

Humboldt Economic Index

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

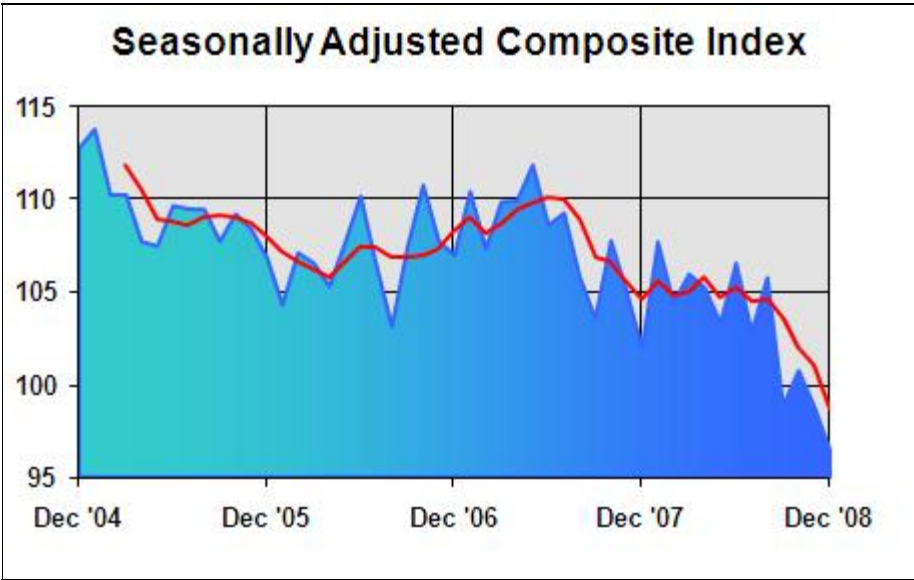
Humboldt Economic Index

January 2009

Professor Erick Eschker, Director
Casey O'Neill, Assistant Editor
Mike Kowtko Jr, Assistant Analyst
This month's report is sponsored by:

Coast Central Credit Union

Leading Indicators | Individual Sectors | Home Sales | Gasoline



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.

Activity throughout December edged up 1.7 percent from the previous month. However, as shown below this is still noticeably under traditional levels. Home sales are at the lowest level ever recorded by the Index. Sales activity declined 16.2 percent from last month. Homes have lost almost \$100,000 in value since the peak in 2006 while favorable interest rates have yet to have spurred on sales. This may be due to the rising unemployment rate, now at a seasonally adjusted 9.4 percent, the highest in Index history. Retail and Hospitality declined 1.4 and 8.8 percent respectively as consumers taper back spending during worsening economic conditions. Manufacturing continues to fallow boom and bust periods, declining 10.3 percent from November. Electricity Consumption surged 31.0 percent from last month and is at its second highest Index value ever of 144.8. High electricity consumption could be driven by the increased number of people actively searching for jobs or discouraged workers who are not working and spending more time at home. Leading indicators suggest further softening in the labor markets but may experience a slight increase in economic activity as building permits show early signs of partially recovering.

Composite & Sectors					
		Percent Change From:			
Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	99.1	1.7	-5.4	-12.0	-12.4
Home Sales	58.3	-16.2	-15.9	-59.5	-50.9
Retail Sales	147.2	-1.4	-6.2	4.0	11.3
Hospitality	79.7	-8.8	-11.5	-14.5	-17.0
Electricity Consumption	144.8	31.0	10.6	26.4	33.3
Total County Employment	100.8	0.4	-3.1	-1.7	-1.9
Manufacturing	33.8	-10.3	10.3	-61.3	-71.7
* 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.					

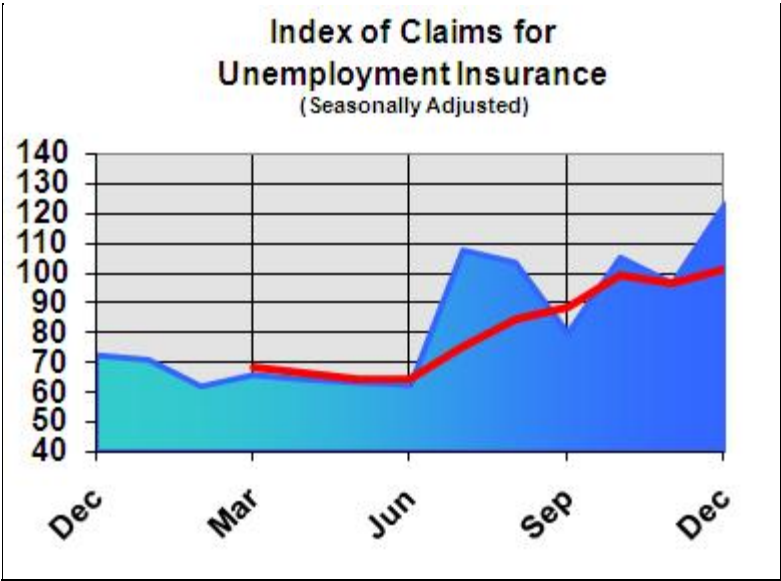
Key Statistics		
Median Home Price*	Mortgage Rate†	Unemployment Rate‡
\$252,000	4.625%	9.4%
* Home price data are provided by the Humboldt Association of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without 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.		

Leading Indicators | Individual Sectors | Home Sales | Gasoline

Leading Indicators

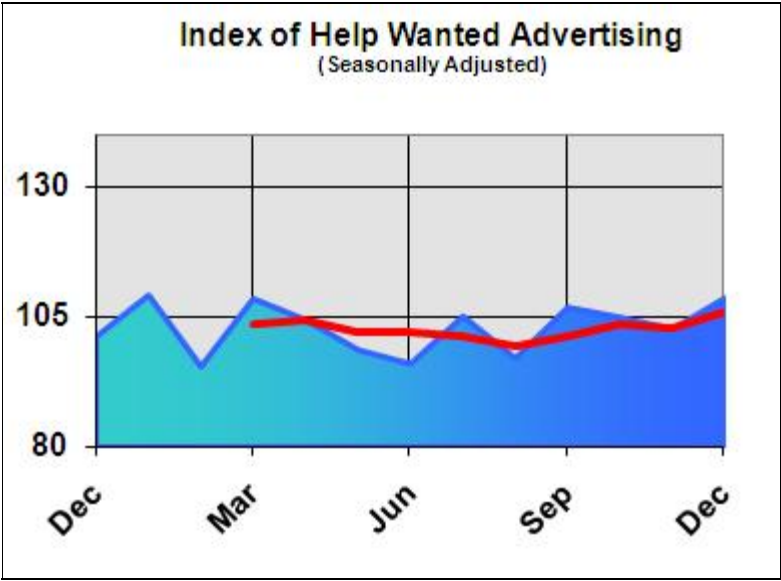
Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	27.5%	5.8%	193.1%	N/A
* All values are seasonally adjusted.				

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.



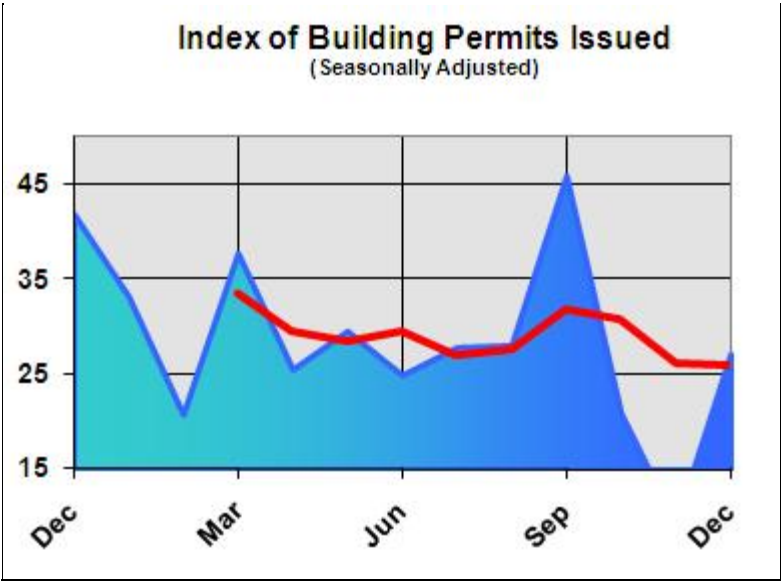
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment Claims have been on a steady march north since June 2008 to its highest level since the inception of the Index. As seen in the four month moving average above. The rise in this index has a negative affect on the local economy. Rising index values could signal future weakness in the labor markets as people have a harder time to find work.



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 rose 5.8 percent throughout December from last month. The rise was attributed to seasonal adjustments as December on a whole is a time where advertising falls, due to the closing of the holiday seasons. However, during these times companies are beginning to find readjust their work force to the current economic times.



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.

While permits month-over-month dramatically rose by 193.1 percent it still remains at low levels. Permits rose to a seasonally adjusted index value of 27.2; however, the running average for this index is 53.2. The rise in permits could support additional activity in the county or companies taking advantage of falling prices.

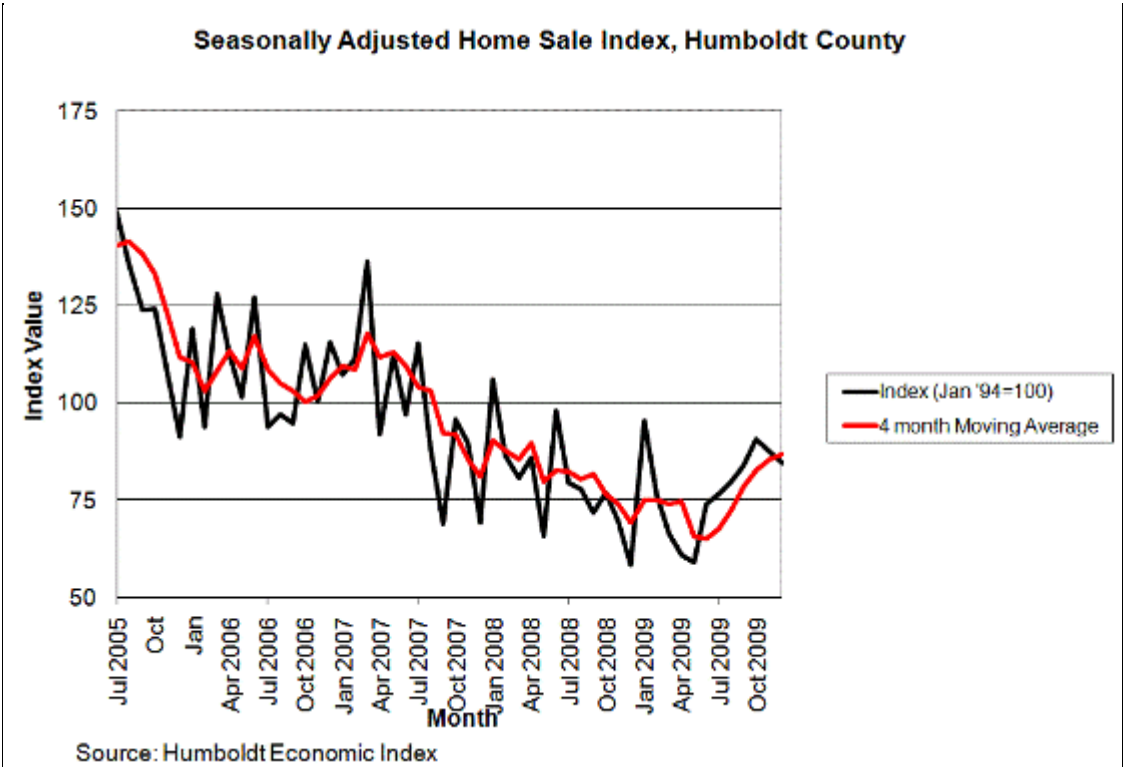
[Leading Indicators](#) | [Individual Sectors](#) | [Home Sales](#) | [Gasoline](#)

Individual Sectors

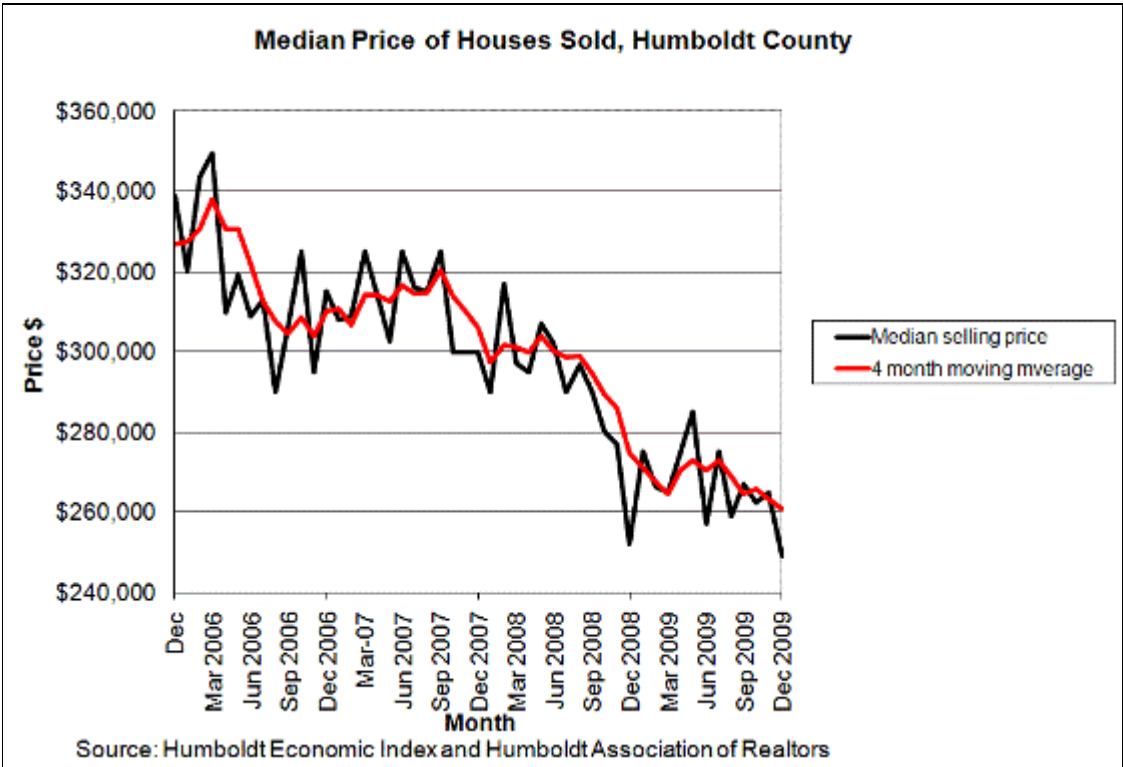
Home Sales

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.

Humboldt County's Housing Index is at the lowest recorded level since the Index began in January of 1994. The previous low was January of 1997. Sales contracted for the second month, down 16.2 percent to an index value of 58.3.



The Median home price fell 9.03 percent from last month to \$252,000; however, in inflation adjusted terms the month over month drop was an 8.04 percent drop. Moreover, Median prices have decline nearly \$100,000 or 28% since its peak back in March 2006. Interest rates in Humboldt County remained unchanged from last month at 4.625%. Sales continue to fall in Humboldt County, regardless of falling housing prices, partly due to falling employment throughout the county and the current condition of the state's budget deficit. Currently Local, State, and the Federal Governments employ approximately 25.5% of the employment throughout Humboldt County. Further cuts in government spending could cause further deterioration of home sales in the coming future.



The **California Association of Realtors** reports that sales expanded throughout December by 84.9 percent from the the same period last year. When compared to November 2008 sales rose by 5.9

percent. The drastic rise in sale from year-to-year is largely attributed to falling housing prices. Median home prices in California throughout December 2008 was \$281,100, this was a 2 percent drop from last month and a 41.5 percent reduction from December 2007.

Meanwhile the **National Association of Realtors** reported that Existing-home sales, of all types, rose 6.5 percent from last month while the median home price was \$175,400, a 15.3 percent decline from the same period last year. NAR also reports that for 2008 as a whole the median home price was \$198,600, a 9.3 percent decline from 2007. Single-family home sales rose 7.0 percent from the previous month while the median price fell to \$174,700, a 14.8 percent drop from December 2007. The biggest contributor to sales was the Western region where sales "jumped" 13.6 percent from last year and 31.6 percent from the same time last year according to the National Association of Realtors.

Freddie Mac reported that the national average for a 30-year fixed-rate mortgage in December fell to 5.29 percent from 6.09 percent from the previous month.

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**.

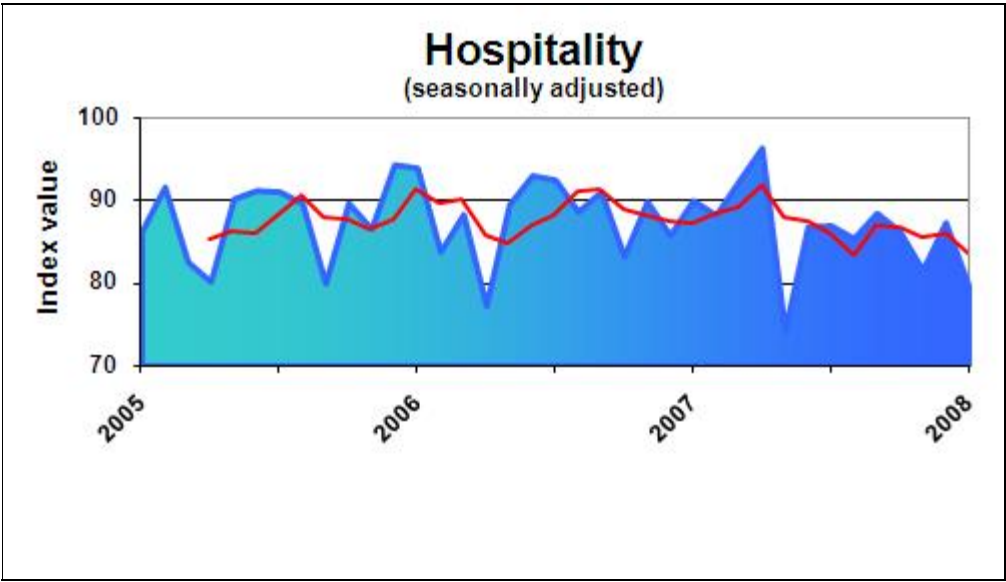
Retail Sales

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 sales declined for the second month to a seasonally adjusted index value of 147.2, a 1.4 percent drop from last month. When compared to the same period last year there was a 6.2 percent decline year over year. It is evident that consumers are becoming more thrifty with their money in hopes to ride out the recession. The **Conference Board** reports that their Consumer Confidence index continues to decline into historic lows. With the economy cooling off and unemployment on the rise sales will likely have contractionary pressure throughout the near future. During a recession there is usually a decrease in spending of luxury goods and services and an increased focus on necessities. Leading indicators suggest further softening in this index as employment remains diminished.

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.

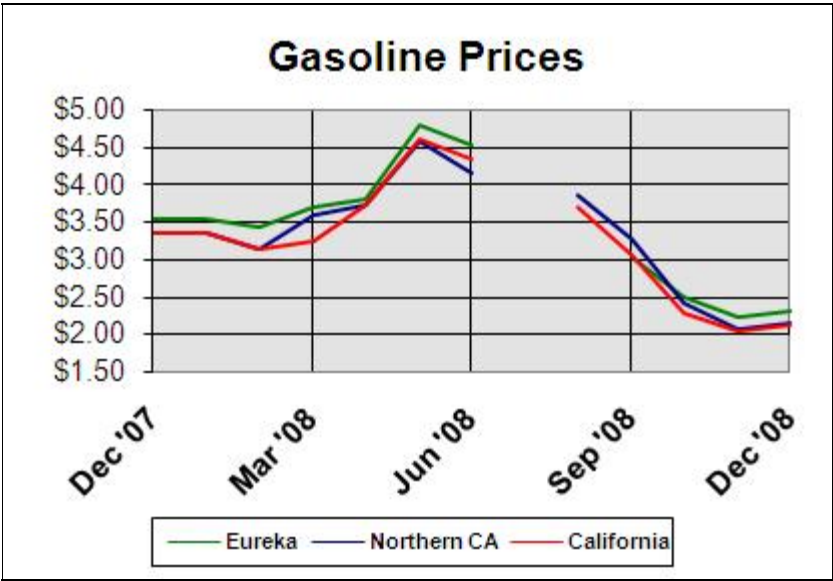
Hospitality contracted 2.2 percent from last month to a seasonally adjusted index value of 79.7. While economic conditions continue to worsen occupancy rates decline as people begin scaling back spending of vacation and/or tourism. National indicators suggest further contraction as market conditions worsen and unemployment continues to rise.

Gasoline Prices

Gas prices for Humboldt County rose \$0.08 cents in December after three months of recorded declines for the index. The rise in gas prices could be caused from decreased output from OPEC and other oil producing counties as they try to stabilize worldwide prices. The price of oil has been trading around \$40 a barrel; moreover, this low price level has created a contango, where current prices are less then future contracts. This has lead to nearly 80 million barrels to be stored in offshore tankers around the world. This is approximately one day's world consumption. This increase in inventories could keep prices lower or from rising in the future as supply will increase as the price does; which as many know an increase in supply of a good causes prices to drop.

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 12/10/2008	Average Price*	Change from Previous Month
Eureka	\$2.29	\$.08
Northern CA	\$2.15	\$.08
California	\$2.11	\$.08
* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).		



Electricity Consumption

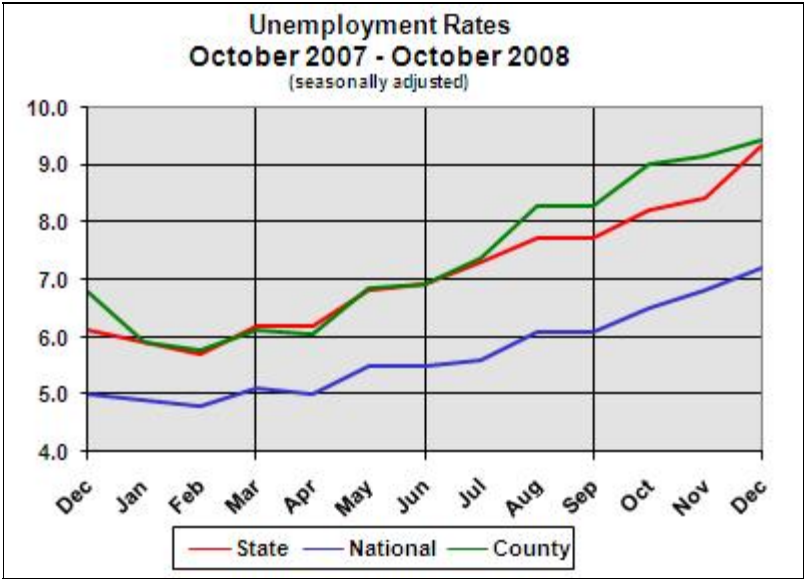
The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation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

December's Electricity Consumption index now stands at 144.8, this is a 1.7 percent increase from last month. With the new quarterly data in the index values for October and November were 133.73 and 110.54, respectively. The rise in electricity consumption may be attributed to the increase in unemployment, as residents stay home longer or use the Internet and other electronic media to search for new work. The [Associated Press](#) reports that New York is experimenting with micro turbines atop skyscrapers. New York hopes that if efficient enough this will add to their renewable energy portfolio later down the road.

Total County Employment

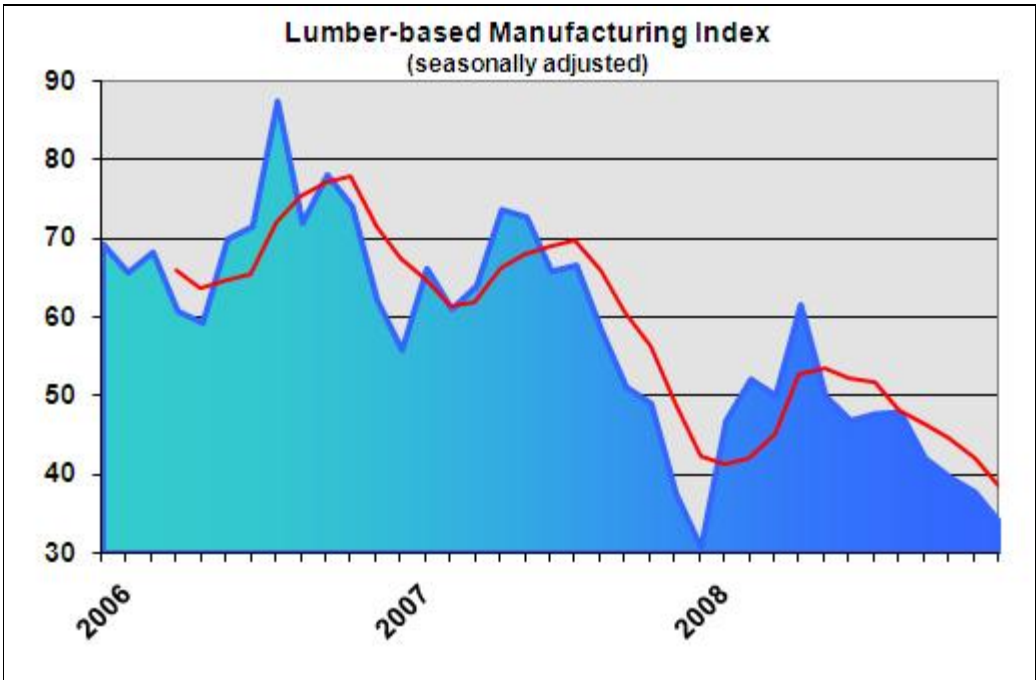
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The Total County Employment Index remains relatively unchanged from last month edging up 0.4 percent to an index value of 100.8. The slight increase was caused by seasonally adjusting as employment figures rose throughout the month of December. The seasonally adjusted unemployment rate rose again for the eleventh straight month to 9.4 percent. This is the highest level of unemployment since the inception of the Humboldt County Index. State and National unemployment shot up throughout December, with California just shy of the local unemployment rate. California's deficit could cause employment to fall as state funded jobs begin to lose funding causing a reduction in the labor force.



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.

The Lumber-based Manufacturing Index continues to decline for the fourth straight month. The December 2008 index value for manufacturing contracted 10.3 percent from last month to 33.8, the second lowest value since inception. While manufacturing employment remained unchanged from last month, falling demand continues to pull down manufacturing across the nation. The **Institute of Supply Management** reports that for the fifth straight month the manufacturing sector declined and throughout December no industries reported expansion. Production also fell 6 percent throughout December on the whole.

[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:

[Associated Press](#)

[California Association of Realtors](#)

[Conference Board](#)

[Houston News](#)

[Institute of Supply Management](#)

[National Association of Realtors](#)

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

Copyright © 2010 [Erick Eschker](#)

