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#### **FOR IMMEDIATE RELEASE**

December 11, 2023

### **HAWAI'I ECONOMIC GROWTH REMAINS LOW FOR 2024 AS RECOVERY CONTINUES**

HONOLULU – The Department of Business, Economic Development and Tourism (DBEDT) released its fourth quarter 2023 Statistical and Economic Report today. In the report, DBEDT revised its economic growth projections upward to 1.9 percent for 2023, as measured by the growth of real gross domestic product (GDP) and lowered the economic growth rate for 2024 to 1.3 percent from 1.5 percent projected in the previous quarter.

The increase for 2023 was mainly due to the strong growth during the first half of the year. Data released by the U.S. Bureau of Economic Analysis indicated that Hawai'i's economic growth during the first half of 2023 was at 2.4 percent, higher than U.S. growth at 2.0 percent. DBEDT expects that economic growth for the second half of 2023 will be at 1.4 percent, lower than the first half, due to the Maui wildfires. The decrease in growth expectations for 2024 is mainly due to the projected global economic slowdown.

Hawai'i was hit hard by the COVID-19 pandemic. By 2022, Hawai'i's economy recovered to 95.8 percent of the 2019 level, while the U.S. economy has fully recovered and grown since 2021. During the first half of 2023, economic recovery in Hawai'i stood at 97.7 percent compared to the first half of 2019. The current forecast indicates that Hawai'i's economy will be fully recovered to the 2019 level in 2025.

## **How is the Economy Doing Three Months After the Maui Wildfires?**

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 percent compared to the same period in 2022, reflecting a 52.3 percent decrease in domestic flight visitors and a 41.3 percent decrease in international flight visitors. Though declining in Maui County, visitor arrivals on other major islands increased to offset most of the decrease on Maui. During the August-to-October period, visitor arrivals on O'ahu increased 12.7 percent, on Kaua'i increased 6.5 percent, and on Hawai'i Island, increased 1.9 percent. These increases offset most of the decrease in Maui County, which translated to a 6.2 percent decline in statewide total visitor arrivals during the three-month period.

Spending by visitors by air to the state between August 2023 and October 2023 was down 7.0 percent compared to the same three months in 2022. Spending by visitors by air to Maui County was down 41.4 percent during this period. Month-over-month, the visitor industry on Maui Island started to improve in October in terms of visitor days and expenditures.

During the three months between August and October 2023, state general excise tax collection decreased 1.7 percent from the same period in 2022.

The job market performed better during the three months after the Maui wildfire, mainly due to the increase in visitors in other counties and the recovery of other industry sectors. 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 monthly unemployment rate (not seasonally adjusted) in September 2023 was 8.3 percent, the highest it has been since June 2021. Maui County's unemployment rate (not seasonally adjusted) in October 2023 was lower at 7.1 percent.

In terms of total payroll jobs, the state had a net gain in jobs every month during the first 10 months of 2023 as compared with the same months in 2022, though Maui County lost jobs since August. Other counties have been adding jobs and the increases have offset the decrease in Maui. The net job gain (not seasonally adjusted) between August and October was 8,000 per month as compared with the same period in 2022. In October 2023, the unemployment rate (not seasonally adjusted) in the state was 3.1 percent, which is half of a percentage point lower than the national average. In October 2023, the total number of people employed either as payroll employees or self-employed was 653,250 (not seasonally adjusted) and represented a 97.3 percent recovery compared to the same month in 2019. The number of people who were unemployed and still looking for jobs dropped to 20,800 (not seasonally adjusted) in October 2023, a 19.1 percent drop from the same month a year ago.

Average weekly initial unemployment claims were down to 1,183 during the month of November 2023, slightly lower than the average weekly unemployment claims of 1,200 in 2019. The

average weekly initial unemployment claims during the August-October 2023 period was 2,280, with about 60 percent of the claims coming from Maui County.

Non-agricultural payroll jobs recovered to 634,500 (not seasonally adjusted) in October 2023; this represents a 96.0 percent recovery from the same month in 2019.

Another indicator of the labor market is the income tax withholdings from payroll. During the three months after the Maui wildfire, income tax withholdings on wages increased by 11 percent as compared with the same period a year ago.

### **Hawai'i's Economic Recovery Continues**

The impacts of the Maui wildfires on the state's economic indicators for 2023 to date are mitigated by Hawai'i's strong economic performance through July 2023. Total visitor arrivals for the first 10 months of 2023 increased by 5.5 percent compared to the same period in 2022 and represent 93.4 percent of the 2019 level. Domestic visitor arrivals by air during this period decreased 3.6 percent compared to the same period of 2022, however, international visitor arrivals increased 56.1 percent. Total visitor expenditures for the first 10 months of 2023 increased 7.1 percent relative to the same period in 2022.

In the first 10 months of 2023, the labor force (not seasonally adjusted) increased by 0.1% relative to the same period of 2022 and was 98.6% of the level in 2019. The number of civilians employed (not seasonally adjusted) increased 0.5% in the first 10 months of 2023 compared to the same period in 2022 (98.2 percent of the 2019 level). The state added 2.6% more non-agricultural payroll jobs (not seasonally adjusted) in the first 10 months of 2023 compared to the same period in 2022. This represents 96.0 percent of the level of non-agricultural payroll jobs in 2019. The state's unemployment rate (not seasonally adjusted) through the first 10 months of 2023 averaged 3.0 percent, 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.

Hawai'i's consumer inflation, as measured by the Urban Hawai'i consumer price index, averaged 3.0 percent during the first nine months of 2023, higher than the 1.7 percent experienced during the same period in 2019, but much lower than the national level of 4.4 percent.

As a comprehensive measure of economic activity, general excise tax revenue collections increased by 5.1 percent in the first 10 months of 2023 compared to the same period in 2022.

### **Hawai'i's Construction Outlook Appears Strong**

The near-term outlook for construction is favorable. In the first 10 months of 2023, the average level of construction jobs increased 2.4% over the same period of 2022 and exceeds the average level in 2019 by 0.9%. Construction earnings for the first half of 2023 were up 5.5 percent compared to the first half of 2022.

The total value of building permits issued during the first 10 months of 2023 increased by 4.2 percent from the same period a year ago. The permit value for additions and alterations increased by 25.3 percent, the value for commercial and industrial permits increased by 9.5 percent, while the value of residential permits decreased by 12.6 percent during the same period. Looking over the prior 12 months (November 2022 to October 2023), the total value of building permits issued by the county building departments increased by 17.8% compared with the previous same 12-month period. Several large construction projects were approved during the November 2022 to October 2023 period, including three affordable housing projects, three large-scale renewable energy projects, and five large hotel projects. Among the projects approved for Maui are the Kuihelani Solar + Storage Project (\$26.3 million), Maui Bay Villas (\$76.2 million), Grand Wailea (\$36.3 million), a new hotel planned for the old Maui Palms site in Kahului (\$34.8 million), and Kapalua Bay Villas (\$32.2 million).

Government contracts awarded in the state over the first nine months of 2023 totaled \$4.3 billion, close to the amount awarded over the same period in 2022. The value of government contracts awarded during the first nine months of 2022 and 2023 set records and were the highest since at least 1960. The largest government contract awarded during the past 12 months was the Navy shipyard improvement project at Pearl Harbor valued at \$2.8 billion.

### **National Economic Conditions**

According to the most recent (November 2023) economic projections by the top 50 economic forecasting organizations published in Blue Chip Economic Indicators, U.S. economic growth is expected to be 2.4 percent in 2023 and 1.2 percent in 2024. These growth rates exceeded prior expectations as strong consumer spending and inventory investment led to a much higher than expected third quarter increase in seasonally adjusted real GDP. U.S. real GDP growth is expected to slow in the fourth quarter and through 2024.

Following seven interest rate hikes in 2022 and four interest rates hikes in 2023, with the last rate increase in July 2023, the Federal Reserve left interest rates unchanged at its last two meetings. Seventy-nine percent of the economists in the Blue Chip Economic Forecasting panel believe that the Federal Reserve will not increase interest rates further. Eighty-six percent of the economists believe that the first rate cut will not occur until the second quarter of 2024 or later.

### **Areas of Concern**

While the state continues to recover, more residents may decide to move out of state. Hawai'i's declining population continues to be a concern.

Labor force growth slowed over the last three quarters of 2023 and began to decrease in the third quarter. The shortage of labor remains a challenge for Hawai'i's economy.

Although it appears that the Federal Reserve may not increase rates further, interest rates and mortgage rates may remain high for some time. This will cause sales in the real estate market to remain low. The number of home sales in the first nine months of 2023 decreased by 32.1 percent compared to the same period of 2022.

Bankruptcy filings continue to increase. In the first three quarters of 2023, bankruptcy filings increased by 9.8 percent compared to the same period in 2023.

## **Forecasting Results**

In the current report, DBEDT predicts that the economic growth rate for Hawai'i, as measured by the percentage change in real GDP, will increase by 1.9 percent in 2023 from 2022. In 2024, economic growth is expected to reach 1.3 for the state. In 2025 and 2026, economic growth for Hawai'i is expected to be 1.9 percent and 2.0 percent respectively, as reconstruction activities on Maui begin.

Visitor arrivals are projected to be 9.6 million in 2023, lower than previously projected. Visitor arrivals are now expected to increase to more than 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.

Total air seats from international destinations are expected to increase by 22.4 percent during the next three months (December to February 2024), with scheduled air seats from Japan expected to increase by 60.8 percent. Total scheduled air seats from all sources are expected to increase by 0.5 percent during the next three months.

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

The state unemployment rate is expected to be at 3.0 percent in 2023, and will improve to 2.8 percent in 2024, 2.6 percent in 2026, and 2.4 percent in 2026.

Personal income is expected to grow by 4.5 percent in 2023, higher than the projection made in the previous quarter. Personal income will grow by 3.8 percent in 2024, 4.0 percent in 2025, and 4.2 percent in 2026.

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

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

## **Statement of DBEDT Director James Kunane Tokioka**

The Maui wildfires have had clear impacts on our state's economy. DBEDT continues to work with federal, state, and county agencies as well as private organizations, with an emphasis on recovery and rebuilding efforts to support the affected residents on Maui. We encourage everyone to support our local businesses and communities, especially during this holiday season.

While we see visitor arrivals from the U.S. mainland continue weakening, we expect international arrivals will pick up in 2024. During my recent visit to Japan with Governor Josh Green, we were encouraged by leaders in both the government and private sectors that travel to Hawai'i will increase in the near future.

The current airline schedule for the first half of 2024 shows that air seats from Japan will increase by 73.7 percent from 2023, which is about an 80 percent recovery from the 2019 level. The increase is promising given that the current level of air seats from Japan is at 60 percent of the 2019 capacity.

The full report is available at: [dbedt.hawaii.gov/economic/qser/](https://dbedt.hawaii.gov/economic/qser/).

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**ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII:  
2020 TO 2026**

Economic Indicators	2021	2022	2023	2024	2025	2026
	Actual		Forecast			
Total population (thousands) 1/	1,447	1,440	1,438	1,436	1,437	1,439
Visitor arrivals (thousands) 2/	6,778	9,234	9,608	9,800	10,061	10,313
Visitor days (thousands) 2/	65,312	85,240	86,243	86,873	88,301	89,783
Visitor expenditures (million dollars) 2/	13,154	19,800	20,931	21,631	22,542	23,461
Honolulu CPI-U (1982-84=100)	296.8	316.1	325.1	333.4	341.3	348.9
Personal income (million dollars)	88,948	88,973	92,977	96,510	100,371	104,586
Real personal income (millions of 2017\$)	77,707	72,971	74,034	74,754	75,774	77,182
Personal income deflator	114.5	121.9	125.6	129.1	132.5	135.5
Non-agricultural wage & salary jobs (thousands)	586.9	618.1	631.7	641.8	651.9	661.1
Civilian unemployment rate	6.0	3.5	3.0	2.8	2.6	2.4
Gross domestic product (million dollars)	93,090	101,083	105,397	109,553	113,960	118,338
Real gross domestic product (millions of 2017\$)	84,122	85,211	86,830	87,959	89,674	91,469
Gross domestic product deflator	110.7	118.6	121.4	124.5	127.1	129.4
Annual Percentage Change						
Total population	-0.3	-0.5	-0.2	-0.1	0.1	0.1
Visitor arrivals	150.3	36.2	4.1	2.0	2.7	2.5
Visitor days	127.9	30.5	1.2	1.6	1.6	1.2
Visitor expenditures	154.8	50.5	5.7	4.3	4.2	3.6
Honolulu CPI-U	3.8	6.5	2.8	2.5	2.4	2.2
Personal income	7.5	0.0	4.5	3.8	4.0	4.2
Real personal income	1.1	-6.1	1.5	1.0	1.4	1.9
Personal income deflator (2017=100)	4.5	6.5	3.0	2.8	2.6	2.3
Non-agricultural wage & salary jobs	4.8	5.3	2.2	1.6	1.6	1.4
Civilian unemployment rate 3/	-5.7	-2.5	-0.5	-0.2	-0.2	-0.2
Gross domestic product	10.0	8.6	4.3	3.9	4.0	3.8
Real gross domestic product	5.7	1.3	1.9	1.3	1.9	2.0
Gross domestic product deflator (2017=100)	4.1	7.2	2.3	2.6	2.0	1.8

1/ July 1 count.

2/ Visitors who came to Hawai'i by air and by cruise ship. Expenditures includes supplementary business expenditures.

3/ Absolute change from previous year.

Source: Hawai'i State Department of Business, Economic Development & Tourism, December 7, 2023.