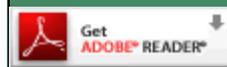




Humboldt Economic Index

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Humboldt Economic Index

September 2009

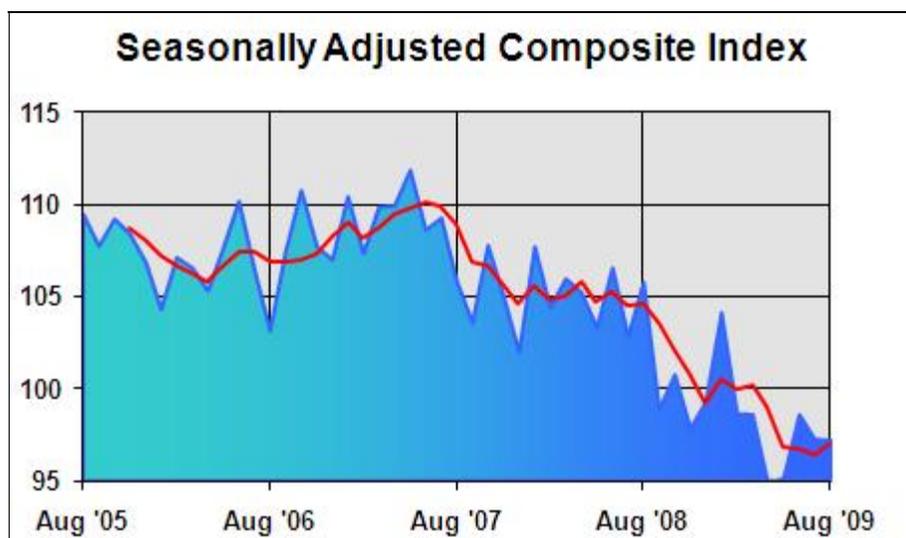
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

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 was unchanged from the previous month as declines in hospitality, employment, and manufacturing were offset by growth in home sales and retail sales. Lumber-based Manufacturing hit an all time low at a seasonally adjusted level of 30.4. Manufacturing has declined significantly over the past three years, it is not only the recession but a transition period for Humboldt's Economy as we experience increased economic activity in retail and other industries rather than our past lumber-based economy. Home sales activity rose as median home prices fell \$16,000 and interest rates remain at favorable levels. Overall retail expanded 4.4 percent as a mix of producers had positive and negative sales. County Employment contracted due to a loss of overall employment while the seasonally adjusted unemployment rate jumped to 12.6 percent. Leading indicators suggest that labor markets are remaining soft and that some laborers may be leaving the county to find work elsewhere. This in turn may result in additional pressures against retail. Overall, the coming months may be ones filled with rising unemployment and sluggish sales in the housing and retail markets.

Composite & Sectors

Index	Value*	Percent Change From:			
		Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	97.2	0	-8.1	-8.8	-10.8
Home Sales	79.7	3.5	2.4	-33.6	-25.7
Retail Sales	149.3	4.4	-14.5	1.3	19.7
Hospitality	81.9	-1.1	-7.4	-7.3	-12.1
Electricity Consumption	130.6	0	2.6	17.6	2.8
Total County Employment	96.2	-1.3	-5.7	-6.7	-8.1
Manufacturing	30.4	-13.2	-36.5	-60.5	-71.0

* 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‡
\$259,000	4.875%	12.6%

* 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.

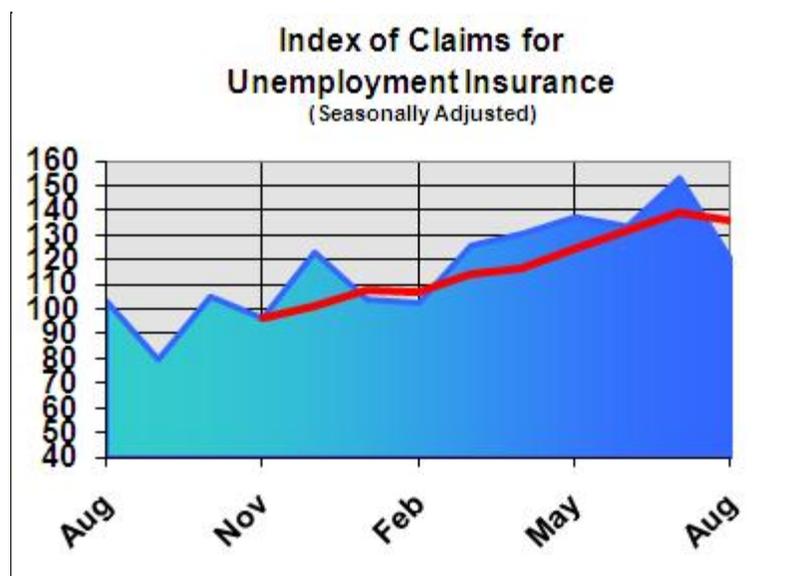
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Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-22.1%	-7.4%	6.4%	N/A

* 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.



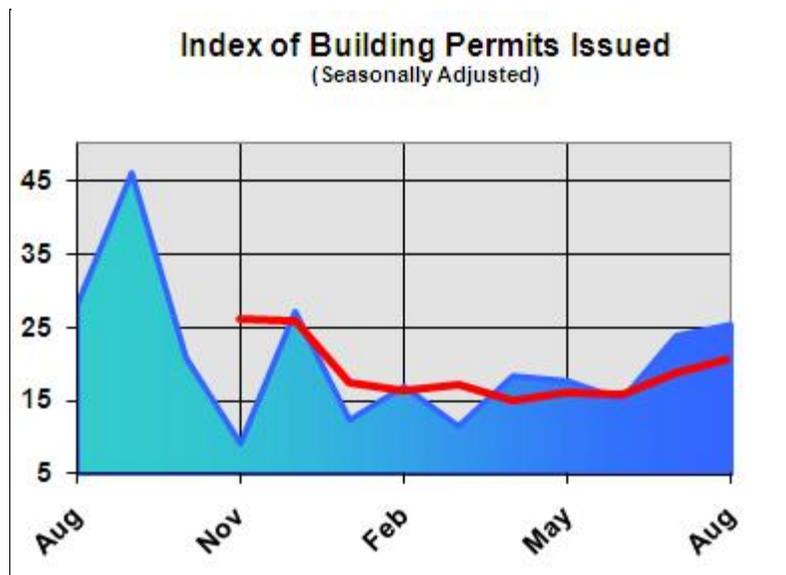
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims took a sharp decline, falling 22.1 percent from the previous month to a seasonally adjusted index value of 119.7, down from its high of 153.3 in July 2009. However, it is unclear if this reduction was due to a lack of individuals filing for unemployment claims or a migration of unemployment labor to other parts of the world. Employment in Humboldt County experienced a loss of 200 unemployed laborers. This may account for such a sharp decline in this index.



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 Advertising has contracted considerably as seen in the four month moving average. Declining 46.7 percent from the same period twelve months ago, this index illustrates the cooling down of the local economy job markets. A rise in this index in coming months may foreshadow a decline in unemployment rates and future strength in retail and housing sales.



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 6.4 percent from the previous month, but still remain near historic lows. Low levels in this index signal that producers are not expanding production and thus may not be producing up to their potential level. Continued weakness in this leading indicator will continue as long as retail and consumer confidence remains low.

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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.

Home sales activity picked up in August as median home prices fell \$16,000 from the previous month while interest rates remain unchanged at 4.875%. The seasonally adjusted index value now stands at 79.9 which is also 2.4 percent higher than the August 2008 level. Home sales have also been aided by the First-time Home Buyer tax credit that allowed additional consumers find housing at affordable levels. Home owners are a significant source of consumption and will greatly aid in retail and employment if housing finds its feet and begins to stabilize itself.

The **California Association of Realtors** reports that home sales rose 9 percent in August and the median home price declined 16.9 percent from the same period twelve months ago. The **National Association of Realtors** reported that home sales declined 2.9 percent. The median home price for existing home price for all housing types fell to \$177,700, a 12.5 percent reduction since August 2008. Furthermore, Freddie Mac reported that thirty-year fixed mortgages interest rates average 5.19 percent, down from the 6.48 percent back in August 2008.

The **Case-Shiller Home Price Indices** reported declines in both the 10-City and 20-City composite of 12.8 percent and 13.3 percent in July when compared to July 2008 levels. This index supports a possible bottoming of the housing market as 18 out of the 20 metro areas shows signs of gain when compared to the previous month. Moreover, S&P gives rise to the concern over the soon to expire Federal First-Time Buyer's Tax Credit, and whether the housing market can support itself once this subsidy is removed. Many realtors want to extend the deadline for this tax credit, but it will eventually have to end. While subsidies usually cause the market to misallocate resources. The market will have to readjust after this program ends, but most realtors are saying it is essential for the economy as we may still yet be a point to sustain the housing market without Federal help.

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

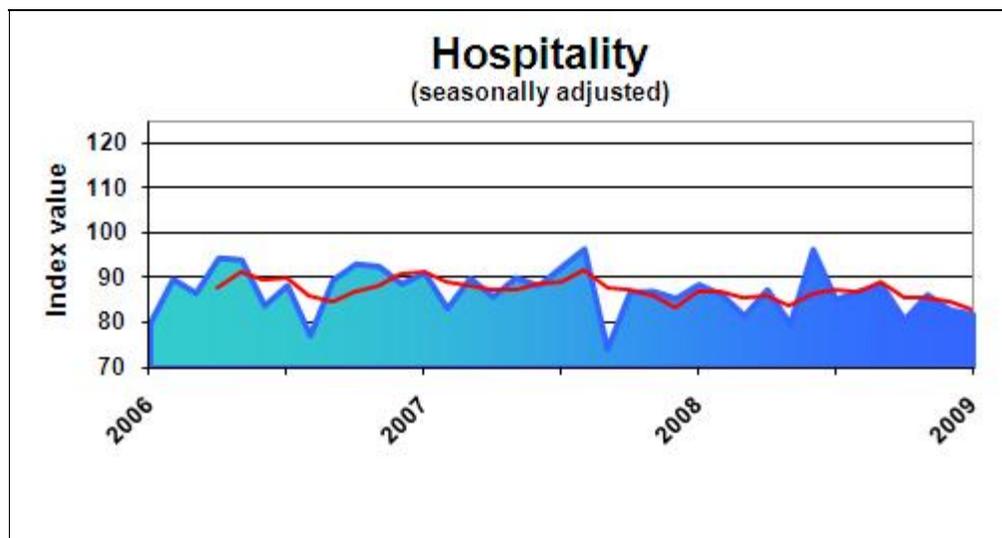
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Retail sales rose 4.4 percent to 149.3 in August. Retailers experienced a variety of fluctuation through August as no one trend emerged this month. Most retailers experienced slight deviations from the previous month, but overall ended on the black. However, rising unemployment and declining Help-wanted advertising may prevent retail sales from expanding further in the coming months. Hopefully, sales remain strong as they are a major contributor to employment in Humboldt County especially since Lumber-Based Manufacturing is declining significantly during this recession.

Consumer Confidence fell to 53.1 from 54.5 in August as consumers are still concerned about job security in the near future. A low or declining Consumer Confidence may signal future declines in retail as consumers begin to save discretionary funds for future consumption. As seen by the Conference Board's Consumer Short Term outlook which reported that those anticipating improvement fell from 22.2 percent to 21.3 percent, while those who believe that the economy will be worse off also fell 0.2 to 15.0.

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 to 81.9, a 1.1 percent decline from July 2009. As seen in the graph above the four month moving average remains in its normal 80-90 range. However, this index is based on average occupancy which may skew how well this industry is performing throughout the recession.

Gasoline Prices

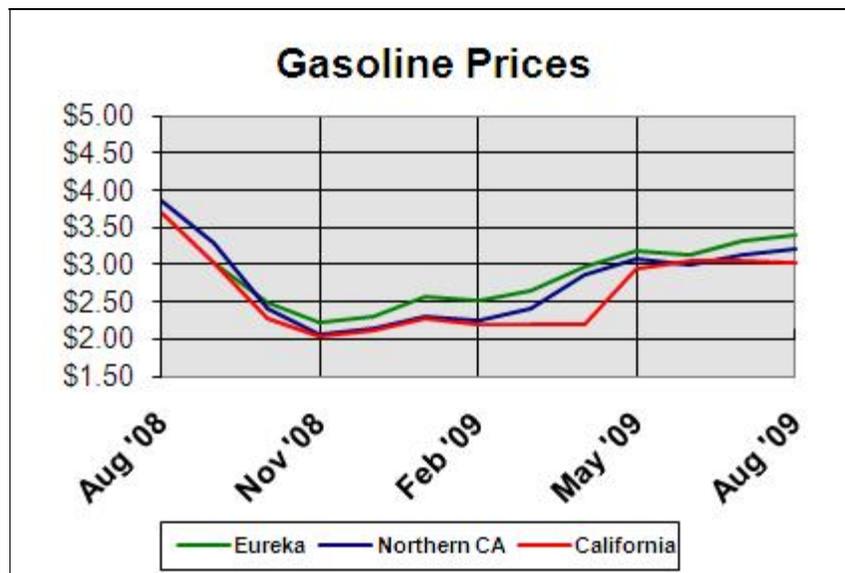
Gasoline Prices for California fell \$0.03 as of October 5, 2009. However, the North Coast experienced a \$0.06 increase in the average price of a gallon of gas. While prices are still below the record high from the previous year, the slowly rising prices of gas on the north coast will eventually hurt consumers, especially with unemployment on the rise and Help wanted advertising on the decline. On a bigger scale, transportation agencies, such as Cal Trans, is experiencing a short fall in revenue as fuel-efficient cars and as Americans on average have been driving less. These revenues have been based on taxing gasoline sales at the pump. This Tax is now under consideration of rising the tax to help offset the decline in revenue. This would negatively impact the North Coast as it would essentially remove more discretionary spending creating less economic activity that would ripple throughout Humboldt's economy.

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 10/5/2009	Average Price*	Change from Previous Month
Eureka	\$3.39	\$0.06
Northern CA	\$3.20	\$0.06
California	\$3.01	\$-0.03

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

Electricity Consumption remains unchanged as quarterly data has yet been collected.

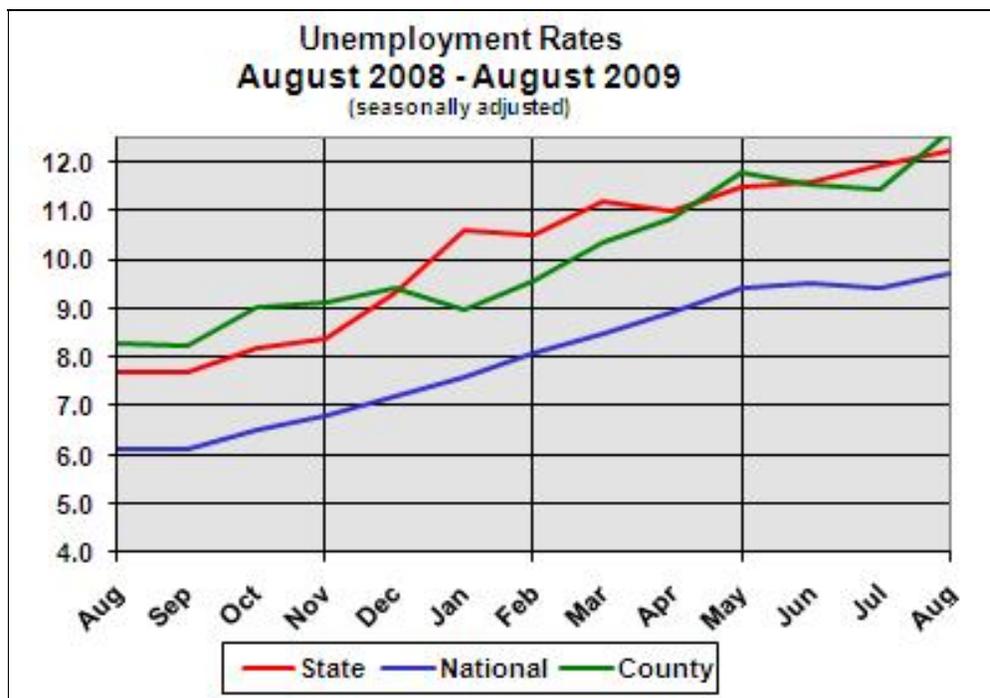
On October 6, 2009, President Obama sent out an Executive order to all federal entities to reduce energy use through a 30 percent reduction in vehicle fuels by 2020, 50 percent increase in recycling by 2015, and implement high-efficiency building codes. The federal government is the United States largest energy consumer. Such reductions could correlate into less green house gas emissions and lower operation costs. An executive order does not require congressionally approval ; however, white house officials say that the goal is for the program to pay for itself through long run savings on operating costs.

Total County Employment

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

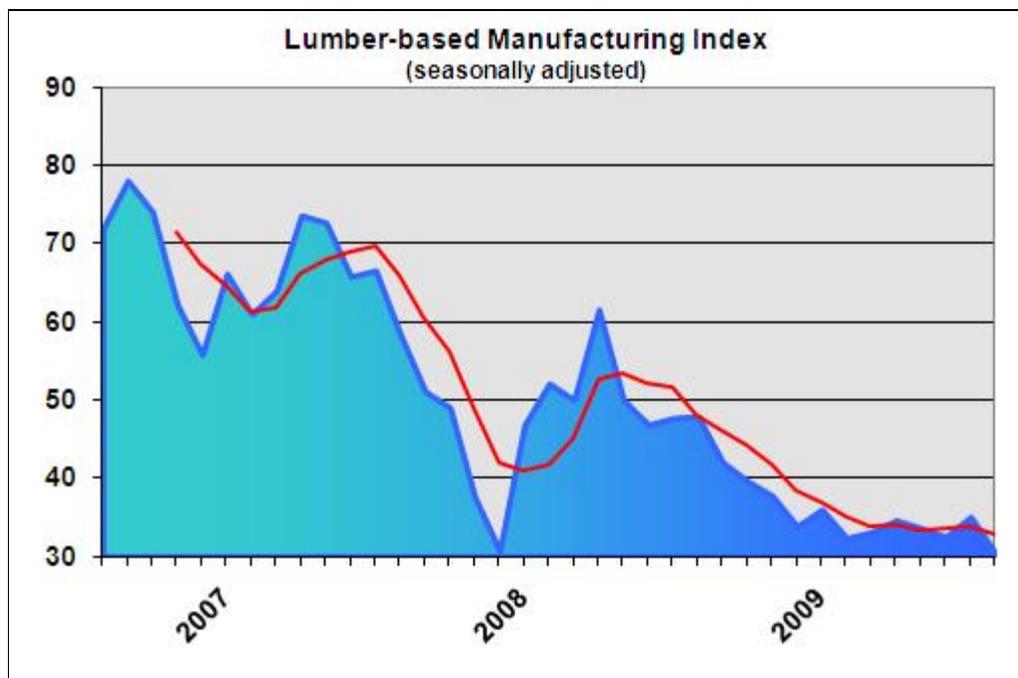
Total County Employment fell 1.3 percent from the previous month and 5.7 percent from the August 2008 level to a seasonally adjusted index value of 96.2. Humboldt County's labor force contracted by 100 individuals while the number of unemployed persons declined by 200. However, the August 2008 labor force was composed of approximately 1,000 additional individuals. This migration away from Humboldt signals that jobs are becoming harder to obtain and that people must find work outside the county. The seasonally adjusted unemployment rate jumped 1.2 percentage points to 12.6 percent. Furthermore, Help-wanted advertising remains low which puts additional pressure on employment as labor markets continue to be soft. The drastic drop in Unemployment claims may give some insight in to labor markets stabilizing; however, the migration of 200 unemployment individuals

may be a significant cause of the reduction in unemployment claims. Also the Unemployment Claims index remains historically high even with a reduction of 1000 from the labor force.



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 to a seasonally adjusted index value of 30.4, a 13.2 percent change from the previous month. This is also 71 percent below that of the August 1999 level and a new historic low for the index, dipping below the December 2007 index value of 30.7. This drastic change as seen in the above chart illustrates Humboldt's dynamic economy as it moves further away from its historical sole lumber based economy to one that encompasses a more diverse array of

manufacturers. The four month moving average for lumber based manufacturing helps to show the drastic affects of the collapse of the lumber industry throughout the recession as well. Future strength in this industry is complicated by a low level of building permits while demand for lumber expanded the most of any industry as reported by the **Institute of Supply Management**.

Nationally, the ISM reported the second month of growth in manufacturing activity. 13 out of 18 industries reported growth over the previous month while their index stood at 52.9. Any index value over 50.0 usually coincides with an expansion in the national manufacturing sector.

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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:

[California Association of Realtors](#)
[Case-Shiller Home Price Indices](#)
[Consumer Confidence](#)
[The Employment Development Department](#)
[Institute of Supply Management](#)
[National Association of Realtors](#)

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