

Humboldt Economic Index

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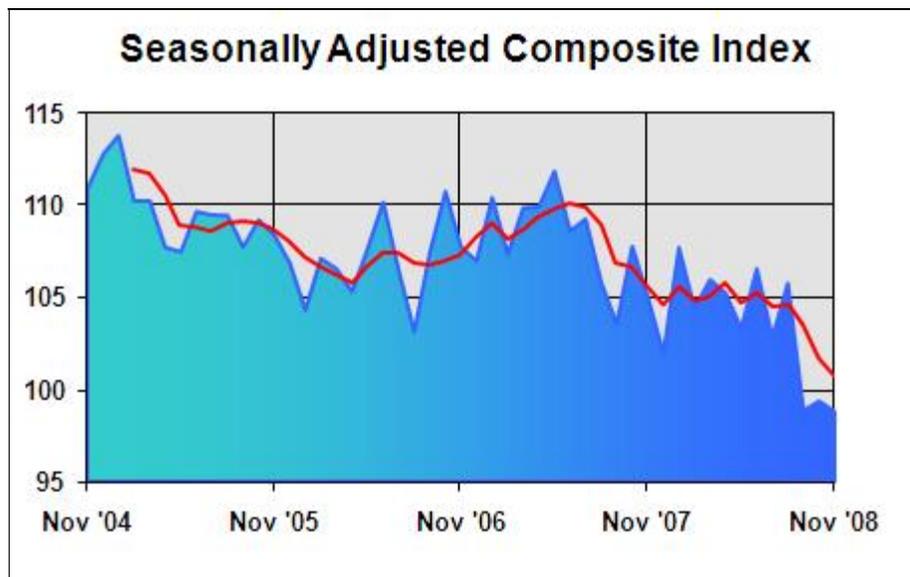
Humboldt Economic Index

December 2008

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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 Composite dropped 5.9 percent from the same time last year and is 0.6 percent below last month's level. All areas of the index contracted except hospitality and energy (which remains unchanged due to quarterly data collections). Home sales dropped 9.5 percent in November as unemployment in Humboldt County is on the rise. Seasonally adjusted unemployment rates now stands at 9.1 percent. The County is also experiencing a steadily outward flow of workers to other areas of the nation and a gradual decline of employed. Retail sales were down, most likely attributed to the low employment rates and the worsening condition of the national and global markets. Leading indicators suggest more softening in labor markets and slower overall economic activity in Humboldt County.

Composite & Sectors	
	Percent Change From:

Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	98.8	-0.6	-5.9	-7.2	-7.7
Home Sales	69.6	-9.5	-22.4	-46.3	-32.0
Retail Sales	149.3	-1.1	-11.8	6.0	15.4
Hospitality	87.4	7.1	1.8	1.8	-8.1
Electricity Consumption	122.1	0.0	-5.4	7.1	18.6
Total County Employment	100.3	-1.0	-3.1	-3.1	-2.7
Manufacturing	37.7	-4.8	0.5	-51.8	-66.1

* 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‡
\$277,000	4.625%	9.1%

* 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.

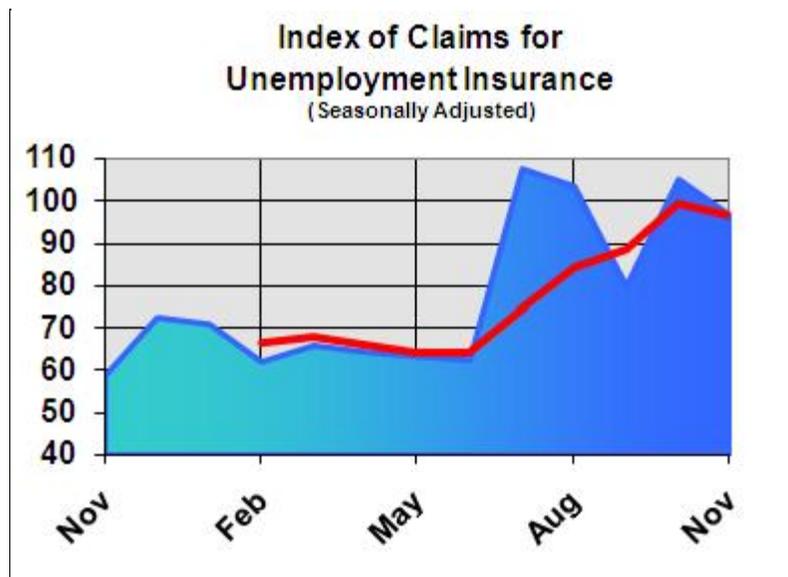
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Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-2.2%	-8.2%	-55.6%	N/A

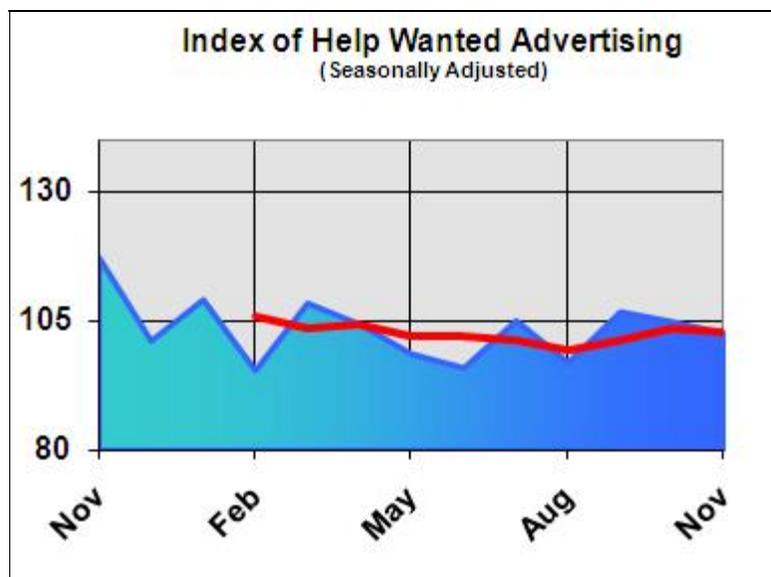
* All values are seasonally adjusted.

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.



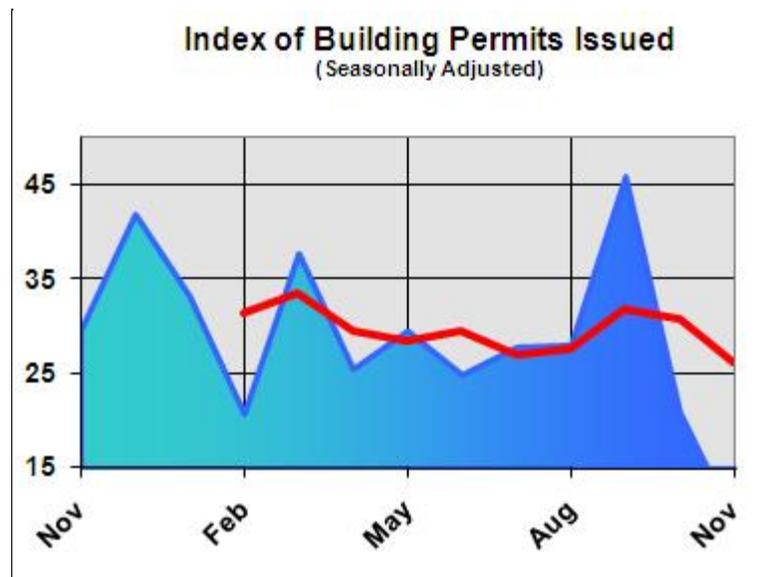
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims fell by 2.2 percent in November. This drop in claims could be the result of the increased unemployment rate over the past several months and the slow migration of employed and unemployed seeking work in other parts of the state or country during these difficult economic times.



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 declined by 8.2 percent as companies start scaling back their hiring schedules in order to handle the recent decline in business activity. This could signal further weakness in labor markets in the near future.



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 55.6 percent to a seasonally adjusted index value of 9.3. This comes as little surprise as a majority of sectors scale back during the global recession. The low level of this index could foreshadow an increased cooling of the local economy.

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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 declined 9.5 percent from last month to a seasonally adjusted index value of 69.6. Median Home prices in Humboldt County fell \$3,000 from last month. This is the fourth straight month with declining home prices while local interest rates dropped by 0.665% to 4.625. Regardless of falling prices and interest rates consumers are abstaining from entering the market due to a variety economic factors. The most evident would be the rise in unemployment and the uncertainty of future housing markets. Leading indicators suggest further decline in this index in the near future as the Help Wanted index continues to slip.

C.A.R. reported that median home prices stand at \$285,680, a 5.3 percent decline from the previous month and 41.8 percent from the same time last year.

The Case-Shiller twenty city housing price indexes fell 18.2 percent from November 2007 to November 2008. This is the most broad based of price indexes, and this drop is a record.

The National Association of Realtors noted that single-family home sales fell in November by 8.0% from October and 8.8 percent from November 2007. The national average commitment rate for a 30-year fixed rate mortgage fell to 6.09 percent from 6.2 percent in October 2008. The lagging economy prevents consumers from entering the market as employment dries up and future expectations become more pessimistic.

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

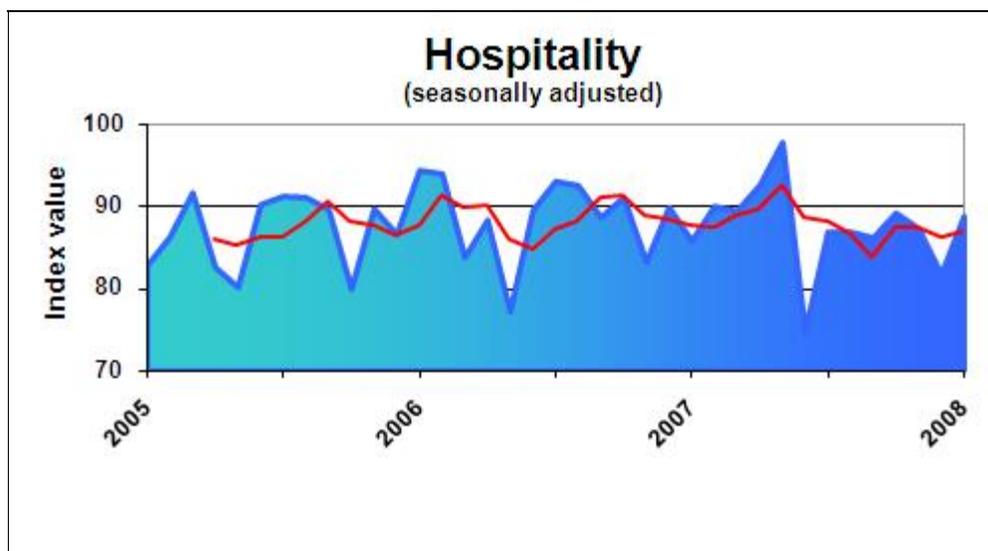
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Retail Sales declined 1.1 percent in November to a seasonally adjusted index value of 149.3 The slight decline could be attributed to the general cooling of the local economy as businesses contract and

consumer's remain uncertain about the future. The rise in Hospitality could have applied some relief to retail, but the Federal Reserve's Beige Book reported a general decline in all sectors of the economy due to worsening market conditions and consumer confidence.

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 expanded in November by 7.1 percent to a seasonally adjusted index value of 87.4. While this is still just under the long run average of this index, the coming months could put contractionary pressure as consumers remain out of the market due to current market conditions, compared to last year the index rose 1.8 percent.

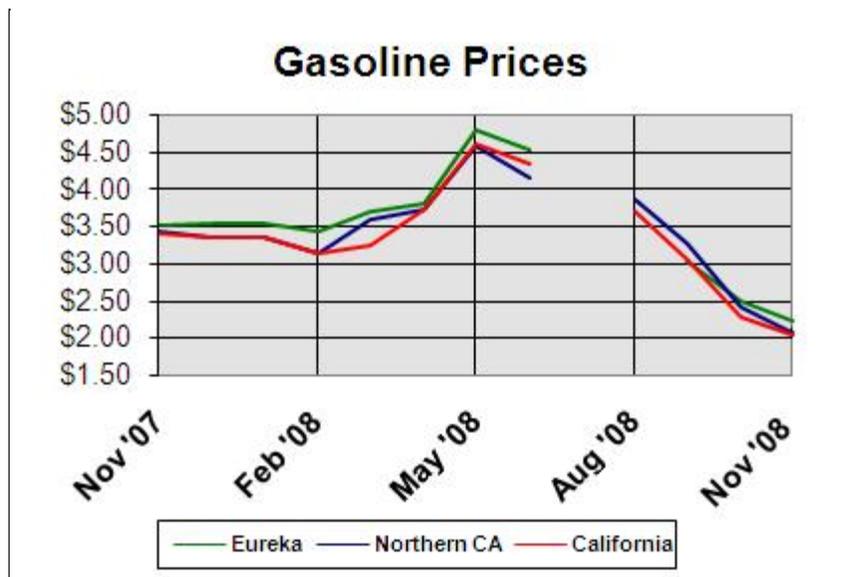
Gasoline Prices

Gas continues its decent through November as the average gag price fall \$0.28 to 2.21. California's average, set at \$2.03, changed the least over the three categories, but still declining an impressive \$0.25 a gallon. The amazing drop in global demand has helped keep prices suppressed; however, OPEC and other oil exporting countries have talked about cutting production to the global market. This action could stall falling oil prices in the near future or may even cause prices to rise if consumer demands change.

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 11/21/2008	Average Price*	Change from Previous Month
Eureka	\$2.21	-\$0.28
Northern CA	\$2.07	-\$0.34
California	\$2.03	\$- 0.25

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.com).



Electricity Consumption

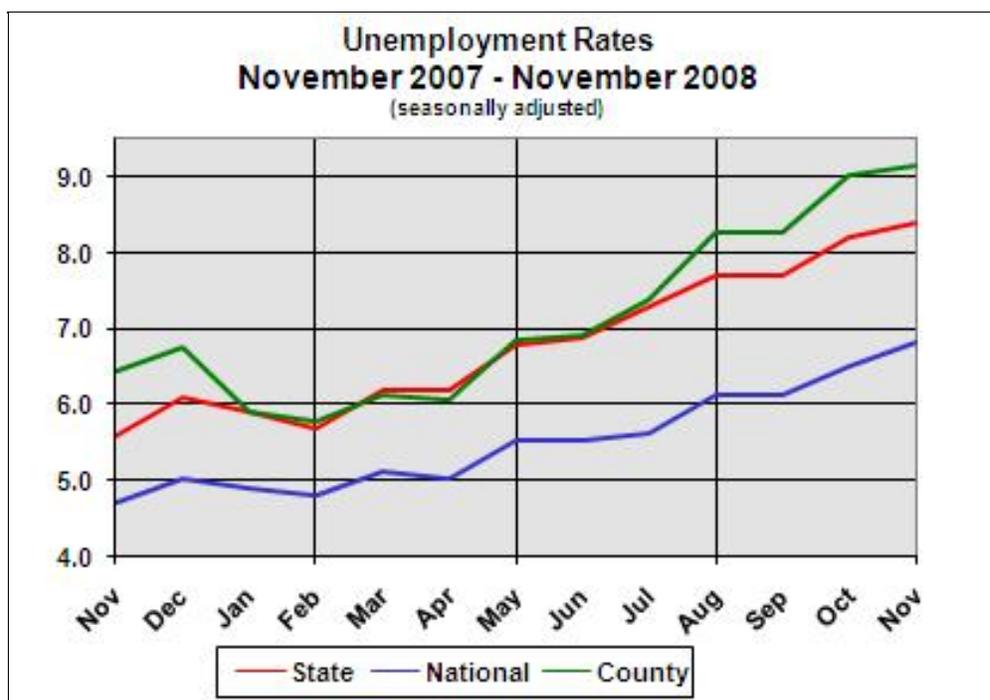
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation 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.

Energy remains unchanged due to quarterly data collection. The seasonally adjusted index value stands at 122.1.

Total County Employment

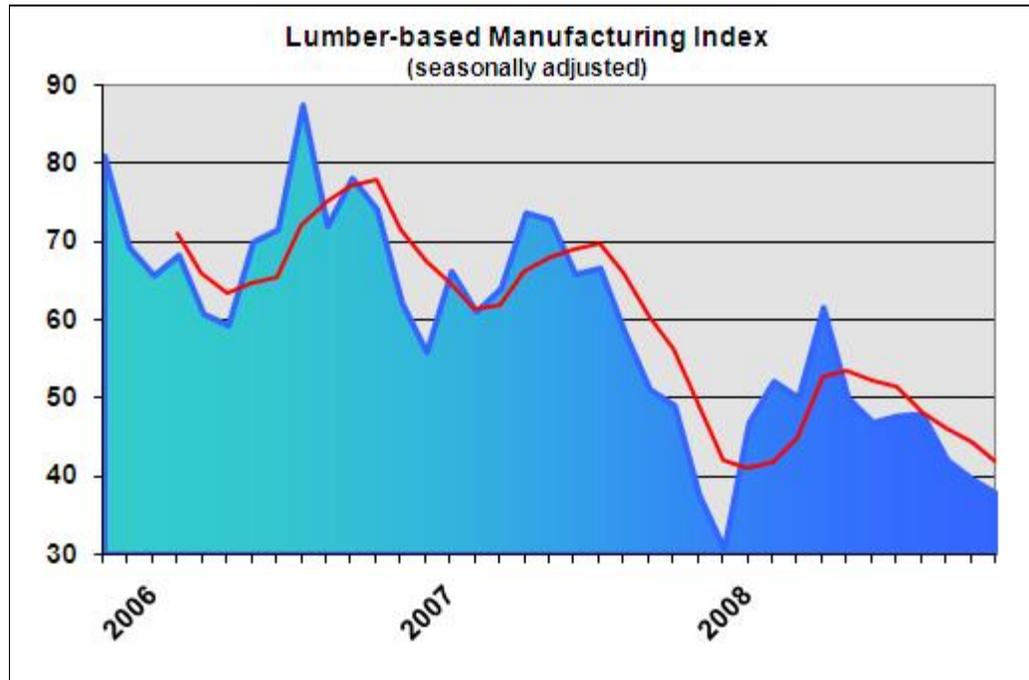
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment stands at 100.3, a 1 percent drop from last month. There has been a slow, but gradual, flow out of Humboldt County since September 2008. County labor force steadily declined by approximately 900 over the three month span. With the relative decline in local economic activity and decline in help wanted advertising county unemployment may not have reached its peak. Unemployment has steadily crept up since February 2008, which was 5.8 percent, to the current 9.1 percent.



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.

Manufacturing continues what seems to be a reoccurring trend of a slight expansion and then a larger contraction. The four month moving average displays this trend as Humboldt County is clearly in another contraction phase. Current economic conditions support a softening in future months which could add to downward pressure on employment.

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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:

C.A.R.
Beige Book
N.A.R.

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