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[Archive](#)

[Projects](#)

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[Links](#)

[Home](#)

[Readers Comments](#)

[Frequently Asked Questions](#)

[Acknowledgements and Past Participation](#)

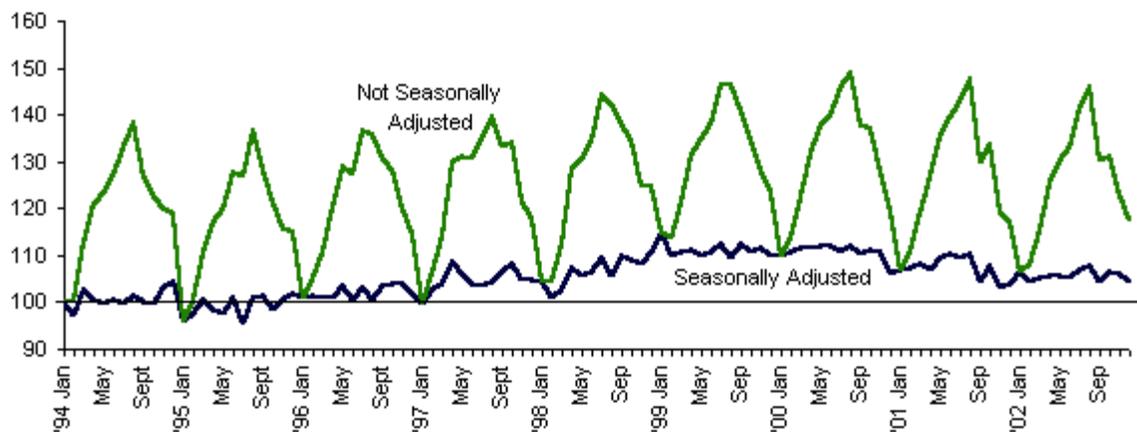
[HSU Economics Department](#)

**Professor Steven Hackett, Executive Director  
John Manning, Managing Director**

**January 2003**

**This month's report is sponsored by SN Servicing Corporation**

**Composite Index**



**December's seasonally adjusted composite value is a preliminary 104.5.  
This is 1.7 percent lower than November's downwardly revised 106.3.**

Key Statistics	Leading Indicators	
Humboldt County	Seasonally Adjusted	% Change From Previous Month

Median Home Price*	\$180,000	Help Wanted Advertising	-21.5
30 Yr. Mortgage Rate (1/30)	6.0%	Building Permits	-31.1
Average Hotel Occupancy Rate	39.5%	Unemployment Claims	+16.0
Unemployment Rate**	6.3%	Manufacturing Orders	+16.3

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

<b>Sectoral Performance, <i>Index of Economic Activity for Humboldt County</i></b>							
* * *		Percent Change From:					
Sector	Seasonally Adjusted Sectoral Index Value (1994=100)	Previous Month	Same Month 2001	Same Month 2000	Same Month 1999	Same Month 1998	Same Month 1997
Home Sales	114.3	-19.4	-8.6	+7.1	+8.2	-1.9	+47.2
Retail Sales	139.0	+7.9	-1.2	+9.4	+9.4	+5.8	+23.7
Hospitality	79.7	-8.2	-3.6	-11.0	-15.2	-17.0	-20.3
Electricity Consumption	106.7	-4.1	-3.3	-6.8	-15.6	--	--
Total County Employment	103.8	-0.5	+5.5	+2.3	+2.3	+0.7	+2.5
Lumber Manufacturing	85.0	-0.1	+4.2	-20.0	-30.9	-34.6	-33.2

<b>Humboldt County Employment Estimate</b>		
January 2003	M/M Change*	Accuracy**
<b>Model 1</b>	-1,400	83.2%
<b>Model 2</b>	-1,700	73.7%

\* Estimated level of total county employment in the current month relative to the previous month's EDD preliminary estimate.

\*\* Accuracy of model in correctly predicting an increase or decrease in the level of total county employment from the previous month. Accuracy does not apply to the magnitude of any change.

Both models are regression-based estimators of employment in the current month. Model 1 uses lagged employment, retail, manufacturing, and help-wanted advertising data, while Model 2 uses lagged employment, help-wanted advertising and unemployment insurance claims data. Click [here](#) for a detailed explanation.



**Accuracy applies only to the direction of movement, and not to the magnitude of any change.**

## Discussion

## Composite Index and Overall Performance

A look at the composite index graph above shows that local economic activity fell for a second consecutive month in December. A series of severe storms that pummeled the North Coast during the month, causing damages estimated at \$5.1 million to public infrastructure and \$2 million to homes and businesses ([www.times-standard.com](http://www.times-standard.com)), almost certainly played a role in the drop. Also, the growing national unease over a probable war with Iraq may be having an economic effect locally. December's seasonally adjusted composite index level matches last February's as the lowest for 2002.

Consequently, there isn't a lot of good news to report from the sectoral performance table. Only retail sales registered positive growth relative to November's revised numbers. The nearly 8 percent increase for this sector is its second straight month of improvement. Month-over-month home sales plummeted almost 20 percent to a level not seen since the immediate aftermath of September 11, 2001. Year-over-year sales are also down from December 2001. The downturn is most likely a result of bad weather, and there is little reason to doubt the underlying strength of the local housing market. Activity in the hospitality sector also dropped sharply, falling to the lowest level since January 1995. Moreover, November's level for the sector was revised substantially downward, erasing that month's increase over October. Lumber-based manufacturing activity decreased slightly from November, but it appears that the four to five years of structural decline in this industry may be bottoming out. This sector's performance is up a welcome 4.2 percent over December 2001. Employment also fell in December with the loss of about 1,000 jobs. The relevant leading indicators, which are discouragingly negative, and our employment estimator suggest this sector will experience further contraction in January.

The leading indicators are mostly negative. Help-wanted advertising and building permits are both down by double-digit percentages, while claims for unemployment insurance are up by a similarly large margin. Looking on the bright side, only the first indicator's trend (as expressed by the four-month moving average) is clearly negative. The drop in permits may have been a result of the poor weather, and construction activity will likely resume in response to the strong demand for housing. A double-digit increase in manufacturing orders is good news for the ailing lumber industry. The trend here has also been positive, but mixed indications of construction activity in the western region of the country make it difficult to predict movement in the near future. Housing starts are up, but permits are down.

## Home Sales

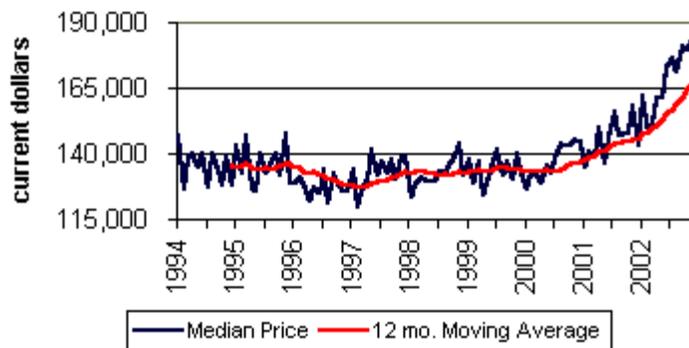
The *Index* value of this sector is based on the number of homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

Local real estate market activity dropped sharply in December, with the seasonally adjusted *Index* value falling 19.4 percent from November's extraordinarily high level. The current figure is also down substantially from December 2001. The series of severe storms affecting the area may have played a role in limiting activity.

2002 was a record setting year all over the country for the number of homes sold. Locally, the Humboldt Association of Realtors reported the sale of 1,460 homes last year. This the largest amount recorded in the eight years of the *Index's* existence, and is a 127 unit improvement over the previous record. Records were also set statewide with the sales of 976,000 new homes and 573,790 existing homes. These figures represent 7.5 percent and 20.9 percent increases, respectively, over 2001 totals ([www.car.com](http://www.car.com)). Finally, the 976,000 new homes and the 5,563,000 existing homes sold nationally were both new records. These numbers were 7.5 percent and 5.0 percent higher, respectively, than in 2001 ([www.realtor.org](http://www.realtor.org) and [www.census.gov](http://www.census.gov)).

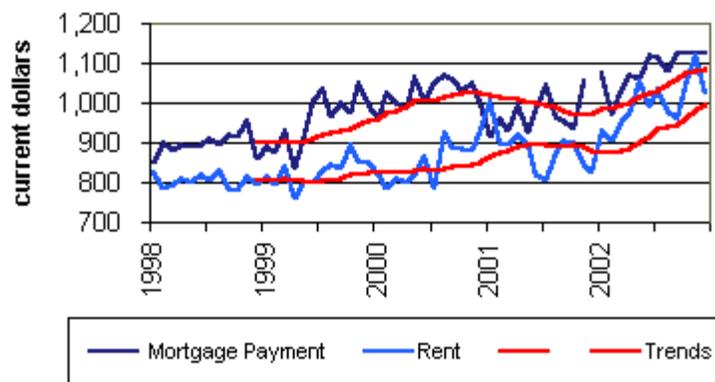
December's median home price fell 1.2 percent from November's revised \$182,250. Nevertheless, this sometimes-volatile measure is a staggering 28.6 percent higher than it was in December 2001. Even when inflation is factored in, the year-over-year increase was 25.5 percent. The 12-month moving average line in the graph below shows that while the median price has been rising steadily since mid 2000, the rate of increase grew noticeably during 2002.

### Humboldt County Median Home Price Adjusted for Inflation



This leads to the suspicion that a bubble may be forming in the local housing market. Clearly, this rate of growth cannot be sustained over the long-term, but that does not necessarily indicate the emergence of a bubble. One of the best indications of bubble formation in a housing market is when the respective rates of growth in purchase prices and rental prices diverge. A look at the trend lines in the next graph shows that there was divergence between the two from late 1999 to late 2000. Since then, however, rents seem to be keeping pace with rising home prices. Thus, the recent gains in price are probably due to a real increase in value.

### Monthly Housing "Prices" (adjusted for inflation)



Mortgage payment data are based on the inflation adjusted value of the initial monthly payment on a median priced home with a 30-year fixed rate mortgage, zero down and zero points.

Rent data are based on mean monthly rent.

Data for median monthly rent are not yet available.

While this is good news for homeowners, it is troubling to renters and many first-time buyers looking to purchase a home. This is illustrated in the following graph. The Humboldt Association of Realtors' Housing Affordability Index for November fell one percentage point from the previous month to 35 percent. This number represents the percentage of Humboldt County households that can afford to buy a median priced home. Not only has the trend in affordability over the past four years been definitely downwards, the rate of decrease seems to have accelerated beginning in early 2002. One obvious, and disturbing, conclusion that can be drawn from these data is that increases in income are not keeping pace with increases in housing prices.



Source: Humboldt Association of Realtors

Administrators of the homebuyer assistance programs in Eureka and Arcata are well aware of this fact. Eureka's city council recently approved raising the maximum allowable home price from \$110,000 to \$150,000. One council member suggested raising the maximum price to \$175,000 in order to anticipate likely further increases in home prices, but the majority favored the lower figure. Similarly, Arcata is attempting to raise its

maximum allowable price to \$186,000 from the current \$144,000 ([www.times-standard.com](http://www.times-standard.com)).

Humboldt County's Economic Development Division received a \$2.3 million grant from the state recently to help first-time homebuyers in the county's unincorporated areas. The money will be used to assist about 12 lower income families this year, and to build a 20-unit apartment building in Redway ([www.times-standard.com](http://www.times-standard.com)).

Meanwhile, the current statewide median sale price for existing homes rose 3.0 percent to \$338,110 from November's number. This figure is 20.2 percent higher than in December 2001, when it was \$281,330 ([www.car.org](http://www.car.org)). December's national median price for existing homes is up 1.6 percent from November's level to \$164,000, and is 7.1 percent higher than it was in December 2001 ([www.realtor.org](http://www.realtor.org)). The similar figure for new homes climbed 11.4 percent to \$186,400. This measure rose by 3.4 percent when compared to December 2001 ([www.census.gov](http://www.census.gov)).

The California Association of Realtors' Housing Affordability Index remained unchanged at 30 percent in November. The measure, which represents the percentage of California households that can afford to purchase a median priced home, is 5 percentage points lower than it was in November 2001. The figure for Northern California, not including the Bay Area, Sacramento or the Wine Country, fell to 34 percent from October's 35 percent. It is down 6 percentage points from one year earlier ([www.car.org](http://www.car.org)).

The nationwide average for a 30-year fixed rate mortgage (week ending 1/23) dropped to 5.91 percent with an average 0.6 points according to the country's largest mortgage company, Freddie Mac. This is not only the lowest level since Freddie Mac began keeping track in 1971, it is believed mortgage rates have not been as low since 1965.

## Retail Sales

Seasonally adjusted December sales at participating retailers rose 7.9 percent from the previous month to the highest level of 2002. In the eight years of the *Index's* existence, the only month with higher sales was December 2001.

According to the Commerce Department, national December retail sales were 1.2 percent higher than in November. The increase was led by rising activity at auto and other motor vehicle dealers (up 5.5 percent), nonstore retailers (up 3.0 percent) and food services and drinking places (up 1.1 percent). Subsectors losing ground since November include building material and garden supply dealers (down 1.8 percent), grocery stores (down 1.4 percent), miscellaneous store retailers (down 1.4 percent), sporting goods, hobby, book, and music stores (down 0.9 percent), and department stores (down 0.3 percent). Total retail sales were up 4.6 from December 2001 ([www.census.gov](http://www.census.gov)).

Reports on the holiday shopping season indicate that this year's 1.0 percent growth is the smallest year-over-year gain since 1970. Earlier reports cite worry about a struggling economy, rising unemployment and an impending war with Iraq and a shorter shopping season as the primary reasons for the poor showing ([nytimes.com](http://nytimes.com)).

A proposed ordinance limiting the number of allowed franchise restaurants failed to pass in a recent vote by the Trinidad City Council. Proponents of the measure argued that the town needs to protect its unique personality, while opponents claimed that Trinidad's relative lack of population and developable property renders such a law unnecessary ([www.times-standard.com](http://www.times-standard.com)).

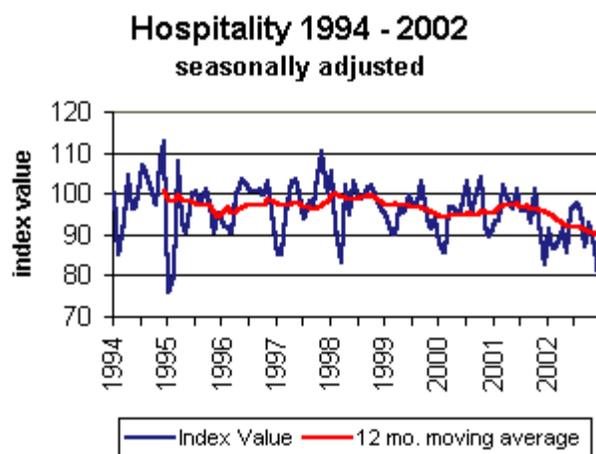
The governor has proposed a one percent increase to the state sales tax in an effort to ameliorate a gaping budget deficit. The move would generate an estimated \$4.5 billion. Critics claim that given current conditions, an increased tax on consumption could lead to further weakening of the economy. California's current sales tax, which ranges between 7.25 percent and 8.75 percent, is among the highest in the country ([www.sfgate.com](http://www.sfgate.com)).

The Conference Board's Consumer Confidence Index fell in January for the seventh time in eight months, sliding to 79.0 from December's revised 80.7. Analysts had been expecting a decrease to 78.5. The Conference Board's head of consumer research said "Overall readings continue to reflect the country's lackluster economic activity. Now, with the threat of war looming, consumers have grown increasingly cautious about the short-term outlook." (www.conference-board.org and www.nytimes.com).

## Hospitality

We use average occupancy at a cross section of local hotels, motels and inns as our indicator of economic activity in the hospitality sector. While the performance of this sector is, in turn, a good indicator of performance in the local tourism industry, it's important to note that not all visitors to Humboldt County are tourists, nor do all tourists stay in lodging establishments.

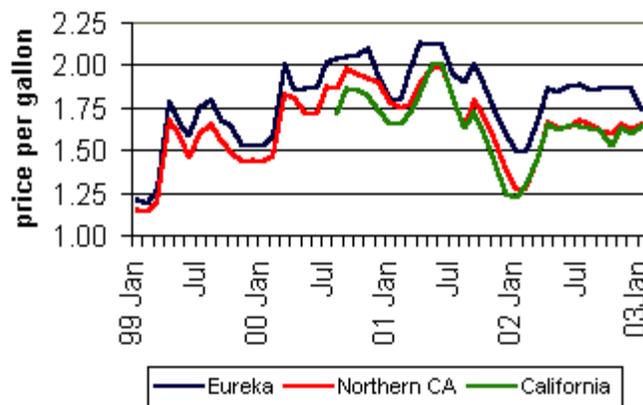
Average occupancy at the participating hotels, motels and inns fell sharply in December from the previous month's level. This is the fourth consecutive month of decline, and it translates into the second lowest *Index* level ever. The graph below illustrates that activity at participating establishments has been trending downwards for about 18 months.



## Gasoline Prices:

Average Price* (as of 1/14)		Change From Prev. Month (cents/gal.)
Eureka	\$1.74	-12
Northern CA	\$1.66	+4
California	\$1.64	+5

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association's monthly gas survey (www.csa.com).



Local gasoline prices have converged with regional and statewide averages over the past few weeks. The differential has not been as small since mid 2001.

Click [here](#) for a brief description of the local gasoline market's structure.

The United States Energy Information Administration predicts a 7 to 10 cent per gallon increase in the price of gasoline nationwide by mid-spring due to the rising price of crude oil. A 5-week old strike in Venezuela, which has virtually stopped oil production in that country, has reduced supply in the U.S. by around 1.5 million barrels per day. This forecast does not take into account the potential effects of an invasion of Iraq. In the event of war, experts say a serious worldwide oil shortage becomes a very real possibility, and gasoline prices would probably increase dramatically as a result. In the meantime, OPEC has indicated that its members will increase production to makeup the Venezuelan shortfall ([www.sfgate.com](http://www.sfgate.com)).

## Electricity Consumption

We use kilowatts-hours of electricity consumed as our indicator of the energy sector of the Humboldt county economy. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, beneficial 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.

Electricity consumption data for fourth quarter of 2002 is not yet available from PG&E. Consequently, December's 4.1 percent decrease in consumption from the previous month's level is estimated.

Prosecutors with the California Attorney General's office, along with lawyers representing the Public Utilities Commission, the Electricity Oversight Board and the state's two largest utilities are scrambling to gather evidence of alleged widespread manipulation of California's deregulated electricity market by energy producers and traders. The group will submit a report of their findings by the end of February to the Federal Energy Regulatory Commission. FERC will then decide such issues as whether to support the state's claim that it is owed \$8.9 billion in overcharges and the governor's request for authorization to cancel and renegotiate long-term contracts signed at the height of the energy crisis. A spokesperson for the federal agency said that if new evidence of illegal behavior is uncovered, the commission would consider extending its own investigation and postponing decisions that will ultimately affect utility rates here. Despite the unprecedented access to internal company documents, the California investigation is being hampered by uncooperative federal prosecutors who have thus far refused to share information they have collected, or allow access to key witnesses ([www.sfgate.com](http://www.sfgate.com)).

According to recently released staff report, FERC has found that manipulation has occurred in the country's natural gas market, and that the market remains vulnerable to further manipulation. The illegal activity

involves traders providing false information that industry trade publications use to create market price indexes. The obvious effect of this behavior is inflated prices. Thus far, two traders have been indicted by federal prosecutors, several others have been fired or disciplined by their firms and Dynegy, Inc. has paid the federal government \$5 million to settle allegations of manipulation. The FERC report, which recommends more-aggressive oversight and a more formal trading exchange, may or may not be used by the commission in future policy-making decisions ([www.sfgate.com](http://www.sfgate.com)).

## Total County Employment

In their preliminary report for December, the Employment Development Department (EDD) reported that 57,700 people were employed in Humboldt County. This is a 1.7 percent decrease over November's downwardly revised figure, and it indicates that a net loss of 1,000 jobs during the month. As a result, the seasonally adjusted *Index* value for the sector fell 0.5 percent. This measure is up in all of the year-over-year comparisons.

Model 2 of our employment estimator correctly predicted the loss of 1,000 jobs last month. It is important to note, however, that while the two models are fairly accurate in forecasting the direction of month-to-month change, the estimated magnitude of change should not be relied upon. The *Humboldt County Employment Estimate* suggests a further contraction in countywide employment in January.

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

- Total county employment in the various service industries decreased 0.2 percent from 45,300 in the month of November to a preliminary 45,200 for the month of November. This sector is up 6.6 percent over last year's figure. Jobs were lost in the *Transportation* and *Amusement & Recreation* classifications, and were added in *Business Services* and *General Merchandise*. The preliminary figure for the retail subsector shows 13,100 jobs, which is 0.8 percent higher than November's figure. This number is 18.0 percent higher than it was in December 2001.
- Total county manufacturing employment came in at a preliminary 4,400. This is 4.3 percent lower than November's downwardly revised 4,600. Approximately 100 jobs were lost in each of the *Logging, Other Durable Goods* and *Other Non-durable Goods* classifications. *Sawmills* added around 100 positions. Total manufacturing employment is also down 4.3 percent from December 2001.

The composition of Humboldt County's workforce seems to be experiencing some relatively rapid change. The graph below shows what appears to be an accelerating divergence between the number of available jobs in the local retail and manufacturing sectors over the past few years.

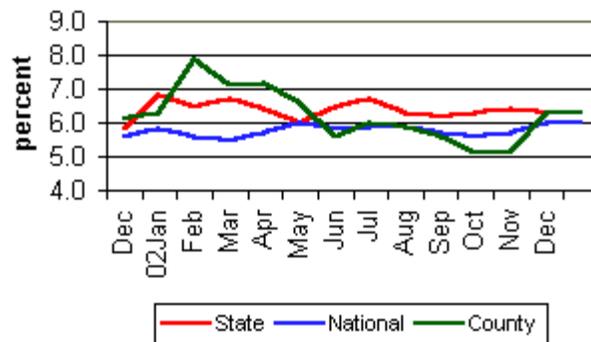


The county's administrative staff has recommended that the Board of Supervisors freeze about 200 vacant county jobs due to an expected \$2 million mid-year cut in state funding. Nearly half of the open positions are in health and human services programs that aid the county's poor and disabled ([www.times-standard.com](http://www.times-standard.com)).

December was a rough month for the statewide and national labor markets, too. California lost 15,400 positions and over 101,000 workers lost their jobs nationally. the latter figure is the highest monthly total since February 2002 ([www.sfgate.com](http://www.sfgate.com)).

December's unemployment rate for Humboldt County unchanged from November's upwardly revised 6.3 percent according to the preliminary EDD report. Meanwhile, the national rate was also unchanged at 6.0 percent and the state rate fell by one-tenth of a percentage point from November's upwardly revised figure to 6.3 percent.

### Unemployment Rates (Dec '01 - Dec '02)



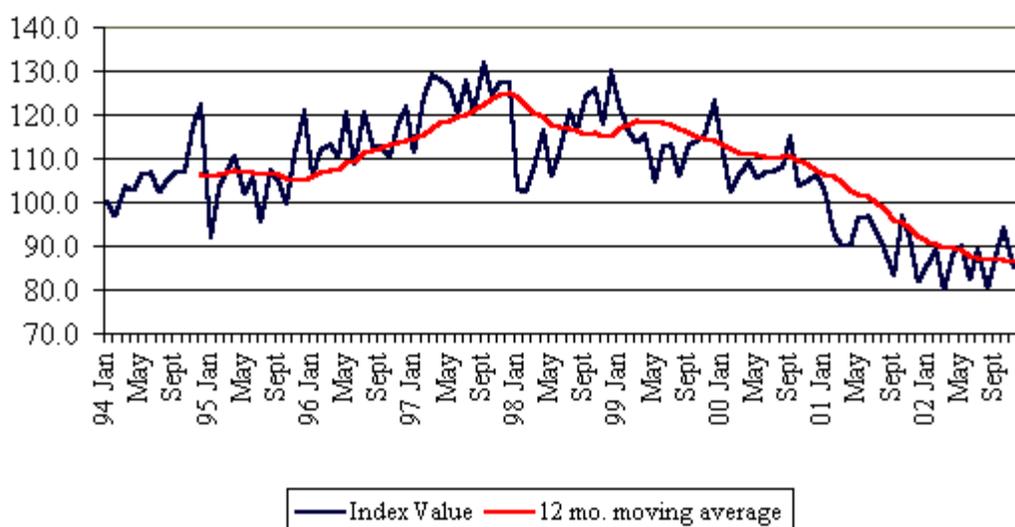
Congress extended federal unemployment benefits to the 800,000 workers, including around 100,000 Californians, whose aid was cut off three days after Christmas. The emergency legislation will also help an additional 1.9 million people whose benefits would have otherwise expired in early 2003. Those whose benefits ran out prior to late December will not receive additional payments ([www.sfgate.com](http://www.sfgate.com)).

### Lumber 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 60 percent of total county manufacturing employment.

The preliminary December *Index* value for this sector fell a scant 0.1 percent from November's level. The following graph suggests that five years of decline may finally be reaching an end. Unfortunately, the current level of production (as indicated by the 12-month moving average) is a numbing 40 - 45 percent lower than the 1998 peak

### Lumber-based Manufacturing Seasonally Adjusted



A source in the local lumber producing industry reports that demand for redwood remains strong through early January. Despite record consumption of softwood lumber in 2002, the market for fir continues to face downward price pressure due excess production. According to this source, demand for fir and other whitewoods will likely decrease in 2003.

**Production at the nation's factories, mines and utilities dropped 0.2 percent in December. Recent movement in this measure has largely been tied to changes in automobile production. Industrial production, which fell 0.6 over 2002 and 3.5 percent over 2001, saw its first back-to-back annual decline since 1974 - 1975 (www.nytimes.com).**

**New orders for durable goods rose 0.2 percent in December according to the Commerce Department. Excluding the defense sector, new orders fell 0.2 percent (www.census.gov).**

**National manufacturing output in December, as measured by the Institute of Supply Management, grew for the first time in four months. The current ISM Index level of 54.7 is an encouraging 11.2 percent improvement over November's figure (a number higher than 50 indicates growth. According to the chair of ISM's Manufacturing Business Survey Committee, "the question at this point is whether the manufacturing sector can continue to gather momentum during the first quarter of 2003." Some of the purchasing and supply executives surveyed said the possibility of war with Iraq precludes much optimism, and that the resulting uncertainty remains detrimental to business (www.ism.ws).**

**Nationwide employment in manufacturing sector, which has fallen for a staggering 29 consecutive months, was reduced by a further 65,000 positions during December. Roughly 600,000 manufacturing jobs were lost in 2002, and there are now nearly 2 million fewer people employed in the various manufacturing industries than there were at the beginning of 2001 (www.sfgate.com and www.nytimes.com).**

## Leading Indicators

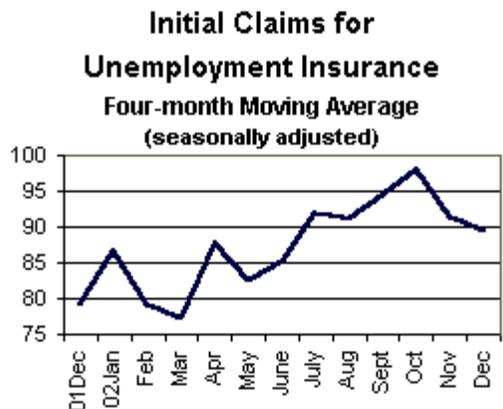
We track four leading indicators to get a sense of the direction of change in the county economy in the near future. The four leading indicators are (i) number of help-wanted advertisements in the *Eureka Times-Standard*, (ii) number of claims for unemployment insurance, (iii) volume of manufacturing orders, and (iv) number of building permits issued. Our graphs in this section use a four-month moving average of seasonally adjusted *Index* values in order to "smooth" ordinary month-to-month volatility. In this way, any underlying trends present in the series become more apparent.

### Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings.



**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.**



**Manufacturing Economic Indicator:**

**Manufacturing orders, are a leading indicator of activity and employment in the County.**



**Home Sales Economic Indicator:**

**Building permits are an indicator of both construction activity and the availability of new housing stock.**



**The Bigger Picture**

**The U.S. economy, as measured by gross domestic product, grew an anemic 0.7 percent in the fourth quarter of 2002 according the Commerce Department's preliminary estimate. GDP growth was 4.0 percent in the third quarter. Much of the decline can be attributed to a sharp decrease in consumer spending. The 1 percent increase in personal spending is the worst showing since the first quarter of 1993. Worries over the likely war**

with Iraq, the weak stock market and a listless labor market were cited as reasons for the poor performance. Overall GDP growth for 2002 was a more respectable 2.4 percent ([www.sfgate.com](http://www.sfgate.com)).

The latest release of the Federal Reserve Bank's Beige Book, covering activity from late November through early January, corroborates the economic sluggishness. Despite a few signs of improvement, general conditions remain soft throughout the county. The San Francisco district, which includes most of the western United States, indicated that activity probably contracted slightly in its region over the period ([www.federalreserve.gov](http://www.federalreserve.gov)).

Consequently, the Federal Open Market Committee left the federal funds target interest rate unchanged at 1.25 percent when it met on January 29. A statement released afterwards read that "oil price premiums and other aspects of geopolitical risks have reportedly fostered continued restraint on spending and hiring by business." The committee is confident that the combination of low interest rates and improving productivity will eventual allow for a more robust recovery. The statement noted that the resolution of the "geopolitical risks" is a necessary step towards achieving a healthier economy ([www.nytimes.com](http://www.nytimes.com)).

In an effort to jumpstart the economy, President Bush recently unveiled an economic stimulus plan that is centered around \$670 billion in tax cuts over the next ten years. About \$100 billion of the total would take effect in 2003. Over half of the total package, some \$364 billion, would result from the elimination of taxes on stock dividends. Other major provisions include the immediate enactment of the lower income tax rates that were passed in 2001 and were set to take effect gradually between now and 2009, an increase in the child credit, tripling the credit small businesses could write off for purchasing new equipment, a reduction of the so-called marriage penalty, and assistance to the long-term unemployed ([www.sfgate.com](http://www.sfgate.com))

The president claims that the average taxpayer would pay about \$1,100 less per year in taxes under his proposal. This brings to mind an instructive vignette about the nature of "averages":

Two guys are sitting in a bar when Bill Gates walks in.

"We're rich!" one of them exclaims.

"What do you mean?" the other asks.

"The average wealth of everyone in this bar is now several billion dollars!" answers the first guy.

Though that last statement is obviously true, it is also deceptively pointless.

Major criticism of the president's plan focuses on the fiscal impact of the proposal. Most economists agree that the tax package will have little stimulating effect in the short-term, and will result in larger deficits in the long-term. The potential long-term stimulus provided by the tax break is a subject of considerably more debate, however. Critics also argue that the proposed cuts overwhelmingly favor high-income taxpayers. Analysts estimate that nearly 60 percent of the benefits would go to fewer than 10 percent of households, and nearly 30 percent of the total would go to the top 1 percent of income earners ([www.sfgate.com](http://www.sfgate.com)). Proponents of the proposed policy almost invariably label this line of reasoning as class warfare. They claim that since individuals in the higher income brackets pay a disproportionate share of total federal income taxes, these people should receive a larger share of the cut.

Senate Democrats offered an alternative stimulus plan that calls for more-modest tax cuts to individuals, tax credits to help small businesses provide health insurance to their employees, assistance for the 1 million out-of-work people who have used up their unemployment benefits, and billions of dollars in aid to states facing budget difficulties. The entire package, which would cost an estimated \$140 billion and expire after one year, has little chance of passing in the Republican dominated Congress ([www.nytimes.com](http://www.nytimes.com)).

The table below, which is based on analysis of the Tax Policy Center, a moderate-to-liberal research organization, compares the president's plan to the Democrats' alternative.

Income Group	Average Savings
--------------	-----------------

***	Bush	Dem.
<b>0 - \$10,000</b>	\$5	\$234
<b>\$10,000 - \$20,000</b>	\$63	\$290
<b>\$20,000 - \$30,000</b>	\$204	\$319
<b>\$30,000 - \$40,000</b>	\$351	\$361
<b>\$40,000 - \$50,000</b>	\$500	\$385
<b>\$50,000 - \$75,000</b>	\$820	\$447
<b>\$75,000 - \$100,000</b>	\$1,776	\$510
<b>\$100,000 - \$200,000</b>	\$2,710	\$517
<b>\$200,000 - \$500,000</b>	\$5,527	\$521
<b>\$500,000 - \$1,000,000</b>	\$17,605	\$516
<b>\$1,000,000+</b>	\$88,873	\$515
<b>All incomes</b>	\$865	\$357
Source: www.sfgate.com		

**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. This month's report reflects data gathered from the previous month, and so the "January 2003" report reflects data from December 2002. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

[The Eureka Times-Standard website](#)

[The San Francisco Chronicle website](#)

[The New York Times website](#)

[California Association of Realtors website](#)

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[American Automobile Association website](#)

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