

[skip navigation](#)



The Index of Economic Activity for Humboldt County

Current Issue

Archive

Projects

Sponsors

Links

Home

Readers Comments

Frequently Asked Questions

Acknowledgements and Past Participation

HSU Economics Department

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

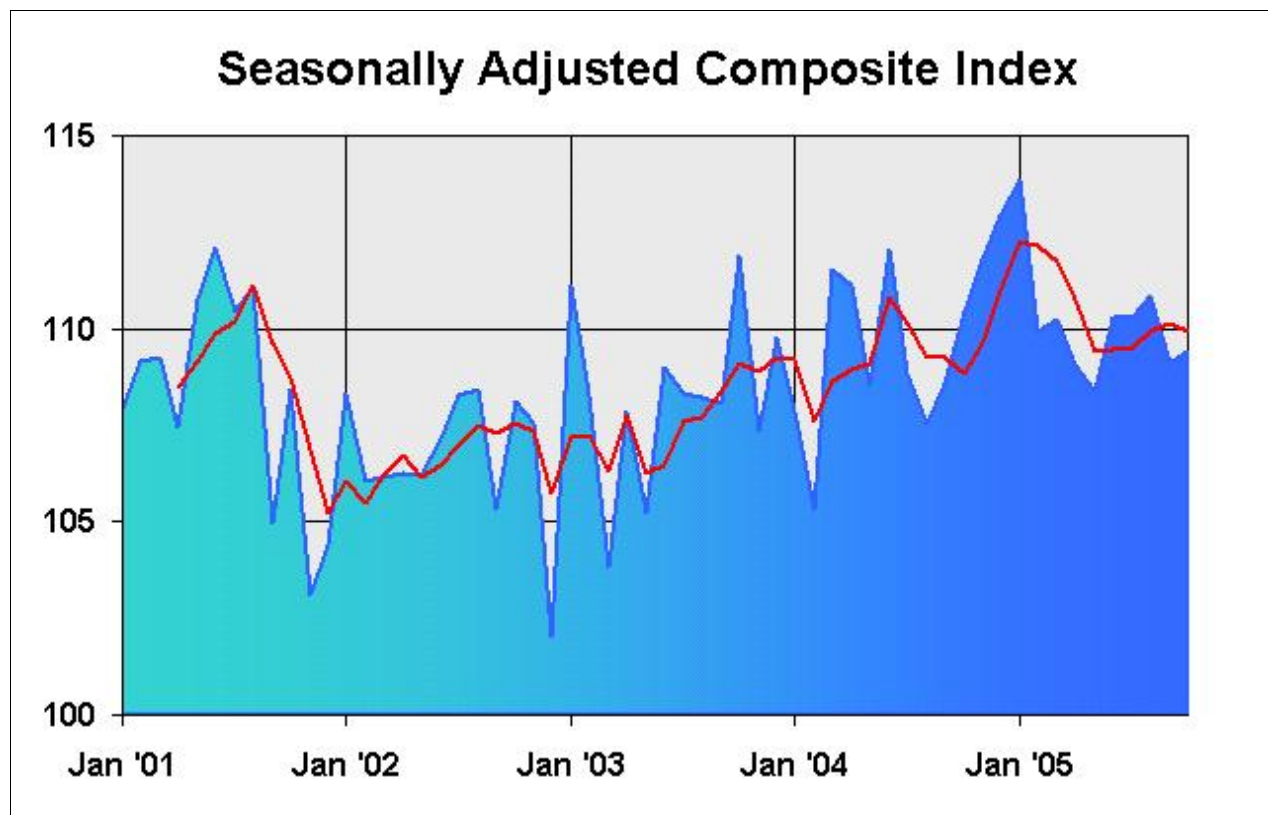
Professor Erick Eschker, Director
Andrea Walters and Garrett Perks, Assistant Editors
Laura Lampley and Haley French, Assistant Analysts

This month's report is sponsored by

[Redwood Region Economic Development Commission](#)

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#)

November 2005



Graphic description: The seasonally adjusted composite *Index* is represented in the graph above by the blue area. The red trendline shows the four-month moving average of the *Index* which smooths month-to-month volatility to show the long run trend.

Composite Index and Overall Performance

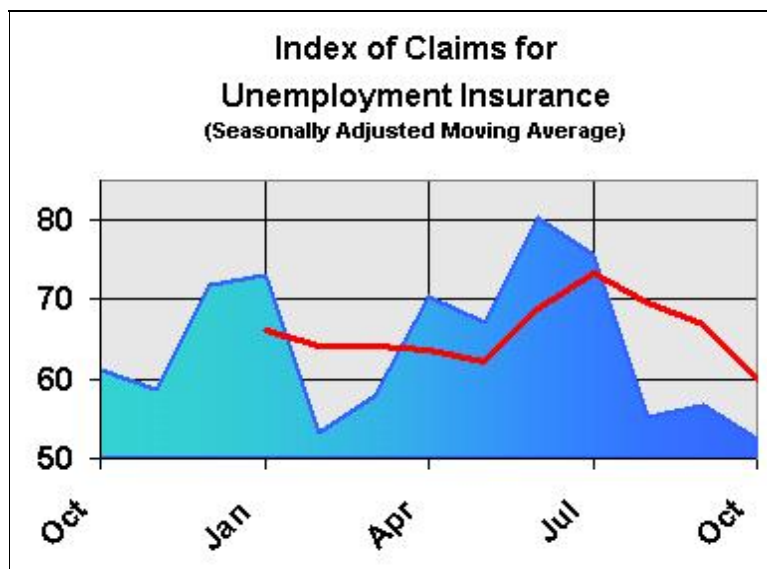
The *Index of Economic Activity for Humboldt County* measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted *Index* that shows changes relative to the base month (January 1994). The composite *Index* is a weighted combination 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.

In October the Index rose slightly, increasing 0.3 percent to a composite Index value of 109.6 (100 = January 1994). The Index was lifted this month by surges in the hospitality and manufacturing sectors. The Hospitality sector continued last month's gains while manufacturing moved out of the red becoming this month's strongest performing sector. Showing the greatest decline this month was electricity consumption. This decline lowered the composite Index for the month, but generally speaking electricity consumption is a somewhat mixed indicator which might decline as a result of falling economic activity in the county, or as a result of increased efficiency or conservation. Seasonally adjusted home sales in the county posted their third consecutive decline this month, although the decline was much less dramatic than the previous two months, falling only 0.6 percent to 122.5. Retail sales also declined again in November bringing the seasonally adjusted Retail Sales Index down to 131.9. County employment posted a slight decline of 0.3 percent this month to an Index value of 105.8, but this decline was driven by new entrants to the labor force and not to job loss in the county. Further employment in the county may be getting stronger in coming months. Our two leading indicators related to employment, the Index of help wanted advertising in the county and the Index of Humboldt County unemployment claims are both at remarkably favorable levels. To the extent that these are accurate leading indicators for county employment, we should expect solid performance in that area in the months ahead.

Composite & Sectoral Performance, <i>Index of Economic Activity for Humboldt County</i>							
* * *		Percent Change From:					
Index	Seasonally Adjusted Index Value (1994=100)	Previous Month	Same Month 2004	Same Month 2003	Same Month 2002	Same Month 2001	Same Month 2000
COMPOSITE	109.6	0.3	-0.7	-2.0	1.4	1.1	-1.7
<i>Sector</i>							
Home Sales	122.5	-0.6	-15.1	-16.9	-13.2	-7.0	4.8
Retail Sales	131.9	-2.2	-5.0	-7.0	3.1	-4.6	5.4
Hospitality	99.7	7.1	0.4	0.8	3.4	-5.1	-7.9
Electricity Consumption	125.9	-4.2	2.6	10.4	10.2	23.5	-3.0
Total County Employment	105.8	-0.3	3.0	1.4	3.3	4.8	0.9
Manufacturing	82.4	7.9	1.0	-10.4	-9.1	-11.4	-17.1

Leading Indicators

These Indices track 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) manufacturing orders. The graphs in this section use a four-month moving average of seasonally adjusted index values in order to smooth month-to-month volatility and render the longer-term trend more apparent.



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

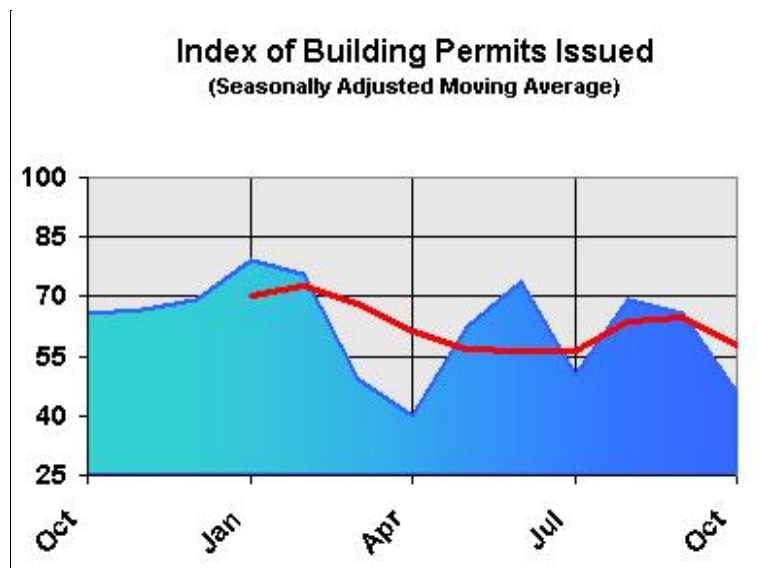
The Index of claims for unemployment insurance is a negative leading indicator of economic activity. An upward trend in this indicator may indicate lower economic activity in coming months. This leading indicator fell by 7.3 percent this month. A decline in this indicator suggests the possibility of increased economic activity in the county in coming months. This likelihood is strengthened by the fact that the indicator has fallen in three of the last four months. The Index of claims for unemployment insurance now stands at 52.55, which is the lowest index value for this indicator since we began tracking unemployment claims in January of 1994. To the extent this indicator is reliable, this should be seen as a sign of a strong employment situation in the county in coming months.



Graphic description: 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 show the overall trend in the data with less monthly volatility.

The Index of help wanted advertising is an indicator of labor market conditions and job creation. This Index is based on help wanted advertisements posted in the *Eureka Times Standard*. In November, the Index increased for the third consecutive month to stand at 167.48. This is an 11.3 percent increase over last month and is the highest value for this indicator since March. This is also a strong indicator for county employment in coming months.

National help wanted advertising remained unchanged this month according to the Conference Board. Their Index of help wanted advertising stood at 38, one point higher than the level for the same month a year ago. Gains continued in the South Central region of the US. These gains offset losses continuing in most other regions, with the conference board reporting that of the nine regions they track, eight have shown weak numbers for the past three months. Ken Goldstein, a labor economist at the conference board, is expecting weak post-holiday labor market performance at the national level on the basis of this data. (conferenceboard.org)



Graphic description: 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 show the overall trend in the data with less monthly volatility.

The Index of building permits issued gives insight to future home sales and construction. In September the Index of building permits fell by a seasonally adjusted 30.4 percent to an Index value of 45.66. This is a significant, but not terribly unusual decline in this historically volatile index which fell 31 percent in July and climbed by 37 percent in August. This decline is not as significant as the general downward trend in the moving average. This may indicate a future softening in construction and real estate in the county.



Graphic description: 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 show the overall trend in the data with less monthly volatility.

The Index of manufacturing orders shows expectations for future manufacturing sales. This leading indicator rose dramatically by 88.2 percent in November and now stands at

118.9. Because manufacturing orders are subject to dramatic shifts, the moving average helps to illustrate the larger trend. This trend was generally level in the few months prior to November with a slight upward tendency which began in 2003. It remains to be seen whether this month's dramatic increase in expectations is borne out in actual production in the months ahead, and if so whether this higher level is sustained or is a fleeting spike in output.

Key Statistics		Leading Indicators	
			% Change From Previous Month
Median Home Price*	\$331,055	Unemployment Claims	-7.3
30 Yr. Mortgage Rate as of 6/28	6.0%	Help Wanted	11.3
Unemployment Rate**	5.5%	Building Permit	-30.4
		Manufacturing Orders	88.2
* 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.			
** Preliminary EDD data (not seasonally adjusted). See the EDD Website for updates.			

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#)

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 home sales Index remains largely unchanged this month at 122.5. This represents a negligible decline of about a half percent. This measure is 15.1 percent lower than it was a year ago, and indicates easing of the housing market which has seen tremendous growth over the last few years. The median price of a home sold in October was \$331,055. This is 4 percent higher than the previous month's median selling price. Over the last two years, the median selling price of Humboldt County homes rose at a rate of nearly 25 percent per year. Although this rate was lower this year than last, some are still concerned that this could indicate a bubble in the housing market.

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.

California's median selling price, as reported by the California Association of Realtors, decreased in October, falling 9.6 percent to \$538,770. This still represents a 17.2 percent increase over the home selling price for the same period last year. In October the Index of home sales in California did decline 2.8 percent when compared with October of 2004. This indicates that the state housing market is beginning to soften, but it is still unclear whether this softening will be mild or more precipitous. Also, Vince Malta, President of the California Association of Realtors pointed out last week that while statewide prices are leveling off from their August peak, prices in certain regional markets such as Riverside, San Bernardino, Desert areas and San Louis Obispo, continue to post strong gains. (car.org)

The National Association of Realtors (NAR) reported an increase in selling price in October on the national level. The national median selling price of an existing home rose to \$218,000 in October, recovering much of September's loss. This represented an increase of 2.8 percent. At the same time, the seasonally adjusted number of homes sold fell 2.7 percent in October from the September level, but remained 3.7 percent above the October period a year ago. David Lereah, NAR's chief economist, commented on the decline in existing home sales that, "We are returning to more balanced markets between home buyers and sellers, one that places buyers on a more even footing. Housing activity has peaked and is coming down a bit, and we expect further cooling in the coming months." (realtor.org)

According to the country's largest mortgage company, Freddie Mac, the nationwide average for a 30-year fixed rate mortgage as of December 1st eased slightly to 6.26 percent with an average 0.5 points. Frank Nothaft, Freddie Mac vice president and chief economist noted that "Mortgage rates are in a holding pattern at the moment as financial markets try to discern where inflation and growth in the economy are headed. Until the market decides these issues, mortgage rates should stay within a relatively narrow band." Commenting on Fannie Mae's decision to increase the maximum size of loans it is willing to buy, Nothaft added further that "Current low mortgage rates, coupled with the higher 2006 conforming loan limits of \$417,000, should help to keep the mortgage industry bustling as we head into the new year." (freddiemac.com)

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 retailers.

The retail sales sector shrank again in October, falling 2.2 percent to a seasonally adjusted Index value of 131.9. This is a 5.0 percent decrease from the same period last year. This continues declines last month in what has been a weak year for the retail index. This month's level of 131.9 is the lowest since February of 2004. Also disturbing about this index is the noticeable negative trend in the moving average since the beginning of the year.

The U.S. Census Bureau reported that according to their advance estimate for the month of October, national retail sales remained essentially unchanged from September, falling a statistically insignificant 0.1 percent. The margin of error for this estimate was $\pm 0.7\%$.

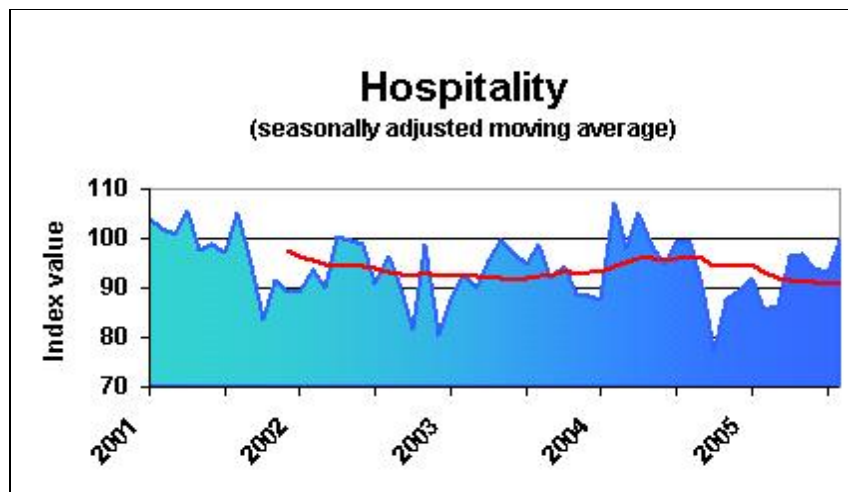
Seasonally adjusted sales estimates now stand at \$351.6 billion. This represents a 5.7 percent ($\pm 0.5\%$) increase for the year ending in October. (census.gov)

Retail sales across the nation grew in most districts according to the Federal Reserve Board's Beige Book, reporting through mid November. Consumer prices in some districts were being lifted moderately by increases in energy and input prices, while in other districts businesses were less able to pass on higher prices to consumers due to competitive pressures in those districts. In nearly all districts auto sales were weak as incentive programs and other discounts came to an end and a shift was noted taking place in many districts away from large domestic vehicles and toward smaller, more fuel efficient, foreign vehicles. (federalreserve.gov)

National consumer confidence as measured by the Conference Board surged impressively this month to 98.9 from 85.2 last month. Lynn Franco, Director of The Conference Board Consumer Research Center, opined that the shift was driven by more than 40 cent declines for the month in gas prices and an improving job market. This month's reading is still somewhat behind pre-Katrina levels, but has improved markedly leading into the holiday shopping season. (conferenceboard.org)

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.



Graphic description: 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 show the overall trend in the data with less monthly volatility.

The hospitality sector increased again this month, posting a respectable 7.1 percent gain to stand at an Index value of 99.7. This represents an increase of 0.4 percent over the same period last year. This seasonally adjusted Index differs from raw occupancy rates in that the expected seasonal fluctuation is removed so that more subtle, but perhaps more meaningful changes in the county's hospitality industry can be identified without being obscured by the seasonal ebb and flow of tourism in the area. The red trend line shows a

four month moving average. This shows fairly stable performance in the industry over the years.

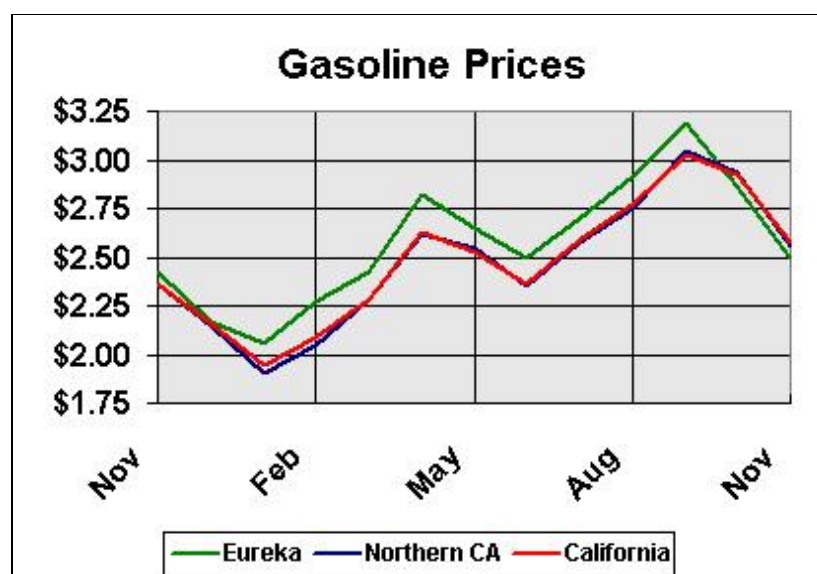
Gasoline Prices

The California State Automobile Association (CSAA) reports that county gas prices have continued falling again this month. Similarly, prices continued declines at the state level, but nationally prices crept back up from \$2.72 to \$2.92 in data as of November 15. The average price per gallon of gas in Eureka fell more sharply again this month than last, shedding 36 cents to rest at \$2.50. We are experiencing large declines in Humboldt County, but prices are still quite high when compared to levels near two dollars per gallon back in January. (csaa.com)

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.

Average Price* (as of 11/15)		Change From Prev. Month (cents/gal.)
Eureka	\$2.50	-36¢
Northern Ca	\$2.56	-37¢
California	\$2.58	-34¢

Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association's 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 indicator in that it usually correlates with economic activity; however, increases in energy efficiency and conservation reduce the sector's index value while not necessarily indicating decreased economic activity. Further, because we collect our data for this sector quarterly, values are estimated, and are revised quarterly when the data are received.

November's electricity consumption Index is estimated at 125.9. Data for the last quarter has been released, and during that time consumption increased by a seasonally adjusted 9.8 percent. This brought the revised Index of electricity consumption up to 131.5 for last month.

Total County Employment

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

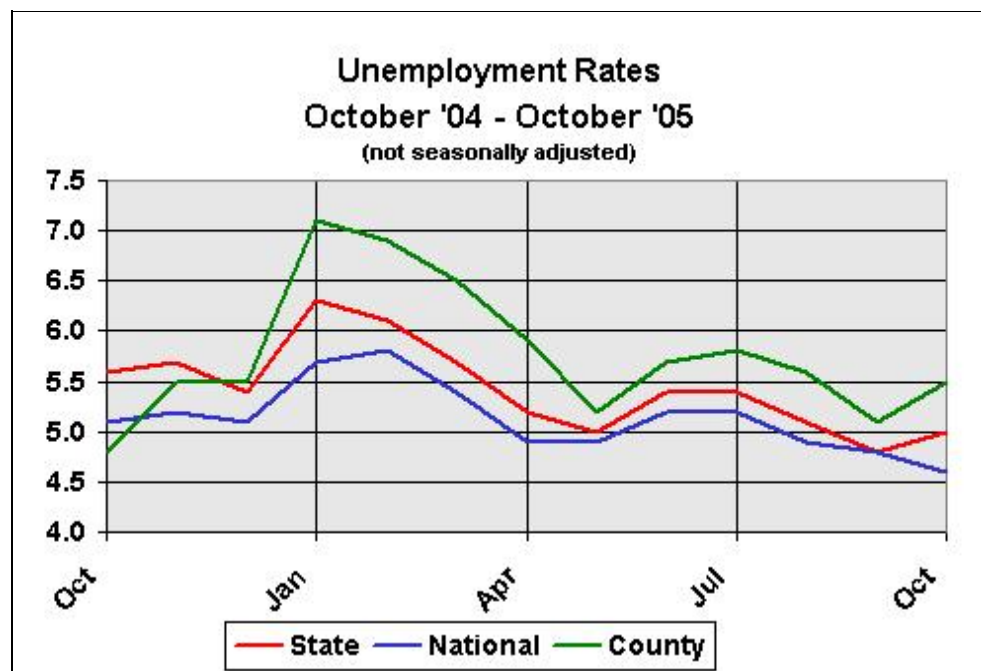
Preliminary employment and labor force data for November reported 58,800 people employed in Humboldt County. This is a net gain of 300 jobs from September's revised figure and represents the creation of 900 jobs in the county over the last two months. In spite of this increase, the county unemployment rate increased this month to 5.5 percent from a revised level of 5.3 percent last month. This is because as the county created 300 additional jobs this month, 400 individuals joined the labor force. These new entrants to the labor force counterbalanced job creation to cause the increase in the unemployment rate. After adjusting for seasonal variation, the employment sector's Index value contracted slightly again, decreasing 0.3 percent to 105.8. This represents a 3.0 percent gain from the same period last year.

Sectoral changes in Humboldt County employment:

- Overall the service sector posted a net gain of 100 jobs in October.
 - Miscellaneous Retail stores recovered 200 jobs.
 - Educational and Health Services lost 100 jobs.
 - Financial and Insurance Services remained unchanged.
 - Local Government gained 200 jobs.
 - State Government Education gained 200 jobs.
- Net employment in the manufacturing sector remained unchanged.
 - Wood Product Manufacturing was unchanged as well.

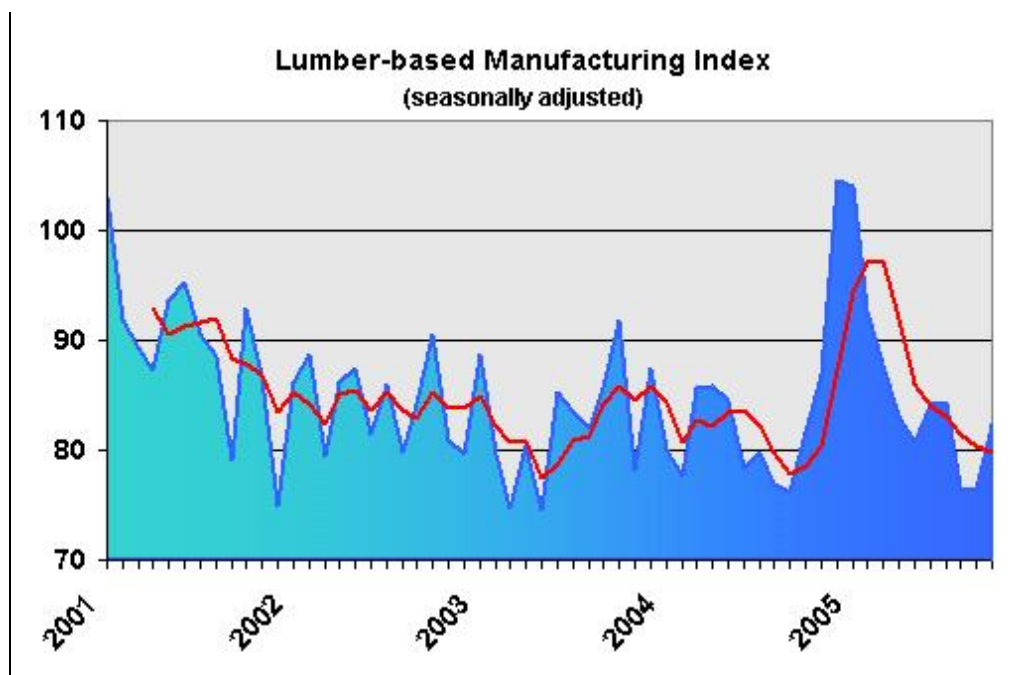
The national unemployment rate continued to fall, now resting at a comfortable 4.6 percent. California's unemployment rate rose slightly this month to 4.9 percent, from 4.8

percent last month. Humboldt County's unemployment rate remains well above the state and national rates.



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 60 percent of total county manufacturing employment.



Graphic description: 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 show the overall trend in the data with less monthly volatility.

In November, lumber based manufacturing surged 7.9 percent to an Index value of 82.4. This advance recoups some of the losses the Index has suffered earlier in the year. This Index now stands one percent higher than it did one year ago.

According to the Institute for Supply Management, manufacturing at the national level grew at a strong pace, continuing an impressive trend of growth in manufacturing every month for the past 30 months, or about two and a half years of uninterrupted month-over-month gains for US manufacturers. This is especially interesting in light of the fact that American auto makers have struggled considerably of late. (ism.ws)

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#)

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 2003" report reflects data from July 2003. 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](#)

[The Conference Board](#)

[The Federal Reserve Board – Beige Book](#)

[Freddie Mac](#)

[Institute of Supply Management](#)

[National Association of Realtors](#)

[U.S. Bureau of the Census's home page](#)

-

[Send us your comments](#). Comments will be posted on our [Reader Comments](#) page unless otherwise requested.

Copyright © 2005 [Erick Eschker](#)

