

Humboldt Economic Index

September 2013

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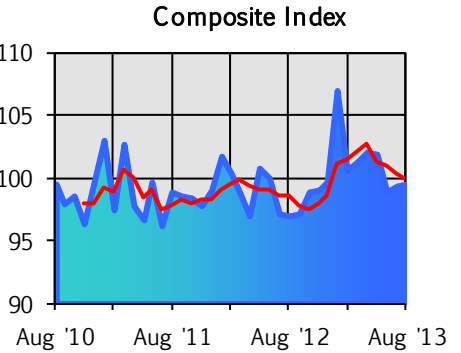
The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted Index that shows changes relative to the base month (January 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.

Home Sales Up, Composite Flat

The Composite Index increased 0.2 percent from last month's value of 99.2 to the current value of 99.4, and increased 2.6 percent from this time last year. The Home Sales index increased this month, while Employment and Manufacturing decreased. Retail and Hospitality remained relatively unchanged.

The Index of Home Sales increased 7.4 percent this month, and is 40.4 percent higher than this time last year. After hitting a three-year high last month, median prices in Humboldt County fell from \$258,900 to \$242,750. Mortgage rates have started to fall this month with the average 30-year fixed rate mortgage at 4.22 percent and the average 15-year fixed rate mortgage at 3.29 percent.

The Total County Employment Index decreased this month and Humboldt County's unemployment rate increased from 9.1 to 9.5 percent. Leading indicators are mixed with Help Wanted and Building Permits down, while Unemployment Claims are down as well. California state unemployment is on the rise for the second consecutive month, up from 8.7 to 8.9



percent this month. The national unemployment rate continued to decrease to 7.3 percent.

Average gas prices had an unexpected spike in the middle of September caused by some California refinery outages. Eureka gas prices rose 9 cents to an average of \$4.18 per gallon. Prices have started to fall and are expected to continue to do so through the holiday season.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	99.4	0.2	2.6	-6.0	-7.3
Home Sales	122.2	7.4	40.4	56.9	4.2
Retail Sales	144.7	0.5	0.9	-17.0	-3.6
Hospitality	84.9	0.0	-0.8	-4.1	-6.3
Electricity	120.3	0.0	-3.7	-5.3	12.0
Employment	97.3	-0.7	0.6	-4.6	-5.3
Manufacturing	32.4	-5.2	8.3	-32.3	-60.4

* 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*	-8.9%	-6.3%	-23.7%
* All values are seasonally adjusted.			

Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$242,750	\$1,410	4.38%	9.5%

* 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.

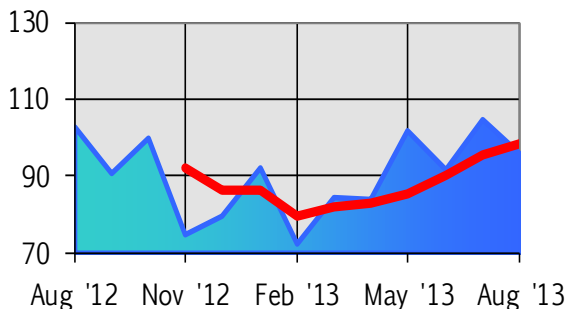
** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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.

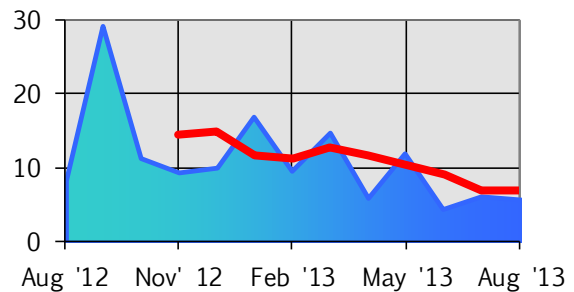
Unemployment Claims decreased by 8.9 percent this month to an Index value of 95.5. Additionally, unemployment claims decreased by 7.1 percent from this time last year. The 4-month moving average increased to an index value of 98.5 from 95.5. It is important to remember that in contrast to several other indexes it is not unheard of to see changes of up to 20 percent on a month-to-month basis with the Unemployment Claims.

Index of Claims for Unemployment Insurance



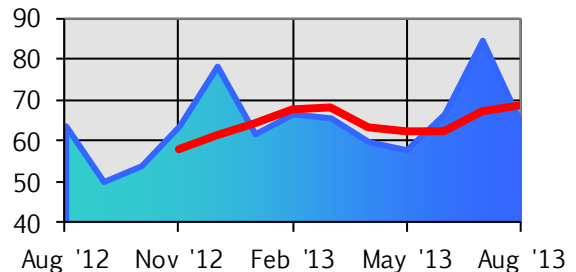
Building permits contracted by 6.3 percent to an index value of 5.5 from the previous 5.9. The 4-month moving average remained constant at a value of 6.9. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



Help Wanted Advertising fell to a value of 64.8 down 23.7 percent from last month's seasonally adjusted value of 85.0. The level this month is 1.4 percent higher than this time last year. Additionally, the 4-month moving average increased 1.9 percent from an Index value of 67.2 to a value of 68.5.

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.

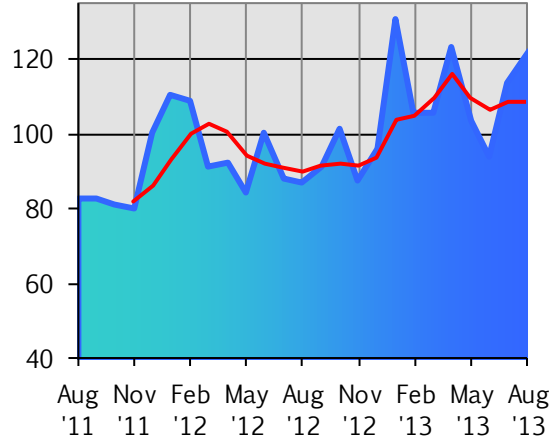
The Humboldt County Home Sales Index expanded by 7.4 percent to a value of 122.2. This is a 40.4 percent increase from this time last year. However, the county's median home prices decreased from \$258,950 to \$242,750.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in July 2013. The 10-City Composite reported a growth of 12.3 percent over the 12-month period, while the 20-City Composite reported a 12.4 percent growth over that same period. The 10- and 20- City Composites rose 1.9 and 1.8 percent from June to July. All 20 cities posted year-over-year increases for at least seven consecutive months. However, according to David Blitzer, "Following the increase in mortgage rates beginning last May, applications for mortgages have dropped, suggesting that rising interest rates are affecting 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.

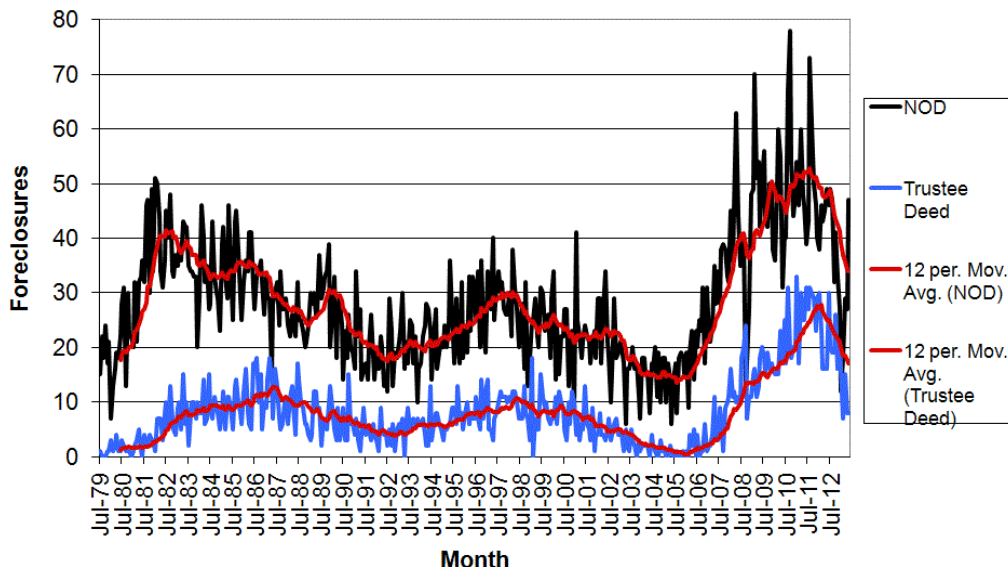
Mortgage rates have decreased slightly this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.22 percent and the average 15-year fixed-rate mortgage is 3.29 percent for the week ending October 3, 2013. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.36 and 2.69 respectively. There is evidence nationally that the rise in interest rates is starting to take effect, as traditional buyers find mortgage payments unaffordable. Also, it seems investors have reduced buying upon concerns

about whether the Federal Reserve will raise interest rates sooner rather than later.

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.

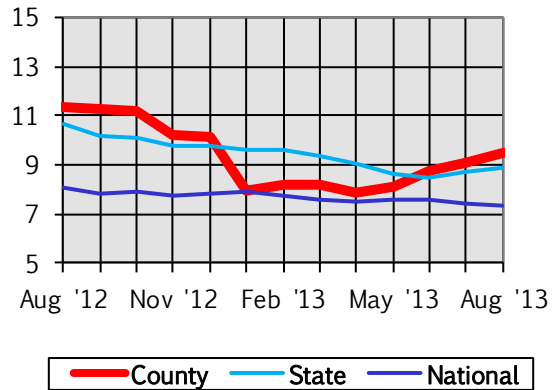
Total County Employment decreased this month to an index value of 97.3 from 98.0. Additionally, the seasonally adjusted unemployment rate for Humboldt County went up from 9.1 to 9.5 percent. The seasonally adjusted national unemployment rate decreased from 7.4 to 7.3 percent.

The Employment Development Department of California indicated in its August statistics that Humboldt County's labor force decreased by about 100 individuals. For California on the whole, employment added 29,100 jobs, and statewide unemployment increased to a seasonally adjusted 8.9 percent, with 22,300 more unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 169,000 nonfarm payroll jobs in

August, and the unemployment rate decreased from 7.4 to 7.3 percent. National employment rose in professional and business services, food services and drinking places, retail trade, and wholesale trade.

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 remained unchanged this month at an Index value of 84.9. The current value is 0.8 percent lower than last year at this time. However, the 4-month moving average increased from last month's index value of 83.6 to 84.3.

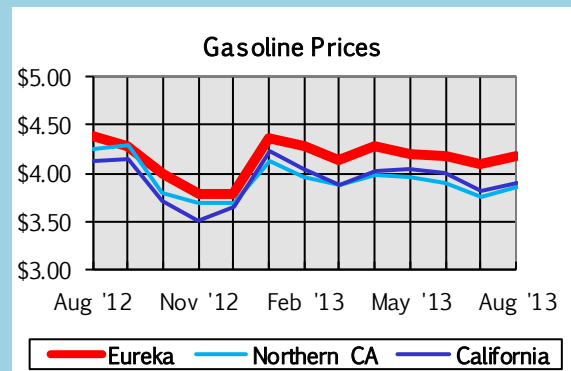
Gasoline Prices

Gasoline Prices for California increased by an average of 8 cents this month. California gas prices rose to an average of \$3.90, up from last month's \$3.82, while Northern California prices increased to \$3.85. Eureka gas prices increased to \$4.18, 9 cents higher than last month.

Gas prices had an unexpected jump this month. According to the Los Angeles Times, California refinery outages have prompted an increase in wholesale gasoline prices that were passed on to drivers at the pumps. However, gas prices have started to decline at the end of September and are expected to fall for the next several months through the holiday season.

Gas Prices		
Prices as of 9/30/2013	Average price*	Change from previous month
Eureka	\$4.18	\$0.09
Northern California	\$3.85	\$0.11
California	\$3.90	\$0.08

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.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 increased by 0.5 percent from a value of 143.9 to 144.7. This is 0.9 percent above this time last year. This Index's 4-month moving average decreased to an index value of 148.0 from 148.1.

On the national scale, Consumer Confidence fell in September. Consumer Confidence Index decreased 2.1 points to a value of 79.7. The Expectations Index posted a 4.9-point decrease from 89.0 to 84.1. The Present Situation Index increased 2.3 points from 70.9 to 73.2. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer Confidence decreased in September as concerns about the short-term outlook for both jobs and earnings resurfaced, while expectations for future business conditions were little changed. Consumers' assessment of current business and labor market conditions, however, was more positive. While overall economic conditions appear to have moderately improved, consumers are uncertain that the momentum can be sustained in the months ahead." 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.

Lumber manufacturing decreased 5.2 percent to a value of 32.4 from 34.2. However, the value is up 8.3 percent from this time last year. The 4-month moving average has decreased this month to a value of 33.1 from 34.3.

The Institute for Supply Management reported that the national manufacturing sector expanded in September for the fourth consecutive month and the overall economy grew for the 52nd consecutive month. The PMI was registered at 56.2 percent, an increase of 0.5 percentage points from August's 55.7 percent. Eleven of the eighteen manufacturing industries are reporting growth in September including Furniture and Related Products and Paper Products. Businesses reported growth in exports for the tenth consecutive month, registering at an Index value of 52 percent for September. Six industries are reporting growth in new export orders in September, down from eight in August. 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 second fiscal quarter, April through June, and the Energy Index stands at a value of 120.3.

The next update for the Energy Index will be coming after the end of the third 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

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