

Current Hawaii Economic Conditions

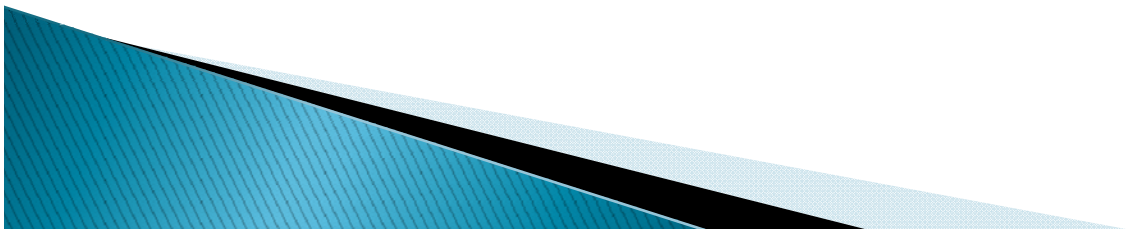
Eugene Tian

Department of Business, Economic Development & Tourism
at the

Hawaii Chapter of the Institute of Internal Auditors

September 18, 2012

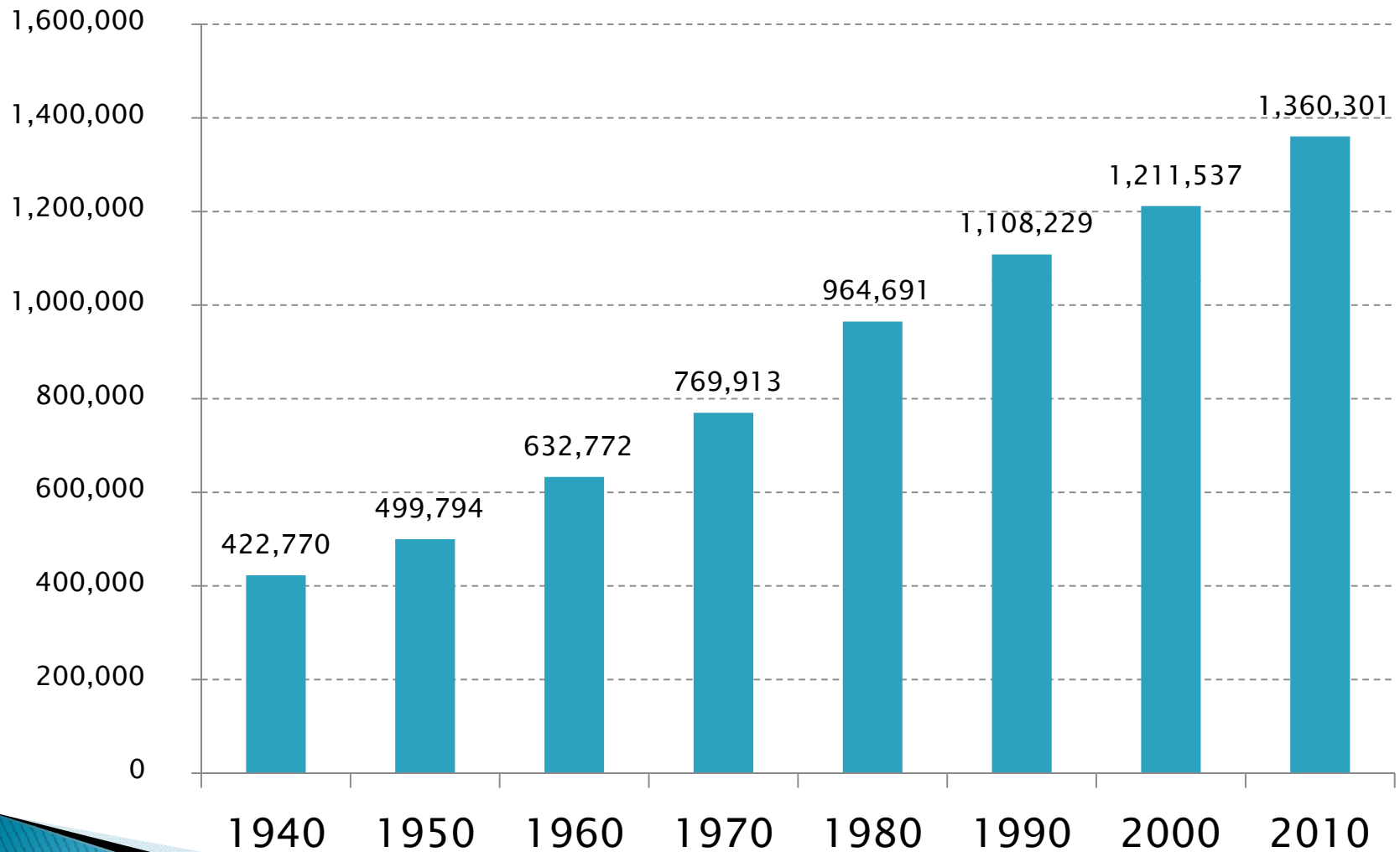
Hawaii Population and its Characteristics



What the 2010 Census tell us about our population

- ▶ Continued to be the most diversified cultural state in the nation with 23.6% mixed population
- ▶ Population is more aged with median age of 38.6 years and 14.3% of the population were age 65 years or above
- ▶ Significant increase in White, Hispanic, and Micronesians
- ▶ Filipino population over took Japanese population to become the largest Asian group in 2010
- ▶ Fewer families with children, more families with aged
- ▶ More aged people live alone

Hawaii had 1.36 million resident population in 2010, an increase of 148,764 from 2000, or increased by about 15,000 people per year during the last 10 years



Population on Hawaii, Maui, and Kauai grew faster than others, Lanai and Molokai lost population

Island	2000	2010	Change	% change
Oahu	876,156	953,207	77,051	8.8
Hawaii	148,677	185,079	36,402	24.5
Maui	117,644	144,444	26,800	22.8
Lanai	3,193	3,135	-58	-1.8
Molokai	7,404	7,345	-59	-0.8
Kauai	58,303	66,921	8,618	14.8
Niihau	160	170	10	6.3
STATE	1,211,537	1,360,301	148,764	12.3

Where was the population increase coming from?

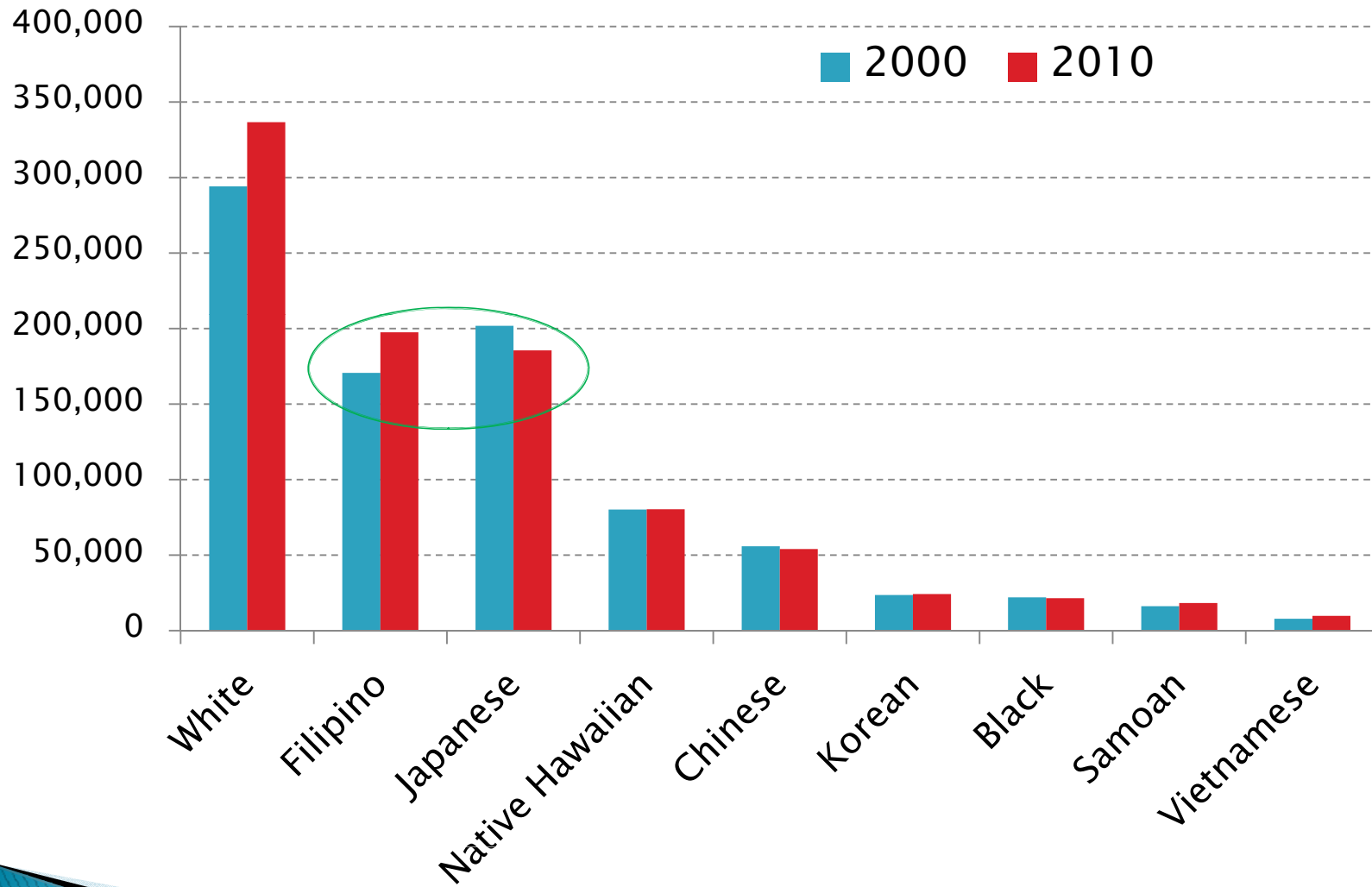
	Annual average between 2000 -2010
Births	18,277
Deaths	8,965
Net migration	5,565

Hawaii is the #1 state in race diversification and culture

Component of total resident population: 2010

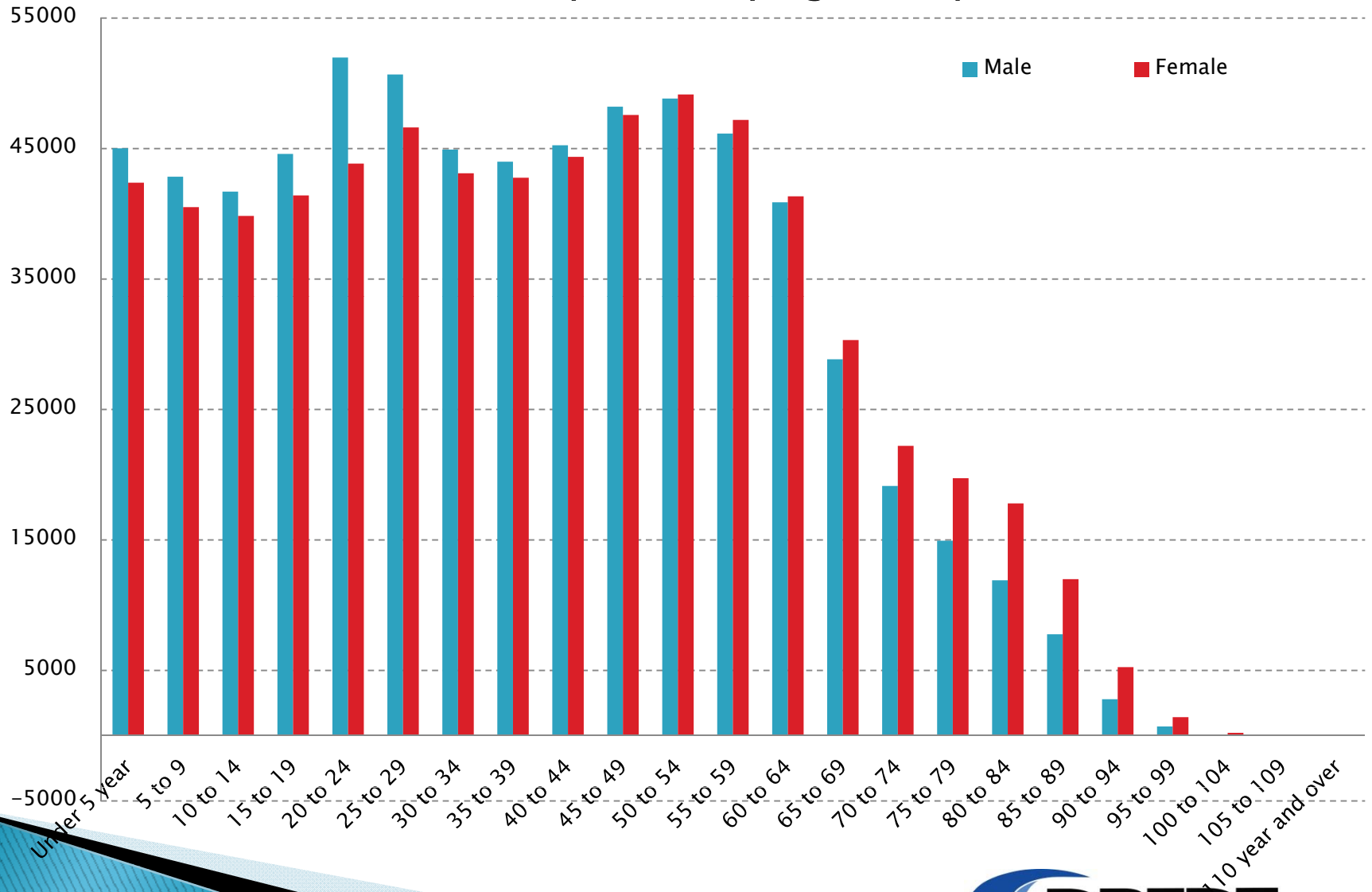
	Hawaii	U.S.
% of mixed population	23.6	2.9
% of pure Asians	38.6	4.8
% of pure Japanese	13.6	0.2
% of pure Filipino	14.5	0.8
% of pure Native Hawaiian	5.9	0.1
% of pure Chinese	4.0	1.1
% of pure Korean	1.8	0.5
% of Vietnamese	0.7	0.5

Japanese and Chinese decreased, White and Filipino increased. Filipinos now outnumber Japanese



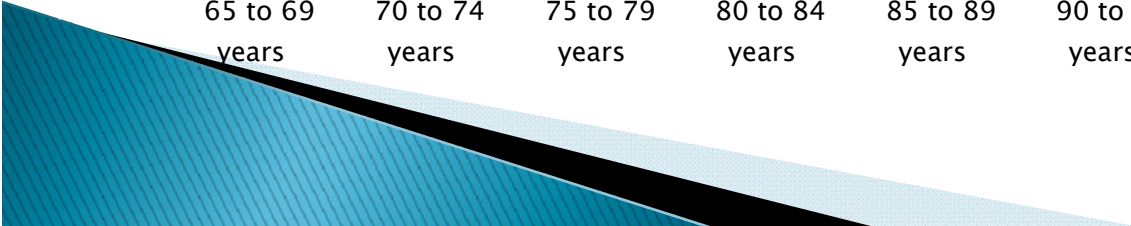
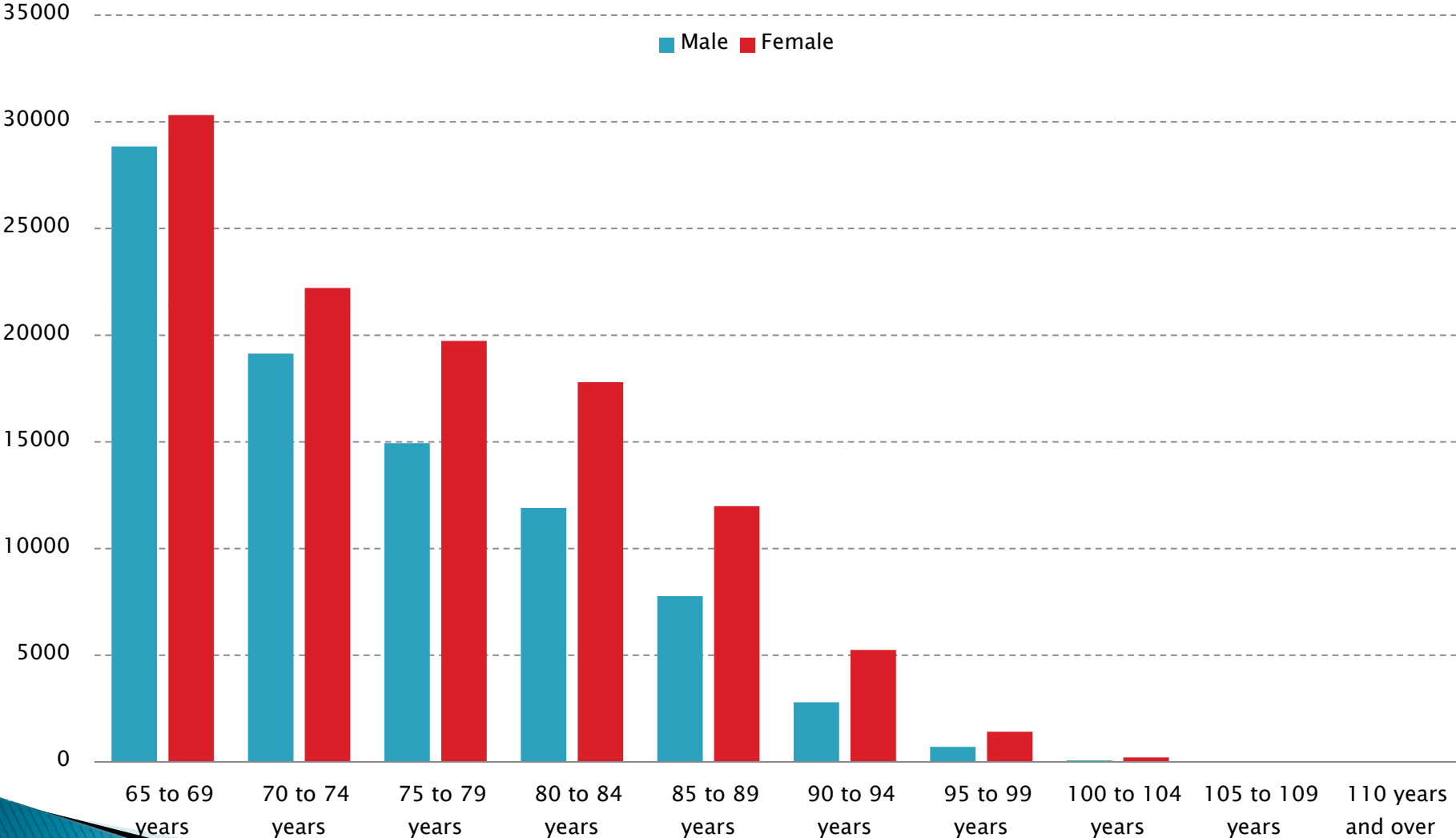
Good news! Life expectancy increased significantly

Hawaii Resident Populaton by Age Group and Sex: 2010



The higher the age group, the more females than males

Hawaii Elderly Population Distribution: 2010

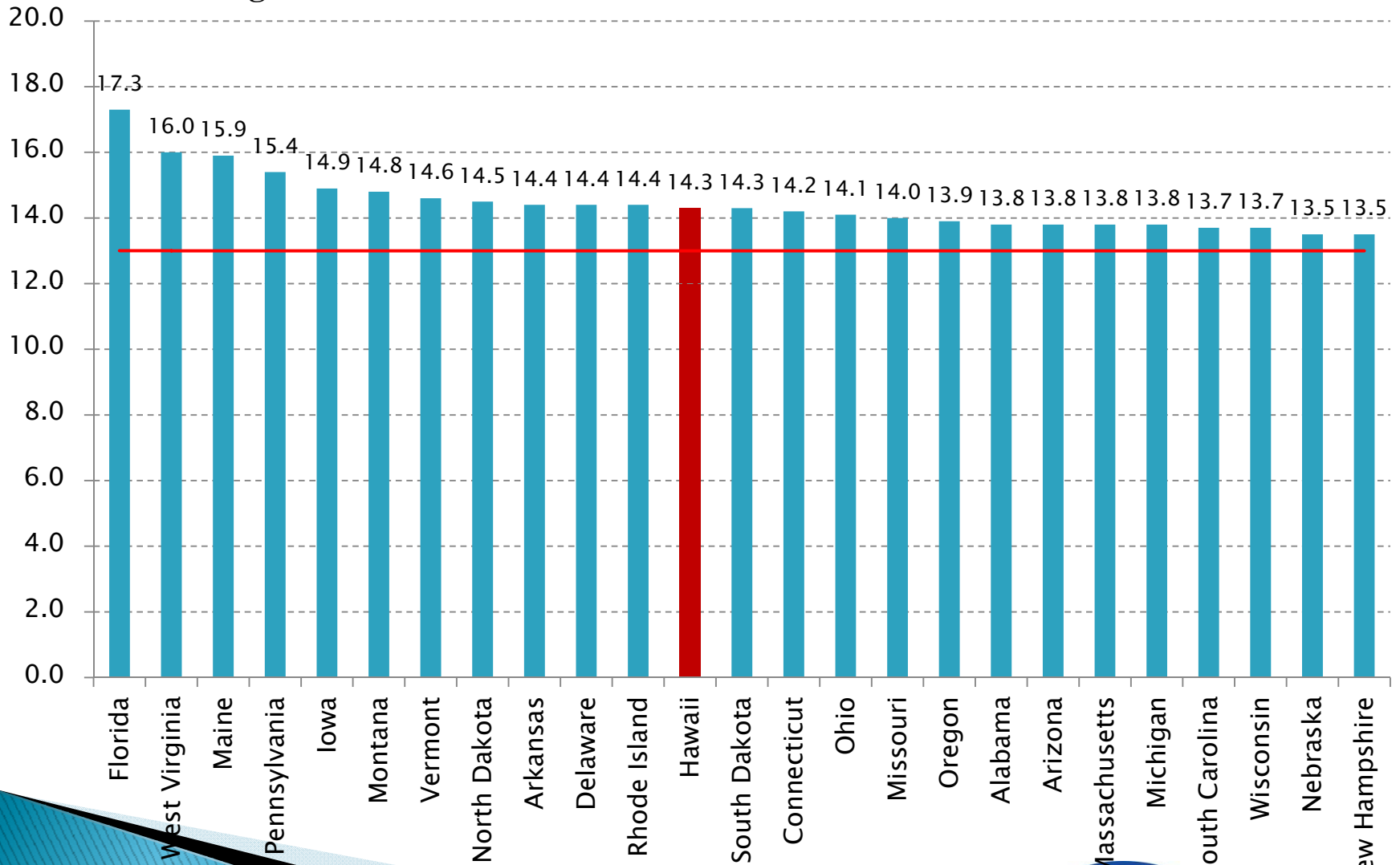


Characteristics of Hawaii's Elderly Population

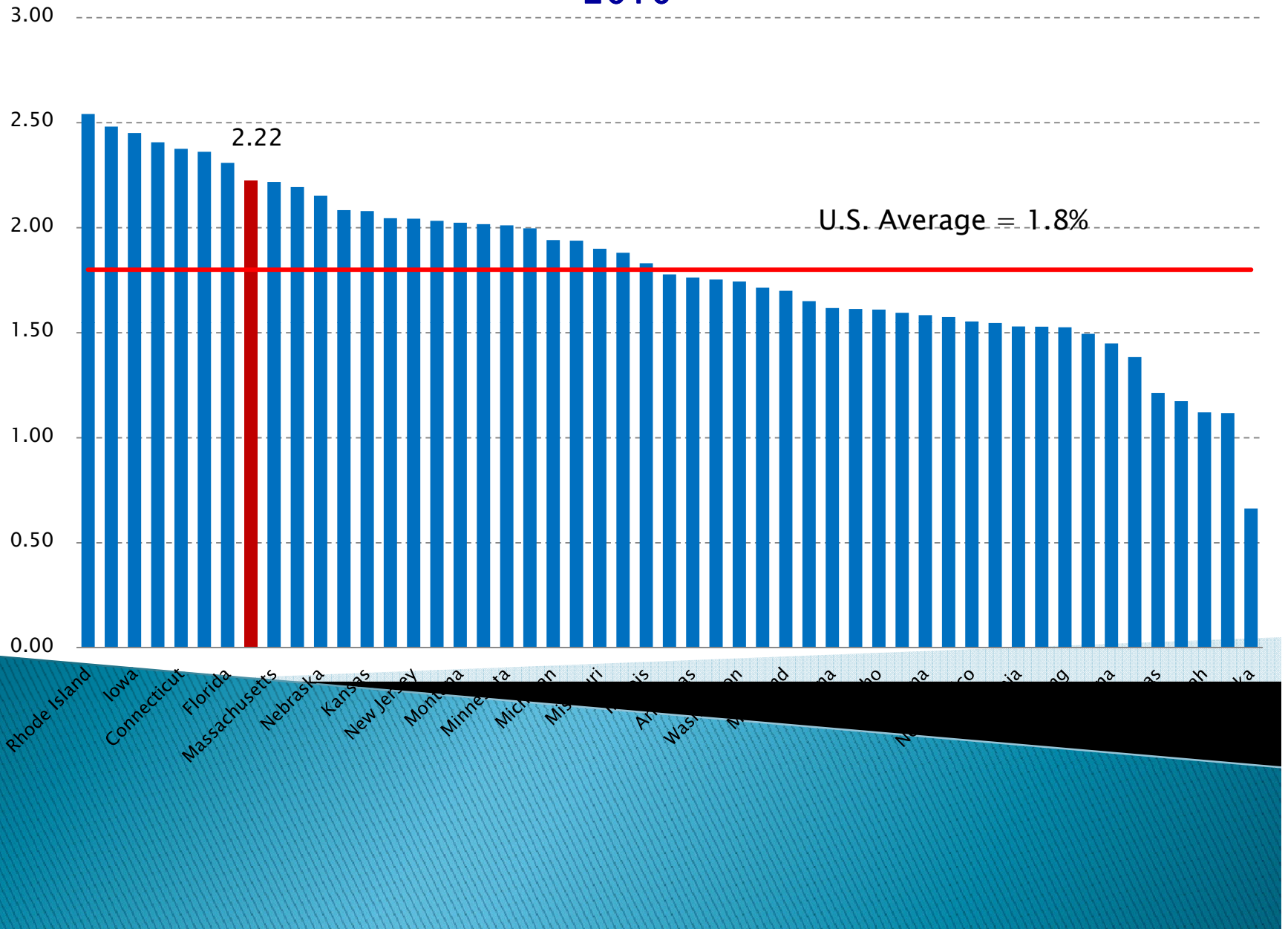
Indicator	Population 65+ years	Population 16-64 years
% employed	18.9	81.0
% live alone	18.5	8.3
% of home ownership	77.2	58.9
% stayed in single family homes	70.9	66.9
% with health insurance	99.4	90.8
% without mortgage debts	42.4	12.3
Median income, \$	20,400	27,000

Hawaii's elderly population ranked 12th place in the nation in 2010, with 14.3% of the population 65 years or older

U.S. Average is 13.0%

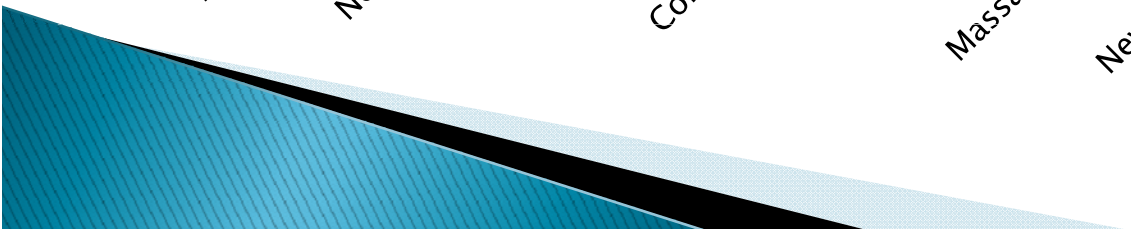
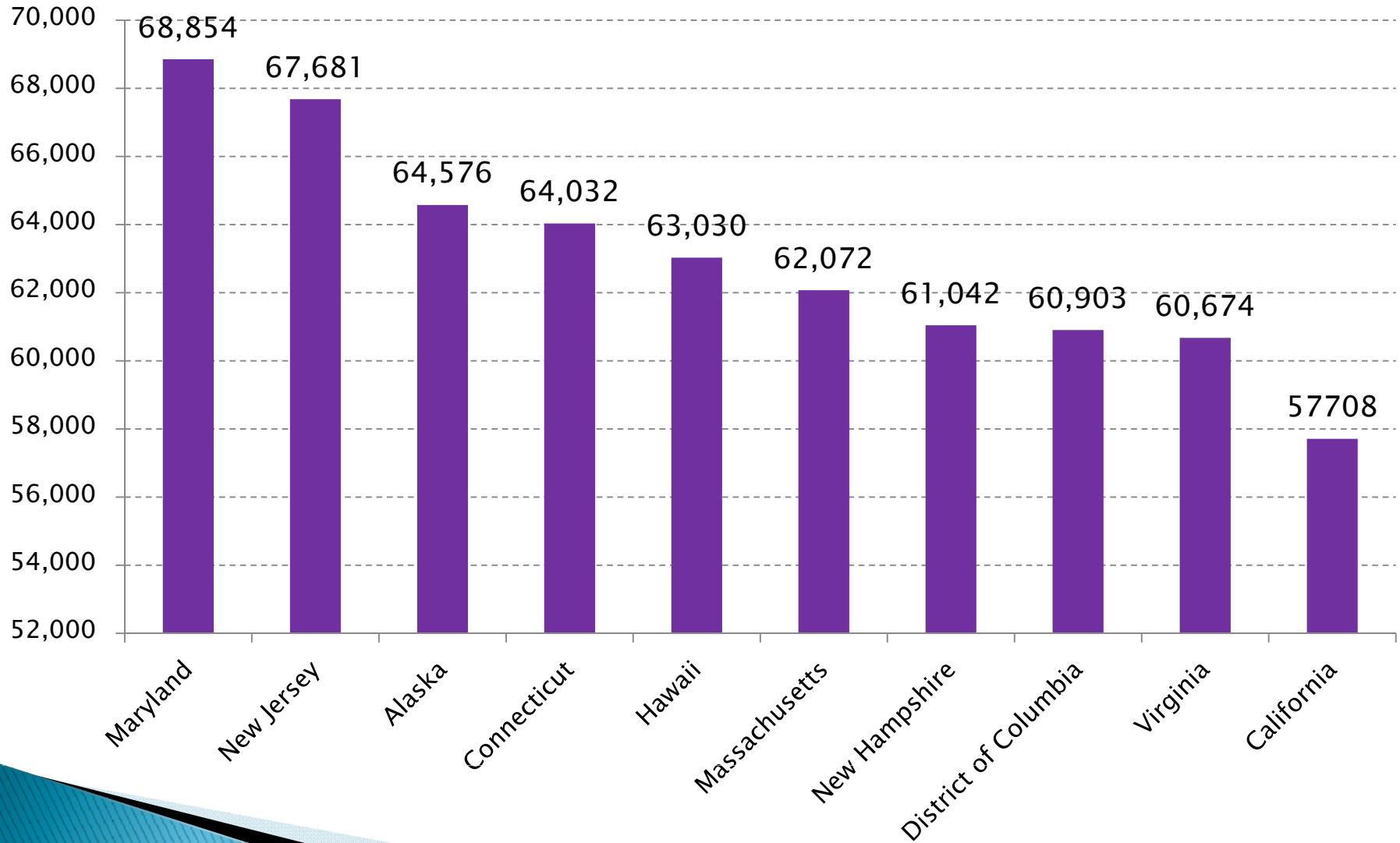


Percentage of population 85 years and above by state: 2010



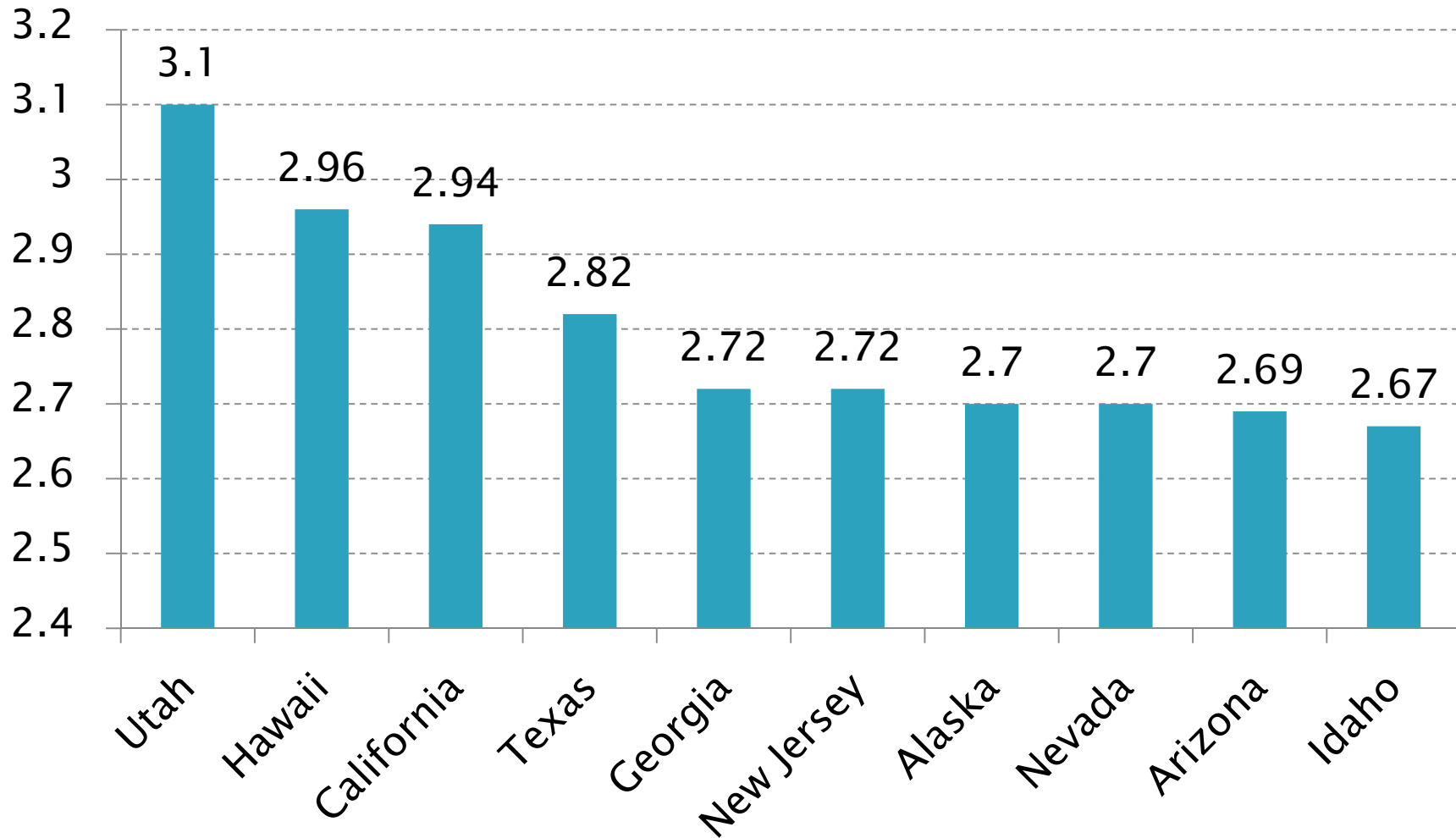
Hawaii household income ranked #5 in the country

(U.S. average = \$50,000)



Hawaii ranked #2 in household size in the nation

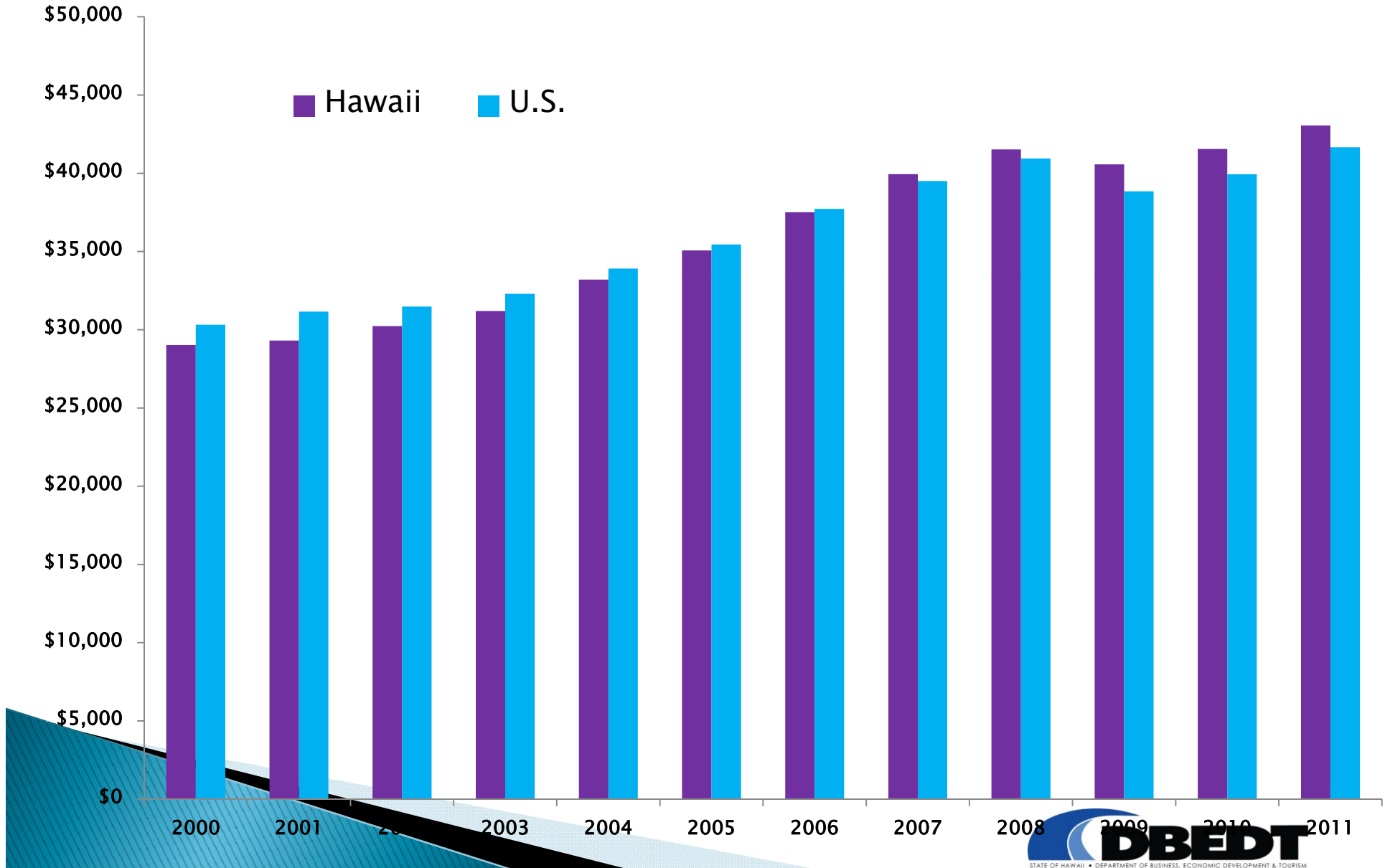
(U.S. average = 2.63)



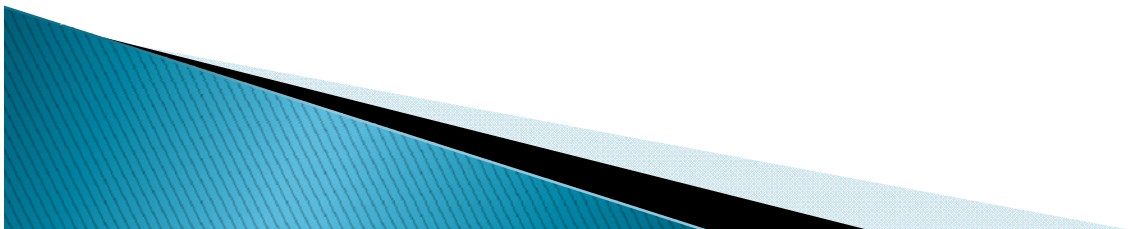
Source: U.S. Census Bureau

Hawaii Per Capita Personal Income Larger than U.S. Since 2007

Hawaii's per capita personal income = \$43,053 in 2011



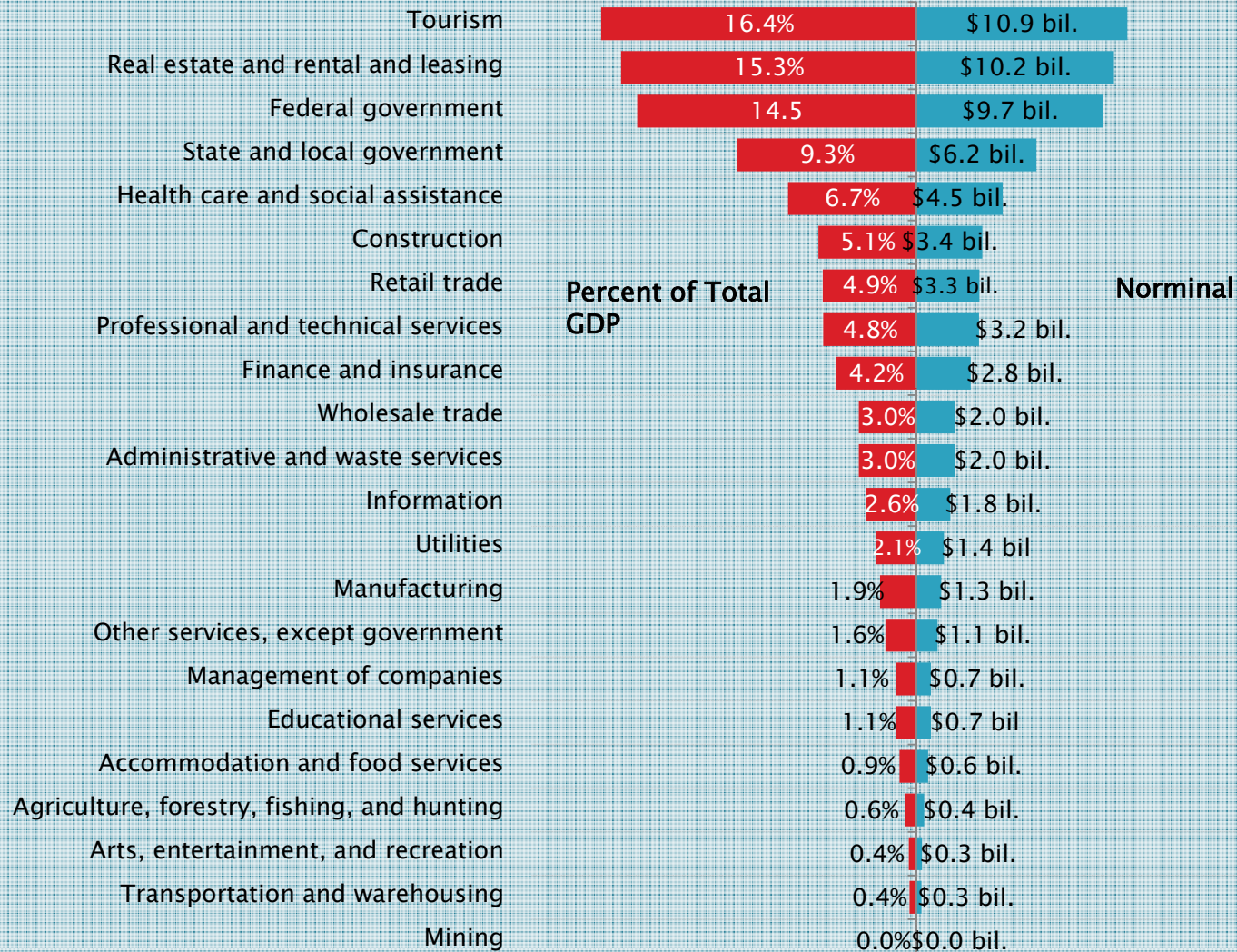
Hawaii's Economy



Selected Hawaii Economic Indicators

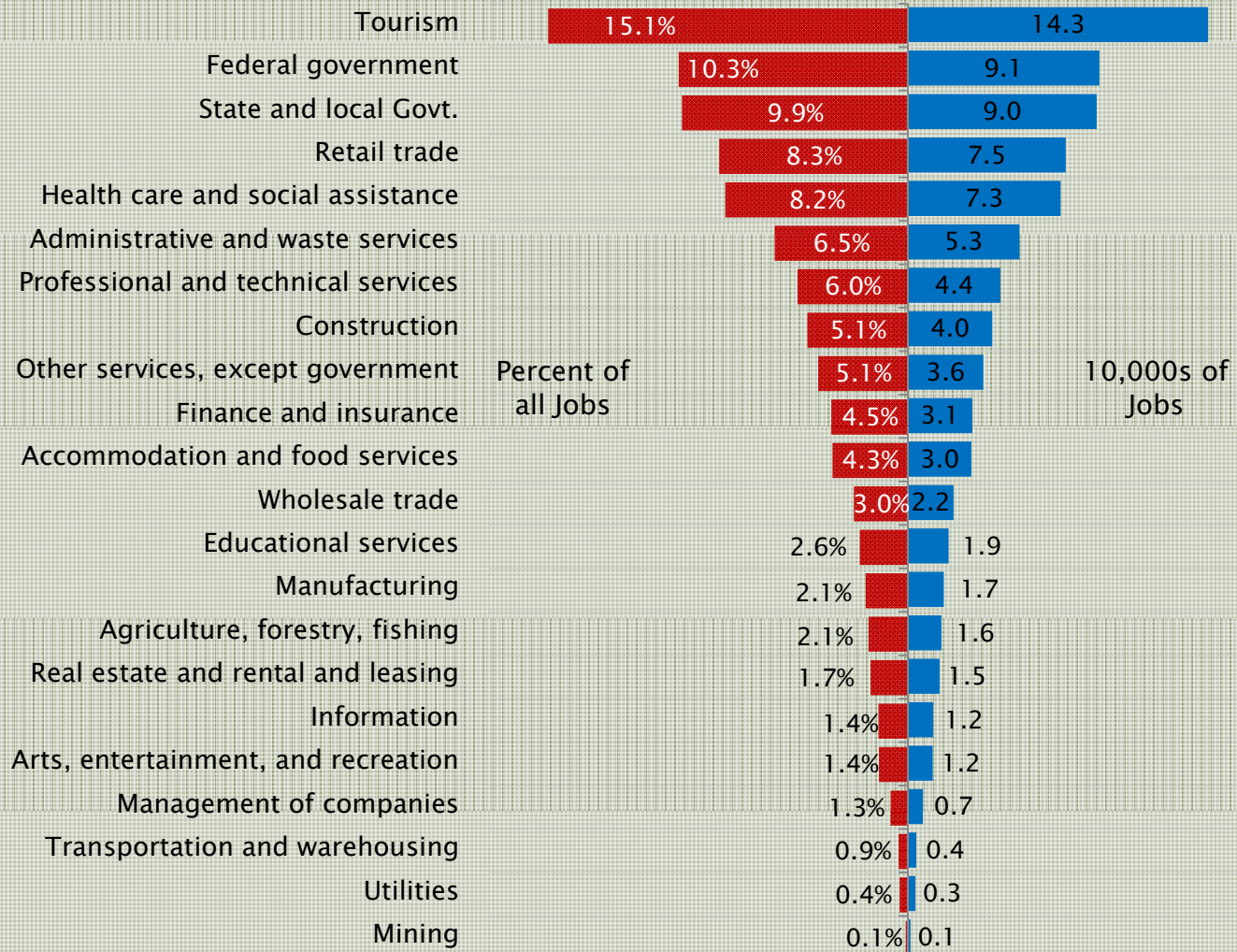
Indicator	Hawaii	U.S.	Hawaii Ranking in the U.S.
Population in 2011	1,374,810	311,591,917	40
GDP in 2011	\$67 billion	\$14,981 billion	39
Median household income in 2011	\$63,000	\$50,000	5
Poverty rate in 2011	12.1%	15.0%	14 th lowest
Unemployment rate in 2011	6.7%	8.9%	12 th lowest
Unemployment rate in July 2012	6.4%	8.3%	15 th lowest

Hawaii GDP by Industry, 2010*



*GDP generated in the other sectors by tourism have been subtracted from each industry's measure.

Hawaii Employment by Industry

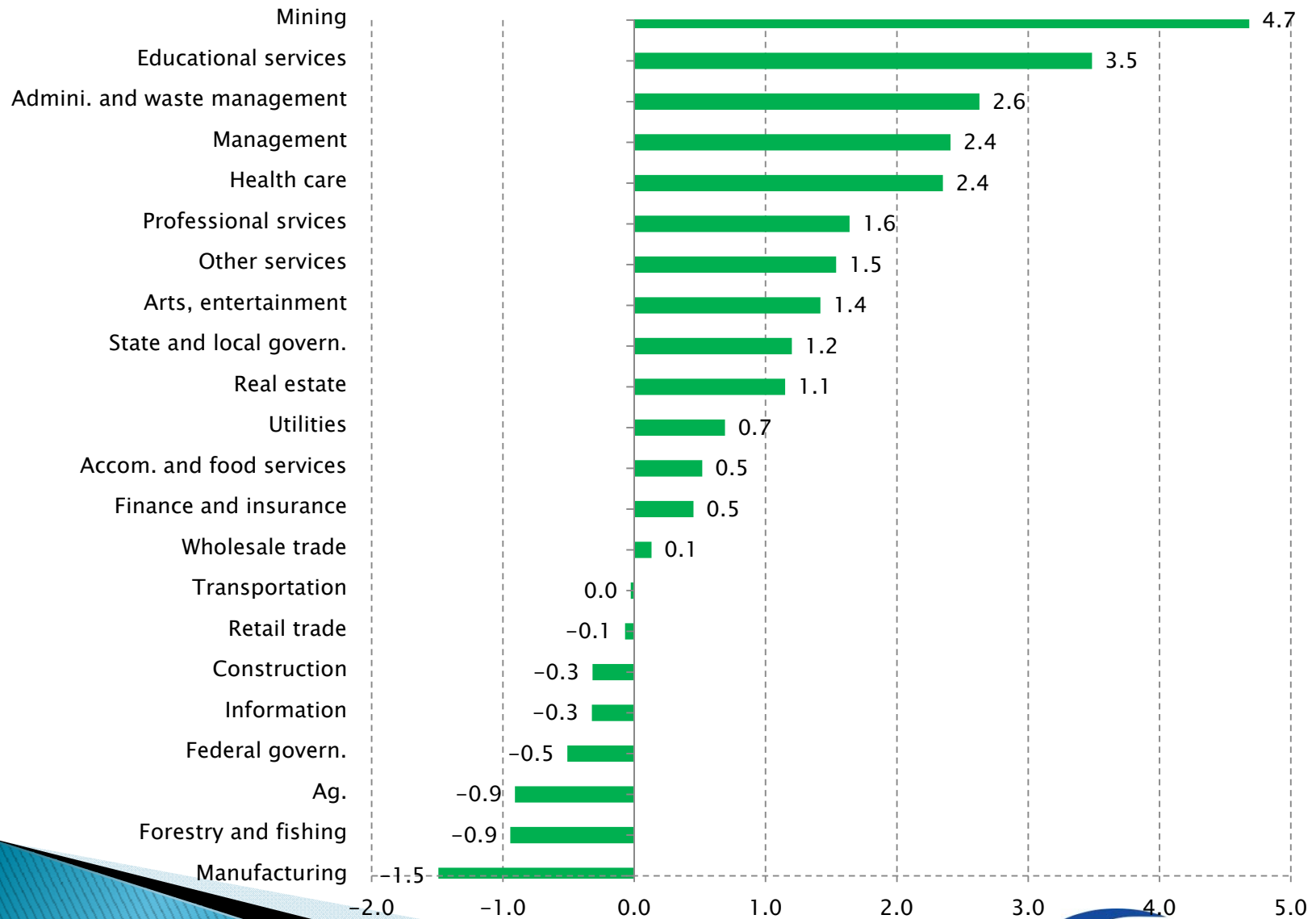


*Jobs generated in the other sectors by tourism have been subtracted from each industry's measure.

Source: DBEDT, 2010

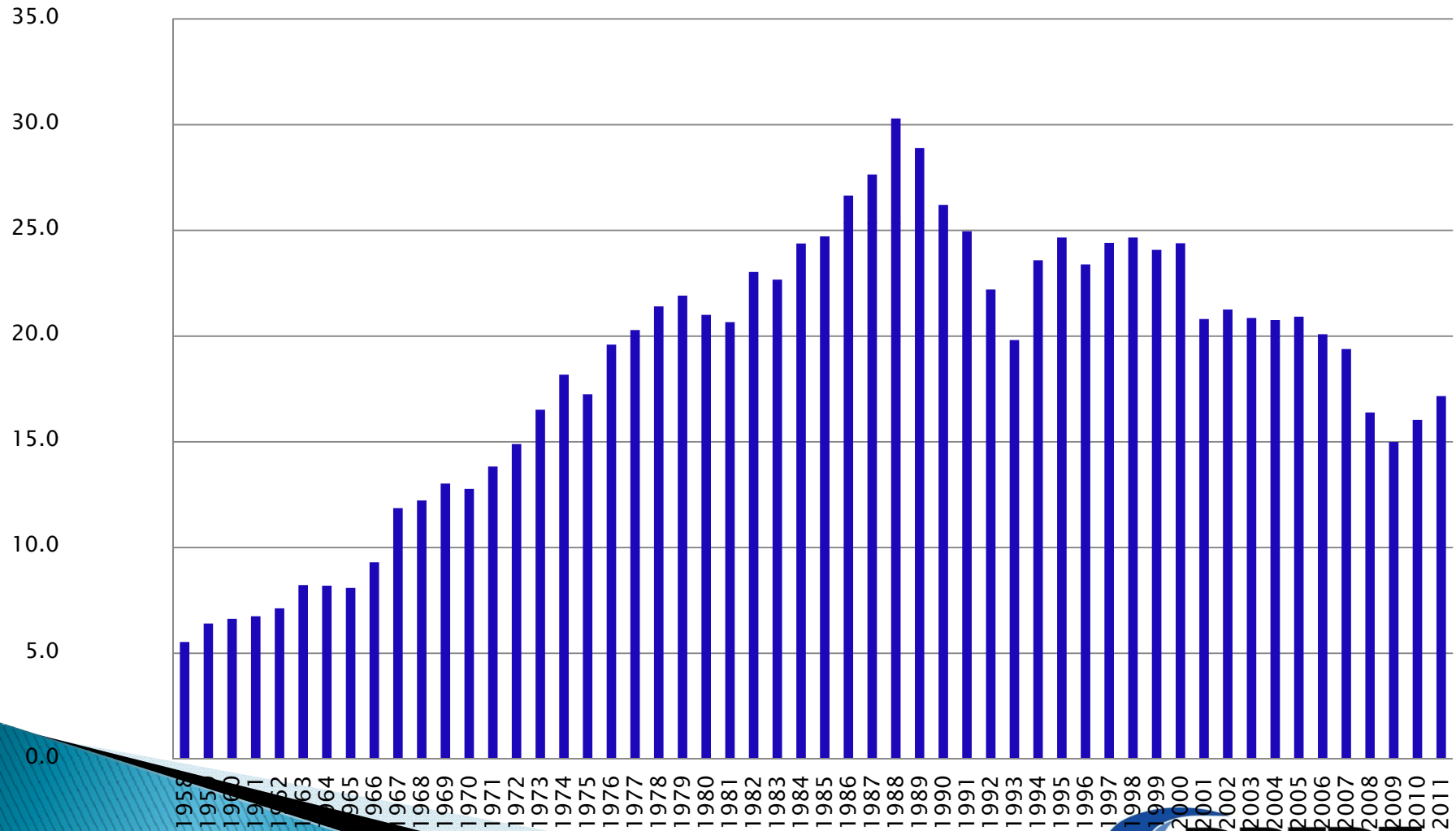
In the past 20 years, Non-Tourism Services were dominating the growth

Average annual job growth rate in %, 1990-2010



Tourism contribution to Economy diminishing

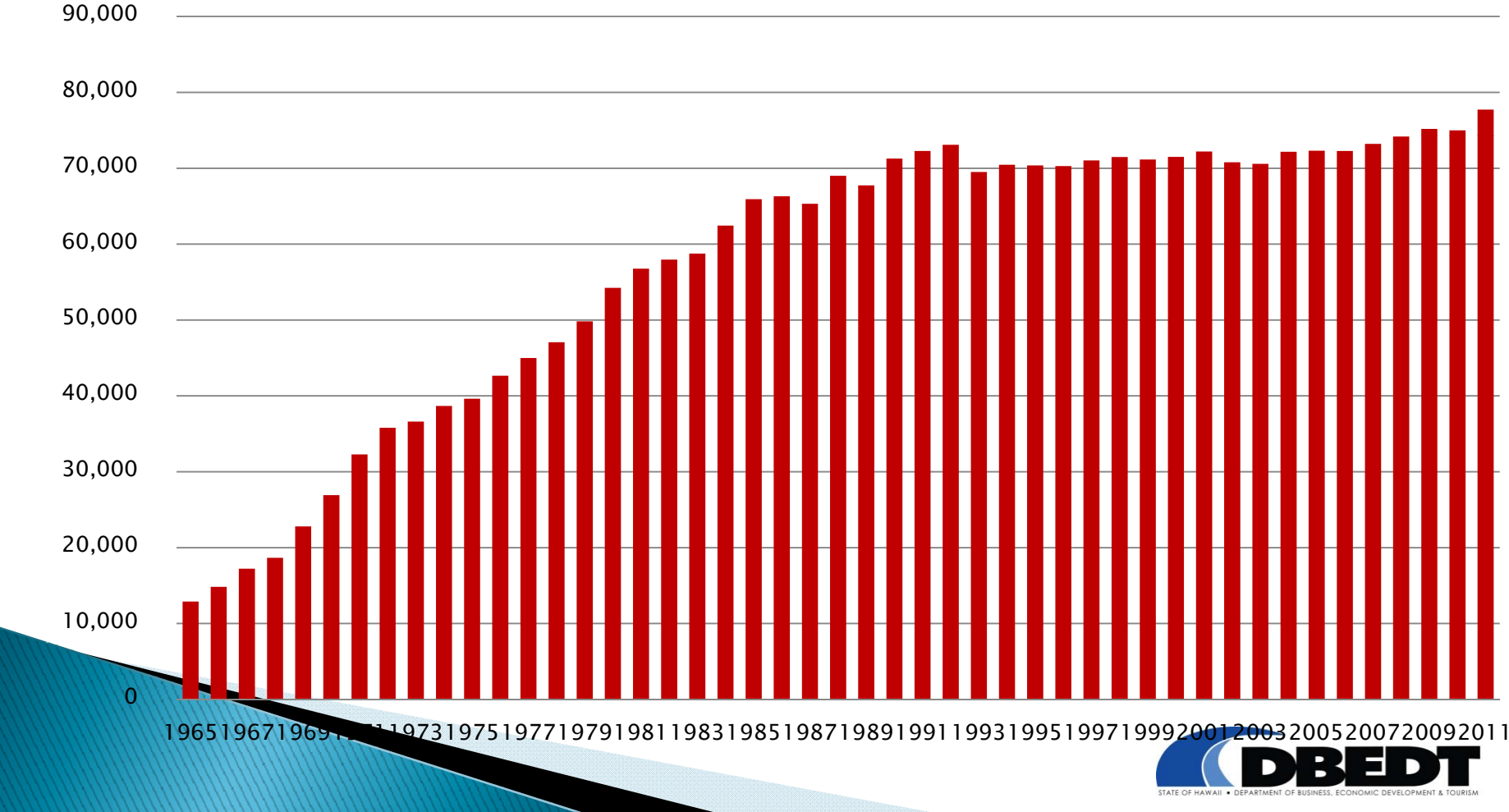
Hawaii Real Visitor Expenditures as Percent of GDP
Peak year 1988=30.3%; 2011=17.2%



Hotel Inventory Flat

Hawaii Visitor Room Inventory: 1965 – 2011

1965–1990: average annual growth = 7.1%; 1990–2011 = 0.4%



DBEDT Forecast

Key Economic Indicators for Hawaii are all expected to be positive in 2012 and 2013

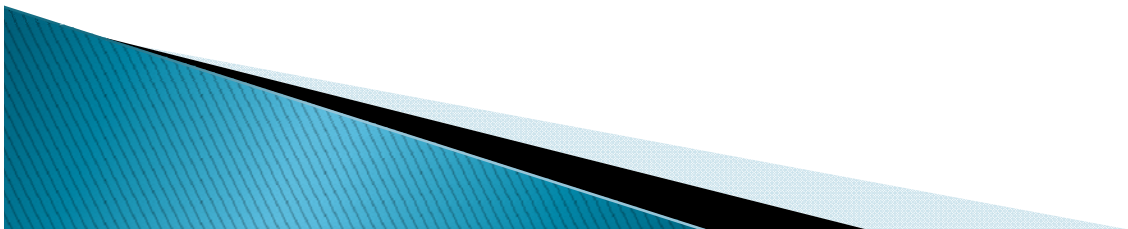
(Annual % Change)

	Actual CY 2011	Forecasted CY 2012	Forecasted CY 2013
Total Population	0.8%	1.0%	1.0%
Visitor Arrivals	4.0%	8.6%	3.5%
Visitor Expenditures	10.7%	15.2%	5.6%
Honolulu CPI-U	3.7%	2.8%	2.6%
Personal Income	4.7%	4.3%	4.8%
Real Personal Income	0.9%	1.5%	2.1%
Total Non-Ag Wage and Salary Jobs	0.9%	1.2%	1.8%
Real GDP	-0.2%	1.5%	2.3%

Source: Department of Business, Economic Development & Tourism

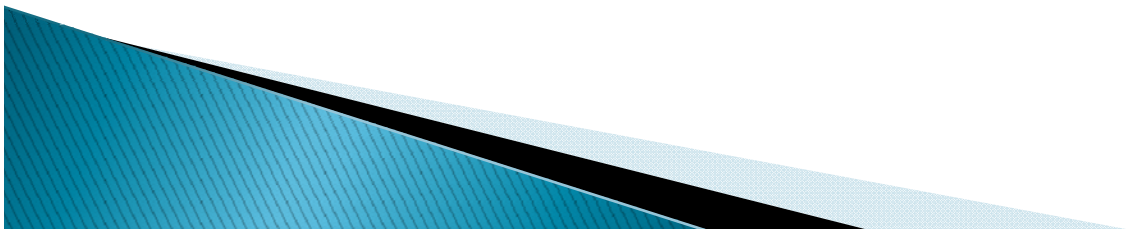
Latest developments in Hawaii's Economy

- **State general fund tax revenues increased 13.0% for the first 8 months of CY 2012.**
- **State GET increased 9.5% during the first 8 months of 2012**
- **Visitor industry performed better than expected in 2011 with 4.0% increase in visitor arrivals, and 10.7% increase in spending. During the first 7 months of 2012, visitor arrivals increased 9.8% while visitor spending increased 20.8%.**
- **Passenger count increased 8.8% during first 8.5 months of 2012.**

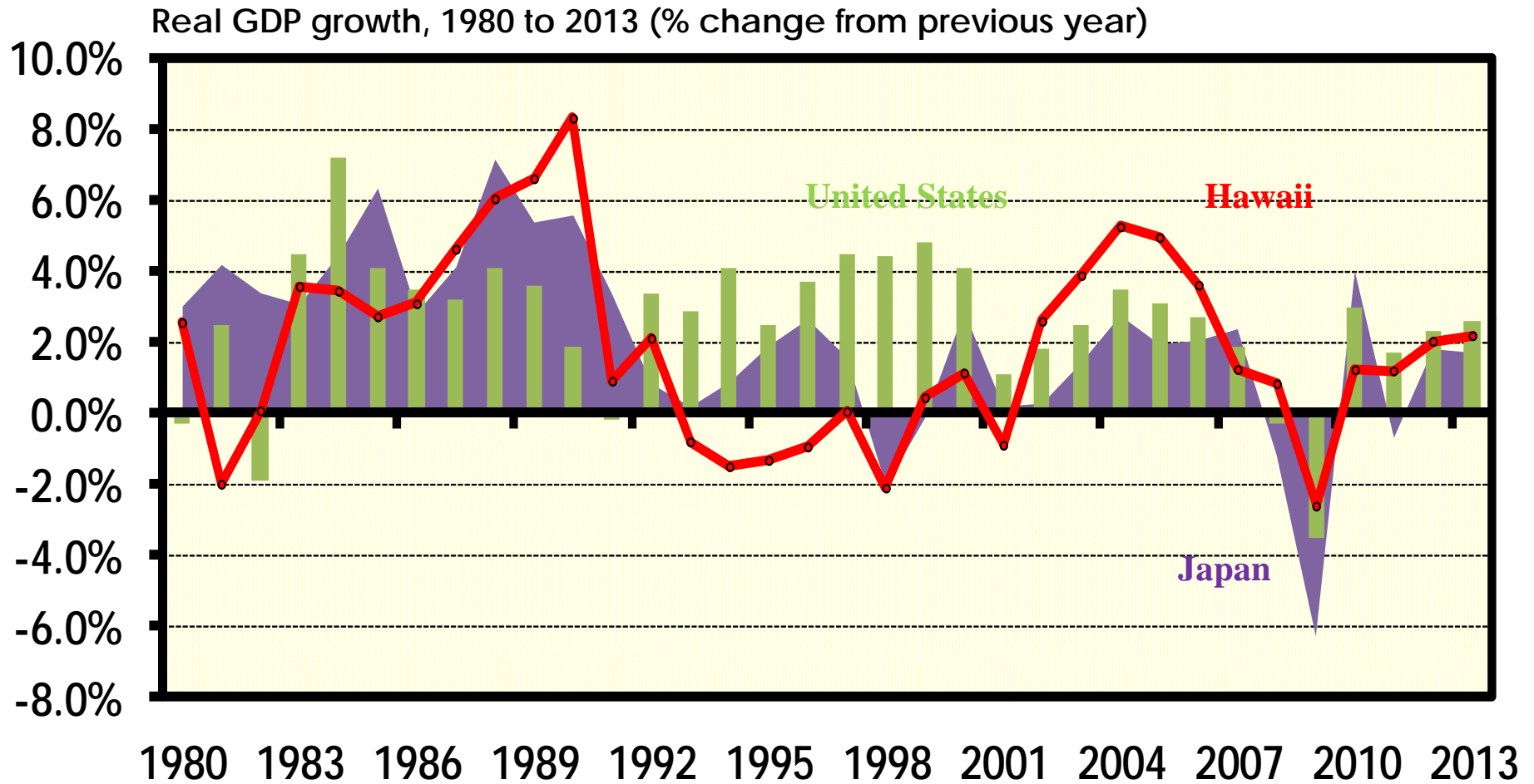


Latest developments in Hawaii's Economy – con.

- Labor market continues improving. Non-agriculture wage and salary job counts increased 1.0% during first 7 months of 2012
- Unemployment claims for the whole year of 2011 were 8% lower than those in 2010 and was 10.2% lower during the first 8 months of 2012 than the same period a year ago
- Construction activities has signs of recovery with 46.2% increase in value of building permit during the 1st quarter of 2012. Permit value for additions and alterations increased 88.1%, and commercial and industrial permit value increased 27.9% while residential permit value decreased 1.0% during 1st quarter of 2012

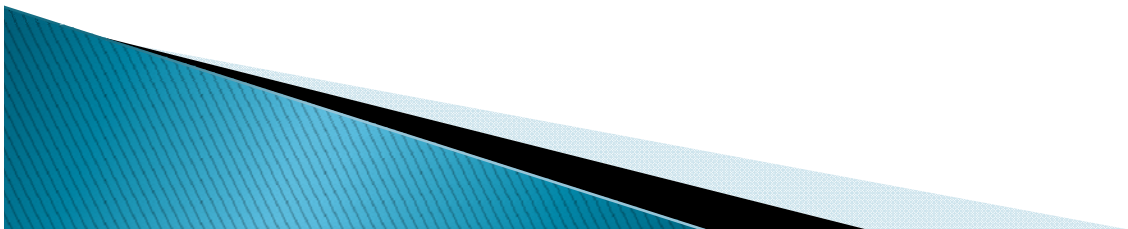


Hawaii's economy is influenced by the US and Japan, Hawaii's economic growth is expected to be similar to the U.S. and better than Japan in the next two years

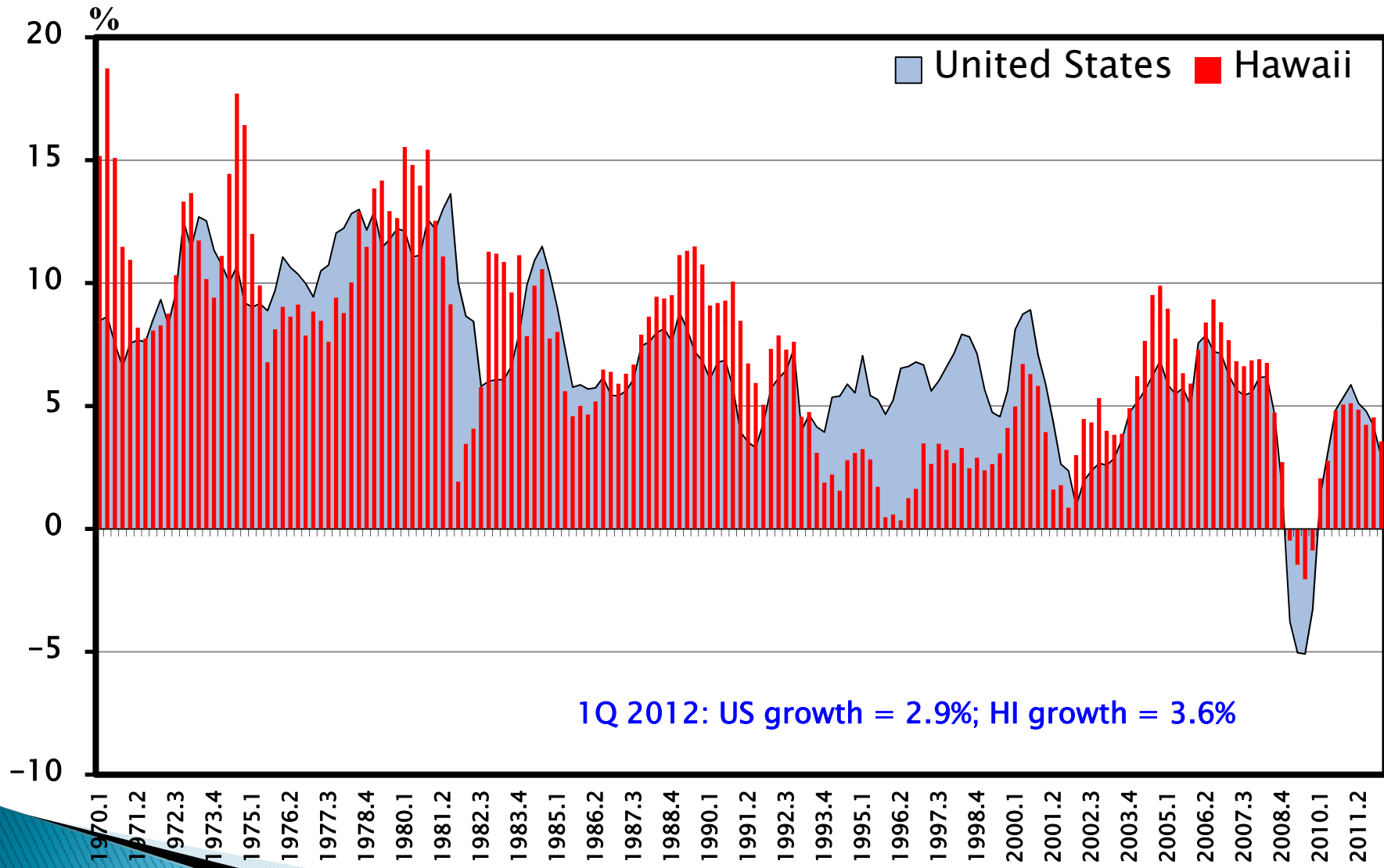


Source: US Bureau of Economic Analysis, Japan Ministry of Internal Affairs and Communications

Personal Income



Hawaii Personal Income Growth Has Been Following the U.S. in Most of the Cycles, our growth rates are now higher than the U.S. (Quarterly year-over-year growth rate)

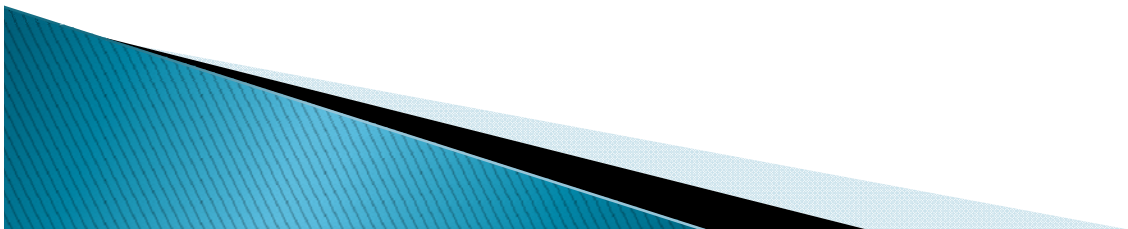


1Q 2012: US growth = 2.9%; HI growth = 3.6%

Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

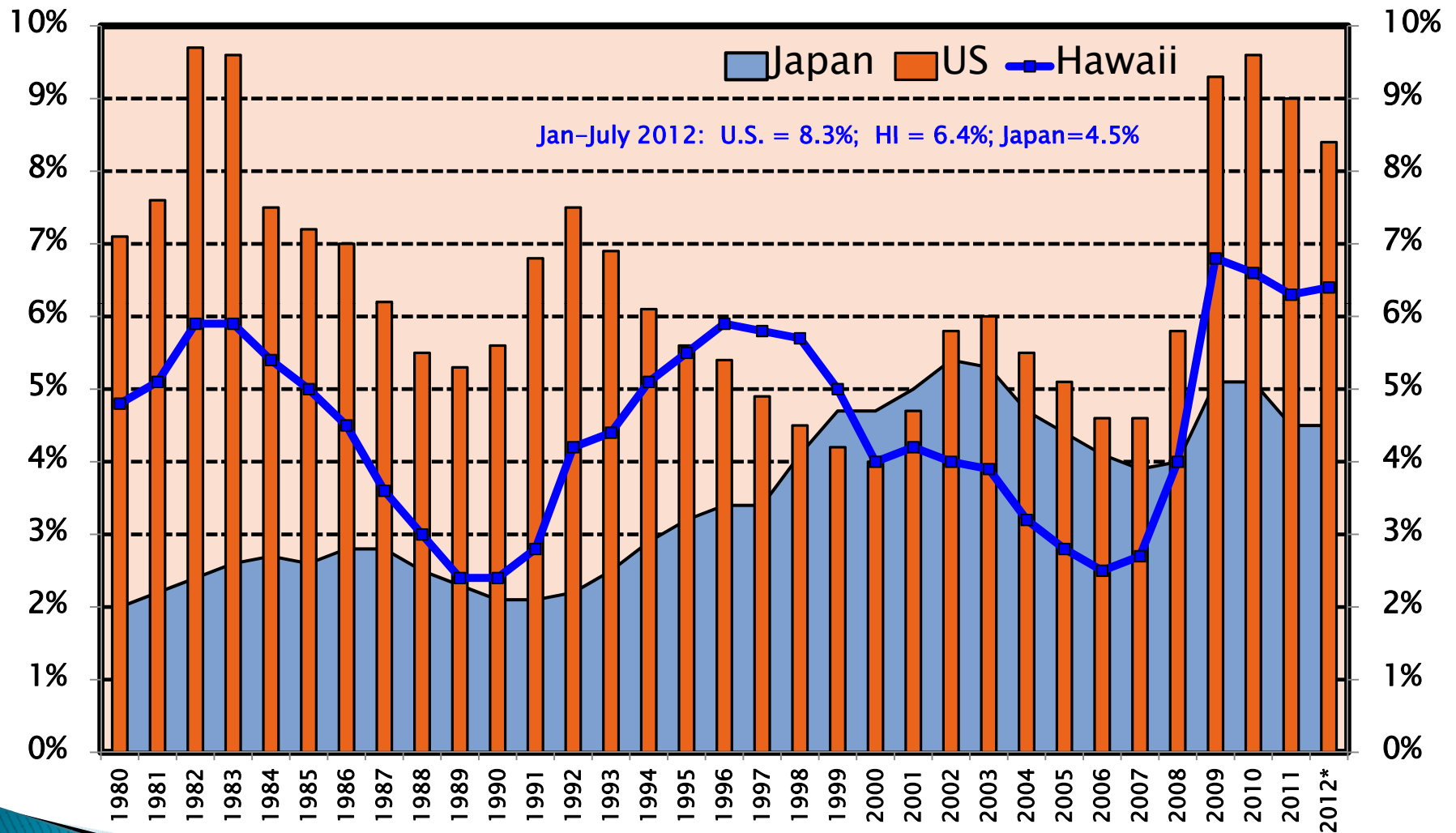


Labor Market Conditions



Hawaii's unemployment rate has been following the U.S. trend but lower than the U.S. for most years

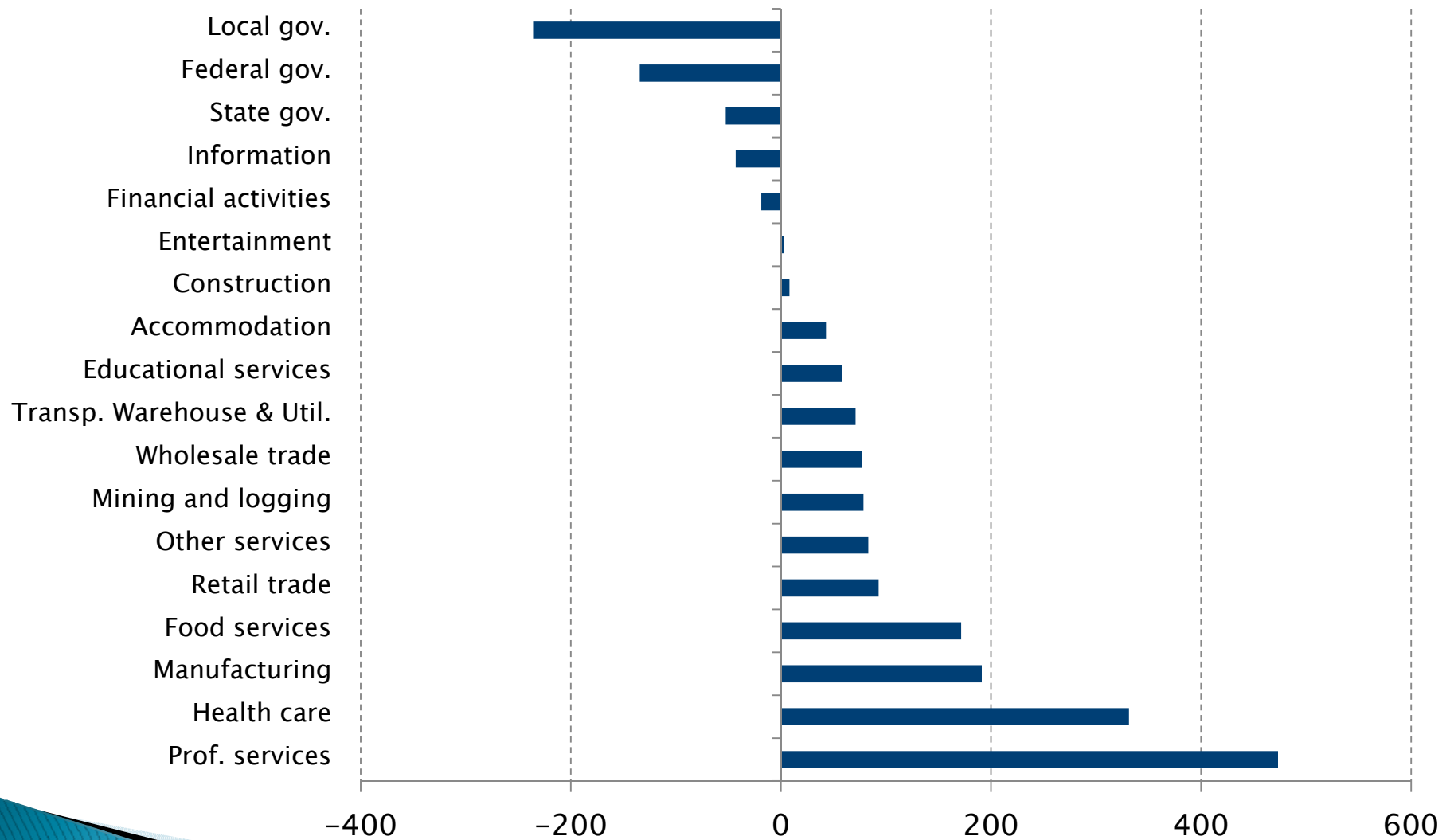
Unemployment Rate, 1980 to July 2012



Source: US BLS, Hawaii DLIR, Japan Ministry of Internal Affairs and Communications

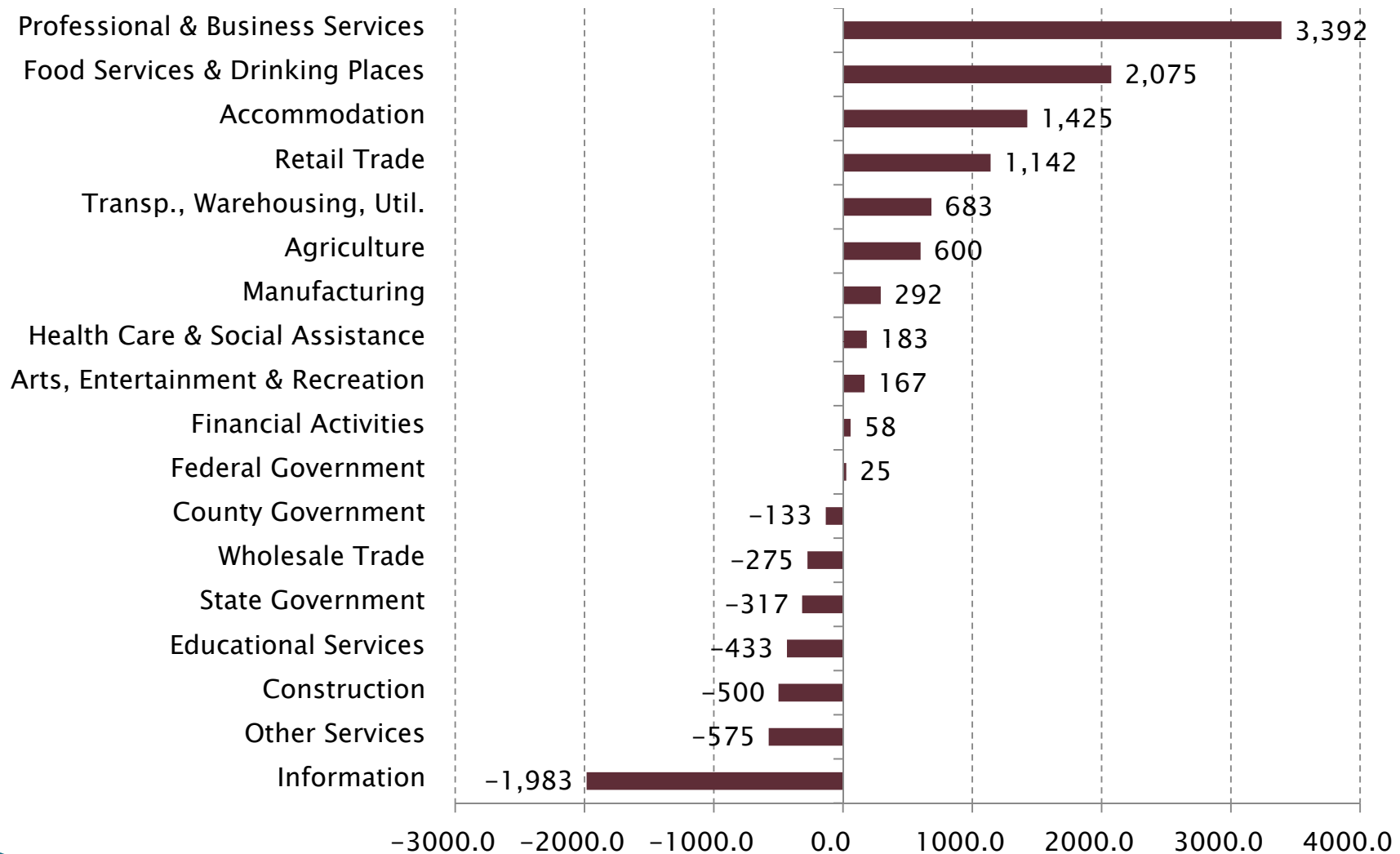
In the United States, most of the industries gained jobs in 2011

(change in jobs from same period in prior year, in 1,000 jobs)

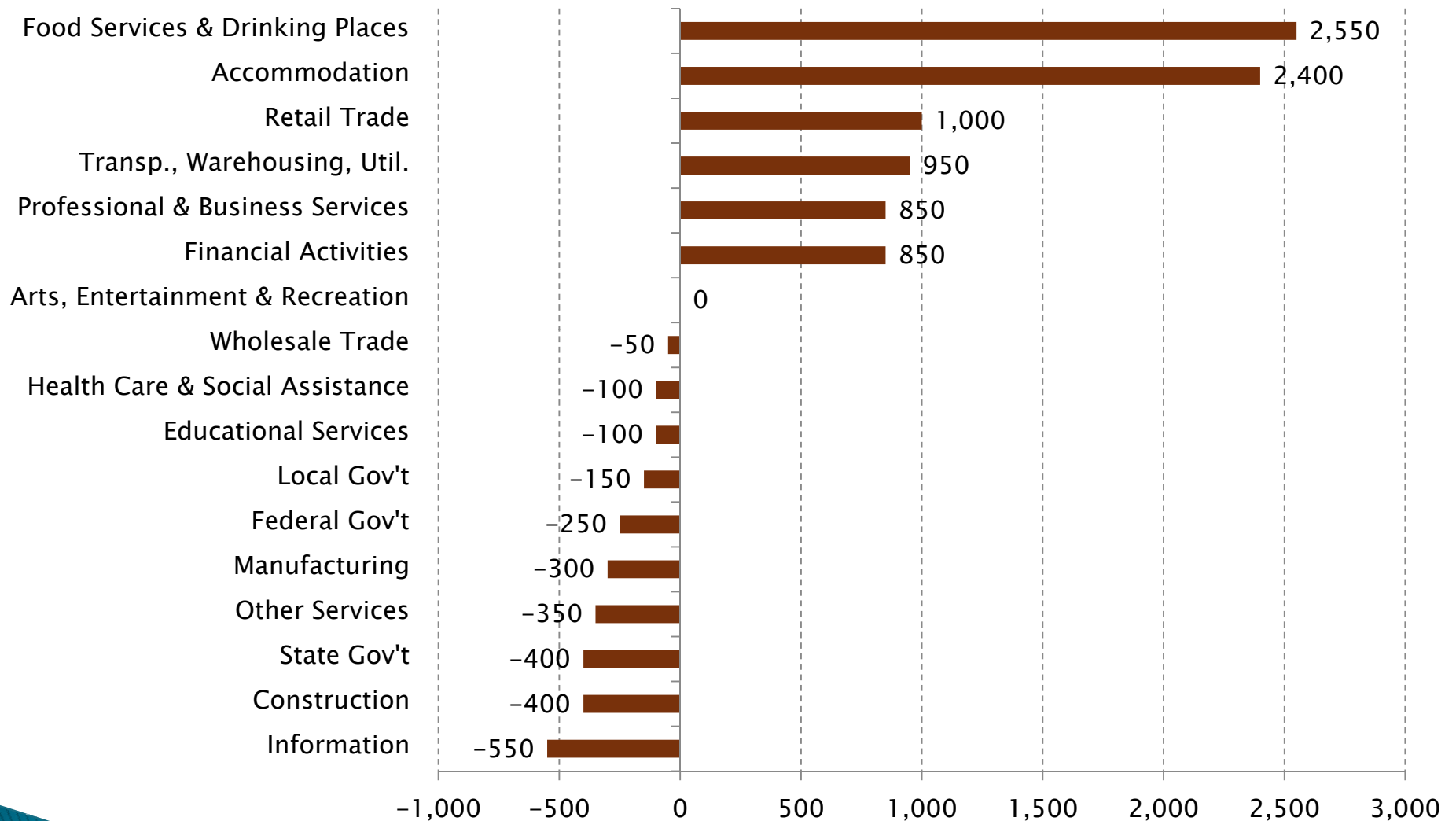


Source: BLS

In 2011, Hawaii gained 5,850 jobs, most of them were in the tourism-related industries

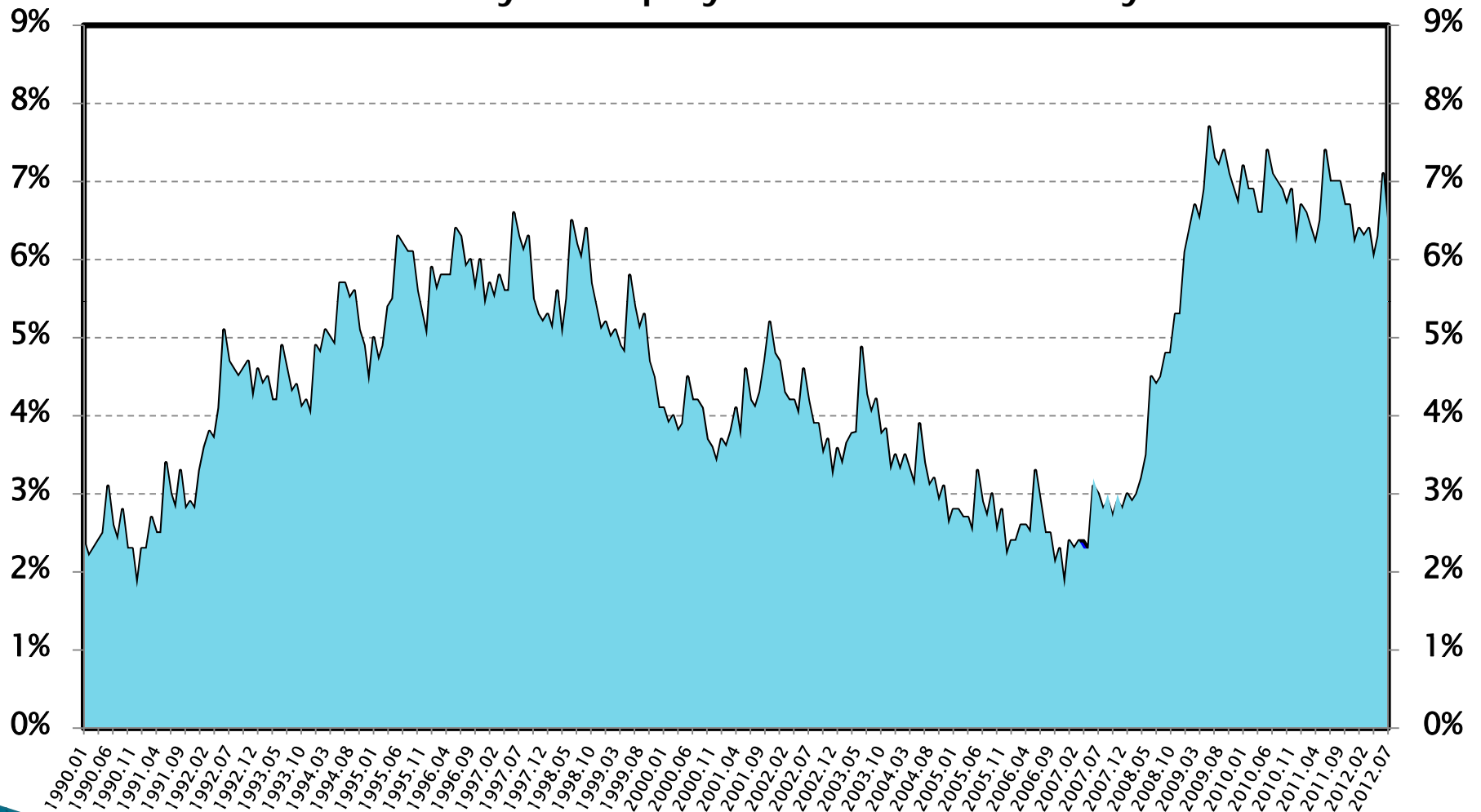


In the first 7 months of 2012, Hawaii tourism, business services, and financial industries continue to add jobs while other industries continue losing jobs



Unemployment rate was improving in a slow pace

Hawaii Monthly Unemployment Rate: 1990 – July 2012

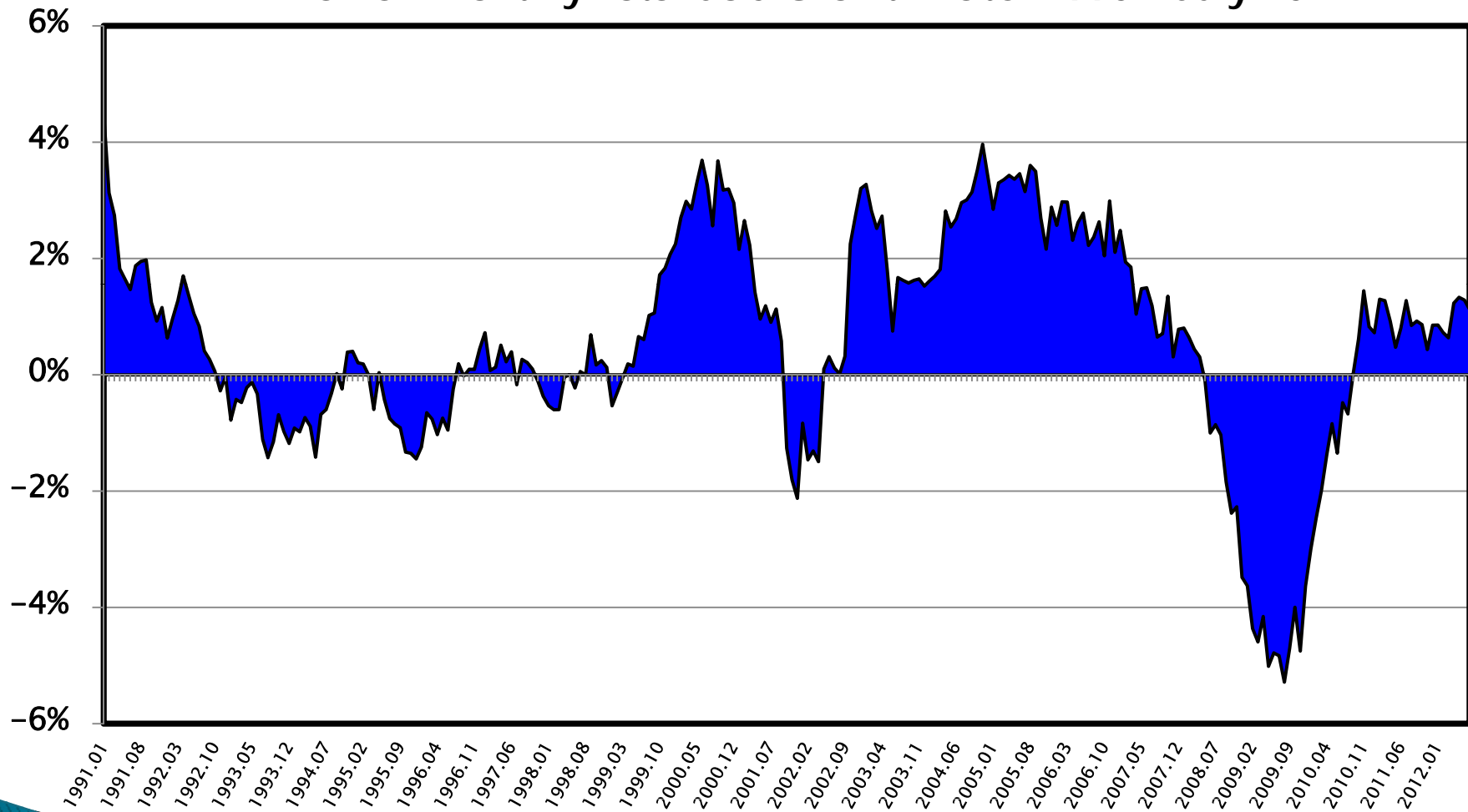


Source: Hawaii State Department of Labor and Industrial Relations

Hawaii Non-Ag payroll jobs started to grow in July 2010

(monthly year-over-year growth rate)

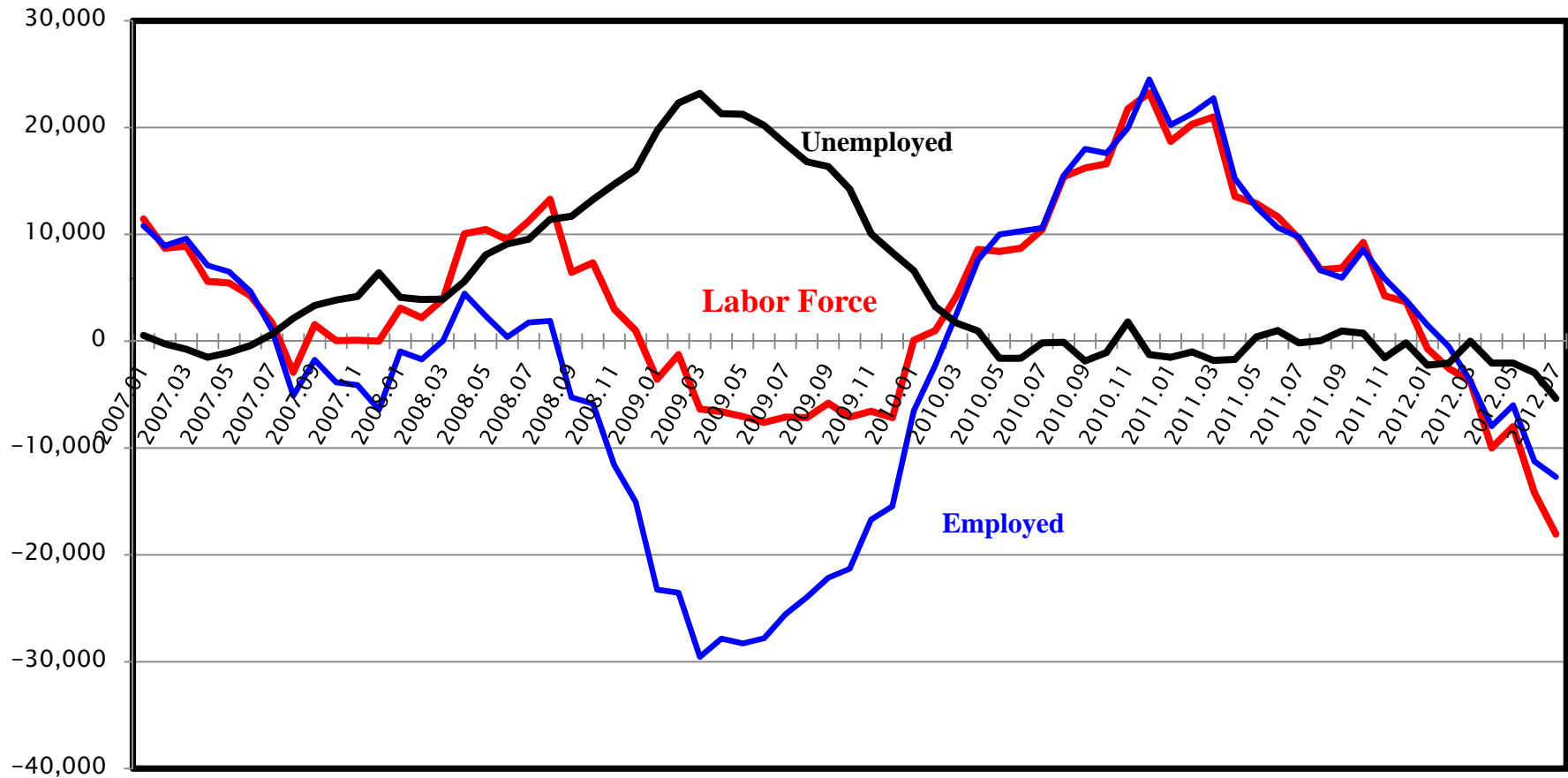
Hawaii Monthly Total Job Growth Rate: 1990 – July 2012



Source: Hawaii State Department of Labor and Industrial Relations

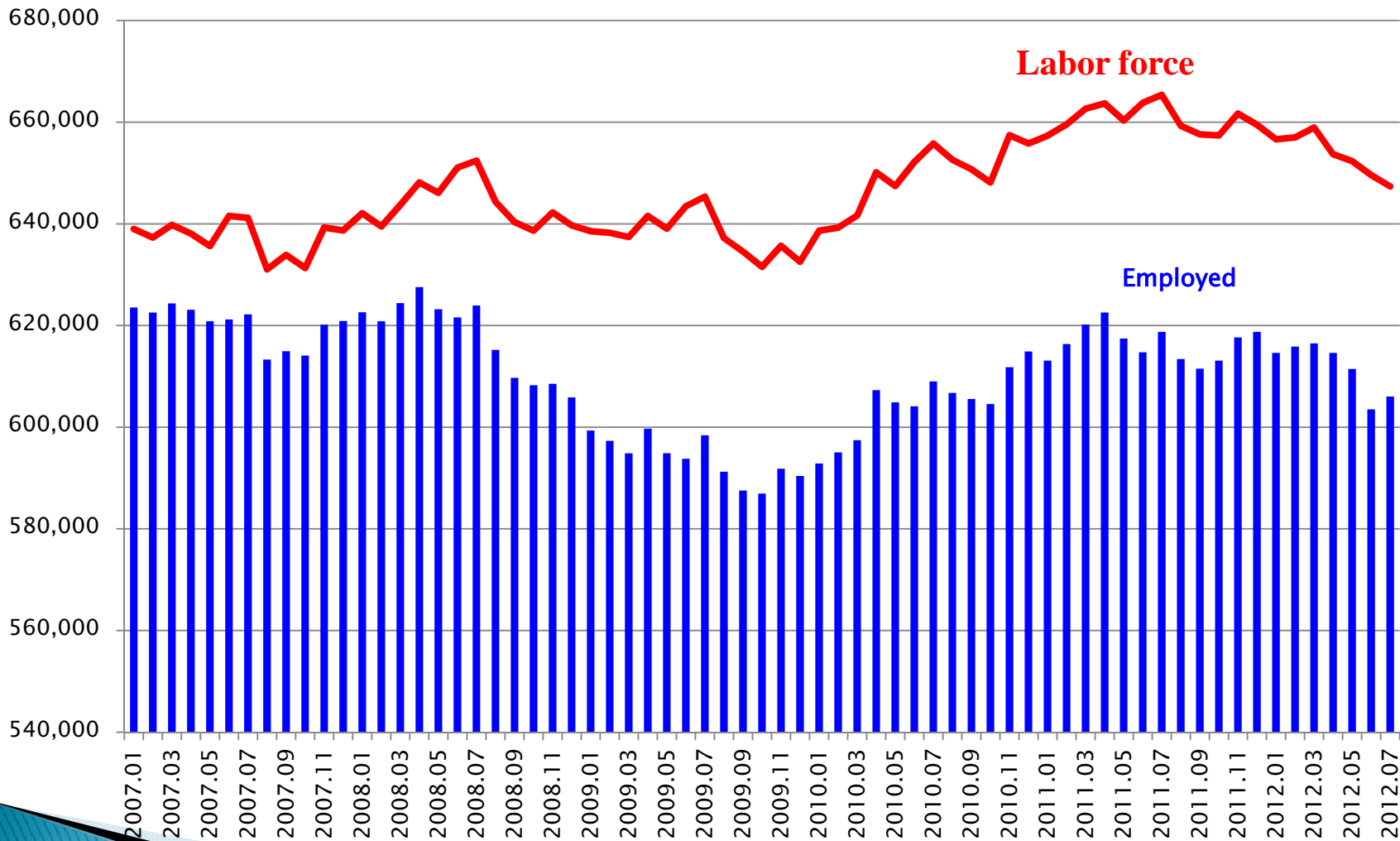
Hawaii's labor force peaked in mid-2011 and declining in 2012

Changes from the same month in prior year



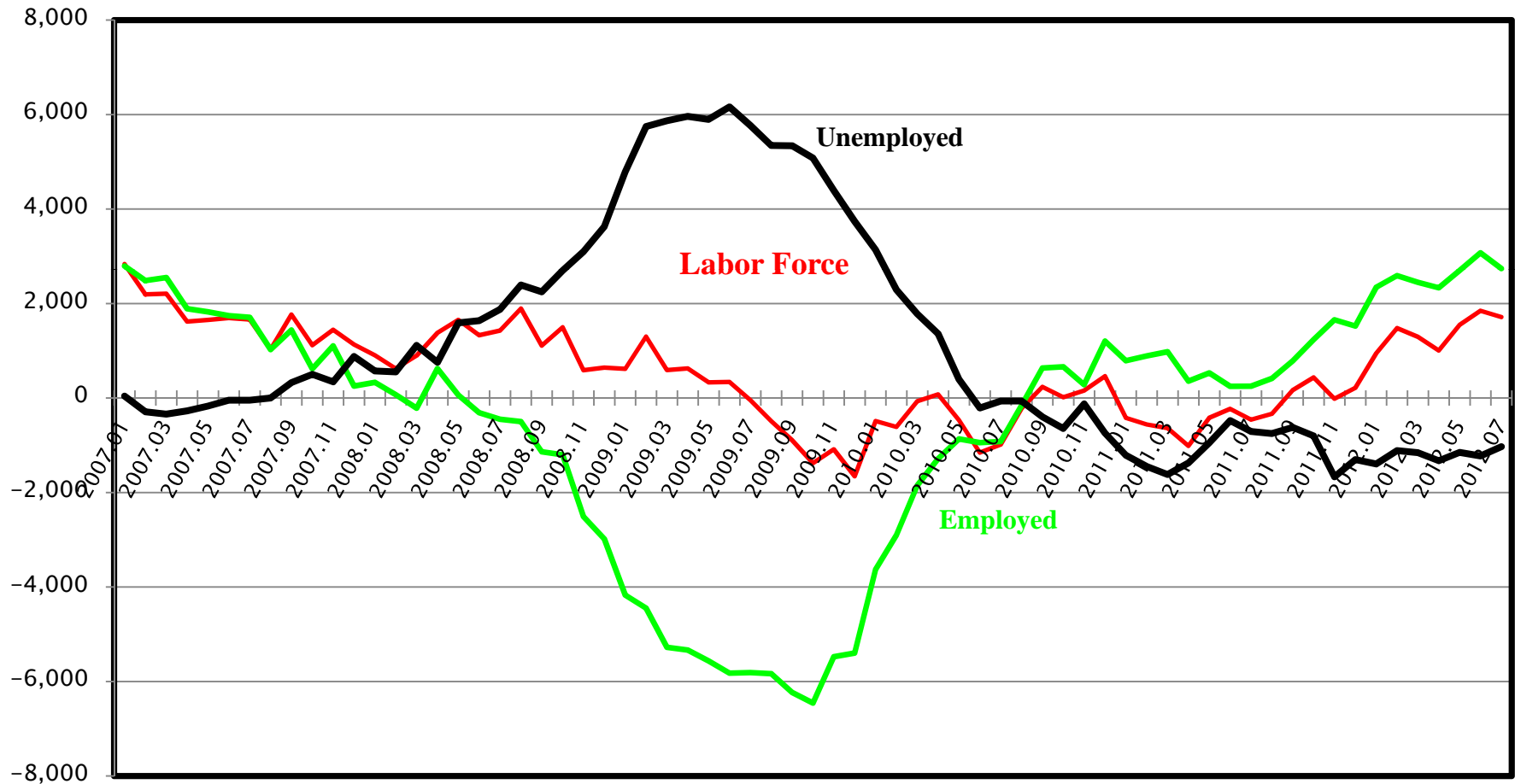
Source: Hawaii State Department of Labor and Industrial Relations Updated thru July 2012

Hawaii labor force and employment



In the United States, labor force started to increase in later 2011, and in July 2012 reached a peak level ever, however, employment was still about 5 million behind the peak level of 2007

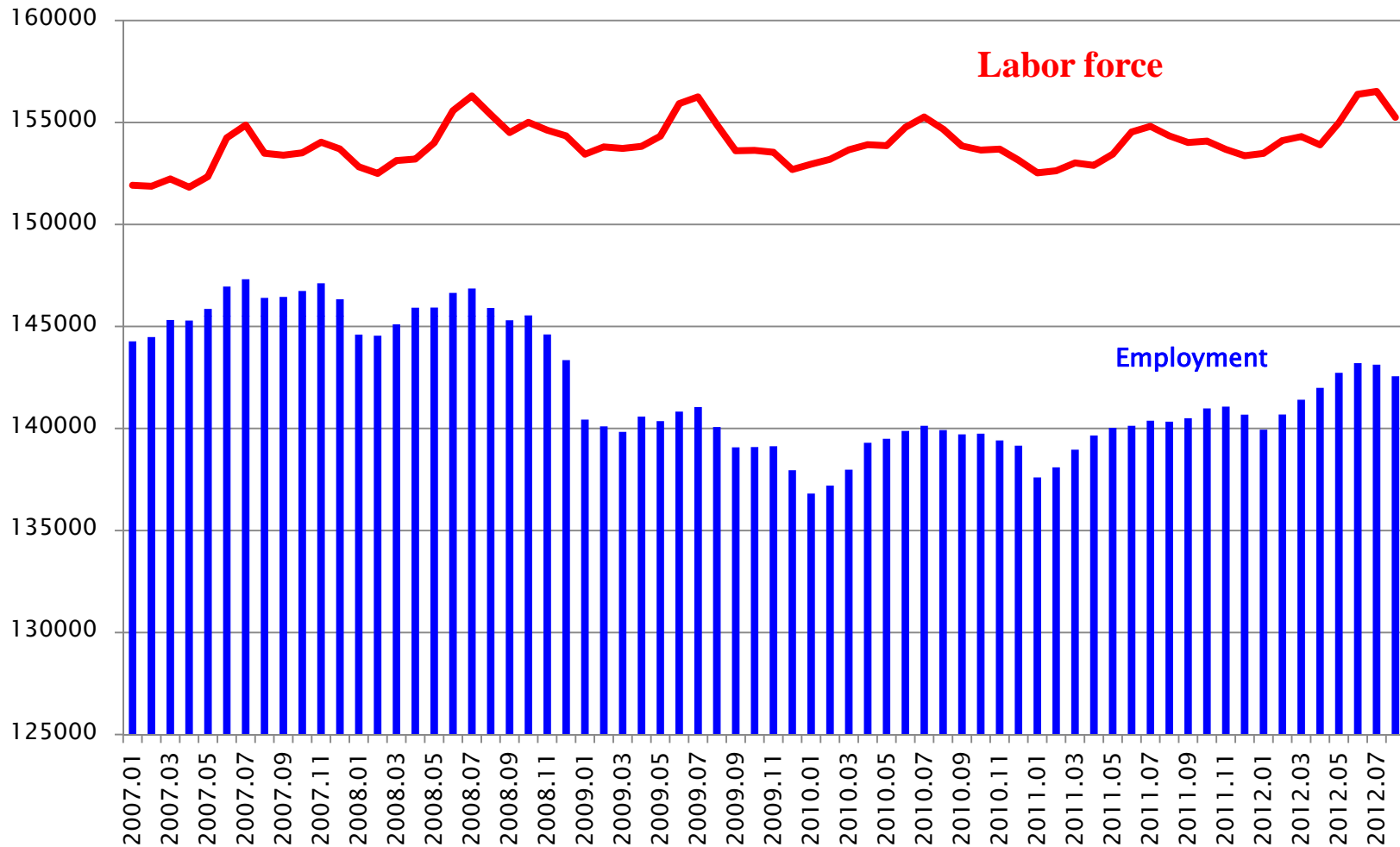
Changes from the same month in prior year



Source: U.S. Bureau of Labor Statistics

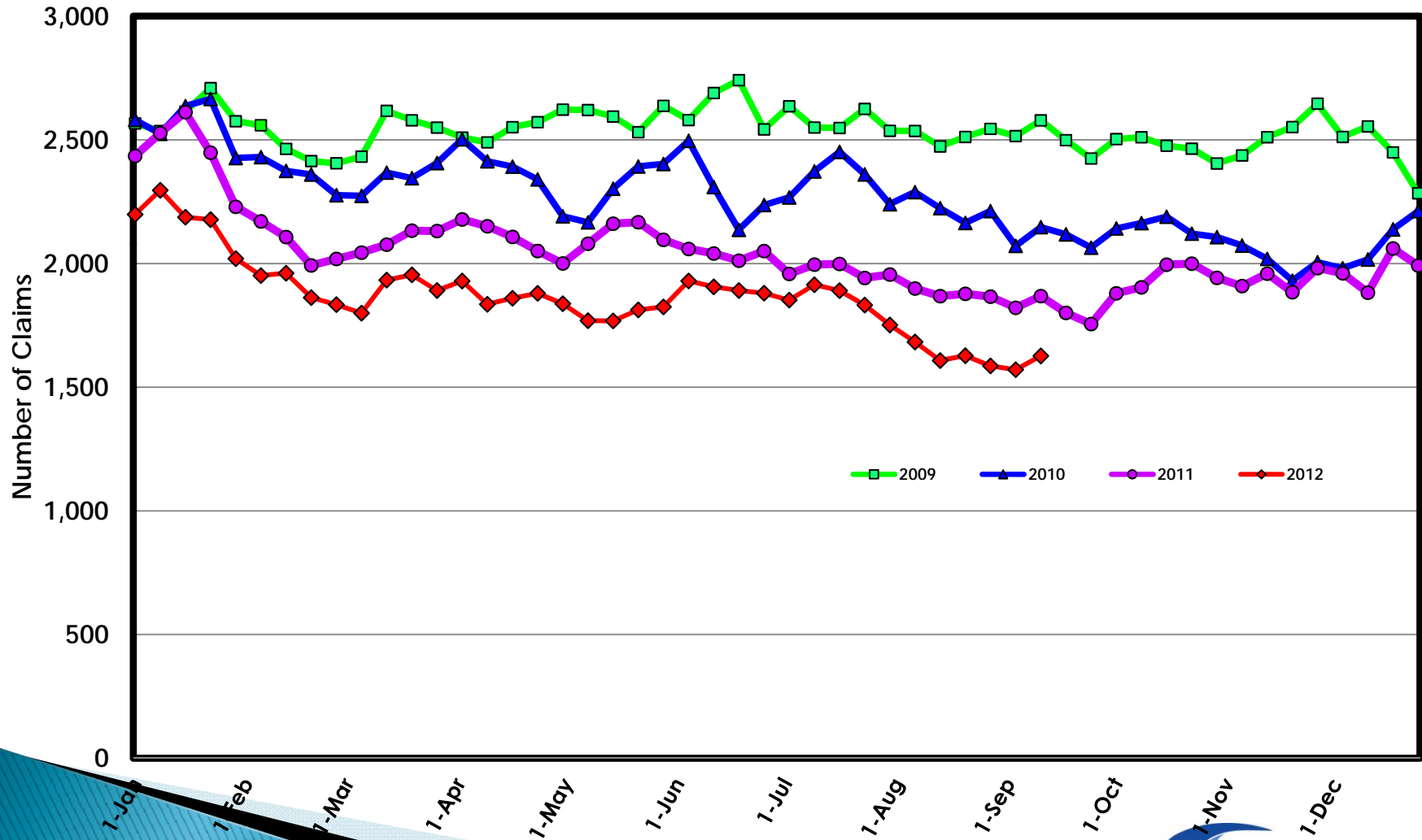
Updated thru July 2012

U.S. Labor force and employment

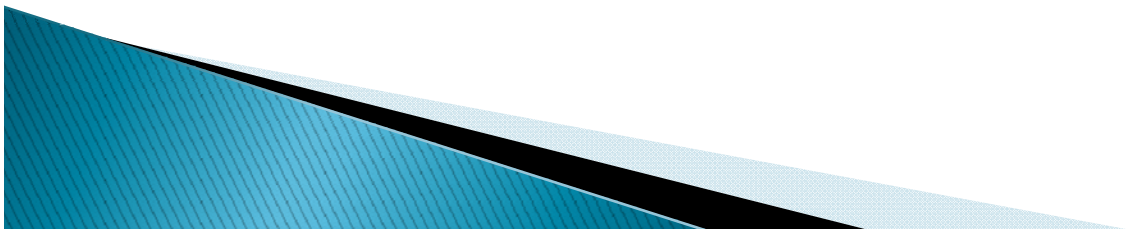


Initial unemployment claims have been declining since the beginning of 2010 and continues to decline in 2011 and the first 8 months of 2012

4-Week Moving Averages: State

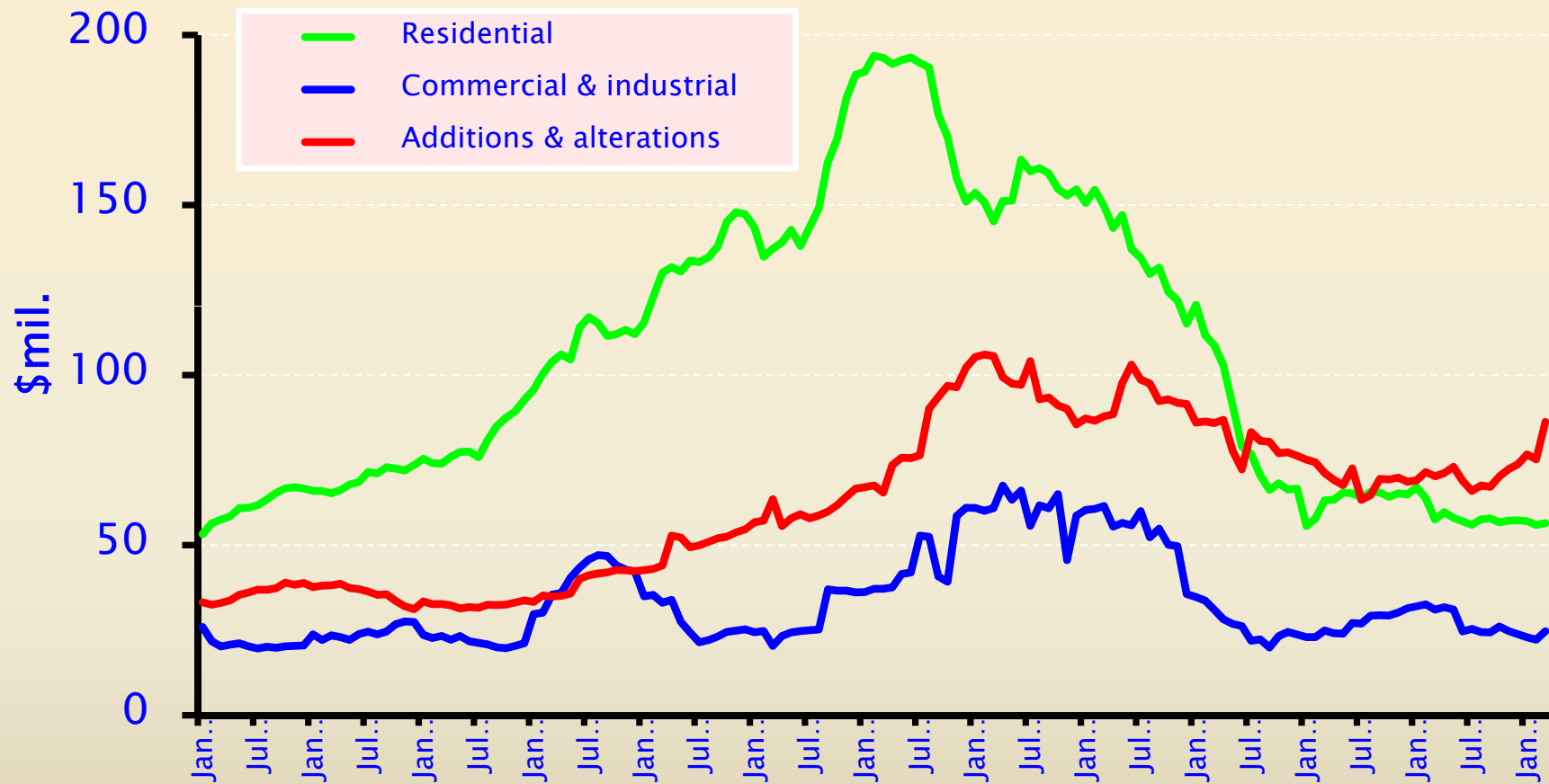


Construction



The values of private building permits are still low but has signs of recovery, especially additions and alterations (+88.1%), commercial & industrial increased (+27.9%) during 1Q of 2012

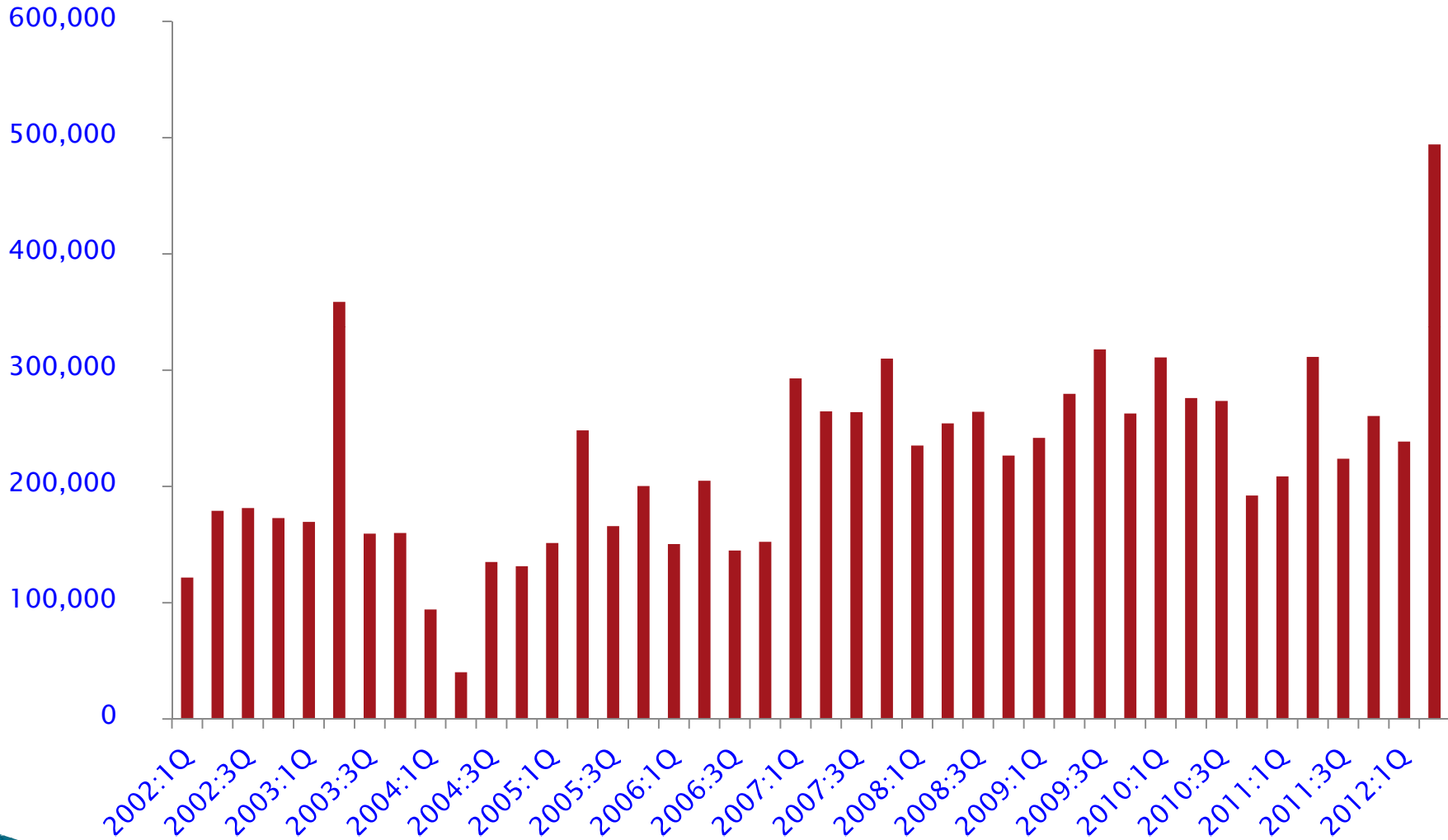
12-Month Moving Average of Building Authorization Components*



* Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through March 2012
 Source: County building departments.

State Government CIP spending has been at over \$1B level per year in the last 5 years, 2Q 2012 increased 58.7%

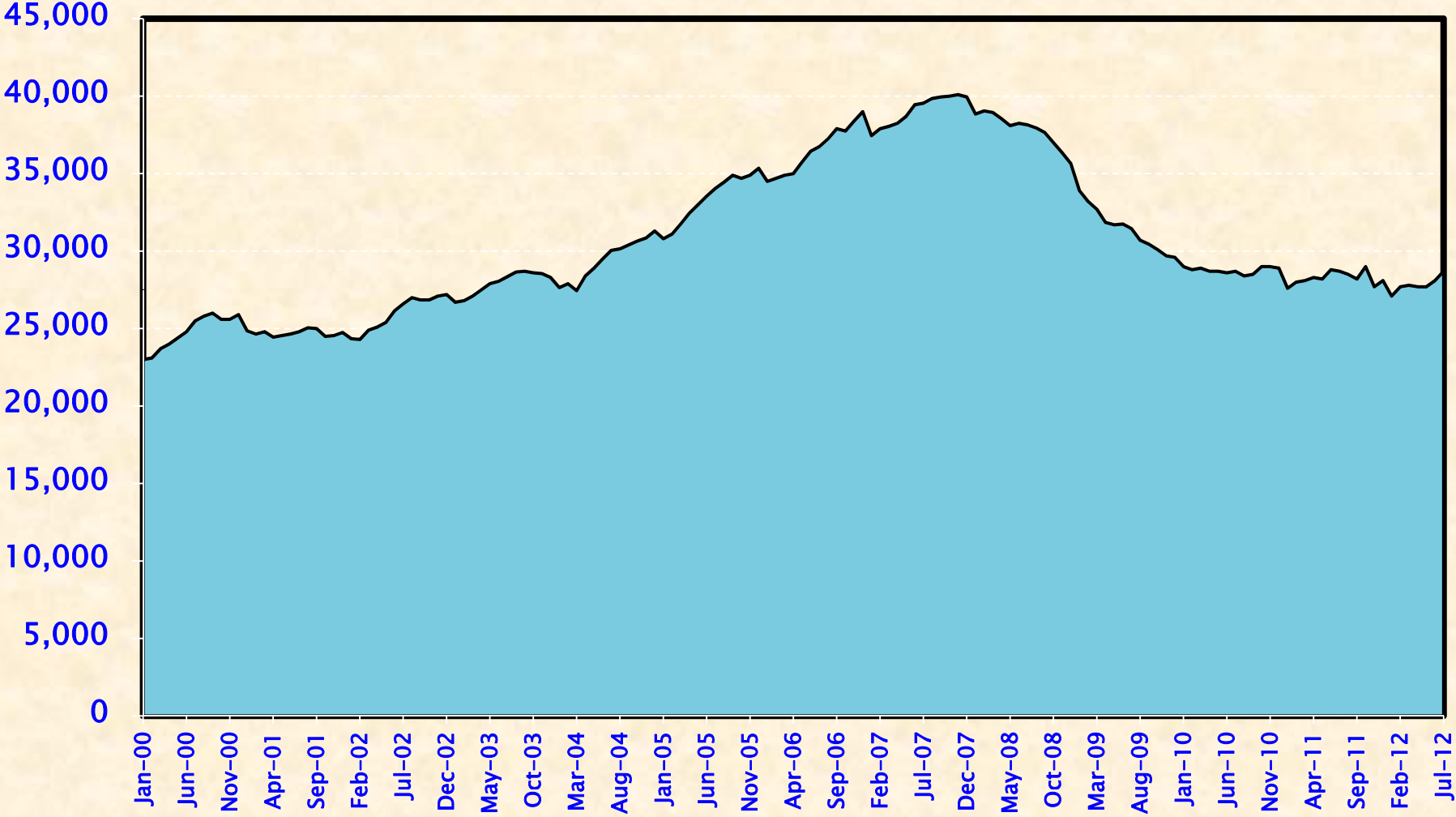
(in \$1,000)



Source: Hawaii State Department of Accounting and General Services



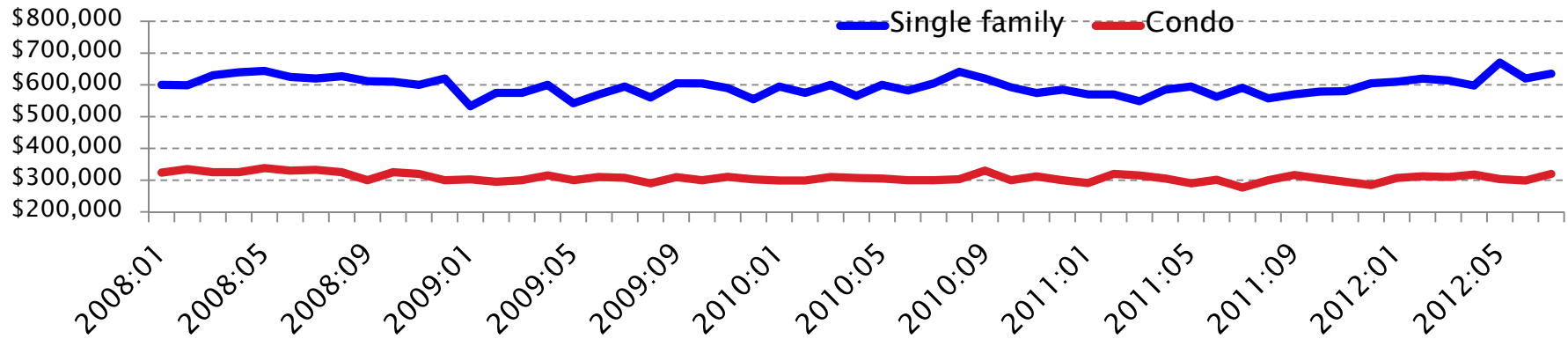
Construction sector had been losing jobs for 4 years, but July 2012 totaled 28,700 jobs, equaling July 2011 and the highest in 2012 YTD.



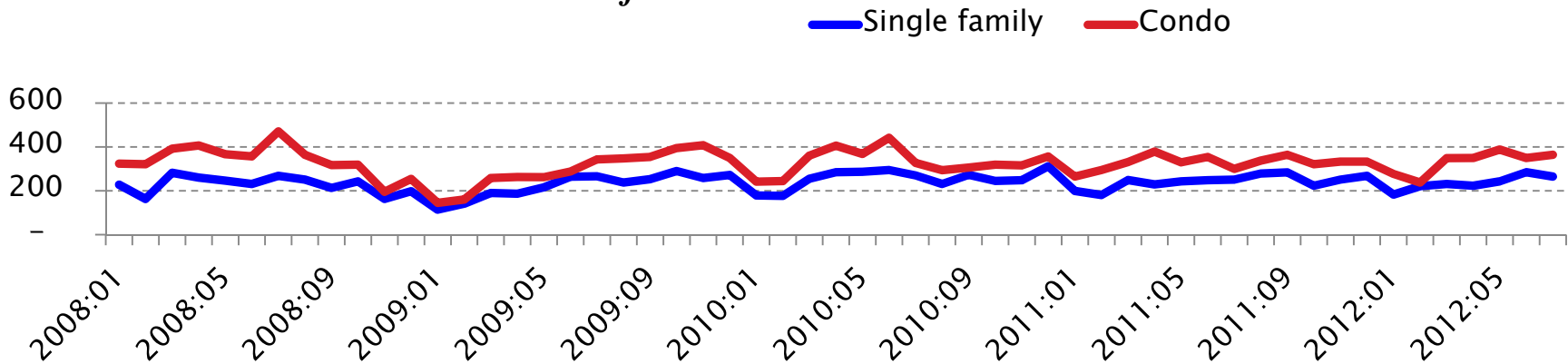
Source: Hawaii State Department of Labor and Industrial Relations

Honolulu housing prices have been stable even during the great recession

Honolulu median selling prices

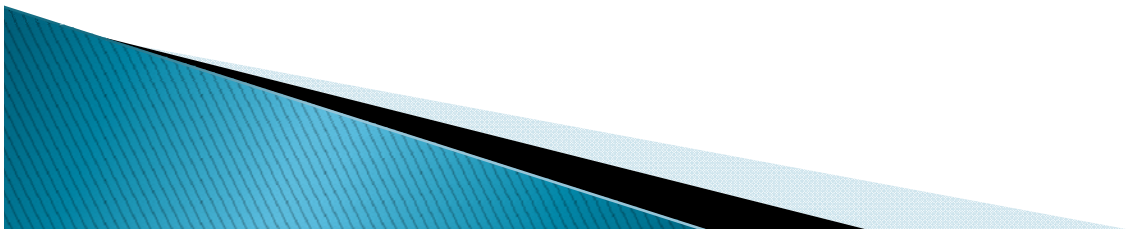


Number of units sold



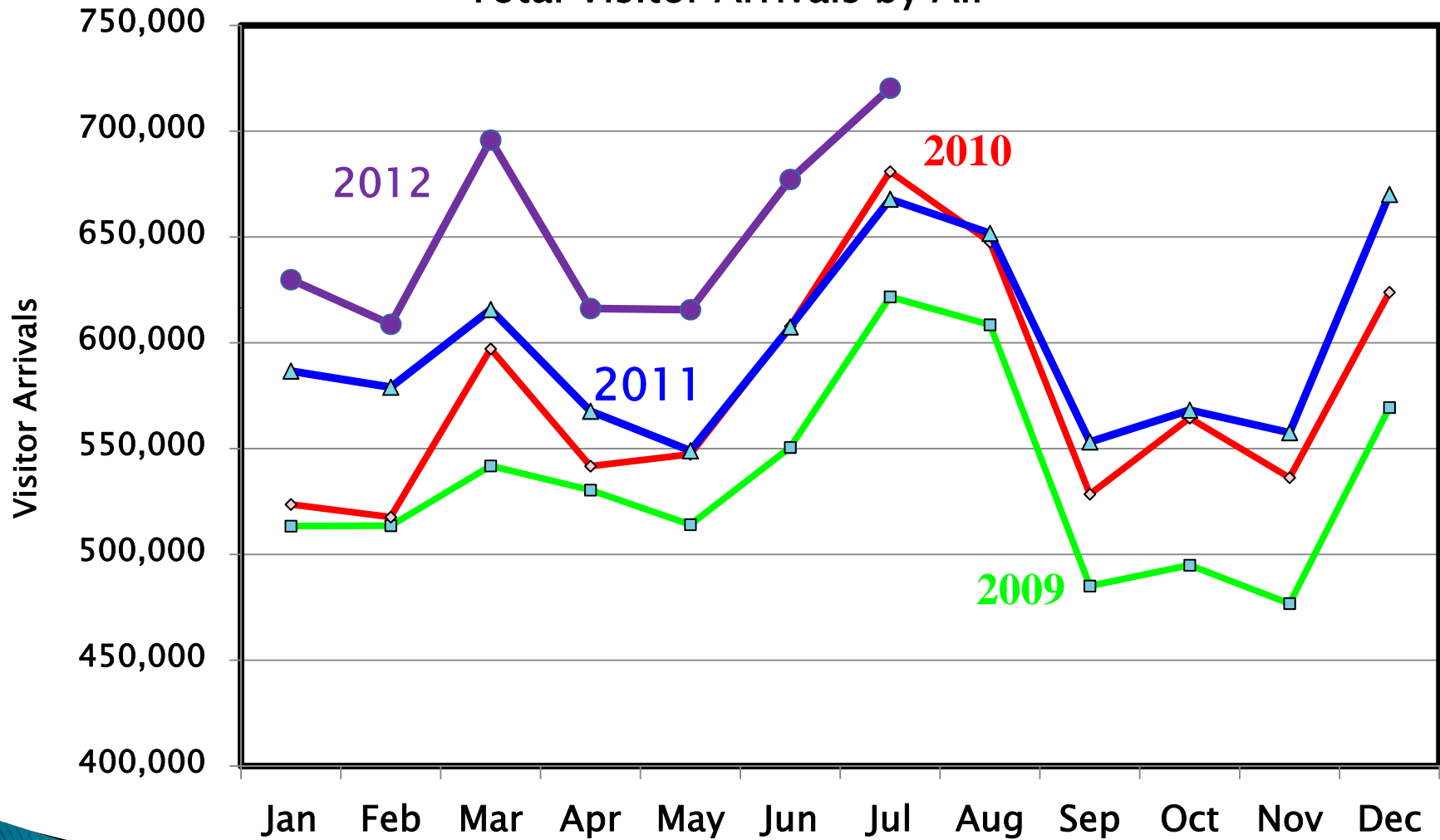
Source: Honolulu Board of Realtors

Tourism



Monthly Visitor Arrivals by Air 2009 to 2012

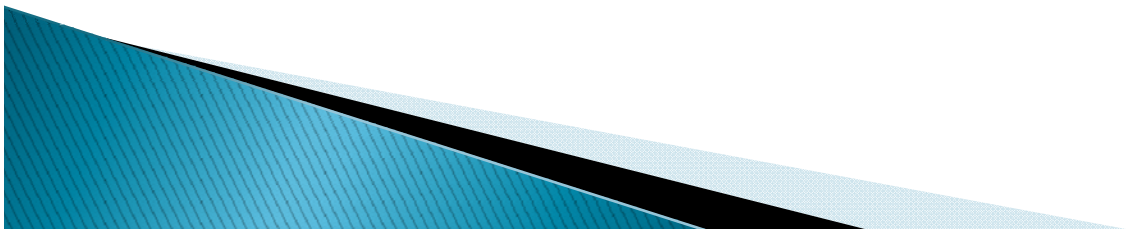
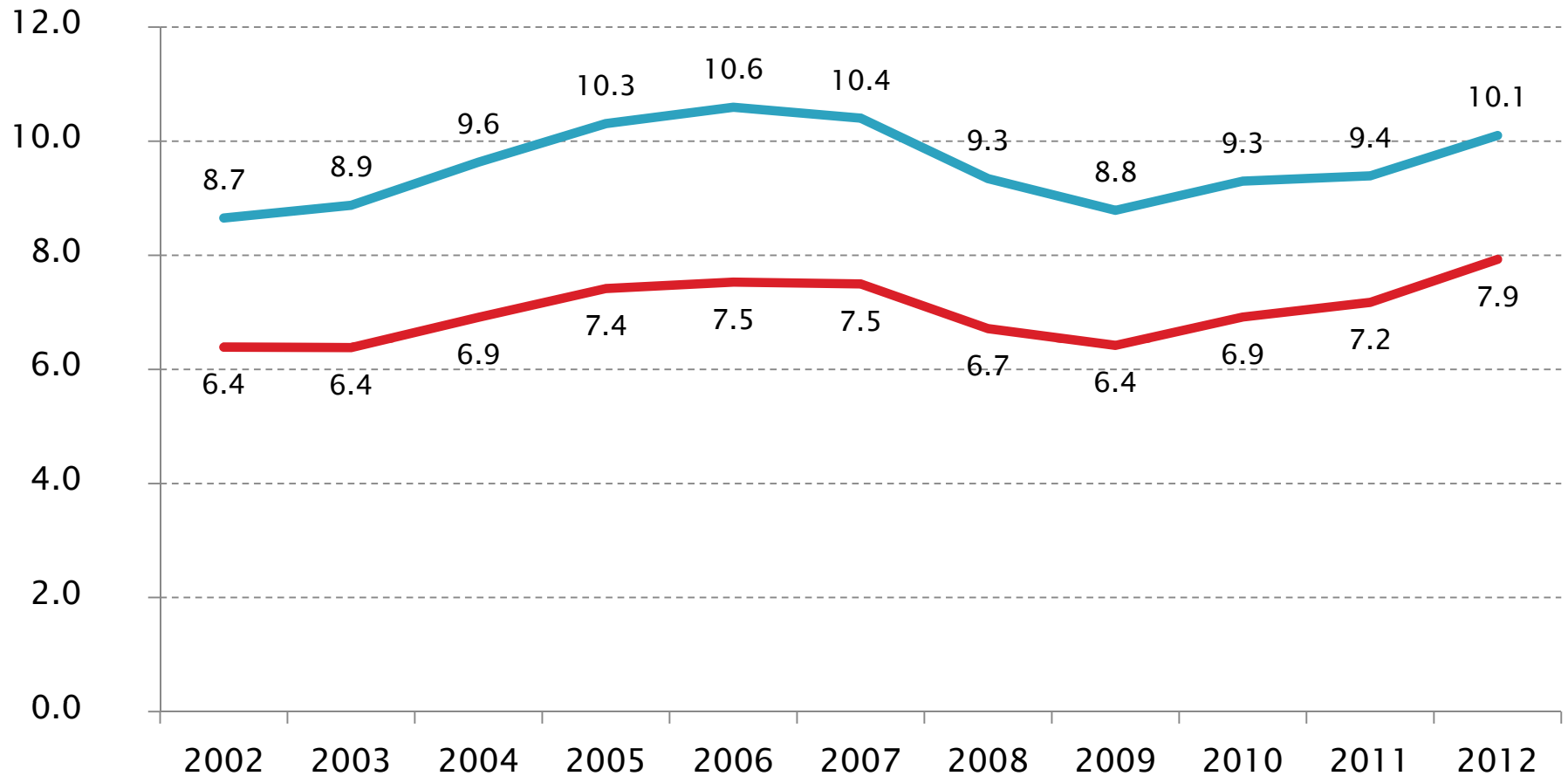
Total Visitor Arrivals by Air



Through July 2012

Source: Hawai'i Tourism Authority, DBEDT

Air seats, passengers, and visitors: 2002–2012

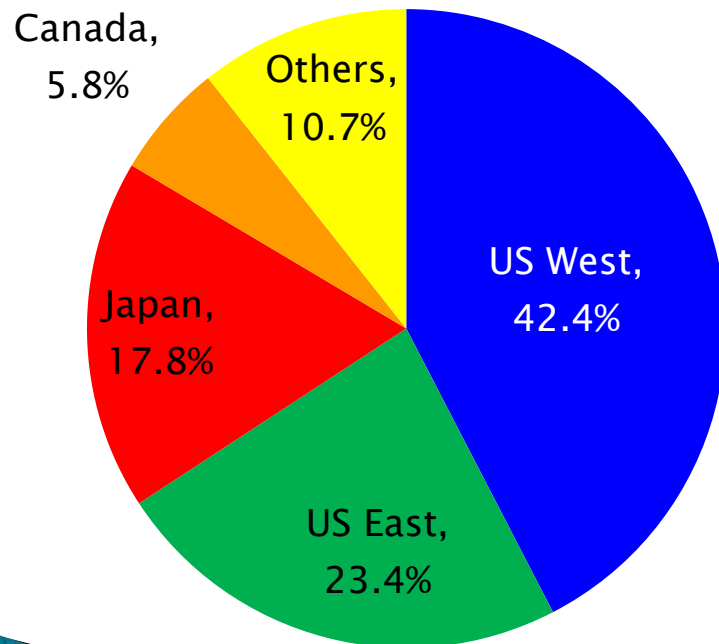


Visitor Activity

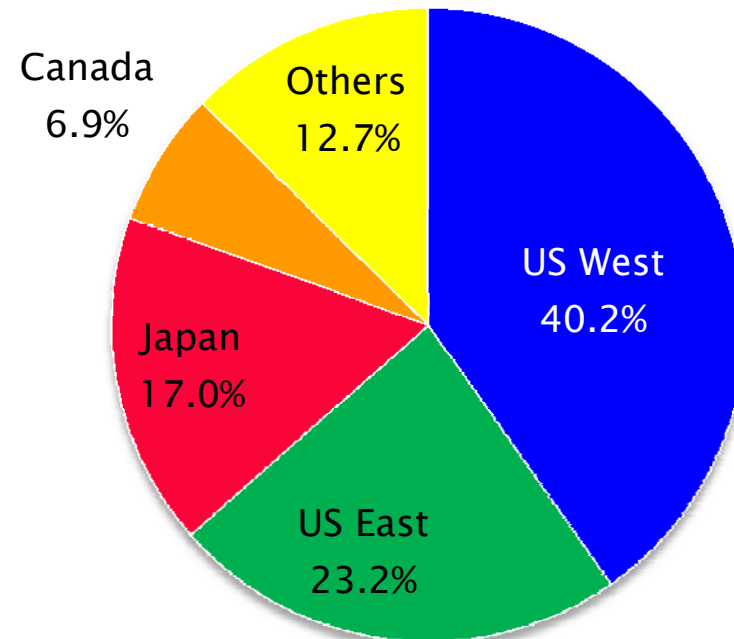
For the First 7 Months of 2012, 63.4% of Hawaii Visitors Were From the U.S. with Japanese Visitors Accounting for 17.0%

- Visitors from Canada and other markets are increasing
- Visa waivers for Taiwanese to start in 2nd half of 2012

2010



First 7 Months of 2012



Source: Hawaii Tourism Authority

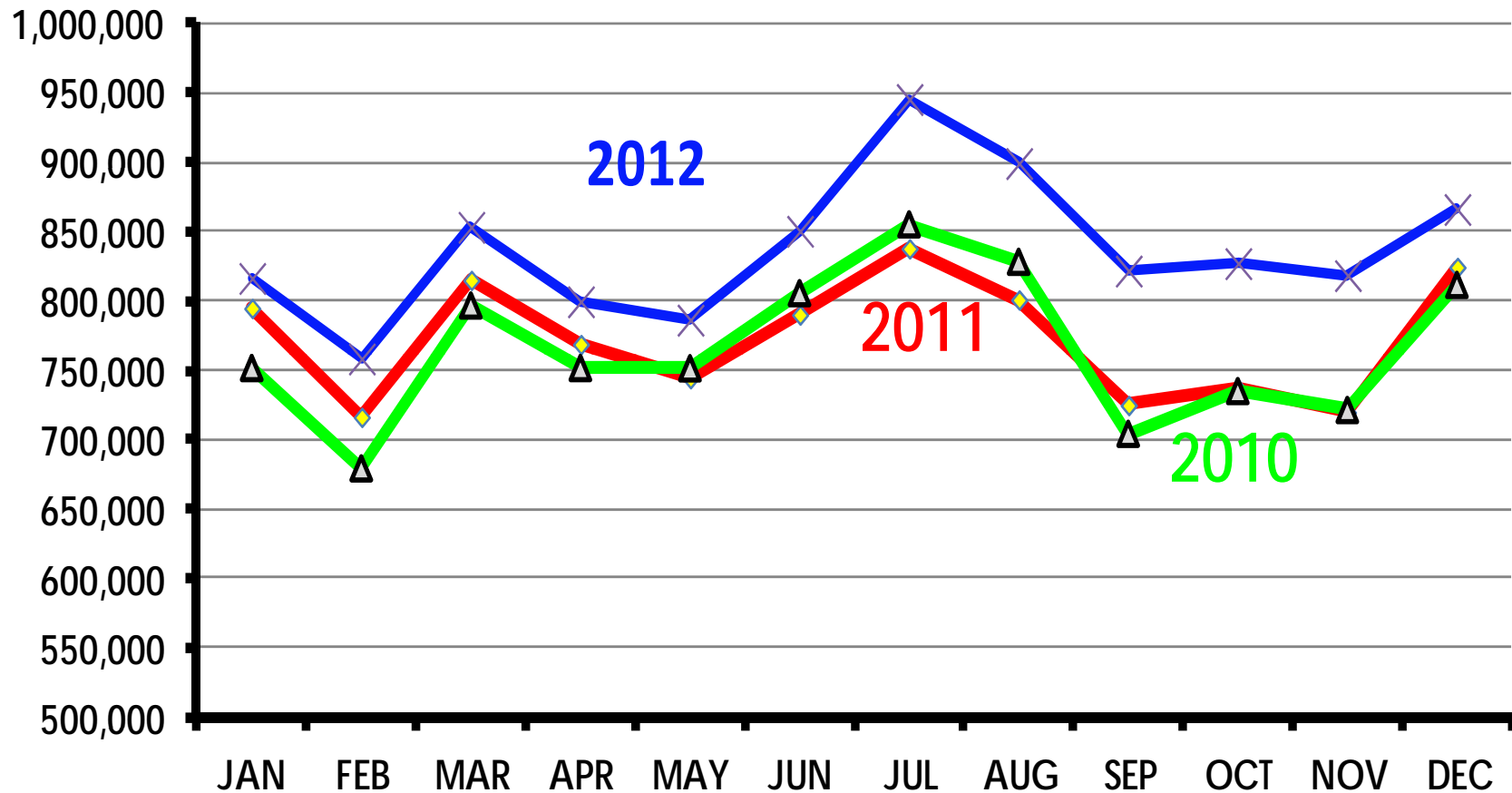
Visitor statistics

First 7 Months of 2012

International Visitors Accounted For 43.4% of Total Visitor Spending

Market	Arrivals	Length of Stay (Days)	Daily Spending (\$)	Total Expenditure (\$M)
U.S. West	1,836,130	9.67	148.4	2,634.2
U.S. East	1,060,684	10.61	187.5	2,110.0
Japan	775,240	6.00	302.9	1,408.5
Canada	312,936	13.25	153.6	636.8
Other	578,913	10.50	260.8	1,585.6

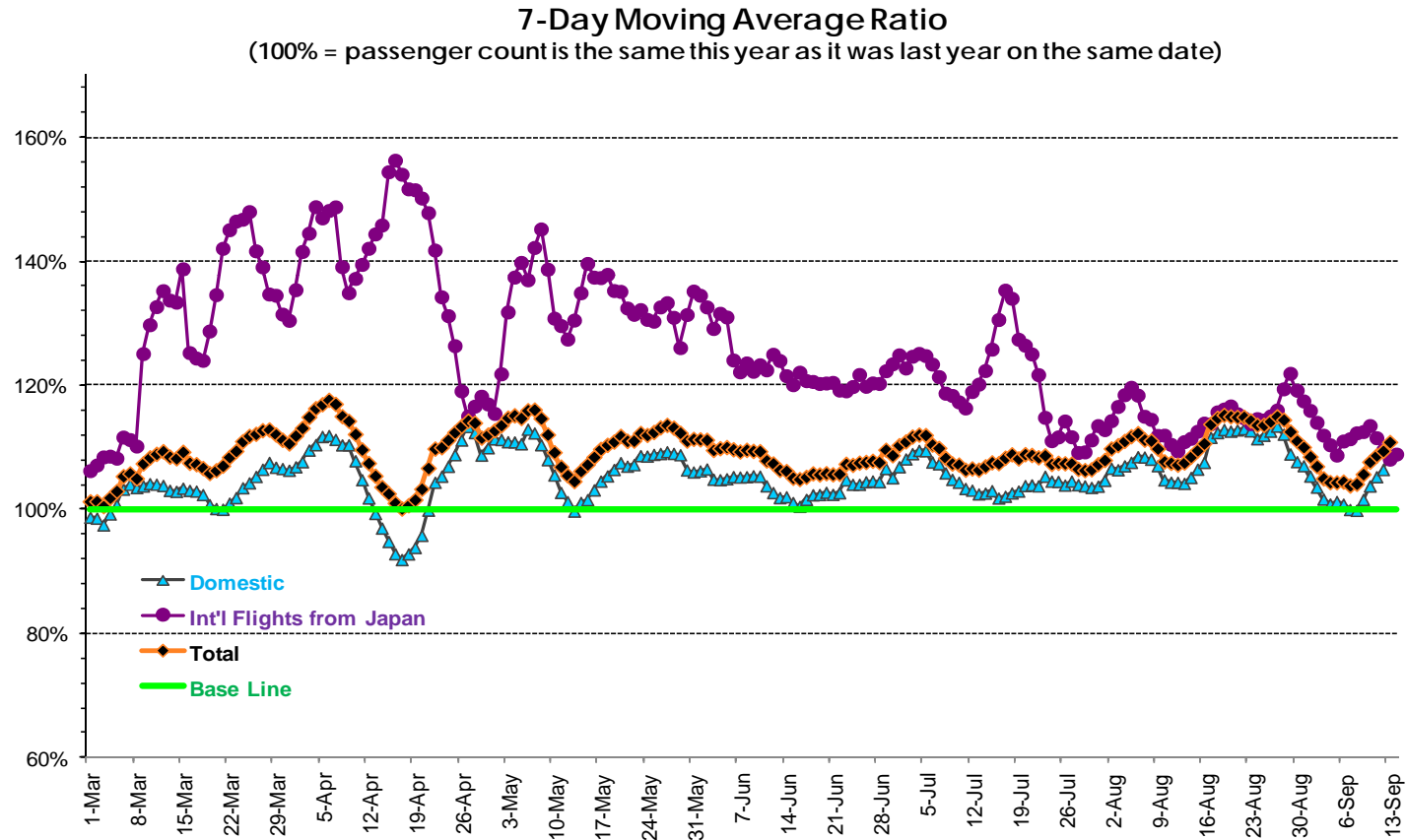
Scheduled airseats are expected to increase 8.3% in 2012



Source: HTA

Daily Passenger Counts

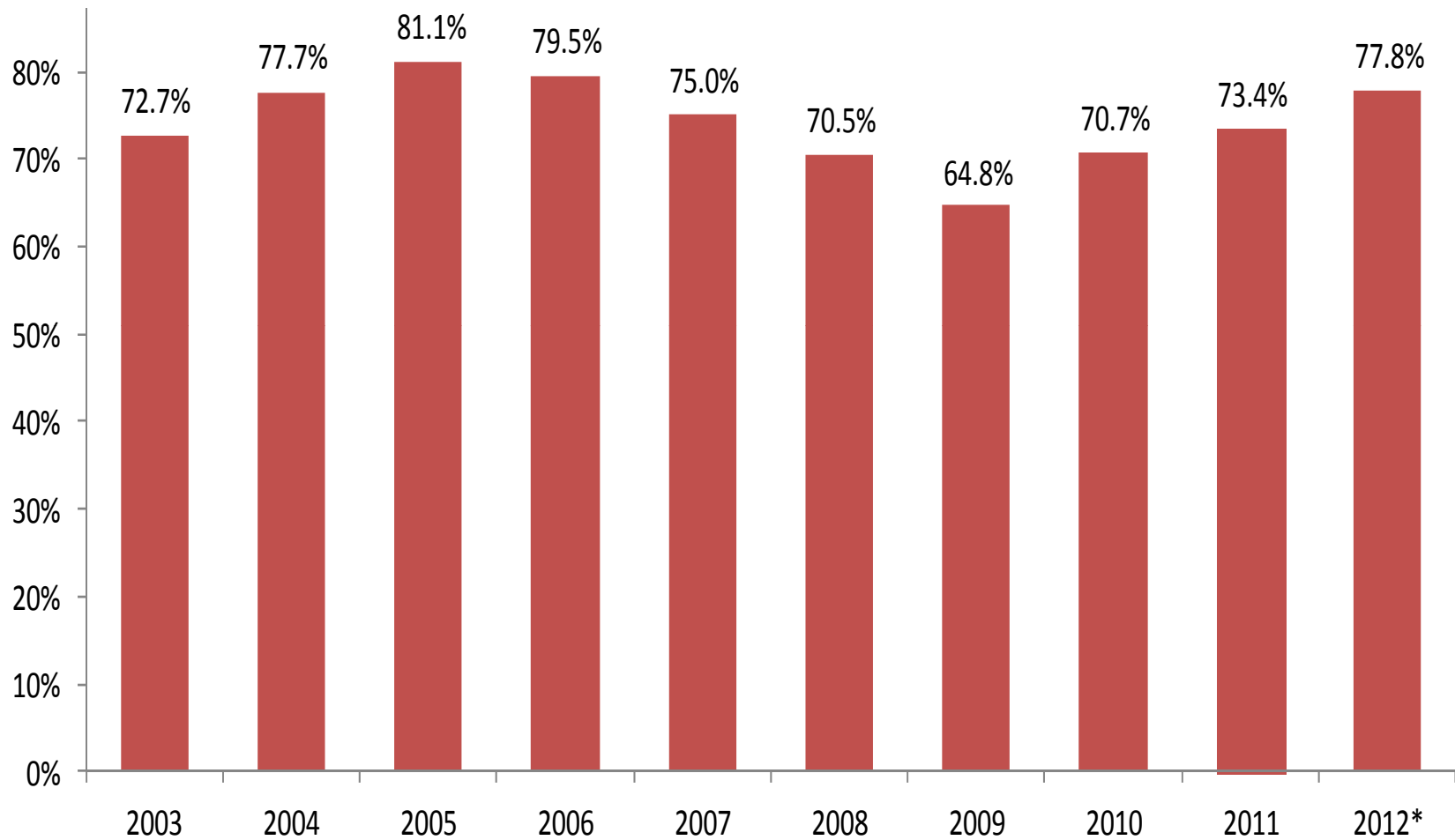
Japanese passenger counts have been recovered to the pre-earthquake level of 4,000 passengers/day since August 2011 and increased 18.8% through mid-september 2012



Note: Includes all direct out-of-state flights to the islands, excludes inter-island flights. Source: Department of Business, Economic Development & Tourism

Hotel Occupancy Rate

Occupancy in the first 7 months of 2012 was approaching the peak level of 2005



*first quarter

Source: Smith Travel Research, Hospitality Advisors LLC

Average daily room rate

Average hotel room rate have created a new record level in the first 7 months of 2012



1st quartet

Source: Smith Travel Research, Hospitality Advisors LLC

Average Room Revenue

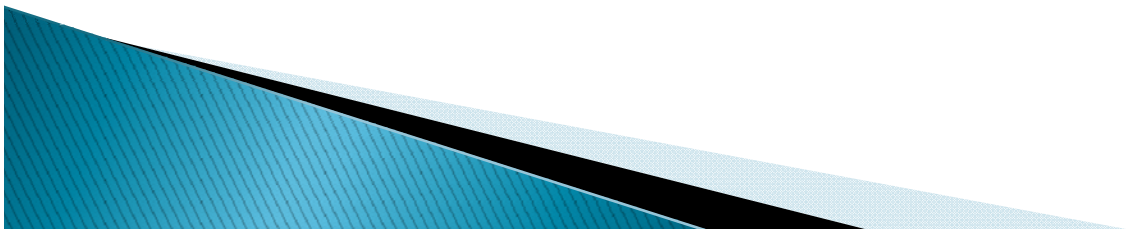
Revenue per available room was at the new peak level during the 1st 7 months of 2012



1st quarter

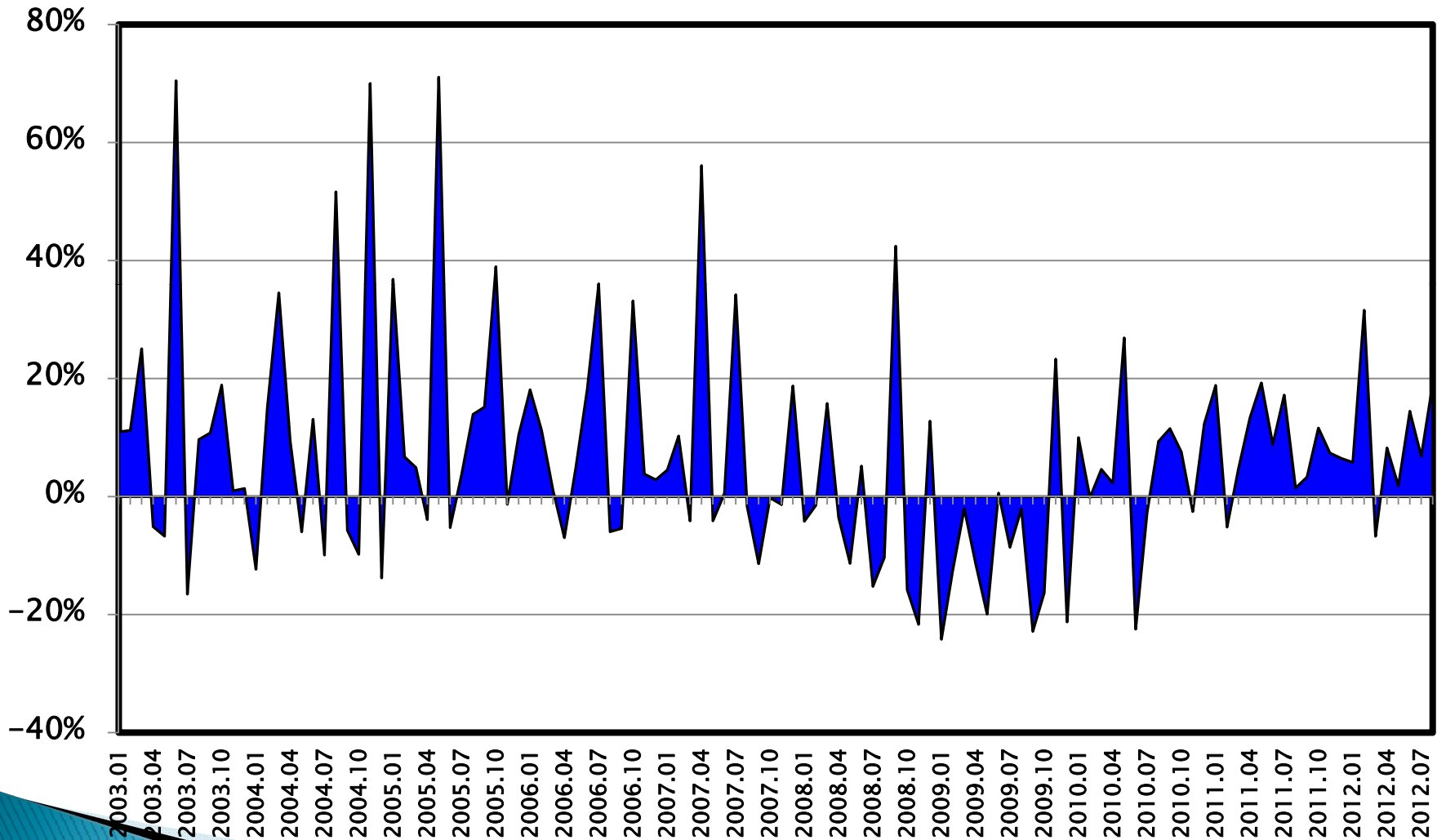
Source: Smith Travel Research & Hospitality Advisors LLC

Tax Revenues



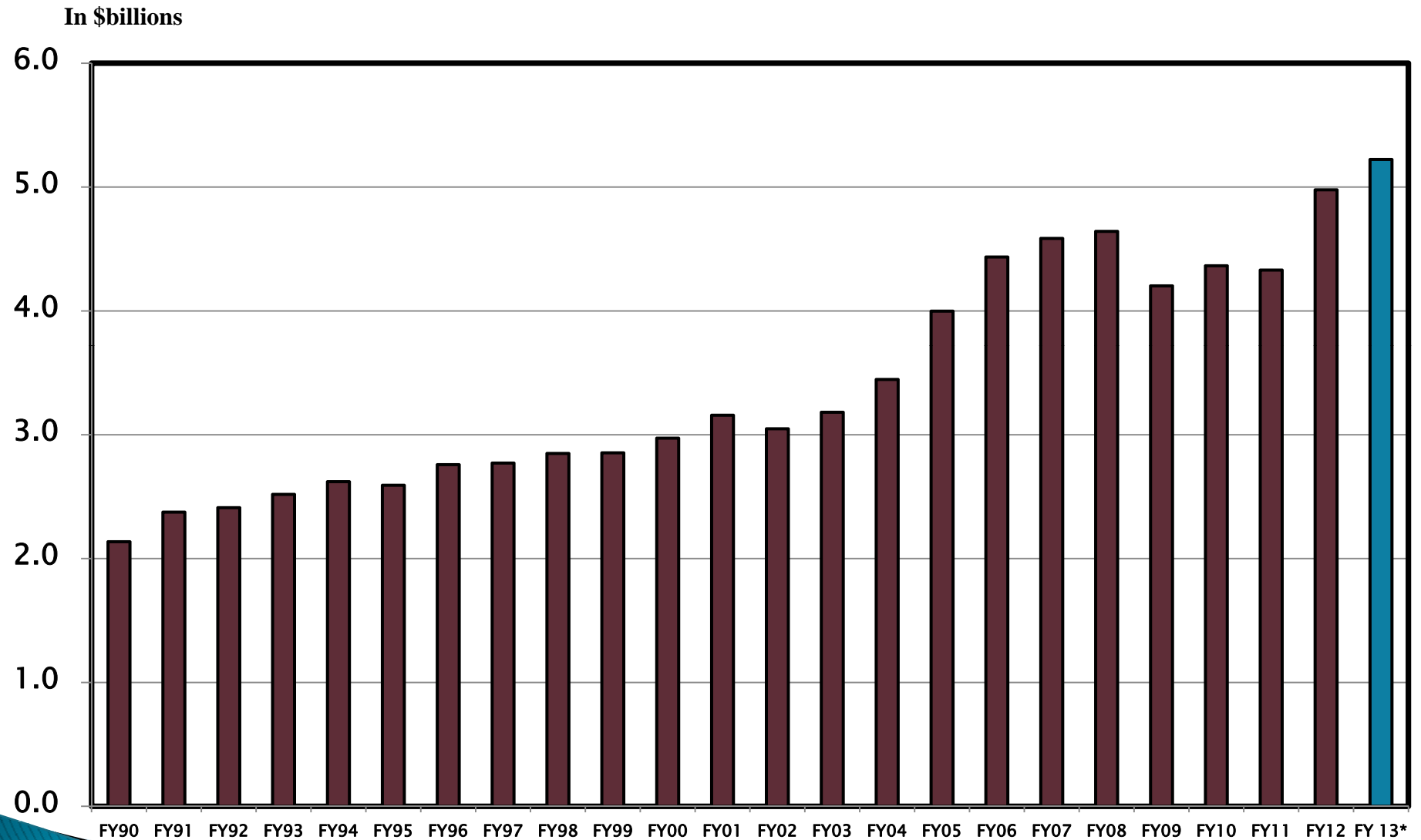
General excise tax revenues continue to rise

Monthly year-over-year growth rate



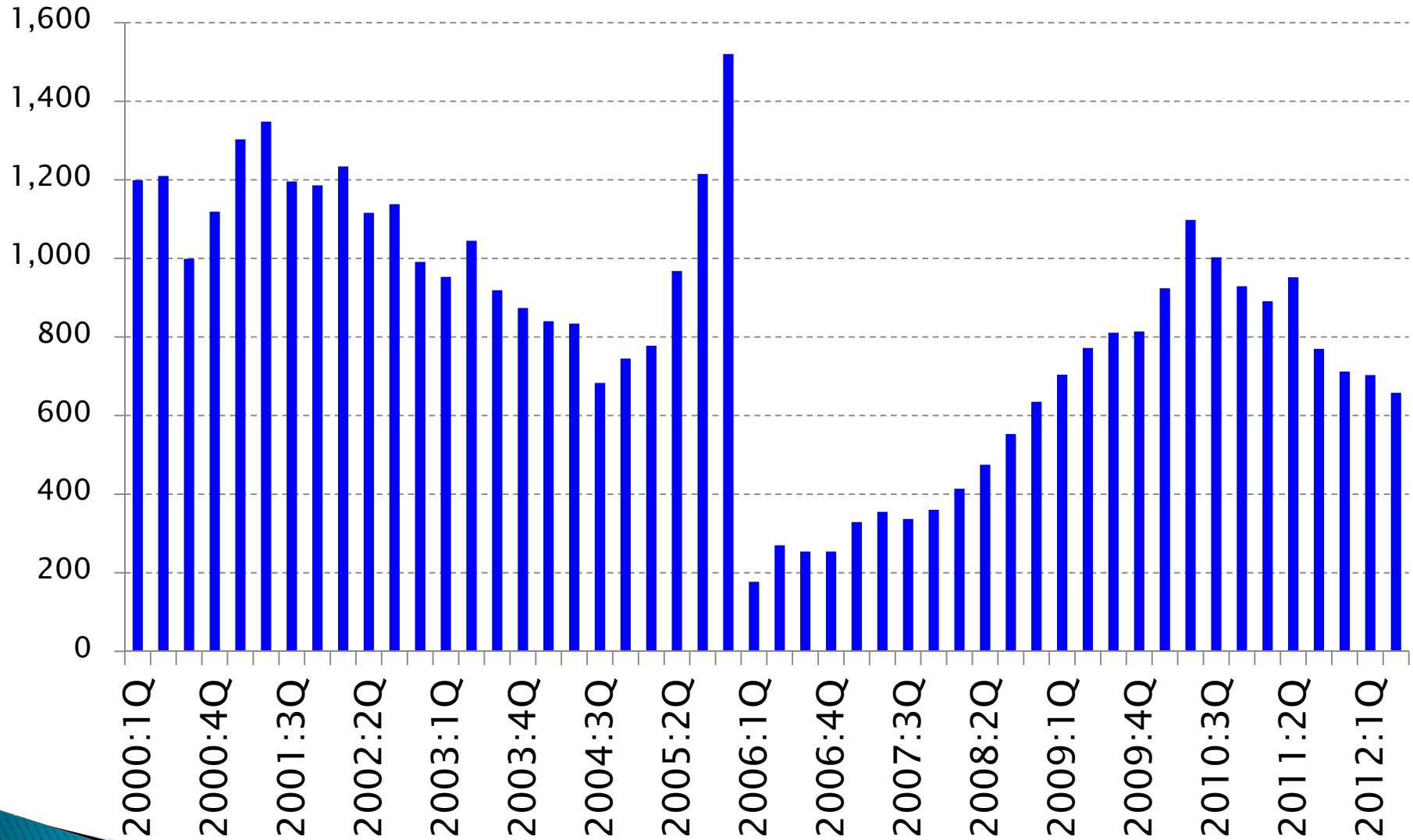
Source: Hawaii State Department of Labor Taxation Through March 2012

General fund tax revenue: FY 1990 to FY 2013



COR Forecast of 1.0% growth on September 6, 2012

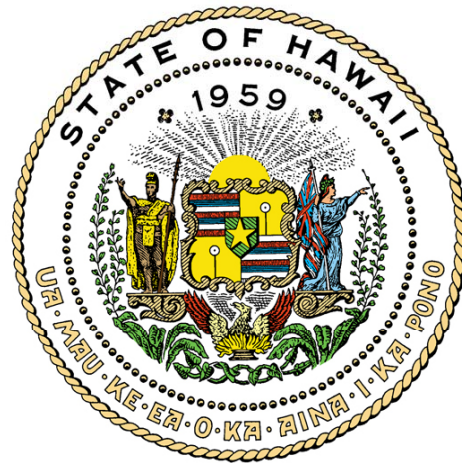
Hawaii bankruptcy filings has been declining since the 3rd quarter of 2010



Summary

- Most of the economic indicators show that Hawaii's economy is on a normal growth path – though unemployment rate is still high
- Visitor industry performed strong in 2011 despite the earthquake in Japan and the economic uncertainties in the world; this sector will make another record year in 2012
- Labor market will continue to improve in 2012
- Construction industry shows signs of recovery, government construction will play an important role in the sector
- Personal income will continue to grow at a rate similar to the national average
- Hawaii's economic growth will grow at the similar rate as the nation in 2012 and the unemployment rate will still be better than the nation

Mahalo



DBEDT

