

# Humboldt Economic Index

December 2015

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## Composite Continues to Contract with Home Sales Declining

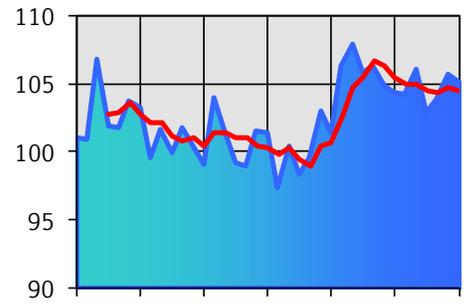
This month we welcome two new student assistants to the Index! Brittanie Smith is the assistant editor, and Jordan Morgan is the assistant analyst. Both are economics majors at HSU and I'm looking forward to both bringing their talents to the Index.

The Composite Index decreased just 0.6 percent from last month's adjusted value of 105.8 to the current value of 105.2. The Composite is up 3.8 percent from this time last year. The Retail Sales and Hospitality Indices increased over the previous month, while the Home Sales and Employment Indices decreased.

The Index of Home Sales dropped 33.6 percent in November to a new value of 95.8. This value is 9.0 percent lower than this time last year. The 30-year mortgage rates in Humboldt County have increased from 4 percent to 4.125 percent, while the median home price increased from \$255,000 to \$285,000.

Leading indicators for November are mostly declining. Manufacturing orders, unemployment claims, and building permits decreased while help wanted advertising increased over the previous

Composite Index



month.

The seasonally adjusted unemployment rate in Humboldt County decreased from 5.8 percent to 5.6 percent, while the seasonally adjusted unemployment rate in California fell slightly from 5.8 percent to 5.7 percent. In comparison, the national unemployment rate remained at 5 percent.

Gas prices have increased from the previous month, with California's average price per gallon at \$2.87 from \$2.70. Eureka's average gas price rose from \$2.64 per gallon to \$2.77 per gallon.

The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It 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.

## Composite & Sectors

| Index            | Value***     | Percent change from |                  |                    |                   |
|------------------|--------------|---------------------|------------------|--------------------|-------------------|
|                  |              | Last Month          | One Year ago**** | Five Years ago**** | Ten Years ago**** |
| <b>Composite</b> | <b>105.2</b> | <b>-0.6</b>         | <b>3.7</b>       | <b>7.2</b>         | <b>-5.4</b>       |
| Home Sales       | 95.8         | -33.6               | -9.0             | 42.1               | -20.6             |
| Retail Sales     | 160.4        | 6.9                 | 3.2              | 7.1                | 9.0               |
| Hospitality      | 104.8        | 10.8                | -3.2             | 13.6               | 27.5              |
| Electricity      | 117.6        | 0.0                 | 16.6             | -4.4               | -18.1             |
| Employment       | 106.2        | -0.5                | 9.3              | 8.7                | 1.7               |
| Lumber*          | 26.3         | 0.0                 | -31.6            | -24.0              | -69.0             |
| Manufacturing**  | 112.2        |                     |                  | -                  | -                 |

\* Formerly "manufacturing"

\*\* Niche, non-lumber manufacturing. Not a component of the overall composite.

\*\*\* These values are adjusted to remove seasonal fluctuation. The base month is January 1994 (January 2013 for manufacturing) with an Index value of 100.

\*\*\*\* The percent change from the same month one, five and ten years ago.

# The Index – Leading Indicators

## Leading Indicators

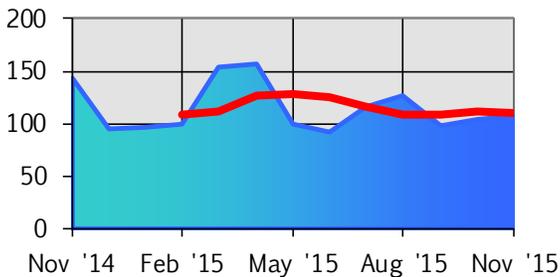
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

| Leading Indicators   |                     |                  |                         |
|--|---------------------|------------------|-------------------------|
| Manufacturing Orders   | Unemployment Claims | Building Permits | Help Wanted Advertising |
| 2.3%   | -21.7%              | 77.4%            | 17.1%                   |
| * Change from prior month. All values are seasonally adjusted. |                     |                  |                         |

| Key Statistics   |                |                |                    |
|--|----------------|----------------|--------------------|
| Median Home Price*   | Monthly Rent** | Mortgage Rate† | Unemployment Rate‡ |
| \$285,000  | \$1,683        | 4.125%         | 5.7%               |
| * The Humboldt Association of Realtors provides home price data. 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.<br>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.<br>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.<br>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data. |                |                |                    |

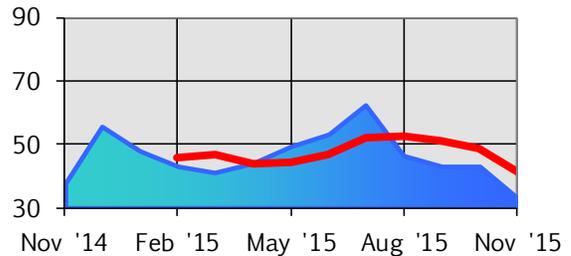
**Manufacturing Orders** increased 2.4 points from last month's index value of 104.6 to a new value of 107.0. One year ago, the Manufacturing Orders Index value was 142.9, 35.9 points higher than the present value.

Index of Manufacturing Orders



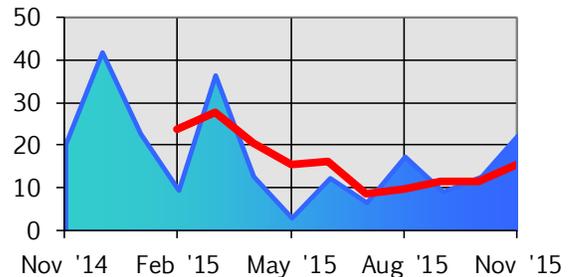
**Unemployment Claims** decreased 9.3 points to a new index value of 33.5. The Unemployment Claims Index was 37.9 in November 2014 or points higher than the current value. The 4-month moving average fell 7.3 points to 41.4.

Index of Claims for Unemployment Insurance



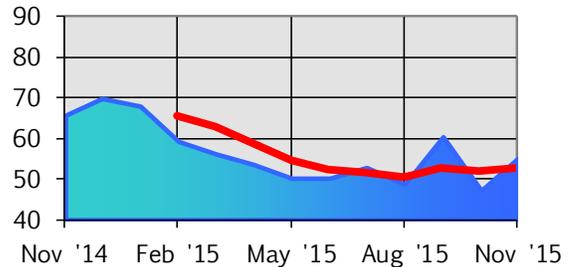
**Building Permits** increased to an index value of 22.3. The current value is 9.7 points higher than October's value of 12.6. The Building Permits Index value was 20.4 this time last year. The 4-month moving average increased 3.9 points to a new value of 15.4.

Index of Building Permits Issued



**Help Wanted Advertising** increased 8 points in November to a new index value of 54.8. The index value stood at 65.7 in November 2014, indicating a 10.9 point decrease year-over-year. November's change moved the 4-month moving average slightly upward from 52.1 to 52.6.

Index of Help Wanted Advertising



**Graphs Explanation:** The blue area represents the seasonally adjusted Index of Unemployment Claims 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 Index – 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 for November 2015 stands at an index value of 95.8, 48.5 points fewer than the previous month's value of 144.3. In November 2014, the index value was 105.2 or 9.4 points more than the current value. The county's median home price increased to a value of \$285,000 from October's median price of \$255,000. The median price in November 2014 was \$269,962.

The S&P Case-Shiller Home Price Indices, a national index of housing prices, is calculated monthly using a 3-month moving average and published with a two month lag. Within the Case-Shiller Index are composites of 10 and 20 cities that the Index considers representative of the national housing market, as well as the National Index, which accounts for all 9 U.S. census divisions.

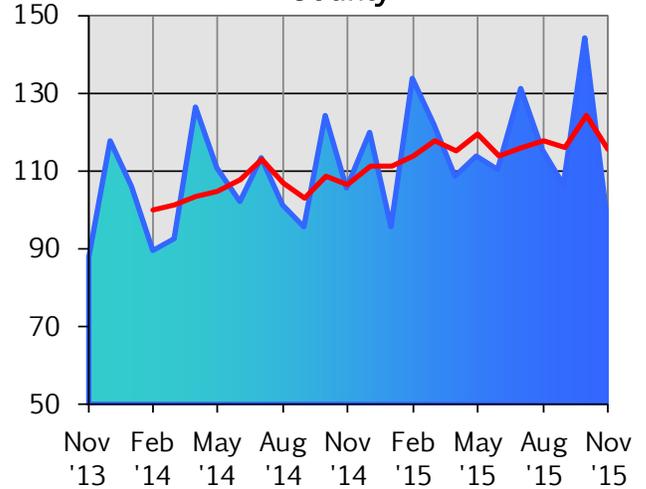
The S&P Case-Shiller Home Price Indices saw somewhat higher year-over-year gains in October compared to September 2015. The 10-City and 20-City Composites report year-over-year gains of 5.1 percent and 5.5 percent respectively. The National Index reported a 5.2 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.8 percent. The National Index reported a seasonally adjusted increase of 0.9 percent.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that, "Generally good economic conditions continue to support gains in home prices." With consumers' expectations of low inflation and more economic growth,

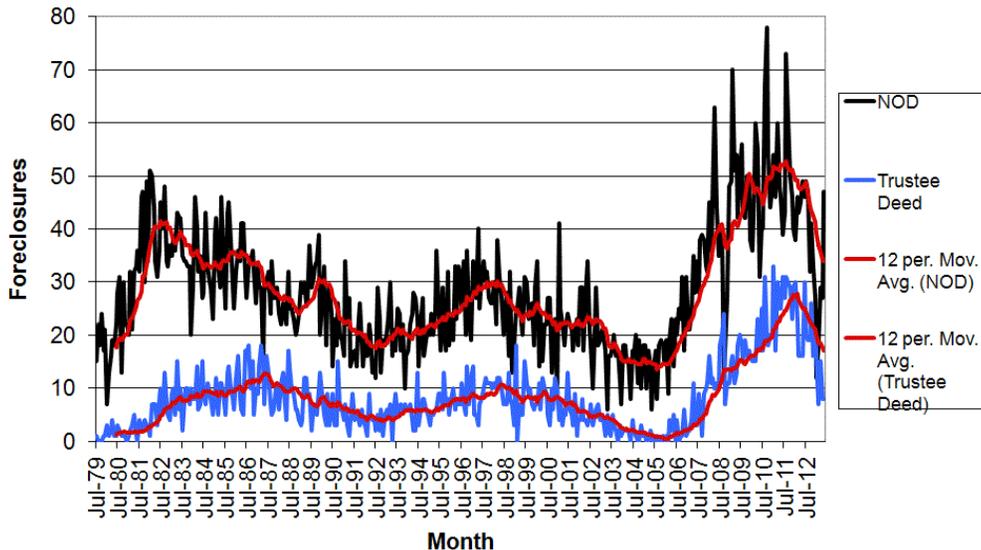
there have been increases in residential construction. However, because the Federal Reserve raised the Fed funds target rate by 25 basis points (one hundredth of one percent) this has led to wonders if it will continue to increase in 2016 and if mortgage interest rates will rise as well. Blitzer concludes with, "Sales of new single family homes, despite recent increases in construction, remain mixed to soft compared to the trend in existing home sales."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of December 31, 2015 increased to 4.01 percent from November's latest percent of 3.95. The average 15-year fixed-rate mortgage also increased from 3.18 percent in November to 3.24 percent in December.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

# The Index – Individual Sectors

## 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 showed a decrease in value to 106.2. The seasonally adjusted unemployment rate for Humboldt County decreased from 5.8 percent to 5.6 percent. The unemployment rate for California fell from 5.8 percent to 5.7 percent, the lowest rate since February 2008. The national unemployment rate remained to 5.0 percent.

The Employment Development Department of California indicated in its November statistics that Humboldt County's total employment decreased by 400 individuals to a current total of 58,900. Humboldt County's total unemployment increased from 3,200 individuals in October to 3,300 individuals in November.

In the Labor Department's December report, total nonfarm payroll employment increased by 292,000. National employment was on the rise in several industries, including professional and business services, construction, health care, and food services and drinking places. Employment in mining continued to decline.

## 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 Hospitality Index increased in November to a new value of 104.8 from 94.6. This month's index value represents a 3.4 point decrease from this time last year. The 4-month moving average rose 3.3 points to a current value of 96.2.

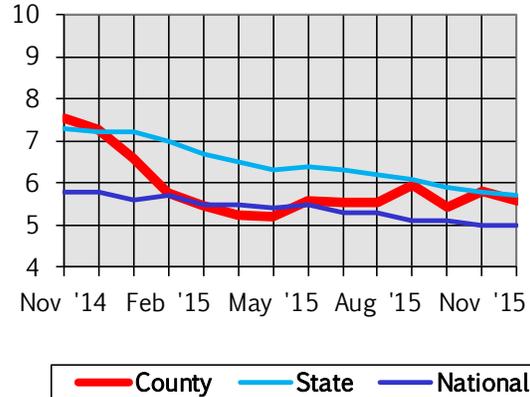
## Gasoline Prices

California gas prices decreased in November to a new average of \$2.87 per gallon. Northern California gas prices remained at \$2.77 per gallon, while Eureka gas prices increased in November to new average of \$2.77 per gallon. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka is \$2.14 per gallon.

According to the January 9<sup>th</sup> AAA National Fuel Gauge report, the national average price of gasoline was \$1.98 per gallon. California had the most expensive annual average over any state in 2015 with an average price of \$3.16 per gallon. California's relatively higher gas prices this year have been caused by local supply problems including the Exxon Mobil's Torrance plant explosion which damaged its pollution-control system in February, Tesoro's Carson plant and Chevron's El Segundo plant experiencing failures with equipment that helps process crude oil into gasoline in December, and the general California gas tax. AAA did note that the annual average for California was lower in 2015 from the previous year by \$0.59 per gallon. However, with refineries plan to switch to the more expensive summer blend of gasoline in February and the previous refinery issues, California gas prices may have an upward trend in 2016.

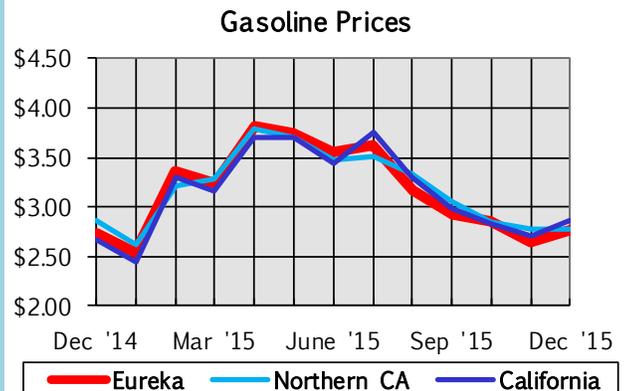
Employment in other major industries, such as wholesale trade, retail trade, financial activities, and government, showed few change month-over-month.

## Unemployment Percentage Rates



| Gas Prices              |                |                            |
|-------------------------|----------------|----------------------------|
| Prices as of 12/30/2015 | Average price* | Change from previous month |
| Eureka                  | \$2.77         | \$0.13                     |
| Northern California     | \$2.77         | \$0.00                     |
| California              | \$2.87         | \$0.17                     |

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csaa.com](http://www.csaa.com)).



## Manufacturing

The index value of this sector is based on a combination of production and employment for a variety of niche manufacturers and is adjusted to account for normal seasonal variations.

Manufacturing contracted to a seasonally adjusted index value of 112.2 in November, a 20.8 point increase from October's value of 91.4. Overall manufacturing employment remained at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that December saw economic activity in the manufacturing sector contract for the second consecutive month, with the overall economy growing for the 79th consecutive month.

The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future. A PMI greater than 43.1 percent generally indicates an expansion of the overall economy. The PMI for December is 48.2 percent, representing a decrease of 0.4 percentage points from the previous month.

Nationally, six of the eighteen manufacturing industries reported growth in December, including Printing & Related Support Activities; Textile Mills; Paper Products; Miscellaneous Manufacturing; Chemical Products; Food, Beverage & Tobacco Products. Ten industries, some of which include Apparel, Leather & Allied Products; Plastics & Rubber Products; Machinery; Primary Metals; Fabricated Metal Products; Transportation Equipment; Electrical Equipment; Appliances and Components, saw contraction.

The New Export Orders Index for December is 49.2 percent, indicating an increase from October's index of 48.9 percent. A New Orders Index above 52.1 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Seven industries reported growth in new export orders in December, including Textile Mills; Printing & Related Support Activities; Miscellaneous Manufacturing; Petroleum & Coal Products; Primary Metals; Paper Products; and Chemical Products. Eleven industries saw a decrease in their new export orders, and one industry reported no change.

This is the first new sector of the Index and was created after listening to local economic development agencies. For a detailed description please visit our [Special Projects page](#).

Since the manufacturing index is so new, and since we do not have much data to create precise seasonal indices, we do not include manufacturing in the overall composite Index. As the amount of data collected grows, we will feel more confident in our monthly seasonal estimates and add niche manufacturing. Lumber-based manufacturing, which was one of the original sectors of the Index, continues to be part of the overall composite Index.

## 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.

Energy data has been updated for the third fiscal quarter of 2015 – July through September – and the Energy Index currently stands at a value of 117.6. September's index value is 7.1 points higher than August's value and 3 points higher than in September 2014. August's index value of 110.5 is 15.1 points lower than July's value and exactly equal to the value in August 2014. July's index value of 125.6 was 1.8 points higher than June's value of 123.8, but 0.6 points lower than in July 2014.

The next update for the Energy Index will be coming after the end of the fourth fiscal quarter of 2015, in January 2016.

## 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.

The Retail Sales Index reports a value of 160.4 for November, representing an increase of 10.3 points from the adjusted value of 150.1 in October. The current value is 6 points higher than in November 2014. The 4-month moving average increased 12.8 points to a new value of 153.9.

The Consumer Confidence Index is the average of The Present Situation and The Expectations Index and is a barometer of the health of the U.S. economy from the perspective of the consumer.

On the national scale, Consumer Confidence improved in December by 3.9 points to a current index value of 96.5. The Present Situation Index increased 4.4 points to a current value of 115.3 and the Expectations Index increased 3.5 points to a new value of 83.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states, "Consumer confidence improved in December, following a moderate decrease in November. As 2015 draws to a close, consumers' assessment of the current state of the economy remains positive, particularly their assessment of the job market." The percentage of consumers expecting business conditions to improve over the next six months decreased to 15.2 percent. The percentage of consumers expecting business conditions to decline increased from 10.6 percent to 11 percent.

## Lumber Manufacturing

Lumber Manufacturing is suspended from the Index until we can obtain a sufficient number of data providers. This sector is 12% of the overall Index and the last reported amount was 29.2 in March 2015.

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 Index

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**Explanatory Note:** We have been tracking economic activity since January 1994. The Composite Index at the beginning of this report is a weighted average of each of the six sectors described above. Each sectorial index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectorial 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 the most recent data available, which is usually from the previous month. For example, the "August 2006" report reflects mostly data from July 2006. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

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■ ■ ■ *realize human potential*

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