

Humboldt Economic Index

March 2010

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Unemployment Rate Rises, Hospitality Falls

Reminder: Dr. Christopher Thornberg from Beacon Economics will speak Monday, April 5, 4pm at HSU in Kate Buchanan Room. He will talk about California's economy. See flyer here:

www.humboldt.edu/~econ/program/Thornberg2010.pdf

The overall composite fell 1.3 percentage points to a value of 99.6. Nationally, consumers and investors appear more optimistic about the future, as reflected in the price of commodities and stocks, as well as in Consumer Confidence.

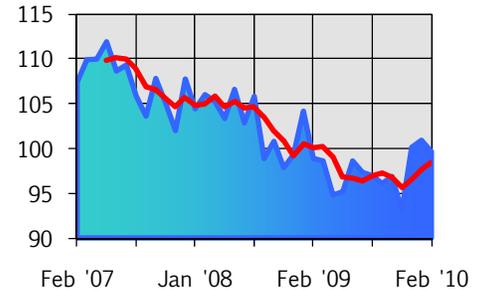
Leading indicators are mixed, with building permits showing a significant decline.

The local median home price fell again to a nearly six year low, while national prices fell as well. The federal government announced another program intended to aid distressed homeowners, this one by offering an alternative to foreclosure.

The local unemployment rate rose slightly to a seasonally adjusted 10.2 percent from 9.6 percent. Employment in the county increased somewhat.

The seasonally adjusted national unemployment rate was unchanged at

Composite Index



9.7 percent, despite government job growth.

Retail was mixed, but overall expanded slightly, while Consumer Confidence rebounded from last month's depressed value of 46.4.

The outlook is far from certain, as it is difficult to determine whether modest improvements in economic indicators are signs of genuine recovery or the efforts of the federal government.

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	99.6	-1.3	0.8	-9.7	-11.6
Home Sales	76.3	-2.2	0.0	-29.7	-43.5
Retail Sales	144.7	-2.3	0.9	4.2	1.4
Hospitality	92.3	-6.6	6.2	-0.6	1.4
Electricity	131.8	0.0	5.3	5.0	2.5
Employment	99.6	1.3	-2.7	-6.6	-4.1
Manufacturing	33.4	-5.9	3.2	-64.0	-67.0

* 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

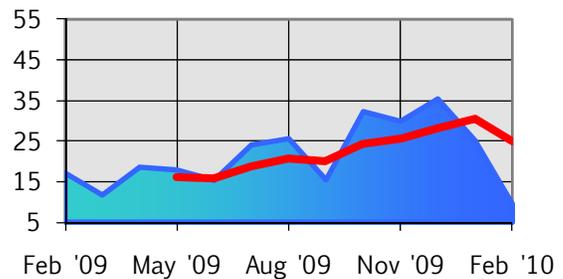
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	12.5%	-62.1%	-6.7%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$242,500	###	5.13%	10.2%
<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>			

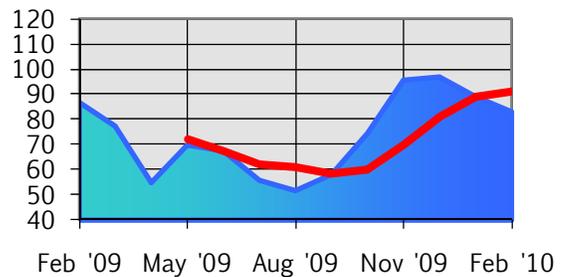
Building permits issued fell significantly, down from 25 in January to 9.5, less than half the one year average value.

Index of Building Permits Issued



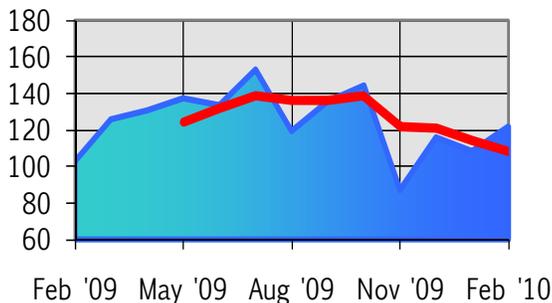
Help Wanted Advertising declined 7.2 percent to 83.1, though advertising maintains values significantly higher than the lows experienced in summer 2009.

Index of Help Wanted Advertising



Unemployment Claims fell 12 percent though it maintained a relatively high value of 122. The moving average shows a declining trend since summer 2009, indicating a reduction in the incidence of job loss.

Index of Claims for Unemployment Insurance



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.

Seasonally Adjusted Home Sales fell slightly to 76.3, while the local mortgage rate is unchanged at 5.13 percent.

Local prices appear to be getting closer to their pre-bubble levels as the median home price fell again to \$242,500, the lowest value since May 2004. This is the third straight month of home prices below \$250,000.

Prices continue to fall nationally in addition as suggested by the Case Shiller Composite 20 Index which fell 0.4 percent to 145.36, based on January data.

While the decrease in home prices may be exacerbated by high unemployment and low income, it is most likely the result a long run correction in the value of housing. The chart below shows the price to rent ratio for Humboldt County. By this measure, housing values have fallen by more than half of the amount needed to reach pre-bubble ratios.

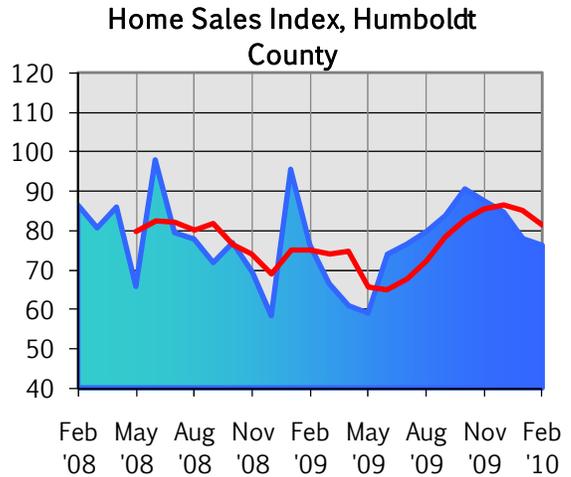
On Monday April 5, the Obama Administration launches a program designed to give homeowners at risk of foreclosure the option of selling their home for less than the value of their loan. The program will pay lenders if they agree to forgive the difference, leaving the borrower without debt. It will likely take several months to take effect as program requires communication from prospective buyers, the federal government, borrowers and their respective financial institutions. If successful, the program will likely put downward pressure on home prices by effectively increasing the supply of homes.

For a local perspective on the possibility of a housing

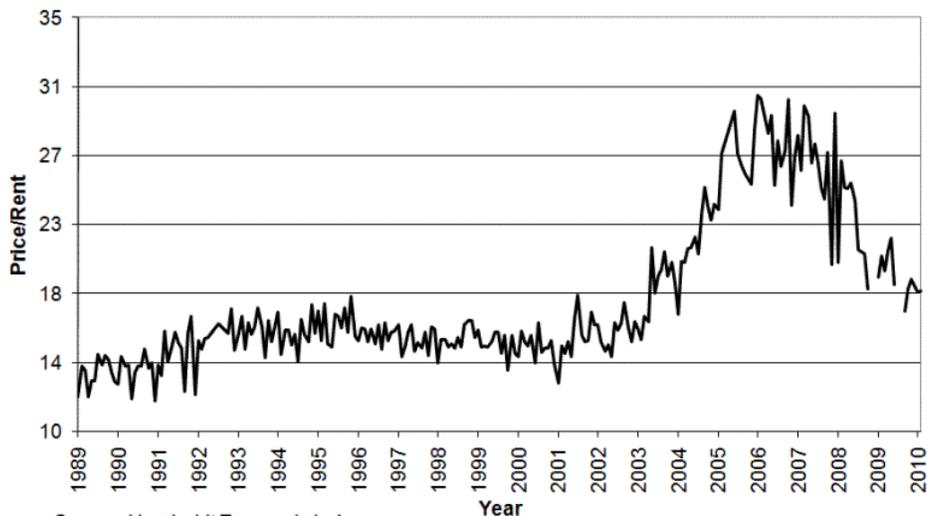
bubble, visit our [Special Projects](#) page for a study of the Humboldt County housing market.

Also, visit the [Humboldt Real Estate Economics Page](#) at:

<http://www.humboldt.edu/~indexhum/realestate/index.htm>



**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

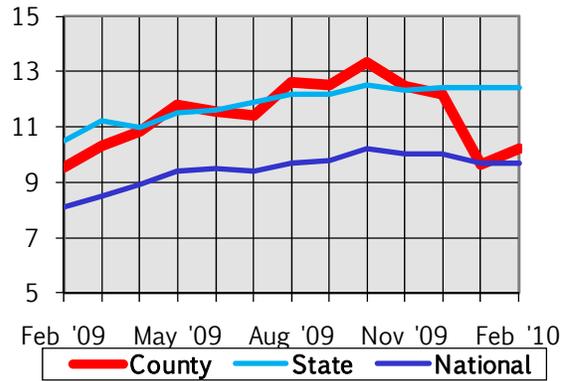
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Employment rose slightly to 99.6. Seasonally adjusted county unemployment rates rose somewhat to 10.2 percent, a value significantly below the statewide seasonally adjusted average of 12.5 percent. Local job growth includes continued stimulus distribution and temporary Census hiring.

The Bureau of Labor Statistics reported that 162,000 jobs were created in March in the U.S., though 48,000 of which are temporary Census jobs. Despite higher job growth, national unemployment remained at the 9.7 percent level in March. The US Census is expected to create up to 125,000 additional temporary jobs in the

months ahead, though it may have little impact given the fifteen million Americans looking for work.

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 fell 6.6 percent to a value of 92.3, perhaps due to rising gas prices and harsh weather. The index is above the long run average of 87.

Gasoline Prices

Local real gas prices rose 7 cents in March to \$3.23.

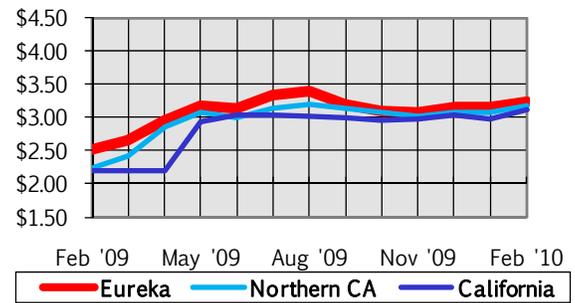
Oil prices rose on average throughout March, followed by a spike in early April. The rise in oil prices may have been partially offset by a rising dollar, which effectively makes oil more expensive to foreigners as it is traded in dollars. The rise is most likely the result of optimistic speculators responding to rising stock prices and positive economic reports. As of publication a crude oil prices stand at \$85 a barrel, up from \$70 in February.

President Obama announced late March his decision to open up offshore drilling along the Atlantic coast and the Gulf of Mexico. Whether the market will reflect this in the short run is uncertain, though it will likely contribute modestly to more stable prices in the long run.

Gas Prices		
Prices as of 3/25/2010	Average price*	Change from previous month
Eureka	\$3.23	\$0.07
Northern California	\$3.17	\$0.09
California	\$3.11	\$0.13

* 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 fell 2.3 percent to a seasonally adjusted value of 144.7. The sample was mixed, with some sectors experiencing significant variation from last months seasonally adjusted values.

Nationally, auto sales rose significantly as consumers responded to automaker's steep discounts and financing incentives.

Despite Personal Income, as reported by the Bureau of Economic Analysis, experiencing insignificant changes from the previous month, [Consumer Confidence](#) rose to 52.5, improving significantly from last month's corrected value of 46.4. The improving consumer sentiment is likely due in part to increasing stock prices and more optimistic economic reports.

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.

Electricity Consumption remains unchanged, as quarterly data has yet been collected. The most recent index value is 131.8.

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 Based Manufacturing fell 5.9 percent to 33.4, still above the one year average on 32.5.

Nationally, the Purchasing Managers Index continues to be a point of optimism in March. The index stands a 59.6, 50 being a neutral value. The Institute of Supply Management reports the most rapid rate of growth as indicated by PMI since mid 2004. Textiles, apparel and electronic goods led in the expansion.

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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