

Humboldt Economic Index

January 2016

Our Sponsors:



Belonging Never Felt Better



Professor Erick Eschker, Director

Brittanie Smith, Assistant Editor

Jordan Morgan, Assistant Analyst

Foreclosures Fall to Pre-Bubble Levels, Another Sawmill Closure

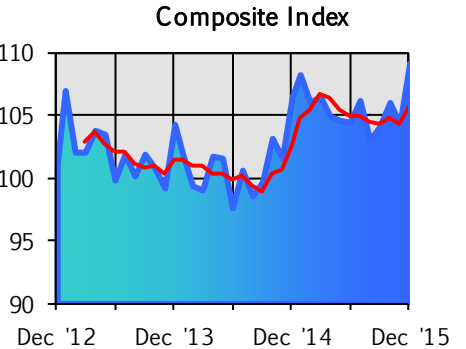
The Composite Index rose 5.0 points from last month's revised value of 104.1 to the current value of 109.1. The Composite Index is up 2.7 points from this time last year. The Home Sales, Electricity, and Employment Indices climbed over the past month, while the Hospitality and Retail Sales indices both declined.

The Index of Home Sales rose 43.9 points from December, and is 18.0 points higher than in December 2014. The median home price remained at \$285,000.

Leading Indicators are mostly rising in December. The Unemployment Claims, Help Wanted Advertising, and the Manufacturing Orders are all up this month, while Building Permits has decreased over the previous month.

The Monthly Foreclosures data in Humboldt County have been updated. There is a decrease in both Notices of Default and Trustee Deeds since our last update and since their peak after the housing bubble burst. See the Home Sales section below for more details.

The seasonally adjusted unemployment rate in Humboldt County increased from 5.6 percent to 5.8



percent, while the seasonally adjusted unemployment rate in California increased just 0.1 points to 5.8 percent. In comparison, the national unemployment rate remained at 5.0 percent.

California gas prices decreased from \$2.58 to \$2.87. Northern California's average also fell to \$2.61 from \$2.77, and Eureka's average gas price per gallon fell from \$2.77 to \$2.65.

Sierra Pacific Industries, a third-generation family-owned forest products company in Arcata since 1949, has announced its permanent closure of the Arcata Sawmill.

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	109.1	4.8	2.6	8.3	0.6
Home Sales	137.8	43.9	15.0	55.4	38.6
Retail Sales	157.1	-1.6	2.5	5.1	14.2
Hospitality	98.3	-6.1	10.8	19.6	13.1
Electricity	134.2	22.1	6.4	-8.4	-6.6
Employment	107.2	1.0	-0.8	9.2	0.5
Lumber*	26.3	0.0	-24.3	-15.6	-64.0
Manufacturing**	96.1			-	-

* 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

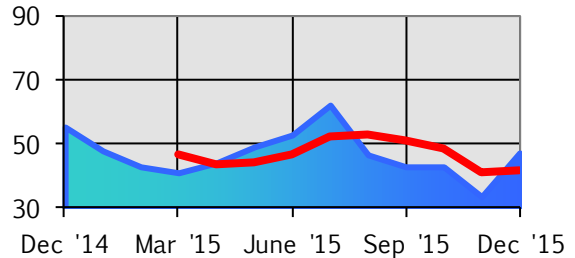
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	41.5%	-33.4%	17.0%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 13.9 points to a new index value of 47.4. The unemployment claims index was 55.3 in December 2014, or 7.4 points higher than the present value. The 4-month moving average rose just 0.3 points to 41.7.

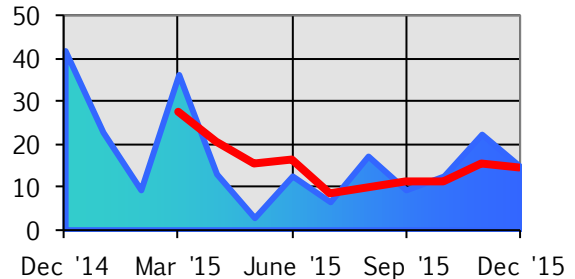
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$285,000	\$1,388	3.875%	5.8%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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.			

Index of Claims for Unemployment Insurance



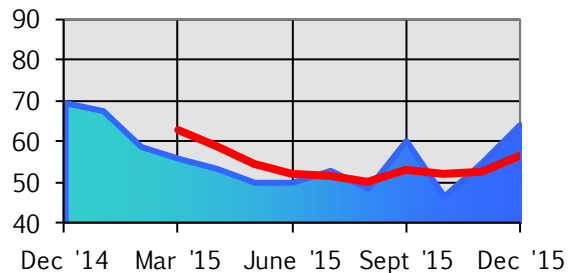
Building Permits declined 7.4 points to a new index value of 14.9. The current value is 27.2 points lower than December's value in 2014.

Index of Building Permits Issued



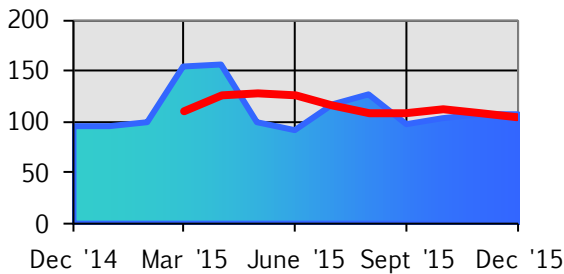
Help Wanted Advertising rose 9.3 points in December to a new index value of 64.1. One year ago, the index value stood at 69.8, indicating a 5.7 point decrease year-over-year. The 4-month moving average is up to 56.5, higher than the November's value of 52.6.

Index of Help Wanted Advertising



Manufacturing Orders increased from last month's value of 107.0 to a current value of 108.0. The manufacturing orders index value in December 2014 was 95.3, which is 12.7 points lower 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.

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 December 2015 stands at an index value of 137.8, which is a significant 42 points higher than November's value of 95.8. December 2014's index value is 14 points lower than the current value. The county's median home price stayed constant at \$285,000. In comparison, the median home price in December 2014 was \$255,900.

Monthly Foreclosures in Humboldt County have been updated by the Index assistants and the picture below reflects the new data. Notices of Default (90 days late) and Trustee Deeds (repossession by lender) are essentially at levels since before the housing boom and bust, and both are falling. The average of Notice of Defaults for the past one and a half years is 21 per month, which is lower than the overall long-run average of 28. Changes in Trustee Deeds usually lags Notice of Defaults, and Trustee Deeds at 10 is slightly higher than the overall long-run average of 8.

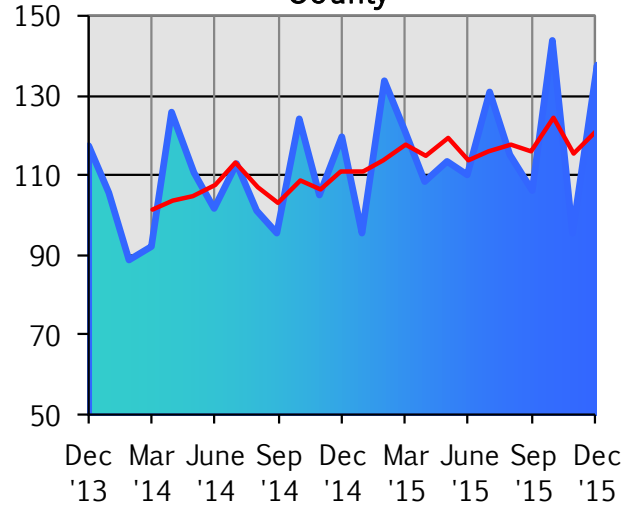
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in November compared to October. The 10-City and 20-City Composites report year-over-year gains of 5.3 percent and 5.8 percent respectfully. The National Index reported a 5.3 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.9 percent. The National Index also reported a seasonally adjusted increase of 0.9 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 extended their

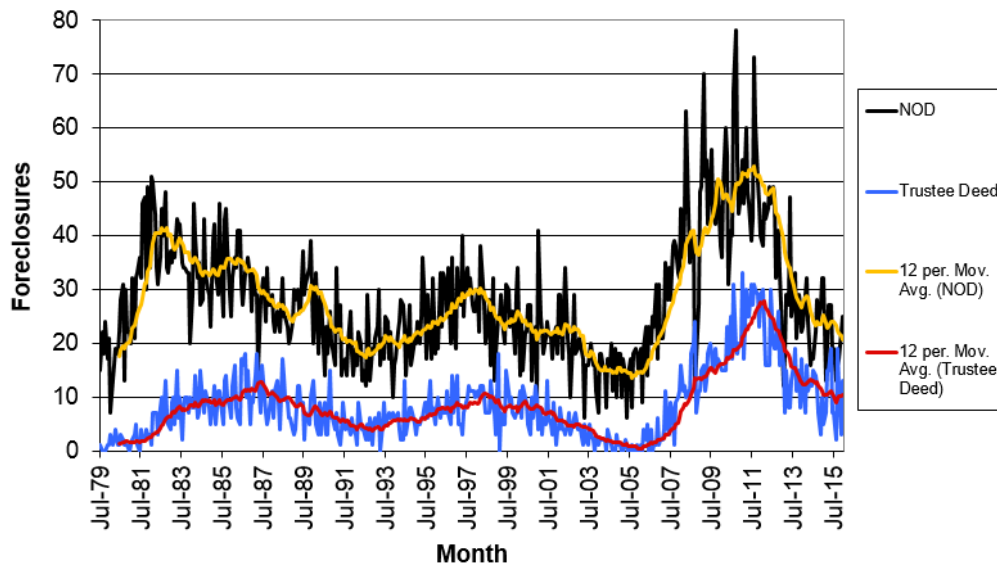
gains, supported by continued low mortgage rates, tight supplies and an improving labor market. Home prices continue to recover from the collapse that began before the recession of 2007-2009 and continued until 2012."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of January 28, 2015 decreased to 3.79 percent from December's latest percent of 4.01. The average 15-year fixed-rate mortgage also decreased from 3.24 percent to 3.07 percent in January.

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 in value to 107.2. The seasonally adjusted unemployment rate for Humboldt County increased from 5.6 percent to 5.8 percent. The unemployment rate for California rose just 0.1 points to a new value of 5.8 percent, the first rise since February 2008. The national unemployment rate remained at 5.0 percent for the third consecutive month.

The Employment Development Department of California indicated that in December Humboldt County's total employment fell by 530 individuals to a total of 58,410. Humboldt County's total unemployment increased from 3,300 individuals in November to 3,430 individuals in December.

In the Labor Department's December report, total nonfarm payroll employment rose by 292,000. National employment was on the rise in several industries, including construction, health care, and food services and drinking places. Employment in mining continued to decline. Employment in other industries, such as

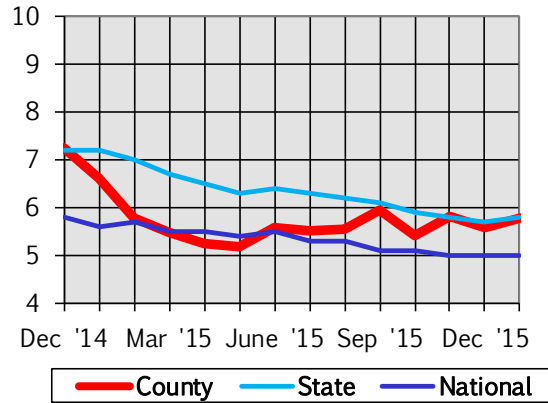
Hospitality

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 decreased in December to a new value of 98.3 from 104.8. This month's index value represents a 9.6 point increase from this time last year. The 4-month moving average rose 1.4 points to a current value of 97.6.

wholesale trade, retail trade, financial activities, and government, showed few change over month-to-month.

Unemployment Percentage Rates



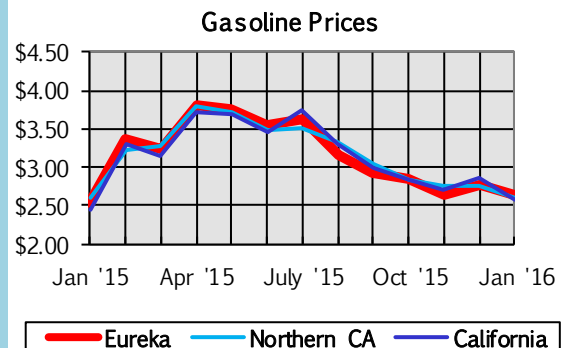
Gasoline Prices

California's gas prices fell in December, decreasing 29 cents to a new average of \$2.58. Northern California's average price decreased 16 cents to a new average of \$2.61, while Eureka's average gas price fell by 12 cents to a new average of \$2.65. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.05 per gallon.

According to the U.S. Bureau of Economic Analysis, California now has the seventh largest economy in the world with a state GDP reaching \$2.3 million in 2014. With the state's economy strengthening and gas prices continuing to spiral down, gasoline consumption rose 2.4 percent during the 2014-2015 fiscal year. This is the largest yearly increase since the fiscal year of 2003-2004. Diane L. Harkey, a member of the California State Board of Equalization, claims, "Lower gas prices are a driving factor behind our state's improving economy." As gas prices continue to decline, California's consumption will increase even more.

Gas Prices		
Prices as of 1/31/2016	Average price*	Change from previous month
Eureka	\$2.65	-\$0.12
Northern California	\$2.61	-\$0.16
California	\$2.58	-\$0.29

* 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

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 96.1 in December, a 12.5 point increase from the previous month's adjusted value of 108.6. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that January saw economic activity in the manufacturing sector contract for the fourth consecutive month, while the overall economy grew for the 80th 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, eight of the eighteen manufacturing industries are reporting growth in January including Textile Mills, Wood Products, Miscellaneous Manufacturing, Printing & Related Support Activities, and Furniture & Related Products.

The New Export Orders Index for January is 47 percent, indicating a decrease from December's index by 4 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. Four industries reported growth in the new export orders including Wood Products, Furniture & Related Products, and Primary Metals. Nine Industries reported a decrease in new export orders, and six 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 fourth fiscal quarter of 2015 – October through December – and the Energy Index stands at a value of 134.2. December's index value is 24.3 points higher than November's value, and 8.1 points higher than in December 2014. November's value of 109.9 was 7.1 points lower than October's value, and 9 points higher than in November 2014. October's value of 117.0 was 0.6 points lower than September's value of 117.6, but 4.4 points lower than in October 2014.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2016, in the April 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 157.1 for December 2015, a decrease of 2.6 points from the adjusted value of 159.7 in November. The most recent value is also 3.9 points higher than in December 2014. The 4-month moving average is up by 2 points to a new value of 155.9.

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 increased in January by 1.8 points to a current index value of 98.1. The Expectations Index increased 2.9 points to a new value of 85.9, while the Present Situation Index remained at an unchanged value of 116.4.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence improved slightly in January, following an increase in December. For now, consumers do not foresee the volatility in financial markets as having a negative impact on the economy." The percentage of consumers expecting business conditions to improve over the next six months rose to 16.2 percent, while the percentage of consumers expecting business conditions to decline decreased to 10.3.

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.

Sierra Pacific Industries, a third-generation family-owned forest products company in Arcata since 1949, has announced its permanent closure of the Arcata Sawmill. According to SPI, this will involve 123 crew members.

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

C O L L E G E O F P R O F E S S I O N A L S T U D I E S
■ ■ ■ *realize human potential*

Cited References:

Bureau of Labor Statistics - Case-Shiller Home Price Indices
The Conference Board - Employment Development Department (CA)
Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management – San Jose Mercury News

Layout & Design: Matt Hawk

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

www.humboldt.edu/econindex

Copyright © 2016 Erick Eschker.