

# Humboldt Economic Index

September 2011

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## Housing Sales Up, Wide Growth

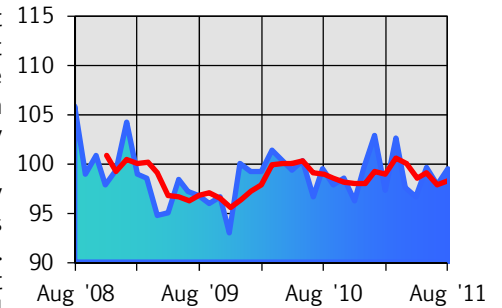
While no especially dramatic records were broken in August, the Humboldt County economy did see slow but widespread expansion last month. The Composite Index is up 1.7 percent from July, and, at a value of 99.5, is exactly equal to its value one year ago.

Leading indicators are again mostly positive. Unemployment claims continued last month's strong decline. Building permits made up for last month's drop. Only Help Wanted advertising soured. These are hopeful signs for the several thousand job-seekers still unable to find work within the county.

Home prices fell to levels last seen in January, 2004. Home sales, meanwhile, improved strongly. The market suggests expanding supply, with the number of units sold increasing to the highest number in several years and the median price dropping significantly to a pre-bubble low.

Employment grew faster than the workforce, decreasing the county number of unemployed. In Congress, President Obama's new stimulus measure appears to have failed, but local employment growth continues, at least for the

Composite Index



moment.

Retail Sales also rebounded as Consumer Confidence displayed an increase of strength. And in seasonally adjusted terms manufacturing, too, held its own. Economic growth generally is still weak, but does appear to be strengthening.

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>1.7</b>	<b>0.0</b>	<b>-3.5</b>	<b>-9.6</b>
Home Sales	82.5	19.9	13.9	-15.1	-38.8
Retail Sales	145.7	3.4	-5.4	1.0	5.9
Hospitality	87.9	-2.5	0.2	9.9	-4.7
Electricity	134.2	0.0	6.0	17.6	4.3
Employment	96.4	0.6	-2.6	-6.3	-6.0
Manufacturing	40.8	2.0	15.1	-43.3	-54.0

\* 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

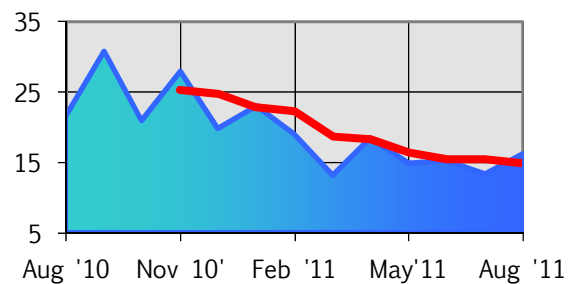
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-16.7%	20.9%	-14.7%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$224,250	\$1,301	3.88%	12.4%
* 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. ** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard. † 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank. ‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.			

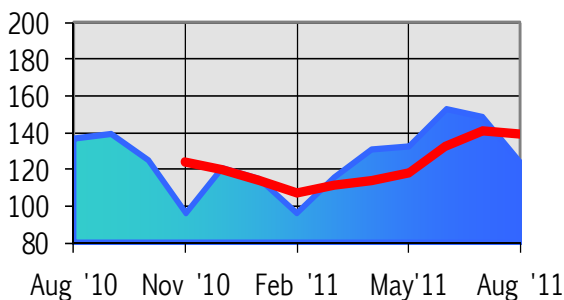
**Building Permits** remain significantly down from last year (when the Index averaged a value of 21.6), but the number of permits issued in September was the highest since this April. A slight rise in the number of permits issued led the depressed Building Permits Index to rise 20.9% from 13.3 in August to a value of 16.1 in September.

Index of Building Permits Issued



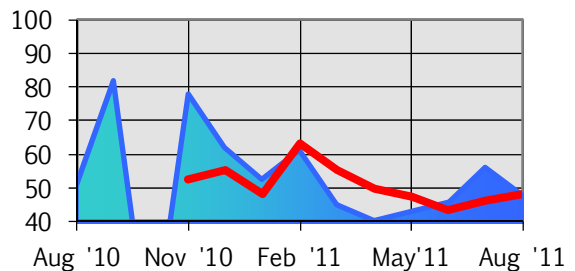
**Unemployment Claims** dropped sharply in September. For the second consecutive month, the number of new claims for unemployment insurance fell by almost 300, a significant change, to stand at a total of 1,355. Seasonal adjustment changed only negligibly between August and September, with the effect that the Unemployment Claims Index declined 16.7% from 148.7 to a current value of 123.9.

Index of Claims for Unemployment Insurance



**Help Wanted Advertising** is the sole negative leading indicator this month. The Help Wanted Index fell 14.7% to a current value of 48.1. The magnitude of the change is due to seasonal adjustment, and represents only a slight decrease in the actual number of advertisements. The Index value is also down from last year, but only by 5.4%.

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, which have been rising and falling incessantly over the last few months, saw another strong surge in August. The Home Sales Index had fallen from 89.0 to 68.8 in July, but rebounded to a current value of 82.5 in August. Hidden by seasonal adjustment is the fact that this lower peak value actually represents a total of 90 sales last month—the largest number of homes sold since June of 2008. The Index value is also up 13.9% from August of last year.

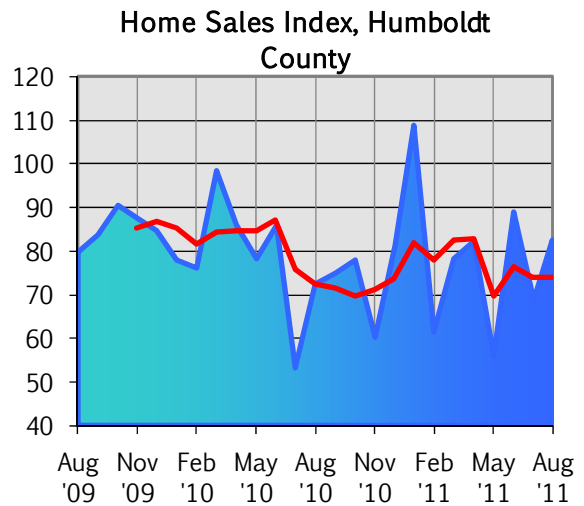
Perhaps even more important, the median price of a home fell to \$224,250 last month, which is back to relatively pre-bubble prices and the lowest median price since January of 2004. Rising sales and falling prices are classic signs of increased supply, and potentially indicate that high bubble-induced price expectations are diminishing. Average monthly rent also fell, dropping about \$90 to \$1,301. Median rent remains unchanged. The mortgage rate fell more than 0.35 percentage points to a value of 3.88%.

Statewide, the market experienced similar developments, according to the California Association of Realtors. Housing sales climbed 8.6% and 10.2%, respectively, from last month and last year, to reach an annualized total of 497,390 in August. The median price of \$297,060 was up 1% from last month, but down 7.4% relative to last year.

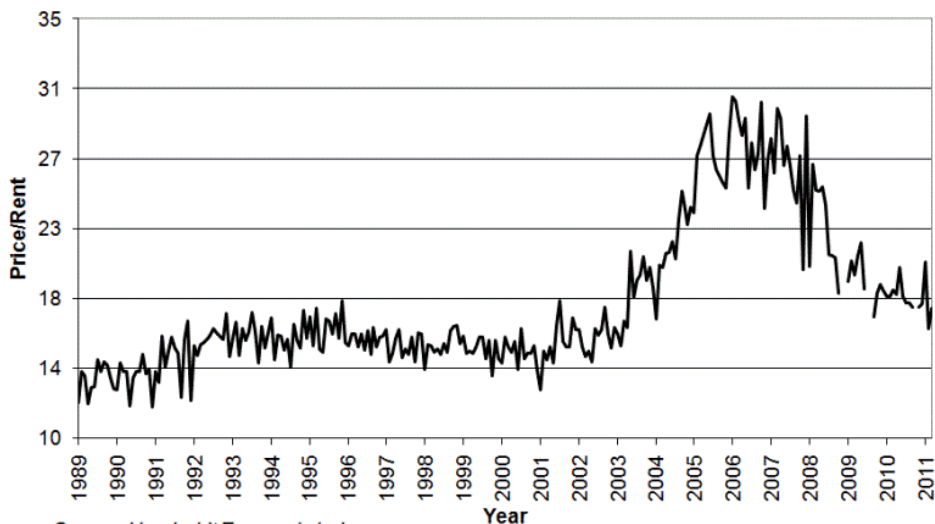
Nationally, by contrast, Case-Schiller reported that home prices were up slightly in the most recent data. In both the Index's 10- and 20-City Composites prices rose

by 0.9% from June to July.

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](#).



**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

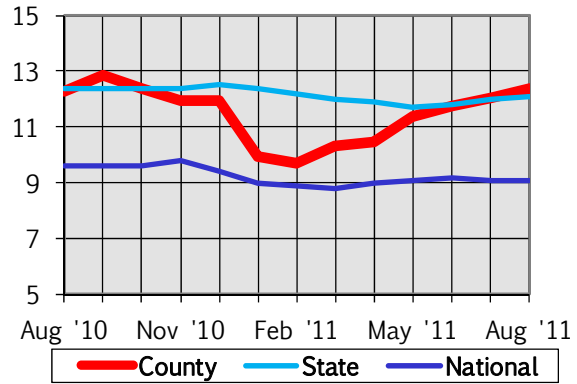
## Total County Employment

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

As indicated by last month's steep decline in unemployment insurance claims, employment in Humboldt County increased in August. The Employment Index inched up by 0.6 percentage points, to a value of 96.4. Relatedly, the California Employment Development Department reported that the county economy grew by 900 jobs, and that 600 new persons entered the work force. Unemployment subsequently declined by 400 persons (discrepancy due to rounding error) to 6,700. This led the raw county unemployment rate to fall significantly, but seasonal adjustment resulted in an increase to 12.4%.

Nationally, the unemployment rate held steady at 9.1%, and statewide, the seasonally adjusted rate increased to 12.1%. This puts Humboldt County in the comparatively rare position of having a higher unemployment rate than does California as a whole, at least when seasonal adjustment is taken into account.

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 decreased slightly last month. Occupancy actually continued to rise, but to a lesser degree than seasonally expected. The result was that the Hospitality Index fell 2.4% and now stands at a value of 87.9. This is essentially equivalent to the Index's value in August of last year, when it stood a mere 0.2 percentage points lower.

## Gasoline Prices

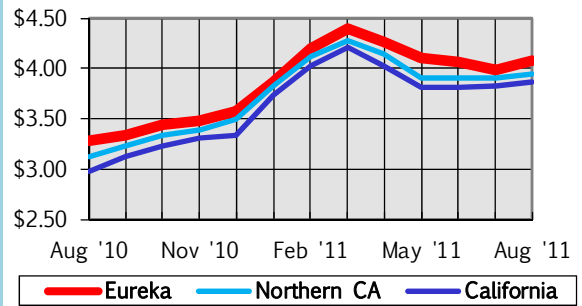
Gas prices were up again by \$0.10 in Eureka in September. The price of a gallon of gas now stands at \$4.08, with the inflation adjusted price rising somewhat less to \$3.30 from \$3.23. Oil prices meanwhile stood just below \$80 a barrel and rising as the Index went to press.

The Consumer Price Index, meanwhile, rose some 0.276%. The increase was due largely to rising energy prices. Total inflation over the last year was 3.8%, the majority of which took place between January and May. The current rate annualizes to about half a percentage point below that.

Gas Prices		
Prices as of 9/28/2011	Average price*	Change from previous month
Eureka	\$4.08	\$0.10
Northern California	\$3.94	\$0.04
California	\$3.87	\$0.05

\* 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 increased last month. With no change in seasonal adjustment between July and August, the Retail Sales Index rose 3.4% to a value of 145.7. This is down from last year, but is also, surprisingly, up from pre-recession 2006 levels, a hopeful sign in the face of recession worries.

Similarly, on the national level, the Conference Board's Consumer Confidence Index halted in its precipitate decline of last month, and even increased very slightly. The Index, which is based on a survey of consumer's economic expectations, inched upwards by 0.2 percentage points to a value of 45.4. The FED's Beige Book also noted that the economy expanded "at a modest pace" last month, and the Bureau of Economic Analysis reported that GDP growth in the second quarter of 2011 surpassed previous estimates, reaching an annualized rate of 1.3%.

## 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 quarterly release of data next month, the Energy Consumption Index remains unchanged at an estimated value of 134.2.

## 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 also rose in August. Payroll and Production actually decreased slightly, but less so than seasonally expected. The result was that the Lumber Manufacturing Index rose to a value of 40.8, up 2% from last month, and a healthy 15% up from this time last year.

Despite the recessionary fears previously noted, manufacturing continued to expand, as did wood products in particular, in the nation at large. The PMI rose by 1 percentage point, up to 51.6 in September. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future. Together with consumer expectations, the statistic is important, since economic expectations can translate into self-fulfilling prophecies as consumers and managers either brace for recession or expand activity in anticipation of growth.

**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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