

# [Mi.), in 1995, the state’s unemployment rate](https://assignbuster.com/mi-in-1995-the-states-unemployment-rate/)

mi.), is the43rd largest state in the U. S.

; 6. 9% of the land is owned by thefederal government. It consists mainly of the Hawaiian Islands, eightmain islands and 124 islets, reefs, and shoals. The major islands inorder of size are Hawaii, Maui, Oahu, Kauai, Molokai, Lanai, Nihau, and Kahoolawe. Population growth has increased by 80, 000 persons overthe past five years. Demographics show a large number of Hispanicorigin: Asian Hispanics are the most populated with white Hispanicand Asian non-Hispanic following. Hawaii’s economy has been longdominated by plantation agriculture and military spending. Asagriculture has declined in importance, the economy has diversified toencompass a large tourist business and a growing manufacturingindustry.

Hawaii’s economy has changed drastically since statehood. In1958, defense, sugar, and pineapple were the primary economicactivities, accounting for 40% of Gross State Product (GSP). Incontrast, visitor-related expenditures stood at just over 4% ofHawaii’s GSP prior to statehood. Today the positions are reversed; sugar and pineapple constitute about 1% of GSP, defense accounts forjust under 11%, while visitor-related spending comes close to 24% ofHawaii’s GSP. The movement toward a service- and trade-based economy becomeseven more apparent when considering the distribution of Hawaii’s jobsacross sectors. The share of the economy’s jobs accounted for bymanufacturing and agriculture have declined steadily since 1959 andeach currently makes up less than 4% of total jobs in the economy. Atthe same time, the shares of jobs in wholesale and retail trade and inservices have risen, standing at about 23% and 28%, respectively.

Since 1991, Hawaii’s economy has suffered from rising rates ofunemployment. This stands in marked contrast to the period 1980 to1993, when the state enjoyed very low unemployment rates relative tothe nation as a whole. But by 1994 the recession had raised Hawaii’sunemployment rate to the national average (6. 1%) for the first time in15 years. In 1995, the state’s unemployment rate improved slightly inthe first eleven months of the year to 5. 4 percent, a 0. 6 percentagepoint decline from the first eleven months of 1994.

Despite the lowerunemployment rate, the total number of wage and salary jobs declinedby 0. 6 percent during the first eleven months of 1995. This was due inpart to a fall in part-time jobs which are often held by persons whoalso have primary jobs elsewhere in the economy. The number ofconstruction jobs declined by more than 7 percent in the same period. Other industries–namely, manufacturing, agriculture, transportation, communications/utilities, and finance, insurance, and realestateexperienced declines in the number of jobs as well. Jobs inretail trade and services, however, increased 2. 2 percent and 0.

5percent, respectively, reflecting an increase in visitor spendingsince 1994. Following a dismal first quarter due to the Kobeearthquake, there was steady growth in the tourism sector in 1995 withincreases in the number of visitor arrivals and hotel room rates. Thenumber of visitor arrivals to the State increased 3. 2 percent duringthe first eleven months of 1995.

The increase in the value of theJapanese yen vis-a-vis the U. S. dollar during this period contributedto a rise in eastbound visitors in the second and third quarter of1995 by 11. 8 percent and 15. 4 percent, respectively. However, in thefirst eleven months of 1995, the number of westbound visitors remainedflat. This year is the 11th year in a row that the U. S.

hasexperienced reduced spending on national defense. The continuedreduction is due to the decline in superpower tensions and thepolitical disintegration of the Soviet and East European-block duringthis decade which have prompted the Congress and Administration toinitiate significant cuts in the level of defense expenditures inrecent years. However, because of the strategic location of Hawaii inthe Pacific this changing military posture has not significantlyaffected Hawaii’s $3. 7 billion Federal defense sector. The construction industry continued its decline in the firsteleven months of 1995. This loss was mainly due to decreasing demandexacerbated by higher interest rates during the first half of 1995, following a 12.

4 percent drop in 1994. Another reason is thatconstruction costs rose by 15 percent from 1992 to 1995, which is muchhigher than the consumer inflation rate of 8 percent during the sameperiod. Agriculture jobs, including self-employed, showed a 6. 6percent decline in the first eleven months of 1995 from the sameperiod in 1994. In the earlier part of the year, the agricultural workforce fell to its lowest level in 21 years. Agriculture accounts forslightly less than 2percent of jobs in the state. Latest data from the Bureau of Economic Analysis ranked Hawaii26th among the 50 states in terms of growth in personal income betweenthe first and second quarters of 1995.

During the second quarter of1995, personal income was estimated to be an annualized 29. 2 billiondollars, up 4. 0 percent at an annual rate from the second quarter of1994. The growth in personal income is mainly attributed to anincrease in rents, dividends and interest, along with transferpayments of 7. 6 percent and 7. 5 percent in the second quarter, respectively. The largest component of personal income, wages andsalaries, increased by 2. 3 percent over the period as compared to only1.

0 percent in 1994. The consumer inflation rate, as reflected in the percentagechange of the Honolulu Consumer Price Index, increased by 2. 1 percentbetween the first half of 1994 and the first half of 1995.

In thesecond half of 1995, the inflation rate slowed to 0. 7 percent ascompared to the second half of 1994. If the current trend continues, overall inflation for Hawaii in 1995 will be slightly lower than 2. 0percent, the lowest since 1986. DBEDT expects the Honolulu ConsumerPrice Index to increase about 2.

0 percent in 1995 and 2. 5 percent in1996. This is lower than the expected consumer price increases of 3. 0to3. 5 percent for the nation as a whole in 1996, reflecting therelatively slower growth of Hawaii’s economy. Real Gross StateProduct (RGSP) is expected to grow at an annual rate of approximately2. 2% between 1995 and 2000.

Average annual growth in the number ofcivilian jobs is projected to rise by 1. 8% per year over the next fiveyears. Over the same period, the unemployment rate should declinegradually from 5. 5% in 1995 to 5.

3% over 1996-2000. Growth of realdisposable income is anticipated to rise to 1% next year and to anaverage of 1. 2% each year to 2000.

Hawaii’s people have seen dramatic changes in the economicstructure over the last generation. The military and agriculture, thetraditional pillars of the Hawaii economy, have declined and no longeremploy the bulk of the labor force. At the same time, Hawaii’sincreasing reliance on service industries, especially tourism, makesthem particularly sensitive to external economic events. To someextent, the effects of this sensitivity are reflected in theunprecedented long period of low growth in recent years. At no timesince statehood has Hawaii grown at such low rates for such asustained period. The initial downturn was clearly associated with thecyclical recession on the mainland and eventually in Japan. Thiscyclical downturn was exacerbated by important structural changes inHawaii’s economy.

While Hawaii cannot ignore and must still addressthese structural issues, it appears that it is now rebounding from thecyclical downturn. Fourth quarter economic data for 1995 show that itis entering an economic recovery and prospects for the medium term aregood.—END NOTES1. HTTP://www. hawaii. gov. html, internet.

2.” Hawaii,” Microsoft (R) Encarta. Copyright (c) 1994 MicrosoftCorporation. Copyright (c) 1994. Funk & Wagnall’s Corporation.

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6. Hawaii. Bureau of Economic Analysis. C1996.