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September 2000

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in September
Median Home Price*	\$137,000	Help Wanted Advertising	4.90
30 Yr. Mortgage Rate (9/25)	8.125%	Building Permits	-5.08
Prime Rate (9/25)	9.5%	Unemployment Claims	25.53
Unemployment Rate**	5.7%	Manufacturing Orders	7.68

* 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.

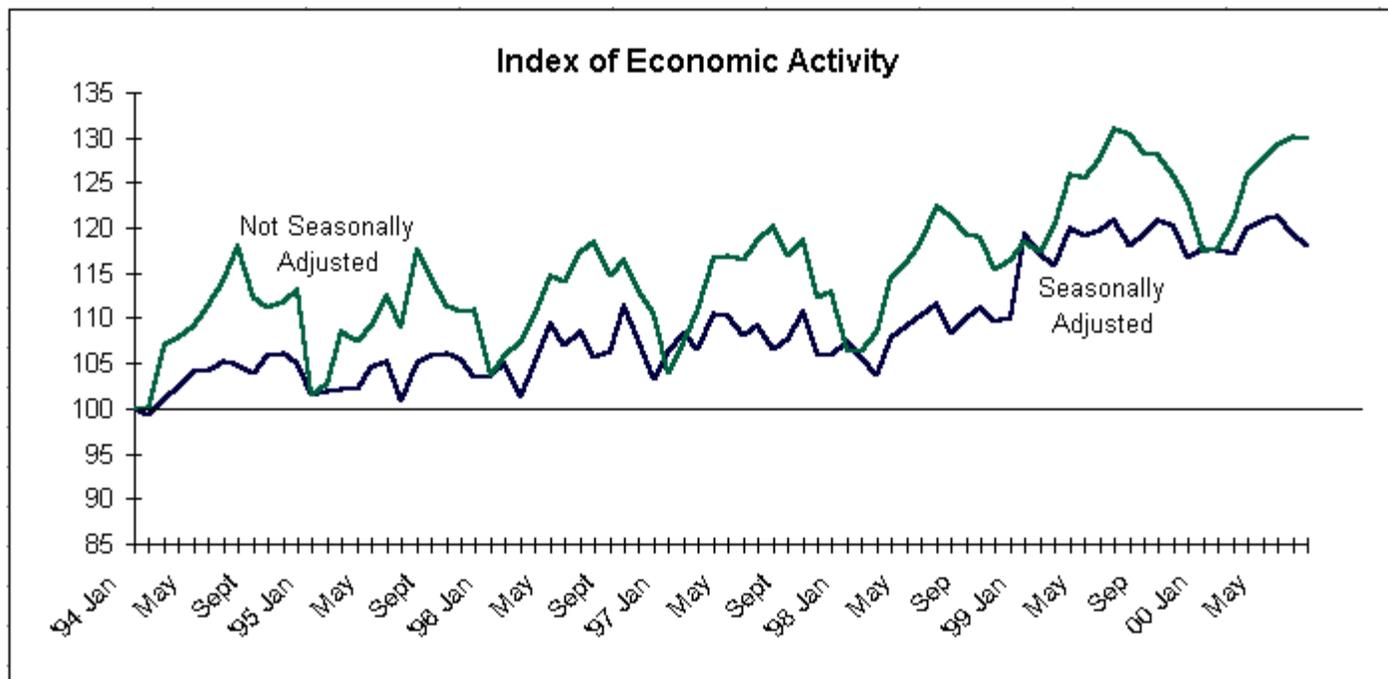
** Preliminary EDD data. See the [EDD Website](#) for updates.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* declined 1.18 percent during the month of August to a value of 118.04. In the month-over-month comparison, the seasonally adjusted *Index* was up a very slight 0.03 percent over September 1999, up 8.99 percent over September 1998, and up 10.84 percent over

1997.

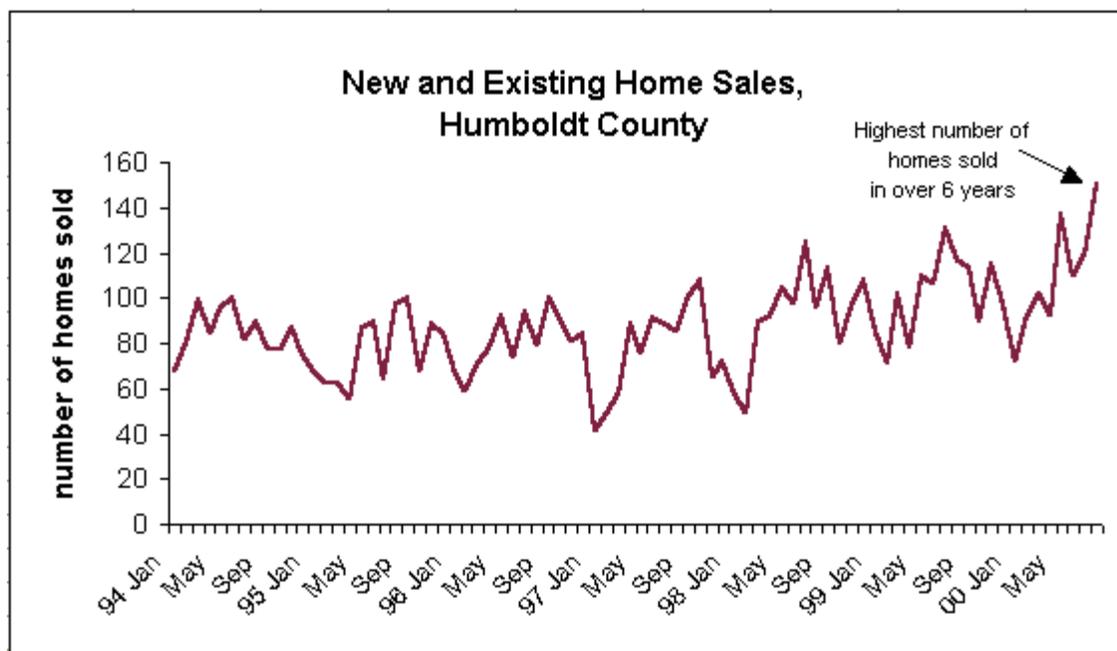
For those of you who are new or less familiar with the *Index*, we have been tracking seasonally-adjusted economic activity since January 1994, at which time the *Index* began at a value of 100. Each sector of the seasonally-adjusted series is weighted to correct for "normal" monthly variation in the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



The seasonally-adjusted *Index of Economic Activity* remains on the plateau that began in January 1999. The *Index* has only experienced relatively minor month-to-month variation since that time. The non-seasonally adjusted *Index* traditionally reveals the remarkable seasonal fluctuation in the Humboldt County economy. Each year the non-seasonally adjusted *Index* declines in the winter and peaks in the summer, reflecting the impact of the natural cycle of rainy and dry seasons on our economy. Unlike the pattern of previous years which illustrate a definite peak in activity, however, this year's non-seasonally-adjusted *Index* has shown a flattening at the top of the curve. It is still expected, though, that this curve will begin to fall in the coming months.

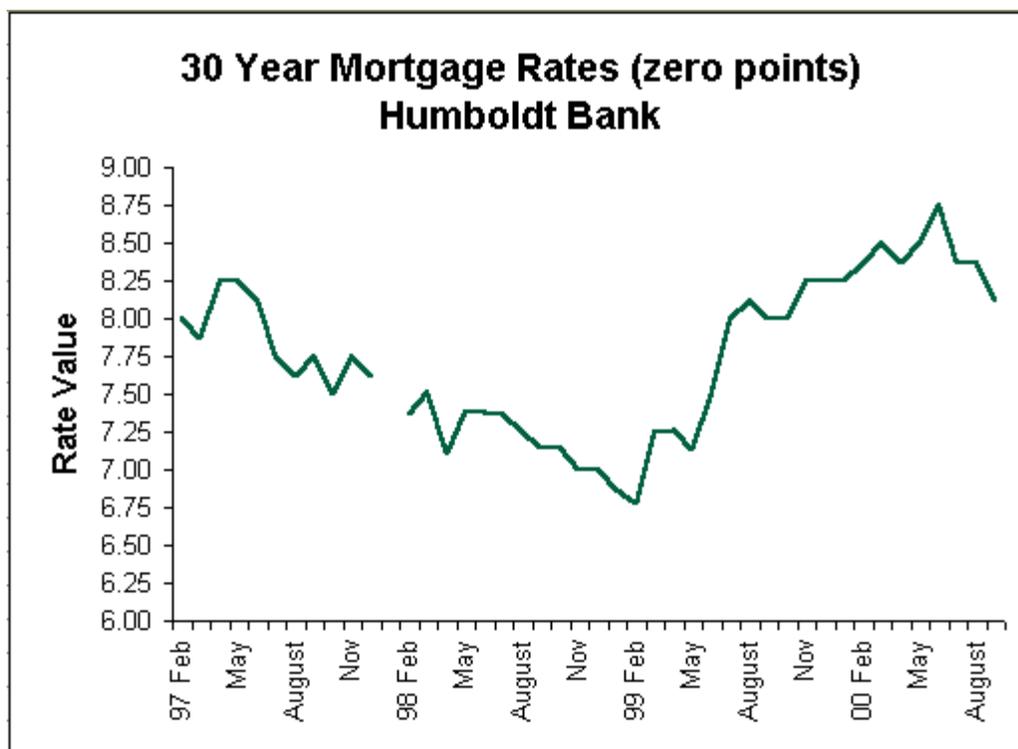
Monthly Sectoral Analysis:

Home Sales: The Home Sales sector of this month's *Index* increased a very healthy 27.92 percent over the previous month. The month-over-month comparison of home sales from September reports from the recent past were also very strong. Specifically, the sector increased 26.95 percent over 1999, increased 56.59 percent over 1998, and increased 76.80 percent over 1997. This sector is measured based on home sales. During the month 150 new and existing homes were sold. This is the highest number of homes sold in a single month since we've been tracking home sales through the *Index*. The graph below shows the sales of new and existing homes since January 1994.



Across the country existing home sales rose in the month of August. The growth of 9 percent was much stronger than most economists and realtors expected. In fact, August's gains were the largest in the last 14 months. The Western states experienced the highest overall sales growth -- 16.3 percent over the previous month.

The strength in the national sales is mainly attributed to relatively low mortgage rates. The current northern California average 30-year fixed mortgage rate (zero points) is 7.75 percent. Thirty year fixed mortgage rates in Humboldt County are somewhat higher at 8.125 percent. The graph below depicts mortgage rates as reported by Humboldt Bank for the last 3 years.



In addition to low mortgage rates, a tight labor market, increasing incomes, low inflation and stock market gains are also cited as support for strong home sales.

The national median home price fell somewhat in August to a value of \$142,200, but is still 3.5 percent higher than this same month last year. The national median sales price is higher than Humboldt County's median home sales price of \$137,000.

Employment: In their preliminary report for August 2000, the Employment Development Department (EDD) reported that 57,200 people were employed in Humboldt county, up by 400 from the revised figure for July 2000 (0.7%). August's employment figures are up 3.4 percent over the previous year. Preliminary EDD data indicate the following changes in Humboldt county employment:

- **Total county employment in the various services industries decreased from a revised 41,200 during the month of July to 40,900 for the month of August (-0.7%). While down over the previous month, this sector is up 3.3 percent over the previous year's figures. The retail subsector of services increased from a revised 10,900 for the month of July to a preliminary 11,000 for the month of August (0.9%). This subsector is up 3.8 over the previous year.**
- **Total county employment in manufacturing increased from 6,200 to 6,400 during the month of August (3.2%). Similarly, manufacturing employment is up 3.2 percent over the previous year.**

The employment sector of the *Index* shows mixed results for the month of August. Specifically, the sector increased a slight 0.66 percent over the previous month's report. In the month-over-month comparison, the sector decreased 1.02 percent over 1999, decreased a very slight 0.19 percent over the 1998 report, and increased 1.42 percent over 1997.

Nationally, the labor market remains tight. Specifically in the San Francisco district of the Federal Reserve, workers with financial, computer or technical skills remain in high demand. Employee turnover is relatively high and employers are having a hard time keeping up with training.

The unemployment rate in Humboldt County declined 0.8 percent from a revised 6.5 percent for the month of July to a preliminary 5.7 percent for the month of August. California's unemployment rate is somewhat lower at 5.0 percent. The national unemployment rate is the lowest of all at 4.1 percent.

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 for the month of August. Specifically, the sector increased 2.02 percent over the previous month. In the month-over-month comparison of September reports from the recent past manufacturing is up 4.53 percent over 1999, down 3.98 percent over 1998, and down 5.10 percent over 1997.

National manufacturing activity was reported as generally strong for the month of August.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Seasonally-adjusted occupancy rates were down overall for the month of August. The sector decreased 8.84 percent over last month's report. In the month-over-month comparison with September reports from the recent past seasonally-adjusted occupancy rates were down 4.37 percent over 1999, down 7.35 percent over 1998, and up a slight 0.16 percent over 1997.

It appears that while July was a good month for tourism in Humboldt County, August was slightly slower than would normally be expected. In contrast, the Federal Reserve reported that demand for hotels in California and Hawaii were stronger than expected, pushing room prices up.

Retail Sales: The retail sales sector of the *Index* declined 4.32 percent over last month. In the month-over-month comparison with September reports from the recent past, retail sales were down 6.26 percent over 1999, up 0.69 percent over 1998, and up 4.74 percent over 1997.

National retail sales grew by a slight 0.2 percent in August. This growth was less than what was expected and is blamed on weak back-to-school shopping.

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 September report is down 3.47 percent over last month's revised report and up a slight 0.12 percent over the September 1999 report. Higher electricity prices may be responsible for this slight decline in electricity consumption. Reports indicate that energy prices in our area, specifically for natural gas, will continue to increase in the coming months.

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.

Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings. Help-wanted advertising in the county was up in all comparisons for the month of August. The sector increased 4.90 percent over the previous month. In the month-over-month comparison, help wanted advertising was up 0.83 percent over 1999, up 18.09 percent over 1998 and up 21.00 percent over 1997. As described in the employment section above, the labor market remains tight and employee turnover remains a concern in nearly all industries.

Claims for unemployment insurance indicate the number of newly unemployed people in Humboldt County. Thus the number of new unemployment claims is a negative indicator of economic activity.

Claims for unemployment insurance were higher than last month's unusually low figures. In fact, unemployment claims were up 25.53 percent over the previous month. The leading indicator was also up 10.63 percent over August 1999, up 19.19 percent over 1998, and down a slight 0.27 percent over 1997.

National claims for unemployment insurance are low, yet they have increased somewhat over the incredible lows reached last spring. Many economists cite the jobless rate as one of several indicators that the economy is slowing.

Manufacturing Economic Indicator:

Manufacturing orders, a leading indicator of activity and employment in the County, showed mixed results in August. Specifically, while the sector was up 7.68 percent over the previous month, in the month-over-month comparison manufacturing orders were up 17.42 percent over 1999, down 17.74 percent over 1998, and down 30.66 percent over 1997.

Home Sales Economic Indicator:

The Building permit leading indicator declined 5.08 percent over the previous month's revised report. In the month-over-month comparison, building permits were up 12.84 percent over 1999, up 21.56 percent over 1998, and down 7.43 percent over 1997.

New building permits across the country declined 2.8 percent in August. The current activity is the lowest since December 1997. Relatedly, the Federal Reserve reports that residential construction activity throughout the nation has continued to soften over the previous month. Construction activity on new homes in the nation rose by a slight 0.3 percent over July. This August's activity is down 7.6 percent over the same month last year.

Fuel prices for the month of August remain a hot topic in Humboldt County, as well as throughout the nation. Reports from the American Automobile Association (AAA) indicate that Humboldt County has one of the highest gasoline rates in the nation. Higher fuel prices are reflected in a number of ways in the economy.

- **Prices.** Increased fuel and energy costs are affecting production and transportation costs around the nation. Many freight companies are increasing their rates. As of yet, however, prices of final goods and services have not markedly increased because of competitive pressures.
- **Retail Sales.** Throughout the San Francisco district, auto retailers are reporting that higher fuel prices have dampened the sale of Sport Utility Vehicles (SUV).
- **Travel.** Retailers have reported that spending at gas stations across the nation declined in August. Many believe that the higher fuel prices caused some families to decrease vacation driving time during the peak vacation season.

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