

Humboldt Economic Index

July 2012

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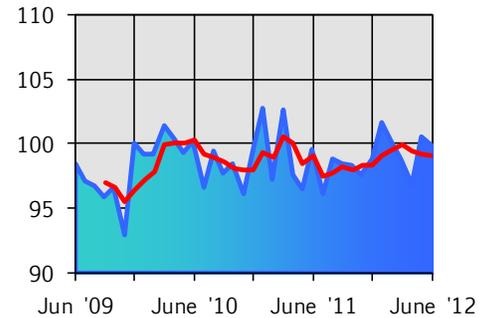
Large Growth in Home Sales, Decline in Retail and Energy

The composite Index has slightly contracted 0.7 percent from last month to a value of 99.9, and is almost identical to the value at this time last year. Despite the small change in the Composite Index, there were significant gains in the Home Index as Retail and Energy moderately declined. The Employment and Hospitality Indexes had lower values this month while the Hospitality Index increased.

The Index of Home sales and prices increased this month to an Index value of 99.97, a jump of 18.8 percent from last month. Mortgage rates remain low with the average 30-year rate at 3.55 percent, but rates are on the rise from last month's record lows.

Total County Employment declined 0.7 percent after the seasonal adjustment to 98.0. Meanwhile, Unemployment Claims actually decreased from last month by 1.6 percent. The seasonally adjusted County Unemployment Rate continued to grow, though this month the value only grew by 0.2 percent to 10.8 percent. Help Wanted Advertising declined significantly this month, but that may be reflective of last month's high value being an outlier. With the exception of last month, Help Wanted Advertising is at its highest value in 7 months.

Composite Index



Gas prices have stabilized across the North Coast and are unchanged from last month. The recent double digit drops have turned into a two cent increase in California prices, however. For those still planning on making trips or for those operating businesses that rely directly on transportation, costs have become generally become more affordable over the course of the summer. 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 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	99.9	-0.7	0.3	-8.1	-5.4
Home Sales	100.0	18.8	12.4	3.1	-21.9
Retail Sales	149.3	-2.5	0.6	-5.1	6.2
Hospitality	84.9	3.0	2.8	-8.3	-5.5
Electricity	125.8	-7.7	-6.3	-1.3	26.9
Employment	98.0	-0.7	0.4	-6.9	-5.1
Manufacturing	35.8	-1.3	-0.9	-45.5	-56.0

* 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

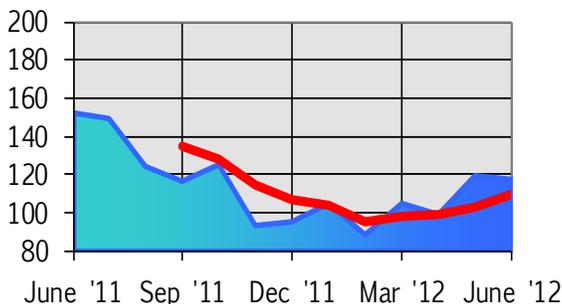
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-1.6%	-16.7%	-15.8%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$243,000	\$1,356	3.63%	10.8%
<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>			

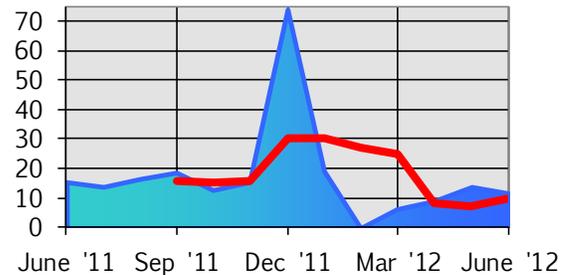
Unemployment Claims shrank by 1.6 percent this month, to an Index value of 117.1. While this is a small change, claims have dropped 23.2 percent from 12 months ago. This month's value continued to increase the 4 month moving average up 7.1 percent to a value of 110.0. When considering the percentage 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.

Index of Claims for Unemployment Insurance



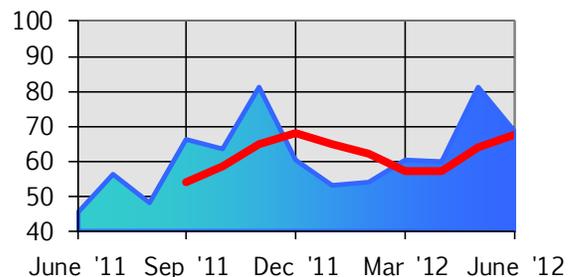
Building permits have stopped their upward climb, decreasing 16.7 percent to an Index value of 11.11 from the previous 13.35. This Index in particular has held low values over time because of the aftereffects of the recession on the construction industry. At this time, Building permits are down 27.3 percent from last year and 60 percent from five years ago.

Index of Building Permits Issued



Help Wanted Advertising has dropped to a value of 58.6, 15.8 percent lower than last month's seasonally adjusted value of 81.44. Though this is a large decline in Index value, Help Wanted Advertising is still in better shape than last year, with an increase of 50 percent from last June. Additionally, the 4 month moving average has increased by 5.7 percent to an Index value of 67.7.

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

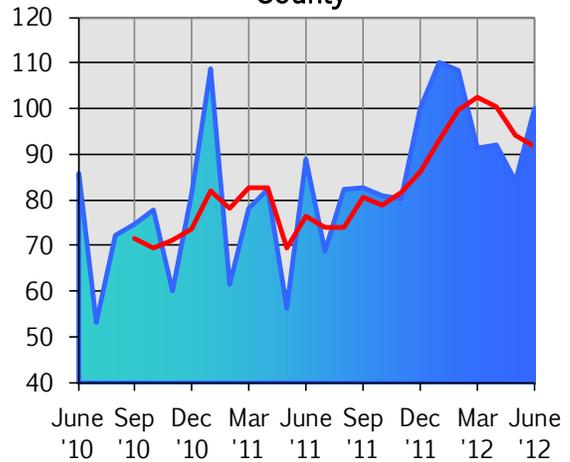
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index rose by 18.8 percent to an Index value of 99.97. Median home prices rose by 10.9 percent to a price of \$243,000, a \$3000 increase from last year. This month's Index has risen 12.4 percent from a year ago, a decent increase.

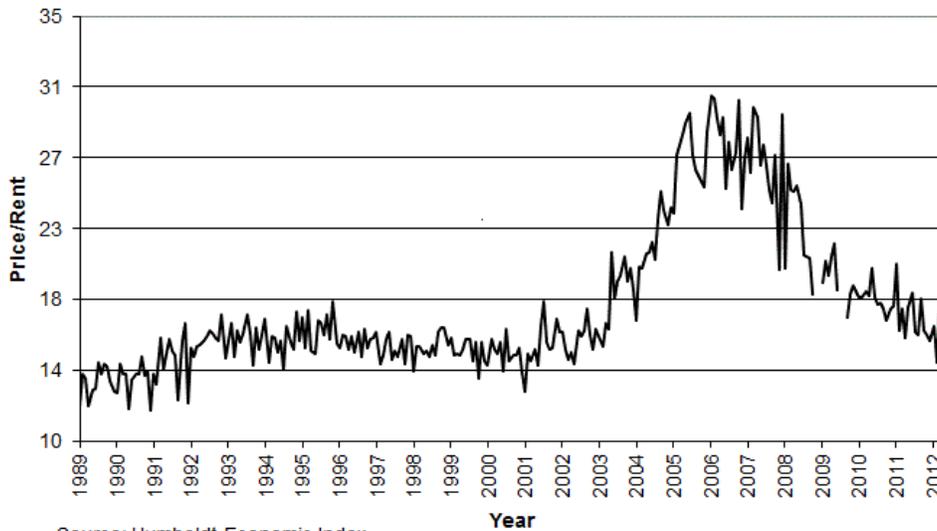
Although Humboldt County has seen a decrease in housing purchases this month when seasonally adjusted, the US as a whole saw house purchases rise to a 2 year high, as reported by the Department of Commerce. National sales of new single family homes were up 7.6 percent from last month and up 19.8 percent from May of 2011.

Particularly of importance in the housing sector is mortgage rates, which are at still a low right now. As little as a week ago, 30 year fixed rate mortgages were holding at 3.49 percent and 15 year mortgages were under 3 percent, the lowest rates in Freddie Mac's records since 1971. These low rates have risen slightly, with 30 year mortgages increasing to an average of 3.55 percent, but the Mortgage Bankers Association reports a continued surge in refinancing.

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 0.7 percent from the previous month to a seasonally adjusted value of 98.0, which is the fourth consecutive slight decline, though this month remains 0.4 percent above the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County grew to 10.8 percent, and is now 2.6 percent higher than the seasonally adjusted national unemployment rate which remains at 8.2 percent. Humboldt County has been decreasing its unemployment rate over the long term, with a decrease by 6.9 percent in the Index since June 2007. The Employment Development Department indicated that Humboldt county

employment had a net decrease of 100, mainly from education and retail. For California on the whole, Employment is down 16,600 jobs and has decreased Unemployment by 0.1 percent to 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.

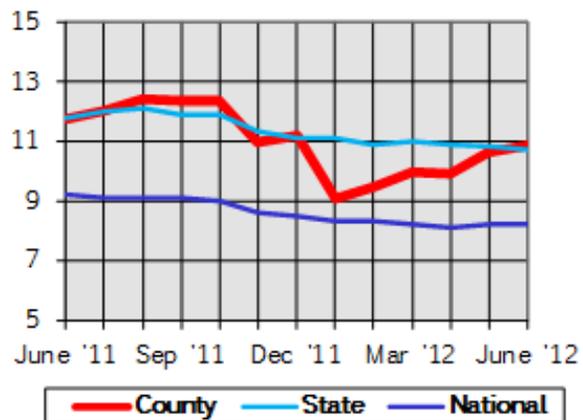
Hospitality grew this month by 3.0 percent to an Index value of 84.9. This growth was the only other growing Index this month and helped balance out the declines in retail and manufacturing. Hospitality is up 2.8 percent from this time last year, but the 4-month moving average did decline by a very slight 0.4 percent to a value of 81.4.

Gasoline Prices

Gasoline Prices for California have experienced mixed changes from last month, with the average California gas price increasing \$0.02 to an average of \$3.80. Meanwhile, the Northern California saw a decrease of \$0.04 from \$3.92 to \$3.88 while Eureka gas prices stayed consistent at \$3.98.

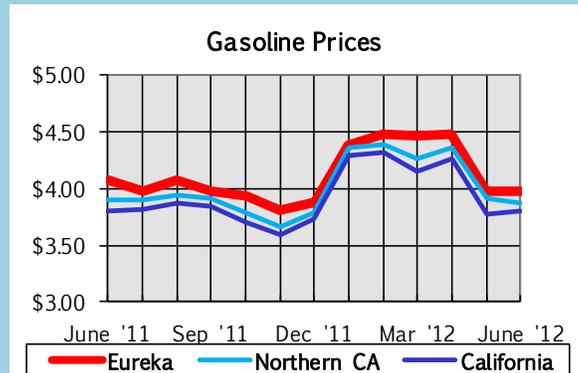
The CPI (Consumer Price Index), if including food and energy, registered no change. The CPI energy index continued to fall, but was matched by the rising indexes of food and all other items. If food and energy data are removed, the CPI saw the fourth consecutive increase of 0.2 percent, indicating a fairly consistent and moderate climb close to the seasonally adjusted annual rate of 1.7 percent.

Unemployment Percentage Rates



Gas Prices		
Prices as of 7/31/2012	Average price*	Change from previous month
Eureka	\$3.98	\$0.00
Northern California	\$3.88	-\$0.04
California	\$3.80	\$0.02

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (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 by 2.5 percent this month to an Index value of 149.3, a moderate decline from last month's significant increase. Nevertheless, this month brought up the 4 month average by 1.6 percent to a value of 149.9. With an increase of 0.6 percent from May 2011, the Retail Index is again higher than typically seen at this time of the year, a positive sign for retail performance.

However, on the national scale Consumer Confidence improved slightly to 65.9 this month from a value of 62.7, the first increase in four months, as consumers have expressed greater optimism about short term business and employment prospects. This was tempered by some pessimism regarding future earnings. Consumer opinions surrounding the current situation remained roughly the same. Lynn Franco, the Director of Economic Indicators at The Conference Board, projects that consumer confidence is not likely to gain much momentum in the coming months though because of a weak labor market. Consumer opinion on the labor markets is mixed, with consumers that reported jobs being "hard to get" declined from 41.2 percent to 40.8 percent while consumer reporting jobs being "plentiful" decreasing from 8.3 percent to 7.8 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 declined this month by 1.3 percent to an Index value of 35.8. This value remains fairly consistent with 12 months ago, with a 0.9 percent loss. Although it is a decrease, this month does continue to raise the 4-month average by 3 percent to an Index value of 35.5.

The Institute for Supply Management reported that the national manufacturing sector has contracted for the second time since July 2009, though the overall economy does continue to grow for the 38th consecutive month. The PMI was registered at 49.8 percent, an increase of 0.1 percent from June. However, businesses did report contraction in new orders and inventories. Seven out of the eighteen industry groups reported growth, while eleven reported contraction, including wood products and paper products. Of note, the Wood Products industry group reported that they have noticed slowing businesses conditions and have confirmed this with other companies in their industry. 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.

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National Association of Realtors

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