

# Humboldt Economic Index

September 2016

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## Home Sales Show Little Improvement

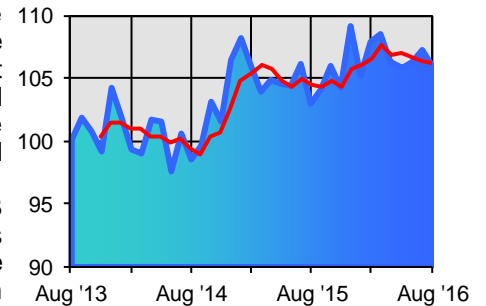
The Composite Index fell 1.2 points from last month's value of 107.1 to the current value of 105.9. The Composite Index is up 3 points from this time last year. The Home Sales Index climbed over the past month, while the Hospitality, Retail Sales, and Employment indices declined.

The Index of Home Sales rose 3.3 points from July, and is 17.0 points higher than in August 2015. The median home price fell to \$295,000 from \$307,500.

Leading Indicators are mostly rising in August. The Building Permits, Unemployment Claims, and the Manufacturing Orders are all up this month, while Help Wanted Advertising has decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County increased from 5.3 percent to 5.5 percent, while the seasonally adjusted unemployment rate in California remained at 5.5 percent. In comparison, the national unemployment rate remained at 4.9 percent for the third consecutive month.

Composite Index



California gas prices increased from \$2.68 to \$2.78. Northern California's average also rose to \$2.86 from \$2.77, and Eureka's average gas price per gallon increased from \$2.71 to \$2.84.

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>105.9</b>	<b>-1.2</b>	<b>2.9</b>	<b>5.2</b>	<b>0.7</b>
Home Sales	132.3	2.6	14.8	46.7	24.5
Retail Sales	150.6	-2.4	0.4	2.8	3.8
Hospitality	89.3	-4.4	-3.6	1.0	10.9
Electricity	125.8	0.0	0.0	0.0	0.0
Employment	108.1	-0.8	0.8	10.5	3.5
Lumber*	26.3	0.0	0.0	-37.2	-64.4
Manufacturing**	90.6			-	-

\* 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

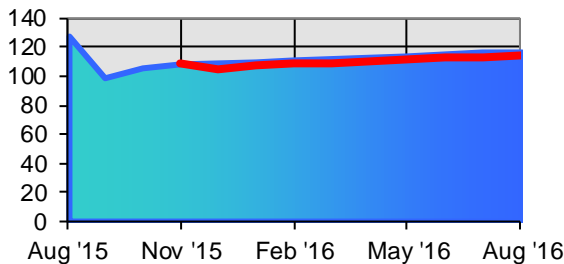
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	13.3%	118.3%	-11.1%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$307,500	\$ 1,475	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.			

**Manufacturing Orders** increased from last month's value of 115.0 to a current value of 116.0. The manufacturing orders index value in August 2015 was 127.3, which is 12.3 points higher than the present value.

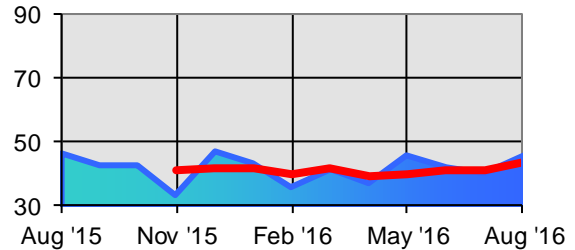
Index of Manufacturing Orders



**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.

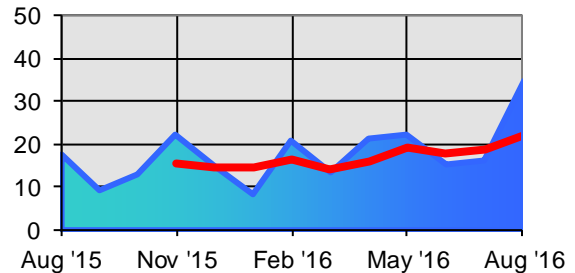
**Unemployment Claims** increased 5.4 points to a new index value of 45.9. The unemployment claims index was 46.3 in August 2015, which is 0.4 points higher than the present value. The 4-month moving average rose just 2.5 points to 43.5.

Index of Claims for Unemployment Insurance



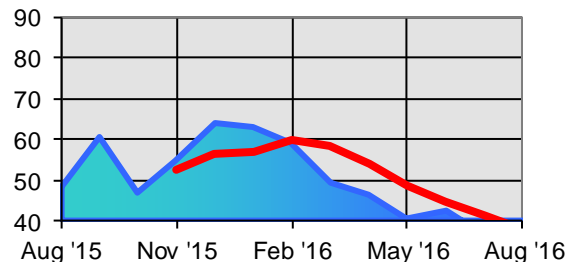
**Building Permits** increased 18.9 points to a new index value of 34.9. The current value is 17.5 points lower than August's value in 2015.

Index of Building Permits Issued



**Help Wanted Advertising** rose 4.1 points in August to a new index value of 32.6. One year ago, the index value stood at 48.5, indicating a 16.1 point decrease year-over-year. The 4-month moving average is down to 38.1, lower than the July's value of 41.5.

Index of Help Wanted Advertising



# 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 August stands at an index value of 132.3, which is 3.3 points higher than July's value of 129.0. August 2015's index value is 17 points lower than the current value. The county's median home price decreased to \$295,000. In comparison, the median home price in August 2015 was \$268,000.

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.

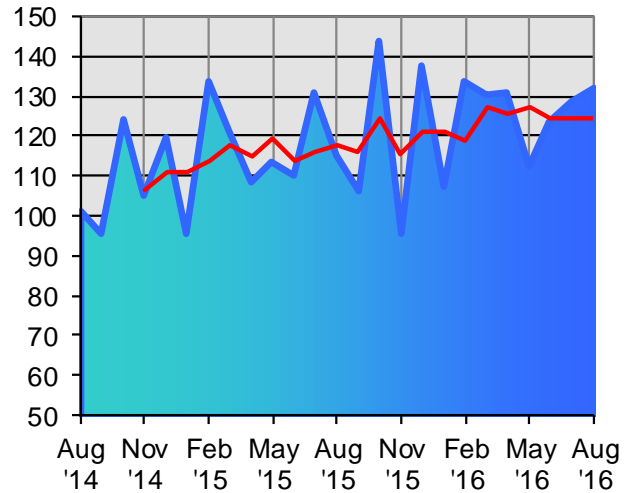
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in July compared to June. The 10-City and 20-City Composites report year-over-year gains of 4.2 percent and 5.0 percent respectively. The National Index reported a 5.1 percent annual gain over the same period. The 10-City Composite reported seasonally adjusted month-over-month increase of 0.1 percent. The 20-City Composite reported no change month-over-month after seasonal adjustment. The National Index also reported a seasonally adjusted increase of 0.4 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Both the housing sector and the economy continue to expand with home prices continuing

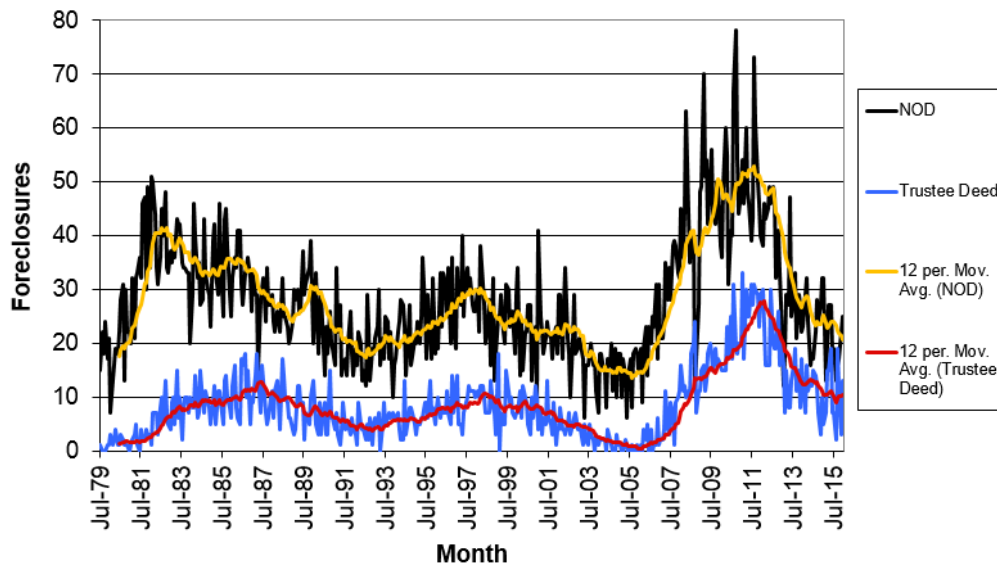
to rise at about a 5% annual rate." The Fed released a statement after its policy meeting confirming the bank's view that the economy will experience future gains. Now, most analysts expect the Fed to raise interest rates in December. Blitzer finishes by stating, "After such Fed action, mortgage rates would still be at historically low levels and would not be a major negative for house prices."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of September 29 decreased to 3.42 percent from August's latest percent of 3.43. The average 15-year fixed-rate mortgage also decreased from 2.74 percent to 2.72 percent.

**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 decreased in value to 108.1. The seasonally adjusted unemployment rate for Humboldt County increased from 5.3 percent to 5.5 percent. The unemployment rate for California remained constant at 5.5 percent. The national unemployment rate remained at 4.9 percent for the third consecutive month.

The Employment Development Department of California indicated that in August Humboldt County's total employment rose by 70 individuals to a total of 58,770. Humboldt County's total unemployment decreased from 3,360 individuals in July to 3,220 individuals in August.

In the Labor Department's August report, total nonfarm payroll employment rose by 151,000. National employment was on the rise in several industries, including food services and drinking places, professional and technical services, and financial activities. Employment in mining continued to decline. Employment

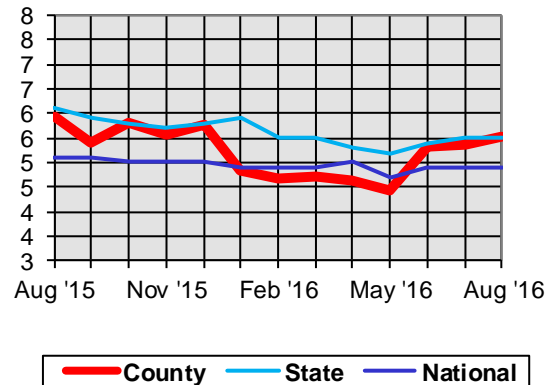
## Hospitality

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 decreased in August to a new value of 89.3 from 93.4. This month's index value represents a 3.4 point decrease from this time last year. The 4-month moving average fell just 0.1 points to a current value of 92.3.

in other industries, such as construction, manufacturing, wholesale trade, and retail trade, showed few change over month-to-month.

Unemployment Percentage Rates



## Gasoline Prices

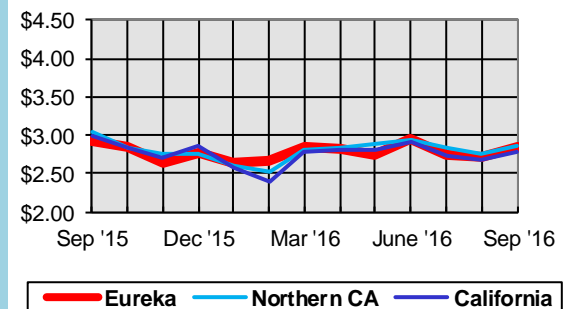
California's gas prices rose in August, increasing 10 cents to a new average of \$2.78. Northern California's average price increased 9 cents to a new average of \$2.86, while Eureka's average gas price increased by 13 cents to a new average of \$2.84. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.16 per gallon.

There was a power outage at the Torrance refinery earlier this month. This caused an immediate ten cent increase in spot market prices in Southern California due to the few days it took to restore productivity. Marie Montgomery, a spokeswoman for the Automobile Club of Southern California, stated, "This is one of those things that probably tends to set the market off more than is warranted. Hopefully, it will be a short-lived effect." Luckily, refineries in California will be switching back to the winter blend of gasoline by November 1, so we expect a decline in gasoline prices over the next few weeks.

Gas Prices		
Prices as of 9/30/2016	Average price*	Change from previous month
Eureka	\$2.84	\$0.13
Northern California	\$2.86	\$0.09
California	\$2.78	\$0.10

\* 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 90.6 in August, a 48.7 point decrease from the previous month's value of 139.3. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that January saw economic activity in the manufacturing sector contract for the fourth consecutive month, while the overall economy grew for the 88<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 September is 51.5, representing a 2.1 point increase.

Nationally, seven of the eighteen manufacturing industries are reporting growth in September including Textile Mills, Food, Beverage & Tobacco Products, Computer & Electronic Products, Miscellaneous Manufacturing, and Paper Products.

The New Export Orders Index for September is 52 percent, indicating a decrease from August'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. Seven industries reported growth in the new export orders including Wood Products, Miscellaneous Manufacturing, Food, Beverage & Tobacco Products, and Transportation Equipment. Seven Industries reported a decrease in 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 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 150.6 for August, a decrease of 3.8 points from the value of 154.4 in July. The most recent value is 0.6 points higher than in August 2015. The 4-month moving average is down by 2.6 points to a new value of 156.2.

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 increased in September by 2.3 points to a current index value of 104.1. The Expectations Index increased 1.7 points to a new value of 87.8, while the Present Situation Index rose from a value of 125.3 to 128.5.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence increased in September for a second consecutive month and is now at its highest level since the recession." The percentage of consumers expecting business conditions to improve over the next six months fell to 16.5 percent, while the percentage of consumers expecting business conditions to decline decreased to 10.2.

## 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.

HUMBOLDT STATE UNIVERSITY

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■ ■ ■ *realize human potential*

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Freddie Mac - Humboldt Association of Realtors  
Institute for Supply Management – San Jose Mercury News  
Refinery Outage – The Republic

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