

# Humboldt Economic Index

October 2016

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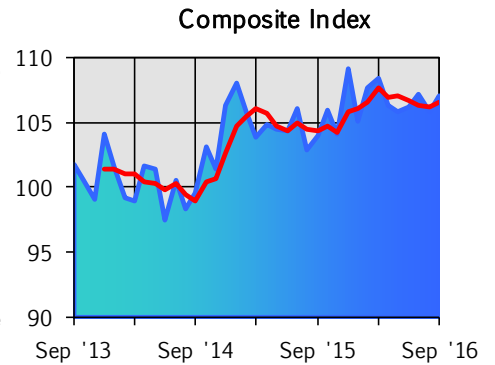
## Hospitality Grows as the Holidays Approach

The Composite Index rose 1.2 points from last month's value of 105.9 to the current value of 107.1. The Composite Index is up 3.2 points from this time last year. The Hospitality and Employment Indices climbed over the past month, while the Home Sales and Retail Sales indices both declined.

The Index of Home Sales fell 5.0 points from last month's value of 132.3, and is 20.8 points higher than in September 2015. The median home price decreased to \$287,000.

Leading Indicators are mostly falling in September. The Help Wanted Advertising and the Manufacturing Orders are all this month, while Building Permits and Unemployment Claims have decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County decreased from 5.5 percent to 5.3 percent, while the seasonally adjusted unemployment rate in California



remained unchanged month-to-month at 5.5 percent. In comparison, the national unemployment rate increased 0.1 points to 5.0 percent.

California gas prices increased from \$2.78 to \$2.80. Northern California's average fell to \$2.83 from \$2.86, and Eureka's average gas price per gallon increased from \$2.84 to \$2.86.

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>107.1</b>	<b>1.1</b>	<b>3.0</b>	<b>6.2</b>	<b>-2.8</b>
Home Sales	127.3	-3.8	19.6	39.8	22.1
Retail Sales	150.4	-0.2	-3.2	1.5	-7.9
Hospitality	97.2	8.9	4.8	6.8	7.7
Electricity	125.8	0.0	0.0	0.0	0.0
Employment	109.3	1.1	1.9	10.9	4.0
Lumber*	26.3	0.0	0.0	-39.2	-67.1
Manufacturing**	89.5			-	-

\* 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

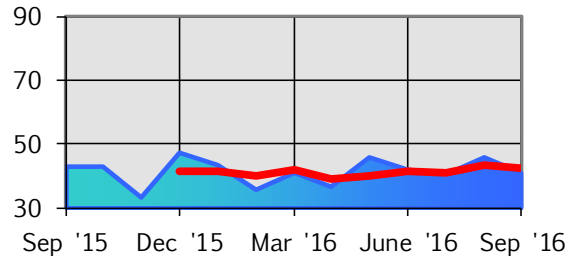
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	-10.8%	-78.0%	22.0%
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** decreased 5 points to a new index value of 40.9. The unemployment claims index was 43.0 in September 2015, which is 2.1 points higher than the present value. The 4-month moving average fell 1.2 points to 42.3.

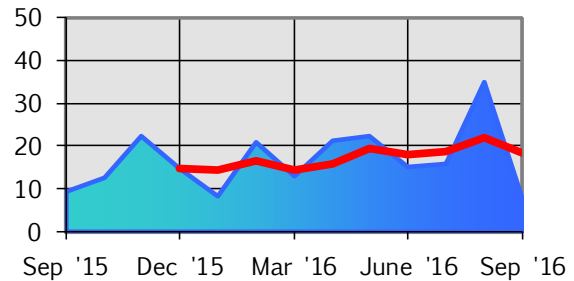
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$287,000	\$1,350	3.625%	5.5%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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



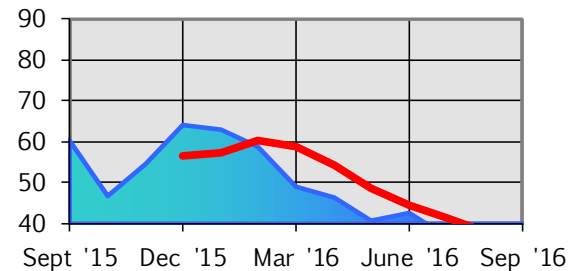
**Building Permits** declined 27.2 points to a new index value of 7.7. The current value is 1.5 points lower than September's value in 2015.

Index of Building Permits Issued



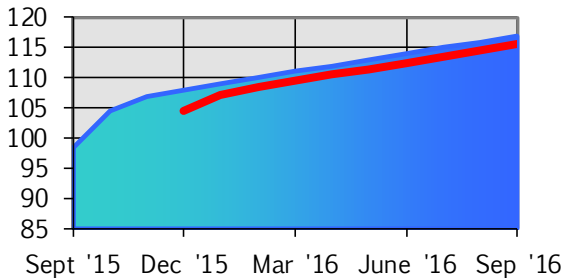
**Help Wanted Advertising** rose 7.2 points in September to a new index value of 39.8. One year ago, the index value stood at 60.3, indicating a 20.5 point decrease year-over-year. The 4-month moving average is down to 38.0, lower than the August's value of 38.1.

Index of Help Wanted Advertising



**Manufacturing Orders** increased from last month's value of 116.0 to a current value of 117.0. The manufacturing orders index value in September 2015 was 98.4, which is 18.6 points lower 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 Humboldt County Home Sales Index for September stands at an index value of 127.3, which is 5.0 points lower than August's value of 132.3. September 2015's index value is 20.8 points lower than the current value. The county's median home price decreased to \$287,000. In comparison, the median home price in September 2015 was \$270,000.

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.

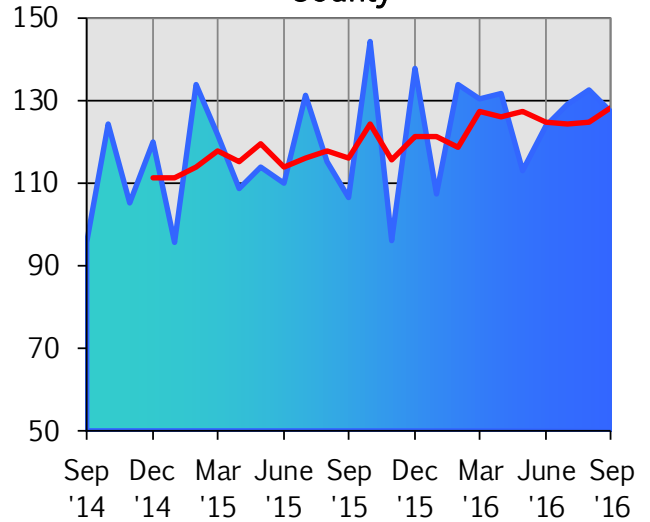
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in August compared to July. The 10-City and 20-City Composites report year-over-year gains of 4.3 percent and 5.1 percent respectively. The National Index reported a 5.3 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.2 percent. The National Index also reported a seasonally adjusted increase of 0.6 percent.

David M. Blitzer, Managing Director and Chairman of

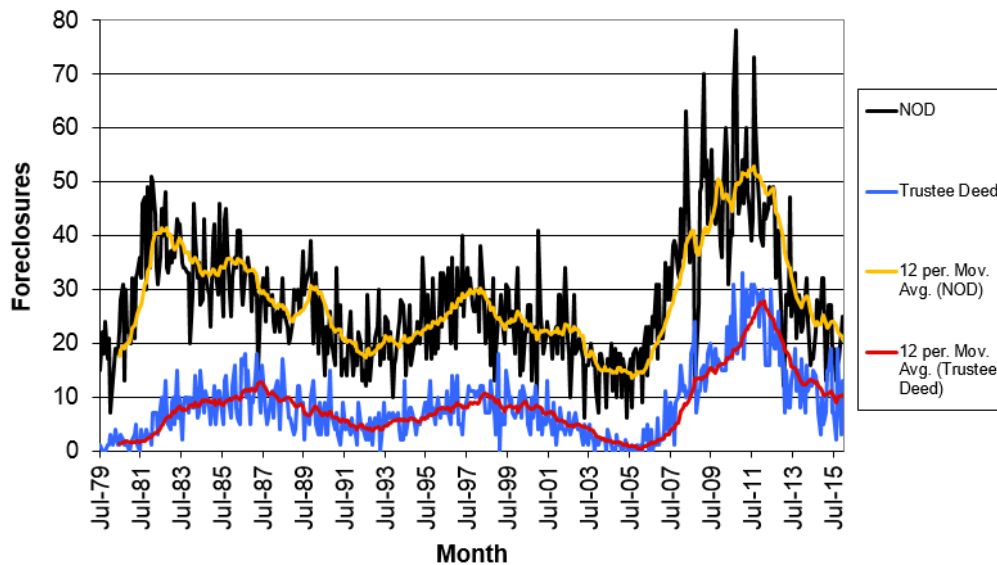
the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Supported by continued moderate economic growth, home prices extended recent gains."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of October 27, 2016 increased to 3.47 percent from September's latest percent of 3.42. The average 15-year fixed-rate mortgage also increased from 2.72 percent to 2.78 percent in September.

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 increased in value to 109.3. The seasonally adjusted unemployment rate for Humboldt County decreased from 5.5 percent to 5.3 percent. The unemployment rate for California remained constant at 5.5 percent for the third consecutive month. The national unemployment rate rose to 5.0 percent, up from 4.9 percent in August.

The Employment Development Department of California indicated that in September Humboldt County's total employment rose by 1,340 individuals to a total of 60,120. Humboldt County's total unemployment decreased from 3,190 individuals in August to 2,900 individuals in September.

In the Labor Department's December report, total nonfarm payroll employment rose by 156,000. National employment was on the rise in several industries, including professional and business services, health care, retail trade, and food services and drinking places. Employment in mining continued to decline. Employment

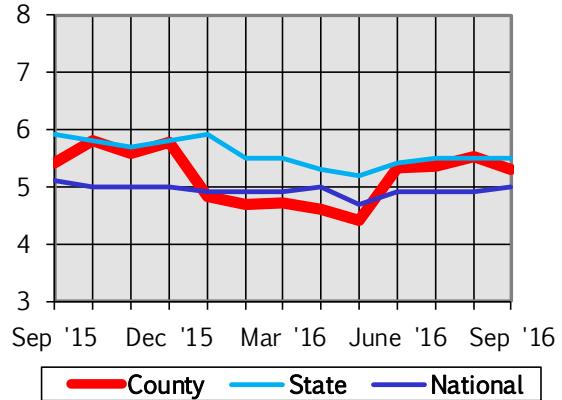
## Hospitality

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 September to a new value of 97.2 from 89.3. This month's index value represents a 4.4 point increase from this time last year. The 4-month moving average rose 0.7 points to a current value of 93.0.

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

Unemployment Percentage Rates



## Gasoline Prices

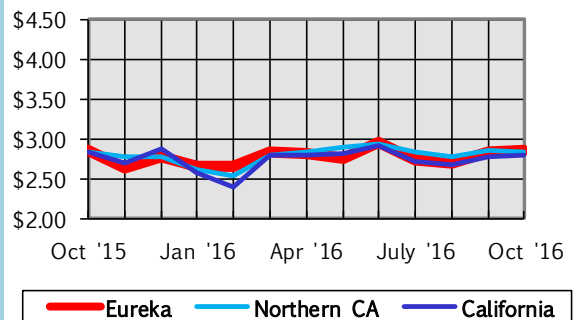
California's gas prices rose in September, increasing 2 cents to a new average of \$2.80. Northern California's average price decreased 3 cents to a new average of \$2.83, while Eureka's average gas price increased by 2 cents to a new average of \$2.86. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.17 per gallon.

As of November 1, Californian refineries can produce the cheaper winter blend of gasoline, which usually brings down gasoline prices. This blend of gasoline is cheaper to make because refiners can add butane to gas, which helps produce five to eight percent more gas for every barrel. Gas prices have remained low this year even with refinery issues such as Torrance's ExxonMobil reopening, experiencing power outages, and the damaging collapse of a 300-ton crane. Marie Montgomery, Automobile Club of Southern California spokeswoman, said, "It's been a relatively calm year for gas prices so far, and they have been significantly lower than we have seen so far." This gasoline blend change should keep prices low for the rest of the season.

Gas Prices		
Prices as of 10/31/2016	Average price*	Change from previous month
Eureka	\$2.86	\$0.01
Northern California	\$2.83	-\$0.03
California	\$2.80	\$0.02

\* 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

## 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 89.5 in September, a 1.1 point decrease from the previous month's value of 90.6. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that October saw economic activity in the manufacturing sector growth for the second consecutive month, while the overall economy grew for the 89<sup>th</sup> 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 51.9, representing a 0.4 point increase.

Nationally, ten of the eighteen manufacturing industries are reporting growth in October including Textile Mills; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; and Computer & Electronic Products.

The New Export Orders Index for October is 52.5 percent, indicating an increase from September's index by 0.5 points. 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. Six industries reported growth in the new export orders including Textile Mills and Miscellaneous Manufacturing. Five Industries reported a decrease in new export orders, and seven 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 first fiscal quarter of 2016—January through March—and the Energy Index stands at a value of 125.8. March's index value is 13 points higher than February's value, and 6.5 points higher than in March 2015. February's value of 112.8 was 9.9 points lower than January's value, and 4.1 points higher than in February 2015. January's value of 122.7 was 11.5 points lower than December's value of 134.2, but 4.8 points lower than in January 2015.

The information on the second fiscal quarter of 2016 was not available at the time of publication.

## 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 150.4 for September, a decrease of just 0.2 points from the value of 150.6 in August. The most recent value is also 5.0 points lower than in September 2015. The 4-month moving average is down by 2.4 points to a new value of 153.8.

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 decreased in October by 4.9 points to a current index value of 98.6. The Expectations Index decreased 3.3 points to a new value of 83.9, while the Present Situation Index decreased in value to 120.6 from the previous month's value of 127.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence retreated in October, after back-to-back monthly gains. Overall, sentiment is that the economy will continue to expand in the near-term, but at a moderate pace." The percentage of consumers expecting business conditions to improve over the next six months fell to 16.0 percent, while the percentage of consumers expecting business conditions to decline increased to 12.2.

## 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 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 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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■ ■ ■ *realize human potential*

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