

Humboldt Economic Index

June 2014

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Professor Erick Eschker, Director

Jacob Erickson, Assistant Editor

Kaitlynn Nazzario, Assistant Analyst

Hospitality and Retail Increase, Median Home Price Rises

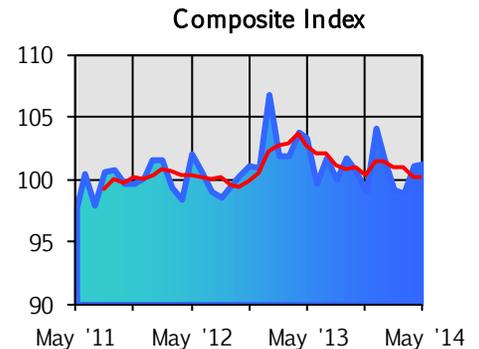
The Composite Index increased 0.1 percent from last month's value of 101.1 to the current value of 101.2, though this is 2.0 percent lower than this time last year. The Retail and Hospitality indices increased this month, while Home Sales and Lumber both declined.

The Index of Home Sales is down 12.4 percent from last month and is 3.7 percent lower than this time last year. The median home price in Humboldt County rose from \$230,750 to \$251,425. Mortgage rates remained relatively unchanged this month with the average 30-year fixed rate mortgage at 4.12 percent and the average 15-year fixed rate mortgage at 3.22 percent.

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

The national unemployment rate stayed at 6.3 percent in May. The seasonally adjusted unemployment rate in Humboldt County also stayed put, remaining at 7.1 percent, while the unemployment rate in California lowered to 7.6 percent.

Local average gas prices continued to decline in May. Eureka gas prices lowered 6 cents this month to an average of \$4.25 per



gallon, while the statewide average remained unchanged, staying at \$4.11 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	101.2	0.1	-2.0	5.2	-7.5
Home Sales	110.7	-12.4	-3.7	68.9	-14.9
Retail Sales	155.6	2.7	-1.2	3.8	5.1
Hospitality	91.3	8.2	10.7	11.3	-2.2
Electricity	118.7	0.0	-9.5	1.6	7.2
Employment	98.0	0.5	-2.9	-0.9	-5.3
Lumber*	32.5	-11.8	-1.6	-4.8	-62.2
Manufacturing**	102.7			-	-

* 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.

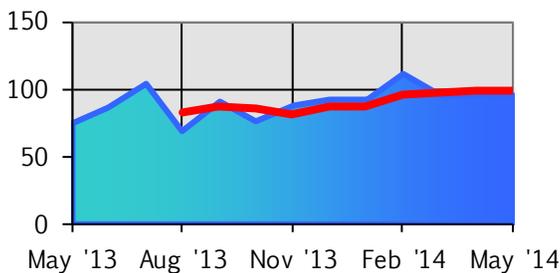
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
N/A	14.9%	-3.7%	-5.2%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased by 14.9 percent this month to an Index value of 71.7. However, unemployment claims decreased by 29.5 percent from this time last year. The 4-month moving average rose to an index value of 62.7 from 61.3.

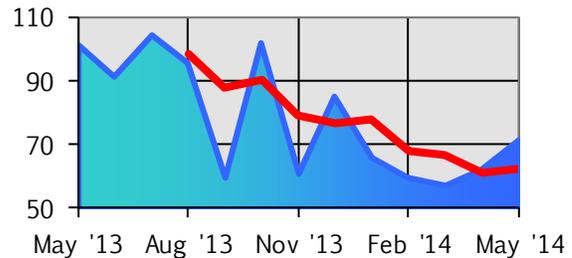
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$251,425	\$1,381	4.13%	7.1%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 rose 14.7 percent from the previous month which predicts an increase in future manufacturing activity.

Index of Manufacturing Orders

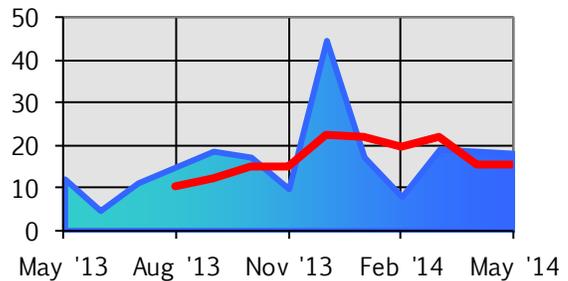


Index of Claims for Unemployment Insurance



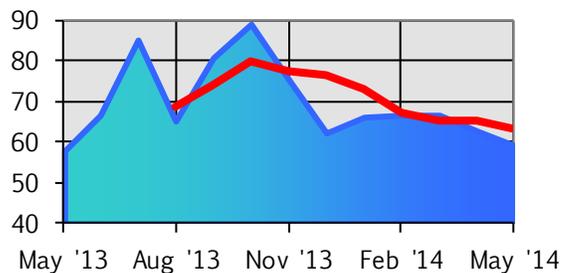
Building permits fell by 3.7 percent to an index value of 17.8, down from the previous value of 18.5. The 4-month moving average rose, however, to a value of 15.7 from 15.4.

Index of Building Permits Issued



Help Wanted Advertising dropped to a value of 59.2, down 5.2 percent from last month's index value of 62.4. However, the index is 2.6 percent higher than this time last year. The 4-month moving average decreased to 63.6, down from the previous value of 65.2.

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

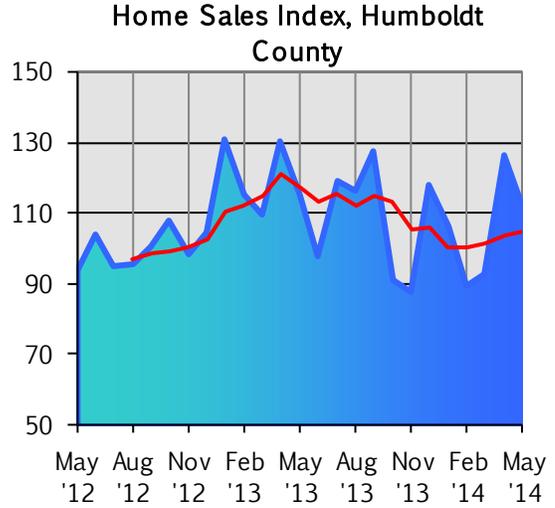
Home Sales

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.

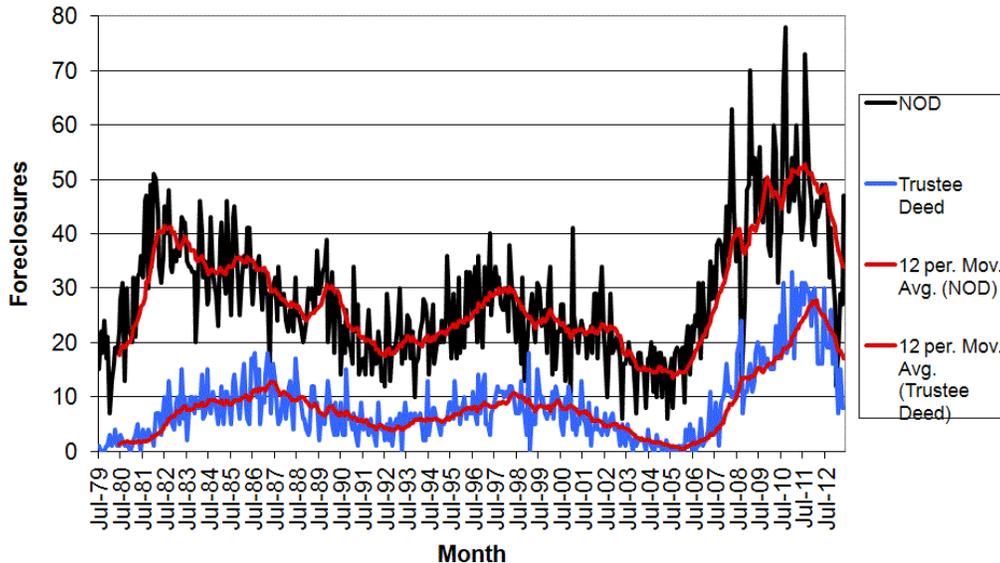
The Humboldt County Home Sales Index decreased by 12.4 percent to a value of 110.7. This is a 3.7 percent decline from this time last year. However, the county's median home price increased from \$230,750 to \$251,425. The county's median home price at this time last year was \$225,000.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to rise in the 12 months ending in April 2014, but at a much slower rate than the previous index. The 10-City and 20-City Composite both reported a growth of 10.8 percent over the 12-month period. The 10-City Composite saw a 1.0 percent increase from March to April, while the 20-City Composite saw a 1.1 percent increase over the same period. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 18 to 19 percent. According to David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, "Overall, prices are rising month-to-month but at a slower rate." Blitzer continues, "Near term economic factors favor further gains in housing: mortgage rates are lower than a year ago, the Fed is expected to keep interest rates steady until mid-2015 and the labor market is improving." 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 remained relatively unchanged 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 3.22 percent for the week ending July 3, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.29 and 3.39 respectively.



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

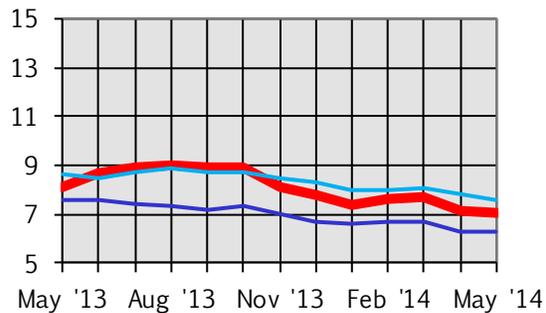
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment increased this month to an index value of 98.0, up from the previous value of 97.5. The seasonally adjusted unemployment rate for Humboldt County held steady at 7.1 percent. The seasonally adjusted national unemployment rate also remained unchanged, staying at 6.3 percent.

The Employment Development Department of California indicated in its May statistics that Humboldt County's labor force increased by about 400 individuals, while the county's unemployment fell by approximately 300 individuals. For California on the whole, employment added 39,800 jobs, and statewide unemployment fell to 7.6 percent, down from 7.8 percent in April, with 35,200 fewer unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 217,000 nonfarm payroll jobs in May, and the unemployment rate was unchanged at 6.3 percent. National employment rose in professional and business services, health care and social assistance, food services and drinking places, and transportation and warehousing.

Unemployment Percentage Rates



— County — State — National

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 increased 8.2 percent this month to an Index value of 91.3, up from 84.4. Additionally, the current value is 10.7 percent higher than last year at this time. The 4-month moving average improved from last month's index value of 85.2 to 85.6.

Gasoline Prices

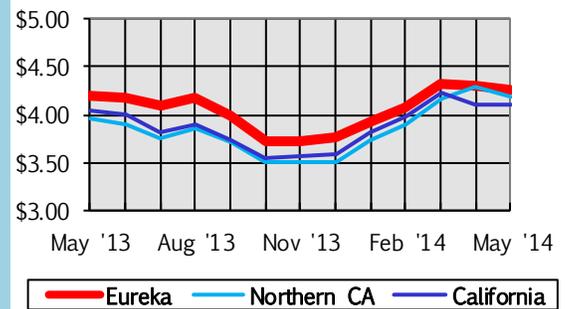
Gasoline prices for California held steady at \$4.11 this month, while Northern California prices decreased 10 cents to \$4.19. Eureka gas prices fell to \$4.25, 6 cents lower than last month.

With the decrease in the state's excise tax rate on gasoline going into effect on July 1st, Californians may be in for a slight reprieve at the gas pump. The gas tax rate fell 3.5 cents to a value of 36 cents per gallon. This may not translate into strictly lower gas prices, however, as unrest in Iraq may cause gasoline prices to rise.

Gas Prices		
Prices as of 6/30/2014	Average price*	Change from previous month
Eureka	\$4.25	-\$0.06
Northern California	\$4.19	-\$0.10
California	\$4.11	\$0.00

* 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



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 102.7, a 14 percent change from the previous month. However, these early manufacturing Index data are volatile as we build up our database of information. Comparing the first five months of 2014 to the same months last year, manufacturing activity fell about one percent.

The Institute for Supply Management reported that the national manufacturing sector expanded in June for the thirteenth consecutive month and the overall economy grew for the 61st consecutive month. The PMI was registered at 55.3 percent, a decrease of 0.1 percentage point from May's 55.4 percent. Fifteen of the eighteen manufacturing industries are reporting growth in June including Furniture and Related Products, Wood Products and Paper Products. Businesses reported growth in exports for the nineteenth consecutive month, registering at an Index value of 54.5 percent for June. Nine industries are reporting growth in new export orders in June, including Furniture & Related Products and Paper 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.

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 increased by 2.7 percent from a value of 151.6 to 155.6. This is, however, a 1.2 percent drop from this time last year. The 4-month moving average for this index increased from a value of 151.0 to 152.9.

On the national scale, Consumer Confidence rose again in June. The Consumer Confidence Index increased 3.0 points to a value of 85.2. The Expectations Index posted a 1.7 point increase from 83.5 to 85.2. The Present Situation Index rose 4.8 points from 80.3 to 85.1. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence continues to advance and the index is now at its highest level since January 2008 (87.3). Expectations regarding the short-term outlook for the economy and jobs were moderately more favorable, while income expectations were a bit mixed." 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.

The lumber manufacturing index decreased 11.8 percent to a value of 32.5, down from 36.8. Additionally, the index is down 1.6 percent from this time last year. The 4-month moving average has also decreased, falling this month to a value of 36.2 from 36.7.

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
■ ■ ■ *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

Layout & Design: Matt Hawk

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

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