

[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

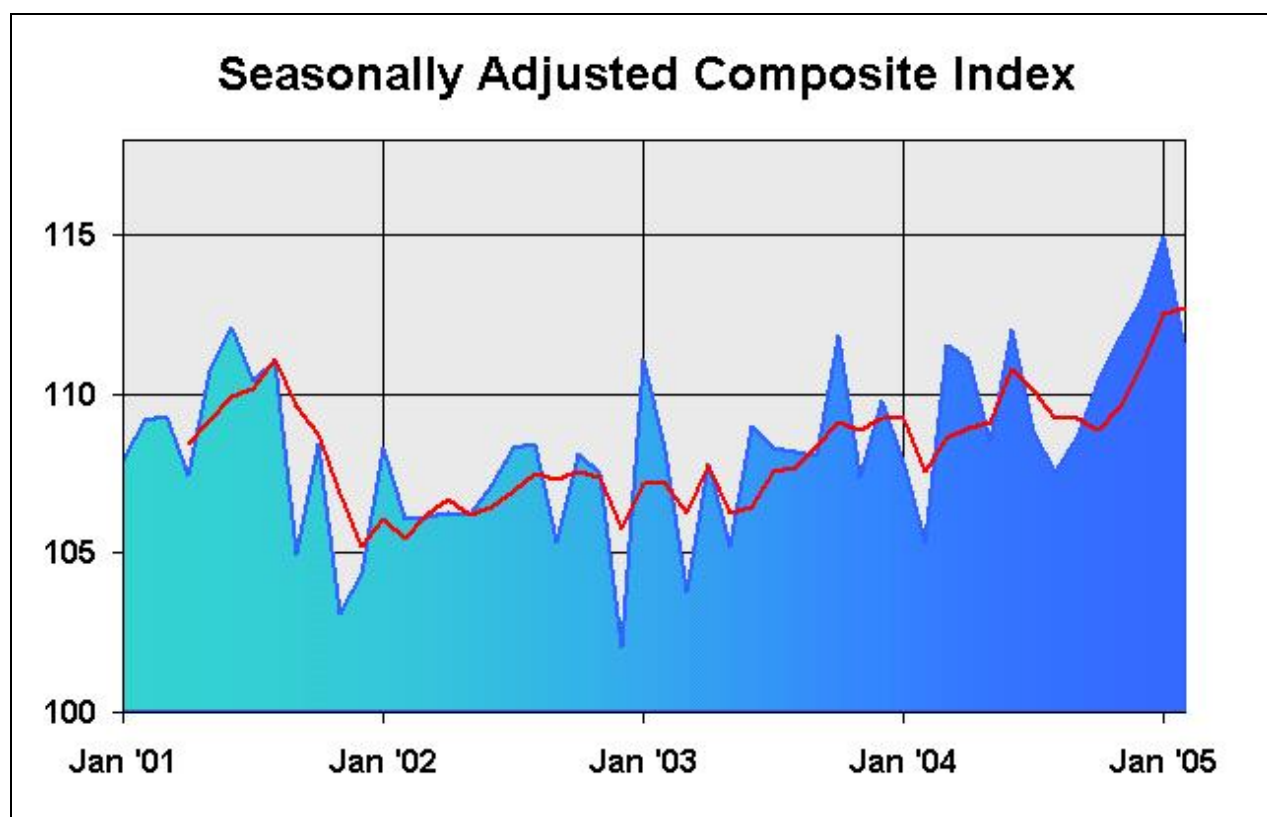
INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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

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

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#) | [The Bigger Picture](#)

March 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 contracted in February. The composite Index dropped 3.22 percent from last month's number and now stands at 111.3 (100 = January 1994). Moderate growth in the employment and hospitality sectors pushed the Index up, while a sharp drop in the number of homes sold combined with declines in the retail and manufacturing sectors to pull the Index down. This follows the particularly strong economic conditions reported in January, when the Index reached the near-record value of 115.0. The employment sector grew 2.0 percent to a value of 106.6, pushed by a surge in state and local government jobs. The unemployment rate for Humboldt County also fell slightly to 6.9 percent despite an increase in the labor force. The hospitality sector also saw growth, though less substantial than January's. The hospitality Index rose 2.3 percent to a value of 89.7. 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. February's Hospitality Index value represents slight growth from February of 2004. While the median home price reached an all time high this month, the number of homes sold dropped significantly, bringing home sales down 20.2 percent to an Index value of 109.16. Manufacturing also saw steep decline, dropping 10.9 percent to an Index value of 92.7. This still represents growth from the same period last year. Retail sales also contracted this month, decreasing 6.8 percent to a value of 138.9. This contraction could be a reflection of the U.S. Conference Board's reported decrease in consumer confidence. Electricity consumption, estimated at 144.2, had no bearing on the composite Index this month.

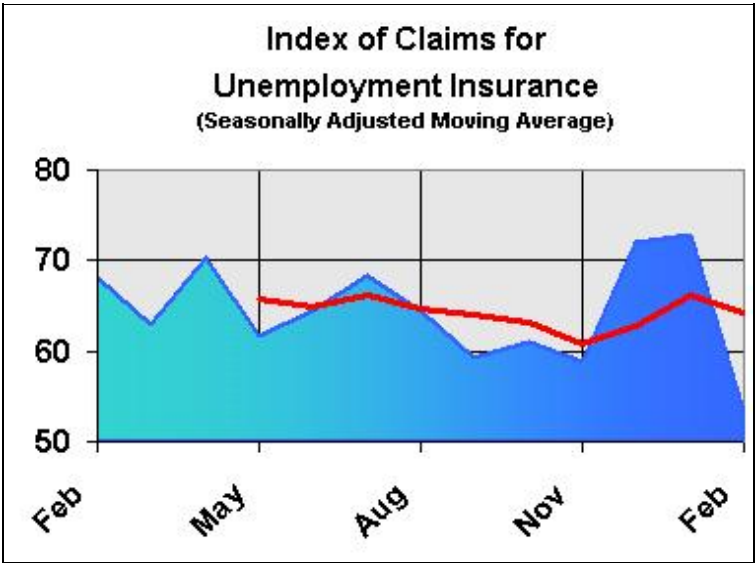
Composite & Sectoral Performance, <i>Index of Economic Activity for Humboldt County</i>							
* * *		Percent Change From:					
Index	Seasonally Adjusted Index Value (1994=100)	Previous Month	Same Month 2004	Same Month 2003	Same Month 2002	Same Month 2001	Same Month 2000
COMPOSITE	111.3	-3.22	5.6	2.8	4.9	1.9	-0.9
Sector							
Home Sales	109.16	-20.2	-5.8	-25.6	-11.4	-16.4	-19.1
Retail Sales	138.9	-6.8	7.0	-1.2	3.9	0.1	-2.7
Hospitality	89.7	2.3	1.4	11.5	0.5	-6.7	2.1
Electricity Consumption	144.2	0.0	15.4	17.2	24.2	22.8	6.8
Total County Employment	106.6	2.0	2.1	1.5	4.1	3.2	2.6
Manufacturing	92.7	-10.9	19.4	16.4	4.5	0.9	-8.3

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#) | [The Bigger Picture](#)

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 "smoothes" month to month volatility.

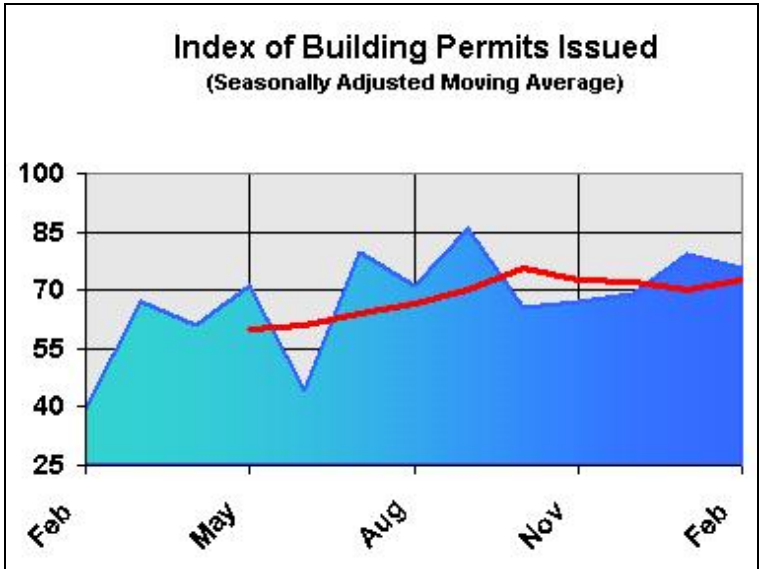
The Index of claims for unemployment insurance is an indicator of negative economic activity. This leading indicator decreased by 27.0 percent in February, indicating a decline in unemployment in the future. The Index of claims for unemployment insurance now stands at 53.27, a historically low level which indicates future job growth. The four month moving average also dropped slightly.



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 "smoothes" 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 February the number of help wanted advertisements increased by 12.9 percent to an Index value of 156.21. The four month moving average continued to exhibit a slow but steady upward trend, indicating persistent future job growth in Humboldt County.

Nationally, the Conference Board's help wanted advertising Index reported no change this month from January's high. Says Conference Board Economist Ken Goldstein: "After two monthly gains, the latest measure of labor demand is unchanged. The Conference Board's Coincident Economic Indicators – a good measure of current economic activity – has been very steady, and the Leading Economic Indicators have improved in two of the last three months. That's the kind of positive but choppy trendline likely for new job creation over the next few months." (conference-board.org)



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 "smoothes" month to month volatility.

The Index of building permits issued gives insight to future home sales and construction. The Index of building permits decreased 4.3 percent this month, to a value of 75.78. 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 leveled out in January, and has begun to rise slightly. The four month moving average currently stands at 72.78, 3.0 percent lower than the actual Index value.



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 "smoothes" month to month volatility.

The Index of manufacturing orders shows expectations for future manufacturing sales. This index decreased 25.3 percent in January to an Index value of 58.58. This is a continuation of January's downward trend. The fourth month moving average, currently at 83.48, is also down from last month, though not as dramatically.

Key Statistics		Leading Indicators	
			% Change From Previous Month
Median Home Price*	\$295,000	Unemployment Claims	-27.0
30 Yr. Mortgage Rate as of 1/15	6.125%	Help Wanted	12.9
Unemployment Rate**	6.9%	Building Permit	-4.3
		Manufacturing Orders	-25.3
* 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.			
** Preliminary EDD data (not seasonally adjusted). See the EDD Website for updates.			

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#) | [The Bigger Picture](#)

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.

The home sales Index declined significantly in February, dropping 20.2 percentage points to an Index value of 109.16.

Home sales in Humboldt County decreased in January. The home sales index value declined 4.4 percent to an Index value of 136.6. The median selling price for a home in Humboldt County was \$295,000 this month, the highest recorded price since the Index began in 1994. The median selling price does not affect the Index.

Statewide home prices fell 2.9 percent when compared to January's median price, but rose 20.4 percent from February 2004's price to a median selling price of \$471,620. The February sales index increased 3.2 percent when compared to the same period last year. Despite this increase, concerns about housing affordability cast a shadow over rising home prices. "While mortgage interest rates remain low by historical standards, upper-end markets may soften as affordability concerns impact households trying to stretch their purchasing power with adjustable rate loans," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "Job growth in California in 2004 was stronger than originally projected, and a strengthening job market this year should have a positive impact on household incomes and housing market activity." (car.org)

Nationally, homes sales trends were similar to those seen in Humboldt County. While existing home sales decreased 0.4 percent in February, home prices rose significantly. The national median home price rose 11.0 percent from February of 2004 to \$191,000. David Lereah, NAR's chief economist, said the housing market appears to be in the early stages of settling down. "In essence, home sales were surging at unprecedented levels for most of last year," he said. "The cooling we expect in sales this year means we'll be transitioning from a white-hot housing market into a very strong market that still favors home sellers, but should become more balanced as the year progresses." (realtor.org)

According to the country's largest mortgage company, Freddie Mac, the nationwide average for a 30-year fixed rate mortgage as of March 31st, was 6.04 percent with an average 0.7 points. This is up from last month as well as from last year when the 30-year fixed rate mortgage averaged 5.52 percent. While sales of existing homes are slightly reduced, Freddie Mac expects relatively consistent interest rates will maintain home sales overall. "Financial markets currently are very inflation sensitive, putting upward pressure on mortgage rates," said Frank Nothaft, vice president and chief economist. "However, several economic indicators suggest that the economy isn't overheating and that inflation is relatively contained. Looking ahead into the spring home buying season, we don't expect mortgage rates to rise too much or too quickly in the near term. As a result, housing activity should stay on track for a strong 2005." (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 saw decline in February, shrinking 6.8 percent to an Index value of 138.9. The retail sector is one of the strongest sectors in the composite Index, and shows 7.0 percent growth from February of 2004.

Nationwide retail sales, as reported by U.S. Census Bureau, increased in February. Seasonally adjusted sales were \$352.1 billion, an increase of 0.5 percent ($\pm 0.7\%$) from the previous month and up 7.7 percent ($\pm 0.8\%$) from February 2004. Total sales for the December 2004 through February 2005 period were up 8.2 percent ($\pm 0.7\%$) from the same period a year ago. The December 2004 to January 2005 percent change was revised from -0.3 percent ($\pm 0.7\%$) to +0.3 percent ($\pm 0.3\%$). (census.gov)

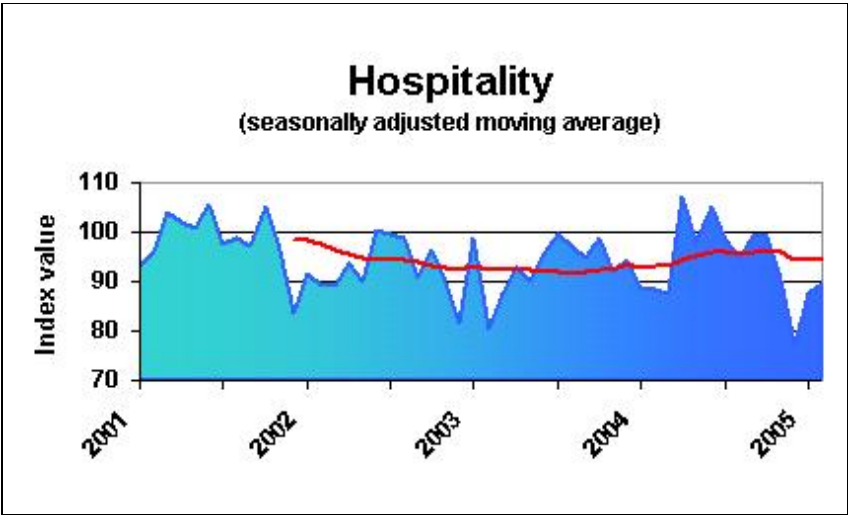
The Federal Reserve Board reported continued economic expansion across the nation since January, including "relatively brisk growth in the New York and San Francisco Districts." Consumer spending

continued to grow steadily, although there was a decline in the sale of electronics and more expensive retail goods. (federalreserve.gov)

Looking to the future, the Conference Board's Consumer Confidence Index declined in February and March. "Consumers are still quite confident despite recent increases in unemployment claims and rising prices at the gas pump," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "Their overall assessment of current economic conditions remains favorable and their short-term outlook suggests little change in the months ahead. In fact, while expectations have lost ground, consumers anticipate the job market will continue to improve, and easing employment concerns should help keep spending on track." The Consumer Confidence Index, which had improved in January, now stands at 102.4 (1985=100), down from 104.4 in February. (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.

The hospitality sector continued last month's growth, increasing 2.3 percent from January's value to 89.7. This most recent figure is also up 1.4 percent from the Index value from the same time last year, and up 11.5 percent from February of 2003. 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. The four month moving average is currently at 86.2, down 2.4 percent from last month.

Nationally, The Federal Reserve Board reported "robust" tourism in several districts including San Francisco. The strongest activity occurred where tourism was not hampered by harsh weather. (federalreserve.gov)

Gasoline Prices

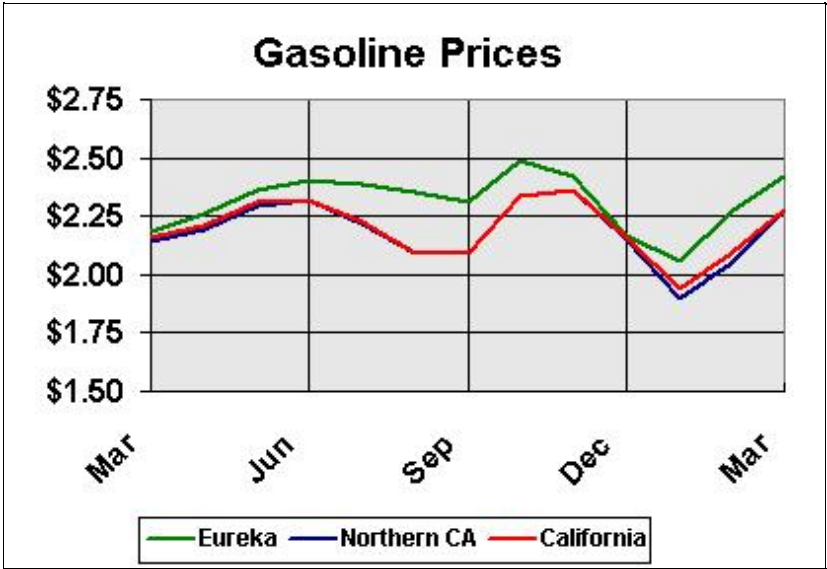
Gas prices rose sharply this month in Humboldt County and across the state. According to the

California State Automotive Association, the increase is due to the high cost of crude oil. The price of crude oil now stands at \$56.20 a barrel. However, the average price of a gallon of gas in California is 23 cents higher than the national average of \$2.05. (csaa.com)

A new study completed by the University of California Energy Institute examines this difference, pointing California's use of a special low-polluting blend of gasoline that is only produced by 13 of California refineries. Because of this, California's gasoline supply closely matches its demand and refineries are unlikely to increase production when prices rise. This insensitivity to price allows for a greater variability in prices than other states see. (nytimes.com)

For a more local perspective, visit our [Special Projects page](#) for Dr. Eschker's Study of the Eureka Gasoline Market and an examination of why Humboldt County gas prices tend to be higher than the rest of California's.

Average Price* (as of 3/15)		Change From Prev. Month (cents/gal.)
Eureka	\$2.42	15¢
Northern CA	\$2.28	23¢
California	\$2.28	19¢
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).		



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.

The estimated electricity consumption Index for February is 113.49, unchanged from last month's figure

Total County Employment

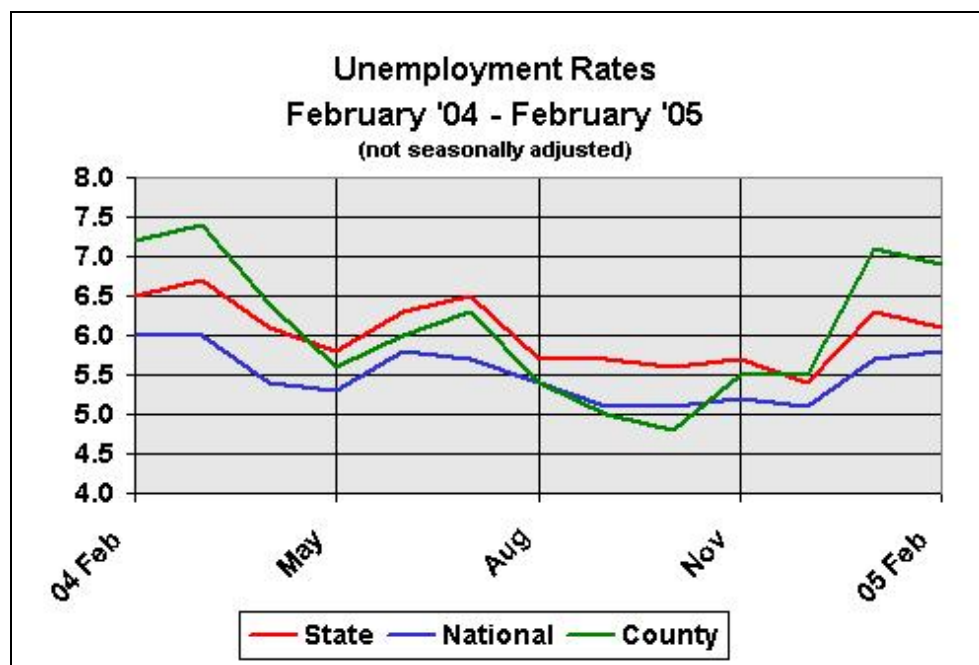
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

In February's preliminary employment and labor force report, the EDD reported 57,190 people employed in Humboldt County. This number is up from January's revised figure, indicating a net gain of 1,260 jobs. The total civilian labor force increased by 1,240 people to 61,440. The seasonally adjusted total county employment Index rose 2.0 percent, and now stands at 106.6. This is a 2.1 percent increase from February of 2004.

Sectoral changes in Humboldt County employment:

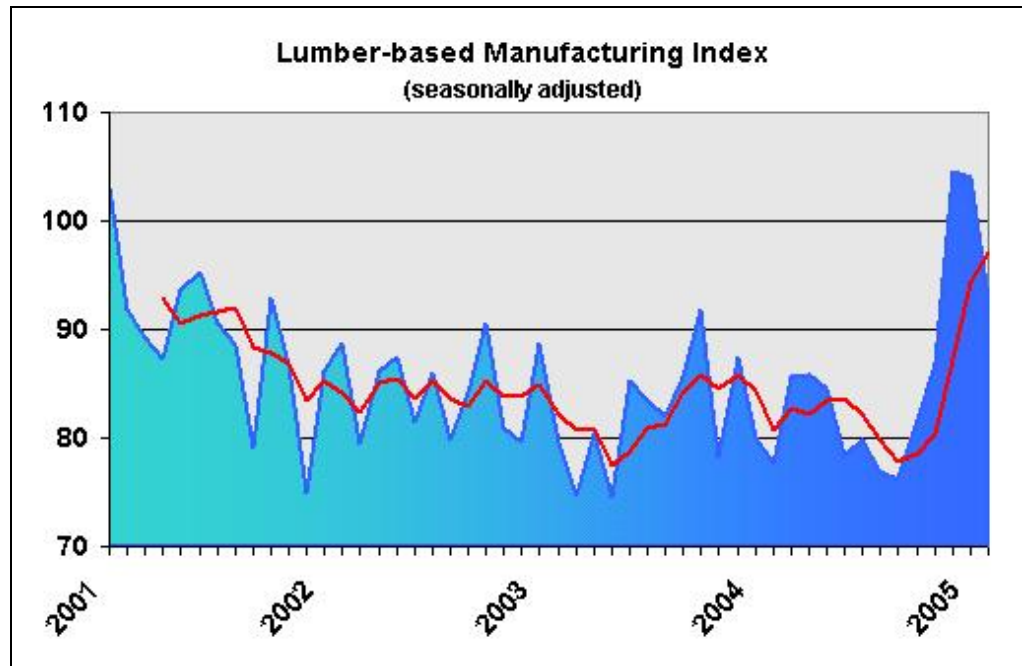
- Overall the service sector posted a net gain of 800 jobs in February.
 - Professional and Business Services gained 100 jobs.
 - Information Services gained 100 jobs.
 - Leisure and Hospitality gained 100 jobs.
 - Local Government gained 300 jobs.
 - State Government gainer 100 jobs.
 - Other Services gained 100 jobs.
- Overall goods producing employment did not change in February

The county unemployment rate dropped from 7.1 percent in January to 6.9 percent this month. Both the State and National remain below the county level at 6.1 percent and 5.8 percent respectively. The decrease in the unemployment rate is pushed by an increase in jobs and tempered by an increase in the local labor force.



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.

February's lumber-manufacturing Index sank 10.9 percent from January's revised figure and now stands at 92.7. The four month moving average remains on the rise, pushed up by December and January's high Index values, and now stands at 97.1. This month's value represents a 19.4 percent increase from February of 2004.

National economic activity in the manufacturing sector, as measured by the Institute of Supply Management, grew for the 22nd consecutive month in February. The PMI registered 55.2 percent as of the April 1st report; a number over 50 indicates growth. "The manufacturing sector maintained its strength in March, finishing the first quarter in a relatively strong position. Growth in New Orders and Inventories helped offset lower index readings in Production, Supplier Deliveries and Employment. Price inflation continues to present a problem for manufacturers as the Prices Index gained significant momentum." said Norbert J. Ore, C.P.M., chair of the Institute for Supply Management. (www.ism.ws.cfm)

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#) | [The Bigger Picture](#)

The Bigger Picture

National Economic News

By: Andrea Walters

On Wednesday, April 20th, students from the Humboldt State Department of Economics will hold a public debate on social security reform. As both analyst Laura Lampley and I are members of the government side of the debate, I would like to take this opportunity to outline both sides of the argument and invite our Index readers to come to the debate and hear both sides of what has become a very heated personal, political, and economic debate. Specifically we will be debating the government resolution, "The United States government should partially privatize Social Security retirement accounts".

For private accounts, the government side argues that any social security reform that does not include some form of personal pension accounts will not cure the insolvency we are currently faced with. The Social Security Administration, in its March 23 press release, warned that Social Security would begin paying out more than it takes in by 2017 and surpluses will be exhausted by 2041, one year earlier than previously estimated. Personal accounts would take the pressure of the beleaguered Social Security system and give people greater control over their retirement. Obviously, there would be restrictions preventing early withdrawals, but workers would have the freedom to control who borrows and distributes their pension funds. Personal accounts would also give people the opportunity to pass unused pension on to their children and other loved ones.

Around the world pay-as-you-go pension systems like our own are converting to personal account systems in an effort to cure their own insolvency. The Reagan administration, faced with a similar situation, increased the payroll tax and retirement age while reducing benefits and Social Security is still in trouble twenty years later. The government side believes that the United States should slowly shift to a personal account pension system, rather than waste money and time trying to band-aid an ineffective and inefficient pay-as-you-go system.

Arguing against private accounts, many fear that the cost of transitioning into a new system will require trillions of dollars in government spending. Estimates for how much the transition would cost range between \$3 trillion and \$15 trillion. Given the high deficits our government already faces, the cost of such a large reform would not benefit our economy in general.

Personal accounts, invested in the stock market, are subject to the fluctuations, and many could face losing everything in a high risk investment. Many also argue that the Social Security system is not broken, but in need of repair, and that replacing one of America's most popular and largest social service programs is too harsh a reform. A combination of benefit reductions, increasing the payroll tax, and expanding the tax base by raising the retirement age and the cap on those who must pay into Social Security can return the system to solvency.

For a more in-depth look at the Social Security debate, look for opposing articles in The Lumberjack or come check out the debate at 4:30pm on April 20, in room 258 of the Wildlife Building. For more information, please [email The Index](#).

Jump to: [Composite](#) | [Leading Indicators](#) | [Individual Sectors](#) | [The Bigger Picture](#)

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

[American Automobile Association](#)

[California Association of Realtors](#)

[The Conference Board](#)

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

[Freddie Mac](#)

[Institute of Supply Management](#)

[National Association of Realtors](#)

[The New York Times](#)

[The Social Security Administration](#)

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

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

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

[U.S. Bureau of Labor Statistic](#)

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

Copyright © 2005 [Erick Eschker](#)

