

Humboldt Economic Index

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Humboldt Economic Index

May 2008

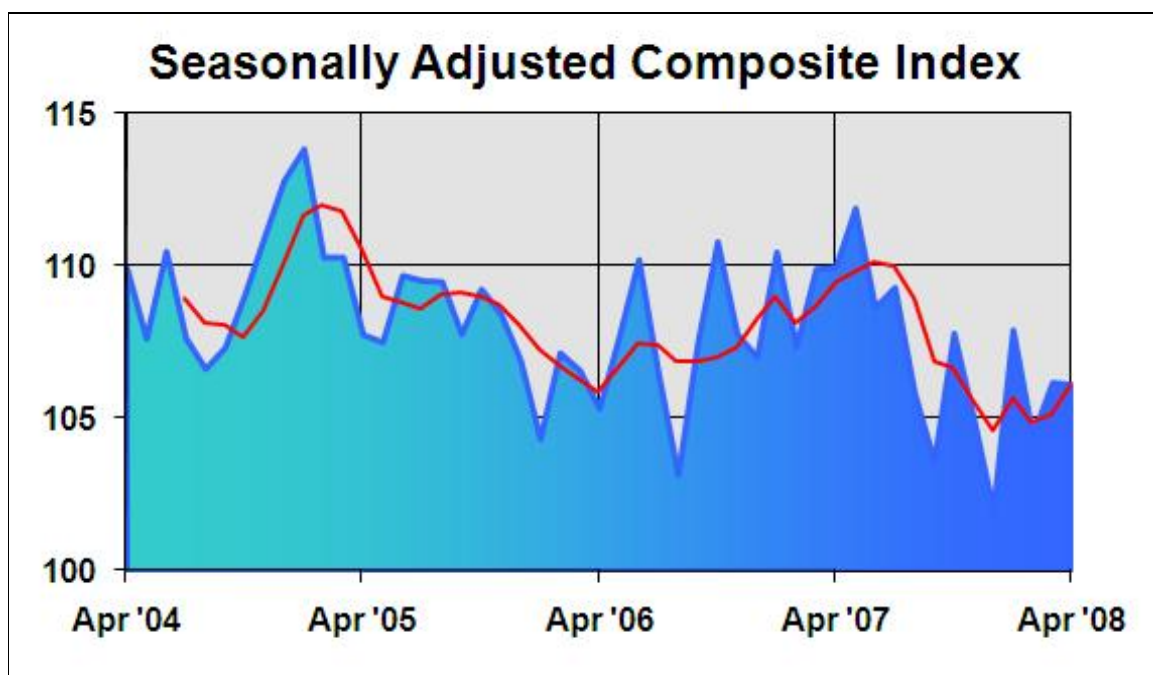
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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

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 Index failed to expand in April, slipping 0.1% from March to 106.1. Hospitality and Electricity Consumption both were in the red this month falling 12.5% and 3.2%. Home Sales were up 6.5% from last month while Manufacturing remains constant with its upward trend since the beginning of 2008 growing 23.1% from last month. It is also important to note that comparing April 2008 to 2007 all sectors of the index are in the negative. However, leading indicators suggest a possible slowing of economic activity in the future, but the labor force seems to be holding steady with falling insurance claims.

Composite & Sectors

Index	Value*	Percent Change From:			
		Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	106.1	-0.1	-3.5	-0.7	0.0
Home Sales	86.0	6.5	-6.5	-43.3	-21.7
Retail Sales	154.6	0.6	-3.5	23.4	28.6
Hospitality	85.6	-12.5	-4.4	0.2	-11.7
Electricity Consumption	129.5	-3.2	-2.3	8.0	26.4
Total County Employment	105.0	0.6	-0.5	1.4	2.3
Manufacturing	61.5	23.1	-16.4	-23.5	-45.4

* 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‡
\$295,000	5.625%	6.1%

* 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.

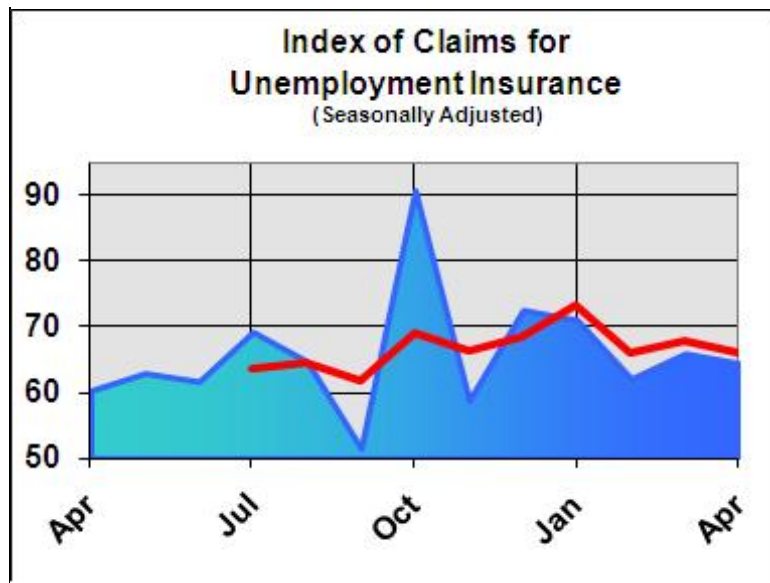
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Leading Indicators

Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	-2.3%	-3.8%	-32.4%	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.



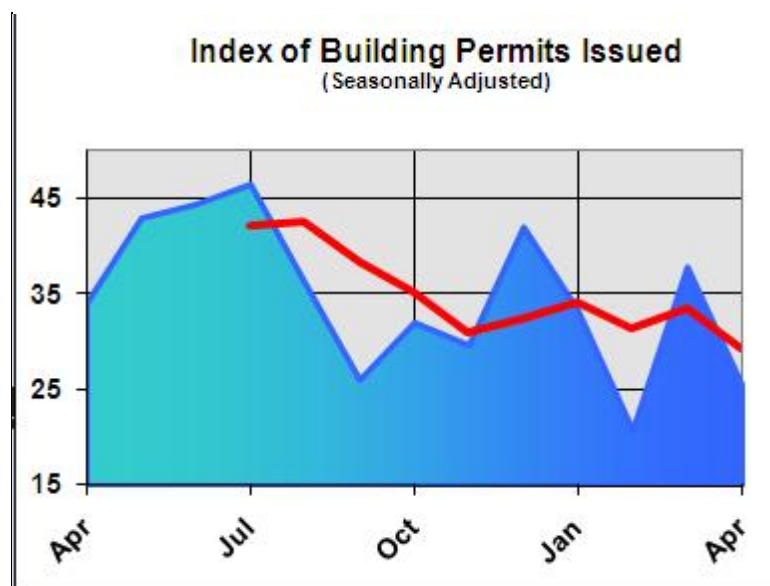
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment claims fell 2.3% in April to 64.5, however when compared to April 2007 this is a 6.9% increase. The month to month decline symbolizes a general strengthening of labor markets which is seen as unemployment remains stable at 6.1% and under the California average.



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 declined by 3.8% from last month to 104.36. This is a 44.4% decline from twelve months ago. The fall in help wanted advertising could mean a softening of the local labor force in coming months.



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 by 32.4% in April to an index value of 25.6, less than half of the long run average for this index which stands at 54.24. The fall in building permits may put downward pressure on future manufacturing activity.

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.

Orders Description

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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 beat out hospitality for the first time since January 2008. Growing this month 6.5% to a seasonally adjusted index value of 86.0. As displayed in the table above this is still well below the April 1998 and 2003 levels and 6.5 percent below sales from last year. The median home price fell by \$2,000 to \$295,000 in April, which is down 6 percent from last year, without adjusting for inflation. Mortgage rates were unchanged from March 2008 holding steady at 5.625%.

Median California house prices collapsed 32 percent from April 2007 to April this year. This is a stunning drop in price that is due to the return to sound lending practices and massive foreclosures. Just to give you an idea about how colossal this price drop is, a 32% drop wipes out a price increase of 47%.

Nationally, the Case-Schiller house price index tumbled a record 14.4 percent from the first quarter of 2007 through the same period this year. Far from being near a bottom in the house price collapse, national and state wide price declines are accelerating.

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](#).

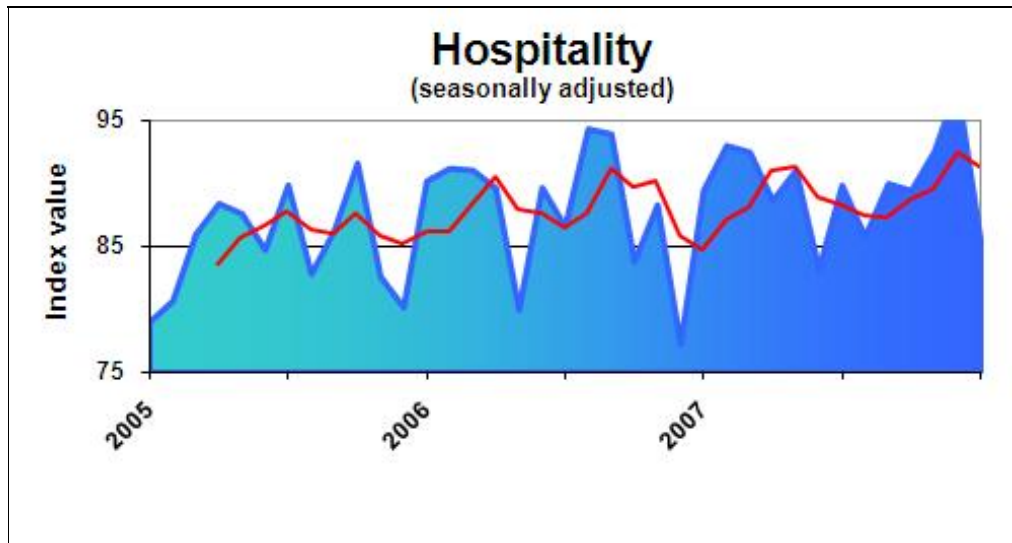
Retail Sales

Retail remains the strongest section of the Index, adding 0.6% from March to a seasonally adjusted index value 154.6. Nearly all local industries across the board experienced increased sales in April. The U.S. Department of Commerce reports that gasoline station and food and beverage store sales were up from the same time last year. However, the Beige Book notes that that the volume of gasoline sales was down significantly from April 2007. The Conference Board also reported that the Consumer Confidence

Index continues to decline and now stands at 57.2. As consumer confidence weakens it will keep downward pressure on sales as consumers start to have more a pessimistic outlook for the future of the economy.

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 took the hardest hit this month losing 12.5% of its March 2008 index value. It now stands at 85.6, well under the long run average of 91.5. The last time the Hospitality Index dropped under the 90 mark was in January 2008.

Gasoline Prices

Eureka gas prices averaged \$4.57 per gallon on June 9, 2008, according to the American Automobile Association webpage.

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.

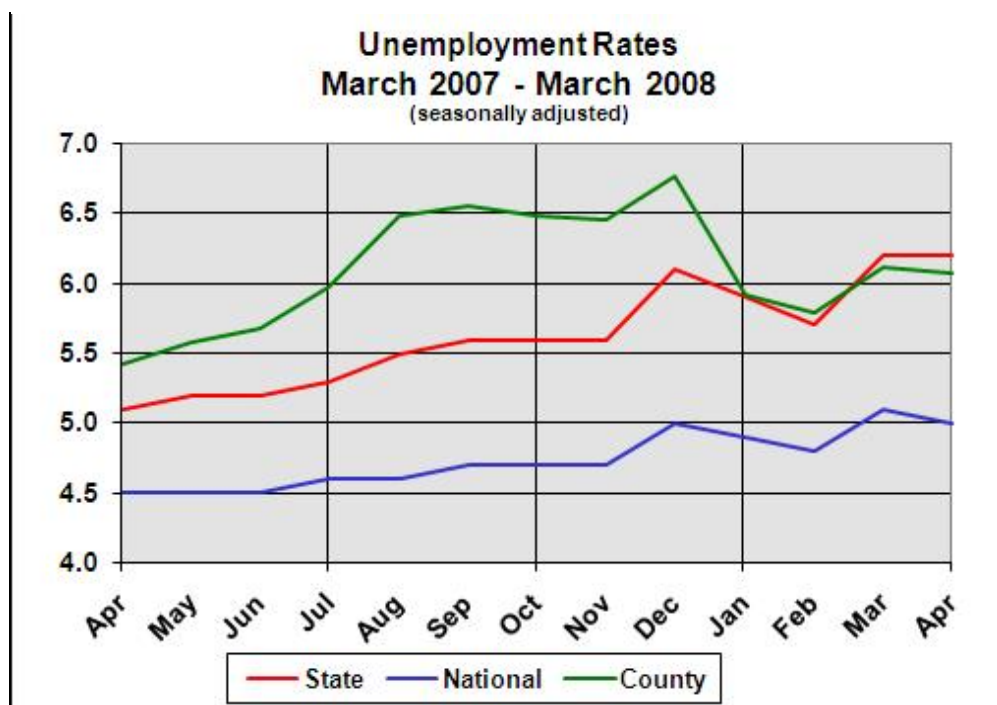
Electricity Consumption

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.

Total County Employment

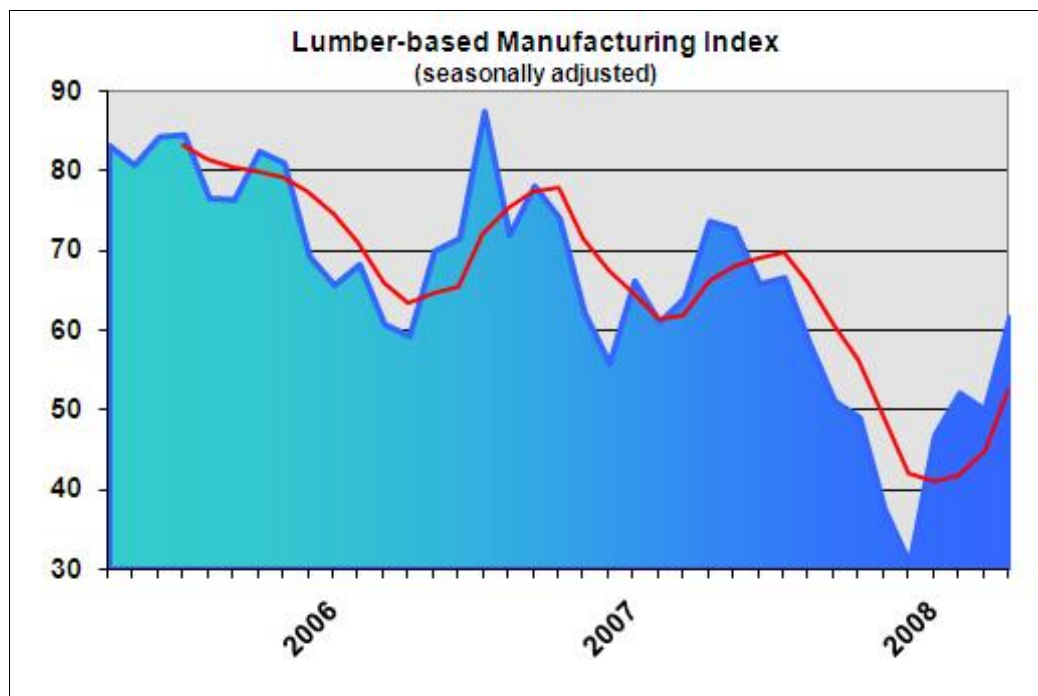
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The Total County Employment edged up 0.6% to 105 in April. The seasonally adjusted unemployment rate now stands at 6.1%; unchanged from March 2008. The Employment Development Department disclosed that the labor force expanded in April by three hundred to 61,200 while civilian employment rose by seven hundred. Natural Resources and Mining expanded by 100 jobs while the Service Providing sector grew by 300. For the first time since May 2004 has the state employment rate been higher than county unemployment rate for two consecutive months.



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 expanded to a seasonally adjusted index value of 61.5; a 23.1% increase from last month. Leading Indicators for April suggest a weakening Manufacturing sector in coming months.

The Institute of Supply Management reports that the Manufacturing sector failed to grow in April, while Wood Products, Apparel, Electrical Equipment, Petroleum & Coal Products, Food also contracted. On a national level Wood Products experienced falling employment levels in April. ISM also documents that the overall economy continues on its 78th consecutive month.

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

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:

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