

[skip navigation](#)



[Current Issue](#)

[Archive](#)

[Projects](#)

[Sponsors](#)

[Links](#)

[Home](#)

[Readers Comments](#)

[Frequently Asked Questions](#)

[Acknowledgements and Past Participation](#)

[HSU:Economics Department](#)

**Professor Steven Hackett, Executive Director
John Manning, Managing Director**

April 2001

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	% Change in April
Median Home Price*	\$134,450	Help Wanted Advertising	-3.5%
30 Yr. Mortgage Rate (4/23)	7.0%	Building Permits	-31.0%
Prime Rate (4/23)	7.5%	Unemployment Claims	4.5%
Unemployment Rate**	6.7%	Manufacturing Orders	12.1%

* 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.

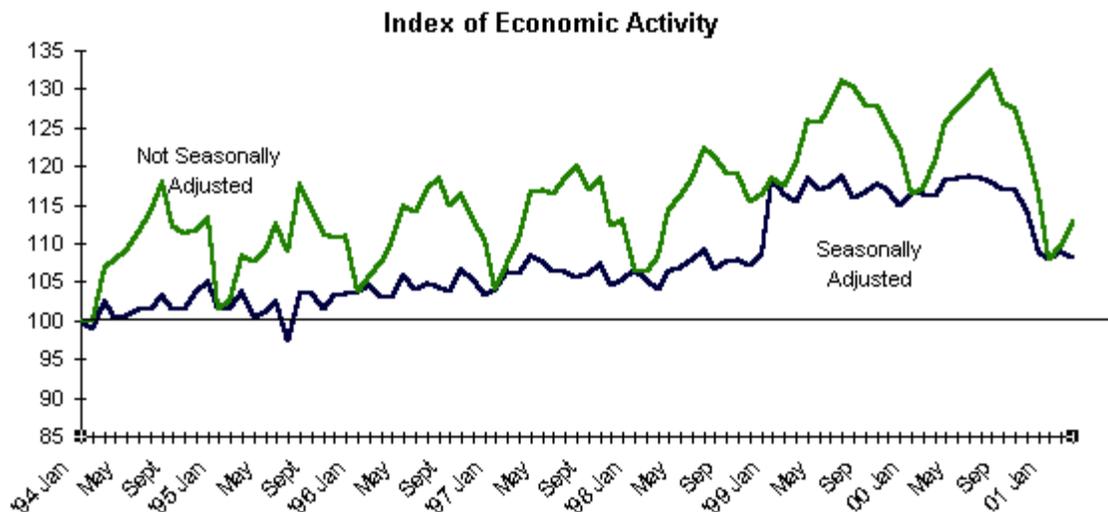
** Preliminary EDD data. See the [EDD Website](#) for updates.

Monthly Change

The seasonally-adjusted *Index of Economic Activity for Humboldt County* declined slightly since last month. The seasonally adjusted *Index* value decreased 0.7 percent over the previous month. In the month-over-month comparison, the *Index* declined 6.8 percent over 2000, declined 6.3 percent over 1999, and increased 4.1 percent over 1998. As reported last month, the volatility of key sectors of the economy makes it difficult to predict future performance. Current data indicates that while the local economy is slowing, it remains stronger than it was as recently as three years ago.

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 2001" report reflects data from March 2001. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



Monthly Sectoral Analysis:

Retail Sales: The retail sales sector of the *Index*, while up across all comparisons, appears to be slowing over the strong pace set in 2000. Specifically, the sector increased 0.4 percent over the previous month. In the month-over-month comparisons, the sector increased 2.4 percent over 2000, increased 6.1 percent over 1999, and increased 17.2 percent over 1998.

National retail sales were again lower than expected for the month of March. Economists had expected unchanged sales, but figures declined a slight 0.2 percent over the previous month. This decline may be an indicator of lower consumer confidence due to higher energy prices, the weak performance of the equity markets, and the increasingly frequent announcements of mass layoffs.

Home Sales: The Home Sales sector of this month's *Index* declined for the first time in four months. The sector decreased 14.0 percent over the previous month. In the month-over-month comparison, the sector dropped 5.9 percent over 2000, decreased 5.9 percent over 1999 and increased 6.7 percent over 1998. Ninety-six units were sold this month. Even though this is a slight increase from last month, it is less than expected for this time of year. As a result, the seasonally adjusted index figure for March declined from the corresponding figure for February.

March's figures for national existing and new home sales rose a strong 4.8 percent and 4.2 percent, respectively from February. New home sales reached 1.02 million, the highest figure on record. Strong demand, limited inventory, and dropping mortgage rates have contributed to the continuing strength of this sector.

Our March quote shows the 30-year fixed mortgage rate (zero points) in Humboldt County dropped another one-eighth percent to 7.0 over the previous month. This is related to the Federal Reserve's recent action which lowered interest rates an additional one-half percent. Some economists claim that a healthy housing market can prevent an overall economic downturn.

Employment: In their preliminary report for March, the Employment Development Department (EDD) reported that 56,000 people were employed in Humboldt county, up 500 from February's revised figure. March's employment figures are up 0.2 percent over the previous year.

Preliminary EDD data indicate the following changes in Humboldt county employment:

- **Total county employment in the various services industries increased from a revised 41,700 during the month of February to a preliminary 42,000 for the month of March, or 1.2 percent. This sector is up 1.0 percent over the previous year's figures. The retail subsector of services is up 100 jobs to 10,600 from last month**
- **Total county employment in manufacturing seems to have leveled off at approximately 5,900 jobs, which is unchanged from the revised figures of the previous two months. This subsector is up 5.4 percent over March 2000. Employment data for this month is preliminary, and we will provide revised figures as they become available.**

The overall performance of the employment sector of the *Index* is mixed. The sector increased 0.2 percent over February 2001. In the month-over-month comparison, the sector is down 1.0 percent from March 2000, down 1.1 percent from March 1999, and up 0.5 percent from March 1998.

According to analysts at the Dismal Scientist (www.dismal.com), the national employment sector is down sharply, with some 86,000 jobs lost last month. When contrasted with an expected increase of 50,000 jobs, the current figure lends credence to the claim that the chief purpose of economic forecast is to make astrologers look good. Employment growth is currently at 0.9 percent. This is the eighth straight month of either declining or level performance in year over year comparisons. Manufacturing industries accounted for 81,000 of the lost jobs. As reported last month, the downward trend in manufacturing employment is expected to continue into the near future.

The county unemployment rate decreased from a revised 7.2 percent for the month of February to a preliminary 6.7 percent for the month of March. The unemployment rate in the state decreased 0.1 percent from a revised 4.9 percent for February to a preliminary 4.8 percent. This rate is still higher than the national average of 4.3 percent. The relatively low national unemployment rate does not reflect the rising number of underemployed people--those working part-time who would rather be working full-time, and those employed in jobs below their skill levels--in the work force. As a result, the unemployment rate may be overstating the actual health of the labor market.

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 declined across all comparisons for the second consecutive month. The *Index* for this sector decreased 4.4 percent over the previous month. In the month-over-month comparison, the sector declined 14.5 percent over 2000, declined 18.8 percent over 1999 and decreased 13.8 percent over 1998.

As mentioned above, nation-wide manufacturing has been particularly hard hit by the slowing economy, with an estimated 81,000 jobs lost in March (www.dismal.com). There may be some light at the end of the tunnel, though. According to data from the Federal Reserve Board, figures for factory output rose 0.4 percent in March after six consecutive months of decline. Similarly, the figure for industrial capacity rose 0.1 percent after seven months of decline.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. The hospitality sector increased strongly over all comparisons in March, bucking a negative trend in Northern California. This may indicate a relatively early start to the tourist season. Other factors may include the filming activity in Ferndale, and the opening of the new California Welcome Center in Arcata. The sector is up 11.4 percent over last month's report. In the month-over-month comparison seasonally-adjusted occupancy rates were up 12.1 percent over 2000, up 23.2 percent over 1999, and up 22.5 percent over 1998.

Paradoxically, occupancy rates are sharply down in the Bay Area. The hotels hurt most are those that depend on business travelers. With the slowing economy, many large corporations are slashing their travel budgets. According to a report in the San Francisco Chronicle, rates for Northern California are down 8.5 percent from

a year ago.

Energy: We use kilowatts of electricity consumed as our indicator of the energy sector of the Humboldt county economy. Energy has been one of the most stable of the sectors that we track, usually varying by no more than a few percentage points from month to month. This has changed dramatically in recent months as California continues to experience the fallout from the restructure electricity market.

As would be expected with rising prices, energy consumption in March was down across all all comparisons. The *Index* decreased 1.4 percent from last month, and declined 13.7 percent and 12.8 percent from March 2000 and 1999, respectively. We expect this downward trend in consumption to continue for April 2001, then accelerate when retail electricity rates are expected to increase beginning in May. The data indicate that county residents and businesses are doing a good job at conserving electricity, which will become increasingly important as we enter the peak demand months this summer.

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.

Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings. Help-wanted advertising in the county decreased 3.5 percent over the previous month. In the month-over-month comparison, help wanted advertising was down 21.6 percent over 2000, up 11.3 percent over 1999 and up 19.9 percent over 1998.

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

Claims for unemployment insurance showed mixed results in the month of March. Claims increased 4.5 percent over the previous month. In the month-over-month comparison, claims are up 11.3 percent over 2000, down 8.8 percent over 1999, and down 0.9 percent over 1998.

Layoffs have been occurring in the region and across the country. So far the overall effects appear to be limited to the manufacturing sector. We will continue to monitor claims for unemployment insurance over the next few months to see what effect recent manufacturing layoffs will have.

Manufacturing Economic Indicator:

Manufacturing orders, a leading indicator of activity and employment in the County, also showed mixed results for March. Manufacturing orders were up 12.1 percent over the previous month. In the month-over-month comparison, orders were up 13.8 percent over 2000, down 37.9 percent over 1999, and down 36.1 percent over 1998.

Home Sales Economic Indicator:

The Building permits sector showed mixed performance in March. It decreased 31.0 percent over the previous month, increased 28.6 percent over 2000, is down 23.2 percent over 1999, and is up 22.9 percent over 1998. While this month's decrease is large, it is likely due to the fact that unusually dry weather this winter allowed the building season to get under way earlier this year. Elsewhere across the nation, figures are down slightly.

The most recent report on economic activity from the Federal Reserve is for late January and February. As reported last month, the majority of the districts reported strong growth during this period. Activity in the San

Francisco district was slightly less positive, though still greater than was expected. The San Francisco Bay region has been disproportionately hit by declines in Internet-based businesses. Demand for products and services was reported as being generally strong with most sectors either up or unchanged from the previous period. We will report on new information as soon as it is released.

Meanwhile, the U.S. Index of Leading Economic Indicators fell another 0.3 percent in March, the fifth drop in the last six months. According to economists at the Dismal Scientist, this data, taken along with information on recent actual performance, suggests further weak growth in the near future, but does not necessarily indicate the beginning of a recession.

[The Dismal Scientist webpage](#)

[Back to Main Index Page](#)

Copyright © 2003 [Erick Eschker](#). All Rights Reserved.

