

Humboldt Economic Index

November 2012

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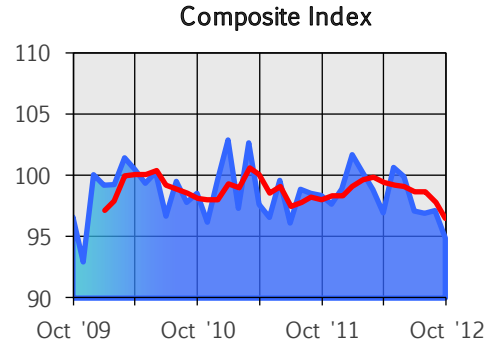
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Growth in Housing Market, Rest of Index Contracts

The composite Index has contracted by 2.3 from last month to a value of 94.9, and decreased by 3.5 percent from this time last year. Additionally, the 4 month moving average has been moved down by this from 97.7 to 96.4. The only increases this month were in Home Sales, Help Wanted Advertising, and the Manufacturing Indexes, with only Home Sales significantly affecting the Composite Index. All the other Indexes contracted or stayed the same over this period, resulting in the decrease of the Composite Index. Among the Indexes that did contract, Hospitality was the hardest hit.

Over the summer we surveyed local entrepreneurs who recently started new businesses. We asked them whether they “think that six months from now general business conditions will be better for you than they are now, about the same, or worse?” Of the 131 people who responded, only 7 percent thought that conditions would be worse. The remaining were split exactly evenly between those who thought conditions would be better and those who thought conditions would remain the same. From these responses, we characterize the



outlook for future economic conditions as being somewhat optimistic.

The Index of Home sales and prices increased significantly this month to an Index value of 101.1, a growth of 11.0 percent from last month. Mortgage rates are still hovering around record lows, with the average 30-year rate at 3.32 percent as of last week, and more will continue to be covered on the significance of this in the Home Index section.

Gas prices continued to decrease to around \$4, and are currently at \$3.98 in Eureka.

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	94.9	-2.3	-3.5	-12.0	-11.1
Home Sales	101.1	11.0	24.7	5.5	-28.4
Retail Sales	139.3	-2.3	1.7	-18.6	9.1
Hospitality	75.3	-15.4	-10.7	-16.3	-13.4
Electricity	112.5	0.0	-20.3	-12.8	-1.5
Employment	96.5	-1.4	-0.2	-6.8	-5.7
Manufacturing	35.4	0.6	-9.2	-27.6	-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

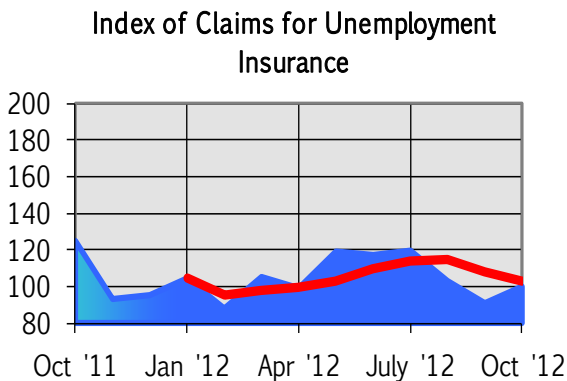
Leading Indicators

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.

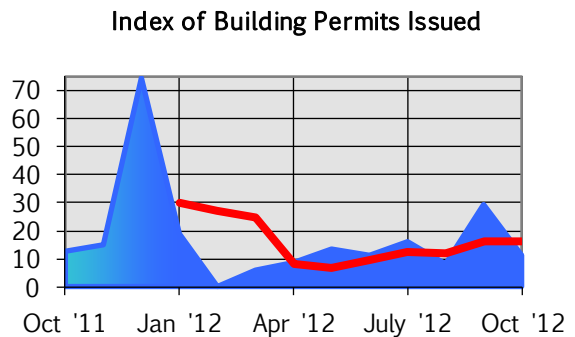
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	10.0%	-61.7%	7.5%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$235,000	\$1,350	3.38%	11.2%
<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>			

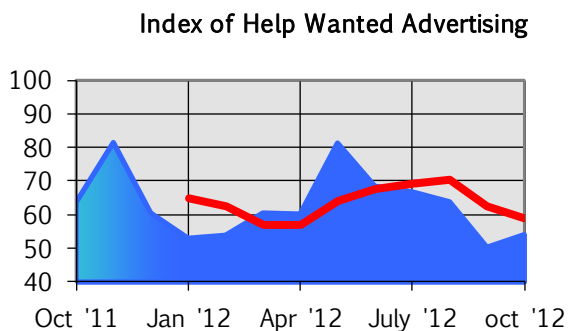
Unemployment Claims jumped back up by 10.0 percent this month, to an Index value of 99.8. Still, this month's value shrank the 4 month moving average down 4.0 percent to a value of 103.2, the second consecutive decrease in the 4 month moving average, and the second since February. When considering the 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.



Building permits contracted significantly, decreasing 61.7 percent to an Index value of 11.17 from the previous 29.2. Due to the aftereffects of the recession on the construction industry, small absolute changes often result in large percentage changes. At this time, Building permits are down 11.1 percent from last year and the 4 month moving average remains the same in value at 16.1.



Help Wanted Advertising has increased to a value of 54.1, 7.5 percent higher than last month's seasonally adjusted value of 50.4. This is the first increase in the Help Wanted Advertising since May, but the level this month is 15.0 percent less than this time last year. The 4 month moving average has decreased by 5.8 percent to an Index value of 58.8 as well.



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.

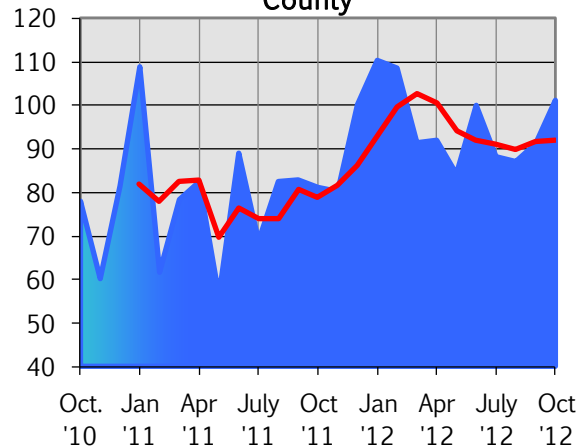
The Humboldt County Home Sales Index grew by 11.0 percent to an Index value of 101.1, a 24.7 percent growth from last year. The Home Index was the only part of the Composite Index to see large growth this month, with only the Manufacturing Index posting any other growth. Median home prices grew by 7.8 percent to a price of \$235,000, the same median price as last year's October median price. Despite the same median price, the Index has risen 24.7 from that point due to sales and 5.5 percent over the value 5 years ago.

The S&P Case-Shiller home price index reflected that prices continued to increase over the third quarter, with the national composite up 3.6 percent over home prices the year before, and 2.2 percent over the previous quarter this year. This is the sixth consecutive month of increasing prices, with all three of Case-Shiller's composites and 17 out of the 20 cities they measure having gained compared to the level a year ago. The most recent press release comments that, historically, this tends to be the weakest season of the year, but that despite that, housing in general has continued to improve. that 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. The particular Case-Shiller Index used in this case is a composite of 20 cities the Index considers representative of the national housing market.

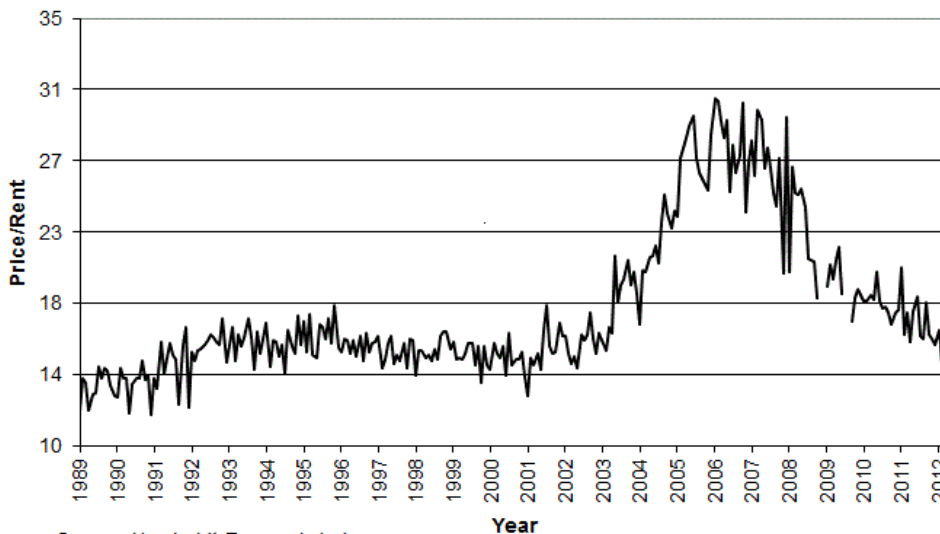
Particularly of importance in the housing sector are

the mortgage rates, which hit all-time lows last month and continue to stay at record lows. 30 year fixed rate mortgages as of the end of November average 3.32 percent, up slightly from 3.31 percent, according to Freddie Mac. 15 year mortgages were about 2.64 percent, up from 2.63. Mortgage rates have only been above 4.00 percent for one week in this entire year, and current 30 year fixed rate mortgage rates have fallen from the average of 4.00 percent just 12 months ago. Year to date sales of homes are up 20 percent from 2011 values, and 10 out of 12 of the Federal Reserve districts reported growth in the market for single family homes. It is important to note that the effect of these low 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 decreased by 1.4 percent from the previous month to a seasonally adjusted value of 96.5, the largest negative change since July of 2011. This Index also contracted by 0.2 percent from the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County slightly decreased to 11.2 percent, 3.3 percent higher than the seasonally adjusted national unemployment rate at 7.9 percent for the second month. The Employment Index has been contracting over the long term, with a decrease by 6.8 percent in the Index since October 2007. For California on the whole, employment added 55,500 jobs, and unemployment shrank by 0.1 percent to a seasonally adjusted 10.1 percent, with 28,500 less unemployed compared to last month.

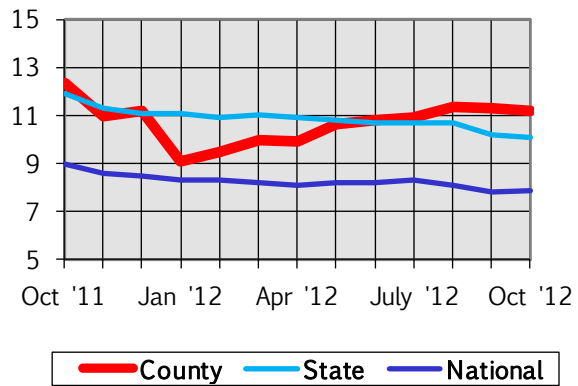
The Labor Department's latest statistics reported that the nation added an additional 171,000 nonfarm payroll jobs in October, although there was little change in the amount of people unemployed with the rate remaining at 7.9 percent. National employment rose in professional and business services, health care, and the retail 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 contracted after six consecutive months of growth, dropping 15.4 percent to an Index value of 75.3. This is the largest month to month decrease since January, and Hospitality is down 10.7 percent from this time last year. Even looking to the long term, Hospitality has contracted 16.3 percent from this time five years ago. In addition to this, the 4-month moving average shrank by 2.8 percent to a value of 83.8.

Unemployment Percentage Rates



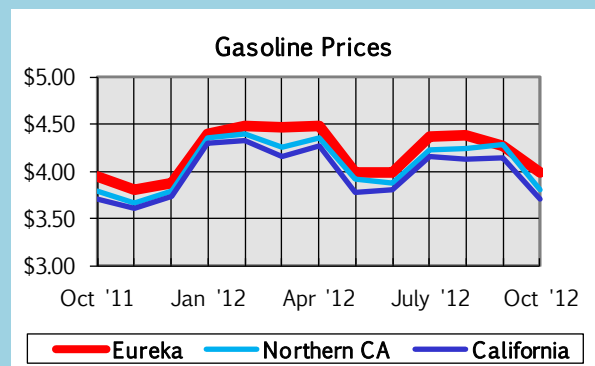
Gasoline Prices

Gasoline Prices for California have continued to fall from the spike in prices during October, and are now holding relatively steady. Down from prices as high \$4.80, the average California gas price has now reached average of \$3.17 while Northern California is \$3.80. Eureka gas prices are slightly pricier, going to \$3.98. Eureka gas prices are the same as they were back in June of this year, and there have not been cheaper prices since December of 2011.

The reason for the October surge in gas prices was that California as a state has a particular blend of gasoline, which means that there is difficulty in buying gas from neighboring states. When there are any disruptions like the recent ones, there tends to be an immediate effect at the pump. In this case, there was a power failure in an ExxonMobil refinery as well as the shutdown of a Chevron pipeline to several other refineries.

Gas Prices		
Prices as of 11/30/2012	Average price*	Change from previous month
Eureka	\$3.98	-\$0.29
Northern California	\$3.80	-\$0.48
California	\$3.71	-\$0.43

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.caaa.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 contracted by 2.3 percent to an Index value of 139.3. Corresponding with that decrease, the 4 month average has declined by 1.7 percent to a value of 141.6. However, the Retail index has expanded by 1.7 percent from last year, although it still is 18.6 percent less than 5 years ago.

On the national scale, Consumer Confidence modestly improved by 0.6 points to a value of 73.7, while the Expectations Index posted a 1.1 point increase and the Present Situation Index had a 0.1 point increase. The continuing positive changes are due to consumers being more optimistic in their short term outlook for business conditions, availability of jobs, and modestly more upbeat about their personal financial situation. The Consumer Confidence Index is currently at the highest level it has been in more than four and a half years.

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 remained nearly the same this month at 35.4, only a 0.6 percent increase from last month's 35.2. This value is still smaller than 12 months ago, with a 9.2 percent reduction. Though this was the second consecutive month where there was an increase, it was still not sufficient to raise the 4-month average, with the 4-month average slightly decreasing by 0.2 percent to an Index value of 33.9.

The Institute for Supply Management reported that the national manufacturing sector has contracted for the fourth time in six months, but the overall economy continued to grow for the 42nd consecutive month. The PMI was registered at 49.5 percent, a decrease of 2.2 percent from October's 51.7 percent. Businesses reported growth in new orders for the third month and production for the second month while prices and employment reported contractions. Six out of the eighteen industry groups reported growth, including paper products. Eleven out of the eighteen industry groups reported contraction, including Wood products. Of particular note is that respondents to the Index survey were wary of the outcome of the fiscal cliff in Congress. The economy may change significantly because of the outcome and businesses are waiting to see what takes place. 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 third fiscal quarter, July through September, and the Energy Index stands at a value of 112.5. This is a 9.9 percent decrease from August's value of 124.9, and a 6.2 percent drop from 12 months ago. August's Index was 0.8 percent higher than July's value of 124.0, though it was still down 2.9 percent from the year before. The month of July saw a 1.5 percent decrease from June, but gained 3.4 percent from the previous July.

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

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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Consumer Confidence - The Institute of Supply Management
National Association of Realtors

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