

# Humboldt Economic Index

August 2015

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## Large Gains in Home Sales Increase Composite Index

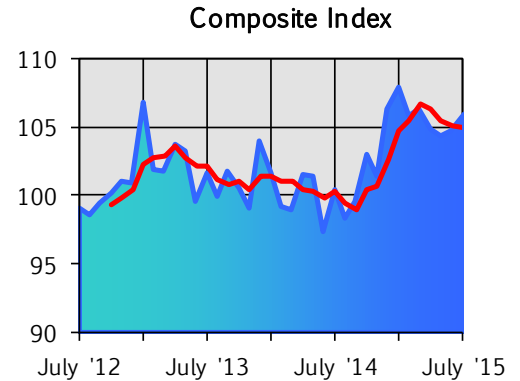
The Composite Index rose 1.1 percent from last month's revised value of 104.8 to the current value of 105.9. The Composite is up 5.4 percent from this time last year. The Home Sales Index increased over the previous month, while all other indices fell or stayed the same.

We have suspended the Lumber Manufacturing Index until we can obtain a sufficient number of data providers. This sector is 12% of the overall Index and the last reported amount was 29.2 in March 2015.

The Index of Home Sales jumped 19.1 percent in July to a new value of 131.1. This value is 5.4 percent higher than this time last year. 30-year mortgage rates in Humboldt County have decreased from 4.125 percent to 4 percent, while the median home price rose from \$269,500 to \$271,500.

Leading indicators for July are mixed. Manufacturing orders and help wanted advertising increased by 27 percent and 5.4 percent respectively. Unemployment claims rose by 17.8 percent.

Seasonally adjusted unemployment rates in Humboldt County and California



are currently 5.5 percent and 6.2 percent respectively. In comparison, the national unemployment rate is 5.3 percent.

Gas prices in California have decreased from the previous month, with California's average price per gallon at \$3.31. Northern California's average price fell from \$3.52 per gallon to \$3.33 per gallon, and Eureka's average gas price fell from \$3.63 per gallon to \$3.17 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>105.9</b>	<b>1.1</b>	<b>5.4</b>	<b>7.6</b>	<b>-5.2</b>
Home Sales	131.1	19.1	15.6	129.1	-18.2
Retail Sales	153.0	-0.8	5.9	1.2	10.2
Hospitality	91.1	-0.8	1.4	9.5	1.7
Electricity	123.8	0.0	-1.9	-3.5	2.4
Employment	107.6	-0.1	11.3	7.6	1.0
Lumber*	26.3	0.0	-29.9	-33.8	-68.7
Manufacturing**	116.3			-	-

\* 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

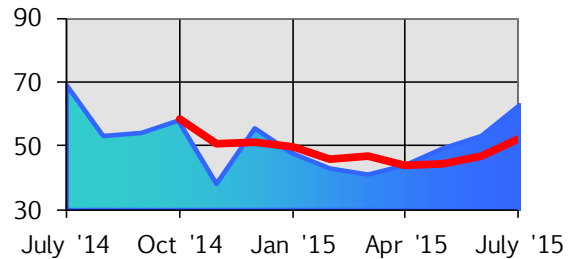
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
27.0%	17.8%	-46.8%	5.4%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$251,950	\$1,499	4.000%	5.5%
* 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.			

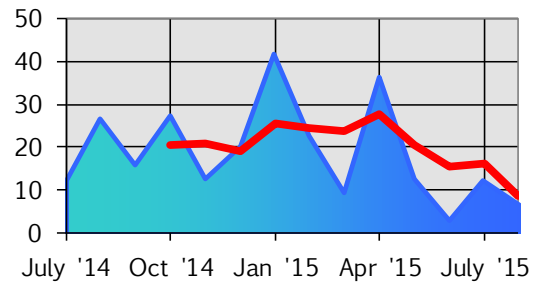
**Unemployment Claims** climbed 9.4 points to a new index value of 62.5. The unemployment claims index was 69.2 in July 2014, 6.7 points lower than the current value. The 4-month moving average rose 5.4 points to 52.2.

Index of Claims for Unemployment Insurance



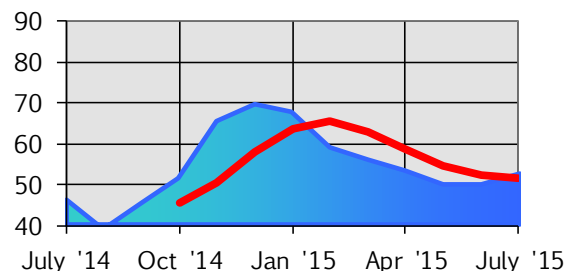
**Building Permits** fell to an index value of 6.7. The current value is 5.8 points less than June's value of 12.5. The building permits index value was 26.6 this time last year. July's decrease moved the 4-month moving average downward to a new value of 8.7 from 16.2.

Index of Building Permits Issued



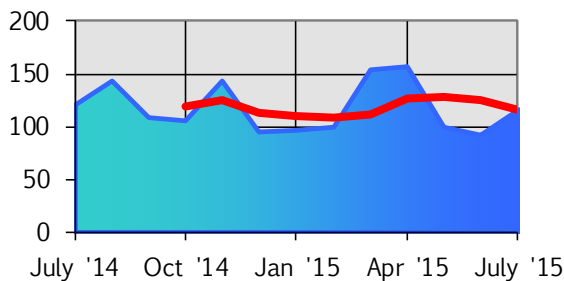
**Help Wanted Advertising** increased 2.7 points in July to a new index value of 52.8. One year ago, the index value stood at 46.3, indicating a 6.5 point increase year-over-year. The 4-month moving average is 51.6, 0.8 points lower than the previous value of 52.4.

Index of Help Wanted Advertising



**Manufacturing Orders** rose 24.8 points for a new index value of 116.7. The manufacturing orders index value in July 2014 was 120.1, 3.4 points higher than the present value.

Index of Manufacturing Orders



**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 Home Sales Index for July 2015 reports an index value of 131.1, 21 points higher than the previous month. In July 2014, the index value was 113.4, 17.7 points less than the current value. The county's median home price increased to a value of \$271,500 from June's median price of \$269,500. The median price in July 2014 was \$240,000.

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, as well as the National Index, which accounts for all 9 U.S. census divisions.

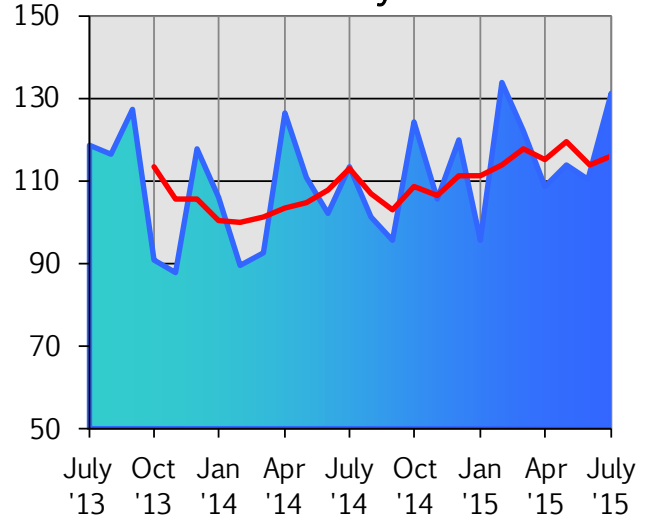
The S&P Case-Shiller Home Price Indices saw marginally higher year-over-year gains compared to May 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.6 percent and 5.0 percent respectively. The National Index reported a 4.5 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month decreases of 0.1 percent. The National Index reported a seasonally adjusted increase of 0.1 percent.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that the "price gains have been consistent as the unemployment rate declined with steady inflation and an unchanged Fed policy," and that "sales of existing homes reached 5.6 million at annual rates in July, the strongest figure since 2007." All of this points to a stronger housing

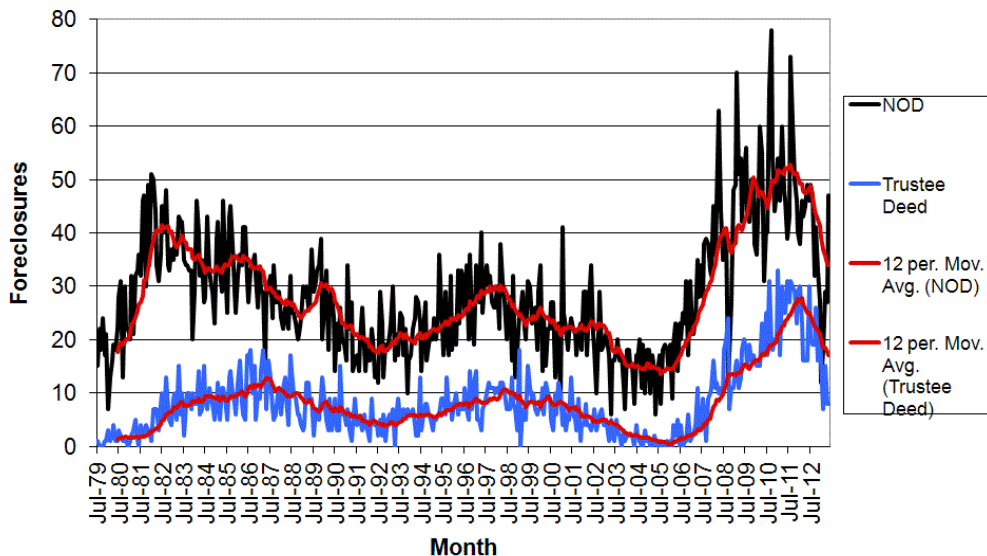
sector and a stronger economy. However, Blitzer concludes his analysis by explaining that volatility in the stock market and/or a possible Fed rate increase could negatively affect the housing sector.

According to Freddie Mac, the average 30-year fixed-rate mortgage decreased from 4.02 percent in July to 3.84 percent in August. The average 15-year fixed-rate mortgage also decreased from 3.21 percent in July to 3.06 percent in August.

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.

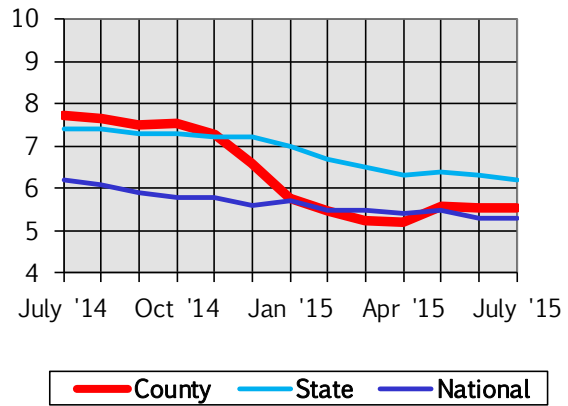
The Total County Employment Index fell marginally from the previous value of 107.8 to the current value of 107.6. The unemployment rate for Humboldt County remained at 5.5 percent. The unemployment rate for California remained virtually unchanged at 6.2 percent. The national unemployment rate remained at 5.3 percent.

The Employment Development Department of California indicated in its July statistics that Humboldt County's total employment decreased by 1,100 individuals to a current total of 58,000. Humboldt County's total unemployment increased from 3,300 individuals in June to 3,700 individuals in July.

In the Labor Department's July report, total nonfarm payroll employment increased by 215,000. National employment was on the rise in several industries, including retail trade, health care, professional and technical services, and financial activities. Employment in mining continued to decline. Employment in other major industries such as construction, wholesale trade,

information, and government showed few change month-over-month.

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.

The Hospitality Index fell 0.7 points in July, down from a value of 91.8 in June to the current value of 91.1. This month's index value represents a 1.2 point increase from this time last year. The 4-month moving average fell 0.2 points to a current value of 91.0.

## Gasoline Prices

California gas prices decreased in August to a new average of \$3.31 per gallon. For comparison, the US national average is \$2.40 per gallon. Northern California and Eureka gas prices also increased in July, with new averages of \$3.33 per gallon and \$3.17 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.43 per gallon.

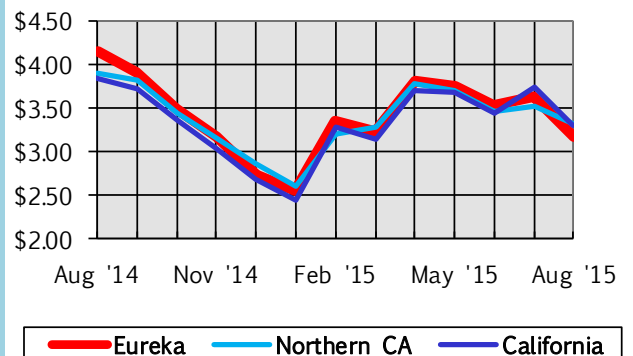
Oil prices are the lowest they have been in over six years. However, California gas prices have been in turmoil over the past few months, even rising 75 cents overnight about a month ago. Brad Tuttle, writing for Time's Money magazine, states that the reasons for these excessively high gas prices are "expected to be addressed in the near future." Tuttle also states that "gas prices are expected to plummet this fall – assuming no other refinery problems or other complications arise." This could mean \$2 per gallon by December for most of the country, but California gas prices will probably decline more slowly.

Gas Prices

Prices as of 8/31/2015	Average price*	Change from previous month
Eureka	\$3.17	-\$0.46
Northern California	\$3.33	-\$0.19
California	\$3.31	-\$0.44

\* 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

## 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 116.3 in July, a 24.7 point increase from the previous month. Overall manufacturing employment decreased by 100 individuals to 2,000 individuals according to the Employment Development Department.

The Institute for Supply Management reports that August saw economic activity in the manufacturing sector grow for the 32<sup>nd</sup> consecutive month, with the overall economy growing for the 75<sup>th</sup> consecutive month.

The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future. A PMI greater than 43.1 percent generally indicates an expansion of the overall economy. The PMI for August is 51.5 percent, representing a decrease of 1.6 percentage points from the previous month.

Nationally, ten of the eighteen manufacturing industries reported growth in August, including Textile Mills; Furniture & Related Products; Paper Products; Nonmetallic Mineral Products; Chemical Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Fabricated Metal Products; Plastics & Rubber Products; and Machinery. Six industries – Apparel, Leather & Allied Products; Primary Metals; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Computer & Electronic Products; and Transportation Equipment – saw contraction in August. The New Export Orders Index for August is 46.5 percent, indicating the volume of new export orders has decreased for the third consecutive month. Five industries reported growth in new export orders in August, including Nonmetallic Mineral Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Paper Products. Seven industries saw a decrease in their new export orders in August, and six industries reported no change.

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 of 2015 – April through June – and the Energy Index currently stands at a value of 123.8. June's index value is 8.2 points higher than May's value and 8.1 points higher than in June 2014. May's value of 115.6 was 4.5 points lower than April's value and 4.7 points lower than in May 2014. April's value of 120.1 was 0.8 points higher than March's value of 119.3, but 3.3 points lower than in April 2014.

The next update for the Energy Index will be coming after the end of the third fiscal quarter of 2015, in October 2015.

## 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 reports a value of 153 for July, a decrease of 1.3 points from June. The most recent value is 8.6 points higher than in July 2014. The 4-month moving average decreased 1.5 points to a new value of 154.6.

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.

On the national scale, Consumer Confidence increased in August by 10.5 points to a current index value of 101.5. The Present Situation Index increased 11.1 points to a current value of 115.1 and the Expectations Index also increased 10.2 points to a new value of 92.5.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states "Consumer confidence rebounded in August, following a sharp decline in July. Consumers' assessment of current conditions was considerably more upbeat, primarily due to a more favorable appraisal of the labor market." The percentage of consumers expecting business conditions to improve over the next six months slightly increased from 15.3 percent to 15.8 percent. The percentage of consumers expecting business conditions to decline decreased from 10.3 percent to 8.3 percent.

## Lumber Manufacturing

Lumber Manufacturing is suspended from the Index until we can obtain a sufficient number of data providers. This sector is 12% of the overall Index and the last reported amount was 29.2 in March 2015.

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 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 sectorial index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectorial 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.

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Institute for Supply Management – Time Money Magazine

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