

Humboldt Economic Index

July 2010

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Retail Climes Again, Home Sales Up

The overall composite expanded slightly to 102.1, pushing it to the highest value since January 2009. Retail and Home Sales gained in June while Manufacturing, Employment and Hospitality declined.

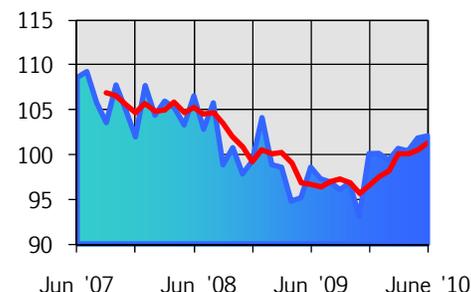
Leading indicators are mixed with Building Permits increasing substantially, while Unemployment Claims declined somewhat, but continues to be worrisome at near-record high values.

The number of home sold in June rose while, the median home price declined to a nearly 6-year low. Low mortgage rates, coupled with lower home prices appear to be inducing more home sales which may have long-run benefits.

Employment declined slightly from 100.0 to 99.8, which is the result of seasonal adjustment as the absolute number of people employed was unchanged from the previous month.

As leading indicators continue to be bleak, the outlook is far from certain. Although, strong Retail and Home Sales in June give reason for optimism as retail continues to become a more important sector of the local economy.

Composite Index



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**
Composite	102.1	0.2	3.6	-6.9	-9.0
Home Sales	86.0	9.7	16.2	-40.7	-21.8
Retail Sales	157.4	2.9	4.4	13.0	12.8
Hospitality	83.7	-6.8	-3.0	-2.7	-9.1
Electricity	138.6	0.0	6.3	18.2	3.4
Employment	99.8	-0.2	1.8	-6.0	-5.0
Manufacturing	35.2	-0.8	8.2	-58.2	-66.6

* 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*	-3.3%	56.1%	-8.7%
* All values are seasonally adjusted.			

Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$241,250	\$ 1,234	4.75%	11.3%

* 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.

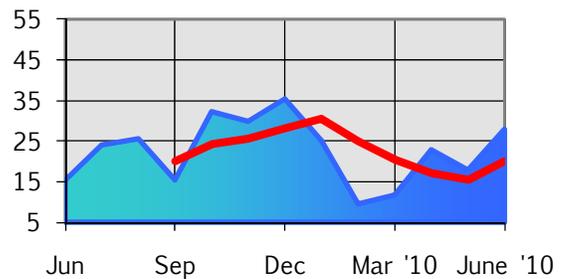
** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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.

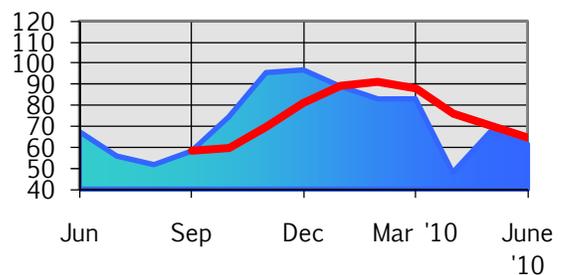
Building permits rose sharply from May to 27.8, continuing to rebound from the lull this spring.

Index of Building Permits Issued



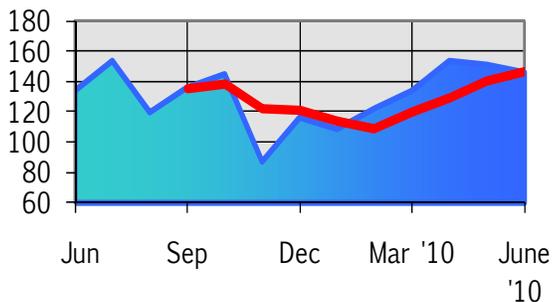
Help Wanted Advertising contracted 8.7 percent to 61.4, continuing a downward trend.

Index of Help Wanted Advertising



Unemployment Claims declined somewhat from May, but remains at historically high values. The current index value of 146.0 is down only 5.1 percent from April's record-tying value of 153.5.

Index of Claims for Unemployment Insurance



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

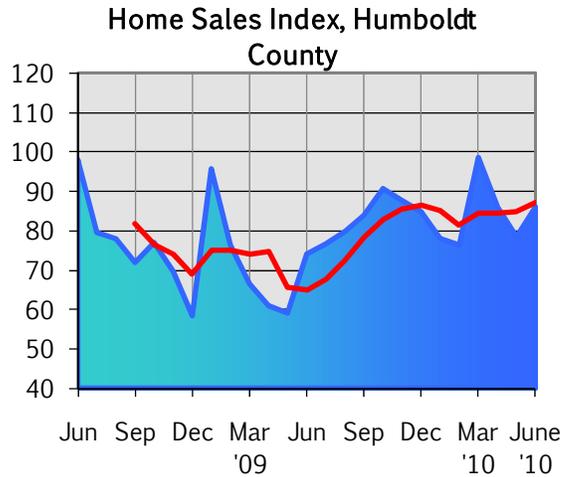
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The seasonally adjusted Home Sales index rose 7.6 percent to 86.0, while the number of homes sold rose again in June to 86, up from 72 in April. The median home price fell \$13,750 to \$241,250, declining to the lowest median home price since May 2004. For comparison, the six-month and five-year averages of the median home price are \$251,625 and \$295,314, respectively. The mortgage rate declined dramatically, falling from 5.25 to 4.75 percent, further increasing the affordability of home ownership.

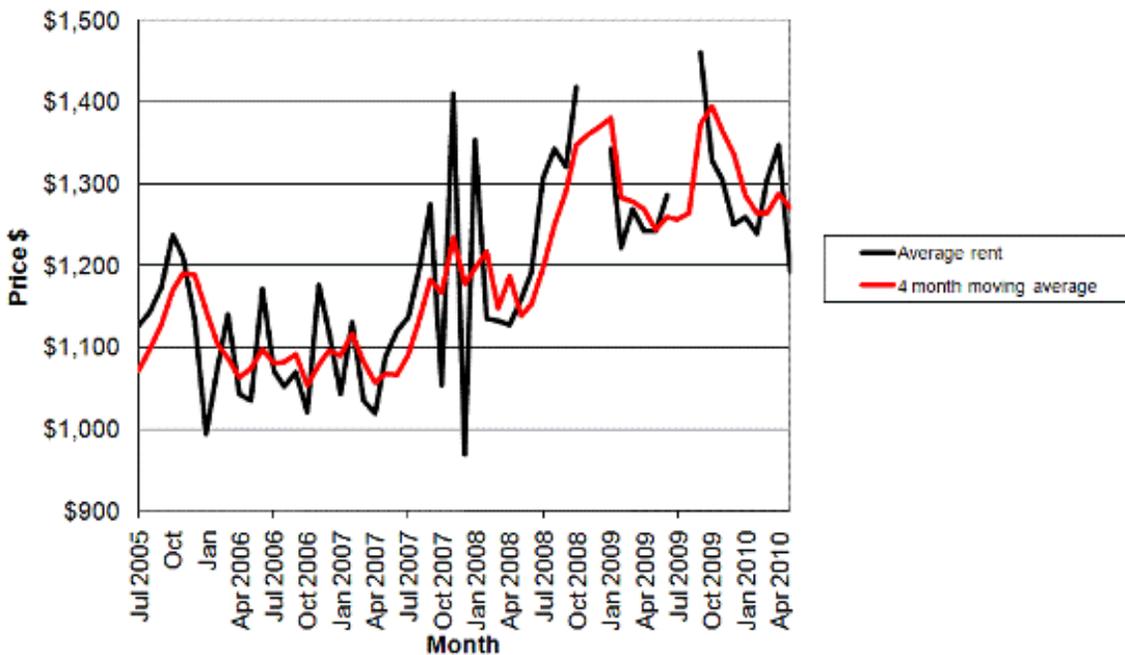
Declining home prices are a mixed bag as it increases the number of potential buyers as well as discretionary spending for new buyers. Coupled with continued low interest rates, current low prices may have some future benefit in the form of increased discretionary spending from today's buyers.

Nationally, home prices rose April to May as seen in the Case Shiller Composite-20 index. Los Angeles, San Francisco and Portland experienced somewhat increased home prices. The national index stands at 147.3 for data collected in May.

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](#).



Average House Rental Price, Humboldt County



Source: Humboldt Economic Index

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.

The Employment index declined slightly to 99.8, from 100.0, while the seasonally adjusted county unemployment rate was unchanged at 11.3 percent. The nominal number of persons employed in the county was unchanged from the previous month.

Statewide, the California Employment Development Division reported a decrease in the state unemployment rate to 12.3 percent. The government sector lost jobs while the private sector gained.

The Bureau of Labor Statistics reported a decrease in the national unemployment rate, now at 9.5 percent, despite a 225,000 decrease in temporary Census jobs. The decrease in the unemployment rate is attributable to the decrease in the labor force participation rate, as there was a net loss in employment in June, although the private sector gained 83,000 jobs.

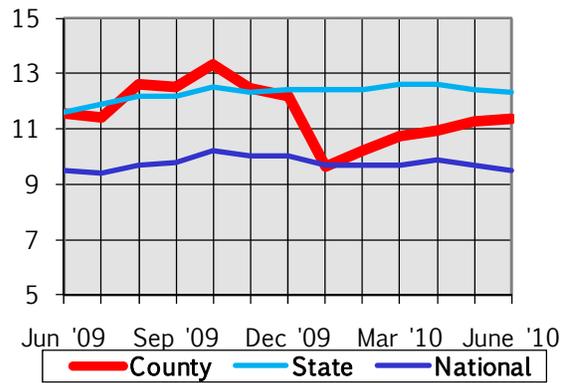
A declining unemployment rate brought on at least in part by private job growth, as opposed to government hiring, is a much more sincere indication of an improving economy than by taking the rate solely at face value. Both the national and state unemployment rates recently declined despite significant loss of government employment.

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 declined 7.3 percent to 83.7, while average occupancy rates increased from 58.1 to 62.4 percent.

Unemployment Percentage Rates



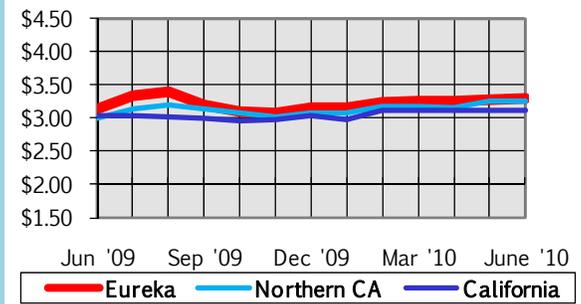
Gasoline Prices

Local inflation adjusted gas prices rose \$0.01 to \$2.80 per gallon. Nominal Eureka gas prices rose \$0.01 to \$3.29, while statewide prices were unchanged at \$3.12 on average. Despite, a predicted decline in oil prices, prices rose roughly \$10 per barrel to \$82. The increase is in part the result of the strengthening US Dollar versus the Euro in early August, making oil more expensive to foreign buyers, and relatively less expensive for those purchasing with the US Dollar.

Gas Prices		
Prices as of 7/1/2010	Average price*	Change from previous month
Eureka	\$3.29	\$0.03
Northern California	\$3.25	\$0.10
California	\$3.12	\$0.00

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.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 continues to be strong in June with some retailers experiencing only slight declines in revenue from the previous month. After seasonally adjusting the data the index rose 2.8 percent to 157.4, a higher value relative to the one-year average of 146.0.

Beige Book reported in July that retail sales in the 12th (San Francisco) district experienced slight improvements from June, although noting that much of the increase was concentrated in large department stores and discount retailers. Nationally, Consumer Confidence declined again in July, falling to 50.4 from 54.3 in June.

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 declined somewhat from the previous month, the index value stands at 32.5.

Nationally, the Purchasing Managers Index declined slightly, but continues to spell optimism at 55.5 percent, indicating that the majority of supply managers anticipate an improvement in business.

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 remains 138.6.

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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