

Humboldt Economic Index

November 2018

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Consumer Confidence and Gas Prices Fall

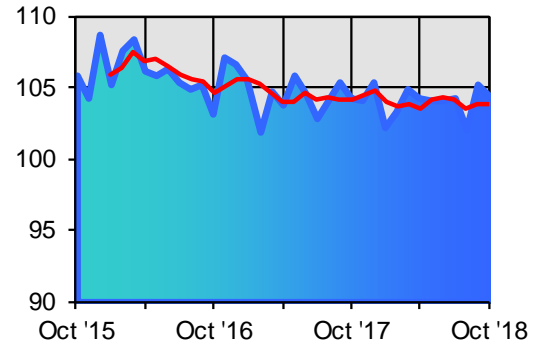
The Composite Index fell to 104.3, down 0.9 points from the previous month. The Composite Index is up 0.1 points from this time last year. This month, the Retail Sales, and Employment Indices fell, while the Hospitality Index rose.

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. There is no new median home price to report, however September's median home price was \$315,000.

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

There was little movement in Unemployment this month. The seasonally adjusted unemployment rate in Humboldt County stayed the same at 3.6 percent. The seasonally adjusted unemployment rate in California stayed at 4.1 percent. The national unemployment rate also stayed the same at 3.7 percent. The seasonally adjusted index fell 0.4 points to a new value of 112.1.

Composite Index



California gas prices decreased from \$3.76 to \$3.48. Northern California's average fell from \$3.89 to \$3.67. Eureka's average gas price per gallon rose from \$3.90 to \$3.73.

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	104.3	-0.8	0.0	3.8	2.2
Home Sales	118.6	0.0	0.4	35.0	49.8
Retail Sales	134.3	-6.8	-1.9	-9.0	-13.0
Hospitality	96.3	5.9	-10.4	2.5	18.3
Electricity	119.6	0.0	8.1	-3.7	-9.7
Employment	112.1	-0.3	2.0	13.1	8.7
Lumber*	26.3	0.0	0.0	-29.5	-34.7
Manufacturing**	96.9			-	-

* 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.

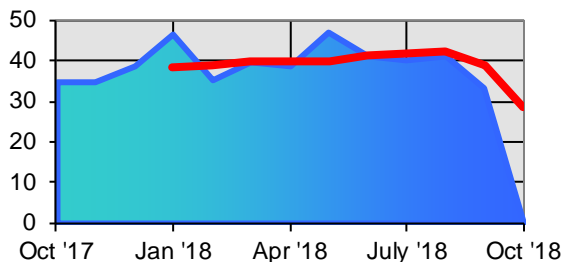
Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-12.3%	10.4%	77.6%	0.0%
* Change from prior month. All values are seasonally adjusted.			

Unemployment Claims decreased 7.2 points to a new Index value of 26.1. The Unemployment Claims Index was 34.4 in October 2017, 8.4 points lower than the present value. The 4-month moving average fell 3.8 points to 35.1.

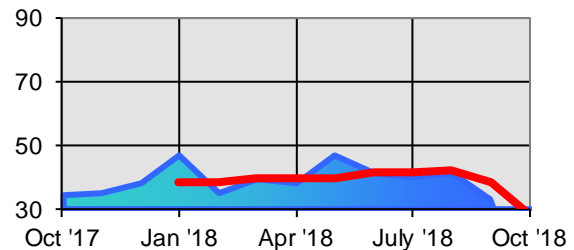
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$0	\$ 1,478	5.000%	3.7%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 from last month's value of 78.1 to 79.1. The Manufacturing Orders Index value in October 2017 was 105.7, which is 26.6 points lower than the present value.

Index of Manufacturing Orders



Index of Claims for Unemployment Insurance



Building Permits fell 1.3 points to a new Index value of 12.6. The current value is 8.4 points lower than the October 2017 value.

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Help Wanted Advertising stands at an Index value of 88.5 up 4.3 points from last month. The three month moving average is at 88.0. In October there were 415 unique job postings on Craigslist.

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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 October 2018 stands at an Index value of 118.6, which is the same as September's value. The Index value in October 2017 was 0.4 points lower than the current value. There is no new median home price to report this month 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.

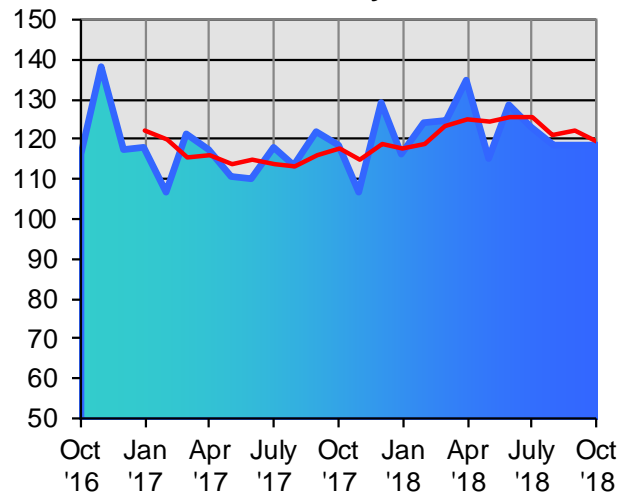
The S&P Case-Shiller Home Price Indices saw a slightly higher year-over-year gain in August compared to July. The 10-City and 20-City Composites report year-over-year gains of 4.7 percent and 5.0 percent, respectively. The National Index reported a 5.5 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite showed a month-over-month change of 0.5 percent, and the 20-City Composite posted a 0.4 percent change. The National Index also reported a seasonally adjusted increase of 0.5 percent.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home prices, "Home prices in most parts of the U.S. rose in October from September and from a year earlier. The combination of higher mortgage rates and higher home prices rising faster than incomes and wages means fewer people can afford to buy a house. Fixed

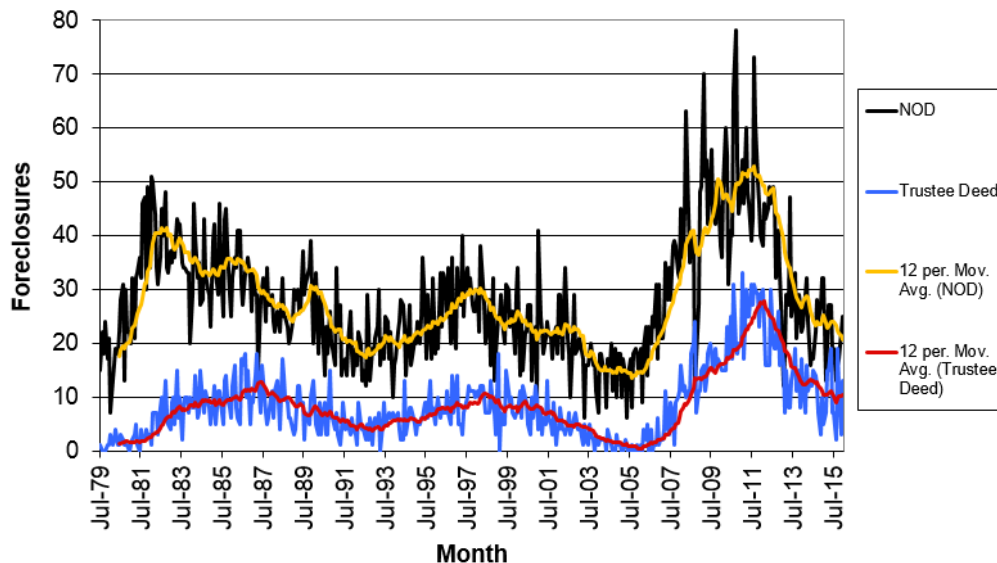
rate 30-year mortgages are currently 4.75%, up from 4% one year earlier. Home prices are up 54%, or 40% excluding inflation, since they bottomed in 2012. Reduced affordability is slowing sales of both new and existing single family homes. Sales peaked in November 2017 and have drifted down since then."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of December 27, 2018, is 4.55 percent. This is a slight decrease from November's last reported rate of 4.81 percent. The average 15-year fixed-rate mortgage is 4.01 percent, an increase from 4.25 percent in November.

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.

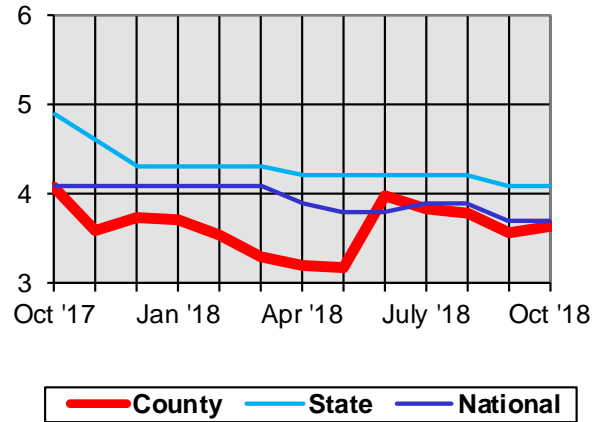
The Total County Employment Index decreased 0.4 points to a value of 112.1. The seasonally adjusted unemployment rate for Humboldt County stayed at 3.6. The unemployment rate for California stayed at 4.1 percent. The national unemployment rate also stayed the same at 3.7 percent.

The Employment Development Department of California indicated that in September Humboldt County's preliminary estimate of total employment rose by 500 individuals to a total of 62,300. Humboldt County's total unemployment increased from 2,000 individuals in September to an estimated 2,100 individuals in October.

In the Labor Department's November report, total nonfarm payroll employment rose by 155,000. Employment in transportation and warehousing, manufacturing, and health care all rose in November. Employment in mining, construction, wholesale trade,

information, financial activities, leisure and hospitality, and government, changed little over the month.

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 October to a new value of 96.3 from 91.0. This month's index value represents a 11.1 point decrease from this time last year. The 4-month moving average rose 1.3 points to a current value of 90.4.

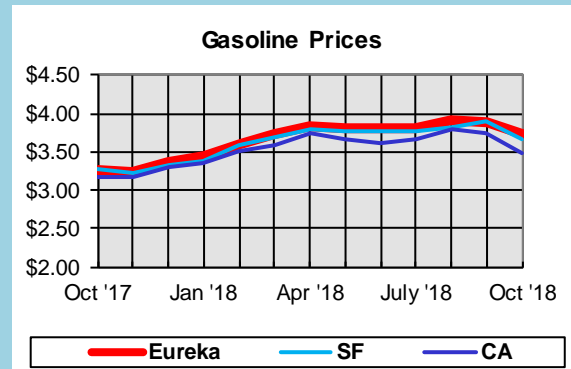
Gasoline Prices

California's average gas price rose in November to \$3.48, a 27 cent decrease from the previous month. Northern California's average price decreased 22 cents to a new average of \$3.67, while Eureka's average gas price fell by 17 cents to a new average of \$3.73. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.70 per gallon in 1982-84 dollars.

Gas prices have finally seen a downturn after they have risen overall for about a year. The primary United States benchmark price for crude oil, West Texas Intermediate, has fallen into a 17 month low. There are many speculations about the sudden oil price collapse. Many believe that growing concerns over a faltering global economy and a potential oncoming bear market combined with a glut in the crude oil supply have pushed prices down dramatically, though not everyone expects this to continue. OPEC and Russia have reached an agreement to cut 1.2 million BPD in the market. Saudi Arabia has also said that they would cut oil production in retaliation to certain countries receiving waivers on Iranian imports, though it remains to be seen if they will follow through.

Gas Prices		
Prices as of 11/30/2018	Average price*	Change from previous month
Eureka	\$3.73	-\$0.17
Northern California	\$3.67	-\$0.22
California	\$3.48	-\$0.27

* 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 expanded to a seasonally adjusted index value of 96.9 in October, a 2.4 point increase from the previous month's value of 94.6. Manufacturing employment remained at 2,100 individuals for the 18th 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 115th 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 November is 59.3, this a 1.6 point increase from October.

Nationally, thirteen of the eighteen manufacturing industries are reporting growth in November including Computer & Electronic Products; Plastics & Rubber Products; Paper Products; Textile Mills; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Machinery; Transportation Equipment; Chemical Products; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Furniture & Related Products; and Petroleum & Coal Products.. Three industries reported a contraction over the period: Printing & Related Support Activities; Nonmetallic Mineral Products; and Primary Metals.

The New Export Orders Index for November is 52.2 percent, unchanged from October's value. This is the 33th 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. Eight industries reported growth in the new export orders, including Textile Mills; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Chemical Products; Computer & Electronic Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; and Machinery. Three industries showed a decrease on new orders in September: Printing & Related Support Activities; Fabricated Metal Products; and Transportation Equipment.

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 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 134.3 for October, a decrease of 9.9 points from the value of 144.1 in September. The most recent value is 2.5 points lower than October 2017. The 4-month moving average is down by 1.0 points with a new value of 138.7.

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 decreased in December by 8.3 points to a current index value of 128.1. The Expectations Index decreased 13.2 points to a new value of 99.1, and the Present Situation Index decreased, from 172.6 to 171.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says that "Consumer Confidence decreased in December, following a moderate decline in November. Expectations regarding job prospects and business conditions weakened, but still suggest that the economy will continue expanding at a solid pace in the short-term. While consumers are ending 2018 on a strong note, back-to-back declines in Expectations are reflective of an increasing concern that the pace of economic growth will begin moderating in the first half of 2019." The percentage of consumers expecting business conditions to improve over the next six months fell to 18.3 percent, while the percentage of consumers expecting business conditions to decline increased to 9.7.

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

C O L L E G E O F P R O F E S S I O N A L S T U D I E S
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