

# Humboldt Economic Index

May 2018

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## County Unemployment Rate Hits Index Low

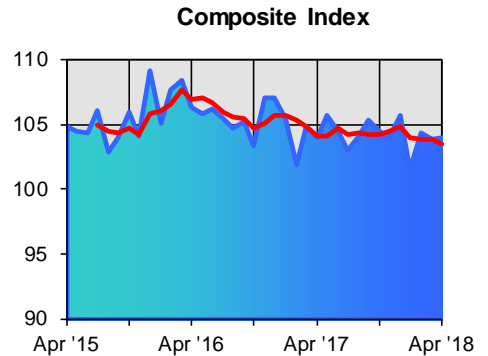
This month we welcome Darby Lawrence to the Index as our new assistant editor. Darby transferred to HSU to study economics and is eager to learn more about the NorthCoast economy. Welcome Darby!

The Composite Index rose to 104.0, up 0.2 points from the previous month. The Composite Index is down 0.1 point from this time last year. This month the Home Index rose, with the Retail, Hospitality and Employment Indices falling.

The Index of Home Sales rose 11.0 points from March, and is up 17.7 points from April of last year. The median home price fell to \$308,000, down from \$310,000 in March.

Leading Indicators were mixed in April. Unemployment Claims are down, Building Permits are down slightly, and Manufacturing Orders are up.

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.3 percent to 3.2 percent. This is the lowest rate since the Index began collecting data in 1994. The seasonally adjusted unemployment rate in California fell slightly to 4.2 percent, changing for the first time in



four months. The national unemployment rate changed for the first time in six months falling 0.2 points to 3.9 points.

California gas prices increased from \$3.60 to \$3.73. Northern California's average rose from \$3.70 to \$3.81. Eureka's average gas price per gallon rose from \$3.72 to \$3.82.

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>104.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>-2.8</b>
Home Sales	137.7	8.7	14.7	5.8	51.4
Retail Sales	132.9	-4.3	-12.1	-12.9	-18.1
Hospitality	88.1	8.6	5.4	9.1	-7.6
Electricity	116.4	5.6	5.7	-9.5	-13.4
Employment	112.4	-0.3	1.4	11.9	6.6
Lumber*	26.3	0.0	0.0	-28.5	-57.0
Manufacturing**	94.7			-	-

\* 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.

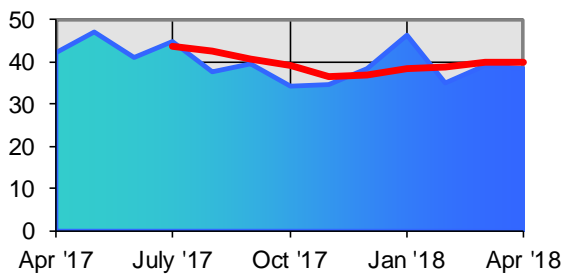
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-23.6%	10.4%	77.6%	22.1%
* Change from prior month. All values are seasonally adjusted.			

**Unemployment Claims** decreased 1.0 point to a new index value of 38.4. The unemployment claims index was 42.1 in April 2017, 3.7 points higher than the present value. The 4-month moving average stayed at 39.8 points.

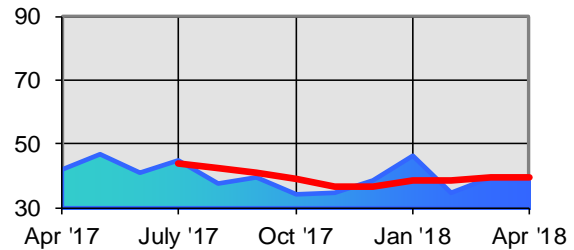
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$308,000	\$ 1,565	4.750%	3.3%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 from last month's value of 77.5 to 78.5. The manufacturing orders index value in April 2017 was 79.3, which is 0.8 points higher than the present value.

Index of Manufacturing Orders

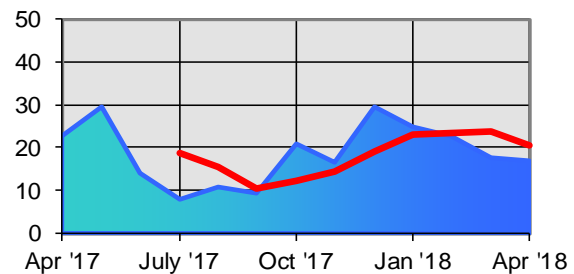


Index of Claims for Unemployment Insurance



**Building Permits** fell 0.4 points to a new index value of 17.1. The current value is 5.7 points lower than the April 2017 value.

Index of Building Permits Issued



**Help Wanted Advertising** We have changed our data collection method from relying solely on newspaper advertisements to counting unique jobs listings on Craigslist. Due to the increased volume of help wanted ads we can no longer reliably report the seasonally adjusted index. We will report the raw number collected until seasonal adjustment can be resumed.

In April, there were 487 unique job postings on Craigslist, a decrease of 83 from the previous 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 April 2018 stands at an index value of 137.7 which is 11.0 points higher than March value of 126.7. The index value in April 2017 was 17.7 points lower than the current value. The four-month moving average is up 1.4 points to a new value of 126.6. The county's median home price fell to \$308,000 from \$310,000. In comparison, the median home price in April 2017 was \$299,000.

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.

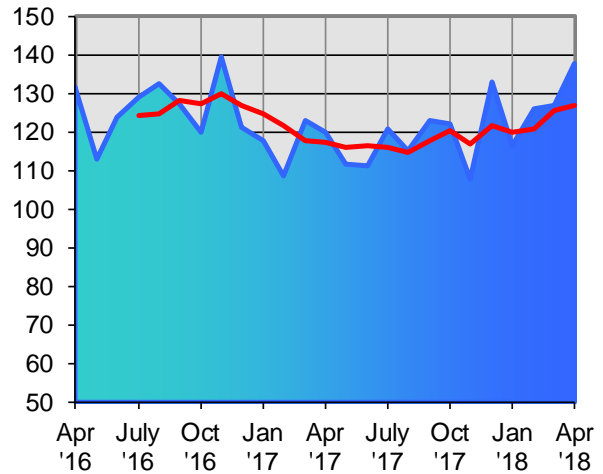
The S&P Case-Shiller Home Price Indices saw mixed year-over-year gains in April compared to March. The National Index reported a 6.5 percent annual gain over the same period. The 10-City and 20-City Composites report year-over-year gains of 6.5 percent and 6.8 percent, respectively. After seasonal adjustment, the 10-City Composite, the 20-City Composite reported a 0.4 and 0.5 month-over-month increase respectively, and the National Index showed a 0.8 percent increase.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home prices, "Looking across various national statistics on sales of new or existing homes, permits for new construction, and financing terms, two figures that stand out are rapidly rising home prices and low inventories of existing homes for sale. Months-supply,

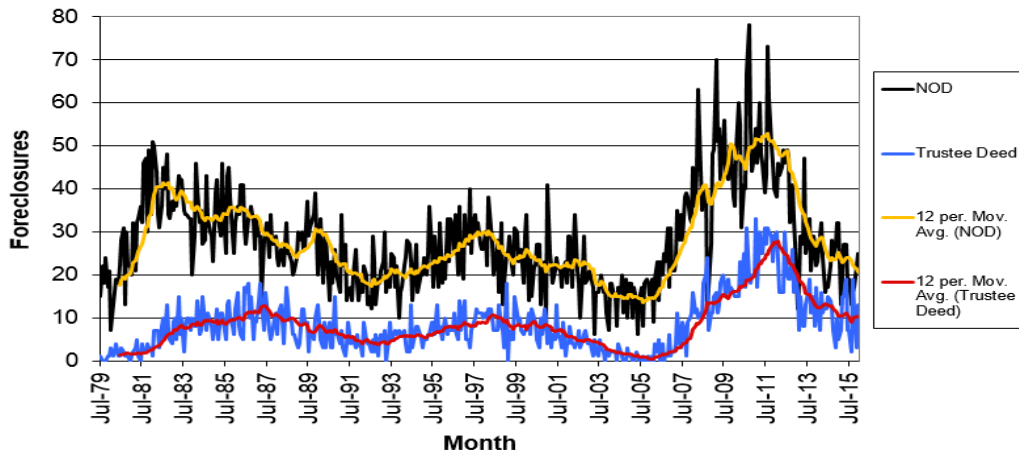
which combines inventory levels and sales, is currently at 3.8 months, lower than the levels of the 1990s, before the housing boom and bust. Until inventories increase faster than sales, or the economy slows significantly, home prices are likely to continue rising. Compared to the price gains of the last boom in the early 2000s, things are calmer today."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of May 31, 2018, is 4.56 percent. This is higher than April's last reported rate of 4.55 percent. The average 15-year fixed-rate mortgage is 4.06 percent, an increase from 4.04 percent in April.

**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 in April fell to 112.4, down from 112.7 in March. The estimated seasonally adjusted unemployment rate for Humboldt County decreased from 3.3 percent to 3.2 percent. This is a record low since we've begun collecting data in 1994 and it marks six straight months of unemployment below 4 percent. The unemployment rate for California fell to 4.2 percent and the national unemployment rate fell to 3.9 percent in April.

The Employment Development Department of California indicated that in April Humboldt County's preliminary estimate of total employment rose to a total of 60,960. Humboldt County's total unemployment decreased from 2,340 individuals in March to an estimated 2,090 individuals in April.

In the Labor Department's May report, total nonfarm payroll employment marginally rose by 223,000. Employment in professional and business services, manufacturing, retail, healthcare and mining all rose in

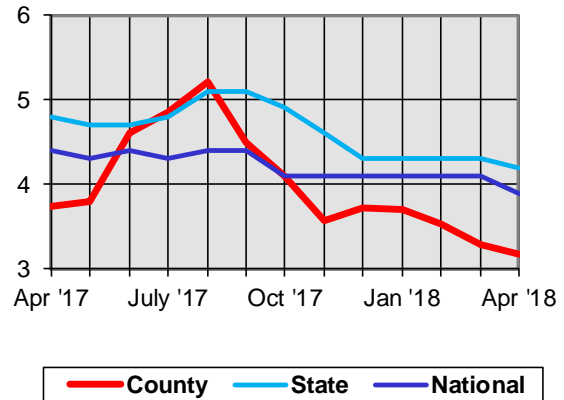
## Hospitality

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 April to a new value of 83.3 from 88.1. This month's index value represents a 1.2-point increase from this time last year. The 4-month moving average fell 0.8 points to a current value of 82.7.

May. Employment in wholesale trade, information, financial activities, leisure and hospitality, and government changed little.

Unemployment Percentage Rates



## Gasoline Prices

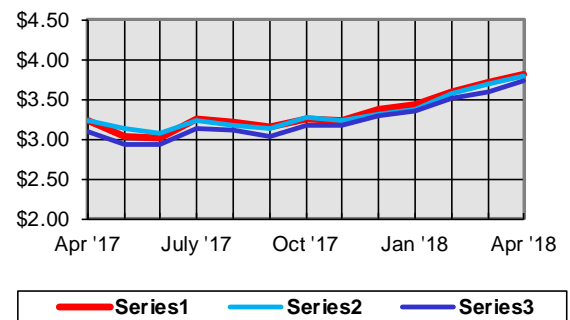
California's average gas price rose in April to \$3.73, a 13-cent increase from the previous month. Northern California's average price increased 11 cents to a new average of \$3.81, while Eureka's average gas price rose by 10 cents to a new average of \$3.82. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.79 per gallon in 1982-84 dollars.

The continuing increase of gas prices have hurt many in the wallet, especially in California known for having some of the highest gas prices in the country. According to AAA and Oil Price Information Service gasoline has risen 63.6 cents from the start of the year. Despite the dramatic increase, many experts have hope that prices will begin to fall soon. Crude oil prices have begun to decline, a relief after some of the highest prices in three years. The Automobile Club of Southern California's corporate communications manager Jeffery Spring says, "The California Energy Commission is reporting the highest level of gasoline stocks in three months and local refineries reportedly have completed their planned maintenance."

Gas Prices		
Prices as of 5/31/2018	Average price*	Change from previous month
Eureka	\$3.82	\$0.11
Northern California	\$3.81	\$0.11
California	\$3.73	\$0.14

\* 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)).

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 94.7 in April, a 1.6-point increase from the previous month's value of 93.1. Manufacturing employment remained at 2,100 individuals for the thirteenth month, according to the Employment Development Department.

The Institute for Supply Management reports that in January economic activity in the manufacturing sector expanded, while the overall economy grew for the 109<sup>th</sup> 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 May is 58.7, this a 1.4-point increase from April.

Nationally, sixteen of the eighteen manufacturing industries are reporting growth in April including Textile Mills; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Printing & Related Support Activities; Fabricated Metal Products; Furniture & Related Products; Machinery; Chemical Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Petroleum & Coal Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Transportation Equipment; Paper Products; and Primary Metals. The no industry reported a contraction in May compared to April.

The PMI New Export Orders Index for May is 63.7 percent, indicating an increase over April's index of 2.5 points. This is the 29<sup>th</sup> consecutive month of growth in New Orders. 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. Fifteen industries reported growth in the new export orders, including Nonmetallic Mineral Products; Computer & Electronic Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Miscellaneous Manufacturing; Textile Mills; Printing & Related Support Activities; Chemical Products; Machinery; Transportation Equipment; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Plastics & Rubber Products; and Primary Metals. One industry showed a decrease on new orders in May: Apparel, Leather & Allied Products.

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 data has been updated for the third fiscal quarter of 2017– October through December – and the Energy Index stands at a value of 110.7. October's index value is 4.6 points higher than September's value, and 2.8 points higher than in October 2016. November's value of 108.6 was 2 points lower than October's value, and 3.5 points higher than in November 2016. December's value of 110.7 was 2.1 points higher than November's value and 11.9 points lower than in December 2016.

The next update for the Energy index is expected following the close of the first 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 133.9 for April, a decrease of 5.9 points from the value of 138.8 in March. The April 2018 value is 18.3 points lower than April 2017. The 4-month moving average is down by 5.2 points with a new value of 140.8.

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 by 2.4 points to a current index value of 128.0. The Expectations Index increased 1.3 points to a new value of 105.6, and the Present Situation Index decreased, from 157.5 to 161.7.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumers' assessment of current conditions increased to a 17-year high (March 2001, 167.5), suggesting that the level of economic growth in Q2 is likely to have improved from Q1. Consumers' short-term expectations improved modestly, suggesting that the pace of growth over the coming months is not likely to gain any significant momentum." The percentage of consumers expecting business conditions to improve over the next six months fell to 21.8 from 21.3 percent, while the percentage of consumers expecting business conditions to decline decreased to 8.3.

## 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.

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Institute for Supply Management – Times of San Diego

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