UHERO
THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAI'I

UHERO FORECAST PROJECT

Kauai Economic Outlook Summary
Prepared for the County of Kauai

Growth Slowing on Kauai

MAY 23, 2024

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KAUAI ECONOMIC OUTLOOK SUMMARY
PREPARED FOR THE COUNTY OF KAUAI

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EXECUTIVE SUMMARY

Kauai's economy will continue to grow, but more slowly than in past years. Kauai tourism is also experiencing a weak patch, held back for now by a weakening US visitor market, even as other parts of the state benefit from the continuing recovery of international visitors. Construction will continue to be a source of strength. Progress in reducing inflation in the Islands will take longer than expected, as shelter cost increases are only now feeding through to overall consumer prices. Kauai's tighter labor market reflects its high cost of living and a decline in the labor force that makes it difficult to fill skilled roles. Still, the island's demographic challenges are a bit less severe than in some other counties. The overall state population is declining due to a fall on Oahu, but Kauai's population has remained largely unchanged.

- The US has continued outperforming its peers, supported by immigration and strong consumer spending. Some moderation of US growth will occur as the labor force softens and high short-term financing costs weigh on households. But considering the economy's impressive resilience, the extent of slowing will be less than previously anticipated.

- A first-half tapering of US arrivals will have a disproportionately large effect on Kauai, which depends heavily on US visitors. But Kauai has benefited a little from visitors choosing Kauai instead of Maui, as it begins its long recovery from the wildfires.

- Inflation-adjusted room rates on Kauai have stabilized over the past two years. Combined with a continuous flow of US visitors, this has contributed to Kauai maintaining one of the highest per-person visitor spending rates, second only to Maui.

- Inflation has picked up in the Islands and now exceeds the national average. This is primarily because of a delayed pass-through of higher rents. Inflation will resume its downward path over the next two years.

- A decrease in the labor force on Kauai has limited the potential for employment growth. The construction and transportation and utilities sectors have seen some growth. But aside from these industries, most of Kauai's job sectors continue to lag behind their pre-COVID levels.

- Soaring mortgage rates caused a dramatic drop in existing home sales, but overall construction activity remains buoyant. A significant new concern is the unfolding insurance crisis. The cost of insurance has soared nationwide because of more frequent catastrophic events. One major insurer has pulled out of the Hawaii market, forcing the State to consider a public insurance pool. Most lenders will not issue new mortgages on under-insured properties.

- Declining inflation has raised real personal income, but income growth is expected to slow to below half a percent this year. Thereafter, real income is projected to grow at an average annual rate of 1.6% over the next five years.

KAUAI FORECAST

Growth prospects for Kauai reflect the outlook for the state but with some important differences. Understanding Kauai's economic outlook is crucial to navigate the evolving economic landscape. This forecast aims to illuminate key sectors, emerging trends, and potential challenges that influence Kauai's economic outlook.

Like the other Neighbor Islands, Kauai's economy is more specialized in tourism than the state overall. But Kauai's economy is also more dependent on US visitors than the other islands. While Kauai recently received a small boost in visitors due to substitution effects away from Maui, as it suffers through the wildfire aftermath, a softening US visitor market will limit economic growth on Kauai. Housing continues to be a major economic issue on the Garden Island, with cost-of-living pressures and a declining labor force adding to an already very tight labor market. Yet the entrepreneurial spirit of Kauai's residents continues to look for alternative sources of prosperity to diversify its economy, such as a small, but growing, manufacturing sector, and thriving construction and transportation sectors.

A softer but resilient US economy will support Kauai economy

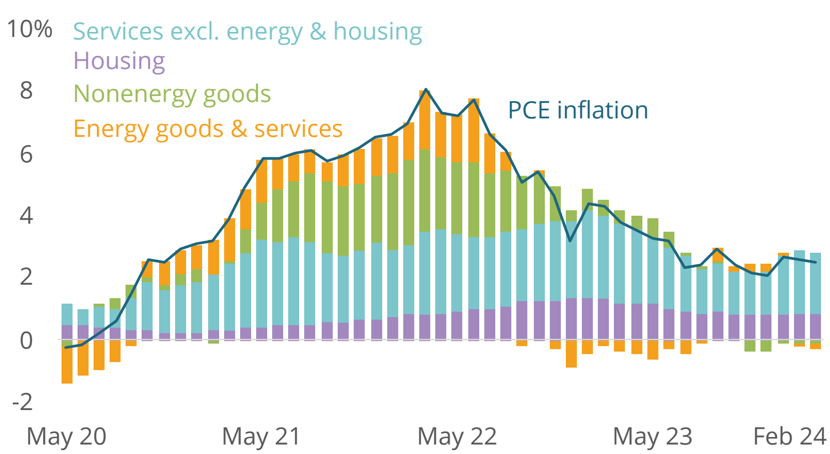
The external environment facing Kauai is generally favorable, driven by a still-healthy US economy. While slowing US growth will weigh on Kauai tourism this year, underlying strength in the mainland economy and improving global conditions will underpin improving performance in the county's key visitor markets. At the same time, US inflation persistence means that interest rates will remain higher for longer, imposing ongoing costs on Kauai's residents.

Kauai is heavily dependent on the US visitor market, which accounted for 83% of all visitors in 2019. Canada represented another 5% of visitors, leaving other international markets with less than 12% of the island's visitors. That makes economic conditions in North America of primary importance to Kauai, and we focus our discussion accordingly.

The US economy has outperformed expectations. In the second half of last year, US real gross domestic product (GDP) expanded at an annual rate of about 4%, supported by strong consumer spending, and consumer

CONTRIBUTIONS TO PCE INFLATION, SIX-MONTH CHANGES

Persistence of inflation in shelter and other services remains the primary challenge.



expenditures have remained buoyant at the start of this year, even as overall US activity has dialed back a notch. Households have been able to maintain spending because of job security, wage gains that are now outstripping inflation, rising home and financial wealth, and locked-in low mortgage rates.

Rapid labor force growth has facilitated economic growth, driven by a large increase in the US foreign-born population. This reflects both a rebound in the number of applicants receiving Green Cards and undocumented immigration, although the precise impact of the latter is hard to determine. Labor force growth has allowed the economy to expand at a rapid pace without spurring an acceleration of wages.

The war against inflation is not yet over. Incremental progress slowed last year, and inflation has ticked back up recently. On a trailing six-month basis, the Federal Reserve's preferred PCE measure of inflation has fluctuated in the 2-3% range since last July. Rising shelter costs and other non-energy services have driven inflation's persistence. As a result, the Federal Reserve has signaled that the first interest rate cuts are unlikely to come for some time.

The US economy entered this year with an easing of growth, and some further cooling will occur as the labor market softens and short-term debt financing costs weigh on households. For 2024 the US economy will still expand by 2.3%, easing to 2% in 2025. (UHERO prepares forecasts for the US and Japan and relies on International Monetary Fund (IMF) projections for other economies.)

Turning briefly to Canada, the economy saw weakness nearly across the board in 2023, including negligible consumer spending growth and weak business investment. There are somewhat more promising signs for 2024. The economy expanded at the start of this year, and, if they emerge, higher energy prices will benefit oil-producing provinces. But interest rates will continue to be a burden on households because of the predominance of floating rate mortgages. After just 1% expansion in 2023, the IMF predicts that the Canadian economy will expand by 1.2% this year and 2.3% in 2025.

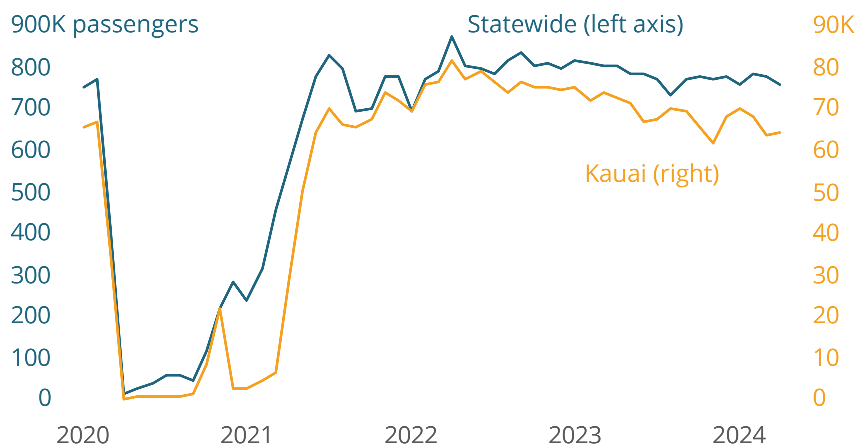
Much of the rest of the global economy had a weak 2023, but looks to have turned the corner. The Japanese economy has struggled with unfamiliar inflation and a weak external environment. Countries throughout the Asia-Pacific region have suffered from weakness in China, which continues to suffer from a debt overhang related to residential overbuilding and declining home values. While in many respects, the world economy has fared better than expected in the post-pandemic world, there remain considerable risks, including a broader spread of the Gaza conflict, trade and technological gamesmanship between the US and China, and costs of addressing burgeoning government deficits and decarbonization. The upcoming US elections add additional uncertainty. For now, the external economic environment facing Kauai looks generally favorable despite these risks.

US market softness limits Kauai's tourism growth

Several measures of tourism industry performance hit new highs on Kauai last year. Following the Maui fires, some visitors who would have gone to Maui chose to visit other counties instead, including Kauai. On Kauai, visitor arrivals and real (inflation-adjusted) spending hit new highs in the third quarter. However, the recent softness in the US visitor market has led to a pullback from these highs.

MONTHLY DOMESTIC PASSENGER COUNTS: KAUAI COMPARED TO THE STATE

Kauai tourism industry adjusting to US market weakness



In March, total visitor arrivals to the Garden Island were 5% lower than in March 2023. The average daily visitor census, accounting for the length of stay, was 2.8% below the 2019 level. As we noted above, Kauai relies more heavily on the US visitor market than does the state overall.

Kauai maintains one of the highest per-person visitor spending rates, primarily driven by elevated accommodation costs, which rank just behind Maui. The island's total visitor spending has seen a boost from increasing room rates coupled with a steady influx of US visitors. Inflation-adjusted visitor spending in March was only 1% higher than in March 2023, but 24% higher than in 2019. Even though not many international travelers visit Kauai, the strong US dollar further limits their numbers, since the exchange rate acts as a tax, reducing the local purchasing power of foreign tourists.

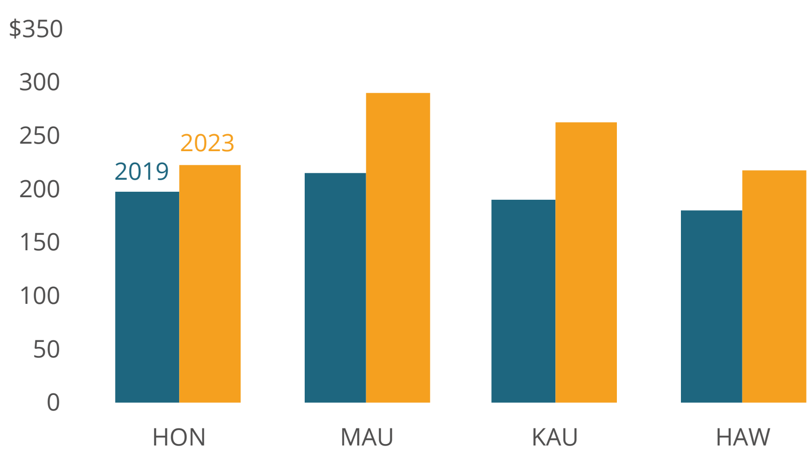
Kauai's room rates remain stable ahead of pending rental regulations

Real (inflation-adjusted) room rates on the Island have remained essentially flat over the past two years, mirroring the pattern seen across the state. But they are substantially higher than before the pandemic: in March 2023 real room rates were 28% above their 2019 levels. Hotel occupancy rates on Kauai have also remained quite stable near 75% for the past twelve months. Vacation rentals are seeing much lower occupancy rates around 55%.

The recently approved Senate Bill 2919 aims to address Hawaii's housing crisis by empowering counties to regulate short-term rentals through

DAILY VISITOR SPENDING

Higher room rates boost spending on Kauai but hamper Honolulu retail.



zoning ordinances. The legislation grants counties the authority to prohibit vacation rentals in residential areas altogether, potentially increasing housing availability for local residents. While there are concerns about the impact on the vacation rental industry, especially given recent controversies on Oahu, Kauai already has strict regulations that limit short-term rentals to specific Visitor Destination Areas but allow legally operating rentals outside these zones to be grandfathered in.

Job growth has slowed, and not just on Maui

Kauai County's labor market has seen limited economic growth over the past year. With the labor force down 0.7% from March of 2023, job growth has been limited. Growth in payrolls has been essentially flat over the past year, with year-over-year growth landing at 0.3%. The unemployment rate remains low by historical standards at 2.6% (seasonally adjusted), the lowest rate of all the counties if still higher than before the pandemic began

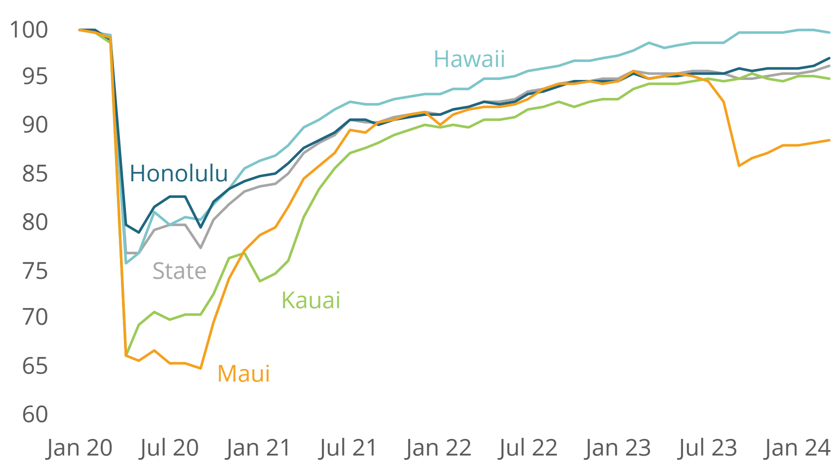
The sluggish job growth on Kauai can be attributed to the decline in its labor force. Since the onset of the COVID-19 pandemic, Kauai's labor force has shrunk by 2.5%, a reduction of approximately 1,200 persons. This decrease in the labor force has in turn limited the potential for employment growth. As of March, Kauai nonfarm payrolls are still more than 5% below their pre-pandemic level.

The construction industry is the only sector that has seen strong growth, with jobs 9% higher than the January 2020 level. The transportation and utilities sector has seen gains of 6% over the same time period. Aside from these industries, most of Kauai's job sectors continue to lag significantly behind their pre-COVID levels. These deficits range from 4.5% in the retail trade industry to 17% in the finance and real estate industry.

This decline in the labor force creates a much tighter labor market for Kauai. With unemployment at only 2.6%, compared with 3.1% statewide and 3.9% nationally, employers on Kauai will struggle to find the right employees to fill skilled positions. And recruiting from off-island can also be difficult with high housing costs on Kauai.

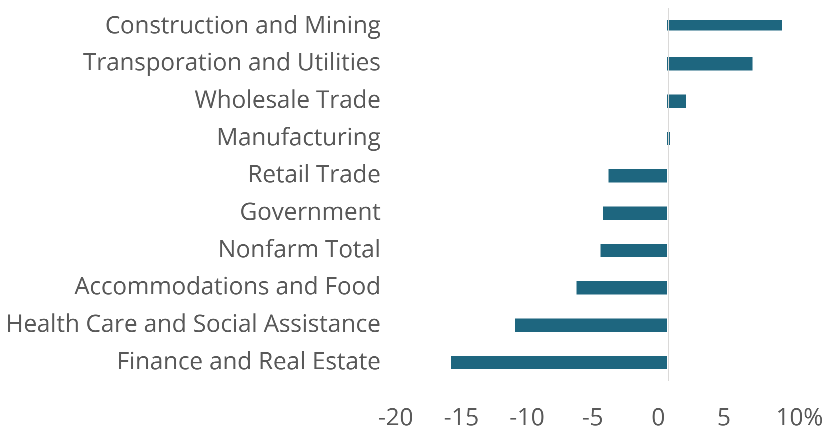
NONFARM PAYROLLS FOR THE STATE AND COUNTIES, INDEX (JANUARY 2020 = 100)

Growth in payrolls has been flat over the last year for Kauai County.



KAUAI COUNTY CHANGE IN PAYROLL JOBS BY SECTOR, JANUARY 2020 TO MARCH 2024

Jobs across most industries still lag behind their pre-pandemic level.



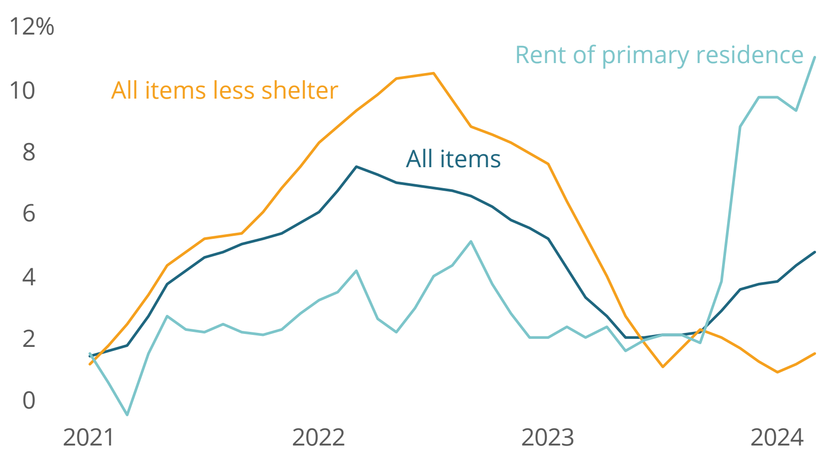
Hawaii inflation picks back up

During the pandemic recovery, Hawaii enjoyed consumer price inflation rates below the rest of the nation, in part because Hawaii's economic recovery pace was slower, resulting in less demand pressure. But this is no longer the case. Toward the end of 2023, the Honolulu inflation rate rose above that of the US overall for the first time since 2020, and it has continued to tick higher up to 4.8% in the 12 months to March compared with 3.5% for the US (3.4% in April). The increase, which began in October, is primarily due to increases in *rent of primary residence*, which was up 11% in March compared with a year earlier, and *owners' equivalent of rent of primary residence*, up more than 9%.

While there is no measure of inflation for Kauai specifically, the Garden Island could face trends similar to Honolulu. Shelter costs represent a large share of consumer spending. At the same time, homeowners who locked in low mortgage rates before and during the pandemic are spared these costs. For these households, the effective annual rate of inflation less shelter measures only 1.5% in Honolulu.

HONOLULU CONSUMER PRICE INFLATION

Rents have driven the pickup in local inflation.

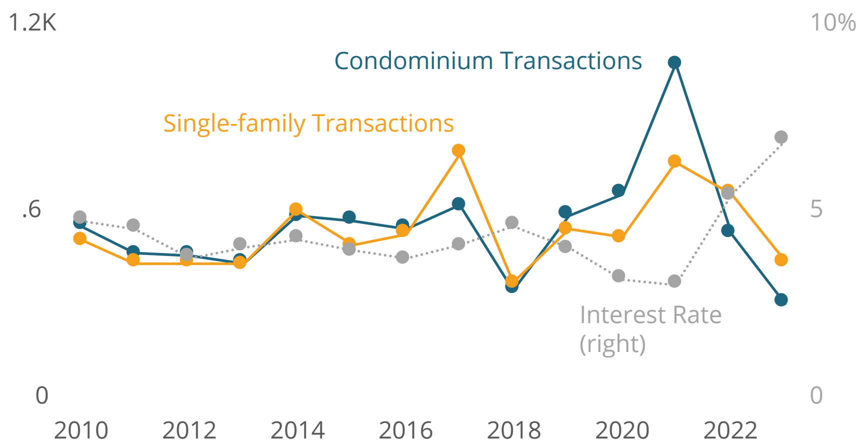


Mortgage rates keep statewide housing in the doldrums

Housing transactions on Kauai have fallen precipitously over the past two years. Fewer single-family homes were transacted in 2023 than in any of the previous 14 years. Condo transactions have also fallen sharply. The primary cause of the home resale collapse is that the surge in interest rates has created a "lock-in" effect, discouraging owners with older low-interest rate mortgages from selling. Nearly 70% of existing mortgages on Kauai have

KAUAI HOUSING MARKET TRANSACTIONS AND THE MORTGAGE INTEREST RATE

Rising mortgage interest rates have caused housing transactions to plummet.

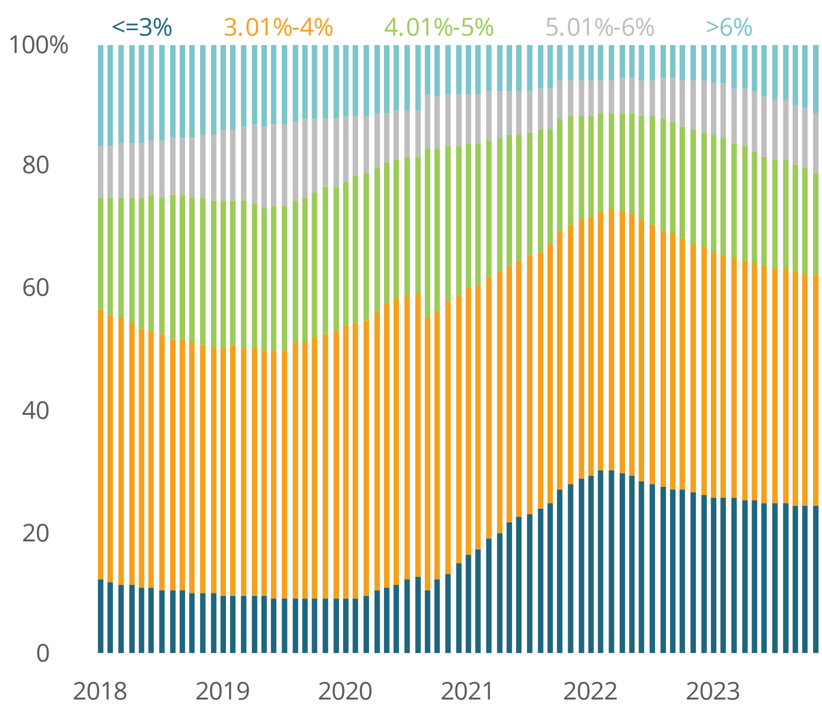


interest rates below 4%, far lower than the roughly 7% rates buyers would face on a new home purchase. A recent national study by the Federal Housing Finance Agency estimated that each percentage point gap between the going mortgage interest rate and a household's current mortgage reduces the probability of a sale by 18%.

The prevalence of fixed-rate mortgages in the US has shielded homeowners from the expense of rising rates. But for those attempting to enter the housing market—or homeowners who must move for job or other reasons—the lock-in effect has been detrimental. Buyers face high rates and an extremely low inventory that keeps prices high. In 2023, a household would have needed to earn more than double the median county income to afford a mortgage on the median-priced single-family home. (Here, to "afford" means spending no more than 30% of income on mortgage payments.) As we noted above, the high cost of housing on Kauai is a contributing factor to its tight labor market.

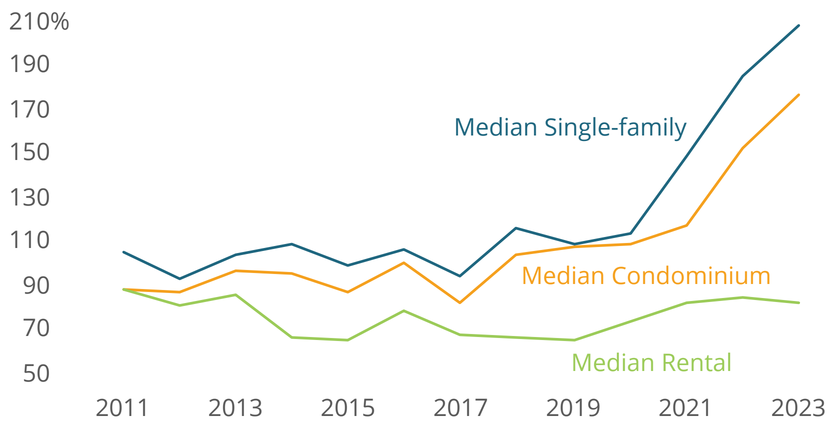
EXISTING KAUAI MORTGAGES BY INTEREST RATE

A large share of existing Kauai mortgages pay an interest rate of 4% or less.



SHARE OF LOCAL MEDIAN INCOME REQUIRED TO AFFORD THE MEDIAN PRICED HOME ON KAUAI

A local household currently needs to earn 208% of local median income to afford the median single-family home, so that no more than 30% of their income goes to mortgage payments.



Insurance costs and availability threaten home resales

Home insurance costs are rising substantially across the US due to an increasing number of catastrophic events. Data is not available specifically for Kauai or the state, but since November of last year, the rate of increase for *tenants and household insurance* as measured in the US CPI has exceeded the overall inflation rate by a substantial margin. While some of this increase could be due to higher assessments of risk, part could simply reflect past cost increases that have not previously been passed on to consumers.

It appears that the cost of master policy building insurance for condominiums is increasing at an even faster rate than recorded by the CPI. As insurance premiums increase, these costs will be passed on to owners by increasing fees paid to the Associations of Apartment Owners. And as costs rise, it is tempting to reduce coverage and increase deductibles. However, without full insurance coverage, many lenders will not make loans for transactions in the affected buildings. The inability of buyers to obtain mortgages could potentially freeze the condo market, placing a further constraint on Hawaii home sales.

On Kauai, the condominium market primarily hosts visitors, so it may be better equipped to bear increasing insurance costs. But with insurance costs also rising for single-family homes, these impacts could be felt across the board. The Maui wildfires and the withdrawal of one of the state's major insurance providers (Universal Property and Casualty) have both contributed to a quickly evolving insurance market. In the last legislative session, the State considered a bill that would expand the role of the state-run Hawaii Property Insurance Association and the Hurricane Relief Fund (HRF) to help stabilize the market, but it was not passed. New legislative efforts are likely to emerge in the next session.

The construction industry is still buoyant

Overall construction activity has been buoyant on Kauai. The construction job count surged at the end of last year and early 2024, rising to nearly 2,200 workers. There are more construction jobs on Kauai currently than at any point since 1993, during the rebuilding from Hurricane Iniki. Road repairs and upgrading have been a strong source of construction jobs. A $155 million contract for the Lihue Airport runway extension will fuel further construction demand.

THE OUTLOOK FOR KAUAI

The economic outlook for Kauai is closely aligned with our broader state forecast. Given its heavy reliance on the US visitor market, Kauai is disproportionately affected by fluctuations in this sector. A softening of the US visitor market will slow the growth of visitor arrivals to Kauai in the near term. Kauai's nonfarm payroll employment will expand by less than 1% this year. The real estate market will remain depressed by high interest rates, but the construction sector will maintain strength, echoing its robust performance last year.

Visitor expansion will be slower due to a flat US visitor market. Following a 5.3% gain last year, total visitor arrivals will increase by 1% this year, and decelerate further in the next two years. The average daily visitor census will remain essentially unchanged this year, primarily due to somewhat shorter visitor stays.

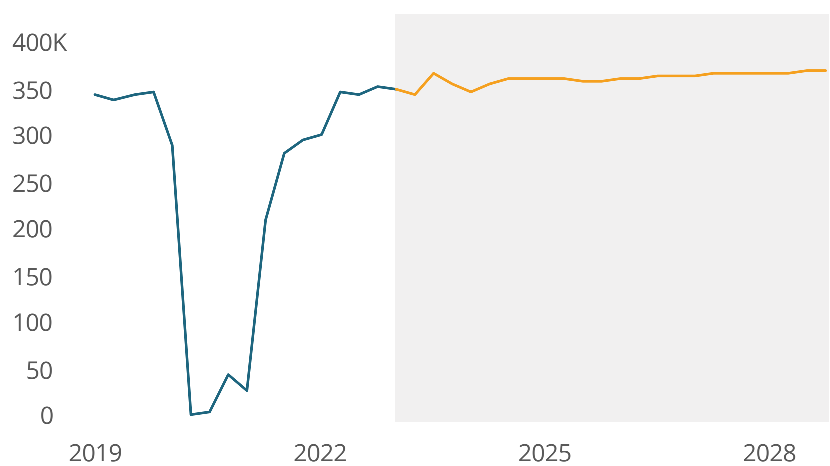
A strong dollar continues to pose one of the largest risks to foreign travel. This has been the situation for several years following the pandemic. However, Kauai, with its negligible number of international visitors, remains largely shielded from exchange rate fluctuations. Overall, we see further gradual recovery of many international markets over the next several years, bringing the total arrivals from markets other than the US and Japan back to roughly their 2019 level by the beginning of the next decade.

Kauai economic growth to slow through 2025

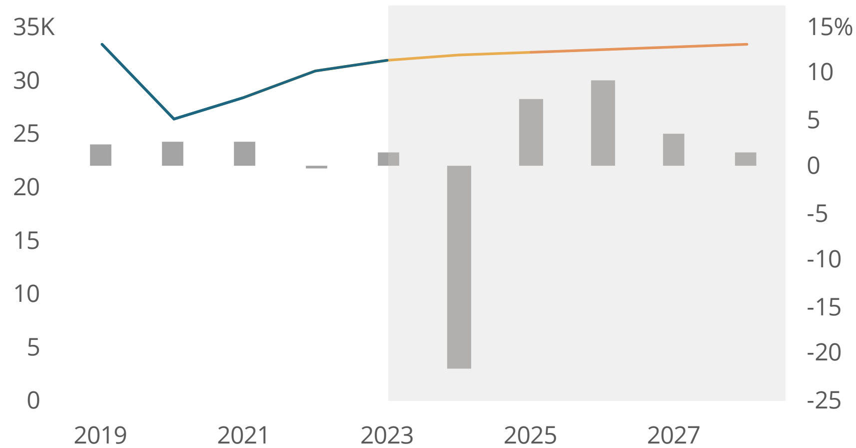
A slowdown in US tourism and high interest rates will weigh on the Kauai economy this year. Net payroll job growth for the year as a whole will decelerate to 1%, less than a fifth of last year's 5.3% expansion. These annual figures mask greater underlying weakness. For the remainder of this year, total nonfarm job count will grow by only 0.3%. Moderate gains will not return until the US market firms in the second half of next year, nudging annual job growth above 1% by 2026. The softer labor market will result in a slight uptick in the unemployment rate, which will edge up from an average of 2.4% in the first quarter to 2.8% by the end of this year. Unemployment will begin to recede in the first half of 2025. This represents a mild unemployment cycle compared with past slowdowns.

TOTAL VISITOR ARRIVALS TO KAUAI

US market softness expected to decelerate visitor arrivals to Kauai



KAUAI NONFARM PAYROLL JOBS
Job growth expected to slow in the next two years.

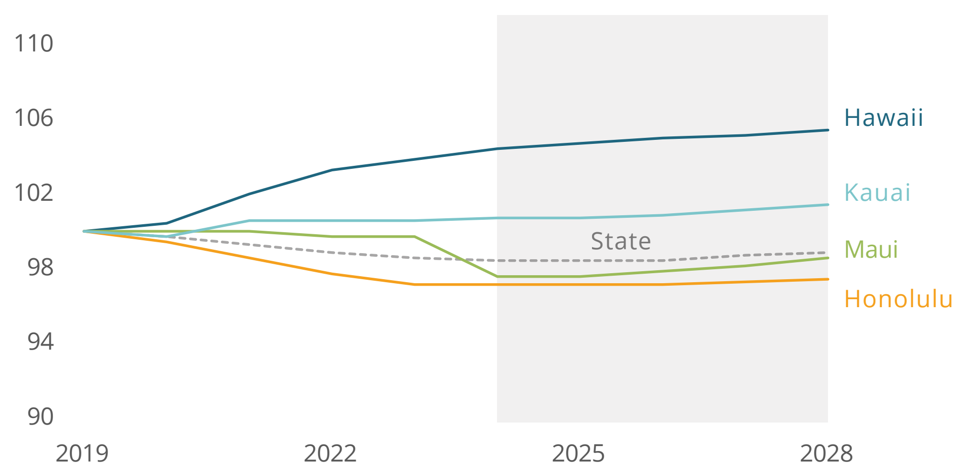


Population trends on Kauai will limit expansion of the workforce. Unlike Oahu and Maui, Kauai has successfully avoided a population decline so far. However, population growth in the coming years will remain subdued, which will constrain labor market gains. Total employment in the Island will not reach its pre-pandemic levels until late in the decade.

There will be a slowing of job gains in several sectors this year. In part, this simply reflects maturing of the post-pandemic recovery period, but poorer macro conditions will also play a role. Tourism-related industries will see sharply lower growth rates, but the existing high level of activity will remain intact. In particular, jobs in accommodations and food services and the trade sector will remain unchanged after sizable gains over the past three years.

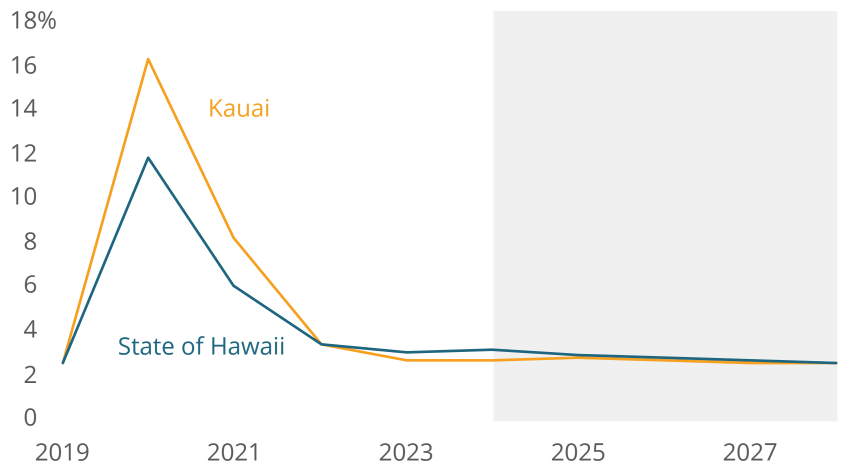
While the building industry is typically very susceptible to cyclical fluctuations, it will remain a resilient segment of the local economy, with industry jobs expanding by more than 7% this year. The expansive “other services” sector, which includes everything from business services to education, will give up some of last year’s gains. The government sector will continue to recover some of the pandemic era losses before it flattens out in 2025. Stagnant public sector employment reflects a tighter and more uncertain fiscal landscape. Later in the decade, slower population growth will keep overall job gains below their pre-pandemic trend rate of expansion.

RESIDENT POPULATION (INDEX, 2019Q1 = 100)
While Oahu and Maui face outmigration, Kauai has avoided a population decline.



UNEMPLOYMENT RATE FOR KAUAI AND THE STATE

Kauai's unemployment rate aligns closely with state levels.



Inflation is expected to ease in the coming years

Although inflation has subsided by quite a bit from its post-pandemic peak, it remains relatively high. While Kauai does not have its own consumer price index, its prices closely align with those in Honolulu. Consumer prices in Honolulu are expected to hold steady at 4% this year before decreasing below 3% in 2025. As inflation begins to moderate, this will support growth in inflation-adjusted income. Real income is projected to increase at a 1.6% average annual rate over the next five years.

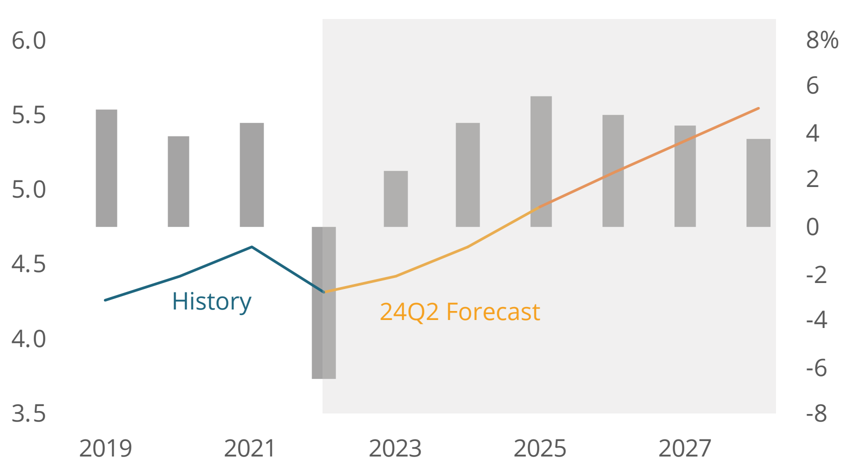
Kauai faces old and new hurdles

Kauai's economic landscape remains closely linked with broader state dynamics, and it is heavily influenced by the US visitor market. The Garden Island's economy is expected to face challenges from slowing US tourism and continuing high interest rates. Visitor arrivals will decelerate in the near term, limiting Kauai's economic expansion over the forecast horizon.

Housing continues to be a significant challenge on Kauai, with high interest rates dampening transactions and creating a "lock-in" effect for existing homeowners. Rising costs, particularly shelter-driven inflation, are concerning and reflect statewide issues that are likely to persist. High housing costs add to recruitment difficulties in an already tight labor market. Legislative efforts aimed at regulating short-term rentals might alleviate some housing pressures, but the high cost of living remains a formidable barrier to economic growth on Kauai.

REAL PERSONAL INCOME

Lower inflation to bolster real income growth.



Looking toward the long run, Hawaii, and by extension Kauai, faces the prospect of slower economic growth than we have seen in the past. The service-based nature of Hawaii's economy, centered on tourism, limits gains in worker productivity and, consequently, earnings growth. While efforts to diversify the economy may provide some relief, the fundamental challenges of an aging population and a shrinking labor force loom large. These demographic trends will restrict Kauai's labor market expansion and increase fiscal pressures to support social benefits. The community's resilience and ongoing diversification efforts are crucial as Kauai seeks to balance immediate economic gains with strategic planning for future stability.

As Kauai moves forward, the Island must navigate the delicate balance between leveraging its current economic strengths and preparing for future challenges. The lessons from Maui's recovery and statewide economic policies will be instrumental in shaping Kauai's approach to achieving sustainable growth and maintaining its cherished community spirit amidst evolving economic landscapes.

TABLE 1: MAJOR ECONOMIC INDICATORS

KAUAI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
MAJOR INDICATORS						
Nonfarm Payrolls (Thou)	28.2	30.8	31.8	**32.1**	32.4	32.8
% Change	*7.0*	*8.9*	*3.5*	***0.8***	*1.1*	*1.1*
Unemployment Rate (%)	8.1	3.4	2.6	**2.5**	2.6	2.4
Population (Thou)	73.8	73.8	73.8	**73.9**	74.0	74.1
% Change	*0.9*	*−0.1*	*0.1*	***0.1***	*0.1*	*0.1*
Nominal Personal Income (Mil $)	4,204.9	4,184.8	4,420.3	**4,606.8**	4,881.6	5,115.0
% Change	*8.3*	*−0.5*	*5.6*	***4.2***	*6.0*	*4.8*
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	**4.3**	3.2	2.6
Real Personal Income (Mil 2023$)	4,617.6	4,315.6	4,420.3	**4,417.8**	4,537.5	4,634.7
% Change	*4.4*	*−6.5*	*2.4*	***−0.1***	*2.7*	*2.1*
Real Per Capita Income (Thou 2023$)	62.5	58.5	59.9	**59.8**	61.3	62.5
% Change	*3.5*	*−6.5*	*2.3*	***−0.2***	*2.6*	*2.0*
TOURISM SECTOR DETAIL						
Total Visitor Arrivals by Air (Thou)	813.6	1,345.6	1,416.9	**1,431.3**	1,441.9	1,450.5
% Change	*140.0*	*65.4*	*5.3*	***1.0***	*0.7*	*0.6*
U.S. Visitors	785.1	1,207.3	1,247.7	**1,248.2**	1,248.3	1,249.4
% Change	*165.2*	*53.8*	*3.3*	***0.0***	*0.0*	*0.1*
Japanese Visitors	0.4	3.0	5.8	**8.3**	12.3	14.8
% Change	*−90.9*	*712.6*	*96.5*	***43.2***	*48.0*	*19.8*
Other Visitors	28.5	135.3	163.3	**174.7**	181.3	186.3
% Change	*−32.6*	*375.2*	*20.8*	***7.0***	*3.7*	*2.8*
Average Daily Census (Thou)	19.2	28.6	28.9	**28.8**	28.9	29.1
% Change	*144.5*	*49.0*	*1.0*	***−0.2***	*0.2*	*0.8*
Occupancy Rate (%)	57.9	78.2	74.6	**74.1**	74.2	74.2

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts.

TABLE 2: JOBS BY INDUSTRY

KAUAI COUNTY FORECAST

	2021	2022	2023	**2024**	2025	2026
Nonfarm Payrolls (Thou)	28.2	30.8	31.8	**32.1**	32.4	32.8
% Change	*7.0*	*8.9*	*3.5*	***0.8***	*1.1*	*1.1*
Construction and Mining	2.1	2.1	2.1	**2.2**	2.2	2.3
% Change	*5.0*	*0.0*	*0.0*	***5.5***	*1.6*	*2.1*
Manufacturing	0.5	0.5	0.6	**0.6**	0.6	0.6
% Change	*25.0*	*0.0*	*20.0*	***0.5***	*−0.1*	*0.4*
Trade	4.1	4.3	4.4	**4.4**	4.4	4.4
% Change	*5.1*	*4.9*	*2.3*	***−0.6***	*0.2*	*0.6*
Transportation and Utilities	1.4	1.6	1.7	**1.7**	1.7	1.7
% Change	*27.3*	*14.3*	*6.2*	***−0.5***	*0.7*	*0.1*
Finance, Insurance and Real Estate	1.0	1.1	1.1	**1.0**	1.1	1.1
% Change	*0.0*	*10.0*	*0.0*	***−5.4***	*2.1*	*1.9*
Services	14.2	16.0	16.9	**16.9**	17.2	17.5
% Change	*10.1*	*12.7*	*5.6*	***0.3***	*1.6*	*1.5*
Health Care and Soc. Assistance	2.8	2.6	2.6	**2.7**	2.7	2.8
% Change	*0.0*	*−7.1*	*0.0*	***3.9***	*0.5*	*1.4*
Accommodation and Food	6.3	7.9	8.6	**8.7**	8.9	9.0
% Change	*21.1*	*25.4*	*8.9*	***1.3***	*1.9*	*1.6*
Other	5.1	5.5	5.7	**5.5**	5.6	5.7
% Change	*6.2*	*7.8*	*3.6*	***−2.9***	*1.5*	*1.4*
Government	5.0	4.8	4.9	**5.2**	5.2	5.2
% Change	*−2.0*	*−4.0*	*2.1*	***5.9***	*−0.1*	*0.0*
Federal Government	0.6	0.6	0.6	**0.6**	0.6	0.6
% Change	*0.0*	*0.0*	*0.0*	***−0.2***	*0.8*	*0.3*
State and Local Government	4.4	4.2	4.3	**4.6**	4.6	4.6
% Change	*0.0*	*−4.5*	*2.4*	***6.7***	*−0.2*	*0.0*

Note: Source is UHERO. Figures for 2024-2026 are forecasts.

TABLE 3: PERSONAL INCOME BY INDUSTRY

KAUAI COUNTY FORECAST

	2021	2022	2023	2024	2025	2026
Real Personal Income (Mil 2023$)	4,617.6	4,315.6	4,420.3	**4,417.8**	4,537.5	4,634.7
% Change	*4.4*	*−6.5*	*2.4*	***−0.1***	*2.7*	*2.1*
Labor & Proprietors' Income	2,730.2	2,757.7	2,848.2	**2,868.2**	2,958.3	3,024.6
% Change	*6.9*	*1.0*	*3.3*	***0.7***	*3.1*	*2.2*
Construction	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Trade	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Transportation and Utilities	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Finance, Insurance & Real Estate	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Services	—	—	—	—	—	—
% Change	—	—	—	—	—	—
Health Care & Soc. Assist. (% ch.)	—	—	—	—	—	—
Accommodation & Food (% ch.)	—	—	—	—	—	—
Other (% ch.)	—	—	—	—	—	—
Government	552.2	513.0	530.2	**539.7**	571.9	576.7
% Change	*−3.6*	*−7.1*	*3.3*	***1.8***	*6.0*	*0.8*
Federal, civilian (% ch.)	*3.5*	*−2.1*	*4.6*	***2.8***	*0.8*	*0.7*
State & Local (% ch.)	*−5.3*	*−8.3*	*3.2*	***1.5***	*7.4*	*0.9*
Less Social Security Taxes (-)	316.2	334.5	343.1	**342.7**	355.2	364.6
% Change	*6.6*	*5.8*	*2.6*	***−0.1***	*3.6*	*2.6*
Transfer Payments	1,313.8	1,003.3	974.3	**968.0**	993.9	1,022.5
% Change	*−2.5*	*−23.6*	*−2.9*	***−0.6***	*2.7*	*2.9*
Dividends, Interest and Rent	899.2	900.2	928.6	**941.4**	958.2	970.1
% Change	*8.9*	*0.1*	*3.1*	***1.4***	*1.8*	*1.2*
Population (Thou)	73.8	73.8	73.8	**73.9**	74.0	74.1
% Change	*0.9*	*−0.1*	*0.1*	***0.1***	*0.1*	*0.1*
Real Per Capita Income (Thou 2023$)	62.5	58.5	59.9	**59.8**	61.3	62.5
% Change	*3.5*	*−6.5*	*2.3*	***−0.2***	*2.6*	*2.0*
Inflation Rate, Honolulu MSA (%)	3.8	6.5	3.1	**4.3**	3.2	2.6
Nominal Personal Income (Mil $)	4,204.9	4,184.8	4,420.3	**4,606.8**	4,881.6	5,115.0
% Change	*8.3*	*−0.5*	*5.6*	***4.2***	*6.0*	*4.8*

Note: Source is UHERO. Income figures for 2023 are UHERO estimates. Figures for 2024-2026 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

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