

Humboldt Economic Index

June 2017

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Decrease in Price for Homes and Gasoline

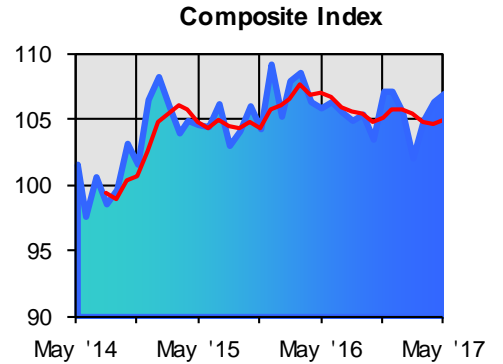
The Composite Index rose 0.7 points from last month's value of 106.1 to the current value of 106.8. The Composite Index is up 0.6 points from this time last year. Both the Hospitality and Retail Sales Indices increased over the past month, while the Home Sales and Employment Indices both declined.

The Index of Home Sales fell 6.9 points from April, and is 1.1 points lower than in May 2016. The median home price fell to \$279,500, down from \$299,000 in April.

Leading Indicators are positive in May. Unemployment Claims, Manufacturing Orders, and Building Permits are all up this month.

The seasonally adjusted unemployment rate in Humboldt County increased from 3.7 percent to 3.8 percent, while the seasonally adjusted unemployment rate in California decreased 0.1 points to 4.7 percent. The national unemployment rate also fell, from 4.4 to 4.3 percent.

California gas prices decreased from \$3.10 to \$2.93. Northern California's average fell from \$3.24 to \$3.14. Eureka's average gas price per



gallon fell from \$3.25 to \$3.05.

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	106.8	0.6	1.0	4.7	-6.1
Home Sales	111.7	-6.9	-1.0	19.5	-10.3
Retail Sales	157.6	4.2	-1.5	1.8	-4.6
Hospitality	91.0	4.7	-3.8	8.7	-3.9
Electricity	128.3	0.0	10.8	-6.1	-1.1
Employment	110.1	-0.7	1.1	10.9	3.7
Lumber*	26.3	0.0	0.0	-28.7	-64.4
Manufacturing**	88.3			-	-

* 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.

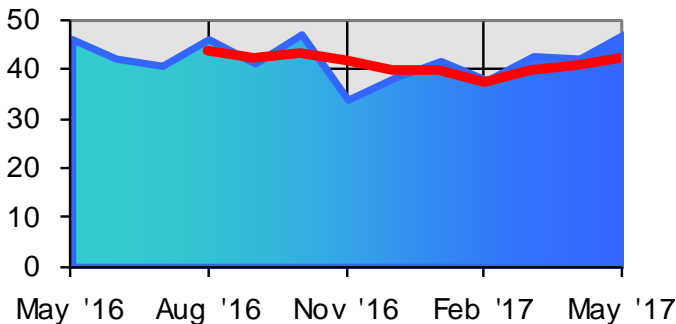
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	11.7%	30.3%	--
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 4.9 points to a new index value of 47.0. The unemployment claims index was 45.8 in May 2016, 1.2 points higher than the present value. The 4-month moving average rose 1.4 points to 42.2.

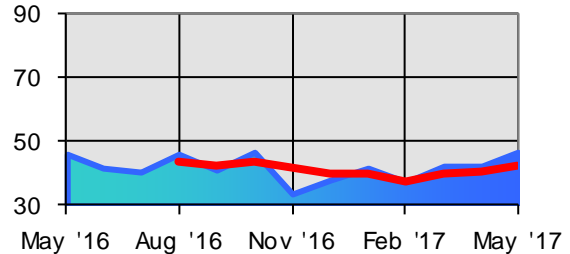
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$279,500	\$1,675	4.125%	3.6%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 79.3 to a current value of 80.0. The manufacturing orders index value in May 2016 was 95.5, which is 15.5 points higher than the present value.

Index of Manufacturing Orders

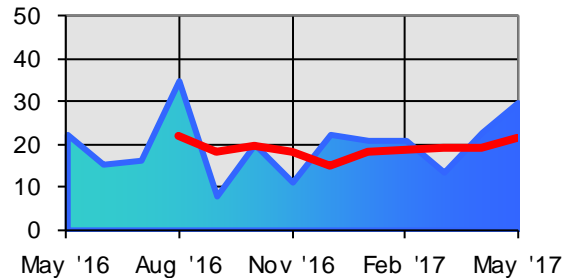


Index of Claims for Unemployment Insurance



Building Permits rose 6.9 points to a new index value of 29.7. The current value is 7.4 points higher than the May 2016 value.

Index of Building Permits Issued



Help Wanted Advertising We recently made changes to how we collect these data, and until we have more data, this section will not be reported.

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 2017 stands at an index value of 111.7, which is 8.3 points lower than April's value of 120.0. The index value in May 2016 was 1.1 points higher than the current value. The county's median home price fell from \$299,000 to \$279,500. In comparison, the median home price in May 2016 was \$270,000.

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.

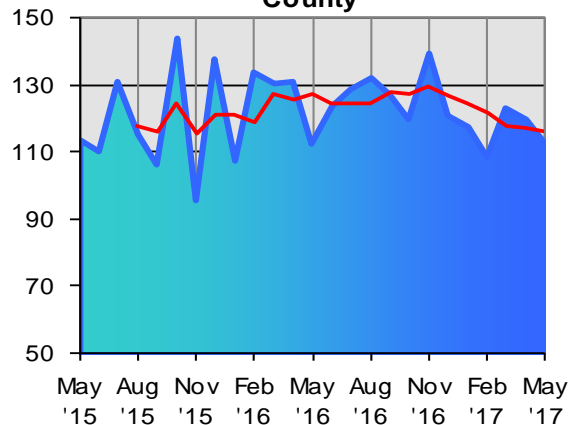
The S&P Case-Shiller Home Price Indices saw a slightly lower year-over-year gain in April compared to March. The 10-City and 20-City Composites report year-over-year gains of 4.9 percent and 5.7 percent, respectively. The National Index reported a 5.5 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.2 and 0.3 percent, respectively. The National Index also reported a seasonally adjusted increase of 0.2 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "As home prices continue rising faster than inflation, two questions are being asked: why? And, could this be a bubble? Since demand is exceeding supply and financing is available, there is nothing right now to keep prices from going up. The increase in real, or

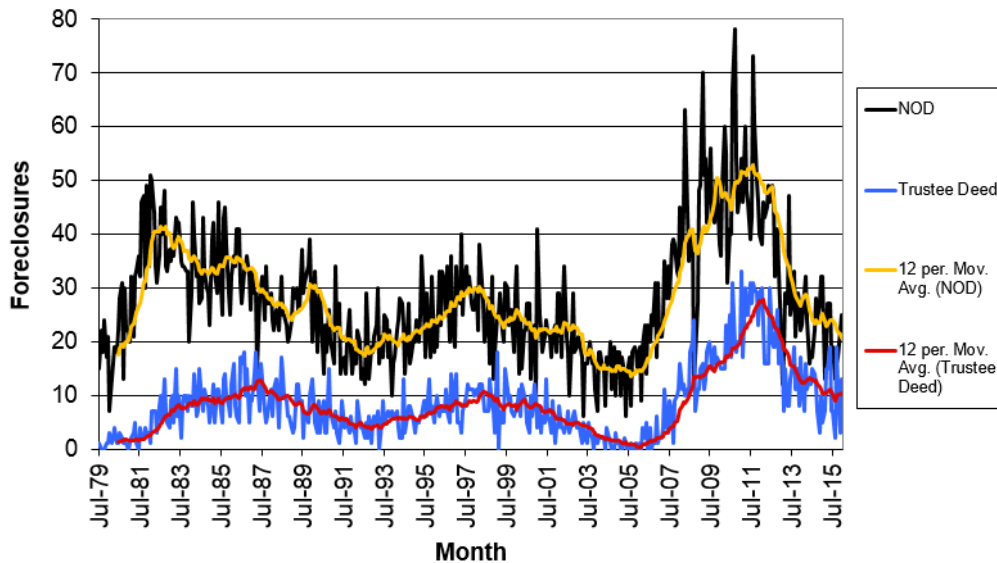
inflation-adjusted, home prices in the last three years shows that demand is rising. At the same time, the supply of homes for sale has barely kept pace with demand and the inventory of new or existing homes for sale shrunk down to only a four-month supply. Adding to price pressures, mortgage rates remain close to 4% and affordability is not a significant issue."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of June 29, 2017, is 3.88 percent. This is a decrease from May's last reported rate of 3.95 percent. The average 15-year fixed-rate mortgage is 3.17 percent, a slight decrease from 3.19 percent in May.

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 0.7 points to a value of 110.1. The seasonally adjusted unemployment rate for Humboldt County increased from 3.7 percent to 3.8 percent. The unemployment rate for California fell 0.1 points to a new value of 4.7 percent. The national unemployment rate fell slightly to 4.3 percent, down from 4.4 percent in April.

The Employment Development Department of California indicated that in March Humboldt County's total employment rose by 300 individuals to a total of 60,330. Humboldt County's total unemployment decreased from 2,470 individuals in April to 2,260 individuals in March.

In the Labor Department's May report, total nonfarm payroll employment rose by 138,000. National employment was on the rise in several industries, including health care, mining, professional and business services, and food services and drinking places. Other industries, including construction, manufacturing, wholesale trade, retail trade, transportation and

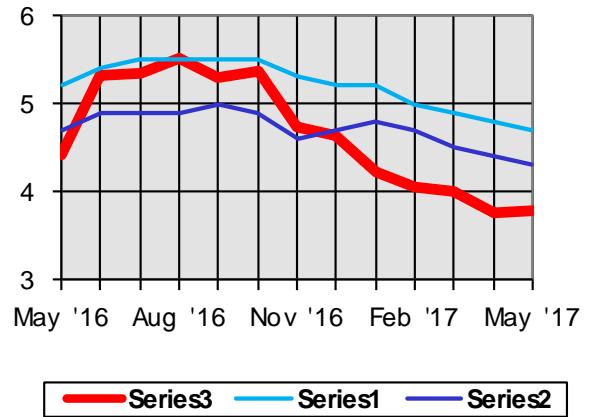
Hospitality

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 91.0 from 86.9. This month's index value represents a 3.6 point decrease from this time last year. The 4-month moving average rose 2.5 points to a current value of 86.1.

warehousing, information, financial activities, and government, changed little over the month.

Unemployment Percentage Rates



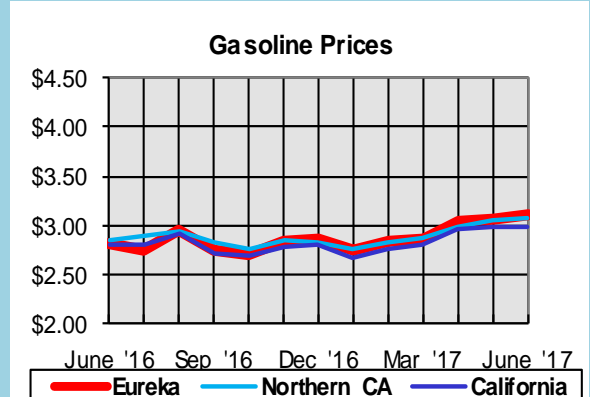
Gasoline Prices

California's average gas price fell in June to \$2.97, a 17 cent decrease from the previous month. Northern California's average price decreased 10 cents to a new average of \$3.14, while Eureka's average gas price fell by 20 cents to a new average of \$3.05. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.28 per gallon in 1982-84 dollars.

According to the AAA NewsRoom, gas prices across the United States are the lowest seen all year. "The combination of tepid demand and increased gasoline and crude output continues to put downward pressure on gas prices," said Jeanette Casselano, AAA Spokesperson. "While holiday gasoline demand is likely to reach new highs, it will probably not be enough to cause a significant increase on the price of gasoline in the coming week." The stock of West Coast gasoline fell following the shutdown of the Salina Cruz refinery in Mexico due to Tropical Storm Calvin. It is expected that export demand will continue to increase over the next month.

Gas Prices		
Prices as of 6/ 30/ 2017	Average price*	Change from previous month
Eureka	\$3.05	-\$0.20
Northern California	\$3.14	-\$0.10
California	\$2.93	-\$0.17

* 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

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 88.3 in May, a 0.3 point increase from the previous month's value of 88.0. Manufacturing employment remained at 2,100 individuals for the second month, according to the Employment Development Department.

The Institute for Supply Management reports that in June economic activity in the manufacturing sector expanded, while the overall economy grew for the 97th 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 57.8, this a 2.9 point increase over May and the highest reported level since August 2014.

Nationally, fifteen of the eighteen manufacturing industries are reporting growth in January including Furniture & Related Products; Nonmetallic Mineral Products; Paper Products; Machinery; Electrical Equipment, Appliances & Components; Chemical Products; Transportation Equipment; Computer & Electronic Products; Food, Beverage & Tobacco Products. Three following three industries reported contractions over the period: Apparel, Leather & Allied Products; Textile Mills; and Primary Metals.

The New Export Orders Index for June is 59.5 percent, indicating an increase over May's index of 2 points. This is the 16th consecutive month of growth for this Index. 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. Twelve industries reported growth in the new export orders, including Wood Products; Machinery; Furniture & Related Products; Primary Metals; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; and Chemical Products. Apparel, Leather & Allied Products were the only industry to show a decrease in new export orders in June.

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 2017– January through March – and the Energy Index stands at a value of 128.3. March's index value is 17.8 points higher than February's value, and 2.5 points higher than in March 2016. February's value of 110.5 was 20.8 points lower than January's value, and 2.3 points lower than in February 2016. January's value of 131.3 was 8.7 points higher than December's value of 122.6, and 8.6 points higher than in January 2016.

The next update for the Energy index is expected following the close of the second fiscal 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 157.6 for May, an increase of 6.4 points from the value of 151.2 in April. The most recent value is 2.3 points lower than May 2016. The 4-month moving average is up by 1.3 points with a new value of 149.5.

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 1.3 points to a current index value of 118.9. The Expectations Index decreased 1.7 points to a new value of 100.6, and the Present Situation Index increased, from 140.6 to 146.3.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence increased moderately in June following a small decline in May...Expectations for the short-term have eased somewhat, but are still upbeat. Overall, consumers anticipate the economy will continue expanding in the months ahead, but they do not foresee the pace of growth accelerating." The percentage of consumers expecting business conditions to improve over the next six months fell to 20.4 percent, while the percentage of consumers expecting business conditions to decline decreased to 9.9.

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.

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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