

# Humboldt Economic Index

July 2019

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## Local Unemployment Rising, Indices Mixed

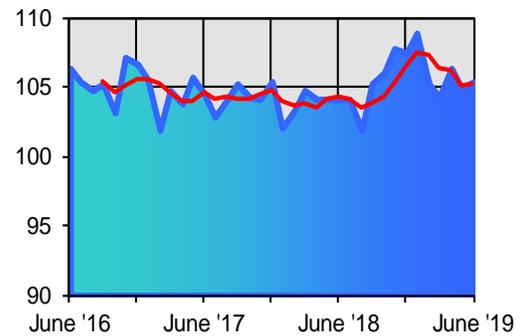
The Composite Index rose in June to 105.4, up 0.5 points from the previous month. The Composite Index is up 1.3 points from this time last year. This month the Retail Sales and home sales Indices rose, while the Employment and Hospitality Indices fell.

The Index of Home Sales rose 12.1 points from May, and is 18.5 points higher than in May 2018. The median home price rose to \$330,000, up from \$315,000 in May.

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

The seasonally adjusted unemployment rate in Humboldt County increased from 3.1 percent to 3.8 percent. The seasonally adjusted unemployment rate in California remained constant at 4.2 percent. The national unemployment rate increased from 3.6 percent to 3.7 percent.

Composite Index



California gas prices decreased from \$3.73 to \$3.68. Northern California's average decreased from \$3.82 to \$3.74. Eureka's average gas price per gallon decreased from \$3.95 to \$3.93.

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>105.4</b>	<b>0.5</b>	<b>1.3</b>	<b>8.1</b>	<b>6.1</b>
Home Sales	147.4	8.9	14.4	45.9	93.2
Retail Sales	146.2	4.1	5.8	0.7	-2.0
Hospitality	81.1	-5.8	-10.7	-2.7	-7.0
Electricity	119.6	0.0	0.0	3.4	-9.1
Employment	110.6	-1.2	0.5	13.7	11.8
Lumber*	26.3	0.0	0.0	-24.3	-20.8
Manufacturing**	89.1			-	-

\* 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

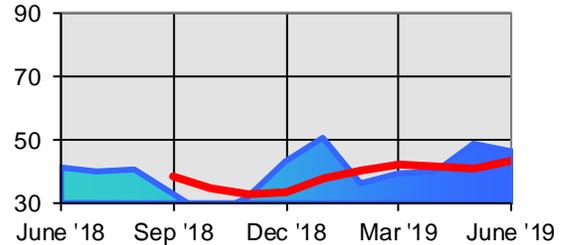
## Leading Indicators

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
1.3%	-4.8%	122.4%	47.7%
* Change from prior month. All values are seasonally adjusted.			

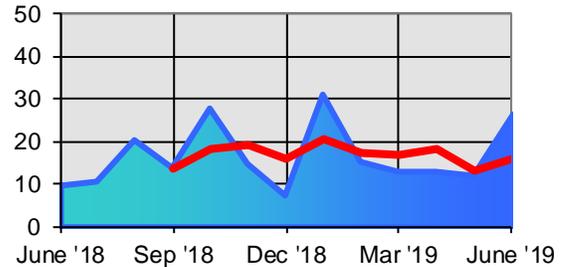
**Unemployment Claims** fell 2.3 points to a new Index value of 46.6. The current value is 5.3 points higher than the June 2018 value. The 4-month moving average rose 2.5 points to 43.8.

**Index of Claims for Unemployment Insurance**



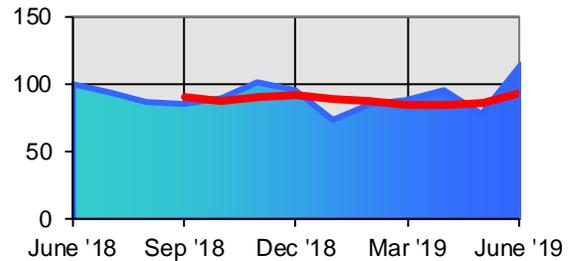
**Building Permits** rose 14.5 points to a new index value of 26.4. The current value is 16.7 points higher than the June 2018 value.

**Index of Building Permits Issued**



**Help Wanted Advertising** rose 37.1 points to a new Index value of 114.8. The three month moving average rose by 37.1 points to a new value of 95.8. In June there were 513 unique job postings on Craigslist.

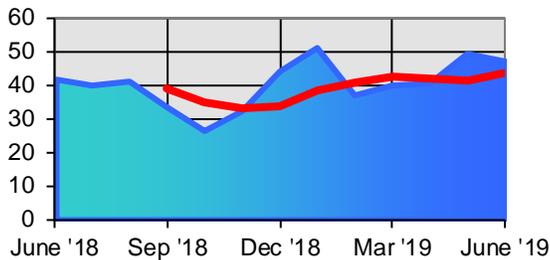
**Index of Help Wanted Advertising**



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$330,000	\$ 1,692	4.125%	3.7%
* 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** rose 1.0 point to a new Index value of 76.0. The current value is 25.6 point lower than the June 2018 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.

# 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 2019 stands at an Index value of 147.4. The new median home price is \$330,000.

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.

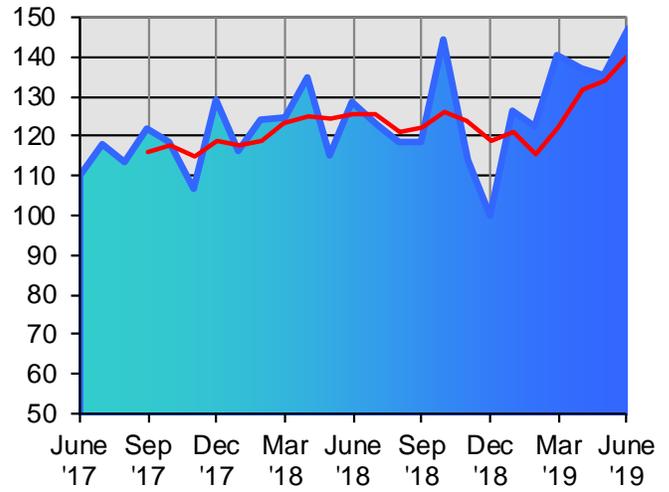
The S&P Case-Shiller Home Price Indices saw lower year-over-year gains in May compared to April. The 10-City and 20-City Composites reported year-over-year gains of 2.2 percent and 2.4 percent, respectively. The National Index reported a 3.4 percent annual gain over the same period. After seasonal adjustment, both the 10-City Composite and the 20-City Composite posted a 0.1 month-over-month percent change. The National Index also reported a seasonally adjusted increase of 0.2 percent.

Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices, comments on the slight fall in gains, “Among 20 major U.S. city home price indices, the average YOY gain has been declining for the past year or so and now stands at the moderate nominal YOY rate of 3.1%. Though home price gains seem generally sustainable for the time being, there are significant variations between YOY rates of change in individual cities.” He notes that Seattle experienced the first negative YOY change recorded in a major city “in a number of years.” “Nationally, increasing

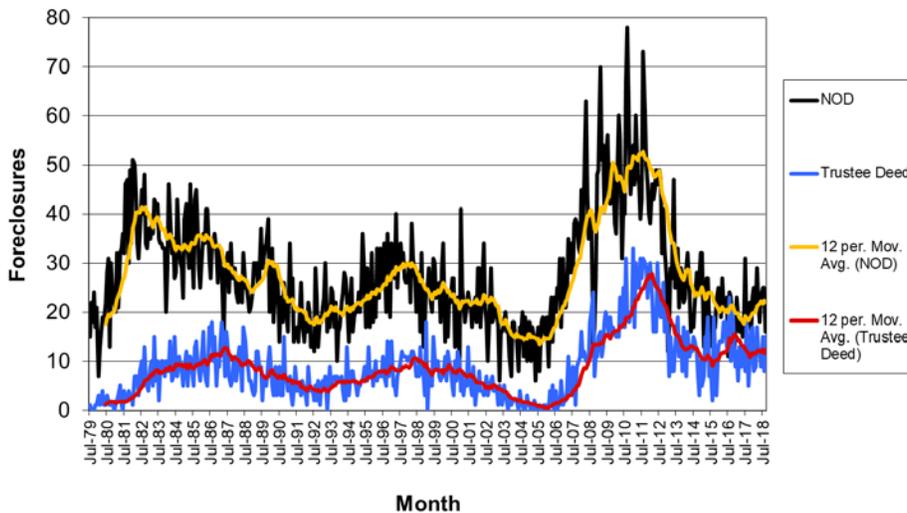
housing supply points to somewhat weakened demand, but the fact that seven cities experienced stronger YOY price gains in May than they did in April suggests an underlying resiliency that may mitigate the risk of overshooting to the downside at the national level.”

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of August 1, 2019, is 3.75 percent. This is the same as July’s first reported date on July 3, 2019. The average 15-year fixed-rate mortgage is 3.20 percent, up slightly from 3.18 percent on July 3.

**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 1.3 points to a value of 110.6 in June. The seasonally adjusted unemployment rate for Humboldt County increased 0.7 percentage points to a new value of 3.8 percent. The unemployment rate for California remained constant at 4.2 percent. The national unemployment rate increased 0.1 percentage point to 3.7 percent.

The Employment Development Department of California indicated that in June, Humboldt County's preliminary estimate of total employment fell by 800 individuals to a total of 60,500. Humboldt County's total unemployment increased from 1,900 individuals in May to an estimated 2,300 individuals in June.

In the Labor Department's July report, total nonfarm payroll employment rose by 164,000. National employment rose in professional and business services; health care; social assistance; and financial activities. Computer systems design accounted for over one-third of new jobs in professional and business services.

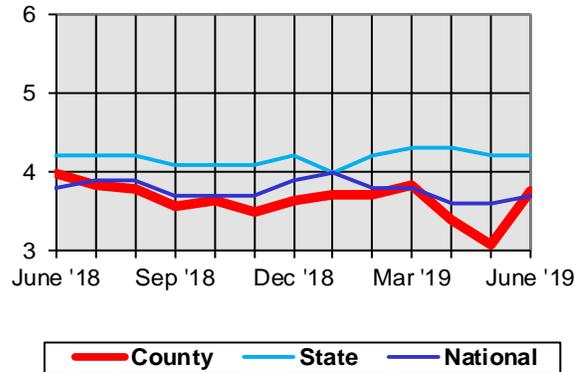
## Hospitality

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 81.1 from 86.1. This month's Index value represents a 9.8 point decrease from this time last year. The 4-month moving average fell 0.4 points to a current value of 84.6.

Ambulatory health care services accounted for about two-thirds of new jobs in health care. Employment in mining fell very slightly after several months of no change. Employment in manufacturing continues to increase slowly and steadily. Employment changed very little in construction; wholesale trade; retail trade; transportation and warehousing information; leisure and hospitality; and government.

Unemployment Percentage Rates



## Gasoline Prices

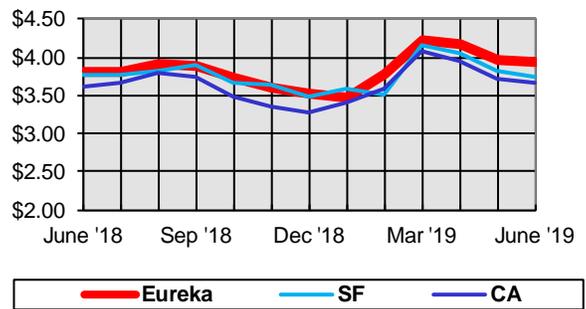
California's average gas price fell slightly in June to \$3.68, a 5 cent decrease from the previous month. Northern California's average price decreased 8 cents to a new average of \$3.74, while Eureka's average gas price fell by 2 cents to a new average of \$3.93. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.81 per gallon in 1982-84 dollars.

U.S. sanctions on Iranian oil have greatly reduced the quantity of oil exported from Iran since last year. However a recent investigation by The New York Times has revealed that certain countries have decided to risk relation from the U.S. by continuing to import Iranian crude oil, even after all exceptions to the sanctions were removed on May 2, 2019. Six of the twelve ships tracked over the summer unloaded at ports in China, and Chinese Foreign Ministry Spokesman, Geng Shuang, commented on Trump's "wrongdoing" in his handling of the situation on July 19. How these conflicts will continue to affect the current trade war between China and the U.S. or worldwide oil prices remains to be seen. If the U.S. eventually yields to international pressure to lift the sanctions, Iranian oil could potentially flood the market in the future.

Gas Prices		
Prices as of 7/31/2019	Average price*	Change from previous month
Eureka	\$3.93	-\$0.02
Northern California	\$3.74	-\$0.08
California	\$3.68	-\$0.05

\* 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)).

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 by 2.0 points to a seasonally adjusted Index value of 89.0 in June. 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 123<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 51.2 percent, down 0.5 percentage points from the previous month.

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

The New Export Orders Index for July is 50.8 percent, up 0.8 percentage points. 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. Eleven industries reported growth in new export orders in the following order: Furniture & Related Products; Wood Products; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Textile Mills; Chemical Products; and Computer & Electronic Products. Ten industries reported contractions, in the following order: Apparel, Leather & Allied Products; Primary Metals; Petroleum & Coal Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Paper Products; and Plastics & Rubber Products.

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 146.2 for June, an increase of 5.8 points from the previous value of 140.4 in May. The most recent value is 8 points higher than June 2018.

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, the Consumer Confidence Index increased by 14.3 points to a new value of 135.8 in July. The Expectations Index increased by 18.3 points to a new value of 112.4. The Present Situation Index increased by 8.7 points to a new value of 170.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer confidence was relatively unchanged in August, following July's increase. Consumers' assessment of current conditions improved further, and the Present Situation Index is now at its highest level in nearly 19 years (Nov. 2000, 179.7). Expectations cooled moderately, but overall remain strong. While other parts of the economy may show some weakening, consumers have remained confident and willing to spend. However, if the recent escalation in trade and tariff tensions persists, it could potentially dampen consumers' optimism regarding the short-term economic outlook."

## 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*

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