

# Humboldt Economic Index

April 2011

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## Guest Lecturer Jean Ross To Speak on CA Budget

The Index would like to welcome guest speaker Jean Ross from the California Budget Project. Jean will be giving a lecture on the state budget on April 21 at 5pm at HSU in Gist Hall 218. The lecture is free and open to the public. For more information on the organization please visit [www.cbp.org](http://www.cbp.org). We encourage our readers to attend.

The overall composite contracted 4.9 percent in February to 100.7. Home Sales and Hospitality experienced the largest contractions, while no local sector experienced growth.

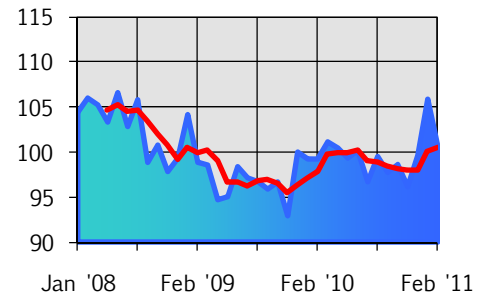
Home Sales declined substantially and as the number of homes sold dropped off from last month. The median home price declined as well but not as much. Furthermore, national statistics further indicate a softening of the housing market.

Local unemployment rose due to a decline in retail and state government employment, while the national economy added jobs in February and in March.

Hospitality edged down, but remains at a strong level. Manufacturing declined further in February.

A softening housing market, as well

Composite Index



as a rising price level adds new element of uncertainty to the economy. Despite this, national unemployment continues to decline, giving reason for optimism.

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>100.7</b>	<b>-4.9</b>	<b>1.5</b>	<b>-6.0</b>	<b>-8.2</b>
Home Sales	61.6	-43.4	-19.2	-34.4	-52.8
Retail Sales	145.1	-2.5	-1.1	0.0	4.5
Hospitality	91.2	-8.0	-1.2	10.3	-8.4
Electricity	151.4	0.0	20.3	8.0	35.4
Employment	99.2	-0.2	-0.4	-6.0	-4.0
Manufacturing	33.1	-2.6	-0.5	-51.4	-64.0

\* 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

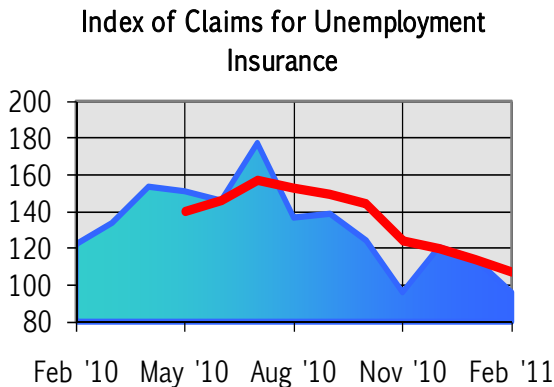
## Leading Indicators

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.

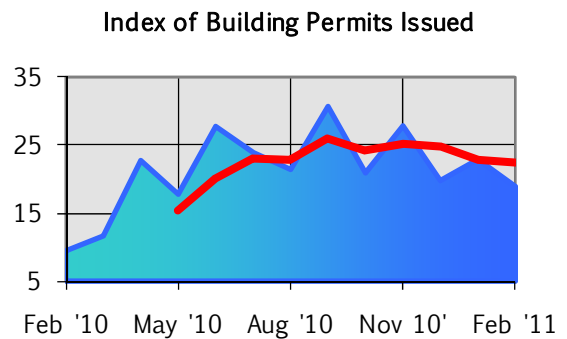
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-16.0%	-17.3%	17.0%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$228,000	\$1,304	5.00%	9.7%
<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>			

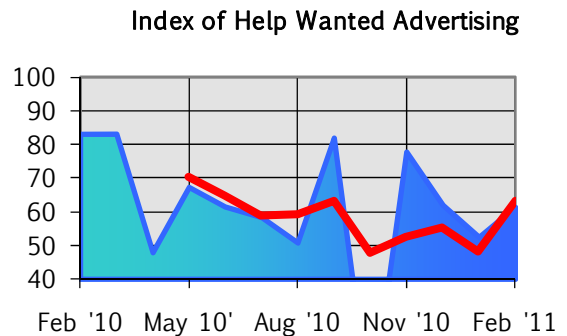
**Unemployment Claims** fell dramatically in the February, further evidence of an improving job market. A drop of more than 550 claims lowered the unemployment claims index from 114.2 to 96.0. This represents a seasonally adjusted drop of 16 percent.



**Building permits** fell in February. A decline in raw numbers plus a seasonal expectation of better performance led to a 17 percent drop in the seasonally adjusted index. The index currently stands at 18.9, or less than a fifth of its base value.



**Help Wanted Advertising** rose in February, indicating a possibly more robust job market in the near future. The seasonally adjusted index rose 17%, up to 61.37 from 52.44 last month.



**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

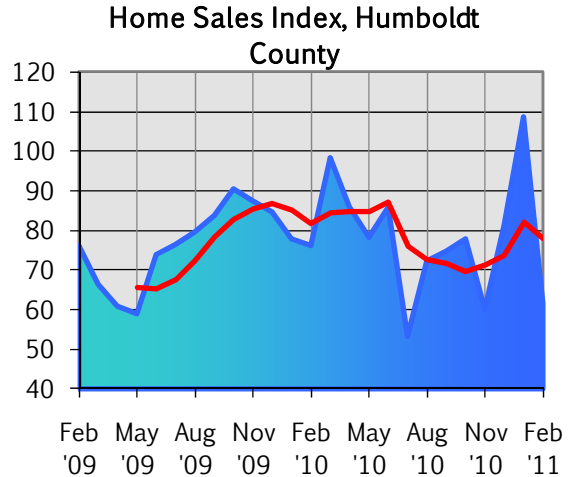
## Home Sales

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.

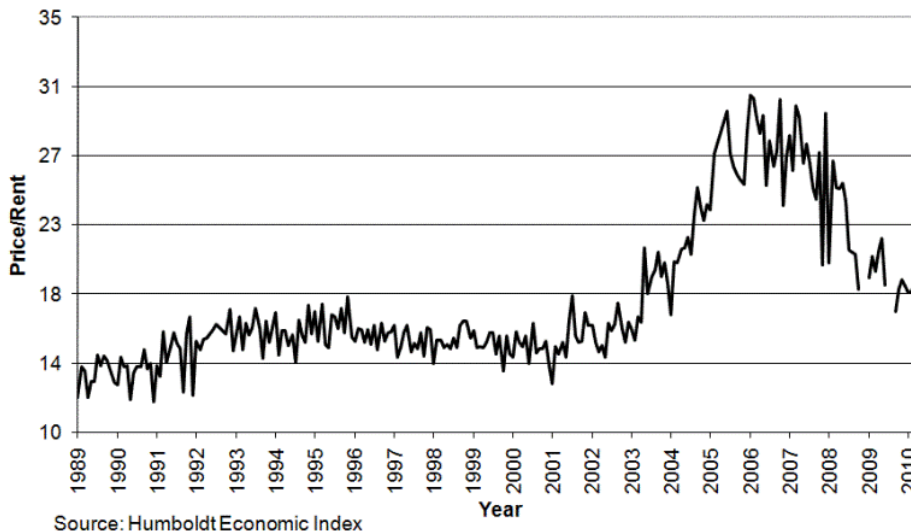
Home Sales collapsed in February, reversing two months of steady growth. The index fell more than 40 percent, back to levels last seen in November of 2010. The index's current value of 61.6 also represents a drop of 19.0 percent from its value one year ago. The drop was caused by a near halving of the number of homes sold, relative to last month, which was accompanied by a decline in the median home price to \$228,000. It's worth noting, however, that the number of homes sold is a very volatile statistic. In spite of the decline in the median home price, the median monthly rent rose in February to \$1,225, indicating a monthly rise in the fundamental value of housing.

On the national level, Case-Shiller reported that home prices are "off to a dismal start" this year. Both the 10- and 20-city composites fell in value. Likewise, Calculated Risk noted that new home sales this year fell to 19,000, the lowest number on record for the month of February.

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

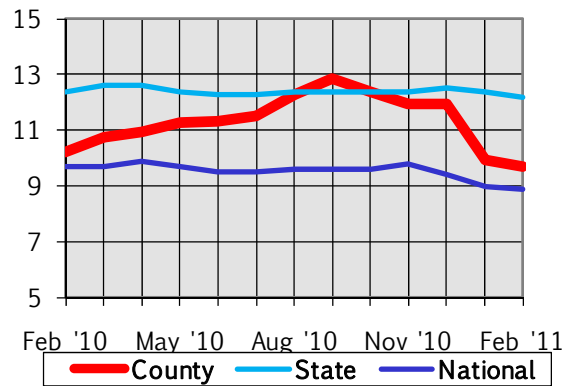
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The California Employment Development Department reported a decline in county unemployment, bringing the local unemployment rate to 11.6 percent. The decline in unemployment is attributed largely to job growth in agriculture and construction. Job loss was experienced in retail and state government. The seasonally adjusted index edged downward from 92.4, to 92.2.

Statewide, California added 95,600 jobs in February, bringing the seasonally adjusted state unemployment rate to 12.2 percent, this represents the lowest value since September of 2009. Job growth was largely seen in the Information Services sector, while no sector experienced significant contraction.

The Bureau of Labor Statistics reported that the national unemployment rate fell below 9 percent in February to a seasonally adjusted value of 8.9 percent. Moreover, the national unemployment rate fell further in March to 8.8 percent, as the economy added 216,000 jobs. Growth was noted in healthcare, professional services, mining, hospitality and

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 edged down 8.0 percent in February, however the index remains at a strong value of 91.2. The average occupancy rate rose, while the net effect on the index was negative due to seasonal adjustment.

## Gasoline Prices

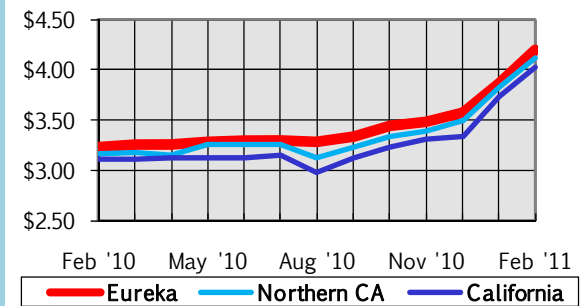
Uncertainty in the Middle East, primarily in Libya, has been reflected in the oil market, pushing gas prices higher. The local monthly inflation adjusted price rose \$0.27 to \$3.51 per gallon.

Furthermore, inflation edged upward, with the CPI rising 0.493 percent from last month, possibly due to the combined effects of recent expansionary monetary policy and the rise in oil prices, which permeates the economy. (An inflation rate of 0.493% per month represents an annualized inflation rate of 6.1%.) The combined effect of inflation and the real price increase is a current nominal price-at-the-pump of \$4.20 per gallon, locally.

Gas Prices		
Prices as of 3/29/2011	Average price*	Change from previous month
Eureka	\$4.20	\$0.33
Northern California	\$4.12	\$0.30
California	\$4.02	\$0.29

\* 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 experienced an across the board contraction in February, bringing the index to a seasonally adjusted 145.1, down from 148.8 in January. The decline in retail sales corresponds with the decline in retail employment seen in February. The retail sales may experience downward pressure as rising gas prices consume a higher proportion of consumer spending and as rising price level deflates income.

The Conference Board reported a substantial decline in Consumer Confidence. The index, which had been at a two-year high in February of 72.0, fell to 63.4. The organization noted that consumers are wary of inflation, but remain optimistic in the long-run.

## 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 next quarterly report is expected next month.

## 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 in February. The index dropped 2.6 percent to a value of 31.1. Despite, payrolls rose significantly, but the rise was offset by a decline in current production.

Nationally, wood product production declined last month, as the Institute for Supply Management reported in their recently released March assessment. The contraction was limited to wood products and primary metals, however, as manufacturing increased nationwide. The PMI fell in March, but only very slightly, from 61.4 to 61.2.

The Purchasing Managers Index (PMI) reports the number of manufacturing supply managers (purchasers) who anticipate improving business conditions.

**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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