

# Humboldt Economic Index

March 2012

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## Leading Indicators Mostly Positive, Sectors Mixed

The Composite Index reached 99.5 in February. This is down from a revised value of 99.9 for January,

Leading indicators were positive, with unemployment claims falling strongly, and help wanted claims increasing a bit. The exception to the trend was the building permit sector, which compounded its recent volatility with a dramatic drop.

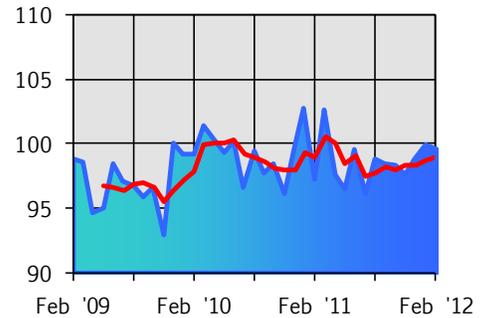
Home sales fell slightly, and the sector remains seasonally strong. Employment data for the last two months was released by the California EDD, and indicates a drop in employment that has already partially self-corrected. The unemployment rate is up, however.

As winter becomes spring, the hospitality sector is increasing in strength. The seasonal change means increased demand for gasoline, however, and local prices are soaring. Inflation is responding to this rise in prices, and has picked up slowly to a comfortable, low rate over the last year.

Retail sales experienced a relatively small downturn. Lumber manufacturing also contracted locally.

Over all, February generally seems

Composite Index



to conform to recent county trends. The economy continues to meander slowly towards improvement, but strong economic growth still appears to be a long way off.

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>99.5</b>	<b>-0.4</b>	<b>2.3</b>	<b>-7.3</b>	<b>-6.6</b>
Home Sales	108.5	-1.6	76.2	-2.6	-11.9
Retail Sales	140.9	-6.6	-2.9	-8.1	5.4
Hospitality	86.2	13.7	-5.5	-2.4	-6.7
Electricity	122.5	0.0	-0.4	2.1	10.8
Employment	100.5	0.2	1.3	-5.3	-1.8
Manufacturing	31.5	-8.0	-4.8	-48.2	-64.4

\* 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

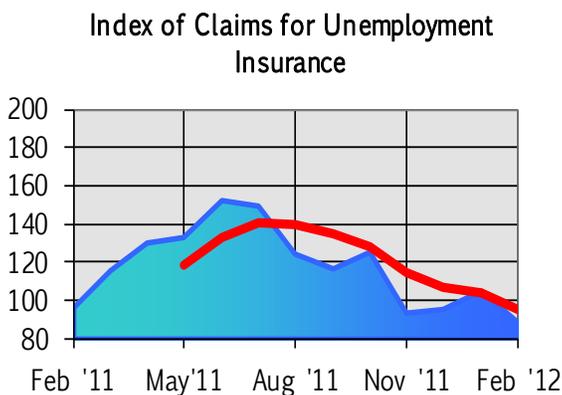
## Leading Indicators

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*	<b>-15.7%</b>	<b>-100.0%</b>	<b>1.7%</b>
* All values are seasonally adjusted.			

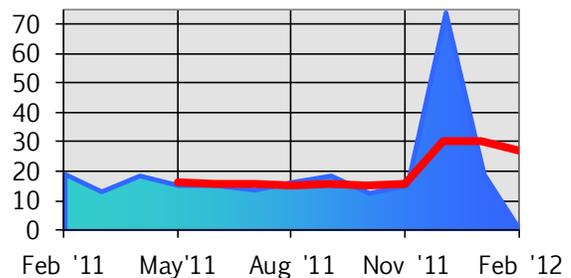
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$217,500	\$1,405	4.00%	9.5%
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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** decreased significantly last month, a positive if short term indication of economic well-being. The Unemployment Claims Index fell 15.7 percent from the previous month to a seasonally adjusted value of 87.9, the lowest Index value to be recorded since November '09. If the Index continues to record lower unemployment levels in the local economy, we can expect growth in economic activity as consumers have more disposable income to purchase more goods.



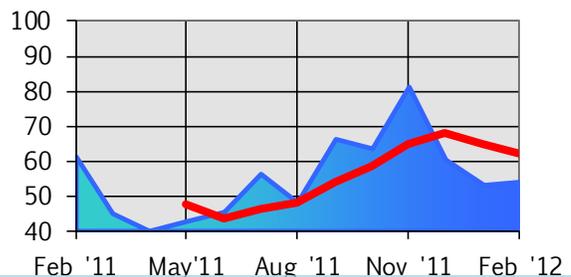
**No Building Permits** were reported issued in Humboldt County last month, bringing the Building Permits Index to a current value of 0, and adding yet another wild swing to the Index's volatile recent behavior. This reading is unprecedented, as no month in almost two decades has seen a complete lack of permits issued. For the present, however, this result should be considered an outlier.

Index of Building Permits Issued



**Help Wanted Advertising** held steady from the previous month, the Index only increasing 1.7% to a current value of 53.9. The increase was due entirely to seasonal adjustment, but may signal that a trough has been reached and more positive numbers may soon follow. The Index value, though historically low, has gone lower within the last year.

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.

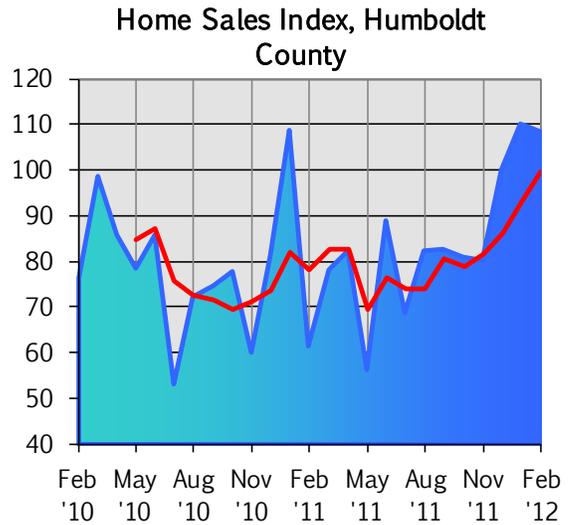
Home sales were down insignificantly last month. The raw number of homes sold fell by a mere one, down to 74 from a revised figure of 75 sales in January. Seasonal adjustment changes little, and the Home Sales Index fell by 1.6% to a current value of 108.5. This is still a very strong reading for the local housing market, and is up an astounding 76% from last February's value of 42.

The price of a home fell slightly in February, in line with the county's recent trend of stronger sales and lower prices. The median sales price last month was 217,500, down from 221,000 in January. Rent, on the other hand, increased strongly. Median and mean rents were up about \$150 each, to \$1,350 and \$1,405, respectively. The mortgage rate rose by 0.25% to a still low value of 4.00%.

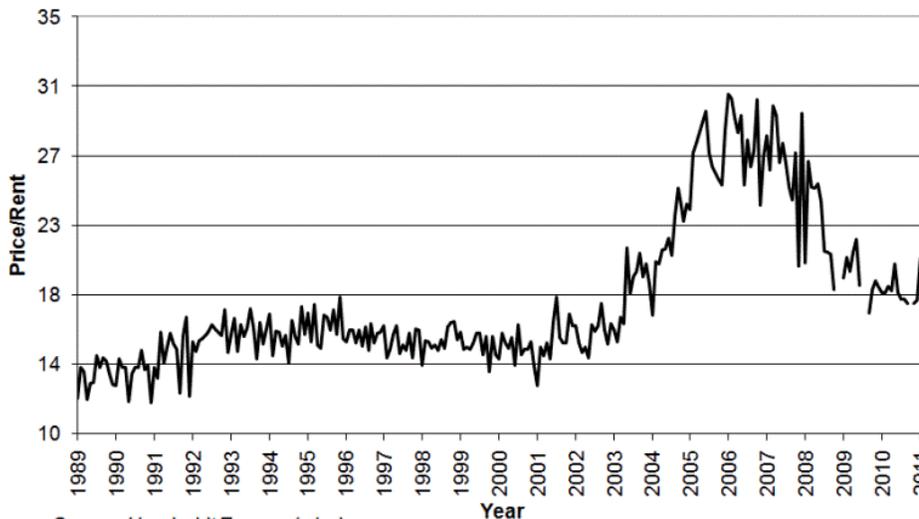
Statewide sales exhibited the same trends as the county market has in recent months, according to the latest report by the California Association of Realtors. February's median home price of \$266,660 was down from last month and last year, and the month's seasonally adjusted and annualized home sales rose to 528,010, up 2% from January and 6% from this time last year. These are truly positive signs for the housing market. Also, reporting on national data through the month of January, Case-Shiller noted that both its 10- and 20-city composites saw price declines of 0.8% from December of 2011.

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.

Employment is up from last month, but down from the Index's last report. County employment data was not available as the February Index was posted, but the current report from the California Employment Development Division shows that employment fell by 800 jobs in the month of January. That dip was partially compensated for by growth in February, as the county economy added 300 new positions, but unemployment has risen from 6500 to 6900 over the last two months. The growth last month occurred almost entirely in the private sector as business owners began hiring. The Employment Index, therefore, moved slightly upward, from 100.4 in January, to 100.5 in February.

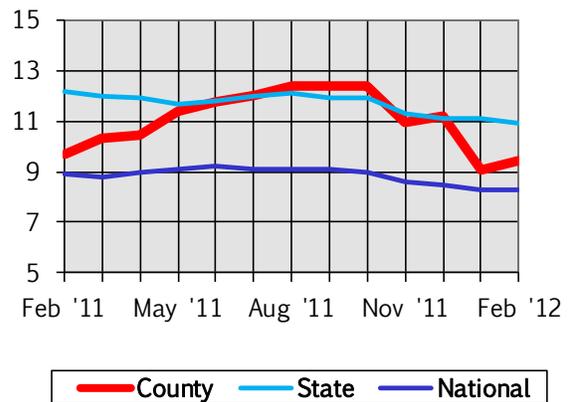
The unemployment rate also rose, however, as more people entered the job market than were hired. The county unemployment rate ticked upwards by 0.1 percentage points, and now stands at 11.3%. This is just below the state rate of 11.4%. Nationally, though, unemployment continues to fall, and the federal rate is down to 8.7%, from 8.8% in January.

## 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 to an Index value of 86.2, a 13.7% percent increase over last month. The four-month moving average remains at a fairly regular 86.6. The Hospitality sector in Humboldt County, as reinforced by this month's data, has tended to be resilient to most economic conditions, with relatively small deviations from its normal range.

## Unemployment Percentage Rates



## Gasoline Prices

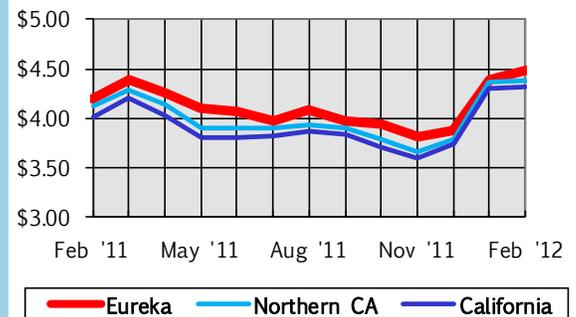
Gasoline Prices for California increased \$0.02 over the previous month to an average of \$4.32. However, the North Coast experienced a \$0.09 increase in the average price of a gallon of gas, making the local price of a gallon \$0.16 more than for the rest of California at \$4.48. This translates to a real price of \$3.60 per gallon, which is historically high, only superseded by a few months in the years the Index has measured. If this price level persists or rises, higher business and transportation costs can be expected to raise prices and negatively affect employment.

Inflation also increased from last month. The CPI (Consumer Price Index) increased by a seasonally adjusted 0.4%, and a total of 2.9% from this time last year. Gas prices were a significant part of this increase at over 80% of the change as reported by the Bureau of Labor Statistics.

Gas Prices		
Prices as of 3/30/2012	Average price*	Change from previous month
Eureka	\$4.48	\$0.09
Northern California	\$4.39	\$0.03
California	\$4.32	\$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](http://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 fell 6.6% percent to an index value of 140.9, an indication that consumers are either saving money or having to allocate more money to necessary items like housing or transportation. Most retailers experienced a decline in sales from the previous month. The last few months have been expansionary, though, so the present decline will not likely have a damaging effect by itself. Declining unemployment figures this month and steady Help-wanted advertising may allow future retail sales to expand.

The Consumer Confidence Index pulled back to a value 70.2 this month from its previous value of 71.6, the Conference Board reported, as consumers are thinking cautiously in the short term, yet still have a favorable outlook on current conditions. A low or declining Consumer Confidence may signal future declines in retail as consumers begin to save discretionary funds for future consumption. The Consumer Confidence Survey showed less optimistic results for the near future, for while 19.2% of consumers expect business conditions to improve, from a value of 18.9% previously, those anticipating worse business conditions increased to 13.5% from 11.8%.

## 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 manufacturing is down from last month. The Lumber Manufacturing Index fell to a seasonally adjusted value of 31.5, an 8% decrease. This seems to be another data point in the general trend downwards in the Lumber industry, as the Index value is down 4.8% from last year.

The Institute for Supply Management noted that the manufacturing sector continued to grow for the 32nd month in a row, as did expectations of demand. The PMI increased by 1 point to a value of 53.4, a gain of 1.9% from last month. 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.

Pending the release next month of quarterly data, the Energy Consumption Index remains unchanged at an estimated value of 122.5.

**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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Consumer Confidence - The Institute of Supply Management  
National Association of Realtors

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