

# Humboldt Economic Index

January 2014

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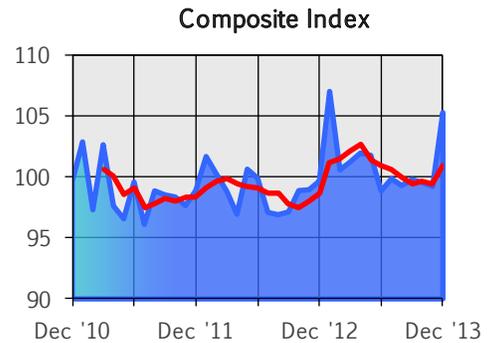
## Composite Gets Boost from Home Sales and Energy

The Composite Index increased 6.1 percent from last month's value of 99.2 to the current value of 105.2, and increased 5.6 percent from this time last year. The Home Sales, Retail, and Energy indices increased this month, Manufacturing and Hospitality decreased, and Employment remained unchanged.

The Index of Home Sales had another strong month increasing 32.1 percent, and is 50.2 percent higher than this time last year. At an index value of 143.8, it is the highest value since July of 2005. Median home prices in Humboldt County rose from \$234,000 to \$247,450. Mortgage rates fell this month with the average 30-year fixed rate mortgage at 4.32 percent and the average 15-year fixed rate mortgage at 3.40 percent.

Leading indicators are mixed with building permits and unemployment up while help wanted is down.

The Total County Employment index remained unchanged this month and Humboldt County's unemployment rate decreased from 8.3 to 7.9 percent. California state unemployment decreased from 8.5 to



8.3 percent this month. The national unemployment rate decreased from 7.0 to 6.7 percent.

Average gas prices rose slightly in January. Eureka gas prices rose 4 cents this month to an average of \$3.76 per gallon. Look for prices to stay relatively steady for the next month 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**
<b>Composite</b>	<b>105.2</b>	<b>6.1</b>	<b>5.6</b>	<b>6.0</b>	<b>-4.1</b>
Home Sales	143.8	32.1	50.2	146.5	-0.3
Retail Sales	153.6	6.0	4.6	3.4	8.4
Hospitality	90.4	-6.0	7.2	13.4	-3.1
Electricity	138.8	26.5	5.9	-4.2	21.1
Employment	98.0	0.0	0.0	-2.7	-4.4
Manufacturing	29.9	-10.2	-13.0	-11.7	-65.8

\* 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*	<b>39.8%</b>	<b>379.6%</b>	<b>-17.6%</b>
* All values are seasonally adjusted.			

## Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$247,450	\$1,239	4.63%	7.9%

\* 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.

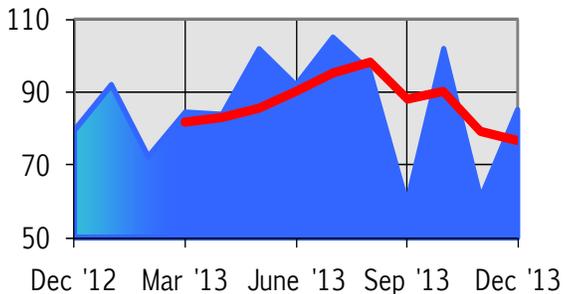
\*\* Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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.

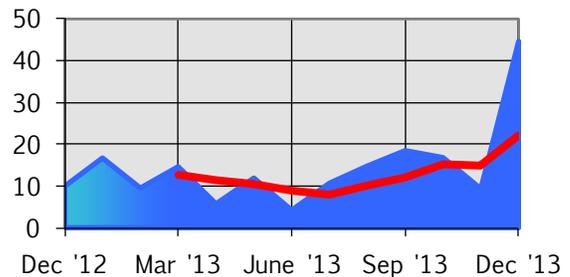
**Unemployment Claims** increased by 39.8 percent this month to an Index value of 85.0. Additionally, unemployment claims increased by 7.0 percent from this time last year. The 4-month moving average decreased to an index value of 76.8 from 79.4. It is important to remember that in contrast to several 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



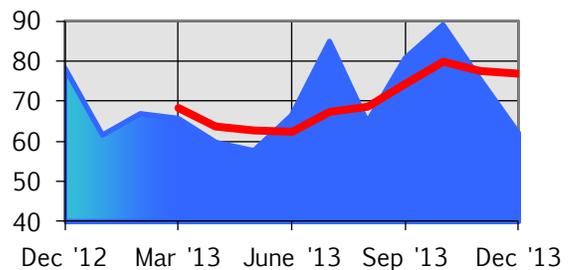
**Building permits** expanded by 379.6 percent to an index value of 44.6 from the previous 9.3. The 4-month moving average increased to a value of 22.3 from 14.8. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



**Help Wanted Advertising** fell to a value of 62.0 down 17.6 percent from last month's seasonally adjusted value of 75.2. However, the level this month is 20.9 percent higher than this time last year. The 4-month moving average decreased 0.9 percent from an Index value of 77.5 to a value of 76.8.

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.

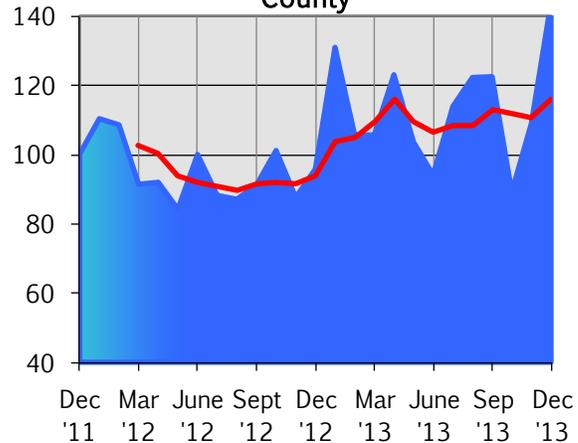
The Humboldt County Home Sales Index increased by 32.1 percent to a value of 143.8. This is a 50.2 percent increase from this time last year. Additionally, the county's median home prices increased from \$234,000 to \$247,450.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in November 2013. The 10-City and 20-City Composite reported a growth of 13.8 and 13.7 percent over the 12-month period. However, the 10- and 20- City Composites fell 0.1 percent from October to November. All 20 cities posted year-over-year increases for at least ten consecutive months. According to David Blitzer, "November was a good month for home prices. Despite the slight decline, the 10-City and 20-City Composites showed their best November performance since 2005. Prices typically weaken as we move closer to the winter. Beginning June 2012, we saw a steady rise in year-over-year increases. November continued that trend with another strong month although the rate of increase slowed." 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.

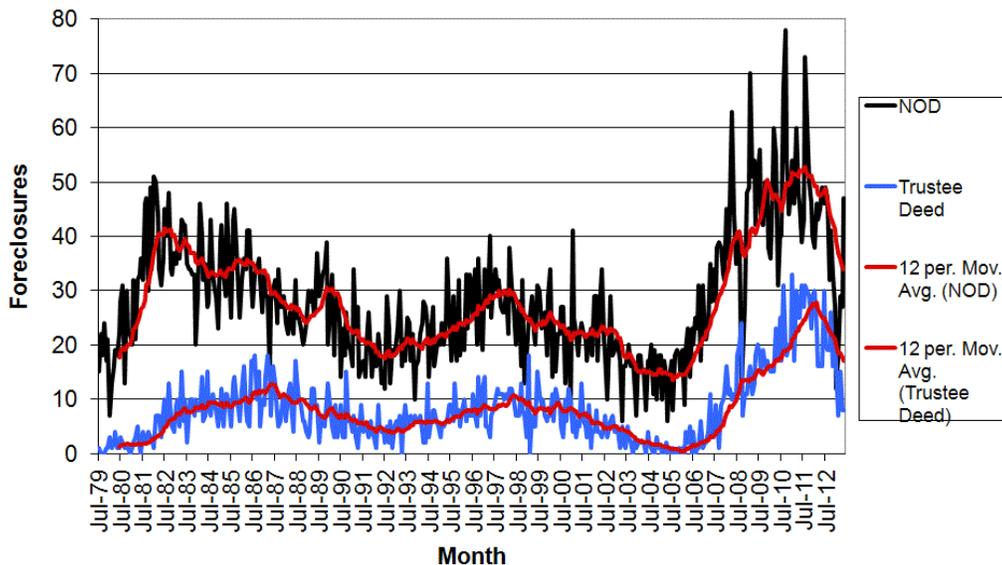
Mortgage rates have slightly decreased this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.32 percent and the average 15-year fixed-rate mortgage is 3.40 percent for the week ending January 30, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 3.53 and 2.81 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

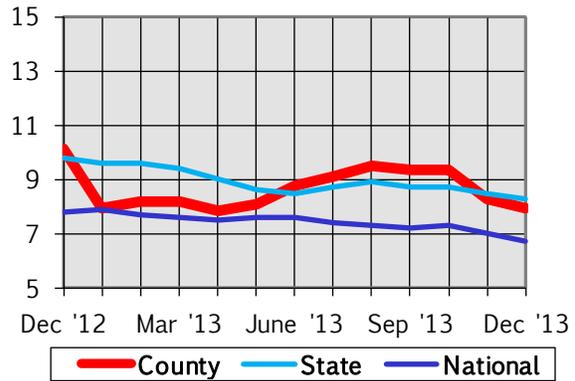
## Total County Employment

Total County Employment remained unchanged this month at an index value of 98.0. However, the seasonally adjusted unemployment rate for Humboldt County went down from 8.3 to 7.9 percent. The seasonally adjusted national unemployment rate decreased from 7.0 to 6.7 percent.

The Employment Development Department of California indicated in its December statistics that Humboldt County's labor force decreased by about 900 individuals. For California on the whole, employment added 23,900 jobs, and statewide unemployment decreased to a seasonally adjusted 8.3 percent, with 47,900 less unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 74,000 nonfarm payroll jobs in December, and the unemployment rate decreased from 7.0 to 6.7 percent. National employment rose in retail trade, wholesale trade, and professional and business services.

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 decreased this month 6.0 percent to an Index value of 90.4 from 96.1. However, the current value is 7.2 percent higher than last year at this time. Additionally, the 4-month moving average increased from last month's index value of 91.2 to 92.6.

## Gasoline Prices

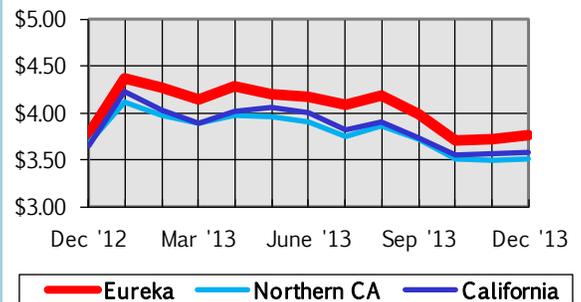
Gasoline Prices for California increased by an average of 1 cent this month. California gas prices rose to an average of \$3.58, up from last month's \$3.57, while Northern California prices increased to \$3.51. Eureka gas prices increased to \$3.76, 4 cents higher than last month.

As expected, gas prices remained relatively unchanged this month. Prices had declined for a couple months and seem to have stabilized at the current prices. Without unexpected refinery issues, prices are likely to stay steady for the next couple months with only possible small changes up or down a few cents.

Gas Prices		
Prices as of 1/21/2014	Average price*	Change from previous month
Eureka	\$3.76	\$0.04
Northern California	\$3.51	\$0.01
California	\$3.58	\$0.01

\* 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

## 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 increased by 6.0 percent from a value of 144.9 to 153.6. This is 4.6 percent above this time last year. This Index's 4-month moving average increased to an index value of 147.1 from 144.9.

On the national scale, Consumer Confidence rose in December. The Consumer Confidence Index increased 3.2 points to a value of 80.7. The Expectations Index posted a 2.8-point increase from 79.0 to 81.8. The Present Situation Index increased 3.8 points from 75.3 to 79.1. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumers' assessment of the present situation continues to improve, with both business conditions and the job market rated more favorably. Looking ahead six months, consumers expect the economy and their earnings to improve, but were somewhat mixed regarding the outlook for jobs." 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 decreased 10.2 percent to a value of 29.9 from 33.6. Additionally, the value is down 13.0 percent from this time last year. The 4-month moving average has decreased this month to a value of 32.8 from 33.4.

The Institute for Supply Management reported that the national manufacturing sector expanded in January for the eight consecutive month and the overall economy grew for the 56<sup>th</sup> consecutive month. The PMI was registered at 51.3 percent, a decrease of 5.2 percentage points from December's 57.0 percent. Eleven of the eighteen manufacturing industries are reporting growth in January including Furniture and Related Products, and Wood Products. Businesses reported growth in exports for the fourteenth consecutive month, registering at an Index value of 54.5 percent for January. Eight industries are reporting growth in new export orders in January, down from nine in December. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

## 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 fourth fiscal quarter, October through December, and the Energy Index stands at a value of 138.8. This is a 26.5 percent increase from November's value of 109.7 and a 5.9 percent increase from 12 months ago. November's index value was 12.5 percent lower than October's value of 125.3 and 7.3 percent lower than the previous year. October was 0.8 percent lower than the previous year and 12.3 percent higher than September's value of 111.6.

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

**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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