

# Humboldt Economic Index

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## Employment hits record low, house prices off \$100K

We would like to congratulate Professor Daniel Lee at Plymouth State University for the first edition of his North Country Economic Index <[www.plymouth.edu/north-country-economic-index/](http://www.plymouth.edu/north-country-economic-index/)>. This Index, which covers rural New Hampshire, joins the Humboldt Economic Index as the only two monthly economic reports for rural counties in the nation. We provided Professor Lee with guidance on his project, and we wish him much success.

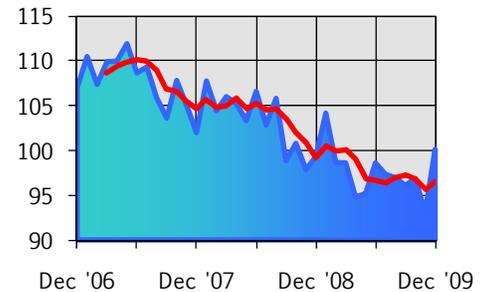
The Humboldt Economic Index Composite stands at 100.1 a 7 percent increase from November. December's gain was driven primarily by a spike in retail sales, followed by gains in hospitality.

Leading indicators painted a mixed picture as Building Permits rose dramatically, while Unemployment Claims rose. Moving averages show positive directions for all three.

Both local and national retail sales increased along with another gain in Consumer Confidence.

County employment hit a record low in our data, which goes back to 1994.

Composite Index



The state's Employment Development Department announced a new record for unemployment insurance payments for the year of 2009.

The Bureau of Labor Statistics reported a decrease in national unemployment driven by job growth in government, healthcare and retail.

Home prices as well as home sales decreased in December. Home prices now stand \$100,000 lower than at the peak in March, 2006.

Amidst grim reports, some positive trends seem to be developing both locally and nationally.

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>100.1</b>	<b>7.6</b>	<b>0.8</b>	<b>-11.3</b>	<b>-8.6</b>
Home Sales	84.7	-3.2	45.3	-40.8	-21.4
Retail Sales	160.9	18.2	8.1	9.0	25.5
Hospitality	93.9	11.5	17.9	23.3	-0.2
Electricity	131.8	16.0	-9.0	-3.1	1.5
Employment	94.5	0.6	-6.2	-8.2	-6.6
Manufacturing	27.5	-6.5	-18.7	-73.7	-75.6

\* 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

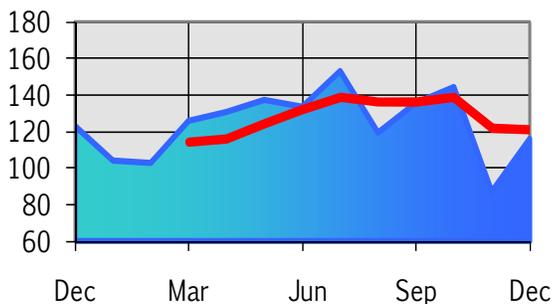
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	<b>-39.8%</b>	<b>-7.4%</b>	<b>28.4%</b>
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$249,000	\$1,300	5.25%	12.2%
<p>* 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.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

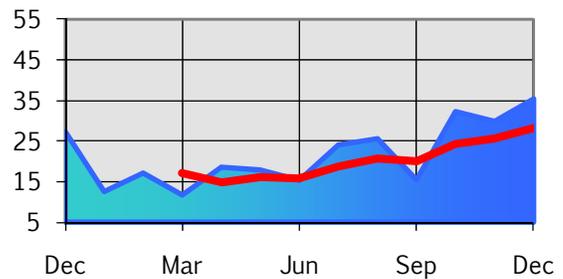
**Unemployment Claims** rose to 116. The Department of Labor reported that for the month of January seasonally adjusted claims for unemployment insurance advanced by 480,000, though state-wide, California experienced the largest decrease in claims for unemployment insurance.

Index of Claims for Unemployment Insurance



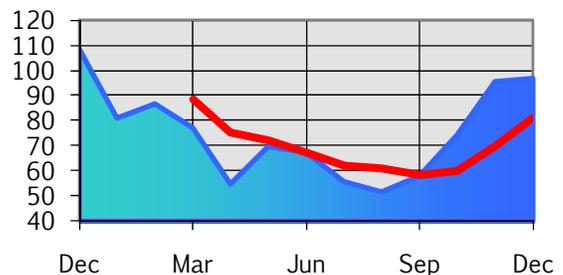
**Building permits** rose significantly to 35, a fifteen month high. As seen in the graph below, building permits show a year long upward trend.

Index of Building Permits Issued



**Help Wanted Advertising** rose slightly to 97. Though, leading indicators are mixed for the month of December, all three show positive directions in their moving averages.

Index of Help Wanted Advertising



**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.

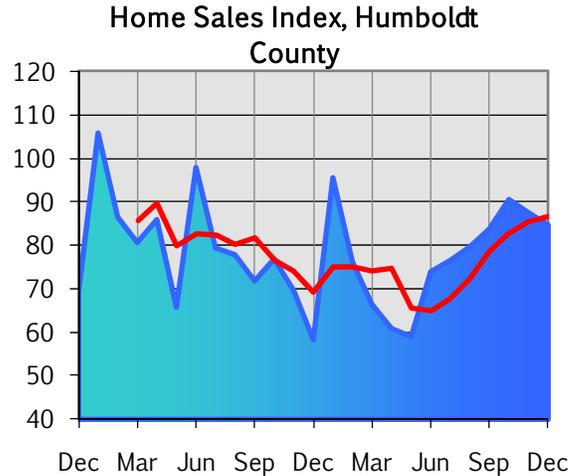
Seasonally Adjusted Homes Sales Index declined to 83.7, while four month moving average indicates a positive trend. Home sales decreased 7.8 percent, while the local mortgage rate declined to 5.25 percent.

House prices in Humboldt County are now \$100,000 lower than the peak in March, 2006. This is a drop of almost one third. Median Home Prices fell \$16,000 from the previous month, to \$249,000. Inflation adjusted home prices in Humboldt County continue to trend towards their long-run values as seen in graph below.

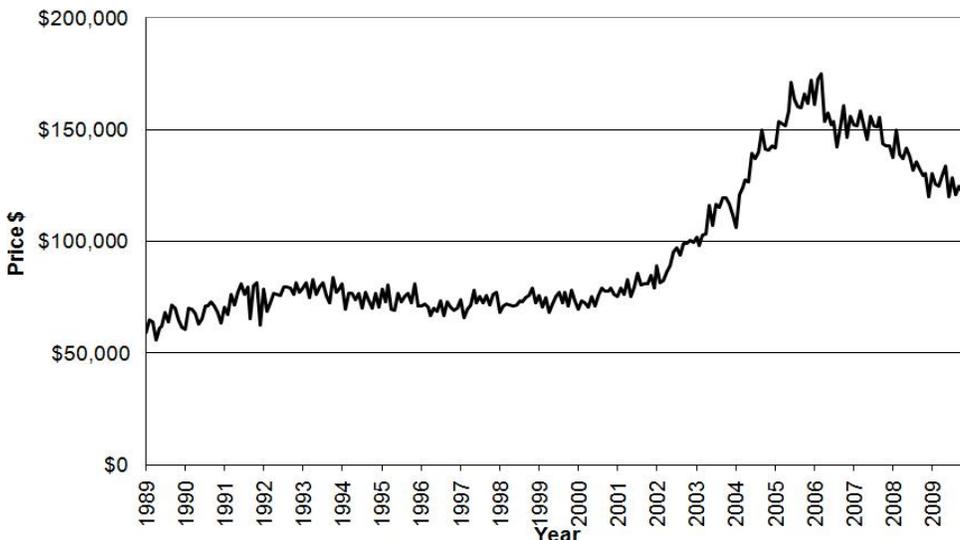
The Case-Shiller Home Price Index, the best national measure of house prices, declined in November to 146.3. Over the past 12 months it has declined 5.3 percent.

The Wall Street Journal reported that D.R. Horton, the U.S.'s second largest homebuilder, announced a profit last quarter, despite a market flush with foreclosures. The company attributed their success to careful cost control, completing contracts quickly and negotiating lower prices with suppliers. Other homebuilders are standardizing homes and cautioning would-be buyers against the risks of buying foreclosed homes. If this trend continues, it is likely to put downward pressure on home prices, and possibly increase home sales at the national level.

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](#).



**Inflation-Adjusted Median Price of Houses Sold, Humboldt County**



Source: Humboldt Economic Index. Amounts in 1982-84 dollars.

# The Index – Individual Sectors

## Total County Employment

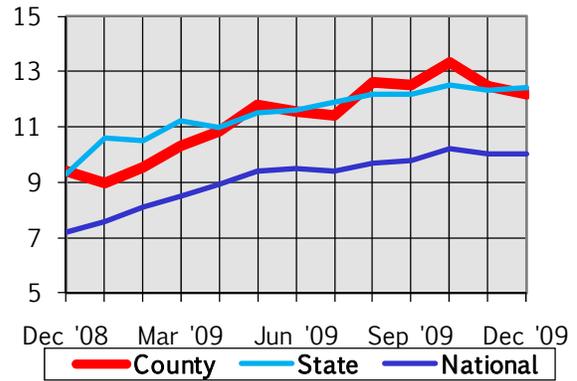
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total county employment declined to a new low all-time low in the data going back to 1994. Employment in the County stands at 52,700 workers. The Seasonally Adjusted Index increased to 94.5. The seasonally adjusted County unemployment rate decreased slightly to 12.2 percent

California's Employment Development Department announced a \$20.2 billion record in unemployment benefits paid in 2009, beating 2008's \$8.1 billion paid, the previous record. Reportedly, 1.4 million Californian's received unemployment benefits in 2009.

The Bureau of Labor Statistics announced Friday that the national unemployment rate as decreased from 10.0 to 9.7 percent. It is uncertain whether the decrease can be attributed to a recovering economy as the two of the three sectors experiencing employment growth were government and healthcare. The retail sector experienced job growth while employment in the construction and transportation sectors declined. Manufacturing job growth was insignificant.

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.

Seasonally adjusted hospitality increased by 10.3 percent to 93.9, putting the index above the long-run average of 91.5.

## Gasoline Prices

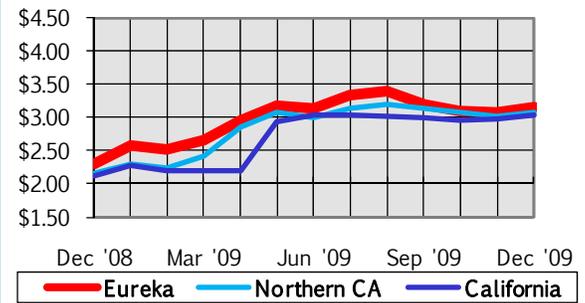
Inflation adjusted Eureka gas prices rose nearly 2.6 percent to \$2.70 a gallon. The nominal price stands at \$3.16 a gallon.

Crude oil declined to a \$71.19 a barrel, as demand for heating oil retracts and as investors in oil futures look to safer investments amid concerns of Europe's plans to address deficits. Policies designed to reduce deficits may stifle economic growth in the region, possibly putting downward pressure on world oil prices.

Gas Prices		
Prices as of 2/1/2010	Average price*	Change from previous month
Eureka	\$3.16	\$0.09
Northern California	\$3.08	\$0.06
California	\$3.03	\$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)).

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.

Seasonally adjusted Retail Sales rose 15.4 percent to an index value of 160.9. Changes in retail sales were mixed as some sectors experienced decline while others gained.

Statewide retailers struggle through one of the worst Decembers in decades as retail sales declined unexpectedly.

Nationally, retail sales experienced an unexpected gain of 3.3 percent over January of last year. Consumer Confidence increased again in January rising 4.1 percent to 55.9. Positive national retail sales over last year and a rising Consumer Confidence indicate a more optimistic consumer and may translate into higher retail revenues locally.

## 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 declined 12.7 percent October to November, but rose 13.7 percent November to December. It now stands at 131.8. In October it was 128 and in November it was 114.

In a report by Navigant Consulting, hundreds of thousands of high skilled jobs could potentially be created if the Federal Government created a 20 to 25 percent renewable energy portfolio standard. California has mandated a 33 percent renewable energy portfolio standard by 2020. The Federal Government's decision to pass legislation may be impacted by the success of California's portfolio standard.

## 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 Seasonally Adjusted Lumber-Based Manufacturing declined 5.7 percent to a new low of 28.4. Nationally, the Institute for Supply Management reported that the Purchasing Managers Index increased again in January to 58.4. PMI reflects the proportion of purchasing managers for manufacturing firms who report better economic conditions from the previous month.

**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.

# The Index

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Bureau of Labor Statistics

California Association of Realtors - Case-Shiller Home Price Indices

Conference Board - The Employment Development Department - The Institute for Supply Management

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