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January 2000

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in January
Median Home Price (January)*	\$123,500	Help Wanted Advertising	-0.97
30 Yr. Mortgage Rate (1/25)	8.375%	Building Permits	-1.85
Prime Rate (1/25)	8.5%	Unemployment Claims	-11.76
Unemployment Rate (January)	5.6%	Manufacturing Orders	2.11

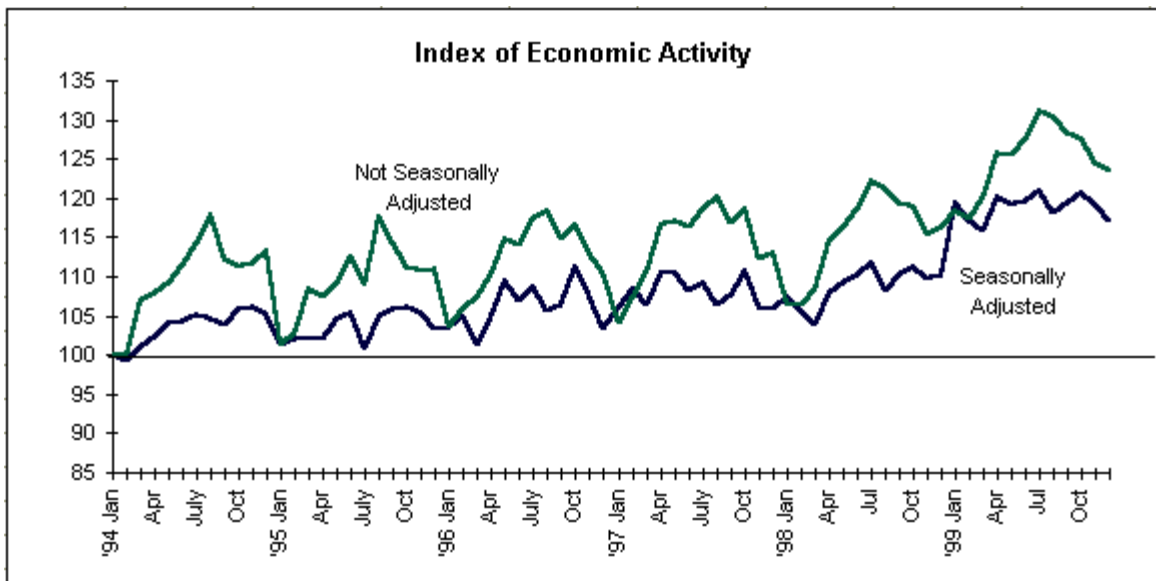
*Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does 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.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* decreased 1.68 percent from a revised 119.2 for the month of November to a preliminary 117.2 for the month of December. A month-over-month comparison with January reports from the recent past indicates that the trend toward slowing growth observed over the past several months is continuing. The seasonally adjusted *Index* was up 6.45 percent over January

1999, up 10.57 percent over January 1997, and up 13.46 percent over 1996.

For those of you who are new or less familiar with the *Index*, we have been tracking seasonally-adjusted economic activity since January 1994. 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 "January 2000" report reflects data from December 1999. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



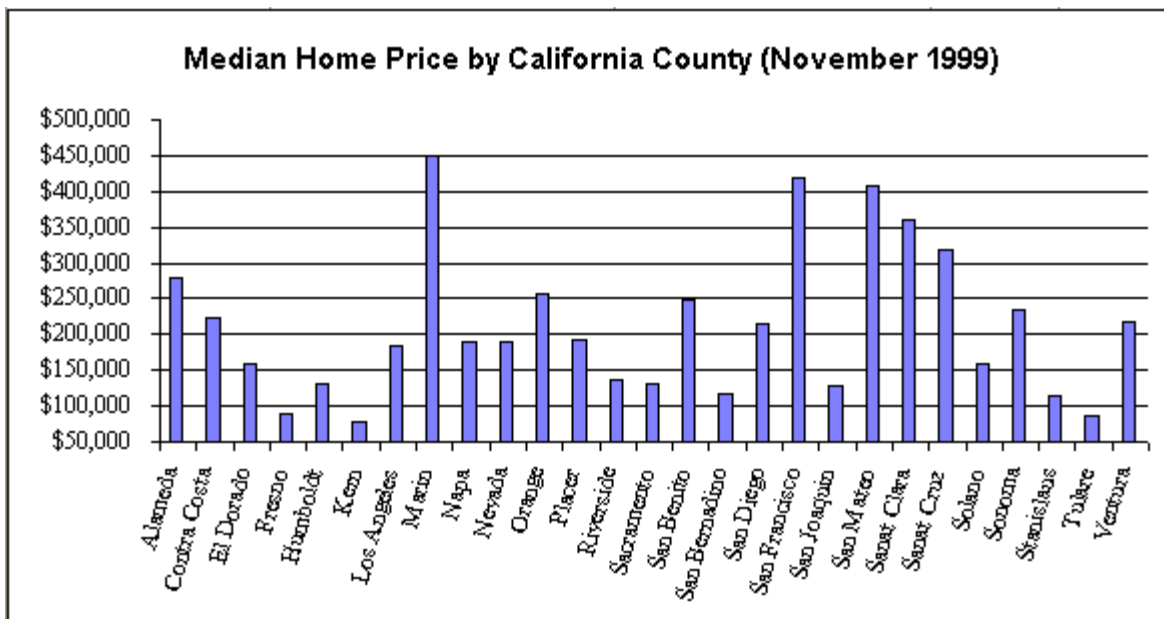
This month's nonseasonally-adjusted *Index* graph demonstrates the oscillating pattern common to the economy of the North Coast. Typically, a peak is reached in the summer months, with a trough arriving in the winter months. Focusing on the seasonally-adjusted *Index*, however, it is clear that the *Index* has been experiencing overall growth since January 1998.

Monthly Sectoral Analysis:

Home Sales: The home sales sector of the *Index* has shown mixed results for the month of December. The Humboldt County Board of Realtors reported 98 residential home sales for the month, compared to 115 sales in the previous month. The decline in home sales resulted in the sector falling 15.62 percent over November 1998. In the month-over-month comparison, home sales were down 12.37 percent over December 1998, but up 33.8 percent over December 1997 and up 12.88 percent over December 1996.

The Federal Reserve has reported that residential construction activity throughout the nation also showed mixed results for the month of December. Many areas of the country that have experienced a slow down in real estate activity cited higher interest rates as the reason. The average mortgage rate is currently the highest it has been since 1996.

While the number of homes sold each month is the primary factor used to determine activity in the Home Sales sector of the *Index*, we also track the median price of the homes sold. The graph below depicts the median home price for selected counties in California for November 1999.



The median price of a home is on the rise throughout most of California. The table below shows, by selected California county, the percent increase of median home sale price in November 1999 over November of the previous year.

County	Median Home Price	% change in median price over previous year
Alameda	\$280,000	12.0
Contra Costa	\$223,500	2.1
El Dorado	\$159,750	4.9
Fresno	\$90,000	2.3
Humboldt	\$130,000	0.0
Kern	\$77,018	1.3
Los Angeles	\$185,000	5.7
Marin	\$450,000	35.8
Napa	\$190,000	5.6
Nevada	\$191,000	14.0
Orange	\$256,250	11.9
Placer	\$192,500	1.5
Riverside	\$135,750	-4.4
Sacramento	\$130,000	-0.8
San Benito	\$249,500	20.5
San Bernardino	\$118,000	12.4
San Diego	\$215,000	11.4
San Francisco	\$420,000	23.9
San Joaquin	\$129,500	10.2
San Mateo	\$408,000	25.5
Santa Clara	\$359,500	20.1
Santa Cruz	\$319,500	20.6

Solano	\$160,000	10.2
Sonoma	\$235,000	21.8
Stanislaus	\$114,500	4.8
Tulare	\$85,000	-3.4
Ventura	\$218,000	1.4

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Median home prices throughout California have risen, in many cases dramatically, over the previous year for most counties. The median price of a home in Humboldt County, however, has remained unchanged over the previous year.

Retail Sales: Seasonally-adjusted retail sales remained strong in Humboldt County for the month of December. November's sales were robust, and December has kept pace, with no change over the previous month's report. In the month-over-month comparison, sales were up 3.64 percent over December 1998, up 17.34 percent over December 1997, and up an astounding 57.06 percent over 1996.

As described in last month's report, many retailers and economists expected the year-end retail sales to be the best of the decade. In a report by the Federal Reserve, retail sales attained or exceeded already high expectations in every district except one. Many merchants experienced gains of 5 to 7 percent for the month. We will continue to watch retail sales locally and nationally to determine if the high rates of consumer spending continue.

Employment: In their preliminary report for December 1999, the Employment Development Department (EDD) reported that 58,400 people were employed in Humboldt county, down by 300 from the revised November 1999 report. Preliminary EDD data indicate the following changes in Humboldt county employment:

- **Total county employment in the various services industries decreased from a revised 42,800 for the month of November to 42,500 for the month of December (-0.7%). The retail subsector of services remained unchanged at a revised 10,700.**
- **Total county employment in manufacturing also remained unchanged at 6,200 for both November and December.**

Similar to last month's report, employment in the County dipped a slight 0.46 percent this month over the previous month. The month-over-month comparison continues to show slowing growth. For example, seasonally adjusted county employment was up 1.96 percent over December 1998, up 3.80 percent relative to December 1997, and up 2.63 percent relative to December 1996.

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 for the month of December was generally up. The sector increased a seasonally-adjusted 2.19 percent over the previous month. In the month-over-month comparison of January reports from the recent past manufacturing is down 4.53 percent over December 1998, up 3.27 percent over December 1997, and up 8.59 percent over December 1996.

Please look to the Orders section of the Leading Indicators for a discussion of what may be expected from the manufacturing sector in the future.

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 6.30 percent over the last report. The month-over-month comparison with January reports from the recent past, however, shows that the hospitality sector has improved. Specifically, the seasonally-adjusted occupancy rates were up 3.13 percent over December 1998, up 4.81 percent over 1997, and up 17.31 percent over December 1996.

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 energy sector in the January report is down 2.50 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.

Employment-Based Economic Indicators:

A count of help-wanted ads indicates the number of new job openings. Help wanted advertising remained remarkably strong for the month of December. Specifically, the number of help-wanted advertisements, while down 0.97 percent over the previous month, was up 11.39 percent over December 1998, up 38.47 percent over December 1997, and up 46.04 percent over December 1996. Tight labor markets are common throughout the country, with unemployment at a 30-year low.

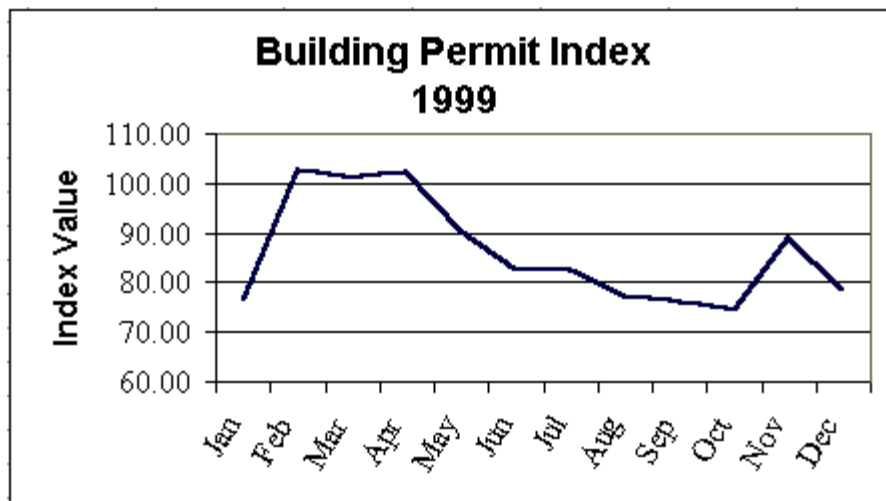
Claims for unemployment insurance indicate the number of newly unemployed people in Humboldt County. Thus the quantity of new unemployment claims are a negative indicator of economic activity.

Claims for unemployment insurance in the county seem to have recovered after the sharp increase that occurred in November. Specifically, claims are down 11.76 percent over the previous month. This December's claims represent the lowest December since we've been tracking unemployment claims through the *Index*. In the month-over-month comparison, claims are down 20.54 percent over December 1998, down 28.18 percent over December 1997, and down 19.98 percent over 1996.

Manufacturing-Based Economic Indicators:

Manufacturing orders, a leading indicator of activity and employment in the County, again shows a downward trend in nearly all comparisons. While this month's seasonally-adjusted orders were up a slim 2.11 percent over the previous month, the month-over-month comparison shows declines. For example, manufacturing orders are down 31.47 percent over December 1998, down 15.37 percent over 1997, and down 31.11 percent over December 1996. While employment in the manufacturing sector of the County economy remained unchanged over the previous month, significant declines in manufacturing orders could potentially lead to declines in employment.

The building permit indicator has finally returned to the *Index* after a six month hiatus. Building permit activity for all of 1999 is described in the graph below.



Humboldt County ended the millennium on a note of slow but steady economic growth. Strong retail sales activity, as well as a tight local labor market both contributed heavily to the overall economic strength. Fair activity in the hospitality and manufacturing sectors were observed throughout most of the year. The most important to watch appears to be the Manufacturing Orders leading indicator.

In terms of traditional economic activity, the nation as a whole ended 1999 on a very strong note. Unemployment rates have seen record lows, retail sales have witnessed record highs, and most home sales and manufacturing markets remain strong.

As discussed for the last several months in the *Index*, the Federal Reserve is interested in curbing the nation's explosive economy. The Reserve board fears that too much consumer confidence and spending could trigger an inflationary period. It is possible that the Board will begin a series of rate increases at their next meeting in February in attempt to slow growth. The effect that a Federal rate increase, and subsequent mortgage rate increases, will have on the housing market will be important to watch in the coming months.

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