

Humboldt Economic Index

June 2016

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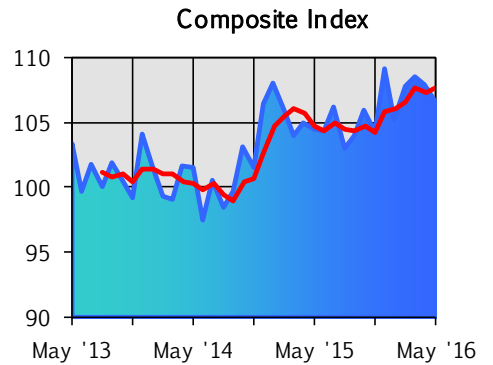
Gas Prices Continue to Rise, Composite Falls Slightly

The Composite Index fell 1.4 points from last month's value of 107.9 to the current value of 106.5. The Composite Index is up 2.1 points from this time last year. The Hospitality Index climbed over the past month, while the Home Sales, Retail Sales, and Employment Indices declined.

The Index of Home Sales fell 18.6 points from April, and is 1.1 points lower than in May 2015. The median home price decreased to \$270,000.

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

The seasonally adjusted unemployment rate in Humboldt County decreased from 4.6 percent to 4.4 percent, while the seasonally adjusted unemployment rate in California decreased just 0.1 points to 5.2 percent. In comparison, the national unemployment rate decreased to 4.7



percent.

California gas prices increased from \$2.81 to \$2.91. Northern California's average increased to \$2.93 from \$2.89, and Eureka's average gas price per gallon also increased from \$2.76 to \$2.96.

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	106.5	-1.3	1.9	8.8	-2.6
Home Sales	112.8	-14.1	-0.9	81.0	0.0
Retail Sales	159.9	-0.7	3.7	7.9	8.4
Hospitality	91.1	1.9	-0.4	9.6	-1.8
Electricity	125.8	0.0	8.9	-3.9	-4.4
Employment	108.9	-0.4	0.0	0.0	0.0
Lumber*	26.3	0.0	0.0	-28.3	-63.0
Manufacturing**	119.6			-	-

* 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.

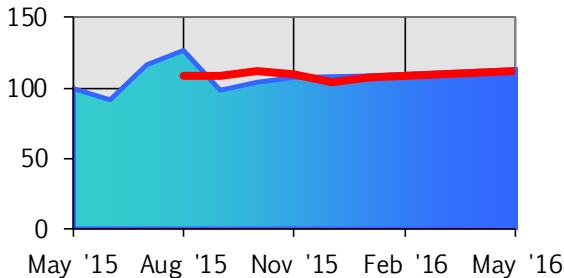
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	24.2%	4.3%	-12.6%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 9 points to a new index value of 44.8. The unemployment claims index was 49.3 in May 2015, which is 3.5 points higher than the present value. The 4-month moving average rose just 0.6 points to 39.9.

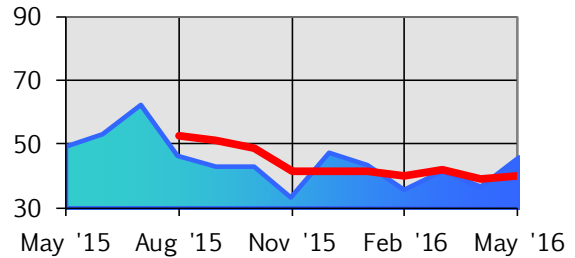
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$270,000	\$1,550	3.625%	5.2%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 112.0 to a current value of 113.0. The manufacturing orders index value in May 2015 was 99.8, which is 13.2 points lower than the present value.

Index of Manufacturing Orders

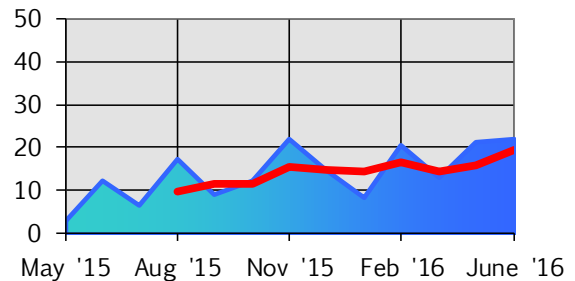


Index of Claims for Unemployment Insurance



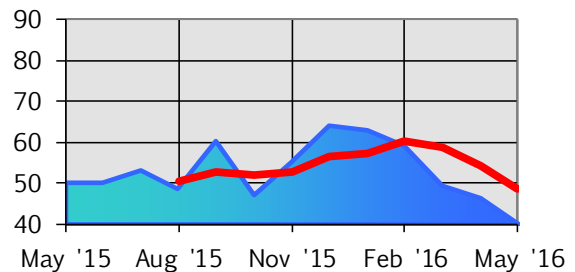
Building Permits have increased to an estimated value of 22.2. The information for this sector is unavailable this month.

Index of Building Permits Issued



Help Wanted Advertising fell 5.8 points in May to a new index value of 40.5. One year ago, the index value stood at 50.1, indicating a 9.6 point decrease year-over-year. The 4-month moving average is down to 48.7, lower than April's value of 46.3.

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 for May stands at an index value of 112.8, which is 18.6 points lower than April's value of 131.4. May 2015's index value is 1.1 points higher than the current value. The county's median home price declined from \$275,700 to \$270,000. In comparison, the median home price in May 2015 was \$251,950.

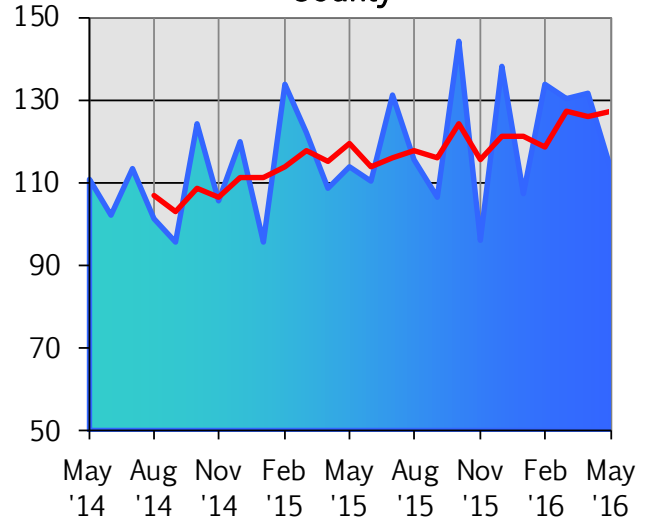
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in April compared to March. The 10-City and 20-City Composites report year-over-year gains of 4.7 percent and 5.4 percent respectively. The National Index reported a 5.0 percent annual gain over the same period. The 10-City and 20-City Composites reported seasonally adjusted month-over-month increases of 0.3 percent and 0.5 percent, respectively. The National Index also reported a seasonally adjusted increase of 0.1 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "The housing sector continues to turn in a strong price performance with the S&P/Case-Shiller National Index rising at 5% or greater annual rate for six consecutive months." The increasing home prices echo the low unemployment rate, consumers' positive outlook, and low mortgage interest rates. This trend may

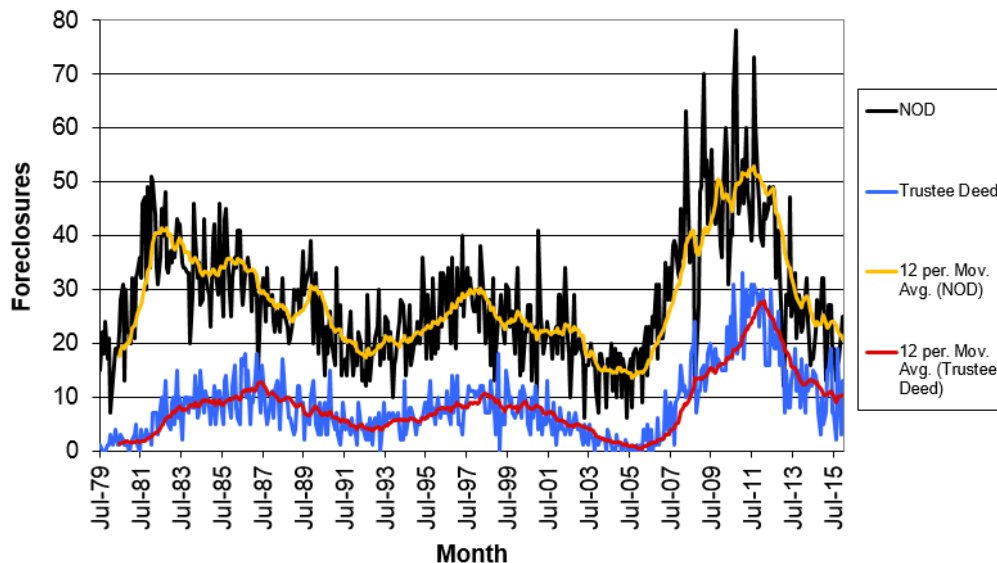
change in the upcoming months. Blitzer concludes, "Last week's vote by Great Britain to leave the European Union is the most recent political concern while the U.S. elections in the fall raise uncertainty and will distract home buyers and investors in the coming months."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of June 30 decreased to 3.48 percent from May's latest percent of 3.64. The average 15-year fixed-rate mortgage also decreased from 2.89 percent to 2.78 percent in June.

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.

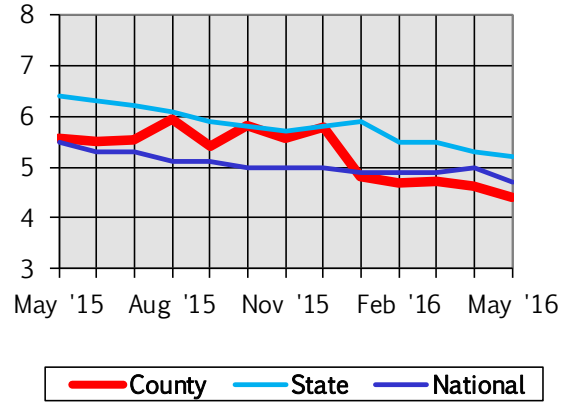
The Total County Employment Index decreased in value to 108.9. The seasonally adjusted unemployment rate for Humboldt County decreased from 4.6 percent to 4.4 percent. The unemployment rate for California fell just 0.1 points to a new value of 5.2 percent. The national unemployment rate decreased to 4.7 percent from April's 5.0 percent.

The Employment Development Department of California indicated that in May Humboldt County's total employment rose by 300 individuals to a total of 59,700. Humboldt County's total unemployment decreased from 3,000 individuals in April to 2,600 individuals in May.

In the Labor Department's December report, total nonfarm payroll employment increased by 38,000. National employment was on the rise in the health care industry. Employment in mining continued to decline. Employment in other industries, such as construction, wholesale trade, retail trade, transportation and

warehousing, financial activities, leisure and hospitality, and government, showed few change over month-to-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 May to a new value of 91.1 from 89.4. This month's index value represents a 0.4 point decrease from this time last year. The 4-month moving average fell just 0.7 points to a current value of 89.3.

Gasoline Prices

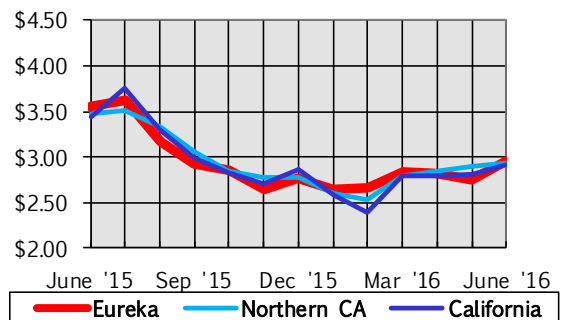
California's rose prices fell in May, increasing 10 cents to a new average of \$2.91. Northern California's average price increased 4 cents to a new average of \$2.93, while Eureka's average gas price increased by 20 cents to a new average of \$2.96. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.25 per gallon.

According to the L.A. Times, State Attorney General Kamala Harris has issued subpoenas to oil refiners believing there to be manipulation in the gasoline market. California gas prices have been relatively higher than any state in the nation for the past year due to the Torrance Exxon Mobil explosion last February, state taxes, and production of low-pollution blends. Jamie Court, president of Consumer Watchdog, supports these investigations on market manipulation, particularly Exxon Mobil. At the time of the explosion, Exxon Mobil had a ship sitting in the shores of Singapore for 70 days instead of bringing gasoline to California. Court believes the oil refiners "used Torrance's troubles to manipulate gas prices and limit gasoline supply in the market." Todd Spittler, an Exxon Mobil spokesman, refused to discuss whether the company received a subpoena.

Gas Prices		
Prices as of 6/30/2016	Average price*	Change from previous month
Eureka	\$2.96	\$0.20
Northern California	\$2.93	\$0.04
California	\$2.91	\$0.10

* 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



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 119.6 in May, a 1.5 point decrease from the previous month's value of 121.1. Overall manufacturing employment increased to 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that June saw economic activity in the manufacturing sector expand for the fourth consecutive month, while the overall economy grew for the 85th 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 June is 53.2, representing a 1.3 point increase.

Nationally, thirteen of the eighteen manufacturing industries are reporting growth in June including Printing & Related Support Activities, Textile Mills, Petroleum & Coal Products, Food, Beverage & Tobacco Products, and Fabricated Metal Products.

The New Export Orders Index for June is 53.5 percent, indicating a 1 point increase month-over-month. 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. Ten industries reported growth in the new export orders including Petroleum & Coal Products, Food, Beverage & Tobacco Products, and Chemical Products. Three Industries reported a decrease in new export orders, and five 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 first fiscal quarter of 2016 – January through March – and the Energy Index stands at a value of 125.8. March's index value is 13 points higher than February's value, and 6.5 points higher than in March 2015. February's value of 112.8 was 9.9 points lower than January's value, and 4.1 points higher than in February 2015. January's value of 122.7 was 11.5 points lower than December's value of 134.2, but 4.8 points lower than in January 2015.

The next update for the Energy Index will be coming after the end of the second fiscal quarter of 2016, in the July 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 159.9 for May, a decrease of 1.2 points from April's value of 161.1. The most recent value is also 5.7 points higher than in May 2015. The 4-month moving average is up by 1.9 points to a new value of 164.0.

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 June by 5.6 points to a current index value of 98.0. The Expectations Index increased 6 points to a new value of 84.5, while the Present Situation Index increased by 5.1 points to a value of 118.3.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence rebounded in June, after declining in May. Overall, consumers remain cautiously optimistic about economic growth in the short-term." The percentage of consumers expecting business conditions to improve over the next six months rose to 16.8 percent, while the percentage of consumers expecting business conditions to decline decreased from 11.7 to 11.4.

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. 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

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■ ■ ■ *realize human potential*

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