

# Humboldt Economic Index

January 2013

## Our Sponsors:



Belonging Never Felt Better



Professor Erick Eschker, Director

Paul Yzaguirre, Assistant Editor

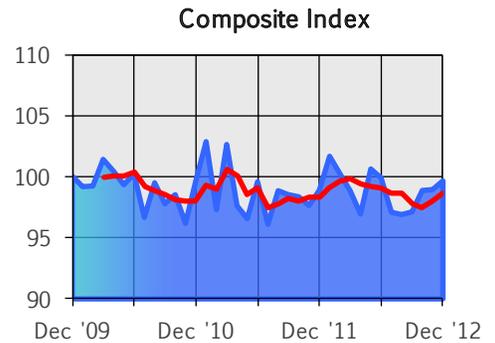
Nathan Freney, Assistant Analyst

## Growth in Home Sales, Energy; Decline in Hospitality

The composite Index has grown by 0.7 percent from last month's value of 98.9 to the current value of 99.6, and has also increased by 0.7 percent from this time last year. Additionally, the 4 month moving average has been moved up by this from 97.9 to 98.6. The Indexes that increase this month were the Home Sales, Employment, and Energy Indexes, with gains in Help Wanted Advertising as well. Hospitality moderately contracted this month, alongside a slight decrease in Manufacturing. The Unemployment Claims Index, while higher than last month, remains low. The Retail Index remained the same.

The Index of Home sales and prices grew this month to an Index value of 95.7, an increase of 9.3 percent from last month. Mortgage rates, while low relative to last year, are on the rise with the average 30-year rate at 3.53 percent as of last week. More on this will continue to be covered in the Home Index section.

The Total County Employment Index expanded 1.1 percent after the seasonal adjustment to 98.1. Meanwhile, Unemployment Claims grew from last month by 6.4 percent. The seasonally



adjusted County Unemployment Rate shrank a small amount, with the value decreasing by 0.1 percent to 10.1 percent. Help Wanted Advertising increased this month to a value of 78.4. National labor markets are continuing to make small improvements, with the unemployment rate slowly lowering.

Gas prices are holding steady under \$4, and as of a few days ago are at \$3.78 in Eureka.

The Composite Index has slightly increased this month due especially to gains in Home Sales and Energy, with Hospitality limiting the magnitude of the increase. The real estate market continues to be beneficial for those looking to buy due to continuing low mortgage rates.

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>99.6</b>	<b>0.7</b>	<b>0.8</b>	<b>-2.3</b>	<b>-2.3</b>
Home Sales	95.7	9.3	-4.4	38.1	-17.9
Retail Sales	146.9	0.0	-2.3	-6.3	1.3
Hospitality	84.3	-12.7	-5.9	-6.4	4.6
Electricity	131.1	10.8	7.0	0.1	48.2
Employment	98.1	1.1	2.1	-5.7	-3.4
Manufacturing	34.3	-2.9	13.5	11.9	-56.9

\* 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.

# The Index – Leading Indicators

## Leading Indicators

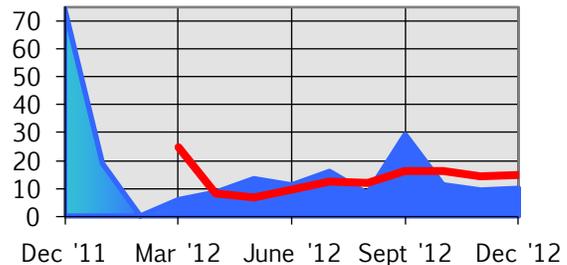
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	<b>6.4%</b>	<b>6.6%</b>	<b>23.0%</b>
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$210,000	\$1,324	3.50%	10.1%
* 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. ** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard. † 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.			

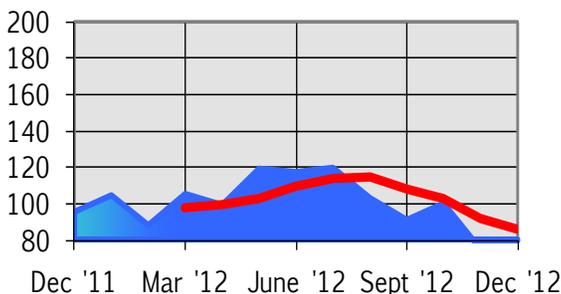
**Building permits** expanded slightly by 6.6 percent to an Index value of 9.9 from the previous 9.3. This Index in particular has held low values over time because of the aftereffects of the recession on the construction industry, and so small absolute changes often result in large percentage changes. At this time, Building permits are down 86.7 percent from last year and the 4 month moving average has increased in value to 14.9.

Index of Building Permits Issued



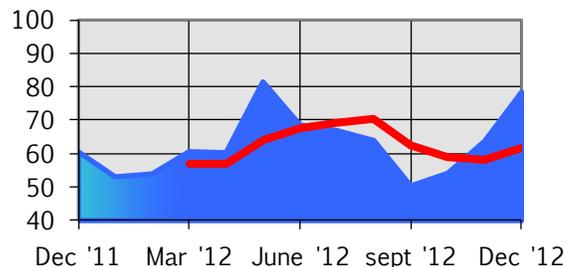
**Unemployment Claims** moderately increased by 6.4 percent this month, to an Index value of 79.4. As a result of this, the 4 month moving average sank by 6.3 percent to a value of 86.2, the fourth consecutive decrease in the 4 month moving average. If last month is not included, this remains the lowest seasonally adjusted level of unemployment claims since June of 2008. When considering the percentage change with Unemployment Claims, it is important to remember that in contrast to several other Indexes it is uncommon but not rare to see changes of up to 20 percent on a month to month basis.

Index of Claims for Unemployment Insurance



**Help Wanted Advertising** has increased to a value of 78.4, a significant 23 percent higher than last month's seasonally adjusted value of 63.7. The level this month is 29.4 percent higher than this time last year. Additionally, the 4 month moving average has increased by 6.2 percent to an Index value of 61.7 from a value of 58.0.

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.

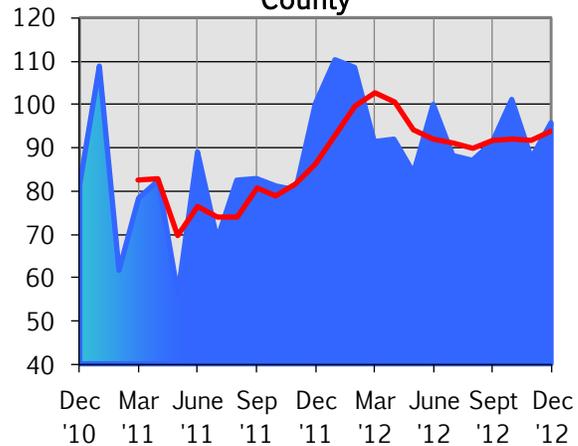
The Humboldt County Home Sales Index grew by 9.3 percent to an Index value of 95.7, though the index value this month is 4.4 percent down from this time last year. Median home prices declined a moderate amount to a median of \$210,000. While the Index value this month is not as high as some recent months, namely June and October, it is greater than the majority of months over the last two years.

The S&P Case-Shiller home price index reflected that prices continued to increase over the third quarter, with the 20 city composite up 5.5 percent. This annual increase is greater than the previous month's 12 month increase of 4.4 percent, and the prices on an annual basis rose in 19 out of 20 cities. New York was the only city to not post 12 month gains while Phoenix posted 22.8% growth. On a month to month basis, the 20 city composite declined 0.1 percent. The most recent press release comments that the housing sector is experiencing seasonal weakness due to winter, and that the strong gains year to year are more indicative of growth than the month to month at this point. On a regional basis, the Southwest and Southeast are performing well, including California, while the Northeast and industrial Midwest are lagging somewhat according to the press release. The S&P Case-Shiller home-price index, a national index of housing prices, is calculated monthly using a 3 month moving average, and published with a two month lag. The particular Case-Shiller Index used in this case is a composite of 20 cities the Index considers representative

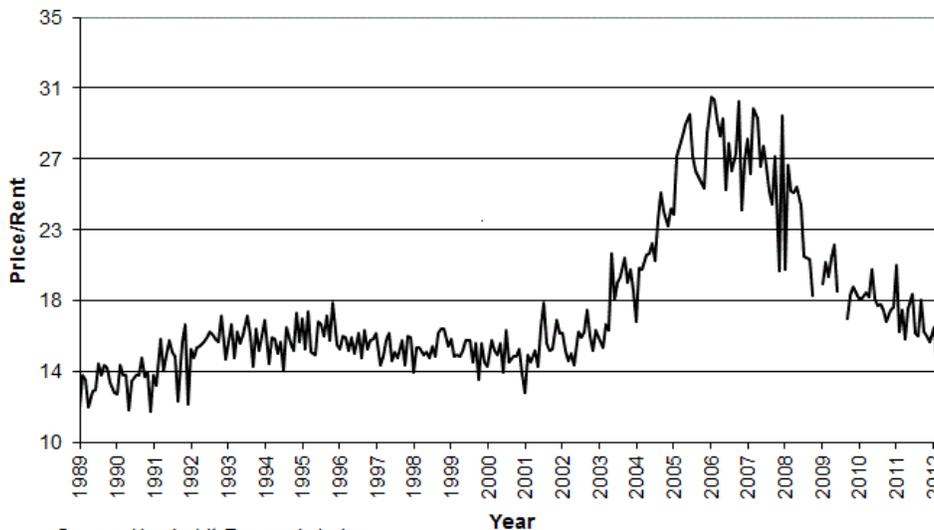
of the national housing market.

Particularly of importance in the housing sector are the mortgage rates, which hit all-time lows in November. While still low, mortgage rates are finally on the rise. 30 year fixed rate mortgages as of the end of January hover around 3.53 percent, up moderately from 3.34 percent in December, according to Freddie Mac. 15 year mortgages were about 2.81 percent, up from 2.64. Mortgage rates have only been above 4.00 percent for one week over the past year, and current 30 year fixed rate mortgage rates have fallen from the average of 3.87 percent 12 months ago. Frank Nothaft, the chief economist at Freddie Mac, pointed to the growing economy led in part by the recovering housing market as the reason for the increasing rates. New home sales totaled 367,000 in 2012, the highest in three years and reflected the first annual increase in seven years.

**Home Sales Index, Humboldt County**



**Humboldt County Housing Price to Rent Ratio, 1989-2012  
(medium home price/mean rent, adjusted for expenses)**



Source: Humboldt Economic Index

# 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.

Total County Employment increased by 1.1 percent from the previous month to a seasonally adjusted value of 98.1. The current value of this Index is also greater than the value at this time last year by 2.1 percent. The seasonally adjusted unemployment rate for Humboldt County has slightly decreased to 10.1 percent, still the lowest it has been since April of 2012. At the same time, it is 2.2 percent higher than the seasonally adjusted national unemployment rate at 7.9 percent.

The Employment Development Department of California indicated in its December statistics that for California on the whole, employment added 73,700 jobs, and state-wide unemployment remained the same at a seasonally adjusted 9.8 percent, with 1,200 less unemployed compared to the previous month.

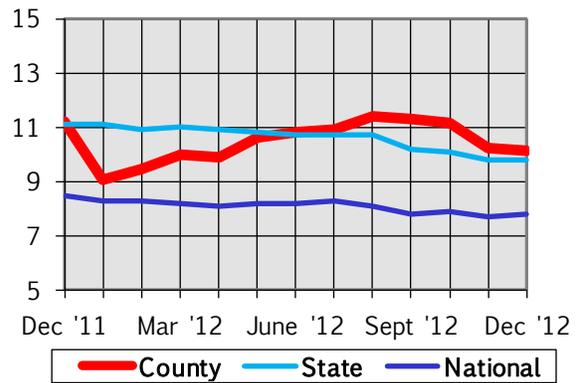
The Labor Department's latest statistics reported that the nation added an additional 157,000 nonfarm payroll jobs in December, though the unemployment rate stayed relatively unchanged at 7.9 percent. National employment rose in retail, construction, and health care.

## 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.

Hospitality significantly contracted this month, decreasing 12.7 percent to an Index value of 84.3 from last month's revised value of 96.5. This is the lowest seasonally adjusted value for the Hospitality Index since May of this year. Corresponding with this, the current value is 5.9 percent lower than last year at this time and 6.4 percent down from five years ago. In addition to this, the 4-month moving average declined by 0.4 percent to a value of 90.4.

Unemployment Percentage Rates



## Gasoline Prices

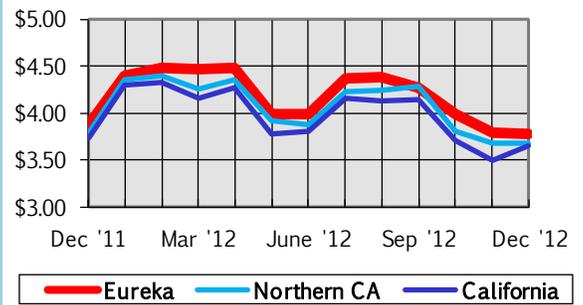
Gasoline Prices for California have held relatively steady under the \$4 mark. The average California gas price rose to an average of \$3.65 up from last month's \$3.50 while Northern California stayed the same at a price of \$3.68. Eureka gas prices are slightly pricier at \$3.78, close to last month's \$3.79. Eureka gas prices are still the cheapest prices since December of 2010. Disregarding last month's prices, California's statewide prices are at their cheapest since November of 2011.

The reason for the October surge in gas prices was that California as a state has a particular blend of gasoline, which means that there is difficulty in buying gas from neighboring states. When there are any disruptions like the one last fall, there tends to be an immediate effect at the pump. In that case, there was a power failure in an ExxonMobil refinery as well as the shutdown of a Chevron pipeline.

Gas Prices		
Prices as of 1/31/2013	Average price*	Change from previous month
Eureka	\$3.78	-\$0.01
Northern California	\$3.68	\$0.00
California	\$3.65	\$0.15

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

Gasoline Prices



# The Index – Individual Sectors

## 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 registered a decrease of less than 0.1 percent, from 146.95 to 146.93. In spite of the very slight contraction, the 4 month average has increased by 0.6 percent to a value of 143.1. Additionally, the Retail index has contracted by 2.3 percent from last year, and it is 6.3 percent less than 5 years ago.

On the national scale, Consumer Confidence continued to significantly decline, this time by 8.1 points to a value of 58.6, while the Expectations Index posted a large 8.6 point decrease from 68.1 to 59.5. The Present Situation Index also declined, with a 7.3 point decrease from 64.6 to 57.3. According to the Director of Economic Indicators at the Conference Board, the fall in all three of these indexes was most likely affected by the higher payroll taxes that went into effect. The current Confidence level is below that of any month in 2012. There were no areas of the Index that noticeably improved, as consumers held a pessimistic outlook regarding both the economy and their own financial situation.

## 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.

Lumber manufacturing has declined slightly this month to a value of 34.3 from 35.4, a -2.9 percent contraction from last month's value. This value is greater than 12 months ago however, with a 13.5 percent increase. Despite the decline from last month, this month's value increased the 4-month average, with the 4-month average growing by 0.03 percent to an Index value of 35.1 from 34.0.

The Institute for Supply Management reported that the national manufacturing sector has expanded for the second consecutive month, and the overall economy continued to grow for the 44<sup>th</sup> consecutive month. The PMI was registered at 53.1 percent, an increase of 2.9 percent from December's 49.5 percent. Businesses reported growth in new orders for the fifth month in a row, registering at an Index value of 53.3. Thirteen out of the eighteen industry groups reported growth this month. Four out of the eighteen industry groups reported contraction, including wood products. The report notes that all five of the PMI's composite indexes are reporting values over 50, signaling in the report's opinion a positive beginning to the year. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

## 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 fourth fiscal quarter, October through December, and the Energy Index stands at a value of 131.1. This is a 10.8 percent increase from November's value of 118.3, and but a 7.0 percent drop from 12 months ago. November's Index value was 118.3, 6.8 percent lower than October's value of 126.4, and down 0.4 percent from the year before. The month of October saw a 12.3 percent increase from September, but lost 10.5 percent from the previous October.

The next update for the Energy Index will be coming after the end of this quarter.

**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 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 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.

**HUMBOLDT STATE UNIVERSITY**

C O L L E G E O F P R O F E S S I O N A L S T U D I E S  
■ ■ ■ *realize human potential*

#### **Cited References:**

California Association of Realtors - Case-Shiller Home Price Indices  
Consumer Confidence - The Institute of Supply Management  
National Association of Realtors

Layout & Design: Matt Hawk

**Contact Info:** Erick Eschker can be contacted at [ee3@humboldt.edu](mailto:ee3@humboldt.edu)

[www.humboldt.edu/econindex](http://www.humboldt.edu/econindex)

**Copyright © 2013** Erick Eschker.