

Humboldt Economic Index

March 2018

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Indicators Were Mixed in January, Notable Fall in Home Prices

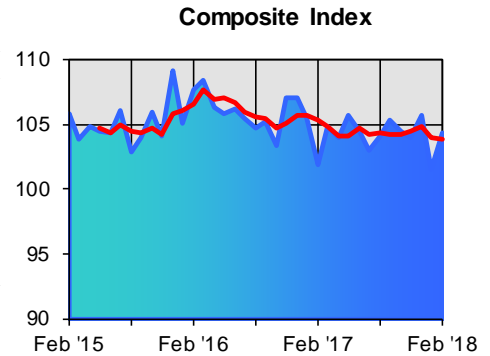
This month we've updated the graphs on our real estate page to show how home prices have changed over the last few years.

The Composite Index rose to 104.4, down 2.9 points from the previous month. The Composite Index is up 2.5 points from this time last year. This month, the Employment, Hospitality and Home Indices rose, with the Retail Index falling.

The Index of Home Sales rose 9.7 points from January, and is up 17.5 points from February of last year. The median home price fell to \$275,000, down from \$300,000 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 3.1 percent to 3.5 percent. The seasonally adjusted unemployment rate in California remained constant at 4.3 percent for the third month in a row. The national unemployment rate remained constant at 4.1 percent for the fifth consecutive month.



California gas prices increased from \$3.36 to \$3.52. Northern California's average rose from \$3.38 to \$3.58. Eureka's average gas price per gallon rose from \$3.44 to \$3.60.

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	104.4	2.8	2.4	2.4	-1.3
Home Sales	125.9	8.4	16.2	9.7	33.9
Retail Sales	144.7	-1.6	-1.9	-4.5	-1.4
Hospitality	83.3	-24.5	-15.1	-20.1	-21.8
Electricity	113.8	0.8	2.9	-6.5	-14.8
Employment	113.6	1.0	2.1	13.1	8.7
Lumber*	26.3	0.0	0.0	-23.1	-50.7
Manufacturing**	83.2			-	-

* 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

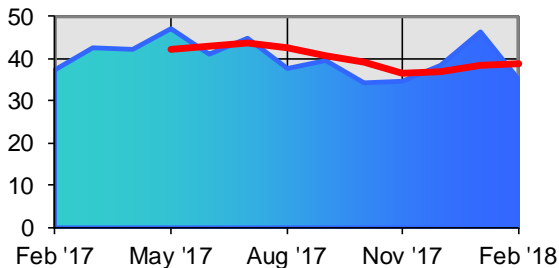
The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The leading indexes are (1) unfilled orders for manufactured goods, (2) number of initial claims for unemployment insurance, (3) building permits, and (4) help wanted advertising.

Leading Indicators			
Manufacturing Orders	Unemployment Claims	Building Permits	Help Wanted Advertising
-7.8%	1.0%	-20.2%	-0.9%
* Change from prior month. All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$275,000	\$ 1,491	4.625%	4.0%
* 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.			

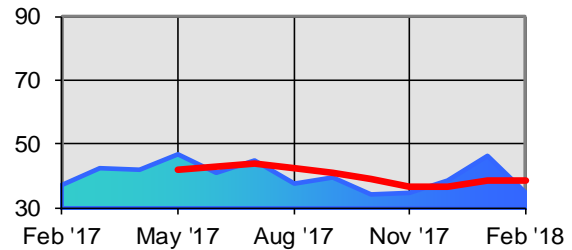
Manufacturing Orders increased from last month's value of 75.5 to 76.5. The manufacturing orders index value in February 2017 was 73.4, which is 3.1 points lower than the present value.

Index of Manufacturing Orders



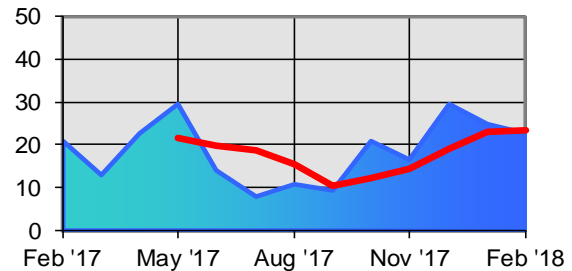
Unemployment Claims decreased 11.6 points to a new index value of 35.0. The unemployment claims index was 37.4 in February 2017, 2.4 points higher than the present value. The 4-month moving average rose 0.2 points to 38.7.

Index of Claims for Unemployment Insurance



Building Permits fell 2.3 points to a new index value of 22.7. The current value is 1.9 points higher than the February 2017 value.

Index of Building Permits Issued



Help Wanted Advertising We have changed our data collection method from relying solely on newspaper advertisements to counting unique jobs listings on Craigslist. Due to the increased volume of help wanted ads we can no longer reliably report the seasonally adjusted index. We will report the raw number collected until seasonal adjustment can be resumed.

In February, there were 442 unique job postings on Craigslist, an increase of 31 from the previous month.

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.

We have updated the graphs on our real estate page to show home prices changes over the last few years <<http://www.humboldt.edu/econindex/realstate/>>

The Humboldt County Home Sales Index for February 2018 stands at an index value of 125.9 which is 9.7 points higher than January value of 116.2. The index value in February 2017 was 17.5 points lower than the current value. The four-month moving average is up 1 point to a new value of 120.7. The county's median home price fell to \$275,000 from \$300,000. In comparison, the median home price in February 2017 was \$292,500.

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.

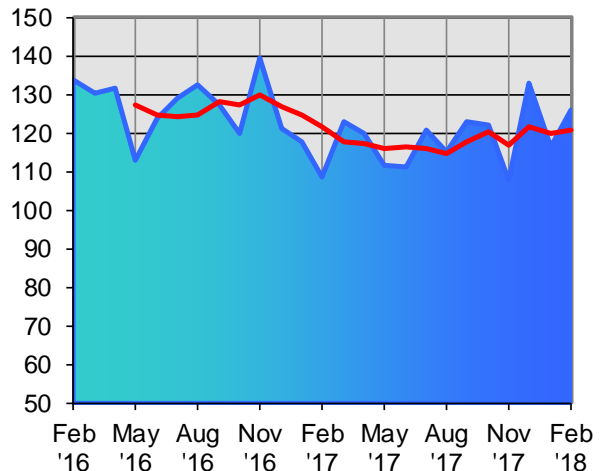
The S&P Case-Shiller Home Price Indices saw mixed year-over-year gains in January compared to December. The National Index reported a 6.2 percent annual gain over the same period. The 10-City and 20-City Composites report year-over-year gains of 6.0 percent and 6.4 percent, respectively. After seasonal adjustment, the 10-City Composite, the 20-City Composite reported a 0.7 and 0.8 percent month-over-month increase, respectively and the National Index showed a 0.5 percent increase.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home prices, "Since the market bottom in

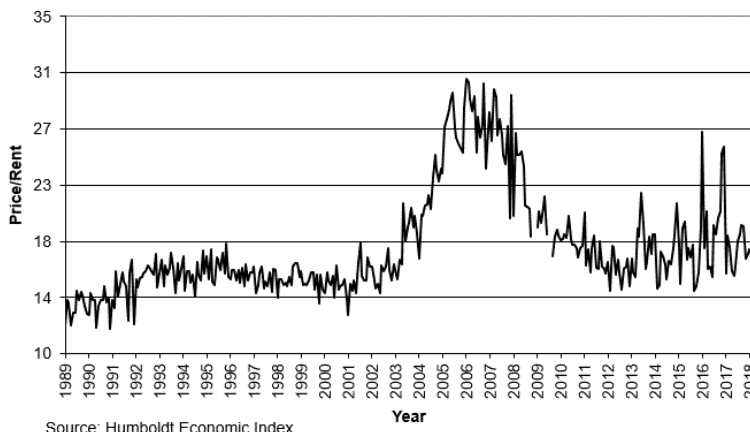
December 2012, the S&P Corelogic Case-Shiller National Home Price index has climbed at a 4.7% real – inflation adjusted – annual rate. That is twice the rate of economic growth as measured by the GDP. While price gains vary from city to city, there are few, if any, really weak spots... Two factors supporting price increases are the low inventory of homes for sale and the low vacancy rate among owner-occupied housing. The current months-supply -- how many months at the current sales rate would be needed to absorb homes currently for sale... Despite limited supplies, rising prices, and higher mortgage rates, affordability is not a concern. Affordability measures published by the National Association of Realtors show that a family with a median income could comfortably afford a mortgage for a median priced home."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of April 5, 2018, is 4.40 percent. This is the same as February's last reported rate of 4.40 percent. The average 15-year fixed-rate mortgage is 3.87 percent, an increase from 3.85 percent in February.

Home Sales Index, Humboldt County



Humboldt County Housing Price to Rent Ratio, 1989-2018
(medium home price/mean rent, adjusted for expenses)



Source: Humboldt Economic Index

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 grew to 113.6, up from 112.4 in January. The estimated seasonally adjusted unemployment rate for Humboldt County increased from 3.1 percent to 3.5 percent. The unemployment rate for California remained at 4.3 percent for the third consecutive month. The national unemployment rate remained at 4.1 percent for the fifth consecutive month.

The Employment Development Department of California indicated that in January Humboldt County's preliminary estimate of total employment rose to a total of 61,080. Humboldt County's total unemployment decreased from 2,540 individuals in January to an estimated 2,520 individuals in February.

In the Labor Department's March's report, total nonfarm payroll employment marginally rose by 103,000. Employment in manufacturing, healthcare and mining all rose in March. Employment in retail, construction, wholesale trade, transportation and warehousing,

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 83.3 from 69.0. This month's index value represents a 2.4-point decrease from this time last year. The 4-month moving average fell 6.0 points to a current value of 86.1. This change can be attributed to some of our data providers being closed in the month of January.

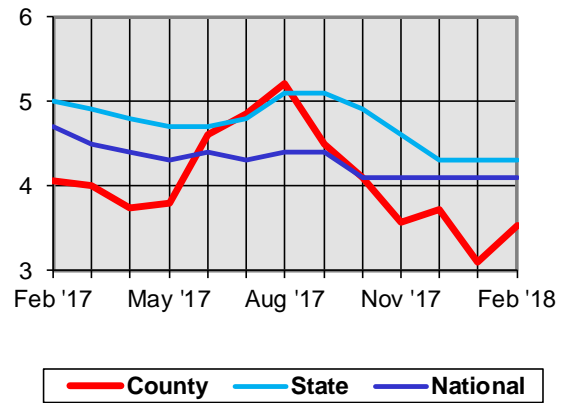
Gasoline Prices

California's average gas price rose in February to \$3.52, a 17-cent increase from the previous month. Northern California's average price increased 20 cents to a new average of \$3.58, while Eureka's average gas price rose by 16 cents to a new average of \$3.60. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.65 per gallon in 1982-84 dollars.

Gas prices are now at their highest level since August 2015. The outlook for the prices of gas is that it is unlikely to fall in the months ahead due to local and international production issues, examples being Venezuela's restriction of oil exports and the possibility of sanctions on Iran. Crude oil prices have now risen by \$4 a barrel in the last week. U.S. commercial oil inventories are down 100 million barrels compared to this time last year. Refineries tend to do their maintenance in February and March which can effect production as well. California's 12 cent gas tax and its early switch to the summer blend of gas has also pushed prices upward.

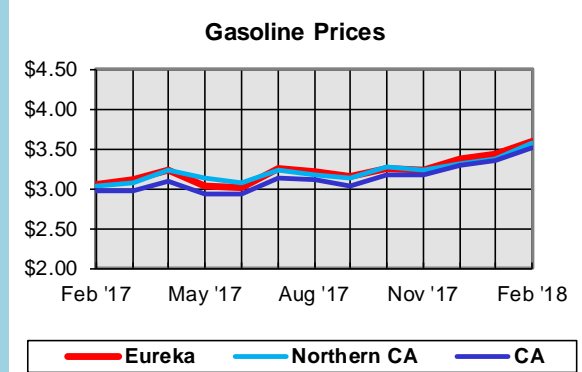
information, financial activities, leisure and hospitality, and government changed little.

Unemployment Percentage Rates



Gas Prices		
Prices as of 2/28/2018	Average price*	Change from previous month
Eureka	\$3.60	\$0.17
Northern California	\$3.58	\$0.20
California	\$3.52	\$0.16

* 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 contracted to a seasonally adjusted index value of 83.2 in February, a 4.4-point increase from the previous month's value of 78.7. Manufacturing employment remained at 2,100 individuals for the eleventh 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 107th 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 59.3, this a 1.5-point decrease from February.

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

The New Export Orders Index for March is 61.9 percent, indicating a decrease over February's index of 2.3 points. This is the 27th 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. Fifteen industries reported growth in the new export orders, including Wood Products, Nonmetallic Mineral Products Computer & Electronic Products, Paper Products, Transportation Equipment; Plastics & Rubber Products, Chemical Products; Printing & Related Support Activities, Food, Beverage & Tobacco Products, Petroleum & Coal Products, Electrical Equipment, Appliances & Components; and Machinery. One industry showed a decrease on new orders in March: Apparel, Leather & Allied Products.

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 third fiscal quarter of 2017– October through December – and the Energy Index stands at a value of 110.7. October's index value is 4.6 points higher than September's value, and 2.8 points higher than in October 2016. November's value of 108.6 was 2 points lower than October's value, and 3.5 points higher than in November 2016. December's value of 110.7 was 2.1 points higher than November's value and 11.9 points lower than in December 2016.

The next update for the Energy index is expected following the close of the first 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 144.7 for February, a decrease of 2.8 points from the value of 147.1 in January. The February 2018 value is 5.3 points lower than February 2017. The 4-month moving average is up by 2 points with a new value of 148.4.

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 2.3 points to a current index value of 127.7. The Expectations Index decreased 3 points to a new value of 106.2, and the Present Situation Index decreased, from 161.2 to 159.9.

Lynn Franco, the Director of Economic Indicators at the Conference Board, says, "Consumers' assessment of current conditions declined slightly, with business conditions the primary reason for the moderation. Consumers' short-term expectations also declined, including their outlook for the stock market, but overall expectations remain quite favorable. Despite the modest retreat in confidence, index levels remain historically high and suggest further strong growth in the months ahead." The percentage of consumers expecting business conditions to improve over the next six months fell to 23.0 from 25.0 percent, while the percentage of consumers expecting business conditions to decline increased to 9.8.

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.

HUMBOLDT STATE UNIVERSITY

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■ ■ ■ *realize human potential*

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