

Humboldt Economic Index

May 2014

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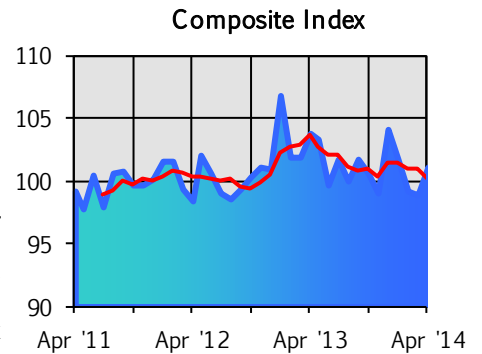
Revised Seasonal Adjustment and New Students Welcomed

We welcome two new students to the Index team. Katie Nazzario is an economics major and the new assistant analyst. She contacts the data providers each month and manages our database. Jacob Erickson is the new assistant editor, and he writes the edition each month.

On a separate note, we revised our seasonal adjustment factors. This is something we periodically do in order to provide a more accurate look at our local economy. As a result, our historical index series have been updated. As always, contact Prof. Eschker if you would like to have historical data.

The Composite Index increased 2.1 percent from last month's value of 99.0 to the current value of 101.1, though this is 2.6 percent lower than this time last year. The Home Sales, Lumber and Hospitality indices all increased this month, while Retail saw a decline.

The Index of Home Sales is up 36.9 percent from last month, but is 2.9 percent lower than this time last year. Median home prices in Humboldt County rose from \$215,000 to \$230,750. Mortgage rates dropped this month with the average 30-year fixed rate mortgage at 4.12 percent and the average 15-year fixed rate mortgage at 3.21



percent.

Leading indicators are trending negatively for our local economy, with building permits and help wanted down, while unemployment insurance claims are up.

The national unemployment rate fell to 6.3 percent in April. The unemployment rate in Humboldt County also saw a decrease, dropping from 7.7 to 7.1 percent. Average gas prices started to decline in April. Eureka gas prices lowered 1 cent this month to an average of \$4.31 per gallon in April.

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	101.1	2.1	-2.6	5.0	-9.5
Home Sales	126.3	36.9	-2.9	96.1	-10.7
Retail Sales	151.6	-0.9	-0.6	1.4	3.1
Hospitality	84.4	1.6	0.7	-6.3	-16.2
Electricity	118.7	0.0	-7.6	13.2	1.2
Employment	97.5	-1.3	-2.9	-2.6	-5.7
Lumber*	36.8	6.3	0.2	7.7	-56.8
Manufacturing**	94.4			-	-

* 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

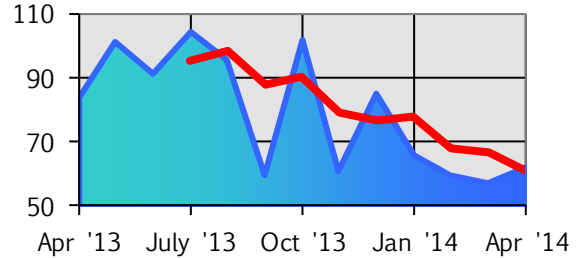
Leading Indicators

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
-0.6%	9.1%	-2.4%	-5.9%
* Change from prior month. All values are seasonally adjusted.			

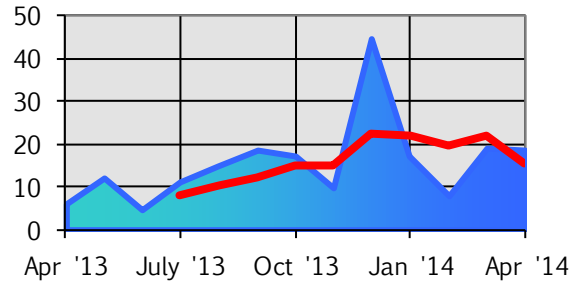
Unemployment Claims increased by 9.1 percent this month to an Index value of 62.4. However, unemployment claims fell 25.4 percent from this time last year. The 4-month moving average fell to an index value of 61.3 from 66.9.

Index of Claims for Unemployment Insurance



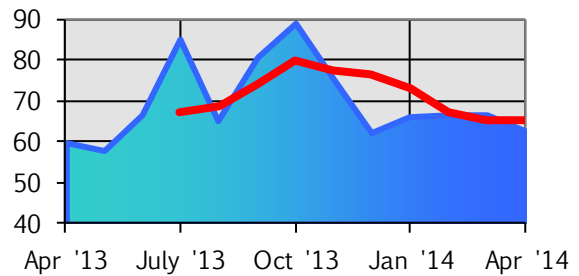
Building permits fell 2.4 percent to an index value of 18.5 from the previous value of 19.0. The 4-month moving average fell to a value of 15.4, down from 21.9 the previous month.

Index of Building Permits Issued



Help Wanted Advertising decreased 5.9 percent, dropping to a value of 62.4. However, the level this month is 4.5 percent higher than this time last year. The 4-month moving average increased 0.2 percent from an Index value of 65.1 to a value of 65.2.

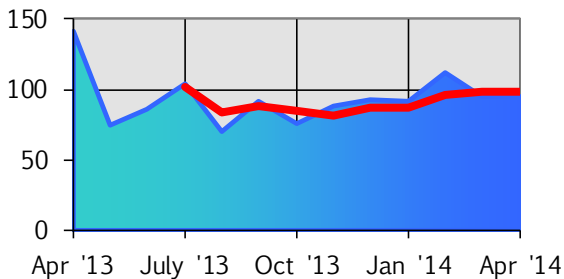
Index of Help Wanted Advertising



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$230,750	\$1,240	4.00%	7.1%
* 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 fell a slight 0.6 percent from the previous month which predicts essentially unchanged future manufacturing activity.

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

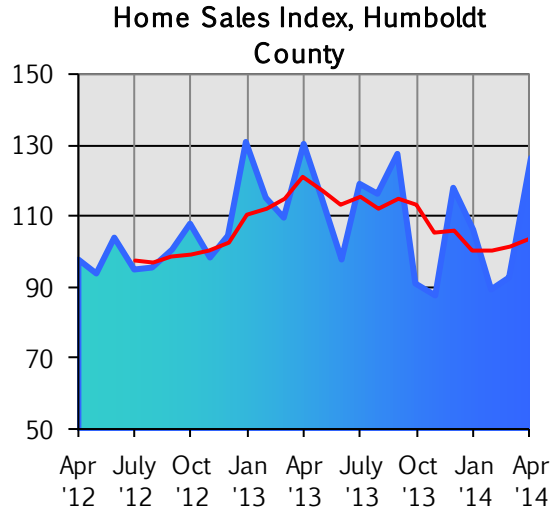
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index increased by 36.9 percent to a value of 126.3. However, this is a 2.9 percent decrease from this time last year. The county's median home price increased from \$215,000 to \$230,750.

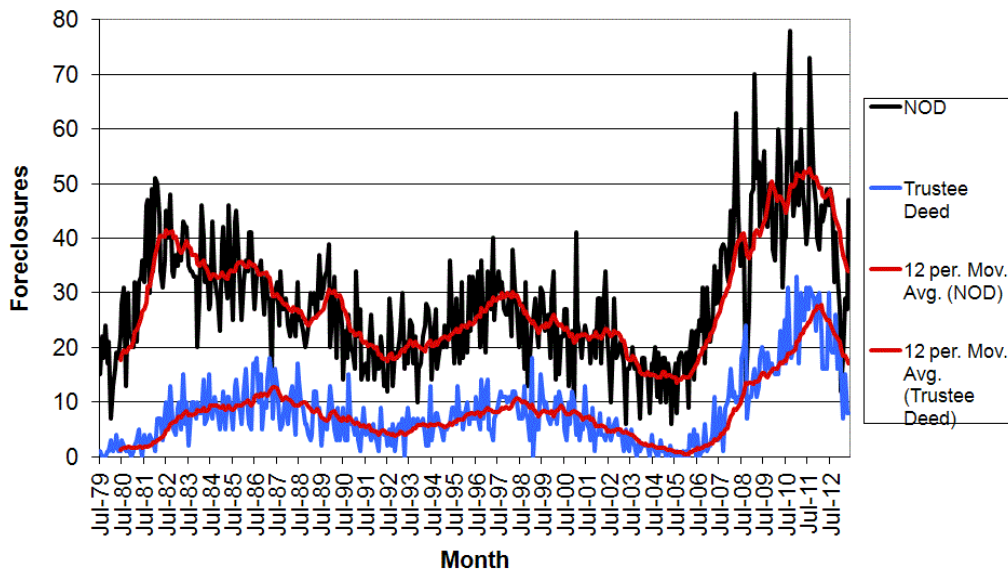
The S&P Case-Shiller Home Price Indices showed national average home prices continuing to rise, but at a slower pace year-over-year in March than in previous months. The 10-City and 20-City Composite reported a growth of 12.6 and 12.4 percent over the 12-month period, with the 10-City Composite gaining 0.8 percent and the 20-City Composite gaining 0.9 percent month-over-month. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 19-20%. The recovery from the March 2012 lows is 24% for the 10-City and 20-City Composites.

According to David Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, "The year-over-year changes suggest that prices are rising more slowly. Despite signs of decelerating prices, all cities were higher than a year ago and all but New York were higher in March than in February." Blitzer also notes that housing indicators remain mixed, though new home sales also rebounded from recent weakness. 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 dipped slightly this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.12 percent and the average 15-year fixed-rate mortgage is 3.21 percent for the week ending May 29, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 3.81 and 2.98 percent respectively.



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

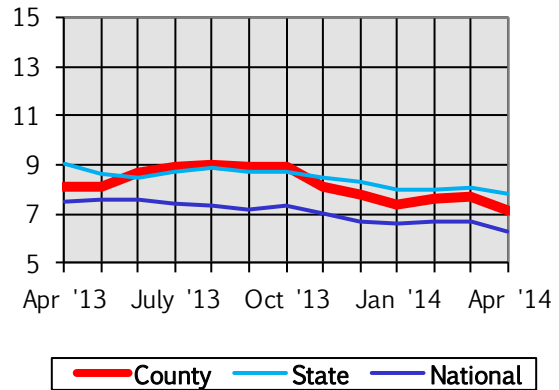
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment fell this month to an index value of 97.5, down from the previous value of 98.8. The seasonally adjusted unemployment rate for Humboldt County fell from 7.7 to 7.1 percent. The seasonally adjusted national unemployment rate dropped from 6.7 to 6.3 percent.

The Employment Development Department of California indicated in its April statistics that Humboldt County's labor force decreased by about 1,100 individuals, while the county's unemployment fell by approximately 800 individuals. For California on the whole, employment added 39,700 jobs, and statewide unemployment fell to 7.8 percent, down from 8.1 percent in March, with 48,300 fewer unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 288,000 nonfarm payroll jobs in April, and the unemployment rate fell to 6.3 percent. National employment rose in professional and business services, retail trade, food services and drinking places, as well as construction.

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 rose 1.6 percent this month to an Index value of 84.4 from 83.1. The current value is also 0.7 percent higher than last year at this time. However, the 4-month moving average fell from last month's index value of 86.9 to 85.2.

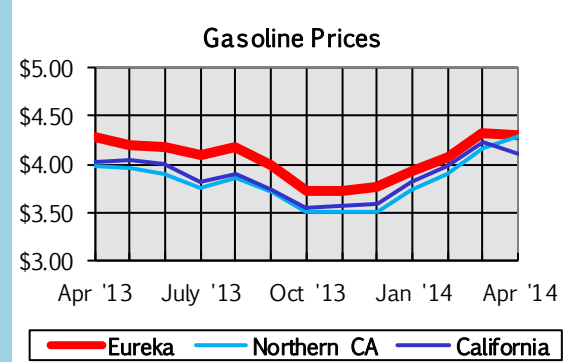
Gasoline Prices

Gasoline Prices for California decreased by an average of 11 cents this month. California gas prices fell to an average of \$4.11, down from last month's \$4.22, while Northern California prices increased to \$4.29. Eureka gas prices dropped to \$4.31, 1 cent lower than last month.

Now that refinery maintenance has finished ahead of the May 1st deadline, statewide prices on fuel have started to dip. While Humboldt County hasn't seen nearly the same decrease as the rest of the state, expect prices to continue to trend downward over the coming months.

Gas Prices		
Prices as of 5/27/2014	Average price*	Change from previous month
Eureka	\$4.31	-\$0.01
Northern California	\$4.29	\$0.13
California	\$4.11	-\$0.11

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



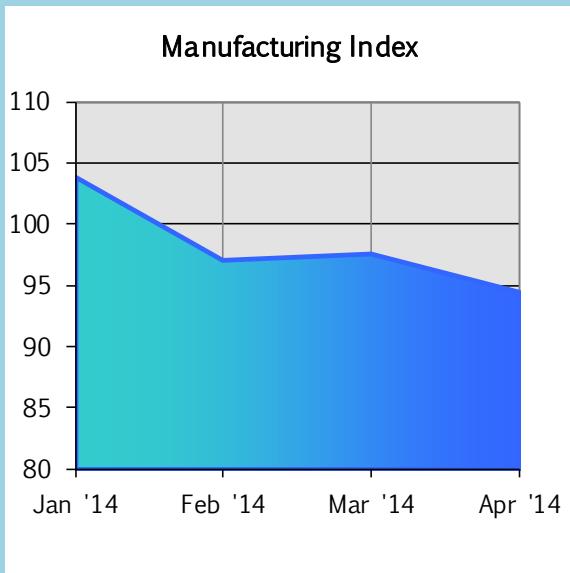
The Index – Individual Sectors

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 94.4 from last month's value of 97.5. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reported that the national manufacturing sector expanded in May for the twelfth consecutive month and the overall economy grew for the 60th consecutive month. The PMI was registered at 55.4 percent, an increase of 0.5 percentage points from April's 54.9 percent. Seventeen of the eighteen manufacturing industries are reporting growth in May including Furniture and Related Products, Wood Products, and Paper Products. Businesses reported growth in exports for the eighteenth consecutive month, registering at an Index value of 56.5 percent for May. Twelve industries are reporting growth in new export orders in May, equal to the amount of industries reporting growth 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.



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, January through March, and the Energy Index stands at a value of 118.7.

The next update for the Energy Index will be coming after the end of the second 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 fell 0.9 percent from a value of 153.0 to 151.6. This indicates a 0.6 percent drop from this time last year. This Index's 4-month moving average decreased from an index value of 151.5 to 151.0.

On the national scale, Consumer Confidence improved in May. The Consumer Confidence Index rose 1.3 points to a value of 83.0. The Expectations Index posted an increase of 0.9, moving from 83.9 to 84.8. The Present Situation Index rose 1.9 points from 78.5 to 80.4. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence improved slightly in May, as consumers assessed current conditions, in particular the labor market, more favorably. Expectations regarding the short-term outlook for the economy, jobs, and personal finances were also more upbeat." 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 55 percent of total county manufacturing employment.

Lumber manufacturing increased 6.3 percent to a value of 36.8, up from 34.7. The value is up 0.2 percent from this time last year. The 4-month moving average has increased this month to a value of 36.7 from 35.4.

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*

Cited References:

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The Conference Board - Employment Development Department (CA)
Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management

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