

# Humboldt Economic Index

August 2012

## Our Sponsors:



*Belonging Never Felt Better*



Redwood Region  
Economic Development  
Commission



Professor Erick Eschker, Director

Paul Yzaguirre, Assistant Editor

Catherine Carter, Assistant Analyst

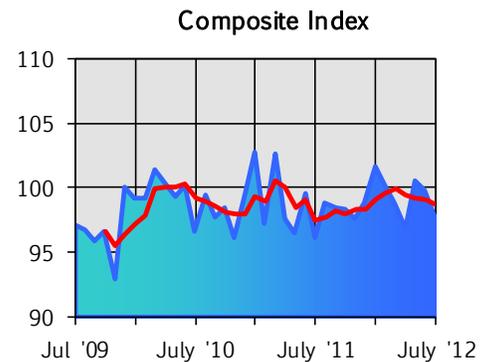
## Declines in Housing, Retail, Employment Indexes

The composite Index has contracted 2.6 percent from last month to a value of 97.3, although it is still about 1.2 percent higher in value than at the same time last year. This was a moderate decline, with most of the change resulting from declines in the Housing, Employment, and Retail Indexes. Hospitality and Building permits did increase, though not to a degree that would offset the larger declines.

The Index of Home sales and prices decreased this month to an Index value of 88.2, a contraction of 11.8 percent from last month. Mortgage rates remain low with the average 30-year rate at 3.53 percent, but rates are on a slight rise from previous record lows.

Total County Employment declined 1.3 percent after the seasonal adjustment to 96.7. Meanwhile, Unemployment Claims increased from last month by 2.0 percent. The seasonally adjusted County Unemployment Rate continued to grow, though this month the value only grew by 0.1 percent to 10.9 percent. Help Wanted Advertising declined slightly this month, which along with the other employment indicators may signal a slight contraction in the labor market.

Gas prices have shot up once again throughout California. The previous two cent increase has now turned into a 35



cent increase of California prices and a 34 cent increase on the North Coast. For those still planning on making trips or for those operating businesses that rely directly on transportation, costs have risen to early summer levels, discouraging long distance trips. Whether gas prices will hold or change in either direction will continue to depend on consumer demand, market fluctuations, and the political landscape of oil producing regions.

The Composite Index is in decline this month due to contracting labor conditions as well as a subdued housing market, though with mortgage rates remaining relatively low, the housing market is still favorable to buyers.

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**
<b>Composite</b>	<b>97.3</b>	<b>-2.6</b>	<b>1.2</b>	<b>-11.0</b>	<b>-9.1</b>
Home Sales	88.2	-11.8	28.2	-23.5	-33.6
Retail Sales	141.0	-5.5	0.1	-10.1	-0.8
Hospitality	85.5	0.7	-5.2	-3.6	-6.2
Electricity	125.8	0.0	4.9	-1.8	25.4
Employment	96.7	-1.3	1.0	-7.7	-6.4
Manufacturing	35.0	-2.3	-12.3	-47.3	-59.3

\* 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

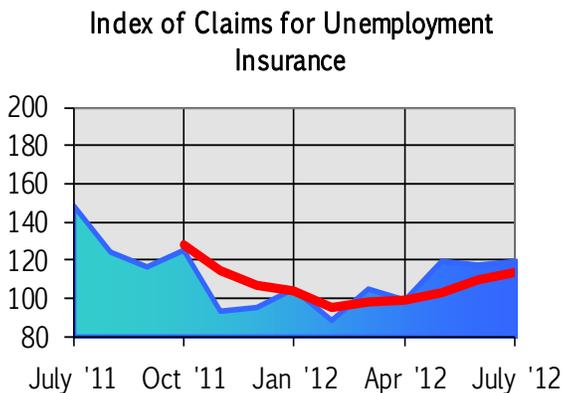
## Leading Indicators

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*	2.0%	43.7%	-2.4%
* All values are seasonally adjusted.			

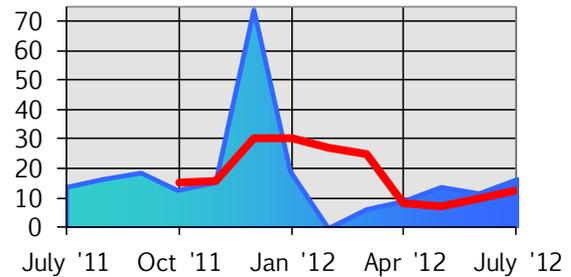
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$230,000	\$1,356	3.50%	10.9%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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. ** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard. † 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank. ‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.			

**Unemployment Claims** rose by 2.0 percent this month, to an Index value of 119.4. While this is a small increase, claims have dropped 19.7 percent from 12 months ago. This month's value continued to increase the 4 month moving average up 3.2 percent to a value of 113.6. When considering the percentage change with Unemployment Claims, it is important to remember that, in contrast to several other Indexes, it is not unusual to see changes of up to 20 percent on a month to month basis.



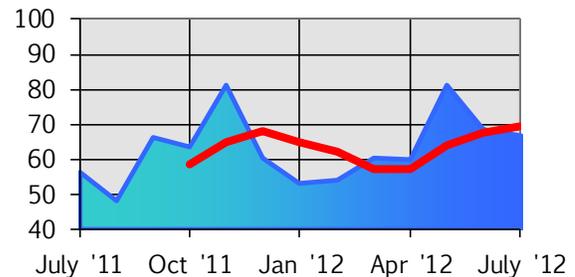
**Building permits** have increased again, rising 43.7 percent to an Index value of 15.96 from the previous 11.11. This Index in particular has held low values over time because of the aftereffects of the recession on the construction industry. At this time, Building permits are up 20.0 percent from last year and down 33.3 percent from five years ago.

Index of Building Permits Issued



**Help Wanted Advertising** has dropped to a value of 66.9, 2.4 percent lower than last month's seasonally adjusted value of 68.6. Though this is another decline in Index value, Help Wanted Advertising remains in better shape than last year, with an increase of 18.8 percent from last June. Additionally, the 4 month moving average has increased by 2 percent to an Index value of 69.3.

Index of Help Wanted Advertising



**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

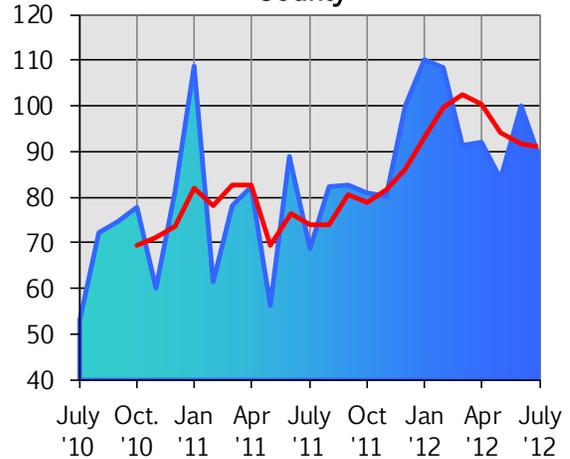
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index shrank by 11.8 percent to an Index value of 88.15. Median home prices lessened by 5.3 percent to a price of \$230,000, a \$10,900 decrease from last year. Despite this month's Index contracting, the Home Sales Index has risen 28.2 percent from a year ago, a sizeable increase.

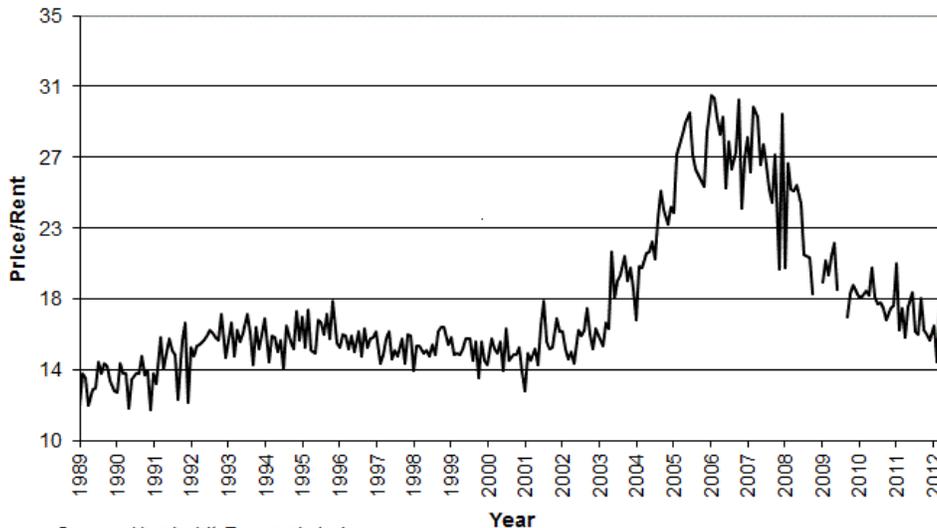
Although Humboldt County has seen a decrease in housing purchases this month when seasonally adjusted, the US as a whole saw house purchases rise 3.8 percent from last July, the largest year to year gain since August of 2006, as reported by the L.A. Times; data was aggregated by real estate data provider CoreLogic. Prices in California rose 4.4 percent from last year in spite of Humboldt County's contraction.

Particularly of importance in the housing sector are the mortgage rates, which are at still a low right now. 30 year fixed rate mortgages are currently at 3.53 percent, down from 3.55 percent last week and 15 year mortgages were about 2.89 percent, down from 2.91.

Home Sales Index, Humboldt County



Humboldt County Housing Price to Rent Ratio, 1989-2012  
(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 declined by 1.3 percent from the previous month to a seasonally adjusted value of 96.7, which is the fifth consecutive slight decline, though this month remains 1.0 percent above the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County grew to 10.9 percent, although it is still 2.6 percent higher than the seasonally adjusted national unemployment rate, which has slightly risen to 8.3 percent. Humboldt County has been decreasing its unemployment rate over the long term, with a decrease by 7.7 percent in the Index since July 2007. The Employment Development Department indicated in preliminary data for July that Humboldt County's labor force has decreased by about 2.1 percent, or about 1,300 individuals. For California on the whole, employment is down 40,000 jobs, though unemployment remains the same at a seasonally adjusted 10.7 percent.

The Labor Department's latest statistics reported that the nation added an additional 163,000 nonfarm payroll jobs in July, the strongest July growth since July of 2006. They reported that employment rose specifically in professional and business services, food services and drinking places, and manufacturing.

## 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.

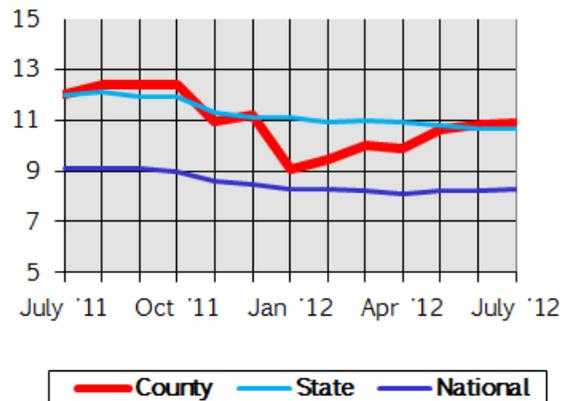
Hospitality grew for the fourth consecutive month, though by a small 0.7 percent to an Index value of 85.5. This growth was the only growing Index besides building permits this month, though it was not enough to balance out the declines in retail, home, and employment indexes. Hospitality is down -5.2 percent from this time last year, but the 4-month moving average did increase by 1.9 percent to a value of 83.0.

## Gasoline Prices

Gasoline Prices for California have risen sharply once again from last month, with the average California gas price increasing \$0.35 to an average of \$4.15. Northern California also saw an increase of \$0.34 from \$3.88 to \$4.22 while in Eureka gas prices increased \$0.39, going from 3.98 to 4.37.

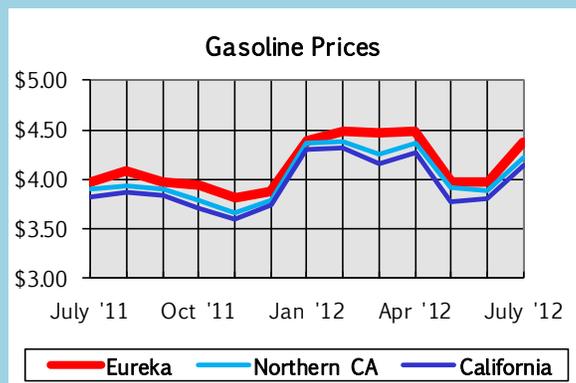
The seasonally adjusted CPI (Consumer Price Index), if including food and energy, registered no change. The CPI energy index continued to fall by 0.3 percent, but was offset by the rising indexes of food and all other items. If food and energy data are removed, the CPI registered a 0.1 percent increase, breaking the four month streak of 0.2 percent decreases. The non-seasonally adjusted 12 month change in CPI for all items was the smallest 12 month change since November 2010, clocking in at 1.4 percent.

Unemployment Percentage Rates



Gas Prices		
Prices as of 8/30/2012	Average price*	Change from previous month
Eureka	\$4.37	\$0.39
Northern California	\$4.22	\$0.34
California	\$4.15	\$0.35

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csa.com](http://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 once again by a sizeable 5.5 percent this month to an Index value of 141.0, a larger decline than last month's 2.5 percent contraction. Nevertheless, this month brought up the 4 month average by 0.5 percent to a value of 142.7. The Retail index remains virtually unchanged than typically seen at this time of the year, with 0.1 percent growth from last August.

On the national scale, Consumer Confidence declined significantly by 4.8 points to a value of 60.6, the lowest level since November of 2011. Consumers have expressed a pessimistic outlook regarding the short term, with decreases almost across the board. There was however a slight increase in consumers anticipating higher incomes, improving to 15.7 percent from 14.2 percent. Consumer assessments surrounding the current situation continued to remain roughly the same. Consumer opinion on the labor markets is negative, with those expecting more jobs in the months ahead decreasing to 15.4 percent from 17.6 percent, while those anticipating fewer jobs rose to 23.4 percent from 20.6 percent.

## 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 continued to decline this month, contracting by 2.3 percent to an Index value of 35.8. This value is considerably smaller than 12 months ago, with a 12.3 percent reduction. Though there is this continued contraction, this month does continue to raise the 4-month average by 1.7 percent to an Index value of 36.1.

The Institute for Supply Management reported that the national manufacturing sector has contracted for the third time since July 2009, but acknowledged that the overall economy did continue to grow for the 39<sup>th</sup> consecutive month. The PMI was registered at 49.6 percent, a decrease of 0.2% percent from July. Businesses reported contraction in new orders and inventories for the third month in a row as well. Eight out of the eighteen industry groups reported growth, including paper products and miscellaneous manufacturing. Meanwhile, eight reported contraction, with furniture & related products among those. 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.

Energy data has been updated for April through June, and the Energy Index stands at a value of 125.8. This is down 7.7 percent from May's value of 136.3, and 6.3 percent down from 12 months ago. May's Index was 3.3 percent higher than April's value of 132.0. While electricity usage has declined in the short term, there is no indication of this being a trend.

The next update for the Energy Index is expected to be in October.

**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**

C O L L E G E O F P R O F E S S I O N A L S T U D I E S  
■ ■ ■ *realize human potential*

**Cited References:**

California Association of Realtors - Case-Shiller Home Price Indices  
Consumer Confidence - The Institute of Supply Management  
National Association of Realtors

**Copyright © 2012** [Erick Eschker](#).

**Contact Info:** Erick Eschker can be contacted at [ee3@humboldt.edu](mailto:ee3@humboldt.edu)

[www.humboldt.edu/econindex](http://www.humboldt.edu/econindex)

**Layout & Design:** Matt Hawk