

Humboldt Economic Index

April 2013

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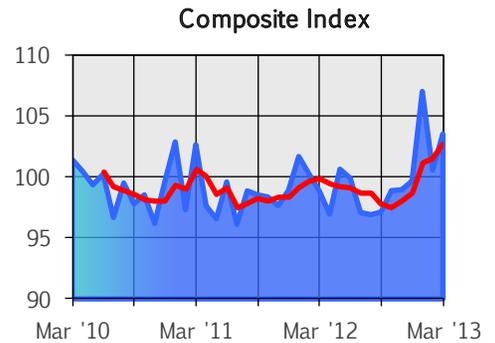
Index Increases with Strong Gains in Hospitality

This month we say goodbye to Paul Yzaguirre, Assistant Editor for the Index. Paul is a talented economics major who is graduating and ready for life after college. He did a great job with the Index over the last year and we wish him the best.

The Composite Index has grown by 2.9 percent from last month's value of 100.5 to the current value of 103.5, and has also increased by 4.7 percent from this time last year. The Electricity and Hospitality Indexes increased this month. Home Sales and Retail remained unchanged and Employment and Manufacturing decreased slightly.

The Hospitality Index increased by 11.2 percent to an index value of 98.1. This is the highest index value since January of 2011, and the largest month-to-month growth since February of 2012.

The Index of Home Sales fell dramatically from January to February and remained constant February to March. Median home prices in Humboldt County decreased this month from \$225,000 to \$220,300. The average 30-year fixed-rate mortgage has decreased to a near record low of 3.35 percent, while the average 15-year fixed-rate



mortgage set a new all-time record low at 2.56 percent as of May 2nd.

The Total County Employment Index declined from last month's value of 100.6 to 99.6. Unemployment claims have also increased by 16.8 percent this month. However, the seasonally adjusted county unemployment rate remained unchanged from last month. National unemployment continued to decline this month to 7.6 percent from last month's 7.7 percent.

Gas Prices declined for the second straight month. Eureka gas prices have dropped 13 cents down to an average of \$4.14 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 | 103.5 | 2.9 | 4.7 | -2.4 | -0.1 |
| Home Sales | 105.6 | 0.0 | 15.6 | 30.9 | -15.2 |
| Retail Sales | 147.8 | 0.7 | 7.1 | -3.7 | 14.9 |
| Hospitality | 98.1 | 11.2 | 23.7 | 1.7 | 13.7 |
| Electricity | 137.2 | 13.1 | -0.8 | 2.5 | 16.3 |
| Employment | 99.6 | -1.0 | -0.8 | -4.6 | -1.3 |
| Manufacturing | 32.6 | -2.4 | 0.0 | -34.8 | -56.4 |

* 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

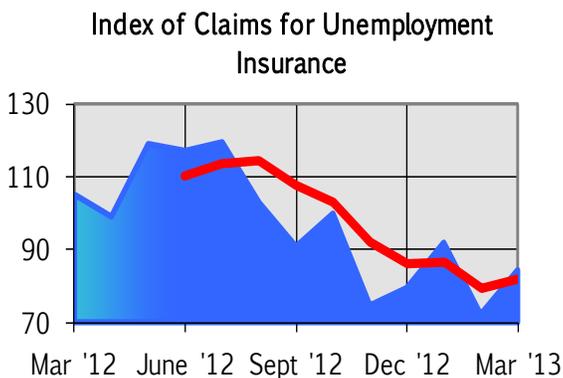
Leading Indicators

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* | 16.8% | 53.9% | -1.8% |
| * All values are seasonally adjusted. | | | |

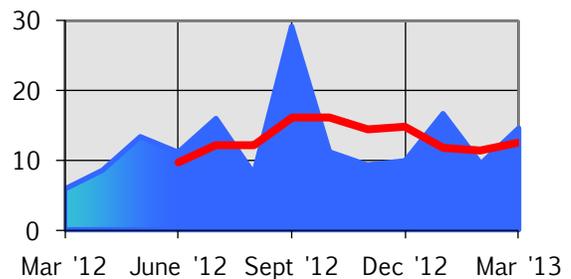
| Key Statistics | | | |
|---|----------------|----------------|--------------------|
| Median Home Price* | Monthly Rent** | Mortgage Rate† | Unemployment Rate‡ |
| \$220,300 | \$1,328 | 3.38% | 8.2% |
| <p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy 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> | | | |

Unemployment Claims increased by 16.8 percent this month to an Index value of 84.3. However, the unemployment claims have decreased by 19.8 percent from this time last year. The 4-month moving average increased slightly to an index value of 81.9 from 79.5. When considering the percentage change with Unemployment Claims, it is important to remember that in contrast to several other Indexes it is not uncommon to see changes of up to 20 percent on a month-to-month basis.



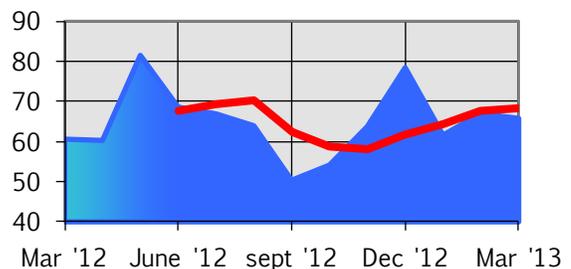
Building permits expanded by 53.9 percent to an Index value of 14.6 from the previous 9.5. The 4-month moving average increased in value from 11.3 to 12.7. This Index held low values for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



Help Wanted Advertising decreased to a value of 65.8 down 1.8 percent from last month's seasonally adjusted value of 66.9. The level this month is 8.5 percent higher than this time last year. Additionally, the 4-month moving average has increased slightly by 0.7 percent to an Index value of 68.2 from a value of 67.7.

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.

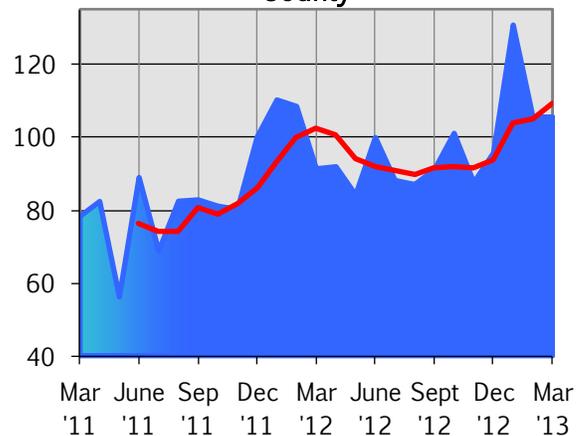
The Humboldt County Home Sales Index remained unchanged from the previous month, at a value of 105.6. However, this is a 15.6 percent increase from this time last year. Median home prices decreased slightly to a median of \$220,300 from \$225,000. This is the second consecutive month there has been a decline in median home prices.

The S&P Case-Shiller home price index showed average home prices continued to increase in the 12 months ending in February 2013. The 10-City Composite reported a growth of 8.6 percent over the 12-month period, while the 20-City Composite reported a 9.3 percent growth over that same period. The 10- and 20-City Composites rose 0.4 percent and 0.3 percent from January to February. All 20 cities posted year-over-year increases for at least two consecutive months. The Chairman of the Index Committee, David Blitzer, comments that the last time all 20 cities saw higher prices for two months in a row was in early 2005. 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.

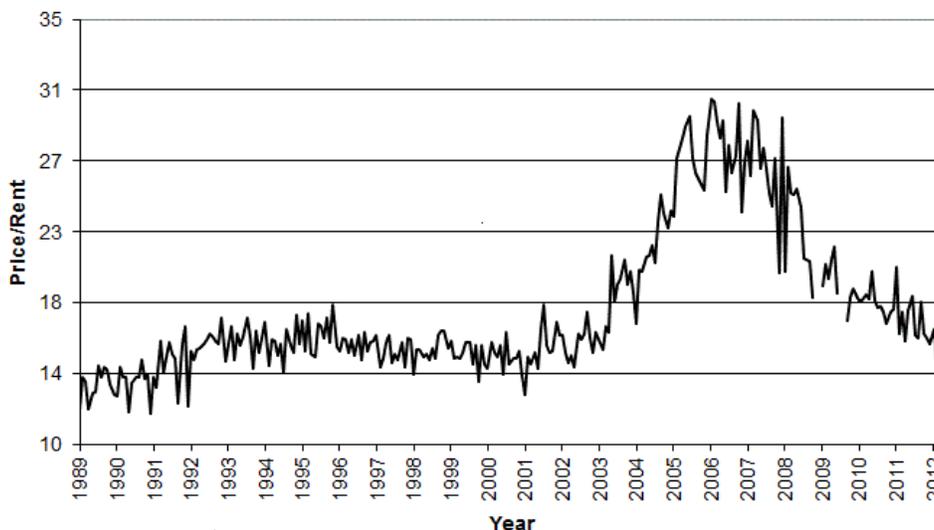
Particularly important to the housing sector are the mortgage rates. According to Freddie Mac, the average 30-year fixed-rate mortgage is 3.35 percent for the week ending May 2, 2013, just above its all-time record low of

3.31 percent set the week of November 21, 2012. The average 15-year fixed-rate mortgage set a new all-time record low at 2.56 percent. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.84 and 3.07 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, 1989-2012
(medium home price/mean rent, adjusted for expenses)



Source: Humboldt Economic Index

The Index – Individual Sectors

Total County Employment

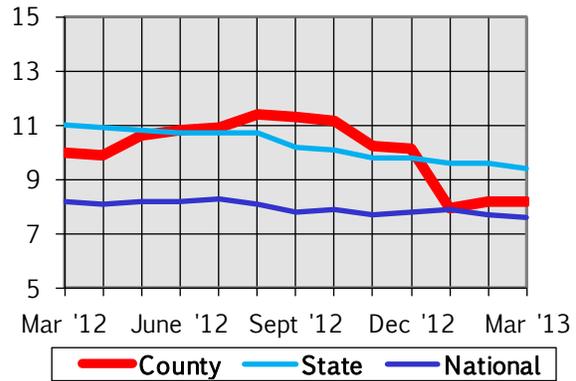
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment decreased this month from an index value of 100.6 to 99.6. The seasonally adjusted unemployment rate for Humboldt County has remained unchanged from last month at 8.2 percent. The seasonally adjusted national unemployment rate decreased from 7.7 to 7.6 percent.

The Employment Development Department of California indicated in its March statistics that Humboldt County's labor force decreased by about 400 individuals. For California on the whole, employment added 30,500 jobs, and statewide unemployment decreased to a seasonally adjusted 9.4 percent, with 45,400 less unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 88,000 nonfarm payroll jobs in March, and the unemployment rate dropped from 7.7 to 7.6 percent. Twenty-six states and the District of Columbia had unemployment rate decreases, seven states had increases, and seventeen states had no change.

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 grew this month, increasing 11.2 percent to an Index value of 98.1 from last month's value of 88.2. The current value is 23.7 percent greater than last year at this time, the largest increase since March of 2008. The 4-month moving average has also increased from last month's index value of 88.8 to 89.2.

Gasoline Prices

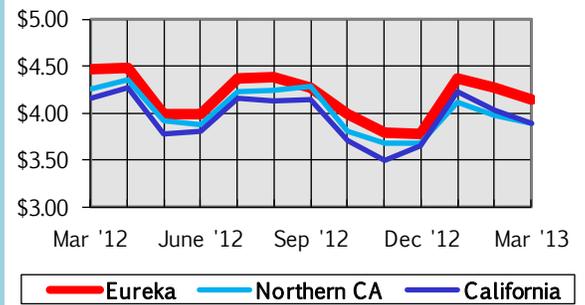
Gasoline Prices for California have continued to decline recently, with average prices declining 14 cents. California gas prices fell to an average of \$3.89, down from last month's \$4.03. Northern California prices also fell to \$3.89 this month. Eureka gas prices have decreased to \$4.14, 13 cents lower than last month.

Possible reasons for the recent high gas prices include an earlier switch to summer blend gasoline than usual, as well as higher than usual maintenance costs associated with Californian refineries. However, according to the LA times, prices should continue to slowly decline as many of the state's most important refineries begin to return to full production. Wholesale prices have also decreased with little indication that prices will begin to rise again.

| Gas Prices | | |
|---------------------------|----------------|-------------------------------|
| Prices as of 4/28/2013 | Average price* | Change from previous month |
| Eureka | \$4.14 | -\$0.13 |
| Northern California | \$3.89 | -\$0.08 |
| California | \$3.89 | -\$0.15 |

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 increased by 0.7 percent, from 146.7 to 147.8. This is 7.1 percent above this time last year. This Index's 4-month moving average has increased to an index value of 149.4 from 149.2.

On the national scale, Consumer Confidence grew from last month's moderate retraction. Consumer Confidence increased by 6.2 points to a value of 68.1, while the Expectations Index also posted a significant 9.6-point increase from 63.7 to 73.3. The Present Situation Index slightly increased, with a 1.2-point increase from 59.2 to 60.4. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer Confidence improved in April, as consumers' expectations about the short-term economic outlook and their income prospects improved. However, consumers' confidence has been challenged several times over the past few months by such events as the fiscal cliff, the payroll tax hike and the sequester. Thus, while expectations appear to have bounced back, it is too soon to tell if confidence is actually on the mend."

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 has declined for the second straight month to a value of 32.6 from 33.4, a 2.4 percent decrease from last month's value and the lowest index value since August of 2012. This month's value decreased the 4-month average, with the 4-month average declining by 2.0 percent to an Index value of 34.0 from 34.7.

The Institute for Supply Management reported that the national manufacturing sector has expanded for the fifth consecutive month, and the overall economy continued to grow for the 47th consecutive month. The PMI was registered at 50.7 percent, a decrease of 0.6 percentage points from March's 51.3 percent. Businesses reported growth in exports for the fifth consecutive month, registering at an Index value of 54.0. However, only seven industries are reporting growth in new export orders in April, down from twelve in March, including Wood Products, Furniture Products, and Paper Products. Fourteen out of the eighteen industry groups reported growth this month, including Paper Products and Furniture Products. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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.

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. This is a 13.1 percent increase from February's value of 121.3, but a 1 percent drop from 12 months ago. February's Index value was 5.8 percent lower than the previous year and 17.8 percent lower than January's value of 146.2. January was 7 percent lower than the previous year and 12 percent lower than December, 2012.

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

HUMBOLDT STATE UNIVERSITY

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Consumer Confidence - The Institute of Supply Management
National Association of Realtors

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