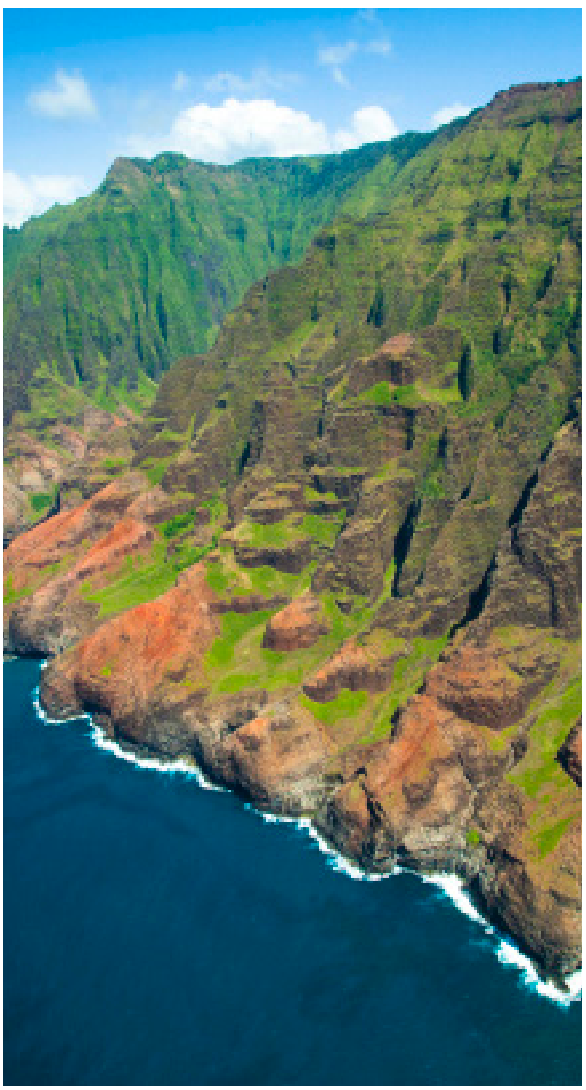
UHERO
THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAIʻI

UHERO FORECAST FOR THE STATE OF HAWAII

Near-term slowing expected as pandemic recovery ends

FEBRUARY 23, 2024



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UHERO FORECAST FOR THE STATE OF HAWAII

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EXECUTIVE SUMMARY

Hawaii's economy has been sustained by a resilient US and the gradual return of international visitors. With the Islands' post-pandemic recovery now largely complete, the economy will downshift this year, and support for growth will increasingly come from local sources, including a robust construction sector that will be bolstered by Maui rebuilding. On the Valley Isle, the initial visitor recovery after the wildfires has proven somewhat stronger than expected, but rebuilding will take a long time, with many uncertainties about how this will play out.

- The US economy is off to a positive start in 2024, characterized by strong consumer spending, still-healthy job markets, and substantial progress on inflation. This makes a "soft landing" now more likely than not. Challenges such as credit delinquencies and reduced savings will moderate consumer spending this year, while high interest rates continue to impact some sectors. Global economic challenges, including weakness abroad and the strong dollar, will keep US economic growth just below 2%.
- Hawaii's visitor industry showed resilience in 2023, with real visitor spending hovering near historic highs in the first quarter. There was some weakening of the industry even before the Maui wildfires, which of course dealt a heavy blow to the Valley Isle. US visitor arrivals eased a bit in the second half of 2023, partly offset by an uptick in Canadian and Japanese visitors, although the latter still lag by half their pre-pandemic level. Per person visitor spending has risen, but challenges remain, including the poor purchasing power of foreign currencies. Visitor arrivals will see modest growth of 2% this year, and real visitor spending will soften.
- The construction industry has been buoyed by large federal and state contracts, as well as robust home building on Oahu. To meet the needs of Maui rebuilding, the industry will expand further, adding 2,500 workers over the next three years.
- The Maui Interim Housing Plan allocates $500 million to fund housing for families displaced by the wildfires, primarily through a leasing program targeting vacation rentals. Recovery efforts focus on debris removal and rebuilding permits, with grants offered for Ohana unit construction to address the housing shortage. Nonetheless, the recovery remains a long road ahead.
- High housing costs are a challenge throughout the Islands. To address this, state and county governments are pushing to increase restrictions on short term rentals, hoping to encourage owners to return these properties to long-term housing. While several proposals have been floated, the relatively small incentives may not have a substantial impact on the housing stock. Other initiatives that support the building of new homes are more promising.
- While the labor market recovery on Maui was stronger than expected following the wildfires—supported by an already tight labor market—the pace of improvement in unemployment insurance claims has slowed. Unfortunately, workers who first filed for benefits in the weeks after the fire will begin losing eligibility this month.
- Elsewhere in the state, labor markets remain healthy. Employment has held steady or increased slightly on Hawaii Island, Oahu, and Kauai. There are differences in county labor market performance associated with different population trends. Net population growth on the Big Island has raised the labor force above pre-pandemic levels, while the other counties remain 3% to 4% below their pre-COVID levels.
- The slowing of population and labor force growth is a long-term phenomenon and will cause job and income growth rates to trend lower than in the past. Over the next three years, payrolls will grow at a less than 1% average annual rate, while real income will expand at about 1.7% per year.

<u>Featured issue:</u> As in the US overall, there is a marked gender pay gap in Hawaii. Lifetime earnings are consistently higher for men than women, even within the same level of education, and across most occupations. National studies have found that an important cause of gender pay differences is that women are more likely to prioritize home activities, often resulting in career sacrifices.

Forecast Summary

MAJOR ECONOMIC INDICATORS
BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
STATE OF HAWAII						
Nonfarm Payrolls (Thou)	587.0	617.7	635.2	640.3	646.1	652.5
% Change	4.8	5.2	2.8	0.8	0.9	1.0
Unemployment Rate (%)	6.0	3.5	3.1	2.7	2.4	2.3
Real Personal Income (Mil 2023$)	97,752.3	91,750.6	93,825.1	95,290.3	96,892.1	98,525.8
% Change	3.6	-6.1	2.3	1.6	1.7	1.7
Real GDP (Mil 2023$)	102,190.8	104,225.7	108,096.5	109,745.6	112,653.7	115,571.4
% Change	6.0	2.0	3.7	1.5	2.7	2.6
Total Visitor Arrivals by Air (Thou)	6,777.8	9,234.0	9,644.5	9,839.9	10,308.4	10,630.4
% Change	150.3	36.2	4.4	2.0	4.8	3.1
Average Daily Census (Thou)	178.9	232.2	234.5	232.3	239.2	245.9
% Change	129.7	29.7	1.0	-0.9	3.0	2.8
Real Visitor Expenditures (Mil 2023$)	14,415.5	20,267.8	20,708.0	20,305.8	20,257.8	20,426.4
% Change	150.4	40.6	2.2	-1.9	-0.2	0.8
HONOLULU COUNTY						
Nonfarm Payrolls (Thou)	424.3	444.6	458.0	462.8	466.0	470.0
% Change	3.1	4.8	3.0	1.0	0.7	0.9
Unemployment Rate (%)	5.6	3.4	2.9	2.3	2.2	2.2
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Real Personal Income (Mil 2023$)	70,824.0	66,673.4	68,130.5	69,340.4	70,483.8	71,597.7
% Change	1.9	-5.9	2.2	1.8	1.6	1.6
Total Visitor Arrivals by Air (Thou)	3,326.6	4,858.2	5,615.0	5,998.3	6,183.6	6,292.2
% Change	120.8	46.0	15.6	6.8	3.1	1.8
HAWAII COUNTY						
Nonfarm Payrolls (Thou)	64.9	68.1	70.5	71.6	72.5	73.4
% Change	6.4	5.0	3.5	1.7	1.3	1.2
Unemployment Rate (%)	5.8	3.6	3.2	2.4	2.4	2.1
Real Personal Income (Mil 2023$)	11,320.7	10,526.6	10,829.0	11,035.4	11,236.8	11,467.0
% Change	8.7	-7.0	2.9	1.9	1.8	2.0
Total Visitor Arrivals by Air (Thou)	1,183.5	1,667.6	1,766.7	1,878.4	1,935.9	1,981.0
% Change	139.7	40.9	5.9	6.3	3.1	2.3
MAUI COUNTY						
Nonfarm Payrolls (Thou)	69.6	74.4	75.2	74.1	75.4	76.6
% Change	13.7	6.9	1.1	-1.4	1.8	1.5
Unemployment Rate (%)	7.7	3.5	4.5	5.0	4.0	3.1
Real Personal Income (Mil 2023$)	10,917.0	10,238.1	10,446.5	10,458.4	10,631.9	10,825.0
% Change	9.8	-6.2	2.0	0.1	1.7	1.8
Total Visitor Arrivals by Air (Thou)	2,340.9	2,969.4	2,526.5	2,292.0	2,594.4	2,794.4
% Change	190.0	26.8	-14.9	-9.3	13.2	7.7
KAUAI COUNTY						
Nonfarm Payrolls (Thou)	28.2	30.5	31.6	31.8	32.1	32.5
% Change	7.0	8.3	3.4	0.7	1.0	1.1
Unemployment Rate (%)	8.2	3.5	2.8	2.3	2.3	2.2
Real Personal Income (Mil 2023$)	4,617.6	4,315.6	4,419.1	4,456.0	4,539.7	4,636.1
% Change	4.4	-6.5	2.4	0.8	1.9	2.1
Total Visitor Arrivals by Air (Thou)	813.6	1,345.6	1,416.9	1,452.6	1,465.2	1,483.5
% Change	146.4	65.4	5.3	2.5	0.9	1.2

Note: Source is UHERO. Nonfarm Payrolls for 2022-2023 are UHERO estimates of the 2024 benchmark revision. County unemployment rates for 2021-2023 are UHERO estimates of upcoming official BLS revisions. Figures for income and GDP for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts.

FIRST QUARTER HAWAII FORECAST

Hawaii's economy has continued to perform well, closing out the year with annual tourism numbers that were up slightly over 2022 and strong visitor spending. Ongoing international recovery offset some softening of the US mainland market. Maui tourism had a nice partial-rebound late in the year, although it has a long way to go. The state's labor markets remain healthy, with unemployment rates edging down in all counties but Maui. Even there, many residents who lost work after the wildfires have been able to find new jobs, helping to underpin what will be a difficult and lengthy rebuilding period.

Now that macroeconomic recovery from the pandemic is largely complete, the state economy will downshift this year. Growth impetus over the next several years will increasingly come from local sources, including a robust construction sector that will be bolstered by Maui rebuilding. Looking further out, growth rates will trend lower, constrained by slow population and labor force growth. Annual job growth will trend below 1%, and real personal income below 1.5% by late in the decade. Visitor numbers will also grow more slowly than in the past, as the industry pushes up against capacity constraints.

US Soft Landing Looking Ever More Likely

This year has begun on a positive note, following a 2023 that exceeded expectations. The US consumer has continued to spend at a healthy clip, despite still-underperforming retail sales in many areas. Overall economic activity had a strong second half, with final sales of domestic product growing at 3.3% pace in the fourth quarter. The labor market has stood up well in the face of historically large Fed rate hikes, beginning 2024 with the strongest monthly payroll job gains since the summer of last year. Despite this economic strength, there has been significant disinflation progress, with twelve-month CPI inflation running at 3.3% in December, compared with 5% as recently as April.

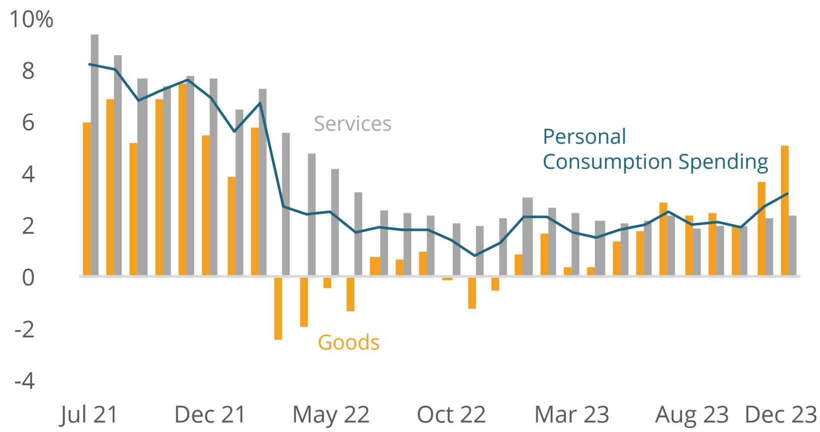
A soft landing, if not yet in the bag, now appears very likely. What that means to us is some softening—but not decline—in consumer spending this year, as credit challenges and reduced savings offset some of the tailwinds coming from income growth that has finally turned positive in real terms. The labor market will also be a bit less supportive. While the effect on unemployment will be limited, we are already seeing relatively more growth in part-time positions than we did earlier in the recovery, and less support will come from the public sector.

High interest rates will continue to take a toll on some sectors. A meaningful revival of real estate could begin later this year as interest rates ease somewhat and people who have put off moves decide they have waited as long as they can. However, rates are not expected to return to pre-pandemic fire sale levels, posing continued challenges to affordability. The auto sector had a bumper 2023 despite soaring rates, benefiting from the rebuilding of both commercial car fleets and retail inventories. It will be harder to maintain the same production pace in 2024.

The manufacturing sector continues to languish. In part, this is because of weak domestic investment in equipment, but a struggling global economy is also playing a role. And developments abroad do not provide much hope for

REAL CONSUMER SPENDING, YEAR-ON-YEAR GROWTH

Consumer spending has accelerated, underpinned by a strong job market.



a near-term respite. Chinese property problems continue to mount, most recently with the court-mandated liquidation of Evergrand Holdings. Falling home prices are undercutting consumer spending, which had been seen as a likely source of economic resurgence following the long pandemic shutdown. Weak Chinese demand—and heightened competition abroad—is among the factors pulling Germany within a hair's breadth of recession. Japan's economy is also suffering, as inflation eats into real purchasing power. Global conditions will only gradually recover over the course of this year and next.

Rate cuts are appearing on the horizon, even if not the near-horizon that investors had hoped for. While all but ruling out a March cut, Federal Reserve Chair Jerome Powell has suggested that the Fed is now in a waiting game, hoping to see enough additional months of disinflation progress to permit the policy turn to begin. (There remains concern that underlying inflation has been masked by transitory factors, most recently declining prices of non-energy goods.) While the beginning of rate cuts is unlikely to come sooner than May, a failure to turn this year would be a surprise.

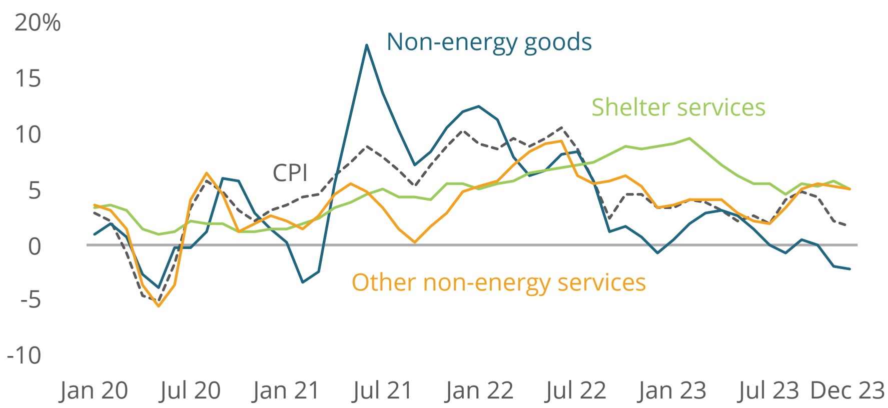
An important question has been whether the Fed would be willing to make that policy turn if labor markets remain relatively tight. Recent comments from the Fed Chair were reassuring in this regard, suggesting that healthy growth need not prevent rate cuts, as long as there is convincing evidence from inflation progress itself that the 2% target will in fact be achieved.

In our current forecast, we see the US economy passing through a period of slower growth in much of this year, before firming in late 2024. For the year as a whole, real GDP will expand by 1.8%, following last year's above-trend 2.5% growth. Even with late-2024 firming, annual growth in 2025 is unlikely to top 2%, in line with the economy's likely potential growth path.

While there are always risks to the outlook, this time they are more evenly balanced between potential upside and downside surprises. Given their demonstrated resilience, consumers could end up spending more than anticipated this year, particularly now that real incomes are on the rise. But there are early signs of rising credit challenges for some households. In the financial sector, credit risks associated with non-performing commercial real estate debt threaten losses for some institutions, even if they do not pose a systemic risk. Then there are the risks associated with the disruption of Red Sea shipping. While the impact on shipping costs is manageable so far, a further spread of the conflict could have much larger adverse consequences.

CPI INFLATION OVER THE PREVIOUS THREE MONTHS, ANNUALIZED

Disinflation has been impressive, but progress in some areas has slowed.



The biggest downside risk remains interest rate policy. Disinflation progress, while impressive, has slowed in recent months. Chair Powell has made it clear that the FOMC will need to see further declines in inflation before feeling it appropriate to turn the page on this tightening cycle.

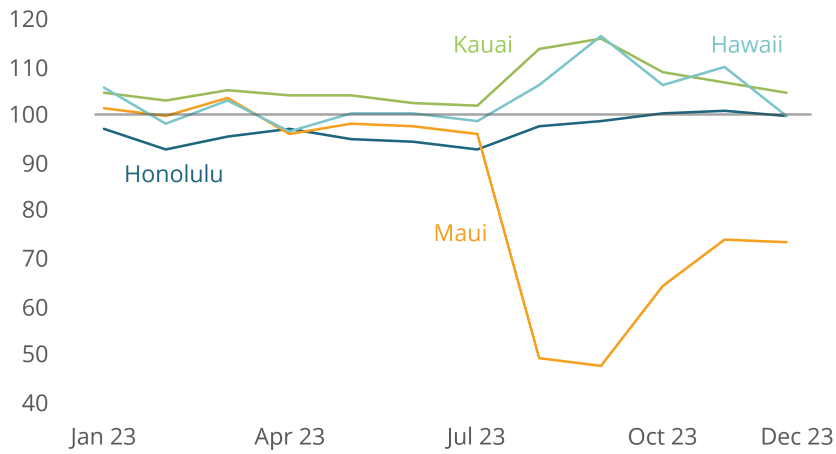
North American visitors driving post-Maui fires recovery

The visitor industry continued to perform well last year, despite the impact of the Maui wildfires. With the post-pandemic recovery largely complete, gains were more incremental. Healthy visitor numbers in the first half of the year generated significant year-over-year gains, with a bit softer numbers by midyear, even before the wildfires hit. That disaster crushed Maui arrivals initially, even as other counties benefited from some substitution, but the Valley Isle had a relatively quick bounce off its post-disaster lows. Statewide visitor spending was particularly strong last year. Inflation-adjusted real visitor expenditures hovered near a historic high in the first quarter, and real daily spending by the average visitor rose to levels last seen nearly a decade ago.

By December, statewide visitor arrivals were running just a bit below the prior year, and fully 9% below the 2019 level. The average daily visitor census, which takes into account length of stay, was 8% lower than in December 2019. Most of this weakness can of course be attributed to Maui; the number of visitors to the other counties was at or above pre-pandemic levels. Statewide domestic passenger counts, which provide timely data through early February, have remained relatively stable since last fall, with January on par with last year's number of travelers.

Across markets, there was a notable uptick in Canadian visitor arrivals last fall, especially when contrasted with stagnant US numbers. This period also marked a faster pace of recovery of Japanese tourism. But although the recovery rate of Japanese visitors has somewhat exceeded our expectations, their number remains only half of the pre-pandemic levels. Ongoing progress in regaining international tourists represents a promising shift back towards a more diverse visitor profile, which has been overly-dependent on the US market throughout the pandemic and its aftermath. Currently US visitors account for more than 70% of all visitors. Getting to a more diverse visitor mix is essential for industry resilience, but getting there faces challenges, including lingering reticence of international travelers, weaker global economic conditions, and a strong dollar.

VISITOR CENSUS (INDEX, JANUARY 2020 = 100)
Other counties have seen increased visitors as Maui works to recover.



While last year's annual increase in inflation-adjusted real visitor spending was impressive, values have been on decline from a high point in March. As of December, real visitor spending was running almost 5% lower than the year before and was 3% lower than in 2019. The bulk of the decline can be attributed to the Maui fires, whose impact remains substantial. By source market, spending largely follows the pattern of visitor arrivals. US visitor spending has fallen by 11% compared with last year, yet it remains 6% higher than in 2019. Japanese visitor spending doubled over the past year, but remains 60% lower than in 2019. Meanwhile, Canadian visitor spending has fluctuated near its 2019 level. For much of the recovery, solid expenditures by North American visitors have offset the spending impact of absent Japanese tourists; the continuing recovery of the latter market is especially helpful now that the North American market has peaked.

Compared to the pre-pandemic level, per visitor spending is now higher across all markets except Japan, reflecting in part higher prices in the tourism sector, particularly the surge in accommodation rates. Prior to the pandemic, Japanese visitors had the highest per capita daily expenditures, but spending by US visitors has now caught up to that level. Slower gains in dollars spent by Japanese visitors can be almost completely explained by the exceptionally weak yen: converted to yen, the daily spending of Japanese visitors is now actually 33% higher than before the pandemic.

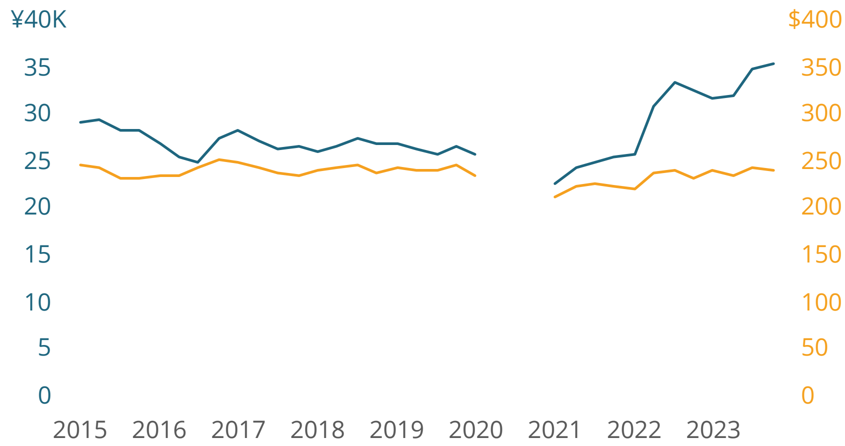
A significant portion of travel budgets goes to airfare. (Another big chunk goes to accommodations; more below.) In early December, Alaska Air Group announced its intention to acquire Hawaiian Holdings for $1.9 billion, integrating Hawaiian's debt while keeping operations distinct. Shareholders' and regulators' approval is pending, with the recently blocked JetBlue-Spirit merger impacting airline stocks and possibly this merger's prospects. It is unclear yet whether a merged airline would have any significant effects on the Hawaii air travel market.

Room rates rise on the Neighbor Islands other than Maui

The accommodation sector in Hawaii has exhibited remarkable resilience, with occupancy rates remaining steady after a brief dip caused by the Maui wildfires. The slack on Maui was partly taken up by accommodations offered to displaced residents and recovery workers. Inflation-adjusted room rates have receded slightly compared with 2022, but still ended last year 7% above their 2019 level. Room rate strength is a Neighbor Island story, with Big Island room rates rising steadily. In December, inflation-adjusted room rates on the Big Island were 44% higher than their 2019 level. Maui room rates fell sharply

DAILY SPENDING BY THE AVERAGE JAPANESE VISITOR

The exceptionally low yen value explains much of the weakness of Japanese daily visitor spending.



in the aftermath of the fires and have yet to stabilize. Average daily rates on Maui are also lower due to block leasing to federal agencies. The recovery of room rates in Honolulu has not been as rapid as in other counties, and still remain a bit below their pre-pandemic level.

Statewide occupancy rates have been volatile, generally fluctuating between 70% and 77%, The statewide average finished the year just below the 2019 rate. The fall season showed a softening in demand from U.S. tourists (these are seasonally-adjusted data), which was offset to some extent by increased visitor numbers from Canada and Japan. While average occupancy rates across the islands have not yet returned to pre-pandemic levels, Honolulu stands out making the most headway in 2023, with a nearly 5% year-over-year gain as the ongoing Japanese return continues. In contrast, Maui occupancy rates stood at less than 70% in December, 10% below its pre-pandemic level. For now, the county seems to have enough spare capacity to welcome additional visitors despite fire-related housing uses.

Global economic deceleration and the strong U.S. dollar will weigh on the growth of international arrivals this year. Additionally, the end of post-pandemic “catch-up” travel and dwindling savings will continue to limit the number of mainland visitors. The recovery path for Maui tourism will depend on these demand side factors in the near term and the availability of housing for residents and accommodations for visitors over the next half decade. We have more to say about these prospects in the forecast section, below.

The federal government makes a little progress on tax issues

On January 19 a third continuing resolution was passed to fund the federal government. Twelve appropriations bills remain to be passed for Fiscal Year 2024—four now last through March 1 and eight through March 8. If the twelve appropriations bills pass before the new deadlines, federal agencies will learn of their new funding amounts, albeit about five months late. If not, a government shutdown will once again loom unless a further continuing resolution is passed. Either way, the failure to pass budgets has already triggered mandatory cuts to begin May 1, barring further action by Congress before that time.

The bipartisan Tax Relief for American Families and Workers Act, passed by the house, introduces several tax changes. It is still to face the Senate. Under the bill, the child tax credit is expanded to $1,800 per child under 16, rising by $100 each year to reach $2,000 in 2025 and then adjusted for inflation thereafter. The temporary expansion of the child tax credit in 2021 helped cut child poverty by half, which also meant child poverty doubled when those tax credits expired. While the new credit is lower than the 2021 version, not available monthly, and not fully accessible to low-income families, it still offers significant relief to households in Hawaii, especially those with more than one child.

The bill also reverses some of the changes in the 2017 Tax Cuts and Jobs Act. For example, the bill reinstates research expensing rules that were in effect before 2022, such that all research costs can once again be expensed in the year they are incurred. Note that *research expensing* differs from the R&D tax credit, which offers additional credits for eligible research costs. It's a measure that is especially useful for new businesses, who may not see the revenue from research investments until a number of years down the road. The bill also restores full and immediate deductibility of investments in machinery and equipment. To finance these tax breaks, the bill cancels the Employee Retention Tax Credit, implemented during the pandemic to encourage businesses to retain workers.

Hawaii's governments set priorities

The Governor's *State of the State* address emphasized the need to reduce housing costs in Hawaii, in particular by providing incentives to transfer short-term rentals and vacant investment properties to long-term housing for residents. For example, the Governor proposed a tax holiday for any home sale that results in a unit moving from the short-term to long-term housing market. The measure, which would need to be considered and passed by the Hawaii Legislature, would exempt these transactions from conveyance and capital gains taxes. While such tax exemptions could provide significant tax relief, they could also provide an opportunity for tax avoidance, and the effect on long-term housing supply would depend on the details of implementation.

Since the wildfires, housing issues are most acute in West Maui. The Governor even floated the possibility of an outright ban on vacation rentals in West Maui. Such a policy—if it could be implemented legally—would provide more than enough capacity to meet the post-fire needs and would reduce rents across the island, as roughly 5,000 vacation rental properties could potentially move to the long-term supply. For now, the Governor's focus will be on securing the needed units through the FEMA direct leasing program. Other proposed incentives include stronger enforcement of regulations, additional restrictions on short-term rentals, tax changes, and emergency measures.

While many proposed changes would require action by the Hawaii Legislature and/or county governments, the State Senate is already holding hearings on a proposed bill to introduce state regulations for short-term rentals, and county governments are considering bills of their own. For example, Hawaii County Council is considering modifying regulations for short-term rentals by targeting quality standards, where short-term rentals are allowed, and increasing registration costs, all of which are intended to incentivise the transfer to long-term housing. However, with the exception of Maui's Interim Housing Plan (see the housing section below for details), the relatively modest incentives proposed by both State and county governments would likely have only limited impact on the number of conversions to long-term housing. Other proposals could help by lifting the long term supply of new housing. For example, Maui Council passed a bill that would provide $100,000 grants to households that build Ohana units (additional homes on existing occupied lots), as a way to expand the supply of local housing opportunities. Similarly, Hawaii County Council is considering a bill to remove most of the restrictions on building ohana units while preventing new short term rental of these units.

The State Council on Revenues raised its forecast for fiscal year 2024 General Fund revenue by $248 million and an additional $218 million for the next fiscal year. The revision is on the back of a faster-than-expected recovery after the Maui wildfires and reduced possibility of a US recession. This will give the legislature greater flexibility in its budget, including covering expenses for the wildfire recovery on Maui.

However, on the other side of the budget, the State will soon owe hundreds of millions of dollars for hazard pay to State workers during the pandemic. Public worker unions are pursuing several claims from all counties and the State. An arbitration award on Maui in 2022 found that the COVID-19 pandemic qualified as a temporary hazard and determined that back pay was required. The most recent arbitration decision has determined that public school employees (excluding teachers) are entitled to back pay of up to 25% for up to two years. Further claims are also proceeding through arbitration. However, the total amount of the bill, the recipients to be compensated, and the individual compensation amounts remain uncertain.

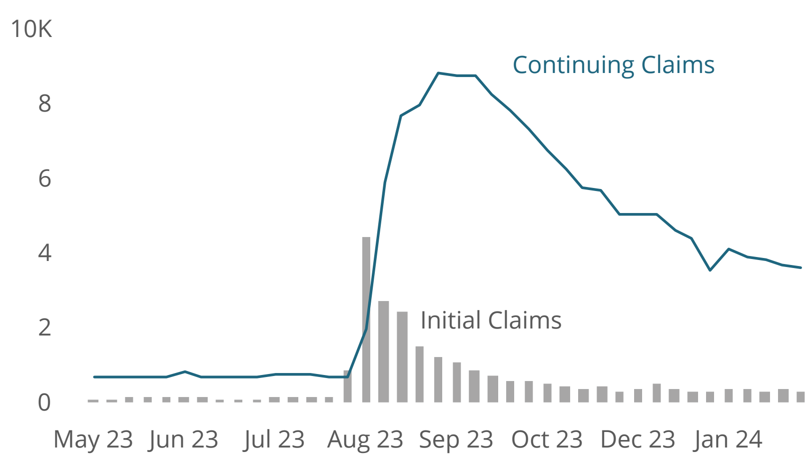
Maui's post-fire recovery slows

During the final quarter of 2023, continuing unemployment insurance claims for Maui County declined steadily from their September peak. Continuing claims plummeted from nearly 9,000 in September to 3,500 by the year's end. The rapid reduction in joblessness may be attributed to the tight labor market conditions that prevailed before the fires, holiday hiring, and recovery-related jobs.

As we enter 2024, the pace of decline in continuing claims has slowed, with the current figure just over 3,600 as of this writing. The employment recovery has likely ended as workers who were easiest to place have already found new jobs. And unless benefits are extended, workers who first filed for benefits in the weeks after the fire will begin losing eligibility this month. This means that those still facing unemployment due to the fires will start to face a greater loss of income as their benefits expire. Jobless residents may be pushed to take jobs that are less suited to their skills or to look elsewhere beyond Maui or outside the state.

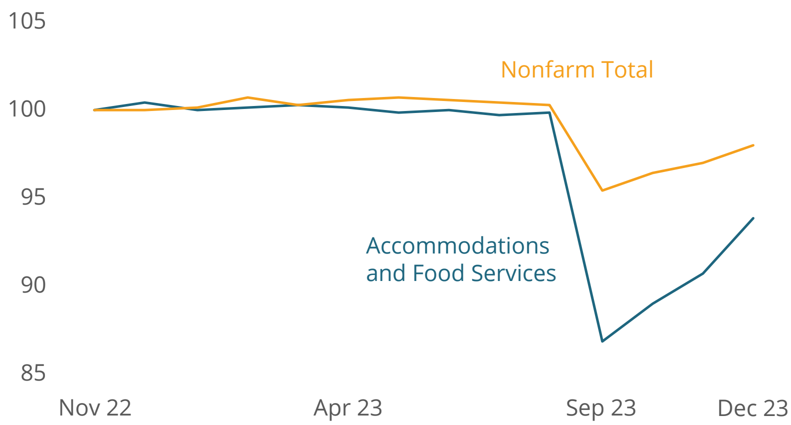
NUMBER OF CONTINUING UNEMPLOYMENT INSURANCE CLAIMS, MAUI COUNTY

The improvement in Maui jobless claims has slowed.



NONFARM AND ACCOMMODATIONS/ FOOD SERVICES JOBS FOR MAUI COUNTY, INDEX (NOV 2022 = 100)

Partial recovery still leaves Maui tourism jobs far below pre-fire levels.



Since the wildfire recovery began, Maui County has regained only about half of the roughly 3,700 nonfarm jobs lost during the fires. The accommodations and food services sector has borne the brunt of Maui's payroll decline, shedding 2,700 jobs post-fire. Partial recovery since then still leaves the industry 1,300 jobs short of pre-fire employment. The fires were a considerable setback for the industry that had not yet fully recovered from the COVID-19 recession. Currently, the industry lags pre-pandemic employment by 15%.

Overall, Maui County's nonfarm employment stands at approximately 74,000 jobs, 2.4% below its pre-fire level. While the unemployment rate has receded markedly from a peak of nearly 8% in September, it remains higher than the rest of the state at 5.5%. Surprisingly, the Maui County labor force has fallen by only 1,000 people since August, implying that most of those who lost jobs were able to find new employment. Of those people who did not remain in the labor force, some may have left the state, but others may have remained on Maui and decided not to return to work.

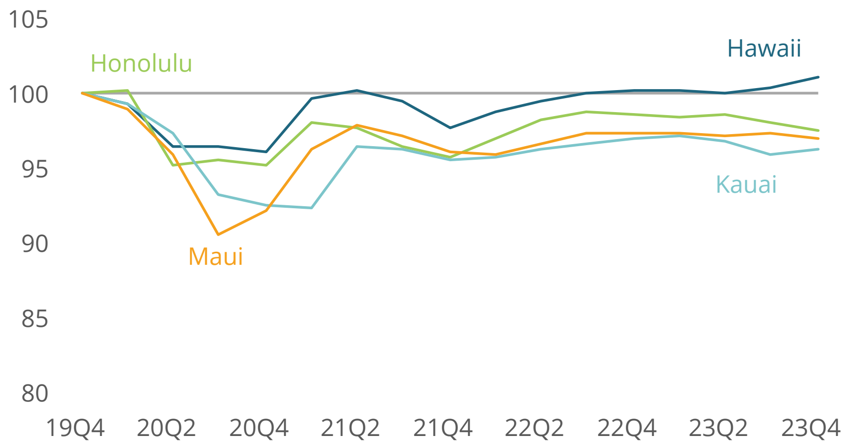
Hawaii growth settles into a "new normal"

While Maui County is at the beginning of its post-fire recovery, employment across Hawaii Island, Oahu, and Kauai have remained steady or increased slightly. Payrolls across Oahu and Kauai have been relatively flat for the past six months, with total nonfarm jobs increasing by just half a percent since August. Total nonfarm job counts on Oahu and Kauai are now 4% and 6% below their pre-COVID levels. On the other hand, payrolls in Hawaii County have made a full recovery since the pandemic began and continue to trend upward.

Relative labor market performance across the counties other than Maui is being influenced by shifts in the labor force and population growth trends. In Hawaii County, the labor force has not only rebounded but now exceeds pre-COVID levels, boasting an increase of approximately 1,000 workers compared with the fourth quarter of 2019. This surge in the labor force aligns with the island's population growth, marked by a notable 3% increase in residents between the fourth quarter of 2019 and the third quarter of 2022. In contrast, the labor force in the other counties remains 3% to 4% below pre-pandemic levels. Oahu and Kauai have seen little to no change over the past two years.

Slower (or declining) population and labor force growth will mean a slower-growth "new normal" for all counties other than the Big Island. On Kauai and Oahu, it is likely that payrolls will hold steady near current levels in

LABOR FORCE BY COUNTY, INDEX (2019 Q4 = 100)
Labor market performance across counties reflects differing population growth trends.



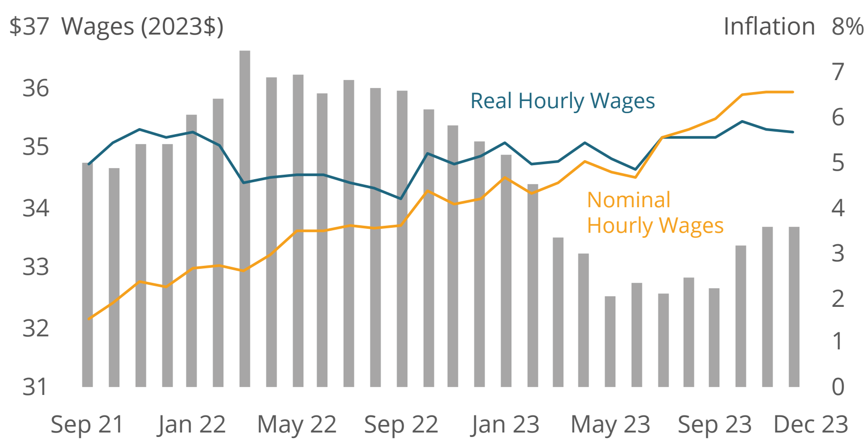
coming years. It is possible that Maui County could fare worse, if the wildfire aftermath further deteriorates housing affordability challenges and makes it difficult for some residents to remain on the island. The ultimate impact of the fires on the county economy will clearly depend on the effectiveness of the recovery efforts in addressing such concerns. We will discuss the Maui housing issue further, below.

Recent uptick shows inflation's impact on purchasing power not yet over

Honolulu inflation peaked at 7.5% in March 2022, and it then plummeted to a 2% annual pace by May of last year. Recent months have seen a significant pick-up: inflation rose at a 4.4% annual pace between May and December, raising year-over-year inflation to 3.9%. Among the major culprits are food away from home, shelter costs, and the "other goods and services" category, while falling energy prices, transportation costs, and motor vehicle prices are helping to offset the re-acceleration.

At the same time, nominal hourly wages have maintained a strong upward trajectory, rising nearly 5% between December of 2022 and December of 2023. As a result, overall inflation-adjusted real hourly wages are now regaining ground lost during 2022. Over the past year, real hourly wages have increased by 1.2%. (Note that inflation data in Hawaii is available only for the Honolulu metropolitan area.)

HOURLY WAGES IN REAL 2023 DOLLARS (TOTAL PRIVATE) AND INFLATION
Lower inflation supports real wage gains.



While overall private sector wages have essentially kept pace with inflation over the post-pandemic period, there have been considerable differences across industries. For example, real hourly wages are about equal to their December 2019 level for the accommodations and food services industries taken together, but for the food services sub-sector they have experienced significant post-pandemic growth, boasting inflation-adjusted hourly wages 13% higher than they were before the COVID-19 shutdowns. Although we do not have data on hourly wages in the accommodations sector, real weekly wages show a slight decline from its pre-COVID level. Other industries that have seen below-average real wage recovery include financial activities and retail trade. These industries have seen less than 1% growth in real wages since the pandemic began four years ago.

Hope and challenge for Maui housing

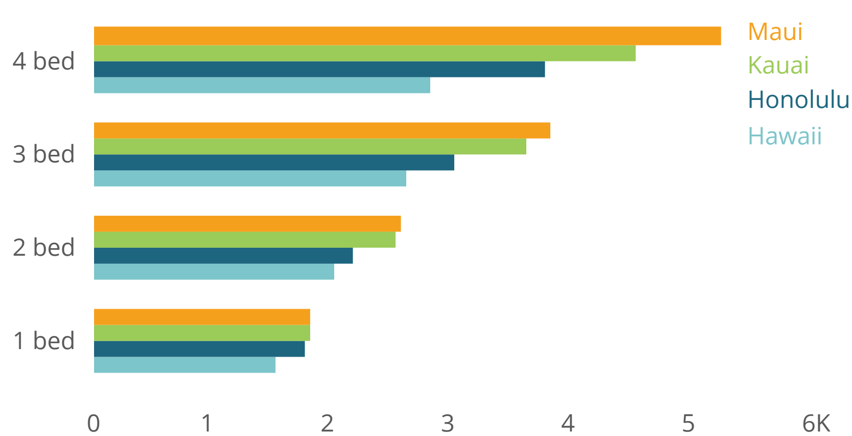
The devastating Maui wildfires have created both the pressing near-term problem of housing displaced residents, but also the challenge of rebuilding to meet longer-term needs. With the kick off of the legislative season and the Governor's annual State of the State address, new proposals have joined existing efforts. Effectively addressing Maui's housing shortfall may also provide broader lessons for Hawaii's chronic housing problems.

The *Maui Interim Housing Plan* was introduced in January as a partnership between federal, state and local agencies, and nonprofits. The plan, with collective commitments totaling $500 million, is intended to expand existing programs to provide near-term shelter and invest in longer-term housing solutions, with the goal of providing 3,000 housing units with at least eighteen-month commitments. The program hopes to relocate families now housed in hotels and other explicitly-temporary shelters to existing homes and to rebuild a housing pool for long-term occupancy. The largest component of the plan is a direct leasing program to encourage operators of vacation rental properties to rent to displaced families. The program provides funding for FEMA to secure housing units by offering property owners rents that are high enough to match what they would receive in the vacation rental market, and subsequently sublet the units to fire victims.

The success of the initiative will depend on the program's ability to expand the local long-term housing supply by converting vacation rentals to long term units. The current description of the program does not stipulate that

MEDIAN ASKING RENT ON CRAIGSLIST IN 2023 BY BEDROOMS

Maui rental listings are the most expensive in the state, particularly for larger units.



The Gender Pay Gap in Hawaii

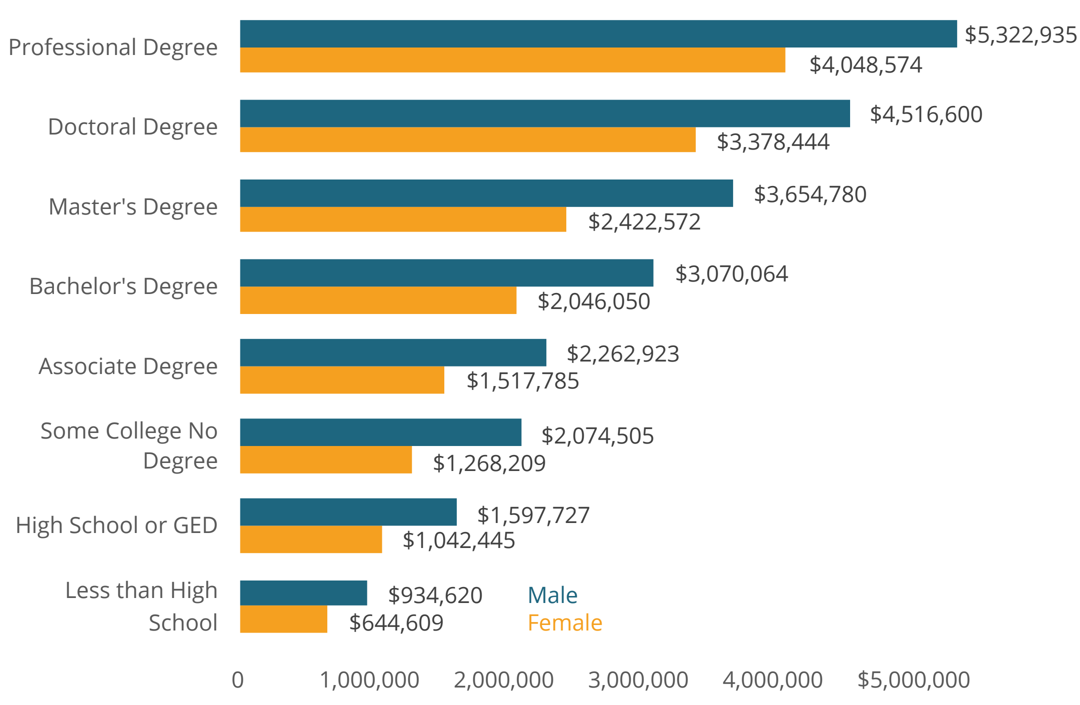
The gender pay gap has been a focal point in economics especially within the past year when [Claudia Goldin] won the nobel prize for uncovering key drivers of gender differences in the labor market. While female labor participation increased substantially over the past century, Goldin found that the earnings gap between men and women in the US hardly closed over a long period of time. According to data from the American Community Survey (ACS) spanning 2015 to 2022, the average male in Hawaii out-earned the average female by 50%, a smaller margin than the 69% gap observed nationally, but still very large.

These aggregate figures, however, overlook crucial factors such as educational attainment and occupation, which significantly impact earnings. For example, many jobs demanding higher skills and offering higher pay in Hawaii tend to have a greater proportion of men than women, thereby inflating overall average male earnings. An accurate measure of the gender pay gap needs to consider whether women with similar skill levels and educational backgrounds earn less than their male counterparts. This approach offers a more nuanced understanding of gender-based income disparities.

When examining earnings across education levels from 2015 to 2022, lifetime earnings are consistently higher for men than women, even within the same level of education. The smallest discrepancy is among individuals with professional or doctoral degrees, where men earn 33 to 35% more than women holding the same degree. The most substantial gap surfaces among those who attended college but don't complete their degree: men in this group earn a staggering 63% more than their female counterparts. This disparity is glaring. For a woman to match the lifetime earnings of a man with some college experience but no degree, she would need to attain at least a master's degree. Remarkably, at every educational tier, women in the subsequent degree bracket fail to surpass the earnings of men at the previous education level.

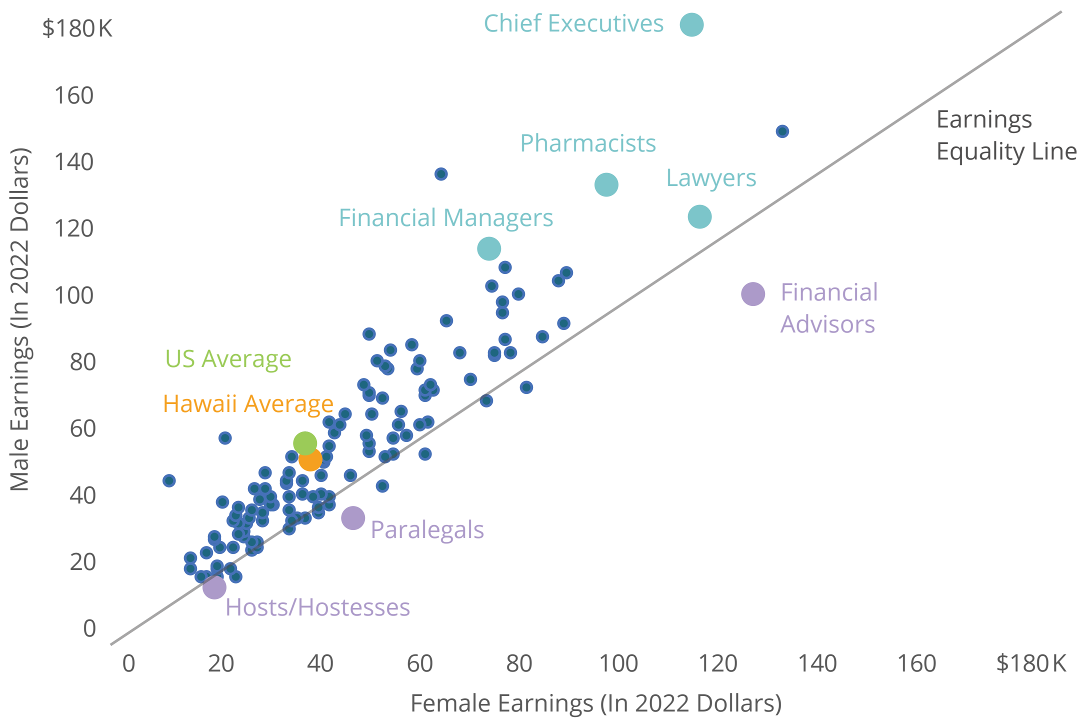
LIFETIME EARNINGS FOR MEN AND WOMEN IN HAWAII BY EDUCATION LEVEL (IN 2022 DOLLARS)

Lifetime earnings for men are higher than for women with the same level of education.



MALE VS FEMALE EARNINGS BY OCCUPATION

Men tend to out-earn women within the same occupation.



Looking within occupations, researchers can examine if there are systemic or direct discriminatory causes of the gender pay gap. Among the 130 occupations examined in our sample, men earned more than women in 82% of these careers, while only 18% of these professions saw women earning more than men. Occupations such as artists, chief executives, and pharmacists exhibit some of the lowest ratios of female to male earnings, indicating that women working these jobs earn much less than men. Conversely, roles like hosts/hostesses, bartenders, and paralegals show the highest ratios of female to male earnings, with women earning more than men on average in these occupations.

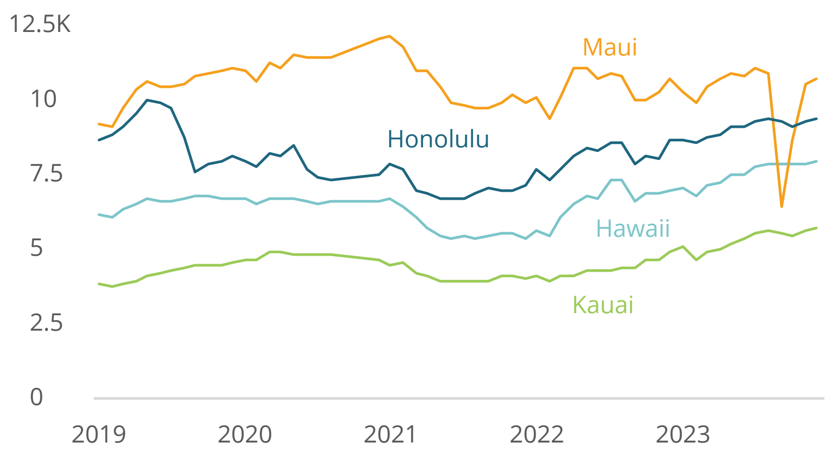
What drives Hawaii's gender pay gap? Several national studies have found that women are more likely to prioritize home activities, often resulting in career sacrifices. For instance, women have a higher likelihood of reducing their work hours to care for their children compared with men. To this end, another study shows that while early career earnings between men and women are nearly identical, the arrival of a woman's first child significantly impacts her income. Here in Hawaii, the data aligns with Goldin's findings. Throughout their mid to late 20's, men earn slightly more than women. After that, this pay differential widens as men's wages grow at a much faster rate than women's, and the gap continues over the course of a worker's career. This coincides with the average age of first childbirth in Hawaii, which the New York Times reports as age 27.

the unit must have previously been a short-term rental to qualify, which could present a problem if landlords attempt to qualify current long-term units for the program. While Maui is under an eviction moratorium that should protect existing long-term renters. Some may be unaware of their rights. And natural turnover in the rental market also generates vacancies that may lead to higher rents subsidized by the program.

In addition, directing the majority of dedicated funds toward securing units, rather than building new homes, risks fueling demand and raising prices in an already extremely expensive rental market. The Maui housing market is

ACTIVE SHORT-TERM VACATION RENTAL LISTINGS

The stock of operating vacation rentals on Maui recovered quickly in the months after the fires.



particularly bleak for larger families in need of multi-bedroom units. In 2023, the median listing price for a four bedroom home was $5,200 per month, significantly above the state average. So even with well-intended housing initiatives, implementing programs effectively will be a tall order.

The number of active short term rentals (STRs) on Maui fell by 40% in the months after the fire, driven by the closure of West Maui to tourists, but listings quickly rebounded to pre-fire levels. There are currently 10,500 vacation rentals listed on Maui, accounting for 15% of the total housing stock. Note that only a small fraction of the STR market would be required to house all families displaced by the fires. And roughly half of Maui STRs are located in West Maui itself. Some STR owners (representing more than 400 units) have taken advantage of a County property tax exemption available when an STR is rented to a displaced household, but it remains to be seen how many may eventually become available under other programs.

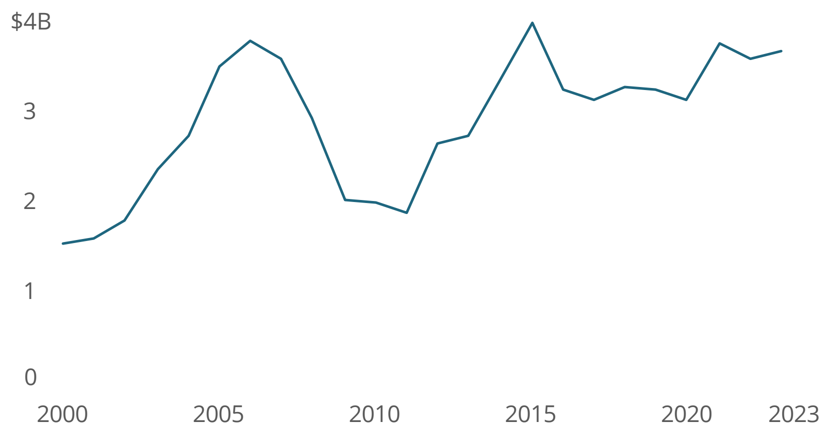
Construction activity remains strong

With the EPA completing the removal of hazardous materials, the Maui wildfire recovery has now transitioned to [Phase 2: debris removal](). The government-sponsored program funds the Army Corps of Engineers to clean up properties, with property owners contributing costs covered by insurance policies for debris removal, when available. Property owners can choose not to participate in the government program, but they may face significant expenses for debris removal and ensuring their property meets the required standards for rebuilding. Maui Council took steps to establish a new permitting office exclusively for rebuilding projects in the Lahaina area.

Looking beyond Maui, construction activity has remained robust, particularly on Oahu. The value of building permits issued across the state has remained high, with $3.7 billion of private building permits issued in 2023. Among large public sector projects, the Honolulu City Council recently approved the federal funding proposal to extend rail to Kakaako, which will require significant infrastructure investment along the transit corridor. Transit Oriented Development (TOD) neighborhood plans have also been adopted near stations, which envision significant new housing development. The Kakaako area, which is within an HCDA governed special development district, continues to see high levels of construction activity. More than one billion dollars of new building permits were issued within the district in 2023, following a similar figure in 2022.

VALUE OF PRIVATE BUILDING PERMITS ISSUED, STATEWIDE

Private Hawaii building permits totaled $3.7 billion in 2023.



Other major construction projects include the redevelopment of Mayor Wright homes, which was expedited through the Governor's Emergency Housing Proclamation. The project is set to include 2,448 new housing units, which represents a significant expansion of the state's affordable housing supply. The Aloha Stadium redevelopment plan is progressing, as Honolulu adopted bills to approve the needed rezonings for the forthcoming mixed-use development. Additional construction demand will continue to come from the massive Navy investments in the state. The Naval Facilities Engineering Systems Command distributed $248 million in contracts in October, primarily for upgrades at Pearl Harbor.

The construction industry on the Neighbor Islands had a strong 2023, with investments focused on roads and other public infrastructure. Significant investments in water infrastructure are forthcoming. Hawaii County recently signed a contract for a $58 million reservoir improvement in Kohala. Maui County is accepting bids for water main upgrades near Kahului, which are estimated to cost over $200 million.

Home building has hit an important roadblock. A class action lawsuit that centers on alleged defects in galvanized metal foundation components is impacting not only completed homes, but now also units under construction. The result is increases in insurance, construction and borrowing costs. The litigation also means that first-time homebuyers are unable to take advantage of low down-payment government insured loans at attractive interest rates. The end result is that planned development of a large number of housing units have been put on hold.

THE HAWAII OUTLOOK

Our Hawaii forecast shows little change compared with our fourth quarter outlook. Maui's somewhat faster initial recovery will translate into better performance for tourism-related sectors in the very near term, but this does not change our expectations of an extended period of Maui tourism recovery. For the state overall, tourism numbers are expected to be just a tad higher than in our previous forecast. The biggest barrier to full tourism recovery will continue to be the Japanese market, held back in part by inflation at home and a very weak yen abroad. Depreciating currencies are a challenge for many other visitor markets, and in general the global outlook has weakened somewhat. The best news is an increasingly optimistic outlook that the Fed's disinflation mission can be obtained without further significant US slowing. While some 2024 slowing is expected, the US "soft landing" improves prospects for domestic tourism over the next several years. (We note that data revisions have affected some measures of 2023 activity and therefore some specific forecast numbers.)

At home, an anticipated Fed pivot to rate cuts later this year will support housing and household finances. The real estate market remains exceptionally weak. Mortgage rates, which declined sharply after approaching 8% in October, will soften further as interest rate policy turns. But a return to the ultra-low rates seen before and during the pandemic is very unlikely. Moderately high rates and elevated prices will present a persistent affordability challenge. Despite this, the construction sector remains robust, and it will require substantial further expansion to meet Maui's rebuilding demands through the remainder of the decade. Securing the necessary workforce poses a challenge and will likely drive up construction costs. Employment progress will soften in most sectors in 2024, as the US visitor market weakens a bit and the overall economy transitions from the long post-COVID recovery to slower trend expansion, constrained by stagnant population growth and an aging workforce.

Ongoing international visitor recovery will partly offset a flat US market

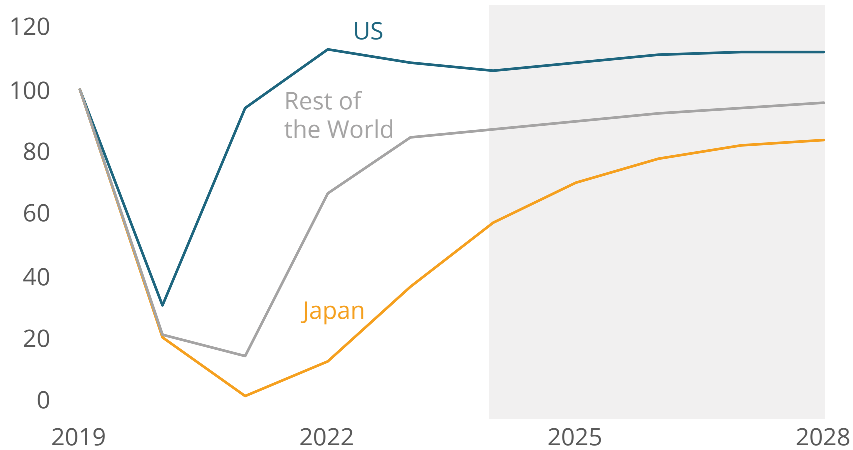
After the precipitous drop of arrivals in the wake of the devastating Maui wildfires, the island's visitor industry experienced a relatively quick bounce off the lows. By the end of last year, total visitor arrivals on Maui had recovered half of their late-summer losses. Seasonally adjusted weekly passenger counts also trended up through December. Gains flattened out in January, hinting at slower gains as the recovery progresses.

The quick initial rebound is welcome news, but we continue to believe that a full recovery of the Maui visitor industry remains many years down the road. Barriers to recovery will include the necessary use of hotel rooms and other visitor accommodations to house recovery and reconstruction workers in the near term, highway congestion and persistent resource constraints, and reluctance by some travelers to choose Maui as a travel destination until recovery is much further along.

Last fall, some would-be Maui travelers opted to visit Kauai and the Big Island instead, which softened the blow to aggregate Hawaii tourism. In general, the Neighbor Islands have benefited from strong US demand, which supported Hawaii's tourism industry throughout the post-pandemic period. Visitors from the mainland continue to represent more than three quarters

VISITOR ARRIVALS (INDEX, 2019 = 100)

The return of international visitors will offset a mediocre US market.



of all arrivals, far higher than their two-thirds market share in 2019. But US visitor numbers began to soften even before the Maui fires as the post-pandemic "make-up" travel began to recede. With a decelerating US economy and declining household resources for travel, US arrivals will fail to rise above current levels over the next year.

The ongoing recovery of the Japanese markets will help to bolster overall visitor arrivals. We have noted above the relatively weak global conditions and currencies that are weighing on many overseas markets. After a weak 2024, global conditions will gradually improve, favoring further recovery of international markets. We expect the total number of international arrivals from markets other than Japan to return to roughly their 2019 level by late in the decade.

In 2024, statewide visitor arrivals will come in 2% above last year's level. All the gains will come from ongoing incremental recovery of international markets, which will help us move gradually back to a more diversified visitor mix. As the US market re-gains its strength, growth in total visitor arrivals will accelerate to nearly 5% in 2025.

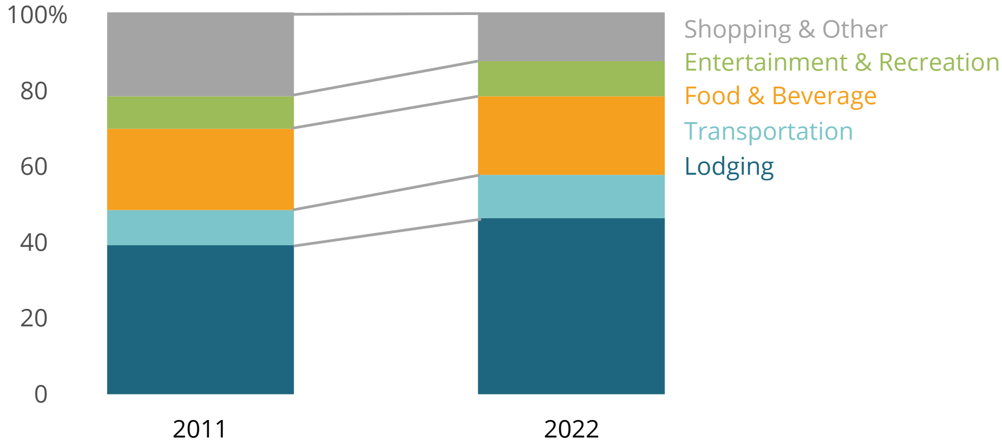
The pace of Japanese market expansion will slow after the next two years of recovery, and we are relatively pessimistic about longer-term prospects. Because of a shrinking and aging population, and possibly changing attitudes about long-haul travel, the number of Japanese visitors at the end of the decade will be 12% lower than the average for the 2015-2019 period. Even then, Japan will remain the second largest visitor market after the US.

Visitor spending will ease in 2024

Real visitor spending rose last year to levels last seen in the late nineteen-eighties, propelled in part by the rapid rise in the cost of accommodations. But visitor outlays will drop somewhat this year in the face of weaker external economic conditions and higher than expected Hawaii inflation. The ongoing rise in the number of international travelers from Asia and Oceania will partly offset the decline in mainland visitor spending as the US economy softens. But until there is significant dollar softening, the real value of goods and services that many travelers can afford—and their contribution to industry fortunes—will continue to be more limited than in the past, preventing robust gains in visitor spending.

Looking across counties, Oahu has now joined the Neighbor Islands in fully recovering to the pre-pandemic visitor census (arrivals still lag by about 10%). Ongoing gradual return of Japanese arrivals will primarily benefit Honolulu

SHARES OF DAILY VISITOR SPENDING
Lodging expenditures represent an increasing share of visitor budgets, squeezing out discretionary shopping.



and Hawaii Counties. At the same time, the disproportionate surge in hotel room rates on the Neighbor Islands will act as a constraint on industry expansion in coming years.

Outmigration weighs on Maui jobs and labor force

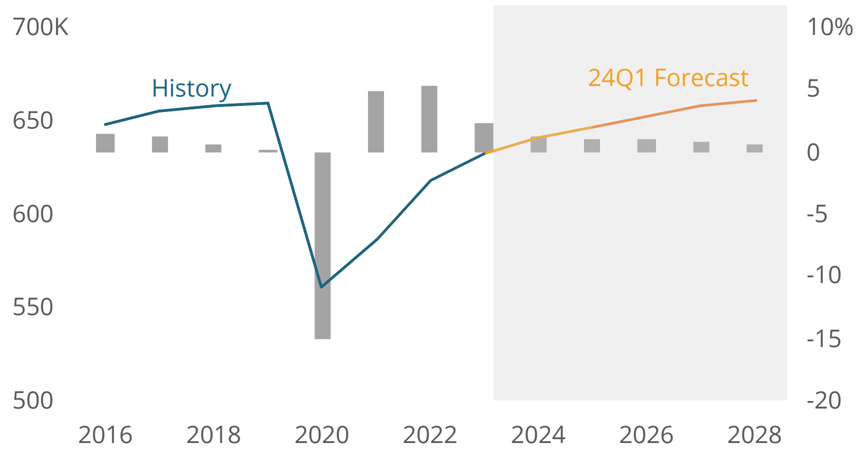
Maui County's labor market was hit hard in the aftermath of the fires and has seen only a partial recovery of lost jobs. We expect full recovery of payroll jobs to the pre-fire level to take several more years. We estimate that Maui has already seen a loss of more than one-thousand households, and this population loss will weigh on Maui's labor market for years to come. The broader state economy will be affected by more persistent inflation than we anticipated in our last report. Despite the continuing tight credit environment, the construction industry will benefit from widespread activity including the rebuilding efforts on Maui. The combination of the end of post-pandemic economic recovery and the Maui wildfires will lead to relatively weak overall growth this year. But for most of the rest of this decade, real gross domestic product will grow at or above trend as federal construction and Maui rebuilding bolster overall economic activity. Economic conditions in the state will be underpinned by activity near current levels, resulting in incremental growth in the near term.

As with tourism, Maui's job market staged a more rapid initial recovery than we had expected. The county's payroll job count fell by 3,700 jobs in the immediate aftermath of the fires, but it had recovered more than a quarter of these jobs by December. With the early rehiring period behind us, we expect only a half-percent nonfarm job growth between the fourth quarter of last year and the fourth quarter of this year. Maui's payroll job base will expand a further 2.5% by 2026, but will remain just a bit below the pre-fire level of employment at that time. And further job growth will be anemic thereafter, as the disruptions of rebuilding weigh on the economy through the remainder of the decade.

Maui's unemployment rate will average 5% this year, receding to 3.1% by 2026. This is a slightly higher unemployment path than our last report, but it is still considerably lower than what we had expected in the immediate aftermath of the fires. At 3.1%, unemployment on the Valley Isle will be much higher than the 1.9% recorded in January 2020.

Hawaii's statewide labor market has also shown a slightly more rapid recovery than anticipated in the aftermath of the Maui wildfires, influenced by evolving conditions on Maui and upward revisions to UHERO's earlier payroll job estimates. However, the wildfires' impact on Maui can still be

HAWAII NONFARM PAYROLL JOBS
Job gains will slow in 2024 with softer domestic and external economic conditions.



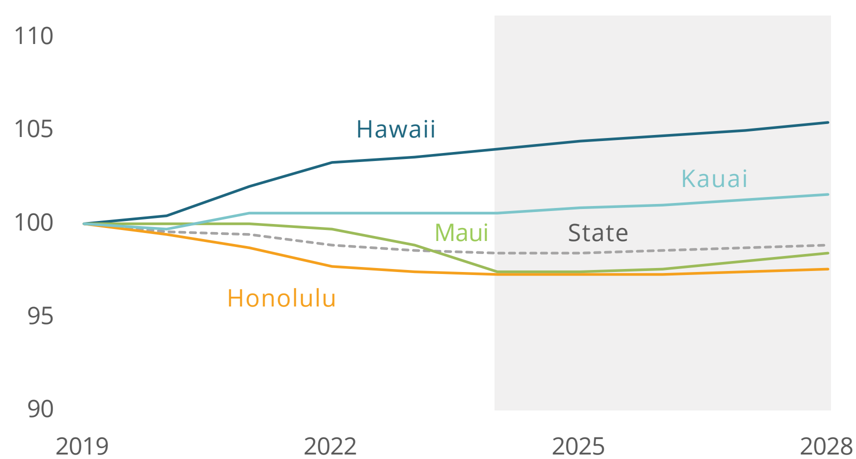
seen in the flat performance of overall Hawaii labor market figures. Relative strength in other counties has offset Maui weakness in statewide figures, but total Hawaii job growth has nevertheless decelerated sharply to just 1.5% year-over-year growth in December, according to UHERO benchmark estimates.

We anticipate that net payroll job growth will slow to 0.8% this year, and trend up at a bit less than one percent average annual rate for the following two years. We expect a gradual decline in the statewide unemployment rate from 2.6% in this year's second quarter to 2.5% by the end of next year.

Hawaii faces a slow-growth future

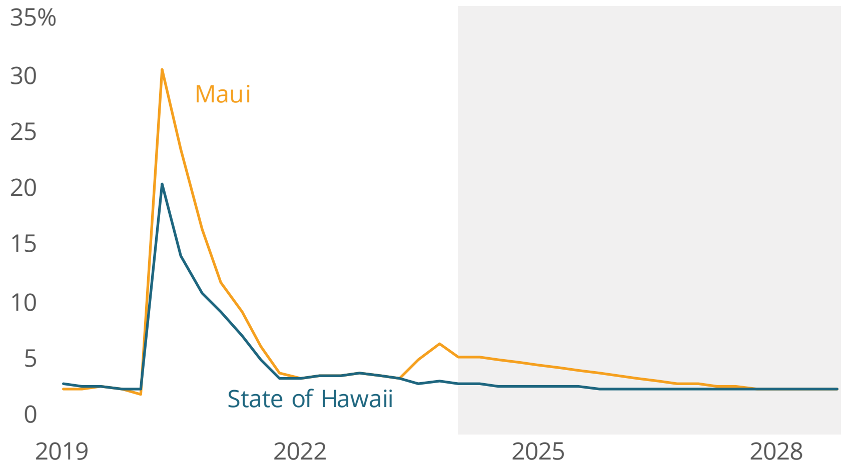
The state's labor force is nearly 15,000 below its level at the end of 2019 due to a combination of declining population and a slightly lower labor force participation rate. As we have noted in the past, even before the wildfires the counties were experiencing different migration patterns, with Oahu's and Maui's population decline more than offsetting gains on Kauai and the Big Island. A stagnant labor force will constrain the state economy in the near term, and a sluggish trend in population growth will limit labor market gains thereafter. As a result, the number of filled jobs will not fully return to pre-pandemic level until late in the decade. In addition, the long-run decline of population growth will be accompanied by an aging of the state's population, which will impose additional costs in government services and perhaps shortages of skilled workers for Hawaii businesses.

RESIDENT POPULATION (INDEX, 2019Q1 = 100)
Hawaii's population losses have been concentrated on Oahu and Maui.



UNEMPLOYMENT RATE

Despite the Maui fires, the statewide unemployment rate has trended lower.



At a more granular level, nearly all industries will experience a slowdown in job gains in 2024. In part this simply reflects maturing of the post-pandemic recovery, but softening macroeconomic conditions will also play a role. While tourism-related industries may experience lower growth rates or slight contractions, the already-high level of activity in the visitor industry will foster limited expansion in specific areas. Notably, the accommodations and food services sector will add more than 1,000 jobs statewide in 2024. The healthcare sector will continue to see above average job growth in 2024, before slowing begins. Finance, insurance, and real estate will shed some jobs as the effects of high interest rates continue to restrain the sector. Growth in "other services", which includes everything from business services to education, will decelerate in 2024, after a 3% gain this year.

State and local government sector employment will also grow more slowly, as the need to support Maui recovery contends with fiscal realities. The construction industry will add about 700 jobs over the next 12 months. We consider the construction sector's prospects further in the next section.

Looking ahead to 2025, overall job growth will expand at roughly the same pace as in 2024. The trade sector will return to positive growth, as Maui rebuilding and visitor recovery proceed, as will transportation and utilities, and the finance, insurance, and real estate sector. Accommodations and food services jobs will continue to grow at a moderate pace. Other service areas and the public sector will drop toward a trend growth pace of about a half to one percent. Growth will decelerate further in the out years as tepid population growth holds Hawaii to a considerably slower trend rate of economic growth than we have seen in the past.

The construction industry will strain to keep Maui rebuilding on track

Hawaii has had a large volume of construction activity planned or underway even before the Maui wildfires hit and the island's rebuilding needs became apparent. Maui rebuilding has added considerable uncertainty to the construction cycle, but we now estimate that at their peak, rebuilding efforts on Maui will require nearly 1,500 additional construction workers. Projects slated for construction in Honolulu will require another 1,000 construction workers, bringing total industry employment in the state above 41,500 workers by 2027, the highest level on record.

This unprecedented building boom will impose significant strain on the industry and the state over the remainder of the decade, even as it provides a welcome offset to relative macroeconomic weakness. The pool of construction workers, already in short supply, will need to grow substantially. The retraining of existing Hawaii residents will meet some of this need. But there will also need to be a large influx of construction workers from the mainland. Attracting them to Hawaii and housing them will be a major challenge. And increased demand for materials will also drive up construction costs.

The last inflation mile will be longer

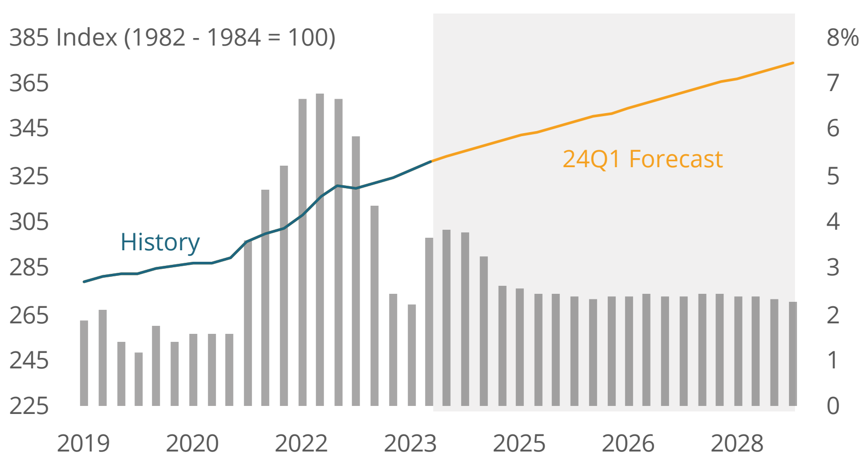
As we noted above, there was a partial resurgence in Honolulu inflation in the second half of last year, after a dramatic decline from the 7.5% March 2022 peak. Inflation rose at a 4.8% annual pace between May and November, raising year-over-year inflation to 3.6%, driven by food away from home, shelter costs, and the "other goods and services" category. More shelter inflation feed-through will keep overall inflation near 3.8% for the first half of this year, before a downward trend resumes. From 2025 onward, inflation will average 2.4%, near its long-run average. Excess demand for some goods and services associated with Maui rebuilding represent an upside risk.

It is hard to overstate the adverse effects of recent inflation on local purchasing power. Consumer prices jumped more than 11% between the end of 2020 and the end of 2022. This imposed significant economic pain on local households, to a greater or lesser degree depending on the goods and services they buy the most. And the ending of federal support programs further undermined income last year, although excess savings built up during the pandemic have served as a support for spending. As we have noted, pay raises in recent months have begun to reverse the decline in purchasing power, and as inflation moderates this will further support real income gains. In addition, public worker unions are pursuing claims for hazard pay from all counties and the State, which will boost incomes in the government sector as arbitration proceedings conclude. Inflation-adjusted real personal income rose back above its pre-pandemic level at the end of last year, and it will grow at a roughly 1.7% annual pace for the next three years.

Real gross domestic product, our broadest measure of economic activity, will slow to 1.5% this year, following 2023's estimated 3.7% rise. Growth will pick up again in 2025 as the global conditions firm and Maui rebuilding kicks into gear.

HONOLULU CONSUMER PRICES

Further inflation progress will be harder to achieve.



The likely soft landing is good news for Hawaii

The resilience of the US economy has come at the right time for Hawaii. Even if 2024 sees slower growth, mainland support will help sustain tourism and the overall Hawaii economy as it continues to struggle with the aftermath of the tragic August Maui wildfire. That struggle will be long, making the provision of longer-run housing for displaced residents a key focus of county and state decision makers.

These discussions are wrapped up with broader concerns about affordable housing, not just on Maui but across much of the state. And getting new work done will be challenging for the rest of the decade, as robust private and public sector construction is already pressing up against resource constraints. And of course the character of Maui rebuilding remains in contention, with interest groups weighing in on what the future Lahaina should be like.

US inflation has been brought down with less economic pain than most imagined possible. And while we are not quite there yet, it is likely that the Federal Reserve will turn the corner toward lower rates by the second half of the year. If so, the Fed will have achieved the “soft landing” that it has sought.

There remain areas of vulnerability that represent downside risks: rising (if still low) consumer loan delinquencies, the moribund housing resale market, flat manufacturing, and growing risks in commercial real estate. And the global economy is weaker than the US, posing potential risks for international tourism. At this point these risks are just that. Given the unexpected strength of the US economy last year, our bet is that healthy mainland conditions will continue to provide a favorable economic environment for Hawaii in 2024.

TABLE 1: MAJOR ECONOMIC INDICATORS

STATE OF HAWAII BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Nonfarm Payrolls (Thou)	587.0	617.7	635.2	640.3	646.1	652.5
% Change	4.8	5.2	2.8	0.8	0.9	1.0
Unemployment Rate (%)	6.0	3.5	3.1	2.7	2.4	2.3
Population (Thou)	1,447.2	1,440.2	1,435.1	1,433.4	1,433.6	1,434.9
% Change	-0.3	-0.5	-0.4	-0.1	0.0	0.1
Personal Income (Mil$)	89,014.5	88,970.2	93,856.5	98,524.3	102,628.3	106,856.7
% Change	7.6	-0.1	5.5	5.0	4.2	4.1
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Real Personal Income (Mil 2023$)	97,752.3	91,750.6	93,825.1	95,290.3	96,892.1	98,525.8
% Change	3.6	-6.1	2.3	1.6	1.7	1.7
Real Per Capita Income (Thou 2023$)	67.5	63.7	65.4	66.5	67.6	68.7
% Change	3.9	-5.7	2.6	1.7	1.7	1.6
Real GDP (Mil 2023$)	102,190.8	104,225.7	108,096.5	109,745.6	112,653.7	115,571.4
% Change	6.0	2.0	3.7	1.5	2.7	2.6
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	6,777.8	9,234.0	9,644.5	9,839.9	10,308.4	10,630.4
% Change - Total Visitor Arrivals by Air	150.3	36.2	4.4	2.0	4.8	3.1
U.S. Visitors	6,468.9	7,746.5	7,426.0	7,252.1	7,482.1	7,638.1
% Change - U.S. Visitors	225.5	19.8	-4.1	-2.3	3.2	2.1
Japanese Visitors	18.9	192.6	573.0	893.4	1,086.9	1,207.4
% Change - Japanese Visitors	-93.5	916.9	197.6	55.9	21.7	11.1
Other Visitors	289.9	1,294.9	1,645.5	1,694.4	1,739.4	1,784.8
% Change - Other Visitors	-32.9	346.6	27.1	3.0	2.7	2.6
Average Daily Census (Thou)	178.9	232.2	234.5	232.3	239.2	245.9
% Change	129.7	29.7	1.0	-0.9	3.0	2.8
Average Daily Room Rate ($)	315.8	370.2	377.4	373.7	375.0	386.4
% Change	51.6	17.2	1.9	-1.0	0.3	3.0
Occupancy Rate (%)	57.1	73.4	74.6	73.0	72.1	72.7
Real Visitor Expenditures (Mil 2023$)	14,415.5	20,267.8	20,708.0	20,305.8	20,257.8	20,426.4
% Change	150.4	40.6	2.2	-1.9	-0.2	0.8

Note: Source is UHERO. Nonfarm Payrolls for 2022-2023 are UHERO estimates of the 2024 benchmark revision. Figures for income and GDP for 2023 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2026 are forecasts.

TABLE 2: JOBS BY INDUSTRY

STATE OF HAWAII BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Nonfarm Payrolls (Thou)	587.0	617.7	635.2	640.3	646.1	652.5
% Change	4.8	5.2	2.8	0.8	0.9	1.0
Construction and Mining	37.1	37.1	38.1	38.8	39.7	41.0
% Change	0.8	0.1	2.7	1.8	2.3	3.2
Manufacturing	12.1	12.5	12.7	12.8	13.0	13.2
% Change	0.8	3.2	1.0	1.3	1.8	1.5
Trade	79.8	82.1	82.8	82.6	83.5	84.5
% Change	2.5	2.8	0.9	-0.2	1.0	1.2
Transportation and Utilities	29.7	32.8	34.4	34.2	34.5	34.9
% Change	7.9	10.6	4.8	-0.5	0.9	1.1
Finance, Insurance and Real Estate	27.3	27.6	27.2	26.9	27.2	27.5
% Change	-0.3	1.2	-1.3	-1.0	1.0	1.0
Services	280.8	305.7	316.9	319.4	321.8	324.5
% Change	9.0	8.9	3.7	0.8	0.7	0.8
Health Care and Soc. Assistance	72.0	72.5	73.9	74.9	75.2	75.6
% Change	1.2	0.7	2.0	1.3	0.4	0.6
Accommodation and Food	85.5	100.6	106.4	107.5	108.9	110.4
% Change	22.8	17.6	5.8	1.0	1.3	1.4
Other	123.2	132.6	136.5	137.1	137.8	138.5
% Change	5.7	7.6	3.0	0.4	0.5	0.5
Government	120.3	119.9	123.1	125.5	126.3	126.9
% Change	-0.7	-0.3	2.7	1.9	0.7	0.5
Federal Government	34.7	34.6	35.1	35.2	35.2	35.2
% Change	-1.0	-0.3	1.3	0.3	0.1	0.1
State and Local Government	85.5	85.3	88.1	90.3	91.1	91.7
% Change	-0.6	-0.3	3.2	2.5	1.0	0.6

Note: Source is UHERO. Industry job counts for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2026 are forecasts.

TABLE 3: PERSONAL INCOME BY INDUSTRY

STATE OF HAWAII BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023$)	97,752.3	91,750.6	93,825.1	95,290.3	96,892.1	98,525.8
% Change	3.6	-6.1	2.3	1.6	1.7	1.7
Labor & Proprietors' Income	64,165.1	63,377.8	65,404.0	66,671.0	67,821.1	69,051.0
% Change	4.7	-1.2	3.2	1.9	1.7	1.8
Construction	5,058.7	4,811.1	4,906.6	5,101.4	5,395.9	5,676.3
% Change	-3.1	-4.9	2.0	4.0	5.8	5.2
Manufacturing	1,003.2	1,019.0	1,039.4	1,064.6	1,099.0	1,129.5
% Change	-4.2	1.6	2.0	2.4	3.2	2.8
Trade	5,206.2	5,135.5	5,158.7	5,192.9	5,286.9	5,402.9
% Change	2.6	-1.4	0.5	0.7	1.8	2.2
Transportation and Utilities	3,346.6	3,629.3	3,964.0	4,043.5	4,101.1	4,160.1
% Change	3.5	8.4	9.2	2.0	1.4	1.4
Finance, Insurance & Real Estate	5,028.7	4,716.8	4,495.8	4,415.3	4,486.0	4,568.7
% Change	17.6	-6.2	-4.7	-1.8	1.6	1.8
Services	25,328.6	26,147.6	27,412.9	27,711.4	28,116.2	28,554.1
% Change	9.5	3.2	4.8	1.1	1.5	1.6
Health Care & Soc. Assist. (% ch.)	-0.6	-1.8	6.8	1.0	0.8	1.0
Accommodation & Food (% ch.)	43.1	8.3	5.5	1.1	2.5	2.8
Other (% ch.)	4.6	3.8	3.5	1.1	1.4	1.3
Government	18,683.3	17,562.1	18,059.9	18,770.4	18,959.6	19,180.5
% Change	-1.2	-6.0	2.8	3.9	1.0	1.2
Federal, civilian (% ch.)	0.0	-2.8	4.6	2.1	0.4	0.5
State & Local (% ch.)	-4.6	-7.4	1.8	6.2	1.1	1.8
Less Social Security Taxes (-)	7,320.0	7,435.8	7,695.6	7,843.2	7,978.5	8,123.2
% Change	3.3	1.6	3.5	1.9	1.7	1.8
Transfer Payments	22,474.9	17,457.8	17,137.2	17,269.6	17,663.3	18,017.4
% Change	1.7	-22.3	-1.8	0.8	2.3	2.0
Dividends, Interest and Rent	18,432.3	18,350.9	18,980.2	19,193.7	19,387.0	19,581.4
% Change	2.1	-0.4	3.4	1.1	1.0	1.0
Population (Thou)	1,447.2	1,440.2	1,435.1	1,433.4	1,433.6	1,434.9
% Change	-0.3	-0.5	-0.4	-0.1	0.0	0.1
Real Per Capita Income (Thou 2023$)	67.5	63.7	65.4	66.5	67.6	68.7
% Change	3.9	-5.7	2.6	1.7	1.7	1.6
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Nominal Personal Income (Mil. $)	89,014.5	88,970.2	93,856.5	98,524.3	102,628.3	106,856.7
% Change	7.6	-0.1	5.5	5.0	4.2	4.1

Note: Source is UHERO. Figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts.

TABLE 4: CONSTRUCTION INDICATORS
STATE OF HAWAII BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
BUILDING PERMITS (Mil 2022$)						
Total Commitments to Build	6,276	7,252	8,006	9,403	9,687	9,354
% Change	-9.1	15.6	10.4	17.4	3.0	-3.4
Real Private Building Permits	4,123	3,709	3,667	4,072	4,959	5,218
% Change	14.7	-10.0	-1.1	11.0	21.8	5.2
Real Residential Building Permits	2,195	1,824	1,516	1,691	2,318	2,491
% Change	65.8	-16.9	-16.9	11.5	37.1	7.5
Real Non-Residential Building Permits	1,928	1,885	2,151	2,381	2,641	2,727
% Change	-15.1	-2.2	14.1	10.7	10.9	3.3
Real Government Contracts Awarded	2,152	3,543	4,339	5,332	4,729	4,136
% Change	-37.4	64.6	18.8	22.9	-11.3	-12.5
CONSTRUCTION ACTIVITY						
Real GE Contracting Tax Base (Mil 2022$)	11,138	11,189	11,989	13,568	14,767	14,952
% Change	-0.8	0.5	7.2	13.2	8.8	1.3
Nominal GE Contracting Tax Base (Mil $)	10,122	10,797	11,989	14,210	16,045	16,771
% Change	4.2	6.7	11.0	18.5	12.9	4.5
Construction Job Count (Thou)	37.1	37.1	38.1	38.8	39.7	41.0
% Change	0.8	0.1	2.7	1.8	2.3	3.2
Real Construction Income (Mil 2022$)	5,059	4,811	4,907	5,101	5,396	5,676
% Change	-3.1	-4.9	2.0	4.0	5.8	5.2
PRICES & COSTS (HONOLULU)						
Honolulu Median Home Price (Thou $)	987.3	1105.9	1054.2	1068.2	1095.9	1115.9
% Change	20.0	12.0	-4.7	1.3	2.6	1.8
Honolulu Median Condominium Price (Thou $)	470.6	506.6	508.8	524.8	537.3	546.1
% Change	8.8	7.7	0.4	3.1	2.4	1.6
Honolulu Housing Affordability Index	81.7	57.3	54.1	58.5	60.7	62.9
% Change	-11.5	-29.8	-5.6	8.1	3.7	3.6
Honolulu Construction Cost Index (2022=100)	90.9	96.5	100.0	104.7	108.7	112.2
% Change	5.1	6.2	3.6	4.7	3.8	3.2
30-Year Mortgage Rate (%)	3.0	5.3	6.8	6.4	6.1	5.9

Note: Source is UHERO. Construction job counts for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2026 are forecasts. Figures for Total Commitments to Build and Real Government Contracts Awarded for 2021 and 2022 are UHERO estimates. Commitments to Build are the sum of private permits and public contracts awarded. Permits and tax base are deflated by Honolulu Construction Cost Index. 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 INDICATOR SUMMARY
HONOLULU COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	424.3	444.6	458.0	462.8	466.0	470.0
% Change	3.1	4.8	3.0	1.0	0.7	0.9
Unemployment Rate (%)	5.6	3.4	2.9	2.3	2.2	2.2
Population (Thou)	1,004.7	995.6	991.7	991.0	990.3	990.5
% Change	-0.8	-0.9	-0.4	-0.1	-0.1	0.0
Personal Income (Mil $)	64,493.2	64,653.0	68,153.3	71,693.7	74,656.5	77,651.7
% Change	5.7	0.2	5.4	5.2	4.1	4.0
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Real Personal Income (Mil 2023 $)	70,824.0	66,673.4	68,130.5	69,340.4	70,483.8	71,597.7
% Change	1.9	-5.9	2.2	1.8	1.6	1.6
Real Per Capita Income (Thou 2023 $)	70.5	67.0	68.7	70.0	71.2	72.3
% Change	2.6	-5.0	2.6	1.8	1.7	1.6
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	3,326.6	4,858.2	5,615.0	5,998.3	6,183.6	6,292.2
% Change - Total Visitor Arrivals by Air	120.8	46.0	15.6	6.8	3.1	1.8
U.S. Visitors	3,142.0	3,833.6	3,922.2	3,903.2	3,861.1	3,816.1
% Change - U.S. Visitors	224.8	22.0	2.3	-0.5	-1.1	-1.2
Japanese Visitors	18.0	186.6	558.1	903.3	1,073.1	1,166.6
% Change - Japanese Visitors	-93.3	936.7	199.1	61.8	18.8	8.7
Other Visitors	166.6	837.9	1,134.6	1,191.8	1,249.4	1,309.5
% Change - Other Visitors	-38.2	403.0	35.4	5.0	4.8	4.8
Visitor Days (Thou)	26,898.1	36,168.7	40,627.7	41,699.4	41,885.6	42,428.0
% Change	109.7	34.5	12.3	2.6	0.4	1.3
Occupancy Rate (%)	54.9	75.2	79.6	80.9	80.9	81.6

Note: Source is UHERO. Nonfarm Payrolls for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. The unemployment rate for 2021-2023 is a UHERO estimate of the upcoming official BLS revision. Figures for income and GDP for 2023 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2026 are forecasts.

TABLE 6: JOBS BY DETAILED SECTOR (THOUSANDS)

HONOLULU COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	424.3	444.6	458.0	462.8	466.0	470.0
% Change	3.1	4.8	3.0	1.0	0.7	0.9
Construction and Mining	27.0	26.7	27.5	28.3	28.5	29.1
% Change	0.7	-1.0	3.0	2.7	0.7	2.0
Manufacturing	9.2	9.2	9.3	9.4	9.6	9.8
% Change	-2.7	0.6	0.5	1.9	2.1	1.7
Trade	54.4	56.0	56.2	56.4	57.1	58.0
% Change	1.5	2.9	0.5	0.2	1.4	1.5
Transportation and Utilities	21.6	23.9	25.3	25.2	25.4	25.8
% Change	3.3	10.7	5.7	-0.2	0.8	1.3
Finance, Insurance and Real Estate	21.2	21.1	20.7	20.5	20.7	20.9
% Change	-1.9	-0.6	-1.9	-1.1	1.0	0.9
Services	198.3	215.4	224.0	226.5	227.5	229.0
% Change	6.5	8.6	4.0	1.1	0.5	0.6
Health Care and Soc. Assistance	53.8	54.6	55.9	56.7	56.9	57.2
% Change	1.8	1.5	2.3	1.5	0.3	0.5
Accommodation and Food	50.3	59.9	63.9	65.2	65.7	66.3
% Change	16.7	18.9	6.8	2.1	0.7	1.0
Other	94.1	100.9	104.2	104.5	105.0	105.4
% Change	4.3	7.2	3.3	0.3	0.4	0.4
Government	92.6	92.3	95.0	96.5	97.2	97.5
% Change	-0.4	-0.3	2.8	1.7	0.7	0.4
Federal Government	32.0	31.8	32.3	32.4	32.4	32.4
% Change	-0.8	-0.5	1.5	0.3	0.0	0.1
State and Local Government	60.7	60.5	62.7	64.1	64.8	65.1
% Change	-0.1	-0.2	3.6	2.3	1.0	0.6

Note: Source is UHERO. Industry job counts for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2026 are forecasts.

TABLE 7: PERSONAL INCOME BY DETAILED SECTOR

HONOLULU COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	70,824.0	66,673.4	68,130.5	69,340.4	70,483.8	71,597.7
% Change	1.9	-5.9	2.2	1.8	1.6	1.6
Labor & Proprietors' Income	48,534.1	47,752.8	49,456.0	50,547.9	51,323.4	52,133.2
% Change	2.8	-1.6	3.6	2.2	1.5	1.6
Construction	3,723.0	3,498.6	3,582.8	3,761.5	3,916.0	4,077.0
% Change	-4.1	-6.0	2.4	5.0	4.1	4.1
Manufacturing	787.0	777.4	789.7	813.1	841.6	866.2
% Change	-6.2	-1.2	1.6	3.0	3.5	2.9
Trade	3,607.5	3,561.1	3,571.4	3,616.6	3,691.6	3,783.8
% Change	2.1	-1.3	0.3	1.3	2.1	2.5
Transportation and Utilities	2,615.3	2,839.2	3,116.2	3,190.2	3,236.7	3,289.0
% Change	2.2	8.6	9.8	2.4	1.5	1.6
Finance, Insurance & Real Estate	3,694.6	3,432.4	3,268.1	3,219.7	3,276.2	3,336.8
% Change	12.6	-7.1	-4.8	-1.5	1.8	1.8
Services	18,256.5	18,746.4	19,756.7	20,015.5	20,267.2	20,536.1
% Change	6.5	2.7	5.4	1.3	1.3	1.3
Health Care & Soc. Assist. (% ch.)	-0.2	-1.7	7.1	1.2	0.8	0.9
Accommodation & Food (% ch.)	34.2	10.4	7.4	2.4	1.9	2.4
Other (% ch.)	3.9	2.8	3.8	1.0	1.3	1.2
Government	15,728.7	14,781.9	15,254.9	15,814.1	15,975.7	16,125.5
% Change	-0.6	-6.0	3.2	3.7	1.0	0.9
Federal, civilian (% ch.)	-0.1	-3.0	4.6	2.1	0.3	0.5
State & Local (% ch.)	-4.5	-7.6	2.4	6.3	1.2	1.5
Less Social Security Taxes (-)	5,576.3	5,616.0	5,816.3	5,944.7	6,035.9	6,131.1
% Change	2.6	0.7	3.6	2.2	1.5	1.6
Transfer Payments	14,786.6	11,576.1	11,345.8	11,391.4	11,640.2	11,832.5
% Change	2.5	-21.7	-2.0	0.4	2.2	1.7
Dividends, Interest and Rent	13,133.3	13,012.4	13,448.5	13,603.9	13,752.1	13,897.1
% Change	-2.1	-0.9	3.4	1.2	1.1	1.1
Population (Thou)	1,004.7	995.6	991.7	991.0	990.3	990.5
% Change	-0.8	-0.9	-0.4	-0.1	-0.1	0.0
Real Per Capita Income (Thou 2023 $)	70.5	67.0	68.7	70.0	71.2	72.3
% Change	2.6	-5.0	2.6	1.8	1.7	1.6
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Nominal Personal Income (Mil $)	64,493.2	64,653.0	68,153.3	71,693.7	74,656.5	77,651.7
% Change	5.7	0.2	5.4	5.2	4.1	4.0

Note: Source is UHERO. Figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts.

TABLE 8: MAJOR ECONOMIC INDICATOR SUMMARY
HAWAII COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	64.9	68.1	70.5	71.6	72.5	73.4
% Change	6.4	5.0	3.5	1.7	1.3	1.2
Unemployment Rate (%)	5.8	3.6	3.2	2.4	2.4	2.1
Population (Thou)	203.8	206.3	207.0	207.9	208.7	209.3
% Change	1.5	1.2	0.3	0.4	0.4	0.3
Personal Income (Mil $)	10,308.8	10,207.7	10,832.6	11,409.9	11,902.0	12,436.6
% Change	12.8	-1.0	6.1	5.3	4.3	4.5
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Real Personal Income (Mil 2023 $)	11,320.7	10,526.6	10,829.0	11,035.4	11,236.8	11,467.0
% Change	8.7	-7.0	2.9	1.9	1.8	2.0
Real Per Capita Income (Thou 2023 $)	55.6	51.0	52.3	53.1	53.9	54.8
% Change	7.0	-8.2	2.5	1.5	1.4	1.7
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	1,183.5	1,667.6	1,766.7	1,878.4	1,935.9	1,981.0
% Change - Total Visitor Arrivals by Air	139.7	40.9	5.9	6.3	3.1	2.3
U.S. Visitors	1,137.2	1,437.8	1,469.9	1,507.3	1,512.3	1,518.1
% Change - U.S. Visitors	199.9	26.4	2.2	2.5	0.3	0.4
Japanese Visitors	1.0	15.5	43.1	78.5	110.9	129.4
% Change - Japanese Visitors	-97.2	1,451.5	178.2	82.0	41.2	16.7
Other Visitors	45.3	214.4	253.7	292.6	312.7	333.5
% Change - Other Visitors	-42.8	373.2	18.3	15.3	6.9	6.7
Visitor Days (Thou)	10,965.6	13,760.7	13,945.7	14,016.9	14,325.2	14,649.7
% Change	137.6	25.5	1.3	0.5	2.2	2.3
Occupancy Rate (%)	60.8	74.1	70.3	69.7	71.0	72.7

Note: Source is UHERO. Nonfarm Payrolls for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. The unemployment rate for 2021-2023 is a UHERO estimate of the upcoming official BLS revision. Figures for income and GDP for 2023 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2026 are forecasts.

TABLE 9: JOBS BY DETAILED SECTOR (THOUSANDS)

HAWAII COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	64.9	68.1	70.5	71.6	72.5	73.4
% Change	6.4	5.0	3.5	1.7	1.3	1.2
Construction and Mining	3.7	3.7	3.9	3.9	4.0	4.0
% Change	2.1	0.8	3.4	0.2	3.1	0.5
Manufacturing	1.4	1.6	1.6	1.6	1.6	1.6
% Change	14.0	8.9	2.1	-0.1	0.8	1.0
Trade	11.1	11.3	11.8	11.7	11.7	11.8
% Change	4.3	1.8	4.4	-1.3	0.6	0.6
Transportation and Utilities	2.9	3.1	3.2	3.2	3.2	3.2
% Change	15.5	7.3	4.4	-2.4	1.0	0.8
Finance, Insurance and Real Estate	2.4	2.5	2.6	2.5	2.6	2.6
% Change	2.1	5.4	1.6	-0.5	1.5	1.6
Services	29.4	31.8	33.0	33.9	34.4	34.9
% Change	12.0	7.9	3.9	2.7	1.4	1.6
Health Care and Soc. Assistance	7.5	7.3	7.3	7.3	7.4	7.5
% Change	0.1	-1.9	-0.8	0.6	0.7	1.5
Accommodation and Food	10.8	12.5	13.4	14.0	14.3	14.6
% Change	30.5	15.9	7.1	4.0	2.4	2.4
Other	11.2	11.9	12.3	12.6	12.7	12.8
% Change	5.8	6.7	3.3	2.6	0.8	0.8
Government	14.0	14.2	14.5	14.9	15.1	15.2
% Change	-2.8	1.5	2.0	3.3	1.0	0.9
Federal Government	1.3	1.3	1.3	1.3	1.3	1.3
% Change	-6.1	1.6	0.6	-0.3	0.5	0.5
State and Local Government	12.7	12.9	13.1	13.6	13.8	13.9
% Change	-2.4	1.5	2.2	3.7	1.0	1.0

Note: Source is UHERO. Industry job counts for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2026 are forecasts.

TABLE 10: PERSONAL INCOME BY DETAILED SECTOR

HAWAII COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	11,320.7	10,526.6	10,829.0	11,035.4	11,236.8	11,467.0
% Change	8.7	-7.0	2.9	1.9	1.8	2.0
Labor & Proprietors' Income	6,117.7	6,034.1	6,223.4	6,392.5	6,539.5	6,707.3
% Change	8.6	-1.4	3.1	2.7	2.3	2.6
Construction	473.6	455.2	—	—	—	—
% Change	—	-3.9	—	—	—	—
Manufacturing	100.8	—	—	—	—	—
% Change	—	—	—	—	—	—
Trade	—	682.3	—	—	—	—
% Change	—	—	—	—	—	—
Transportation and Utilities	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Finance, Insurance & Real Estate	417.7	400.7	—	—	—	—
% Change	28.5	-4.1	—	—	—	—
Services	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Health Care & Soc. Assist. (% ch.)	—	-2.5	—	—	—	—
Accommodation & Food (% ch.)	—	—	—	—	—	—
Other (% ch.)	—	—	—	—	—	—
Government	1,473.7	1,397.4	1,473.4	1,526.8	1,554.3	1,571.9
% Change	-4.0	-5.2	5.4	3.6	1.8	1.1
Federal, civilian (% ch.)	-0.7	0.8	-1.1	1.4	1.4	1.3
State & Local (% ch.)	-4.7	-6.2	6.6	4.0	1.9	1.1
Less Social Security Taxes (-)	733.6	754.7	784.2	798.4	818.8	841.8
% Change	9.2	2.9	3.9	1.8	2.5	2.8
Transfer Payments	3,688.1	2,964.7	2,916.2	2,959.5	3,027.5	3,106.7
% Change	4.2	-19.6	-1.6	1.5	2.3	2.6
Dividends, Interest and Rent	2,216.8	2,251.3	2,344.5	2,385.1	2,407.8	2,430.1
% Change	17.7	1.6	4.1	1.7	1.0	0.9
Population (Thou)	203.8	206.3	207.0	207.9	208.7	209.3
% Change	1.5	1.2	0.3	0.4	0.4	0.3
Real Per Capita Income (Thou 2023 $)	55.6	51.0	52.3	53.1	53.9	54.8
% Change	7.0	-8.2	2.5	1.5	1.4	1.7
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Nominal Personal Income (Mil $)	10,308.8	10,207.7	10,832.6	11,409.9	11,902.0	12,436.6
% Change	12.8	-1.0	6.1	5.3	4.3	4.5

Note: Source is UHERO. Figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 11: MAJOR ECONOMIC INDICATOR SUMMARY
MAUI COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	69.6	74.4	75.2	74.1	75.4	76.6
% Change	13.7	6.9	1.1	-1.4	1.8	1.5
Unemployment Rate (%)	7.7	3.5	4.5	5.0	4.0	3.1
Population (Thou)	164.9	164.4	163.0	160.7	160.6	160.9
% Change	0.0	-0.3	-0.9	-1.4	0.0	0.2
Personal Income (Mil $)	9,941.1	9,927.9	10,450.0	10,813.4	11,261.3	11,740.3
% Change	14.0	-0.1	5.3	3.5	4.1	4.3
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Real Personal Income (Mil 2023 $)	10,917.0	10,238.1	10,446.5	10,458.4	10,631.9	10,825.0
% Change	9.8	-6.2	2.0	0.1	1.7	1.8
Real Per Capita Income (Thou 2023 $)	66.2	62.3	64.1	65.1	66.2	67.3
% Change	9.8	-6.0	2.9	1.6	1.7	1.6
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	2,340.9	2,969.4	2,526.5	2,292.0	2,594.4	2,794.4
% Change - Total Visitor Arrivals by Air	190.0	26.8	-14.9	-9.3	13.2	7.7
U.S. Visitors	2,239.4	2,559.2	2,127.3	1,916.5	2,170.3	2,327.3
% Change - U.S. Visitors	233.2	14.3	-16.9	-9.9	13.2	7.2
Japanese Visitors	0.8	5.7	11.9	17.2	19.8	21.5
% Change - Japanese Visitors	-90.6	636.4	107.6	45.1	15.2	8.4
Other Visitors	100.7	404.5	387.3	358.3	404.2	445.6
% Change - Other Visitors	-20.7	301.5	-4.2	-7.5	12.8	10.2
Visitor Days (Thou)	20,443.5	24,365.9	20,478.6	18,446.7	20,595.0	22,135.6
% Change	163.6	19.2	-16.0	-9.9	11.6	7.5
Occupancy Rate (%)	59.9	67.4	65.9	60.7	58.6	59.5

Note: Source is UHERO. Nonfarm Payrolls for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. The unemployment rate for 2021-2023 is a UHERO estimate of the upcoming official BLS revision. Figures for income and GDP for 2023 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2026 are forecasts.

TABLE 12: JOBS BY DETAILED SECTOR (THOUSANDS)

MAUI COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	69.6	74.4	75.2	74.1	75.4	76.6
% Change	13.7	6.9	1.1	-1.4	1.8	1.5
Construction and Mining	4.3	4.6	4.7	4.6	5.1	5.8
% Change	-2.5	7.4	2.2	-2.4	11.1	13.0
Manufacturing	1.1	1.2	1.2	1.2	1.2	1.2
% Change	13.1	11.6	0.2	-1.2	0.6	0.8
Trade	10.3	10.5	10.4	10.3	10.3	10.3
% Change	5.7	1.9	-1.0	-1.1	0.2	0.0
Transportation and Utilities	3.7	4.1	4.2	4.1	4.2	4.2
% Change	26.6	11.7	1.5	-2.0	0.8	0.5
Finance, Insurance and Real Estate	2.7	2.9	2.9	2.8	2.8	2.9
% Change	11.8	7.7	0.9	-2.6	0.5	0.4
Services	38.9	42.5	42.9	42.1	42.7	43.1
% Change	21.3	9.3	1.0	-2.0	1.6	1.0
Health Care and Soc. Assistance	7.9	8.0	8.2	8.2	8.3	8.2
% Change	-0.9	0.7	3.0	0.3	0.3	-0.3
Accommodation and Food	18.1	20.3	20.4	19.6	20.1	20.4
% Change	38.9	11.9	0.9	-4.0	2.3	1.7
Other	12.9	14.3	14.3	14.2	14.4	14.5
% Change	16.5	10.9	0.0	-0.6	1.2	0.8
Government	8.7	8.6	8.8	9.0	9.1	9.1
% Change	-0.7	-1.3	3.2	2.3	0.7	0.4
Federal Government	0.9	0.9	0.9	0.9	0.9	0.9
% Change	0.0	3.7	0.9	-2.0	0.6	0.6
State and Local Government	7.8	7.7	7.9	8.1	8.2	8.2
% Change	-0.8	-1.9	3.4	2.8	0.7	0.4

Note: Source is UHERO. Industry job counts for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2026 are forecasts.

TABLE 13: PERSONAL INCOME BY DETAILED SECTOR

MAUI COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	10,917.0	10,238.1	10,446.5	10,458.4	10,631.9	10,825.0
% Change	9.8	-6.2	2.0	0.1	1.7	1.8
Labor & Proprietors' Income	6,801.5	6,835.6	6,883.8	6,842.1	7,011.7	7,192.4
% Change	15.8	0.5	0.7	-0.6	2.5	2.6
Construction	574.7	583.6	604.1	598.5	652.8	722.0
% Change	-7.1	1.6	3.5	-0.9	9.1	10.6
Manufacturing	88.8	93.9	96.7	97.7	99.8	101.8
% Change	5.8	5.8	3.0	1.0	2.1	2.0
Trade	647.4	638.2	653.6	653.3	666.9	676.2
% Change	5.8	-1.4	2.4	0.0	2.1	1.4
Transportation and Utilities	324.6	351.6	370.8	367.7	375.8	381.5
% Change	12.1	8.3	5.5	-0.8	2.2	1.5
Finance, Insurance & Real Estate	660.3	633.2	640.2	636.7	641.3	645.0
% Change	37.1	-4.1	1.1	-0.5	0.7	0.6
Services	3,546.7	3,640.2	3,747.8	3,710.7	3,823.3	3,903.2
% Change	26.2	2.6	3.0	-1.0	3.0	2.1
Health Care & Soc. Assist. (% ch.)	-0.5	-1.8	5.3	1.5	1.6	0.7
Accommodation & Food (% ch.)	65.0	2.1	3.8	-3.4	4.4	3.2
Other (% ch.)	17.5	5.6	0.9	0.4	2.4	1.7
Government	919.9	867.0	920.1	945.7	960.2	966.5
% Change	-4.7	-5.7	6.1	2.8	1.5	0.7
Federal, civilian (% ch.)	0.3	0.3	-1.1	2.4	1.6	1.5
State & Local (% ch.)	-5.7	-6.6	7.7	2.9	1.6	0.6
Less Social Security Taxes (-)	696.3	731.3	749.7	753.3	768.3	784.4
% Change	2.7	5.0	2.5	0.5	2.0	2.1
Transfer Payments	2,600.0	1,912.9	1,890.6	1,921.3	1,973.3	2,028.4
% Change	-6.8	-26.4	-1.2	1.6	2.7	2.8
Dividends, Interest and Rent	2,180.3	2,189.2	2,260.3	2,270.5	2,283.0	2,302.1
% Change	13.6	0.4	3.2	0.5	0.6	0.8
Population (Thou)	164.9	164.4	163.0	160.7	160.6	160.9
% Change	0.0	-0.3	-0.9	-1.4	0.0	0.2
Real Per Capita Income (Thou 2023 $)	66.2	62.3	64.1	65.1	66.2	67.3
% Change	9.8	-6.0	2.9	1.6	1.7	1.6
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Nominal Personal Income (Mil $)	9,941.1	9,927.9	10,450.0	10,813.4	11,261.3	11,740.3
% Change	14.0	-0.1	5.3	3.5	4.1	4.3

Note: Source is UHERO. Figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts.

TABLE 14: MAJOR ECONOMIC INDICATOR SUMMARY
KAUAI COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	28.2	30.5	31.6	31.8	32.1	32.5
% Change	7.0	8.3	3.4	0.7	1.0	1.1
Unemployment Rate (%)	8.2	3.5	2.8	2.3	2.3	2.2
Population (Thou)	73.8	73.8	73.8	73.9	74.0	74.2
% Change	0.8	0.0	0.0	0.1	0.2	0.2
Personal Income (Mil $)	4,204.9	4,184.8	4,420.6	4,607.2	4,808.5	5,028.1
% Change	8.4	-0.5	5.6	4.2	4.4	4.6
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Real Personal Income (Mil 2023 $)	4,617.6	4,315.6	4,419.1	4,456.0	4,539.7	4,636.1
% Change	4.4	-6.5	2.4	0.8	1.9	2.1
Real Per Capita Income (Thou 2023 $)	62.6	58.5	59.9	60.3	61.3	62.5
% Change	3.6	-6.6	2.4	0.7	1.7	1.9
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	813.6	1,345.6	1,416.9	1,452.6	1,465.2	1,483.5
% Change - Total Visitor Arrivals by Air	146.4	65.4	5.3	2.5	0.9	1.2
U.S. Visitors	785.1	1,207.3	1,247.7	1,261.8	1,264.4	1,274.6
% Change - U.S. Visitors	179.9	53.8	3.3	1.1	0.2	0.8
Japanese Visitors	0.4	3.0	5.8	9.6	14.4	17.2
% Change - Japanese Visitors	-90.0	719.3	96.4	65.0	49.7	20.0
Other Visitors	28.2	135.3	163.3	181.2	186.5	191.7
% Change - Other Visitors	-38.9	379.6	20.8	10.9	2.9	2.8
Visitor Days (Thou)	7,006.2	10,439.9	10,544.3	10,640.4	10,510.1	10,525.8
% Change	144.5	49.0	1.0	0.9	-1.2	0.1
Occupancy Rate (%)	57.0	77.3	74.7	74.9	74.6	74.7

Note: Source is UHERO. Nonfarm Payrolls for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. The unemployment rate for 2021-2023 is a UHERO estimate of the upcoming official BLS revision. Figures for income and GDP for 2023 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2026 are forecasts.

TABLE 15: JOBS BY DETAILED SECTOR (THOUSANDS)

KAUAI COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	28.2	30.5	31.6	31.8	32.1	32.5
% Change	7.0	8.3	3.4	0.7	1.0	1.1
Construction and Mining	2.1	2.1	2.1	2.1	2.2	2.2
% Change	7.2	-1.0	-1.0	3.2	2.9	0.4
Manufacturing	0.5	0.6	0.6	0.6	0.6	0.6
% Change	12.0	17.8	7.5	1.4	0.4	0.7
Trade	4.1	4.3	4.4	4.3	4.4	4.4
% Change	4.4	4.9	2.3	-1.3	0.3	0.6
Transportation and Utilities	1.4	1.6	1.7	1.7	1.7	1.7
% Change	27.1	12.9	1.4	2.6	0.8	0.8
Finance, Insurance and Real Estate	1.0	1.1	1.1	1.1	1.1	1.1
% Change	-0.9	11.9	-2.9	2.5	1.4	1.5
Services	14.2	16.0	16.9	17.0	17.2	17.4
% Change	9.8	13.0	5.7	0.5	1.1	1.5
Health Care and Soc. Assistance	2.8	2.6	2.6	2.6	2.6	2.7
% Change	-1.2	-7.0	-1.2	1.3	0.9	1.3
Accommodation and Food	6.3	7.9	8.7	8.7	8.8	9.0
% Change	20.2	26.1	9.0	0.6	1.7	2.2
Other	5.1	5.5	5.7	5.7	5.7	5.8
% Change	5.0	7.6	4.3	-0.1	0.2	0.5
Government	5.0	4.8	4.9	5.0	5.0	5.0
% Change	-1.3	-2.9	1.1	1.2	0.8	0.8
Federal Government	0.6	0.6	0.6	0.6	0.6	0.6
% Change	-1.4	-1.1	-2.6	4.5	0.7	0.8
State and Local Government	4.4	4.2	4.3	4.3	4.4	4.4
% Change	-1.3	-3.2	1.6	0.8	0.8	0.8

Note: Source is UHERO. Industry job counts for 2022 and 2023 are UHERO estimates of the 2024 benchmark revision. Figures for 2024-2026 are forecasts.

TABLE 16: PERSONAL INCOME BY DETAILED SECTOR

KAUAI COUNTY BASELINE FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	4,617.6	4,315.6	4,419.1	4,456.0	4,539.7	4,636.1
% Change	4.4	-6.5	2.4	0.8	1.9	2.1
Labor & Proprietors' Income	2,730.3	2,757.7	2,840.7	2,888.5	2,946.5	3,018.2
% Change	6.9	1.0	3.0	1.7	2.0	2.4
Construction	285.8	272.1	—	—	—	—
% Change	—	-4.8	—	—	—	—
Manufacturing	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Trade	—	254.6	—	—	—	—
% Change	—	—	—	—	—	—
Transportation and Utilities	46.5	—	—	—	—	—
% Change	—	—	—	—	—	—
Finance, Insurance & Real Estate	255.1	247.5	—	—	—	—
% Change	36.4	-3.0	—	—	—	—
Services	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Health Care & Soc. Assist. (% ch.)	—	-3.0	—	—	—	—
Accommodation & Food (% ch.)	—	—	—	—	—	—
Other (% ch.)	—	—	—	—	—	—
Government	552.3	512.9	540.6	547.1	555.5	561.0
% Change	-3.6	-7.1	5.4	1.2	1.5	1.0
Federal, civilian (% ch.)	3.6	-2.0	-1.1	2.1	1.6	1.6
State & Local (% ch.)	-5.4	-8.3	7.1	1.0	1.6	0.9
Less Social Security Taxes (-)	316.2	334.5	345.4	346.9	355.6	365.9
% Change	6.6	5.8	3.3	0.4	2.5	2.9
Transfer Payments	1,313.8	1,003.3	984.6	997.4	1,022.3	1,049.7
% Change	-2.5	-23.6	-1.9	1.3	2.5	2.7
Dividends, Interest and Rent	899.2	900.3	926.9	934.3	944.1	952.1
% Change	8.9	0.1	3.0	0.8	1.1	0.8
Population (Thou)	73.8	73.8	73.8	73.9	74.0	74.2
% Change	0.8	0.0	0.0	0.1	0.2	0.2
Real Per Capita Income (Thou 2023 $)	62.6	58.5	59.9	60.3	61.3	62.5
% Change	3.6	-6.6	2.4	0.7	1.7	1.9
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	3.4	2.4	2.4
Nominal Personal Income (Mil $)	4,204.9	4,184.8	4,420.6	4,607.2	4,808.5	5,028.1
% Change	8.4	-0.5	5.6	4.2	4.4	4.6

Note: Source is UHERO. Figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 17: EXTERNAL INDICATORS

STATE OF HAWAII FORECAST

	2021	2022	2023	2024	2025	2026
U.S. FACTORS						
Employment (Thou)	152,580.7	158,291.1	161,036.6	161,461.2	162,111.0	163,356.0
% Change	3.2	3.7	1.7	0.3	0.4	0.8
Unemployment Rate (%)	5.4	3.7	3.6	4.1	4.3	4.1
Inflation Rate (%)	4.7	8.0	4.1	2.8	2.5	2.4
Real GDP (Bil chained 2012$)	21,407.7	21,822.0	22,375.3	22,785.9	23,233.6	23,685.3
% Change	5.8	1.9	2.5	1.8	2.0	1.9
Population (Thou)	332,351.0	333,595.0	335,208.5	336,905.9	338,445.6	339,942.8
% Change	0.2	0.4	0.5	0.5	0.5	0.4
JAPAN FACTORS						
Employment (Thou)	66,665.8	67,225.8	67,469.2	67,371.3	66,946.8	66,457.1
% Change	-0.2	0.8	0.4	-0.1	-0.6	-0.7
Unemployment Rate (%)	2.8	2.6	2.6	2.6	2.5	2.3
Inflation Rate (%)	-0.2	2.5	3.3	2.6	1.4	1.2
Real GDP (Bil chained 2011 yen)	543,335.5	548,442.3	559,429.1	561,007.7	563,503.3	565,105.5
% Change	2.6	0.9	2.0	0.3	0.4	0.3
Population (Thou)	125,681.6	125,125.0	124,505.6	123,842.4	123,171.8	122,494.9
% Change	-0.5	-0.4	-0.5	-0.5	-0.5	-0.6
Exchange Rate (Yen/$)	109.8	131.5	140.5	142.3	134.7	127.1

Note: Source is UHERO. Figures for Japanese population and GDP for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts.

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