

Humboldt Economic Index

November 2015

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Professor Erick Eschker
Director

Kaitlynn Nazzario
Assistant Editor & Assistant Analyst

Home Sales Soar while Local Economic Growth Slows

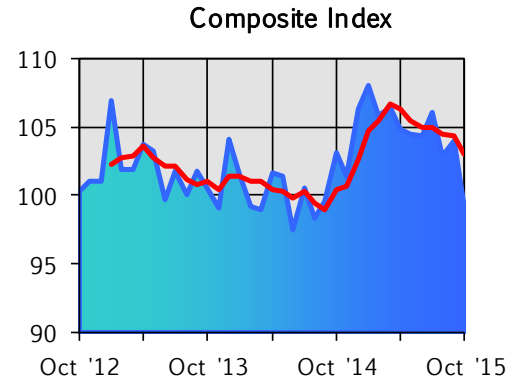
This is the last edition for Katie Nazzario. She is graduating this semester with a degree in economics and a minor in statistics. She has been the sole student with the Index the last year, and she has done a wonderful job. We wish her the best in her career after college!

The Composite Index decreased 4.6 percent from last month's value of 103.9 to the current value of 99.1. The Composite is down 3.8 percent from this time last year. Retail Sales decreased significantly.

The Index of Home Sales climbed 33.4 percent in October to a new value of 142.1. This value is 14.4 percent higher than this time last year. 30-year mortgage rates in Humboldt County have increased from 3.875 percent to 4 percent, while the median home price decreased from \$270,000 to \$255,000.

Leading indicators for October are mixed. Manufacturing orders and building permits increased while unemployment claims and help wanted advertising decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County



increased from 5.4 percent to 5.8 percent, while the seasonally adjusted unemployment rate in California fell from 5.9 percent to 5.8 percent. In comparison, the national unemployment rate fell from 5.1 percent to 5 percent.

Gas prices in California have decreased from the previous month, with California's average price per gallon at \$2.70 from \$2.83. Eureka's average gas price fell from \$2.86 per gallon to \$2.64 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****
Composite	99.1	-4.6	-3.8	-0.7	-10.5
Home Sales	142.1	33.4	14.4	71.6	7.6
Retail Sales	106.7	-31.3	-25.6	-27.1	-19.2
Hospitality	94.6	2.0	-6.8	1.5	5.5
Electricity	117.6	0.0	-3.1	-5.5	-16.2
Employment	106.7	-0.5	8.8	8.0	0.9
Lumber*	26.3	0.0	-34.9	-31.9	-68.6
Manufacturing**	91.4			-	-

* 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

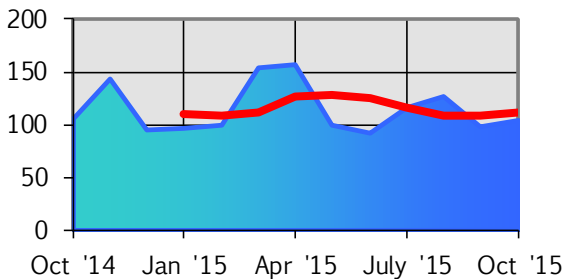
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
6.3%	-0.5%	36.3%	-22.4%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$268,000	\$1,605	4.000%	5.8%
* 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.			

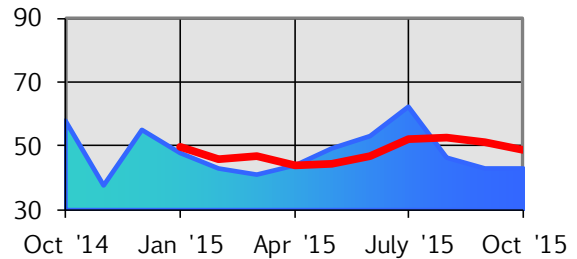
Manufacturing Orders increased 6.2 points from last month's revised index value of 98.4 to a new value of 104.6. One year ago, the Manufacturing Orders Index value was 105.8, 1.2 points fewer than the present value.

Index of Manufacturing Orders



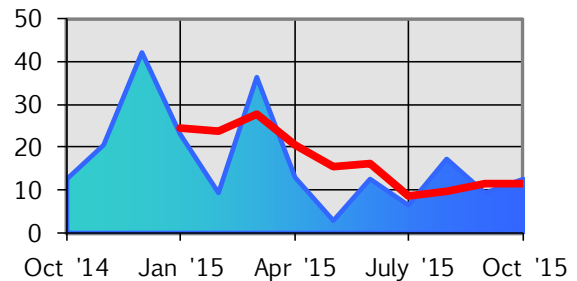
Unemployment Claims decreased 0.2 points to a new index value of 42.8. The Unemployment Claims Index was 57.8 in October 2014, 15 points higher than the current value. The 4-month moving average fell 2.5 points to 48.7.

Index of Claims for Unemployment Insurance



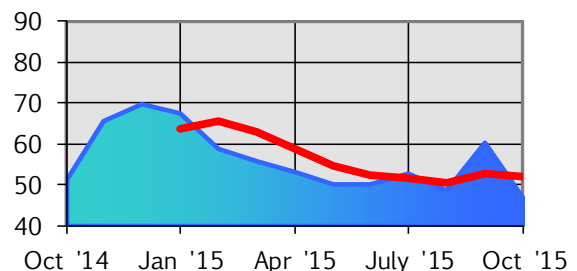
Building Permits increased to an index value of 12.6. The current value is 3.4 points higher than September's value of 9.2. The Building Permits Index value was 12.6 this time last year. The 4-month moving average slightly increased to a new value of 11.5 from 11.4.

Index of Building Permits Issued



Help Wanted Advertising decreased 13.5 points in October to a new index value of 46.8. The index value stood at 51.3 in October 2014, indicating a 4.5 point decrease year-over-year. October's decrease moved the 4-month moving average downward from 52.9 to 52.1.

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 Home Sales Index for October 2015 reports an index value of 142.1, 35.6 points more than the previous month's value of 106.5. In October 2014, the index value was 124.2, 17.9 points less than the current value. The county's median home price decreased to a value of \$255,000 from September's median price of \$270,000. The median price in October 2014 was \$260,000.

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.

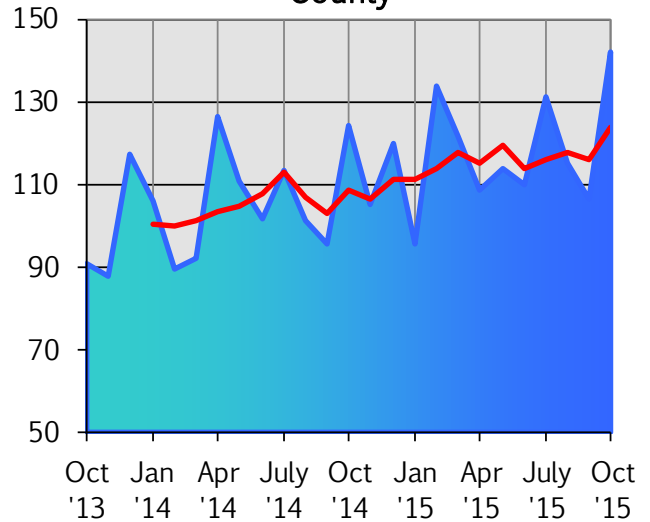
The S&P Case-Shiller Home Price Indices saw marginally higher year-over-year gains in August compared to July 2015. Both the 10-City and 20-City Composites report year-over-year gains of 5 percent and 5.5 percent respectively. The National Index reported a 4.9 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.6 percent. The National Index reported a seasonally adjusted increase of 0.8 percent.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that, "Home prices and housing continue to show strength with home prices rising at more than double the rate of inflation." The majority of analysts expect the Fed to raise its target range from 25 to 50 basis points (one

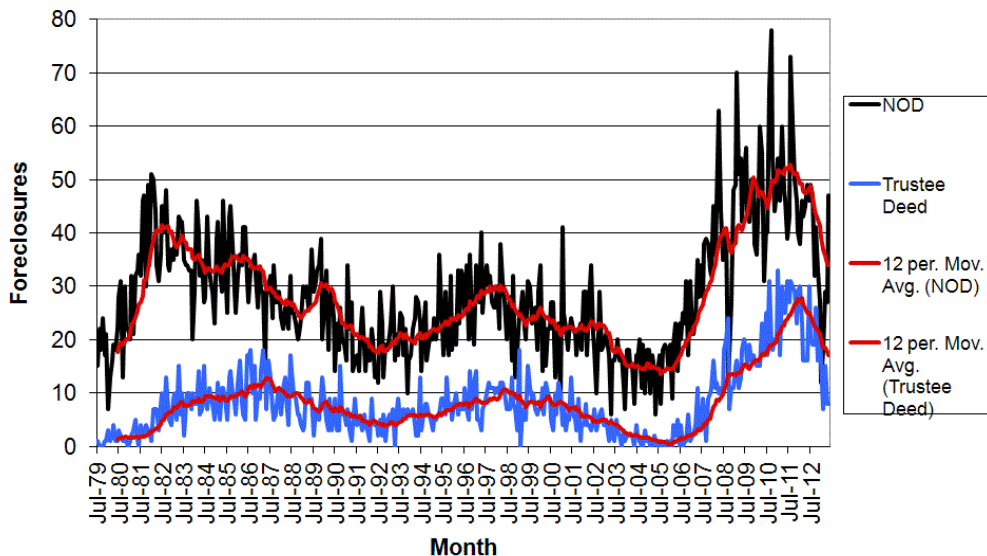
hundredth of one percent). This would be the first increase since 2006. However, this is not likely to push mortgage rates much higher than 4 percent. He concludes by stating, "it will take much more from the Fed to slow home price gains."

According to Freddie Mac, the average 30-year fixed-rate mortgage increased from 3.76 percent in October to 3.95 percent in November. The average 15-year fixed-rate mortgage also increased from 2.98 percent in October to 3.18 percent in November.

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.

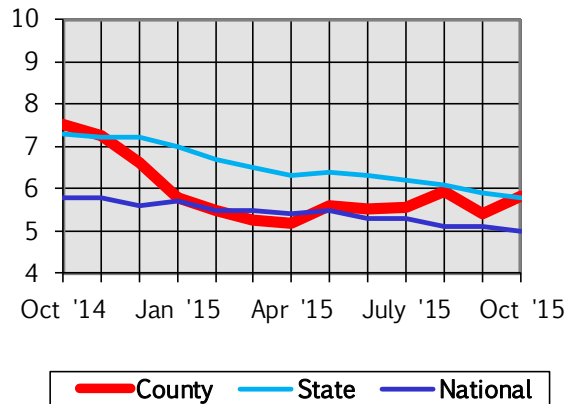
The Total County Employment Index increased to a value of 106.7. The seasonally adjusted unemployment rate for Humboldt County increased from 5.4 percent to 5.8 percent. The unemployment rate for California fell from 5.9 percent to 5.8 percent, the lowest rate since February 2008. The national unemployment rate decreased to 5.0 percent.

The Employment Development Department of California indicated in its October statistics that Humboldt County's total employment increased by 300 individuals to a current total of 59,300. Humboldt County's total unemployment increased from 2,900 individuals in September to 3,200 individuals in October.

In the Labor Department's October report, total nonfarm payroll employment increased by 271,000. National employment was on the rise in several industries, including professional and business services, health care, retail trade, food services and drinking places, and construction. Employment in mining

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

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.

The Hospitality Index increased in October to a new value of 94.6 from 92.8. This month's index value represents a 6.9 point decrease from this time last year. The 4-month moving average rose 1.2 points to a current value of 92.9.

Gasoline Prices

California gas prices decreased in November to a new average of \$2.70 per gallon. Northern California and Eureka gas prices also decreased in October, with new averages of \$2.77 per gallon and \$2.64 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka is \$2.03 per gallon.

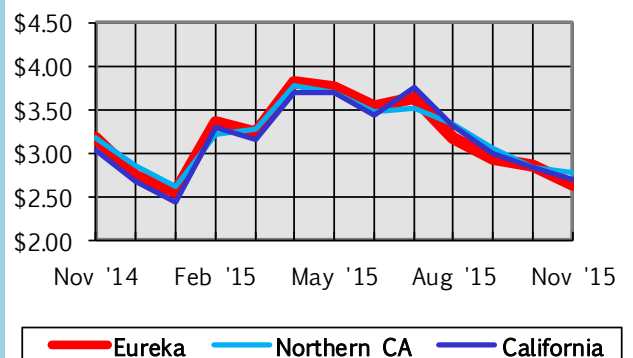
According to the November 19th AAA National Fuel Gauge report, the national average price of gasoline was \$2.12 per gallon. Even though the nation's average gas price per gallon has dropped below three dollars, Californians are still paying the highest in the US with almost 60 cents more per gallon. When CBS Los Angeles asked about relatively higher gas prices, California's four major refineries, Tesoro, Valero, Shell, and Chevron, argued that, "California's gas prices could be far lower if the state didn't have the country's highest gas taxes." The gas tax totals to about 50 cents per gallon due to federal excise tax being 18 cents, state fuel tax being 30 cents, and another unspecified tax being 2 cents.

Gas Prices

Prices as of 11/30/2015	Average price*	Change from previous month
Eureka	\$2.64	-\$0.22
Northern California	\$2.77	-\$0.08
California	\$2.70	-\$0.13

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

Gasoline Prices



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 91.4 in October, a 20.3 point decrease from September's revised value of 111.7. Overall manufacturing employment remained at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that November saw economic activity in the manufacturing sector contract for the first time in 36 months, with the overall economy growing for the 78th 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 November is 48.6 percent, representing a decrease of 1.5 percentage points from the previous month.

Nationally, five of the eighteen manufacturing industries reported growth in November, including Printing & Related Support Activities; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Transportation Equipment. Ten industries, some of which include Apparel, Leather & Allied Products; Plastics & Rubber Products; Machinery; Primary Metals; Petroleum & Coal Products; Electrical Equipment, saw contraction.

The New Export Orders Index for November is 48.9 percent, indicating contraction in new orders for the first time in 35 months. A New Orders Index above 52.1 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Five industries reported growth in new export orders in November, including Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Chemical Products; and Primary Metals. Eight industries saw a decrease in their new export orders, and five 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 third fiscal quarter of 2015 – July through September – and the Energy Index currently stands at a value of 117.6. September's index value is 7.1 points higher than August's value and 3 points higher than in September 2014. August's index value of 110.5 is 15.1 points lower than July's value and exactly equal to the value in August 2014. July's index value of 125.6 was 1.8 points higher than June's value of 123.8, but 0.6 points lower than in July 2014.

The next update for the Energy Index will be coming after the end of the fourth fiscal quarter of 2015, in January 2016.

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 106.7 for October, representing an increase of 48.7 points from September. The current value is 36.8 points lower than in October 2014. The 4-month moving average decreased 11.5 points to a new value of 141.1.

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 declined in November by 8.7 points to a current index value of 90.4. The Present Situation Index decreased 6.5 points to a current value of 108.1 and the Expectations Index decreased 10.1 points to a new value of 78.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states, "Consumer confidence retreated in November, following a moderate decrease in October. The decline was mainly due to a less favorable view of the job market... heading into 2016, consumers are cautious about the labor market and expect little change in business conditions." The percentage of consumers expecting business conditions to improve over the next six months remained at 14.8 percent. The percentage of consumers expecting business conditions to decline increased from 10.4 percent to 11 percent.

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

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 – CBS Los Angeles

Layout & Design: Matt Hawk

Contact Info: Erick Eschker can be contacted at ee3@humboldt.edu

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