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The Index of Economic Activity for Humboldt County

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INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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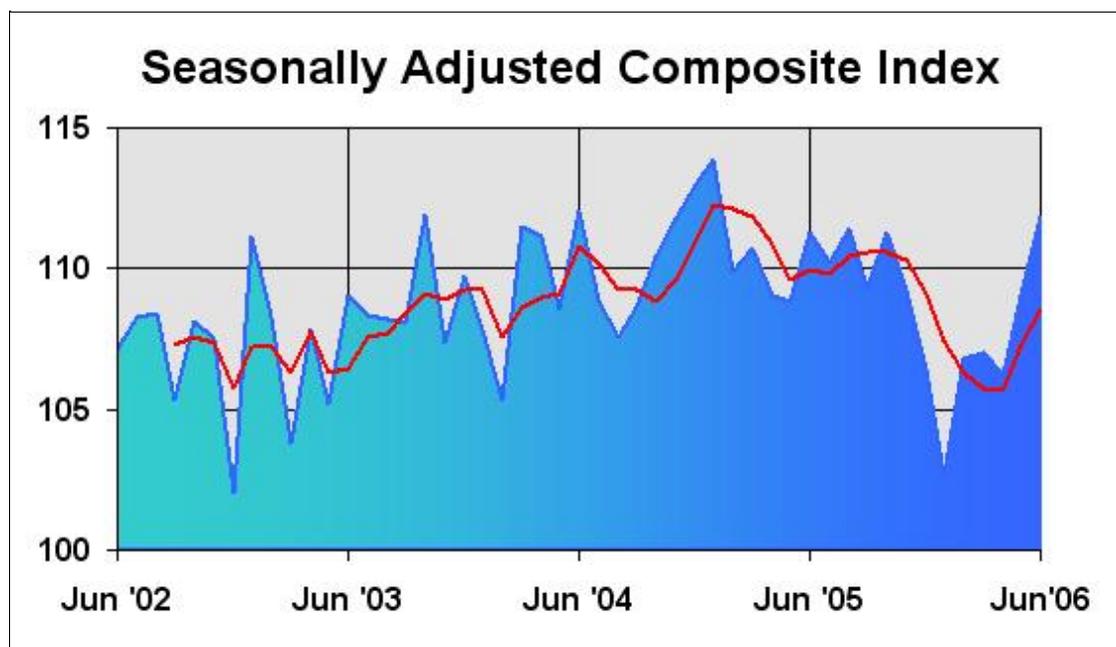
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July 2006

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Graphic description: 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.

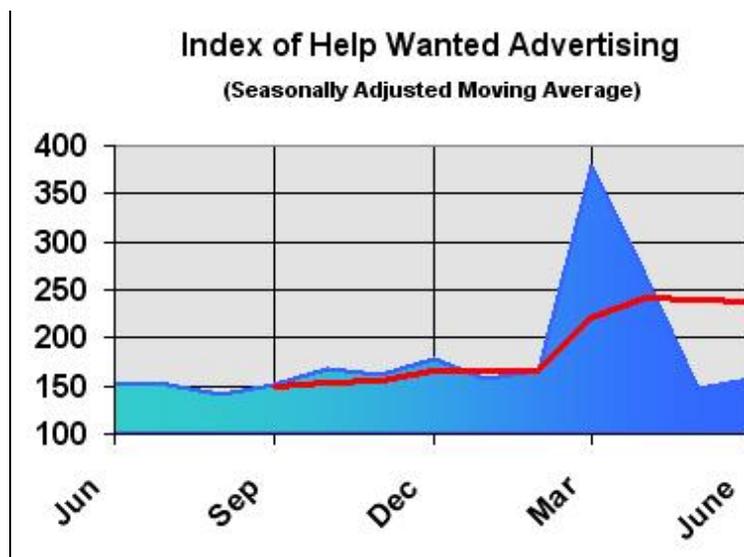
The Composite Index of Economic Activity added a healthy 2.6 percent in June to come to a seasonally adjusted Index value of 111.8. This is a fairly high value, representing strong economic performance of the local economy compared to its historical standards. This value is the highest level since January of 2005. It is still lower than the high of 115.5 reached back in 1999. Contributing substantially to the strength of the Composite Index in June was a strong performance in the Home Sales Index. Real Estate prices fell in June, helping to increase the number of sales. A high number of sales in the month pushed the Home Sales Index up 25 percent to 127.0. This is still well below the prevailing levels of recent years. Hospitality, Retail and Manufacturing also contributed to strength, while Employment posted a small decline.

Composite & Sectoral Performance, Index of Economic Activity for Humboldt County							
* * *		Percent Change From:					
Index	Seasonally Adjusted Index Value (1994=100)	Previous Month	Same Month 2005	Same Month 2004	Same Month 2003	Same Month 2002	Same Month 2001
COMPOSITE	111.8	2.6	0.5	-0.2	2.6	4.4	-0.2
<i>Sector</i>							
Home Sales	127.0	25.0	-12.4	-19.1	5.8	-0.8	-5.2
Retail Sales	150.1	2.7	7.8	-0.8	-2.1	6.5	3.0
Hospitality	101.6	4.5	5.6	-3.6	6.1	1.2	-3.6
Electricity Consumption	130.2	-0.8	11.0	18.7	20.9	31.3	18.1
Total County Employment	105.0	-0.5	-1.4	2.3	2.3	1.7	1.4
Manufacturing	71.4	2.3	-15.1	-8.7	-16.3	-12.3	-25.0

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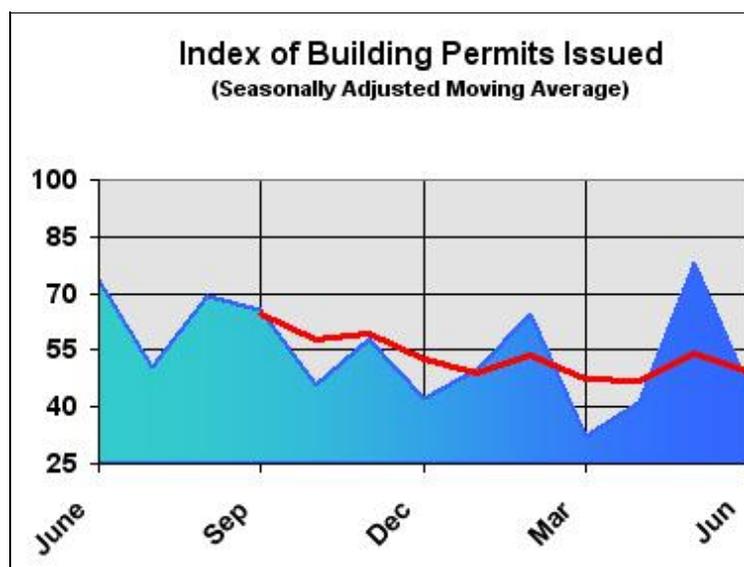
Leading Indicators

The Index tracks four 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) help wanted advertising, (2) building permits, and (3) 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.



Graphic description: 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.

Seasonally adjusted Help wanted advertising was up slightly in June by 7.3 percent. This is not out of line with the historical range of this Index.



Graphic description: 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 dropped sharply by 41.5 percent in June, immediately after a 90 percent jump last month. This Index has been swinging up and back lately, and although last month's value was rather high, this month is not far out of line with the recent range of this Indicator.



Graphic description: 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 Manufacturing Orders fell a sizable 17.7 percent this month after last month's modest increase of 5.2 percent. This is historically a volatile index. A dramatic decline may bode ill for manufacturing, but the more long term downward trend is even more ominous.

Key Statistics		Leading Indicators	
			% Change From Previous Month
Median Home Price*	\$309,000	Unemployment Claims	-3.7
30 Yr. Mortgage Rate	--	Help Wanted	7.3
Unemployment Rate**	5.6%	Building Permit	-41.5
		Manufacturing Orders	-17.7
* 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.			
** Preliminary EDD data. See the EDD Web site for updates.			

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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 rose in June by 25 percent to a value of 127.0. This is the highest level since last summer, but it is still quite a bit lower than the levels the Index has seen the past few years. In fact, June sales were off 12 percent compared to June 2005. At the same time the median sale price of a home in the county for June fell 3.1 percent to \$309,000 from \$319,000 last month. This is a 11.5

percent fall in prices from June 2005 after adjusting for inflation. This marks the second straight month where year-on-year inflation adjusted prices and sales volume have fallen. Together these data may indicate a shifting of power in the market from sellers to buyers, and houses that have languished on the market for some time are selling as prices come down.

According to The California Association of Realtors, The median sales price of a single family residence in the state of California continued to rise in June, rising 2.0 percent from \$564,440 to \$575,800. At the same time, the seasonally adjusted total number of sales in the state fell 0.9 percent in June, and are off 26.3 percent for the year. ([CAR](#))

Nationally, the National Association of Realtors reports that the median sales price of an existing home fell a seasonally adjusted 1.3 percent in June, and is off 8.9 percent on the year. Home sales are slowing as well. Total sales are preliminarily reported at a seasonally adjusted annualized rate of 6,620,000 for June, down 1.3 percent from a revised 6,710,000 in May, and down 8.9 percent from 7,270,000 a year ago. ([NAR](#))

Freddie Mac, the nation's largest mortgage company, reports that the national average rate for a 30 year fixed mortgage is down slightly from last month to 6.72 percent and 0.3 points. As last month's Index was published, the rate was 6.78 percent with 0.5 points. One week ago, the rate was up to 6.8 percent. The rate twelve months ago was a low 5.77 percent. ([Freddie Mac](#))

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.

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.

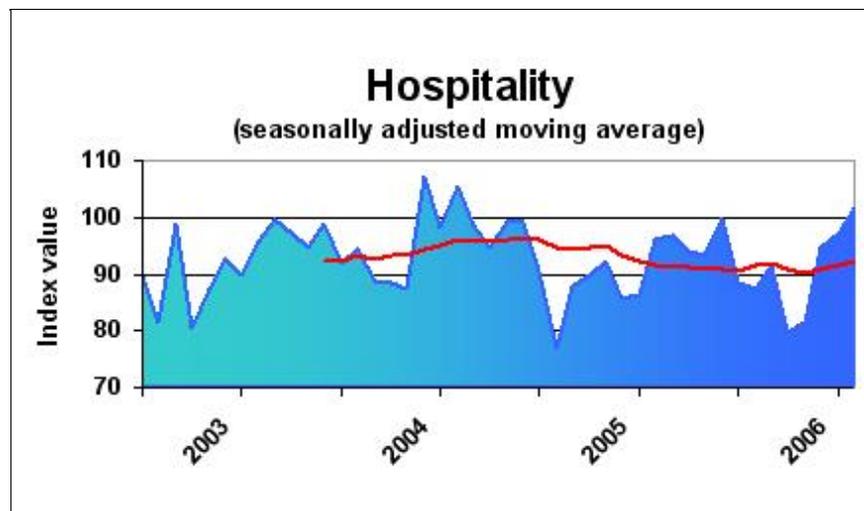
The Retail Sales Index added 2.7 percent, continuing last month's strong gains of 13.2 percent. The retail sales Index now stands at 150.1, the strongest of all the components of the Composite Index, although in recent quarters the Energy Index has been posting strong gains as well.

National retail sales performance as reported by the Federal Reserve Board in their Beige Book, was somewhat weaker than earlier months this year, but providers of non financial services reported continued strength. ([FRB Beige Book](#))

The Conference Board reports that national Consumer Confidence increased moderately in July from 105.4 to 106.5. Consumer's impression of the present economic situation and their expectations for coming months also rose. More respondents in July rated jobs as "plentiful" and conditions as "good" than in June as well. ([Conference Board](#))

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.



Graphic description: 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 is up again in June, by 4.5 percent, beating last month's 2.9 percent gain. The Index now stands at 101.6. This is above the level of 100, where the Index began in 1994. This shows positive growth over that time period, but very small growth. For all intents and purposes the Hospitality Index stands unchanged from its value of twelve years ago.

Gasoline Prices

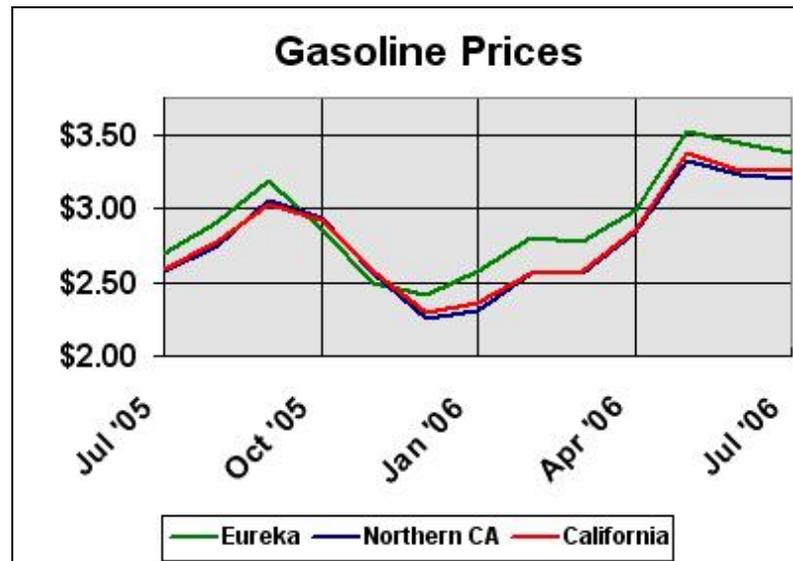
The AAA reports that Eureka gasoline prices have eased slightly as of July 11th to \$3.38 per gallon from \$3.44 last month (June 13th). This is still quite a bit higher than the prices around two and a half dollars that prevailed in December and January, but prices have eased a bit in Eureka over the month, while many other communities have experience higher prices.

Statewide prices are unchanged from the prices on June 13th at \$3.26, but the experienced a dip toward the end month and are on the rise again. Near the end of June, statewide prices had fallen to \$3.18, but regained that ground in the first two weeks of July.

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.

Average Price* (as of 07/11/06)		Change From Prev. Month (cents/gal.)
Eureka	\$3.38	-06¢
Northern Ca	\$3.20	-03¢
California	\$3.26	00¢

Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association's monthly gas survey (www.csaa.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 Index value for March was 137. The May Index value is estimated to be 141.8. It appears that increasing energy costs have done little to damp consumption. The most recent quarter saw percentage increases in the double digits over the first quarter of all prior years.

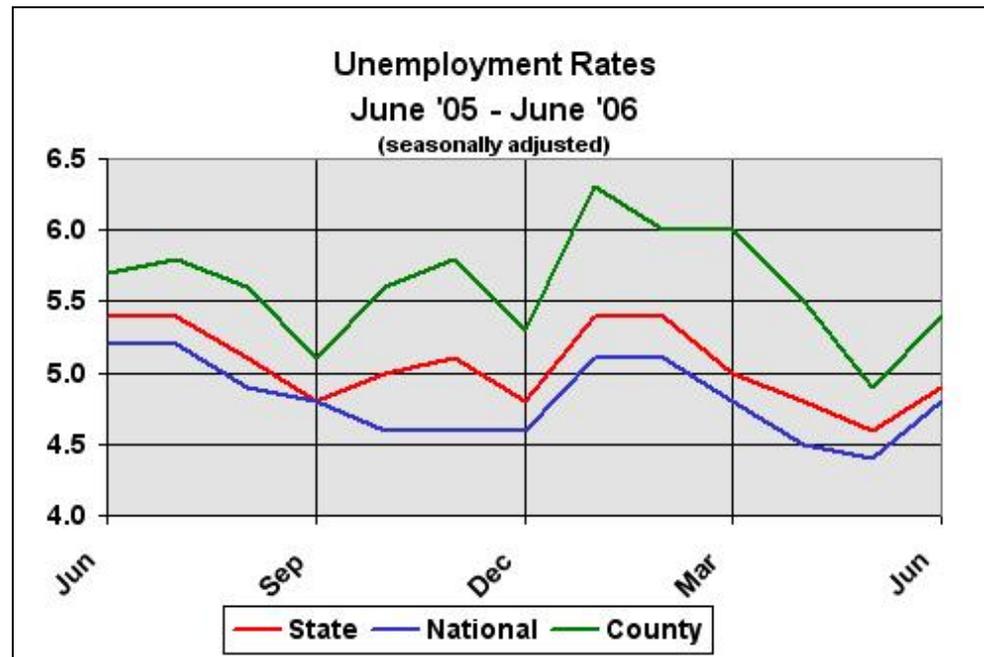
Total County Employment

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

In June, the seasonally adjusted Humboldt County unemployment rate rose from 5.2 to 5.6 percent, but the number of jobs in the county also rose. This is because while 300 jobs were created in the county in June, 700 people joined the county labor force. This means that job creation failed to keep up and all told we had 400 more unemployed persons in the county in June. This is not good, but it isn't as bad as if the rate had risen because of job loss. ([EDD](#))

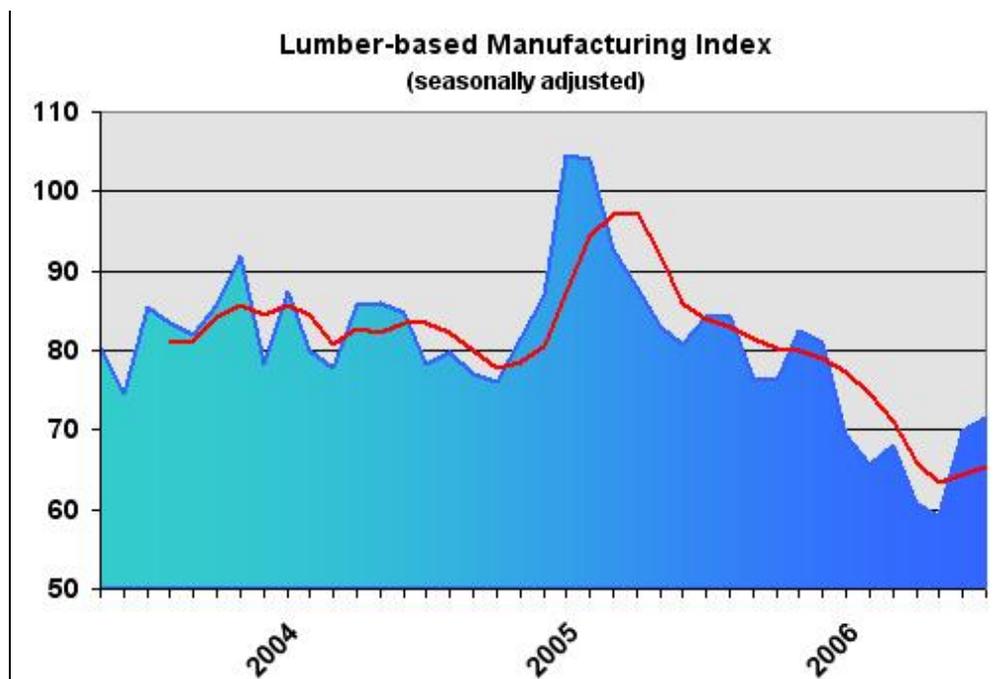
The seasonally adjusted national unemployment rate remains at a historically low 4.6 percent, unchanged since last month's Index report. ([BLS](#))

At the State level, the seasonally adjusted unemployment rate also remained unchanged on the month at 4.9 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.



Graphic description: 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.

In this month the Manufacturing Index grew a healthy 2.3 percent to arrive at an Index value of 71.4. This performance doesn't compare with last month's 18 percent growth, however and the current value of the Manufacturing Index is still well below 100 where it began in 1994. This sector traditionally demonstrates erratic performance, but has had a long run downward trend for some time.

Nationally, the Institute for Supply Management reports that production accelerated in July. Prices for raw materials, especially non precious metals were high and climbing. Some manufacturers reported robust orders, but still being forced to cut back production because of supply backlogs. Prices accelerated their increase. The outlook is still quite inflationary, perhaps not as tight as in recent months, but still tight. ([ISM](#))

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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 2003" report reflects data from July 2003. 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](#)
- [The Conference Board](#)

[Federal Reserve Board Beige Book](#)

[Freddie Mac](#)

[Institute of Supply Management](#)

[National Association of Realtors](#)

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