

# Humboldt Economic Index

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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.

November 2009

## New Look for the Humboldt Economic Index

We are happy to introduce our readers to the new format of the *Humboldt Economic Index*. Our last makeover was three years ago and we believe that it was time to present the information in a more professional, consistent, and easy-to-read manner.

This new look of the *Index* is the most significant change since the *Index* was created in 1996.

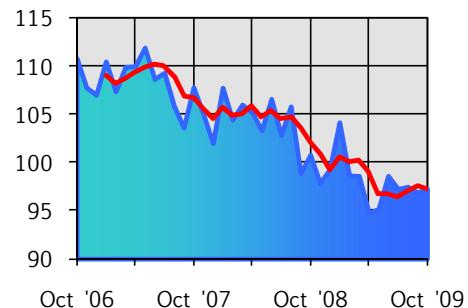
The data and analysis have remained the same. But now the *Index* is in Adobe Acrobat (pdf) format, which will allow readers to more easily print the *Index* while retaining formatting.

One change to the *Index* is that the names of each of our five sponsors will be listed on each edition of the *Index*.

HSU Journalism student Matt Hawk created the new look. We are very happy with the outcome of his hard work this semester! Economics Department Secretary Jan Mueller helped the newly formatted *Index* overcome some technical issues. *And now the story-*

The overall composite expanded 0.4 percent from the previous month and declined -3.5 percent from the October 2008 level to 97.3. This is the ninth consecutive month that the index has

Composite Index



been below the 100 level.

The seasonally adjusted unemployment rate in October rose to 13.3 percent, up from 12.5 percent in September, and up from 9.0 percent one year ago.

Median home prices fell while home sales increased. Total County Employment fell 2.6 percent from last month. This shows that there has been a net loss for jobs in the county.

Help wanted advertising rose along with building permits indicating higher potential retail and manufacturing sales, while claims for unemployment climbed as well. Mixed leading indicators signal an uncertain direction for the local economy.

## Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
<b>Composite</b>	<b>97.3</b>	<b>0.4</b>	<b>-3.5</b>	<b>-10.8</b>	<b>-11.1</b>
Home Sales	90.6	8.1	17.8	-37.2	-4.4
Retail Sales	138.4	0.6	-8.4	-0.4	6.2
Hospitality	92.2	5.6	13.0	3.0	4.2
Electricity	130.4	0.0	-2.5	6.2	-1.0
Employment	94.2	-2.6	-7.0	-8.3	-10.0
Manufacturing	32.8	3.4	-17.2	-59.8	-70.1

\* 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*	6.4%	109.0%	28.1%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$262,250	\$1,329	4.88%	13.3%

\* 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.

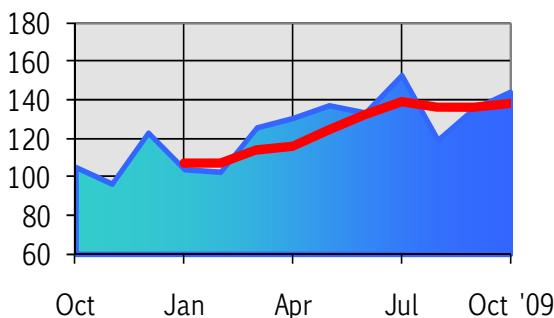
\*\* Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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.

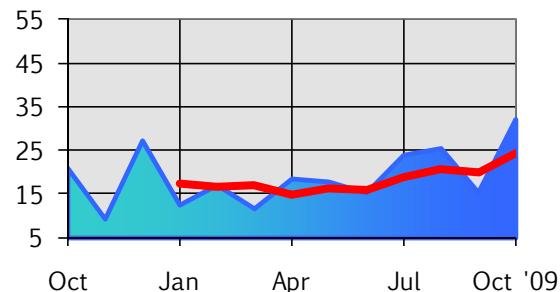
**Unemployment Claims** rose 6.0 percent to a seasonally adjusted value of 145. Though high, this is down from the record of 153 in July. The four month moving average shows a leveling of unemployment claims. There may be some downward pressure on unemployment claims as other leading indicators signal towards a more optimistic direction for the local economy.

## Index of Claims for Unemployment Insurance



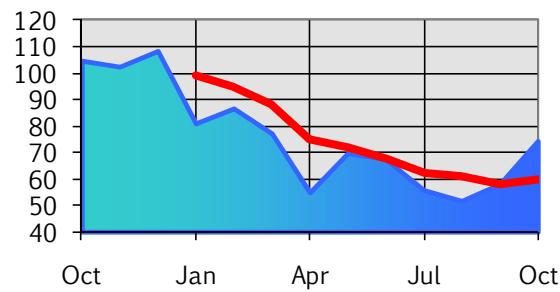
**Building permits** rose 52 percent to a thirteen month high of 32. Though still below the long-run average, this indicates a possible future expansion of business and manufacturing.

## Index of Building Permits Issued



**Help Wanted Advertising** expanded 22.0 percent in October. This is indicative of more optimistic employer expectations about future consumption..

## 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

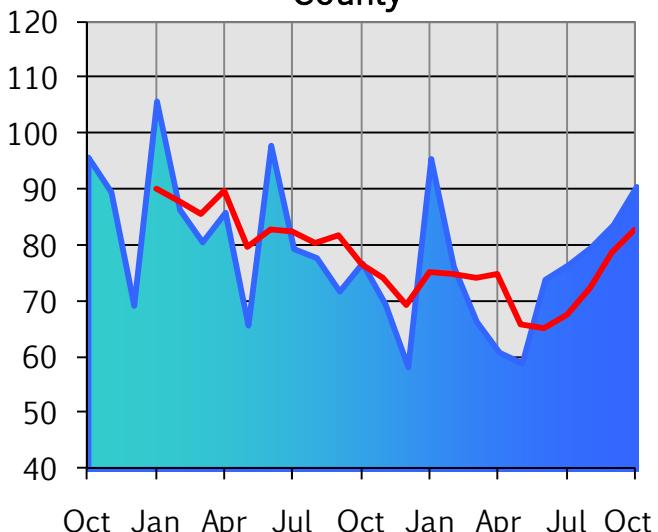
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Homes Sales Index shows a continued rise as it rose another 7.5 percent to a seasonally adjusted index value of 91. The real median home price fell \$4,379 to \$224,221.

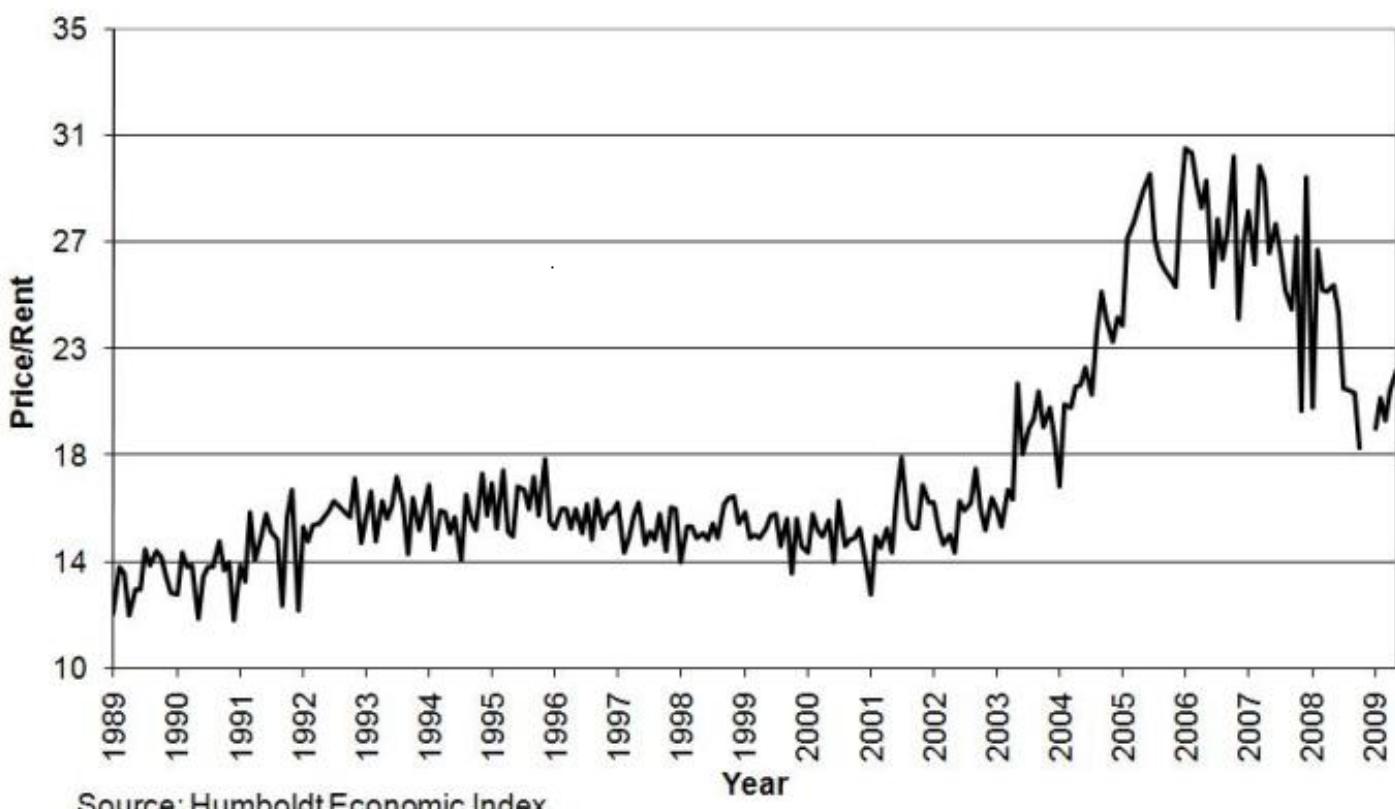
One of the most relevant indicators of whether or not housing is over-priced is to compare house prices to rent. The figure below shows the incredible increase in the price to rent ratio during the middle of this decade, and the very large drop starting in 2006. Using the price to rent ratio, it appears that the fall in house prices in Humboldt County may be approximately halfway over.

Nationally, the Case-Shiller Home Price Index rose 3.1% from August to a value of 137. C.A.R reported an increase in home sales of 1.0%, while the median home price rose 0.3% to \$297,500. The 30-year mortgage rate fell again to 4.710, a 38 year low according to the Wall Street Journal. Low mortgage rates and the first-time-home-buyers tax credit may increase demand for real estate which could put an upward pressure on home prices in the near future.

### Home Sales Index, Humboldt County



### Humboldt County Housing Price to Rent Ratio, 1989-2009 (medium home price/mean rent, adjusted for expenses)



Source: Humboldt Economic Index

# The Index – Individual Sectors

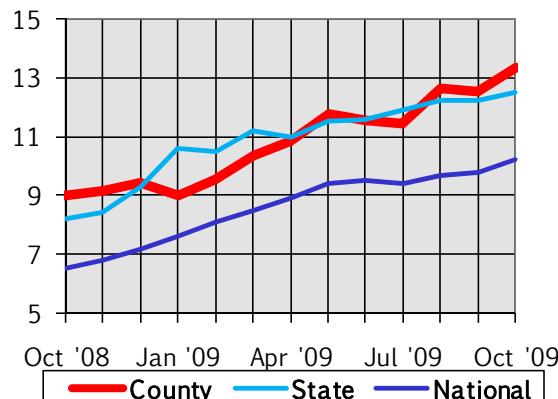
## Total County Employment

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

Total County Employment declined 2.6 percent from the previous month to a seasonally adjusted index value of 94.2. The seasonally adjusted unemployment rate for Humboldt County rose to 13.3 percent, while the national unemployment rate now stands at 10.2 percent. The Employment Development Department reported that the mining and logging sector experienced significant percentage contraction.

The overall labor force has contracted by 1,800 individuals since the same period twelve months ago. This is mostly likely due to the high degree of difficulty in acquiring a job during this economic downturn. However, the rise in building permits and help wanted advertising may reduce the unemployment rate as employers hire new employees to offset the rise in new building permits.

## 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.

Hospitality expanded to a seasonally adjusted index value of 92.2, a 5.6 percent increase from October 2009. The rise in this sector could be attributed to an increase in the tourist sector as more individuals come to the North Coast to experience our exceptionally diverse culture and environment.

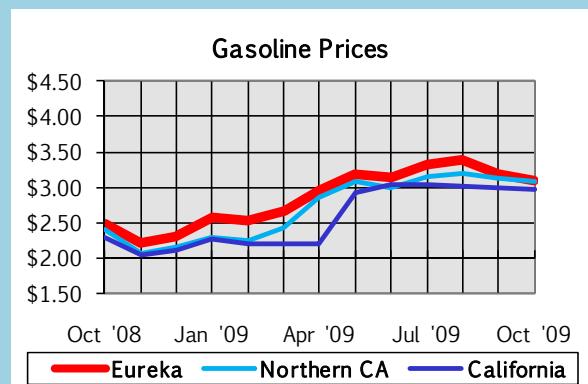
## Gasoline Prices

Average Gasoline prices in Eureka fell 9 cents as recorded on November 26. As seen in the graph below gasoline prices have tended experienced a relatively steady growth over the past twelve months. While the price of a gallon of gas remain under the historic highs back in May 2008 when the average price of gas was \$4.79. The recent increase in gas prices still remains relatively low which increases discretionary consumer spending and allows the local industry to have lower transportation costs. This will greatly affect local producers who export goods and services outside of the county.

Northern California average gas declined 5 cents while California as a whole experienced a 3 cent reduction in gas prices. Low gas prices are partially spurred on by lower demand due to consumers driving less.

Gas Prices		
Prices as of 11/26/2009	Average price*	Change from previous month
Eureka	\$3.10	-\$0.09
Northern California	\$3.08	-\$0.05
California	\$2.96	-\$0.03

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csaa.com](http://www.csaa.com)).



# 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 sales rose 0.64 percent to a seasonally adjusted index value of 138.36 in October. Retail sales rose modestly across the sample. Agriculture supply showed the strongest gains in sales, while restaurants also posted strong gains in sales. Gains in help wanted advertising and building permits may foretell local construction jobs which may increase consumption.

The Conference Board reported that the Consumer Confidence Index increased slightly to 49.5 from 48.7 in October 2009. A rising Consumer Confidence may increase demand for exports in Humboldt County increasing retail sales and employment.

## 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 unchanged, as quarterly data has yet been collected. The current seasonally adjusted index value of 130.4 which is above the 115.6 running average of this index. With the below normal temperatures this winter it may put upward pressure on consumption as consumers need to use more energy to heat homes. While seasonally adjusting takes the winter heating into account abnormal drops in temperature show up in the index.

## 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 Manufacturing expanded to a seasonally adjusted index value of 32.8, a 3.4 percent change from the previous month. The continued long-run decline in this industry is also partially attributed to the weak housing market as new home construction contracted significantly due to the surplus of housing throughout most of the United States, especially in urban locations.

Nationally, the ISM reported the fourth month of growth in manufacturing activity. Twelve of the industries reported growth over the previous month while their index stood at 53.6. Any index value over 50.0 usually coincides with an expansion in the national manufacturing sector. While the ISM reports that their PMI Index contracted, overall the manufacturing sector is still expanding, but at a slower pace.

**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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## Cited References:

The Institute of Supply Management  
Employment Development Department

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