



DBEDT

THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
S T A T E O F H A W A I I

Quarterly Statistical & Economic Report



2nd Quarter 2008



This *Quarterly Statistical and Economic Report* has been prepared by the staff of the Research and Economic Analysis Division of the State Department of Business, Economic Development & Tourism (DBEDT). The report provides concise statistical information and analyses on Labor, Income and Prices, Taxes, Tourism, Construction, and other indicators, as well as an overview of the State of Hawaii and the four counties.

Technical notes and source descriptions have been kept to a minimum. However, the staff of the Research and Economic Analysis Division would be happy to respond to any inquiries of a technical nature that readers may have (586-2466). The quarterly information contained in this report reflects data received by the Research Division on or before May 12, 2008.

On-line availability of *Quarterly Statistical and Economic Report*

Since 1988, the Hawaii Department of Business, Economic Development & Tourism has had the *State of Hawaii Data Book* available on-line to anyone with a personal computer and a modem. Since 1997, the *Quarterly Statistical and Economic Report*, *State of Hawaii Data Book* and other DBEDT publications and information have been made available via the Internet at <http://www.hawaii.gov/dbedt/>.

Printing of the *QSER* was discontinued in March 2000. The full version and a *QSER Executive Summary* will be available on-line at http://www.hawaii.gov/dbedt/info/economic/data_reports/qser/.

For further information about available data and sources, users should call the Research and Economic Analysis Division Library at (808) 586-2424.

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STATE OF THE ECONOMY

Indicators for Hawaii's economy were mixed in the first quarter of 2008. Total civilian wage and salary jobs, total tax collections distributed to the State general fund revenues, total nominal income, visitor arrivals and visitor expenditures, and new private building authorizations showed positive growth in the first quarter of 2008 over that of 2007, albeit mostly at slower rates than in the previous quarters. Total civilian employment, however, decreased for the quarter.

In the first quarter of 2008, the civilian labor force totaled 653,950, an increase of 1,500 people or 0.2 percent from the same quarter of 2007. In 2007, civilian labor force grew 0.2 percent from 2006.

Civilian employment in Hawaii decreased in the first quarter of 2008 to 634,300 people, a reduction of 3,300 people or 0.5 percent from that in the first quarter of 2007. In 2007, total civilian employment remained about the same as that in 2006.

The number of civilian unemployed averaged 19,600 in the first quarter of 2008, a 32.0 percent increase from the first quarter of 2007. As a result, unemployment rate increased from 2.3 percent in the first quarter of 2007 to 3.0 percent in the first quarter of 2008. In 2007, the number of unemployed averaged 17,150, the second lowest since 1991.

In the first quarter of 2008, Hawaii's civilian wage and salary jobs increased 0.8 percent to 633,150, or 4,950 jobs over the first quarter of 2007. The Natural Resources, Mining, and Construction sector added the most jobs in the first quarter of 2008, an increase of 1,900 jobs or 5.0 percent, over the same quarter last year, followed by Professional and Business Services with 1,300 jobs or 1.7 percent, and Educational Services with 900 jobs or 6.4 percent. In 2007, wage and salary jobs were up 1.0 percent from 2006.

In the fourth quarter of 2007, total nominal personal income increased \$3,106 million or 6.4 percent from the same quarter of 2006. The greatest growth was in Dividends, Interest, and Rent (11.3 percent), followed by Personal Current Transfer Receipts (6.9 percent), Supplements to Wages and Salaries (6.1

percent), and Wage and Salary Disbursements (5.6 percent). Contributions for Government Social Insurance, which is subtracted from personal income, increased 5.8 percent. For all of 2007, total personal income increased 6.4 percent from 2006.

In 2007, Honolulu's consumer price increased 4.8 percent -- the second highest since 1991 but lower than the 5.9 percent increase in 2006.

For the first quarter of 2008, total tax collections distributed to the State general funds totaled \$1,138.5 million, a \$22.1 million or 2.0 percent increase over the first quarter of 2007. General Excise and Use Tax (GET) revenues totaled \$678.5 million, an increase of \$16.1 million or 2.4 percent. Net Individual Income Tax revenues decreased \$4.8 million or 1.4 percent to \$336.4 million. Transient Accommodations Tax (TAT) revenues were down \$5.8 million or 10.3 percent. In 2007, State general fund tax revenues totaled \$4,683.1 million, up \$160.9 million or 3.6 percent from 2006.

Hawaii's tourism sector changed from negative growth in 2007 to positive growth in the first quarter of 2008. The total number of visitors arriving by air to Hawaii increased 2.7 percent in the first quarter of 2008 compared to the same quarter of 2007. Total average daily census was up 3.5 percent. In 2007, total arrivals were down 1.2 percent, while average daily census was down 1.6 percent from 2006. Comparing first quarters of 2007 and 2008, average hotel occupancy rate was up 1.0 percentage point to 78.5 percent. In 2007, hotel occupancy averaged 75.3 percent, down 4.2 percentage points from 2006.

The first quarter indicators of Hawaii's construction industry were mixed. Construction jobs and the nominal total value (i.e., not adjusted for inflation) of private building authorizations were increased 5.9 percent and 0.5 percent, respectively, in the first quarter of 2008 compared to the same quarter of 2007. The real value of private building authorizations was, however, decreased. In the existing housing market, while the median resale prices remained at about the same level in the first quarter of 2008 compared to the same quarter in 2007, the numbers of unit resales were down by more than 20 percent for both single-family and condominium unit.

**Table 1. 2008 QUARTERLY ECONOMIC INDICATORS:
STATE OF HAWAII**

SERIES	UNIT	1st QUARTER 2008		YEAR-TO-DATE 2008	
		NUMBER	% CHANGE YEAR AGO	NUMBER	% CHANGE YEAR AGO
Civilian labor force 1/	Persons	653,950	0.2	653,950	0.2
Civilian employed	Persons	634,300	-0.5	634,300	-0.5
Civilian unemployed	Persons	19,600	32.0	19,600	32.0
Unemployment rate 1/ 2/	%	3.0	0.7	3.0	0.7
Total wage and salary jobs	Jobs	633,150	0.8	633,150	0.8
Total non-agriculture wage and salary jobs	Jobs	626,800	0.9	626,800	0.9
Nat. Resources, Mining, Constr.	Jobs	39,700	5.0	39,700	5.0
Manufacturing	Jobs	15,150	-1.0	15,150	-1.0
Wholesale Trade	Jobs	18,550	1.6	18,550	1.6
Retail Trade	Jobs	70,000	0.1	70,000	0.1
Transp., Warehousing, Util.	Jobs	32,200	-2.0	32,200	-2.0
Information	Jobs	10,550	-1.9	10,550	-1.9
Financial Activities	Jobs	29,900	-0.3	29,900	-0.3
Professional & Business Services	Jobs	76,900	1.7	76,900	1.7
Educational Services	Jobs	15,000	6.4	15,000	6.4
Health Care & Social Assistance	Jobs	58,950	1.3	58,950	1.3
Arts, Entertainment & Recreation	Jobs	11,350	-3.4	11,350	-3.4
Accommodation	Jobs	39,200	-0.8	39,200	-0.8
Food Services & Drinking Places	Jobs	58,350	0.3	58,350	0.3
Other Services	Jobs	26,750	2.3	26,750	2.3
Government	Jobs	124,250	1.0	124,250	1.0
Federal	Jobs	31,450	-1.7	31,450	-1.7
State	Jobs	74,750	2.0	74,750	2.0
Local	Jobs	18,100	2.5	18,100	2.5
Agriculture wage and salary jobs	Jobs	6,350	-5.9	6,350	-5.9
State general fund revenues	\$1,000	1,138,545	2.0	1,138,545	2.0
General excise and use tax revenues	\$1,000	678,489	2.4	678,489	2.4
Income-individual	\$1,000	336,354	-1.4	336,354	-1.4
Declaration estimated taxes	\$1,000	101,818	3.9	101,818	3.9
Payment with returns	\$1,000	13,686	-79.5	13,686	-79.5
Withholding tax on wages	\$1,000	365,291	20.9	365,291	20.9
Refunds	\$1,000	-144,441	14.8	-144,441	14.8
Transient accommodations tax	\$1,000	61,952	10.3	61,952	10.3
Honolulu County Surcharge 3/	\$1,000	44,423	212.5	44,423	212.5
Visitor Days - by air	Days	17,689,965	5.0	17,689,965	5.0
Domestic visitor days - by air	Days	13,897,788	5.1	13,897,788	5.1
International visitor days - by air	Days	3,792,177	4.3	3,792,177	4.3
Visitor arrivals by air - by air	Persons	1,831,135	2.7	1,831,135	2.7
Domestic flight visitors - by air	Persons	1,345,192	3.5	1,345,192	3.5
International flight visitors - by air	Persons	485,943	0.7	485,943	0.7
Hotel occupancy rates 2/	%	78.5	1.1	78.5	1.1
Visitor expenditures - arrivals by air	\$1,000	3,171,421	6.0	3,171,421	6.0

1/ Labor force and jobs are Hawaii DLIR monthly and annual data. Quarterly averages computed by the Hawaii DBEDT.

2/ Change represents absolute change in rates rather than percentage change in rates.

3/ 0.5% added to the general excise tax to pay for O'ahu's mass transit system and took effect January 1, 2007.

Includes taxpayers who have business activities on Oahu but whose businesses are located outside Oahu.

Source: Hawaii State Department of Business, Economic Development, & Tourism <<http://www.hawaii.gov/dbedt/inf/>>,

Hawaii State Department of Labor & Industrial Relations <<http://www.hiwi.org/cgi/dataanalysis/?PAGEID=94>>;

Hawaii State Department of Taxation <http://www.hawaii.gov/tax/a5_3txcolrpt.htm> and Hospitality Advisors, LLC.

OUTLOOK FOR THE ECONOMY

In its latest quarterly economic report, the Department of Business, Economic Development & Tourism (DBEDT) expects moderate growth in Hawaii's economy in 2008 and 2009. Personal income, total wage and salary jobs, and state gross domestic product (GDP) are all forecast to grow, although the rates of growth have been lowered from the previous forecast. Visitor arrivals are expected to decrease in 2008, but will stabilize in 2009.

The 2008 forecast for real (inflation-adjusted) personal income growth is estimated to be 0.8 percent, down from 1.6 percent in the previous forecast. For 2009, real personal income growth is projected to be 1.1 percent, a 0.8 of a percentage point decrease from the last forecast. These decreases in real income growth forecasts mainly reflect the revised lower nominal personal income forecasts in both 2008 and 2009.

In 2008, the Honolulu Consumer Price Index (CPI) is expected to rise 4.2 percent, 0.2 of a percentage point higher than in the previous forecast. The projected CPI growth for 2009 is 3.3 percent, down 0.1 of a percentage point from the previous forecast.

The Hawaii's real GDP is estimated to have increased 2.7 percent in 2007, unchanged from the previous estimate. Real GDP is projected to grow 2.3 percent and 2.2 percent, respectively, in 2008 and 2009, down 0.2 and 0.3 of a percentage point, respectively, from the previous forecast.

The future outlook for Hawaii's economy will depend on the growth of the Mainland U.S. and Japanese economies. In response to a stream of weaker-than-expected economic data in recent months, continued weakness in the housing market, further signs of tightening credit conditions and continued problems in the financial market, the consensus forecast for the U.S. economic growth has dropped over the past month. According to the April 2008 *Blue Chip Economic Consensus Forecasts*, the real GDP growth for the U.S. is now expected to be 1.4 percent in 2008, down 0.1 of a percentage point from the forecast in

March 2008. The forecast of 2009 real GDP growth also dipped 0.1 of a percentage point to 2.2 percent. For Japan, real GDP growth is projected to be 1.3 percent in 2008 and 1.7 percent in 2009. The 2008 real GDP growth forecast is the same as the previous forecast but the 2009 forecast is 0.2 of a percentage point lower than the previous forecast. The latest forecast for U.S. consumer price inflation is 3.5 percent for 2008 and 2.4 percent for 2009.

Based on the data through the first quarter of 2008 and the outlook in coming months, total visitor arrivals are now expected to decline 3.0 percent in 2008, in contrast to a 1.4 percent decrease in the last forecast. Visitor days are now expected to decrease 2.4 percent in 2008, as compared to 1.5 percent decrease projected earlier. The 2008 forecast for total nominal (current dollar) visitor expenditures growth is revised from 1.5 percent in the previous forecast to 0.5 percent. For 2009, both visitor arrivals and visitor days are predicted to remain the same as in 2008, while the visitor expenditures are forecast to increase 3.6 percent from 2008.

Construction continued to show robust, though slower, job growth. Despite decreases in total values of new private building authorizations in 2007, permit levels still remain high in terms of dollar values, suggesting a solid construction activity in coming months. With housing prices stabilizing in Oahu and Maui and inventories improving due to declines in sales, Hawaii's housing market is expected to be more favorable to buyers in coming months.

Government construction has continued to grow. The ongoing multi-billion dollar military housing privatization initiative will also contribute to positive growth in Hawaii's construction industry in the coming years.

In response to moderation in job and labor force growth in the latest quarter and the impacts of the sudden reduction in airline seats in April, total wage and salary jobs are now expected to grow 0.4 percent in 2008. The 2009 forecast for job growth is also decreased to 0.8 percent.

