



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, and the labor market conditions in the State, the Department of Business, Economic Development and Tourism (DBEDT) expects 1.6% growth in Hawai'i's economy in 2025 and 1.5% growth in 2026.

Labor Force and Jobs

Due to the federal shutdown, the most recent data available on Hawai'i's labor force, unemployment, and job growth is through August 2025.

In the first eight months of 2025, the civilian labor force averaged 687,900, an increase of 8,150 people or 1.2% from the same period of 2024. Average civilian employment increased by 9,650 people or 1.5%. The unemployment rate averaged 2.7%, a decrease of 0.2 percentage points from the same period last year.

During the first eight months of 2025, Hawai'i's economy gained 13,100 non-agricultural wage and salary jobs or 2.1% compared to the same period of 2024. Job gains in the first eight months of 2025 were due to an increase in both the private and government sectors. Jobs gains were the greatest in Health Care and Social Assistance (added 2,850 jobs or 3.8%), followed by Food Service and Drinking Places (added 2,700 jobs or 4.1%) and Government (added 1,550 jobs or 1.2%).

Tax Revenues

Through the first three quarters of 2025, State general fund tax revenues decreased \$553.5 million or 7.1% over the same period of the previous year. General excise use tax collections increased \$163.8 million or 4.7%. Net individual income tax collections decreased \$274.8 million or 10.5%, which is largely due to the income tax cuts enacted by the 2024 Legislature. Net corporate income tax revenues decreased \$107.9 million or 26.7%. Transient accommodations tax collections increased \$6.7 million or 1.0% compared to the same period last year.

Personal Income

In the first half of 2025, total nominal personal income (not adjusted for inflation) was \$107,428.2 million, an increase of \$5,878.3 million or 5.8% from same period of the previous year. Wages and salaries, which accounted for about 48% of total personal income, increased \$3,245.6 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 \$1,037.6 million or 7.7% from the same period of the previous year. Proprietors' income, the income most closely related to entrepreneurial activity, was up \$324.6 million or 4.2% in the first half of 2025 compared to the same period of 2024.

Dividends, interest, and rent increased \$827.4 million or 3.7% in the first half of 2025 from the same period of 2024 while personal current transfer receipts, consisting mainly of retirement and medical payments, increased \$1,027.4 million or 5.7% in the first half of 2025 from the same period of 2024.

Contributions to government social insurance, which are payments subtracted from total personal income, increased \$594.2 million or 7.2% in the first half of 2025 from the same period of 2024.

Earnings increased \$2,507.9 million or 5.0% in the private non-farm sector during the first half of 2025 compared to the same period of 2024. In dollar terms, the largest earnings increase in the private sector occurred in Health Care and Social Assistance (increased \$373.2 million or 5.0%); followed by Transportation and Warehousing (increased \$307.7 million or 8.8%); Construction (increased \$259.4 million or 4.8%); and Professional, Scientific, and Technical Services (increased \$218.9 million or 5.1%).

In the first half of 2025, total government earnings increased \$2,069.7 million or 10.8% compared with the same period of 2024. The earnings of the Federal Government increased \$318.9 million or 2.9%, while the earnings of the State and Local Government increased \$1,750.8 million or 21.2%.

Prices

In the first half of 2025, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 2.9% from the same period in 2024. This is 0.3 percentage points above the 2.6% increase for the U.S. average CPI-U in the first half of 2025. It is lower than the 4.7% increase in

the Honolulu CPI-U for the first half of 2024 compared to the same period of the previous year. In the first half of 2025, the Honolulu CPI-U increased the most in Food and Beverages (4.6%), followed by Transportation (4.0%), Apparel (3.8%), Other Goods and Services (3.0%), Housing (2.6%), Medical Care (2.5%), and Recreation (2.2%). The Honolulu CPI-U decreased in Education and Communication (1.2%) compared to the first half of 2024.

Tourism

In the first three quarters of 2025, total visitor arrivals by air increased 35,691 or 0.5%, while the average daily census increased 1,101 or 0.5% from the same period of the previous year. Domestic arrivals were up 60,566 or 1.0% and international arrivals decreased 24,875 or 2.1%. For major market areas, arrivals from the U.S. West were up 47,960 or 1.3%; arrivals from the U.S. East were up 16,999 or 0.9%; and Japanese arrivals were up 6,044 or 1.2%. The domestic average daily census increased 1,262 or 0.7%; and the international average daily census decreased by 161 or 0.4%. Visitor expenditures totaled \$16,119.9 million, an increase of \$756.8 million or 4.9% from the same period of the previous year.

In the first three quarters of 2025, the number of total available seats decreased 1.8% or 175,889 seats, domestic seats decreased 1.1% or 88,351 seats, and international seats decreased 4.4% or 87,538 seats from the same period of the previous year. In the first three quarters of 2025, the statewide hotel occupancy rate averaged 74.1%, 0.2 percentage points lower than the occupancy rate for the same period of the previous year.

Construction and Real Estate

In the first nine months of 2025, total private building authorizations for Honolulu, Maui County, and Hawai'i County increased \$475.9 million or 14.9% compared to the same period of 2024. The value of residential permits increased by \$623.8 million or 46.6%, followed by the value of commercial and industrial building permits, which increased by \$154.4 million or 51.9%. The value of permits for additions and alterations decreased by \$302.3 million or 19.4% during the same period.

During the first three quarters of 2025, government contracts awarded decreased by \$1,676.7 million, or 56.6% compared with the same period of the previous year. State government capital improvement project expenditures decreased \$99.6 million or 8.3%.

In the first nine months of 2025, the number of existing homes sold on O'ahu increased 0.8% for single-family homes and decreased 3.0% for condominiums, compared to the same period last year. In the first nine months of 2025, the median price for existing single-family homes on O'ahu was \$1,145,000, up 4.1% from the same period in 2024, 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 eight months of 2025, the construction sector added 1,150 jobs or 2.9% compared to the same period of 2024.

County Economic Conditions

Through the first eight months of 2025 (latest data available), the average unemployment rate compared to the same period last year varied by county. The unemployment rate in Honolulu decreased from 2.6% to 2.5%, the unemployment rate in Kaua'i County decreased from 2.5% to 2.4%, and the unemployment rate in Hawai'i County was unchanged at 3.1%. The unemployment rate in Maui County decreased from 4.6% to 3.1% as recovery from the Maui wildfires continues.

Visitor arrivals by air increased in all counties except Honolulu in the first three quarters of 2025 compared to the same period last year. Visitor days by air increased in Kaua'i and Maui County but fell in Honolulu and Hawai'i County. Visitor arrivals decreased 1.3% in Honolulu County but increased 1.2% in Hawai'i County, 1.7% in Kaua'i County and 8.1% in Maui County. Total visitor days by air decreased 2.2% in Honolulu and 0.6% in Hawai'i County. Total visitor days by air increased 0.1% in Kaua'i County and 5.8% in Maui County.

Through the first eight months of 2025, non-agricultural wage and salary jobs increased in all counties. Net job increases in Honolulu were due to job increases in the private and government sectors. In the first eight months of 2025, the private sector in Honolulu added about 8,850 jobs and the government sector gained about 750 jobs compared with the same period last year. The largest job increase in the private sector was in Health Care and Social Assistance (added 2,450 jobs), followed by Food Service and Drinking Places (added 1,450 jobs) and Natural Resources, Mining, and Construction (added 1,100 jobs).

Hawai'i County gained 1,100 jobs or 1.5% in the first eight months of 2025 over the same period of 2024. Job gains were from the private and government sectors. The largest private sector job increases in Hawai'i County were in Health Care and Social Assistance and Arts, Entertainment, and Recreation (both of which added 200 jobs). The government sector added 500 jobs.

In the first eight months of 2025, Kaua'i County gained 850 jobs or 2.6% compared to the same period in 2024. The largest private sector job increase occurred in Food Services & Drinking Places (added 300 jobs), followed by Professional and Business Services (added 150 jobs). The number of government jobs during this period increased by 100.

Maui County gained 1,600 jobs or 2.2% in the first eight months of 2025 compared to the same period in 2024. The largest private sector job increases occurred in Food Services and Drinking Places (added 600 jobs), followed by Accommodations (added 350 jobs) and Health Care and Social Assistance (added 250 jobs). The government sector added 100 jobs compared to the same period of 2024.

During the first three quarters of 2025, the value of private building permits increased \$230.7 million or 10.9% in Honolulu; increased \$170.2 million or 42.0% in Maui County; and increased \$75.0 million or 11.3% in Hawai'i County, compared to the same period of 2024. Data for Kaua'i County (residential only) was not available at the time of publication.

Outlook for the Economy

DBEDT projects subdued growth in 2026 followed by steady recovery. Compared DBEDT's second and third

quarter projections, Hawai'i's economic outlook improved due to robust visitor expenditures, lower-than-expected inflation, a healthy labor market, and stronger-than-expected national economic performance. Near term growth remains subdued, however, due to the impacts of tariffs, overall policy uncertainty, and sluggish visitor arrivals.

Based on the most recent data from the U.S. Bureau of Economic Analysis, Hawai'i's real gross domestic product (GDP) grew 2.5% in the second quarter of 2025 compared to the second quarter of 2024. Inflation, as measured by the Honolulu Consumer Price Index for Urban Consumers (CPI-U), decreased from 4.1% in January 2025 to 2.3% in July to 2.2% in September.

After growing in the first half of 2025, the total number of visitor arrivals by air decreased by 78,900 or 3.2% in the third quarter of 2025 compared to the same quarter of the previous year. In October 2025, total visitor arrivals by air and cruise ship were 749,095, down 2.9% compared with October 2024. However, total visitor spending was up 6.7%, which indicates Hawai'i is attracting a higher spending visitor demographic.

The construction industry continued to grow. Construction payroll jobs (not seasonally adjusted) reached a record 41,300 in August 2025 (latest data available). The total value of construction, as measured by the contracting tax base, reached \$14.0 billion in 2024. During the first half of 2025, the contracting tax base totaled \$7.4 billion, a 12.7% increase from the same period in 2024. The \$8.4 billion in government contracts awarded in 2023 and 2024 will help sustain construction, which is expected to support economic growth in the years ahead.

Hawai'i's labor market improved based on data through August 2025 (latest available). Hawai'i's labor force grew 1.2% in the first eight months of 2025 compared to same period in 2024. Non-agricultural wage and salary jobs grew 2.1% year-to-date through August compared to the same period in 2024. The unemployment rate (not seasonally adjusted) in August was 2.6%, 0.6 percentage points lower than in August 2024. Hawai'i had the third lowest unemployment rate in the nation, tied with Vermont.

State general excise tax collections increased by 2.4% in the third quarter of 2025 compared to the same period a year ago.

At the national level, the most recent (November 2025) Blue Chip Economic Indicators report, the consensus of 50 economic forecasting organizations, projected the U.S. economy to grow at 1.9% in 2025, and 1.8% in 2026. Most international markets are expected to have softer growth due to global uncertainty. DBEDT estimates that Hawai'i's real GDP will increase by 1.6% in 2025, 1.5% in 2026, 1.7% in 2027, and 1.9% in 2028.

Visitor arrivals are projected to remain stable in 2025 and will improve starting in 2026. Visitor spending is projected to be \$21.6 billion in 2025 and is expected to increase to \$23.4 billion by 2028.

Non-agriculture payroll job growth is expected to increase by 1.4% in 2025, by 0.9% in 2026 and 2027, and by 0.8% in 2028.

The civilian unemployment rate is forecast to edge down from 2.8% in 2025 and 2026 to 2.7% in 2027 and 2028.

Personal income is expected to grow at 4.6% in 2025, 4.3% per year in 2026 and 2027, and 4.4% in 2028.

The Honolulu Consumer Price Index for Urban Consumers is estimated to increase 2.8% in 2025. Consumer inflation is expected to gradually decrease to 2.3% by 2028, reflecting easing inflationary pressures over time.

Hawai'i's population is expected to increase by 0.1% each year between 2025 and 2028.