



Humboldt Economic Index

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Humboldt Economic Index

August 2009

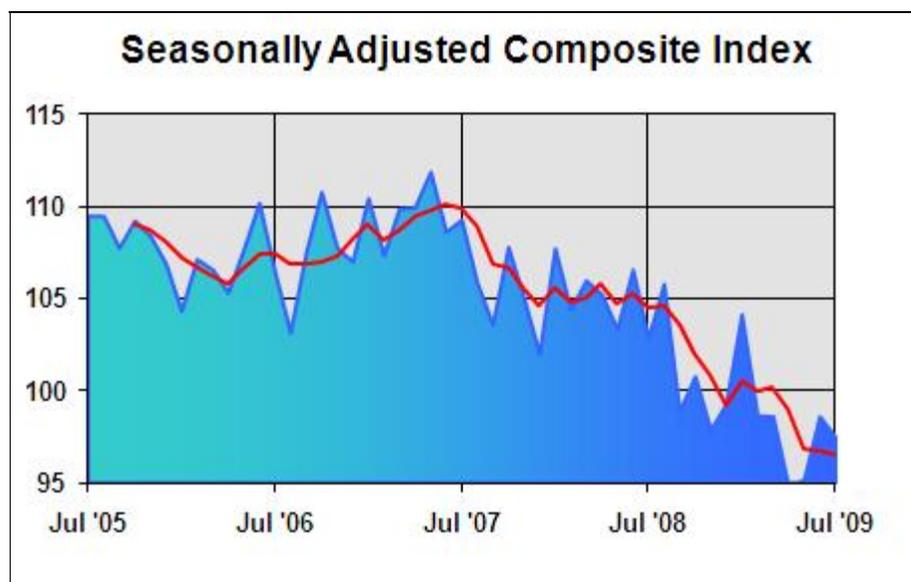
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

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.

The overall composite contracted 1.1 percent from the previous month and 5.2 percent from the July 2008 level to 97.5. This is the sixth consecutive month that the index has been below the 100 level. As seen in the table below the overall composite is below all of the listed time intervals. Home sales and Manufacturing experienced a rise in activity from the previous month. Median home prices rose, most likely due to an increase in the lower portion of the housing market. Housing continues to find itself in the midst of this recession, but may have found its bottom or started to recover as suggested by the Case-Shiller Home price Index. Total County Employment slipped 0.5 percent to 97.5. Leading indicators suggest some contraction in labor markets as Unemployment Claims rise and Help-Wanted Advertising is declining. Retail sales reported a largest loss of all the sectors losing 5.1 percent due to sluggish sales. While most industries experienced more economic activity throughout July, it was not enough to offset seasonally adjusting the data. New and auto sales were up this month as more consumers took to dealers after the cash-for-clunkers program. Hospitality contracted mildly, most likely due to a slow rising in gas prices and continued weakness in labor markets locally and nationwide. Future performance of the overall economy is uncertain due to higher unemployment claims, lower Help-Wanted Advertising,

and a slowly rising price of gasoline; however, consumer confidence has started to recover in the recent months which could signal positive consumer expectations and future spending on goods and services.

Composite & Sectors					
		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	97.5	-1.1	-5.2	-9.4	-12.8
Home Sales	76.6	3.5	-3.7	-47.3	-39.7
Retail Sales	143.0	-5.1	-5.5	2.1	11.8
Hospitality	84.6	-1.9	-1.0	-6.0	-6.5
Electricity Consumption	130.6	0	0	12.3	-0.7
Total County Employment	97.5	-0.5	-5.5	-4.8	-7.6
Manufacturing	35.0	7.8	-26.5	-56.1	-67.9

* 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‡
\$275,000	4.875%	11.4%

* 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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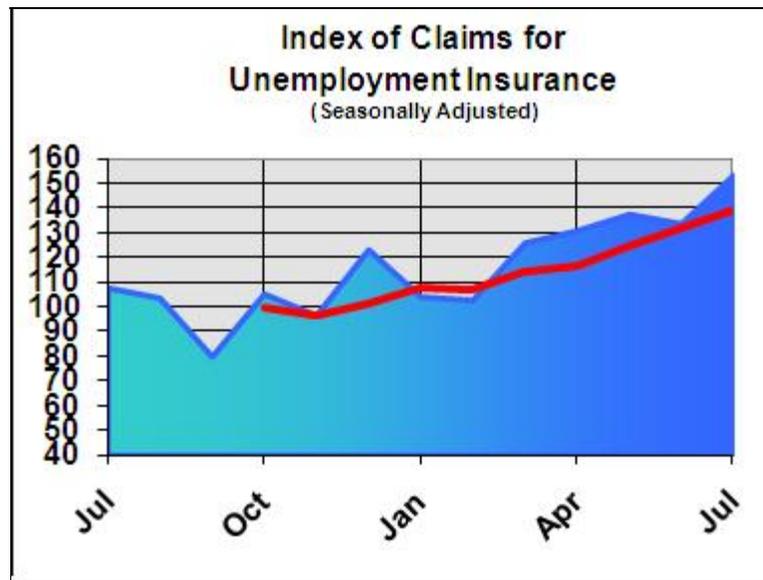
Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	14.7%	-17.4%	56.7%	N/A

* 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.



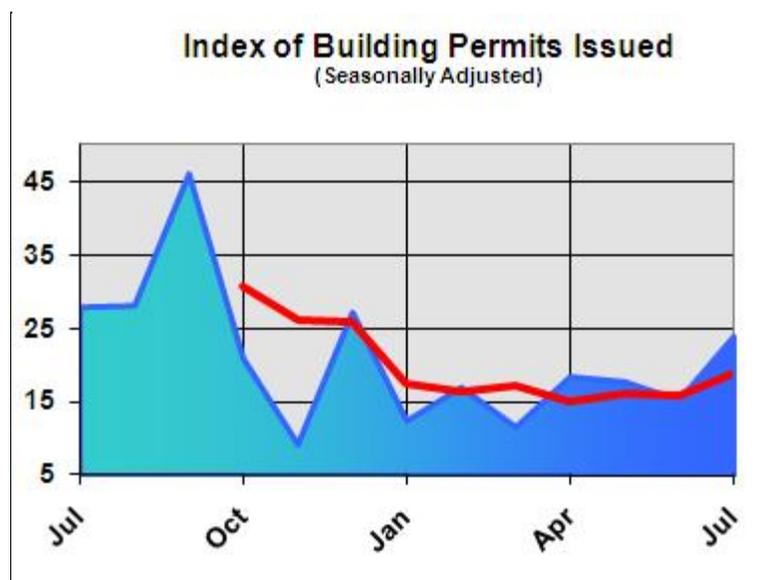
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims continues to climb fairly regularly as seen by the four month moving average. Unemployment claims rose 14.7 percent from the previous month to a seasonally adjusted value of 153.5, the highest index value yet to be recorded by the Humboldt Economic Index. Continued expansion in the index leads to higher unemployed levels in the local economy and a reduction in economic activity as consumers have less wealth while industries are producing less.



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.

Help Wanted Advertising contracted 17.4 percent in July which symbolizes a further cooling of the economy as business are not hiring due to either diminished demand or tightened payroll. Decline in this index supports future softening in labor markets and possibly some additional pressure to the unemployment rate.



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.

Building permits rose 56.7 percent from the previous month to an index value of 23.95. While it is still half of the running average for this index, it still may provide foresight to an increase in manufacturing or expansion of local business in the near future if we see a positive trend in the coming months.

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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.

The Humboldt County Home Sales Index showed signs of strength throughout July as it posted a 3.5 percent increase over the previous month to a seasonally adjusted index value of 76.6. Median home prices rose by \$18,000 while the interest rate on a 30 year mortgage fell from 5.000 percent to 4.875 percent. More interestingly, the inflation adjusted median home prices have decline year-over-year for the past 22 month period. Continued uncertainty in Humboldt Counties employment sector may be one of the biggest factors in a recovery for the housing market on the North Coast. However, unemployment claims continue to rise which clouds future strength in labor markets and thus upward pressure on unemployment rates.

C.A.R. reported that sales in July rose 12 percent from the same period twelve months ago, while median single-family home prices declined 19.6 percent to \$285,480. The **N.A.R.** also reported that sales for all housing types rose 7.2 percent from the previous month. Median single-family home prices fell 14.6 percent from the July 2008 level to \$178,300.

Moreover, the **Case-Shiller** home index posted a 14.9 percent decline in the second quarter of 2009. "This is the first time we have seen a positive quarter-over-quarter print in three years." The 10 and 20-city composites contracted 15.1 and 15.4 percent respectively. The decline in the pace of home values may suggest a bottoming out or even a slight recovery in home values in the near future. While the market is still seeking to stabilize itself along with the rest of the economy the ever growing number of employed will create additional pressure on the recovery of the housing market and thus the economy as a whole.

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

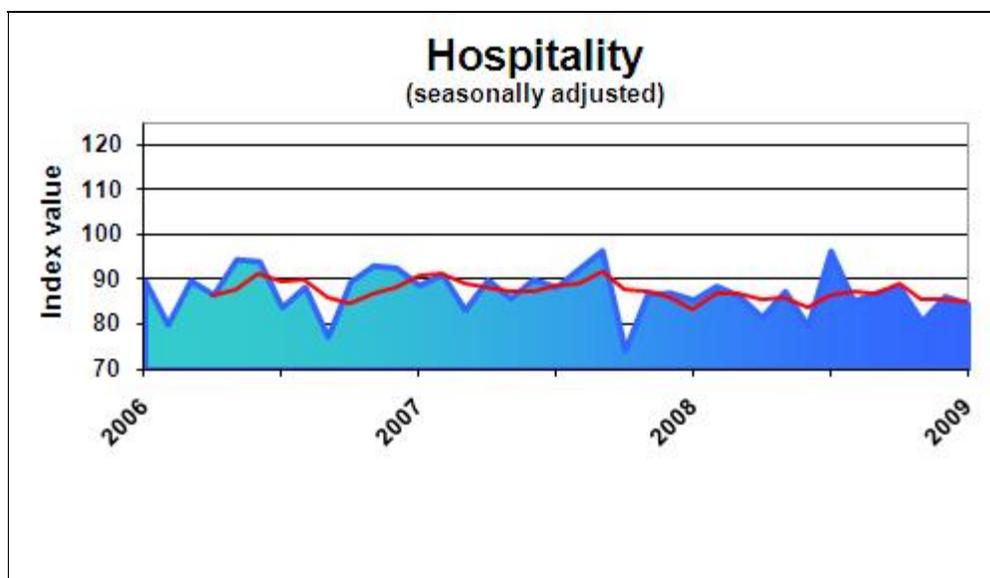
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

While most industries throughout the county experienced more economic activity, the seasonally adjusting of the data lead to a 5.1 percent decline in the overall index to 143.0. Retail sales are sluggish in some sectors due to consumers buying less luxury goods and more necessary goods. Grocery stores in the area are still experiencing less variation in activity throughout the recession. Furthermore, auto sales have posted some gains as more consumers are in the market after the government funded cash-for-clunkers program. Expansion in retail sales is partially dependant on the housing market, as home owners consume a sizable of goods and services within the region and the strength of the local economy to provide jobs for the labor force.

The **Beige Book** reported that national retail activity remain sluggish, but experienced a rise in sale of new automobiles. However, the service sector continues to contract as demand for services diminish. The **Conference Board** also reported that their Consumer Confidence index rose in August to 54.1 from 47.4 in July. This index describes how consumers perceive the strength of national economy and provides insight to future consumer spending habits. A higher index value would suggest that people will buy more goods and services along with luxury items. However, a lower level would give rise to a slowing of consumption as consumers begin to scale back spending due to future uncertainty in the market.

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 contracted slightly by 1.9 percent in July from the previous month while also 1.0 percent under that of July 2008. The seasonally adjusted index value now stands at 84.6. As seen by the four month moving average above, hospitality has remain fairly consistent since its inception.

Gasoline Prices

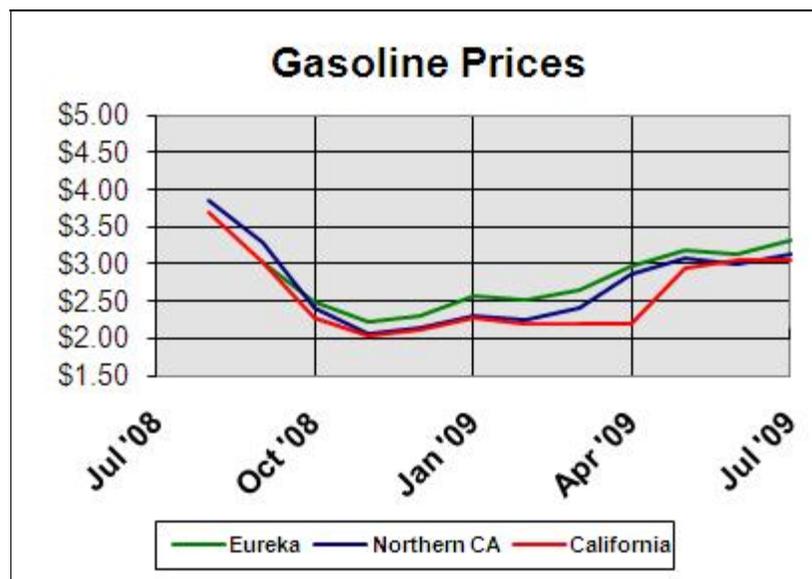
Gas prices continue the slow march upward since bottoming out in November 2008. Average gas prices in Eureka rose \$0.20 from the previous month to \$3.33. Gasoline prices for the state as a whole stand at \$3.04, but when adjusted for inflation using the CPI index the real price of a gallon of gas in Eureka is \$2.87 while the state is \$2.62.

The price of oil has been oscillating between \$65 and \$75 a barrel while supplies have been cut even further by oil producing countries. Furthermore, consumption in the United States has slightly picked up momentum. While current reduction in supply and demand slowly growing, prices at the pump will continue to rise. If this trend continues before the US economy can recover it would add cause consumers additional hardships as they pay for higher transportation cost for work and leisure activities which will affect the overall economy.

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 9/2/2009	Average Price*	Change from Previous Month
Eureka	\$3.33	\$0.20
Northern CA	\$3.14	\$0.14
California	\$3.04	\$0.0

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.com).



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.

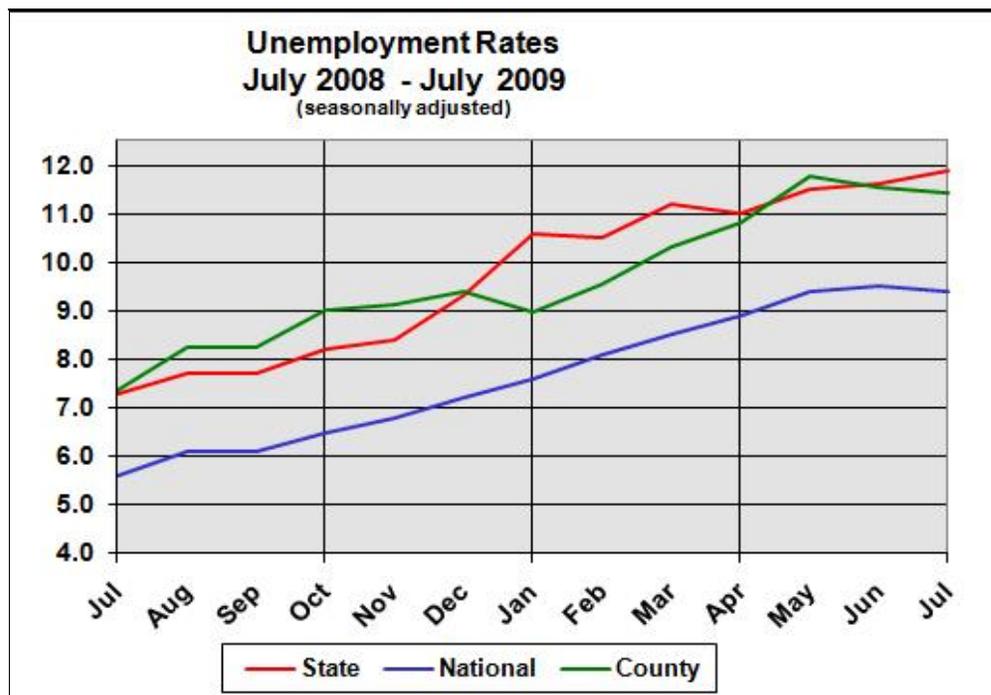
The Electricity Consumption Index remains unchanged from the previous month at 130.6.

Total County Employment

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

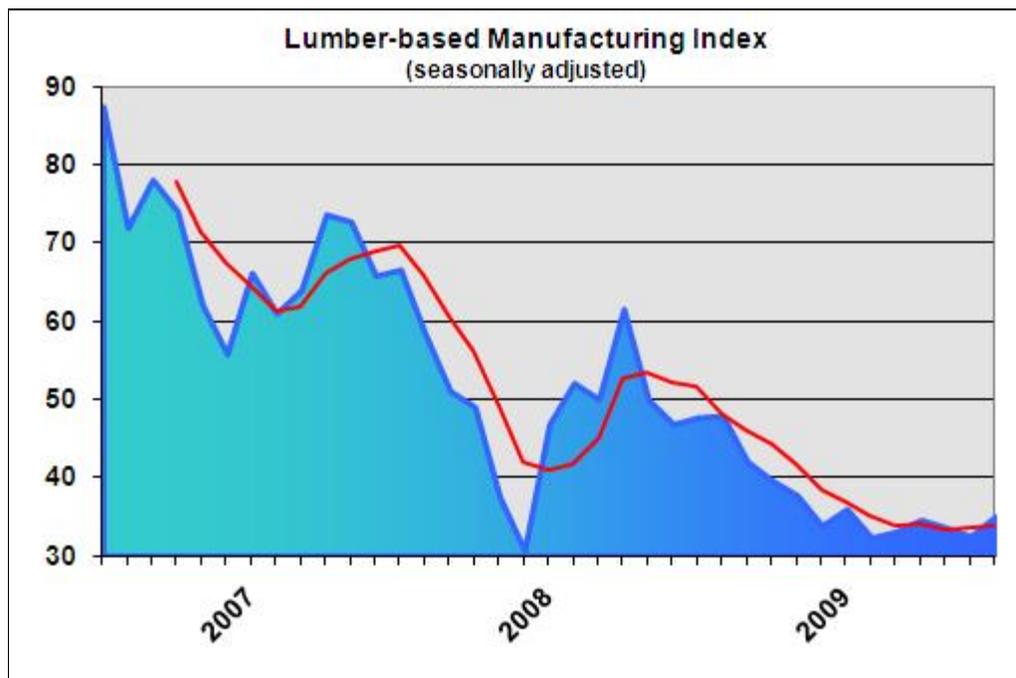
Total County Employment declined 0.5 percent from the previous month to a seasonally adjusted 97.5, which is 5.5 percent below the July 2008 level. The seasonally adjusted unemployment rate for Humboldt County declined to 11.4 percent, while the the national unemployment rate now stands at 9.4 percent. This is the first decline in unemployment on the national level since April 2008. **The Employment Development Department** reported that the government sector experienced significant contraction. The number of State Government Education employees contracted by 400 in July, while the local government experienced a 1,500 reduction in their labor force. However, the number of employed in education is 7.1 percent higher than that of July 2008.

The ADP Employer Services reported that the nation lost an additional 298,000 jobs in August. Continued national declines in employment coupled with rising local unemployment claims and falling help wanted advertising may keep unemployment rates at current rates.



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.

Lumber-Based Manufacturing rose 7.8 percent after two consecutive months of contraction. The index is still at historically low levels, as seen in the graph, and the seasonally adjust index value for August 2009 is 35.0; which is 26.5 percent below that of twelve months ago. While the Building Permits index showed signs of growth, it is still significantly under the long run average. Keeping that in mind, future strength in Lumber-Based Manufacturing may experience some hardships as fuel prices start to climb, and demand for wood products remains low. A report from the **Institute of Supply Management** reported in its August 2009 Manufacturing report that wood products was one of six industries who contracted throughout the month. Furthermore, the ISM report also discloses that the

overall manufacturing sector expand after eighteen months of contraction.

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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:

[Beige Book](#)

[C.A.R.](#)

[Case-Shiller](#)

[Conference Board](#)

[The Employment Development Department](#)

[Institute of Supply Management](#)

[N.A.R.](#)

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