

# Humboldt Economic Index

July 2018

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## Leading Indicators Mixed, National Housing Prices Still Rising

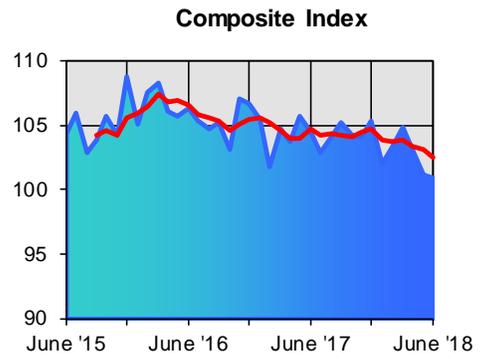
The Composite Index fell to 100.9, down 0.3 points from the previous month. The Composite Index is down 3.6 points from this time last year. Both the Home Sales and Retail Sales Indices increased over the past month, while the Employment and Hospitality Indices both declined.

The Index of Home Sales rose 13.8 points from May, and is 18.5 points higher than in June 2017. The median home price rose to \$330,000, up from \$303,750 in May.

Leading Indicators are mixed in June. Unemployment Claims and Building Permits are up this month, and Manufacturing Orders are down.

The seasonally adjusted unemployment rate in Humboldt County increased from 3.2 percent to 4.0 percent, while the seasonally adjusted unemployment rate in California remained at 4.2 percent. The national unemployment rate stayed at 3.8 percent as well.

California gas prices decreased from \$3.65 to \$3.61. Northern California's average stayed at \$3.77. Eureka's average gas price per gallon



stayed at \$3.80 as well.

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>100.9</b>	<b>-0.3</b>	<b>-3.5</b>	<b>1.2</b>	<b>-6.2</b>
Home Sales	128.8	12.0	16.8	33.0	27.6
Retail Sales	137.0	6.9	-12.9	-7.1	-14.6
Hospitality	77.3	-7.9	-10.8	-1.6	-8.1
Electricity	110.7	0.0	-3.7	-8.8	-17.1
Employment	110.1	0.0	0.0	0.0	0.0
Lumber*	26.3	0.0	0.0	-22.1	-44.4
Manufacturing**	98.4			-	-

\* 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.

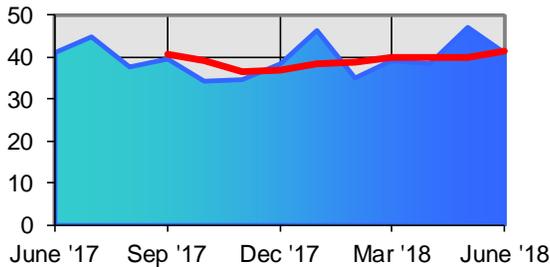
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-23.6%	10.4%	77.6%	--
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** decreased 5.9 points to a new Index value of 41.2. The Unemployment Claims Index was 40.9 in June 2017, 1.2 points higher than the present value. The 4-month moving average rose 1.5 points to 41.5.

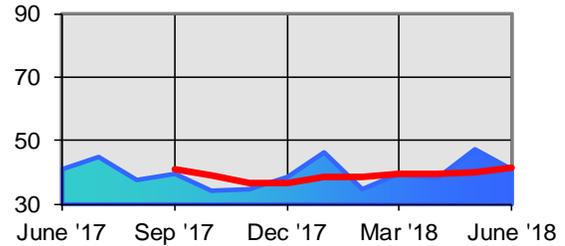
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$330,000	\$ 1,484	4.750%	4.2%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 79.5 to a current value of 80.5. The manufacturing orders index value in June 2017 was 89.4, which is 8.9 points higher than the present value.

Index of Manufacturing Orders

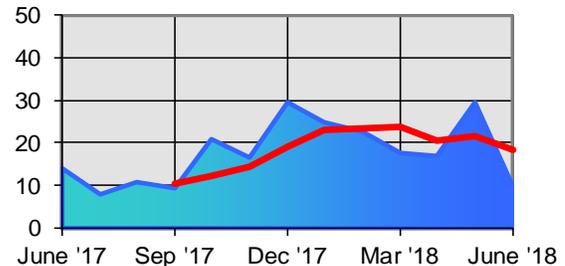


Index of Claims for Unemployment Insurance



**Building Permits** fell 20.0 points to a new Index value of 9.7. The current value is 4.2 points lower than the June 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 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 June there were 447 unique job postings on craigslist, an decrease of 42 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 June 2018 stands at an index value of 128.8, which is 13.8 points higher than May's value of 115.0. The index value in June 2017 was 18.5 points lower than the current value. The county's median home price rose from \$303,750 to \$330,000. In comparison, the median home price in June 2017 was \$300,000.

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.

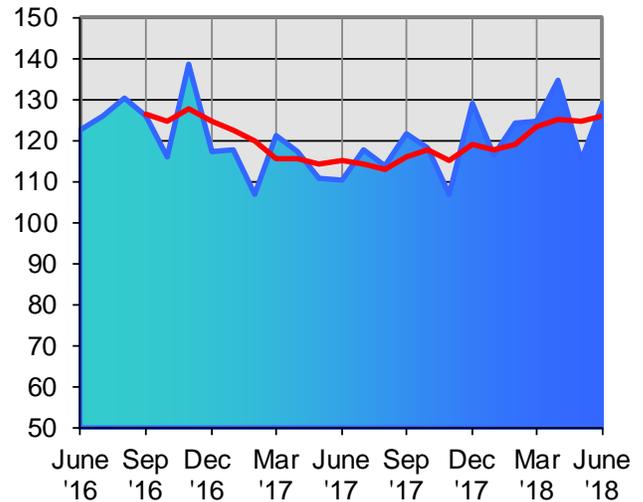
The S&P Case-Shiller Home Price Indices saw a slightly lower year-over-year gain in May compared to April. The 10-City and 20-City Composites report year-over-year gains of 6.1 percent and 6.5 percent, respectively. The National Index reported a 6.4 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed a 0.1 percent change, and the 20-City Composite posted a 0.2 percent change. The National Index also reported a seasonally adjusted increase of 1.1 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Unlike the boom-bust period surrounding the financial crisis, price gains are consistent across the 20 cities tracked in the release... Not only are prices rising consistently, they are doing so across the country... The number of pending home sales is drifting

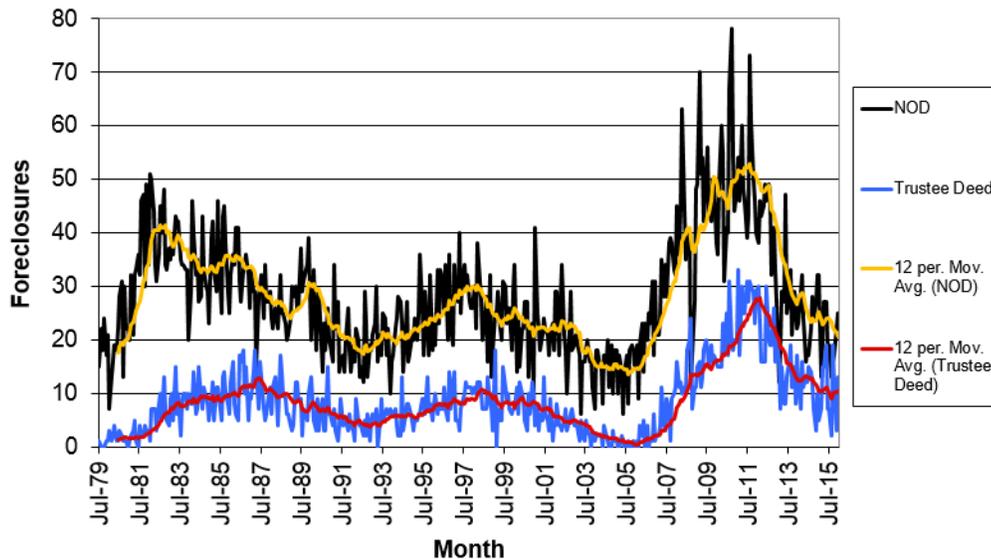
lower as is the number of existing homes for sale. Sales of new homes are also down and housing starts are flattening. Affordability – a measure based on income, mortgage rates and home prices – has gotten consistently worse over the last 18 months. All these indicators suggest that the combination of rising home prices and rising mortgage rates are beginning to affect the housing market."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of July 26, 2018, is 4.54 percent. This is an increase from June's last reported rate of 3.88 percent. The average 15-year fixed-rate mortgage is 4.02 percent, a slight decrease from 4.04 percent in June.

**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 5.2 points to a value of 110.1. The seasonally adjusted unemployment rate for Humboldt County increased from 3.2 percent to 4.0 percent. The unemployment rate for California remained at 4.2 percent for the third consecutive month. The national unemployment rate stayed at 3.8 percent.

The Employment Development Department of California indicated that in June Humboldt County's total employment fell by 980 individuals to a total of 60,220. Humboldt County's total unemployment increased from 1,910 individuals in May to an estimated 2,470 individuals in June.

In the Labor Department's June report, total nonfarm payroll employment rose by 157,000. National employment was on the rise in several industries, including health care, manufacturing, social assistance, financial activities, and mining. In June other industries, including mining, wholesale trade, transportation and

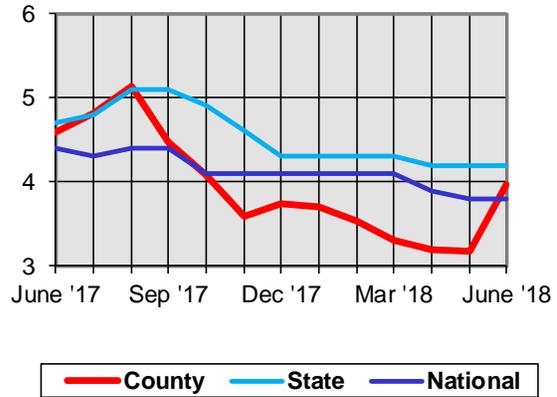
## Hospitality

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 June to a new value of 77.3 from 81.0 in May. This month's index value represents a 13.3 point decrease from this time last year. The 4-month moving average fell 1.5 points to a current value of 84.2.

warehousing, information, financial activities and government showed little change over the month.

## Unemployment Percentage Rates



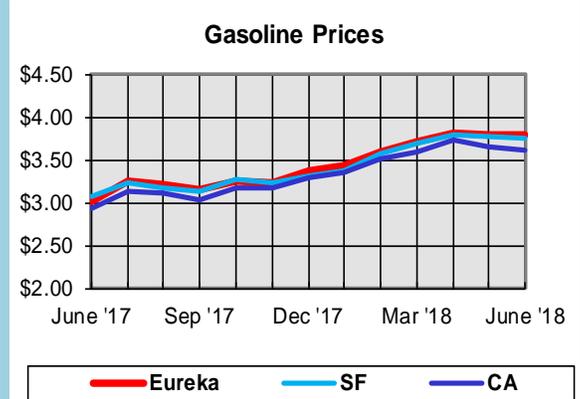
## Gasoline Prices

California's average gas price fell slightly in July to \$3.61, a 4 cent decrease from the previous month. Northern California's average price stayed the same at \$3.77 along with Eureka's average gas price staying at \$3.80. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.76 per gallon in 1982-84 dollars.

California's Gas prices have been falling since peak summer travel, albeit very slowly. However, that may not be the case for upcoming months. The Energy Information Administration states that the United States gasoline demand is staying around 9.88 million barrels per day, very close to the all-time record high. President Trump's aim to cut Iran's oil exports to zero could possibly have an upwards effect on gas prices as well, since Iran is the world's third biggest oil producer. In more positive news, OPEC overall has started to ramp up production, with most of the additional stock being attributed to Saudi Arabia's dramatic increase in output in accordance with last month's agreements. However, it should be noted that the numbers put out by Saudi Arabia do not match what independent sources confirm.

Gas Prices		
Prices as of 6/30/2018	Average price*	Change from previous month
Eureka	\$3.80	\$0.00
Northern California	\$3.77	\$0.00
California	\$3.61	-\$0.04

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csa.com](http://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 98.4 in June, a 3.9 point increase from the previous month's value of 94.5. Manufacturing employment remained at 2,100 individuals for the fifteenth 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 111<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 July is 58.1, this a 2.1 point decrease over June.

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

The New Export Orders Index for July is 60.2 percent, indicating a decrease over June's index of 3.3 points. This is the 31<sup>st</sup> 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. Sixteen industries reported growth in the new export orders, including Printing & Related Support Activities; Apparel, Leather & Allied Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Textile Mills; Machinery; Furniture & Related Products; Petroleum & Coal Products; Chemical Products; Paper Products; Fabricated Metal Products; Primary Metals; Transportation Equipment; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. No industry showed a decrease in new export orders in July. 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 137.0 for June, an increase of 8.9 points from the value of 128.1 in May. The most recent value is 20.3 points lower than June 2017. The 4-month moving average is down by 1.9 points with a new value of 134.2.

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 increased in July by 0.3 points to a current index value of 127.4. The Expectations Index decreased 2.3 points to a new value of 101.7, and the Present Situation Index increased, from 161.7 to 165.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumers' assessment of present-day conditions improved, suggesting that economic growth is still strong. However, while expectations continue to reflect optimism in the short-term economic outlook, back-to-back declines suggest consumers do not foresee growth accelerating." The percentage of consumers expecting business conditions to improve over the next six months rose to 38.0 percent, while the percentage of consumers expecting business conditions to decline decreased to 10.1.

## 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.

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■ ■ ■ *realize human potential*

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Institute for Supply Management – CNBC

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