



# Humboldt Economic Index

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## Humboldt Economic Index

### March 2009

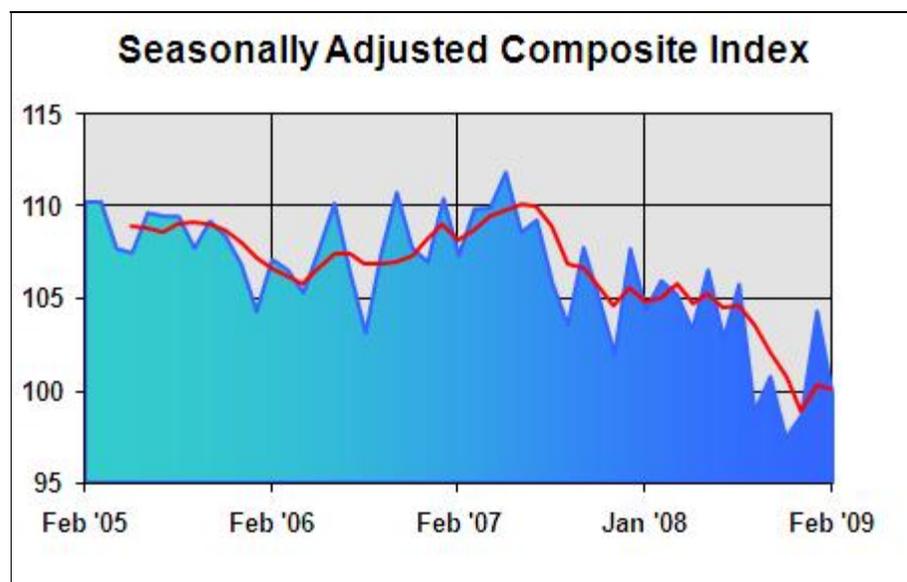
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

## 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 overall composite fell 4.4 percent from the February 2008 level to a seasonally adjusted level of 99.9. Total county employment was the only index to show signs of growth, a slight 0.7 percent over the previous month. Home sales declined the most, falling 20.2 percent from the previous month. Housing in Humboldt County seems to "boom" one month and then slowly trail off for the next few months. Due to high unemployment housing and retail are feeling the pinch. While mortgages are becoming more affordable, job markets prevent consumers from entering the market due to uncertainties in job security. Hospitality still remains in its natural cycle, but may experience lower activity due to a reduction in consumer confidence and reduction in spending. Manufacturing continues its strong downward trend ending February down 10.1 percent from the previous month and at an index value of 32.3. However, with the federal government pumping billions of dollars into the economy and providing incentive programs to spur on consumption, overall economic activity and health is anyone's guess. Forecasts from the Federal Reserve suggest harder time ahead through 2009. March should provide more information to see how well these stimulus packages affect overall economic well-being.

Composite & Sectors					
		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	99.9	-4.3	-4.4	-5.6	-10.3
Home Sales	76.3	-20.2	-11.9	-34.2	-26.8
Retail Sales	139.8	-3.8	-1.7	7.7	8.9
Hospitality	80.8	-16.0	-12.5	-11.7	-16.4
Electricity Consumption	144.8	0.0	8.7	21.7	13.7
Total County Employment	102.4	0.7	-2.1	-2.0	-2.8
Manufacturing	32.3	-10.1	-37.9	-58.4	-71.8
* 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.					

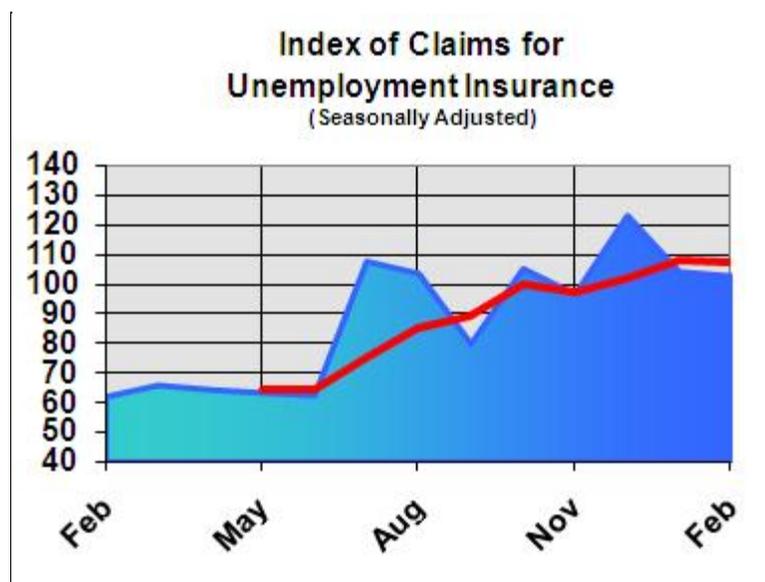
Key Statistics		
Median Home Price*	Mortgage Rate†	Unemployment Rate‡
<b>\$266,500</b>	<b>4.375%</b>	<b>11.4%</b>
<p>* Home price data are provided by the Humboldt Association of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is 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.</p> <p>† 30 year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>		

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## Leading Indicators

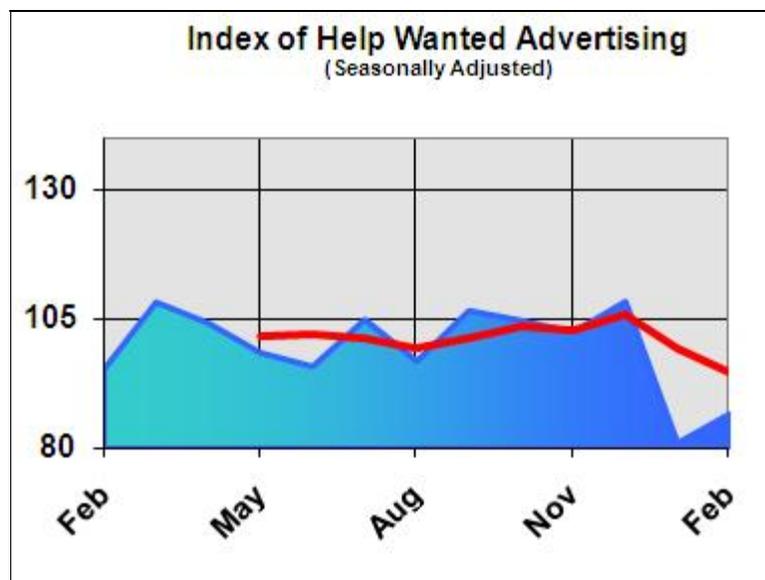
Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	<b>-1.3%</b>	<b>7.0%</b>	<b>36.4%</b>	<b>N/A</b>
* All values are seasonally adjusted.				

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.



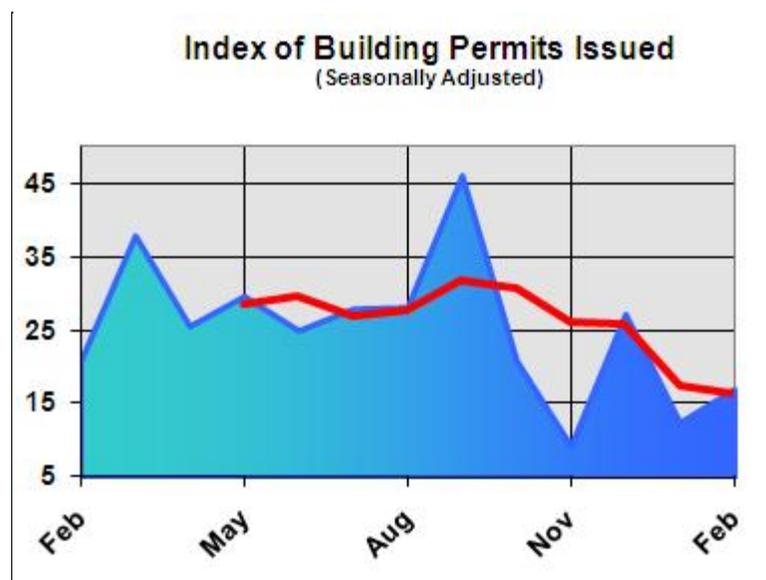
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims fell slightly by 1.3 percent. The four month moving average has a distinct upward trend. This symbolizes a weakness in the local job markets and directly affects economic activity, especially retail sales, as more people are experiencing diminished yearly earnings.



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 rose through February by 7.0 percent from the previous month to a seasonally adjusted index value of 86.8. As seen in the graph above this level of activity is still too low to support diminishing unemployment. However, if help wanted advertising continues to grow, it may keep unemployment from rising further in the 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 rose 36.4 percent from the previous month, however this index still remain at low levels. Continued growth in this index could support local strength in manufacturing and businesses expanding. Furthermore, the four month moving average still remains low and still declining.

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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.

The Housing Index tumbled in February by 20.2 percent from the previous month to a seasonally adjusted vale of 76.3. The median home price fell 3.1 percent from the previous month to \$266,500 in February. In real terms the median home price has dropped 28.2 percent since its peak in March 2006. While median home prices may be lower due to distressed sales working themselves through the market, a big influence to the local housing market is employment. Unemployment rose to a seasonally adjusted level of 9.5 percent. With forecasts from the Federal Reserve Bank estimating continued pressure on employment and possibly raising unemployment further throughout 2009. Regardless of housing prices hovering around the high two hundred thousand dollar mark and interest rates at historic lows, sales will continue to contract as long as unemployment remains unchecked.

**The California Association of Realtors** reported sales decreased from last month by 0.8 percent while median home prices fell 2.3 percent from January 2009. The median price for a single-family detached home in California stands at \$247,590, a 40.8 percent decline from the same period twelve months ago.

**The National Association of Realtors** reported that existing-home sales in February rose by 5.1 percent from the previous month. The national median price fell 15.5 percent to \$165,400. The national average commitment rate for a 30-year fixed rate mortgage was 5.13 percent, up from 5.05 percent in January. Furthermore, single family home sales rose by a seasonally adjusted 4.4 percent from January while the median price declined 15.0 percent to 164,600.

The Case-Shiller 20 city Index, a reliable measure of house prices, fell at the fastest annual rate ever-- 19.0%--from January 2008 to January of this year. Case-Shiller housing futures point to continued declines in the future. This strongly suggests that house price declines are picking up steam, just as in Humboldt County, and are likely to fall more.

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](#).

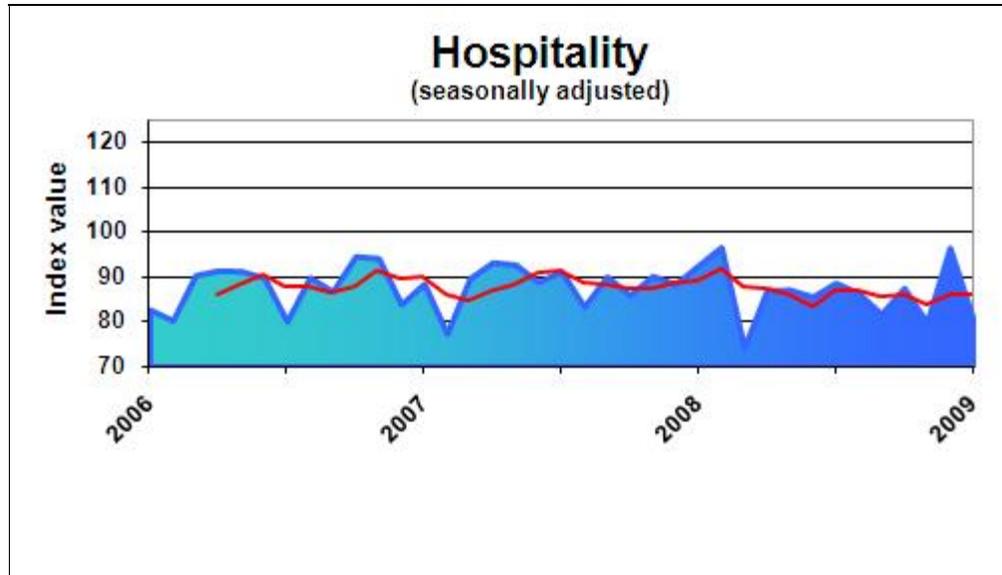
### Retail Sales

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 also contracted through February falling 3.8 percent from the previous month, but 7.7 percent above that of February 2004. Overall, each industry experienced a reduction in economic activity except building supplies which posted a moderate increase in activity. However, greater declines were seen in fine dining establishments and the auto sales. Moderate reductions were seen in super market stores and small "fast" food industries; most likely attributed to uncertain market conditions and rising unemployment in the county has lead consumers to continue to trim their expenses as future outlooks remain dim. **The Conference Board's** Confidence Index fell to a new all time low at 25.0 in February, a drop from 37.4 in January. This could symbolize continued weakness in sales in the near future.

## 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 contracted 16 percent from last month and 12.5 percent from the same period last year. The four month moving average remains fairly constant hovering around the mid 80's. This month's drop was more attributed to seasonally adjusting as February is usually a stronger month for hospitality than January even though activity between the months remains almost unchanged.

## Gasoline Prices

Gas prices across the board declined in February, as Eureka and Northern California both fell 6 cents per gallon while California as a whole experienced a drop of 7 cents per gallon. Gas prices have had a slight increase in price since bottoming out at \$2.21 in November. However, as summer months draw closer many producers switch over to cleaner burning fuel. The cost of switching over is transferred to the consumers, so a slight increase in gas prices may be around the corner. Demand for oil is still weak and oil producing nations continue to restrict production in hopes to draw down the world surplus and prop up prices.

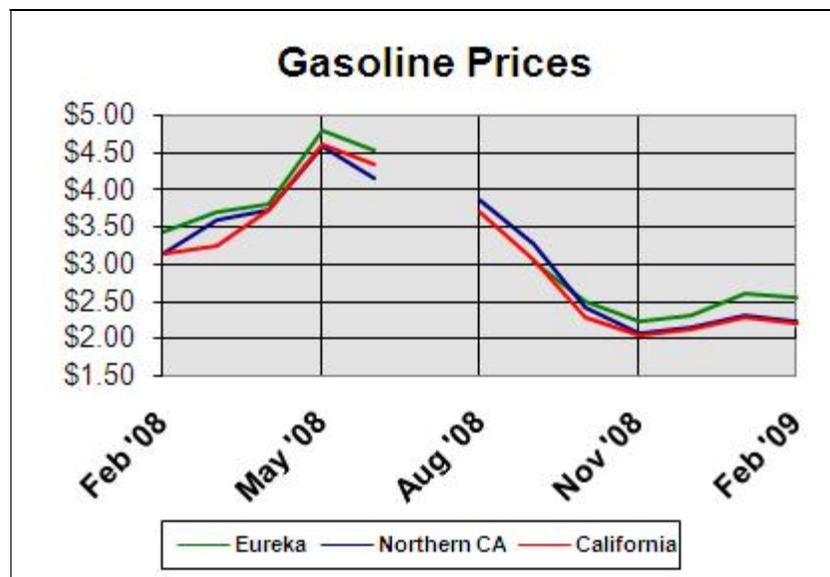
An interview with **Ali Al-Naimi**, the Saudi oil minister, warns of the danger in investment in renewable energies. His statement, while not meant as a threat, brought about news of a possible spike in oil prices. If long term investments continue to decline due to uncertainties in the world market, oil prices may shoot through the roof. While this brings to light a serious dilemma; one in which again we question between renewable energies and our budgets.

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 3/28/2009	Average Price*	Change from Previous Month
<b>Eureka</b>	\$2.52	<b>\$-0.6</b>
<b>Northern CA</b>	\$2.24	<b>\$-0.6</b>
<b>California</b>	\$2.20	<b>\$-0.6</b>

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

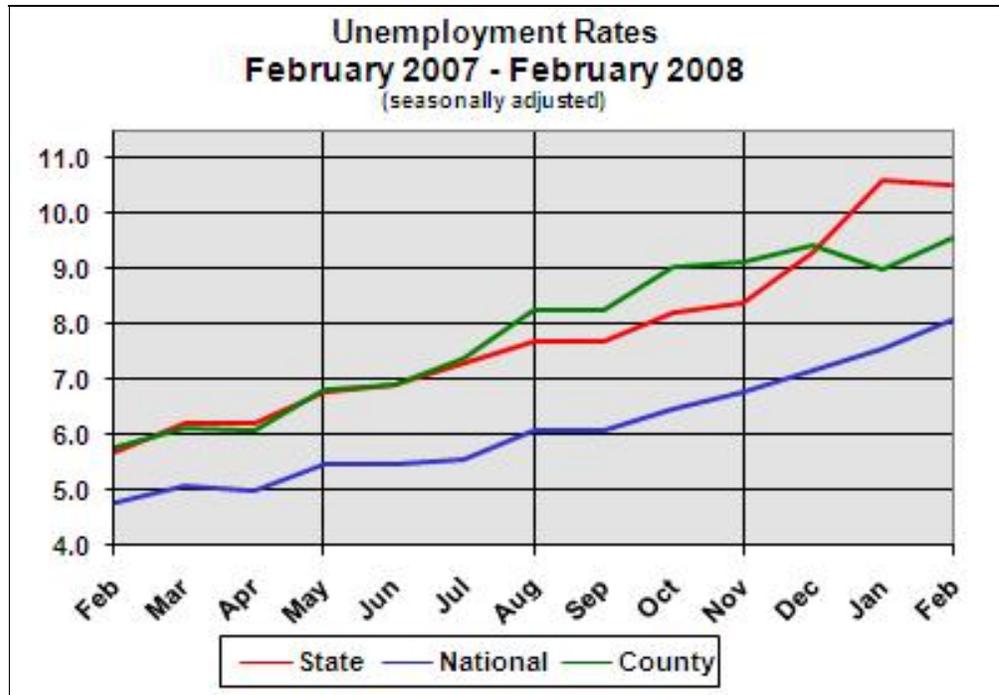
The Electricity Consumption Index remains unchanged at 144.8 from the previous month due to quarterly data collections. However, the energy market is beginning its long awaited change toward more renewable energy sources. In the spring 2009 edition of *Humboldt*, the magazine of Humboldt State University, there is an article on page 3 discussing the feasibility of wave energy. While this may create a new industry here behind the redwood curtain; HSU professors Steve Hackett and Greg Crawford both caution against hasty production of wave energy facilities without additional data regarding environmental impacts. Additionally, President Obama has announced a \$3.2 billion dollar investment nation-wide in energy efficiency and conservation projects. Of that \$3.2 billion, approximately \$351 million will find its way to California. For a more detailed report about allocation of funds please follow the link to [the Department of Energy](#) website.

On a more controversial topic, Senator Dianne Feinstein, is formulating legislation that would remove thousands of acres in the Mojave Desert from development, in hopes to suspend further ecological degradation. However, the desert is also a prime location to develop solar technologies. Where should we draw the line? Is our quest for renewable energy more important than our fight to preserve sensitive ecosystems?

## Total County Employment

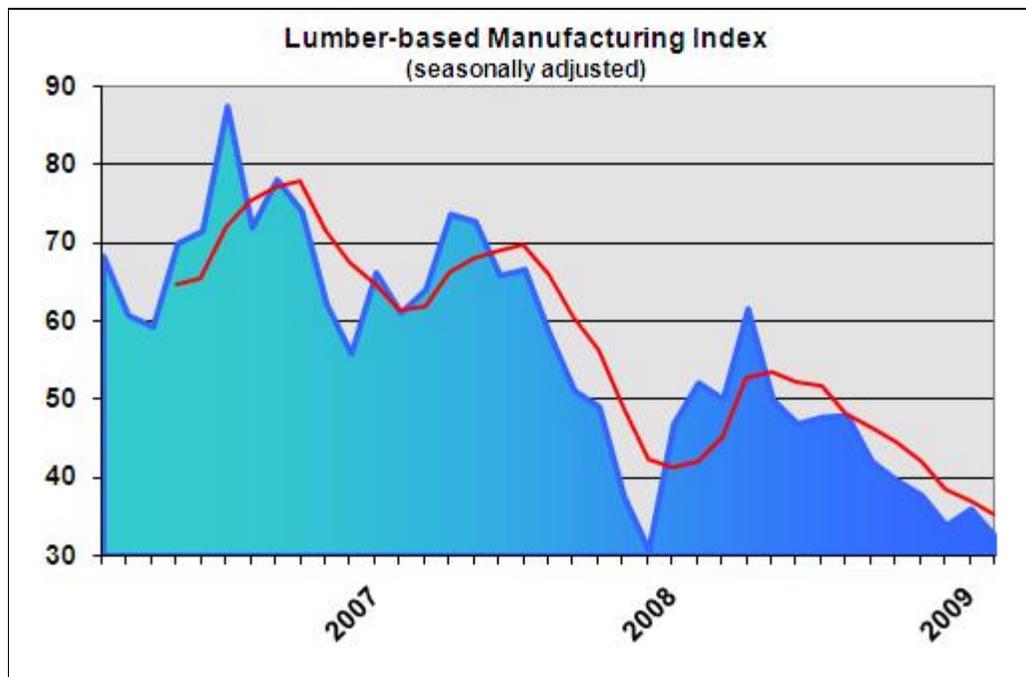
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment edged up 0.7 percent to a seasonally adjust level of 102.4. This index relies on the total number employed in Humboldt County. However, this index does not show the rising unemployment in Humboldt County. There has been a steady increase in unemployment since January 2007, now at a seasonally adjusted level of 9.5 percent for Humboldt and 10.5 percent for California. While some stimulus money will find its way to Humboldt to alleviate some pressure by expanding government and private projects mainly in the forestry department. Leading Indicators do not strongly suggest higher or lower unemployment in the coming months. However, recent news about the Humboldt Creamery's financial health is crucial to over 1,000 people. Support for local business is one of the best ways to keep unemployment in check and circulate currency in the community rather than importing goods and exporting our dollars.



### 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.

Lumber-based manufacturing contracted by 37.9 percent from the same period twelve months ago to a seasonally adjusted index value of 32.3, the second lowest value for this index since its inception in January 1994. Compared to the previous month this is a 10.1 percent drop. Lumber-based manufacturing has been hit hard by this global recession as the reduction in demand has pushed prices down and may force producers to scale back production in hopes to prop up prices or cut costs. This may put upward pressure on unemployment in Humboldt County as the labor market is unable to absorb all of the displaced workers.

**The Institute of Supply Management** reported that the manufacturing sector failed to grow in March for the fourteenth straight month. However, their New Orders Index rose above the 40 percent mark for the first time in seven months and all of the other indices showed minimal or no change from the previous month. The increase in New Orders could signal an increase in demand derived from the economic stimulus package or companies have finally drawn down inventories to a point where restocking is necessary. Future growth in the manufacturing sector is dependant on the future strength and ingenuity for producers and restoring consumer confidence.

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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:

Ali Al-Naimi  
 The California Association of Realtors  
 Conference Board  
 Department of Energy  
 The Institute of Supply Management  
 The National Association of Realtors

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