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.

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Economist Thornberg to speak at HSU

The Index would like to welcome economist Christopher Thornberg to Arcata. Dr. Thornberg will be giving a lecture on the California Economy in the Kate Buchanan Room at Humboldt State University at 4pm, Monday April 5. Admission is free. We encourage our readers to attend. Please email the Economics Department at econ@humboldt.edu if you have questions.

The overall composite contracted slightly from last month to a value of 98.7. From November, the Index has expanded 5.7 percent.

Median home prices fell to a six year low. Home sales declined.

Leading indicators are mixed as both Building Permits and Help-Wanted Advertising decreased, accompanied by a decrease in claims for unemployment.

Retail sales experienced a broad based decline, most likely the result of an anxious consumer and high unemployment.

Hospitality declined, perhaps causes by high unemployment.

Lumber-Based Manufacturing was the only sector to that rose in February, rising to a value roughly equal to that of one year ago.

Despite aggressive government measures, sustained high unemployment, record foreclosures, and weak sales continue.

<table>
<thead>
<tr>
<th>Composite &amp; Sectors</th>
<th>Percent change from</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Last Month</td>
</tr>
<tr>
<td>Composite</td>
<td>98.7</td>
</tr>
<tr>
<td>Home Sales</td>
<td>77.9</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>155.5</td>
</tr>
<tr>
<td>Hospitality</td>
<td>76.5</td>
</tr>
<tr>
<td>Electricity</td>
<td>131.8</td>
</tr>
<tr>
<td>Employment</td>
<td>97.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>35.5</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.
**The Humboldt Economic Index**

**February 2010**

**Key Statistics**

<table>
<thead>
<tr>
<th>Median Home Price</th>
<th>Monthly Rent</th>
<th>Mortgage Rate</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$246,000</td>
<td>#</td>
<td>5.13%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* 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.

**Building permits** declined by 41 percent to a seasonally adjusted value of 25.0. This is slightly above the two year average of 24.46.

**Help Wanted Advertising** declined slightly ending a five month positive trend. The index stands at 89.0, down from 96.9. As seen in the graph below, the four month moving average shows a positive trend.

**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.
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 fell 8.7 percent from December to 77.9. The median home price declined 1.2 percent to $246,000, while mortgage rates declined from 5.25 percent to 5.13 percent. This is the lowest median home price reported since May 2004.

The Case Shiller Home Price Composite-20 Index shows a 1.1 percent decline from the previous month at the end of 2009.

The National Association of Realtors, early this month, reported a 7.6 percent decline in pending home sales, indicating a possible softening of the housing market for the months ahead.

One year ago the Obama Administration launched the Home Affordable Modification Program, or HAMP. The program was designed to assist borrowers at risk of default by altering the terms of their loan. At the beginning of March, the HAMP program was extended for one year until June, 2011. It remains to be seen if HAMP will allow many borrowers to refinance, since many do not have income enough to qualify. Despite the Federal Government’s efforts to curb foreclosure, the North Coast continues to experience record high foreclosures as seen in the chart below.

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. Graphs and data on this page were recently updated.
Gasoline Prices

Gasoline prices remained at 3.16 on average for the North Coast, while state prices declined 1.0 percent to 2.98.

Oil prices have been rising on hopes that demand for gasoline will rise as government reports show more optimistic employment trends than expected. Prices of crude oil rose approximately $10 during February, standing at nearly $82 a barrel.

**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 declined from last month’s relatively high value of 93.9 to a seasonally adjusted 76.5.

**Total County Employment**

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

As of publication, local January employment data has yet to be released due to the Employment Development Department making changes in data benchmarking.

California’s Employment Development Department reported an increase in the state’s unemployment rate from 12.3 in percent in December to 12.5, while the Bureau of Labor Statistics reported a national unemployment rate of 9.7 percent.

Humboldt County is set to receive 65 million in Federal Stimulus funds, which may put downward pressure on unemployment rates as investment projects begin. California’s government plans to use much of the funds to repave worn roads and infrastructure. A comprehensive view of the allocation of stimulus money in California, including details of how the money is being spent in Humboldt County, can be seen by the using interactive map at Recovery.ca.gov.

**Unemployment Percentage Rates**

- **County:**
- **State:**
- **National:**

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**Gasoline Prices**

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Oil prices have been rising on hopes that demand for gasoline will rise as government reports show more optimistic employment trends than expected. Prices of crude oil rose approximately $10 during February, standing at nearly $82 a barrel.

<table>
<thead>
<tr>
<th>Prices as of 2/28/2010</th>
<th>Average price*</th>
<th>Change from previous month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eureka</td>
<td>$3.16</td>
<td>$0.00</td>
</tr>
<tr>
<td>Northern California</td>
<td>$3.08</td>
<td>$0.00</td>
</tr>
<tr>
<td>California</td>
<td>$2.96</td>
<td>-$0.05</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).
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-based 3.7 percent decline. The index stands at a seasonally adjusted value of 155.21.

Despite gains in personal income in January, Consumer Confidence experienced a steep decline last month.

The Bureau of Economic Analysis reported a 0.1 percent increase in personal income in January. Meanwhile, the Conference Board reported a significant decline in the Consumer Confidence Index, ending a three month upward trend. Consumer Confidence stands at 46.0, down from January’s high of 56.5. A better-than-expected employment report as well as this year’s severe winter months coming to an end may be positive contributors to retail in the months ahead.

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 Manufacturing increased significantly by 22.5 percent. The seasonally adjusted index stands at 35.5.

The City of Arcata plans to target niche manufacturing, as discussed in the Economic Development Strategic Plan update, by providing land and space to growing niche manufacturing firms. The plan will capitalize on Humboldt’s unique competitive advantage in entrepreneurship and natural resources.

The Purchasing Manager’s Index declined slightly to 56.5, but continues to be a positive indicator as it is above 50.0. The Wood Products industry, one of the sectors that declined in February, experienced the steepest decline. Of those that expanded, Machinery, Paper Products, and Apparel experienced the largest expansion, as reported by the Institute of Supply Management.

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.
Cited References:

Consumer Confidence - The Institute of Supply Management
National Association of Realtors - Recovery.ca.gov

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