

# Humboldt Economic Index

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## Humboldt Economic Index

### August 2007

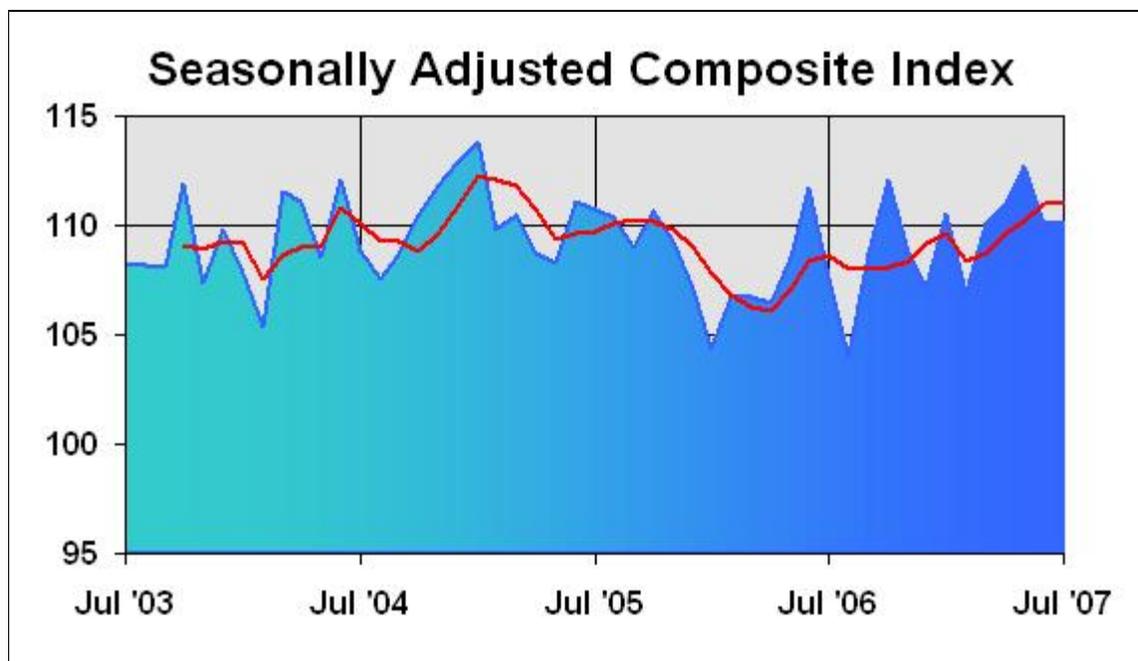
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

## Composite Index and Overall Performance

The Humboldt Economic Index 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.

This month the Humboldt County economy was fairly stable. Our composite Index was up negligibly at 110.1. This change is less than one tenth of one percent. Other indices were stable as well with Manufacturing and Employment moving less than 1 percent and Retail Sales falling 1.5 percent. Hospitality was down more dramatically, dropping 6.1 percent. Housing was the most volatile, adding 18.9 percent. Housing was the only sector showing a significant gain, and was in large part responsible for keeping the composite Index in the black.

**Composite & Sectors**

Index	Value*	Percent Change From:			
		Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	110.1	0.0	2.2	1.6	6.3
Home Sales	115.3	18.9	22.7	- 13.1	33.7
Retail Sales	155.2	- 1.5	17.1	8.9	45.4
Hospitality	96.6	- 6.1	- 1.5	- 3.0	1.2
Electricity Consumption	127.7	0.0	- 2.4	27.1	21.2
Total County Employment	104.8	- 0.4	1.4	1.4	3.1
Manufacturing	66.2	0.6	- 24.2	- 23.1	- 46.3

\* 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.

Key Statistics		
Median Home Price*	Mortgage Rate†	Unemployment Rate‡
<b>\$316,000</b>	<b>6.375%</b>	<b>6.0%</b>

\* Home price data are provided by the Humboldt Association of Realtors. 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.  
† 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.

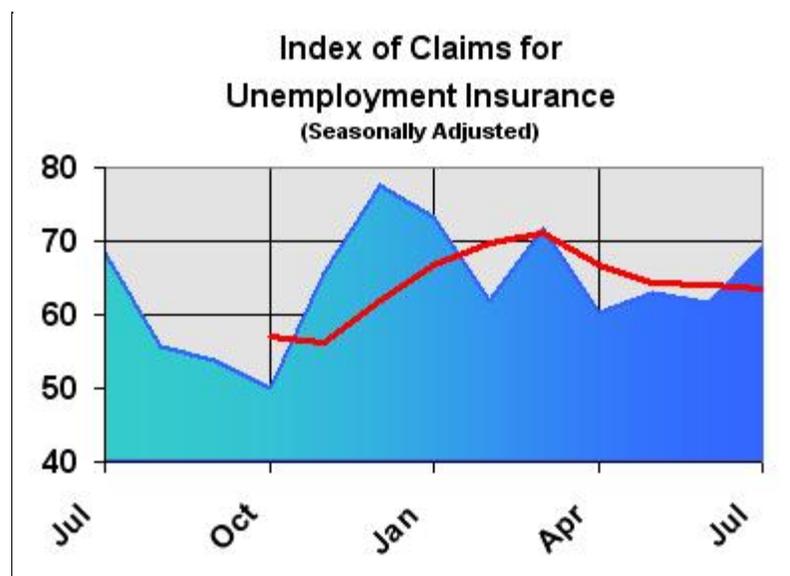
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## Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	<b>12.2</b>	<b>0.7</b>	<b>4.7</b>	<b>1.8</b>

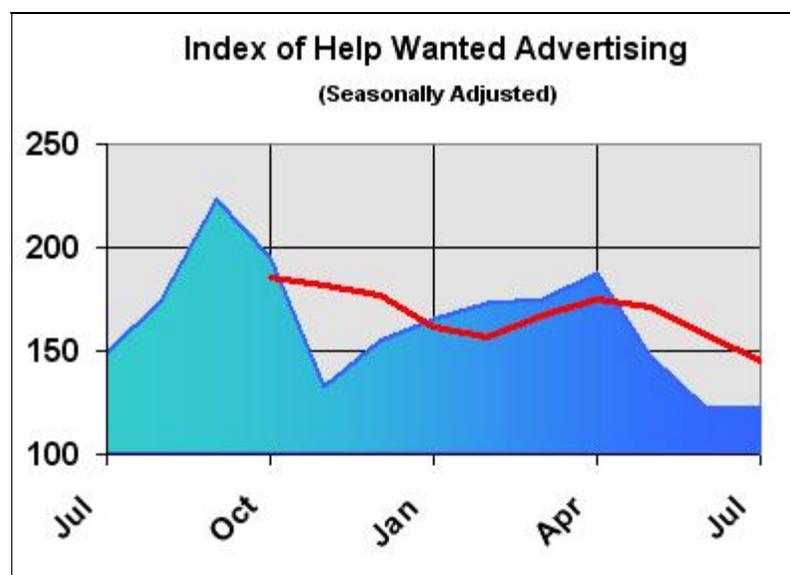
\* All values are seasonally adjusted.

The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The four leading indicators are (1) number of claims for unemployment insurance, (2) help wanted advertising, (3) building permits, and (4) expected manufacturing orders. The graphs in this section use a four-month moving average of seasonally adjusted index values in order to demonstrate the overall trend in the data with less monthly volatility.



The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

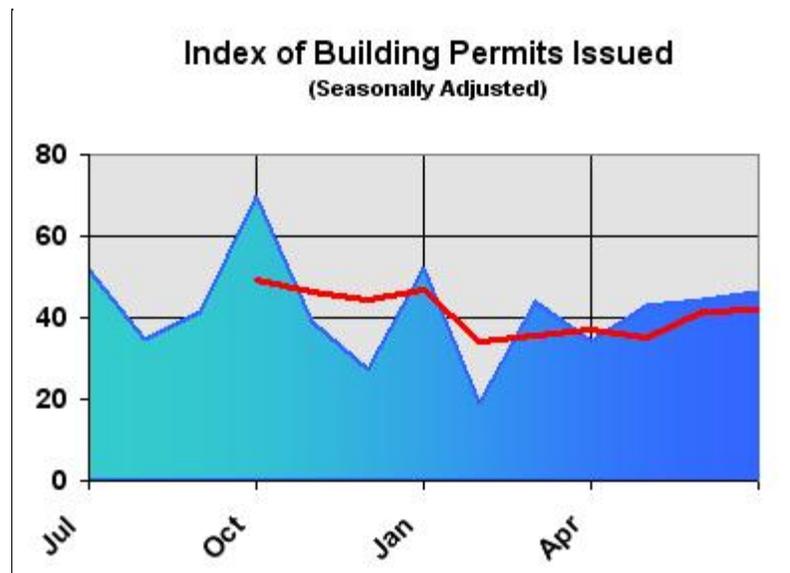
The seasonally adjusted Index of Unemployment Claims jumped this month 12.2 percent. This is an indication of potential weakness in coming months in the local economy as it suggests that businesses have cut back hiring and/or reduced payrolls.



The seasonally adjusted Index of Help Wanted Advertising is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Index of Help Wanted advertising was relatively unchanged this month adding only 0.7 percent. Paired with the jump in applications for unemployment insurance and the rise in unemployment, the overall picture of the job market in the County isn't impressive. Further, the Index is lower now than it has been since April of 2004. This bodes poorly for county employment in coming months.

Nationally, the **Conference Board** also reports that help wanted advertising has declined. Their Index of Help Wanted Advertising fell one point to 25. Says Ken Goldstein, labor economist at The Conference Board: "The consumer sector has been holding up all year because the labor market has held up. Job, but not wage, growth has slowed a little since the spring and it could slow a little more. That is the indication in the latest count in the number of print help-wanted ads."



The seasonally adjusted Index of Building Permits is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Index of Building Permits Issued has been fairly stable for several months. This month it added 4.7 percent, rising only slightly. This would suggest stability in coming months in building and to a degree the larger Humboldt County economy.



The seasonally adjusted Index of Manufacturing Orders is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Index of Expected Manufacturing Orders rose 1.8 percent this month. This Index has also been fairly level for some time now, without dramatic movement since the beginning of the year. This is indicative of stability in the months ahead in manufacturing.

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## 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.

Seasonally adjusted Home Sales jumped 18.9 percent this month to 115.3. This is well off from 156 where it peaked in 2004, but a reprieve, if only temporary, from the sub-100 levels of many recent

months. Also, this month the median home price declined 2.8 percent from \$325,000 to \$316,000. This brings the annual real decline in prices to 1.8 percent.

According to the **California Association of Realtors**, the median home price in the state has fallen 1.4 percent this month and now stands at \$586,030. This is up 3.2 percent on the year, but in real terms the difference is less than 1 percent. Home sales in the state are down over the past year by 22.7 percent.

The **National Association of Realtors** reports that changes in the national median price and pace of home sales were negligible. Sales declined by 0.2 percent and the median price fell \$100 to \$230,100, which represents a decline of only 0.04 percent.

**Freddie Mac**, the nation's largest mortgage lender reports that the interest rate on the average thirty year fixed rate mortgage 6.45 percent with 0.5 points. This is down from 6.63 percent last month.

In all levels of the market, local, state and national, the fallout from the sub-prime lending implosion is affecting the market. As the California Association of Realtors noted, it has caused a tightening of lending standards and a general drying up of credit. One implication of this is fewer buyers and fewer sales. It may also be creating some deceptive motion in the median price reported by associations like the National Association of Realtors as well as by news agencies and reports like ours. Some suspect that the sub-prime fallout is having a more dramatic impact on the lower end of the housing market, those homes that are less expensive. If that is the case, then as fewer smaller homes are sold, the median price will be inflated in a way that does not accurately reflect the value of existing homes.

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**.

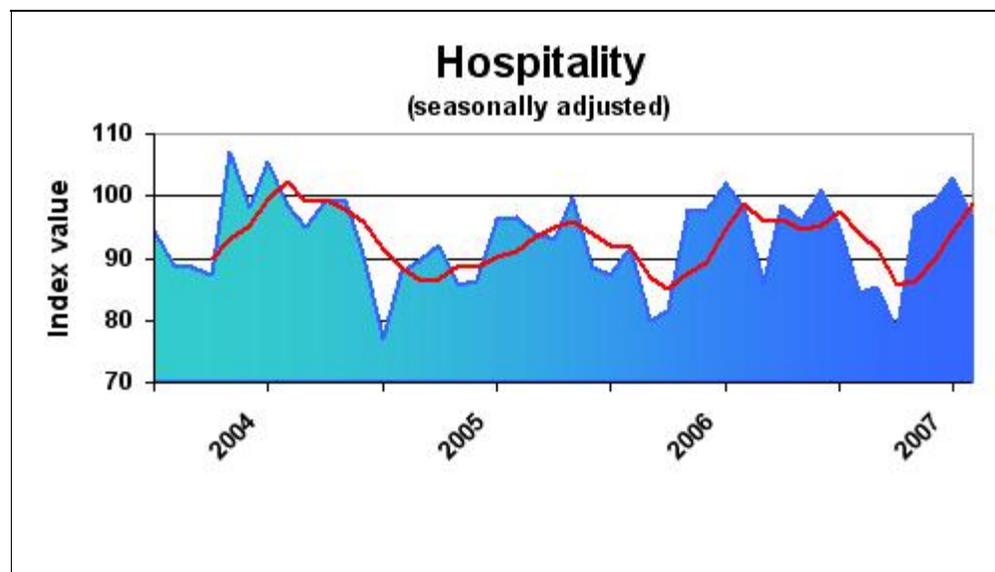
## Retail Sales

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 retailers.

The Retail Sales Index fell again this month dropping 1.5 percent after last month's 3.7 percent decline bringing the Index to 155.2. This is still the highest Index in our report, having the most consistent pattern of growth over the history of the Index. In spite of this, there have been long fairly stable periods as well, for example the mid 90's and 1999-2005. After 2005 there was something of a surge in this Index and by January of this year it was nearing 180 for the first time. Since then, it has been weaker.

## 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.



The seasonally adjusted hospitality index is represented by the blue area in the graph above. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Hospitality was this month's report's weakest sector. Hospitality dropped 6.1 percent and now stands at

96.6. This and manufacturing are the only Indices below 100, that is that have lost ground over the entire period the Index has observed, from January 1994 to the present. This Index has been in this territory for most of the reports since 1999. During this time however, it hasn't fallen very far. Hospitality has been fairly steady at or near its current level.

## Gasoline Prices

According to **AAA of California**, Gas Prices declined sharply in Northern California and in the state as a whole as of August. Recent Price data were unavailable for Eureka. AAA noted that prices have fallen more than 50 cents off their May peak, but wholesale prices have fallen even further, which means that further decreases may be in store. AAA attributed the price decreases to increased output from refineries supplying California with gas and decreased demand from a year ago.

For a local perspective on gasoline prices, visit our **Special Projects page** for our study of the Eureka gasoline market and an examination of why Humboldt County gas prices tend to be higher than the rest of California's.

Gas Prices		
Prices as of 8/7/2007	Average Price*	Change from Previous Month
<b>Eureka</b>	<b>not available</b>	<b>not available</b>
<b>Northern CA</b>	<b>\$2.96</b>	<b>- \$0.22</b>
<b>California</b>	<b>\$2.93</b>	<b>- \$0.22</b>
* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ( <a href="http://www.csa.com">www.csa.com</a> ).		

## 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 estimated, and are revised when the quarterly data are received.

The seasonally adjusted Index of Electricity Consumption declined slightly in June, moving to 127.5 from 129.5 in May. The Energy Index was 132.5 in April. The Index is well below the prior peak of 148 in December of 2005. The Energy index has been declining steadily for three months. This June data reflects the most recent information available.

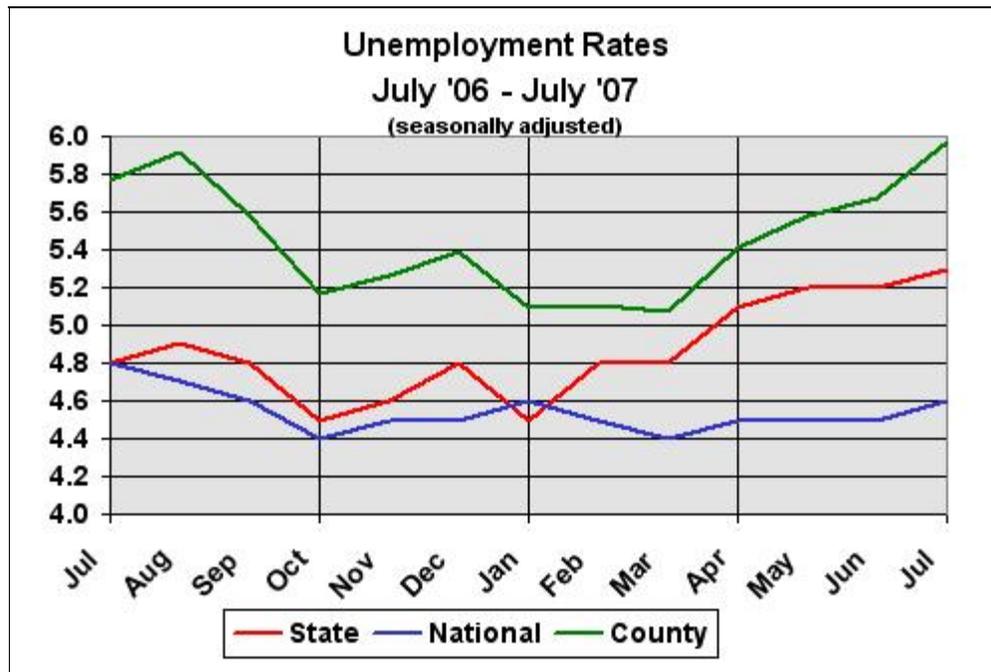
## Total County Employment

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

This month, seasonally adjusted unemployment rates rose at all levels, local, state and national. In the County, the seasonally adjusted unemployment rate rose from 5.7 to 6.0 percent. This is the highest rate since the last months of 2005. Historically, 6 percent is not a very bad rate. The rate has been significantly higher for much of the time over which the Humboldt Economic Index has tracked the local economy. Over this time, unemployment has trended downward as jobs have been created in the county. In the early years of the Index unemployment rates of 7, 8 or sometimes 9 percent were prevalent. In recent years the rate has moved between 5 and 7 percent. This is a significant change in the local economy. This month's rise in unemployment occurred as the total labor force grew by around 100, while total employment fell by nearly the same amount. The result was an increase of 200 in the total number of unemployed persons in the County. This total now stands at 3,600 persons.

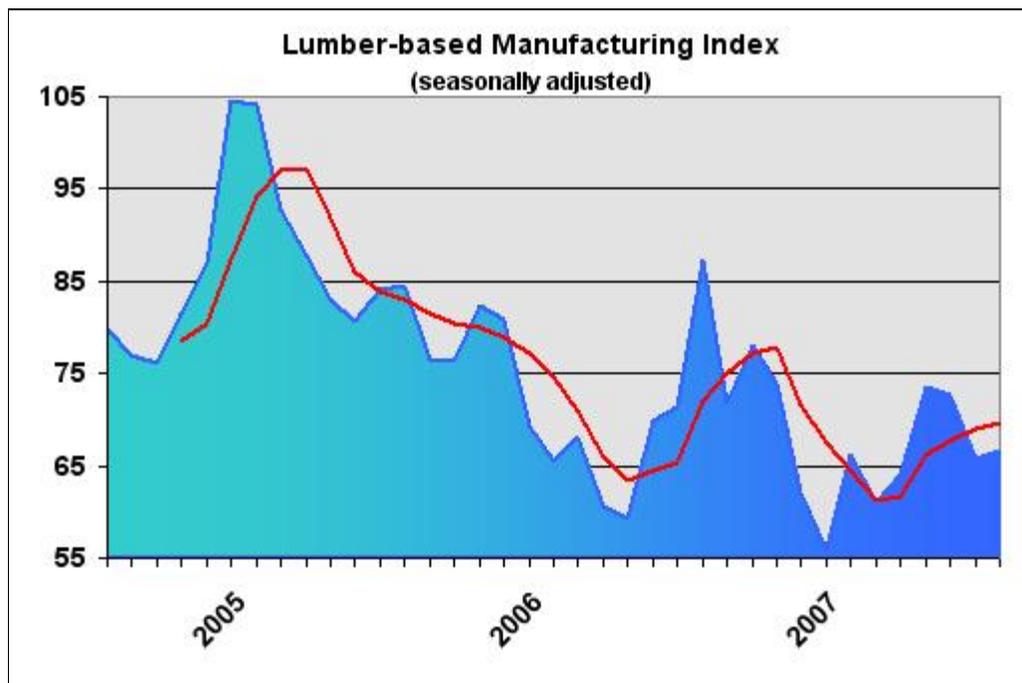
The California seasonally adjusted unemployment rate moved from 5.2 to 5.3 percent as reported by the EDD, and the national rate, as reported by the U.S. **Bureau of Labor Statistics**, moved from 4.5 to 4.6

percent.



### 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.



The seasonally adjusted lumber-based manufacturing index is represented by the blue area in the graph above. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Manufacturing was also fairly stable in the county this month, adding 0.6 percent and coming to a value of 66.2. This continues to be a very low level as Lumber-based Manufacturing in the County continues to decline. This is reflected at the chart at the top of our report in which the percent change in the manufacturing Index reflects a larger and larger decline as one looks from one year ago, to five years ago and to ten years ago. This is unlike any other Index. Each of the others shows positive growth in the ten year column, and almost all show greater growth in the ten year column than in any other.

According to the **Institute for Supply Management**, a national trade association of purchasing managers, in their monthly Manufacturing Report on Business, national manufacturing is strong. Norbert J. Ore, C. P.M., chair of the ISM observed that "Viewed from the manufacturing sector, the overall economy continues to grow at a significant rate. In comparing August to July, the rate of growth in manufacturing was slightly less but continues the expansion, although at the slowest pace in the past five months. Both the New Orders Index and the Production Index are encouraging for continuing growth as we head toward the fourth quarter of 2007."

The ISM's Report on Business also noted that in contrast to the picture in the Humboldt County Economy, on the national level Wood Products manufacturing was the fourth fastest growing sector among all sectors.

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**Explanatory Note:** For those of you who are new or less familiar with the Index, we have been tracking economic activity since January 1994. The composite indices plotted as blue and red lines in the diagram at the top of this page are weighted averages of each of the six sectors described in the table 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 data gathered from the previous month. For example, the "August 2006" report reflects data from July 2006. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

## Cited References:

[AAA of California](#)

[Bureau of labor Statistics](#)

[California Association of Realtors](#)

[California Employment Development Department](#)

[Conference Board](#)

[Freddie Mac](#)

[Institute for Supply Management](#)

[National Association of Realtors](#)

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