

Humboldt Economic Index

May 2016

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Belonging Never Felt Better



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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.

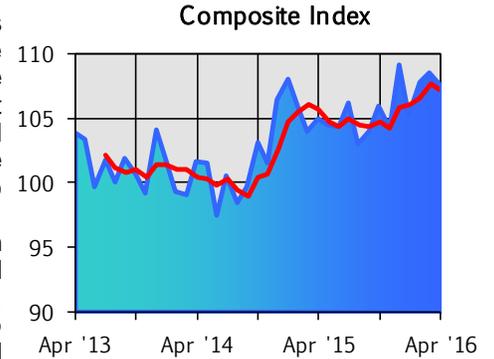
Composite Index Down Slightly

The Composite Index fell 0.9 points from last month's value of 108.5 to the current value of 107.8. The Composite Index is up 2.5 points from this time last year. Retail, Hospitality and Employment Indices fell. Others are estimated to have remained flat. No Index increased this month.

Leading Indicators are mixed in April. The Building Permits and Manufacturing Orders are up this month, while Unemployment Claims and Help Wanted Advertising have decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County slightly decreased from 4.7 percent to 4.6 percent, while the seasonally adjusted unemployment rate in California decreased just 0.2 points to 5.3 percent. In comparison, the national unemployment rate increase 0.1 percent to 5.0 percent.

California gas prices increased from \$2.80 to \$2.81. Northern California's average also increased to \$2.89 from



\$2.84, and Eureka's average gas price per gallon fell from \$2.83 to \$2.76.

Composite & Sectors

Index	Value***	Percent change from			
		Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	107.8	-0.9	2.5	8.3	0.5
Home Sales	130.4	0.0	20.0	-100.0	-100.0
Retail Sales	161.1	-1.7	2.6	12.3	19.0
Hospitality	87.3	-3.6	-2.7	2.9	-5.2
Electricity	125.8	0.0	4.8	-3.6	-7.5
Employment	109.4	-0.1	0.4	10.9	3.9
Lumber*	26.3	0.0	0.0	-32.2	-55.4
Manufacturing**	122.8			-	-

* 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

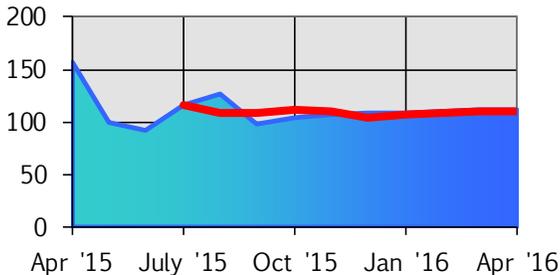
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	-10.8%	62.6%	-5.6%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$282,475	\$1,600	3.625%	5.3%
* 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 111.0 to a current value of 112.0. The manufacturing orders index value in April 2015 was 157.6, which is 45.6 points higher than the present value.

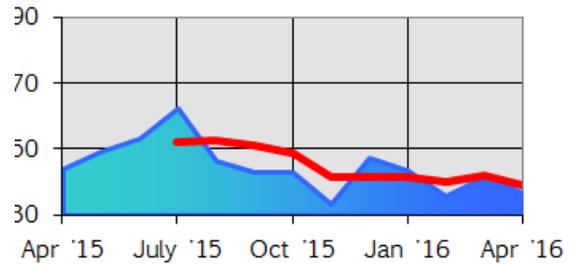
Index of Manufacturing Orders



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.

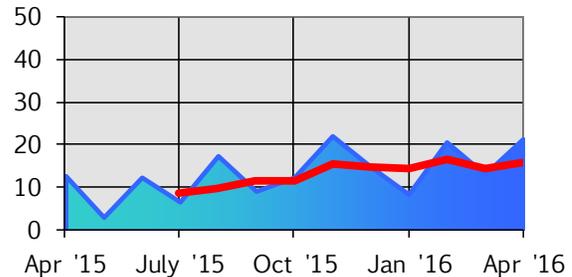
Unemployment Claims decreased 4.5 points to a new index value of 36.8. The unemployment claims index was 44.0 in April 2015, or 7.2 points higher than the present value. The 4-month moving average fell just 2.7 points to 39.3.

Index of Claims for Unemployment Insurance



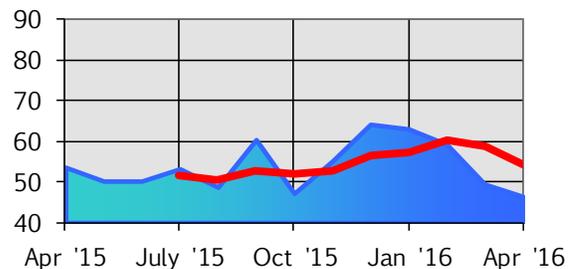
Building Permits increased 8.2 points to a new index value of 21.3. The current value is 8.5 points higher than April's value in 2015.

Index of Building Permits Issued



Help Wanted Advertising declined 2.7 points in April to a new index value of 46.3. One year ago, the index value stood at 53.3, indicating a 7 point decrease year-over-year. The 4-month moving average is down to 54.2, higher than the March's value of 58.7.

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.

Date for The Humboldt County Home Sales Index was not available at the time of publication. For April, we estimate the value to be 130.4, which is the same value as in March. The March county's median home price was \$282,475. In comparison, the median home price in April 2015 was \$248,000.

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.

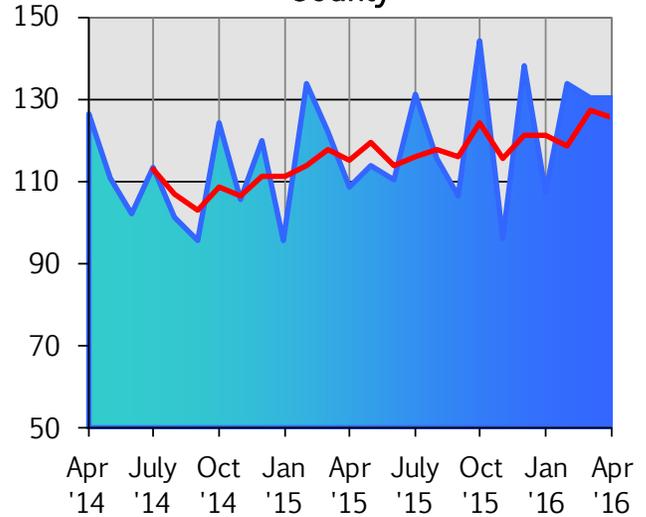
The S&P Case-Shiller Home Price Indices saw a slightly lower year-over-year gain in March compared to the previous month. The 10-City and 20-City Composites report year-over-year gains of 4.7 percent and 5.4 percent, respectfully. The National Index reported a 5.2 percent annual gain over the same period. The 10-City and 20-City Composites reported seasonally adjusted month-over-month increases of 0.8 and 0.9 percent, respectfully. The National Index reported a seasonally adjusted increase of 0.1 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Home prices are continuing to rise at a 5% annual rate, a pace that has held since the start of 2015." This price increase is due to falling unemployment rates, improving labor markets, and low

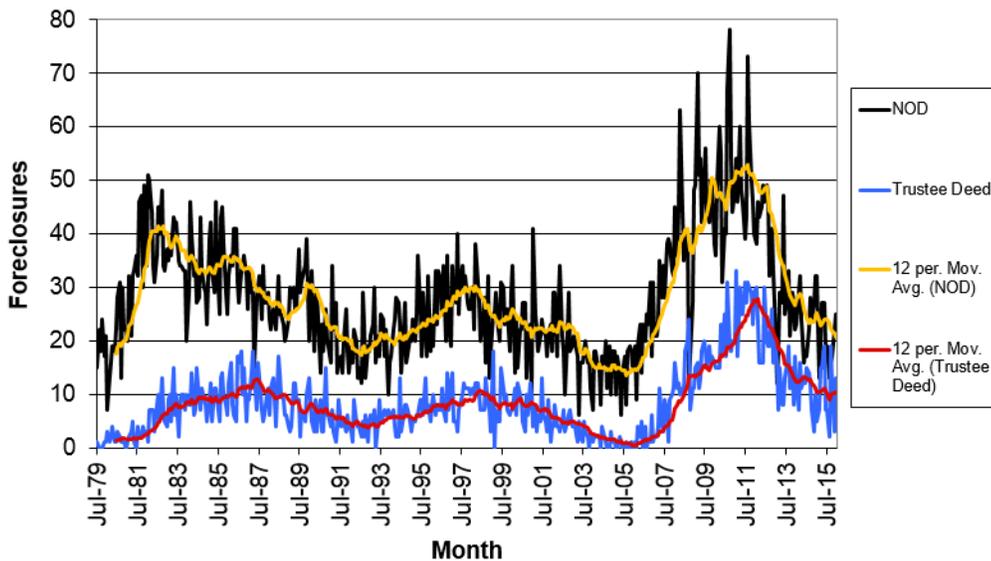
mortgage rates. The low supply of houses also supports the continual rise in prices. Blitzer notes that, "The number of homes currently on the market is less than two percent of the number of households in the U.S., the lowest percentage seen since the mid-1980s."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of May 26, decreased to 3.64 percent from April's latest percent of 3.66. The average 15-year fixed-rate mortgage remained constant at 2.89 percent compared to April 28.

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 decreased in value to 109.4. The seasonally adjusted unemployment rate for Humboldt County decreased from 4.7 percent to 4.6 percent. The unemployment rate for California fell just 0.2 points to a new value of 5.3 percent. The national unemployment rate rose to 5.0 percent after three months constant at 4.9 percent.

The Employment Development Department of California indicated that in April Humboldt County's total employment rose by 260 individuals to a total of 59,350. Humboldt County's total unemployment decreased from 3,310 individuals in March to 2,990 individuals in April.

In the Labor Department's April report, total nonfarm payroll employment rose by 160,000. National employment was on the rise in several industries, including professional and business services, health care, and financial activities. Employment in mining continued to decline. Employment in other industries, such as construction, manufacturing, wholesale trade, retail trade,

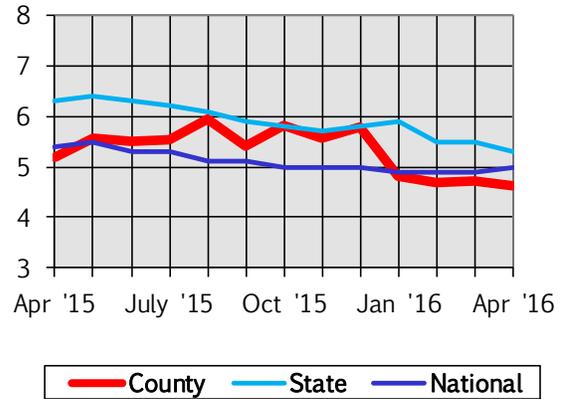
Hospitality

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 April to a new value of 87.3 from 90.6. This month's index value represents a 2.4 point decrease from this time last year. The 4-month moving average decreased 2.7 points to a current value of 89.5.

transportation and warehousing, and information, showed few change over month-to-month.

Unemployment Percentage Rates



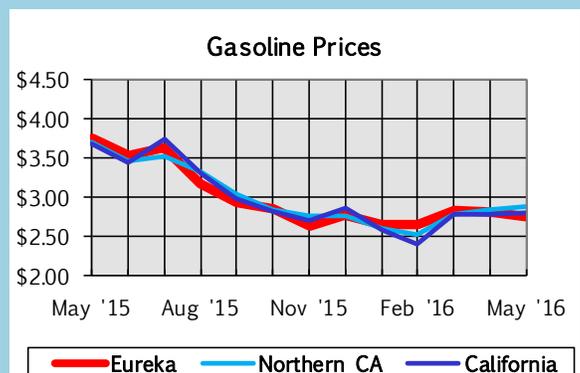
Gasoline Prices

California's gas prices rose in April, increasing 1 cent to a new average of \$2.81. Northern California's average price increased 5 cents to a new average of \$2.89, while Eureka's average gas price fell by 7 cents to a new average of \$2.76. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.11 per gallon.

The supply of gasoline seems to be relatively high this year, keeping gas prices steady. ExxonMobil's Refinery in Torrance, which experienced an explosion in February of last year, reopened in Mid-May. The refinery's return to full capacity is expected to help lower the growing demand of gasoline. Cynthia Harris, AAA Northern California spokesperson said, "Historically gasoline demand increases leading into the summer driving season, and this year so far is no different. However, lower gas prices are contributing to drivers taking to the roads at record levels and the 2016 summer driving season is expected to rival 2007, when gasoline demand hit an all-time high."

Gas Prices		
Prices as of 5/31/2016	Average price*	Change from previous month
Eureka	\$2.76	-\$0.07
Northern California	\$2.89	\$0.05
California	\$2.81	\$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).



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 122.8 in April, a 3.5 point decrease from the previous month's adjusted value of 126.3. Overall manufacturing employment remained constant at 2,000 individuals according to the Employment Development Department.

The Institute for Supply Management reports that May saw economic activity in the manufacturing sector expand for the third consecutive month, while the overall economy grew for the 84th 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 May is 51.3, representing a 0.5 point increase.

Nationally, twelve of the eighteen manufacturing industries are reporting growth in May including Wood Products, Textile Mills, Printing & Related Support Activities, Fabricated Metal Products, Paper Products, and Plastic & Rubber Products.

The New Export Orders Index for May is 52.5 percent, indicating no change from April's value. 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. Six industries reported growth in the new export orders including Wood Products, Food, Beverage & Tobacco Products, and Miscellaneous Manufacturing. Six 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 first fiscal quarter of 2016 – January through March – and the Energy Index stands at a value of 125.8. March's index value is 13 points higher than February's value, and 6.5 points higher than in March 2015. February's value of 112.8 was 9.9 points lower than January's value, and 4.1 points higher than in February 2015. January's value of 122.7 was 11.5 points lower than December's value of 134.2, but 4.8 points lower than in January 2015.

The next update for the Energy Index will be coming after the end of the second fiscal quarter of 2016, in the July 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 198.5 for April, an increase of 34.7 points from the March's value of 163.8. The most recent value is also 41.5 points higher than in April 2015. The 4-month moving average is up by 10.3 points to a new value of 171.4.

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 decreased in May by 2.1 points to a current index value of 92.6. The Expectations Index decreased 0.7 points to a new value of 79.0, while the Present Situation Index decreased from 117.1 to 112.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence declined slightly in May, primarily due to consumers rating current conditions less favorably than in April. Expectations declined further, as consumers remain cautious about the outlook for business and labor market conditions." The percentage of consumers expecting business conditions to improve over the next six months rose to 15.1 percent, while the percentage of consumers expecting business conditions to decline increased to 11.6.

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 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 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*

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Gasoline Prices – Lake County News

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