

# Humboldt Economic Index

October 2013

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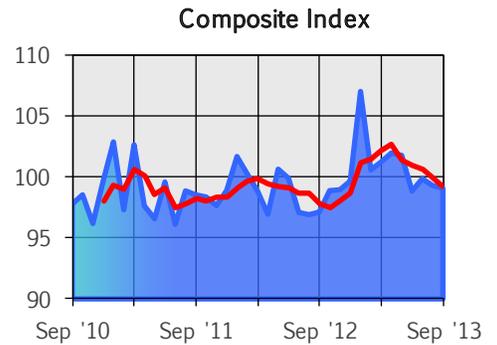
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## Consumer Confidence Down After Government Shutdown

The Composite Index decreased 0.3 percent from last month's value of 99.3 to the current value of 99.0, and increased 2.0 percent from this time last year. The Home Sales, Retail, and Hospitality Indices increased this month, while Manufacturing and Energy decreased.

Due to the government shutdown, The Employment Index data has been delayed and is not available at this time. Local and state unemployment figures have also not been reported at this time. However, leading indicators show positive signs for the local economy with Help Wanted and Buildings Permits up, and unemployment claims down. Nationally, unemployment continues to creep down as the unemployment rate fell from 7.3 to 7.2 percent.

The Index of Home Sales saw a slight increase of 0.2 percent from last month, and is 34.4 percent higher than this time last year. Median home price in Humboldt County rose to \$243,500 from last month's \$242,750. Mortgage rates have fallen for the second consecutive month with the average 30-year fixed rate mortgage at 4.13 percent and the average 15-year fixed rate mortgage



at 3.20 percent.

Average Gas prices have started to fall as expected. Eureka gas prices fell 20 cents this month to an average of \$3.98 per gallon. California gas stations have switched from their more expensive summer blend of gasoline to the cheaper winter blend on November 1<sup>st</sup> so prices should continue to decline.

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>99.0</b>	<b>-0.2</b>	<b>2.0</b>	<b>0.2</b>	<b>-7.3</b>
Home Sales	122.4	0.2	34.4	70.4	-14.2
Retail Sales	145.6	0.6	2.1	6.1	4.5
Hospitality	89.7	5.7	0.9	4.0	4.2
Electricity	111.6	-6.3	-0.8	-8.6	11.2
Employment	97.3	0.0	0.0	0.0	0.0
Manufacturing	31.2	-3.7	-11.3	-25.6	-63.5

\* 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*	-37.7%	25.0%	24.6%
* All values are seasonally adjusted.			

## Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$243,500	\$1,366	4.25%	NA

\* 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.

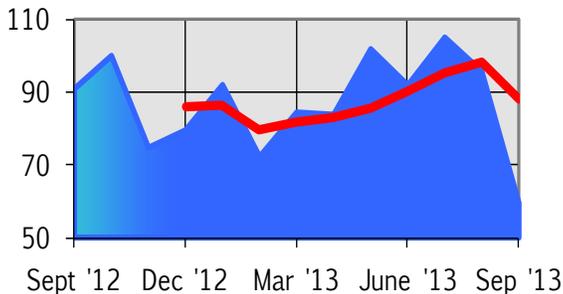
\*\* Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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.

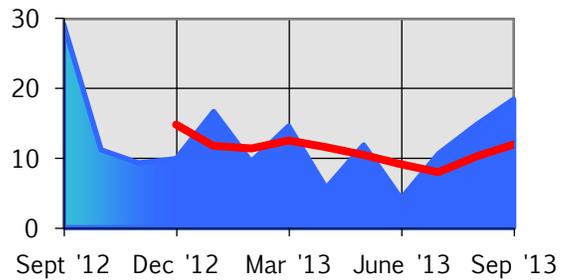
**Unemployment Claims** decreased by 37.7 percent this month to an Index value of 59.5. Additionally, unemployment claims decreased by 34.5 percent from this time last year. The 4-month moving average decreased to an index value of 87.9 from 98.5. It is important to remember that in contrast to several 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



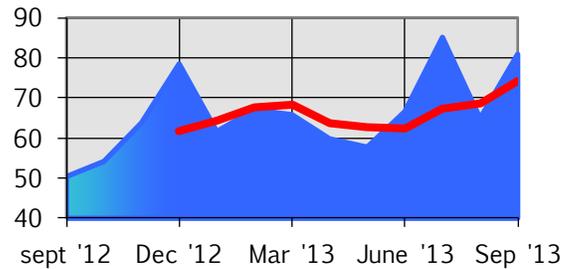
**Building permits** expanded by 25.0 percent to an index value of 18.4 from the previous 14.8. The 4-month moving average increased to a value of 12.0 from 10.4. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



**Help Wanted Advertising** rose to a value of 80.8 up 24.6 percent from last month's seasonally adjusted value of 64.8. The level this month is 60.4 percent higher than this time last year. Additionally, the 4-month moving average increased 8.4 percent from an Index value of 68.5 to a value of 74.3.

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.

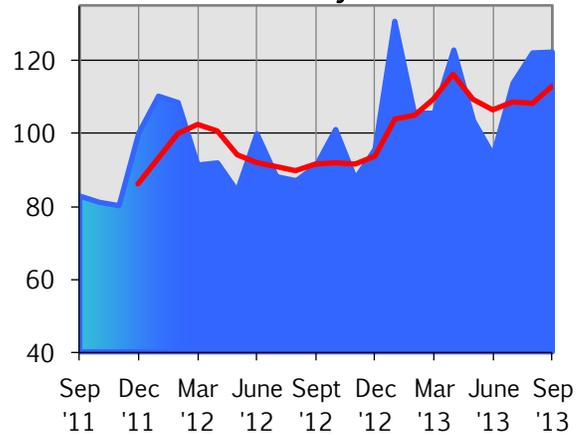
The Humboldt County Home Sales Index increased by 0.2 percent to a value of 122.4. This is a 34.4 percent increase from this time last year. Additionally, the county's median home prices increased from \$242,750 to \$243,500.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in August 2013. The 10-City Composite reported a growth of 12.8 percent over the 12-month period, while the 20-City Composite reported a 12.7 percent growth over that same period. The 10- and 20- City Composites rose 1.3 percent from July to August. All 20 cities posted year-over-year increases for at least eight consecutive months. However, according to David Blitzer, "The monthly percentage changes for the 20-City composite show the peak rate of gain in home prices was last April. Since then home prices continued to rise, but at a slower pace each month. This month 16 cities reported smaller gains in August compared to July. Recent increases in mortgage rates and fewer mortgage applications are two factors in these shifts.." 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.

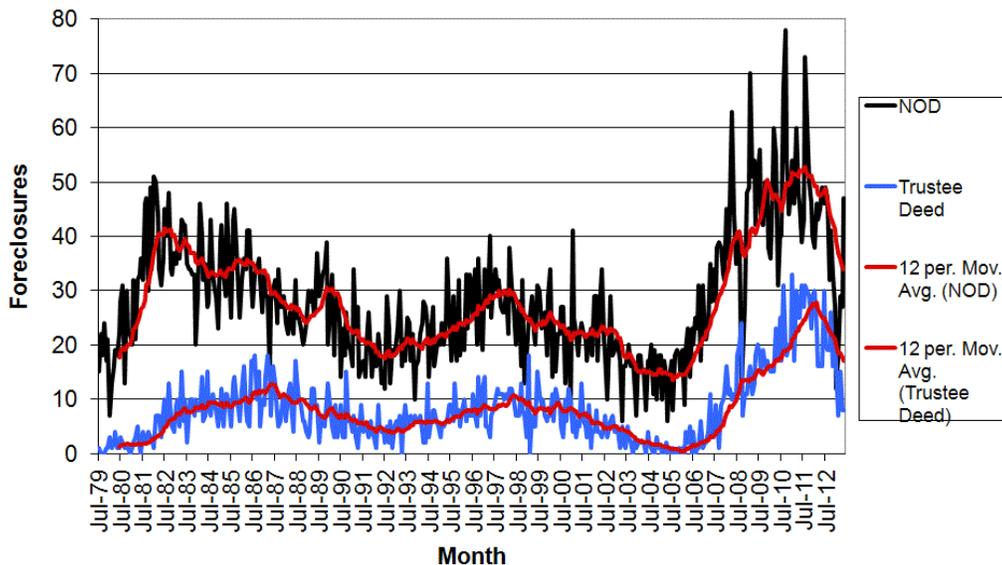
Mortgage rates have decreased slightly this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.13 percent and the average 15-year fixed-rate mortgage is 3.20 percent for the week ending October 31, 2013. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.39 and 2.70 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

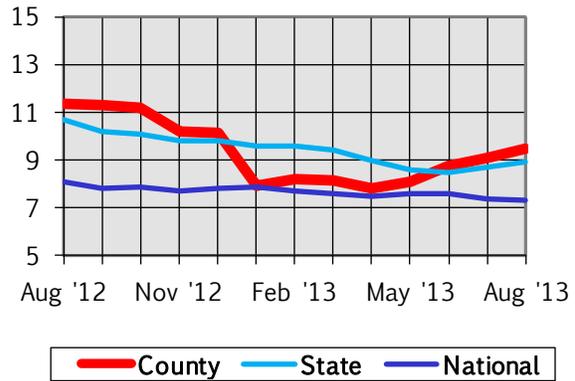
## Total County Employment

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

*Due to the government shutdown, local and statewide employment data has not been updated and is not available at this time. We repeat the unemployment rates for last month in the figure to the right.*

The Labor Department's latest statistics reported that the nation added an additional 148,000 nonfarm payroll jobs in September, and the unemployment rate decreased from 7.3 to 7.2 percent. National employment rose in professional and business services, transit and ground passenger transportation, retail trade, and wholesale trade.

### 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 increased this month 5.7 percent to an Index value of 89.7 from 84.9. The current value is 0.9 percent higher than last year at this time. Additionally, the 4-month moving average increased from last month's index value of 84.3 to 86.4.

## Gasoline Prices

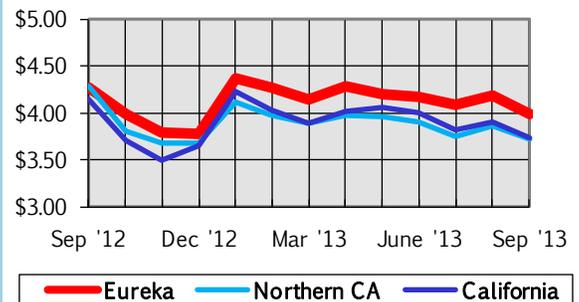
Gasoline Prices for California decreased by an average of 17 cents this month. California gas prices fell to an average of \$3.73, up from last month's \$3.90, while Northern California prices decreased to \$3.71. Eureka gas prices decreased to \$3.98, 20 cents lower than last month.

As expected, gas prices were down this month and are expected to continue to decline through the fall months barring any unexpected issues with California refineries. In addition to the lowering prices, November 1<sup>st</sup> is when gas stations switch from the expensive summer blend of gasoline to the cheaper winter blend which should further lower prices.

Gas Prices		
Prices as of 10/26/2013	Average price*	Change from previous month
Eureka	\$3.98	-\$0.20
Northern California	\$3.71	-\$0.14
California	\$3.73	-\$0.17

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csaa.com](http://www.csaa.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 0.6 percent from a value of 144.7 to 145.6. This is 2.1 percent above this time last year. This Index's 4-month moving average decreased to an index value of 145.5 from 148.0.

On the national scale, Consumer Confidence fell in October. Consumer Confidence Index decreased 9.0 points to a value of 71.2. The Expectations Index posted a 13.2-point decrease from 84.7 to 71.5. The Present Situation Index decreased 2.8 points from 73.5 to 70.7. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence deteriorated considerably as the federal government shutdown and debt-ceiling crisis took a particularly large toll on consumers' expectations. Similar declines in confidence were experienced during the payroll tax hike earlier this year, the fiscal cliff discussions in late 2012, and the government shutdown in 1995/1996. However, given the temporary nature of the current resolution, confidence is likely to remain volatile for the next several months." 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 3.7 percent to a value of 31.2 from 32.4. Additionally, the value is down 11.3 percent from this time last year. The 4-month moving average has decreased this month to a value of 32.8 from 33.1.

The Institute for Supply Management reported that the national manufacturing sector expanded in October for the fifth consecutive month and the overall economy grew for the 53<sup>rd</sup> consecutive month. The PMI was registered at 56.4 percent, an increase of 0.2 percentage points from September's 56.2 percent. Fourteen of the eighteen manufacturing industries are reporting growth in October including Furniture and Related Products, Wood Products, and Paper Products. Businesses reported growth in exports for the eleventh consecutive month, registering at an Index value of 55 percent for October. Ten industries are reporting growth in new export orders in October, up from six in September. 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 third fiscal quarter, July through September, and the Energy Index stands at a value of 111.6. This is a 6.3 percent decrease from August's value of 119.1 and 0.8 percent decrease from 12 months ago. August's index value was 5.0 percent lower than July's value of 125.5 and 4.7 percent lower than the previous year. July was 1.2 percent higher than the previous year and 4.3 percent higher than June's value of 127.0.

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