

Humboldt Economic Index

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Humboldt Economic Index

July 2008

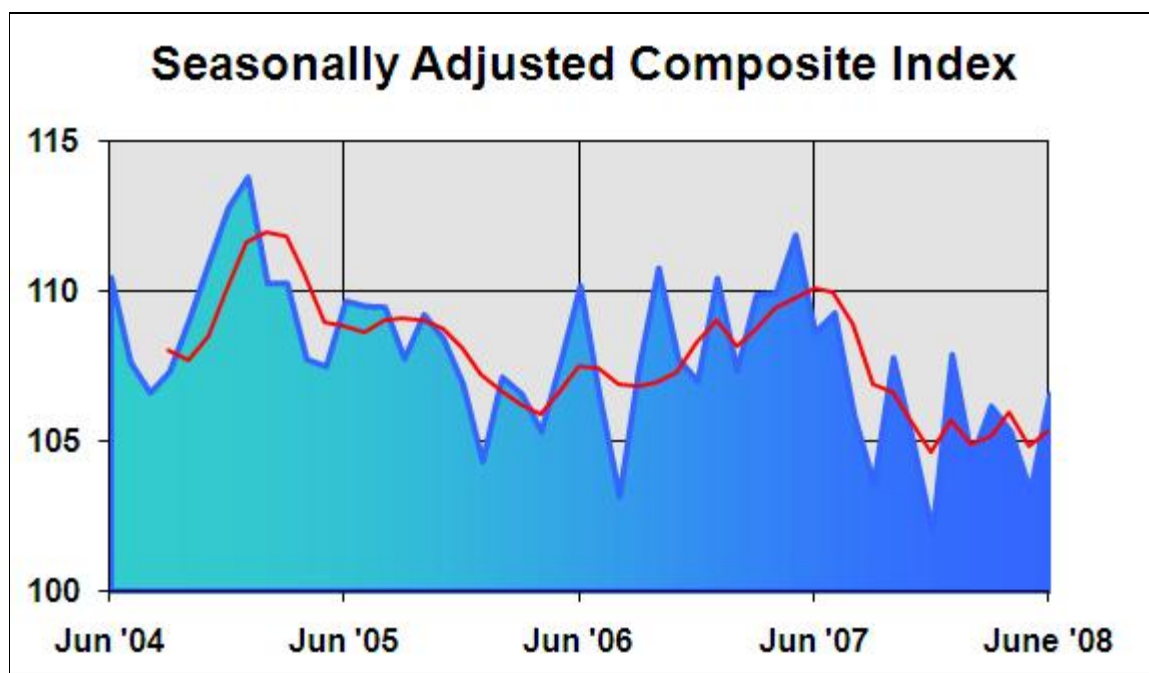
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

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.

Overall the Economic Index for June 2008 expanded by 3.1% to 106.6. The only industries in the negative were manufacturing and electricity consumption, both taking modest declines when compared to the previous month. Home sales rebounded from May's 23.5% drop to a seasonally adjusted value of 97.97, a 48.9% increase in June 2008. Retail rose 5.8% as consumers feel more confident in future economic stability. Labor markets seem so be at a peak as the Unemployment and Help Wanted fell in June. Things to look forward to is the new Housing and Economic Recovery Act of 2008 and national employment as China slows down production due to the coming Olympic games and current economic situation between China and the United States.

Composite & Sectors

Index	Value*	Percent Change From:			
		Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	106.6	3.1	-1.9	-0.9	1.3
Home Sales	97.97	48.9	1.0	-18.3	0.0
Retail Sales	160.8	5.8	2.1	4.9	38.5
Hospitality	86.9	0.0	-6.1	1.6	-9.3
Electricity Consumption	132.3	-1.0	3.8	22.9	22.7
Total County Employment	104.9	0.5	-0.3	2.1	1.2
Manufacturing	46.8	-6.2	-28.8	-45.1	-57.3

* 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‡
\$302,000	6.500%	6.9%

* 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.

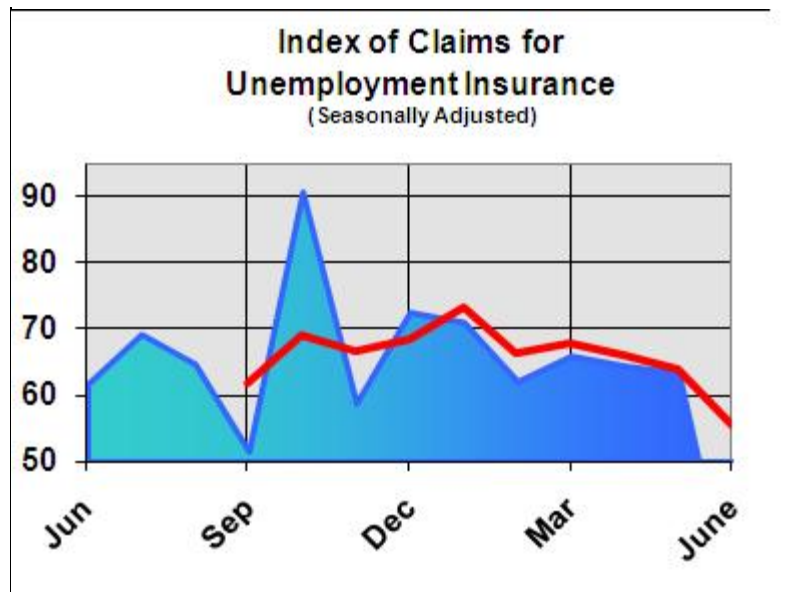
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Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-56.9%	-2.7%	-15.7%	N/A

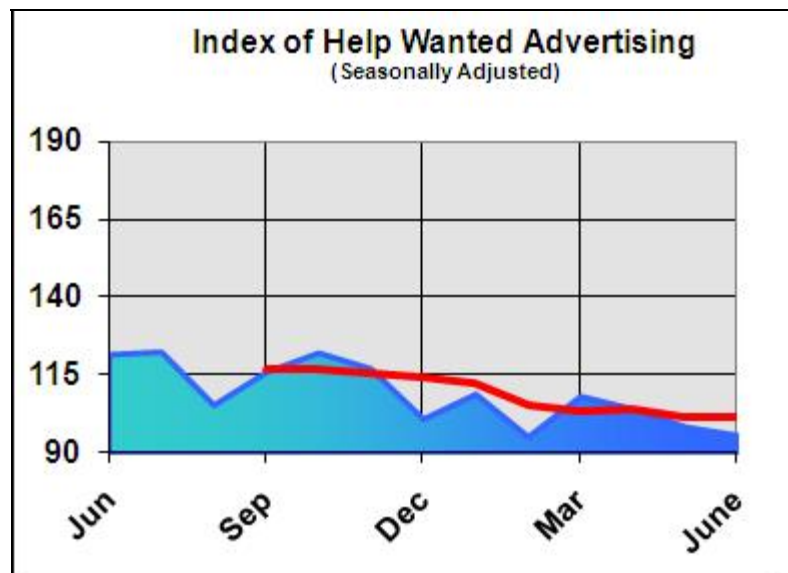
* All values are seasonally adjusted.

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.



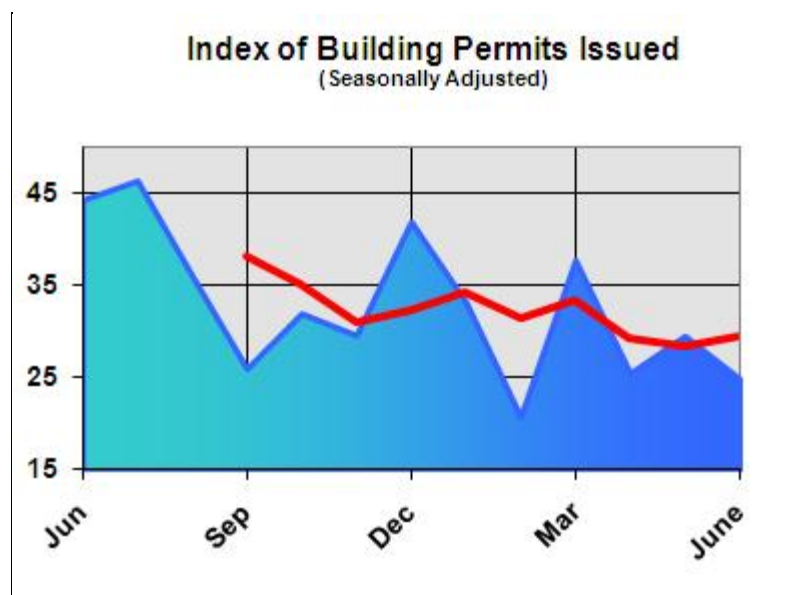
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment claims plummeted in June by 56.9% to its lowest value since inception. This index now stands at 27.3, which could suggest that strength in the coming month for labor markets in Humboldt County.



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 fell in June by 2.7% to an index value of 96.0, well under the long run average of 135.2. Falling advertisements could suggest a weakening of labor markets in the near future.



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 fell in June by 15.7% when compared to last month. As of April, permits have not broken 30 or fell below 25. However, this is a 43.8% drop from last year, which may signal a weakening of future building and manufacturing.

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.

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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.

The seasonally adjusted Home Sales index exploded in June by 48.9% to 97.97. The median home price fell in Humboldt by \$5,000 while the mortgage rate rose to 6.50, a 0.25 increase from May. When compared to last year's figures the median home price is down \$23,000 and the index is 1.0% higher than June 2007. Homebuyers are waiting for the opportune time to buy a home. Housing prices continue to fall and the supply of real estate on the market remains high.

The California Association of Realtors reported that sales increased in June by 17.5% while the median price fell by 37.7% when compared to June 2007. Chief Economist Leslie Appleton-Young reports that there has been an increase in sales due to distressed sales. C.A.R. also reports that their Unsold Inventory Index now stands at 7.7 months; a 2.5 month drop when compared to twelve months ago. This resembles the time needed to sell the remaining homes on the market at the current pace. The thirty-year fixed-mortgage rate fell from 6.66% in June 2007 to 6.32% in June 2008. Falling home prices and interests rates created more affordability in the housing market, especially for first time buyers.

The national housing market fell 2.6% since May. **NAR's** total housing inventory rose to an 11.1 month supply, regardless of the 6.1% decrease in housing prices to \$215,000 when compared to the same period last year. Furthermore, congress is currently deliberating about **H.R. 3221**, the Housing and Economic Recovery Act of 2008.

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

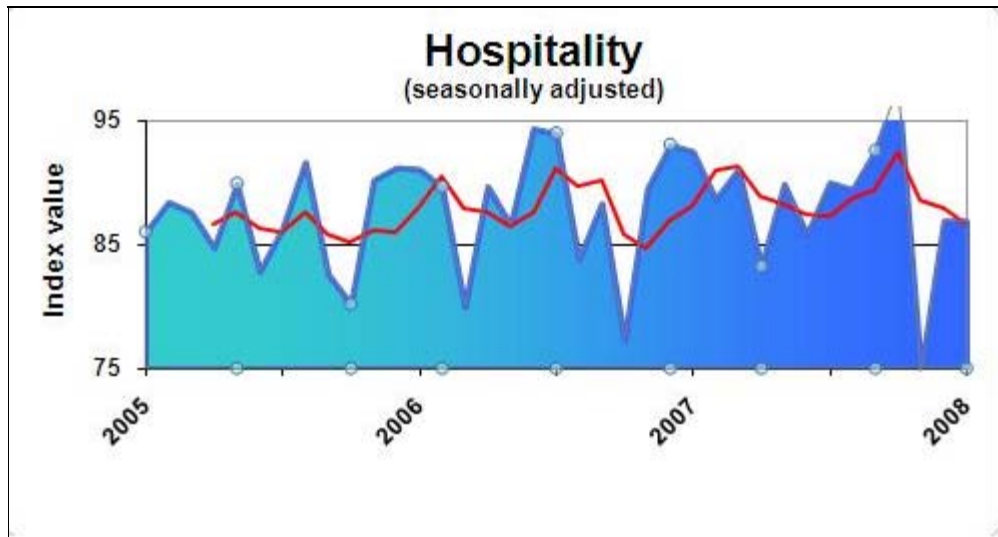
The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each

month from a cross section of local retail businesses.

Retail remains the front runner in the index expanding to a seasonally adjusted value of 160.8 a 5.8% increase from last month. Retail has remained above the 140 mark since July 2006 and averages 142.2 since 2000. The **Conference Board** reports that consumer confidence rose for the first time since December 2007. This could signal strength in retail sales in the future as consumers feel more confident about future economic stability.

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 remained unchanged from May; standing at an index value of 86.9. This shows a relative strength in local tourist activities.

Gasoline Prices

The average price of a gallon of gasoline fell in June as the price of crude oil fell to 125.3 dollars. Eureka and California shed 27 cents this month to \$4.52 and \$4.32 respectively. Supply of oil is remains tight as world demand remains high. However, with belief that peak oil has occurred or is drawing near the United States will not be constructing any more refineries on the basis that by the time refineries cover their own cost oil will already have run out. The last refinery was built 1976; moreover, there is 149 operating refineries currently in the US, producing roughly 17.4 million barrels.

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 06/10/2006	Average Price*	Change from Previous Month
Eureka	\$4.52	\$-0.27
Northern CA	\$4.14	\$-0.44
California	\$4.32	\$-0.27

* 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 second quarter energy numbers. Electricity Consumption slipped 1 percent to an index value of 132.3. The last quarter this index experienced declines from 135.3 in April to 133.7 in May, Energy Prices continue to rise and as a result more people are becoming more energy efficient.

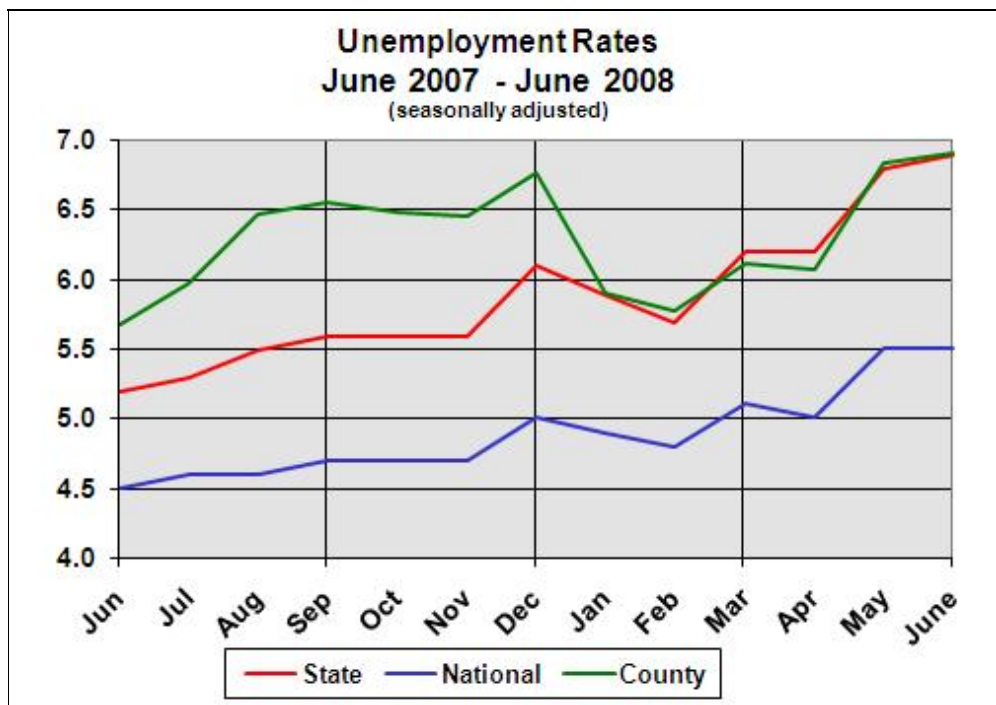
On a more recent note the California Public Utilities Commission (CPUC) approved two new renewable energy contracts with Southern California Edison on July 10, 2008. New wind and solar production is expected to produce 96 and 17.7 GWh of energy with the capacity to expand to 185 and 49.7 GWh of energy.

Total County Employment

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

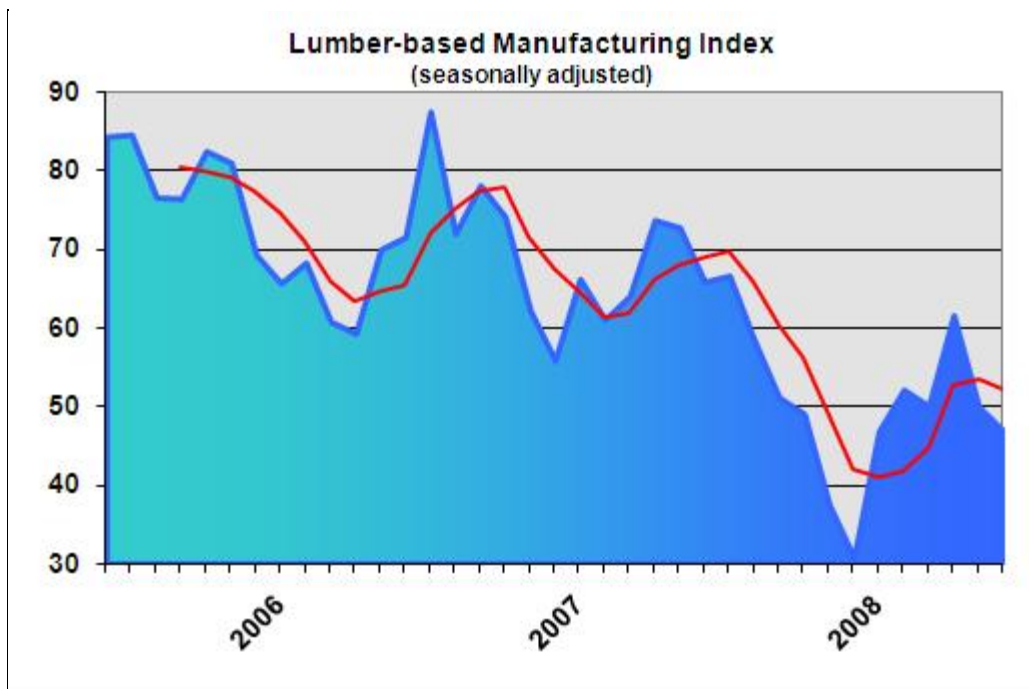
The seasonally adjusted employment index edged upward from last month, expanding by a mere 0.5% to an index value of 104.9. The unemployment rate rose by 0.1% in June due to a rise in the labor force of six hundred individuals, while only a third of them acquired jobs. Collapsing help-wanted advertising may keep county employment down throughout July. With the emergence of Humboldt Redwood Company from Pacific Lumber may put some upward pressure on unemployment as the new management hires on only a fraction of Pacific Lumber employees.

Internationally, China is starting to feel the pinch of rising oil prices. Factories have started to slow down or shut down as the US economy stabilizes. However, this allows more facilities within the US to begin production as it is more cost effective relative to shipping products in from China.



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 contracted again in June, falling 6.2% from May. When compared to the same time last year, manufacturing is approximately 28.8% below the June 2007 level. Manufacturing faces hard time as building permits contract and gas prices continue to rise.

The Institute of Supply Management reports that manufacturing expanded after four months of contraction. Wood Products on the national level however, contracted in June as well.

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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:

C.A.R.
H.R. 3221 The Institute of Supply Management
NAR

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