

Humboldt Economic Index

April 2014

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Nathan Freney, Assistant Analyst

Retail and Housing Rebound, Composite Rises

This month we say goodbye to our two student assistants. Brett Poirier is graduating in economics with a plan to return to southern California. He did a great job writing the Index over the last year and we wish him the best.

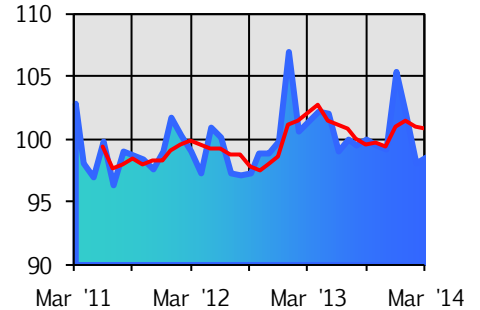
Nathan Freney is taking a job in market analysis in Seattle and he says his experience on the Index was very helpful on the job market. He was instrumental in acquiring new data providers for the Index, including the new manufacturing sector, over the past 18 months. He will be missed.

The Composite Index increased 0.5 percent from last month's value of 97.9 to the current value of 98.4, while decreasing 2.9 percent from this time last year.

The Home Sales and Retail indices increased this month, while Lumber and Hospitality both decreased. The Electricity index has also been updated, showing a year-to-year decrease for each month of the first quarter.

The Index of Home Sales saw an increase this month, up 8.4 percent from last month, but is 15.7 percent lower than this time last year. Median home prices in Humboldt County rose from \$210,500 – the lowest value since December of 2012 – to \$215,000. Mortgage rates lowered this

Composite Index



month with the average 30-year fixed rate mortgage at 4.29 percent and the average 15-year fixed rate mortgage at 3.38 percent.

Leading indicators are mixed with building permits up, unemployment down, and help wanted unchanged.

The national unemployment rate remained at 6.7 percent in March. The unemployment rate in Humboldt County saw a slight increase from 7.2 to 7.4 percent, while the unemployment rate in California held steady at 8.1 percent.

Average gas prices rose significantly in March. Eureka gas prices rose 25 cents this month to an average of \$4.32 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 | 98.4 | 0.5 | -2.9 | -0.3 | -11.7 |
| Home Sales | 89.0 | 8.4 | -15.7 | 33.9 | -40.9 |
| Retail Sales | 149.6 | 2.2 | 1.3 | 2.6 | 2.0 |
| Hospitality | 83.1 | -0.6 | 0.3 | -5.9 | -4.9 |
| Electricity | 122.1 | 2.4 | -11.0 | -6.4 | -1.0 |
| Employment | 98.4 | -0.1 | -1.1 | -2.0 | -5.4 |
| Lumber* | 33.9 | -15.0 | 4.2 | 2.6 | -60.3 |
| Manufacturing** | 152.2 | | | - | - |

* 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

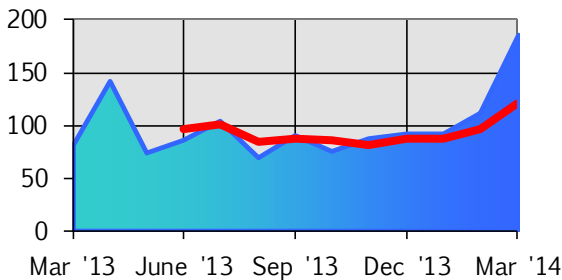
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

| Leading Indicators | | | |
|--|---------------------|------------------|-------------------------|
| Manufacturing Orders | Unemployment Claims | Building Permits | Help Wanted Advertising |
| 66.8% | -4.0% | 150.0% | 0.0% |
| * Change from prior month. All values are seasonally adjusted. | | | |

| Key Statistics | | | |
|--|----------------|----------------|--------------------|
| Median Home Price* | Monthly Rent** | Mortgage Rate† | Unemployment Rate‡ |
| \$215,000 | \$1,350 | 4.25% | 7.4% |
| * 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. | | | |

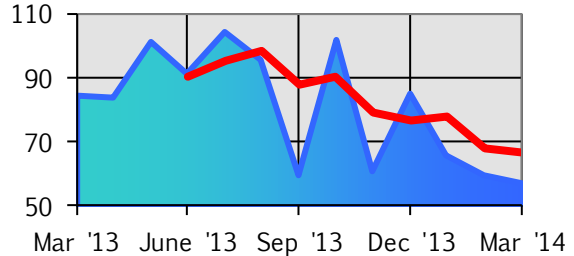
Manufacturing Orders rose 66.8 percent from the previous month which predicts an increase in future manufacturing activity. This measure is based on unfilled orders by area manufacturers. However, care must be taken when looking at the figures for this new sector since we are less able to remove the normal seasonal volatility in the series. We expect large month to month fluctuations at first.

Index of Manufacturing Orders



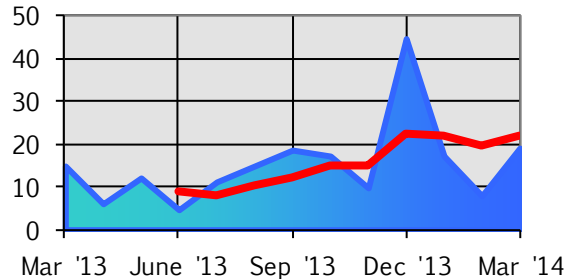
Unemployment Claims decreased 4.0 percent this month to an Index value of 57.2. Additionally, unemployment claims decreased year-to-year, falling 32.1 percent. The 4-month moving average fell to an index value of 66.9 from 67.8.

Index of Claims for Unemployment Insurance



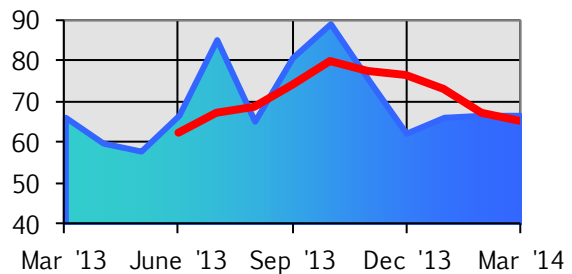
Building permits increased 150.0 percent to an index value of 19.0 from the previous value of 7.6. The 4-month moving average increased to a value of 21.9 from 19.5.

Index of Building Permits Issued



Help Wanted Advertising was unchanged, staying at a value of 66.3. However, the level this month is 0.9 percent higher than this time last year. The 4-month moving average decreased 3.3 percent from an Index value of 67.3 to a value of 65.1.

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

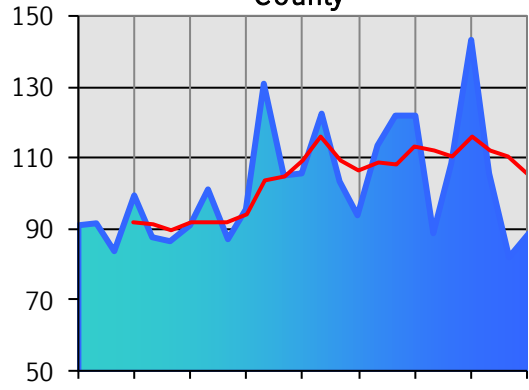
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index increased 8.4 percent to a value of 89.0. This is, however, a 15.7 percent decrease from this time last year. The county's median home price increased from \$210,500 to \$215,000.

The S&P Case-Shiller Home Price Indices showed national average home prices beginning to slow their increase in the 12 months ending in February 2014. The 10-City and 20-City Composite reported a growth of 13.1 and 12.9 percent over the 12-month period. Both the 10-City and 20-City Composites saw virtually no change in their indices from January to February. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 20%. According to David Blitzer, "The annual rates cooled the most we've seen in some time. On a month-to-month basis, there is clear weakness. Seasonally adjusted data show prices rose in 19 cities, but a majority at a slower pace than in January." While housing prices are still up year-to-year, Blitzer cautions that sales are "flat to down," and that further economic recovery will likely have to occur in sectors other than 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.

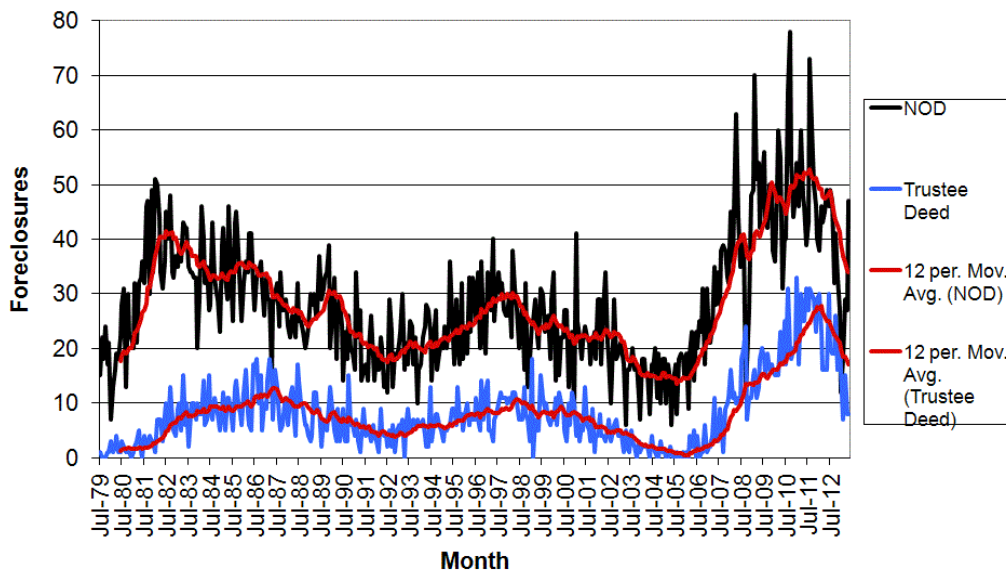
Mortgage rates have dipped slightly this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.29 percent and the average 15-year fixed-rate mortgage is 3.38 percent for the week ending May 1, 2014. The 30-year and 15-year fixed mortgage rates last year at this time were 3.35 and 2.56 respectively.

Home Sales Index, Humboldt County



Mar '12 June '12 Sept '12 Dec '12 Mar '13 June '13 Sept '13 Dec '13 Mar '14

Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

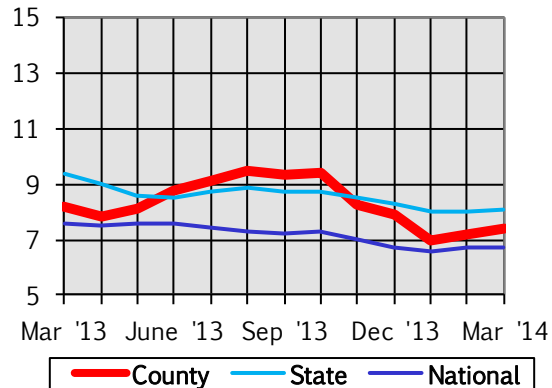
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment fell slightly this month to an index value of 98.4. The seasonally adjusted unemployment rate for Humboldt County went up from 7.2 to 7.4 percent. The seasonally adjusted national unemployment rate held steady at 6.7 percent.

The Employment Development Department of California indicated in its March statistics that Humboldt County's labor force increased by about 400 individuals. For California on the whole, employment added 43,300 jobs, and statewide unemployment remained at 8.1 percent, with 4,400 more unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 192,000 nonfarm payroll jobs in March, and the unemployment rate remained at 6.7 percent. National employment rose in professional and business services, health care, mining and logging.

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 decreased this month 0.6 percent to an Index value of 83.1 from 83.6. However, the current value is 0.3 percent higher than last year at this time. The 4-month moving average fell from last month's value of 89.9 to 86.9.

Gasoline Prices

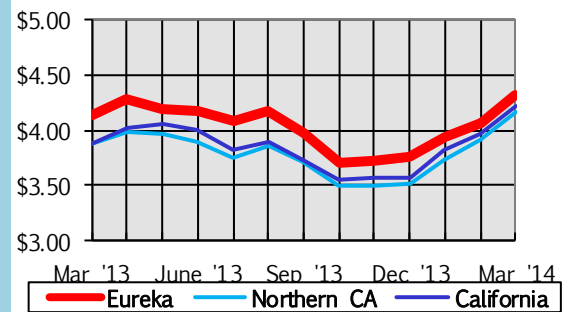
Gasoline Prices for California increased by an average of 24 cents this month. California gas prices rose to an average of \$4.22, up from last month's \$3.98, while Northern California prices increased to \$4.16. Eureka gas prices increased to \$4.32, jumping 25 cents over last month's prices.

With the higher-priced summer blend out in full force, gas prices rose again this month. While the summer driving season typically sees a continued increase in gas prices, the widely-reported reopening of Libya's ports after an 8-month closure will likely slow the climb of gas prices in the near future.

| Gas Prices | | |
|------------------------|----------------|----------------------------|
| Prices as of 3/27/2014 | Average price* | Change from previous month |
| Eureka | \$4.32 | \$0.25 |
| Northern California | \$4.16 | \$0.25 |
| California | \$4.22 | \$0.24 |

* 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.

Care must be taken when reporting the new Manufacturing sector, since there are fewer years for comparison. Thus we expect more volatility in the series at first. For the first three months of 2014, manufacturing is up 24 percent over the first three months of 2013. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reported that the national manufacturing sector expanded in April for the eleventh consecutive month and the overall economy grew for the 59th consecutive month. The PMI was registered at 54.9 percent, an increase of 1.2 percentage points from March's 53.7 percent. Seventeen of the eighteen manufacturing industries are reporting growth in April including Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the seventeenth consecutive month, registering at an Index value of 57.0 percent for April. Twelve industries are reporting growth in new export orders in April, up from eleven in March. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

“For the first three months of 2014, manufacturing is up 24 percent over the first three months of 2013.”

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, January through March, and the Energy Index stands at a value of 122.1. This is a 2.4 percent increase from February's value of 119.3, but an 11.0 percent decrease from 12 months ago. February's index value was 9.7 percent lower than January's value of 132.2 and 1.7 percent lower than the previous year. January was 9.6 percent lower than the previous year and 4.7 percent lower than December's value of 138.8.

The next update for the Energy Index will be coming after the end of the second quarter.

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 2.2 percent from a value of 146.4 to 149.6. This is 1.3 percent higher than this time last year. This Index's 4-month moving average increased slightly from an index value of 148.3 to 149.5.

On the national scale, Consumer Confidence fell in April. The Consumer Confidence Index decreased 1.6 points to a value of 82.3. The Expectations Index increased slightly, rising from 84.8 to 84.9. The Present Situation Index dropped 4.2 points from 82.5 to 78.3. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence declined slightly in April, as consumers assessed current business and labor market conditions less favorably than in March. However, their expectations regarding the short-term outlook for the economy and labor market held steady." 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 15.0 percent to a value of 33.9 from 39.9. The value is up 4.2 percent, however, from this time last year. The 4-month moving average increased slightly this month to a value of 34.5 from 34.4.

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.

HUMBOLDT STATE UNIVERSITY

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Cited References:

Bureau of Labor Statistics - Case-Shiller Home Price Indicies
The Conference Board – Employment Development Department
The Institute of Supply Management – Freddie Mac
Humboldt Association of Realtors

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