

Humboldt Economic Index

February 2011

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Redwood Region
Economic Development
Commission



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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.

Home Sales Rebound, Strong National Figures

The composite index expanded by 3.0 to 99.0. Overall, the December was a positive month for the Index and many national indicators.

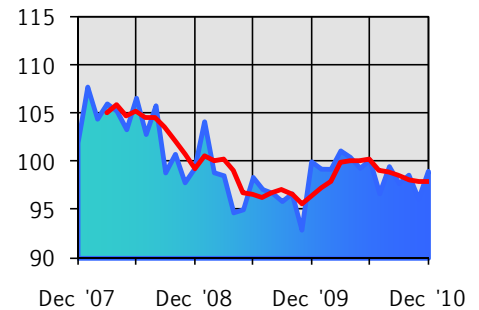
While the median home price fell somewhat, home sales rebounded from November. The index rose a dramatic 35.4 percent. National home prices declined for the fifth consecutive month.

Seasonally adjusted local employment was unchanged from November's somewhat lower value, while national unemployment declined at a rate not seen in decades.

Retail experienced a mild decline, while the national indicators point to improving economic conditions. Beige Book reported strong new auto sales in the west coast district.

Hospitality declined somewhat, but maintains a higher figure. Leading indicators are mixed, although Help Wanted Advertising is at a 3-year high.

Composite Index



Taken with the exceptional national statistics in the unemployment rate, PMI and Consumer Confidence, economic conditions at least appear to be improving for the time.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	99.0	3.0	-1.0	-7.4	-6.5
Home Sales	81.4	35.4	-3.9	-10.8	-25.3
Retail Sales	145.5	-2.0	-9.1	5.8	12.6
Hospitality	81.6	-12.2	-13.1	-5.5	-8.9
Electricity	151.4	26.6	14.9	2.0	28.7
Employment	95.9	0.0	1.5	-7.9	-5.1
Manufacturing	29.2	-10.7	6.5	-57.7	-70.2

* 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.

The Index – Leading Indicators

Leading Indicators

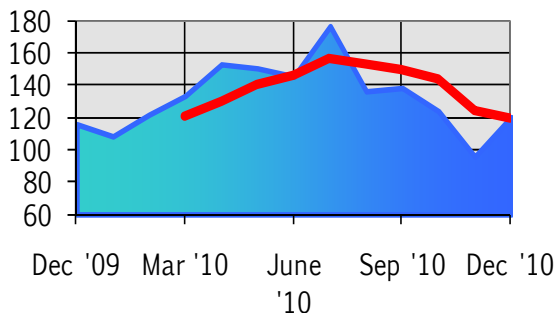
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	25.6%	-29.0%	59.4%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$240,050	\$1,260	5.00%	11.9%
<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>			

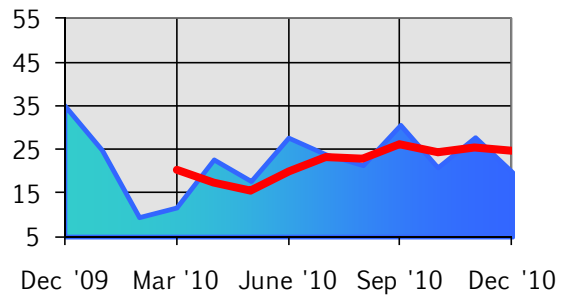
Unemployment Claims rose to 120.6, but remains significantly lower than the extreme values experienced in summer 2010.

Index of Claims for Unemployment Insurance



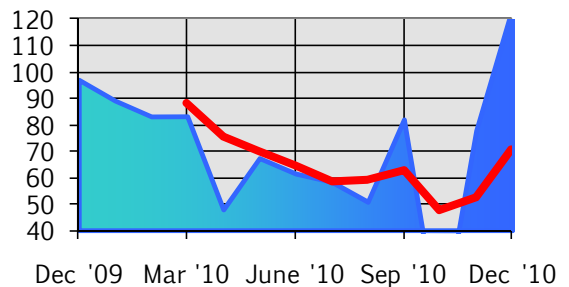
Building permits fell 29.0 percent to 19.8.

Index of Building Permits Issued



Help Wanted Advertising rose 59.4 percent to 124.0, the highest value since May 2007.

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.

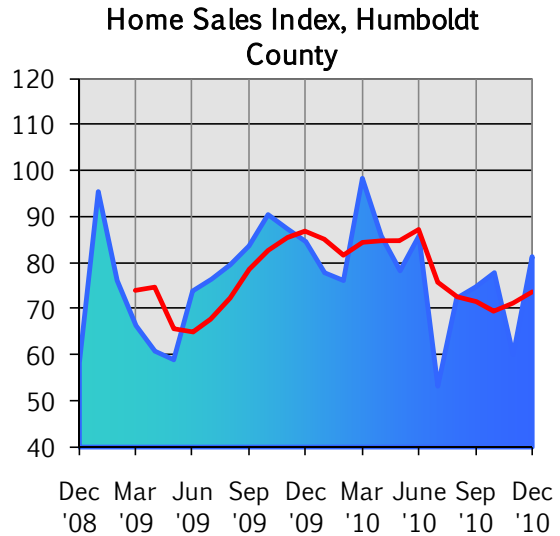
Home Sales rebound in December from last month's sharp decline. While the median price fell from 250,000 to 240,000, the number of homes sold rose from 57 to 74. The index rose 35.4 percent in December, to a seasonally adjusted value of 81.4, the highest value since June.

In 2010, the average monthly median home price was 248,000 and the average monthly number of homes sold was 70.1. For comparison, in 2009 and 2008 the average monthly median home prices were 269,000, and 291,000, respectively. While home prices have fallen dramatically, rents have remained constant for the past three years, indicating that the fundamental value of housing has been disjoint from volatile price fluctuations.

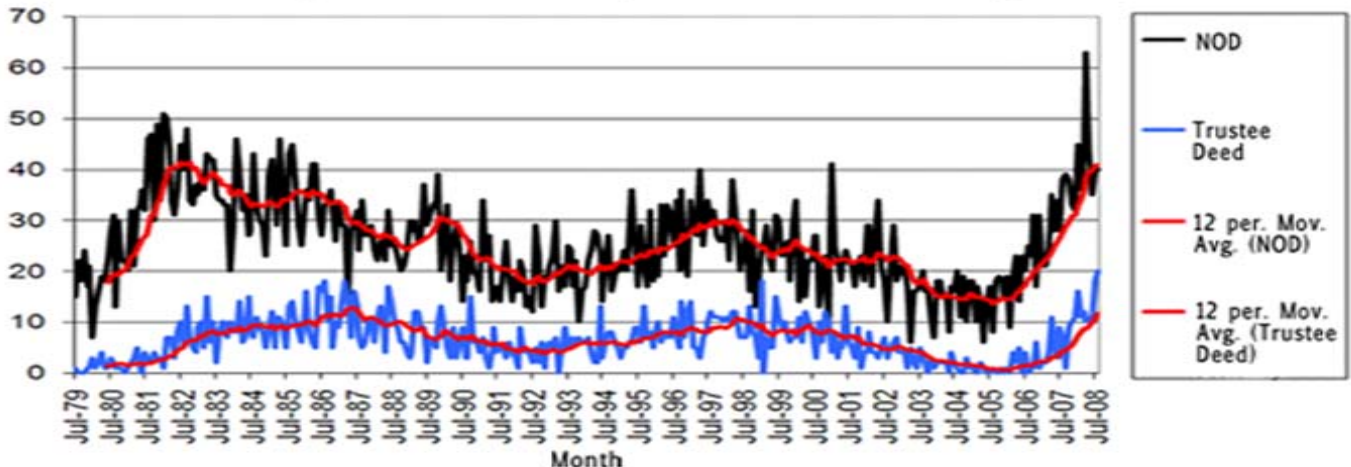
Nationally, the Standard & Poors Case Shiller Index reported another decline in seasonally adjusted home prices, November being the fifth consecutive month of decline for the index. The 0.54 percent decline is less significant than the 1.00 and 1.01 percent declines experienced in September and October. The fall in prices has reversed the gradual increase in prices experienced over mid 2009 to summer 2010.

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

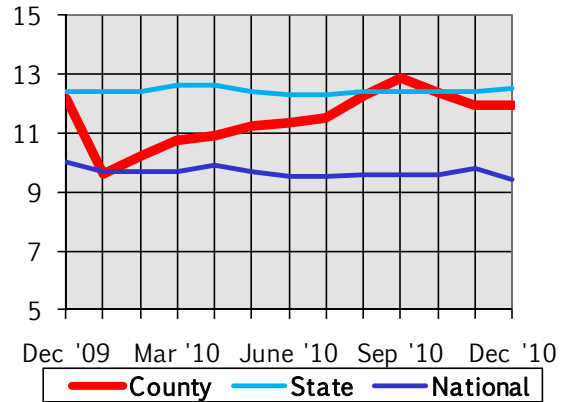
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Seasonally adjusted Employment remains constant at 95.9. Retail sector employment experienced contraction, while manufacturing was unchanged. The California EDD reported a sharp decline in the construction sector, falling 5.9 percent, while financial sector expanded 6.3 percent. Over the year, local employment declined 18.2 percent in Trade, Transportation and Utilities, while growth was restricted to State Government, Professional & Business Services, and Education & Health Services. The seasonally adjusted county unemployment rate remains constant at 11.9 percent.

Statewide, the California EDD reported a decline in the December unemployment rate to 12.4 percent, down from November's revised 12.5 percent. Information sector employment experienced the largest change, rising 0.7 percent.

National unemployment fell 0.4 percentage point in December and a further 0.4 percentage points in January. The seasonally adjusted US unemployment rate stands at 9.0 percent. While the drop in unemployment is dramatic, only about 36,000 net non-farm jobs were added in January. Manufacturing and Retail experienced the most significant increases. The decline in unemployment is partially attributed to the decline in the labor force. Since November, the civilian labor force has declined by 764,000, while those not participating in the labor force grew by 753,000.

Unemployment Percentage Rates



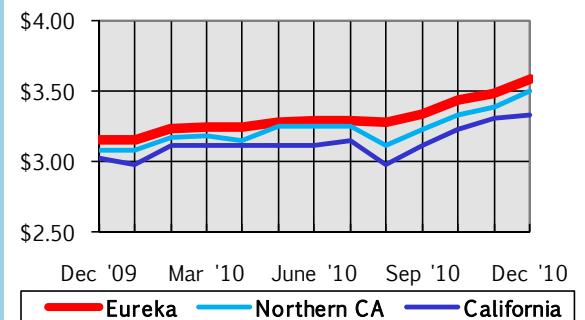
Gasoline Prices

Eureka gas prices rose \$0.10 from December while the difference between statewide prices rose \$0.08 to \$0.25. Oil prices continue an upward trend with current prices hovering around \$89.0. Although higher prices reduce disposable income, rising gas prices are an indication of a less anemic economy.

Gas Prices		
Prices as of 1/27/2011	Average price*	Change from previous month
Eureka	\$3.58	\$0.10
Northern California	\$3.50	\$0.11
California	\$3.33	\$0.02

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (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 fell 2.0 percent to a seasonally adjusted 145.5. All sectors experienced mild decline. Over the year, Retail has been volatile but has not indicated a trend. The index is down only slightly from early 2010 values.

Beige Book reported San Francisco district sales exceeded retailer expectations over the holiday shopping season, noting in particular new vehicle sales. Nationally, the Conference Board reported a 13.7 percent rise in Consumer Confidence.

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.

Manufacturing fell 10.7 percent to a one-year low. Both production and payrolls fell in December. While December production was higher than in December 2009, December payrolls have since fallen.

Nationally, the Purchasing Managers Index rose again in Jan to 60.8, the highest value since May 2004. The PMI measures the proportion of purchasing managers who report improving economic conditions. The ISM reported that January was the 18th consecutive month of growth in the manufacturing sector.

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 rose 26.6 percent in December. The first three months on the quarter indicated a decline in energy consumption, ending with December's sharp rise in seasonally adjusted consumption.

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 fell 12.2 percent in December. The decline is attributed to a fall in occupancy rates and as room rates were largely unchanged. The seasonally adjusted index stands at 81.6, compared to November's 93.0.

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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