

Humboldt Economic Index

July 2016

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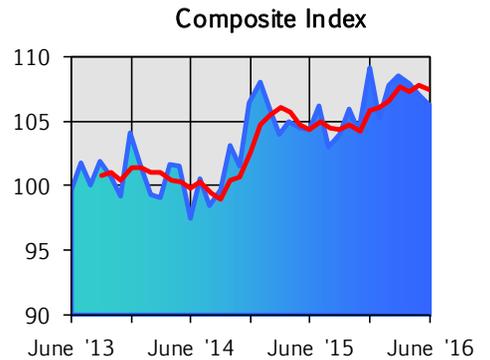
Composite Shows Little Change, Gas Prices Finally Drop

The Composite Index fell 0.8 points from last month's value of 107.1. The Composite Index is up 1.8 points from this time last year. The Retail Sales Index increased slightly, while the Hospitality, and Employment Indices declined. The others were estimated to remain the same.

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

The seasonally adjusted unemployment rate in Humboldt County increased from 4.4 percent to 5.3 percent, while the seasonally adjusted unemployment rate in California increased just 0.2 points to 5.4 percent. In comparison, the national unemployment rate increased to 4.9 percent.

California gas prices decreased from \$2.91 to \$2.73. Northern



California's average also fell to \$2.84 from \$2.93, and Eureka's average gas price per gallon fell from \$2.96 to \$2.74.

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	106.1	-0.8	1.8	5.7	-4.5
Home Sales	112.8	0.0	2.5	22.1	-14.5
Retail Sales	160.0	0.1	4.8	7.8	6.8
Hospitality	91.9	-2.9	2.1	9.7	-0.3
Electricity	125.8	0.0	1.7	-7.1	-4.3
Employment	107.8	-1.0	0.1	9.7	2.3
Lumber*	26.3	0.0	0.0	-28.1	-63.6
Manufacturing**	92.0			-	-

* 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.

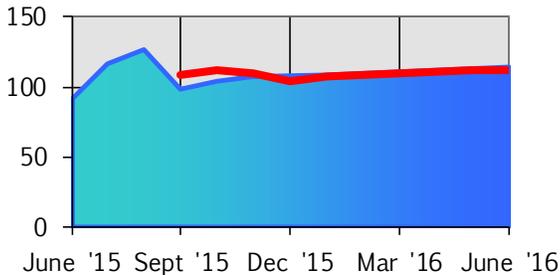
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.9%	-8.4%	-31.3%	5.4%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims decreased 3.9 points to a new index value of 41.9. The unemployment claims index was 53.1 in June 2015, which is 11.2 points higher than the present value. The 4-month moving average rose 1.5 points to 41.4.

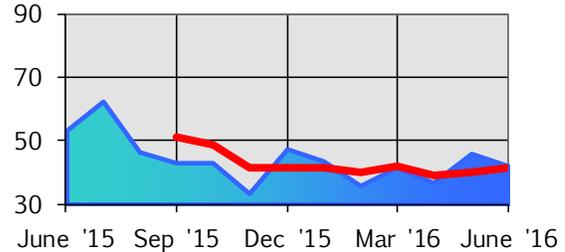
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$0	\$1,700	3.500%	5.4%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 113.0 to a current value of 114.0. The manufacturing orders index value in June 2015 was 91.9, which is 22.1 points lower than the present value.

Index of Manufacturing Orders

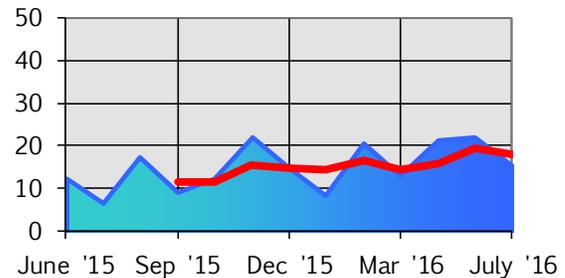


Index of Claims for Unemployment Insurance



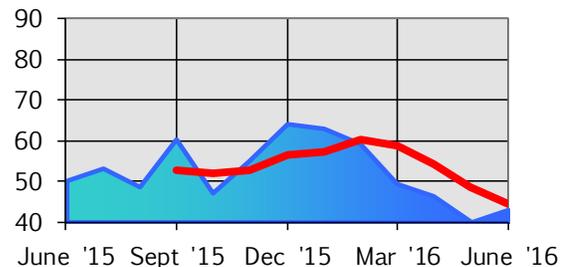
Building Permits declined 6.9 points to a new index value of 15.3. The current value is 2.8 points lower than June's value in 2015.

Index of Building Permits Issued



Help Wanted Advertising rose 2.2 points in June to a new index value of 42.7. One year ago, the index value was estimated to be 50.1, indicating a 7.4 point decrease year-over-year. The 4-month moving average is up to 44.6, lower than May's value of 48.7.

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.

Data for The Humboldt County Home Sales Index was not available at the time of publication. The estimated value for June is unchanged from the previous month. The county’s median home price was estimated to remain constant at \$270,000. In comparison, the median home price in June 2015 was \$269,500.

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.

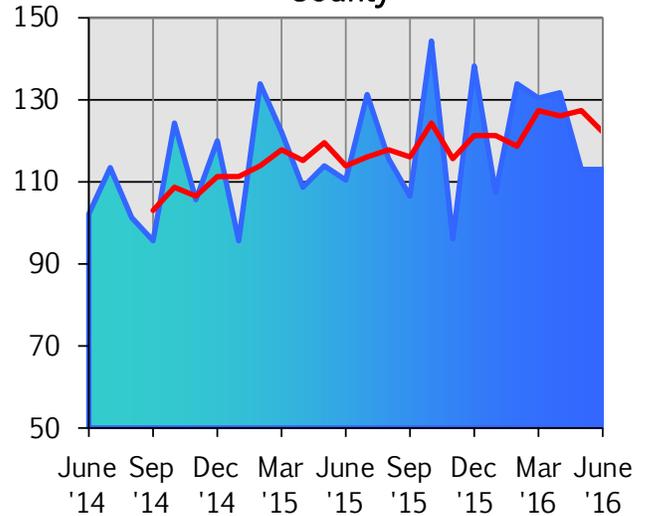
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in May compared to April. The 10-City and 20-City Composites report year-over-year gains of 4.4 percent and 5.2 percent, respectively. The National Index reported a 5.0 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.2 and 0.1 percent, respectively. 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, “Home prices continue to appreciate across the country.” Strengthening prices

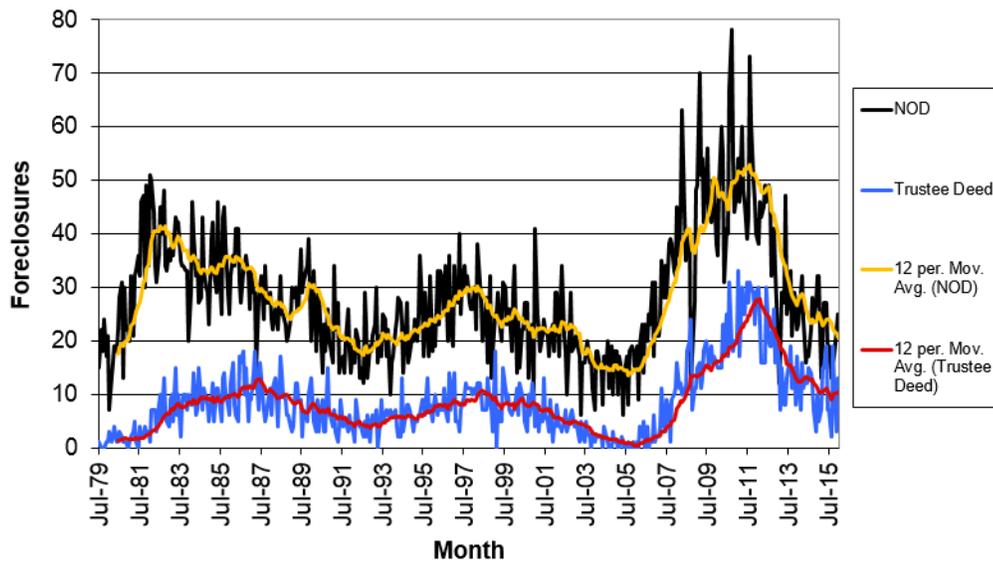
have helped the sale of existing homes reach the highest monthly level we’ve seen since 2007. Blitzer finishes by explaining, “The SCE Housing Expectations Survey published by the New York Federal Reserve Bank shows that consumers expect home prices to continue rising, though at a somewhat slower pace.”

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of July 28, remained constant at 3.48 percent from June’s latest percent. The average 15-year fixed-rate mortgage also remained constant at 2.78 in July compared to June.

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 in value to 107.8 in June. The seasonally adjusted unemployment rate for Humboldt County increased from 4.4 percent to 5.3 percent. The unemployment rate for California rose just 0.2 points to a new value of 5.4 percent. The national unemployment rate increased from a value of 4.7 to 4.9.

The Employment Development Department of California indicated that in December Humboldt County's total employment fell by 510 individuals to a total of 59,140. Humboldt County's total unemployment increased from 2,610 individuals in May to 3,260 individuals in June.

In the Labor Department's July report, total nonfarm payroll employment rose by 255,000. National employment was on the rise in professional and business services, health care, and financial services. Employment in mining continued to decline. Employment in other industries, such as construction, manufacturing,

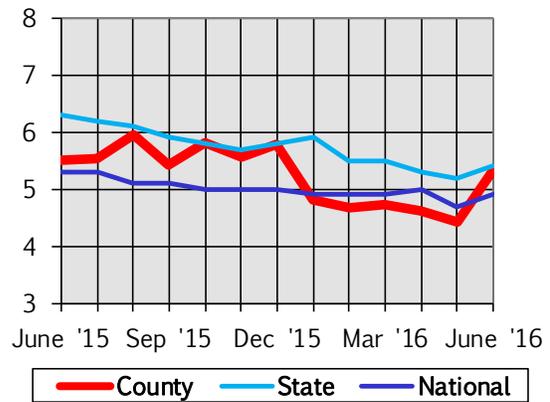
Hospitality

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 June to a new value of 91.9 from 94.7. This month's index value represents a 1.9 point increase from this time last year. The 4-month moving average rose 1.4 points to a current value of 91.6.

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

Unemployment Percentage Rates



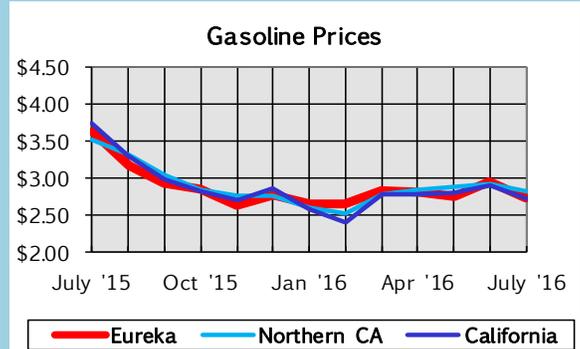
Gasoline Prices

After five consecutive months of increases, California's gas prices fell in June, decreasing 18 cents to a new average of \$2.73. Northern California's average price decreased 9 cents to a new average of \$2.84, while Eureka's average gas price fell by 22 cents to a new average of \$2.74. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.08 per gallon.

California drivers pay the highest price per gallon in the nation. President of Consumer Watchdog, Jamie Court, explains, "We have a problem not with higher production costs or an isolated market but with refiners." With Torrance's ExxonMobil, now PBF Energy, back up and running, prices should be leveling to that of other states. Consumer Watchdog researcher Cody Rosenfield exclaims, "There's no shortage. There are no refinery problems. Where are the savings for consumers?" Investigations and analyses on California refiners have shown that higher prices may be due to market manipulation. Court concludes that the long recovery of Torrance's refinery was intentional in order to reduce supply to increase prices.

Gas Prices		
Prices as of 7/31/2016	Average price*	Change from previous month
Eureka	\$2.74	-\$0.21
Northern California	\$2.84	-\$0.09
California	\$2.73	-\$0.19

* 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 contracted to a seasonally adjusted index value of 92.0 in June, a 30.2 point decrease from the previous month's value of 122.2. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that July saw economic activity in the manufacturing sector expand for the fifth consecutive month, while the overall economy grew for the 86th 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 52.6, representing a 0.6 point decrease.

Nationally, eleven of the eighteen manufacturing industries are reporting growth in July including Textile Mills, Printing & Related Support Activities, Chemical Products, Food, Beverage, & Tobacco Products, Fabricated Metal Products, and Nonmetallic Mineral Products.

The New Export Orders Index for July is 52.5 percent, indicating a decrease from June's index by 1 point. 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 Printing & Related Support Activities, Miscellaneous Manufacturing, and Paper 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. It will appear in the August 2016 issue.

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 160.0 for June, an increase of 0.1 points from the previous value of 159.9 in May. The most recent value is also 7.3 points higher than in June 2015. The 4-month moving average is down by 2.8 points to a new value of 161.2.

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 in July is relatively unchanged from the increased value in June and stands at a value of 97.3. The Expectations Index decreased 1.3 points to a new value of 83.3, while the Present Situation Index increased in value to 118.3 by 1.7 points.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumers were slightly more positive about current business and labor market conditions, suggesting the economy will continue to expand at a moderate pace." The percentage of consumers expecting business conditions to improve over the next six months fell to 15.9 percent, while the percentage of consumers expecting business conditions to decline increased to 12.3.

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. 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.

HUMBOLDT STATE UNIVERSITY

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■ ■ ■ *realize human potential*

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