



December 2011

Northwest Washington Labor Market Review

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Executive Summary

WDA-3 County Overview

Since this WDA has such a diverse group of counties, it is not unexpected that their performance varies quite a bit. Here is a quick overview of each county's payroll employment situation:

Whatcom County

- The total nonfarm private employment data from October through December 2011 is showing a change in the trend towards lower private employment, but after the benchmarking process it seems likely that this will reverse and growth will have increased over the past 3 months of last year. This will be revealed in the March release of January employment.
- Health care (which is a part of residual private services) is still in a strong uptrend).
- Manufacturing employment is also in a strong uptrend,
- Financial, professional and business services as well as the leisure and hospitality industries are basically treading water over the past year with no durable trend other than flatness.
- Retail trade is probably still in an uptrend, which will hopefully be revealed after the data is benchmarked.
- Construction employment is falling since the spike in commercial and industrial construction last summer. Building permits suggest muted new home construction over the next year.

Skagit County

- Local government is showing moderately strong trend growth.
- Total private nonfarm employment and private services have potentially slowed from their uptrend of last summer, but new benchmarking of the data in March could reverse some of those losses.
- While state government looks like it is in a strong uptrend, this could be due to changing seasonal factors or possibly a pickup in community college employment.
- Residual private services (mostly healthcare, finance, insurance and professional and technical services) are in a downtrend.
- Trade, transportation, warehousing and utilities have been not experiencing any durable growth over the past year.
- Manufacturing and leisure/hospitality services are in fairly strong uptrends.
- Construction is still seeking a bottom from its slow downtrend.

Island County

- The trend of nonfarm private sector employment has been down, but appears to be bottoming.
- Health care services (part of residual private services) are emerging into a stronger uptrend.

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- Information and financial services has bottomed out from its multi-year downtrend.
- Manufacturing employment peaked at 680 jobs in January 2010, then declined to 640 jobs over the summer-fall period and grew to 650 jobs in December 2011.
- Wholesale trade continues in a strong uptrend.
- Retail trade appears to be ending its multi-year decline.

San Juan County

- Total private nonfarm employment appears to be in the beginning stages of stopping its job losses.
- Government employment is still losing jobs, but its job loss rate appears to be moderating.
- Health care services (part of residual private services) are emerging into a stronger uptrend.
- Information and financial services has bottomed out from its multi-year downtrend.
- Manufacturing employment peaked at 680 jobs in January 2010, then declined to 640 jobs over the summer-fall period and grew to 650 jobs in December 2011.
- Wholesale trade continues in a strong uptrend.
- Retail trade appears to be ending its multi-year decline.

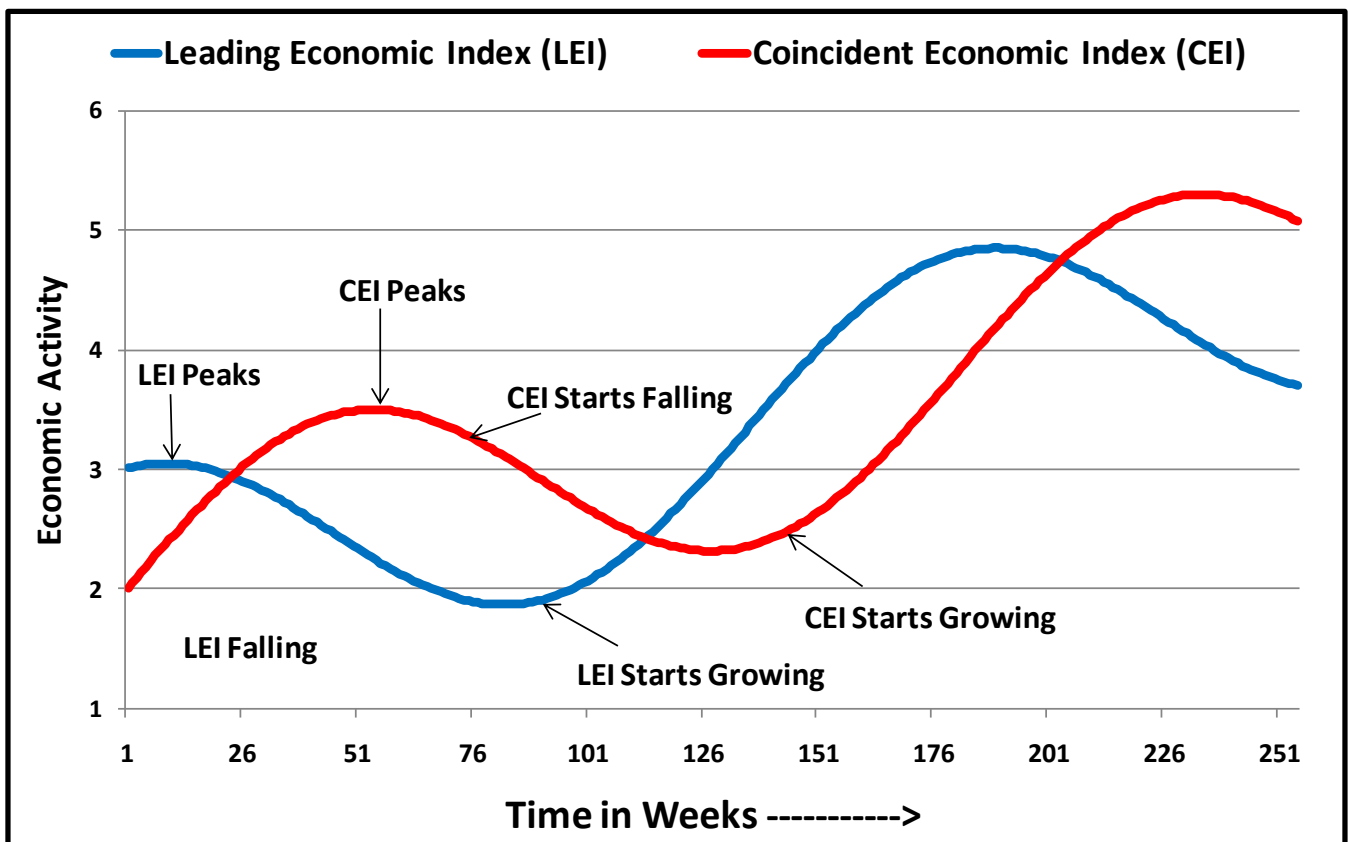
US Economic Review from the Perspective of Leading and Coincident Economic Indexes Background and Current Outlook

This section will introduce leading economic indexes (LEI) that have been produced by LMEA. At the end of this section, the practical significance on the outlook for the national and local areas of the economy will be discussed. These LEIs will be produced on a monthly basis, so a large part of this section will explain what LEIs are, how they work, and how they help us to be forewarned about changes in economic growth over the 6-24 month time frame.

- **What we care about in an economy:**
 - Employment: Jobs generate income and consumption.
 - Income: This generates sales and employment.
 - Sales and Consumption: This creates jobs and income.
- **The three above series are called coincident economic indicators as they are really important.**
 - These three indicators are statistically ‘hammered’ together into a coincident economic index (CEI). This allows us to judge current and recent changes in economic growth.
 - The economy is growing when the CEI rises and can be in recession if the CEI falls far enough.
- **How the coincident economic indicators (CEI) measured in practice.**
 - Total nonfarm employment, seasonally adjusted (SA). Note that all LMEA CEIs will use total nonfarm private employment and exclude public employment because of shifting seasonal trends in most Washington counties for public employment.
 - Personal income less transfer payments (SA, annual rates, and inflation adjusted). Total public and private wages will be used at the county level since personal income is not available by month for counties.
 - Industrial production index (SA). This is not available at the state and local levels, so this will be excluded from the county LEIs.
 - Manufacturing & trade sales for all industries (SA, inflation adjusted). Taxable retail sales will be used at the county level as a proxy.

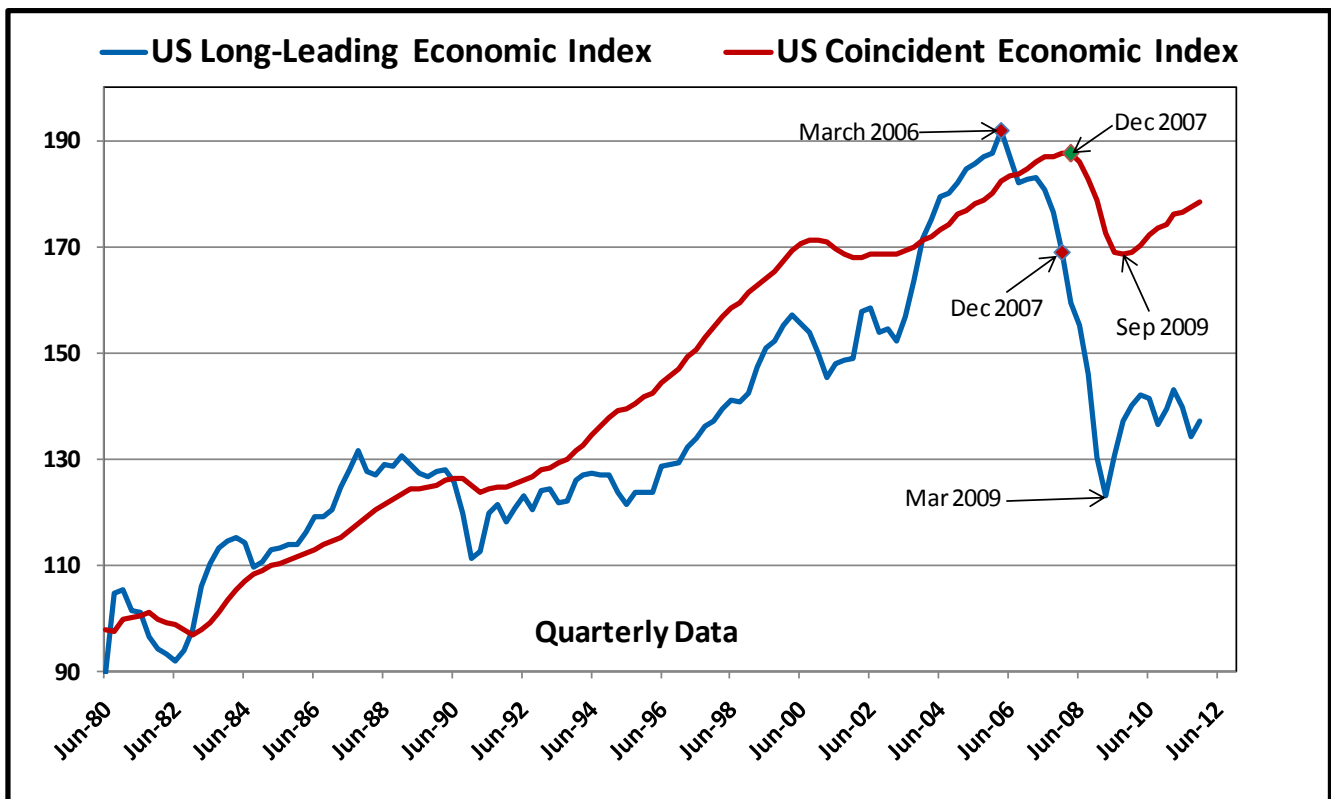
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- **Leading indicators help to predict changes in the economy well before they are seen in the CEI**
 - This helps economists to anticipate recessions and recoveries.
 - A leading economic index (LEI) consists of statistically ‘hammering’ many different leading indicators together into one LEI to forecast future economic conditions.
 - Some leading indicators like initial claims for unemployment insurance have shorter lead times.
 - Some leading indicators have longer lead times like building permits and consumer expectations.
- **The most commonly used short-leading indicators to produce the national LEIs are:**
 - Initial Claims for unemployment insurance
 - Stock Price Index: Standard & Poor's 500 Composite (Inflation adjusted)
 - Slower delivery times from manufacturers
 - Interest rate spreads between US 10-year treasury bonds and lower credit corporate bonds
- **Leading indicators that typically have medium to long lead times typically are:**
 - New private housing units authorized by local permitting agencies
 - Housing prices (inflation adjusted)
 - Stock Price Index: Standard & Poor's 500 Industrials (Inflation adjusted)
 - Consumer expectations
- **Stylized Coincident and Leading Indicators**
 - LEIs lead recessions by 6-18 months or more depending on the individual leading inputs.
 - LEIs bottom out shortly before a recession ends, sometimes by only 3-4 months or even less.
 - The stylized graph below does not show this, but the LMEA LEIs in the next few charts do.



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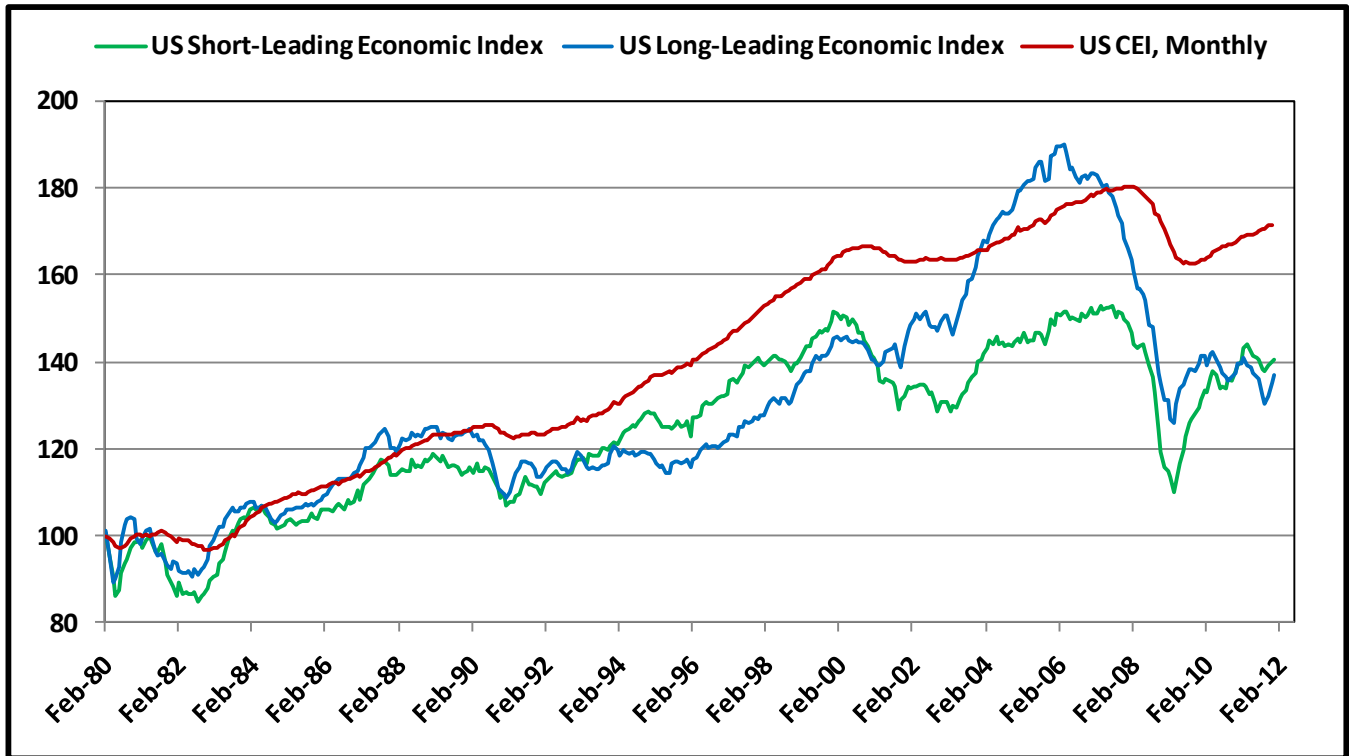
- **US Business Cycles and the LMEA US Quarterly Long-Leading Economic Index (LLEI)**
 - Using quarterly data helps to smooth out some of the noise from the monthly LEIs.
 - Note that the LLEI peaked in March 2006, well before the recession began in December 2007.
 - To make a recession call from a LLEI requires judgment about the following:
 - Is the decline in the LLEI pronounced (steep)? (By December 2007 it was).
 - Is the decline in the LLEI persistent in its decline? (Between March 2006 and December 2007 the LLEI did not waffle much between up and down making a strong case for recession by December 2007.)
 - Is the downtrend pervasive across all of its component leading indicators?
 - By the fall of 2007, it would have been reasonable to make a recession call in September 2008; it was getting very obvious that it would be a deep recession.
 - Note that the recent behavior of this index is not giving a recession signal at this time because its decline is neither pronounced, persistent, nor pervasive (the three Ps).
 - This recent behavior could be a warning of a slowdown in economic growth, but that could be mild.
 - It is better to use the LLEI with a short-leading LEI (SLEI) in tandem when making a recession call.
 - Both indexes should meet the criterion of the three Ps (pronounced, persistent, and pervasive).
 - Creating LEIs and making recession calls is as much art as science.



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• **US Business Cycles: Short Versus Long-Leading Index (Monthly Data)**

- Notice the longer lead time for the last recession with the long-leading index.
- No two business cycle expansions are the same and other factors may be at work that cannot be included in an LEI.
- This means that the lead times will vary over different business cycles.



What the Monthly Leading Indexes are Suggesting (Above Graph)

All of the indexes in the above graph contain December data, but not all of the inputs have been released, so those missing inputs were set to the value of the prior month (i.e., no change). The data in the indexes will be replaced as new data becomes available or is revised. Note the following:

- The long-leading index (blue line) in the above graph shows the impact of the housing bubble over the 2004-2007 period when building permits and house prices were rising.
- The short-leading index (green line) does not show this strong increase because it does not include housing data in its index. It also gave a shorter lead time in warning of the last recession.
- The September 2011 dip in the long-leading index is clear on the graph and that was when the ECRI organization made their recession call. Note the short-leading index also had a dip in September, but it was much smaller.
- For recession warnings, both indexes need to show persistent and deep declines, which we are not seeing at this time.
- Given the recoveries of both the long and short indexes from their September swoons, the worst case scenario appears to be a slowdown in economic growth over the next year, but continued increases in both may take even that off the table.
- The risks to using these leading indexes at this time is that Europe goes into a deeper recession and China's economic growth throttles back more than expected, but even if the US goes into recession this year, it is likely to be very much milder than the recent recession according to the US leading indexes.

Review of National Labor Markets

For the National Employment Situation Report for December 2011 (BLS) please use the following link: <http://stats.bls.gov/news.release/pdf/empsit.pdf>. The summary states, “Nonfarm payroll employment rose by 200,000 in December, and the unemployment rate, at 8.5 percent, continued to trend down, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in transportation and warehousing, retail trade, manufacturing, health care, and mining.”

Review of State Labor Market

For the Washington State Employment Situation Report for October 2011 please use the following link: <https://fortress.wa.gov/esd/employmentdata/reports-publications/economic-reports/monthly-employment-report>
Based on a BLS survey of businesses, Washington State lost an estimated 10,700 jobs over the month on a seasonally adjusted basis. Please see the report at the above link for more details.

Summary Tables for Unemployment and Employment Statistics

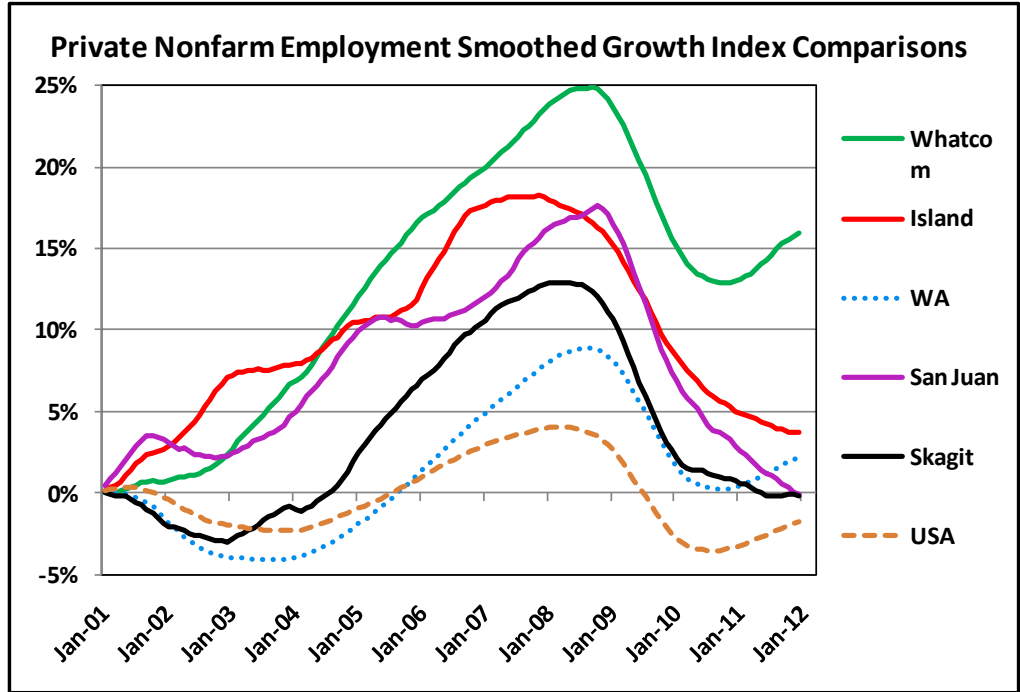
Table 1			
Unemployment Rates (Not Seasonally Adjusted)			
Area	Dec-11	Nov-11	Dec-10
USA (U-3)	8.3	8.2	9.1
USA (U-6)*	15.3	15.7	15.9
Washington	8.6	8.3	9.2
CD-2 (est.)	8.4	8.4	9.4
NW WDA	8.8	7.9	8.8
Whatcom	8.1	7.3	8.2
Skagit	10.2	9.1	10.1
Island	8.8	8.0	8.7
San Juan	7.6	6.8	7.5
Snohomish	8.2	8.7	9.8

*U-6 rate counts discouraged and other workers.

Employment Growth Rate Comparison of Select Industry Sectors														
<i>December 2011 Nonseasonally Adjusted Data for All Areas (Preliminary)</i>														
	USA		Washington		NW Counties		Whatcom		Skagit		Island		San Juan	
NAICS Industry	Y/Y %	M/M %	Y/Y %	M/M %	Y/Y %	M/M %	Y/Y %	M/M %	Y/Y %	M/M %	Y/Y %	M/M %	Y/Y %	M/M %
Total Nonfarm 1/	1.3%	-0.2%	1.0%	-0.8%	1.2%	-0.5%	1.3%	-1.5%	0.5%	-1.4%	-0.5%	-0.9%	-1.7%	-1.9%
Total Private	1.8%	-0.1%	1.7%	-0.6%	1.2%	-1.1%	1.6%	-0.9%	-0.3%	-1.2%	0.3%	-0.3%	-1.1%	-2.1%
Goods Producing	2.0%	-1.2%	4.1%	-1.3%	1.1%	-2.2%	3.0%	-1.4%	2.6%	-1.3%	-10.0%	0.0%	0.0%	-1.2%
Mining, Log. & Construct.	1.7%	-0.2%	-0.8%	-4.2%	-5.1%	-4.4%	-1.8%	-3.6%	-3.6%	-3.6%	-15.7%	-1.4%	-3.1%	0.0%
Manufacturing	1.9%	0.1%	6.8%	0.3%	5.8%	-0.7%	6.3%	0.0%	6.3%	0.0%	-3.0%	1.6%	12.5%	-5.3%
Service Providing	1.2%	0.0%	0.5%	-0.8%	1.3%	-0.2%	0.9%	-1.5%	0.0%	-1.4%	0.5%	-0.9%	-2.0%	-2.0%
Private Service Providing	1.7%	0.1%	1.1%	-0.5%	1.3%	-0.8%	1.2%	-0.8%	-1.2%	-1.2%	2.0%	-0.3%	-1.3%	-2.3%
Government	-1.2%	-0.6%	-1.7%	-1.8%	1.1%	1.5%	0.0%	-3.5%	2.7%	-1.7%	-2.4%	-2.2%	-4.0%	-1.0%

NW WDA Seasonally adjusted Private Nonfarm Employment

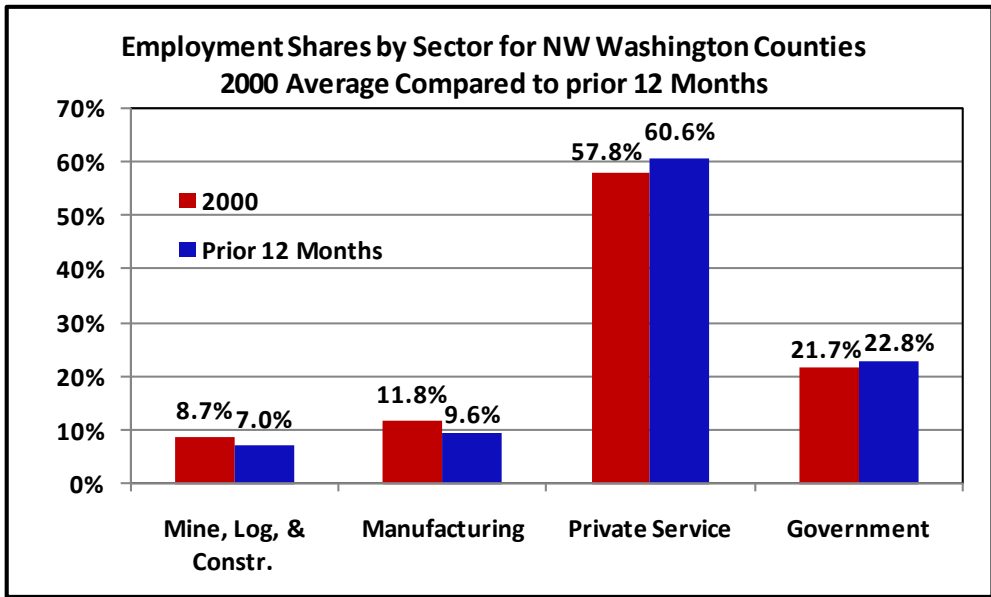
Looking at the monthly nonseasonally adjusted data (12-month simple moving average), it is easy to see the intermediate trends. This graph compares the all four NW counties with the state and US. Whatcom is still the growth leader; Skagit is in a bottoming out process; Island seems to be bottoming as well. San Juan County is still struggling to find its footing in the recovery, but the signs are pointing to a recovery for San Juan are stronger than they have been in the past few years.

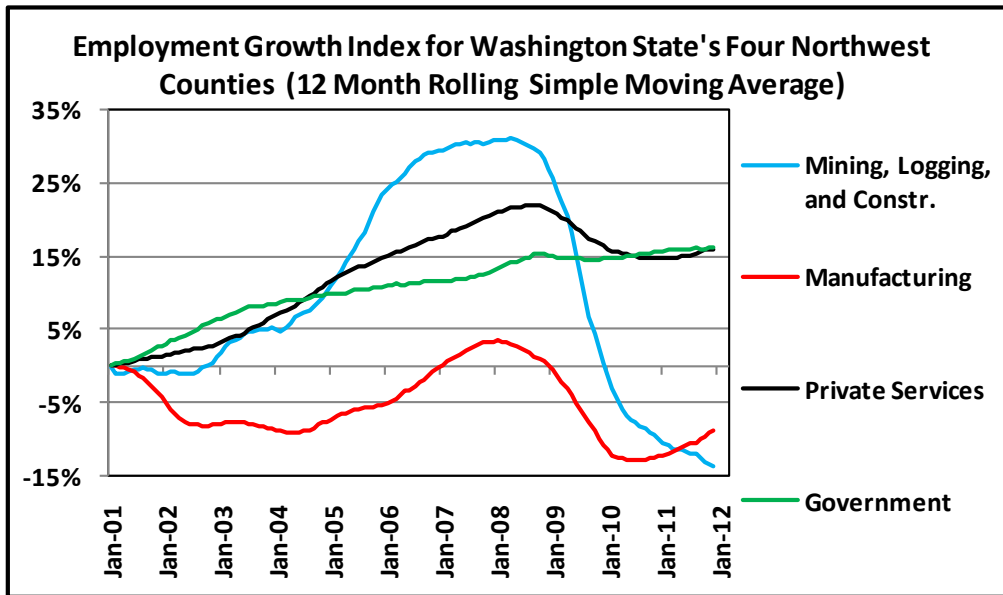


Whatcom is still the growth leader; Skagit is in a bottoming out process; Island seems to be bottoming as well. San Juan County is still struggling to find its footing in the recovery, but the signs are pointing to a recovery for San Juan are stronger than they have been in the past few years.

The next two graphs show the share of jobs by private sector in 2000 and in 2011, as well as the intermediate trends by sector for the WDA.

Private and government services have taken a larger share of employment from goods producing industries in the aftermath of the recent recession. Manufacturing is in a durable uptrend in the WDA, construction has yet to rebound and private services are showing slow but steady growth. Any government employment growth is most likely due to local and state government educational services.





Duration of Long-Term Unemployment among the Insured Unemployed

The insured unemployed are those collecting unemployment insurance benefits during the unemployment. The long-term unemployed are usually those considered unemployed for 27 weeks or longer at a stretch. The following table shows how the local areas are faring. A table is in the appendix of this review that includes all counties for comparison purposes. WDA3 has the lowest percentage of long-term unemployed for western Washington WDAs. Long-term unemployment is a smaller problem in the agricultural counties in eastern Washington. The next month’s review will have this data over time so that we can see how the trends are emerging.

County or WDA	Regular Benefits ¹	27 Week or Longer UI Claimants			Total Claimants ⁵	Exhaustees as of December 2011 ⁶	27 Weeks Unemployed or Longer	Share of Insured Unemployed 27 Weeks or Longer	27-Weeks or Longer as a percent of Labor Force (Dec-11 LF)
		Emergency Unemployment Compensation (EUC) ²	Extended Benefits ³	Training Benefits ⁴					
Whatcom	3,113	1,834	350	38	5,141	1,710	2,222	43.2%	2.1%
Skagit	2,408	1,294	237	15	3,828	976	1,546	40.4%	2.7%
Island	847	565	123	6	1,489	528	694	46.6%	2.2%
San Juan	202	97	19	-	309	71	116	37.5%	1.6%
WDA3	6,570	3,790	729	59	10,767	3,285	4,578	42.5%	2.3%
Snomish	10,513	8,014	1,661	99	19,549	8,575	9,774	50.0%	2.6%
CD-2 (est)	17,083	11,804	2,390	158	30,316	11,860	14,352	47.3%	2.5%
Statewide	115,673	71,438	14,439	823	195,721	69,928	86,700	44.3%	2.5%

- 1Regular Benefits: up to 26 weeks of benefits. Paid from the state UI trust fund. Training benefits are excluded from these figures.
- 2Emergency Unemployment Compensation (EUC): up to 53 weeks continued compensation after regular benefits expire.
- 3Extended Benefits (EB): up to 20 weeks continued compensation after EUC expires. Extended benefits are normally 50 percent state funded and 50 percent federally funded for those employers who pay UI taxes. The federal government has paid 100% of EB since Washington State became eligible in February 2009. Recent legislation extended 100 percent federal funding of EB through 2011.
- 4Training Benefits: Up to 52 weeks of continued compensation to those claimants that are in approved training programs and paid after any regular and extended benefit are exhausted. Benefits paid are 52 weeks times the wba less and regular and eb benefits paid. Recent legislation will change the order of priority after 07/03/11 to be paid after all federal benefits have been exhausted.
- 5Total claimants: unduplicated count of all UI claimants who received a UI payment in the month. Because claimants may receive more than one benefit type in a month, the separate totals for EUC, EB and regular benefits cannot be combined to form a total count of individuals who received some form of UI payment in the month
- 6Exhaustees: Claimants who have exhausted all UI benefit entitlements since EUC was implemented in July 2008.

Source: Employment Security Department, 1/17/2012

Whatcom County

Data: <https://fortress.wa.gov/esd/employmentdata/eeis-tools/labor-area-summaries>

Whatcom County Employment by Place of Work Survey (Non-Seasonally Adjusted)					
NAICS Industry Titles	Dec-11	Year over Year		Month over Month	
		Job Change	Percent	Job Change	Percent
Total-Nonfarm	80,700	1,000	1.3%	(1,200)	-1.5%
Total Private	64,100	1,000	1.6%	(600)	-0.9%
Goods-Producing	13,800	400	3.0%	(200)	-1.4%
Mining, Logging, and Construction	5,400	(100)	-1.8%	(200)	-3.6%
Manufacturing	8,400	500	6.3%	0	0.0%
Total Service Providing	66,900	600	0.9%	(1,000)	-1.5%
Private Service Providing	50,300	600	1.2%	(400)	-0.8%
Trade, Transportation, & Utilities	15,400	(100)	-0.6%	(100)	-0.6%
Wholesale Trade, Transport, Warehousing and Utilities	4,800	(200)	-4.0%	(100)	-2.0%
Retail Trade	10,600	100	1.0%	0	0.0%
Financial Activities	2,800	0	0.0%	0	0.0%
Professional & Business Services	6,600	(100)	-1.5%	(100)	-1.5%
Leisure & Hospitality	9,000	(200)	-2.2%	(100)	-1.1%
Residual Private Services	16,500	1,000	6.5%	(100)	-0.6%
Government Service Providing	16,600	0	0.0%	(600)	-3.5%
Federal Government	1,400	0	0.0%	0	0.0%
State Government	5,600	0	0.0%	(400)	-6.7%
Local Government	9,600	0	0.0%	(200)	-2.0%

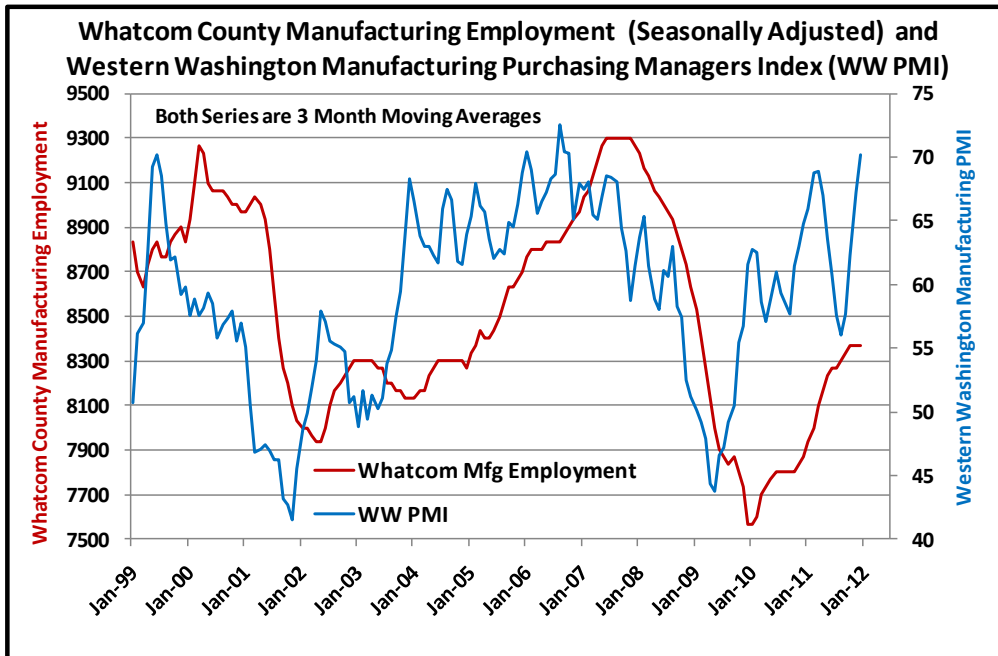
Unemployment Rates

The preliminary nonseasonally adjusted (NSA) unemployment rate in Whatcom County was 8.1 percent in December, up from a revised 7.3 percent in November 2011 (preliminary November was 7.5 percent) to (see table 1 above or detailed table 3 in the appendix). The November rate in Whatcom County still compares favorably to the 8.6 and 8.3 percent rates for Washington and the US respectively. The preliminary number of employed (LAUS) declined by nearly 2,450 over the year while the number of jobs increased by 1,000 over the year, so the employment and LAUS numbers are still giving conflicting signals, and more credence should be given to the jobs figure. The unemployment rate in December 2010 was 8.2 percent.

The 21-year average seasonal increase in the unemployment rate from November to December is an increase of 0.2, while the preliminary change this year was an increase of 0.8 in the rate. While it may make headlines that the rate increased from 7.3 percent from November to 8.1 December; unless the county economy suddenly and unexpectedly hit the skids big time (unlikely), the December rate seems likely to be revised to about 7.6 percent due solely to seasonal factors and good recent trends. The monthly seasonal changes in the unemployment rates from June to November this year have been as, or more favorable than the 21-year averages gives further reason why the preliminary rate is likely too high.

Payroll Employment

Whatcom County is about matching the pace of job growth over the year compared to the state and nation. See the summary tables in the earlier part of this review (right after the state review). Manufacturing employment growth seems to have temporarily slowed over the month, but the outlook remains bright over the next 6-9 months given what the Western Washington Institute for Supply Management Purchasing Managers Index (WW-PMI) is telling us about future manufacturing job growth in Western Washington (See: <https://www.ismww.org/>) Looking at the chart below, the WW-PMI has about a 6-9 months lead in anticipating manufacturing employment growth. The seasonally adjusted manufacturing employment in Whatcom County was about 8,400 in December 2011 and the recent over the year growth rate is about 7 percent, so if this recent growth continues over the next year, that could lead to about 9,000 manufacturing jobs in the county. The pre-recession peak in manufacturing employment was 9300 jobs in the summer of 2007, while the recent low was in December 2009 at 7,400 jobs. It is possible that the recent dip to the August 2011 low of the WW-PMI might bring some sluggish growth over the next few months, but the WW-PMI has recovered recently, so any slowdown or decline in jobs is likely to be temporary.

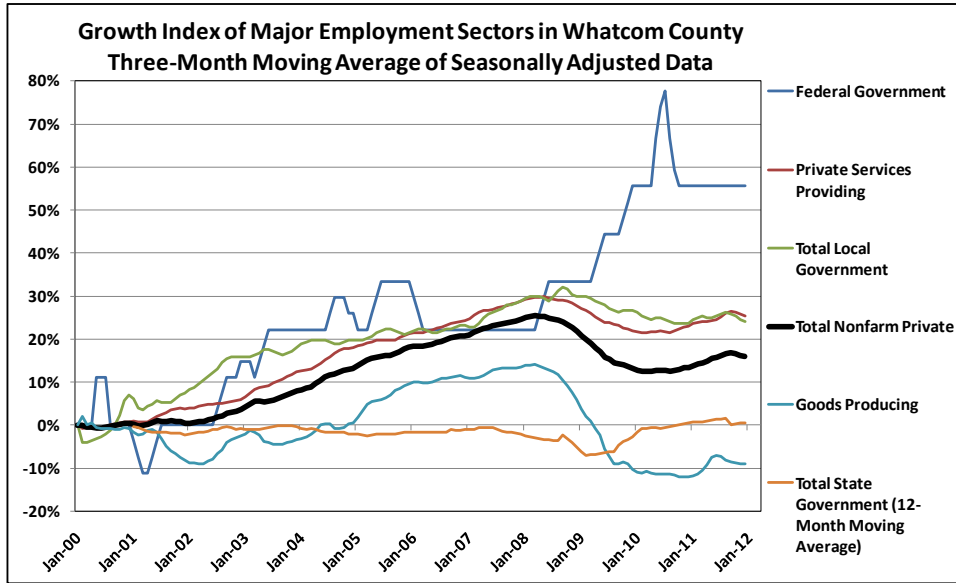


Whatcom is falling behind in construction job growth after a pop in late spring and early summer of 2011---see the private sector job graph below. On a seasonally adjusted basis, 700 construction jobs were lost since the May 2011 peak. It seems likely that this mini boom/bust was more related to commercial construction, rather than private housing construction.

The data used in the employment estimates will be benchmarked with the release of the January 2012 county data on March 13. The growth of seasonally adjusted private payroll jobs seems to be on the decline across many industries in the county over the past three months and it is this data that will be benchmarked with the January release. It seems better to wait for the updated data than to draw any conclusions about declining jobs at this point.

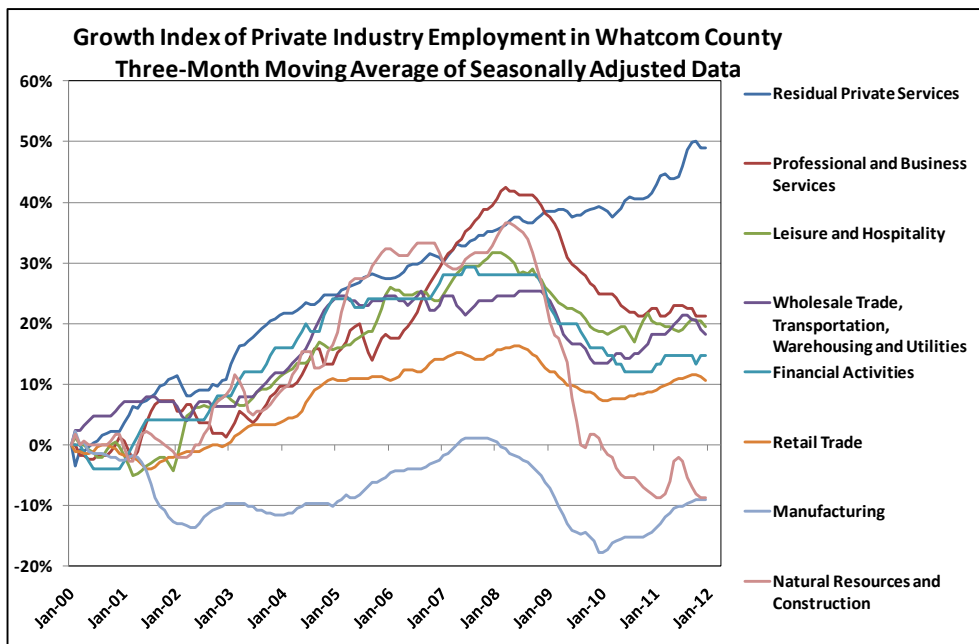
Major Sector Detail

- The total nonfarm private employment data from October through December 2011 is showing a change in the trend towards lower private employment, but after the benchmarking process it seems likely that this will reverse and growth will have increased over the past 3 months of last year.



Private Sector Detail

- Health care (which is a part of residual private services) is still in a strong uptrend).
- Manufacturing employment is also in a strong uptrend,
- Financial, professional and business services as well as the leisure and hospitality industries are basically trading water over the past year with no durable trend other than flatness.
- Retail trade is probably still in an uptrend, which will hopefully be revealed after the data is benchmarked next month.
- Construction employment is falling since the spike in commercial and industrial construction last summer.



Whatcom County Coincident Economic Index (CEI)

This will be updated in the next monthly report with the addition of the LMEA Whatcom County leading economic index (LEI), which is still in the testing phase. There was a decline in this LEI over the February to September 2011 period and this may presage some slowdown or decline in job growth over the next few months. However, the Whatcom LEI has recovered about half its losses so this LEI is not giving a recession signal for the county at this time.

Skagit County

Data: <https://fortress.wa.gov/esd/employmentdata/eis-tools/labor-area-summaries>

Skagit County Employment by Place of Work Survey (Non-Seasonally Adjusted)					
NAICS Industry Titles	Dec-11	Year over Year		Month over Month	
		Job Change	Percent	Job Change	Percent
Total Nonfarm	43,700	200	0.5%	(600)	-1.4%
Total Private	32,400	(100)	-0.3%	(400)	-1.2%
Goods Producing	7,800	200	2.6%	(100)	-1.3%
Mining, Logging, and Construction	2,700	(100)	-3.6%	(100)	-3.6%
Manufacturing	5,100	300	6.3%	0	0.0%
Total Service Providing	35,900	0	0.0%	(500)	-1.4%
Private Services Providing	24,600	(300)	-1.2%	(300)	-1.2%
Trade, Transportation, Warehousing, and Utilities	9,500	0	0.0%	0	0.0%
Wholesale Trade, Transport, Warehousing, and Utilities	2,600	100	4.0%	0	0.0%
Retail Trade	6,900	(100)	-1.4%	0	0.0%
Leisure and Hospitality	4,300	100	2.4%	(100)	-2.3%
Residual Private Services	10,800	(400)	-3.6%	(200)	-1.8%
Government Service Providing	11,300	300	2.7%	(200)	-1.7%
Federal Government	400	0	0.0%	0	0.0%
State Government	1,500	100	7.1%	(200)	-11.8%
Local Government	9,400	200	2.2%	0	0.0%

Unemployment Rates

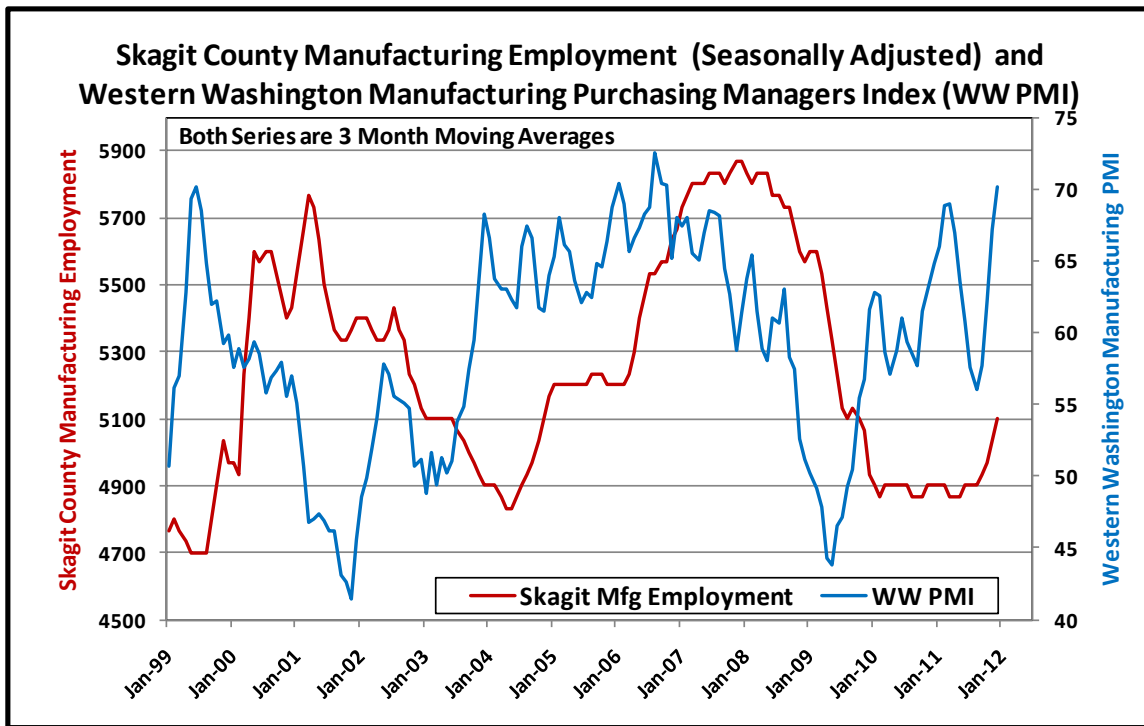
The preliminary nonseasonally adjusted unemployment rate in Skagit County for December 2011 was 10.2 percent, rising from a revised 9.1 percent in November (preliminary November was 9.2 percent) (see table 1 above or detailed table 3 in the appendix). The 21 year average rise in the unemployment rate from November to December is an increase of 0.4, while the recent increase was 1.1, so it seems possible that the December 2011 10.2 percent rate will be revised downward next month. The over the month change in the number of employed was a decline of 1.1%, while the average decline is about 0.8 percent. The unemployment rate in December 2010 was 10.1 percent.

What really caused the spike in the unemployment rate from November to December was the increase of the number of unemployed (+790 people) which resulted in a 12.4% increase. One would have to go back to 2008 to find such a large jump in the percentage of people becoming unemployed over any 2-month period. It seems likely that the increase in the number of unemployed is due to more workers moving from unemployed and not looking for a job to unemployed, but looking for a job, i.e., so-called discouraged workers moving back to the labor force.

Payroll Employment

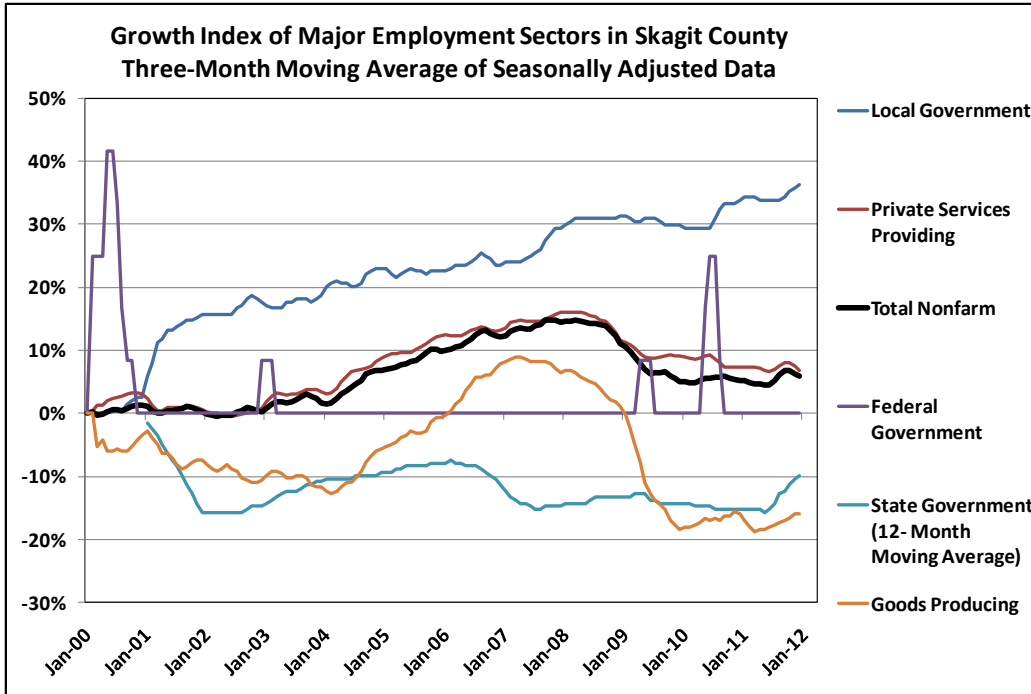
The industries that are showing strength over the year in Skagit County are wholesale trade, leisure and hospitality and especially manufacturing (see special section on the manufacturing outlook below). Looking at the seasonally adjusted industry employment graph below, the recent strength in manufacturing and leisure and hospitality really stand out. The surge in construction employment in the summer and fall of 2010 is gone and employment is reaching new lows, but seems to be stabilizing. Retail trade employment has been flat over the past year or so. Residual private services employment (about 35 percent of private sector employment) has been in a slow decline since the summer of 2008 (this 'sector' has about 32 percent employed in health care and 22 percent in finance, insurance, and professional and technical services).

Purchasing Managers Index (WW-PMI) is telling us about future manufacturing job growth in Western Washington (See: <https://www.ismww.org/>) Looking at the chart below, the WW-PMI has about a two year lead in anticipating manufacturing employment growth. The seasonally adjusted manufacturing employment in Skagit County was about 5,100 in December 2011 and the recent over the year growth has heated up to about 4 percent, so if this recent growth continues over the next year, that could lead to about 5,300 manufacturing jobs in the county. The pre-recession peak in manufacturing employment was 5,900 jobs in the summer of 2007, while the recent low was in January 2011 at 4,800 jobs. It is possible that the recent dip the August 2011 low of the WW-PMI might bring some sluggish growth over the next few months, but the WW-PMI has recovered recently, so any slowdown or decline in jobs is likely to be temporary.



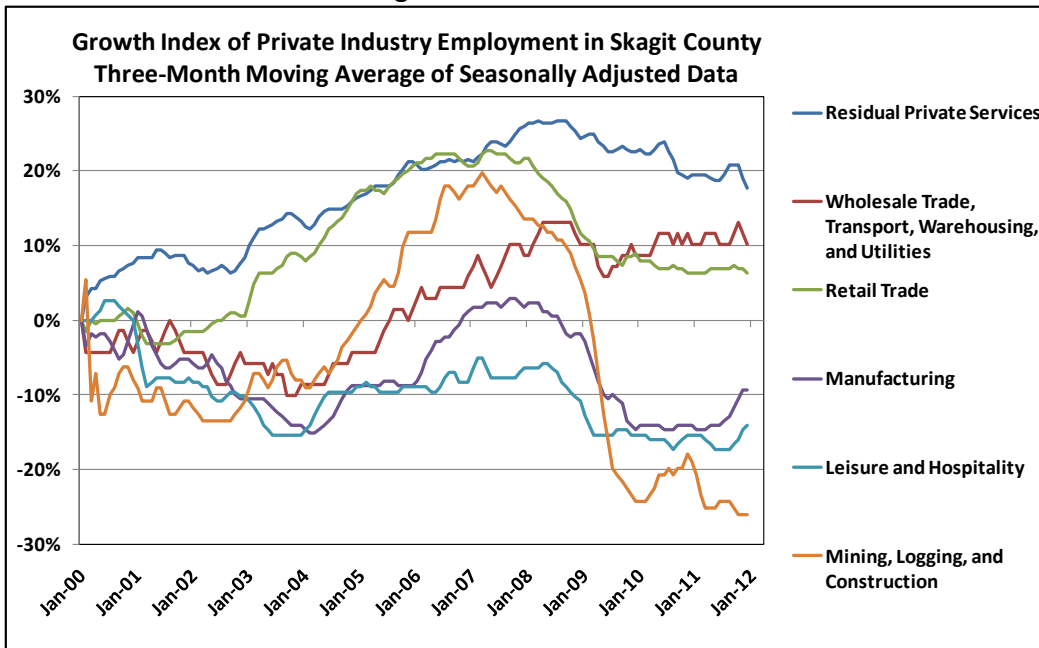
Major Sector Detail

- Local government is showing moderately strong trend growth.
- Total private nonfarm employment and private services have potentially slowed from their uptrend of last summer, but new benchmarking of the data in March will likely reverse some of those losses.
- While state government looks like it is in a strong uptrend, this could be due to changing seasonal factors or possibly a pickup in community college employment.



Private Sector Detail

- Residual private services (mostly healthcare, finance, insurance and professional and technical services) is a downtrend
- Trade, transportation, warehousing and utilities have been basically flat over the past year.
- Manufacturing and leisure/hospitality services are in fairly strong uptrends.
- Construction is still seeking a bottom for its slow downtrend.



Island County

Data: <https://fortress.wa.gov/esd/employmentdata/eeis-tools/labor-area-summaries>

Island County Employment by Place of Work Survey (Non-Seasonally Adjusted)					
NAICS Industry Titles	Dec-11	Year over Year		Month over Month	
		Job Change	Percent	Job Change	Percent
Total Nonfarm	14,960	(80)	-0.5%	(130)	-0.9%
Total Private	10,450	30	0.3%	(30)	-0.3%
Goods Producing	1,350	(150)	-10.0%	0	0.0%
Natural Resources, Mining, and Construction	700	(130)	-15.7%	(10)	-1.4%
Manufacturing	650	(20)	-3.0%	10	1.6%
Total Service Providing	13,610	70	0.5%	(130)	-0.9%
Private Service Providing	9,100	180	2.0%	(30)	-0.3%
Trade, Transportation, Warehousing, and Utilities	2,600	70	2.8%	0	0.0%
Wholesale Trade	150	0	0.0%	0	0.0%
Retail Trade	2,150	50	2.4%	0	0.0%
Transportation, Warehousing, and Utilities	300	20	7.1%	0	0.0%
Information and Financial Activities	770	0	0.0%	(10)	-1.3%
Residual Private Services	5,730	110	-2.4%	(20)	-0.3%
Total Government Service Providing	4,510	(110)	-2.4%	(100)	-2.2%

Unemployment Rates

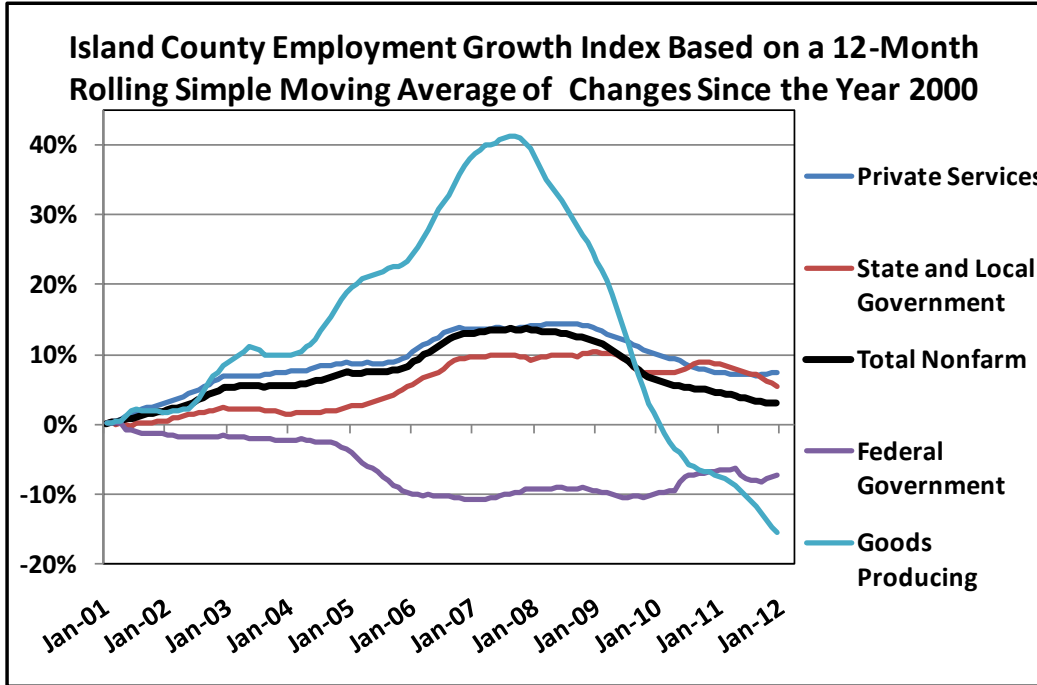
The nonseasonally adjusted unemployment rate in Island County in December 2011 was 8.8 percent, up from a revised 8.0 percent in November 2011 (November 2011 preliminary was 8.2 percent). This rise in the unemployment rate is attributable to a 250 person surge in the unemployed over the month (an increase of 9.8 percent). The 21-year average percent change in the unemployed from November to December is a decline of 3 percent. The 21-year average change in the unemployment rate is for a decline of 0.2. Since the decrease in total nonfarm jobs was about 130 over the month, the balance of the increased numbers of the unemployed is most likely to have come from persons that were already unemployed, but had given up searching for work until recently (i.e., formerly discouraged workers). The unemployment rate in December 2010 was 8.7 percent.

Payroll Employment

The December snapshot for jobs in Island County in the above table has a bit less red ink than the November table. In November 2011, the private sector lost 110 jobs over the year (1 percent decline) while in December 30 jobs were gained (a 0.3 percent increase). Over the month the job loss rate is decelerating as well with a 0.3 percent seasonal decline in December compared to a 1.1 percent decline in November. The private net gain in jobs was due to continued strength in private services employment, especially trade and residual private services (with health care possibly accounting for most of the gains).

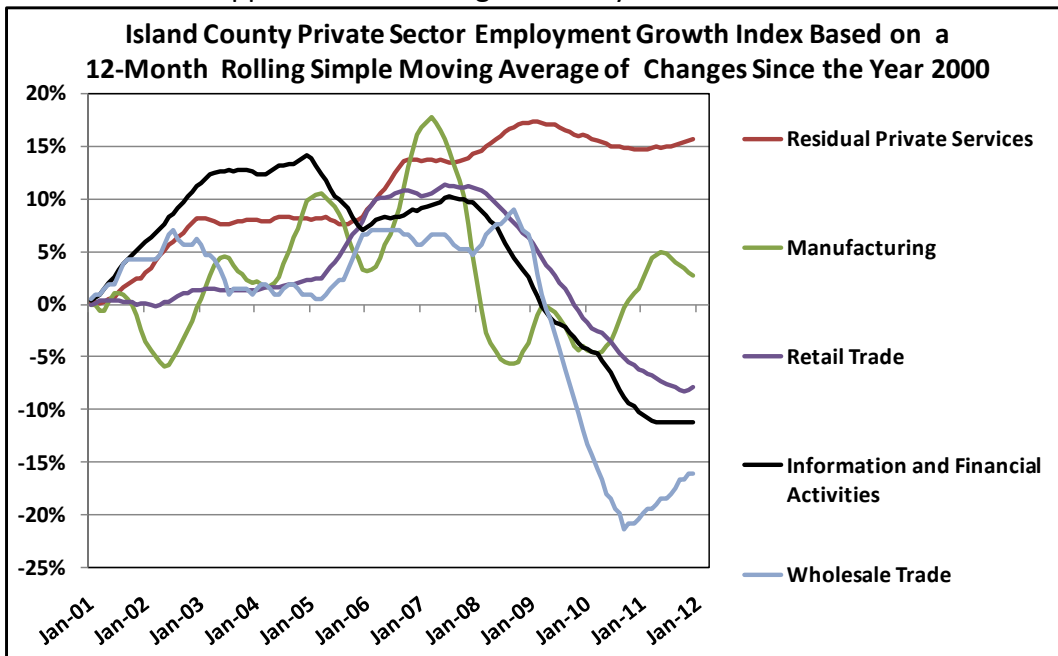
Major Sector Detail

- The following graphs show the employment trends by sector as a 12-month rolling moving average of the NSA data.
- The trend of nonfarm private sector employment has been down, but appears to be bottoming.



Private Sector Detail

- Health care services (part of residual private services) are emerging into a stronger uptrend.
- Information and financial services has bottomed out from its multi-year downtrend.
- Manufacturing employment peaked at 680 jobs in January 2010, then declined to 640 jobs over the summer-fall period and grew to 650 jobs in December 2011.
- Wholesale trade continues in a strong uptrend.
- Retail trade appears to be ending its multi-year decline.



San Juan County

Data: <https://fortress.wa.gov/esd/employmentdata/eis-tools/labor-area-summaries>

San Juan County Employment by Place of Work Survey (Non-Seasonally Adjusted)					
NAICS Industry Titles	Dec-11	Year over Year		Month over Month	
		Job Change	Percent	Job Change	Percent
Total Nonfarm	4,700	(80)	-1.7%	(90)	-1.9%
Total Private	3,740	(40)	-1.1%	(80)	-2.1%
Goods Producing	800	0	0.0%	(10)	-1.2%
Natural Resources, Mining, and Construction	620	(20)	-3.1%	0	0.0%
Manufacturing	180	20	12.5%	(10)	-5.3%
Service Providing (Total)	3,900	(80)	-2.0%	(80)	-2.0%
Service Providing (Private)	2,940	(40)	-1.3%	(70)	-2.3%
Trade, Transportation, and Utilities	880	(20)	-2.2%	0	0.0%
Information and Financial Activities	250	0	0.0%	(10)	-3.8%
Residual Private Services	1,810	(20)	-1.1%	(60)	-3.2%
Government Service Providing	960	(40)	-4.0%	(10)	-1.0%

Unemployment Rates

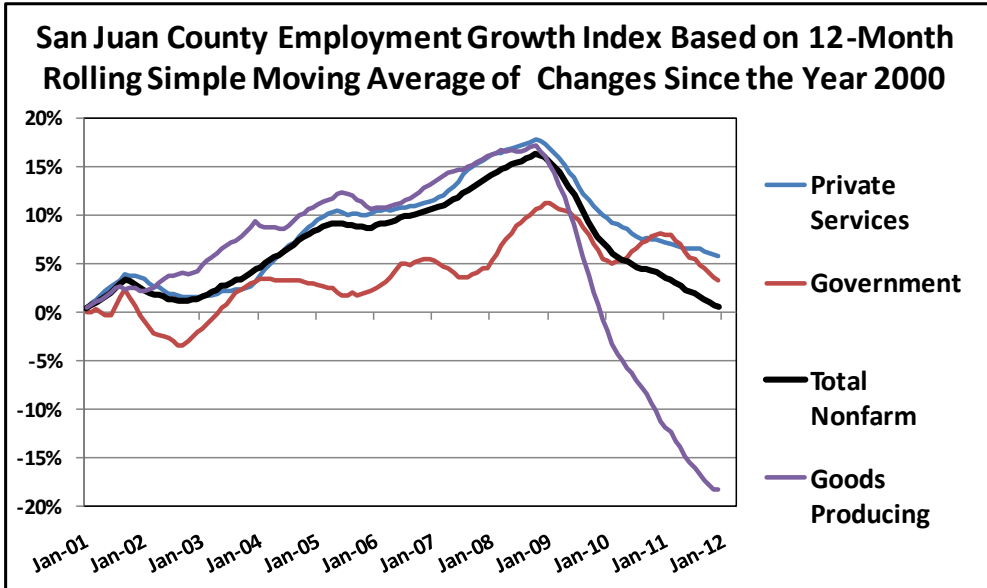
The nonseasonally adjusted unemployment rate in San Juan County in December 2011 was 7.6 percent, up from a revised 6.8 percent in November 2011. (November 2011 preliminary was 6.7 percent). The unemployment rate in December 2010 was 7.5 percent. This increase of 0.8 in the unemployment rate over the month was above the 21 year average of 0.5. This rise in the unemployment rate is attributable to a 60 person surge in the unemployed over the month (an increase of 12 percent). The 21-year average percent change in the unemployed from November to December is an increase of 8.2 percent.

Payroll Employment

San Juan County is still losing jobs over-the-year on a total nonfarm basis. There is a nugget of good news in that the rate of decline in job losses is getting smaller. In November 2011, the private sector lost 120 jobs over the year (3 percent decline) while in December 40 jobs were lost (a 1.1 percent decline). Over the month the job loss rate is decelerating as well with a 2.1 percent decline in December and a 6.4 percent decline in November. The following graphs show the employment trends by sector as a 12-month rolling moving average. The third chart shows rates of increase/decrease of the second chart's employment components converging towards zero, while manufacturing is starting to increase jobs. Before jobs start increasing, the rate of decline needs to bottom out at zero and that is what appears to be happening, so that is good news.

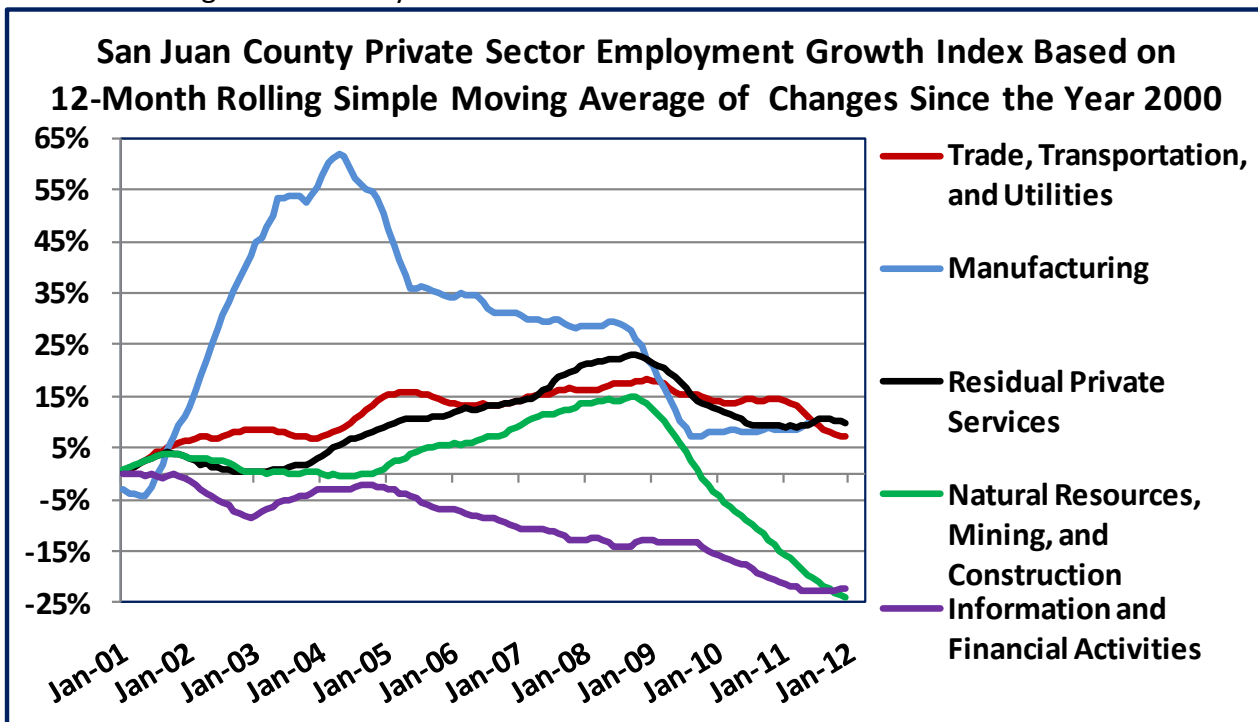
Major Sector Detail

- Total private nonfarm employment appears to be in the beginning stages of stopping its job losses.
- Government employment is still losing jobs, but its job loss rate appears to be moderating.

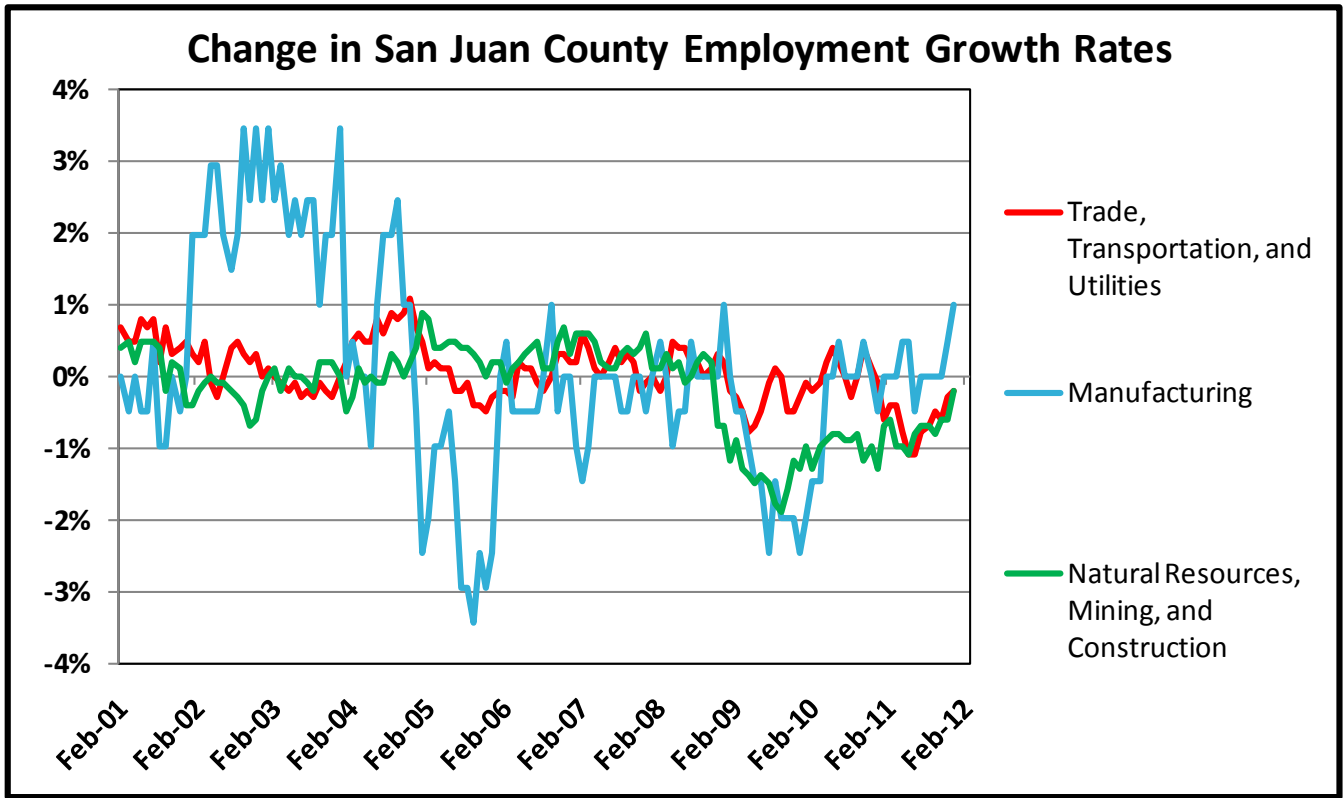


Private Sector Detail

- Manufacturing employment has been strengthening over the past year and is in a modest uptrend.
- Trade, transportation and utilities employment’s rate of job losses is moderating.
- Construction job losses are slowing down and may be ready to show job gains over the next 12 months.
- Health care employment (in residual services) has been in a bottoming process over the past two years.
- Information and financial services employment appear to have bottomed and are inching up with some slow growth recently.



Graph of the Change in Private Sector Growth Rates



Appendix

Local Area Unemployment Statistics program (LAUS)

Table 3 Unemployment Rates and Labor Force Composition: All Data is Not Seasonally Adjusted (NSA)												
	December 2011 NSA Preliminary				November 2011 NSA Revised				December 2010 NSA Revised			
	L-Force	Employ	Unemploy	URate	L-Force	Employ	Unemploy	URate	L-Force	Employ	Unemploy	URate
USA (1,000s)	153,373	140,681	12,692	8.3	153,683	141,070	12,613	8.2	153,156	139,159	13,997	9.1
M/M change	-310	-389	79	0.1								
Y/Y Change	217	1,522	-1,305	-0.8								
Y/Y % Change	0.1%	1.1%	-9.3%									
Washington	3,463,030	3,166,800	296,230	8.6	3,467,303	3,179,522	287,781	8.3	3,513,398	3,190,103	323,295	9.2
M/M change	-4,273	-12,722	8,449	0.3								
Y/Y Change	-50,368	-23,303	-27,065	-0.6								
Y/Y % Change	-1.4%	-0.7%	-8.4%									
CD-2 Est.	578,640	530,080	48,560	8.4	578,600	529,950	48,650	8.4	584,980	529,770	55,210	9.4
M/M change	40	130	-90	0.0								
Y/Y Change	-6,340	310	-6,650	-1.0								
Y/Y % Change	-1.1%	0.1%	-12.0%									
NW WDA (3)	199,910	182,380	17,530	8.8	200,050	184,260	15,790	7.9	205,220	187,170	18,050	8.8
M/M change	-140	-1,880	1,740	0.9								
Y/Y Change	-5,310	-4,790	-520	0.0								
Y/Y % Change	-2.6%	-2.6%	-2.9%									
Whatcom	103,440	95,080	8,360	8.1	103,720	96,150	7,570	7.3	106,240	97,530	8,710	8.2
M/M change	-280	-1,070	790	0.8								
Y/Y Change	-2,800	-2,450	-350	-0.1								
Y/Y % Change	-2.6%	-2.5%	-4.0%									
Skagit	57,030	51,230	5,800	10.2	56,960	51,800	5,160	9.1	58,270	52,400	5,870	10.1
M/M change	70	-570	640	1.1								
Y/Y Change	-1,240	-1,170	-70	0.1								
Y/Y % Change	-2.1%	-2.2%	-1.2%									
Island	32,120	29,310	2,810	8.8	31,990	29,430	2,560	8.0	32,890	30,010	2,880	8.7
M/M change	130	-120	250	0.8								
Y/Y Change	-770	-700	-70	0.1								
Y/Y % Change	-2.3%	-2.3%	-2.4%									
San Juan	7,320	6,760	560	7.6	7,380	6,880	500	6.8	7,820	7,230	590	7.5
M/M change	-60	-120	60	0.8								
Y/Y Change	-500	-470	-30	0.1								
Y/Y % Change	-6.4%	-6.5%	-5.1%									
Snohomish	378,730	347,700	31,030	8.2	378,550	345,690	32,860	8.7	379,760	342,600	37,160	9.8
M/M change	180	2,010	-1,830	-0.5								
Y/Y Change	-1,030	5,100	-6,130	-1.6								
Y/Y % Change	-0.3%	1.5%	-16.5%									

NORTHWEST WASHINGTON LABOR MARKET REVIEW FOR DECEMBER 2011

Washington State Unemployment Insurance Benefit Entitlements by County, December 2011										
County or WDA	Regular Benefits ¹	27 Week or Longer UI Claimants				Total Claimants ⁵	Exhaustees as of December 2011 ⁶	27 Weeks Unemployed or Longer	Share of Insured Unemployed 27 Weeks or Longer	27-Weeks or Longer As a percent of Labor Force (Dec-11 LF)
		Emergency Unemployment Compensation (EUC) ²	Extended Benefits ³	Training Benefits ⁴						
Adams	426	94	17	1	523	56	112	21.4%	1.4%	
Asotin	154	62	15	3	220	50	80	36.4%	0.8%	
Benton	4,238	1,380	190	14	5,674	800	1,584	27.9%	1.7%	
Chelan	1,782	702	111	9	2,530	443	822	32.5%	2.1%	
Clallam	1,285	597	134	3	1,958	525	734	37.5%	2.5%	
Clark	4,904	3,174	665	27	8,503	3,942	3,866	45.5%	1.8%	
Columbia	54	24	1	1	79	24	26	32.9%	1.8%	
Cowlitz	1,759	966	204	15	2,861	1,138	1,185	41.4%	2.8%	
Douglas	872	342	54	5	1,243	248	401	32.3%	2.0%	
Ferry	129	96	15	2	231	81	113	48.9%	3.8%	
Franklin	2,120	593	93	7	2,751	328	693	25.2%	1.9%	
Garfield	20	8	-	-	26	1	8	30.8%	0.8%	
Grant	2,268	774	116	10	3,069	490	900	29.3%	2.3%	
Grays Harbor	1,822	1,075	183	38	2,975	975	1,296	43.6%	4.3%	
Island	847	565	123	6	1,489	528	694	46.6%	2.2%	
Jefferson	414	279	59	2	735	221	340	46.3%	2.7%	
King	23,641	18,055	4,054	241	44,379	19,877	22,350	50.4%	2.0%	
Kitsap	3,144	2,151	418	22	5,538	1,789	2,591	46.8%	2.1%	
Kittitas	745	328	46	1	1,081	275	375	34.7%	1.7%	
Klickitat	339	141	12	-	480	102	153	31.9%	1.5%	
Lewis	1,611	945	197	23	2,676	815	1,165	43.5%	3.8%	
Lincoln	126	78	12	-	212	60	90	42.5%	1.9%	
Mason	1,079	612	119	8	1,761	567	739	42.0%	2.9%	
Okanogan	1,046	444	77	3	1,535	351	524	34.1%	2.7%	
Pacific	409	214	31	1	643	231	246	38.3%	2.9%	
Pend Oreille	230	98	18	1	331	134	117	35.3%	2.2%	
Pierce	13,528	9,671	2,012	111	24,484	9,257	11,794	48.2%	3.0%	
San Juan	202	97	19	-	309	71	116	37.5%	1.6%	
Skagit	2,408	1,294	237	15	3,828	976	1,546	40.4%	2.7%	
Skamania	178	76	16	1	263	87	93	35.4%	1.9%	
Snohomish	10,513	8,014	1,661	99	19,549	8,575	9,774	50.0%	2.6%	
Spokane	8,212	4,760	963	15	13,551	4,492	5,738	42.3%	2.4%	
Stevens	845	444	97	1	1,332	463	542	40.7%	3.0%	
Thurston	3,778	2,634	473	45	6,664	2,101	3,152	47.3%	2.4%	
Wahkiakum	49	32	8	-	85	33	40	47.1%	2.7%	
Walla Walla	660	312	68	9	1,004	193	389	38.7%	1.2%	
Whatcom	3,113	1,834	350	38	5,141	1,710	2,222	43.2%	2.1%	
Whitman	190	95	20	2	297	46	117	39.4%	0.5%	
Yakima	7,461	2,870	391	29	10,370	1,583	3,290	31.7%	2.8%	
OOS/Other ⁷	9,072	5,508	1,160	15	15,341	6,290	6,683	43.6%	NA	
Total	115,673	71,438	14,439	823	195,721	69,928	86,700	44.3%	2.5%	
WDA1	4,843	3,027	611	27	8,231	2,535	3,665	44.5%	2.2%	
WDA2	8,699	5,480	1,003	115	14,719	4,689	6,598	44.8%	2.9%	
WDA3	6,570	3,790	729	59	10,767	3,285	4,578	42.5%	2.3%	
WDA4	10,513	8,014	1,661	99	19,549	8,575	9,774	50.0%	2.6%	
WDA5	23,641	18,055	4,054	241	44,379	19,877	22,350	50.4%	2.0%	
WDA6	13,528	9,671	2,012	111	24,484	9,257	11,794	48.2%	3.0%	
WDA7	6,712	4,172	877	42	11,449	5,113	5,091	44.5%	2.0%	
WDA8	6,394	2,356	375	28	8,900	1,588	2,759	31.0%	2.2%	
WDA9	8,723	3,415	465	31	12,194	2,047	3,911	32.1%	2.6%	
WDA10	2,408	1,217	246	19	3,732	1,052	1,482	39.7%	1.6%	
WDA11	6,358	1,973	283	21	8,425	1,128	2,277	27.0%	1.8%	
WDA12	8,212	4,760	963	15	13,551	4,492	5,738	42.3%	2.5%	
OOS/OTHER	9,072	5,508	1,160	15	15,341	6,290	6,683	43.6%	NA	
SUM	115,673	71,438	14,439	823	195,721	69,928	86,700	44.3%	2.5%	

1Regular Benefits: up to 26 weeks of benefits. Paid from the state UI trust fund. Training benefits are excluded from these figures.
 2Emergency Unemployment Compensation (EUC): up to 53 weeks continued compensation after regular benefits expire.
 3Extended Benefits (EB): up to 20 weeks continued compensation after EUC expires. Extended benefits are normally 50 percent state funded and 50 percent federally funded for those employers who pay UI taxes. The federal government has paid 100% of EB since Washington State became eligible in February 2009. Recent legislation extended 100 percent federal funding of EB through 2011.
 4Training Benefits: Up to 52 weeks of continued compensation to those claimants that are in approved training programs and paid after any regular and extended benefit are exhausted. Benefits paid are 52 weeks times the wba less and regular and eb benefits paid. Recent legislation will change the order of priority after 07/03/11 to be paid after all federal benefits have been exhausted.
 5Total claimants: unduplicated count of all UI claimants who received a UI payment in the month. Because claimants may receive more than one benefit type in a month, the separate totals for EUC, EB and regular benefits cannot be combined to form a total count of individuals who received some form of UI payment in the month.
 6Exhaustees: Claimants who have exhausted all UI benefit entitlements since EUC was implemented in July 2008.
 7OOS/Other: Washington claimants residing out-of-state or with non-recognizable street addresses in WA.
 Source: Employment Security Department, 1/17/2012