

Humboldt Economic Index

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Leading Indicators Mixed, Housing Sales Decline

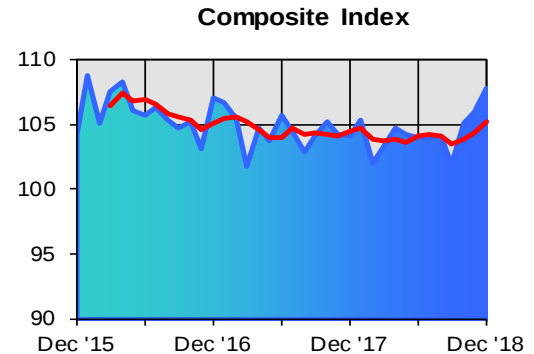
January 2019

The Composite Index fell to 107.3, down 0.4 points from the previous month. The Composite Index is down 2.0 points from this time last year. This month, the Employment, and Retail Indices Hospitality rose while the Home Index fell.

The Index of Home Sales fell 12.2 points from November, and is down 22.5 points from December of last year. The median home price rose to \$290,000, up from \$310,000 in November.

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

The seasonally adjusted unemployment rate in Humboldt County increased slightly from 3.5 percent to 3.6 percent. The seasonally adjusted unemployment rate in California rose from 4.1 percent to 4.2



percent. The national unemployment rate rose 0.2 points to 3.9 percent.

California gas prices decreased from \$3.34 to \$3.27. Northern California's average fell from \$3.65 to \$3.49. Eureka's average gas price per gallon fell from \$3.61 to \$3.51.

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

		Percent change from			
Index	Value***	Last Month	One Year ago****	Five Years ago****	Ten Years ago****
Composite	107.3	-0.4	1.9	3.5	7.2
Home Sales	99.8	-12.2	-22.5	-12.2	62.3
Retail Sales	146.9	1.5	-4.2	-4.4	-1.1
Hospitality	112.0	1.0	22.6	23.2	39.5
Electricity	119.6	0.0	8.1	-11.0	-14.7
Employment	112.8	0.2	2.4	12.6	9.6
Lumber*	26.3	0.0	0.0	-16.6	-26.5
Manufacturing**	94.2			-	-

* 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

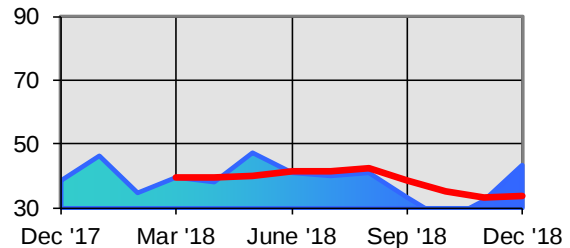
Leading Indicators

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
7.3%	35.3%	-50.0%	-6.0%
* Change from prior month. All values are seasonally adjusted.			

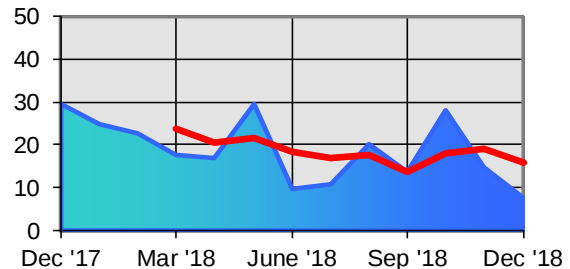
Unemployment Claims increased 11.4 points to a new index value of 43.6. The Unemployment Claims Index was 38.4 in December 2017, 5.2 points lower than the present value. The 4-month moving average rose 0.6 points to 33.8.

Index of Claims for Unemployment Insurance



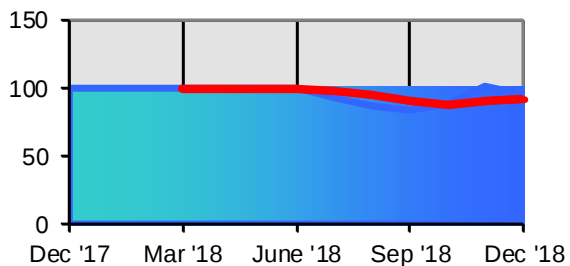
Building Permits fell 7.4 points to a new Index value of 7.4. The current value is 22.3 points lower than the December 2017 value.

Index of Building Permits Issued



Help Wanted Advertising stands at an Index value of 95.1 down 6.1 points from last month. The three month moving average is up 2.2 points to a value of 92.2. In December there were 427 unique job postings on Craigslist.

Index of Help Wanted Advertising



Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$315,000	\$ 1,479	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.

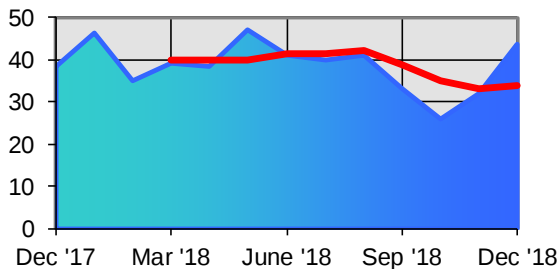
** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 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 83.0 to 89.0. The Manufacturing Orders Index value in December 2017 was 74.5, which is 14.6 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.

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 December 2018 stands at an index value of 99.8 which is 13.9 points lower than November's value of 113.7. The index value in December 2017 was 29.0 points higher than the current value. The four-month moving average is down 4.7 points to a new value of 119.1. The county's median home price fell to \$290,000 from \$310,000. In comparison, the median home price in December 2017 was \$318,000.

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.

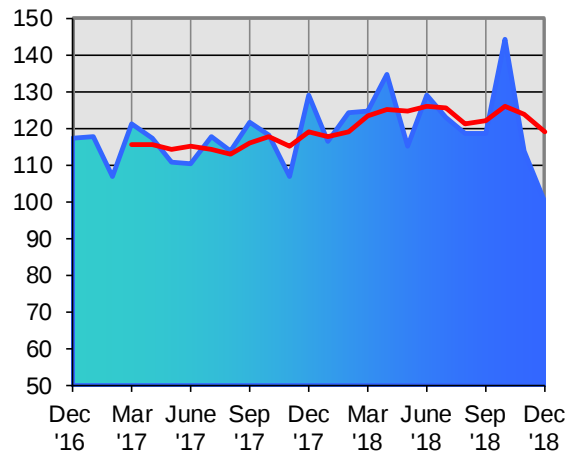
The S&P Case-Shiller Home Price Indices saw the rate of home price increase continue to slow. The 10-City and 20-City Composites report year-over-year gains of 4.3 percent and 4.7 percent, respectively. The National Index reported a 5.2 percent annual gain over the same period. After seasonal adjustment, the 10-City Composite, the 20-City Composite, and the reported a 0.3 and 0.3 percent month-over-month increase, respectively, and the National Index showed a 0.4 percent increase.

David M. Blitzter, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, notes the rise in home prices, "Home prices are still rising, but more slowly than in recent months, the pace of price increases are being dampened by declining sales of

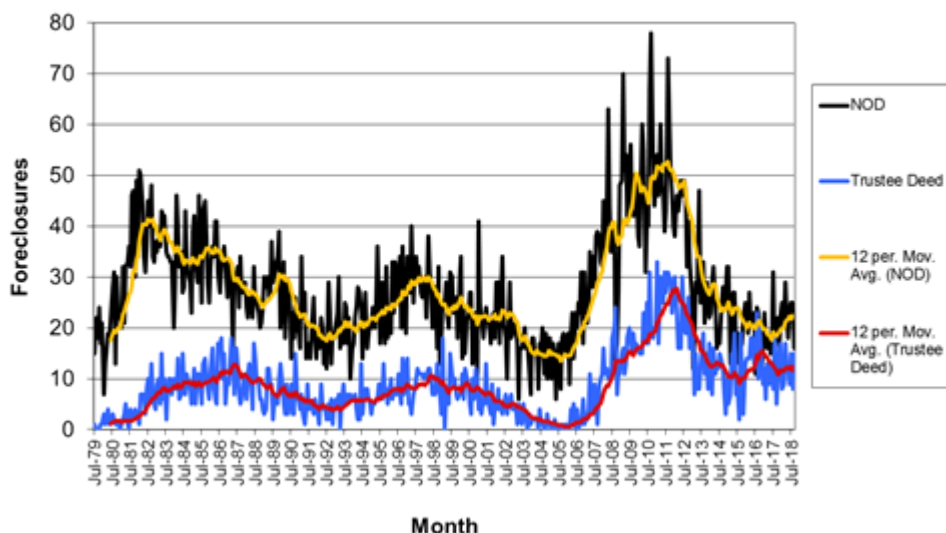
existing homes and weaker affordability. Sales peaked in November 2017 and drifted down through 2018. Affordability reflects higher prices and increased mortgage rates through much of last year...Housing market conditions are mixed while analysts' comments express concerns that housing is weakening and could affect the broader economy. Current low inventories of homes for sale – about a four-month supply – are supporting home prices. New home construction trends, like sales of existing homes, peaked in late 2017 and are flat to down since then."

According to Freddie Mac, the average 30-year fixed-rate mortgage, as of January 31, 2019, is 4.46 percent. This is a decrease from December's last reported rate of 4.55 percent. The average 15-year fixed-rate mortgage is 3.89 percent, a decrease from 4.01 percent in December.

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.

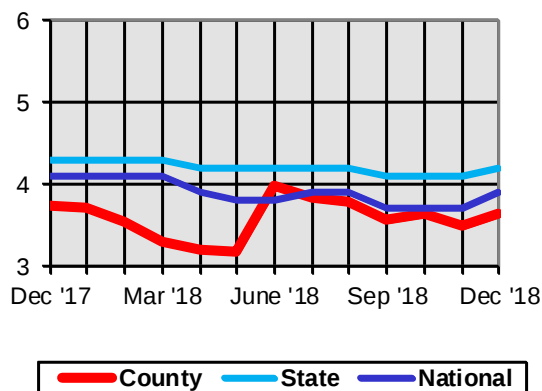
The Total County Employment Index in December grew slightly to 112.8, up from 112.6 in November. The seasonally adjusted unemployment rate for Humboldt County increased slightly from 3.5 percent to 3.6 percent. The unemployment rate for California rose from 4.1 percent to 4.2 percent. The national unemployment rate rose to 3.6 percent from 3.5 percent.

The Employment Development Department of California indicated that in September Humboldt County's preliminary estimate of total employment fell to a total of 61,600, down from 62,200 in November. Humboldt County's total unemployment increased from 2,100 individuals in November to an estimated 2,300 individuals in December.

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 decreased in December to a new value of 112.0 from 110.9. This month's index value represents a 20.7-point increase from this time last year. The 4-month moving average rose 7.1 points to a current value of 102.5.

Gasoline Prices

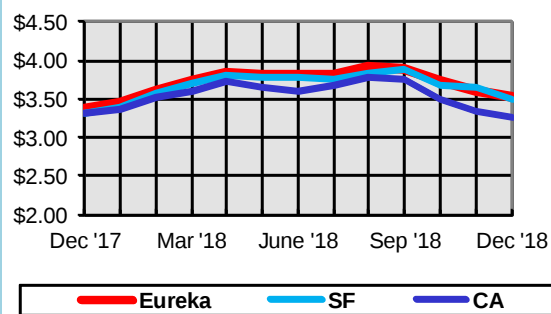
California's average gas price fell slightly in December to \$3.27, a 8-cent decrease from the previous month. Northern California's average price decreased 16 cents to a new average of \$3.49, while Eureka's average gas price fell by 10 cents to a new average of \$3.51. When we adjust for inflation, the "real price" of gasoline in Eureka was \$2.56 per gallon in 1982-84 dollars.

The number of active oil rigs in the United States has been falling as oil prices continue to fall with Canada seeing an even more dramatic decrease previously, though it is now starting to ramp up production again. OPEC has dropped production to its lowest point in four years, but even that failed to completely rebound prices. Oil prices have made it back to above \$50 after dropping below, causing a slight panic in the market. Rumors of an imminent trade deal between the United States and China may push prices back up slightly, but that remains to be seen.

Gas Prices		
Prices as of 12/31/2018	Average price*	Change from previous month
Eureka	\$3.51	-\$0.22
Northern California	\$3.49	-\$0.02
California	\$3.27	-\$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 December's 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 146.9 for December, an increase of 2.1 points from the value of 144.8 in November. The December 2018 value is 6.5 points lower than December 2017. The 4-month moving average is up by 2.8 points with a new value of 142.4.

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 for January was 121.7. The Expectations Index increased 2.1 points to a new value of 89.4, and the Present Situation Index increased slightly, from 169.9 to 170.2.

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 fell marginally to 15.3 percent, while the percentage of consumers expecting business conditions to decline decreased to 13.8.

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

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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