

Humboldt Economic Index

November 2011

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Redwood Region
Economic Development
Commission



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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.

Broad But Minor Contraction in October, Indicators Down

October was a moderately dismal month for the Humboldt County economy. The Composite Economic Index contracted by 2.8% from last month and last year. And while positive indications appear in this month's data, current changes were mostly downward.

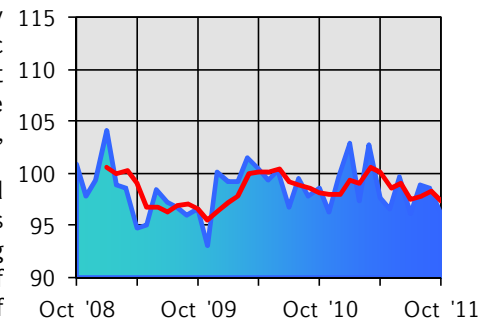
Leading indicators universally soured in November. Unemployment claims were up, and help wanted advertising down, indicating potential softening of the local labor market. The number of Building Permits issued also fell.

The number of homes sold within the county also contracted as per seasonal expectations. The decline was small, however, and may not be significant.

Employment continued to rise, again largely thanks to the increased hiring of state and local governments. Unemployment also increased, though. The sector is viewed as contracting from last month.

Hospitality, retail sales, and lumber manufacturing all declined, as well, at least in seasonal terms. National markets are largely performing better than the local one, and the most recent data from these indicates that some

Composite Index



expansion may take place in the near future if local trends mimic general ones.

Overall, the data seem to fall within the broad pattern of the post-Great Recession recovery: Growth is taking place, but slowly, and with frequent minor downturns.

Composite & Sectors

		Percent change from			
Index	Value*	Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	95.8	-2.8	-2.8	-13.5	-10.5
Home Sales	81.1	-2.1	4.1	-29.4	-38.4
Retail Sales	136.9	-4.8	-4.2	-19.5	-0.8
Hospitality	84.3	-6.9	-9.8	-2.7	-11.1
Electricity	120.0	0.0	-4.5	-1.6	17.7
Employment	96.7	-0.8	-0.5	-7.0	-4.2
Manufacturing	39.0	-7.5	2.8	-47.2	-58.0

* 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

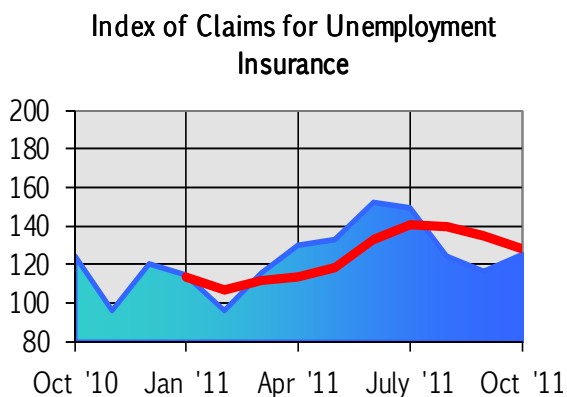
Leading Indicators

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.

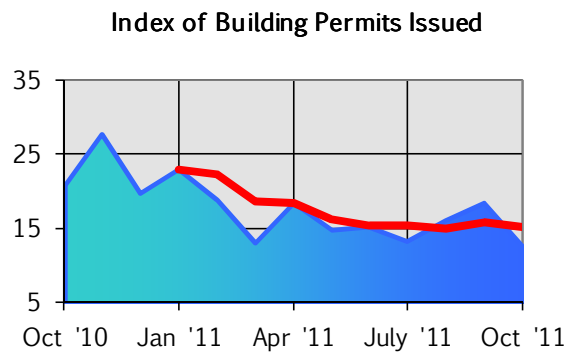
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	7.4%	-31.8%	-4.0%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$235,000	\$1,346	4.25%	12.4%
<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 soared in November. The number of new applications, which has been falling since July, jumped by 460 last month. The blow was somewhat muted by seasonal adjustment, but nevertheless caused the Unemployment Claims Index to rise by 7.4%, coming to rest at a current value of 124.7.



Building Permits declined in last month. A drop in the already-low raw number of permits issued, combined with seasonal expectations of an increase, led the Building Permits Index to fall by 32%. The Index now stands at a value of 12.6.



Help Wanted Advertising also contracted in November. A slight decline in raw numbers was only mildly affected by seasonal adjustment. Accordingly, the Help Wanted Index fell by a relatively mild 4%. The Index's current value is 63.7.



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.

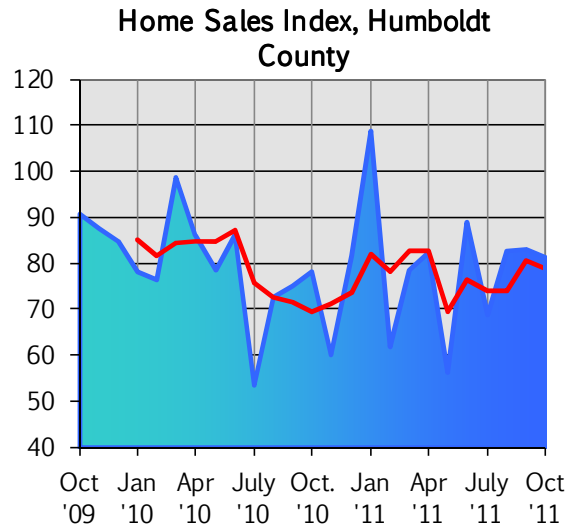
The county housing market remained relatively stable in October, though falling slightly. The raw number of homes sold within the county dropped by about 7%. This decline was largely in line with seasonal expectations, however, and the Home Sales Index fell by only 2%, reaching a current value of 81.1. This is still well above last year's average value of 76.9, as well as last October's Index value of 78.0.

The cost of a home, meanwhile, dropped by \$15,000 to a price of \$235,000. This remains well within the normal range for the county. The average median price as of the last two years is \$244,000. The mortgage rate remained constant at September's value of 4.25%. Median and mean rents both rose, reaching \$1,375 and \$1,350, respectively.

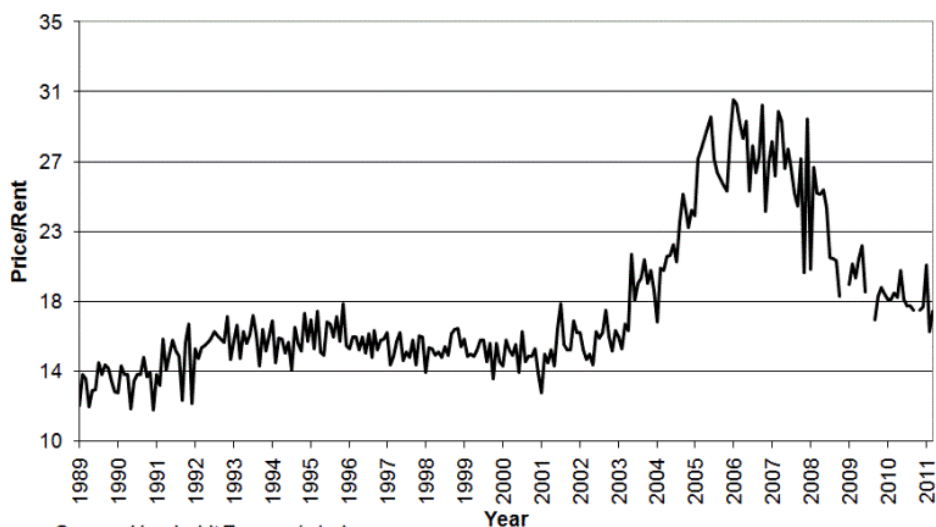
Statewide, the California Association of Realtors announced that the number of homes sold in October was up about 1% on a month-to-month basis, to a seasonally adjusted and annualized 493,000. This was also an increase from October of 2010. The median price of a home was down significantly in October, to about \$278,000. Case-Shiller noted that national home prices were down 3.9% for the third quarter of 2011 as compared with the third quarter of last year. Increasing sales and falling prices may indicate an increase in housing supply. It is not clear whether these developments are sustainable, however.

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 continued to rise in October. The pace was slower than seasonally expected, though, with the result that the Employment Index fell from 97.5 last month to a current value of 96.7. This is still above the Index's August value of 96.4 but slightly down from last October's 97.2. The California EDD reported that the county workforce increased by 600 persons. The local economy created 500 jobs, and unemployment rose by 100 job-seekers. The Humboldt County workforce consists, at present, of 60,900 persons, 54,600 of whom are employed, and 6,300 of whom are searching for jobs. As was the case last month, most of the increase in

employment was due to state and local government hiring. The labor-force changes did not affect the seasonally adjusted county unemployment rate, which remains fixed at 12.4%.

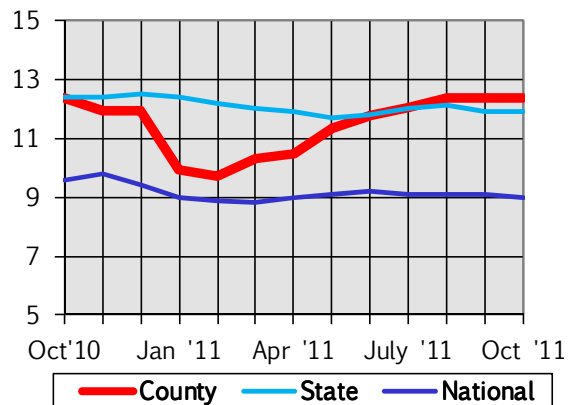
Unemployment for the state of California, meanwhile, remains fixed at 11.9% as of the latest data. Nationally, the unemployment rate fell another 0.1 percentage points, and is now back to its April value of 9.0%.

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.

Autumn is a sluggish time of year for the hospitality industry. As the seasonal slump set in, occupancy rates dropped sharply, and the Hospitality Index fell by 6.9% last month. It now stands at a current value of 84.3, which is also significantly down from last year's value of 93.4.

Unemployment Percentage Rates



Gasoline Prices

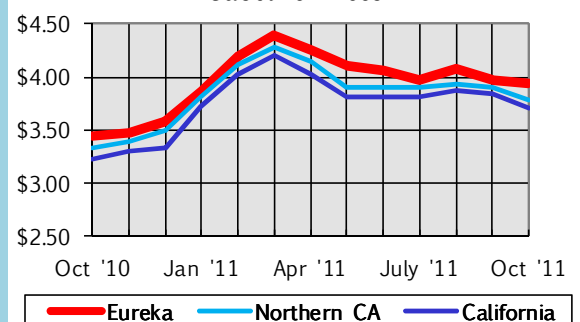
On a more hopeful note, gas prices fell again in November for the county, for the Northern California area, and for the state as a whole. The price per gallon in Eureka fell \$0.04 to \$3.94 last month, and the price in other areas of California declined even more. The local real price also dropped, hitting \$3.19 per gallon this month.

Inflation, meanwhile, turned negative for the second time this year. Since June the Consumer Price Index has been posting very slight increases, and in October, it again decreased, this time by 0.21%. The relatively rare deflationary turn is too small to be worrisome, and market projections are for positive but low inflation for several years to come.

Gas Prices		
Prices as of 11/30/2011	Average price*	Change from previous month
Eureka	\$3.94	-\$0.04
Northern California	\$3.79	-\$0.12
California	\$3.71	-\$0.13

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (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.

Retail Sales contracted in October for the second consecutive month. The Retail Sales Index fell somewhat more sharply than in September, down 4.8% to a current value of 136.9. This is also a drop of about 4% from last October. It remains to be seen if the coming holiday season will spur on more significant retail growth.

On a national level, the Federal Reserve's Beige Book report noted increased economic activity in general and increases in retail sales in particular through mid-November. Findings were similar for the San Francisco-based 12th district. The latest report of the Conference Board, meanwhile, was also positive. The Consumer Confidence Index, which had declined in October, soared upwards by more than 15 percentage points in November, to stand at a current value of 56.0. The Consumer Confidence Index is based on a survey of consumer's economic expectations. The upward swing in expectations is a hopeful indicator for the future growth of the economy.

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 January, this month's Energy Consumption Index remains unchanged at an estimated value of 120.0.

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.

As with the retail and hospitality sectors, Lumber Manufacturing declined in October. Production and pay role actually increased slightly, but the change was overwhelmed by an increase in seasonal expectations. The result was a 7.5% drop in the Lumber Manufacturing Index to a current value of 39.0. Even so, this represents an increase of 2.8% over this time last year, when the Index stood at a value of 38.0.

Wood Products was one of the national manufacturing industries that expanded in November, according to the Institute for Supply Management. More industries contracted than expanded, but the sector as a whole continued to grow for the 28th consecutive month. The PMI also rose, from a value in October of 50.8, and now stands at 52.7. 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
■ ■ ■ *realize human potential*

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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