

Humboldt Economic Index

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



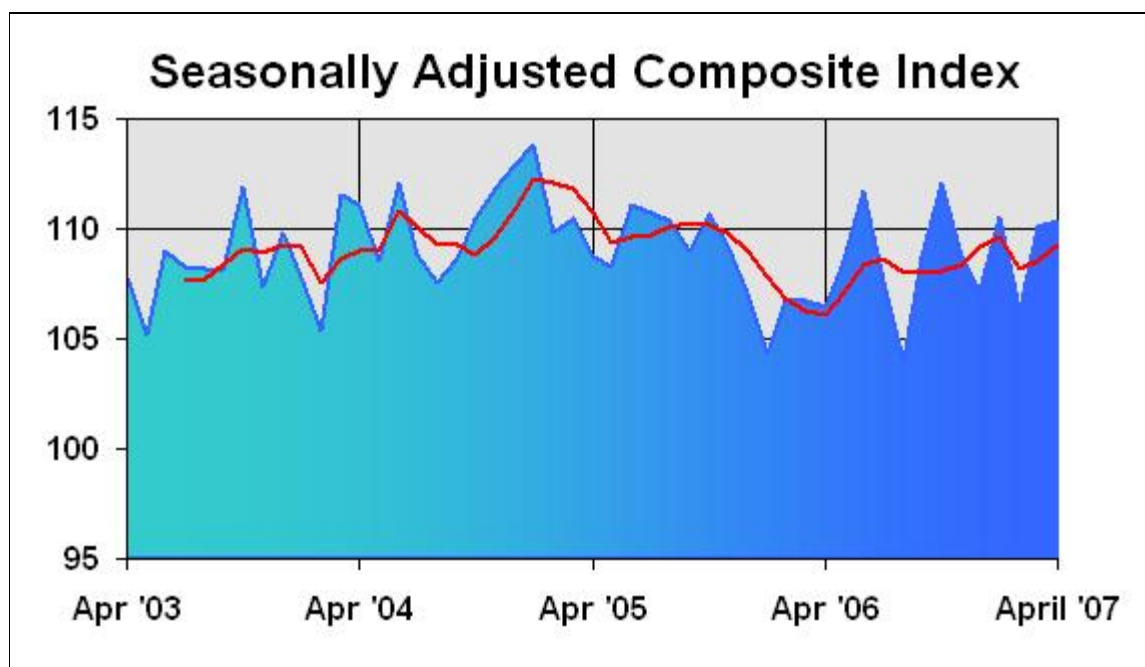
Humboldt Economic Index

May 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 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 Composite Humboldt Economic Index added a slim 0.3 percent this month. The index was heavily weighed down by a deep decline in the Home Sales Index for the month, with number of sales falling sharply. This mirrors weakness in the state and national real estate markets associated with the sub prime lending crisis, as discussed in [last month's report](#). This month's composite Index was buoyed by a strong performance in Hospitality.

Composite & Sectors	
	Percent Change From:

Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	110.4	0.3	3.7	3.9	2.1
Home Sales	91.9	- 32.6	- 18.1	- 30.6	-13.5
Retail Sales	160.3	2.5	24.1	19.6	40.7
Hospitality	93.3	19.1	- 4.7	- 0.3	- 11.7
Electricity Consumption	131.5	0.0	- 4.0	26.5	25.2
Total County Employment	105.6	- 1.0	0.7	3.0	2.5
Manufacturing	73.6	15.0	24.3	- 14.6	- 40.8

* 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‡
\$ 314,000	6.125 %	5.4 %

* 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.

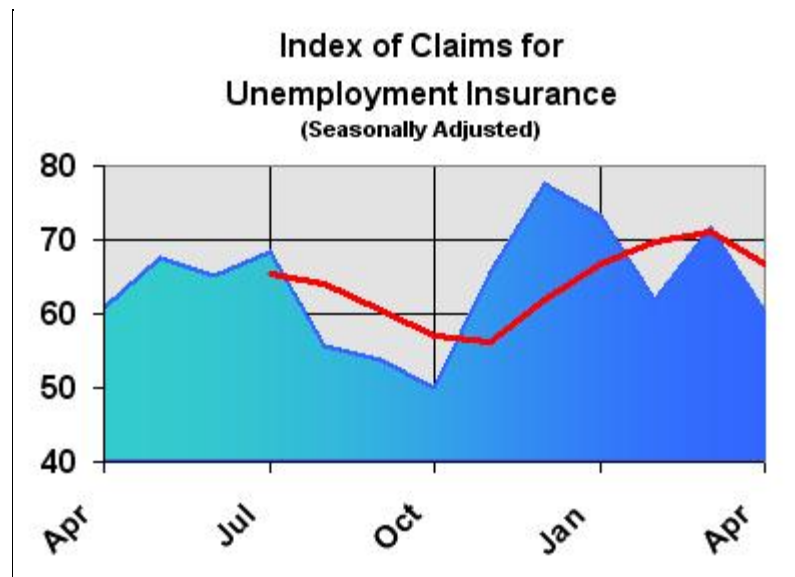
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Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	- 15.6	7.1	- 21.9	not available

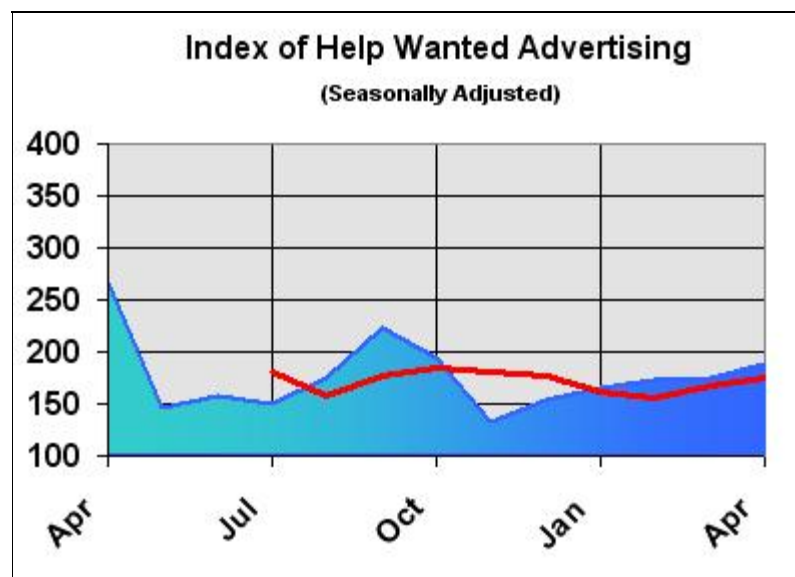
* All values are seasonally adjusted.

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. Manufacturing Orders data are not available this month.



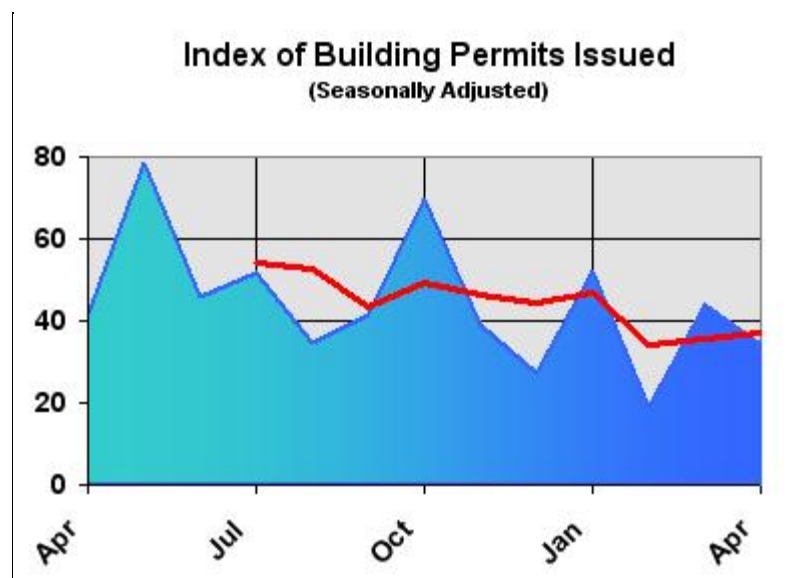
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

There isn't a dramatic or even an apparent trend in the seasonally adjusted Index of Initial Claims for Unemployment Insurance. In April this Index lost 15.6 percent, which in itself is a positive leading indicator for the local economy, but a more prolonged trend would be stronger indication of future activity. This Index now stands at 60.3.



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 is looking up the last several months. The Index is up 7.1 percent in April to a rather high 187.8. Together with the upward trend since November, this bodes well for employment in the months ahead as well as for the broader Humboldt County economy.



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 21.9 percent, bringing the Index to 34.1. This is a low value for this Index, and taken together with the downward trend in the Index shown by the red four month moving average, it appears that this Index is suggestive of slowing economic activity, especially in building in the months ahead.

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

Individual Sectors

Home Sales

The Seasonally adjusted Index of Home Sales collapsed this month. Last month the Index was at quite a high level, and this month the Index has fallen 32.6 percent. It now stands at its second lowest level since the drop precipitated by 9-11. This decline weighed heavily upon the composite Index, causing its meager advance this month. The median house price declined 3.4 percent this month from \$325,000 to \$314,000.

As discussed in the prior edition of the Index, state and national home sales as well as local sales are off as the fallout of the sub prime lending crisis moves through the market. Lenders are tightening lending standards, scrutinizing potential loans more rigorously, and many sub prime lending products are simply no longer available. In Humboldt County, foreclosures rose to 187 from 173 over the month of May, according to RealtyTrac. For more data on our local market, please visit our [Real Estate Web Page](#).

The news for housing this month continues to point toward a large drop in demand, which will lead to a drop in sales and a drop in prices. Nationally, New Housing Sales were up from March to April by 16%, but this was accomplished by a drop in the price by 11% (there is also the issue of massive builder incentives for buyers which are not included in these price cuts). The National Association of Realtors reports that national house prices have fallen year over year for the ninth straight month. They have also once again revised downward its projection for sales, with the new number being a drop of 4.3% in 2007 compared to 2006.

In California, home sales are down 27.8 percent from a year ago, yet the median sale price is still 6.2 percent above April of 2006. The Median price this month in the state was \$597,640, and at the national level sales were down 2.6 percent on the year and the median home price fell 0.8 percent from April 2006 and now stands at \$220,900.

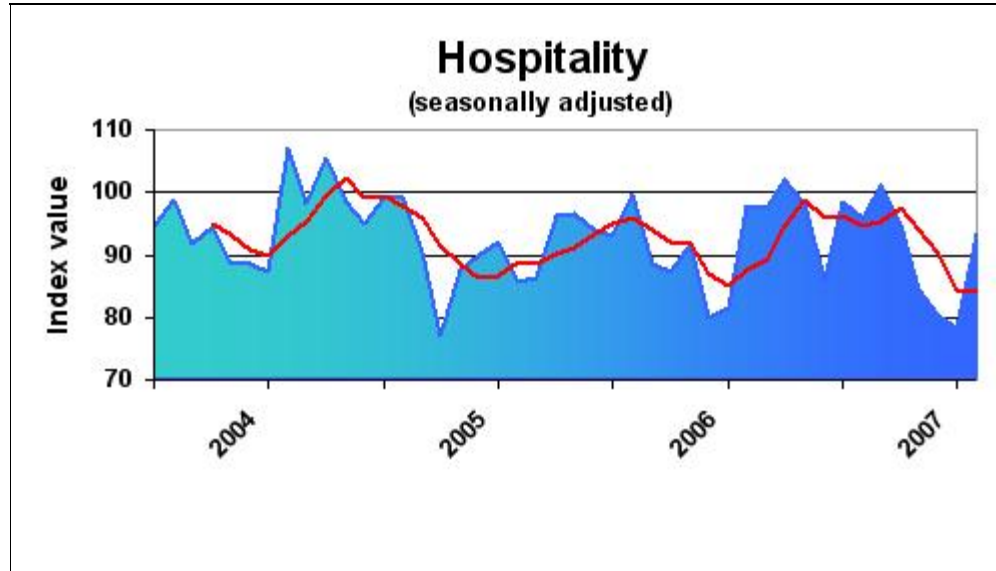
Retail Sales

Retail Sales is traditionally the Index's most reliably strong indicator. It added 2.5 percent to come to 160.3. This is well above the level of 100 where it began in 1994. This represents a record of growth outstripping all other indices in the report dramatically. Only two other sectors, Employment and Energy show positive growth since the Humboldt Economic Index began. The other three sectors have lost ground since 1994. As the chart above reveals, the Retail Index is the only indicator that is above its month ago, year ago as well as the five year and ten year ago levels. This reflects the Index's consistent

pattern of gains over the history of the data series.

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.

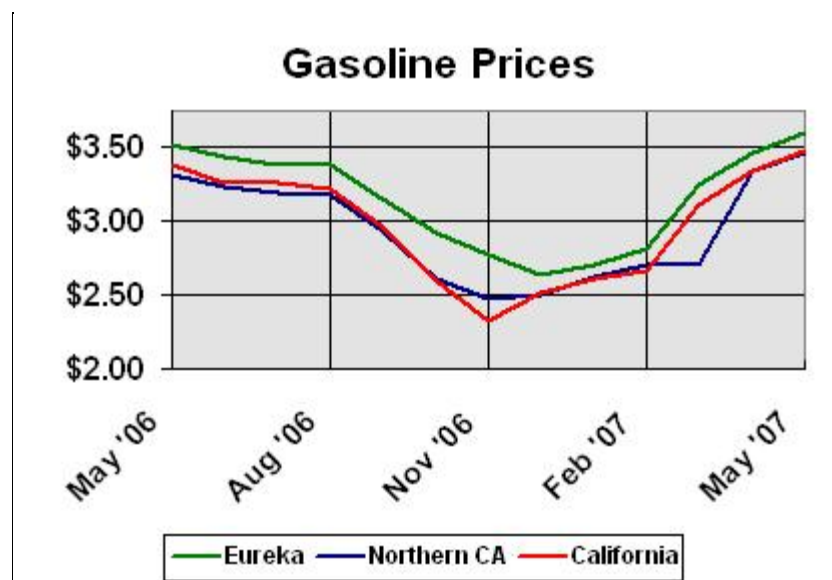
Hospitality is an Index that usually fluctuates within a fairly stable band from the low 80's to just over 100. The Index remains well within this band in spite of a dramatic increase this month. This May, the Hospitality Index added 19.1 percent and was the fastest advancing sector in the report. Without this gain the COMposite Index would have been in the red for the month. This Index lifted the composite into the black. The sharp gain this month brought the Hospitality Index to 93.3.

Gasoline Prices

Gas prices rose throughout the state this month as the summer driving season heats up. The gain was fairly uniform, with a 13 cent price increase in both Eureka and Northern California as a whole and prices rising 14 cents statewide. However, in a very rare occurrence, gas prices in the Midwest are largely equal to Eureka gas price levels, due to some refinery outages in the Midwest. These areas are experiencing gasoline prices that we on the NorthCoast have become accustomed to.

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	3.60	0.13
Northern CA	3.47	0.13
California	3.48	0.14
* 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

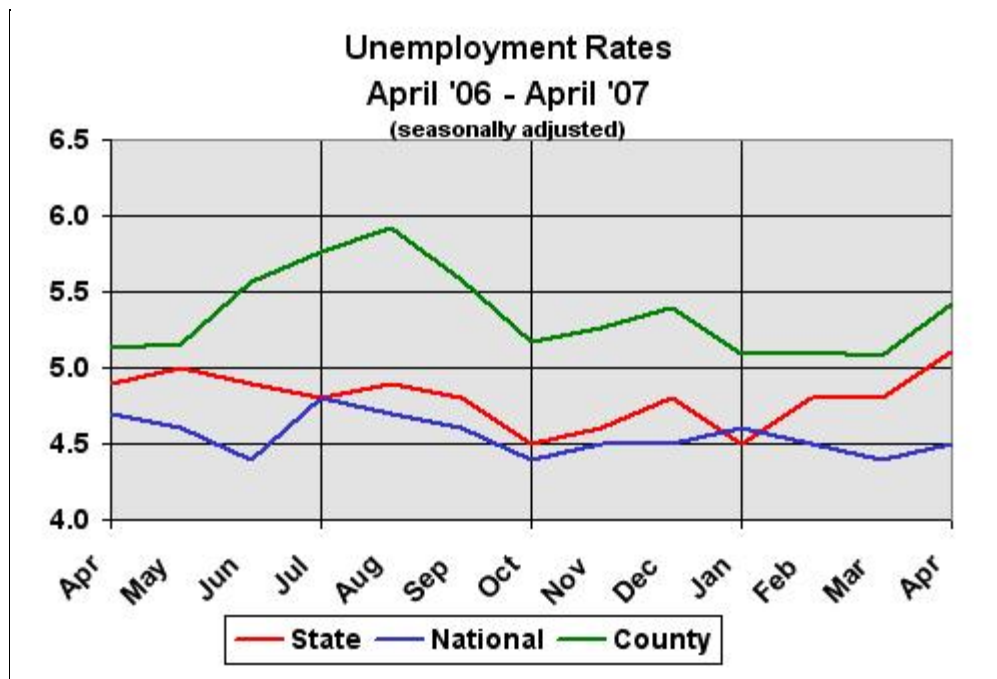
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation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

The Electricity Consumption Index rose dramatically in March of this year, with little changes in January and February over December 2006. The Electricity Index values were 120.0 in both January and February of this year, and 131.5 in March (the most recent data we have). These values are up compared to 11.2 in December, 2006.

Total County Employment

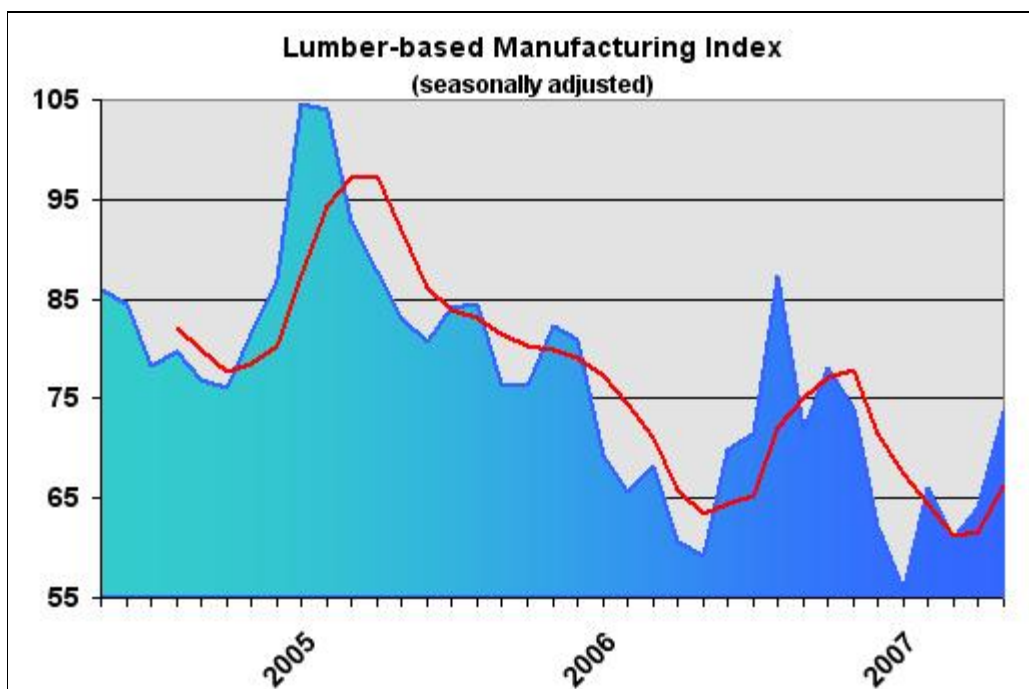
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Employment weakened in the county this month, as the rolls of the employed fell by an unseasonable amount. The County labor force fell by 400 employees and 200 jobs were lost. This led to a rise in the seasonally adjusted unemployment rate. The state and national rates similarly rose, but this was due to the seasonal adjustment as the state and national unemployment rates in unadjusted terms declined, but the declines were less than typical in May. As a result the state and national seasonally adjusted rates rose. The Humboldt County seasonally adjusted unemployment rate now stands at 5.4 percent. The seasonally adjusted California unemployment rate now stands at 5.1 percent and the national rate is at 4.5 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.

Manufacturing in May performed well, adding 15 percent to come to a value for the seasonally adjusted Manufacturing Index of 73.6. In spite of this addition, the Index remains quite low. The Index began in 1994 at 100, and as the above graph shows it was at a level of nearly 105 in 2005. This sector has been declining for several years now and the red trend line, showing the four month moving average, demonstrates a steep decline since the most recent peak in 2005.

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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:

Send us your comments. Comments will be posted on our **Reader Comments** page unless otherwise requested.

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