

Humboldt Economic Index

August 2011

Our Sponsors:



Belonging Never Felt Better



Redwood Region
Economic Development
Commission



Professor Erick Eschker, Director

Jonathan Ashbach, Assistant Editor

Catherine Carter, Assistant Analyst

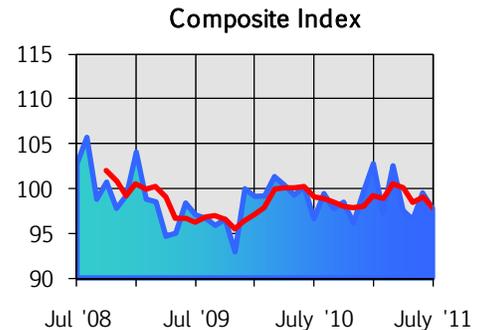
Leading Indicators Positive, but Employment Down

Typical of the post-Great Recession era thus far, August was a mixed month for the economy in Humboldt County. The Composite Index is down 1.8% from last month, but stands at a value of 97.8, which is up 1.2% from last year.

Leading indicators are mostly positive. Unemployment claims fell significantly, and help wanted advertising correspondingly rose. The number of building permits issued fell, but only within the realm of ordinary variation. The outlook, then, appears cautiously optimistic for an expanding labor market.

The most recent data on the current county labor market is less encouraging, however. Employment declined sharply in July. Also contributing to the drop of the Composite Index, housing sales fell back to a more reasonable figure after their dramatic increase in June. And retail sales appear sluggish, as June's slowing trend in retail growth turned negative in July.

On a positive note, gas prices are down again, for Humboldt County if not for the state. Hospitality boomed as the busy summer season continued in full force, and even heavy seasonal adjustment failed to keep the Hospitality



Index from growing strongly. Finally, lumber manufacturing showed robust expansion, both at the county level, and in the nation at large.

CNN reported on September 2nd that 80% of Americans believe the US to be in another recession. Data from the Bureau of Economic Analysis, however, shows that this is not, in fact, correct. Recent growth has been very slow, but the economy is continuing to expand.

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	97.8	-1.8	1.2	-8.1	-10.5
Home Sales	68.8	-22.7	29.1	-26.8	-44.1
Retail Sales	140.9	-5.1	-3.4	6.5	0.6
Hospitality	90.1	9.2	9.7	0.5	1.0
Electricity	134.2	0.0	5.7	2.8	7.9
Employment	95.8	-1.8	-3.0	-7.3	-7.3
Manufacturing	39.9	10.5	-0.1	-54.3	-55.8

* 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

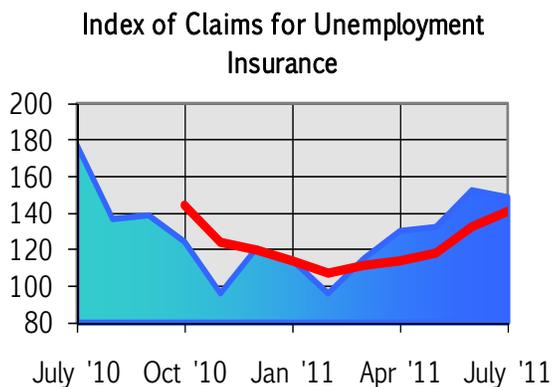
Leading Indicators

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.

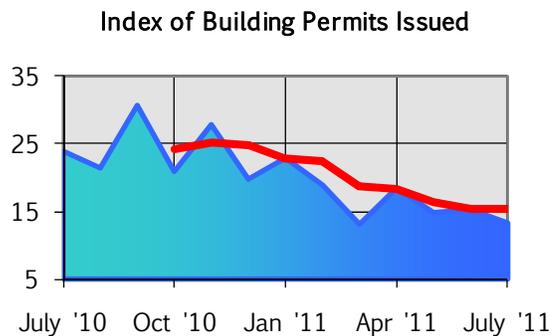
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-2.5%	-12.9%	23.2%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$240,900	\$1,388	4.25%	12.0%
<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 fell in August. The raw number of new claims for unemployment insurance dropped by almost 300, more than reversing last month's increase. This brings the number of claims back into territory not seen in five months. The result was a 2.5% decrease in the Unemployment Claims Index to a value of 148.7. The Index value is still very high, as this summer has seen less hiring than seasonally expected, but does represent an improvement, nevertheless.



Building Permits declined very slightly in August. The decline was emphasized by seasonal adjustment, leading the Building Permits Index to fall by 12.9% to a current value of 13.3. Given the small value of the Index, however, that percentage represents a change that is probably too small to have any informative significance.



Help Wanted Advertising surged upwards in August, in the strongest showing since December of last year. A significant increase in the number of ads, slightly muted by seasonal adjustment, led the Help Wanted Index to rise by 23.2%. Together with the decline in unemployment claims, this is a positive sign for the future of the Humboldt County labor market, and indicates that a drop in unemployment may be on the way.



Graphs Explanation: 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.

Unsurprisingly, the number of houses sold in July was down significantly from June's spike. The Housing Index fell 22.7% from 89.0 to a current value of 68.8. The decline was caused by a drop in the number of houses sold to a still healthy 71, as well as seasonal adjustment.

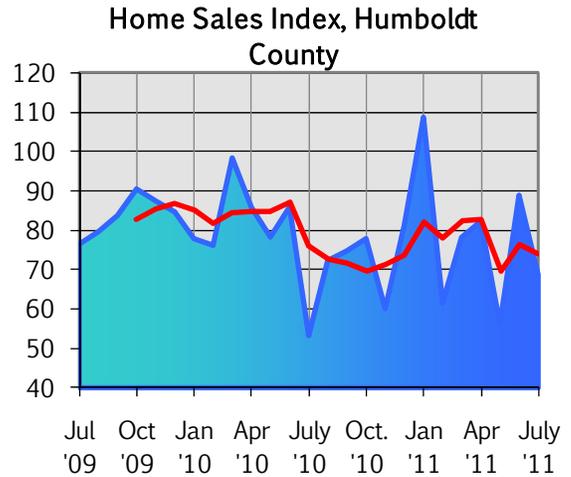
Meanwhile, the median price of houses sold in Humboldt County remained fairly steady, increasing by less than a thousand dollars from \$240,000 to \$240,900. The mortgage rate fell another quarter of a percentage point, and now stands at 4.25%. More significantly, rental prices jumped strongly, presumably due to increased demand as University students began shopping for living space. The mean and median monthly rents increased by well over \$100 each, and now stand at \$1,388 and \$1,325, respectively, a trend that will likely continue in August.

Statewide, housing sales also fell, down 4.1% from last month, according to the California Association of Realtors. The seasonally adjusted and annualized numbers for July stand at 458,440, which is up 4.5% from last year. The median price of a home remained quite steady in California as a whole, now standing at \$294,230, less than a percent down from last month.

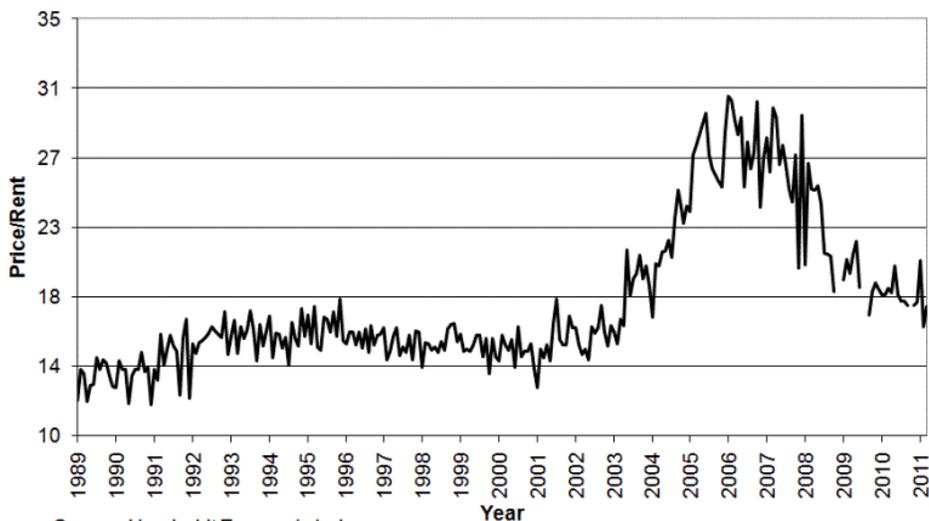
Nationally, Case-Schiller, reporting on data through June, noted that housing prices rose from May for a total increase of 3.6% in the second quarter of this year, but were down from 2010. National prices now stand at early 2003 levels.

For a local perspective on the housing bubble, visit

our [Special Projects](#) page for a study of the Humboldt County housing market. Also, visit the [Humboldt Real Estate Economics Page](#).



**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

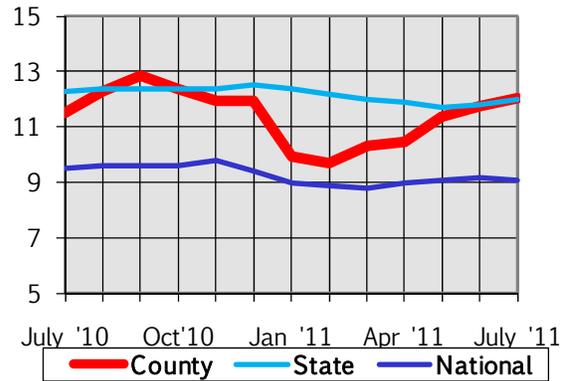
Total County Employment

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

The future of the labor market may look hopeful, but Humboldt County lost 1,600 jobs in July, according to the California EDD. The number of unemployed remained unchanged at 7,000, with the result that the county unemployment rate rose once again, this time to a seasonally adjusted 12.0%, the highest since October of last year. Production of goods actually increased, but the rise was outweighed by a decline in service and government employment. The Employment Index consequently dropped by 1.8% to 95.8, which is its lowest value so far this year.

California's labor market tracked that of the county pretty exactly last month, experiencing a similar increase of 0.2 percentage points and coming to rest at 12.0% in July. This only represents a return to the level of this March, however, for the state at large. Nationally, unemployment inched downward after three straight months of increases, and now stands at 9.1%.

Unemployment Percentage Rates



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 increased in July. The Hospitality Index rose by a strong 9.2%, reflecting a continuation of last month's surge in occupancy, again heavily muted by seasonal adjustment. The Index now stands at a value of 90.1.

Gasoline Prices

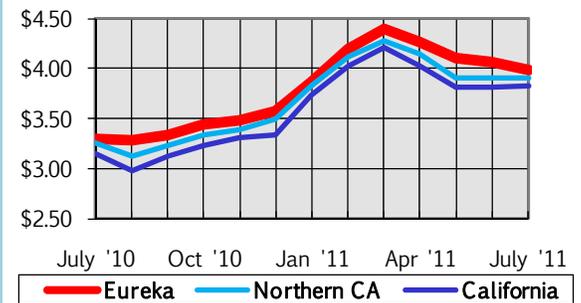
While gas prices in most of California held relatively steady last month, they continued to fall in Humboldt County. The price of a gallon of gas crossed the \$4 mark in August, reaching a value of \$3.98. The inflation adjusted price also fell, reaching \$3.23 per gallon, a drop of \$0.07.

Inflation, meanwhile, was almost non-existent last month. The change in the Consumer Price Index turned positive again, after June's deflation, but increased by less than 0.1%, leaving the CPI below its value of 2 months ago, and inflation well below the FED's informal target of 2%.

Gas Prices		
Prices as of 8/30/2011	Average price*	Change from previous month
Eureka	\$3.98	-\$0.09
Northern California	\$3.90	\$0.00
California	\$3.82	\$0.01

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

Gasoline Prices



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 in July, following the slowing trend noted in last month's Index. The Retail Sales Index dropped 5.1% last month to a current value of 140.9. This is the lowest level this summer, and is also down 3.4% from last year.

In line with the local retail decline, the Conference Board Consumer Confidence Index fell 25% last month. The drastic decline left the Index value, which is based on a survey of consumer's economic expectations, at a mere 44.5. Declines in consumer confidence, and, consequently, in retail sales (if customers put off purchases until economic perceptions clear) could provide a serious difficulty for economic recovery.

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.

Pending the next quarterly release of data, the Energy Consumption Index remains fixed at an estimated value of 134.2.

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.

In contrast to retail sales, Lumber Manufacturing surged ahead in July. Both payroll and production expanded significantly, leading the Lumber Manufacturing Index to increase by 10.5%. The Index now stands at a value of 39.9, for practical purposes unchanged from its value of 40.0 a year ago.

Nationally, the manufacturing sector continued to expand in August, wood products being among the expanding industries. The decline of the PMI slowed, falling only 0.3 percentage points, as compared to 4.4 last month, and now stands at 50.6. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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

COLLEGE OF PROFESSIONAL STUDIES
■ ■ ■ *realize human potential*

Frequently Cited References:

California Association of Realtors - Case-Shiller Home Price Indices

Consumer Confidence - The Institute of Supply Management

National Association of Realtors

Copyright © 2011 [Erick Eschker](#).

Contact Info: Erick Eschker can be contacted at ee3@humboldt.edu

www.humboldt.edu/econindex

Layout & Design: Matt Hawk