

Humboldt Economic Index

July 2015

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Composite Increases, Home Sales Fall

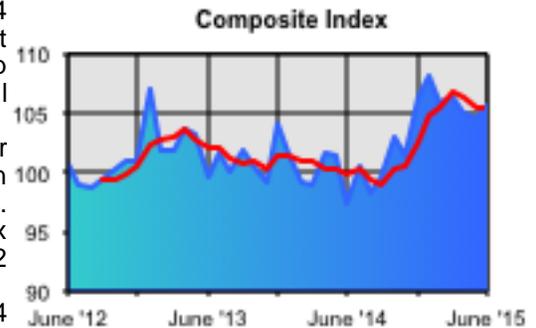
The Composite Index rose 1.4 percent from last month to the current value of 106. The Composite Index is up 8.8 percent from this time last year. All indices rose over the past month.

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 3.4 percent to a new value of 110.1. This value is 8.2 percent higher than this time last year. Manufacturing orders fell by 43 percent and Unemployment claims rose by 7.8 percent.

Seasonally adjusted unemployment rates in Humboldt County and California are currently 5.5 percent and 6.3 percent respectively.

Gas prices in California have increased from the previous month, with California's average price per gallon at \$3.75. Northern California's average price rose from \$3.47 per gallon to \$3.52 per gallon, and Eureka's average gas price rose from \$3.55 per gallon to \$3.63 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	105.7	1.1	8.5	4.6	-4.5
Home Sales	110.1	-3.4	8.2	23.3	-26.9
Retail Sales	156.9	1.7	8.0	1.3	13.1
Hospitality	95.3	4.2	14.4	14.0	9.6
Electricity	123.8	7.1	7.0	-3.1	4.5
Employment	107.8	-1.1	11.1	7.3	0.9
Lumber*	26.3	0.0	-24.3	-26.8	-69.1
Manufacturing**	91.6			-	-

* 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
-43.0%	7.8%	321.5%	0.0%
* Change from prior month. All values are seasonally adjusted.			

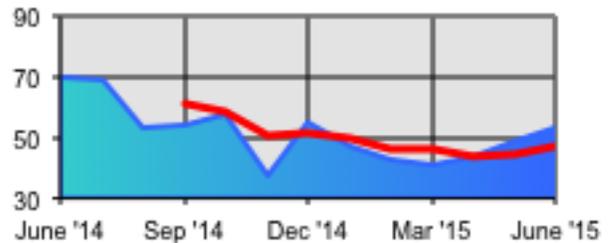
Unemployment Claims climbed 3.8 points to a new index value of 53.1. The unemployment claims index was 69.8 in June 2014, 16.7 points higher than the present value. The 4-month moving average rose 2.5 points to 46.8.

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$251,950	\$1,430	4.125%	5.5%
<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>			

Manufacturing Orders fell 69.5 points for a new index value of 91.9. The manufacturing orders index value in June 2014 was 113.1, 21.2 points lower than the present value.

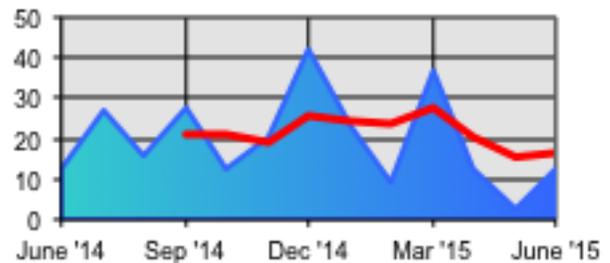
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Index of Claims for Unemployment Insurance



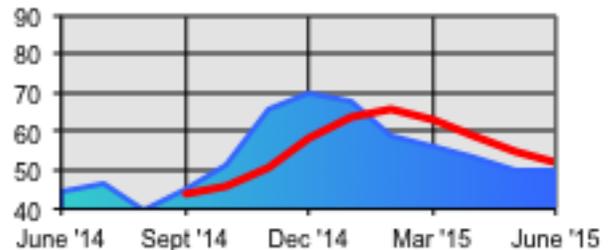
Building Permits rose in June to an index value of 12.5, up 9.5 points from May's value of 3.0. The building permits index value was 12.5 this time last year. June's increase moved the 4-month moving average upward to a new value of 16.2 from 15.4.

Index of Building Permits Issued



Help Wanted Advertising remained at an index value of 50.1. One year ago, the index value stood at 44.7, indicating a 5.4 point decrease year-over-year.

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 for June reports an index value of 110.1, 3.8 points lower than the previous month. In June 2014, the index value was 101.8, 8.3 points lower than the current value. The county's median home price increased to a value of \$269,500 from May's median price of \$251,950. The median price in June 2014 was \$247,500.

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 2-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.

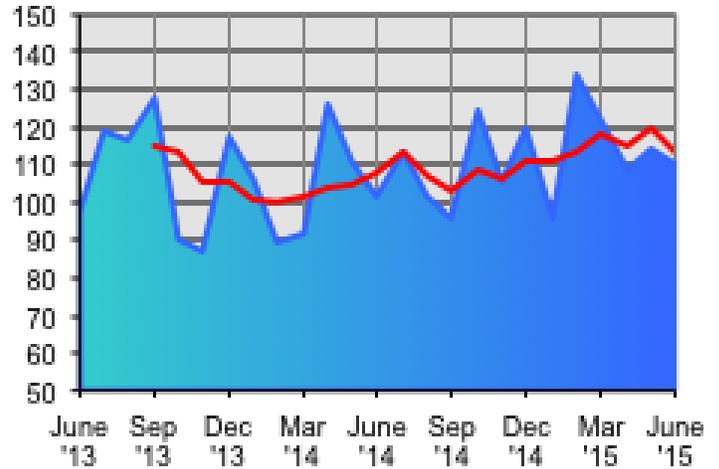
The S&P Case-Shiller Home Price Indices saw marginally higher year-over-year gains compared to April 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.7 percent and 4.9 percent respectively. The National Index reported a 4.4 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month decreases of 0.2 percent. The National Index reported a seasonally adjusted increase of 1.1 percent.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states, "As home prices continue rising, they are sending more upbeat signals than other housing market indicators." He also goes on to explain that the rate of home price increases is more likely to slow down than accelerate over the next two years. Prices are increasing around

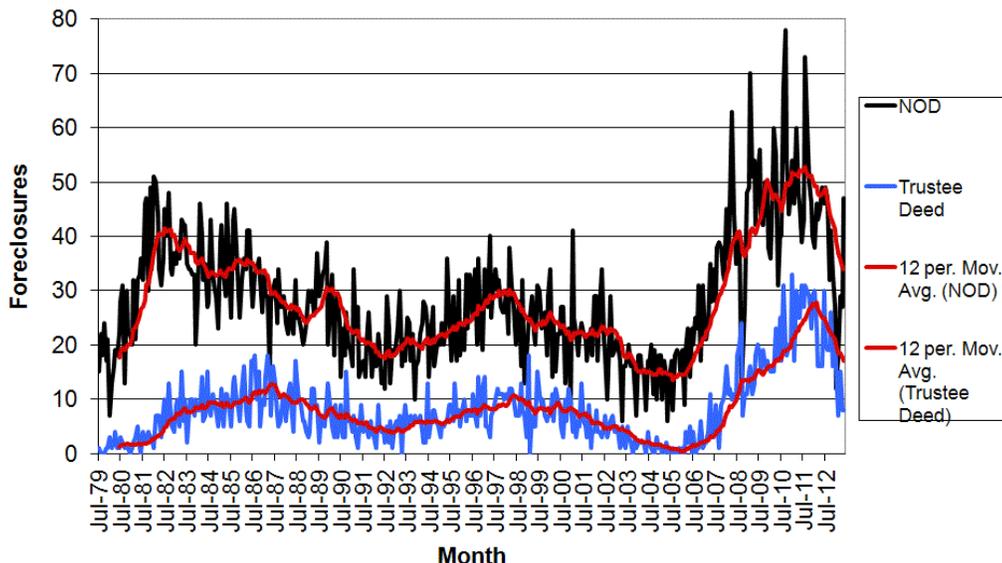
twice as quickly as inflation or wages.

According to Freddie Mac, the average 30-year fixed-rate mortgage decreased from 4.02 percent in June to 3.98 percent in July. The average 15-year fixed-rate mortgage also decreased from 3.21 percent in June to 3.17 percent in July.

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 108.7 in May to a current value of 107.8. The unemployment rates for both Humboldt County and California fell slightly from 5.6 percent and 6.4 percent in May to 5.5 percent and 6.3 percent in June respectively. The national unemployment rate fell from 5.5 percent in May to 5.3 percent in June.

The Employment Development Department of California indicated in its June statistics that Humboldt County's total employment decreased by 600 individuals to a current total of 59,100. Humboldt County's total unemployment increased from 3,300 individuals in May to 3,400 individuals in June.

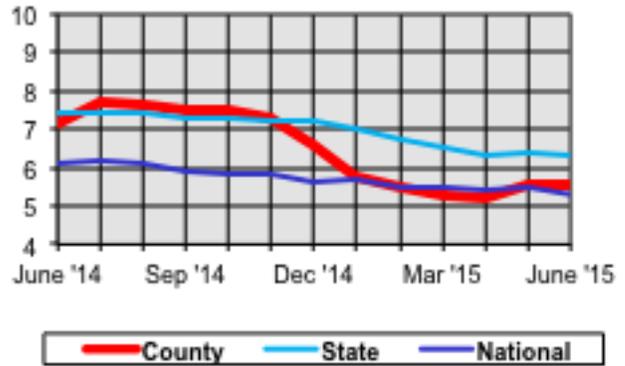
In the Labor Department's June report, total nonfarm payroll employment increased by 223,000. National employment was on the rise in several industries, including professional and business services, healthcare, retail trade, financial activities, and transportation and warehousing. Employment in mining continued to decline.

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 increased 3.8 points in June, down from a value of 91.5 in May to a current value of 95.3. This month's index value represents an 11.9 point increase from this time last year. The 4-month moving average increased 2.4 points to a current value of 92.

Unemployment Percentage Rates



Gasoline Prices

California's gas prices increased in July to a new average of \$3.75 per gallon. For comparison, the US national average is \$2.65 per gallon. Northern California's and Eureka's gas prices also increased in July, with new averages of \$3.52 per gallon and \$3.63 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.78 per gallon.

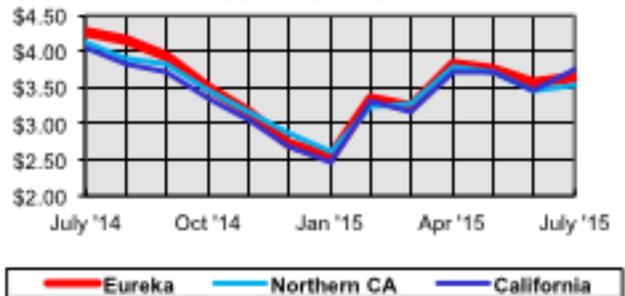
Two weeks ago, gas prices rose almost 75 cents overnight to \$4.30 per gallon in Southern California. However, Gary Richards, writing for the San Jose Mercury News, notes that gas prices may fall in the state to pre-recession levels if refineries continue to produce at full capacity. Winter-blend gas is cheaper to produce and lower in demand than blends in other seasons. Alison Mac, the west coast analyst for GasBuddy, states that "It is possible to see the average price in California down to \$2.30-\$2.50 by the end of the year."

Gas Prices

Prices as of 7/31/15	Average price*	Change from previous month
Eureka	\$3.63	\$0.08
Northern California	\$3.52	\$0.05
California	\$3.75	\$0.31

* 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

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 expanded to a seasonally adjusted index value of 91.6 in June from an adjusted value of 88.8 in May. Overall manufacturing employment remained at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that economic activity in the manufacturing sector expanded for the 31st consecutive month. The overall economy grew for the 74th 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 July is 52.7 percent, representing a decrease of 0.8 percentage points from the previous month.

Nationally, eleven of the eighteen manufacturing industries reported growth in July, some of which include Textile Mills; Paper Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Furniture & Related Products; and Fabricated Metal Products. Five industries – Wood Products; Primary Metals; Plastics & Rubber Products; Chemical Products; and Machinery – saw contraction in July. The New Export Orders Index for July is 56.5 percent, indicating growth in the volume of new export orders for the 32nd consecutive month. Ten industries reported growth in new export orders in July, some of which include Textile Mills; Paper Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; and Furniture & Related Products. Six industries saw a decrease in their new export orders in July, and two 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

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 second fiscal quarter of 2015 – April through June – and the Energy Index currently stands at a value of 123.8. June's index value is 8.2 points higher than May's value and 8.1 points higher than in June 2014. May's value of 115.6 was 4.5 points lower than April's value and 4.7 points lower than in May 2014. April's value of 120.1 was 0.8 points higher than March's value of 119.3, but 3.3 points lower than in April 2014.

The next update for the Energy Index will be coming after the end of the third fiscal quarter of 2015, in October 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 156.9 for June, a decrease of 2.7 points from May. The current value is 11.7 points higher than in June 2014. The 4-month moving average for this index is 156.8.

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 from 99.8 in June to 90.9 in July. The Present Situation Index decreased from 110.3 in June to 107.4 in July, while the Expectations Index also decreased from 92.8 in June to 79.9 in July.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states "Consumer confidence declined sharply in July, following a gain in June. Consumers continue to assess current conditions favorably, but their short-term expectations deteriorated this month. A less optimistic outlook for the labor market, and perhaps the uncertainty and volatility in financial markets prompted by the situation in Greece and

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 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

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.

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