

Humboldt Economic Index

December 2014

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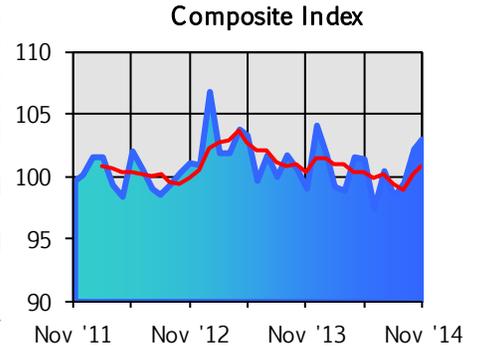
Oil Prices Continue to Tumble, Consumers Spend More at Retail

The Composite Index climbed 0.8 points from last month's value of 102.2 to the current value of 103.0. The Composite is also up 3.9 points from this time last year. While the Retail and Hospitality indices climbed over the past month, Home Sales, Employment, and Lumber were down through November.

The Index of Home Sales lowered 19.0 points this month, and is 12.2 points lower than this time last year. The median home price in Humboldt County rose, however, from \$260,000 to \$269,962 over the past month. Mortgage rates moved in different directions this month, with the average 30-year fixed rate mortgage down to 3.87 percent and the average 15-year fixed rate mortgage up to 3.15 percent.

Leading indicators are all positive in this report, with manufacturing orders, building permits and help wanted up, while unemployment claims declined.

Seasonally adjusted unemployment rates in Humboldt County and the State of California both saw minor declines, falling 0.2 and 0.1 points respectively, while the national unemployment rate remained unchanged.



Gas prices have yet to slow in their sharp decline, continuing to fall in each of the three regions we track: 37 cents in California, 31 cents in Northern California and 44 cents in Eureka. The decline in Eureka's average gas price is especially telling as the past three months have seen the biggest drop in the history of the Humboldt Economic Index. While this is certainly a boon for consumers, this will continue to have an adverse effect on energy industries throughout the nation.

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	103.0	0.8	4.0	8.4	-9.6
Home Sales	105.2	-15.3	20.3	7.2	-31.0
Retail Sales	155.1	8.1	6.1	13.9	3.5
Hospitality	108.2	6.6	13.6	29.5	28.9
Electricity	114.6	0.0	1.6	-2.0	-12.7
Employment	97.2	-0.9	-2.7	1.5	-8.2
Lumber*	38.4	-4.9	10.1	23.9	-57.9
Manufacturing**	114.5			-	-

* 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.

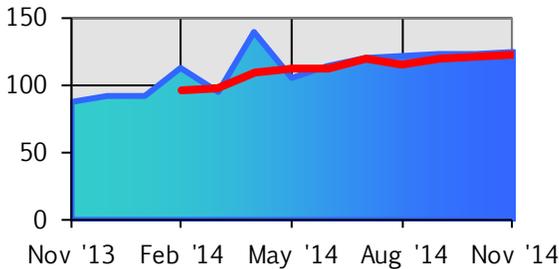
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
35.1%	-34.5%	62.6%	28.0%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims declined 20.0 points to an index value of 37.9. Unemployment claims were at an index value of 60.8 this time last year, 21.9 points higher than today. The 4-month moving average dropped from 58.6 to 50.8.

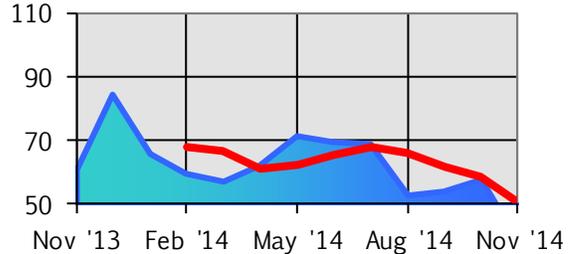
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$269,962	\$1,360	4.000%	7.3%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 rose 1.0 points from the previous month which may indicate an increase in future manufacturing activity.

Index of Manufacturing Orders

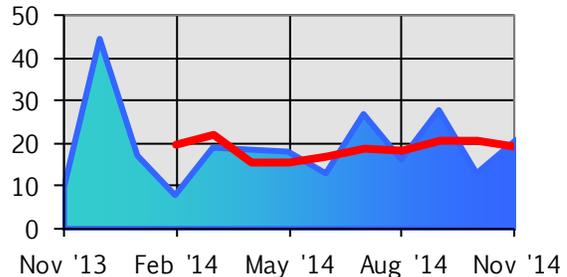


Index of Claims for Unemployment Insurance



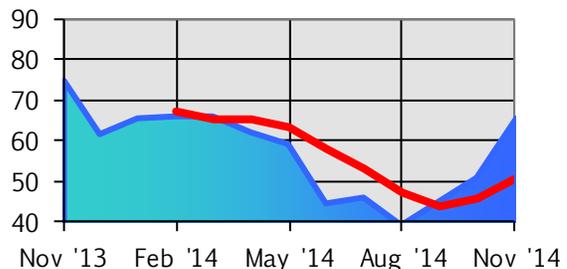
Building Permits rose 7.8 points to an index value of 20.4, up from the previous value of 12.6. Despite this month's increase, the 4-month moving average slid to 19.2, down from 20.7.

Index of Building Permits Issued



Help Wanted Advertising climbed to an index value of 65.7, an increase of 14.4 points over the last value of 51.3. One year ago, the index value was 75.2, indicating a 9.5 point fall 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.

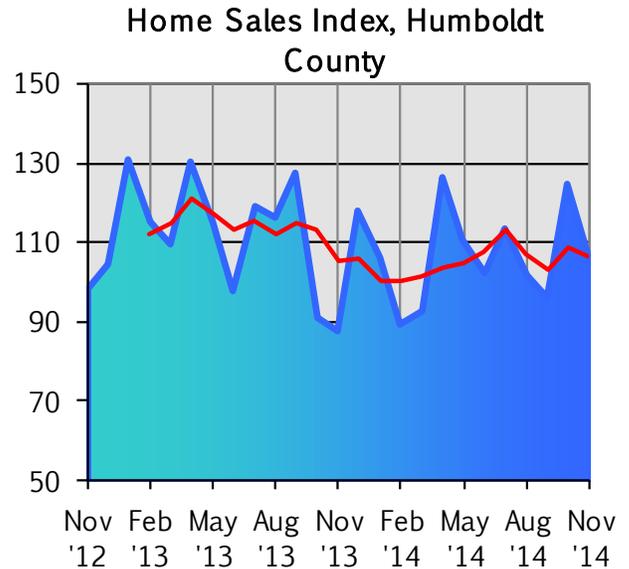
The Humboldt County Home Sales Index dropped 19.0 points to a value of 105.2, 12.2 points lower than the 117.4 recorded a year ago. The county's median home price for November was up, recorded at a value of \$269,962. October's median price was \$260,000, while the median price in November of last year was \$234,000.

The S&P Case-Shiller Home Price Indices report continued slowdown in home price gains through October 2014. The 10-City and 20-City Composite saw growths of 4.4 and 4.5 percent respectively over the 12-month period, down from the 4.7 and 4.8 percent respectively gained year-over-year in the September report. The National Index reported a 4.6 percent annual gain over the same period. Through October, all three indices were down; the Composites were down 0.1 percent each, while the National Index fell 0.2 percent. When measured against the June/July 2006 peaks, both Composites have seen an approximate peak-to-current decline of 16-17 percent.

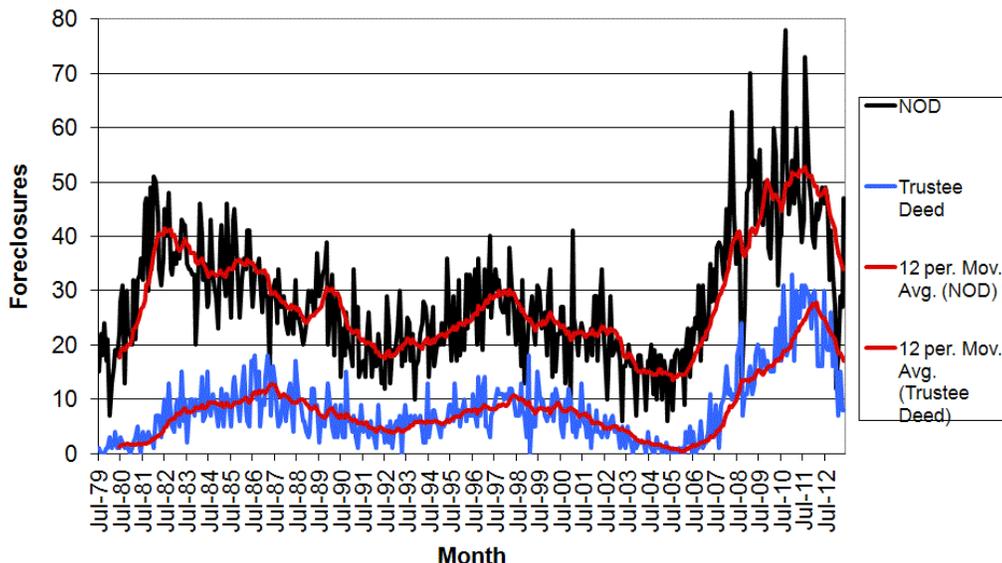
David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, sees signs of a possible rise in home values going into 2015, stating "[s]easonally adjusted, all 20 cities (in the index) had higher prices than a month ago." Despite the fact that most national economic statistics connected to housing were negative at the time of the report, Blitzer points to "positive reports in November and early December" in other key economic statistics as sign that housing could see growth in the coming months. 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 shifted a bit over the month of December. According to Freddie Mac, the average 30-year fixed-rate mortgage went down 0.02 points to 3.87 percent and the average 15-year fixed-rate mortgage went up 0.05 points to 3.15 percent for the week ending December 31, 2014. The rates for a 30-year and 15-year fixed mortgage last year at this time were 4.53 and 3.55 percent 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 fell 0.8 points this month to an index value of 97.2. The seasonally adjusted unemployment rate for Humboldt County dipped 0.2 points to 7.3 percent, the seasonally adjusted national unemployment rate stayed at 5.8 percent, and the seasonally adjusted statewide unemployment rate fell 0.1 points to 7.2 percent.

The Employment Development Department of California indicated in its November statistics that Humboldt County's labor force fell by 400 individuals to a total of 57,900. Statewide, the seasonally adjusted employment totals added 64,700 jobs, while unemployment fell to a seasonally adjusted 7.2 percent with 6,000 fewer unemployed compared to the previous month.

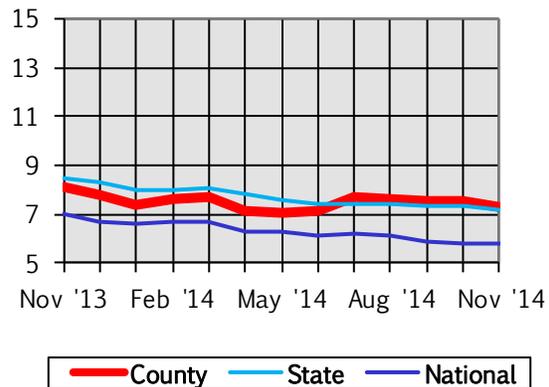
The Labor Department's December Employment Situation Summary, detailing national employment statistics, was not available for release at the time of our publication.

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 jumped 6.7 points in November, leading to a current value of 108.2. This month's index value is a 12.9 point increase over this time last year. The 4-month moving average is up 4.5 points for a current value of 99.4.

Unemployment Percentage Rates



Gasoline Prices

California's gas prices continued to drop in November, plummeting 37 cents to a new average of \$2.68 – the lowest average price for the state since April 2009. Northern California's average price fell 31 cents to \$2.86. Eureka's average gas price fell 44 cents in November to an average of \$2.73. The 3-month decline of gas prices in Eureka from \$3.92 in August – a \$1.19 drop over that period – is the steepest 3-month decline in the history of the Index, with indexed gas prices dating back to June 1998.

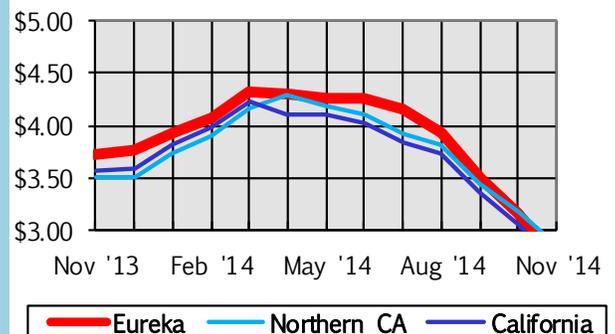
Andrew Khouri, a reporter for the LA Times, recently discussed the positive and negative effects low gas prices may have on our economy. Quoting Mark Zandi, chief economist at Moody's Analytics, Khouri writes "This is going to be a significant positive for the U.S. economy." Consumer spending is up, likely due to the money saved from falling gas prices, which is a positive. However, as a result of steadily declining oil prices, energy companies in the United States are taking huge hits. Khouri states that Hercules Offshore Inc., a company based in Houston, Texas, will lay off 324 employees working on oil rigs in the Gulf of Mexico, and that Marathon Oil Corp. plans to drop its 2015 capital budget 20%.

Gas Prices

Prices as of 12/27/2014	Average price*	Change from previous month
Eureka	\$2.73	-\$0.44
Northern California	\$2.86	-\$0.31
California	\$2.68	-\$0.37

* 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 rose to a seasonally adjusted index value of 114.5. Overall manufacturing employment remained constant at 2,100 according to the Employment Development Department.

The Institute for Supply Management reports that December saw economic activity in the manufacturing sector grow for the nineteenth consecutive month, while the overall economy grew for the 67th consecutive month. The PMI registered at 55.5 percent, a decrease of 3.2 percentage points from November's 58.7 percent. Eleven of the eighteen manufacturing industries are reporting growth in December including Furniture and Related Products, Food, Beverage & Tobacco Products and Miscellaneous Manufacturing. The Wood Products industry saw contraction in this month's report.

Businesses reported their 25th consecutive month of expansion in new export orders, registering at an index value of 52 percent for December – 3.0 points lower than in November. Six industries reported growth in new export orders in December, including Furniture & Related Products and Food, Beverage & Tobacco Products. Wood Products and Paper Products were two of the six industries reporting a decrease in new export orders in December. 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 third fiscal quarter, July through September, and the Energy Index stands at a value of 114.6. The next update for the Energy Index will be coming after the end of the fourth 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 is up 11.6 points, reporting at a current value of 155.1, which is also 8.9 points higher than November 2013. The 4-month moving average for this index is also up, climbing 2.6 points to a new value of 147.5.

On the national scale, Consumer Confidence was bolstered in December, increasing 1.6 points to a current index value of 92.6. The Expectations Index fell 0.8 points to a value of 88.5, while the Present Situation Index rose 4.9 points to a current value of 98.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence rebounded modestly in December, propelled by a considerably more favorable assessment of current economic and labor market conditions." She also mentions that the Present Situation Index is at its highest level since February 2008, when it reported an index value of 104.0. 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 declined 2.0 points to a value of 38.4 in November. The index is up 3.5 points from this time last year and the 4-month moving average rose 0.2 points to a current value of 38.4.

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

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Institute for Supply Management – LA Times

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