

Humboldt Economic Index

August 2019

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Home Price Gains Slow and Indices Fall

The Composite Index fell to 103.5, down 1.4 points from the previous month. The Composite Index is down 0.6 points from this time last year. This month, the Retail Sales and Hospitality Indices fell, and the Employment Index rose slightly.

The Index of Home Sales fell 9.4 points, and is 15.4 points higher than in July 2018. The median home price fell to \$326,500, down from \$330,000 in June.

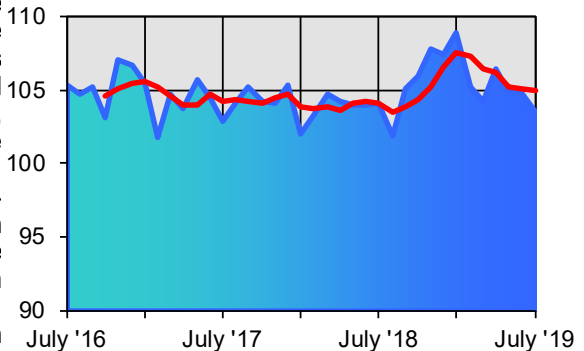
Leading Indicators are mixed in July. Unemployment Claims and Manufacturing Orders are up, while Building Permits are down.

The seasonally adjusted unemployment rate in Humboldt County increased from 3.8 percent to 3.9 percent. The seasonally adjusted unemployment rate in California decreased from 4.2 percent to 4.1 percent. The national unemployment rate remained

constant at 3.7 percent.

California gas prices decreased from \$3.68 to \$3.56. Northern California's average decreased from \$3.74 to \$3.65. Eureka's average gas price per gallon increased from \$3.93 to \$3.99.

Composite Index



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

		Percent change from			
Index	Value***	Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	103.5	-1.3	-0.6	3.1	4.6
Home Sales	137.9	-6.4	12.4	24.8	72.2
Retail Sales	141.6	-0.9	0.8	-2.0	-3.6
Hospitality	76.8	-5.4	-15.2	-14.6	-8.6
Electricity	119.6	0.0	0.0	-5.2	-9.6
Employment	110.9	0.2	0.1	14.4	12.0
Lumber*	26.3	0.0	0.0	-29.9	-23.8
Manufacturing**	96.1			-	-

* 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

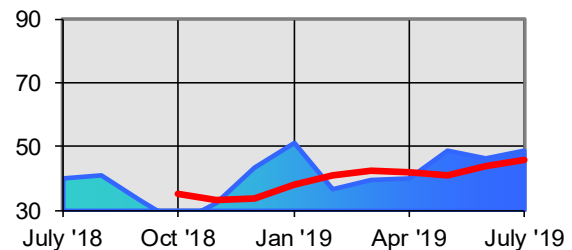
Leading Indicators

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%	5.1%	-24.4%	-34.6%
* Change from prior month. All values are seasonally adjusted.			

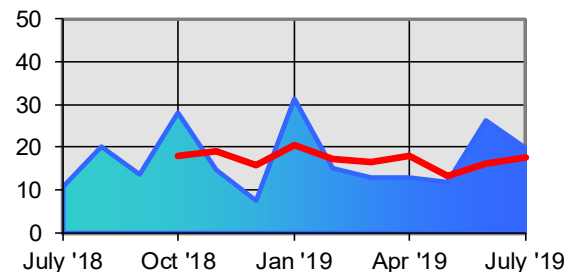
Unemployment Claims rose 2.4 points to a new Index value of 48.9. The current value is 9.1 points higher than the July 2018 value. The 4-month moving average rose 2.3 points to 46.1.

Index of Claims for Unemployment Insurance



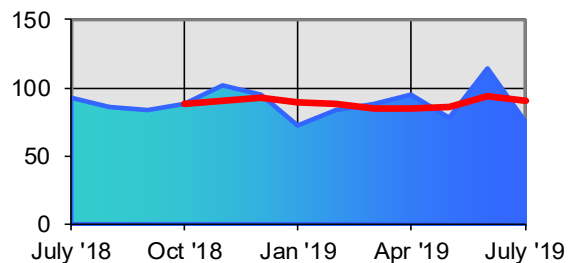
Building Permits fell 6.4 points to a new index value of 20.0. The current value is 0.3 points higher than the July 2018 value.

Index of Building Permits Issued



Help Wanted Advertising fell 39.7 points to a new Index value of 75.0. The three month moving average fell 6.6 points to a new value of 89.2. In July there were 406 unique job postings on Craigslist.

Index of Help Wanted Advertising



Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$326,500	\$ 1,803	3.750%	4.0%

* 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.

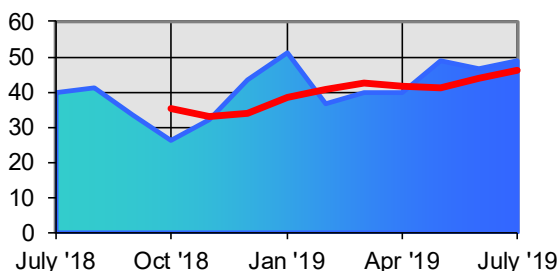
** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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 rose 1.0 point to a new Index value of 77.4. The current value is 22.2 points lower than the July 2018 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 July stands at an Index value of 147.4. The new median home price is \$330,000.

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.

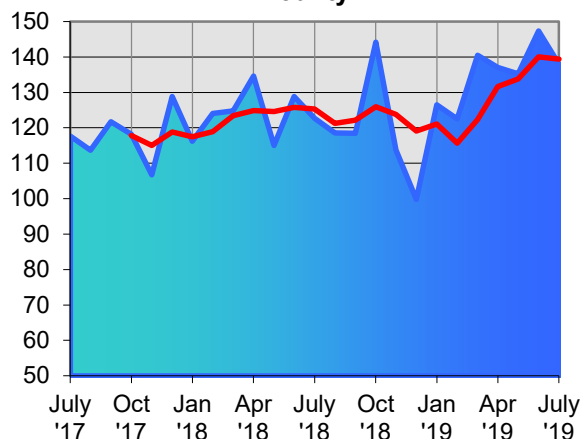
The S&P Case-Shiller Home Price Indices saw a lower year-over-year gain in June compared to May. The 10-City and 20-City Composites report year-over-year gains of 1.8 percent and 2.1 percent, respectively. The National Index reported a 3.1 percent annual gain over the same period, also down from the previous month. After seasonal adjustment, both the 10-City Composite and the 20-City Composite posted no month-over-month gains. The National Index reported a seasonally adjusted month-over-month increase of 0.2 percent.

Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices, says "Home price gains continue to tend down, but may be leveling off to a sustainable level. The average YOY gain declined to 3.0% in June, down from 3.1% the prior month. However, fewer cities (12) experienced lower YOY price gains than in May (13)... The U.S. National Home Price NSA Index YOY price change in June 2019 of 3.1% is exactly half of what it was in June 2018. While housing has clearly cooled off from 2018, home price gains in most cities remain positive in low single digits.

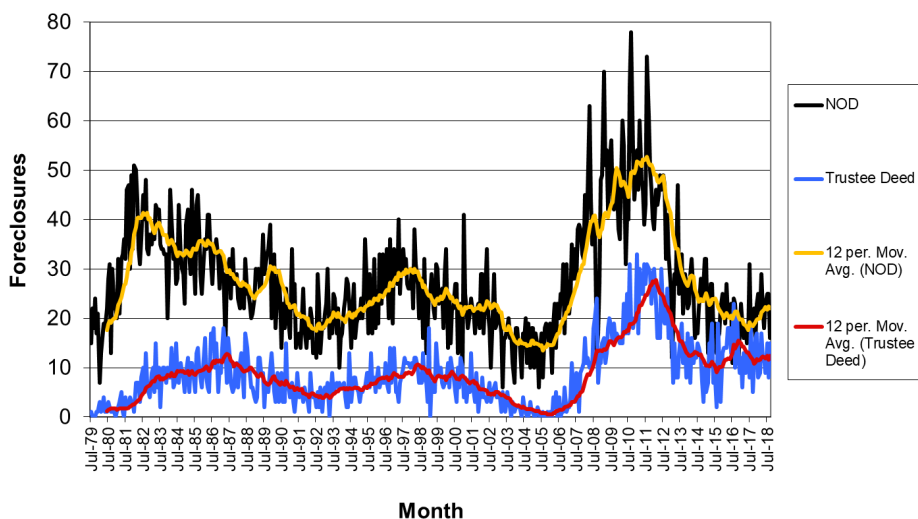
Therefore, it is likely that current rates of change will generally be sustained barring an economic downturn."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of September 5, 2019, is 3.49 percent, down from 3.75 percent on August 1, 2019. The average 15-year fixed-rate mortgage is 3.00 percent, down from 3.20 percent at the beginning of August.

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.

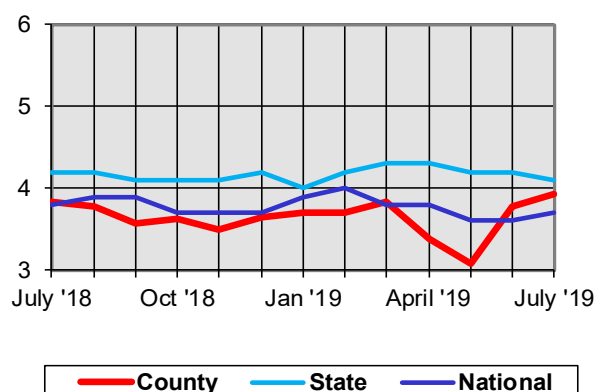
The Total County Employment Index increased 0.3 points to a value of 110.9. The seasonally adjusted unemployment rate for Humboldt County increased from 3.8 percent to 3.9 percent. The unemployment rate for California fell from 4.2 to 4.1 percent. The national unemployment rate remained constant at 3.7 percent.

The Employment Development Department of California indicated that in July, Humboldt County's preliminary estimate of total employment fell by 900 individuals to a total of 59,600. Humboldt County's total unemployment decreased by 200 individuals to an estimated 2,500 individuals in July.

According to the Labor Department's August report, total nonfarm payroll employment rose by 130,000. Employment in federal government increased by 28,000, mostly due to the hiring of 25,000 temporary workers for the 2020 census. National employment in financial activities increase by 15,000, with nearly half of those gain in insurance carriers and related activities. National

employment health care, professional and business services, and social assistance also increased. National employment in mining declined. National employment in retail trade, construction, manufacturing, transportation and warehousing, and leisure and hospitality showed little 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 from 81.1 in June to 76.8 in July. This month's Index value is 13.7 points lower than it was this time last year, in July 2018. The 4-month moving average fell 0.6 points to a current value of 84.0.

Gasoline Prices

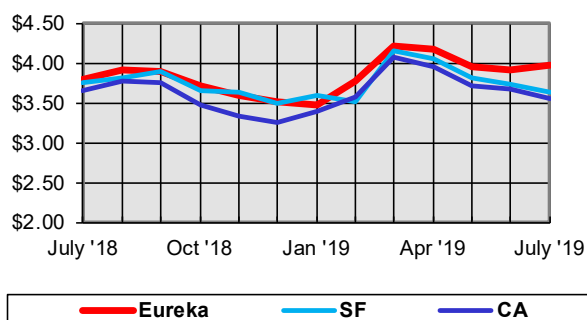
California's average gas price fell in July to \$3.56, an 11 cent decrease from the previous month. Northern California's average price decreased 9 cents to a new average of \$3.65, while Eureka's average gas price rose by 6 cents to a new average of \$3.99. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.84 per gallon in 1982-84 dollars.

The Short-Term Energy Outlook released monthly by the U.S. Energy Information Administration lowered its crude oil price forecasts in 2019 and 2020. The new forecast, released on September 10th in conjunction with price swings caused by John Bolton's resignation and speculation that OPEC will attempt to drive prices back up, forecasts that crude oil production will be 1.2 million b/d higher in 2019 than the previous year, and another 1.0 million b/d higher in 2020 than it was in 2019. This reflects steady prices and slowing growth in well-level productivity.

Gas Prices		
Prices as of 8/30/2019	Average price*	Change from previous month
Eureka	\$3.99	\$0.06
Northern California	\$3.65	-\$0.09
California	\$3.56	-\$0.11

* 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 expanded to a seasonally adjusted index value of 96.1 in July, a 7.0 point increase from the previous month. Manufacturing employment remained at 2,100 individuals for the fourth consecutive month, according to the Employment Development Department.

The Institute for Supply Management reported that in August, economic activity in the manufacturing sector contracted, while the overall economy grew for the 124th 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 August is 49.1, down 2.1 percentage points from the previous month.

Nationally, nine of the eighteen manufacturing industries reported growth in August in the following order: Textile Mills; Furniture & Related Products; Food, Beverage & Tobacco Products; Wood Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing; and Chemical Products. Seven industries reported contraction in the following order: Apparel; Leather & Allied Products; Fabricated Metal Products; Transportation Equipment; Primary Metals; Plastic & Rubber Products; Paper Products; and Electrical Equipment, Appliances & Components.

The New Export Orders Index for August is 43.3 percent, down 4.8 percentage points from the previous month. This is the second consecutive month of contraction for this index. A New Export Orders Index above 52.3 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Two industries reported growth in New Export Orders in the following order: Furniture & Related Products; and Food, Beverage & Tobacco Products. Ten industries reported a decrease in new orders, in the following order: Petroleum & Coal Products; Apparel, Leather & Allied Products; Primary Metals; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Paper Products; Transportation Equipment; Machinery; Miscellaneous Manufacturing; and Computer & Electric Products. Six industries reported no change.

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 sector updates are still unavailable. We estimate this sector to be unchanged from the first quarter of 2018, which is the last quarter of data. We will update this sector as new data become available.

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 141.6 for July, down 1.3 points from June. The most recent value is 3.3 points higher than August 2018. The 4-month moving average is up by 1.4 points with a new value of 142.2.

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 declined in August by 0.7 points to a current Index value of 135.1. The Expectations Index declined by 5.4 points to a new value of 107.0, and the Present Situation Index increased by 6.3 points to a new value of 177.2.

Lynn Franco, Senior Director of Economic Indicators at the Conference Board, says that "Consumer confidence was relatively unchanged in August, following July's increase. Consumers' assessment of current conditions improved further, and the Present Situation Index is now at its highest level in nearly 19 years (Nov. 2000, 179.7). Expectations cooled moderately, but overall remain strong. While other parts of the economy may show some weakening, consumers have remained confident and willing to spend. However, if the recent escalation in trade and tariff tensions persist, it could potentially dampen consumers' optimism regarding the short-term economic outlook."

The percentage of consumers expecting business conditions to improve over the next six months decreased from 24.0 percent to 21.9 percent. The percentage of consumers expecting business conditions to worsen increased from 8.4 percent to 10.0 percent.

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*

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The Conference Board - Employment Development Department (CA)
Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management – U.S. Energy Information Administration

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