

Humboldt Economic Index

September 2015

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Composite Index Largely Unchanged

The Composite Index fell 0.3 percent from last month's revised value of 105.9 to the current value of 105.6. The Composite is up 6.8 percent from this time last year. The Retail Sales, Hospitality, and Employment Indices decreased over the previous month, while all other indices remained the same.

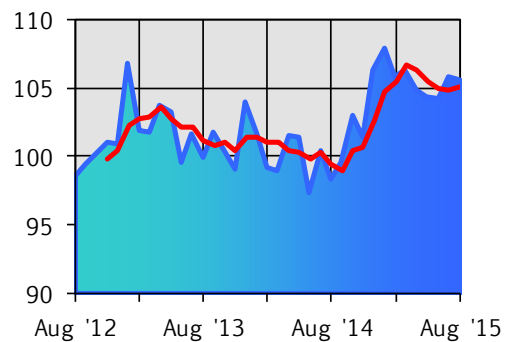
We have suspended the Lumber Manufacturing Index until we can obtain a sufficient number of data providers. This sector is 12% of the overall Index and the last reported amount was 29.2 in March 2015.

Data for the Index of Home Sales was unavailable for August. 30-year mortgage rates in Humboldt County have remained at 4 percent.

Leading indicators for August are mixed. Manufacturing orders increased by 9.1 percent, while Help wanted advertisements decreased by 8.1 percent. Data for unemployment claims was unavailable for August.

Seasonally adjusted unemployment rates in Humboldt County and California are currently 5.9 percent and 6.1 percent respectively. In comparison, the national unemployment rate is 5.1

Composite Index



percent.

Gas prices in California have decreased from the previous month, with California's average price per gallon at \$2.99 from \$3.31. Northern California's average price fell from \$3.33 per gallon to \$3.05 per gallon, and Eureka's average gas price fell from \$3.17 per gallon to \$2.93 per gallon.

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	105.6	-0.3	7.3	4.3	-5.5
Home Sales	131.1	0.0	29.5	-100.0	-100.0
Retail Sales	150.0	-1.5	5.1	-3.1	4.1
Hospitality	92.7	1.3	-0.4	5.0	5.1
Electricity	123.8	0.0	12.0	-4.2	-3.2
Employment	107.3	-0.3	10.0	6.8	0.7
Lumber*	26.3	0.0	-30.9	-27.7	-66.5
Manufacturing**	92.2			-	-

* 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

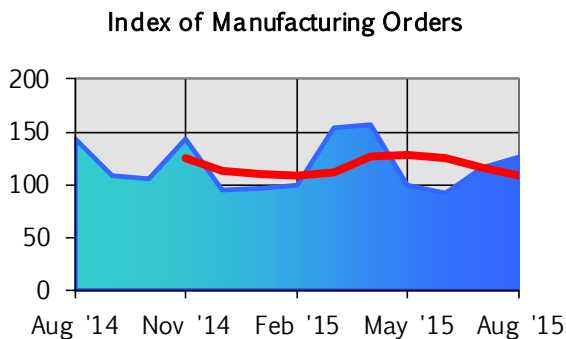
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
9.1%	0.0%	162.0%	-8.1%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims data was unavailable for August, so the index value remained at 62.5. The Unemployment Claims Index was 53.2 in August 2014, 9.3 points lower than the current value.

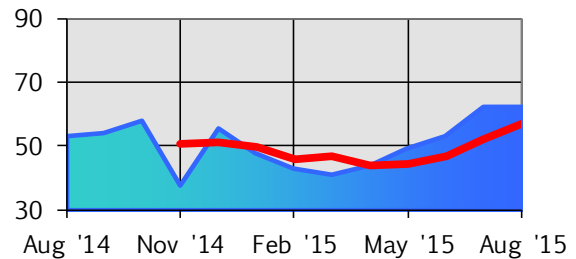
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$269,500	\$1,400	4.000%	5.9%
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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>			

Manufacturing Orders rose 10.6 points for a new index value of 127.3. The Manufacturing Orders Index value in August 2014 was 143.1, 15.8 points higher than the present value.



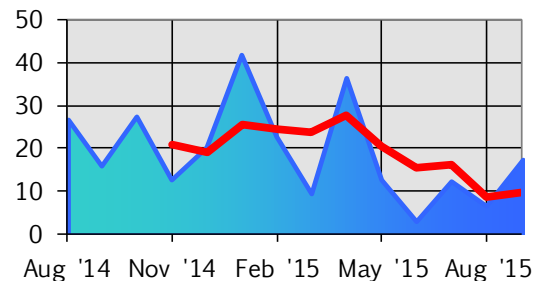
Graphs Explanation: The blue area represents the seasonally adjusted Index of Unemployment Claims above. The red line shows the four-month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Index of Claims for Unemployment Insurance



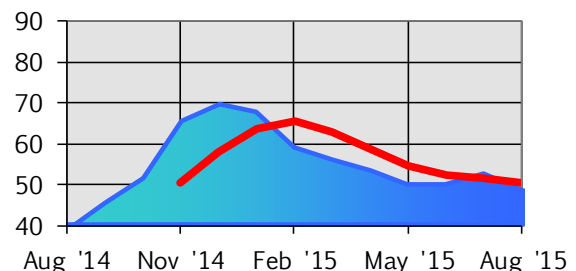
Building Permits climbed to an index value of 17.4. The current value is 10.7 points less than July's value of 6.7. The Building Permits Index value was 16.1 this time last year. August's increase moved the 4-month moving average upward to a new value of 9.9 from 8.7.

Index of Building Permits Issued



Help Wanted Advertising decreased 4.3 points in August to a new index value of 52.8. One year ago, the index value stood at 39.4, indicating a 13.4 point increase year-over-year. The 4-month moving average is 50.4, 1.2 points lower than the previous value of 51.6.

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.

Data for the Index of Home Sales was unavailable for August 2015, so the index value remained at 131.1. In August 2014, the index value was 101.2, 29.9 points less than the current value. The county's median home price remained at a value of \$271,500. The median price in August 2014 was \$257,000.

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.

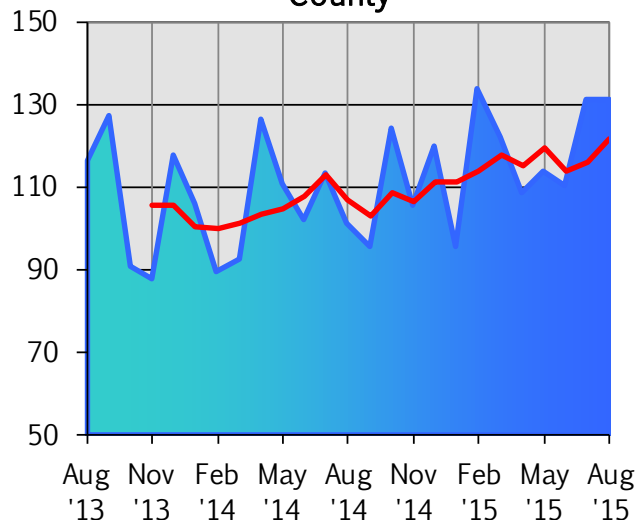
The S&P Case-Shiller Home Price Indices saw marginally higher year-over-year gains in July compared to June 2015. Both the 10-City and 20-City Composites report year-over-year gains of 4.5 percent and 5.0 percent respectively. The National Index reported a 4.7 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month decreases of 0.2 percent. The National Index reported a seasonally adjusted increase of 0.4 percent.

David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, states that, "Prices of existing homes and housing overall are seeing strong growth and contributing to recent solid growth for the economy." In the second quarter of 2015, the economy expanded at a 3.9 percent annual rate. Housing and expenditures on furniture and household

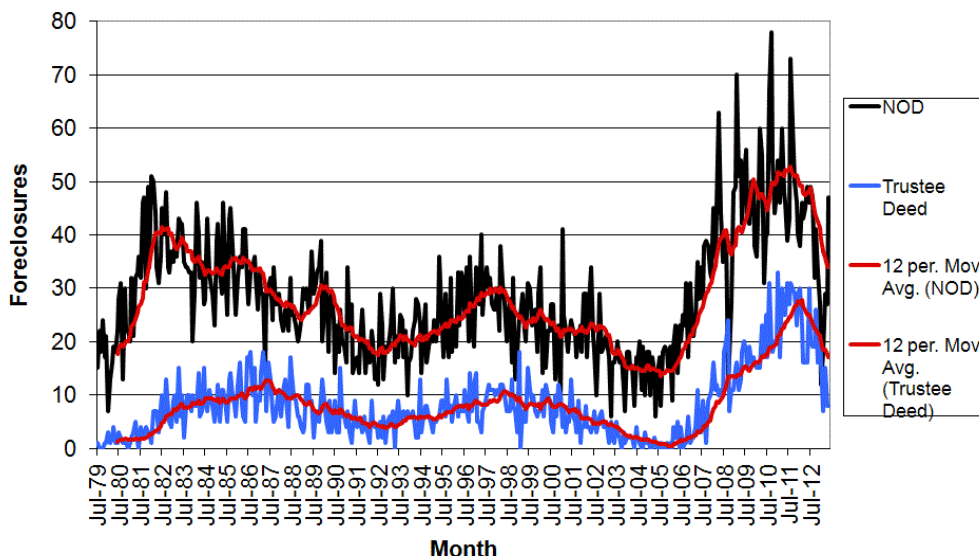
equipment surpassed total gross domestic product growth rates. He concludes his analysis by explaining that an interest rate increase (expected by some analysts in December) is "not likely to derail the strong housing performance."

According to Freddie Mac, the average 30-year fixed-rate mortgage marginally increased from 3.84 percent in August to 3.86 percent in September. The average 15-year fixed-rate mortgage also marginally increased from 3.06 percent in August to 3.08 percent in September.

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.

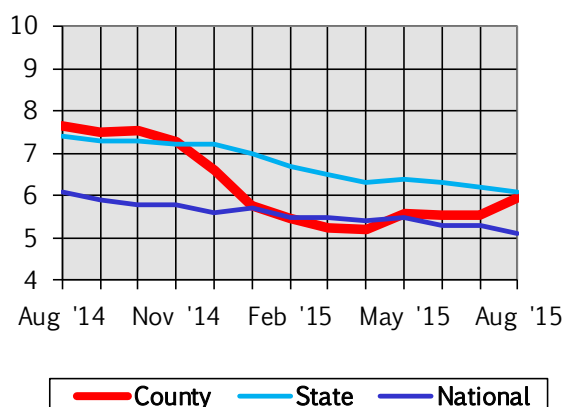
The Total County Employment Index fell marginally from the previous value of 107.6 to the current value of 107.3. The unemployment rate for Humboldt County slightly increased from 5.5 percent to 5.9 percent. The unemployment rate for California remained virtually unchanged at 6.1 percent. The national unemployment rate fell to 5.1 percent, the lowest it has been since April 2008.

The Employment Development Department of California indicated in its August statistics that Humboldt County's total employment decreased by 300 individuals to a current total of 58,300. Humboldt County's total unemployment decreased from 3,700 individuals in July to 3,500 individuals in August.

In the Labor Department's August report, total nonfarm payroll employment increased by 173,000. National employment was on the rise in several industries, including health care, social assistance, financial activities, professional and business services,

and food services and drinking places. Employment in mining and manufacturing declined. Employment in other major industries such as construction, wholesale trade, retail trade, transportation and warehousing, and government, showed few change month-over-month.

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 increased 1.2 points in August, down from a revised value of 91.5 in July to the current value of 92.7. This month's index value represents a .4 point decrease from this time last year. The 4-month moving average rose .7 points to a current value of 91.4.

Gasoline Prices

California gas prices decreased in September to a new average of \$2.99 per gallon. Northern California and Eureka gas prices also decreased in September, with new averages of \$3.05 per gallon and \$2.93 per gallon respectively. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka is \$2.25 per gallon.

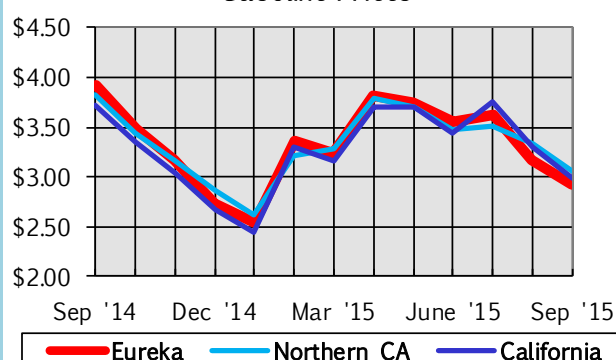
According to the October 1st AAA National Fuel Gauge report, the national average price of gasoline in September was \$2.34 per gallon. California gas prices are the most expensive in the nation, but have finally fallen under \$3 per gallon. Brad Tuttle, writing for Time's Money magazine, states, "While there's always some unpredictability with gas prices, most analysts are forecasting that prices at the pump will keep decreasing in the months ahead," and that "drivers 'on the West Coast are likely to see some of the larger declines yet to come.'" The switch to cheaper winter blends of gasoline and improvements with refineries in the region should continue to pull gas prices downward.

Gas Prices

Prices as of 9/30/2015	Average price*	Change from previous month
Eureka	\$2.93	-\$0.24
Northern California	\$3.05	-\$0.28
California	\$2.99	-\$0.32

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.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 contracted to a seasonally adjusted index value of 92.2 in August. Manufacturing continues to be a volatile sector. Overall manufacturing employment remained at 2,000 individuals according to the Employment Development Department.

The Institute for Supply Management reports that September saw economic activity in the manufacturing sector grow for the 33rd consecutive month, with the overall economy growing for the 76th 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 September is 50.2 percent, representing a decrease of .9 percentage points from the previous month.

Nationally, seven of the eighteen manufacturing industries reported growth in September, including Printing & Related Support Activities; Textile Mills; Furniture & Related Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Paper Products; and Nonmetallic Mineral Products. Eleven industries – Primary Metals; Apparel, Leather & Allied Products; Petroleum & Coal Products; Wood Products; Electrical Equipment, Appliances & Components; Machinery; Computer & Electronic Products; Fabricated Metal Products; Plastics & Rubber Products; Transportation Equipment; and Chemical Products – saw contraction in September. The New Export Orders Index for September is 46.5 percent, indicating the volume of new export orders has decreased for the fourth consecutive month. Five industries reported growth in new export orders in September, including Furniture & Related Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Chemical Products; and Fabricated Metal Products. Eleven industries saw a decrease in their new export orders in August, and two 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 second fiscal quarter of 2015 – April through June – and the Energy Index currently stands at a value of 123.8. June's index value is 8.2 points higher than May's value and 8.1 points higher than in June 2014. May's value of 115.6 was 4.5 points lower than April's value and 4.7 points lower than in May 2014. April's value of 120.1 was 0.8 points higher than March's value of 119.3, but 3.3 points lower than in April 2014.

The next update for the Energy Index will be coming after the end of the third fiscal quarter of 2015, in October 2015.

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 reports a value of 150 for August, a decrease of 2.3 points from July. The most recent value is 7.3 points higher than in August 2014. The 4-month moving average decreased 2.3 points to a new value of 152.3.

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 increased in September by 1.7 points to a current index value of 103. The Present Situation Index increased 5.3 points to a current value of 121.2 and the Expectations Index decreased .6 points to a new value of 91.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, states, "Consumer confidence increased moderately in September, following August's sharp rebound. Consumers' more positive assessment of current conditions fueled this month's increase, and drove the Present Situation Index to an 8-year high." The percentage of consumers expecting business conditions to improve over the next six months increased from 16.6 percent to 17.9 percent. The percentage of consumers expecting business conditions to decline also increased from 9.1 percent to 10.3 percent.

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 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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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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