

# Humboldt Economic Index

September 2018

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## Housing Sales Fall as Prices Increase

The Composite Index fell to 99.4, down 1.7 points from the previous month. The Composite Index is down 4.7 points from this time last year. This month the Hospitality, Home Sales, Retail Sales, and Employment Indices all fell.

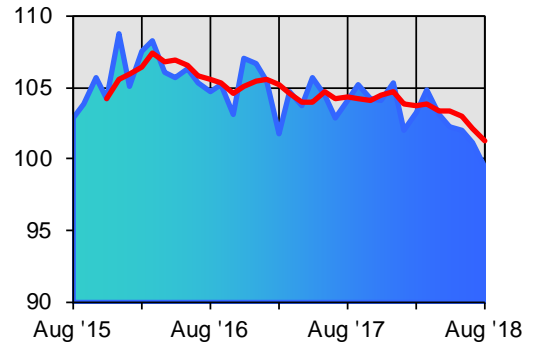
The Index of Home Sales fell 4.1 points from July, and is down 4.9 points from August of last year. The median home price rose to \$315,000, up from \$305,000 in July.

Leading Indicators are mostly up in August. Unemployment Claims are up slightly, with Building Permits and Manufacturing Orders are up as well.

The seasonally adjusted unemployment rate in Humboldt County stayed at 3.8 percent. The seasonally adjusted unemployment rate in California stayed at 4.2 percent for the fifth month in a row. The national unemployment rate stayed at 3.9 percent this month as well.

California gas prices increased from \$3.67 to \$3.79. Northern California's average rose from \$3.77 to \$3.82.

Composite Index



Eureka's average gas price per gallon rose from \$3.80 to \$3.92.

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>99.4</b>	<b>-1.7</b>	<b>-4.5</b>	<b>-0.6</b>	<b>-7.6</b>
Home Sales	118.6	-3.4	4.3	3.4	41.2
Retail Sales	135.7	-3.4	-8.1	-6.7	-22.6
Hospitality	73.4	-8.3	-16.0	-10.4	-11.1
Electricity	110.7	0.0	-10.6	-9.0	-14.6
Employment	110.1	-0.5	1.5	11.2	6.0
Lumber*	26.3	0.0	0.0	-21.0	-46.5
Manufacturing**	100.4			-	-

\* 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.

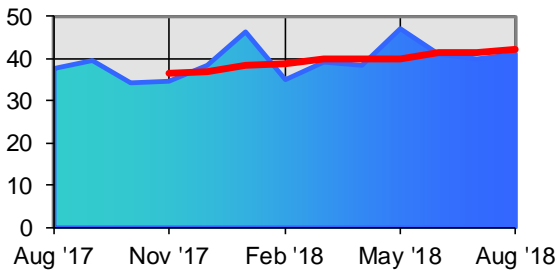
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-23.6%	10.4%	77.6%	22.1%
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** increased 1.2 points to a new Index value of 41.0. The Unemployment Claims Index was 37.8 in August 2017, 3.2 points lower than the present value. The 4-month moving average rose 0.7 points to 42.3

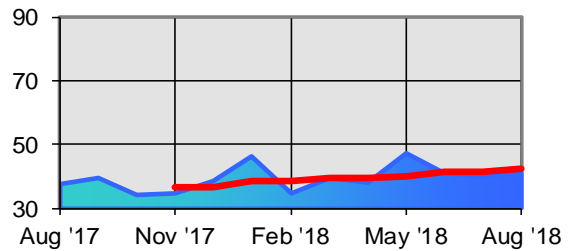
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$315,000	\$ 1,442	4.875%	3.9%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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** stayed the same at 81.5. The Manufacturing Orders Index value in August 2017 was 104.3, which is 22.8 points lower than the present value.

Index of Manufacturing Orders

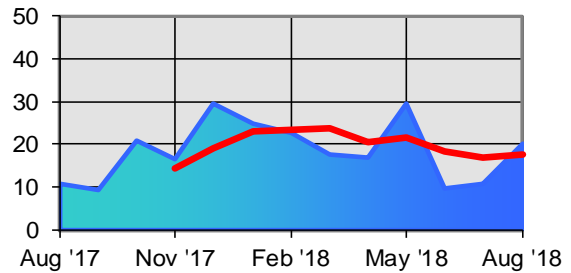


Index of Claims for Unemployment Insurance



**Building Permits** rose 9.5 points to a new index value of 20.1. The current value is 9.4 points higher than the August 2017 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 September there were 420 unique job postings on Craigslist, a decrease of 83 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 August 2018 stands at an Index value of 118.6, which is 4.1 points lower than July's value of 122.7. The index value in August 2017 was 4.9 points lower than the current value. The county's median home price rose from \$305,000 to \$315,000. In comparison, the median home price in August 2017 was \$316,000.

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.

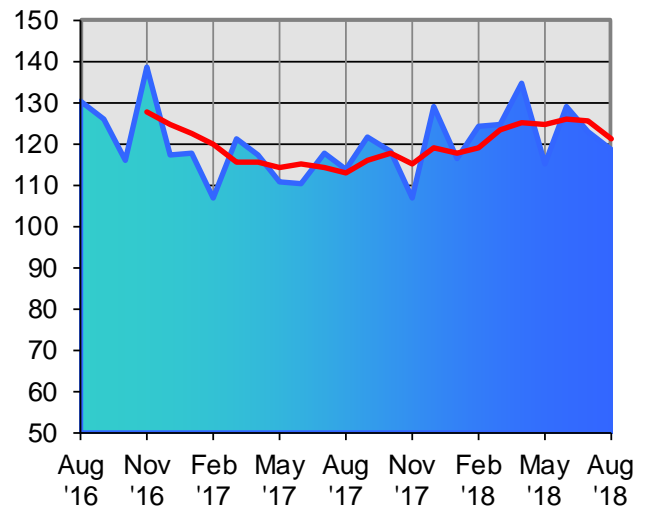
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in July compared to June. The 10-City and 20-City Composites report year-over-year gains of 5.5 percent and 5.9 percent, respectively. The National Index reported a 6.0 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite remained flat, and the 20-City Composite posted a 0.1 percent change. The National Index also reported a seasonally adjusted increase of 0.4 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Rising homes prices are beginning to catch up with housing... Year-over-year gains and monthly seasonally adjusted increases both slowed in July for the S&P Corelogic Case-Shiller National Index and the 10 and 20-City Composite indices.

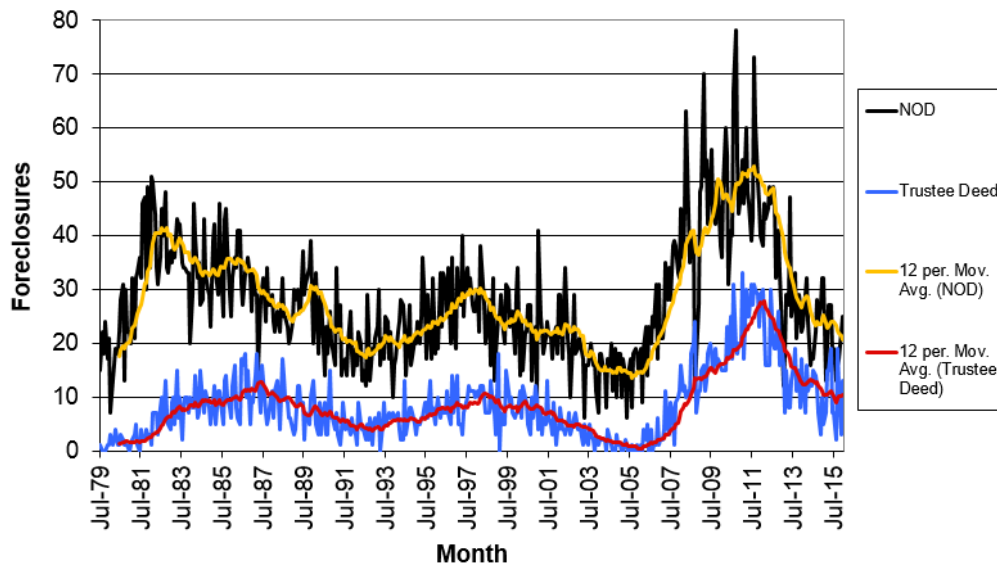
The slowing is widespread: 15 of 20 cities saw smaller monthly increases in July 2018 than in July 2017. Sales of existing single family homes have dropped each month for the last six months and are now at the level of July 2016. Housing starts rose in August due to strong gains in multifamily construction. The index of housing affordability has worsened substantially since the start of the year."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of October 18, 2018, is 4.85 percent. This is a slight increase from September's first reported rate of 4.54 percent. The average 15-year fixed-rate mortgage is 4.26 percent, an increase from 3.99 percent reported in the beginning of September.

**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 decreased 0.6 points to a value of 110.1. The seasonally adjusted unemployment rate for Humboldt County stayed at 3.8 percent. The unemployment rate for California stayed at 4.2 percent for the fifth month in a row. The national unemployment stayed at 3.9 percent this month.

The Employment Development Department of California indicated that in March Humboldt County's total employment rose by 400 individuals to a total of 59,700. Humboldt County's total unemployment decreased from 2,400 individuals in July to an estimated 2,200 individuals in August.

In the Labor Department's September report, total nonfarm payroll employment rose by 134,000. National employment fell for leisure and hospitality, likely due to the impact of Hurricane Florence. Employment in health care, mining, manufacturing, professional and business services, construction, transportation and warehousing, all rose. Employment in wholesale trade, retail trade,

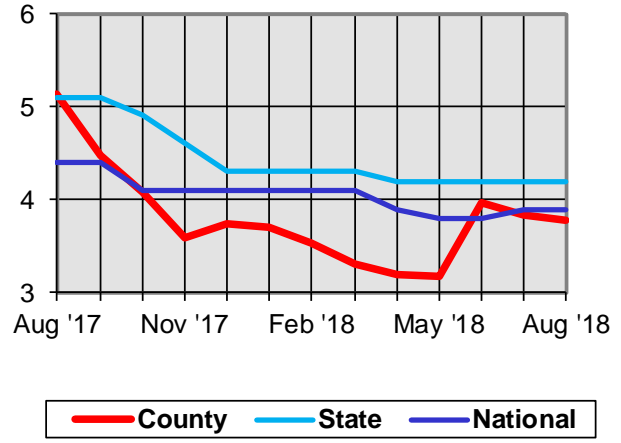
## Hospitality

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 August to a new value of 73.4 from 76.9 the previous month. This month's index value represents a 16.5 point decrease from this time last year. The 4-month moving average fell 3.7 points to a current value of 79.8.

information, financial services and government showed little month-over-month change.

## Unemployment Percentage Rates



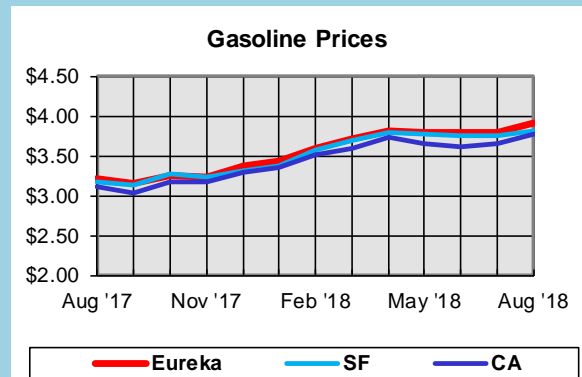
## Gasoline Prices

California's average gas price rose in September to \$3.79, a 12 cent increase from the previous month. Northern California's average price increased 5 cents to a new average of \$3.82, while Eureka's average gas price rose by 12 cents to a new average of \$3.92. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.85 per gallon in 1982-84 dollars.

Gas prices are currently 7 cents away from their all-time high in California and future prices are uncertain. Many analysts warn that prices are likely to rise to \$100 a barrel due to the turmoil the market is experiencing. OPEC and Russia are struggling to reach the promised increase of 1 million bpd and Iranian Barrels are likely to be removed from the market. U.S. sanctions against Iran have left some analysts expecting 500,000 bpd to disappear from the market with others expecting as much as 2 million bpd. Saudi Arabia is thought to be the key factor in attempting to offset the sudden loss in the market, however many remain skeptical over their ability to do so. The current tensions with Saudi Arabia over the death of Journalist Jamal Khashoggi have further caused further negative speculation.

Gas Prices		
Prices as of 9/29/2017	Average price*	Change from previous month
Eureka	\$3.92	\$0.12
Northern California	\$3.82	\$0.05
California	\$3.79	\$0.12

\* 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 expanded to a seasonally adjusted index value of 100.4 in August, a 2.9 point increase from the previous month's value of 97.5. Manufacturing employment increased by 1 for the first time in 16 months to a new value of 2,101 individuals, according to the Employment Development Department.

The Institute for Supply Management reports that in September economic activity in the manufacturing sector expanded, while the overall economy grew for the 100<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 September is 60.8, this a 2.0 point increase over August.

Nationally, fifteen of the eighteen manufacturing industries are reporting growth in September including Textile Mills; Miscellaneous Manufacturing; Plastics & Rubber Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Machinery; Apparel, Leather & Allied Products; Paper Products; Electrical Equipment, Appliances & Components; Chemical Products; Petroleum & Coal Products; Transportation Equipment; Furniture & Related Products; Fabricated Metal Products; and Nonmetallic Mineral Products. Only one industry reported a contraction over the period: Primary Metals.

The New Export Orders Index for September is 56.0 percent, indicating an increase over August's index of 1.2 points. This is the 31<sup>th</sup> consecutive month of growth for this Index. 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. Five industries reported growth in the new export orders, including Petroleum & Coal Products; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Chemical Products; and Computer & Electronic Products. Three Primary Metals; Plastics & Rubber Products; and Transportation Equipment. Ten 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 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 third 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 135.7 for August, a decrease of 4.8 points from the value of 140.5 in July. The most recent value is 11.9 points lower than August 2017. The 4-month moving average is up by 0.7 points with a new value of 136.7.

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 September by 3.7 points to a current index value of 138.4. The Expectations Index increased 4.0 points to a new value of 115.3, and the Present Situation Index increased, from 172.8 to 173.1.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "After a considerable improvement in August, Consumer Confidence increased further in September and hovers at an 18-year high...These historically high confidence levels should continue to support healthy consumer spending, and should be welcome news for retailers as they begin gearing up for the holiday season." The percentage of consumers expecting business conditions to improve over the next six months rose to 27.6 percent, while the percentage of consumers expecting business conditions to decline decreased to 8.0.

## 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*

#### Cited References:

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Institute for Supply Management – CNBC

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