



---

## **Economic Outlook**

## Economic Outlook

### Overview

Based on the most recent developments in the national and global economy, the performance of Hawai'i's tourism and construction industries, the labor market conditions in the State, growth of personal income and tax revenues, and the estimated impacts of COVID-19, the Department of Business, Economic Development and Tourism (DBEDT) expects 3.9% growth in Hawai'i's economy in 2021 and 3.0% growth in 2022.

### Labor Force and Jobs

For the first three quarters of 2021, civilian employment averaged 599,267 persons, an increase of 27,467 persons or 4.8% compared to the same period of 2020. The civilian labor force averaged 650,017, an increase of 1,950 persons or 0.3%. Since the civilian employment increased more than the civilian labor force, for the first three quarters of 2021, the statewide unemployment rate averaged 7.8%, a decrease of 4.2 percentage points from the same period last year.

During the first three quarters of 2021, Hawai'i's economy lost 0.1% or 667 non-agricultural wage and salary jobs compared to the same period of 2020. Job loss in the first three quarters of 2021 was due to decreased jobs in the government sector. During the first three quarters of 2021, State Government lost 2,233 jobs or 3.3%, the Federal Government lost 1,267 jobs or 3.6%, and Local Government lost 100 jobs or 0.5% compared with the same period last year. In the private sector, jobs were added the most in Food Services and Drinking Places

(added 3,933 jobs or 8.1%), followed by Accommodation (added 3,600 jobs or 15.2%), Professional and Business Services (added 2,133 jobs or 3.2%), and Natural Resources, Mining and Construction (added 900 jobs or 2.5%).

### Tax Revenues

Through the first three quarters of 2021, State General Fund Tax revenues increased \$1,193.5 million or 24.1%; General Excise Use Tax collections increased \$341.7 million or 14.6%; Net Individual Income Tax collections increased \$651.6 million or 32.5%; Transient Accommodations Tax collections increased \$114.8 million or 44.4%; and Net Corporate Income Tax revenues increased \$167.9 million or 1,327.0% compared to the same period last year.

### Personal Income

Nominal personal income (not adjusted for inflation) increased \$5,822.5 million or 7.1% in the first half of 2021 compared to the same period of 2020. Wages and salaries (which accounted for about 43% of total personal income) increased \$2,171.4 million or 6.0% during the first half of 2021.

Supplements to Wages and Salaries (consisting of employer payments to retirement plans, private group health insurance plans, private workers' compensation plans, and other such benefits) increased by \$658.6 million or 6.2% in the first half of 2021 compared to the same period of 2020.

Proprietors' Income, the income most closely related to entrepreneurial activity, increased by \$265.8 million or 4.0% in the first two quarters of 2021 compared to the same period of 2020.

Dividends, Interest, and Rent decreased \$86.7 million or 0.6% in the first half of 2021 from the same period of 2020, while Personal Current Transfer Receipts, consisting largely of retirement and medical payments, grew by \$3,208.2 million or 15.9%.

Contributions to Government Social Insurance, which are payments subtracted from personal income, increased by \$394.9 million or 6.4% in the first half of 2021 from the same period of 2020.

Earnings increased \$2,811.9 million or 7.6% in the private non-farm sector during the first half of 2021 compared to the same period of 2020. In dollar terms, the largest earnings increase in the private sector occurred in Accommodation and Food Services (increased \$806.8 million or 24.3%), followed by Retail Trade (increased \$453.2 million or 15.0%), Administrative and Support and Waste Management and Remediation Services (increased \$290 million or 13.6%), and Finance and Insurance (increased \$254.1 million or 13.5%). In the first half of 2021, earnings decreased in Management of Companies and Enterprises (decreased \$23.7 million or 2.5%), and Mining, Quarrying, and Oil and Gas Extraction (decreased \$4.5 million or 14.4%).

In the first half of 2021, total government earnings increased \$245.7 million or 1.5% compared with the same period of 2020. The earnings of the Federal Government increased \$51.3 million or 0.6%, while the earnings of the State and Local Government increased \$194.4 million or 2.6%.

## Prices

According to the most recent data available, in the first half of 2021, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 2.6% from the same period in 2020. This is 0.8 of a percentage point below the 3.4% increase for the U.S. average CPI-U but is higher than the first half of 2020 Honolulu CPI-U increase of 1.6% from the same period of the previous year. In the first half of 2021, the Honolulu CPI-U increased the most in Transportation (7.2%), followed by Other Goods and Services (4.8%), Food and Beverages (4.1%), Education and Communication (3.6%), and Housing (1.8%). The price of Apparel decreased 5.5%, and the price of Recreation decreased 0.4% compared to the first half of 2020.

## Tourism

In the first three quarters of 2021, total visitor arrivals by air increased 2,678,627 or 122.8% from that of 2020, while the 2021 year-to-date average daily visitor census increased 91,011 or 113% from 2020. Domestic arrivals were up 206.0% and international arrivals were down 94.0%. For arrivals by major market areas, the visitors from Japan decreased 271,762 or 94.8%, arrivals from the U.S. West increased 2,284,391 or 236.0%, and arrivals from the U.S. East increased 90,774 or 166.1%. In the first three quarters of 2021, visitors from "All Others" decreased 43.9%, and visitors from Canada decreased 88.7%. According to the most recent data available, total visitor expenditures were estimated to have totaled \$9,033.6 million in the first three quarters of 2021, a decrease of \$4,228.6 million or 31.9% over the same period of 2019.

Through the first nine months of 2021, airline seat capacity increased 3,576,538 or 88.2% from the same period of 2020. In the first three quarters of 2021, the statewide hotel occupancy rate averaged 55.3%, 19.7 percentage points higher than the average hotel occupancy rate in the same period last year.

### Construction and Real Estate

The major indicators of Hawai'i's construction activity were mixed through the first two to three quarters of 2021. Based on the most recent data available, the contracting tax base increased \$271.3 million or 5.8% during the first half of 2021 from the same period of 2020. During the first nine months of 2021, the total value of private building authorizations increased \$764.8 million or 32.9%, government contracts awarded decreased \$639.9 million or 29.2% and State Capital Improvement Project expenditures decreased \$31.1 million or 3.0%, compared to the same period last year.

In the first nine months of 2021, the number of existing units sold on O'ahu was up 24.2% for single-family homes and up 63.3% for condominiums, compared to the same period last year. In the first three quarters of 2021, the median price for existing single-family homes on O'ahu was \$968,333, up 20.5% from the same period in 2020, and the median price for existing condominiums on O'ahu was \$465,500, up 7.8% from the same period last year.

During the first three quarters of 2021, construction jobs increased 2.5% or 900 jobs from the same period of 2020.

### County Economic Conditions

Through the first three quarters of 2021, the average unemployment rate decreased in all counties compared to the same period last year. The unemployment rate in Honolulu decreased from 10.5% to 7.0%, the unemployment rate in Hawai'i County decreased from 11.7% to 7.7%, the unemployment rate in Maui County decreased from 18.3% to 10.7%, and the unemployment rate in Kaua'i County decreased from 16.6% to 11.4%.

Visitor arrivals and visitor days by air increased in all counties in the first three quarters of 2021. Visitor arrivals increased 86.6% in Honolulu, 105.3% in Hawai'i County, 170.9% in Maui County, and 87.5% in Kaua'i County. Total visitor days by air decreased 92.4% in Honolulu, 105.0% in Hawai'i County, 159.2% in Maui County, and 96.4% in Kaua'i County.

Through the first three quarters of 2021, non-agricultural wage and salary jobs decreased in Hawai'i County and Kaua'i County, but increased in Honolulu and Maui County, compared with the same period of 2020. Net job increases in Honolulu were due to job increases in the private sector. In the first three quarters of 2021, the private sector in Honolulu added about 5,000 jobs and the government sector lost about 3,500 jobs compared with the same period last year. The largest job increase in the private sector was in Food Services and Drinking Places (added 4,800 jobs), followed by Accommodation (added 2,600 jobs), Professional and Business Services (added 2,400 jobs), and Natural Resources, Mining and Construction (added 1,000 jobs).

Hawai'i County lost 400 jobs or 0.7% in the first three quarters of 2021 over the same period of 2020. Job losses were from both the private sector and the

government sector in Hawai'i County. The government sector lost 300 jobs compared with the same period last year. In the first three quarters of 2021, the largest job loss in the private sector of Hawai'i County was in Arts, Entertainment and Recreation (lost 700 jobs), followed by Professional and Business Services, and Health Care and Social Assistance (each lost 200 jobs). In the first three quarters of 2021, jobs increased the most in Accommodation (added 600 jobs), followed by Food Services and Drinking Places (added 500 jobs).

In the first nine months of 2021, Maui County added 200 jobs or 0.3% from that of 2020. Job losses were from the private sector in Maui County. The government sector jobs were unchanged during this period. The largest private sector job increase occurred in Arts, Entertainment and Recreation (added 1,600 jobs), followed by Accommodation (added 900 jobs). The largest private sector job decrease occurred in Food Services and Drinking Places (lost 1,000 jobs), followed by Financial Activities (lost 400 jobs).

In the first nine months of 2021, Kaua'i County lost 1,600 jobs or 6.0% from that of 2020. Job losses were from the private sector in Kaua'i County. Jobs in the government sector were unchanged during this period. The largest private sector job decrease occurred in Arts, Entertainment and Recreation (lost 600 jobs), followed by Accommodation (lost 400 jobs), Food Services and Drinking Places (lost 300 jobs), and Transportation, Warehousing and Utilities (lost 200 jobs).

During the first three quarters of 2021, the value of private building permits increased \$601.3 million or 43.8% in Honolulu; increased \$70.3 million or 15.1% in

Hawai'i County; increased \$122.9 million or 35.1% in Maui County; but decreased \$29.6 million or 22.3% in Kaua'i County, compared to the same period of 2020.

### Outlook for the Economy

Hawai'i's economy has been greatly impacted by the COVID-19 pandemic. During the April 2020 to September 2021 period, the average unemployment rate (not seasonally adjusted) was 11.4%. Hawai'i lost 86,700 non-agriculture payroll jobs between the first quarter of 2020 and the third quarter of 2021. All industry sectors lost jobs except for construction. The Accommodation and Food Services and Drinking Places accounted for 28.8% of the total job losses, with a decline of 25,000 jobs. Overall, statewide non-agriculture payroll jobs decreased by 13.1% during the April 2020 to September 2021 period.

Hawai'i's unemployment rate increased from 2.0% in the first quarter of 2020 to 19.4% in the second quarter of 2020. After this peak, the rate declined to 14.5% in the third quarter of 2020, 11.2% in the fourth quarter of 2020, 9.1% in the first quarter of 2021, 7.8% in the second quarter of 2021, and then 6.6% in the third quarter of 2021.

Visitor arrivals to the State during the third quarter of 2021 totaled 2,107,806, an increase of 3,176.1% from the same quarter in 2020. The average daily visitor census increased 931% in the third quarter of 2021.

The value of private building permits showed an increase of 11.2% or \$94.2 million during the third quarter of 2021. The largest increase occurred in the residential category, which was up by \$236.0 million or 79.4%. The value of commercial and industrial building permits declined by

0.4%, and the value for additions and alterations permits decreased by 34.0% during the same period. In the third quarter of 2021, government contracts awarded increased \$516.5 million or 193.8%, and State Government spending on capital improvement projects increased by 21.8% or \$56.8 million.

At the national level, U.S. real gross domestic product (GDP) growth fell to negative 9.1% in the second quarter of 2020, following a 0.6% increase in the first quarter. Growth then began to gradually improve with negative 2.9% growth in the third quarter, negative 2.3% in the fourth quarter, 0.5% growth in the first quarter of 2021, 12.2% in the second quarter of 2021, and 4.9% in the third quarter of 2021 as compared to the same quarter in the previous year. The Blue Chip Economic Indicators report from November 10, 2021, which is the consensus of 50 economic forecasting organizations, projected that the U.S. economic growth rate for 2021 will increase by 5.5%. The report projected a positive 4.0% U.S. economic growth for 2022. The Blue Chip forecasts for foreign countries were all positive for 2021. Based on the above, DBEDT projects that Hawai'i's real GDP will increase by 3.9% in 2021, 3.0% in 2022, 2.3% in 2023, and 2.0% in 2024.

Hawai'i will welcome 6.84 million visitors in 2021, an increase of 152.6% from the 2020 level. Visitor arrivals will increase to 8.86 million in 2022, 9.53 million in 2023, and 10.00 million in 2024. Visitor spending will increase 145.8% in 2021, then will increase 24.6% in 2022, 8.3% in 2023, and 5.2% in 2024.

Non-agriculture payroll jobs will increase 2.1% in 2021, then will increase by 6.1% in 2022, 3.3% in 2023, and 2.4% in 2024.

Overall for 2021, the average annual unemployment rate is forecast to be 7.5%, then decrease to 6.0% in 2022, 5.2% in 2023, and 4.5% in 2024. These rates are much higher than Hawai'i's average unemployment rate of 2.5% from 2017 to 2019.

Nominal personal income is forecast to increase by 2.7% in 2021 and decrease 1.9% in 2022. It is then expected to increase 3.5% in 2023 and 3.2% in 2024.

Hawai'i's consumer inflation rate, as measured by the Honolulu Consumer Price Index for All Urban Consumers, is expected to increase 4.1% in 2021, increase 2.9% in 2022, increase 2.3% in 2023, and increase 2.1% in 2024.

Hawai'i's population is expected to increase 0.1% in 2021, increase 0.2% in 2022, increase 0.3% in 2023, and increase 0.2% in 2024.