

Hawaii's Economic Outlook

Presented to the

The Pacific Asia Travel Association

&

The Travel & Tourism Research Association

February 24, 2010

by

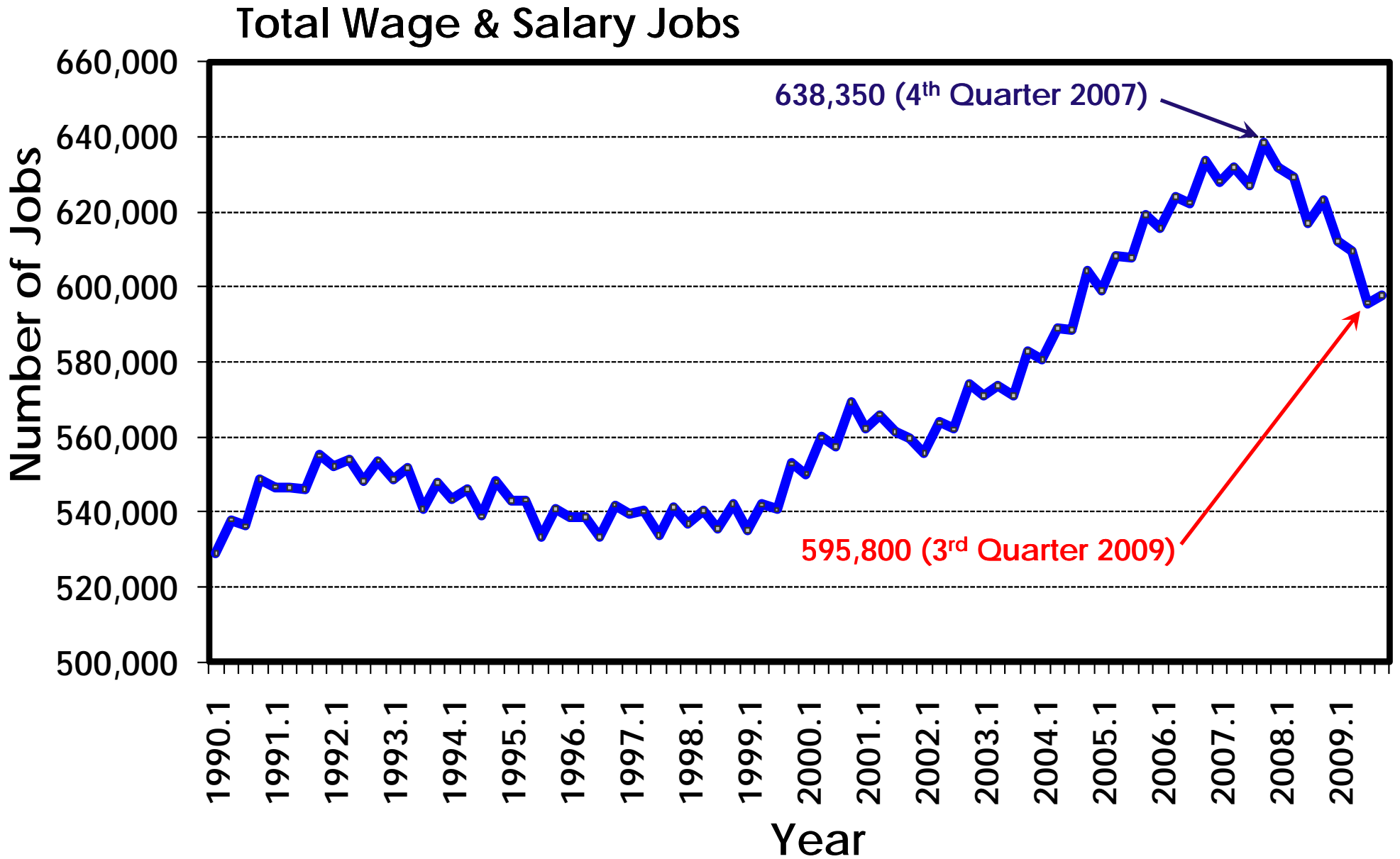
Dr. Pearl Imada Iboshi

Department of Business, Economic Development & Tourism

Hawaii's economic outlook has worsened but is better than the US

- Labor market: Unemployment rate among the lowest 30% in the nation
- Personal income: Growth has been better than the U.S. average since 2002
- Construction: Private construction has declined, but State government construction increased during the first 9 months
- Visitor industry: Visitor arrivals show improvement since July 2009

Hawaii has lost 42,550 jobs as of 3rd quarter 2009 from the peak of 4th quarter 2007

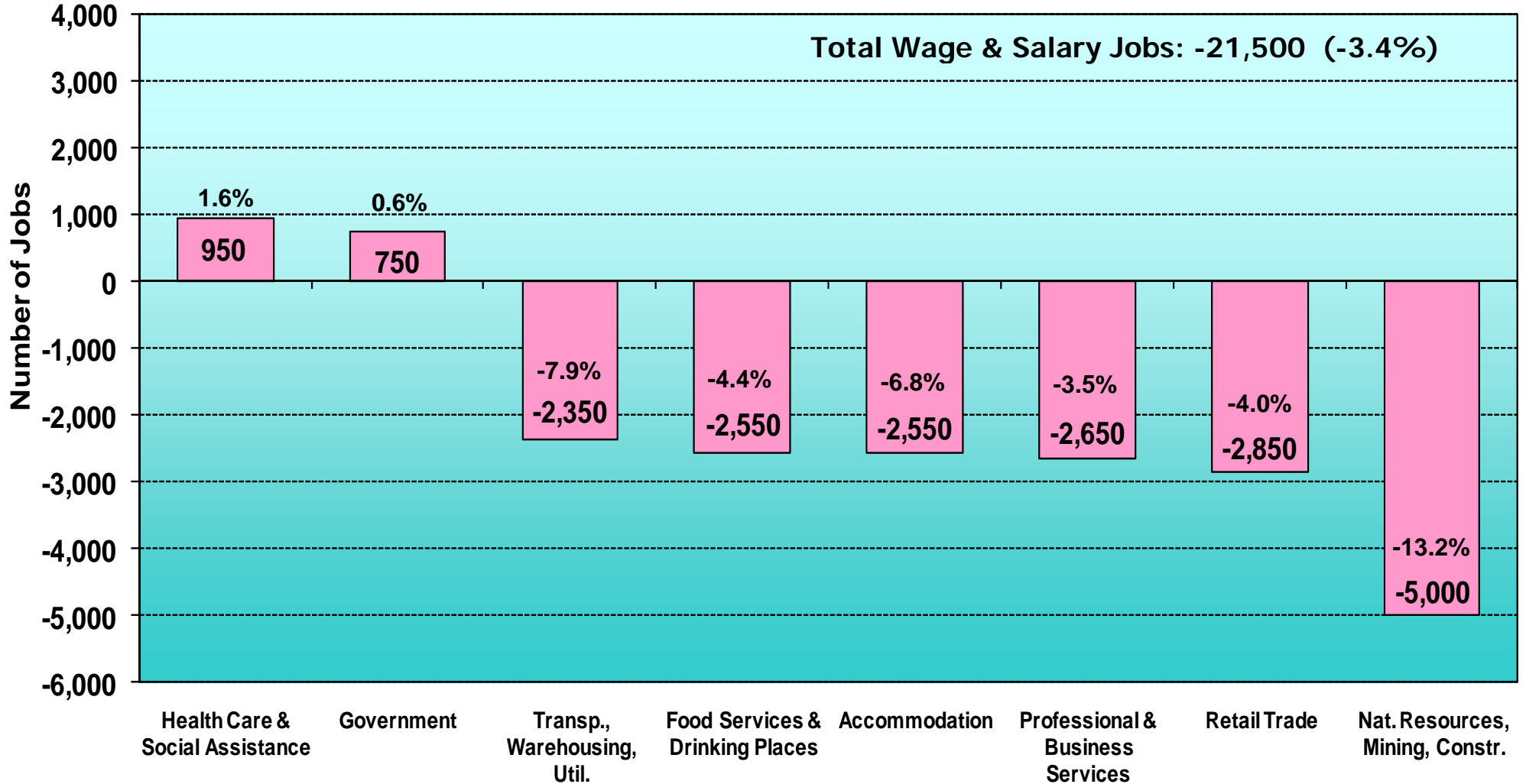


Through 4th Quarter 2009

Source: Hawaii State Department of Labor and Industrial Relations

Largest job declines were in construction and visitor related industries in 2009

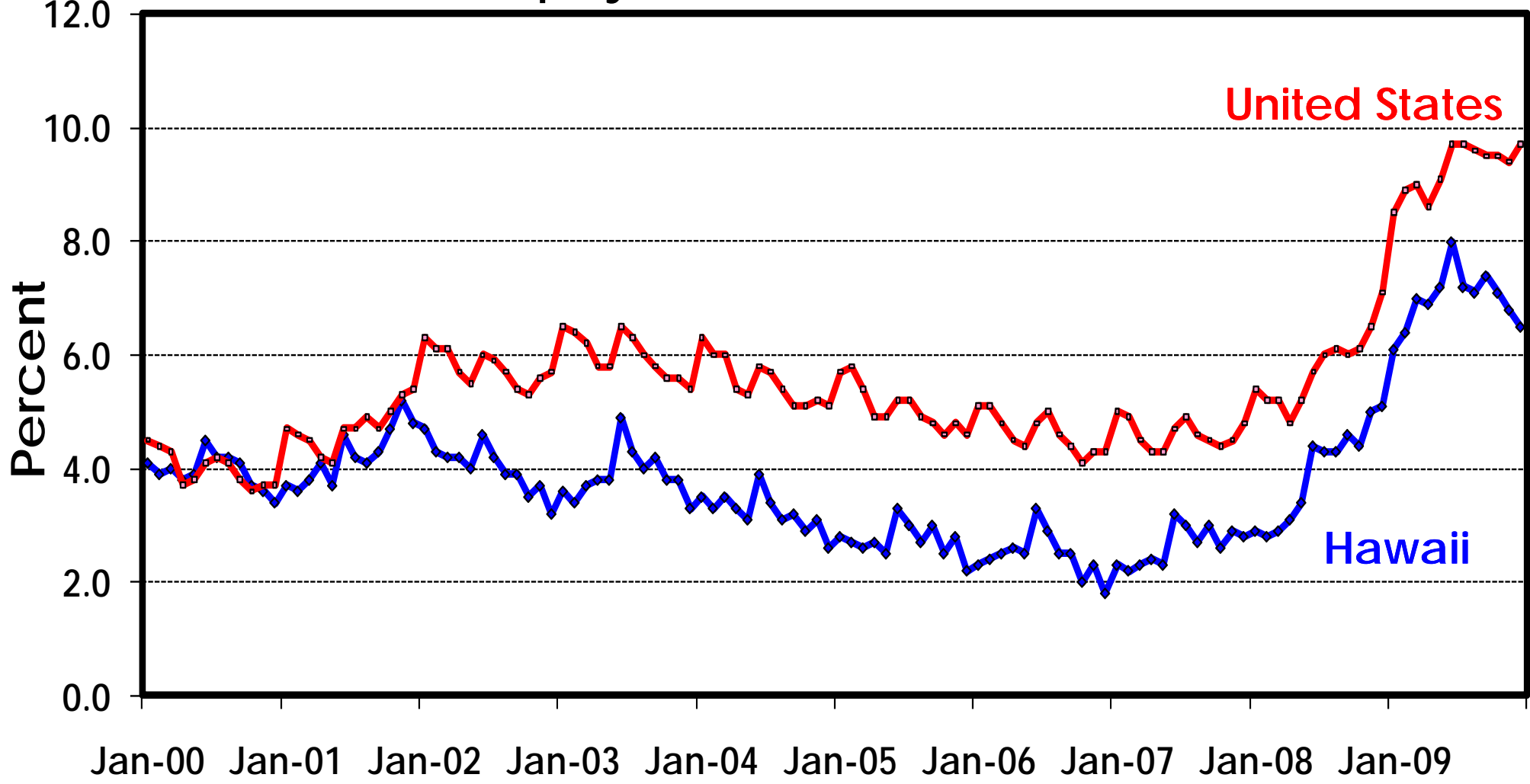
(2009 Job Growth)



Source: Hawaii State Department of Labor and Industrial Relations

Hawaii's unemployment rate increased but has remained well below the U.S. average

Unemployment Rates - 2000 to 2009*

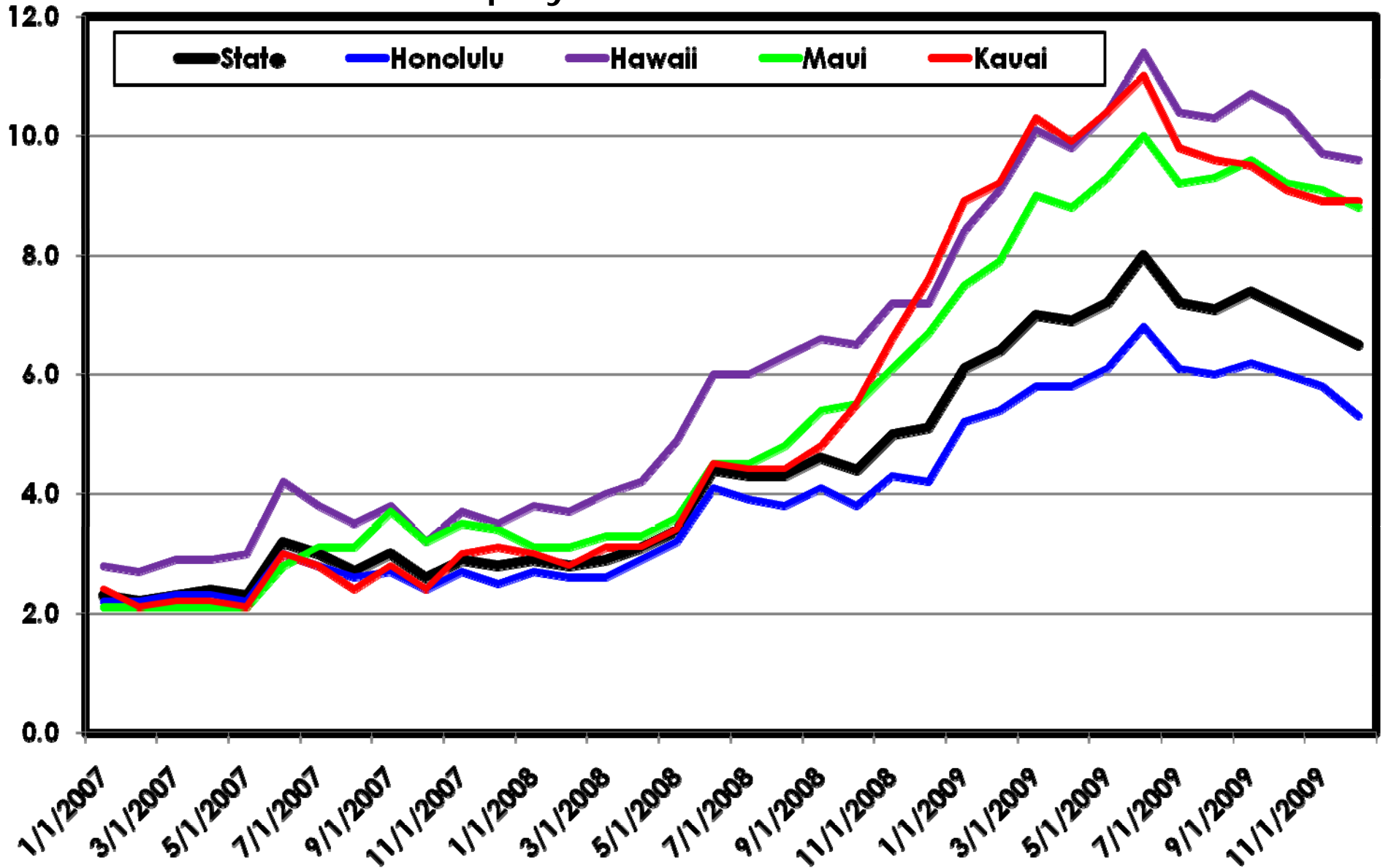


* Through December 2009, Not seasonally adjusted.

Source: Bureau of Labor Statistics

The gap in the unemployment rate between neighbor islands and Honolulu has widened

Unemployment Rates - 2007 to 2009*



* Through December 2009, Not seasonally adjusted.

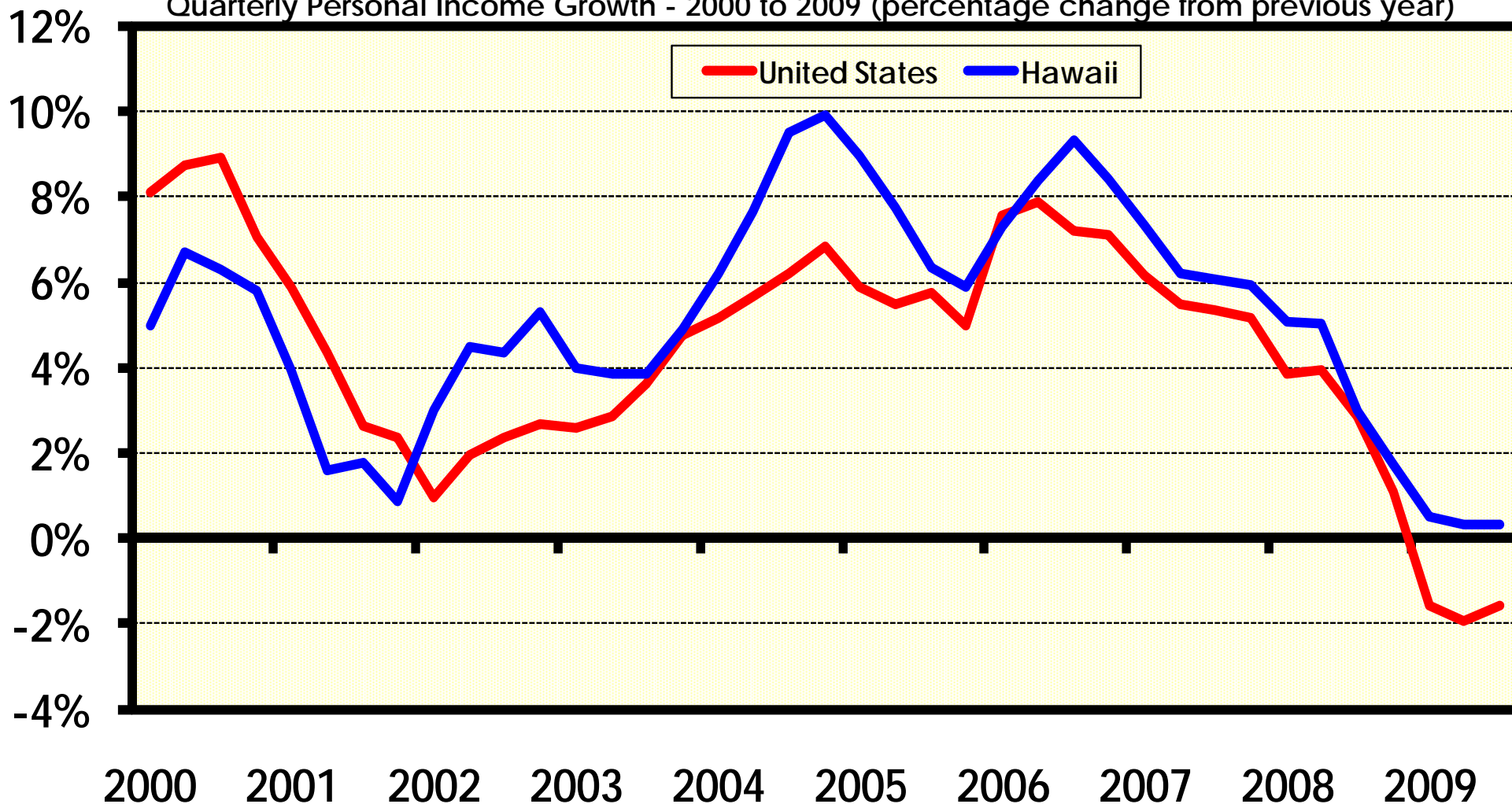
Forecast on job growth

	2009	2010*	2011*
Total			
Wage and Salary Jobs	-3.4%	-0.9%	0.8%

**Forecast*

Hawaii personal income growth has been better than the U.S. since 2002

Quarterly Personal Income Growth - 2000 to 2009 (percentage change from previous year)



Through 3Q 2009

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Forecast on personal income growth

2009

2010*

2011*

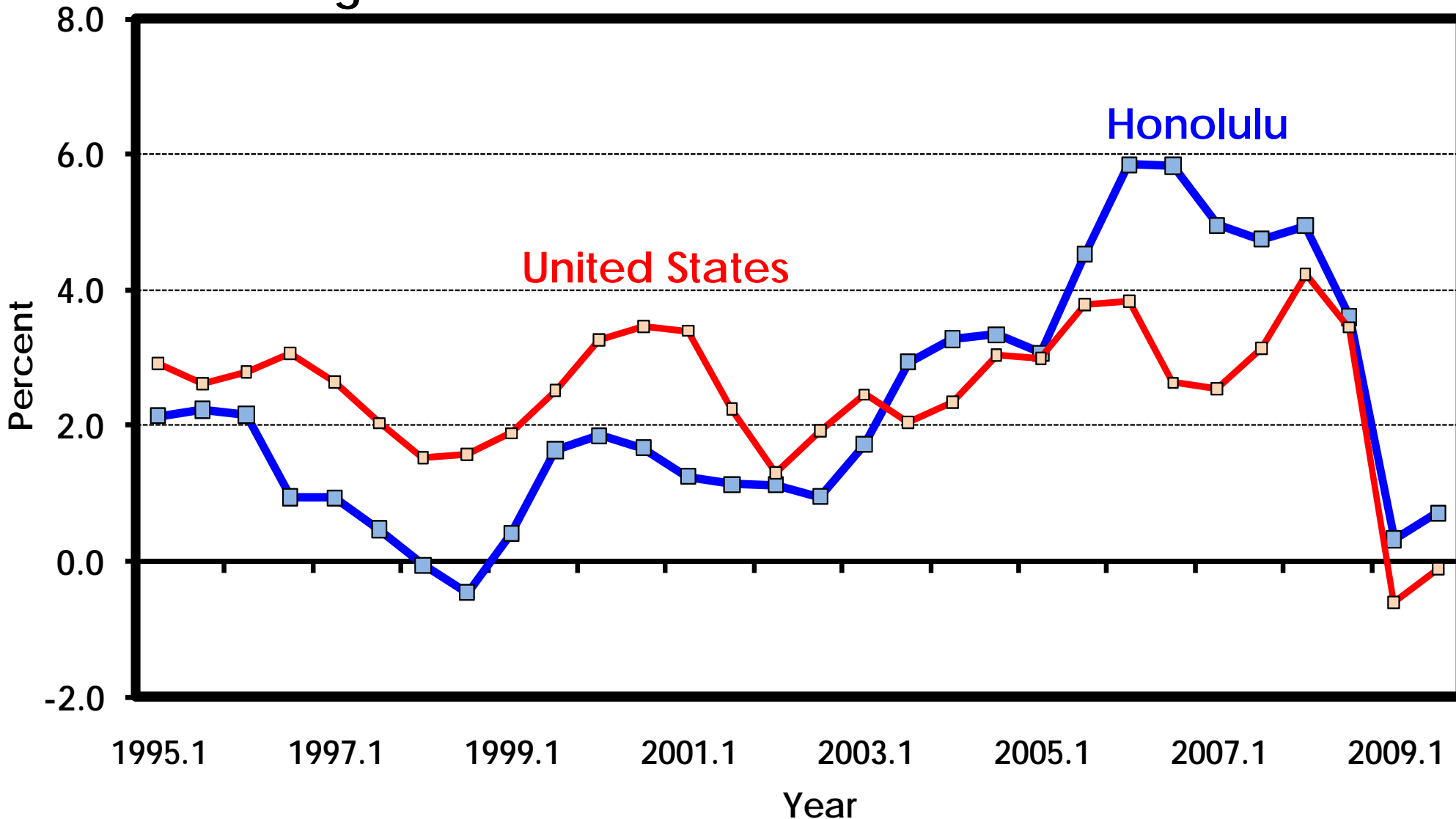
Nominal Total

Personal Income	0.4%	1.7%	3.0%
------------------------	-------------	-------------	-------------

**Forecast*

Inflation for both Hawaii and U.S. has slowed dramatically in the past year

Change in Honolulu and US Consumer Price Indices



All Urban Consumers (1982-1984=100)

Source: U.S. Department of Labor, Bureau of Labor Statistics

Forecast: Slow increase in prices

2009 **2010*** **2011***

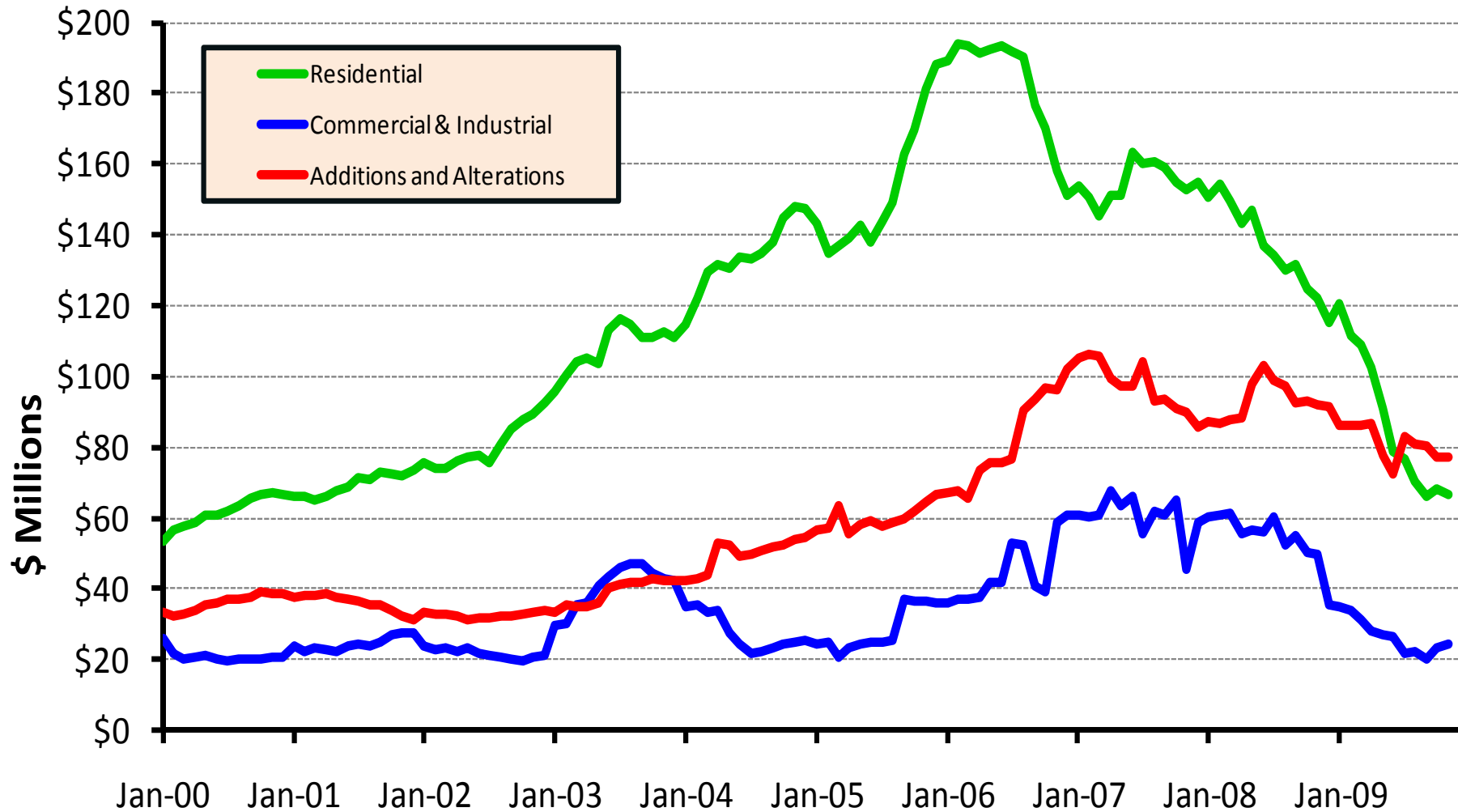
**Percent change in
Honolulu CPI-U**

0.5% **1.7%** **2.2%**

**Forecast*

The value of private building permits continue to fall

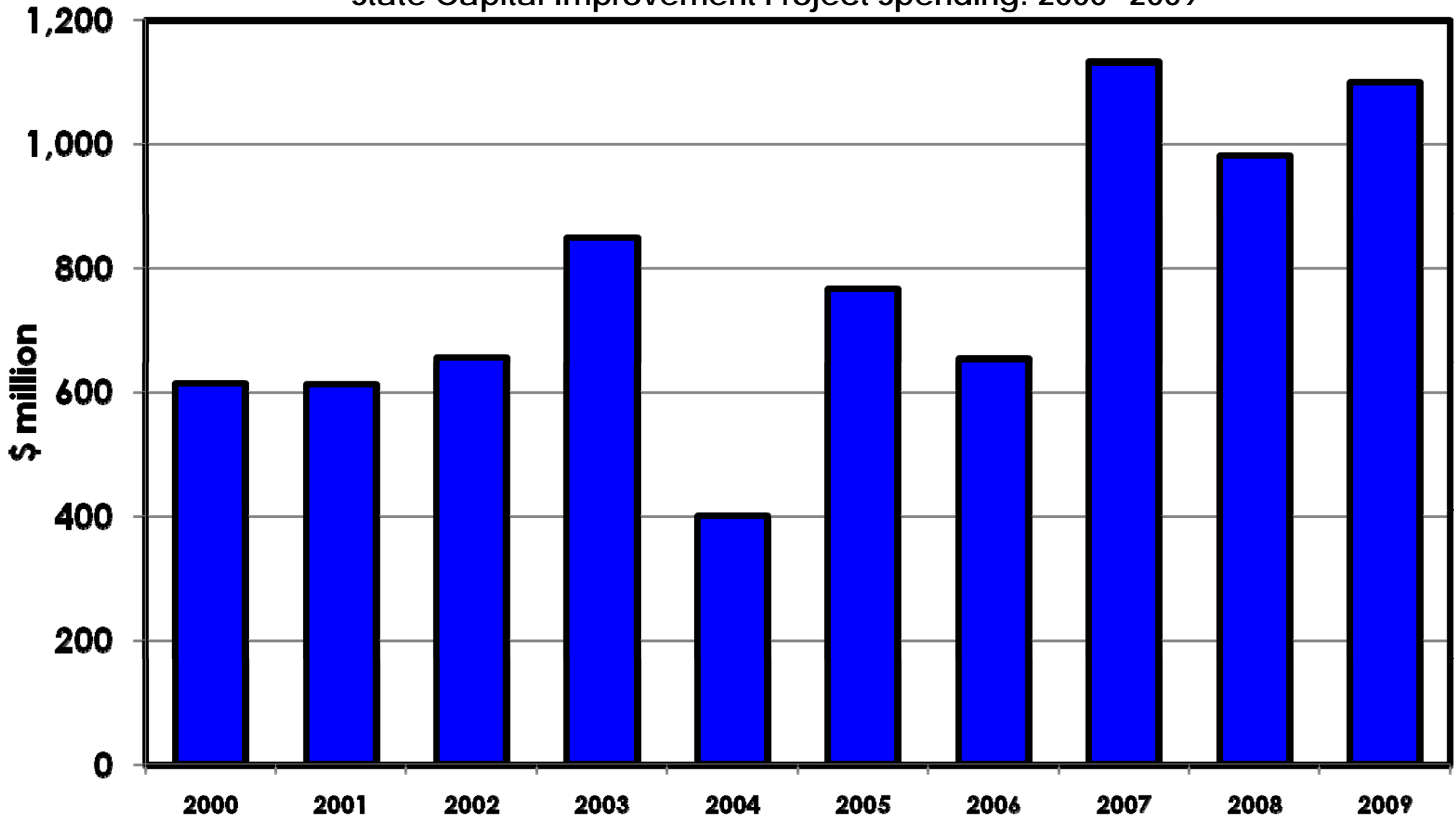
12-Month Moving Average of Building Authorization Components*



* Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through December 2009
Source: County building departments.

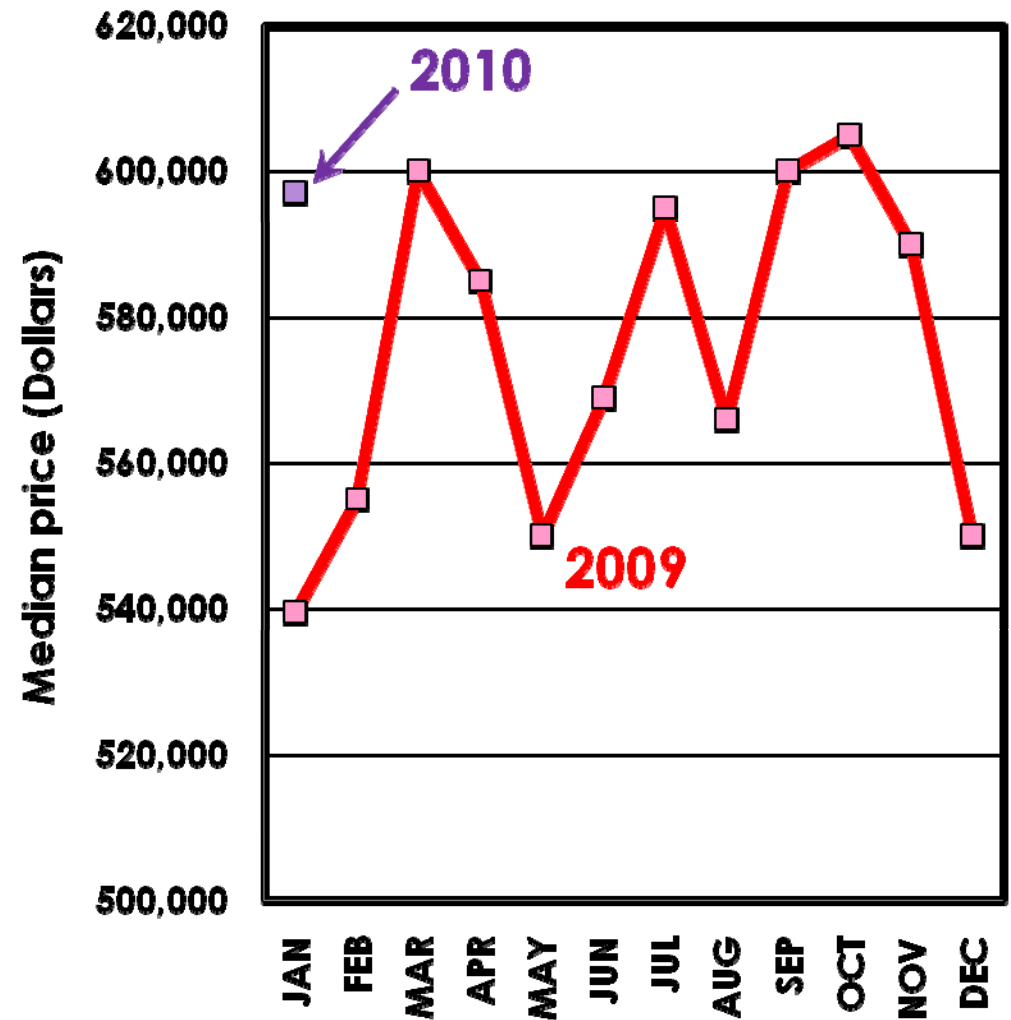
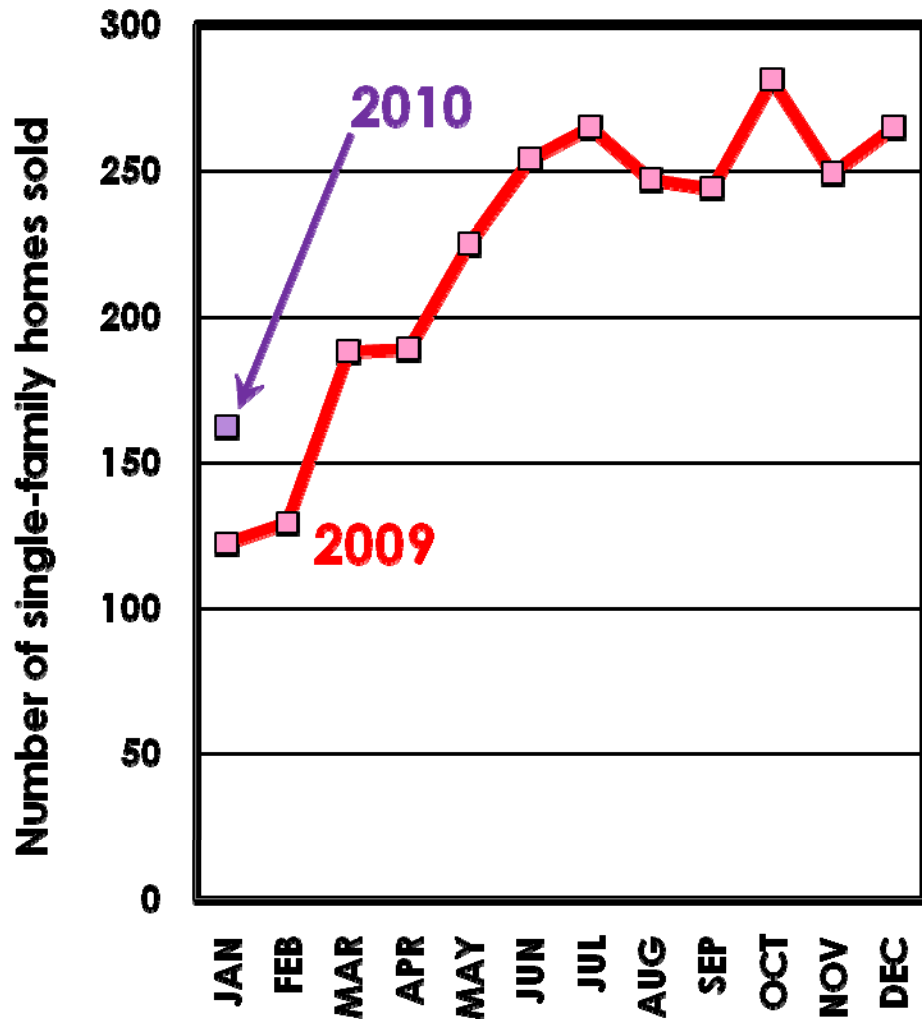
State Capital Improvement Projects increased 15.2% in 2009

State Capital Improvement Project Spending: 2000- 2009



Hawaii home sales begin to improve

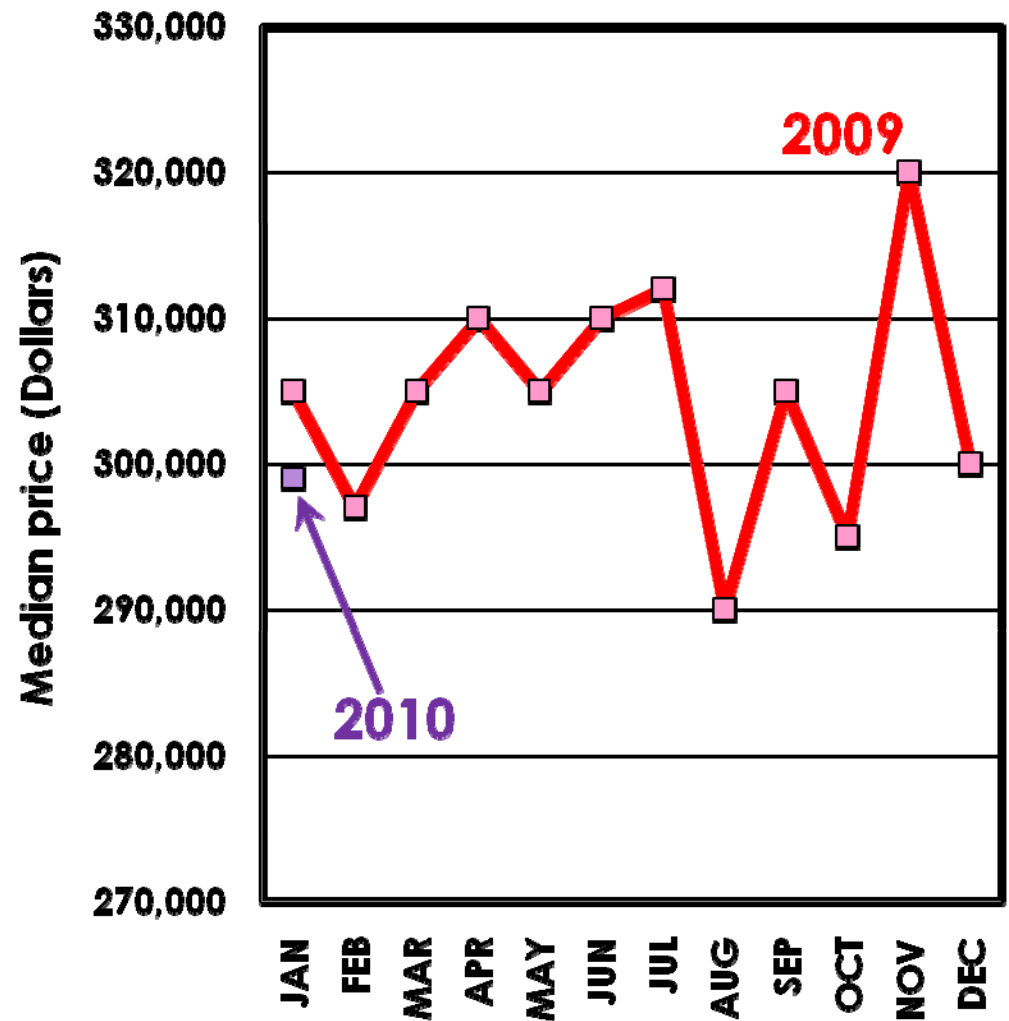
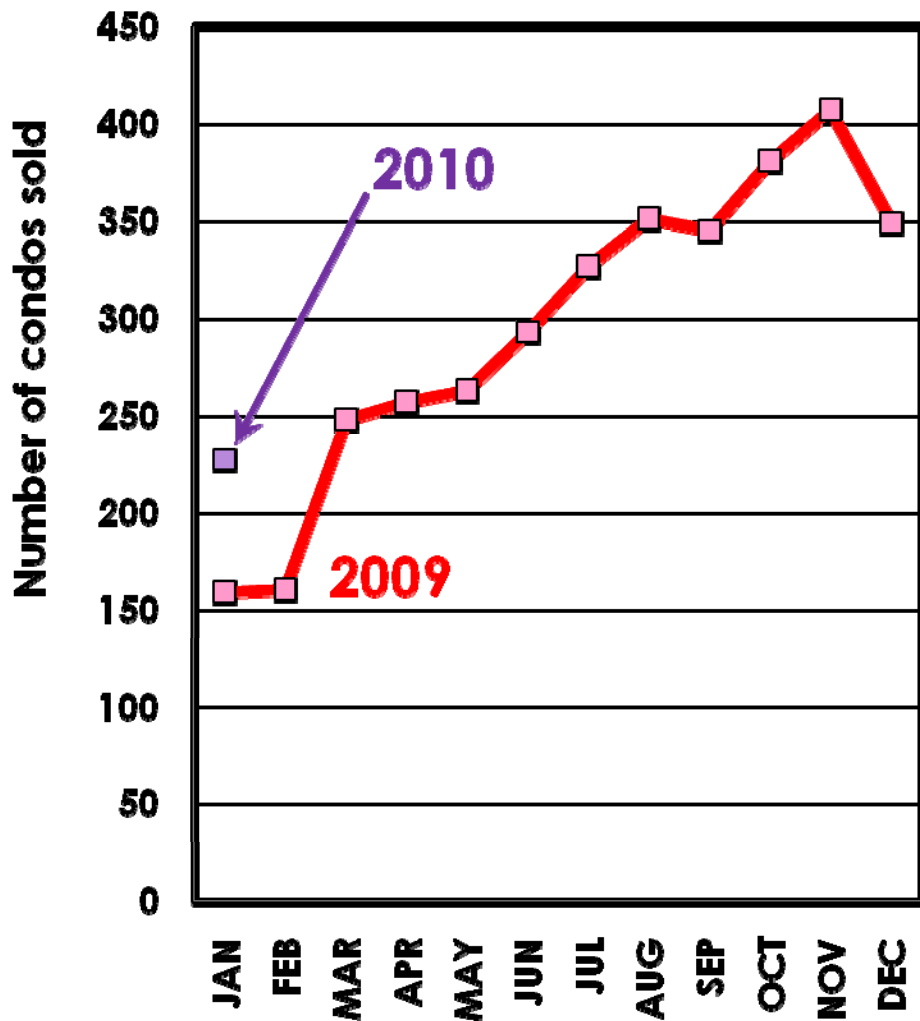
Oahu Single Family Sales & Median Price: 2009 and 2010



Source: Honolulu Board of Realtors

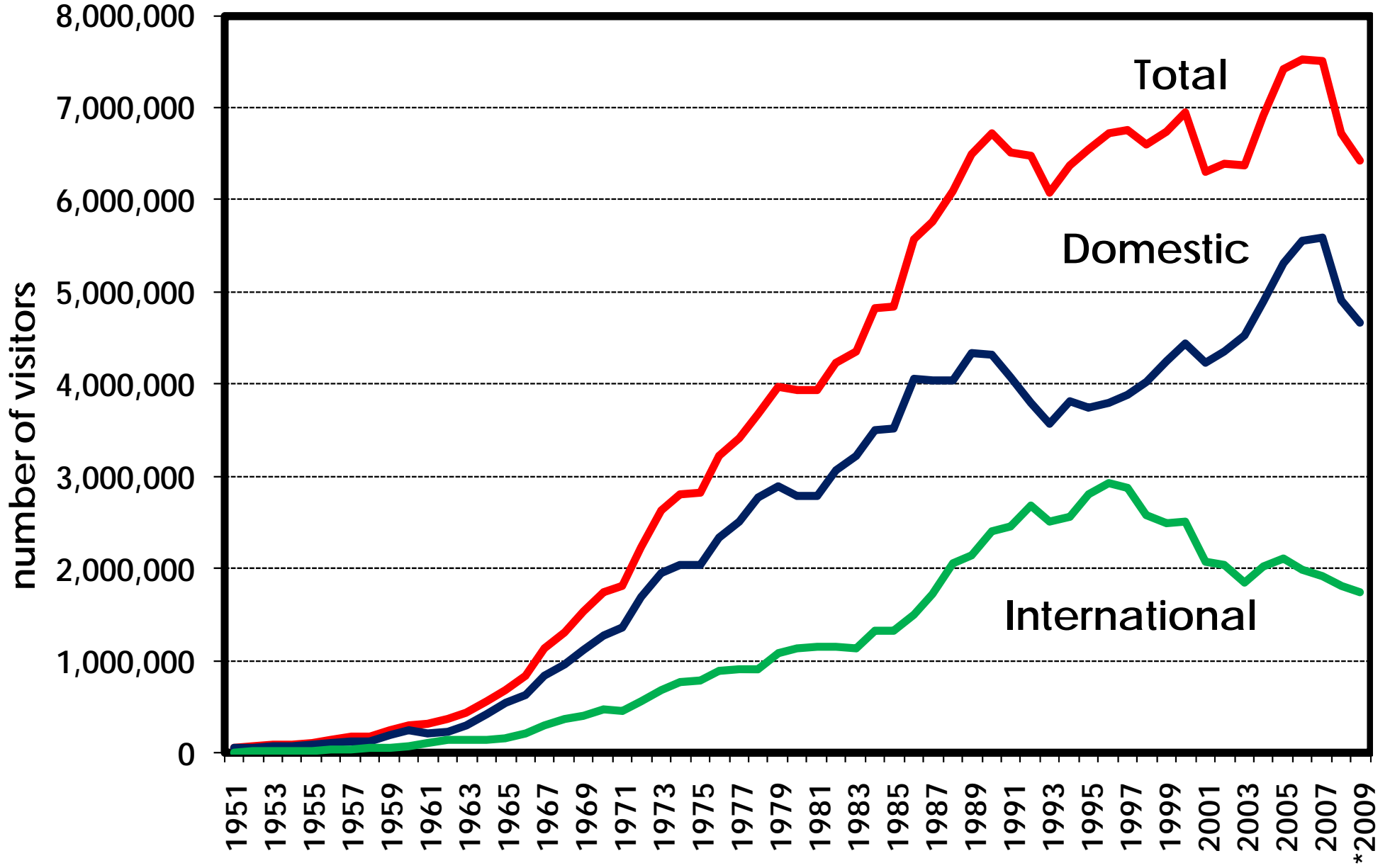
Hawaii condo sales begin to improve

Oahu Condo Sales & Median Price: 2009 and 2010



Source: Honolulu Board of Realtors

Visitor arrivals to Hawaii: 1951 to 2009

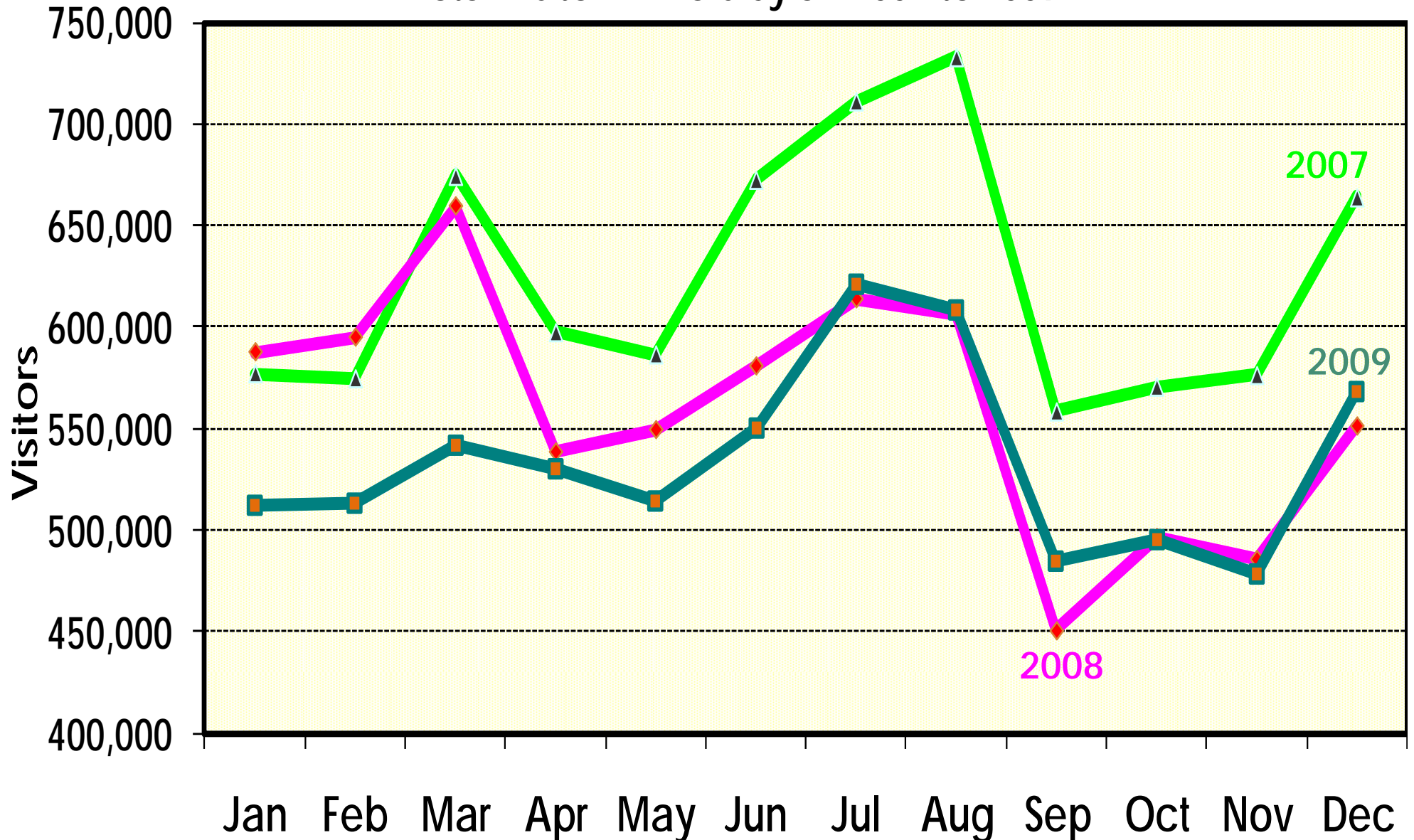


**2009 Figures are Preliminary*

Source: Hawai'i State Department of Business, Economic Development and Tourism

Visitor arrivals began to recover during the summer

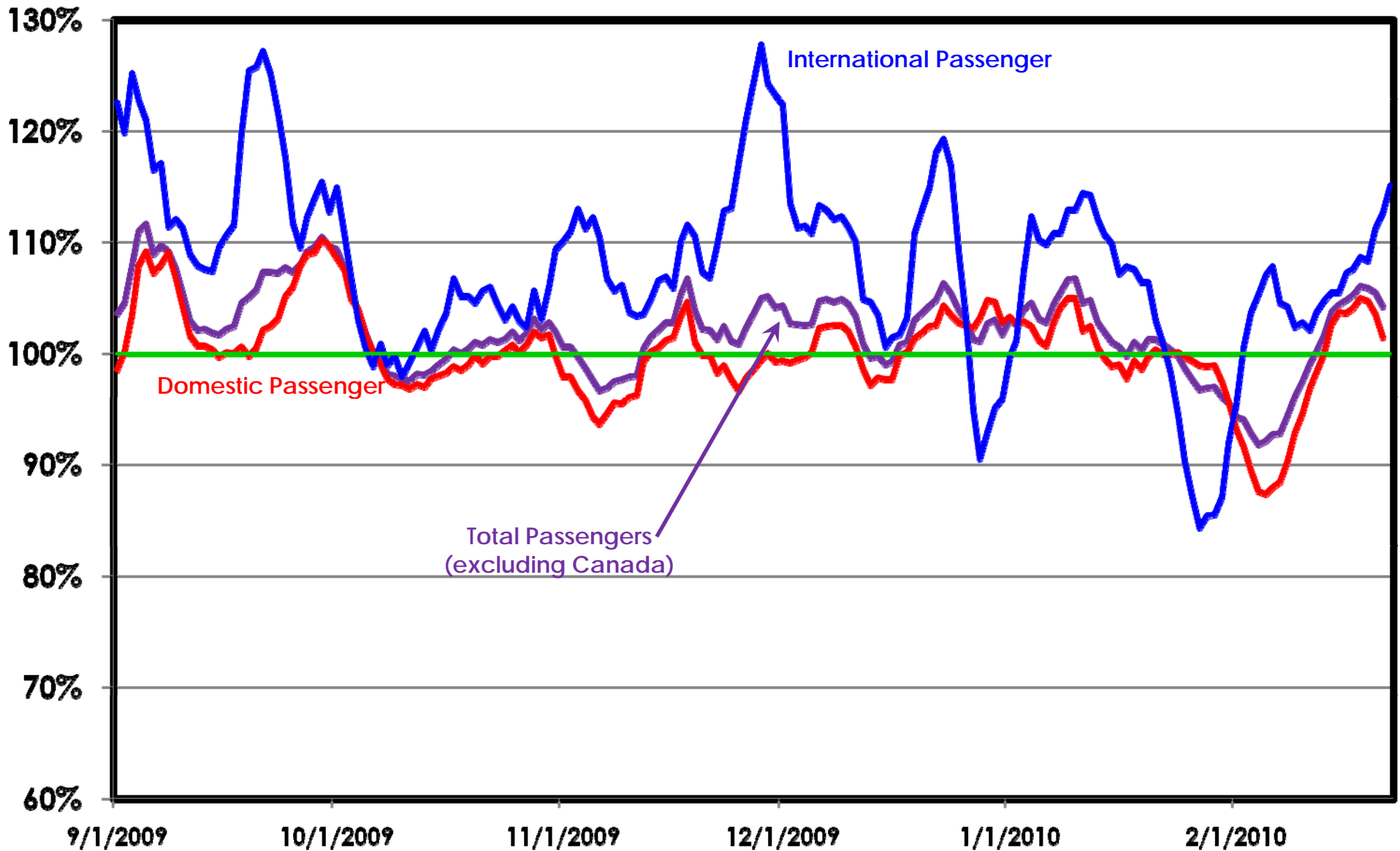
Total Visitor Arrivals by air 2007 to 2009



Through December 2009

Source: Hawai'i State Department of Business, Economic Development and Tourism

International arrivals stronger during 2nd half of 2009

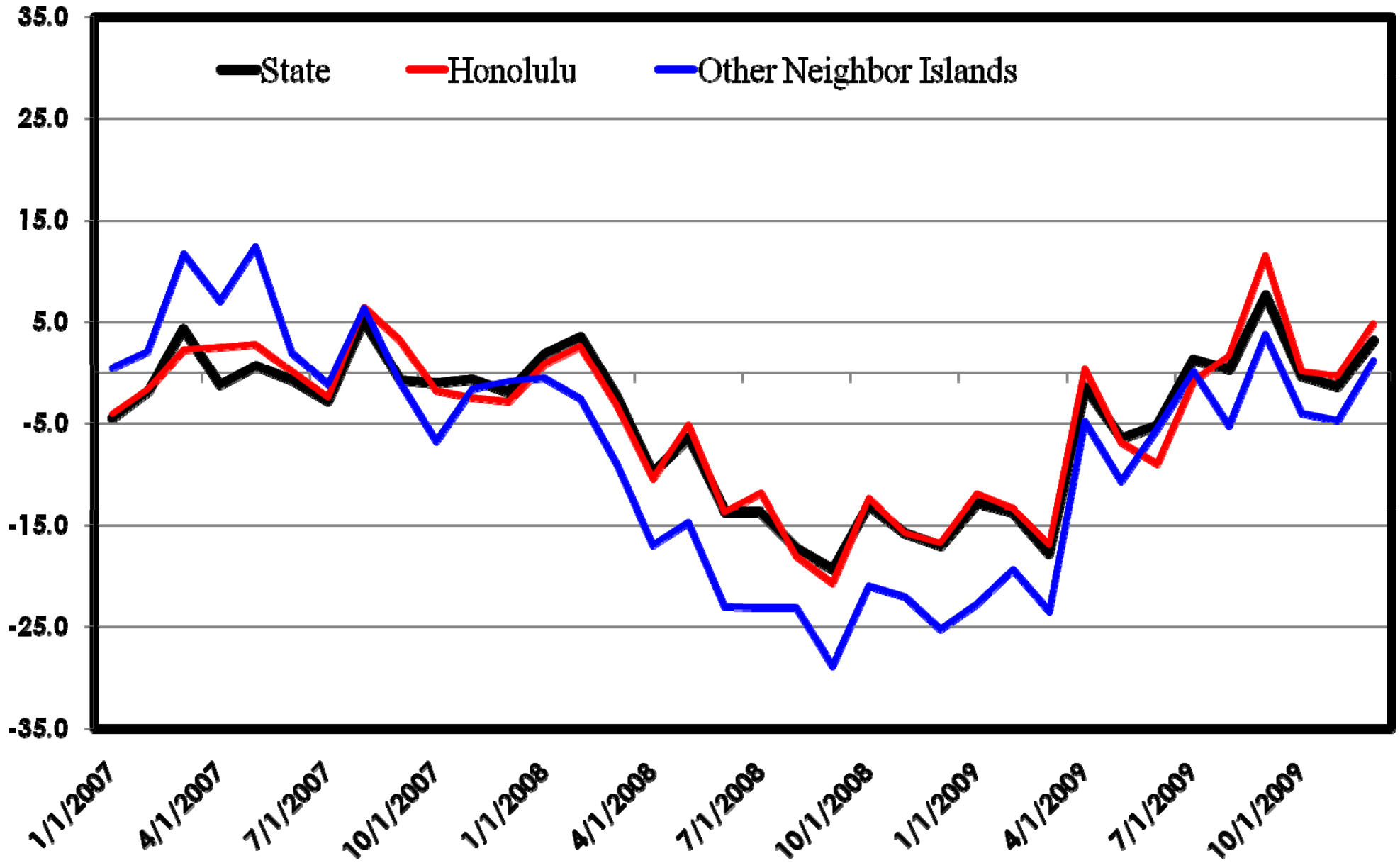


Note: 7-day moving average, 100% = passenger count is the same this year as it was last year on the same date.

Source: Hawaii State Department of Business, Economic Development and Tourism

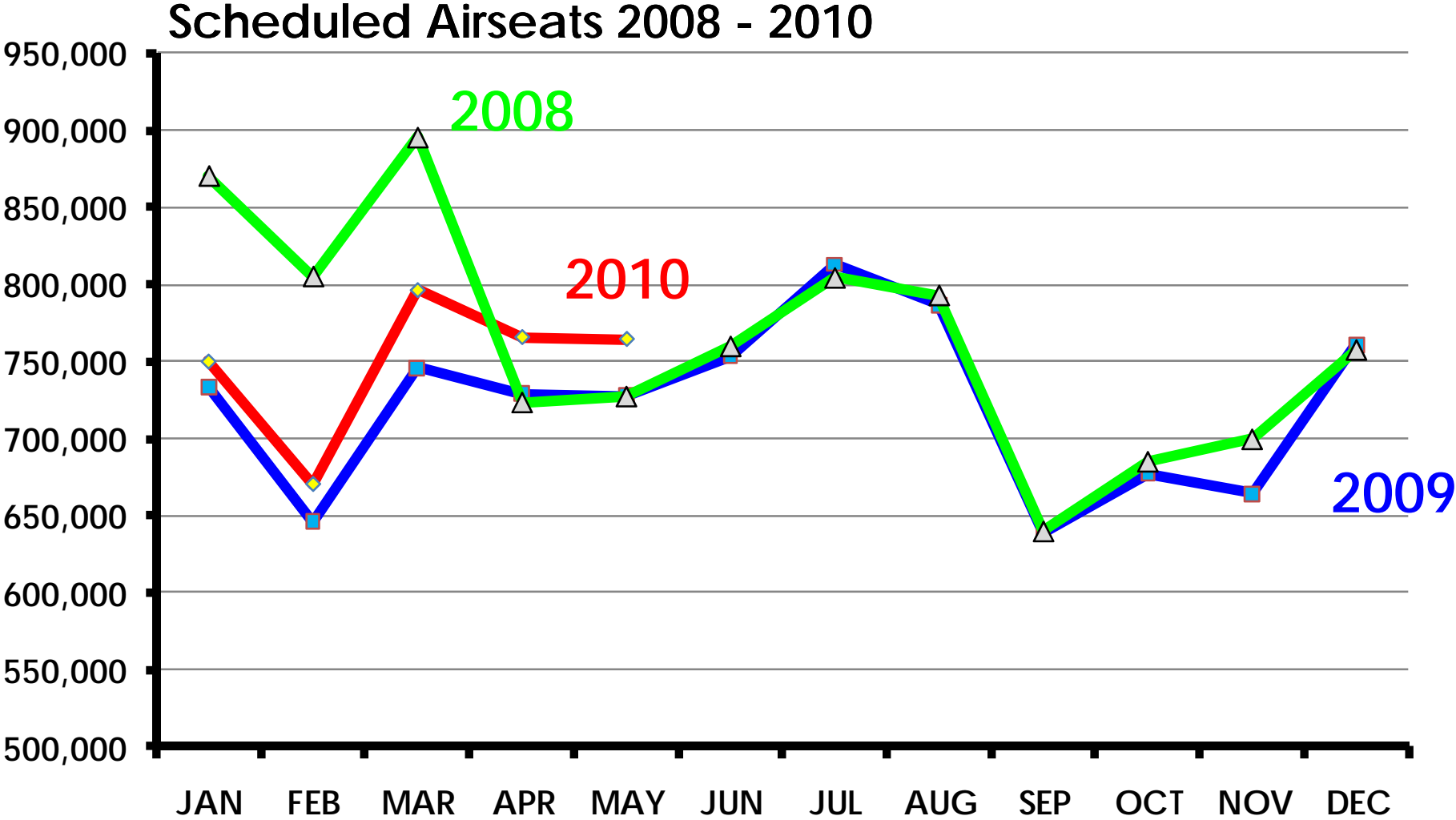
Neighbor island visitor arrivals slowed more dramatically starting in 2008

(% change from same month in previous year)



Through December 2009

Scheduled airseats will exceed 2009 levels in 2010



Source: ADI Global Airport Industry Database / OAG Schedule Detail

Scheduled Nonstops Seats to Hawaii by MMA February-April 2010

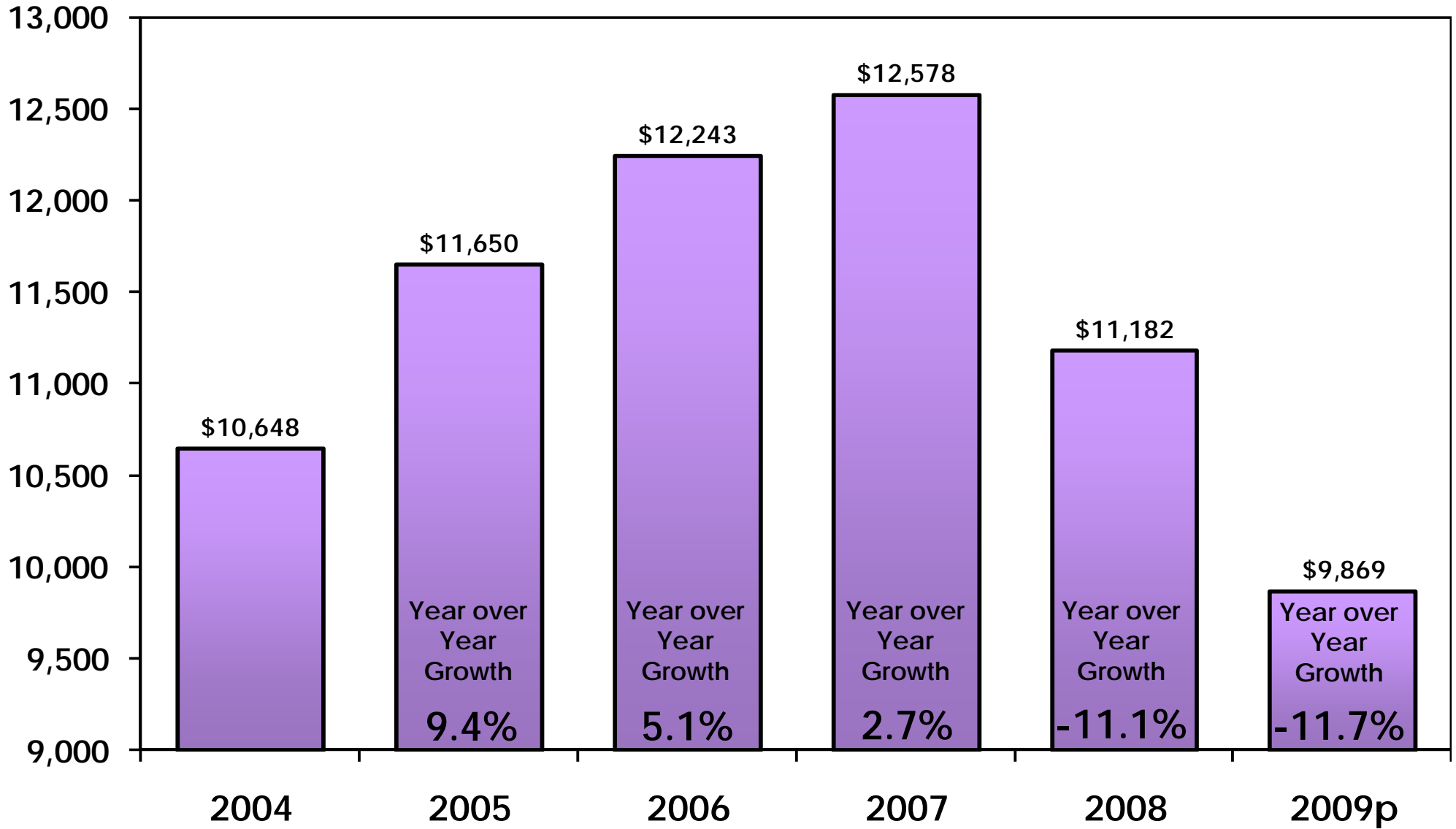
	Number of Airseats	% Change from previous year
US West	1,354,093	3.3%
US East	240,634	14.3%
Japan	399,121	5.7%
Canada	114,557	41.9%
Other Asia	40,897	7.6%
Oceania	38,194	-0.4%
Other	68,817	4.3%

HTA analysis based on scheduled flights from OAG flight schedules as of January 2010, subject to change

Visitor expenditures have fallen more than arrivals

Total Annual Visitor Expenditure (Arrivals by Air): 2004 to 2009p

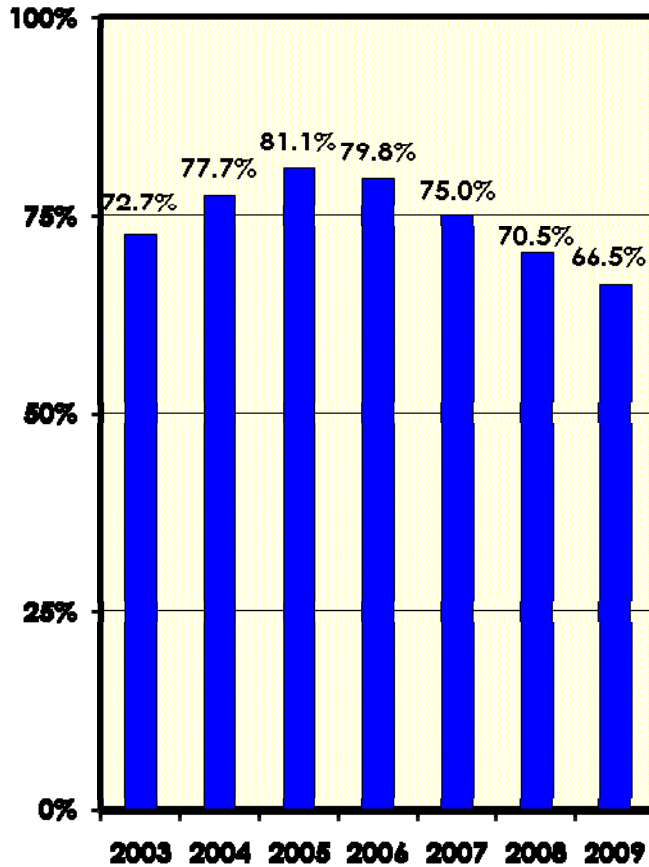
(in million of \$US)



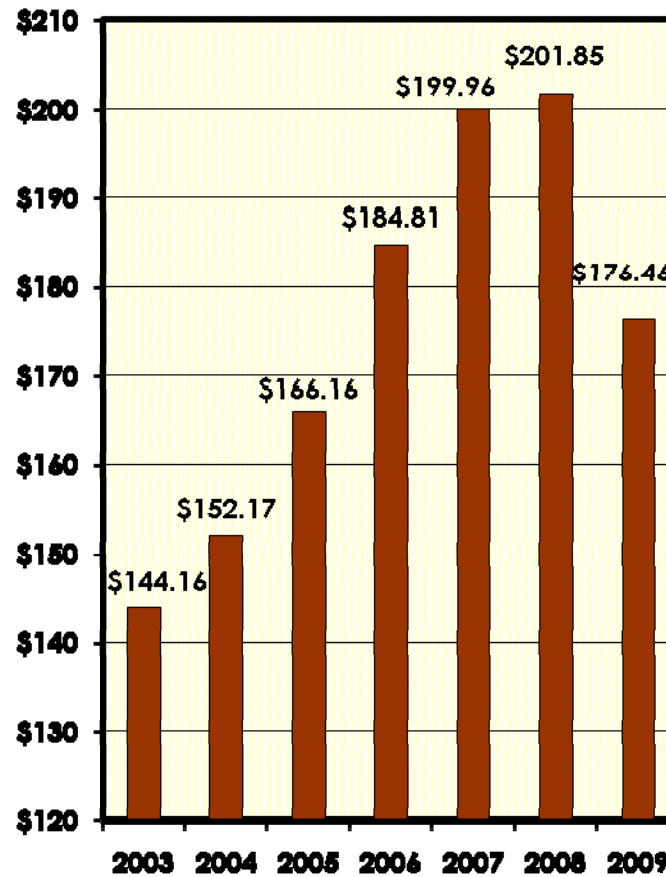
Hotel industry performance

Occupancy, room rates, and room revenue decreased in 2009

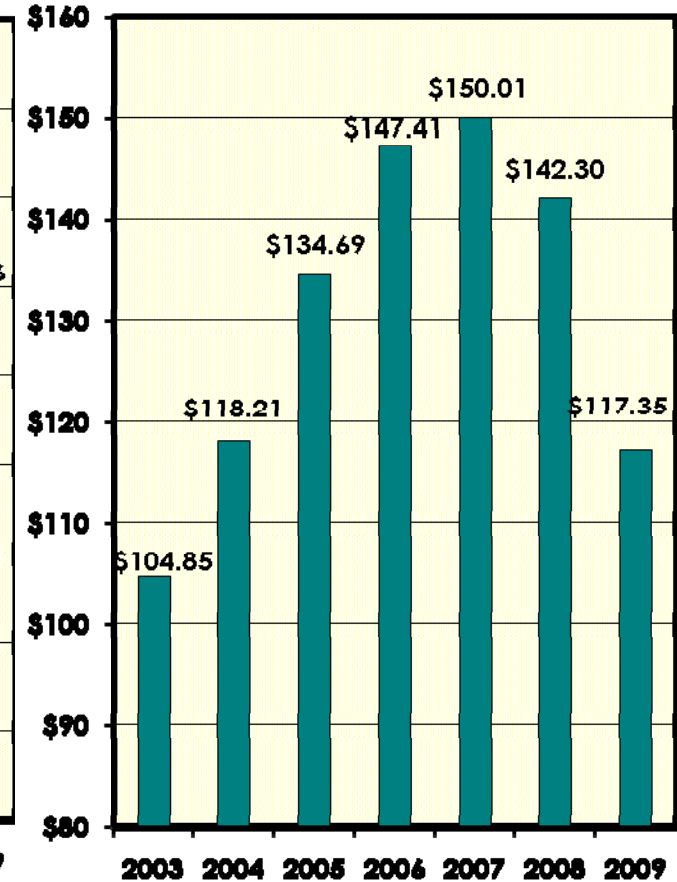
Average Occupancy Rates
2000 to 2009



Average Hotel Room Rates
2000 to 2009



Average Room Revenue per
Available Room
2000 to 2009



Source: Smith Travel Research, Hospitality Advisors LLC

Visitor forecast

	2009	2010*	2011*
Visitor Arrivals	-4.5%	2.0%	4.0%
Visitor Expenditures	-11.6%	2.3%	8.6%

**Forecast*

Blue Chip forecast for U.S. and Japan real GDP growth

	<u>2009</u>	<u>2010</u>	<u>2011</u>
United States	-2.4	3.0	3.1

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Japan	-5.6	1.6	1.5

Source: Blue Chip Forecast, February 2010

Summary of actual and forecasted key economic indicators for Hawaii: CY 2009 to 2011 (Annual % Change)

	Actual CY 2009	Forecasted CY 2010	Forecasted CY 2011
Total Population	0.6%	0.7%	0.7%
Visitor Arrivals	-4.5%	2.0%	4.0%
Visitor Expenditures	-11.6%	2.3%	8.6%
Honolulu CPI-U	0.5%	1.7%	2.2%
Personal Income	0.4%	1.7%	3.0%
Real Personal Income	-0.1%	0.0%	0.8%
Total Wage and Salary Jobs	-3.4%	-0.9%	0.8%

Source: Department of Business, Economic Development & Tourism