

Humboldt Economic Index

October 2020

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Index Recovers Amid Continued Strong Home Sales

Note: This text was updated in May, 2021 to reflect major revisions to the housing data.

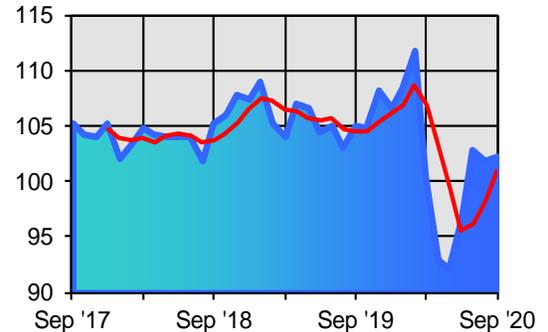
The Composite Index rose to 102.1 in September, up 0.2 point2 from the previous month. The Composite Index is down 2.8 points from this time last year. This month the Retail Sales Index is down, and the Employment and Hospitality Indices are up.

The July, August, and September home sales have been very strong, following very weak sales in April and May. The Index of Home Sales fell to 143.5, down 8.1 points from the previous month, but is up 25.7 points from this time last year. The median home price fell from \$350,000 to \$345,000.

Leading Indicators rose in September. Unemployment Claims, Building Permits and Manufacturing Orders are all up.

The seasonally adjusted unemployment rate in Humboldt County decreased from 8.8 percent to 8.7 percent. The seasonally adjusted

Composite Index



unemployment rate in California decreased from 11.4 percent to 11.0 percent. The national unemployment rate decreased from 8.4 percent to 7.9 percent.

The average price per gallon of gas in California increased from \$3.12 to \$2.17. Northern California's average decreased from \$3.56 to \$3.54. Eureka's average decreased from \$3.48 to \$3.42.

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	102.1	0.2	-2.8	-1.7	2.1
Home Sales	143.5	-8.1	25.7	36.1	76.0
Retail Sales	139.4	-0.5	-4.1	-10.3	-7.3
Hospitality	97.4	9.5	9.6	5.0	14.1
Electricity	119.6	0.0	0.0	1.7	-7.7
Employment	100.1	0.1	-10.1	-6.8	0.7
Lumber*	26.3	0.0	0.0	0.0	-30.7
Manufacturing**	105.5			-	-

* 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

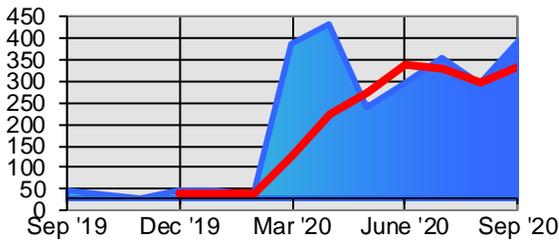
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
0.0%	35.6%	27.3%	2.9%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$345,000	\$ 2,099	2.750%	7.6%
* 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.			

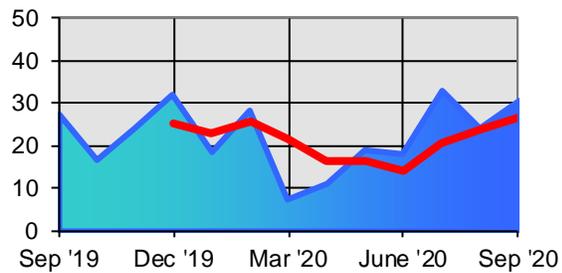
Unemployment Claims rose 104.2 points to a new Index value of 397.2. The current value is 352.7 points higher than the value for this time last year. The 4-month moving average rose 40.0 points to a new average of 335.4.

Index of Claims for Unemployment Insurance



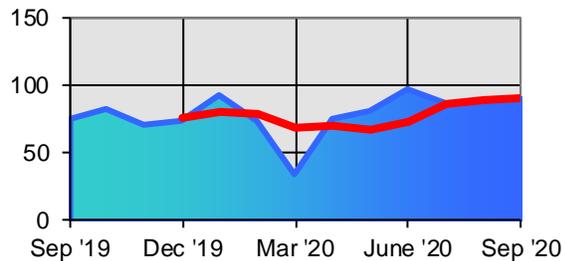
Building Permits rose 6.6 points to a new Index value of 30.7. The current value is 3.1 points higher than the value for this time last year.

Index of Building Permits Issued



Help Wanted Advertising rose 2.5 points to a new Index value of 90.6. The current value is 14.9 points higher than the value for this time last year. The 3-month moving average fell 2.6 points to a new value of 88.5. In March there were 463 unique job postings on Craigslist.

Index of Help Wanted Advertising



Manufacturing Orders are not available this 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.

Home sales were down in April and May this year, likely on account of reduced transactions due to Covid. The recovery began in June, with seasonally adjusted July home sales the fifth highest on record going back to 1994.

The Humboldt County Home Sales Index for September fell 8.1 points to a new value of 143.5. The present Index value is 25.7 points higher than the value for this time last year. The country's median home price decreased from \$350,000 to \$345,000. The median home price this time last year was also \$345,000.

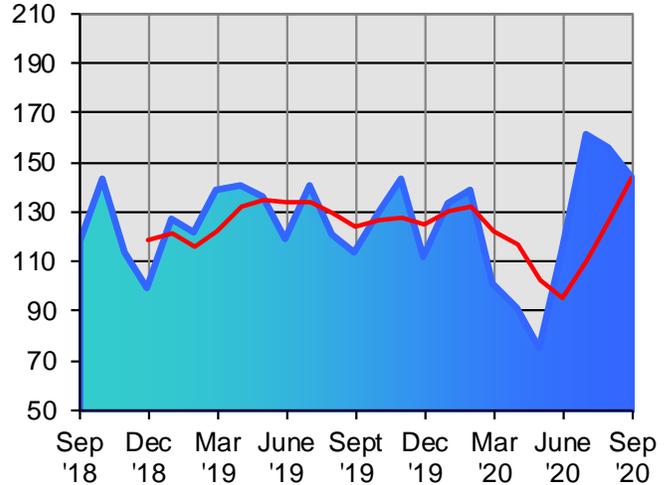
The S&P Case-Shiller Home Price Indices, a national Index of housing prices, is calculated monthly using a 3-month moving average and published with a two month lag. Within the Case-Shiller Index are composites of 10 and 20 cities that the Index considers representative of the national housing market, as well as the National Index, which accounts for all 9 U.S. census divisions. This month data for Detroit was unavailable and excluded from the Index.

The S&P Case-Shiller Home Price Indices saw a higher year-over-year gain in August compared to the previous month. The 10-City and 20-City Composites reported year-over-year gains of 4.7 percent and 5.2 percent, respectively. The National Index reported a 5.7 percent annual gain over the same period. After seasonal adjustment, the 10-City and 20-City Composites both reported month-over-month gains of 0.5 percent. The National Index reported a seasonally adjusted increase of 1.0 percent.

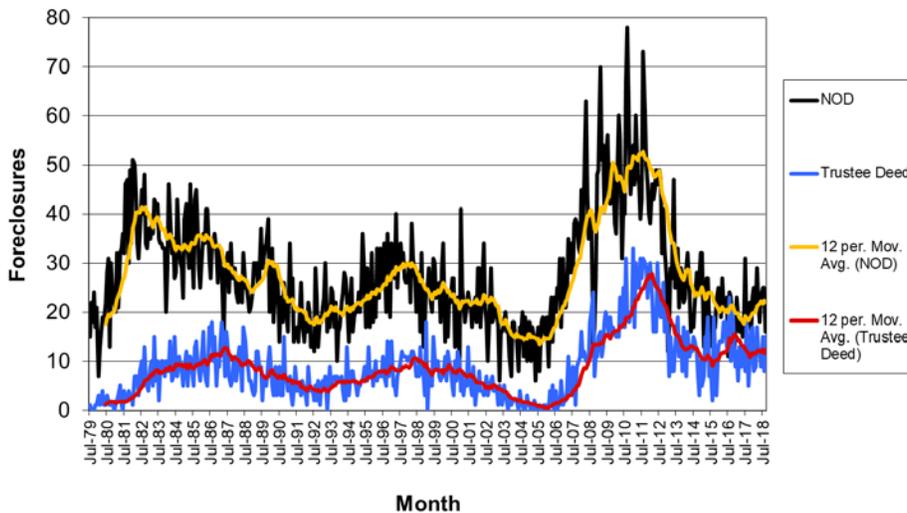
According to Freddie Mac, the average 30-year fixed-

rate mortgage, as of October 29, was 2.81 percent, down from 2.90 percent on September 24. The average 15-year fixed-rate mortgage was 2.32 percent at the end of October, down from 2.40 percent.

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.

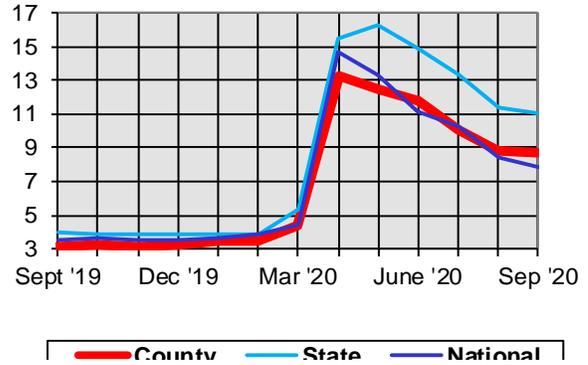
The Total County Employment Index increased 0.1 points to a value of 100.1 in September. The seasonally adjusted unemployment rate in Humboldt County decreased from 8.8 percent to 8.7 percent. The seasonally adjusted unemployment rate in California decreased from 11.4 percent to 11.0 percent. The national unemployment rate decreased from 8.4 percent to 7.9 percent.

The Employment Development Department of California indicated that in September Humboldt County's estimate of total employment rose by 800 individuals to a total of 55,000. Humboldt County's total unemployment fell by 300 individuals to an estimated 4,500 individuals in September.

In the Labor Department's September report, total nonfarm payroll employment rose by 661,000. National employment in leisure and hospitality gained the most

jobs at 318,000. Leisure and hospitality has gained 2.5 million jobs over the past five months, but employment in this sector is still 3.8 million jobs short of where it was in February. Retail trade gained 142,000 jobs. Employment also increased in professional and business services, transportation and warehousing, manufacturing, education and health services, other services, financial activities, information, construction, and wholesale trade, respectively. Government lost 216,000 jobs.

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 from 88.9 to a new value of 97.4. This month's Index value is 8.5 points higher than the value for this time last year. The 4-month moving average rose 8.0 points to a current value of 86.7.

Gasoline Prices

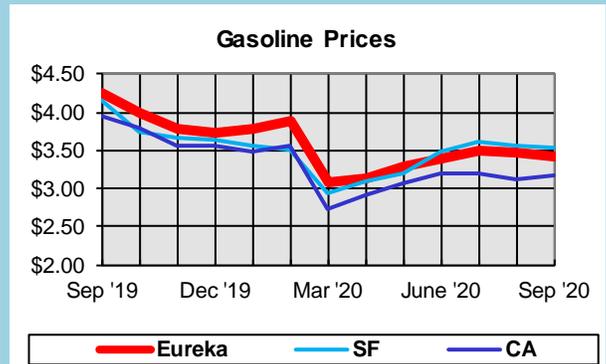
California's average gas price rose slightly in September to \$3.17, up 5 cents from the previous month. Northern California's average price fell to \$3.54, down 2 cents from the previous month, and Eureka's average gas price fell to \$3.42, down 6 cents. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.41 per gallon in 1982-84 dollars.

Oil futures finished at their lowest prices in five months after declining 11 percent in October. "[The] oil price crash this month was due to demand concerns, led by expected restrictions in Europe," Manish Raj, chief financial officer at Velandera Energy, told MarketWatch. "The market is factoring in not only the short-term restrictions in Europe, but additional concern that the oil demand will stay lower for longer."

December crude contracts are between \$35 and \$38 per barrel. Analysts are skeptical that OPEC+ will announce further production cuts to reduce downward pressure on oil prices. "The 'OPEC+' countries are hardly likely to voluntarily reduce their production further," said Eugen Weinberg, analyst at Commerzbank. "We therefore see OPEC+ as powerless at present, meaning that the oil price is likely to remain for the most part in the pull of the financial markets."

Gas Prices		
Prices as of 10/31/2020	Average price*	Change from previous month
Eureka	\$3.42	-\$0.06
Northern California	\$3.54	-\$0.02
California	\$3.17	+\$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).



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 105.5 in September, down 2.2 points from the previous month. Manufacturing employment remained at 2,100 individuals for the fifth 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 fifth 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 55.4, down 0.6 percent from the previous month.

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

The New Export Orders Index for September is 54.3 percent, up 1.0 percent from the previous month. This is the third 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. Ten industries reported growth in new export orders in the following order: Furniture & Related Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Paper Products; Food, Beverage & Tobacco Products; Transportation Equipment; Fabricated Metal Products; Miscellaneous Manufacturing; Computer & Electronic Products; and Chemical Products. Only Machinery reported contraction, and six other industries reported no change.

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 139.4 for September, down 0.6 points from the previous month. The most recent value is 6.0 points lower than the value for this time last year. The 4-month moving average did not change, and remains at 144.4.

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 rose 15.5 points in September to a current index value of 101.8. The Expectations Index rose 17.4 points to a new value of 104.0, and the Present Situation Index rose 12.7 points to a new value of 98.5.

Lynn Franco, the Senior Director of Economic Indicators at the Conference Board, says "Consumer Confidence increased sharply in September, after back-to-back monthly declines, but remains below pre-pandemic levels. A more favorable view of current business and labor market conditions, coupled with renewed optimism about the short-term outlook, helped spur this month's rebound in confidence. Consumers also expressed greater optimism about their short-term financial prospects, which may help keep spending from slowing further in the months ahead."

In September, the percentage of consumers expecting business conditions to improve over the next six months increased from 29.8 percent to 37.1 percent. The percentage of consumers expecting business conditions to worsen decreased from 20.7 percent to 15.8 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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Institute for Supply Management – MarketWatch

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