

Humboldt Economic Index

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Gas Prices Tumble, Unemployment Rates Fall

October 2015

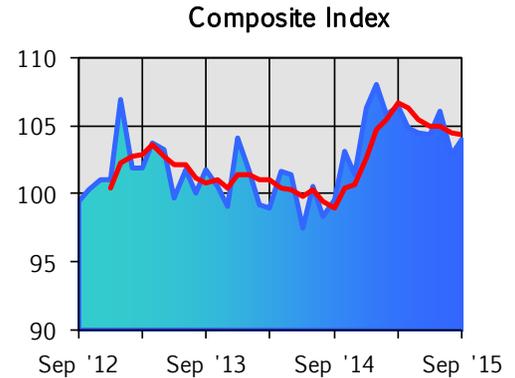
The Composite Index increased 1 percent from last month's revised value of 102.9 to the current value of 103.9. The Composite is up 4.4 percent from this time last year. The Hospitality Index increased over the previous month, while all other indices decreased.

We have suspended the Lumber Manufacturing 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.

Data for the Index of Home Sales was unavailable in August but is now caught up. The Index of Home Sales fell 12.1 percent in September to a new value of 115.3. This value is 13.9 percent higher than this time last year. 30-year mortgage rates in Humboldt County have decreased from 4 percent to 3.875 percent, while the median home price rose from \$268,000 to \$270,000.

Leading indicators for September are mixed. Help wanted advertising increased by 24.3 percent, while all other indicators decreased over the previous month.

Seasonally adjusted unemployment



rates in Humboldt County and California both fell to 5.4 percent and 5.9 percent respectively. In comparison, the national unemployment rate remained at 5.1 percent.

Gas prices in California have decreased from the previous month, with California's average price per gallon at \$2.83 from \$2.99. Northern California's average price fell from \$3.05 per gallon to \$2.85 per gallon, and Eureka's average gas price fell from \$2.93 per gallon to \$2.86 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****
Composite	103.9	1.0	4.4	3.8	-6.0
Home Sales	106.5	-7.6	11.5	29.3	-21.8
Retail Sales	155.4	3.6	4.4	3.3	12.2
Hospitality	92.8	0.1	-2.3	8.7	8.7
Electricity	117.6	6.4	2.6	-9.3	-13.7
Employment	107.3	0.0	9.7	8.1	0.9
Lumber*	26.3	0.0	-28.1	-30.7	-66.4
Manufacturing**	108.9			-	-

* 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

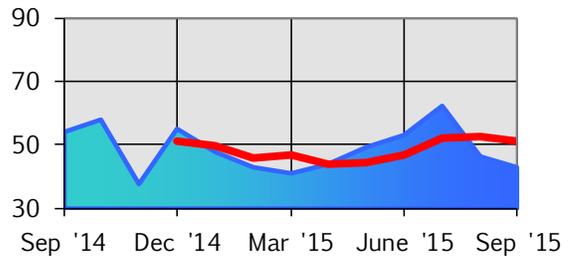
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-15.9%	-7.2%	-47.1%	24.3%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$271,500	\$1,736	3.875%	5.4%
* 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.			

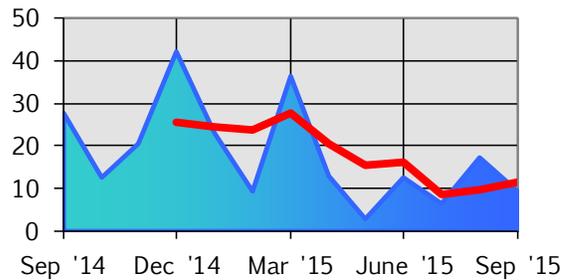
Unemployment Claims data was unavailable in August but is now caught up. Unemployment claims decreased 3.3 points to a new index value of 43. The Unemployment Claims Index was 52.4 in September 2014, 11.2 points higher than the current value. The 4-month moving average fell 1.6 points to 51.2.

Index of Claims for Unemployment Insurance



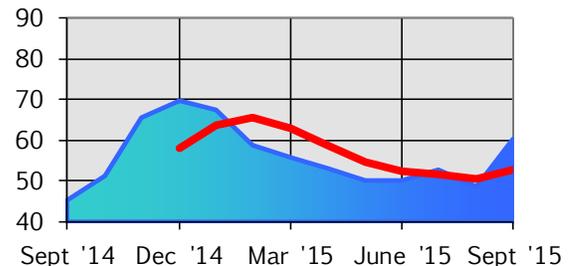
Building Permits fell to an index value of 9.2. The current value is 8.2 points less than August's value of 17.4. The Building Permits Index value was 27.6 this time last year. The 4-month moving average increased to a new value of 11.4 from 9.9.

Index of Building Permits Issued



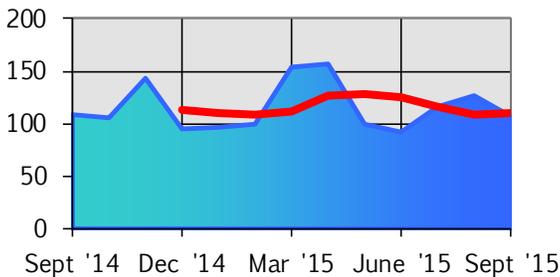
Help Wanted Advertising increased 11.8 points in September to a new index value of 60.3. One year ago, the index value stood at 45.4, indicating a 14.9 point increase year-over-year. September's increase moved the 4-month moving average upward from 50.4 to 52.9.

Index of Help Wanted Advertising



Manufacturing Orders fell 20.3 points for a new index value of 107. The Manufacturing Orders Index value in September 2014 was 108.8, 1.8 points fewer than the present value.

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 Home Sales Index for September 2015 reports an index value of 106.5, 8.8 points less than the previous month's value of 115.3. In September 2014, the index value was 95.5, 11 points less than the current value. The county's median home price increased to a value of \$270,000 from August's median price of \$268,000. The median price in September 2014 was \$246,000.

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.

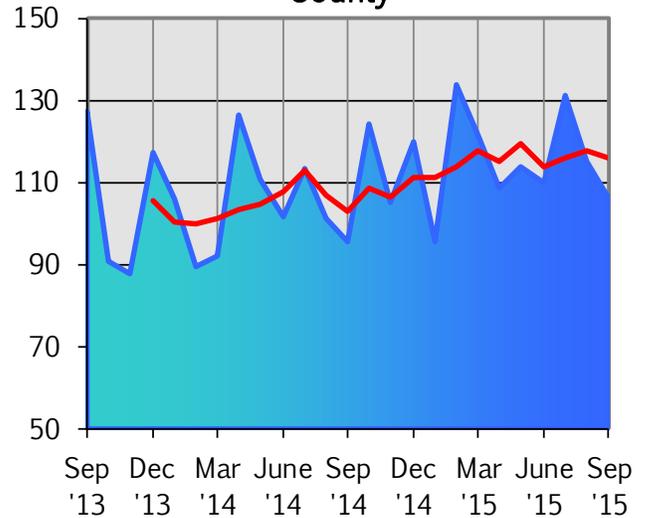
The S&P Case-Shiller Home Price Indices saw marginally higher year-over-year gains in August compared to July 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.7 percent and 5.1 percent respectively. The National Index reported a 4.7 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.1 percent. The National Index reported a seasonally adjusted increase of 0.4 percent.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that, "Home prices continue to climb at a 4% to 5% annual rate across the country," and that housing starts "topped an annual rate of 1.2 million units... with continuing strength in both single family homes and

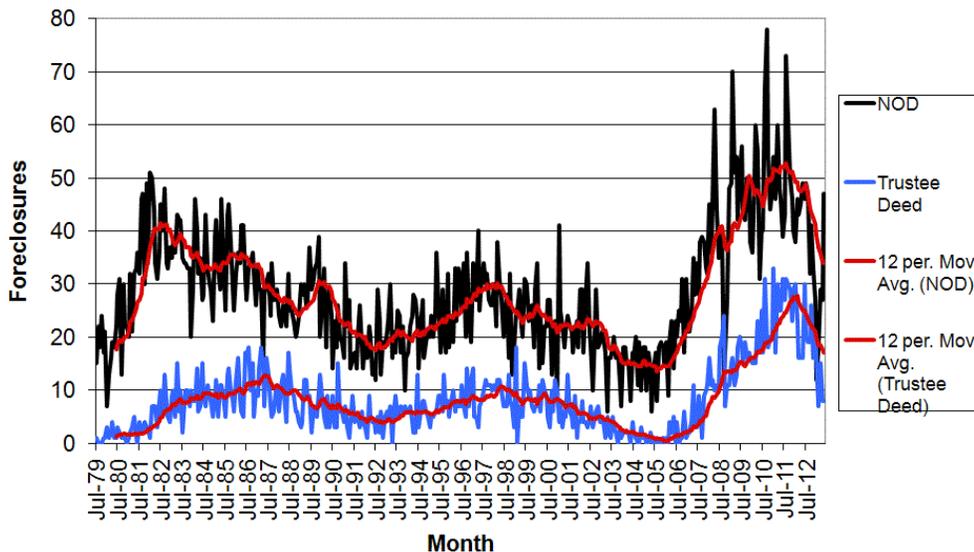
apartments." The National Association of Home Builders sentiment survey reached the highest level since 2005, prior to the housing collapse.

According to Freddie Mac, the average 30-year fixed-rate mortgage decreased from 3.86 percent in September to 3.76 percent in October. The average 15-year fixed-rate mortgage also decreased from 3.08 percent in September to 2.98 percent in October.

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.

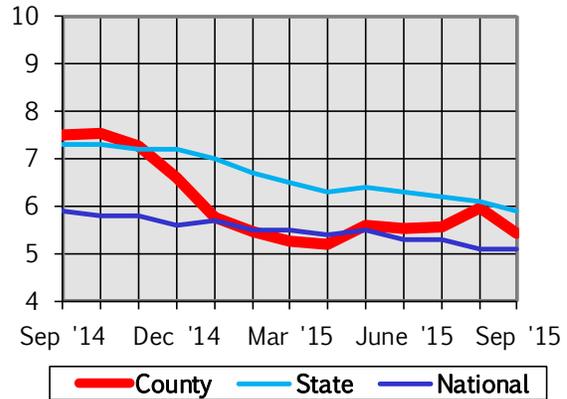
The Total County Employment Index remained at a value of 107.3. The seasonally adjusted unemployment rate for Humboldt County decreased from 5.9 percent to 5.4 percent. The unemployment rate for California fell from 6.1 percent to 5.9 percent, the lowest rate since February 2008. The national unemployment rate remained at 5.1 percent.

The Employment Development Department of California indicated in its September statistics that Humboldt County's total employment increased by 700 individuals to a current total of 59,000. Humboldt County's total unemployment decreased from 3,500 individuals in August to 2,900 individuals in September.

In the Labor Department's September report, total nonfarm payroll employment increased by 142,000. National employment was on the rise in several industries, including health care, information, professional and business services, retail trade, and food services and drinking places. Employment in mining continued to

decline. Employment in other major industries, such as construction, manufacturing, wholesale trade, transportation and warehousing, financial activities, and government, showed few change month-over-month.

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 slightly increased in September to a new value of 92.8 from 92.7. This month's index value represents a 2.1 point decrease from this time last year. The 4-month moving average rose 0.3 points to a current value of 91.7.

Gasoline Prices

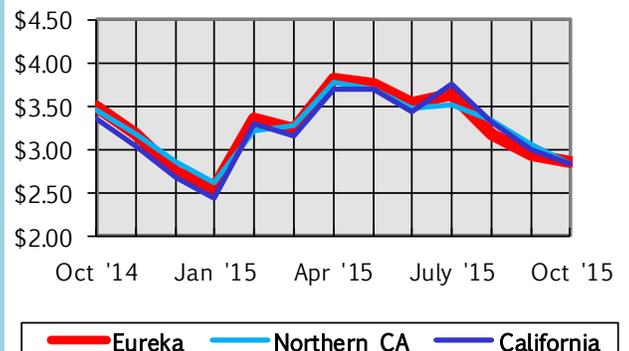
California gas prices decreased in October to a new average of \$2.83 per gallon. Northern California and Eureka gas prices also decreased in October, with new averages of \$2.85 per gallon and \$2.86 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka is \$2.20 per gallon.

According to the November 2nd AAA National Fuel Gauge report, the national average price of gasoline in October was \$2.26 per gallon. California gas prices are among the most expensive in the nation, but have finally fallen under \$3 per gallon. Ric Romero, writing for ABC7 Los Angeles, states that the "trend is heading downward" and is "good news for consumers." California switched to winter blend gasoline on November 1st, which could "possibly mean even lower prices coming along." Jeff Spring from Auto Club states, "The difference in pricing from the summer blend to the winter blend is about 8 cents. Winter blend is cheaper to produce, and so you would expect prices to be dropping based on that alone."

Gas Prices		
Prices as of 10/30/2015	Average price*	Change from previous month
Eureka	\$2.86	-\$0.07
Northern California	\$2.85	-\$0.20
California	\$2.83	-\$0.16

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.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 expanded to a seasonally adjusted index value of 108.9 in September, a 16.7 point increase from August's value of 92.2. Overall manufacturing employment increased to 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that October saw economic activity in the manufacturing sector grow for the 34th consecutive month, with the overall economy growing for the 77th 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 October is 50.1 percent, representing a decrease of 0.1 percentage points from the previous month.

Nationally, seven of the eighteen manufacturing industries reported growth in October, including Printing & Related Support Activities; Furniture & Related Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Chemical Products; Paper Products; and Fabricated Metal Products. Nine industries, some of which include Apparel, Leather & Allied Products; Primary Metals; Petroleum & Coal Products; and Plastics & Rubber Products, saw contraction in October.

The New Export Orders Index for October is 52.9 percent, indicating growth in new orders for the 35th consecutive month. 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. Eight industries reported growth in new export orders in October, some of which include Printing & Related Support Activities; Textile Mills; Furniture & Related Products; Miscellaneous Manufacturing; Chemical Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products. Six industries saw a decrease in their new export orders, and four industries 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 155.4 for September, representing an increase of 5.4 points from August. The current value is 6.6 points higher than in September 2014. The 4-month moving average increased 0.3 points to a new value of 152.6.

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 declined in October by 5 points to a current index value of 97.6. The Present Situation Index decreased 8.2 points to a current value of 112.1 and the Expectations Index decreased 2.8 points to a new value of 88.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states, "Consumer confidence declined in October, following September's modest gain. Consumers were less positive in their assessment of present-day conditions, in particular the job market, and were moderately less optimistic about the short-term outlook." The percentage of consumers expecting business conditions to improve over the next six months remained at 18.1 percent. The percentage of consumers expecting business conditions to decline increased from 10.4 percent to 10.6 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

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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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
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Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management – ABC7 Los Angeles

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