

Humboldt Economic Index

August 2017

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Median Home Prices Continue to Trend Up, and Gas Prices Rise

The Composite Index fell slightly to 104.4, down 0.3 points from the previous month. The Composite Index is down 1.2 points from this time last year. This month, the Home Sales index rose, both the Hospitality and Electricity indices remained constant, and both the Retail and Employment indices fell.

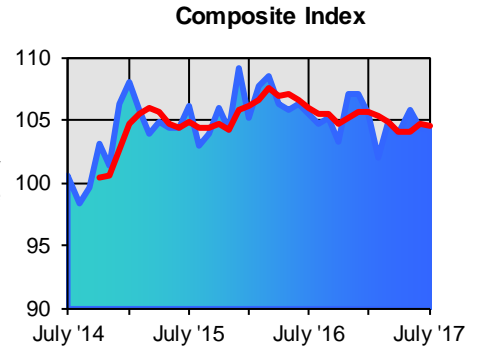
The Index of Home Sales rose 8.6 points from July, and is down 6.5 points from July of last year. The median home price rose to \$308,500, up from \$300,000 in June.

Leading Indicators are mostly down in July. Unemployment Claims are up, Building Permits are down, and Manufacturing Orders are up slightly.

The seasonally adjusted unemployment rate in Humboldt County increased from 4.6 percent to 4.9 percent. The seasonally adjusted unemployment rate in California also rose, up to 4.8 from 4.7 percent. The national unemployment rate fell slightly, from 4.4 to 4.3 percent.

California gas prices increased from \$2.94 to \$3.14. Northern California's average rose from \$3.09 to \$3.24.

Eureka's average gas price per gallon



rose from \$3.03 to \$3.25.

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	104.1	-0.3	-1.2	5.1	-6.6
Home Sales	120.7	8.6	-6.5	27.5	-2.5
Retail Sales	151.4	-3.7	-1.7	5.4	0.0
Hospitality	90.7	0.0	-1.3	5.7	-3.1
Electricity	114.9	0.0	-4.2	-9.5	-10.7
Employment	108.4	-0.1	0.6	10.0	2.4
Lumber*	26.3	0.0	0.0	-27.5	-60.5
Manufacturing**	110.7			-	-

* 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.

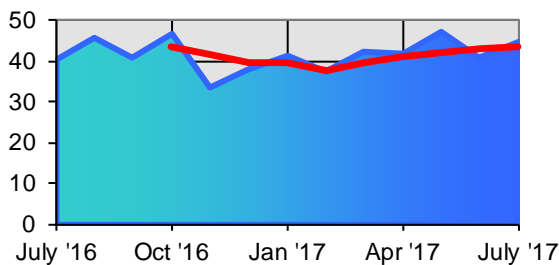
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
1.3%	-12.9%	-53.2%	104.6%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 4.1 points to a new index value of 45.0. The unemployment claims index was 40.5 in July 2016, 4.5 points lower than the present value. The 4-month moving average rose 0.6 points to 43.8.

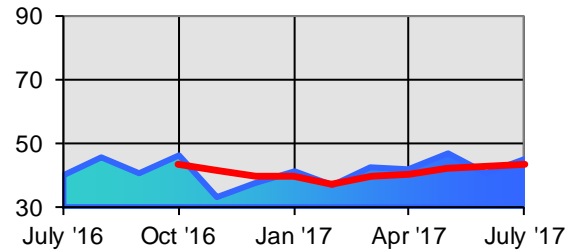
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$308,500	\$ 1,592	4.125%	4.9%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 81.0 to 82.0. The manufacturing orders index value in July 2016 was 87.0, which is 5.0 points higher than the present value.

Index of Manufacturing Orders

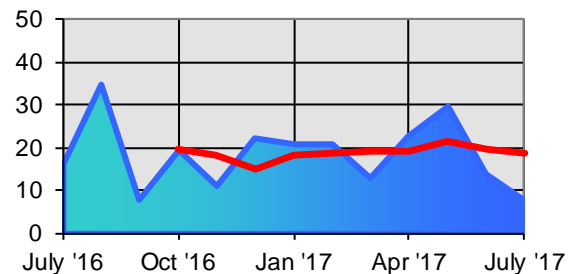


Index of Claims for Unemployment Insurance



Building Permits fell 5.9 points to a new index value of 8.0. The current value is 8.0 points lower than the July 2016 value.

Index of Building Permits Issued



Help Wanted Advertising We have changed our data collection method from relying solely on newspaper advertisements to counting unique jobs listings on Craigslist. This makes direct comparisons with our past Help Wanted Index inappropriate. We will report the raw number collected until seasonal adjustment can be resumed.

In August, there were 541 unique job postings on Craigslist.

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 July 2017 stands at an index value of 120.7, which is 9.6 points higher than June's value of 111.1. The index value in July 2016 was 8.3 points higher than the current value. The county's median home price rose from \$300,000 to \$308,500. In comparison, the median home price in July 2016 was \$307,500.

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.

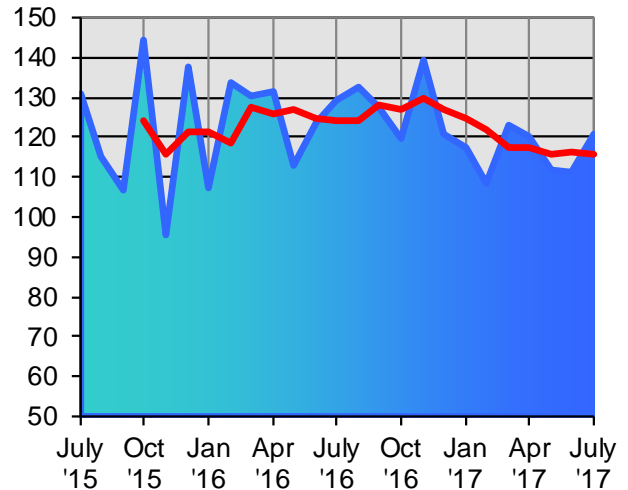
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in June compared to May. The 10-City and 20-City Composites report year-over-year gains of 4.9 percent and 5.7 percent, respectively. The National Index reported a 5.8 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed no month-over-month change, and the 20-City Composite posted a 0.1 percent change. 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, "The trend of increasing home prices is continuing. Price increases are supported by a tight housing market. Both the number of homes for sale and the number of days a house is on the market have declined for four to five years. Currently the months-

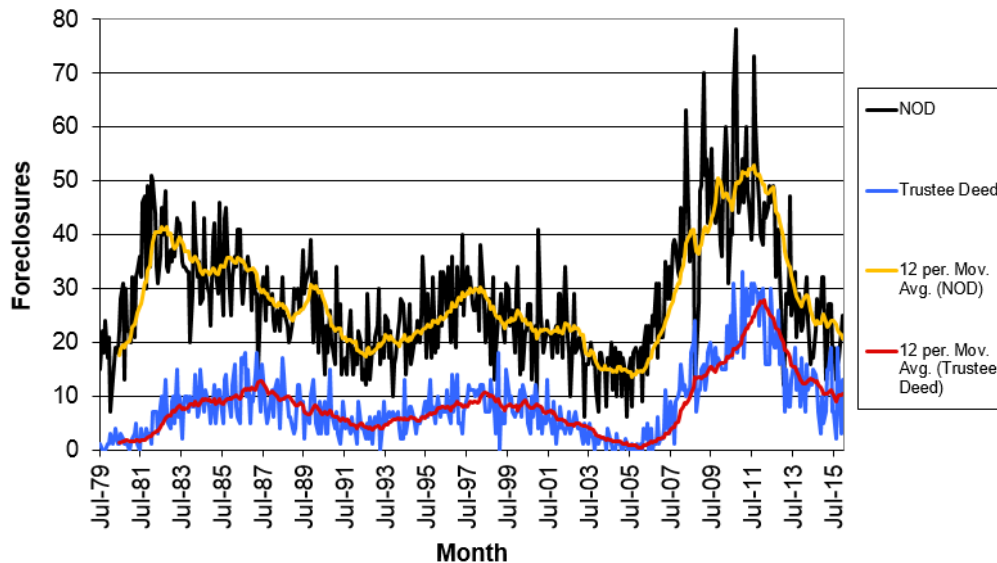
supply of existing homes for sale is low, at 4.2 months. In addition, housing starts remain below their pre-financial crisis peak as new home sales have not recovered as fast as existing home sales."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of August 31, 2017, is 3.82 percent. This is a decrease from June's last reported rate of 3.92 percent. The average 15-year fixed-rate mortgage is 3.12 percent, a decrease from 3.20 percent in July.

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 slightly to 108.4, down from 108.5 the previous month. The seasonally adjusted unemployment rate for Humboldt County increased from 4.6 percent to 4.9 percent. The unemployment rate for California rose slightly from 4.7 percent to 4.8 percent. The national unemployment rate fell slightly to 4.3 percent, down from 4.4 percent in June.

The Employment Development Department of California indicated that in March Humboldt County's total employment fell by an estimated 900 individuals to an estimated total of 61,420 in July. Humboldt County's total unemployment increased from 2,780 individuals in June to an estimated 3,020 individuals in July.

In the Labor Department's August report, total nonfarm payroll employment rose by 156,000. National employment was on the rise in several industries, including manufacturing, construction, professional and technical services, health care, and mining. In August

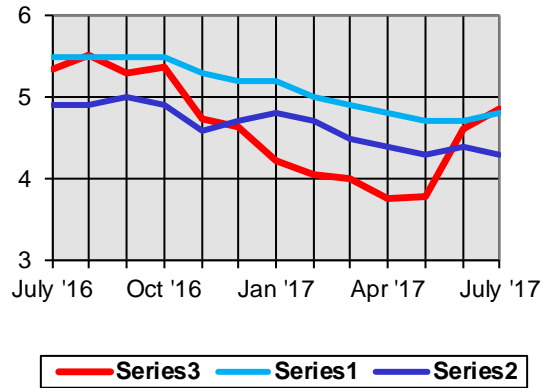
Hospitality

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 remained at 90.7 for the second consecutive month. This month's index value represents a 2.8-point decrease from this time last year. The 4-month moving average rose 1.2 points to a current value of 89.8.

other industries, including, wholesale trade, retail trade, transportation and warehousing, information, financial activities, and government showed little change over the month.

Unemployment Percentage Rates



Gasoline Prices

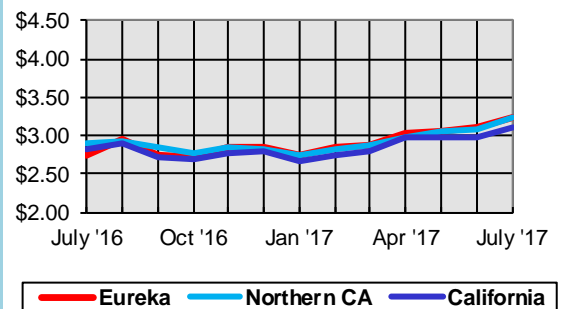
California's average gas price rose slightly in August to \$3.14, a 20-cent increase from the previous month. Northern California's average price increased 16 cents to a new average of \$3.24, and Eureka's average gas price rose by 23 cents to a new average of \$3.25. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.43 per gallon in 1982-84 dollars.

Several factors have contributed to rising gas prices at the end of August and beginning of September. Effects of Hurricane Harvey are being felt nationwide after refineries in the Gulf Coast were closed due to the storm. This is one of the largest reductions of refining capacity the United States has seen. California is also preparing to switch to the states winter blend, so supplies of the summer blend are declining. According to Dan Flynn, an energy analyst at Price Futures Group in Chicago, "The spike should be short-lived. For now, it's like a trickle-down effect going on. When there's tightness in supply, deliveries are going to be impacted. And everyone is going to pay at the pump, even if they normally don't use gas from the Gulf."

Gas Prices		
Prices as of 8/31/2017	Average price*	Change from previous month
Eureka	\$3.25	\$0.23
Northern California	\$3.24	\$0.16
California	\$3.14	\$0.20

* 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 expanded to a seasonally adjusted index value of 82.0 in July, a 1.0 point increase from the previous month's value of 81.0. Manufacturing employment remained at 2,100 individuals for the fourth month, according to the Employment Development Department.

The Institute for Supply Management reports that in July economic activity in the manufacturing sector expanded, while the overall economy grew for the 98th 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 August is 58.8, this a 2.5 point decrease over July.

Nationally, fourteen of the eighteen manufacturing industries are reporting growth in August including Textile Mills; Petroleum & Coal Products; Machinery; Transportation Equipment; Fabricated Metal Products; Computer & Electronic Products; Paper Products; Electrical Equipment, Appliances & Components; and Miscellaneous Manufacturing. Three following three industries reported contractions over the period: Apparel, Leather & Allied Products; Primary Metals; and Furniture & Related Products.

The New Export Orders Index for August is 60.3 percent, indicating a decrease over July's index of 0.1 points. This is the 12th consecutive month of growth for this Index. A New Orders Index above 52.3 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 Textile Mills; Petroleum & Coal Products; Paper Products; Transportation Equipment; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Printing & Related Support Activities; and Computer & Electronic Products. Apparel, Leather & Allied Products; Furniture & Related Products; Primary Metals; and Food, Beverage & Tobacco Products all showed a decrease in new export orders in August.

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 2017– April through June – and the Energy Index stands at a value of 114.9. June's index value is 4 points lower than May's value, and 5.1 points lower than in June 2016. May's value of 118.9 was 8.8 points higher than April's value, and 3.1 points higher than in May 2016. April's value of 110.1 was 18.2 points lower than March's value of 128.3, and 2.3 points lower than in March 2016.

The next update for the Energy index is expected following the close of the third 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 151.4 for July, a decrease of 5.8 points from the value of 157.2 in June. The most recent value is 2.9 points lower than July 2016. The 4-month moving average is up by 2.4 points with a new value of 154.5.

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 August by 2.9 points to a current index value of 122.9. The Expectations Index increased 1.0 points to a new value of 104.0, and the Present Situation Index increased, from 145.4 to 151.2.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that “Consumer confidence increased in August following a moderate improvement in July. Consumers’ more buoyant assessment of present-day conditions was the primary driver of the boost in confidence, with the Present Situation Index continuing to hover at a 16-year high” The percentage of consumers expecting business conditions to improve over the next six months decreased to 19.6 percent, while the percentage of consumers expecting business conditions to decline decreased to 7.3.

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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