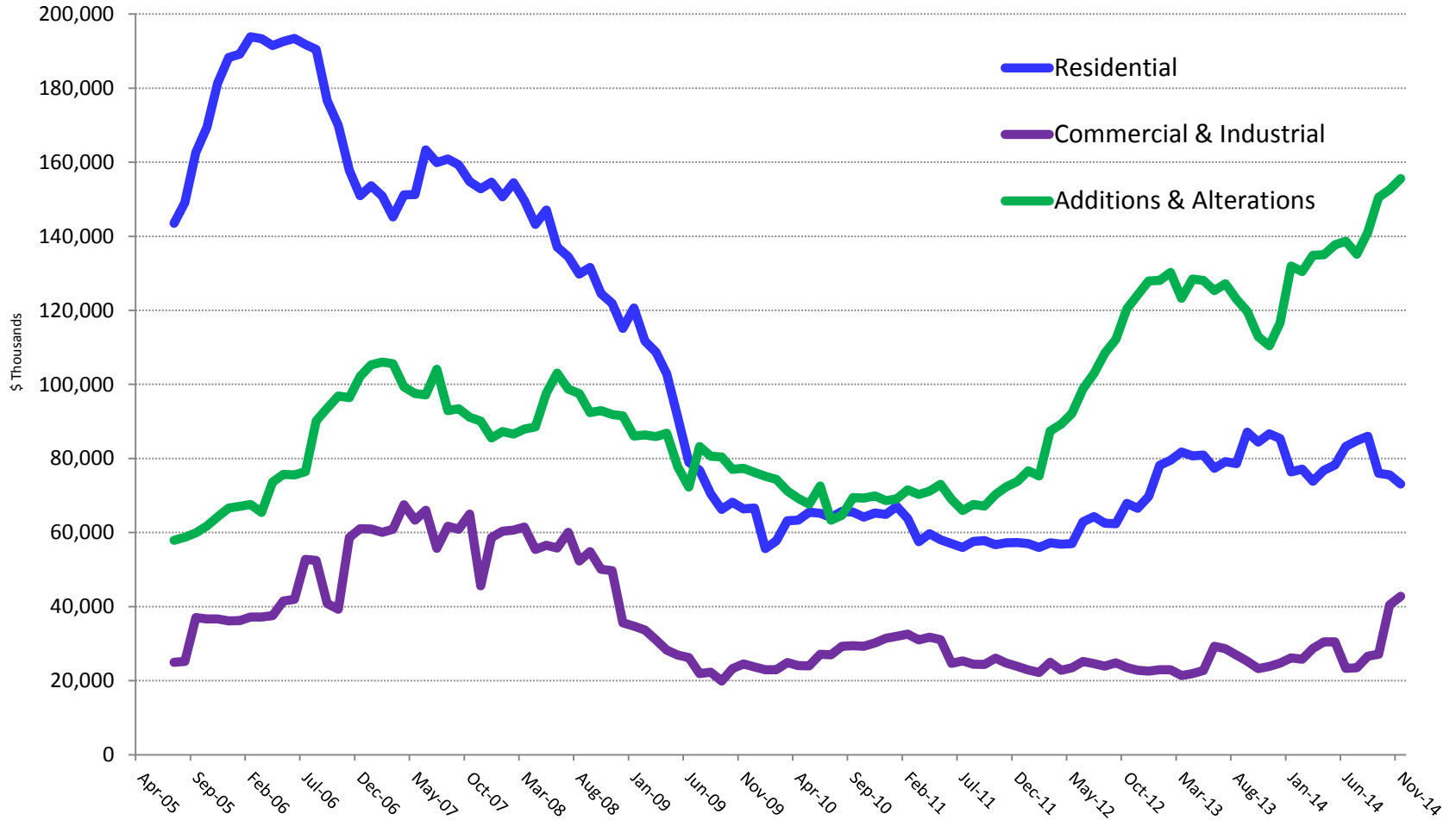
# In 2014, Initial Unemployment Claims Dropped 11.5%

## Comparison of Initial Unemployment Claims 4-Week Moving Averages: State



# Private Construction Continues Recovering

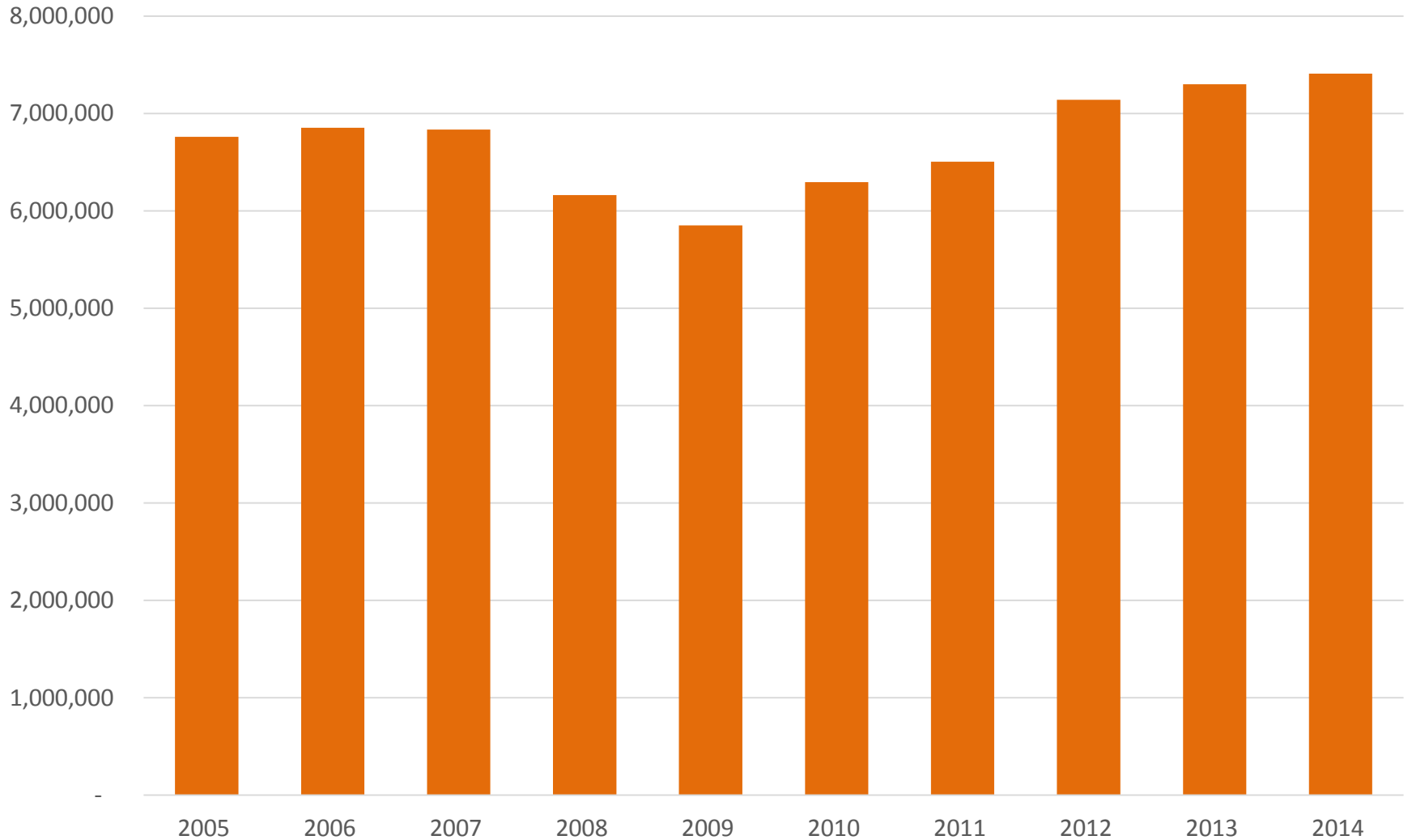
12-Month Moving Average of Building Authorization Components\*



\*Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through November 2014  
Source: County building departments and U.S. Census Bureau

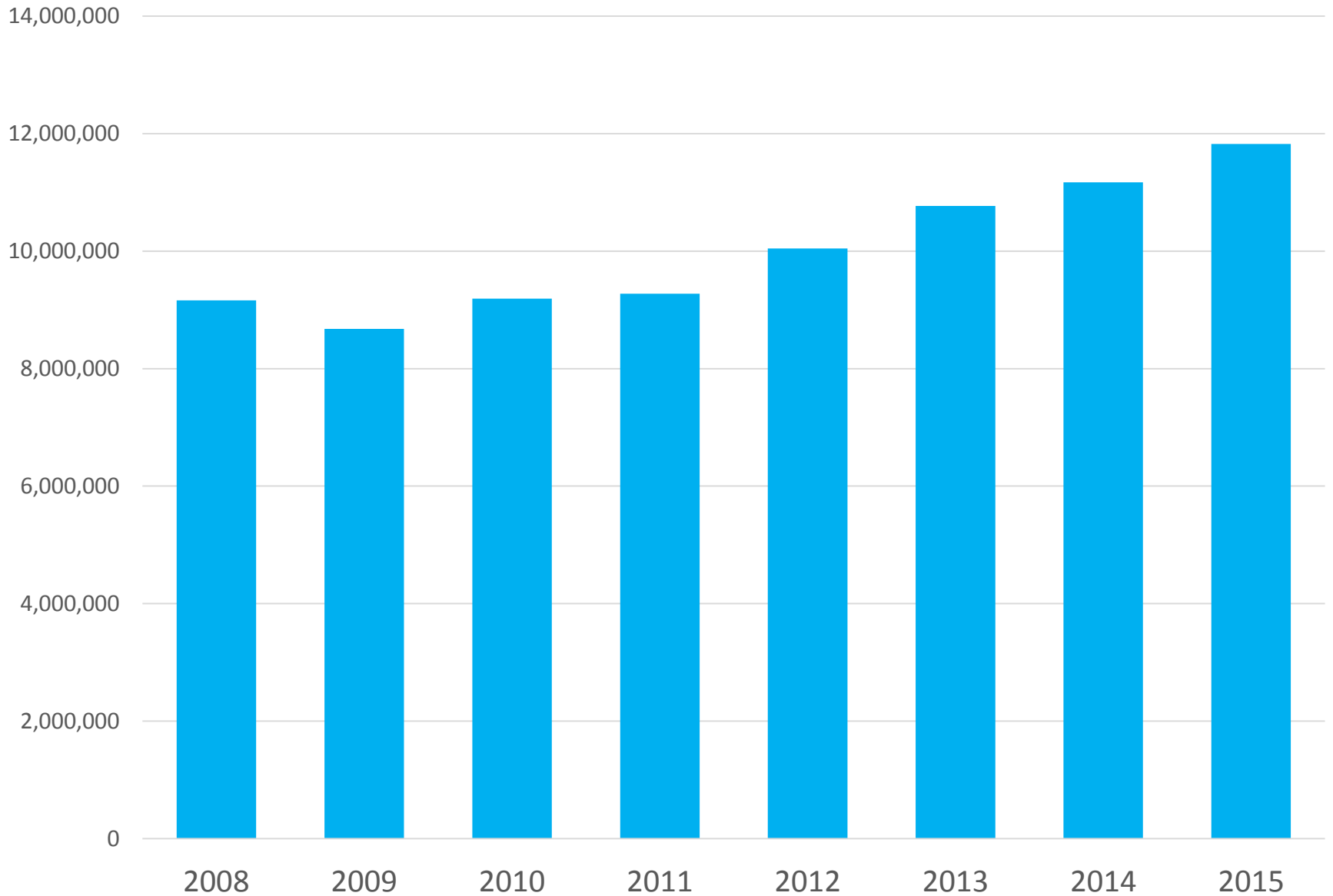
# 2014 is a New Record Year for Visitor Arrivals

## Visitor Arrivals by Air (Jan. – Nov.)



Source: Hawaii Tourism Authority

## Scheduled Air Seats Are Expected to Increase by 5.8% in 2015

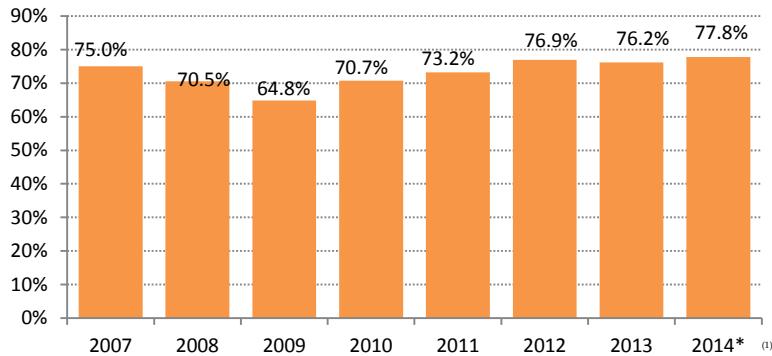


Source: Hawaii Tourism Authority

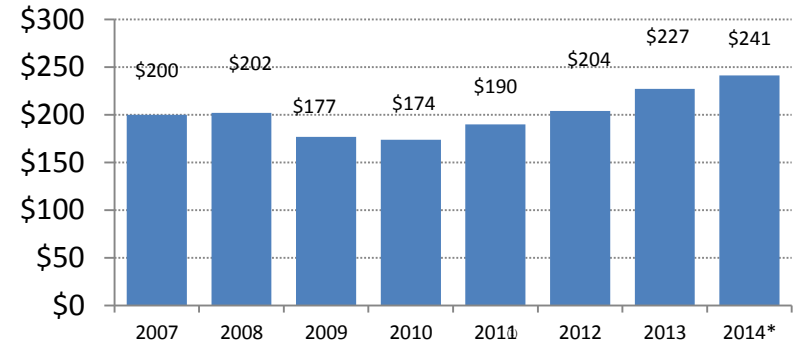
# Hotel room rate and revenues are at record highs

Key hotel indicators from 2007 to the 1<sup>st</sup> 9 months of 2014

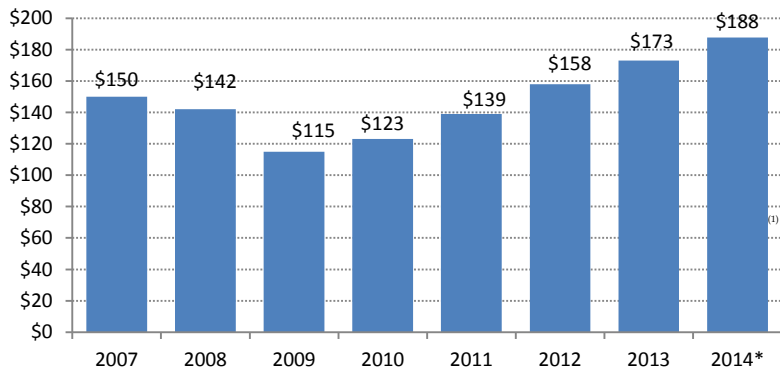
## Occupancy Rates



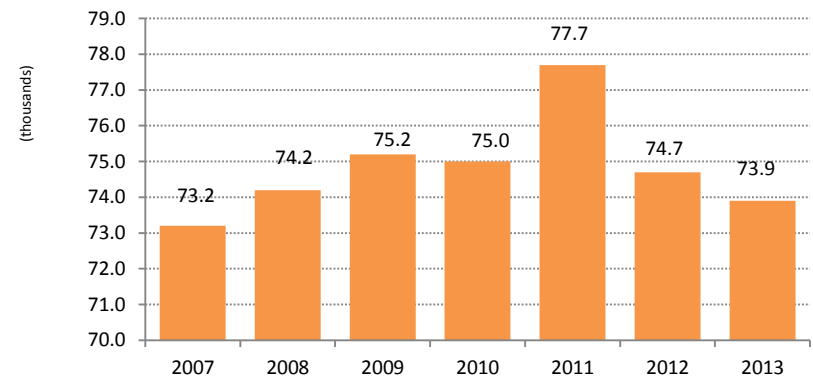
## Average Room Rates



## Revenue Per Available Room



## Room Inventory



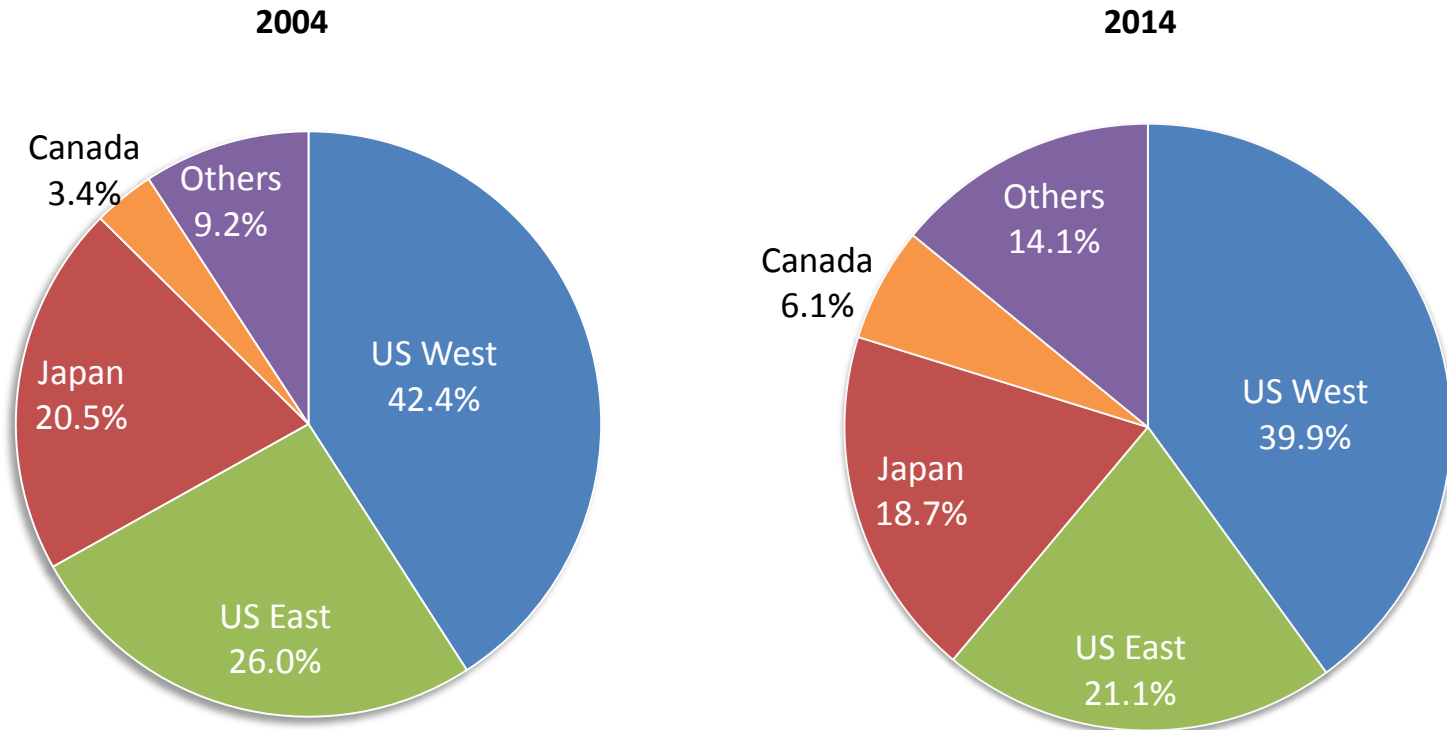
\* First 9 months

Source: Smith Travel Research, Hospitality Advisors LLC and Hawaii Tourism Authority



# Visitors by Major Market

61.0% of Hawaii Visitors Were From the U.S. with Japanese Visitors Accounting for 18.7% during 1<sup>st</sup> 11 months of 2014. Visitors from Canada and other markets are increasing



## Housing Prices Were Up on All the Islands

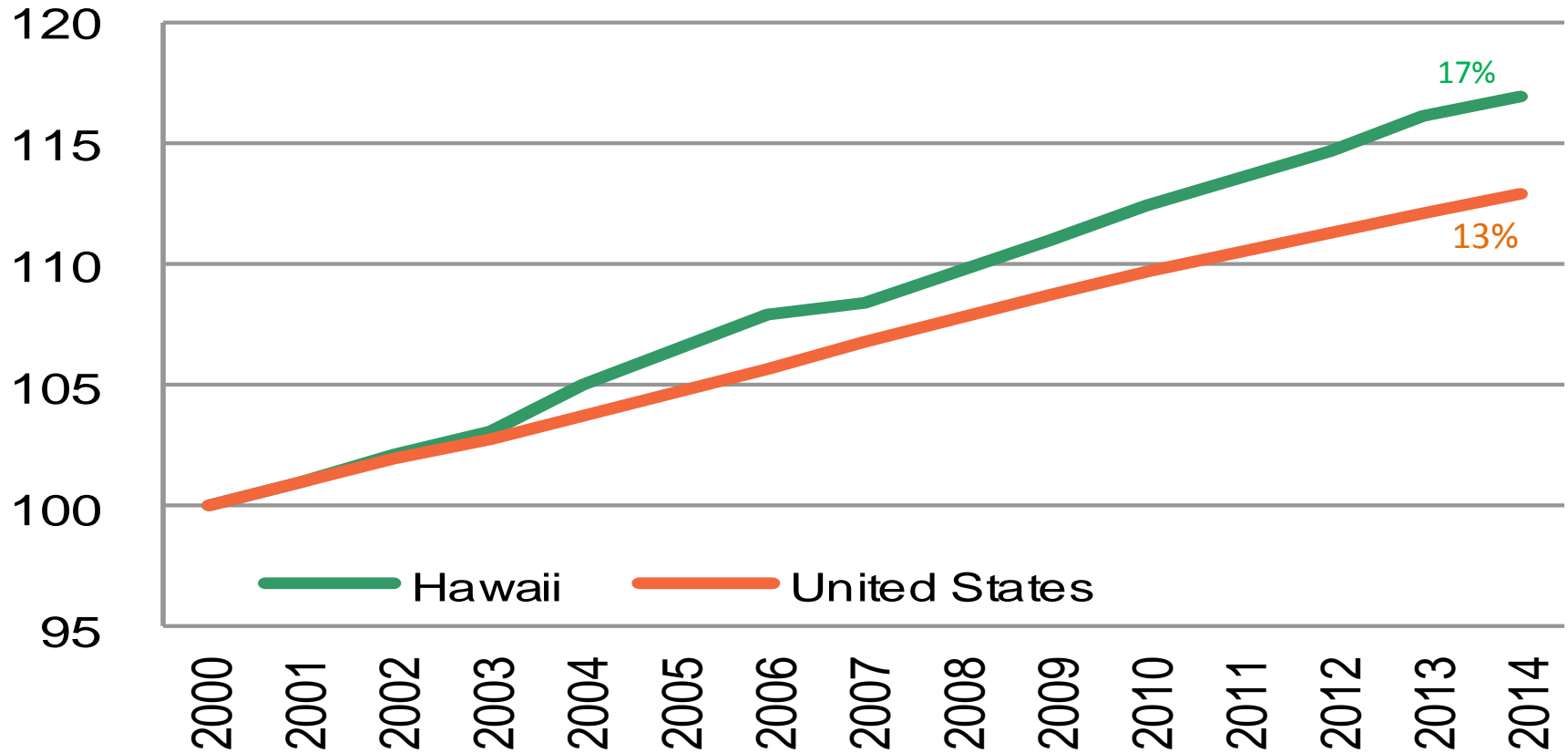
(% change 2013 to 2014)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Honolulu	-0.8%	3.8%	-1.3%	5.4%
Maui	-4.0%	8.0%	-10.0%	11.0%
Hawaii	-0.5%	7.8%	-0.9%	12.0%
Kauai	4.7%	1.1%	-6.6%	12.1%

Source: Hawaii Information Service, the Honolulu Board of Realtors, and Realtors Association of Maui.

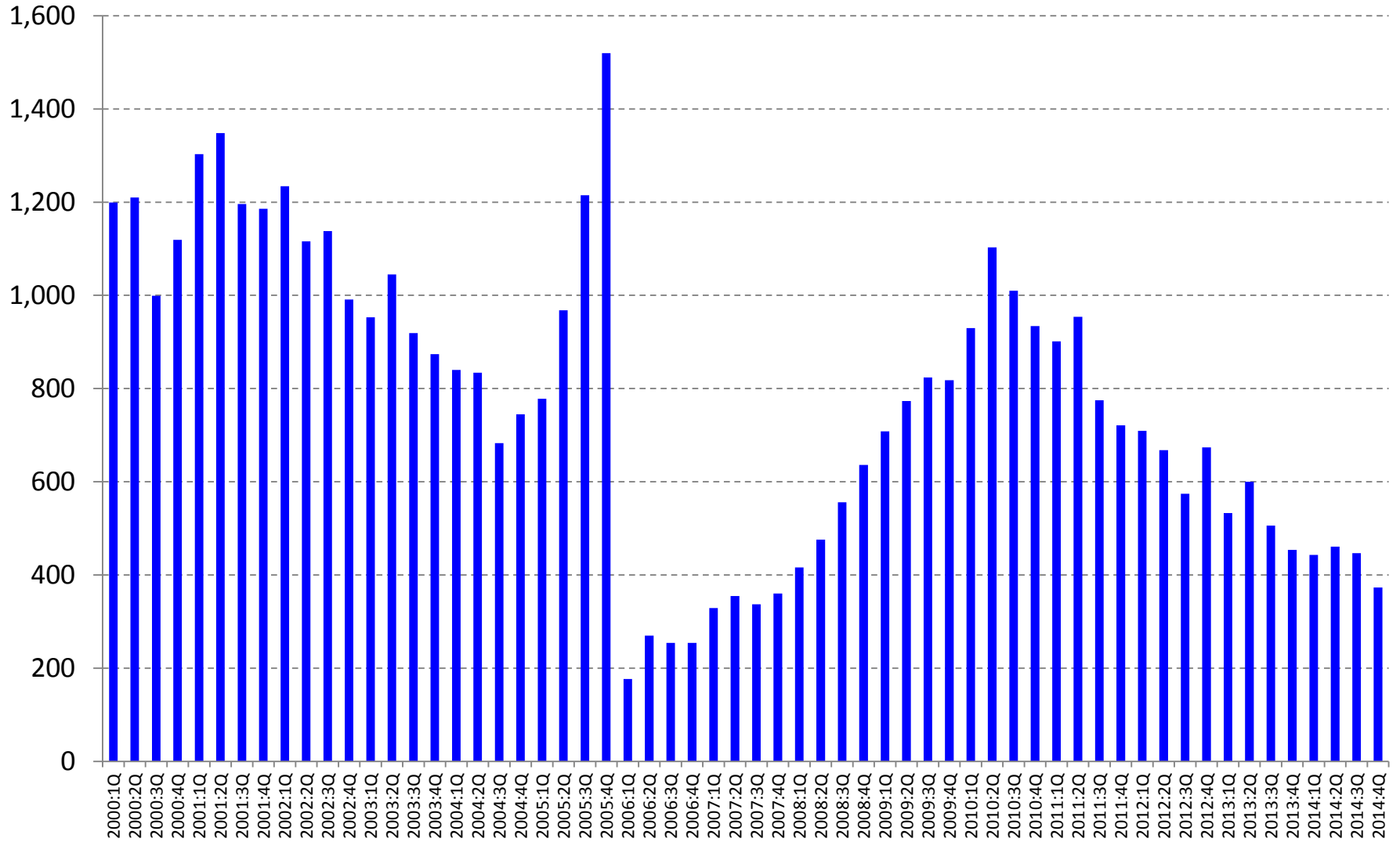
# Hawaii Population Growth Has Been Faster Than the Nation

Index of Population  
2000-2014 (Index: 2000=100)



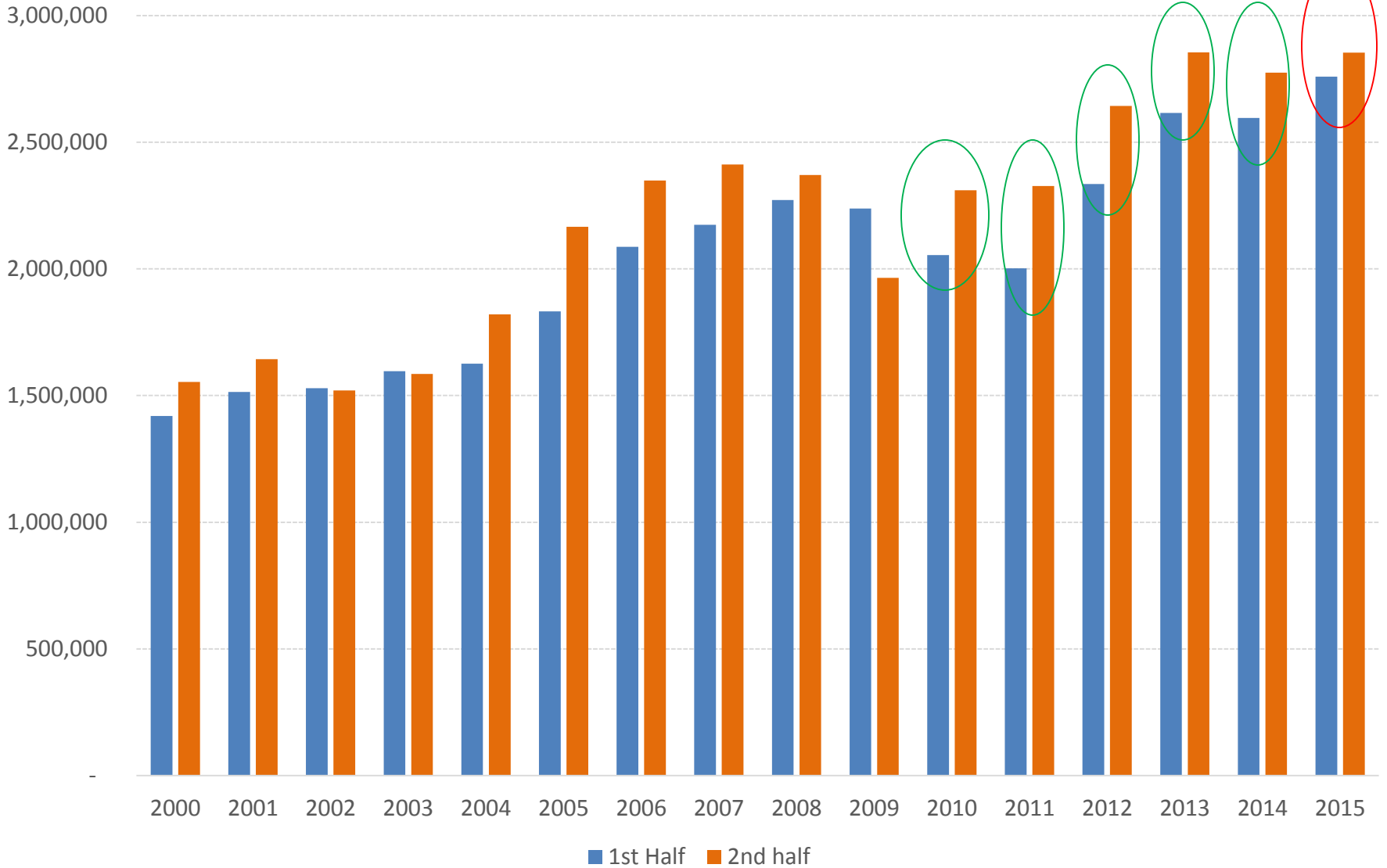
Source: U.S. Census Bureau

# Hawaii Bankruptcy Filings Has Been Declining Since the 3<sup>rd</sup> Quarter of 2010



# State General Fund Tax Revenue

COR's January 6, 2015 forecast might be conservative



## Summary

- All the economic indicators show that Hawaii's economy is on a normal growth path
- Visitor industry growth will be slowing down due to capacity limit but arrivals will create new record in 2015
- Labor market will continue to improve in 2015
- Construction industry will continue to recover in 2015
- Hawaii's economy will grow at the similar rate as the nation in 2015
- Hawaii's unemployment rate will still be better than the nation in 2015

# Monthly Economic Indicators: November 2014

## Highlights

Compiled by the Research and Economic Analysis Division, DBEDT

### Labor Market

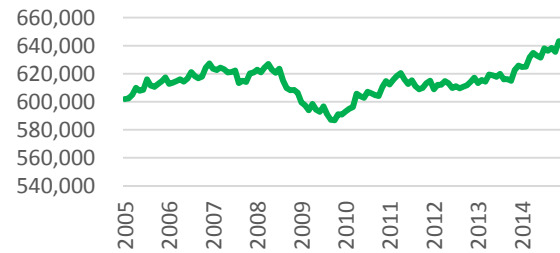
Hawaii labor market continues to show improvement in November 2014. Civilian employment recorded the highest monthly level in November with 643,100 people at work. Year-to-date through November 2014, civilian employment averaged 633,790, higher than the previous same period peak level of 620,050 which occurred in 2007.

Unemployment rate in November dropped to 4.0 percent, the lowest rate since May 2008. The average unemployment rate for the first eleven months was 4.4 percent and ranked the 7<sup>th</sup> lowest among all the states in the nation.

Total number of non-agriculture wage and salary jobs in November 2014 was 638,300, which was the highest monthly job count ever. The previous monthly peak was in December 2007 with 637,050 jobs. Through November, the year-to-date growth of job count was 1.2 percent.

Consistent with the improvement of the labor market, the initial unemployment claims decreased 11.7 percent during the first eleven months of 2014. The average weekly initial unemployment claims was 1,624 during the first eleven months of 2014, while it was 1,838 a year ago.

### Civilian Employment



Source: Hawaii Dept. of Labor & Industrial Relations.

### Unemployment Rate



Source: Hawaii Dept. of Labor & Industrial Relations.

### Total non-agriculture wage and salary jobs



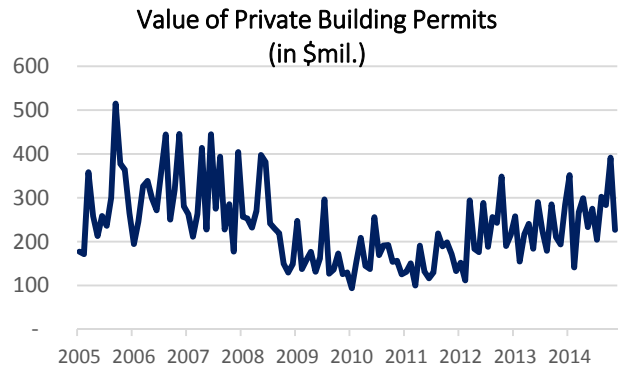
Source: Hawaii Dept. of Labor & Industrial Relations.

## Building Permits

As a leading indicator for future construction activity, value of private building permits increased 22.0 percent through November 2014 from the same period a year ago. While value of residential projects decreased by 15.5 percent, commercial and industrial new projects increased by 80.8 percent and the value of additions and alterations increased by 38.6 percent.

56.6 percent of the permit value in 2014 was for additions and alterations. This category includes the Ala Moana shopping Center renovation and the room renovations of the Waikiki hotels.

Although it is still 15 percent below the 2006 level, the value of private building permits has been increasing since 2012.



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

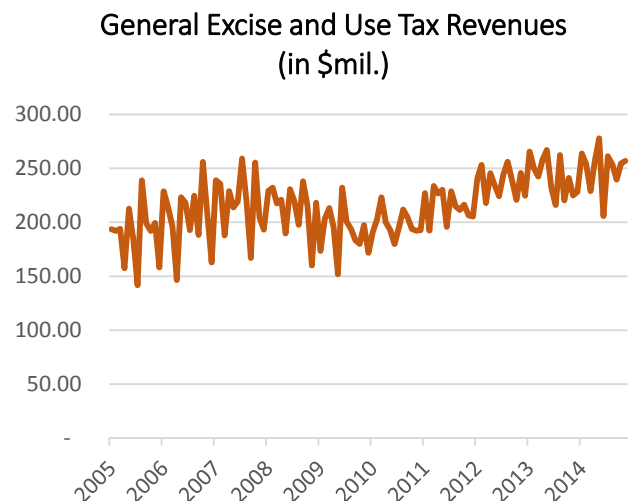
## Value of Private Building Permits by Category

Category	Y-T-D 2013 (\$mil.)	Y-T-D 2014 (\$mil.)	Growth Rate (%)
Total	2,436.1	2,972.4	22.0
Residential	954.9	806.9	-15.5
Commercial & industrial	267.8	484.2	80.8
Additions & alterations	1,213.4	1,681.3	38.6

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

## State General Excise Tax Revenue

As the most comprehensive measure of business activity in the state, state general excise and use tax revenue increased 2.8 percent during the first eleven months of 2014. This is the historical year-to-date record level. On a fiscal year basis, general excise tax revenue increased 8.7 percent during the first 5 months of FY 2015.



Source: Hawaii Dept. of Taxation..



### Visitor Arrivals and Spending

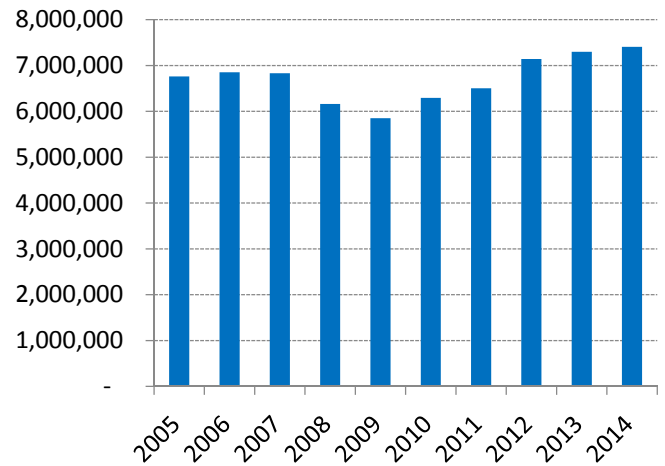
Year-to-date through November, total visitor arrivals to Hawaii totaled 7.5 million, of which 7.4 million came by airplanes and 110,000 came by cruise ships. Visitor arrivals increased 0.9 percent and expenditures increased by 2.3 percent during the first eleven months of 2014 from the same period a year ago.

Visitor spending totaled \$13.3 billion for the first eleven months of 2014, a 2.3 percent increase from the same period in 2013.

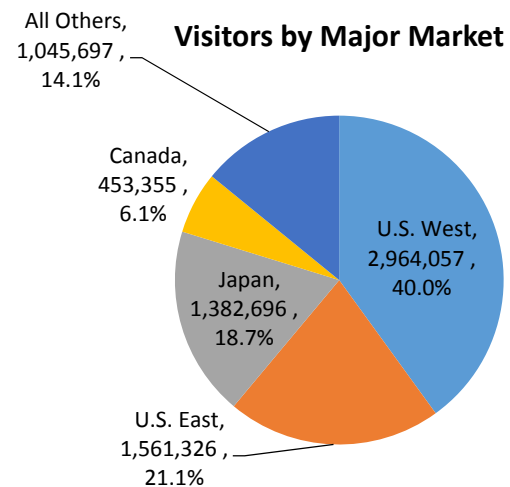
2014 is likely a new record year for both visitor arrivals and visitor expenditures.

During the first eleven months of 2014, visitors from the U.S. mainland accounted for 61.1 percent of the total air visitors, Japanese visitors accounted for 18.7 percent of the total, and 6.1 percent of the air visitors came from Canada.

### Visitor Arrivals by Air (Jan-Nov)



Source: Hawaii Tourism Authority.



Source: Hawaii Tourism Authority.

### Visitor Expenditures by Major Market

Market	Y-T-D 2013 (\$mil.)	Y-T-D 2014 (\$mil.)	Percent change (%)
<b>TOTAL EXPENDITURES (\$mil.)</b>	<b>13,022</b>	<b>13,315</b>	<b>2.3</b>
Total by air	12,968	13,277	2.4
U.S. West	4,353	4,496	3.3
U.S. East	3,203	3,327	3.9
Japan	2,277	2,199	-3.4
Canada	922	932	1.1
All Others	2,212	2,323	5.0
Arrivals by cruise ships	54	38	-30.6

Source: Hawaii Tourism Authority.

**Monthly Economic Indicators Main Page:**

<http://dbedt.hawaii.gov/economic/mei/>

**Current Economic Conditions Charts:**

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