

[skip navigation](#)



[Current Issue](#)

[Archive](#)

[Projects](#)

[Sponsors](#)

[Links](#)

[Home](#)

[Readers Comments](#)

[Frequently Asked Questions](#)

[Acknowledgements and Past Participation](#)

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January 2001

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	% Change in January
Median Home Price*	\$***	Help Wanted Advertising	2.35
30 Yr. Mortgage Rate (1/23)	7.25%	Building Permits	38.35
Prime Rate (1/23)	9.0%	Unemployment Claims	-9.85
Unemployment Rate**	5.2%	Manufacturing Orders	30.30

* 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.

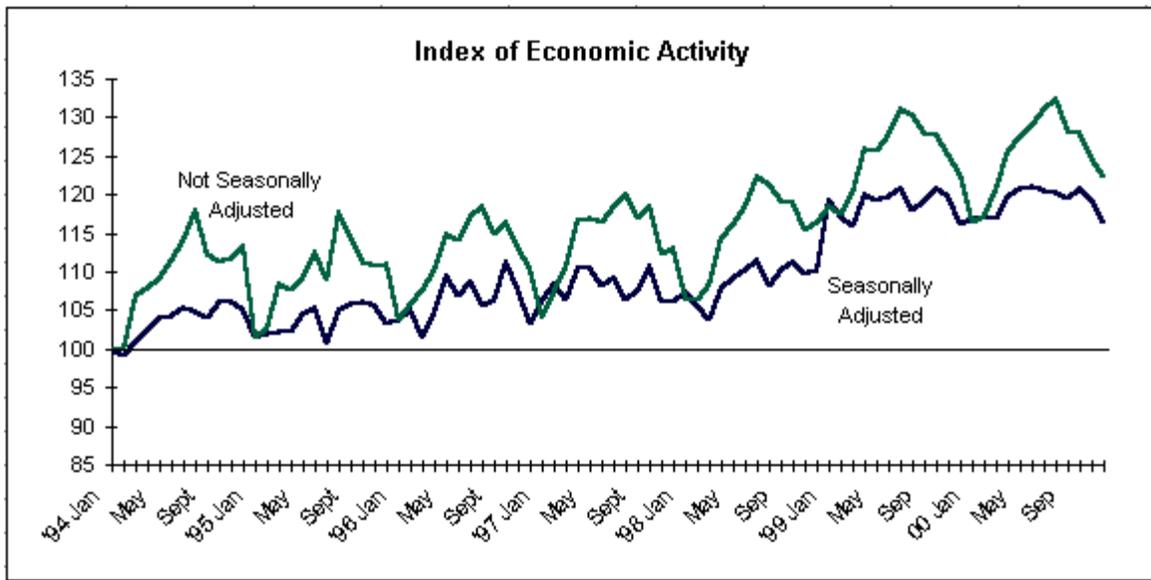
*** The median home price for the month was unavailable at the time this report was produced.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* has been in more or less a steady state

for the last two years, with minor month-to-month fluctuations. Yet during December 2000 the seasonally-adjusted *Index* experienced its largest downturn in a year, falling 2.55 percent. While the seasonally adjusted *Index* has experienced a sharp downturn, one month of data does not make a trend, and moreover the *Index* remains at a high level relative to past years. For example, in the month-over-month comparison, the *Index* increased 0.12 percent over 1999, increased 5.67 percent over 1998 and increased 9.75 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 "January 2001" report reflects data from December 2000. 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* declined in the month of December, with county retailers reporting weak December sales. Specifically, there was a decline of 7.01 percent over the previous month. In the month-over-month comparisons, the sector decreased 1.34 percent over 1999, decreased 3.27 percent over 1998, but increased 9.51 percent over 1997.

The relatively weak county retail sales are consistent with reports from around the nation. Despite early and heavy price discounting by retailers, holiday sales remained sluggish. Chain stores, in particular, suffered from the slow sales. They reported their weakest holiday sales in five years. Many economists see this retail sales report as an indication of weakening consumer confidence.

For the year 2000 as a whole, national retail sales were up 7.9 percent over the previous year. The majority of the growth came in the first part of the year. In Humboldt County, the year-over-year comparison is much weaker. The 2000 retail sales average index value grew by only 0.60 percent over 1999's average retail sales index value.

Employment: In their preliminary report for December 2000, the Employment Development Department (EDD) reported that 58,500 people were employed in Humboldt county, down by 600 from the revised figure for November 2000 (-1.0%). Although down over the previous month, December's employment figures are up 3.7 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 43,700 during the month of November to a preliminary 43,600 for the month of December, or -0.2 percent. This sector is up 3.1 percent over the previous year's figures. The retail subsector of services increased from a revised 11,200 for the month of November to a preliminary 11,300 for the month of December (0.9%). This subsector is up 3.7 percent over the previous year.
- Total county employment in manufacturing declined from a revised 6,000 for the month of November to 5,800 for the month of December (-3.3%). While down over the previous month, this subsector is up 1.8 percent over the previous year.

The employment sector of the *Index* was up in nearly all comparisons for the month of December. The sector decreased 1.01 percent over the previous month's report. In the month-over-month comparison, however, the sector increased 3.75 percent over 1999, increased 2.10 percent over the 1998 report, and increased 3.94 percent over 1997.

Recent reports indicate that the Samoa pulp mill will be closing for at least a month and about 180 mill workers will be laid-off. Combined with anticipated lay-offs at other mills, we expect to see a significant loss of manufacturing employment. It will take at least one month, possibly longer, for these effects to be recorded in the data, however.

Around the nation the slowing growth in employment continued in the month of December. While job gains at the beginning of the year averaged 2.3 percent, December's gains were less than 1.5 percent. The economy created 105,000 jobs in the month, most coming from the government and services sectors. As in Humboldt County, national manufacturing employment declined for the month, losing 62,000 jobs. The declines in this sector are fairly broad based.

The unemployment rate in Humboldt County declined over the previous month, dropping from a revised 5.7 percent for the month of November to a preliminary 5.2 percent for the month of December. Humboldt County ranks 27 out of 57 counties in California in unemployment rate for the month. The lowest rate, 1.2 percent, was in San Mateo county, while the highest rate, 23.5 percent, was in Colusa county.

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.

For the third month in a row, the manufacturing sector of the *Index* declined across all comparisons. Specifically, the sector declined 3.49 percent over the previous month, declined 12.82 percent over 1999, declined 16.77 percent over 1998 and declined 9.97 percent over 1997. This is the lowest *Index* value for the manufacturing sector since January 1995.

Trends in Humboldt County manufacturing appear to mirror national manufacturing activity. Activity in this sector declined across the country in the month of December. The decline of 1.1 percent is the largest single month decline since 1991. As reported in the employment section above, job losses for the month were strongest in the manufacturing sector. Most economists agree that the manufacturing sector is in the midst of a recession.

Home Sales: The Home Sales sector of this month's *Index* showed mixed performance. The sector decreased 13.03 percent over the previous month. In the month-over-month comparison, the sector increased 1.98 percent over 1999, decreased 10.64 percent over 1998 and increased 36.47 percent over 1997. During the month of December 99 units were sold, down by 17 over the previous month.

The 30-year fixed mortgage rate (zero points) in Humboldt County, declined for the second month in a row, from 7.375 for the month of November to 7.250 for the month of December.

Existing home sales across the country were lower than expected for the month of December. While declines were experienced in all regions, the smallest declines occurred in the western United States. Even the red-hot Bay Area housing market fell 13.1 percent in December relative to 1999's sales figures. The median home sale's

price declined 4.1 percent over the previous month.

Although December's national sales were somewhat lower than expected, sales figures for the year reached 5 million. This is only 200,000 less than 1999's record-breaking sales. Some economists and realtors believe that the explosive housing market is finally slowing. Others point to continued upward pressure on national home prices and falling mortgage rates as evidence that activity in this sector will remain strong.

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 nearly all comparisons for the month of December. The sector decreased 2.43 percent over last month's report. In the month-over-month comparison seasonally-adjusted occupancy rates were down 3.10 percent over 1999, down a slight 0.07 percent over 1998, and up 1.56 percent over 1997.

Tourism across the country was better than expected for the month of December. Heavy snow fall in parts of the country contributed to the demand as consumers participated in winter sports.

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. Due to the ongoing power crisis, the energy report for the month of December was unavailable at the time this report was produced. We will update the energy sector as soon as that information becomes available.

National energy prices have surged over the last two years. For 2000, energy prices increased 14.2 percent. This is the largest increase since 1990 when prices increased by 18.1 percent during the Persian Gulf Conflict. Natural gas prices increased 4.4 percent for the month of December, and an amazing 36.7 percent for the year. Gasoline prices for the year increased 13.9 percent. This increase follows 1999's 30.1 percent increase.

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 quite strong for the month of December. For example, the sector increased 2.35 percent over the previous month. In the month-over-month comparison, help wanted advertising was up 5.16 percent over 1999, up 17.14 percent over 1998 and up 45.61 percent over 1997.

Across the country, help wanted advertising picked up in the month of December, rebounding from November's seven year low. While the national employment sector is still strong, most economists are expecting a much slower rate of job growth in the upcoming year.

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 in December were down in all comparisons. This is the second month in a row that has exhibited such a trend. Specifically, claims were down 9.85 percent over last month. Claims were also down 2.91 percent over 1999, down 22.86 percent over 1998 and down 30.27 percent over 1997.

The Federal Reserve reported layoffs across all districts and in a wide variety of industries for the month. While many of the laid off-workers were quickly reabsorbed into the workforce, economists see this news as another

indicator of the slowdown in the economy.

Manufacturing Economic Indicator:

Manufacturing orders, a leading indicator of activity and employment in the County, were up in nearly all comparisons for the month of December. This is in contrast to November's weak performance. Manufacturing orders were up 30.30 percent over the previous month. In the month-over-month comparison, orders were up 18.78 percent over 1999, down 18.60 percent over 1998, and up a slight 0.52 percent over 1997.

Home Sales Economic Indicator:

The Building permit leading indicator continues to be volatile and no clear trend can be discerned. While up 38.35 percent over the previous month, permit activity is down 17.75 percent over 1999, up 14.58 percent over 1998, and down 54.95 percent over 1997.

Around the country and across a variety of sectors, the economy is showing strong signs of cooling. Specifically, national manufacturing activity, retail sales, and employment all appear to be slowing. In addition, seven out of ten leading indicators of economic activity declined in the month of December. This would indicate that further cooling can be expected in the near future. Alan Greenspan recently noted in a report to Congress that he anticipates the current quarter to exhibit zero growth. This is extraordinary news considering the phenomenal growth this country has experienced over the last two years. Economists are split, however, as to whether we can expect a recession in the near future. Recession is commonly defined as two consecutive quarters of negative growth. Greenspan notes that the level of consumer confidence during the economic slowdown will be the main determinant as to whether or not the country will experience recession.

Recent consumer confidence polls indicate a marked drop in American's confidence in President Bush and his ability to handle the economy. Only two in ten people surveyed reported they had a lot of confidence in Bush. The degree of confidence appears to follow party lines, with about half of Republicans reporting a lot of confidence and about half of Democrats reporting no confidence.

In the spring of last year, about half of those polled expected their financial situation to improve in the coming year. The most recent poll indicates that only about one-third of those surveyed now believe they will be better off in the coming year.

[Back to Main Index Page](#)

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