

Humboldt Economic Index

December 2011

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Redwood Region
Economic Development
Commission



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Adverse Expectations, Positive Developments

The Composite Index declined by 0.6% in November. Despite that, economic developments are mostly encouraging.

Leading indicators are all positive. The Unemployment Index is down and Building Permits and Help Wanted Advertising are up. All improved by significant margins.

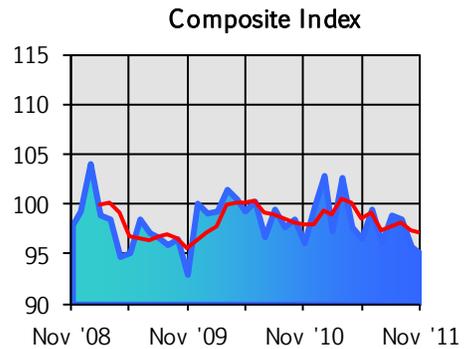
Home sales were essentially unchanged, though the price of a home declined substantially. And the labor market improved as jobs were created. Local, state, and federal unemployment rates all tumbled by relatively large percentages.

Hospitality and lumber manufacturing were the only sectors to experience an unmitigated decline.

Gas prices continued to fall in all areas tracked by the Index. The Consumer Price Index likewise dropped for the second consecutive month.

Retail sales experienced a small increase after two months of contraction. Measures of consumer expectations seem to predict a continuation of that trend in December.

Overall, the data provide mixed signals, but seem to suggest at least



cautiously optimistic trends. The holiday boom may be a timely, if temporary, economic blessing to the county economy.

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	95.2	-0.6	-1.0	-11.7	-6.9
Home Sales	80.2	-1.1	33.3	-20.0	-26.2
Retail Sales	140.6	2.7	-5.3	-13.9	15.9
Hospitality	78.0	-7.5	-16.1	-17.4	-13.6
Electricity	120.0	0.0	0.3	1.2	10.4
Employment	96.8	0.1	0.9	-6.3	-4.0
Manufacturing	37.0	-5.2	12.3	-40.4	-57.3

* 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

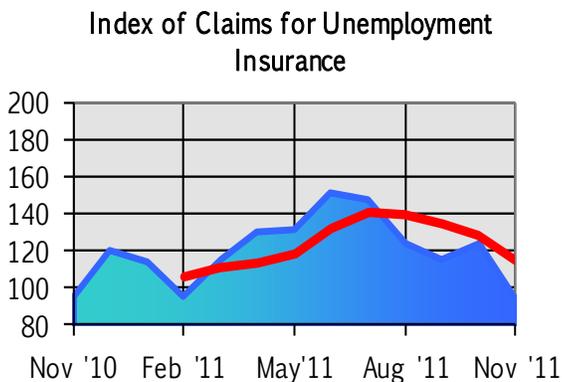
Leading Indicators

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.

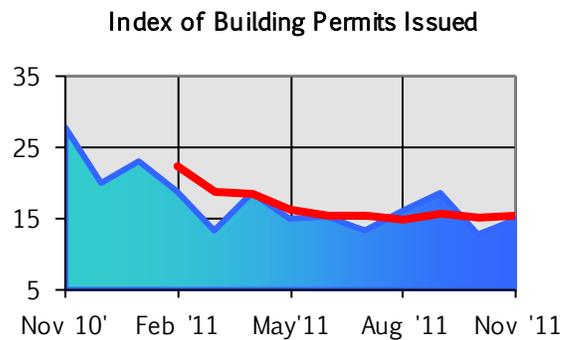
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-25.4%	18.3%	28.0%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$215,000	\$1,251	4.00%	11.0%
* 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 in December. The magnitude of the rise in claims was a relatively mild 114, however, in a month when seasonal expectations were for a much more significantly increase. The result was that the seasonally adjusted Unemployment Claims Index actually fell by more than 25%. It now stands at a current value of 93.1.



Building Permits showed a similar trend to unemployment claims last month. The number of raw permits issued dropped very slightly, but this was a strong showing in relative terms. After seasonal adjustment, the Building Permits Index rose by more than 18%, from 12.6 in November, to a current value of 14.9.



Help Wanted Advertising moved in a positive direction both in absolute and seasonally adjusted terms. A moderate increase in the number of ads placed, amplified by seasonal expectations for a softening labor market, led the Help Wanted Index to increase by 28%. It stands at a current value of 81.6.



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

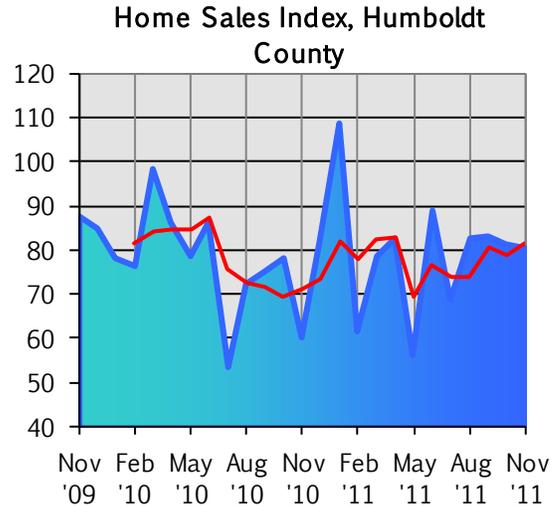
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The number of homes sold changed very little in November. The raw number of homes sold in Humboldt County fell by 1, down to 76 this month. The change is too small to be significant, which is directly in line with seasonal expectations. The consequence was that the Home Sales Index declined by less than a percentage point, to a value of 80.2. Encouragingly, this is 33% higher than the Index value of 60.1 last November.

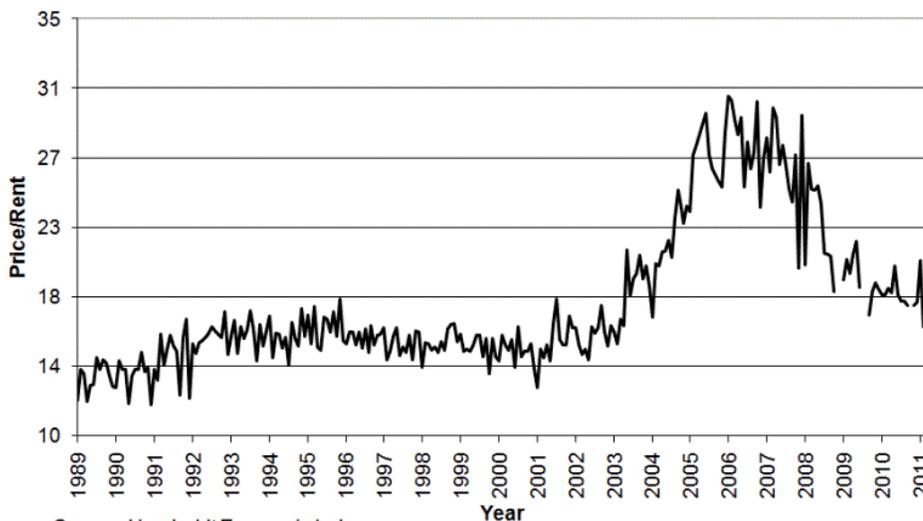
The number of homes sold may have remained constant last month, but the price of those homes dropped sharply, marking the second time this year that home prices have achieved a lowest value since January of 2004. From \$235,000 in October, the average price of a home dropped to \$215,000 last month. Rent followed suit, with median and mean monthly rent falling to \$1,200 and \$1,250, respectively. The mortgage rate also dropped another 0.25 percentage points in November, reaching 4.00%.

The California Association of Realtors reported that, statewide, home sales rose in November. A seasonally adjusted and annualized 504,000 units sold last month, which is approximately 2% higher than both October of 2011 and November of 2010. The median price rose slightly from last month, but is down from last year. Case-Shiller, meanwhile, reporting on national data through October, noted widespread falling home prices. The Index's 10- and 20-city composite measures recorded price decreases of 1.1% and 1.2%, respectively, from the month of September.

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

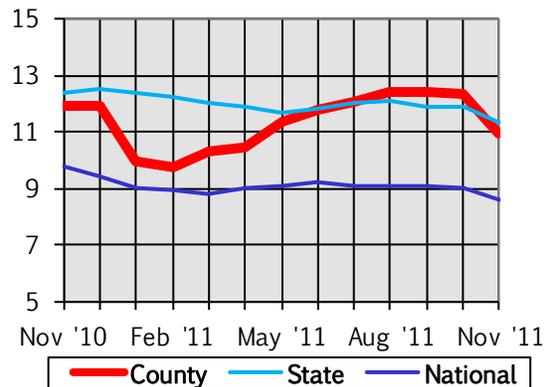
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

County employment ticked upward in November. The Employment Index rose by 0.1 percentage points, from 96.7 in October to a current value of 96.8. This is slightly but significantly up from last November's value of 95.9. The California Employment Development Department reported that the labor force in Humboldt County held steady last month at 60,900 persons. Of those, about 100 unemployed found jobs, mostly in private sector service occupations.

As a consequence of the increase in employment, and even more so of the decline in seasonal expectations, the local unemployment rate plummeted in

November. The county unemployment rate, which had held steady for a number of months at 12.4%, fell by almost one and a half percentage points. The current seasonally adjusted local unemployment rate is 11.0%. State and national rates also fell, to 11.3% and 8.6%, respectively.

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 continued to contract in November. The decline in occupancy was more sharp than seasonally expected, and led the Hospitality Index to fall by 7.5% from last month's already low reading of 84.3. The Index currently stands at a value of 78.0, which is its lowest value since April of 2008.

Gasoline Prices

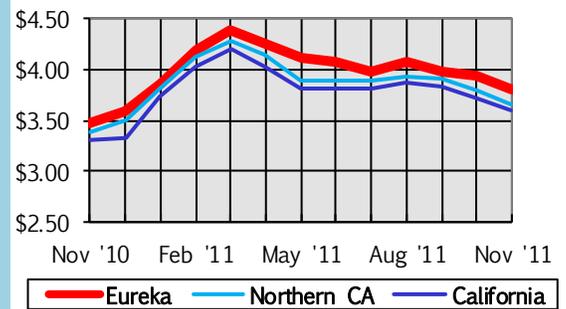
To the relief of motorists, gas prices continued to fall in Eureka for the third consecutive month in December. The drop was matched by a decline in prices in the northern California area and for the state as a whole. The price of gasoline fell by \$0.13 to \$3.81 per gallon as of the latest data. This translates to \$3.08, holding the dollar constant at its value in February of 2003, when the Index began tracking the price of gas. At that time a gallon of gasoline sold for \$1.88.

As gas prices dropped, the Consumer Price Index marked the first two consecutive months of deflation since the end of 2008. The negative trend was very mild, however, at a decrease of less than 0.1%.

Gas Prices		
Prices as of 12/30/2011	Average price*	Change from previous month
Eureka	\$3.81	-\$0.13
Northern California	\$3.66	-\$0.13
California	\$3.60	-\$0.11

* 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 showed a slight upward tick in November. A decline in sales of a smaller-than-expected magnitude resulted in a 2.7% increase in the Retail Sales Index. The current value of 140.6 is down about 5% from last year, however. As with some leading indicators, the retail market, if not absolutely increasing, seems at least to be holding ground relatively well in the face of adverse seasonal trends.

Nationally, meanwhile, indicators for the retail market are strongly positive. The Conference Board's Consumer Confidence Index, reporting on data for the month of December, showed a significant leap in confidence for the second consecutive month. The Index rose by 9.3 percentage points, reaching a value of 64.5. The Index is based on a survey of consumer's economic expectations.

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 release next month of new quarterly data, the Energy Consumption Index remains unchanged at an estimated value of 120.0.

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 in November. A drop in pay role and production was somewhat muted by seasonal expectations, but led the Lumber Manufacturing Index to decrease 5.2%. It now stands at a value of 37.0. This is up more than 10%, however, from last November's value of 33.0.

The Institute for Supply Management, reporting on data for the month of December, noted that Wood Products was one of the industries that contracted on the national market. The manufacturing sector was evenly split between expanding and contracting industries, but on the whole reported an increase in activity for the 29th consecutive month. The PMI rose by 1.2 percentage points, reaching a value of 53.9. 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

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■ ■ ■ *realize human potential*

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

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