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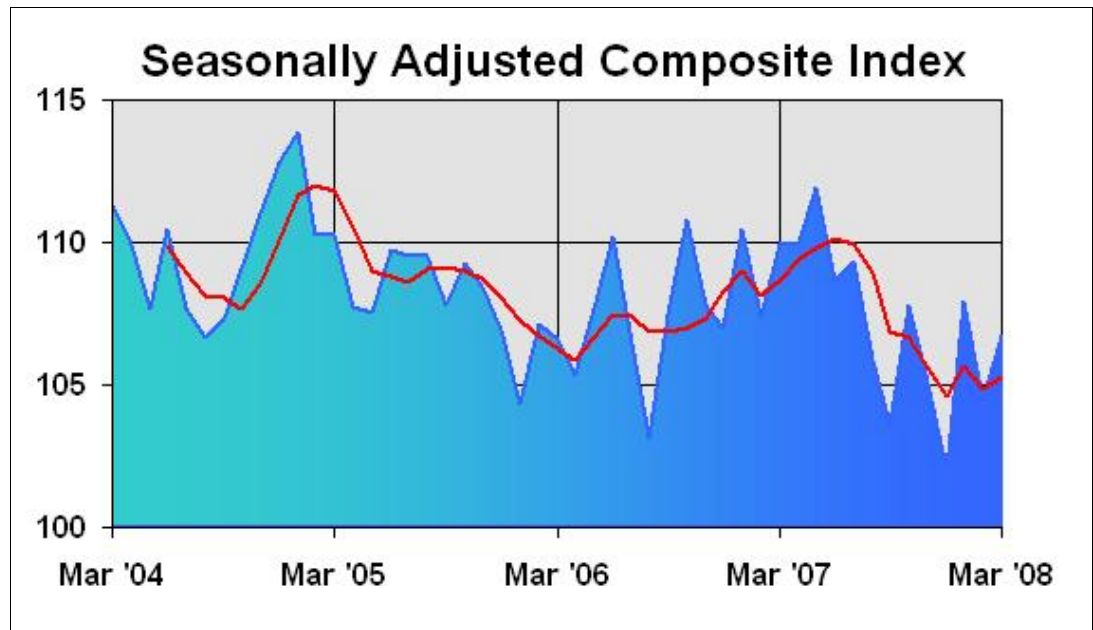
Humboldt Economic Index

April 2008

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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 Humboldt Economic Index expanded 2.2% in March. The index now stands at 106.8. Retail, Hospitality, Electricity Consumption, and Manufacturing sectors expanded. Retail remains as the front runner with an index value of 153.6. Manufacturing has expanded for the third consecutive month bouncing back from 30.7 in December 2007 to 54.7. The Home Sales slipped in March by 6.7% and median home prices returned to the under \$300,000 mark. Leading Indicators suggest stronger labor markets and more economic activity in months to come.

Composite & Sectors	
	Percent Change From:

Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	106.8	2.2	-2.9	3.0	4.1
Home Sales	80.7	-6.7	-40.9	-35.2	-24.4
Retail Sales	153.6	8.0	-1.7	19.1	35.2
Hospitality	97.8	5.6	26.6	13.4	17.3
Electricity Consumption	133.8	0.5	1.8	13.4	30.6
Total County Employment	104.4	-0.3	-2.1	3.5	1.4
Manufacturing	54.7	5.0	-14.5	-26.4	-49.0

* 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‡
\$297,000	5.625%	6.1%
<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>		

[Leading Indicators](#)

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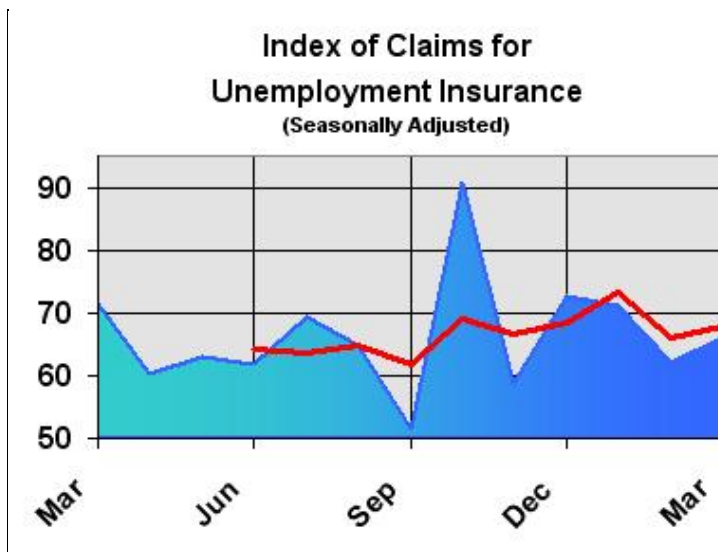
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Leading Indicators

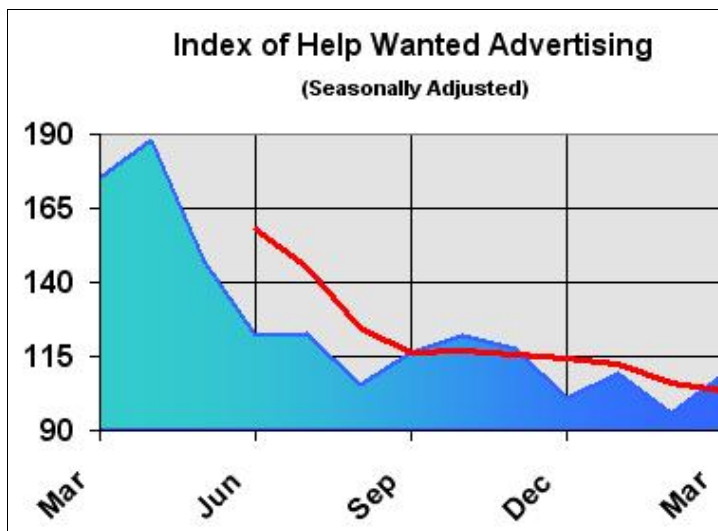
Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	6.2%	13.6%	81.9%	Not Available
* All values are seasonally adjusted.				

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.



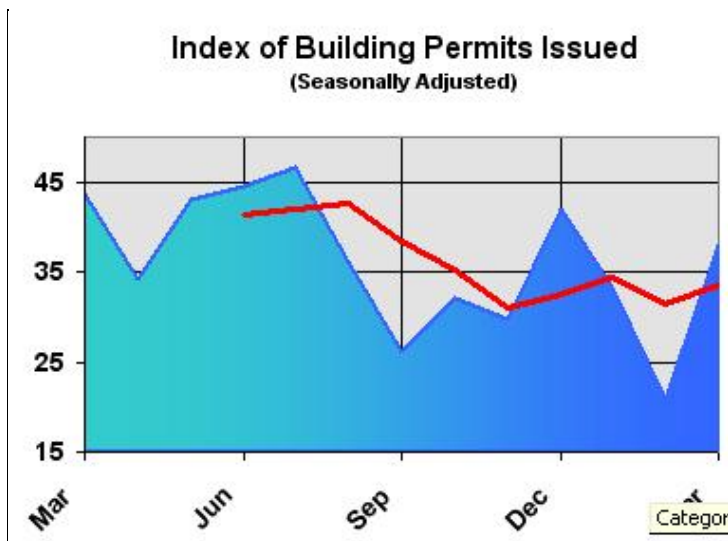
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The Unemployment Claims index rose by 6.2% to a value of 66. A rising index value is usually accompanied by slowing economic activity in future months. Since inception of the Index, the long run average of this index is estimated at 83.



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 13.6% in March from February 2008. This rise in the Help Wanted Advertising is an indicator of future strength in the labor markets and possibly accelerating economic activity in the local economy.



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 index expanded by 81.9% from last month to an index value of 37.9. While this is still low compared to the long run average for this index, it does propose that economic activity could increase especially when considering the rise in the Help Wanted Index.

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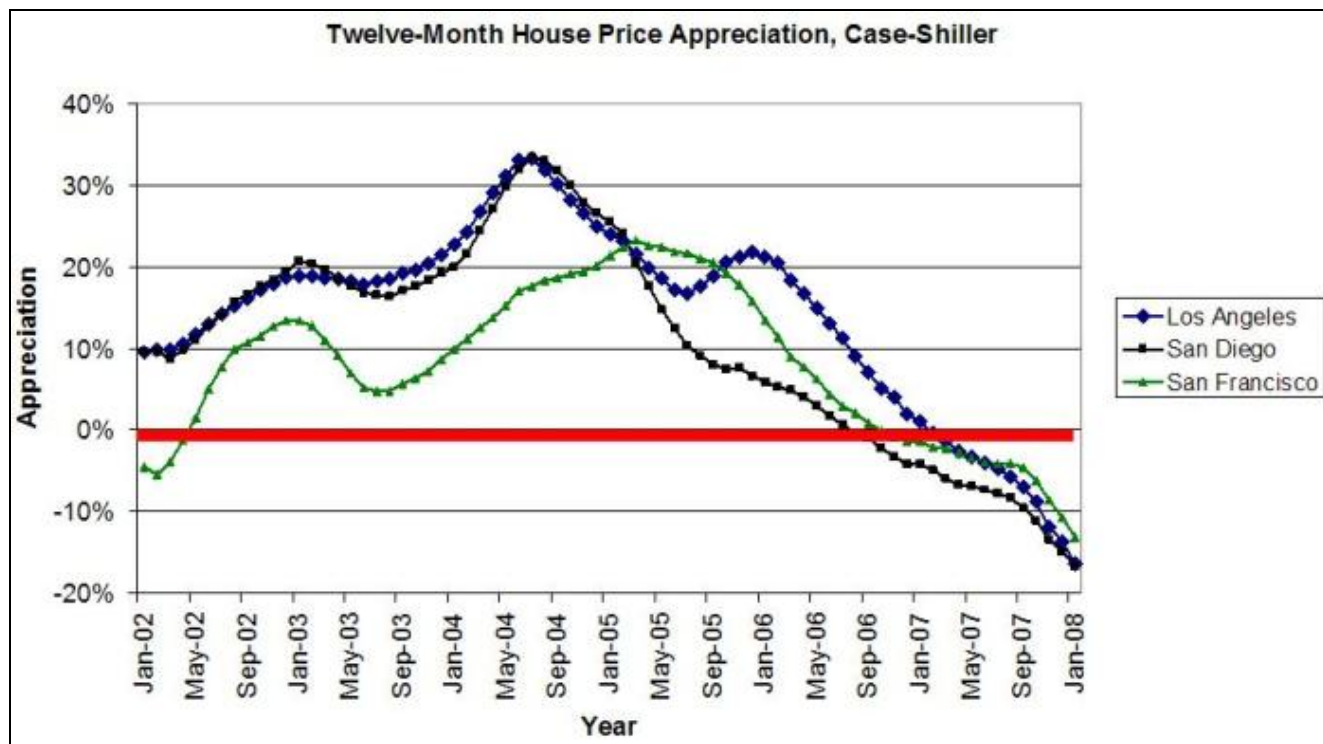
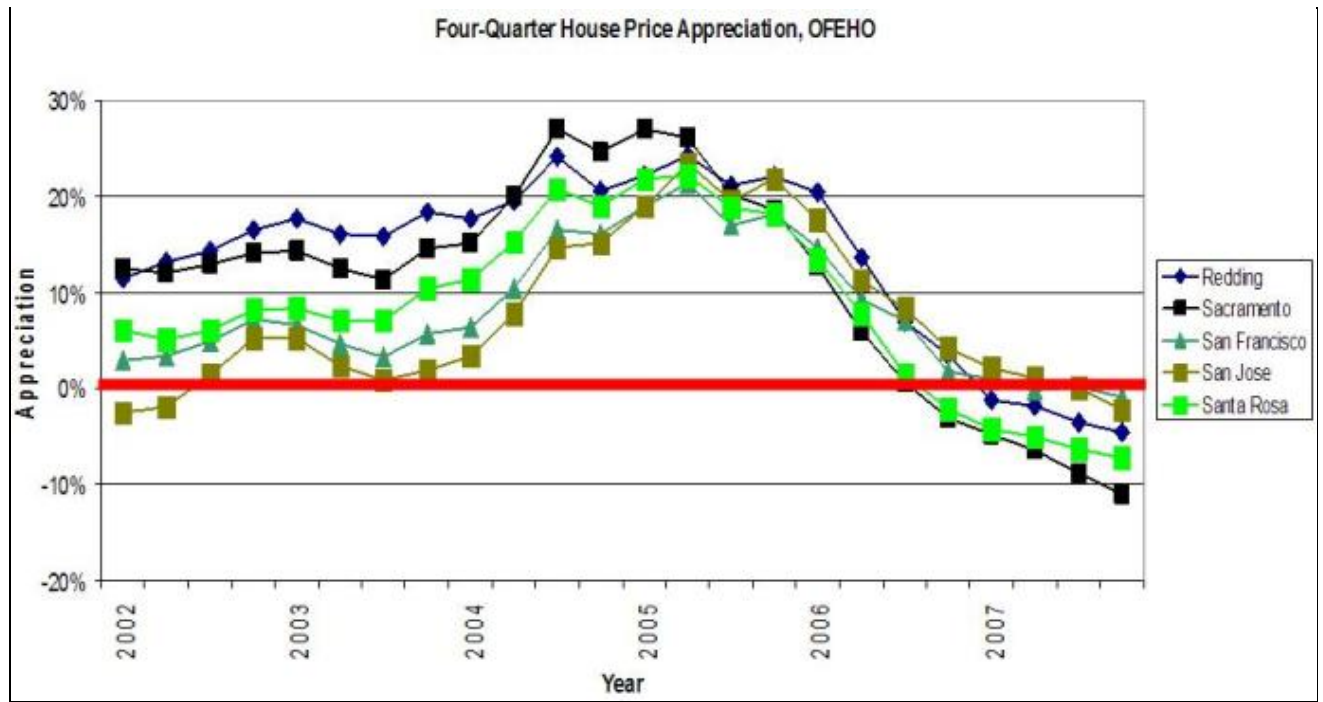
Individual Sectors

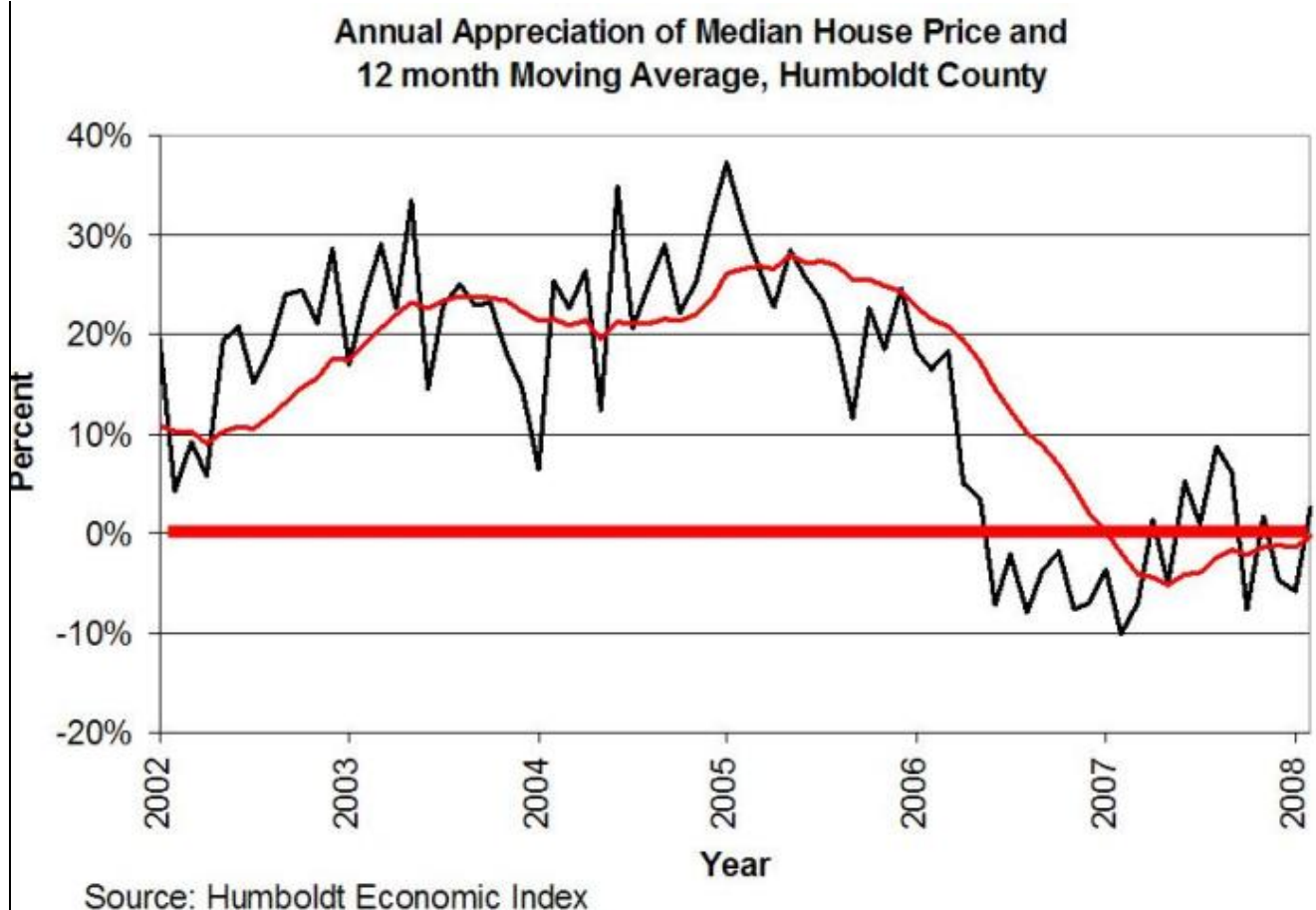
Home Sales

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 dropped 6.7% in March to a seasonally adjusted index value of 80.7. The median home price fell by to \$297,000, a \$20,000 decrease from February. Locally, mortgage rates rose slightly to 5.625%, a mere 0.125% increase from February. The falling median price and slight increase in interest rates results in approximately \$115 in saving per month based on a 20% initial deposit.

To date, house price changes in Humboldt County have been similar to the Central Valley, to Southern California, and to the Bay Area. The following graphs show annual appreciation (and depreciation) for all of these areas and for Humboldt County from 2002 to 2008. Annual appreciation is the percentage change in median prices compared to the same period one year ago. Even though the sources are different, they all tell basically the same story: house prices appreciation was positive and growing up until around 2005, when the rate of appreciation started to fall, with prices in 2007 below 2006 prices in all areas.





As you can see by the above, Humboldt County house prices have followed the same path as prices across the state. Looking forward, what are prices forecasted to do around the state? According to the Case-Shiller Housing futures contracts, house prices are expected to drop 23%, 18%, and 12% in Los Angeles, San Diego, and San Francisco over the next 4 ½ years.

California's home sales, reported by **C.A.R.**, also decreased in March by 24.5% when compared to a year ago. The median home price for California fell 1.3% from February to \$413,980. Compared to March 2007 median home prices have fallen from \$582,930, this is a 29% reduction in price. C.A.R.'s unsold inventories rose in March to 11.6 months. This effectively could keep downward pressure on housing prices as the amount of homes on the market increases while buyers are constricted by the credit crisis.

The National Association of Realtors reports that home sales fell 2.7% to a seasonally adjusted rate of 4.35 million in March. The median price slipped down to \$198,200, an 8.3% decrease from March 2007. Total housing inventories rose to 4.06 million, which is a 9.9 month supply of at current sales pace. Increasing inventories on a state and national level continues to put pressure on home prices. In addition, Freddie Mac noted that the national average of a 30-year fixed rate mortgage loan rose to 5.97% in March.

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

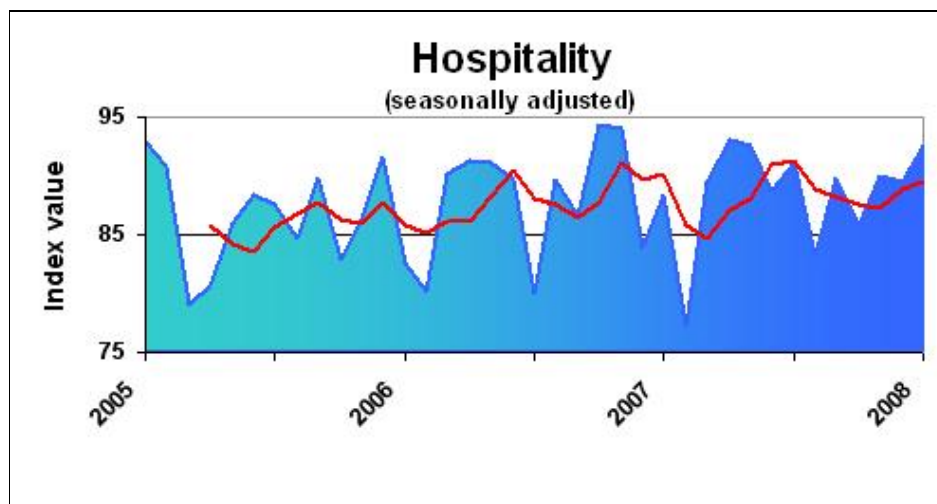
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

The Retail Index continues to thrive throughout March, expanding by 8% to a seasonally adjusted value of 153.6. A majority of sectors experienced increased sales in March. Solid growth in agricultural was the biggest support in the market, while tourism in the local economy also showed signs of positive feedback. However, **the Beige Book** reports that price inflation continues to exert upward pressure on prices for food and energy products.

The Conference Board reports that the Consumer Confidence Index declined significantly to 65.9 in March. This index is based on a representative sample of 5,000 U.S. households. As consumer's confidence continues to dwindle, retail sales might experience increase inventories and effectively cut back on new orders in the near future. Concerns about inflation are also being addressed; however, most sources believe that it is manageable for the time being.

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 Index rose for the second month in a row; up 5.6% from last month to an index value of 97.8. Increases in this index are contributed to growing strength in local inns, motels, and tourist activities. Compared to the same time one, five, and ten years ago the Hospitality Index has displayed positive growth throughout the years.

Gasoline Prices

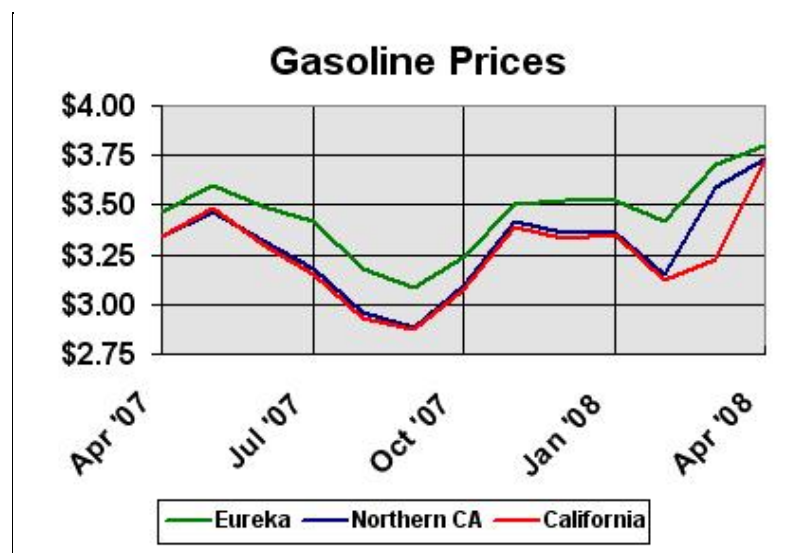
Gas Prices continued to rise throughout April. Eureka added ten cents to the average price per gallon from a month ago, while California's average gas price rose fourteen cents. The price per barrel of oil stands at \$116, and continues to keep upward pressure on prices at the pump.

AAA reports that San Francisco, Santa Barbra, and San Luis all experience average gas prices over four dollars a gallon. "While gas prices drop a penny or two between now and Memorial Day, real relief for consumers most likely won't be realized until the end of summer," added AAA's Northern California spokesperson Michael Geeser.

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 4/11/08	Average Price*	Change from Previous Month
Eureka	\$3.80	\$0.10
Northern CA	\$3.73	\$0.14
California	\$3.72	\$0.14

* 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.

We have received the first quarter 2008 data, and Electricity Consumption rose in March by 0.5% to 133.8 from February's 133.1. January electricity consumption was recorded at 130.1 while December's value was 130.95.

The American Institute of Architects reports that congress is being called to extend the renewable energy and efficiency tax credits that expire by the end of this year. If passed and unchanged from 2006, the bill will only experience a two year life cycle. Supporters strongly encourage congress to extend the duration of this bill in hopes to attract more financial investors to back new projects. If the bill's life is increased it should ultimately give stability to new investors to enter the market.

Furthermore, the EU Parliament has signed into affect a 100 million euro contribution to the Global Energy Efficiency and Renewable Energy Fund (**GEEREF**).

Total County Employment

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

The Total County Employment Index fell 0.3% from February to an index value of 104.4. For the first time since January 2005 the seasonally adjusted state unemployment rate is greater than the county unemployment rate.

The Employment Development Department reported that the county labor force rose by 400 individuals from last month, while employment also rose by 300 individuals. Manufacturing added 100 jobs and Government added 300; however, construction, retail trade, trade, transportation and utilities contributed to a decline of 300 jobs in the local economy. However, as suggested by the leading indicators, future strength in the local labor markets seems prominent sine help wanted advertising is on the rise.

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:

AAA

The American Institute of Architects

the Beige Book

C.A.R.

The Conference Board

The Employment Development Department

GEEREF

The Institute for Supply Management

N.A.R.

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