

Humboldt Economic Index

April 2011

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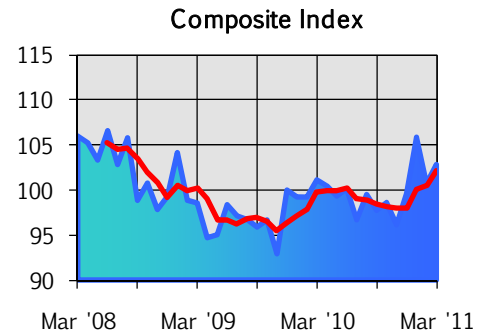
Rising Index but Record Low Help Wanted

This month we say goodbye to Schuyler Kirsch, who was the Index Assistant Editor since fall 2009. Schuyler is graduating and will be taking classes in preparation for graduate school in economics. Thank you for your hard work and a job well done Sky!

We also say hello this month to our new Assistant Editor, Jonathan Ashbach. Jonathan is a talented economics major who will add his local experience to the Index. Welcome Jonathan!

The composite index rose 2% in March to a value of 102.8. This marks the third consecutive month that the index has maintained a value greater than 100. The current value also represents a rise of 1.7% from March of last year, and is 3.2% higher than the past year's average value of 99.6.

Leading county indicators look somewhat dour. Help wanted advertising fell to a record low in March. The number of building permits fell and unemployment claims rose relative to February, but both building permits and unemployment claims look more positive



than they did last year. These indicators may signal a period of slower growth in the local economy, but they also seem to be a sign of slowly improving economic growth in the long run.

The local economy itself does appear to be expanding. Hospitality, lumber manufacturing, and employment all declined slightly, but were overwhelmed by strong increases in retail and home sales. Nationally, the economy continued to grow, and unemployment continued to fall.

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	102.8	2.1	1.7	-3.5	-5.7
Home Sales	78.3	27.1	-20.5	-38.9	-31.3
Retail Sales	159.1	9.6	7.0	16.5	13.0
Hospitality	87.4	-4.1	2.2	9.0	-14.7
Electricity	151.4	0.0	9.2	10.8	36.6
Employment	98.3	-1.0	-0.9	-6.8	-5.5
Manufacturing	31.2	-5.8	3.5	-48.6	-65.0

* 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

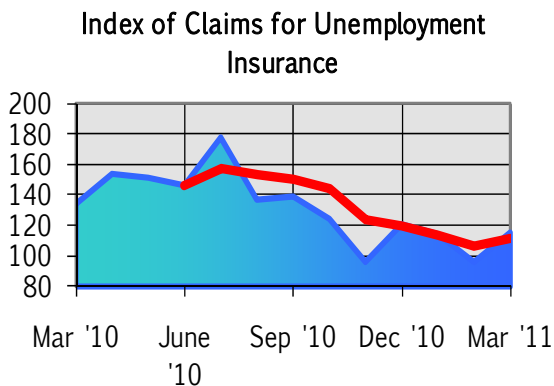
Leading Indicators

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.

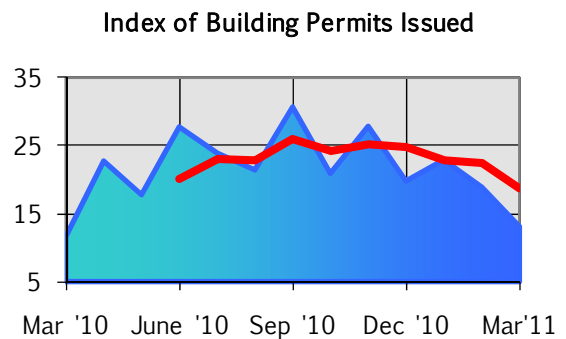
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	20.0%	-30.8%	-26.7%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$249,500	\$1,326	4.88%	10.3%
<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>			

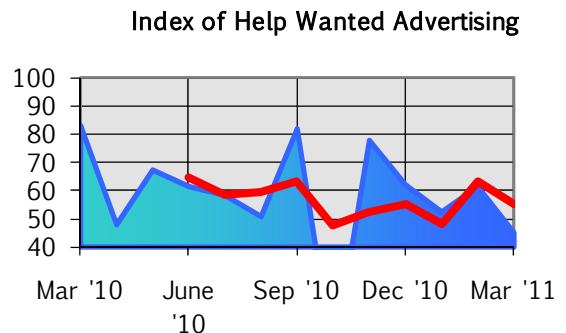
Unemployment Claims rose in March, indicating that the labor market may have cooled since last month. The number of new claims rose by more than 100 and, combined with seasonal expectations of a stronger labor market, this led to a 20% increase in the Claims Index, to a value of 115.15. This figure still represents a drop of 14% from March of 2010, however.



The Building Permits Index also fell last month. It decreased by 31% to a value of 13.12. It should be noted, however, that the number of building permits issued is quite volatile, and the current figure does represent an increase of 13% from this time last year, when the Index stood at 11.66.



Help Wanted Advertising fell to a record low in March, a third indication of potentially contracting labor markets in the near future. The seasonally adjusted Index fell by 27% to 45.0, which represents the lowest value in the history of the Index. The drop was caused by a decline in the number of advertisements, also to a lowest-ever value, as well as a seasonal expectation of an expanding labor market.



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.

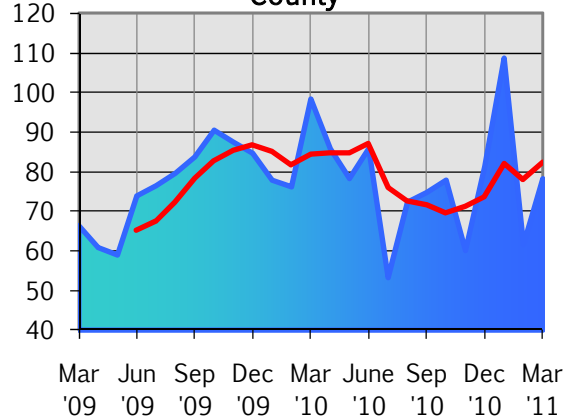
Home sales have begun to recover from their drop last month. In March, the Index rose 27% to a value of 78.3. While this does not entirely make up for the steep decline in February, and leaves the index significantly below its value last March of 98.5, it does leave this volatile statistic approximately equal to its average value for the past year. The rise was due to a large increase in the number of homes sold, somewhat muted by seasonal adjustment.

The median home price also climbed from \$228,000 in February to \$249,500 in March, a level not seen in several months. And the median monthly rent rose almost \$100 to \$1,323, driving up the fundamental value of homes. Finally, the mortgage rate fell slightly, from 5.00% to 4.88%, likely due to lack of demand in the national market, making it less expensive to buy a house.

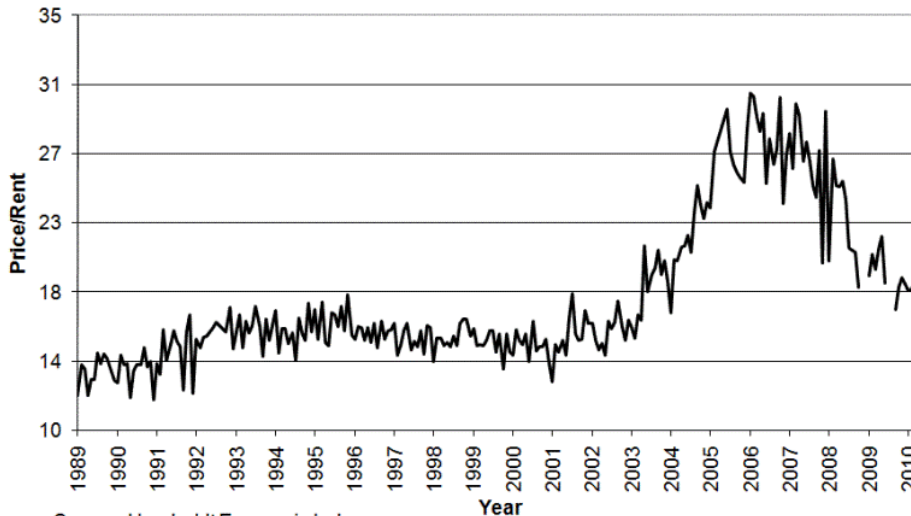
On the national front, Case-Shiller reported that its 10- and 20-city composites each fell by 1.1% from January to February, nearing their trough levels from 2009. The composites are both at approximately the same values that they registered 8 years ago, indicating that they may finally be returning to more reasonable and sustainable pre-bubble levels.

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](#).

Home Sales Index, Humboldt County



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

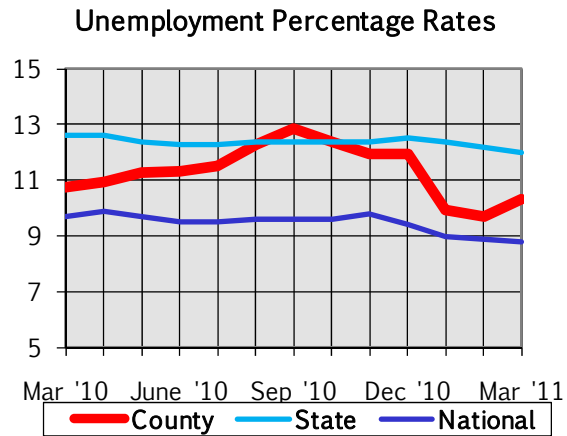
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Slight declines in both retail and manufacturing employment led the county employment index to edge downward by less than a percent. The seasonally adjusted Index now stands at a value of 98.3 in March, down from 99.2 in February.

The county's seasonally adjusted unemployment rate moved upward from 9.7% to 10.3%. The California Employment Development Department reported that most sectors contracted or remained unchanged over the last month.

State-wide, the economy lost 31,000 jobs in March, but the seasonally adjusted unemployment rate fell from

12.2% to 12.0%. The national unemployment rate, meanwhile, remains significantly lower than either the state or the county rates, at a seasonally adjusted 8.8%. The state and county unemployment rates are down 0.5 and 0.6 percentage points, respectively, from last March. Recovery has seemingly been faster for the nation as a whole, as the national rate represents a decrease of 0.9 percentage points from last year, and is the lowest value since March of 2009.



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 edged downward for the second consecutive month in March, this time falling 4.2% to a value of 87.4. The average occupancy rate increased, and the decline in the index was due to seasonal adjustment.

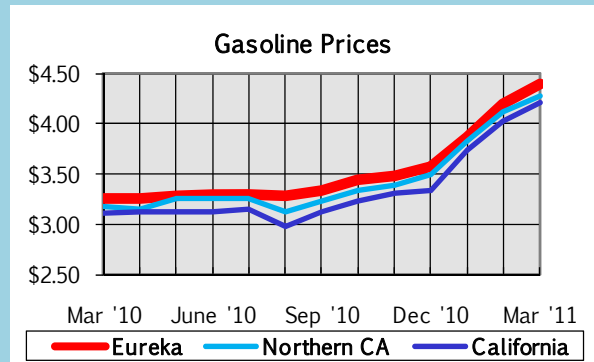
Gasoline Prices

Gas prices continued to spike in April. The real price per gallon rose 16 cents to \$3.67, with the result that the nominal price-at-the-pump now stands at \$4.39.

The likely cause of the rising prices is still the ongoing tension in the Middle East. Uncertainty generated by the conflict is the apparent cause of the recent rise in oil prices, which remain elevated at well over \$100/barrel. Also of interest, the Consumer Price Index rose almost 1% last month, following the significant rises noted in the March and April Indices. This represents the largest monthly rise of the CPI since June of 2008, and would annualize to an inflation rate of 12.3%. The rise in gas prices was the most significant contributor to this increase. Also important were elevated food prices and, potentially, recent monetary policy.

Gas Prices		
Prices as of 4/27/2011	Average price*	Change from previous month
Eureka	\$4.39	\$0.19
Northern California	\$4.28	\$0.16
California	\$4.21	\$0.19

* 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 experienced a significant increase in March, rising 8.8% to a value of 159.1. This is the largest value of the Index since December of 2009, and is up 7.0% from this time last year. The increase is particularly impressive occurring in the face of rising oil prices, and may indicate burgeoning demand leading to economic expansion.

On a regional level, The Fed's Beige Book reported a moderate economic expansion in its mid-April report, with low aggregate price increases, and some growth in sales and demand. The Consumer Confidence Index also rose in April. The index, which tracks consumers' economic expectations and perceptions, increased by 2.5% last month to a value of 65.4.

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 usage remains unchanged at an estimated value of 151.4. The quarterly update was expected this month, but was not available in time for inclusion in the Index.

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 by 5.7% in March. Payroll continued to increase very slightly, and pure production actually rose somewhat, as well, but seasonally adjusted production declined, pulling the index down. The current value of 31.2 also represents an increase of 3.7% over March of last year.

The Institute for Supply Management reported that Wood products, and indeed every other manufacturing sector except for "Furniture and related products," expanded in April on the national level. Nevertheless, the PMI declined very slightly by 1.3%. The Purchasing Managers Index (PMI) 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.

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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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