

Humboldt Economic Index

July 2017

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Home Prices Continue to Climb and Energy is Updated

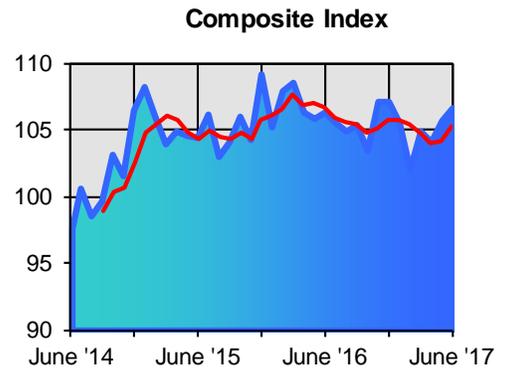
The Composite Index rose to 106.5, up 0.8 points from the previous month. The Composite Index is up 0.3 points from this time last year. Both the Employment and Retail Sales Indices increased over the past month, while the Home Sales and Hospitality Indices both declined.

The Index of Home Sales fell 0.6 points from May, and is 10.1 points lower than in June 2016. The median home price rose to \$300,000, up from \$279,500 in May.

Leading Indicators are mixed in June. Unemployment Claims and Building Permits are down this month, and Manufacturing Orders are up.

The seasonally adjusted unemployment rate in Humboldt County increased from 3.8 percent to 4.6 percent, while the seasonally adjusted unemployment rate in California remained at 4.7 percent. The national unemployment rate rose slightly, from 4.3 to 4.4 percent.

California gas prices increased from \$2.93 to \$2.94. Northern California's average fell from \$3.14 to \$3.09. Eureka's average gas price per gallon



fell from \$3.05 to \$3.03.

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	106.5	0.8	0.3	5.8	-2.8
Home Sales	111.1	-0.6	-10.1	7.0	10.3
Retail Sales	157.7	0.1	-1.4	5.7	0.3
Hospitality	90.7	-0.4	-1.3	5.7	-3.1
Electricity	114.9	-3.3	-4.2	-9.5	-10.7
Employment	113.6	3.2	5.3	15.1	7.2
Lumber*	26.3	0.0	0.0	-27.5	-60.5
Manufacturing**	98.7			-	-

* 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.

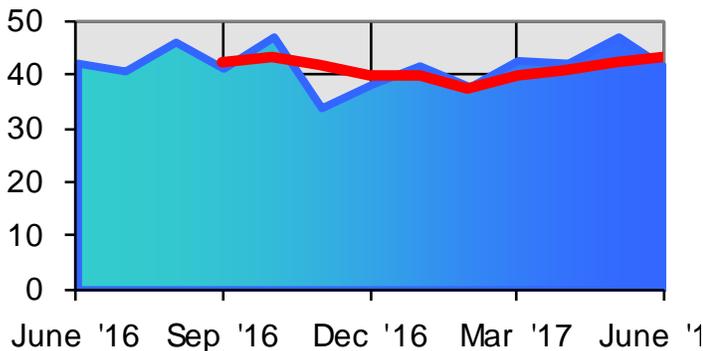
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
1.3%	-12.9%	-53.2%	--
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 6.1 points to a new index value of 40.9. The unemployment claims index was 41.9 in June 2016, 1.0 points higher than the present value. The 4-month moving average rose 0.9 points to 43.1.

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$300,000	\$1,718	4.125%	4.5%
* 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.			

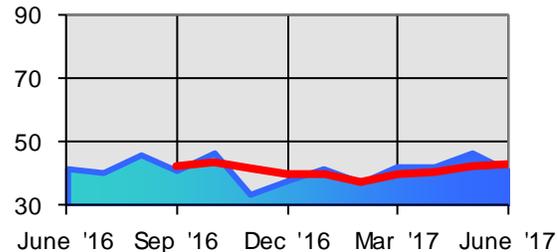
Manufacturing Orders increased from last month's value of 80.0 to a current value of 81.0. The manufacturing orders index value in June 2016 was 94.4, which is 13.4 points higher than the present value.

Index of Manufacturing Orders



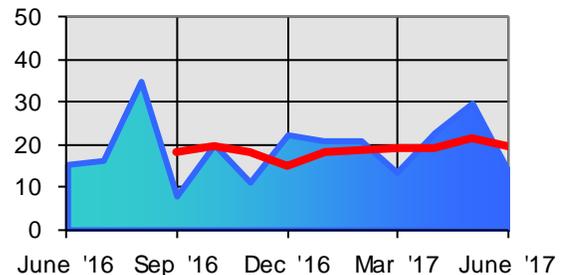
Graphs Explanation: The blue area represents the seasonally adjusted Index of Unemployment Claims above. The red line shows the four-month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Index of Claims for Unemployment Insurance



Building Permits fell 15.8 points to a new index value of 15.8. The current value is 1.4 points lower than the June 2016 value.

Index of Building Permits Issued



Help Wanted Advertising We recently made changes to how we collect these data, and until we have more data, this section will not be reported.

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 June 2017 stands at an index value of 111.1, which is 0.6 points lower than May's value of 111.7. The index value in June 2016 was 12.5 points higher than the current value. The county's median home price rose from \$279,500 to \$300,000. In comparison, the median home price in June 2016 was \$282,000.

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.

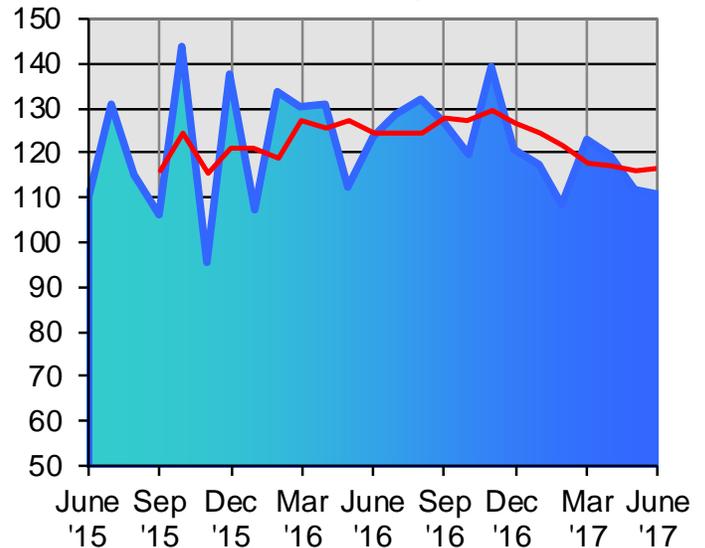
The S&P Case-Shiller Home Price Indices saw a slightly lower year-over-year gain in May compared to April. The 10-City and 20-City Composites report year-over-year gains of 4.9 percent and 5.7 percent, respectively. The National Index reported a 5.6 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed no month-over-month change, and the 20-City Composite posted a 0.1 percent change. 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 climb and outpace both inflation and wages. Housing is not repeating the bubble period of 2000-2006: price increases vary across the country unlike the earlier period when rising prices were almost universal; the

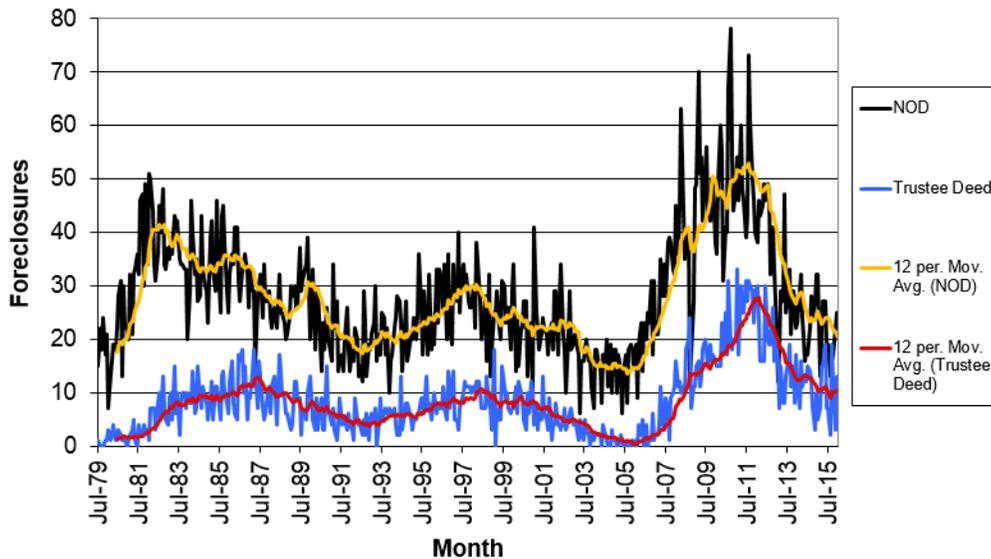
number of homes sold annually is 20% less today than in the earlier period and the months' supply is declining, not surging. The small supply of homes for sale, at only about four months' worth, is one cause of rising prices. New home construction, higher than during the recession but still low, is another factor in rising prices."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of July 27, 2017, is 3.92 percent. This is an increase from June's last reported rate of 3.88 percent. The average 15-year fixed-rate mortgage is 3.20 percent, an increase from 3.17 percent in 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 increased 3.5 points to a value of 113.6. The seasonally adjusted unemployment rate for Humboldt County increased from 3.8 percent to 4.6 percent. The unemployment rate for California remained at 4.7 percent for the second consecutive month. The national unemployment rate rose slightly to 4.4 percent, down from 4.3 percent in May.

The Employment Development Department of California indicated that in March Humboldt County's total employment rose by 1,960 individuals to a total of 62,290. Humboldt County's total unemployment increased from 2,240 individuals in May to an estimated 2,780 individuals in June.

In the Labor Department's June report, total nonfarm payroll employment rose by 222,000. National employment was on the rise in several industries, including health care, social assistance, financial activities, and mining. In June other industries, including, construction, manufacturing, wholesale trade, retail trade,

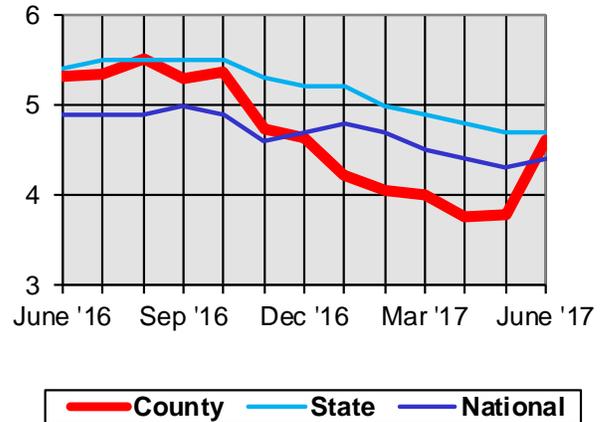
Hospitality

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 decreased in June to a new value of 90.7 from 91.0. This month's index value represents a 1.2 point decrease from this time last year. The 4-month moving average rose 2.5 points to a current value of 88.6.

transportation and warehousing, showed little change over the month.

Unemployment Percentage Rates



Gasoline Prices

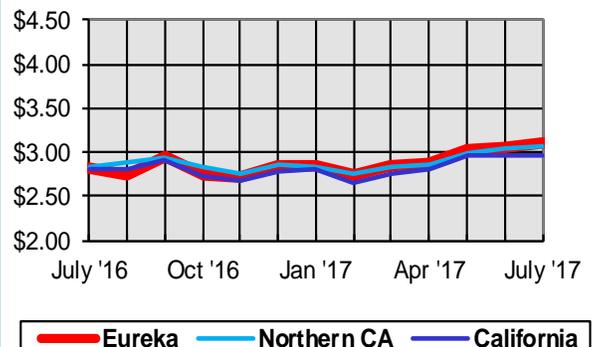
California's average gas price rose slightly in July to \$2.94, a 1 cent increase from the previous month. Northern California's average price decreased 5 cents to a new average of \$3.09, while Eureka's average gas price fell by 2 cents to a new average of \$3.03. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.27 per gallon in 1982-84 dollars.

California Attorney General Xavier Becerra has filed an action to prevent Valero Energy Corp from purchasing a refinery in Martinez. The refinery is currently owned by Plains All American Pipeline, and is a critical part of California's gas supply, according to Eleanor Blume a special assistant to the attorney general. The Martinez facility is the last independently owned refinery in the state, and there are fears that a reduction in competition will lead to higher gas prices across the state. Valero seeks to purchase both the Martinez facility and another in Richmond. This action only affects the Martinez refinery. Representatives from Valero did not respond to requests for comment.

Gas Prices		
Prices as of 7/31/2017	Average price*	Change from previous month
Eureka	\$3.03	-\$0.02
Northern California	\$3.09	-\$0.06
California	\$2.94	\$0.01

* 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 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, fifteen of the eighteen manufacturing industries are reporting growth in January including Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Wood Products; Fabricated Metal Products; Machinery, Chemical Products; Paper Products; Food, Beverage & Tobacco Products; Printing & Related Support Activities; and Computer & Electronic Products. Three following three industries reported contractions over the period: Apparel, Leather & Allied Products; Textile Mills; and Petroleum & Coal Product.

The New Export Orders Index for June is 57.5 percent, indicating a decrease over June's index of 2 points. This is the 17th 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. Eleven industries reported growth in the new export orders, including Apparel, Leather & Allied Products; Wood Products; Primary Metals; Nonmetallic Mineral Products; Paper Products; Chemical Products; Miscellaneous Manufacturing; Machinery; and Food, Beverage & Tobacco Products. Computer & Electronic Products were the only industry to show a decrease in new export orders in June. Six industries reported no change for the month of July.

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 second fiscal quarter of 2017– April through June – and the Energy Index stands at a value of 114.9. June's index value is 4 points lower than May's value, and 5.1 points lower than in June 2016. May's value of 118.9 was 8.8 points higher than April's value, and 3.1 points higher than in May 2016. April's value of 110.1 was 18.2 points lower than March's value of 128.3, and 2.3 points lower than in March 2016.

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 157.7 for June, an increase of 0.1 points from the value of 157.6 in May. The most recent value is 2.3 points lower than June 2016. The 4-month moving average is up by 2.6 points with a new value of 152.0.

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 July by 3.8 points to a current index value of 121.1. The Expectations Index decreased 3.7 points to a new value of 103.3, and the Present Situation Index increased, from 143.9 to 147.8.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence increased in July following a marginal decline in June. Consumers' assessment of current conditions remained at a 16-year high (July 2001, 151.3) and their expectations for the short-term outlook improved somewhat after cooling last month." The percentage of consumers expecting business conditions to improve over the next six months rose to 22.9 percent, while the percentage of consumers expecting business conditions to decline decreased to 8.2.

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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