

Humboldt Economic Index

September 2017

Our Sponsors:



Belonging Never Felt Better



Professor Erick Eschker, Director

Jade Hoff, Assistant Editor

Davin Bowerman, Assistant Analyst

Housing Sales Fall as Prices Increase

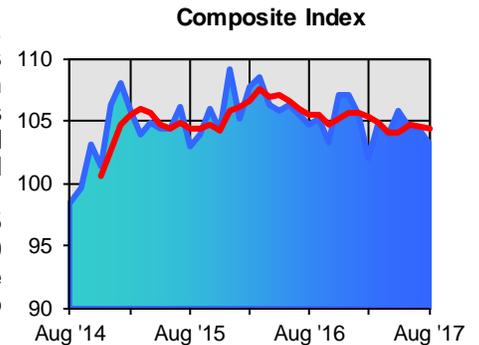
The Composite Index fell to 103.0, down 1.2 points from the previous month. The Composite Index is down 1.6 points from this time last year. This month, the Hospitality Index Rose, and the Home Sales, Retail Sales, and Employment Indices all fell.

The Index of Home Sales fell 4.5 points from July, and is down 12.9 points from August of last year. The median home price rose to \$316,000, up from \$308,500 in July.

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

The seasonally adjusted unemployment rate in Humboldt County increased from 4.9 percent to 5.2 percent. The seasonally adjusted unemployment rate in California also rose, up to 5.1 from 4.8 percent. The national unemployment rate rose slightly, from 4.3 to 4.4 percent.

California gas prices decreased from \$3.14 to \$3.11. Northern California's average fell from \$3.24 to \$3.17. Eureka's average gas price per gallon rose from \$3.25 to \$3.22.



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	103.0	-1.2	-1.6	4.5	-4.4
Home Sales	115.3	-4.5	-12.9	21.1	19.8
Retail Sales	147.6	-2.5	-1.9	3.6	-6.9
Hospitality	89.9	1.1	-1.9	6.0	2.0
Electricity	114.9	0.0	2.7	-8.2	-11.2
Employment	108.3	-0.1	0.1	10.2	2.3
Lumber*	26.3	0.0	0.0	-14.5	-56.1
Manufacturing**	95.6			-	-

* 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

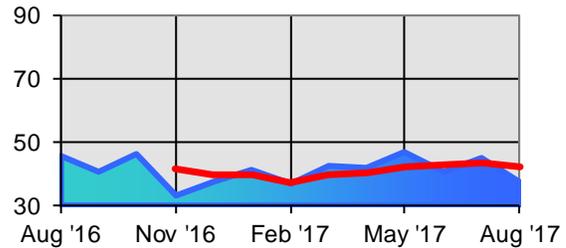
Leading Indicators

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
1.2%	10.0%	-42.5%	152.7%
* Change from prior month. All values are seasonally adjusted.			

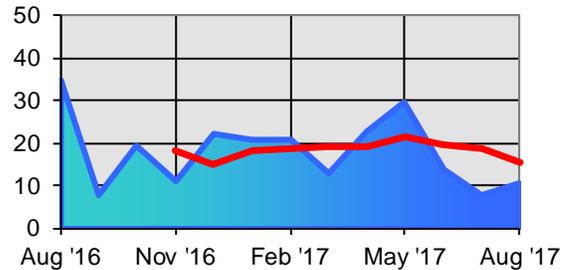
Unemployment Claims decreased 7.2 points to a new index value of 37.8. The unemployment claims index was 45.9 in August 2016, 8.1 points higher than the present value. The 4-month moving average fell 1.1 points to 42.7.

Index of Claims for Unemployment Insurance



Building Permits rose 2.7 points to a new index value of 10.7. The current value is 24.1 points lower than the August 2016 value.

Index of Building Permits Issued



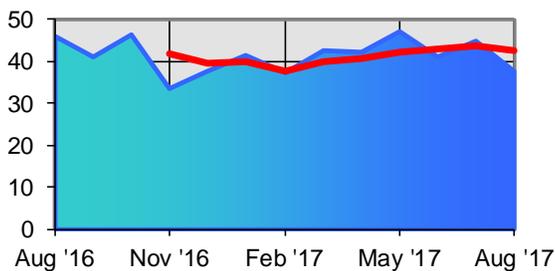
Help Wanted Advertising We have changed our data collection method from relying solely on newspaper advertisements to counting unique jobs listings on Craigslist. Due to the increased volume of help wanted ads we can no longer reliably report the seasonally adjusted index. We will report the raw number collected until seasonal adjustment can be resumed.

In September there were 486 unique job postings on Craigslist.

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$316,000	\$ 1,583	3.875%	4.9%
* 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 increased from last month's value of 82.0 to 83.0. The manufacturing orders index value in July 2016 was 88.1, which is 5.1 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.

The Humboldt County Home Sales Index for August 2017 stands at an index value of 115.3, which is 5.4 points lower than July's value of 120.7. The index value in August 2016 was 17.0 points higher than the current value. The county's median home price rose from \$308,500 to \$316,000. In comparison, the median home price in August 2016 was \$295,000.

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.

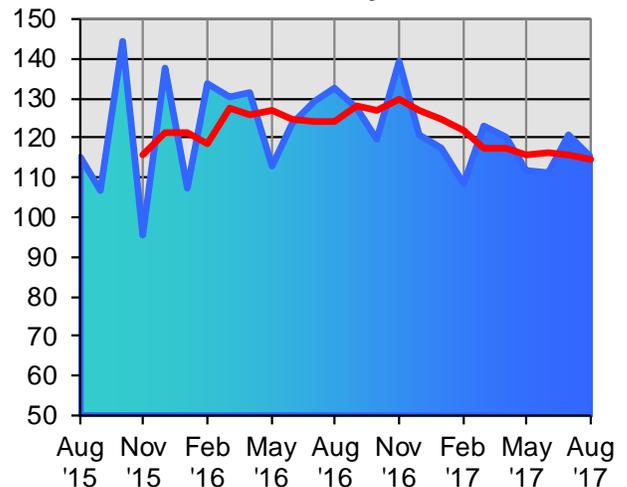
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in July compared to June. The 10-City and 20-City Composites report year-over-year gains of 5.2 percent and 5.8 percent, respectively. The National Index reported a 5.9 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed a month-over-month change of 0.4 percent, and the 20-City Composite posted a 0.3 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 prices over the past year rose at a 5.9% annual rate. Consumers, through home buying and other spending, are the driving force in the current economic expansion. While the gains in home

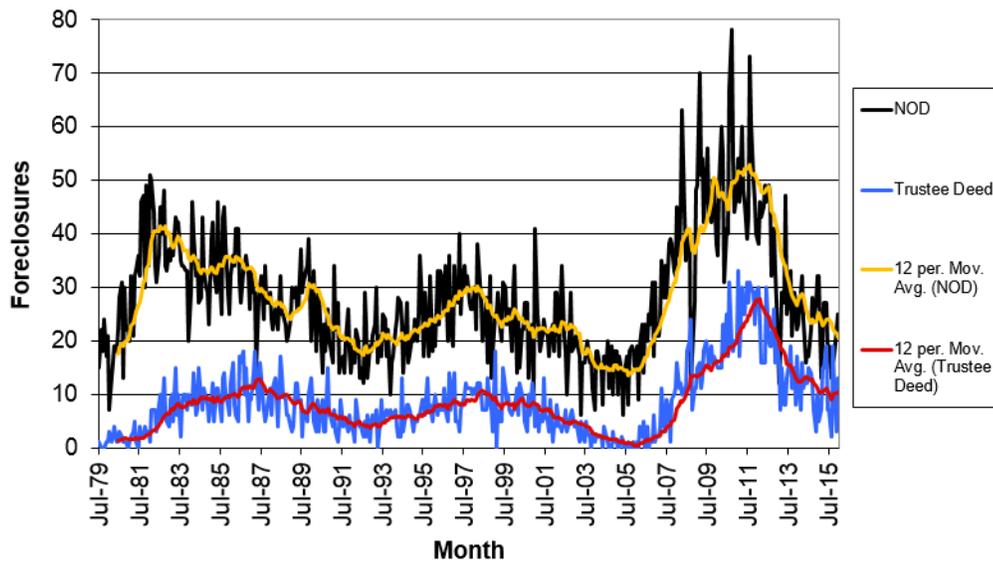
prices in recent months have been in the Pacific Northwest, the leadership continues to shift among regions and cities across the country. Dallas and Denver are also experiencing rapid price growth. Las Vegas, one of the hardest hit cities in the housing collapse, saw the third fastest increase in the year through July 2017."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of September 28, 2017, is 3.83 percent. This is a slight increase from August's last reported rate of 3.82 percent. The average 15-year fixed-rate mortgage is 3.13 percent, an increase from 3.12 percent in August.

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.

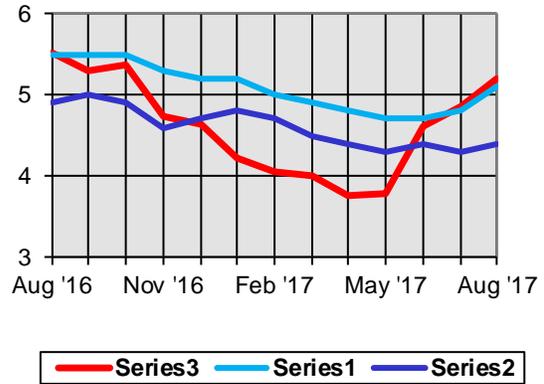
The Total County Employment Index decreased 0.1 points to a value of 108.3. The seasonally adjusted unemployment rate for Humboldt County increased from 4.9 percent to 5.2 percent. The unemployment rate for California rose to 5.1 percent from 4.8 percent. The national unemployment rate rose slightly to 4.4 percent, from 4.3 percent in July.

The Employment Development Department of California indicated that in March Humboldt County's total employment rose by 440 individuals to a total of 58,840. Humboldt County's total unemployment increased from 3,010 individuals in July to an estimated 3,030 individuals in August.

In the Labor Department's September report, total nonfarm payroll employment fell by 33,000. National employment fell sharply for food services and drinking places following hurricanes Irma and Harvey. Employment in health care, transportation and warehousing, and financial services all rose. Employment

in mining, construction, wholesale trade, retail trade, information, and government showed little month-over-month change.

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 August to a new value of 89.9 from 91.6. This month's index value represents a 0.6 point increase from this time last year. The 4-month moving average rose 0.7 points to a current value of 90.8.

Gasoline Prices

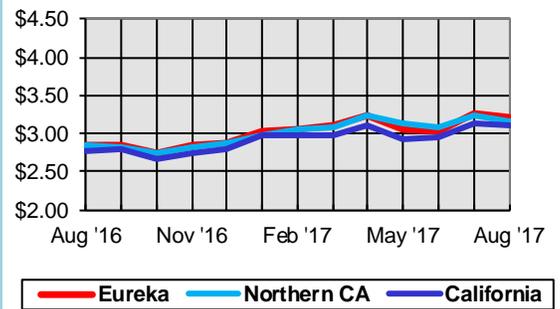
California's average gas price fell slightly in September to \$3.11, a 3 cent decrease from the previous month. Northern California's average price decreased 7 cents to a new average of \$3.17, while Eureka's average gas price fell by 3 cents to a new average of \$3.22. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.40 per gallon in 1982-84 dollars.

Gas prices across California are falling following a spike from Hurricanes Harvey and Irma which both affected production in the Gulf. "Unfortunately, as we've seen with prior gas price spikes, pump prices are much slower to drop than they are to rise," Auto Club spokesman Jeff Spring said. Gas prices may continue to fall in the coming months as California switches to the winter blend of gasoline and summer demand tapers off. The West Coast was one of two regions in the United States to increase inventory over the last week, so gas prices may drop quicker than the nation-wide average going forward.

Gas Prices		
Prices as of 9/29/2017	Average price*	Change from previous month
Eureka	\$3.22	-\$0.03
Northern California	\$3.17	-\$0.07
California	\$3.11	-\$0.03

* 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 95.6 in August, a 15.1 point decrease from the previous month's value of 110.7. Manufacturing employment remained at 2,100 individuals for the fifth 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 100th 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 September is 60.8, this a 2.0 point increase over August.

Nationally, seventeen of the eighteen manufacturing industries are reporting growth in September including Textile Mills; Machinery; Nonmetallic Mineral Products; Transportation Equipment; Plastics & Rubber Products; Paper Products; Wood Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Chemical Products; Fabricated Metal Products; and Miscellaneous Manufacturing. Only one industry reported a contraction over the period: Furniture & Related Products.

The New Export Orders Index for September is 64.6 percent, indicating an increase over August's index of 4.3 points. This is the 13th 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. Fourteen industries reported growth in the new export orders, including Apparel, Leather & Allied Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Paper Products; Chemical Products; Transportation Equipment; Machinery; and Food, Beverage & Tobacco Products. Three industries showed a decrease on new orders in September: Textile Mills; Furniture & Related Products; and Printing & Related Support Activities.

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 147.6 for August, a decrease of 3.8 points from the value of 151.4 in July. The most recent value is 3.0 points lower than August 2016. The 4-month moving average is down by 0.9 points with a new value of 153.6.

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 decreased in September by 0.6 points to a current index value of 119.8. The Expectations Index increased 0.5 points to a new value of 102.2, and the Present Situation Index decreased, from 148.4 to 146.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence decreased slightly in September after a marginal improvement in August... Despite the slight downtick in confidence, consumers' assessment of current conditions remains quite favorable and their expectations for the short-term suggest the economy will continue expanding at its current pace." The percentage of consumers expecting business conditions to improve over the next six months rose to 20.2 percent, while the percentage of consumers expecting business conditions to decline decreased to 9.9.

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*

Cited References:

Bureau of Labor Statistics - Case-Shiller Home Price Indices
The Conference Board - Employment Development Department (CA)
Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management – Desert Sun News

Layout & Design: Matt Hawk

Contact Info: Erick Eschker can be contacted at ee3@humboldt.edu

www.humboldt.edu/econindex

Copyright © 2017 Erick Eschker.