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May 2000

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in May
Median Home Price*	\$121,077	Help Wanted Advertising	-16.07
30 Yr. Mortgage Rate (5/22)	8.75%	Building Permits	-3.71
Prime Rate (5/22)	9.5%	Unemployment Claims	-23.57
Unemployment Rate**	6.1%	Manufacturing Orders	8.56

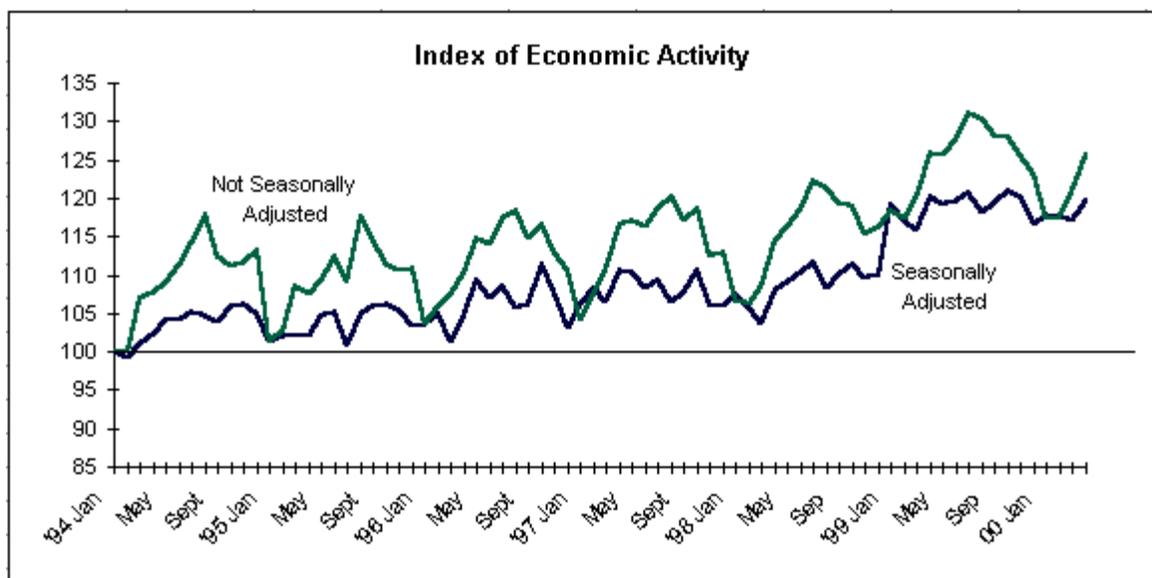
* Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does 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 2.22 percent during the month of April to a value of 119.8. In the month-over-month comparison, the seasonally adjusted *Index* was down 0.25 percent over May 1999, up 11.03 percent over May 1998, and up 8.32 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 "May 2000" report reflects data from April 2000. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



The non-seasonally adjusted *Index* has recovered from the trough it reaches each winter and is well on its way toward the peak we normally see at the end of the summer and beginning of fall. It is possible that the seasonally-adjusted *Index* is beginning to level off after six years of overall growth.

Monthly Sectoral Analysis:

Employment: In their preliminary report for April 2000, the Employment Development Department (EDD) reported that 57,100 people were employed in Humboldt county, up by 600 from the revised figure for March 2000. Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries increased from a revised 42,400 during the month of March to 42,700 for the month of April (0.7%). This sector is up 3.1 percent over the previous year's figures. The retail subsector of services increased from a revised 10,600 for the month of March to a preliminary 10,800 for the month of April. This increase breaks the three month stagnation in the retail subsector of employment.
- Total county employment in manufacturing increased from 5,500 to 5,600 during the month of April (1.8%). While up over the previous month, manufacturing employment is down 1.8 percent over April of 1999.

The Employment sector of the *Index* shows only minor variation when compared with the previous month, and with May reports from the recent past. For example, the sector increased 1.04 percent over the April report. In the month-over-month comparison the sector declined a slight 0.37 percent over 1999, increased 2.11 percent over the 1998 report, and increased 1.72 percent over 1997.

Employment-Based Economic Indicators: As is true across the nation, employment indicators are the big news in the May report.

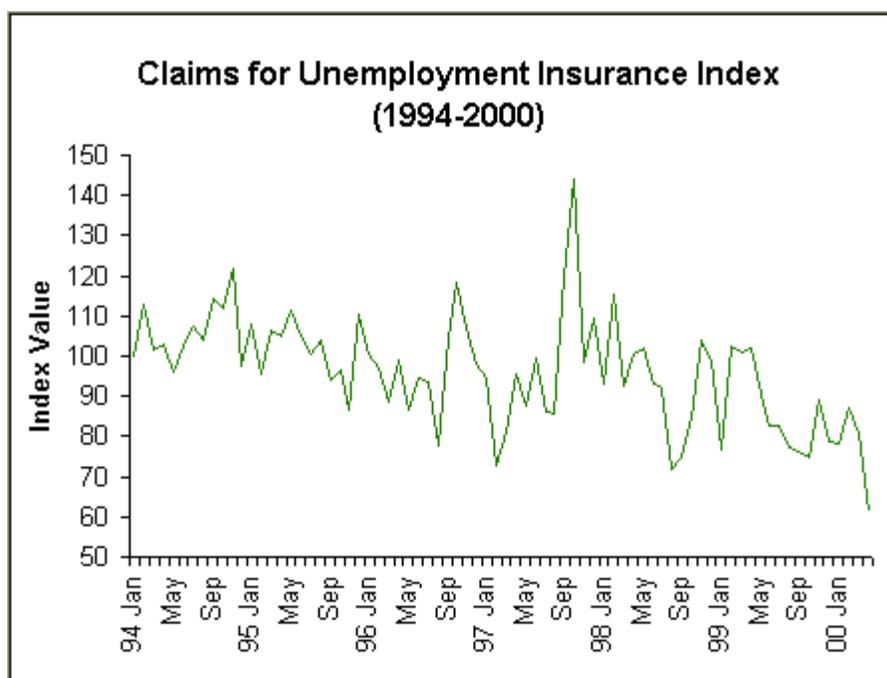
A count of help-wanted ads indicates the number of new job openings. The help-wanted advertising in the county declined by a significant 16.07 percent over the previous month. The decline is no cause for alarm,

however, and was actually anticipated. The decline is seen as a correction over last month's tremendous increase of 18.8 percent. Overall, help-wanted advertising in the region remains at the high level observed over the last year. Specifically, advertising is down a slight 0.78 percent over April 1999, but up 27.13 percent over April 1998 and up 27.22 percent over April 1997.

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 are at the lowest point since we have been tracking them through the *Index*, reaching a low index value of 61.62. Claims decreased 23.57 percent over the previous month. In the month-over-month comparison, claims declined a tremendous 39.68 percent over 1999, 38.75 percent over 1998, and 35.35 percent over 1997. The indication is that there continues to be a sharp decline in the number of people who are newly unemployed and looking for work in the county.

The graph below depicts the index value of claims for unemployment insurance in Humboldt County since 1994. There is a clear trend toward declining unemployment claims.



Across the nation, nearly every industry and occupation are reporting labor shortages. The retail trade sector has reported particular shortages in many parts of the country. One retailer reported to the Federal Reserve receiving only 2 applications for over 20 job openings at a new store. Some economists believe that the shortage of available workers may even be hampering economic growth.

It is clear from Humboldt County's high rate of help-wanted advertising and low claims for unemployment insurance that we are in-line with trends across the nation. It seems that nearly everyone who wants to work is able to find a job. It is important to note, however, that unemployment figures do not reveal the kind of work available -- the wage rate, the skill level required, benefits offered, etc. Some people in the county, and across the nation, may be experiencing "underemployment" meaning they are getting paid less than they need or are working below what their skill level allows.

Retail Sales: The retail sales sector of the *Index* increased by 1.41 percent from last month. In the month-over-month comparison with May reports from the recent past retail sales were up 2.10 percent over 1999, up 12.71 percent over 1998, and up 13.55 percent over 1997. It appears that retail sales in the county are showing a continuing pattern of slowing growth.

National retail sales were strong for the month of April, aided by income tax returns to consumers. Month-

over-month comparisons with previous years appear very strong, boosted by the fact that Easter came later this year. First quarter consumer spending saw its biggest increase in 17 years, leaving stockpiles of goods at low levels. To make up the inventory, industrial production is reported to have increased in April at the fastest pace in 20 months. The high rate of consumer spending is one of the main reasons the Federal Reserve continues to raise interest rates.

Home Sales: The Home Sales sector of this month's *Index* decreased 9.91 percent over the previous month's *Index* report. The month-over-month comparison of home sales from May reports from the recent past shows mixed results. For example, the sector increased 22.03 percent over 1999, increased 2.65 percent over 1998, and decreased 1.28 percent over 1997.

April housing starts across the nation were up 2.8 percent, slightly higher growth than realtors and economists expected. Existing home sales, on the other hand, were down compared to 1999 figures. Many feel that the decline is due to the low stock of available houses, rather than a decrease in demand. It is clear that the housing market has not yet felt the full effect of the increases in interest rates. With national average mortgage rates approaching 9 percent, it is unlikely that the rate of growth can continue and many feel that the housing market has reached its peak.

Home Sales Economic Indicator: The Building permit leading indicator showed variable results for the month. Permits were down 3.71 percent over the previous month. In the month-over-month comparison, building permits were up 10.61 percent over 1999, down 14.91 percent over 1998, and down 21.82 percent over 1997.

Building permits across the nation were down approximately 4 percent compared to this same time last year. As a leading indicator of future construction and real estate activity, the decline in building permits will be significant to watch in the coming months. As described above, most economists don't believe that real estate activity can continue at its current pace. This period's decline in building permit applications may be the first sign of the slowing activity.

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 generally declined during the month of April. The sector remained unchanged over the previous month. In the month-over-month comparison of May reports from the recent past manufacturing is down 4.55 percent over 1999, down 4.20 percent over 1998, and down 10.95 percent over 1997. Our manufacturing sector is dominated by lumber production. With predictions for a slowdown in the demand for and construction of new homes, we are likely to see a subsequent decline in the demand for lumber. This appears to be playing out in this month's volume of manufacturing orders.

Manufacturing Economic Indicator: The Manufacturing orders sector, a leading indicator of activity and employment in the County, while up 8.56 percent over the previous month, is down considerably over previous years. In the month-over-month comparison with May reports from the recent past manufacturing orders are down 23.57 percent over 1999, down 39.68 percent over 1998, and down 35.35 percent over 1997. We have seen consistent declines in this leading indicator for the past several months.

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 April. The sector increased 9.81 percent over last month's report. In the month-over-month comparison with May reports from the recent past seasonally-adjusted occupancy rates were down 0.34 percent over 1999, down 5.04 percent over 1998, and down 11.68 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 May report is up 3.80 percent over last month's report and down a slight 0.52 percent over the May 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 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 April.

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.

The United States economy is in its record 10th year of expansion. This is most evident in the high rate of consumer confidence and subsequent consumer spending as well as the low unemployment rates and high number of help-wanted listings. The pace of growth of the economy has been of concern to the nation's chief economists Alan Greenspan over the past year. The concern has led the Federal Reserve to increase interest rates for the sixth time since last June. Although 30-year and 15-year mortgage rates are at their highest point since early 1995, the Fed opted to take an even more aggressive stance at combating inflationary pressure by recently increasing the rate a half-point, rather than the previous more modest quarter-point increases. What this probably means for the nation and for our region is that the cost of borrowing money will go up, construction and real estate activity will go down, and consumer spending will be reigned in.

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