

# Humboldt Economic Index

June 2013

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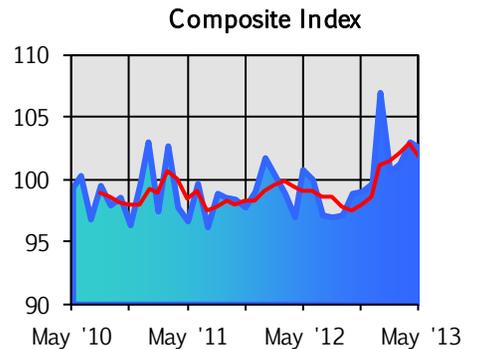
Nathan Freney, Assistant Analyst

## Foreclosures Peaked Two Years Ago

Foreclosure data were updated and they show foreclosures peaking almost two years ago. This is significant because the end of the housing bust can only come after the huge backlog of foreclosures is cleared. These and more data are posted on our Real Estate webpage.

The Composite Index declined 0.4 percent from last month's value of 102.8 to the current value of 102.5, but increased 1.9 percent from this time last year. The Home Sales and Manufacturing Indexes had large decreases after last month's strong growth. Retail and Employment increased and Hospitality decreased slightly.

The Index of Home Sales decreased 15.8 percent this month after a large increase in April. The index fell to 103.5, just below March's value of 105.6. However, this is 23 percent higher than this time last year. Median home prices in Humboldt County decreased from \$247,000 to \$225,000 this month. Last month was the highest median price in two years. Mortgage rates continued to climb this month with the average 30-



year fixed rate mortgage at 4.46 percent and the average 15-year fixed rate mortgage at 3.5 percent.

The Total County Employment Index expanded slightly this month. However, Unemployment Claims were up and the Humboldt County unemployment rate increased to 8.1 percent.

Average gas prices in California increased slightly this month while Northern California and Eureka saw slight decreases. Starting July 1<sup>st</sup> there will be a state gas tax increase of 3.5-cents 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**
<b>Composite</b>	<b>102.5</b>	<b>-0.4</b>	<b>1.9</b>	<b>-0.8</b>	<b>-1.8</b>
Home Sales	103.5	-15.8	23.0	57.4	-20.7
Retail Sales	155.8	7.2	1.7	2.6	19.2
Hospitality	81.2	-1.3	-1.4	-6.5	-3.4
Electricity	137.2	0.0	0.6	2.6	18.2
Employment	100.3	0.3	1.6	-3.9	-2.0
Manufacturing	32.5	-12.2	-10.5	-34.9	-56.4

\* 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

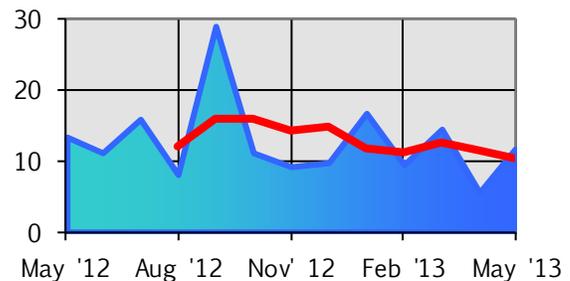
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	<b>21.5%</b>	<b>108.5%</b>	<b>-3.5%</b>
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$225,000	\$1,138	4.38%	8.1%
* 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.			

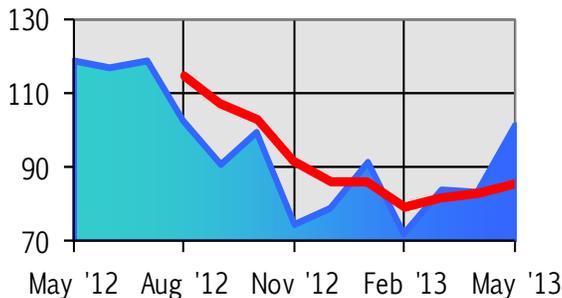
**Building permits** expanded by 108.5 percent to an index value of 11.9 from the previous 5.7. However, the 4-month moving average declined in value from 11.6 to 10.4. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



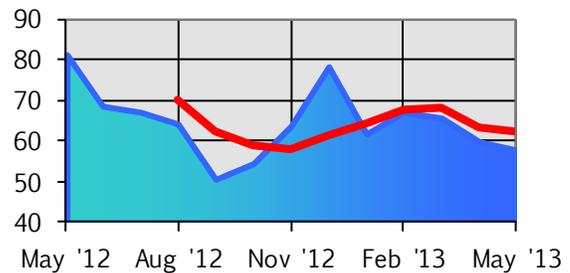
**Unemployment Claims** increased by 21.5 percent this month to an Index value of 101.7. However, unemployment claims decreased by 14.5 percent from this time last year. The 4-month moving average increased to an index value of 85.5 from 83.0. It is important to remember that in contrast to several other 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



**Help Wanted Advertising** fell to a value of 57.7 down 3.5 percent from last month's seasonally adjusted value of 59.8. The level this month is 29.2 percent lower than this time last year. Additionally, the 4-month moving average decreased 1.6 percent from an Index value of 63.5 to a value of 62.5.

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 contracted by 15.8 percent to a value of 103.5. However, this is a 23.0 percent increase from this time last year. After a large increase last month, median home prices decreased from \$247,000 to \$225,000.

Foreclosure data were updated for the first time in over three years (see graph below). These data come from the Humboldt County Recorder's Office. The beginning of the foreclosure process is the Notice of Defaults (NOD) when the lender files the paperwork. Once the lender forecloses and sells the house at auction, the Trustee Deed Sale is recorded. The 12 month moving average of NODs peaked about two years ago, while the Trustee Deed Sales peaked about a year and a half ago.

As long as foreclosures are high and growing, the supply of houses on the market is great which contributes to falling prices. In Humboldt County, foreclosures have been falling for about two years, although they are still somewhat high.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in April 2013. The 10-City Composite reported a growth of 11.6 percent over the 12-month period, while the 20-City Composite reported a 12.1 percent growth over that same period. The 10- and 20-City Composites rose 2.6 and 2.5 percent from March to April. All 20 cities posted year-over-year increases for at least four consecutive months. The Chairman of the Index Committee, David Blitzer, comments that both Composites

posted their highest monthly gains in the history of the indexes and thirteen cities posted monthly increases of over two percentage points. 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.

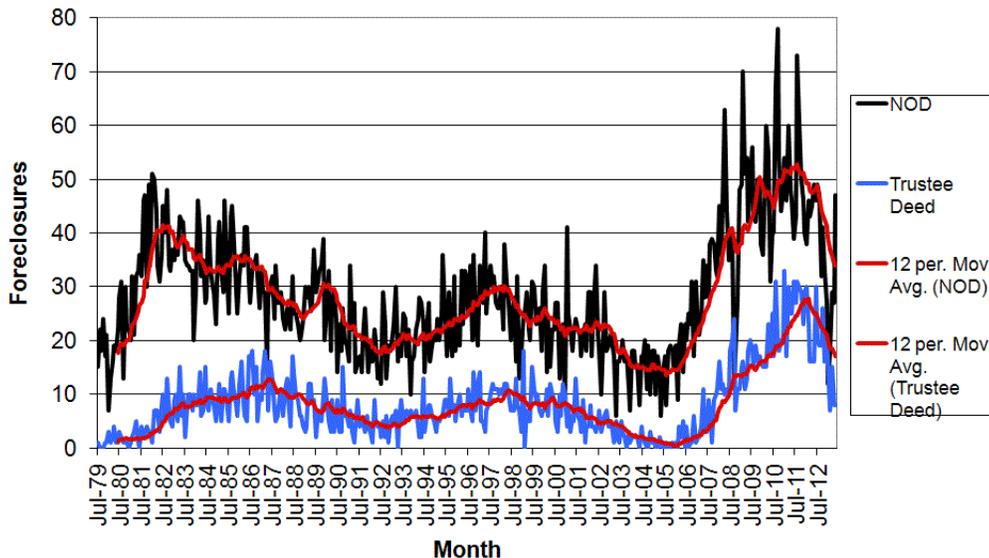
Mortgage rates continued to climb this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.46 percent and the average 15-year fixed-rate mortgage is 3.50 percent for the week ending June 27, 2013. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.66 and 2.94 respectively.

Home Sales Index, Humboldt County



Feb May  
'13 '13

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 increased this month to an index value of 100.3 from 100.1. However, the seasonally adjusted unemployment rate for Humboldt County went up from 7.8 to 8.1 percent. The seasonally adjusted national unemployment rate went up from 7.5 to 7.6 percent, the first increase since January.

The Employment Development Department of California indicated in its May statistics that Humboldt County's labor force increased by about 300 individuals. For California on the whole, employment added 83,700 jobs, and statewide unemployment decreased to a seasonally adjusted 8.6 percent, with 64,800 less unemployed compared to the previous month.

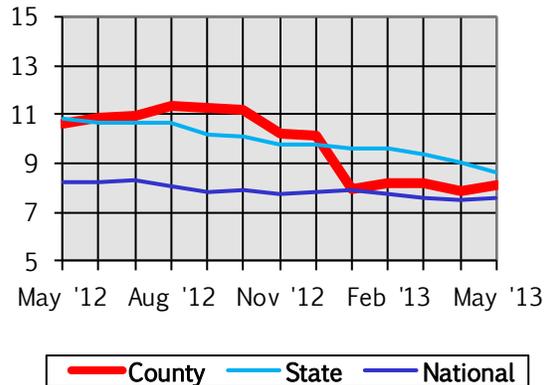
The Labor Department's latest statistics reported that the nation added an additional 175,000 nonfarm payroll jobs in May, and the unemployment rate increased from 7.5 to 7.6 percent. National employment rose in professional and business services, food services and drinking places, retail trade, and health care.

## 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 1.3 percent from last month's value of 82.3 to an Index value of 81.2, the lowest value since April of last year. The current value is 1.4 percent lower than last year at this time. Additionally, the 4-month moving average decreased from last month's index value of 84.6 to 83.3.

Unemployment Percentage Rates



## Gasoline Prices

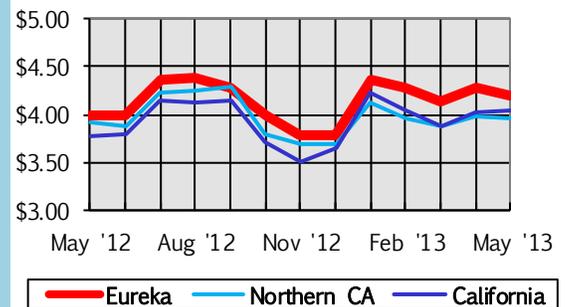
Gasoline Prices for California increased by an average of 3 cents this month. California gas prices rose to an average of \$4.05, up from last month's \$4.02, while Northern California prices decreased to \$3.96. Eureka gas prices decreased to \$4.20, 8 cents lower than last month.

According to Gary Richards of Mercury News, California will have a new gas tax of an additional 3.5-cents per gallon starting July 1<sup>st</sup>. California currently has the highest gas tax in the country of approximately 72 cents per gallon. However, according to AAA gas prices should remain steady barring any unforeseen event. Increased refinery production, steady crude oil prices, and less demand by consumers are keeping gas prices steady.

Gas Prices		
Prices as of 6/28/2013	Average price*	Change from previous month
Eureka	\$4.20	-\$0.08
Northern California	\$3.96	-\$0.02
California	\$4.05	\$0.03

\* 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 7.2 percent from a value of 145.3 to 155.8. This is 1.7 percent above this time last year. This Index's 4-month moving average decreased slightly to an index value of 148.9 from 149.0.

On the national scale, Consumer Confidence grew for the third consecutive month. Consumer Confidence Index increased 7.1 points to a value of 81.4. The Expectations Index posted a significant 8.9-point increase from 80.6 to 89.5. The Present Situation Index increased 4.4 points from 64.8 to 69.2. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer Confidence is now at its highest level since January 2008. Consumers are considerably more positive about current business and labor market conditions than they were at the beginning of the year. Expectations have also improved considerably over the past several months, suggesting that the pace of growth is unlikely to slow in the short-term, and may even moderately pick up." The Consumer Confidence Index is the average of The Present Situation and The Expectations Indexes 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 12.2 percent to a value of 32.5 from 37.0. Additionally, the value is down 10.5 percent from this time last year. This month's value decreased the 4-month average, with the 4-month average decreasing by 2.3 percent to a value of 33.9 from 34.7.

The Institute for Supply Management reported that the national manufacturing sector expanded in June after one month of contraction and the overall economy grew for the 49<sup>th</sup> consecutive month. The PMI was registered at 50.9 percent, an increase of 1.9 percentage points from May's 49.0 percent. Twelve of the eighteen manufacturing industries are reporting growth in June including Wood Products, Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the seventh consecutive month, registering at an Index value of 54.5 percent for June. Seven industries are reporting growth in new export orders in June, up from four in May. 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 first fiscal quarter, January through March, and the Energy Index stands at a value of 137.2.

The next update for the Energy Index will be coming after the end of the second 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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