

# Humboldt Economic Index

November 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.

## Legalization on Hold for Now

The composite fell 1.8 percent from August, but rose 2.0 percent from one year ago. Sectors were mixed with less volatility experienced that in the recent past.

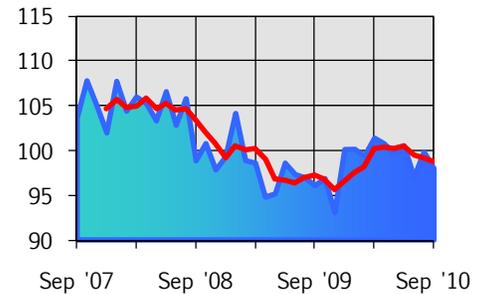
Home prices fell somewhat while seasonally adjusted Home Sales rose again.

Employment declined slightly, while claims for unemployment indicate possible lower employment in the future. It's unclear whether the positive trends in the state and national labor markets will carryover to the local labor market. Although on a brighter note, the Federal Reserve's 600 billion monetary easing plan will likely boost local employment in the short-run.

Furthermore, the recent elections and the Federal Reserve's expansionary policies appear to have boosted expectations for growth as reflected in the steep rise in national asset prices.

The failure of Proposition 19 comes as a relief to many as legalization of marijuana would have resulted in greater competition, likely driving prices and incomes down. Of course, the consumers of the good have lost since prices will remain elevated. Even though

Composite Index



legalization has failed for this election cycle, it is very possible that legalization will be a fact in the future.

## Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
<b>Composite</b>	<b>98.0</b>	<b>-1.8</b>	<b>2.0</b>	<b>-9.1</b>	<b>-10.1</b>
Home Sales	74.8	3.4	-10.7	-39.5	-29.9
Retail Sales	148.2	-5.2	7.8	9.9	24.3
Hospitality	84.3	-3.9	-3.5	-0.6	-12.0
Electricity	125.2	-1.1	1.2	-4.8	-2.8
Employment	98.2	-0.7	1.5	-6.7	-5.5
Manufacturing	36.9	3.4	16.3	-51.6	-66.3

\* 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

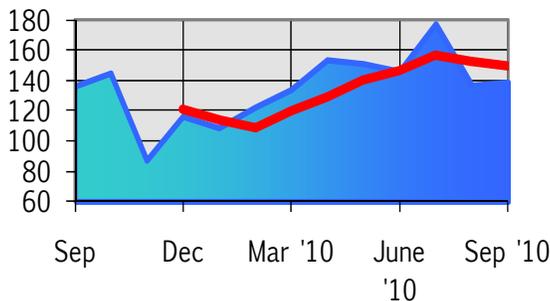
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	1.5%	43.2%	61.3%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$246,000	\$1,305	4.50%	12.9%
* 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.			

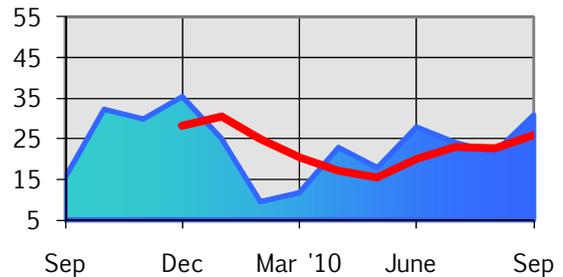
**Unemployment Claims** rose very slightly to 138.75, maintaining near-record values. Elevated levels indicate that the unemployment rate may rise further as job losses continue.

Index of Claims for Unemployment Insurance



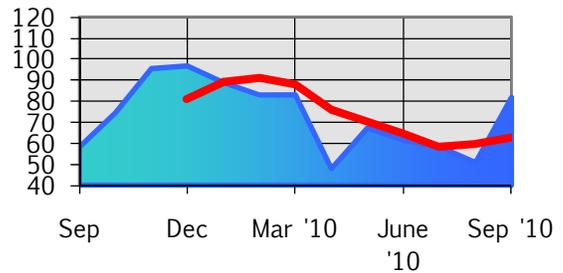
**Building permits** rose 43 percent to 30.7, continuing an upward trend.

Index of Building Permits Issued



**Help Wanted Advertising** rose 61.3 percent to 83.9, indicating a rise in demand for labor.

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

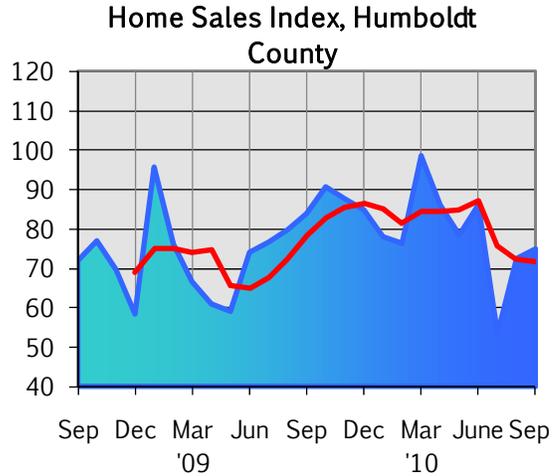
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

Seasonally adjusted Home Sales rose again, to 74.9. Although the median home price fell by \$4000 to \$256,000, a higher seasonally adjusted number of homes sold brought the index up.

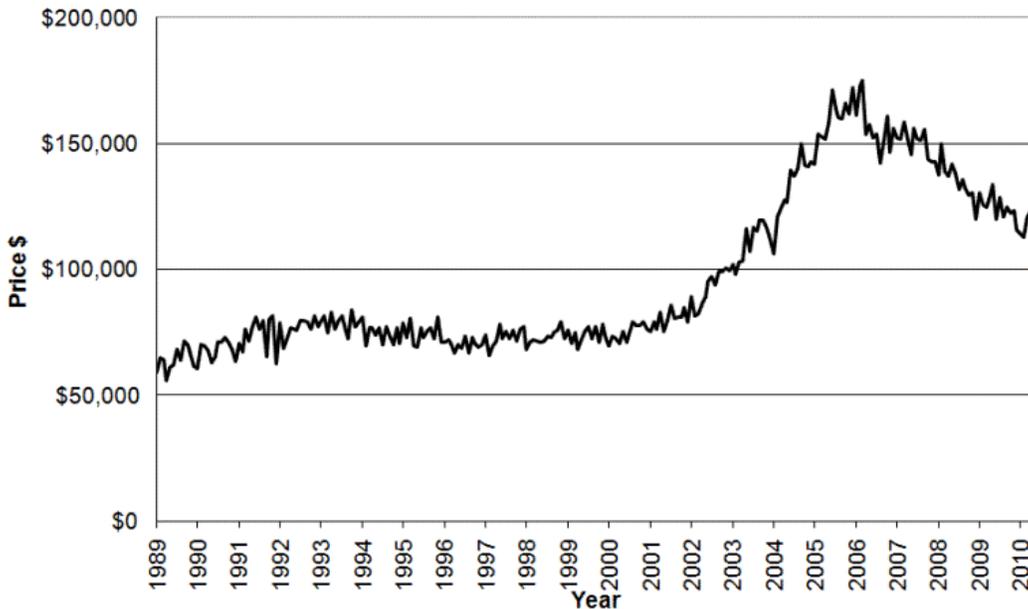
Nationally, Case Shiller reported a slight decline in home prices. Prices in San Francisco, Portland and Los Angeles declined from the previous month.

The housing market is less likely to receive further government stimulus as Congress recently shifted to more fiscally conservative majority. Although the independent Federal Reserve's current monetary easing policy will no doubt have an expansionary affect on the overall economy, putting upward pressure on home prices, the true outlook for real prices in the long-run is derived from long-run private sector job growth, something the Fed cannot increase. Housing prices will likely not recover until employment rises, and workers feel secure in their jobs. Continued private sector job growth along with growing Consumer Confidence rose last month, indicate a brighter outlook.

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](#).



**Inflation-Adjusted Median Price of Houses Sold, Humboldt County**



Source: Humboldt Economic Index. Amounts in 1982-84 dollars.

# The Index – Individual Sectors

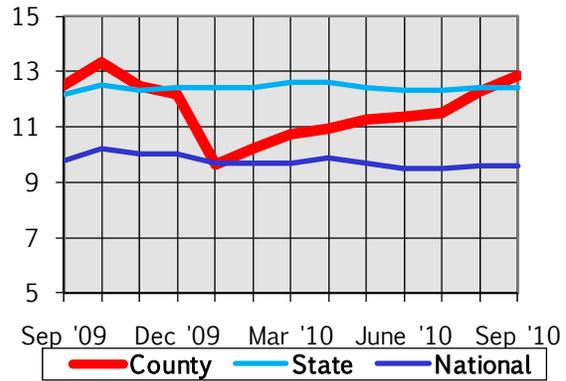
## Total County Employment

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

Seasonally adjusted Employment declined slightly to 98.2, while the county unemployment rate rose again, rising 0.6 to 12.9 percent. County unemployment has steadily risen for the past nine consecutive months, running counter to the downward trends in the state and national unemployment. County employment declined 11 percent (not seasonally adjusted) in Federal Government sector, 12.5 percent in Nondurable Goods and 4.8 percent in Manufacturing, other county sectors experiences minimal change.

Nationally, the BLS reported an increase of 159,000 private sector jobs in October. Furthermore, Chairman of the Federal Reserve, Ben Bernanke, announced plans to inject the banking system with approximately 600 billion dollars. The plan will increase borrowing and consumption in the short run and consequently put upward pressure on 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 inn.

Hospitality declined 3.9 percent to 84.3, as occupancy rates declined.

## Gasoline Prices

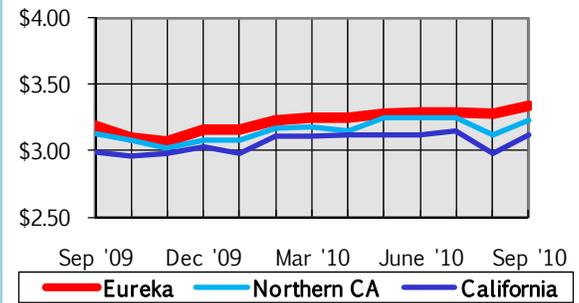
Local real gas prices rose \$0.05 to \$2.85, while nominal Eureka prices rose to \$3.34. California prices rose \$0.14, closing some of the \$0.30 local to statewide price gap experienced last month.

Oil prices along with other commodities have risen dramatically following the Federal Reserve's monetary easing announcement. The plan will inflate the dollar and boost economic activity in the short run, both putting upward pressure on prices. Oil futures have risen over 7 percent from one month ago to \$86.9 per barrel, most of the rise following the Fed's announcement.

Gas Prices		
Prices as of 11/1/2010	Average price*	Change from previous month
Eureka	\$3.34	\$0.06
Northern California	\$3.23	\$0.11
California	\$3.12	\$0.14

\* 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)).

## Gasoline Prices



# The Index – Individual Sectors

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## 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 5 percent from August to 148.2, while most sectors were flat, the index fell as a concentrated decline weighed down the index.

The failure of Proposition 19, the legalization of marijuana, may only be temporary. If people expect legalization to be a fact in the future, then they may act on those beliefs today. For instance, production may be increasing, which leads to falling prices, in anticipation of legalization.

Nationally, Consumer Confidence rose slightly to 50.2. Beige Book reported consumers on the west coast continue to shop at large discount chains, and avoid big ticket items like appliances and furniture.

## 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 rose slightly to 36.9. Seasonally adjusted production contributed to the rise in the index, while payrolls declined. The Purchasing Manager's Index rose to 56.9 percent, indicating strong expectations of growth.

## 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 fell slightly to 125.2. The seasonally adjusted index has steadily fallen since April of this year, down from 140.

**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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