

# Humboldt Economic Index

January 2017

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## Big Fall in Home Sales and Gas Prices Rise

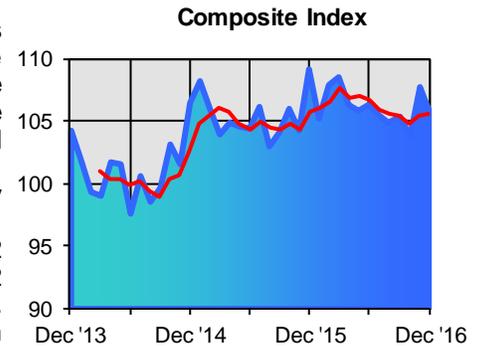
The Composite Index fell 2.1 points from last month's value of 107.7 to the current value of 105.6. The Composite Index is down 3.3 points from this time last year. Both the Employment and Retail Indices rose slightly in December, while the Housing and Hospitality Indices fell.

The Index of Home Sales fell 13.2 points from November, and is 12.2 points lower than in December 2015. The median home price rose from \$289,000 to \$295,000.

The leading indicators all rose in December. The Unemployment Claims, Help Wanted Advertising, and Building Permits are all up this month.

The seasonally adjusted unemployment rate in Humboldt County decreased from 4.7 percent to 4.6 percent, while the seasonally adjusted unemployment rate in California also fell 0.1 points to 5.2 percent. In comparison, the national unemployment rate rose slightly from 4.6 percent to 4.7 percent.

California gas prices increased from \$2.76 to \$2.80. Northern California's average also rose to \$2.86, up from \$2.83, and Eureka's average gas



price per gallon rose to \$2.87, up from \$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****
<b>Composite</b>	<b>105.6</b>	<b>-2.0</b>	<b>-3.3</b>	<b>5.4</b>	<b>-2.9</b>
Home Sales	121.0	-13.2	-12.2	11.0	-3.8
Retail Sales	154.0	0.6	-2.0	2.4	-2.3
Hospitality	100.0	-7.7	1.7	11.4	5.6
Electricity	110.7	0.0	0.0	0.0	0.0
Employment	108.9	0.5	1.6	10.7	3.2
Lumber*	26.3	0.0	0.0	-17.6	-55.4
Manufacturing**	86.2			-	-

\* 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

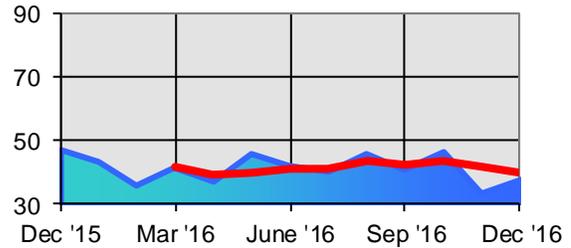
## Leading Indicators

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
3.3%	12.7%	99.8%	34.1%
* Change from prior month. All values are seasonally adjusted.			

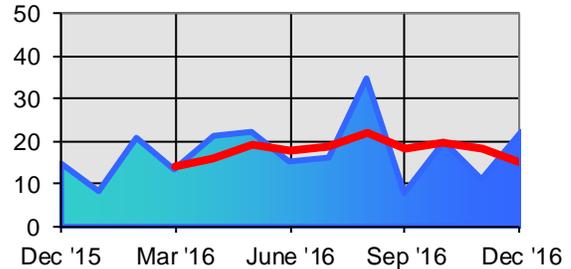
**Unemployment Claims** increased 4.3 points to a new index value of 37.8. The unemployment claims index was 47.4 in December 2015, or 9.6 points higher than the present value. The 4-month moving average fell 2 points to 39.7.

**Index of Claims for Unemployment Insurance**



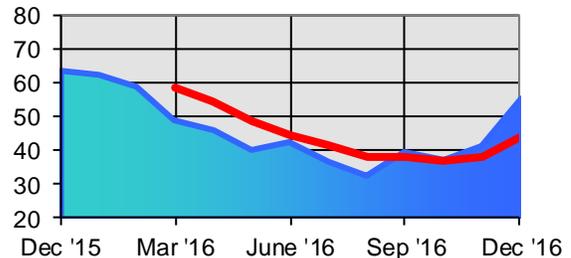
**Building Permits** increased 11.2 points to a new index value of 22.3. The current value is 7.4 points higher than December's value in 2015.

**Index of Building Permits Issued**



**Help Wanted Advertising** rose 14.2 points in December to a new index value of 55.6. One year ago, the index value stood at 64.1, indicating an 8.5 point decrease year-over-year. The 4-month moving average is up to 43.7, higher than the November's value of 37.9.

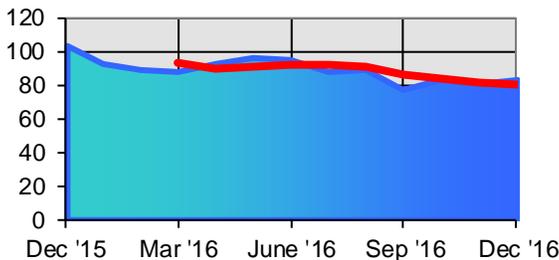
**Index of Help Wanted Advertising**



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$295,000	\$ 1,100	4.125%	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 107.0 to a current value of 108.0. The manufacturing orders index value in December 2014 was 95.3, which is 12.7 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 2016 stands at an index value of 121.0, which is 18.5 points lower than November. The value in December 2015 was 137.8, 16.8 points higher than the current value. The county’s median home price increased to \$295,000, up from \$289,000 in November. In comparison, the median home price in December 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.

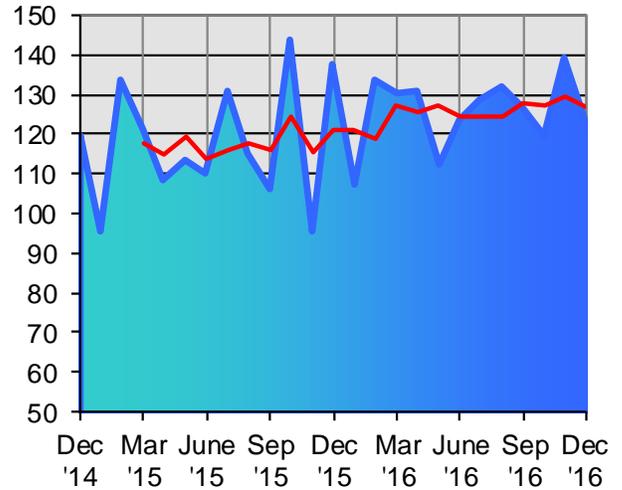
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in November compared to October. The 10-City and 20-City Composites report year-over-year gains of 4.5 percent and 5.3 percent respectively. The National Index reported a 5.6 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.8 percent. The National Index 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, says “With the S&P CoreLogic Case-Shiller national Home Price Index rising at about 5.5 percent annual rate over the last two-and-a-half years and having reached a new all-time high recently, one can argue that housing has

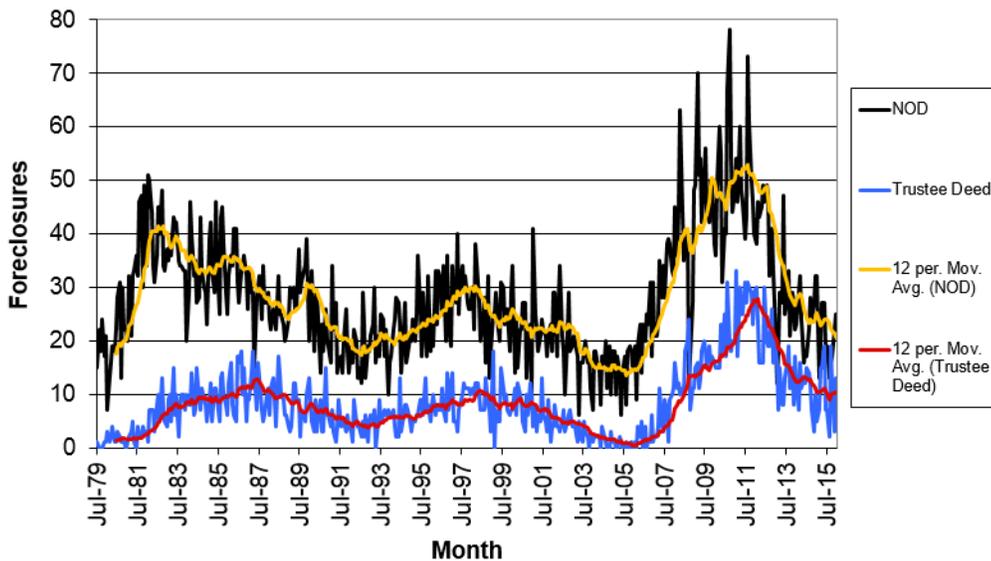
recovered from the boom-bust cycle that began a dozen years ago. The recovery has been supported by a few economic factors: low interest rates, falling unemployment, and consistent gains in per-capita disposable personal income.”

According to Freddie Mac, the average 30-year fixed-rate mortgage as of January 26, 2017 decreased to 4.19 percent from December’s latest percent of 4.32. The average 15-year fixed-rate mortgage also decreased from 3.55 percent to 3.40 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 increased in value to 108.9. The seasonally adjusted unemployment rate for Humboldt County decreased slightly from 4.7 percent to 4.6 percent. The unemployment rate for California also fell just 0.1 points to a new value of 5.2 percent. The national unemployment rate rose slightly to 4.7 percent.

The Employment Development Department of California indicated that in December Humboldt County's total employment fell by 820 individuals to a total of 59,330. Humboldt County's total unemployment decreased from 2,820 individuals in November to 2,770 individuals in December.

In the Labor Department's January report, total nonfarm payroll employment rose by 227,000. National employment was on the rise in several industries, including retail, construction, financial services, and professional and technical services. Employment in other industries, such as mining, logging, manufacturing,

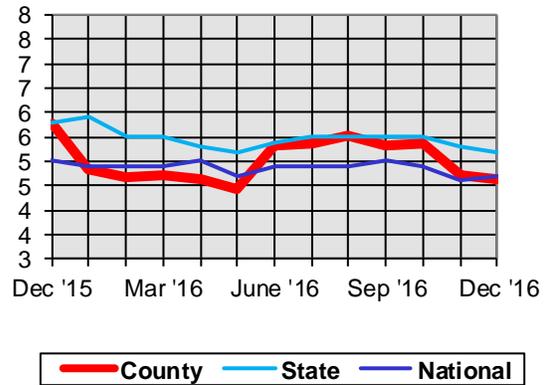
## Hospitality

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 December to a new value of 100.0 from 108.3. This month's index value represents a 1.7 point increase from this time last year. The 4-month moving average rose 6.4 points to a current value of 100.8.

wholesale trade, and transportation showed little change month-to-month.

## Unemployment Percentage Rates



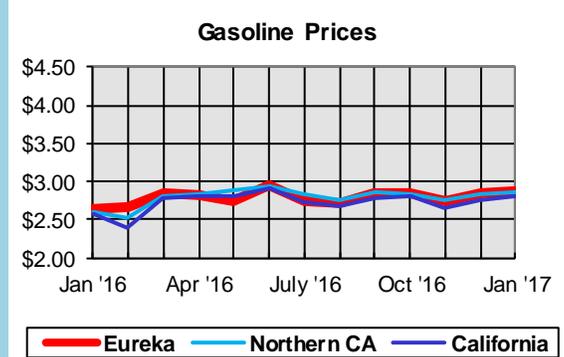
## Gasoline Prices

California's gas prices rose in December, increasing 5 cents to a new average of \$2.80. Northern California's average price increased 3 cents to a new average of \$2.86, Eureka's average gas price also rose by 3 cents to a new average of \$2.87. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.17 per gallon.

According to Jeffrey Spring, a spokesperson for AAA of Southern California, West Coast refineries have sufficient inventory but "out-of-state and international demand has kept gas prices from falling as they did at this time last year." The decrease in price last year was due to a surplus in the winter blend, which can only be sold until April 1, and it does not seem as though there is a similar surplus this year. Jeffrey Spring also noted the role of investment in the price of gasoline, "Investors are reportedly also optimistic about higher oil and gasoline prices this year, which can play a role in pushing prices even higher."

Gas Prices		
Prices as of 1/31/2017	Average price*	Change from previous month
Eureka	\$2.87	\$0.03
Northern California	\$2.86	\$0.03
California	\$2.80	\$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](http://www.csaa.com)).



# 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 86.2 in December, a 0.9 point increase from the previous month's adjusted value of 87.1. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that the manufacturing sector grew in January, and the overall economy grew for the 92<sup>nd</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 56 percent, this a 1.5 percent increase over the December value of 54.5 percent.

Nationally, twelve of the eighteen manufacturing industries are reporting growth in January including Plastics & Rubber Products, Miscellaneous Manufacturing, Apparel, Leather & Allied Products, and Paper products.

The New Export Orders Index for January is 60.4 percent, indicating an increase from December's index by 0.1 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. Twelve industries reported growth in the new export orders including Plastics & Rubber Products, Apparel, Leather & Allied Products, and Miscellaneous Manufacturing. Five Industries showed a decrease in new export 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 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 Energy Index will be updated after the fourth quarter data 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 154.0 for December 2015, an increase of 1.0 points from the value of 153.0 in November. The most recent value is also 3.1 points lower than in December 2014. The 4-month moving average is up by 0.8 points to a new value of 150.6.

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 January by 1.5 points to a current index value of 111.8. The Expectations Index decreased 6.6 points to a new value of 99.8, while the Present Situation Index increased 6.2 points to a new value of 129.7.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence decreased in January, after reaching a 15 year high in December. The decline in confidence was driven solely by a less optimistic outlook for business conditions, jobs, and especially consumers' income prospects." The percentage of consumers expecting business conditions to improve over the next six months decreased to 23.1 percent, while the percentage of consumers expecting business conditions to decline increased to 10.7.

## 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.

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■ ■ ■ *realize human potential*

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