

Humboldt Economic Index

December 2010

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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 Prices Fall, Unemployment Declines

The overall composite rose 0.8 percent to 98.5 in October, while overall sectors were highly mixed for the month.

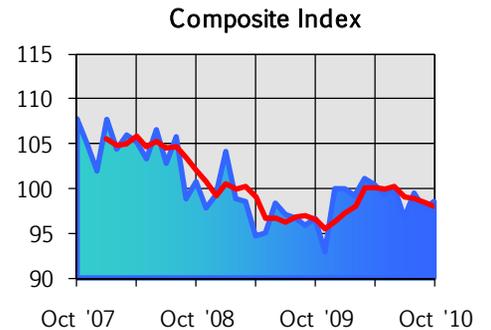
Home Sales edged up while prices declined to a nearly 6-year low, while national home prices declined similarly.

County unemployment fell from an 11-month high. Retail declined but continues to indicate relative strength for the sector. Nationally, Consumer Confidence rose again in November to 54.1

Both Hospitality and Manufacturing experienced expansion. November is the 16th month of expansion of the manufacturing sector in the national economy.

Gas prices declined as winter demand declines, offsetting a sharp rise in oil prices since September.

The short-term local economic outlook is highly speculative with the mixed data observed in October. Some bright spots appear in both the Index and economic indicators at the national level, namely Consumer Confidence, PMI, and local unemployment's recent decline. This month's most negative value, the median home price, unlike unemployment, has an upside - home



affordability is on the rise.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	98.5	0.8	2.0	-9.8	-10.4
Home Sales	77.9	4.1	-14.0	-37.3	-33.3
Retail Sales	143.0	-2.1	5.0	10.8	14.4
Hospitality	93.4	10.2	1.3	3.9	-4.3
Electricity	125.2	0.0	-2.2	-11.7	-3.6
Employment	97.2	-1.0	3.2	-6.6	-7.3
Manufacturing	38.8	5.5	18.6	-52.9	-60.9

* 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

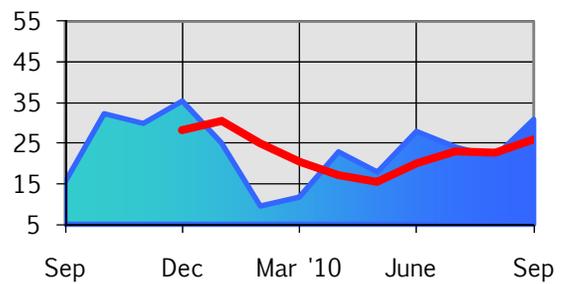
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	N/A	N/A	N/A
* All values are seasonally adjusted.			

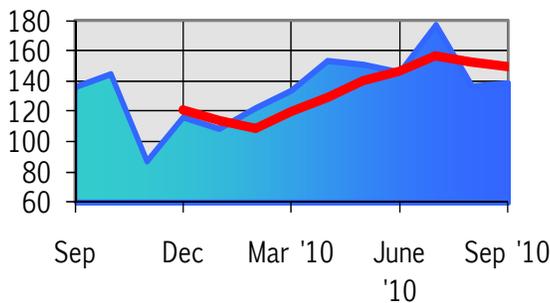
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$238,450	\$1,305	4.50%	12.4%
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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>			

October leading indicators are not available.

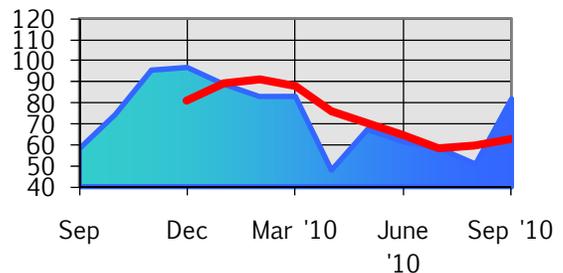
Index of Building Permits Issued



Index of Claims for Unemployment Insurance



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

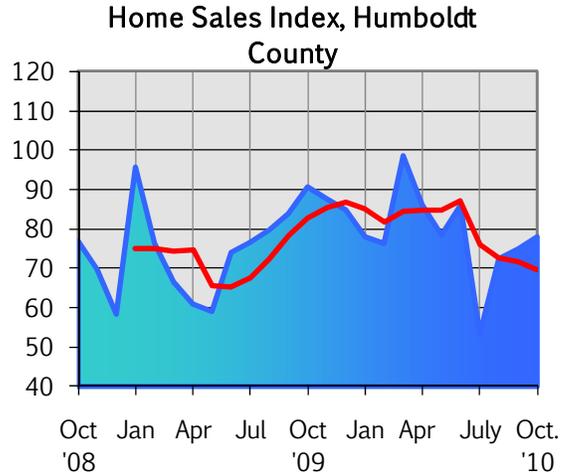
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

October Home Sales rose 4.2 percent from the previous month. The raw number of home sold declined very slightly, while the median home price experienced a more significant drop. Despite the declines, a higher relative number of homes sold, on a seasonally adjusted basis, offset the fall in home values bringing the index up. Although home prices are not far from recent values, Octobers' median home price of 238,450 is the lowest since March 2004.

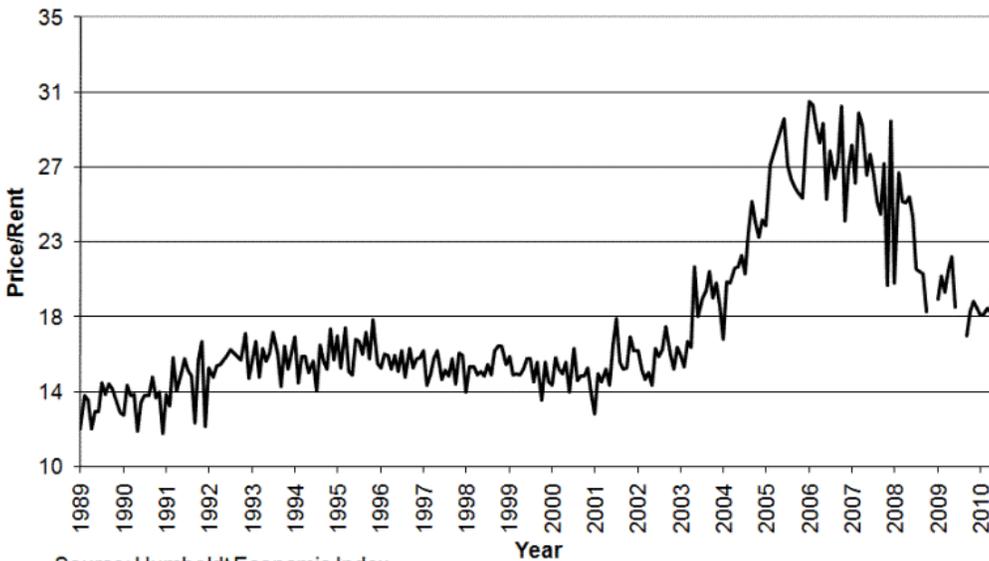
Local home sales since January 2001 have trended downward, unlike the median home price which expanded then contracted over the past decade.

The number of homes sold is an indicator of the affordability of home ownership. Through both the bubble and bust, home sales have declined, but recent data over the past few years suggests a bottoming out of home sales and future may hold an increase in home sales as the decline of home prices increases home affordability.

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](#).



**Humboldt County Housing Price to Rent Ratio, 1989-2010
(medium home price/mean rent, adjusted for expenses)**



Source: Humboldt Economic Index

The Index – Individual Sectors

Total County Employment

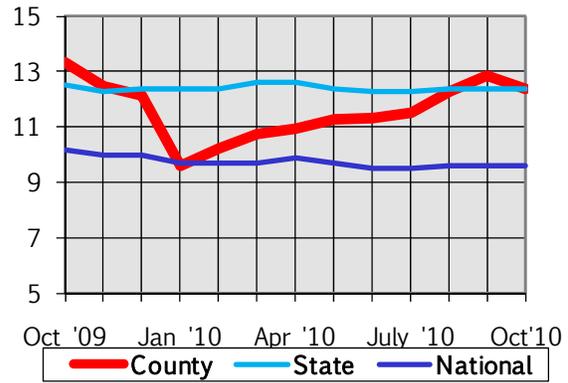
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment fell slightly to 97.2. Seasonally Adjusted County Unemployment fell from last month's eleven month high of 12.9 percent to 12.5 percent, while the Seasonally Adjusted Employment index was little changed. Raw retail employment rose slightly, while manufacturing employment was constant.

The statewide rate declined as well, falling from 12.2 percent to 12.0. October is the third consecutive month of decline in California unemployment, falling from July's peak of 12.9 percent. All sectors but Information rose in October, while Professional & Business Services, Manufacturing and Construction experienced the largest rise.

The Bureau of Labor Statistics reported a rise in national unemployment to 9.8 percent, noting a decline in retail employment.

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 experienced a sharp rise to 93.4, the highest value since January 2010. While the raw sample was mixed and the average occupancy rate fell, the index rose as rates are higher than on a seasonally adjusted basis.

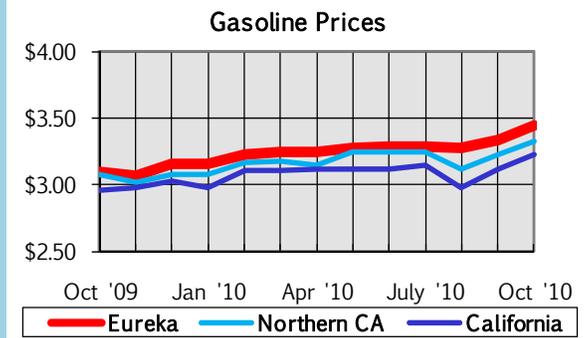
Gasoline Prices

Gasoline Prices in Eureka fell \$0.10 to \$3.44, paralleled by an \$0.11 rise Statewide. Real Eureka prices rose \$0.09 to \$2.89 in 1994 dollars, while the price differential between Eureka prices and California prices fell \$0.01 to \$0.21. The decline in gas prices is typical of the season.

Oil prices continued to rise in November and mid December. The rise in prices may be the result of quantitative easing or expansionary policy by the Federal Reserve as well as more optimistic expectations about the economy by investors in oil futures, as more economic activity boosts demand for oil. The most recent price of oil is \$88.6 per barrel.

Gas Prices		
Prices as of 12/10/2010	Average price*	Change from previous month
Eureka	\$3.44	\$0.10
Northern California	\$3.33	\$0.10
California	\$3.23	\$0.11

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 fell 2.1 percent to 143.0. The sample experienced an across-the-board rise in revenue during October, while the decline in the index value is due to seasonal adjustment. Retail continues to be a strong sector of the Index.

Nationally, The Conference Board reported a rise in [Consumer Confidence](#) in October and again in November. The November index value is 54.1, up 4.2 percent from October. Beige Book reported 'lackluster' retail throughout the west coast, noting that the strongest sales were for moderately priced home and garden supplies.

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 rose 5.5 percent in October, while production increased to nearly two-year high. The index stands at 38.8.

The Institute of Supply Management reported an increase the Purchasing Manager's Index to 56.6 percent. The institute noted that November is the 16th month of consecutive growth in the national 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 remains unchanged, as quarterly data has yet been provided.

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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