

# Humboldt Economic Index

August 2013

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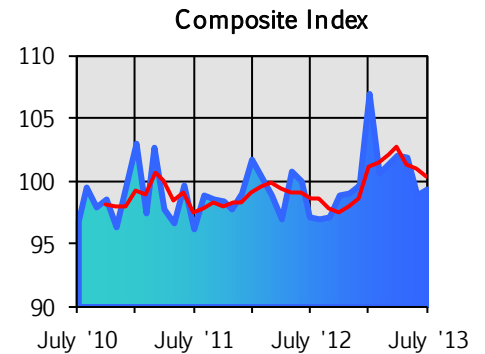
## Manufacturing and Home Sales Boost Composite

The Composite Index increased 0.4 percent from last month's value of 98.8 to the current value of 99.2, and increased 2.2 percent from this time last year. The Home Sales and Manufacturing Indexes saw increases this month, while Employment, Retail, and Hospitality decreased.

The Index of Home Sales increased significantly by 21.1 percent this month, and is 29.1 percent higher than this time last year. Median home prices in Humboldt County rose for the second consecutive month and are at a three-year high of \$258,950.

However, mortgage rates climbed slightly higher this month and we are beginning to see investors reduce purchases nationally. Locally, the Obama administration's announcement that it would not interfere with state marijuana laws may see production leave Humboldt County for urban areas and should put downward pressure on house prices in the long run.

The Total County Employment Index decreased this month and the county's unemployment rate increased from 8.8 to 9.1 percent. Leading indicators are mixed with Help wanted, Building Permits, and



Unemployment Claims up this month. California state unemployment rose for the first time in over a year, up from 8.5 to 8.7 percent this month. The National unemployment rate is at 7.4 percent, the lowest rate since December 2008.

Average gas prices have continued to decrease this month. Eureka gas prices fell 9 cents to an average of \$4.09 per gallon. Prices are expected to continue to fall in the upcoming months as summer driving season ends and California switches from its more expensive summer blend to its winter blend.

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>99.2</b>	<b>0.4</b>	<b>2.2</b>	<b>-3.5</b>	<b>-7.4</b>
Home Sales	113.8	21.1	29.1	43.2	-11.7
Retail Sales	144.0	-2.4	2.1	-4.7	5.4
Hospitality	84.9	-1.4	-0.7	-0.7	-6.7
Electricity	120.3	0.0	-2.9	-7.8	8.0
Employment	98.0	-1.0	1.3	-5.0	-5.5
Manufacturing	34.2	2.6	-2.3	-28.2	-59.0

\* 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

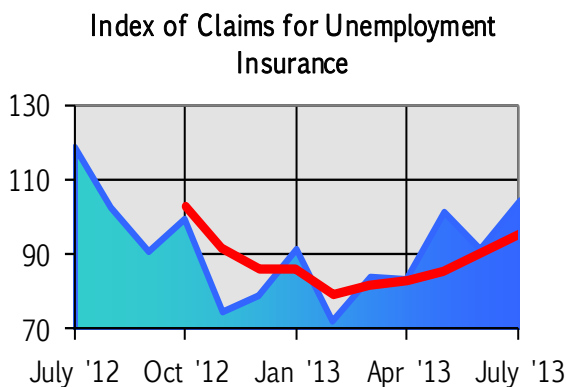
## Leading Indicators

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.

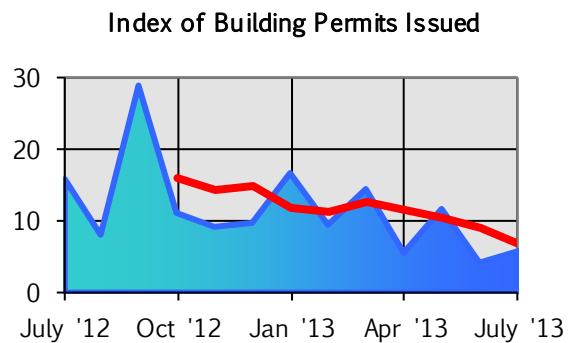
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	<b>14.3%</b>	<b>41.9%</b>	<b>27.7%</b>
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$258,950	\$1,249	4.75%	9.1%
<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>			

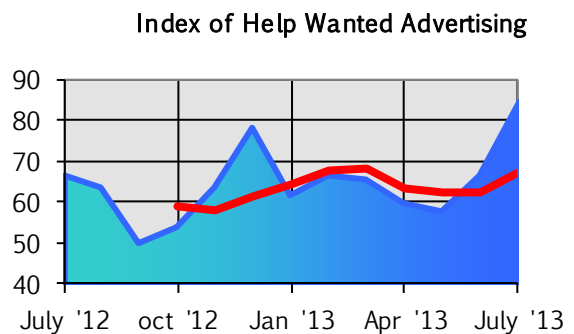
**Unemployment Claims** increased by 14.3 percent this month to an Index value of 104.9. However, unemployment claims decreased by 12.2 percent from this time last year. The 4-month moving average increased to an index value of 95.5 from 90.4. It is important to remember that in contrast to several other Indexes it is not unheard of to see changes of up to 20 percent on a month-to-month basis with the Unemployment Claims.



**Building permits** expanded by 41.9 percent to an index value of 5.9 from the previous 4.2. The 4-month moving average declined in value from 9.1 to 6.9. 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.



**Help Wanted Advertising** rose to a value of 85.0 up 27.7 percent from last month's seasonally adjusted value of 66.5. The level this month is 27.1 percent higher than this time last year. Additionally, the 4-month moving average increased 7.7 percent from an Index value of 62.4 to a value of 67.2.



**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 expanded by 21.1 percent to a value of 113.8. This is a 29.1 percent increase from this time last year. Additionally, the county's median home prices increased from \$249,475 to \$258,950, the highest price since April of 2010.

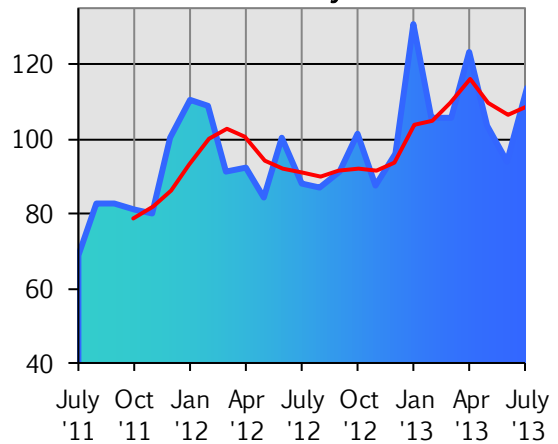
The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in June 2013. The 10- and 20- City Composites rose 2.2 percent from May to June. However, according to David Blitzer, "the monthly city by city data show the pace of price increases is moderating."

Mortgage rates have begun to increase again this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.51 percent and the average 15-year fixed-rate mortgage is 3.54 percent for the week ending August 29, 2013. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.59 and 2.86 respectively. There is evidence nationally that this rise in interest rates is starting to take effect, as traditional buyers find mortgage payments unaffordable. Perhaps more importantly, it seems investors have substantially reduced buying upon concerns about whether the Federal Reserve will raise interest rates sooner rather than later.

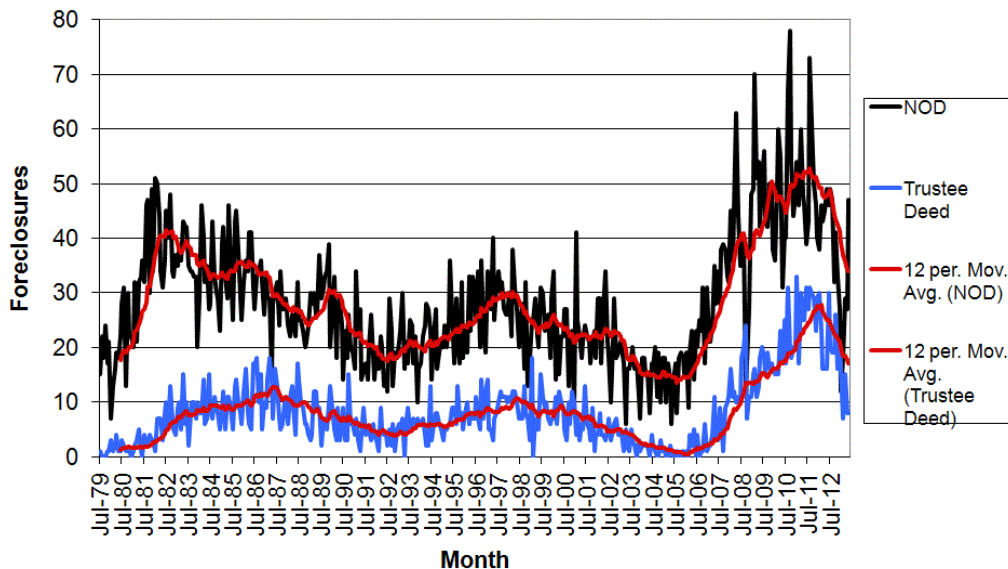
Another dark cloud appeared on the horizon for the local housing market. The Obama administration announced that it would not interfere with state laws pertaining to marijuana. While no one has a crystal ball to predict the future, it is very possible that this policy

change accelerates the increase in marijuana production in urban areas in other parts of the state. This could lead to a reduction in Humboldt County workforce or even population. If there is less marijuana production taking place locally, then fewer people are looking to rent (or willing to pay high prices for indoor grow sites). There will also be less first time homebuyer demand, since fewer young households would move to, or stay in, the county. The effect of a reduction in workforce or population would be to put long run downward pressure on house prices.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

# The Index – Individual Sectors

## Total County Employment

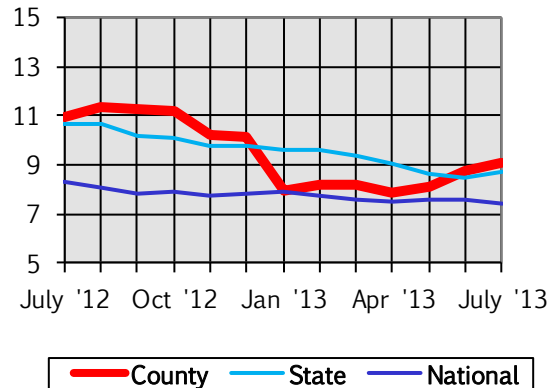
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment decreased this month to an index value of 98.0 from 99.0. Additionally, the seasonally adjusted unemployment rate for Humboldt County went up from 8.8 to 9.1 percent. The seasonally adjusted national unemployment rate decreased from 7.6 to 7.4 percent.

The Employment Development Department of California indicated in its July statistics that Humboldt County's labor force decreased by about 900 individuals. For California on the whole, employment added 38,100 jobs, and statewide unemployment increased to a seasonally adjusted 8.7 percent, with 29,400 more unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 162,000 nonfarm payroll jobs in July, and the unemployment rate decreased from 7.6 to 7.4 percent. National employment rose in financial activities, food services and drinking places, 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 decreased 1.4 percent from last month's value of 86.1 to an Index value of 84.9. The current value is 0.7 percent lower than last year at this time. However, the 4-month moving average increased from last month's index value of 82.8 to 83.6.

## Gasoline Prices

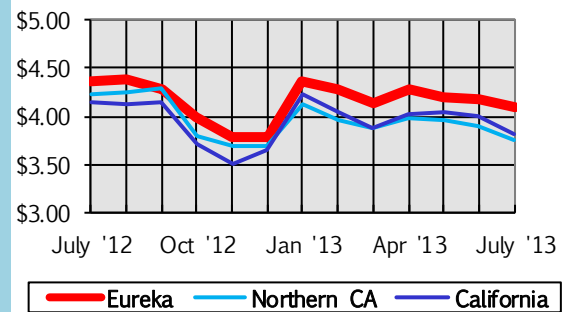
Gasoline Prices for California decreased by an average of 18 cents this month. California gas prices fell to an average of \$3.82, down from last month's \$4.00, while Northern California prices decreased to \$3.75. Eureka gas prices decreased to \$4.09, 9 cents lower than last month.

Gas prices continued to decline this month despite August generally having the highest consumer demand. According to the Fresno Bee, gas prices should continue to fall as demand continues to decrease from the height of the summer driving season. By the end of October California will be switching from its high priced summer blend of gasoline to its winter blend, which should further lower prices.

Gas Prices		
Prices as of 8/20/2013	Average price*	Change from previous month
Eureka	\$4.09	-\$0.09
Northern California	\$3.75	-\$0.16
California	\$3.82	-\$0.18

\* 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 decreased by 2.4 percent from a value of 147.5 to 144.0. This is 2.1 percent above this time last year. This Index's 4-month moving average decreased to an index value of 148.1 from 149.1.

On the national scale, Consumer Confidence rose slightly in August. Consumer Confidence Index increased 0.5 points to a value of 81.5. The Expectations Index posted a 2.7-point increase from 86.0 to 88.7. The Present Situation Index decreased 2.9 points from 73.6 to 70.7. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer Confidence increased slightly in August, a result of improving short-term expectations. Consumers were moderately more upbeat about business, job and earning prospects. In fact, income expectations, which had declined sharply earlier this year with the payroll tax hike, have rebounded to their highest level in two and a half years. Consumers' assessment of current business and labor market conditions, on the other hand, was somewhat less favorable than last month." 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 increased 2.6 percent to a value of 34.2 from 33.4. However, the value is down 2.3 percent from this time last year. The 4-month moving average has increased this month to a value of 34.3 from 33.9.

The Institute for Supply Management reported that the national manufacturing sector expanded in August for the third consecutive month and the overall economy grew for the 51<sup>st</sup> consecutive month. The PMI was registered at 55.7 percent, an increase of 0.3 percentage points from July's 55.4 percent. Fifteen of the eighteen manufacturing industries are reporting growth in August including Wood Products, Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the ninth consecutive month, registering at an Index value of 55.5 percent for August. Eight industries are reporting growth in new export orders in August, down from nine in July. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

**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.

## 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 120.3.

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

HUMBOLDT STATE UNIVERSITY

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■ ■ ■ *realize human potential*

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