

Humboldt Economic Index

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A Small General Slump, Housing Gains

January was a dull month for the Humboldt County economy. Most sectors saw predictable small declines, if not terribly significant ones. Only housing and manufacturing saw noticeable improvement.

The Composite Index fell by 1.5% from December and now stands at a value of 97.3, not a terribly low number, but unimpressive, nonetheless.

Leading indicators are negative. Unemployment claims are up and Building Permits and Help Wanted Advertising are down.

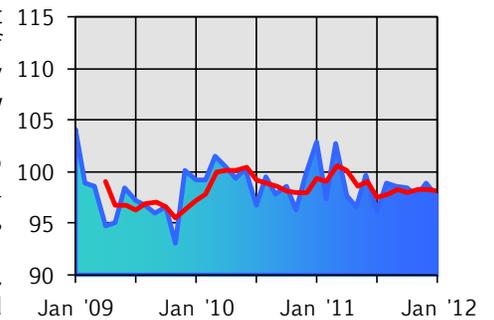
Home sales rose on a seasonally adjusted basis. Both local and national housing markets are showing auspicious signs for the future.

The Hospitality and Retail sectors are down from last month. Manufacturing, on the other hand, improved, and appears to be gearing up for continued expansion.

Gas prices surged, of course, as numerous factors contributed to raise the value of gasoline. The real price stands somewhat below its peak last April.

Nationally, the economic outlook seems finally to be improving.

Composite Index



Unemployment has been tumbling over the last several months, and USA today reported that a survey of economists resulted in a projected unemployment rate of 8.4% by year's end. Some experts expect an even lower rate, but it should be remembered that economic projections are highly tentative.

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	97.3	-1.5	-5.3	-11.9	-10.2
Home Sales	110.3	10.1	1.4	2.7	-20.2
Retail Sales	145.0	-3.6	-2.6	-18.5	4.0
Hospitality	75.8	-15.3	-23.5	-9.5	-17.1
Electricity	122.5	0.0	-3.2	2.1	7.7
Employment	96.1	0.0	-3.4	-8.8	-6.2
Manufacturing	34.3	13.3	2.0	-48.1	-60.2

* 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

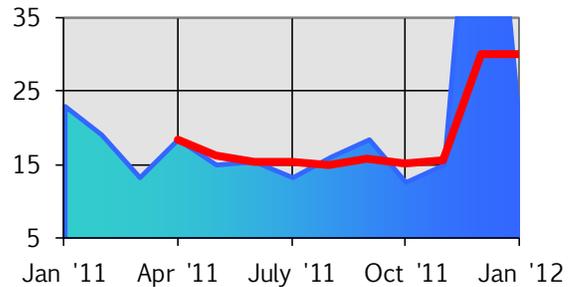
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	10%	-75%	-12%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$221,000	\$1,243	3.75%	N/A
* 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.			

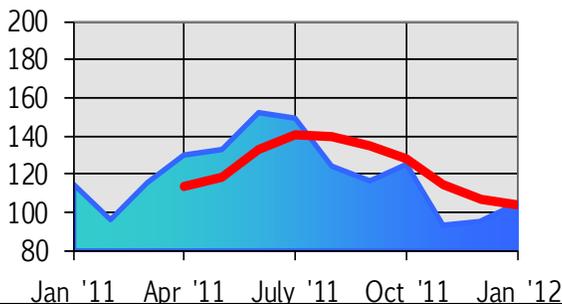
Building Permits have declined by 75% to an Index value of 18.8, a similar value to those in the months before January. The drop in the issuance of permits this month seems precipitous, but is a return to the status quo. Though it is important to see what happens in the coming months, this drop provides some solid evidence that the very large increase in permits issued last month was only an outlier.

Index of Building Permits Issued



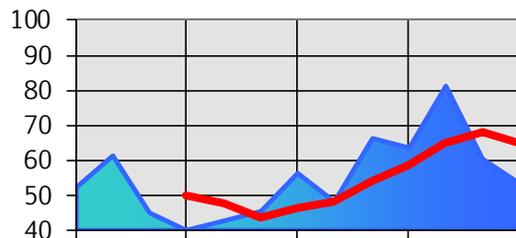
Unemployment Claims have risen 9.6% from last month, part of a trend that has seen seasonally adjusted claims increasing since last November. The Unemployment Claims Index now stands at 104.3, a measurable increase from last month but not very significant considering the past variability of this indicator. The current value places February on the lower end of the historical value of the Index, quite close to the initial year of measurement, 1994. While it remains true that the number of claims has seen an increase, in the larger picture Humboldt County remains in better employment health than in months past.

Index of Claims for Unemployment Insurance



Help Wanted Advertising slowed 12.4%, reaching an Index value of 53.1. The decline may indicate a softening of the labor market, with fewer businesses looking for new hires. This may result in further increases in unemployment claims as the demand for new labor wanes, but it is just as likely that the recent declines will level out.

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.

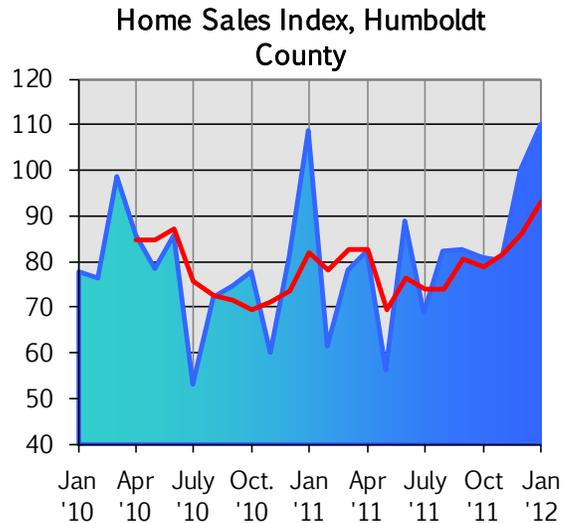
Unadjusted home sales declined in January. A total of 74 homes were sold last month, down from 91 in December, and back into the sales range of the last few months. Seasonally adjusted sales were much stronger, however, and the Home Sales Index actually rose 10.1% to a value of 110.3%. This is the Index' strongest reading since mid-2007. Also of note, the number of sales recorded is the strongest January showing since 2006. These are positive indicators for the local housing market.

The median price of a home fell only slightly last month, reaching a value of \$221,000. This is on the low side of average for the housing market in recent months. Median and Mean monthly rent each fell by about \$100, reaching \$1,200 and \$1,243, respectively. The mortgage rate remained unchanged at 3.75%.

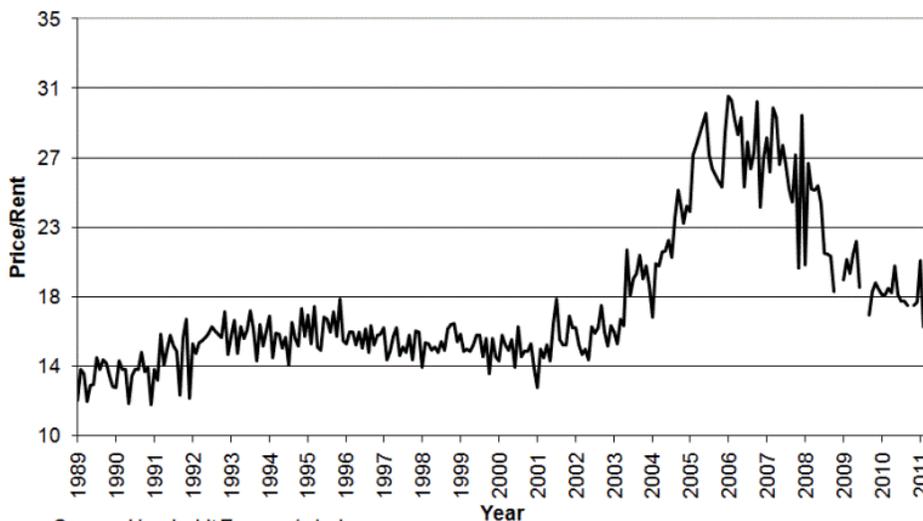
The California Association of Realtors reported that the state as a whole saw home sales fall in January. The number of sales was down slightly from last month and last year, to a seasonally adjusted and annualized 517,740 units. The price of housing fell by close to 7% as compared to December. Case-Shiller, reporting on data through December, noted that all three of its composite indexes were "at their lowest levels since the housing crisis began in mid-2006," each falling by approximately 4%. This is an encouraging sign for national home prices.

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

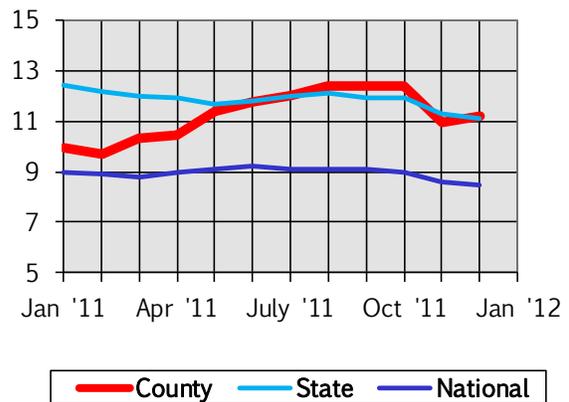
The Index – Individual Sectors

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 reporting of this month's data has been delayed due to benchmarking, and consequently will not be available until after the Index posts. National labor market news is positive, however. Employment increased by more than 240,000 jobs, bringing the unemployment rate down to 8.3%, the Bureau of Labor Statistics reported.

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.

The hospitality industry continues to suffer from an off-season slowing of travel. Average occupancy rates dropped by almost half from December to January. The decline was seasonally expected, however, and adjustment for trends led the Hospitality Index to decline by only 15.3% to a current value of 75.8 in January. Despite this muting of the slow-season's impact, this is the lowest value for the Hospitality Index since early 2008. On the bright side, some advanced data indicate that February may see a slight pick-up in business for the hospitality industry.

Gasoline Prices

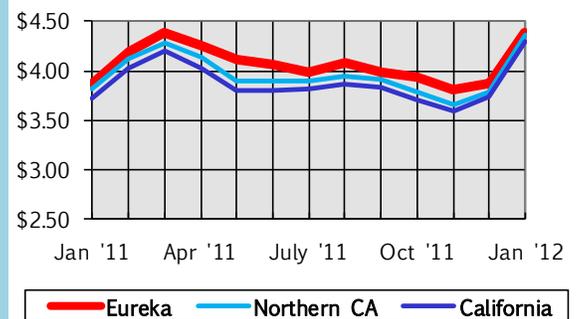
Gas prices rocketed as the New Year set in. In February, the price of gas in Eureka increased by an astounding \$0.51 to a current price-at-the-pump of \$4.39. While historically high, in inflation-adjusted terms this is still slightly below last April's peak. Yahoo News reported a number of factors leading to the increase in prices, including Middle East instability, growing demand from Asia, an improving economy, and seasonal travel patterns increasing domestic demand. The most frequently cited cause—enormous oil company profits—apparently exists in more in political rhetoric than in reality. The site reported that Exxon Mobile's profit margin over the last decade has averaged only about 8.9%, well below those of companies like McDonalds.

Inflation, meanwhile, is finally positive again. The CPI (Consumer Price Index) increased by 0.44% last month, recovering from a worrisome three month deflationary spell. Gas prices were a significant part of this increase, the Bureau of Labor Statistics reported.

Gas Prices		
Prices as of 2/28/2012	Average price*	Change from previous month
Eureka	\$4.39	\$0.51
Northern California	\$4.36	\$0.57
California	\$4.30	\$0.56

* 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.

With the holidays past, retail sales fell predictably in January. The Retail Sales Index dropped 3.6% last month to a current value of 145.0, still otherwise the highest number since August of last year. The reading is down from last January, however, when the Index stood at a somewhat higher value of 148.8.

The Federal Reserve's latest Beige Book report notes that, nationally, the economy is still growing slowly but surely. The report covers data through mid-February, which generally conforms to the past year's trend of slow growth. Consumer Confidence, though, is well up from last month, according to the Conference Board's latest survey. The Consumer Confidence Index rose by 9.3 percentage points in the latest February data, and now stands at a value of 70.8. The Index is based on a survey of consumer's economic expectations, and is an indicator of potential future growth.

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 of new quarterly data in two months, the Energy Consumption Index remains fixed at an estimated value of 122.5.

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 bucked the trend set by much of the Humboldt County economy for last month, rising significantly. Production increased somewhat on a seasonally adjusted basis, and payroll increased substantially, leading the Lumber Manufacturing Index to increase by more than 13% in January. The Index's current value of 34.3 is also up about 2% from January of last year.

The Institute for Supply Management noted that the manufacturing sector continued to grow in February, as did the national economy. The PMI, however, declined by 1.7 percentage points to a value of 52.4. 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

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
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Frequently Cited References:

California Association of Realtors - Case-Shiller Home Price Indices

Consumer Confidence - The Institute of Supply Management

National Association of Realtors

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