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.

This month, the seasonally adjusted Humboldt Economic Index increased 5.2% to 107.3. The increases was driven mostly by the 52.7% increase in home sales accompanied by steadily expanding retail sector. Manufacturing had positive growth for the first time since July 2007, rising to a value of 45.2. While labor markets seem to be gaining momentum, many consumers believe that expected income will fall in the near future. With oil prices rising to historic highs, consumers spending may fall off as prices at the pump increase and expected incomes fall.
Humboldt Economic Index : Title

<table>
<thead>
<tr>
<th>Index</th>
<th>Value*</th>
<th>Percent Change From:</th>
<th>One Year Ago**</th>
<th>Five Years Ago**</th>
<th>Ten Years Ago**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite</td>
<td>107.3</td>
<td>5.2</td>
<td>- 2.8</td>
<td>- 3.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Home Sales</td>
<td>105.9</td>
<td>52.7</td>
<td>- 1.4</td>
<td>- 24.2</td>
<td>24.1</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>161.4</td>
<td>2.9</td>
<td>-9.4</td>
<td>14.5</td>
<td>44.4</td>
</tr>
<tr>
<td>Hospitality</td>
<td>89.5</td>
<td>- 0.6</td>
<td>6.7</td>
<td>- 9.4</td>
<td>- 15.1</td>
</tr>
<tr>
<td>Electricity Consumption</td>
<td>127.3</td>
<td>0.0</td>
<td>6.1</td>
<td>9.1</td>
<td>18.3</td>
</tr>
<tr>
<td>Total County Employment</td>
<td>106.2</td>
<td>2.1</td>
<td>0.7</td>
<td>1.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>45.2</td>
<td>47.3</td>
<td>- 31.6</td>
<td>- 49.0</td>
<td>- 56.1</td>
</tr>
</tbody>
</table>

* 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**

<table>
<thead>
<tr>
<th>Median Home Price*</th>
<th>Mortgage Rate†</th>
<th>Unemployment Rate‡</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 290,000</td>
<td>5.625 %</td>
<td>5.9 %</td>
</tr>
</tbody>
</table>

* 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**

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 in January by 2.1%. This drop does suggest a general strengthening of the labor force in the future in Humboldt County.

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.

The index of Help Wanted Advertising rose 7.9% in January after its 13.7% drop in December. The rise in this index supports a strengthening of markets and a gradual increase in economic activity.

**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.

The January Home Sales index broke through the 100 mark for the first time since August 2007. The index value now stands at 105.9, a 52.7% increase from last month’s abysmal number. The median home price, which does not affect the Index, fell to $290,000. Prices have not moved upwards for four
months, and this is the first time since May, 2005 that the 4-month moving average of prices is below $300,000.

Mortgage rates increased to 5.625%. Based on December's data, a monthly mortgage payment would be approximately $1,677.11. With the fall in price and a rise in interest rates the new monthly mortgage payment in January drops a mere $6.79 to $1,670.32. As was true during the housing boom, the effect of prices on the monthly payments was greater than the effect of interest changes. That means that if housing prices are expected to fall in the future, this will decrease the monthly mortgage payment.

California Association of Realtors reports that January home sales we down 29.8% when compared to 12 months ago, while the median price of existing homes fell 21.9%. C.A.R. President William E. Brown commented, "This most recent decrease in the median price is yet another result of the liquidity crunch, which has choked off sales in recent months for nearly half of California’s housing market."

National Association of Realtors reported that existing home sales lost little momentum falling 23.4% from the 12 months earlier and the median price fell 4.6%. The fall in sales is partly due to buyer’s skepticism about the current FHA loan limits and jumbo loans. President Bush signed into public law a $168 billion economic stimulus package on February 13. The biggest aid to homebuyers is the increase in the FHA loan limits from $417,000 to $729,750 (the new limit will be $393,750 in Humboldt County, according to the Wall Street Journal); this allows for Freddie Mac and Fannie Mae to insure larger loans without increasing interests rates. The increases in FHA loan limit will undoubtedly increase sales in the near future; however, buyers may find it more difficult to qualify for a loan in the first place.

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

Retail grew a modest 2.9% bringing the index value to 161.4. Retail has continually been outpacing all other indices. The rise in retail is partially due to increased sales in the automotive industry and food services. The U.S. Census Bureau reports that retail sales were up 3.8% from last year, while only increasing a mere 0.3% from December. Increases from the automotive, food services, general merchandise stores all showed signs of increase from December. The Conference Board estimates that consumers expecting their incomes to increase fell in February to 17% from 18.1%. With increasing concerns about a weakening economy in coming months, retail sales will be affected, as consumers tend to save more and spend less as their expected income fall.

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 remained relatively stable in February falling 0.6% to 89.5. Compared to last year, hospitality grew by 6.7%, but still remains under the long run average of 91.5. This indicates that local inns and other hospitality related industries continue to remain stable in the long-run.

**Gasoline Prices**

Average gas prices in California fell by 23 cents as of February 12; while Eureka’s average gas prices also dropped 10 cents to $3.42. The American Automobile Association reports that Eureka is now leading California with current average gas prices. Northern California dropped 21 cents to $3.15, which is the lowest average gas price since September 2007.

However, falling gas prices are not in sight for the near future. The New York Times documented on March 3, 2008 that the price per barrel broke the 1980 record of $39.50 per barrel. The highest trade on the New York Mercantile was $103.95 which is 19 cents over the inflation adjusted 1980 price of $103.76. Oil prices will continue to climb as the dollar continues to stay relatively weak against foreign currencies, increasing demand for oil, and OPEC’s long-run plan for oil production by with holding from further oil production. Analysts expect gasoline prices to approach $4 a gallon on average this summer.
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.

<table>
<thead>
<tr>
<th></th>
<th>Prices as of 2/12/2008</th>
<th>Average Price*</th>
<th>Change from Previous Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eureka</td>
<td>$ 3.42</td>
<td>$ 3.42</td>
<td>- $ 0.10</td>
</tr>
<tr>
<td>Northern CA</td>
<td>$ 3.15</td>
<td>$ 3.15</td>
<td>- $ 0.21</td>
</tr>
<tr>
<td>California</td>
<td>$ 3.12</td>
<td>$ 3.12</td>
<td>- $0.23</td>
</tr>
</tbody>
</table>

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

Ending out 2007, fourth quarter data show an increase in electricity consumption. The September Index was 125.4, but this rose 2.9% to 129.06 in October, fell slightly to 128.8 in November, then rose 1.7% to 130.95 in December. The December Index was approximately 0.55 shy from this year's peak back in March. The steady increase of this Index since inception leads to growing concerns of supply keeping pace with demand.

U.S. News reports growing concern over H.R.6: Energy Independence and Security Act of 2007. This new legislation starts the process of phasing out the 128-year old incandescent lights bulb with new more energy efficient fluorescent bulbs. Incandescent bulbs are highly inefficient for lighting an area, using only 5% of energy to create illumination while the remaining 95% is released as heat energy. For more information on this new legislation visit GovTrack.us.

The International Herald Tribune reports that state regulators seem confident in acquiring the emergency power to control individual thermostats. Managing electricity shortages by using radio-controlled devices that will be required in new or substantially modified houses and buildings. Pacific Gas and Electric currently has a volunteer pilot program in Stockton, CA. While some Californians are now expressing concerns of hacking into the FM radio waves; Nicole Tam, a spokeswoman for PG&E who works with the pilot program in Stockton assures that these radio pages "are encrypted and encoded."

Total County Employment

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

January exhibited a stronger labor market as the index value rose 2.1% from December to 106.2. The seasonally adjusted unemployment rate fell under 6% for the first time since June 2007 to 5.9%. California Employment Development reports that the 700 individuals left the labor force in January, while employment also fell by 2,000. Local government jobs rose by 1% while all other sectors showed signs of decline or remained constant. The forecast for employment in Humboldt County seems to be positive as unemployment claims fall while help wanted ads are on the rise.
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 rose for the first time since July 2007. The manufacturing index rose from its record breaking low of 30.7 to a modest 45.2, a 47.3% increase from December. Manufacturing has tended downward when compared to last year, five years, and ten years ago; all the other indices do not exhibit this characteristic.

The Institute for Supply Management reports that the manufacturing sector failed to grow in February; however, nationwide wood products was the third fastest growing sector. National Manufacturing dropped 2.4% and shows signs of contracting while the overall economy continues to
grow for its 76th straight month.

**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:**

- The American Automobile Association
- California Association of Realtors
- California Employment Development
- The Conference Board
- GovTrack.us
- International Herald Tribune
- The Institute for Supply Management
- National Association of Realtors
- The New York Times
- U.S. News
- The U.S. Census Bureau

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