

Humboldt Economic Index

May 2015

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Professor Erick Eschker
Director

Kaitlynn Nazzario
Assistant Editor & Assistant Analyst

Indices Fall in May, Lumber Suspended

The Composite Index fell 1.6 points from last month's revised value of 106.4 to the current value of 104.8. The Composite Index is up 3.1 points from this time last year. The Home Sales, Retail Sales, Hospitality, and Employment indices all fell over the past month, while the Electricity index remained unchanged.

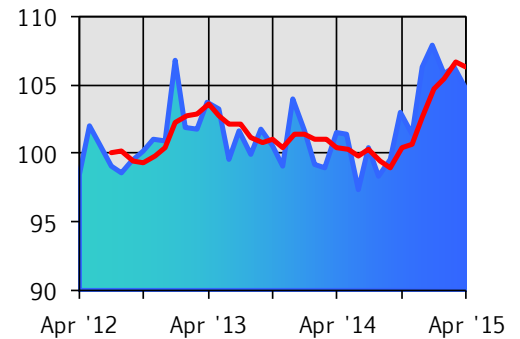
We have suspended the Lumber Manufacturing Index until we can obtain a sufficient number of data providers. This sector is 12% of the overall Index and the last reported amount was 29.2 in March 2015.

The Index of Home Sales fell 10.8 points in April and is 14.0 points lower than this time last year. The median home price in Humboldt County rose from \$246,000 to \$248,000 over the past month.

Help wanted advertising fell over the past month, while manufacturing orders and unemployment claims both rose 2.4 percent and 7.4 percent respectively.

Seasonally adjusted unemployment rates in Humboldt County and California are currently 5.2 percent and 6.3 percent respectively.

Composite Index



Gas prices in California have slightly decreased from the previous month, with California's average price per gallon at \$3.70. Northern California's average price fell from \$3.78 per gallon to \$3.71 per gallon, and Eureka's average gas price fell from \$3.81 per gallon to \$3.75 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

Index	Value***	Percent change from			
		Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	104.8	-1.6	3.1	2.6	-4.3
Home Sales	108.6	-10.8	-14.0	19.4	-22.5
Retail Sales	157.0	-1.3	3.6	8.3	9.5
Hospitality	89.7	-2.1	6.2	-2.4	11.2
Electricity	119.3	0.0	-3.3	-14.4	0.4
Employment	108.9	-0.4	11.7	9.0	2.1
<i>Lumber*</i>	26.3	0.0	-28.6	-28.0	-68.1
Manufacturing**	148.4			-	-

* Formerly "manufacturing", this sector is currently suspended from the Index.
 ** 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

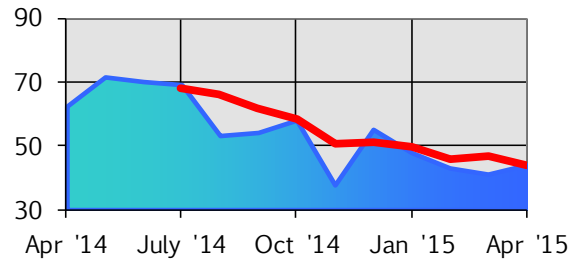
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
2.4%	7.4%	-64.9%	-4.7%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$248,000	\$1,183	3.875%	5.2%
* 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.			

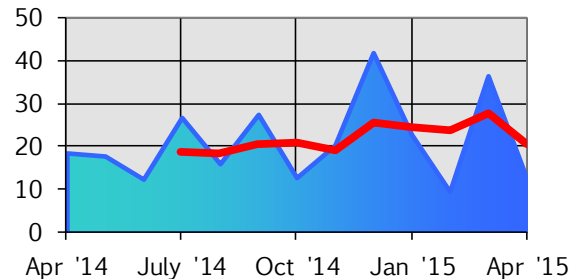
Unemployment Claims increased 3.1 points to a new index value of 44.0. The unemployment claims index was 62.4 in April 2014, 18.4 points higher than the present value. The 4-month moving average fell 2.8 points to 43.9.

Index of Claims for Unemployment Insurance



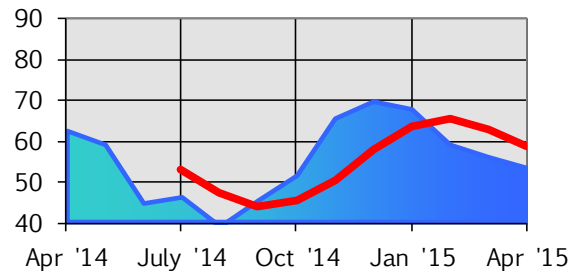
Building Permits fell in April to an index value of 12.8, down 23.6 points from March's value of 36.4. The building permits index value was 18.5 this time last year. April's decrease moved the 4-month moving average downward to a new value of 20.4 from 27.7.

Index of Building Permits Issued



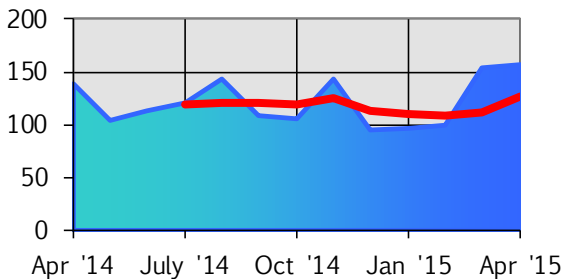
Help Wanted Advertising fell 2.6 points in April to a new index value of 53.3. One year ago, the index value stood at 62.4, indicating a 9.1 point decrease year-over-year. The 4-month moving average is 58.9, 4.2 points lower than the previous value of 63.1.

Index of Help Wanted Advertising



Manufacturing Orders rose 3.8 points for a new index value of 157.6. The manufacturing orders index value in April 2014 was 139.3, 18.3 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 April 2015 reports an index value of 108.6, 13.2 points lower than the previous month. In April 2014, the index value was 126.3, 17.7 points higher than the current value. The county's median home price increased to a value of \$248,000 from March's median price of \$246,000. The median price in April 2014 was \$230,750.

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.

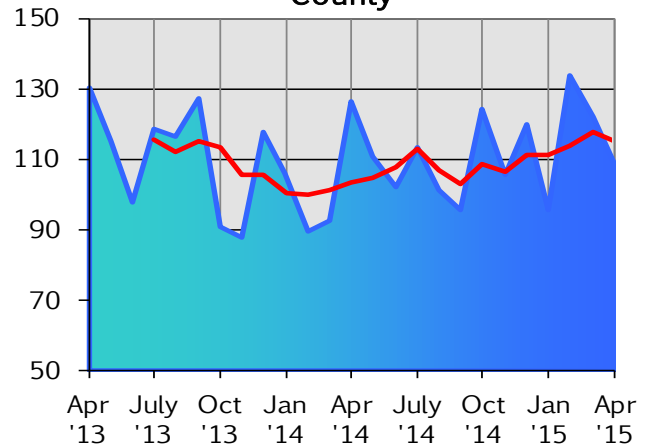
The S&P Case-Shiller Home Price Indices saw increases in home prices in March 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.7 and 5 percent respectively. The 10-City Composite is down from the 4.8 percent growth reported in February, while the 20-City Composite remained unchanged from the 5 percent growth reported in February. The National Index reported a 4.1 percent annual gain over the same period, which is down from the 4.2 percent gain reported in February. The 10-City and 20-City Composites both reported significant month-over-month increases of 0.8 percent and 0.9 percent respectively. The National Index also reported an increase of 0.8 percent.

The National Index has seen 35 successive months with positive year-over-year gains, and all 20 cities have shown year-over-year gains each month since 2012. David Blitzer, Managing Director and Chairman of the

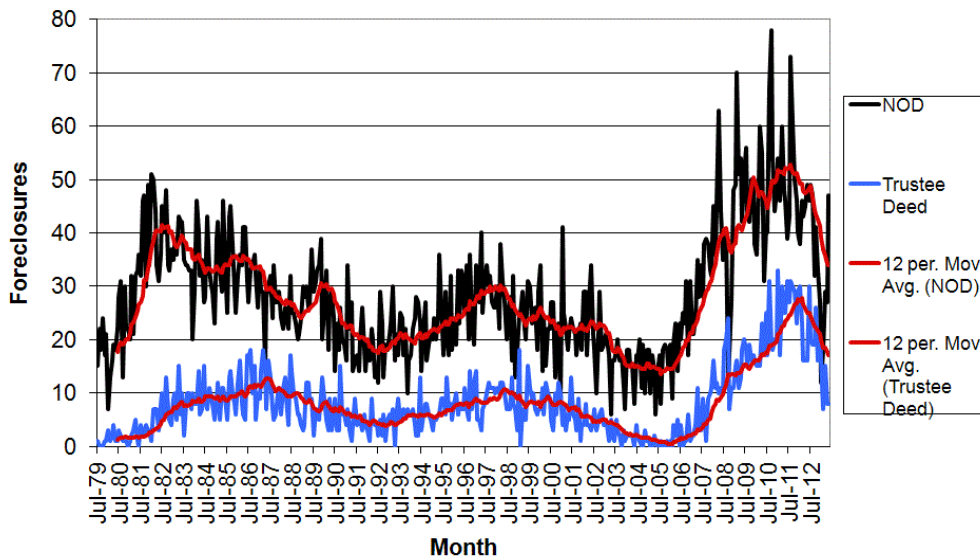
Index Committee at S&P Dow Jones Indices, states "Given the long stretch of strong reports, it is no surprise that people are asking if we're in a new home price bubble." However, "the annual rate of increase halved in the past year," and home prices are rising faster than per capita personal income (3.1%) or wages (2.2%). Blitzer concludes his analysis by stating that this "suggests that some future moderation in home prices gains is likely. Moreover, consumer debt levels seem to be manageable. I would describe this as a rebound in home prices, not bubble and not a reason to be fearful."

According to Freddie Mac, the average 30-year fixed-rate mortgage increased from 3.68 percent in April to 3.87 percent in May. The average 15-year fixed-rate mortgage also increased from 2.94 percent to 3.11 percent in May.

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.

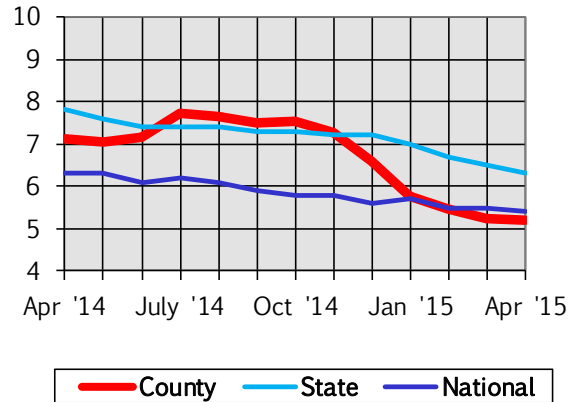
The Total County Employment Index fell from 109.3 in March to a current value of 108.9. The unemployment rate for Humboldt County fell from 5.3 percent in March to 5.2 percent in April. The last time the unemployment rate was this low in Humboldt County was in November 2006. The unemployment rate for California fell from 6.5 percent in March to 6.3 percent in April, and the national unemployment rate fell from 5.5 percent in March to 5.4 percent in April.

The Employment Development Department of California indicated in its April statistics that Humboldt County's total employment increased by 100 individuals to a current total of 59,100. Humboldt County's total unemployment decreased from 3,700 individuals in March to 3,400 individuals in April.

In the Labor Department's April report, total nonfarm payroll employment increased by 223,000. National employment was on the rise in several industries, including professional and business services, health care,

and construction. Employment in mining continued to decline. Employment in other major industries, such as manufacturing, wholesale trade, retail trade, information, financial activities, leisure and hospitality, and government showed few change from the previous month.

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 1.9 points in April, down from a value of 91.6 in March to a current value of 81.7. This month's index value represents a 5.3 point increase from this time last year. The 4-month moving average fell 0.3 points to a current value of 91.2.

Gasoline Prices

California's gas prices slightly decreased in May to a new average of \$3.70 per gallon. For comparison, the US national average is \$2.74 per gallon. Northern California's and Eureka's gas prices also slightly decreased in May, with new averages of \$3.71 per gallon and \$3.75 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.90 per gallon.

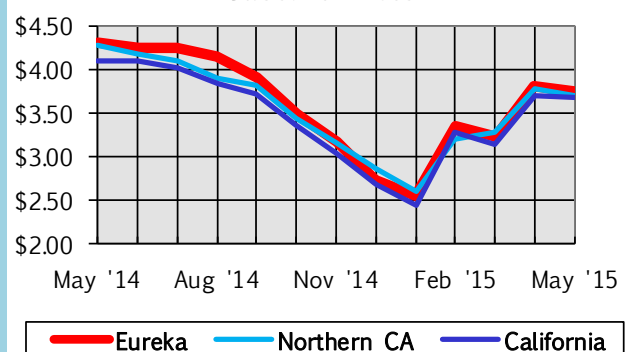
California gas prices are the highest in the nation. High gas prices in California have most likely been caused by refinery problems in the state, including a worker strike and an explosion. Brad Tuttle, writing for Time's Money Magazine, notes that the recent upward trend in gas prices has probably reached its peaking point. According to AAA, "There is a good chance that average U.S. gas prices will drop soon due to stabilizing crude oil costs and as refineries complete seasonal maintenance, which would result in the cheapest summertime gas prices since 2009."

Gas Prices

Prices as of 5/31/2015	Average price*	Change from previous month
Eureka	\$3.75	-\$0.06
Northern California	\$3.71	-\$0.08
California	\$3.70	-\$0.01

* 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

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 148.4 in April, a 36.9 point decrease from the previous month. Overall manufacturing employment remained at 2,000 according to the Employment Development Department.

The Institute for Supply Management reports that May saw economic activity in the manufacturing sector grow for the 29th consecutive month, with the overall economy growing for the 72nd 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 economy. The PMI for May is 52.8 percent, representing an increase of 1.3 percentage points from the previous month.

Nationally, fourteen of the eighteen manufacturing industries reported growth in May, including Apparel, Leather & Allied Products; Furniture & Related Products; Paper Products; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Primary Metals; Transportation Equipment; Printing & Related Support Activities; Fabricated Metal Products; Machinery; Miscellaneous Manufacturing; and Chemical Products. Two industries – Textile Mills and Computer & Electronic Products – saw contraction in April. The New Export Orders Index for May is 50 percent, indicating the volume of new export orders has not changed from April. Seven industries reported growth in new export orders in May, including Apparel, Leather & Allied Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Paper Products; Fabricated Metal Products; and Transportation Equipment. Five industries saw a decrease in their new export orders in April, 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 first fiscal quarter of 2015 – January through March – and the Energy Index currently stands at a value of 119.3. March's index value is 10.6 points higher than February's value and 0.6 points lower than in March 2014. February's value of 108.7 was 18.8 points lower than January's value and 10.9 points lower than in February 2014. January's value of 127.5 was 25.2 points higher than December's value of 100.9, but 4.6 points lower than in January 2014.

The next update for the Energy Index will be coming after the end of the second fiscal quarter of 2015, in July 2015.

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 reports a value of 157.0 for April, a decrease of 2 points from March. The most recent value is 5.4 points higher than in April 2014. The 4-month moving average for this index is 159.4.

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 May by 1.1 points to a current index value of 95.4. The Present Situation Index increased 3 points to a current value of 108.1, while the Expectations Index decreased 0.2 points to a new value of 86.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states "Consumer confidence improved modestly in May, after declining sharply in April. After a three-month slide, the Present Situation Index increased, propelled by a more positive assessment of the labor market. Expectations, however, were relatively flat following a steep decline in April." The percentage of consumers expecting business conditions to improve over the next six months slightly increased from 15.4 percent to 15.6 percent. The percentage of consumers expecting business conditions to decline also increased from 9.1 percent to 10.8 percent.

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.

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 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.

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Institute for Supply Management – Money Magazine

Layout & Design: Matt Hawk

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

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