

Humboldt Economic Index

February 2019

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Leading Indicators Mixed, Gas Prices Rise

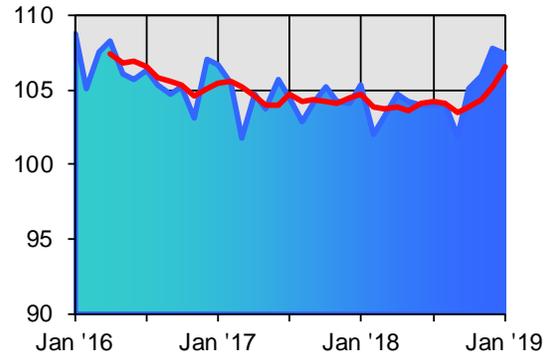
This month we say goodbye to Davin, who is graduating this semester. Davin has already begun working locally at a financial company. He was with the Index for the last two year. We thank him for his enthusiasm and great work ethic! Best of wishes Davin!

The Composite Index rose to 109.5, up 2.1 points from the previous month. The Composite Index is up 7.5 points from this time last year. This month, the Home Sales index rose, with the Hospitality and Retail Indices falling.

The Index of Home Sales rose 26.6 points from December, and is up 10.3 points from January of last year. The median home price rose to \$325,250, up from \$290,000 in December.

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

Composite Index



California gas prices increased from \$3.27 to \$3.40. Northern California's average rose from \$3.49 to \$3.59. Eureka's average gas price per gallon fell from \$3.51 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**** |
| Composite | 109.5 | 2.0 | 7.3 | 7.7 | 5.2 |
| Home Sales | 126.5 | 26.7 | 8.9 | 19.4 | 32.3 |
| Retail Sales | 144.7 | -1.8 | -1.6 | -2.4 | -5.3 |
| Hospitality | 110.0 | -1.8 | 59.5 | 22.5 | 14.3 |
| Electricity | 119.6 | 0.0 | 2.0 | -9.5 | -10.5 |
| Employment | 112.8 | 0.0 | 0.3 | 14.3 | 10.9 |
| Lumber* | 26.3 | 0.0 | 0.0 | -23.6 | -26.9 |
| Manufacturing** | 86.5 | | | - | - |

* 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

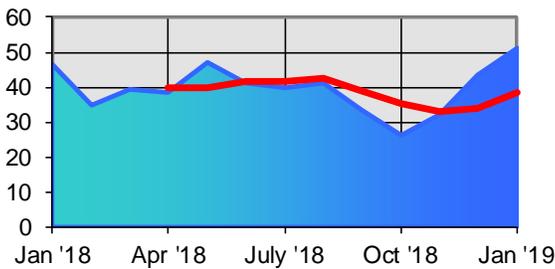
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

| Leading Indicators | | | |
|--|---------------------|------------------|-------------------------|
| Manufacturing Orders | Unemployment Claims | Building Permits | Help Wanted Advertising |
| -19.9% | 17.2% | 320.9% | -23.5% |
| * Change from prior month. All values are seasonally adjusted. | | | |

| Key Statistics | | | |
|--|----------------|----------------|--------------------|
| Median Home Price* | Monthly Rent** | Mortgage Rate† | Unemployment Rate‡ |
| \$325,250 | \$ 1,500 | 4.375% | 3.5% |
| * 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. | | | |

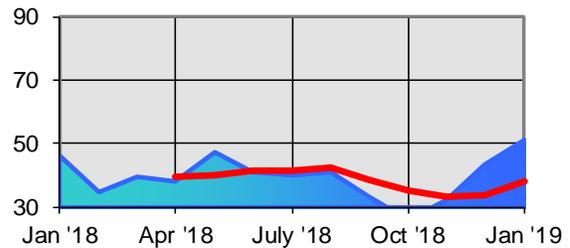
Manufacturing Orders decreased from last month's value of 89.0 to 71.0. The Manufacturing Orders Index value in January 2018 was 81.0, which is 8.7 points higher than the present value.

Index of Manufacturing Orders



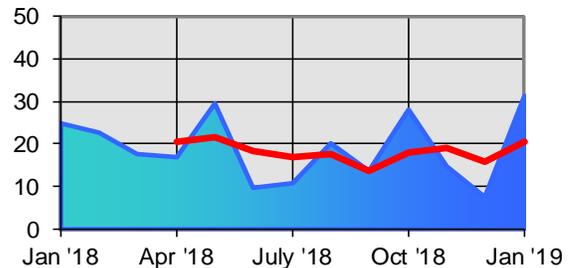
Unemployment Claims increased 7.5 points from last month to a new Index value of 51.1. The Unemployment Claims Index was 46.6 in January 2018, 4.5 points lower than the present value. The 4-month moving average rose 4.5 points to 38.2.

Index of Claims for Unemployment Insurance



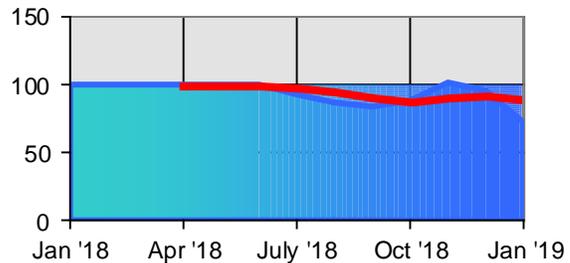
Building Permits rose 23.8 points to a new Index value of 31.3. The current value is 6.3 points higher than the January 2018 value.

Index of Building Permits Issued



Help Wanted Advertising stands at an Index value of 72.7 down 22.4 points from last month. The three month moving average is down 5.2 points to a value of 89.7. In January there were 299 unique job postings on Craigslist.

Index of Help Wanted Advertising



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 January 2019 stands at an Index value of 126.5 which is 26.6 points lower than December's value of 99.8. The Index value in January 2018 was 10.3 points lower than the current value. The four-month moving average is up 2.0 points to a new value of 1201.1. The county's median home price rose to \$325,250 from \$290,000. In comparison, the median home price in January 2018 was \$300,000.

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.

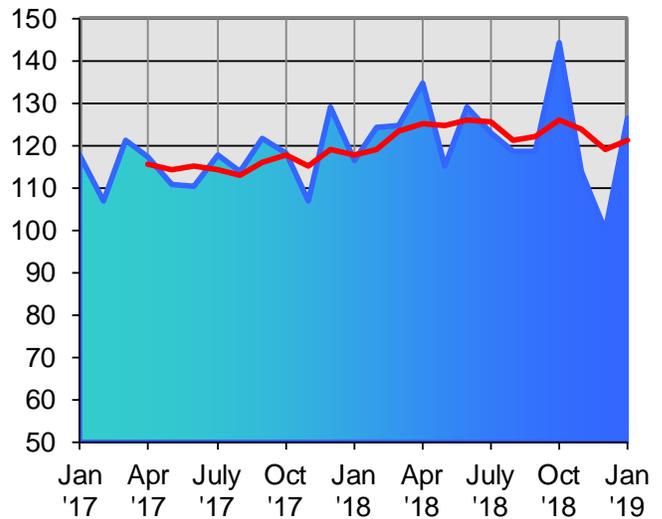
The S&P Case-Shiller Home Price Indices saw lower year-over-year gain in December compared to November. The 10-City and 20-City Composites report year-over-year gains of 3.8 percent and 4.2 percent, respectively. The National Index reported a 4.7 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite, the 20-City Composite, and both reported a 0.2 percent month-over-month increase, and the National Index showed a 0.3 percent increase.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, comments on the current market, "The annual rate of

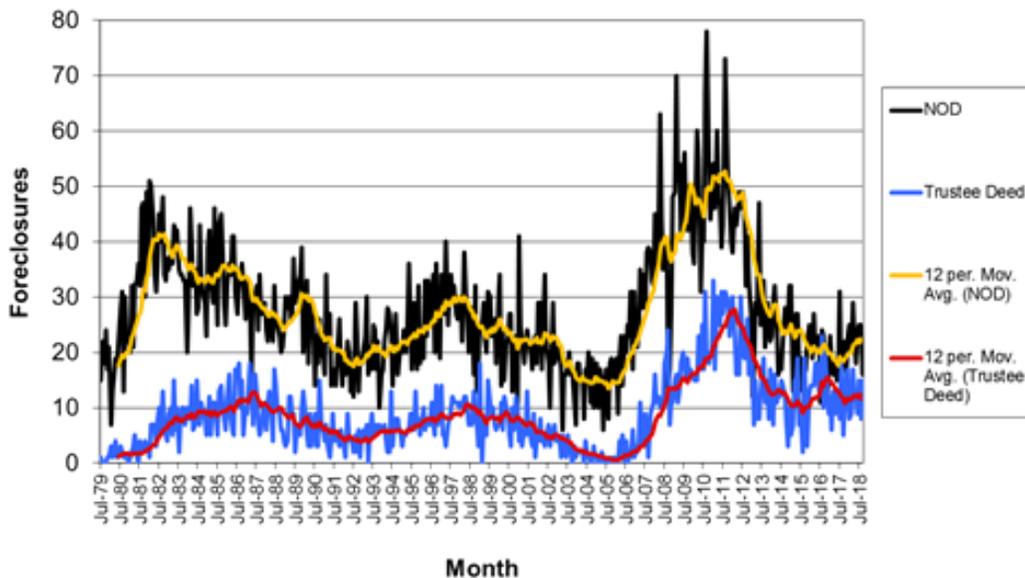
price increases continues to fall, even at the reduced pace of 4.7% per year, home prices continue to outpace wage gains of 3.5% to 4% and inflation of about 2%. A decline in interest rates in the fourth quarter was not enough to offset the impact of rising prices on home sales. The monthly number of existing single family homes sold dropped throughout 2018, reaching an annual rate of 4.45 million in December. The 2018 full year sales pace was 4.74 million."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of February 29, 2019, is 4.35 percent. This is a decrease from January's last reported rate of 4.46 percent. The average 15-year fixed-rate mortgage is 3.77 percent, a decrease from 3.89 percent in January.

Home Sales Index, Humboldt County



Monthly Foreclosures, Humboldt County



Source: Humboldt Economic Index and Humboldt County Recorder

The Index – Individual Sectors

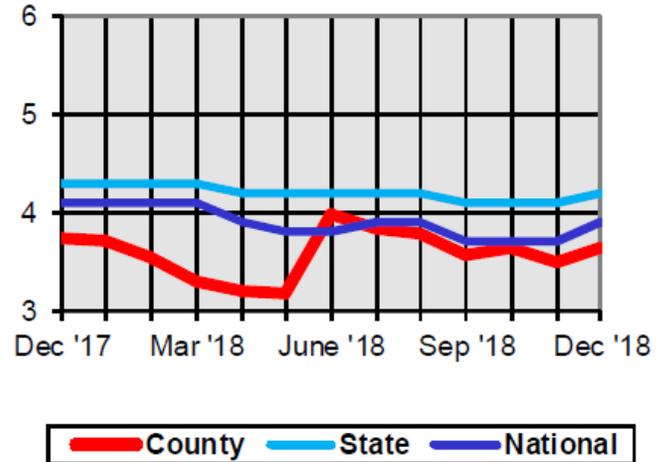
Total County Employment

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 January remains constant since employment data updates are not yet released by the EDD. The graph to the right reproduces last month's numbers.

In the Labor Department's February report, total nonfarm payroll employment rose by 20,000, changing very little. Employment in professional and business services, health care, and wholesale trade all rose in February. Employment in construction declined. Employment in mining, retail trade, leisure and hospitality, transportation and warehousing, information, financial activities, and government 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 decreased in January to a new value of 110.0 from 112.0. This month's Index value represents a 41.0-point increase from this time last year. This change can be attributed to some of our data providers being closed in the month of January last year. The 4-month moving average rose 4.8 points to a current value of 107.3.

Gasoline Prices

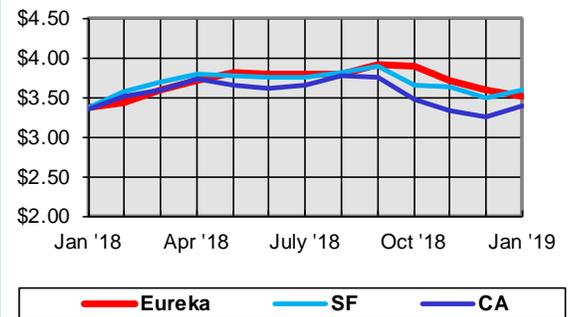
California's average gas price rose in January to \$3.40, a 14-cent increase from the previous month. Northern California's average price increased 10 cents to a new average of \$3.59, while Eureka's average gas price fell by 3 cents to a new average of \$3.48. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.53 per gallon in 1982-84 dollars.

Gasoline prices have increased in California once again (though Eureka has seen some relief). Oil prices have gone up recently due to a reduction in output from oil producing countries. According to Thomson Reuters Reporting Services OPEC oil supply has reached a 4 year low with a drop in production of 300,000 barrels per day. The 14 countries that make up OPEC collectively produced 30.68 million barrels per day in February which is its lowest monthly total since 2015. Oil is now at \$66 a barrel, back up from its December price of below \$50 due to Saudi production reduction and the United States' sanctions against the Venezuelan oil industry.

| Gas Prices | | |
|------------------------|----------------|----------------------------|
| Prices as of 2/27/2019 | Average price* | Change from previous month |
| Eureka | \$3.48 | -\$0.03 |
| Northern California | \$3.59 | \$0.10 |
| California | \$3.40 | \$0.14 |

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csa.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 86.5 in January, a 8.0 point decrease from the previous month's value of 94.2. Manufacturing employment remained at 2,200 individuals for the third month, according to the Employment Development Department.

The Institute for Supply Management reports that in February economic activity in the manufacturing sector expanded, while the overall economy grew for the 118th 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 February is 54.2, this a 2.4 point decrease from January.

Nationally, sixteen of the eighteen manufacturing industries are reporting growth in February including Printing & Related Support Activities; Textile Mills; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Paper Products; Wood Products; Primary Metals; Chemical Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Petroleum & Coal Products; Transportation Equipment; Machinery; Furniture & Related Products; and Plastics & Rubber Products. One industry reported a contraction over the period Nonmetallic Mineral Products.

The New Export Orders Index for February is 52.8 percent, indicating an increase over January's index of 1.0 points. This is the 36th consecutive month of growth in New Export 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. Seven industries reported growth in the new export orders, including Wood Products; Furniture & Related Products; Miscellaneous Manufacturing; Chemical Products; Food, Beverage & Tobacco Products; Machinery; and Plastics & Rubber Product. Two industries showed a decrease on new orders in February Apparel, Leather and Allied Products; and Fabricated Metal Products.

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 144.7 for January, a decrease of 2.7 points from the value of 147.4 in December. The January 2019 value is 2.4 points lower than January 2018. The 4-month moving average is up slightly by 0.2 points with a new value of 142.6.

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 February by 9.7 points to a current index value of 131.4. The Expectations Index increased 14.4 points to a new value of 103.8, and the Present Situation Index increased, from 170.2 to 172.8.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumer confidence improved in January after declining in December. Consumers' assessment of current conditions decreased slightly, but remains at historically strong levels. Expectations improved, though consumers were somewhat ambivalent about their income prospects over the coming months, perhaps the result of some uncertainty regarding the impact of the tax plan." The percentage of consumers expecting business conditions to improve over the next six months rose marginally to 19.6 from 15.3 percent, while the percentage of consumers expecting business conditions to decline decreased to 9.2.

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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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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