

CLOSELY WATCHED TRENDS

Upturn arrives as tourism booms

Key indicators surpass pre-boom levels

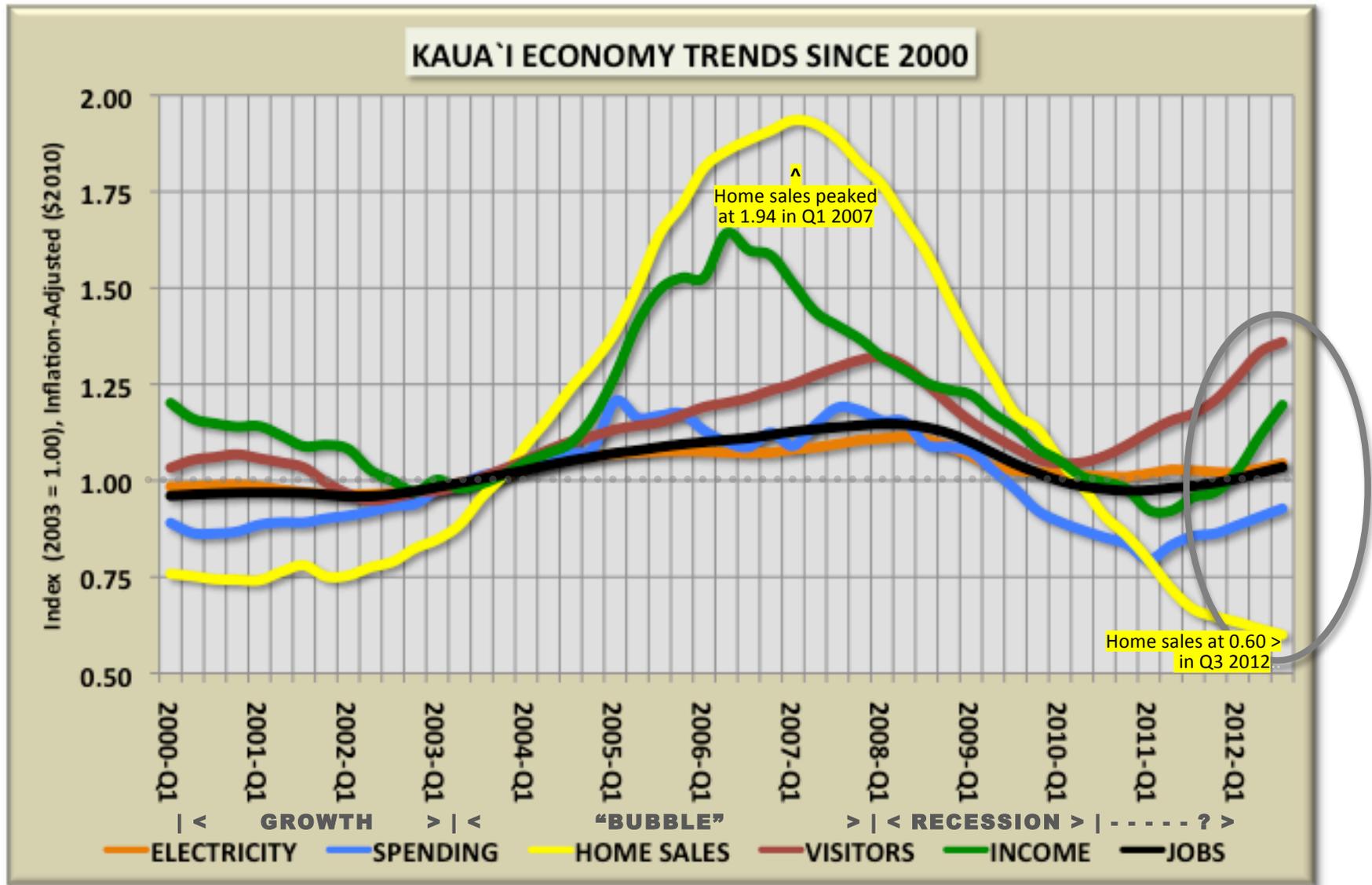
Looking to the third quarter of 2012:

- Jobs picture is rosy as unemployment keeps falling
- Spending is trending up as income climbs sharply
- Visitor counts jump as spending and stay-length drop
- Construction and real estate sales will stay low
- Gas demand jumps as electricity moves back up

QUICK TREND LOOK AHEAD	FORECAST Q3 2012 <small>% Chg. from Q3 2011</small>
JOB	5%
UNEMPLOYED	-17%
INCOME	25%
SPENDING	8%
GASOLINE	25%
ELECTRICITY	2%
HOME SALES	-19%
BUILDING	359%
VISITORS	16%
VIS. SPENDING	-8%
VISITOR STAY	-2%
DIR. FLIGHTS	20%

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

WHERE ARE WE NOW?



MOVING TOWARD OR ABOVE 2003 LEVELS
...WITH TOURISM & INCOME LEADING THE UPTURN

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 Q1 2012 and offers a reliable look ahead through Q3 2012.

The Summary Table presented on the next page shows the actual and forecast values for each indicator during the first quarter of 2012 as well as Q2 and Q3 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** *Job recovery may continue through Q3, and the trend is moving up as the index climbs above 1.00.*
- **Unemployed** *Jobless counts have been falling, and the trend is more down while the index is still high.*

MONEY

- **W/hold. Tax on Wages** *Wages are turning up and the trend is up sharply, while the index is moving well 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 through Q3, and the trend is up while the index is back above 1.00.*
- **Kilowatt Hours** *Electricity is down slightly, although the trend is moving back up, as the index stays above 1.00.*

BUILDING

- **Residential Sales** *Home sales may fall again, although the down-trend is flattening and the index is moving up.*
- **Building Permits** *Permits may continue climbing, as the trend has turned back up and index rises from near 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 drop sharply, as the trend is down sharply, and the index moves down.*
- **Length of Stay (Dom.)** *Average visitor stay may fall through Q3, and the trend is turning down although the index stays high.*
- **Direct Flights** *Direct passenger counts are still climbing, and the trend is up while 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 - 2.1% over the last 7 quarters.

DATA SOURCES:

1	DBEDT	Monthly Economic Indicators	http://hawaii.gov/dbedt/info/economic/data_reports/mei
2	DBEDT	Monthly Visitor Statistics	http://hawaii.gov/dbedt/info/visitor-stats/tourism/
3	DBEDT	Monthly Energy Trends	http://hawaii.gov/dbedt/info/economic/data_reports/energy-trends
4	DBEDT	Daily Passenger Counts	http://hawaii.gov/dbedt/info/economic/data_reports/special
5	UHERO	Residential Sales Data	http://uhero.prognoz.com/TableR.aspx
6	BLS	Honolulu Consumer Price Index	http://www.bls.gov/ro9/cpihono.htm

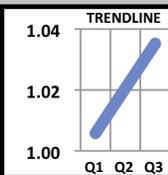
SUMMARY TABLE

2012

SUMMARY OF ACTUAL & FORECAST DATA*, % CHANGE AND INDEX TRENDS THRU Q3

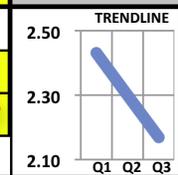
Q2 Apr-Jun

JOBS

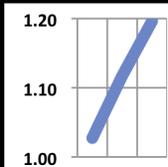


	Q1	Q2	Q3
Non-Ag. Employment (000)			
	28.1	28.8	29.1
	3.1%	4.0%	5.0%
	1.01	1.02	1.04

	Q1	Q2	Q3
Unemployed (000)			
	2.7	2.7	2.6
	-12.4%	-14.8%	-17.4%
	2.43	2.30	2.17

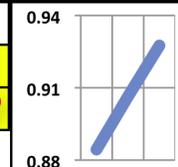


MONEY

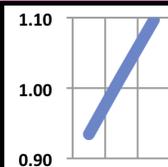


	Q1	Q2	Q3
W/hold. Tax on Wages (2010\$M)			
	\$2.4	\$2.5	\$2.6
	11.3%	21.2%	25.0%
	1.03	1.12	1.20

	Q1	Q2	Q3
Gen. Excise Taxes (2010\$M)			
	\$5.4	\$5.5	\$5.8
	11.2%	8.9%	8.3%
	0.88	0.91	0.93

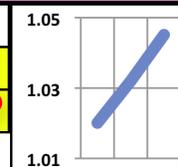


ENERGY

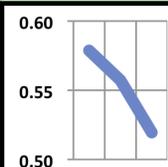


	Q1	Q2	Q3
Gas Gallons Sold (M gal)			
	2.5	3.0	3.0
	15.9%	21.5%	24.9%
	0.93	1.02	1.10

	Q1	Q2	Q3
Kilowatt Hours Sold (GWh)			
	35.6	37.3	39.6
	0.1%	0.3%	1.8%
	1.02	1.03	1.05

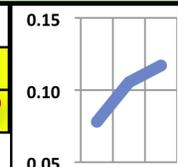


BUILDING



	Q1	Q2	Q3
Resid. Sales Volume (2010\$M)			
	\$21.9	\$35.0	\$21.6
	-25.3%	-20.2%	-19.2%
	0.58	0.56	0.52

	Q1	Q2	Q3
Resid. Building Permits (2010\$M)			
	\$4.6	\$3.5	\$5.0
	0.4%	150.8%	358.7%
	0.08	0.11	0.12

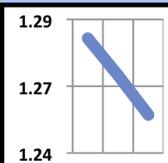
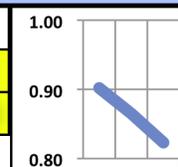


VISITORS



	Q1	Q2	Q3
Avg. Daily Visitors (000)			
	23.1	23.4	25.2
	13.0%	14.1%	16.1%
	1.26	1.31	1.36

	Q1	Q2	Q3
Visitor Spending (PPPD \$2010)			
	\$149.79	\$129.88	\$133.56
	8.4%	1.3%	-7.5%
	0.90	0.86	0.82



	Q1	Q2	Q3
Length-of-Stay (days)			
	8.0	7.3	7.2
	-0.3%	-1.0%	-1.8%
	1.28	1.27	1.25

	Q1	Q2	Q3
Dir. Flight Passengers (000)			
	38.4	46.1	51.7
	19.6%	20.0%	19.9%
	1.65	1.72	1.78



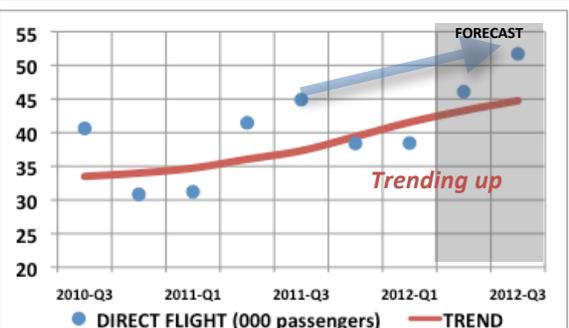
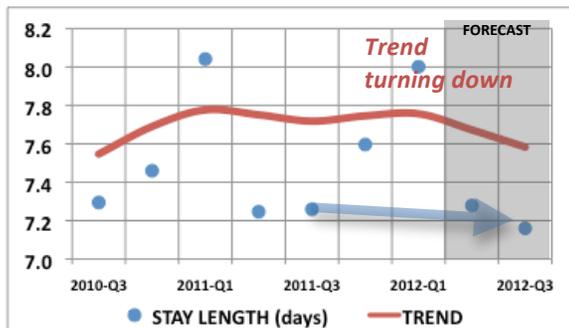
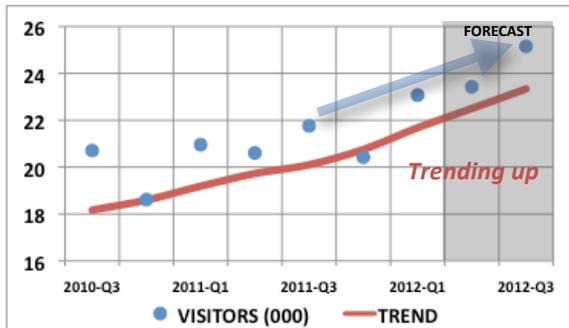
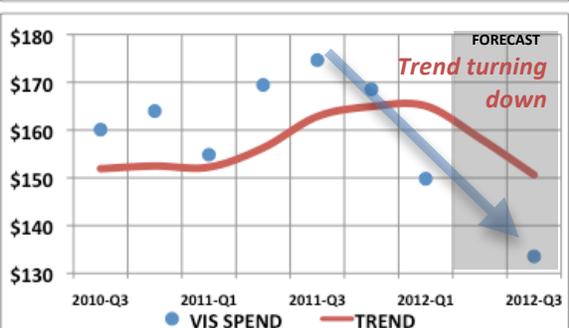
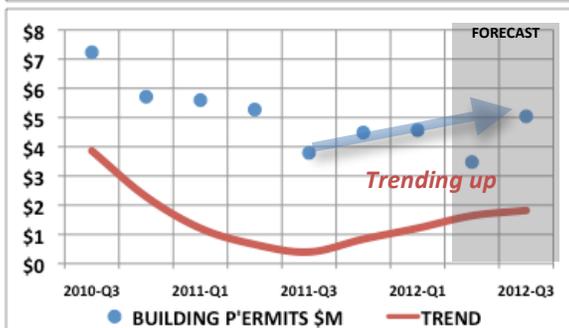
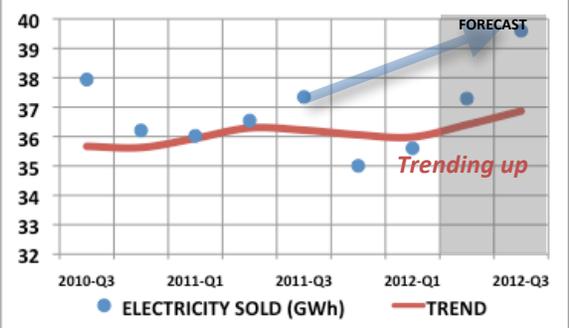
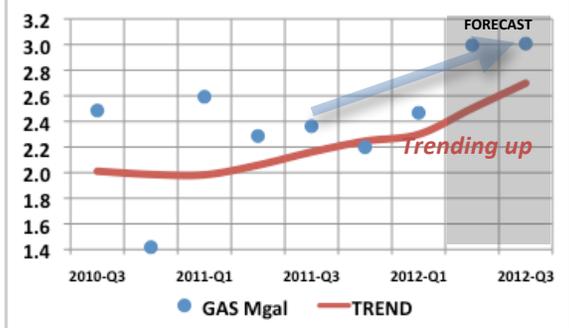
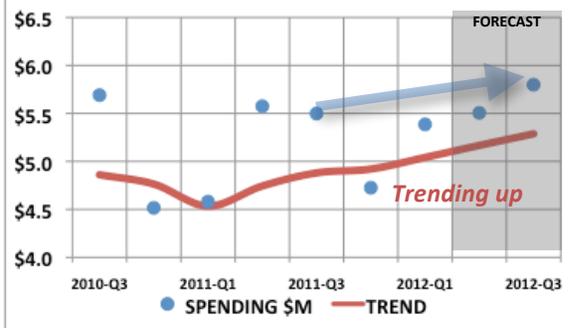
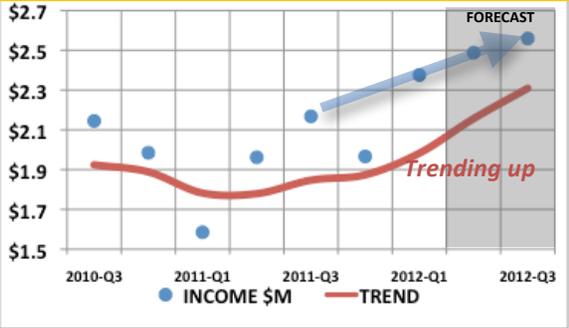
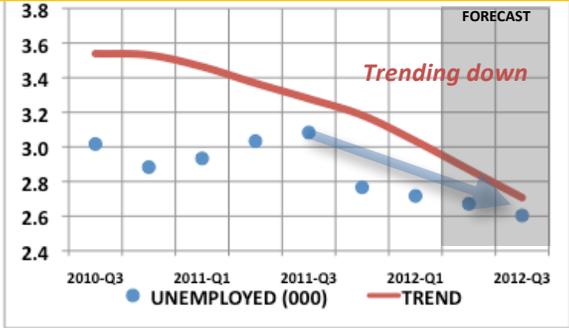
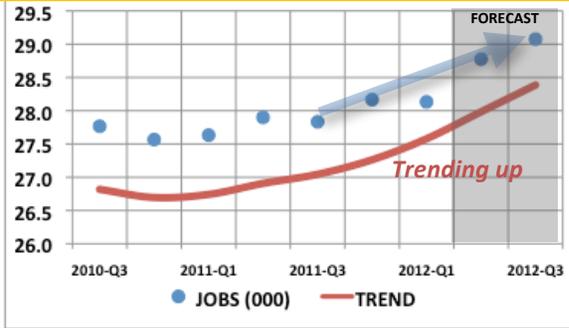
* Values are monthly averages during the Quarter.

Q1 = actual | Q2 = preliminary | Q3 = 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 Q3



EMPLOYED

Kauai's job base is climbing again in Q1 2012 to 28,100, which is up sharply from 27,600 in Q1 2011.

Jobs are forecast to recover further, surging to 29,100 in Q3 2012.

The jobs trend climbed to 27,600 in Q1 2012, and is expected to increase to 28,400 in Q4 of 2012.

On an index basis, the Q3 numbers will be 4 points above the 2003 averages.

UNEMPLOYED

Kauai's unemployed declined further to 2,700 in Q1 versus 2,900 in Q1 of 2011.

The number of unemployed is forecast to drop again to 2,600 in Q3 2012, which is down significantly from 3,300 in Q3 of 2012.

The trend for unemployed has been falling rapidly, and is expected to fall further to 2,700 in Q3.

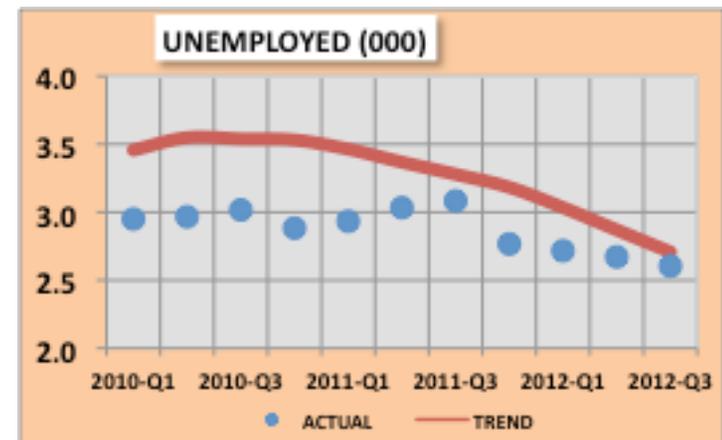
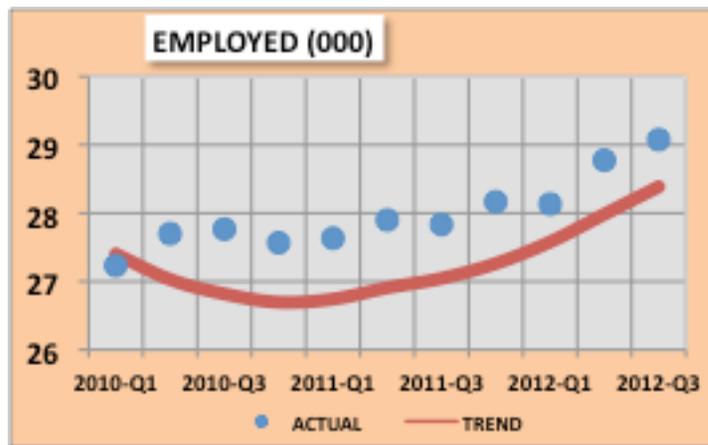
On an index basis, the Q3 numbers will be 2.17 times the 2003 averages.

EMPLOYED (000)			
	ACTUAL	TREND	INDEX*
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	27.9	26.9	0.98
2011-Q3	27.8	27.0	0.99
2011-Q4	28.2	27.3	0.99
2012-Q1	28.1	27.6	1.01
2012-Q2	28.8	28.0	1.02
2012-Q3	29.1	28.4	1.04

Source: 1 * Trend indexed to 2003 average values.

UNEMPLOYED (000)			
	ACTUAL	TREND	INDEX*
2010-Q1	3.0	3.5	2.77
2010-Q2	3.0	3.5	2.84
2010-Q3	3.0	3.5	2.84
2010-Q4	2.9	3.5	2.83
2011-Q1	2.9	3.5	2.78
2011-Q2	3.0	3.4	2.70
2011-Q3	3.1	3.3	2.63
2011-Q4	2.8	3.2	2.55
2012-Q1	2.7	3.0	2.43
2012-Q2	2.7	2.9	2.30
2012-Q3	2.6	2.7	2.17

Source: 1 * Trend indexed to 2003 average values.



INCOME

Kauai's income rose rapidly into 2012, as the inflation-adjusted average monthly withholding tax on wages jumped from \$1.6 million in Q1 of 2011 to \$2.4 million in Q1 of 2012.

Income is forecast to climb further up to \$2.6 million in Q3 2012.

The income trend is moving up, and is expected to reach \$2.3 million through Q3 2012.

The Q3 deflated index will be 20 points above 2003 averages.

SPENDING

Kauai's spending moved up in Q1 of 2012, as inflation-adjusted average monthly collections of general excise taxes climbed to \$5.4 million in Q1 of 2012 from \$4.6 million in Q1 2011.

Spending is forecast to climb further to \$5.8 million in Q3 of 2012, which is up from the \$5.5 total seen in Q3 of 2011.

The spending trend has been climbing as well, and may reach \$5.3 million in Q3 of 2012.

The Q3 deflated index will be 7 points below 2003 averages.

INCOME (2010 \$M MONTHLY)			
	ACTUAL	TREND	INDEX*
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	\$2.4	\$2.0	1.03
2012-Q2	\$2.5	\$2.2	1.12
2012-Q3	\$2.6	\$2.3	1.20

Source: 1, 6 * Trend indexed to 2003 average deflated values

RETAIL SPENDING (2010 \$M MONTHLY)			
	ACTUAL	TREND	INDEX*
2010-Q1	\$5.3	\$5.1	0.89
2010-Q2	\$4.9	\$5.0	0.87
2010-Q3	\$5.7	\$4.9	0.85
2010-Q4	\$4.5	\$4.8	0.84
2011-Q1	\$4.6	\$4.5	0.80
2011-Q2	\$5.6	\$4.7	0.83
2011-Q3	\$5.5	\$4.9	0.86
2011-Q4	\$4.7	\$4.9	0.86
2012-Q1	\$5.4	\$5.0	0.88
2012-Q2	\$5.5	\$5.2	0.91
2012-Q3	\$5.8	\$5.3	0.93

Source: 1, 6 * Trend indexed to 2003 average deflated values



GASOLINE

Kauai’s average monthly purchases of gasoline climbed back to 2.5 million gallons in Q1 of 2012, after falling to 2.2 million in Q4 of 2011.

Gas purchases are expected to jump up to 3.0 million gallons in Q3 2012.

The gas trend has turned up to at 2.3 million gallons in Q1 and may climb to 2.7 million gallons in Q3 of 2012.

The Q3 index will jump sharply to 1.10 versus 2003 averages.

GASOLINE SOLD (M GAL.)

	ACTUAL	TREND	INDEX*
2010-Q1	2.2	2.0	0.81
2010-Q2	1.9	1.9	0.76
2010-Q3	2.5	2.0	0.82
2010-Q4	1.4	2.0	0.81
2011-Q1	2.6	2.0	0.81
2011-Q2	2.3	2.1	0.84
2011-Q3	2.4	2.2	0.88
2011-Q4	2.2	2.2	0.91
2012-Q1	2.5	2.3	0.93
2012-Q2	3.0	2.5	1.02
2012-Q3	3.0	2.7	1.10

Source: 3 * Trend indexed to 2003 average values.

GASOLINE SOLD (M GAL.)



ELECTRICITY

Kauai’s average monthly purchases of electricity decreased from 36.0 GWh in Q1 of 2011 to 35.6 GWh in Q1 of 2012.

Electricity demand is forecast to rise sharply to 39.6 GWh in Q3 2012, up from 37.3 GWh in Q3 of 2011.

The electricity trend has turned back up to reach 36.0 in Q1 2012, and is expected to climb still further to 36.9 GWh in Q3 of 2012.

The Q1 index will reach 5 points above the 2003 averages.

ELECTRICITY SOLD (GWh)

	ACTUAL	TREND	INDEX*
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	35.0	36.1	1.02
2012-Q1	35.6	36.0	1.02
2012-Q2	37.3	36.4	1.03
2012-Q3	39.6	36.9	1.05

Source: 3 * Trend indexed to 2003 average values.

ELECTRICITY SOLD (GWh)



HOME SALES

Kauai's monthly inflation-adjusted average real estate sales fell back to \$21.9 million in Q1 of 2012 after reaching \$35.2 million in Q4 of 2011.

Real estate is forecast to fall back to \$21.6 million in Q3 2012.

The real estate trend continues to slide, and is expected to fall to \$20.6 million sales in Q3 of 2012.

Note that the home sales index in Q3 2012 will be 48 points below its 2003 index level.

BUILDING PERMITS

Kauai's inflation-adjusted average monthly building permit value stopped sliding to reach \$4.6 million in Q1 of 2012.

Permits are forecast to climb further to \$5.0 million in Q3 2012, down from \$3.8 million in Q3 2011.

The building permits trend is turning back up and is expected to reach \$1.8 million in Q3 2012.

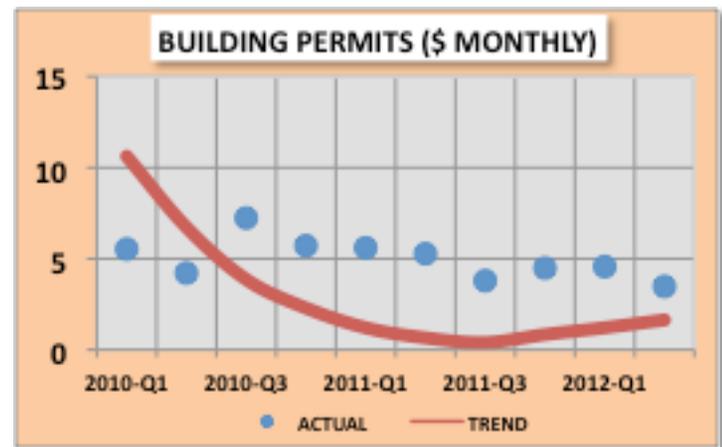
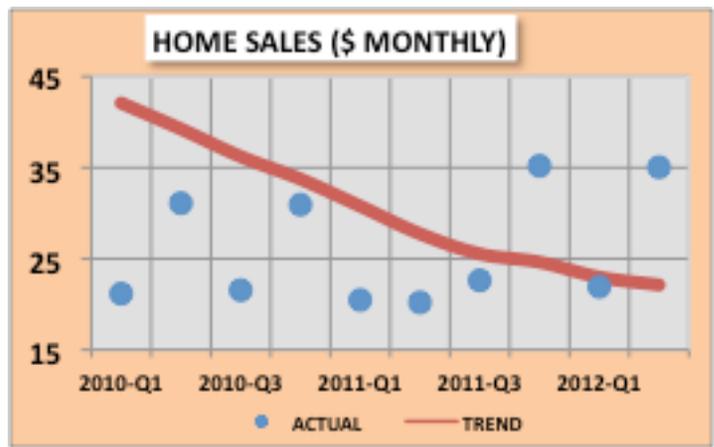
The Q3 index may be fully 88 points below its 2003 index level.

HOME SALES (2010\$ MONTHLY)			
	ACTUAL	TREND	INDEX*
2010-Q1	\$21.2	\$42.1	1.06
2010-Q2	\$31.1	\$39.2	0.99
2010-Q3	\$21.5	\$36.2	0.91
2010-Q4	\$30.9	\$33.7	0.85
2011-Q1	\$20.5	\$30.8	0.78
2011-Q2	\$20.2	\$27.7	0.70
2011-Q3	\$22.6	\$25.5	0.64
2011-Q4	\$35.2	\$24.6	0.62
2012-Q1	\$21.9	\$23.0	0.58
2012-Q2	\$35.0	\$22.1	0.56
2012-Q3	\$21.6	\$20.6	0.52

Source: 5, 6 * Trend indexed to 2003 average deflated values

BUILDING PERMITS (2010\$ MONTHLY)			
	ACTUAL	TREND	INDEX*
2010-Q1	\$5.5	\$10.6	0.68
2010-Q2	\$4.2	\$6.7	0.43
2010-Q3	\$7.2	\$3.9	0.25
2010-Q4	\$5.7	\$2.3	0.15
2011-Q1	\$5.6	\$1.2	0.08
2011-Q2	\$5.3	\$0.7	0.04
2011-Q3	\$3.8	\$0.4	0.03
2011-Q4	\$4.5	\$0.8	0.05
2012-Q1	\$4.6	\$1.2	0.08
2012-Q2	\$3.5	\$1.6	0.11
2012-Q3	\$5.0	\$1.8	0.12

Source: 1, 6 *Trend indexed to 2003 average deflated values



VISITORS

Kauai's average daily visitor counts surged sharply to 23,100 in Q1 of 2012, up from 21,000 in Q1 2011.

Visitor counts are forecast to climb further to 25,200 in Q3 2012, well above the Q3 2011 level of 21,800.

The visitor trend is clearly rebounding from the Q1 2010 low of 17,900, and is expected to improve significantly to 23,300 in Q3 of 2012.

The visitor index in Q3 2012 may be 36 points above 2003 levels.

VISITOR SPENDING

Kauai visitors' inflation-adjusted average daily spending per person fell sharply from \$168.53 in Q4 of 2011 to \$149.79 in Q1 of 2012.

Visitor spending is forecast to drop further to \$133.56 in Q3 of 2012.

The visitor spending trend is expected to slide to \$150.62 in Q3.

The deflated spending index in Q3 will remain 18 points below its 2003 level.

VISITORS (Avg. Daily 000)			
	ACTUAL	TREND	INDEX*
2010-Q1	19.3	17.9	1.04
2010-Q2	19.4	18.0	1.05
2010-Q3	20.7	18.2	1.06
2010-Q4	18.6	18.6	1.08
2011-Q1	21.0	19.2	1.12
2011-Q2	20.6	19.7	1.15
2011-Q3	21.8	20.1	1.17
2011-Q4	20.4	20.8	1.21
2012-Q1	23.1	21.7	1.26
2012-Q2	23.4	22.5	1.31
2012-Q3	25.2	23.3	1.36

Source: 4 * Trend indexed to 2003 average values.

VISITOR SPENDING (2010\$ PPPD)			
	ACTUAL	TREND	INDEX*
2010-Q1	\$152.80	\$151.00	0.83
2010-Q2	\$149.42	\$150.04	0.82
2010-Q3	\$160.08	\$151.90	0.83
2010-Q4	\$163.97	\$152.47	0.83
2011-Q1	\$154.84	\$152.23	0.83
2011-Q2	\$169.45	\$156.26	0.85
2011-Q3	\$174.65	\$162.83	0.89
2011-Q4	\$168.53	\$164.92	0.90
2012-Q1	\$149.79	\$165.05	0.90
2012-Q2	\$129.88	\$158.29	0.86
2012-Q3	\$133.56	\$150.62	0.82

Source: 2, 6 *Trend indexed to 2003 average deflated values



LENGTH OF STAY

Kauai visitors' average length-of-stay held steady at 8.0 days in Q1 2012, the same as in Q1 2011.

Stay-length is forecast to fall to 7.2 days in Q3 2012.

The stay-length trend is moving slightly down, and is expected to hit 7.6 days in Q3 of 2012.

On an index basis, the Q3 numbers will be 25 points above the 2003 average.

	LENGTH-OF-STAY (Days)		
	ACTUAL	TREND	INDEX*
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	8.0	7.8	1.28
2012-Q2	7.3	7.7	1.27
2012-Q3	7.2	7.6	1.25

Source: 2 * Trend indexed to 2003 average values.



DIRECT FLIGHT PASSENGERS

Kauai's average monthly passenger count on direct flights continues to climb from 31,200 in Q1 2011 to 38,400 in Q1 2012.

Direct flight counts are forecast to climb further to 51,700 in Q3 2012.

The direct flights trend is climbing steadily from 37,300 passengers in Q3 2011, and is expected to climb further to 44,700 in Q3 of 2012.

On an index basis, the Q3 numbers will be 78 points above the 2003 average.

	DIRECT FLIGHT PASSENGERS (000)		
	ACTUAL	TREND	INDEX*
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	44.9	37.3	1.48
2011-Q4	38.4	39.4	1.57
2012-Q1	38.4	41.5	1.65
2012-Q2	46.1	43.3	1.72
2012-Q3	51.7	44.7	1.78

Source: 4 * Trend indexed to 2003 average values.

