

Humboldt Economic Index

June 2018

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Composite Index Falls Below 100, First Time Since 2014

The Composite Index fell 3.3 points from last month's value of 103.1 to the current value of 99.8. The Composite Index is down 5.9 points from this time last year. The Hospitality, Retail Sales, Home Sales and Employment Indices all declined.

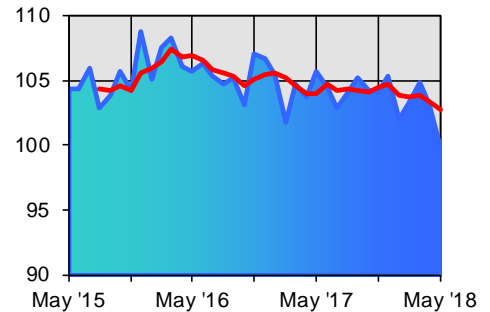
The Index of Home Sales fell 19.6 points from April, and is 4.3 points higher than in May 2017. The median home price fell to \$303,750, down from \$308,000 in April.

Leading Indicators are positive in May. Unemployment Claims, Manufacturing Orders, and Building Permits are all up this month.

The seasonally adjusted unemployment rate in Humboldt County stayed at 3.2 percent. The seasonally adjusted unemployment rate in California stayed at 4.2 percent as well. The national unemployment rate fell, from 3.9 to 3.8 percent.

California gas prices decreased from \$3.73 to \$3.65. Northern California's average fell from \$3.81 to \$3.77. Eureka's average gas price per gallon fell from \$3.82 to \$3.81.

Composite Index



The composite Index experienced its first fall below 100.0 since September 2014. The most heavily weighed sectors used in calculating the Composite Index are Employment, Retail and Hospitality, and all three sectors experienced a slight fall. The Composite Index experienced the most frequent below 100 numbers in the time period of 2009-2013.

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	99.8	-3.2	-5.6	-3.4	-4.6
Home Sales	115.0	-14.5	3.8	0.9	58.8
Retail Sales	128.1	-3.7	-19.1	-18.7	-16.6
Hospitality	81.2	-2.5	1.3	5.1	16.3
Electricity	110.7	0.0	-6.9	-15.6	-17.4
Employment	111.8	-0.6	1.5	10.7	6.5
Lumber*	26.3	0.0	0.0	-20.3	-48.2
Manufacturing**	94.5			-	-

* 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.

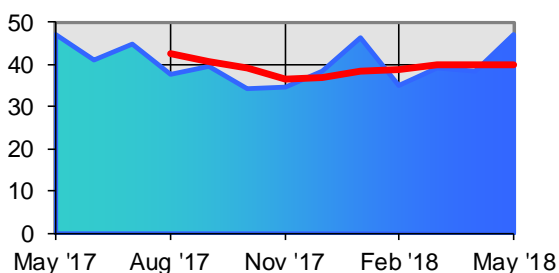
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-23.6%	10.4%	77.6%	--
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims increased 8.8 points to a new index value of 47.1. The unemployment claims index was 47.0 in May 2017, 0.1 point lower than the present value. The 4-month moving average rose 0.2 points to 40.0.

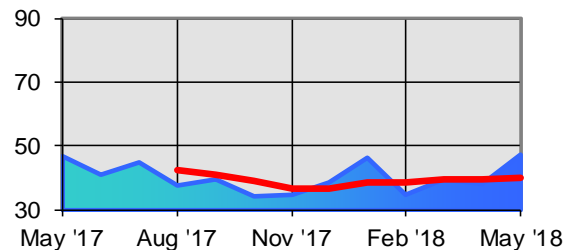
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$303,750	\$ 1,690	4.625%	3.6%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 78.5 to a current value of 79.5. The manufacturing orders index value in May 2017 was 79.5.

Index of Manufacturing Orders

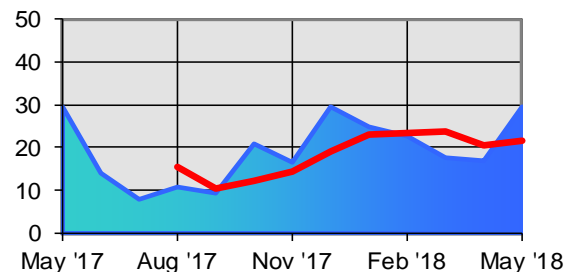


Index of Claims for Unemployment Insurance



Building Permits rose 12.6 points to a new index value of 29.7. The current value is the same as May 2017's 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 job listing 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 the seasonal adjustment can be resumed.

In May there were 489 unique job postings on Craigslist, an increase of 2 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 May 2018 stands at an Index value of 115.0, which is 19.6 points lower than April's value of 134.0. The index value in May 2017 was 4.26 points lower than the current value. The county's median home price fell from \$308,000 to \$303,750. In comparison, the median home price in May 2017 was \$279,500.

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.

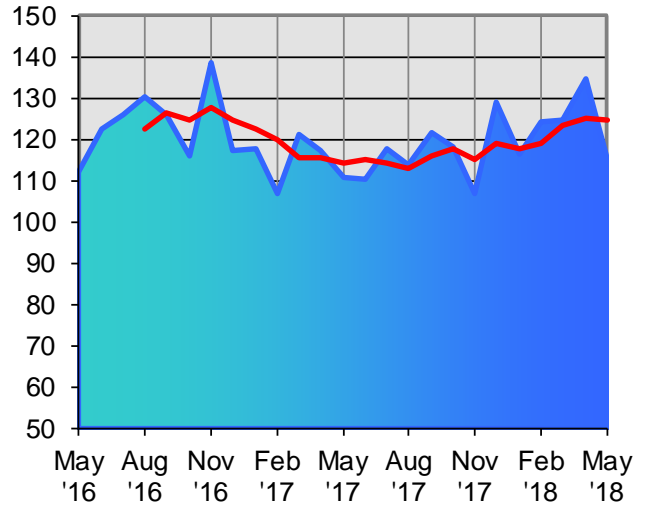
The S&P Case-Shiller Home Price Indices saw a slightly lower year-over-year gain in May compared to March. The 10-City and 20-City Composites report year-over-year gains of 6.2 percent and 6.6 percent, respectively. The National Index reported a 6.4 percent annual gain over the same period. The 10-City and 20-City Composites both reported seasonally adjusted month-over-month increases of 0.1 and 0.2 percent, respectively. The National Index also reported a seasonally adjusted increase of 1.0 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Looking back to the peak of the boom in 2006, 10 of the 20 cities tracked by the indices are higher than their peaks; the other ten are below their high points. The National Index is also above its previous all-time high, the 20-city index slightly up versus its peak,

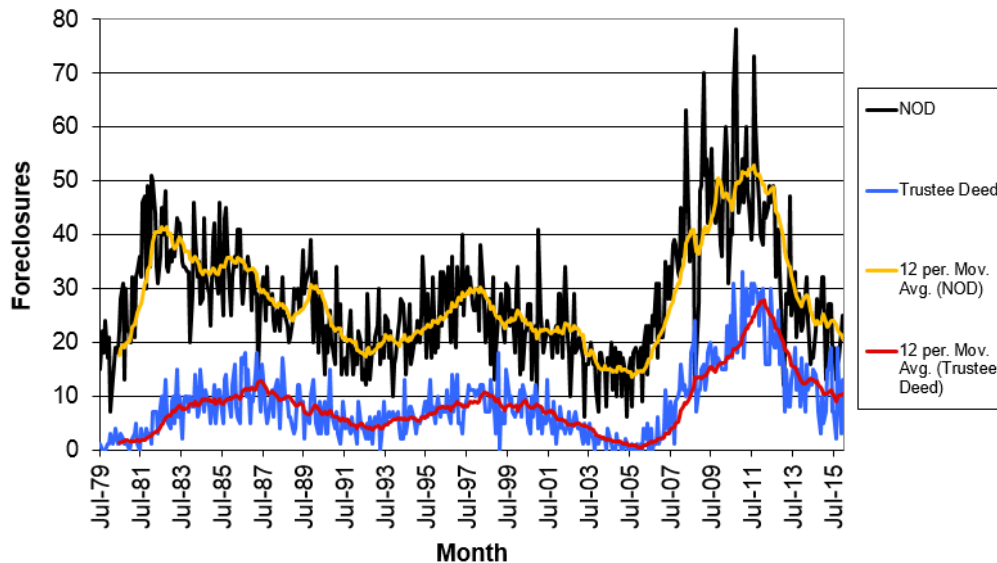
and the 10-city is a bit below. However, if one adjusts the price movements for inflation since 2006, a very different picture emerges. Only three cities – Dallas, Denver and Seattle – are ahead in real, or inflation-adjusted, terms."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of July 5, 2018, is 4.52 percent. This is a slight decrease from May's last reported rate of 4.56 percent. The average 15-year fixed-rate mortgage is 3.99 percent, a decrease from 3.80 percent in May.

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 May fell to 111.8 down from 112.4 in April. The estimated seasonally adjusted unemployment rate for Humboldt County remained at 3.2 percent. The unemployment rate for California remained unchanged as well, staying at 4.2 percent. The national unemployment rate fell slightly to 3.8 percent from 3.9 percent in April.

The Employment Development Department of California indicated that in May, Humboldt County's total employment rose by 250 individuals to a total of 61,210. Humboldt County's total unemployment decreased from 2,090 individuals in April to 1,920 individuals in May.

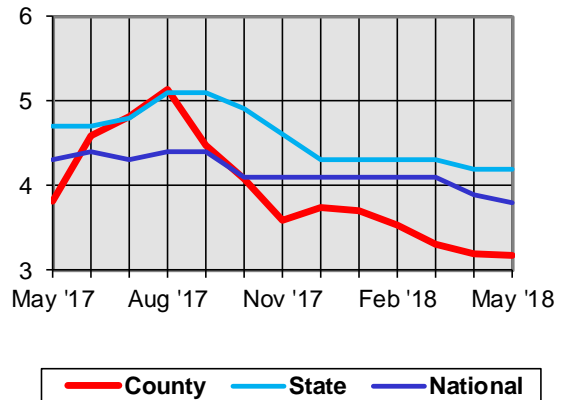
In the Labor Department's May report, total nonfarm payroll employment rose by 213,000. National employment rose in manufacturing, construction, healthcare and mining as well as in professional and business services. Employment in wholesale trade, hospitality, transportation and warehousing, information, financial activities, and government, changed little.

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 May to a new value of 81.2 from 88.1. This month's index value represents a 9.9 point decrease from this time last year. The 4-month moving average rose 3.0 points to a current value of 85.7.

Unemployment Percentage Rates



Gasoline Prices

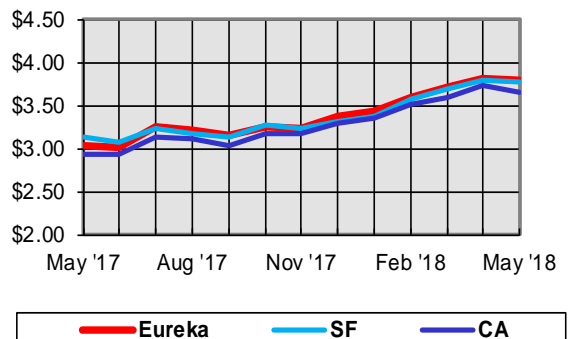
California's average gas price fell in June to \$3.65, an 8-cent decrease from the previous month. Northern California's average price decreased 3 cents to a new average of \$3.77, while Eureka's average gas price fell by 2 cents to a new average of \$3.80. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.77 per gallon in 1982-84 dollars.

California's gas prices have been on a noticeable rise for a while now. This trend has not been confined to California though; gas prices have been on the rise all across the United States. This is likely due to a combination of the cyclical pattern of gas prices as well as foreign oil production. Going by these factors it looks as if there is a potential for the decrease in prices consumers have been waiting for soon. Crude oil prices have dropped 6% just in the week of July 12th and OPEC, Saudi Arabia in particular, have upped their oil production. Cyclically, in the United States consumers experience the cheapest gas prices in January with a slow upward trend until the beginning of June and then it reverses.

Gas Prices		
Prices as of 5/31/2018	Average price*	Change from previous month
Eureka	\$3.80	-\$0.02
Northern California	\$3.77	-\$0.03
California	\$3.65	-\$0.08

* 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



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 94.5 in May, a 3.5 point increase from the previous month's value of 90.9. Manufacturing employment remained at 2,100 individuals for the fourteenth month, according to the Employment Development Department.

The Institute for Supply Management reports that in June economic activity in the manufacturing sector expanded, while the overall economy grew for the 110th 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 June is 60.2, a 1.5 point increase over May.

Nationally, seventeen of the eighteen manufacturing industries are reporting growth in June including Textile Mills; Wood Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Paper Products; Transportation Equipment; Furniture & Related Products; Machinery; Primary Metals; Miscellaneous Manufacturing; Chemical Products; Petroleum & Coal Products; and Plastics & Rubber Products. No industries reported contractions over the period.

The New Export Orders Index for June is 56.3 percent, indicating an increase of 0.7 points over May's index. This is the 28th consecutive month of growth for this Index. 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. Ten industries reported growth in the new export orders, including Furniture & Related Products; Fabricated Metal Products; Chemical Products; Paper Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Machinery; and Transportation Equipment. Primary Metals; and Electrical Equipment, Appliances & Components were the only industries to show a decrease in new export orders in June and six industries had no difference.

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

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 first fiscal quarter of 2018– January through March – and the Energy Index stands at a value of 110.7. March's index value is 14.0 points higher than February's value, and 8.7 points lower than in March 2017. February's value of 105.6 was 11.7 points lower than January's value, and 4.9 points lower than in February 2017. January's value of 117.3 was 6.7 points higher than December 2017's value of 110.7, and 14.0 points lower than in January 2017.

The next update for the Energy index is expected following the close of the second 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 128.1 for May, a decrease of 4.9 points from the value of 133.0 in April. The May 2018 value is 30.2 points lower than May 2017. The 4-month moving average is down by 4.7 points with a new value of 136.1.

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 June by 2.4 points to a current index value of 126.4. The Expectations Index decreased 4.0 points to a new value of 103.2, and the Present Situation Index changed little from 161.1 to 161.2.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumers' assessment of present-day conditions was relatively unchanged, suggesting that the level of economic growth remains strong. While expectations remain high by historical standards, the modest curtailment in optimism suggests that consumers do not foresee the economy gaining much momentum in the months ahead." The percentage of consumers expecting business conditions to improve over the next six months fell to 21.4 percent from 23.3 percent, while the percentage of consumers expecting business conditions to decline rose 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
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