

# Humboldt Economic Index

September 2014

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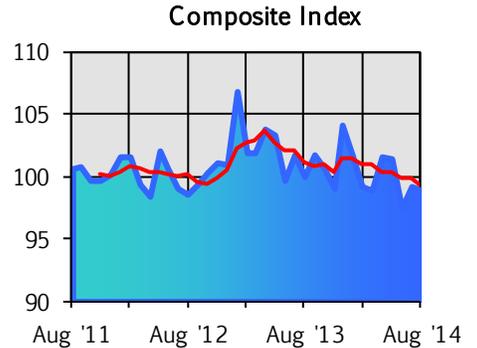
## Hospitality & Lumber are Up, but Home Sales and Composite Slide

The Composite Index decreased 0.3 points from last month's value of 99.2 to the current value of 98.9. The Composite is also down 1.1 points from this time last year. Hospitality, Lumber and Employment are all up this month, while Home Sales and Retail saw declines in August.

The Index of Home Sales fell 12.2 points this month, and is 15.1 points lower than this time last year, though median home prices in Humboldt County rose from \$240,000 to \$257,000 over the past month. Mortgage rates climbed recently, with the average 30-year fixed rate mortgage at 4.19 percent and the average 15-year fixed rate mortgage at 3.36 percent.

Leading indicators are mixed with manufacturing orders up and unemployment claims down, but building permits and help wanted advertising were also down.

The unemployment rates are down across the board. Humboldt County's rate dropped 0.1 points to 7.6 percent, while California's rate dropped 0.5 points to 7.4 percent. The national seasonally adjusted unemployment rate dropped 0.1 points to 6.1 percent.



Average gas prices continue their recent slide, seeing steep declines in most regions. Eureka's average gas price is the lowest it has been all of 2014, falling 24 cents to a new price of \$3.92. Northern California saw a 9 cent decline in average gas prices and now stands at \$3.82, while the state average dropped 11 cents to a 2014 low of \$3.73.

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>98.9</b>	<b>-0.3</b>	<b>-1.1</b>	<b>0.5</b>	<b>-9.0</b>
Home Sales	101.2	-10.7	-12.9	16.1	-22.9
Retail Sales	142.7	-1.2	-1.9	-3.2	-3.4
Hospitality	92.7	3.1	8.6	8.3	4.1
Electricity	115.7	0.0	-4.8	-10.0	2.3
Employment	97.5	0.9	-1.3	-0.2	-6.9
Lumber*	38.1	1.5	14.3	22.6	-51.8
Manufacturing**	101.4			-	-

\* 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.

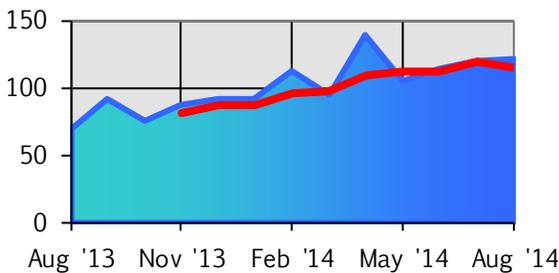
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
19.2%	-23.1%	-39.5%	-14.7%
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** dropped 16.0 points over the month for a new Index value of 53.2. At this time last year, unemployment claims were at an index value of 95.5, 42.3 points higher than present day. The 4-month moving average fell from 68.3 to 66.0.

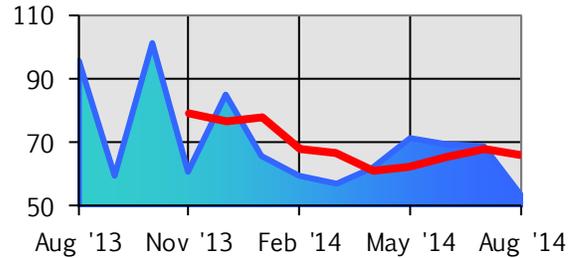
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$257,000	\$1,439	4.125%	7.6%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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.			

**Manufacturing Orders** rose 23.0 points from the previous month which may indicate an increase in future manufacturing activity.

Index of Manufacturing Orders

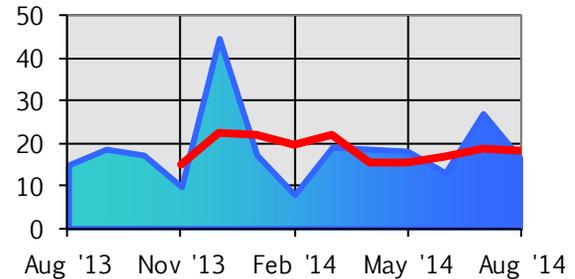


Index of Claims for Unemployment Insurance



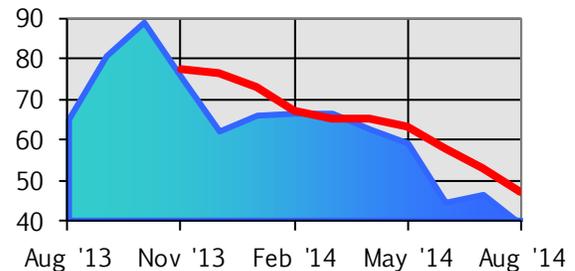
**Building Permits** declined 10.5 points to an index value of 16.1, down from last month's value of 26.6. The 4-month moving average is now at 18.3, 0.6 points below last month's value of 18.9.

Index of Building Permits Issued



**Help Wanted Advertising** lowered to a value of 39.4, a decrease of 6.9 points from last month's value. Year-to-year, the index has fallen 25.4 points. The 4-month moving average also fell – down 5.8 points from last month's value of 47.4.

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.

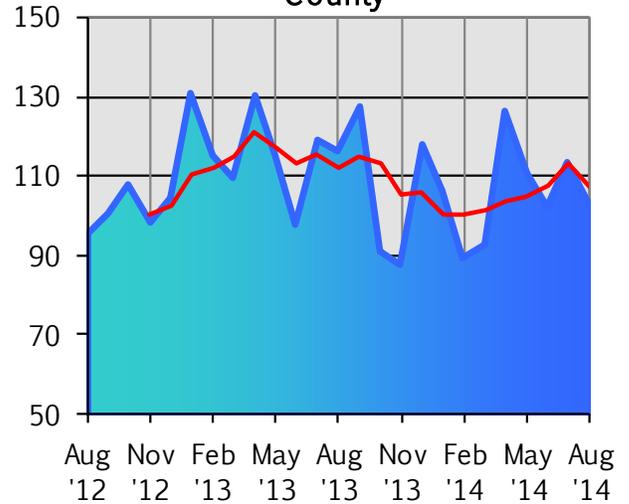
The Humboldt County Home Sales Index decreased 12.2 points to a value of 101.2, which is also 15.1 points lower than this time last year. The county's median home price for the past month rose, however, to a value of \$257,000, \$17,000 higher than last month's median. The county's median home price at this time last year was \$242,750.

The S&P Case-Shiller Home Price Indices note a "significant slowdown in prices" in their most recent report. The 10-City and 20-City Composite reported growths of 6.7 percent each over the 12-month period, and the monthly National Index saw a 5.6 percent increase over the same period. Over the month of July, the National Index rose 0.5 percent, with both Composites gaining 0.6 percent that month. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 16-17 percent.

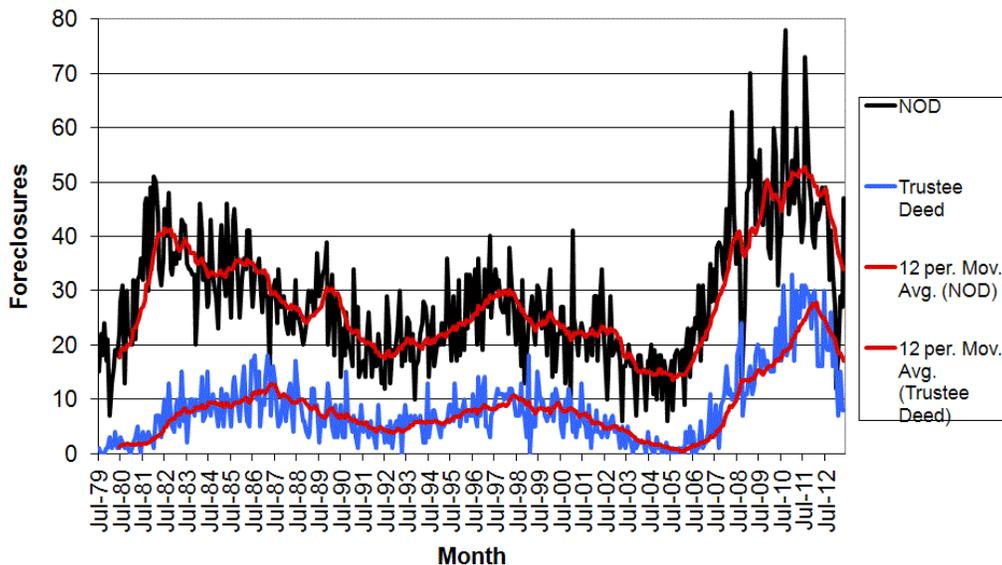
David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, notes the deceleration in home prices, but states "home prices continue to rise at two to three times the rate of inflation." Blitzer also notes that an increase in new home sales in August – a figure the Home Price Indices do not track – is a positive sign despite the recent slowdown in price gain. 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 increased this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is now 4.19 percent and the average 15-year fixed-rate mortgage is 3.36 percent for the week ending October 2, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.22 and 3.29 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

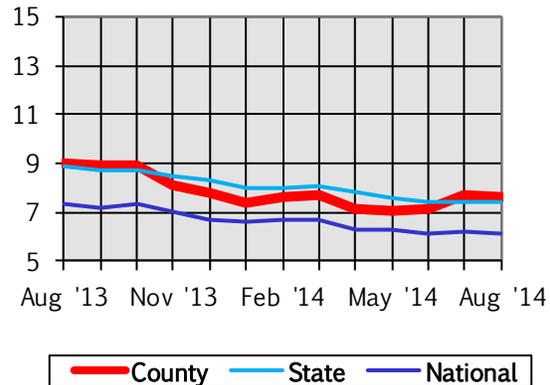
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment climbed 0.8 points this month to an index value of 97.5. The seasonally adjusted unemployment rate for Humboldt County fell 0.1 points to 7.6 percent. The seasonally adjusted national unemployment rate was also down 0.1 points, now reporting at 6.1 percent.

The Employment Development Department of California indicated in its August statistics that Humboldt County's labor force increased by 800 individuals to a total of 57,100. Statewide, the seasonally adjusted employment totals increase by 133,400 jobs, with the unemployment rate at a seasonally adjusted 7.4 percent.

The Labor Department's August statistics state that national employment added 248,000 nonfarm payroll jobs, and the unemployment rate fell to 5.9 percent. National employment rose in professional and business services, retail trade, 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 climbed 2.8 points this month to a current value of 92.7. August's index value also represents a 7.3 point increase over this time last year. The 4-month moving average is also up 2.0 points over last month with a current value of 89.3.

## Gasoline Prices

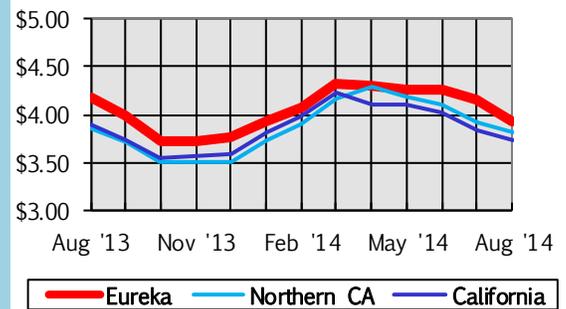
California's gas prices dropped another 11 cents to \$3.73 in August, the lowest price this year. Northern California prices fell 9 cents to \$3.82. Eureka gas prices fell 24 cents in August to a new 2014 low average of \$3.92.

The San Jose Mercury News reports that gas prices could fall below \$3.00 a gallon across much of the country by the end of the year, though we shouldn't expect to see prices that low in California. Though the fall season is typically a harbinger for a steep decline in gas prices, California still has a long way to go before it nears the \$3.00 mark. Based off data from the past three years, though, we could expect to see declines between 10 to 50 cents before 2015. With falling international oil prices, don't be surprised if the price at the pump continues its recent decline.

Gas Prices		
Prices as of 9/24/2014	Average price*	Change from previous month
Eureka	\$3.92	-\$0.24
Northern California	\$3.82	-\$0.09
California	\$3.73	-\$0.11

\* 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



## 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 101.4. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reported that September saw economic activity in the manufacturing sector grow for the sixteenth consecutive month, while the overall economy grew for the 64<sup>th</sup> consecutive month. The PMI registered at 56.6 percent, a decrease of 2.4 percentage points from August's 59 percent. Fifteen of the eighteen manufacturing industries are reporting growth in August including Wood Products, Furniture and Related Products, Paper Products, and Food, Beverage & Tobacco Products. Though new export orders were down 1.5 points in September, for a new index value of 53.5 percent, it still registered as the 22<sup>nd</sup> consecutive month of expansion in new export orders. Seven industries reported growth in new export orders in September, including Wood Products and Food, Beverage & Tobacco Products, while Paper Products saw a decrease in new export orders. 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 second fiscal quarter, April through June, and the Energy Index stands at a value of 115.7.

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

## 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 dropped 1.7 points to a current value of 142.7, a 2.8 point decline when compared to this time last year. The 4-month moving average for this index also declined 2.2 points to a current value of 147.0.

On the national scale, Consumer Confidence declined in September, down 7.4 points for a current index value of 86.0. The Expectations Index fell 9.4 points to a value of 83.7, while the Present Situation Index fell 4.5 points to a current value of 89.4. Lynn Franco, the Director of Economic Indicators at the Conference Board, says "Consumer confidence retreated in September after four consecutive months of improvement. A less positive assessment of the current job market, most likely due to the recent softening in growth, was the sole reason for the decline in consumers' assessment of present-day 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.

The lumber manufacturing index rose 0.6 points to a value of 38.1 in August. The index is also up 4.8 points from this time last year, and the 4-month moving average increased 0.3 points to a current value of 35.7.

# 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.

HUMBOLDT STATE UNIVERSITY

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■ ■ ■ *realize human potential*

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Freddie Mac - Humboldt Association of Realtors  
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