

Humboldt Economic Index

February 2015

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Home Sales Fall, Gas Prices Rise

This month we welcome Katie Nazzario as the Assistant Editor for the Index. Katie has been collecting data as the Assistant Analyst for almost a year, and is now writing the Index as well. We are certain she will excel in her expanded role!

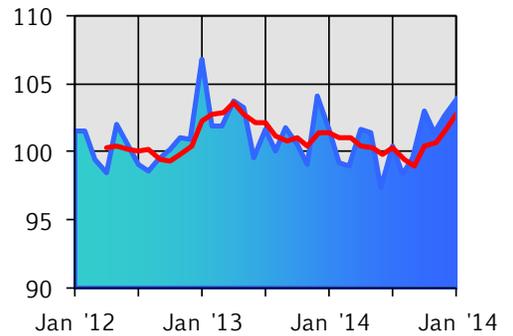
The Composite Index rose 1.4 points in January to the current value of 104. The Composite is also up 2.3 points from this time last year. Retail Sales, Hospitality, and Lumber are all up from December.

The Index of Home Sales fell 20.2 points in January from the previous month, and is 9.7 points lower than this time last year. Mortgage rates in Humboldt County have increased, with the 30-year fixed rate mortgage up from 3.625 percent in December to 3.75 percent in January. The national average 30-year fixed rate mortgage rose to 3.80 percent, and the national average 15-year fixed rate mortgage also rose to 3.07 percent.

Unemployment claims, building permits, and help wanted advertisements have all fallen from the previous month.

State and local unemployment rates

Composite Index



for January were unavailable at the time of this publication, but the national unemployment rate rose slightly from 5.6 in December to 5.7 in January.

As expected, gas prices have increased from the previous month, with California's average price per gallon up to \$3.30 – an increase of 85 cents. Northern California's average price rose 61 cents to \$3.22, and Eureka's average gas price rose to \$3.36, up \$1.11.

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	104.0	1.4	2.3	4.9	-8.7
Home Sales	95.6	-20.2	-9.7	22.6	-30.1
Retail Sales	161.8	5.6	9.1	10.1	8.4
Hospitality	100.3	13.0	11.7	7.4	14.3
Electricity	126.1	0.0	-4.6	0.5	-1.5
Employment	98.8	0.0	0.1	0.5	-5.4
Lumber*	36.2	4.3	5.2	3.9	-65.2
Manufacturing**	97.0			-	-

* 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

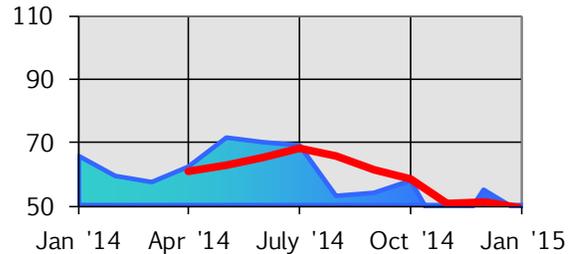
Leading Indicators

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%	-13.9%	-45.5%	-3.1%
* Change from prior month. All values are seasonally adjusted.			

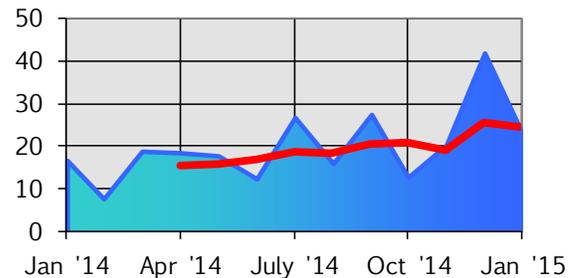
Unemployment Claims fell 7.66 points for a new index value of 47.61. The Unemployment Claims Index was at 65.77 in January 2014, 18.16 points higher than the present value. The 4-month moving average fell 1.63 points to 49.65.

Index of Claims for Unemployment Insurance



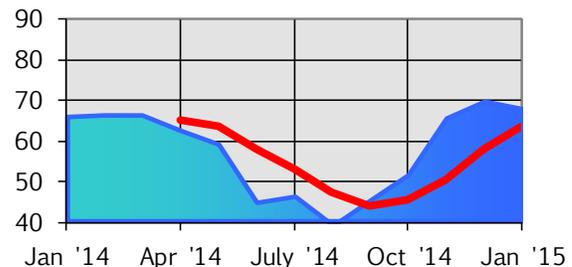
Building Permits fell in January with an index value of 22.92, down from December's value of 42.08. The Building Permits Index was at 16.67 this time last year, 6.25 points lower than the present value. January's decrease moved the 4-month moving average downward to a new value of 24.5 from 25.68.

Index of Building Permits Issued



Help Wanted Advertising fell 2.14 points in January for a new index value of 67.68. One year ago, the index value stood at 65.85, indicating a 1.83 point decrease year-over-year. The 4-month moving average is up to 63.62, higher than the previous value of 58.04.

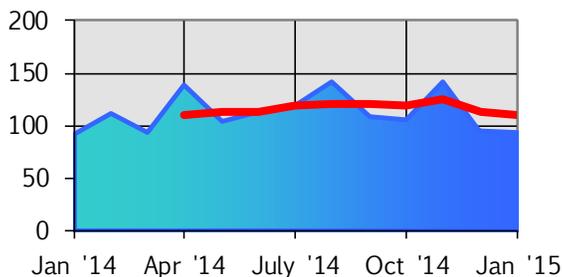
Index of Help Wanted Advertising



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$260,000	\$1,367	3.750%	6.6%
* 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 fell 0.87 points for a new index value of 94.42. The Manufacturing Orders Index was at 92.01 in January 2014, 2.41 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.

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 2015 reports a value of 95.6, 24.2 points lower than in December. In January 2014, the index value was 105.9, 10.3 points lower than the current value. The county's median home price increased to a value of \$260,000. December's median price was \$255,900, while the median price in January 2014 was \$280,000.

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.

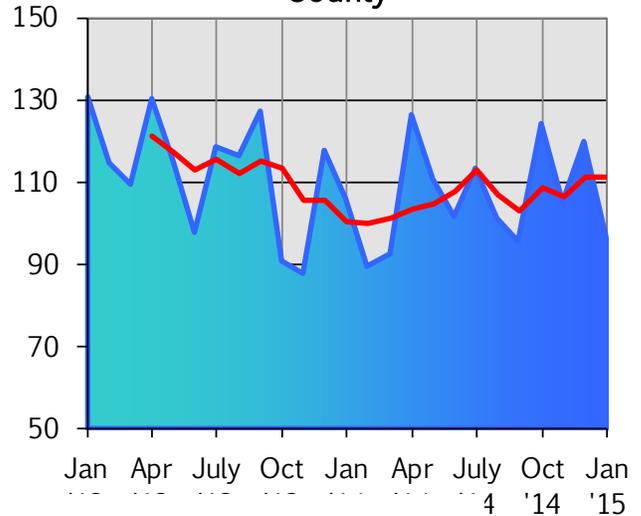
The S&P Case-Shiller Home Price Indices saw a slight increase in home prices in December 2014. Both the 10-City and 20-City Composites report year-over-year gains of 4.3 and 4.5 percent respectively. The 10-City Composite is up from the 4.2 percent growth reported in November, but the 20-City Composite is down from the 4.3 percent growth reported in November. The National Index reported a 4.6 percent annual gain over the same period, which is down from the 4.7 percent gain from the November report. While both the 10-City and 20-City Composites reported month-over-month increases of 0.1 percent, the National Index reported a 0.1 percent decrease.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that "the housing recovery is faltering," even though other areas of the economy are experiencing strong job growth,

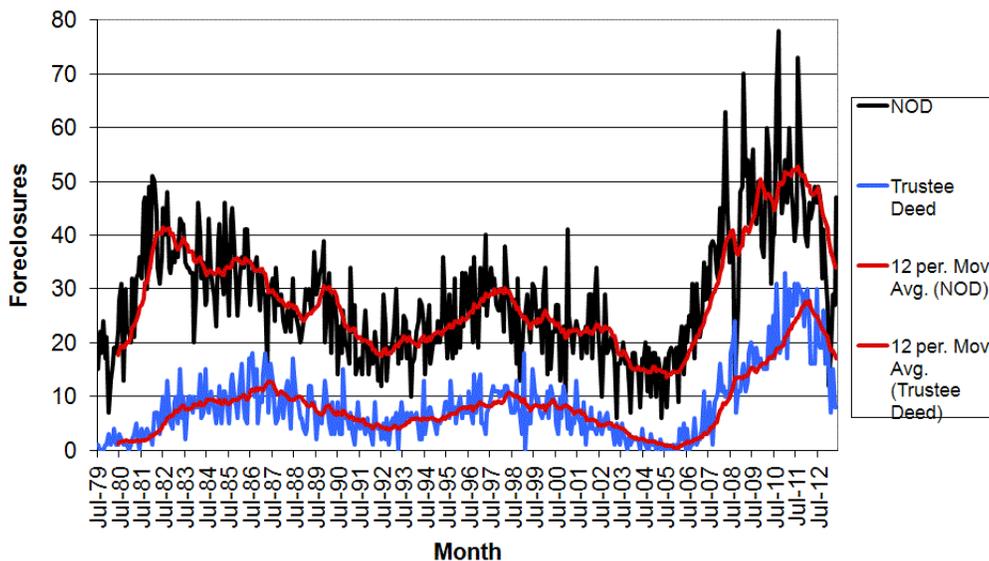
declining unemployment rates, low interest rates, and positive consumer confidence. He also states that "movements in home prices show clear regional patterns." The western half of the United States, along with Miami and Atlanta, saw year-over-year increases of at least 5 percent. However, the Midwest and Northeast lagged behind. Blitzer concludes that "these regional patterns may reflect decreasing mobility – fewer people moving to different parts of the country or seeking jobs in different regions."

According to Freddie Mac, the average 30-year fixed-rate mortgage rose from 2.98 percent in January to 3.80 percent in February. The average 15-year fixed-rate mortgage also increased, from 2.98 percent in January to 3.07 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

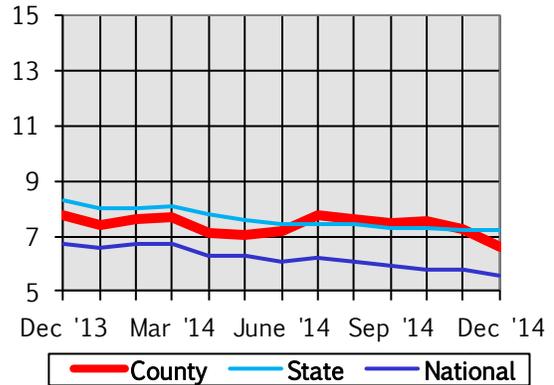
The index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The seasonally adjusted national unemployment rate rose a tenth of a percent to 5.7 percent

Unfortunately, state and local unemployment data were unavailable for January 2015 at the time of this publication. The March 2015 issue of the HEI will include those numbers. Below are data for December 2014.

Total County Employment for December 2014 was up 1.6 points from November. The seasonally adjusted unemployment rate for Humboldt County fell 0.7 points to 6.6 percent, and the seasonally adjusted statewide unemployment rate remained at 7.2 percent.

Unemployment Percentage Rates



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 rose to 100.3 in January, up from a value of 88.7 in November. This month's index value represents a 10.5 point increase from this time last year. The 4-month moving average went up 5 points to a current value of 99.7.

Gasoline Prices

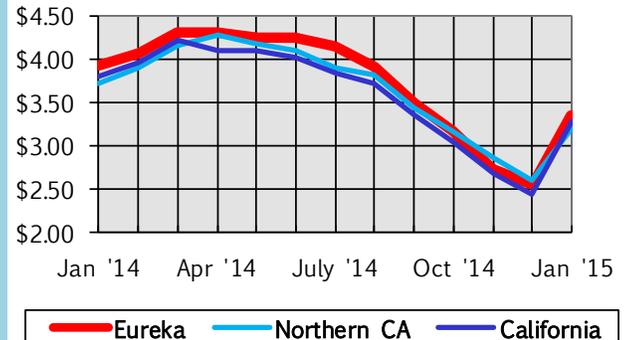
California's gas prices rose in February, increasing 81 cents to a new average of \$3.36. Northern California's average price climbed 61 cents to \$3.22, while Eureka's average gas price increased by 85 cents to an average of \$3.30. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.63 per gallon in February.

Brad Tuttle – writing for Time's Money Magazine – explains that the near dollar per gallon increase in just one month is most likely due to an explosion at one oil refinery in California. This was enough of a decrease in supply to send prices soaring. Prices in California are only 45 cents per gallon cheaper than they were at this time last year.

Gas Prices		
Prices as of 2/27/2015	Average price*	Change from previous month
Eureka	\$3.36	\$0.81
Northern California	\$3.22	\$0.61
California	\$3.30	\$0.85

* 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 was essentially unchanged at 97.0 from 96.5 the previous month.

The Institute for Supply Management reports that February saw economic activity in the manufacturing sector grow for the 26th consecutive month, with the overall economy growing for the 69th 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. The PMI registered at 52.9 percent, a decrease of 0.6 percentage points from January's 53.5 percent.

Twelve of the eighteen manufacturing industries are reporting growth in February, including Paper Products, Printing & Related Support Activities, Furniture & Related Products, Primary Metals, Nonmetallic Mineral Products, and Food. Three industries – Textiles Mills, Apparel, Leather, & Allied Products, and Computer & Electronic Products – saw contraction in February.

Businesses continued to report contraction in new export orders for February. The New Export Orders Index value of 48.5 percent in February is 1 percentage point lower than in January. Only three industries reported growth in new export orders in January, including Fabricated Metal Products, Food, Beverage & Tobacco Products, and Computer & Electronic Products. Eight industries reported a decrease in new export orders, including Wood, Furniture & Related Products, and Primary Metals. Seven industries saw no change to their new export orders during February.

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 2014 – October through December – and the Energy Index stands at a value of 126.1. December's index value is 25.2 points higher than November's value, but 8.3 points lower than in December 2013. November's value of 100.9 was 20.5 points lower than October's value, and 11.9 points lower than in November 2013. October's value of 121.4 was 6.8 points higher than September's value of 114.6, but 2.8 points lower than in October 2013.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2015, in the April 2015 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 161.8 for January 2015, an increase of 8.6 points from the previous month. The most recent value is also 13.5 points higher than in January 2014. The 4-month moving average for this index is up, however, climbing 3.9 points to a new value of 153.5.

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 saw decline in February, falling 7.4 points to a current index value of 96.4. The Expectations Index fell 9.8 points to a value of 87.2, while the Present Situation Index decreased 3.7 points to a current value of 110.2.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "after a large gain in January, consumer confidence retreated in February, but still remains at pre-recession levels (September 2007, Index, 99.5). Consumers' assessment of current conditions remained positive, but short-term expectations declined." In other words, consumers expect the economy to continue expanding at the current pace in the months ahead.

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 increased by 1.5 points from 34.7 in December to a value of 36.2 in January. The index is 1.8 points higher than this time last year, though the 4-month moving average dropped 1.5 points from 37.5 in December to a current value of 39.0.

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 sectorial index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectorial 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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The Conference Board - Employment Development Department (CA)
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