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**Professor Steven Hackett, Director
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February 2000

This report marks our sixth anniversary!

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in February
Median Home Price (February)*	**	Help Wanted Advertising	0.15
30 Yr. Mortgage Rate (2/28)	8.50%	Building Permits	-48.99
Prime Rate (2/28)	8.75%	Unemployment Claims	-0.50
Unemployment Rate (February)	7.4%	Manufacturing Orders	-17.77

*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.

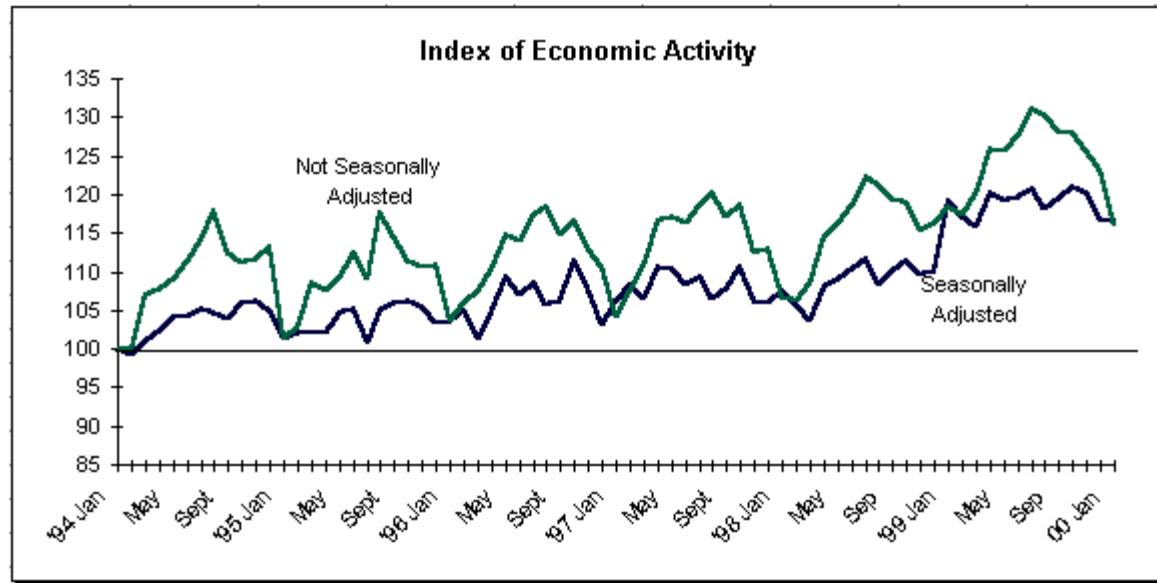
**The median home price for the month of February was unavailable at the time this report was produced.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* decreased a very slight 0.09 percent from a revised 116.7 for the month of December to a preliminary 116.6 for the month of January. A month-over-month comparison with February reports from the

recent past indicates that the trend toward slowing growth observed over the past several months is continuing. The seasonally adjusted *Index* was down 2.26 percent over February 1999, up 8.47 percent over February 1998, and up 9.69 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. 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 "February 2000" report reflects data from January 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



As described in last month's report, the nonseasonally-adjusted *Index* curve on the graph demonstrates the oscillating pattern common to the economy of the North Coast. Typically, a peak is reached in the summer months, with a trough arriving in the winter months. Focusing on the seasonally-adjusted *Index*, however, it is clear that the *Index* has been experiencing overall growth since January 1998.

Monthly Sectoral Analysis:

Employment: In their preliminary report for January 2000, the Employment Development Department (EDD) reported that 55,200 people were employed in Humboldt county, down by 1,200 from the revised December 1999 report. Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries decreased from a revised 42,300 for the month of December to 41,000 for the month of January (-3.1%). The retail subsector of services also declined from a revised 10,900 for December to a preliminary 10,400 for the month of January (-4.6%).
- Total county employment in manufacturing decreased from 5,700 to 5,600 for the month of January (-1.8%).

While the aggregate number of people employed in Humboldt county declined this month over the previous month, the employment sector of the *Index* increased by 1.88 percent. The increase is explained by the fact that we report seasonally-adjusted employment in the *Index*. This means that declines in employment are common and are expected in this area in the winter. Seasonally-adjusting the report provides a better indication of overall employment trends, rather than seasonal fluctuations. The month-over-month comparison shows county employment was down 2.38 percent over January 1999, down 0.19 percent relative to January 1998, and down 0.58 percent relative to January 1997.

Nationally, the labor market continues to be robust. In fact, a surge of new jobs in January was the largest one month gain since September of 1997. The construction industry experienced the largest portion of these gains. It is noted that the employment increase in this industry was probably due to the unseasonably warm weather in January.

Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings. Help wanted advertising remained strong for the month of January. The number of help-wanted advertisements was up in all comparisons this month. Specifically, advertising was up 0.15 percent over the previous month, up 17.27 percent over January 1999, up 5.67 percent over January 1998, and up 4.33 percent over January 1997.

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 January. Claims were down a slight 0.50 percent over the previous month. In the month-over-month comparison, claims were up 2.22 percent over January 1999, down 16.01 percent over January 1998, and down 17.12 percent over January 1997. National claims for unemployment were also down. In fact, this January represents the lowest January national unemployment rate since 1970.

The incredibly tight labor market is being closely watched around the country -- especially by the Federal Reserve chairman Alan Greenspan. In the chairman's semi-annual report to Congress he noted that "imbalances" were developing in the American economy, highlighting the tight labor market as the most serious imbalance. He also stated that, "short of the repeal of the law of supply and demand," increasingly tight labor markets would ultimately lead to increases in wages beyond possible gains in productivity. He warned that result would be to "intensify inflationary pressures or squeeze profit margins, with either outcome capable of bringing our growing prosperity to an end."

Retail Sales: Seasonally-adjusted retail sales remained very strong in Humboldt County as we entered the new century. In fact, the retail sales sector increased 7.49 percent over the previous month. In the month-over-month comparison, sales were up 0.30 percent over January 1999, up 20.42 percent over January 1998, and up an incredible 54.15 percent over 1997.

National retail sales growth was actually softer than many retailers and economists expected, increasing only 0.3 percent. It seems that some consumers are taking a break after the torrid pace of shopping over the holidays. Both November and December's retail sales figures were revised upward, over the preliminary reports.

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 for the month of January showed no clear trend. The sector increased a seasonally-adjusted 6.70 percent over the previous month. In the month-over-month comparison of February reports from the recent past manufacturing is down 9.91 percent over January 1999, up 7.50 percent over January 1998, and down 2.63 percent over January 1997.

Please look to the Orders section of the Leading Indicators for a discussion of what may be expected from the manufacturing sector in the future.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Seasonally-adjusted occupancy rates were down 18.20 percent over the last report. The month-over-month comparison with February reports from the recent past shows mixed results in the hospitality sector. Specifically, the seasonally-adjusted occupancy rates were up 1.32 percent over January 1999, down 10.17 percent over 1998, and down 16.76 percent over January 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 energy sector in the February report is up 1.61 percent over last month's report and up a slight 0.31 percent over the previous year.

Home Sales: Data for the home sales sector of the *Index* were unavailable at the time this report was produced.

Nationally, sales of existing single family homes were down all across the country, with an average decline of 10.7 percent. This decline represents the largest one month fall since April 1995. The western region of the country experienced the largest drop, declining 27.3 percent. Some economists believe that the decline in home sales is the first strong evidence of the effect of increased mortgage rates.

The national median home price fell in January 1.0 percent over the previous month. The median price is still 1.5 percent higher than January of 1999, however.

We look forward to receiving the data on home sales and prices for Humboldt county for the month of January, and will make that data available as soon as we receive it.

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 January.

Manufacturing-Based Economic Indicators:

Manufacturing orders, a leading indicator of activity and employment in the County, again shows a precipitous downward trend in all comparisons. This month's seasonally-adjusted orders are down 17.77 percent over the previous month. The month-over-month comparison also shows declines. For example, manufacturing orders are down 42.72 percent over January 1999, down 38.26 percent over 1998, and down 48.72 percent over January 1997. It is likely that rising interest rates are reducing construction activity, which in turn reduces orders for lumber in our region. Historically, when lumber was a much more dominant element of this area's economy, rising interest rates nationally had disasterous local impacts on employment. The increasing diversification of our County economy helps to buffer us from the economic roller-coaster of interest rates, construction, and lumber.

The number of building permits issued in the county dropped for the month of January. Permits were down 48.99 percent over the previous month. The month-over-month comparison shows similar results. The number of permits issued was down 53.39 percent of January 1999, down 20.11 percent over January 1998, and down 30.11 percent over 1997. The building permit index for January reached its lowest point in the six years since we've been keeping records. This decline may represent the result of the mortgage rate increases that have been occurring since last summer. Watching the number of new housing starts in the area over the next few months will give a better indication of the effect of mortgage rate increases.

As discussed in the employment section of the *Index* above, the Federal Reserve is interested in curbing the nation's explosive economy. For the fourth time since last summer, the Federal Reserve board decided to raise rates. This decision was spurred by an extremely tight labor market and overall increases in the stock market. It is very likely that the Fed will once again raise rates at their late March meeting unless there are significant changes in the labor and stock markets.

We look forward to our seventh year of tracking the Humboldt County economy and wish to thank the Institute of the North Coast for their continued support of this project!

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