

CLOSELY WATCHED TRENDS

Still looking for upturn 1 year after 'trough'

Key indicators stay at pre-boom levels

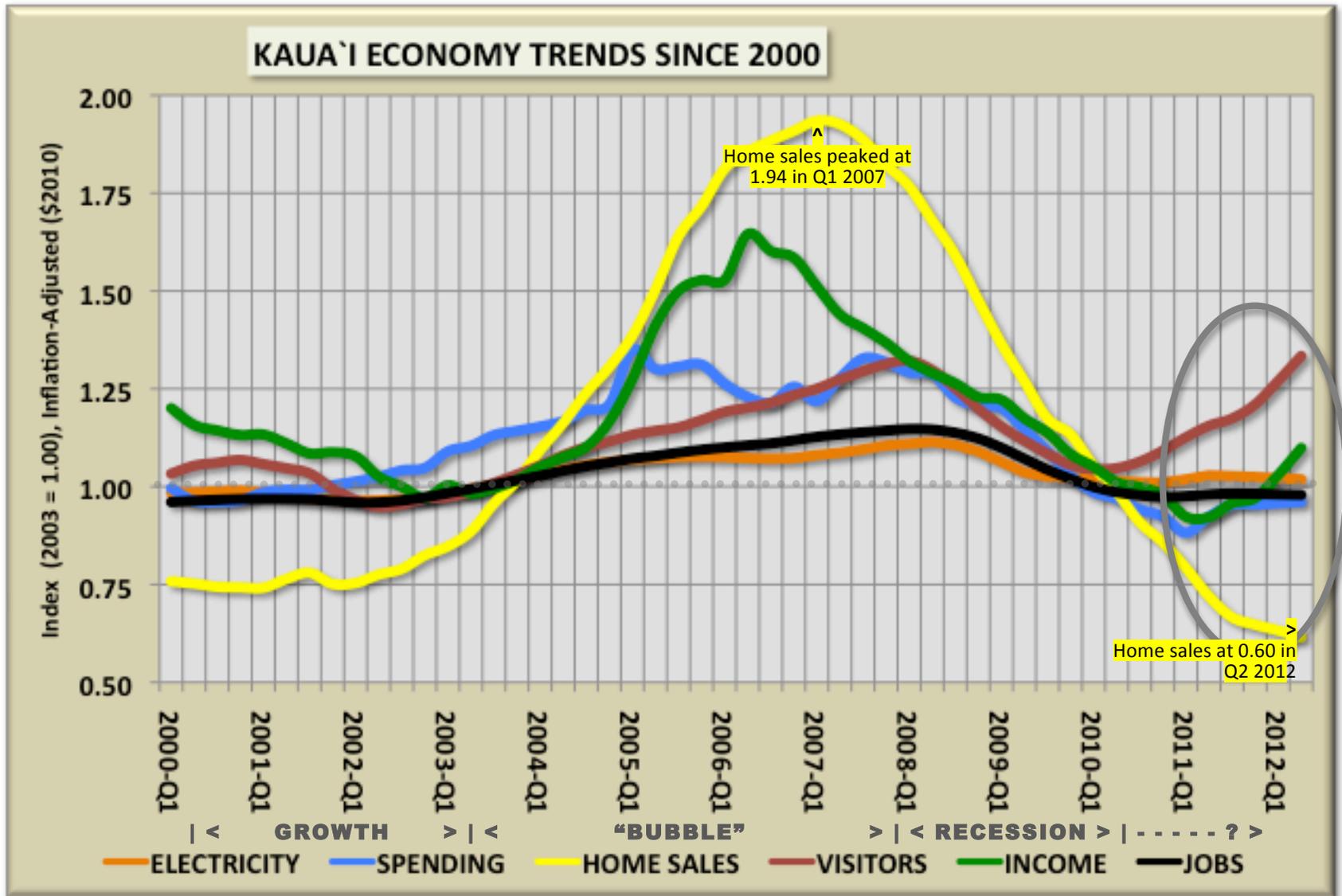
Looking to the second quarter of 2012:

- Jobs picture cloudy as unemployment stays high
- Spending is trending up as income climbs sharply
- Visitor counts and spending still trending up sharply
- Construction and real estate sales will stay low
- Gas demand turning down again, as electricity stays flat

	FORECAST Q2 2012
	% Chg. from Q2 2011
JOB	-0.1%
UNEMPLOYED	-12.4%
INCOME	19.2%
SPENDING	4.0%
GASOLINE	9.0%
ELECTRICITY	-1.0%
HOME SALES	-14.6%
BUILDING	-96.7%
VISITORS	15.4%
VIS. SPENDING	12.2%
VISITOR STAY	1.5%
DIR. FLIGHTS	11.1%

Detailed discussion and charts of indicator trends and forecasts are provided on the following pages.

WHERE ARE WE NOW?



**AT OR BELOW 2003 LEVELS
...EXCEPT FOR TOURISM & INCOME**

SYNOPSIS OF PERFORMANCE AND OUTLOOK* FOR KEY INDICATORS

The twelve quarterly indicators presented here are selected to reflect the broad range of Kaua'i economic activity, including Jobs, Money, Energy, Building and Visitors. This quarterly update provides a timely check on economic performance in Q4 2011 and offers a reliable look ahead through Q2 2012.

The Summary Table presented on the next page shows the actual and forecast values for each indicator during the last quarter of 2011 as well as Q1 and Q2 2012, and also shows the trend for each indicator, expressed as the percent change from the same quarter last year. The index value versus the 2003 average is also shown, together with a chart of these index trends.

It should be noted that four key indicators (*Jobs, Income, Spending, and Electricity*) have settled back to about the same level they were in 2003 (see *chart on previous page*) and well below the boom years of 2006-07. Going forward, there are few signs that the mostly flat trends will rebound in the quarters just ahead.

Key findings from the latest data are presented below:

JOBS

- **Non-Ag. Employment** *Although job counts may slip further in Q2, the trend is flattening and the index is steady.*
- **Unemployed** *Jobless counts will remain high, although the trend is more down while the index is still high.*

MONEY

- **W/hold. Tax on Wages** *Wages are turning up, while the trend is up sharply, and the index is bouncing back above 1.00.*
- **General Excise Taxes** *Spending will be up slightly, and the trend is turning up while the index is still below 1.00.*

ENERGY

- **Gas Gallons** *Gasoline will bounce back up in Q2, though the trend is turning down and the index is flattening.*
- **Kilowatt Hours** *Electricity will be down slightly, and the trend is down slightly, while the index is flat.*

BUILDING

- **Residential Sales** *Home sales may climb slightly, although the trend is still down and the index keeps falling.*
- **Building Permits** *Permits may stay near zero in Q2, as the trend and index fall toward zero .*

VISITORS

- **Average Daily Visitors** *Visitor counts will be up sharply, while the trend is up at a faster pace, and the index stays high.*
- **Daily Spending** *Per person spending may jump up, as the trend is up sharply, and the index moves up.*
- **Length of Stay (Dom.)** *Average visitor stay may climb in Q2, and the index stays high, though the trend is flattening.*
- **Direct Flights** *Direct passenger counts will fall in Q2, and the trend is flattening, though the index stays high.*

* Note on reliability of forecasts:

The average forecast error for 10 of 12 indicators (excluding home sales and building permits) was + or - 2.4% over the last 6 quarters.

SUMMARY TABLE

2012

SUMMARY OF ACTUAL & FORECAST DATA*, % CHANGE AND INDEX TRENDS THRU Q4

Q1 Jan-Mar

JOB

	Q4	Q1	Q2
Non-Ag. Employment (000)			
	27.1	26.7	26.9
	0.8%	0.5%	-0.1%
	<i>0.98</i>	<i>0.98</i>	<i>0.98</i>

TRENDLINE

1.00
0.98
0.96
Q2 Q3 Q4

	Q4	Q1	Q2
Unemployed (000)			
	2.7	2.7	2.7
	-13.9%	-13.7%	-12.4%
	<i>2.31</i>	<i>2.24</i>	<i>2.17</i>

TRENDLINE

2.40
2.20
2.00
Q2 Q3 Q4

MONEY

	Q4	Q1	Q2
W/hold. Tax on Wages (2010\$M)			
	\$2.0	\$2.3	\$2.4
	-0.8%	11.5%	19.2%
	<i>0.97</i>	<i>1.03</i>	<i>1.10</i>

TRENDLINE

1.20
1.00
0.80
Q2 Q3 Q4

	Q4	Q1	Q2
Gen. Excise Taxes (2010\$M)			
	\$4.5	\$4.8	\$5.1
	3.3%	8.5%	4.0%
	<i>0.95</i>	<i>0.96</i>	<i>0.96</i>

TRENDLINE

0.98
0.96
0.94
Q2 Q3 Q4

ENERGY

	Q4	Q1	Q2
Gas Gallons Sold (M gal)			
	2.2	2.1	2.2
	14.2%	14.7%	9.0%
	<i>1.10</i>	<i>1.11</i>	<i>1.09</i>

TRENDLINE

1.20
1.10
1.00
Q2 Q3 Q4

	Q4	Q1	Q2
Kilowatt Hours Sold (GWh)			
	35.8	34.6	35.4
	1.5%	0.3%	-1.0%
	<i>1.02</i>	<i>1.02</i>	<i>1.02</i>

TRENDLINE

1.03
1.02
1.01
Q2 Q3 Q4

BUILDING

	Q4	Q1	Q2
Resid. Sales Volume (2010\$M)			
	\$36.9	\$32.1	\$37.3
	-24.5%	-20.2%	-14.6%
	<i>0.65</i>	<i>0.63</i>	<i>0.61</i>

TRENDLINE

0.65
0.63
0.60
Q2 Q3 Q4

	Q4	Q1	Q2
Resid. Building Permits (2010\$M)			
	\$4.5	\$2.8	\$0.0
	-44.2%	-51.1%	-96.7%
	<i>0.61</i>	<i>0.48</i>	<i>0.03</i>

TRENDLINE

0.75
0.50
0.25
0.00
Q2 Q3 Q4

VISITORS

	Q4	Q1	Q2
Avg. Daily Visitors (000)			
	20.4	23.9	24.4
	10.8%	12.8%	15.4%
	<i>1.21</i>	<i>1.27</i>	<i>1.33</i>

TRENDLINE

1.40
1.30
1.20
1.10
Q2 Q3 Q4

	Q4	Q1	Q2
Visitor Spending (PPPD \$2010)			
	\$168.53	\$176.46	\$176.12
	8.2%	11.7%	12.2%
	<i>0.90</i>	<i>0.93</i>	<i>0.96</i>

TRENDLINE

1.00
0.90
0.80
Q2 Q3 Q4

	Q4	Q1	Q2
Length-of-Stay (days)			
	7.6	8.3	7.8
	0.7%	0.3%	1.5%
	<i>1.28</i>	<i>1.29</i>	<i>1.30</i>

TRENDLINE

1.32
1.30
1.28
1.26
Q2 Q3 Q4

	Q4	Q1	Q2
Dir. Flight Passengers (000)			
	38.4	32.8	37.9
	16.3%	17.2%	11.1%
	<i>1.57</i>	<i>1.62</i>	<i>1.59</i>

TRENDLINE

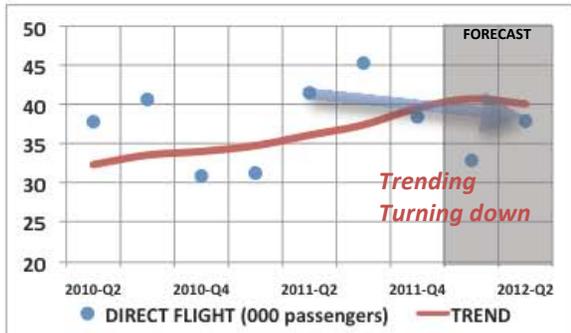
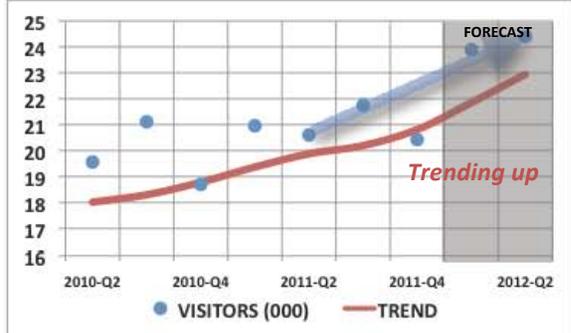
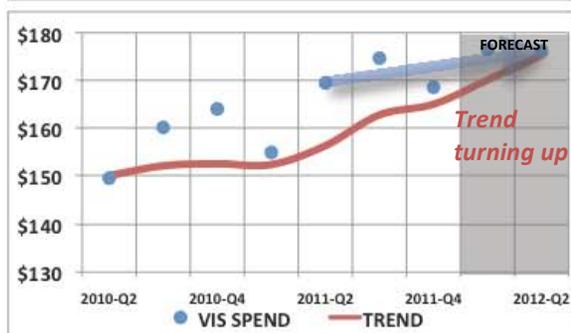
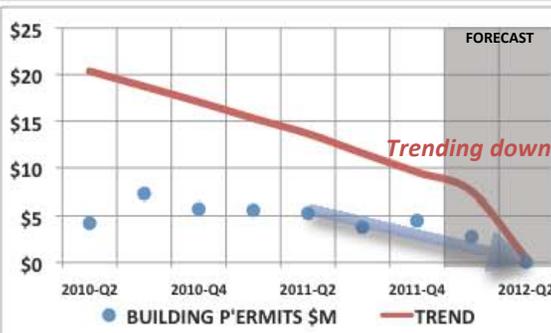
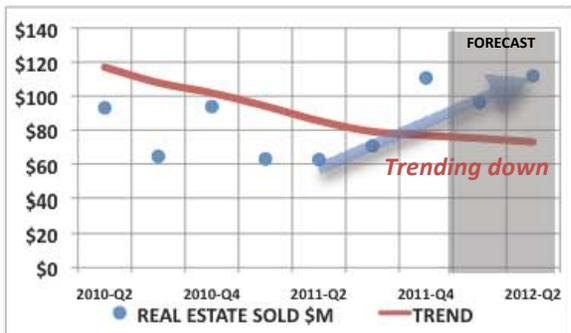
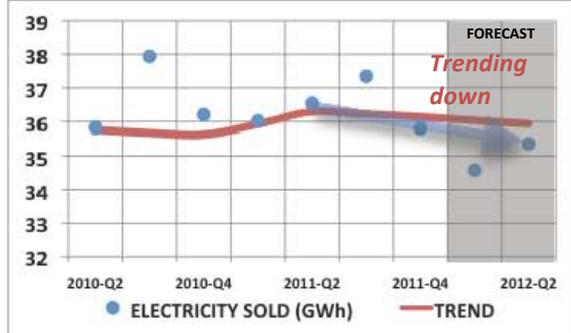
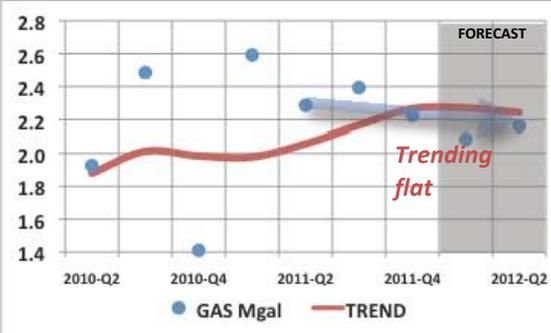
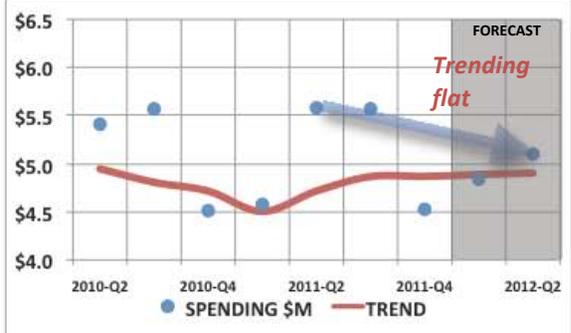
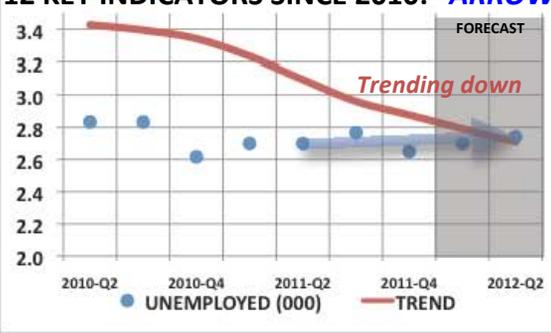
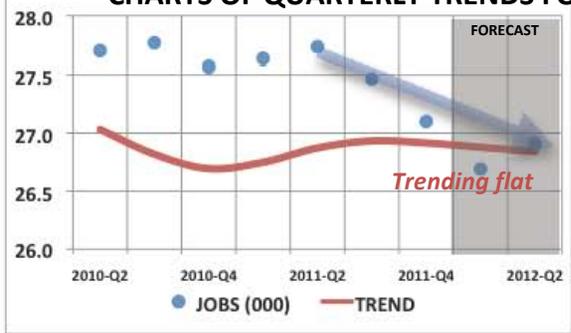
1.70
1.55
1.40
Q2 Q3 Q4

* Values are monthly averages during the Quarter.

Q4 = actual | Q1 = preliminary | Q2 = forecast

Percent change in trend data from same Quarter last year. Index numbers (small italics) and charts show trends (seasonally- and inflation-adjusted) where 2003 = 1.00

CHARTS OF QUARTERLY TRENDS FOR 12 KEY INDICATORS SINCE 2010: **ARROWS HIGHLIGHT YEAR-TO-YEAR CHANGE FOR Q1**



EMPLOYED

Kauai's job base dipped again in Q4 2011 to 27,100, which is down slightly from 27,600 in Q4 2010.

Jobs are forecast to soften further, falling back to 26,900 in Q2 2012.

The jobs trend flattened at 26,900 in Q4 2011, and is expected to drop slightly to 26,800 in Q2 of 2012.

On an index basis, the Q2 numbers will be 2 points below the 2003 averages.

UNEMPLOYED

Kauai's unemployed also remained fairly steady throughout 2011, holding at 2,700 in Q4 versus 2,600 in Q4 of 2010.

The number of unemployed is forecast to remain flat at 2,700 in Q2 2012, which is unchanged from 2,700 in Q2 of 2011.

The trend for unemployed has been falling rapidly, and is expected to fall further to 2,700 in Q2.

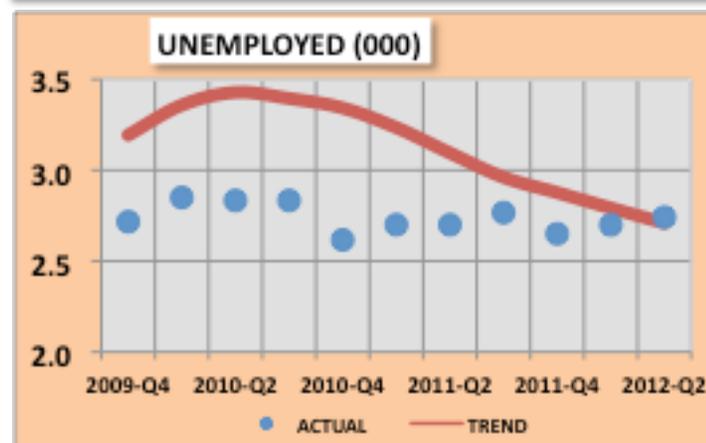
On an index basis, the Q2 numbers will be 2.17 times the 2003 averages.

EMPLOYED (000)			
	ACTUAL	TREND	INDEX*
2009-Q1	28.3	30.1	1.10
2009-Q2	28.1	29.4	1.07
2009-Q3	28.0	28.6	1.04
2009-Q4	27.8	28.0	1.02
2010-Q1	27.2	27.4	1.00
2010-Q2	27.7	27.0	0.99
2010-Q3	27.8	26.8	0.98
2010-Q4	27.6	26.7	0.97
2011-Q1	27.6	26.7	0.98
2011-Q2	27.7	26.9	0.98
2011-Q3	27.5	26.9	0.98
2011-Q4	27.1	26.9	0.98
2012-Q1	26.7	26.9	0.98
2012-Q2	26.9	26.8	0.98

* Trend indexed to 2003 average values.

UNEMPLOYED (000)			
	ACTUAL	TREND	INDEX*
2009-Q1	3.0	2.0	1.58
2009-Q2	3.2	2.5	2.01
2009-Q3	3.0	2.9	2.34
2009-Q4	2.7	3.2	2.56
2010-Q1	2.9	3.4	2.69
2010-Q2	2.8	3.4	2.75
2010-Q3	2.8	3.4	2.72
2010-Q4	2.6	3.3	2.68
2011-Q1	2.7	3.2	2.59
2011-Q2	2.7	3.1	2.48
2011-Q3	2.8	3.0	2.37
2011-Q4	2.7	2.9	2.31
2012-Q1	2.7	2.8	2.24
2012-Q2	2.7	2.7	2.17

* Trend indexed to 2003 average values.



INCOME

Kauai's income rose slightly in 2011, as the average monthly withholding tax on wages jumped from \$1.6 million in Q1 of 2011 to \$2.0 million in Q4 of 2011.

Income is forecast to climb further up to \$2.4 million in Q2 2012.

The income trend is turning up, and is expected to reach \$2.1 million through Q2 2012.

The Q2 deflated index will be 10 points above 2003 averages.

SPENDING

Kauai's spending stayed steady in Q4 of 2011, as average monthly collections of general excise taxes remained at \$4.5 million in Q4 of 2011 as it was in Q4 2010.

Spending is forecast to climb sharply to \$5.1 million in Q2 of 2012, yet this will be below the \$5.6 total seen in Q2 of 2011.

The spending trend has been steady as well, and may remain at \$4.9 million in Q2 of 2012.

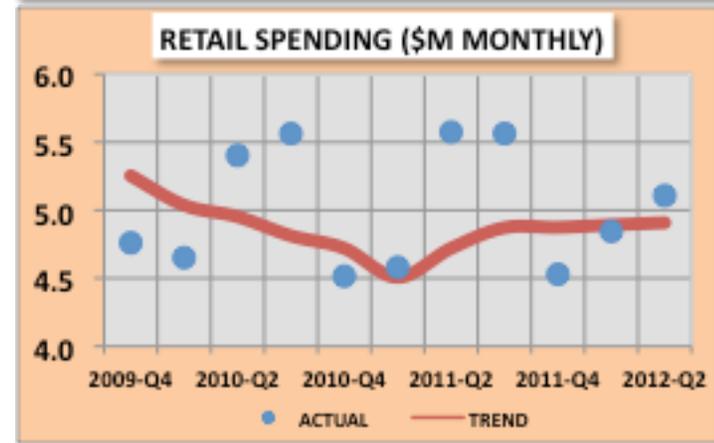
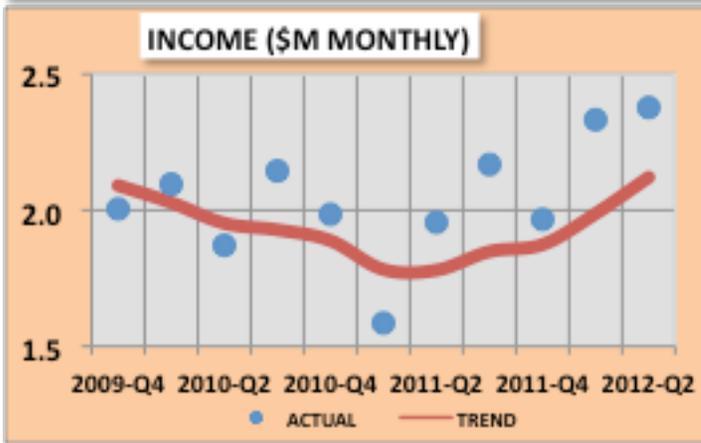
The Q2 deflated index will be four points below 2003 averages.

INCOME (2010 \$M MONTHLY)			
	ACTUAL	TREND	INDEX*
2009-Q1	\$2.3	\$2.4	1.22
2009-Q2	\$2.1	\$2.3	1.17
2009-Q3	\$2.2	\$2.2	1.14
2009-Q4	\$2.0	\$2.1	1.08
2010-Q1	\$2.1	\$2.0	1.05
2010-Q2	\$1.9	\$2.0	1.01
2010-Q3	\$2.1	\$1.9	1.00
2010-Q4	\$2.0	\$1.9	0.98
2011-Q1	\$1.6	\$1.8	0.92
2011-Q2	\$2.0	\$1.8	0.92
2011-Q3	\$2.2	\$1.8	0.96
2011-Q4	\$2.0	\$1.9	0.97
2012-Q1	\$2.3	\$2.0	1.03
2012-Q2	\$2.4	\$2.1	1.10

* Trend indexed to 2003 average deflated values.

RETAIL SPENDING (2010 \$M MONTHLY)			
	ACTUAL	TREND	INDEX*
2009-Q1	\$5.6	\$6.1	1.20
2009-Q2	\$5.6	\$5.9	1.15
2009-Q3	\$5.5	\$5.6	1.09
2009-Q4	\$4.8	\$5.3	1.03
2010-Q1	\$4.7	\$5.0	0.99
2010-Q2	\$5.4	\$5.0	0.97
2010-Q3	\$5.6	\$4.8	0.94
2010-Q4	\$4.5	\$4.7	0.92
2011-Q1	\$4.6	\$4.5	0.88
2011-Q2	\$5.6	\$4.7	0.92
2011-Q3	\$5.6	\$4.9	0.95
2011-Q4	\$4.5	\$4.9	0.95
2012-Q1	\$4.8	\$4.9	0.96
2012-Q2	\$5.1	\$4.9	0.96

* Trend indexed to 2003 average deflated values.



GASOLINE

Kauai's average monthly purchases of gasoline dropped back to 2.2 million gallons in Q4 of 2011, after climbing to 2.6 million in Q1.

Gas purchases are expected to flatten, holding steady at 2.2 million gallons in Q2 2012.

The gas trend has flattened at 2.3 million gallons in Q1 and may slip to 2.3 million gallons in Q1 of 2012.

The Q2 index will slip further to 1.09 versus 2003 averages.

ELECTRICITY

Kauai's average monthly purchases of electricity decreased from 36.2 GWh in Q4 of 2010 to 35.8 GWh in Q4 of 2011.

Electricity demand is forecast to fall slightly to 35.4 GWh in Q2 2012.

The electricity trend has continued to slide from 36.5 in Q2 2011, and is expected to fall further to 35.4 GWh in Q2 of 2012.

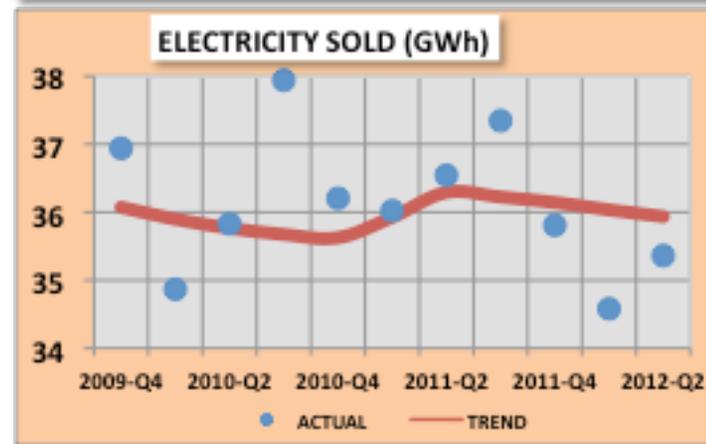
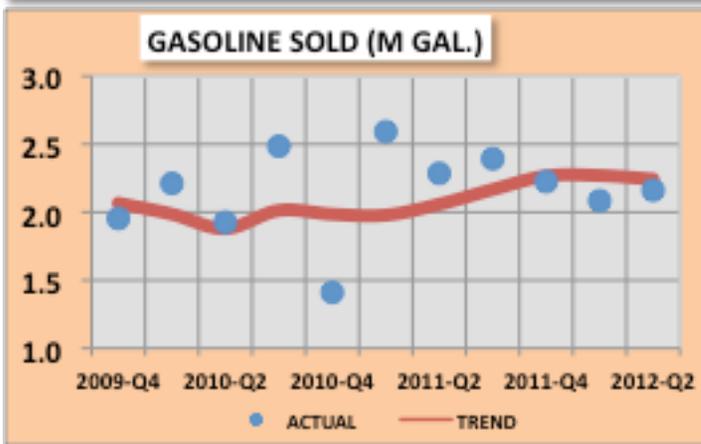
The Q1 index will sit just 2 points above the 2003 averages.

GASOLINE SOLD (M GAL.)			
	ACTUAL	TREND	INDEX*
2009-Q1	2.0	2.2	1.09
2009-Q2	2.3	2.1	1.04
2009-Q3	2.7	2.1	1.01
2009-Q4	2.0	2.1	1.01
2010-Q1	2.2	2.0	0.97
2010-Q2	1.9	1.9	0.92
2010-Q3	2.5	2.0	0.98
2010-Q4	1.4	2.0	0.97
2011-Q1	2.6	2.0	0.96
2011-Q2	2.3	2.1	1.00
2011-Q3	2.4	2.2	1.06
2011-Q4	2.2	2.3	1.10
2012-Q1	2.1	2.3	1.11
2012-Q2	2.2	2.2	1.09

* Trend indexed to 2003 average values.

ELECTRICITY SOLD (GWh)			
	ACTUAL	TREND	INDEX*
2009-Q1	34.5	37.5	1.06
2009-Q2	35.0	36.5	1.04
2009-Q3	39.0	36.2	1.03
2009-Q4	36.9	36.1	1.02
2010-Q1	34.9	35.9	1.02
2010-Q2	35.8	35.8	1.01
2010-Q3	37.9	35.7	1.01
2010-Q4	36.2	35.6	1.01
2011-Q1	36.0	35.9	1.02
2011-Q2	36.5	36.3	1.03
2011-Q3	37.3	36.2	1.03
2011-Q4	35.8	36.1	1.02
2012-Q1	34.6	36.0	1.02
2012-Q2	35.4	35.9	1.02

* Trend indexed to 2003 average values.



HOME SALES

Kauai's monthly average real estate sales jumped back to \$36.9 million in Q4 of 2011 after falling to \$20.9 million in Q2 of 2011.

Real estate is forecast to stay up at \$37.3 million sales in Q2 2012.

The real estate trend continues to slide, and is expected to fall to \$24.3 million sales in Q2 of 2012.

Note that the home sales index in Q1 2012 will be 39 points below its 2003 index level.

BUILDING PERMITS

Kauai's average monthly building permit value continues to slump, reaching \$4.5 million in Q4 of 2011.

Permits are forecast to remain at virtually nothing in Q2 2012, down from \$5.3 million in Q2 2011.

The building permits trend has been falling fast since Q1 of 2009, and is expected to fall below \$1 million in Q2 2012.

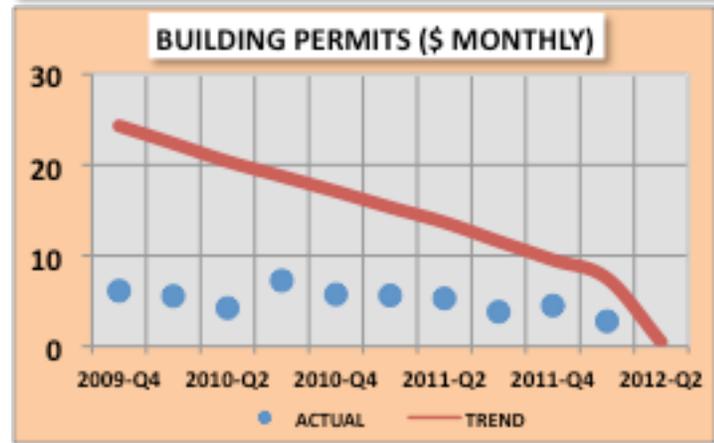
The Q2 index may be close to zero.

HOME SALES (2010\$ MONTHLY)			
	ACTUAL	TREND	INDEX*
2009-Q1	\$17.7	\$54.0	1.37
2009-Q2	\$23.3	\$50.2	1.27
2009-Q3	\$19.3	\$46.4	1.17
2009-Q4	\$41.5	\$44.8	1.13
2010-Q1	\$21.0	\$41.6	1.05
2010-Q2	\$31.0	\$39.0	0.99
2010-Q3	\$21.5	\$36.0	0.91
2010-Q4	\$31.3	\$33.9	0.86
2011-Q1	\$21.0	\$31.4	0.79
2011-Q2	\$20.9	\$28.5	0.72
2011-Q3	\$23.5	\$26.4	0.67
2011-Q4	\$36.9	\$25.6	0.65
2012-Q1	\$32.1	\$25.0	0.63
2012-Q2	\$37.3	\$24.3	0.61

* Trend indexed to 2003 average deflated values.

BUILDING PERMITS (2010\$ MONTHLY)			
	ACTUAL	TREND	INDEX*
2009-Q1	\$48.6	\$28.8	1.85
2009-Q2	\$7.8	\$27.2	1.75
2009-Q3	\$12.3	\$26.0	1.67
2009-Q4	\$6.1	\$24.3	1.56
2010-Q1	\$5.5	\$22.4	1.44
2010-Q2	\$4.2	\$20.4	1.31
2010-Q3	\$7.2	\$18.7	1.21
2010-Q4	\$5.7	\$17.1	1.10
2011-Q1	\$5.6	\$15.3	0.99
2011-Q2	\$5.3	\$13.7	0.88
2011-Q3	\$3.8	\$11.6	0.74
2011-Q4	\$4.5	\$9.5	0.61
2012-Q1	\$2.8	\$7.5	0.48
2012-Q2	\$0.0	\$0.4	0.03

* Trend indexed to 2003 average deflated values.



VISITORS

Kauai's average daily visitor counts remained fairly flat throughout 2011, slipping from 21,000 in Q1 to 20,400 in Q4.

Visitors are forecast to climb back to 24,400 in Q2 2012, well above the Q2 2011 level of 20,600.

The visitor trend is clearly rebounding from the Q2 2010 low of 18,000, and is expected to improve significantly to 22,900 in Q2 of 2012.

The visitor index in Q2 2012 may be 33 points above 2003 levels.

VISITOR SPENDING

Kauai's visitors' average daily spending per person increased slightly from \$163.97 in Q4 of 2010 to \$168.53 in Q4 of 2011.

Visitor spending is forecast to continue climbing to \$176.12 in Q2 of 2012.

The visitor spending trend is expected to climb to \$175.29 in Q2.

The deflated spending index in Q2 will remain 4 points below its 2003 level.

VISITORS (Avg. Daily 000)			
	ACTUAL	TREND	INDEX*
2009-Q1	19.0	19.8	1.15
2009-Q2	19.5	19.2	1.12
2009-Q3	19.4	18.7	1.08
2009-Q4	17.1	18.2	1.06
2010-Q1	19.3	18.0	1.04
2010-Q2	19.6	18.0	1.05
2010-Q3	21.1	18.3	1.06
2010-Q4	18.7	18.8	1.09
2011-Q1	21.0	19.4	1.13
2011-Q2	20.6	19.9	1.16
2011-Q3	21.8	20.2	1.17
2011-Q4	20.4	20.8	1.21
2012-Q1	23.9	21.8	1.27
2012-Q2	24.4	22.9	1.33

* Trend indexed to 2003 average values.

VISITOR SPENDING (2010\$ PPPD)			
	ACTUAL	TREND	INDEX*
2009-Q1	\$159.26	\$161.39	0.88
2009-Q2	\$146.74	\$156.18	0.85
2009-Q3	\$147.22	\$150.71	0.82
2009-Q4	\$172.54	\$151.27	0.83
2010-Q1	\$152.80	\$150.97	0.82
2010-Q2	\$149.42	\$149.96	0.82
2010-Q3	\$160.08	\$152.02	0.83
2010-Q4	\$163.97	\$152.45	0.83
2011-Q1	\$154.84	\$152.29	0.83
2011-Q2	\$169.45	\$156.25	0.85
2011-Q3	\$174.65	\$162.71	0.89
2011-Q4	\$168.53	\$164.98	0.90
2012-Q1	\$176.46	\$170.06	0.93
2012-Q2	\$176.12	\$175.29	0.96

* Trend indexed to 2003 average deflated values.



LENGTH OF STAY

Kauai visitors' average length-of-stay held steady at 7.6 days in Q4 2011 versus 7.5 in Q4 2010.

Stay-length is forecast to climb to 7.8 days in Q2 2012.

The stay-length trend is rising again, and is expected to hit 7.9 days in Q2 of 2012.

On an index basis, the Q2 numbers will be 30 points above the 2003 average.

DIRECT FLIGHT PASSENGERS

Kauai's average monthly passenger count on direct flights continues to climb from 30,800 in Q4 2010 to 38,400 in Q4 2011.

Direct flight counts are forecast to slip back to 37,900 in Q2 2012.

The direct flights trend is climbing steadily from 36,000 passengers in Q2 2011, and is expected to climb further to 40,000 in Q2 of 2012.

On an index basis, the Q2 numbers will be 59 points above the 2003 average.

	LENGTH-OF-STAY (Days)		
	ACTUAL	TREND	INDEX*
2009-Q1	7.5	6.8	1.12
2009-Q2	6.8	6.9	1.15
2009-Q3	6.5	7.0	1.16
2009-Q4	6.9	7.1	1.18
2010-Q1	7.9	7.3	1.21
2010-Q2	7.2	7.4	1.23
2010-Q3	7.3	7.5	1.25
2010-Q4	7.5	7.7	1.27
2011-Q1	8.0	7.8	1.29
2011-Q2	7.2	7.8	1.28
2011-Q3	7.3	7.7	1.28
2011-Q4	7.6	7.7	1.28
2012-Q1	8.3	7.8	1.29
2012-Q2	7.8	7.9	1.30

* Trend indexed to 2003 average values.

	DIRECT FLIGHT PASSENGERS (000)		
	ACTUAL	TREND	INDEX*
2009-Q1	27.8	32.4	1.29
2009-Q2	34.5	32.5	1.29
2009-Q3	36.3	32.4	1.29
2009-Q4	28.4	32.1	1.28
2010-Q1	27.8	32.0	1.27
2010-Q2	37.8	32.3	1.28
2010-Q3	40.6	33.5	1.33
2010-Q4	30.8	34.0	1.35
2011-Q1	31.2	34.7	1.38
2011-Q2	41.5	36.0	1.43
2011-Q3	45.3	37.4	1.49
2011-Q4	38.4	39.5	1.57
2012-Q1	32.8	40.7	1.62
2012-Q2	37.9	40.0	1.59

* Trend indexed to 2003 average values.

