

[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

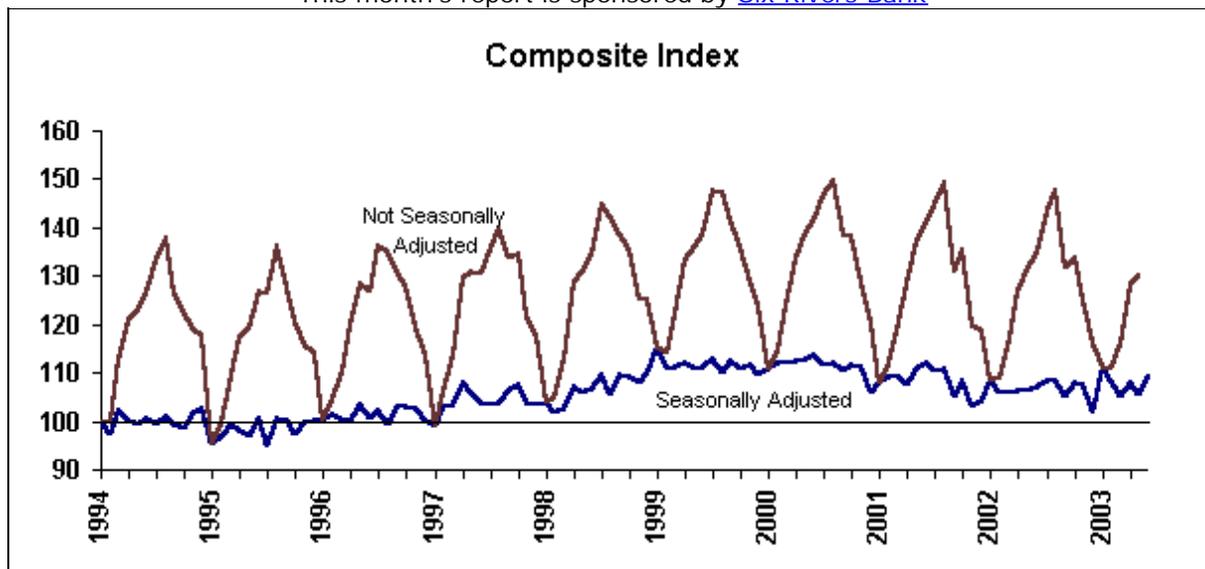
HSU Economics Department

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

Professor Erick Eschker, Executive Director
Ceema Feizollahi, Managing Director

July 2003

This month's report is sponsored by [Six Rivers Bank](#)



The seasonally adjusted composite index value for June is a preliminary 109.2. This is 3.8 percentage points higher than May's upwardly revised 105.4. In June 2002, the composite index value was also 107.1.

Key Statistics		Leading Indicators	
Humboldt County		Seasonally Adjusted	% Change From Previous Month
Median Home Price*	\$196,500	Help Wanted Advertising	-5.3
30 Yr. Mortgage Rate	--	Building Permits	21.4
Average Hotel Occupancy Rate	63.8%	Unemployment Claims	-11.8
Unemployment Rate**	6.1%	Manufacturing Orders	14.4
<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 EDD Website for updates.</p>			

Sectoral Performance, Index of Economic Activity for Humboldt County	
***	Percent Change From:

Sector	Seasonally Adjusted Sectoral Index Value (1994=100)	Previous Month	Same Month 2002	Same Month 2001	Same Month 2000	Same Month 1999	Same Month 1998
Home Sales	119.9	-8.2	-6.3	-10.4	9.1	13.2	22.4
Retail Sales	153.0	15.7	8.6	5.0	9.7	25.8	31.8
Hospitality	95.7	6.5	-4.7	-9.2	-7.1	-7.6	-10.7
Electricity Consumption	107.7	-7.2	8.6	-2.4	-19.6	-17.8	--
Total County Employment	103.2	0.9	0.0	-0.3	-1.7	-2.2	-0.3
Lumber Manufacturing	85.3	14.4	4.8	-10.5	-19.0	-23.2	-22.2

Humboldt County Employment Estimate

Due to technical difficulties the employment estimate will not run this month. Please continue to look for this feature in future issues.

Discussion

Composite Index and Overall Performance

Four of the Index's six seasonally adjusted sectors registered positive growth relative to May's revised numbers, moving the overall composite index upward to a preliminary 109.2. Of these, retail sales, one of the Index's most consistently strong sectors, registered strong growth and the largest increase in month-over-month activity. Lumber-based manufacturing increased slightly this month from the previous month's unchanged figure, yet the same month of activity for the past five years remains in the red. The total county employment rose slightly for the first time in three months, discouraged worker effect. The hospitality sector bumped upward as the summer got under way for seasonal travelers, however, over the past five years, June's activity has been sluggish. Home sales lost the most ground again this month, yet continues to be a hot topic this summer.

The seasonally adjusted leading indicators are mostly positive this month, with three of the four indicators looking optimistic. **New claims for unemployment insurance** in June fell again this month by 11.8 percent from May's number. On a four-month moving average basis, which is an average of the indicator over the past four months, the seasonally adjusted unemployment claims is still trending negatively since February of this year. **Help-wanted** advertising for July decreased 5.3 percent from its June level, as seasonal employment opportunities are fewer than anticipated. Still, the four-month moving average for help-wanted advertising is rising. Last month's slight improvement for **Manufacturing orders** didn't last long as it is down 2.0 percent this month, yet it maintains enough momentum to keep the four-month moving average up for the second time since last December. **Building permits** took a strong lead this month, enough to take the downward four-month moving average trend since December and shift it upwards. Although building permits tend to be volatile, and it cannot be clearly determined the direction this leading indicator will take. The Humboldt County **Employment Estimate** estimates the number of jobs to be added in the job market for the next month. However, this feature is not available this month due to technical difficulties.

Home Sales

The *Index* value of this 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.

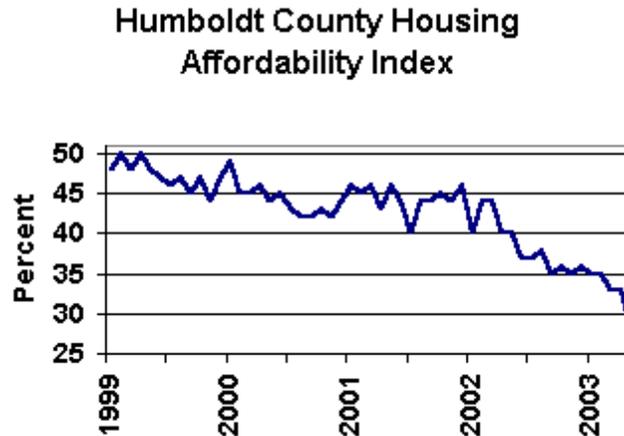
Seasonally adjusted home sales fell again this month by more than 10 points from May's index level, which is a decrease of 8.2 percent. Although the number of homes sold in Humboldt County dropped this month, the state and national pace and price of homes continue to exceed realtor's expectations.

June's median home price took a substantial fall from May's record figure of \$213,500, dropping 7.9 percent to \$196,500. The current statewide median sale price for existing homes rose once again in June, nudging upward 1.8 percent to \$376,260 from May's upwardly revised number. The current figure is 15.9

percent higher than in June 2002, when it was \$324,640.

June's national median price for existing homes remained unchanged from May's level of \$176,500, and is still 7.7 percent higher than it was in June 2002 (www.realtor.org). The similar figure for new homes fell 4.2 percent from May's unchanged \$195,200 to \$187,000. This measure is down 1.6 percent when compared to June 2002 (www.census.gov).

The most recent release of the Humboldt Association of Realtors' Housing Affordability Index, which represents the percentage of Humboldt County households that could afford to purchase a median priced home in May, dropped five percentage points from the previous month's 33 percent. The Housing Affordability Index now stands at 28 percent, which is a decline of 12 percentage points from in May 2002. This level is lower than in any month over the last four years. The next graph shows the five-year trend:



The California Association of Realtors' statewide Housing Affordability Index, which represents the percentage of households in California able to afford a median-priced home, dropped one percentage point in May to stand at 27 percent. The figure for Northern California, not including the Bay Area, Sacramento or the Wine Country, added one percentage point from April to 32 percent. However, the California average remains 32 percentage points below the national average of 59 percent (www.car.org).

The California Association of Realtors (C.A.R.) special report for June focuses on the housing affordability crisis in California. Many organizations and realtors are looking at ways to solve the challenge. "From sponsoring bills in the Legislature and providing initial funding for C.A.R.'s new Housing Affordability Fund to creating a Housing Affordability Task Force to coordinate all of C.A.R.'s efforts, I remain upbeat about our industry's ability to meet this challenge," said C.A.R. President Toby Bradley.

So who might be driving up the demand for these home sales? National Association of Realtors President Cathy Whatley suggests that low interest rates coincides with strong housing demand by younger households, immigrants, and minorities. "Echo boomers-the children of the baby boom generation - are entering the age for buying a first home. In fact, four out of 10 buyers are purchasing their first home, which is providing liquidity to sellers and is supporting strong price appreciation."

According to the country's largest mortgage company, Freddie Mac, the nationwide average for a 30-year fixed rate mortgage as of July 31st, was 6.14 percent with an average 0.5 points. Last year at this time, the average rate was 6.43 percent with an average 0.6 points (www.freddiemac.com).

Retail Sales

We use the dollar value of sales in a cross section of local retail stores.

Seasonally adjusted June sales at participating retailers rose 15.7 percent from May's upwardly revised level, turning around four months of month-over-month decline. This sector gained over 20 points this month to stand at 153.0, and is the highest number recorded in the history of the Index.

The Commerce Department reports that national May retail sales was up 0.5 percent from the previous month's level, and up 4.2 percent from June 2002. The increase was led by strong activity at gasoline stations (up 5.8 percent), retail trade sales (up 4.1 percent), and building material and garden equipment and supply dealers (up 6.1 percent) when compared to June 2002. (www.census.gov).

The Conference Board's Consumer Confidence Index, which remained steady in June, declined in July. The measure, which now stands at 76.6, fell 6.9 points from the previous month. "The rising level of unemployment and sentiment that a turnaround in labor market conditions is not around the corner have contributed to deflating consumers' spirits this month," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "Expectations are likely to remain weak until the job market becomes

more favorable." (www.conference-board.org).

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.

Average occupancy at the participating hotels, motels and inns increased 10 percent in June from the previous month's level as summer began. The index number for the sector increased 6.5 percent to stand at 95.7, however, the same month of activity for the past five years has been in decline.

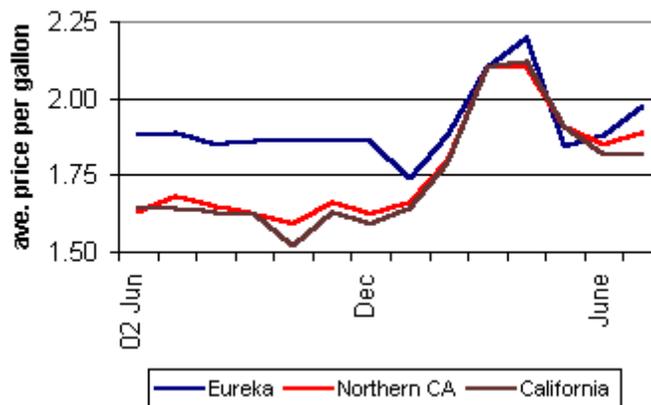
According to Sam Zuckerman, a Chronicle Economist writer, revenue at Bay area hotels plummeted 40 to 50 percent between 2000 and 2003. Although, he describes increase in occupancy rates due to falling room rates as more travelers use the Internet for hotel discounts. Otherwise, Chip Conley, chief executive of Joie de Vivre Hospitality, a chain of 25 boutique hotels, describes this period as "The worst ever in the history of the American hotel market," as well as having "a lot of ground to make up."

Gasoline Prices:

Average Price* (as of 7/15)		Change From Prev. Month (cents/gal.)
Eureka	\$1.97	+9
Northern CA	\$1.89	+4
California	\$1.82	0

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).

Gasoline Prices



According to a AAA press release, Jenny Mack, a AAA Northern California spokeswoman, said "Prices started heating up in early June, when several refineries experienced production problems, while prices remain higher than they were a month ago, they do appear to have stabilized over the past couple of weeks."

With that, AAA also estimated that 4th of July travel would be the highest in 9 years. An estimated 5.4 million Californians, one of every six people, would travel 50 miles or more that weekend. Cynthia Harris, another spokeswoman for AAA of Northern California, says "A lot of people say they don't just want a vacation, they need one. Californians seem to have an increased interest in leisure travel and many are taking advantage of the holiday weekend to take a well deserved break from the stress of their everyday routine."

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.

With the actual second quarter consumption data released, our previous seasonally adjusted estimations, which were based on prior years' consumption, have been revised upwards:

- April's *Index* level was 119.9, up from an estimated 108.3.
- May's *Index* level was 117.2, up from an estimated 105.8.

June's consumption of electricity fell 7.2 percent to 107.6 from May's revised level.

An update on the natural gas situation has been released from the Pacific Gas & Electric company explaining the recent events they have encountered and what they have done to improve the situation. It first describes that winter heating demand combined with demand from natural gas-fired thermal electric generators drove up usage and price of natural gas. It also explains that as the company's financial situation was in jeopardy in January 2003, natural gas suppliers stopped, or threatened to stop the delivery of natural gas. The company also described a situation that could take place if suppliers do not supply enough natural gas, stating that "then suspension of gas service to all customers in certain regions may become necessary, in order to maintain supplies for other regions."

Although PG & E is working hard to counteract a potentially complicated situation, fearing another problem much like that of the electricity crisis. They looked for and were granted approval from the California Public Utilities Commission (CPUC), to offer gas suppliers a security interest in future gas customer accounts receivable. Although 11 companies out of 25-30 have already signed on with PG & E, they are still apprehensive that they could stop supply at any time.

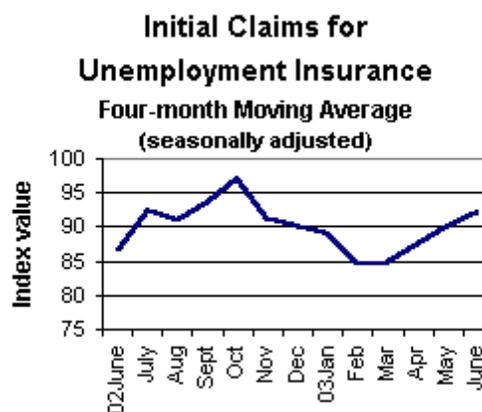
Total County Employment

In their preliminary report for June, the EDD reported that 57,000 people were employed in Humboldt County. This is a 1.0 percent increase over May's revised figure, indicating a net gain of 600 jobs. As a result, the seasonally adjusted index number rose 0.9 percent.

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

- Total county employment in the various service industries added 100 jobs in June at 43,300. This sector is up slightly by 0.2 percent over last year's figure. Approximately 100 jobs each were added in the *Professional and Business Service, Food Service and Drinking Places, Residual-Arts and Entertainment, and Other Services* classification. Approximately 100 jobs each were lost in the *State and Government Education and Local Government*. The preliminary figure for the Government sub-sector is down 1.4 percent since June 2002.
- Total County manufacturing employment came in at a preliminary 3,500. This is an increase in 100 jobs from May's figure. Total manufacturing employment is down 16.7 percent or 700 jobs from June 2002.

June's unemployment rate for Humboldt County dropped a full three-tenths of a point from May's upwardly revised 6.4 percent to a preliminary 6.1 percent. Meanwhile, the national rate (not seasonally adjusted) climbed seven-tenths of a point to a preliminary 6.5 percent, and the state rate moved upwards three-tenths of a percentage point to 6.7 percent from June's upwardly revised figure.



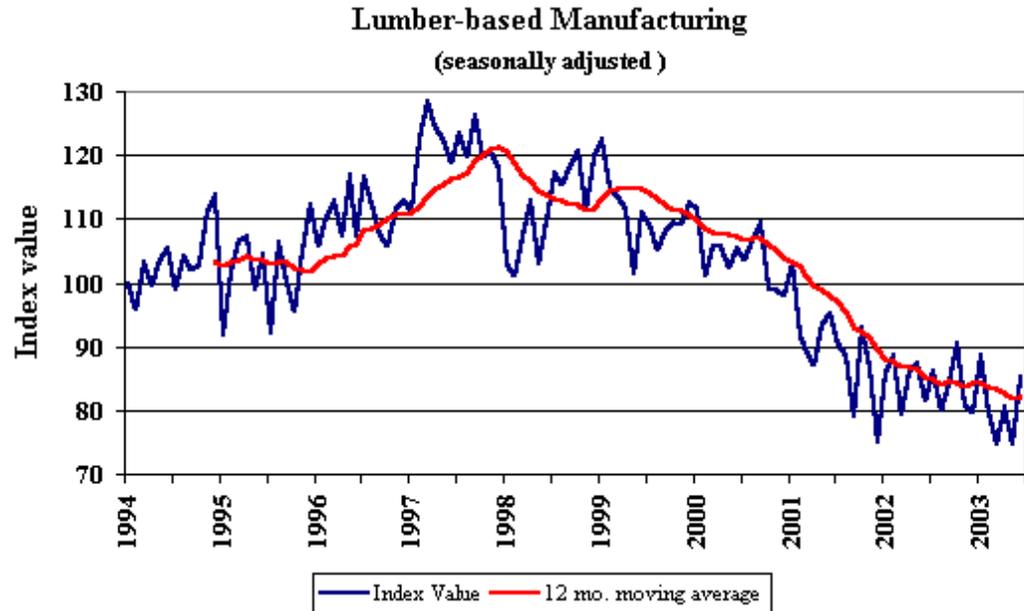
In an article "No Help Wanted for Help-wanted" by Daniel Gross, the Conference Board's Help-Wanted Index, much like our local Help-Wanted Index which measures the volume of help-wanted classified advertisements in newspapers, stood at 36 in May. This is its lowest level since 1961 and down 50 percent from February 2001. Unemployment and job vacancies have an inverse relationship known as the Beveridge curve, named after a British economist. The curve predicts that periods of low-volume advertising would coincide with high unemployment, as would high-volume advertising would correspond to low unemployment. In recent history the Help-wanted Index has proven itself reliable plummeting in

2001 when more than 2 million jobs were lost and unemployment rose (www.msn.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 June Index value for this sector rose 14.4 percent from May's unchanged number to 85.3. This is the largest month-to-month increase recorded with the Index.



Contraction in nationwide manufacturing employment continued in June as overall employment in this sector has shrunk for a staggering 35 consecutive months, although Norbert J. Ore, C.P.M., chair of the Institute for Supply Management states that "While the overall economy appears to be in a recovery, the manufacturing sector failed to grow in June. However, the improved showing of the New Orders, Production, and New Export Orders Indexes is encouraging as it appears that manufacturing is positioned for a recovery in the second half." (www.ism.ws.cfm).

Leading Indicators

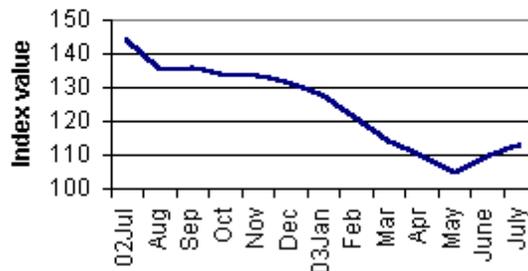
We track four leading indicators to get a sense of the direction of change in the county economy in the near future. The four leading indicators are (i) number of help-wanted advertisements in the *Eureka Times-Standard*, (ii) number of claims for unemployment insurance, (iii) volume of manufacturing 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.

Help Wanted Advertising

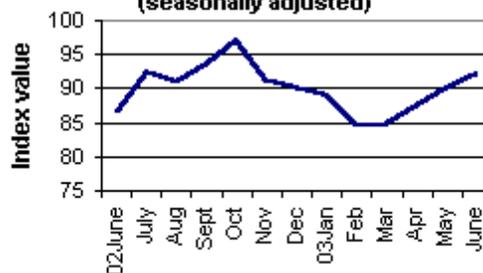
Four-month Moving Average
(seasonally adjusted)



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.

Initial Claims for Unemployment Insurance

Four-month Moving Average
(seasonally adjusted)

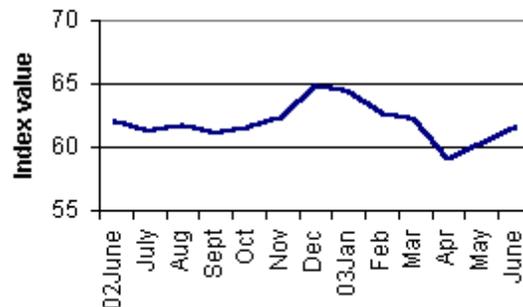


Manufacturing Economic Indicator:

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

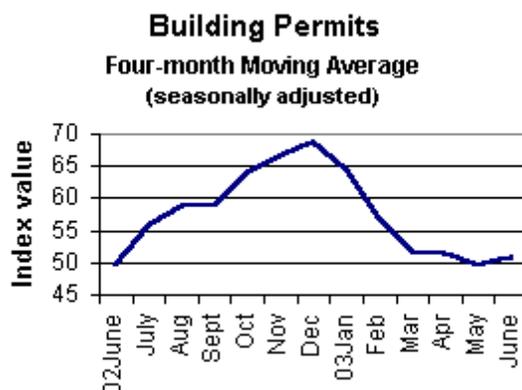
Manufacturing Orders

Four-month Moving Average
(seasonally adjusted)



Home Sales Economic Indicator:

Building permits:



The Bigger Picture

Big budget news this month, or rather a small budget, as the State of California now has a budget for the 2003-2004 fiscal year. After an Assembly session of more than 29 straight hours, and 33 days later than expected, California state Governor Gray Davis signed the \$99 billion spending plan on Saturday, August 2, 2003. The budget, that depends mostly on loans, fund shifts and deferrals, would still leave a multi-billion dollar deficit again next year. A few sectors of California that are expected to get hit the hardest would be a \$1.1 billion reduction in state workers, \$433 million for the University of California and California State University systems, and \$825 million in local governments. At the risk of not having a budget for this fiscal year, Davis said, "This is wrong and this is bad policy, but I'm going to sign this budget nonetheless, because the cost of not signing it is too high." (www.sfgate.com).

The most recent release of the Federal Reserve Board's Beige Book, which reports on economic activity for late June and July, reported that the national economy exhibited signs of modest but sluggish growth. Housing sales remained strong again across all districts, influenced by low mortgage rates even though commercial real estate sales remained slow. Manufacturing activity increased slightly, and activity in service and energy sectors grew faster in the past few weeks. The agriculture sector suffered tough weather conditions as excessive rainfall delayed harvesting and damaged some crops even though in some districts it alleviated droughts (www.federalreserve.gov).

The gross domestic product (GDP), which measures the total value of the nation's output of goods and services, grew at an annual rate of 2.4 percent during the second quarter. This was 0.8 percent higher than economists had predicted. The accelerated pace was led by federal government, business, and consumer spending. The increase in defense spending, which grew to a 44 percent annual rate, was the fastest quarterly pace of defense spending since the Korean War of more than 50 years ago. The GDP is expected to increase to 3.5 percent in the fourth quarter and up to 4 percent next year. According to Treasury Secretary John Snow, "We haven't yet seen the full effects of the tax bill -- add the momentum that's already there and I think we're going to have some much better results to report in the third and fourth quarter."

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 "July 2003" report reflects data from June 2003. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

Cited References

[The Eureka Times-Standard web site](#)

[The San Francisco Chronicle web site](#)

[The New York Times 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](#)

[Back to Main Index Page](#)



[Send us your comments](#)

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

Copyright © 2003 [Erick Eschker](#)

