

# Humboldt Economic Index

February 2017

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## Hospitality Index Rises, Home Sales Fall

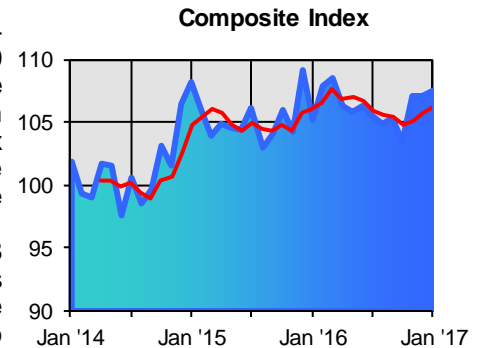
The Composite Index rose 0.4 points from last month's value of 107.0 to the current value of 107.4. The Composite Index is up 2.2 points from this time last year. The Hospitality Index rose over the last month, while Home Sales and Retail Sales fell. Data were unavailable for the Employment sector.

The Index of Home Sales fell 2.8 points from December, and is 9.6 points higher than in January 2016. The median home price rose slightly to 296,500.

In January Leading Indicators are mixed. Help Wanted Advertising and building Permits both fell, while Unemployment Claims and Manufacturing Orders rose.

The seasonally adjusted unemployment rate in California remained constant at 5.2 percent. In comparison, the national unemployment rate rose slightly from 4.7 percent to 4.8 percent.

California gas prices increased from \$2.80 to \$2.97. Northern California's average also rose, from \$2.86 to \$2.99, and Eureka's average gas price per gallon rose, from \$2.87 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****
<b>Composite</b>	<b>107.4</b>	<b>0.4</b>	<b>2.2</b>	<b>5.8</b>	<b>-2.7</b>
Home Sales	117.6	-2.8	9.6	6.7	9.6
Retail Sales	152.3	-1.1	0.1	1.0	-14.4
Hospitality	106.4	6.4	13.2	41.0	26.9
Electricity	122.6	0.0	0.0	0.0	0.0
Employment	108.9	0.0	-0.4	8.5	3.3
Lumber*	26.3	0.0	0.0	-23.3	-60.2
Manufacturing**	81.2			-	-

\* 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

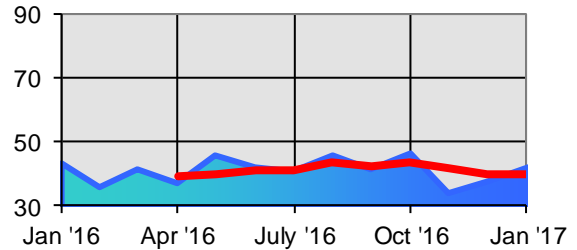
## Leading Indicators

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
2.6%	10.1%	-6.5%	-23.2%
* Change from prior month. All values are seasonally adjusted.			

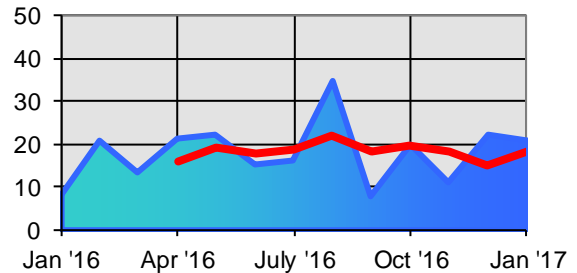
**Unemployment Claims** increased 3.8 points to a new index value of 41.6. The unemployment claims index was 43.3 in January 2016, or 1.7 points higher than the present value. The 4-month moving average rose just 0.2 points to 39.9.

**Index of Claims for Unemployment Insurance**



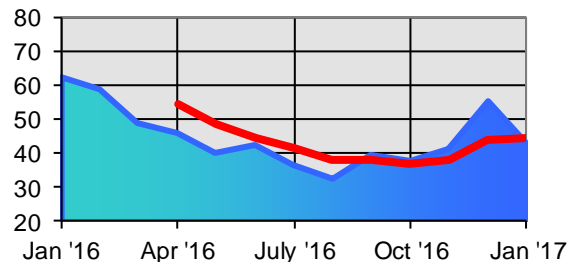
**Building Permits** declined 1.4 points to a new index value of 20.8. The current value is 12.5 points higher than the January 2016 value of 8.3.

**Index of Building Permits Issued**



**Help Wanted Advertising** fell 12.9 points in January to a new index value of 42.7. One year ago, the index value stood at 62.8, indicating a 20.1 point decrease year-over-year. The 4-month moving average rose slightly to 44.4, up from December's value of 43.7.

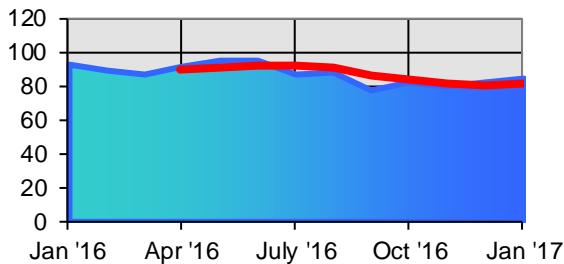
**Index of Help Wanted Advertising**



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$296,500	\$ 1,760	4.250%	5.2%
* 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 82.2 to a value of 83.2. The manufacturing orders index value in January 2016 was 92.2, which is 9.0 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 December 2015 stands at an index value of 117.6, which is 3.4 points lower than December's value of 121.0. January 2016's index value was 10.2 points lower than the current value. The county's median home price rose slightly to \$296,500. In comparison, the median home price a year ago was \$242,950.

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.

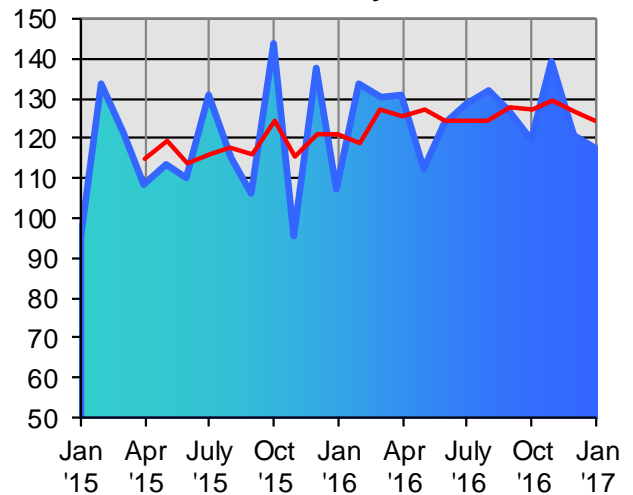
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in December compared to November. The 10-City and 20-City Composites report year-over-year gains of 4.9 percent and 5.6 percent respectively. The National Index reported a 5.8 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.3 percent. The National Index reported a seasonally adjusted increase of 0.7 percent.

"Home prices continue to advance, with the national average rising faster than at any time in the last two-and-a-half years," says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "With all 20 cities seeing prices rise over the last year, questions about whether this is a normal housing market or if prices could be heading for a fall are natural.

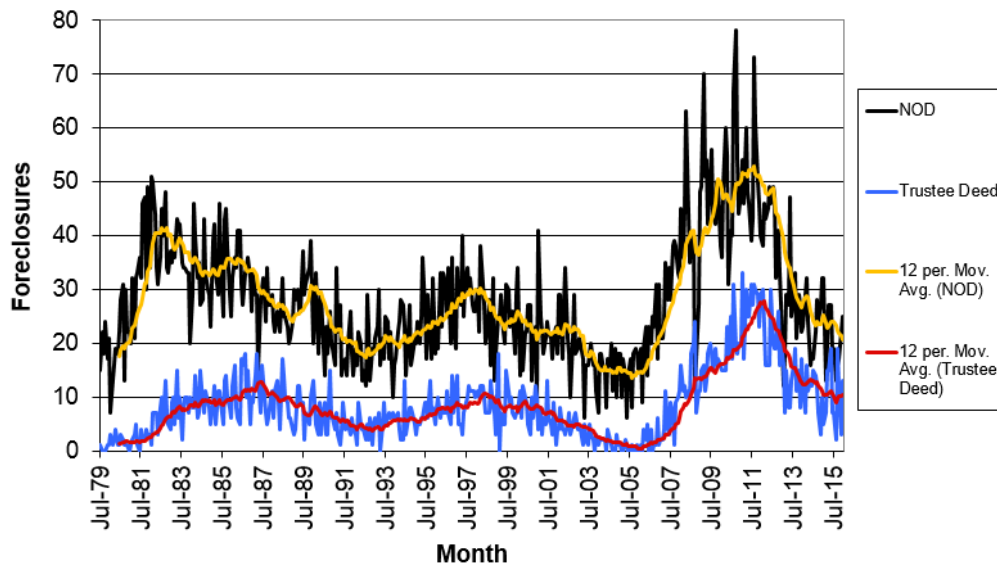
In comparing current home price movements to history, it is necessary to adjust for inflation. Consumer prices are higher today than 20 or 30 years ago, while the inflation rate is lower. Looking at real or inflation-adjusted home prices based on the S&P CoreLogic Case-Shiller National Index and the Consumer Price Index, the annual increase in home prices is currently 3.8%. Since 1975, the average pace is 1.3%; about two-thirds of the time, the rate is between -4% and +7%. Home prices are rising, but the speed is not alarming."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of February 23, 2017 decreased to 4.16 percent from January's latest percent of 4.19. The average 15-year fixed-rate mortgage also decreased, from 3.40 percent to 3.37 percent in February.

**Home Sales Index, Humboldt County**



**Monthly Foreclosures, Humboldt County**



Source: Humboldt Economic Index and Humboldt County Recorder

# The Index – Individual Sectors

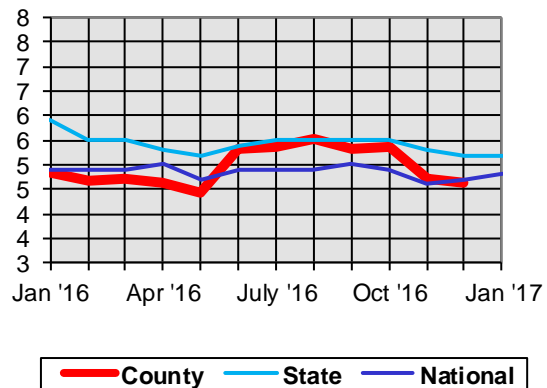
## Total County Employment

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 was unchanged in December since data were unavailable as the Employment Development Department makes annual revisions to the data. The seasonally adjusted unemployment rate for Humboldt County fell from 4.6 percent to 3.9 percent. The unemployment rate for California remained constant at 5.2 percent, the first rise since February 2008. The national unemployment rate rose 0.1 points to 5.0 percent.

In the Labor Department's December report, total nonfarm payroll employment rose by 227,000. National employment was on the rise in several industries, including retail trade, construction, financial activities, and professional and technical services. Employment in other industries, such as mining and logging, manufacturing, wholesale trade, transportation and warehousing, and information, showed little month-to-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 January to a new value of 106.4 from 100.0. This month's index value represents a 12.4 point increase from this time last year. The 4-month moving average rose 2.3 points to a current value of 103.1.

## Gasoline Prices

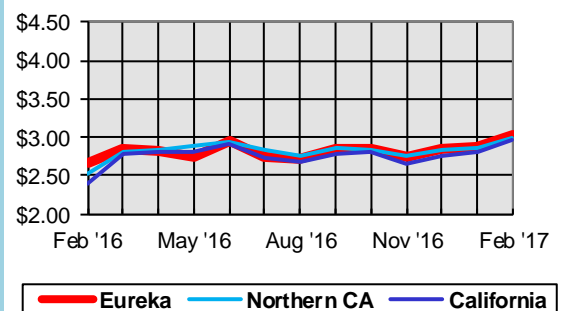
California's gas prices rose in February, increasing 17 cents to a new average of \$2.97. Northern California's average price increased 12 cents to a new average of \$2.99, while Eureka's average gas price rose by 17 cents to a new average of \$3.03. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.29 per gallon.

Experts are expecting to see gas prices continuing to rise throughout 2017. By the peak prices this summer it is expected gas prices will increase by fifty to eighty cents a gallon, bringing California prices to \$3.40-\$3.70. Price hikes can be traced to an agreement between several OPEC nations to scale back production by 1.2 million barrels a day. Six California refineries are undergoing maintenance and repairs, further reducing production.

Gas Prices		
Prices as of 2/28/2017	Average price*	Change from previous month
Eureka	\$3.03	\$0.17
Northern California	\$2.99	\$0.12
California	\$2.97	\$0.17

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csa.com](http://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 81.2 in January, a 5.0 point increase from the previous month's value of 86.2. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that February saw expansion in the manufacturing sector, as well as growth in the overall economy for the 93<sup>rd</sup> 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 January is 48.2, representing a 0.2 point decrease.

Nationally, seventeen of the eighteen manufacturing industries are reporting growth in February including Textile Mills, Apparel, Leather & Allied Products, Machinery, Computer & Electronic Products, Primary metals, and Plastics & Rubber Products. The only industry showing a contraction is Furniture & Related products.

The New Export Orders Index for February is 65.1 percent; this is a 4.7 point increase over January's index of 60.4 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. Sixteen industries reported growth in the new export orders including Apparel, Leather & Allied Products, Primary Metals, Machinery, and Wood Products. No industry showed a decrease in new orders.

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 fourth fiscal quarter of 2016 – October through December – and the Energy Index stands at a value of 122.6. December's index value is 17.5 points higher than November's value, and 11.6 points lower than in December 2015. November's value of 105.1 was 2.7 points lower than October's value, and 4.8 points lower than in November 2014. October's value of 107.8 was 2.9 points lower than September's value of 110.7, and 9.8 points lower than in October 2015.

The next update for the Energy Index will be coming after the end of the first fiscal quarter of 2017.

## 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 152.3 for January 2017, a decrease of 1.6 points from the value of 154.0 in December. The most recent value is 0.1 points higher than in January 2016. The 4-month moving average is up by 0.5 points to a new value of 151.1.

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 February by 3.2 points to a current index value of 114.8, a fifteen year high. The Expectations Index increased 3.1 points to a new value of 102.4, while the Present Situation Index rose 3.4 points to a new value of 133.4.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumers rated current business and labor market conditions more favorably this month than in January. Expectations improved regarding the short-term outlook for business, and to a lesser degree jobs and income prospects." The percentage of consumers expecting business conditions to improve over the next six months rose to 24.0 percent, and the percentage of consumers expecting business conditions to decline increased to 11.1., up from 10.8 in January.

## 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

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**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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