

Humboldt Economic Index

February, 2010

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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.

Economist Thornberg to speak at HSU

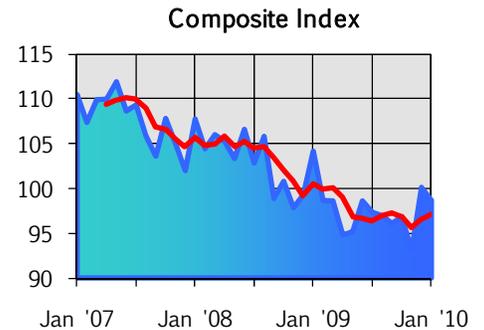
The Index would like to welcome economist Christopher Thornberg to Arcata. Dr. Thornberg will be giving a lecture on the California Economy in the Kate Buchanan Room at Humboldt State University at 4pm, Monday April 5. Admission is free. We encourage our readers to attend. Please email the Economics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

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	98.7	-1.4	-5.3	-13.3	-11.1
Home Sales	77.9	-8.0	-18.5	-43.0	-26.4
Retail Sales	155.5	-3.3	1.7	4.4	10.0
Hospitality	76.5	-18.5	-20.5	-12.7	-13.1
Electricity	131.8	0.0	-1.5	2.9	2.6
Employment	97.8	0.0	0.0	0.0	0.0
Manufacturing	35.5	28.9	-1.4	-65.9	-68.3

* 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*	-6.6%	-29.0%	-8.1%
* All values are seasonally adjusted.			

Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$246,000	###	5.13%	N/A

* 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.

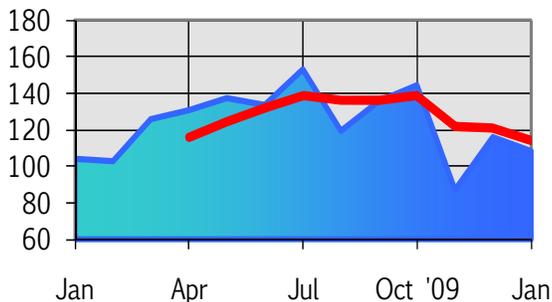
† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.

‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.

Unemployment Claims declined 6 percent to 114.2.

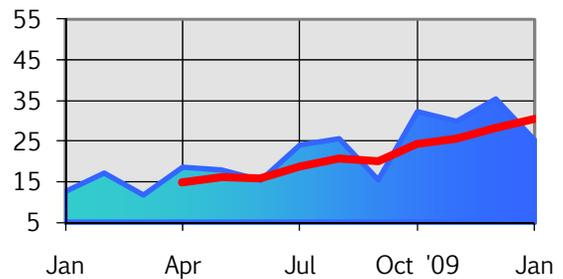
This remains a relatively high value for the Index but is down from the peak values in the Fall of 2009. Nationally, the USDL reported better-than-expected jobless claims for the last week of February.

Index of Claims for Unemployment Insurance



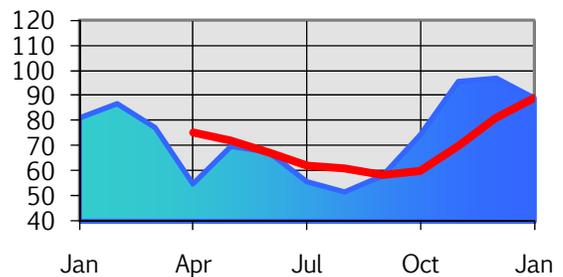
Building permits declined by 41 percent to a seasonally adjusted value of 25.0. This is slightly above the two year average of 24.46.

Index of Building Permits Issued



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.

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.

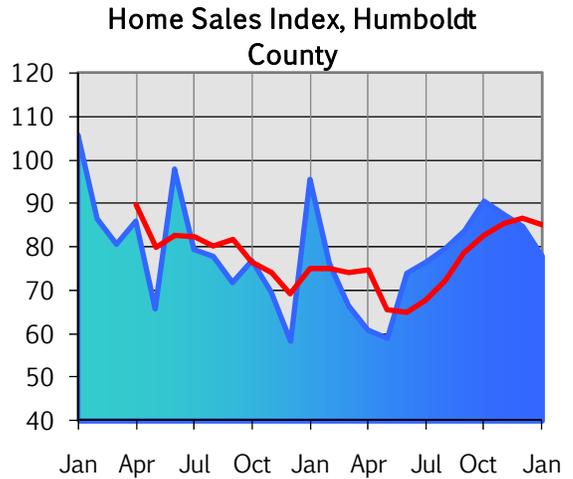
Seasonally Adjusted Home Sales fell 8.7 percent from December to 77.9. The median home price declined 1.2 percent to \$246,000, while mortgage rates declined from 5.25 percent to 5.13 percent. This is the lowest median home price reported since May 2004.

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

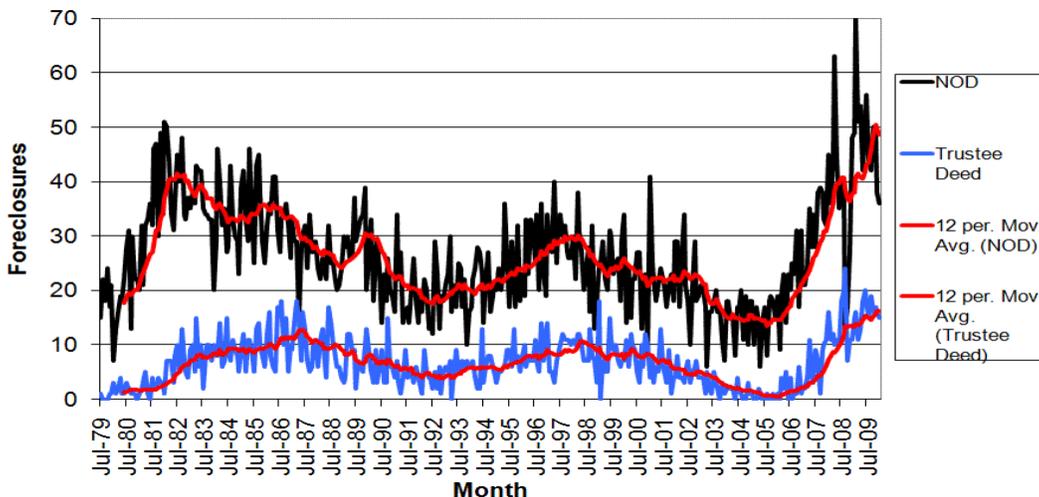
The National Association of Realtors, early this month, reported a 7.6 percent decline in pending home sales, indicating a possible softening of the housing market for the months ahead.

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.



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.

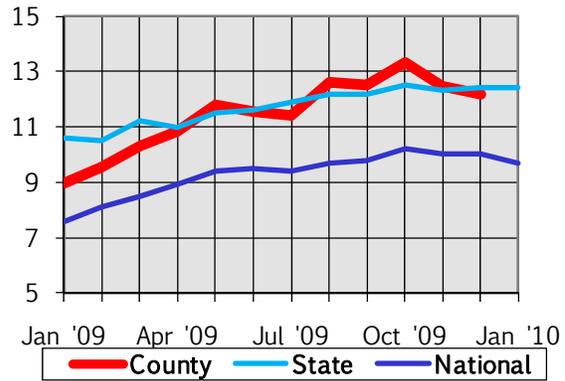
As of publication, local January employment data has yet to be released due to the Employment Development Department making changes in data benchmarking.

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



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..

Gasoline Prices

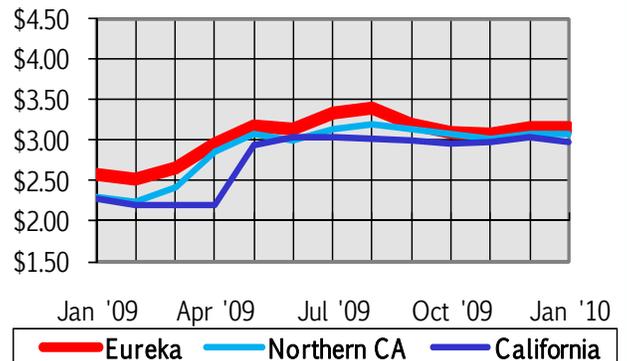
Gasoline prices remained at 3.16 on average for the North Coast, while state prices declined 1.0 percent to 2.98.

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.

Gas Prices		
Prices as of 2/28/2010	Average price*	Change from previous month
Eureka	\$3.16	\$0.00
Northern California	\$3.08	\$0.00
California	\$2.96	-\$0.05

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

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 Electricity Index is unchanged as quarterly data has yet to be released. The index stands at 131.8.

Bloomenergy, a Silicon Valley startup, unveiled its Bloom Energy Server, a localized power distributor utilizing fuel cell technology that could someday eliminate the need for electricity grids. Google and Ebay are the first customers to purchase "Bloom Boxes" for their campuses in Silicon Valley. Currently, the Bloom Box relies on subsidies to be economical as each unit goes for roughly 700,000 dollars.

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:

Bureau of Labor Statistics - California Association of Realtors – Case Shiller Home Price Indices
Consumer Confidence - The Institute of Supply Management
National Association of Realtors - Recovery.ca.gov

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