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Humboldt Economic Index

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Humboldt Economic Index

June 2008

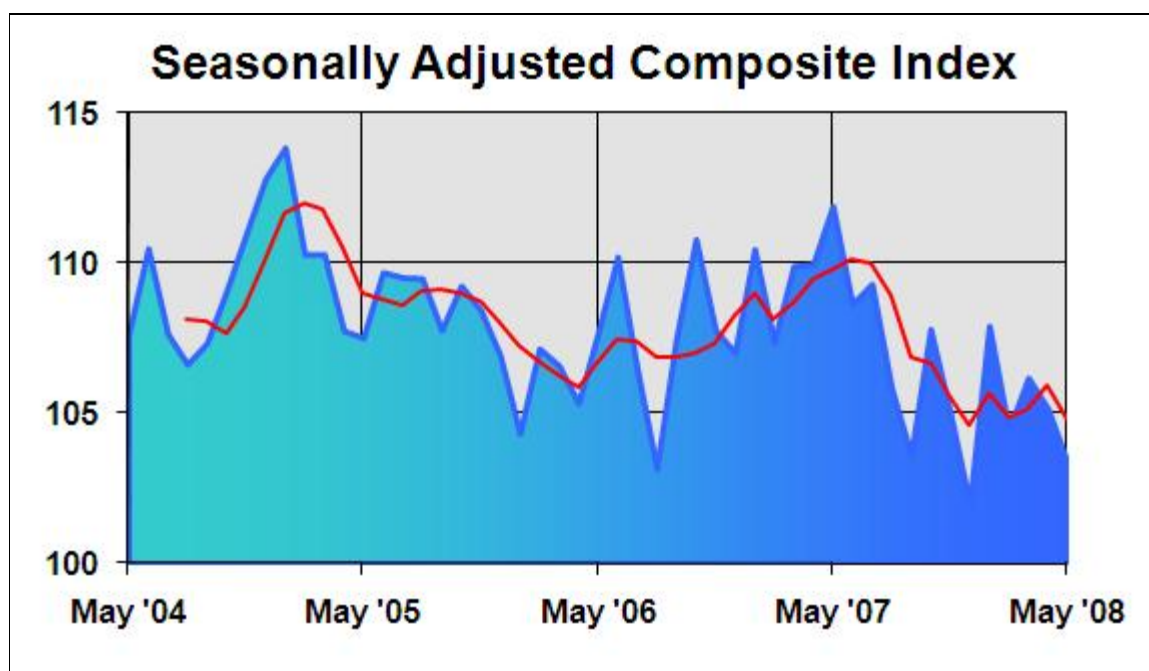
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

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 May 2008 Index contracted slightly by 1.7 percent bringing it down to a seasonally-adjusted value of 103.4. As seen in the chart below, it is evident that the recent economic activity has softened across the board. Home sales and Manufacturing took the bulk of the loss falling 23.5 percent and 18.8 percent. Home sales took a hard hit this month. Retail declined a slight 1.5 percent, while consumer confidence continues to weaken; furthermore, energy and food costs are on the rise restraining consumers from buying luxury items. Total County Employment remained nearly constant shedding only 0.7 percent. However, future strength in labor markets is complicated as both the Unemployment Claims and Help Wanted Indices as declining. Hospitality was the only sector to show signs of expansion as it gained 16.2

percent from last month and now stands at 86.9.

Composite & Sectors					
		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	103.4	-1.7	-7.6	-1.0	-1.4
Home Sales	65.8	-23.5	-41.4	-49.6	-35.2
Retail Sales	152.3	-1.5	-6.9	16.2	23.8
Hospitality	86.9	16.2	-6.6	3.4	-6.8
Electricity Consumption	133.8	0.0	3.4	15.3	26.6
Total County Employment	104.3	-0.7	-1.2	2.0	1.2
Manufacturing	49.9	-18.8	-31.3	-33.1	-51.4

* 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‡
\$307,000	6.250%	6.8%

* 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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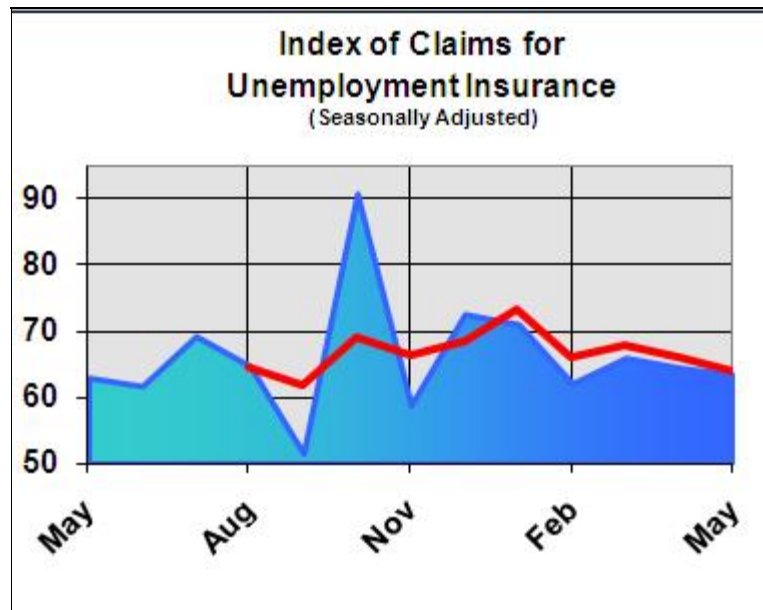
Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-1.6%	-5.5%	15.9%	Not Available

* All values are seasonally adjusted.

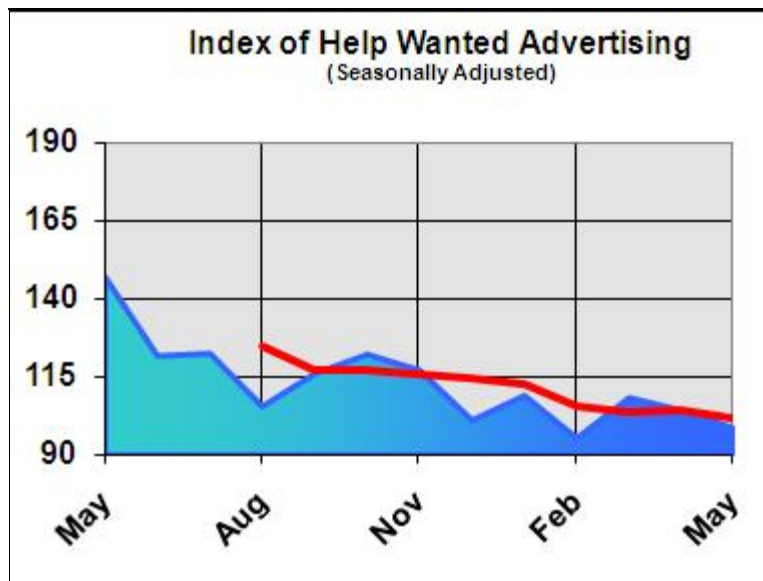
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The four leading indicators are (1) number of claims for unemployment insurance, (2) help wanted advertising, (3) building permits, and (4) expected manufacturing orders. The 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.



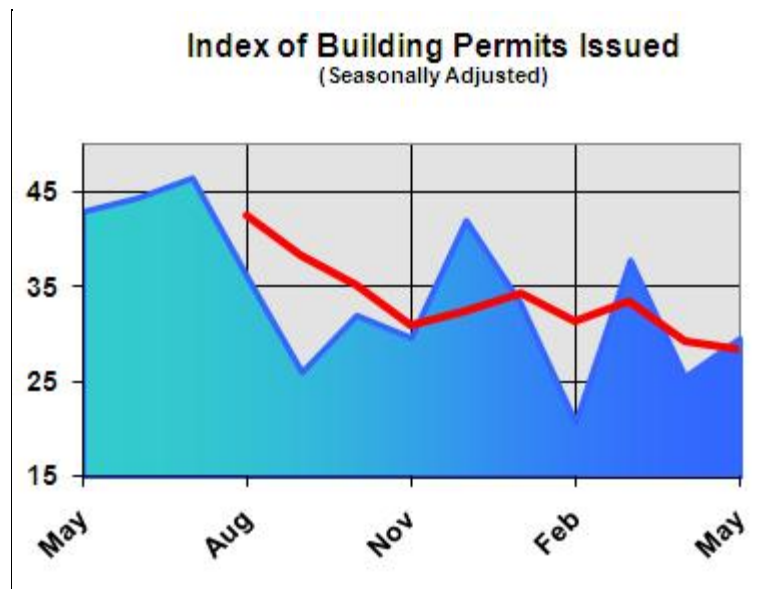
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The Unemployment Claims index shedded 1.6% in may 2008 to a seasonally adjusted value of 63.4. The long run average for this index stands at 83.1, which symbolizes a strengthening of labor markets since the Index's inception.



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 fell for the second consecutive month, contracting 5.5 percent to a seasonally adjusted index value of 98.63. This is the second time this index has dropped under the 100 mark since April 2004. Continual declines could indicate weakness in the local job market, however the decline in unemployment claims in addition to the decline of help wanted advertising makes it complicated to see future strength or weakness in the local labor market.



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 now stands at 29.7, a 15.9 percent increase from last month. This is slightly over the 2008 average for this index, which stands at 29.4; however, this index is well under its long run average of 54.1. Small gains in this index will most likely not have much influence on future manufacturing strength.

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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 took the hardest hit this month contracting 23.5 percent from last month to a seasonally adjusted index value of 65.8. This dramatic drop is partly due to the twelve thousand dollar increase in median home prices accompanied by the 0.625 percent jump in local interest rates from last month. The real, inflation adjusted increase in prices during this period was \$9,107.

California Association of Realtors reports that home sales are up 18.1 percent from the same time last year, while the median home price fell to \$384,840, a 35.3 percent drop off. Compared to last month the median home price fell 4.7 percent from \$403,870. CAR also reports that home sales broke the 400,000 barrier for the first time since early 2007. The Unsold Inventory Index stands at 8.4 months which is down from the same period last year. The excess of housing in the market coupled with the recent credit crunch is keeping prices lower than compared to twelve months ago.

On the national level, **NAR** reports home sales, compared to May 2007, were down 14.5 percent. Median price for a single-family home stands at \$206,700; a 6.8 percent drop from May 2007. According to Freddie Mac, the national average for a 30-year conventional fixed-rate mortgage rose to 6.04 percent from 5.92 percent in April 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.

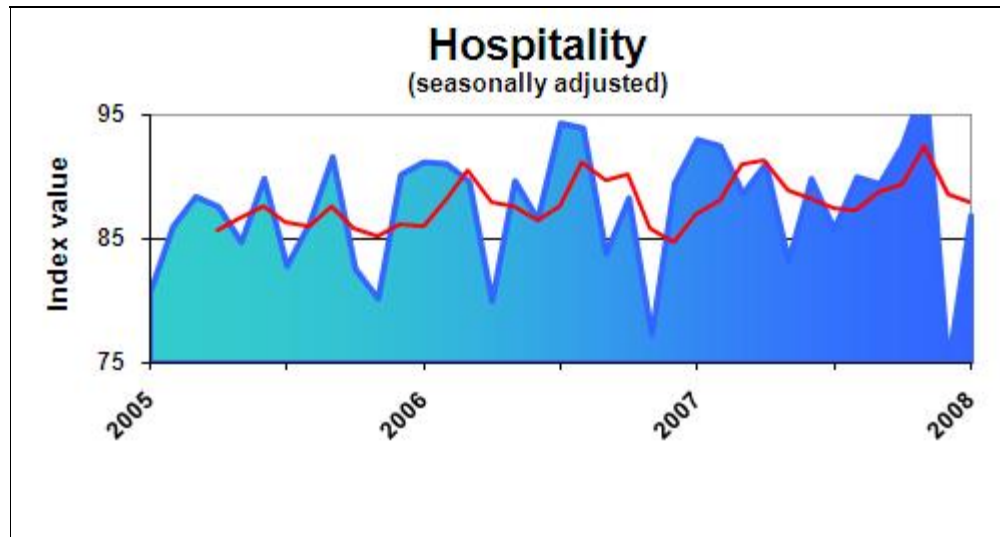
While retail continues to remain the dominant sector of the Index it failed to expand in May, declining 1.8 percent to 152.3. This is a modest month-to-month reduction; however, this is a 7.0 percent reduction when compared to the same time last year. **The Beige Book** noted that retail sales in the San Francisco may have help constant or slightly softened since last month. Higher costs for

transportation and food continues to constrict consumers' ability to buy other products.

The Conference Board reports continual degradation of the Consumer Confidence Index. This index has dropped every month since December. Continual contraction of this index could lead to less retail activities as people spend more on necessities and less on luxury items. As consumers continue to see harder financial situations in the future, the retail sector will be competing with food and energy products.

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 regained some ground in May as it surged 16.2% to an index value of 86.9, this is just shy of the 91.4 long run average. Compared to 12 months ago, Hospitality was down 6.6% which might have put downward pressure on tourism and retail sales.

Gasoline Prices

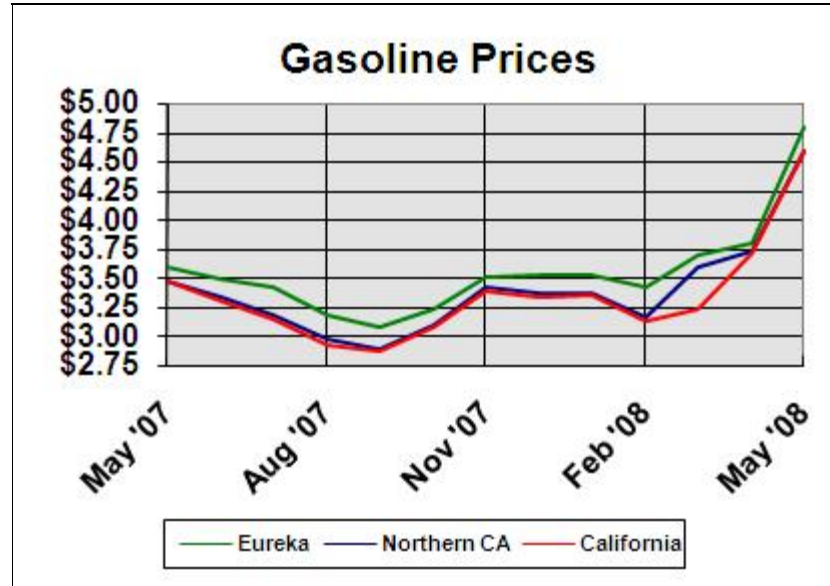
Average gas prices are taking off throughout the state. Eureka average gas prices exploded by 99 cents from last month, this is the largest single month to month change in the index's history. Both Northern California and California as a whole experienced rising gas costs, jumping 36 cents and 43 cents respectively.

The American Automobile Association reported that the price per barrel of crude oil hit \$135 June 10, 2008. AAA's Northern California spokesperson, Michael Geeser, commented on the rising gas prices. "There are several reasons for the continued record breaking pace of gasoline prices. These include the low value of the U.S. dollar compared with international currencies, the growing demand for gasoline and oil in Asia, and the heavy trading of oil and other commodities in the market."

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 June 2008	Average Price*	Change from Previous Month
Eureka	\$4.79	\$0.99
Northern CA	\$4.58	\$0.36

California	\$4.59	\$0.43
* 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.

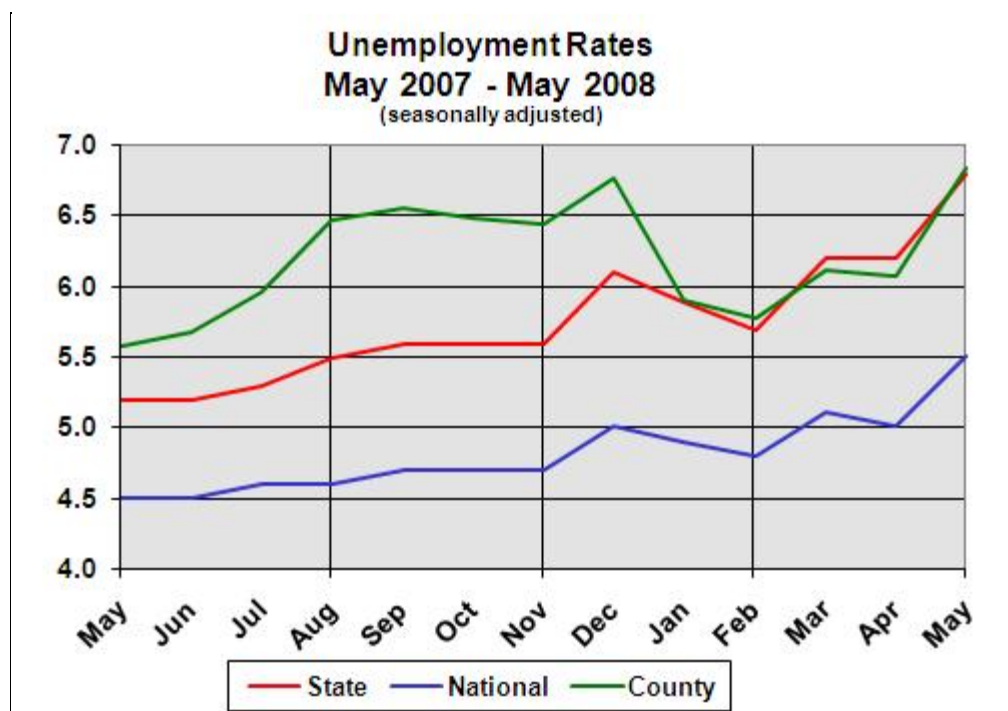
We have received the first quarter 2008 data, and Electricity Consumption rose in March by 0.5% to 133.8 from February's 133.1. January electricity consumption was recorded at 130.1 while December's value was 130.95.

On June 20, 2008 the **U.S. Department of Energy** announced the expansion of FreedomCAR and Fuel Partnership to include two new electric utility companies Southern California Edison and DTE Energy. The new additions to the FreedomCar and Fuel Partnership will hopefully help facilitate the introduction of plug-in hybrid electric vehicles.

Total County Employment

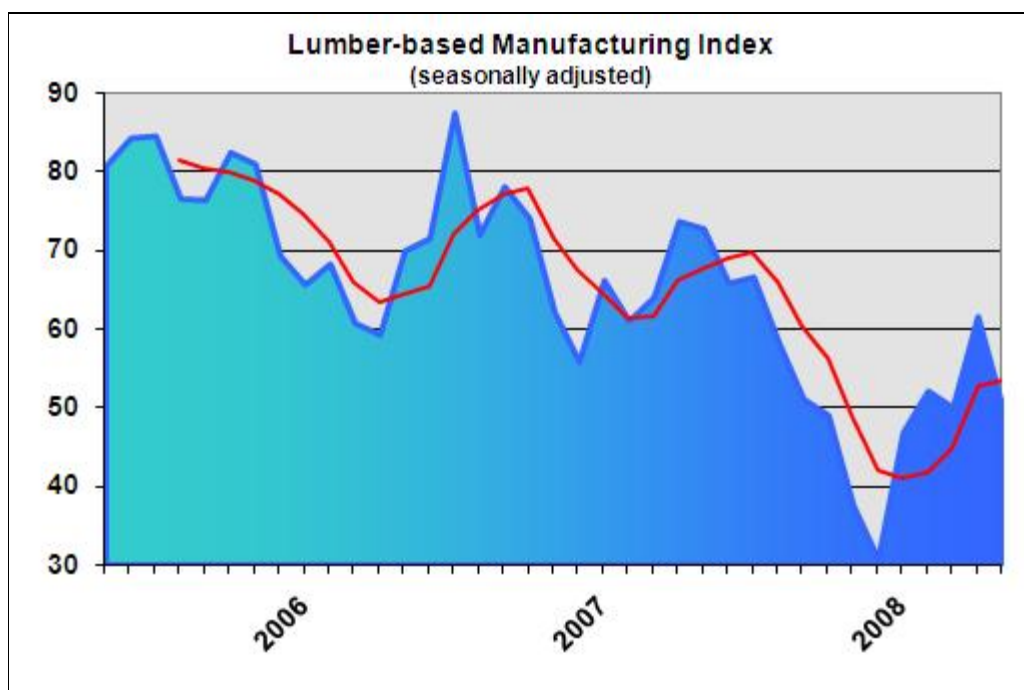
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment dwindled a mere 0.7 percent from last month to 104.3. Unemployment rose to the state level this month of 6.8 percent. The labor force increased by 300 from last month while the number employed also rose 300 persons. This increase was smaller than a normal September increase, thus it raised the seasonally adjusted unemployment rate for the county. Natural Resources and Mining expanded its labor force by 25 percent in May. the local government remains the leading supplier of jobs in the county accounting for approximately 16.9 percent Humboldt County employment. With both the Help Wanted Advertising and Unemployment Claims Indices declining future strength in the labor market is cloudy.



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 failed to expand in May, declining 18.8% from last month to a seasonally adjusted index value of 49.9. Lumber-based manufacturing remains well under historic levels. When compared to prior years manufacturing has declined by more than 30% and 51.4% lower than ten years ago. However, the rise in building permits may apply some upward pressure on future manufacturing activity.

The Institute of Supply Management reports that the manufacturing sector expanded for the first time in four months. Furthermore, the report mentions that wood related products showed signs of

contraction in June. This is partly due to diminishing new orders and higher 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](#)

[The Beige Book](#)

[California Association of Realtors](#)

[The Conference Board](#)

[The Institute of Supply Management](#)

[National Association of Realtors](#)

[U.S. Department of Energy](#)

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