

Humboldt Economic Index

April 2017

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Retail Sales Fall and Home Sales Continue to Rise

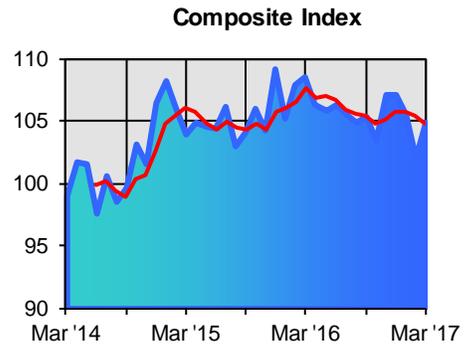
This edition we say goodbye to Jordan, who has been the assistant analyst for the last year and a half. Jordan made some good changes to data collection and he will be finishing up his coursework this fall. We wish him the best.

The Composite Index rose 2.9 points from last month's value of 101.9 to the current value of 104.8. The Composite Index is down 3.3 points from this time last year. The Home Sales, Hospitality, Electricity, and Employment Indices climbed over the past month. Retail Sales was the only sector to decline.

The Index of Home Sales rose 13.5 points from February, and is 5.7 points lower than in March 2016. The median home price rose to \$295,000, up from \$292,500 in February.

Leading Indicators are mixed in March. The Unemployment Claims, Help Wanted Advertising, and the Manufacturing Orders are all up this month, while Building Permits has decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County decreased from 4.1 percent to 4.0



percent, while the seasonally adjusted unemployment rate in California decreased 0.1 points to 4.9 percent. The national unemployment rate also fell, from 4.7 to 4.5 percent.

California gas prices decreased slightly from \$2.98 to \$2.97. Northern California's average rose from \$3.04 to \$3.08. Eureka's average gas price per gallon rose from \$3.06 to \$3.11.

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	104.8	2.9	-3.3	5.4	-5.4
Home Sales	123.0	13.5	-5.7	29.9	-13.0
Retail Sales	147.5	-3.9	-13.5	0.5	-11.3
Hospitality	85.8	6.1	-5.3	6.6	9.4
Electricity	128.3	16.1	2.0	-4.6	0.3
Employment	111.2	0.8	1.3	10.8	4.9
Lumber*	26.3	0.0	0.0	-20.8	-59.7
Manufacturing**	91.4			-	-

* 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

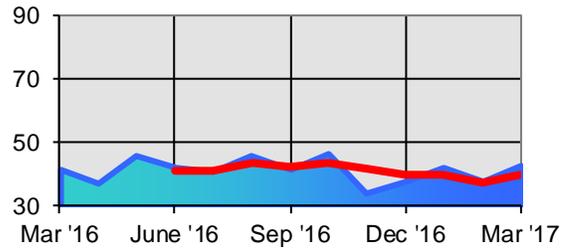
Leading Indicators

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
15.0%	13.6%	-37.1%	5.8%
* Change from prior month. All values are seasonally adjusted.			

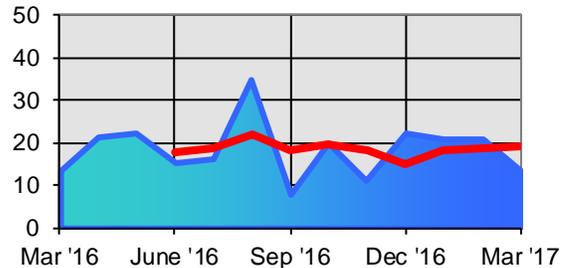
Unemployment Claims increased 5.1 points to a new index value of 42.4. The unemployment claims index was 41.3 in March 2016, 1.1 points higher lower than the present value. The 4-month moving average rose 2.2 points to 39.8.

Index of Claims for Unemployment Insurance



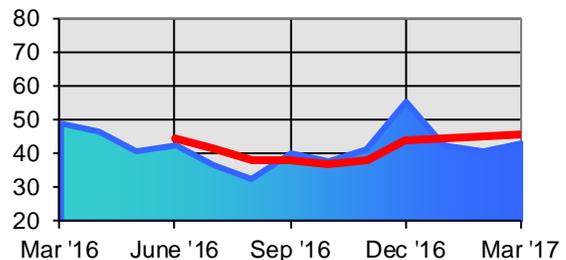
Building Permits declined 7.7 points to a new index value of 13.1. The current value is the same as the March 2016 value.

Index of Building Permits Issued



Help Wanted Advertising rose 2.4 points in March to a new index value of 43.3. One year ago, the index value stood at 49.0, indicating a 5.7 point decrease year-over-year. The 4-month moving average is up to 45.6, higher than the February's value of 45.1.

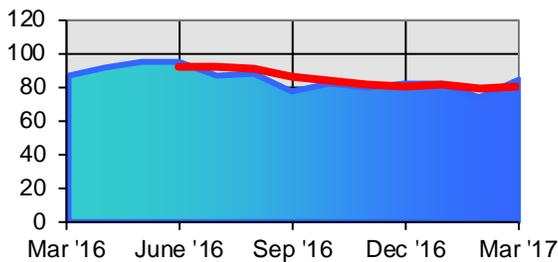
Index of Help Wanted Advertising



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$295,000	\$ 1,556	4.125%	4.9%
* 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 73.4 to a current value of 84.4. The manufacturing orders index value in March 2016 was 87.1, which is 2.7 points higher 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 March 2017 stands at an index value of 123.0, which is 13.1 points higher than February’s value of 108.4. The index value in March 2016 was 7.4 points higher than the current value. The county’s median home price rose from \$292,500 to \$295,000. In comparison, the median home price in March 2016 was \$282,475.

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.

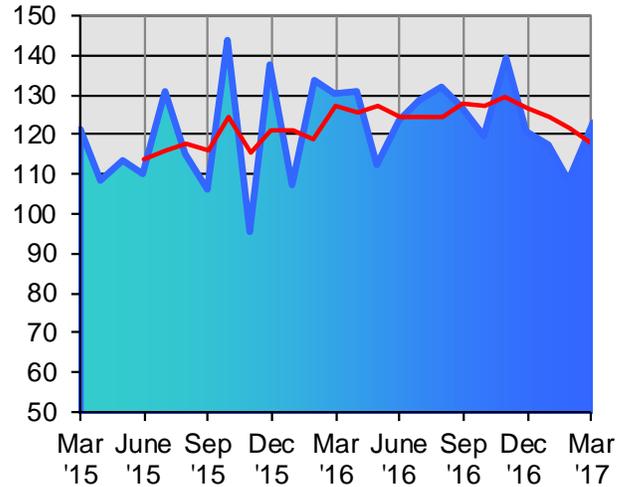
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in November compared to October. The 10-City and 20-City Composites report year-over-year gains of 5.2 percent and 5.9 percent, respectively. The National Index reported a 5.8 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.3 and 0.4 percent, respectively. The National Index also reported a seasonally adjusted increase of 0.4 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, “Housing and home prices continue to advance. The S&P Corelogic Case-Shiller National Home Price Index and the two composite indices accelerated since the national index set a new high four months ago. Other housing indicators are also

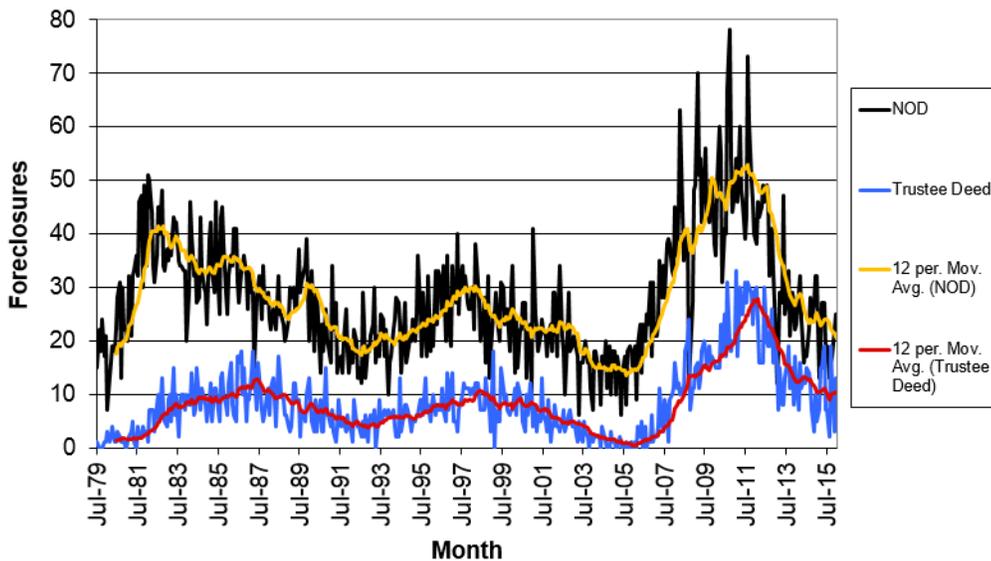
advancing, but not accelerating the way prices are.”

According to Freddie Mac, the average 30-year fixed-rate mortgage as of April 27, 2017 decreased to 4.03 percent from March’s latest rate of 4.14 percent. The average 15-year fixed-rate mortgage also decreased, down from 3.39 percent in March to 3.27 percent at the end of April.

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.

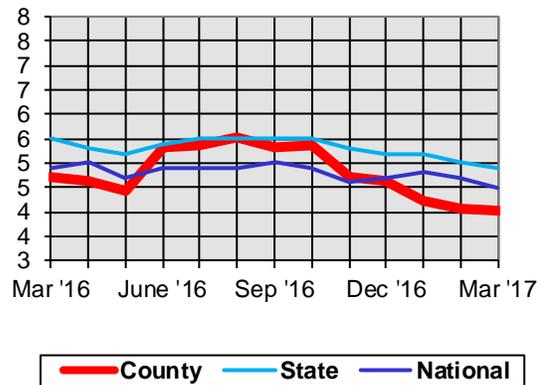
The Total County Employment Index decreased 0.2 points to a value of 111.0. The seasonally adjusted unemployment rate for Humboldt County decreased from 4.1 percent to 4.0 percent. The unemployment rate for California also fell 0.1 points to a new value of 4.9 percent. The national unemployment rate fell 0.2 percent, down to 4.5 percent.

The Employment Development Department of California indicated that in March Humboldt County's total employment rose by 100 individuals to a total of 59,910. Humboldt County's total unemployment decreased from 2,920 individuals in February to 2,840 individuals in March.

In the Labor Department's March report, total nonfarm payroll employment rose by 98,000. National employment was on the rise in several industries, including professional and business services, mining, health care, financial activities, and construction. Employment in retail fell by 30,000 jobs in March. Other

industries, including manufacturing, wholesale trade, transportation and warehousing, information, leisure and hospitality, and government changed little over the 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 in March to a new value of 85.8 from 80.9. This month's index value represents a 4.8 point decrease from this time last year. The 4-month moving average fell 5.6 points to a current value of 87.0.

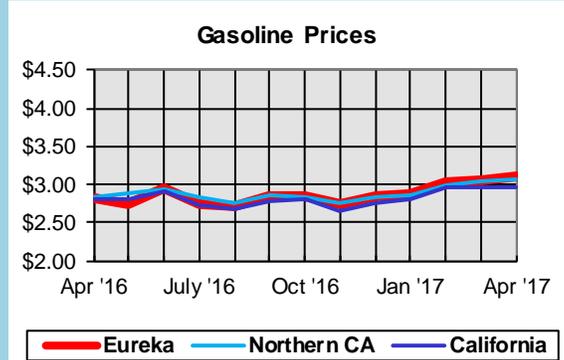
Gasoline Prices

California's average gas price remained constant in April at \$2.97. Northern California's average price increased 3 cents to a new average of \$3.08, while Eureka's average gas price rose by 6 cents to a new average of \$3.11. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.34 per gallon in 1982-84 dollars.

On April 28th California Governor, Jerry Brown, signed a bill into law increasing the gas tax and increasing vehicle registration fees in California. This tax increase is expected to raise \$5 billion annually. The additional revenue is earmarked for road repair, with money split evenly between local roads and state highways. "Safe and smooth roads make California a better place to live and strengthen our economy," Brown said in a statement. "This legislation will put thousands of people to work." The new tax will go into effect in November, and the increased registration fees will be seen next January.

Gas Prices		
Prices as of 4/30/2017	Average price*	Change from previous month
Eureka	\$3.11	\$0.06
Northern California	\$3.08	\$0.03
California	\$2.97	\$0.00

* 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 expanded to a seasonally adjusted index value of 91.4 in March, an 11.9 point increase from the previous month's adjusted value of 79.5. Manufacturing employment fell by 100, down to 2,000 individuals according to the Employment Development Department.

The Institute for Supply Management reports that April saw economic activity in the manufacturing sector contract for the fourth consecutive month, while the overall economy grew for the 95th 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 April is 54.8, representing a 2.4 point decrease.

Nationally, sixteen of the eighteen manufacturing industries are reporting growth in January including Electrical Equipment, Appliances & Components; Textile Mills; Nonmetallic Mineral Products; Furniture & Related Products; and Plastics & Rubber Products.

The New Export Orders Index for April is 57.5 percent, indicating a decrease from March's index by 7 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. Sixteen industries reported growth in the new export orders, including Furniture & Related Products; and Nonmetallic Mineral Products. No industry showed a contraction of new export orders in April.

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 first quarter of 2017–January through March – and the Energy Index stands at a value of 128.3 in March, which is 2 percent more than a year ago. The index value was 110.5 in February and 131.3 in January. The Energy Index in the first quarter of 2017 averaged 10.3 percent more than the index in the last quarter of 2016.

The next update for the Energy index is expected following the close of the second 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 reporting at a value of 141.7 for March, a decrease of 5.8 points from the value of 147.5 in February. The most recent value is 22.1 points lower than March 2016. The 4-month moving average is down by 2.8 points with a new value of 148.9.

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 decreased in April by 4.6 points to a current index value of 120.3. The Expectations Index decreased 5.6 points to a new value of 106.7, and the Present Situation Index also fell, from 143.9 to 140.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence declined in April after increasing sharply over the past two months, but still remains at strong levels... Looking ahead, consumers were somewhat less optimistic about the short-term outlook for business conditions, employment and income prospects." The percentage of consumers expecting business conditions to improve over the next six months fell to 24.8 percent, while the percentage of consumers expecting business conditions to decline increased to 10.9.

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 major county lumber companies and is adjusted to account for normal seasonal variations.

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.

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