

Humboldt Economic Index

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Indicators Were Mixed in January, Notable Fall in Home Prices

The Composite Index fell to 101.5, down 4.2 points from the previous month. The Composite Index is down 4.0 points from this time last year. This month, the Home Sales, Retail Indices rose, and Hospitality all fell and Employment rose.

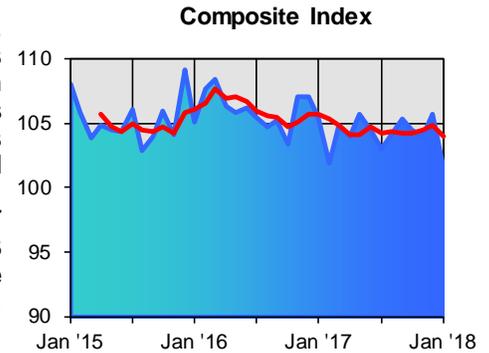
The Index of Home Sales fell 12.7 points from December, and is down 1.3 points from January of last year. The median home price fell to \$300,000, down from \$318,000 in December.

Leading Indicators were mixed in January. Unemployment Claims are up, Building Permits are down, and Manufacturing Orders are up slightly.

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.7 percent to 3.1 percent. The seasonally adjusted unemployment rate in California remained constant at 4.3 percent. The national unemployment rate remained constant at 4.1 percent for the fourth consecutive month.

California gas prices increased from \$3.31 to \$3.36. Northern California's average rose from \$3.32 to \$3.38.

Eureka's average gas price per gallon



rose from \$3.37 to \$3.44.

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	101.5	-4.0	-3.8	-5.0	-5.7
Home Sales	116.2	-12.7	-1.3	-11.2	9.7
Retail Sales	147.1	-4.1	-3.5	-5.9	-8.8
Hospitality	69.0	-9.6	-8.7	7.7	0.7
Electricity	112.9	2.0	-14.1	-22.8	-13.2
Employment	112.4	1.8	1.9	11.4	5.7
Lumber*	26.3	0.0	0.0	-26.8	-43.8
Manufacturing**	88.0			-	-

* 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.

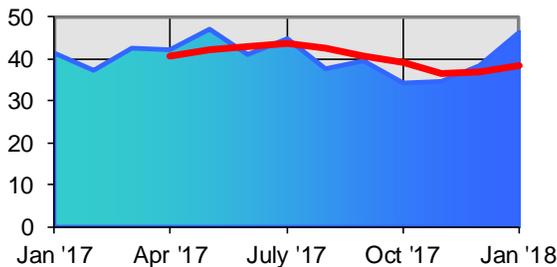
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-7.8%	1.0%	-20.2%	-0.9%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 8.2 points to a new index value of 46.6. The unemployment claims index was 41.6 in January 2017, 5.0 points lower than the present value. The 4-month moving average rose 1.7 points to 38.5.

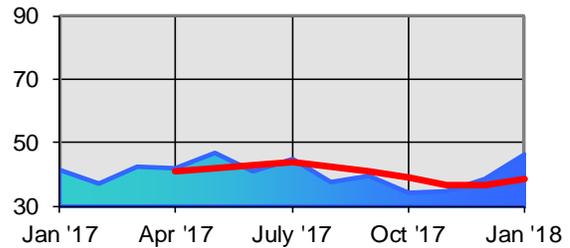
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$300,000	\$ 1,596	4.500%	3.6%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 74.5 to 75.5. The manufacturing orders index value in January 2017 was 81.9, which is 6.4 points higher than the present value.

Index of Manufacturing Orders

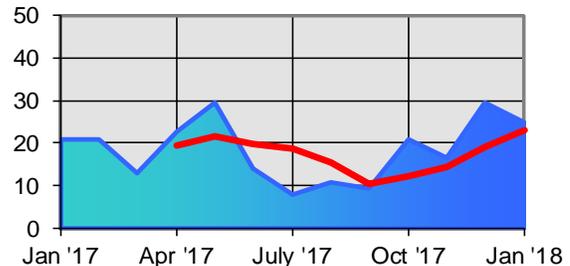


Index of Claims for Unemployment Insurance



Building Permits rose 4.7 points to a new index value of 25.0. The current value is 4.2 points higher than the January 2017 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 January, there were 411 unique job postings on Craigslist, a decrease of 38 from the previous month.

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 January 2018 stands at an index value of 116.2 which is 16.8 points lower than December's value of 133.0. The index value in January 2017 was 1.4 points higher than the current value. The four-month moving average is down 1.7 points to a new value of 119.7. The county's median home price fell to \$300,000 from \$318,000. In comparison, the median home price in January 2017 was \$296,500.

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.

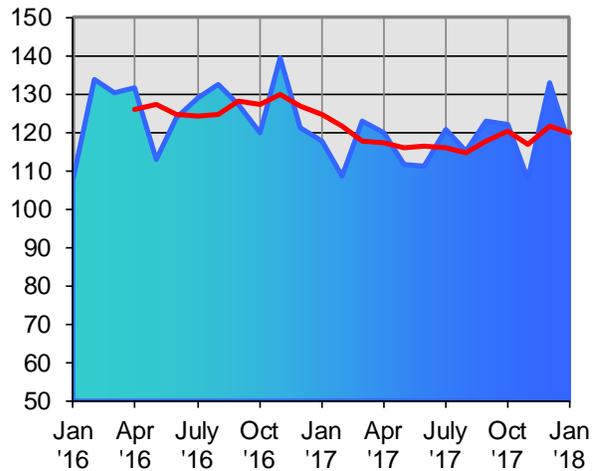
The S&P Case-Shiller Home Price Indices saw higher year-over-year gain in December compared to November. The 10-City and 20-City Composites report year-over-year gains of 6.0 percent and 6.3 percent, respectively. The National Index reported a 6.3 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite, the 20-City Composite, and both reported a 0.6 percent month-over-month increase, and the National Index showed a 0.7 percent increase.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home prices, "The rise in home prices should be causing the same nervous wonder aimed at the stock market after its recent bout of volatility...Across the 20

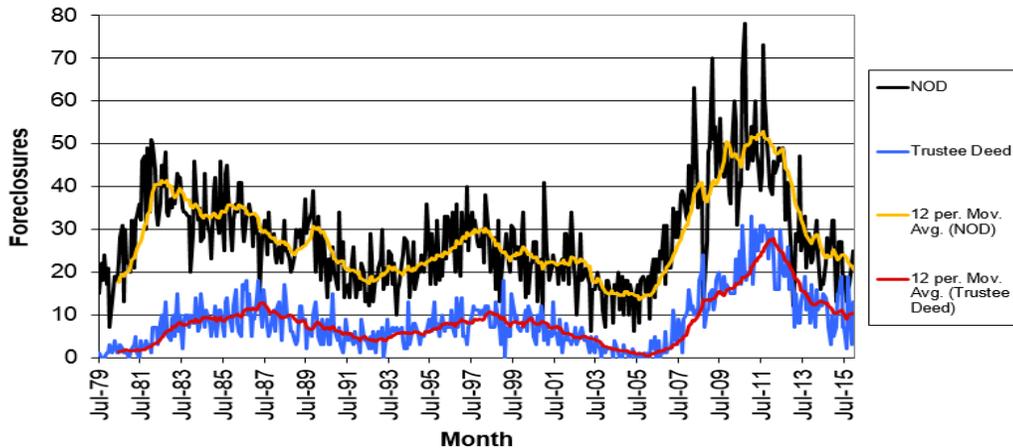
cities covered by S&P CoreLogic Case Shiller Home Price Indices, the average increase from the financial crisis low is 62%; over the same period, inflation was 12.4%. None of the cities covered in this release saw real, inflation-adjusted prices fall in 2017. The National Index, which reached its low point in 2012, is up 38% in six years after adjusting for inflation, a real annual gain of 5.3%. The National Index's average annual real gain from 1976 to 2017 was 1.3%. Even considering the recovery from the financial crisis, we are experiencing a boom in home prices. Within the last few months, there are beginning to be some signs that gains in housing may be leveling off."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of March 1, 2018, is 4.43 percent. This is an increase from January's last reported rate of 4.15 percent. The average 15-year fixed-rate mortgage is 3.90 percent, an increase from 3.62 percent in January.

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.

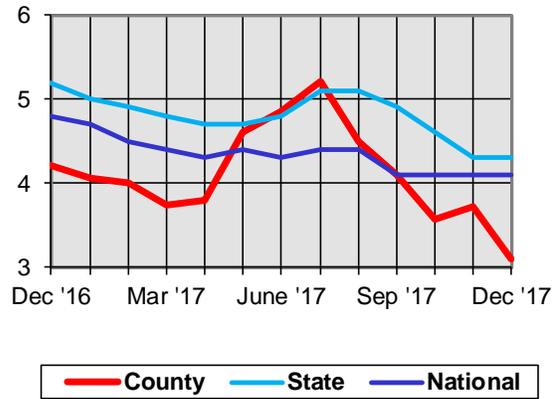
The Total County Employment Index in January grew to 112.4, up from 110.4 in December. The estimated seasonally adjusted unemployment rate for Humboldt County decreased from 3.7 percent to 3.1 percent. The unemployment rate for California remained at 4.3 percent. The national unemployment rate remained at 4.1 percent for the fourth consecutive month.

The Employment Development Department of California indicated that in January Humboldt County's preliminary estimate of total employment remained at a total of 60,150, for the second consecutive month. Humboldt County's total unemployment increased from 2,100 individuals in December to an estimated 2,230 individuals in January.

In the Labor Department's February report, total nonfarm payroll employment rose by 313,000. Employment construction, retail trade, professional and business services, manufacturing, financial activities, and mining all rose in February. Employment in wholesale

trade, transportation and warehousing, information, leisure and hospitality, and government, all changed little over the 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 decreased in January to a new value of 69.0 from 91.3. This month's index value represents a 12.2-point decrease from this time last year. The 4-month moving average fell 7.3 points to a current value of 92.2. This change can be attributed to some of our data providers being closed in the month of January.

Gasoline Prices

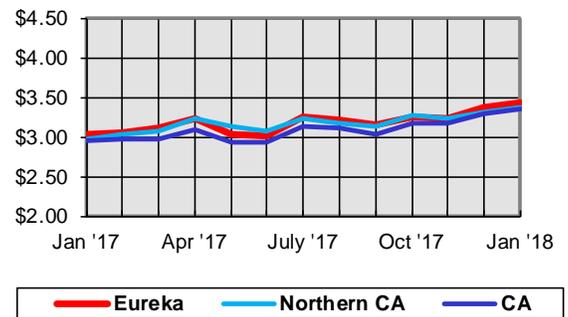
California's average gas price fell slightly in January to \$3.36, a 5-cent increase from the previous month. Northern California's average price increased 7 cents to a new average of \$3.38, while Eureka's average gas price rose by 7 cents to a new average of \$3.44. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.54 per gallon in 1982-84 dollars.

The Low Carbon Fuel Standard is a portion of the gas tax that has not received much attention in recent years, but its effects on gas prices are growing. When it was first enacted, it was estimated that it added on an additional 3 or 4 cents per gallon, that number has now climbed to around 8.5 cents per gallon. The Low Carbon Fuel Standard is part of the state's cap-and-trade program, and as the price increases for tradeable credits has risen the impact has grown. The state is now considering adjustments to the law to limit how much gas prices will be affected.

Gas Prices		
Prices as of 1/31/2018	Average price*	Change from previous month
Eureka	\$3.44	\$0.07
Northern California	\$3.38	\$0.07
California	\$3.36	\$0.05

* 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 contracted to a seasonally adjusted index value of 88.0 in January, a 0.5-point increase from the previous month's value of 87.5. Manufacturing employment remained at 2,100 individuals for the tenth month, according to the Employment Development Department.

The Institute for Supply Management reports that in January economic activity in the manufacturing sector expanded, while the overall economy grew for the 105th 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 February is 60.8, this a 1.7-point increase from January.

Nationally, fourteen of the eighteen manufacturing industries are reporting growth in February including Printing & Related Support Activities; Primary Metals; Paper Products; Petroleum & Coal Products; Plastics & Rubber Products; Machinery; Transportation Equipment; Chemical Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products. Two industries reported a contraction over the period: Apparel, Leather & Allied Products; and Furniture & Related Products.

The New Export Orders Index for February is 64.2 percent, indicating a decrease over January's index of 1.2 points. This is the 26th consecutive month of growth in New Orders. 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. Fifteen industries reported growth in the new export orders, including Textile Mills; Paper Products; Printing & Related Support Activities; Primary Metals; Chemical Products; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Nonmetallic Mineral Products; Machinery; Plastics & Rubber Products. One industry showed a decrease on new orders in February: Apparel, Leather & Allied 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– October through December – and the Energy Index stands at a value of 110.7. October's index value is 4.6 points higher than September's value, and 2.8 points higher than in October 2016. November's value of 108.6 was 2 points lower than October's value, and 3.5 points higher than in November 2016. December's value of 110.7 was 2.1 points higher than November's value and 11.9 points lower than in December 2016.

The next update for the Energy index is expected following the close of the first 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 147.1 for January, a decrease of 6.3 points from the value of 153.4 in December. The January 2018 value is 5.3 points lower than January 2017. The 4-month moving average is down by 1.3 points with a new value of 146.4.

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 6.5 points to a current index value of 130.8. The Expectations Index increased 4.7 points to a new value of 105.5, and the Present Situation Index increased, from 154.7 to 162.4.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence improved to its highest level since 2000 (Nov. 2000, 132.6) after a modest increase in January. Consumers' assessment of current conditions was more favorable this month, with the labor force the main driver. Despite the recent stock market volatility, consumers expressed greater optimism about short-term prospects for business and labor market conditions, as well as their financial prospects." The percentage of consumers expecting business conditions to improve over the next six months rose marginally to 21.5 from 25.8 percent, while the percentage of consumers expecting business conditions to decline decreased to 9.4.

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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