

Humboldt Economic Index

December 2018

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Foreclosures Bottom Out, Data are Updated

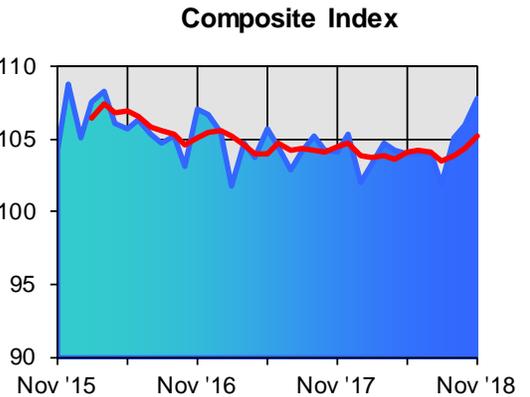
Our Foreclosure data have been updated through this fall. The drop in foreclosures appears to be over and they have bottomed out in the last couple of years, with some evidence of a recent increase. See the home sales sector below for a graph and analysis.

The Composite Index rose to 107.8, up 1.7 points from the previous month. The Composite Index is up 3.7 points from this time last year. This month, the Employment, Hospitality and Retail Sales Indices all rose while the Home Index fell.

The Index of Home Sales fell 30.4 points from October, and is down 7.0 points from November of last year. The median home price fell to \$310,000 from \$315,000 in October.

The seasonally adjusted unemployment rate in Humboldt County decreased from 3.6 percent to 3.5 percent.

California gas prices decreased from \$3.48 to \$3.34. Northern California's average fell from \$3.67 to \$3.65. Eureka's average gas price per



gallon fell from \$3.73 to \$3.61.

For the first time in 3 years we have updated the monthly foreclosures graph on page 3. The graph contains data that goes back to 1979.

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	107.8	1.6	3.6	8.7	7.8
Home Sales	113.7	-21.1	6.6	31.1	47.0
Retail Sales	144.8	8.2	-2.4	-1.0	-5.5
Hospitality	110.9	15.1	9.7	16.3	27.9
Electricity	119.6	0.0	10.1	6.0	5.2
Employment	112.6	0.4	2.4	12.5	9.9
Lumber*	26.3	0.0	0.0	-24.7	-33.6
Manufacturing**	90.3			-	-

* 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

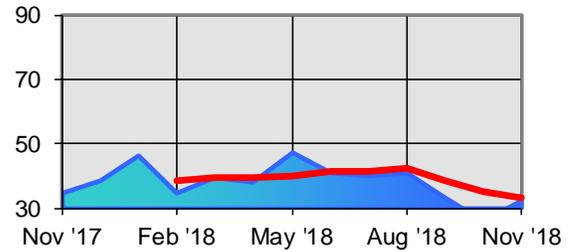
Leading Indicators

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
4.9%	23.6%	-46.8%	14.4%
* Change from prior month. All values are seasonally adjusted.			

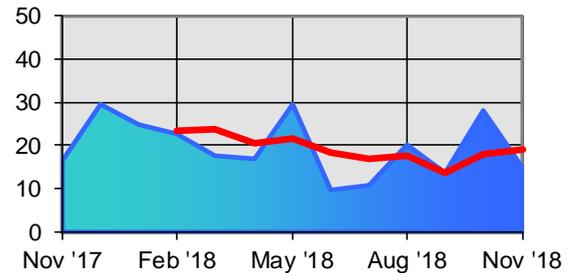
Unemployment Claims increased 23.6 points.

Index of Claims for Unemployment Insurance



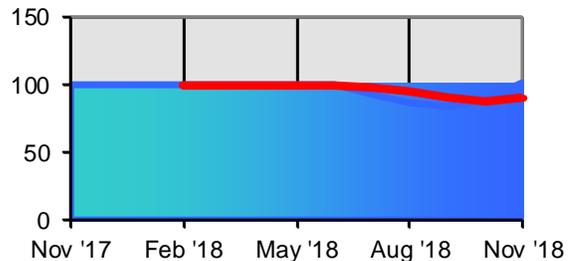
Building Permits fell 46.8 points.

Index of Building Permits Issued



Help Wanted Advertising increased 14.4 points over last month.

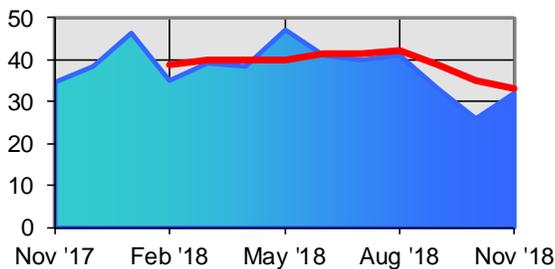
Index of Help Wanted Advertising



Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$310,000	\$1,479	3.950%	4.8%
* 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.			

Manufacturing Orders increased from last month's value by 4.9 points.

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.

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 November 2018 stands at an index value of 113.7, which is 30.4 points lower than October's value of 144.2. The index value in November 2017 was 7.0 points lower than the current value. The county's median home price fell to \$310,000 from \$315,000. In comparison, the median home price in November 2017 was \$302,500.

The S&P Case-Shiller Home Price Indices saw higher year-over-year gain in October compared to September. 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 0.5 percent month-over-month increase, the 20-City Composite showed a 0.4 percent increase and the National Index all reported a 0.5 increase.

Fixed rate 30-year mortgages are currently 4.75%, up from 4% one year earlier.

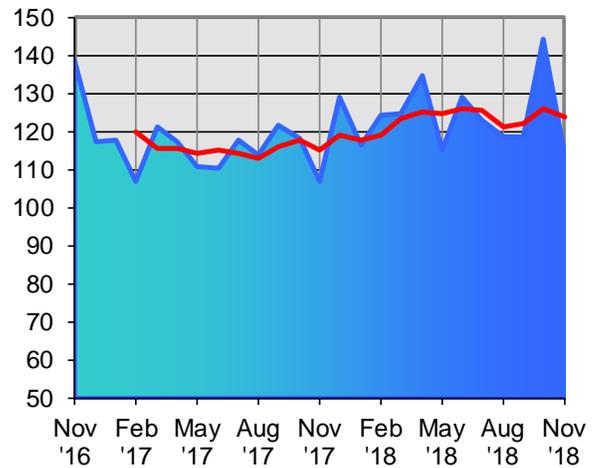
Foreclosure Data are Updated!

Looking at the 12 month moving average, Notice of Defaults are up over the last year but still low by historical standards. NODs are the first step in the foreclosure process, and indicate that the home owner is 90 days late on the mortgage payment. Looking at the 12 month moving average, Trustee Deed Sales have been flat over the last five years, but remain at historically elevated

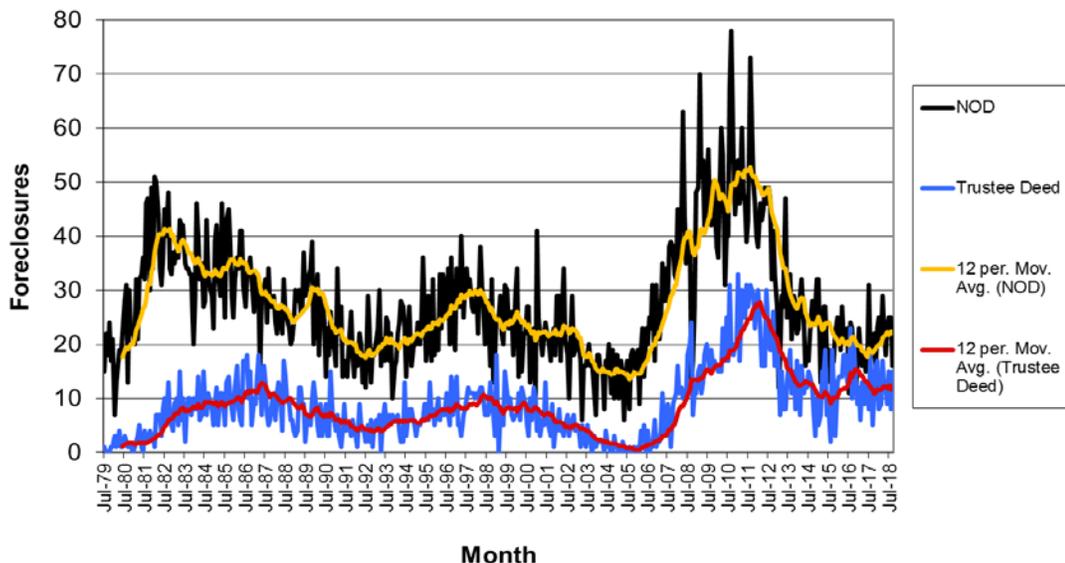
levels. Trustee Deed Sales are the last step in the foreclosure process, and indicate when the lender takes possession of the house. Since the peak after the Housing Bubble burst, NODs and Trustee Deed Sales have fallen substantially. However, it seems that a far greater number of NODs now turn into foreclosure than was true historically. In other words, in the past, a greater portion of home owners who received a NOD eventually got current on their mortgage payment. Today, it seems that NODs are more likely to lead to foreclosure.

We thank Jocelyn Bliven, Arcata High student, for updating the foreclosure data. She did a wonderful job obtaining the recent numbers as well as providing analysis.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

Total County Employment

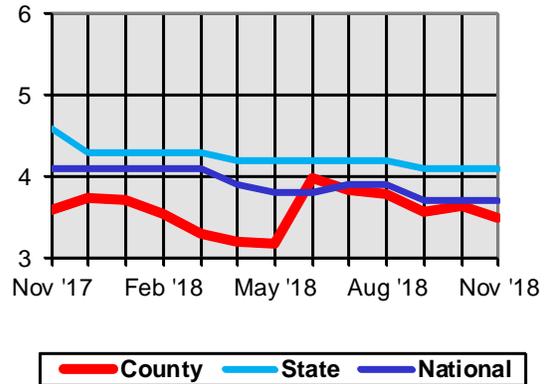
The index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The Total County Employment Index rose to a new value of 112.6. The seasonally adjusted unemployment rate for Humboldt County decreased from 3.6 percent to 3.5 percent. The unemployment rate for California stayed at 4.1 percent for the third month in a row. The national unemployment rate remained at 3.7 percent for the third consecutive month as well.

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 62,200. 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 January report, total nonfarm payroll employment rose by 304,000. Employment in health care, professional and business services, construction, manufacturing, and food services all rose in December. Employment in federal government, wholesale trade, information, and financial activities all 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 November to a new value of 101.9 from 96.3. This month's index value represents a 7.2-point decrease from this time last year. The 4-month moving average rose 5.1 points to a current value of 95.5.

Gasoline Prices

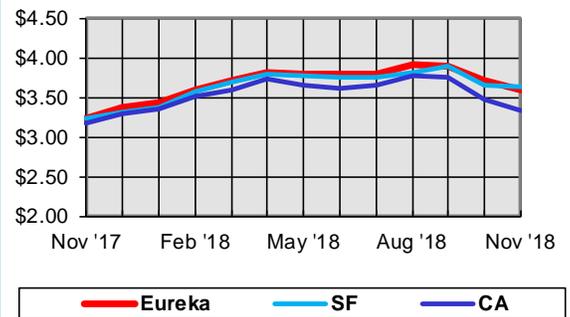
California's average gas price fell slightly in December to \$3.34, a 14-cent decrease from the previous month. Northern California's average price decreased 2 cents to a new average of \$3.65, while Eureka's average gas price fell by 12 cents to a new average of \$3.61. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.62 per gallon in 1982-84 dollars.

There has been some slight relief for gas prices in the month of December. OPEC has ramped up oil production causing price of a barrel of crude oil to fall to 53.6 in December, a sharp downturn from October's price of 75.36. Speculators expect an upturn eventually, as the bearish market may cause some fields and offshore drilling operations to temporarily shut down until prices rise again. California still maintains a higher price than the rest of the country though. This is often explained by the different formulation required to meet greenhouse gas reduction standards set by the California Air Resources Board, though there is some political movement to investigate whether the price is overly inflated or not.

Gas Prices		
Prices as of 11/30/2018	Average price*	Change from previous month
Eureka	\$3.61	-\$0.12
Northern California	\$3.65	-\$0.02
California	\$3.34	-\$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).

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 expanded to a seasonally adjusted index value of 90.3 in November, a 7.0-point decrease from the previous month's value of 97.7. Manufacturing employment rose by 100 to a new value of 2,200 individuals, according to the Employment Development Department.

The Institute for Supply Management reports that in December economic activity in the manufacturing sector expanded, while the overall economy grew for the 117th 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 January is 56.6, this a 2.3-point increase from December.

Nationally, eleven of the eighteen manufacturing industries are reporting growth in January including Apparel, Leather & Allied Products; Printing & Related Support Activities; Miscellaneous Manufacturing; Plastics & Rubber Products; Primary Metals; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Computer and Electronic Products; Chemical Products; Fabricated Metal Products; and Food, Beverage & Tobacco Products. One industry reported a contraction over the period: Machinery.

The New Export Orders Index for January is 69.4 percent, indicating an increase over Decembers' index of 5.4 points. This is the 35th 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 Furniture & Related Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Chemical Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; and Food, Beverage & Tobacco Products. Three industries showed a decrease on new orders in December, Wood Products; Paper Products; and Transportation Equipment. Seven 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 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.

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 144.8 for November, an increase of 11.0 points from the value of 133.8 in October. The November 2018 value is 3.6 points lower than November 2017. The 4-month moving average is up by 01.1 points with a new value of 139.5.

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 January by 6.4 points to a current index value of 120.2. The Expectations Index decreased 10.4 points to a new value of 87.3, and the Present Situation Index decreased, from 169.9 to 169.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Expectations, declined sharply as financial market volatility and the government shutdown appear to have impacted consumers. Shock events such as government shutdowns (i.e. 2013) tend to have sharp, but temporary, impacts on consumer confidence. Thus, it appears that this month's decline is more the result of a temporary shock than a precursor to a significant slowdown in the coming months." The percentage of consumers expecting business conditions to improve over the next six months fell to 16.0 percent, while the percentage of consumers expecting business conditions to decline increased to 14.8.

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.

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Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management – OilPrice.com

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