



# Humboldt Economic Index

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## Humboldt Economic Index

### December 2007

**Professor Erick Eschker, Director**

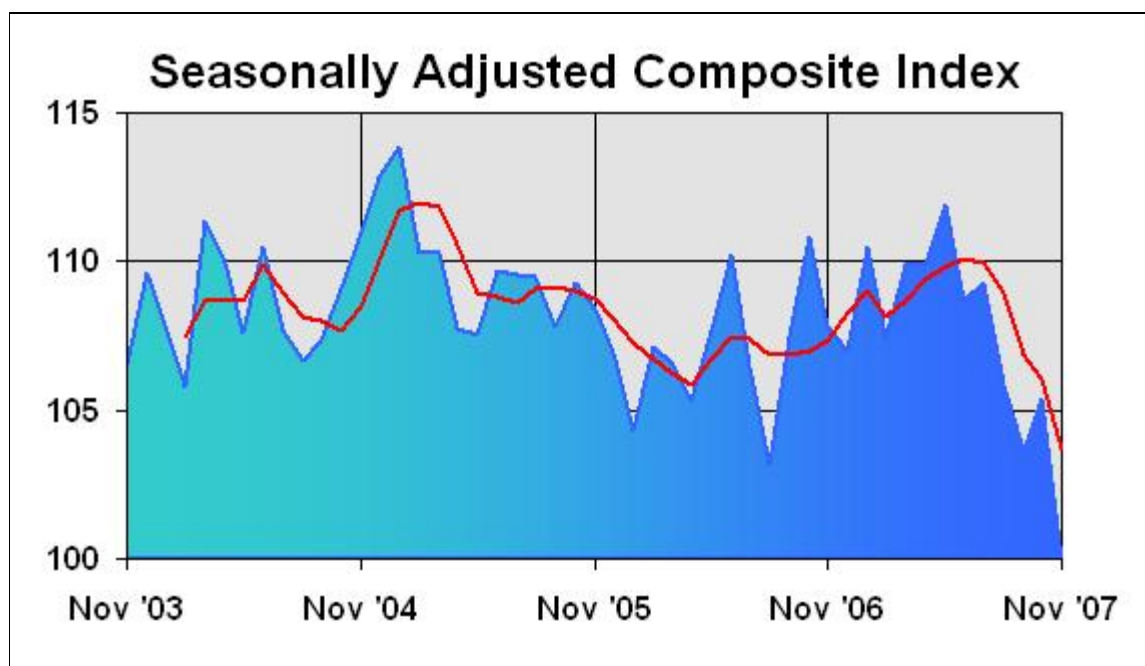
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

## 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 the Composite Index dropped under 100 for the first time since January 1997. The Index stands at 99.9 a 5.2% drop from last month. With two or three leading indicators showing signs of slowing accompanied with a decline in all sectors for which data were available, the Humboldt County economy is showing many signs of slowing. With gas prices still rising in Humboldt County as well, the combined effect seems to be a somewhat cheerless lead in to the holiday season. This data reflects activity in the month of November.

**Composite & Sectors**

Index	Value*	Percent Change From:			
		Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
<b>Composite</b>	<b>99.9</b>	<b>- 5.2</b>	<b>- 7.3</b>	<b>- 6.4</b>	<b>- 3.1</b>
<b>Home Sales</b>	<b>89.7</b>	<b>- 6.5</b>	<b>- 10.5</b>	<b>- 36.6</b>	<b>30.8</b>
<b>Retail Sales</b>	<b>132.9</b>	<b>- 15.8</b>	<b>- 18.7</b>	<b>- 1.3</b>	<b>23.3</b>
<b>Hospitality</b>	<b>85.8</b>	<b>- 4.6</b>	<b>- 9.1</b>	<b>2.1</b>	<b>- 19.7</b>
<b>Electricity Consumption</b>	<b>125.4</b>	<b>0.0</b>	<b>5.8</b>	<b>10.7</b>	<b>23.3</b>
<b>Total County Employment</b>	<b>103.5</b>	<b>- 0.1</b>	<b>0.2</b>	<b>- 0.3</b>	<b>2.5</b>
<b>Manufacturing</b>	<b>43.2</b>	<b>- 11.8</b>	<b>- 30.5</b>	<b>- 46.6</b>	<b>- 64.2</b>

\* 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>\$ 300,000</b>	<b>6.000 %</b>	<b>6.4 %</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.

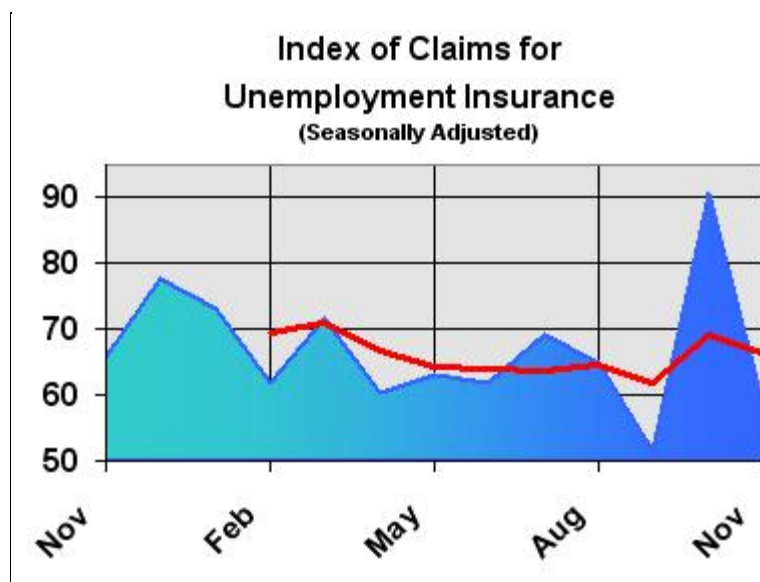
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## Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	<b>- 35.2 %</b>	<b>- 4.2</b>	<b>- 7.4</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.

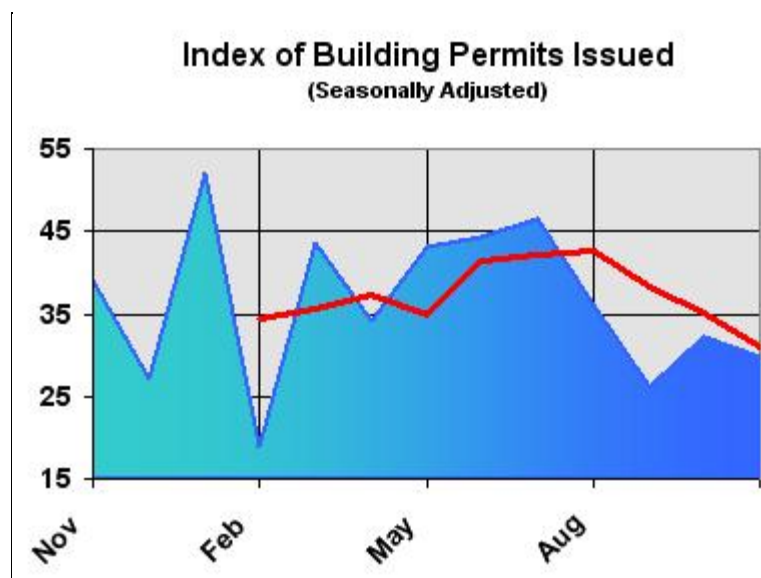
Unemployment Claims fell to 58.8 from last month's 90.78, approximately a 35.2% drop. This suggests a tightening of the labor market and plenty of opportunities for job seekers. The long run average since inception of the index runs at 83.65.



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.

This index has been cooling off since its peak in May. The Help Wanted Index now stands at 117.28, a 4.2 percent drop from last month. The economy seems to be expanding at a decelerated pace.

**Conference Board** reports that national advertising has been on a downward trend since March and fell another point down to 21 from last month.



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 fell down to 29.73, a 7.4 percent drop. This downward march of this index supports a slowing of the economy in coming months as capital investment and construction slows.

[Leading Indicators](#)

[Individual Sectors](#)

[Home Sales](#)

[Gasoline](#)

## 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.

The Housing Index slipped after last month's surge dropping by 6.5% to 89.7. The decrease in this index could be a result of the median home price and mortgage rate that remained unchanged from last month, which did not help to clear the market. With the drop in housing demand due to credit tightening, we would expect sales to continue to fall until prices reach their new lower equilibrium.

**California Association of Realtors** reports that statewide home sales dropped 36.2% from last year while the median price fell 11.9% to \$488,640. C.A.R. President William E. Brown said, "While it is normal for sales to decline at this time of year, regional sales fell more steeply than usual because of the ongoing liquidity crunch and tighter underwriting standards."

**Freddie Mac** reports that interest rates have continued to fall and now average 6.07% with 0.5 points. Single-family home sales rose 0.7 percent to a seasonally adjusted annual rate of 4.40 million in November from 4.37 million in October as reported by the **N.A.R.**

On December 14 congress approved to raise the conforming limit across the country from \$362,790 to \$417,000. Along with this bill it asserted that a 1.5% down payment is required. However, the House passed a slightly different bill that will raise the conforming loan limit to \$729,750, while requiring a zero down payment. Talks between the House and Senate will take place in the near future and when a final draft is approved it will be off the President.

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](#).

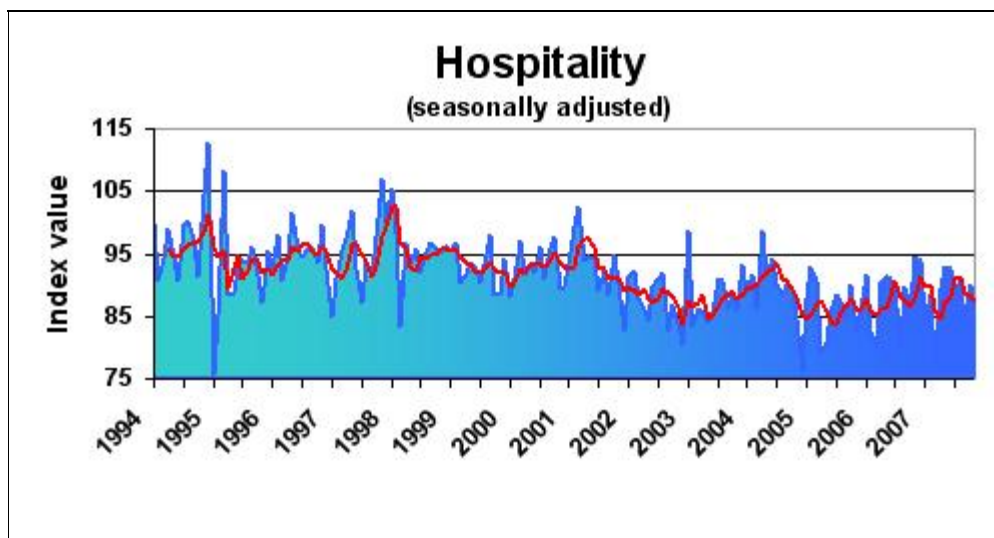
### Retail Sales

The Retail Index stands at 132.9, a significant drop losing 15.8 percent from last month. Compared to last year the index is down 18.7 percent. Growing concerns during the holiday shopping season were brought on by increased online shopping and higher gas prices. The **Beige Book** reports that automotive and light truck sales were flat or down in this month along with the volume of sales diminishing relative

to the previous year. Retailers has expressed cautious for the next few months as they expect sales to have further slowing or declines going into 2008. More and more economists are predicting much slower growth and even recession for the upcoming year, suggesting that retail sales in Humboldt County may remain depressed in the future. Martin Feldstein, head of the National Bureau of Economic Research, which is responsible for dating recessions, sees the odds at greater than 50% that the U.S. is currently in a recession.

## 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.

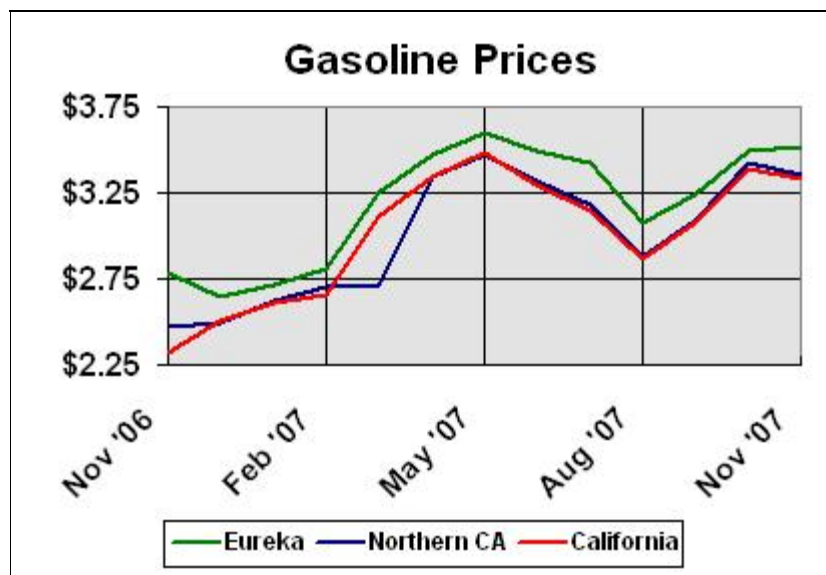
Hospitality slightly declined by 4.6 percent bringing it down to 85.4. Short run hospitality has been oscillating between the low 90's and mid 80's since April; while long run hospitality has tended to be from mid 80's up to the 100 level.

## Gasoline Prices

Gas prices continue to climb in Eureka according to **The American Automobile Association**, adding another 2 cents from last month's prices. Average price for gas has fallen in both Northern California and the state as a whole shedding 6 cents from last month. San Francisco is now the leading California with average prices up to \$3.55 per gallon. Gas prices seem to be slowing down as the price per barrel of oil starts to fall off from its peak in November at around \$99. National averages have also dropped by 11 cents from last month to \$3.00.

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 12/11/2007	Average Price*	Change from Previous Month
<b>Eureka</b>	<b>\$ 3.52</b>	<b>\$ 0.02</b>
<b>Northern CA</b>	<b>\$ 3.36</b>	<b>- \$ 0.06</b>
<b>California</b>	<b>\$ 3.33</b>	<b>- \$ 0.06</b>
* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ( <a href="http://www.csaa.com">www.csaa.com</a> ).		



## 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.

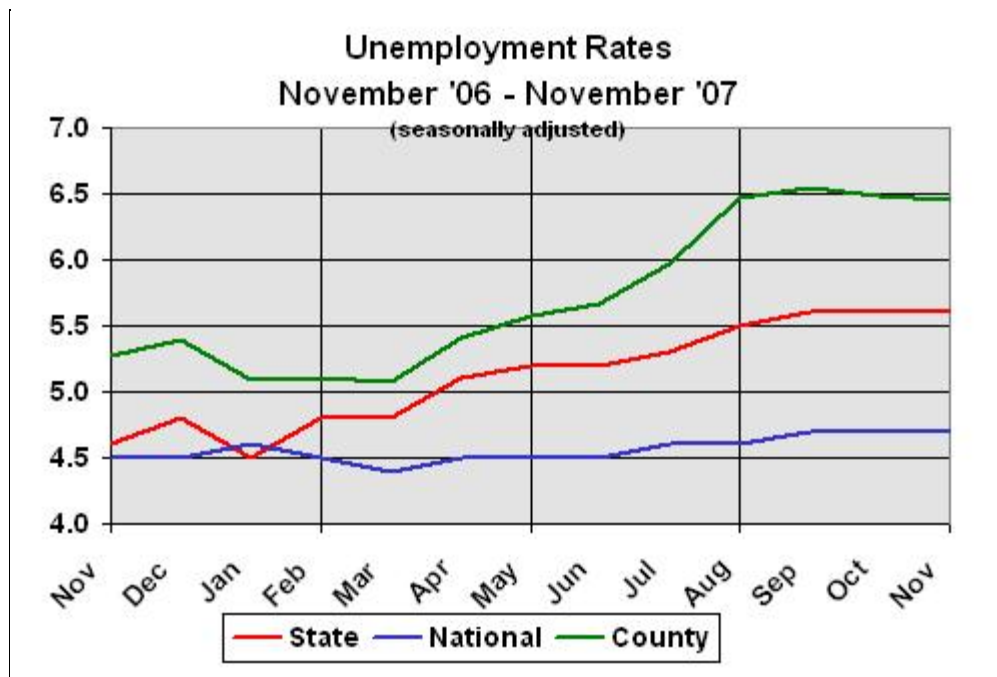
The most current data we have reflects the third quarter of the year, from July to September. Energy consumption, measured in Kilowatt-hours was down in the third quarter, and more importantly is down from its peak in March when the Energy Index was 131.5. It now stands at 125.4. This Index has increased substantially since it began at 100 in 1994, but it has begun trending downward of late. Also, energy consumption has become a much more volatile index in recent years.

## Total County Employment

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

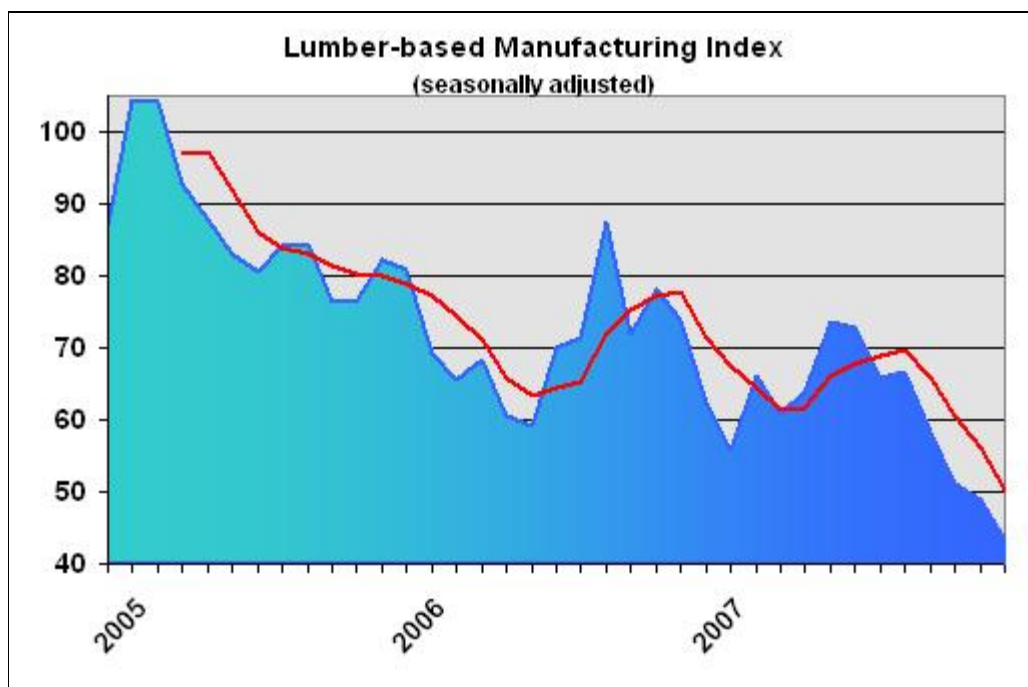
The seasonally adjusted unemployment rate for Humboldt County had a slight downward shift to 6.4 percent, a 0.1 percent from last month. Total unemployment increased from last month from 3,300 to 3,700. The government and service sector are the county's leading employers. The majority of government jobs are attributed to the local government which is approximately a fifth of total employment.

The state and national unemployment rates both remained unchanged from last month at 5.6 and 4.7 percent respectively. The national seasonally adjusted unemployment rate is obtained from the **US Bureau of Labor Statistics**.



## 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 hit a new historic low as it falls 11.8 percent from last month bring it to 43.2. With the exception of July, Manufacturing has been on a downward march since April.

On the national level manufacturing failed to grow ending a 10 month streak of expansion, reports from the **Institute for Supply Management**. In the past growth in manufacturing has been slowing down as a result of the housing market and rising gas prices.

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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 Automobile Association](#)

[California Employment Development Department](#)

[Indtitute for Supply Management](#)

[US Bureau of Labor Statistics](#)

[US Department of Commerce](#)

[US Department of Energy](#)

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