

# Humboldt Economic Index

July 2011

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## Slow, Widespread Growth, and A Surge in Home Sales

The Department of Economics has just released its first annual Entrepreneur Survey Report. This project was funded by the Humboldt County Workforce Investment Board and collected information on 2010 new businesses to determine characteristics of local entrepreneurs. The report is available at <http://www.humboldt.edu/econindex/projects/entrepreneur.pdf>

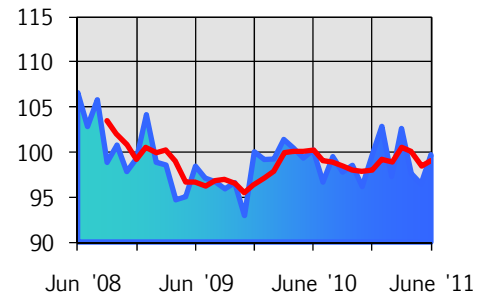
The month of June saw a great many very small signs of economic recovery for the Humboldt County economy. The Composite Index rose by 3.4% to 99.7, though it is still down slightly from last year.

Leading indicators set the trend for this issue. Unemployment insurance claims are up, but building permits and help wanted advertising, indicators of future economic activity, are also edging upwards.

Similarly, county employment fell in June, and the unemployment rate continued to increase. Hospitality, though, grew somewhat, as did county electricity consumption.

Home sales is the only indicator that showed really strong growth in June, increasing by more than half-again

Composite Index



the number of units sold. Here also, the local perspective is mirrored nationally, as housing markets in California and the nation seem to be experiencing some slow growth in housing demand.

It is impossible to say if these developments indicate a lasting improvement in county economic development, or if they are merely upward aberrations that will be wiped out in the near future. With the exception of the labor market, though, June was a decent month for the Humboldt County economy.

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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>99.7</b>	<b>3.4</b>	<b>-0.5</b>	<b>-9.5</b>	<b>-9.8</b>
Home Sales	89.0	58.5	3.5	-29.9	-33.6
Retail Sales	149.3	2.4	-3.6	-0.4	2.7
Hospitality	82.5	1.7	-0.2	-9.4	-12.4
Electricity	134.2	2.8	6.1	3.1	21.7
Employment	97.6	-0.6	-2.2	-6.7	-5.8
Manufacturing	36.2	0.2	1.9	-49.4	-62.0

\* 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

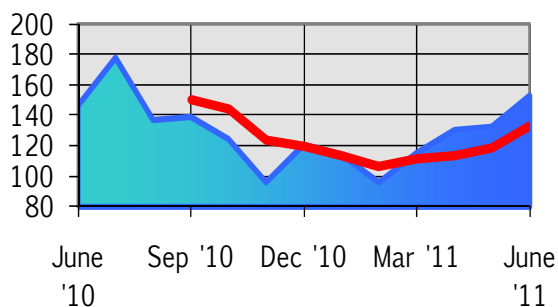
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	15.3%	3.0%	6.3%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$240,000	\$1,208	4.50%	11.8%
<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>			

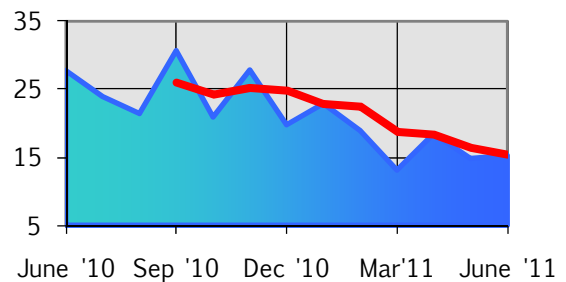
**Unemployment Claims** rose significantly last month. With the number of new claims for unemployment insurance growing in a month where it would normally be expected to fall, the Index rose by 15.3% to a current value of 152.5. This is the highest value in a year, though it is down from last July's exceptionally high figure of 177.3.

Index of Claims for Unemployment Insurance



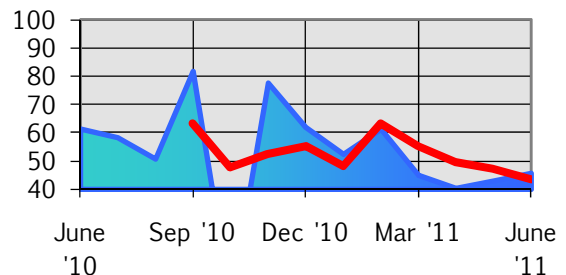
**The Building Permits** ticked upward by the slightest degree in July. One more permit was issued in July than last month, moving the Index up by 3% to a value of 15.3. As with help wanted advertising below, the change is in a positive direction, but is likely too small to have much real significance.

Index of Building Permits Issued



**Help Wanted Advertising** also rose slightly in July. The 6.3% rise in the Index to a value of 45.7 was precipitated by a similar increase in the number of advertisements, and was largely unaffected by seasonal adjustment. The change may represent a slight increase in demand for labor, but due to its small magnitude, it is not likely to be felt substantially.

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

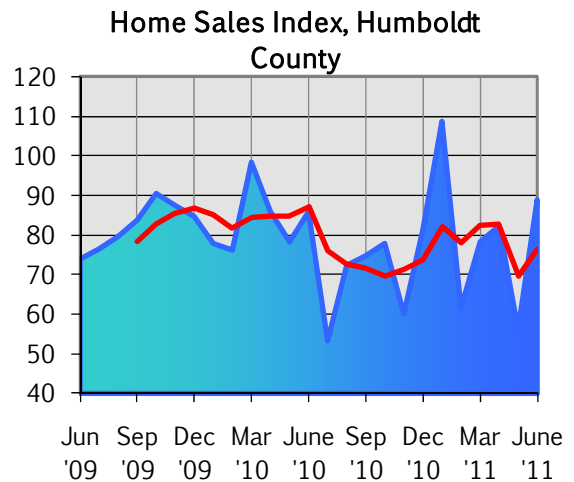
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

Alone among the Index indicators, home sales rocketed upward in June. A total of 89 homes sold last month, which is the highest value in 3 years. This drove the Home Sales Index to increase by 58.5% from 56.1 in May to a current value of 88.97. While the spurt may not last, as home sales typically vary considerably, it is at the least a positive force this month for the Humboldt economy.

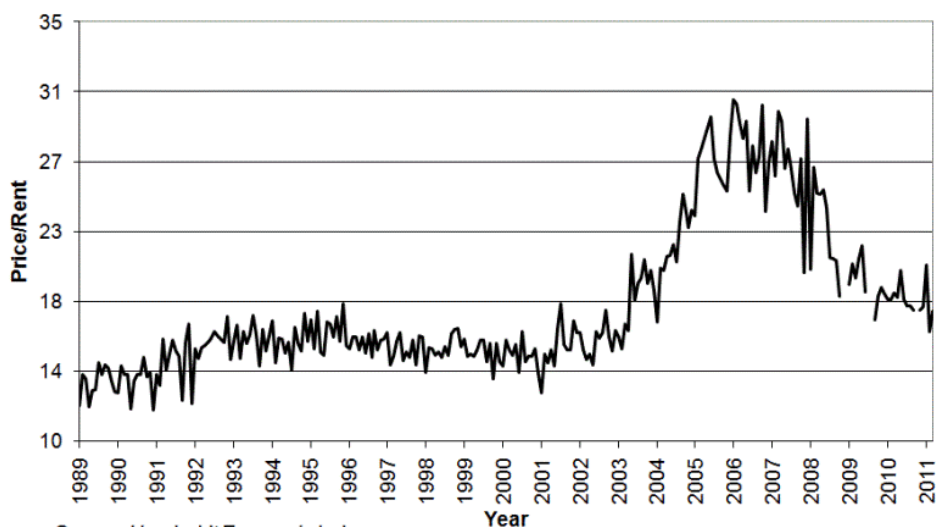
With home sales increasing dramatically, the median price of a home remained unchanged at \$240,000, which is a fairly typical price for the Humboldt housing market. Median and mean monthly rent both continued their 3-month drop (by about \$50 and \$60 respectively), and now stand at approximately \$1,200 each. Likewise, the mortgage rate dropped by 0.25 percentage points to 4.5%.

State wide, the California Association of Realtors reported that home sales rose in June after at least two months of decline. Seasonally adjusted and annualized home sales for California in June were 477,710 units, and the median price rose to \$295,300. Nationally, Case-Schiller also reported that home prices are increasing, up 1.1% and 1.0% for its 10- and 20-city composites, respectively. One the local, state, and national level, housing demand is showing signs of recovery.

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)



# 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.

As indicated by the increase in claims for unemployment insurance, employment shrunk in Humboldt County in June. The California EDD reported that the Humboldt County work force increased by 100 persons, while the number of jobs declined, resulting in a decrease in the county employment to 53,900, and an increase in the number of unemployed to 7,000. The Employment Index consequently fell 0.6 percentage points to a value of 97.6. The County seasonally adjusted unemployment rate rose into territory reminiscent of the last two years of soft labor markets, at 11.8%. This is the fourth consecutive monthly increase in County unemployment.

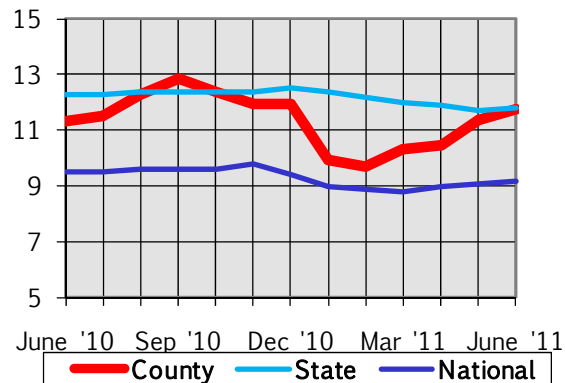
The state rate also moved upwards to 11.8%, though this was only a rise of 0.1 percentage points. This is the first time since October of last year that County unemployment has been as high as the state level. Nationally, unemployment continued to increase ever so slowly. The third consecutive monthly increase--and the second of a mere 0.1 percentage points--pushed the national unemployment rate up to 9.2%, higher than any month so far this year.

## 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 rose last month. The increase in the Hospitality Index was a minor 1.7% to a current value of 82.5. The small magnitude of the increase masks a significant increase in average occupancy, however, and is due to the effects of seasonal adjustment.

## Unemployment Percentage Rates



## Gasoline Prices

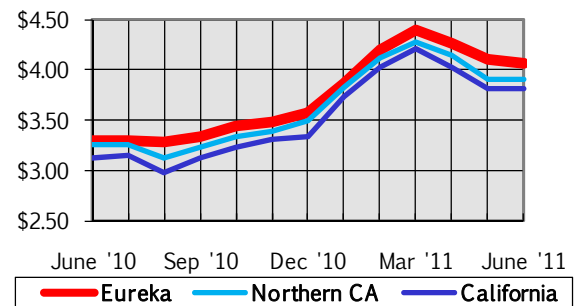
Gasoline prices held steady in Northern California, and indeed in the state at large, but Eureka saw a slight decline of \$0.04 per gallon in July. The nominal price-per-gallon now stands at \$4.07, its lowest level since January. The inflation adjusted price of gas also continued to fall for the third consecutive month, though by only \$0.03.

Interestingly, as indicated by the changes in the nominal versus the real prices of gas, inflation turned negative in June. The Consumer Price Index posted decrease of 0.107%, ending a half-year of significant price increases, and dramatically continuing the deceleration of inflation noted last month.

Gas Prices		
Prices as of 7/28/2011	Average price*	Change from previous month
Eureka	\$4.07	-\$0.04
Northern California	\$3.90	\$0.00
California	\$3.81	\$0.00

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csaa.com](http://www.csaa.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.

A second month of growth bolstered retail sales in Humboldt County in June. The increase was significantly less rapid than in May, however, as the Index grew by only 2.6%, and is somewhat down from last year's value of 155.0. The Retail Sales Index currently stands at a value of 149.4.

Nationally, the Consumer Confidence Index also increased. The Index, which is based on a survey of consumers' economic expectations, and reporting on data for July 2011, rose by 1.9 percentage points to 59.5. The Federal Reserve's Beige Book report also indicated that, through July 15, economic activity continued to grow, if more slowly than before.

## 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.

The Energy Consumption Index is up from a revised value for last month. This quarter's update revealed that usage fell sharply from March's Index value of 147.5 to 131.5 in April. The decline bottomed out in May at 130.6, and usage rose again in June by 2.8% to a current Index 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 line with other sectors, lumber manufacturing increased in June, but only very slightly. The Lumber Manufacturing Index moved upwards by 0.1 percentage points in June, from 36.1 to a current value of 36.2. Despite the virtual lack of growth, manufacturing does remain higher than last year's average value of 35.1. The increase was the result of a steep acceleration of production, counterbalanced by a similar decrease in payroll.

The Institute for Supply Management noted that both the national economy and the national manufacturing sector continued to grow in July. Wood products was one of the expanding areas. The PMI, meanwhile, decreased by 4.4 percentage points, but still stands at 50.9%. 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.



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**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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