

Humboldt Economic Index

November 2013

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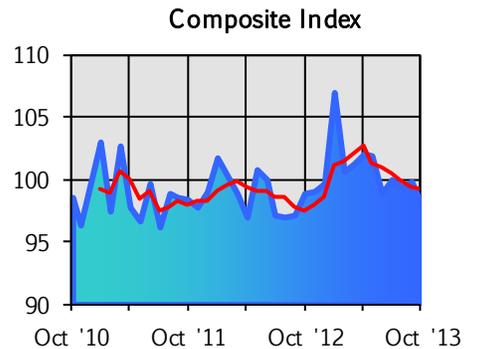
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Weak Home Sales Decreases Composite

The Composite Index decreased 1.9 percent from last month's value of 99.7 to the current value of 97.8, and decreased 1.0 percent from this time last year. The Home Sales, Retail, and Employment Indices decreased this month, while Manufacturing and Hospitality increased.

The Index of Home Sales saw a large decrease of 27.2 percent from last month, and is 11.9 percent lower than this time last year. Median home price in Humboldt County rose from \$243,500 to \$264,000, the highest median price since April of 2010. Mortgage rates have risen this month with the average 30-year fixed rate mortgage at 4.46 percent and the average 15-year fixed rate mortgage at 3.47 percent. The drop in October sales may reflect this general rise in mortgage rates since the summer.

The Total County Employment Index decreased this month and Humboldt County's unemployment rate increase from 9.3 to 9.4 percent. Leading indicators are mixed with unemployment claims having a large increase, help



wanted is up, and building permits are down. California state unemployment remained unchanged at 8.7 percent this month. The national unemployment rate increased from 7.2 to 7.3 percent.

Average gas prices continued to fall through November. Eureka gas prices fell 27 cents this month to an average of \$3.71 per gallon. Look for prices to continue their downward trend though the holiday season barring any unexpected refinery issues.

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**
Composite	97.8	-1.9	-1.0	-2.9	-11.4
Home Sales	89.1	-27.2	-11.9	15.9	-39.6
Retail Sales	144.3	-0.9	3.8	-4.3	1.9
Hospitality	94.2	5.0	2.5	15.5	5.7
Electricity	111.6	0.0	-11.7	-16.5	-2.1
Employment	97.4	-1.6	0.9	-3.8	-6.6
Manufacturing	36.7	17.5	3.5	-7.3	-60.0

* 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.

The Index – Leading Indicators

Leading Indicators

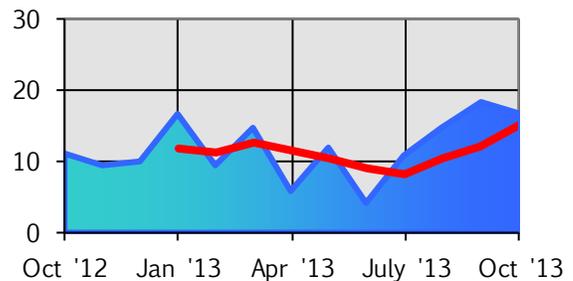
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	71.0%	-9.1%	10.3%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$264,000	\$1,334	4.25%	9.4%
* 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.			

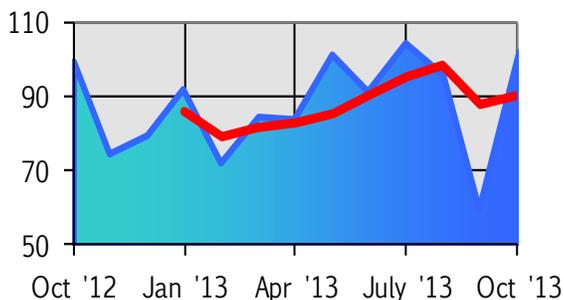
Building permits contracted by 9.1 percent to an index value of 16.7 from the previous 18.4. The 4-month moving average increased to a value of 15.1 from 12.0. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



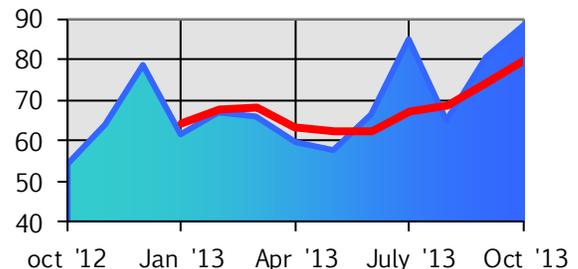
Unemployment Claims increased by 71.0 percent this month to an Index value of 101.7. Additionally, unemployment claims increased by 1.9 percent from this time last year. The 4-month moving average increased to an index value of 90.4 from 87.9. It is important to remember that in contrast to several other Indexes it is not unheard of to see changes of up to 20 percent on a month-to-month basis with the Unemployment Claims.

Index of Claims for Unemployment Insurance



Help Wanted Advertising rose to a value of 89.1 up 10.3 percent from last month's seasonally adjusted value of 80.8. The level this month is 64.6 percent higher than this time last year. Additionally, the 4-month moving average increased 7.6 percent from an Index value of 74.3 to a value of 79.9.

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.

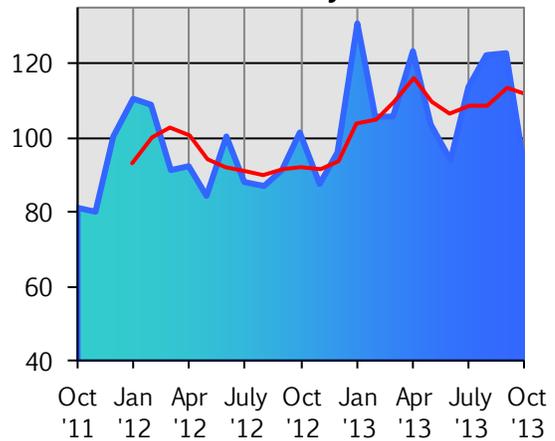
The Humboldt County Home Sales Index decreased by 27.2 percent to a value of 89.1. This is a 11.9 percent decrease from this time last year. The county's median home prices increased from \$243,500 to \$264,00, the highest price since April of 2010.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in September 2013. The 10-City and 20-City Composite reported a growth of 123.3 percent over the 12-month period. The 10- and 20- City Composites rose 0.7 percent from August to September. All 20 cities posted year-over-year increases for at least nine consecutive months. According to David Blitzer, "The strong price gains in the West are sparking questions and concerns about the possibility of another bubble. However the talk is focused on fear of a bubble, not a rush to join the party and buy. Moreover, other data suggest a market beginning to shift to slower growth rather than one about to accelerate. Existing home sales weakened in the most recent report, home construction remains far below the boom levels of six or seven years ago and interest rates are expected to be higher a year from now." 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.

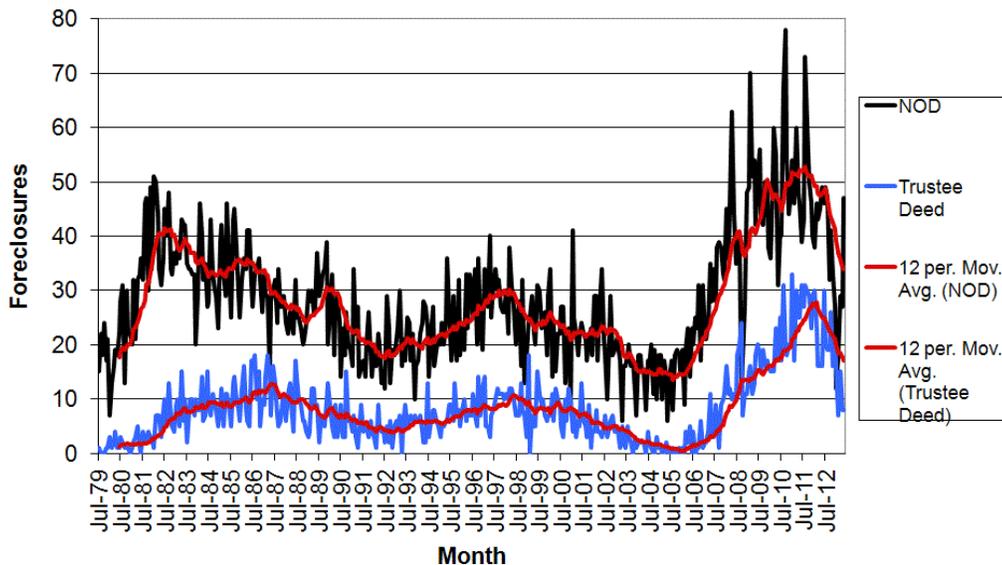
Mortgage rates have increased this month. According

to Freddie Mac, the average 30-year fixed-rate mortgage is 4.46 percent and the average 15-year fixed-rate mortgage is 3.47 percent for the week ending December 5, 2013. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.34 and 2.67 respectively. There is evidence nationally that the rise in interest rates is starting to take effect, as traditional buyers find mortgage payments unaffordable. Also, it seems investors have reduced buying upon concerns about whether the Federal Reserve will raise interest rates sooner rather than later.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

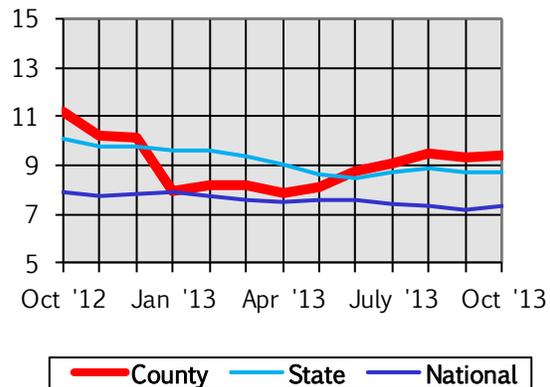
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment decreased this month to an index value of 97.4 from 99.1. Additionally, the seasonally adjusted unemployment rate for Humboldt County went up from 9.3 to 9.4 percent. The seasonally adjusted national unemployment rate increased from 7.2 to 7.3 percent.

The Employment Development Department of California indicated in its October statistics that Humboldt County's labor force decreased by about 100 individuals. For California on the whole, employment added 29,200 jobs, and statewide unemployment remained unchanged at a seasonally adjusted 8.7 percent, with 17,800 less unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 207,000 nonfarm payroll jobs in October, and the unemployment rate increased from 7.2 to 7.3 percent. National employment rose in leisure and hospitality, retail trade, professional and technical services, manufacturing, and health care.

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.

Hospitality increased this month 5.0 percent to an Index value of 94.2 from 89.7. The current value is 2.5 percent higher than last year at this time. Additionally, the 4-month moving average increased from last month's index value of 86.4 to 88.4.

Gasoline Prices

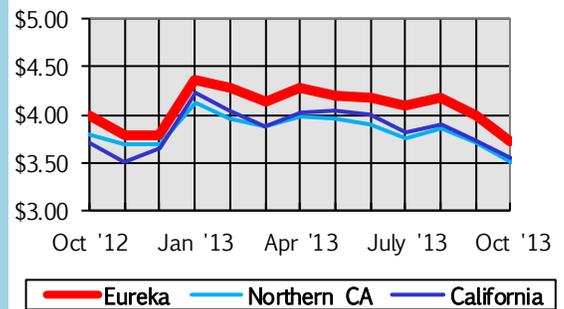
Gasoline Prices for California decreased by an average of 18 cents this month. California gas prices fell to an average of \$3.55, down from last month's \$3.73, while Northern California prices decreased to \$3.50. Eureka gas prices decreased to \$3.71, 27 cents lower than last month.

As expected, gas prices were down this month and are expected to continue to decline through the winter months barring any unexpected issues with local refineries. In addition to the lowering prices, on November 1st gas stations switched from the expensive summer blend of gasoline to the cheaper winter blend that further lowered prices.

Gas Prices		
Prices as of 10/26/2013	Average price*	Change from previous month
Eureka	\$3.71	-\$0.27
Northern California	\$3.50	-\$0.21
California	\$3.55	-\$0.18

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (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 decreased by 0.9 percent from a value of 145.6 to 144.3. This is 3.8 percent above this time last year. This Index's 4-month moving average decreased to an index value of 144.7 from 145.5. On the national scale, Consumer Confidence fell in October. Consumer Confidence Index decreased 2.0 points to a value of 70.4. The Expectations Index posted a 2.9-point decrease from 72.2 to 69.3. The Present Situation Index decreased 0.6 points from 72.6 to 72.0. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence declined moderately in November after sharply declining in October. Sentiment regarding current conditions was mixed, with consumers saying the job market had strengthened, while economic conditions had slowed. However, these sentiments did not carry over into the short-term outlook. When looking ahead six months, consumers expressed greater concern about future job and earning prospects, but remain neutral about economic conditions." 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.

Lumber manufacturing increased 17.5 percent to a value of 36.7 from 31.2. Additionally, the value is up 3.5 percent from this time last year. The 4-month moving average has increased this month to a value of 33.6 from 32.8.

The Institute for Supply Management reported that the national manufacturing sector expanded in November for the sixth consecutive month and the overall economy grew for the 54th consecutive month. The PMI was registered at 57.3 percent, an increase of 0.9 percentage points from October's 56.4 percent. Fifteen of the eighteen manufacturing industries are reporting growth in November including Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the twelfth consecutive month, registering at an Index value of 59.5 percent for November. Nine industries are reporting growth in new export orders in November, down from ten in October. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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.

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, July through September, and the Energy Index stands at a value of 111.6.

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

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The Institute of Supply Management

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