The recovery of Hawaii’s county economies continues to be fueled by the visitor industry, especially by arrivals from non-traditional markets. Modest job growth resumed last year for the state overall, but the extent of labor market gains was disappointing. The upturn will pick up speed in 2012. US arrivals will strengthen and the number of visitors from markets other than the US and Japan will exhibit yet another year of double-digit growth in all counties. Construction will finally turn the corner on the Neighbor Islands, and on Oahu will feel the positive effects of renewed commercial activity and the initial phases of work on rail rapid transit.

- The visitor industry has come a long way since the depths of the recession. Last year, Kauai saw the biggest percentage gains, lifted by increased airline capacity. While the Big Island has lagged behind the other counties, this year it will experience the strongest arrivals growth, supported by a 13% post-quake snapback of Japanese visitors. Occupancy rates will rise by at least four percentage points in each Neighbor Island county. Tourism activity, measured by visitor days, has already fully recovered on Oahu; by 2013, it will have broken above its pre-recession level on the Neighbor Islands as well.

- Construction has yet to turn upward in Hawaii. The value of statewide real (inflation-adjusted) residential permits fell in every county last year, hitting record low levels on the Neighbor Islands. On Oahu, high-rise condo development, recent activity in commercial permitting, and the start of rail construction will set the stage for moderate job growth in 2012. The construction sector decline on the Neighbor Islands will also come to an end this year, although the next upswing will be much less dramatic than the last. Construction job growth will strengthen to 7% or higher across all counties by 2014.

- Except for the Big Island, the counties saw an increase in their payroll job base last year. Employment growth will strengthen this year, and cross above 2% in all counties by 2013. Throughout the state, tourism and other service industries will generally do the best this year, and the drag from public sector downsizing will ease. Because of the large increase in the unemployment rate that occurred during the recession, Neighbor Island labor markets will remain frail for several more years.

- A useful summary measure of economic activity is the real (inflation adjusted) income earned by local residents. While official county-level figures are not yet available for 2011, real income growth ranged from 0.6% on Oahu to 2.3% on Maui last year according to UHERO estimates. In 2012, real income growth of 2.2-3.0% will occur on the Neighbor Islands, along with a more modest 1.2% gain on Oahu. Growth in real income will further accelerate through 2014, as hiring picks up, business profits improve, and inflation moderates.