

Humboldt Economic Index

August 2014

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Commission



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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.

Gains in Home Sales, Hospitality and Lumber Spur Local Economy

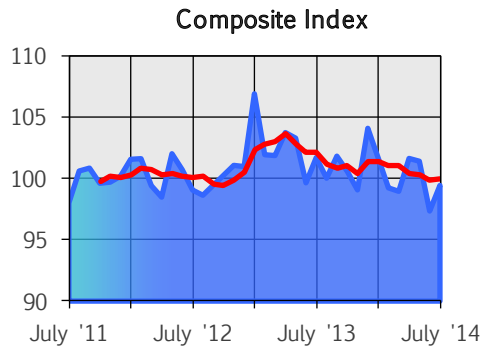
The Composite Index climbed 2.1 points from last month's value of 97.3 to the current value of 99.4, though the index is down 2.3 points from this time last year. Home Sales, Hospitality and Lumber all saw index gains this month, while Retail Sales and Local Employment saw their index values drop slightly.

The Index of Home Sales is up 11.6 points from last month, but 5.2 points lower than this time last year. The median home price in Humboldt County dropped from \$247,500 to \$240,000. Mortgage rates shifted slightly, with the average 30-year fixed rate mortgage at 4.11 percent and the average 15-year fixed rate mortgage at 3.25 percent.

Leading indicators are up across the board for our local economy: Manufacturing Orders, Building Permits and Help Wanted Advertising are all up this month, while Unemployment Claims fell.

The national unemployment rate saw a 0.1 point increase to 6.2 percent in July, with the unemployment rate in Humboldt County rising 0.5 points to 7.7 percent. The seasonally adjusted unemployment rate in California remained at 7.4 percent.

Finally, gas prices continue to trend



downward throughout the nation and California, with Humboldt County finally seeing a decrease in prices after two months of stagnation. Gas prices in California averaged \$3.84 in July, while Northern California saw an average price of \$3.91. Eureka's average gas price was \$4.16, a 9 cent decrease from the previous month.

Composite & Sectors

		Percent change from			
Index	Value***	Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	99.4	2.1	-2.2	0.4	-9.5
Home Sales	113.4	11.4	-4.4	38.0	-27.3
Retail Sales	144.4	-0.5	-3.2	-1.6	-0.3
Hospitality	91.2	10.2	6.3	8.7	0.0
Electricity	115.7	0.0	-8.7	-12.6	3.0
Employment	96.7	-0.3	-2.6	-2.1	-6.8
Lumber*	37.5	8.1	10.4	8.8	-52.7
Manufacturing**	197.5			-	-

* 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

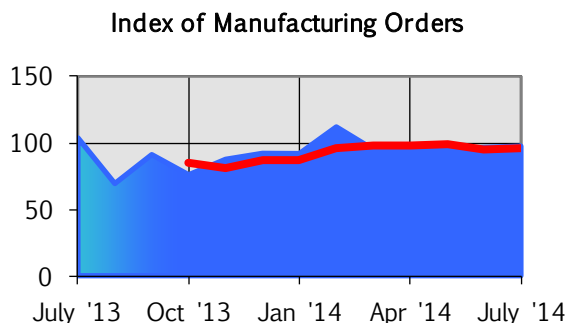
Leading Indicators

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.

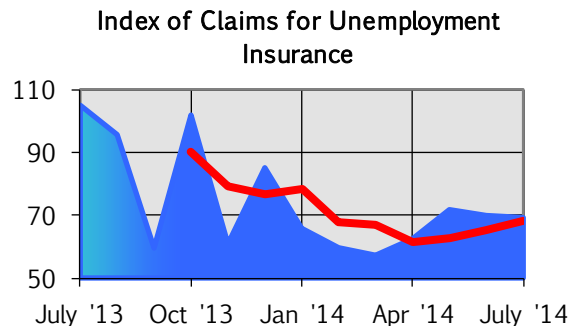
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
6.2%	-0.9%	112.8%	3.5%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$240,000	\$1,463	4.125%	7.7%
<p>* 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.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

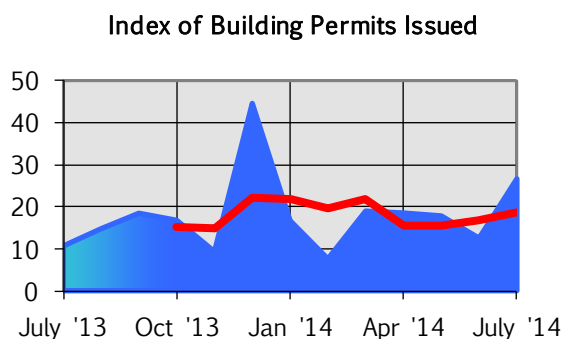
Manufacturing Orders rose 14.7 percent from the previous month which predicts an increase in future manufacturing activity.



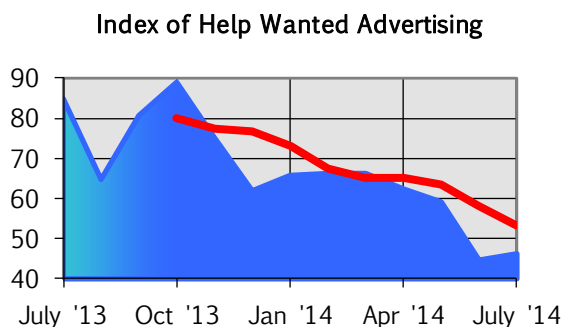
Unemployment Claims fell 0.6 points over the month to an Index value of 69.2. Unemployment claims were at an index value of 104.9 this time last year, 35.7 points higher than today. The 4-month moving average rose from 65.3 to 68.3.



Building permits rose 14.1 points to an index value of 26.6, up from last month's value of 12.5. The 4-month moving average, now at 18.9, is up 2.0 points from last month's value of 16.9.



Help Wanted Advertising climbed to a value of 46.3, an increase of 1.6 points over last month's value. The index is down 38.7 points from this time last year, however. The 4-month moving average is also down 5.0 points from the previous value of 58.2, now reporting an index value of 53.2.



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.

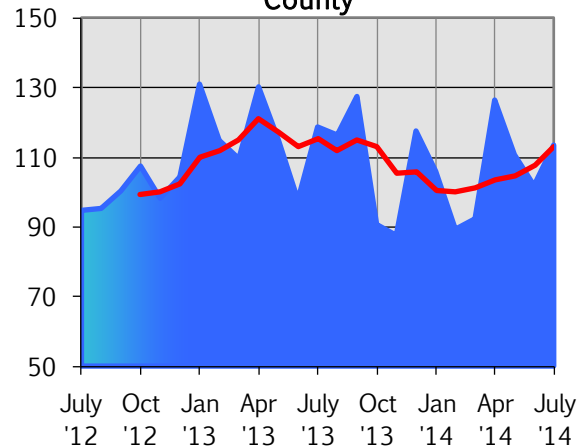
The Humboldt County Home Sales Index increased 11.6 points to a value of 113.4, though this month's index value is 5.2 points lower than this time last year. The county's median home price for the past month was \$240,000, \$7,500 less than last month's median. The county's median home price at this time last year was \$258,950.

The S&P Case-Shiller Home Price Indices report continued gains in home prices over the past 12 months, though the rate of increase continues to slow. The 10-City and 20-City Composite reported growths of 8.1 percent each over the 12-month period, and the now-monthly National Index reported a 6.2 percent increase over the same period. Over the month of June, the National Index rose 0.9 percent, with both Composites gaining 1.0 percent that month. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 17 percent. David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, states "Home price gains continue to ease at they have since last fall. For the first time since February 2008, all cities showed lower annual rates than the previous month." Blitzer does note that other indicators for housing are positive, though he feels Fed chair Janet Yellen's recent comments may suggest an interest rate hike as early as the first quarter of 2015. 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.

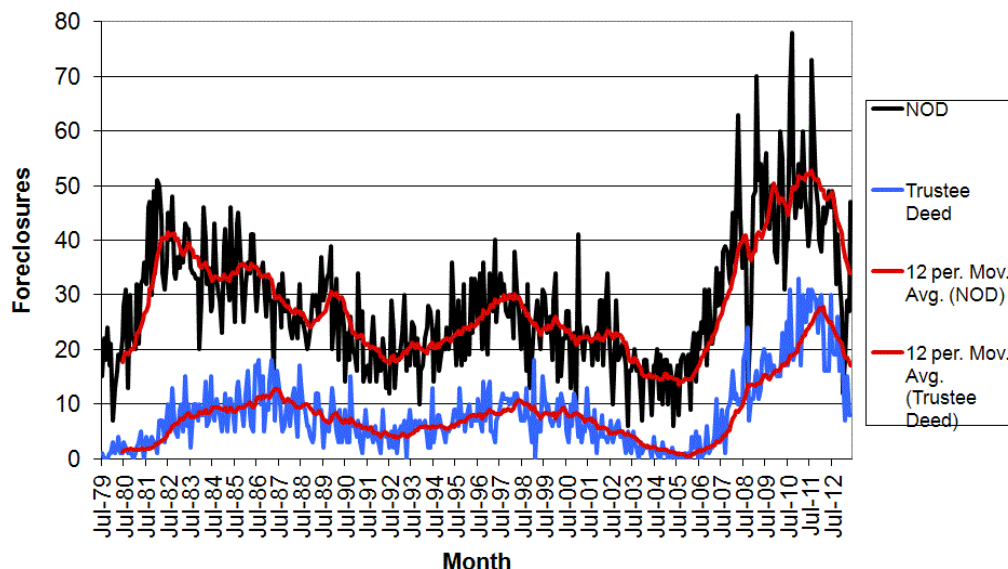
Within the Case-Shiller Index are composites of 10 and 20 cities that the Index considers representative of the national housing market.

Mortgage rates saw slight changes this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.10 percent and the average 15-year fixed-rate mortgage is 3.25 percent for the week ending August 28, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.51 and 3.54 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

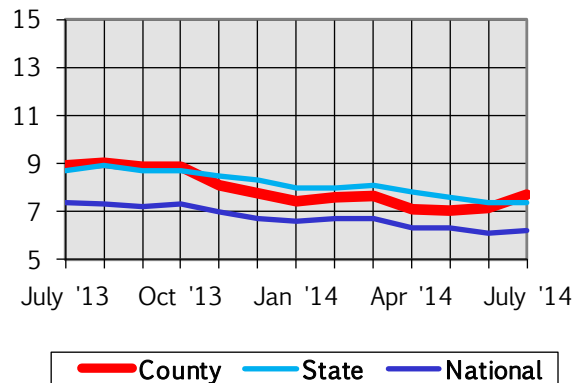
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment slid 0.3 points this month to an index value of 96.7. The seasonally adjusted unemployment rate for Humboldt County also rose 0.5 points to 7.7 percent. The seasonally adjusted national unemployment rate was up 0.1 points to 6.2 percent.

The Employment Development Department of California indicated in its July statistics that Humboldt County's labor force lowered by 800 individuals to a total of 56,500. Statewide, the seasonally adjusted employment totals dropped 31,400 jobs, yet unemployment held steady at a seasonally adjusted 7.4 percent with 8,100 fewer unemployed compared to the previous month.

The Labor Department's July statistics state that national employment added 209,000 nonfarm payroll jobs, and the unemployment rate rose slightly to 6.2 percent. National employment rose in professional and business services, manufacturing, retail trade, and construction.

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 climbed 8.4 points this month, for a current value of 91.2. July's index value also represents a 5.4 point increase over this time last year. The 4-month moving average trended upward as well, coming in 2.0 points higher than last month with a current value of 87.4.

Gasoline Prices

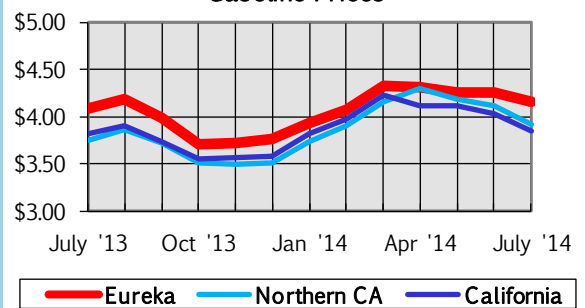
California's gas prices dropped 19 cents to a six-month low of \$3.84 in July, while Northern California prices fell 20 cents to \$3.91. Eureka gas prices fell 9 cents in July to an average of \$4.16 after staying stagnant for the past two months.

San Jose Mercury News reports that gasoline prices fell heavily across the entire nation, with the national average price falling 18 cents to a current value of \$3.47. The article cites AAA officials pointing to the low international prices for oil as the leading factor for falling gas prices, despite the fact that wars continue to rage on in several oil-producing nations. The period between Labor Day and the start of the holiday season traditionally sees sharp declines in gas prices, so it should be interesting to see if the price at the pump will continue to slide through November.

Gas Prices		
Prices as of 8/26/2014	Average price*	Change from previous month
Eureka	\$4.16	-\$0.09
Northern California	\$3.91	-\$0.20
California	\$3.84	-\$0.19

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).

Gasoline Prices



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 expanded to a seasonally adjusted index value of 197.5. This very large increase from last month must take into account the high variability in this new data set. Manufacturing orders rose 7 percentage points. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reported that August saw economic activity in the manufacturing sector grow for the fifteenth consecutive month, while the overall economy grew for the 63rd consecutive month. The PMI registered at 59 percent – its highest value since March 2011 – was an increase of 1.9 percentage points from July's 57.1 percent. Seventeen of the eighteen manufacturing industries are reporting growth in August including Furniture and Related Products, Paper Products, Food, Beverage & Tobacco Products and Wood Products. The only industry reporting contraction this month is Textile Mills. Businesses reported their 21st consecutive month of expansion in new export orders, registering at an Index value of 55 percent for August, 2.0 points higher than in July. Eleven industries reported growth in new export orders in August, including Paper Products, while Wood Products saw a decrease in new export orders. 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 second fiscal quarter, April through June, and the Energy Index stands at a value of 115.7.

The next update for the Energy Index will be coming after the end of the third 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 slid 0.8 points to a current value of 144.4, a value 4.9 points lower than this time last year. The 4-month moving average for this index also declined 2.2 points to a current value of 149.2.

On the national scale, Consumer Confidence continued its upward trend in August, up 2.1 points to a current index value of 92.4. The Expectations Index saw a slight decline, falling to a value of 91.9, while the Present Situation Index rose 6.7 points to a current value of 94.6. Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence increased for the fourth consecutive month as improving business conditions and robust job growth helped boost consumers' spirits. Looking ahead, consumers were marginally less optimistic about the short-term outlook compared to July, primarily due to concerns about their earnings." 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 climbed 2.8 points to a value of 37.5 in July. The index is also up 3.5 points from this time last year, and the 4-month moving average climbed 0.7 points to a current value of 35.4.

The Index

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

C O L L E G E O F P R O F E S S I O N A L S T U D I E S
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