

## The Pain Begins

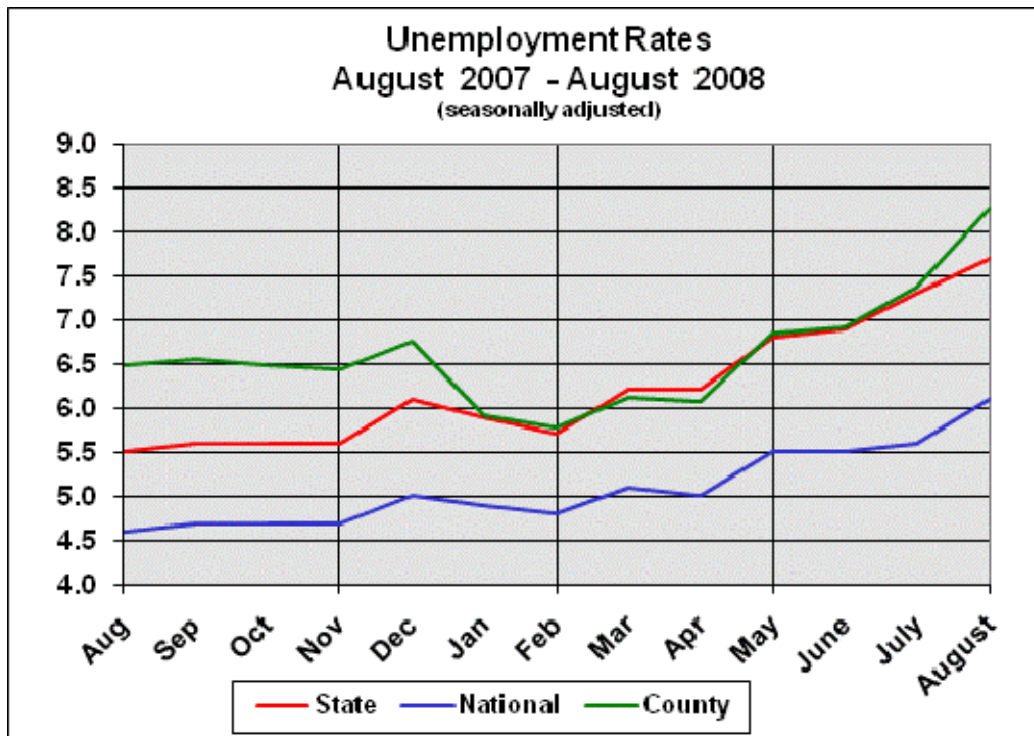
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Humboldt Economic Index

[www.humboldt.edu/~indexhum/reaalestate](http://www.humboldt.edu/~indexhum/reaalestate)

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The biggest sign that recession has reached the North Coast economy became apparent in August. The unemployment rate increased to a level not seen at all during our last recession, and last seen over ten years ago. Below we see that the Humboldt County seasonally adjusted unemployment rate increased almost one full percentage point to 8.4% in August as compared to July.

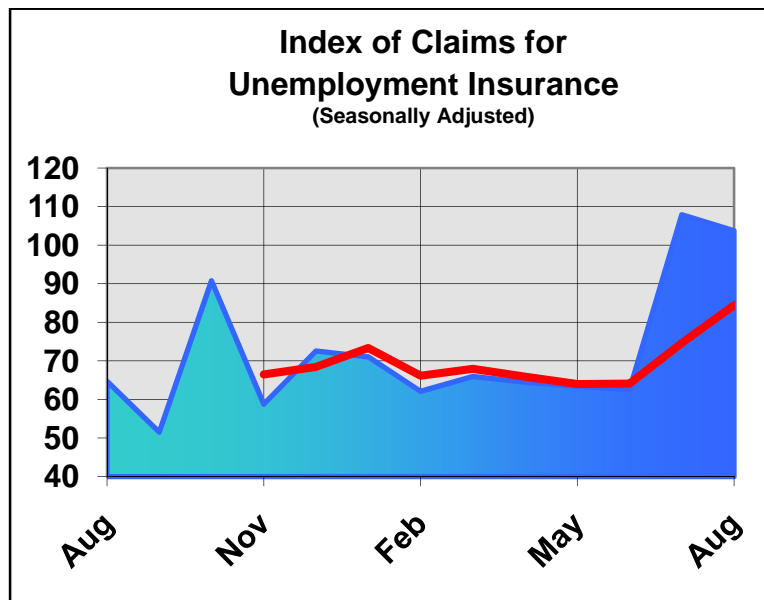


The officially released, unadjusted, unemployment rate was lower, at 7.4%, and only slightly above July's 7.3%. But these numbers are not helpful unless one removes the normal month to month changes in the unemployment rate. The unemployment rate in August is typically lower than July, and August tends to have one of the lowest unemployment rates of any month. Once adjusted, the 0.1% increase is really 0.9%. And that is a pretty big increase. Unfortunately, September and October tend to have an even lower unemployment rate than August, so unless we see a noticeable increase in those months in the reported rate, the labor market is getting worse.

There were also sizeable increases in the seasonally adjusted unemployment rates for the State of California and for the U.S. In previous recessions, the unemployment rate would rise and peak a few months or even years after GDP hits bottom. In other words, the recession was over long before the unemployment rate stopped rising. Of course, we do not know whether the U.S. economy is officially in a recession or not. That's because the official committee at the National Bureau of Economic research has not said so. But I think that they probably will look back at 2008 and declare that a recession began at some point. And it's likely that the unemployment rate will peak some time next year or later.

I talked with Dennis Mullins at the Employment Development Department in Eureka, and he points out that the largest drops in employment by sector over the last year in Humboldt County includes construction and financial activities, two sectors where the drop in housing sales would appear ("financial activities" includes realtors and mortgage lenders). He also points out that the number of people unemployed in August is 1000 more than one year ago (4,500 compared to 3,500).

There's more bad news. Seasonally adjusted claims for unemployment insurance rose tremendously in July and August. Although claims were slightly down in August, they are over fifty percent higher than in recent months. The graph below shows claims over the last year. It's set such that the number of claims in January, 1994=100. All this means is that the interesting point is the *change* from month to month. And, to emphasize, the change has been large and positive. To put this in historical perspective, there were only a handful of months in our last recession where claims reached these levels. Dennis Mullins points out that unemployment benefits were extended starting in July, however, so we'll need to see if these levels remain elevated.



We also track help wanted advertising, and this measure has trended down over the last year. And while total county employment is down in August, it is down only slightly over the last year.

All signs point toward a softening labor market. The September data will be telling, since that is when the most recent credit crunch began. But I don't have much hope that things will get better soon.