



## **DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM**

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#### **FOR IMMEDIATE RELEASE**

September 6, 2023

### **MAUI WILDFIRE IMPACTS ECONOMIC RECOVERY**

HONOLULU – The Department of Business, Economic Development and Tourism (DBEDT) released its third quarter 2023 Statistical and Economic Report today. Compared with its second quarter forecast issued on June 1, DBEDT revised its economic growth projections for 2023 and 2024 downward, from 1.8 percent to 1.1 percent for 2023 and from 2.0 percent to 1.5 percent for 2024. The revisions are mainly due to the Lāhainā wildfire tragedy on August 8, 2023 and related impacts.

#### **Economic Impact of the Maui Wildfire**

The Maui wildfire took the lives of 115 people and destroyed more than 2,000 homes. The disaster area had more than 800 business establishments with about 7,000 employees. The daily total business revenue of those establishments is estimated to be \$2.7 million a day.

A total of 88 transpacific flights were canceled in August, representing 23,083 air seats. The passenger count to Kahului Airport decreased by more than 70 percent after the tragedy from 7,000 a day to 2,000 a day. The loss from business closures and visitor expenditures is estimated to be \$11 million a day on Maui since August 9, 2023.

“We are working with local communities on an opening plan that is strategic, timely, and sensitive to the concerns of the Lāhainā wildfire survivors and businesses of West Maui,” said Governor Green. “In the meantime, all other areas of Maui and the rest of Hawai‘i are safe and open to visitors, and we continue to welcome and encourage respectful travel to our beautiful state, which will support our local economy and help speed the recovery of those who have already suffered so much.”

According to U.S. Census Bureau data, 50 percent of the Lāhainā homes were renter-occupied and the average monthly rent is estimated to be \$1,700 a month. The rental income loss is about \$2 million a month.

Initial unemployment claims jumped from an average of 130 cases per week before the wildfire to 865 cases in the first week after the fire, to 4,449 cases in the second week after the fire, and to 2,705 cases the third week after the fire.

### **Hawai‘i Economic Recovery Had Been Strong Through July**

According to data from the U.S. Bureau of Economic Analysis, Hawai‘i’s economy, as measured by real gross domestic product (GDP), recovered to 97 percent in the first quarter of 2023 compared to the same period in 2019. During the first seven months of 2023, the labor force (not seasonally adjusted data) recovered to 98.8 percent of the comparable 2019 level. The number of people employed recovered to 98.5 percent of the 2019 level, with the non-agriculture payroll job count recovering to 96.1 percent of the 2019 level during the same seven-month period. The unemployment rate (not seasonally adjusted) averaged 2.9 percent during the first seven months of 2023, just 0.2 percentage points higher than the same period in 2019.

Hawai‘i’s consumer inflation, as measured by the Honolulu Consumer Price Index for Urban Consumers, averaged 3.1 percent during the first seven months of 2023, higher than the 1.8 percent experienced during the same period in 2019, but much lower than the national level of 4.6 percent.

Year-to-date through July 2023, visitor arrivals recovered to 95.6 percent of the 2019 level while total visitor expenditures were 21.6 percent higher than the same seven months of 2019.

As a leading economic indicator, the total value of building permits issued during the first seven months of 2023 increased by 17.1 percent from the same period a year ago. The permit value for additions and alterations increased by 55.1 percent, the value of residential permits increased by 0.6 percent, while the value of commercial and industrial permits decreased by 21.1 percent during the same period.

As a comprehensive measure of economic activity, state general excise tax collections increased by 8 percent during the first seven months of calendar year 2023. July 2023 was the 28<sup>th</sup> consecutive month of positive general excise tax growth.

## **National Economic Conditions**

According to the most recent (August 2023) economic projections by the top 50 economic forecasting organizations published in Blue Chip Economic Indicators, U.S. economic growth in 2023 is expected to be 2.0 percent and 0.8 percent in 2024. These growth rates were much better than the expectations at the beginning of the year when economists projected 0.5 percent economic growth for the nation for 2023.

After seven interest rate hikes in 2022, the Federal Reserve increased interest rates for the fourth time in 2023 on July 26. U.S. consumer inflation declined to 3.2 percent in July 2023 from 9.1 percent in June 2022. Fifty-eight percent of the economists in the Blue Chip Economic Forecasting panel believe that the Federal Reserve will not raise rates again this year.

Instead of a recession, most economists believe that the U.S. economy will experience a slowdown toward the end of 2023 and during the first quarter of 2024.

## **Areas of Concern**

The closure of businesses in West Maui and the decrease in visitor arrivals – not only to Maui, but also to other islands across the state – will negatively affect the state’s economic recovery. The reconstruction of Lāhainā will take years to complete.

Hawai‘i has lost population for several years in a row. It is reasonable to expect more people to move out of state due to business employment consolidation and relocation.

Due to high interest and mortgage rates, the number of new residential units authorized decreased by 18.8 percent during the first half of 2023 as compared with the same period a year ago. The number of existing home sales decreased by 35.3 percent during the first half of 2023.

The shortage of labor remains a challenge for Hawai‘i’s economy. Job vacancies remained high during the first half of 2023 with an average of 13,000 positions unfilled per month. By comparison, the average of monthly vacancies in 2019 was 7,500.

Bankruptcy filings are again an issue. After four years of consecutive declines, bankruptcy filings increased by 13.5 percent during the first seven months of 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 1.1 percent in 2023 from 2022. In 2024, economic growth is expected to reach 1.5 percent for the state. In 2025 and 2026, economic growth for Hawai‘i is expected to exceed 2.0 percent due to the expectation that reconstruction activities on Maui will begin.

Visitor arrivals are projected to be 9.8 million in 2023, lower than the number projected in the previous quarter. Statewide visitor arrivals are expected to decrease significantly in August (visitor statistics will be available by the end of September) and remain flat in September, October and November, before seeing growth again in December.

Visitor growth from both the domestic market and international markets will be seen on O'ahu. The neighbor islands, especially Maui, will see fewer visitors.

According to the current airlines schedule, Delta Airlines will resume its Tokyo to Honolulu flights in October 2023. All Nippon Airways plans to increase flights from Tokyo to Honolulu during the same month. Hawaiian Airlines plans to increase flights from Tokyo to Honolulu in November and resume its service from Tokyo to Kona in October 2023. Total air seats from Japan are expected to increase by 69.9 percent during the next three months (September to November) while total scheduled air seats from all sources are expected to increase by 5.6 percent during the next three months.

Visitor arrivals are projected to increase to more than 10 million from 2024 and a full recovery now is projected to be in 2026. Visitor spending is projected to be \$21.2 billion in 2023 and is expected to increase to \$23.6 billion by 2026.

Non-agriculture payroll jobs are forecast to increase by 1.8 percent in 2023, lower than the 3.4 percent projected in the previous quarter. The payroll job counts will increase by 1.9 percent in 2024, 1.7 percent in 2025, and 1.5 percent in 2026. For the current forecasting period (up to 2026), non-agriculture payroll jobs will recover to the pre-pandemic (2019) level by 2026.

The state unemployment rate is expected to be at 3.0 percent in 2023 and will improve to 2.7 percent in 2024, 2.5 percent in 2025, and 2.3 percent in 2026. During the first seven months of 2023, the average unemployment rate was at 2.9 percent.

Personal income is expected to grow by 2.7 percent in 2023, lower than the projection made in the previous quarter. With federal and state government assistance to the Maui residents who lost their jobs, personal income is expected to decrease less than business revenues.

As measured by the Honolulu Consumer Price Index for Urban Consumers, inflation is expected to be 2.8 percent in 2023, still lower than the projected U.S. consumer inflation rate of 4.0 percent for the same year. Hawai'i consumer inflation is expected to decrease to 2.3 percent by 2026.

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

The Maui wildfires impacted not only West Maui, but our entire state and the lives of our residents in many ways and have affected our economic recovery from the COVID-19 pandemic. The reconstruction of Lāhainā will be a long-term process. DBEDT will continue

working with the people of Lāhainā and other government agencies at the federal, state, and county levels, as well as with private organizations, to provide help to Maui residents and businesses during this difficult time.

To provide the necessary data and to monitor the state economic recovery and Maui reconstruction process, our research team at DBEDT has created a webpage with information updated on a weekly basis. The data may be accessed via the link below:

<https://dbedt.hawaii.gov/economic/maui-data-update/>

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	1,439	1,438	1,438	1,439
Visitor arrivals (thousands) 2/	6,778	9,234	9,757	10,098	10,280	10,434
Visitor days (thousands) 2/	65,312	85,240	88,203	89,465	89,709	89,689
Visitor expenditures (million dollars) 2/	13,154	19,800	21,222	22,171	22,898	23,580
Honolulu CPI-U (1982-84=100)	296.8	316.1	324.9	333.8	341.7	349.5
Personal income (million dollars)	87,858	88,104	90,482	93,016	96,271	99,930
Real personal income (millions of 2012\$)	67,312	63,203	65,318	66,150	67,001	67,935
Personal income deflator (2012=100)	130.5	136.8	140.1	142.4	144.9	147.4
Non-agricultural wage & salary jobs (thousands)	586.9	618.1	629.2	641.2	652.1	661.9
Civilian unemployment rate	6.0	3.5	3.0	2.7	2.5	2.3
Gross domestic product (million dollars)	91,096	98,219	102,085	105,871	110,434	114,683
Real gross domestic product (millions of 2012\$)	74,547	75,418	76,248	77,392	79,017	80,755
Gross domestic product deflator (2012=100)	122.2	130.2	133.9	136.8	139.8	142.0
<b>Annual Percentage Change</b>						
Total population	-0.3	-0.5	-0.1	-0.1	0.0	0.1
Visitor arrivals	150.3	36.2	5.7	3.5	1.8	1.5
Visitor days	127.9	30.5	3.5	1.4	0.3	0.0
Visitor expenditures	154.8	50.5	7.2	4.5	3.3	3.0
Honolulu CPI-U	3.8	6.5	2.8	2.7	2.4	2.3
Personal income	5.7	0.3	2.7	2.8	3.5	3.8
Real personal income	1.1	-6.1	3.3	1.3	1.3	1.4
Personal income deflator (2012=100)	4.5	4.8	2.4	1.7	1.7	1.8
Non-agricultural wage & salary jobs	4.8	5.3	1.8	1.9	1.7	1.5
Civilian unemployment rate 3/	-5.7	-2.5	-0.5	-0.3	-0.2	-0.2
Gross domestic product	10.4	7.8	3.9	3.7	4.3	3.8
Real gross domestic product	6.3	1.2	1.1	1.5	2.1	2.2
Gross domestic product deflator (2012=100)	3.8	6.6	2.8	2.2	2.2	1.6

1/ July 1 count.

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

3/ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, September 6, 2023.