

Humboldt Economic Index

October 2014

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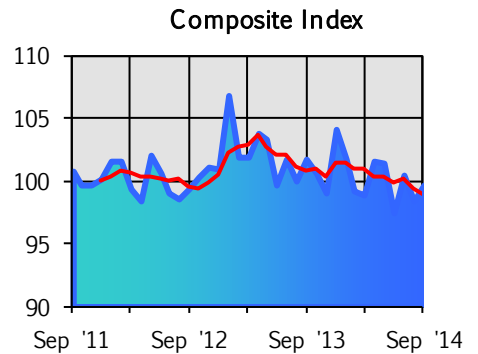
Gas Prices Tumble across California while Local Economy Grows

The Composite Index increased 1.2 points from last month's value of 98.3 to the current value of 99.6. However, the Composite is down 2.2 points from this time last year. Retail and Employment are both up this month, while Home Sales, Hospitality and Lumber all saw declines in September.

The Index of Home Sales fell 5.7 points this month, and is 31.8 points lower than this time last year. The median home price in Humboldt County fell from \$257,000 to \$246,000 over the past month. Mortgage rates dropped recently, with the average 30-year fixed rate mortgage at 3.98 percent and the average 15-year fixed rate mortgage at 3.13 percent.

Leading indicators are mostly positive, with manufacturing orders, building permits and help wanted advertising all up. However, Unemployment claims were also up over the month of September.

While unemployment claims might be up in Humboldt County, the unemployment rates are again down across the board. Humboldt County's rate dropped to 7.5 percent, while California's rate dropped to 7.3 percent.



The national seasonally adjusted unemployment rate dropped to 5.9 percent.

Average gas prices fell heavily once more, reporting large declines throughout the state. California gas prices are at their lowest point since late in 2010. Eureka's average gas price fell 43 cents to a new price of \$3.49. Northern California saw a 37 cent drop in average gas prices and now stands at \$3.45, while the state average also dropped 37 cents to a price of \$3.36.

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					
		Percent change from			
Index	Value***	Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	99.6	1.3	-2.2	1.4	-9.5
Home Sales	95.5	-5.7	-25.0	3.6	-35.1
Retail Sales	151.5	6.1	1.0	8.0	3.0
Hospitality	92.4	-0.7	2.4	5.1	1.9
Electricity	114.6	3.7	-0.9	-10.6	-2.5
Employment	97.8	0.3	-2.4	0.0	-5.9
Lumber*	36.6	-3.9	14.2	12.0	-53.1
Manufacturing**	115.8			-	-

* 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.

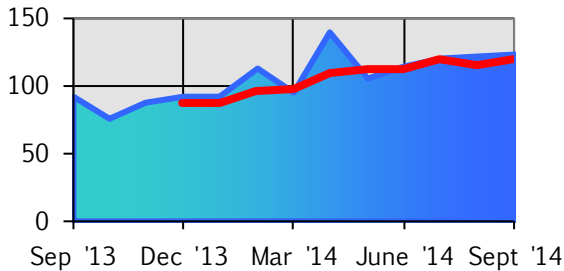
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.8%	1.8%	71.9%	15.0%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims rose 1 point in September to an index value of 54.2. Unemployment claims were at an index value of 59.5 this time last year, 5.3 points higher than today. The 4-month moving average dropped from 66.0 to 61.6.

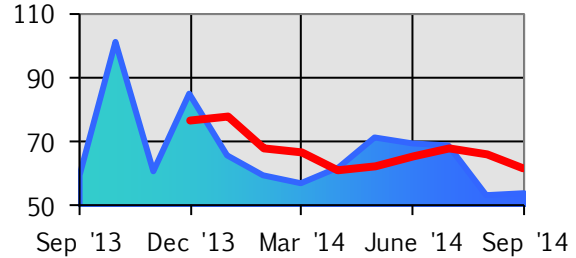
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$246,000	\$1,397	4.000%	7.5%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 1.0 points from the previous month which may indicate an increase in future manufacturing activity.

Index of Manufacturing Orders

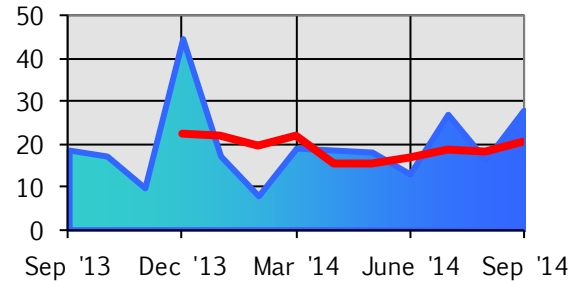


Index of Claims for Unemployment Insurance



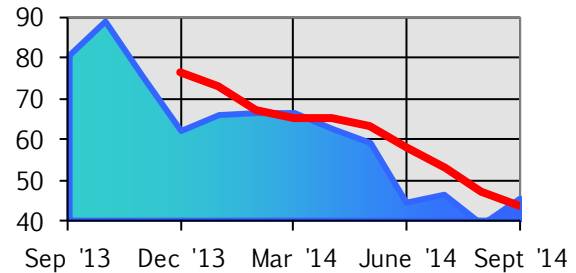
Building Permits increased 11.6 points to an index value of 26.6, up from September's value of 16.1. The 4-month moving average, now at 20.7, is up 2.3 points.

Index of Building Permits Issued



Help Wanted Advertising now stands at an index value of 45.4, climbing 6 points through September. At an index value of 80.8 in September of 2013, the index has fallen 35.4 points over the last year. The 4-month moving average is down 3.5 points, now showing a value of 44.0.

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 5.7 points to a value of 95.5, 31.8 points lower than the 127.3 recorded a year ago. The county's median home price for September was also down, showing a price of \$246,000. August's median price was \$257,000, while the median price a year ago was \$243,500.

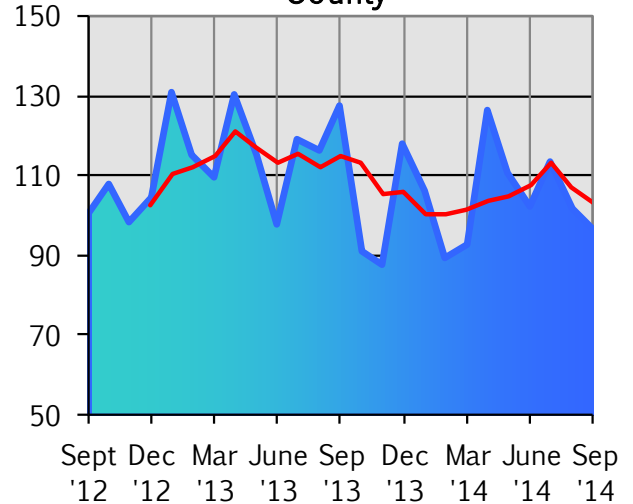
The S&P Case-Shiller Home Price Indices report a further deceleration in home price gains through August 2014. The 10-City and 20-City Composite reported growths of 5.5 and 5.6 percent respectively over the 12-month period, down from the 6.7 percent each gained year-over-year in the July report. The National Index reported a 5.1 percent increase over the same period. Through August, the National Index and both Composite Indices were up 0.2 percent. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 16-17 percent.

David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, states acknowledges the undeniable slowing of the housing market, but points to "September figures for housing starts, permits and sales of existing homes" and the fact that they "were all up" as a reason to feel confident about "further improvements in housing." 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.

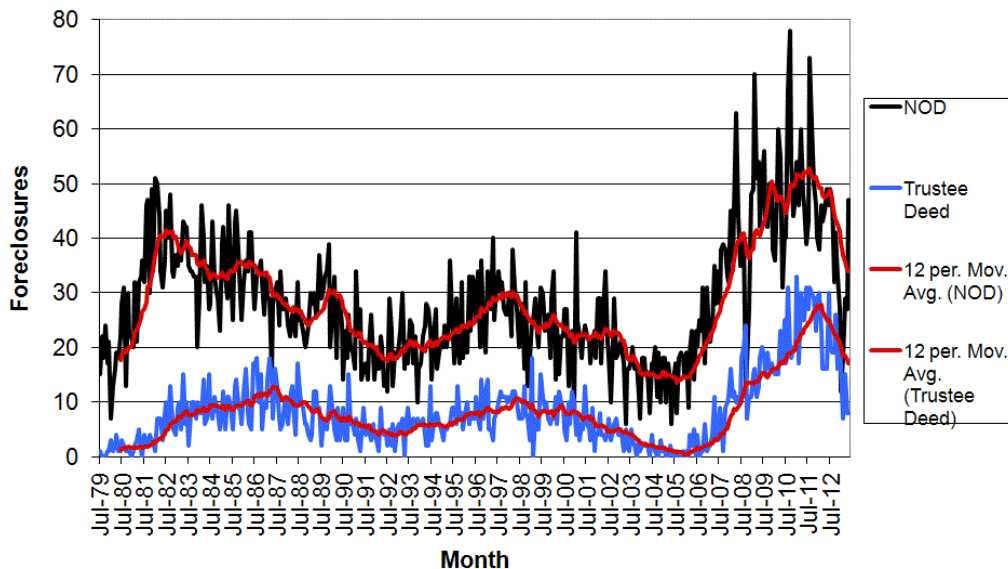
Mortgage rates fell over the month of October. According to Freddie Mac, the average 30-year fixed-rate

mortgage is 3.98 percent and the average 15-year fixed-rate mortgage is 3.13 percent for the week ending October 30, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.10 and 3.20 percent respectively.

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 rose 0.3 points this month to an index value of 97.8. The seasonally adjusted unemployment rate for Humboldt County consequently fell 0.1 points to 7.5 percent. The seasonally adjusted national unemployment rate was also down, dropping 0.2 points to 5.9 percent.

The Employment Development Department of California indicated in its September statistics that Humboldt County's labor force fell by 100 individuals to a total of 57,600. Statewide, the seasonally adjusted employment totals added 83,400 jobs, and unemployment fell to a seasonally adjusted 7.3 percent with 14,200 fewer unemployed compared to the previous month.

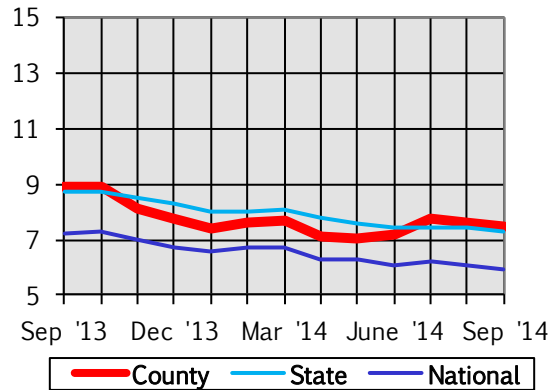
At the time this article was written, the United States Department of Labor had not updated its Employment Situation figures for October. As this is the case, national nonfarm payroll job figures will not be available in this month's report.

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 dipped 0.7 points in September, leading to a current value of 92.4. This month's index value is a 2.2 point increase over this time last year. The 4-month moving average is also up, moving 0.3 points higher to a current value of 89.7.

Unemployment Percentage Rates



Gasoline Prices

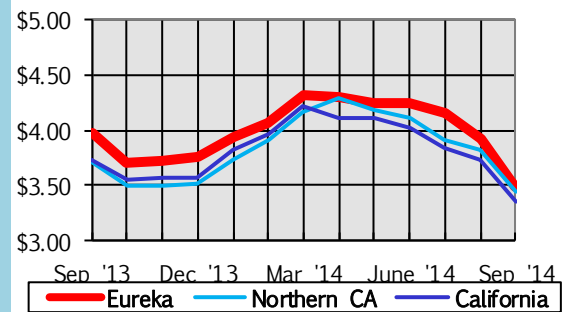
California's gas prices continue to fall, falling 37 cents to \$3.36 in September – the lowest average price for the state since December 2010. Northern California prices also slid 37 cents to \$3.45, the lowest they've been since October 2010. Eureka gas prices plummeted 43 cents in September to an average of \$3.49, the lowest local value since November 2010.

NBC Bay Area reported on the falling gasoline prices, quoting AAA spokesman Michael Green as saying, "The real reason gas prices are falling right now at really steep rates...is due to the free fall in crude oil prices." The article states that crude oil was \$120 per barrel at the beginning of summer, but is now priced at only \$85 per barrel. If the typical end-of-the-year downward trend continues, the average price per gallon of fuel in California could dip below \$3.00 by the end of December.

Gas Prices		
Prices as of 10/30/2014	Average price*	Change from previous month
Eureka	\$3.49	-\$0.43
Northern California	\$3.45	-\$0.37
California	\$3.36	-\$0.37

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 rose to a seasonally adjusted index value of 115.8. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that October saw economic activity in the manufacturing sector grow for the seventeenth consecutive month, while the overall economy grew for the 65th consecutive month. The PMI registered at 59 percent, an increase of 2.4 percentage points from September's 56.6 percent. Sixteen of the eighteen manufacturing industries are reporting growth in October including Food, Beverage & Tobacco Products, Furniture and Related Products and Paper Products. The Wood Products industry saw no change, with the only industry reporting contraction this month being Petroleum & Coal Products. Businesses reported their 23rd consecutive month of expansion in new export orders, registering at an index value of 51.5 percent for October – 2.0 points lower than in September. Nine industries reported growth in new export orders in October, including Food, Beverage & Tobacco Products, while Furniture & Related Products was one of two industries to see a decrease in new export orders in October. 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 third fiscal quarter, July through September, and the Energy Index stands at a value of 114.6. September's index value is 4.1 points higher than August's value of 110.5, and 1.0 points higher than this time last year. August's index value was 15.7 points lower than July's value of 126.2, and 11.1 points lower than August of last year. July's index value

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 is up 8.8 points, reporting at a current value of 151.5, 1.6 points higher than a year ago today. The 4-month moving average for this index is down 1.0 however, sitting at a new value of 146.0.

On the national scale, Consumer Confidence recovered in October, climbing 5.5 points to a current index value of 94.5. The Expectations Index rose sharply – 8.6 points – to a value of 95.0, while the Present Situation Index rose 0.7 points to a current value of 93.7.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence, which had declined in September, rebounded in October. A more favorable assessment of the current job market and business conditions contributed to the improvement in consumers' view of the present situation." 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 fell 1.5 points to a value of 36.6 in July. The index is up 4.6 points from this time last year, however, and the 4-month moving average climbed 1.0 points to a current value of 36.7.

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.

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■ ■ ■ *realize human potential*

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Institute for Supply Management – NBC Bay Area

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