

Humboldt Economic Index

April 2019

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Indicators Mixed, Gas Prices Continue to Rise in California

This month we welcome Aowyn to the Index as our new Assistant Editor. Aowyn is an economics major with a strong interest in the local economy since she was raised locally.

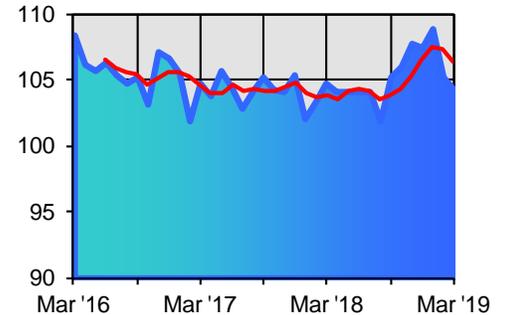
The Composite Index fell to 104.2, down 1.0 points from the previous month. The Composite Index is down 0.5 points from this time last year. This month the Home Index rose, and the Employment, Retail and Hospitality Indices fell.

The Index of Home Sales rose 18.0 points from February, and is up 19.4 points from March of last year. The median home price rose to \$309,500, up from \$296,450 in February.

Leading Indicators were mixed in March. Unemployment Claims and Manufacturing Orders rose, and Building Permits fell.

The seasonally adjusted unemployment rate in Humboldt County increased from 3.7 percent to 3.8 percent. The seasonally adjusted unemployment rate in California

Composite Index



increased from 4.2 percent to 4.3 percent. The national unemployment rate remained constant at 3.8 percent.

Average gas prices in California increased from \$3.58 to \$4.08 per gallon. Eureka's average rose from \$3.77 to \$4.22.

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	104.2	-0.9	-0.5	5.4	5.2
Home Sales	140.5	-3.1	-1.3	39.3	50.0
Retail Sales	144.0	-5.5	-2.0	-11.1	-8.8
Hospitality	79.3	-4.3	-12.2	-4.5	-10.2
Electricity	119.6	0.0	0.0	0.7	-5.7
Employment	113.4	-1.2	0.6	14.8	12.5
Lumber*	26.3	0.0	0.0	-24.1	-22.1
Manufacturing**	89.7			-	-

* 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

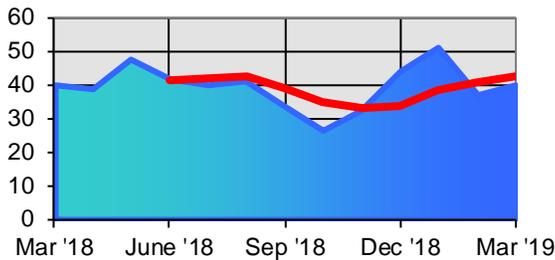
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
1.4%	8.7%	-13.4%	5.1%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$309,500	\$ 1,779	4.375%	4.3%
* 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 72.0 to 73.0. The manufacturing orders index value in March 2018 was 93.6, which is 20.2 points higher than the present value.

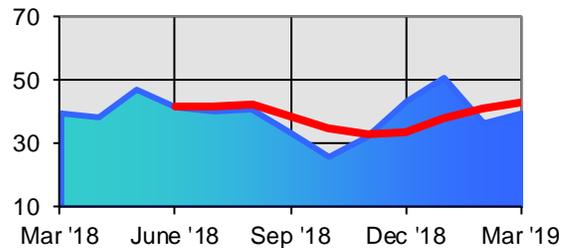
Index of Manufacturing Orders



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.

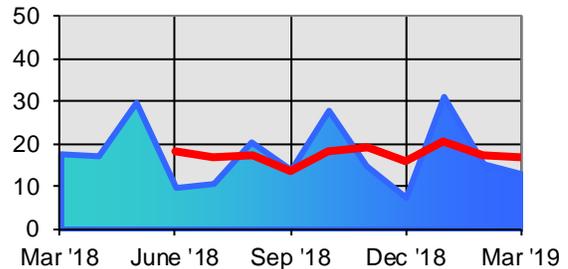
Unemployment Claims increased 3.2 points to a new index value of 39.7. The unemployment claims index was 39.4 in March 2018, 0.3 points lower than the present value. The 4-month moving average rose 1.9 points to 42.7.

Index of Claims for Unemployment Insurance



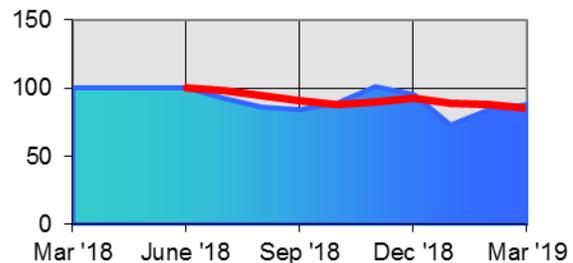
Building Permits fell 2.0 points to a new index value of 13.1. The current value is 4.4 points lower than the March 2018 value.

Index of Building Permits Issued



Help Wanted Advertising stands at an Index value of 88.4 up 4.3 points from last month. The three month moving average is down 3.2 points to a value of 85.1. In March there were 504 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 March stands at an index value of 140.5, which is 18.0 points higher than the February value of 122.5. The index value in March 2018 was 15.7 points lower than the current value. The four-month moving average rose 6.7 points to a new value of 122.3. The county's median home price rose to \$309,500 from \$295,450. In comparison, the median home price in March 2018 was \$310,000.

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.

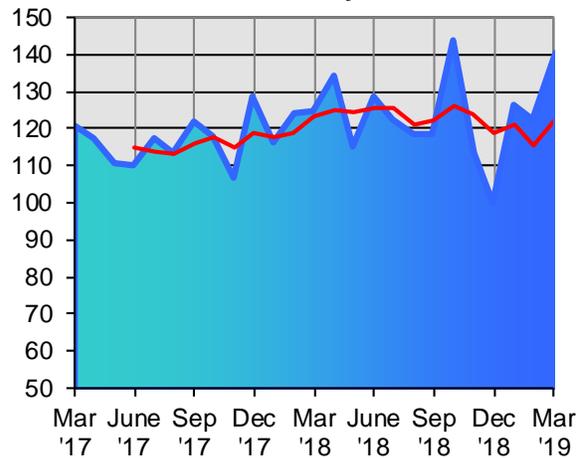
The S&P Case-Shiller Home Price Indices saw mixed year-over-year gains in February compared to January. The National Index reported a 4.0 percent annual gain, down from 4.2 percent the previous month. The 10-City and 20-City Composites report year-over-year gains of 2.6 percent and 3.0 percent, respectively. After seasonal adjustment, the 10-City Composite and the 20-City Composite both reported a 0.2 percent month-over-month increase, and the National Index showed a 0.3 percent month-over-month increase.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes that the pace of increases for home prices continues to slow. "Homes began their climb in 2012 and accelerated until late 2013 when annual increases reached double

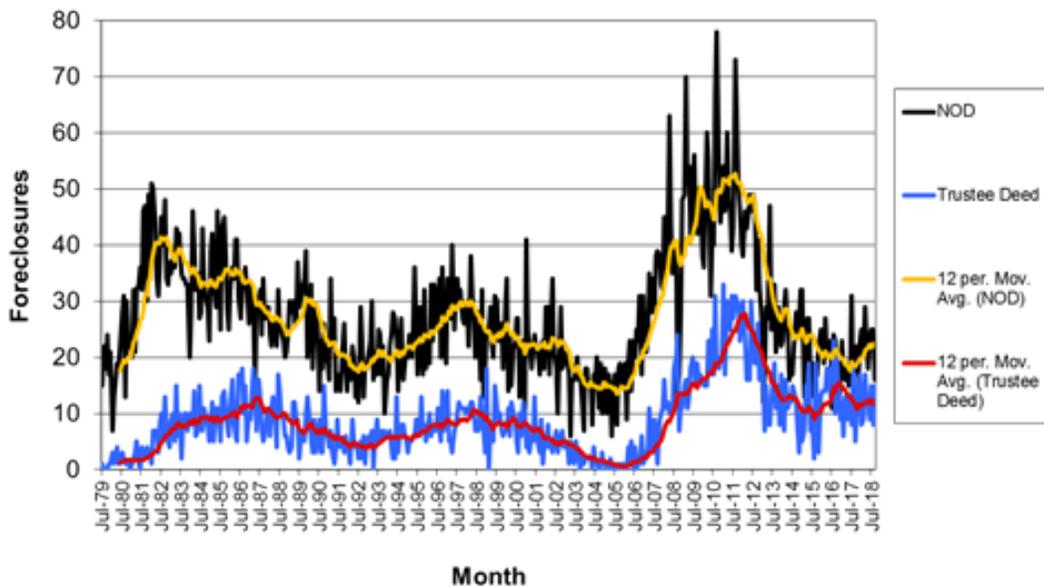
digits. Subsequently, increases slowed until now when the National Index is up 4% in the last 12 months. Sales of existing single family homes have recovered since 2010 and reached their peak one year ago in February 2018. Home sales drifted down over the last year except for a one-month pop in February 2019. Sales of new homes, housing starts, and residential investment had similar weak trajectories over the last year. Mortgage rates are down one-half to three-quarters of a percentage point since late 2018."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of April 25, 2019, is 4.20 percent. This is higher than the 4.06 percent reported on March 28, 2019. The average 15-year fixed-rate mortgage is 3.64 percent, an increase from 3.57 percent in March.

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.

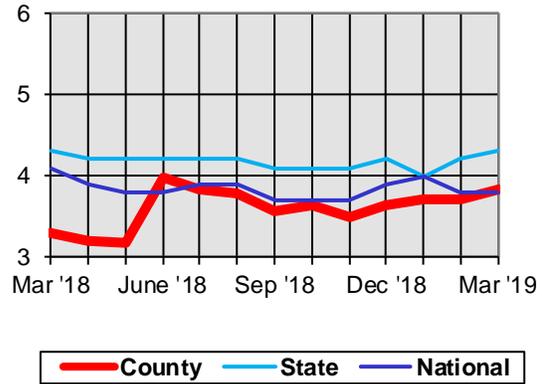
The Total County Employment Index in March fell to 113.4, down from 114.7 in February. The estimated seasonally adjusted unemployment rate for Humboldt County increased from 3.7 percent to 3.8 percent. The unemployment rate for California increased from 4.2 percent to 4.3 percent. The national unemployment rate remained at 3.8 percent.

The Employment Development Department of California indicated that in March, Humboldt County's preliminary estimate of total employment fell to a total of 61,200. Humboldt County's total unemployment remained constant at 2,700 individuals.

In the Labor Department's March report, total nonfarm payroll employment rose by 196,000. Employment rose in healthcare, professional and technical services, and food services. Employment in

construction rose slightly, and manufacturing fell slightly. Employment in the following industries showed little change: mining, wholesale trade, retail trade, transportation and warehousing, information, financial activities, and government.

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 March to a new value of 79.3 from 82.9. This month's index value represents an 11.1-point increase from this time last year. The 4-month moving average fell 7.9 points to a current value of 96.1.

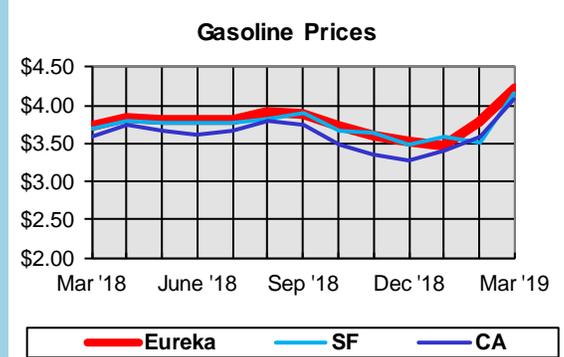
Gasoline Prices

California's average gas price rose in March to \$4.08, a 49-cent increase from the previous month. Northern California's average price increased 65 cents to a new average of \$4.16. Eureka's average gas price rose by 45 cents to a new average of \$4.22. When we adjust for inflation, the "real price" of gasoline in Eureka was \$3.04 per gallon in 1982-84 dollars. The last time that average gas prices in California and Northern California rose above \$4 was in June 2014.

According to the New York Times, gas prices in California are rising partly because of the state's stringent environmental standards. Refineries are beginning to switch to summer gas blend production, which requires manufacturers to temporarily halt production. This, along with other planned maintenance and a series of coincidental accidents, have reduced production of oil that meets California's standards. Only ten major refineries supply the entire state, and six of those refineries have recently reported work disruptions.

Gas Prices		
Prices as of 4/30/2019	Average price*	Change from previous month
Eureka	\$4.22	\$0.45
Northern California	\$4.16	\$0.65
California	\$4.08	\$0.49

* 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 rose to a seasonally adjusted index value of 90.0 in March, a 3.0-point increase from the previous month's value of 87.0. Manufacturing employment remained at 2,200 individuals, according to the Employment Development Department.

The Institute for Supply Management reports that in April, economic activity in the manufacturing sector expanded, while the overall economy grew for the 120th 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 April is 52.8, down 2.5 percentage points from March.

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

The New Export Orders Index for April is 49.5 percent, down 2.2 percentage points from March. This is the 37th 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. Six industries reported growth in the new export orders in the following order: Miscellaneous Manufacturing; Paper Products; Fabricated Metal Products; Plastics and Rubber Products; Machinery; and Chemical Products. The five industries that reported a decrease in new export orders are: Apparel; Leather and Allied Products; Primary Metals; Transportation Equipment; Electrical Equipment; Appliances and Components; and Computer and Electrical Products. The other seven industries reported no change.

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 136.0 for March, a decrease of 8.0 points from the previous value of 144.0 in February. The March 2019 value is 2.7 points lower than March 2018 value. The 4-month moving average decreased by 2.2 points to a new value of 143.0.

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 April by 1.0 point to a current index value of 129.2. The Expectations Index increased by 4.7 points to a new value of 98.3, and the Present Situation Index increased by 5.3 points to a new value of 168.3.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer Confidence partially rebounded in April, following March's decline, but still remains below levels seen last Fall. The Present Situation Index, which had decreased sharply last month, improved in April, as did consumers' short-term outlook. Overall, consumers expect the economy to continue growing at a solid pace into the summer months. These strong confidence levels should continue to support consumer spending in the near-term."

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
■ ■ ■ *realize human potential*

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