

Humboldt Economic Index

October 2017

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Housing Sales Fall as Prices Increase

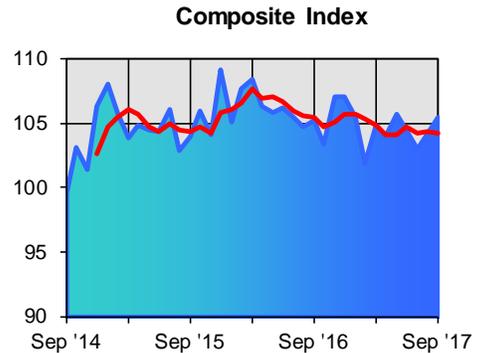
The Composite Index rose to 105.4, up 1.2 points from the previous month. The Composite Index is up 0.1 points from this time last year. This month, the Home Sales, Retail Sales, and Employment indices rose, while the Hospitality Index fell.

The Index of Home Sales rose 6.7 points from August, and is down 3.4 points from September of last year. The median home price rose to \$324,750, up from \$316,000 in August.

Leading Indicators are down in September. Unemployment Claims are up, Building Permits are down, and Manufacturing Orders are flat.

The seasonally adjusted unemployment rate in Humboldt County decreased from 5.2 percent to 4.5 percent. The seasonally adjusted unemployment rate in California remained the same at 5.1 percent. The national unemployment rate also remained constant, at 4.4 percent.

California gas prices decreased from \$3.11 to \$3.03. Northern California's average fell from \$3.17 to \$3.14. Eureka's average gas price per gallon rose from \$3.22 to \$3.15.



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	105.4	1.2	0.1	6.0	-0.6
Home Sales	122.9	6.7	-3.4	22.7	62.3
Retail Sales	153.0	3.7	1.8	4.2	-6.8
Hospitality	98.0	-1.9	0.7	4.5	-2.0
Electricity	106.0	-14.3	-4.3	-9.0	-18.4
Employment	110.6	2.2	1.2	11.8	4.2
Lumber*	26.3	0.0	0.0	-27.1	-49.8
Manufacturing**	92.5			-	-

* 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.

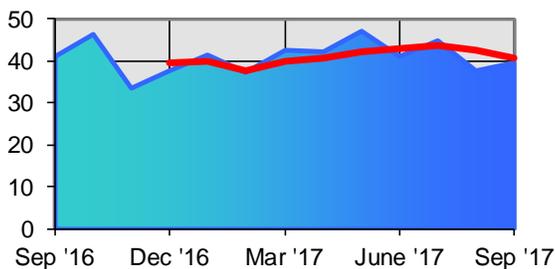
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.0%	5.0%	-14.1%	28.3%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 5.0 points to a new index value of 39.7. The unemployment claims index was 40.9 in September 2016.

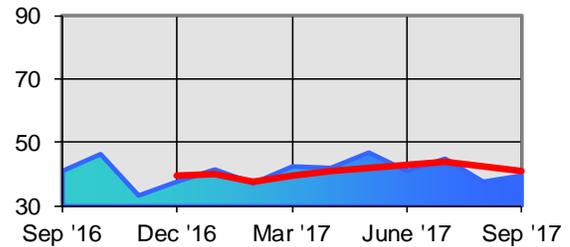
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$324,750	\$ 1,570	4.000%	3.9%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 remained the same at last month's value of 104.3. The manufacturing orders index value in September 2016 was 77.0.

Index of Manufacturing Orders

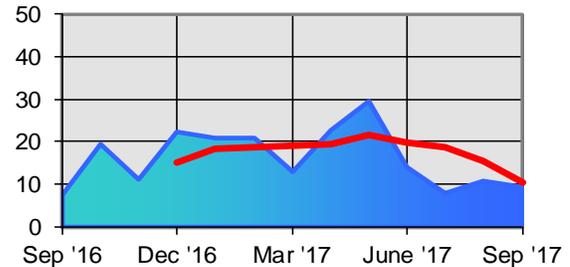


Index of Claims for Unemployment Insurance



Building Permits fell 1.5 points to a new index value of 9.2. The current value is 2.2 points higher than the September 2016 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 September there were 511 unique job postings on Craigslist.

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 September 2017 stands at an index value of 122.9, which is 7.6 points higher than August's value of 115.3. The index value in August 2016 was 4.4 points higher than the current value. The county's median home price rose from \$316,000 to \$324,750. In comparison, the median home price in September 2016 was \$287,000.

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.

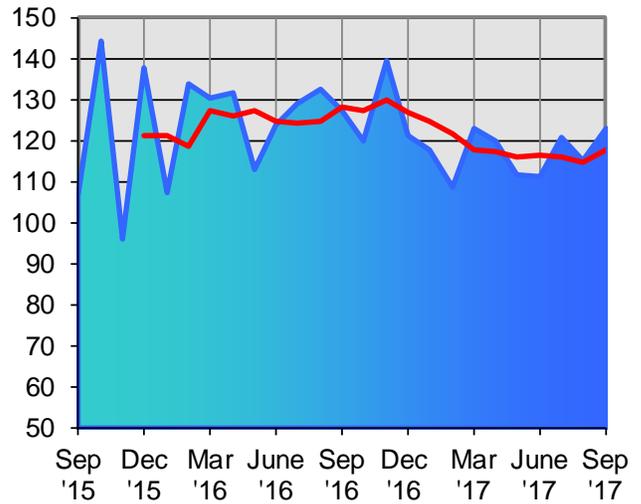
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in August compared to July. The 10-City and 20-City Composites report year-over-year gains of 5.3 percent and 5.9 percent, respectively. The National Index reported a 6.1 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed a month-over-month change of 0.5 percent, and the 20-City Composite posted a 0.4 percent change. The National Index also reported a seasonally adjusted increase of 0.5 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 price increases appear to be unstoppable. August saw the National Index annual rate tick up to 6.1%; all 20 cities followed in the report were up year-over-year while one, Atlanta, saw the

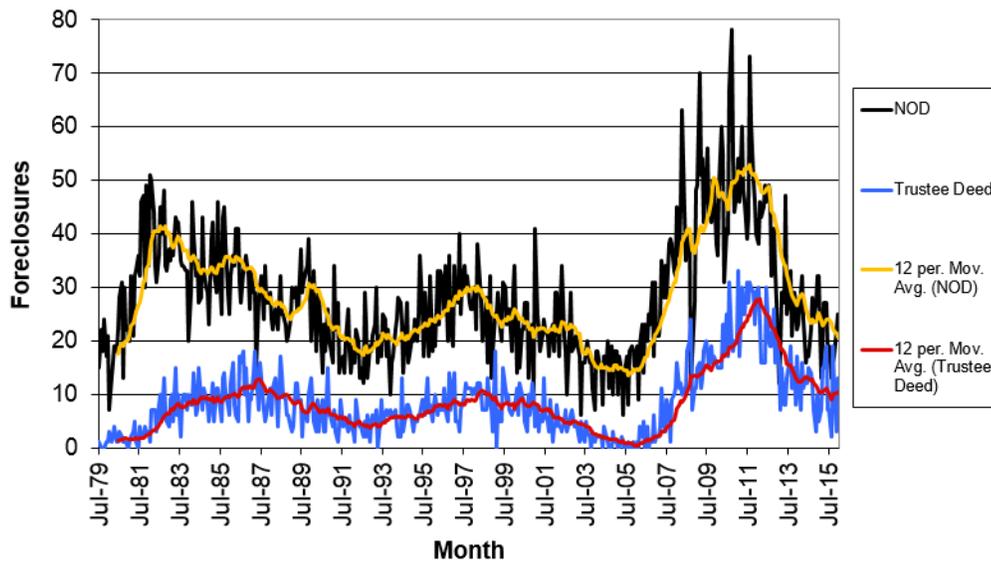
seasonally adjusted monthly number slip 0.2%. Most prices across the rest of the economy are barely moving compared to housing. Over the last year the consumer price index rose 2.2%, driven largely by energy costs. Aside from oil, the only other major item with price gains close to housing was hospital services, which were up 4.6%. Wages climbed 3.6% in the year to August."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of October 26, 2017, is 3.94 percent. This is a slight increase from September's last reported rate of 3.83 percent. The average 15-year fixed-rate mortgage is 3.25 percent, an increase from 3.13 percent in September.

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.

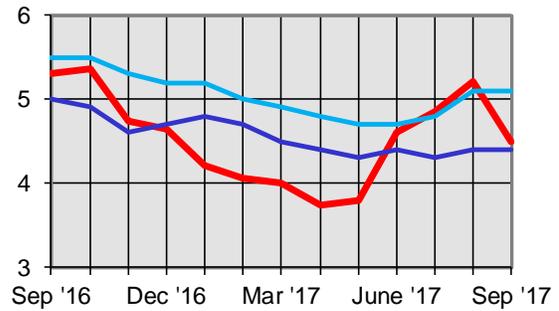
The Total County Employment Index increased 2.3 points to a value of 110.6. The seasonally adjusted unemployment rate for Humboldt County decreased from 5.2 percent to 4.5 percent. The unemployment rate for California remained constant at 5.1 percent for the second consecutive month. The national unemployment rate remained the same at 4.4 percent, also for the second consecutive month.

The Employment Development Department of California indicated that in September Humboldt County's preliminary estimate of total employment rose by 2,000 individuals to a total of 60,840. Humboldt County's total unemployment decreased from 3,030 individuals in August to an estimated 2,490 individuals in September.

In the Labor Department's October report, total nonfarm payroll employment rose by 261,000. National employment increased sharply for food services and drinking places offsetting effects seen due to hurricanes Irma and Harvey the previous month. Employment in

profession and business services, manufacturing, and health care all rose in October. Employment in mining, construction, wholesale trade, retail trade, transportation and warehousing showed little month-over-month change.

Unemployment Percentage Rates



— County — State — National

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 September to a new value of 98.0 from 89.9. This month's index value represents a 0.8 point increase from this time last year. The 4-month moving average rose 1.8 points to a current value of 92.6.

Gasoline Prices

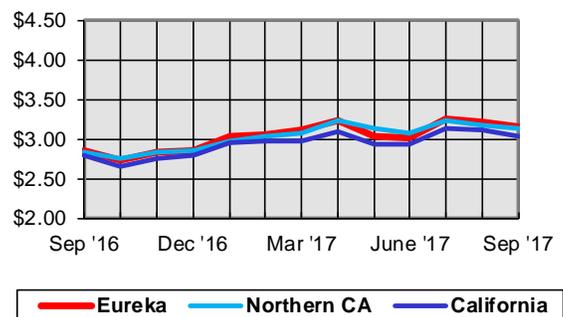
California's average gas price fell in September to \$3.11 an 8-cent decrease from the previous month. Northern California's average price decreased 3 cents to a new average of \$3.14, while Eureka's average gas price fell by 7 cents to a new average of \$3.15. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.34 per gallon in 1982-84 dollars.

On November 1 a new 12 cent gasoline tax went into effect in California. This tax was passed over the summer and is expected to raise \$5.4 billion over the next decade to fund infrastructure projects across the state. This is the first increase in the gas tax since 1994. Californians pay the third highest price for gasoline in the United States and pay approximately 72 cents per gallon in taxes. Approximately half of the money will go toward state-wide projects, such as highway and bridge repair, and the other half will be used by cities and counties on local improvements, such as local roads and improved public transit.

Gas Prices		
Prices as of 10/30/2017	Average price*	Change from previous month
Eureka	\$3.15	-\$0.07
Northern California	\$3.14	-\$0.03
California	\$3.03	-\$0.08

* 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 fell to a seasonally adjusted index value of 92.5 in August, a 3.1-point decrease from the previous month's value of 95.6. Manufacturing employment remained at 2,100 individuals for the sixth month, according to the Employment Development Department.

The Institute for Supply Management reports that in September economic activity in the manufacturing sector expanded, while the overall economy grew for the 101st 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 October is 58.7, this a 2.1-point decrease over September.

Nationally, sixteen of the eighteen manufacturing industries are reporting growth in September including Paper Products; Nonmetallic Mineral Products; Machinery; Transportation Equipment; Wood Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Petroleum & Coal Products; and Plastics & Rubber Products. No industries reported a decrease in October and two maintained the same level as the previous month.

The New Export Orders Index for September is 63.4 percent, indicating a decrease over August's index of 1.2 points. This is the 14th consecutive month of growth for this Index. A New Orders Index above 52.3 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Twelve industries reported growth in the new export orders, including Paper Products; Apparel, Leather & Allied Products; Wood Products; Machinery; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Transportation Equipment; and Chemical Products. Three industries showed a decrease on new orders in September: Printing & Related Support Activities; Plastics & Rubber Products; and Fabricated Metal Products.

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 third fiscal quarter of 2017– July through September – and the Energy Index stands at a value of 106.0. September's index value is 17.8 points lower than August's value, and 4.7 points lower than in September 2016. August's value of 123.8 was 20 points higher than July's value, and 7.1 points higher than in August 2016. July's value of 103.8 was 11.1 points lower than June's value of 114.9, and 8.1 points lower than in July 2016.

The next update for the Energy index is expected following the close of the fourth 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 153.0 for September, an increase of 5.4 points from the value of 147.6 in August. The most recent value is 2.6 points higher than September 2016. The 4-month moving average is down by 1.3 points with a new value of 152.6.

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 October by 5.3 points to a current index value of 125.9. The Expectations Index increased 6.1 points to a new value of 109.1, and the Present Situation Index increased, from 146.9 to 151.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumers' assessment of current conditions improved, boosted by the job market which had not received such favorable ratings since the summer of 2001. Consumers were also considerably more upbeat about the short-term outlook, with the prospect of improving business conditions as the primary driver." The percentage of consumers expecting business conditions to improve over the next six months increased from 20.9 percent to 22.2 percent, while those expecting business conditions to worsen decreased from 9.6 percent to 6.9 percent.

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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