

Humboldt Economic Index

June 2019

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Professor Erick Eschker, Director

Aowyn Crailhardt, Assistant Editor

Justice Reckis, Assistant Analyst

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.

Current Indicators Down, Consumer Confidence Low

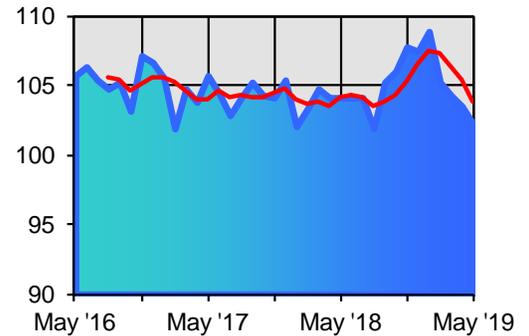
The Composite Index fell to 102.2, down 1.2 points from the previous month. The Composite Index is down 1.8 points from this time last year. This month, the Retail Sales, Employment and Hospitality Index all fell.

The Index of Home Sales fell 1.8 points from April, and is 20.2 points higher than in May 2018. The median home price rose to \$315,000, up from \$305,000 in April.

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

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.4 percent to 3.1 percent. The seasonally adjusted unemployment rate in California decreased from 4.3 percent to 4.2 percent. The national unemployment rate remained constant at 3.6 percent.

Composite Index



California's average gas price decreased from \$3.96 to \$3.73. Northern California's average decreased from \$4.06 to \$3.82. Eureka's average decreased from \$4.18 to \$3.95.

Composite & Sectors

Index	Value***	Percent change from			
		Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	102.2	-1.2	-1.7	0.9	6.3
Home Sales	135.3	-1.3	17.6	23.3	108.2
Retail Sales	125.7	-2.5	-4.8	-19.2	-16.1
Hospitality	83.1	-4.4	-7.3	-9.0	1.3
Electricity	119.6	0.0	0.0	-0.6	2.4
Employment	111.9	-0.2	-2.9	14.2	13.1
Lumber*	26.3	0.0	0.0	-19.0	-22.9
Manufacturing**	89.6			-	-

* 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

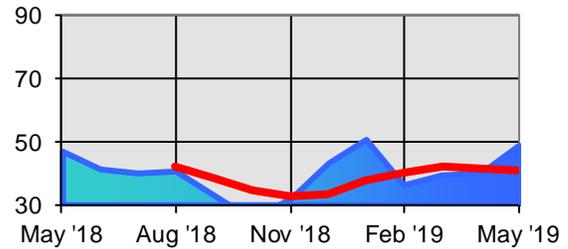
Leading Indicators

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%	22.3%	-7.3%	-18.1%
* Change from prior month. All values are seasonally adjusted.			

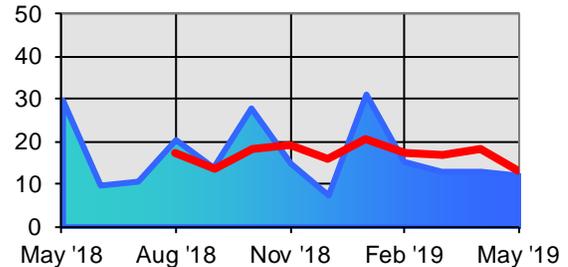
Unemployment Claims rose 8.9 points to a new Index value of 48.9. The current value is 1.8 points higher than the May 2018 value. The 4-month moving average fell 0.5 points to 41.3.

Index of Claims for Unemployment Insurance



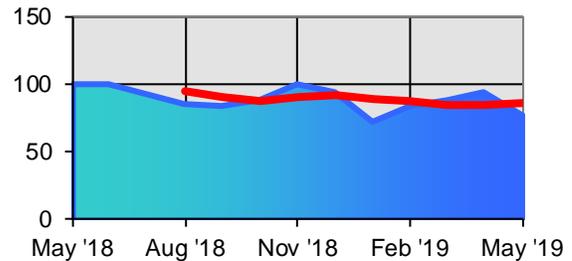
Building Permits fell 0.9 points to a new Index value of 11.9. The current value is 17.8 points lower than the May 2018 value.

Index of Building Permits Issued



Help Wanted Advertising fell 17.2 points to a new Index value of 77.7. The three month moving average rose by 1.2 points to a new value of 86.3. In May there were 380 unique job postings on Craigslist.

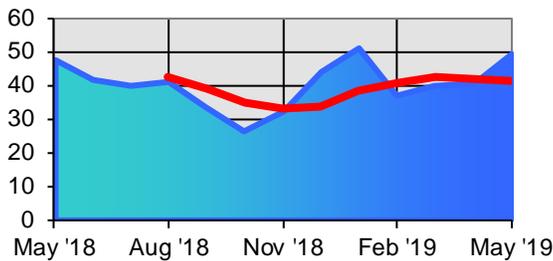
Index of Help Wanted Advertising



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$315,000	\$ 1,684	4.000%	2.9%
* 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 Orders fell 1.0 point to a new Index value of 75.0. The current value is 1.0 point lower than the May 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 May 2019 stands at an Index value of 135.3, down 1.8 points from the previous month.

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.

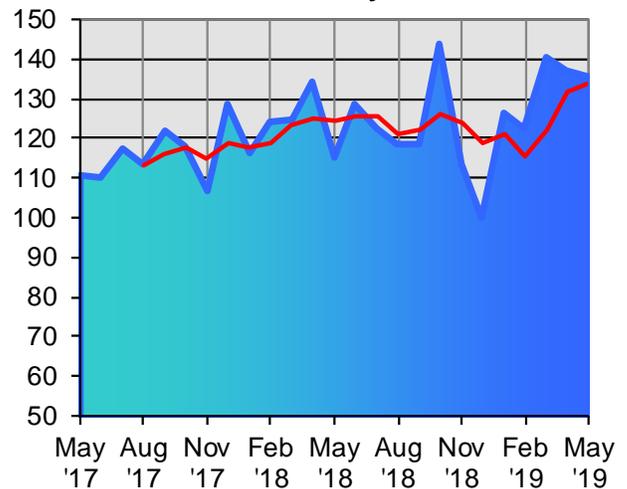
The S&P Case-Shiller Home Price Indices saw a lower year-over-year gain in April compared to March. The 10-City and 20-City Composites report year-over-year gains of 2.3 percent and 2.5 percent, respectively. The National Index reported a 3.5 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite posted a 0.2 percent month-over-month increase. The 20-City Composite did not report an increase. The National Index reported a seasonally adjusted month-over-month increase of 0.3 percent.

Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices, notes that “Home price gains continued in a trend of broad-based moderation. Year-over-year price gains remain positive in most cities, though at diminishing rates of change. Seattle is a notable exception, where the YOY change has decreased from 13.1% in April 2018 to 0.0% in April 2019.” He also notes that, “The national average 30-year fixed mortgage rate rose from below 4% in late 2017 to briefly reaching almost 5% by the latter part of 2018.

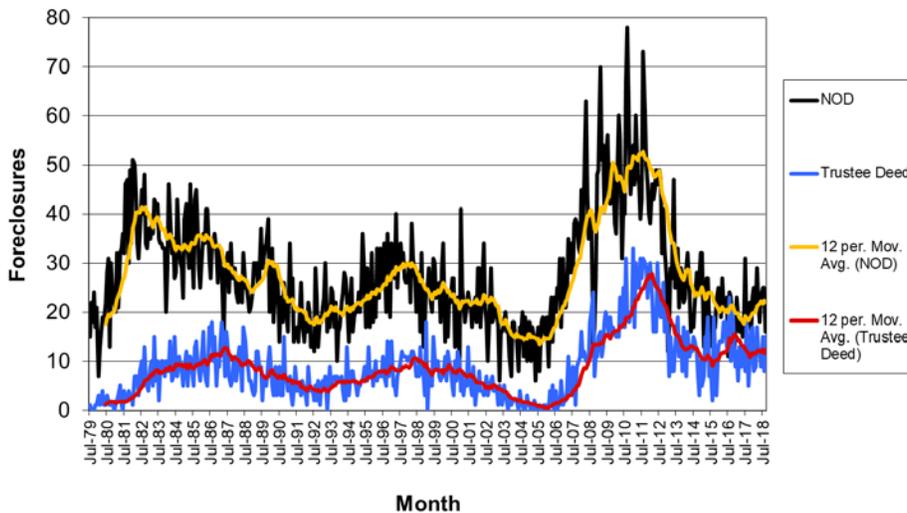
Peak YOY changes in the 20-City Composite coincided with the upward turn in mortgage rates during the first quarter of 2018. In 2019, mortgage rates reversed course again and the 30-year fixed mortgage rate is again under 4%, yet the YOY house price moderation that coincided with the 2018 uptick in rates has not changed course. Other industry statistics are consistent with this observation.”

According to Freddie Mac, the average 30-year fixed-rate mortgage as of June 26th is 3.73 percent, down from 3.99 percent on May 29th the previous month. The average 15-year fixed-rate mortgage is 3.16 percent, down from 3.46 percent on May 29th 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.

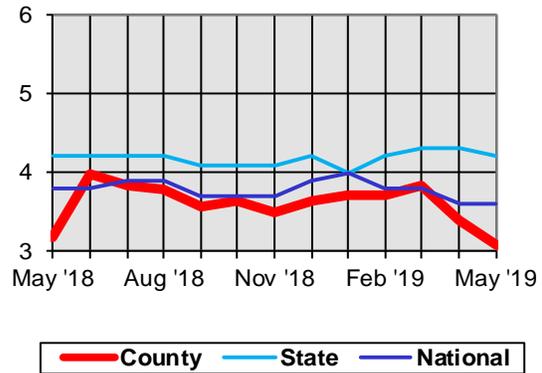
The Total County Employment Index decreased 0.2 points to a value of 111.9. The seasonally adjusted unemployment rate for Humboldt County decreased from 3.4 percent to 3.1 percent. The unemployment rate for California fell from 4.3 percent to 4.2 percent. The national unemployment rate remained constant.

The Employment Development Department of California indicated that in May, Humboldt County's preliminary estimate of total employment rose by 1,500 individuals to a total of 61,300. Humboldt County's total unemployment fell by 400 individuals to an estimated 1,800 individuals.

In the Labor Department's June report, total nonfarm payroll employment increased by 224,000. Employment increased in professional and business services, healthcare, transportation and warehousing, and construction. Manufacturing employment increased slightly following four consecutive months of little change.

Employment did not significantly change in mining, wholesale trade, retail trade, information, financial activities, leisure, hospitality, 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 decreased in May from 87.0 to a new value of 83.1. This month's Index value is 6.5 points lower than the value for this time last year. The 4-month moving average fell 6.7 points to a current value of 83.1.

Gasoline Prices

California's average gas price fell in May to \$3.73, a decrease of 23 cents from the previous month. Northern California's average price decreased 24 cents to a new average of \$3.82, while Eureka's average gas price fell by 23 cents to a new average of \$3.95. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.82 per gallon in 1982-84 dollars.

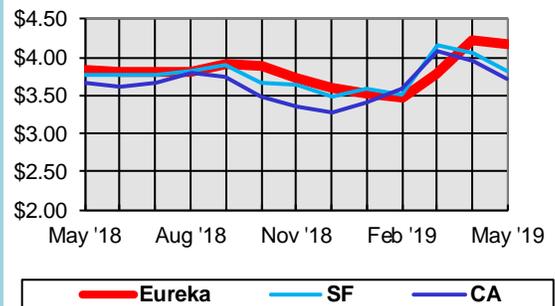
Gas prices in May continued to fall after high prices caused by delays at refineries peaked in March. California, which now has the highest statewide average gas price in the country, is soon to also have the highest statewide gas tax beginning on the first day of July. The new 5.6 cents per gallon tax will bring the total statewide tax to 47.3 cents per gallon.

Worldwide oil prices could potentially rise after Saudi Arabia reported that two of its oil tankers had been sabotaged off the coast of the United Emirates. However, the U.S. Energy Department believes that oil markets will remain "well-supplied," regardless of sanctions against Venezuela and supply cuts from OPEC and Russia.

Gas Prices		
Prices as of 6/30/2019	Average price*	Change from previous month
Eureka	\$3.95	-\$0.23
Northern California	\$3.82	-\$0.24
California	\$3.73	-\$0.23

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (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 remained constant in May at an Index value of 90 for the third consecutive month. Manufacturing employment remained at 2,100 individuals for the second consecutive 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 122th 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 June is 51.7 percent, down 0.4 percentage points from May.

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

The New Export Orders Index for June is 50 percent, down 2.7 points from May. 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. Ten of the eighteen industries reported growth in new export orders in the following order: Furniture & Related Products; Nonmetallic Mineral Products; Textile Mills; Printing & Related Support Activities; Chemical Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Paper Products; and Computer & Electronic Products. The six industries reporting a decline in new orders are Apparel, Leather & Allied Products; Primary Metals; Wood Products; Transportation Equipment; Machinery; and Fabricated Metal 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 has a value of 125.7 for May, down 3.2 points from the previous value of 129.0 in April. The most recent value is 6.3 points lower than May 2018. The 4-month moving average decreased by 4.7 points to a new value of 133.7.

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 May to 131.3, then decreased in June to 121.5. The Expectations Index increased 10.9 points to a new value of 94.1 in June, and the Present Situation Index increased, 8.1 points to a new value of 162.2 in June.

Lynn Franco, the Senior Director of Economic Indicators at the Conference Board, commented on the recent decline of Consumer Confidence to its lowest level since September 2017. "The decrease in the Present Situation Index was driven by a less favorable assessment of business and labor market conditions. Consumers' expectations regarding the short-term outlook also retreated. The escalation in trade and tariff tensions earlier this month appears to have shaken consumers' confidence. Although the Index remains at a high level, continued uncertainty could result in further volatility in the Index and, at some point, could even begin to diminish consumers' confidence in the expansion."

The percentage of consumers expecting business conditions to improve over the next six months decreased from 21.4 percent to 18.1 percent, while the percentage of consumers expecting business conditions to decline rose from 8.8 percent to 13.1 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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Institute for Supply Management - CNBC – CNN Business

Layout & Design: Matt Hawk

Contact Info: Erick Eschker can be contacted at ee3@humboldt.edu

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