

Humboldt Economic Index

July 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.

Local Economic Growth Slows as Most Sectors Decline in June

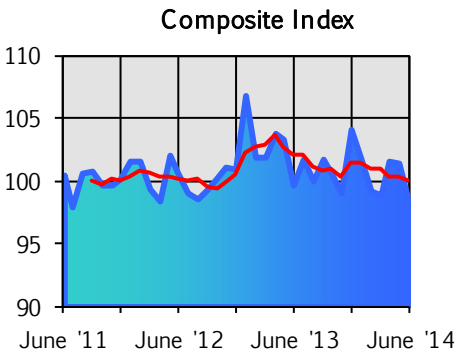
The Composite Index fell 3.1 percentage points from last month's value of 101.4 to the current value of 98.3. July's composite is also 1.3 points lower than this time last year. While the Lumber Index saw a boost this month, Hospitality, Retail and Home Sales were all down in July.

The Index of Home Sales is down 8.9 points from last month, but 4.2 points higher than this time last year. The median home price in Humboldt County dropped from \$251,425 to \$247,500. Mortgage rates hardly moved this month with the average 30-year fixed rate mortgage at 4.12 percent and the average 15-year fixed rate mortgage at 3.23 percent.

Leading indicators are mixed for our local economy. Though manufacturing orders are up and unemployment insurance claims are down, building permits and help wanted advertising have both decreased.

The national unemployment rate dropped to 6.1 percent in June, though the unemployment rate in Humboldt County rose 7.2 percent. The seasonally adjusted unemployment rate in California fell to 7.4 percent.

The Electricity Consumption Index has been updated for the second quarter, showing a downward trend from April



through June. The current index value of 115.7 is 5.7 points lower than this time last year.

Finally, though gas prices have continued to fall statewide, local prices have held firm. Both California and the Northern California region have seen 8 cent decreases in their average gas prices this month, while Eureka's average price stayed at \$4.25 in June.

Composite & Sectors					
Index	Value***	Percent change from			
		Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	98.3	-3.1	-1.3	-0.9	-11.8
Home Sales	101.8	-8.0	4.3	32.4	-37.6
Retail Sales	151.5	-2.7	2.7	1.6	0.5
Hospitality	82.8	-9.4	-4.9	-5.2	-13.1
Electricity	115.7	-3.9	-4.7	-12.1	4.5
Employment	97.0	-1.0	-2.7	-1.7	-6.2
Lumber*	34.9	7.5	3.4	5.1	-55.9
Manufacturing**	106.7			-	-

* 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

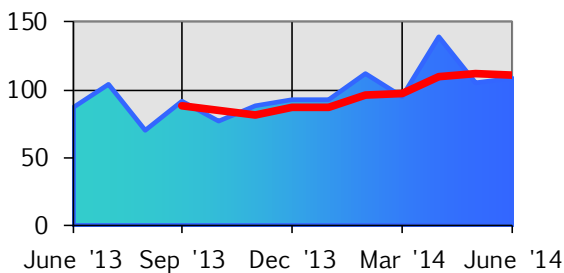
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
3.3%	-2.6%	-29.8%	-24.5%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$251,425	\$1,381	4.125%	7.1%
* 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.			

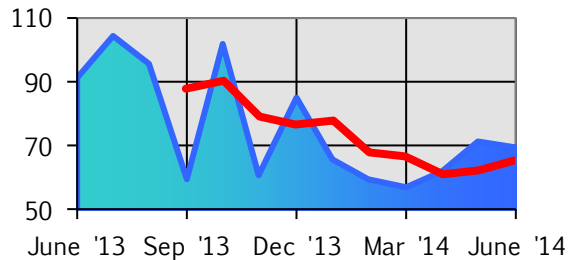
Manufacturing Orders rose 14.7 percent from the previous month which predicts an increase in future manufacturing activity.

Index of Manufacturing Orders



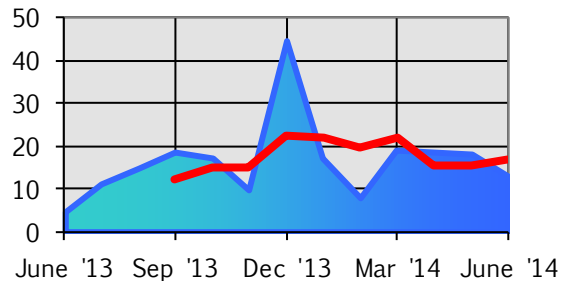
Unemployment Claims decreased 1.9 points this month to an Index value of 69.8. Unemployment claims also fell 21.9 points from this time last year. The 4-month moving average increased, however, to an index value of 65.3 from 62.7.

Index of Claims for Unemployment Insurance



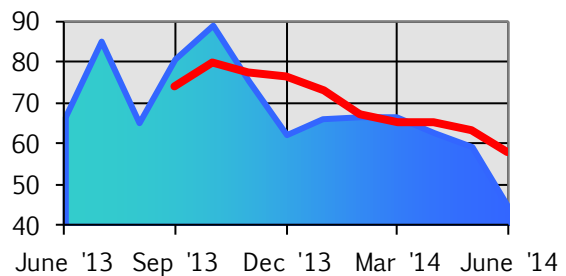
Building permits fell by 5.3 points to an index value of 12.5, down from the previous value of 17.8. The 4-month moving average rose 1.2 points to a value of 16.9 from 15.7.

Index of Building Permits Issued



Help Wanted Advertising dropped to a value of 44.7, down 14.5 points from last month. The index is also down 21.8 points from this time last year. The 4-month moving average is down 5.4 points from last month's value of 63.6, with an index value of 58.2.

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

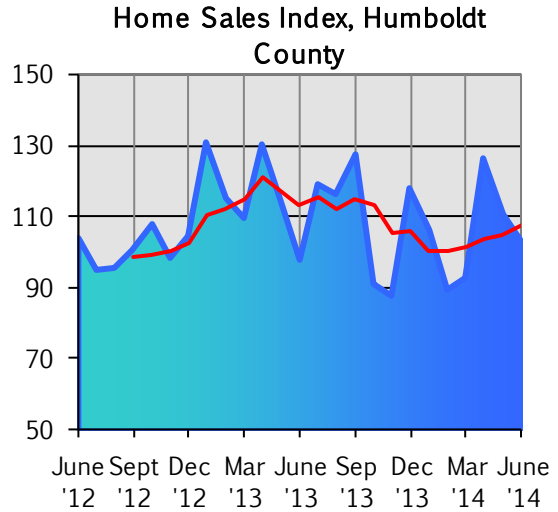
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index fell 8.9 points to a value of 101.8, though this month's index value is 4.2 points higher than this time last year. The county's median home price dropped from \$251,425 to \$247,500. The county's median home price at this time last year was \$249,475.

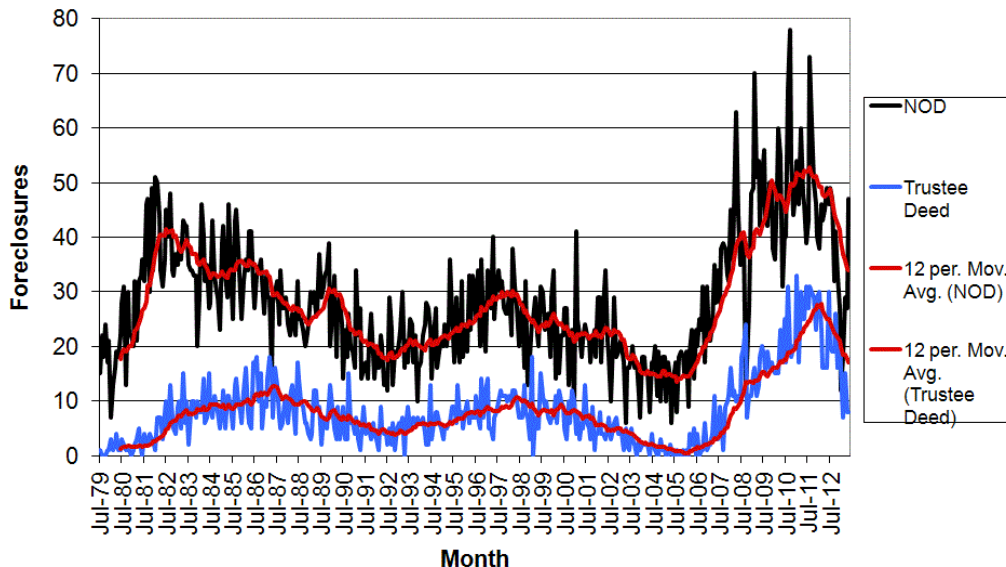
The S&P Case-Shiller Home Price Indices showed national average home prices continuing to climb in the 12 months ending in May 2014, though the increases are still decelerating. The 10-City and 20-City Composite reported growths of 9.4 and 9.3 percent respectively over the 12-month period. The Composites both saw a 1.1 percent increase from April to May. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 17 to 18 percent.

David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, states "Housing has been turning in mixed economic numbers in the last few months. Prices and sales of existing homes have shown improvement while construction and sales of new homes continue to lag." Blitzer finishes his thoughts by suggesting that housing is lagging behind the growth of the economy at large, especially "substantial gains" made in overall employment. 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 stay relatively stagnant again this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.12 percent and the average 15-year fixed-rate mortgage is 3.23 percent for the week ending July 31, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.39 and 3.43 respectively.



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

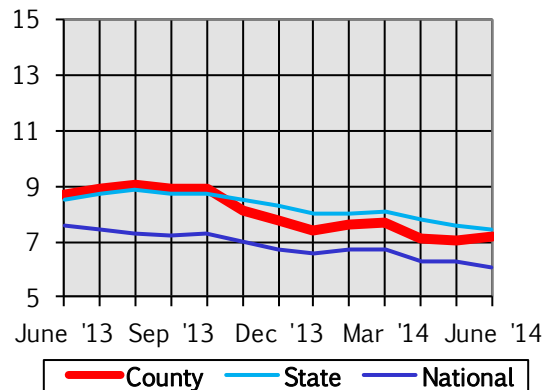
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment dropped 1 point this month to an index value of 97.0. The seasonally adjusted unemployment rate for Humboldt County increased to 7.2 percent, up 0.1 points from last month. The seasonally adjusted national unemployment rate fell 0.2 points to 6.1 percent.

The Employment Development Department of California indicated in its June statistics that Humboldt County's labor force decreased by about 500 individuals to a total of 57,200. Statewide, the seasonally adjusted employment increased by 5,300 jobs, and unemployment decreased to a seasonally adjusted 7.4 percent, with 45,600 fewer unemployed compared to the previous month.

The Labor Department's June statistics reported that national employment added 288,000 nonfarm payroll jobs, and the unemployment rate declined to 6.1 percent. National employment rose in professional and business services, retail trade, and food services and drinking places, as well as in health care.

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 fell 8.5 points this month to an Index value of 82.8, down from a 6-month high of 91.3 in May. June's index value is 4.2 points lower than last year at this time. The 4-month moving average fell from last month's index value of 85.6 to 85.4.

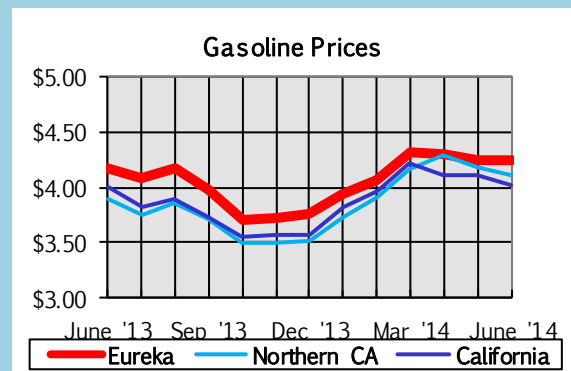
Gasoline Prices

California's gas prices fell 8 cents to \$4.03 this month, while Northern California prices also decreased 8 cents to \$4.11. Eureka gas prices stayed right at an average of \$4.25, however.

Andrew Khouri of the Los Angeles Times notes that gas prices have been falling steadily statewide "because demand has flattened, while gasoline production has surged." Khouri also notes that the price of crude has fallen after having "spiked last month as Islamist militants captured the oil rich Iraqi city of Mosul." Though this decline in gas prices has yet to affect Humboldt County, one would hope that a continued decline in statewide prices would eventually lead to a change in prices closer to home.

Gas Prices		
Prices as of 7/21/2014	Average price*	Change from previous month
Eureka	\$4.25	\$0.00
Northern California	\$4.11	-\$0.08
California	\$4.03	-\$0.08

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



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 is down 4.7 percentage points from a year ago but new orders are up noticeably from one year ago. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that economic activity in the manufacturing sector continues to grow, expanding for the fourteenth consecutive month, while the overall economy grew for the 62nd consecutive month. The PMI was registered at 57.1 percent, an increase of 1.8 percentage points from June's 55.3 percent. Seventeen of the eighteen manufacturing industries are reporting growth in June including Furniture and Related Products, Paper Products and Food, Beverage & Tobacco Products. The only industry reporting contraction this month is Wood Products. Businesses reported continued growth in exports for the twentieth consecutive month, registering at an Index value of 53.0 percent for July. Eight industries are reporting growth in new export orders in July, including Paper Products. 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. June's index value is 4.6 points lower than May's value of 120.3, and 5.7 points lower than this time last year. May's index value was 3.1 points lower than April's value of 123.4, and 10.8 points lower than May of last year. April's index value was 4.7 points higher than in March, but 5.1 points lower than April of last year.

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 dropped 4.1 points from a value of 155.6 to 151.5, though the index is 4.0 points higher than this time last year. The 4-month moving average for this index stayed at a value of 152.9.

On the national scale, Consumer Confidence continued to increase in July. The Consumer Confidence Index increased 4.5 points to a value of 90.9. The Expectations Index rose to a value of 92.7, while the Present Situation Index climbed to a value of 88.3. Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence increased for the third consecutive month and is now at its highest level since October 2007. Recent improvement in consumer confidence, in particular expectations, suggest the recent strengthening in growth is likely to continue into the second half of this year." 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 increased 2.4 points to a value of 34.9, up from 32.5 in May. The index is also up 1.9 points from this time last year, though the 4-month moving average has dropped, falling this month to a value of 34.7 from 36.2.

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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Institute for Supply Management – The Los Angeles Times

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