

Where Are We on the Current Business Cycle?

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to the

PATA/TTRA

2018 Annual Outlook & Economic Forecast Forum

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Positive signs in the Economy

- We have the best labor market in the nation, lowest unemployment rate, record levels of labor force, employment, and job count
- All counties are fully recovered and gaining jobs
- Real estate market performing well, sales and median prices are up

Positive signs in the Economy

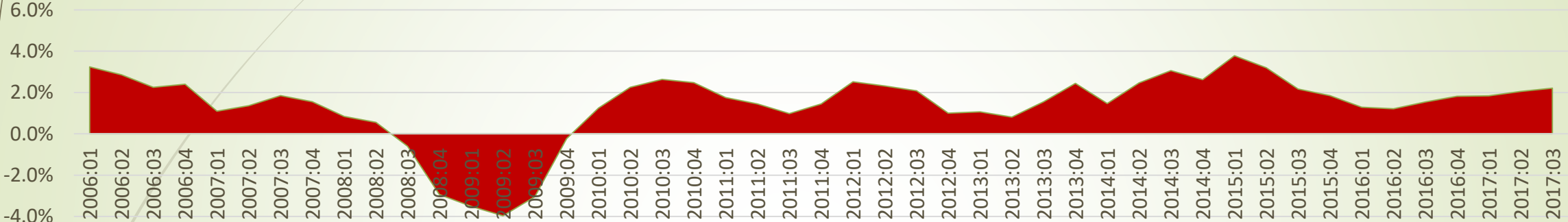
- Scheduled air seat capacity will increase 9.0% in 2018, leading to another record year of visitor arrivals in 2018
- Most economies in the world will have steady growth this year, U.S. growth rate will be better than last year
- Hawaii's economy continues to be on a normal growth path

Challenges in the Economy

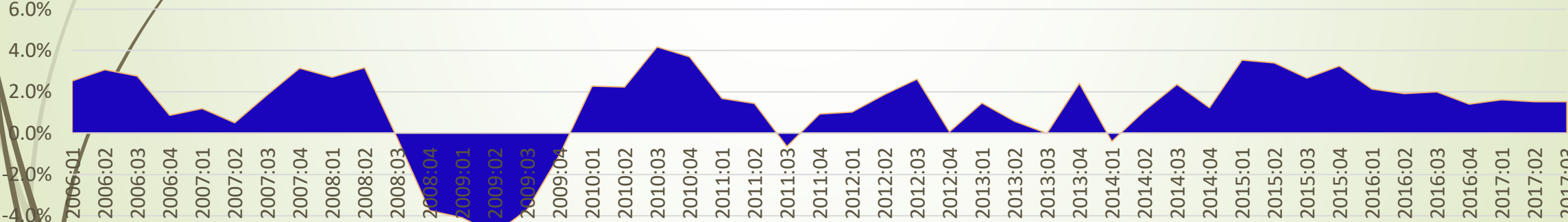
- Many Hawaii industries are still recovering
- Economic growth slower than the nation
- Higher consumer inflation rate than the nation
- Construction activities weakening
- Increasing uncertainty

Quarterly Real GDP Growth

US



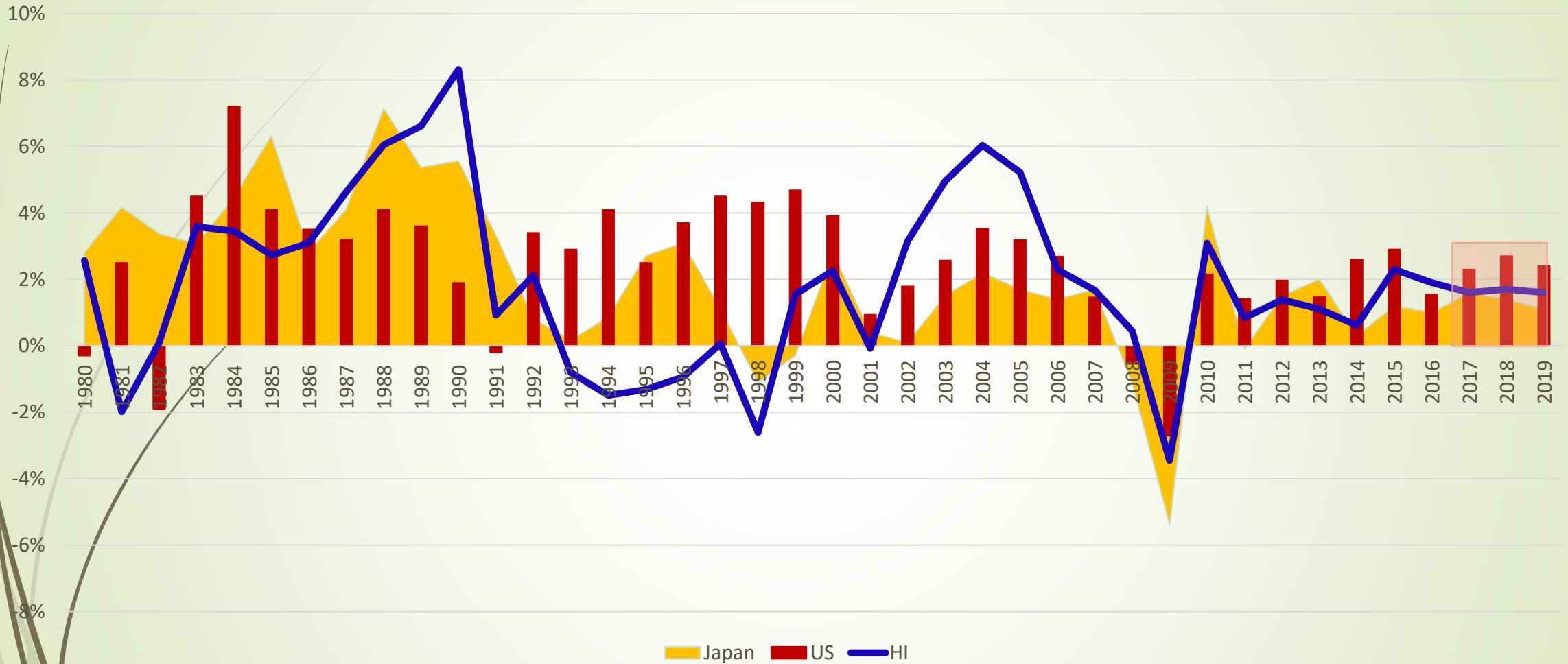
Hawaii



Source: Bureau of Economic Analysis



Hawaii's economy is influenced by the US and Japan economies



Source: BEA, World Bank, Blue Chip Economic Indicators, and DBEDT

A Historical Review of Hawaii's Economic Growth

Indicator	Annual average growth, %		2017	2018	2019
	30 years, 1986 - 2016	20 years, 1996 -2016			
Real GDP	1.8	1.6	1.6	1.7	1.6
Real personal income	1.8	2.1	1.2	1.5	1.5
Honolulu inflation rate	3.0	2.2	2.5	2.4	2.7
Non-Ag wage and salary jobs	1.3	1.0	1.1	1.0	0.9
Unemployment rate 1/	4.5	4.8	2.5	2.6	3.0
Visitor arrivals by air	1.5	1.4	4.9	2.7	1.6

1/ Average of 30 years, 1987 – 2017.

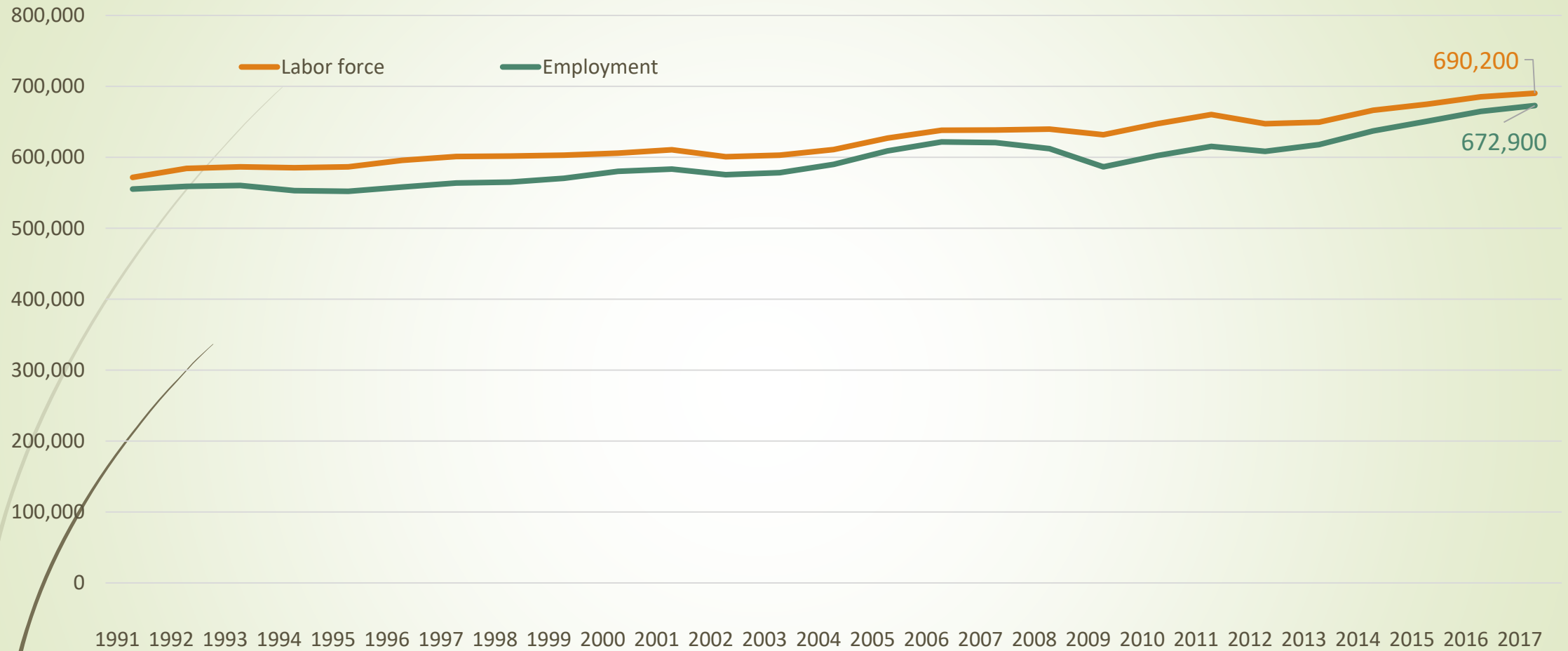
Source: DBEDT

Most of the world economies had good year in 2017 and will have steady growth in 2018

Economy	2015	2016	2017	2018	2019
USA.	2.9	1.5	2.3	2.7	2.4
Canada	0.9	1.4	2.9	2.2	1.9
Japan	1.2	1.0	1.6	1.4	1.1
S. Korea	2.6	2.7	3.1	3.0	2.7
Hong Kong	2.4	1.9	3.4	2.8	2.5
Taiwan	0.7	1.5	2.5	2.4	2.3
China	6.9	6.7	6.6	6.3	6.1
United Kingdom	2.2	1.8	1.5	1.4	1.3
Germany	1.5	1.7	2.4	2.3	1.9
France	1.2	1.1	1.8	1.9	1.7
Eurozone	1.9	1.7	2.2	2.2	1.9
Australia	2.4	2.5	2.3	2.5	2.6
Brazil	-3.8	-3.6	0.8	2.3	2.7

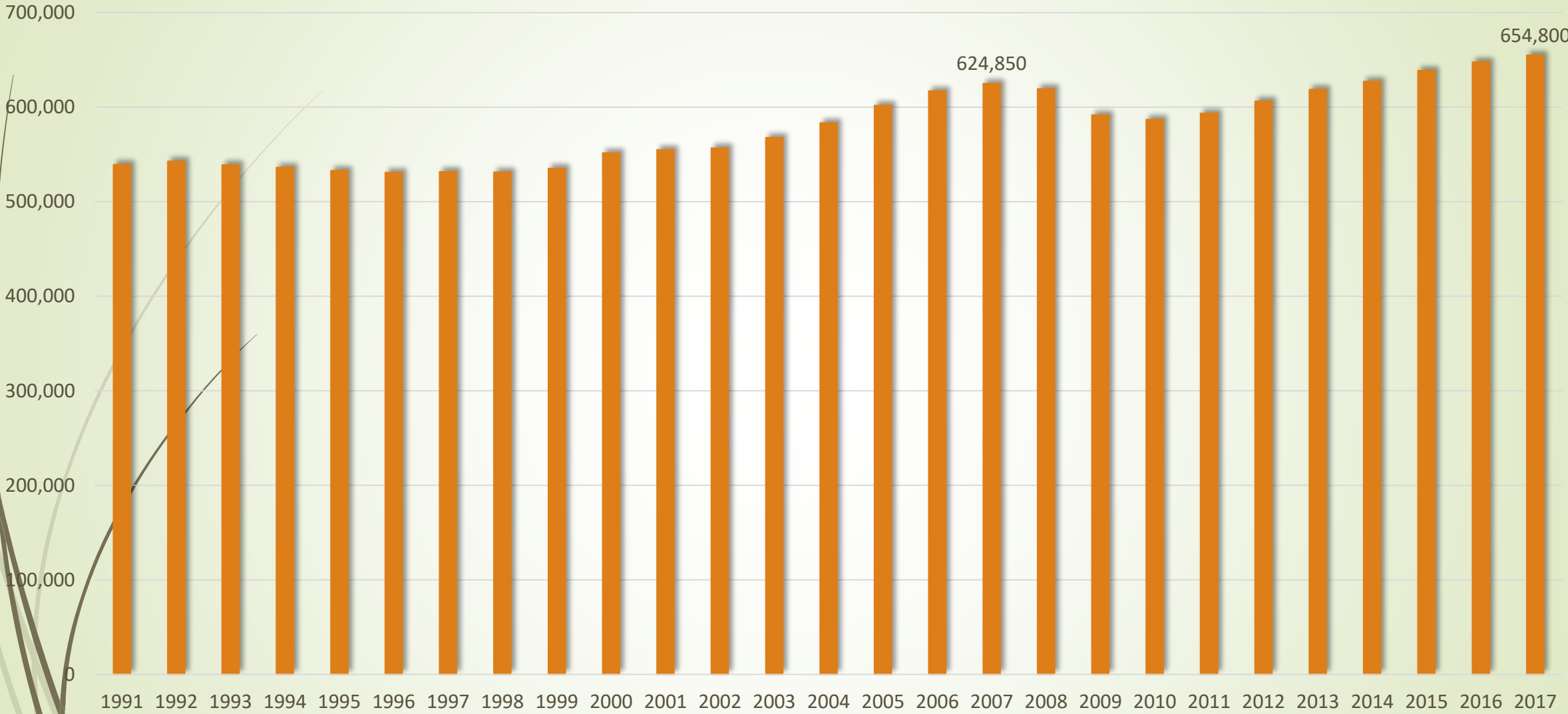
Source: Blue Chip Economic Indicators, January 10th, 2018

Statewide labor force & employment continue to set records



Source: Hawaii State Department of Labor and Industrial Relations.

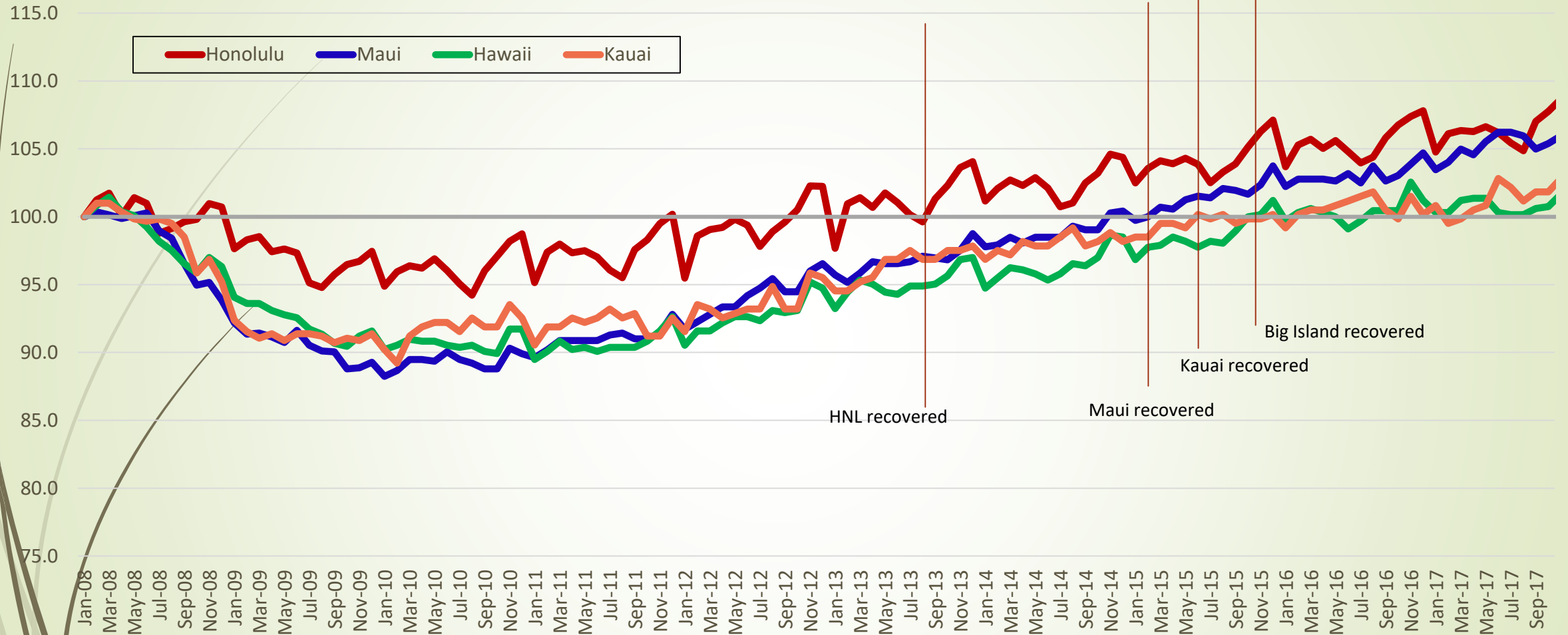
Non-ag. payroll job count is also record setting



Source: Hawaii State Department of Labor and Industrial Relations.



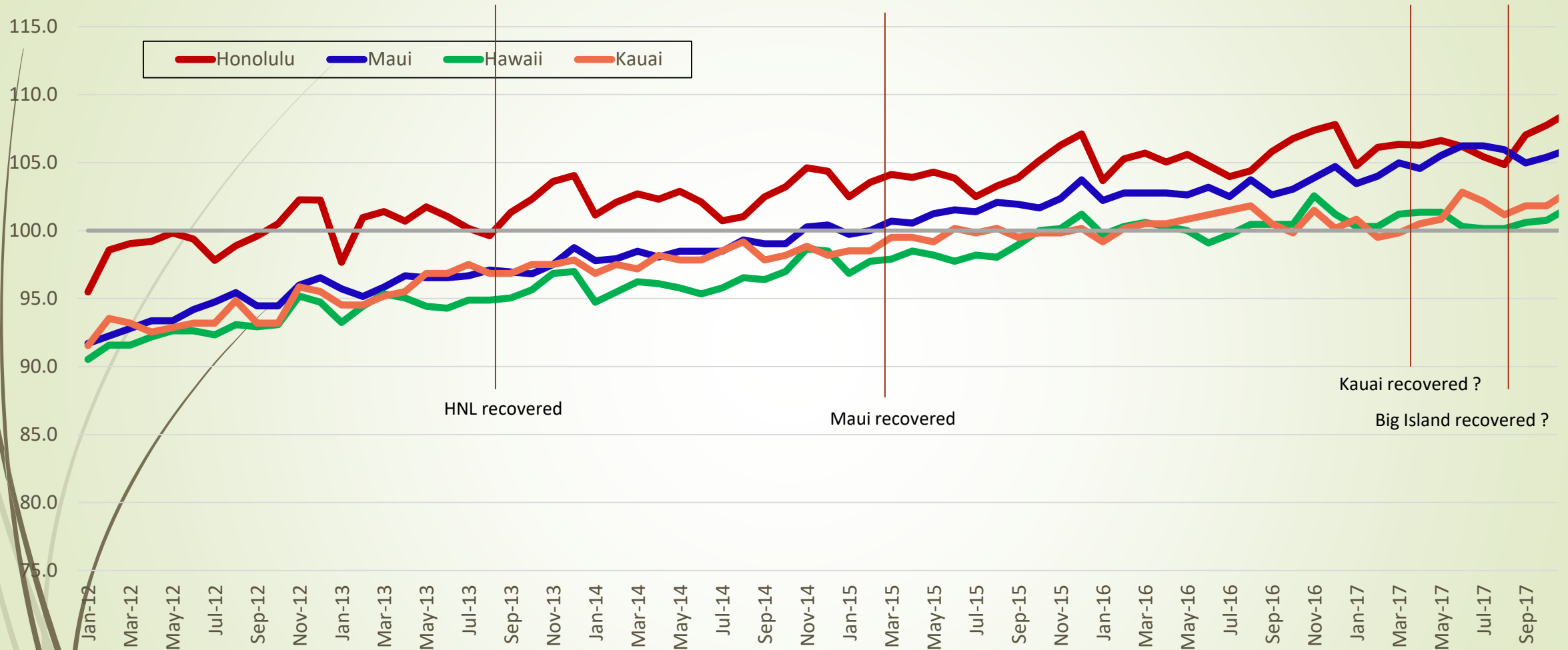
For job count, and as of the beginning of 2016, all the counties were fully recovered From Great Recession (% recovery from January 2008)



Source: Hawaii State Department of Labor and Industrial Relations and calculations by DBEDT.

Big Island and Kauai are still adjusting

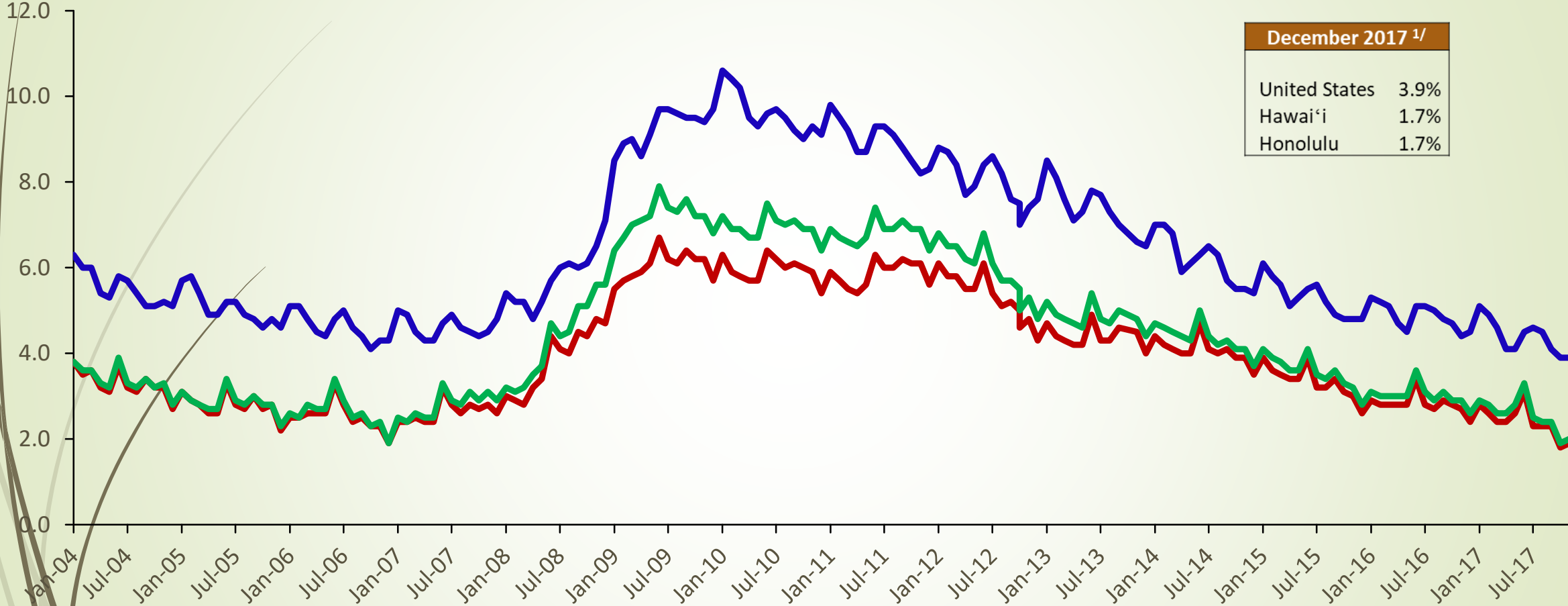
(% recovery from January 2008)



Source: Hawaii State Department of Labor and Industrial Relations and calculations by DBEDT.

Unemployment rate

— Honolulu — State of Hawai'i — United States

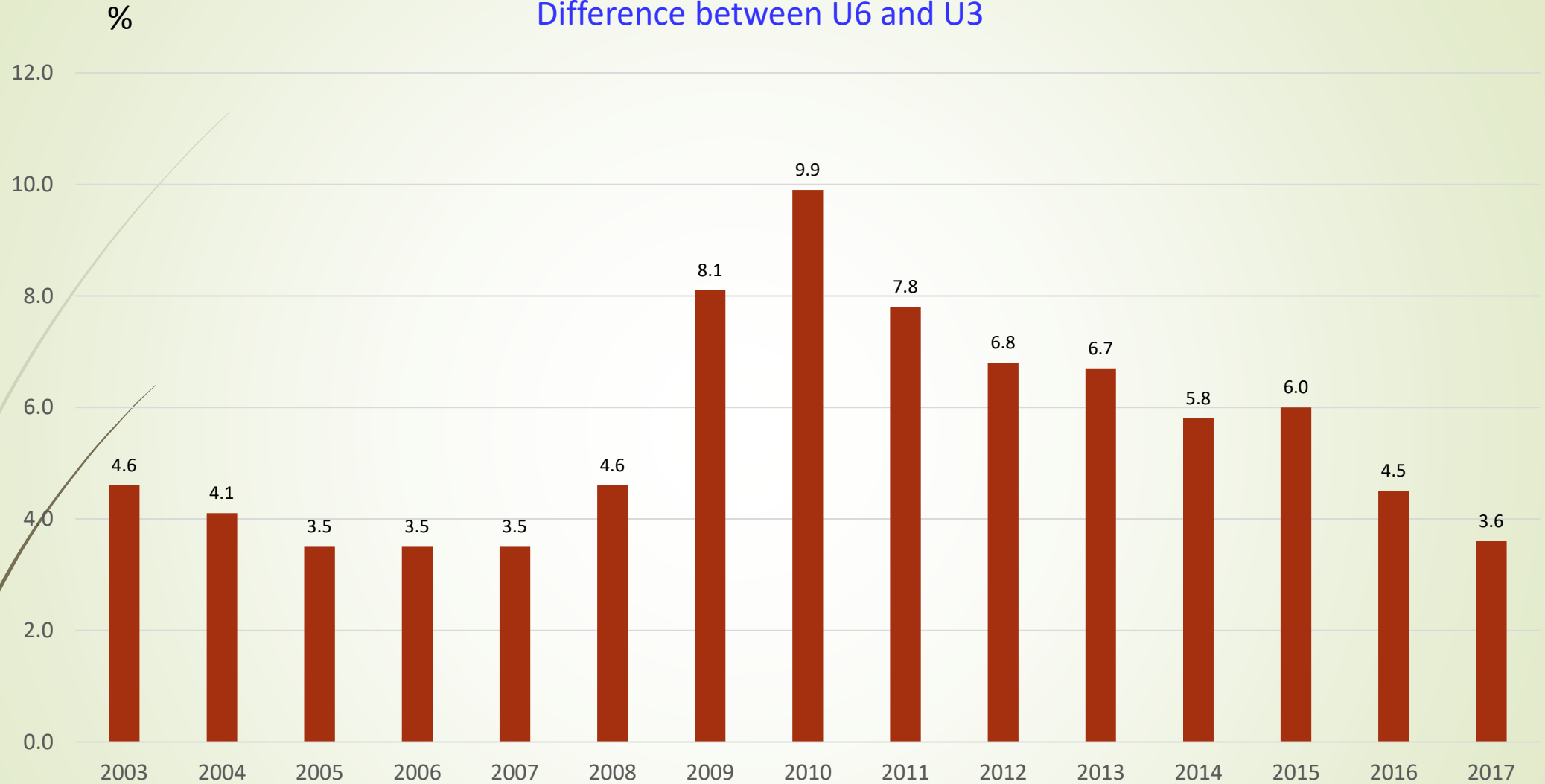


December 2017 ^{1/}	
United States	3.9%
Hawai'i	1.7%
Honolulu	1.7%

Source: U.S. Bureau of Labor Statistics, Hawaii State Department of Labor & Industrial Relations.
 1/ Not seasonally adjusted.

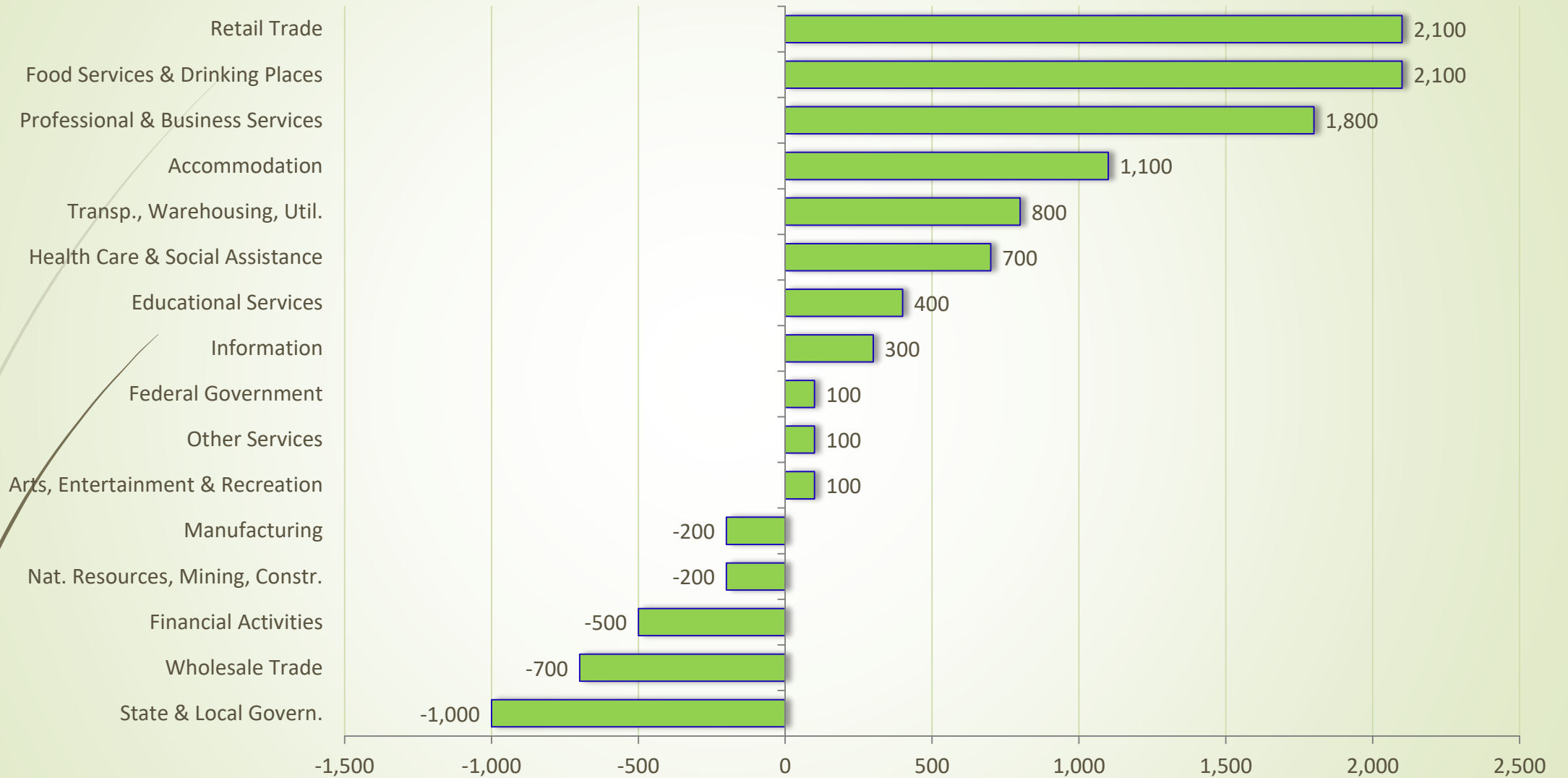
Unemployment Rate Due to Economic Reasons

Difference between U6 and U3



Source: U.S. Bureau of Labor Statistics

Statewide gained 7,200 non-ag payroll jobs in 2017



Source: Hawaii State Department of Labor and Industrial Relations.

Real Estate Sales

(% change btw. 2016 and 2017)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Oahu	6.3%	2.7%	6.9%	3.8%
Maui	2.1%	8.8%	10.8%	7.2%
Hawaii	8.0%	6.1%	20.0%	1.6%
Kauai	-2.8%	5.5%	19.0%	9.2%

Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui.

Median Home Prices: 2016 and 2017

Island	Single Family Homes		Condo Homes	
	2016	2017	2016	2017
Oahu	\$735,000	\$755,000	\$390,000	\$405,000
Maui	\$639,000	\$695,000	\$415,000	\$445,000
Hawaii	\$330,000	\$350,000	\$305,000	\$310,000
Kauai	\$625,500	\$660,000	\$398,250	\$435,000

Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui.

Real Estate Sales

(% change btw. Jan. 2017 and Jan. 2018)

Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Oahu	2.0%	5.8%	-1.1%	13.2%
Maui	30.3%	7.1	23.7%	-3.7%
Hawaii	11.8%	-5.1%	-5.2%	5.0%
Kauai	-10.0%	21.8%	-12.8%	-4.5%

Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui.

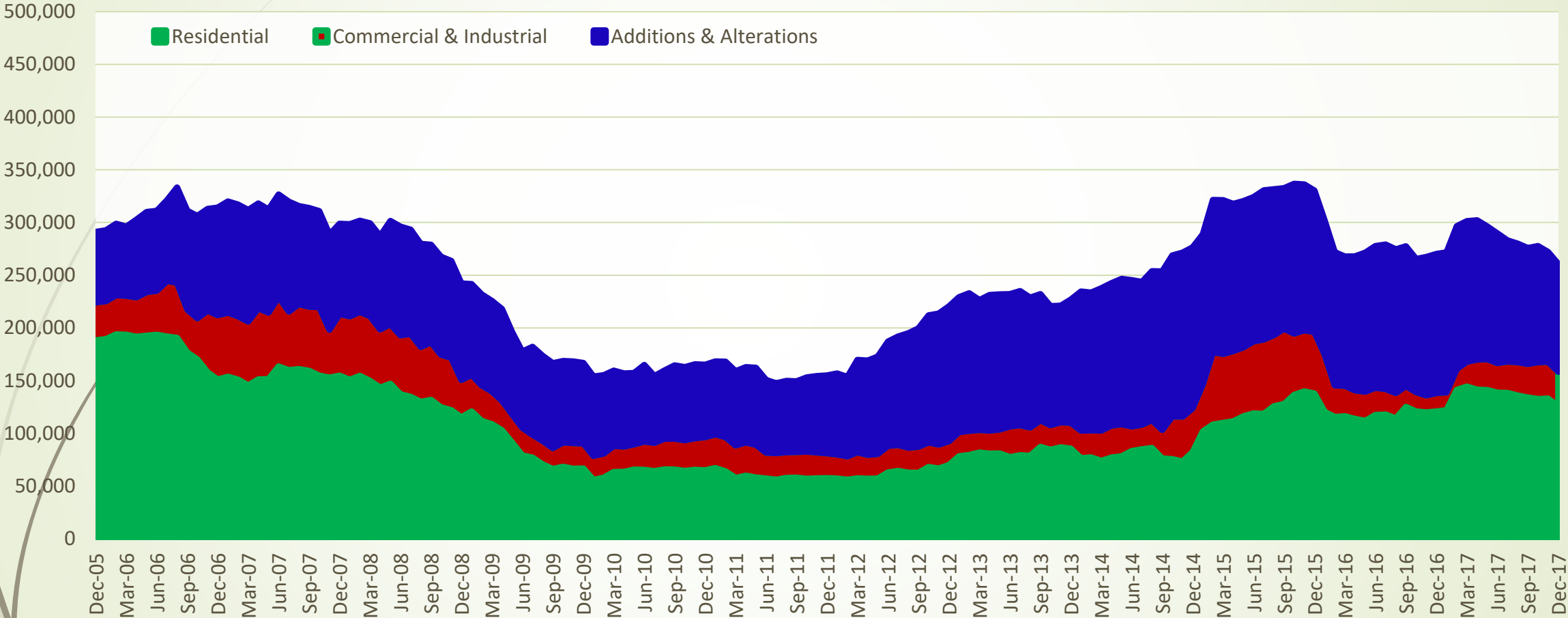
Median Home Prices: Jan. 2017 and Jan. 2018

Island	Single Family Homes		Condo Homes	
	2017	2018	2017	2018
Oahu	\$730,000	\$772,000	\$380,000	\$430,000
Maui	\$660,000	\$707,000	\$525,000	\$505,563
Hawaii	\$344,500	\$327,000	\$330,500	\$347,000
Kauai	\$632,000	\$770,000	\$301,000	\$287,500

Source: Hawaii Information Service on behalf of Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and Realtors Association of Maui.

Value of private construction permits decreased in 2017

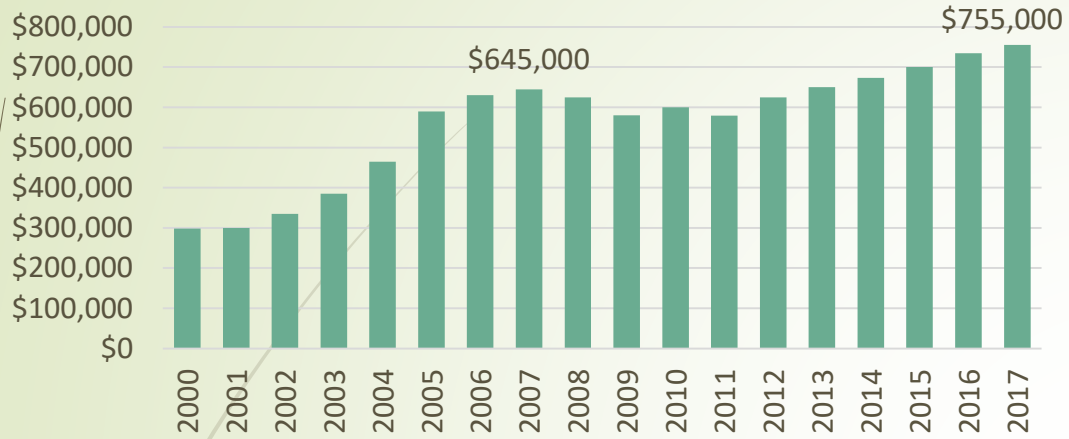
12 Month Moving Average of Building Authorization



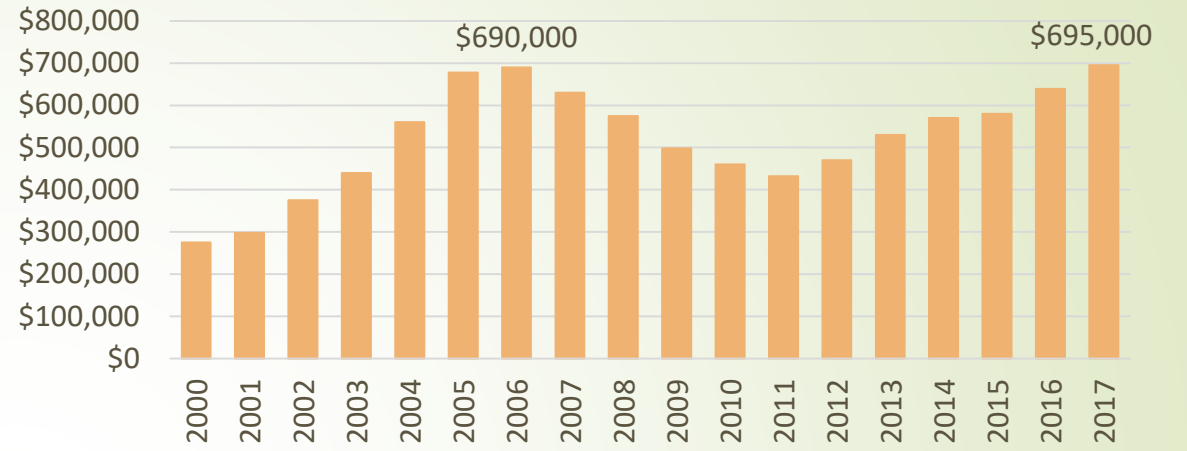
Source: County Building Departments and U.S. Census Bureau.



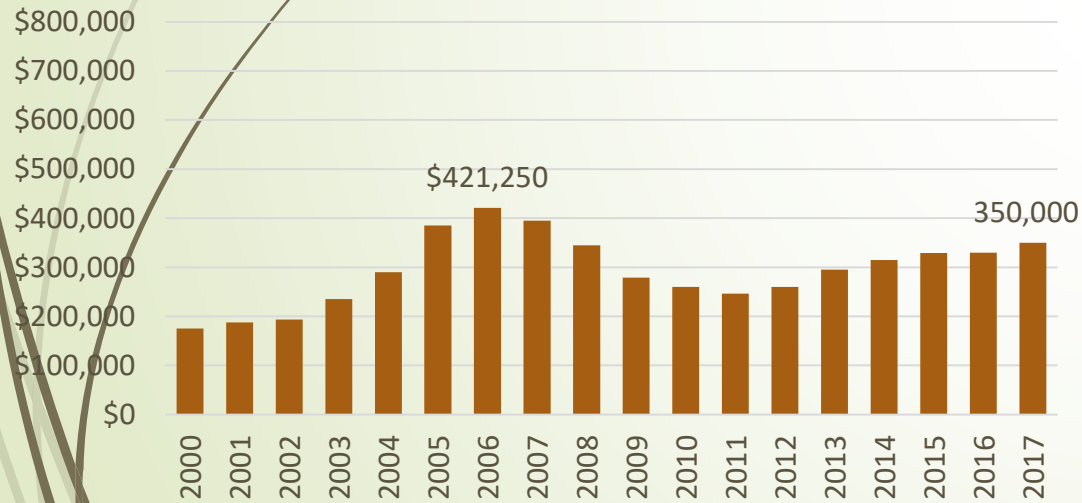
Honolulu Median Single Family Prices



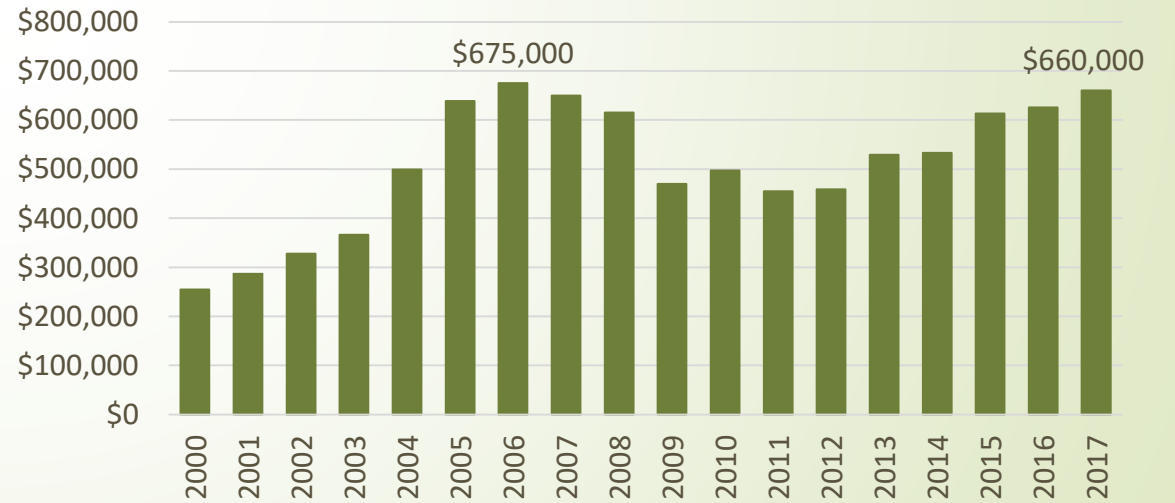
Maui Median Single Family Prices



Hawaii Median Single Family Prices

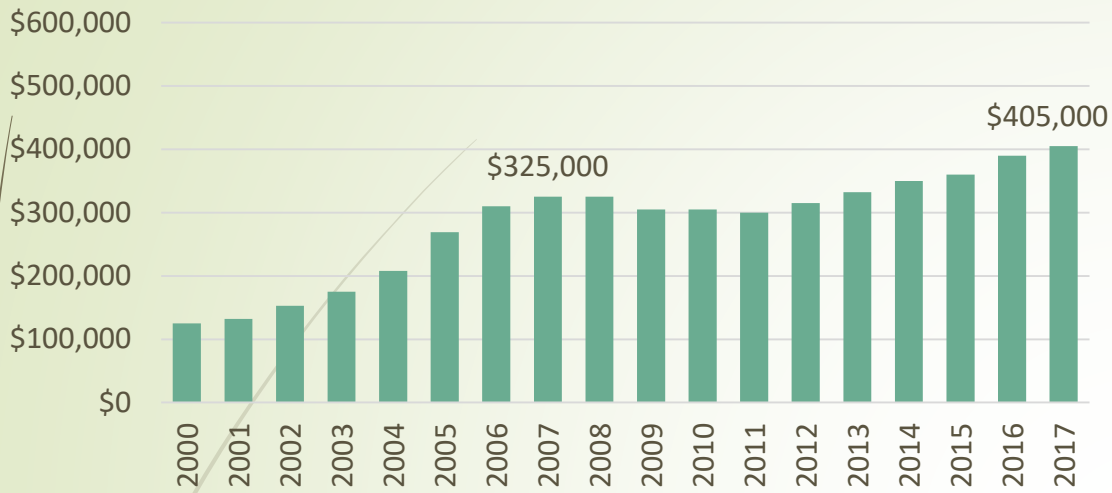


Kauai Median Single Family Prices

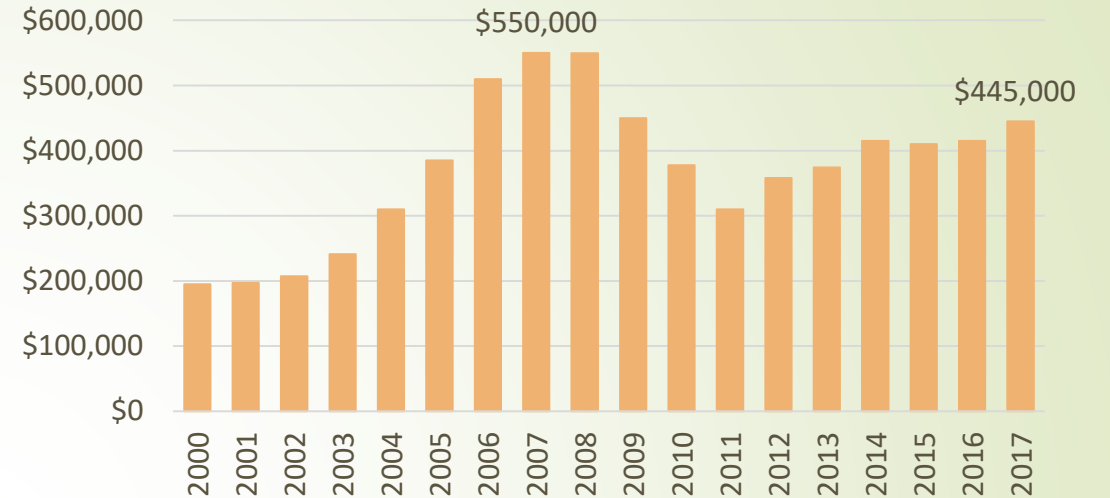


Source: Board of Realtors

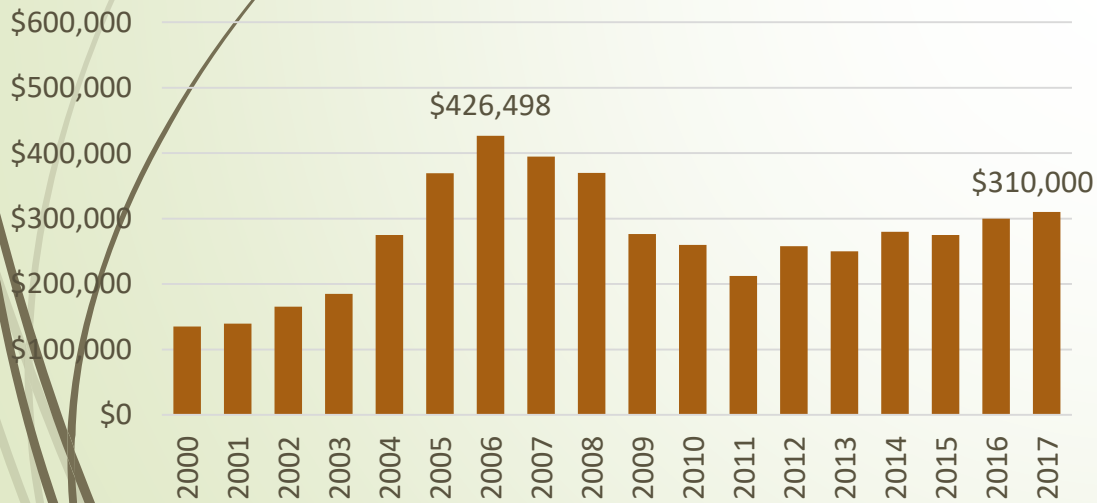
Honolulu Median Condominium Prices



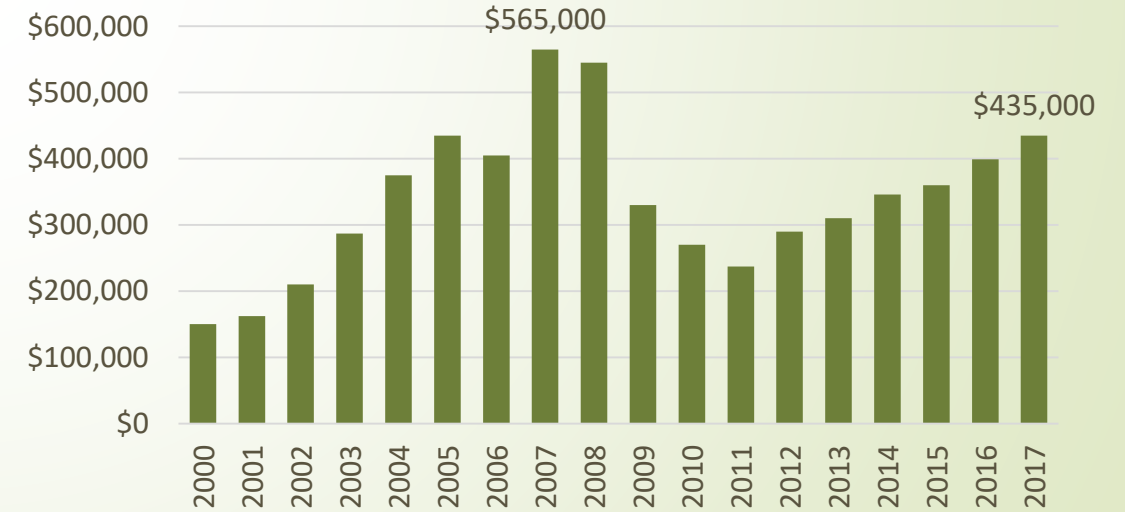
Maui Median Condominium Prices



Hawaii Median Condominium Prices

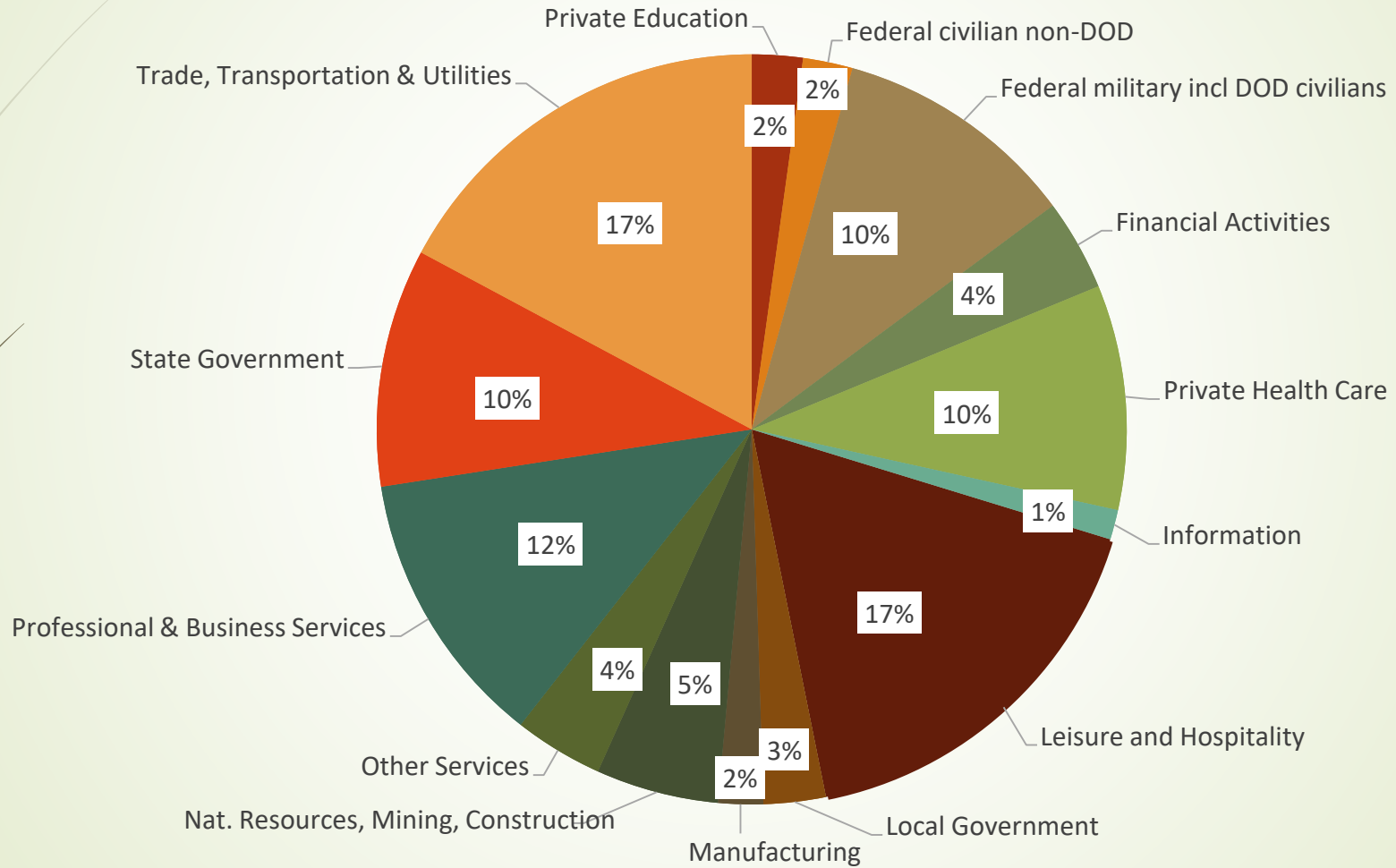


Kauai Median Condominium Prices



Source: Board of Realtors

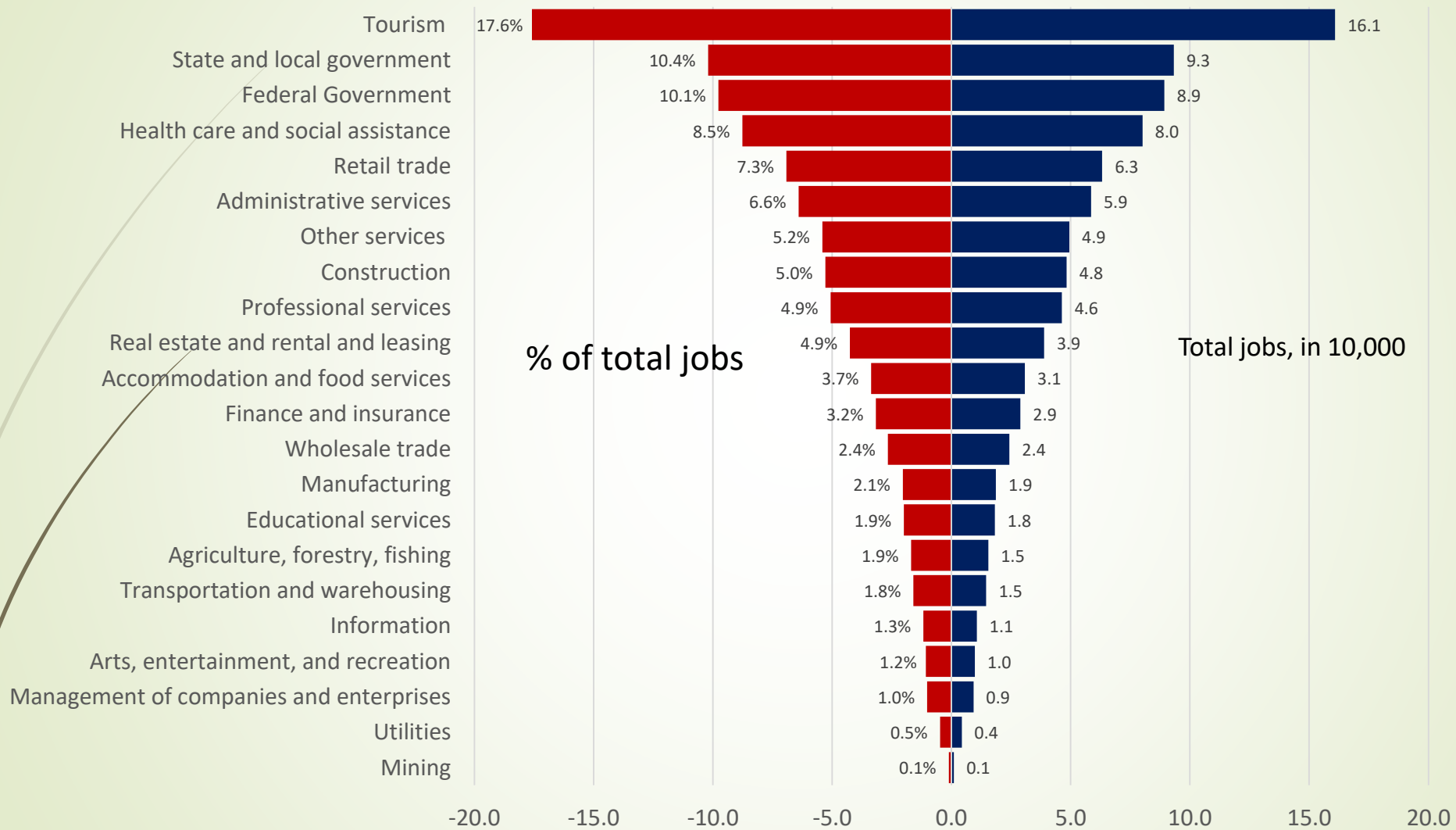
Payroll job distribution by industry: 2017



Source: Hawaii Department of Labor and Industrial Relations

Hawaii Jobs by Industry: 2016

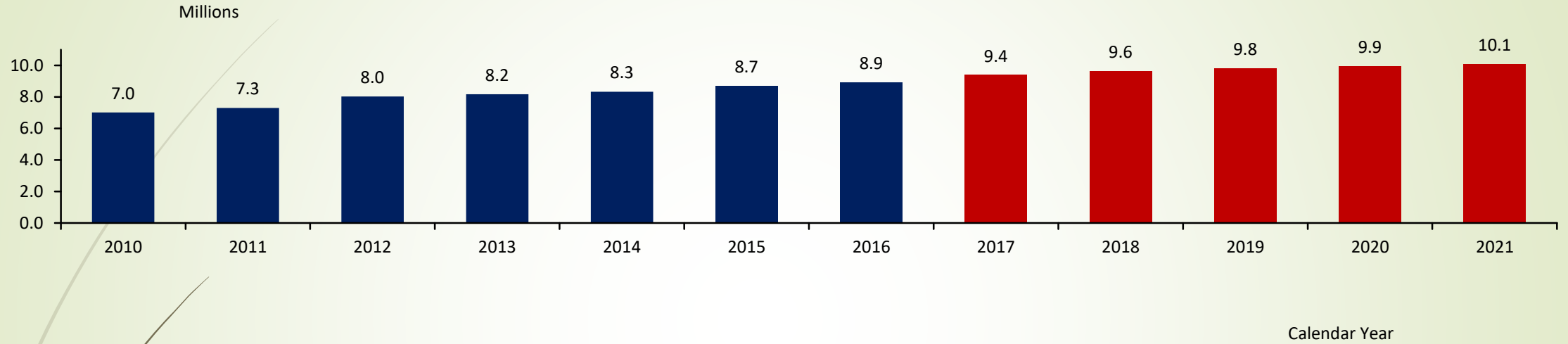
(Include payroll jobs and proprietors)



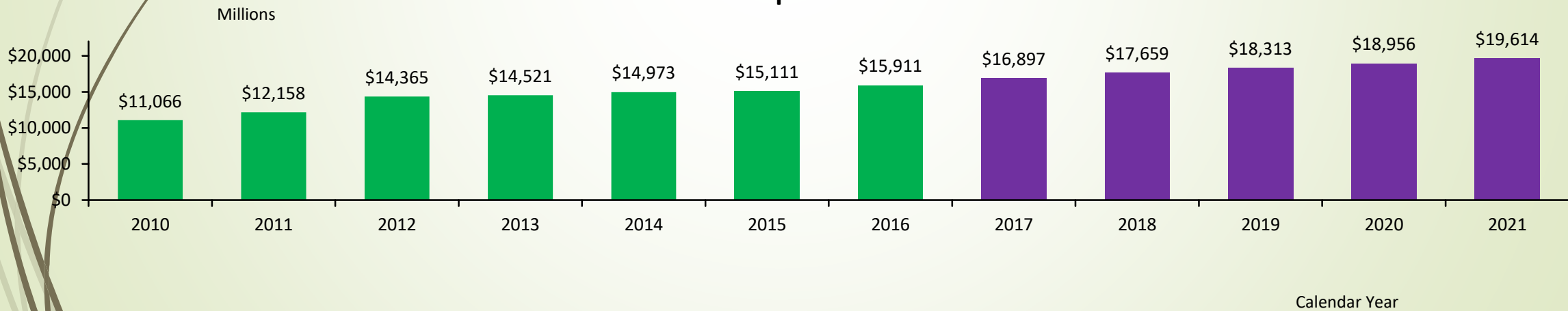
Source: U.S. Bureau of Economic Analysis and DBEDT

Total Visitor Arrivals and Expenditures

Visitor Arrivals



Visitor Expenditures



Source: HTA and DBEDT

Air seats in 2018 on scheduled flights

MARKET	STATE	% change
TOTAL	13,249,145	9.0
US WEST	8,184,578	11.6
US EAST	1,101,888	9.2
JAPAN	2,026,848	2.0
CANADA	467,432	1.0
OTHER ASIA	625,991	8.1
OCEANIA	530,691	9.8
OTHER	311,717	6.1

Source: Hawaii Tourism Authority

Air seats directly to the neighbor islands are expected to increased by more than 22%

Airport	2017	2018	% change
TOTAL	12,150,539	13,249,145	9.0
Honolulu	8,033,048	8,188,369	1.9
Kahului	2,328,461	2,628,037	12.9
Lihue	758,663	1,040,409	37.1
Hilo	48,180	60,603	25.8
Kona	982,187	1,331,727	35.6

Source: Hawaii Tourism Authority

Mil. 2017 \$

Real visitor spending: 1998-2017

