

# Humboldt Economic Index

November 2014

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## Home Sales and Lumber Lead to a Growing Local Economy

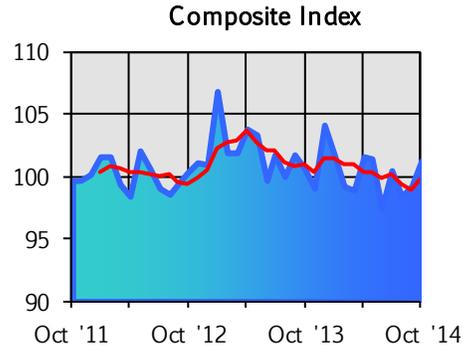
The Composite Index climbed 2.0 points from last month's value of 99.3 to the current value of 101.3. The Composite is also up 0.7 points from this time last year. Home Sales, Employment, Hospitality and Lumber indices are all up this month, though the Retail index declined.

The Index of Home Sales jumped 28.7 points this month, and is 33.6 points higher than this time last year. The median home price in Humboldt County rose from \$246,000 to \$260,000 over the past month. Mortgage rates dropped slightly, with the average 30-year fixed rate mortgage at 3.89 percent and the average 15-year fixed rate mortgage at 3.10 percent.

Leading indicators are mixed with manufacturing orders and help wanted up, though building permits fell and unemployment claims rose.

The unemployment rates remained unchanged in Humboldt County and the State of California, though the national unemployment rate lowered 0.1 points to 5.8 percent.

The price of crude oil continues to take a hit, and gas prices throughout California reflected that. Eureka's



average gas price fell 32 cents to \$3.17, and is at its lowest point since the beginning of 2010. Northern California saw a 28 cent drop in its average gas price and now also stands at \$3.17, while California's average price per gallon fell 31 cents to just \$3.05. The State of California and the Northern California region are seeing their lowest prices since August 2010.

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					
		Percent change from			
Index	Value***	Last Month	One Year ago****	Five Years ago****	Ten Years ago****
<b>Composite</b>	<b>101.3</b>	<b>2.0</b>	<b>0.7</b>	<b>3.4</b>	<b>-8.6</b>
Home Sales	124.2	30.0	37.0	29.1	-19.0
Retail Sales	144.5	-3.1	-2.1	3.7	1.9
Hospitality	92.6	0.2	-1.4	0.6	3.7
Electricity	114.6	0.0	-7.7	-9.6	-5.8
Employment	98.0	0.2	-0.9	2.4	-6.0
Lumber*	41.6	13.6	11.4	27.5	-49.8
Manufacturing**	105.7			-	-

\* 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.

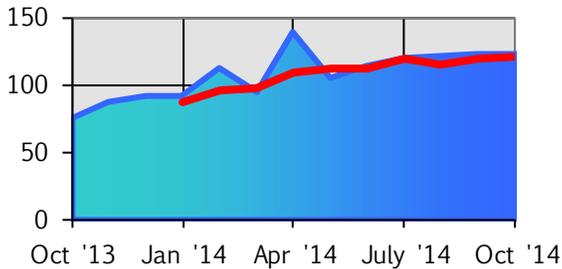
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.8%	25.6%	-54.6%	13.1%
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** jumped 13.8 points in October to an index value of 68.0. Unemployment claims were at an index value of 101.7 this time last year, 33.7 points higher than today. The 4-month moving average slid from 61.6 to 61.1.

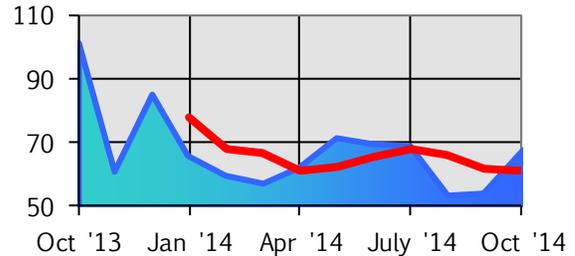
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$260,000	\$1,375	4.000%	7.5%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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** rose 1.0 points from the previous month which may indicate an increase in future manufacturing activity.

Index of Manufacturing Orders

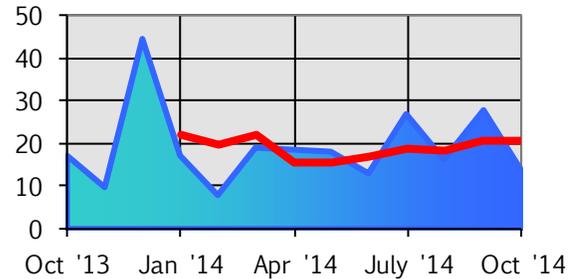


Index of Claims for Unemployment Insurance



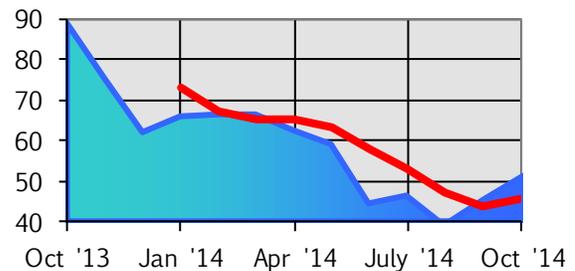
**Building Permits** dropped 15.1 points to an index value of 12.6, down from the previous value of 27.7. The 4-month moving average remained at 20.7.

Index of Building Permits Issued



**Help Wanted Advertising** rose to an index value of 51.3, up 5.9 points from October's value of 45.4. One year ago, the index value was 89.1, meaning the index has fallen 43.7 points year-over-year.

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.

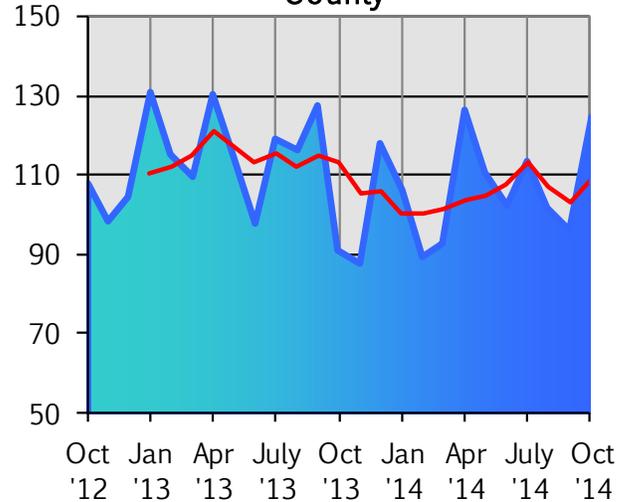
The Humboldt County Home Sales Index rose 28.7 points to a value of 124.2, 33.6 points higher than the 90.6 recorded a year ago. The county's median home price for October was also up, recorded at a price of \$260,000. September's median price was \$246,000, while the median price in October of last year was \$264,000.

The S&P Case-Shiller Home Price Indices report continued slowdown in home price gains through September 2014. The 10-City and 20-City Composite reported growths of 4.8 and 4.9 percent respectively over the 12-month period, down from the 5.5 and 5.6 percent respectively gained year-over-year in its previous report. The National Index reported a 4.8 percent annual gain over the same period. Through September, all three indices were down; the Composites were down a negligible amount, while the National Index fell 0.1 percent. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 15-17 percent.

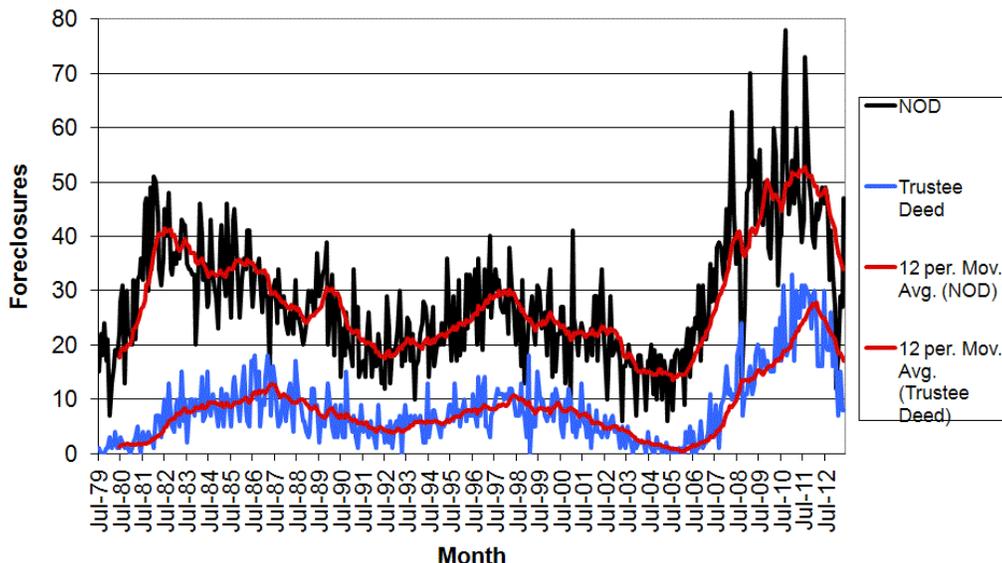
David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, mentions the deceleration of growth, but contends the "housing outlook for 2015 is stable to slightly better" due to the fact that "housing statistics paint a mixed to slightly positive picture." The S&P Case-Shiller Home Price 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 fell again over the month of November. According to Freddie Mac, the average 30-year fixed-rate mortgage is 3.89 percent and the average 15-year fixed-rate mortgage is 3.10 percent for the week ending December 4, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.46 and 3.30 percent 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

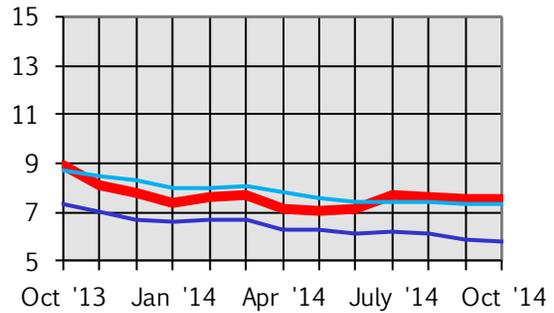
The index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment rose 0.2 points this month to an index value of 98.0. The seasonally adjusted unemployment rate for Humboldt County stayed at 7.5 percent. The seasonally adjusted national unemployment rate was down, dropping 0.1 points to 5.8 percent.

The Employment Development Department of California indicated in its October statistics that Humboldt County's labor force grew by 700 individuals to a total of 58,300. Statewide, the seasonally adjusted employment totals added 89,800 jobs, while unemployment stayed at a seasonally adjusted 7.3 percent with 1,300 fewer unemployed compared to the previous month.

The Labor Department's November statistics state that national employment added 321,000 nonfarm payroll jobs, though the unemployment rate held steady at 5.8 percent. National employment rose in professional and business services, manufacturing, retail trade, and health care.

Unemployment Percentage Rates



— County — State — National

## 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 increased 0.2 points in October, leading to a current value of 92.6. This month's index value is a 1.3 point decrease from this time last year. The 4-month moving average is up 2.3 points for a current value of 92.0.

## Gasoline Prices

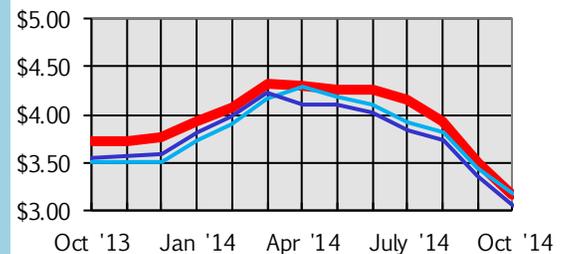
California's gas prices plummeted in October, falling another 31 cents to a new average of \$3.05 – the lowest average price for the state since August 2010. Northern California's average price fell 28 cents to \$3.17, the lowest it has been since August 2010. Eureka gas prices dropped 32 cents in October to an average of \$3.17, the lowest local value since January 2010.

Brad Tuttle, reporting for Time's "Money" magazine, writes that gas prices will likely continue to fall through the end of the year, possibly dipping below \$2 a gallon in some areas throughout the country. Tuttle quotes Patrick DeHaan – an analyst for GasBuddy – as saying, "We'll see at least one station in the nation at \$2 by Christmas. And that's not really a prediction at all. That's more like a certainty." Though the Southeast is the region most likely to see sub-\$2 gasoline, the steady decrease in prices will likely continue in California just the same.

Gas Prices		
Prices as of 12/2/2014	Average price*	Change from previous month
Eureka	\$3.17	-\$0.32
Northern California	\$3.17	-\$0.28
California	\$3.05	-\$0.31

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.caaa.com](http://www.caaa.com)).

Gasoline Prices



— Eureka — Northern CA — California

## 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 105.7, a 10 percent change from the previous month. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that November saw economic activity in the manufacturing sector grow for the eighteenth consecutive month, while the overall economy grew for the 66<sup>th</sup> consecutive month. The PMI registered at 58.7 percent, a decrease of 0.3 percentage points from October's 59.0 percent. Fourteen of the eighteen manufacturing industries are reporting growth in November including Food, Beverage & Tobacco Products, Furniture and Related Products, Miscellaneous Manufacturing and Paper Products. The Wood Products industry saw no change, with the only industry reporting contraction this month being Apparel, Leather & Allied Products. Businesses reported their 24<sup>rd</sup> consecutive month of expansion in new export orders, registering at an index value of 55 percent for November – 3.5 points higher than in October. Eleven industries reported growth in new export orders in October, including Wood Products, Food, Beverage & Tobacco Products and Paper Products. Furniture & Related Products saw no change in new export orders in October. 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 third fiscal quarter, July through September, and the Energy Index stands at a value of 114.6. The next update for the Energy Index will be coming after the end of the fourth 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 is down 4.7 points, reporting at a current value of 144.5, 3.1 points lower than October 2013. The 4-month moving average for this index is also down, slipping 0.2 points to a new value of 145.2.

On the national scale, Consumer Confidence fell in November, dropping 5.4 points to a current index value of 88.7. The Expectations Index fell 6.8 points to a value of 87.0, while the Present Situation Index lowered 3.1 points to a current value of 91.3.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence retreated in November, primarily due to reduced optimism in the short-term outlook." She goes on to state that "income expectations were virtually unchanged and gas prices remain low, which should help boost holiday sales." 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 jumped 10.5 points to a value of 49.9 in October. The index is up 5.5 points from this time last year and the 4-month moving average climbed 1.7 points to a current value of 38.4.

# 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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