

Humboldt Economic Index

April 2012

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Overall Slight Decline and Slow Recovery

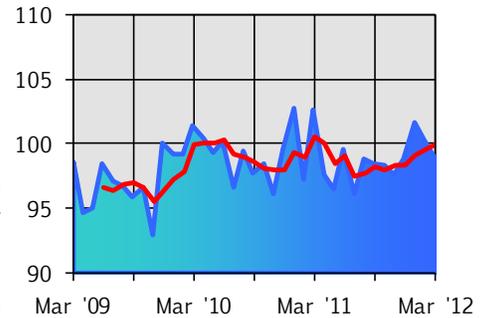
This month we say goodbye to Jonathan Ashbach as the Assistant Editor. Jonathan is a very gifted economics major who excelled in every class he took from me. His talents will take him far, and we wish him the best after graduation!

We also welcome Paul Yzaguirre to the Index. Paul is an economics major and we are looking forward to him putting his own stamp on the Index.

The overall composite contracted 1.5 percent from last month, while there was a slight expansion from six months ago. The Index value currently stands at 98.8. With the exception of the previous two months, the overall composite has remained below 100 since April of '11. All sectors declined except for the manufacturing and energy sectors.

House prices rose while monthly rent dropped. Total County Employment mildly decreased 0.2 percent after the seasonal adjustment to 100.3. The raw number of those employed did increase slightly, but there was also an increase in Unemployment Claims. There is an increase in Help Wanted advertising though, so improvement might be seen in the coming months.

Composite Index



The largest contributors to the drop in the composite Index were the housing and hospitality figures. Hospitality declined by about 8 percent, possibly because of the prevalence of high gas prices and slow recovery from the recession.

The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted Index that shows changes relative to the base month (January 1994). The composite Index is a weighted combination of six individual sectors of the local economy. The current Index is based on the most recently available data, which is generally data from the previous month.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	98.8	-1.5	-3.7	-10.1	-6.7
Home Sales	91.4	-15.8	16.7	-33.0	-28.7
Retail Sales	137.9	-2.1	-13.3	-11.7	-2.3
Hospitality	79.2	-8.1	-10.8	2.6	-9.8
Electricity	138.3	7.3	-6.3	5.1	28.9
Employment	100.3	-0.2	2.1	-5.9	-2.3
Manufacturing	32.5	3.2	3.4	-49.1	-59.0

* These values are adjusted to remove seasonal fluctuation. The base month is Jan. of 1994, with an Index value of 100.

** The percent change from the same month one, five and ten years ago.

The Index – Leading Indicators

Leading Indicators

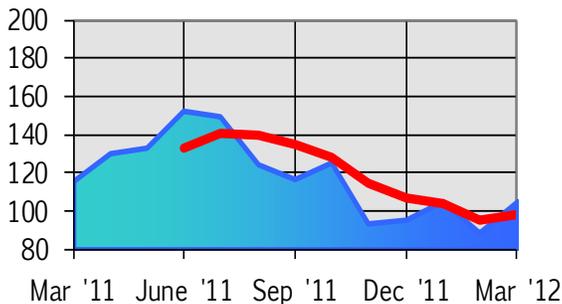
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	19.6%	N/A	12.3%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$230,000	\$1,207	3.75%	10.0%
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does not verify such information provided and disclaims any responsibility for its accuracy. Each Participant agrees to hold the Service harmless against any liability arising from any inaccuracy or inadequacy of the information.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

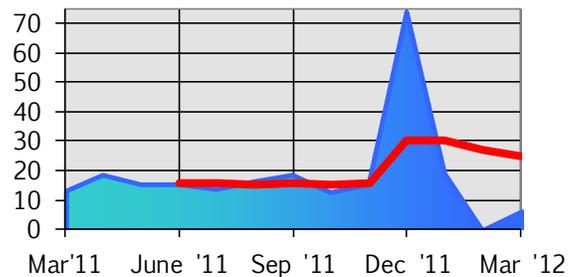
Unemployment Claims increased to a level more in line with seasonal expectations. While there was a rise of 19.5 percent in the Index to a value of 105.07, the current level is still 8.8 percent below this point last year. There are some positive indicators of growth, as Help Wanted advertising is expanding and if businesses can grow their performance then there will be a greater availability of jobs.

Index of Claims for Unemployment Insurance



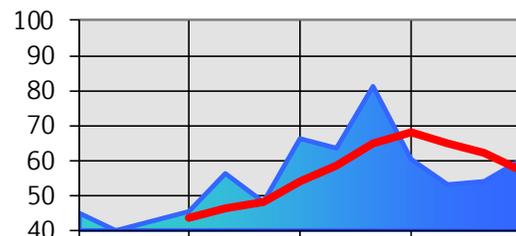
Building permits were issued in Humboldt County this month, unlike last month when none were issued. Only 4 permits were issued, though, for an Index value of 5.83. This remains a relatively low point in the data, as it is a 55.6 percent decrease from this time last year. Construction was a sector hit hard by the recession, and slow growth can be reasonably assumed; any progress is a positive indicator.

Index of Building Permits Issued



Help Wanted Advertising has grown significantly for the first time in several months, increasing 12.3% to a current value of 61. This is a positive sign for the unemployment rate and the economy so long as job skills of those currently unemployed match up with the skills desired by these employers. It is a good sign for businesses as well, as the fact that hiring is possible indicates positive cash flow in those industries.

Index of Help Wanted Advertising



Graphs Explanation: 1. The blue area represents the seasonally adjusted Index of Unemployment Claims above. The red line shows the four-month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The Index – Individual Sectors

Home Sales

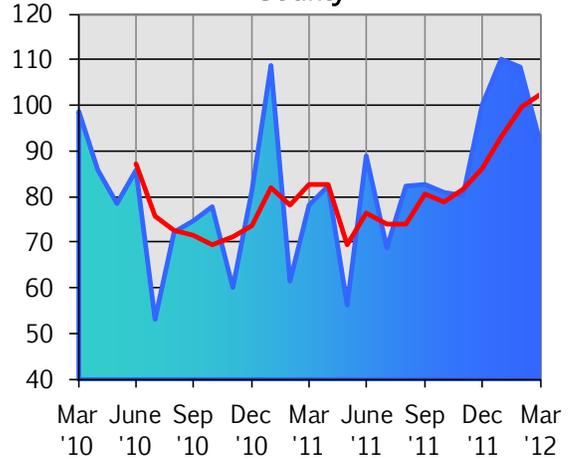
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index shrank 15.8 percent to an Index value of 91.36. Median home prices rose by 5 percent, or \$12,500, while the national interest rate on a 30-year mortgage is at a low of 3.84 percent, according to a survey conducted by Freddie Mac.

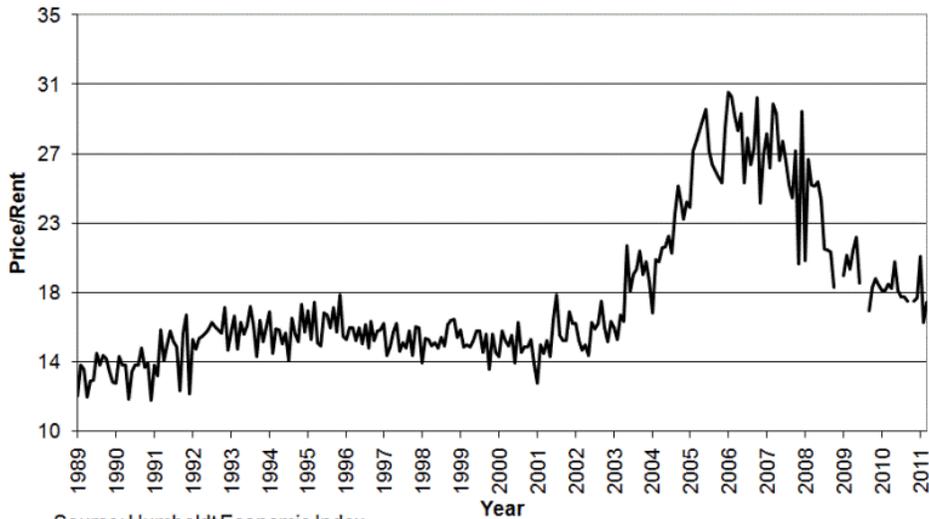
Case-Shiller projects modest price gains and increasing affordability. The average U.S. home prices are one-third below their peak 2006 levels and the ratio of monthly payments to median family income has made positive movements, being the lowest since 1994. Fiserv, the generator of the Case-Shiller index, has predicted that average home prices will rise 3.8 percent by the third quarter, with some markets in California, among other states, seeing the largest gains.

The California Association of Realtors (CAR) reported that state-wide single family housing sales shrank by 2.3 percent from the same period twelve months ago, while median single-family home prices rose 1.6 percent to \$291,080. In Humboldt County, H.A.R. reported more positive figures, with a year to year increase of 18.8 percent. On the national level, N.A.R. reported a month to month decline of 2.6 percent in national sales, but points out that this is a 5.2 percent improvement from this time last year.

Home Sales Index, Humboldt County



Humboldt County Housing Price to Rent Ratio, 1989-2010
(medium home price/mean rent, adjusted for expenses)



Source: Humboldt Economic Index

The Index – Individual Sectors

Total County Employment

The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment slightly declined 0.2 percent from the previous month to a seasonally adjusted 100.3, which is still 2.1 percent above last year's level at this time. The seasonally adjusted unemployment rate for Humboldt County rose to 10 percent, while the seasonally adjusted national unemployment rate now stands at a lower 8.2 percent. Humboldt County, on the other hand, has held fairly steady numbers over time, though with fluctuations. The Employment Development Department does indicate that there were no especially hard losses, with most declines in employment spread across the economy. However, the biggest job losses still came from Construction and Financial Activities, two sectors that were specifically implicated in the recession. The former lost 6.7 percent of its employees and the latter 5.9 percent.

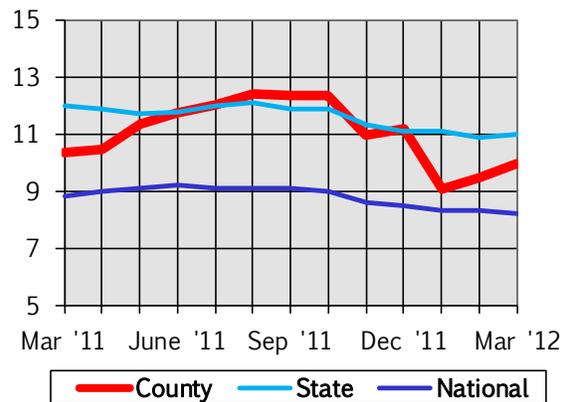
The Labor Department reported that the nation added an additional 115,000 jobs this month, but that it was less than predicted by analysts. The Federal Reserve expects economic growth between 2.4 and 2.9 percent over the course of this year, with a national unemployment rate between 7.8 and 8 percent.

Hospitality

The Index value of the hospitality sector is based on seasonally adjusted average occupancy each month at a cross section of local hotels, motels and inns.

Hospitality sank to an Index value of 79.2, an 8.1 percent decrease from the previous month. The four-month moving average was lessened by this but remains at a fairly regular 82.67. The Hospitality sector in Humboldt County, though it has its fluctuations, has tended to be resilient to most economic conditions, with relatively small deviations from a normal range. That being said, it should still be noted that this month and the four month moving average is lower than the overall average over the past few years.

Unemployment Percentage Rates



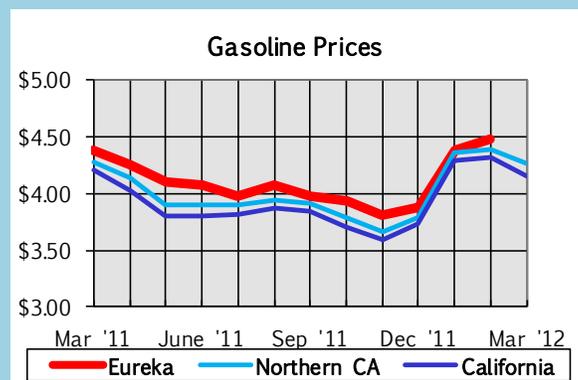
Gasoline Prices

Gasoline Prices for California fell \$0.16 from last month. However, the North Coast experienced a \$0.01 decrease in the average price of a gallon of gas.

On a bigger scale, transportation agencies, such as Cal Trans, is experiencing a short fall in revenue as fuel-efficient cars increase in popularity and as Americans on average have been driving less. Cal Trans revenues have been based on taxing gasoline sales at the pump. A tax hike is under consideration to help offset the decline in revenue. This would negatively impact the North Coast as it would remove more discretionary spending creating less economic activity.

Gas Prices		
Prices as of 4/30/2012	Average price*	Change from previous month
Eureka	\$4.47	-\$0.01
Northern California	\$4.26	-\$0.13
California	\$4.16	-\$0.16

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.com).



The Index – Individual Sectors

Retail Sales

The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Retail sales fell 2.1 percent to 137.9, an indication that consumers are either saving money or having to allocate more money to necessary items like housing or transportation. It is important to note that the decline is slower than the month to month change in the last Index. Retail sales have been fluctuating around an Index value in the 140's for several years, so while this is a low point, it is by no means unusual. Though employment has slightly declined, Help Wanted is up and there remains a good likelihood, if history repeats itself, for the Index value to rise again soon.

Consumer Confidence pulled back to 69.2 this month from a value of 69.5, as consumers are considered to be cautiously optimistic, with a moderated short term outlook and a more positive assessment of the current situation. The Consumer Confidence Survey showed less optimistic results for the near future, as 18.8% of consumers expect business conditions to improve, down from a value of 19.3%, and those anticipating worse business conditions increased to 14.2% from 13.7%. Additionally, there was less optimism about job availability, with those anticipating more jobs dropping from 17.4% to 16.9%.

Lumber Manufacturing

The index value of this sector is based on a combination of payroll employment and board feet of lumber production at major county lumber companies and is adjusted to account for normal seasonal variations. Lumber-based manufacturing generates about 55 percent of total county manufacturing employment.

Lumber manufacturing has risen slightly from last month's value to a seasonally adjusted value of 32.5, a 3.2 percent increase. While this is positive, and is up from last year's value by 3.4 percent, it is at the same time the third worst month for the lumber industry in the past year. Nevertheless, the Index value has hovered in this range for several years, so this may be the new normal, at least for the time being.

The Institute for Supply Management noted that the manufacturing sector continued to grow for the 33rd month in a row, as did expectations of demand. The PMI increased by 1.4 percentage points to a value of 54.8. However, the only industry out of eighteen to report contraction nationally was wood products, a correlation with the performance of the Humboldt County lumber industry. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

Electricity Consumption

The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation reduce the sector's index value, while not necessarily indicating a decline in economic activity. Because we collect our data for this sector quarterly, values are frequently estimated, and are revised when the quarterly data are received.

Electricity Consumption is up to a seasonally adjusted Index value of 138.3 in March, showing a robust growth of 7.3 percent from February's figure of 128.8. In December, 2011, the Energy Index was 122.5 and 136.6 in January. These values can be interpreted as a signal for greater economic activity as people operate more appliances and technology. While the root cause of growth is difficult to prove, any of the possible activities that would grow this value tend to grow the economy, like buying more appliances or using them to produce more goods. Additionally, with higher energy consumption, the energy providers perform better and that can possibly drive more employment, though that would only occur if there was sustained growth in this sector.

Explanatory Note: We have been tracking economic activity since January 1994. The Composite Index at the beginning of this report is a weighted average of each of the six sectors described above. Each sectoral index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectoral index value is currently 150, that means that (inflation-adjusted) retail sales among the firms that report data to us are 50 percent higher than in January 1994. We also seasonally adjust each sector, and the composite index, to correct for "normal" seasonal variation in the data, such as wet season vs. dry season, and so trends in the seasonally adjusted composite index provide a better indication of underlying growth and fundamental change in the economy. Each month's report reflects the most recent data available, which is usually from the previous month. For example, the "August 2006" report reflects mostly data from July 2006. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

HUMBOLDT STATE UNIVERSITY

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Consumer Confidence - The Institute of Supply Management
National Association of Realtors

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