

Humboldt Economic Index

December 2019

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Unemployment Falling, Other Indicators Mixed

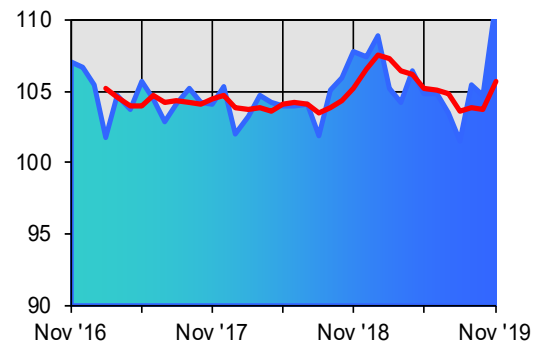
The Composite Index rose to 111.3, up 6.6 points from the previous month. The Composite Index is up 3.6 points from November of last year. This month the Hospitality and Retail Sales Indices rose, and Employment Index fell.

The Index of Home Sales rose 49.2 points from October, and is 64.5 points higher than it was in November of last year. The median home price fell from \$323,156 to \$317,250.

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

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.3 percent to 3.2 percent. The seasonally adjusted unemployment rate in California remained constant at 3.9 percent. The seasonally adjusted national unemployment rate decreased from 3.6

Composite Index



percent to 3.5 percent.

California gas prices decreased from \$3.79 to \$3.57. Northern California's average decreased from \$3.75 to \$3.66. Eureka's average gas price per gallon decreased from \$3.99 to \$3.78.

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	111.3	6.3	3.3	9.7	17.1
Home Sales	178.2	38.2	56.7	70.8	83.1
Retail Sales	148.0	7.1	2.3	-4.8	8.7
Hospitality	101.8	0.0	0.0	0.0	0.0
Electricity	119.6	0.0	0.0	18.6	2.3
Employment	112.2	0.0	-0.3	15.2	16.9
Lumber*	26.3	0.0	0.0	-31.6	-15.2
Manufacturing**	96.8			-	-

* 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

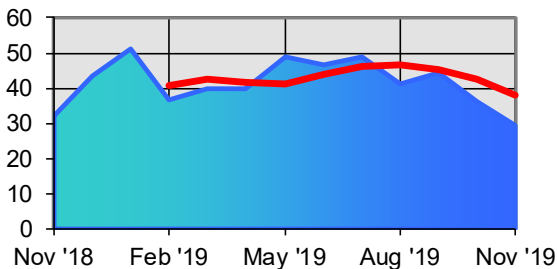
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
1.2%	-18.3%	44.1%	-14.6%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$317,250	\$ 1,875	3.750%	3.0%
* 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 increased 1.0 point to a new Index value of 81.4. The Manufacturing Orders Index value in November 2018 was 101.2, which is 30.2 points higher than the present value.

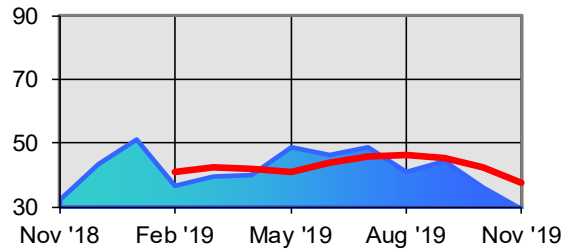
Index of Manufacturing Orders



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.

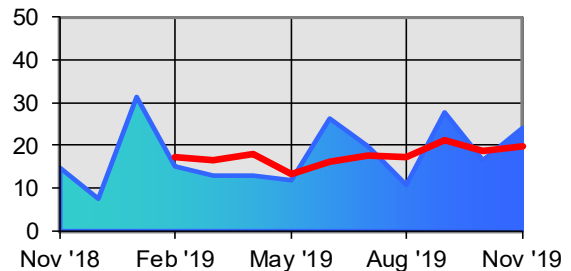
Unemployment Claims decreased 6.6 points to a new Index value of 29.5. The Unemployment Claims Index in November 2018 was 32.2, which is 2.8 points higher than the present value. The 4-month moving average fell 4.9 points to 37.8.

Index of Claims for Unemployment Insurance



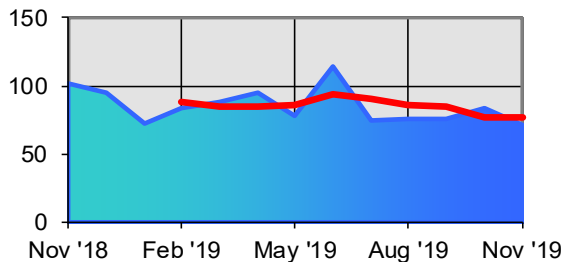
Building Permits increased 7.4 points to a new Index value of 24.2. The Building Permits Index in November 2018 was 14.9, which is 9.3 points lower than the present value.

Index of Building Permits Issued



Help Wanted Advertising decreased 12.1 points to a new Index value of 71.0. The three month moving average fell 1.5 points to 76.6. In November there were 292 unique job postings on Craigslist.

Index of Help Wanted Advertising



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 November 2019 stands at an Index value of 178.2, which is 49.2 points higher than October's value of 129.0. The Index value in November 2018 was 64.5 points lower than the current value. The four-month moving average is up 10.0 points to a new value of 140.1. The county's median home price increased from \$323,156 to \$317,250. In comparison, the median home price in November 2018 was \$310,000.

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.

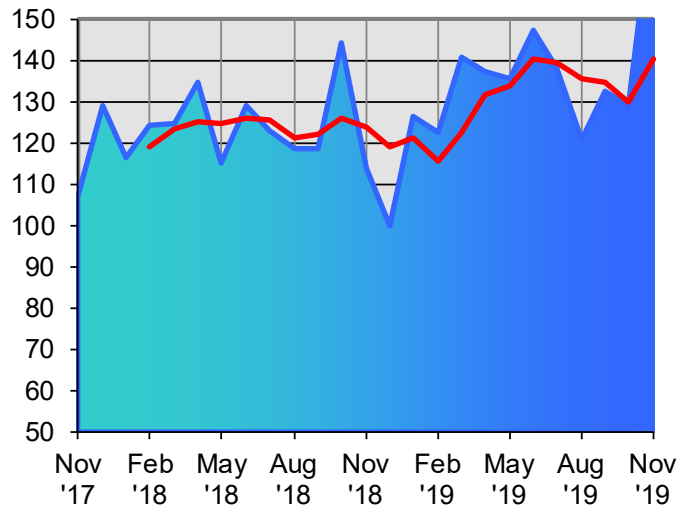
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in October compared to September. The 10-City and 20-City Composites report year-over-year gains of 1.7 percent and 2.2 percent, respectively. The National Index reported a 3.3 percent annual gain over the same period, up from 3.2 percent in September. After seasonal adjustment, the 10-City and 20-City Composites both posted a 0.1 percent month-over-month increase. The National Index reported a seasonally adjusted 0.1 percent increase in October.

Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices, comments on reassuring trend. "With October's 3.3% increase in the national composite index, home prices are currently more than 15% above the pre-financial crisis peak reached July 2006. October's results

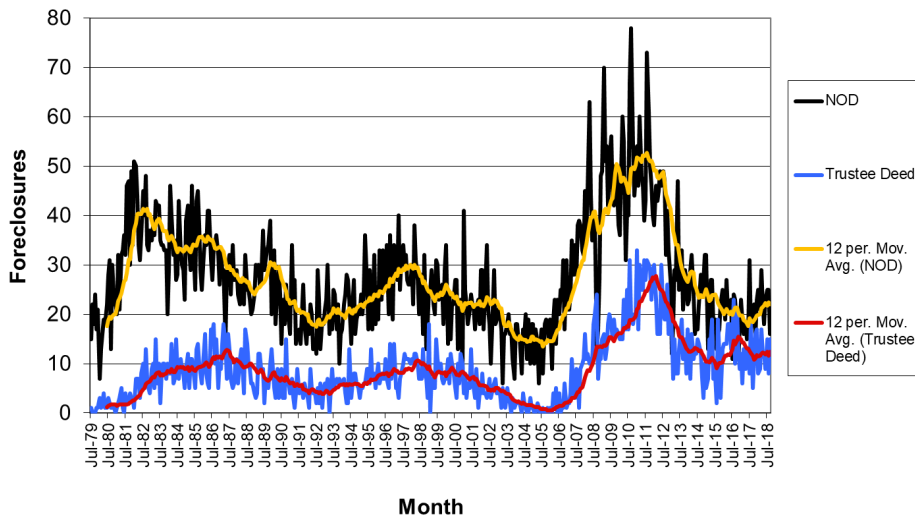
were broad-based, as both our 10- and 20-city composites rose. Of the 20 cities in the composite, only San Francisco saw a year-over-year price decline in October... As was the case last month, after a long period of decelerating price increases, the national, 10-city, and 20-city composites all rose at a modestly faster rate in October compared to September. This stability was broad-based, reflecting data in 12 of 20 cities. It is, of course, still too soon to say whether this marks an end to the deceleration or is merely a pause in the longer-term trend."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of January 2, 2020, is 3.72 percent, down 0.04 percentage points from December 5, 2019. The average 15-year fixed-rate mortgage is 3.16 percent, down 0.02 percentage points from the previous month.

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.

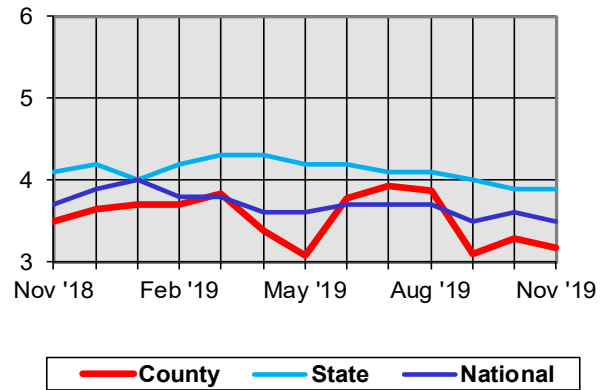
The Total County Employment Index decreased 0.1 point to a value of 112.2. The seasonally adjusted unemployment rate for Humboldt County fell from 3.3 percent to 3.2 percent. The unemployment rate for California remained constant at 4.0 percent. The national unemployment rate fell from 3.6 percent to 3.5 percent.

The Employment Development Department of California indicated that in November, Humboldt County's preliminary estimate of total employment decreased from 62,300 to 62,100 individuals. Humboldt County's total unemployment remained constant at 1900 individuals.

In the Labor Department's December report, total nonfarm payroll employment rose by 145,000. National employment increased notably in retail trade and health care, while mining lost jobs. Employment in leisure and hospitality continued to trend upwards. Employment

showed little change in construction, professional and business services, transportation and warehousing, manufacturing, wholesale trade, information, financial activities and government.

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 November from 89.4 to a new value of 101.8. This month's Index value is 9.1 points lower than the value for this time last year. The 4-month moving average rose 6.3 points to a current value of 87.0.

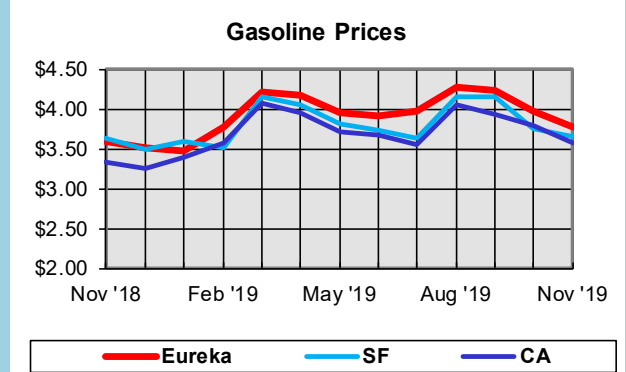
Gasoline Prices

The average price per gallon of gas in November fell in California, Northern California, and Eureka. California's average gas price fell to \$3.57, a 22 cent decrease from the previous month. Northern California's average price fell to \$3.66, a 9 cent decrease from the previous month. Eureka's average gas price fell to \$3.78, a 21 cent decrease from the previous month. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.69 per gallon in 1982-84 dollars.

In early December, OPEC+ set increasingly ambitious goals for production cuts. While Saudi Arabia has made cuts beyond the agreement amount, the compliance of some other member states such as Nigeria and Iraq will likely be questionable. Price forecasts for 2020 range anywhere between \$59 and \$70 per barrel.

Gas Prices		
Prices as of 12/31/2019	Average price*	Change from previous month
Eureka	\$3.78	-\$0.21
Northern California	\$3.66	-\$0.09
California	\$3.57	-\$0.22

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 96.8 in November, a 0.3 point increase from the previous month's value of 96.5. Manufacturing employment increased but remained constant at 2,200, according to the Employment Development Department.

The Institute for Supply Management reports that in December economic activity in the manufacturing sector contracted, while the overall economy grew for the 128th 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 November is 47.2, down 0.9 percentage points from November.

Nationally, three of the eighteen manufacturing industries reported growth in December in the following order: Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; and Computer & Electronic Products. The other 15 industries reported contraction in the following order: Apparel, Leather & Allied Products; Wood Products; Printing & Related Support Activities; Furniture & Related Products; Transportation Equipment; Nonmetallic Mineral Products; Paper Products; Fabricated Metal Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Textile Mills; Primary Metals; Chemical Products; Plastics & Rubber Products; and Machinery.

The New Export Orders Index for December is 47.3 percent, down 0.6 percentage points from November. This is the fifth month of contraction in the past six months, with an exception for October. 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. Two industries, Food, Beverage & Tobacco Products and Miscellaneous Manufacturing, reported growth in December. Nine industries reported contraction in the following order: Wood Products; Furniture & Related Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Transportation Equipment; Machinery; Fabricated Metal Products; Chemical Products; and Computer & Electronic Products. Six 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 increased 9.9 points to a new value of 148.0. The most recent value is 3.3 points higher than the value for November 2018. The 4-month moving average increased by 1.6 points to a new value of 142.2.

On the national scale, Consumer Confidence increased moderately in November, up by 2.7 points to a new Index value of 128.2. The Expectations Index increased by 2.1 points to a new value of 100.0, and the Present Situation Index increased by 3.6 points to a new value of 170.5.

The percentage of consumers expecting business conditions to improve over the next six months increased from 17.2 percent to 18.8 percent. The percentage of consumers expecting business conditions to worsen increased from 12.1 percent to 8.8 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
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