

# Humboldt Economic Index

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## Humboldt Economic Index

### August 2008

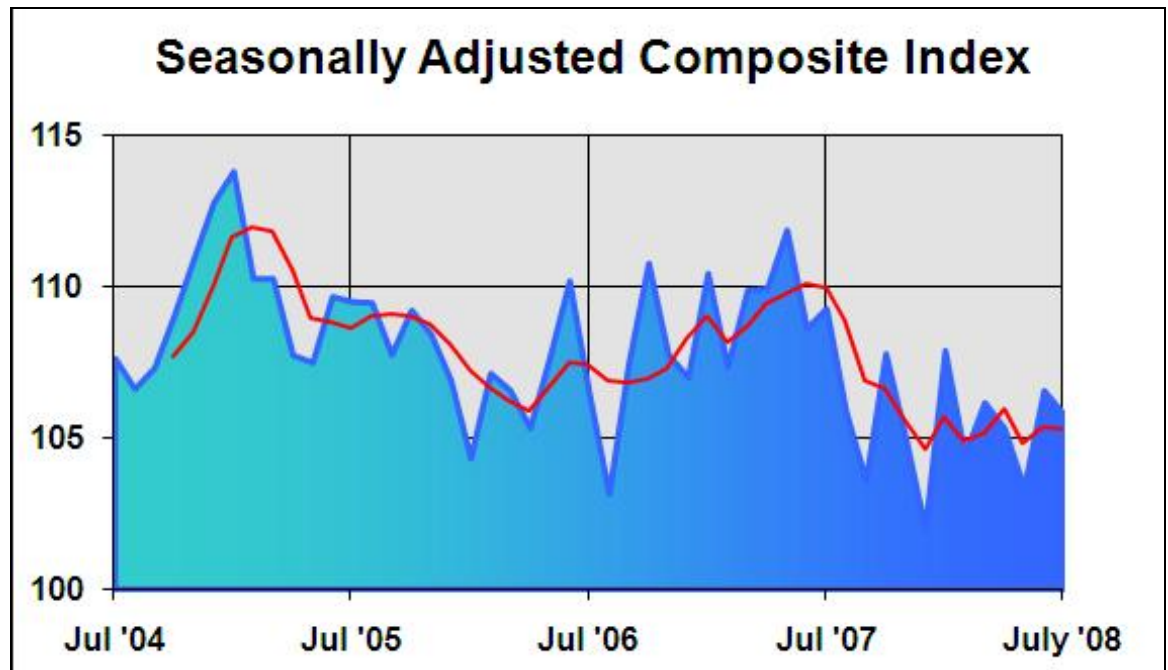
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

## 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 Composite fell in July by a meger 0.7% to a seasonally adjusted value of 105.8. Retail and Total County Employment took modest declines of 0.3% and 1.6% respectively. National retail sales notes that consumers are shifting away from brand names and to discount suppliers in hopes to reduce spending on discretionary items. Leading indicators suggest moderate improvements in the labor markets in the coming months. Hospitality rose by 9.5% to 95.1, this bump in hospitality may have been spurred on by the record breaking freshmen class of 2008 to HSU. Manufacturing rose slightly by 1.8% to an index value of 47.7. The building permits index enforces a steady rate of building in the near future; however, high energy prices keep downward pressure on future manufacturing orders. Home sales fell by a drastic 18.9% in July regardless the \$12,000 drop in the median home price and 0.25 cut in interest

rates. Meanwhile, sales in California are up, but median home prices are down more than 40% compared to the same period last year. Leading indicators suggest that county employment may strengthen while manufacturing orders rise slightly or remain constant.

Composite & Sectors					
		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	105.8	-0.7	-3.2	-1.2	-2.3
Home Sales	79.5	-18.9	-31.1	-38.3	-34.4
Retail Sales	160.3	-0.3	2.1	17.2	31.4
Hospitality	95.1	9.5	7.3	4.6	3.3
Electricity Consumption	132.3	0.0	3.4	19.0	25.9
Total County Employment	103.1	-1.6	-1.6	-0.5	-1.6
Manufacturing	47.7	1.8	-28.4	-42.9	-59.3

\* 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>\$290,000</b>	<b>6.250%</b>	<b>7.4%</b>

\* 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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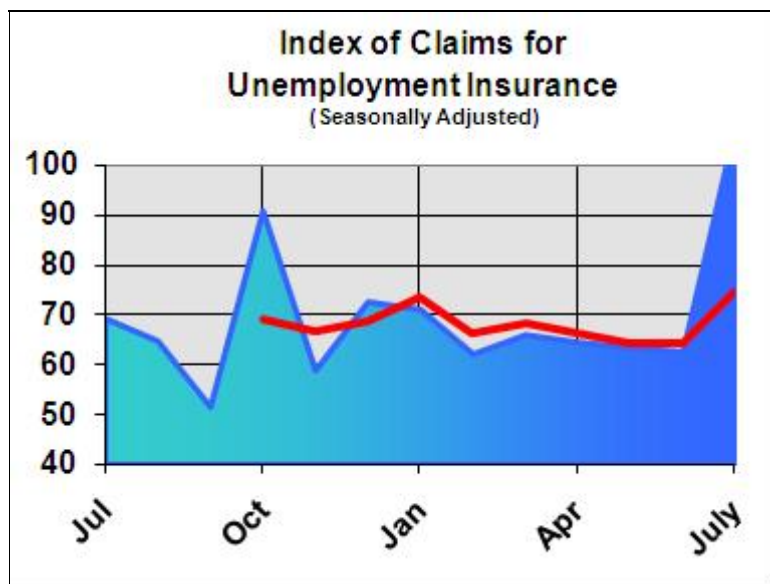
## Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	<b>72.4%</b>	<b>9.5%</b>	<b>11.7%</b>	<b>Not Available</b>

\* All values are seasonally adjusted.

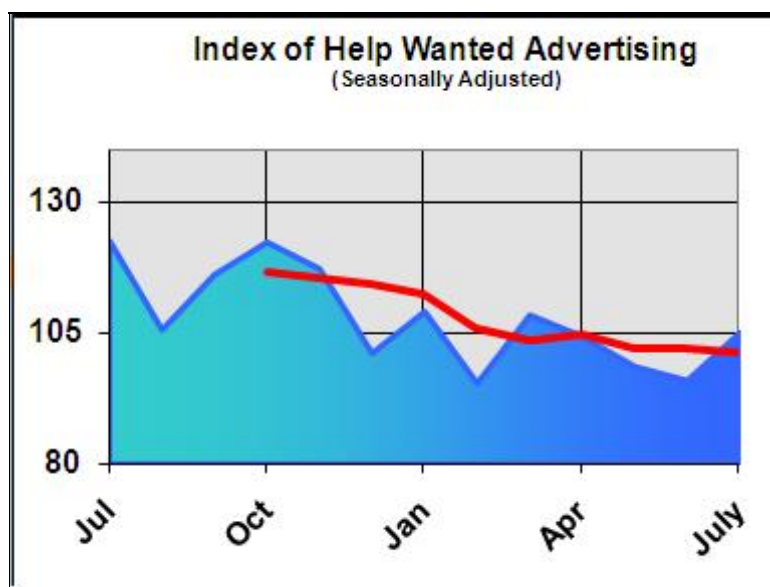
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The four leading indicators are (1) number of claims for unemployment

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.



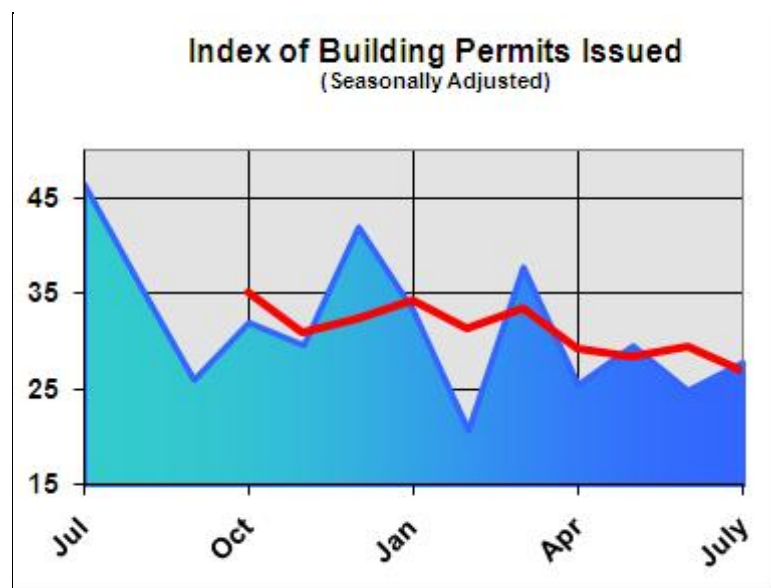
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The Unemployment Claims index drastically rose in July, a 72.4% increase when compared to June 2008, to an index value of 107.9. This is the highest value since December 1997. This is partly due to an increase in the seasonally adjusted unemployment rate from 6.9% to 7.4%. This suggests a softening of local labor markets. However, the rise in Help Wanted Advertising may put downward pressure on this index in coming months.



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 Help Wanted Index rose 9.5% from June 2008 to an index value of 105.1. This is still historically low for this index as the long run average stands at 135.1. The four month moving average seems to be leveling off, this could support a gradual increase in local job markets and economic activity.



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 slightly in July by 11.7% to an index value of 27.9. When compared to the last five consecutive years, this index has dropped between 40%-65%. This could signal a general weakening of building over the years. Furthermore, the four month moving average has been on a slow decline since October. While permits remain historically low, this may put pressure on future building performance.

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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 18.9% in July to 79.5. This is an astonishing drop given the \$12,000 drop in the median home price and the 0.25 cut in the interest rate. The current median home price is \$290,000; while interest rates stand at 6.25%. Home buyers remain skeptic of the current housing market in Humboldt County. In San Diego, the **Union-Tribune** reports that foreclosures are up 213% for July over last year. Pierce notes that 41% of all resale homes sold in July had been foreclosed on within the previous 12 months. One in every 182 California properties in July received foreclosure filings.

**California Association of Realtors** reports that median home prices have dropped an eye-popping 40.3% since last year. The median home price now stands at \$350,760. One factor for the drop in housing prices is due to high distressed sales. Banks that seek to sell houses lower the price accordingly, since they aren't interested in holding the properties. Sales increased 43.4% when compared to the same period last year. The thirty-year-fixed mortgage interest rate averaged 6.43% during July 2008. CAR's unsold inventory fell to 6.7 months from 10 months the same period last year.

**The National Association of Realtors** announced that home sales have risen to the highest level in five months. Single-family home sales expanded by 3.1% to an annual rate of 4.39 million in July 2008. This is 12.4% below the sales pace from July 2007. Median price now stands at \$210,900 a 7.7% decrease from July 2007. The overall housing market seems to be improving with the higher conforming limits and falling market prices.

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**.

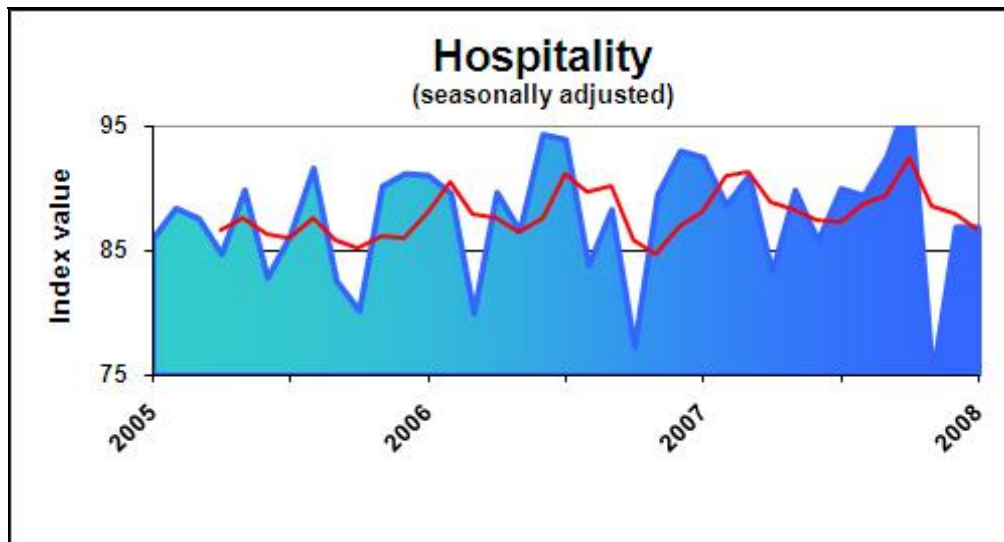
### Retail Sales

The Retail Index remains strong at an index value of 160.3, a mere 0.3% decrease from last month. The Consumer Confidence Survey reported by **Conference Board** announced that their index stands at 51.9 in July. They note that consumers may show signs of improvement by early next year. Furthermore, the Federal Reserve Board's Beige Book reports that consumers are moving away from specialty stores and

towards low-priced brands and discount stores. While uncertainty still looms in the national economy, consumers are concentrating on buying necessary items. With high gas prices, auto sales continue to decline. In the San Francisco sector there was noticeable declines in apparel, electronics, and jewelry. Additionally, the current credit situation hinders consumers from acquiring personally loans to buy personal appliances such as furniture and other household appliances.

## 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 rose in July by 9.5% to an index value of 95.1. It is important to note that the rise occupancy in Humboldt county was largely affected by the record breaking freshmen class of 2008, Humboldt State University added over one thousand new students this academic year. The graph at the top shows that this is the largest index value over the one, five, and ten year span.

## Gasoline Prices

Gas prices at the pumps have fallen across the board for the second month straight. Eureka still remains on the top for the most expensive gas in Northern California. **The American Automotive Association** reports that the price of crude oil is down to \$114 per barrel. Matt Skryja, AAA Northern California Spokesperson commented, "Prices continue to fall thanks to consumers conserving fuel and the strengthening U.S. dollar. In addition, European demand is dropping, there has been little impact to oil production from bad weather, and the relative calm in global production hot spots have all contributed to keeping oil and gas prices down."

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 7/08/2008	Average Price*	Change from Previous Month
<b>Eureka</b>	\$4.47	-\$0.05
<b>Northern CA</b>	\$4.12	-\$0.02
<b>California</b>	\$4.11	-\$0.21

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the

American Automobile Association monthly gas survey ([www.csaa.com](http://www.csaa.com)).

## Electricity Consumption

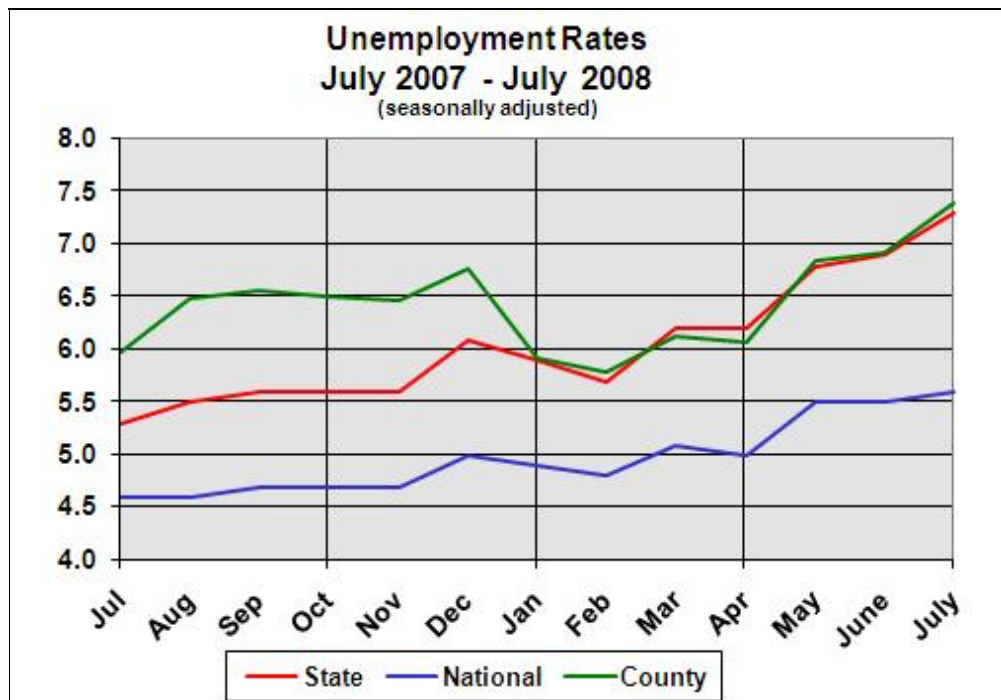
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation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

Energy consumption remains unchanged from last month due to quarterly data collections. The seasonally adjusted index value for July stands at 132.3.

## Total County Employment

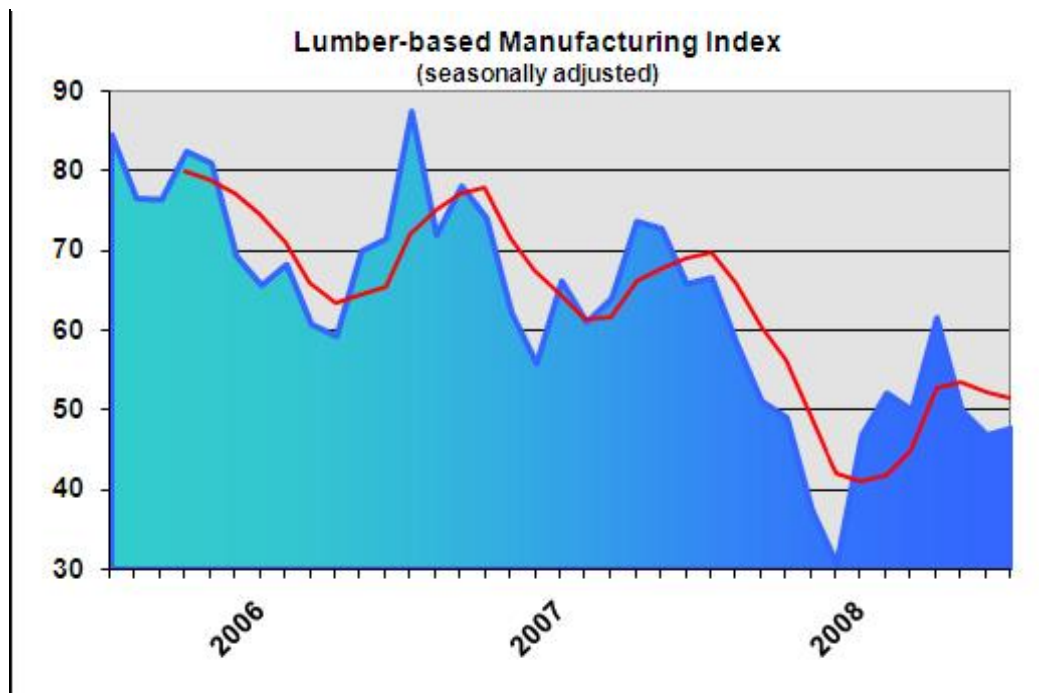
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

County Unemployment has remains to follow the California Unemployment rate since January 2008. County unemployment rose to 7.4%, while the seasonally adjusted index value dropped 1.6% to 103.1. The July labor force expanded by 1,300 persons while the number employed dropped 1,600. The government sector contracted by 1,700 and the service sector also fell by 1,900 persons. While unemployment claims are up due to the rise in the number of individuals unemployed; the rise in help wanted should absorb some on the recently unemployed in the coming months.



## 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 gained some ground in July, expanding 1.8% to a seasonally adjusted value of 47.7. With building permits up 11.7% from June and gas prices slightly falling in July, manufacturing seems so have the means to further production throughout August.

On the national scale the **Institute of Supply Management** reported that the manufacturing sector remained unchanged in July from the previous month. However, the overall economy expanded for its eighty-first consecutive month. Nationally, wood products contracted in every sector of the ISM report. Manufacturing industries are attempting to curtail energy use by changing from a five-day/8 hour week to a four-day/10 hour week. In the long run energy prices rise and manufacturers will be forced to find new efficient ways of production.

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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:

[The American Automotive Association](#)

[California Association of Realtors](#)

[Conference Board  
Employment Development Department](#)

[Institute of Supply Management](#)

[The National Association of Realtors](#)

[Union-Tribune](#)

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