

Humboldt Economic Index

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Professor Erick Eschker, Director

Brittanie Smith, Assistant Editor

Jordan Morgan, Assistant Analyst

Home Sales Contract, Gas Prices Continue to Slide

The Composite Index fell 0.6 points from last month's value of 109.1 to the current value of 108.5. The Composite Index is up 1.7 points from this time last year. The Retail Sales Index climbed over the past month, while the Home Sales and Hospitality Indices declined.

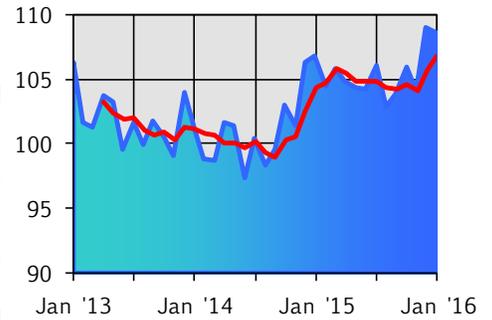
The Index of Home Sales fell 36.5 points from January, and is 8.5 points lower than in December 2015. The median home price declined to \$242,950.

Leading Indicators are mostly rising in January. The Unemployment Claims, Help Wanted Advertising, and the Manufacturing Orders are all up this month, while Building Permits has decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County remained at 5.8 percent, while the seasonally adjusted unemployment rate in California increased just 0.1 points to 5.9 percent. In comparison, the national unemployment rate fell to 4.9 percent.

California gas prices decreased from \$2.58 to \$2.40. Northern

Composite Index



California's average also fell from \$2.61 to \$2.53, and Eureka's average gas price per gallon rose slightly from \$2.65 to \$2.66.

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	108.5	-0.5	1.6	5.2	4.0
Home Sales	87.5	-36.5	-8.5	-19.6	-26.6
Retail Sales	186.3	18.6	15.2	25.2	37.6
Hospitality	87.6	-10.4	-1.7	-13.7	-4.4
Electricity	134.2	0.0	5.3	6.1	25.3
Employment	107.2	0.0	-1.9	7.8	1.9
Lumber*	26.3	0.0	-27.4	-21.8	-59.9
Manufacturing**	102.1			-	-

* 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

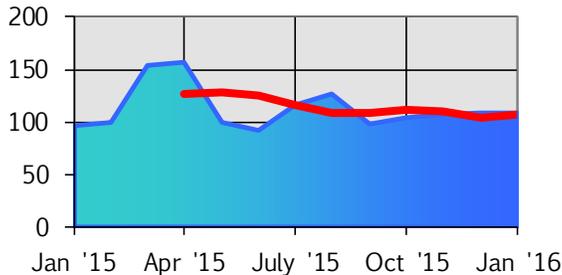
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	-9.3%	-33.3%	14.4%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$242,950	\$ 867	3.750%	5.9%
* 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 increased from last month's value of 108.0 to a current value of 109.0. The manufacturing orders index value in January 2015 was 96.2, which is 12.8 points lower than the present value

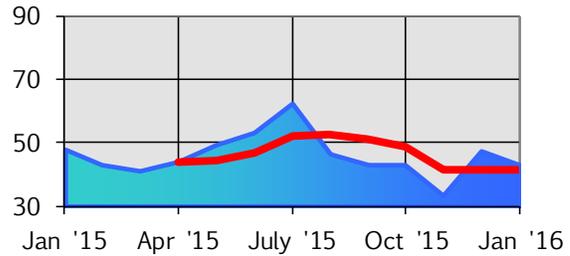
Index of Manufacturing Orders



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.

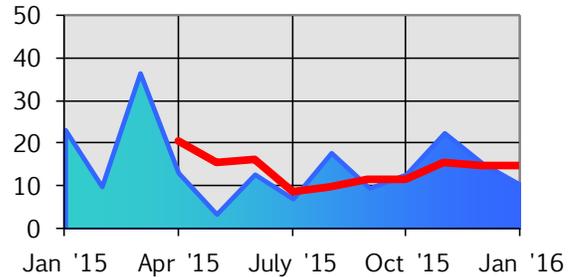
Unemployment Claims decreased 4.4 points to a new index value of 43. The unemployment claims index was 47.6 in January 2015, or 4.6 points higher than the present value. The 4-month moving average remained at 41.7.

Index of Claims for Unemployment Insurance



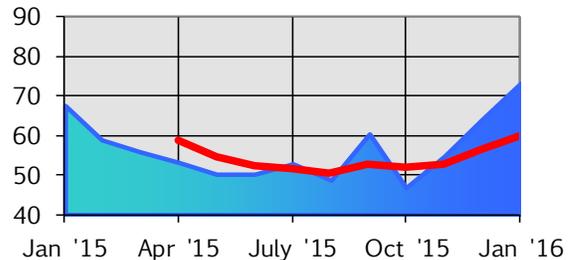
Building Permits declined 5 points to a new index value of 9.9. The current value is 13 points lower than the previous year's value of 22.9.

Index of Building Permits Issued



Help Wanted Advertising rose 9.3 points in January to a new index value of 73.4. One year ago, the index value stood at 67.7, indicating a 5.7 point decrease year-over-year. The 4-month moving average is up to 55.3, lower than the December's average of 56.5.

Index of Help Wanted Advertising



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 January 2016 stands at an index value of 87.5, which is a significant 50.3 points lower than December's value of 137.8. January 2015's index value is 8.1 points higher than the current value. The county's median home price decreased to a price of \$242,950. In comparison, the median home price in December was \$285,000.

Monthly Foreclosures in Humboldt County have been updated by the Index assistants and the picture below reflects the new data. Notices of Default (90 days late) and Trustee Deeds (repossession by lender) are essentially at levels since before the housing boom and bust, and both are falling. The average of Notice of Defaults for the past one and a half years is 21 per month, which is lower than the overall long-run average of 28. Changes in Trustee Deeds usually lags Notice of Defaults, and Trustee Deeds at 10 is slightly higher than the overall long-run average of 8.

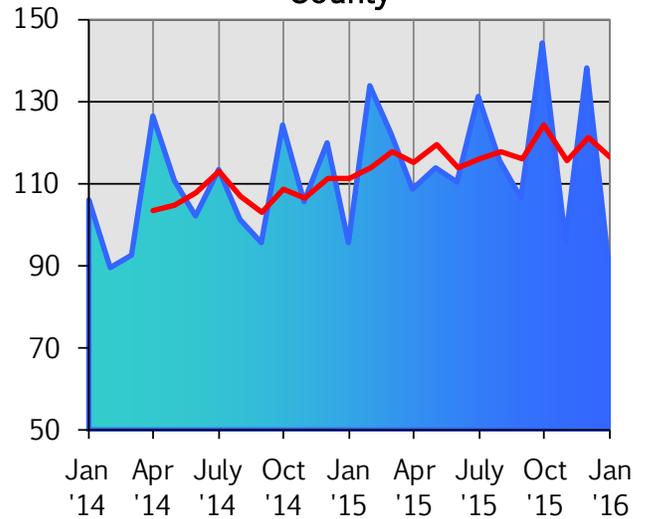
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in December compared to November. The 10-City and 20-City Composites report year-over-year gains of 5.1 percent and 5.7 percent respectfully. The National Index reported a 5.4 percent annual gain over the same period. The 10-City and 20-City Composite reported seasonally adjusted month-over-month increases of 0.7 percent and 0.8 percent respectfully. The National Index also reported a seasonally adjusted increase of 0.8 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "While home prices continue to

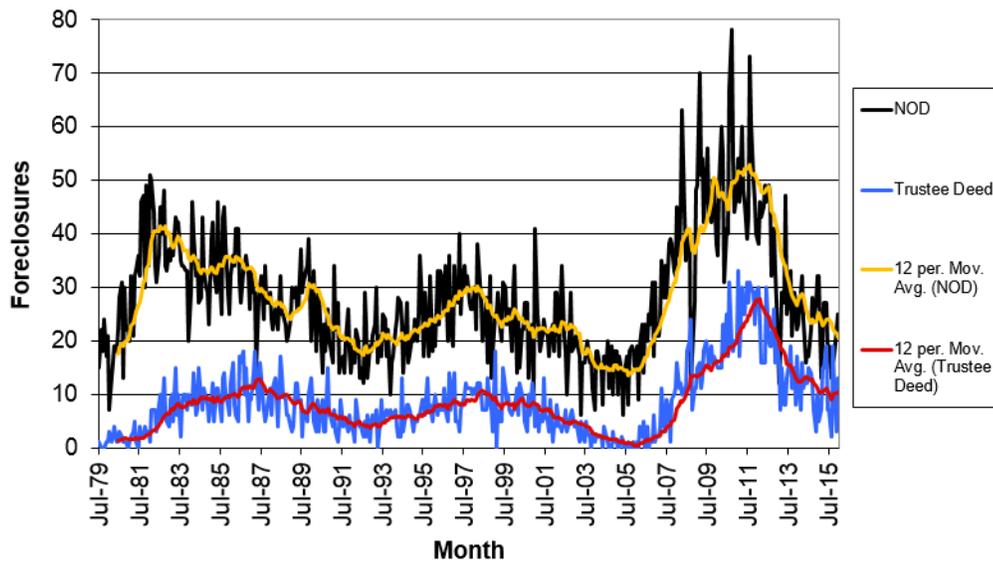
rise, the pace is slowing a bit." Seven cities recorded show the rate of price increases wane year-over-year.

According to Freddie Mac, the average 30-year fixed-rate mortgage as of February 28, 2016 decreased to 3.62 percent from January's latest percent of 3.79. The average 15-year fixed-rate mortgage also decreased from 3.07 percent to 2.93 percent in February.

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 and the seasonally adjusted unemployment rate for Humboldt County for this month will not be released until March. January's records show the indices at 107.2 percent and 5.8 percent respectfully. The unemployment rate for California rose just 0.1 points to a new value of 5.9 percent. The national unemployment rate decreased to 4.9 percent after third consecutive months at 5.0 percent.

The Employment Development Department of California indicated that in December Humboldt County's total employment fell by 530 individuals to a total of 58,410. Humboldt County's total unemployment increased from 3,300 individuals in November to 3,430 individuals in December.

In the Labor Department's January report, total nonfarm payroll employment rose by 151,000. National employment was on the rise in several industries, including retail trade, food services and drinking places, health care, and manufacturing. Employment declined in

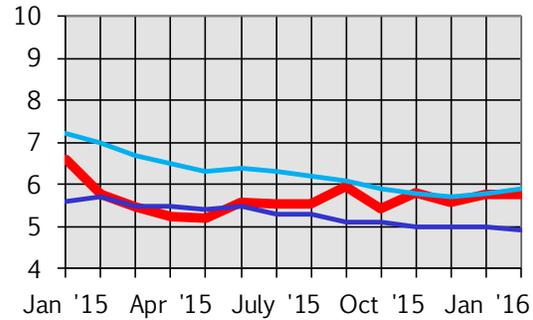
Hospitality

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 decreased in January to a new value of 87.6 from the adjusted value of 97.7. This month's index value represents a 1.5 point decrease from this time last year. The 4-month moving average remained at a value of 95.8.

private educational services, transportation and warehousing, and mining. Employment in other industries, such as construction, wholesale trade, and government, showed few change over month-to-month.

Unemployment Percentage Rates



County State National

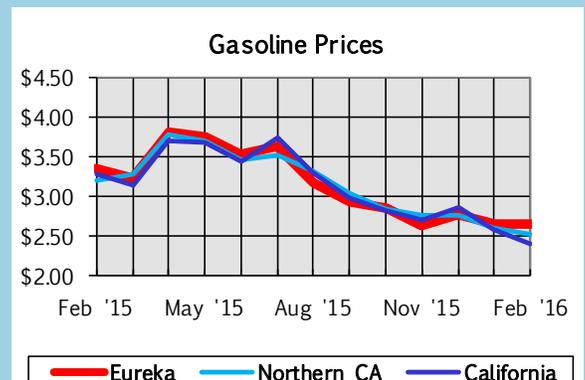
Gasoline Prices

California's gas prices fell in January, decreasing 18 cents to a new average of \$2.40. Northern California's average price decreased 8 cents to a new average of \$2.53, while Eureka's average gas price rose by 1 cent to a new average of \$2.66. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.06 per gallon.

According to the non-profit group Consumer Watchdog, low gas prices will not be lasting much longer in California. Gas prices increase during this time every year due to seasonal changes in the state's refinery operations, which switches winter blend gasoline to a more environmentally friendly summer blend gasoline. Consumer Watchdog President Jamie Court said, "The summer blend should not be responsible for more than a few pennies, maybe a dime." However, refiners are taking this opportunity to add a 30 cent increase per gallon to make a larger profit. This change will be seen the first weekend of March in Southern California and at the end of March in Northern California.

Gas Prices		
Prices as of 2/29/2016	Average price*	Change from previous month
Eureka	\$2.66	\$0.01
Northern California	\$2.53	-\$0.08
California	\$2.40	-\$0.18

* 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 improved to a seasonally adjusted index value of 102.1 in January, an 8 point increase from the previous month's value of 96.1. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that February saw economic activity in the manufacturing sector contract for the fifth consecutive month, while the overall economy grew for the 81st 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 overall economy. The PMI for January is 49.5, representing a 1.3 point increase.

Nationally, nine of the eighteen manufacturing industries are reporting growth in February including Textile Mills, Wood Products, Furniture & Related Products, Miscellaneous Manufacturing, Electrical Equipment, Appliances & Components, and Food, Beverage & Tobacco Products.

The New Export Orders Index for February is 46.5 percent, indicating a decrease from January's index by 0.5 points. A New Orders Index above 52.1 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Five industries reported growth in the new export orders including Primary Metals and Printing & Related Support Activities. Seven Industries reported a decrease in new export orders, 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 fourth fiscal quarter of 2015 – October through December – and the Energy Index stands at a value of 134.2. December's index value is 24.3 points higher than November's value, and 8.1 points higher than in December 2014. November's value of 109.9 was 7.1 points lower than October's value, and 9 points higher than in November 2014. October's value of 117.0 was 0.6 points lower than September's value of 117.6, but 4.4 points lower than in October 2014.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2016, in the April 2016 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 186.3 for January 2016, an increase of 29.2 points from the value of 157.1 in December. The most recent value is also 24.5 points higher than in January 2015. The 4-month moving average is up by 7.8 points to a new value of 163.7.

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 decreased in February by 5.6 points to a current index value of 92.2. The Expectations Index decreased 6.4 points to a new value of 78.9, while the Present Situation Index declined 4.5 points to a value of 112.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence decreased in February, after posting a modest gain in January. Continued turmoil in the financial markets may be rattling consumers, but their assessment of current conditions suggests the economy will continue to expand at a moderate pace in the near-term." The percentage of consumers expecting business conditions to improve over the next six months declined to 14.6 percent, while the percentage of consumers expecting business conditions to decline in the next six months increased to 12 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.

Sierra Pacific Industries, a third-generation family-owned forest products company in Arcata since 1949, has announced its permanent closure of the Arcata Sawmill.

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

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
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Layout & Design: Matt Hawk

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

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