The Composite Index for Humboldt County economic activity declined in June, falling 0.6% to a current value of 98.9. This is the second consecutive month that the Composite Index has fallen slightly.

Leading indicators were mostly positive, however. Increased Help Wanted advertising indicates an expansion in labor demand that is reflected in a decreased number of claims for unemployment insurance.

County unemployment rose almost a full percentage point. Retail sales rose, also, indicating a rise in demand that could push employers to keep hiring.

Home sales suffered, however, reflecting statewide difficulty in the housing market. Contrary to state trends, the price of housing rose, possibly signifying that the drop in sales is due to decreased county supply rather than to falling demand.

As expected, gasoline prices have continued to fall, leaving Humboldt County well below the peak prices of 2 months ago.

Lumber manufacturing dropped in May, both at the county level, and in the nation at large. Hospitality, though, experienced a small increase and some hotels’ advanced figures show signs of the increase continuing into June as the busy summer season heats up.

### Composite & Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value*</th>
<th>Last Month</th>
<th>One Year ago**</th>
<th>Five Years ago**</th>
<th>Ten Years ago**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite</td>
<td>98.9</td>
<td>-0.6</td>
<td>-0.4</td>
<td>-8.1</td>
<td>-9.9</td>
</tr>
<tr>
<td>Home Sales</td>
<td>56.1</td>
<td>-31.9</td>
<td>-28.4</td>
<td>-44.8</td>
<td>-55.4</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>145.9</td>
<td>6.7</td>
<td>-3.1</td>
<td>0.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Hospitality</td>
<td>84.1</td>
<td>1.8</td>
<td>-2.2</td>
<td>-7.8</td>
<td>-10.9</td>
</tr>
<tr>
<td>Electricity</td>
<td>147.5</td>
<td>0.0</td>
<td>18.2</td>
<td>12.4</td>
<td>23.2</td>
</tr>
<tr>
<td>Employment</td>
<td>98.2</td>
<td>-0.1</td>
<td>-1.8</td>
<td>-5.9</td>
<td>-5.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>36.1</td>
<td>-7.5</td>
<td>2.2</td>
<td>-48.3</td>
<td>-61.4</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 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.

### 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>$240,000</td>
<td>$1,269</td>
<td>4.75%</td>
<td>11.4%</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.

** 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

Unemployment Claims last month dropped very slightly from 1,855 to 1,811. Although the raw numbers inched downwards, seasonal expectations were for a greater drop, with the result that the Unemployment Claims Index moved up by 1.7% to a value of 130.1. As was the case last month, this does represent a significant drop (12.4%) from this time last year. It is also below last year’s average Index value of 134.

### The Volatile Building Permits

The Volatile Building Permits Index also declined in June. A drop in the number of permits issued led to a 20% decline in the Index, which now stands at a value of 14.8. This also represents a slightly less severe drop of 17% from last year.

### Help Wanted Advertising

Help Wanted Advertising increased in June. In a jump that partially offset last month’s decline, the Help Wanted Index rose 6.5% to a value of 43.0. The increase was precipitated by a rise in the raw number of advertisements, somewhat muted by seasonal adjustment. At the same time, however, this does represent a 36% drop from last year, when the Index stood at 67.3.

### Graphs

- **Index of Claims for Unemployment Insurance**: 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.

- **Index of Building Permits Issued**: The blue area represents the seasonally adjusted Building Permits Index above. The red line shows the four-month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

- **Index of Help Wanted Advertising**: The blue area represents the seasonally adjusted Help Wanted Advertising Index 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.

After the recovery of the last two months, home sales declined steeply again in May. The number of homes sold dropped significantly at a time when seasonal expectations were for substantial growth. The result was that the value for the Home Sales Index fell 31.9% last month, and now stands at 56.1. This is the Index’s lowest value since July of last year, and represents a drop of more than 28% from last May.

While the number of homes sold fell, the median price of a home rose last month. The median price jumped $15,000 to $240,000. Likewise, the mortgage rate increased slightly, from 4.63% in April to 4.75% in May. Median monthly rent, however, fell another $25, dropping to $1,250, again likely due to the summer exodus of university students from the county.

On the state level, the California Association of Realtors reported that the number of units sold, seasonally adjusted and annualized, fell to 471,840 in May. This is a significant drop both from April and from last year. The report blamed decreased demand for the decline, noting that the state median home price also fell 0.7% to $291,760. Nationally, Case-Schiller reported the first increase in 8 months of its 10- and 20-city composite indices. The report is for data through April of this year, and shows that the price of homes in both composites rose in that month, though by less than 1% each.

For a local perspective on the housing bubble, visit our Special Projects page for a study of the Humboldt County housing market. Also, visit the Humboldt Real Estate Economics Page.
Gasoline Prices

Gas prices did fall again in June, this time by $0.14 per gallon since last month, for a total drop of $0.27 in the last 2 months. The real price hit $3.40 per gallon (an at-the-pump rate of $4.11 per gallon), the lowest since January of this year.

At the same time, the Consumer Price Index posted an increase of just under half-a-percent in May. This annualizes to a 6% inflation rate, but it is the lowest increase so far this year, and seemingly indicates a deceleration of CPI growth.

<table>
<thead>
<tr>
<th>Prices as of 6/29/2011</th>
<th>Average price*</th>
<th>Change from previous month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eureka</td>
<td>$4.11</td>
<td>-$0.15</td>
</tr>
<tr>
<td>Northern California</td>
<td>$3.90</td>
<td>-$0.24</td>
</tr>
<tr>
<td>California</td>
<td>$3.81</td>
<td>-$0.22</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 Sales rebounded in May. The seasonally adjusted Index rose 6.7% from last month, regaining some of the ground that it lost in April. The Index now stands at a value of 145.9, still down from last year, but perhaps indicating a moderate bolstering of demand.

On a national level, the Consumer Confidence Index, measuring data from June, continued to decline. A drop of 5% left the index, which is based on a survey of consumer economic expectations, at a value of 53.5. Nevertheless, the FED’s Beige Book reported general if modest economic expansion.

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 experienced a small slump in May. Payroll and board foot production both declined last month, leading to a 7.4% drop in the Lumber Manufacturing Index. At a value of 36.1, however, the current Index value represents a slight increase from this time last year, when the Index stood at 35.3.

Nationally, the Institute for Supply Management reported that manufacturing continued to experience growth in June, about two thirds of industries expanding and one third contracting. Wood Products was one of the industries that contracted. The Institute reported that the Producing Manager’s Index (PMI) grew over 3% to 55.3. The PMI is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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 consumption information remains unchanged pending the release next month of the information for this quarter. The Energy Consumption Index value therefore remains an estimated figure of 147.5.

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:
California Association of Realtors - Case-Shiller Home Price Indicies
Consumer Confidence - The Institute of Supply Management
National Association of Realtors

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