

Humboldt Economic Index

December 2016

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Professor Erick Eschker, Director

Jade Simmons, Assistant Editor

Jordan Morgan, Assistant Analyst

2016 Finishes with Higher Home Sales and Lower Unemployment

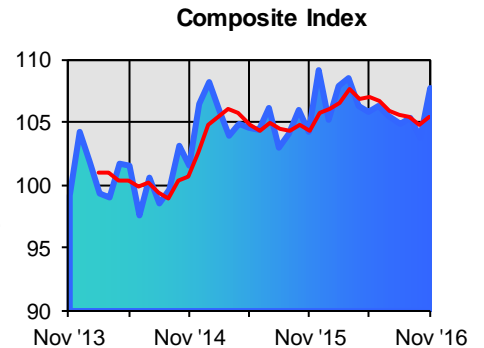
This month we welcome Jade Simmons as the Index Assistant Editor. Jade is a bright economics major with work experience who brings her talents to the Index.

The Composite Index rose 3.9 points from last month's value of 103.8 to the current value of 107.7. The Composite Index is up 3.4 points from this time last year. The Home Sales, Retail Sales, and Hospitality Indices climbed over the past month, while the Employment Index remained the same.

The Index of Home Sales rose 16.6 points from November, and is 45.7 points higher than in November 2015. The median home price fell to \$289,000.

Leading Indicators are mostly steady in November. The Unemployment Claims are down slightly, Help Wanted Advertising held steady over the previous month, and Building Permits rose.

The seasonally adjusted unemployment rate in Humboldt County decreased from 5.4 percent to 4.7 percent, while the seasonally adjusted unemployment rate in California fell 0.2 points to 5.3 percent. The national unemployment rate also fell to a rate of



4.6 percent from 4.9 percent.

California gas prices increased from \$2.66 to \$2.76. Northern California's average also rose to \$2.83 from \$2.75, and Eureka's average gas price per gallon rose from \$2.75 to \$2.84.

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	107.7	3.9	3.4	8.0	-2.3
Home Sales	139.5	16.6	45.7	55.3	24.2
Retail Sales	153.0	5.3	-4.2	6.6	-7.1
Hospitality	108.3	10.8	3.4	15.7	15.7
Electricity	110.7	0.0	0.0	0.0	0.0
Employment	108.4	0.0	2.1	10.0	3.0
Lumber*	26.3	0.0	0.0	-32.3	-59.7
Manufacturing**	87.1			-	-

* 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.

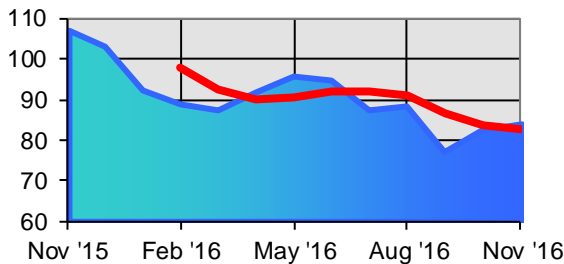
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.8%	-28.0%	33.1%	13.0%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims decreased 13 points to a new index value of 33.5. The unemployment claims index was also 33.5 in November 2015. The 4-month moving average fell 1.75 points to 41.7.

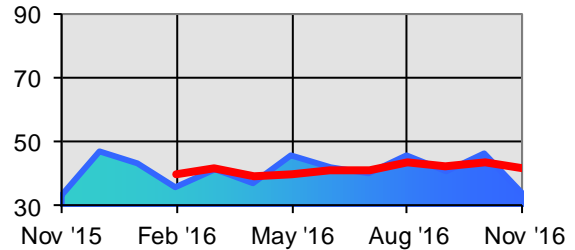
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$289,000	\$ 1,100	4.250%	5.3%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 82.5 to a current value of 83.9. The manufacturing orders index value in November 2015 was 108.6, which is 25 points higher than the present value.

Index of Manufacturing Orders

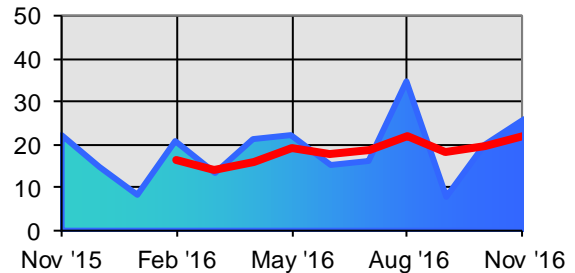


Index of Claims for Unemployment Insurance



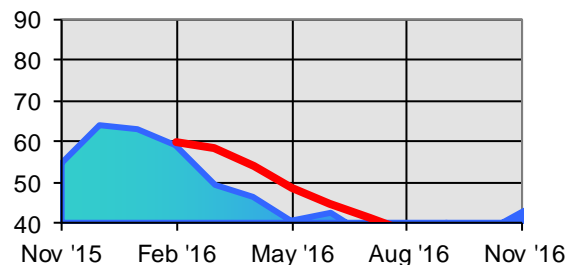
Building Permits rose 6.5 points to a new index value of 26.0. The current value is 3.7 points higher than the November 2015 value.

Index of Building Permits Issued



Help Wanted Advertising rose 4.9 points in November to a new index value of 42.7. One year ago, the index value stood at 54.8, indicating a 12.1 point decrease year-over-year. The 4-month moving average is 38.2, 1.5 points higher than the September's value of 36.7.

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.

The Humboldt County Home Sales Index for November 2016 stands at an index value of 139.5, which is 19.8 points higher than November's value of 119.7. The index value in November 2015 was 95.8, so we have seen a year-over-year increase of 43.7 points. The median home price in the county fell to \$289,000, down from \$305,000 in October. The median home price in November 2015 was \$285,000.

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.

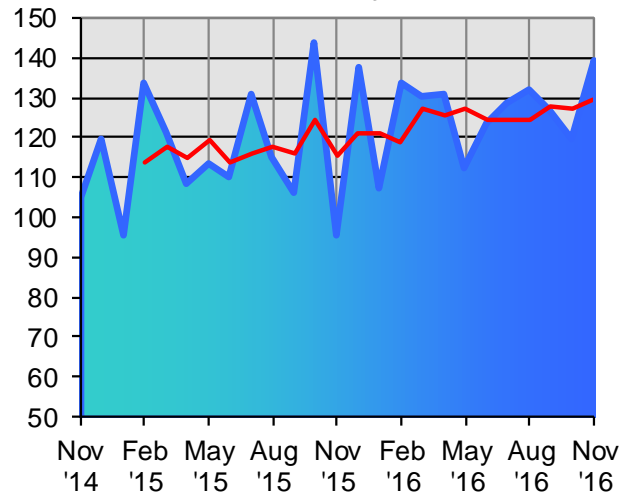
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in October compared to September. The 10-City and 20-City Composites report year-over-year gains of 4.3 percent and 5.1 percent respectively. The National Index reported a 5.6 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.6 percent. The National Index also reported a seasonally adjusted increase of 0.9 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales and says "Home prices and the economy are both enjoying robust numbers. However, mortgage interest rates rose in November and are expected to rise further as home prices continue to

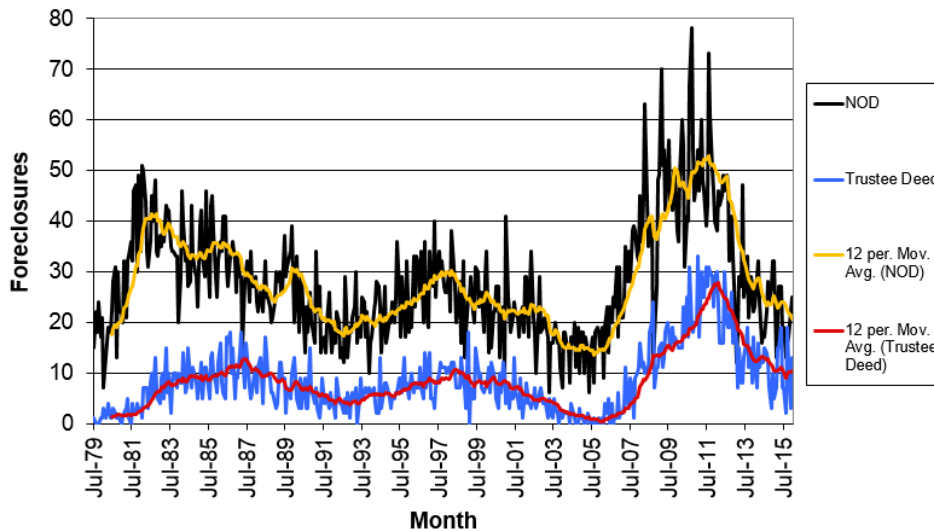
outpace gains in wages and personal income...With the current high consumer confidence numbers and low unemployment rate, affordability trends do not suggest an immediate reversal in home price trends. Nevertheless, home prices cannot rise faster than incomes and inflation indefinitely."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of December 29, 2016 increased to 4.32 percent from November's latest percent of 4.03. The average 15-year fixed-rate mortgage also increased from 3.25 percent to 3.55 percent in December.

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 slightly to a new value of 108.4. The seasonally adjusted unemployment rate for Humboldt County decreased from 5.4 percent to 4.7 percent. This is a large drop in the adjusted rate because the unadjusted rate fell while November rates usually increase. The unemployment rate for California fell 0.2 points to a new value of 5.3 percent. The national unemployment rate also fell by 0.3 points to a new value of 4.6.

The Employment Development Department of California indicated that in November Humboldt County's total employment fell by 140 individuals to a total of 60,150. Humboldt County's total unemployment increased from 2,970 individuals in October to 2,820 individuals in November.

In the Labor Department's December report, total nonfarm payroll employment rose by 156,000. National employment was on the rise in several industries, including health care, social assistance, and food service

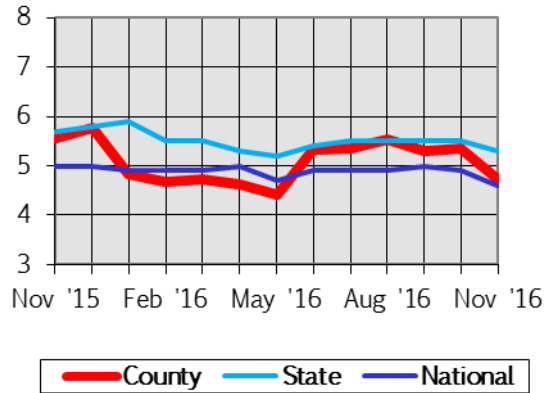
Hospitality

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 November to a new value of 108.3 from 97.7. This month's index value represents a 4.5 point increase from this time last year. The 4-month moving average rose 3.7 points to a current value of 98.1.

and drinking places. Employment in other industries, such as mining, wholesale trade, retail trade, and government changed little during the month of December.

Unemployment Percentage Rates



Gasoline Prices

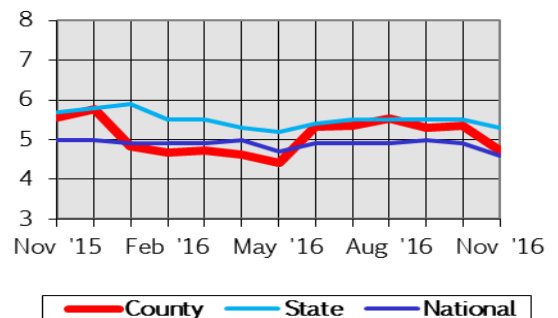
California's gas prices rose in December, increasing by 9 cents to a new average of \$2.76. Northern California's average price also increased 8 cents to a new average of \$2.83, while Eureka's average gas price rose by 9 cents to a new average of \$2.84. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.15 per gallon.

Gas prices in California have been on the rise in recent weeks, and they are expected to remain high throughout 2017. There are multiple factors contributing the higher prices. Cynthia Harris, a spokesperson for the Northern California division of AAA, says, "Reduced gasoline production in the state has historically led to price spikes based on the region's relative isolation from other markets." However, factors such as lowered imports of oil from OPEC also contributed to the reduced supply. Gas prices are expected to reach \$3 for much of California by this summer.

Gas Prices		
Prices as of 12/31/2016	Average price*	Change from previous month
Eureka	\$2.84	\$0.09
Northern California	\$2.83	\$0.08
California	\$2.76	\$0.09

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).

Unemployment Percentage Rates



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 87.1 in November, a 0.6 point increase from the previous month's adjusted value of 86.5. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that January saw economic activity in the manufacturing sector contract for the fourth consecutive month, while the overall economy grew for the 91st 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 December is 60.3, representing a 4.3 point increase.

Nationally, eleven of the eighteen manufacturing industries are reporting growth in December including Petroleum & Coal Products, Primary Metals, Miscellaneous Manufacturing, Food, Beverage & Tobacco Products, and Apparel, Leather & Allied Products.

The New Export Orders Index for December is 56 percent, indicating an increase from November's index of 4 points. 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 Petroleum & Coal Products, Miscellaneous Manufacturing, and Nonmetallic Mineral Products. Six industries saw no change, and there were no decreases.

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 2016 – July through September – and the Energy Index stands at a value of 110.7. September's index value is 6.0 points lower than August's value of 116.7, and 9.9 points lower than in September 2015. August's value of 116.7 was 4.8 points higher than July's value, and 6.2 points higher than in August 2015. July's value of 111.9 was 8.1 points lower than June's value of 120.0, and 13.7 points lower than in July 2015.

The next update for the Energy Index will be coming in the January 2017 edition, after the fourth quarter data from 2016 has been collected.

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 November 2016, an increase of 7.7 points from the adjusted value of 145.3 in October. The most recent value is also 6.7 points lower than in November 2015. The 4-month moving average is down by 0.1 points to a new value of 149.8.

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 December by 4.3 points to a current index value of 113.7. The Expectations Index increased 11.1 points to a new value of 105.5, while the Present Situation Index decreased by 5.9 points to a value of 126.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "The post-election surge in optimism for the economy, jobs and income prospects, as well as for stock prices which reached a 13-year high, was most pronounced among older consumers. ... Looking ahead to 2017, consumers' continued optimism will depend on whether or not their expectations are realized." The percentage of consumers expecting business conditions to improve over the next six months declined slightly to 29.2 percent, while the percentage of consumers expecting business conditions to decline increased to 17.3 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

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■ ■ ■ *realize human potential*

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Layout & Design: Matt Hawk

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

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