

Humboldt Economic Index

December 2013

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Composite Increases on Home Sale Rebound

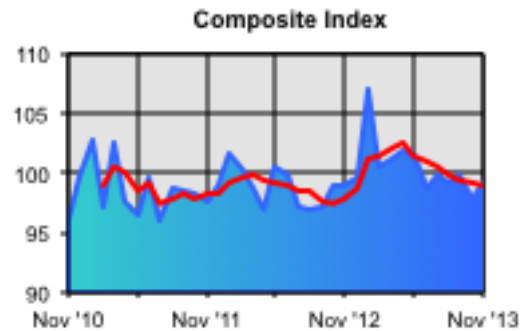
The Composite Index increased 1.3 percent from last month's value of 97.8 to the current value of 99.2, and increased 0.3 percent from this time last year. The Home Sales, Retail, and Hospitality Indices increased this month, while Employment remained unchanged, and Manufacturing decreased.

The Index of Home Sales was very low last month but rebounded by increasing 22.2 percent, and is 24.3 percent higher than this time last year. Median home prices in Humboldt County fell from \$264,000 to 234,000. Mortgage rates rose this month with the average 30-year fixed rate mortgage at 4.53 percent and the average 15-year fixed rate mortgage at 3.55 percent.

Leading indicators are mixed with unemployment claims, help wanted, and building permits down.

Country employment numbers were not available for publication. California state unemployment decreased from 8.7 to 8.5 percent this month. The national unemployment rate decreased from 7.2 to 7.0 percent, the lowest rate since November of 2008.

Average gas prices remained relatively unchanged in December. Eureka gas prices rose 1 cent this month to an average of \$3.72 per gallon. Look for prices to stay relatively steady for the next month barring any unexpected refinery issues.



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

		Percent change from			
Index	Value*	Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	99.2	1.3	0.3	1.4	-6.9
Home Sales	108.9	22.2	24.3	56.4	-16.1
Retail Sales	144.9	0.4	-1.4	-4.6	3.0
Hospitality	96.1	2.0	-0.4	10.0	11.9
Electricity	111.6	0.0	-5.7	1.0	-0.7
Employment	97.4	0.0	0.5	-2.9	-5.9
Manufacturing	33.2	-9.4	-6.0	-11.8	-57.5

* These values are adjusted to remove seasonal fluctuation. The base month is Jan. of 1994, with an Index value of 100.

** The percent change from the same month one, five and ten years ago.

The Index – Leading Indicators

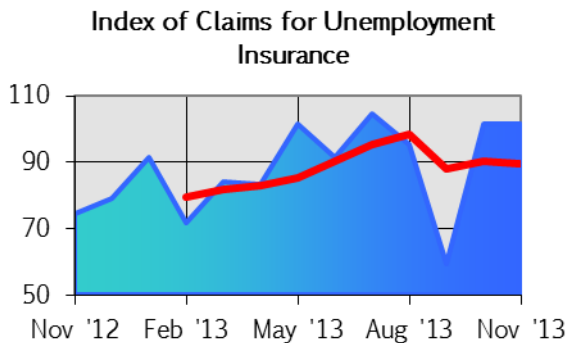
Leading Indicators

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

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	N/A	56.7%	-17.4%
* All values are seasonally adjusted.			

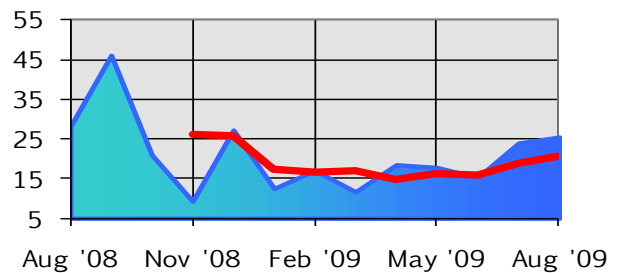
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$259,000	\$1,272	4.88%	N/A
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

Unemployment Claims were not available at the time of publication and we estimate the seasonally adjusted value to be unchanged from last month.



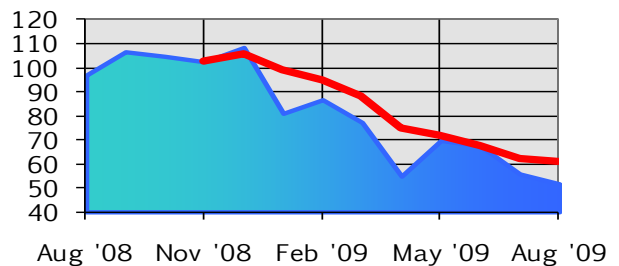
Building permits contracted by 44.6 percent to an index value of 9.3 from the previous 16.8. The 4-month moving average decreased to a value of 14.8 from 15.1. This Index was low for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



Help Wanted Advertising fell to a value of 75.2 down 15.6 percent from last month's seasonally adjusted value of 89.1. However, the level this month is 18.0 percent higher than this time last year. The 4-month moving average decreased 3.1 percent from an Index value of 79.9 to a value of 77.5.

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

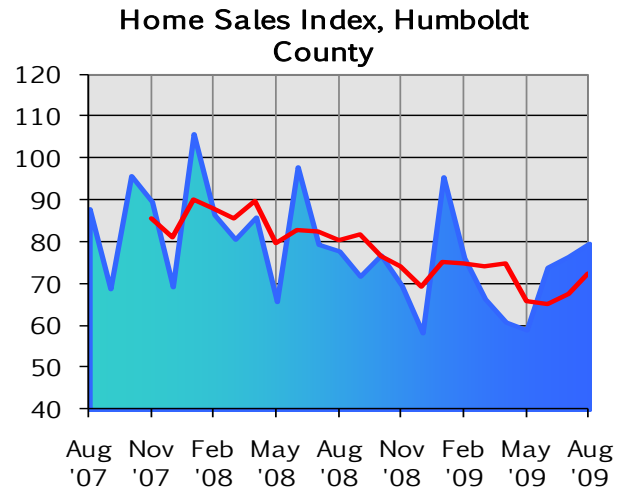
Home Sales

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.

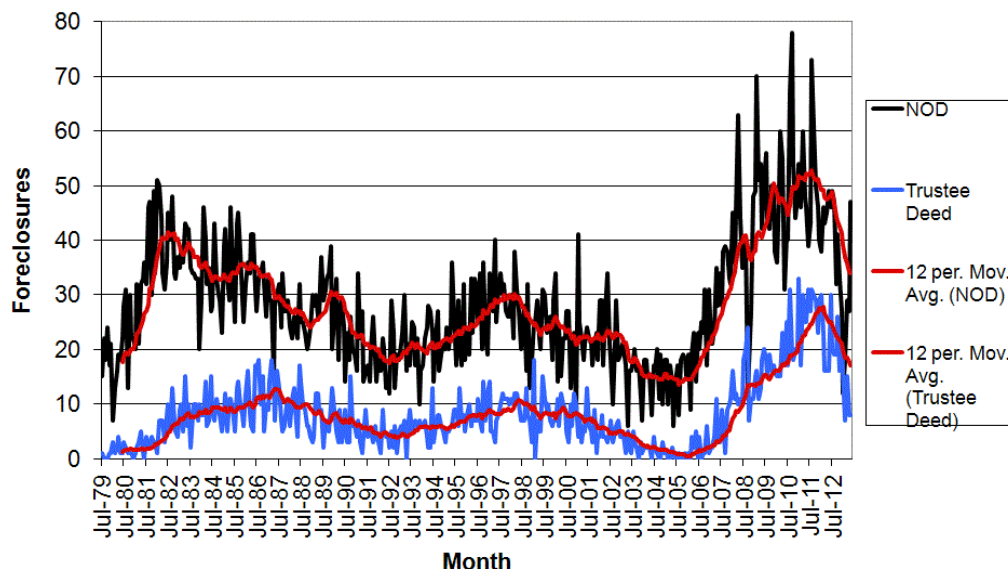
The Humboldt County Home Sales Index increased by 22.2 percent to a value of 108.9. This is an 24.3 percent increase from this time last year. However, the county's median home prices decreased from \$264,000 to \$234,00.

The S&P Case-Shiller Home Price Indices showed national average home prices continued to increase in the 12 months ending in October 2013. The 10-City and 20-City Composite reported a growth of 13.6 percent over the 12-month period. The 10- and 20- City Composites rose 0.2 percent from September to October. All 20 cities posted year-over-year increases for at least nine consecutive months. According to David Blitzer, "The key economic question facing housing is the Fed's future course to scale back quantitative easing and how this will affect mortgage rates. Other housing data paint a mixed picture suggesting that we may be close to the peak gains in prices. However, other economic data point to somewhat faster growth in the new year. Most forecasts for home prices point to single digit growth in 2014." 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 slightly increased this month. According to Freddie Mac, the average 30-year fixed-rate mortgage is 4.53 percent and the average 15-year fixed-rate mortgage is 3.55 percent for the week ending January 2, 2014. The values for a 30-year and 15-year fixed mortgage last year at this time were 3.34 and 2.64 respectively. There is evidence nationally that the rise in interest rates is starting to take effect, as traditional buyers find mortgage payments unaffordable. Also, it seems investors have reduced buying upon concerns about whether the Federal Reserve will raise interest rates sooner rather than later.



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

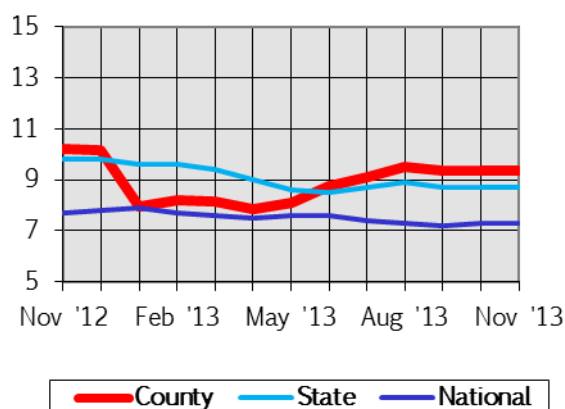
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Total County Employment was not available this month, but is estimated to have remained unchanged this month at an index value of 97.4. The seasonally adjusted national unemployment rate decreased from 7.2 to 7.0 percent.

The Employment Development Department of California indicated in its November statistics that Humboldt County's labor force increased by about 300 individuals. For California on the whole, employment added 44,300 jobs, and statewide unemployment decreased to a seasonally adjusted 8.5 percent, with 34,300 less unemployed compared to the previous month.

The Labor Department's latest statistics reported that the nation added an additional 241,000 nonfarm payroll jobs in November, and the unemployment rate decreased from 7.2 to 7.0 percent. National employment rose in leisure and hospitality, retail trade, professional and technical services, manufacturing, and health care.

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.

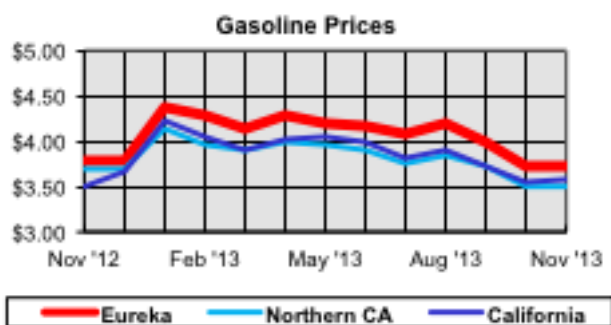
Hospitality increased this month 2.0 percent to an Index value of 96.1 from 94.2. The current value is 0.4 percent lower than last year at this time. Additionally, the 4-month moving average increased from last month's index value of 88.4 to 91.2.

Gasoline Prices

Gasoline Prices for California increased by an average of 2 cents this month. California gas prices rose to an average of \$3.57, up from last month's \$3.55, while Northern California prices remained unchanged at \$3.50. Eureka gas prices decreased to \$3.72, 1 cent higher than last month.

As expected, gas prices remained relatively unchanged this month. Prices have declined the last couple months and seem to have stabilized at the current prices. Without unexpected refinery issues, prices are likely to stay steady for the next couple months with only possible small changes up or down a few cents.

Gas Prices		
Prices as of 12/18/13	Average price*	Change from previous month
Eureka	\$3.72	\$0.01
Northern California	\$3.50	\$0.00
California	\$3.57	\$0.02
* 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

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 decreased by 0.4 percent from a value of 144.3 to 144.9. This is 1.4 percent below this time last year. This Index's 4-month moving average increased to an index value of 144.9 from 144.7.

On the national scale, Consumer Confidence rose in November. Consumer Confidence Index decreased 6.1 points to a value of 78.1. The Expectations Index posted an 8.3-point increase from 71.1 to 79.4 The Present Situation Index increased 2.7 points from 73.5 to 76.2. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer confidence rebounded in December and is now close to pre-government shutdown levels. Sentiment regarding current conditions increased to a 5 ½ year high, with consumers attributing the improvement to more favorable economic and labor market conditions. Looking ahead, consumers expressed a greater degree of confidence in future economic and job prospects, but were moderately more pessimistic about their earning prospects." 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.

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 111.6.

The next update for the Energy Index will be coming after the end of the fourth quarter.

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.

Lumber manufacturing decreased 9.4 percent to a value of 33.3 from 36.7. Additionally, the value is down 6.0 percent from this time last year. The 4-month moving average has decreased this month to a value of 33.4 from 33.6.

The Institute for Supply Management reported that the national manufacturing sector expanded in December for the seventh consecutive month and the overall economy grew for the 55th consecutive month. The PMI was registered at 57.0 percent, a decrease of 0.3 percentage points from November's 57.3 percent. Thirteen of the eighteen manufacturing industries are reporting growth in December including Furniture and Related Products, Wood Products, and Paper Products. Businesses reported growth in exports for the thirteenth consecutive month, registering at an Index value of 55 percent for December. Nine industries are reporting growth in new export orders in December, the same as in November. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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
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Employment Development Department – Humboldt Association of Realtors
The Institute of Supply Management

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