

# Humboldt Economic Index

September 2020

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## Consumer Confidence Falls to Lowest Level in Six Years

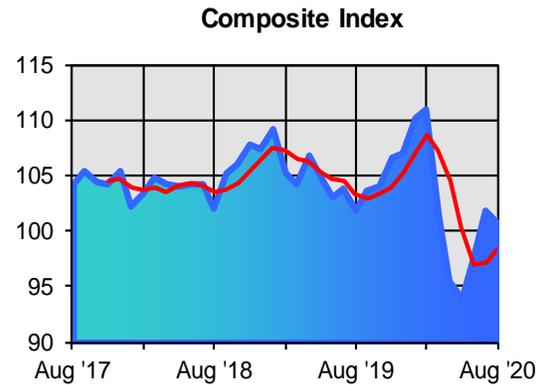
*Note: This text was updated in May, 2021 to reflect major revisions to the housing data.*

The Composite Index fell to 100.5 in August, down 1.2 points from the previous month. The Composite Index is 1.2 points lower than the Index value for this time last year. This month Retail Sales and Hospitality Indices rose, and the Employment Index rose.

The Index of Home Sales fell to 156.1, down 3.8 points from the previous month, and up 28.5 points from this time last year. The median home price rose from \$342,000 to \$350,000 in August.

Leading Indicators are mixed in August. The Unemployment Claims Index is up and Building Permits Index is down.

The seasonally adjusted unemployment rate in Humboldt County decreased from 10.0 percent to 8.8 percent. The seasonally adjusted unemployment rate in California



decreased from 13.3 percent to 11.4 percent. The seasonally adjusted national unemployment rate decreased from 10.2 percent to 8.4 percent.

The average price per gallon of gas in California decreased from \$3.20 to \$3.12. Northern California's average decreased from \$3.60 to \$3.56. Eureka's average decreased from \$3.49 to \$3.48.

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>100.5</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-2.3</b>	<b>-0.7</b>
Home Sales	156.1	-3.8	28.5	37.4	100.0
Retail Sales	140.1	-6.9	2.0	-6.6	-9.6
Hospitality	79.3	0.5	4.5	-14.4	-10.2
Electricity	119.6	0.0	0.0	8.3	-7.4
Employment	100.0	1.8	-10.1	-7.0	-0.7
Lumber*	26.3	0.0	0.0	0.0	-27.7
Manufacturing**	107.7			-	-

\* 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

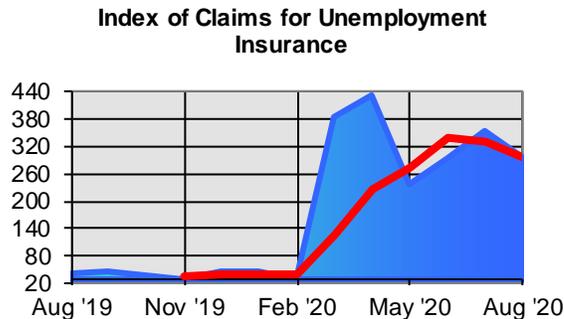
## Leading Indicators

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
N/A	-17.7%	-27.4%	1.4%
* Change from prior month. All values are seasonally adjusted.			

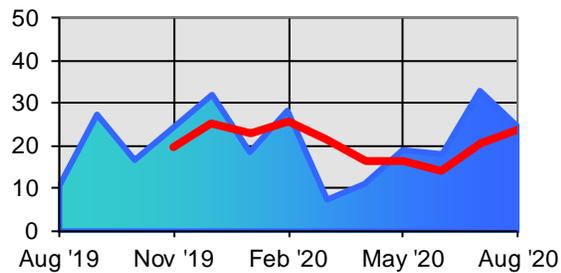
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$350,000	\$ 1,797	2.750%	8.8%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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** fell 63.0 points to a new Index value of 293.0. The current value is 251.8 points higher than the value for this time last year. The 4-month moving average fell 35.3 points to a new average of 295.4.



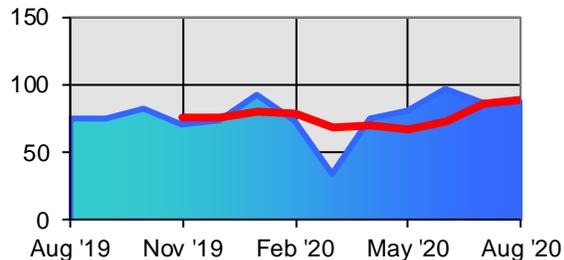
**Building Permits** fell 9.1 points to a new Index value of 24.1. The current value is 125 points higher than the value for this time last year.

Index of Building Permits Issued



**Help Wanted Advertising** rose 1.4 points to a new Index value of 88.1. The current value is 16.6 points higher than the value for this time last year. In August there were 428 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.

The Humboldt County Home Sales Index for August fell 3.8 points to a new value of 156.1. The present Index value is 28.5 points higher than the value for this time last year. The country's median home price rose from \$342,000 to \$350,000. In comparison, the median home price this time last year was \$320,000.

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 July compared to the previous month. The 10-City and 20-City Composites reported year-over-year gains of 3.3 percent and 3.9 percent, respectively. The National Index reported a 4.8 percent annual gain over the same period. After seasonal adjustment, the 10-City and 20-City Composites reported month-over-month gains of 0.5 percent and 0.6 percent, respectively. The National Index reported a seasonally adjusted increase of 0.4 percent.

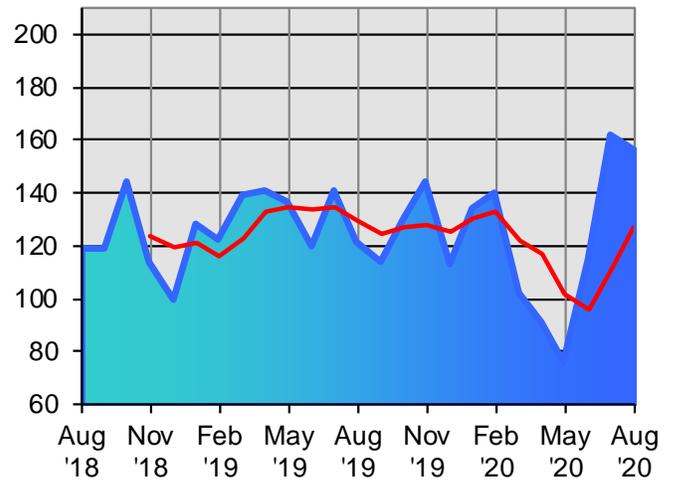
Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices, notes the rise in home sales, saying, "The strength of the housing market was consistent nationally all 19 cities for which we have July data rose, with 16 of

them outpacing their June gains."

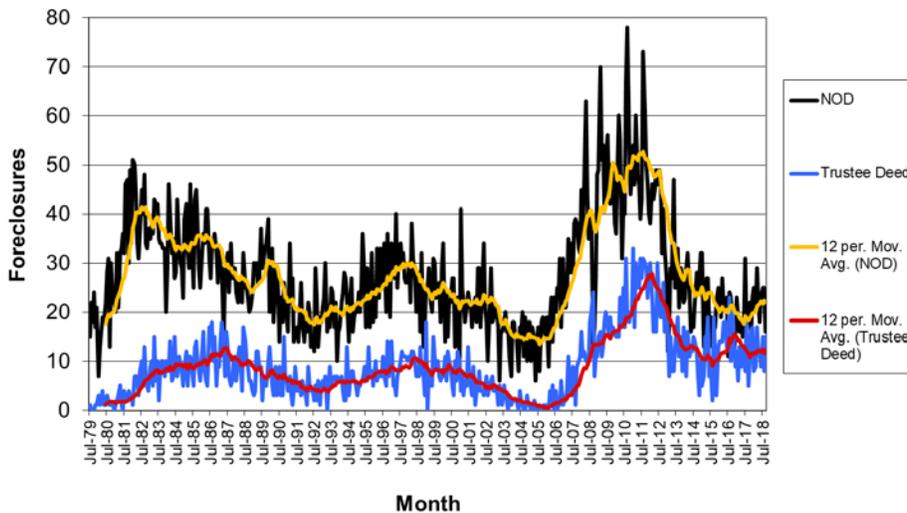
"In previous months, we've noted that a trend of accelerating increases in the National Composite Index began in August 2019. That trend was interrupted in May and June, as price gains decelerated modestly, but now may have resumed. Obviously more data will be required before we can say with confidence that any COVID-related deceleration is behind us."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of September 24, was 2.90 percent, down from 2.91 on August 27. The average 15-year fixed-rate mortgage was 2.40 percent at the end of September, down from 2.46.

**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.

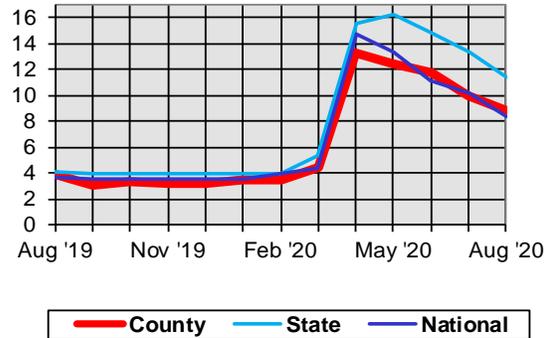
The Total County Employment Index rose 1.8 points to a new value of 100.0. The seasonally adjusted unemployment rate in Humboldt County decreased from 10.0 percent to 8.8 percent. The seasonally adjusted unemployment rate in California decreased from 13.3 percent to 11.4 percent. The seasonally adjusted national unemployment rate decreased from 10.2 percent to 8.4 percent.

The Employment Development Department of California indicated that in August Humboldt County's estimate of total employment increased by 1,200 individuals to a total of 54,200. Humboldt County's total unemployment decreased from 6,300 individuals in July to an estimated 4,800 individuals in August.

In the Labor Department's August report, total nonfarm payroll employment rose by 1.4. Government gained 344,000 jobs. Retail trade gained 429,000, almost half of which occurred in general merchandise stores.

Professional and business services gained 197,000 jobs, over half of which occurred in temporary help services. Leisure and hospitality gained 174,000, mostly in food services and drinking places. Education and health services gained 147,000 jobs, transportation and warehousing gained 78,000 jobs, other services gained 74,000 jobs, financial activities gained 36,000 jobs, manufacturing gained 29,000 jobs, and wholesale trade gained 14,000 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 August from 78.9 to a new value of 79.3. This month's Index value is 3.4 points higher than the value for this time last year. The 4-month moving average rose 1.5 points to a current value of 78.6.

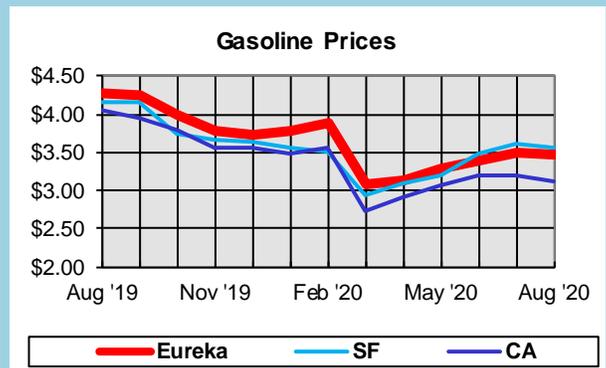
## Gasoline Prices

California's average gas price fell slightly in August to \$3.12, an 8 cent decrease from the previous month. Northern California's average price decreased 4 cents to a new average of \$3.56, while Eureka's average gas price fell by 1 cent to a new average of \$3.48. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.45 per gallon in 1982-84 dollars.

Saudi Arabia, the world's largest exporter of crude oil, has lost market share in China in recent months to U.S. exporters. China imported record volumes of oil in May and June after prices plummeted in April. Though less oil was imported in July compared to June, China still imported 25 percent more oil than they did in July of the previous year. In the same month, China imported 23.4 percent less oil from Saudi Arabia and 139 percent more oil from the U.S., year over year. This may be a result of a combination of storage capacity issues in the U.S. and OPEC+ production cuts.

Gas Prices		
Prices as of 9/30/2020	Average price*	Change from previous month
Eureka	\$3.48	-\$0.01
Northern California	\$3.56	-\$0.04
California	\$3.12	-\$0.08

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csaa.com](http://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 contracted to a seasonally adjusted Index value of 107.7 in August, down 0.7 points from the previous month's value of 108.4. Manufacturing employment remained at 2,100 individuals for the fourth consecutive month, according to the Employment Development Department.

The Institute for Supply Management reports that in August economic activity in the manufacturing sector expanded, while the overall economy grew for the fourth 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 August is 56.0, up 1.8 percentage points from July.

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

The New Export Orders Index for August is 53.3 percent, up 2.9 percentage point from July. This is the second 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. Nine industries reported growth in the following order: Furniture & Related Products; Textile Mills; Miscellaneous Manufacturing; Plastics & Rubber Products; Chemical Products; Food, Beverage & Tobacco Products; Transportation Equipment; Computer & Electronic Products; and Machinery. Two industries contracted in the following order: Nonmetallic Mineral Products; and Fabricated Metal Products. Seven industries reported no change in new export orders.

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 140.1 for August, down of 10.4 points from the previous month, and up 2.7 from this time last year. The 4-month moving average fell 0.2 points with a new value of 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 in August fell 6.9 points to a current Index value of 84.8, its lowest level in six years. The Expectations Index fell 3.7 points to a new value of 85.2, and the Present Situation Index 11.7 points to a new value of 84.2.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer spending has rebounded in recent months but increasing concerns amongst consumers about the economic outlook and their financial well-being will likely cause spending to cool in the months ahead,

In August, the percentage of consumers expecting business conditions to improve over the next six months declined from 31.6 percent to 30.0 percent, while the percentage of consumers expecting business conditions to decline increased from 19.3 percent to 20.5 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

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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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