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March 2000

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in March
Median Home Price*	\$117,500	Help Wanted Advertising	0.62
30 Yr. Mortgage Rate (3/28)	8.375%	Building Permits	98.16
Prime Rate (3/28)	8.75%	Unemployment Claims	11.19
Unemployment Rate**	6.8%	Manufacturing Orders	0.49

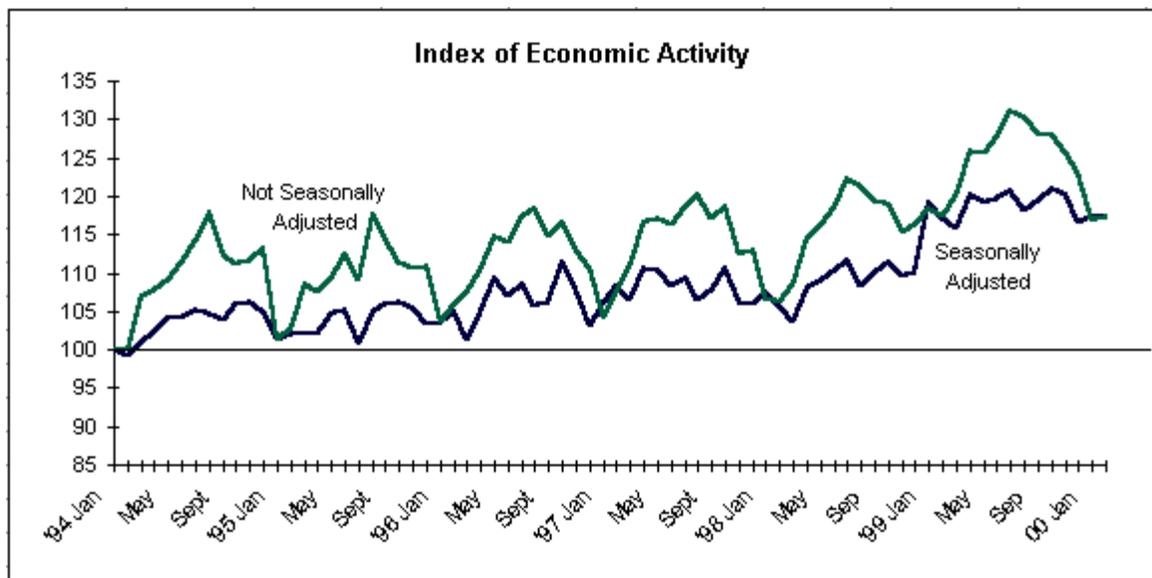
* Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does 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* remained unchanged from the revised February value 117.3. In the month-over-month comparison, the seasonally adjusted *Index* was up a very slight 0.09 percent over March 1999, up 11.08 percent over March 1998, and up 8.21 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 "March 2000" report reflects data from February 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



The pattern for the non-seasonally adjusted *Index* is similar to that of previous years, reaching a low point during the winter season. If this year is like those in the recent past, the non-seasonally adjusted *Index* has reached its trough and will begin to increase over the next few months as drier weather brings increased tourism, timber harvest, and construction activity. One can see that both the seasonally-adjusted and non-seasonally adjusted indices have shown modest overall growth in the last six years.

Monthly Sectoral Analysis:

Home Sales: Home sales data for the *Index* was unavailable in last month's report, and so will be discussed in conjunction with this month's report.

The Home Sales sector of this month's *Index* increased 32.32 percent over the previous month's *Index*. In the month-over-month comparison, home sales showed an amazing increase -- in fact doubling over some March reports from the recent past. For example, the sector increased 30.47 percent over February 1999, increased 102.08 percent over 1998, and increased 114.58 percent over 1997.

National home sales increased almost 7 percent for the month of February, but did not make up for the large national declines experienced in January. National average home sales figures are considerably lower than last year's average sales. Economists point to three factors contributing to "weak" home sales. The first factor is high mortgage rates. Continual increases by the Federal Reserve in the borrowing rate for banks are passed on to consumers in the form of increased mortgage rates. The Federal Reserve has reported slow loan activity across the nation in the residential mortgage category. The second factor relates to the tight labor market experienced throughout the country. With record numbers of individuals employed in very attractive positions, there is little incentive to relocate in search of a new job. The third factor is that the home inventory supply was greatly reduced after last year's record home sales. Essentially there are not very many homes available for sale.

The median home price in Humboldt County for the month of January was \$117,500 and increased to \$125,000 for the month of February. This is considerably lower than recent median home price reports for cities in the

Bay Area, reflecting their higher incomes and growth rates. In Santa Clara County, for example, the median home price reached a high of \$890,000 in Saratoga and a low of \$315,75 in the city of Santa Clara. In Solano County, the city with the lowest median home price was Vallejo at \$145,000. The high for a city in that county reached \$213,000 for Benicia. For Sonoma County, the city with the lowest median home price was Guerneville at \$141,500. The city with the highest median home price was Bodega Bay at \$455,000. Nationally, the median home price in February was \$131,000.

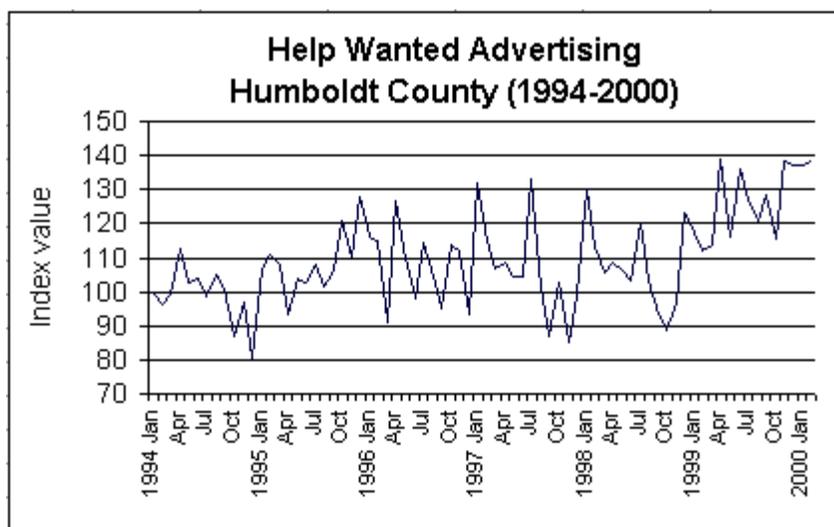
Employment: In their preliminary report for February 2000, the Employment Development Department (EDD) reported that 55,900 people were employed in Humboldt county, up by 700 from the revised January 2000 report. Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries increased from a revised 41,000 for the month of January to 41,200 for the month of February (0.5%). The retail subsector of services remained unchanged at 10,500 for the revised January and preliminary February reports.
- Total county employment in manufacturing increased from 5,600 to 5,700 for the month of February (1.8%).

The Employment sector of the *Index* shows only minor change when compared with the previous month, and with March reports from the recent past. For example, the sector increased 1.17 percent over the February report. In the month-over-month comparison the sector declined 1.24 percent over February 1999, equaled the 1998 report, and increased a meager 0.10 percent over 1997. These minor variations are not surprising as the Employment sector of the report has generally been very stable over the last six years.

Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings. Help wanted advertising, while remaining robust for the month of February, may be hitting a plateau in Humboldt County. For example, advertising was up a slight 0.62 percent over the previous month compared to significant increases in the month-over-month comparison. Specifically, the sector was up 23.50 percent over February 1999, up 22.10 percent over February 1998, and up 20.49 percent over February 1997. The graph below depicts the changes in the help wanted advertising sector over the last six years.



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.

Claims for unemployment insurance in the county were mixed for the month of February. Claims were up 11.19 percent over the previous month. In the month-over-month comparison, claims were down 15.22 percent over February 1999, down 24.45 percent over February 1998, and up 19.19 percent over February 1997. National claims for unemployment insurance benefits are low and have been so for many weeks.

As has been reported in the *Index* over the past few months, labor markets remain tight across the nation. Labor markets are so competitive, in fact, that the Federal Reserve reported some employers are beginning to recruit from nontraditional work groups, including seniors and teens. The effect of the tight labor market on inflation will be discussed toward the end of the report.

Retail Sales: While dipping over the previous month's performance, seasonally-adjusted retail sales remained very strong in Humboldt County. The retail sales sector decreased 5.77 percent over the previous month's healthy totals. In the month-over-month comparison, however, sales were up 13.56 percent over February 1999, up 27.38 percent over February 1998, and up 25.91 percent over 1997.

Nation-wide, retail sales were strong and met or exceeded many retailer's expectations. Consumer confidence remains at a historically high level due to the healthy labor market, rapid rates of economic growth (7.3 percent annualized growth rate in the fourth quarter of 1999), and moderate inflation.

A report from the Federal Reserve Bank's *Beige Book* is of note. The Kansas City district reported online retail sales were gaining business at the expense of retailers in rural areas. The potential effects of this kind of trend on employment, the tax base, and community life in our own county are worth considering.

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 trend in the manufacturing sector for the month of February was generally down. The sector decreased a seasonally-adjusted 11.95 percent over the previous month. In the month-over-month comparison of March reports from the recent past manufacturing is down 12.64 percent over February 1999, up a meager 0.20 percent over February 1998, and down 16.95 percent over February 1997. This downward trend in the lumber-dominated manufacturing sector may reflect rising interest rates and slowing growth in construction activity across the nation.

Moderate gains in the manufacturing sector were reported across the nation.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Seasonally-adjusted occupancy rates were up 4.81 percent over the last report. The month-over-month comparison with March reports from the recent past shows mixed results in the hospitality sector. Specifically, the seasonally-adjusted occupancy rates were up 3.67 percent over February 1999, up 3.05 percent over 1998, and down 19.17 percent over February 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 March report is up a slight 0.96 percent over last month's 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.

Please see the Employment section above for a discussion of both the help-wanted advertising and claims for unemployment insurance for the month of February.

Manufacturing-Based Economic Indicators:

Manufacturing orders, a leading indicator of activity and employment in the County, is once again down considerably over previous years. This month's seasonally-adjusted orders are up 0.49 percent over the previous month. In the month-over-month comparison manufacturing orders are down 43.09 percent over February 1999, down 42.60 percent over 1998, and down 53.54 percent over February 1997. As interest rates continue to rise across the country, due to attempts by the Federal Reserve to slow the pace of economic growth, construction activity is expected to fall, which in turn would indicate a downward trend in the lumber-dominated manufacturing sector.

Building permit data was unavailable for the month of February.

As discussed in the Employment sector of this report, the labor market has been red hot for many months. With almost any person interested in working able to find a job, claims for unemployment insurance are extremely low. Low unemployment rates are an indicator of rising pressure on wages. In order to remain competitive and keep skilled employees, employers must offer more attractive wages and benefits. Across-the-board increases in wages lead to inflationary pressure.

Coupled with the concerns over wage increases are increases in product pricing. So far producers have been able to keep prices in check through productivity gains, which have been growing at a much higher rate in the last few years, and by absorbing some of the input costs of increasing benefits to employees. Higher fuel costs in recent months, however, are eroding the bottom line of some companies. They are finding it difficult to absorb both increased wages and fuel costs without increasing the price of the final product. This is what concerns the Federal Reserve Board.

The Board has voted to increase rates five times since last June and most economists agree that the Board is likely to ratchet up rates again at their meeting in May.

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