



# Humboldt Economic Index

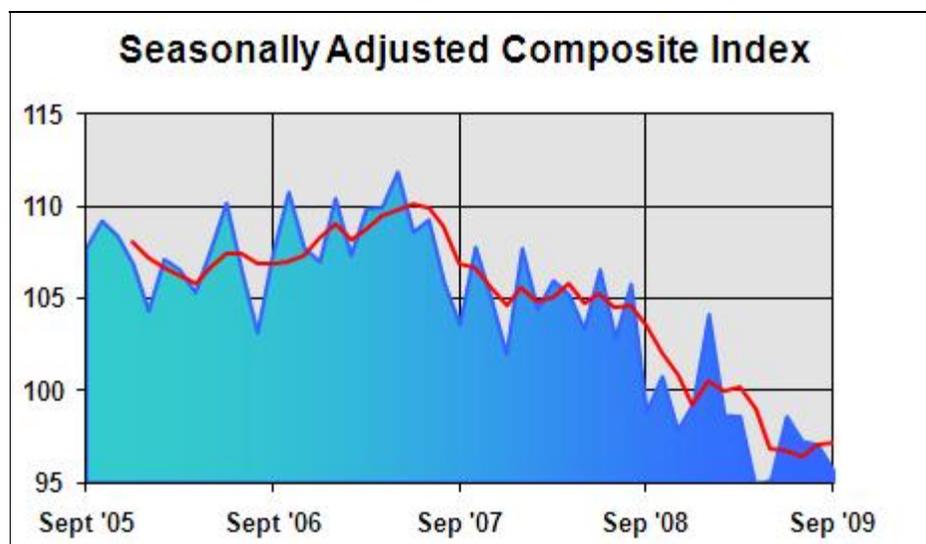
[Current Issue](#)[Archive](#)[Projects](#)[Sponsors](#)[Real Estate](#)[Links](#)[Home](#)[Acknowledgments](#)[Contact Information](#)[Reader's Comments](#)[Frequently Asked Questions](#)[HSU Economics Department](#)

## Humboldt Economic Index

### October 2009

**Professor Erick Eschker, Director**  
**Casey O'Neill, Assistant Editor**  
**Schuyler Kirsch, Assistant Editor**  
**Mike Kowtko, Assistant Analyst**  
 This month's report is sponsored by:

### Redwood Capital Bank

[Leading Indicators](#)
[Individual Sectors](#)
[Home Sales](#)
[Gasoline](#)


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 contracted 1.5 percent from the previous month to 95.6. Small gains in the Home Sales, Total County Employment, and Manufacturing indices were offset by the reduction in economic activity in the Retail and Hospitality sectors. Retail contracted 8.4 percent from the previous month mainly due to consumers reducing expenditures. Average occupancy fell in September resulting in a 2.2 percent decline in our Hospitality Index. Total County employment rose for the first time since February 2009 and unemployment fell to 12.5 percent from 12.6 percent in August. The rise in Home sales is in part due to the continued low interest rates for mortgages. Leading indicators show mixed signs for the future, but the arrival of federal stimulus money may help alleviate some unemployment in the near future. Likewise the rise in the Help-Wanted Advertising Index may contribute more jobs to the local economy as we head into some of the strongest labor month for the county. The coming months may experience a slightly stronger labor market which would have a positive affect throughout the other sectors of the index.



## Composite & Sectors

		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
<b>Composite</b>	<b>95.6</b>	<b>-1.5</b>	<b>-3.3</b>	<b>-11.0</b>	<b>-14.1</b>
<b>Home Sales</b>	<b>83.8</b>	<b>5.2</b>	<b>16.7</b>	<b>-37.3</b>	<b>-25.7</b>
<b>Retail Sales</b>	<b>135.6</b>	<b>-8.4</b>	<b>-1.3</b>	<b>-5.2</b>	<b>4.1</b>
<b>Hospitality</b>	<b>80.1</b>	<b>-2.2</b>	<b>-7.2</b>	<b>-11.1</b>	<b>-18.2</b>
<b>Electricity Consumption</b>	<b>130.4</b>	<b>0</b>	<b>6.7</b>	<b>14.9</b>	<b>3.7</b>
<b>Total County Employment</b>	<b>96.8</b>	<b>0.6</b>	<b>-6.6</b>	<b>-5.9</b>	<b>-7.9</b>
<b>Manufacturing</b>	<b>31.7</b>	<b>4.3</b>	<b>-24.5</b>	<b>-58.3</b>	<b>-70.6</b>

\* 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‡
<b>\$267,000</b>	<b>4.875%</b>	<b>12.5%</b>

\* 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.

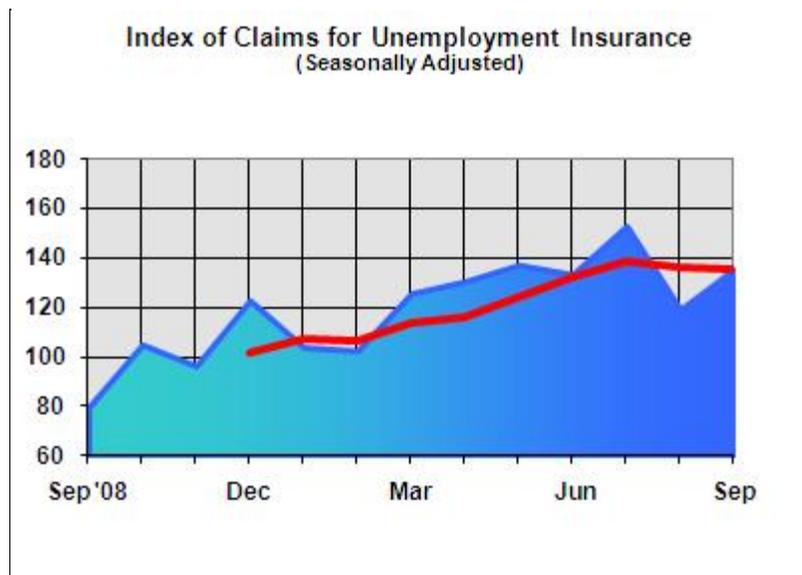
[Leading Indicators](#) | 
 [Individual Sectors](#) | 
 [Home Sales](#) | 
 [Gasoline](#)

## Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	<b>13.7%</b>	<b>12.4%</b>	<b>-39.7</b>	<b>N/A</b>

\* 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.



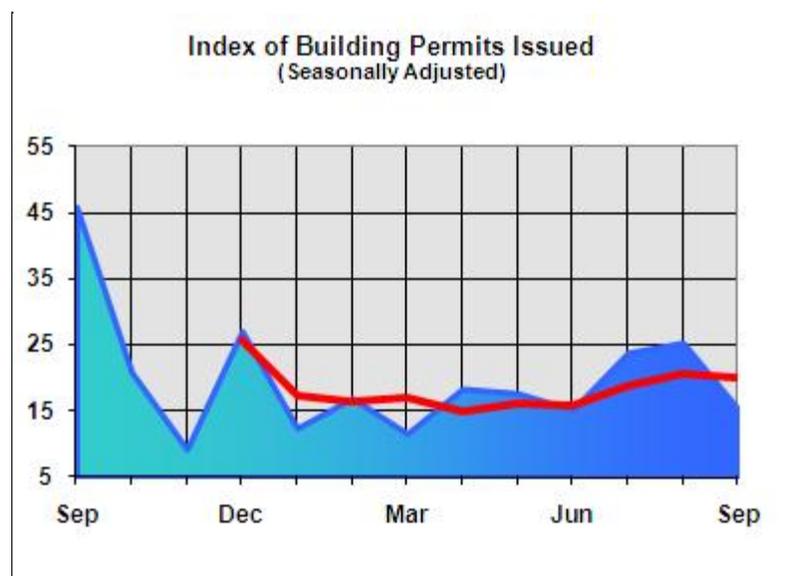
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims rose 13.7 percent from the previous month and has shown a strong upward trend since September 2008. The general rise in this index supports the cooling off of the local economy as seen by the Total County Employment Index, the annual declines show that overall employment has declined 6.6, 5.9, and 7.9 respectively. However, with the arrival of Federal stimulus money, this index may decline as new jobs are created.



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 rose 12.4 percent from the previous month and is 46.6 percent below that of the September 2008 level. This index remains historically low and does not give strong support of future strength in labor markets. However, as stated above, stimulus money may offset future job losses. Continued monthly increases in this index would give rise to local labor markets warming up again.



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 dropped 39.7 percent from the previous month to a seasonally adjusted index value of 15.4. The running average for this index stands at 51.3 while the median is 51.86. As seen in the graph above, building permits have been consistent in a rather low historical range since November 2008, where this bottomed out at a seasonally adjusted index value of 9.3. This coincides with current trends as industries are not expanding during uncertain times and therefore have no intention of acquiring building permits to start new businesses or expand current operations.

[Leading Indicators](#)

[Individual Sectors](#)

[Home Sales](#)

[Gasoline](#)

## 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.

Home sales in Humboldt County rose for the fourth consecutive month and is the second month of growth compared to that of the same periods one and two years ago. The September Home Sales Index rose 5.2 percent from the previous month to a seasonally adjusted index value of 83.3. Median home prices rose by a nominal \$9,000 while interest rates remain favorable for buyers at 4.875. However, reports that consumer spending remains sluggish on the national scale may translate into potential buyers remaining hesitant to buy during this uncertain time.

**C.A.R.** reported that home sales rose 2.1 percent from twelve months ago while the median home price fell 7.3 percent to \$296,090. **N.A.R.** also reported a similar story with home sale jumping 9.4 percent while median home prices fell 8.5 percent when compared to the September 2008 level. The **Case-Shiller Home Price Indices** showed annual declines of 10.6% and 11.3%. Average home prices are now back to the 2003 level; however, they warn about future higher unemployment dampening future gains in the housing market. Congress also extended the First-Time Home Buyers Credit, which give an \$8,000 credit. While some praise the passage of the extension for the housing credit, it also may be time to let it expire as the economy posted a 3.5 percent annualized growth in GDP. This housing credit artificially makes purchasing a home easier and thus misallocates resource to the housing market. Allowing the market to self adjusted, just as it did after the collapse of the housing bubble, will allow homes to be priced at their real market value.

Freddie-Mac reported that the national average for a 30-year fixed-rate mortgage rate was 5.06 percent, a 0.98 decline from the September 2008 level. Continued low interest rates on home mortgages will greatly aid in future strength of the national housing markets.

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](#).

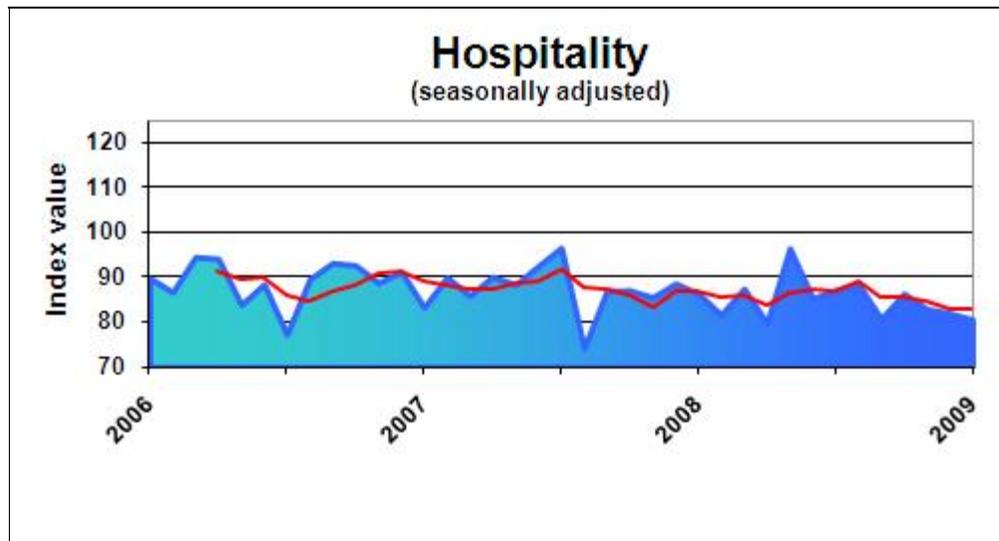
### Retail Sales

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.

The retail sales Index fell 8.4 percent in September to an Index Value of 135.6. Grocery stores experienced contraction in sales as consumers bargain shop. The building permit leading indicator suggests softer activity in markets that correlate with this sector such as building supplies and construction machinery. A decline in auto sales also contributed to the contraction of the retail sales index. Every industry experienced a decline after seasonally adjusting the data, which gives rise to a lower consumer confidence in local markets. The Consumer Confidence Index as reported by the **Conference Board**, fell 10.67 percent from September to 47.7. Historically, this is not a particularly low number but shows that consumers are still concerned about future economic health. Future retail sales may have a downward pressure as unemployment continues to rise and help wanted advertising remains historically low.

## 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 Fell 2.2 percent from the previous month and 7.2 percent from the same period twelve months ago. The seasonally adjusted index value now stands at 80.1. With some national reports showing signs of increased economic activity, it may spur on more tourist activity in Humboldt County as consumers outside of Humboldt County may have additional discretionary spending in the near future.

## Gasoline Prices

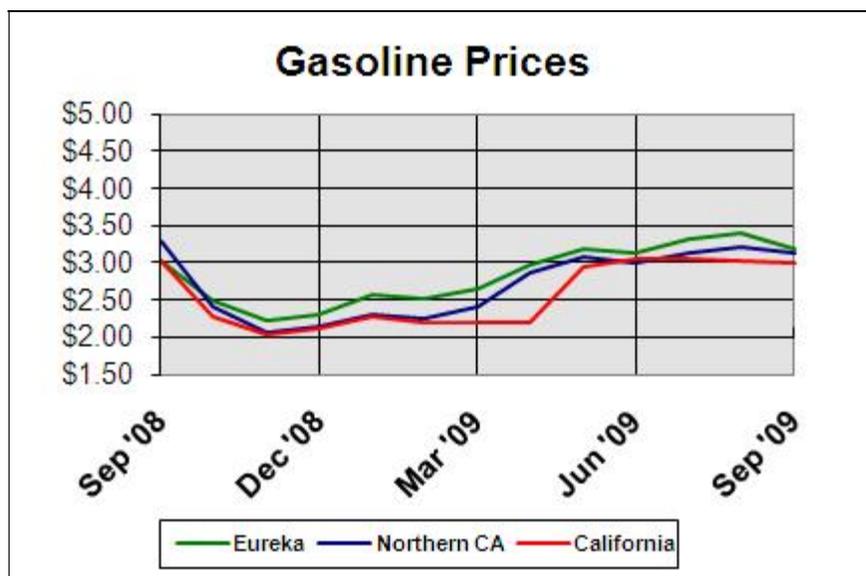
Statewide gasoline prices fell \$0.02 to \$2.99, for Northern California prices fell \$0.07 to \$3.13 and for the North Coast prices fell \$0.20 to \$3.19 as of November 1. The decrease in gas prices is comes as a relief to consumers from the 12 month upward trend starting last fall. Businesses will benefit as input costs decline and discretionary spending increases.

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 11/1/2009	Average Price*	Change from Previous Month
<b>Eureka</b>	\$3.19	\$-0.20
<b>Northern</b>	\$3.13	\$-0.07

CA		
California	\$2.99	\$-0.02

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csa.com](http://www.csa.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 frequently estimated, and are revised when the quarterly data are received.

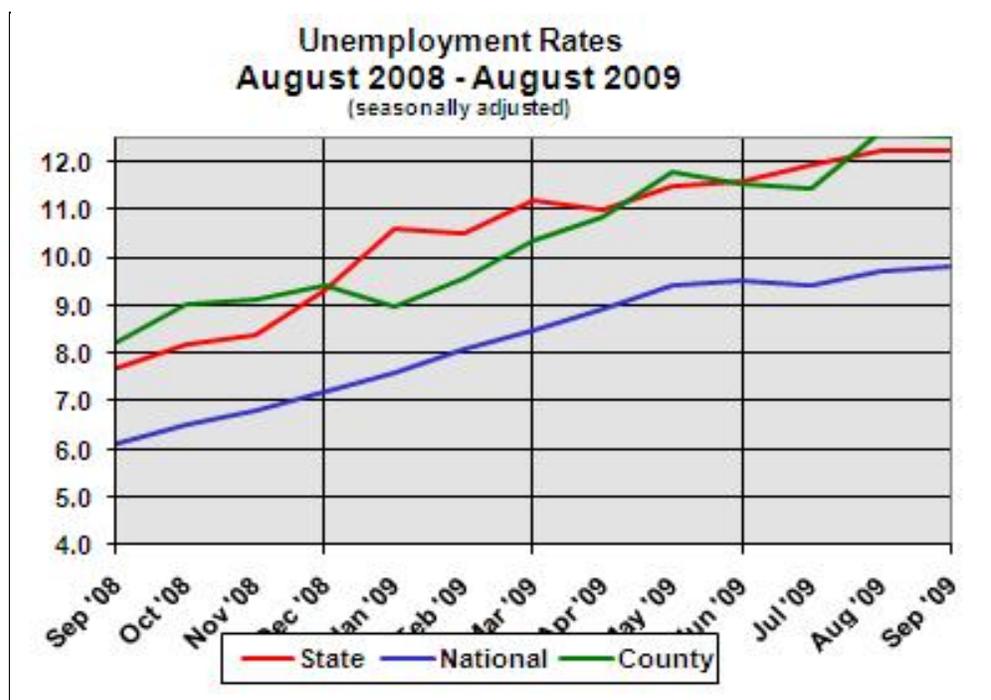
Electricity Consumption data remains unchanged as quarterly data has not been released.

According a publication by the **Times-Standard** the County of Humboldt plans to spend 3.3 million to fit six county facilities with grid tied photovoltaic systems. The projects will be subsidized through the Federal government's Clean Renewable Energy Bonds, which effectively provide an interest-free loan for qualified projects. The expenditure should put downward pressure on unemployment in the region.

## Total County Employment

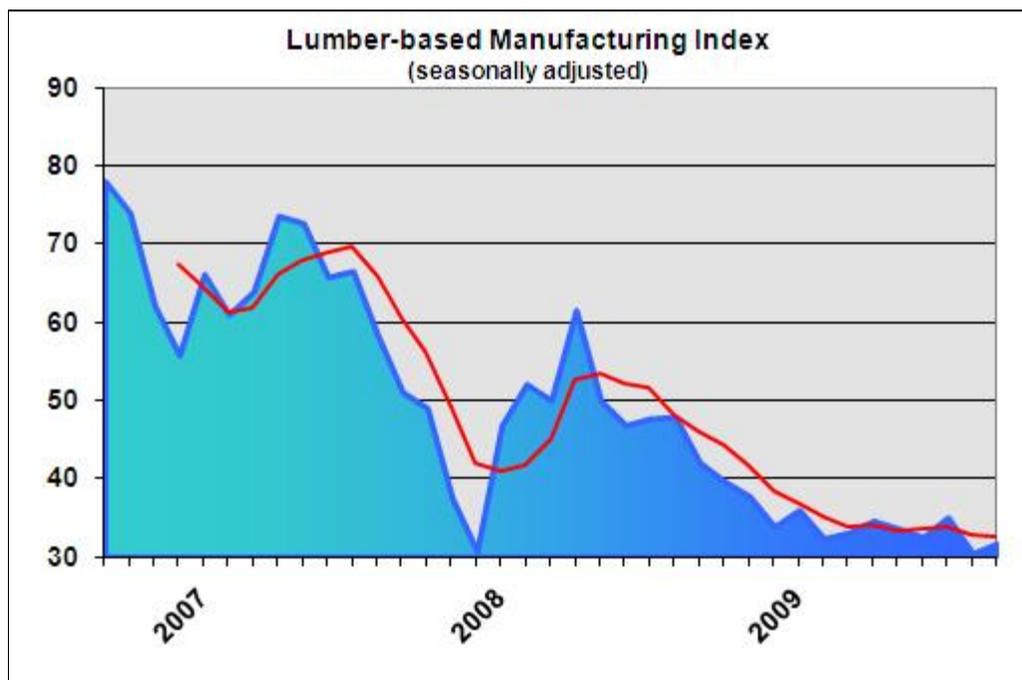
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment rose by 0.6 percent to an index value of 96.8. This is the first rise in this index since February 2009 where 55,000 individuals were employed. **The Employment Development Department** reported that September employment stood at 53,800. The following months are traditionally the strongest for Humboldt County. Leading Indicators also suggest some strength in the coming months as help wanted advertising has risen. Seasonally adjusted national unemployment rose to 9.8 this was the 20th straight month of increasing unemployment for the nation. Locally, the unemployment rate fell slightly to 12.5 from 12.6. This reduction in the unemployment rate is in part due to the decline of the labor force by 200 individuals and the increase in employed persons by 400.



## 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 rose to a seasonally adjusted index value of 31.7. This industry while increasing the seasonally adjusted amount of board feet experienced a decline in our seasonally adjusted payroll index. Lumber-based Manufacturing has contracted by approximately 70.6 percent from the September 1999. Such a reduction could be signaling the evolution of the local economy into one that focuses more on non-lumber-based manufacturing and retail activity. On a national level Wood Producing industries also contracted as reported by the **Institute of Supply Management**.

Manufacturing as a whole expanded as their PMI rose 3.1 percent to 55.7 percent, a PMI level

above 50.0 is strongly correlated with expansion in the manufacturing sector. The ISM also reported that Inventories have been contracting for the last 42 months, but the pace on contracting is slowing. The main increase in national manufacturing came from a Production and Employment indices. Manufacturing employment rose for the first time in fourteen months. They report that a sustained Employment Index level above 49.7 is consistent with growth manufacturing employment.

[Leading Indicators](#) | [Individual Sectors](#) | [Home Sales](#) | [Gasoline](#)

**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:

[California Association of Realtors  
Case-Shiller Home Price Indices](#)  
[Conference Board The Employment Development Department  
Times-Standard](#)  
[Institute of Supply Management](#)  
[National Association of Realtors](#)

---

**Send us your comments.** Comments will be posted on our [Reader Comments](#) page unless otherwise requested.

Copyright © 2010 [Erick Eschker](#)

