

Hawaii Economic Outlook

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Summary of Current Hawaii Economic Conditions

Some Good News:

- **General fund tax revenue was up 5.9% during first 5 months of FY 2020, while the average annual growth rate for the last 20 years was 4.5%**
- **Initial unemployment claims decreased 4.9% in 2019**
- **Air seats will increase 6.4% during first half of 2020**

Summary of Current Hawaii Economic Conditions

Challenges:

- Population decreased three years in a row, lost 12,000 people from the 2016 level
- Labor force and employment decreased by 2.2% and 2.5%, respectively during first 11 months of 2019
- Unemployment rate ranked the 6th lowest during first 11 months of 2019, was lowest in 2017 & 2018
- Non-ag Payroll job grew only 0.5% during first 11 months of 2019, was 1.7% at the same time last year
- Visitor spending grew only 0.5% during first 11 months of 2019, negative growth rate if adjusting for inflation
- Construction industry is weakening with value of private building permits flat during the first 11 months of 2019, and number of residential units authorized decreased 26.3% during the same period

The U.S. and World Economies

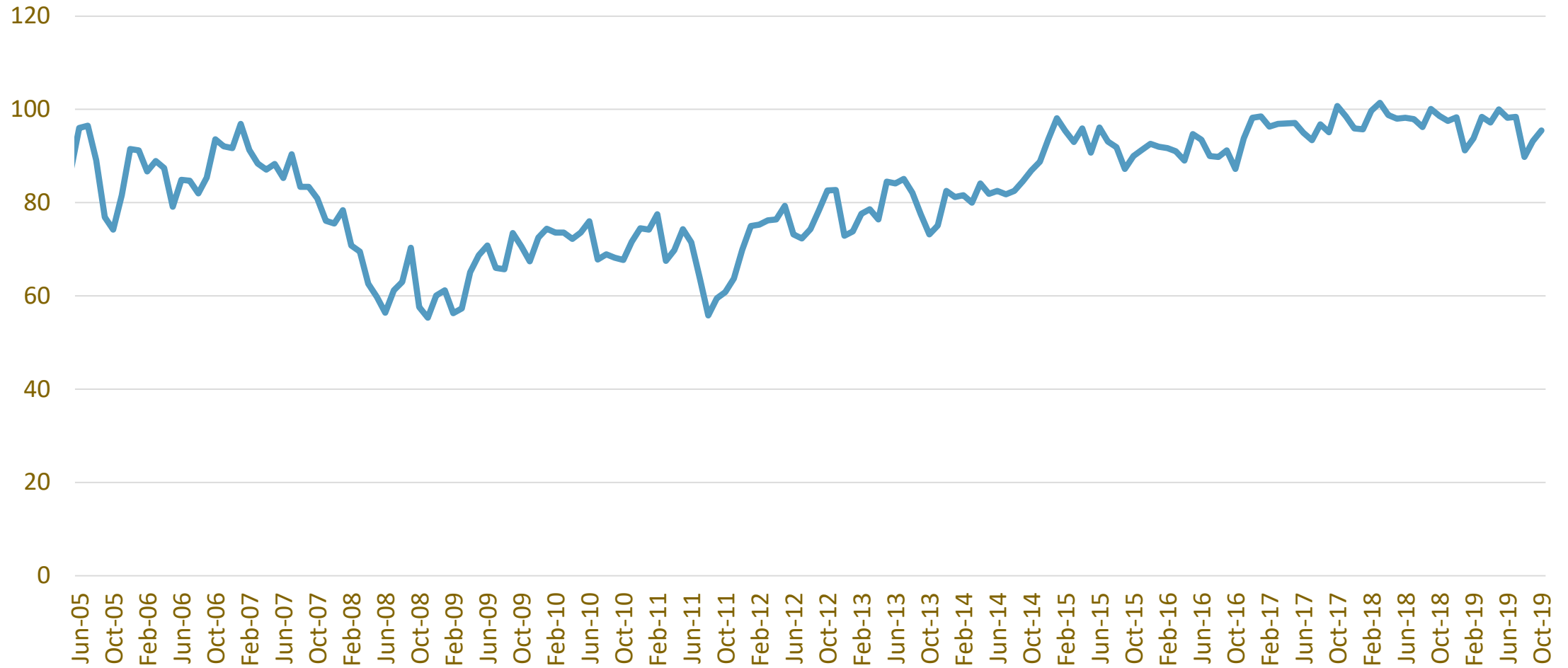
U.S. business cycles reference dates

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 2020	127
Average Expansion, 1945-2009 (11 cycles)		58.4

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

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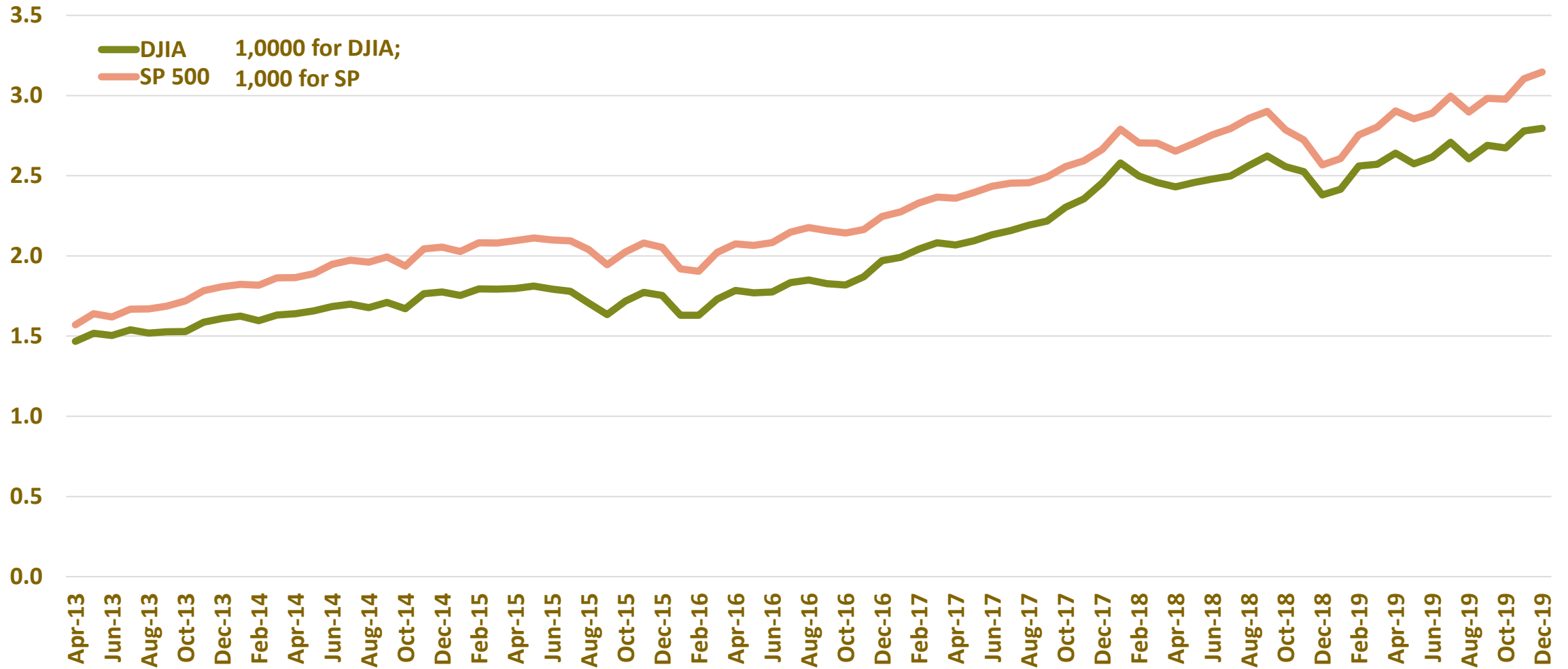
U.S. Consumer Sentiment Index



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

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Stock Market Indicators

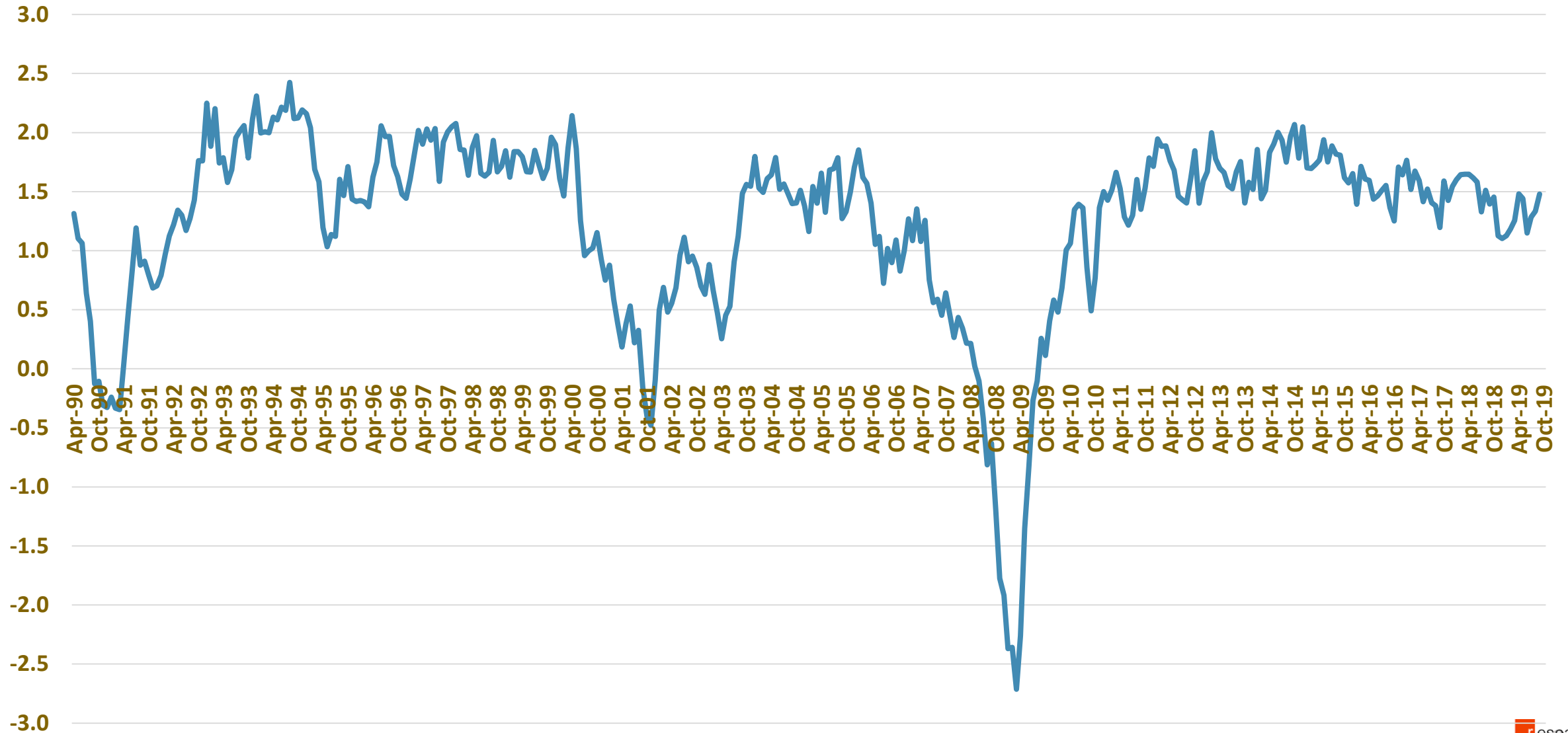


As of 12/18/2019

Source: Federal Reserve Bank of St. Louis

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Leading Economic Index for the United States



Source: Federal Reserve Bank of Philadelphia

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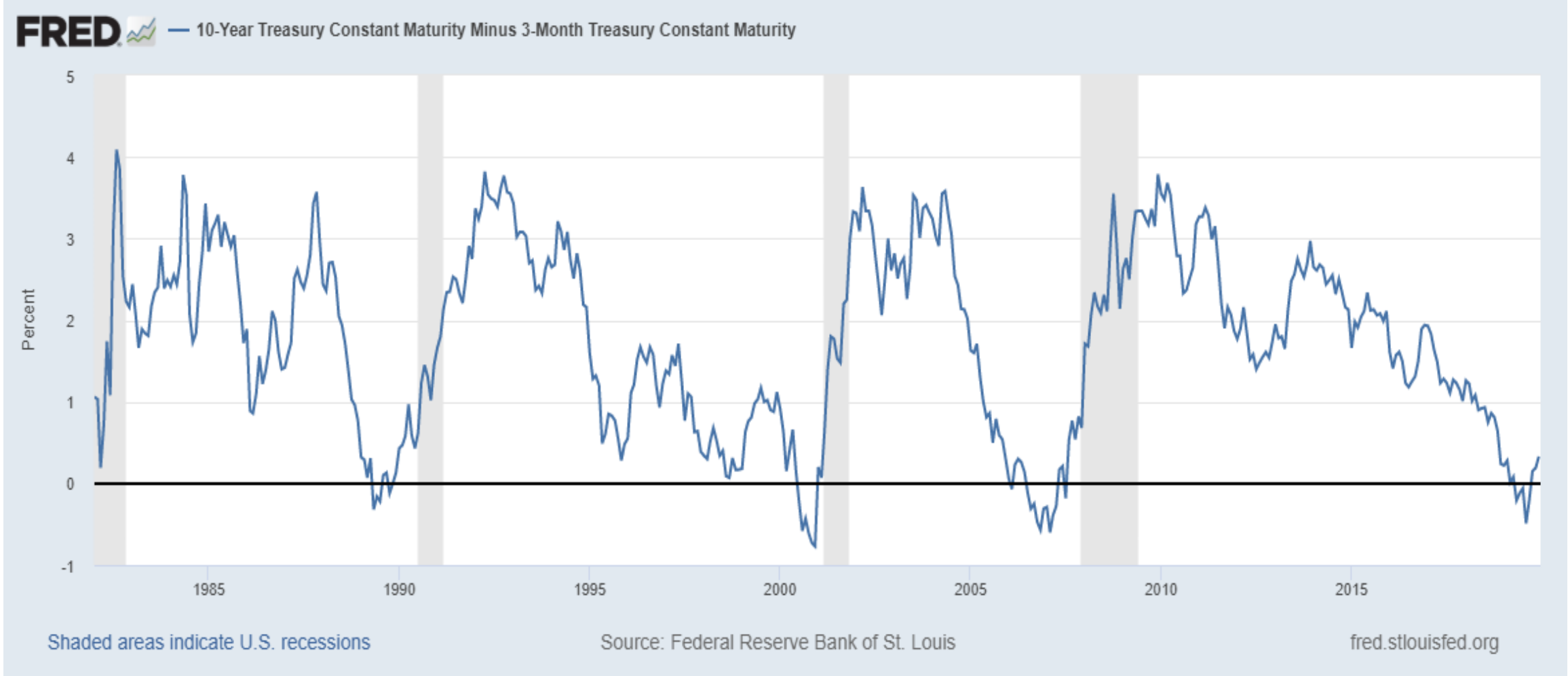
The inverse of the yield curve: 10 year- 2 year



Source: Federal Reserve Bank of St. Louis

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The inverse of the yield curve: 10 year-3 month



Source: Federal Reserve Bank of St. Louis

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Most of the world economies will have slower growth in 2019 and 2020

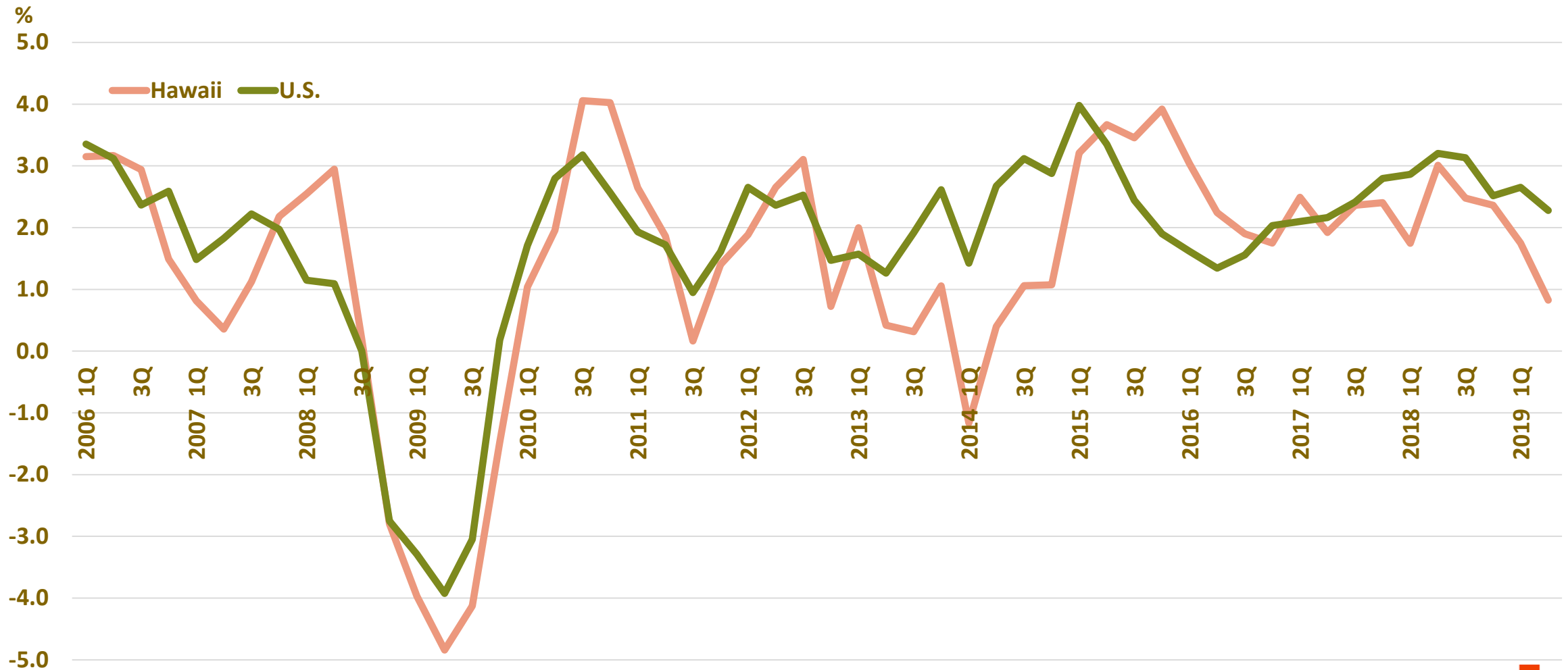
Economy	2015	2016	2017	2018	2019	2020
USA	1.4	1.5	2.3	2.9	2.3	1.8
Canada	0.9	1.4	3.2	2.0	1.6	1.6
Japan	2.8	1.0	2.2	0.3	0.9	0.3
S. Korea	2.1	2.9	3.2	2.7	1.9	2.1
Hong Kong	1.5	2.2	3.8	3.0	-1.1	0.0
Taiwan	6.7	1.4	3.3	2.7	2.4	2.1
China	6.9	6.7	6.8	6.6	6.1	5.8
United Kingdom	1.9	1.8	1.9	1.4	1.3	1.0
Germany	1.2	2.2	2.8	1.5	0.6	0.7
France	1.8	1.1	2.4	1.7	1.3	1.2
Eurozone	2.6	1.9	2.7	1.9	1.2	1.1
Australia	-3.5	2.6	2.5	2.7	1.8	2.3
Brazil	1.4	-3.5	1.3	1.3	0.9	2.0

Source: Blue Chip Economic Indicators, December 10th, 2019

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Hawaii Economy - GDP Growth

Hawaii economic growth follows closely with the US in the current business cycle



Source: U.S. Bureau of Economic Analysis

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

Period	U.S.	Hawaii
1958-1968	4.9%	6.7%
1968-1978	3.2%	4.6%
1978-1988	3.0%	3.7%
1988-1998	3.1%	1.0%
1998-2008	2.6%	2.8%
2008-2018	1.8%	1.4%
1958-1988	3.7%	5.0%
1988-2018	2.5%	1.7%

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

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

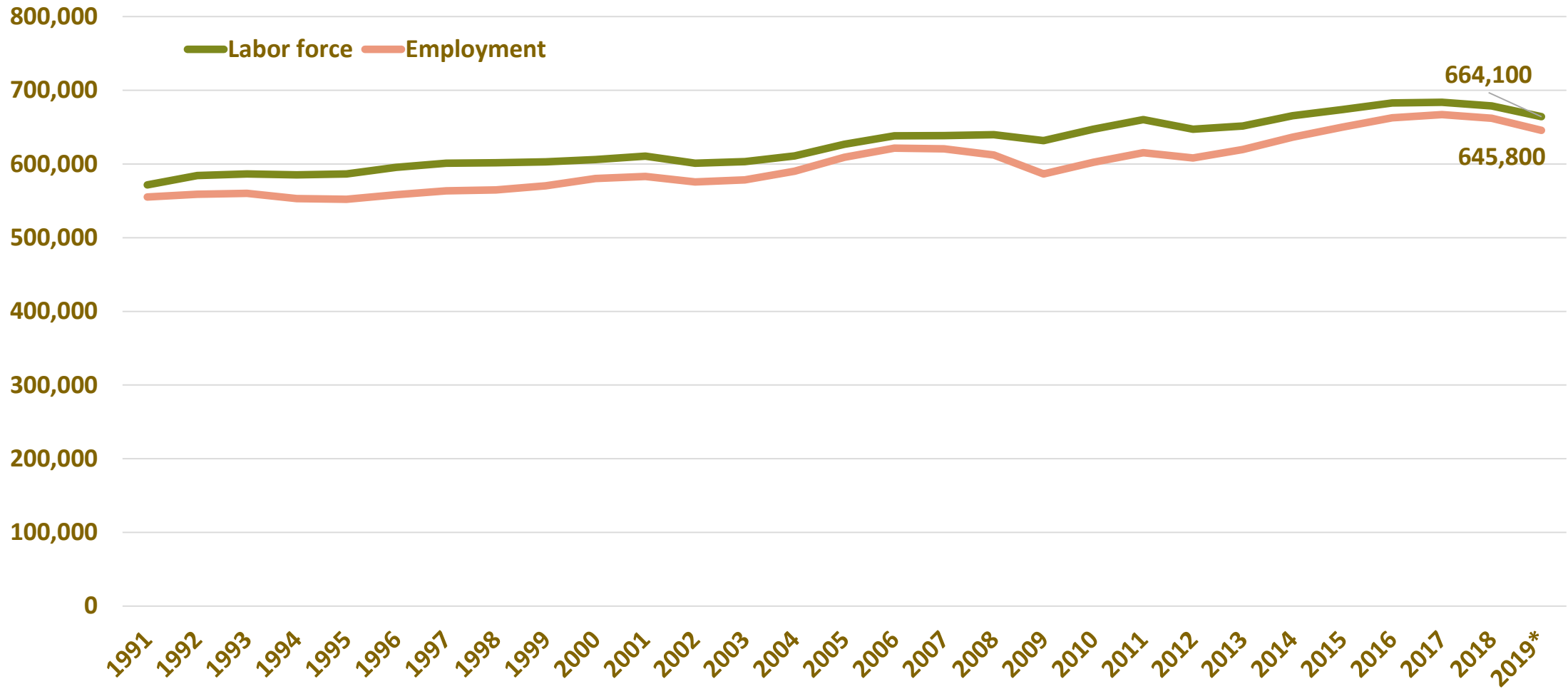
Indicator	Annual average growth, %		2018	2019	2020	2021	2022
	30 years, 1988 - 2018	20 years, 1998 - 2018					
Real GDP	1.7	2.1	2.4	1.2	1.2	1.3	1.3
Real personal income	1.7	1.9	2.3	1.7	1.7	1.6	1.5
Honolulu inflation rate	2.8	2.4	1.9	2.0	2.3	2.4	2.5
Non-Ag wage and salary jobs	1.1	1.1	0.5	0.4	0.3	0.4	0.4
Unemployment rate 1/	4.4	4.4	2.4	2.8	3.2	3.4	3.6
Visitor arrivals by air	1.6	2.0	5.2	5.7	2.5	2.1	1.5

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Hawaii Economy -Labor Market

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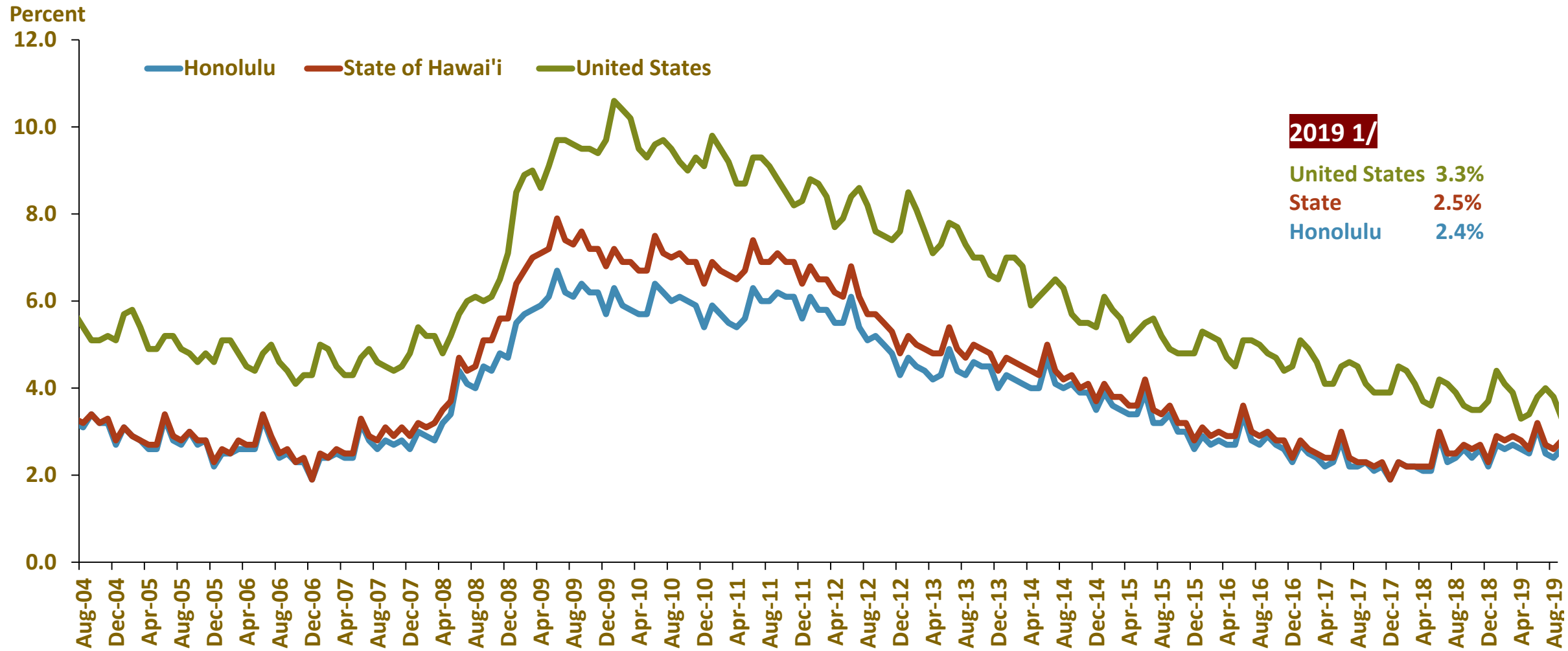
Statewide labor force & employment declining



*2019 through November

Source: Hawaii State Department of Labor and Industrial Relations

Hawaii unemployment rates were the lowest in the nation 2016-2018, now the 6th lowest



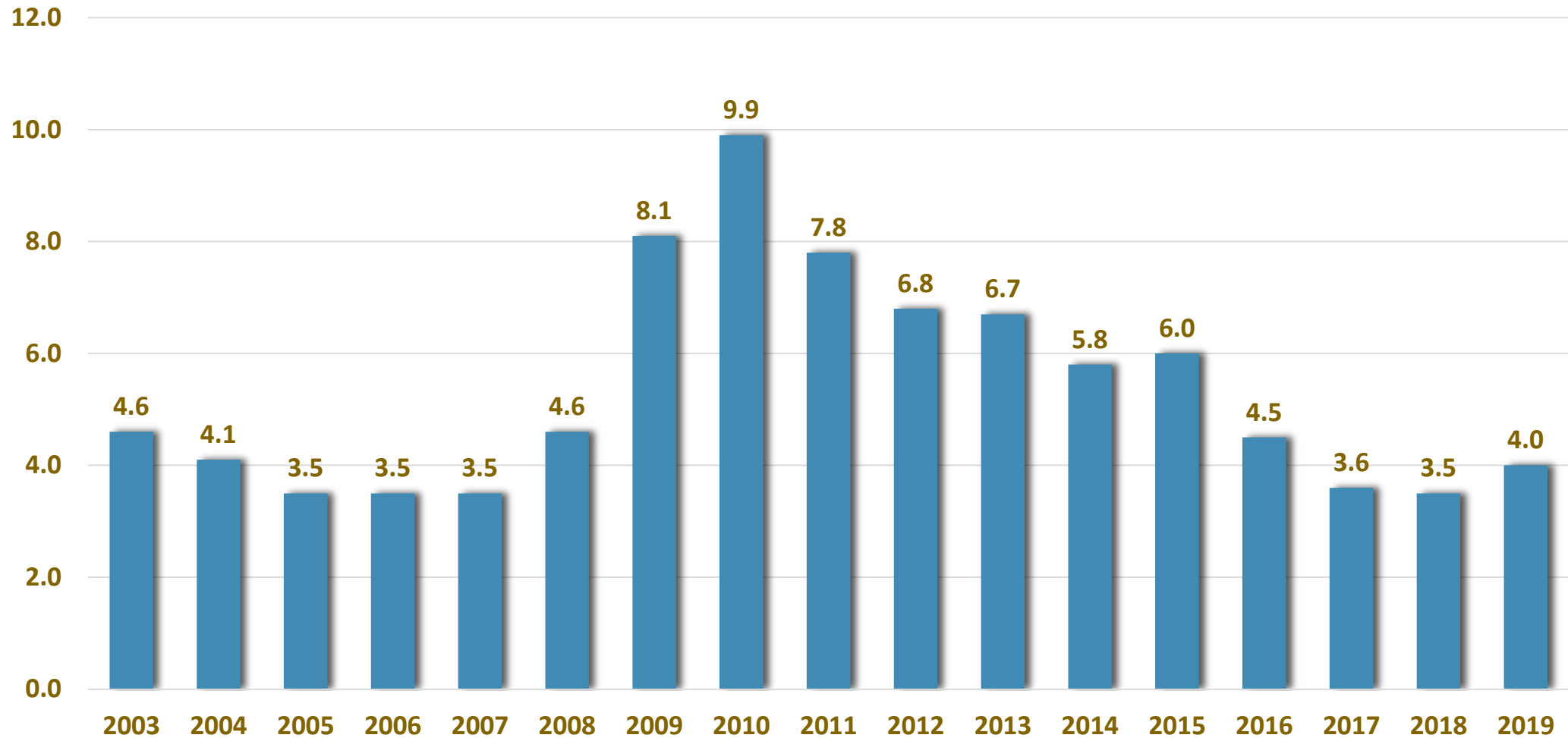
1/ Not seasonally adjusted, November figures

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

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Unemployment Rate Due to Economic Reasons

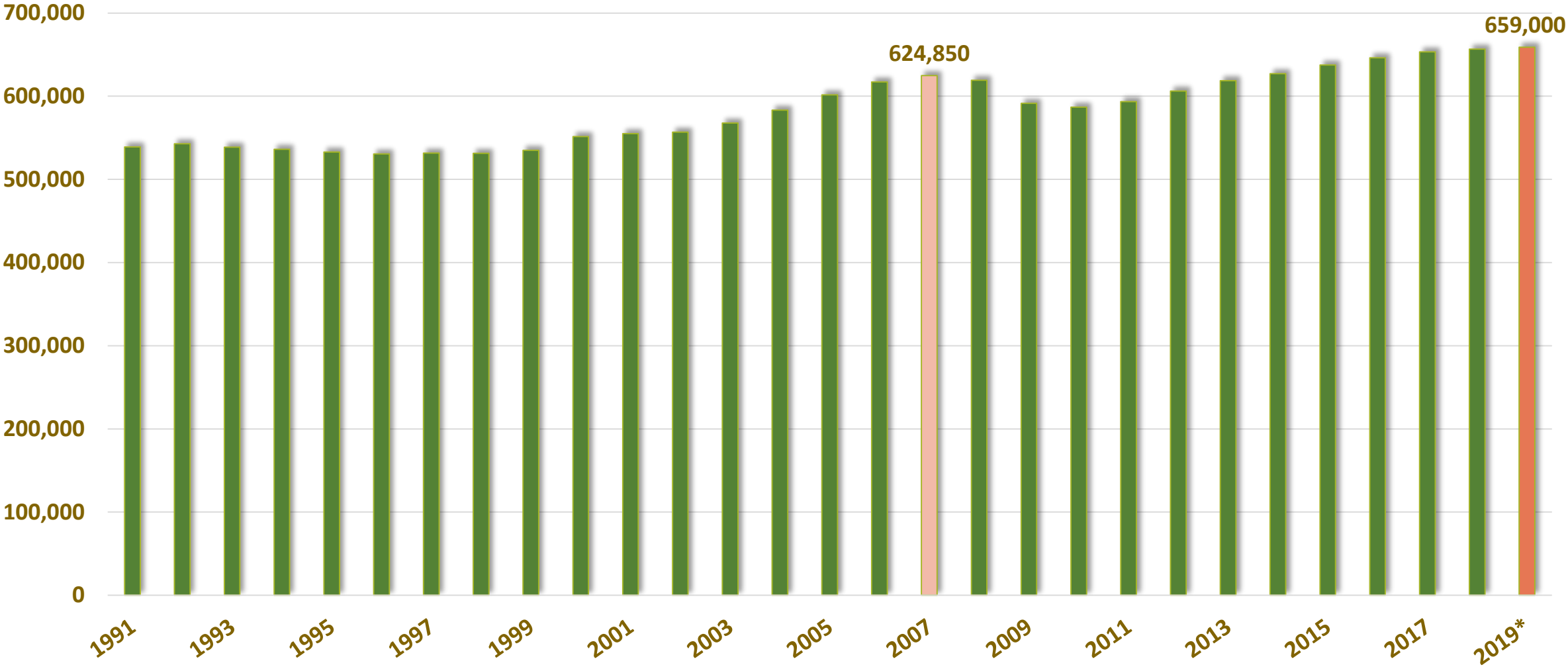
Difference between U6 and U3



2019 is first three quarters
Source: Hawaii DLIR

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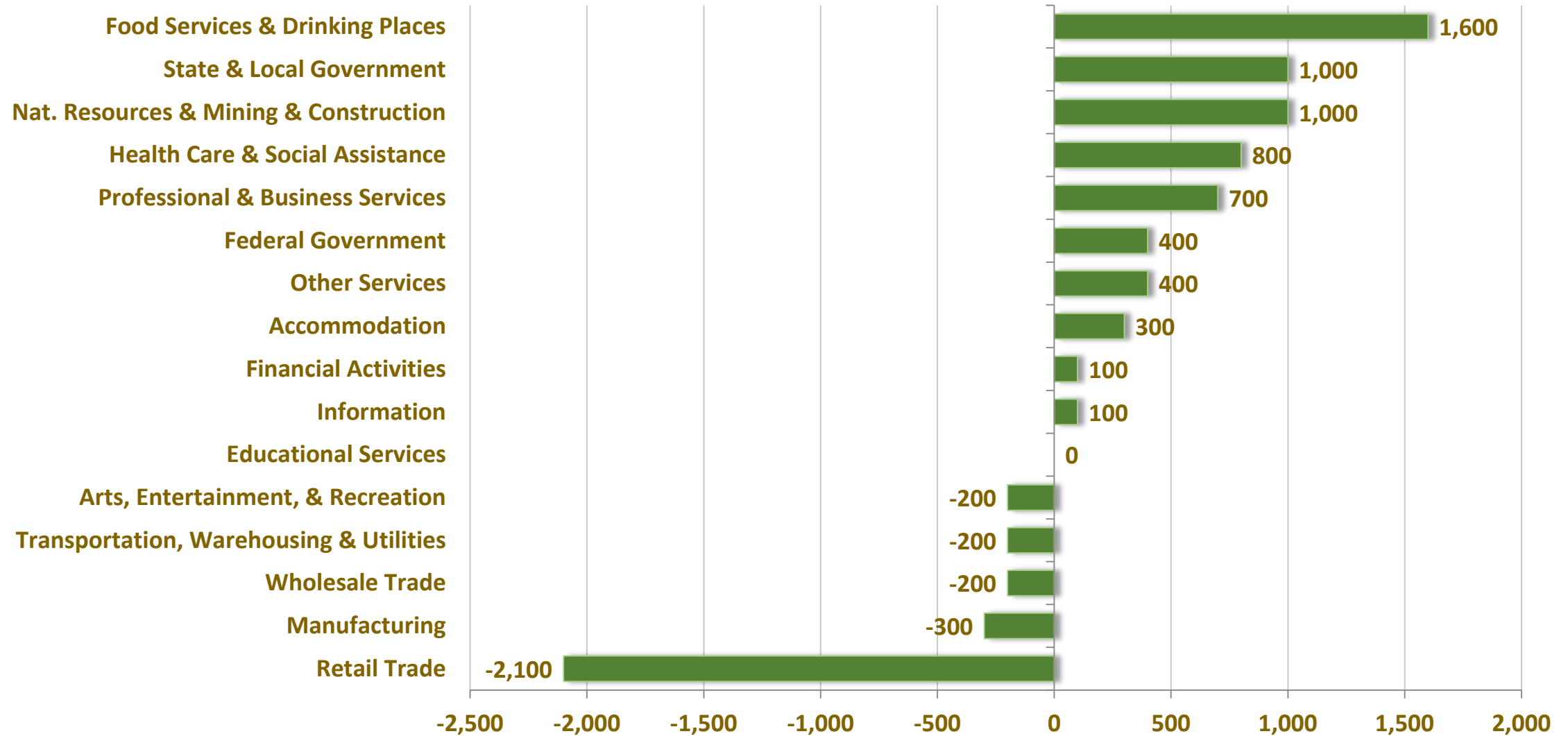
Non-ag. payroll job count has been flat



*2019 through November

Source: Hawaii State Department of Labor and Industrial Relations

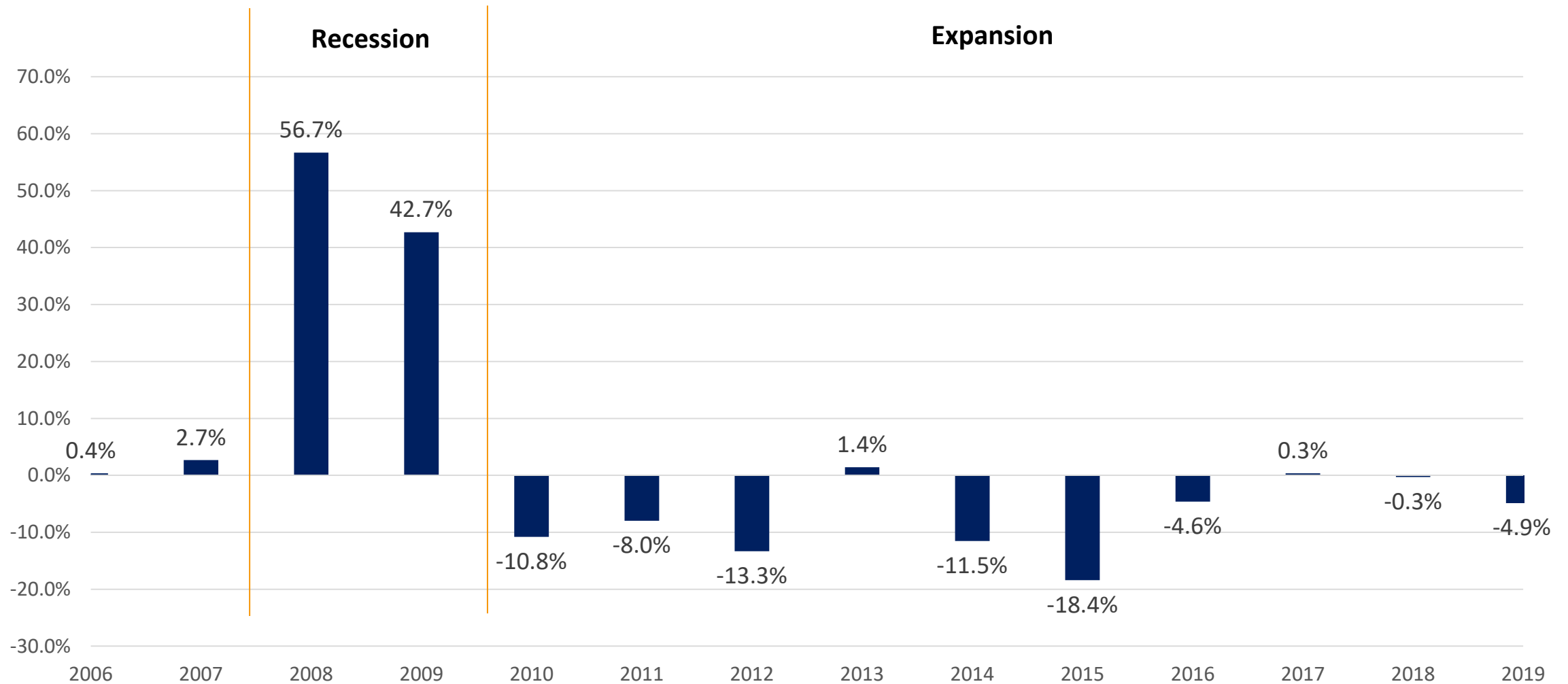
Statewide gained 3,500 non-ag payroll jobs through November 2019



Source: Hawaii State Department of Labor and Industrial Relations

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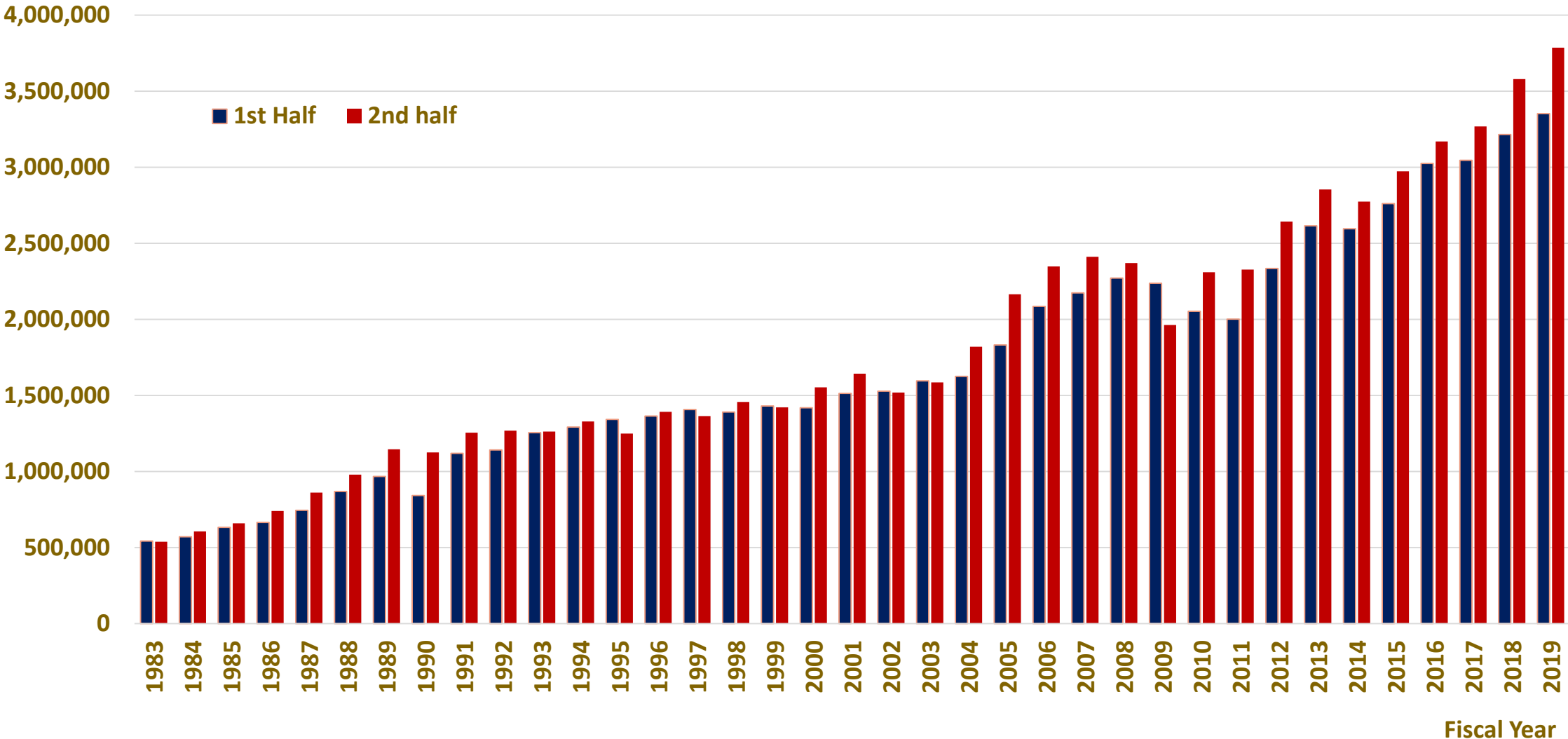
Initial unemployment claims continued declining in 2019



Hawaii Economy - Tax Revenues

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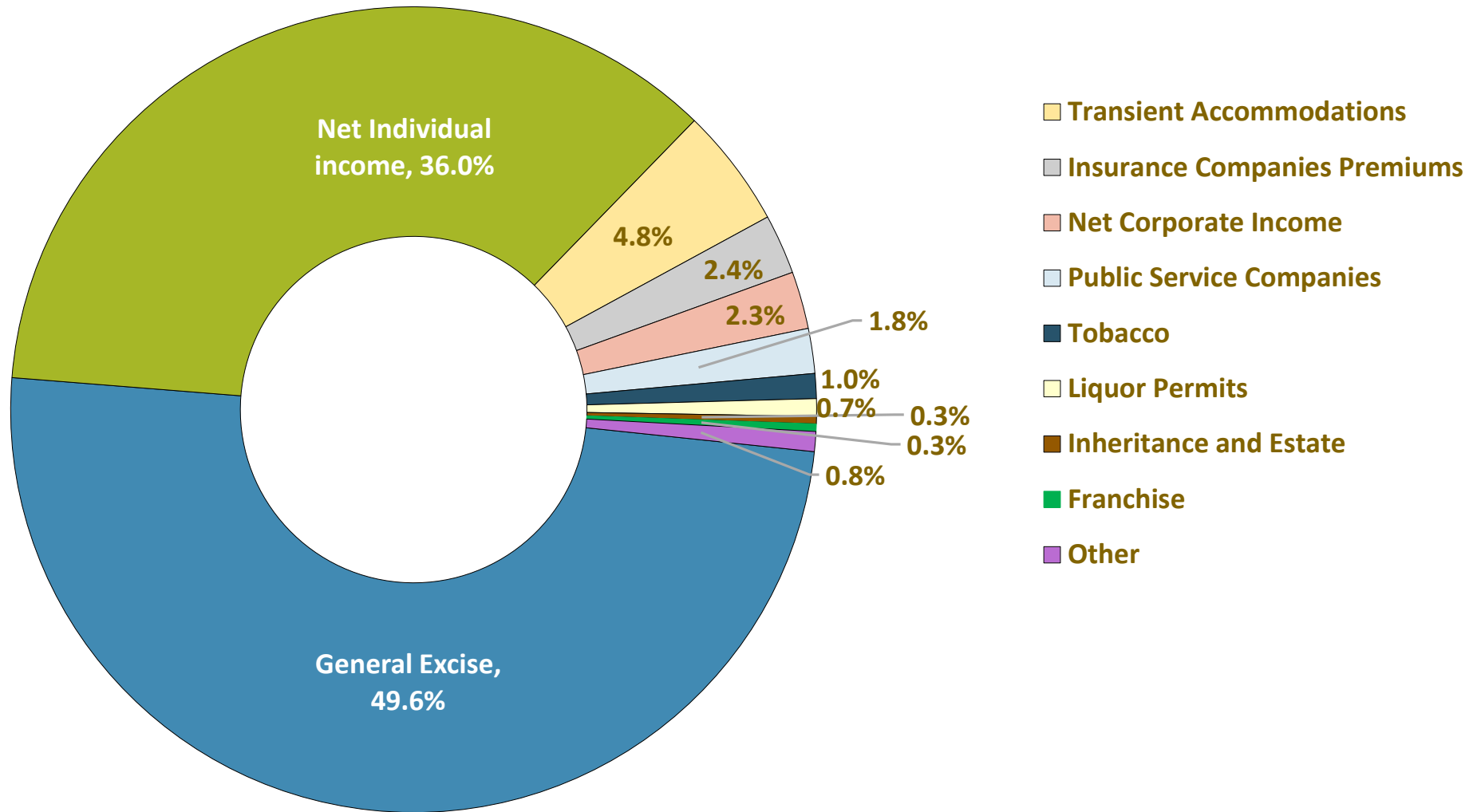
State general fund tax revenue



Source: Hawaii State Department of Taxation

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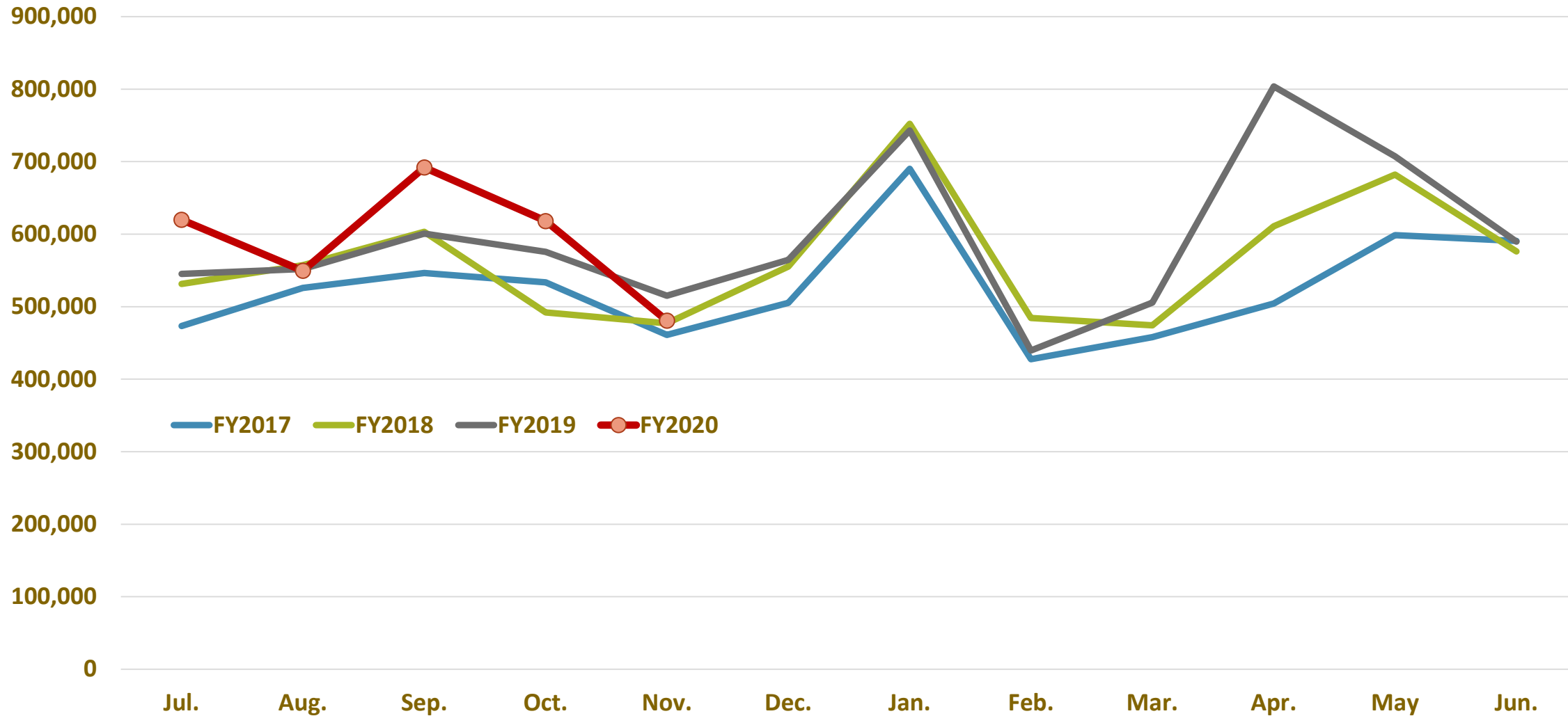
Hawaii State General Fund Tax Revenues Composition (FY 2019)



Source: Hawaii State Department of Taxation

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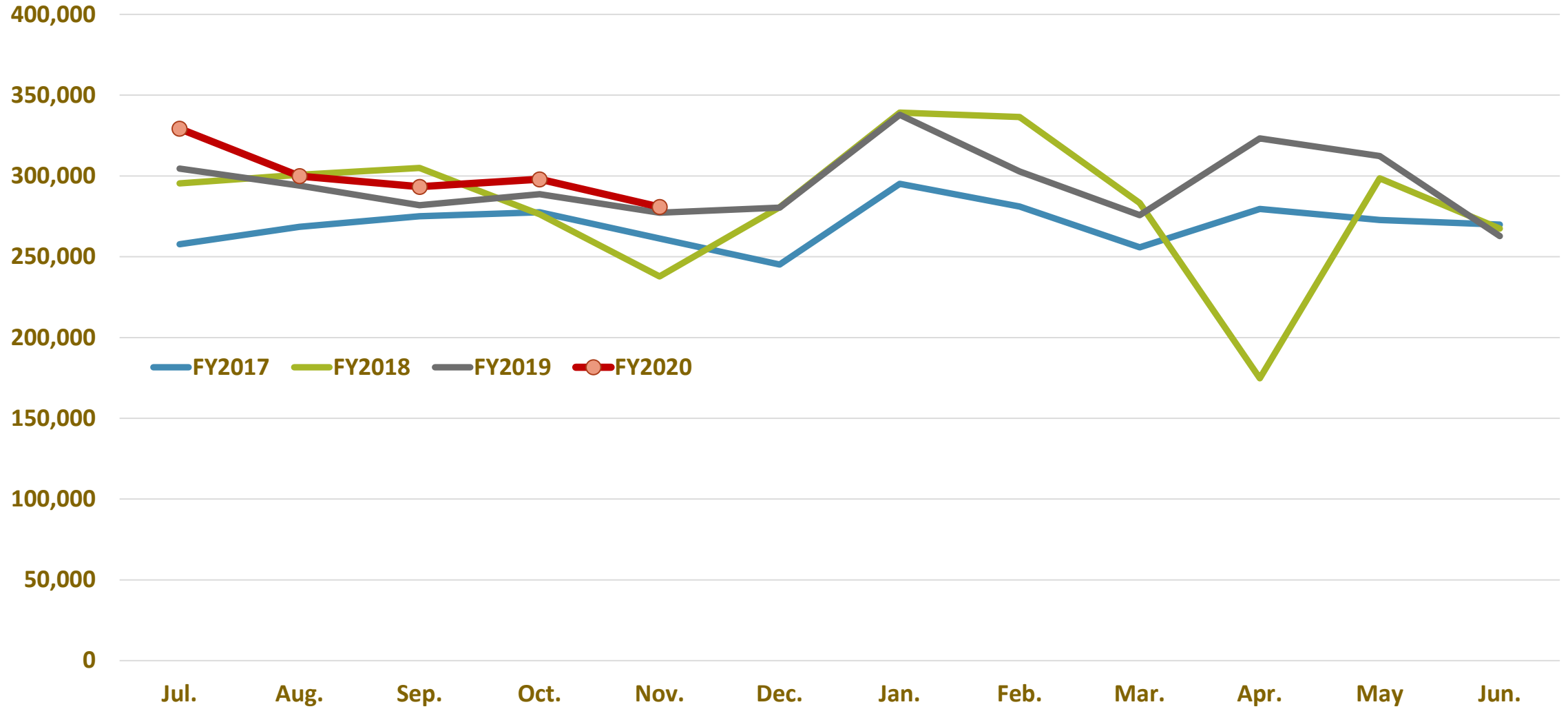
State General Fund Revenues



Source: Hawaii State Department of Taxation

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General Excise Tax Revenue



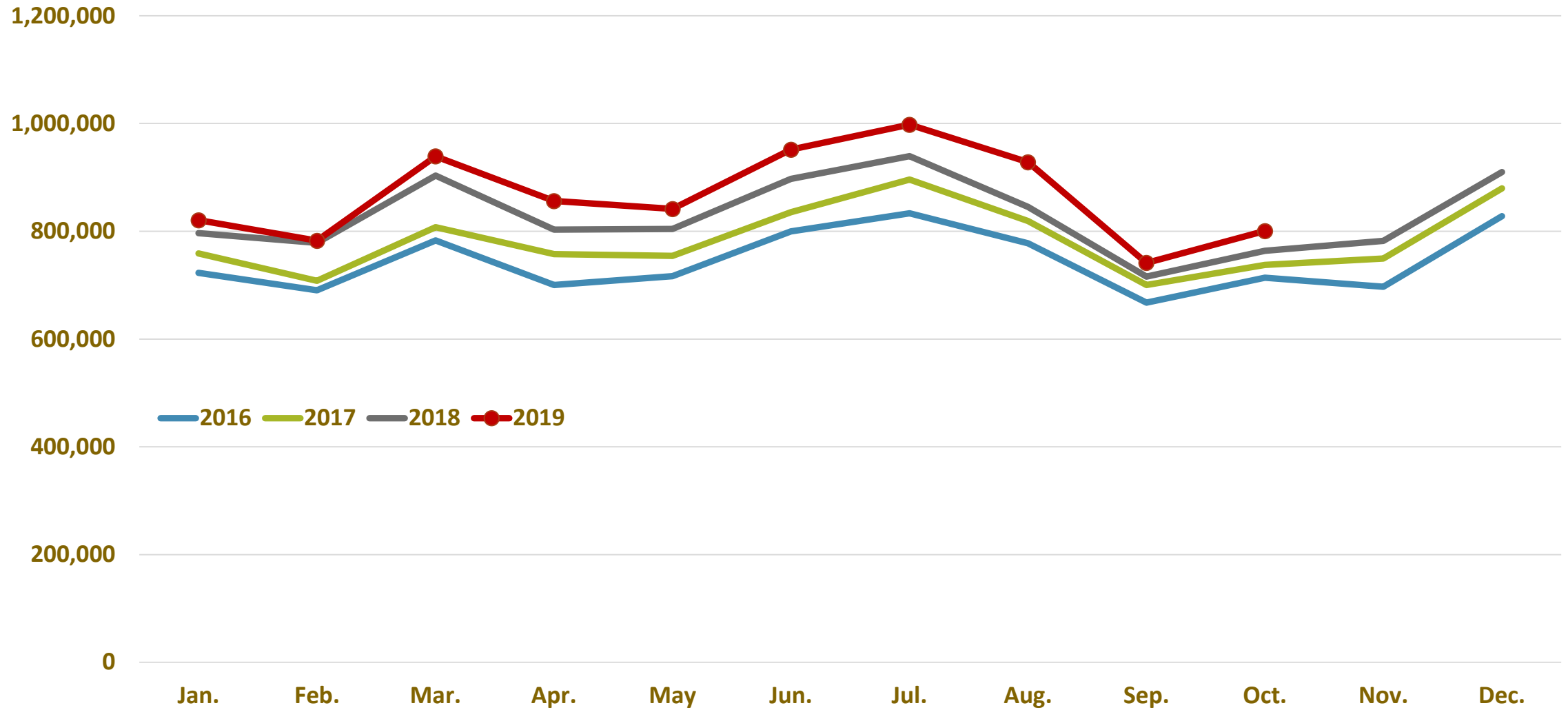
Source: Hawaii State Department of Taxation

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Hawaii Economy - Tourism

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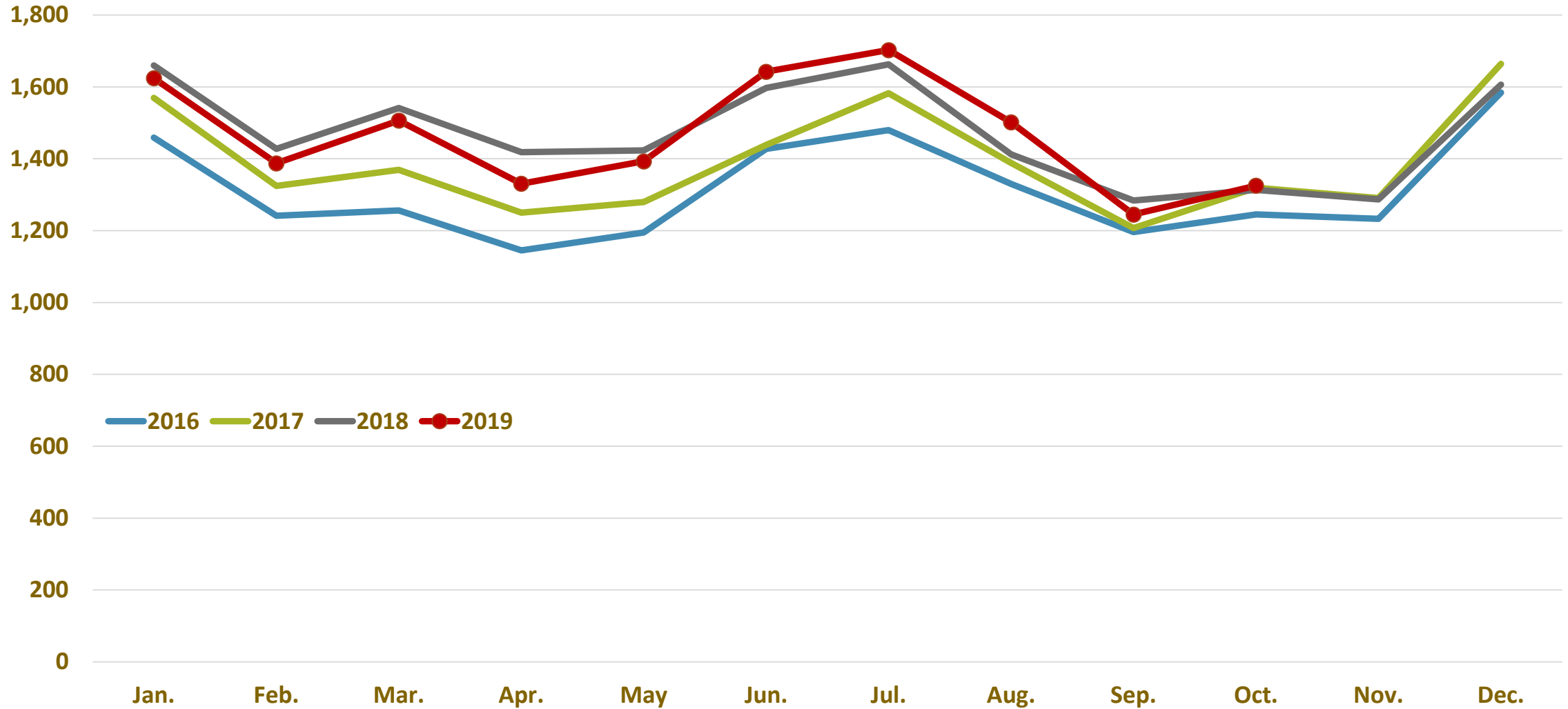
Visitor arrivals has been increasing every month during last few years



Source: Hawaii Tourism Authority

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Visitor expenditures fluctuated in 2019



Source: Hawaii Tourism Authority

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Air seats in 2019 on scheduled flights by market

Market	2019	2018	% change
Total	13,517,518	13,138,502	2.9
US West	8,542,666	8,121,002	5.2
US East	1,181,725	1,098,631	7.6
Japan	2,000,502	2,042,595	-2.1
Canada	496,960	488,857	1.7
Other Asia	484,121	541,557	-10.6
Oceania	493,738	533,045	-7.4
Other	317,806	312,815	1.6

Source: Hawaii Tourism Authority

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Air seats in 2020 on scheduled flights by market

Market	2020*	2019*	% change
Total	7,133,069	6,702,620	6.4
US West	4,513,547	4,177,896	8.0
US East	655,547	596,457	9.9
Japan	1,062,306	981,290	8.3
Canada	292,379	306,686	-4.7
Other Asia	234,976	243,011	-3.3
Oceania	214,232	241,091	-11.1
Other	160,082	156,189	2.5

*January through June
Source: Hawaii Tourism Authority

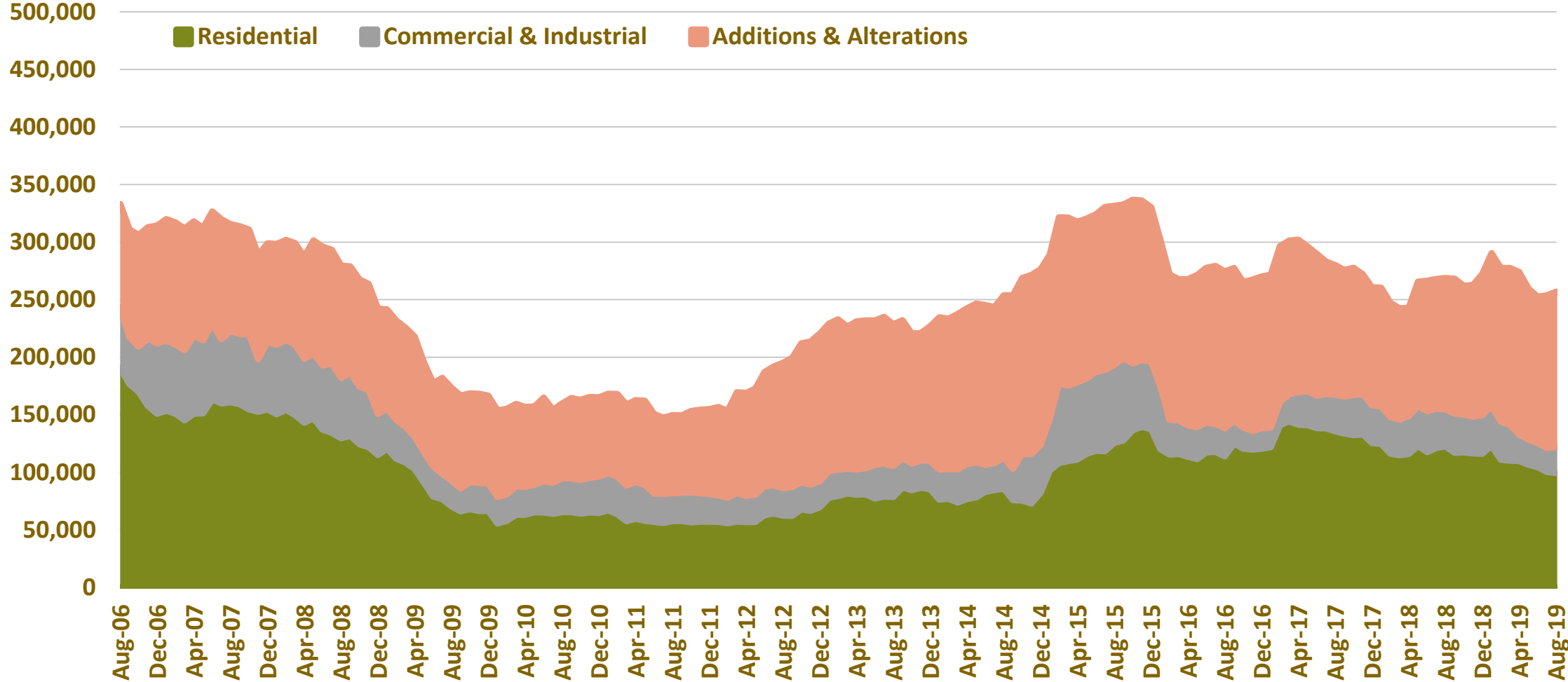
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Hawaii Economy

- Construction & Real Estate

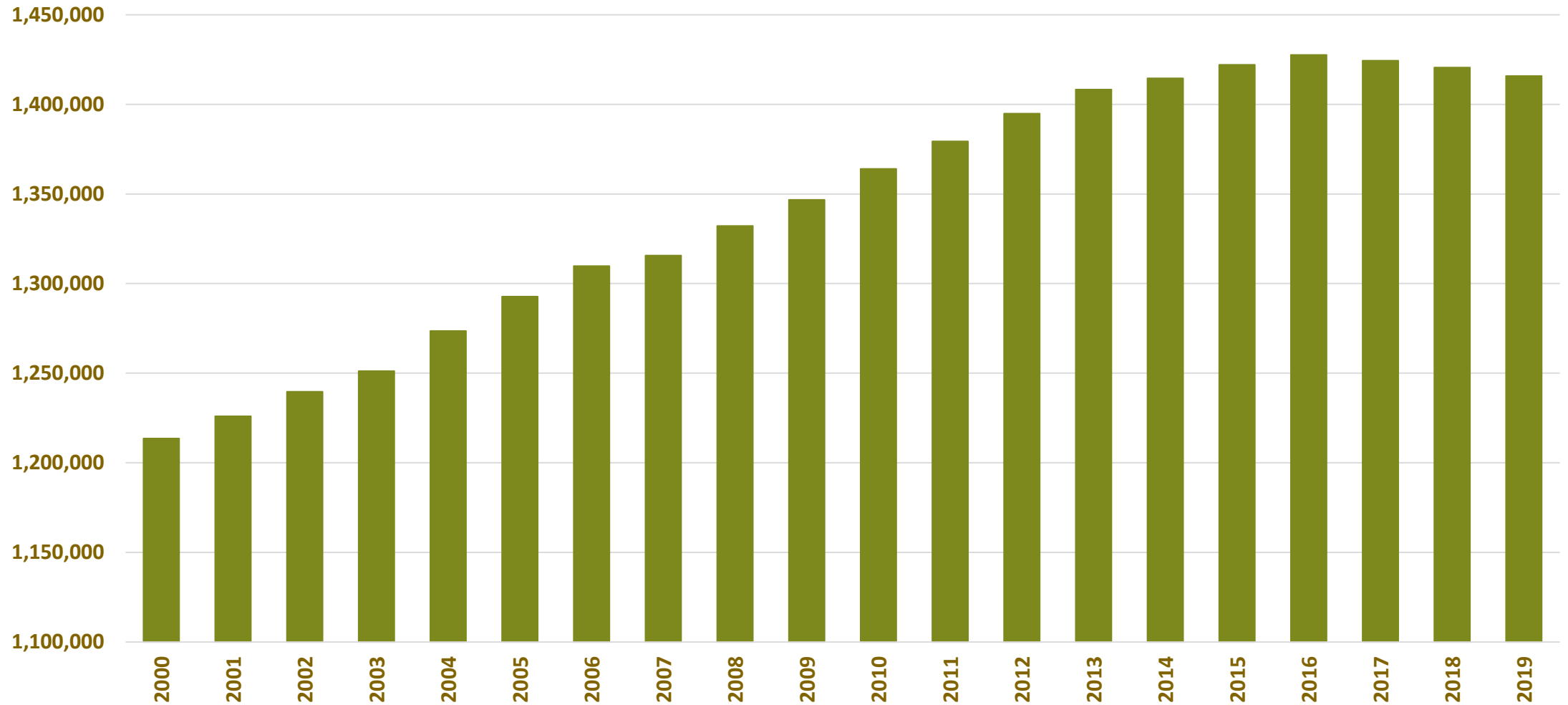
Value of private construction permits

12 Month Moving Average of Building Authorizations



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

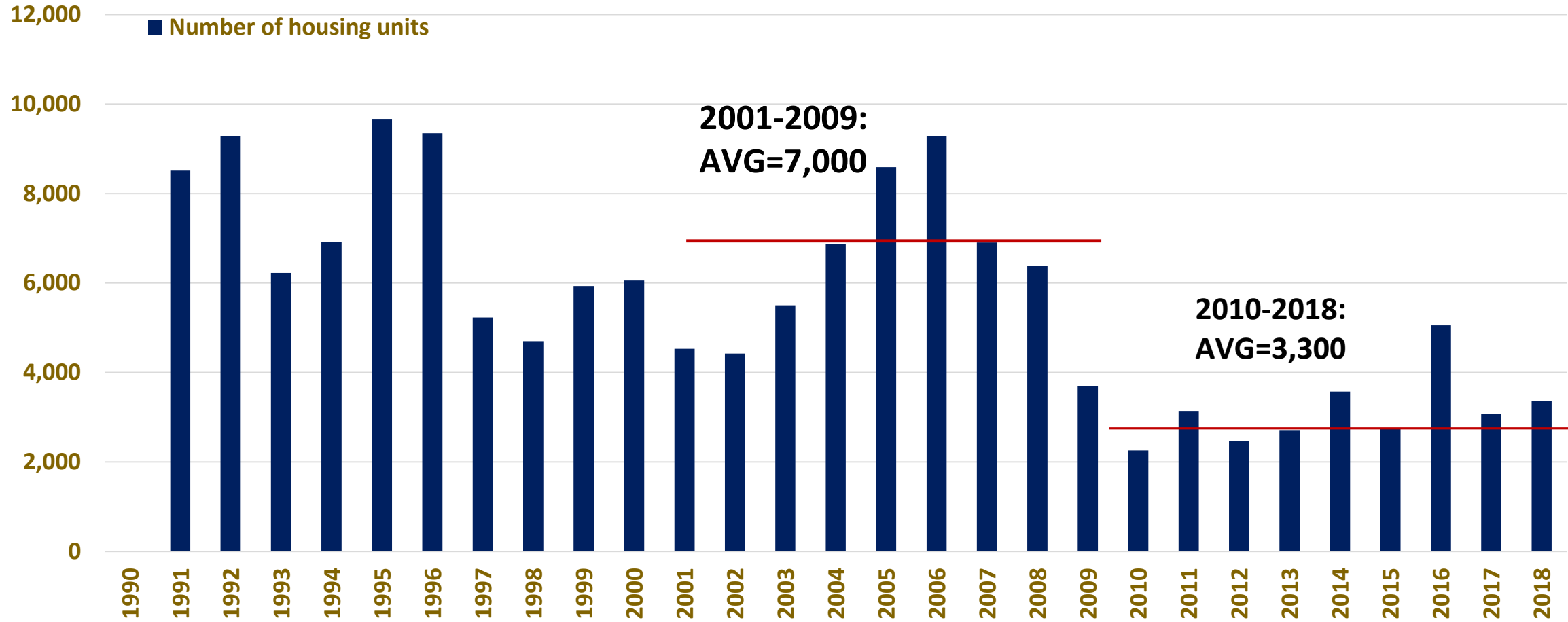
Hawaii Resident Population



Source: U.S. Census Bureau

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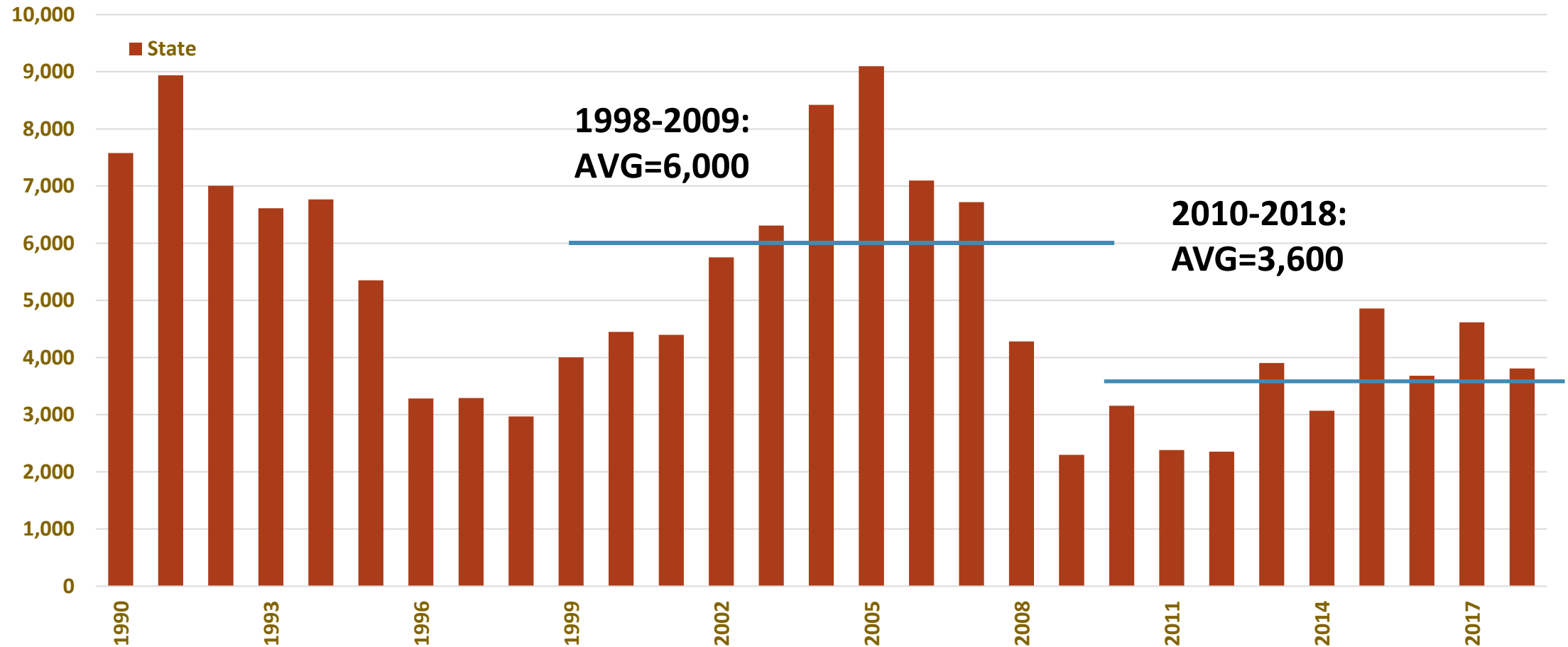
Net increase in housing units: State



Source: DBEDT, READ

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Net increase in permitted units: State



Source: DBEDT, READ

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Real estate market statistics are mixed

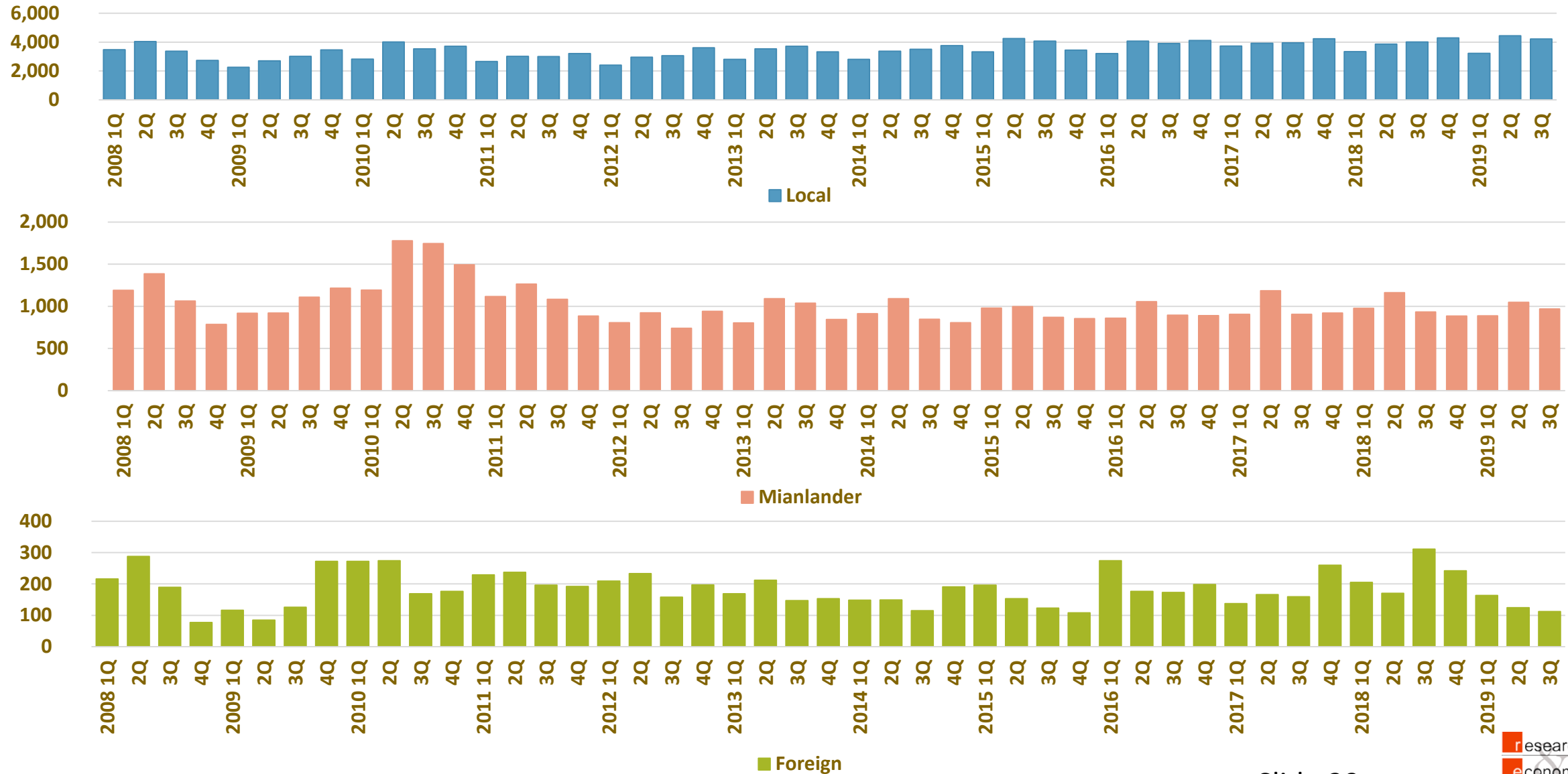
(% change btw. 2018 YTD and 2019 November YTD)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Oahu	2.7%	-0.6%	-4.9%	0.0%
Maui	-2.4%	4.3%	-3.5%	3.1%
Hawaii	2.9%	7.0%	4.4%	4.1%
Kauai	-2.0%	-7.0%	-16.5%	22.7%

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.

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Home sales have been stable for local and mainland buyers



Source: Title Guaranty of Hawaii, Inc