

# Humboldt Economic Index

June 2015

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## Home Sales Increase, Gas Prices Fall

The Composite Index rose 0.2 percent from last month's value of 104.8 to the current value of 105. The Composite Index is up 3.5 percent from this time last year. The Home Sales and Hospitality Indices both increased over the past month while the Retail Sales and Employment Indices both fell.

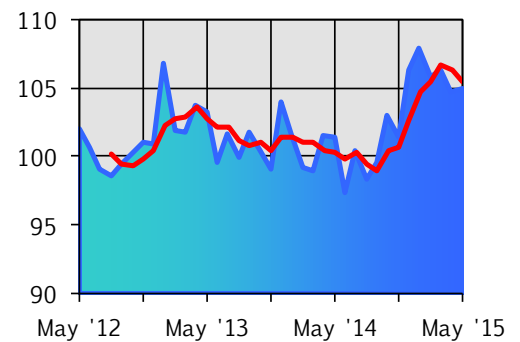
We have suspended the Lumber Manufacturing Index until we can obtain a sufficient number of data providers. This sector is 12% of the overall Index and the last reported amount was 29.2 in March 2015.

The Index of Home Sales increased by 4.8 percent in June and is 2.9 percent higher than this time last year. The median home price in Humboldt County rose from \$248,000 to \$251,950 over the past month.

Help wanted advertising fell 6 percent over the past month, while manufacturing orders and unemployment claims both rose 2.4 percent and 12 percent respectively.

Seasonally adjusted unemployment rates in Humboldt County and California are currently 5.6 percent and 6.4 percent respectively.

Composite Index



Gas prices in California have decreased from the previous month, with California's average price per gallon at \$3.45. Northern California's average price fell from \$3.71 per gallon to \$3.47 per gallon, and Eureka's average gas price fell from \$3.75 per gallon to \$3.55 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>105.0</b>	<b>0.2</b>	<b>3.5</b>	<b>4.2</b>	<b>-4.0</b>
Home Sales	113.9	4.8	2.9	30.9	-24.3
Retail Sales	154.8	-1.4	-0.5	1.7	12.1
Hospitality	91.5	2.0	0.1	4.5	11.4
Electricity	119.3	0.0	-0.9	-4.6	0.6
Employment	108.7	-0.2	11.0	8.2	2.2
Lumber*	26.3	0.0	-19.0	-26.7	-67.9
Manufacturing**	145.2			-	-

\* 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

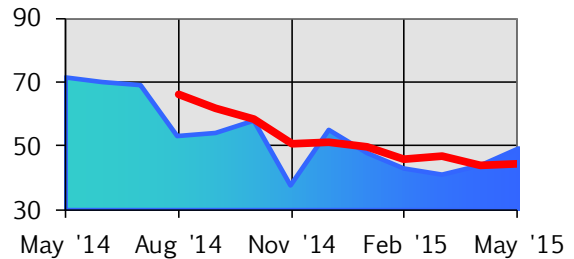
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
2.4%	12.0%	-76.8%	-6.0%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$251,950	\$1,400	4.250%	5.6%
* 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.			

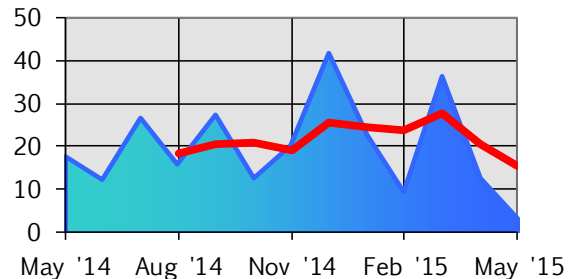
**Unemployment Claims** climbed 5.3 points to a new index value of 49.3. The unemployment claims index was 71.7 in May 2014, 22.4 points higher than the present value. The 4-month moving average rose 0.4 points to 44.3.

Index of Claims for Unemployment Insurance



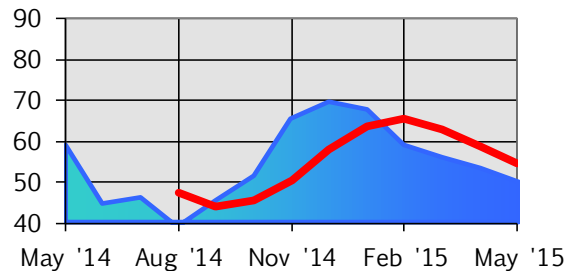
**Building Permits** fell in May to an index value of 3.0, down 9.8 points from April's value of 12.8. The building permits index value was 17.8 this time last year. May's decrease moved the 4-month moving average downward to a new value of 15.4 from 20.4.

Index of Building Permits Issued



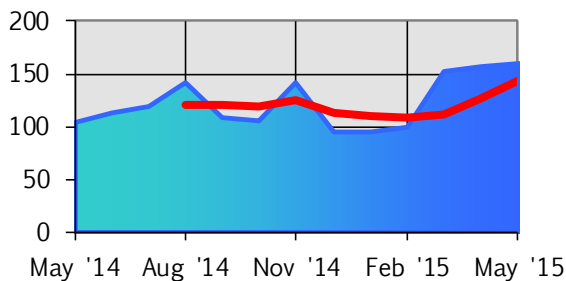
**Help Wanted Advertising** fell 3.2 points in May to a new index value of 50.1. One year ago, the index value stood at 59.2, indicating a 9.1 point decrease year-over-year. The 4-month moving average is 54.6, 4.3 points lower than the previous value of 58.9.

Index of Help Wanted Advertising



**Manufacturing Orders** rose 3.8 points for a new index value of 161.4. The manufacturing orders index value in May 2014 was 104.4, 57 points lower 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 Humboldt County Home Sales Index for May 2015 reports an index value of 113.9, 5.3 points higher than the previous month. In May 2014, the index value was 110.7, 3.2 points lower than the current value. The county's median home price increased to a value of \$251,950 from April's median price of \$248,000. The median price in May 2014 was \$251,425.

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.

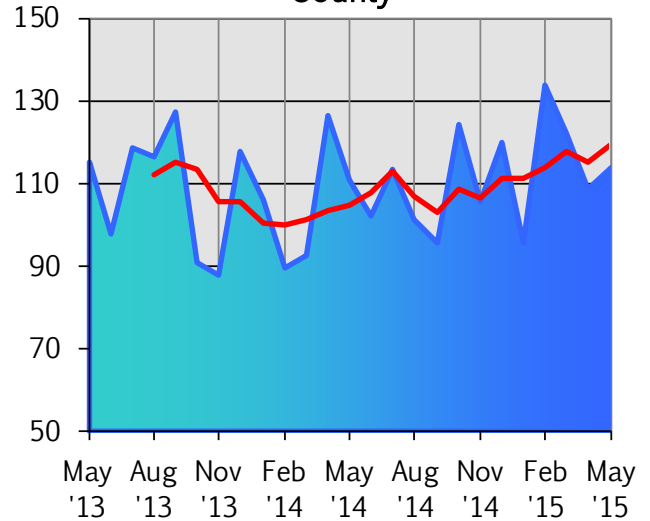
The S&P Case-Shiller Home Price Indices saw marginally lower year-over-year gains compared to March 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.6 percent and 4.9 percent respectively. The National Index reported a 4.2 percent annual gain over the same period. The 10-City and 20-City Composites both reported month-over-month increases of 0.3 percent and 0.4 percent respectively. The National Index also reported an increase of 1.1 percent.

Housing prices are continuing to rise across the United States, but the pace is not accelerating. David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that "consumer expectations are consistent with the current pace of price increases," and that "recent housing data is positive." Sales of new and existing homes are

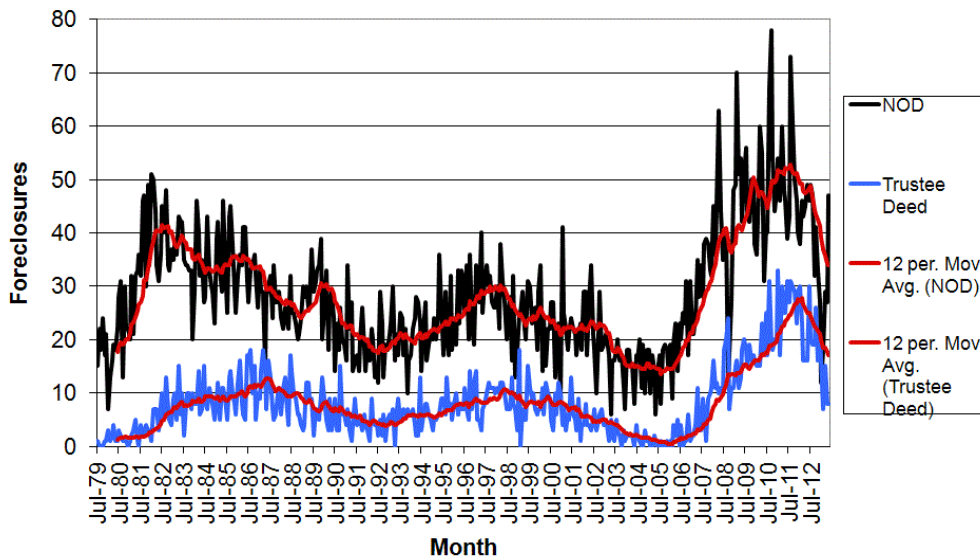
increasing, and construction of new homes saw strong gains in May.

According to Freddie Mac, the average 30-year fixed-rate mortgage increased from 3.87 percent in May to 4.02 percent in June. The average 15-year fixed-rate mortgage also increased from 3.11 percent to 3.21 percent in June.

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.

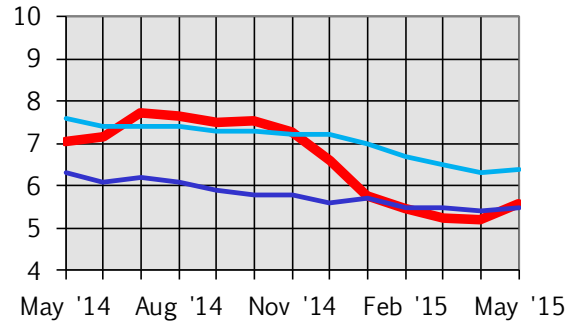
The Total County Employment Index fell slightly from 108.9 in April to a current value of 108.7. The unemployment rate for Humboldt County rose from 5.2 percent in April to 5.6 in May. The unemployment rate for California rose slightly from 6.3 percent in April to 6.4 percent in May. The national unemployment rate also rose slightly from 5.4 percent in April to 5.5 percent in May.

The Employment Development Department of California indicated in its May statistics that Humboldt County's total employment increased by 300 individuals to a current total of 59,600. Humboldt County's total unemployment decreased from 3,400 individuals in April to 3,300 individuals in May.

In the Labor Department's May report, total nonfarm payroll employment increased by 280,000. National employment was on the rise in several industries, including professional and business services, leisure and hospitality, and healthcare. Employment in mining

continued to decline. Employment in other major industries, such as manufacturing, wholesale trade, information, and government, showed few change month-over-month.

## Unemployment Percentage Rates



County State National

## 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 1.8 points in May, down from a value of 89.7 in April to a current value of 91.5. This month's index value represents a 0.2 point increase from this time last year. The 4-month moving average fell 1.6 points to a current value of 89.6.

## Gasoline Prices

California's gas prices decreased in June to a new average of \$3.45 per gallon. For comparison, the US national average is \$2.77 per gallon. Northern California's and Eureka's gas prices also decreased in June, with new averages of \$3.47 per gallon and \$3.55 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.73 per gallon.

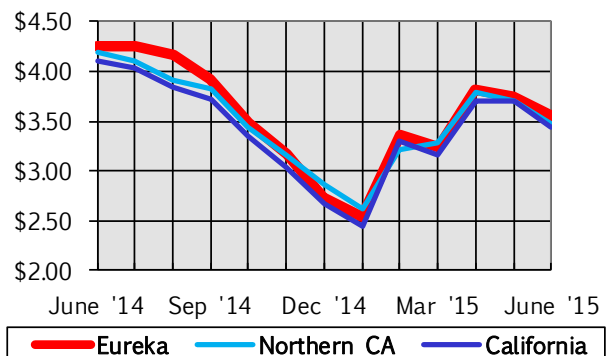
California gas prices are the highest in the nation. High gas prices in California have most likely been caused by refinery problems in the state, including a worker strike and an explosion. However, now that the refineries are back up and running, gas prices have started to drop again. Hannah Madans, writing for the OC Register, notes that "The lower prices at the pump, as well as an improving economy, are enticing motorists to take summer road trips." Allison Mac, a petroleum analyst at GasBuddy, predicts that gas prices will decline another 10 to 15 cents over the summer before leveling out.

### Gas Prices

Prices as of 6/30/2015	Average price*	Change from previous month
Eureka	\$3.55	-\$0.20
Northern California	\$3.47	-\$0.23
California	\$3.45	-\$0.25

\* 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 contracted to a seasonally adjusted index value of 145.2 in May, a 3.2 point decrease from the previous month. Overall manufacturing employment increased by 100 individuals to 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that June saw economic activity in the manufacturing sector grow for the 30th consecutive month, with the overall economy growing for the 73rd 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 May is 53.5 percent, representing an increase of 0.7 percentage points from the previous month.

Nationally, eleven of the eighteen manufacturing industries reported growth in June, including Furniture & Related Products; Wood Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Fabricated Metal Products; Chemical Products; Paper Products; and Computer & Electronic Products. Four industries – Petroleum & Coal Products; Primary Metals; Plastics & Rubber Products; and Machinery – saw contraction in June. The New Export Orders Index for June is 49.5 percent, indicating the volume of new export orders has slightly decreased from May. Five industries reported growth in new export orders in June, including Textile Mills; Furniture & Related Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; and Fabricated Metal Products. Six industries saw a decrease in their new export orders in June, and seven 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 first fiscal quarter of 2015 – January through March – and the Energy Index currently stands at a value of 119.3. March's index value is 10.6 points higher than February's value and 0.6 points lower than in March 2014. February's value of 108.7 was 18.8 points lower than January's value and 10.9 points lower than in February 2014. January's value of 127.5 was 25.2 points higher than December's value of 100.9, but 4.6 points lower than in January 2014.

The next update for the Energy Index will be coming after the end of the second fiscal quarter of 2015, in July 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 154.8 for May, a decrease of 2.2 points from April. The most recent value is 0.8 points lower than in May 2014. The 4-month moving average for this index is 157.7.

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 June by 1.1 points to a current index value of 95.4. The Present Situation Index increased 3 points to a current value of 108.1, while the Expectations Index decreased 0.2 points to a new value of 86.9.

## 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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Freddie Mac - Humboldt Association of Realtors  
Institute for Supply Management – OC Register

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