

Humboldt Economic Index

April 2016

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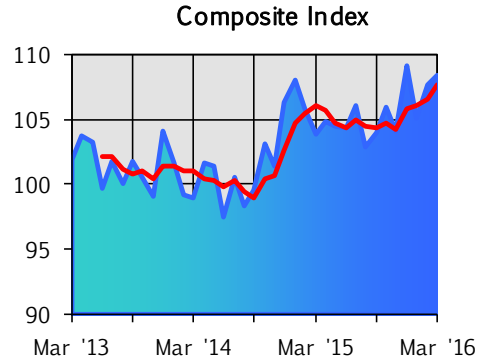
Hospitality Shows Strong Gains, Energy Increases

The Composite Index rose 0.8 points from last month's adjusted value of 107.7 to the current value of 108.5. The Composite Index is up 4.6 points from this time last year. The Electricity and Hospitality Indices climbed over the past month, while the Retail Sales, Home Sales, and Employment indices declined.

The Index of Home Sales fell 3.5 points to a value of 130.4, and is 8.6 points higher than in March 2015. The median home price increased to \$282,475.

Leading Indicators have significant declines in March. The Unemployment Claims and the Manufacturing Orders are up this month, while Building Permits and Help Wanted Advertising have decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County remained at 4.7 percent, while the seasonally adjusted unemployment rate in California remained at 5.5 percent. In comparison, the national unemployment



rate remained at 4.9 percent for the third consecutive month.

California gas prices remained at \$2.80. Northern California's average also rose to \$2.84 from \$2.80, and Eureka's average gas price per gallon fell from \$2.85 to \$2.83.

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	108.5	0.7	4.4	5.1	1.1
Home Sales	130.4	-2.6	7.1	60.6	-1.9
Retail Sales	163.8	-4.3	3.0	0.7	17.3
Hospitality	90.6	5.3	-1.2	0.2	11.3
Electricity	125.8	11.5	5.4	-12.3	-5.3
Employment	109.6	-0.2	0.2	11.1	3.6
Lumber*	26.3	0.0	417.2	-18.1	-57.5
Manufacturing**	124.1			-	-

* 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.

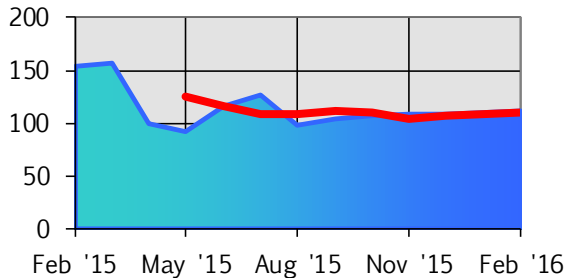
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	15.1%	-37.1%	-16.7%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 5.5 points to a new index value of 41.3. The unemployment claims index was 40.9 in March 2015, or 0.4 points lower than the present value. The 4-month moving average rose 2.0 points to 42.0.

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$282,475	\$1,300	3.625%	5.5%
* 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.			

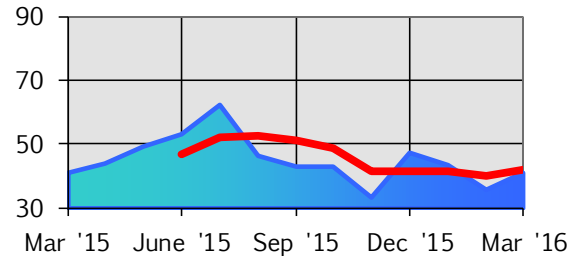
Manufacturing Orders increased from last month's value of 110.0 to a current value of 111.0. The manufacturing orders index value in March 2015 was 153.8, which is 42.8 points higher than the present value.

Index of Manufacturing Orders



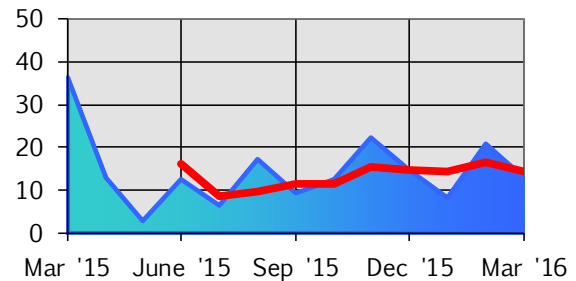
Graphs Explanation: The blue area represents the seasonally adjusted Index of Unemployment Claims above. The red line shows the four-month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Index of Claims for Unemployment Insurance



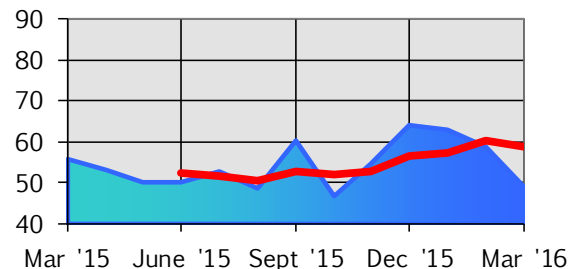
Building Permits declined 7.7 points to a new index value of 13.1. The current value is 23.3 points lower than March's value in 2015.

Index of Building Permits Issued



Help Wanted Advertising fell 9.9 points in March to a new index value of 49.0 from February's revised value of 58.9. One year ago, the index value stood at 55.9, indicating a 6.9 point decrease year-over-year. The 4-month moving average is up to 58.7, which is lower than February's value of 60.2.

Index of Help Wanted Advertising



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 for March stands at an index value of 130.4, which is 3.5 points lower than February's value of 133.9. March 2015's index value is 8.6 points lower than the current value. The county's median home price increased from \$275,000 to \$282,475. In comparison, the median home price in March 2015 was \$246,000.

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.

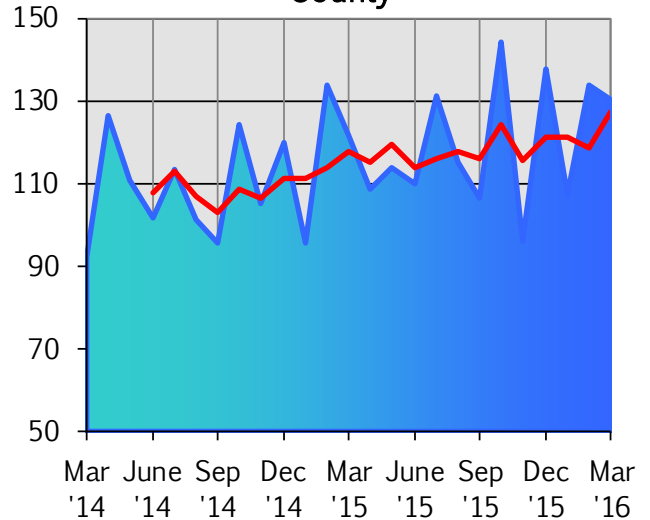
The S&P Case-Shiller Home Price Indices saw a constant year-over-year gain in February compared to the previous month. The 10-City and 20-City Composites report year-over-year gains of 4.6 percent and 5.4 percent respectfully. The National Index reported a 5.3 percent annual gain over the same period. The 10-City and 20-City Composites reported seasonally adjusted month-over-month increases of 0.6 percent and 0.7 percent, respectfully. The National Index reported a seasonally adjusted increase of 0.4 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Home prices continue to rise twice as fast as inflation, but the pace is easing off in the

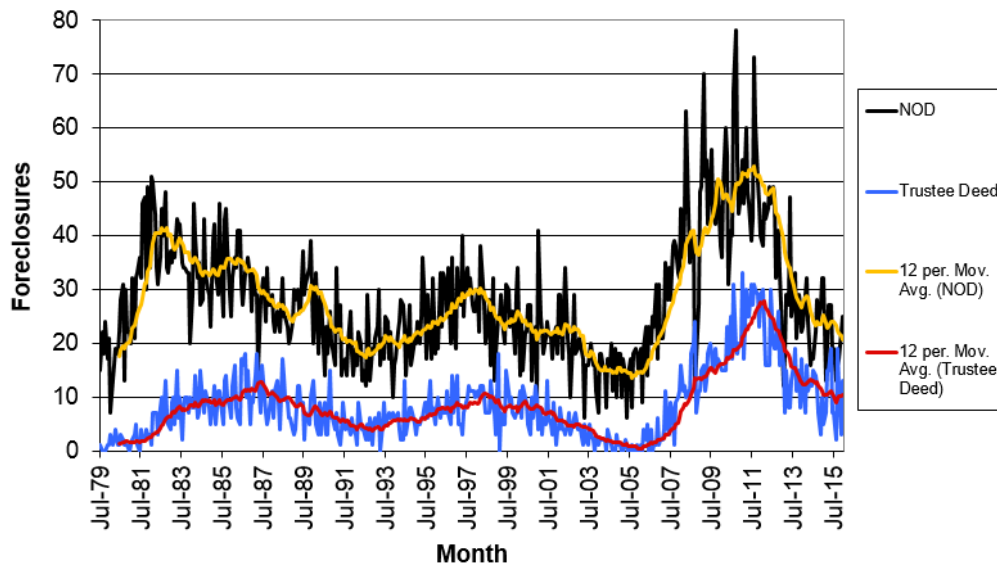
most recent numbers." The 10-City and 20-city composites have reported slower year-over-year numbers. Blitzer states, "Homeowners looking to sell their house and trade up to a larger house or a more desirable location are concerned with finding that new house. Additionally, the pace of new single family home construction and sales has not completely recovered from the recession."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of April 28 decreased to 3.66 percent from March's latest percent of 3.71. The average 15-year fixed-rate mortgage also decreased from 2.98 percent to 2.89 percent in April.

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 slightly decreased in value to 109.6. The seasonally adjusted unemployment rate for Humboldt remained at 4.7 percent. The unemployment rate for California remained at a constant value of 5.5 percent. The national unemployment rate remained at 4.9 percent for the third consecutive month.

The Employment Development Department of California indicated that in December Humboldt County's total employment fell by 50 individuals to a total of 59,130. Humboldt County's total unemployment decreased from 3,300 individuals in February to 3,310 individuals in March.

In the Labor Department's December report, total nonfarm payroll employment rose by 215,000. National employment was on the rise in several industries, including retail trade, construction, and health care. Employment in mining continued to decline. Employment in manufacturing also saw decreases. Employment in

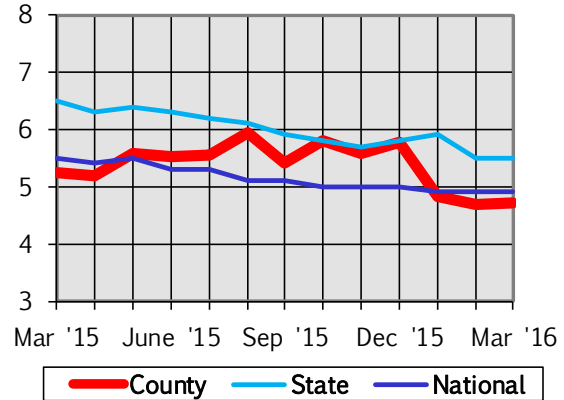
Hospitality

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 March to a new value of 90.6 from 86.0. This month's index value represents a 1.0 point decrease from this time last year. The 4-month moving average declined 3.6 points to a current value of 92.2.

other industries, such as wholesale trade, transportation and warehousing, information, and government, showed few change over month-to-month.

Unemployment Percentage Rates



Gasoline Prices

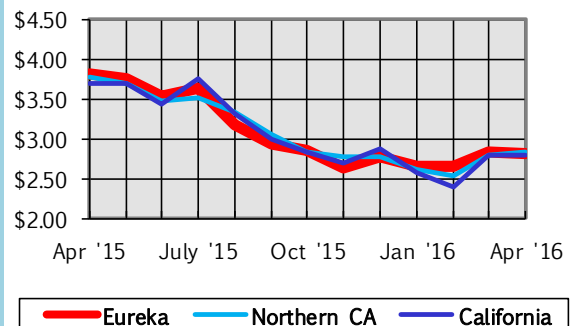
California's gas prices remained constant at a price of \$2.80 per gallon for the second consecutive month. Northern California's average price increased 4 cents to a new average of \$2.84, while Eureka's average gas price fell by 2 cents to a new average of \$2.83. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.17 per gallon.

California gas prices might begin to ease up after an increase in price from switching to summer blend gasoline. A meeting of oil producers in the Middle East the week of April 22 has given hope to analysts that the prices will decrease in upcoming weeks. Patrick DeHaan, senior petroleum analyst for GasBuddy, states, "While typically we're used to seeing gasoline prices racing higher in the spring, the direct impact of this weekend's meeting could cause gasoline prices to reverse temporarily as oil markets react." This anticipation is slowly bringing gasoline prices in California down.

Gas Prices		
Prices as of 3/30/2016	Average price*	Change from previous month
Eureka	\$2.83	-\$0.02
Northern California	\$2.84	\$0.04
California	\$2.80	\$0.00

* 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



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 expanded to a seasonally adjusted index value of 124.1 in March, a 31.7 point increase from the previous month's value of 92.4. Overall manufacturing employment declined to 2,000 individuals from 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that April saw economic activity in the manufacturing sector expand for the second consecutive month, while the overall economy grew for the 83rd 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 January is 48.2, representing a 0.2 point decrease.

Nationally, eleven of the eighteen manufacturing industries are reporting growth in April including Wood Products, Printing & Related Support Activities, Paper Products, Plastic & Rubber Products, Primary Metals, and Fabricated Metal Products.

The New Export Orders Index for April is 52.5 percent, indicating an increase from March's index by 0.5 points. 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. Eight industries reported growth in the new export orders including Wood Products, Printing & Related Support Activities, and Chemical Products. Four Industries reported a decrease in new export orders, and four 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 first fiscal quarter of 2016 – January through March – and the Energy Index stands at a value of 125.8. March's index value is 13 points higher than February's value, and 6.5 points higher than in March 2015. February's value of 112.8 was 9.9 points lower than January's value, and 4.1 points higher than in February 2015. January's value of 122.7 was 11.5 points lower than December's value of 134.2, but 4.8 points lower than in January 2015.

The next update for the Energy Index will be coming after the end of the second fiscal quarter of 2016, in the July 2016 issue.

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 reporting at a value of 163.8 for March, a decrease of 7.4 points from the value of 171.2 in February. The most recent value is 4.8 points higher than in March 2015. The 4-month moving average is up by 1 point to a new value of 161.1.

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 decreased in April by 1.9 points to a current index value of 94.2. The Expectations Index decreased 4.3 points to a new value of 79.3, while the Present Situation Index increased in value to 116.4, or 1.5 points higher than March's value.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that, "Consumer confidence continued on its sideways path, posting a slight decline in April, following a modest gain in March. Consumers' assessment of current conditions improved, suggesting no slowing in economic growth. However, their expectations regarding the short-term have moderated, suggesting they do not foresee any pickup in momentum." The percentage of consumers expecting business conditions to improve over the next six months decreased to 13.4 percent, while the percentage of consumers expecting business conditions to decline increased to 11.0.

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 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 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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■ ■ ■ *realize human potential*

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