

Humboldt Economic Index

May 2017

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Unemployment Rate Continues to Fall and Retail Rebounds

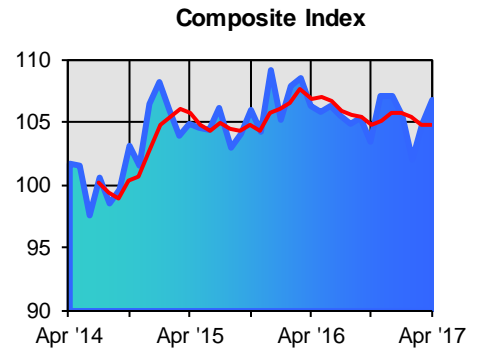
This month we welcome Davin to the Index. He will be the new assistant analyst. He is a business major with an interest in local economics and we are happy to have him on board!

The Composite Index rose to a value of 106.6, an increase of 1.7 points from last month's value of 104.8. The Composite Index is up 0.3 points from this time last year. The Retail Sales and Hospitality indices rose, and Home Sales and Employment both fell.

The Index of Home Sales fell 2.4 points from March, and is 8.7 points lower than in April 2016. The median home price rose to \$299,000, up from \$295,000 in March.

Leading Indicators were on the rise in April. Permits and the Manufacturing Orders are up this month, while Unemployment claims have decreased over the previous month. We have recently changed the way we collect help wanted advertising, and those amounts are not necessarily compatible with past reported numbers.

The seasonally adjusted unemployment rate in Humboldt County decreased from 4.0 percent to 3.7 percent, while the seasonally adjusted



unemployment rate in California decreased 0.1 points to 4.8 percent. The national unemployment rate also fell, from 4.5 to 4.4 percent.

California gas prices increased significantly, from \$2.97 to \$3.10. Northern California's average rose from \$3.08 to \$3.24. Eureka's average gas price per gallon rose from \$3.11 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	106.6	1.7	0.3	8.3	-4.6
Home Sales	120.0	-2.4	-8.7	23.4	23.4
Retail Sales	151.2	6.7	-6.1	13.2	-10.0
Hospitality	90.6	5.6	1.3	12.0	-0.8
Electricity	128.3	0.0	14.2	-2.1	-2.5
Employment	110.8	-0.2	1.3	10.5	4.6
Lumber*	26.3	0.0	0.0	-29.3	-64.0
Manufacturing**	88.0			-	-

* 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

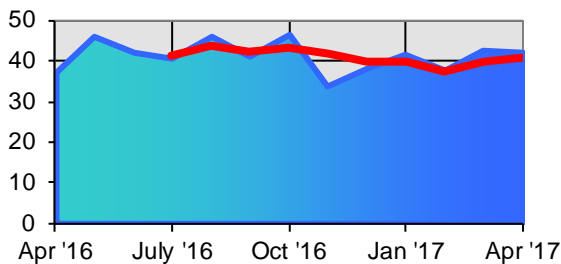
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-6.1%	-0.9%	73.5%	54.3%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$299,000	\$ 1,756	3.950%	3.7%
* 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.			

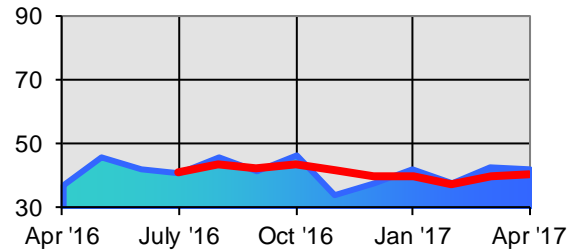
Manufacturing Orders increased from last month's value of 74.4 to a current value of 79.3. The manufacturing orders index value in April 2016 was 91.9, which is 12.6 points higher than the present value.

Index of Manufacturing Orders



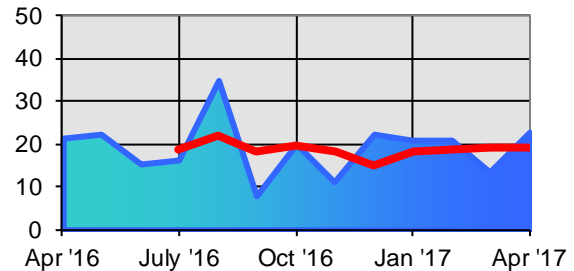
Unemployment Claims decreased 0.3 points to a new index value of 42.1. The unemployment claims index was 36.8 in April 2016, 5.3 points lower than the present value. The 4-month moving average rose 1.1 points to 40.9.

Index of Claims for Unemployment Insurance



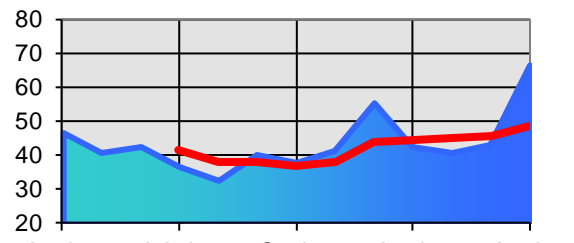
Building Permits increased 9.6 points to a new index value of 22.8. The current value is 1.5 points higher than the April 2016 value.

Index of Building Permits Issued



Help Wanted Advertising rose 23.5 points in April to a new index value of 66.7. We recently made changes to how we collect these data, and until we have more data, comparisons to past amounts may not be comparable. One year ago, the Index value stood at 46.3, indicating a 20.3 point increase year-over-year. The 4-month moving average is up to 48.4, 2.8 points higher than the March's value of 45.6.

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 April 2017 stands at a value of 120.0, which is 2.4 points lower than March's value. The county's median home price rose from \$295,000 to \$299,000. In comparison, the median home price in April 2016 was \$275,700.

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.

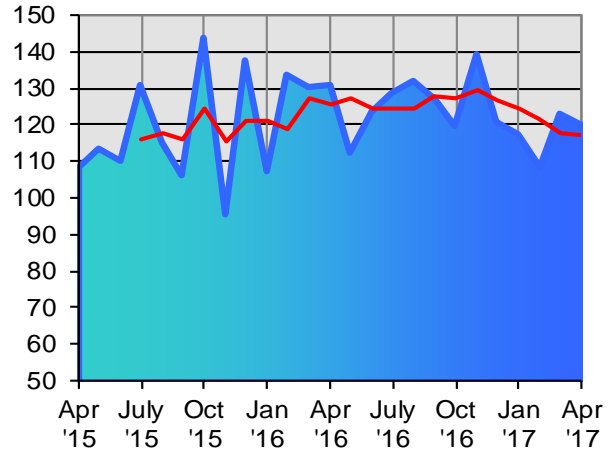
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in March compared to February. The 10-City and 20-City Composites report year-over-year gains of 5.2 percent and 5.9 percent, respectively. The National Index reported a 5.8 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.9 and 1.0 percent, respectively. The National Index also reported a seasonally adjusted increase of 0.8 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home prices, "Sales of both new and existing homes, housing starts and the National Association of Home Builders' sentiment index are all trending higher. Over the last year, analysts suggested that one factor pushing prices higher was the unusually low inventory of homes for sale. People are staying in their homes longer rather than selling and trading up. If mortgage rates,

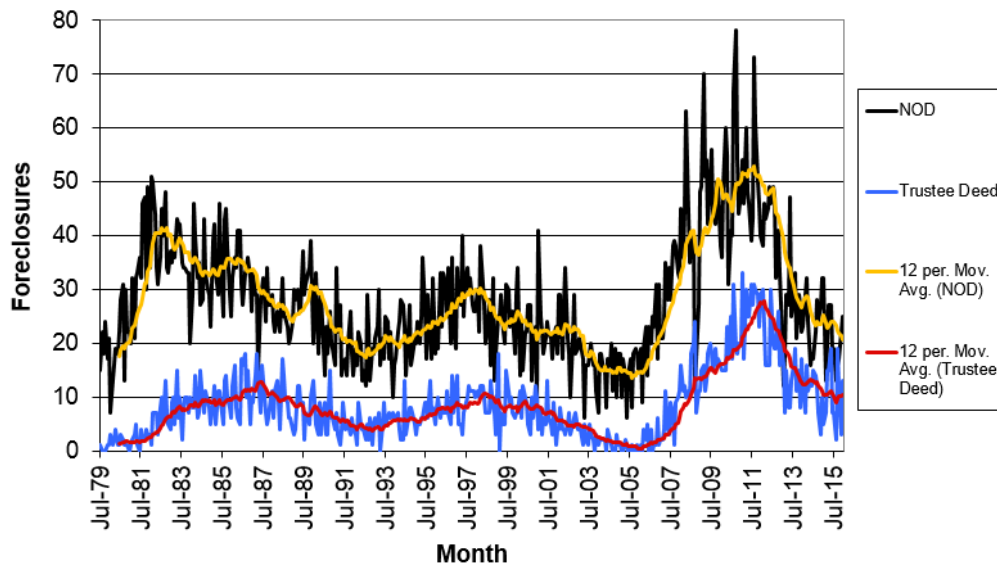
currently near 4%, rise further, this could deter more people from selling and keep pressure on inventories and prices"

According to Freddie Mac, the average 30-year fixed-rate mortgage as of May 25, 2017 decreased to 3.95 percent from April's latest rate of 4.03 percent. The average 15-year fixed-rate mortgage also decreased, down from 3.27 percent in April to 3.19 percent at the end of 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 0.2 points to a value of 110.8. The seasonally adjusted unemployment rate for Humboldt County decreased from 4.0 percent to 3.7 percent. The unemployment rate for California also fell 0.1 points to a new value of 4.8 percent. The national unemployment rate fell 0.1 percent, down to 4.4 percent.

The Employment Development Department of California indicated that in April Humboldt County's total employment rose by 220 individuals to a total of 60,130. Humboldt County's total unemployment decreased from 2,850 individuals in March to 2,470 individuals in April.

In the Labor Department's April report, total nonfarm payroll employment rose by 211,000. National employment was on the rise in several industries, including leisure and hospitality, healthcare and social assistance, financial activities, and mining and mining support activities. Other industries, including construction, manufacturing, wholesale trade, retail trade,

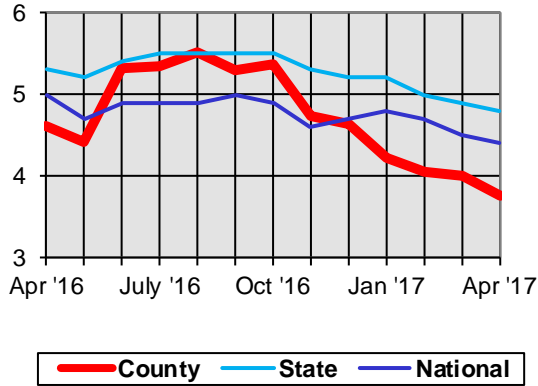
Hospitality

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 90.6 from 85.8. This month's index value represents a 1.1-point increase from this time last year. The 4-month moving average fell 2.4 points to a current value of 84.6.

transportation and warehousing, information, and government showed little change month-to-month.

Unemployment Percentage Rates



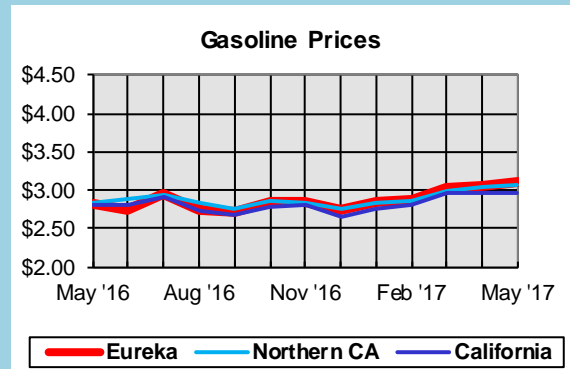
Gasoline Prices

California's average gas price remained constant in April at \$3.10. Northern California's average price increased 16 cents to a new average of \$3.24, while Eureka's average gas price rose by 13 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

Memorial Day marked the beginning of summer driving season, and gas prices rose significantly throughout the month. The average price of gas in the Sacramento area was up 30 cents this Memorial Day, over the prices in 2016. However, this is still significantly lower than prices seen in 2015 and 2014. The Valero Benicia refinery went offline in early May due to a power outage caused by needed upgrades to equipment at the site. The refinery has been unable to obtain permits for back-up power generation, as this would increase their carbon footprint. This incident is contributing to higher gas prices in Northern California, where the price of crude oil increased by \$3 a barrel in the last week of May.

Gas Prices		
Prices as of 5/31/2017	Average price*	Change from previous month
Eureka	\$3.25	\$0.13
Northern California	\$3.24	\$0.16
California	\$3.10	\$0.13

* 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 88.0 in March, a 2.4 point decrease from the previous month's adjusted value of 91.4. Manufacturing employment rose by 100, up to 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that May saw economic activity in the manufacturing sector expand, while the overall economy grew for the 96th 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 54.9, representing a 0.1-point increase.

Nationally, fifteen of the eighteen manufacturing industries are reporting growth in May, including Nonmetallic Mineral Products; Furniture & Related Products; Plastics & Rubber Products; and Machinery. The New Export Orders Index for May is 59.5 percent, indicating an increase from April's index by 2 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. Fourteen industries reported growth in the new export orders, including Paper Products; Primary Metals; Machinery; and Nonmetallic Mineral Products. Apparel, Leather & Allied Products showed a contraction of new export orders in May.

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 151.2 for April, an increase of 9.5 points from the value of 141.7 in March. The most recent value is 9.9 points lower than April 2016. The 4-month moving average is down by 0.7 points with a new value of 148.2.

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 May by 1.5 points to a current index value of 117.9. The Expectations Index decreased 2.8 points to a new value of 102.6, and the Present Situation Index increased, from 140.3 to 140.7.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence decreased slightly in May, following a moderate decline in April. However, consumers' assessment of present-day conditions held steady, suggesting little change in overall economic conditions" The percentage of consumers expecting business conditions to improve over the next six months fell to 21.3 percent, while the percentage of consumers expecting business conditions to decline decreased to 10.1.

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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■ ■ ■ *realize human potential*

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Sacramento Bee

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