

Humboldt Economic Index

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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.

January 2018

Home Sales Continue to Increase and Energy Index Updated

The Composite Index rose to 105.7, up 1.7 points from the previous month. The Composite Index is down 1.2 points from this time last year. This month, the Home Sales, Employment, and Retail Indices rose, and Hospitality fell.

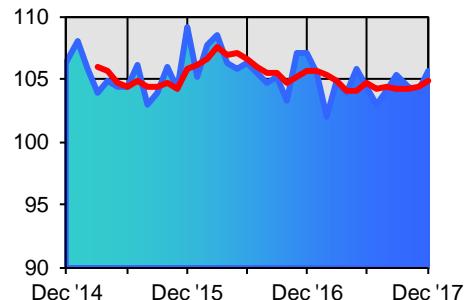
The Index of Home Sales rose 25.4 points from November, and is up 12 points from December of last year. The median home price rose to \$318,000, up from \$302,500 in November.

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

The seasonally adjusted unemployment rate in Humboldt County increased slightly to 3.7 percent from 3.6 percent. The seasonally adjusted unemployment rate in California fell from 4.6 percent to 4.3 percent. The national unemployment rate remained constant at 4.1 percent for the third consecutive month.

California gas prices increased from \$3.17 to \$3.31. Northern California's average rose from \$3.23 to \$3.32. Eureka's average gas price per gallon rose from \$3.23 to \$3.37.

Composite Index



Composite & Sectors

		Percent change from			
Index	Value***	Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	105.7	1.7	-1.2	4.7	2.4
Home Sales	133.0	23.6	9.9	27.6	76.2
Retail Sales	153.4	3.4	-0.4	4.4	-2.1
Hospitality	91.3	-6.0	-6.7	5.6	18.7
Electricity	110.7	1.9	-9.7	-12.8	-12.7
Employment	110.4	0.7	1.4	10.0	3.7
Lumber*	26.3	0.0	0.0	-27.5	-19.2
Manufacturing**	87.6			-	-

* 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

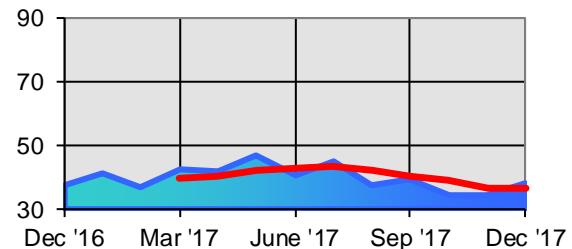
Leading Indicators

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
1.3%	-13.3%	127.2%	-6.5%
* Change from prior month. All values are seasonally adjusted.			

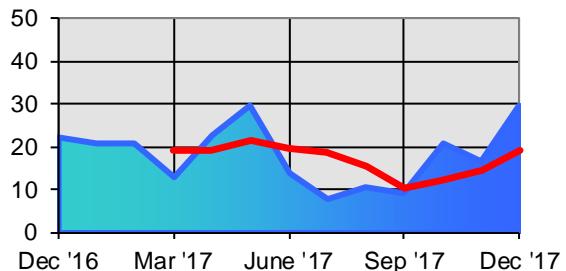
Unemployment Claims increased 3.6 points to a new index value of 34.8. The unemployment claims index was 37.8 in December 2016, 0.6 points lower than the present value. The 4-month moving average rose 0.1 points to 36.8.

Index of Claims for Unemployment Insurance



Building Permits rose 13 points to a new index value of 29.7. The current value is 6.4 points higher than the November 2016 value.

Index of Building Permits Issued

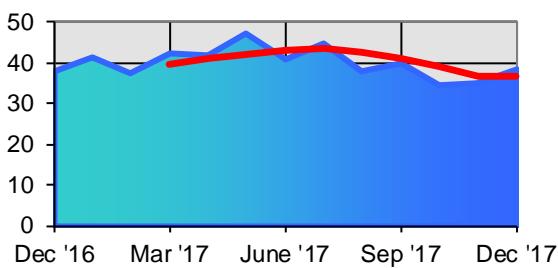


Help Wanted Advertising We have changed our data collection method from relying solely on newspaper advertisements to counting unique jobs listings on Craigslist. Due to the increased volume of help wanted ads we can no longer reliably report the seasonally adjusted index. We will report the raw number collected until seasonal adjustment can be resumed.

In December, there were 449 unique job postings on Craigslist, an increase of 38 from the previous month.

Manufacturing Orders decreased from last month's value of 97.5 to 74.5. The manufacturing orders index value in December 2016 was 82.2, which is 7.7 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 2017 stands at an index value of 133.0 which is 25.4 points higher than November's value of 107.6. The index value in December 2016 was 22.0 points lower than the current value. The four-month moving average is up 4.4 points to a new value of 121.4. The county's median home price rose to \$318,000 from \$302,500. In comparison, the median home price in November 2016 was \$295,000.

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.

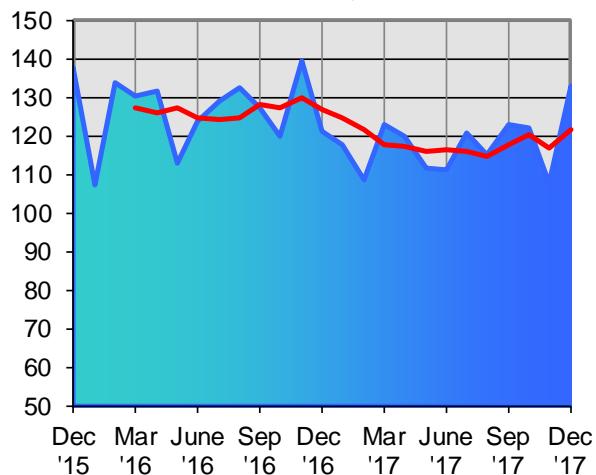
The S&P Case-Shiller Home Price Indices saw higher year-over-year gain in October compared to September. The 10-City and 20-City Composites report year-over-year gains of 6.1 percent and 6.2 percent, respectively. The National Index reported a 6.2 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite, the 20-City Composite, and the reported a 0.8 and 0.7 percent month-over-month increase, respectively, 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, "Home prices continue to rise three times faster than the rate of inflation...Given slow population and income growth since the financial crisis,

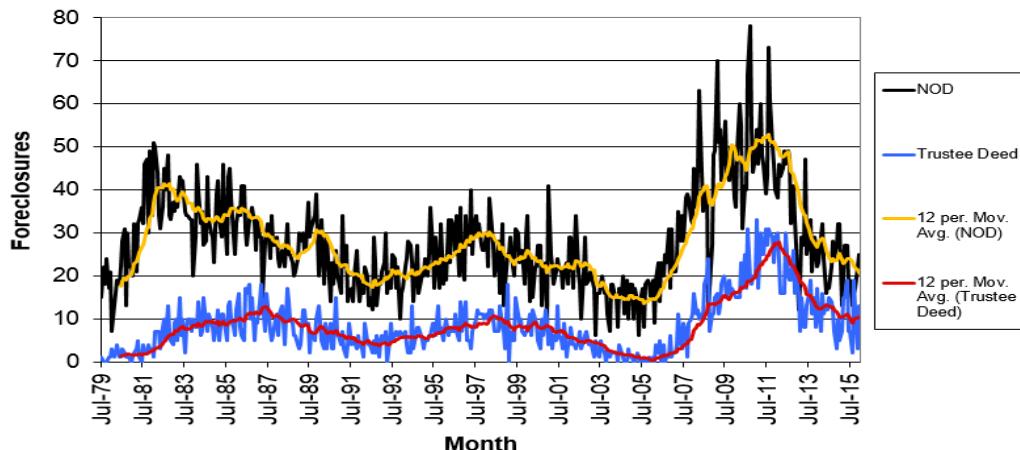
demand is not the primary factor in rising home prices. Construction costs, as measured by National Income and Product Accounts, recovered after the financial crisis, increasing between 2% and 4% annually, but do not explain all of the home price gains. From 2010 to the latest month of data, the construction of single family homes slowed, with single family home starts averaging 632,000 annually. This is less than the annual rate during the 2007-2009 financial crisis of 698,000, which is far less than the long-term average of slightly more than one million annually from 1959 to 2000 and 1.5 million during the 2001-2006 boom years. Without more supply, home prices may continue to substantially outpace inflation."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of January 1, 2018, is 4.15 percent. This is an increase from December's last reported rate of 3.99 percent. The average 15-year fixed-rate mortgage is 3.68 percent, an increase from 3.44 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 in January grew to 110.4, up from 109.7 in December. The seasonally adjusted unemployment rate for Humboldt County increased slightly from 3.6 percent to 3.7 percent. The unemployment rate for California fell from 4.6 percent to 4.3 percent. The national unemployment rate remained at 4.1 percent for the third consecutive month.

The Employment Development Department of California indicated that in September Humboldt County's preliminary estimate of total employment fell to a total of 60,150, down from 60,810 in November. Humboldt County's total unemployment increased from 2,100 individuals in November to an estimated 2,230 individuals in December.

In the Labor Department's January report, total nonfarm payroll employment rose by 200,000. Employment construction, food services and drinking places, health care, and manufacturing all rose in January. Employment in mining, wholesale trade, retail

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 91.3 from 101.1. This month's index value represents a 8.7-point decrease from this time last year. The 4-month moving average rose 0.4 points to a current value of 99.5.

Gasoline Prices

California's average gas price fell slightly in December to \$3.31, a 14-cent increase from the previous month. Northern California's average price increased 9 cents to a new average of \$3.32, while Eureka's average gas price rose by 14 cents to a new average of \$3.37. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.33 per gallon in 1982-84 dollars.

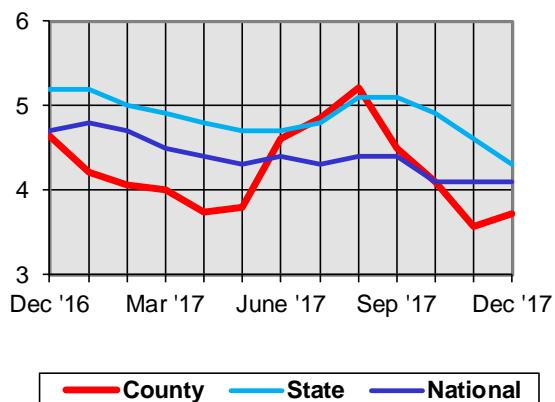
Analysts fear that California gas prices could reach \$4 per gallon by Memorial Day, the highest price seen since 2014. California has seen a 47 cent increase in price over the last year, the largest increase in the country. This increase also includes the 12-cent tax that took effect in November. Crude prices are currently at \$68 dollars per barrel, a 90-percent increase over the last two years. It is unlikely for the price of crude to fall in the near future, as OPEC has agreed to restrict output, and Venezuela has seen decreased production following political turmoil.

Gas Prices		
Prices as of 1/31/2018	Average price*	Change from previous month
Eureka	\$3.37	-\$0.03
Northern California	\$3.32	-\$0.07
California	\$3.31	-\$0.03

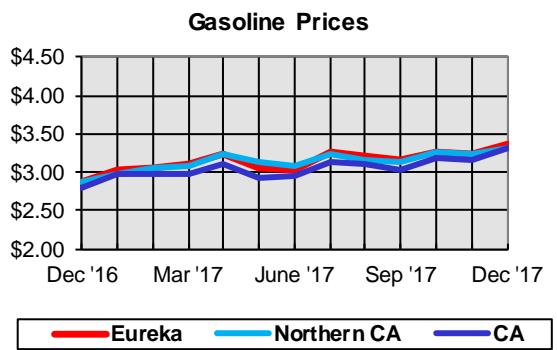
* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).

trade, transportation and warehousing, information, financial activities, professional and business services, and government services, all changed little over the month.

Unemployment Percentage Rates



— County — State — National



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 87.6 in December, a 5.6-point decrease from the previous month's value of 93.2. Manufacturing employment remained at 2,100 individuals for the ninth 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 January is 59.1, this a 0.2-point decrease from December.

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

The New Export Orders Index for December is 65.4 percent, indicating a decrease over November's index of 2 points. This is the ninth straight month of an index value over 60. 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. Thirteen industries reported growth in the new export orders, including Textile Mills; Fabricated Metal Products; Apparel, Leather & Allied Products; Machinery; Primary Metals; Computer & Electronic Products; Transportation Equipment; and Plastics & Rubber Products. Five industries showed a decrease on new orders in January: Wood Products; Furniture & Related Products; Nonmetallic Mineral Products; Printing & Related Support Activities; and Petroleum & Coal 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 153.4 for December, an increase of 5 points from the value of 148.4 in November. The December 2017 value is 0.6 points lower than December 2016. The 4-month moving average is up by 1.5 points with a new value of 147.7.

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 January by 2.3 points to a current index value of 125.4. The Expectations Index increased 4.7 points to a new value of 105.5, and the Present Situation Index decreased slightly, from 156.6 to 155.3.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence improved in January after declining in December. Consumers' assessment of current conditions decreased slightly, but remains at historically strong levels. Expectations improved, though consumers were somewhat ambivalent about their income prospects over the coming months, perhaps the result of some uncertainty regarding the impact of the tax plan." The percentage of consumers expecting business conditions to improve over the next six months rose marginally to 22.0 from 21.6 percent percent, while the percentage of consumers expecting business conditions to decline increased to 9.8.

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.

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

C O L L E G E O F P R O F E S S I O N A L S T U D I E S
■ ■ ■ realize human potential

Cited References:

- Bureau of Labor Statistics - Case-Shiller Home Price Indices
- The Conference Board - Employment Development Department (CA)
- Freddie Mac - Humboldt Association of Realtors
- Institute for Supply Management – San Jose Mercury News

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