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The Index of Economic Activity for Humboldt County

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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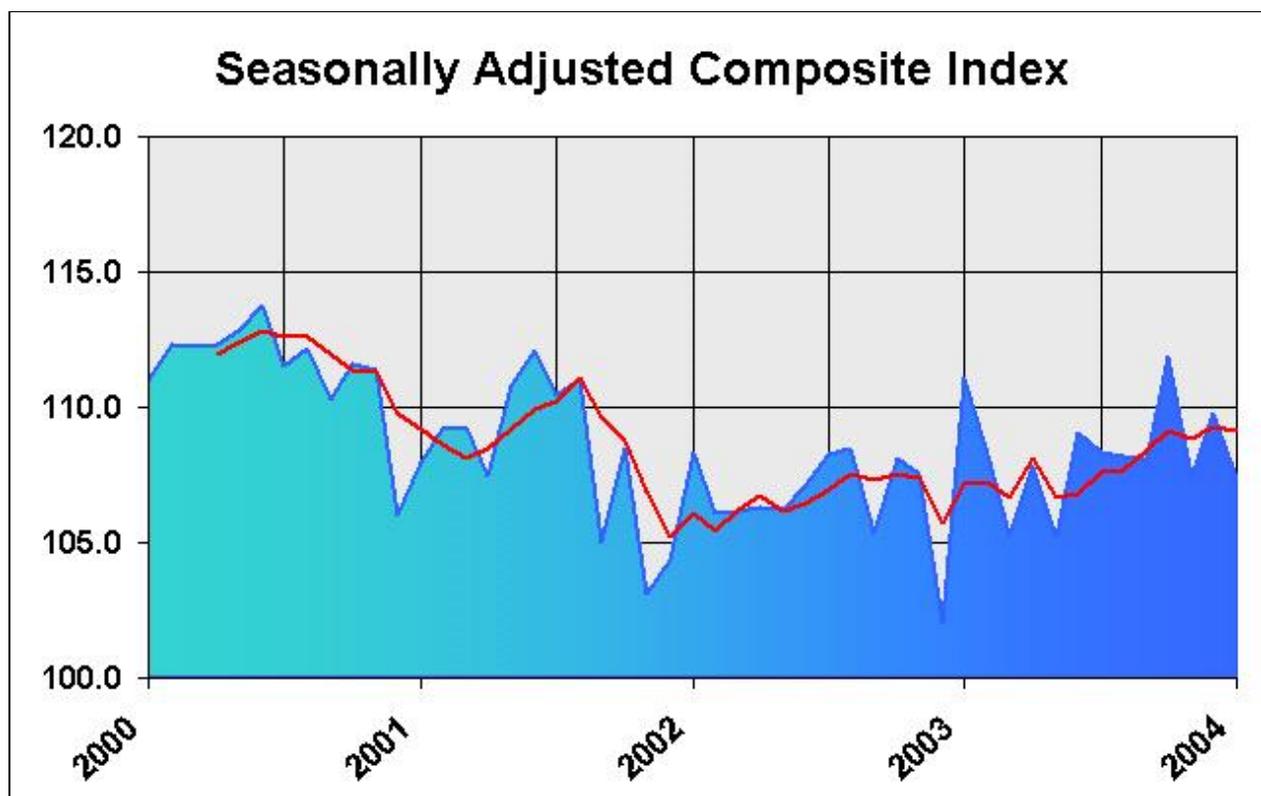
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Graphic description: The seasonally adjusted composite *Index* is represented in the graph above by the blue area. The red line shows a four-month moving average of the *Index* which smoothes month-to-month volatility to show the long run trend.

Composite Index and Overall Performance

The *Index of Economic Activity for Humboldt County* measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted *Index* that shows changes relative to the base month (January 1994). The composite *Index* is a weighted combination of six individual sectors of the local economy. The current *Index* is based on the most recently available data, which is generally data from the previous month.

The Humboldt County economy, as measured by the Composite *Index*, slid downward this month. After decreasing 2.2 percent from January's level, the Composite *Index* now stands at 107.4. Five of

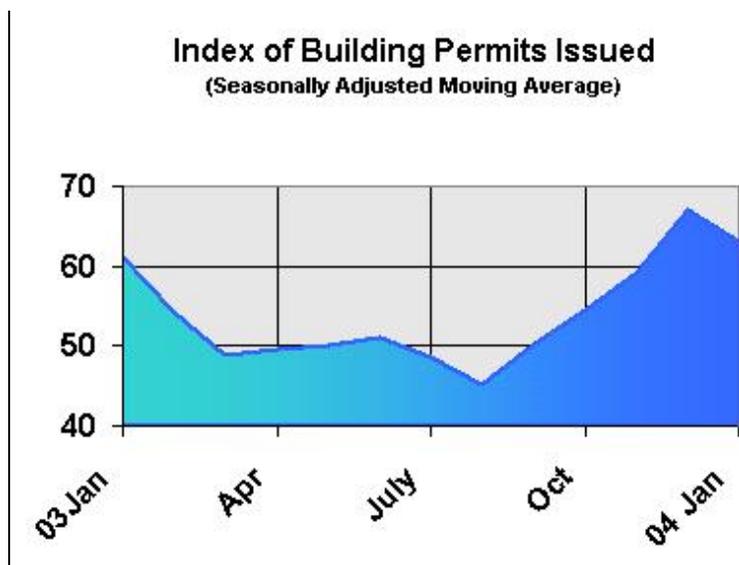
the six *Index* sectors fell, including home sales which had fueled much of the recent economic growth. Seasonally adjusted home sales declined by 6.7 percent to 134.5. The drop comes in spite of continued low interest rates. The retail sector which had a less than desirable holiday season is not starting off 2004 much better. The retail sales index declined 4.8 percent and now stands at 134.7. Tourism as measured by the hospitality index also declined this month. The index for this sector dropped 5.9 percent to 88.8. Electricity consumption also helped to pull the composite downward. Estimated electricity consumption declined 3.5 percent to 110.5. Lumber-based manufacturing also suffered a decline this month. The manufacturing index fell 5.3 percent to 82.5. Employment was the only sector that showed positive growth this month. The total county employment index rose 2.8 percent to 105.4.

Composite & Sectoral Performance, <i>Index of Economic Activity for Humboldt County</i>							
* * *		Percent Change From:					
Index	Seasonally Adjusted Index Value (1994=100)	Previous Month	Same Month 2002	Same Month 2001	Same Month 2000	Same Month 1999	Same Month 1998
COMPOSITE	107.4	-2.2	-3.6	-0.9	-0.5	-3.3	-7.0
<i>Sector</i>							
Home Sales	134.5	-6.7	-3.8	-2.7	12.9	27.0	7.6
Retail Sales	134.7	-4.8	-4.4	-3.2	1.1	-4.7	-4.9
Hospitality	88.8	-5.9	-10.0	-2.8	-4.8	0.9	-6.8
Electricity Consumption	110.5	-3.5	-5.3	-2.9	6.5	-13.9	--
Total County Employment	105.4	2.8	1.1	2.9	1.1	2.2	-0.2
Manufacturing	82.5	-5.3	-7.1	-4.3	-20.1	-26.2	-32.7

Leading Indicators

The Index tracks three leading indicators to get a sense of the direction of change in the county economy in the near future. The three leading indicators are (1) number of help-wanted advertisements in the *Eureka Times-Standard*, (2) number of claims for unemployment insurance, and (3) number of building permits issued. The graphs in this section use a four-month moving average of seasonally adjusted index values in order to "smooth" ordinary month-to-month volatility and reveal underlying trends. Only the home sales leading indicator is available for this month.

Home Sales Economic Indicator:



The index of building permits issued gives insight to future home sales and construction. The actual number of building permits issued dropped 41.1 percent in January. The drop in the actual number of permits issued was large enough to pull the seasonally adjusted moving average downward as well.

Help wanted advertisements and initial claims for unemployment insurance are not available this month.

Key Statistics		Leading Indicators	
			% Change From Previous Month
Median Home Price*	\$197,000	Help Wanted Advertising	-
30 Yr. Mortgage Rate as of 2/27	5.625%	Building Permits	-41.1%
Unemployment Rate**	7.5%	Unemployment Claims	-
* Home price data are provided by the Humboldt Association 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 (not seasonally adjusted). See the EDD Website for updates.			

Individual Sectors

Home Sales

The index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The February seasonally adjusted home sales index dropped 6.7 percent from the previous month to

stand at 134.45. Though home sales declined this month, interest rates will remain low in the near future. This will continue to give homebuyers a chance to jump into the housing market.

The median home price in Humboldt County fell to \$197,000 from December's price of \$206,500. Statewide home prices continued to inch upward. The median price of a California home in January was \$405,720. This is only the third month ever that the median price has topped \$400,000. (www.car.org) Nationwide home prices dropped slightly from the previous month. The national median existing-home price was \$168,700 in January, down from \$173,200 in December. David Lereah, NAR's chief economist, said monthly changes at this volume of home sales are relative. "We have to keep in mind that the level of home-sales activity over the last six months has been the strongest on record," he said. "The January pace was the sixth-highest ever and is above the total forecast for this year. We can expect month-to-month ups and downs, but the long-term trend is for home sales to stay close to record territory this year. "Given the high level of sales in January, it's hard to read much into a monthly decline. However, unusually bad weather in much of the country may have postponed some sales," Lereah said.(www.realtor.org)

Retail Sales

The index value of the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Seasonally adjusted retail sales got off to a sluggish start in 2004. The index for this sector dropped 4.8 percent from the previous month to stand at 134.7. The drop in the retail sector comes after a slow holiday season for local businesses.

The Conference Board's Consumer Confidence Index dropped to 87.3 in February. January's rise in confidence was quickly erased by the 9.1 percentage-point drop this month. Lynn Franco, Director of the Board's Consumer Research Center, attributes the low level of confidence to the continually weak labor market conditions. "Consumers began the year on a high note, but their optimism has quickly given way to caution," she says. "Consumers remain disheartened with current economic conditions, and at the core of their disenchantment is the labor market. While the current expansion has generated jobs over the past several months, the pace of creation remains too tepid to generate a sustainable turnaround in consumers' confidence. And, with consumers anticipating economic conditions to remain about the same in the months ahead, their short-term outlook turned less optimistic." (www.conference-board.org)

Hospitality

The index value of the hospitality sector is based on seasonally adjusted average occupancy each month at a cross section of local hotels, motels and inns.

The hospitality index dropped 5.9 percent from the January level, the measure now stands at 88.8. The hospitality index has only risen above the 100 level twice since September 2001.

Electricity Consumption

The index value of this sector is based on seasonally adjusted kilowatts-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation reduce the sector's index value. Because we collect our data for this sector quarterly, values are estimated, and are revised when the quarterly data are received.

The estimated value of the electricity index for February is 110.5, which is a 3.5 percent decline from last month's actual data.

Total County Employment

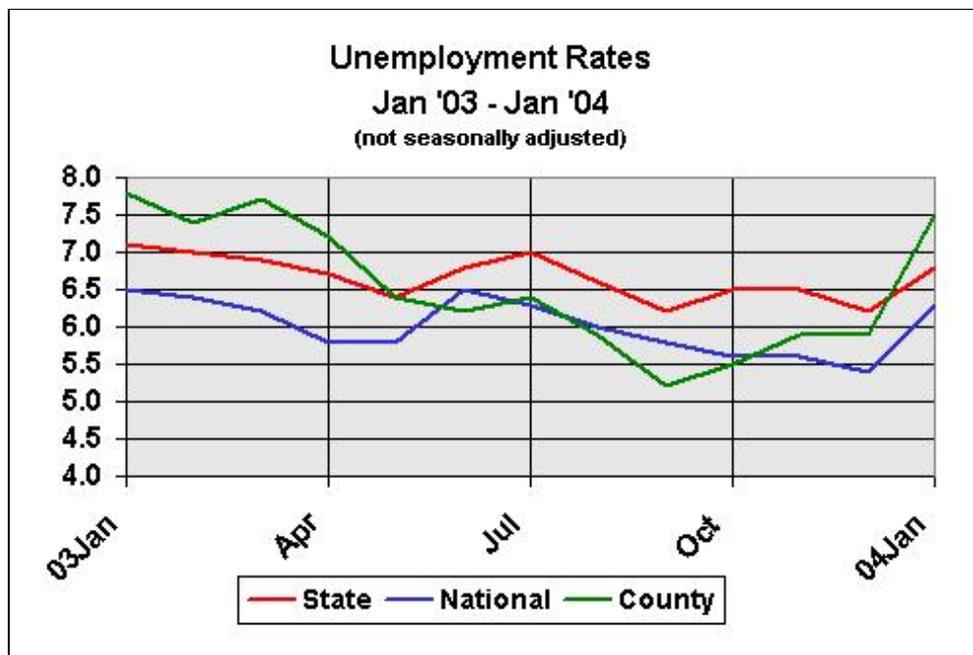
The index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

In the revised report for January, the EDD reported that 56,400 people were employed in Humboldt County. This is down from December's figure, indicating a net loss of 800 jobs. At the same time the total civilian labor force increased by 100 to 60,900. However, when adjusted for expected seasonal variation, the employment index rose 2.8 percent to 105.4.

Sectoral changes in Humboldt County employment:

- The service sector experienced a significant loss of jobs. General merchandise stores lost 200 jobs, and miscellaneous retail lost 300 jobs. Transportation and warehousing, professional services, education and health services, and arts and entertainment each lost 100 jobs. Employment in food services declined by 300 jobs. A decline in retail sector employment was expected due to the ending of temporary holiday employment.
- State government (non-education) lost 100 jobs, while local government gained 100 jobs.
- Natural resource/mining and construction each lost 100 jobs. Employment in manufacturing did not change.
- Employment in the agriculture sector did not change.

The unemployment rate shot upward in January to 7.5 percent. Local unemployment which had been below the state average since the second quarter of 2003, is now well above both the state and national rates. The local unemployment rate, which is not seasonally adjusted, is typically highest during the first quarter of each year. The current rate is lower than the January 2003 and 2002 rates, which were 7.8 and 7.9 percent respectively.

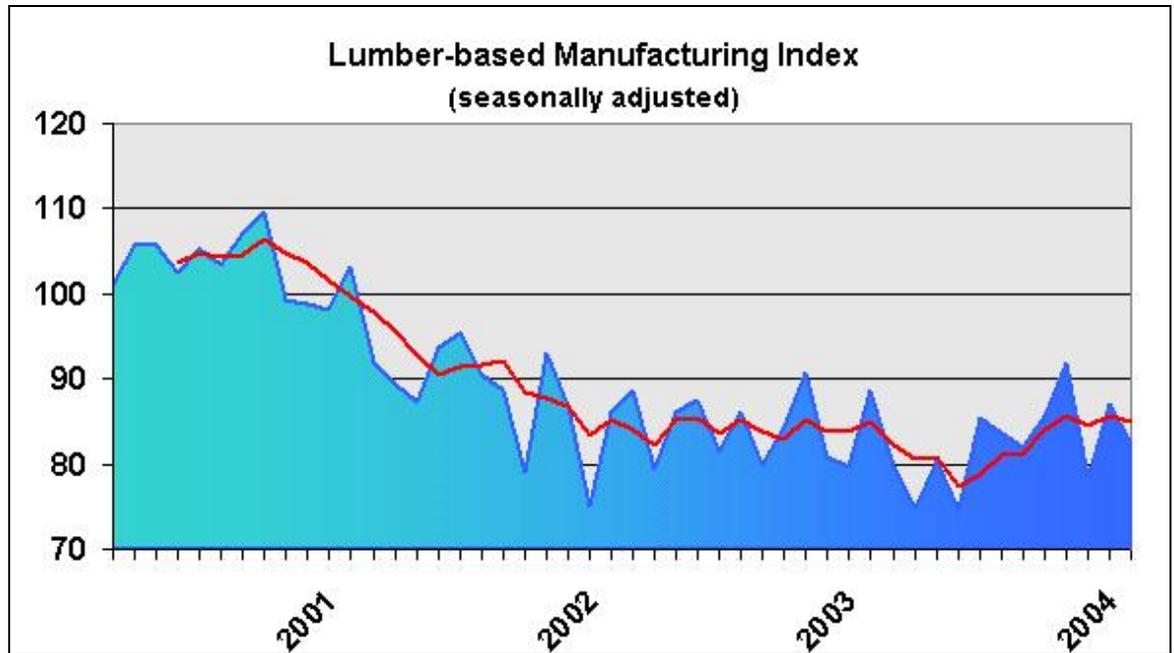


Lumber Manufacturing

The index value of this sector is based on a combination of payroll employment and board feet of lumber production at major county lumber companies and is adjusted to account for normal seasonal

variations. Lumber-based manufacturing generates about 60 percent of total county manufacturing employment.

The preliminary manufacturing index declined by 5.3 percent in January. The lumber-based manufacturing index shows a long run downward trend in this industry. The current index value of 82.5, indicates that during the past few years, the value of lumber manufacturing has declined. The lumber-based manufacturing index has not risen above the 100 level since January of 2001.



Graphic description: The seasonally adjusted lumber-based manufacturing index is represented by the blue area in the graph above. The red line shows the four-month moving average of the lumber-based manufacturing index which smoothes month-to-month volatility to show the long run trend.

Explanatory Note: For those of you who are new or less familiar with the *Index*, we have been tracking economic activity since January 1994. The composite indices plotted as blue and green lines in the diagram at the top of this page are weighted averages of each of the six sectors described in the table above. Each sectoral index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectoral index value is currently 150, that means that (inflation-adjusted) retail sales among the firms that report data to us are 50 percent higher than in January 1994. We also *seasonally adjust* each sector, and the composite index, to correct for "normal" seasonal variation in the data, such as wet season vs. dry season, and so trends in the seasonally-adjusted composite index (the blue line in the diagram above) provide a better indication of underlying growth and fundamental change in the economy. Each month's report reflects data gathered from the previous month. For example, the "August 2003" report reflects data from July 2003. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

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