

# Humboldt Economic Index

March 2017

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## A Slow Down for Retail and Longer Term Housing Price Rebound

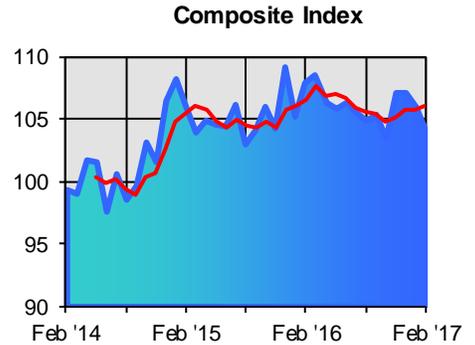
The Composite Index rose 0.5 points from last month's value of 103.5 to the current value of 104.0. The Composite Index is down 3.4 points from this time last year. The Employment Index rose over the last month, while Retail Sales and hospitality fell. Data were not available for home sales and energy.

The median home price remained steady at \$296,500 in the last month. However, in the housing section below, we show the increase in housing prices over the last few years.

In February Leading Indicators were mixed. Help Wanted Advertising and Unemployment Claims both fell, while Manufacturing Orders rose, and Building Permits remained the same.

The seasonally adjusted unemployment rate fell slightly across the board. The Humboldt county unemployment rate fell from 4.2 percent to 4.1. The unemployment rate in California fell from 5.2 percent to 5.0 percent. The national unemployment rate fell from 4.8 percent to 4.7 percent.

California gas prices increased from \$2.97 to \$2.98. Northern California's



average also rose, from \$2.99 to \$3.04, and Eureka's average gas price per gallon rose, from \$3.03 to \$3.06.

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>104.0</b>	<b>-1.7</b>	<b>-3.4</b>	<b>2.4</b>	<b>-4.5</b>
Home Sales	117.6	0.0	-12.1	-0.2	-2.9
Retail Sales	147.5	-3.2	-13.9	1.7	-6.9
Hospitality	80.9	-11.2	-6.0	-6.1	-8.3
Electricity	122.6	0.0	0.0	0.0	0.0
Employment	111.2	0.8	1.3	10.8	4.9
Lumber*	26.3	0.0	0.0	-18.7	-57.9
Manufacturing**	80.2			-	-

\* 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

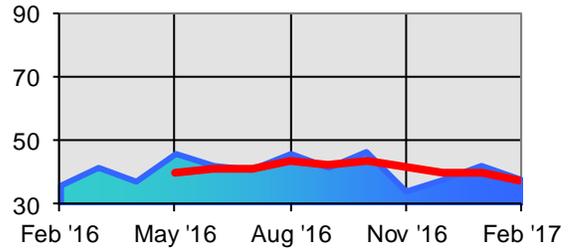
## Leading Indicators

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
-10.4%	-10.2%	0.0%	-4.2%
* Change from prior month. All values are seasonally adjusted.			

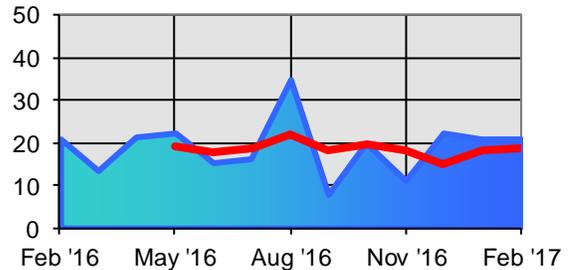
**Unemployment Claims** fell 4.2 points to a new index value of 37.4. The unemployment claims index was 35.8 in February 2016, or 1.5 points lower than the present value. The 4-month moving average fell 2.3 points to 37.6.

**Index of Claims for Unemployment Insurance**



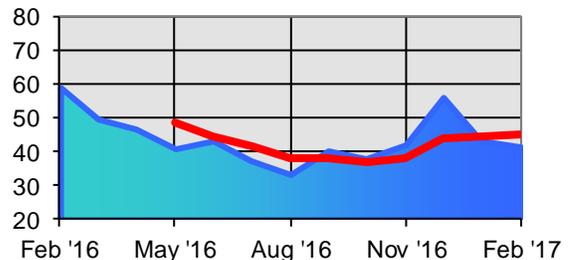
**Building Permits** remained steady at 20.8. The current value is also the same as the February 2016 value.

**Index of Building Permits Issued**



**Help Wanted Advertising** fell 2.2 points in February to a new index value of 40.9. One year ago, the index value stood at 49.0, indicating a 8.1 point decrease year-over-year. The 4-month moving average rose slightly to 45.1, up from January's value of 44.4.

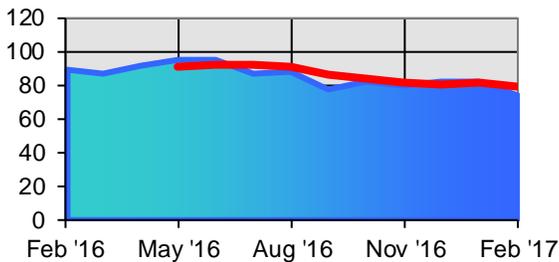
**Index of Help Wanted Advertising**



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$0	\$ 1,470	4.250%	5.0%
<p>* 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.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

**Manufacturing Orders** increased from last month's value of 83.2 to a value of 84.2. The manufacturing orders index value in January 2016 was 88.6, which is 4.4 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 127.5, which is 10.1 points higher than January's value of 117.6. February 2016's index value was 6.4 points higher than the current value. The county's median home price stayed constant at \$296,500. In comparison, the median home price a year ago was \$275,000.

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.

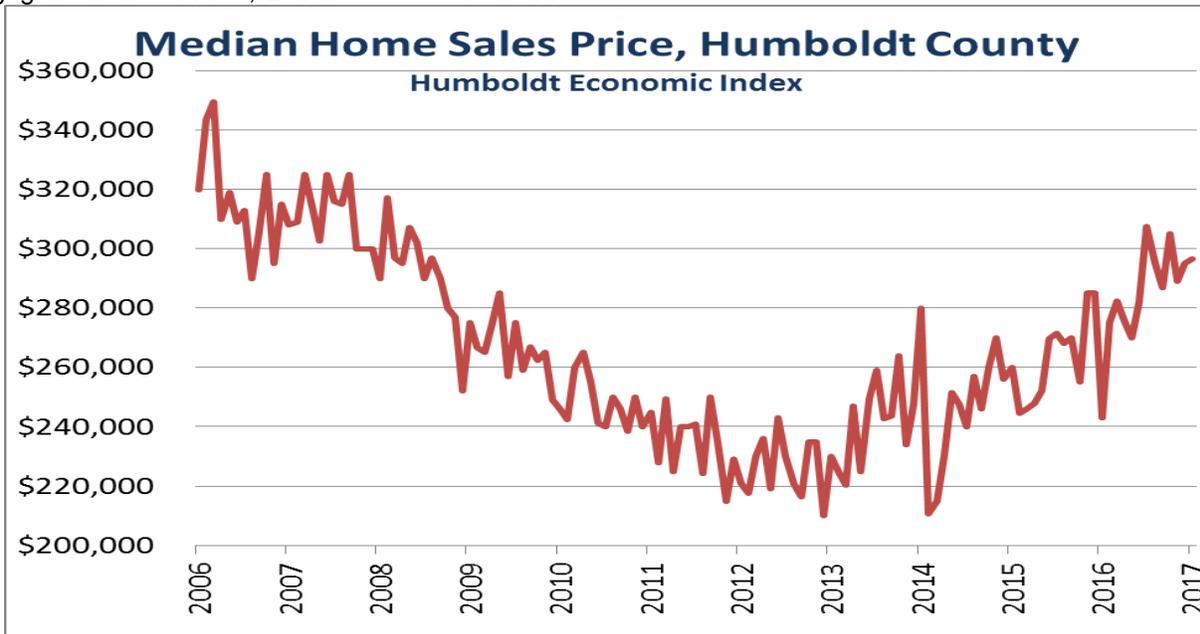
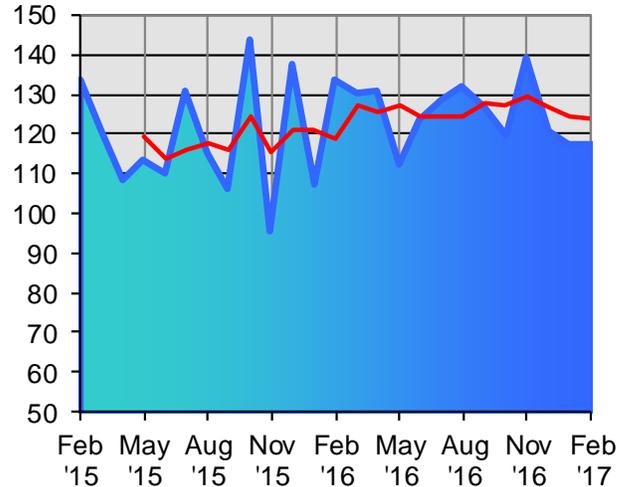
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in January compared to December. The 10-City and 20-City Composites report year-over-year gains of 5.1 percent and 5.7 percent respectively. The National Index reported a 5.9 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.3 percent and 0.2 percent respectively. The National Index reported a seasonally adjusted increase of 0.6 percent.

Data for Humboldt County illustrates the rebound of housing prices since the bursting of the housing bubble, as seen in the graph below. These are nominal prices, which means they are not adjusted for inflation. Prices appear to have bottomed out in 2012, and then have marched upward over the last four years.

According to Freddie Mac, the average 30-year fixed-rate mortgage as of March 30, 2017 decreased to 4.14

percent from February's latest percent of 4.16. The average 15-year fixed-rate mortgage increased slightly, from 3.37 percent to 3.39 percent in March.

**Home Sales Index, Humboldt County**



# 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.

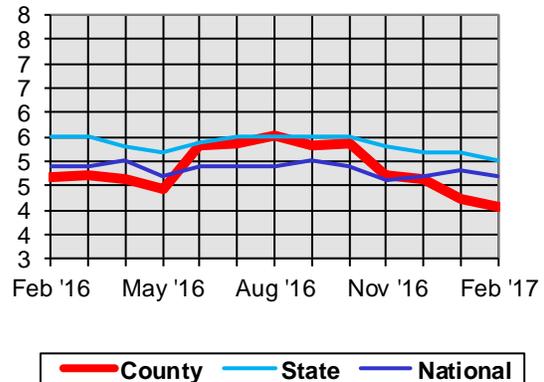
The Total County Employment Index increased to 111.2, up from 110.3 in January. The seasonally adjusted unemployment rate for Humboldt County fell from 4.2 percent to 4.1 percent. The unemployment rate for California also fell from 5.2 percent to 5.0 percent. The national unemployment rate fell 0.1 points to 4.7 percent.

The Employment Development Department of California indicated that in February Humboldt County's total employment rose to 59,810. Humboldt County's total unemployment decreased from 3,100 individuals in to 2,910 individuals in January.

In the Labor Department's February report, total nonfarm payroll employment rose by 235,000. National employment was on the rise in several industries, including construction, private educational services, manufacturing, health care, and mining. Employment in retail trade fell, and employment in wholesale trade, transportation and warehousing, information, financial activities, leisure and hospitality, and government all

showed little month-over-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 increased in February to a new value of 80.9 from the adjusted value of 74.1. This month's index value represents a 5.1 point decrease from this time last year. The 4-month moving average fell 4.2 points to a current value of 90.8.

## Gasoline Prices

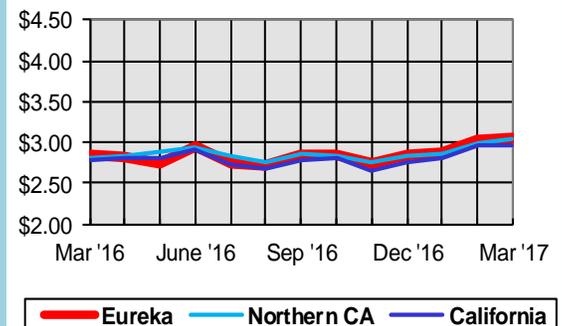
California's gas prices rose in March, increasing 1 cent to a new average of \$2.98. Northern California's average price increased 6 cents to a new average of \$3.04, while Eureka's average gas price rose by 2 cents to a new average of \$3.06. When we adjust for inflation using a base month of February 2003, the "real price" of gasoline in Eureka was \$2.29 per gallon.

California governor, Jerry Brown, has proposed legislation to increase the gas tax in the state from 18 to 30 cents per gallon. The tax is expected to raise an additional \$52 billion in revenue over the next 10 years to support transportation funding for road maintenance and repairs. "The roads are broken and they are getting worse and they are not going to get better unless we get a significant injection of money," Brown told the Senate Appropriations Committee. The Committee voted 5-2 on Monday April 3 to approve the legislation, and the bill is expected to come to a vote on the Senate floor later in the week.

Gas Prices		
Prices as of 3/30/2017	Average price*	Change from previous month
Eureka	\$3.06	\$0.02
Northern California	\$3.04	\$0.06
California	\$2.98	\$0.01

\* 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 80.2 in February, a 0.2 point decrease from the previous month's value of 80.4. Overall manufacturing employment remained constant at 2,100 individuals according to the Employment Development Department.

The Institute for Supply Management reports that March saw expansion in the manufacturing sector, as well as growth in the overall economy for the 94<sup>th</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 March is 57.2, representing a 0.5 point decrease.

Nationally, seventeen of the eighteen manufacturing industries are reporting growth in March including Electrical Equipment, Appliances & Components, Printing & Related Support Activities, Furniture & Related Products, and Textile Mills. No industry reported a contraction for March.

The New Export Orders Index for March is 64.5 percent; this is a 0.6 point decrease over February's index of 65.1 points. 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. All eighteen industries reported growth in the new export orders including Wood Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; and 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 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 147.5 for February 2017, a decrease of 4.9 points from the value of 152.3 in January. The most recent value is 23.8 points lower than in February 2016. The 4-month moving average is up by 0.6 points to a new value of 151.7.

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 March by 9.5 points to a current index value of 125.6, the highest reported value since December 2000. The Expectations Index increased 9.9 points to a new value of 113.8, while the Present Situation Index rose 8.7 points to a new value of 143.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumers' assessment of current business and labor market conditions improved considerably. Consumers also expressed much greater optimism regarding the short-term outlook for business, jobs and personal income prospects." The percentage of consumers expecting business conditions to improve over the next six months rose to 27.1 percent, and the percentage of consumers expecting business conditions to decline decreased to 8.4., up from 10.5 in February. Consumers' outlook on the job market was also positive, with 24.8 percent expecting more jobs in the near future.

## 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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