

# Humboldt Economic Index

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## Humboldt Economic Index

### February 2007

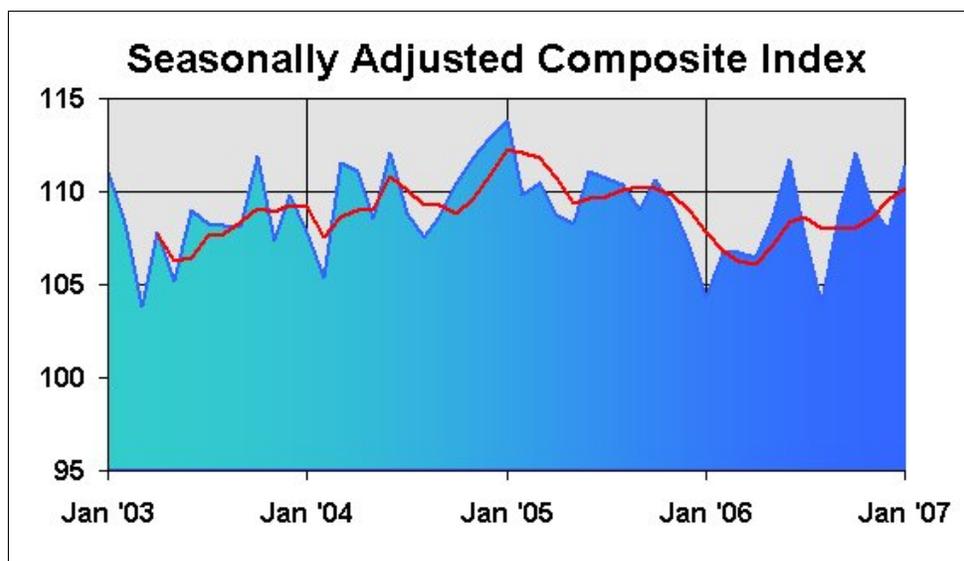
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

## Composite Index and Overall Performance

The Index of Economic Activity for Humboldt County 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.

In January the Humboldt Economic Index showed growth. The Composite Index added 3.2 percent. The rise was driven by Manufacturing and Retail Sales, which each showed sharp rises while Hospitality and Home Sales were weaker. The decline in Hospitality was fairly large for this usually slow-moving Index, and the advance in Retail Sales brought that Index to a new record value. Retail has long been the most reliable and strongest sector, although there was a period in which Home Sales had grown nearly as much as the Retail Index. Since that time the local real estate market has softened considerably, and the Home Sales Index has fallen back to lower territory.

Composite & Sectors					
		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	111.3	3.2	6.7	2.8	12.7
Home Sales	107.4	-7.1	-9.9	-22.3	78.0
Retail Sales	178.1	12.9	31.3	28.0	75.3
Hospitality	84.5	-11.0	-7.8	-7.5	-0.4
Electricity	116.8	0	10.3	3.9	11.0

Consumption					
<b>Total County Employment</b>	105.4	-0.2	-1.0	5.1	1.1
<b>Manufacturing</b>	74.3	20.0	13.3	-13.7	-33.2

\* 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‡
\$308,000	6.000%	5.1%

\* 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.

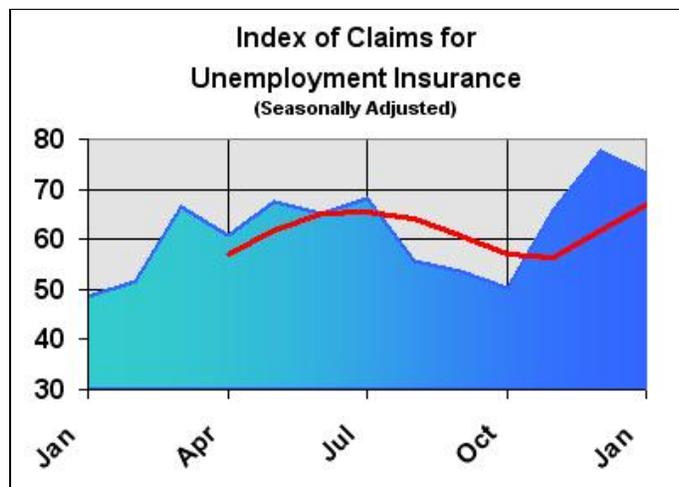
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## Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-5.7	6.9	52.1	not available

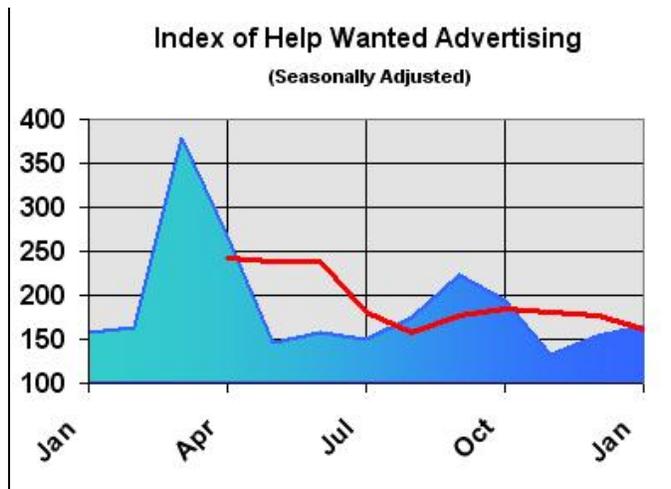
\* All values are seasonally adjusted.

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.



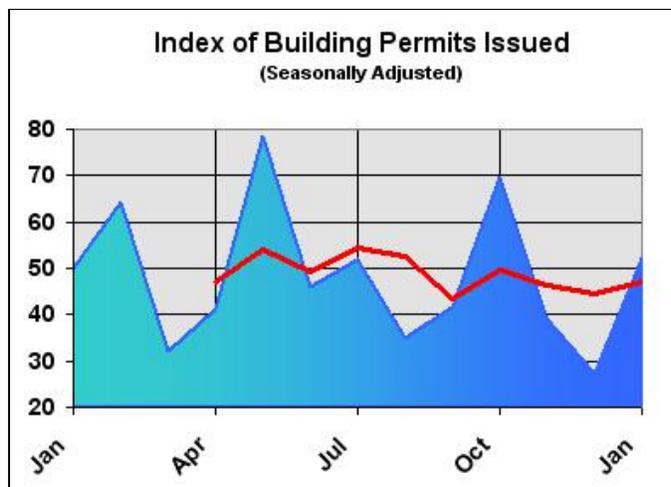
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

In January, the seasonally adjusted Index of Unemployment Claims declined 5.7 percent. Nonetheless, the Index is in the high part of its historical range and the twelve month moving average has the appearance of a slight upward trend. This may indicate weakening of the labor market in Humboldt County in coming months.



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 remained fairly level in January, rising a slight 6.9 percent. This indicator is neither strongly positive or negative. The value is moderately high compared to its historical range, but lower than some recent months. The twelve month moving average is fairly level indicating no distinct trend.



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 rose 52.1 percent to 52.1. This Index is normally quite volatile. Monthly fluctuations are not as significant as sustained fluctuations and since in spite of the dramatic increase in the Index this month, the twelve month moving average remains fairly level, this indicator is not strongly positive. If this month's upswing is sustained in coming months it will indicate increased optimism among the county's builders and may forebode increased economic activity in the county.

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## Individual Sectors

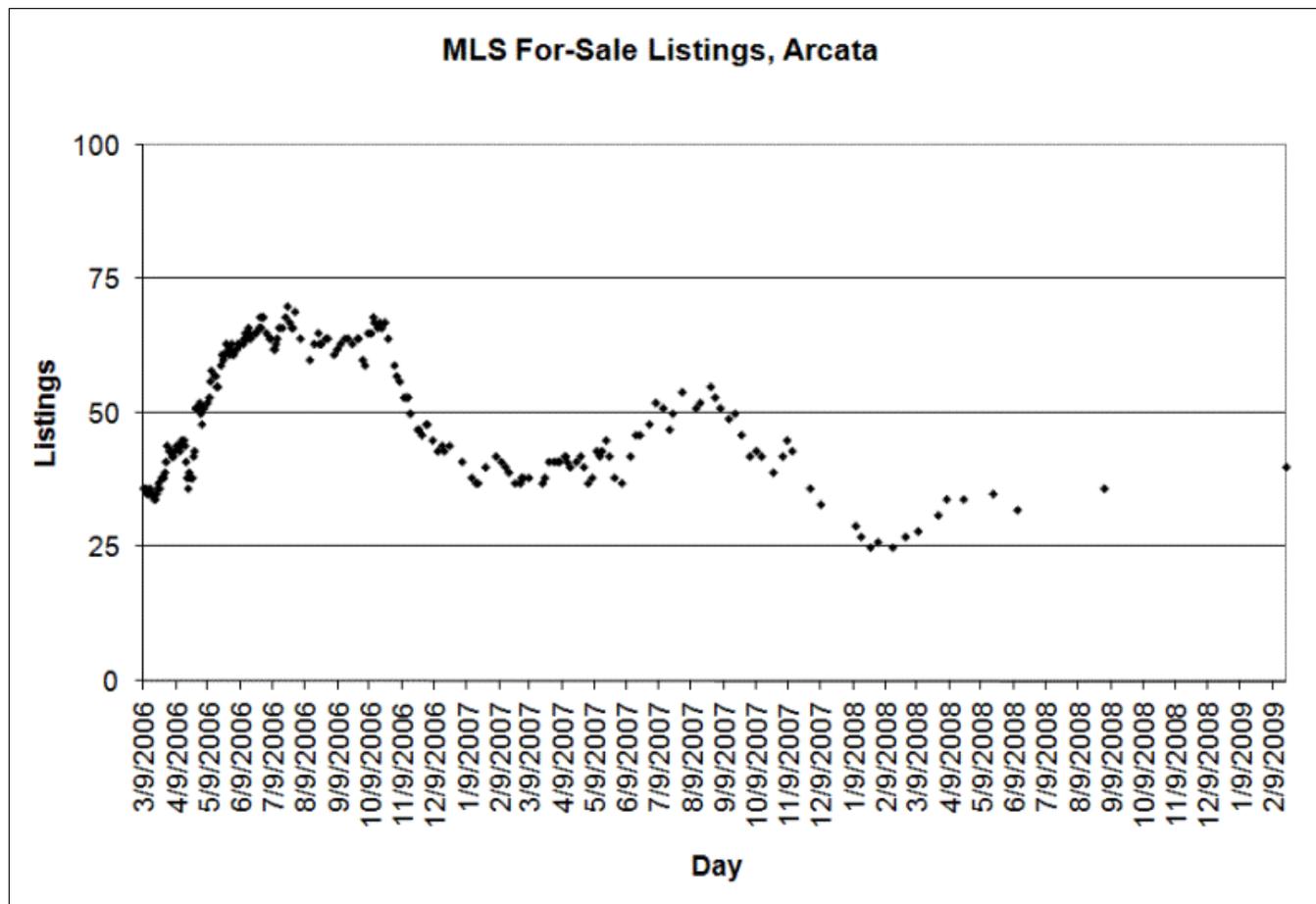
### Home Sales

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.

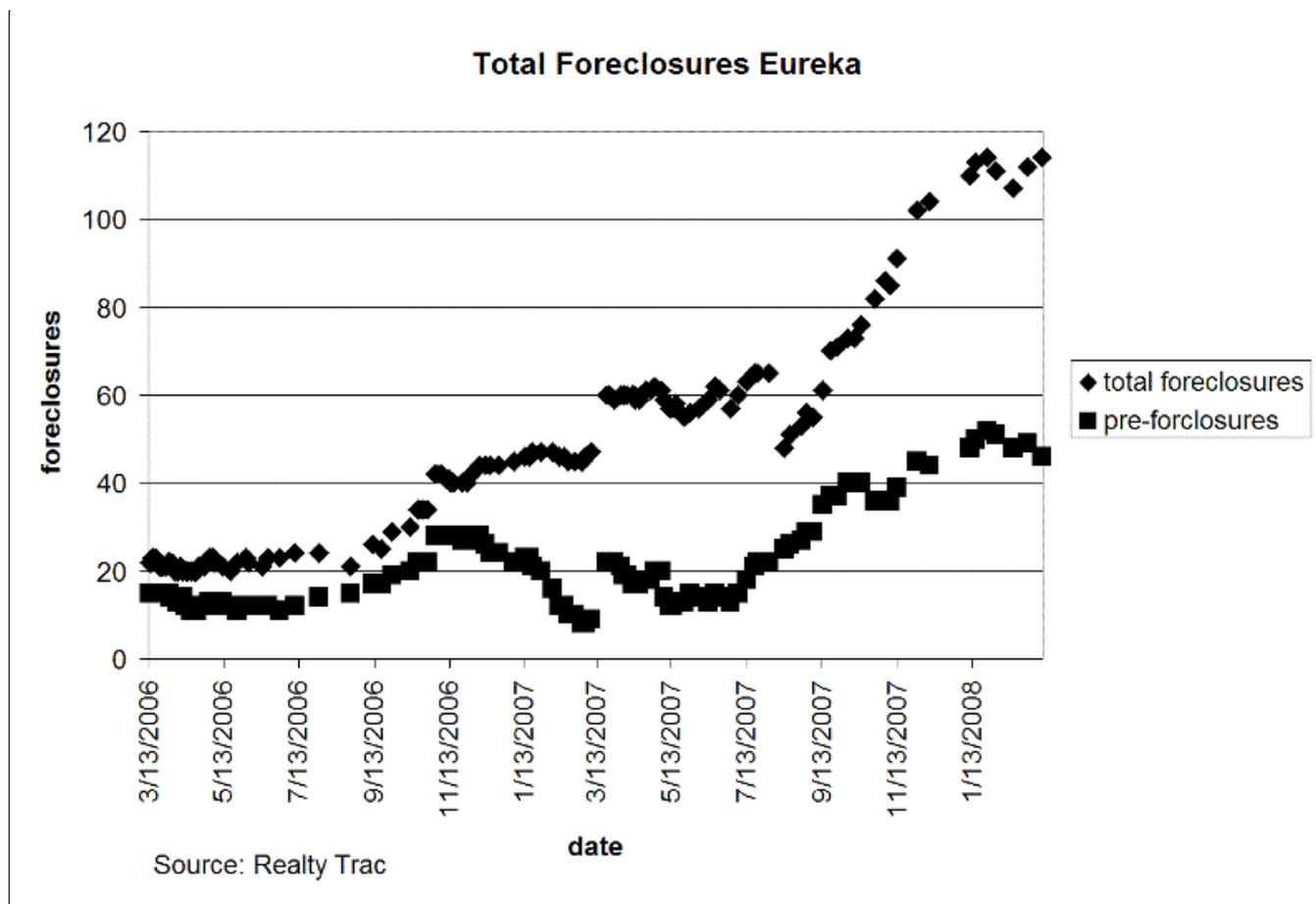
The Home Sales Index slowed in January, dropping 7.1 percent to 107.4. This Index grew steadily from late 1997 to early 2003. During that time it rose from 68.6 to 151.6, an increase of 121 percent. Since that time there was an extended time of level activity lasting until May of 2005. After May of 2005 Home Sales began to slide until Summer of 2006. During that time the Index dropped 23 percent. The index has waffled since then with the twelve month moving average fairly level. The median sales price of a home in the county also declined \$7,000 since December 2006, or 2.2 percent to \$308,000. January also marks the ninth straight month of year over year depreciation in housing prices on an inflation adjusted basis, and current prices are off 12% from their spring 2006 peak.

We have finished collecting a year's worth of data on For Sale inventory and foreclosures. For Sale inventory is a measure of the supply of houses on the market, but it can be misleading without knowing the asking prices, since houses for sale above market value cannot be expected to sell. Nonetheless, we have two different stories for Eureka and Arcata. For both markets, the number of houses listed for sale over the past year peaked in July, but in Eureka, the number began a measured fall so that

today there are 25% fewer houses for sale than in March 2006. In Arcata, however, the number of houses for sale is up slightly year over year.



Foreclosures skyrocketed over the last 12 months in both Eureka and Humboldt County as a whole, rising by about 75% total in the county and more than doubling in Eureka. Total foreclosures include houses at all stages of the foreclosure process, not just houses that are for sale by the bank.



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](#).

The [National Association of Realtors](#) reports that national existing home sales increased 3 percent in January from December's upwardly revised level. This is a level still below January of last year by 4.3 percent, and it was increased by unseasonably warm weather in January. February may retrace some of this gain as it witnessed cold storms in many parts of the nation. The supply of unsold homes grew in January, but did so as the pace of sales also grew. As a result, the stock of unsold homes remains a 6.6 month supply. Supplies of unsold homes at the national level peaked in October at 7.4 months. The median sale price in the nation in January was \$210,600, down 3.1 percent on the year, down 5.1 percent since the prior month, December 2006, when the median price was \$222,000.

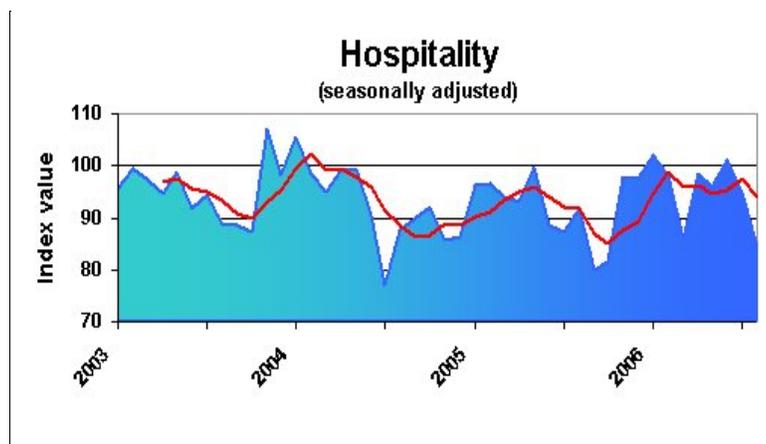
The [California Association of Realtors](#) reports that the monthly rate of home sales has been holding steady at 450,000 units per month since July of last year, but dropped slightly in January. This as the median sale price in the state in January fell slightly. The price in January was \$559,640. December's price was \$569,560. This represents a decline of 1.7 percent.

## Retail Sales

In January, the Retail Sales Index rose sharply, bested only by the dramatic increase in the Manufacturing Index. Retail Sales has traditionally been the strongest sector in the Composite Index. In the first month of the year it gained 12.9 percent to come to a value of 178.1. This value is a new record for this Index. It has only once before broken 170, in October of 2006. Retail Sales have increased a sizable 75.3 percent over the past ten years, and Sales are 31.3 percent over a year ago. This represents strong and sustained performance for Retail Sales in Humboldt County over a period of many years.

## 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.

The Hospitality Index declined dramatically as the month's most sharply declining Index. It dropped 11 percent to a value of 84.5. Because of the methodology by which the Hospitality Index is constructed, it is much more instructive in the short term than in the long term. As such, periods of elevated or depressed numbers in this Index indicate short term fluctuations, even if a long term trend in the data is not apparent. This month's decrease represents a drop in January in visitorship to local hotels.

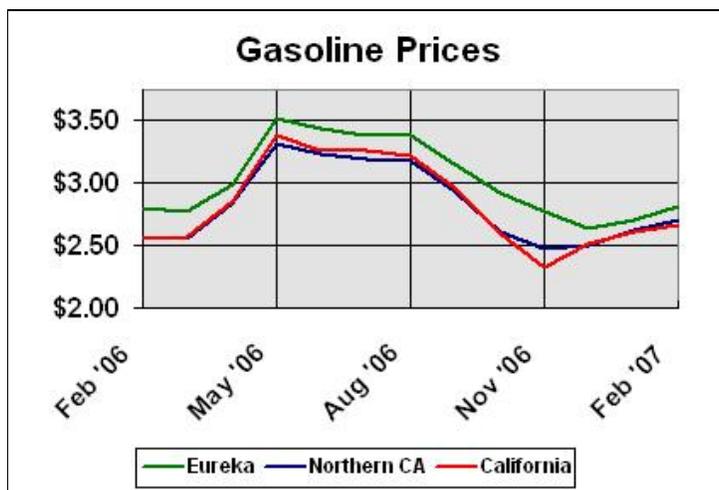
### Gasoline Prices

According to the **American Automobile Association**, Gas Prices rose in the state, region and county in January. Local prices showed the sharpest increase. This took place as cold weather in many parts of the U.S. drove oil prices up with increased consumption of petroleum products such as heating oil.

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 January 2007	Average Price*	Change from Previous Month
<b>Eureka</b>	2.81	0.10
<b>Northern CA</b>	2.70	0.08
<b>California</b>	2.66	0.05

\* 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)).



### 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.

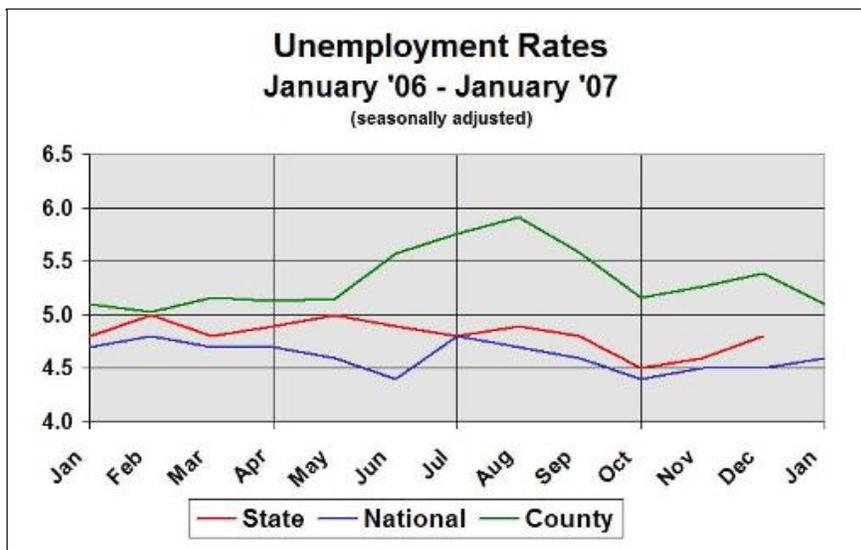
The Electricity Consumption Index declined to a value of 118.2 as of December. This was the most recent month in which data was available and continues a slide begun in February when the Index was at a peak of 140.1. 2006 was a year of declining consumption, as 2005 ended with an Index value of 148.4. Electricity consumption is a somewhat mixed indicator of economic activity. Increased consumption is generally consistent with expanding economic activity, but decreased consumption may be a result of conservation rather than decreased economic activity. Since energy prices were high for much of the year, conservation may be a large part of the explanation for the decline in consumption during 2006.

### Total County Employment

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

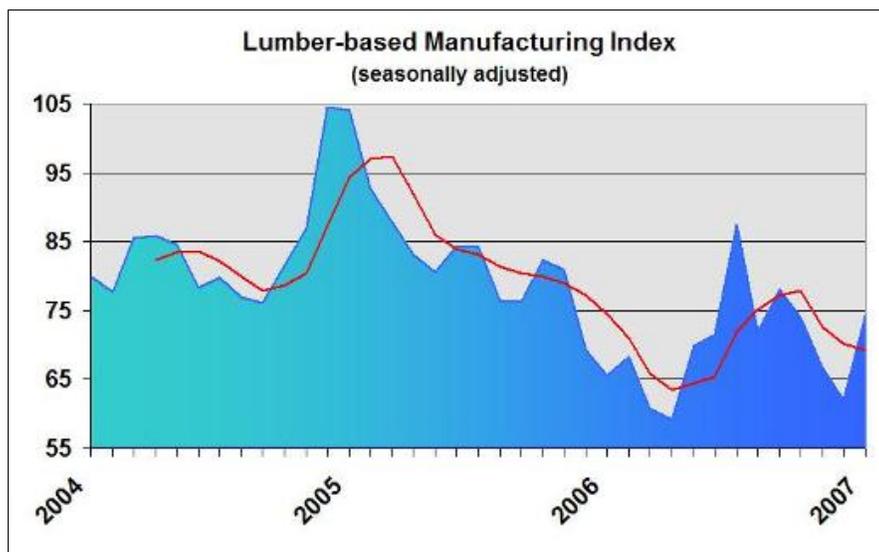
While the seasonally adjusted national unemployment rate ticked up by 0.1 percent in January, the Humboldt County rate dropped by 0.3 percent. The local rate remains above the national rate, although the gap has narrowed.

In January, Humboldt County lost 1,100 jobs. The labor force declined by 500 workers and 600 were added to the rolls of the unemployed. This increased the unadjusted Humboldt County unemployment rate, but after seasonal adjustment unemployment declined. This indicates that although unemployment in the county increased, the increase was less than what is the seasonal norm in January. This caused the seasonally adjusted rate to fall.



### 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.

The Index of Lumber-Based Manufacturing rose 20.0 percent in January, however since early 2005, the Index has shown a decline from over 100 to 74.3. Further, the peak in 2005 was reached in a momentary respite from a larger decline. The larger

decline began in 1997 when the Index reached a peak of 124.4. Prior to that time the Index trended upward, adding almost 25 percent in its first three and a half years. Since then the Index has dropped more than 40 percent. The decline was interrupted during the last half of 2004 when there was a sharp rise of 36.8 percent. This gain was however, quickly erased and the decline in the Index resumed.

This Index over the last decade has the appearance of a static decline in this sector. In this light, the health of the local manufacturing sector depends upon our ability to bring about a transition to new industries and away from timber and resource extraction. To some degree this transition is already underway.

With regard to opportunities to grow new industries in Humboldt County, the director of San Francisco State's Institute for the Next Generation Internet, Joaquin Alvarado, was recently on the North Coast to discuss opportunities for our economy provided by the next generation internet. More information about Joaquin Alvarado's presentation can be found [here](#).

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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:

[American Automobile Association](#)

[California Association of Realtors](#)

[California Employment Development Department](#)

[Institute for Supply Management](#)

[National Association of Realtors](#)

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