

Humboldt Economic Index

July 2013

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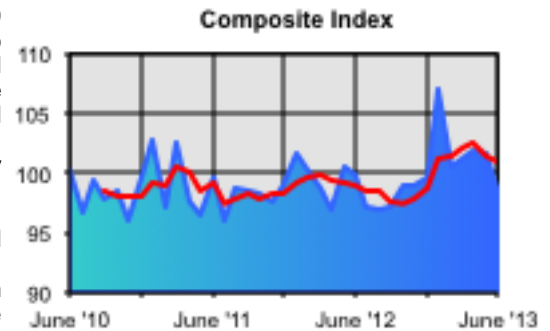
Declining Housing and Retail Impacts Composite

The Composite Index declined 2.9 percent from last month's value of 101.7 to the current value of 98.8, and decreased 1.1 percent from this time last year. The Home Sales, Employment, Retail, and Energy Indexes decreased this month, while Manufacturing and Hospitality increased.

The Index of Home Sales decreased 9.2 percent, the second consecutive month with a large decrease, and is down from this time last year. However, median home prices in Humboldt County increased from \$225,000 to \$249,475, the highest median price since September of 2011. Mortgage rates remained relatively unchanged after two months of increasing with the average 30-year fixed rate mortgage at 4.39 percent and the average 15-year fixed rate mortgage at 3.43 percent.

The Total County Employment Index decreased slightly and Humboldt County's unemployment rate increased from 8.1 to 8.8 percent. However, leading indicators show Help Wanted Advertising is up and Unemployment Claims are down this month. California State Unemployment continues to decrease, now at a rate of 8.5 percent, and the National unemployment rate decreased to 7.4 percent this month, the lowest rate since December of 2008.

Average gas prices in California slightly decreased this month. Eureka gas prices



fell 2 cents to an average of \$4.18 per gallon. However, prices are expected to rise through Labor Day, the summer driving season.

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**
Composite	98.8	-2.9	-1.1	-7.3	-8.1
Home Sales	94.0	-9.2	-6.0	-4.0	-21.6
Retail Sales	147.5	-5.3	-1.2	-8.1	-3.6
Hospitality	86.1	6.0	1.4	-1.0	0.6
Electricity	120.3	-8.1	-4.4	-9.1	11.7
Employment	99.0	-1.3	1.1	-5.6	-3.6
Manufacturing	33.4	2.7	-6.9	-28.7	-60.9

* 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

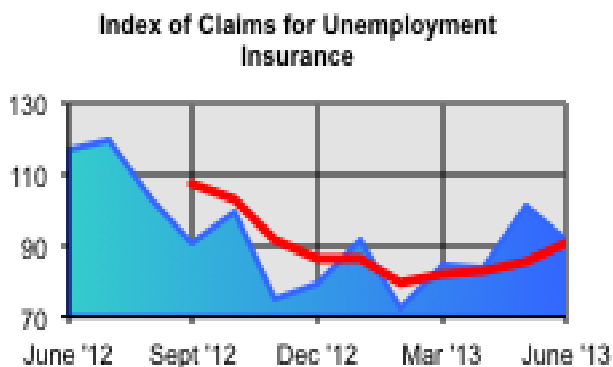
Leading Indicators

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.

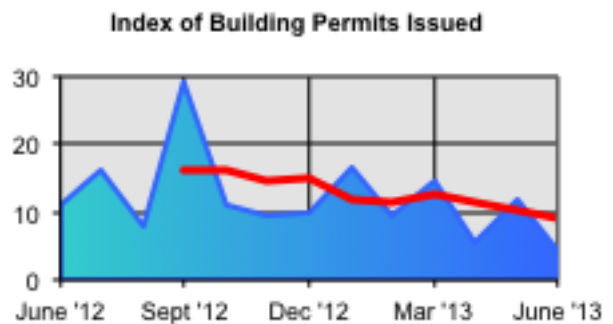
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-9.8%	-64.9%	15.3%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$249,475	\$ 1,075	4.50%	8.8%
<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 decreased by 9.8 percent this month to an Index value of 91.8. Additionally, unemployment claims decreased by 21.6 percent from this time last year. The 4-month moving average increased to an index value of 90.4 from 85.5. 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.



Building permits contracted by 64.9 percent to an index value of 4.2 from the previous 11.9. The 4-month moving average declined in value from 10.4 to 9.1. 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 66.5 up 15.3 percent from last month's seasonally adjusted value of 57.7. The level this month is 2.9 percent lower than this time last year. Additionally, the 4-month moving average decreased 0.2 percent from an Index value of 62.5 to a value of 62.4.



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.

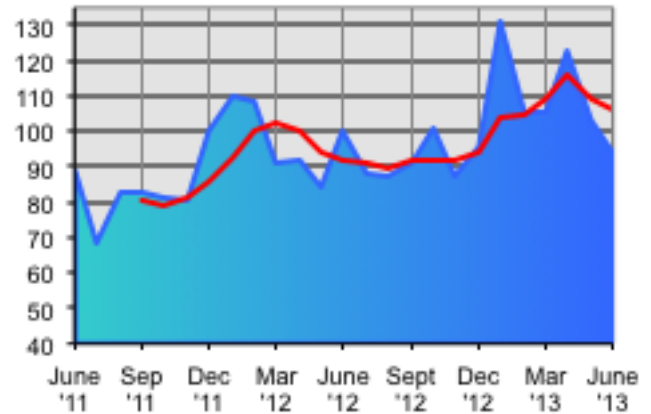
The Humboldt County Home Sales Index contracted by 9.2 percent to a value of 94.0. Additionally, this is a 6.0 percent decrease from this time last year. However, after a large decrease last month, median home prices increased from \$225,00 to \$249,475.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in May 2013. The 10-City Composite reported a growth of 11.8 percent over the 12-month period, while the 20-City Composite reported a 12.2 percent growth over that same period. The 10- and 20- City Composites rose 2.5 and 2.4 percent from April to May. All 20 cities posted year-over-year increases for at least five consecutive months. The indices show that as of May 2013, average home prices across the United States are back to their levels of spring 2004 levels. 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.

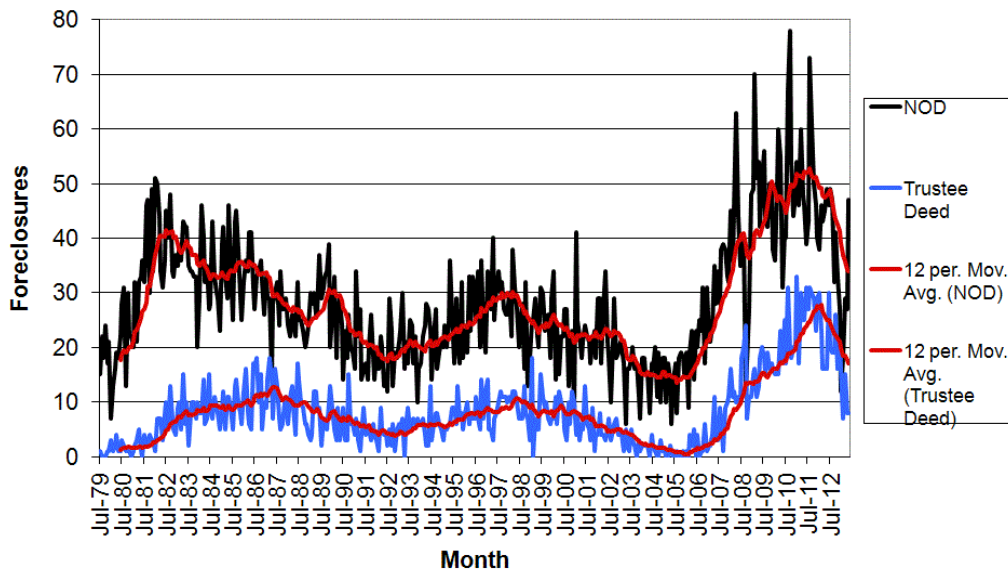
Mortgage rates have remained relatively constant this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.39 percent and the average 15-year fixed-rate mortgage is 3.43 percent for the week ending August 1, 2013. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.55 and 2.83 respectively.

The low mortgage rates assist in making home purchases more affordable, serving as a possibly large factor in the recovery of the housing market. It is important to note that the effect of these low mortgage rates may be minimized by the fact that lending requirements are stricter following the housing crisis and that the recession could have affected the ability of people to afford a down payment.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

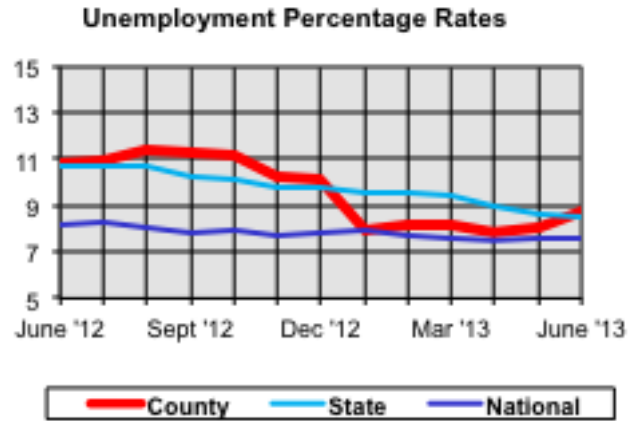
Total County Employment

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 99.0 from 100.3. Additionally, the seasonally adjusted unemployment rate for Humboldt County went up from 8.1 to 8.8 percent. The seasonally adjusted national unemployment rate decreased from 7.6 to 7.4 percent.

The Employment Development Department of California indicated in its June statistics that Humboldt County's labor force decreased by about 200 individuals. For California on the whole, employment added 30,200 jobs, and statewide unemployment decreased to a seasonally adjusted 8.5 percent, with 16,500 less 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.



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 6.0 percent from last month's value of 81.2 to an Index value of 86.1. The current value is 1.4 percent higher than last year at this time. Additionally, the 4-month moving average decreased from last month's index value of 83.3 to 82.8.

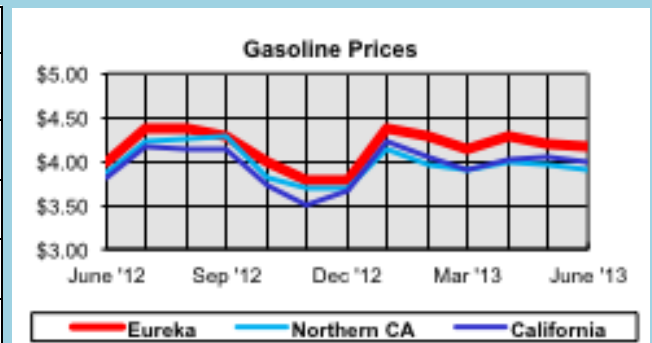
Gasoline Prices

Gasoline Prices for California decreased by an average of 5 cents this month. California gas prices fell to an average of \$4.00, down from last month's \$4.05, while Northern California prices decreased to \$3.90. Eureka gas prices decreased to \$4.18 or 2 cents lower than last month.

Despite the additional gas tax of 3.5-cents per gallon last month, gas prices have remained relatively steady. Prices are down slightly this month but according to AAA, gas prices are expected to rise through the end of summer driving season due to increased demand, high crude oil prices, and possible refinery glitches and supply disruptions caused by Gulf Coast hurricanes.

Gas Prices		
Prices as of 7/26/13	Average price*	Change from previous month
Eureka	\$4.18	-\$0.02
Northern California	\$3.90	-\$0.06
California	\$4.00	-\$0.06

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



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 5.3 percent from a value of 155.8 to 147.5. This is 1.2 percent below this time last year. This Index's 4-month moving average increased slightly to an index value of 149.1 from 148.9.

On the national scale, Consumer Confidence fell slightly in July. Consumer Confidence Index decreased 1.8 points to a value of 80.3. The Expectations Index posted a 6.4-point decrease from 91.1 to 84.7. The Present Situation Index increased 4.9 points from 68.7 to 73.6. According to the Director of Economic Indicators at the Conference Board, "Consumer Confidence fell slightly in July, precipitated by a weakening in consumers' economic and job expectations. However, confidence remains well above the levels of a year ago. Consumers' assessment of current conditions continues to gain ground and expectations remain in expansionary territory despite the July retreat. Overall, indications are that the economy is strengthening and may even gain some momentum in the months ahead." 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 2.7 percent to a value of 33.4 from 32.5. However, the value is down 6.9 percent from this time last year. The 4-month moving average has remained unchanged this month at a value of 33.9.

The Institute for Supply Management reported that the national manufacturing sector expanded in July for the second consecutive month and the overall economy grew for the 50th consecutive month. The PMI was registered at 55.4 percent, an increase of 4.5 percentage points from June's 50.9 percent. Thirteen of the eighteen manufacturing industries are reporting growth in July including Wood Products, Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the seventh consecutive month, registering at an Index value of 53.5 percent for July. Nine industries are reporting growth in new export orders in July, up from seven in June. 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 second fiscal quarter, April through June, and the Energy Index stands at a value of 120.3. This is an 8.1 percent decrease from May's value of 130.9 and 4.4 decrease from 12 months ago. May's index value was 1.1 percent higher than April's value of 129.4 and 4.0 percent lower than the previous year. April was 2.0 percent lower than the previous year and 5.7 percent lower than March's value of 137.2.

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