

Humboldt Economic Index

October 2019

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Professor Erick Eschker, Director

Aowyn Crailhardt, Assistant Editor

Justice Reckis, Assistant Analyst

Current and Leading Indices are Up

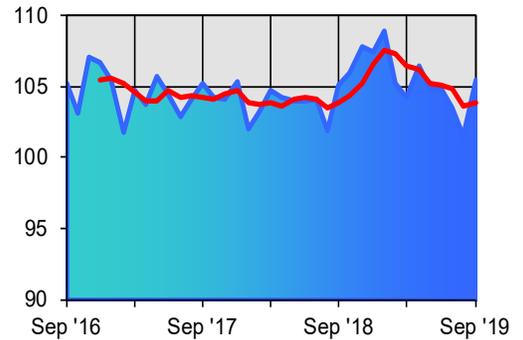
The Composite Index rose to 105.5, up 4.0 points from the previous month. The Composite Index is up 0.3 points from September of last year. This month the Retail Sales, Hospitality and Employment Indices all rose.

The Index of Home Sales rose 12.1 points from August, and is 14.1 points higher than it was in September of last year. The median home price remained constant at \$320,000.

Leading Indicators, including Unemployment Claims, Manufacturing Orders and Building permits, are all up in September.

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.7 percent to 2.7 percent. The seasonally adjusted unemployment rate in California decreased from 4.2 percent to 3.5 percent. The seasonally adjusted national unemployment rate decreased from 3.8 percent to 3.3 percent.

Composite Index



California gas prices decreased from \$4.05 to \$3.95. Northern California's average increased from \$4.15 to \$4.16. Eureka's average gas price per gallon decreased from \$4.28 to \$4.24.

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	105.5	4.0	0.3	6.0	7.4
Home Sales	132.6	10.0	11.9	40.2	45.2
Retail Sales	145.4	5.9	1.0	-2.3	3.7
Hospitality	82.2	10.5	-9.6	-13.4	-6.5
Electricity	119.6	0.0	0.0	4.4	-6.6
Employment	113.4	1.9	0.8	15.8	15.8
Lumber*	26.3	0.0	0.0	-28.1	-19.5
Manufacturing**	87.1			-	-

* 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

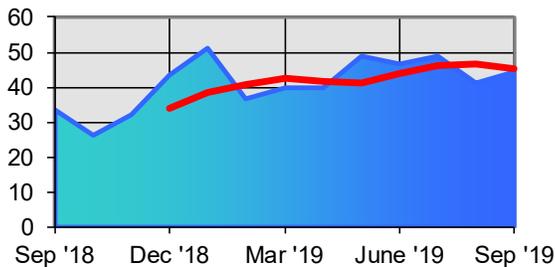
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
1.3%	7.9%	157.8%	0.3%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$320,000	\$ 1,696	3.750%	2.7%
* 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 increased 1.0 point to a new Index value of 79.4. The Manufacturing Orders Index value in September 2018 was 78.1, which is 1.2 points lower than the present value.

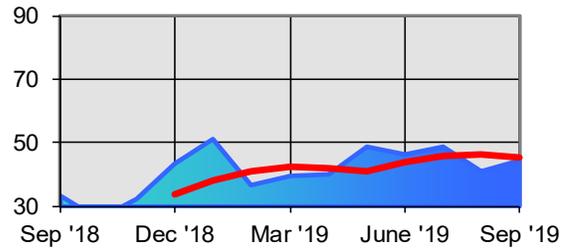
Index of Manufacturing Orders



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.

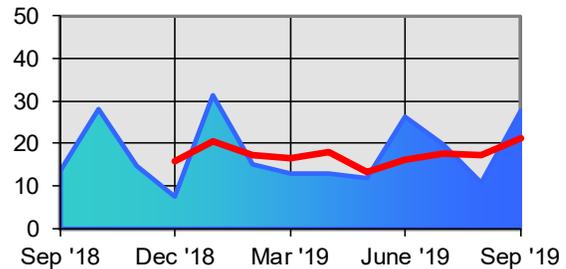
Unemployment Claims increased 3.3 points to a new Index value of 44.5. The Unemployment Claims Index in September 2018 was 33.3, which is 11.2 points lower than the present value. The 4-month moving average fell 1.1 points to 45.3.

Index of Claims for Unemployment Insurance



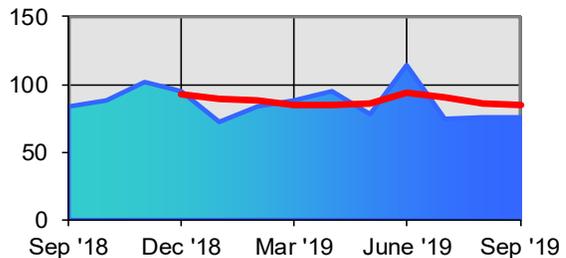
Building Permits increased 16.9 points to a new index value of 27.6. The Building Permits Index in September 2018 was 13.8, which is exactly half of the present value.

Index of Building Permits Issued



Help Wanted Advertising increased 0.2 points to a new Index value of 75.7. The three month moving average fell 13.0 points to 75.4. In September there were 387 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 September 2019 stands at an index value of 132.6, which is 12.1 points higher than August's value of 120.6. The Index value in September 2018 was 14.1 points lower than the current value. The four-month moving average is down 0.7 points to a new value of 134.6. The county's median home price remained constant at \$320,000. In comparison, the median home price in September 2018 was \$325,000.

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.

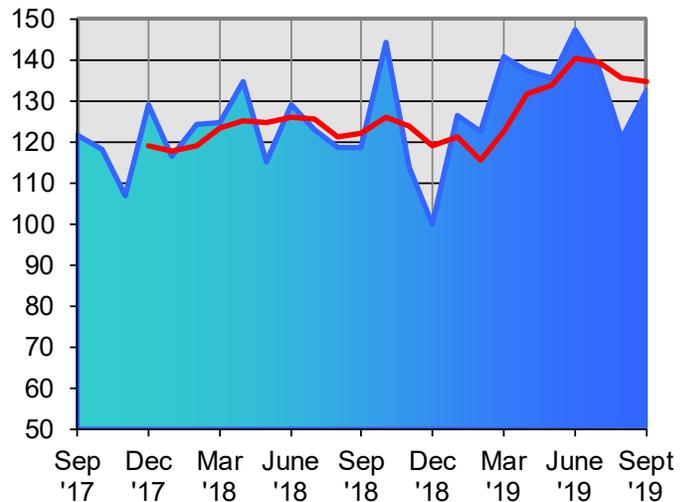
The S&P Case-Shiller Home Price Indices saw a higher year-over-year gain in August compared to July. The 10-City and 20-City Composites report year-over-year gains of 1.5 percent and 2.0 percent, respectively. The National Index reported a 3.2 percent annual gain over the same period, up from 3.1 percent in July. After seasonal adjustment, the 10-City Composite posted a 0.1 percent month-over-month decrease, and the 20-City Composite posted a 0.2 percent month-over-month increase. The National Index reported a seasonally adjusted 0.3 percent increase in August.

Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices, notes that the upward trend is remaining steady, but also points out a shift in regional leadership. "Phoenix saw an increase in

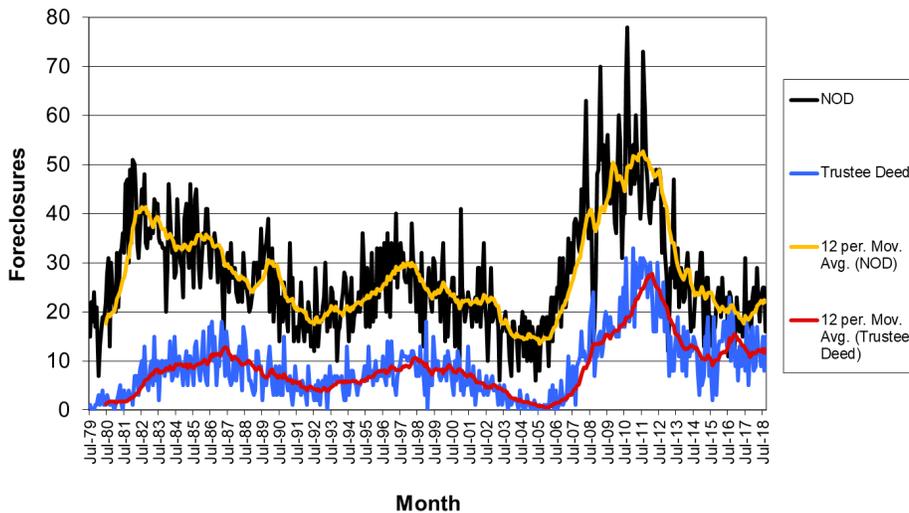
its YOY price change to 6.3% and retained its leading position. However, Las Vegas dropped from number two to number eight among the cities of the 20-City Composite, falling from a 4.7% YOY change in July to only 3.3% in August. Meanwhile, the Southeast region included three of the top four cities. Charlotte, Tampa, and Atlanta all recorded solid YOY performance with price changes of 4.5%, 4.3%, and 4.0%, respectively. In the Northwest, Seattle's YOY change turned positive (0.7%) after three consecutive months of negative YOY price changes."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of October 31, 2019, is 3.78 percent, up 0.14 percentage points from September 26, 2019. The average 15-year fixed-rate mortgage is 3.19 percent, up 0.03 percentage points from 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.

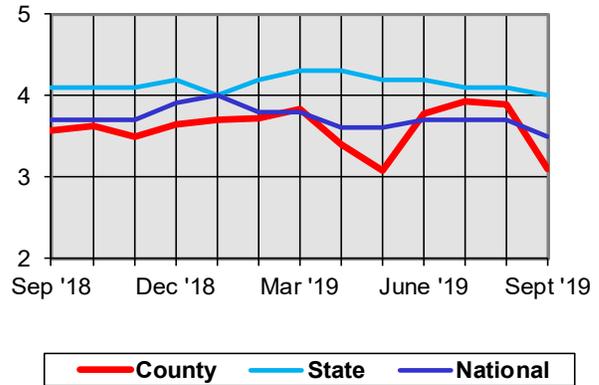
The Total County Employment Index increased 2.1 points to a value of 113.4. The seasonally adjusted unemployment rate for Humboldt County decreased from 3.9 percent to 3.1 percent. The unemployment rate for California fell from 4.1 to 4.0 percent. The national unemployment rate fell from 3.7 percent to 3.5 percent.

The Employment Development Department of California indicated that in October, Humboldt County's preliminary estimate of total employment remained constant at 62,300. The labor force increased by 100 individuals, pushing Humboldt County's total unemployment up from 1,800 individuals in September to an estimated 1,900 individuals in October.

In the Labor Department's October report, total nonfarm payroll employment rose by 128,000. National employment increased notably in food services and drinking places, social assistance, and financial activities. The increase in financial activities employment mainly

comes from real estate and rental leasing, and credit intermediation and related activities. Employment in manufacturing decreased due to strike activity in the motor vehicles and part industries. Employment in the federal government also decreased because many temporary jobs established for the purpose of gathering 2020 Census data are now over.

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 September from 74.4 to a new value of 82.2. This month's Index value represents a 8.7 point decrease from this time last year. The 4-month moving average fell 1.0 point to a current value of 78.6.

Gasoline Prices

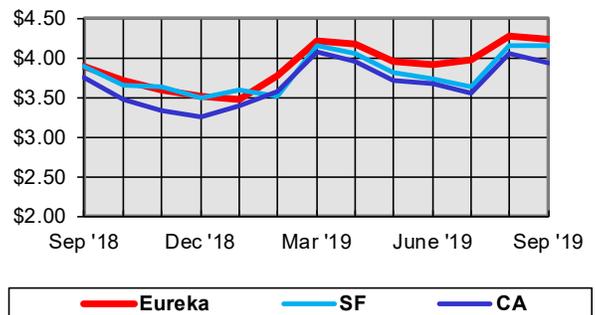
California's average gas price fell in September to \$3.95, a 10 cent decrease from the previous month. Northern California's average price increased 1 cent to a new average of \$4.16, while Eureka's average gas price fell by 4 cents to a new average of \$4.24. When we adjust for inflation, the "real price" of gasoline in Eureka was \$3.02 per gallon in 1982-84 dollars.

Saudi Arabia, OPEC's largest exporter, may be pressuring other OPEC members and its allies to comply with organized production cuts in order to push oil prices up ahead of the Initial Public Offering (IPO) for its state-owned oil company, Aramco. The additional pressure comes after months of falling prices for crude oil. The production cuts agreement lasts until March 2020, and producers are scheduled to hold another meeting on the matter in early December. Analysts seem to agree that the meeting will likely reinforce existing pressure for less compliant member countries, such as Iraq and Nigeria, to adhere to the production cuts.

Gas Prices		
Prices as of 10/31/2019	Average price*	Change from previous month
Eureka	\$4.24	-\$0.04
Northern California	\$4.16	+\$0.01
California	\$3.95	-\$0.10

* 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



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 contracted to a seasonally adjusted index value of 87.1 in September, a 9.0 point decrease from the previous month's value of 96.0. Manufacturing employment remained at 2,100 individuals for the sixth consecutive month, according to the Employment Development Department.

The Institute for Supply Management reports that in October economic activity in the manufacturing sector contracted, while the overall economy grew for the 126th 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 October is 47.8, up 0.5 percentage points from September.

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

The New Export Orders Index for October is 50.4 percent, up 9.4 percentage points from September. This is the first month of growth after three consecutive months of contraction 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. The five industries reporting growth are, in the following order: Petroleum & Coal Products; Wood Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. The ten industries reporting contraction are, in the following order: Apparel, Leather & Allied Products; Primary Metals; Textile Mills; Nonmetallic Mineral Products; Transportation Equipment; Plastics & Rubber Products; Machinery; Chemical Products; Fabricated Metal Products; and Computer & Electronic 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 increased 8.1 points to a new value of 145.4. The most recent value is 1.4 points higher than September 2018. The 4-month moving average rose 1.3 points with a new value of 141.7.

On the national scale, Consumer Confidence declined slightly in October by 0.4 points to a new Index value of 125.9. The Expectations Index declined by 1.9 points to a new value of 94.9, and the Present Situation Index increased by 1.7 points to a new value of 172.3.

Lynn Franco, Senior Director of Economic Indicators at the Conference Board, comments, "Consumer confidence was relatively flat in October, following a decrease in September. The Present Situation Index improved, but Expectations weakened slightly as consumers expressed some concerns about business conditions and job prospects. However, confidence levels remain high and there are no indications that consumers will curtail their holiday spending."

The percentage of consumers expecting business conditions to improve over the next six months decreased from 20.0 percent to 18.6 percent. The percentage of consumers expecting business conditions to worsen decreased from 13.3 percent to 11.6 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

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■ ■ ■ *realize human potential*

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Layout & Design: Matt Hawk

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

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