



Humboldt Economic Index

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Humboldt Economic Index

October 2006

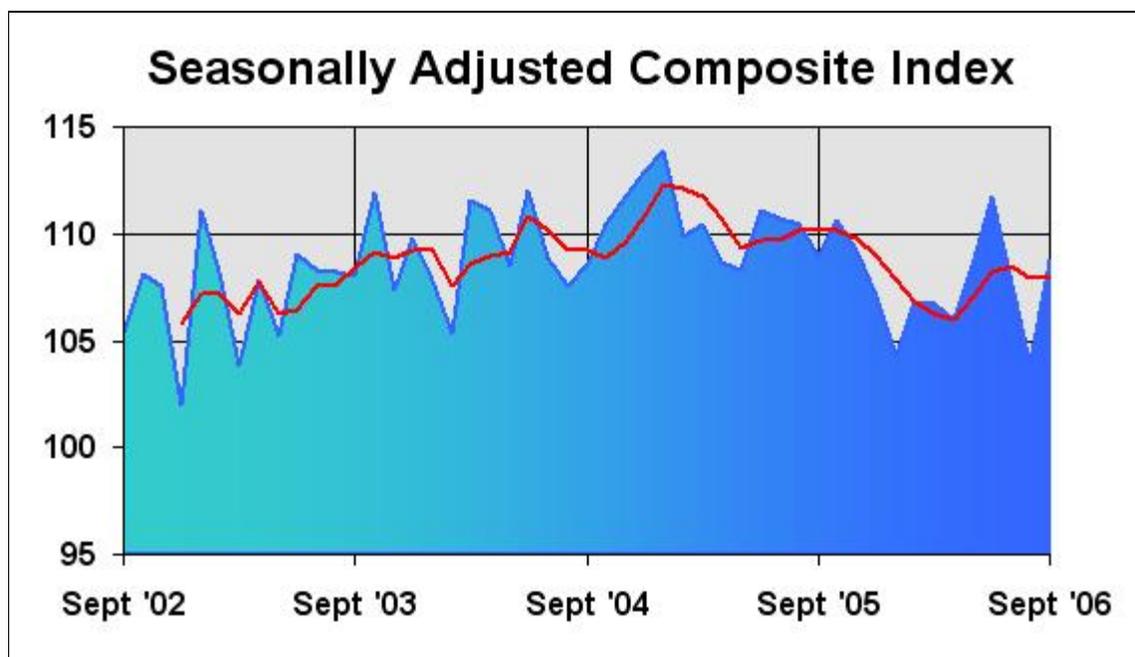
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

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.

This month marks the beginning of a new look for the Index website. The content will remain the same, but we hope that the changes will look better on screen and print better. September was a strong month for the Index. Hospitality, Retail and Manufacturing all posted strong gains and the Composite Index added a healthy 4.6 percent. Retail hit it's highest level ever recorded in by the Index. This month, both leading indicators relating to the Humboldt County job market, the Index of Unemployment Claims and the Index of Help Wanted Advertising are in very favorable territory, which may indicate job creation in coming months. Weakness continued in Home Sales.

Composite & Sectors

		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	108.7	4.6	-0.2	3.6	5.5
Home Sales	94.8	-2.4	-23.4	8.0	-5.0
Retail Sales	158.8	9.9	17.7	27.8	55.0
Hospitality	98.6	15.4	5.9	1.6	-6.5
Electricity Consumption	112.8	-1.2	-14.3	-17.1	9.3
Total County Employment	104.0	1.0	-1.2	1.9	2.3
Manufacturing	78.0	8.5	2.2	-1.3	-27.4

* 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‡
\$306,000	6.25%	5.6%

* 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.

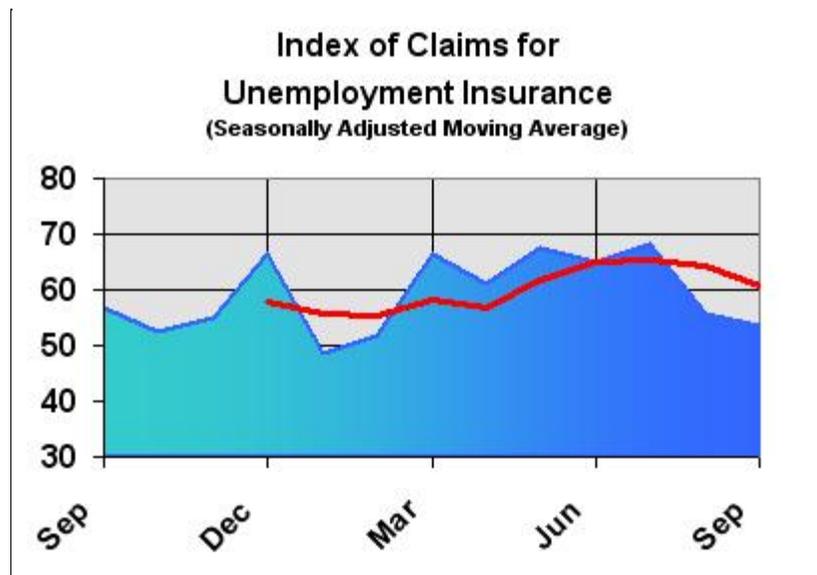
‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.

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Leading Indicators

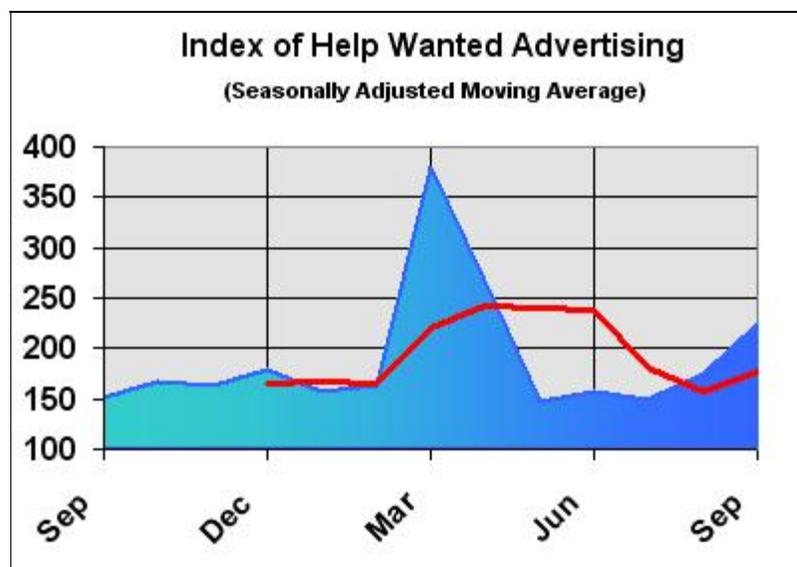
Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-3.6%	28.4%	19.0%	18.3%
* All values are seasonally adjusted.				

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.



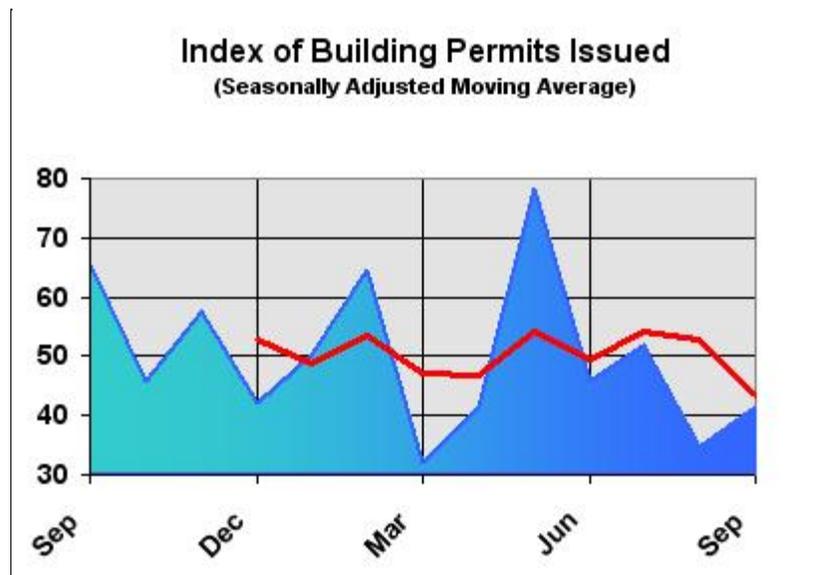
The seasonally adjusted Index of Help Wanted Advertising is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The Index of Unemployment Claims fell by 3.6 percent this month to 53.7. This is a very low number historically. In fact there has never been a lower September figure for this Index. This may be an indication of further strength in the local job market, especially when taken together with the performance of the Help Wanted Advertising indicator.



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 is an indicator of labor market conditions and job creation. It may suggest future trends in the Humboldt County labor market. This Index is based on help wanted advertisements posted in the Eureka Times Standard. This Index rose 28.4 percent coming to a value of 223. This is very high, and reflects the strong labor market which is indicated by the Employment Sector and Unemployment Rate. The current value of this indicator is the highest on record, excluding the two months which were erroneously tabulated earlier this year. The strength of this indicator may be an indication of further job creation and strength in the local employment market.



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.

The Index of building permits issued gives insight into future home sales and construction. This Index rose 19 percent in September, coming to a value of 41.5. This increase is not likely an indication of coming strength in home sales. The permits reflected by this increase may not be for residential construction at all. They may represent renovation or commercial building. If the rise is in residential construction permits, it is not good at all. These residences will in that case be built into a market where even existing residences are not selling well. The increase in building permits is encouraging if it is in commercial construction, because in that case this construction will offset the harm to the local economy of the slide in the housing market. Commercial construction could ease the impact of the drop in housing upon banking and construction.



The seasonally adjusted Index of Manufacturing Orders 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 manufacturing orders shows expectations for future manufacturing sales. This leading indicator lifted, adding 18.3 percent to an Index value 60.1. An increase in this indicator is thought to be an indication of future growth of County manufacturing. This rise however, while large, is not unusual. Further, the Index is still quite low. This, taken together with the slowdown in construction means that local lumber manufacturers will probably not experience a significant rise in the next few months.

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Individual Sectors

Home Sales

Weakness continued in the Home Sales Index. The Index slid another 2.4 percent to a value of 94.8. Prices rose slightly, with the median sales price in the month coming to \$306,000, up from \$289,900 in the previous month. The median price sold one year ago was \$318,250.

In California in September, home sales were off 31.7 percent from a year ago, and the median home sales price was 1.8 percent above the price a year ago. The median price of \$553,050 was down 4 percent just from August when the price was \$576,360. These figures demonstrate that a sizable correction in the California Real Estate market is underway. (car.org)

On the national level, the National Association of Realtors reports that September home sales were 14.2 percent fewer than in September of 2005, and 1.9 percent off from August. The NAR also reports that on the national level as well median selling price is falling, with the September price coming in at \$220,000, 2.2 percent lower than the price in August of \$225,000. (www.realtor.org)

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

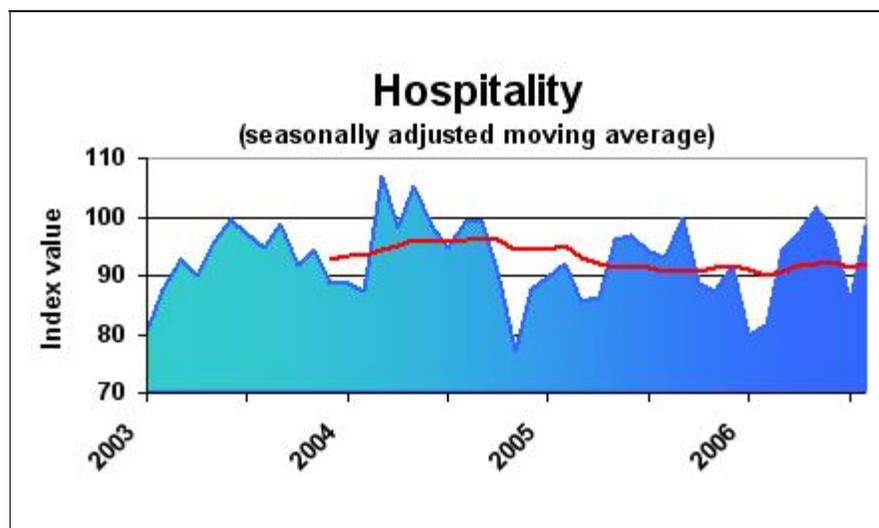
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

The Retail Sales sector posted a strong performance this month as the second strongest sector. It added 9.9 percent to come to an Index value of 158.8. This is a new record for Retail. Since the Index began in January of 1994, the Retail Sales Sector has never posted a higher value. This may bode well for the holiday shopping season as local retailers gear up for the winter months.

The US Census Bureau reports that national retail sales were down very slightly from August to September, but that September sales were still 5.5 ($\pm 0.7\%$) percent higher than the same month in 2005. Total Sales for July through September were 5.6 ($\pm 0.5\%$) percent higher than that period in 2005. (www.census.gov)

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.

The Hospitality sector is this month's strongest sector, helped by favorable weather perhaps, to add 15.4 percent and come to an Index value of 98.6. A mild El Niño pattern, which emerged in early September and is expected to last into 2007, is expected to lead to drier weather than normal throughout the Pacific Northwest. This may be a boon to local tourism and lead to an unseasonably high Index value in the Hospitality sector this winter.

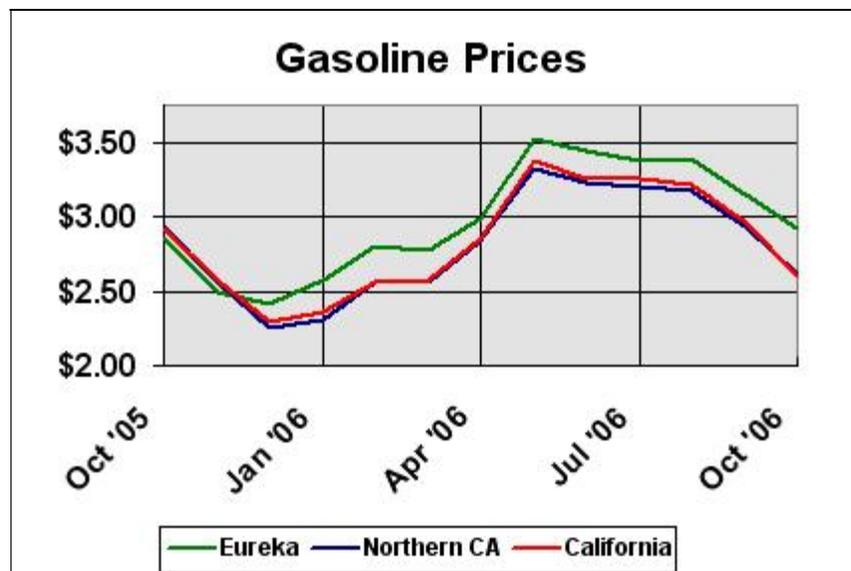
Gasoline Prices

The American Automobile Association reports that county gas prices have fallen by 23 cents to 2.29, continuing a slide from a peak well above 3 dollars earlier in the year. California and Northern California prices fell even further, shedding 36 and 32 cents respectively. Concern over Nigerian terror attacks and OPEC output cuts have both declined recently, easing pressure in oil markets and leading to more comfortable prices. ([csaa.com](http://www.csaa.com))

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 10/10/2006	Average Price*	Change from Previous Month
Eureka	\$2.92	-23¢
Northern CA	\$2.61	-32¢
California	\$2.60	-36¢

* 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

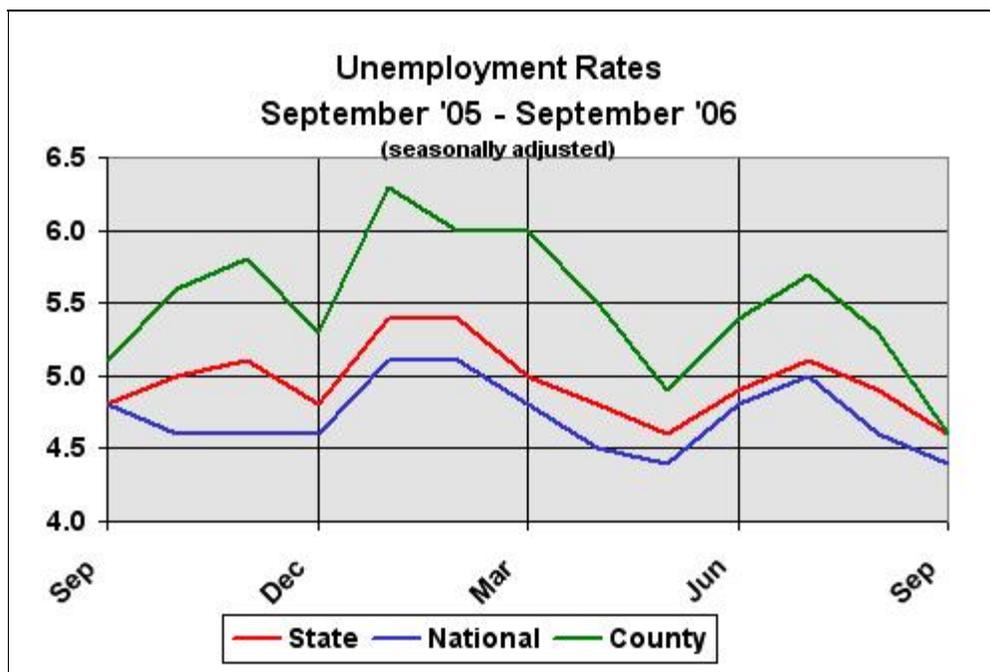
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation 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 estimated, and are revised when the quarterly data are received.

Data for the quarter ending in September indicate a significant decline in energy consumption in the last two months of the quarter. Consumption in July was largely unchanged from June at an Index value of 130.6, but in August the Index dropped to 114.1 and then declined further in September to its current value of 112.8.

Total County Employment

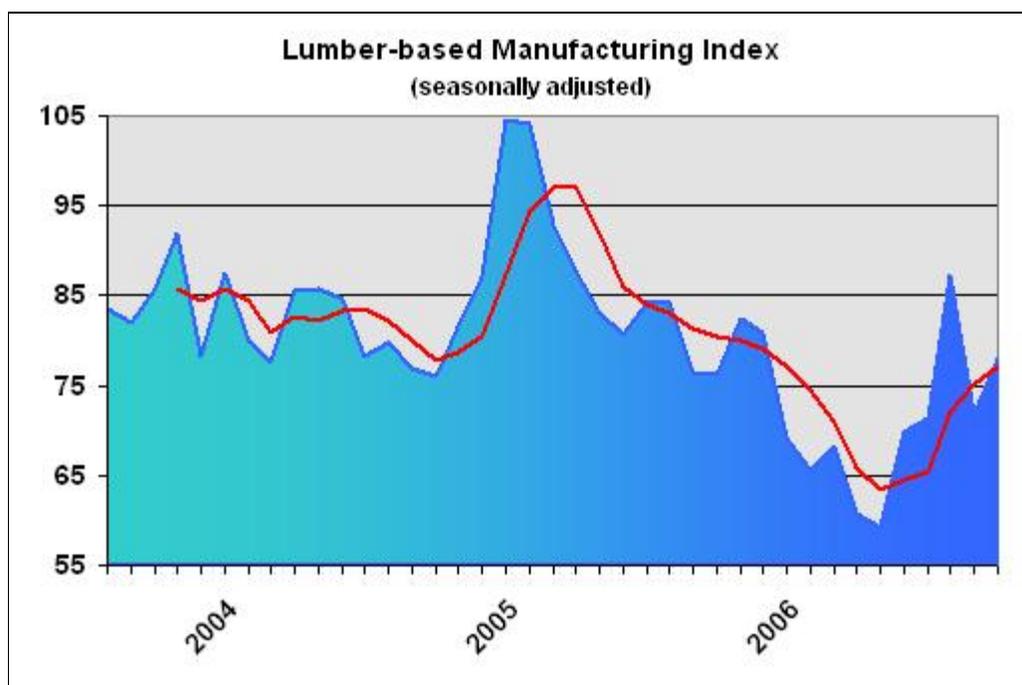
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Preliminary employment and labor force data for Humboldt County in September indicate that the county added 1000 jobs in the month as 700 new workers joined the labor force. This is encouraging, as the local job market was able to absorb the new entrants to the workforce while also moving several hundred people from the rolls of the unemployed. The seasonally adjusted Humboldt County unemployment rate declined to 5.6 percent from 5.9 percent in the previous month. (edd.ca.gov)



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.

Manufacturing in Humboldt County this month posted a gain of 8.5 percent, coming to an Index value of 78.0. This is a good performance, but slower times may be ahead. Across the nation housing markets

are cooling and new home construction is falling off rapidly. This slowdown in construction may result in decreased demand for timber products and a slowdown in local lumber manufacturing. If a significant falloff in demand arises, then output will likely decrease at the same time as prices fall. The result on local lumber producers could be dramatic. This slowdown could, however, be mitigated by strength in commercial construction which is not slumping the way residential construction is, in fact commercial construction is showing some strength as home-building slows. If this is sustained, it may soften the impact on local lumber manufacturers.

At the national level, the Institute for Supply Management, a manufacturing trade association, reports that US manufacturing continues to grow, although at a slower pace than in recent months. The ISM Manufacturing Report on Business for October was showing the possibility of reduced inflationary pressure in the economy, with prices falling for the first time in many months, as well as customer inventories beginning to rise. The report also indicated that the backlog of orders with US manufacturers continued its contraction at a faster rate. All of this is indicative of an easing or price pressures in the economy. At the same time, the report indicated rising employment. (www.napm.org)

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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:

[American Automobile Association](#)

[California Association of Realtors](#)

[California Employment Development Department](#)

[The Conference Board](#)

[Federal Reserve Board Beige Book](#)

[Freddie Mac](#)

[Institute of Supply Management](#)

[National Association of Realtors](#)

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