

Humboldt Economic Index

August 2018

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Gas Prices Similar for 3-Month Window, Home Sales Fall

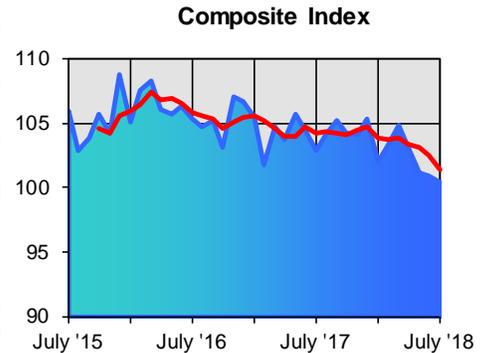
The Composite Index fell slightly to 100.4, down 0.5 points from the previous month. The Composite Index is down 2.4 points from this time last year. This is also the fifth month in a row the Composite Index has fallen. This month, the Hospitality and Home Indices fell and both the Retail and Employment Indices rose.

The Index of Home Sales fell 6.1 points from July, and is down 5.1 points from July of last year. The median home price fell to \$305,000, up from \$330,000 in June.

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

The seasonally adjusted unemployment rate in Humboldt County stayed at 3.9 percent. The seasonally adjusted unemployment rate in California fell to 4.4 from 4.5 percent. The national unemployment rate fell slightly as well, from 4.2 to 4.1 percent.

California gas prices increased from \$3.61 to \$3.67. Northern California's average stayed at 3.77 for the third month. Eureka's average gas price per



gallon stayed at \$3.80 for the third month as well.

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	100.4	-0.5	-2.4	-1.2	-4.2
Home Sales	122.7	-4.7	4.3	6.1	47.6
Retail Sales	140.6	2.6	-7.2	-5.8	-10.3
Hospitality	71.4	-4.7	-14.7	-11.1	-12.2
Electricity	110.7	0.0	6.6	-12.7	-16.0
Employment	110.7	0.6	1.9	11.3	5.7
Lumber*	26.3	0.0	0.0	-22.7	-44.5
Manufacturing**	97.5			-	-

* 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.

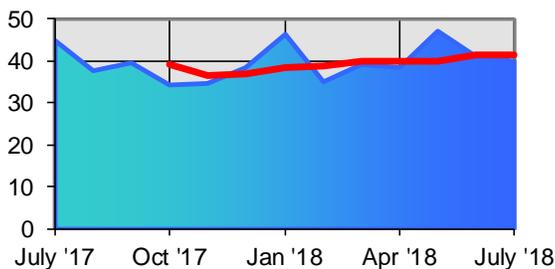
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-23.6%	10.4%	77.6%	22.1%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims decreased 1.4 points to a new index value of 39.9. The Unemployment Claims Index was 45.0 in July 2017, 5.1 points lower than the present value. The 4-month moving average rose 0.2 points to 41.7.

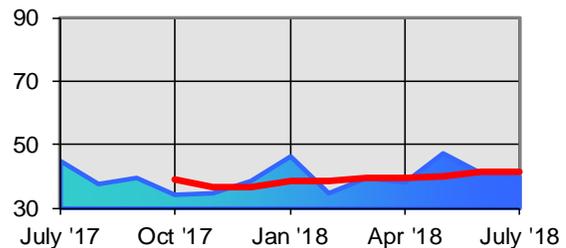
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$305,000	\$ 1,535	4.750%	4.1%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 80.5 to 81.5. The Manufacturing Orders Index value in July 2017 was 103.9, which is 22.4 points higher than the present value.

Index of Manufacturing Orders

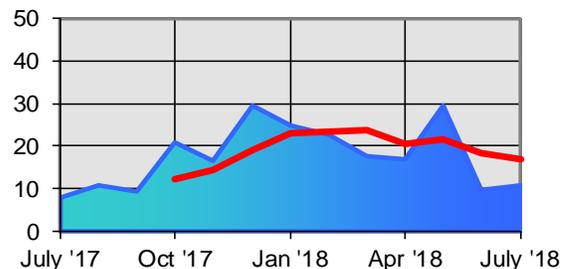


Index of Claims for Unemployment Insurance



Building Permits rose 0.9 points to a new Index value of 10.6. The current value is 2.7 points lower than the July 2017 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 August there were 503 unique job postings on Craigslist, an increase of 56 from the previous month

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 2018 stands at an Index value of 122.7, which is 6.1 points lower than June's value of 128.8. The Index value in July 2017 was 5.1 points higher than the current value. The county's median home price fell from \$330,000 to \$305,000. In comparison, the median home price in July 2017 was \$308,500.

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.

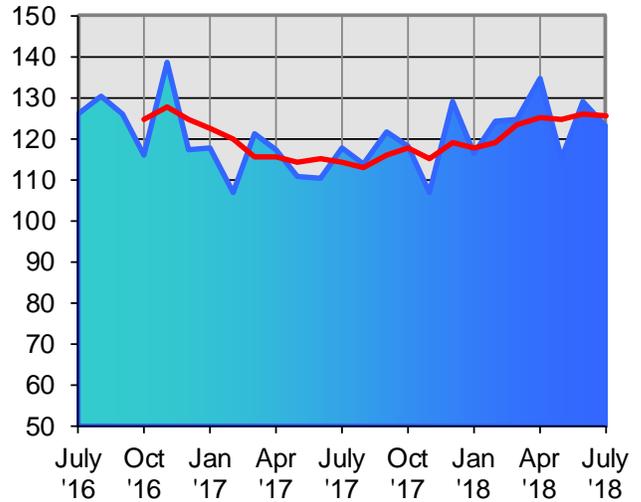
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in June compared to May. The 10-City and 20-City Composites report year-over-year gains of 6.0 percent and 6.3 percent, respectively. The National Index reported a 6.2 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed no month-over-month change, and both posted a 0.1 percent change. 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 sales, "Home prices continue to rise across the U.S. ... However, even as home prices keep climbing, we are seeing signs that growth is easing in the housing market. Sales of both new and existing homes are roughly flat over the last six months amidst news

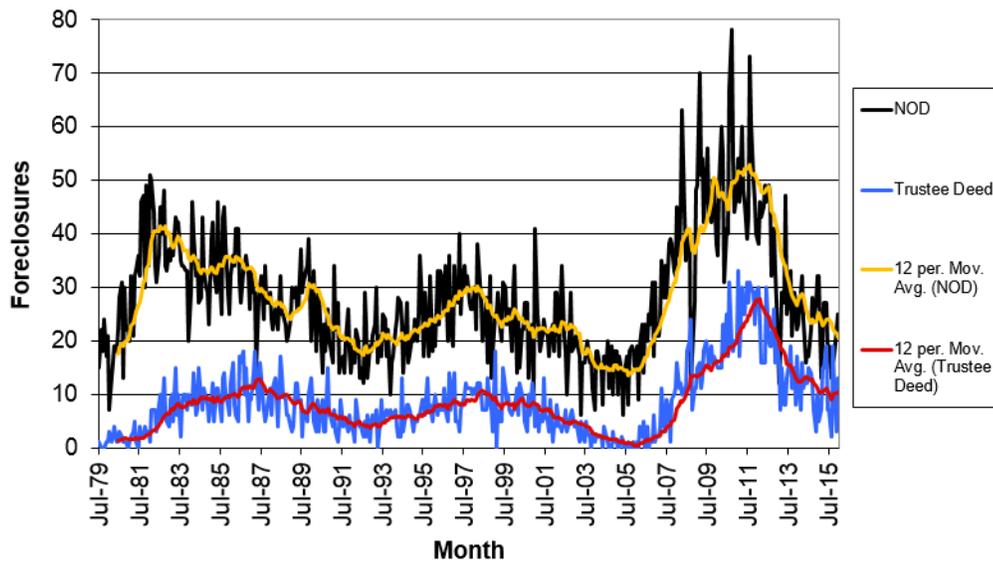
stories of an increase in the number of homes for sale in some markets. Rising mortgage rates – 30 year fixed rate mortgages rose from 4% to 4.5% since January – and the rise in home prices are affecting housing affordability."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of September 13, 2018, is 4.60 percent. This is an increase from July's last reported rate of 4.54 percent. The average 15-year fixed-rate mortgage is 4.06 percent, an increase from 4.02 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.

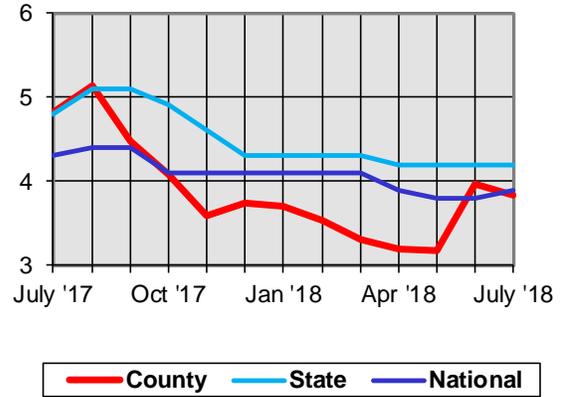
The Total County Employment Index increased 0.6 points to a value of 110.7. The seasonally adjusted unemployment rate for Humboldt County decreased from 4.0 percent to 3.8 percent. The unemployment rate for California remained at 4.2 percent for the fourth consecutive month. The national unemployment rate rose slightly to 3.9 percent, up from 3.8 percent in June.

The Employment Development Department of California indicated that in July Humboldt County's total employment fell by 690 individuals to a total of 59,530. Humboldt County's total unemployment increased from 2,470 individuals in June to an estimated 2,390 individuals in July.

In the Labor Department's July report, total nonfarm payroll employment rose by 201,000. National employment was on the rise in several industries, including health care, construction, wholesale trade, transportation and warehousing, and mining. In June other industries, including financial activities,

manufacturing, government, leisure and hospitality, information and retail trade showed little change over the month.

Unemployment Percentage Rates



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 June to a new value of 71.4 from 77.3. This month's index value represents a 20.2 point decrease from this time last year. The 4-month moving average fell 4.7 points to a current value of 79.5.

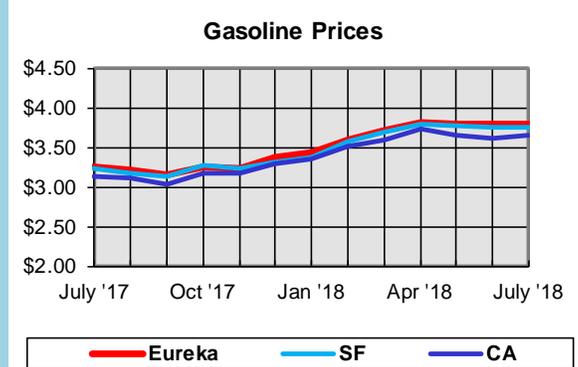
Gasoline Prices

California's average gas price rose slightly in August to \$3.67, a 6 cent increase from the previous month. Northern California's average price kept the average of \$3.77 for the third consecutive month while Eureka's average gas price maintained an average of \$3.80 for the third consecutive month as well. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.76 per gallon in 1982-84 dollars.

Though gas prices had appeared as if they would be going down for a time, the annual jump around Labor Day still came and went, leaving prices still high. The outlook for the future is uncertain as well. OPEC has many unstable countries and the list has been growing. In Basra Iraq, rioters burned down several buildings. Protests in the area have been going on for months in the area that produces most of the country's oil, due to the deep income inequality. So far oil production has not been majorly effected yet, but many experts say that it is a matter of time. It is projected to add as much as \$10 a barrel, if the situation escalates.

Gas Prices		
Prices as of 8/30/2018	Average price*	Change from previous month
Eureka	\$3.80	\$0.00
Northern California	\$3.77	\$0.00
California	\$3.67	-\$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).



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 98.7 in June, a 10.4 point increase from the previous month's value of 88.3. Manufacturing employment remained at 2,100 individuals for the third 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 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 July is 56.3, this a 1.5 point decrease over June.

Nationally, sixteen of the eighteen manufacturing industries are reporting growth in August including Computer & Electronic Products; Apparel, Leather & Allied Products; Textile Mills; Paper Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Furniture & Related Products; Machinery; Nonmetallic Mineral Products; Transportation Equipment; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Plastics & Rubber Products; Fabricated Metal Products; Chemical Products; and Printing & Related Support Activities. The following two industries reported contractions over the same period Wood Products; and Primary Metals.

The PMI New Export Orders Index for August is 65.1 percent, indicating an increase over July's index of 4.9 points. This is the 24th 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. Thirteen industries reported growth in the new export orders, including Textile Mills; Computer & Electronic Products; Paper Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Transportation Equipment; Chemical Products; Fabricated Metal Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Machinery; Petroleum & Coal Products; and Plastics & Rubber Products. Primary Metals was the only industry to show 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

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 2018– January through March – and the Energy Index stands at a value of 110.7. March's index value is 14.0 points higher than February's value, and 8.7 points lower than in March 2017. February's value of 105.6 was 11.7 points lower than January's value, and 4.9 points lower than in February 2017. January's value of 117.3 was 6.7 points higher than December 2017's value of 110.7, and 14.0 points lower than in January 2017.

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 140.6 for July, an increase of 3.6 points from the value of 137.0 in June. The most recent value is 10.9 points lower than June 2017. The 4-month moving average is up by 0.4 points with a new value of 134.6.

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 5.5 points to a current index value of 133.4. The Expectations Index increased 5.2 points to a new value of 107.6, and the Present Situation Index increased, from 166.1 to 172.2.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Expectations, which had declined in June and July, bounced back in August and continue to suggest solid economic growth for the remainder of 2018. Overall, these historically high confidence levels should continue to support healthy consumer spending in the near-term." The percentage of consumers expecting business conditions to improve over the next six months rose to 24.3 percent, while the percentage of consumers expecting business conditions to decline increased to 10.5.

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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