

Humboldt Economic Index

March 2014

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Redwood Region
Economic Development
Commission



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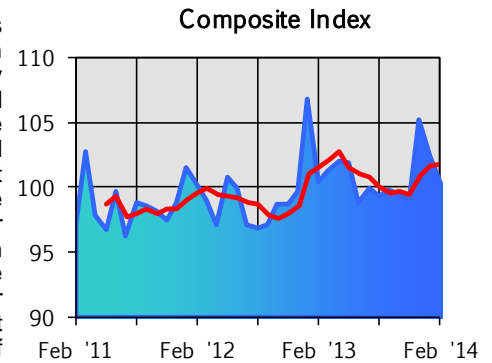
New Manufacturing Sector Arrives!

We are very happy to introduce this month our new Manufacturing Index which tracks production and employment at County niche manufacturers. We listened to local economic development agencies such as the County Workforce Investment Board and Redwood Region Economic Development Commission who said they would like to see information reported about non-lumber manufacturing in the area. We have been reporting on lumber manufacturing since the Index was created in 1996, but lumber production has been declining over the last twenty years. Still, it accounts for almost half of manufacturing wages in the County and we will continue to report lumber based manufacturing.

The new Manufacturing Index is based on our monthly survey of local niche manufacturers. We depend on the generosity of these data providers to share with us production totals, employment, and unfilled production orders. These manufacturing orders are now part of our leading indicators, and when unfilled orders are rising, manufacturing production is expected to rise in the future.

We have been working on creating this new sector for almost three years. A number of students participated in the effort and recruited data providers. Their hard work has finally paid off.

We find that more than half of niche



manufacturers increased production in 2013 compared to 2012, with production increasing by an average of 30.1 percent. Employment is largely unchanged over the same period. Comparing February 2014 to January, manufacturing orders fell very slightly.

The Composite Index decreased 2.2 percent from last month's value of 102.5 to the current value of 100.3, and decreased 0.2 percent from this time last year. The Home Sales, Employment, Retail, and Hospitality decreased this month, and Lumber increased. Median home prices in Humboldt County fell from \$280,000 to \$210,500. Leading indicators are mixed.

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	100.3	-2.2	-0.2	1.4	-5.2
Home Sales	82.1	-22.4	-22.2	7.7	-29.1
Retail Sales	146.4	-1.3	-0.2	2.2	12.9
Hospitality	83.6	-6.9	-5.0	-3.7	-8.6
Electricity	138.8	0.0	14.4	10.9	16.6
Employment	98.5	-0.2	-2.0	-3.8	-5.7
Lumber*	39.9	16.0	19.7	23.6	-48.6
Manufacturing**	109.0			-	-

* 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.

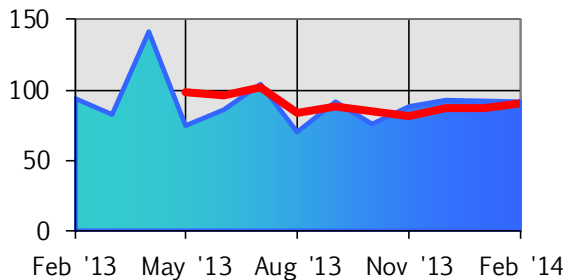
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-0.2%	-9.4%	-54.5%	0.7%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims decreased by 9.4 percent this month to an Index value of 59.6. Additionally, unemployment claims decreased by 17.4 percent from this time last year. The 4-month moving average fell to an index value of 67.8 from 78.3.

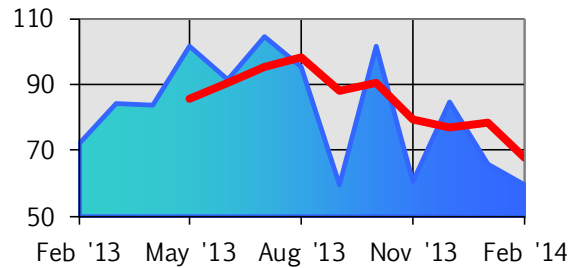
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$210,500	\$1,341	4.50%	7.2%
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

Manufacturing Orders fell 0.2 percent from the previous month which predicts a decrease in future manufacturing activity. This measure is based on unfilled orders by area manufacturers.

Index of Manufacturing Orders

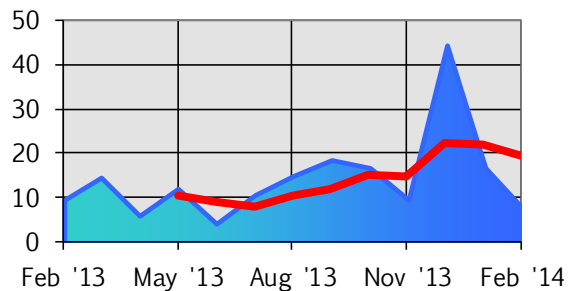


Index of Claims for Unemployment Insurance



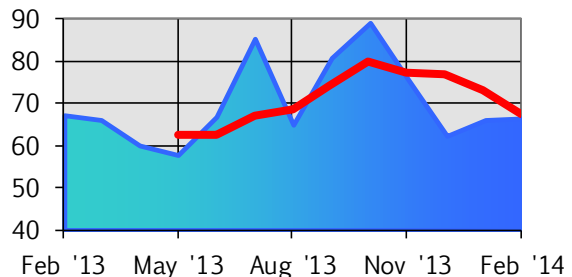
Building permits contracted by 54.5 percent to an index value of 7.6 from the previous 16.7. The 4-month moving average decreased to a value of 19.5 from 21.8.

Index of Building Permits Issued



Help Wanted Advertising rose to a value of 66.3 up 0.7 percent from last month's seasonally adjusted value of 65.8. However, the level this month is 0.9 percent lower than this time last year. The 4-month moving average decreased 7.8 percent from an Index value of 73.0 to a value of 67.3.

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.

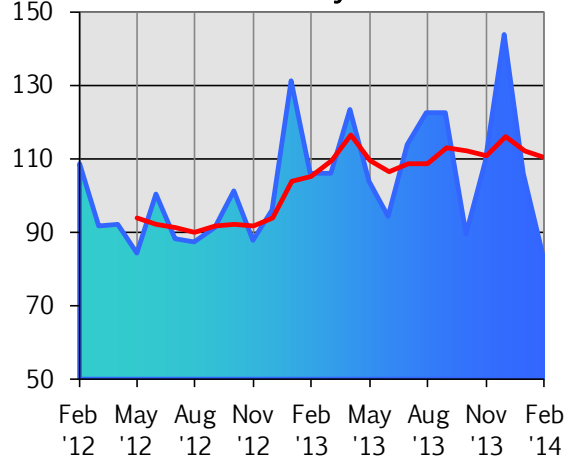
The Humboldt County Home Sales Index decreased by 22.4 percent to a value of 82.1. This is a 22.2 percent decrease from this time last year. Additionally, the county's median home prices decreased from \$280,000 to \$210,500, the lowest price since December of 2012.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in January 2014. The 10-City and 20-City Composite reported a growth of 13.5 and 13.2 percent over the 12-month period. While the 10-City Composite increased slightly from December to January, the 20-City Composite saw a 0.1 percent decline for the third consecutive month. 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 housing recovery may have taken a breather due to the cold weather. Twelve cities reported declining prices in January vs. December; eight of those were worse than the month before. From the bottom in 2012, prices are up 23% and the housing market is showing signs of moving forward with more normal price increases. Expectations and recent data point to continued home price gains for 2014. Although most analysts do not expect the same rapid increases we saw last year, the consensus is for moderating gains. Existing home sales declined slightly in February and are at their lowest level since July 2012." 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.

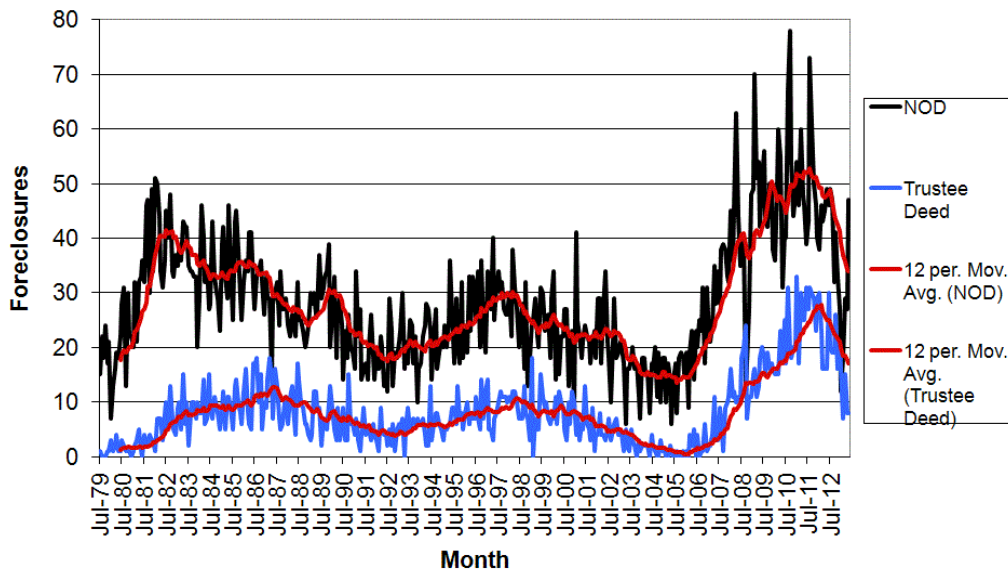
Mortgage rates have remained relatively unchanged this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.40 percent and the average 15-year fixed-rate mortgage is 3.42 percent for the week ending March 27, 2014. The rates for a 30-year and 15-year fixed mortgage last

year at this time were 3.57 and 2.76 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

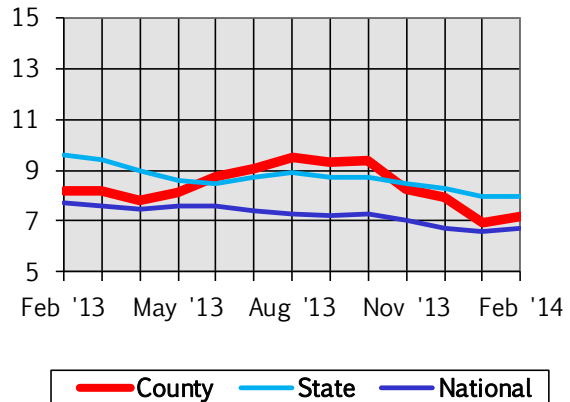
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment decreased this month to an index value of 98.5. However, the seasonally adjusted unemployment rate for Humboldt County went up from 7.0 to 7.2 percent. The seasonally adjusted national unemployment rate increased from 6.6 to 6.7 percent.

The Employment Development Department of California indicated in its February statistics that Humboldt County's labor force increased by about 100 individuals. For California on the whole, employment added 58,800 jobs, and statewide unemployment decreased to a seasonally adjusted 8.0 percent, with 9,000 less unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 175,000 nonfarm payroll jobs in February, and the unemployment rate increased from 6.6 to 6.7 percent. National employment rose in professional and business services, wholesale, and food services and drinking places.

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 6.9 percent to an Index value of 83.6 from 89.8. Additionally, the current value is 5.0 percent lower than last year at this time. The 4-month moving average decreased from last month's index value of 92.5 to 89.9.

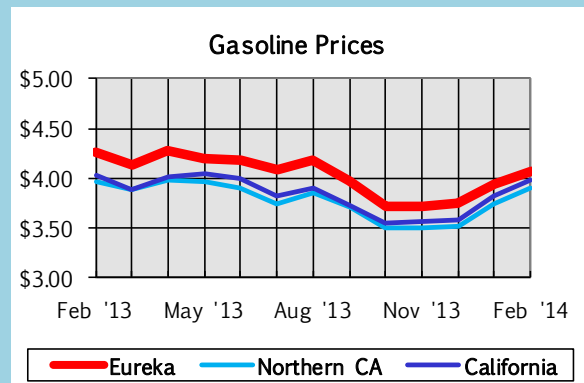
Gasoline Prices

Gasoline Prices for California increased by an average of 16 cents this month. California gas prices rose to an average of \$3.98, up from last month's \$3.82, while Northern California prices increased to \$3.91. Eureka gas prices increased to \$4.07, 13 cents higher than last month.

As expected gas prices rose in March as California switched to its higher priced blend. According to the Fresno Bee, there are refinery shutdowns during the switch to the new blend that further raises the price of gasoline. Look for prices to rise through the coming months, as summer's driving season is sure to push up prices further.

Gas Prices		
Prices as of 3/27/2014	Average price*	Change from previous month
Eureka	\$4.07	\$0.14
Northern California	\$3.91	\$0.17
California	\$3.98	\$0.16

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).



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. 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](#).

The current manufacturing index value is 109, which means that production and employment together in this sector are 9 percent higher in February compared to the base month of January, 2013.

We will eventually report overall monthly averages for County manufacturing, but we are still in the process of establishing our regular group of manufacturing data providers. These are the local businesses that contribute to our measure each month. For now, we report production in 2013 compared to production in 2012. About 58% of manufactures increased production in 2013 and the remaining decreased production. On average, Humboldt County manufacturing production increased by 30.1% from 2012 to 2013. Overall manufacturing employment in the County rose from 2,000 to 2,100 jobs from January to February of this year according to the Employment Development Department.

“Humboldt County manufacturing production increased by 30.1% from 2012 to 2013.”

The Institute for Supply Management reported that the national manufacturing sector expanded in March for the tenth consecutive month and the overall economy grew for the 58th consecutive month. The PMI was registered at 53.7 percent, an increase of 0.5 percentage points from February's 53.2 percent. Fourteen of the eighteen manufacturing industries are reporting growth in March including Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the sixteenth consecutive month, registering at an Index value of 55.5 percent for 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.

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, October through December, and the Energy Index stands at a value of 138.8.

The next update for the Energy Index will be coming after the end of the first 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 decreased by 1.3 percent from a value of 148.3 to 146.4. This is 0.2 percent below this time last year. This Index's 4-month moving average increased slightly from an index value of 147.8 to 148.3.

On the national scale, Consumer Confidence rose in March. Consumer Confidence Index increased 4.0 points to a value of 82.3. The Expectations Index posted a 7.0-point increase from 76.5 to 83.5. The Present Situation Index decreased 0.6 points from 81.0 to 80.4. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence improved in March, as expectations for the short-term outlook bounced back from February's decline. Overall, consumers expect the economy to continue improving and believe it may even pick up a little steam 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 45 percent of total county manufacturing wages.

Lumber manufacturing increased 16.0 percent to a value of 39.9 from 34.4. Additionally, the value is up 19.7 percent from this time last year. The 4-month moving average has increased this month to a value of 34.4 from 33.6.

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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