

Humboldt Economic Index

May 2013

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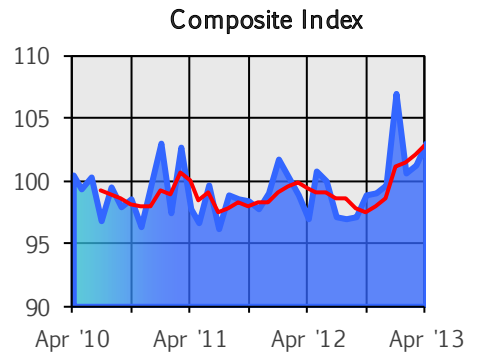
Strong Growth in Housing and Manufacturing

This month we welcome Brett Poirier as the Assistant Editor to the Index. Brett is an economics major with a passion for economics who I believe will bring professionalism and insight to the Index. Welcome Brett!

The Composite Index has grown 1.6 percent from last month's value of 101.2 to the current value of 102.8, and increased by 6.1 percent from this time last year. The Home Sales and Manufacturing Indexes had sizable increases this month. Hospitality and Employment increased slightly, while Retail decreased slightly.

The Index of Home sales increased the most this month by 16.5 percent. With an index value of 123, this is a 33.8 percent increase from this time last year. Median home prices in Humboldt County had a significant increase this month from \$220,300 to \$247,000, the highest median price since September 2011. Mortgage rates are the highest in a year with the average 30-year fixed-rate mortgage at 3.81 percent and the average 15-year fixed-rate mortgage at 2.98 percent.

The Total County Employment Index



expanded 0.5 percent to 100.1. Unemployment claims declined by 0.7 percent and the Humboldt County Unemployment rate decreased from 8.2 to 7.8 percent, the lowest rate since July 2008. However, Help Wanted advertising is down 4.3 percent this month and Building Permits are down as well. State unemployment fell from 9.4 to 9 percent this month and the national unemployment rate fell from 7.6 to 7.5 percent.

With summer approaching, gas prices have started to go up this month after declining the previous two months. Eureka gas prices rose 14 cents up to an average of \$4.28 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

		Percent change from			
Index	Value*	Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	102.8	1.6	6.1	-2.3	-3.7
Home Sales	123.0	16.5	33.8	43.1	-18.9
Retail Sales	145.3	-1.7	14.2	-6.0	16.5
Hospitality	82.3	0.7	3.8	10.8	-3.7
Electricity	137.2	0.0	3.9	1.4	14.4
Employment	100.1	0.5	0.2	-4.7	-3.4
Manufacturing	37.0	13.7	-1.1	-39.8	-53.9

* These values are adjusted to remove seasonal fluctuation. The base month is Jan. of 1994, with an Index value of 100.

** The percent change from the same month one, five and ten years ago.

The Index – Leading Indicators

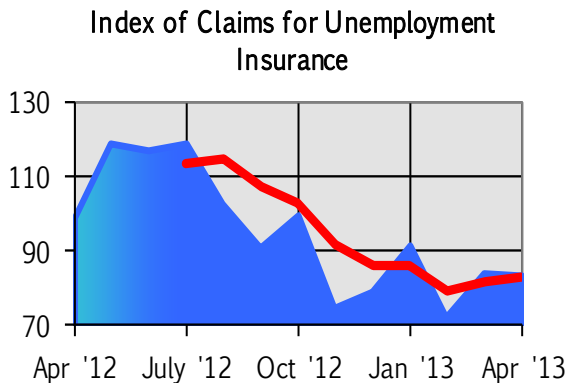
Leading Indicators

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

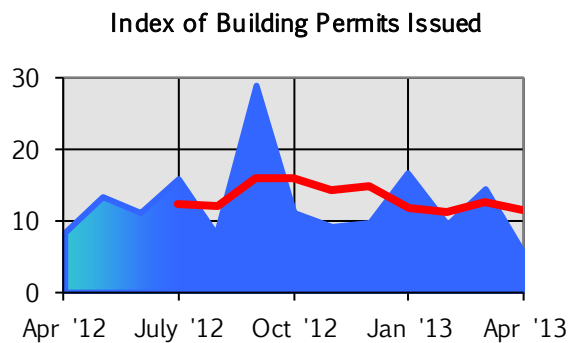
Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-0.7%	-61.0%	-4.3%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$247,000	\$1,319	4.00%	7.8%
<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>			

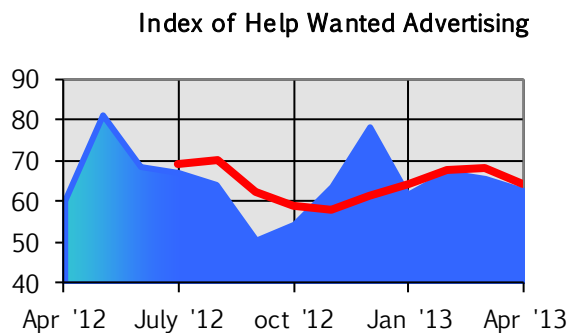
Unemployment Claims decreased by 0.7 percent this month to an Index value of 83.7. Additionally, unemployment claims decreased by 15.5 percent from this time last year. The 4-month moving average increased slightly to an index value of 83 from 81.9. It is important to remember that in contrast to several other Indexes it is not unheard of to see changes of up to 20 percent on a month-to-month basis with unemployment claims.



Building permits contracted by 61 percent to an Index value of 5.7 from the previous 14.6. The 4-month moving average declined in value from 12.7 to 11.6. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.



Help Wanted Advertising fell to a value of 62.9 down 4.3 percent from last month's seasonally adjusted value of 65.8. However, the level this month is 4.4 percent higher than this time last year. Additionally, the 4-month moving average decreased 5.7 percent from an Index value of 68.2 to a value of 64.3.



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.

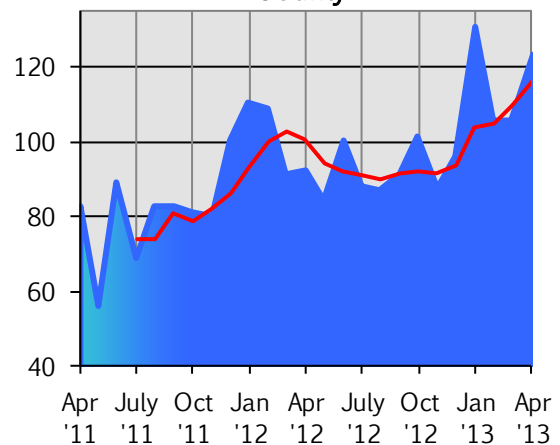
The Humboldt County Home Sales Index expanded by 16.5 percent to a value of 123. This is a 33.8 percent increase from this time last year. Median home prices increased from \$220,300 to \$247,000, the highest price since September 2011.

The S&P Case-Shiller home price index showed national average home prices continued to increase in the 12 months ending in March 2013. The 10-City Composite reported a growth of 10.3 percent over the 12-month period, while the 20-City Composite reported a 10.9 percent growth over that same period. The 10- and 20-City Composites both rose 1.4 percent from February to March. All 20 cities posted year-over-year increases for at least three consecutive months. The Chairman of the Index Committee, David Blitzter, comments that twelve of the 20 cities saw prices rise at double-digit annual growth and both Composites posted their highest annual return since 2006. The S&P Case-Shiller home-price index, 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.

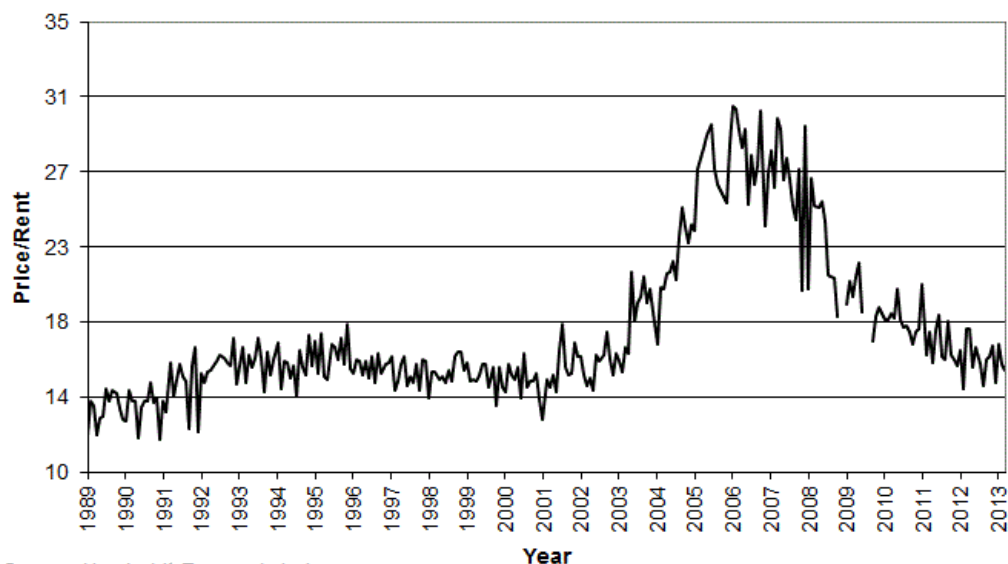
Particularly important to the housing sector are the mortgage rates. According to Freddie Mac, the average 30-year fixed-rate mortgage is 3.81 percent and the average 15-year fixed-rate mortgage is 2.98 percent for the week ending May 30, 2013, the highest rates in a year. The values for a 30-year and 15-year fixed

mortgage last year at this time were 3.75 and 2.97 respectively. The low mortgage rates assist in making home purchases more affordable, serving as a possibly large factor in the recovery of the housing market. It is important to note that the effect of these low mortgage rates may be minimized by the fact that lending requirements are stricter following the housing crisis and that the recession could have affected the ability of people to afford a down payment.

Home Sales Index, Humboldt County



Humboldt County Housing Price to Rent Ratio, 1989-2013
(medium home price/mean rent, adjusted for expenses)



Source: Humboldt Economic Index

The Index – Individual Sectors

Total County Employment

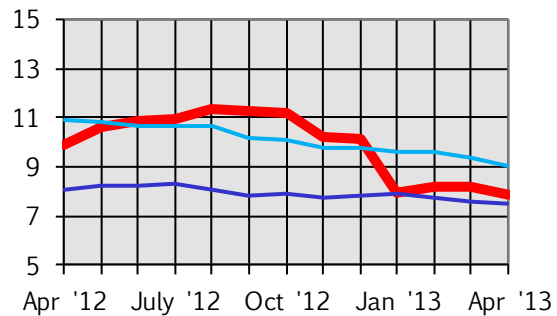
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment increased this month to an index value of 100.1 from 99.6. The seasonally adjusted unemployment rate for Humboldt County fell from 8.2 to 7.8 percent. The seasonally adjusted national unemployment rate fell from 7.6 to 7.5 percent.

The Employment Development Department of California indicated in its April statistics that Humboldt County's labor force decreased by about 100 individuals. For California on the whole, employment added 71,000 jobs, and statewide unemployment decreased to a seasonally adjusted 9 percent, with 75,900 less unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 165,000 nonfarm payroll jobs in April, and the unemployment rate dropped from 7.6 to 7.5 percent. National employment rose in professional and business services, food services and drinking places, retail trade, and health care.

Unemployment Percentage Rates



— County — State — National

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 slightly grew this month, increasing 0.7 percent to an Index value of 82.3 from last month's value of 81.7. The current value is 3.8 percent greater than last year at this time. However, the 4-month moving average decreased from last month's index value of 85.1 to 84.6.

Gasoline Prices

Gasoline Prices for California increased by an average of 13 cents this month. California gas prices rose to an average of \$4.02, up from last month's \$3.89, while Northern California prices increased to \$3.98. Eureka gas prices increased to \$4.28, 14 cents higher than last month.

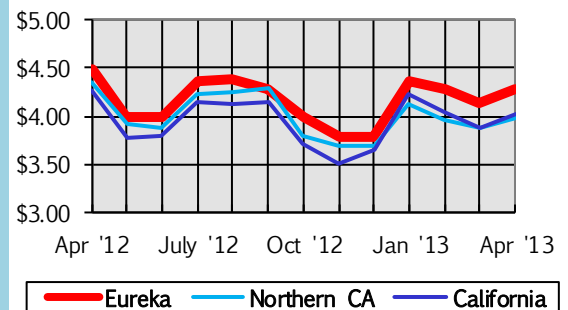
According to Myra Saefong of Market Watch, Memorial Day weekend has historically been seen as the start to the summer driving season, which increases demand for gasoline. However, this year's unexpected refinery problems and ongoing maintenance at some large facilities caused much of the price shocks. Prices rose for 17 days in a row from May 6 until May 22, according to AAA. As of May 31, prices have slowly decreased and should continue to do so as refinery issues come to an end.

Gas Prices

Prices as of 5/28/2013	Average price*	Change from previous month
Eureka	\$4.28	\$0.14
Northern California	\$3.98	\$0.09
California	\$4.02	\$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).

Gasoline Prices



The Index – Individual Sectors

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 1.7 percent from a value of 147.8 to 145.3. However, this is 14.2 percent above this time last year. This Index's 4-month moving average has decreased to an index value of 149.0 from 149.4.

On the national scale, Consumer Confidence grew for the second consecutive month. Consumer Confidence increased 7.2 points to a value of 76.2, while the Expectations Index also posted a significant 8.1-point increase from 74.3 to 82.4. The Present Situation Index also increased, with a 5.7-point increase from 61 to 66.7. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer Confidence posted another gain this month and is now at a five-year high. Consumers' assessment of current business and labor-market conditions was more positive and they were considerably more upbeat about future economic and job prospects. Back-to-back monthly gains suggest that consumer confidence is on the mend and may be regaining the traction it lost due to the fiscal cliff, payroll-tax hike, and sequester."

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 increased 13.7 percent to a value of 37 from 32.6. However, the value is down 1.1 percent from this time last year. This month's value increased the 4-month average, with the 4-month average increasing by 2.1 percent to a value of 34.7 from 34.

The Institute for Supply Management reported that the national manufacturing sector has contracted this month for the first time since November 2012. However, the overall economy grew for the 48th consecutive month. The PMI was registered at 49 percent, a decrease of 1.7 percentage points from April's 50.7 percent. Ten of the eighteen manufacturing industries are reporting growth in May including Wood Products, Furniture and Related Products, and Paper Products. Businesses reported growth in exports for the sixth consecutive month, registering at an Index value of 51 percent for May. However, only four industries are reporting growth in new export orders in May, down from seven in April. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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 137.2.

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

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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The Institute of Supply Management – Market Watch

Layout & Design: Matt Hawk

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

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