

Humboldt Economic Index

September 2010

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Redwood Region
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Commission



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Home Sales Recover from Last Month's Decline

The overall composite rose 2.2 points from last month to 99.1. Overall, this month's Index is more positive than recent month's, reversing multiple worrisome values experienced in August.

Claims for Unemployment declined from last month's record value, yet on average, leading indicators continue to spell pessimism.

The Homes Sales Index climbed out of a record lull, along with a modest rise in home prices.

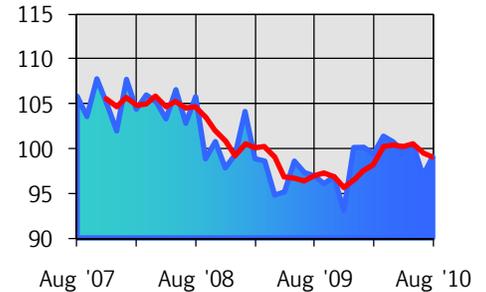
Employment increased as well as the absolute number of people employed in the county rose, but the unemployment rate, a function of the number of people employed and the number of people willing to work, rose as well.

Retail rose to a strong value, despite a continued sluggishness in the national retail sector.

Hospitality increased while, Manufacturing reverted from last month's higher value to more typical values experienced throughout the year.

The local economy appears to be handling the retraction of hiring and real

Composite Index



estate subsidies better than the state and nationwide economy. Retail's resilience and continued growth, Employment's modest rise, as well as this month's rebound of Home Sales, indicate a better-than-expected state of the local economy.

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	99.1	2.2	2.2	-9.5	-10.9
Home Sales	72.4	35.9	-9.2	-46.6	-47.3
Retail Sales	156.2	5.6	5.5	8.7	28.6
Hospitality	82.6	0.6	-2.8	-5.7	-9.2
Electricity	126.5	0.0	0.5	0.9	-2.2
Employment	98.9	0.2	2.8	-5.7	-6.3
Manufacturing	35.7	-11.7	17.3	-53.3	-66.7

* 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

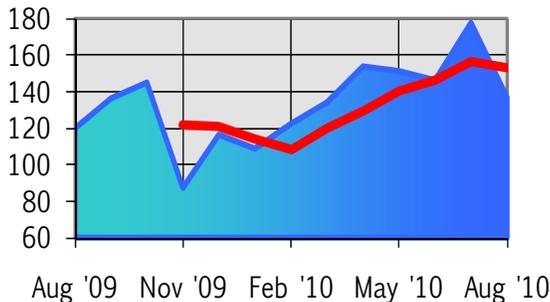
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-22.9%	-10.4%	-13.0%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$250,000	\$1,305	4.50%	12.3%
* 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.			

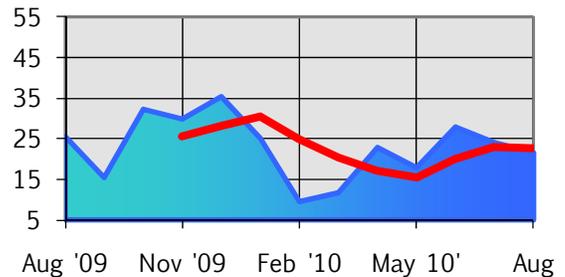
Unemployment Claims, which had been at an all-time high of 177.3 last month, declined sharply to 133.6. Despite, the index remains at an elevated level.

Index of Claims for Unemployment Insurance



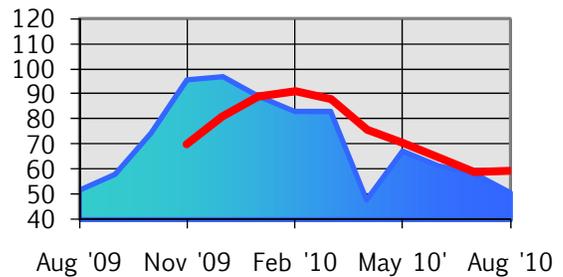
Building permits declined somewhat from July to 21.5.

Index of Building Permits Issued



Help Wanted Advertising contracted again, August being the fourth consecutive month of decline. The index stands at a weaker than average value of 50.8.

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

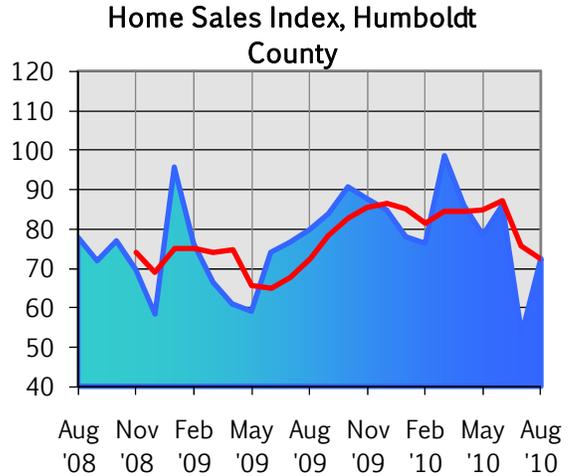
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

Homes Sales made a surprising recovery from last month's steep decline. The index, which had been at an all-time low of 53.3, rose 36 percent to 72.4. The median home price rose \$10,000 to \$250,000, while the number of homes sold rose from 55 to 79. The mortgage rate was unchanged at 4.5 percent.

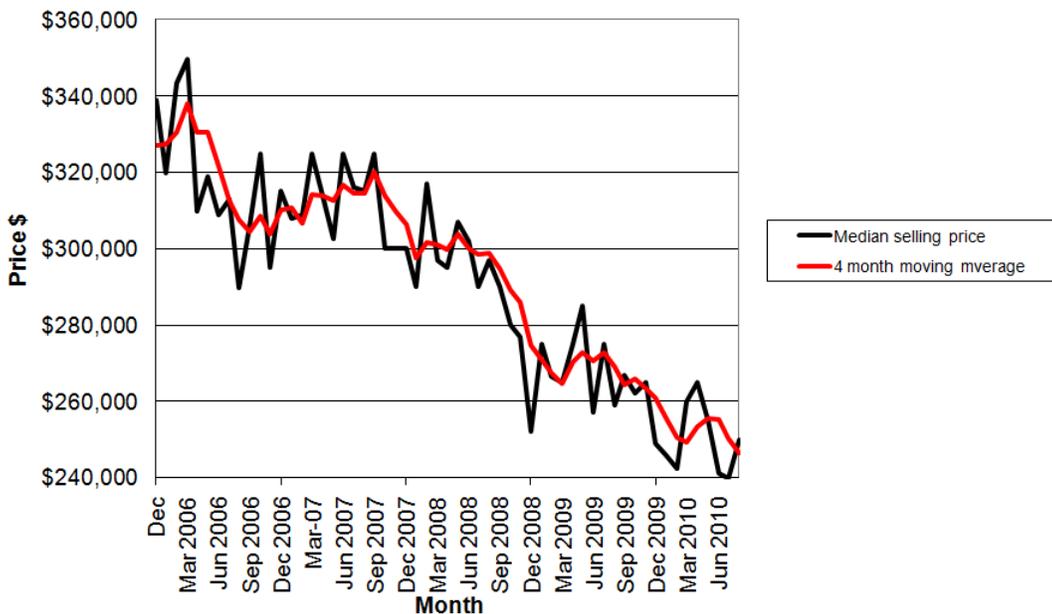
Despite, for those who qualify, once-in-a-lifetime fixed rate mortgages, unemployment and a saturated market have kept prices down. The fate of home prices will be in part the product of the above market forces. The risk being that mortgage rates will rise, while unemployment and excess supply persist.

Nationally, the Case Shiller Composite-20 home price index declined very slightly. The index continues to indicate a gradual upward trend over the year, with significantly less volatility than experience in 2008 and early 2009.

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](#).



Median Price of Houses Sold, Humboldt County



Source: Humboldt Economic Index and Humboldt Association of Realtors

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.

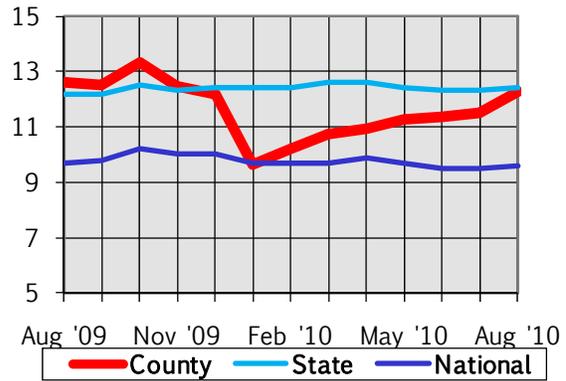
Seasonally adjusted Employment edged up slightly, while the county unemployment rate rose from 11.5 percent to 12.3 percent. The increase in unemployment is attributable to an increase in the labor force participation rate, rather than seasonal adjustment, or a decline in employment, as the number of people employed rose by approximately 500 from July.

Statewide, the California EDD reported another month of job loss, August being the third consecutive month that statewide employment has declined.

The cross-sector decline, led by construction and information services, brought the total nonfarm index

down 0.2 percent. Unlike June and July, the majority of job losses were in the private sector. Employers may be concerned with uncertain tax rates, and how recent legislation may affect costs per worker. Despite, 2010 continues to be a better year, on average, than the previous two, with a job growth rate of 2300 per month for the state.

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 rose slightly to 82.6, as average occupancy rates rose. The index, which appears to show minimal correlation to the effects of the recent recession, appears to be developing a modest upward trend as indicated by the moving average.

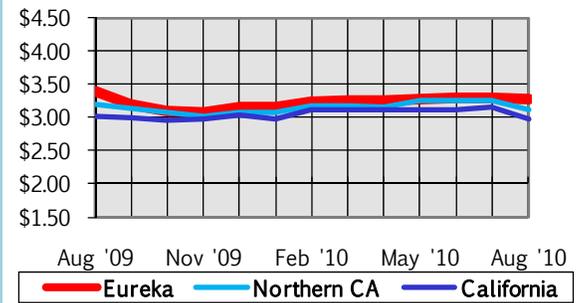
Gasoline Prices

Gasoline Prices for California fell \$0.17, to \$2.98 as the summer driving season comes to a close. Eureka prices fell only \$0.01, bringing the gap between local and statewide prices to \$0.30. The highest disparity since the gas prices surge in summer 2009. Although higher than the approximately \$0.19 average premium the North Coast pays for gas, it is far less than the premiums of nearly a dollar paid little over a year ago.

Gas Prices		
Prices as of 10/4/2010	Average price*	Change from previous month
Eureka	\$3.28	-\$0.01
Northern California	\$3.12	-\$0.13
California	\$2.98	-\$0.17

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 experienced a broad expansion in August, bringing the index to a strong value of 156.3. The rise in nominal employment, the absolute number of people employed in the county, may have put upward pressure on the index.

The Federal Reserve Beige Book reported a lethargic retail sector as consumers in the west coast district continue to purchase generic items and avoid big ticket purchases. The persistent nervous sentiment is further reflected in the Conference Board's [Consumer Confidence](#), which declined in September, from 53.2 to 48.5.

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.

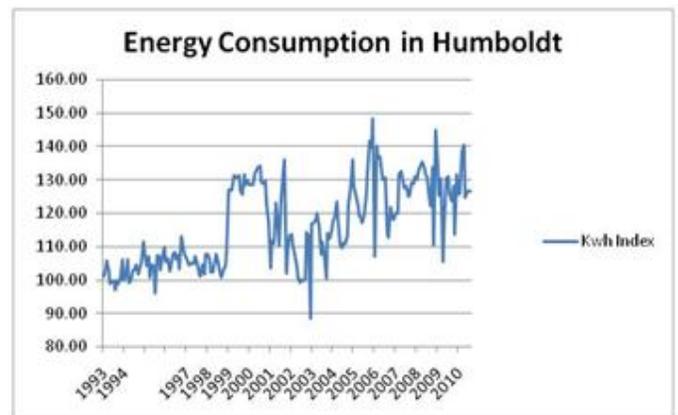
Lumber-Based Manufacturing fell from a nearly two year high of 40.4, to 35.7. Both production and payrolls contracted to more typical values observed throughout the year.

Nationally, the Purchasing Manager's Index, as reported by the Institute of Supply Management, contracted slightly 54.4, indicating a slower rate of growth than seen in August. The Wood Products industry experienced decline, while Furniture and Related Products reported 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.

The most recent Energy Consumption value is 126.5. The graph below illustrates the growth in energy consumption since 1993.



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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