

Humboldt Economic Index

March 2016

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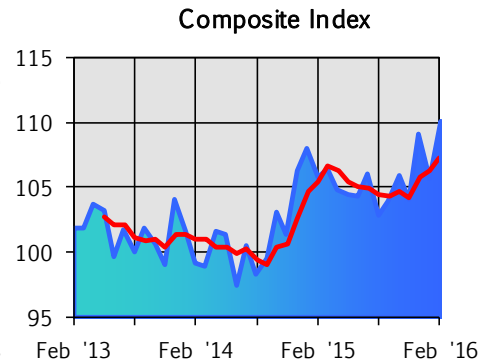
Composite Rising Steadily, Gas Prices Jump

The Composite Index rose 4.5 points from last month's value of 105.7 to the current value of 110.2. The Composite Index is up 4 points from this time last year. The Retail Sales, Home Sales, and Employment Indices climbed over the past month, while the Hospitality Index declined.

The Index of Home Sales rose 26.5 points from January, and is at the same value as February 2015. The median home price fell to \$275,000.

Leading Indicators have significant decreases in February. The Help Wanted Advertising and Unemployment Claims are down this month, while Building Permits and Manufacturing Orders have increased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County decreased from 5.8 percent to 5.5 percent, while the seasonally adjusted unemployment rate in California decreased 0.4 points to 5.5 percent. In comparison, the national unemployment rate remained at 4.9 percent.



California gas prices increased from \$2.40 to \$2.80. Northern California's average also increased to \$2.80 from \$2.53, and Eureka's average gas price per gallon increased from \$2.66 to \$2.85.

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	110.2	4.2	4.1	11.9	1.5
Home Sales	133.9	24.7	0.0	100.0	31.3
Retail Sales	174.2	14.4	9.0	16.2	16.2
Hospitality	86.0	-8.4	0.5	-5.6	4.3
Electricity	134.2	0.0	23.5	8.9	-4.5
Employment	108.4	1.0	0.0	9.4	2.9
Lumber*	26.3	0.0	-23.7	-22.6	-62.4
Manufacturing**	95.1			-	-

* 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

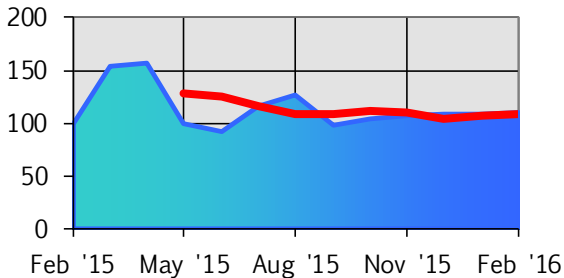
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	-58.4%	7.1%	-59.5%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$275,000	\$1,460	3.750%	5.5%
* 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 109 to a current value of 110. The manufacturing orders index value in February 2015 was 99.8, which is 10.2 points lower than the present value.

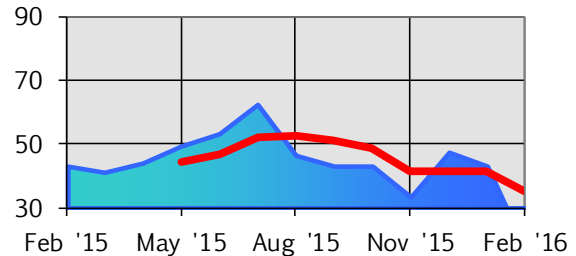
Index of Manufacturing Orders



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.

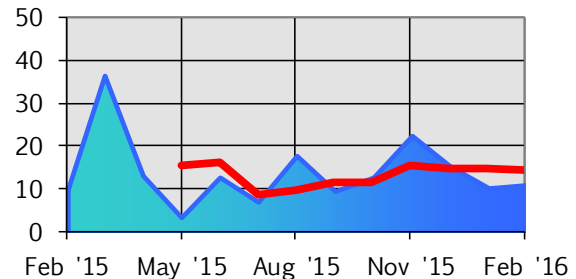
Unemployment Claims decreased 17.9 points to a new index value of 17.9. The unemployment claims index was 42.9 in February 2015, which is 25 points higher than the present value. The 4-month moving average fell 6.3 points to 35.4.

Index of Claims for Unemployment Insurance



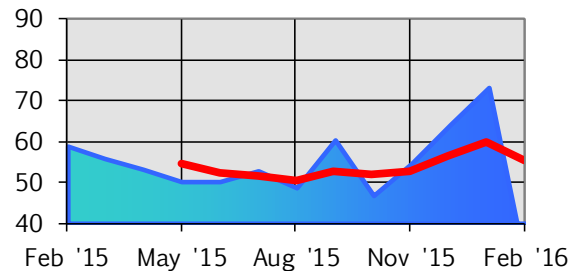
Building Permits increased 0.7 points to a new index value of 10.6. The current value is 1.1 points higher than the previous year's value of 9.5.

Index of Building Permits Issued



Help Wanted Advertising dropped 43.7 points in February to a new index value of 29.7, which is the lowest value ever recorded. One year ago, the index value stood at 58.9, indicating a 29.2 point decrease year-over-year. The 4-month moving average is a value of 55.5, lower than January's value of 59.8.

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.

The Humboldt County Home Sales Index for February 2016 stands at an index value of 133.9, which is 26.5 points higher than January's value of 107.4. February 2015's index value is the same as the current value. The county's median home price rose to \$275,000. In comparison, the median home price in February 2015 was \$244,500.

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 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.

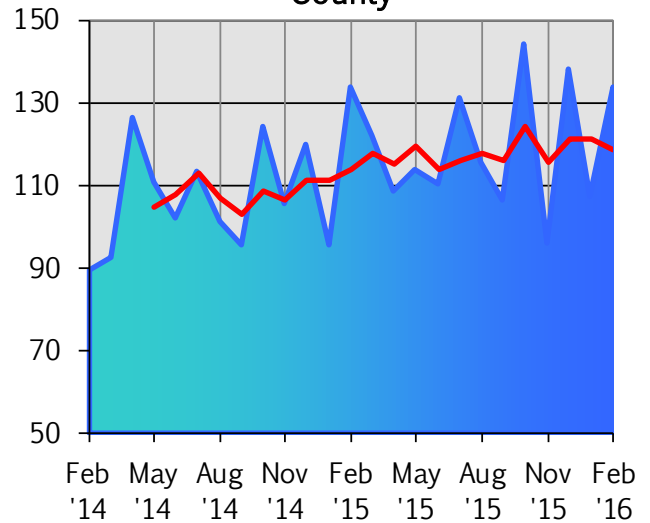
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in January compared to December. The 10-City and 20-City Composites report year-over-year gains of 5.1 percent and 5.7 percent respectively. The National Index reported a 5.4 percent annual gain over the same period. The 10-City and 20-City Composites reported seasonally adjusted month-over-month increases of 0.5 percent and 0.8 percent, respectively. The National Index reported a seasonally adjusted increase of 0.7 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 continue to climb at more than twice the rate of inflation." Although recovering home prices and construction has lagged, it seems the

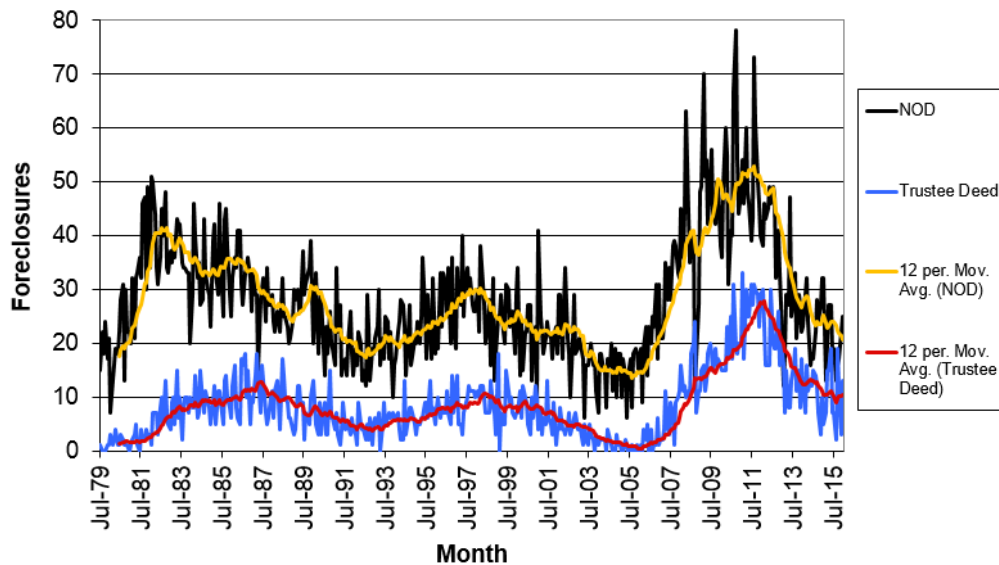
bigger issue on improving the housing market conditions is individual financial positions. "While low inventories and short supply are boosting prices, financing continues to be a concern for some potential purchasers, particularly young adults and first time home buyers."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of March 31, 2016 increased to 3.71 percent from February's latest percent of 3.62. The average 15-year fixed-rate mortgage also increased from 2.93 percent to 2.98 percent in January.

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 showed increases in both January and February with values of 107.4 and 108.4, respectfully. The seasonally adjusted unemployment rate for Humboldt County remained constant at a value of 5.8 percent in January and then fell in February to a new value of 5.5 percent. The unemployment rate for California decreased 0.4 points to a value of 5.5 percent. The national unemployment rate remained at 4.9 percent for the second consecutive month.

The Employment Development Department of California indicated that in February Humboldt County's total employment rose by 520 individuals to a total of 59,060. Humboldt County's total unemployment decreased from 3,480 individuals in January to 3,320 individuals in February.

In the Labor Department's March report, total nonfarm payroll employment rose by 215,000. National employment was on the rise in several industries,

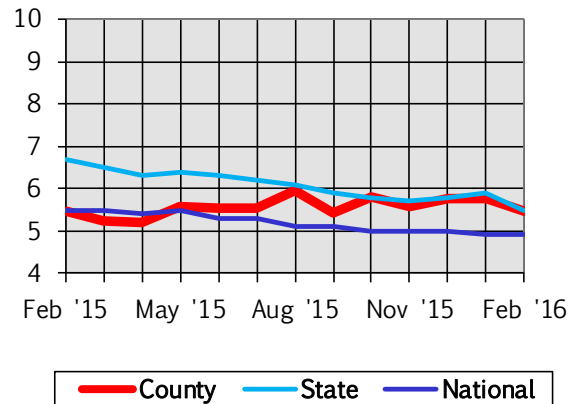
Hospitality

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 February to a new value of 86 from 93.9. This month's index value represents a small 0.4 point increase from this time last year. The 4-month moving average fell 2.1 points to a current value of 95.8.

including retail trade, construction, and health care. Employment in manufacturing and mining declined. Employment in other industries, such as wholesale trade, transportation and warehousing, information, and government, showed few change over month-to-month.

Unemployment Percentage Rates



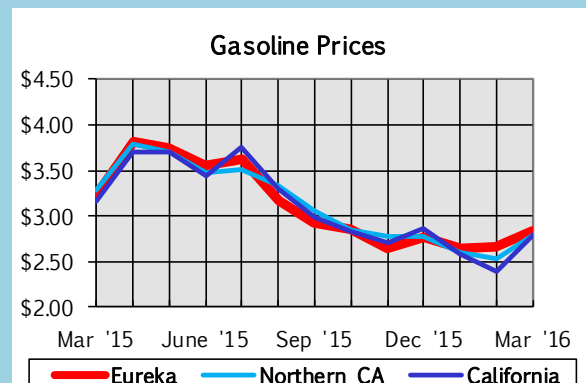
Gasoline Prices

California's gas prices rose in February, increasing 40 cents to a new average of \$2.80. Northern California's average price increased 27 cents to a new average of \$2.80, while Eureka's average gas price increased by 19 cents to a new average of \$2.85. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.22 per gallon.

Gas prices have been increasing in California due to refineries switching from the winter blend gasoline to summer blend gasoline. GasBuddy petroleum analyst Allison Mac stated, "Prices will continue to increase, but at a very steady pace. It will continue to increase because of demand and the more expensive fuel. Prices will increase maybe a penny a day unless something drastic happens with imports, refinery issues or crude oil prices." Although gas prices will continue to increase, The Orange County Register noted California gasoline prices seem to be relatively fewer year-over-year. Specifically, it is 35 cents less than this time last year.

Gas Prices		
Prices as of 2/29/2016	Average price*	Change from previous month
Eureka	\$2.85	\$0.19
Northern California	\$2.80	\$0.27
California	\$2.80	\$0.40

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 95.1 in February, a 3.6 point decrease from the previous month's value of 98.7. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that January saw economic activity in the manufacturing sector contract for the fourth consecutive month, while the overall economy grew for the 82nd 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 March is 51.8, representing a 2.3 point increase from the previous month.

Nationally, twelve of the eighteen manufacturing industries are reporting growth in March including Printing & Related Support Activities, Furniture & Related Products, Nonmetallic Mineral Products, Miscellaneous Manufacturing, Machinery, and Plastic & Rubber Products.

The New Export Orders Index for March is 52 percent, indicating a increase from February's index by 5.5 points. 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. Seven industries reported growth in the new export orders including Wood Products, Miscellaneous Manufacturing, Printing & Related Support Activities, and Chemical Products. Ten Industries reported a decrease in new export orders, and one industry 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 fourth fiscal quarter of 2015 – October through December – and the Energy Index stands at a value of 134.2. December's index value is 24.3 points higher than November's value, and 8.1 points higher than in December 2014. November's value of 109.9 was 7.1 points lower than October's value, and 9 points higher than in November 2014. October's value of 117.0 was 0.6 points lower than September's value of 117.6, but 4.4 points lower than in October 2014.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2016, in the April 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 245.9 for February, a significant increase of 59.6 points from January's value of 186.3. The most recent value is also 86.1 points higher than in February 2015. The 4-month moving average is up by 23.5 points to a new value of 187.2.

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 improved in March by 2.2 points to a current index value of 96.2. The Expectations Index increased 4.8 points to a new value of 84.7, while the Present Situation Index decreased 1.5 points to a new value of 113.5.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence increased in March, after declining in February. Consumers do not foresee the economy gaining any significant momentum in the near-term, nor do they see it worsening." The percentage of consumers expecting business conditions to improve over the next six months rose to 15 percent, while the percentage of consumers expecting business conditions to decline decreased to 9.2.

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 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 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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