

Humboldt Economic Index

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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.

October 2018

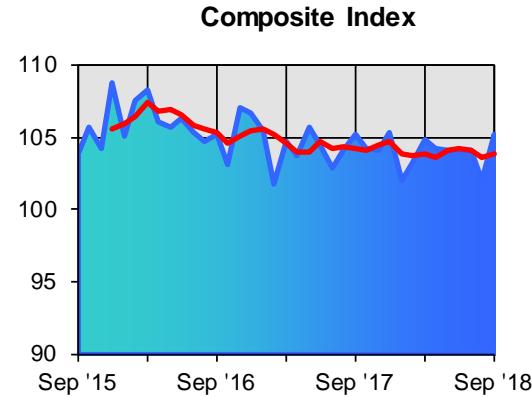
Retail Sector Increases

The Composite Index rose to 105.2, up 3.2 points from the previous month. The Composite Index is down 0.1 points from this time last year. This month Retail Sales, Employment and Hospitality Index all rose.

The Index of Home Sales has not been adjusted this month due to a lack of data, however it would normally be expected to see a seasonal downturn from last month's value. There is no new median home price to report, however last month's median home price was \$315,000.

Leading Indicators are mostly down September. Unemployment Claims, Building Permits and Manufacturing Orders are all down.

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.8 percent to 3.6 percent. The seasonally adjusted unemployment rate in California decreased for the first time in 5 months to 4.1 percent. The national



unemployment rate also decreased to 3.7 percent.

California gas prices decreased from \$3.79 to \$3.76. Northern California's average rose from \$3.82 to \$3.89. Eureka's average gas price per gallon decreased from \$3.92 to \$3.90.

Composite & Sectors

Index	Value***	Percent change from			
		Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	105.2	3.1	-0.1	3.3	4.0
Home Sales	118.6	0.0	-2.6	-6.0	51.5
Retail Sales	135.7	6.2	-5.3	-3.9	1.9
Hospitality	91.0	-7.4	-6.8	-1.8	-6.0
Electricity	119.6	0.0	12.8	3.5	-5.4
Employment	112.5	2.1	1.6	12.2	7.3
Lumber*	26.3	0.0	0.0	-17.9	-38.9
Manufacturing**	94.6			-	-

* 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

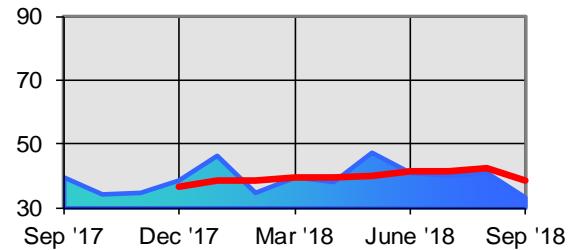
Leading Indicators

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
-12.3%	10.4%	77.6%	0.0%
* Change from prior month. All values are seasonally adjusted.			

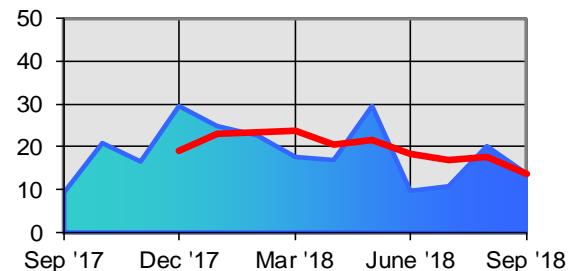
Unemployment Claims decreased 7.8 points to a new Index value of 33.3. The Unemployment Claims Index was 39.7 in September 2017, 6.5 points higher than the present value. The 4-month moving average fell 3.5 points to 38.9.

Index of Claims for Unemployment Insurance



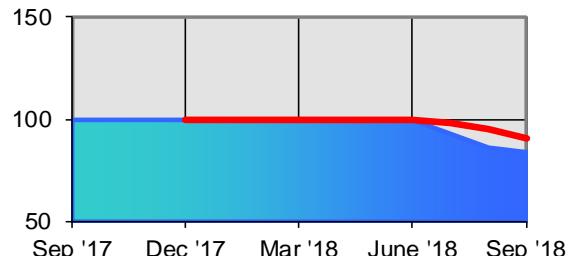
Building Permits fell 6.3 points to a new index value of 13.8. The current value is 4.6 points higher than the September 2017 value.

Index of Building Permits Issued



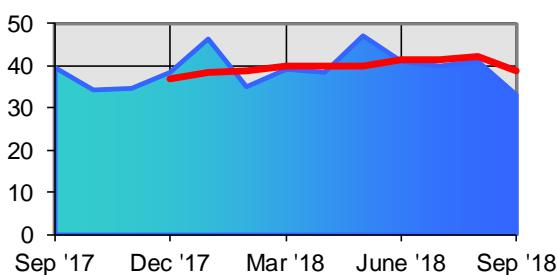
Help Wanted Advertising stands at an Index value of 84.1 down 2.3 points from last month. The three month moving average is at 87.8. In September there were 430 unique job postings on Craigslist.

Index of Help Wanted Advertising



Manufacturing Orders decreased from last month's value of 92.5 to 78.1. The Manufacturing Orders Index value in September 2017 was 104.3, which is 26.2 points lower 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.

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 September 2018 stands at an Index value of 118.6. There is no new median home price due to a lack of data.

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.

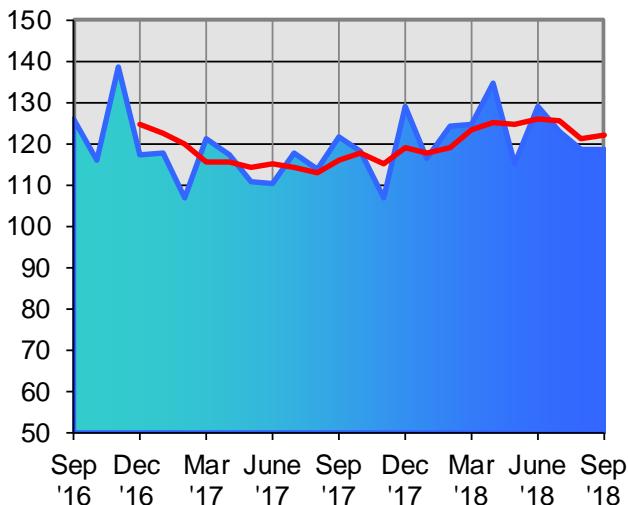
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in August compared to July. The 10-City and 20-City Composites report year-over-year gains of 5.1 percent and 5.5 percent, respectively. The National Index reported a 5.8 percent annual gain over the same period. After 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 0.6 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home sales, "Following reports that home sales are flat to down, price gains are beginning to moderate... Comparing prices to their levels a year earlier, 14 of the 20 cities, the National Index plus the 10-city and 20-city Composite Indices all show slower price growth. The seasonally adjusted monthly data show that 10 cities experienced declining prices. Other housing data tell a similar story: prices and sales of new single family homes are weakening, housing starts are mixed

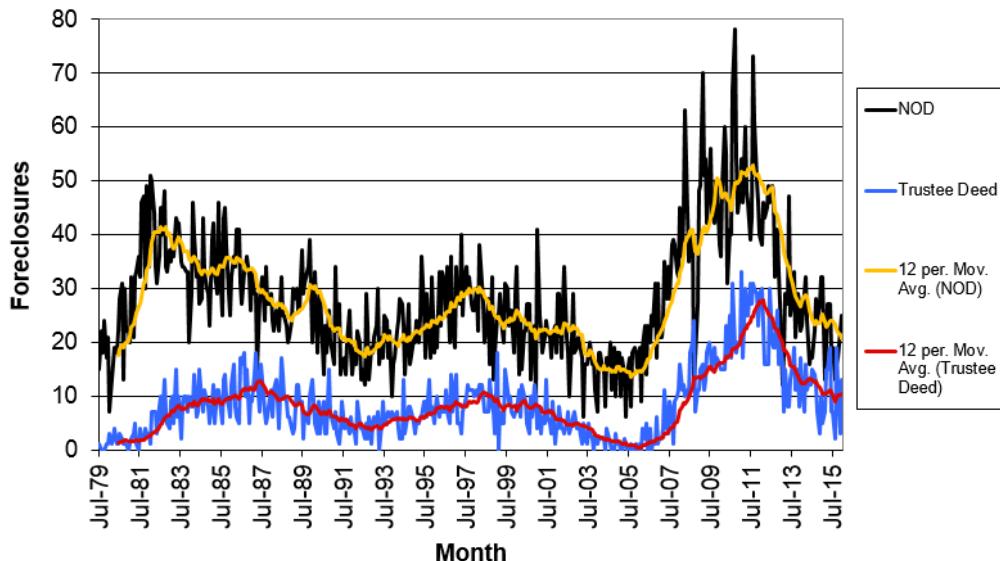
and residential fixed investment is down in the last three quarters. Rising prices may be pricing some potential home buyers out of the market, especially when combined with mortgage rates approaching 5% for 30-year fixed rate loans."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of November 1, 2018, is 4.83 percent. This is a slight increase from September's last reported rate of 4.72 percent. The average 15-year fixed-rate mortgage is 4.23 percent, an increase from 4.16 percent in September.

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.

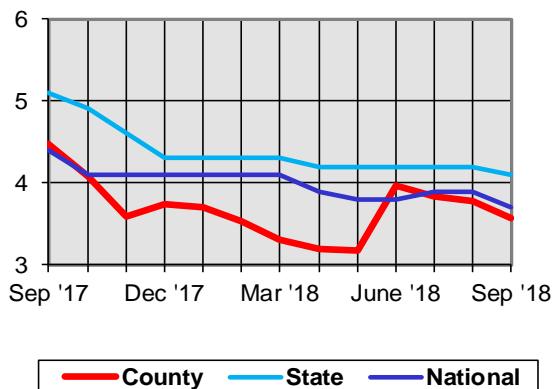
The Total County Employment Index increased 2.3 points to a value of 112.5. The seasonally adjusted unemployment rate for Humboldt County decreased from 3.8 percent to 3.6 percent. The unemployment rate for California fell from 4.2 to 4.1 percent. The national unemployment rate fell from 3.9 to 3.7 percent.

The Employment Development Department of California indicated that in September Humboldt County's preliminary estimate of total employment rose by 2,100 individuals to a total of 61,800. Humboldt County's total unemployment decreased from 2,200 individuals in August to an estimated 2,000 individuals in September.

In the Labor Department's October report, total nonfarm payroll employment rose by 250,000. National employment in professional and business services, manufacturing, construction, transportation and

warehousing, hospitality, mining and health care all rose in October. Employment in wholesale trade, retail trade, information, financial activities, and government showed little month-over-month change.

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 September to a new value of 91.0 from 83.8. This month's index value represents a 0.8 point increase from this time last year. The 4-month moving average rose 0.3 points to a current value of 89.0.

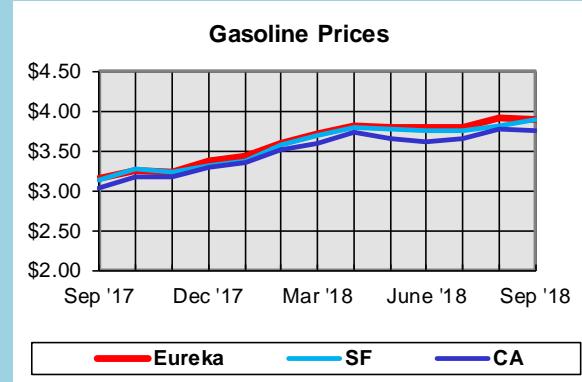
Gasoline Prices

California's average gas price fell slightly in September to \$3.76, a 3 cent decrease from the previous month. Northern California's average price decreased 7 cents to a new average of \$3.89, while Eureka's average gas price fell by 3 cents to a new average of \$3.90. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.83 per gallon in 1982-84 dollars.

Gas prices have started fall slightly in California, however it comes much later than the usual seasonal expectations. It is generally expected for gas prices to fall before an election, and as November 6 has approached prices have seen a slight downward tick. It is also important to note that U.S. light crude fell 6.6% the week of October 28th alone, despite previous expectations an oil shortage in the market. This was due to, in part, the impending U.S. sanctions on Iran that are set to begin the week of November 4th. Regardless, the past two months the world production of oil has risen significantly the past two months. There have also been reduced global demand for oil which has also assisted in the lowering of prices.

Gas Prices		
Prices as of 10/31/2018	Average price*	Change from previous month
Eureka	\$3.90	-\$0.03
Northern California	\$3.89	-\$0.07
California	\$3.76	-\$0.03

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.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 94.6 in September, a 5.9 point decrease from the previous month's value of 100.4. Manufacturing employment remained at 2,100 individuals for the 17th month, according to the Employment Development Department.

The Institute for Supply Management reports that in September economic activity in the manufacturing sector expanded, while the overall economy grew for the 100th 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 September is 60.8, this a 2.0 point increase over August.

Nationally, thirteen of the eighteen manufacturing industries are reporting growth in September including Textile Mills; Electrical Equipment, Appliances & Components; Apparel, Leather & Allied Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Furniture & Related Products; Miscellaneous Manufacturing; Machinery; Transportation Equipment; Printing & Related Support Activities; Chemical Products; and Paper Products.

The New Export Orders Index for September is 57.4 percent, indicating a decrease over September's index of 4.4 points. This is the 34th consecutive month of growth for this Index. 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 the new export orders, including Plastics & Rubber Products; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Textile Mills; Printing & Related Support Activities; Machinery; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Transportation Equipment; Computer & Electronic Products; and Chemical Products. Five industries showed a decrease on new orders in September: Petroleum & Coal Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; and Paper 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

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 119.6. 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 third 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 144.1 for September, an increase of 8.4 points from the value of 135.7 in July. The most recent value is 8.0 points lower than September 2017. The 4-month moving average is up by 3.0 points with a new value of 139.7.

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 October by 2.2 points to a current index value of 137.9. The Expectations Index increased 2.1 points to a new value of 114.6, and the Present Situation Index increased, from 169.1 to 172.8.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer Confidence increased in October, following a modest gain in September, and remains at levels last seen in the fall of 2000... Consumers' assessment of present-day conditions remains quite positive, primarily due to strong employment growth... (Consumers) expect the strong pace of growth to carry over into early 2019." The percentage of consumers expecting business conditions to improve over the next six months rose to 26.3 percent, while the percentage of consumers expecting business conditions to decline decreased to 7.4.

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.



Cited References:

- Bureau of Labor Statistics - Case-Shiller Home Price Indices
- The Conference Board - Employment Development Department (CA)
- Freddie Mac - Humboldt Association of Realtors
- Institute for Supply Management – CNBC

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