

Humboldt Economic Index

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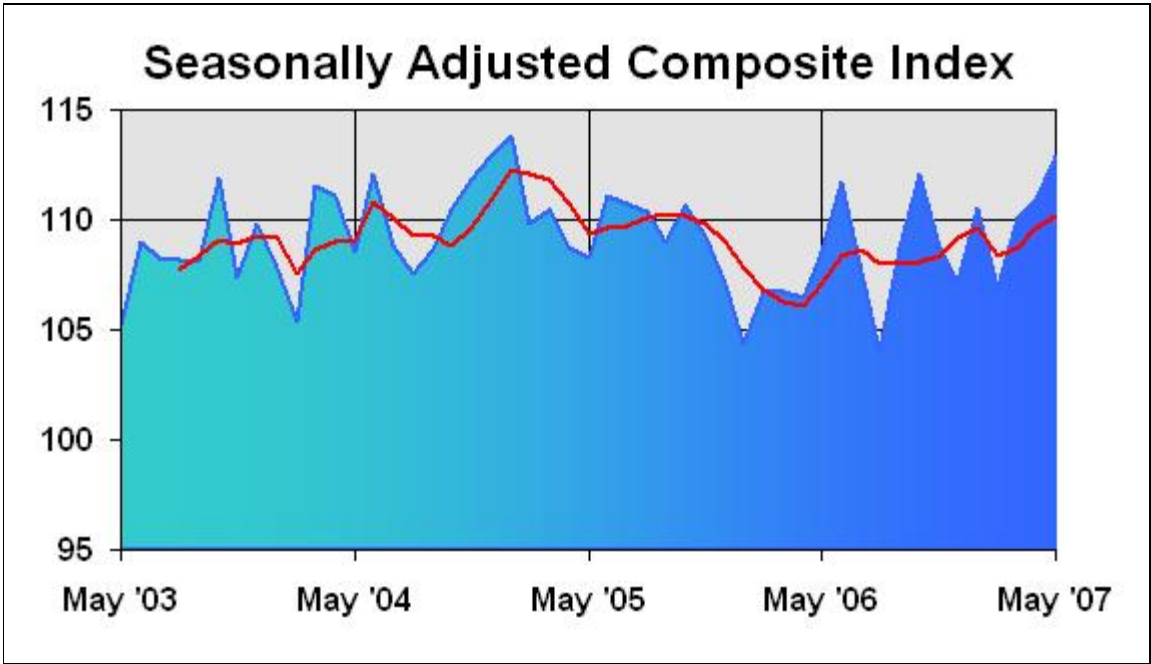
Humboldt Economic Index

June 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 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 Composite Humboldt Economic Index increased 1.9 percent this month to 112.9. The increase was driven most significantly by a 22.1 percent increase in the Home Sales Index. Hospitality and Retail Sales were also up this month. The Manufacturing Index is the only sector that lost ground this month. The increase in Home Sales did not outweigh last month's drastic fall, and home prices continued to decline, falling 3.6 percent. To read more see the [Home Sales](#) section.

Composite & Sectors	
	Percent Change From:

Index	Value*	Last Month	One Year Ago**	Five Years Ago**	Ten Years Ago**
Composite	112.9	1.9	4.0	6.3	6.7
Home Sales	112.2	22.1	10.5	- 14.1	52.6
Retail Sales	163.5	2.0	11.9	16.6	46.2
Hospitality	99.1	2.4	1.6	9.9	- 9.0
Electricity Consumption	131.5	0.0	0.2	30.9	25.4
Total County Employment	106.6	0.0	1.2	3.4	2.1
Manufacturing	72.2	- 1.8	3.4	- 17.4	-41.0
* 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.					

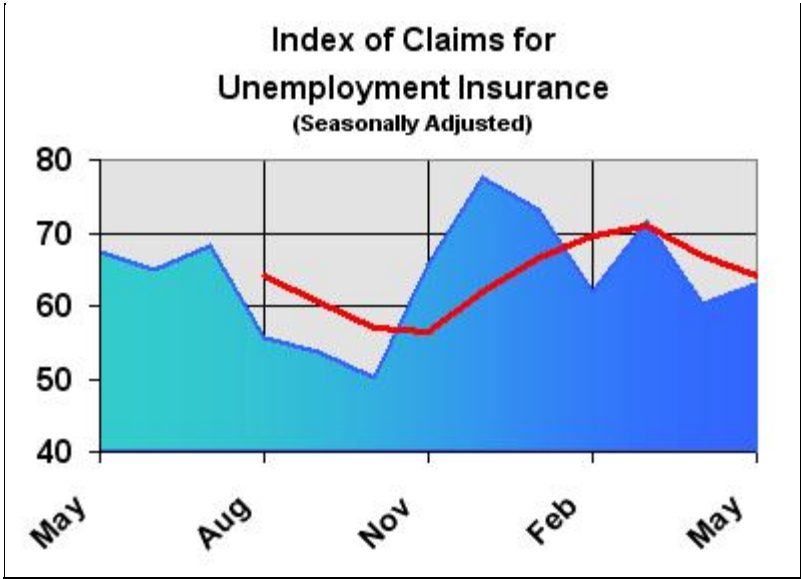
Key Statistics		
Median Home Price*	Mortgage Rate†	Unemployment Rate‡
\$ 302,700	not available	5.6 %
* Home price data are provided by the Humboldt Association of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, 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

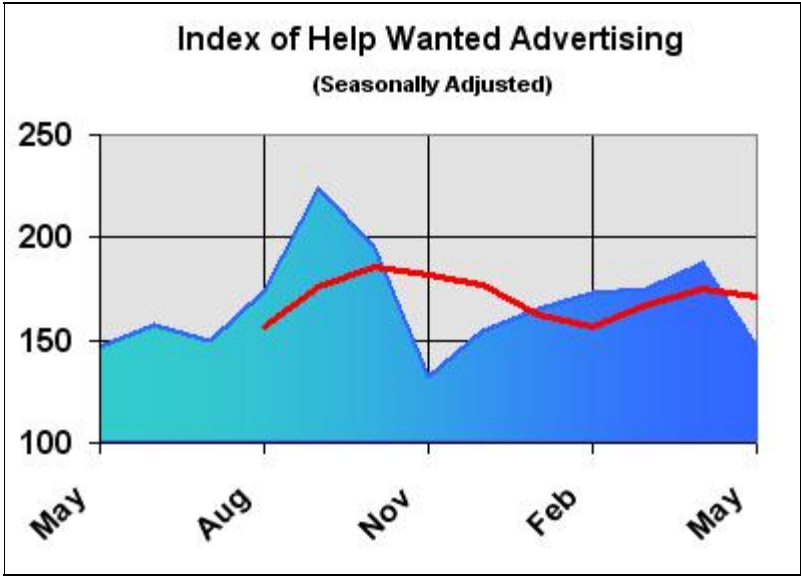
Leading Indicators				
	Unemployment Claims	Help Wanted Advertising	Building Permits	Manufacturing Orders
Change from Prior Month*	4.4	- 21.6	26.0	0.4
* All values are seasonally adjusted.				

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.



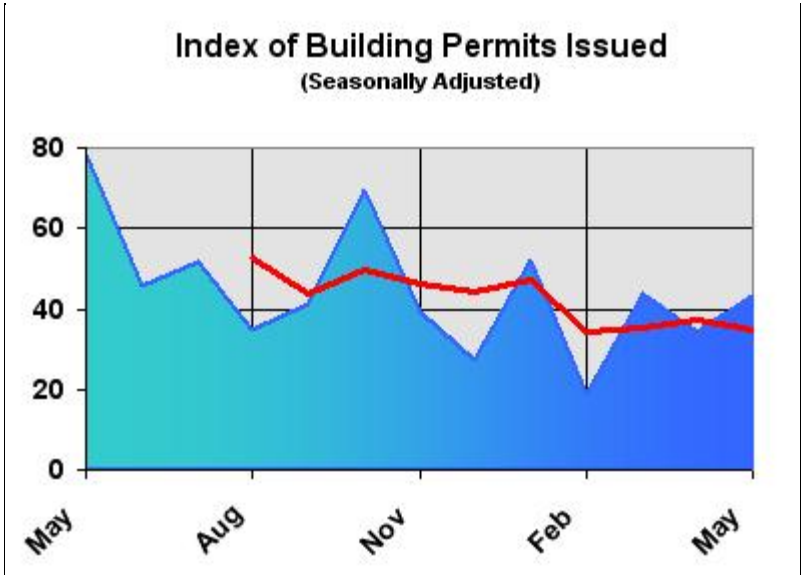
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Index of Unemployment Claims rose 4.4 percent this month, to 63.0. This increase is consistent with the rise in the seasonally adjusted Humboldt County unemployment rate, and may suggest decreasing economic activity in the county in coming months. Since this month's rise is not dramatic, it may not be terribly meaningful unless it is continued in coming months.



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 advertising is off 21.6 percent this month, which is a large decline and may presage a softening of hiring and job markets in Humboldt County. The Index is at 147.2, and remains well above 100 where it began in 1994, but it is so much lower than it has been in recent months, that we may expect less activity in coming months in hiring, especially if this decline is sustained.



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 jumped 26 percent this month, bringing this Index to 43.01. This Index is not outside of its typical range. It is well off from a peak of 78.4 last May, but that peak appears in its larger context to be more of an aberration than a significant movement of the Index. Apart from this aberrant peak, there does not appear to be a significant trend in this Index.

The **National Association of Realtors** reports that its forward-looking pending home sales indicator indicates further softening of national housing markets in months ahead. For more about real estate, view our **Home Sales Index**, or our **Real Estate Economics Page**.



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.

The seasonally adjusted Index of Manufacturing Orders is barely changed, adding 0.4 percent on the month, however since the beginning of the year the Index has fallen substantially which signals a slowing of activity in the county in lumber-based manufacturing. The decline in this Index is apparent in the obvious downward trend in the four month moving average. The Index now stands at 59.3.

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.

If you missed Dr. Christopher Thornberg's recent lecture on "Real Estate and the California Economy," you can watch all three parts from <http://www.humboldt.edu/~econ/program/lectures.html>.

The seasonally adjusted Index of Home Sales was by far the strongest sector this month, adding 22.1 percent after last month's dramatic fall of 32.6 percent. The Index remains down considerably since March when it stood at 136.5. It is now 112.2. This is well off from its highest sustained peak in July of 2005, but it is not an unusual level for this turbulent year in which the index has fluctuated between 136.5 and 91.9. The average level for this Index over the last twelve months is 108.6. The average for all of 2005 was 126.3, while 2004 had the highest average on record at 135.9.

The median home price this month declined 3.6 percent from from \$314,000 to \$302,000. This is the lowest median price of the year, and is down from a peak of almost \$350,000 in March of 2006. The real, inflation adjusted decline in prices in that period is 16.8 percent, or \$53,883 in 14 months.

The **California Association of Realtors** reports that the median home price in the state declined 1.1 percent to \$591,180 in May. At the same time sales have declined 25 percent on the year. The CAR also reports that largely related to the subprime lending situation and higher lending standards, the lower end of the housing market remains much weaker than the market for higher priced homes. This means that at the state level, the price declines reported are understating the declines seen by owners of lower-priced homes, specifically lower income families and first-time homebuyers. One of many implications of this state of affairs is that the risk of price declines exacerbating the subprime lending crisis is greater than official price figures might lead us to believe.

The **National Association of Realtors** reports that national single-family home sales are down 10.8 percent on the year and 0.8 percent since last month with the median home price at \$223,000, down 2.4 percent on the year. These figures demonstrate weakness at all levels of the US housing market, from the nation as a whole to the local real estate market.

Freddie Mac, the nation's largest mortgage lender reports that the average interest rate on a 30 year fixed rate loan declined for the third straight week to 6.63 percent with 0.4 points. Last year at this time the rate was 6.79 percent.

For a local perspective on the possibility of a housing bubble, visit the **Humboldt Real Estate Economics Page**.

Retail Sales

Retail Sales continued their measured increase this month adding 2.0 percent to come to 163.5. This sector is typically the strongest, having added a full 63.5 percent since its inception, compared to the energy sector, the second strongest, which has not added even half of this at 31.5 percent growth since 1994.

The Retail Index suffered a substantial setback in February when it dropped almost 14 percent in that month alone, but since then has slowly, but steadily climbed, adding an average of 2.1 percent in each of the subsequent months. There is no sign of long term weakness in this sector in spite of February's decline. That decline seems to have been a correction of January's steep increase, rather than an indication of instability of the local retail sector.

Natioanlly, the **Federal Reserve** reports in it's monthly 'Beige Book' that retali sales were both strong through May and April amid undeterred consumer spending. Auto retailers reported level sales after earlier declines, and were mixed on whether sales would pick up later in the summer. A number of regions of the country noted that luxury items were selling better than lower end merchandise also.

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 seasonally adjusted Hospitality Index added a mellowed 2.4 percent this month after a more dramatic 19.1 percent gain last month. This Brings this Index to 99.1, still below 100, where the Index began in 1994, but not outside of the typical range of this Index of 80 to 110. The four month moving average seems to have been trending slightly downward since 2004 when it reached a peak above 102. Now the moving average stands very near 90, although it appears to have headed north in the last two months.

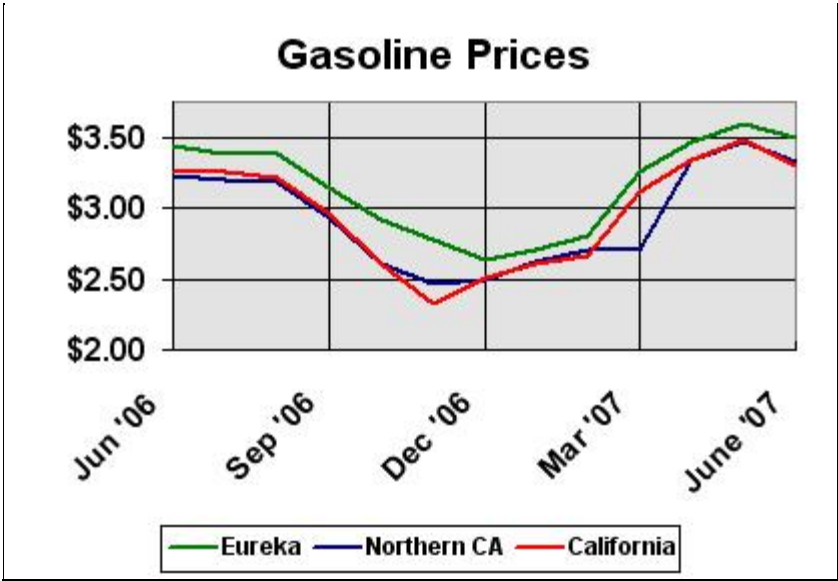
Gasoline Prices

According to the Automobile Association of America's monthly gas price survey, Eureka gas prices fell 11 cents in June to come to \$3.49 per gallon. At the same time, prices in Northern California as a whole declined 15 cents to come to \$3.32 per gallon. Statewide, the decline was even steeper, dropping 19 cents per gallon, arriving at a price of \$3.30 per gallon.

Eureka typically is among the priciest markets in AAA's monthly gas price survey, and although other communities experienced a larger drop in prices than we did, many communities still remain more expensive, including the Bay Area, Los Angeles and Santa Barbara.

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 April 2007	Average Price*	Change from Previous Month
Eureka	3.49	- 0.11
Northern CA	3.32	- 0.15
California	3.30	- 0.18
* 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 estimated, and are revised when the quarterly data are received.

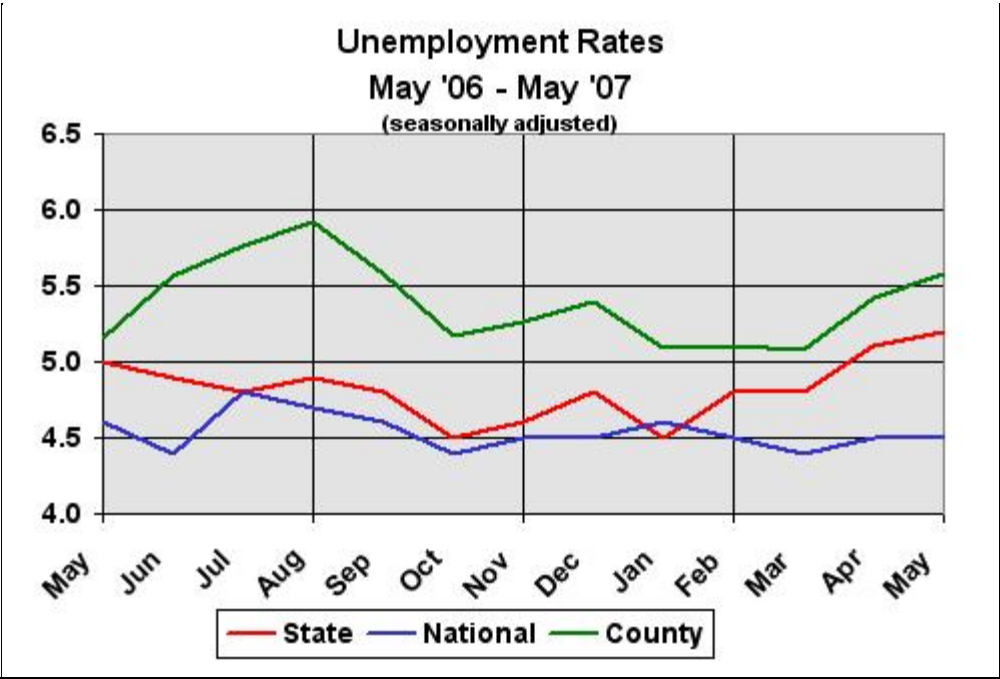
In the first quarter of the year, the Electricity Consumption Index rose dramatically from 118.2 at the end of 2006 to 131.5 in March. No more recent data are yet available, but this represents an 11.25 percent rise over the three month period. The current level is historically high, but not unprecedented. This Index has risen above its current level several times, including February through March of 2006, as well as September of 2001, and a handful of other periods of exceptionally high energy consumption.

Total County Employment

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

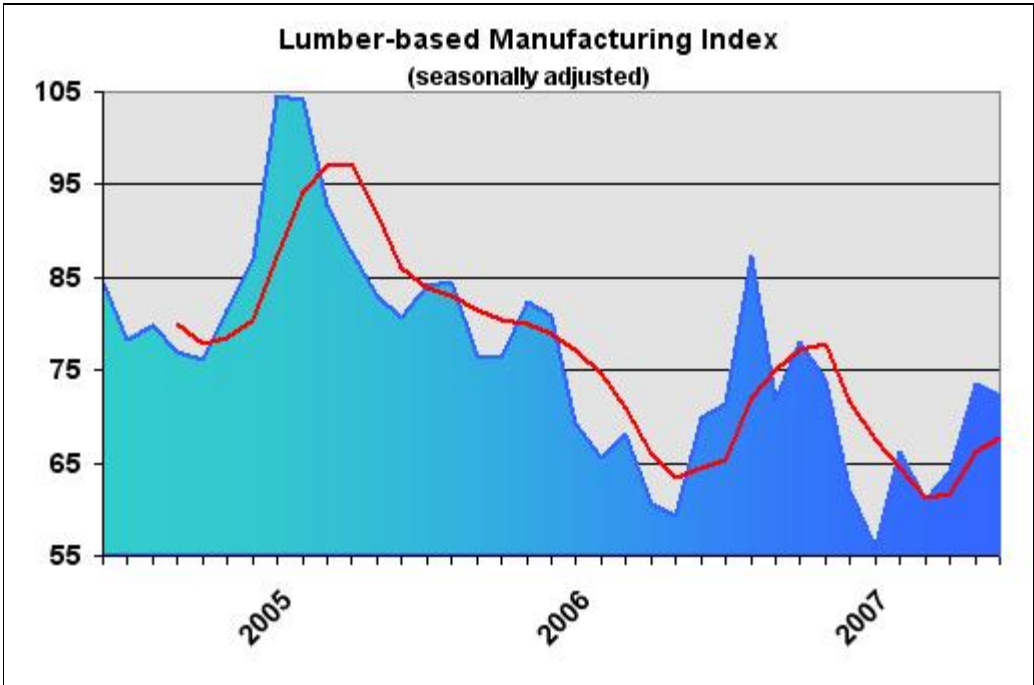
This month, the seasonally adjusted unemployment rate for Humboldt County ticked upward by 0.2 percent to 5.6 percent as 700 jobs were added to the local economy and 400 new entrants joined the Humboldt County labor force. This resulted in a net decrease of 300 to the rolls of the unemployed according to the **California Employment Development Department**. This decrease was not as significant as the usual decrease during this time of year, and as a result, after seasonal adjustment the unemployment rate rose.

The rate for California as a whole similarly rose, adding 0.1 percent to come to 5.2 percent, and according to the **Bureau of Labor Statistics**, the US rate in the same period remained unchanged at a quite low 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.

Lumber-based Manufacturing in the county was the only setor in the red this month as it wavered slightly after last month's gain of 15 percent. The seasonally adjusted Index of Lumber-Based Manufacturing dropped 1.8 percent this month. This is a relatively minor fluctuation and apart from any longer-term trend of which it may be a part, it is not very significant.

In this sector, the trend for some time has been downward, and the unraveling of housing markets around the country is likely to depress demand for lumber products which may exacerbate the decline in the local timber industry.

Nationally, the **Institute for Supply Management**, a national trade association for purchasers and supply managers, reports that activity in manufacturing expanded. The ISM's latest manufacturing report on business reports that new orders, production and employment are all growing as inventories contract and deliveries accelerate. This indicates strength for the current situation in national manufacturing.

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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:

- [Bureau of Labor Statistics](#)
- [California Association of Realtors](#)
- [California Employment Development Department](#)
- [Federal Reserve](#)
- [Freddie Mac](#)
- [Institute for Supply Management](#)
- [National Association of Realtors](#)

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