

CLOSELY WATCHED TRENDS

Few signs of recovery after recession

Key indicators stay at pre-boom levels

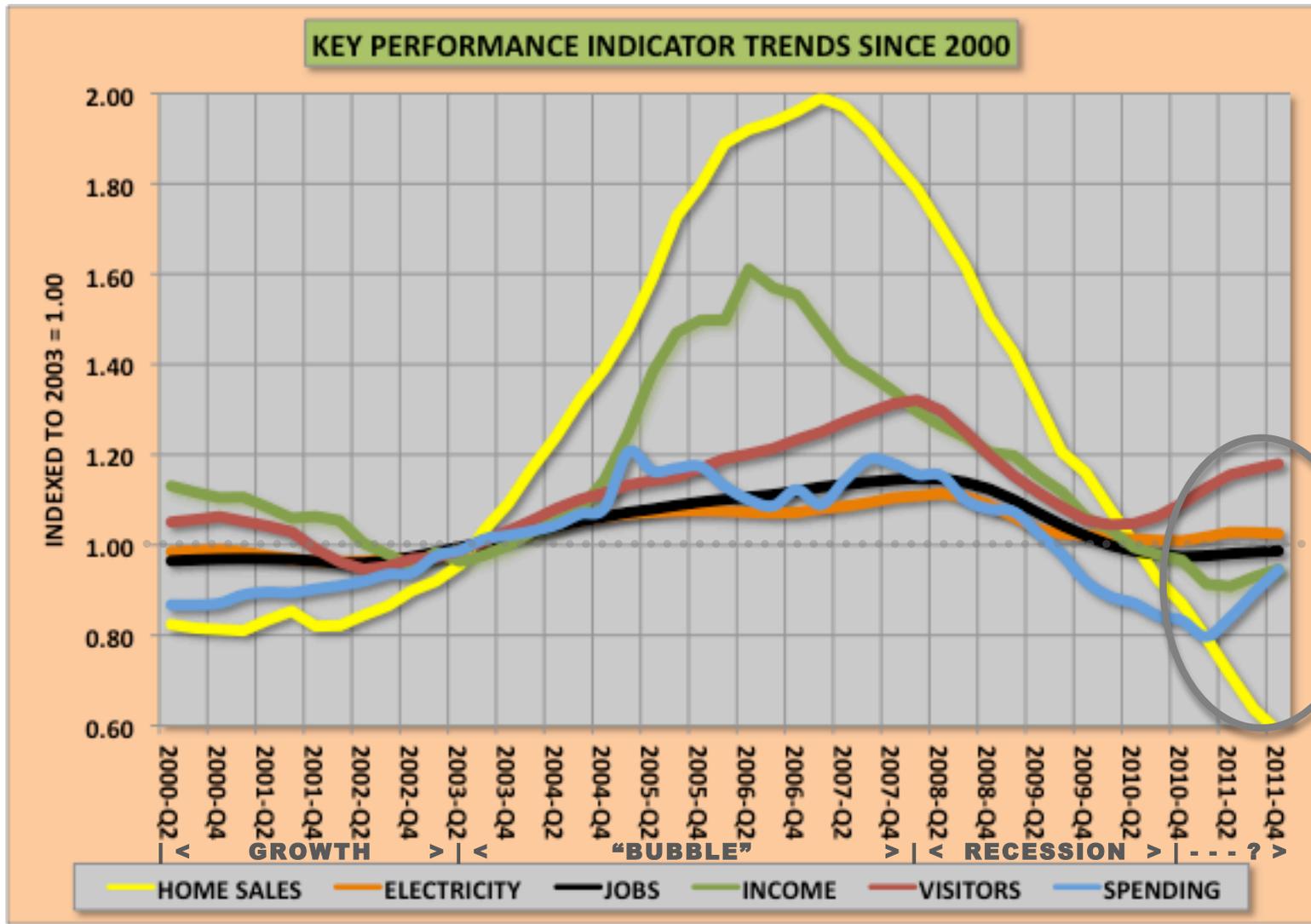
Looking to the fourth quarter of 2011:

- Unemployment declines though jobs slip further
- Income drops more though spending is rebounding
- Visitor counts and stay-length are still trending up
- Construction and real estate sales will slump further
- Gas purchases are up as electricity remains flat

	Q4 FORECAST
	% Chg. from Q4 2010
JOB	-0.4%
UNEMPLOYED	-10.5%
INCOME	-9.1%
SPENDING	17.1%
GASOLINE	27.7%
ELECTRICITY	0.0%
HOME SALES	-53.3%
BUILDING	-100.0%
VISITORS	0.5%
VIS. SPENDING	14.0%
VISITOR STAY	2.4%
DIR. FLIGHTS	24.9%

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**

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 since Q2 2011 and offers a reliable look ahead through Q4 2011.

The Summary Table shows the actual and forecast values for each indicator during the last three quarters of 2011, as well as 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.

Key findings from the latest data are presented below:

JOBS

- **Non-Ag. Employment** *Although job counts may slip further in Q4, the trend is turning up and the index is steady.*
- **Unemployed** *Jobless counts will fall further, and the trend is more down while the index is still high.*

MONEY

- **W/hold. Tax on Wages** *Wages will fall further, while the trend is turning up, and the index is bouncing back up.*
- **General Excise Taxes** *Spending will be up from Q4 2010, and the trend is turning up although the index is still low.*

ENERGY

- **Gas Gallons** *Gasoline will stay up in Q4, though the trend is still down and the index is low.*
- **Kilowatt Hours** *Electricity will unchanged from 2010, while the trend is down slightly, and the index is flat.*

BUILDING

- **Residential Sales** *Home sales will slip further, and the trend is still down while the index keeps dropping.*
- **Building Permits** *Permits may drop to zero in Q4, as the trend and index fall toward zero .*

VISITORS

- **Average Daily Visitors** *Visitor counts will inch up, while the trend is up at a slower 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 days may drop back, as the trend is turning down, yet the index is still high.*
- **Direct Flights** *Passenger counts will climb, and the trend is still up, while the index stays high.*

It should be noted that four key indicators (*Jobs, Home Sales, kWh and Visitor Spending*) have settled back to about the same level they were in 2003 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.

* Note on reliability of forecasts:

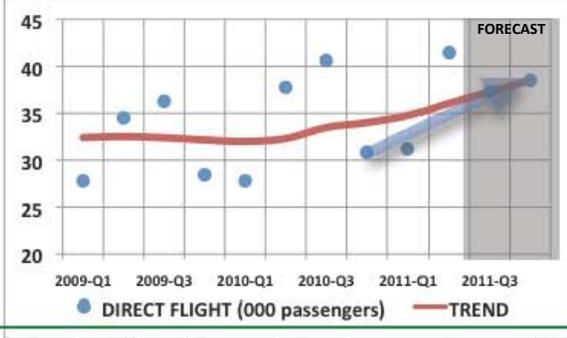
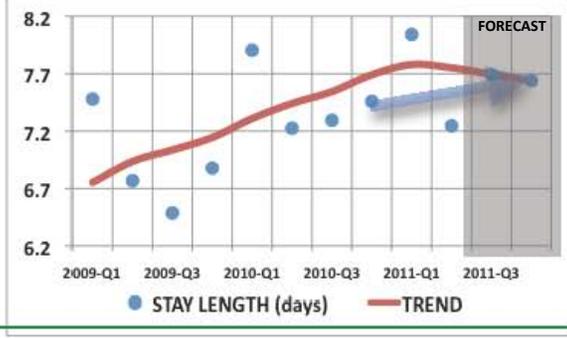
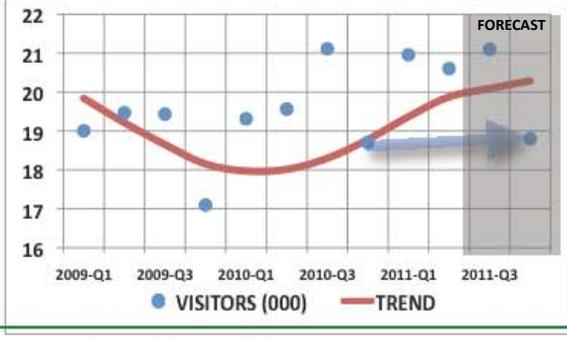
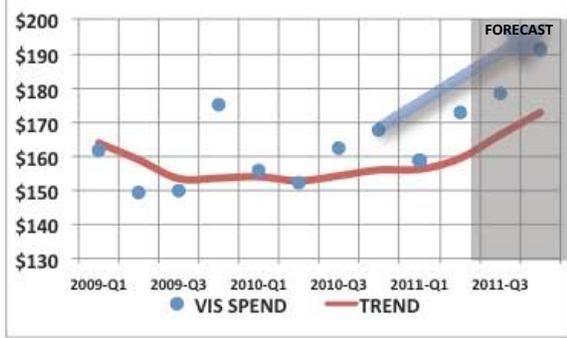
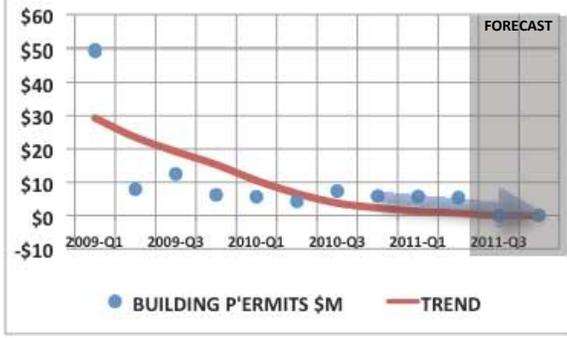
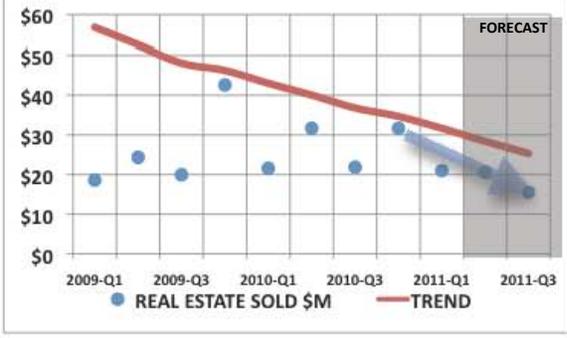
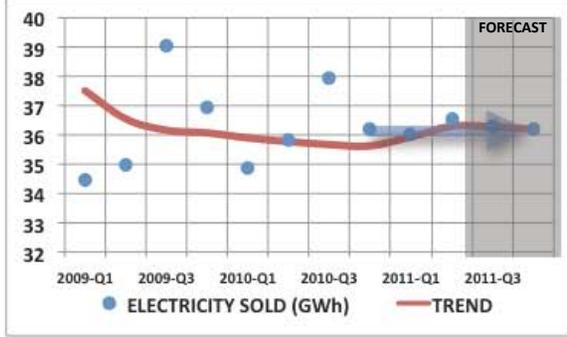
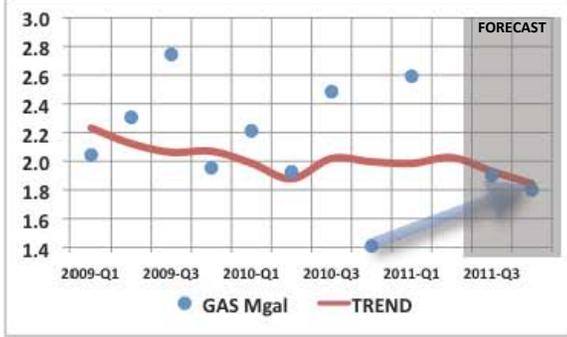
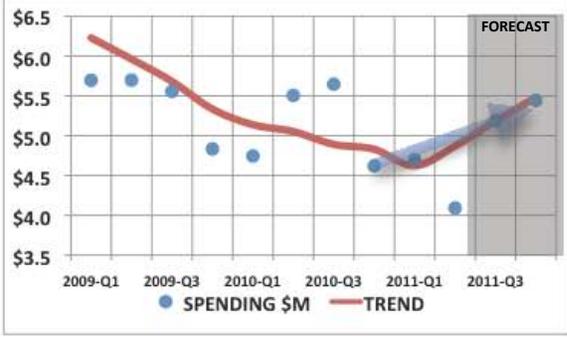
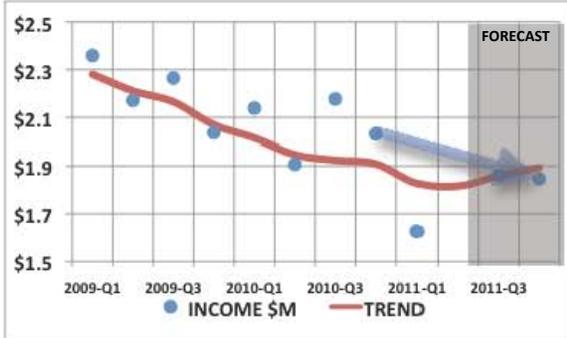
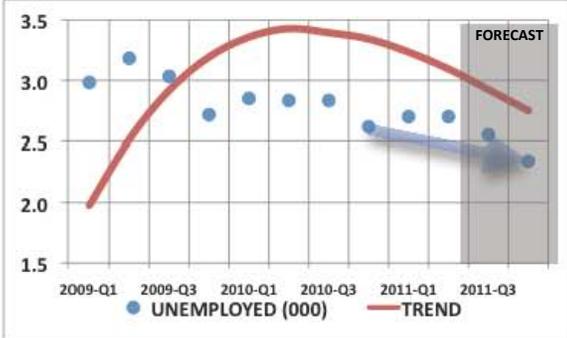
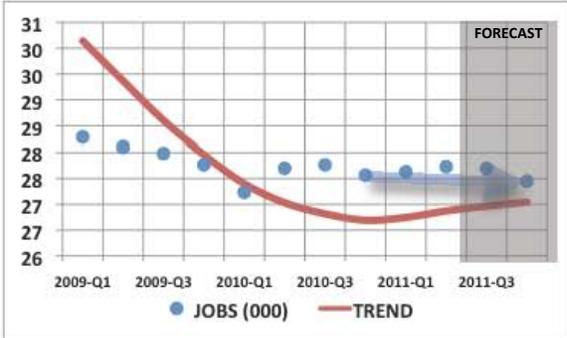
The average forecast error for 10 of 12 indicators (excluding home sales and building permits) was + or - 2.5% over the last 3 quarters.

SUMMARY TABLE

2011		SUMMARY OF ACTUAL & FORECAST DATA*, % CHANGE AND INDEX TRENDS THRU Q4						Q3 Jul-Sep	
JOBS		Q2	Q3	Q4	Q2	Q3	Q4		
	Non-Ag. Employment (000)			Unemployed (000)					
	27.7	27.7	27.4	2.7	2.6	2.3			
	0.1%	-0.3%	-0.4%	-4.7%	-9.9%	-10.5%			
	1.00	1.00	0.99	2.25	2.13	1.95			
MONEY									
	W/hold. Tax on Wages (2010\$M)			Gen. Excise Taxes (2010\$M)					
	\$1.3	\$1.9	\$1.8	\$6.1	\$6.3	\$5.4			
	-32.3%	-14.5%	-9.1%	10.4%	10.7%	17.1%			
	0.62	0.89	0.88	1.02	1.05	0.91			
ENERGY									
	Gas Gallons Sold (M gal)			Kilowatt Hours Sold (GWh)					
	1.4	1.9	1.8	36.5	36.3	36.2			
	-27.3%	-23.5%	27.7%	2.0%	-4.3%	0.0%			
	0.52	0.71	0.67	1.02	1.01	1.01			
BUILDING									
	Resid. Sales Volume (2010\$M)			Resid. Building Permits (2010\$M)					
	\$20.6	\$15.5	\$14.8	\$5.4	\$0.0	\$0.0			
	-34.9%	-28.9%	-53.3%	25.4%	-100.0%	-100.0%			
	0.37	0.28	0.27	0.33	0.00	0.00			
VISITORS									
	Avg. Daily Visitors (000)			Visitor Spending (PPPD \$2010)					
	20.6	21.1	18.8	\$172.98	\$178.56	\$191.34			
	5.3%	-0.1%	0.5%	13.6%	9.9%	14.0%			
	1.16	1.18	1.06	0.93	0.96	1.03			
	Length-of-Stay (days)			Dir. Flight Passengers (000)					
	7.2	7.7	7.6	41.5	37.3	38.5			
	0.3%	5.4%	2.4%	9.8%	-8.2%	24.9%			
	1.16	1.23	1.23	1.80	1.62	1.67			

* 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 2009: **ARROWS HIGHLIGHT YEAR-TO-YEAR CHANGE FOR Q4**



EMPLOYED

Kauai's job base increased slightly through Q2 2011 to 27,700, which is unchanged from 27,700 in Q2 2010.

Jobs are forecast to soften again, falling back to 27,400 in Q4 2011.

The jobs trend in increasing slightly to 26,900 in Q2 2011, and is expected to improve slightly to 27,000 in Q4 of 2011.

On an index basis, the Q4 numbers will be 1 point below the 2003 averages.

UNEMPLOYED

Kauai's unemployed also remained fairly steady throughout 2011, falling to 2,700 in Q2 from 2,800 in Q1 of 2010.

The number of unemployed is forecast fall further to 2,300 in Q4 2011, which is down from 2,600 in Q4 of 2010.

The trend for unemployed has been falling rapidly, and is expected to fall further through Q4.

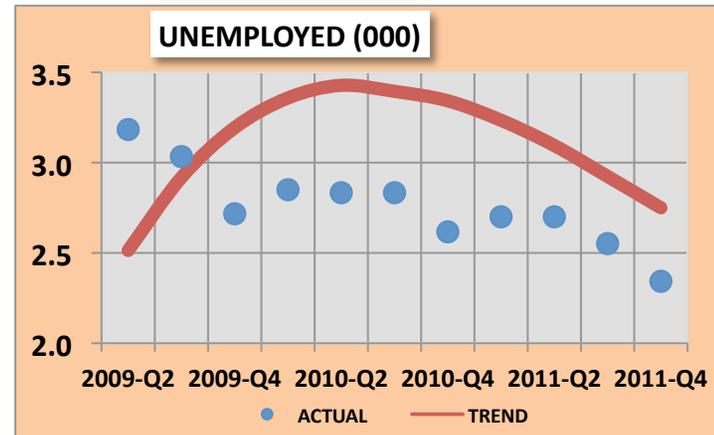
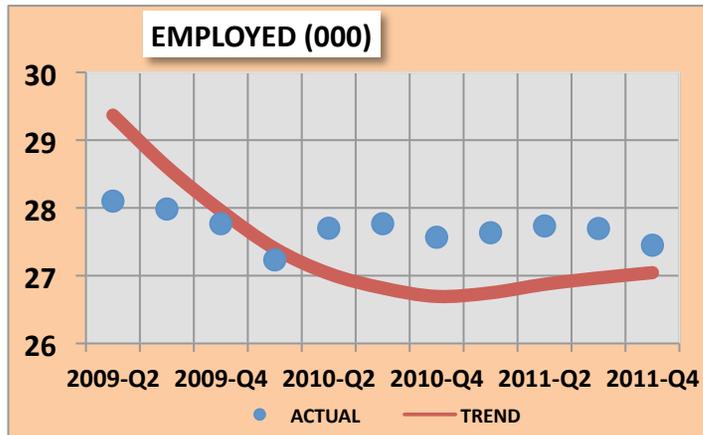
On an index basis, the Q4 numbers will be nearly two times the 2003 averages.

EMPLOYED (000)			
	ACTUAL	TREND	INDEX*
2009-Q1	28.3	30.1	1.02
2009-Q2	28.1	29.4	1.01
2009-Q3	28.0	28.6	1.01
2009-Q4	27.8	28.0	1.00
2010-Q1	27.2	27.4	0.98
2010-Q2	27.7	27.0	1.00
2010-Q3	27.8	26.8	1.00
2010-Q4	27.6	26.7	0.99
2011-Q1	27.6	26.7	0.99
2011-Q2	27.7	26.9	1.00
2011-Q3	27.7	27.0	1.00
2011-Q4	27.4	27.0	0.99

* Trend indexed to 2003 average values.

UNEMPLOYED (000)			
	ACTUAL	TREND	INDEX*
2009-Q1	3.0	2.0	2.49
2009-Q2	3.2	2.5	2.65
2009-Q3	3.0	2.9	2.53
2009-Q4	2.7	3.2	2.26
2010-Q1	2.9	3.4	2.38
2010-Q2	2.8	3.4	2.36
2010-Q3	2.8	3.4	2.36
2010-Q4	2.6	3.3	2.18
2011-Q1	2.7	3.2	2.25
2011-Q2	2.7	3.1	2.25
2011-Q3	2.6	2.9	2.13
2011-Q4	2.3	2.7	1.95

* Trend indexed to 2003 average values.



INCOME

Kauai's income continued to slip, as the average monthly withholding tax on wages slumped from \$1.6 million in Q1 of 2011 to \$1.3 million in Q2 of 2011.

Income is forecast to climb back up to \$1.8 million in Q4 2011.

The income trend is now flattening, and is expected to hold at \$1.9 million through Q4 2011.

The Q4 deflated index will be 0.88 versus 2003 averages.

SPENDING

Kauai's spending continued jumped up in Q2 of 2011, as average monthly collections of general excise taxes rose from \$4.7 million in Q1 to \$6.1 million in Q2 of 2011.

Spending is forecast to slide back to \$5.4 million in Q4 of 2011, yet this will be 17% above Q4 of 2010.

The spending trend has bounced back as well, and may climb to \$5.4 million in Q4 of 2011.

The Q4 deflated index will be 0.91 versus 2003 averages

INCOME (2010 \$M MONTHLY)

	ACTUAL	TREND	INDEX*
2009-Q1	\$2.4	\$2.3	1.13
2009-Q2	\$2.2	\$2.2	1.04
2009-Q3	\$2.3	\$2.2	1.09
2009-Q4	\$2.0	\$2.1	0.98
2010-Q1	\$2.1	\$2.0	1.02
2010-Q2	\$1.9	\$1.9	0.91
2010-Q3	\$2.2	\$1.9	1.04
2010-Q4	\$2.0	\$1.9	0.97
2011-Q1	\$1.6	\$1.8	0.78
2011-Q2	\$1.3	\$1.8	0.62
2011-Q3	\$1.9	\$1.9	0.89
2011-Q4	\$1.8	\$1.9	0.88

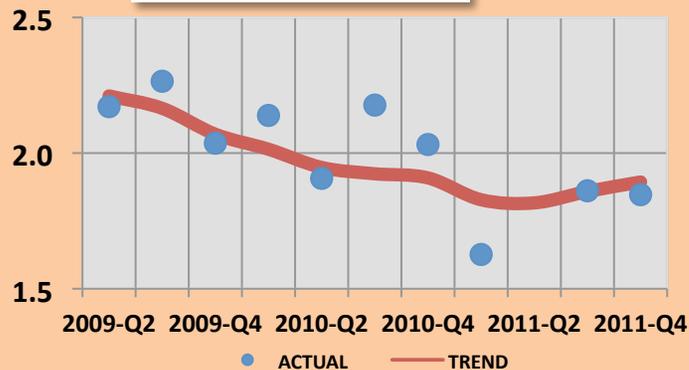
* Trend indexed to 2003 average deflated values.

RETAIL SPENDING (2010 \$M MONTHLY)

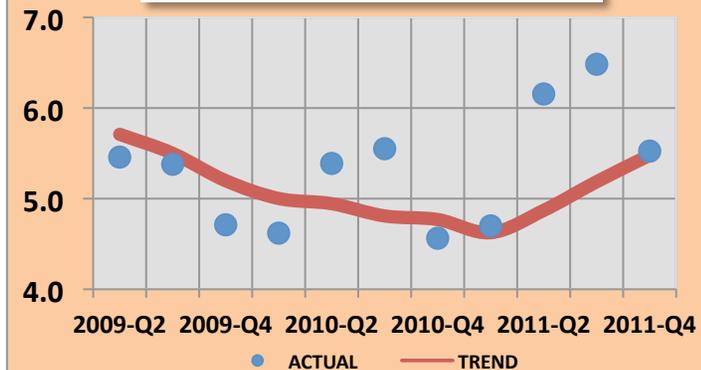
	ACTUAL	TREND	INDEX*
2009-Q1	\$5.7	\$6.2	0.96
2009-Q2	\$5.7	\$6.0	0.96
2009-Q3	\$5.6	\$5.7	0.94
2009-Q4	\$4.8	\$5.3	0.81
2010-Q1	\$4.7	\$5.1	0.80
2010-Q2	\$5.5	\$5.1	0.93
2010-Q3	\$5.6	\$4.9	0.95
2010-Q4	\$4.6	\$4.8	0.78
2011-Q1	\$4.7	\$4.6	0.79
2011-Q2	\$6.1	\$4.9	1.02
2011-Q3	\$6.3	\$5.2	1.05
2011-Q4	\$5.4	\$5.4	0.91

* Trend indexed to 2003 average deflated values.

INCOME (\$M MONTHLY)



RETAIL SPENDING (\$M MONTHLY)



GASOLINE

Kauai’s average monthly purchases of gasoline dropped sharply to 1.4 million gallons in Q2 of 2011, after jumping up to 2.6 million in Q1 of 2011.

Gas is expected to surge again, climbing up to 1.8 million gallons in Q4 2011.

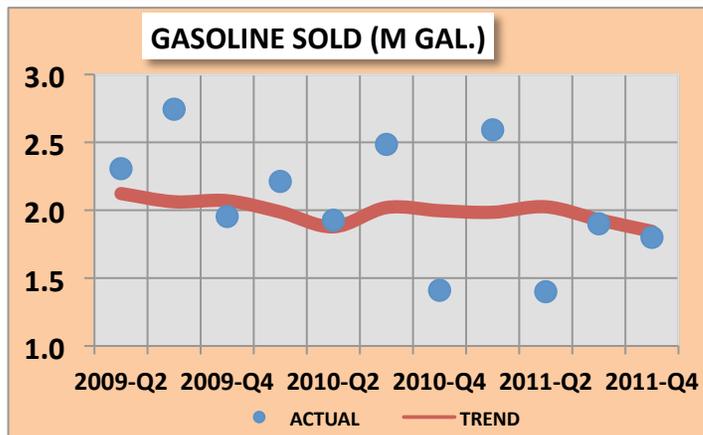
The gas trend is still inching down below 2.0 million gallons and may slide to 1.8 million gallons in Q4 of 2011.

The Q4 index will slip further to 0.67 versus 2003 averages.

GASOLINE SOLD (M GAL.)

	ACTUAL	TREND	INDEX*
2009-Q1	2.0	2.2	0.76
2009-Q2	2.3	2.1	0.85
2009-Q3	2.7	2.1	1.02
2009-Q4	2.0	2.1	0.72
2010-Q1	2.2	2.0	0.82
2010-Q2	1.9	1.9	0.71
2010-Q3	2.5	2.0	0.92
2010-Q4	1.4	2.0	0.52
2011-Q1	2.6	2.0	0.96
2011-Q2	1.4	2.0	0.52
2011-Q3	1.9	1.9	0.70
2011-Q4	1.8	1.8	0.67

* Trend indexed to 2003 average values.



ELECTRICITY

Kauai’s average monthly purchases of electricity increased from 35.8 GWh in Q2 of 2010 to 36.5 Gwh in Q2 of 2011.

Electricity demand is forecast to fall slightly to 36.2 GWh in Q4 2011.

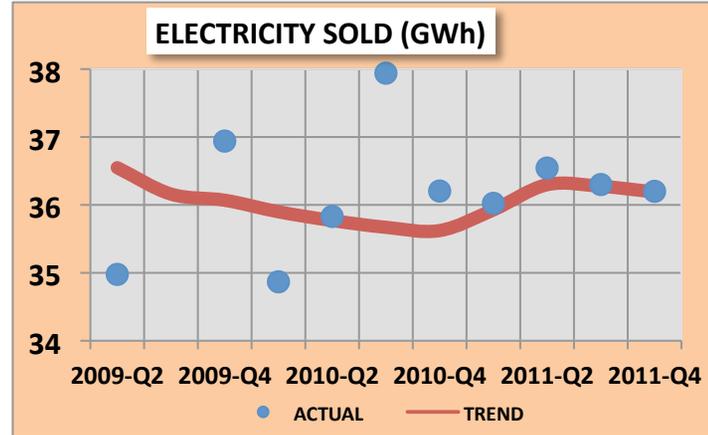
The electricity trend has been fairly flat since Q1 2010, and is expected to fall slightly to 36.2 GWh in Q4 of 2011.

The Q4 index will sit just 1 point above the 2003 averages.

ELECTRICITY SOLD (GWh)

	ACTUAL	TREND	INDEX*
2009-Q1	34.5	37.5	0.96
2009-Q2	35.0	36.5	0.97
2009-Q3	39.0	36.2	1.09
2009-Q4	36.9	36.1	1.03
2010-Q1	34.9	35.9	0.97
2010-Q2	35.8	35.8	1.00
2010-Q3	37.9	35.7	1.06
2010-Q4	36.2	35.6	1.01
2011-Q1	36.0	35.9	1.00
2011-Q2	36.5	36.3	1.02
2011-Q3	36.3	36.3	1.01
2011-Q4	36.2	36.2	1.01

* Trend indexed to 2003 average values.



HOME SALES

Kauai's quarterly real estate sales fell back to \$62.6 million in Q2 of 2011 after climbing to \$93.8 million in Q4 of 2010.

Real estate is forecast to soften further, falling to \$45.7 million sales in Q4 2011.

The real estate trend continues to fall, and is expected to drop to \$72.1 million sales in Q4 of 2011.

Note that the home sales index in Q4 2011 will be just 0.27 compared to the 2003 index level.

BUILDING PERMITS

Kauai's average monthly building permit value continues to slump, reaching at \$5.4 million in Q2 of 2011.

Permits are forecast to drop still further to virtually nothing in Q4 2011.

The building permits trend has been falling fast since Q2 of 2009, and is expected to hit zero in Q4 of 2011.

HOME SALES (\$M MONTHLY)

	ACTUAL	TREND	INDEX*
2009-Q1	\$53.1	\$162.1	0.34
2009-Q2	\$70.0	\$150.8	0.44
2009-Q3	\$58.0	\$139.5	0.36
2009-Q4	\$124.5	\$135.1	0.77
2010-Q1	\$63.0	\$125.6	0.39
2010-Q2	\$93.0	\$117.6	0.57
2010-Q3	\$64.5	\$108.5	0.39
2010-Q4	\$93.8	\$102.7	0.57
2011-Q1	\$63.0	\$95.0	0.38
2011-Q2	\$62.6	\$86.3	0.37
2011-Q3	\$47.6	\$77.5	0.28
2011-Q4	\$45.7	\$72.1	0.27

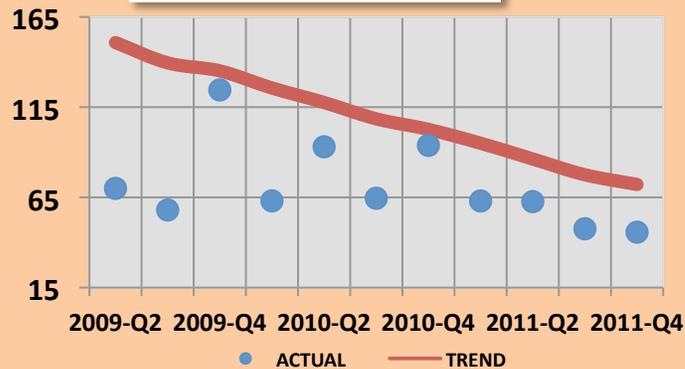
* Trend indexed to 2003 average deflated values.

BUILDING PERMITS (\$ MONTHLY)

	ACTUAL	TREND	INDEX*
2009-Q1	\$47.0	\$27.9	2.99
2009-Q2	\$7.6	\$22.5	0.48
2009-Q3	\$12.1	\$18.6	0.76
2009-Q4	\$6.0	\$14.9	0.38
2010-Q1	\$5.5	\$10.2	0.34
2010-Q2	\$4.2	\$6.5	0.26
2010-Q3	\$7.2	\$3.7	0.45
2010-Q4	\$5.8	\$2.2	0.35
2011-Q1	\$5.7	\$1.3	0.35
2011-Q2	\$5.4	\$0.7	0.33
2011-Q3	\$0.0	\$0.0	0.00
2011-Q4	\$0.0	\$0.0	0.00

* Trend indexed to 2003 average deflated values.

HOME SALES (\$ MONTHLY)



BUILDING PERMITS (\$ MONTHLY)



VISITORS

Kauai's average daily visitor counts remained fairly flat throughout 2010, slipping from 21,000 in Q1 to 20,600 in Q2.

Visitors are forecast to fall back to 18,600 in Q4 2011, just under the Q4 2010 level of 18,700.

The visitor trend is clearly rebounding from the Q2 2010 low of 18,000, and is expected to improve significantly to 20,300 in Q4 of 2011.

Kauai's visitor index in Q4 2011 remains 14 points above 2003 levels.

VISITOR SPENDING

Kauai's visitors' average daily spending per person increased slightly from \$149.04 in Q2 of 2010 to \$175.15 in Q2 of 2011.

Visitor spending is forecast to continue climbing to \$196.86 in Q4 of 2011.

The visitor spending trend is expected to climb to \$177.90 in Q4.

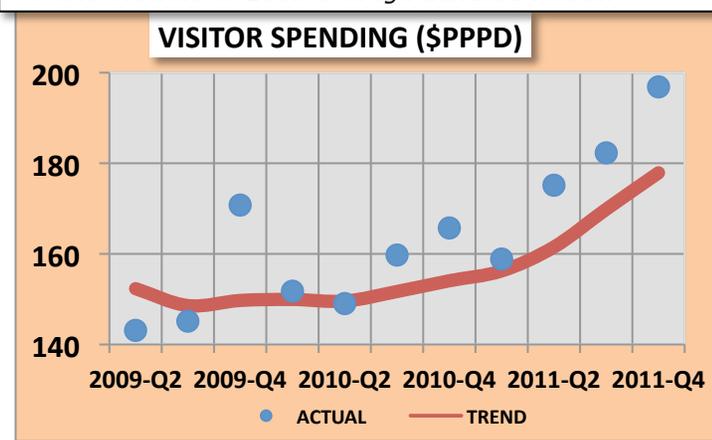
The deflated spending index in Q4 will remain 7 points below its 2003 level.

VISITORS			
	ACTUAL	TREND	INDEX*
2009-Q1	19.0	19.8	1.07
2009-Q2	19.5	19.2	1.09
2009-Q3	19.4	18.7	1.09
2009-Q4	17.1	18.2	0.96
2010-Q1	19.3	18.0	1.08
2010-Q2	19.6	18.0	1.10
2010-Q3	21.1	18.3	1.19
2010-Q4	18.7	18.8	1.05
2011-Q1	21.0	19.4	1.18
2011-Q2	20.6	19.9	1.16
2011-Q3	21.1	20.1	1.13
2011-Q4	18.6	20.3	1.14

* Trend indexed to 2003 average values.

VISITOR SPENDING (2010\$PPPD)			
	ACTUAL	TREND	INDEX*
2009-Q1	\$161.82	\$163.99	0.87
2009-Q2	\$149.41	\$159.02	0.80
2009-Q3	\$149.95	\$153.51	0.81
2009-Q4	\$175.25	\$153.65	0.94
2010-Q1	\$155.91	\$154.04	0.84
2010-Q2	\$152.29	\$152.84	0.82
2010-Q3	\$162.49	\$154.30	0.87
2010-Q4	\$167.81	\$156.02	0.90
2011-Q1	\$158.86	\$156.24	0.85
2011-Q2	\$172.98	\$159.50	0.93
2011-Q3	\$178.56	\$166.38	0.96
2011-Q4	\$191.34	\$172.90	1.03

* Trend indexed to 2003 average deflated values.



LENGTH OF STAY

Kauai visitors' average length-of-stay held steady at 7.2 days in Q2 2011 as it was in Q1 2010.

Stay length is forecast to inch up to 7.3 days in Q4 2011.

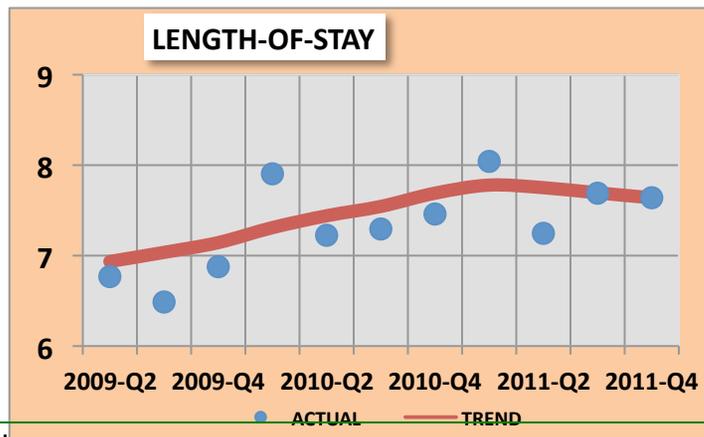
The stay-length trend is trending down again below 8.0 days, and is expected to slip slightly to 7.6 days in Q4 of 2011.

On an index basis, the Q4 numbers will be 21 points above the 2003 average.

LENGTH-OF-STAY

	ACTUAL	TREND	INDEX*
2009-Q1	7.5	6.8	1.19
2009-Q2	6.8	6.9	1.07
2009-Q3	6.5	7.0	1.03
2009-Q4	6.9	7.1	1.09
2010-Q1	7.9	7.3	1.25
2010-Q2	7.2	7.4	1.15
2010-Q3	7.3	7.5	1.16
2010-Q4	7.5	7.7	1.18
2011-Q1	8.0	7.8	1.28
2011-Q2	7.2	7.8	1.15
2011-Q3	7.1	7.7	1.22
2011-Q4	7.3	7.6	1.21

* Trend indexed to 2003 average values.



DIRECT FLIGHT PASSENGERS

Kauai's average monthly passenger count on direct flights continues to climb from 37,800 in Q2 2010 to 41,500 in Q2 2011.

Direct flight counts are forecast to slip back to 35,300 in Q4 2011.

The direct flights trend has climbed steadily from 34,000 passengers in Q4 2010, and is expected to climb further to 38,500 in Q3 of 2011.

On an index basis, the Q4 numbers will be 67 points above the 2003 average.

DIRECT FLIGHT PASSENGERS

	ACTUAL	TREND	INDEX*
2009-Q1	27.8	32.4	1.20
2009-Q2	34.5	32.5	1.49
2009-Q3	36.3	32.4	1.57
2009-Q4	28.4	32.2	1.23
2010-Q1	27.8	32.0	1.20
2010-Q2	37.8	32.3	1.63
2010-Q3	40.6	33.5	1.76
2010-Q4	30.8	34.0	1.33
2011-Q1	31.2	34.8	1.35
2011-Q2	41.5	36.1	1.79
2011-Q3	44.7	37.3	1.61
2011-Q4	35.3	38.5	1.67

* Trend indexed to 2003 average values.

