

Humboldt Economic Index

August 2020

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Exceptional Housing Sales as Index Rebounds

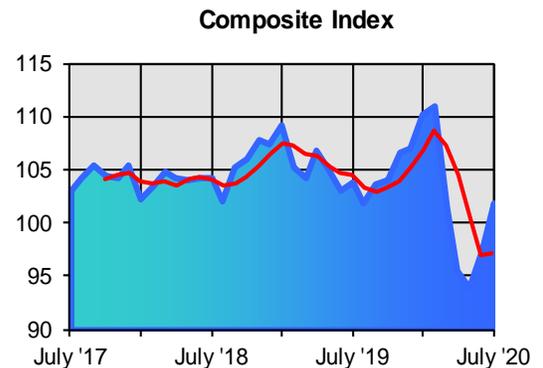
Note: This text was updated in May, 2021 to reflect major revisions to the housing data.

The Composite Index rose to 101.8 in July, up 4.6 points from the previous month. The Composite Index is down 1.8 points from this time last year. This month the Retail Sales, Employment and Hospitality Indices all rose.

Seasonally adjusted home sales were the fifth highest on record. The Index of Home Sales rose to 162.3, up 41.9 points from the previous month, and up 15.1 points from this time last year. The median home price rose from \$315,000 to \$342,000.

Leading Indicators are mixed in July Unemployment Claims and Building Permits are both up. Help Wanted Advertising is down.

The seasonally adjusted unemployment rate in Humboldt County decreased from 11.8 percent to 10.0 percent. The seasonally adjusted



unemployment rate in California decreased from 14.9 percent to 13.3 percent. The seasonally adjusted national unemployment rate decreased from 11.1 percent to 10.2 percent.

The average price per gallon of gas in California fell from \$3.21 to \$3.20. Northern California's average rose from \$3.49 to \$3.60. Eureka's average rose from \$3.40 to \$3.49.

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	101.8	4.6	-1.8	-4.0	3.3
Home Sales	162.3	41.9	15.1	27.0	190.9
Retail Sales	150.5	1.9	6.4	-1.2	-0.5
Hospitality	78.9	2.0	2.8	-13.8	-5.1
Electricity	119.6	0.0	0.0	-4.8	-6.7
Employment	98.2	1.4	-11.4	-9.0	-2.0
Lumber*	26.3	0.0	0.0	0.0	-33.8
Manufacturing**	108.4			-	-

* 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

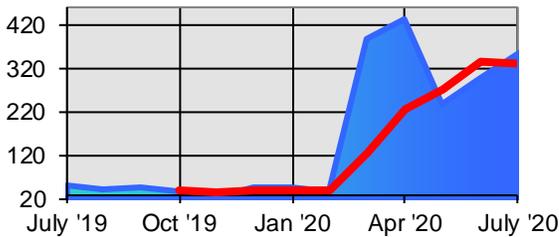
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-0.5%	12.7%	56.1%	117.7%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$342,000	\$ 1,761	3.750%	10.0%
* 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.			

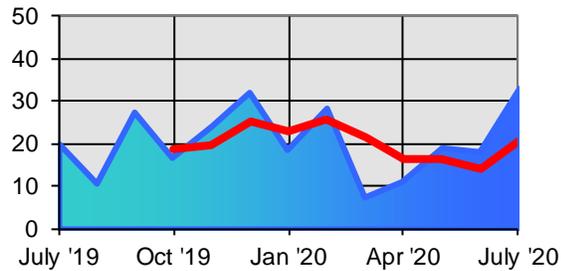
Unemployment Claims rose 60.8 points to a new Index value of 356.0. The current value is 307.1 points higher than the value for this time last year. The 4-month moving average fell 7.3 points to a new average of 330.7.

Index of Claims for Unemployment Insurance



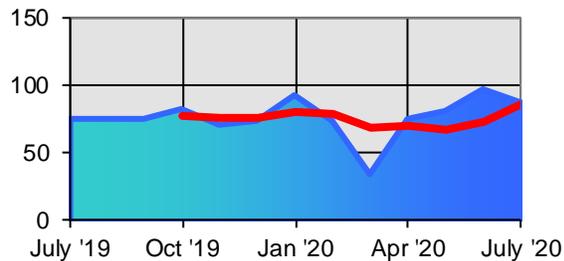
Building Permits rose 15.2 points to a new Index value of 33.3. The current value is 13.3 points higher than the value for this time last year.

Index of Building Permits Issued



Help Wanted Advertising fell 11.6 points to a new Index value of 86.9. The current value is 11.8 points higher than the value for this time last year. The 3-month moving average rose 3.5 points to a new value of 88.9. In July there were 470 unique job postings on Craigslist.

Index of Help Wanted Advertising



Manufacturing Orders are not available this 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.

Seasonally adjusted home sales were the fifth highest on record going back to 1994. The Humboldt County Home Sales Index for July rose 41.9 points to a new value of 162.3. The present Index value is 15.1 points higher than the value for this time last year. The country’s median home price increased from \$315,000 to \$342,000. In comparison, the median home price this time last year was \$325,000.

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 reported similar year-over-year gain in June compared to May. The 10-City and 20-City Composites reported year-over-year gains of 2.8 percent and 3.5 percent, respectively. The National Index reported a 4.3 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite posted a 0.1 percent month-over month decrease, and the 20-City Composite did not post any gain. The National Index reported a seasonally adjusted month-over-month increase of 0.2 percent.

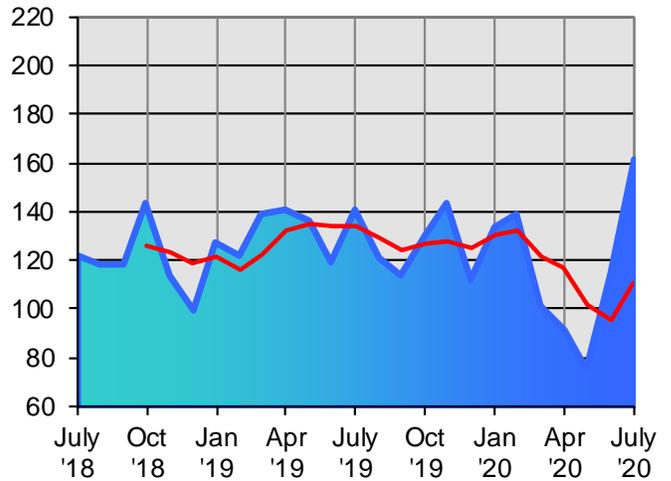
Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices, notes the price stability in June, “More data will be required to understand whether the market resumes its previous path of accelerating prices, continues to decelerate, or remains stable. That said, it’s important to

bear in mind that deceleration is quite different from an environment in which prices actually fall.

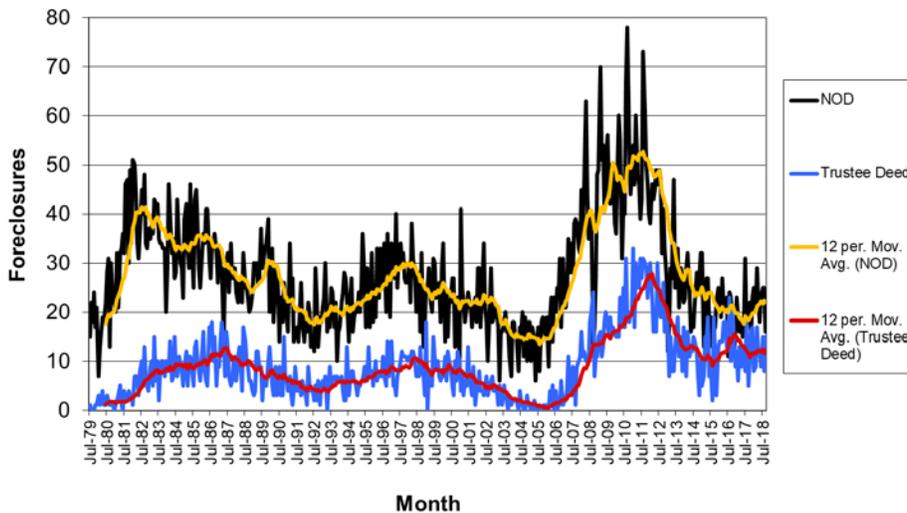
“June’s gains were quite broad-based. Prices increased in all 19 cities for which we have data, accelerating in five of them. Phoenix retains the top spot for the 13th consecutive month, with a gain of 9.0% for June. Home prices in Seattle rose by 6.5%, followed by Tampa at 5.9% and Charlotte at 5.7%. As has been the case for the last several months, prices were particularly strong in the Southeast and West, and comparatively weak in the Midwest and (especially) Northeast.”

According to Freddie Mac, the average 30-year fixed-rate mortgage as of August 27 was 2.91 percent, down from 2.99 on July 30. The average 15-year fixed-rate mortgage was 2.46 percent at the end of August, down from 2.51 percent.

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.

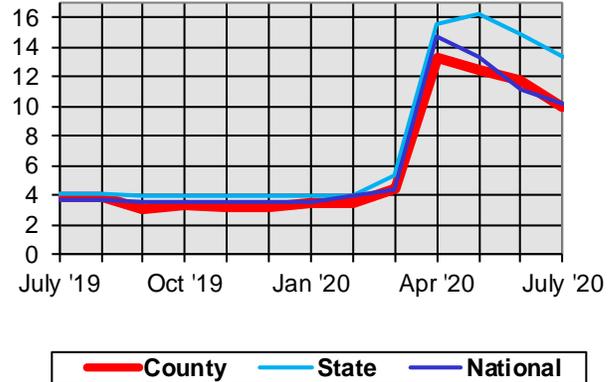
The Total County Employment Index increased 1.3 points to a value of 98.2. The seasonally adjusted unemployment rate in Humboldt County decreased from 11.8 percent to 10.0 percent. The seasonally adjusted unemployment rate in California decreased from 14.9 percent to 13.3 percent. The seasonally adjusted national unemployment rate decreased from 11.1 percent to 10.2 percent.

The Employment Development Department of California indicated that in July Humboldt County's estimate of total employment rose by 100 individuals to a total of 53,000. Humboldt County's total unemployment decreased from 7,000 individuals in June to an estimated 6,300 individuals in July.

In the Labor Department's July report, total nonfarm payroll employment rose by 1.8 million. National employment in leisure and hospitality added 592,000 jobs, government added 301,000 jobs, retail trade added

258,000 jobs, education and health services added 215,000 jobs, professional and business services added 170,000 jobs, other services added 149,000 jobs, transportation and warehousing added 38,000 jobs, manufacturing added 26,000 jobs, and mining and logging lost 7,000 jobs.

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 1.5 points in July from 77.4 to a new value of 78.9. This month's Index value is 2.2 points higher than the value for this time last year. The 4-month moving average fell 2.1 points to a current value of 77.1.

Gasoline Prices

California's average gas price fell slightly in July to \$3.20, a 1 cent decrease from the previous month. Northern California's average price rose 11 cents to a new average of \$3.60, while Eureka's average gas price rose 9 cents to a new average of \$3.49. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.47 per gallon in 1982-84 dollars.

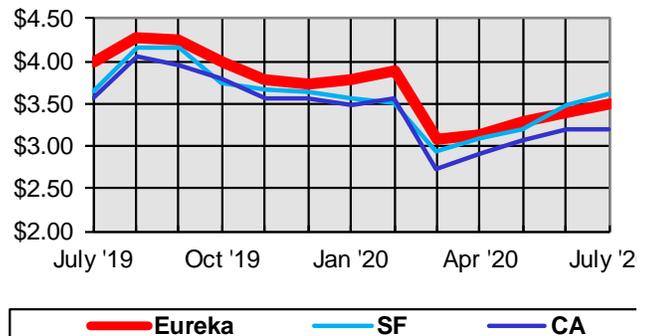
OPEC+ has announced intentions to ease record production cuts of 9.7 million barrels per day to 7.7 million barrels per day starting in August. The new targets are set to last through the end of the year, though some cartel members are skeptical about compliance, particularly from regarding Iran.

Oil futures prices continue to hover around \$40 per barrel at the end of July. Oil prices are expected to continue to recover at a moderate pace, with inventories falling and demand recovering. Jun Inoue, an economist at Mizuho Research Institute in Tokyo, expressed concern that oil prices could again fall below \$40 if oil-producing countries do not continue the coordinated cuts.

Gas Prices		
Prices as of 8/31/2020	Average price*	Change from previous month
Eureka	\$3.49	+\$0.09
Northern California	\$3.60	+\$0.11
California	\$3.20	-\$0.01

* 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 contracted to a seasonally adjusted Index value of 108.4 in July, down 2.8 points from the previous month. Manufacturing employment remained at 2,100 individuals for the third consecutive month, according to the Employment Development Department.

The Institute for Supply Management reports that in July economic activity in the manufacturing sector expanded, while the overall economy grew for the third 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 July is 54.2 percent, up 1.6 percentage points from the previous month.

Nationally, thirteen of the eighteen manufacturing industries are reporting growth in July in the following order: Wood Products; Furniture & Related Products; Textile Mills; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Chemical Products; Apparel, Leather & Allied Products; Computer & Electronic Products; Primary Metals; Petroleum & Coal Products; Miscellaneous Manufacturing; and Electrical Equipment, Appliances & Components. The three industries reporting contraction are: Transportation Equipment; Machinery; and Fabricated Metal Products.

The New Export Orders Index for July is 50.4 percent, up 2.8 percentage points from the previous month, expanding modestly after four consecutive months of contraction. 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. Six industries reported growth in the following order: Furniture & Related Products; Wood Products; Computer & Electronic Products; Plastics & Rubber Products; Chemical Products; and Miscellaneous Manufacturing. The four industries reporting a contraction are: Nonmetallic Mineral Products; Fabricated Metal Products; Paper Products; and Machinery. Seven industries reported no change in new export orders.

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 150.5 for July, up 2.8 points from the value of 147.6 in June. The most recent value is 9.0 points higher than the Index value for this time last year. The 4-month moving average rose 4.6 points to a new value of 144.7.

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 fell in July by 5.7 points to a current index value of 92.6. The Expectations Index fell 14.6 points to a new value of 91.5, and the Present Situation Index rose 7.5 points to a new value of 94.2.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Large declines were experienced in Michigan, Florida, Texas and California, no doubt a result of the resurgence of COVID-19. Looking ahead, consumers have grown less optimistic about the short-term outlook for the economy and labor market and remain subdued about their financial prospects."

In July, the percentage of consumers expecting business conditions to improve over the next six months declined from 42.4 percent to 31.6 percent, while the percentage of consumers expecting business conditions to decline increased from 15.2 percent to 19.3 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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