

# Humboldt Economic Index

April 2010

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## Home Prices Up, Consumer Confidence at One Year High

The overall composite expanded nearly one percent to a value of 100.9. This is the fourth month that the Index has been above the 100 level.

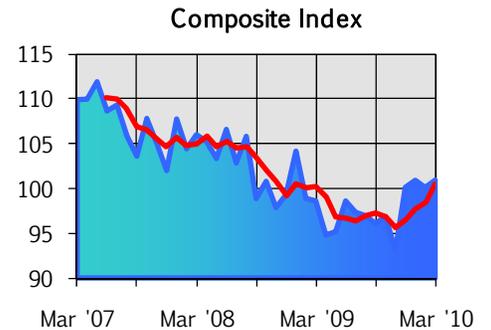
Home Sales increased, while the median home price rose by \$18,000 from the previous month.

Employment declined slightly but remains significantly higher than the values reported last Fall. Employment leading indicators are mixed as rising claims for unemployment are met by strong help wanted advertising.

Both consumers and manufacturers appear to be more optimistic about the future. Consumer Confidence posted a one year high, while PMI increased again. US automakers report higher sales than expected, showing that consumers are responding to manufacturer incentives.

Retail posted a modest gain, followed by a national increase in consumer spending.

The Bureau of Economic Analysis reported an estimated 3.2 percent annualized growth rate for first quarter of 2010, while the official growth rate for the last quarter of 2010 is 5.6 percent. For comparison, the long-run rate of growth for the US economy is



about 3 percent annually.

A degree of cautious optimism is appropriate given three quarters of growth and a hopeful consumer, though persistent high unemployment is an important reminder that many continue to face the challenges of the recession.

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>100.9</b>	<b>0.8</b>	<b>2.4</b>	<b>-8.5</b>	<b>-9.9</b>
Home Sales	98.5	29.1	48.2	-21.7	-18.6
Retail Sales	150.5	1.7	2.9	7.8	12.2
Hospitality	88.2	-4.4	1.3	-2.9	-9.2
Electricity	131.8	0.0	1.0	7.7	2.6
Employment	99.2	-0.4	-1.3	-6.9	-5.0
Manufacturing	30.2	-9.4	-8.7	-65.6	-71.4

\* 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

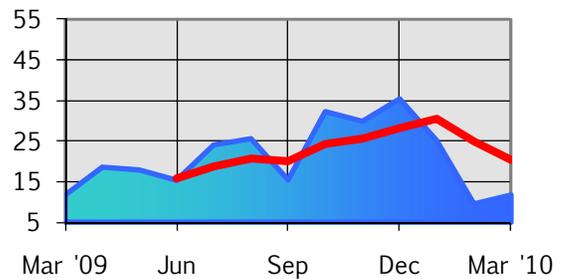
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	9.6%	23.1%	0.0%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$260,000	\$1,305	5.25%	10.8%
* 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.			

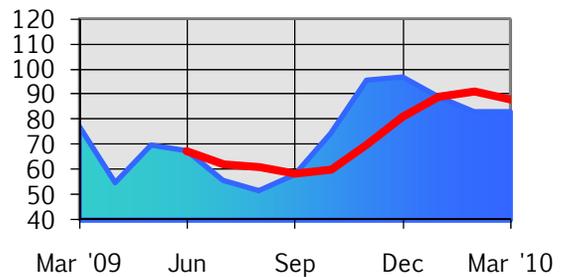
**Building permits** rose slightly from March but remain at a relatively depressed value of 11.7, when compared the one year average of 20.9

Index of Building Permits Issued



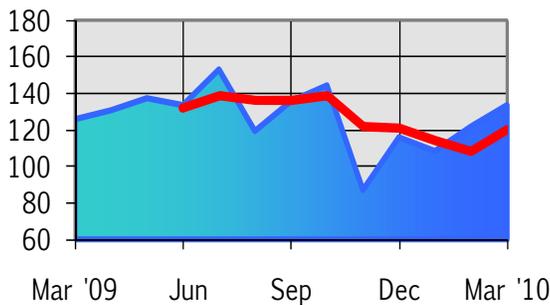
**Help Wanted Advertising** continues to show strong values as the index is unchanged from March on a seasonally adjusted basis. The index stands at 83.1.

Index of Help Wanted Advertising



**Unemployment Claims** rose to a six month high of 133.9, ending the downward trend started early last Fall.

Index of Claims for Unemployment Insurance



**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

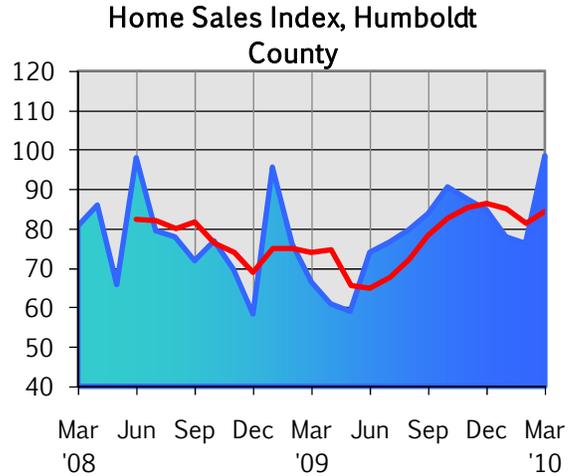
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

Homes Sales expanded significantly to 98.5, while the mortgage rate rose to 5.25 percent.

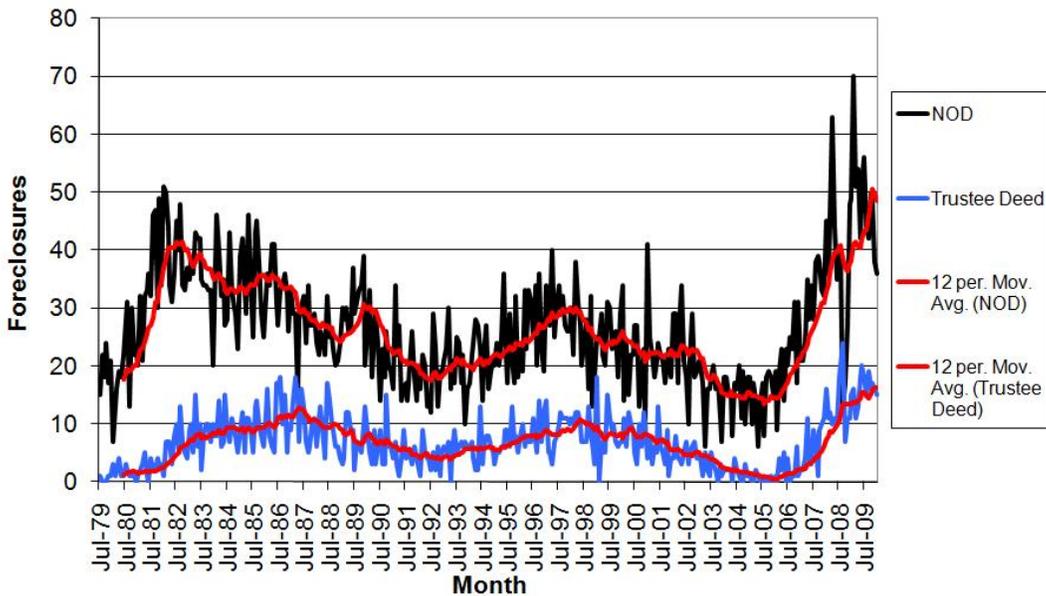
County March homes sales rebounded from this winter's depressed values. The median home price is up 7.2 percent from February to 260,000, bringing the index to the highest value since May 2007. The spike in home sales may have been driven by the last minute buyers cashing in on the First-Time Homebuyers Tax Credit, which expired in April. Future months will tell whether the increase in price has been driven by the Federal program or market fundamentals.

Nationally, Case Shiller, which was little changed from January's value 146.2, indicates more stable prices for the last four months of data as compared to the steeply declining prices experienced in prior months. The national index may show an upswing as March and April data are released, due to the expiration of the First-Time Homebuyer Credit.

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](#).



## Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

# The Index – Individual Sectors

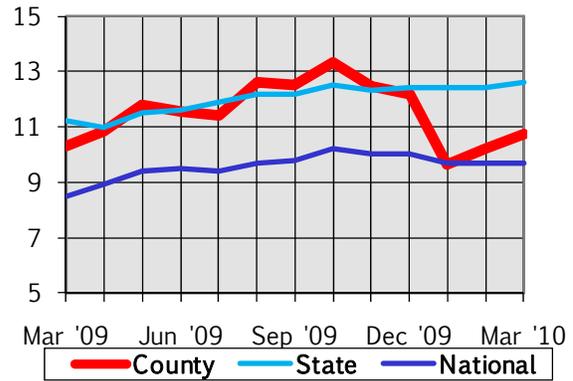
## Total County Employment

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

Employment declined slightly to 99.2, though this remains significantly higher than the lows experienced last Fall. The seasonally adjusted county unemployment rate hovers around 10.8 percent, still lower than the statewide rate of 12.6.

Nationally, the Bureau of Labor Statistics reported little change in employment, while the number of involuntary part-time workers increased to 9.1 million. The national unemployment rate remains at 9.7, though a more realistic picture of unemployment can be inferred when the 9.1 million involuntary part-time workers are taken into account in addition to the 15.0 million unemployed.

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 declined to 88.2, a value equal to the one year average. Nationally, the Federal Reserve Board reported an increase in hotel occupancy rates in New York, Kansas City, Chicago and San Francisco in March.

## Gasoline Prices

Eureka Gas prices hover around \$3.26, up from \$3.17 in February. Oil is currently trading at \$80.0 per barrel.

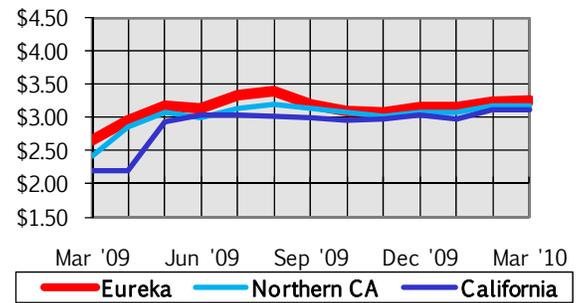
The Gulf oil spill, which claimed the lives of eleven oil rig workers and soiled the Gulf's environment, will have far reaching implications for the economy. Directly affected industries, fishing, tourism and energy, in down economy, will be brought to a halt in the region, exacerbating high unemployment. Oil prices have risen, and may continue to do so, as costly, but necessary new regulation is all but certain.

This month's optimism shown in Consumer Confidence and PMI may be tempered next month as a result of April's tragedy.

Gas Prices		
Prices as of 5/1/2010	Average price*	Change from previous month
Eureka	\$3.25	\$0.02
Northern California	\$3.18	\$0.01
California	\$3.11	\$0.00

\* 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 a slight across the board rise from February. The Seasonally Adjusted index stands at strong value of 150.5.

The Conference Board reported another rise in Consumer Confidence to 57.9, the highest value in over a year. Further, US automakers, GM, Ford and Chrysler, reported gains in auto sales from the previous year.

The Federal Reserve Board reported a rise in national consumer spending nationally, while the Twelfth District reported a modest rise in retail spending, though largely driven by discount stores and consumer staples.

Gross Domestic Product grew at a 3.2 annual rate in the first quarter of 2010 according to the Bureau of Economic Analysis first estimate. The estimated growth rate is in large part driven by growth in personal consumption, further evidence of a more confident consumer.

## 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-Based Manufacturing declined nearly 11 percent to 30.2, though it remains near the one year average of 32.3.

The Purchasing Managers Index rose yet again to a value of 60.4 percent, showing that the majority of manufacturing managers continue to feel optimistic about future demand. Nearly all manufacturing industries, including wood products, experienced growth in March.

## 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.

Electricity Consumption remains unchanged, as quarterly data has yet been collected. The most recent value is 131.8.

**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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