

# Humboldt Economic Index

January 2015

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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.

## Home Sales Finish Strong in 2014; Gas Prices Likely Bottom Out

This month we say goodbye to Jacob Erickson, the Assistant Editor for the past year. Jacob did a great job writing the Index and we wish him the best.

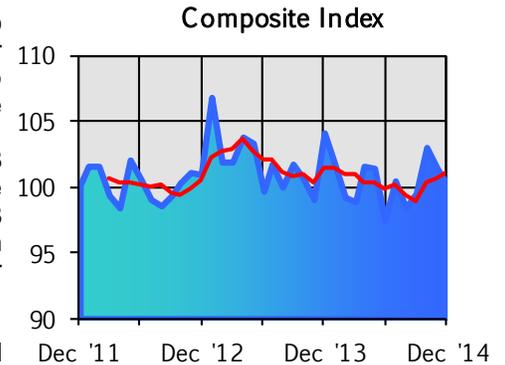
The Composite Index rose 0.8 points in December to the current value of 102.2. The Composite is down 1.8 points from this time last year. Though Home Sales and Employment are up for the month of December, Retail Sales, Hospitality and Lumber are all down.

The Index of Home Sales climbed 14.6 points in December, and is 2.4 points higher than this time last year. Mortgage rates have dropped, with the average 30-year fixed rate mortgage down to 3.66 percent and the average 15-year fixed rate mortgage down to 2.98 percent.

Leading indicators are mostly positive in this report, with manufacturing orders, building permits and help wanted requests up, though unemployment claims have risen as well.

The seasonally adjusted unemployment rate in Humboldt County slid 0.7 points to 6.6 percent.

Gas prices continued to drop in



January, with California's average price per gallon down to \$2.45 – a month-over-month decline of 23 cents. Northern California's average price dropped 25 cents to \$2.61, and Eureka's average gas price saw an 18 cent drop to \$2.55 per gallon. Though gasoline prices saw steep declines through the last half of 2014, there are already signs pointing to price increases through the first quarter of 2015.

## Composite & Sectors

Index	Value***	Percent change from			
		Last Month	One Year ago****	Five Years ago****	Ten Years ago****
<b>Composite</b>	<b>102.2</b>	<b>0.8</b>	<b>-1.8</b>	<b>1.0</b>	<b>-11.2</b>
Home Sales	119.8	13.9	2.0	29.9	-23.1
Retail Sales	150.6	-3.1	-2.0	-5.8	1.8
Hospitality	88.7	-18.0	-2.4	-6.2	15.6
Electricity	126.1	25.0	-6.2	-1.2	-4.2
Employment	98.8	1.6	-1.6	2.1	-6.3
Lumber*	34.7	-9.6	10.2	18.5	-68.5
Manufacturing**	96.5			-	-

\* 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

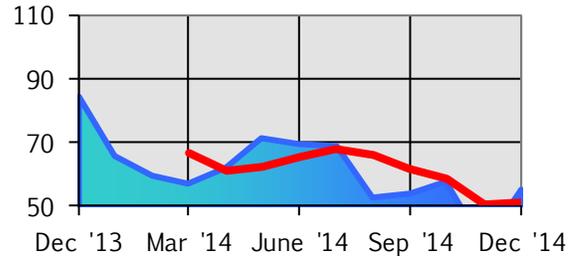
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.8%	46.0%	105.9%	6.3%
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** climbed 17.4 points for a new index value of 55.3. The Unemployment Claims Index was at 85.0 in December 2013, 29.7 points higher than the present value. The 4-month moving average increased 0.5 points to 51.3.

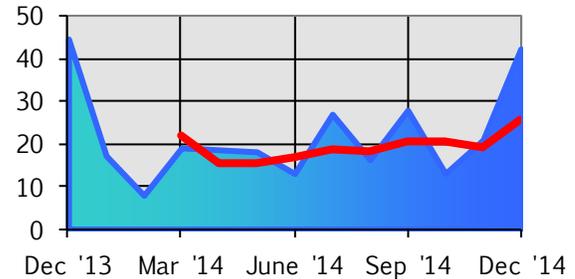
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$255,900	\$1,141	3.625%	6.6%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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.			

Index of Claims for Unemployment Insurance



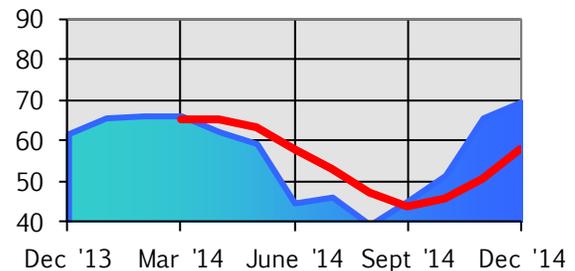
**Building Permits** hit a 2014 high in December with an index value of 42.1, up from the November's value of 20.4. December's increase moved the 4-month moving average upward, lifting it from 19.2 to a new value of 25.7.

Index of Building Permits Issued



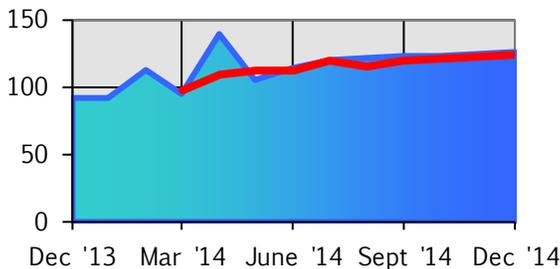
**Help Wanted Advertising** rose 4.1 points in December for a new index value of 69.8. A year ago, the index stood at 62.0, indicating a 7.8 point climb year-over-year. The 4-month moving average is up to 58.0, higher than the previous value of 50.4.

Index of Help Wanted Advertising



**Manufacturing Orders** rose 1.0 points from the previous month which may indicate an increase in future manufacturing activity.

Index of Manufacturing Orders



**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 for December 2014 reports a value of 119.8, 14.6 points higher than in November. In December 2013, the index value was 117.4, 2.4 points lower than the current value. The county's median home price decreased, however, to a value of \$255,900. November's median price was \$269,962, while the median price in December 2013 was \$247,450.

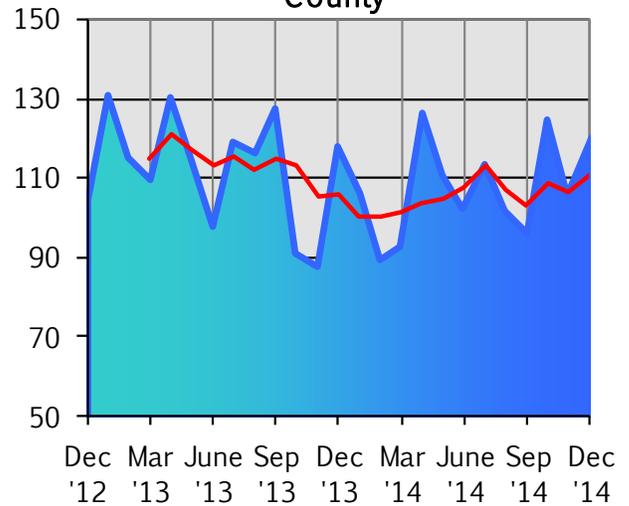
The S&P Case-Shiller Home Price Indices saw home price increases continue to slow in November 2014. The 10-City and 20-City Composites report year-over-year gains of 4.2 and 4.3 percent respectively, down from the 4.4 and 4.5 percent growth reported in the October report. However, the National Index reported a 4.7 percent annual gain over the same period, which is up from the 4.6 percent gain from the October report. Though the National Index saw year-over-year growth between October and November, all three indices were down on a month-over-month basis. The 10-City Composite was down 0.3 percent, the 20-City Composite down 0.2 percent, and the National Index fell 0.1 percent from October to November.

While David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, isn't entirely optimistic about housing gains in 2015, he does mention that "strong price gains" are happening in a number of regions, including California and the Pacific Northwest. Blitzer describes some of the obstacles to housing recovery, including "continued low inventory levels and stiff mortgage qualification standards." The S&P Case-Shiller Home Price Indices, a national index of

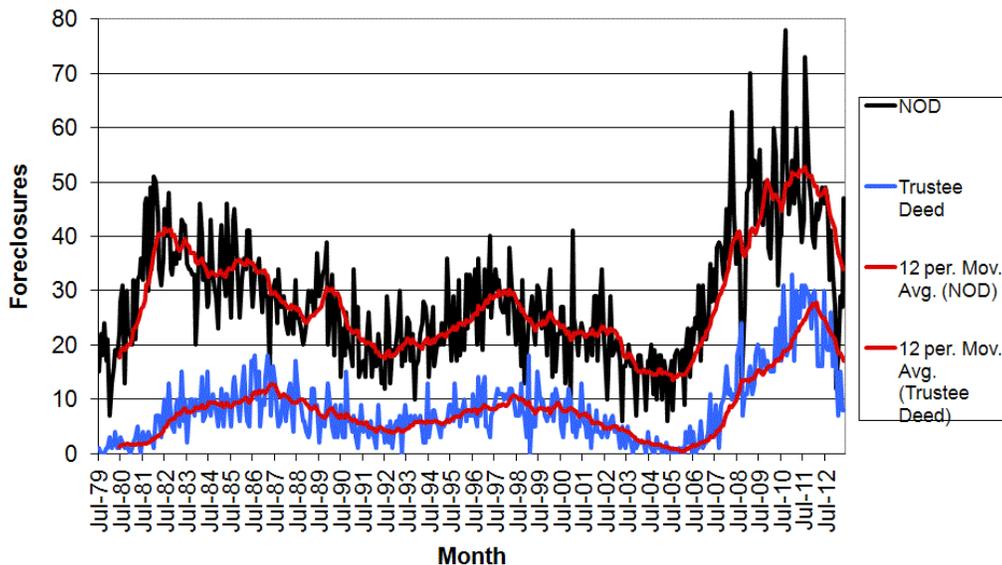
housing prices, is calculated monthly using a 3-month moving average, and published with a two month lag. Within the Case-Shiller Index are composites of 10 and 20 cities that the Index considers representative of the national housing market, as well as the National Index, which accounts for all 9 U.S.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

Mortgage rates saw a decline in the first month of 2015. According to Freddie Mac, the average 30-year fixed-rate mortgage fell 0.19 points to 3.66 percent and the average 15-year fixed-rate mortgage dropped 0.17 points to 2.98 percent for the week ending January 29, 2015. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.32 and 3.40 percent respectively.

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.

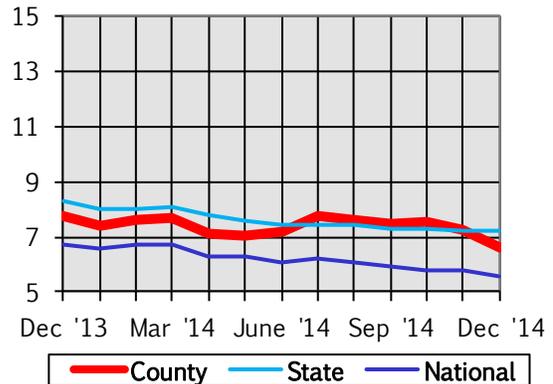
Total County Employment for December 2014 is at an index value of 98.8, up 1.6 points from the previous month. The seasonally adjusted unemployment rate for Humboldt County fell 0.7 points to 6.6 percent, its lowest value since April 2008. The seasonally adjusted national unemployment rate dipped to 5.6 percent, and the seasonally adjusted statewide unemployment rate remained at 7.2 percent.

The Employment Development Department of California indicated in its December statistics that Humboldt County's labor force fell by 500 individuals to a total of 57,500. Statewide, the seasonally adjusted employment totals saw 40,000 new jobs, while unemployment fell to a seasonally adjusted 7.2 percent with 28,500 fewer unemployed compared to the previous month.

In the Labor Department's December report, total nonfarm payroll employment rose by 252,000, while the unemployment rate dropped to 5.6 percent. National

employment was on the rise in several industries, including construction, food services and drinking places, health care, manufacturing, and professional and business services.

Unemployment Percentage Rates



## 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 fell to 73.9 in December, down from a value of 108.2 in November. This month's index value represents a 17.0 point decline from this time last year. The 4-month moving average went down 4.7 points to a current value of 94.7.

## Gasoline Prices

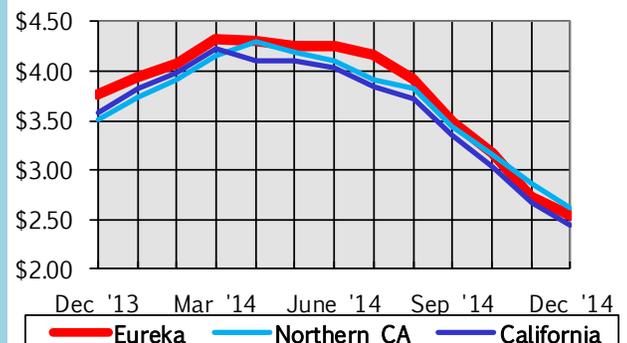
California's gas prices fell even further in January, dropping 23 cents to a new average of \$2.45. Northern California's average price fell 25 cents to \$2.61, while Eureka's average gas price fell 18 cents in January to an average of \$2.55. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$1.99 per gallon in January.

Brad Tuttle – writing for Time's Money Magazine – notes that gas prices have likely bottomed out, with the average gas price on the rise late in January 2015. Though crude oil prices have yet to truly start rebounding, refineries have significantly slowed output recently. This decrease in production has sent wholesale gasoline prices up in the process. Though the recent reprieve at the pump may have already ended, national prices are still a far cry from the 2012 and 2013 annual averages, both of which were over \$3 a gallon.

Gas Prices		
Prices as of 1/26/2015	Average price*	Change from previous month
Eureka	\$2.55	-\$0.18
Northern California	\$2.61	-\$0.25
California	\$2.45	-\$0.23

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

Gasoline Prices



# The Index – Individual Sectors

## 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 96.5, a more than 20 percent change from the previous month. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that January saw economic activity in the manufacturing sector grow for the 20<sup>th</sup> consecutive month, with the overall economy growing for the 68<sup>th</sup> consecutive month. The PMI registered at 53.5 percent, a decrease of 1.6 percentage points from December's 55.1 percent. Fourteen of the eighteen manufacturing industries are reporting growth in January including Wood Products, Food, Beverage & Tobacco Products and Furniture & Related Products. Only two industries – Textiles Mills and Nonmetallic Mineral Products – saw contraction in January.

Businesses reported contraction in new export orders for January after 25 consecutive months of expansion in that measure. The New Export Orders Index value of 49.5 percent in January is 2.5 points lower than in December, and only five industries reported growth in new export orders in January. Food, Beverage & Tobacco Products was one of the five industries to report growth in new export orders, while Furniture and Related Products was one of the six industries reporting a decrease in new export orders. Seven industries saw no change to their new export orders during January. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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 fourth fiscal quarter of 2014 – October through December – and the Energy Index stands at a value of 126.1. December's index value is 25.2 points higher than November's value, but 8.3 points lower than in December 2013. November's value of 100.9 was 20.5 points lower than October's value, and 11.9 points lower than in November 2013. October's value of 121.4 was 6.8 points higher than September's value of 114.6, but 2.8 points lower than in October 2013.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2015.

## 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 is reporting at a value of 150.6 for December 2014, a decline of 4.8 points from the previous month. The most recent value is also 3.1 points lower than in December 2013. The 4-month moving average for this index is up, however, climbing 2.0 points to a new value of 149.6.

On the national scale, Consumer Confidence saw large gains in January's report, jumping 9.8 points to a current index value of 102.9. The Expectations Index rose 7.9 points to a value of 96.4, while the Present Situation Index climbed 12.7 points to a current value of 112.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence rose sharply in January, and is now at its highest level since August 2007." She attributes the growth to a "more positive assessment of current business and labor market conditions" which "contributed to the improvement in consumers' view of the present situation." 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.

## 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 Lumber Manufacturing Index fell 3.7 points to a value of 34.7 in December. The index is 3.2 points higher than this time last year, though the 4-month moving average dropped 0.9 points to a current value of 37.5.

# 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 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.

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Freddie Mac - Humboldt Association of Realtors  
Institute for Supply Management – Money Magazine

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