



# Humboldt Economic Index

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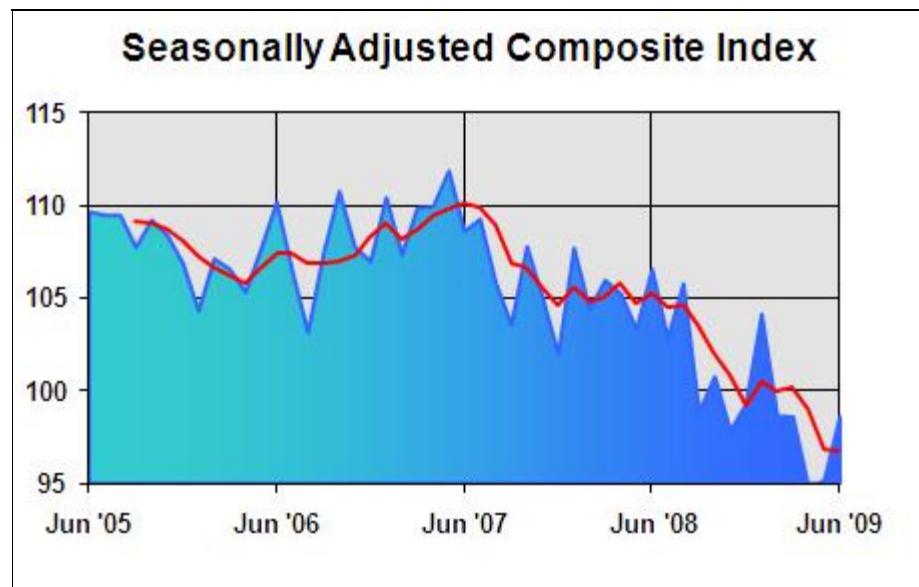
## Humboldt Economic Index

**July 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 grew 3.6 percent from our revised May composite of 95.2, the third lowest index value recorded since its inception. The June composite now stands at 98.6, a 7.5 percent decline from the June 2008 level. While most sectors experienced growth only two showed slight declines in seasonally adjusted activity. Employment slipped 0.4 percent while Manufacturing declined into the low 30 range. Home sales activity rebounded from the previous month jumping 25.4 percent partly due to a significant drop in median home prices. Housing markets continue to realign themselves as prices continue to decline and interest rates remain relatively low. Gas prices have begun a slow upward trend over the past few months, this could dampen future recovery if another price spike hits. Leading indicators suggest little to no softening in labor markets as unemployment claims may be leveling off.

**Composite & Sectors**

Percent Change From:					
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	98.6	3.6	-7.5	-10.7	-10.3
Home Sales	74.0	25.4	-24.5	-52.9	-30.2
Retail Sales	150.9	1.2	-6.1	-0.2	24.1
Hospitality	86.3	6.9	-0.8	-8.4	-6.9
Electricity Consumption	130.4	11.8	-1.5	18.8	-0.5
Total County Employment	98.0	-0.4	-6.6	-4.6	-7.2
Manufacturing	32.5	-3.3	-30.6	-58.5	-70.8

\* 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‡
\$257,000	5.000%	11.6%

\* 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.

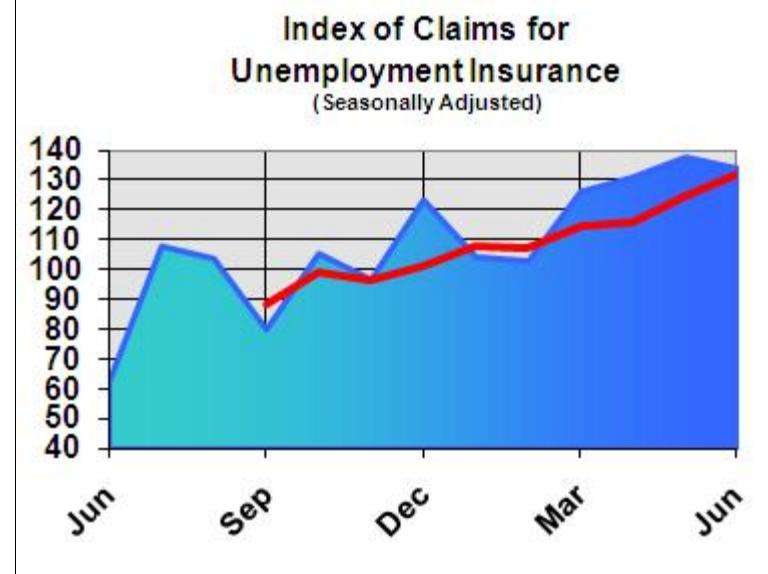
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## Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-2.8%	-3.3%	-14.1%	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.



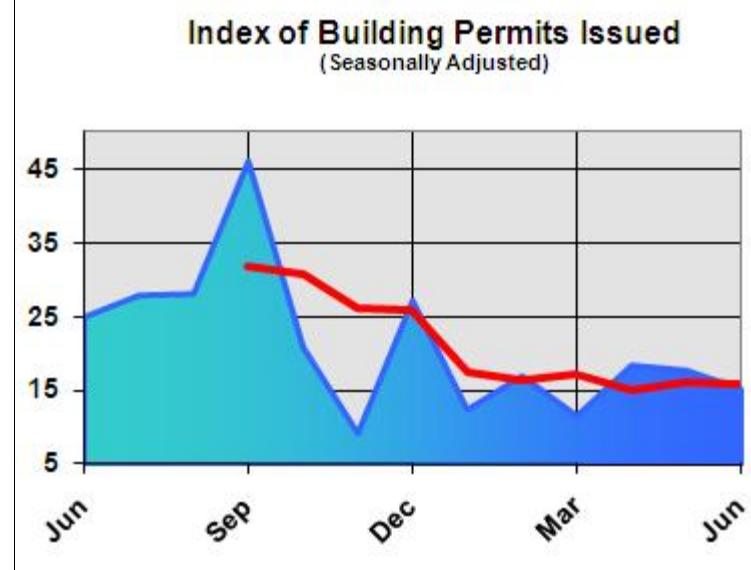
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims fell 2.8 percent in June to 133.9, but is 113.9 percent above the June 2008 level. This index displays an inverse relationship where the higher the index value has a negative effect on economic activity. The strong upward trend in the four month moving average also indicates that future employment may remain weak; however, if the index experiences more no to slight reductions in this index it could suggest the unemployment rates have bottomed out.



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 29.6 percent from June 2008 to 67.4. This index has tended downward since December and supports that industries are scaling back employment during this recession. Continued declines in this index may cause more residents to leave to seek new employment elsewhere or the county unemployment rate may continue to rise.



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 are down 14.1 percent from the previous month and 38.9 percent below the June 2008 level. The decline in this index supports the general cooling off of the local economy. Current market conditions coupled with high unemployment claims and low help wanted advertising suggests constant to continued weakness in the overall economy 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 Seasonally Adjusted Housing Index leapt 25.4 percent from the previous month to 74.0. However, this index is 24.5 percent lower than the same period a year ago. Real Median Home prices have fallen by \$25,039 from the previous month and \$32,639 from June 2008. Interest rates rose in June by 0.625 percent to 5.000 percent. Median home prices will experience continued downward pressure within the county as long as unemployment remains historically high and the housing price to rent ratio remains significantly above historic levels.

**The California Association of Realtors** reported that sales increased 20.1 percent from the same period twelve months ago and the median home price rose 4.2 percent from the previous month, but is 26.4 percent below the June 2008 level. **The National Association of Realtors** found that existing-home sales rose 3.6 percent in June. The single-family median home price fell 15 percent to \$181,600 from June 2008.

Moreover, **Case-Shiller Home Price Indices** reports that year-over-year returns have experienced a turn around as of the last four months. The rate of decline in home prices is beginning to slow which gives rise to price stabilization within the near future. However, this does not mean a recovery or appreciation is within coming months. As world demand remains relatively weak and the US unemployment rate on the rise, housing appreciation will be scarce.

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

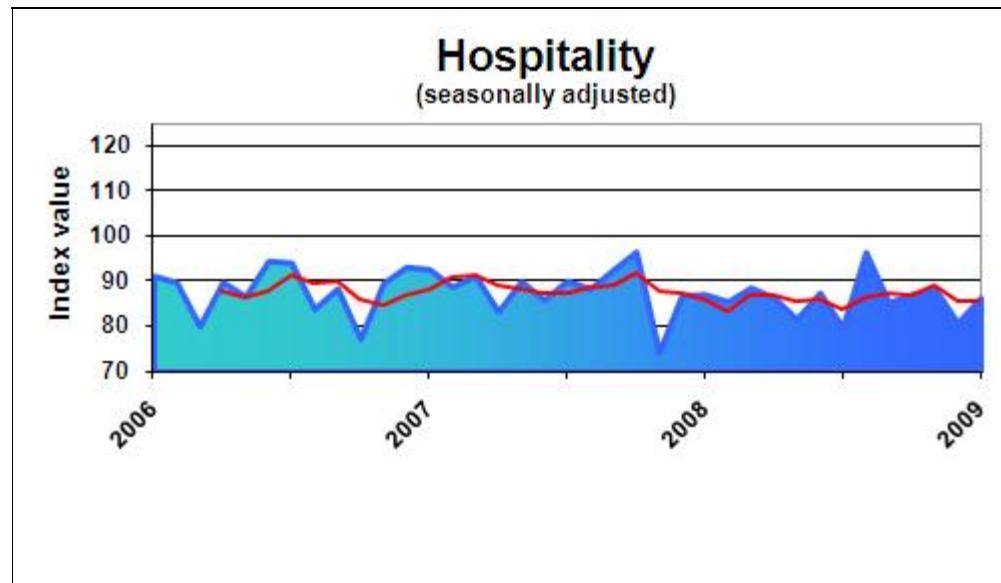
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Retail expanded 1.1 percent from the previous month to an index value of 150.9. However, while

retail remains the best performing index we track it is still 6.3 percent below the June 2008 level. All retail industries experienced decreased nominal activity when compared to the previous month, however when adjusted for seasonally variations the overall index rose. Nationally, consumer confidence, as monitored by the **Conference Board**, showed signs of recovery from the bottoming in February; however, June and July have both posted declines in this index which means that consumers are weary of the stability in coming months. This may put more pressure on retail sales or new products and add steam to used items such as used cars. The Federal Reserve's **Beige Book** noted that auto sales were down, but used car sales showed signs of strength. Furthermore, perceived weakness in the economy and high unemployment rates can drive down tourism which will also affect retail and hospitality on the North Coast.

## 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 continues to oscillate within the normal range. This index rose 6.9 percent from the previous month to a seasonally adjusted index value of 86.3 which is 0.8 percent below the June 2008 level. Reports of diminishing consumer confidence and declining tourism may have some negative effects on hospitality in the near future, but are unclear as travelers may remain more local and our geographical location toward Nevada and Oregon.

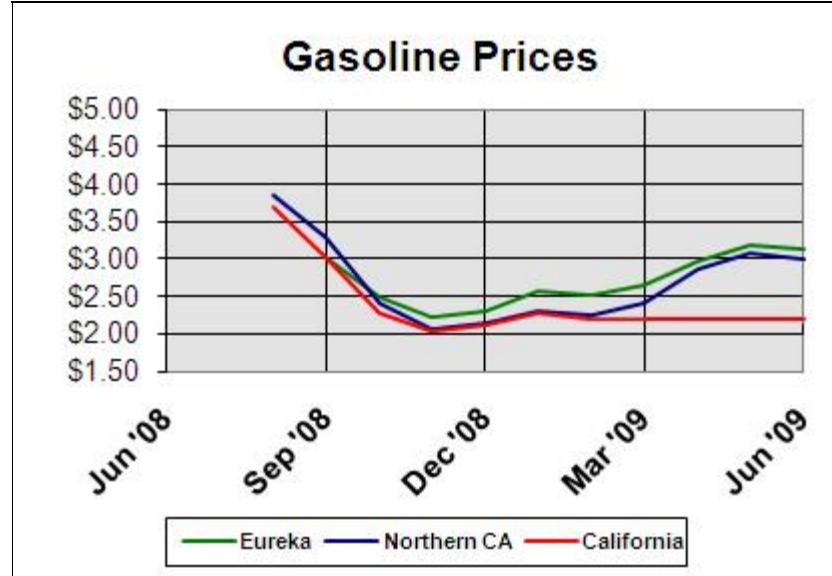
## Gasoline Prices

Gas prices have begun to start a slow climb. Growing demand from around the world and a reduction in supply have fostered higher prices. While prices are approximately a dollar lower than last year, growing concerns over consumer's wealth is in question. High energy prices would create more strain on a recovery for the overall economy, but more importantly the American families who are in need. California remains one of the most expensive states to fill-up. If gas prices spike in the near future it could cause negative effects on the economy as a whole and industries will be more inclined to reduce costs through alternative means.

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 8/7/2009	Average Price*	Change from Previous Month
Eureka	\$3.13	\$0.05

<b>Northern CA</b>	\$3.00	\$0.08
<b>California</b>	\$3.04	\$0.09
* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ( <a href="http://www.csaa.com">www.csaa.com</a> ).		



## 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.

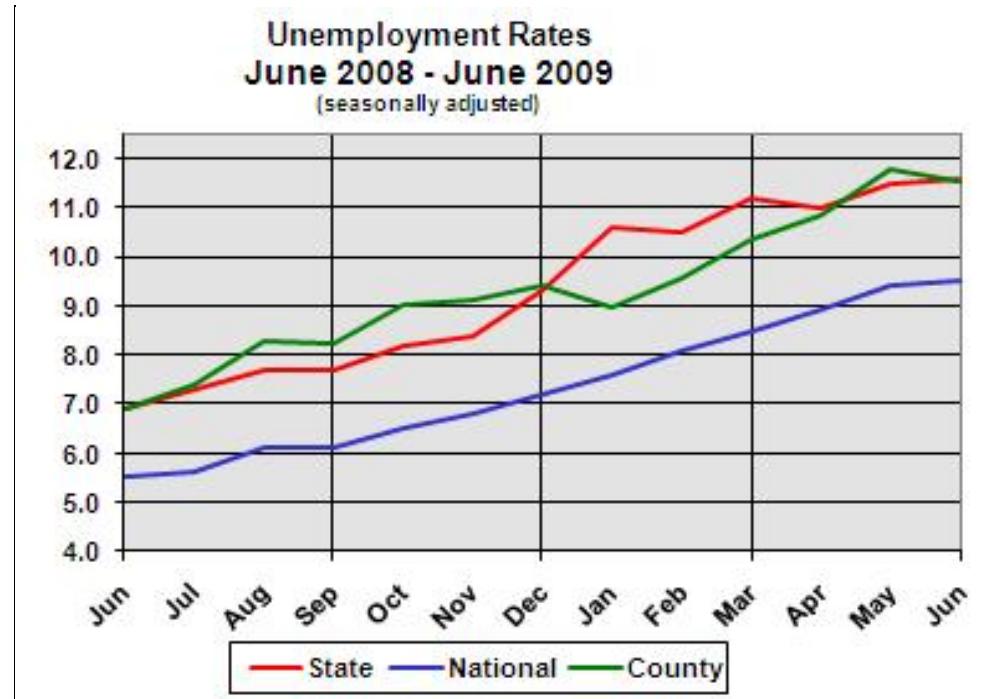
New quarterly energy data has been collected for April, May, and June 2009. The seasonally adjusted values for the months are 105.6, 116.6, and 130.4 respectively. In more recent events the new 10 kW solar panel system has been installed on top of the music room, an installation paid by the students through the Energy Independence Fund, which strives to make HSU energy independent and reduce green-house gas emissions.

## Total County Employment

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

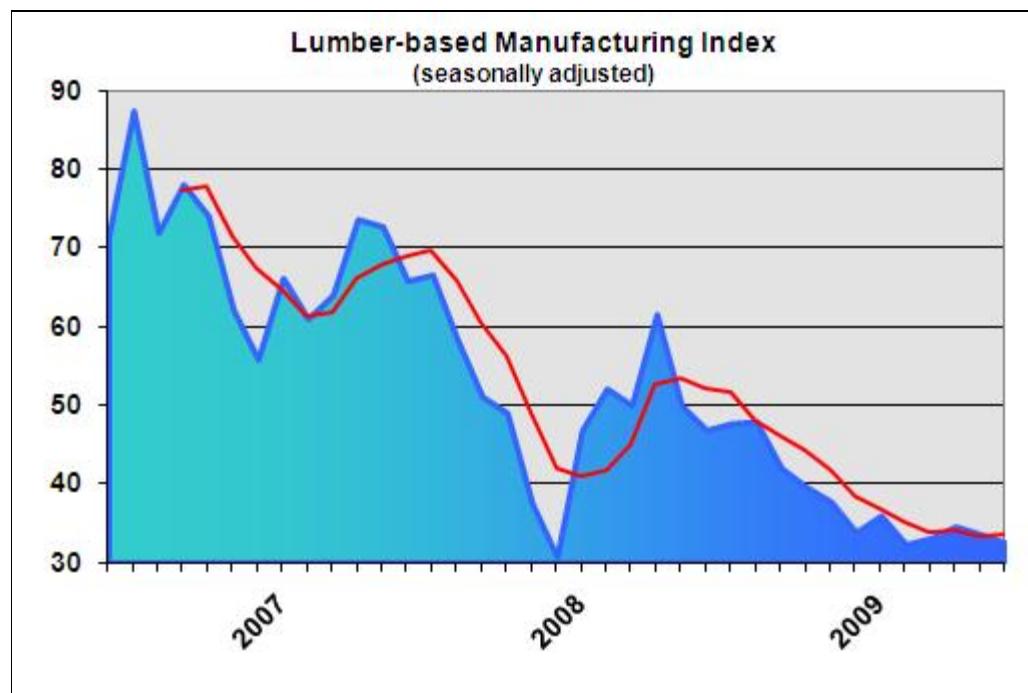
Humboldt County's Employment Index fell 6.6 percent to 98.0 when compared to the same period twelve months earlier and 0.4 percent from the previous month. The seasonally adjusted unemployment rate for the country fell by 0.2 percent, the first contraction since January 2009. While the summer months are generally weaker for employment throughout the county partially due to the diminished demand for goods and services while Humboldt State University is not in session. The labor force declined by 300 from the June 2008 while over the previous three months the labor force has experienced continued decline, contracting by approximately 700 individuals. **The Employment Development Department** reported that within the county federal funded jobs declined by 100 while state government education fell by 200 when compared to the previous month. Leading Indicators for the county suggest that there is no immediate recovery in the local job market.

However, the US unemployment rate has continued to rise since March 2008. The seasonally adjusted rate now stands at 9.5 percent. Current conditions continue to deteriorate as demand remains sluggish for goods and services as more consumers are curtailing spending coupled with the current housing market .



## 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 continues to dwindle in Humboldt County. Current economic conditions have added additional pressure to the sustainability of this industry. The seasonally adjusted index value is 32.5, which is 70.8 percent below the June 1999 level. The 3.3 percent decline from the previous month is the second straight decline and leading indicators suggest a stabilization of activity, but not a recovery. The continued contraction in the Building Permits Index supports suppressed lumber-based manufacturing activity.

**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**

**The California Association of Realtors**

**Case-Shiller Home Price Indices**

**Conference Board****The Employment Development Department**

**The National Association of Realtors**

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