



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, the growth of personal income and tax revenues, and the impacts of the August 8, 2023 Maui wildfires, the Department of Business, Economic Development and Tourism (DBEDT) expects 1.9% growth in Hawai'i's economy in 2023 and 1.3% growth in 2024.

Labor Force and Jobs

During the first three quarters of 2023, the civilian labor force averaged 676,150, an increase of 1,150 people or 0.2% compared to the same period of 2022. Average civilian employment increased 3,950 people or 0.6%. The average number of unemployed decreased by 2,800 people or 12.1%. The unemployment rate averaged 3.0%, a decrease of 0.4 percentage points from the same period last year.

During the first three quarters of 2023, Hawai'i's economy gained 2.7% or 16,800 non-agricultural wage and salary jobs compared to the same period of 2022. Job gains in the first three quarters of 2023 were due to an increase of jobs in the private and government sectors. Jobs were added the most in Food Services and Drinking Places (added 4,800 jobs or 7.7%), followed by Accommodation (added 2,500 jobs or 6.9%), and Private Educational Services (added 1,300 jobs or 9.5%).

Tax Revenues

Through the first three quarters of 2023, State general fund tax revenues decreased \$134.9 million or 1.8% over the same period of the previous year. General excise use tax collections increased \$180.1 million or 5.6%. Net individual income tax collections decreased \$251.1 million or 8.7%. Net corporate income tax revenues increased \$21.4 million or 10.0%. Transient accommodations tax collections increased \$20.1 million or 3.1%, compared to the same period last year.

Personal Income

In the first half of 2023, total nominal personal income (not adjusted for inflation) was \$92,218.0 million, an increase of \$4,952.3 million or 5.7% from the same period of the previous year. Wages and salaries (which accounted for about 48% of total personal income) increased \$2,834.2 million or 6.8%.

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 \$615.2 million or 5.2% in the first half of 2023 compared to the same period of 2022. Proprietors' income, the income most closely related to entrepreneurial activity, was up \$106.7 million or 1.6% in the first half of 2023 compared to the same period of 2022.

Dividends, interest, and rent increased \$1,374.8 million or 7.9% in the first half of 2023 from the same period of 2022 while personal current transfer receipts, consisting mainly of retirement and medical payments, increased \$478.6 million or 2.9% in the first half of 2023 from the same period of 2022.

Contributions to government social insurance which are payments subtracted from total personal income, increased \$457.2 million or 6.5% in the first half of 2023 from the same period of 2022.

Earnings increased \$2,947.0 million or 6.8% in the private non-farm sector during the first half of 2023 compared to the same period of 2022. In dollar terms, the largest earnings increase in the private sector occurred in Accommodation and Food Services (increased \$857.3 million or 15.6%), followed by Health Care and Social Assistance (increased \$267.0 million or 4.0%), Professional, Scientific and Technical Services (increased \$264.0 million or 7.0%), and Construction (increased \$247.9 million or 5.5%). In the first half of 2023, earnings in the private non-farm sector decreased in Real Estate and Rental and Leasing (decreased \$153.7 million or 5.7%).

In the first half of 2023, total government earnings increased \$568.5 million or 3.4% compared with the same period of 2022. The earnings of the Federal Government increased \$490.0 million or 5.2%, while the earnings of the State and Local Government increased \$78.5 million or 1.0%.

Prices

According to the most recent data available, in the first half of 2023, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 3.4% from the same period in 2022. This is 1.5 percentage points below the 4.9% increase for the U.S. average CPI-U. It is also lower than the first half of 2022 Honolulu CPI-U increase of 6.7% from the same period of the previous year. In the first half of 2023, the Honolulu CPI-U increased the most in Apparel (15.6%), followed by Other Goods and Services (10.3%), Food and Beverages (4.5%), Recreation (4.4%), Education and Communication (2.7%), Housing (2.2%), and Transportation (1.7%) compared to the first half of 2022.

Tourism

In the first three quarters of 2023, total visitor arrivals by air increased 388,285 or 5.7%, while the average daily census increased 6,873 or 3.0% compared to the same period of the previous year. Domestic arrivals were down 141,774 or 2.3% and international arrivals increased 530,059 or 93.1%. For arrivals by major market areas, arrivals from the U.S. West were down 177,020 or 4.4%; arrivals from the U.S. East were up 786 or 0.04%; and Japanese arrivals were up 275,354 or 256.7%. The domestic average daily census decreased 7,463 or 3.6%; and the international average daily census increased by 14,336 or 63.2%. Visitor expenditures totaled \$15,743.6 million, an increase of \$1,149.2 million or 7.9% from the same period of the previous year.

In the first three quarters of 2023, the number of total available seats increased 3.7% or 356,722 seats; domestic seats increased 3.4% or 291,007 seats; and international seats increased 59.0% or 647,729 seats

from the same period of the previous year. In the first three quarters of 2023, the statewide hotel occupancy rate averaged 75.3%, 1.0 percentage point higher than the same period of the previous year.

Construction and Real Estate

In the first three quarters of 2023, the value of private building authorizations in the State increased by \$480.0 million or 21.0% in the first three quarters of 2023 relative to the same period in 2022. The value for permits for additions and alterations increased by \$332.9 million or 36.1%, followed by the value for residential permits, which increased by \$127.3 million or 12.2%. The value of commercial and industrial building permits increased by \$19.8 million or 6.2% during the same period.

Government contracts awarded decreased by \$68.0 million, or 1.6% compared with the same period of the previous year. State government capital improvement project expenditures declined \$30.7 million or 3.1%.

In the first nine months of 2023, the number of existing homes sold on O'ahu was down 30.5% for single-family homes and down 31.2% for condominiums, compared to the same period last year. In the first nine months of 2023, the median price for existing single-family homes on O'ahu was \$1,050,000, down 5.4% from the same period in 2022, and the median price for existing condominiums on O'ahu was \$505,000, down 1.0% from the same period last year.

In the first three quarters of 2023, the construction sector added 1,000 jobs or 2.7% from the same period of the previous year.

County Economic Conditions

Through the first three quarters of 2023, the average unemployment rate decreased in all counties except Maui County compared to the same period last year. The unemployment rate in Honolulu decreased from 3.4% to 2.8%, the unemployment rate in Hawai'i County decreased from 3.5% to 3.2%, and the unemployment rate in Kaua'i County decreased from 3.6% to 2.7%. The unemployment rate in Maui County increased from 3.4% to 3.7% due to the increase in unemployment following the Maui wildfires.

Visitor arrivals and visitor days by air increased in all counties except Maui County in the first three quarters of 2023 compared to the same period last year. Visitor arrivals increased 17.4% in Honolulu County, 7.7% in Hawai'i County, and 6.7% in Kaua'i County. Visitor arrivals by air decreased 9.4% in Maui County. Total visitor days by air increased 13.6% in Honolulu, 2.1% in Hawai'i County, and 1.1% in Kaua'i County. Total visitor days by air decreased 11.4% in Maui County.

Through the first three quarters of 2023, non-agricultural wage and salary jobs increased in all counties compared with the same period of 2022. Net job increases in Honolulu were due to job increases in the private and government sectors. In the first three quarters of 2023, the private sector in Honolulu added about 11,100 jobs and the government sector gained about 1,500 jobs compared with the same period last year. The largest job increase in the private sector was in Food Services and Drinking Places (added 4,100 jobs), followed by Accommodation (added 1,900 jobs), and Arts, Entertainment and Recreation (added 1,000 jobs).

Hawai'i County gained 2,300 jobs or 3.4% in the first three quarters of 2023 over the same period of 2022. Job gains were from the private and government sectors. The largest private sector job increase in Hawai'i County was in Retail Trade (added 500 jobs), followed by Accommodation; Food Services and Drinking Places; Professional and Business Services; Private Educational Services; Transportation, Warehousing, Utilities; Wholesale Trade; and Other Services (each of which added 200 jobs). The government sector added 400 jobs.

In the first three quarters of 2023, Kaua'i County gained 1,000 jobs or 3.3% from the same period in 2022. The largest private sector job increase occurred in Accommodation (added 400 jobs), followed by Retail Trade and Professional and Business Services (added 200 jobs each). Jobs in Natural Resources, Mining, Construction; Manufacturing; Wholesale Trade; Information; Private Educational Services; Health Care and Social Assistance; Arts, Entertainment and Recreation; and Food Services and Drinking Places were unchanged during this period.

Maui County added 1,300 jobs or 1.8% in the first three quarters of 2023 compared to the same period in 2022. The largest private sector job increase occurred in Food Services and Drinking Places (added 7,000 jobs), followed by the Accommodation sector and the Natural Resources, Mining, Construction sector (each sector added 200 jobs). Jobs in Wholesale Trade; Information; Financial Activities; Arts, Entertainment and Recreation; and Other Services were unchanged during this period. The Retail Trade and Health Care and Social Assistance sectors lost jobs during this period (each lost 100 jobs).

During the first three quarters of 2023, the value of private building permits increased \$232.0 million or 19.9% in Honolulu; increased \$212.9 million or 55.7% in Maui County; increased \$19.5 million or 20.9% in Kaua'i County; and increased \$15.6 million or 2.4% in Hawai'i County, compared to the same period of 2022.

Outlook for the Economy

The August 8, 2023 Maui wildfires have had a significant impact on the State's economy. The impacts are most pronounced for Maui County. Between August 2023 and October 2023, visitor arrivals by air to Maui County decreased 51.4% compared to the same period in 2022. Total visitor arrivals by air to the State decreased by 6.2% during this three-month period.

The number of unemployed persons (not seasonally adjusted) in Maui County increased by 87.1% for the period August 2023 through October 2023 compared to the same period in 2022. Maui County's unemployment rate (not seasonally adjusted) in October 2023 was 7.1%. The statewide unemployment rate (not seasonally adjusted) in October 2023 was 3.1%, half of a percentage point lower than the national average.

The impacts of the Maui wildfires on the State's economic indicators to date are mitigated by Hawai'i's strong economic performance through July 2023. Total visitor arrivals for the first ten months of 2023 increased by 5.5% compared to the same period in 2022 and represent 93.4% of the 2019 level. The State added 2.6% more non-agricultural payroll jobs (not seasonally adjusted) in the first ten months of 2023 compared to the same period in 2022. The State's unemployment rate (not seasonally adjusted) through the first ten months of

2023 averaged 3.0%, half of a percentage point lower than the same period in 2022 and 0.4 percentage point higher compared to the same period in 2019.

As a comprehensive measure of economic activity, the general excise tax revenue collections increased by 5.1% in the first ten months of 2023 compared to the same period in 2022.

Hawai'i's real gross domestic product (GDP) recovered to 97.7% in the second quarter of 2023 compared to the same period in 2019.

The most recent economic projections at the national level, by the top 50 economic forecasting organizations, published in Blue Chip Economic Indicators (November 10, 2023), indicate that U.S. economic growth is expected to be 2.4% in 2023 and 1.2% in 2024. DBEDT estimates that the State's real GDP will increase by 1.9% in 2023 and 1.3% in 2024. In 2025 and 2026, economic growth for Hawai'i is expected to be 1.9% and 2.0% respectively.

Visitor arrivals are projected to be 9.6 million in 2023, lower than previously projected. Visitor arrivals are now expected to increase to over 10 million from 2025 instead of 2024. Visitor spending is projected to be \$20.9 billion in 2023 and is expected to increase to \$23.5 billion by 2026.

Non-agriculture payroll jobs are forecast to increase by 2.2% in 2023. The payroll job counts are projected to increase by 1.6% in 2024, 1.6% in 2025, and 1.4% in 2026.

The State unemployment rate is forecast to be 3.0% in 2023, and will improve to 2.8% in 2024, 2.6% in 2025, and 2.4% in 2026.

Nominal personal income is forecast to grow by 4.5% in 2023, higher than the projection made in the previous quarter. Nominal personal income is expected to grow by 3.8% in 2024, 4.0% in 2025, and 4.2% in 2026.

As measured by the Honolulu Consumer Price Index for Urban Consumers, inflation is expected to be 2.8% in 2023, still lower than the projected U.S. consumer inflation rate of 4.1% for the same year. Hawai'i consumer inflation is expected to decrease to 2.2% by 2026.

Hawai'i's population is projected to decrease by 0.2% in 2023, decrease by 0.1% in 2024, and increase by 0.1% in 2025 and in 2026.