

Humboldt Economic Index

March 2015

Our Sponsors:



Belonging Never Felt Better



Redwood Region
Economic Development
Commission



Professor Erick Eschker
Director

Kaitlynn Nazzario
Assistant Editor & Assistant Analyst

Home Sales Rise, Unemployment Rates Fall

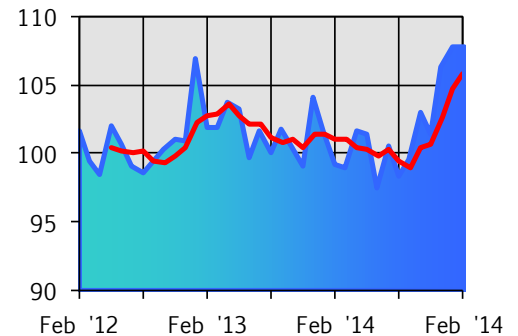
The Composite Index fell 0.1 points from last month's revised value of 107.9 to the current value of 107.8. The Composite Index is up 8.6 points from this time last year. The Home Sales index climbed over the past month, while the Hospitality and Lumber indices both fell.

The Index of Home Sales rose 40.0 points from January, and is 50.0 points higher than in February 2014. Mortgage rates in Humboldt County have remained at 3.75 percent. The national average 30-year fixed rate mortgage fell from 3.80 percent to 3.69 percent, and the national average 15-year fixed rate mortgage also fell from 3.07 percent to 2.97 percent.

Unemployment claims, building permits, and help wanted advertisements are all down from January, while manufacturing orders are up 3.7 percent.

State and local unemployment rates for January were unavailable in the February 2015 issue but are now all caught up. Seasonally adjusted unemployment rates in Humboldt County and California are currently 5.5 percent and 6.7 percent respectively.

Composite Index



The national unemployment rate is currently 5.5 percent. All three unemployment rates are down from January.

Gas prices in California have decreased from the previous month, with California's average price per gallon at \$3.16. Northern California's average price rose 6 cents to \$3.28, and Eureka's average gas price fell from \$3.36 to \$3.24.

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	107.8	-0.1	8.6	7.3	-3.7
Home Sales	133.9	40.0	50.0	61.5	13.5
Retail Sales	163.7	1.2	8.3	8.1	14.1
Hospitality	85.6	-12.4	2.5	-7.1	-7.6
Electricity	126.1	0.0	5.4	-0.1	0.2
Employment	108.4	-0.9	10.2	9.0	1.7
Lumber*	28.0	-22.7	-31.6	-18.0	-70.5
Manufacturing**	91.2			-	-

* 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

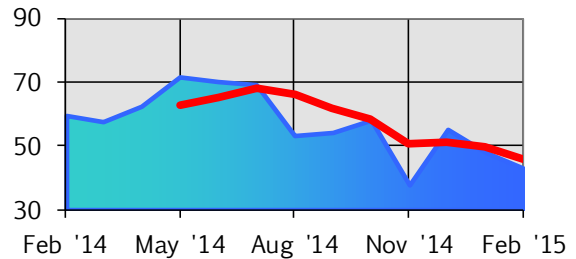
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
3.7%	-9.8%	-58.7%	-13.0%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$244,500	\$1,525	3.750%	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.			

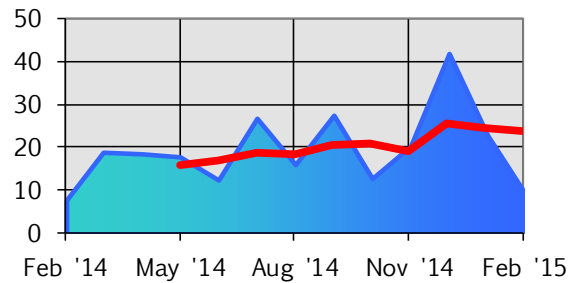
Unemployment Claims declined 4.7 points to a new index value of 42.7. The unemployment claims index was 59.6 in February 2014, 16.9 points higher than the present value. The 4-month moving average fell 3.7 points to 45.9.

Index of Claims for Unemployment Insurance



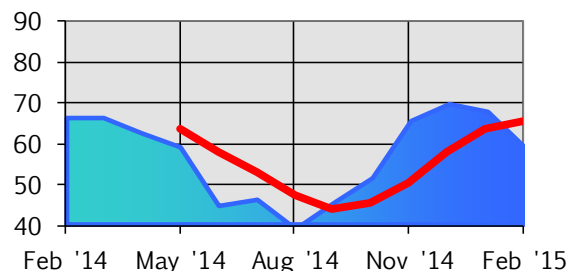
Building Permits fell in February to an index value of 9.5, down 13.4 points from January's value of 22.9. The building permits index value was 7.6 this time last year. February's decrease moved the 4-month moving average downward to a new value of 23.7 from 24.5.

Index of Building Permits Issued



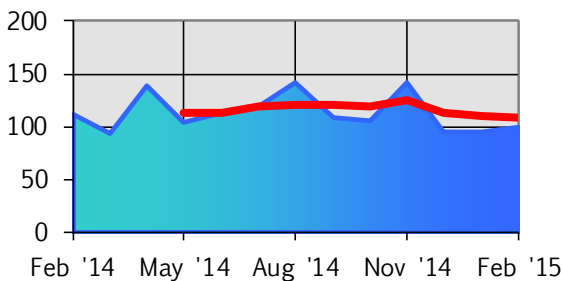
Help Wanted Advertising fell 8.8 points in February to a new index value of 58.9. One year ago, the index value stood at 66.3, indicating a 7.4 point decrease year-over-year. The 4-month moving average is up to 65.5, higher than the previous value of 63.6.

Index of Help Wanted Advertising



Manufacturing Orders rose 3.6 points for a new index value of 99.8. The manufacturing orders index value in February 2014 was 112.1, 12.3 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 February 2015 reports an index value of 133.9, 38.3 points higher than the previous month. In February 2014, the index value was 89.2, 44.7 points lower than the current value. The county’s median home price decreased to a value of \$244,500 from January’s median price of \$260,000. The median price in February 2014 was \$210,500.

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.

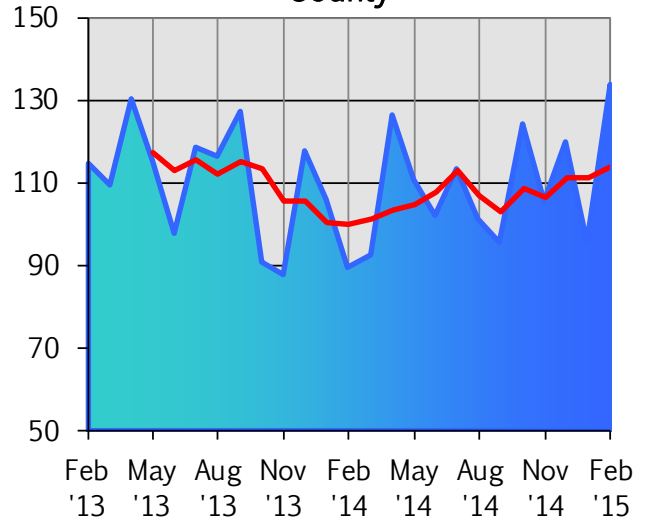
The S&P Case-Shiller Home Price Indices saw slight increases in home prices in January 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.4 and 4.6 percent respectively. The 10-City Composite is up from the 4.3 percent growth reported in December. The 20-City Composite is also up from the 4.4 percent growth reported in December. The National Index reported a 4.5 percent annual gain over the same period, which is down from the 4.6 percent gain from the November report. While the 10-City and 20-City Composites reported month-over-month increases of 0.1 and 0.2 percent respectively, the National Index reported a 0.1 percent decrease for the fifth consecutive month.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states “the combination of low interest rates and strong consumer confidence based on solid job growth, cheap oil and low

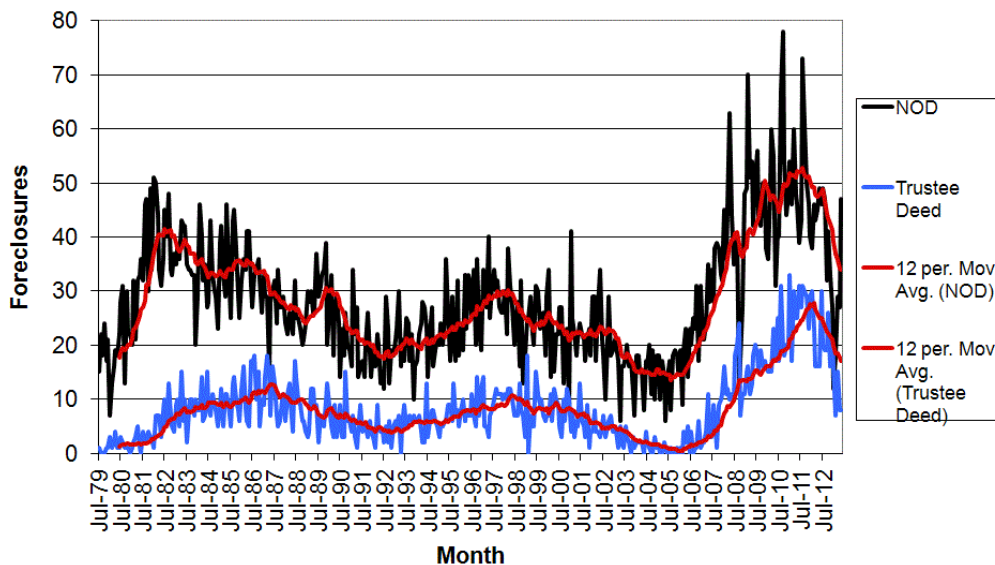
inflation continue to support further increases in home prices.” He also points out that the regional trends seen throughout the past few months are continuing. The Northeast and Midwest are mostly lagging behind the national index, while the West and Southwest are typically ahead of the national index. Blitzer then concludes that “home prices are rising roughly twice as fast as wages,” which puts pressure on possible homebuyers and heightens the risk that a small increase in interest rates could be a major setback.

According to Freddie Mac, the average 30-year fixed-rate mortgage fell from 3.80 percent in February to 3.69 percent in March. The average 15-year fixed-rate mortgage also decreased, from 3.07 percent in February to 2.97 percent in March.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

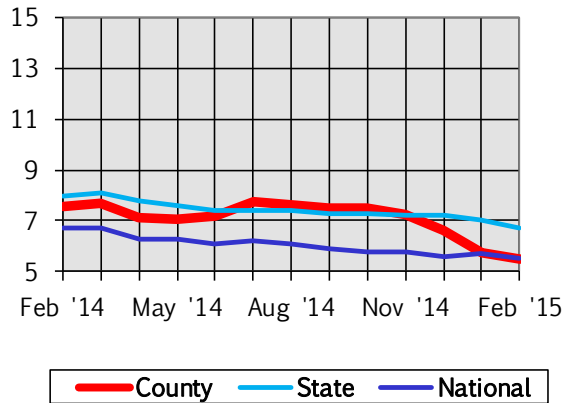
The index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total county employment for February 2015 is at an index value of 108.4, down from January's index value of 109.3. The seasonally adjusted unemployment rate for Humboldt County fell from 5.8 percent in January to 5.5 percent in February. The last time the unemployment rate was this low in Humboldt County was in March 2007. The seasonally adjusted unemployment rate for California fell from 7.0 percent in January to its current value of 6.7 percent. The seasonally adjusted national unemployment rate also fell from 5.7 percent in January to its current value of 5.5 percent.

The Employment Development Department of California indicated in its February statistics that Humboldt County's total employment fell by 200 individuals to a total of 58,300. Humboldt County's total unemployment also decreased from 4,200 individuals in January to 3,900 individuals in February.

In the Labor Department's February report, total nonfarm payroll employment rose by 295,000, while the unemployment rate dropped to 5.5 percent. National employment was on the rise in several industries, including food services and drinking places, professional and business services, construction, health care, and in transportation and warehousing.

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.

The Hospitality Index fell 12.2 points in February, down from a value of 97.8 in January to its current value of 85.6. This month's index value represents a 2.0 point increase from this time last year. The 4-month moving average fell 4 points to a current value of 95.1.

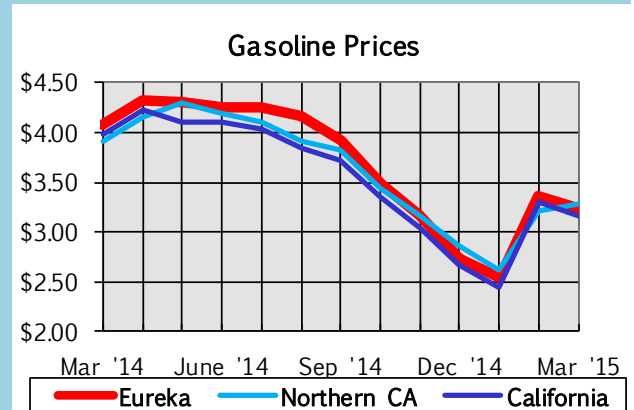
Gasoline Prices

California's gas prices fell in February, decreasing 14 cents to a new average of \$3.16. Northern California's average price increased 6 cents to a new average of \$3.28, while Eureka's average gas price fell by 12 cents to a new average of \$3.24. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.53 per gallon in March.

Tiffany Hsu, writing for the LA Times, recently reported that the United Steelworkers finally reached a four-year contract with Shell Oil Co. The previous contract expired in January. The union called for work stoppages on February first. This was one of the main reasons that gas prices soared in California throughout February, along with an explosion at one oil refinery in California. Allison Mac, an analyst at GasBuddy, states prices should fall now that the strike is over.

Gas Prices		
Prices as of 3/31/2015	Average price*	Change from previous month
Eureka	\$3.24	-\$0.12
Northern California	\$3.28	\$0.06
California	\$3.16	-\$0.14

* 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 91.2, a 4.2 percent change from the previous month. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that March saw economic activity in the manufacturing sector grow for the 27th consecutive month, with the overall economy growing for the 70th 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. The PMI registered at 51.5 percent, a decrease of 1.4 percentage points from February's 52.9 percent.

Ten of the eighteen manufacturing industries are reporting growth in March, including Paper Products, Wood Products, Transportation Equipment, Fabricated Metal Products, Nonmetallic Mineral Products, Machinery, Chemical Products, Primary Metals, Food, Beverage & Tobacco Products, and Computer & Electronic Products. Seven industries – including Apparel, Leather & Allied Products, Textile Mills, and Petroleum & Coal Products – saw contraction in March.

Businesses continued to report contraction in new export orders for March. The New Export Orders Index value of 47.5 percent in February is 1 percentage point lower than in February. Only five industries reported growth in new export orders in March, including Fabricated Metal Products, Food, Beverage & Tobacco Products, and Computer & Electronic Products. Eight industries reported a decrease in new export orders, including Textile Mills, Furniture & Related Products, and Apparel, Leather & Applied Products. Five industries saw no change to their new export orders during March.

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 2014 – October through December – and the Energy Index stands at a value of 126.1. December's index value is 25.2 points higher than November's value, but 8.3 points lower than in December 2013. November's value of 100.9 was 20.5 points lower than October's value, and 11.9 points lower than in November 2013. October's value of 121.4 was 6.8 points higher than September's value of 114.6, but 2.8 points lower than in October 2013.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2015, in the April 2015 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 163.7 for February 2015, an increase of 1.2 points from the previous month. The most recent value is also 12.5 points higher than in February 2014. The 4-month moving average for this index is up, however, climbing 5 points to a new value of 158.5.

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 February by 2.5 points to a current index value of 101.3. The Expectations Index increased 6 points to a new value of 96.0, while the Present Situation Index decreased 3 points to a current value of 109.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence improved in March after retreating in February. This month's increase was driven by an improved short-term outlook for both employment and income prospects." However, consumers were not as upbeat about business conditions. Their assessment of current conditions declined for the second month in a row.

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.

The lumber manufacturing index decreased by 8.2 points from 36.2 in January to a new value of 28.0 in February. The index is 12.9 points lower than this time last year, and the 4-month moving average dropped 3.2 points from 37.5 in January to a current value of 34.3.

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 sectorial index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectorial 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 – Money Magazine

Layout & Design: Matt Hawk

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

www.humboldt.edu/econindex

Copyright © 2015 Erick Eschker.