

Humboldt Economic Index

- Current Issue
- Archive
- Projects
- Sponsors
- Real Estate
- Links
- Home
- Acknowledgments
- Contact Information
- Reader's Comments
- Frequently Asked Questions
- HSU Economics Department



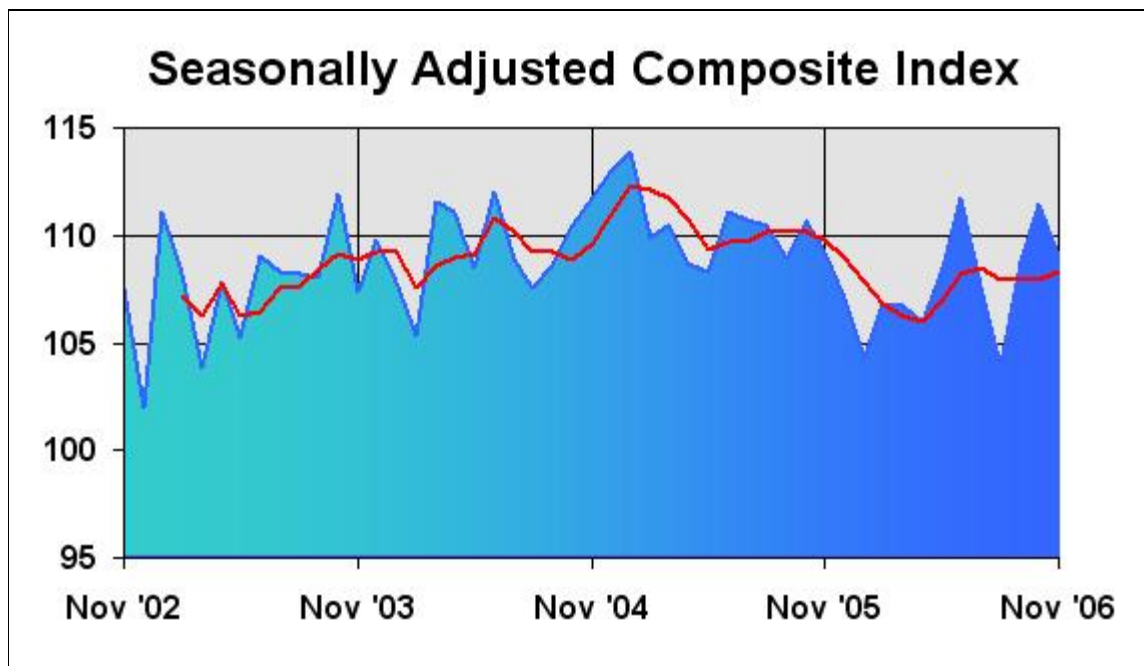
Humboldt Economic Index

December 2006

Professor Erick Eschker, Director
 Garrett Perks, Assistant Editor
 Haley French, Assistant Analyst
 This month's report is sponsored by:

Coast Central Credit Union

[Leading Indicators](#) | [Individual Sectors](#) | [Home Sales](#) | [Gasoline](#)



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 Index of Economic Activity for Humboldt County 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 seasonally adjusted Composite Humboldt Economic Index declined 1.7 percent in November to 109.1. The move was driven by substantial declines in the Home Sales Index and the Manufacturing Index, as well as smaller declines in the Retail Sales Index and Employment Index. No sector grew in November and each of the leading indicators for which we were able to obtain data suggested decreased economic activity in coming months.

Composite & Sectors	
	Percent Change From:

Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	109.1	-1.7	-0.1	5.8	6.1
Home Sales	100.2	-12.7	-6.9	-7.8	17.3
Retail Sales	167.0	-2.0	14.5	37.6	68.8
Hospitality	101.2	5.4	14.3	4.9	-5.0
Electricity Consumption	112.8	0	-19.2	3.8	3.1
Total County Employment	103.0	-0.6	0.9	2.5	1.9
Manufacturing	66.6	-9.9	-17.6	-23.2	-40.3

* 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‡
\$295,000	6.000%	5.3%

* 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.

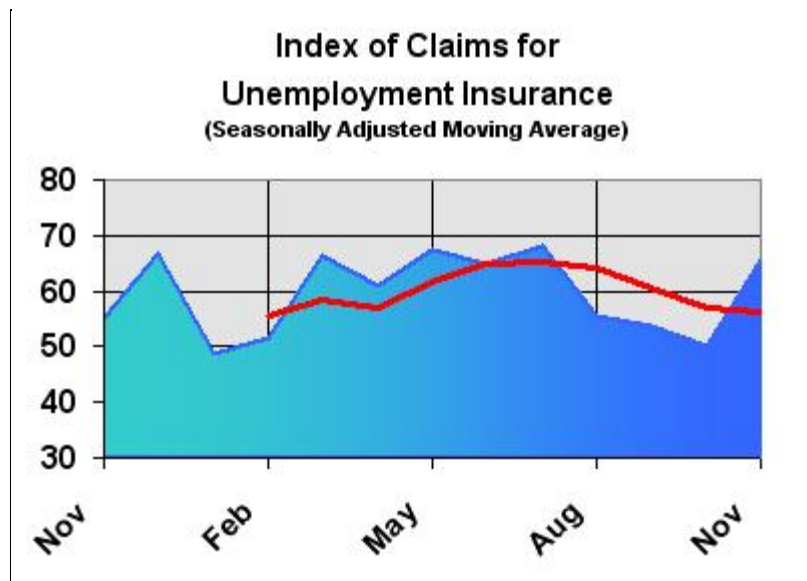
[Leading Indicators](#) | [Individual Sectors](#) | [Home Sales](#) | [Gasoline](#)

Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	31.2	-32.1	-44.1	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.



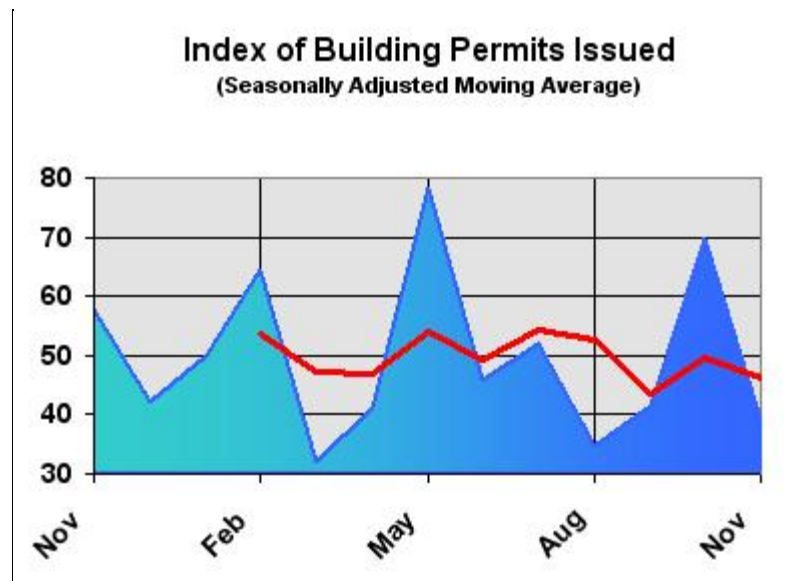
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Index of Initial Unemployment Claims rose 31.2 percent in November. Together with the decline in Help Wanted Advertising, this may indicate a slowing labor market in the county, especially if the changes in these two indicators are sustained. The movement in these two indicators is consistent with the decreased employment in the county in November.



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 seasonally adjusted Index of Help Wanted Advertising in the county declined a 32.1 percent. This is a somewhat sharp decline for this indicator and may indicate a slowing of hiring in coming months, especially if the decline in the Index is sustained. The Index has been rather high in recent months. The trend line gives the impression of a downward trend in the Index, but this is largely the result of the anomalously high numbers in March and April which reflected a data error and not actual increases in advertising.



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 seasonally adjusted Index of Building Permits Issued declined by 44.1 percent in November, but this is usually a very volatile Index. More important than the monthly change is the trend in the data. This trend appears to be fairly level, or perhaps declining slightly since summer. The Index remains somewhat low. This indicates lower than usual levels of construction in the county in coming months. This is unsurprising in light of the slowing housing market.

[Leading Indicators](#)

[Individual Sectors](#)

[Home Sales](#)

[Gasoline](#)

Individual Sectors

Home Sales

The seasonally adjusted Index of Home Sales declined sharply in November as the month's worst performing sector. The decline was 12.7 percent bringing the Index to 100.2, barely higher than the value when the Index began in 1994. The median house price in the county also declined, dropping \$30,000 or 9.23 percent to \$295,000. The Index is off around 50 percent since reaching a peak in the summer of 2005.

Further analysis of the local housing market can be found at our [Real Estate Economics Page](#).

The [National Association of Realtors](#) reports that housing market showed lowering prices and slightly increased sales as unsold inventory decreased slightly. The median house price in November was \$218,000, down from \$221,000 in October. The rate of single family home sales increased 0.2 percent to a seasonally adjusted annualized rate of 5.52 million. Unsold inventory declined in November to 3.82 million, which at current rates of sales represents 7.3 months. The [Sacramento Business Journal](#) reports that total US foreclosures in 2006 were up 51 percent over 2005. The majority of these foreclosures came toward the end of the year, and foreclosure activity may still be high.

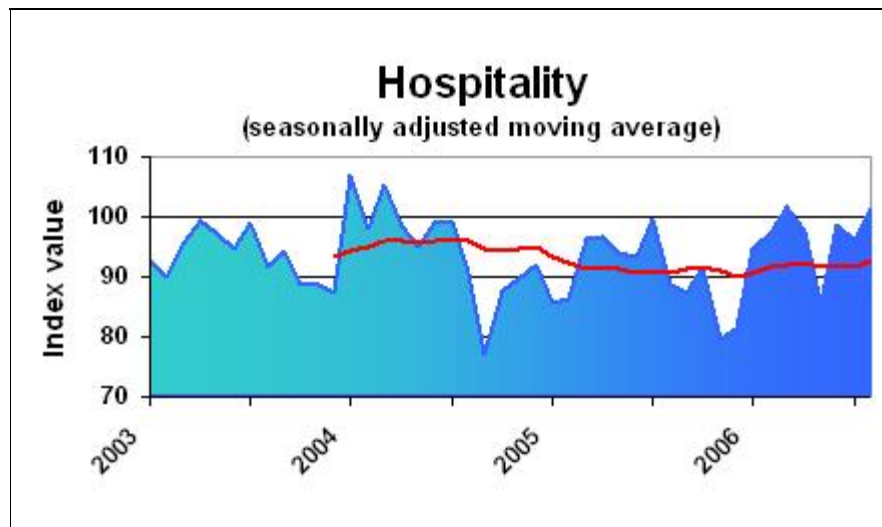
The Journal also reports that California had the greatest number of foreclosures of any state during 2006. Likewise, the bulk of these foreclosures came in the later months of the year. Foreclosures may still be high in the state as well. According to the [California Association of Realtors](#), the median house price in California increased 0.7 percent in November to \$555,290 from a revised \$551,620 in October.

Retail Sales

Retail Sales continued to decline in November, dropping 2 percent to a value of 167. This reflects a disappointing opening of the holiday shopping season for Humboldt County retailers, but the current level of the Index is well above the level of a year ago as well as the levels of five and ten years ago. This reflects the long term upward trend in this Index over the past decade. Without a doubt online shopping has increased in the county in recent years, especially among students. If this trend is very large, it may be a partial cause of the weaker than usual holiday shopping seasons last year and this year for Humboldt County retailers.

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 was the only growing sector in November. It added 5.4 percent to come to a value of 101.2. This is not historically a very high value, but in recent months the Index hasn't been higher. This may or may not be very significant, as the long term trend, as shown by the red trend line, is indistinct. It is not clearly upward or downward.

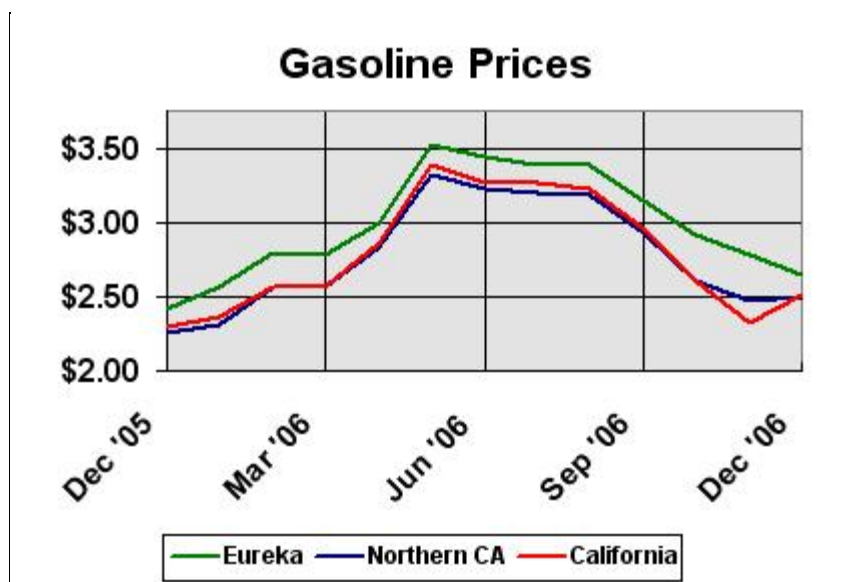
Gasoline Prices

Gas Prices in the county have declined according to the **American Automobile Association**. The price is now at \$2.64 per gallon, down 14 cents. This led to a rare narrowing of the gap between county and state prices, which added 19 cents. The decline at the county level has eased the burden of higher prices on consumers, and this may be further eased in coming months as oil prices have been falling and now stand near \$55 per barrel.

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 December 2006	Average Price*	Change from Previous Month
Eureka	2.64	-0.14
Northern CA	2.50	0.03
California	2.51	0.19

* 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

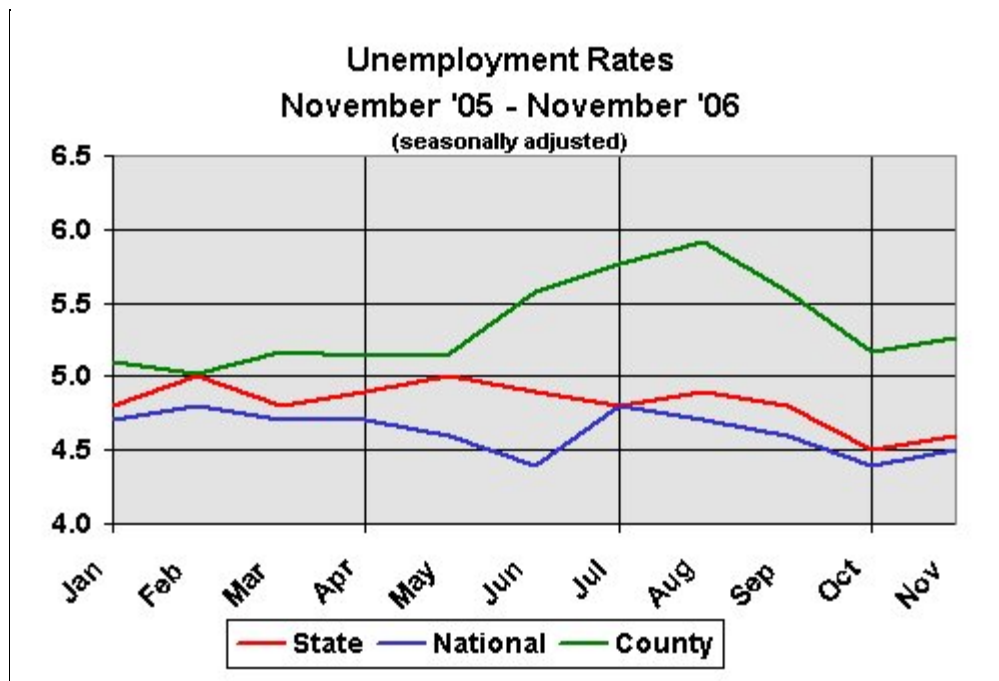
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation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

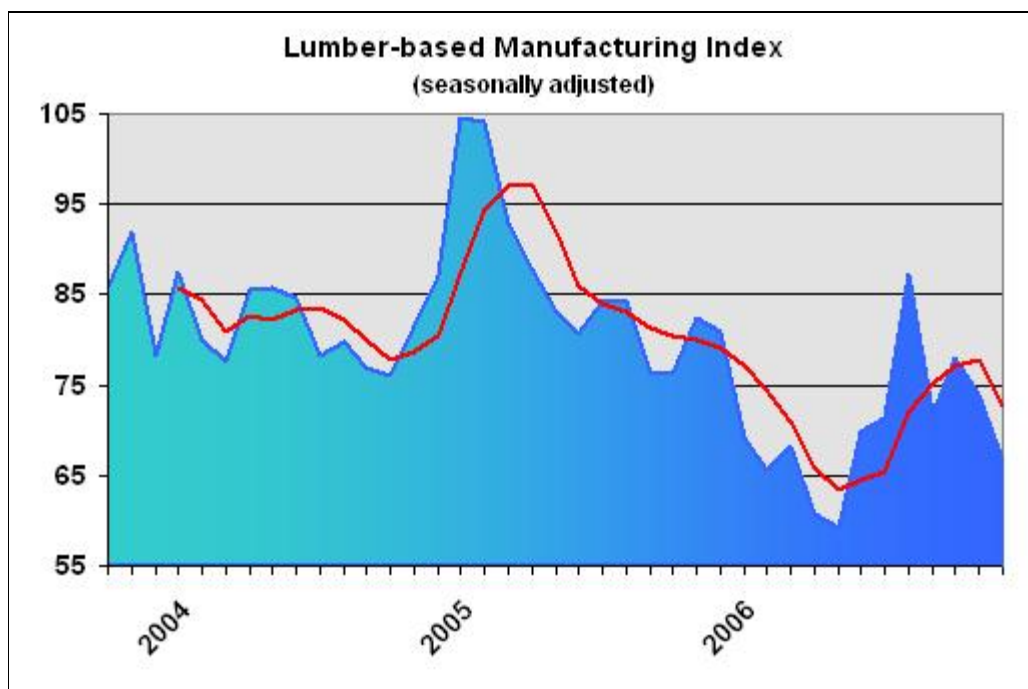
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The Index of Total County Employment gave up a slim 0.6 percent in November. This was a result of the net loss of 200 jobs in the county, diluted by an increase of 100 in the Humboldt County labor force as reported by the **California Employment Development Department**. The largest job loss was in natural resources industries where there was a 14.3 percent decline in employment. Other goods producing industries also saw declines. The seasonally adjusted unemployment rate increased from 5.2 to 5.3 percent.



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.

In November, county manufacturing declined steeply to a value on 66.6. This is a 9.9 percent decline over last month. This decline made the Manufacturing Index the month's second worst performing sector. It played a significant role in lowering the Composite Index, and was only under performed by the Index of Home Sales. The table at the top of this page shows that the Manufacturing Index has been declining for many years. It is almost 18 percent lower than a year ago, more than 23 percent lower than five years ago, and it is off more than 40 percent over the past ten years. This is largely a result of the static decline in timber related manufacturing in the county.

National Manufacturing last month made headlines with its first decline in several years, but it returned

to positive territory in December according to the **Institute for Supply Management's** monthly Manufacturing Report on Business. Their manufacturing Index grew to 51.4. Any value over 50 indicates growth in the month. The ISM reports that in December new orders and production expanded as employment contracted in the manufacturing sector of our economy.

[Leading Indicators](#) | [Individual Sectors](#) | [Home Sales](#) | [Gasoline](#)

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](#)

[Institute for Supply Management](#)

[National Association of Realtors](#)

[Sacramento Business Journal](#)

Send us your comments. Comments will be posted on our [Reader Comments](#) page unless otherwise requested.

Copyright © 2010 [Erick Eschker](#)

