

# Humboldt Economic Index

February 2013

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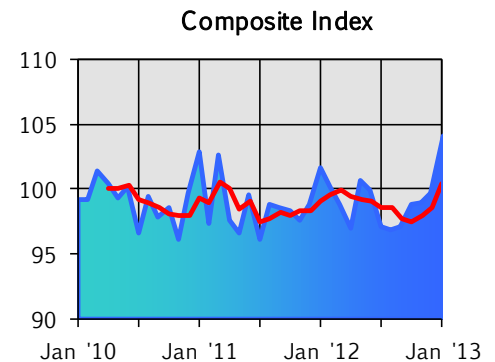
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## Composite Index highest since August 2008

The composite Index has grown by 4.5 percent from last month's value of 99.6 to the current value of 104.1, and has also increased by 2.5 percent from this time last year. This is the largest month to month growth since March 2011 and the highest Composite Index value since August of 2008, which had an Index value of 105.8. Additionally, the 4 month moving average has been moved up by this from 98.6 to 100.4. All of the Indexes that comprise the Composite Index have either grown or stayed the same, with the Home and Retail Indexes posting the most significant gains.



The Index of Home sales reached the highest level since March of 2007 with a monthly value of 130.9, an increase of 36.7 percent from the previous month. Mortgage rates, while low relative to last year, have been holding steady lately with the average 30-year rate at 3.52 percent as of March 7th. More on this will continue to be covered in the Home Index section.

month by 15.7 percent. Help Wanted Advertising decreased this month to a value of 61.6 from 78.4. National labor markets are continuing to make improvements, with the unemployment rate slowly lowering.

Gas prices have surged over the last few weeks by up to 60 cents in some areas. Eureka gas prices have increased by 59 cents up to an average of \$4.37. For more information, see the Gas Prices section.

Looking at leading indicators, Unemployment Claims grew from last

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>104.1</b>	<b>4.5</b>	<b>2.5</b>	<b>-3.3</b>	<b>-6.3</b>
Home Sales	130.9	36.7	18.7	23.6	-6.3
Retail Sales	156.2	6.3	3.5	-3.1	10.7
Hospitality	86.4	2.6	14.0	-2.1	-12.5
Electricity	131.1	0.0	0.0	0.0	0.0
Employment	98.1	0.0	0.0	0.0	0.0
Manufacturing	37.4	9.0	9.2	-20.0	-57.8

\* 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

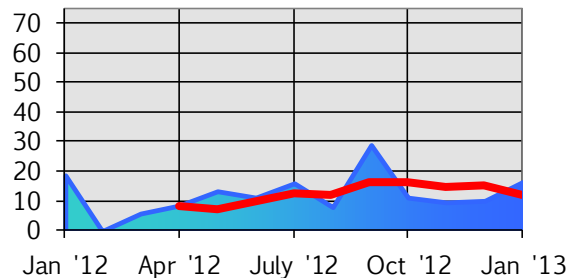
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	<b>15.7%</b>	<b>68.3%</b>	<b>-21.4%</b>
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$230,000	\$1,273	3.50%	10.1%
* 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.			

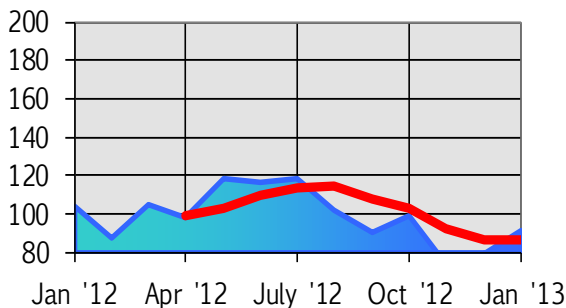
**Building permits** expanded by 68.3 percent to an Index value of 16.7 from the previous 9.9. At this time, Building permits are down 11.1 percent from last year and the 4 month moving average has decreased in value from 14.9 to 11.8. This Index has held low values for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



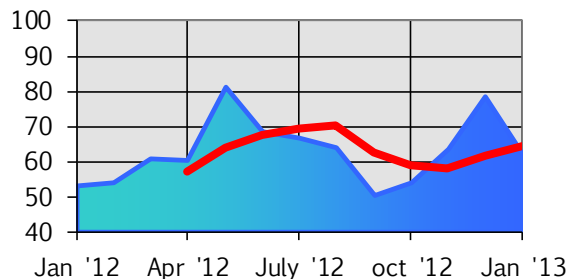
**Unemployment Claims** increased by 15.7 percent this month, to an Index value of 91.9. However, the unemployment claims have decreased by 11.9 percent from this time last year. The 4 month moving average increased slightly to an index value of 86.2 from 86.4. When considering the percentage change with Unemployment Claims, it is important to remember that in contrast to several other Indexes it is uncommon but not rare to see changes of up to 20 percent on a month to month basis.

Index of Claims for Unemployment Insurance



**Help Wanted Advertising** has decreased to a value of 61.6, down 21.4 percent from last month's seasonally adjusted value of 78.4. The level this month is 16.1 percent higher than this time last year. Additionally, the 4 month moving average has increased by 4.5 percent to an Index value of 64.5 from a value of 61.7.

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.

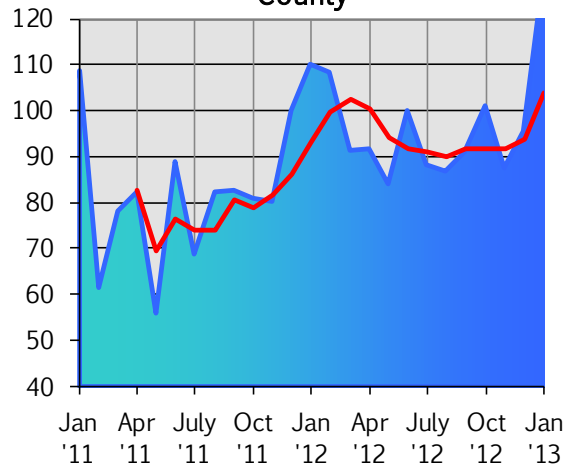
The Humboldt County Home Sales Index significantly grew by 36.7 percent to an Index value of 130.9, the largest month to month growth since June 2011 and the highest value since March 2011. Median home prices increased a moderate amount to a median of \$230,000 from \$210,000. The robust performance of this Index this month is due in large part to the fact that the Home Sales Index has not historically performed as strongly at this at this time of the year.

The S&P Case-Shiller home price index reflected that prices continued to grow over the final quarter of last year, with all three composites posting gains. The national composite reported a growth of 7.2 percent over the course of 2012, while the 20-city composite reported annual returns of 6.8 percent. 19 out of the 20 cities considered in the 20-city composite posted gains for 2012. Once seasonally adjusted, no cities reported monthly declines. The improving performance of the housing market can be a positive sign for the residential construction sector. The S&P Case-Shiller home-price index, a national index of housing prices, is calculated monthly using a 3 month moving average, and published with a two month lag.

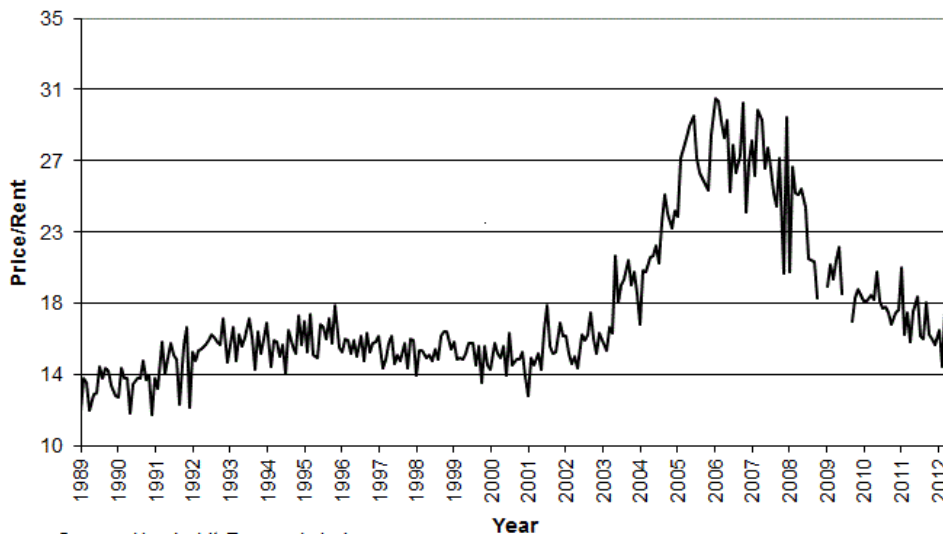
Particularly of importance in the housing sector are the mortgage rates, which after hitting 65 year lows have remained relatively consistent levels. While slightly higher than a couple months previous, mortgage rates have steadied from late January up to the present according to statistics from Freddie Mac. 30 year fixed rate

mortgages, as of the beginning of March, hover around 3.52 percent, down only 0.01 percent from late January's 3.53 percent. 15 year mortgages were about 2.76 percent, up from 2.81 in late January. Frank Nothaft, the chief economist at Freddie Mac, commented that the low GDP growth in the last quarter kept inflation low, which has consequently kept mortgage rates low. The low mortgage rates assist in making home purchases more affordable, serving as a possibly large factor in the recovery of the housing market. According to the Census Bureau, new home sales totaled a seasonally adjusted 437,000 in January 2013, up from January 2012's 339,000 new home sales. It is important to note that the effect of these low mortgage rates may be minimized by the fact that lending requirements are stricter than before as a result of the previous housing crisis and that the recession could have affected the ability of people to afford a down payment.

**Home Sales Index, Humboldt County**



**Humboldt County Housing Price to Rent Ratio, 1989-2012  
(medium home price/mean rent, adjusted for expenses)**



Source: Humboldt Economic Index

# 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 is estimated to have remained the same since the statistics for the county and state have not been updated from last month at this time. The seasonally adjusted unemployment rate for Humboldt County is also estimated to remain unchanged.

The Employment Development Department of California indicated in its December statistics that Humboldt County's labor force has expanded by about 100 individuals. For California on the whole, employment added 73,700 jobs, and state-wide unemployment remained the same at a seasonally adjusted 9.8 percent, with 1,200 less unemployed compared to the previous month.

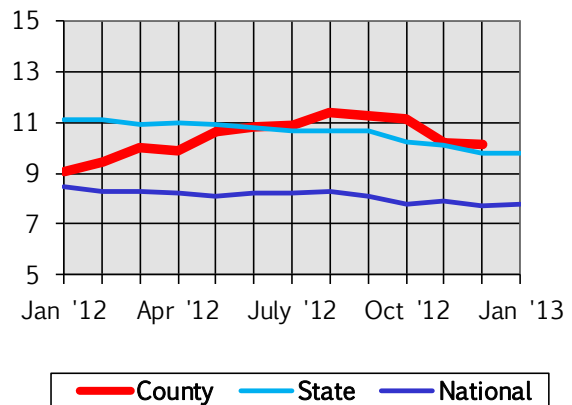
The Labor Department's latest statistics reported that the nation added an additional 236,000 nonfarm payroll jobs in February, and the unemployment rate dropped to 7.7 percent. National employment rose in professional and business services, construction, and healthcare. However, the number of long term unemployed individuals remains relatively unchanged.

## 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 grew this month, increasing 2.6 percent to an Index value of 86.4 from last month's value of 84.3. Corresponding with this growth, the current value is 14.0 percent greater than last year at this time, the largest year over year growth since December of 2009. Despite this, the 4-month moving average has still declined by 0.7 percent to a value of 89.8.

## Unemployment Percentage Rates



## Gasoline Prices

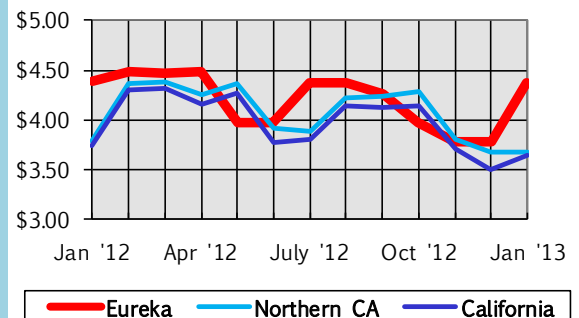
Gasoline Prices for California have spiked recently, with prices in some areas rising nearly 60 cents. The average California gas price rose to an average of \$4.23 up from last month's \$3.65 while Northern California rose to a price of \$4.12. Eureka gas prices are pricier at \$4.37, 59 cents higher than last month's \$3.78. Eureka gas prices are now the highest since August of last year.

Possible reasons for this latest surge in gas prices include an earlier switch to summer blend gasoline than usual, as well as higher than usual maintenance costs associated with Californian refineries. Additionally, commodity markets have increased gasoline speculation with the expectation of rising prices, according the LA Times in a February 21<sup>st</sup> article. When there are any disruptions like the recent ones, there tends to be an immediate effect at the pump.

Gas Prices		
Prices as of 2/26/2013	Average price*	Change from previous month
Eureka	\$4.37	\$0.59
Northern California	\$4.12	\$0.44
California	\$4.23	\$0.58

\* 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



# 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 grew by 6.3 percent, from 146.9 to 156.2. This is a growth of 3.5 percent from this time last year, and the highest growth since May of last year. Additionally, the Index value is the highest value since March of 2011. This Index's 4 month moving average has increased by 2.4 percent to 147.3 from a value of 143.9 as well.

On the national scale, Consumer Confidence rebounded from last month's significant decline. Consumer Confidence grew by 11.2 points to a value of 69.6, while the Expectations Index posted a large 13.9 point increase from 59.9 to 73.8. The Present Situation Index also improved, with a 7.1 point increase from 56.2 to 63.3. According to the Director of Economic Indicators at the Conference Board, the rebound in all three of these indexes was most likely due to the effects of the fiscal cliff debate and payroll tax increases diminishing. Although slightly more consumers responded that jobs were "harder to get", they responded positively to all the other aspects of the economy.

## 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 has grown moderately this month to a value of 37.4 from 34.3, a 9.0 percent expansion from last month's value. This value is greater than 12 months ago by 9.2 percent. In line with these results, this month's value increased the 4-month average, with the 4-month average growing by 1.6 percent to an Index value of 35.6 from 35.1.

The Institute for Supply Management reported that the national manufacturing sector has expanded for the third consecutive month, and the overall economy continued to grow for the 45<sup>th</sup> consecutive month. The PMI was registered at 54.2 percent, an increase of 1.1 percent from January's 53.1 percent. Businesses reported growth in new orders for the second consecutive month, registering at an Index value of 57.8. Fifteen out of the eighteen industry groups reported growth this month, including both paper products and wood products. The report notes that all five of the PMI's composite indexes are reporting growth, signaling in the report's opinion a positive beginning to the year. 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 fourth fiscal quarter, October through December, and the Energy Index stands at a value of 131.1. This is a 10.8 percent increase from November's value of 118.3, and but a 7.0 percent drop from 12 months ago. November's Index value was 118.3, 6.8 percent lower than October's value of 126.4, and down 0.4 percent from the year before. The month of October saw a 12.3 percent increase from September, but lost 10.5 percent from the previous October.

The next update for the Energy Index will be coming after the end of this 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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Consumer Confidence - The Institute of Supply Management  
National Association of Realtors

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