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**April 2000**

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	% Change in April
Median Home Price*	\$124,275	Help Wanted Advertising	18.80
30 Yr. Mortgage Rate (5/2)	8.50%	Building Permits	-11.81
Prime Rate (5/2)	9.0%	Unemployment Claims	-7.29
Unemployment Rate**	7.0%	Manufacturing Orders	2.83

\* Home price data are provided by the Humboldt County Board of Realtors. 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.

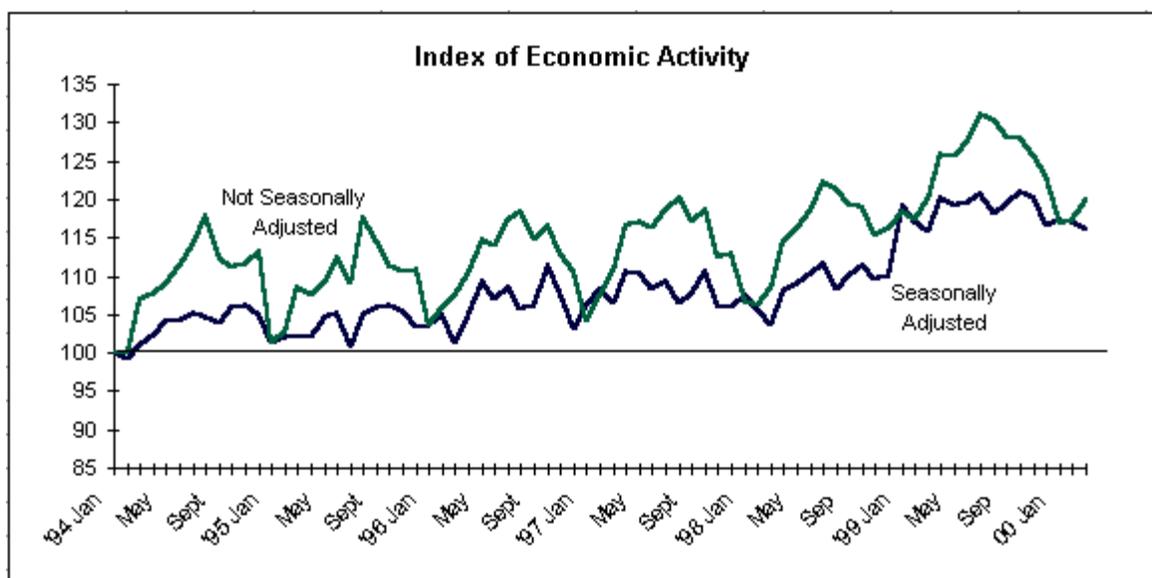
\*\* Preliminary EDD data. See the [EDD Website](#) for updates.

### Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* declined by a scant 0.94 percent to a value of 116.2 during the month of March. In the month-over-month comparison, the seasonally adjusted *Index* was up 0.26 percent over April 1999, up 11.95 percent over April 1998, and up 9.11 percent over 1997.

For those of you who are new or less familiar with the *Index*, we have been tracking seasonally-adjusted economic activity since January 1994, at which time the *Index* began at a value of 100. Each sector of the seasonally-adjusted series is weighted to correct for "normal" monthly variation in the data, and so trends in the seasonally-adjusted index provide a better indication of underlying growth and fundamental change in the economy. This month's report reflects data gathered from the previous month, and so the "April 2000" report

reflects data from March 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



The non-seasonally adjusted *Index* appears to be recovering from the trough it reaches each winter. The coming of Spring brings drier weather and with it increased tourism, timber harvest, and construction activity. Overall, both the seasonally-adjusted and nonseasonally-adjusted indices have shown growth over the last six years.

#### Monthly Sectoral Analysis:

**Home Sales:** The Home Sales sector of this month's *Index* decreased 13.50 percent over the previous month's *Index* report. This decline was not unexpected and reflects a return to "normal" after the phenomenal home sales of the previous month, and may reflect the impacts of rising interest rates. The month-over-month comparison of home sales from April reports from the recent past shows mixed results. For example, the sector decreased 1.65 percent over 1999, increased 9.73 percent over 1998, and increased 79.55 percent over 1997.

In contrast, new home sales increased by 4.5 percent nationally for the month of March. This jump exceeded the expectations of many economists and realtors. In the year-to-date comparison, home sales are up 6 percent over last year. In fact, sales in the first quarter of this year were stronger than any quarter of the previous year. Sales were especially strong in the Western and Northeastern regions of the nation. That home sales continue to grow despite rising interest rates is likely due in part to the momentum of the wealth effect generated by stock market gains over the last several years.

The median selling price in Humboldt County during the month of March was \$124,275, compared to the national median price of \$165,000. The national median price increased by 3 percent since January, reflecting the fact that the housing market is still tight.

**Employment:** In their preliminary report for March 2000, the Employment Development Department (EDD) reported that 56,100 people were employed in Humboldt county, up by 300 from the revised February 2000 report. Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries increased from a revised 41,300 during the month of February to 42,100 for the month of March (1.9%). The retail subsector of services remained unchanged for the third month in a row at 10,500.
- Total county employment in manufacturing decreased from 5,600 to 5,400 during the month of March (-3.6%).

The Employment sector of the *Index* shows only minor variation when compared with the previous month, and

with April reports from the recent past. For example, the sector increased 0.58 percent over the March report. In the month-over-month comparison the sector declined a slight 0.85 percent over 1999, increased 0.77 percent over the 1998 report, and increased 0.58 percent over 1997. These minor variations are not surprising as the Employment sector of the report has generally been very stable over the last six years.

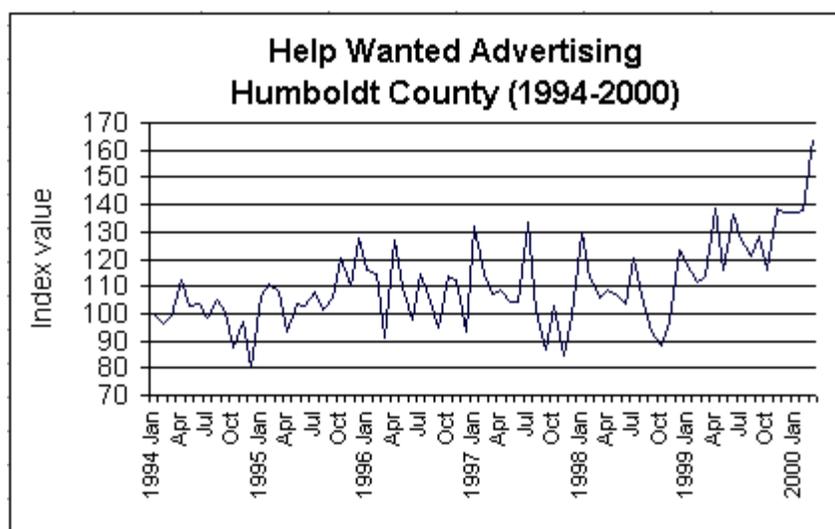
National job gains during the month of March exceeded expectations. One factor contributing to the increase was the hiring of Census workers by the federal government. A second factor was the mild March weather which allowed for job increases in the volatile construction industry.

Average hourly earnings across the nation have been rising by about 3.7 percent year over year. Hourly earnings are not a completely telling gauge of increases in wage pressure, however, due to rising labor productivity. Moreover, many employers are offering benefits such as stock options and bonuses in lieu of increased wages.

#### Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings. Contrary to the discussion in last month's *Index* that help wanted advertising may have hit a plateau, advertising counts soared during the month of March, rising by 18.8 percent. All comparisons with April reports from the recent past show large increases. Specifically, help wanted ads increased by 43.98 percent over 1999, increased 55.61 percent over 1998, and increased 53.38 percent over 1997.

A plot of help-wanted advertising from last month's report has been updated below to reflect the amazing March increase:



Claims for unemployment insurance indicate the number of newly unemployed people in Humboldt County. Thus the quantity of new unemployment claims are a negative indicator of economic activity.

Claims for unemployment insurance in the county were generally down for the month of March. While claims increased 2.83 percent over the previous month, claims declined in all of the month-over-month comparisons with April reports from the recent past. For example, claims were down 17.61 percent over 1999, down 38.46 percent over 1998, and down 49.91 percent over 1997.

**Retail Sales:** The retail sales sector of the *Index* declined by 10.47 percent from last month. In the month-over-month comparison with April reports from the recent past, however, retail sales were up 3.76 percent over 1999, up 16.12 percent over 1998, and up 21.43 percent over 1997.

Nationally, it appears that the recent increase in interest rates and modest decline in stock market wealth may finally be having an affect on consumer buying plans. Some economists estimate that the number of households

planning to buy a vehicle or appliances has declined to the lowest point since 1998. It is believed that tax refunds may motivate another trip to the trough for consumers, however. We will be looking at April's retail sales in next month's report to see whether any of those tax return dollars flow to local county retailers.

**Manufacturing:** We use a combination of payroll employment and board feet of lumber production at major county lumber companies as our indicator of the manufacturing sector for the Humboldt county economy. Lumber-based manufacturing generates about 75 percent of total county manufacturing income.

The manufacturing sector showed mixed results during the month of March. The sector increased a seasonally-adjusted 3.96 percent over the previous month. In the month-over-month comparison of April reports from the recent past manufacturing is down 3.32 percent over 1999, up 3.76 percent over 1998, and down 13.16 percent over 1997. Since our manufacturing sector is dominated by lumber production, and since lumber demand for new construction is highly sensitive to interest rates, any further increase in interest rates may result in a softening in lumber demand.

**Hospitality:** We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Seasonally-adjusted occupancy rates were generally up during the month of March. The sector increased 3.35 percent over last month's report. In the month-over-month comparison with April reports from the recent past seasonally-adjusted occupancy rates were up 14.27 percent over 1999, up 20.78 percent over 1998, and down 7.13 percent over 1997.

**Energy:** We use kilowatts of electricity consumed as our indicator of the energy sector of the Humboldt county economy. Energy and employment have been the most stable of the sectors that we track, usually varying by no more than a few percentage points from month to month. The seasonally-adjusted energy sector in the April report is down a slight 0.82 percent over last month's report and up 0.29 percent over the April 1999 report.

### Leading Indicators

We track four leading indicators to get a sense of the direction of change in the county economy in the near future. The four leading indicators are (i) number of help-wanted advertisements in the *Times Standard*, (ii) number of claims for unemployment insurance, (iii) volume of manufacturing orders, and (iv) number of building permits issued.

Please see the Employment section above for a discussion of both the help-wanted advertising and claims for unemployment insurance for the month of March.

### Manufacturing-Based Economic Indicators:

Manufacturing orders, a leading indicator of activity and employment in the County, is down considerably over previous years. This month's seasonally-adjusted orders are up 2.83 percent over the previous month. In the month-over-month comparison with April reports from the recent past, however, manufacturing orders are down 17.61 percent over 1999, down 38.46 percent over 1998, and down 49.91 percent over 1997. Although the declines are not quite as steep as reported in last month's *Index* report, they are marked.

Building permit leading indicator showed mixed reviews for the month. Permits were down 11.81 percent over the previous month. In the month-over-month comparison, building permits were down 22.06 percent over 1999, up 29.38 percent over 1998, and up 25.22 percent over 1997.

National building permits and new starts for single-family residences took a very large dive over the previous month, declining 11.2 percent. This decline represents the largest single-month decline since January 1994. A decline in housing starts is consistent with the year-long increases in interest rates, which raise the cost of borrowing money. National construction spending, on the other hand, is running contrary to expectations. Construction spending throughout the nation rose in March for the sixth consecutive month.

**Nationally, leading indicators saw a decline for the month of February. According to the Index of Leading Economic Indicators, produced by the Conference Board, the Index fell 0.3 percent in February. This represents the first decline in the index since September and the largest decline since January 1996. Some economists believe that this decline represents the effect of the Federal Reserve's rate hikes over the last year.**

**According to a survey recently released by the UCLA Anderson Forecast, California's economy is expected to show healthy growth over the year 2000. Personal income, employment and consumer spending are all expected to surpass 1999 levels. Overall growth is expected to continue to rise through 2002, but at a slightly slower pace.**

**The pace of growth in this state and throughout the nation continue to be of concern to the Federal Reserve Board. In an attempt to slow the economy and keep inflation in check, the Board has voted to raise interest rates five times since June of last year. Most economists believe that the Board will vote raise rates again at their meeting May 16.**

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