

Humboldt Economic Index

November 2017

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Housing Sales Fall as Prices Increase

The Composite Index fell to 103.7, down 1.6 points from the previous month. The Composite Index is up 0.4 points from this time last year. This month, the Home Sales, Retail Sales, and Employment indices all fell, while the Hospitality Index rose.

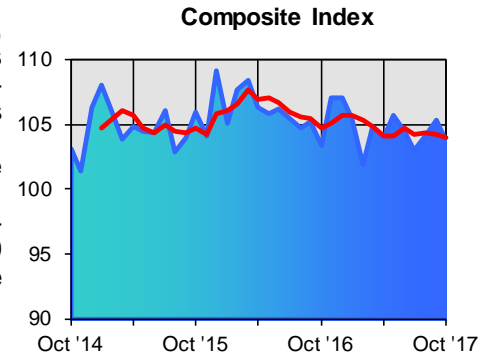
The Index of Home Sales fell 4.4 points from September, and is up 2.9 points from October of last year. The median home price fell to \$300,000, down from \$324,750 in September.

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

The seasonally adjusted unemployment rate in Humboldt County decreased from 4.5 percent to 4.1 percent. The seasonally adjusted unemployment rate in California fell from 5.1 percent to 4.9 percent. The national unemployment rate also fell, from 4.4 percent to 4.1 percent.

California gas prices increased from \$3.03 to \$3.18. Northern California's average rose from \$3.14 to \$3.27.

Eureka's average gas price per gallon rose from \$3.15 to \$3.26.



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	103.7	-1.5	0.4	3.4	-5.2
Home Sales	121.9	-0.8	1.9	13.5	19.8
Retail Sales	136.8	-10.1	-5.8	-3.8	-21.9
Hospitality	107.4	9.0	0.8	9.6	17.0
Electricity	104.6	-1.3	-2.9	-16.5	-18.1
Employment	109.7	-0.8	1.2	11.9	4.3
Lumber*	26.3	0.0	0.0	-27.0	-47.2
Manufacturing**	93.4			-	-

* 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

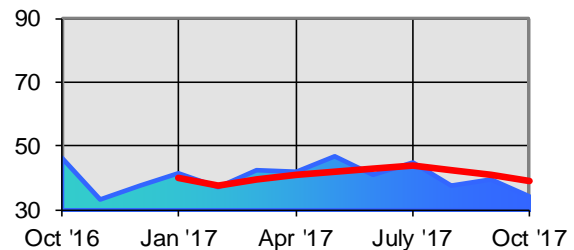
Leading Indicators

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
1.3%	-13.3%	127.2%	-6.5%
* Change from prior month. All values are seasonally adjusted.			

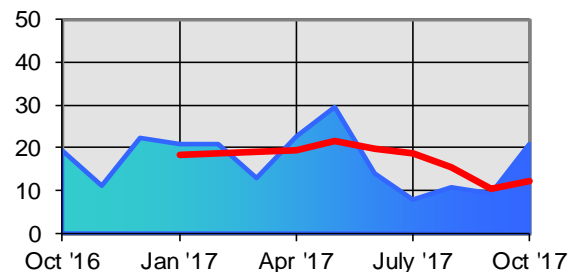
Unemployment Claims decreased 5.3 points to a new index value of 34.4. The unemployment claims index was 46.5 in October 2016, 12.1 points higher than the present value. The 4-month moving average fell 1.6 points to 39.3.

Index of Claims for Unemployment Insurance



Building Permits rose 11.7 points to a new index value of 20.9. The current value is 1.4 points higher than the October 2016 value.

Index of Building Permits Issued



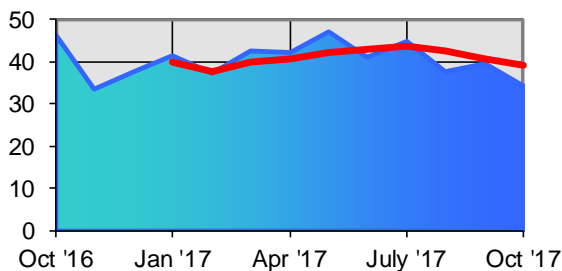
Help Wanted Advertising We have changed our data collection method from relying solely on newspaper advertisements to counting unique jobs listings on Craigslist. Due to the increased volume of help wanted ads we can no longer reliably report the seasonally adjusted index. We will report the raw number collected until seasonal adjustment can be resumed.

In October there were 469 unique job postings on Craigslist.

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$300,000	\$ 1,456	4.000%	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 104.3 to 105.7. The manufacturing orders index value in October 2016 was 82.4, which is 23.3 points lower 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 October 2017 stands at an index value of 121.9, which is 1.0 point lower than September's value of 122.9. The index value in October 2016 was 2.2 points lower than the current value. The county's median home price fell to \$300,000 from \$324,750. In comparison, the median home price in October 2016 was \$305,000.

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.

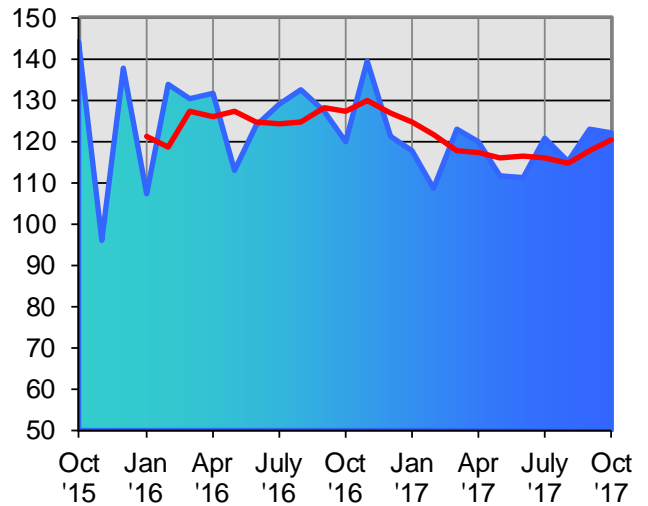
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in August compared to July. The 10-City and 20-City Composites report year-over-year gains of 5.7 percent and 6.2 percent, respectively. The National Index reported a 6.2 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed a month-over-month change of 0.5 percent, and the 20-City Composite posted a 0.4 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 prices, "Most economic indicators suggest that home prices can see further gains. Rental rates and home prices are climbing, the rent-to-buy ratio remains stable, the average rate on a 30-year mortgage

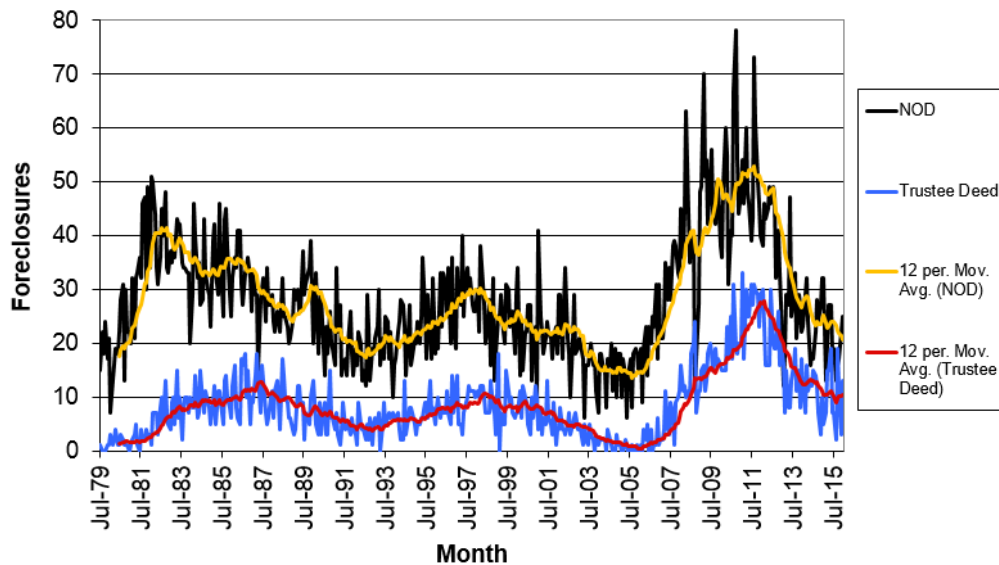
is still under 4%, and at a 3.8-month supply, the inventory of homes for sale is still low. The overall economy is growing with the unemployment rate at 4.1%, inflation at 2% and wages rising at 3% or more. One dark cloud for housing is affordability – rising prices mean that some people will be squeezed out of the market."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of November 30, 2017, is 3.90 percent. This is a slight decrease from October's last reported rate of 3.94 percent. The average 15-year fixed-rate mortgage is 3.30 percent, an increase from 3.25 percent in October.

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 0.9 points to a value of 109.7. The seasonally adjusted unemployment rate for Humboldt County decreased from 4.5 percent to 4.1 percent. The unemployment rate for California fell from 5.1 percent to 4.9 percent. The national unemployment rate also fell, from 4.4 percent to 4.1 percent.

The Employment Development Department of California indicated that in September Humboldt County's preliminary estimate of total employment rose by 180 individuals to a total of 62,000. Humboldt County's total unemployment decreased from 2,480 individuals in September to an estimated 2,270 individuals in October.

In the Labor Department's November report, total nonfarm payroll employment rose by 228,000. Employment in professional and business services, manufacturing, and health care all rose in November. Employment in mining, wholesale trade, retail trade, transportation and warehousing, information, financial

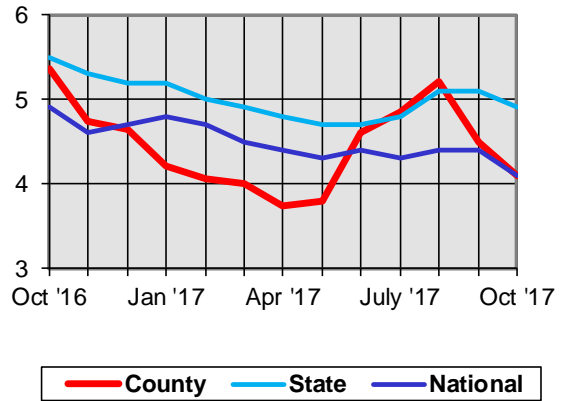
Hospitality

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 October to a new value of 107.4 from 98.0. This month's index value represents a 9.7 point increase from this time last year. The 4-month moving average rose 4.2 points to a current value of 96.8.

activities, leisure and hospitality, and government, changed little over the month.

Unemployment Percentage Rates



Gasoline Prices

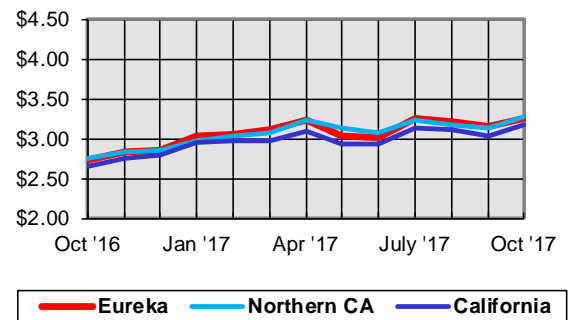
California's average gas price rose in November to \$3.18, a 15 cent increase from the previous month. Northern California's average price increased 13 cents to a new average of \$3.27, while Eureka's average gas price rose by 11 cents to a new average of \$3.26. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.42 per gallon in 1982-84 dollars.

The new gas tax has been met with opposition across the state. A petition to repeal the tax was started by San Diego City Council member Carl DeMaio. The petition needs to collect 587,000 signatures for a measure to appear on the statewide ballot in 2018. The tax, passed in April, is set to raise \$5.2 billion annually for infrastructure projects across the state. In response to the opposition, Cal Trans has begun to look into way to tax per mile driven, rather than per gallon of gasoline. This would increase revenue for the state transportation agency since many Californians choose to drive fuel efficient cars and do not use as much gas as they used to. The technology required for this change in the tax system will likely not be available until 2025.

Gas Prices		
Prices as of 11/30/2017	Average price*	Change from previous month
Eureka	\$3.26	+\$0.11
Northern California	\$3.27	+\$0.13
California	\$3.18	+\$0.15

* 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 93.4 in October, a 0.9 point increase from the previous month's value of 92.5. Manufacturing employment remained at 2,100 individuals for the seventh month, according to the Employment Development Department.

The Institute for Supply Management reports that in September economic activity in the manufacturing sector expanded, while the overall economy grew for the 102nd 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 November is 58.7, this a 0.5 point decrease from October.

Nationally, fourteen of the eighteen manufacturing industries are reporting growth in November including Paper Products; Machinery; Transportation Equipment; Computer & Electronic Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Printing & Related Support Activities; and Food, Beverage & Tobacco Products. Two industries reported a contraction over the period: Wood Products; and Petroleum & Coal Products.

The New Export Orders Index for November is 64.0 percent, indicating an increase over October's index of 0.6 points. This is the 15th 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. Fourteen industries reported growth in the new export orders, including Electrical Equipment, Appliances & Components; Paper Products; Furniture & Related Products; Plastics & Rubber Products; Machinery; Primary Metals; Printing & Related Support Activities; and Computer & Electronic Products. Two industries showed a decrease on new orders in September: Wood Products; and Textile Mills.

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 third fiscal quarter of 2017– July through September – and the Energy Index stands at a value of 106.0. September's index value is 17.8 points lower than August's value, and 4.7 points lower than in September 2016. August's value of 123.8 was 20 points higher than July's value, and 7.1 points higher than in August 2016. July's value of 103.8 was 11.1 points lower than June's value of 114.9, and 8.1 points lower than in July 2016. The next update for the Energy index is expected following the close of the fourth 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 136.8 for October, a decrease of 15.3 points from the value of 152.1 in September. The most recent value is 8.5 points lower than October 2016. The 4-month moving average is down by 5.1 points with a new value of 147.0.

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 November by 3.3 points to a current index value of 129.5. The Expectations Index increased 4.3 points to a new value of 113.3, and the Present Situation Index decreased, from 152.0 to 153.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumers' assessment of current conditions improved moderately, while their expectations regarding the short-term outlook improved more so, driven primarily by optimism of further improvements in the labor market. Consumers are entering the holiday season in very high spirits and foresee the economy expanding at a healthy pace into the early months of 2018." The percentage of consumers expecting business conditions to improve over the next six months rose to 22.4 percent, while the percentage of consumers expecting business conditions to decline decreased to 6.5.

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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