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December 2000

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	% Change in December
Median Home Price*	\$139,250	Help Wanted Advertising	-8.69
30 Yr. Mortgage Rate (12/18)	7.375%	Building Permits	-2.49
Prime Rate (12/18)	9.5%	Unemployment Claims	-10.53
Unemployment Rate**	5.6%	Manufacturing Orders	-3.35

* 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.

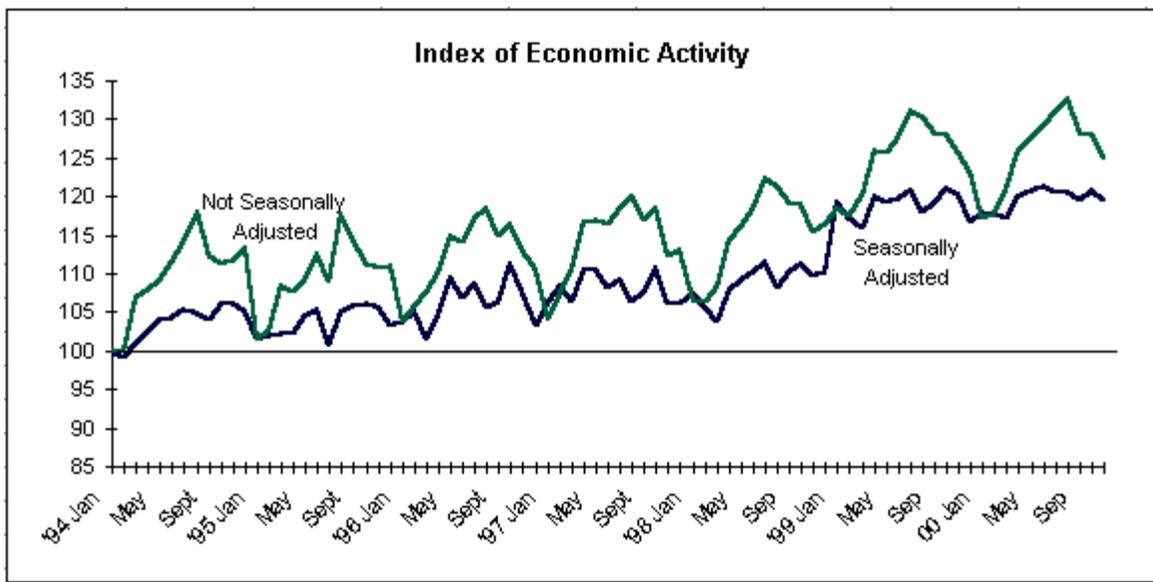
** Preliminary EDD data. See the [EDD Website](#) for updates.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* continues to hold fairly steady at the plateau first reached in the beginning of 1999. While down 1.01 percent over the previous month and down a very slight 0.58 percent over 1999, the *Index* increased 9.02 percent over 1998 and increased 12.62 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 "December 2000" report reflects data from November 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

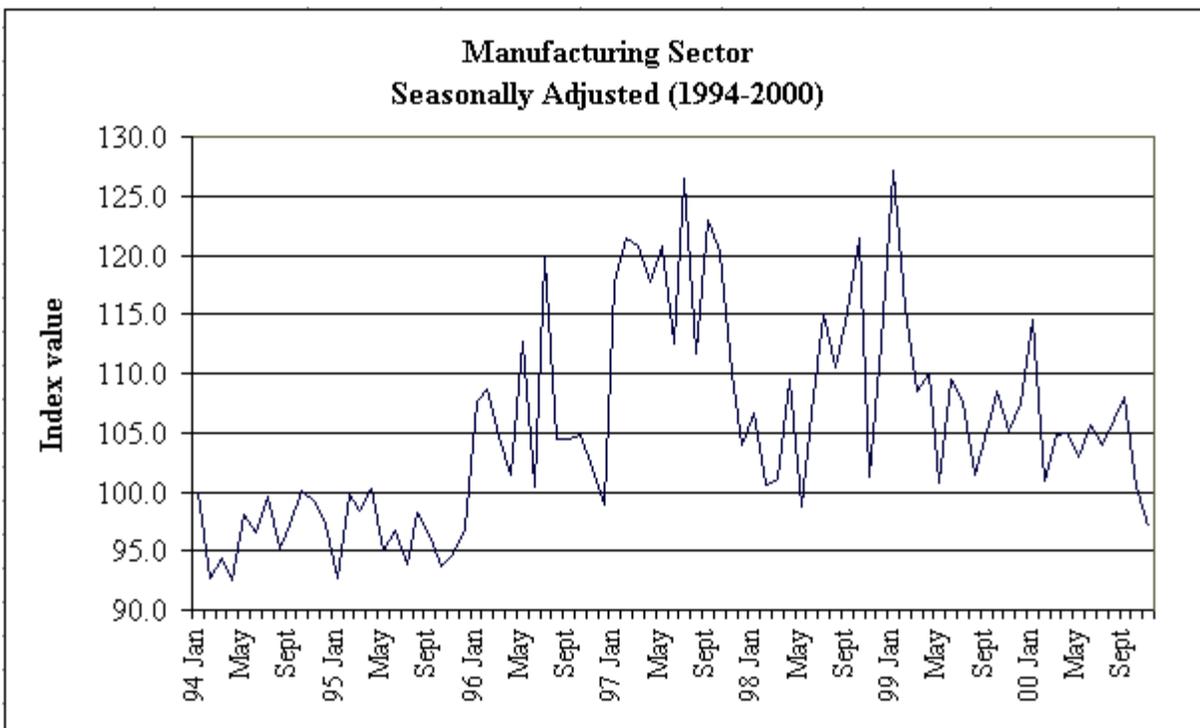


Monthly Sectoral Analysis:

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 of the *Index* declined across all comparisons for the month of November. This is the second month in a row that has seen such declines. Specifically, the sector declined 3.35 percent over the previous month, declined 7.69 percent over 1999, declined 4.23 percent over 1998 and declined 11.8 percent over 1997. The sector reached its lowest index value since December of 1995.

The graph below illustrates the changes in the manufacturing sector of the *Index* since 1994.



The declines in manufacturing activity are not unique to Humboldt County. Across the nation manufacturing activity is reported to be leveling off or slowing. Reports indicate that manufacturer's input costs, namely energy and labor, have increased. Manufacturers report that they have been unable to raise selling prices, despite the increased costs. In fact, prices paid for lumber have declined across the nation. Some attribute the decline to increased import competition.

In addition to rising costs and declining prices, the greatest easing of the labor market has been reported in the manufacturing sector. Many economists expect manufacturing employment to continue to decline, due to seasonal layoffs. An early indicator of the decline is the manufacturing workweek, which has dropped to an average of 41.1 hours. This is the lowest number of hours per week since 1996.

Retail Sales: The retail sales sector of the *Index* was up in all comparisons for the month of November, with county retailers as a whole reporting strong November sales. Specifically, there was a strong 18.78 percent increase over the November report. In the month-over-month comparisons, the sector increased 4.24 percent over 1999, increased 10.88 percent over 1998, and increased an extremely healthy 26.97 percent over 1997.

While Humboldt County reported strong retail sales, national retail sales declined 0.4 percent for the month. The decline was steeper than expected. Auto sales are the main factor behind the dip. Excluding auto sales, retail sales increased by 0.2 percent. Although recent retail sales reports have been volatile, most economists see a clear trend toward a softening of the sector. Despite this, most retailers surveyed in November were expressing optimism about upcoming holiday sales.

As an indication of potential future declines, consumer confidence fell for the month to the lowest point all year. While most people surveyed felt comfortable with the current economic situation, uncertainty about the future was expressed. Buying plans for consumer durables over the next six months have declined.

Employment: In their preliminary report for November 2000, the Employment Development Department (EDD) reported that 58,900 people were employed in Humboldt county, down by 300 from the revised figure for October 2000 (-0.5%). Although down over the previous month, November's employment figures are up 3.3 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 43,300 during the month of October to 43,500 for the month of November, or 0.5 percent. This sector is up 2.4 percent over the previous year's figures. The retail subsector of services increased from a revised 11,100 for the month of October to a preliminary 11,200 for the month of November (0.9%). This subsector is up 2.8 percent over the previous year.
- Total county employment in manufacturing declined from a revised 6,200 for the month of October to 6,000 for the month of November (-3.2%). While down over the previous month, this subsector is up 3.4 percent over the previous year.

The employment sector of the *Index* was up in nearly all comparisons for the month of November. Specifically, the sector decreased 0.54 percent over the previous month's report. In the month-over-month comparison, however, the sector increased 0.36 percent over 1999, increased 1.01 percent over the 1998 report, and increased 3.19 percent over 1997.

Employment gains across the nation were lower than expected with only 94,00 new jobs created. Government payroll figures were partially to blame, as 54,000 jobs were lost in this sector. Despite the lower-than-expected gains, the labor market is still quite healthy. A shortage of retail workers was reported in many parts of the country. Specifically, retailers in the San Francisco district were having such a hard time finding seasonal help that they had to raise wages and offer larger merchandise discounts in an attempt to hire workers. The problem may be in the temporary nature of the work they are offering. The number of people working part-time that would like to be working full-time increased across the country for the fourth consecutive month.

The October unemployment rate for the county was revised upwards from 4.6 percent to 4.7 percent. This is still an extremely low figure for the county. November's preliminary unemployment rate shows an increase to 5.6 percent. While the state unemployment rate held steady at 4.6 percent, the national unemployment rate inched up from 3.6 percent to 3.8 percent for the month of November.

Home Sales: The Home Sales sector of this month's *Index* increased 2.18 percent over the previous month. In the month-over-month comparison, the sector declined 1.45 percent over 1999, increased 16.31 percent over 1998 and increased an incredible 82.89 percent over 1997. During the month of November 116 units were sold, up by 5 over the previous month.

The 30-year fixed mortgage rate (zero points) in Humboldt County, which had inched up to 7.875 percent in the November report, is down to 7.375 percent this month. For a comparison with recent months, the mortgage rate had reached a high of 8.75 percent in May 2000 and a low of 6.775 percent in January 1999.

National home sales have been reported as being strong throughout the country, although some slowing is apparent.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. The hospitality sector of the *Index* was down in all comparisons for the month of November, in opposition to last month's strong report. The sector decreased 14.95 percent over last month's report. In the month-over-month comparison seasonally-adjusted occupancy rates were down 6.91 percent over 1999, down 7.90 percent over 1998, and down 4.79 percent over 1997. As the index for hospitality is seasonally-adjusted, the declines this month are beyond what would normally be expected during the fall months.

Despite the low demand for hotels in Humboldt County, the strong tourism reported for California in last month's report has carried over into this report. The Federal Reserve has found that strong demand for hotels in the state has boosted room rates as well as occupancy rates.

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 declined a preliminary 2.41 percent over the previous month's report. The sector increased a slight 0.11 percent over the previous year. It will be interesting to see whether energy consumption will decline due to the higher energy

prices anticipated for the future.

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 was generally strong for the month of November. Although the sector declined 8.69 percent over the previous month, it was up over previous years. In the month-over-month comparison, help wanted advertising was up 1.75 percent over 1999, up 45.75 percent over 1998 and up 65.96 percent over 1997. It was thought that help wanted advertising might pick up in November and December as employers seek temporary employees for the holidays. Next month's report will indicate whether or not there was an overall increase.

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 took another volatile turn in the month of November. The sector was down in all comparisons for the month. This is in contrast to last month's increase across all comparisons. Claims were down 10.53 percent over last month. Claims were also down 4.97 percent over 1999, down 18.56 percent over 1998 and down 14.26 percent over 1997.

Manufacturing Economic Indicator:

Manufacturing orders, a leading indicator of activity and employment in the County, were down across all comparisons. Specifically, orders are down 20.03 percent over the November's report. In the month-over-month comparison, orders are down 6.92 percent over 1999, down 23.70 percent over 1998 and down 18.92 percent over 1997.

This is consistent with the discussion presented in the manufacturing section of this report. Across the country, manufacturing costs have increased, prices have decreased, and employment has decreased. A decline in the number of orders could indicate further decreases in this employment sector in the near future.

Home Sales Economic Indicator:

The Building permit leading indicator once again showed mixed reviews for the month. While the permits were down 2.49 percent over the previous month and down 4.85 percent over 1999, they were up 12.15 percent over 1998 and up a strong 20.88 percent over 1997.

The actions of the Federal Reserve have been a hot topic in the news lately, as the economy begins to shift. With each shift, the Fed assumes a new "stance" on the health of the economy. There are three stances that the Fed can take. The first is a tightening stance. This stance indicates that the Fed believes the economy is too strong and that there is a danger of inflation. When the Fed assumes a tightening stance, they tend to raise interest rates in an attempt to stave off inflation. The Fed has assumed a tightening stance for the last two years. In that time they have raised interest rates six times. A second stance is the neutral stance. This stance indicates that the dangers of inflation and recession are equal. The third stance is the easing stance. This stance indicates that the Fed is concerned about recession. When an easing stance is assumed, the Fed tends to lower interest rates.

There are several indications that the economy is cooling toward the "soft landing" the Fed had hoped for. As such, it is time for the Fed to change their stance. Prior to their December 19 meeting, economists were split over whether Greenspan and the Board would change their stance to neutral or go directly to easing. At the

latest meeting of the Board, the Fed voted to shift to an easing stance, but not to lower interest rates. They alluded to the possibility of lowering interest rates at their next meeting in January.

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