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June 2000

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in June
Median Home Price*	\$127,750	Help Wanted Advertising	-4.91
30 Yr. Mortgage Rate (6/27)	8.375%	Building Permits	7.62
Prime Rate (6/27)	9.5%	Unemployment Claims	55.24
Unemployment Rate**	6.1%	Manufacturing Orders	7.66

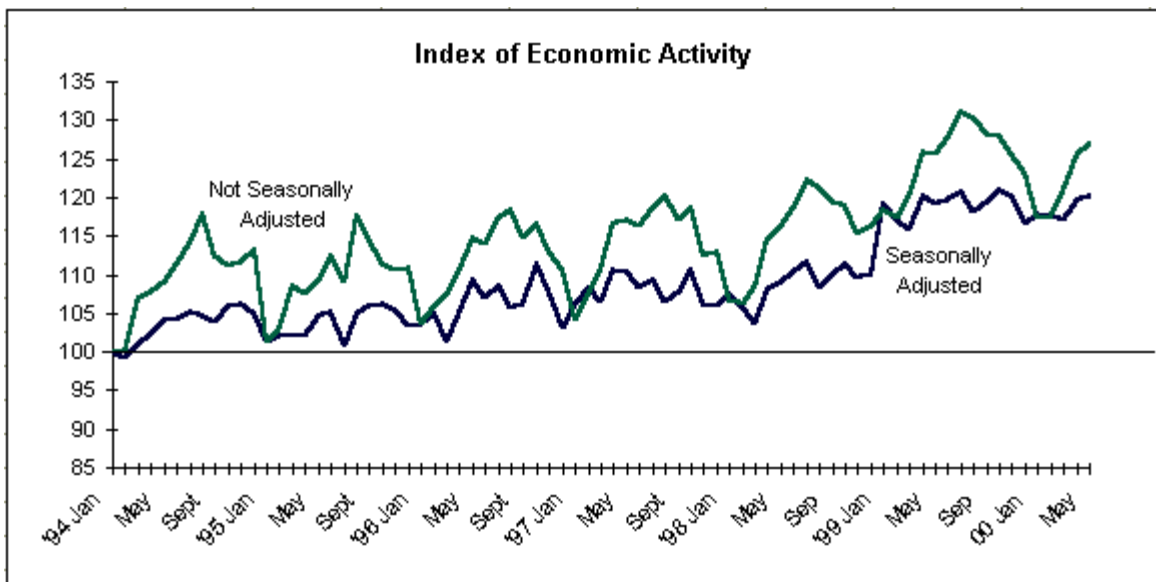
* Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does 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* increased a slight 0.33 percent during the month of May to a value of 120.2. In the month-over-month comparison, the seasonally adjusted *Index* was up 0.84 percent over June 1999, up 10.17 percent over June 1998, and up 8.88 percent over 1997.

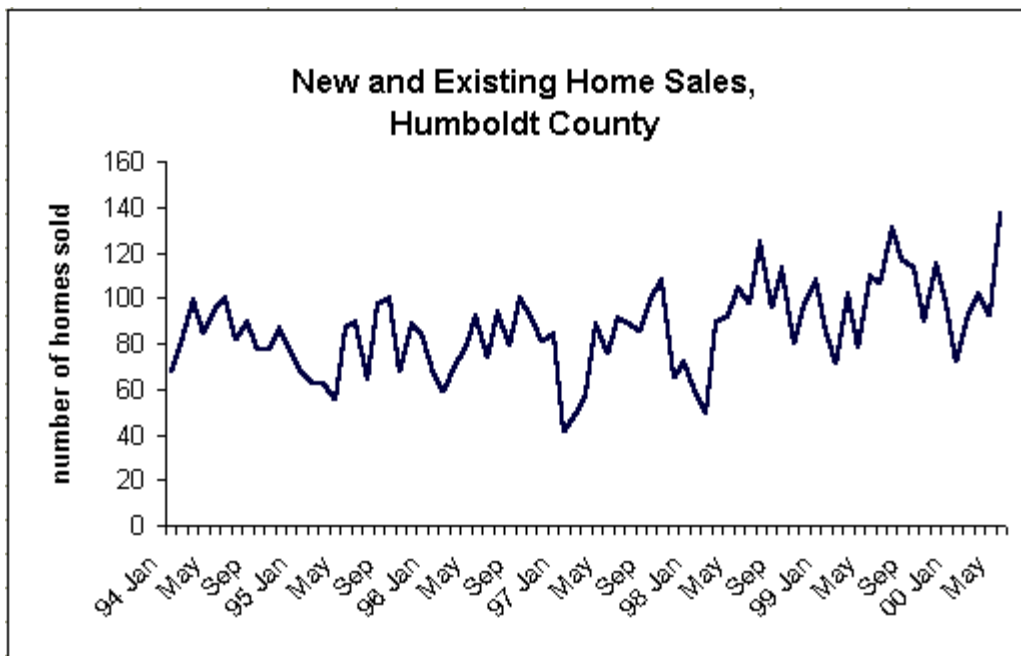
For those of you who are new or less familiar with the *Index*, we have been tracking seasonally-adjusted economic activity since January 1994, at which time the *Index* began at a value of 100. Each sector of the seasonally-adjusted series is weighted to correct for "normal" monthly variation in the 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 "June 2000" report reflects data from May 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



Monthly Sectoral Analysis:

Home Sales: The Home Sales sector of this month's *Index* increased 25.99 percent over the previous month's already strong *Index* report. At a value of 154.0, the home sales sector recorded an all-time high for the month of May. The month-over-month comparison of home sales from June reports from the recent past shows strong gains. Specifically, the sector increased 24.89 percent over 1999, increased 29.92 percent over 1998, and increased an incredible 85.45 percent over 1997.

The major factor contributing to the home sales sector of the *Index* is the number of new and existing homes sold. The number of homes sold in the month of May reached the highest point since we have been tracking sales through the *Index*. The graph below depicts the number of new and existing home sales in Humboldt County from January 1994 to May 2000.



Sales of homes in California hit a record for the month of May, increasing 17.7 percent over the previous month. Sales in the state were up 7.2 percent over the previous year. California's strong sales increase more than tripled the more modest 4.3 percent sales growth across the nation.

Overall, realtors are very surprised by the strength of the housing market. Most analysts expected slight increases, or even a downturn in home sales. While the month's results were surprising, most realtors still believe that overall sales for the year will reflect a leveling off.

Along with increases in home sales came increases in the median home price for the month of May. The median home price in California increased 11.8 percent over the previous year to a record \$246,420. This price is up 2.3 percent from the previous record set in April. Comparatively, the median selling price for a home in Humboldt County was only \$127,750, half of the state's median price.

A report recently released by the Department of Housing and Urban Development (HUD) addresses the increase of home prices across the nation. HUD found that as the economy strengthens, home purchase and rental prices are skyrocketing. They noted that as communities experience prosperity, they also experience severe shortages of affordable housing. In metropolitan areas, home prices are rising at twice the rate of inflation. For example, in the San Francisco Bay Area rents increased by more than 20 percent between 1995 and 1999.

Home Sales Economic Indicator: The Building permit leading indicator showed mixed results for the month. Permits were up 7.62 percent over the previous month. In the month-over-month comparison, building permits were up 3.26 percent over 1999, down 1.96 percent over 1998, and up 14.26 percent over 1997.

Employment: In their preliminary report for May 2000, the Employment Development Department (EDD) reported that 57,900 people were employed in Humboldt county, up by 800 from the revised figure for April 2000 (1.4%). Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries increased from a revised 42,700 during the month of April to 43,400 for the month of May (1.6%). This sector is up 3.3 percent over the previous year's figures. The retail subsector of services modestly increased from a revised 10,800 for the month of April to a preliminary 10,900 for the month of May (0.9%).
- Total county employment in manufacturing increased from 5,600 to 5,800 during the month of May (3.6%). Manufacturing employment is unchanged over the previous year.

The employment sector of the *Index* remains stable, showing only minor increases when compared with the

previous month, and with June reports from the recent past. For example, the sector increased 1.41 percent over the May report. In the month-over-month comparison, the sector remained unchanged over 1999, increased 1.88 percent over the 1998 report, and increased 1.60 percent over 1997.

The employment report for the nation for the month of May was unexpectedly weak and well below expectations. The construction, manufacturing and retail sectors of the economy all experienced losses. Some economists believe that the losses can be attributed to the large number of Census Bureau hirings in the month of May. It is claimed that the hiring was large enough to have "stolen" workers who would have otherwise filled private industry payrolls.

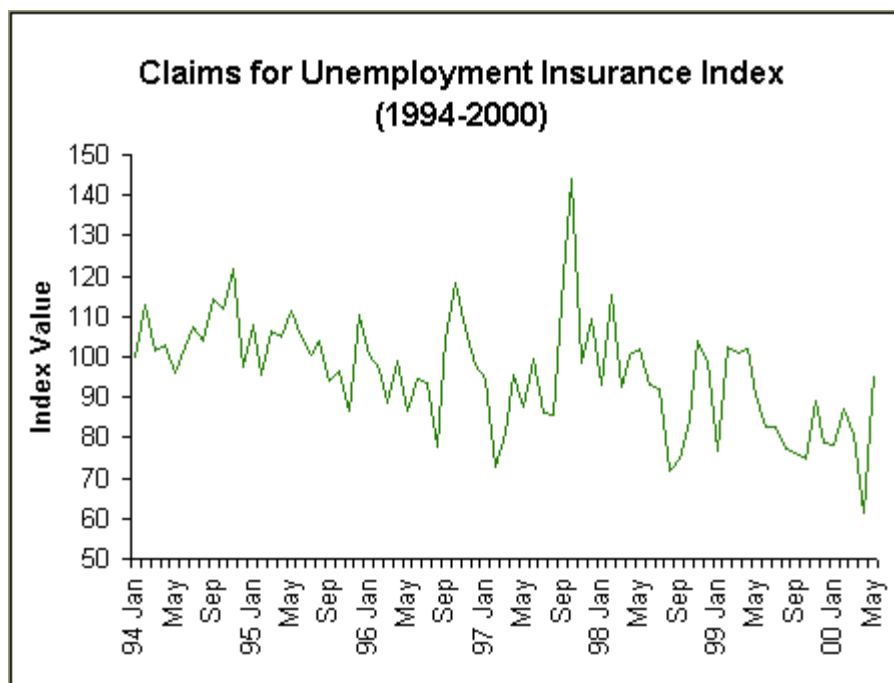
Employment-Based Economic Indicators:

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 May claims for unemployment insurance showed a substantial increase over the previous month's record-breaking lows. The unemployment sector of the *Index* jumped 55.24 percent over the previous month, to a value of 95.66. Anita Alexander of the Employment Development Department (EDD) reported that the month's claims seemed fairly evenly spread across industries and were not attributed to one cause or event. In fact, jobless claims across the nation showed a significant increase over the low reached in mid-April.

While claims were up substantially over the previous month, the month-over-month comparison shows mixed results. Specifically, claims were up 5.83 percent over May 1999, down 6.13 percent over May 1998, and up 9.20 percent over 1997.

The graph below depicts the sharp increase in unemployment claims over the previous month.



A count of help-wanted ads indicates the number of new job openings. The help-wanted advertising in the county declined by 4.91 percent over the previous month. While showing a downturn over April's advertising, the leading indicator continues to show strong performance overall. Specifically, advertising is up 12.99 percent over May 1999, up 23.39 percent over May 1998 and up 25.60 percent over May 1997.

Retail Sales: The retail sales sector of the *Index* decreased by 4.77 percent over last month. In the month-over-month comparison with June reports from the recent past retail sales were up 0.56 percent over 1999, up 3.76 percent over 1998, and up 10.89 percent over 1997.

National retail sales also declined over the previous month. Sales were reported to be down 0.3 percent over April's sales. Of special interest to Humboldt County, the largest declines occurred among interest sensitive goods, such as building materials. In fact, sales at building materials stores have declined for the past two months. A continuing downward trend could result in declines in the area's manufacturing sector.

Declines in retail sales indicate a decrease in consumer confidence, as fewer consumers are willing to acquire debt in exchange for goods. This is the result the Federal Reserve was hoping to achieve. The decline may help persuade the Fed to not raise interest rates at their meeting tomorrow.

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 showed mixed results during the month of May. The sector declined 1.91 percent over the previous month. In the month-over-month comparison of June reports from the recent past manufacturing is up 2.08 percent over 1999, up 4.26 percent over 1998, and down 14.82 percent over 1997.

Manufacturing Economic Indicator: The Manufacturing orders sector, a leading indicator of activity and employment in the County, was up 7.66 percent over the previous month. In the month-over-month comparison with June reports from the recent past manufacturing orders are up 4.95 percent over 1999, down 30.49 percent over 1998, and down 36.01 percent over 1997.

The Federal Reserve reported that lumber orders throughout the Pacific Northwest were sluggish for the month of May and that prices have fallen significantly. On the other hand, orders for wood pulp continue to remain steady, keeping prices elevated and inventories low.

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 May. The sector increased 7.50 percent over last month's report. In the month-over-month comparison with June reports from the recent past seasonally-adjusted occupancy rates were up 3.40 percent over 1999, down 3.84 percent over 1998, and down 8.86 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 June report is down 1.39 percent over last month's report and down a very slight 0.28 percent over the June 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 both the help-wanted advertising and claims for unemployment insurance for the month of May.

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.

While the national economy is still very strong, there are some signs that the rapid growth experienced earlier in the year may be slowing. For example, the national unemployment rate rose 0.2 percentage points in May. This was the first increase after 10 straight months of the rate either declining or holding steady. In addition, several private sector employment categories showed declines, with new jobs coming mainly from temporary work created by the Census 2000. Finally, retail sales across the nation were sluggish as consumers reigned in the excessive spending of the first part of the year. Signals such as these are exactly what the Federal Reserve was hoping to achieve. As a result, most economists do not expect the Fed to raise interest rates at their meeting tomorrow. There is the expectation, however, that the Fed will institute one more increase at their August meeting. In the meantime, the national average 30-year mortgage rate recently fell for a fifth straight week. No action by the Fed tomorrow may result in more declines.

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