

Humboldt Economic Index

November 2016

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Belonging Never Felt Better



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Composite Shows Little Change, Energy Index is Updated

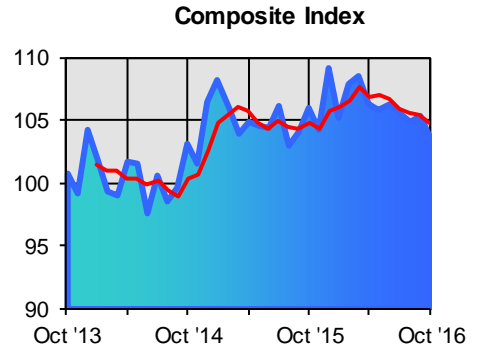
This month we say goodbye to Brittanie, our assistant editor the last year. Brittanie has done a wonderful job and she will be missed. We congratulate her finishing her degree and wish her success in the future!

The Composite Index fell 1.6 points from last month's value of 105.2 to the current value of 103.5. The Composite Index is down 2.3 points from this time last year. The Home Sales, Employment, and Retail indices all fell, while Energy and Lumber maintained their value, and Hospitality rose slightly.

The Index of Home Sales fell 6 points from October, and is 17 points lower than in October 2015. The median home price remained at \$305,000.

Leading Indicators are mostly rising in December. Building Permits, Unemployment, and Manufacturing Orders are all up, and Help Wanted Advertising fell.

The seasonally adjusted



unemployment rate in Humboldt County increased from 5.3 percent to 5.4 percent, while the seasonally adjusted unemployment rate in California stayed the same at 5.5 percent. In comparison, the national unemployment rate fell slightly from 5.0 to 4.9 percent.

California gas prices decreased from \$2.80 to \$2.66. Northern California's average also fell to \$2.75 from \$2.83, and Eureka's average gas price per gallon fell from \$2.86 to \$2.75.

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	103.5	-1.6	-2.3	3.9	-8.0
Home Sales	119.7	-6.0	-17.1	39.0	-1.8
Retail Sales	144.2	-4.1	-4.8	3.0	-17.1
Hospitality	97.7	0.5	3.3	16.6	13.2
Electricity	110.7	0.0	0.0	0.0	0.0
Employment	108.5	-0.8	1.7	10.4	2.7
Lumber*	26.3	0.0	0.0	-33.7	-65.0
Manufacturing**	86.5			-	-

* 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

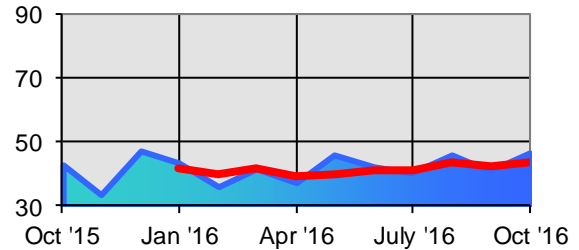
Leading Indicators

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
0.9%	13.7%	154.5%	-5.2%
* Change from prior month. All values are seasonally adjusted.			

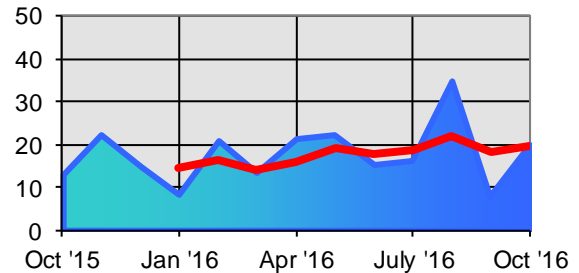
Unemployment Claims increased 13.7 points to a new index value of 46.5. The unemployment claims index was 42.8 in October 2015, or 3.7 points lower than the present value. The 4-month moving average rose 1.2 points to 43.5.

Index of Claims for Unemployment Insurance



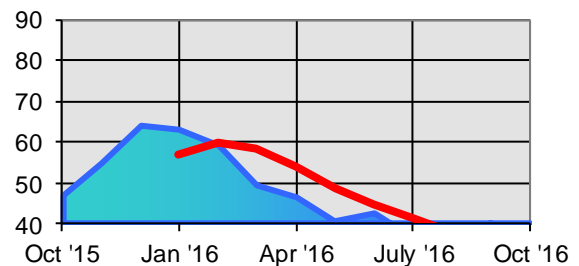
Building Permits rose 11.8 points to a new index value of 19.5. The current value is 9.9 points higher than October's value in 2015.

Index of Building Permits Issued



Help Wanted Advertising fell 2 points in October to a new index value of 37.8. One year ago, the index value stood at 46.8, indicating a 9 point decrease year-over-year. The 4-month moving average is down to 36.7, lower than the September's value of 38.0.

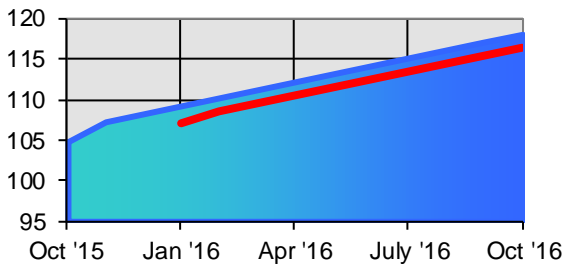
Index of Help Wanted Advertising



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$305,000	\$ 1,400	3.875%	5.5%
* 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 117.0 to a current value of 118.0. The manufacturing orders index value in October 2015 was 104.6, which is 13.4 points lower 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 December 2015 stands at an index value of 119.7, which is a 7.6 point drop from September's value of 127.3. October 2015's index value was 24.6 points higher than the current value. The county's median home price stayed constant at \$305,000. In comparison, the median home price in October 2015 was \$255,000.

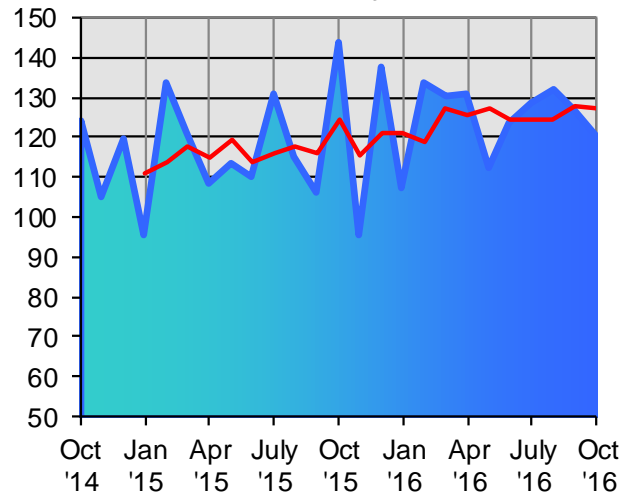
The S&P Case-Shiller Home Price Indices, a national index of housing prices, is calculated monthly using a 3-month moving average and published with a two month lag. Within the Case-Shiller Index are composites of 10 and 20 cities that the Index considers representative of the national housing market, 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 September compared to August. The 10-City and 20-City Composites report year-over-year gains 4.3 percent and 5.1 percent, respectfully. The National Index reported a 5.5 percent annual gain over the same period. The 10-City Composite reported a 0.2 percent seasonally adjusted month-over-month increase, and the 20-City Composite reported a 0.4 percent increase. The National Index also reported a seasonally adjusted increase of 0.8 percent.

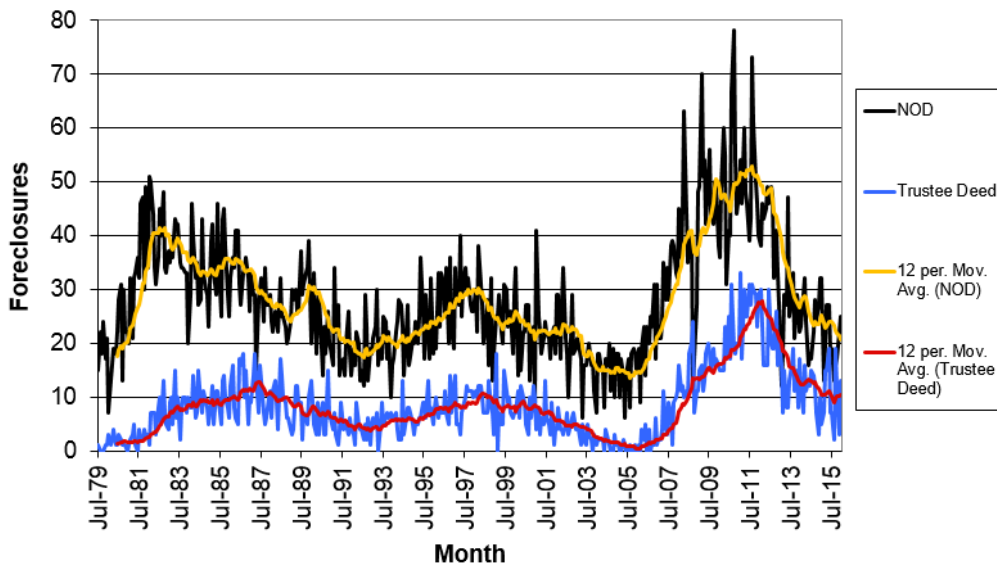
David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, claims, "The new peak set by the S&P Case-Shiller CoreLogic National Index will be seen as marking a shift from the housing recovery to the hoped-for start of a new advance." He notes that sales of existing and new homes are on the rise and at a post-recession peak.

According to Freddie Mac, the average 30-year fixed-rate mortgage as of November 23 increased to 4.03 percent from October's latest percent of 3.47. The average 15-year fixed-rate mortgage also increased to 3.25 percent from 2.78 in October.

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.

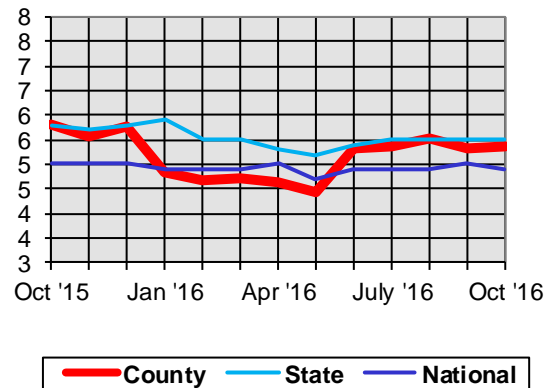
The Total County Employment Index decreased in value to 108.5. The seasonally adjusted unemployment rate for Humboldt County increased from 5.3 percent to 5.4 percent. The unemployment rate for California stayed the same at 5.5 percent for the fourth consecutive month. The national unemployment rate fell 0.1 percent to 4.9 percent.

The Employment Development Department of California indicated that in October Humboldt County's total employment rose by 180 individuals to a total of 60,290. Humboldt County's total unemployment increased from 2,890 individuals in September to 2,970 individuals in October.

In the Labor Department's November report, total nonfarm payroll employment rose by 178,000. National employment was on the rise in several industries, including in professional and business services, health care, and construction. Employment in other industries,

such as mining, manufacturing, wholesale trade, retail trade, transportation and warehousing, information, financial activities, leisure and hospitality, and government, showed few change over month-to-month.

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 increased in October to a new value of 97.7 from 97.2. This month's index value represents a 3.1 point increase from this time last year. The 4-month moving average rose 1.45 points to a current value of 94.4.

Gasoline Prices

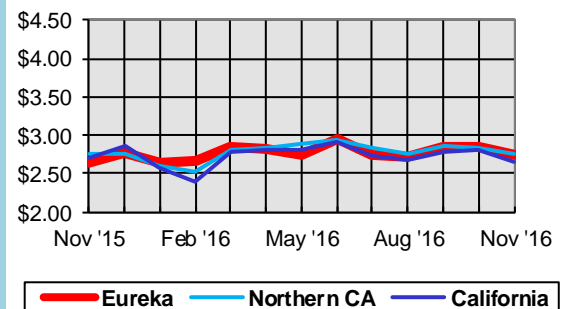
California's gas prices fell in October, decreasing 14 cents to a new average of \$2.66. Northern California's average price decreased 8 cents to a new average of \$2.75, while Eureka's average gas price fell by 11 cents to a new average of \$2.75. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.08 per gallon.

Consumer Watchdog has alleged that oil refiners are artificially inflating the cost of gasoline in the state by limiting the amount of oil and gas that is refined. The group's argument is that with only four refiners controlling 78% of the market there is the potential for abuses. The result is gas prices that are much higher than the national average, about 50 cents per gallon higher on average, across the state. Since the Torrance refinery explosion Consumer Watchdog contends they have not been producing at full capacity. The new owners, PBF, say the company has been "absolutely maximizing production", since they acquired it in July.

Gas Prices		
Prices as of 11/30/2016	Average price*	Change from previous month
Eureka	\$2.75	-\$0.11
Northern California	\$2.75	-\$0.08
California	\$2.66	-\$0.14

* 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 contracted to a seasonally adjusted index value of 86.5 in October, a 12.5 point decrease from the previous month's adjusted value of 87.6. 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 90th consecutive month.

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](#).

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 November is 53.2, representing a 1.3 percent increase.

Nationally, eleven of the eighteen manufacturing industries are reporting growth in November including Miscellaneous Manufacturing; Petroleum & Coal Products; Paper Products; Computer & Electronic Products; and Food, Beverage & Tobacco Products.

The New Export Orders Index for November is 52 percent, indicating a decrease from October's index by 0.5 percent. 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. Six industries reported growth in the new export orders including Miscellaneous Manufacturing and Fabricated Metal Products. Seven Industries reported a decrease in new export orders, and five industries reported no change.

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 after the end of the fourth fiscal quarter of 2016, in the December 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 144.2 for October, a decrease of 6.2 points from the adjusted value of 150.4 in September. The most recent value is also 7.3 points lower than in October 2015. The 4-month moving average is down by 3.95 points to a new value of 149.9.

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 November by 6.3 points to a current index value of 107.1. The Expectations Index increased 5.7 points to a new value of 91.7, while the Present Situation Index increased to 130.3 from 123.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence improved in November after a moderate decline in October, and is once again at pre-recession levels." The percentage of consumers expecting business conditions to improve over the next six months rose to 29.2 percent, while the percentage of consumers expecting business conditions to decline decreased to 14.8.

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.

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