

CLOSELY WATCHED TRENDS

Upturn continues as tourism growth softens

Key indicators surpass pre-boom levels

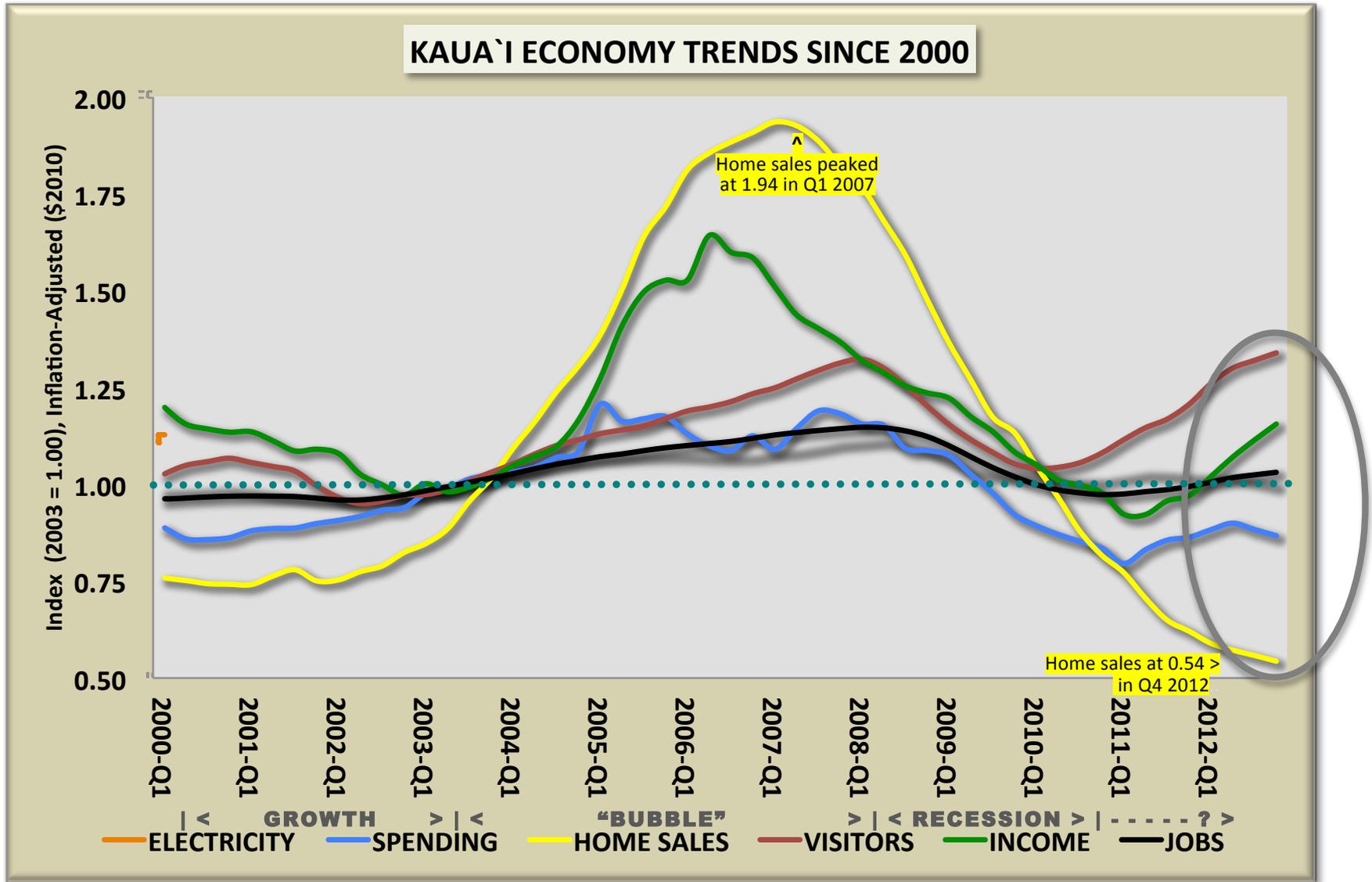
Looking to the fourth quarter of 2012:

- Jobs picture is strong as unemployment falls further
- Spending is trending flat as income climbs sharply
- Boom in visitor counts slowing as spending rebounds
- Construction rebounds as real estate sales stay low
- Gas demand flattens as electricity turns back down

QUICK TREND LOOK AHEAD	FORECAST Q4 2012
	% Chg. from Q4 2011
JOB	4%
UNEMPLOYED	-21%
INCOME	19%
SPENDING	1%
GASOLINE	8%
ELECTRICITY	-3%
HOME SALES	-13%
BUILDING	371%
VISITORS	11%
VIS. SPENDING	13%
VISITOR STAY	-4%
DIR. FLIGHTS	4%

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 Q2 2012 and offers a reliable look ahead through Q4 2012.

The **Summary Table** presented on the next page shows the actual and forecast values for each indicator during the second quarter of 2012 as well as Q3 and Q4 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 only two key indicators (*Visitors and Income*) have moved back above the level they were in 2003 (see chart on previous page) and all but Visitors are well below the boom years of 2005-07.

Going forward, there are signs of weakening as the up trends may flatten in the quarters just ahead. Key findings from the latest data are presented below:

JOBS

- **Non-Ag. Employment** *Job recovery may continue through Q4, and the trend is moving up as the index climbs just over 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** *Income is turning up and the trend is up sharply, while the index is moving well above 1.00.*
- **General Excise Taxes** *Spending will be down sharply, and the trend is turning down while the index is still below 1.00.*

ENERGY

- **Gas Gallons** *Gasoline demand is flattening, although the trend is up and the index stays just under 1.00.*
- **Kilowatt Hours** *Electricity will be down sharply, and the trend is moving back down, as the index falls back to 1.00.*

BUILDING

- **Residential Sales** *Home sales may fall again, although the down-trend is flattening and the index stays just under 0.50.*
- **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 slightly, while the trend is flattening, and the index stays high.*
- **Daily Spending** *Per person spending may rise sharply, as the trend turns up, and the index moves above 1.00.*
- **Length of Stay (Dom.)** *Average visitor stay may fall through Q4, and the trend is turning down although the index stays high.*
- **Direct Flights** *Direct passenger counts are softening, and the trend is turning down 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 – 2.6% over the last 8 quarters.

DATA SOURCES:

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

SUMMARY TABLE

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

2012

Q3 Jul-Sep

JOBS		Q2	Q3	Q4	Q2	Q3	Q4
	Non-Ag. Employment (000)			Unemployed (000)			
	28.3	28.3	28.4	2.7	2.5	2.3	
	3.7%	3.9%	3.7%	-14.6%	-17.7%	-21.0%	
	1.02	1.02	1.03	2.31	2.16	2.02	

MONEY		Q2	Q3	Q4	Q2	Q3	Q4
	W/hold. Tax on Wages (2010\$M)			Gen. Excise Taxes (2010\$M)			
	\$2.2	\$2.3	\$2.2	\$5.2	\$5.0	\$4.3	
	16.1%	16.4%	19.0%	8.2%	3.2%	0.5%	
	1.07	1.11	1.16	0.90	0.88	0.87	

ENERGY		Q2	Q3	Q4	Q2	Q3	Q4
	Gas Gallons Sold (M gal)			Kilowatt Hours Sold (GWh)			
	2.4	2.4	2.2	35.2	36.2	34.2	
	13.1%	9.8%	7.7%	-0.7%	-1.7%	-2.5%	
	0.95	0.96	0.98	1.02	1.01	1.00	

BUILDING		Q2	Q3	Q4	Q2	Q3	Q4
	Resid. Sales Volume (2010\$M)			Resid. Building Permits (2010\$M)			
	\$40.5	\$33.8	\$33.0	\$5.9	\$5.6	\$4.6	
	-19.0%	-14.0%	-12.5%	262.0%	737.4%	370.9%	
	0.57	0.56	0.54	0.14	0.20	0.25	

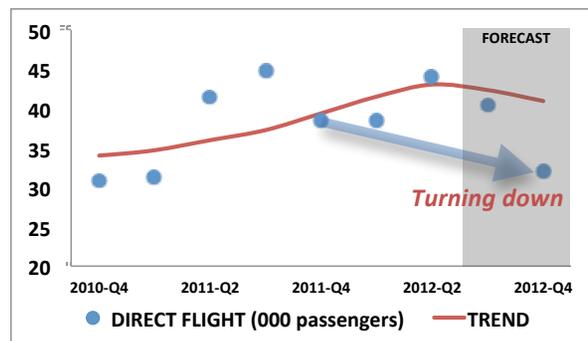
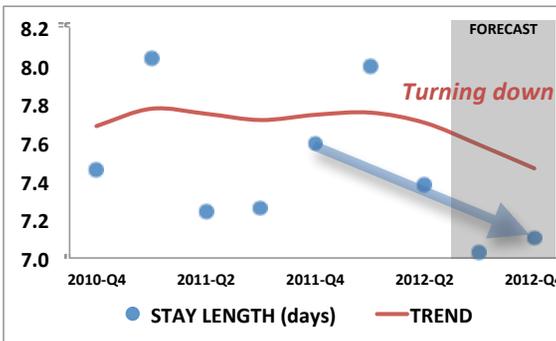
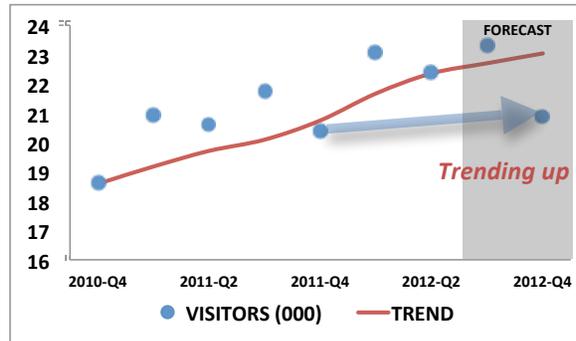
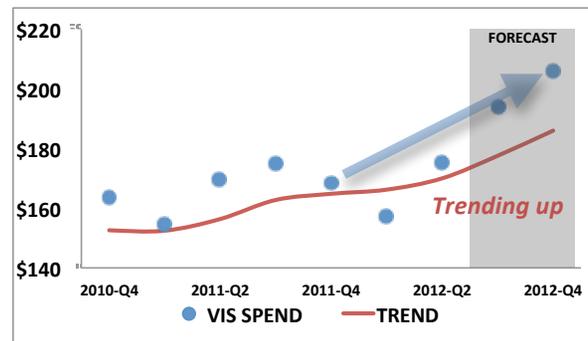
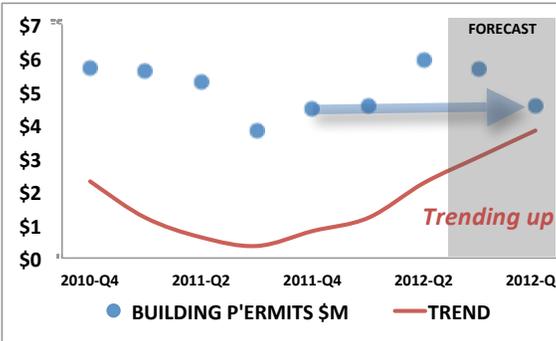
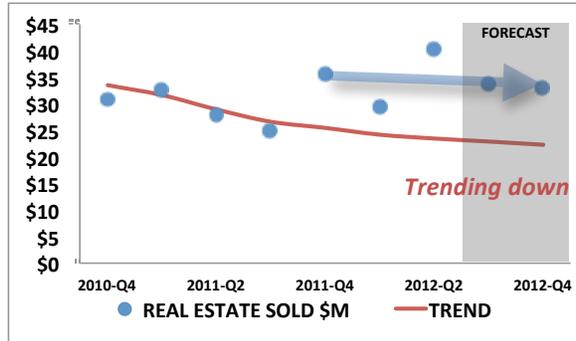
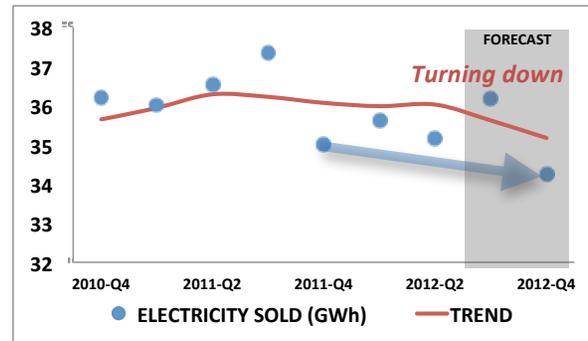
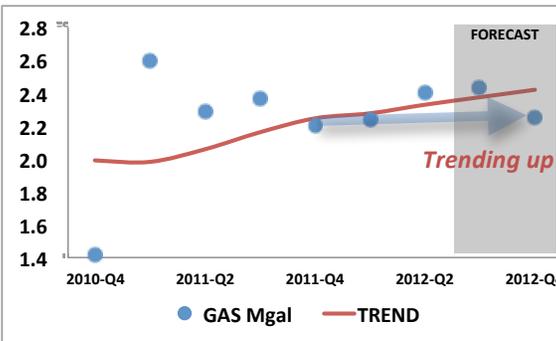
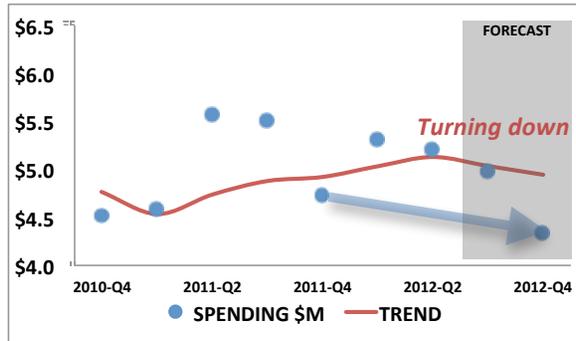
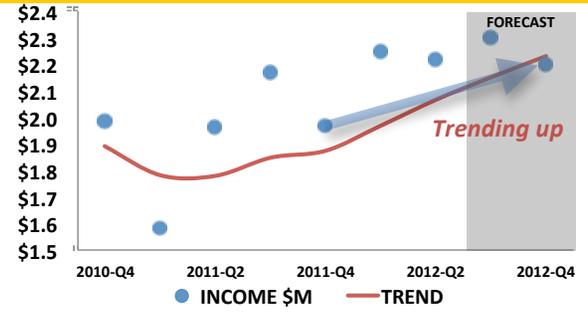
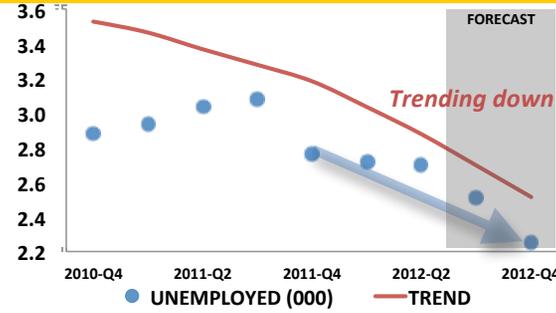
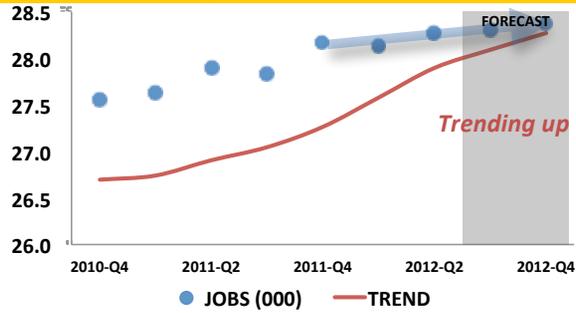
VISITORS		Q2	Q3	Q4	Q2	Q3	Q4
	Avg. Daily Visitors (000)			Visitor Spending (PPPD \$2010)			
	22.4	23.3	20.9	\$175.40	\$193.84	\$205.93	
	13.4%	13.0%	11.0%	8.7%	9.1%	12.8%	
	1.30	1.32	1.34	0.93	0.97	1.02	

VISITORS		Q2	Q3	Q4	Q2	Q3	Q4
	Length-of-Stay (days)			Dir. Flight Passengers (000)			
	7.4	7.0	7.1	44.1	40.5	32.0	
	-0.6%	-1.7%	-3.6%	19.6%	13.6%	4.0%	
	1.27	1.26	1.24	1.71	1.69	1.63	

* Values are monthly averages during the Quarter. Q2 = actual | Q3 = preliminary | Q4 = 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 Q4



EMPLOYED

Kauai's job base climbed again in Q2 2012 to 28,300, which is up from 27,900 in Q2 2011.

Jobs are forecast to climb further to 28,400 in Q4 2012.

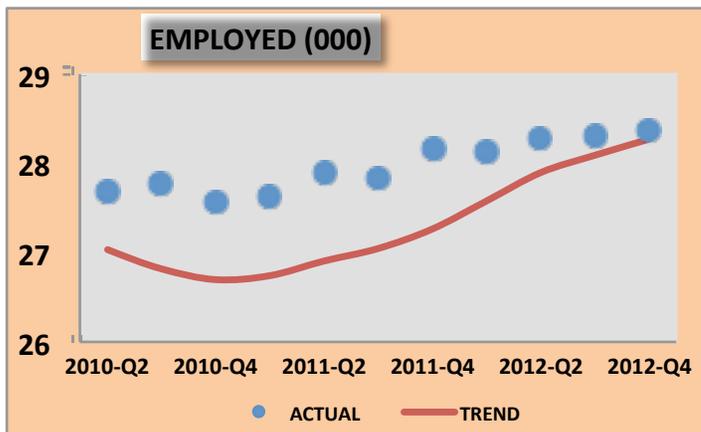
The jobs trend climbed to 27,900 in Q2 2012, and is expected to increase to 28,300 in Q4 of 2012.

On an index basis, the Q4 numbers will be 3 points above 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	28.3	27.9	1.02
2012-Q3	28.3	28.1	1.02
2012-Q4	28.4	28.3	1.03

Source: 1 * Trend indexed to 2003 average values.



UNEMPLOYED

Kauai's unemployed remained at 2,700 in Q2 which is down from 3,000 in Q2 of 2011.

The number of unemployed is forecast to drop again to 2,300 in Q4 2012, which is down from 2,800 in Q4 of 2012.

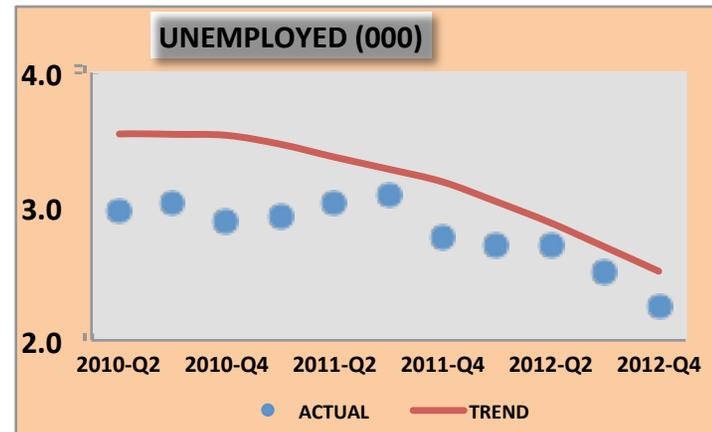
The trend for unemployed has been falling rapidly, and is expected to fall further to 2,500 in Q4.

On an index basis, the Q4 numbers will be 2.02 times the 2003 averages.

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	2.31
2012-Q3	2.5	2.7	2.16
2012-Q4	2.3	2.5	2.02

Source: 1 * Trend indexed to 2003 average values.



INCOME

Kauai's income remains fairly flat in 2012, as the inflation-adjusted average monthly withholding tax on wages rose from \$2.0 million in Q2 of 2011 to \$2.2 million in Q2 of 2012.

Income is forecast to stay at \$2.2 million in Q4 2012.

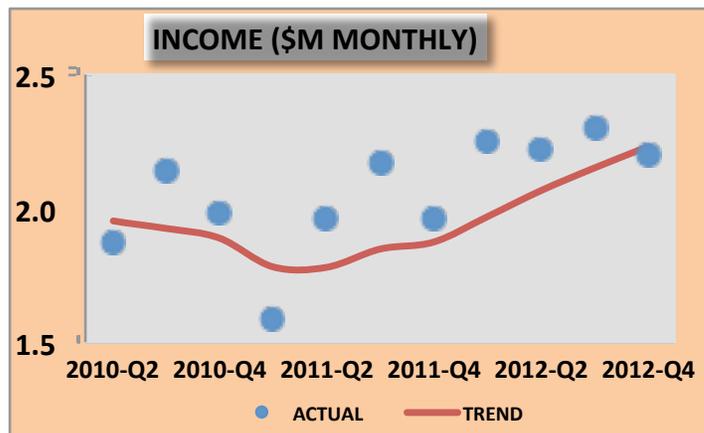
The income trend is moving up slightly, and is expected to reach \$2.2 million through Q4 2012.

The Q4 deflated index will be 16 points above 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	\$2.2	\$2.0	1.02
2012-Q2	\$2.2	\$2.1	1.07
2012-Q3	\$2.3	\$2.2	1.11
2012-Q4	\$2.2	\$2.2	1.16

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



SPENDING

Kauai's spending moved down in Q2 of 2012, as inflation-adjusted average monthly collections of general excise taxes fell to \$5.2 million in Q2 2012 from \$5.6 million in Q2 2011.

Spending is forecast to fall further to \$4.3 million in Q4 of 2012, which is down from the \$4.7 million seen in Q4 of 2011.

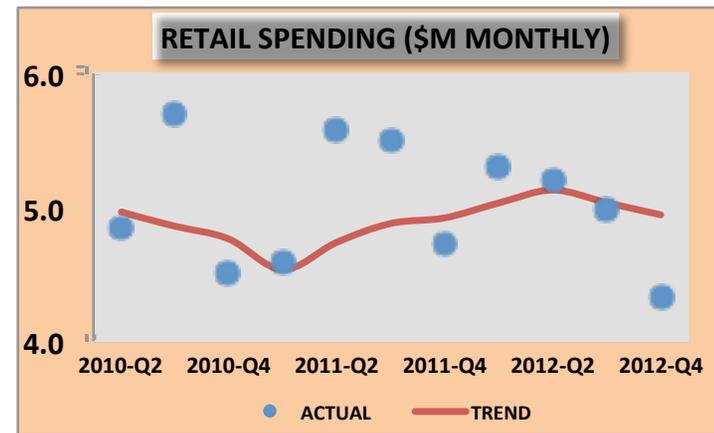
The spending trend has been flattening as well, and may dip to \$4.9 million in Q4 of 2012.

The Q4 deflated index will be 13 points below 2003 averages.

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	\$5.3	\$5.0	0.88
2012-Q2	\$5.2	\$5.1	0.90
2012-Q3	\$5.0	\$5.0	0.88
2012-Q4	\$4.3	\$4.9	0.87

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



GASOLINE

Kauai's average monthly purchases of gasoline rose slightly to 2.4 million gallons in Q2 of 2012 from 2.3 million in Q2 of 2011.

Gas purchases are expected to slip back to 2.2 million gallons in Q4 2012.

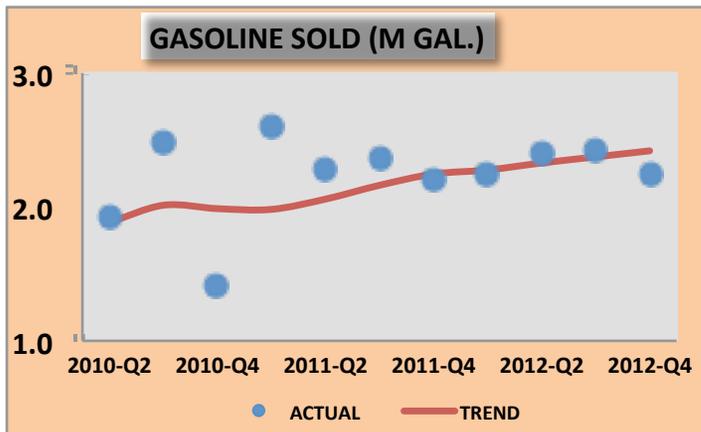
The gas trend remained at 2.3 million gallons in Q2 and may inch up to 2.4 million gallons in Q4 of 2012.

The Q4 index will rise to 0.98 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	2.2	2.3	0.93
2012-Q2	2.4	2.3	0.95
2012-Q3	2.4	2.4	0.96
2012-Q4	2.2	2.4	0.98

Source: 3 * Trend indexed to 2003 average values.



ELECTRICITY

Kauai's average monthly purchases of electricity decreased from 36.5 GWh in Q2 of 2011 to 35.2 GWh in Q2 of 2012.

Electricity demand is forecast to fall sharply to 34.2 GWh in Q4 2012, down from 35.0 GWh in Q4 of 2011.

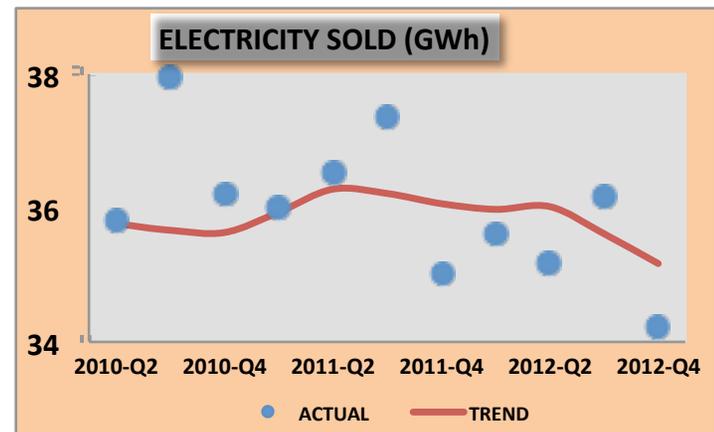
The electricity trend remained at 36.0 in Q2 2012, and is expected to fall back to 35.2 GWh in Q4 of 2012.

The Q4 index will reach 1.00 or right at 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	35.2	36.0	1.02
2012-Q3	36.2	35.6	1.01
2012-Q4	34.2	35.2	1.00

Source: 3 * Trend indexed to 2003 average values.



HOME SALES

Kauai's monthly inflation-adjusted average real estate sales jumped to \$40.5 million in Q2 of 2012 from \$28.0 million in Q2 of 2011.

Real estate is forecast to climb to \$33.0 million in Q4 2012.

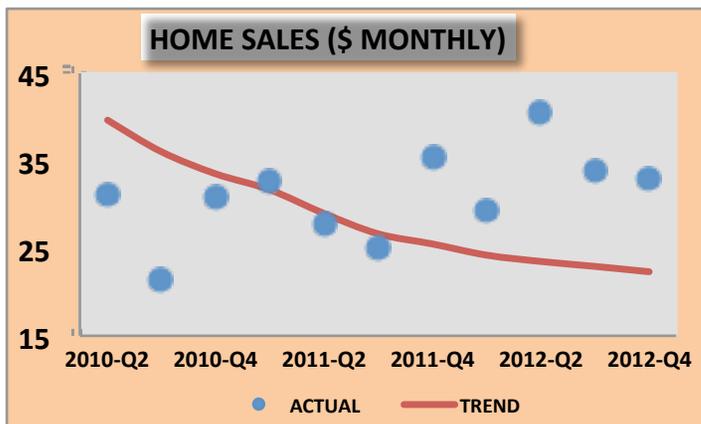
The real estate trend continues to slip, and is expected to slide to \$22.3 million sales in Q4 of 2012.

Note that the home sales index in Q4 2012 will be 46 points below its 2003 index level.

HOME SALES (2010\$ MONTHLY)

	ACTUAL	TREND	INDEX*
2010-Q1	\$21.1	\$43.0	1.05
2010-Q2	\$31.1	\$39.6	0.97
2010-Q3	\$21.6	\$36.0	0.88
2010-Q4	\$30.9	\$33.5	0.82
2011-Q1	\$32.6	\$31.7	0.77
2011-Q2	\$28.0	\$29.0	0.71
2011-Q3	\$25.0	\$26.6	0.65
2011-Q4	\$35.5	\$25.5	0.62
2012-Q1	\$29.4	\$24.2	0.59
2012-Q2	\$40.5	\$23.5	0.57
2012-Q3	\$33.8	\$22.9	0.56
2012-Q4	\$33.0	\$22.3	0.54

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



BUILDING PERMITS

Kauai's inflation-adjusted average monthly building permit value rose to \$5.9 million in Q2 from \$5.3 in Q2 of 2011.

Permits are forecast to slip back to \$4.6 million in Q4 2012, which is slightly up from \$4.5 million in Q4 2011.

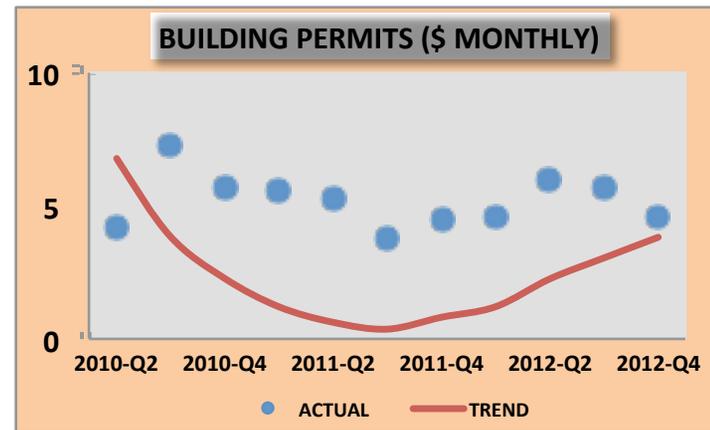
The building permits trend is finally turning back up and is expected to reach \$3.8 million in Q4 2012.

The Q4 index may be fully 75 points below its 2003 index level.

BUILDING PERMITS (2010\$ MONTHLY)

	ACTUAL	TREND	INDEX*
2010-Q1	\$5.5	\$10.7	0.69
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	\$0.6	0.04
2011-Q3	\$3.8	\$0.4	0.02
2011-Q4	\$4.5	\$0.8	0.05
2012-Q1	\$4.6	\$1.2	0.08
2012-Q2	\$5.9	\$2.3	0.14
2012-Q3	\$5.6	\$3.0	0.20
2012-Q4	\$4.6	\$3.8	0.25

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



VISITORS

Kauai's average daily visitor counts surged to 22,400 in Q2 of 2012, up from 20,600 in Q2 2011.

Visitor counts are forecast to slip back to 20,900 in Q4 2012, which is still slightly above the Q4 2011 level of 20,400.

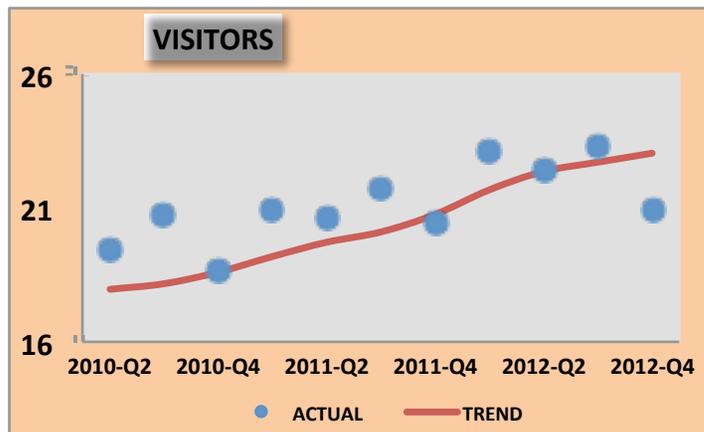
The visitor up-trend is softening and is expected to rise slightly to 23,000 in Q4 of 2012.

The visitor index in Q4 2012 will be 34 points above 2003 levels versus 30 points in Q2.

VISITORS (Avg. Daily 000)

	ACTUAL	TREND	INDEX*
2010-Q1	19.3	17.9	1.04
2010-Q2	19.4	18.0	1.04
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	22.4	22.4	1.30
2012-Q3	23.3	22.7	1.32
2012-Q4	20.9	23.0	1.34

Source: 4 * Trend indexed to 2003 average values.



VISITOR SPENDING

Kauai visitors' inflation-adjusted average daily spending per person rose slightly from \$169.45 in Q2 of 2011 to \$175.40 in Q2 of 2012.

Visitor spending is forecast to jump to \$205.93 in Q4 of 2012.

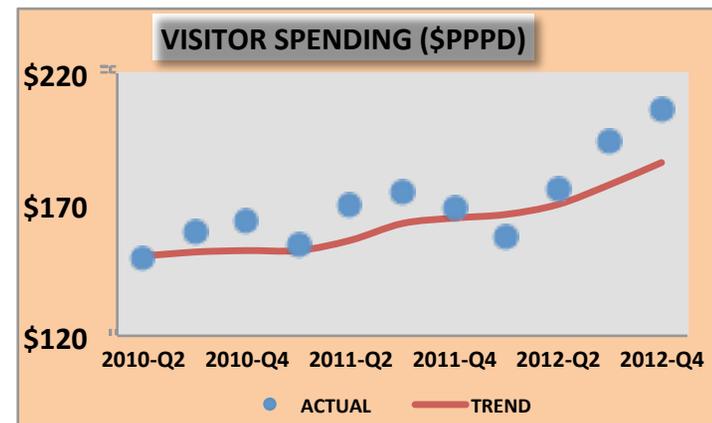
The visitor spending trend will climb further to \$185.98 in Q4.

The deflated spending index in Q4 will rise to 2 points above its 2003 level.

VISITOR SPENDING (2010\$ PPPD)

	ACTUAL	TREND	INDEX*
2010-Q1	\$152.80	\$151.21	0.83
2010-Q2	\$149.42	\$150.17	0.82
2010-Q3	\$160.08	\$151.89	0.83
2010-Q4	\$163.97	\$152.44	0.83
2011-Q1	\$154.84	\$152.48	0.83
2011-Q2	\$169.45	\$156.37	0.85
2011-Q3	\$174.65	\$162.76	0.89
2011-Q4	\$168.53	\$164.83	0.90
2012-Q1	\$157.46	\$166.22	0.91
2012-Q2	\$175.40	\$170.00	0.93
2012-Q3	\$193.84	\$177.56	0.97
2012-Q4	\$205.93	\$185.98	1.02

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



LENGTH OF STAY

Kauai visitors' average length-of-stay rose slightly to 7.4 days in Q2 2012, up from 7.2 days in Q2 2011.

Stay-length is forecast to slip back to 7.1 days in Q4 2012.

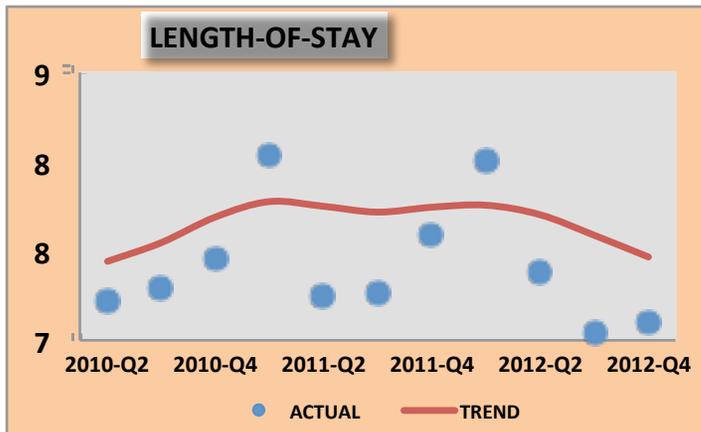
The stay-length trend is turning down, and is expected to hit 7.5 days in Q4 of 2012.

On an index basis, the Q4 numbers will be 24 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	7.4	7.7	1.27
2012-Q3	7.0	7.6	1.26
2012-Q4	7.1	7.5	1.24

Source: 2 * Trend indexed to 2003 average values.



DIRECT FLIGHT PASSENGERS

Kauai's average monthly passenger count on direct flights continued to climb from 41,500 in Q2 2011 to 44,100 in Q2 2012.

Direct flight counts are forecast to fall back to 32,000 in Q4 2012, down from 38,400 in Q4 2011.

The direct flights trend will turn down from a high of 43,100 passengers in Q2 and is expected to fall to 41,000 in Q4.

On an index basis, the Q4 numbers will be 63 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	44.1	43.1	1.71
2012-Q3	40.5	42.4	1.69
2012-Q4	32.0	41.0	1.63

Source: 4 * Trend indexed to 2003 average values.

