



Economic Outlook

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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, the Department of Business, Economic Development and Tourism (DBEDT) expects 2.6% growth in Hawai'i's economy in 2022 and 1.7% growth in 2023.

Labor Force and Jobs

During the first three quarters of 2022, the civilian labor force averaged 673,100 people, an increase of 7,300 people or 1.1% compared to the same period of 2021. Average civilian employment increased 22,850 people or 3.7%. The number of unemployed decreased by 15,550 people or 38.6%. The unemployment rate averaged 3.7%, a decrease of 2.4 percentage points from the same period last year.

During the first three quarters of 2022, average non-agricultural wage and salary jobs increased 4.6% or 26,700 jobs compared to the same period of 2021.

During the first three quarters of 2022, Hawai'i's economy gained 4.6% or 26,700 non-agricultural wage and salary jobs compared to the same period of 2021. Job gains in the first three quarters of 2022 was due to an increase of jobs in the private sector. Jobs were added the most in Accommodation (added 9,900 jobs or 36.7%), followed by Food Services and Drinking Places (added 8,200 jobs

or 14.8%); Transportation, Warehousing, and Utilities (added 2,500 jobs or 8.7%); and Professional and Business Services (added 1,900 jobs or 2.8%).

Tax Revenues

Through the first three quarters of 2022, State general fund tax revenues increased \$1,243.8 million or 20.1%. General excise use tax collections increased \$532.6 million or 19.8%. Net individual income tax collections increased \$242.6 million or 9.1%. Net corporate income tax revenues increased \$33.4 million or 18.5%. Transient accommodations tax collections increased \$271.5 million or 72.7% compared to the same period last year.

Personal Income

In the first half of 2022, nominal personal income (not adjusted for inflation) was \$86,244.8 million, a decrease of \$2,911.9 million or 3.3% from the same period of the previous year due to the termination of federal assistance on unemployment insurance. Wages and salaries (which accounted for about 48% of total personal income) increased \$3,645.2 million or 9.6%.

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 \$383.2 million or 3.3% in the first half of 2022 compared to the same period of 2021. Proprietors' income, the income most

closely related to entrepreneurial activity, was up \$158.4 million or 2.5% in the first half of 2022 compared to the same period of 2021.

Dividends, interest, and rent increased \$683.5 million or 4.2% in the first half of 2022 from the same period of 2021 while personal current transfer receipts, consisting mainly of retirement and medical payments, decreased \$7,222.8 million or 30.9% in the first half of 2022 from the same period of 2021.

Contributions to government social insurance which are payments subtracted from total personal income, increased \$559.4 million or 8.7% in the first half of 2022 from the same period of 2021.

Earnings increased \$4,255.7 million or 11.0% in the private non-farm sector during the first half of 2022 compared to the same period of 2021. In dollar terms, the largest earnings increase in the private sector occurred in Accommodation and Food Services (increased \$1,491.9 million or 36.8%), followed by Transportation and Warehousing (increased \$669.9 million or 30.3%), Health Care and Social Assistance (increased \$331.7 million or 5.2%) and Administrative and Support and Waste Management and Remediation Services (increased \$297.6 million or 14.2%). In the first half of 2022, earnings in the private non-farm sector decreased in Finance and Insurance (decreased \$53.5 million or 2.6%).

In the first half of 2022, total government earnings decreased \$75.4 million or 0.4% compared with the same period of 2021. The earnings of the Federal Government increased \$104.5 million or 1.1%, while the earnings of the State and Local Government decreased \$180.0 million or 2.3%.

Prices

According to the most recent data available, in the first half of 2022, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 6.7% from the same period in 2021. This is 1.6 percentage point below the 8.3% increase for the U.S. average CPI-U but is higher than the first half of 2021 Honolulu CPI-U increase of 2.6% from the same period of the previous year. In the first half of 2022, the Honolulu CPI-U increased the most in Transportation (16.9%), followed by Food and Beverages (8.6%), Recreation (5.4%), Other Goods and Services (4.7%), Housing (4.5%), Education and Communication (1.3%), and Apparel (1.0%) compared to the first half of 2021.

Tourism

In the first three quarters of 2022, total visitor arrivals by air increased 1,982,680 or 40.8%, while the average daily census increased 60,463 or 35.5% from the same period of the previous year. Domestic arrivals were up 1,448,964 or 30.0% and international arrivals increased 533,716 or 1,480.6%. For arrivals by major market areas, arrivals from the U.S. West were up 761,829 or 23.4%; arrivals from the U.S. East were up 449,486 or 30.9%; and Japanese arrivals were up 98,086 or 786.5%. The domestic average daily census increased 40,202 or 23.8% and the international average daily census increased 20,261 or 882.5%. Visitor expenditures totaled \$14,335.4 million, an increase of \$5,235.6 million or 57.5% from the same period of the previous year.

In the first three quarters of 2022, the number of total available seats increased 25.4% or 1,938,704 seats; domestic seats increased 14.6% or 1,079,219 seats; and international seats increased 361.0% or 859,485 seats

from the same period of the previous year. In the first three quarters of 2022, the statewide hotel occupancy rate averaged 74.4%, 18.6 percentage points higher than the same period of the previous year.

Construction and Real Estate

In the first three quarters of 2022, the Honolulu Construction Cost Index for Single Family Residence increased 6.1% and 6.0% for High-Rise Building as compared to the same period of the previous year. Value of private building authorizations in the State decreased by \$800.1 million or 25.9%. The value for the residential permits decreased by \$573.7 million or 34.6% from the same period in the previous year, followed by the additions and alterations category, which was down by \$159.2 million or 14.7%. Value of commercial and industrial building permits was down by \$67.2 million or 19.3% during the same period.

Government contracts awarded increased \$4.2 billion or 334.6% compared with the same period of the previous year. State government Capital Improvement Project expenditures declined \$17.1 million or 1.7%.

In the first nine months of 2022, the number of existing homes sold on O'ahu was down 15.8% for single-family homes and down 3.3% for condominiums, compared to the same period last year. In the first nine months of 2021, the median price for existing single-family homes on O'ahu was \$1,110,500, up 13.9% from the same period in 2021, and the median price for existing condominiums on O'ahu was \$510,000, up 9.1% from the same period last year.

In the first three quarters of 2022, the construction sector lost 800 jobs or 2.2% from the same period of the previous year.

County Economic Conditions

Through the first three quarters of 2022, the average unemployment rate decreased in all counties compared to the same period last year. The unemployment rate in Honolulu decreased from 5.6% to 3.5%, the unemployment rate in Hawai'i County decreased from 5.9% to 3.7%, the unemployment rate in Maui County decreased from 7.9% to 4.3%, and the unemployment rate in Kaua'i County decreased from 8.4% to 4.6%.

Visitor arrivals and visitor days by air increased in all counties in the first three quarters of 2022. Visitor arrivals increased 50.5% in Honolulu County, 49.5% in Hawai'i County, 31.2% in Maui County, and 87.4% in Kaua'i County. Total visitor days by air increased 37.3% in Honolulu County, 32.4% in Hawai'i County, 23.3% in Maui County, and 68.8% in Kaua'i County.

Through the first three quarters of 2022, non-agricultural wage and salary jobs increased in all counties compared with the same period of 2021. Net job increases in Honolulu were due to job increases in the private sector. In the first three quarters of 2022, the private sector in Honolulu added about 16,900 jobs and the government sector gained about 600 jobs compared with the same period last year. The largest job increase in the private sector was in Food Services and Drinking Places (added 6,200 jobs), followed by Accommodation (added 5,700 jobs) and Transportation, Warehousing, and Utilities (added 1,900 jobs).

Hawai'i County gained 2,500 jobs or 8.8% in the first three quarters of 2022 over the same period of 2021. Job gains were from the private sector. The government sector lost 100 jobs. The largest job increases in Hawai'i County was in Accommodation (added 1,100 jobs), followed by Food Services and Drinking Places (added 500 jobs) and Retail Trade (added 300 jobs). Jobs in the Health Care and Social Assistance sector and Information sector were unchanged during this period.

In the first nine months of 2022, Maui County added 4,500 jobs or 6.6% from that of 2021. The largest private sector job increase occurred in Accommodation (added 2,200 jobs), followed by Food Services and Drinking Places (added 1,000 jobs). Arts, Entertainment and Recreation was the only sector that lost jobs (100 jobs) in the private sector. Jobs in the Health Care and Social Assistance sector and Natural Resources, Mining, Construction sector were unchanged during this period.

In the first nine months of 2022, Kaua'i County gained 2,400 jobs or 8.8% from that of 2021. The largest private sector job increase occurred in Accommodation (added 1,100 jobs), followed by Food Services and Drinking Places (added 600 jobs); Retail Trade (added 400 jobs); and Arts, Entertainment and Recreation (added 300 jobs). Jobs in the Educational Services; Information; Natural Resources, Mining, Construction; and Professional and Business Services sectors were unchanged during this period.

During the first three quarters of 2021, the value of private building permits increased \$110.3 million or 20.6% in Hawai'i County but decreased \$809.8 million or 41.0% in Honolulu; decreased \$90.9 million or 19.2% in Maui County; and decreased \$9.7 million or 9.4% in Kaua'i County compared to the same period of 2021.

Outlook for the Economy

Hawai'i's economy has been greatly impacted by the COVID-19 pandemic. However, during the first nine months of 2022, Hawai'i welcomed a total of 6.8 million visitors, representing a 88.0% recovery from the same period in 2019. U.S. visitor arrivals by air were 13.5% higher than those who came during the same period in 2019. International visitors arriving by air recovered 36.7% with Canadian visitors leading the recovery at 67.5%, Japanese visitors at 9.4%, and other international visitors at 57.6%. Through September 2022 and measured in current prices, total visitor spending was \$14.3 billion, or 7.9% higher than the spending during the same period in 2019.

At the national level, U.S. real gross domestic product (GDP) growth began to diminish in the second quarter of 2022. U.S. real GDP growth was at 3.7% in the first quarter of 2022, 1.8% in the second quarter of 2022, and 1.8% in the third quarter of 2022 as compared to the same quarters of the previous respective years. The Blue Chip Economic Indicators report from November 10, 2022, which is the consensus of 50 economic forecasting organizations, projected that the U.S. economic growth rate for 2022 will increase by 1.8%. The report projected a positive 0.2% U.S. economic growth for 2023. For Hawai'i, DBEDT estimates that Hawai'i's real GDP will increase by 2.6% in 2022. The forecast then projects 1.7% growth in 2023, 2.1% in 2024, and 2.0% in 2025.

Hawai'i will welcome an estimated 9.3 million visitors in 2022, an increase of 36.7% from the 2021 level. Visitor arrivals are projected to increase to 9.8 million in 2023, 10.2 million in 2024, and 10.5 million in 2025. Visitor

spending is estimated to increase 47.9% in 2022. The forecast then projects an increase of 7.5% in 2023, 4.0% in 2024, and 5.1% in 2025.

Non-agriculture payroll job count is estimated to increase by 4.3% in 2022. The forecast projects an increase of 3.0% in 2023, 2.3% in 2024, and 1.9% in 2025.

Overall, for 2022, the average annual unemployment rate is estimated to be 3.6%. The forecast projects a decrease to 3.5% in 2023, 3.2% in 2024, and 2.9% in 2025. These rates are still higher than Hawaii's average unemployment rate of 2.5% from 2017 to 2019.

Nominal personal income is estimated to decrease by 1.0% in 2022. The forecast then projects an increase of 2.6% in 2023, 2.8% in 2024 and 3.0% in 2025.

Hawaii's consumer inflation rate, as measured by the Honolulu Consumer Price Index, for All Urban Consumers, is estimated to increase 6.5% in 2022. The forecast then projects an increase of 3.1% in 2023, 2.3% in 2024, and 2.1% in 2025.

Hawaii's population is expected to decrease 0.2% in 2022 and increase 0.1% in 2023, 2024, and 2025.