

Humboldt Economic Index

March 2019

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Composite Index Falls, Other Indicators Mixed

This month we say goodbye to Darby, who is our Assistant Editor and who is graduating with a degree in economics. The Index has benefited from her enthusiasm and curiosity. We wish Darby the best!

We also welcome Justice as our new Assistant Analyst. Justice has worked for a financial institution and was raised in a neighboring county.

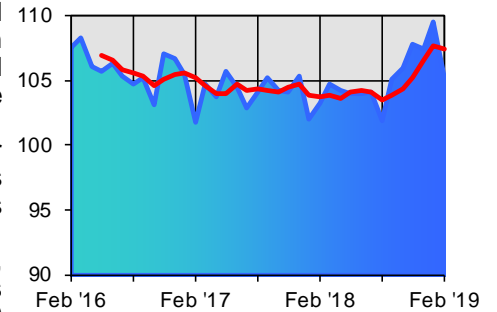
The Composite Index fell to 105.2, down 4.3 points from the previous month. The Composite Index is up 1.9 points from this time last year. This month, the Employment, Hospitality, Home and Retail Indices all fell.

The Index of Home Sales fell 4.0 points from January, and 1.6 points from February of last year. The median home price fell to \$296,450, down from \$325,250 in January.

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

The seasonally adjusted unemployment rate in Humboldt County increased from 3.0 percent to 3.7 percent. The seasonally adjusted

Composite Index



unemployment rate in California remained constant at 4.2 percent for the third month in a row. The national unemployment rate fell from 3.9 percent to 3.8 percent.

California gas prices increased from \$3.40 to \$3.58. Northern California's average fell from \$3.59 to \$3.51. Eureka's average gas price per gallon rose from \$3.48 to \$3.77.

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	105.2	-4.0	1.8	6.1	5.2
Home Sales	122.5	-3.1	-1.3	39.3	50.0
Retail Sales	144.0	-0.5	-0.5	-4.8	-2.6
Hospitality	82.9	-24.6	-0.4	-0.8	-4.4
Electricity	119.6	0.0	13.2	0.0	-4.7
Employment	114.7	-0.4	1.0	16.6	12.2
Lumber*	26.3	0.0	0.0	-35.7	-20.6
Manufacturing**	87.0			-	-

* 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

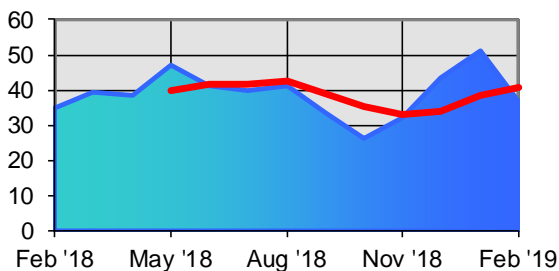
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
1.4%	-28.6%	-51.5%	15.7%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$296,450	\$ 1,817	4.250%	4.2%
* 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 71.0 to 72.0. The manufacturing orders index value in February 2018 was 78.4, which is 6.0 points lower than the present value.

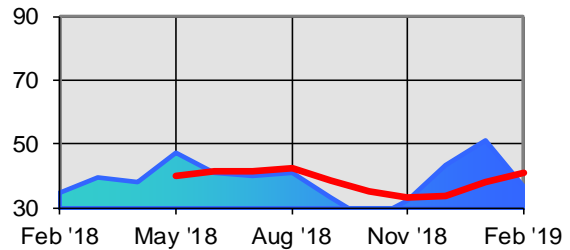
Index of Manufacturing Orders



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.

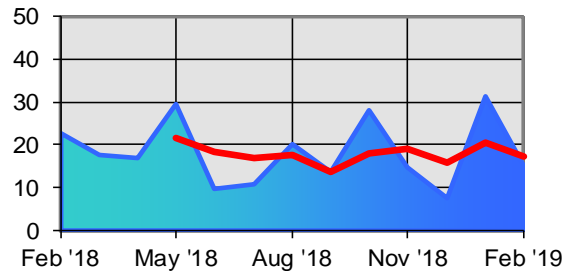
Unemployment Claims decreased 14.6 points to a new index value of 36.5. The unemployment claims index was 35.0 in February 2018, 1.5 points lower than the present value. The 4-month moving average rose 2.6 points to 40.8.

Index of Claims for Unemployment Insurance



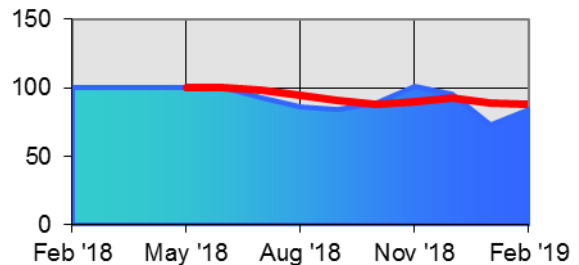
Building Permits fell 16.1 points to a new index value of 15.2. The current value is 7.6 points lower than the February 2018 value.

Index of Building Permits Issued



Help Wanted Advertising stands at an Index value of 84.2 up 11.4 points from last month. The three month moving average is down 1.1 points to a value of 88.3. In February there were 372 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 February 2019 stands at an index value of 122.5 which is 4.0 points lower than January's value of 126.5. The index value in February 2018 was 1.6 points higher than the current value. The four-month moving average is down 5.4 points to a new value of 122.5. The county's median home price fell to \$296,450 from \$325,250. In comparison, the median home price in February 2017 was \$275,000.

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.

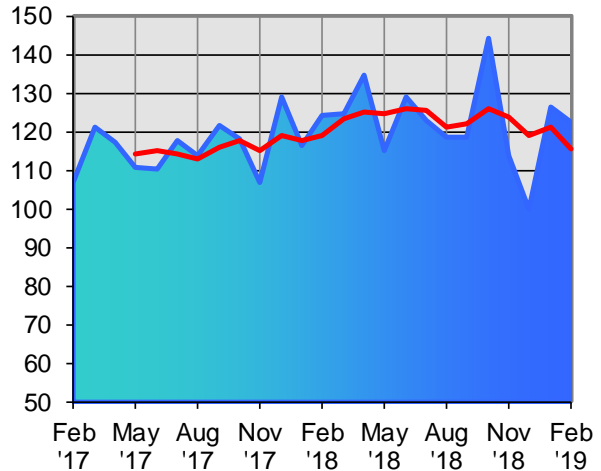
The S&P Case-Shiller Home Price Indices saw year-over-year gains continue to slow in January, following the trend of December. The National Index reported a 4.3 percent annual gain over the same period. The 10-City and 20-City Composites report year-over-year gains of 3.2 percent and 3.6 percent, respectively. After seasonal adjustment, the 10-City Composite did not post any gains, the 20-City Composite reported a 0.1 percent month-over-month increase, and the National Index showed a 0.2 percent increase.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, comments on the continued shrinking of home price gains. "In the year to January, the S&P CoreLogic Case-

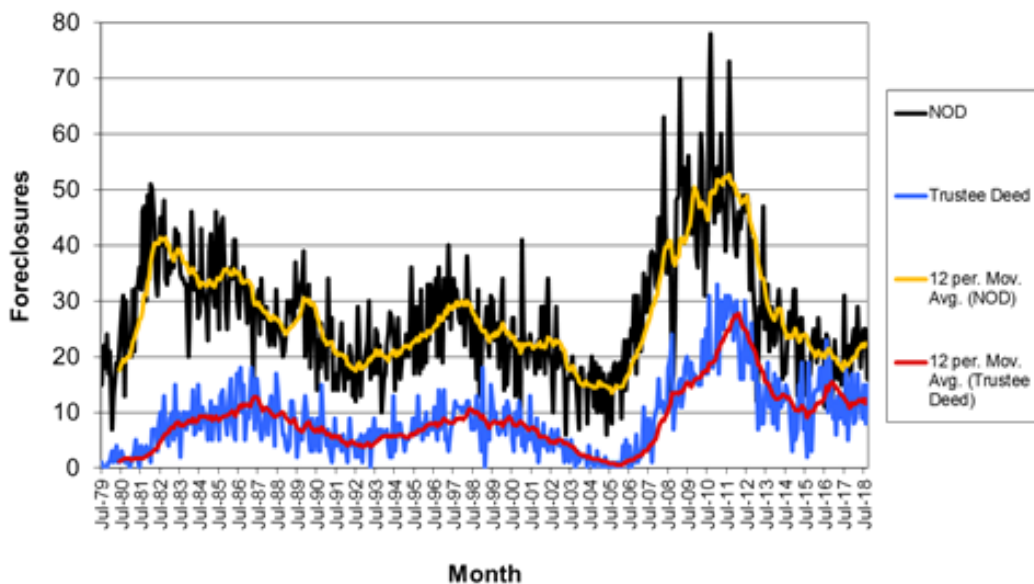
Shiller National Index rose 4.3%, two percentage points slower than its pace in January 2018. The last time it advanced this slowly was April 2015. In 16 of the 20 cities tracked, price gains were smaller in January 2019 than in January 2018. Only Phoenix saw any appreciable acceleration. Some cities where prices surged in 2017-2018 now face much smaller increases: in Seattle, annual price gains dropped from 12.8% to 4.1% from January 2018 to January 2019. San Francisco saw annual price increases shrink from 10.2% to 1.8% over the same time period."

According to Freddie Mac, the average 30-year fixed-rate mortgage as of March 28, 2019 is 4.06 percent, down from 4.35 percent on February 28, 2019. The average 15-year fixed-rate mortgage is 3.57 percent, down from 3.77 percent in February.

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.

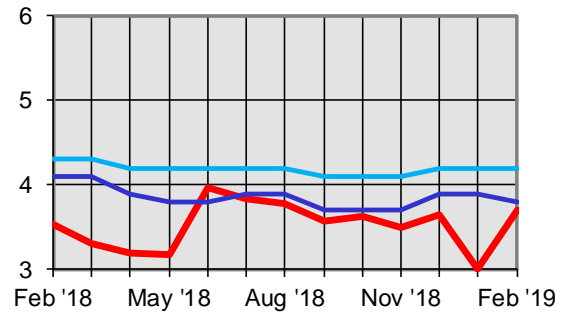
The Total County Employment Index in February fell to 114.7, down from 115.1 in January. The estimated seasonally adjusted unemployment rate for Humboldt County increased from 3.0 percent to 3.7 percent. The unemployment rate for California remained at 4.2 percent for the third consecutive month. The national unemployment rate fell from 3.9 percent to 3.8 percent.

The Employment Development Department of California indicated that in February, Humboldt County's preliminary estimate of total employment rose to a total of 61,700. Humboldt County's total unemployment decreased from 2,900 individuals in January to an estimated 2,700 individuals in February.

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

food services and drinking places continued its steady upward trend. Employment in construction, manufacturing, mining, wholesale trade, retail trade, transportation and warehousing, information, financial activities, and government all saw little change.

Unemployment Percentage Rates



— County — State — National

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 February to a new value of 82.9, down from 110.0 last month. This Index value for February is 0.3 points lower than it was this time last year. The 4-month moving average fell 3.3 points to a current value of 104.0.

Gasoline Prices

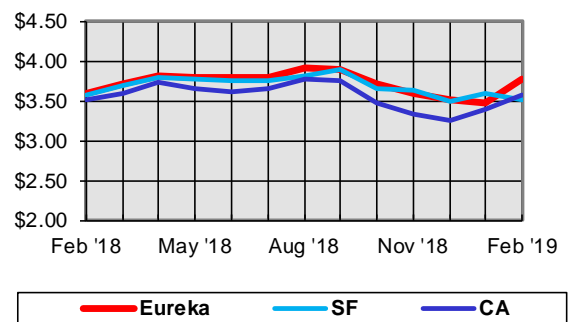
California's average gas price rose in February to \$3.58, an 18-cent increase from the previous month. Northern California's average price fell by 8 cents to a new average of \$3.51, while Eureka's average gas price rose by 29 cents to a new average of \$3.77. When adjusted for inflation, the "real price" of gasoline in Eureka was \$2.73 per gallon in 1982-84 dollars

According to Forbes, steadily rising gas prices have been exacerbated by recent flooding in the Midwestern United States, where corn is refined into ethanol that is later added to gasoline. Flooding has wiped out many transportation lines and incapacitated some ethanol refineries. Prices for ethanol from foreign countries like Brazil have consequentially risen as gasoline suppliers turn to alternative sources. Fluctuating prices should even out again as repairs are made to train lines and refineries. However, the effects the flooding on future corn crops remains to be seen, and could potentially affect ethanol prices in the Midwest in the future.

Gas Prices		
Prices as of 3/29/2019	Average price*	Change from previous month
Eureka	\$3.77	\$0.29
Northern California	\$3.51	-\$0.08
California	\$3.58	\$0.18

* 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 87.0 in February, a 0.5-point increase from the previous month's value of 86.5. Manufacturing employment remained at 2,200 individuals for the fourth consecutive 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 119th 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 March is 55.3 percent, up 1.1 percentage points from 54.2 percent in February.

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

The New Export Orders Index for March is 57.4 percent, up 1.9 percentage points from February. This is the 39th 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. Fourteen of the total eighteen industries reported growth in new orders in March, in the following order: Wood Products; Printing and Related Support Activities; Food, Beverage and Tobacco Products; Petroleum and Coal Products; Textile Mills; Primary Metals; Chemical Products; Computer and Electronic Products; Plastics and Rubber Products; Transportation Equipment; Fabricated Metal Products; Electrical Equipment, Appliances and Components; Machinery; and Miscellaneous Manufacturing. Apparel, Leather and Allied Products; and Paper Products reported a decline in new orders.

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 144.0 for February, a decrease of 0.7 points from the value of 144.7 in January. The February 2019 value is 0.7 points lower than February 2018. The 4-month moving average is up by 2.5 points with a new value of 145.2.

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 March by 7.3 points to a current index value of 124.1. The Expectations Index decreased by 4.0 points to a new value of 99.8, and the Present Situation Index decreased 12.2 points to a current value of 160.6.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Confidence has been somewhat volatile over the past few months, as consumers have had to weather volatility in the financial markets, a partial government shutdown and a very weak February jobs report. Despite these dynamics, consumers remain confident that the economy will continue expanding in the near term. However, the overall trend in confidence has been softening since last summer, pointing to a moderation in economic growth."

The percentage of consumers expecting business conditions to improve over the next six months fell to 17.7 percent from 19.6 percent, while the percentage of consumers expecting business conditions to worsen only increased from 9.2 percent to 9.3 percent.

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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Freddie Mac - Humboldt Association of Realtors
Institute for Supply Management – Forbes

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