

Humboldt Economic Index

August 2010

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Home Sales Drop, Record Unemployment Claims

The overall composite declined from 102.1 to 98.5 in July, but increased from July 2009. The Index was mixed for the month, as Manufacturing increased while the other sectors declined.

Leading indicators were mixed as well, with Building Permits rising slightly, while Help Wanted Advertising fell. Unemployment Claims rose to a record level, indicating a poor employment outlook.

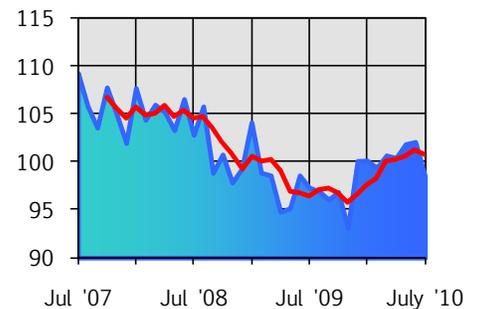
Home Sales fell sharply from June, followed by a slight decrease in the median home price, which is the direct result of the expiration of the First Time Home-Buyer Tax Credit.

Employment declined slightly, and may decline further in the near future as indicated by Unemployment Claims.

Retail declined as consumers continue to be pessimistic about employment prospects as seen at the national level in Consumer Confidence.

Hospitality was little changed, as it declined slightly, while Manufacturing increased to the highest level since September 2008.

Composite Index



The Index is down from the previous months, but appears to be on an upward trend as indicated by the moving averages. Some optimism is appropriate as the two most concerning statistics this month can be explained and discounted by government action as opposed to a lethargic private sector. Namely, the release of census workers, the effects of which are seen in unemployment claims, as well as the contraction in Home Sales, explained by the expiration of the federal tax credit.

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	98.5	-3.5	1.2	-10.1	-10.7
Home Sales	53.3	-38.0	-30.4	-64.3	-54.2
Retail Sales	148.0	-6.0	3.5	10.2	19.6
Hospitality	82.9	-1.0	0.0	-6.3	-13.8
Electricity	138.6	0.0	5.8	15.7	3.3
Employment	98.8	-1.0	1.3	-6.1	-5.1
Manufacturing	40.4	14.9	15.4	-52.1	-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

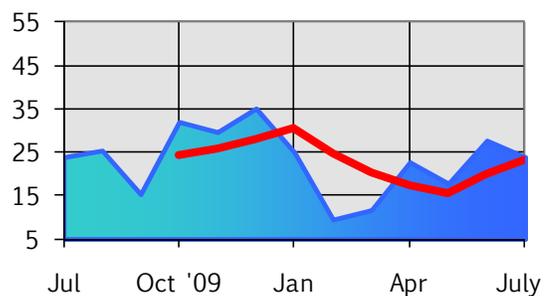
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-3.3%	56.1%	-8.7%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$240,000	\$1,255	4.50%	11.8%
* 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.			

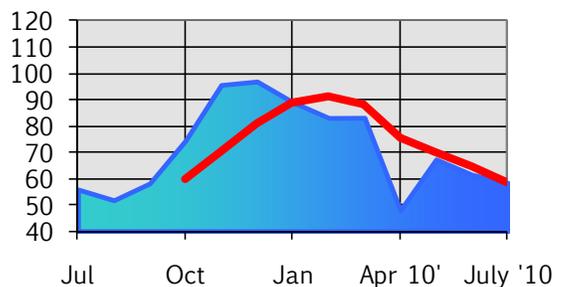
Building permits declined 14 percent from June but remains above the 3-month average of 23.2. The leading indicator stands at 24.0.

Index of Building Permits Issued



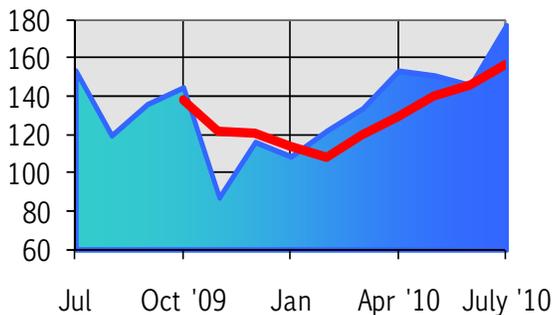
Help Wanted Advertising declined somewhat from the previous month to 58.3.

Index of Help Wanted Advertising



Unemployment Claims increased dramatically from the previous month, despite July's tendency to be a better month for employment. The rise in claims, along with seasonal adjustment, brings the index to the highest value on record. The leading indicator stands at 177.3, breaking the previous high of 153.0, set in April. For comparison, the long-run and 2-year averages are 88 and 124.1, respectively.

Index of Claims for Unemployment Insurance



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

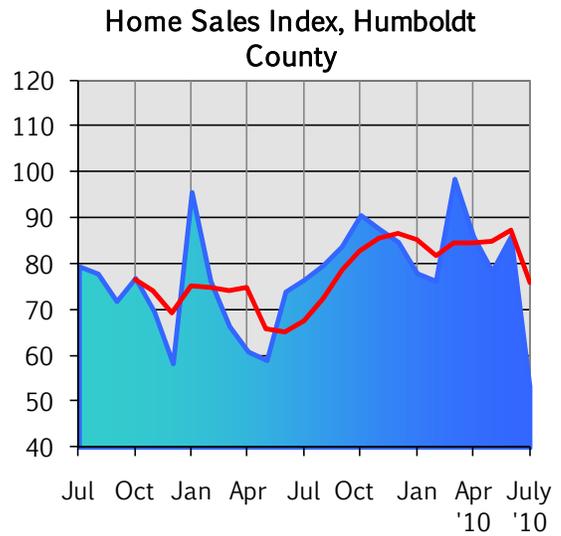
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

Home Sales fell sharply, declining 38 percent from June. The absolute number of homes sold fell from 86 in June, to 55. The median home price declined \$1,250 to \$240,000, while the mortgage rate fell to 4.5 percent. The steep decline is the result of the expiration of the First Time Home Buyer Tax Credit, which artificially inflated home prices and sales. The program required buyers to have been in contract by the end of April to qualify for the credit.

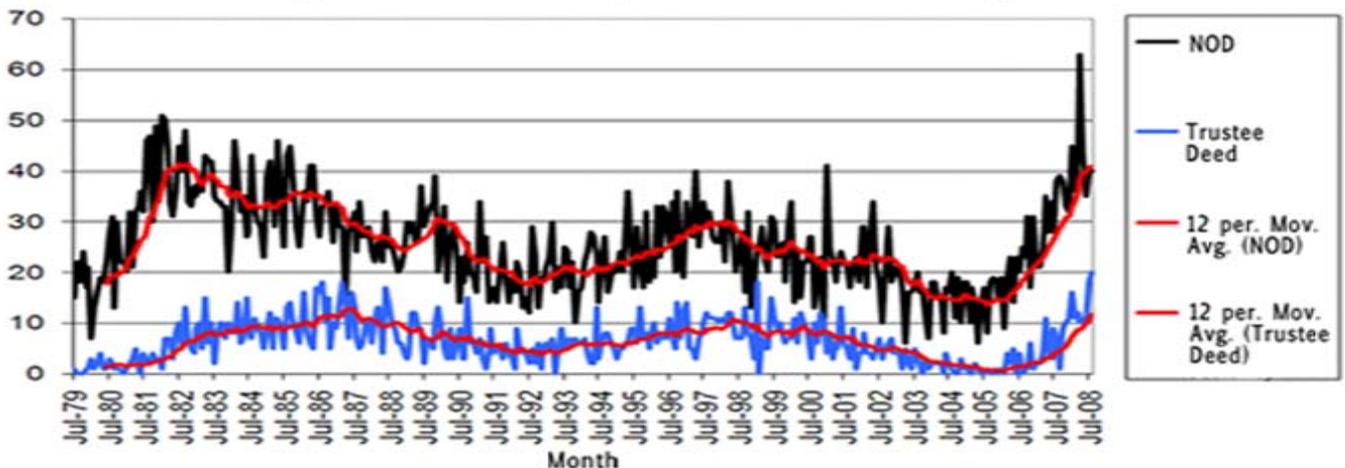
Local low income housing may become more affordable in the near future for the county's low-income families as the Humboldt County Community Development Department awaits a pending 3.5 million dollar federal housing grant. According to the Times Standard, multiple low-income family housing developments will be undertaken as soon as the county government receives the funds.

Nationally, Standard and Poor's Case Shiller Index, reported on data collected in June, has yet to reflect the expiration of the federal tax credit. The index experienced a slight rise in national home prices bringing it to 147.8. Home prices in the San Francisco region declined somewhat, while values in Portland, OR and Los Angeles experienced little change.

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](#).



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

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.

The seasonally adjusted county rate rose half a percent to 11.8%, while the index declined a full percent to 98.8. The decline in total employment was partly offset by a slight increase in retail employment, while employment in the manufacturing sector was unchanged. Leading indicators signal lower employment in future.

Statewide, the California Employment Development Department reported little volatility in the labor market June to July. Total Farm employment rose 1.5 percent, while government employment declined 0.9%. Other nonfarm sector variation was insignificant. The seasonally adjusted state unemployment rate remains at 12.3 percent.

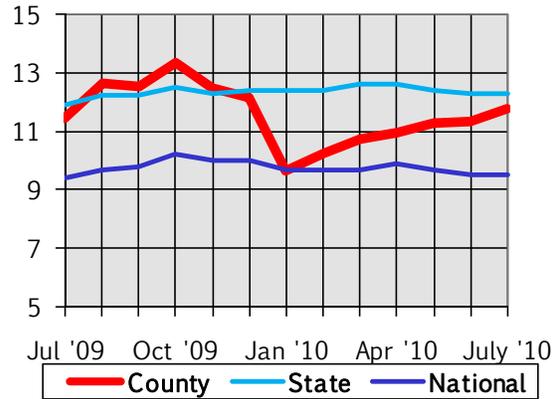
National unemployment experienced little change, as reported on data collected in August, the unemployment rate now stands at 9.6 percent. Furthermore, the BLS reported a gain in private sector employment along with the release of 112,000 temporary census employees. The number of involuntary part-time employees rose by 331,000 in August to 8.9 million,

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.

Occupancy rates rose across the board from June, but not enough to overcome seasonal adjustment. The index fell slightly to 82.9.

Unemployment Percentage Rates

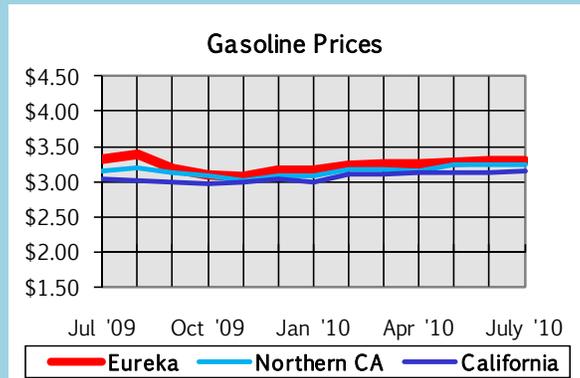


Gasoline Prices

Inflation-adjusted local gasoline prices were unchanged June to July at \$2.80. Nominal prices remain at \$3.29 while statewide prices rose \$0.03 to \$3.15. Oil prices declined approximately \$10 through August, reflecting continued sluggish demand. The price of oil currently hovers around \$75 a barrel.

Gas Prices		
Prices as of 9/1/2010	Average price*	Change from previous month
Eureka	\$3.29	\$0.00
Northern California	\$3.25	\$0.00
California	\$3.15	\$0.03

* 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 was mixed for July with some sectors reporting strong numbers, but in net the index fell 6 percent to 148.0. The index remains above the 1-year average as well as rising 3.4 percent from July 2009.

Nationally, Consumer Confidence remains depressed as it increased only slightly from the decline in July, showing continued employment concerns. The index stands at 53.5, the Conference Board reports.

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.

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 increased 15 percent to 40.4. Total production increased sharply, along with a modest rise in payrolls.

Nationally, the Purchasing Managers Index increased slightly to 56.3 percent, indicating that a majoring of supply managers expect increased demand.

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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