

Humboldt Economic Index

August 2016

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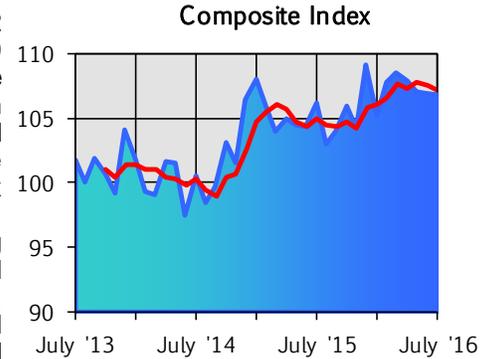
Manufacturing Rises, Composite Shows Little Change

The Composite Index fell just 0.2 points from last month's value of 106.9 to the current value of 106.7. The Composite Index is up 0.6 points from this time last year. The Hospitality and Employment Indices climbed over the past month, while the Retail Sales Index declined.

Leading Indicators are mostly falling in July. The Building Permits and Manufacturing Orders are up this month, while Help Wanted Advertising and Unemployment Claims have decreased over the previous month.

The seasonally adjusted unemployment rate in Humboldt County remained unchanged month-to-month at 5.3 percent, while the seasonally adjusted unemployment rate in California increased just 0.1 points to 5.5 percent. In comparison, the national unemployment rate remained at 4.9 percent.

California gas prices decreased from \$2.73 to \$2.68. Northern



California's average also fell to \$2.77 from \$2.84, and Eureka's average gas price per gallon fell from \$2.74 to \$2.71.

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	106.7	-0.1	0.6	8.9	-1.6
Home Sales	123.6	0.0	-5.7	67.3	22.5
Retail Sales	154.4	-3.5	1.4	5.6	12.6
Hospitality	93.4	1.7	2.1	2.2	2.9
Electricity	125.8	0.0	0.2	3.9	-4.6
Employment	109.0	1.1	1.3	12.3	4.2
Lumber*	26.3	0.0	0.0	-33.8	-69.7
Manufacturing**	137.9			-	-

* 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

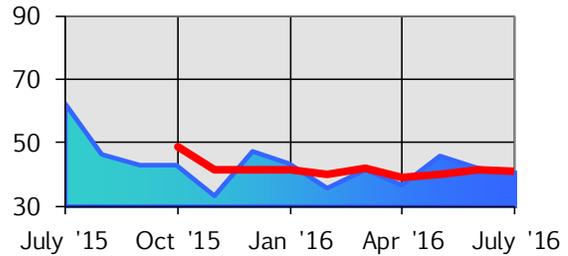
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	-3.3%	4.5%	-14.0%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims decreased 1.4 points to a new index value of 40.5. The unemployment claims index was 62.5 in July 2015, which is 22 points higher than the present value. The 4-month moving average fell just 0.2 points to 41.2.

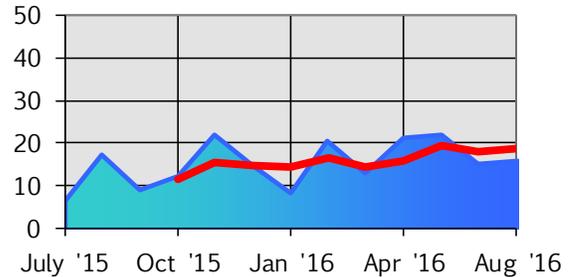
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$282,000	\$1,488	3.500%	5.5%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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.			

Index of Claims for Unemployment Insurance



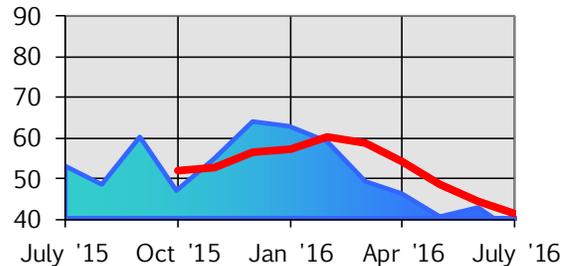
Building Permits increased 0.7 points to a new index value of 16.0. The current value is 9.3 points higher than July's value in 2015.

Index of Building Permits Issued



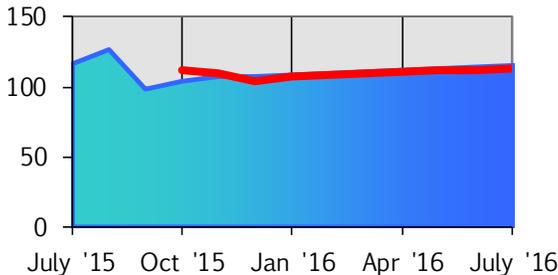
Help Wanted Advertising fell 6 points in July to a new index value of 36.7. One year ago, the index value stood at 52.8, indicating a 16.1 point decrease year-over-year. The 4-month moving average is down to 41.5, lower than the June's value of 44.6.

Index of Help Wanted Advertising



Manufacturing Orders increased from last month's value of 114.0 to a current value of 115.0. The manufacturing orders index value in July 2015 was 116.7, which is 1.7 points higher 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.

Data for The Humboldt County Home Sales Index was not available at the time of publication. The county's median home price was estimated to remain constant at \$282,000. In comparison, the median home price in July 2015 was \$271,500.

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.

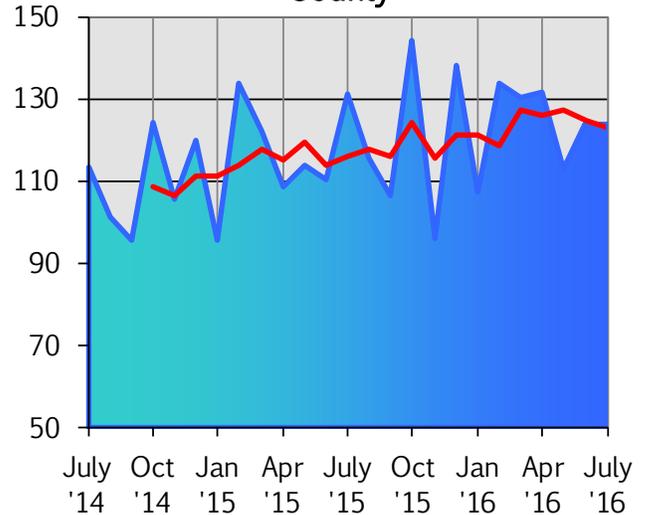
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in June compared to May. The 10-City and 20-City Composites report year-over-year gains of 4.3 percent and 5.1 percent respectfully. The National Index reported a 5.1 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.1 percent. 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, "Nationally, home prices have risen at a consistent 4.8 percent annual pace over the

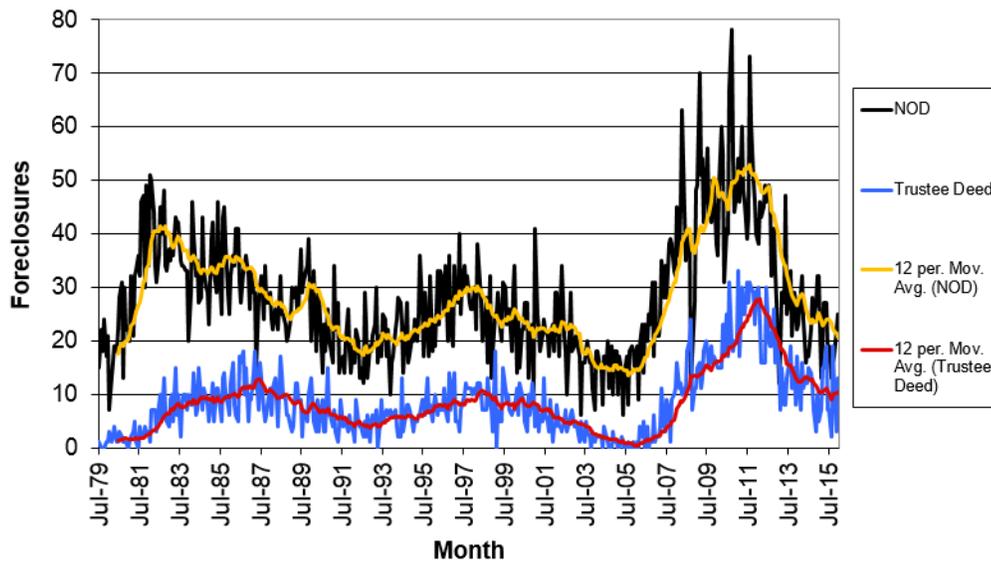
last two years without showing any signs of slowing." Sales of new single homes are at a seasonally adjusted 654,000, while sales of existing homes are at 5.5 million units. Blitzer finishes by stating, "While the real estate sector and consumer spending are contributing to economic growth, business capital spending continues to show weakness."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of August 25 decreased to 3.43 percent from July's latest percent of 3.48. The average 15-year fixed-rate mortgage also decreased from 2.78 percent to 2.74 percent in August compared to 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 increased in value to 109.0. The seasonally adjusted unemployment rate for Humboldt County remained constant at 5.3 percent. The unemployment rate for California rose just 0.1 points to a new value of 5.5 percent. The national unemployment rate remained at 4.9 percent for the second consecutive month.

The Employment Development Department of California indicated that in July Humboldt County's total employment fell by 470 individuals to a total of 58,750. Humboldt County's total unemployment increased from 3,240 individuals in June to 3,380 individuals in July.

In the Labor Department's December report, total nonfarm payroll employment rose by 151,000. National employment was on the rise in several industries, including food services and drinking places, professional and technical services, and financial activities. Employment in mining continued to decline. Employment in other industries, such as construction, manufacturing,

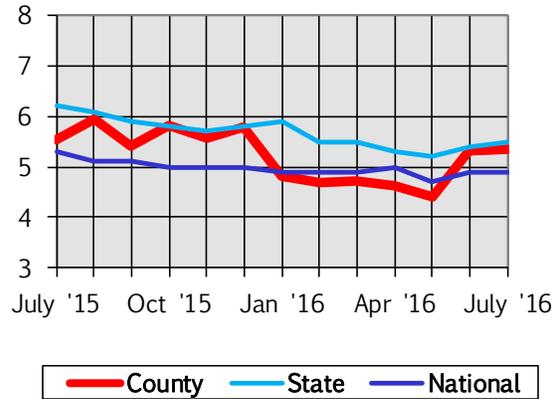
Hospitality

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 decreased in July to a new value of 93.4 from 91.9. This month's index value represents a 1.9 point increase from this time last year. The 4-month moving average rose 0.8 points to a current value of 92.4.

wholesale trade, retail trade, and transportation and warehousing, showed few change over month-to-month.

Unemployment Percentage Rates



Gasoline Prices

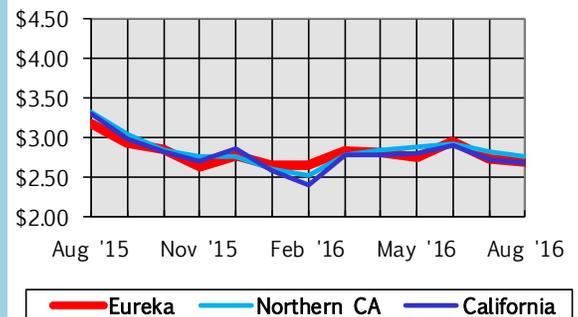
California's gas prices fell in July, decreasing 5 cents to a new average of \$2.68. Northern California's average price decreased 7 cents to a new average of \$2.77, while Eureka's average gas price fell by 3 cents to a new average of \$2.71. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.06 per gallon.

According to the Automobile Club of Southern California, Labor Day gasoline prices have not been this low in twelve years. Although the savings may be preferred by consumers, the lowered prices do not benefit the California roads that depend on gas taxes to raise funds for repairs. The Southern California Public Radio, KPCC, explains, "With gas prices dropping, cars becoming more fuel-efficient and the costs of construction quickly mounting, the taxes paid at the pumps have not kept pace. With inflation, it's leaving a backlog of \$59 billion in deferred repairs for the state highways and bridges."

Gas Prices		
Prices as of 8/31/2016	Average price*	Change from previous month
Eureka	\$2.71	-\$0.04
Northern California	\$2.77	-\$0.07
California	\$2.68	-\$0.04

* 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 expanded to a seasonally adjusted index value of 137.9 in December, a 45.9 point increase from the previous month's value of 92.0. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that January saw economic activity in the manufacturing sector contract for the fourth consecutive month, while the overall economy grew for the 87th 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 49.4, representing a 3.2 point decrease month-over-month.

Nationally, six of the eighteen manufacturing industries are reporting growth in August including Printing & Related Support Activities, Nonmetallic Mineral Products, Computer & Electronic Products, and Miscellaneous Manufacturing.

The New Export Orders Index for August is 52.5 percent, remaining unchanged from July's 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. Eight industries reported growth in the new export orders including Wood Products, Miscellaneous Manufacturing, and Food, Beverage & Tobacco Products. Six Industries reported a decrease in new export orders, and four 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 information on the second fiscal quarter of 2016 was not available at the time of publication.

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 154.4 for July, a decrease of 5.6 points from the adjusted value of 160.0 in June. The most recent value is 2.1 points higher than in July 2015. The 4-month moving average is down by 2.4 points to a new value of 158.8.

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 4.4 points to a current index value of 101.1. The Expectations Index increased 4.4 points to a new value of 86.4, while the Present Situation Index increased to a value of 123.0.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that, "Consumer confidence improved in August to its highest level in nearly a year, after a marginal decline in July. Consumers' assessment of both current business and labor market conditions was considerably more favorable than last month." The percentage of consumers expecting business conditions to improve over the next six months rose to 17.3 percent, while the percentage of consumers expecting business conditions to decline decreased to 11.1.

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. 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.

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■ ■ ■ *realize human potential*

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