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**July 2000**

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in July
Median Home Price*	\$125,000	Help Wanted Advertising	
30 Yr. Mortgage Rate (6/27)	8.375%	Building Permits	-22.87
Prime Rate (6/27)	9.5%	Unemployment Claims	-17.44
Unemployment Rate**	6.3%	Manufacturing Orders	0.76

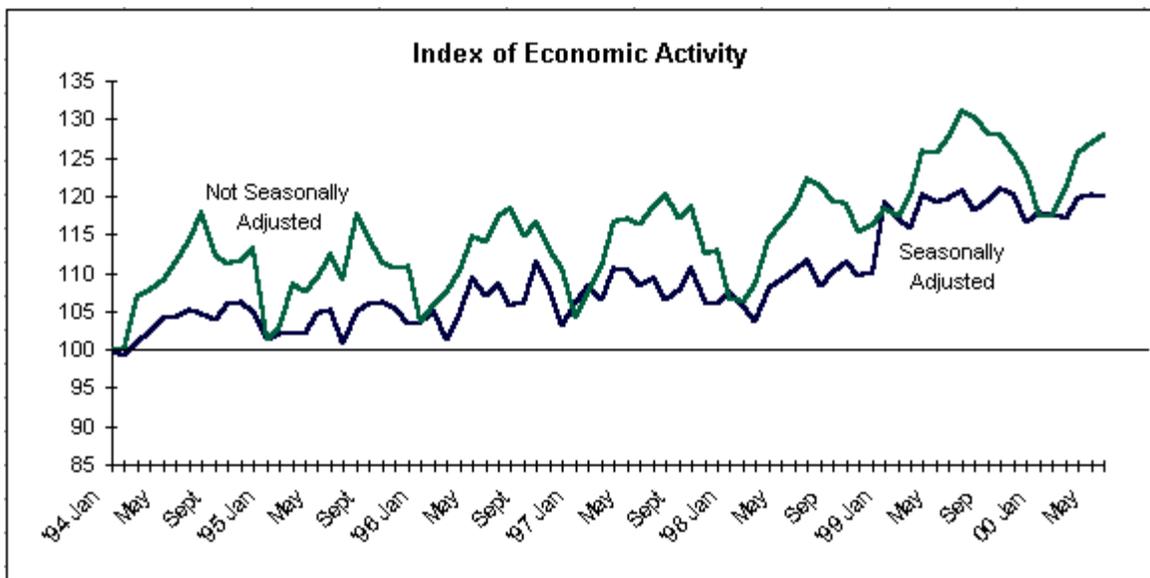
\* Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does 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.

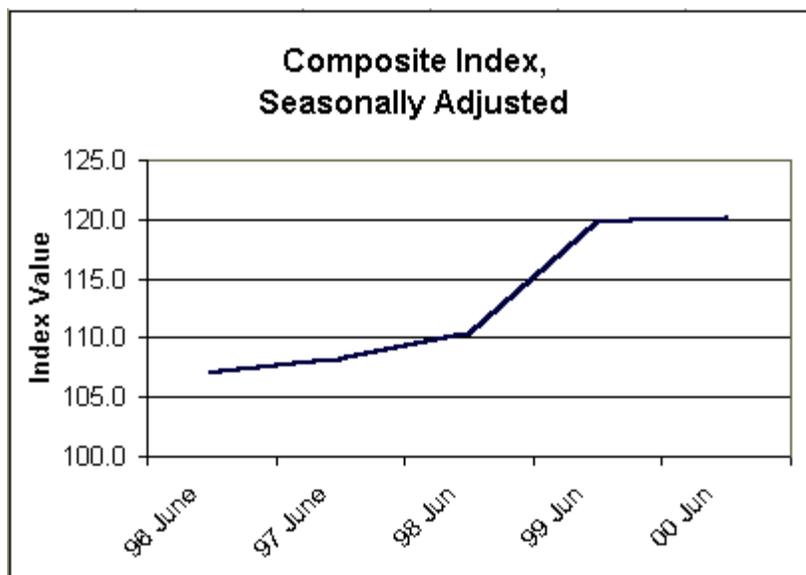
### Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* decreased a slight 0.09 percent during the month of June to a value of 120.1. In the month-over-month comparison, the seasonally adjusted *Index* was up 0.24 percent over July 1999, up 8.78 percent over July 1998, and up 10.99 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 "July 2000" report reflects data from June 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



The composite Index is experiencing slowing growth. This trend of slowing growth is clearly illustrated in the graph below, which compares just the June Index reports from the recent past. While still moving in an upward direction, the steepness of the slope is declining. This means that our region is still experiencing growth, but at a slower rate than in the past.



### Monthly Sectoral Analysis:

**Retail Sales:** The retail sales sector of the *Index* increased by 7.21 percent over last month. In the month-over-month comparison with July reports from the recent past retail sales were up 14.90 percent over 1999, up 19.53 percent over 1998, and up 34.58 percent over 1997.

The retail sales sector is growing more rapidly than the Index as a whole. As one can see in the diagram below, the line graph depicts the month-over-month comparison of the retail sales index. The retail sales sector tracked by the Index has increased by approximately 50 percent in the last four years.



Nationally, the retail sales sector was sluggish in June. June's report marks the fourth consecutive month of lower-than-expected sales for major retailers across the nation. High gas prices, up an average of 70 cents from a year ago, are one factor contributing to the low sales. Cool weather throughout the country in June is also thought to have dampened consumer's desire to spend money on summer clothes.

As discussed in last month's report, trends in retail sales are reflected in consumer confidence reports. Consumer spending makes up two-thirds of the economic activity in the nation. As consumer confidence declines, so do retail sales and overall economic activity. The Consumer Confidence Index, produced by the Conference Board, declined over six points in June. While some economists feel it is too early to predict whether consumers will reduce spending over the long run, many feel this report is a first step. Recent reports of slow downs in home sales, factory orders and unemployment levels reinforce this conclusion.

**Home Sales:** The Home Sales sector of this month's *Index* decreased 19.01 percent over the previous month's all-time high. The month-over-month comparison of home sales from July reports from the recent past shows gains, however. Specifically, the sector increased 4.63 percent over 1999, increased 14.24 percent over 1998, and increased 20.41 percent over 1997.

In keeping with the overall pattern of the composite index, the home sales index shows slowing growth in the month-over-month comparison with June data from previous years.



Existing home sales across the nation continue to rise, despite higher mortgage rates. Existing home sales increased 2.8 percent over the previous month. Along with increased home sales, national home prices have also continued to increase. The national median home sale price rose 1.6 percent, while the national average home sale price rose 5.0 percent.

While the last two months have shown surprising increases, most realtors and economists still expect to see a cooling of both new and existing home sales over the remainder of the year.

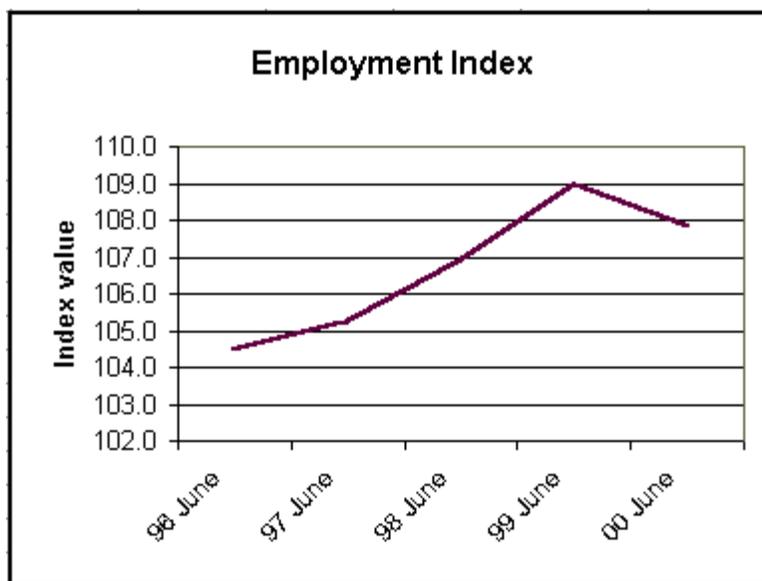
**Home Sales Economic Indicator:** The Building permit leading indicator declined by 22.87 percent over the previous month's revised report. In the month-over-month comparison, building permits were up 7.98 percent over 1999, down 11.77 percent over 1998, and down 22.16 percent over 1997.

Nationally, both building permits and new housing starts declined in June. It is likely that these declines indicate a slowing of construction activity associated with rising interest rates. Both housing starts and building permits for the first half of this year are down over the same time period last year.

**Employment:** In their preliminary report for June 2000, the Employment Development Department (EDD) reported that 57,700 people were employed in Humboldt county, down by 200 from the revised figure for May 2000 (-0.3%). Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries decreased from a revised 43,400 during the month of May to 43,000 for the month of June (-0.9%). While down over the previous month, this sector is up 3.9 percent over the previous year's figures. The retail subsector of services decreased from a revised 10,900 for the month of May to a preliminary 10,800 for the month of June (-0.9%). This subsector, while also down over the previous month, is up 3.8 percent over the previous year.
- Total county employment in manufacturing increased from 5,800 to 6,100 during the month of June (5.2%). This is consistent with the previous year.

The employment sector of the *Index* shows mixed results for the month of June. For example, the sector decreased a modest 0.28 percent over the previous month's report. In the month-over-month comparison, the sector decreased 1.01 percent over 1999, increased 0.94 percent over the 1998 report, and increased 2.57 percent over 1997. The pattern of slowing growth observed in other sectors of this report may also be evidenced in a more advanced state in the employment sector, showing an actual downturn. The graph below depicts the month-over-month comparison for the employment sector.



**In the national employment scene, lay-offs by the Census Bureau just about offset new hires in the private sector. Specifically, 190,000 Census workers were laid off in the month of June while 206,000 people were hired in the private sector. While most of the new jobs in the private sector came from services and retail trade, manufacturing employment has increased for two consecutive months.**

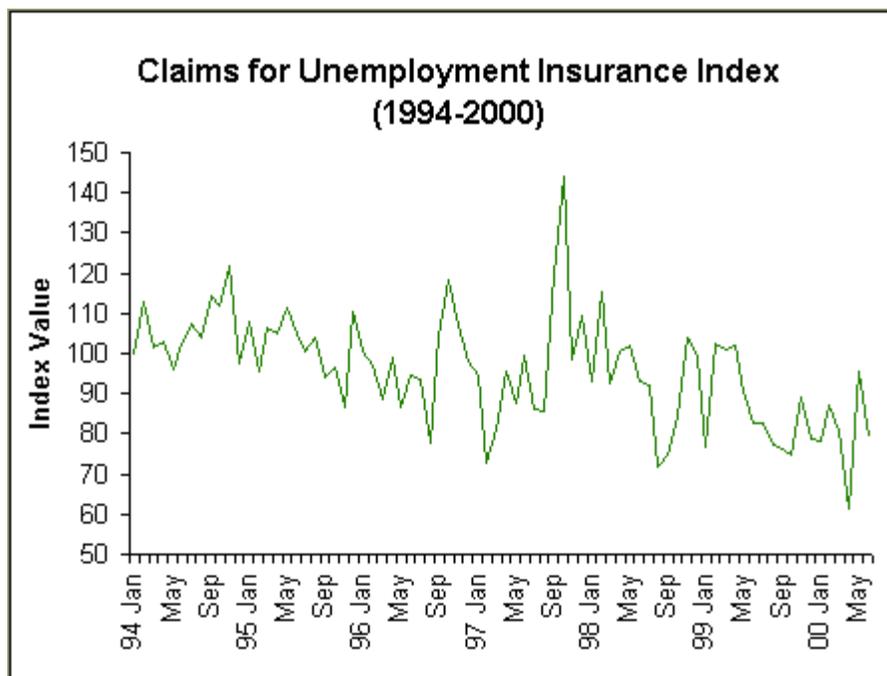
**Average hourly earnings also rose for the month of June, increasing 0.4 percent over May. The increase can be partially explained by an increase in the average weekly hours worked, up to 34.5 hours per week.**

#### **Employment-Based Economic Indicators:**

**Claims for unemployment insurance indicate the number of newly unemployed people in Humboldt County. Thus the quantity of new unemployment claims are a negative indicator of economic activity.**

**The June claims for unemployment insurance reached the lowest June value since we've been keeping track and partially rebounded over last month's substantial increase. The unemployment sector of the *Index* declined 17.44 percent over the previous month to a value of 78.98. In the month-over-month comparison claims were down 4.31 percent over June 1999, down 15.18 percent over June 1998, and down 20.74 percent over 1997.**

**The graph below depicts the decline in unemployment claims over the previous month.**



**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, while up over the previous month, is down in the month-over-month comparisons. The sector increased 3.21 percent over the previous month. In the month-over-month comparison of July reports from the recent past manufacturing is down 3.47 percent over 1999, down 1.03 percent over 1998, and down 6.13 percent over 1997.

**Manufacturing Economic Indicator:** Manufacturing orders, a leading indicator of activity and employment in the County, was also up over the previous month, but down overall. Specifically, the sector was up 0.76 percent over the previous month. In the month-over-month comparison manufacturing orders are down 4.33 percent over 1999, down 37.52 percent over 1998, and down 40.40 percent over 1997.

**Hospitality:** We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Seasonally-adjusted occupancy rates were mixed during the month of June. The sector increased 2.62 percent over last month's report. In the month-over-month comparison with July reports from the recent past seasonally-adjusted occupancy rates were down 1.42 percent over 1999, down 9.05 percent over 1998, and up 5.95 percent over 1997.

**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 seasonally-adjusted energy sector in the July report is down a slight 0.94 percent over last month's report and down a very slight 0.12 percent over the July 1999 report.

### 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.

The discussion of the leading indicators has once again been integrated into the main body of the report this

**month.**

**Please see the Employment section above for a discussion of the claims for unemployment insurance for the month of June.**

**Please see the Home Sales section for a discussion of building permit activity.**

**Please see the Manufacturing section above for a description of the volume of manufacturing orders.**

**As discussed in last month's report, while the economy remains strong, there is evidence that the explosive economic growth in the nation may be slowing. On the national level, consumer confidence and the Index of Leading Economic Indicators, both produced by the Conference Board, have declined. The national manufacturing sector grew at a significantly slower pace in June than previous months and retail sales for the month were sluggish.**

**There are indications in this *Index* of potentially slowing growth in our region -- specifically in the composite Index, as well as the retail sales, home sales, and employment sectors.**

**The possibility of slowing growth contributed to the Federal Reserve's decision last month not to raise rates. In Chairman Greenspan's semi-annual testimony before Congress, he noted the slowed growth in consumer spending, rising debt burdens of households, and increases in oil and gasoline prices. While some believe his comments are an indication that the Reserve will vote not to raise rates at their August 22 meeting, others are more cautious and call it a 50-50 chance.**

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