

Humboldt Economic Index

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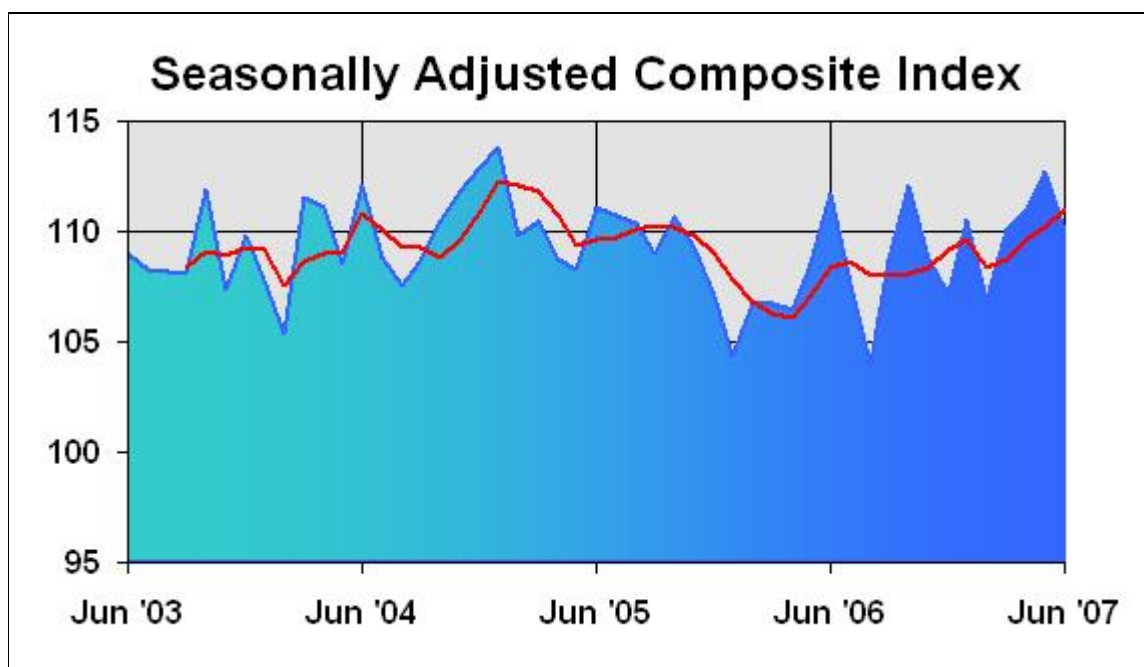
Humboldt Economic Index

July 2007

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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 seasonally adjusted Humboldt Economic Index declined 2.4 percent. The only advancing sector was hospitality, which added 3.8 percent. The Employment Index was unchanged from last month, while every other sector was down. Most rapidly declining this month were Home Sales and Manufacturing. Home Sales were off 13.6 percent and lumber based manufacturing was off 9.5 percent. Retail Sales, although usually strong, was weak this month, and Electricity Consumption was also weak.

Composite & Sectors	
	Percent Change From:

Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	110.0	-2.4	-1.5	2.8	5.8
Home Sales	97.0	-13.6	-23.6	-24.2	6.6
Retail Sales	157.5	-3.7	4.9	11.8	55.0
Hospitality	102.9	3.8	0.9	2.4	-0.7
Electricity Consumption	127.5	-1.5	-2.1	28.6	19.1
Total County Employment	105.2	0.0	1.2	3.4	2.1
Manufacturing	65.8	-9.5	-7.9	-19.3	-44.6

* 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‡
\$325,000	6.5 %	5.7 %

* 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.

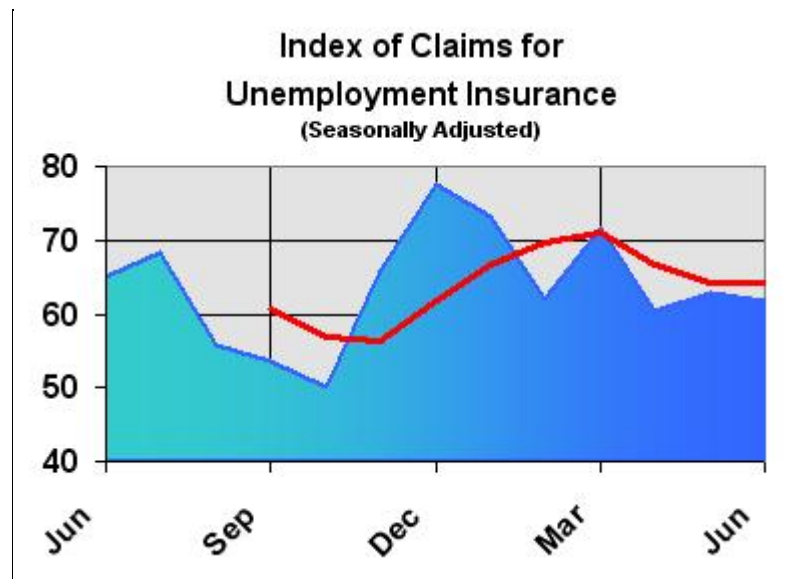
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Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	- 2.0	- 17.2	3.4	1.5

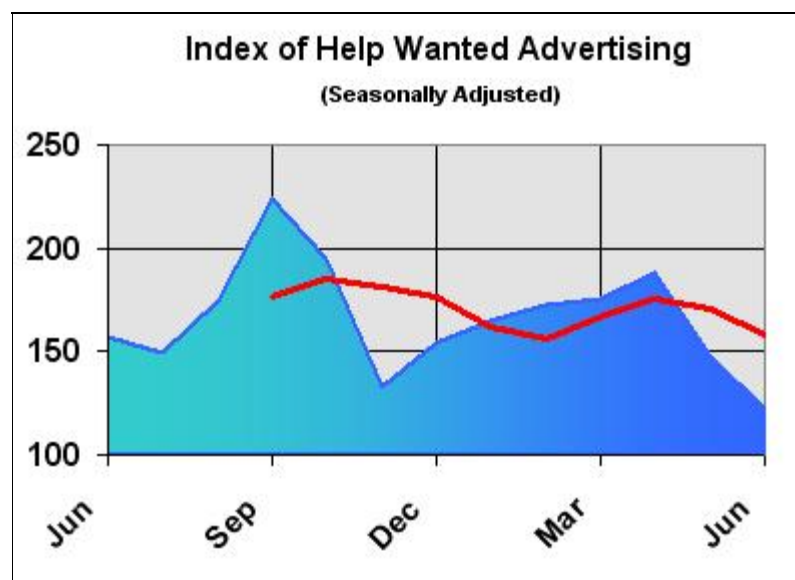
* All values are seasonally adjusted.

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.



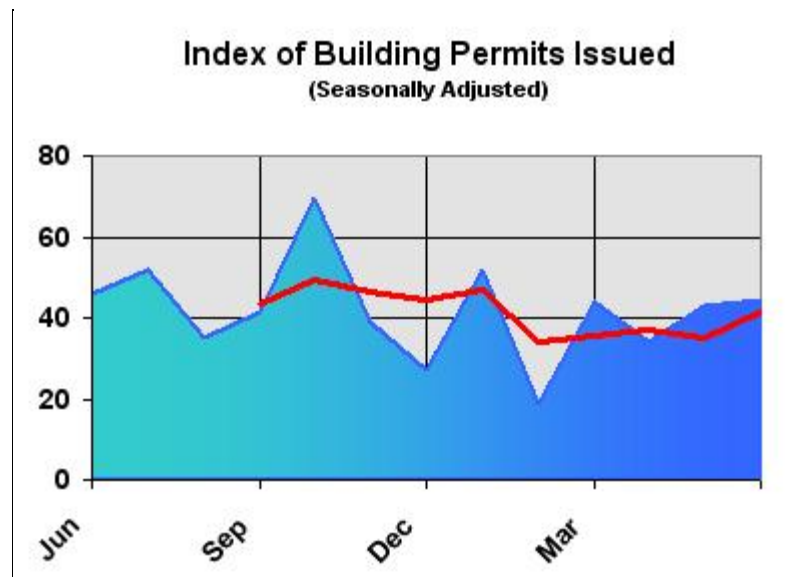
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Index of Unemployment Claims is down 2 percent this month. The decline is not a negative, but a positive indicator for the future of the local economy. The 12 month moving average has gained a slightly downward trend since March, and this Index is well below its recent peak in December. Together, this would often indicate an improvement in the performance of the local months in coming months, however this indication is complicated by the weakness of help wanted advertising.



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 is off a dizzying 17.2 percent this month. This brings the Index well below its September peak, and gives the 12 month moving average a decidedly downward trend. This may indicate weakness in the Humboldt County job market, and the local economy more broadly.



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 is up 3.4 percent. This increase after last month's increase and the prior month's decline leaves the index fairly level. There is no strong trend in the 12 month moving average, however the Index is currently below its recent peak near 70 in October. These fairly level data do not provide a strong indicator of future performance in building.



The seasonally adjusted Index of Manufacturing Orders 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 Manufacturing Orders is relatively level, adding 1.5 percent. This is not a dramatic increase in this usually volatile Index, and it is still well down from its December peak above 80. The 12 month moving average has been declining and has not turned upward. The Index still shows a downward trend which is more significant than this month's small increase. This may indicate future weakness in lumber based manufacturing in the county.

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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.

If you missed Dr. Christopher Thornberg's recent lecture on "Real Estate and the California Economy," you can watch all three parts from <http://www.humboldt.edu/~econ/program/lectures.html>.

The seasonally adjusted Index of Home Sales was the weakest sector this month, dropping 13.6 percent after last month's dramatic increase of 22.1 percent. The Index remains down considerably since March when it stood at 136.5. It is now 97. This is well off from its highest sustained peak in July of 2005, and it is now below 100. This indicates that this Index has lost ground rather than growing over the past 13 years since the Humboldt Economic Index began in 1994. This Index has been extremely volatile in recent months, rising sharply, falling, rising last month and now falling sharply again. Through all this, the overall trend in this Index has been downward in recent months. It now stands at the lowest level since last summer.

The median home price this month rose 7.4 percent from from \$302,700 to \$325,000. This increase comes on the heels of a remarkable decline in home prices, and may only be a temporary respite before further declines. Prices reached their peak in the county back in March of last year when real prices were 10.8 percent higher than current prices.

The **California Association of Realtors** reports that the median home price in the state is nearly unchanged, adding one half of one percent in June to come to a price of \$594,260. At the same time sales have declined almost 25 percent on the year. The CAR also reports that subprime lending continues to be a drag on the state market and is especially impacting the ability of first time home buyers to enter the market.

The **National Association of Realtors** reports that national single-family home sales are down 11.4 percent on the year and 3.8 percent since last month with the median home price at \$230,100, up 3.2 percent over last month. Prices are nearly unchanged on the year, with real prices slightly down.

Freddie Mac, the nation's largest mortgage lender reports that the average interest rate on a 30 year fixed rate loan averaged 6.68 percent with 0.3 points. Last month the rate was 6.63 percent with 0.4 points. Current rates are up slightly over a year ago when the rate was 6.63 percent.

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**.

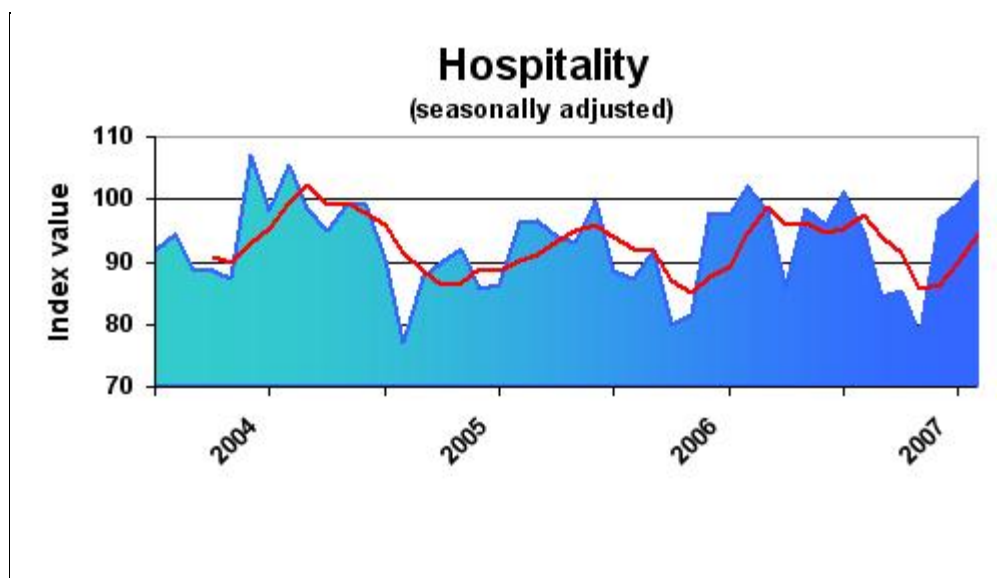
Retail Sales

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 in the county fell 3.7 percent, in spite of the fact that the Retail Index has historically been the strongest Index in our report. It has added 55 percent in the past ten years, whereas the second strongest Index, the Index of Energy Consumption is up only 19.1 percent in the same period. The drop in the Retail Index this month outweighs last month's gain, but it doesn't bring the Index into low territory. The Index continues to be strong and frequently it is the best performing sector in our report.

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 Seasonally Adjusted Index of Hospitality rose 3.8 percent. This brings this fairly range bound Index to 102.9. This is near the top of the range this Index moves in. It has only periodically risen above a hundred. This is an indication of strength for local inns, hotels and other hospitality and tourism-related businesses and industries.

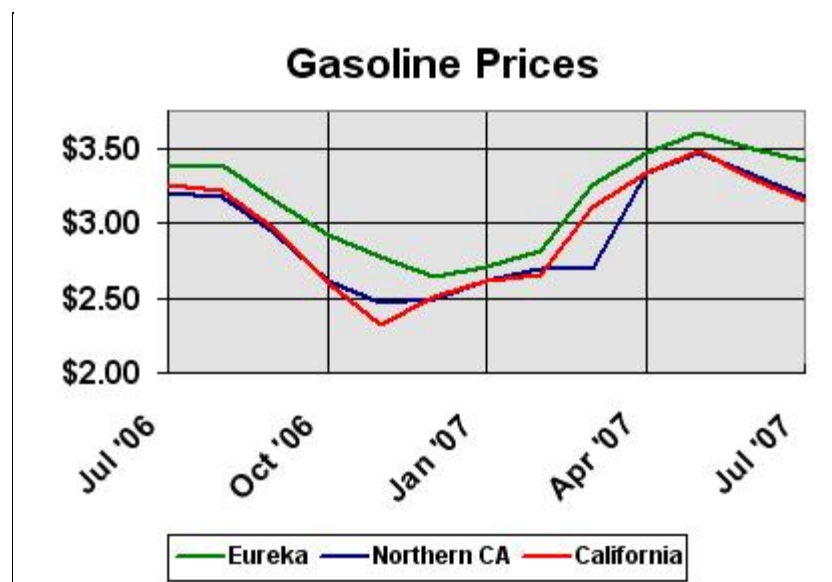
Gasoline Prices

The **American Automobile Association** reports that gas prices in Eureka have fallen 7 cents in the month as Northern California prices fell 14 cents and prices in the state as a whole fell 15 cents. AAA also reports that California prices are no longer the highest in the nation. Typically prices in California are only surpassed by those of Hawaii. This month however, prices in 13 states exceed California prices. Although there have been production disruptions in California since May, disruptions in the Midwest have been more dramatic and supply in California is comparatively more abundant.

Unfortunately, the evidence is that the reprieve enjoyed by Californians is already coming to an end, as prices have begun to edge up in recent days, perhaps driven by the increase seen in crude oil prices over the last month.

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 10/10/2006	Average Price*	Change from Previous Month
Eureka	\$ 3.42	- \$ 0.07
Northern CA	\$ 3.18	- \$ 0.14
California	\$ 3.15	- \$ 0.15
* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).		



Electricity Consumption

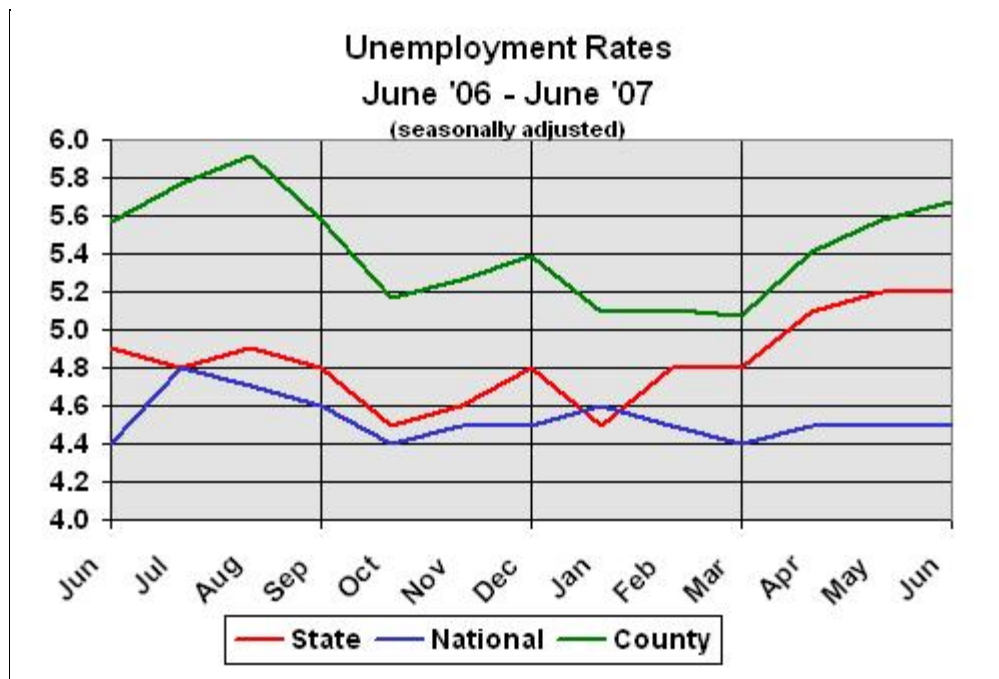
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation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

The seasonally adjusted Index of Electricity Consumption declined slightly in June, moving to 127.5 from 129.5 in May. The Energy Index was 132.5 in April. The Index is well below the prior peak of 148 in December of 2005. The Energy index has been declining steadily for three months.

Total County Employment

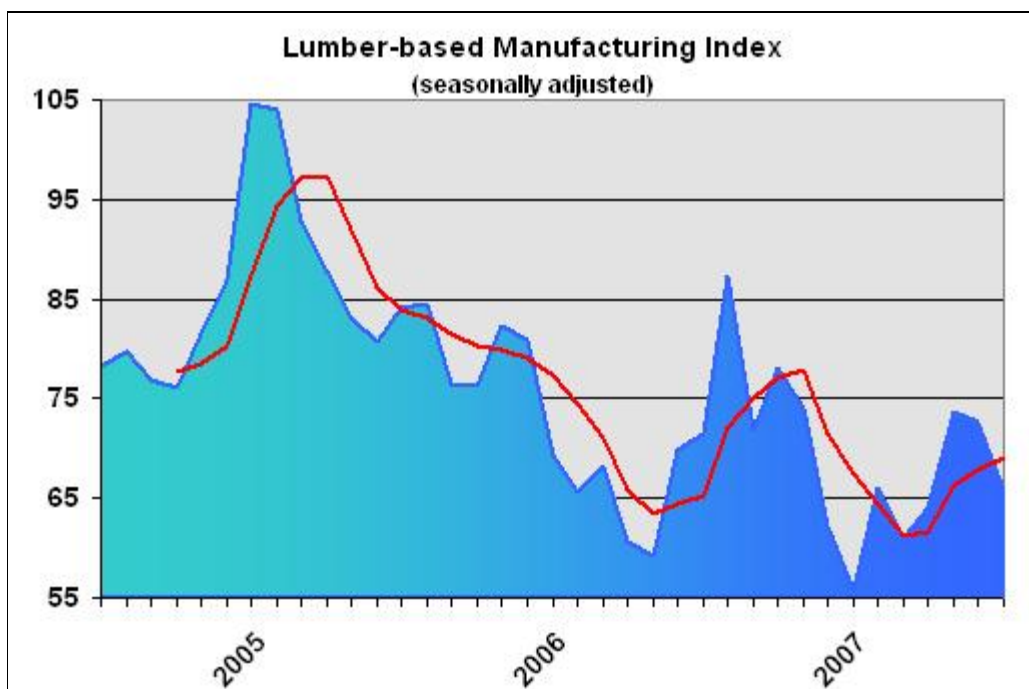
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The seasonally adjusted Humboldt county unemployment rate ticked up slightly in June, adding 0.1 percent to come to 5.7 percent. The rate increased as the total County labor force grew by 100 people and the rolls of the employed fell by 100. The result was a 200 person increase in the number of unemployed persons in the county in the month. Last month's rate was 5.6 percent. The increase in county unemployment came as the State and national rates remained level at 5.2 and 4.5 percent respectively. national data are obtained from the **US Bureau of Labor Statistics**, and state data are obtained from the **California Employment Development Department**.



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.

Seasonally adjusted Humboldt County lumber based manufacturing moved with other indicators this month. This Index declined sharply, shedding 9.5 percent. This follows last month's smaller decline of 1.8 percent. The Index now stands at 65.8. This is a low level, not record breaking, but quite low. This continues a long term downward trend in County lumber-based manufacturing.

National manufacturing rose during the month as the national economy as a whole grew as well, according to the **Institute for Supply Management**, a trade association of supply professionals and purchasing managers.

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](#)

[Freddie Mac](#)

[Institute for Supply Management](#)

[National Association of Realtors](#)

[US Bureau of Labor Statistics](#)

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