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The Index of Economic Activity for Humboldt County

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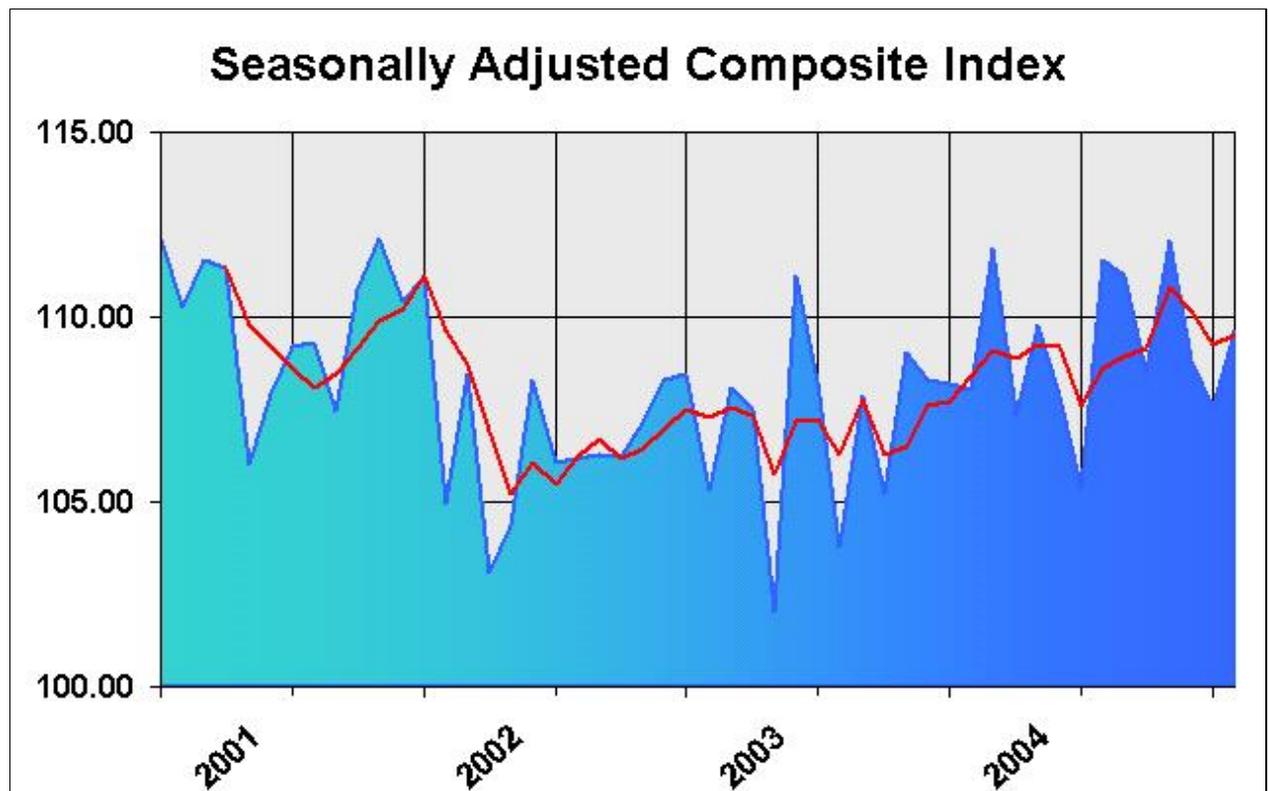
INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

Featuring a special "Spotlight on the Political-Economy of Our Environment" at the bottom of this report

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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

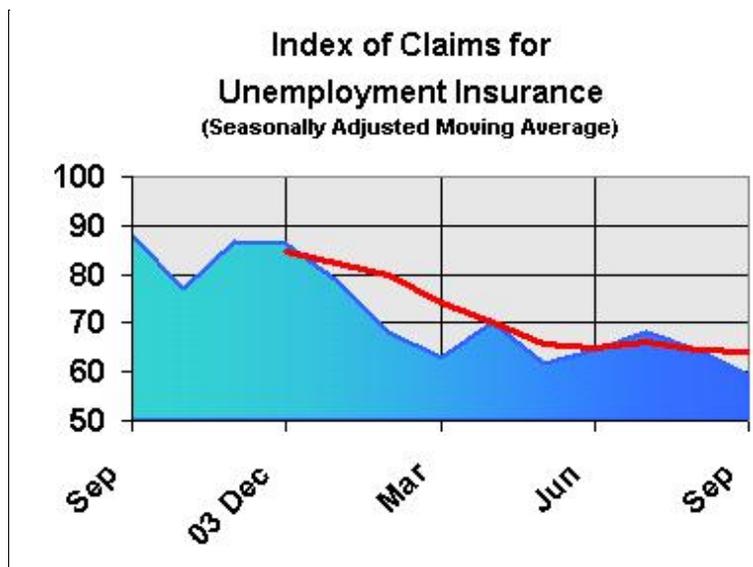
The *Index of Economic Activity for Humboldt County* measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted *Index* that shows changes relative to the base month (January 1994). The composite *Index* is a weighted combination 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.

In September Humboldt County's economy rebounded slightly after two months of decline. The composite *Index of Economic Activity* rose 1.9 percent to 109.6. While most of the sectors experienced growth this month, retail sales and total county employment both contracted slightly. The home sales index rose this month, pushed by an increase in the number of homes sold. The home sales sector continues to hold at higher than expected levels due to persistently low interest rates. Home prices continued to trend upward, setting a record high median selling price of \$285,000. Additionally, low investor confidence in the stock market is further contributing to an increase in the demand for real estate. Manufacturing also grew this month, rebounding by 10 percent to an index value of 84.6. The hospitality sector also rebound to an index value of 99.1, after falling below summer expectations the previous three months. Quarterly electricity consumption data also indicated growth, with the index for this sector rising 2.4 percent to 113.49. This is indicative of the continued economic recovery seen nationally. While the County unemployment rate dropped to 5 percent this month, total employment did not meet seasonal expectations, and fell despite an increase in raw numbers. Despite a 2.8 percent decline in the retail sector this month, the index shows steady growth when compared to previous years. The retail sales index now stands at 143.1.

Composite & Sectoral Performance, <i>Index of Economic Activity</i> for Humboldt County							
* * *		Percent Change From:					
Index	Seasonally Adjusted Index Value (1994=100)	Previous Month	Same Month 2003	Same Month 2002	Same Month 2001	Same Month 2000	Same Month 1999
COMPOSITE	109.6	1.9	1.5	4.1	4.4	-0.6	-2.6
<i>Sector</i>							
Home Sales	133.7	11.4	-6.3	13.6	52.3	25.2	18.6
Retail Sales	143.1	-2.8	2.4	2.6	15.2	20.1	9.8
Hospitality	99.1	4.4	4.7	8.9	2.1	-5.9	-8.0
Electricity Consumption	113.49	2.4	13.1	13.2	-16.6	-11.9	---
Total County Employment	102.9	-0.2	-0.9	-0.3	0.9	-1.0	-2.3
Manufacturing	84.6	10.0	-1.2	0.5	7.1	-22.8	-21.7

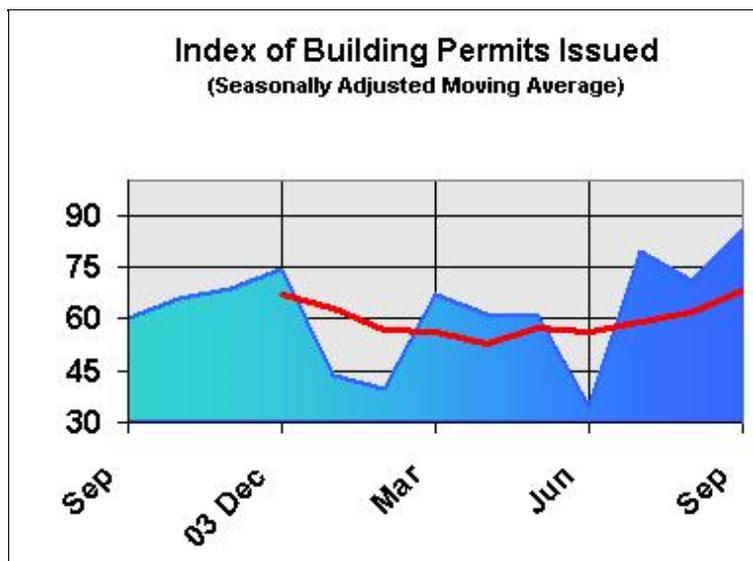
Leading Indicators

The Index tracks three leading indicators to get a sense of the direction of change in the county economy in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) 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 8.1 percent in August, pulling the four month moving average downward slightly.



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 increased this month. 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 ticked upward in September.



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 increased 3.5 percent in September, to stand at 83.27. The moving average for this indicator shows a strong upward trend.

Key Statistics		Leading Indicators	
		% Change From Previous Month	
Median Home Price*	\$285,000	Manufacturing Orders	3.5%
30 Yr. Mortgage Rate as of 9/30	6.00%	Building Permits	21.1%
Unemployment Rate**	5.0%	Unemployment Claims	-8.1%
* 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.			

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.

In September, Humboldt County home sales rebounded. The home sales index is up 11.4 percent and now stands at 133.7. Local home prices set a new record high this month. A median priced home in Humboldt County now costs \$285,000. Increased purchasing power from low interest rates as well as investor's weariness about the stock market are contributing to the recent price jumps.

Statewide home prices and home sales declined. The median home price in California is \$465,540, down 1.7 percent from the previous month, but up 12.0 percent from September 2003. "The higher inventory of homes for sale has mitigated some of the upward pressure on home prices," said Leslie Appleton-Young, C.A.R.'s vice president and chief economist. "Year-to-date sales are up 4.5 percent, in line with our expectation that sales for all of 2004 will post and increase above 2003's record levels." (www.car.org)

A study by the National Association of Realtors found that first time home buyers are fueling the housing market. "Strong activity by entry level buyers has provided solid and substantial growth to the housing market over the last decade," said David Lereah, NAR's chief economist. "The demographics of our country favor this trend going forward because echo-boomers, the children of the baby boom generation and almost as large, will be in the prime years for buying a first home for the next decade. These findings demonstrate a fundamental underlying demand that will be driving the housing market at a higher plateau for the foreseeable future." (www.realtor.org)

According to the country's largest mortgage company, Freddie Mac, the nationwide average for a 30-year fixed rate mortgage as of November 4th, was 5.70 percent with an average 0.6 points. "The slight increase in mortgage rates this week was due in large part to volatility in long-term bond yields," said Frank Nothaft, Freddie Mac chief economist. "The uncertainty in bond yields reflected weakness in the manufacturing industry that was offset by economic reports of strength in the service sector. When taken as a whole, this week's economic data point towards both low mortgage rates and a growing economy, both of which are good news for current homeowners looking to refinance and for families hoping to become homeowners." (www.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.

Humboldt County's retail sector experienced a slight drop in October. The retail sales index which now stands at 143.1, is down 2.8 percent from the previous month, but up 2.4 percent from October 2003

Nationwide retail sales, as reported by The Commerce Department, increased in September. Seasonally adjusted sales were \$341.3 billion, an increase of 1.5 percent ($\pm 0.7\%$) from the previous month and up 7.7 percent ($\pm 1.0\%$) from September 2003. (census.gov)

The latest release from the Conference Board shows that consumer confidence declined for the third consecutive month in October. The Consumer Confidence Index, which now stands at 92.8 (100=1985), is down 3.9 percentage points from last month's figure. (www.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.

The hospitality index rebounded in October and stands at 99.1. This most recent figure is up when compared to the same month in previous years. 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

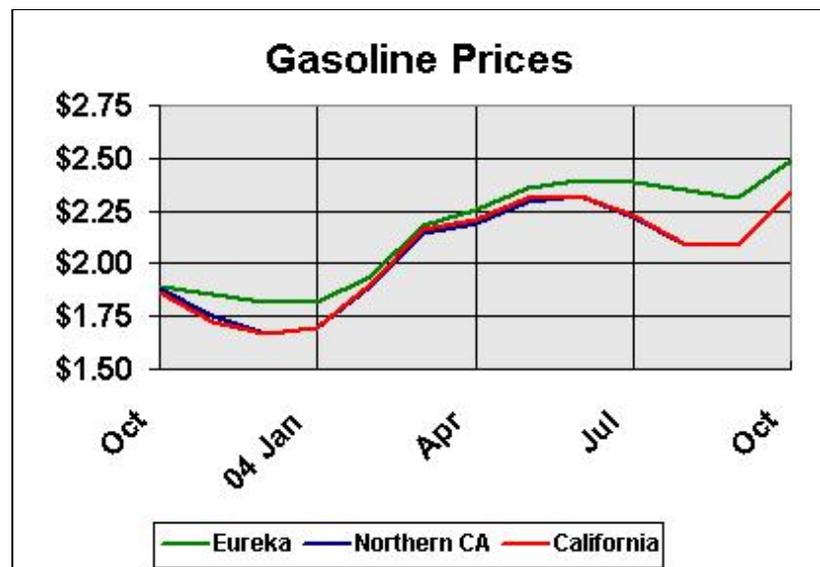
can be compared more appropriately.

Gasoline Prices

Amid political uncertainties at home and in Iraq gas prices have fluctuated dramatically in the past month. "It's relentless, the punishment consumers are being forced to endure at the gas pump," said Sean Comey, spokesman for AAA of Northern California. "Every day for the past two weeks the price goes up. At this rate, we'll set a new record high before the end of the week." (www.csa.com)

Average Price* (as of 10/12)		Change From Prev. Month (cents/gal.)
Eureka	\$2.49	18¢
Northern CA	\$2.34	25¢
California	\$2.34	25¢

Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association's monthly gas survey (www.csa.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 electricity consumption index for October is 113.49, up 2.4 percent from the previous month's revised figure.

- The Revised electricity consumption index for August is 111.17.
- The Revised electricity consumption index for September is 110.81.

Total County Employment

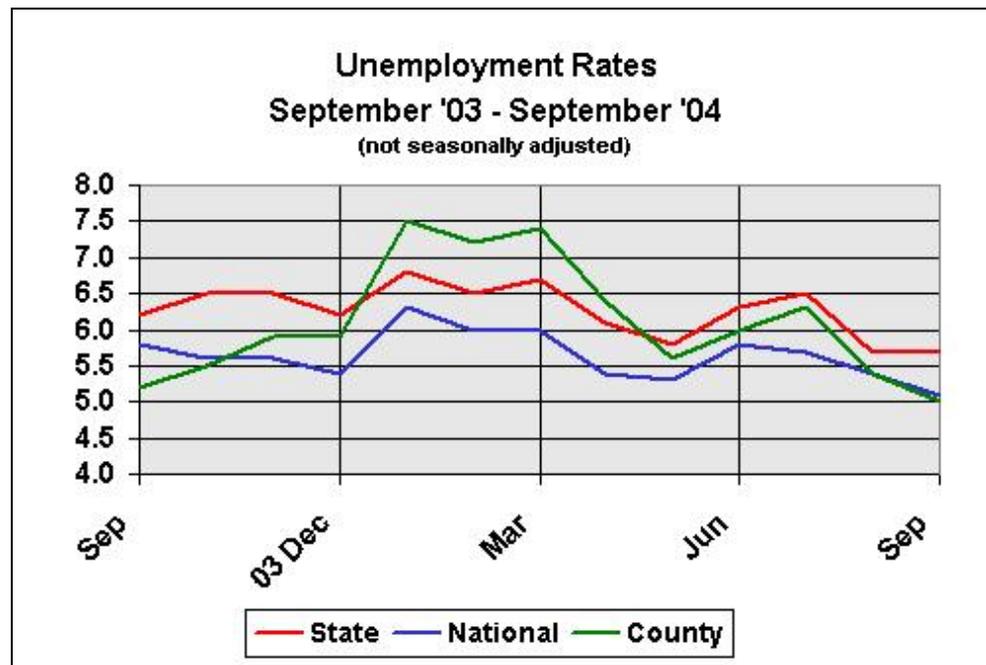
The index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

In the preliminary report for September, the EDD reported that 57,200 people were employed in Humboldt County. This number is up from August's revised figure, indicating a net gain of 200 jobs. The total civilian labor force decreased by 100 people to 60,300. The seasonally adjusted total county employment index fell 0.2 percent, and now stands at 102.9.

Sectoral changes in Humboldt County employment:

- Overall the service sector posted a net gain of 600 jobs in September.
 - Education and Health Services gained 100 jobs.
 - Miscellaneous Retail lost 100 jobs.
 - Trade, Transportation, and Utilities lost 100 jobs.
 - Arts and Entertainment lost 100 jobs.
 - Local Government gained 600 jobs.
- Overall goods production employment was unchanged in September.

The unemployment rate continued to decline in September. The measure which now stands at 5.0 percent is lower than both the state average and the national average. The fall in unemployment rate may be due in part to a decrease in the size of the labor force, and local government cutbacks which took effect in July, when the unemployment rate began its recent descent.

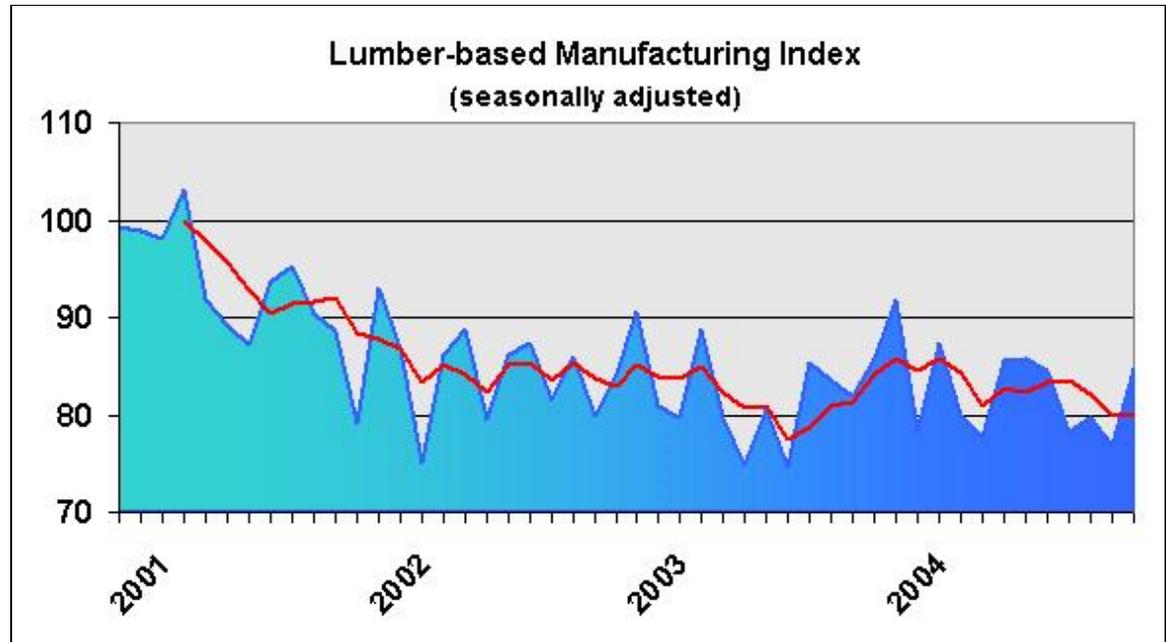


Lumber Manufacturing

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.

In September the lumber-manufacturing index increased 10.0 percent from last month's revised figure and now stands at 84.6. While this does represent a slight rebound in manufacturing, the index for this sector has not reached above the 100 level since January 2001. This shows a continued decline in the local lumber industry.



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.

At the national level, the manufacturing sector enjoyed its seventeenth consecutive month of economic growth. The PMI registered 56.8 percent most recently, indicating continued growth. "Strong growth continues in the sector, but at a slower rate than in September. New orders and production remain strong, and employment continues to expand. However, energy prices and commodity price inflation are major concerns for manufacturing buyers," said Norbert J. Ore, C.P.M., chair of the Institute for Supply Management. (www.ism.ws.cfm)

The Bigger Picture

Spotlight on the Political-Economy of Our Environment

Jessica Digiambattista

November 7, 2004

"I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crises. The great point is to bring them the real facts."

-Abraham Lincoln

The Presidential election of 2004 gave birth to the usual plethora of discourse on national and global policy issues. But somewhere amidst the debates on Iraq, Osama bin Laden, stem cell research, taxes, and the classic "flip-flop candidate" arguments, something was lost. In fact I'm not quite sure what, if anything was gained.

Environmental change due to poor resource management and unsustainable consumption patterns was the “elephant in the room” during the 2004 election. America’s leaders and would-be leaders are well aware of our environmental problems and the inevitable blow they will strike to our landscapes, economy, and society at large. However, in the race to the White House, short-term thinking prevailed and the environment was ignored.

We have known for years that releasing greenhouse gases from our cars, industrial complexes, and power plants causes changes in our atmosphere. The debate has been over when, if ever, those changes would begin to impact life on the ground.

In a new report released yesterday by the Pew Center on Climate Change, the observable affects of global warming on North America’s environment are documented. *Observed Impacts of Global Climate Change in the U.S.*, by Camille Parmesan of The University of Texas at Austin and Hector Galbraith of Galbraith Environmental Sciences and the University of Colorado-Boulder, reviews over 40 separate studies that associate global climate change with observable ecological impacts in the United States. The studies varied in regions and species observed. The one common factor among them is a consistency in the observed ecological responses and expected change due to shifts in the U.S. climate.

Specific findings range from measurable species migrations northward to an alteration in the carbon cycle in the Alaskan tundra. The ecological problems are further stressed by direct human impacts on the land such as habitat loss and fragmentation. The researchers assert that a link between anthropogenic (human-caused) global warming and changes in the Earth’s natural systems is established by these recent data. Furthermore, without a change in the current trend the anthropogenic climate change will continue to degrade the Earth’s natural systems.

Environmental degradation and natural resource depletion are important issues for economists. The Earth’s ecosystems provide services necessary to the existence of our economy. An incalculable amount of value is taken out of the Earth’s natural systems each day and is used in the manufacture and transport of the goods and services that comprise our economy. Accounting for all of the costs of production is how the capitalist system achieves efficient allocation of resources. Our failure to account for the value of ecosystem services has skewed the economy and led to the overproduction of environmentally damaging goods and services.

The environment and the economy are interrelated systems. The impacts that our economy has on the Earth’s natural systems are complex and not fully understood. However, we should not avoid discussing these problems simply because they will be difficult to solve. It is my hope that in future elections the American people demand discourse on all the issues, even the really tough ones.

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

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[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](#)

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