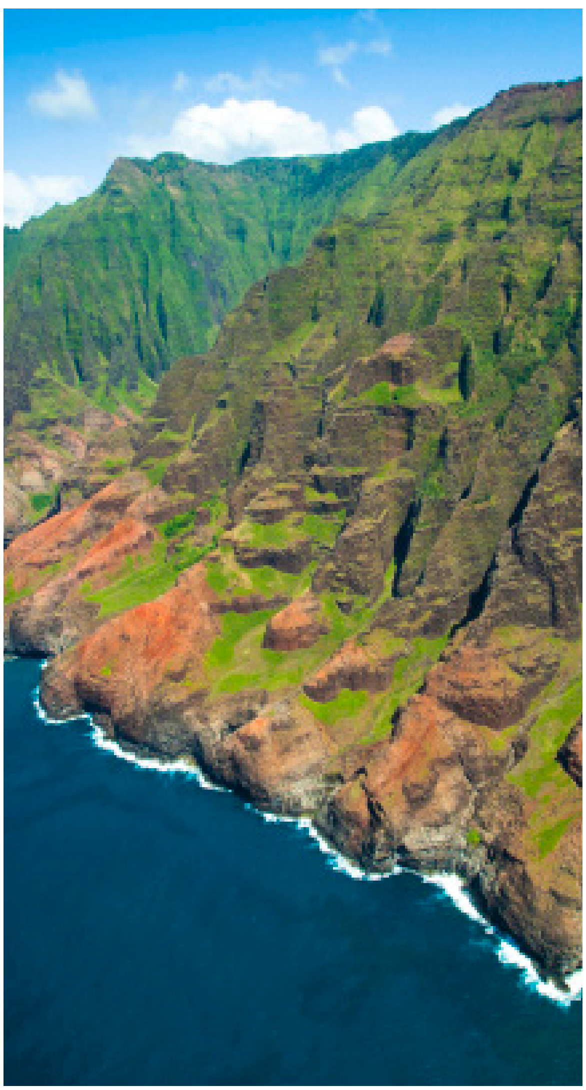
UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAIʻI

UHERO FORECAST FOR THE STATE OF HAWAII

Expansion intact, but counties poised for slower growth

MAY 10, 2024



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EXECUTIVE SUMMARY

Hawaii's economy will continue to grow, but at a slower pace than in past years. Maui rebuilding and the incremental return of international travelers will support tourism, helping to offset a moderate pullback in the US mainland market. Construction will continue to be a source of strength, even as overall job and income growth decelerate. Reducing inflation in the Islands will take a bit longer than expected. Growth prospects for Hawaii's counties differ. Maui is set for an extended recovery period this decade, while population slowing will reduce future growth to varying degrees across the counties.

- The US has continued to outperform its peers, supported by immigration and strong consumer spending. Some moderation of US growth will occur as the labor force softens and high short-term financing costs weigh on households. But considering the economy's impressive resilience, the extent of slowing will be less than previously anticipated.

- Other major visitor markets have struggled. The preponderance of floating rate mortgages means interest rate hikes hit Canada harder than the US, leading to negligible consumption growth. Weak export markets and especially unfamiliar inflation have hammered Japan. Consumer spending has been soft in Australia, where there is also drag from a weak China, struggling with a housing debt overhang and deflationary pressure. Weak currencies—which could fall further—will weigh on visitor growth from international markets, even as the global economy turns the corner this year.

- The four counties have experienced somewhat differing visitor industry performance. All were affected by a first-half 2023 tapering of US arrivals, which may have reflected waning post-pandemic rebound travel. Maui has had a somewhat stronger than expected initial industry rebound, but faces a long road ahead. Other counties benefited from visitors substituting alternative Hawaii destinations. Oahu and Hawaii Counties will gain the most from the ongoing recovery of international markets.

- Despite challenges, inflation-adjusted statewide visitor spending rose last year, propelled by the strongest daily per person visitor spending in more than three decades. Room rates held steady after a period of substantial gains, while there was substitution away from the luxury hotel segment. Inflation-adjusted visitor spending will decline a bit this year, before stabilizing in 2025.

- The State Government budget is taking a smaller hit from Maui wildfire cost than expected, but pending hazard pay for employees who worked during COVID-19 will be an added state and county outlay. Already, recent years' population decline has reduced revenue. The State Legislature has passed the most ambitious tax cut and reform package in many years.

- Inflation has picked up in the Islands, and it now exceeds the national average. This is primarily because of a delayed pass-through of higher rents. Inflation will resume its downward path over the next two years.

- Job growth continues at a modest pace in all counties other than Maui. Filled jobs in Maui County remain nearly 5,000 fewer than before the wildfires. Maui sectors heavily reliant on tourism will take the longest to recover. Over the long term, much slower population growth in the Islands will constrain growth. Oahu will see the slowest population and labor force growth and Hawaii County the strongest.

- Progress housing residents displaced by the Maui wildfires has been slow. Hastening the pace of moving residents from hotels and vacation rentals to longer-term housing will be important for reducing family hardship and freeing up rooms needed for a full visitor industry recovery. A new law grants Maui and the other counties more authority to regulate or eliminate short-term rentals.

- Across all counties, soaring mortgage rates caused a dramatic drop in existing home sales, but overall construction activity remains buoyant. Maui rebuilding and ongoing private and government projects, especially on Oahu, will push construction employment to record highs. A significant new concern is the unfolding insurance crisis. The cost of condo insurance has soared nationwide because of more frequent catastrophic events. Most lenders will not issue new mortgages on under-insured properties. The State Legislature has considered a public insurance pool to address these concerns, but this was not adopted during the recent term.

- Wage increases and declining inflation have raised real personal income, but it will slow below 1% this year. Real gross domestic product, our broadest measure of economic activity, will slow sharply from 3.6% growth in 2023 to 1.5% this year, but it will pick up in 2025 as Maui construction kicks into higher gear and external economies improve. As labor force and employment growth slow, both income and GDP will trend lower than in the past.

Forecast Summary

MAJOR ECONOMIC INDICATORS
STATE OF HAWAII FORECAST

	2021	2022	2023	2024	2025	2026
STATE OF HAWAII						
Nonfarm Payrolls (Thou)	586.8	618.1	632.1	637.0	643.2	649.0
% Change	4.8	5.3	2.3	0.8	1.0	0.9
Unemployment Rate (%)	6.0	3.3	3.0	3.1	3.0	2.8
Real Personal Income (Mil 2023$)	97,752.3	91,750.6	93,502.3	94,343.1	96,309.3	97,964.3
% Change	3.6	-6.1	1.9	0.9	2.1	1.7
Real GDP (Mil 2023$)	102,190.8	104,225.7	108,019.9	109,691.2	112,980.8	115,827.1
% Change	6.0	2.0	3.6	1.5	3.0	2.5
Total Visitor Arrivals by Air (Thou)	6,777.8	9,234.0	9,644.5	9,828.9	10,247.1	10,516.4
% Change	150.3	36.2	4.4	1.9	4.3	2.6
Average Daily Census (Thou)	178.9	232.2	234.5	231.1	237.9	244.2
% Change	129.7	29.7	1.0	-1.4	2.9	2.6
Real Visitor Expenditures (Mil 2023$)	14,415.5	20,267.8	20,708.0	19,835.1	20,008.6	20,211.8
% Change	150.4	40.6	2.2	-4.2	0.9	1.0
HONOLULU COUNTY						
Nonfarm Payrolls (Thou)	424.1	444.6	455.6	461.7	465.1	468.4
% Change	3.1	4.8	2.5	1.3	0.7	0.7
Unemployment Rate (%)	5.5	3.2	2.7	2.7	2.6	2.5
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Real Personal Income (Mil 2023$)	70,824.0	66,673.4	67,915.3	68,915.9	70,177.7	71,300.5
% Change	1.9	-5.9	1.9	1.5	1.8	1.6
Total Visitor Arrivals by Air (Thou)	3,326.6	4,858.2	5,615.0	5,863.1	6,019.0	6,095.5
% Change	120.8	46.0	15.6	4.4	2.7	1.3
HAWAII COUNTY						
Nonfarm Payrolls (Thou)	64.9	68.1	70.6	71.6	72.6	73.5
% Change	6.4	5.0	3.5	1.5	1.4	1.2
Unemployment Rate (%)	5.7	3.4	3.0	3.1	2.9	2.7
Real Personal Income (Mil 2023$)	11,320.7	10,526.6	10,832.4	10,925.5	11,225.2	11,455.8
% Change	8.7	-7.0	2.9	0.9	2.7	2.1
Total Visitor Arrivals by Air (Thou)	1,183.5	1,667.6	1,766.7	1,876.4	1,913.9	1,943.5
% Change	139.7	40.9	5.9	6.2	2.0	1.5
MAUI COUNTY						
Nonfarm Payrolls (Thou)	69.7	74.6	74.1	71.6	73.1	74.4
% Change	13.8	7.1	-0.7	-3.4	2.1	1.8
Unemployment Rate (%)	7.6	3.2	4.4	5.6	5.5	4.9
Real Personal Income (Mil 2023$)	10,917.0	10,238.1	10,334.3	10,083.9	10,368.9	10,573.3
% Change	9.8	-6.2	0.9	-2.4	2.8	2.0
Total Visitor Arrivals by Air (Thou)	2,340.9	2,969.4	2,526.5	2,345.8	2,597.0	2,759.4
% Change	190.0	26.8	-14.9	-7.2	10.7	6.3
KAUAI COUNTY						
Nonfarm Payrolls (Thou)	28.2	30.7	31.8	32.1	32.4	32.8
% Change	6.9	9.0	3.5	0.8	1.0	1.1
Unemployment Rate (%)	8.1	3.4	2.6	2.5	2.6	2.4
Real Personal Income (Mil 2023$)	4,617.6	4,315.6	4,420.3	4,417.8	4,537.5	4,634.7
% Change	4.4	-6.5	2.4	-0.1	2.7	2.1
Total Visitor Arrivals by Air (Thou)	813.6	1,345.6	1,416.9	1,431.3	1,441.9	1,450.5
% Change	146.4	65.4	5.3	1.0	0.7	0.6

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

SECOND QUARTER HAWAII FORECAST

Hawaii's economy will continue to grow, but at a slower pace than in past years. In the near term, the aftermath of the Maui wildfires has pulled down jobs and income, but rebuilding will be a growth support, despite ongoing hardship. The gradual return of international travelers will support tourism-related sectors, even as the US mainland market falls back a bit. Construction will continue to be a source of strength, especially for Maui and Oahu. Progress in reducing inflation in the Islands will take longer than expected, as shelter cost increases are only now feeding through to overall consumer prices.

Growth prospects for Hawaii's counties differ to some extent. Maui's somewhat faster initial recovery is translating into better-than-expected performance this year, but we still see an extended recovery period. Differences across the other three counties are less pronounced. Growth will slow in each county this year, with the Big Island maintaining an edge that reflects its stronger underlying population and labor force growth. This will continue throughout the forecast period. Honolulu will see the most significant slowing of trend population and economic growth.

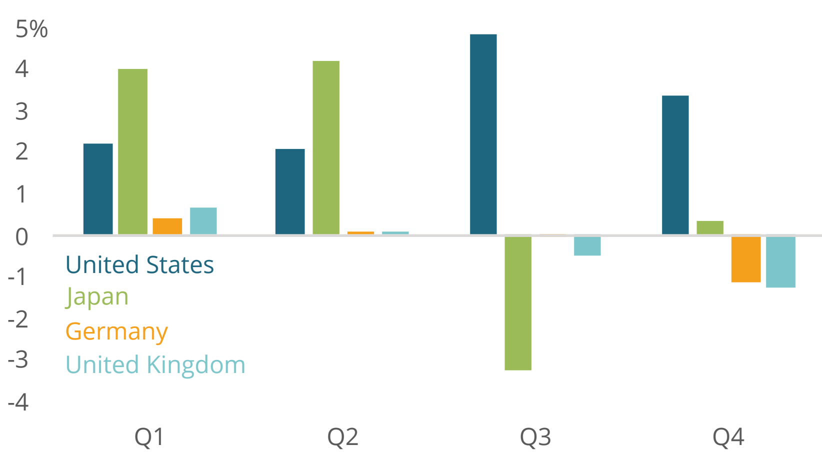
Stronger US, but lingering global challenges

The US has continued to outperform its peers. The second half of last year was particularly strong. US real gross domestic product (GDP) expanded at an annual rate of about 4%, at the same time that output was contracting in Germany and the United Kingdom in response to high interest rates, higher energy costs, and weak foreign export markets. Japan was scraping its way back to growth at year end.

US economic expansion has been supported by continuing strong consumer spending. Real personal consumption expenditure rose an annualized 3.3% in the final quarter of last year, easing to a still-healthy 2.5% in the first three months of 2024. Buoyant consumer spending has been supported by job security, wage gains that are now outstripping inflation, rising home and financial wealth, and locked-in low mortgage rates.

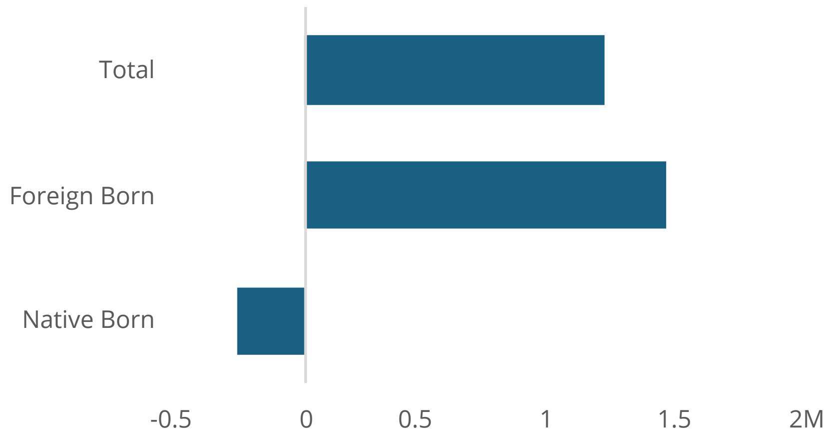
2023 GROSS DOMESTIC PRODUCT GROWTH, ANNUALIZED QUARTERLY CHANGES

US economic performance has outpaced other leading economies.



US LABOR FORCE CHANGE OVER THE PAST TWELVE MONTHS

Foreign-born residents have been the only source of recent labor force growth.



Federal outlays have combined with consumer spending to generate the demand facilitating business expansion and job growth. The latter has also been supported by rapid labor force growth, driven by a large increase in the US foreign-born population. In fact, over the past twelve months, the foreign-born labor force expanded by 1.45 million, while the native-born labor force declined by 270,000.

This reflects in part an increased pace of admission of applicants becoming lawful permanent residents. In 2023, 1.2 million immigrant applicants became green card holders. This is a marked rebound from a sharp falloff during the pandemic. The number of undocumented immigrants has also increased substantially, although the number active in the labor force is unknown and by some accounts vastly underestimated. And there remains a very large backlog of pending cases for permanent residency, suggesting that—subject to political developments—there may well be continuing substantial growth of the foreign-born labor force for some years to come.

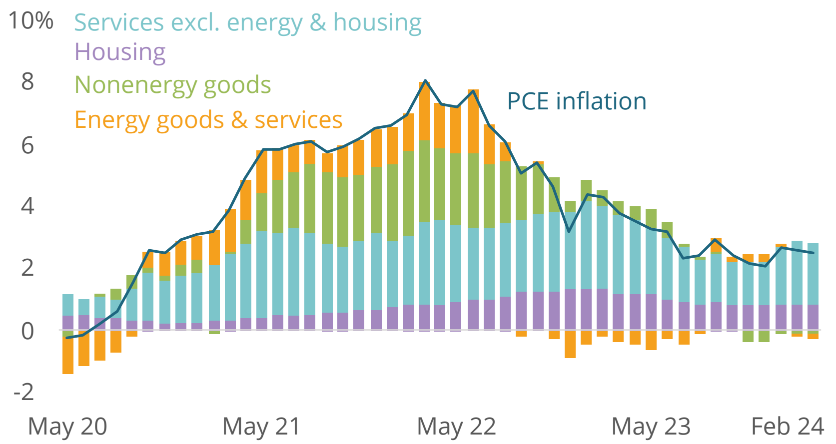
The large number of immigrants entering the labor force has permitted economic growth to continue at a robust pace. Over the past three months, an average of more than 275,000 net jobs were created monthly, far more than the approximately 100,000 average monthly rise in the labor force since 2014.

Burgeoning labor force growth has allowed the economy to continue to expand at a rapid pace without spurring an acceleration of wage gains. The ebbing of many supply-side constraints from the pandemic era and its aftermath has also reduced inflationary pressure. Still, assuming that the exceptional volume of immigration ends, some slowing of job creation and consumer demand appears necessary to allow the inflation rate to resume its decline towards the Fed's long-run 2% target.

And the war against inflation is not yet over. Incremental progress slowed substantially in the middle of last year, and inflation has ticked back up recently. Looking at trailing six-month periods allows us to see more readily recent movements. On this basis, the Fed's preferred PCE measure of inflation has fluctuated in the 2-3% range since last July, and it has remained in the 2.5-2.7% range during the first three months of this year.

Two factors have driven the persistence of inflation: the rise in shelter costs and in the prices of non-energy services other than housing. We continue to expect the former to recede this year, as the influence of flat rates for new leases feeds through into estimates of overall shelter costs. Services other

CONTRIBUTIONS TO US PCE INFLATION, SIX-MONTH CHANGES
Persistence of inflation in shelter and other services remains the primary challenge.

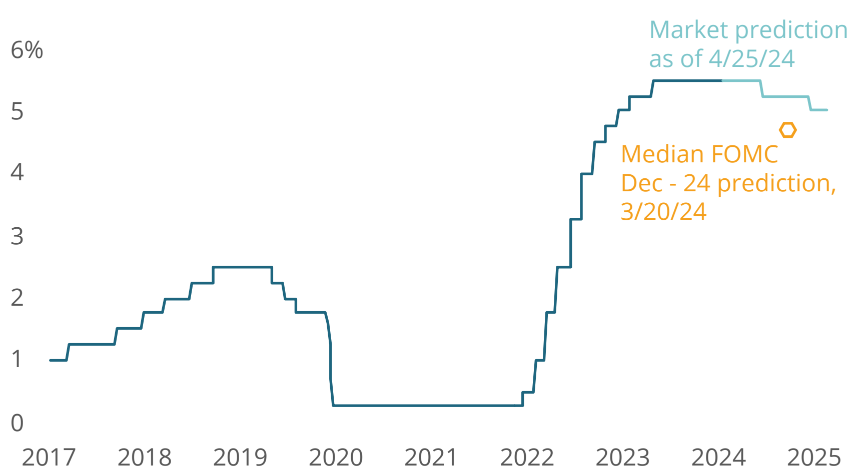


than shelter cover a wide range of spending categories from medical care to car insurance and pet care. Further disinflation in both shelter and these other services will be needed to bring overall inflation down to the Fed's 2% PCE inflation goal.

Consumer price (CPI) inflation data for March showed similar persistence. And so it now seems unlikely that the Fed will be ready to cut interest rates until the second half of the year, possibly even after the Fall election. On average, financial market participants are now expecting just one quarter-point cut this year, and some observers have even raised the possibility of an additional rate hike to address the recent upward movement in inflation. That seems unlikely to us, but the policy statement from the April-May Federal Open Market Committee meeting explicitly acknowledged a growing concern about recent inflation persistence. So "higher for longer" is looking more and more likely.

Some further US cooling will occur this year as the labor force softens and high short-term debt financing costs weigh on some households. But considering the economy's impressive resilience, the extent of slowing will be less than previously anticipated. We expect growth to ease to a mid-1% pace in coming quarters, but for 2024 as a whole the US economy will still expand by 2.3%, easing to 2% in 2025. (UHERO prepares forecasts for the US and Japan and relies on International Monetary Fund (IMF) projections for other economies.)

THE FEDERAL FUNDS INTEREST RATE (UPPER BOUND) AND FINANCIAL MARKET EXPECTATIONS
Because of persistent inflation, financial markets expect only one interest rate cut in 2024.



The Canadian economy had a slow 2023, with weakness nearly across the board. Real GDP contracted in the third quarter and was just slightly positive in the fourth; nonresidential fixed investment and inventory investment were negative in the second half of the year, and consumer spending growth was negligible for most of the year. For 2023 as a whole, output expanded by just 1.1%.

There are somewhat more promising signs for 2024. The first two months of the year saw an expansion of economic activity. And rising global energy prices will benefit oil-producing provinces. But interest rates will continue to be a burden on households, whose debt payments were taking up 15% of household income by the end of last year. This is a very different situation than in the US, where the preponderance of fixed-rate thirty-year mortgages has kept the overall debt burden relatively low. The IMF predicts that the Canadian economy will expand by 1.2% this year and 2.3% in 2025.

The Japanese economy has been hammered by unfamiliar inflation and a weak external environment. The pickup in inflation from less than zero before and during the pandemic to more than 4% by the beginning of 2023 badly eroded purchasing power, undermining consumer spending. Sluggish exports have further weighed on growth. As a result, the economy fell into a contraction in the third quarter and barely avoided a recession by edging into positive territory at year end. While inflation has now likely peaked, fairly weak conditions will continue, with the economy expanding by less than 1% this year and next. (See the box, "Japan Update: Struggling to Overcome Inflation's Bite.")

Combined, the US, Canadian, and Japanese markets accounted for 87% of all visitors to Hawaii in 2019, justifying greater emphasis in our discussions than other countries and regions. But let us say a little about a few other countries of interest.

About 4% of Hawaii's visitors come from Australia and New Zealand (and 10% of all international visitors). The Australian economy has slowed markedly over the past year-and-a-half, from 3.3% annualized growth in the fourth quarter of 2022 to 1% in the final quarter of last year. Consumer spending has been consistently weak, rising at or below a 0.8% annualized rate in each of the past five quarters. Price pressures on households have been a significant problem, with spending on essentials rising at the same time that discretionary spending has declined. The public sector has been a net contributor to growth, but the extent of this has varied from quarter to quarter. Recent robust growth in worker compensation holds the promise of higher consumer spending in the coming months.

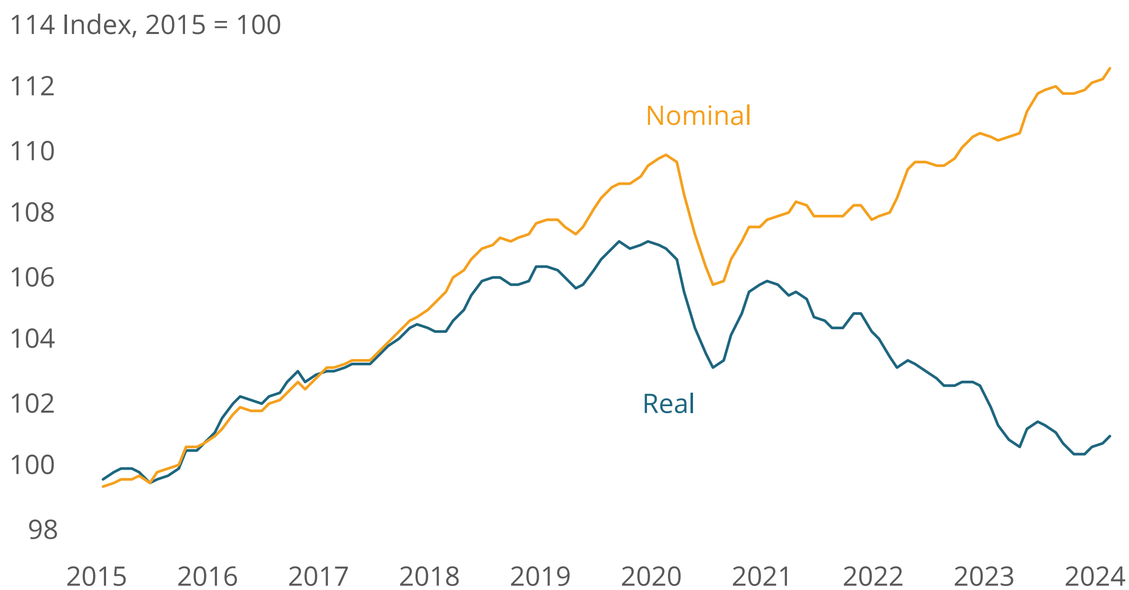
One problem for Australia and countries in Asia has been weakness in the Chinese economy, which has weighed heavily on regional exports. China continues to suffer from a debt overhang related to residential overbuilding and declining home values. Labor demand is weak, exerting additional drag on consumer spending. Nominal GDP growth has been very anemic. As a result of weak demand, deflation has set in, and the government has struggled against this with fiscal stimulus and a liberalization of foreign investment rules. Despite GDP growth that exceeded 5% at the end of last year, industrial production and retail sales were subdued in March, so it is too soon to say that the economy is clearly on the mend. The IMF projects 4.6% growth for China in 2024 and growth just above 4% in 2025.

Japan Update: Struggling to Overcome Inflation's Bite

Like all countries, Japan was hit hard by COVID-19, and the economy has struggled to get back on track since. Some headwinds are familiar to Japan: the softness in foreign markets has hurt an economy for which exports remain an important source of growth. But the pandemic's aftermath also brought very unfamiliar conditions, in particular renewed inflation in a country that averaged less than 0.2% inflation between 1995 and 2019.

As consumer prices surged from zero to more than 4% during 2021-2023, real wages declined sharply, falling by more than 6% before stabilizing recently. As a result, consumer spending has been negative for the past three quarters, contributing to a net contraction in real GDP in the third quarter. Real GDP expanded just 1.3% between the fourth quarter of 2022 and the fourth quarter of 2023.

JAPAN'S NOMINAL AND REAL WAGE INCOME



Trade has also weighed on Japanese growth. Through much of 2022 and 2023, exports to China and the rest of Asia were particularly weak, reflecting China's economic struggles and their regional impacts, even as exports to the rich developed regions were expanding at a healthy pace. But exports to all markets were soft during the fall. A recent pick-up in exports—albeit from a low base—may be a promising sign for manufacturers.

Despite the macroeconomic weakness, concerns about renewed inflation led the Bank of Japan to begin to move away from the extraordinary period of zero interest rates and longer-term rate control. But its moves are expected to be limited and will have to take into account any further weakness in the economy.

While a higher-rate policy might be expected to support a stronger yen, the BOJ announcement has not halted a decline in the currency, which in nominal terms is now lower against a trade-weighted basket of currencies than at the start of the floating rate period in 1973. Adjusted for differences in inflation rates over time, the real effective exchange rate has not fallen quite as far. Still, after the yen appproached the 160 yen/US dollar level it appears that the government has intervened to support the currency. A weak yen will continue to weigh on Japanese travel, even if it supports the demand for Japanese goods and services.

There are encouraging signs that consumer demand may have turned the corner, although the situation remains tenuous. In February, retail sales posted their strongest month-to-month gain since March 2021, although, as in the US, these data are very volatile. Forward-looking measures are also encouraging. Consumer confidence has been generally on the rise for about a year now, and optimism about employment, household assets, and income growth are back to roughly their levels in 2018.

Businesses are somewhat less optimistic. From the Bank of Japan's Tankan Survey, firms' overall assessment of business conditions has steadily improved. At the same time, after a better year for sales in 2023, the average firm is expecting much slower growth in 2024. An exception is the motor vehicle sector, where companies expect stronger sales growth this year than last.

And fundamentals should also begin to turn positive. In particular, based on union wage demands and last year's experience, average wages across the economy should rise about 3.5% this year, which if it pans out will mean a return to modestly positive real wage growth.

Our outlook is for annualized quarterly Japanese growth to pick up to the 1.1-1.6% range this year. Partly because of weakness in the second half of last year, annual growth for 2024 as a whole will come in at 0.8%, firming only slightly to 0.9% in 2025.

Growth in the 1% range is about the best we can expect for Japan in the near term, and it will decelerate further as we move into the second half of the decade. The slower growth trend reflects an anticipated decline in the country's labor force, which has been delayed so far by an impressive and unexpected rise in labor force participation rates, particularly among women. Still, with labor force composition now more similar to other rich countries and the old getting older, a falloff in available labor appears inevitable. This will hold down growth well into the future.

Korea shares many of the problems facing other countries in the region, including weak demand for its exports and weakening domestic demand. Exports to China fell 20% last year, and the US-China trade war in semiconductors threatens Korean production facilities in China. A longer-term challenge is a declining population that will reduce demand and create labor market pressures. According to IMF projections, the economy will expand by 2.3% this year and next, an improvement over last year's 1.4% growth.

We are now likely past the bottom of the global slowing cycle. In many respects, the world economy fared better than expected, considering post-pandemic supply constraints, Russia's war on Ukraine, and the drag from widespread monetary policy tightening to fight inflation. The broad success of disinflation efforts was a pleasant surprise to many. But, as we have seen above, the impacts have been very uneven across countries, as will be the path forward. For example, as US growth continues at a much healthier-than-expected clip, the Euro Zone is still expected to contract this year and next.

There are of course considerable risks to ongoing global recovery. The Gaza conflict in particular has disrupted Red Sea trade and now poses the risk of spilling over into a broader conflict between Israel and Iran, which could send oil prices higher. Trade and technological gamesmanship between the US and China, and the related restructuring of global supply chains, also add uncertainty and costs. And many countries will have to deal with burgeoning government deficits and the cost of decarbonization. The upcoming US elections add additional uncertainty. For now, the global environment facing Hawaii looks likely to continue its gradual improvement, with the weak yen an ongoing concern.

International arrivals recovery helps to offset US softness

Over the past year, the four Hawaii counties have experienced differing visitor industry performance. All were affected to varying degrees by a tapering of US arrivals in the first half of 2023, perhaps reflecting waning post-pandemic rebound travel. As Maui suffered the economic fallout of the August wildfires, other counties benefited to some extent from visitors substituting alternative Hawaii destinations. Despite challenges, last year's inflation-adjusted statewide visitor expenditures exceeded pre-pandemic levels, with real daily spending per visitor reaching highs not seen in nearly a decade.

The visitor census on Oahu, supported by the gradual return of the Japanese market, has now fully recovered to its pre-pandemic level. Maui arrivals dropped sharply in the fires' aftermath, but there was a relatively quick initial rebound. We have seen a bit of a pullback recently, and the island's tourism recovery will be protracted, in part because of the need to house displaced residents and recovery workers. Hawaii County is well-positioned for continued tourism growth. Kauai has seen a plateauing of visitor numbers after earlier substantial gains.

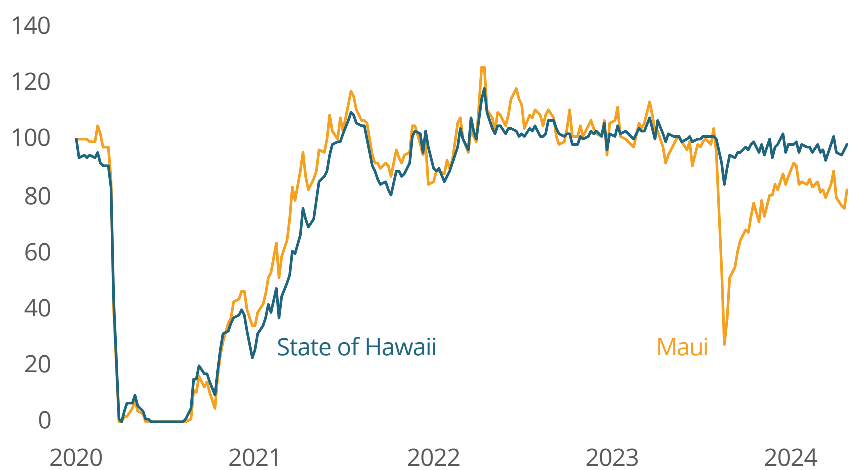
In March, statewide visitor arrivals were 5% lower than in March 2023. The average daily visitor census, which takes into account the length of stay, was nearly 7.5% below the 2019 level. While arrivals and census data for April are not yet available, domestic passenger counts remained largely stable during the spring, with a small bump during the Spring Break period.

International travel continued its gradual recovery in 2023, helping to offset softness in the US market. But two of the largest international markets have experienced weakness in recent months. The yen's nosedive is weighing heavily on the recovery of Japanese visitor arrivals, which still remain at less than 50% of their pre-pandemic level. March Canadian visitor arrivals pulled back 8% from a year earlier and are now 25% below their pre-pandemic level.

With US arrivals running 8% above 2019 levels last year, the share of US visitors has remained significantly higher than before the pandemic. US visitors comprise approximately 77% of all visitors to Hawaii. However, with continuing gains in international arrivals and the impact of the Maui wildfires, the share of US visitors decreased by 5% in 2023 compared with the previous year.

WEEKLY DOMESTIC PASSENGER COUNTS (1ST WEEK OF JANUARY 2020 = 100)

Airline passenger counts are stable statewide, while Maui's recovery has been rocky.



Before the pandemic, Japanese visitors typically spent one-third more per person than US visitors. However, post-pandemic, their spending has converged to roughly the same amount. While arrivals from Japan remain well below pre-pandemic levels, their still-solid per person daily spending of $230 makes them an important part of the overall visitor mix. Japanese visitors are the biggest spenders on shopping and food, while they spend the least on transportation. Among major markets, Canadian visitors spend the least per capita, while visitors from the rest of the world spend the most.

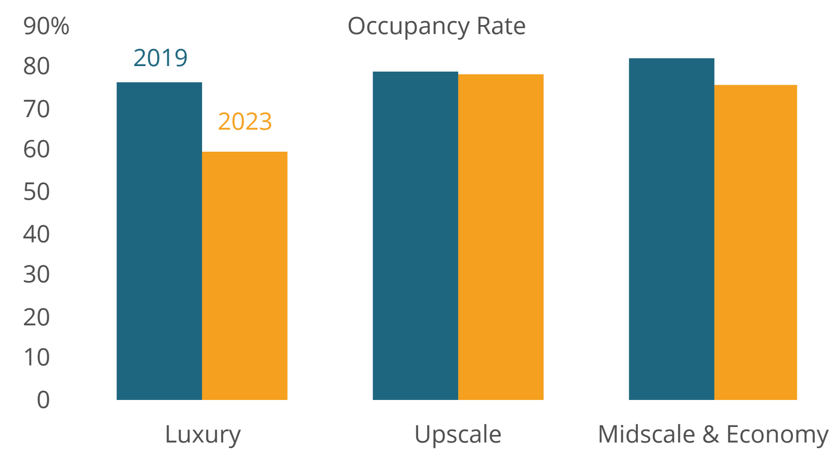
Among the counties, Maui continues to have one of the highest per-person visitor spending rates, primarily due to relatively higher room costs on the Valley Isle. Kauai exhibits similar visitor spending characteristics, also influenced by high accommodation expenses. Oahu, which attracts the highest shopping expenditures, predominantly driven by Asian visitors, has seen a decline in per person daily spending over the past two years. With the increase in room rates and other non-discretionary tourism expenses, visitors now have less disposable income for shopping and other activities.

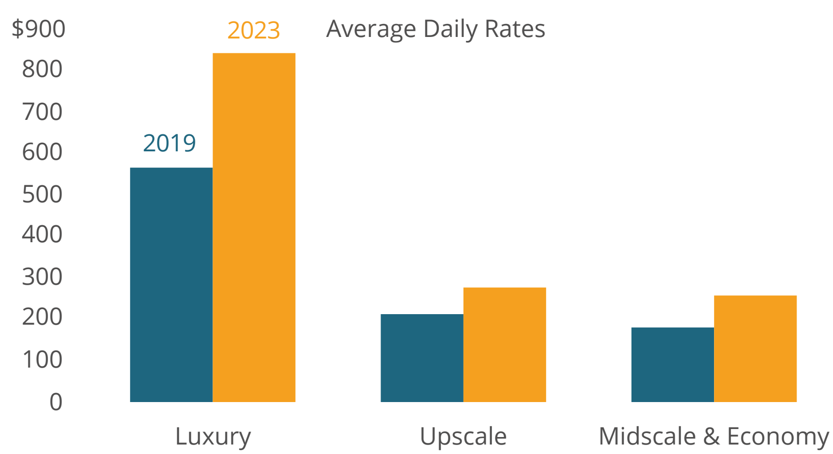
Room rates hold steady amid weakness in the luxury segment

Inflation-adjusted room rates have been essentially flat over the past two years, following a substantial increase in the aftermath of the pandemic. At the same time, airfares have failed to approach the highs seen in the previous decade, even as oil prices surged. The sideways trajectory of both airfares and room rates suggests that tourism is not pushing up hard against capacity constraints.

HOTEL ROOM AND OCCUPANCY RATES

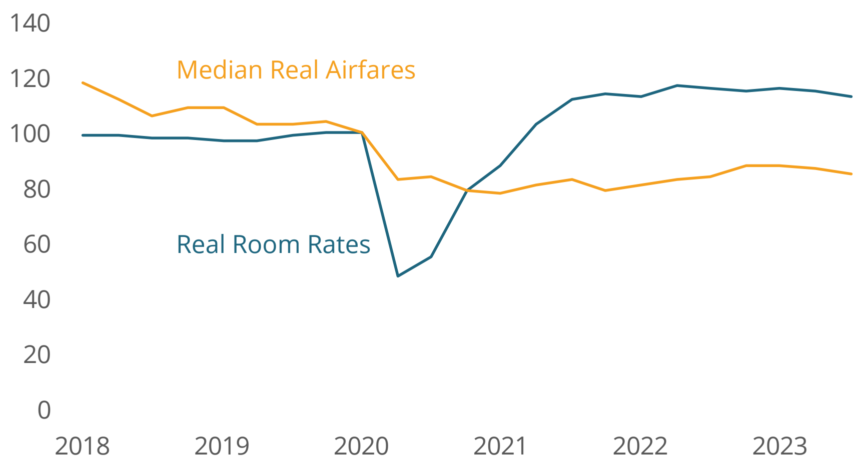
Substitution at the high end as price differentials widen.





REAL ROOM RATES AND MEDIAN REAL AIRFARES (INDEX, JANUARY 2020 = 100)

Room prices have stabilized and airfares remain below their pre-pandemic level.



More granular data on hotel prices and occupancy rates hint at substitution away from the luxury segment. Between 2019 and 2023, room rates for luxury accommodations increased by 50%, while in the upscale segment, the increase was a more modest 30%. During the same period, occupancy rates dropped by more than 15 percentage points in the former category, but they remained essentially unchanged in the latter.

Over the past decade, vacation rentals helped to expand accommodation capacity, but some of those gains may now be on shaky ground. The Hawaii State Legislature passed a bill this year to allow county governments to phase out short-term rentals. In the lead up to the new law, there was fierce debate, with supporters arguing that these measures are crucial to addressing Hawaii's housing crisis, worsened by the Maui wildfires. The new law is a direct challenge to online booking agencies AirBNB and VRBO, and there may well be legal challenges to the new authority from these platforms and property owners. In West Maui, where at times nearly 40% of the housing stock is in the short-term vacation rental pool, and close to 60% of homes are owned by non-residents, the post-fire need to house displaced residents has increased pressure for change. In the forecast section below, we will look at the potential impact of wildfire-related use for the island's ability to host visitors. (See the box, "Maui's visitor accommodation and housing needs.")

Future visitor industry performance will depend on a number of factors. One is the relative cost of a Hawaii vacation. If the dollar remains strong, it will impose continued headwinds for international markets, at a time when US market growth has ebbed. Accommodation capacity constraints may begin to weigh on Maui's tourism recovery.

The state budget is under pressure, but less than feared

Several developments are exerting pressure on the State's budget. Public worker unions are poised to receive hazard pay compensation from the counties and State related to work during the COVID-19 pandemic. The State recently settled with the Hawaii Government Employees Association (HGEA) for workers to receive either $10,000 or $20,000, depending on the number of days worked. This follows an arbitration decision for public school employees other than teachers. And Maui County recently reached an agreement with the police union. It is expected that other public employees with temporary hazard pay conditions in their contracts could be awarded similar compensation.

Population changes in Hawaii are also reducing tax revenue for the State. According to one estimate published by the Pacific Resource Partnership, net out-migration since 2020 has reduced State revenue by approximately $185 million in general excise taxes and state income taxes. An aging population will continue to put downward pressure on the labor force and corresponding state income tax revenues. Low productivity and per capita income growth will also limit revenue growth.

Concerns have subsided that the State's costs associated with the Maui wildfires would require budget cuts elsewhere. Expenses for the Maui wildfires are being handled separately from the budget, and much of the costs are expected to be reimbursed by FEMA eventually. The proposed State budget earmarks $4.5 billion for construction, including $1.3 billion in federal funds. Two other bills appropriate an additional $844 million for expenses related to the Maui wildfires.

Two other factors are helping to ease the current budget situation. By the end of the year, the State and counties must allocate up to $400 million in remaining federal funds from the American Rescue Plan Act or return the funds to the federal government. While state and local governments have until the end of 2026 to complete approved projects, all funds must be tied to contracts, RFPs, or purchase orders by the end of 2024. That means $210 million must be obligated within the next nine months, and $190 million has yet to be committed. The Governor has also canceled a scheduled $300m deposit to the state and county Employee's Retirement System trust fund to ease near-term budget pressure.

It is not just the state budget that is under pressure. Maui County's proposed budget is up 34% or $430 million from last year, primarily due to wildfire-related expenses. While some of the one-off expenses are covered by block grants and other sources, $153 million is for wildfire-related department operating expenses such as additional firefighter positions. Revenues are also up, in part due to increasing property tax assessments, easing the budgetary pressure of increased expenses.

The legislature has passed a significant program of broad-based income tax cuts. Inflation-related bracket creep has raised tax burdens on many households. And recent increases in the minimum wage inadvertently mean that some of the lowest-income workers also pay a higher share of their incomes in taxes. The proposed income tax cuts will address these issues by adjusting tax brackets every two years until 2029. Further tax cuts for all earners come from eliminating the lowest income tax bracket in 2025 and making multiple increases in the standard deduction over several years to eventually reach $12,000 for an individual or $24,000 for a couple filing jointly in 2031. These proposed cuts will give all residents more money in their pockets relative to existing tax rules but will limit state revenue growth.

Insurance costs and availability threaten home resales

Insurance costs, particularly for condominiums, are rising substantially across the US due to an increasing number of catastrophic events. Data is not available for Hawaii specifically, but since November of last year, the rate of increase for tenants and household insurance as measured in the US CPI has exceeded the overall inflation rate. While some of this increase could be due to higher assessments of risk, part could simply reflect past cost increases that have not previously been passed on to consumers.

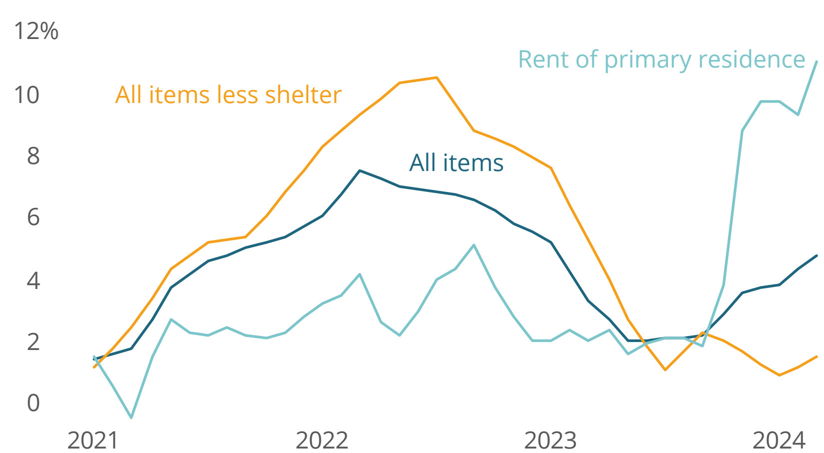
It appears that the cost of master policy building insurance for condominiums is increasing at an even faster rate. For condominiums, the Association of Apartment Owners (AOAO) obtains insurance for the building structure, while unit owners purchase their own policies to cover personal property and unit improvements. As insurance premiums increase, AOAO fees will increase to keep up. And as costs rise, it is tempting to reduce coverage and increase deductibles. However, Federal lenders Fannie Mae and Freddie Mac both require 100% windstorm (hurricane and other wind damage) coverage for family units, and often other lenders have similar requirements. So without full insurance coverage, many lenders will not make loans for transactions in the affected buildings. Unfortunately, it is estimated that 375-390 buildings in Hawaii are already underinsured for hurricane risk, and this number could increase. This results in both higher costs for consumers paying the insurance and an additional economic hit from reduced transactions. Some insurers are simply pulling out of the Hawaii market, so acquiring master policy insurance at any price will become more difficult. The State Legislature has considered a public insurance pool to address these concerns, but this was not adopted during the recent term.

Hawaii inflation picks back up

During the pandemic recovery, Hawaii enjoyed consumer price inflation rates below the rest of the nation, in part because Hawaii's economic recovery pace was slower, resulting in less demand pressure. But this is no longer the case. Toward the end of 2023, the Honolulu inflation rate rose above that of the US overall for the first time since 2020, and it has continued to tick higher. Honolulu CPI inflation of about 4% (measured on an annualized two-month-to-two-month basis) has now persisted for about a year, while the US overall has experienced a rate closer to 3%.

In March, Honolulu's year-over-year inflation rate edged up to 4.8%, compared with 3.5% for the US as a whole. This increase, which began in October, is primarily due to increases in housing costs, specifically, *rent of primary residence*, which was up 11% in March compared with a year earlier, and *owners' equivalent of rent of primary residence*, up more than 9%. These shelter costs represent a large share of consumer spending. At the same time, homeowners who locked in low mortgage rates before and during the

HONOLULU CONSUMER PRICE INFLATION
Rents have driven the pickup in local inflation.



pandemic are spared these costs. (Honolulu has a homeownership rate of over 60%.) For these households, the effective annual rate of inflation less shelter measures only 1.5%.

It is not entirely clear why rent increases are suddenly appearing, but several factors may be at work. First, past rent increases have been less dramatic in Hawaii than on the Mainland. And while data from Zillow show asking rents in Honolulu increasing as early as 2021, there is a delay between increases in new rents and increases in the shelter component of the CPI, because the CPI measure includes all residents and not just new tenancies. This delay appears to have been considerably longer in Honolulu than for the US overall. Additionally, there is the possibility of imprecise measurement of shelter inflation in the small survey sample used for Honolulu.

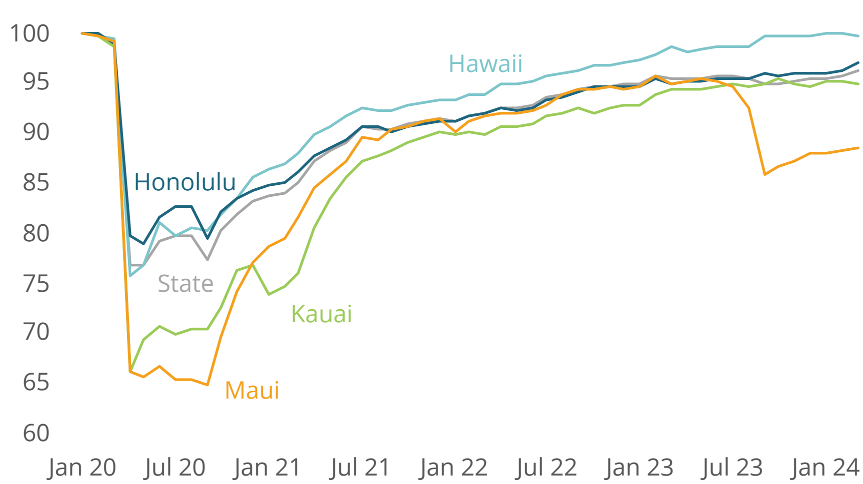
Job growth has slowed, and not just on Maui

Hawaii's job growth continues at a modest pace. In Honolulu, Hawaii, and Kauai counties, the year-to-date increase in payrolls ranges from 1.5% on Oahu to 2% on Hawaii Island. The Big Island's payroll employment has now approached pre-pandemic levels, and Honolulu and Kauai counties have recovered to within 3% and 5% respectively. Of course, the situation on Maui is quite different. In the wake of the catastrophic wildfires, Maui County experienced a sharp drop in jobs; currently, filled jobs are nearly 5,000 (6%) fewer than before the fires.

And the pace of labor market recovery on Maui has decelerated. Unemployment insurance claims showed a notable decline at the start of this year, and there was a pronounced downturn by mid-February. The latter likely reflects the expiration of many peoples' unemployment benefits, rather than progress in economic recovery. The unemployment rate for Maui County remains elevated at 4.3%, one-to-two percentage points higher than for the other counties.

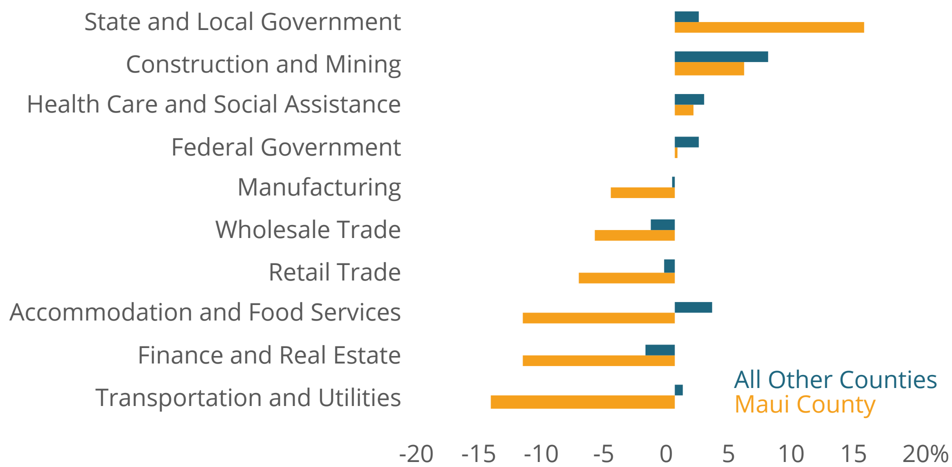
Since the onset of the wildfires, sectors heavily reliant on tourism—notably accommodations, food services, transportation, and utilities—have borne the brunt of the impact, with job counts in these areas now 12-15% lower on Maui than before the fires. The bulk of the downturn in accommodations and food service jobs has been concentrated specifically in food services, where payrolls are now 21% lower than before the wildfires. The finance, insurance,

NONFARM PAYROLLS FOR THE STATE AND COUNTIES, INDEX (JANUARY 2020 = 100)
Hawaii County has led the state's employment recovery.



CHANGE IN PAYROLL JOBS BY SECTOR, JULY 2023 TO MARCH 2024

Maui's employment losses have been large, while the other counties continue to add jobs.



and real estate sector has also suffered substantial job losses, with job counts down 15%. Aside from these industries, retail trade, wholesale trade, and manufacturing are 5-8% below their July 2023 levels.

The robust post-pandemic job recovery in the other counties has now leveled off. In part, this reflects a decline in the state's labor force. Since the onset of the COVID-19 pandemic, the statewide labor force has shrunk by more than 2%, a reduction of approximately 16,000 persons. This decrease in the labor force has in turn limited the potential for employment growth. As of March, Hawaii nonfarm payrolls are just a half-percent above their July 2023 level. The construction industry is the only sector that has seen moderately strong growth, with jobs increasing by 6% since the wildfires.

And population trends are driving differences in employment growth across the counties. Hawaii County saw a 3.7% increase in residents between the fourth quarter of 2019 and the third quarter of 2023, and its labor force increased modestly. But they are the outlier. Oahu has seen a significant population decline, which began before the pandemic, and Maui also saw net population losses even before the fires. Kauai has avoided population decline so far, but all counties except Hawaii have seen some decline in their labor force.

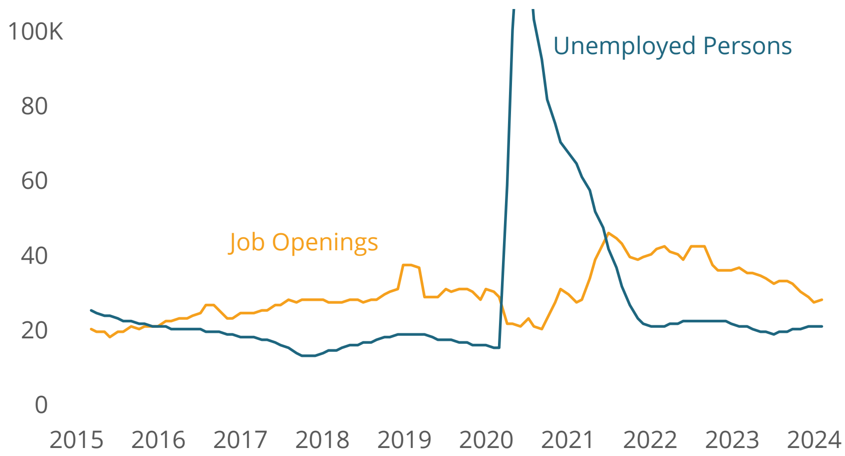
Labor markets remain tight

Aside from the impact of the wildfires on Maui, Hawaii labor markets remain relatively tight. Here the data is a bit mixed. The number of job openings has fallen from a peak of 52,000 in July 2021 to just 26,000 in February 2024, but unemployment has also declined. The unemployment rates on Kauai and the Big Island are running only about 0.2 percentage points higher than before the pandemic, while Oahu's 2.5% rate is a half-percent higher than in February 2020. Of course, as we noted above, unemployment remains elevated on Maui.

In addition to a lagging labor force, the state saw a decline in labor force participation during the pandemic. While significant recovery has occurred, the participation rate remains two percentage points lower than before the onset of COVID-19. This mirrors a national trend and likely reflects a larger proportion of people moving into retirement age. This demographic trend will affect longer-term economic growth prospects, as we discuss further below.

UNEMPLOYED PERSONS AND JOB OPENINGS (3-MONTH TRAILING AVERAGE)

Labor market tightness has eased



Addressing the Maui housing crisis

Progress to house the Maui wildfire survivors remains slow. Numerous government policies and initiatives have been enacted, but many households remain without long-term housing. According to data from FEMA, 7,000 households have qualified for assistance due to direct fire impacts. As of March, the Agency has secured 1,300 rental housing units from local landlords through a direct leasing program, but only 450 households had been moved into these units. There were 2,400 individuals still being housed in hotels. Many displaced households may have already left Maui, although there is limited data on the location of families who are not enrolled in a direct housing program.

The Governor had previously considered a ban on short-term vacation rentals in West Maui, an area with over 5,000 active vacation rentals, in order to shift some of these units into the long-term rental market. However, he recently announced that there would be no ban, arguing that the needed units could be found elsewhere. The State Legislature passed a bill that will give the counties, including Maui, more power to reduce or ban vacation rentals.

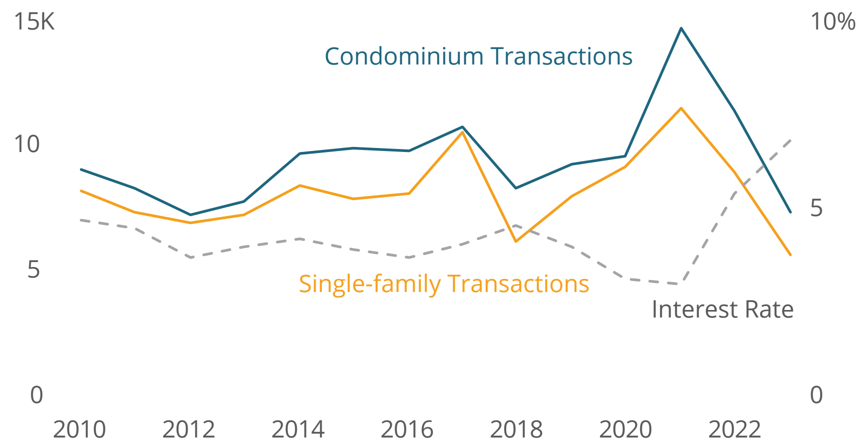
Creating a sustainable solution to Maui's housing crisis will require building more homes. A limitation of the direct leasing program is that it must remove units from other markets. If units are taken from the general rental pool, the program will raise the market rents faced by residents who do not qualify for the program. And shifting too many units out of the vacation rental pool could adversely affect the tourism economy, which will be vital to Maui's overall economic recovery. (See the box, "Maui's visitor accommodation and housing needs," below.)

To this point, proposals for new housing construction on Maui have been modest and progress has been slow. An 88-unit temporary housing village operated by a Maui non-profit has opened in Kahului. Two other planned projects will employ unused land in Lahaina. The State is planning for 450 modular units, with the first move-in dates potentially in July. On an adjacent plot, FEMA has plans for 169 units of temporary housing and is committed to providing 214 temporary homes on a plot in Kaanapali. The State has purchased a former hotel in Kihei, which will be used to provide 175 income-restricted housing units.

Although these projects represent progress, they would not provide enough housing to meet the current needs of displaced families. Before the fires, Maui was already desperately short of housing. Without a significant increase

STATEWIDE HOUSING MARKET TRANSACTIONS AND THE MORTGAGE INTEREST RATE

Rising mortgage interest rates have caused housing transactions to plummet.



in new permanent housing, market home prices and rents in Maui will continue to be the highest in the state.

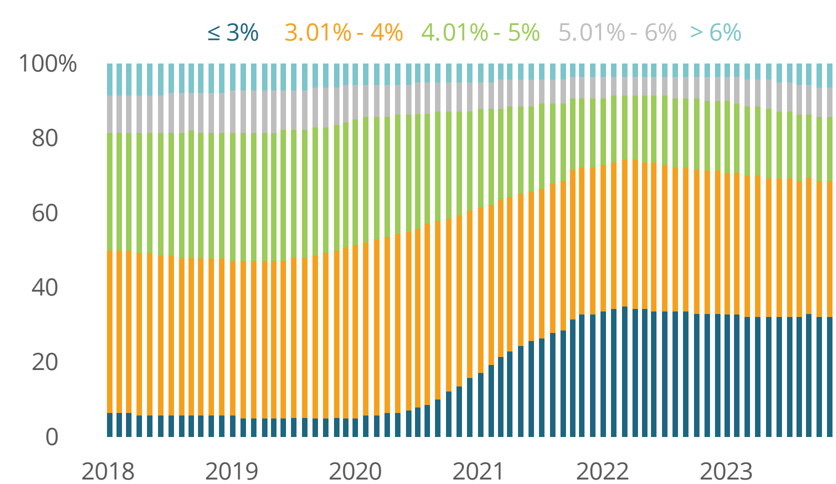
Mortgage rates keep statewide housing in the doldrums

Housing transactions in the state overall have fallen precipitously over the past two years. In fact, there were fewer single-family homes transacted in 2023 than in any of the previous 20 years. Condo transactions have also fallen sharply. The primary cause of the home resale collapse is that the surge in interest rates has created a "lock-in" effect, discouraging owners with older low-interest rate mortgages from selling. Nearly 70% of existing mortgages in Hawaii have interest rates below 4%, far lower than the 7% or higher rates buyers would face on a new home purchase. A recent national study by the Federal Housing Finance Agency estimated that each percentage point gap between the going mortgage interest rate and a household's current mortgage reduces the probability of a sale by 18%; for Hawaii the estimate is 23%.

The prevalence of fixed-rate mortgages in the US has shielded homeowners from the expense of rising rates. But for those attempting to enter the housing market—or homeowners who must move for job or other reasons—the lock-in effect has been detrimental. Buyers face high rates and an extremely low inventory that keeps prices high. In 2023, a household would have needed to earn 180% of median state income to afford a mortgage on the median-priced single-family home. (Here, to "afford" means spending

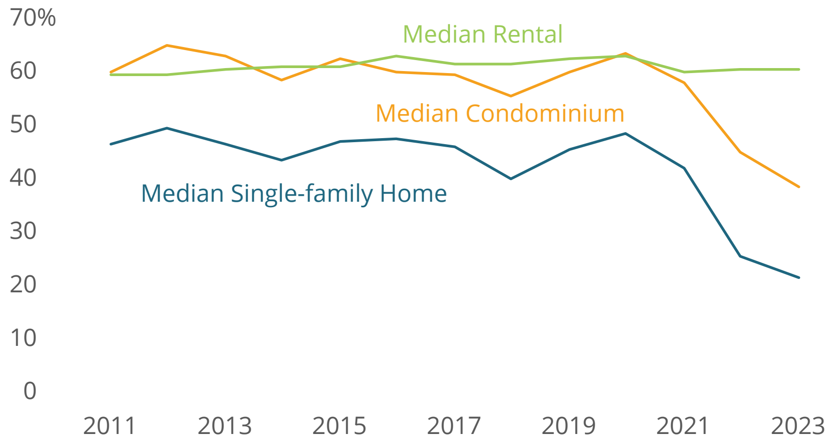
EXISTING HAWAII MORTGAGES BY INTEREST RATE

A large share of existing Hawaii mortgages pay an interest rate of 4% or less.



PERCENTAGE OF HAWAII HOUSEHOLDS WHO CAN AFFORD A MEDIAN-PRICED HOME

Only one in five local households can afford the mortgage on a median-priced single-family home.



no more than 30% of income on mortgage payments.) Only one in five households can afford the mortgage on a median-priced home.

The unfolding saga around the condominium insurance market has created an additional housing market challenge. As we noted above, condominiums must be fully insured to qualify for federally-backed mortgages. The inability of buyers to obtain mortgages could potentially freeze the condo market, placing a further constraint on Hawaii home sales. The Maui wildfires and the withdrawal of one of the state's major insurance providers (Universal Property and Casualty) have both contributed to a quickly evolving insurance market. Many buildings are being asked to pay much higher rates to maintain insurance. As we noted above, bills were considered in the just-finished legislative session that would seek to expand the role of the state-run Hawaii Property Insurance Association and the Hurricane Relief Fund (HRF) to help stabilize the market. The measures were not passed into law.

In addition to representing a hardship for prospective buyers, the cold real estate market could threaten the state budget. The State earns money on transactions through the conveyance tax, but also indirectly through corporate and individual taxes collected on the real estate industry. Conveyance tax collections in FY 2023 were $92 million, marking a 50% drop from the previous fiscal year, although they were still higher than either FY 2020 or 2021.

Construction industry still buoyant

Overall construction activity in the state has been buoyant. The statewide construction job count, already supported by homebuilding and large federal projects, surged at the end of last year and early 2024, rising to nearly 41,000 workers, nearly 3,000 more filled positions than there were in July. By far the sharpest jump has been on Oahu. Part of the island's large increase could represent workers who are actually involved in work on Maui, but whose companies report payrolls at their Oahu home base. Condo building is also proceeding at a rapid clip in Honolulu County. Maui can expect to see a surge in construction jobs in the coming years as rebuilding ramps up. Construction employment on the Big Island is at its highest level since before the pandemic, and on Kauai at the highest level since the aftermath of Hurricane Iniki. Both counties are set to benefit from a range of public infrastructure projects over the next few years.

THE HAWAII OUTLOOK

Hawaii's economy is continuing to grow, but at a slower pace than last year. In part this reflects the employment and income losses being suffered on Maui. But it also reflects the end of the period of post-pandemic recovery, which by now is largely complete, except for the gradual ongoing return of Japanese travelers. At the same time, construction will continue to be a source of strength, especially for Maui and Oahu. Hawaii nonfarm payroll employment will expand by just over a half-percent this year and real income by 1.4%.

The only significant aggregate change from the time of our first quarter forecast is a sharply higher projection for consumer price inflation, which we now expect to come in at 4.5% this year, substantially higher than the 3.4% we had anticipated in February. This reflects in part a dramatic surge in rents and estimates of imputed rents for homeowners. So it will take a bit longer for Hawaii to settle onto a moderate-inflation path.

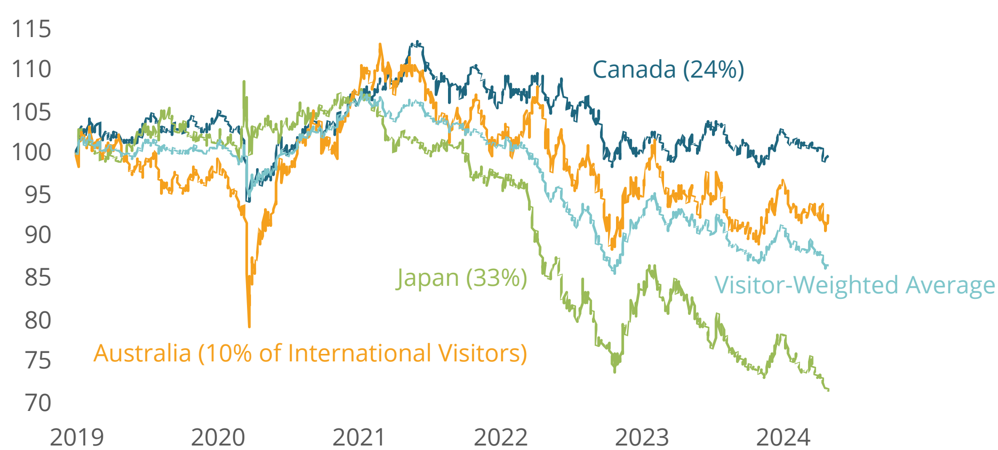
Of course, our eyes continue to be on Maui. The Island's somewhat faster initial recovery is translating into better-than-expected performance for tourism-related sectors this year, but we still expect an extended recovery period. Differences across the other three counties are of course less pronounced. Growth will slow in each county this year, with Hawaii Island maintaining an edge that reflects its stronger underlying population and labor force growth. This will continue throughout the forecast period. Honolulu will see the most significant slowing of trend growth as its population largely stagnates.

International visitor recovery will offset a flat US market

North American visitors have dominated the Hawaii tourism market since the beginning of the pandemic. Visitors from the US mainland represent more than three-quarters of all arrivals, far higher than their two-thirds market share in 2019. Even aside from the tourism disruptions on Maui, US visitor numbers will be a bit softer this year than last, although the unexpected US economic strength we are seeing will prevent a significant falloff. We expect the number of US visitors to firm in coming months, but to show a small net decline for the year as a whole.

CURRENCY VALUES AND VISITOR MARKET WEIGHTED AVERAGE

A record-low yen has dramatically reduced Japanese travelers' purchasing power.



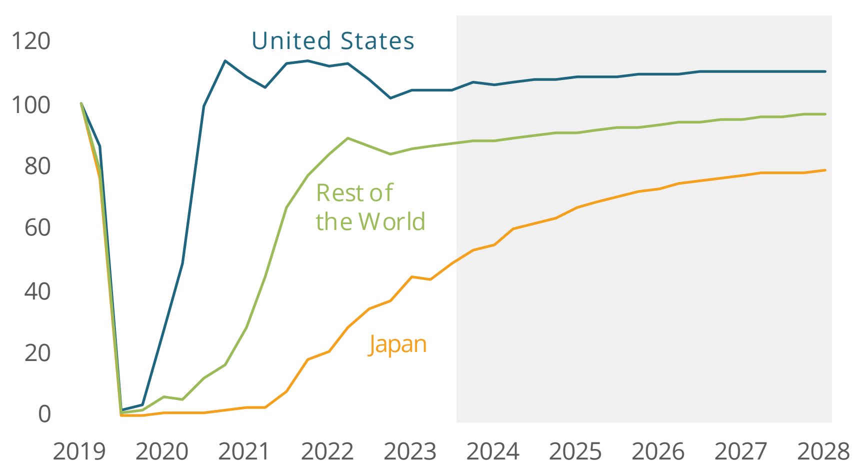
Somewhat ironically, the delayed recovery of the Japanese market means that as these visitors slowly return in larger numbers they are helping to offset the somewhat softer US market. Visitors from other international markets are also an important source of growth. At the same time, we have noted the challenges that face many overseas economies, including weak European and Chinese export markets, rising protectionism, and global security concerns. And an exceptionally strong dollar will continue to act as a heavy tax on travel costs and the local purchasing power of foreign visitors to the Islands.

By 2025, most countries will have turned the corner, with stronger growth at home and healthier trade partners. That will leave the dollar as the biggest remaining risk to foreign travel, particularly now that the first US interest rate cuts are likely to come later than in other major economies. We expect a bit more than 200,000 additional Japanese visitors this year, with a similar sized gain in 2025. The number of international arrivals from markets other than Japan will grow at a 2% average annual pace during the next three years.

Statewide visitor arrivals will expand by 1.9% this year and firm to 4% growth in 2025. The average daily visitor census will be 1.4% lower this year than last, because of somewhat shorter lengths of stay, but will also pick up in 2025. Across the counties, Oahu and the Big Island will benefit from the ongoing return of Japanese visitors, which will offset incremental losses in the US and other foreign markets. Oahu will see arrivals grow by more than 4% this year, and Hawaii County more than 6%. Kauai, which has a negligible number of Japanese visitors, will see about 1% arrivals growth. Visitor growth will fall back next year on most islands.

Maui will continue to suffer from post-fire constraints to capacity and reluctance to return on the part of some would-be visitors. While an incremental return of visitors has already begun, the number of arrivals will be more than 7% lower this year than in 2023, and 20% fewer than in 2022. As recovery continues, year-over-year visitor growth will approach 11% in 2025. Even so, the slow anticipated recovery of the Maui visitor industry will result in a greater-than-200,000 arrivals shortfall in 2026. Maui's average daily visitor census will remain 6,000 persons below the 2022 level.

VISITOR ARRIVALS (INDEX, 2019Q4 = 100)
Ongoing international visitor recovery will partly offset a flat US market.



Maui's visitor accommodation and housing needs

The wildfires that devastated Lahaina have destroyed homes and visitor accommodations, and the need to house displaced residents has removed a substantial number of units from the accommodations pool. How might this constrain a recovery of Maui's visitor industry, and what scale of new home building will be necessary to avoid these constraints?

To understand the challenge faced by the Maui visitor industry, it is useful to look at the situation before the fires. The visitor plant has been relatively stable since 2021, with a combined 24,700 units in traditional accommodations and short term transient vacation rentals (TVRs). The number of available units was similar during the 2016-2018 period. During the twelve months preceding the August 2023 fires, the occupancy rate averaged 67%, lower than the 77% occupancy that prevailed in the two years preceding the pandemic. Occupancy rates in traditional hotels and short term vacation rentals were very similar both before the pandemic and prior to the fires.

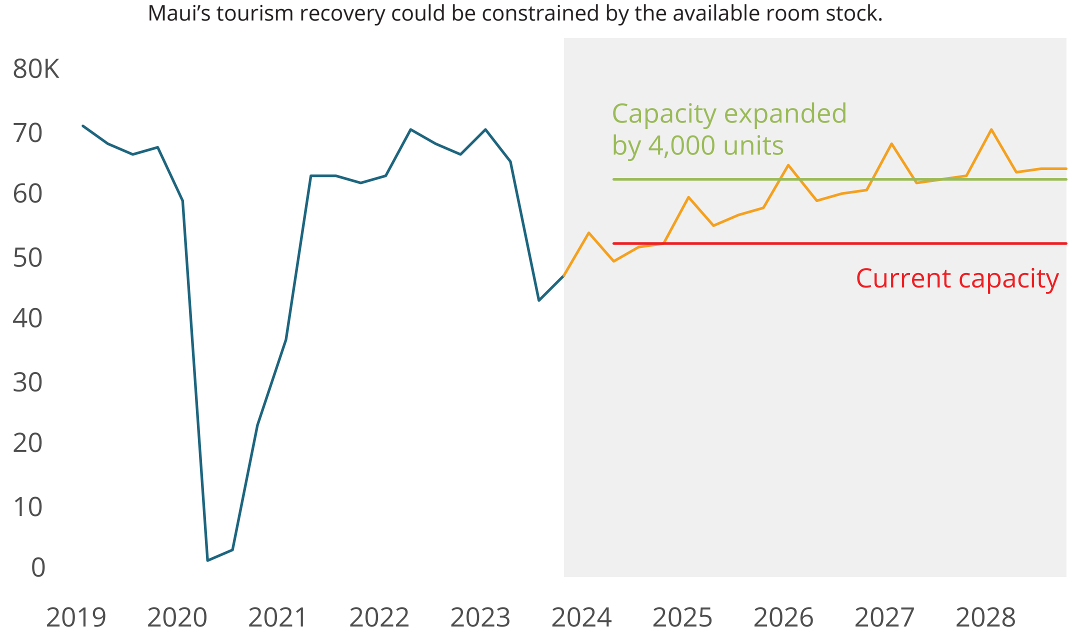
For our calculations below, we assume an occupancy rate for both types of establishments of 70%. An estimated 9.6% of visitors to Maui stay with family or on cruise ships, so they do not take up space in visitor accommodations. Using data on average daily census, occupancy rate, and the visitor plant, we estimate that on average about 3.3 visitors are accommodated per unit.

Visitor plant that can be made available to tourists has declined since the fires, which destroyed or made inaccessible about 1,420 units (770 TVR + 650 hotel units). About 4,000 displaced households require housing on Maui, but the exact number of families staying in hotels and former TVRs is not known.

Based on available data, we estimate that approximately 2,300 visitor accommodation units are housing displaced residents (assuming one household per unit). In addition, we assume that about 600 units are occupied by emergency workers (assuming one worker per unit). With these reductions, the number of currently available visitor units on Maui is 20,380. Assuming a return to the pre-fire occupancy rate of 70%, the reduced room supply implies a maximum average daily visitor census of 52,000. In February, seasonally adjusted occupancy rates and daily census stood at 68% and 48,500, respectively, which is consistent with these assumptions.

MAUI AVERAGE DAILY VISITOR CENSUS:
CONSTRAINT IMPOSED BY CURRENTLY AVAILABLE ROOM STOCK AND THE EFFECT OF ADDING 4000 UNITS

Maui's tourism recovery could be constrained by the available room stock.



The fact that the actual visitor census is near the limit implied by current capacity constraints indicates that significant further visitor industry recovery will depend on relaxing these constraints. Our current forecast has the Maui visitor census surpassing 52,000 this summer, and reaching 57,000 by the summer of 2025.

Based on past experience, occupancy rates are likely to exceed 70% this summer, allowing the existing room stock to accommodate a greater number of visitors during the peak season. And as interim housing comes online, it will begin to return some of the units currently housing residents to the regular visitor plant inventory. Maintaining the 70% occupancy rate assumption for 2025, this will require the construction of at least 2,000 housing units if we are to avoid a pause in the tourism recovery. By the summer of 2026, if a cumulative 4,000 housing units have not been constructed, the tourism/economic recovery will stall. So substantial near-term progress in providing new housing for residents will be essential for maintaining the anticipated pace of Maui tourism recovery.

While the relatively quick partial return of visitors to Maui is good news, we continue to believe that a full recovery of the Maui visitor industry remains many years down the road. A chief barrier to tourism recovery will be the necessary use of hotel rooms and short-term vacation rentals to house recovery and reconstruction workers. (See the box, “Maui’s visitor accommodation and housing needs.”) Other factors that will weigh on recovery are highway congestion during rebuilding, resource constraints, and reluctance by some travelers to choose Maui as a travel destination until recovery is further along.

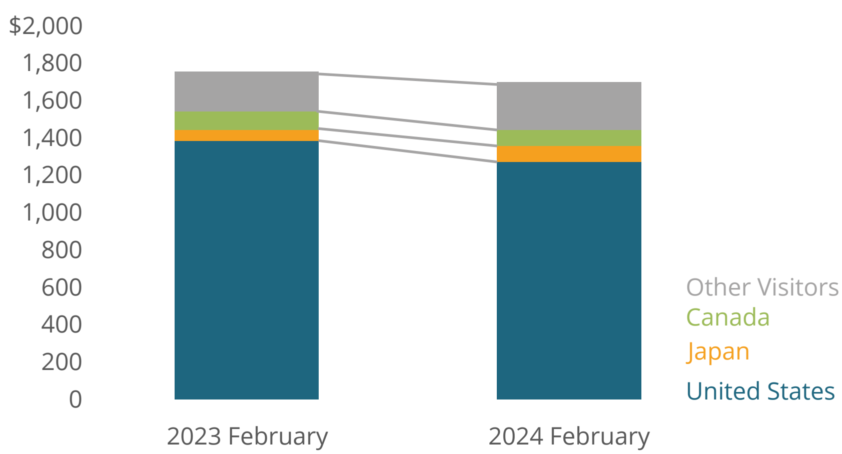
Looking a bit further out, the composition of Hawaii tourism will look somewhat different than it has in the past. The pandemic and its aftermath shifted the visitor mix sharply toward the North American markets. While the Japanese visitor return will continue, we do not expect Japanese guests to garner as large a share of Hawaii tourism as they have in the past, primarily because of further population decline. By 2028, the Japanese market will account for less than 12% of all visitors to Hawaii, compared with 15% in 2019.

Visitor spending will ease this year

Real visitor spending rose in 2022 and early 2023 to levels last seen in the late nineteen-eighties, driven in part by the rapid rise in the cost of accommodations. Visitor outlays then receded a bit, in line with the softening

AVERAGE DAILY VISITOR SPENDING BY MARKET

US visitor spending has declined, as the international spending share is recovering



average daily census. Real visitor expenditures will be lower this year than in 2023, picking up gradually as the year progresses. The ongoing rise in the number of international travelers from Asia and Oceania will partly offset the moderate falloff in mainland visitor spending. But until there is significant dollar softening, the real value of goods and services that many international travelers can afford—and their contribution to industry fortunes—will continue to be more limited than in the past, preventing robust gains in overall visitor outlays.

Population slowing and aging will lead to decelerating job growth

The Hawaii labor market has shown a slightly more pronounced slowdown than anticipated in our first quarter report, largely because earlier payroll job estimates were revised downward. Statewide job growth will decline further to less than 1% this year, with further deceleration over the forecast period.

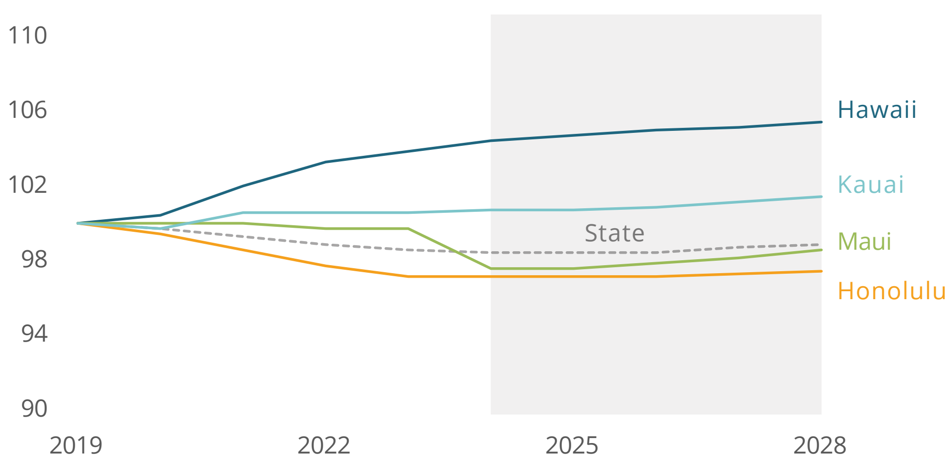
This slowing trend reflects much more modest growth in the labor force than in past decades. In fact, the state's labor force is now nearly 15,000 people below its level at the end of 2019 due to a combination of declining population and a slightly lower rate of labor force participation. The counties are experiencing different migration patterns, which affect relative population change. Oahu's and Maui's populations were declining even before the wildfires, and this has more than offset gains on Kauai and the Big Island.

A stagnant labor force will constrain the state economy in the near term, and the sluggish trend in population growth will limit employment gains thereafter. And the long-run decrease in population growth will be accompanied by an aging of the state's population, which will impose additional costs in government services and perhaps shortages of skilled workers for Hawaii businesses.

In the near term, nearly all Hawaii industries will experience smaller job gains this year than last. In part this simply reflects a maturing of the post-pandemic recovery, but softening macroeconomic conditions will also play a role.

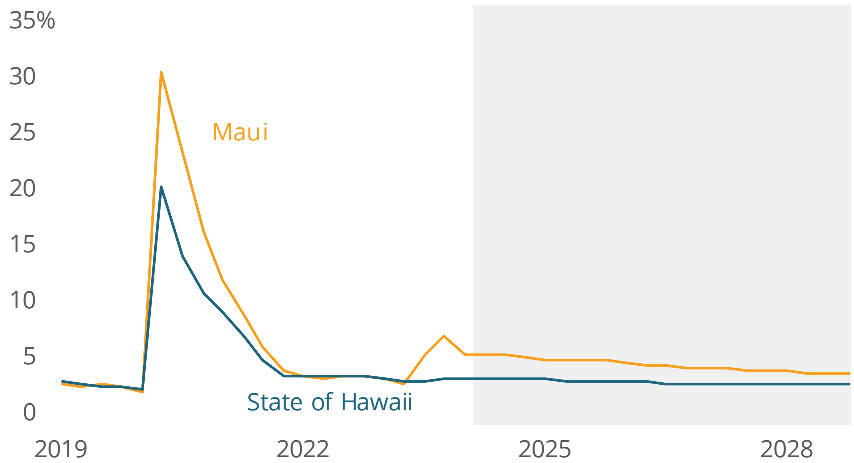
Tourism-related industries will see significantly fewer job gains this year, or outright payroll losses. Needless to say, part of this simply reflects the effects on the industry of the Maui wildfires. For example, the statewide job

RESIDENT POPULATION (INDEX, 2019Q1 = 100)
While Oahu and Maui face outmigration, the Big Island has seen steady population gains.



UNEMPLOYMENT RATE FORECAST

The state unemployment rate will fall as Maui's rate slowly recedes.



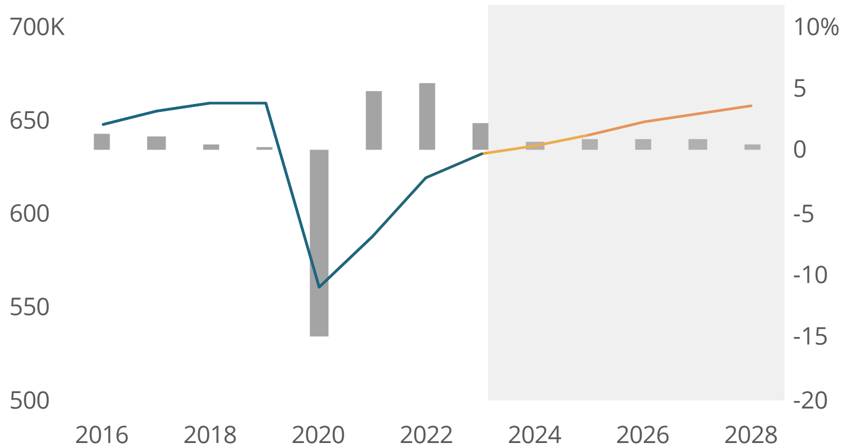
count in the accommodations and food services industry will decelerate from more than 5% growth in 2023 to 1.5% growth this year, but nearly half of this is due to a net decline of 1,300 jobs on Maui (more on the Maui outlook below). But a broader slowing of tourism-related job growth is also at work, reflecting the softening of visitor numbers statewide over the course of the past year. Statewide, jobs in the trade sector will decline 1.5% this year, and transportation and utilities payrolls will be largely unchanged. Slower growth will be seen in other sectors, as well. The finance, insurance, and real estate sector will contract by 2.6% as the effects of high interest rates continue to restrain activity, and the job count in our broad "everything else" category will decline by nearly 1%. Health care will continue to see above-average job growth in 2024 before trend slowing begins.

Public sector employment will expand at a healthy clip this year, nearly all of this in state and local government, as Hawaii rebuilds a public sector workforce that dwindled during the pandemic. There will be much smaller incremental growth in federal government employment. The construction industry is an exceptional upside outlier, adding 2,000 jobs this year, following a nearly 1,000 job expansion in 2023. In part this reflects the buildup of Maui reconstruction, but also the extensive pipeline of public and private projects, particularly on Oahu. We consider the construction sector's prospects in the next section.

As we move into 2025, overall job growth will pick up just a bit, supported by some firming of tourism, additional increments to construction, and stabilizing finance, insurance and real estate. But after next year, the longer-term demographic forces that we discussed above will begin to dominate. Aggregate nonfarm job growth will slow from about 1% next year and in 2026 to just over a half-percent by 2028. We expect a modest decline in the statewide unemployment rate from 3.1% this year to just under 3% next year, receding to 2.5% in 2027-2028. This is a good indication of the overall healthy—if slow-growing—labor market picture that we see for the coming years.

Turning to Maui, the island's economy was of course hit hard by the wildfires and has seen only a partial recovery of lost jobs. According to revised data from the US Bureau of Labor Statistics, seasonally adjusted by UHERO, the county's payroll job count fell by nearly 7,000 in the immediate aftermath of the fires, and by March it had recovered less than a third of these jobs. With the early rehiring period behind us, we expect only a little more than two percent job growth over the next four quarters.

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



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

Maui's unemployment rate will average 5.2% this year, receding only slowly to 3.6% in 2028. This is a higher unemployment path than in our last forecast, but it is still considerably lower than what we had expected in the immediate aftermath of the fires. At 3.6%, unemployment on the Valley Isle will be much higher than the 1.9% recorded in January 2020.

Construction boom in Hawaii amid Maui's rebuilding efforts

The volume of building authorizations can be quite volatile from quarter to quarter. During the past few years a large volume of government projects has entered the construction pipeline, on top of a relatively stable volume of private permits. As a result, total inflation-adjusted building authorizations have risen significantly above the pre-pandemic level and are on par with those seen before the mid-2000s global financial crisis. The number of industry jobs has now reclaimed previous highs. Maui rebuilding and projects slated for construction in Honolulu will push that total above 41,500 workers by 2027, the highest level on record. (Note that some of the additional construction workers recorded in the Honolulu job counts may be working on Maui.)

This building boom, coming at a time when the industry was already operating at a high level of activity, will impose significant strain on construction resources for the remainder of the decade. Increased demand for construction materials and skilled labor will drive up building costs. And the pool of construction workers, already in short supply, will need to grow further. Some of this need may be met by retraining existing Hawaii residents, but there will also have to be an influx of construction workers from the mainland. Attracting them to Hawaii and housing them will be a major challenge. At the same time, buoyant construction activity will help to offset relative macroeconomic weakness in other areas.

More upside risk to inflation with rising shelter and food costs

After a temporary lull, Honolulu inflation picked up to a 4.5% annualized pace in the second half of last year, and it accelerated further to 5.6% in the first quarter of this year. As we noted above, the increases have been driven largely by a surge in shelter costs, and higher costs of dining out have also contributed. Pending shelter inflation pass-through will keep overall inflation above 4% for the first half of this year, before a downward trend resumes. Inflation will average 2.5% from 2026 onward, near its long-run average. Excess demand for goods and services associated with Maui rebuilding represent an upside risk.

We have observed that prices of goods other than shelter have been relatively stable: a measure of inflation that excludes shelter hovered near a 1.3% annualized rate for the past four quarters. Consequently, while housing related expenses are reducing local purchasing power, the affordability of other goods and services has not deteriorated to the same extent.

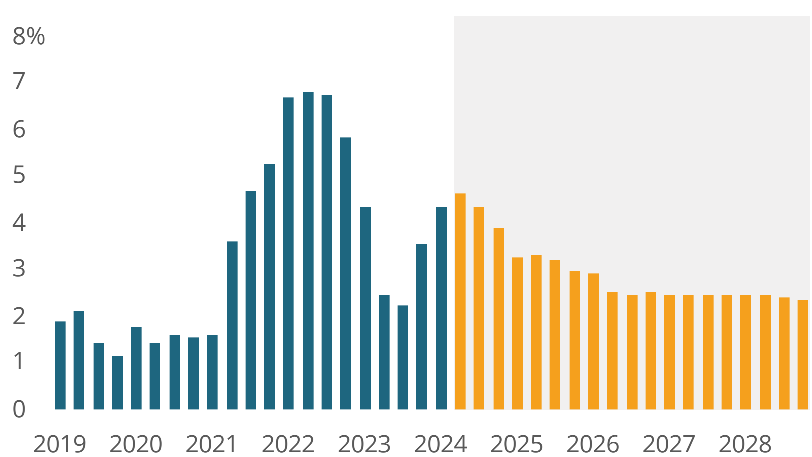
Pay raises in recent months have exceeded non-shelter price appreciation, but the higher rate of overall inflation will limit real income gains for some time. Overall, inflation-adjusted real personal income growth will exceed 2% this year, the biggest gain since 2022, when massive federal transfer payments boosted incomes. As job growth begins to trend downward, real income growth will decelerate to the 1.2-1.5% range over the next five years.

Real gross domestic product, our broadest measure of economic activity, will slow sharply from 3.6% in 2023 to 1.5% this year. Growth will pick up a bit in 2025 as the drag from weaker external economies eases and Maui rebuilding kicks into higher gear.

Hope in the near term, challenge for the long run

In broad terms, this forecast is little changed from our last. We continue to highlight the role of a resilient US economy in supporting a healthy visitor industry and the challenges that have weighed on international tourism. US prospects have improved further since our February report, and the global slowdown appears to have turned the corner. Visitor expansion will be slower now that post-pandemic recovery is behind us, but, with the exception of Maui, the state's primary industry should fare relatively well in coming years.

HONOLULU CONSUMER INFLATION FORECAST
The shelter-driven inflation surge will take time to abate.



But that's an important exception. Maui tourism faces a long road back, and the need to house wildfire-displaced Maui residents will pose an ongoing challenge. But even here, progress is being made, with cleanup efforts progressing in some cases faster than expected, literally clearing the way for rebuilding to begin in earnest. These green shoots should be celebrated on Maui and by all of us who hold the Valley Isle dear, even as we acknowledge the frustrations of some residents in getting timely and effective support during the recovery period.

The broader macroeconomic environment of course also shares this dichotomy between the relatively healthy economy prevailing statewide and the recession-like conditions in Maui County. And even in the other counties, the costs of inflation and the Federal Reserve's measures to tame it—in higher borrowing costs and reduced purchasing power—are burdening Hawaii families. In this respect, the resurgence of shelter-driven inflation in recent months is a cause for concern.

Longer-term prospects are for a slow-growth Hawaii. Part of this is not new: Hawaii's service-based economy struggles to produce the gains in worker productivity that are needed to fuel satisfactory earnings growth. While gradual diversification will help, the basic tourism-centered structure of the economy will continue to hold Hawaii growth below that of the country as a whole. On top of this will be added the burdens posed by a much slower growing population and one that will be aging at a rapid clip. This will both constrain the labor pool that supports growth and increase the budgetary costs of financing Hawaii's social benefit needs.

These pending challenges need not overwhelm us, although they will require making some tough choices about priorities and finding ways to maintain a healthy economy despite constraints. The current strength of the economy and the welcome if gradual progress on Maui start us off in a hopeful position to meet these challenges.

TABLE 1: MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2021	2022	2023	2024	2025	2026
Nonfarm Payrolls (Thou)	586.8	618.1	632.1	637.0	643.2	649.0
% Change	4.8	5.3	2.3	0.8	1.0	0.9
Unemployment Rate (%)	6.0	3.3	3.0	3.1	3.0	2.8
Population (Thou)	1,446.7	1,439.4	1,435.1	1,432.8	1,432.7	1,434.2
% Change	-0.3	-0.5	-0.3	-0.2	0.0	0.1
Personal Income (Mil$)	89,014.5	88,970.2	93,502.3	98,379.4	103,612.2	108,117.1
% Change	7.6	-0.1	5.1	5.2	5.3	4.3
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Real Personal Income (Mil 2023$)	97,752.3	91,750.6	93,502.3	94,343.1	96,309.3	97,964.3
% Change	3.6	-6.1	1.9	0.9	2.1	1.7
Real Per Capita Income (Thou 2023$)	67.6	63.7	65.2	65.8	67.2	68.3
% Change	4.0	-5.7	2.2	1.1	2.1	1.6
Real GDP (Mil 2023$)	102,190.8	104,225.7	108,019.9	109,691.2	112,980.8	115,827.1
% Change	6.0	2.0	3.6	1.5	3.0	2.5
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	6,777.8	9,234.0	9,644.5	9,828.9	10,247.1	10,516.4
% Change - Total Visitor Arrivals by Air	150.3	36.2	4.4	1.9	4.3	2.6
U.S. Visitors	6,468.9	7,746.5	7,426.0	7,358.4	7,520.3	7,618.5
% Change - U.S. Visitors	225.5	19.8	-4.1	-0.9	2.2	1.3
Japanese Visitors	18.9	192.6	573.0	803.5	1,011.2	1,137.4
% Change - Japanese Visitors	-93.5	916.9	197.6	40.2	25.8	12.5
Other Visitors	289.9	1,294.9	1,645.5	1,667.0	1,715.6	1,760.4
% Change - Other Visitors	-32.9	346.6	27.1	1.3	2.9	2.6
Average Daily Census (Thou)	178.9	232.2	234.5	231.1	237.9	244.2
% Change	129.7	29.7	1.0	-1.4	2.9	2.6
Average Daily Room Rate ($)	315.8	370.2	377.4	358.8	361.5	376.6
% Change	51.6	17.2	1.9	-4.9	0.7	4.2
Occupancy Rate (%)	57.1	73.4	74.6	69.0	70.8	72.5
Real Visitor Expenditures (Mil 2023$)	14,415.5	20,267.8	20,708.0	19,835.1	20,008.6	20,211.8
% Change	150.4	40.6	2.2	-4.2	0.9	1.0

Note: Source is UHERO. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2024-2026 are forecasts.

TABLE 2: JOBS BY INDUSTRY

STATE OF HAWAII FORECAST

	2021	2022	2023	2024	2025	2026
Nonfarm Payrolls (Thou)	586.8	618.1	632.1	637.0	643.2	649.0
% Change	4.8	5.3	2.3	0.8	1.0	0.9
Construction and Mining	37.1	37.2	38.1	40.3	40.7	41.3
% Change	0.8	0.4	2.5	5.7	1.1	1.3
Manufacturing	12.1	12.6	12.7	12.7	12.9	13.1
% Change	0.8	3.6	0.9	0.3	1.7	1.4
Trade	79.8	82.2	82.7	81.5	82.5	83.5
% Change	2.4	3.0	0.7	-1.5	1.2	1.2
Transportation and Utilities	29.7	33.1	34.5	34.3	34.6	34.8
% Change	7.9	11.6	4.1	-0.6	1.1	0.5
Finance, Insurance and Real Estate	27.3	27.8	27.7	27.0	27.4	27.7
% Change	-0.3	1.9	-0.3	-2.6	1.4	1.1
Services	280.8	304.5	313.4	315.4	318.4	321.5
% Change	9.1	8.5	2.9	0.6	1.0	1.0
Health Care and Soc. Assistance	72.0	72.5	74.2	75.6	76.1	76.9
% Change	1.2	0.6	2.4	1.9	0.6	1.1
Accommodation and Food	85.5	100.2	105.6	107.1	108.8	110.1
% Change	22.8	17.2	5.3	1.5	1.5	1.2
Other	123.2	131.8	133.7	132.6	133.6	134.5
% Change	5.7	7.0	1.4	-0.8	0.7	0.7
Government	120.2	120.8	123.0	125.9	126.7	127.2
% Change	-0.8	0.5	1.8	2.4	0.6	0.4
Federal Government	34.7	34.7	35.1	35.5	35.5	35.5
% Change	-1.0	-0.2	1.3	1.2	-0.1	0.0
State and Local Government	85.4	86.1	87.9	90.4	91.1	91.6
% Change	-0.7	0.8	2.1	2.9	0.8	0.5

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

TABLE 3: PERSONAL INCOME BY INDUSTRY

STATE OF HAWAII FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023$)	97,752.3	91,750.6	93,502.3	94,343.1	96,309.3	97,964.3
% Change	3.6	-6.1	1.9	0.9	2.1	1.7
Labor & Proprietors' Income	64,165.1	63,377.8	65,166.6	66,102.3	67,479.7	68,653.1
% Change	4.7	-1.2	2.8	1.4	2.1	1.7
Construction	5,058.7	4,811.1	4,950.2	5,323.3	5,538.7	5,723.5
% Change	-3.1	-4.9	2.9	7.5	4.0	3.3
Manufacturing	1,003.2	1,019.0	1,044.4	1,048.2	1,077.2	1,105.2
% Change	-4.2	1.6	2.5	0.4	2.8	2.6
Trade	5,206.2	5,135.5	5,186.1	5,176.1	5,263.5	5,375.7
% Change	2.6	-1.4	1.0	-0.2	1.7	2.1
Transportation and Utilities	3,346.6	3,629.3	3,924.8	3,972.2	4,038.1	4,074.9
% Change	3.5	8.4	8.1	1.2	1.7	0.9
Finance, Insurance & Real Estate	5,028.7	4,716.8	4,541.5	4,431.4	4,513.0	4,595.5
% Change	17.6	-6.2	-3.7	-2.4	1.8	1.8
Services	25,328.6	26,147.6	27,127.1	27,237.8	27,770.9	28,273.6
% Change	9.5	3.2	3.7	0.4	2.0	1.8
Health Care & Soc. Assist. (% ch.)	-0.6	-1.8	3.1	1.8	2.7	1.8
Accommodation & Food (% ch.)	43.1	8.3	5.3	0.7	2.4	2.5
Other (% ch.)	4.6	3.8	3.4	-0.4	1.3	1.5
Government	18,683.3	17,562.1	18,042.8	18,566.6	18,934.7	19,157.8
% Change	-1.2	-6.0	2.7	2.9	2.0	1.2
Federal, civilian (% ch.)	0.0	-2.8	3.8	2.2	0.3	0.5
State & Local (% ch.)	-4.6	-7.4	2.0	4.0	3.3	1.7
Less Social Security Taxes (-)	7,320.0	7,435.8	7,659.2	7,775.2	7,937.9	8,075.8
% Change	3.3	1.6	3.0	1.5	2.1	1.7
Transfer Payments	22,474.9	17,457.8	17,043.1	16,864.8	17,292.2	17,677.5
% Change	1.7	-22.3	-2.4	-1.0	2.5	2.2
Dividends, Interest and Rent	18,432.3	18,350.9	18,951.7	19,154.7	19,483.7	19,726.2
% Change	2.1	-0.4	3.3	1.1	1.7	1.2
Population (Thou)	1,446.7	1,439.4	1,435.1	1,432.8	1,432.7	1,434.2
% Change	-0.3	-0.5	-0.3	-0.2	0.0	0.1
Real Per Capita Income (Thou 2023$)	67.6	63.7	65.2	65.8	67.2	68.3
% Change	4.0	-5.7	2.2	1.1	2.1	1.6
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Nominal Personal Income (Mil. $)	89,014.5	88,970.2	93,502.3	98,379.4	103,612.2	108,117.1
% Change	7.6	-0.1	5.1	5.2	5.3	4.3

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

TABLE 4: CONSTRUCTION INDICATORS

STATE OF HAWAII FORECAST

	2021	2022	2023	2024	2025	2026
BUILDING PERMITS (Mil 2023$)						
Total Commitments to Build	6,365	7,393	8,012	9,364	9,503	9,330
% Change	14.7	16.2	8.4	16.9	1.5	-1.8
Real Private Building Permits	4,130	3,716	3,667	4,113	4,828	5,259
% Change	14.7	-10.0	-1.3	12.2	17.4	8.9
Real Residential Building Permits	2,199	1,827	1,516	1,542	2,150	2,528
% Change	65.8	-16.9	-17.0	1.7	39.4	17.6
Real Non-Residential Building Permits	1,932	1,889	2,151	2,570	2,677	2,731
% Change	-15.1	-2.2	13.9	19.5	4.2	2.0
Real Government Contracts Awarded	2,234	3,678	4,345	5,251	4,675	4,071
% Change	-37.4	64.6	18.1	20.8	-11.0	-12.9
CONSTRUCTION ACTIVITY						
Real GE Contracting Tax Base (Mil 2023$)	11,155	11,218	11,847	13,297	14,290	14,599
% Change	-0.8	0.6	5.6	12.2	7.5	2.2
Nominal GE Contracting Tax Base (Mil $)	10,121	10,806	11,847	14,058	15,778	16,696
% Change	4.2	6.8	9.6	18.7	12.2	5.8
Construction Job Count (Thou)	37.1	37.2	38.1	40.3	40.7	41.3
% Change	0.8	0.4	2.5	5.7	1.1	1.3
Real Construction Income (Mil 2023$)	5,059	4,811	4,950	5,323	5,539	5,724
% Change	-3.1	-4.9	2.9	7.5	4.0	3.3
PRICES & COSTS (HONOLULU)						
Honolulu Median Home Price (Thou $)	987.3	1105.9	1055.5	1,085.8	1,113.1	1,146.4
% Change	20.0	12.0	-4.6	2.9	2.5	3.0
Honolulu Median Condominium Price (Thou $)	470.6	506.6	508.7	527.9	540.4	554.9
% Change	8.8	7.7	0.4	3.8	2.4	2.7
Honolulu Housing Affordability Index	81.7	57.3	54.0	55.4	59.7	61.2
% Change	-11.5	-29.8	-5.8	2.6	7.8	2.6
Honolulu Construction Cost Index (2023=100)	90.7	96.3	100.0	105.7	110.4	114.4
% Change	5.1	6.2	3.8	5.7	4.4	3.6
30-Year Mortgage Rate (%)	3.0	5.3	6.8	6.7	6.2	6.0

Note: Source is UHERO. Figures for 2024-2026 are forecasts. Commitments to Build are the sum of private permits and public contracts awarded. Permits and tax base are deflated by Honolulu Construction Cost Index. Figures for Total Commitments to Build and Real Government Contracts Awarded for 2021-2023 are UHERO estimates. Income is deflated by Honolulu CPI. Housing affordability index is the ratio of median family income to qualifying income for a loan for the median-priced home (times 100).

TABLE 5: MAJOR ECONOMIC INDICATOR SUMMARY

HONOLULU COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	424.1	444.6	455.6	461.8	465.1	468.4
% Change	3.1	4.8	2.5	1.4	0.7	0.7
Unemployment Rate (%)	5.6	3.4	2.9	2.7	2.6	2.5
Population (Thou)	1,004.2	994.8	989.4	989.4	988.6	989.1
% Change	-0.8	-0.9	-0.5	0.0	-0.1	0.1
Personal Income (Mil $)	64,493.2	64,653.0	67,915.3	71,864.3	75,499.1	78,689.9
% Change	5.7	0.2	5.0	5.8	5.1	4.2
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Real Personal Income (Mil 2023 $)	70,824.0	66,673.4	67,915.3	68,915.9	70,177.7	71,300.5
% Change	1.9	-5.9	1.9	1.5	1.8	1.6
Real Per Capita Income (Thou 2023 $)	70.5	67.0	68.6	69.7	71.0	72.1
% Change	2.7	-5.0	2.4	1.5	1.9	1.5
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	3,326.6	4,858.2	5,615.0	5,863.1	6,019.0	6,095.5
% Change - Total Visitor Arrivals by Air	120.8	46.0	15.6	4.4	2.7	1.3
U.S. Visitors	3,142.0	3,833.6	3,922.2	3,853.4	3,777.0	3,711.2
% Change - U.S. Visitors	224.8	22.0	2.3	-1.8	-2.0	-1.7
Japanese Visitors	18.0	186.6	558.1	821.8	1,021.3	1,132.9
% Change - Japanese Visitors	-93.3	936.7	199.1	47.2	24.3	10.9
Other Visitors	166.6	837.9	1,134.6	1,187.8	1,220.7	1,251.4
% Change - Other Visitors	-38.2	403.0	35.4	4.7	2.8	2.5
Average Daily Census (Thou)	73.7	99.1	111.3	112.1	112.9	114.3
% Change	110.2	34.5	12.3	0.7	0.7	1.3
Occupancy Rate (%)	54.9	75.2	79.6	79.5	79.6	80.3

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

TABLE 6: JOBS BY DETAILED SECTOR (THOUSANDS)

HONOLULU COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	424.1	444.6	455.6	461.8	465.1	468.4
% Change	3.1	4.8	2.5	1.4	0.7	0.7
Construction and Mining	27.0	26.8	27.5	29.3	29.4	29.6
% Change	0.7	-0.8	2.6	6.6	0.4	0.6
Manufacturing	9.2	9.2	9.3	9.4	9.6	9.7
% Change	-2.8	0.7	0.4	1.2	2.2	1.7
Trade	54.4	56.1	56.1	55.6	56.4	57.3
% Change	1.5	3.1	0.1	-0.9	1.4	1.5
Transportation and Utilities	21.6	24.1	25.5	25.6	25.8	25.8
% Change	3.4	11.6	5.8	0.3	0.7	0.3
Finance, Insurance and Real Estate	21.2	21.3	21.3	21.0	21.2	21.3
% Change	-1.9	0.3	-0.1	-1.5	1.0	0.7
Services	198.3	214.2	221.5	224.8	225.9	227.4
% Change	6.5	8.0	3.4	1.5	0.5	0.7
Health Care and Soc. Assistance	53.8	54.6	56.0	57.2	57.5	58.1
% Change	1.9	1.3	2.6	2.2	0.6	1.0
Accommodation and Food	50.3	59.9	63.9	65.6	66.0	66.4
% Change	16.7	18.9	6.8	2.6	0.7	0.6
Other	94.1	100.3	102.2	102.0	102.3	102.8
% Change	4.4	6.6	1.9	-0.2	0.4	0.5
Government	92.4	92.9	94.5	96.2	96.8	97.3
% Change	-0.6	0.6	1.7	1.8	0.7	0.5
Federal Government	32.0	31.9	32.3	32.8	32.7	32.7
% Change	-0.8	-0.4	1.4	1.5	-0.2	0.0
State and Local Government	60.4	61.1	62.1	63.4	64.1	64.6
% Change	-0.5	1.1	1.8	2.0	1.1	0.7

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

TABLE 7: PERSONAL INCOME BY DETAILED SECTOR

HONOLULU COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	70,824.0	66,673.4	67,915.3	68,915.9	70,177.7	71,300.5
% Change	1.9	-5.9	1.9	1.5	1.8	1.6
Labor & Proprietors' Income	48,534.1	47,752.8	49,293.4	50,363.9	51,165.7	51,934.6
% Change	2.8	-1.6	3.2	2.2	1.6	1.5
Construction	3,723.0	3,498.6	3,604.6	3,915.3	4,047.3	4,158.3
% Change	-4.1	-6.0	3.0	8.6	3.4	2.7
Manufacturing	787.0	777.4	793.4	802.9	828.6	851.5
% Change	-6.2	-1.2	2.1	1.2	3.2	2.8
Trade	3,607.5	3,561.1	3,586.9	3,599.4	3,661.2	3,749.4
% Change	2.1	-1.3	0.7	0.3	1.7	2.4
Transportation and Utilities	2,615.3	2,839.2	3,124.6	3,190.8	3,231.7	3,251.2
% Change	2.2	8.6	10.1	2.1	1.3	0.6
Finance, Insurance & Real Estate	3,694.6	3,432.4	3,346.2	3,305.8	3,351.8	3,394.4
% Change	12.6	-7.1	-2.5	-1.2	1.4	1.3
Services	18,256.5	18,746.4	19,549.7	19,784.3	20,111.5	20,402.8
% Change	6.5	2.7	4.3	1.2	1.7	1.4
Health Care & Soc. Assist. (% ch.)	-0.2	-1.7	3.2	2.2	2.7	1.6
Accommodation & Food (% ch.)	34.2	10.4	7.6	2.9	1.7	1.9
Other (% ch.)	3.9	2.8	3.8	0.1	1.1	1.2
Government	15,728.7	14,781.9	15,176.6	15,657.7	15,825.5	16,018.7
% Change	-0.6	-6.0	2.7	3.2	1.1	1.2
Federal, civilian (% ch.)	-0.1	-3.0	3.7	2.3	0.3	0.4
State & Local (% ch.)	-4.5	-7.6	1.6	5.1	1.4	2.0
Less Social Security Taxes (-)	5,576.3	5,616.0	5,797.2	5,923.1	6,017.4	6,107.8
% Change	2.6	0.7	3.2	2.2	1.6	1.5
Transfer Payments	14,786.6	11,576.1	11,290.1	11,151.3	11,416.4	11,623.0
% Change	2.5	-21.7	-2.5	-1.2	2.4	1.8
Dividends, Interest and Rent	13,133.3	13,012.4	13,431.8	13,580.6	13,808.1	13,983.8
% Change	-2.1	-0.9	3.2	1.1	1.7	1.3
Population (Thou)	1,004.2	994.8	989.4	989.4	988.6	989.1
% Change	-0.8	-0.9	-0.5	0.0	-0.1	0.1
Real Per Capita Income (Thou 2023 $)	70.5	67.0	68.6	69.7	71.0	72.1
% Change	2.7	-5.0	2.4	1.5	1.9	1.5
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Nominal Personal Income (Mil $)	64,493.2	64,653.0	67,915.3	71,864.3	75,499.1	78,689.9
% Change	5.7	0.2	5.0	5.8	5.1	4.2

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

TABLE 8: MAJOR ECONOMIC INDICATOR SUMMARY
HAWAII COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	64.9	68.1	70.6	71.6	72.6	73.5
% Change	6.4	5.0	3.5	1.5	1.4	1.2
Unemployment Rate (%)	5.8	3.6	3.2	3.1	2.9	2.7
Population (Thou)	203.9	206.3	207.6	208.6	209.3	209.8
% Change	1.6	1.2	0.6	0.5	0.3	0.2
Personal Income (Mil $)	10,308.8	10,207.7	10,832.4	11,392.9	12,076.4	12,643.1
% Change	12.8	-1.0	6.1	5.2	6.0	4.7
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Real Personal Income (Mil 2023 $)	11,320.7	10,526.6	10,832.4	10,925.5	11,225.2	11,455.8
% Change	8.7	-7.0	2.9	0.9	2.7	2.1
Real Per Capita Income (Thou 2023 $)	55.5	51.0	52.2	52.4	53.6	54.6
% Change	7.0	-8.1	2.3	0.4	2.4	1.8
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	1,183.5	1,667.6	1,766.7	1,876.4	1,913.9	1,943.5
% Change - Total Visitor Arrivals by Air	139.7	40.9	5.9	6.2	2.0	1.5
U.S. Visitors	1,137.2	1,437.8	1,469.9	1,523.0	1,515.3	1,516.6
% Change - U.S. Visitors	199.9	26.4	2.2	3.6	-0.5	0.1
Japanese Visitors	1.0	15.5	43.1	68.1	100.1	115.5
% Change - Japanese Visitors	-97.2	1,451.5	178.2	57.9	46.9	15.4
Other Visitors	45.3	214.4	253.7	285.2	298.5	311.4
% Change - Other Visitors	-42.8	373.2	18.3	12.4	4.7	4.3
Average Daily Census (Thou)	30.0	37.7	38.2	38.5	39.0	39.8
% Change	138.2	25.5	1.3	0.8	1.4	1.9
Occupancy Rate (%)	60.8	74.1	70.3	66.1	66.7	67.9

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

TABLE 9: JOBS BY DETAILED SECTOR (THOUSANDS)

HAWAII COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	64.9	68.1	70.6	71.6	72.6	73.5
% Change	6.4	5.0	3.5	1.5	1.4	1.2
Construction and Mining	3.7	3.7	3.9	4.0	4.1	4.1
% Change	2.1	0.8	3.4	4.0	1.5	1.8
Manufacturing	1.4	1.6	1.6	1.6	1.6	1.6
% Change	14.0	8.9	2.1	1.6	0.4	0.6
Trade	11.1	11.3	11.8	11.9	11.9	12.0
% Change	4.3	1.8	4.4	0.4	0.8	0.9
Transportation and Utilities	2.9	3.1	3.2	3.2	3.2	3.2
% Change	15.5	7.3	4.4	-0.6	0.8	-0.1
Finance, Insurance and Real Estate	2.4	2.5	2.6	2.5	2.6	2.6
% Change	2.1	5.4	1.6	-2.1	2.3	1.8
Services	29.4	31.8	33.0	33.5	34.1	34.7
% Change	12.0	7.9	3.9	1.4	2.0	1.7
Health Care and Soc. Assistance	7.5	7.3	7.3	7.6	7.7	7.8
% Change	0.1	-1.9	-0.8	4.2	1.3	1.8
Accommodation and Food	10.8	12.5	13.4	13.8	14.1	14.3
% Change	30.5	15.9	7.1	2.9	2.1	1.5
Other	11.2	11.9	12.3	12.1	12.3	12.6
% Change	5.8	6.7	3.3	-1.9	2.3	1.8
Government	14.0	14.2	14.5	15.0	15.1	15.2
% Change	-2.8	1.5	2.0	3.7	0.7	0.5
Federal Government	1.3	1.3	1.3	1.3	1.3	1.3
% Change	-6.1	1.6	0.6	-0.3	1.3	0.5
State and Local Government	12.7	12.9	13.1	13.7	13.8	13.9
% Change	-2.4	1.5	2.2	4.1	0.7	0.5

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

TABLE 10: PERSONAL INCOME BY DETAILED SECTOR

HAWAII COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	11,320.7	10,526.6	10,832.4	10,925.5	11,225.2	11,455.8
% Change	8.7	-7.0	2.9	0.9	2.7	2.1
Labor & Proprietors' Income	6,117.7	6,034.1	6,243.6	6,335.1	6,562.3	6,719.0
% Change	8.6	-1.4	3.5	1.5	3.6	2.4
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	1,436.9	1,437.2	1,545.6	1,566.9
% Change	-4.0	-5.2	2.8	0.0	7.5	1.4
Federal, civilian (% ch.)	-0.7	0.8	4.6	3.0	1.3	0.8
State & Local (% ch.)	-4.7	-6.2	2.5	-0.6	8.8	1.5
Less Social Security Taxes (-)	733.6	754.7	778.9	786.9	817.1	838.5
% Change	9.2	2.9	3.2	1.0	3.8	2.6
Transfer Payments	3,688.1	2,964.7	2,890.3	2,878.9	2,951.3	3,034.0
% Change	4.2	-19.6	-2.5	-0.4	2.5	2.8
Dividends, Interest and Rent	2,216.8	2,251.3	2,348.4	2,401.7	2,447.9	2,476.6
% Change	17.7	1.6	4.3	2.3	1.9	1.2
Population (Thou)	203.9	206.3	207.6	208.6	209.3	209.8
% Change	1.6	1.2	0.6	0.5	0.3	0.2
Real Per Capita Income (Thou 2023 $)	55.5	51.0	52.2	52.4	53.6	54.6
% Change	7.0	-8.1	2.3	0.4	2.4	1.8
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Nominal Personal Income (Mil $)	10,308.8	10,207.7	10,832.4	11,392.9	12,076.4	12,643.1
% Change	12.8	-1.0	6.1	5.2	6.0	4.7

Note: Source is UHERO. Income 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 FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	69.7	74.6	74.1	71.6	73.1	74.4
% Change	13.8	7.1	-0.7	-3.4	2.1	1.8
Unemployment Rate (%)	7.7	3.5	4.5	5.6	5.5	4.9
Population (Thou)	164.9	164.4	164.3	160.8	160.8	161.2
% Change	0.0	-0.3	-0.1	-2.1	0.0	0.2
Personal Income (Mil $)	9,941.1	9,927.9	10,334.3	10,515.3	11,155.1	11,669.1
% Change	14.0	-0.1	4.1	1.8	6.1	4.6
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Real Personal Income (Mil 2023 $)	10,917.0	10,238.1	10,334.3	10,083.9	10,368.9	10,573.3
% Change	9.8	-6.2	0.9	-2.4	2.8	2.0
Real Per Capita Income (Thou 2023 $)	66.2	62.3	62.9	62.7	64.5	65.6
% Change	9.8	-6.0	1.0	-0.3	2.8	1.7
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	2,340.9	2,969.4	2,526.5	2,345.8	2,597.0	2,759.4
% Change - Total Visitor Arrivals by Air	190.0	26.8	-14.9	-7.2	10.7	6.3
U.S. Visitors	2,239.4	2,559.2	2,127.3	1,973.4	2,190.5	2,321.3
% Change - U.S. Visitors	233.2	14.3	-16.9	-7.2	11.0	6.0
Japanese Visitors	0.8	5.7	11.9	15.4	17.9	19.0
% Change - Japanese Visitors	-90.6	636.4	107.6	29.9	16.1	6.3
Other Visitors	100.7	404.5	387.3	357.0	388.7	419.1
% Change - Other Visitors	-20.7	301.5	-4.2	-7.8	8.9	7.8
Average Daily Census (Thou)	56.0	66.8	56.1	51.7	57.1	60.9
% Change	164.4	19.2	-16.0	-7.8	10.4	6.7
Occupancy Rate (%)	59.9	67.4	65.9	53.3	58.9	62.9

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

TABLE 12: JOBS BY DETAILED SECTOR (THOUSANDS)

MAUI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	69.7	74.6	74.1	71.6	73.1	74.4
% Change	13.8	7.1	-0.7	-3.4	2.1	1.8
Construction and Mining	4.3	4.6	4.7	4.8	5.0	5.3
% Change	-2.5	7.4	2.2	2.3	4.6	4.6
Manufacturing	1.1	1.2	1.2	1.1	1.1	1.2
% Change	13.1	11.6	0.2	-6.8	0.9	1.1
Trade	10.3	10.5	10.4	9.6	9.7	9.7
% Change	5.7	1.9	-1.0	-7.8	0.8	0.8
Transportation and Utilities	3.7	4.1	4.2	3.8	3.9	4.0
% Change	26.6	11.7	1.5	-10.5	3.9	2.7
Finance, Insurance and Real Estate	2.7	2.9	2.9	2.5	2.6	2.7
% Change	11.8	7.7	0.9	-14.3	3.6	3.0
Services	38.9	42.5	42.9	40.2	41.2	42.1
% Change	21.3	9.3	1.0	-6.3	2.5	2.0
Health Care and Soc. Assistance	7.9	8.0	8.2	8.1	8.1	8.2
% Change	-0.9	0.7	3.0	-1.6	0.7	1.1
Accommodation and Food	18.1	20.3	20.4	19.1	19.8	20.4
% Change	38.9	11.9	0.9	-6.6	3.9	3.1
Other	12.9	14.3	14.3	13.1	13.3	13.4
% Change	16.5	10.9	0.0	-8.5	1.5	1.0
Government	8.7	8.6	8.8	9.6	9.5	9.5
% Change	-0.7	-1.3	3.2	8.3	-0.3	-0.5
Federal Government	0.9	0.9	0.9	0.8	0.9	0.9
% Change	0.0	3.7	0.9	-8.3	1.7	0.9
State and Local Government	7.8	7.7	7.9	8.7	8.7	8.6
% Change	-0.8	-1.9	3.4	10.2	-0.5	-0.7

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

TABLE 13: PERSONAL INCOME BY DETAILED SECTOR

MAUI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	10,917.0	10,238.1	10,334.3	10,083.9	10,368.9	10,573.3
% Change	9.8	-6.2	0.9	-2.4	2.8	2.0
Labor & Proprietors' Income	6,801.5	6,835.6	6,781.4	6,535.1	6,793.3	6,974.8
% Change	15.8	0.5	-0.8	-3.6	4.0	2.7
Construction	574.7	583.6	591.1	600.1	628.4	654.1
% Change	-7.1	1.6	1.3	1.5	4.7	4.1
Manufacturing	88.8	93.9	93.4	86.7	89.5	91.6
% Change	5.8	5.8	-0.6	-7.1	3.3	2.3
Trade	647.4	638.2	624.9	549.0	571.7	587.2
% Change	5.8	-1.4	-2.1	-12.1	4.1	2.7
Transportation and Utilities	324.6	351.6	359.2	318.8	338.7	351.9
% Change	12.1	8.3	2.2	-11.2	6.2	3.9
Finance, Insurance & Real Estate	660.3	633.2	632.2	594.2	606.6	616.0
% Change	37.1	-4.1	-0.2	-6.0	2.1	1.5
Services	3,546.7	3,614.4	3,629.1	3,377.6	3,536.5	3,649.2
% Change	26.2	1.9	0.4	-6.9	4.7	3.2
Health Care & Soc. Assist. (% ch.)	-0.5	-1.8	2.1	-1.8	2.6	2.1
Accommodation & Food (% ch.)	65.0	2.1	0.1	-8.1	7.2	4.9
Other (% ch.)	17.5	3.7	-0.1	-8.3	3.2	1.8
Government	919.9	867.0	899.1	932.0	991.7	995.5
% Change	-4.7	-5.7	3.7	3.7	6.4	0.4
Federal, civilian (% ch.)	0.3	0.3	4.9	-3.0	1.8	1.3
State & Local (% ch.)	-5.7	-6.6	3.6	5.1	7.4	0.2
Less Social Security Taxes (-)	696.3	731.3	740.0	723.7	748.7	765.5
% Change	2.7	5.0	1.2	-2.2	3.5	2.2
Transfer Payments	2,600.0	1,912.9	1,888.4	1,865.4	1,922.7	1,982.4
% Change	-6.8	-26.4	-1.3	-1.2	3.1	3.1
Dividends, Interest and Rent	2,180.3	2,189.2	2,242.9	2,231.4	2,270.4	2,296.1
% Change	13.6	0.4	2.5	-0.5	1.7	1.1
Population (Thou)	164.9	164.4	164.3	160.8	160.8	161.2
% Change	0.0	-0.3	-0.1	-2.1	0.0	0.2
Real Per Capita Income (Thou 2023 $)	66.2	62.3	62.9	62.7	64.5	65.6
% Change	9.8	-6.0	1.0	-0.3	2.8	1.7
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Nominal Personal Income (Mil $)	9,941.1	9,927.9	10,334.3	10,515.3	11,155.1	11,669.1
% Change	14.0	-0.1	4.1	1.8	6.1	4.6

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

TABLE 14: MAJOR ECONOMIC INDICATOR SUMMARY
KAUAI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	28.2	30.7	31.8	32.1	32.4	32.8
% Change	6.9	9.0	3.5	0.8	1.0	1.1
Unemployment Rate (%)	8.2	3.5	2.8	2.5	2.6	2.4
Population (Thou)	73.8	73.8	73.9	73.9	74.0	74.1
% Change	0.9	-0.1	0.1	0.1	0.1	0.1
Personal Income (Mil $)	4,204.9	4,184.8	4,420.3	4,606.8	4,881.6	5,115.0
% Change	8.4	-0.5	5.6	4.2	6.0	4.8
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Real Personal Income (Mil 2023 $)	4,617.6	4,315.6	4,420.3	4,417.8	4,537.5	4,634.7
% Change	4.4	-6.5	2.4	-0.1	2.7	2.1
Real Per Capita Income (Thou 2023 $)	62.5	58.5	59.9	59.8	61.3	62.6
% Change	3.5	-6.5	2.3	-0.2	2.6	2.0
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	813.6	1,345.6	1,416.9	1,431.3	1,441.9	1,450.5
% Change - Total Visitor Arrivals by Air	146.4	65.4	5.3	1.0	0.7	0.6
U.S. Visitors	785.1	1,207.3	1,247.7	1,248.2	1,248.3	1,249.4
% Change - U.S. Visitors	179.9	53.8	3.3	0.0	0.0	0.1
Japanese Visitors	0.4	3.0	5.8	8.3	12.3	14.8
% Change - Japanese Visitors	-90.0	719.3	96.4	43.2	48.0	19.8
Other Visitors	28.2	135.3	163.3	174.7	181.3	186.4
% Change - Other Visitors	-38.9	379.6	20.8	7.0	3.7	2.8
Average Daily Census (Thou)	19.2	28.6	28.9	28.8	28.9	29.1
% Change	145.2	49.0	1.0	-0.2	0.2	0.8
Occupancy Rate (%)	57.0	77.3	74.7	74.1	74.2	74.2

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

TABLE 15: JOBS BY DETAILED SECTOR (THOUSANDS)
KAUAI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Non-farm Payrolls (Thou)	28.2	30.7	31.8	32.1	32.4	32.8
% Change	6.9	9.0	3.5	0.8	1.0	1.1
Construction and Mining	2.1	2.1	2.1	2.2	2.3	2.3
% Change	7.2	-1.0	-1.0	7.7	1.6	2.1
Manufacturing	0.5	0.6	0.6	0.6	0.6	0.6
% Change	12.0	17.8	7.5	2.0	-0.1	0.4
Trade	4.1	4.3	4.4	4.4	4.4	4.4
% Change	4.4	4.9	2.3	-0.6	0.2	0.6
Transportation and Utilities	1.4	1.6	1.7	1.7	1.7	1.7
% Change	27.1	12.9	1.4	2.5	0.7	0.2
Finance, Insurance and Real Estate	1.0	1.1	1.1	1.0	1.1	1.1
% Change	-0.9	11.9	-2.9	-1.8	2.1	1.9
Services	14.2	16.0	16.9	17.0	17.2	17.5
% Change	9.8	13.0	5.7	0.1	1.6	1.5
Health Care and Soc. Assistance	2.8	2.6	2.6	2.7	2.7	2.8
% Change	-1.2	-7.0	-1.2	5.3	0.5	1.4
Accommodation and Food	6.3	7.9	8.7	8.7	8.9	9.0
% Change	20.2	26.1	9.0	0.7	1.9	1.6
Other	5.1	5.5	5.7	5.5	5.6	5.7
% Change	5.0	7.6	4.3	-3.1	1.5	1.4
Government	5.0	4.8	4.9	5.2	5.2	5.2
% Change	-1.3	-2.9	1.1	6.0	-0.1	0.0
Federal Government	0.6	0.6	0.6	0.6	0.6	0.6
% Change	-1.4	-1.1	-2.6	3.6	0.8	0.4
State and Local Government	4.4	4.2	4.3	4.6	4.6	4.6
% Change	-1.3	-3.2	1.6	6.4	-0.2	0.0

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

TABLE 16: PERSONAL INCOME BY DETAILED SECTOR

KAUAI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023 $)	4,617.6	4,315.6	4,420.3	4,417.8	4,537.5	4,634.7
% Change	4.4	-6.5	2.4	-0.1	2.7	2.1
Labor & Proprietors' Income	2,730.3	2,757.7	2,848.2	2,868.2	2,958.3	3,024.6
% Change	6.9	1.0	3.3	0.7	3.1	2.2
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	530.2	539.7	571.9	576.7
% Change	-3.6	-7.1	3.4	1.8	6.0	0.8
Federal, civilian (% ch.)	3.6	-2.0	4.5	2.8	0.9	0.7
State & Local (% ch.)	-5.4	-8.3	3.2	1.5	7.4	0.9
Less Social Security Taxes (-)	316.2	334.5	343.1	342.7	355.2	364.6
% Change	6.6	5.8	2.6	-0.1	3.7	2.6
Transfer Payments	1,313.8	1,003.3	974.3	968.0	993.9	1,022.5
% Change	-2.5	-23.6	-2.9	-0.6	2.7	2.9
Dividends, Interest and Rent	899.2	900.3	928.6	941.4	958.2	970.1
% Change	8.9	0.1	3.1	1.4	1.8	1.3
Population (Thou)	73.8	73.8	73.9	73.9	74.0	74.1
% Change	0.9	-0.1	0.1	0.1	0.1	0.1
Real Per Capita Income (Thou 2023 $)	62.5	58.5	59.9	59.8	61.3	62.6
% Change	3.5	-6.5	2.3	-0.2	2.6	2.0
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	4.3	3.2	2.6
Nominal Personal Income (Mil $)	4,204.9	4,184.8	4,420.3	4,606.8	4,881.6	5,115.0
% Change	8.4	-0.5	5.6	4.2	6.0	4.8

Note: Source is UHERO. Income 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	161,394.8	162,293.6	163,831.8
% Change	3.2	3.7	1.7	0.2	0.6	0.9
Unemployment Rate (%)	5.4	3.7	3.6	4.0	4.3	4.1
Inflation Rate (%)	4.7	8.0	4.1	3.2	2.5	2.4
Real GDP (Bil chained 2012$)	21,407.7	21,822.0	22,376.9	22,901.3	23,370.2	23,861.2
% Change	5.8	1.9	2.5	2.3	2.0	2.1
Population (Thou)	332,367.0	333,568.0	335,208.0	337,014.4	338,704.9	340,319.4
% Change	0.2	0.4	0.5	0.5	0.5	0.5
JAPAN FACTORS						
Employment (Thou)	66,665.8	67,225.8	67,469.2	67,653.8	67,518.8	67,181.2
% Change	-0.2	0.8	0.4	0.3	-0.2	-0.5
Unemployment Rate (%)	2.8	2.6	2.6	2.6	2.5	2.4
Inflation Rate (%)	-0.2	2.5	3.3	2.5	1.4	1.2
Real GDP (Bil chained 2011 yen)	543,363.6	548,490.6	558,980.4	563,269.2	568,150.1	570,984.4
% Change	2.6	0.9	1.9	0.8	0.9	0.5
Population (Thou)	125,681.6	125,125.0	124,505.6	123,842.4	123,171.8	122,494.9
% Change	-0.5	-0.4	-0.5	-0.5	-0.5	-0.6
Exchange Rate (Yen/$)	109.8	131.5	140.5	146.0	139.4	132.9

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

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