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**February 2001**

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in February
Median Home Price*	\$130,000	Help Wanted Advertising	1.97
30 Yr. Mortgage Rate (2/22)	7.25%	Building Permits	-4.40
Prime Rate (2/27)	8.5%	Unemployment Claims	2.15
Unemployment Rate**	6.7%	Manufacturing Orders	-16.27

\* 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.

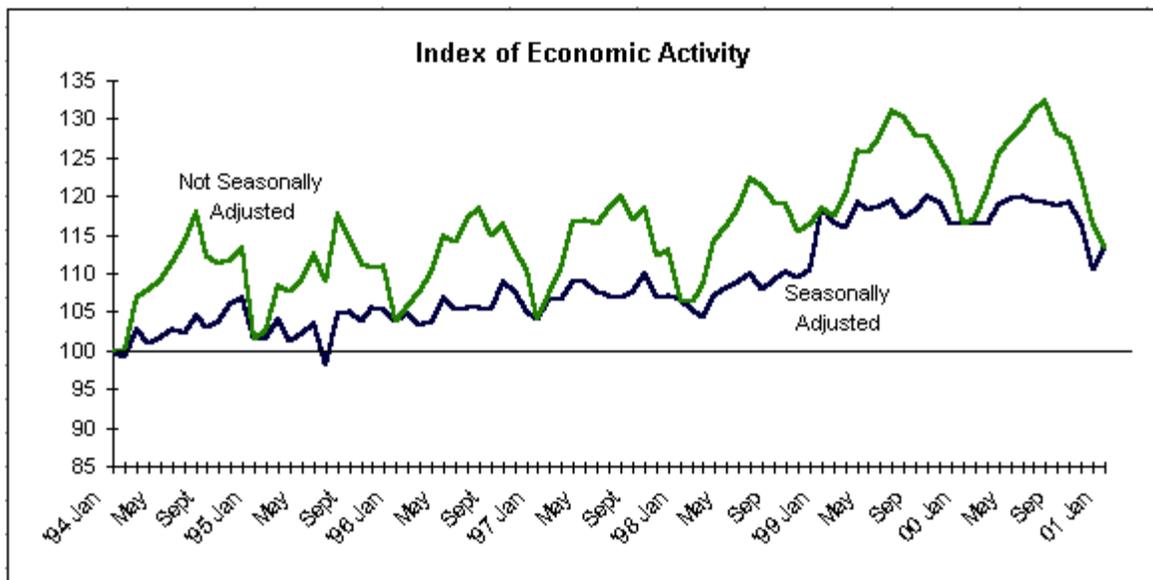
\*\* Preliminary EDD data. See the [EDD Website](#) for updates.

### Monthly Change

**The seasonally-adjusted *Index of Economic Activity for Humboldt County* has bounced back slightly from its two month decline. The seasonally adjusted *Index* value increased 2.43 percent over the previous month. In the month-over-month comparison, the *Index* declined 2.75 percent over 2000, declined 4.31 percent over 1999, and**

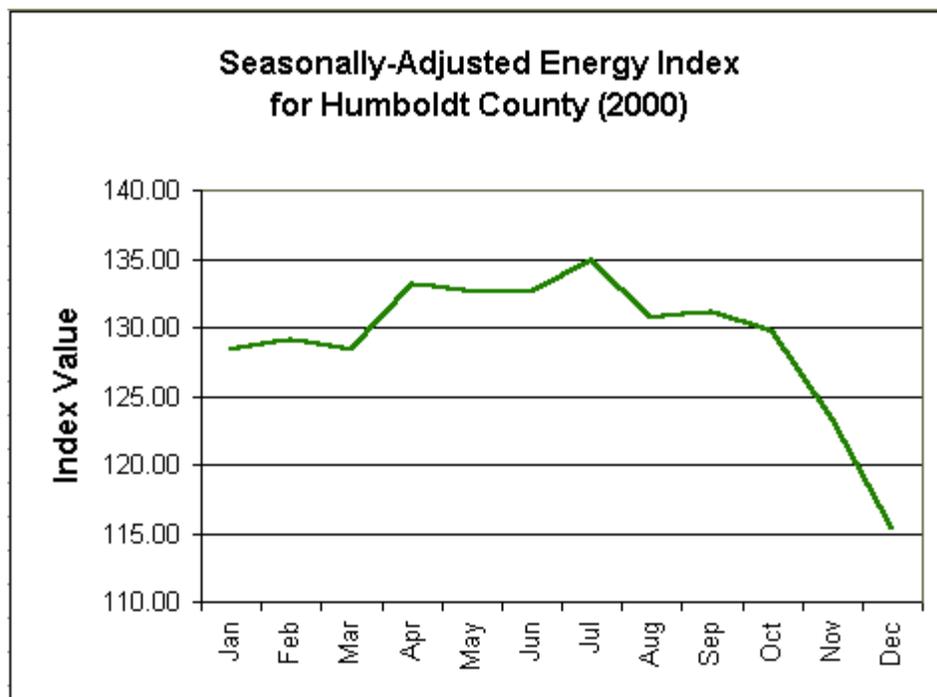
increased 6.29 percent over 1998. It is too early to determine whether January's data represents a return to the relatively high *Index* values the region has experienced over the last two years.

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



### Monthly Sectoral Analysis:

**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 recent energy crisis, however, has caused a rather sharp decline in electricity consumption in Humboldt County as shown in the diagram below.



Increasing natural gas prices have had an effect on the Humboldt County economy. James Kimbrell of the Arcata Economic Development Commission (AEDC) believes that the price increases have caused county businesses to lay off employees, and, in some cases, close. The timber industry is thought to be particularly affected by soaring natural gas prices. It is reported that the cost of drying timber has increased so dramatically that some local mills cannot remain competitive with other sources.

Across the state, consumers are concerned about rising prices and decreasing availability. Over the last few months, individual residential consumers in California have felt the effects in their pocketbooks. There are indications that there may be energy shortages and rolling blackouts this summer. Resolution of the energy crisis will inevitably result in some price increases for electricity before increased supplies are able to come online.

**Employment:** In their preliminary report for January 2001, the Employment Development Department (EDD) reported that 55,400 people were employed in Humboldt county, down by 1,000 from the revised figure for December 2000 (-1.8%). This is the third month in a row that employment has declined over the previous month. January's employment figures are up 0.4 percent over the previous year.

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

- Total county employment in the various services industries decreased from a revised 42,200 during the month of December to a preliminary 41,300 for the month of January, or -2.1 percent. This sector is up 2.0 percent over the previous year's figures. The retail subsector of services decreased from a revised 10,800 for the month of December to a preliminary 10,300 for the month of January (-4.6%). This subsector is also up 2.0 percent over the previous year.
- Total county employment in manufacturing declined from a revised 6,000 for the month of December to 5,900 for the month of January (-1.7%). While down over the previous month, this subsector is up 3.5 percent over the previous year.

The performance of the employment sector of the *Index* is mixed when compared to January's of the recent past. The sector decreased 2.1 percent over the previous month's report. In the month-over-month comparison, the sector increased 0.38 percent over 2000, decreased 1.89 percent over the 1999 report, and increased a slight 0.19 percent over 1998.

County employment declined across nearly every sector for the month of January. Only the amusement and

recreation and health services subsectors of services showed increases in employment. More layoffs in the manufacturing sector were announced in January. These most recent declines may not be reflected in employment data for at least one month, however.

For the year 2000 as a whole Humboldt County gained 1,000 jobs. The greatest number of newly created jobs came from the services sector. The manufacturing sector added 70 jobs overall. The lumber and wood products subsector of manufacturing, however, lost 100 jobs. This is the fourth year in a row that this subsector has seen declines.

Nationally, the employment sector was much stronger than expected for the month of January. The labor market added more than 250,000 new jobs -- many more than were predicted. As in Humboldt County, the greatest gains came from the services sector. The national manufacturing sector lost 65,000 jobs during the month, however. The downward trend in manufacturing employment is expected to continue into the near future.

The county unemployment rate increased substantially from a revised 5.5 percent for the month of December to a preliminary 6.7 percent for the month of January. In contrast the unemployment rate in the state dropped to 4.5 percent, the lowest January rate since 1969. This rate is still slightly higher than the national average of 4.2 percent. The national unemployment rate remains low, despite nation-wide layoffs, due to the creation of new jobs. Many laid off workers are being quickly reabsorbed into the economy. The strong unemployment rates would seem to indicate that while the employment sector may be slowing, the overall employment situation is still healthy.

**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 rebounded from the six-year low reached last month. This report marks the first time in three months that the manufacturing sector was not down across all comparisons. The manufacturing sector increased 11.59 percent over the previous month. In the month-over-month comparison, the sector declined 6.31 percent over 2000, declined 13.54 percent over 1999 and increased 2.90 percent over 1998.

As described in both the energy and employment sections above, the manufacturing sector in this region, as well as across the nation, is in decline. Increased energy costs have directly impacted manufacturer's costs and their ability to be competitive. Layoffs across the manufacturing sector have resulted in the loss of traditionally high paying employment. Most economists expect the declines in national manufacturing activity to continue. Although the manufacturing sector in this region was up in the month of January, we will need several months before we know if the local region is breaking the downward trend.

**Retail Sales:** The retail sales sector of the *Index* showed mixed reviews for the month of January. Specifically, the sector increased 2.06 percent over the previous month. In the month-over-month comparisons, the sector decreased 6.06 percent over 2000, decreased 7.18 percent over 1999, but increased 12.14 percent over 1998.

National retail sales were stronger than expected for the month of January. Sales grew by 0.7 percent over the previous month. This is the strongest single-month increase since September 2000. The increase in retail sales comes despite dramatic declines in consumer confidence. It appears that consumers are saying one thing, but doing another.

**Home Sales:** The Home Sales sector of this month's *Index* was strong overall. The sector increased 10.79 percent over the previous month. In the month-over-month comparison, the sector increased 12.50 percent over 2000, decreased 4.70 percent over 1999 and increased 39.66 percent over 1998. During the month of January 81 units were sold, down by 18 over the previous month.

Our January quote for the 30-year fixed mortgage rate (zero points) in Humboldt County remained unchanged at 7.250 compared to our December quote.

**National existing home sales were unexpectedly low in the month of January. Existing home sales reached their lowest rate since January of last year. New home sales were also down over the previous month, falling nearly 10 percent. Although this is a sharp decline, December's sales reached a record breaking one million units sold. Most economists and realtors see a slowdown in the housing market, but expect it to remain healthy through at least spring.**

**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* gained some ground over last month's generally poor performance. The sector was up across all comparisons for the month of January. The sector increased 6.44 percent over last month's report. In the month-over-month comparison seasonally-adjusted occupancy rates were up 23.45 percent over 2000, up 20.95 percent over 1999, and up 4.47 percent over 1998.**

### **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 strong for the second month in a row. Specifically, the sector increased 1.97 percent over the previous month. In the month-over-month comparison, help wanted advertising was up 6.32 percent over 2000, up 23.39 percent over 1999 and up 15.95 percent over 1998.**

**National help-wanted advertising declined in the month of January. The national index is at the same level as 1994. It is anticipated that the help wanted index will grow at a rate of 0.7 percent, down from the 2.1 percent growth rate in 2000.**

**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 reviews in the month of January. Claims increased 2.15 percent over the previous month. In the month-over-month comparison, claims were exactly equivalent to 2000, up a slight 0.27 percent over 1999 and down 17.90 percent over 1998.**

**Layoffs have been occurring in the region and across the country. It appears that layoffs have impacted unemployment, and likely have impacted new claims for unemployment insurance. So far the overall effects appear to be moderate. 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, were down in nearly all comparisons for the month of January. Manufacturing orders were down 16.27 percent over the previous month. In the month-over-month comparison, orders were up 20.02 percent over 2000, down 31.38 percent over 1999, and down 25.82 percent over 1998.**

### **Home Sales Economic Indicator:**

**No clear trend can be discerned in building permits, a volatile leading indicator. The sector is down 4.40 percent over the previous month. While up 60.0 percent over 2000, it is down 22.58 percent over 1999, and up 26.33 percent over 1998.**

**Alan Greenspan and the Federal Reserve seem to be tempering their statements lately. Despite their report last month that the current quarter is expected to show zero net growth -- read as a looming recession in some economists minds -- their more recent reports indicate that things may not be as bad as they appeared at the beginning of the year. The Fed expects the economy to grow between 2 and 2.5 percent in the upcoming year. While this is less than the 3.5 percent growth rate achieved last year, it does not indicate recession. It has been reported that a number of Federal Reserve regional bank presidents do not believe a recession is likely in 2001.**

**Yet there are many indications of a slowdown in the national economy. Economists specifically point to slowing job growth, rising claims for unemployment insurance, weak manufacturing orders, the inflationary effects of rising energy prices, low consumer confidence, and declining consumer spending.**

**The next Federal Open Market Committee (FOMC) meeting is scheduled for late March. Most economists expect that the Reserve Board will move to further decrease interest rates at that meeting.**

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