

[skip navigation](#)



# The Index of Economic Activity for Humboldt County

Current Issue

Archive

Projects

Sponsors

Links

Home

Readers Comments

Frequently Asked Questions

Acknowledgements and Past Participation

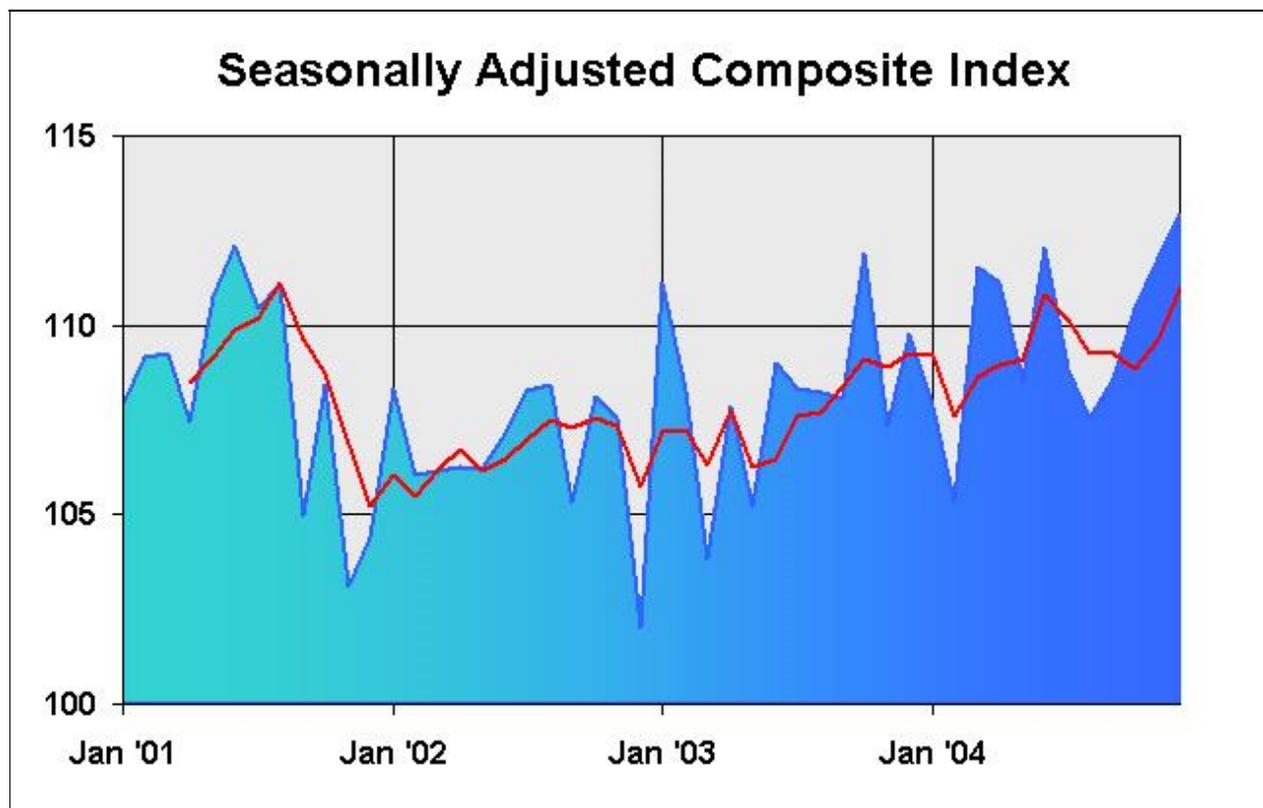
HSU Economics Department

## INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

Professor Erick Eschker, Director  
Andrea Walters, Assistant Editor  
Laura Lampley, Assistant Analyst

This month's report is sponsored by  
[Redwood Region Economic Development Commission](#)

### January 2005



Graphic description: The seasonally adjusted composite *Index* is represented in the graph above by the blue area. The red trendline shows the four-month moving average of the *Index* which smooths 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.

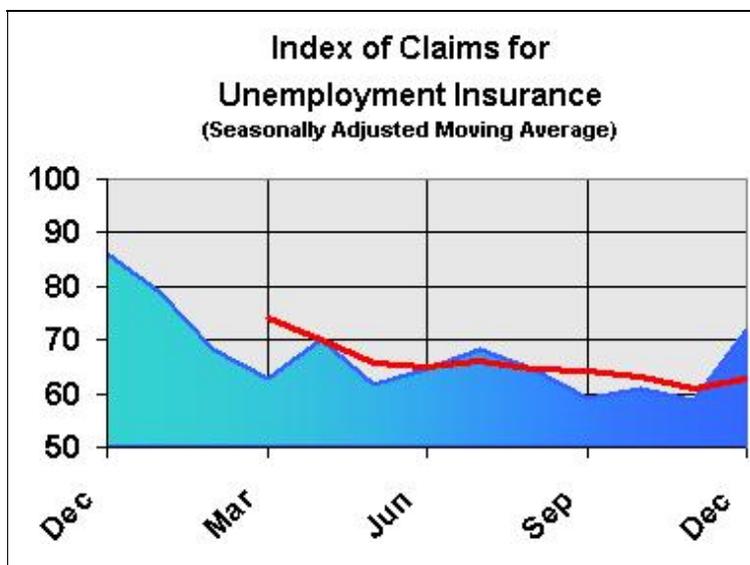
The Humboldt County economy grew slightly in December. The composite Index of Economic Activity rose 1.04 percent from last month's number and now stands at 112.9 (100 = January 1994). Home sales, the revised electricity consumption figures, and manufacturing provided upward pressure on the Index, while the Index was pulled downward by a sharp decline in hospitality as well as slight contractions in retail sales and employment. Consistent with state wide trends, growth in home sales continue to increase, but at a slower rate. This month the home sales index increased by 5.1 percent to a value of 143.1. Electricity consumption data for the final quarter of 2004 showed continuous growth. In December the electricity Index rose 6.6 percent to 135.9. Manufacturing showed the strongest growth, increasing by 20.1 percent to a value of 104.5. This is the first time the manufacturing Index has increased beyond its initial level since January of 2001. This month's manufacturing growth is consistent with national trends, where growth has persisted in the manufacturing sector for several months. The hospitality sector saw a sharp decline this month, dropping 14.9 percent to an Index value of 77.0. The hospitality sector is based on occupancy rates at local hotels, motels and inns and represents a diversity of types of establishments, both locally owned and nationwide chains. Both retail sales and employment sectors declined by less than one percent this month. The Index for retail sales shrank 0.7 percent to 147.5 in December, lagging below high seasonal expectations. National retail sales figures demonstrated a similar trend, beginning the month below seasonal expectations, although most areas saw consumer spending and retail sales increase by the end of the month. Employment in Humboldt County decreased by 0.9 percent to an index value of 102.9. After enjoying an unemployment rate lower than the state and national averages, Humboldt County's unemployment rate remained constant at 5.5 percent while both the state and national averages declined in December.

<b>Composite &amp; Sectoral Performance, <i>Index of Economic Activity for Humboldt County</i></b>							
***		Percent Change From:					
Index	Seasonally Adjusted Index Value (1994=100)	Previous Month	Same Month 2003	Same Month 2002	Same Month 2001	Same Month 2000	Same Month 1999
<b>COMPOSITE</b>	112.9	1.0	2.9	10.7	8.2	6.6	3.0
<i>Sector</i>							
<b>Home Sales</b>	143.1	5.1	-0.8	22.6	12.1	31.3	32.7
<b>Retail Sales</b>	147.5	-0.7	4.2	2.0	1.0	14.3	15.1
<b>Hospitality</b>	77.0	-14.9	-18.3	-5.4	-7.9	-14.9	-19.0
<b>Electricity Consumption</b>	135.9	6.6	18.6	53.7	19.9	15.6	---
<b>Total County Employment</b>	102.9	-0.9	0.3	1.4	4.9	1.8	1.8
<b>Manufacturing</b>	104.5	20.1	19.6	31.3	39.4	6.6	-7.2

## Leading Indicators

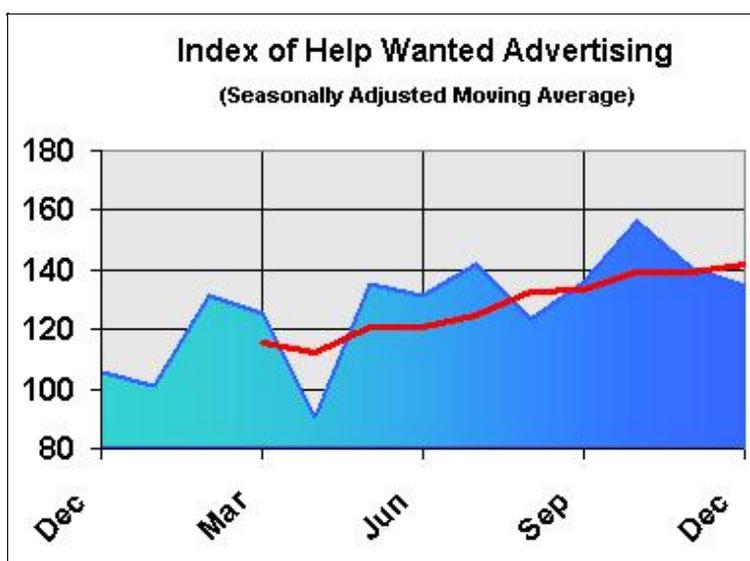
The Index tracks four leading indicators to get a sense of the direction of change in the county

economy in the near future. The four leading indicators are (1) number of claims for unemployment insurance, (2) help wanted advertising, (3) building permits, and (4) manufacturing orders. 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.



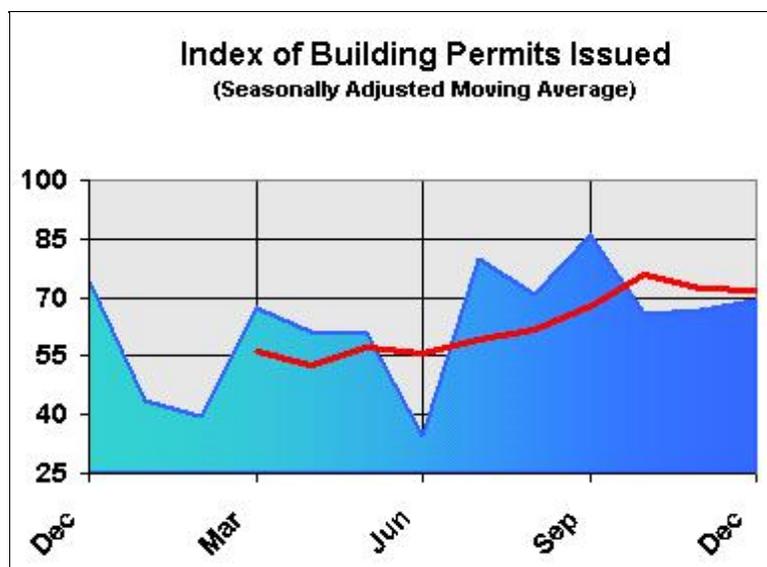
Graphic description: The seasonally adjusted Index of Claims for Unemployment Insurance is represented above by the blue area. The red trendline shows a four month moving average which "smooths" month to month volatility.

The index of claims for unemployment insurance is an indicator of negative economic activity. This leading indicator increased by 22.5 percent in December, indicating an increase in unemployment in the future.



Graphic description: The seasonally adjusted Index of Help Wanted Advertising is represented above by the blue area. The red trendline shows a four month moving average which "smooths" month to month volatility.

The index of help wanted advertising is an indicator of labor market conditions and job creation. This index is based on help wanted advertisements posted in the *Times-Standard*. In December the number of help wanted advertisements decreased, while the four month moving average continued a gradual upward trend. This means that, despite a lower than expected month, this indicator of future employment maintains a steady upward trend.



Graphic description: The seasonally adjusted Index of Building Permits is represented above by the blue area. The red trendline shows the four month moving average which "smooths" month to month volatility.

The Index of building permits issued gives insight to future home sales and construction. The Index of building permits increased 3.6 percent this month, to a value of 69.28. Since this measure experiences a great amount of month to month variability, the four month moving average is used to determine longer term trends. As depicted in the graph above, the moving average ticked downward slightly in December, responding to earlier decline.



Graphic description: The seasonally adjusted Index of Manufacturing Orders is represented above by the blue area. The red trendline shows the four month moving average which "smooths" month to month volatility.

The Index of manufacturing orders shows expectations for future manufacturing sales. This index increased 19.57 percent in December, to stand at 108.26. This is a continuance of the growth seen in manufacturing orders in the past four months, as reflected in the upward sloping moving average.

Key Statistics		Leading Indicators	
			% Change From Previous Month
Median Home Price*	\$272,000	Unemployment Claims	22.5
30 Yr. Mortgage Rate as of 1/15	5.625%	Help Wanted	-4.0
Unemployment Rate**	5.5%	Building Permit	3.6
		Manufacturing Orders	22.1
<p>* 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.</p>			
<p>** Preliminary EDD data (not seasonally adjusted). See the <a href="#">EDD Website</a> for updates.</p>			

## 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.

Home sales in Humboldt County increased in December. The home sales index value rose 5.1 percent and now stands at 143.06. The median home grew to \$272,000, higher than last month's median price but below September's record setting price. This indicates a leveling off of the housing market, following several months of remarkable growth.

Statewide home prices as well as sales increased when compared to the same period last year. The median home price in California is \$474,480, up 0.5 percent from the previous month, and up 18.1 percent from December 2004. "After peaking in the middle of 2004, the number of homes for sale dropped again last month to a 2.8 month supply compared with 3.5 months in November," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "Despite having fewer homes to choose from, buyers are becoming more selective and are taking more time before making an offer on a home. The median number of days it took to sell a single-family home reached 43 days in December, compared to 27 days a year ago." C.A.R. President Jim Hamilton cited a fear of future mortgage-rate increases as the cause of December's strong numbers. ([www.car.org](http://www.car.org))

Nationally, December exhibited a slowing of the pace that set 2004 far ahead of 2003's numbers. David Lereah, NAR's chief economist, said a decline was expected for December. "Our sense was that November sales were the peak for the current housing cycle, but activity remains strong," he said. "There is no sign of a downturn. Home sales will continue at historically high levels, and 2005 is

expected to be the second-best year on record for the housing market." ([www.realtor.org](http://www.realtor.org))

According to the country's largest mortgage company, Freddie Mac, the nationwide average for a 30-year fixed rate mortgage as of January 27th, was 5.66 percent with an average 0.6 points. This is down slightly from last month. With the end of the year behind us, housing markets should remain calm while future policy is decided, based on last year's performance. "Until the market gets a better read of how the economy performed at the end of last year and how the Fed interprets that information, interest rates will likely remain calm," said Frank Nothaft, Freddie Mac vice president and chief economist. "And it should get that read when fourth quarter Gross Domestic Product (GDP) is released tomorrow." ([www.freddiemac.com](http://www.freddiemac.com))

## 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.

The retail sector declined slightly in December, dropping 0.7 percent to an index value of 147.5. December is traditionally a very strong month for retail sales due to the holiday season, and this month's contraction shows that Humboldt County sales did not meet seasonal expectations. Conversely, the Index value for retail sales has increased 4.2 percent from December 2003.

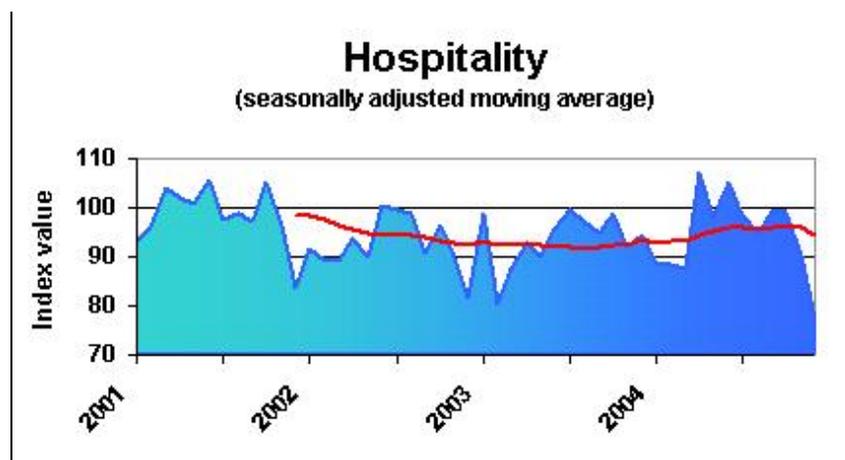
Nationwide retail sales, as reported by The Commerce Department, increased in December. Seasonally adjusted sales were \$349.4 billion, an increase of 1.2 percent ( $\pm 0.8\%$ ) from the previous month and up 8.7 percent ( $\pm 1.0\%$ ) from December 2003. Total sales for the entire year of 2004 were up 8.0 percent ( $\pm 0.2\%$ ) from 2003. ([census.gov](http://census.gov))

According to The Federal Reserve Board consumer spending across the nation was generally higher than previous months, though many of the surveyed financial districts reported slow sales early in December. California specifically reported sluggish retail sales early in December, increasing toward the end of the month. The highest selling products nation wide included electronics, jewelry, and gift cards during the holiday season. ([federalreserve.gov](http://federalreserve.gov))

Looking to the future, consumer confidence increased in the month of January. "Despite the slight retreat in expectations, consumers' short-term outlook remains favorable and suggests the economy will continue to expand throughout the first half of this year," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "And, recent advances in the Present Situation Index, now at its highest level since May 2002, suggest consumers will not dramatically alter their spending in the months ahead." The Conference Board's Consumer Confidence Index, which had improved in December, edged up in January. The Index now stands at 103.4 (1985=100), up from 102.7 in December. ([conference-board.org](http://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.



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

Local inns, hotels and motels reported lower than usual occupancy rates, leading to the hospitality index's second consecutive month of decline. After dropping 14.9 percent from last month, the index for this sector now stands at 77.0. This most recent figure is down compared to the same month in previous years. This index value is down 18.3 percent from December 2003's value as well. Please note that the index numbers are seasonally adjusted and relate back to the base month January 1994. This seasonally adjusted index is different from raw occupancy rates, as the expected seasonal variation is removed so that changes over time can be compared more appropriately. The four month moving average, indicated by the red trend line, shows that while the hospitality sector fluctuates beyond seasonal variability, the overall trend is one of consistency.

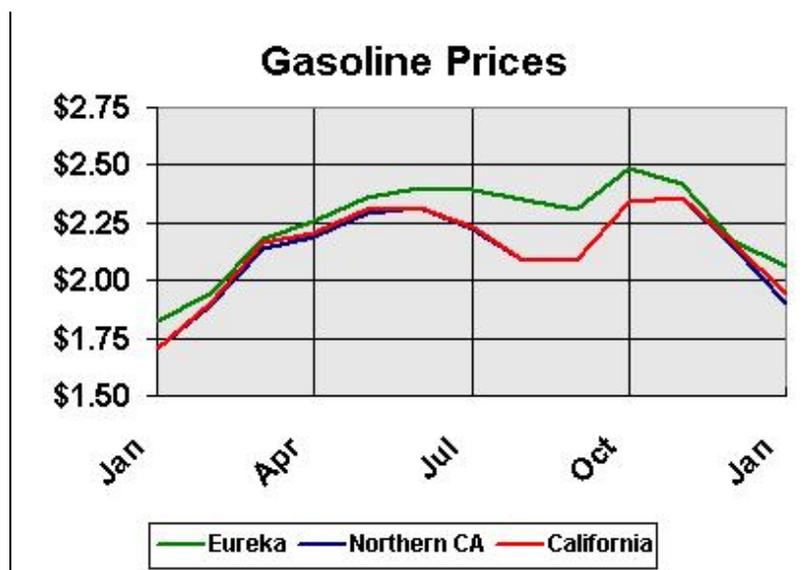
Nationally, The Federal Reserve Board reported strong tourism activity in several districts, including high occupancy, increased tickets sales, and higher than expected visitors at ski resorts. (federalreserve.gov)

## Gasoline Prices

Gas prices continued to drop for the third consecutive month statewide. According to the California State Automotive Association, the recent decline in fuel prices is due in large part to an increasing stockpile of oil in the past few months. A mild winter has reduced demand for heating oil, allowing reserves to build up. There was some concern that the oil producing cartel OPEC's January 30, 2005 meeting would lead to increased oil prices. OPEC's decision to maintain current production levels should in not affect current gas prices. (www.csaa.com)

Average Price* (as of 1/18)		Change From Prev. Month (cents/gal.)
Eureka	\$2.06	-11¢
Northern CA	\$1.90	-25¢
California	\$1.94	-22¢

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



For more information on local gasoline prices, visit our [Special Projects page](#) for Dr. Eschker's Study of the Eureka Gasoline Market.

## 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.

Electricity consumption for Humboldt County increased 6.6 percent in December to 135.92.

Revised electricity index figures for the fourth quarter are as follows:

- October's electricity Index value was revised to 122.79.
- November's electricity Index value was revised to 127.53.

## Total County Employment

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

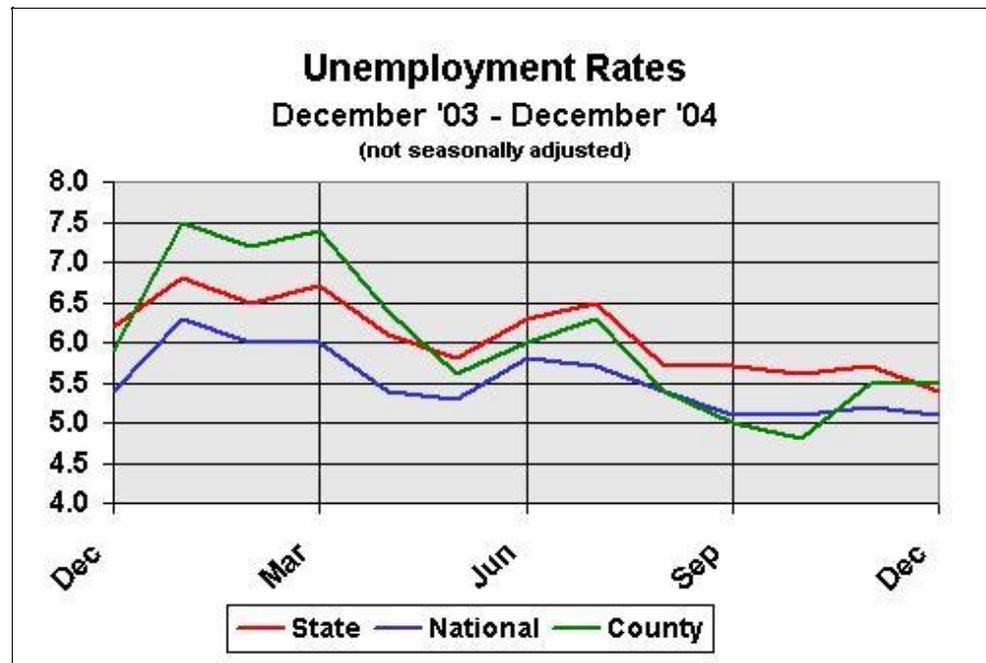
In the preliminary report for December, the EDD reported 57,400 people were employed in Humboldt County. This number is down from November's revised figure, indicating a net loss of 600 jobs. The total civilian labor force decreased by 700 people to 60,700. The seasonally adjusted total county employment index fell 0.9 percent, and now stands at 102.9.

Sectoral changes in Humboldt County employment:

- Overall the service sector posted a net loss of 300 jobs in December.
  - Transportation, Warehousing and Utilities lost 100 jobs.
  - Miscellaneous Retail gained 100 jobs.
  - Food Services and Drinking Places lost 100 jobs.

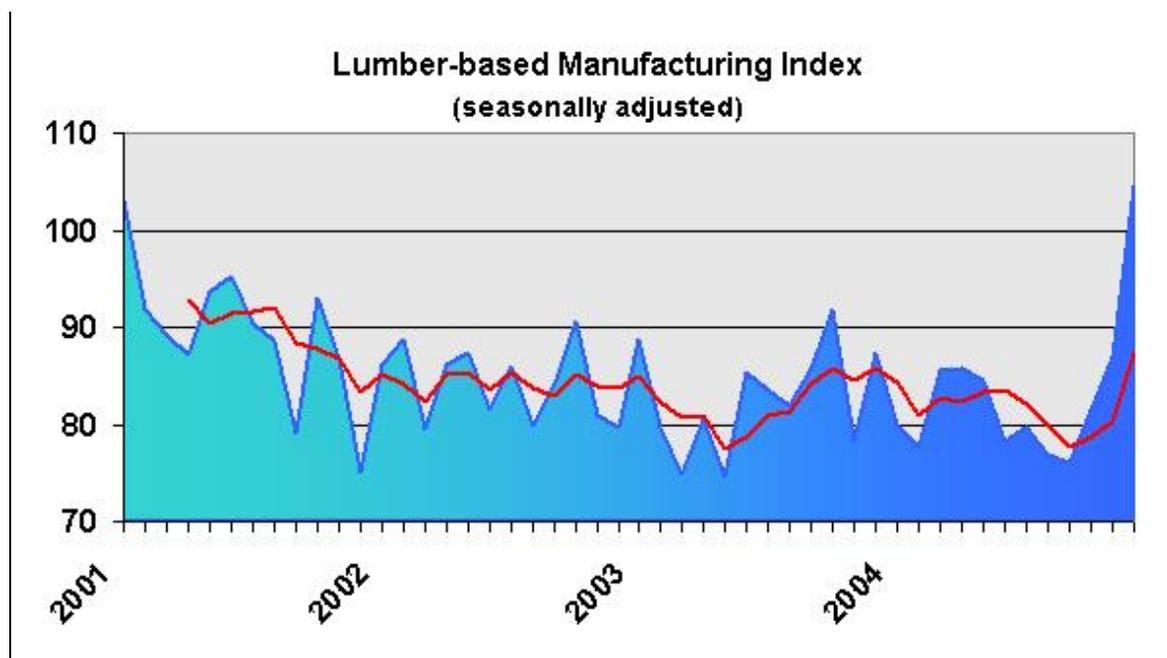
- Local Government lost 100 jobs.
- Education and Health Services lost 100 jobs.
  
- Overall goods producing employment posted a net loss of 100 jobs in December
  - Construction lost 100 jobs.

The county unemployment rate stayed constant at 5.5 percent in December. Both the State and National unemployment rates have now dipped below county level. The unemployment rate stayed constant despite an increase in the size of the labor force and net job loss in both the goods producing and service providing sectors.



## 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.



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.

In December the lumber-manufacturing index increased 20.1 percent from last month's revised figure and now stands at 104.5. This is the first time the manufacturing Index has risen above the 100 level since 2001. At this point it is unclear if the sudden increase is indicative of sectoral growth, or an irregular fluctuation in the industry.

National economic activity in the manufacturing sector, as measured by the Institute of Supply Management, grew for the 20th consecutive month in December. The PMI registered 56.4 percent as of the February 1st report; a number over 50 indicates growth. "January sets the tone for a strong first quarter. Even though the PMI is slightly lower, the month-over-month growth is still quite strong and will provide significant momentum for the remainder of Q1. Demand for exports continues to be quite strong, with a number of industries reporting significant growth. Inventories have now increased during seven of the last eight months, but still do not appear to be a problem as manufacturers' customers' inventories appear to still be too low," said Norbert J. Ore, C.P.M., chair of the Institute for Supply Management. ([www.ism.ws.cfm](http://www.ism.ws.cfm))

## The Bigger Picture

### National Economic News

**By: Andrea Walters**

Social Security took center stage in President Bush's State of the Union address. The next day, Bush took Social Security reform on the road, visiting five states on Thursday and Friday. Bush's plan is to allow workers to shift 4 percent of their payroll-tax contribution to private accounts. The white house estimates this partial privatization will cost \$754 billion in additional government borrowing by 2015, and trillions more in subsequent decades. Critics of Bush's reform aspirations ask where the money will come from, given the historically high levels of personal and government debt. ([economist.com](http://economist.com))

Other options for reforming Social Security include indexing Social Security benefits to prices rather than wages, increasing the retirement age, and changing the way benefits are calculated. Above all, Bush has promised that people at or near retirement will not see a change in benefits under his proposal. Subsequently the full burden of fixing Social Security falls on the shoulders of current and future generations. This is surprising considering current retirees received the greatest payout from the system. So far, Bush's Social Security reform has received little support from Congress. (sfgate.com)

Social Security, created in 1935, is one of the largest and most popular domestic spending programs. A 'pay-as-you-go' system, current workers' payroll taxes fund the social security payments made to current retirees and other recipients. While the baby boomers made up the workforce, Social Security ran a surplus, taking in more money in taxes than it was paying. With the baby boomers preparing to retire and current retirees living longer, the retirement population will soon over burden the current working population. According to President Bush the Social Security system is expected to begin paying out more than it takes in 2018, but will be able to pay all currently promised benefits until 2042. (nytimes.com)

The Federal Reserve met last Tuesday and agreed unanimously to increase the interest rate by a quarter of a percentage point. In a statement similar to those issued following the Fed's November and December meetings, national economic growth was described as moderate. Further, the job market was described as improving "gradually" and inflation as "well contained". The Fed plans to continue raising interest rates at a measured pace in an effort to balance the risks to economic growth and price stability. (wsj.com)

By raising the interest rate, the cost of borrowing money and the benefits of saving money increase. Raising the interest rate slows the economy down by making it more expensive for firms to borrow funds to increase production. Higher interest rates also make it more profitable for individuals to save rather than spend, which decreases consumption and retail sales. Slowing the economy down in such a way can inhibit economic growth, or can act as a leash on inflationary effects, slowing down an increase in prices.

**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 red 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 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.

---

#### Cited References

[The Wall Street Journal web site](#)

[The San Francisco Chronicle web site](#)

[The New York Times web site](#)

[The Economist web site](#)

[California Association of Realtors web site](#)

[National Association of Realtors web site](#)

[Freddie Mac web site](#)

[American Automobile Association web site](#)

[The Conference Board web site](#)

[Institute of Supply Management web page](#)

[U.S. Bureau of the Census's home page](#)

[U.S. Bureau of Economic Analysis' web page](#)

[U.S. Bureau of the Census's Economic Briefing Room web page](#)

[U.S. Bureau of Labor Statistic's web page](#)

[The Federal Reserve Bank's Beige Book web page](#)

[Send us your comments](#). Comments will be posted on our [Reader Comments](#) page unless otherwise requested.

Copyright © 2005 [Erick Eschker](#)

