

Mi.), in 1995, the  
state's unemployment  
rate



mi.), is the 43rd largest state in the U. S.

; 6. 9% of the land is owned by the federal government. It consists mainly of the Hawaiian Islands, eight main islands and 124 islets, reefs, and shoals. The major islands in order of size are Hawaii, Maui, Oahu, Kauai, Molokai, Lanai, Nihau, and Kahoolawe. Population growth has increased by 80, 000 persons over the past five years. Demographics show a large number of Hispanic origin: Asian Hispanics are the most populated with white Hispanic and Asian non-Hispanic following. Hawaii's economy has been long dominated by plantation agriculture and military spending. As agriculture has declined in importance, the economy has diversified to encompass a large tourist business and a growing manufacturing industry.

Hawaii's economy has changed drastically since statehood. In 1958, defense, sugar, and pineapple were the primary economic activities, accounting for 40% of Gross State Product (GSP). In contrast, visitor-related expenditures stood at just over 4% of Hawaii's GSP prior to statehood. Today the positions are reversed; sugar and pineapple constitute about 1% of GSP, defense accounts for just under 11%, while visitor-related spending comes close to 24% of Hawaii's GSP. The movement toward a service- and trade-based economy becomes even more apparent when considering the distribution of Hawaii's jobs across sectors. The share of the economy's jobs accounted for by manufacturing and agriculture have declined steadily since 1959 and each currently makes up less than 4% of total jobs in the economy. At the same time, the shares of jobs in wholesale and retail trade and in services have risen, standing at about 23% and 28%, respectively.

Since 1991, Hawaii's economy has suffered from rising rates of unemployment. This stands in marked contrast to the period 1980 to 1993, when the state enjoyed very low unemployment rates relative to the nation as a whole. But by 1994 the recession had raised Hawaii's unemployment rate to the national average (6.1%) for the first time in 15 years. In 1995, the state's unemployment rate improved slightly in the first eleven months of the year to 5.4 percent, a 0.6 percentage point decline from the first eleven months of 1994.

Despite the lower unemployment rate, the total number of wage and salary jobs declined by 0.6 percent during the first eleven months of 1995. This was due in part to a fall in part-time jobs which are often held by persons who also have primary jobs elsewhere in the economy. The number of construction jobs declined by more than 7 percent in the same period. Other industries—namely, manufacturing, agriculture, transportation, communications/utilities, and finance, insurance, and real estate experienced declines in the number of jobs as well. Jobs in retail trade and services, however, increased 2.2 percent and 0.

5 percent, respectively, reflecting an increase in visitor spending since 1994. Following a dismal first quarter due to the Kobe earthquake, there was steady growth in the tourism sector in 1995 with increases in the number of visitor arrivals and hotel room rates. The number of visitor arrivals to the State increased 3.2 percent during the first eleven months of 1995.

The increase in the value of the Japanese yen vis-a-vis the U. S. dollar during this period contributed to a rise in eastbound visitors in the second and third

quarter of 1995 by 11.8 percent and 15.4 percent, respectively. However, in the first eleven months of 1995, the number of westbound visitors remained flat. This year is the 11th year in a row that the U. S.

has experienced reduced spending on national defense. The continued reduction is due to the decline in superpower tensions and the political disintegration of the Soviet and East European-block during this decade which have prompted the Congress and Administration to initiate significant cuts in the level of defense expenditures in recent years. However, because of the strategic location of Hawaii in the Pacific this changing military posture has not significantly affected Hawaii's \$3.7 billion Federal defense sector. The construction industry continued its decline in the first eleven months of 1995. This loss was mainly due to decreasing demand exacerbated by higher interest rates during the first half of 1995, following a 12.

4 percent drop in 1994. Another reason is that construction costs rose by 15 percent from 1992 to 1995, which is much higher than the consumer inflation rate of 8 percent during the same period. Agriculture jobs, including self-employed, showed a 6.6 percent decline in the first eleven months of 1995 from the same period in 1994. In the earlier part of the year, the agricultural workforce fell to its lowest level in 21 years. Agriculture accounts for slightly less than 2 percent of jobs in the state. Latest data from the Bureau of Economic Analysis ranked Hawaii 26th among the 50 states in terms of growth in personal income between the first and second quarters of 1995.

During the second quarter of 1995, personal income was estimated to be an annualized 29.2 billion dollars, up 4.0 percent at an annual rate from the second quarter of 1994. The growth in personal income is mainly attributed to an increase in rents, dividends and interest, along with transfer payments of 7.6 percent and 7.5 percent in the second quarter, respectively. The largest component of personal income, wages and salaries, increased by 2.3 percent over the period as compared to only 1.0 percent in 1994.

The consumer inflation rate, as reflected in the percentage change of the Honolulu Consumer Price Index, increased by 2.1 percent between the first half of 1994 and the first half of 1995.

In the second half of 1995, the inflation rate slowed to 0.7 percent as compared to the second half of 1994. If the current trend continues, overall inflation for Hawaii in 1995 will be slightly lower than 2.0 percent, the lowest since 1986. DBEDT expects the Honolulu Consumer Price Index to increase about 2.0 percent in 1995 and 2.5 percent in 1996.

This is lower than the expected consumer price increases of 3.0 to 3.5 percent for the nation as a whole in 1996, reflecting the relatively slower growth of Hawaii's economy. Real Gross State Product (RGSP) is expected to grow at an annual rate of approximately 2.2% between 1995 and 2000.

Average annual growth in the number of civilian jobs is projected to rise by 1.8% per year over the next five years. Over the same period, the unemployment rate should decline gradually from 5.5% in 1995 to 5.0% in 2000.

3% over 1996-2000. Growth of real disposable income is anticipated to rise to 1% next year and to an average of 1.2% each year to 2000.

Hawaii's people have seen dramatic changes in the economic structure over the last generation. The military and agriculture, the traditional pillars of the Hawaii economy, have declined and no longer employ the bulk of the labor force. At the same time, Hawaii's increasing reliance on service industries, especially tourism, makes them particularly sensitive to external economic events. To some extent, the effects of this sensitivity are reflected in the unprecedented long period of low growth in recent years. At no time since statehood has Hawaii grown at such low rates for such a sustained period. The initial downturn was clearly associated with the cyclical recession on the mainland and eventually in Japan. This cyclical downturn was exacerbated by important structural changes in Hawaii's economy.

While Hawaii cannot ignore and must still address these structural issues, it appears that it is now rebounding from the cyclical downturn. Fourth quarter economic data for 1995 show that it is entering an economic recovery and prospects for the medium term are good.—END NOTES 1. [HTTP://www.hawaii.gov.html](http://www.hawaii.gov.html), internet.

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