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The Index of Economic Activity for Humboldt County

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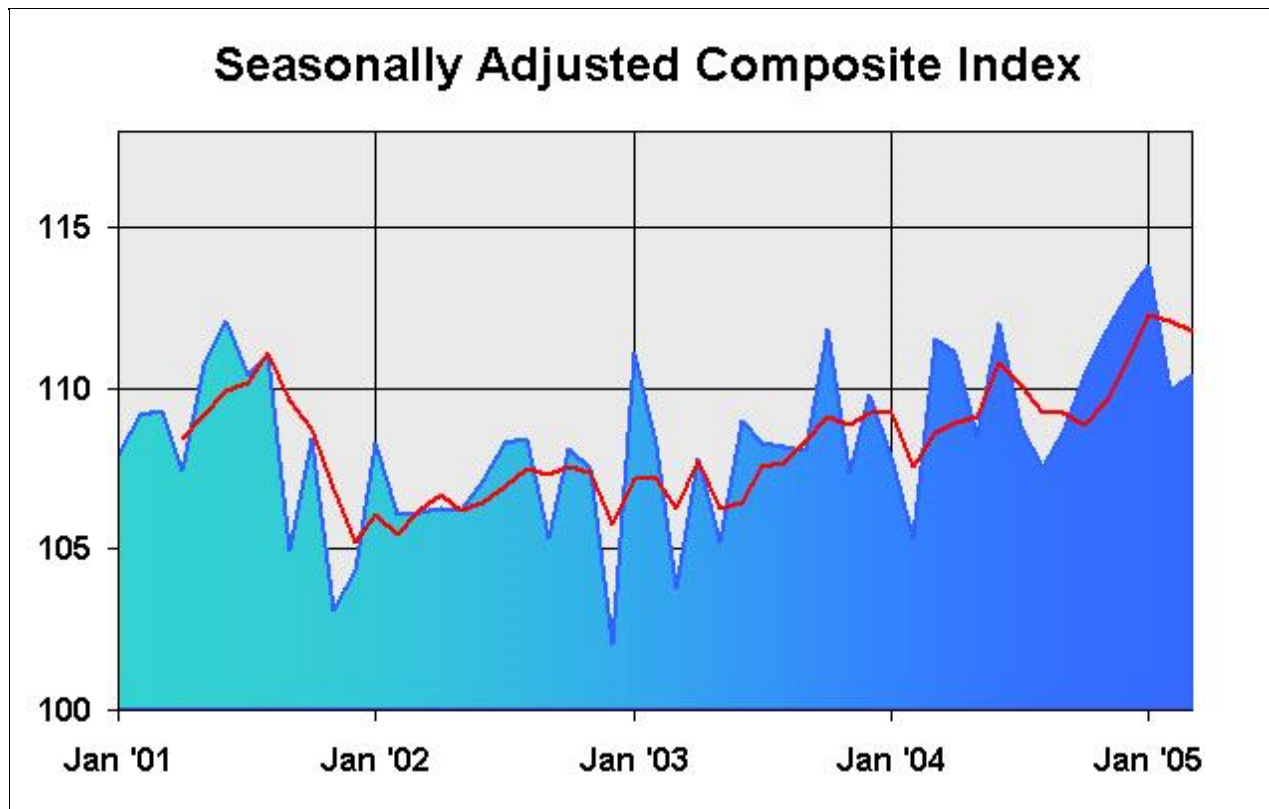
INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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April 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 smoothes 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.

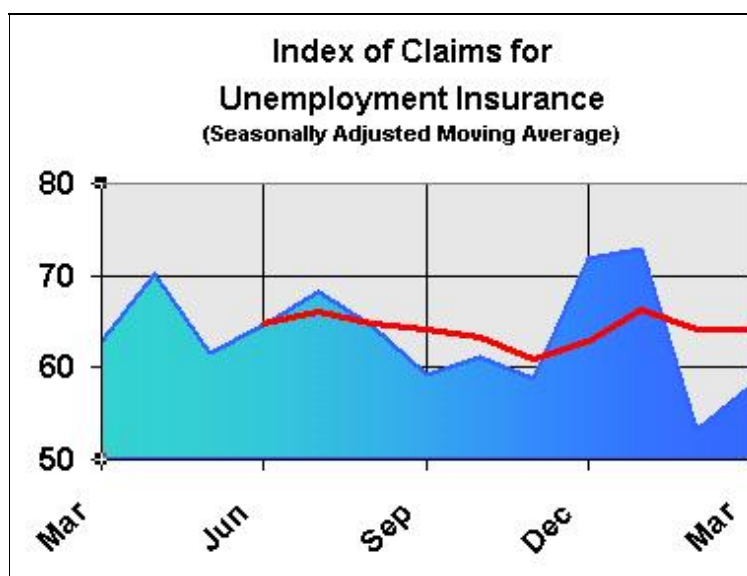
March saw some growth in the Humboldt County economy, increasing by just 0.4 percent from February's revised Index value of 109.9. The composite Index currently stands at 111.3 (100 = January 1994). A jump in home sales and more moderate expansions in employment and hospitality were tempered by contractions in retail sales, energy consumption, and manufacturing. This indicates some recovery from the sharp dip we saw directly following January's relatively strong Index report. The employment sector continued to show growth, increasing 0.7 percent to an Index value of 107.5. Employment has grown 4.6 percent since December of 2004. Most of the job growth seen this month is dependant on the state and local government. The unemployment rate for Humboldt County also fell slightly to 6.3 percent despite an increase in the labor force. Hospitality saw more marked growth, increasing 2.7 percent from last month, to a value of 89.7. This increase is very similar to the growth we saw last month. 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. March's hospitality Index value represents 5.4 percent growth from March of 2004. The median home price reached a new all time high this month, barely surpassing February's record price. The number of homes sold also increased, shifting home sales up 14.8 percent to an Index value of 125.3. The home sales sector sees a lot of month-to-month variability, and often experiences a twenty or thirty percent change each month in either direction. The manufacturing sector reported the most significant decline this month, dropping 5.3 percent to an Index value of 87.8. This still represents 2.6 percent growth from last year and 17.5 percent growth from March of 2003. Retail sales also contracted slightly this month, decreasing 1.6 percent to a value of 136.7. This contraction could be a reflection of the U.S. Conference Board's reported decrease in consumer confidence, or a response to increasing energy costs. Finally, figures for electricity consumption for the first quarter of 2005 indicate a persistent decline in energy consumption, dropping 5.8 percent in January, 2.0 percent in February, and 2.5 percent in March. This could be due to increased energy efficiency, decreased economic activity, or consumers' response to higher energy costs in general.

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	110.4	0.4	-1.0	6.4	4.0	1.0	-1.6
<i>Sector</i>							
Home Sales	125.3	14.8	-16.8	0.6	-2.2	10.0	3.6
Retail Sales	136.7	-1.6	-7.0	5.9	-3.4	-3.0	1.9
Hospitality	92.1	2.7	5.4	5.3	3.4	-11.4	-6.6
Electricity Consumption	122.4	-2.5	-0.9	3.7	14.0	10.4	-4.7
Total County Employment	107.5	0.7	3.4	6.6	4.7	3.4	3.0
Manufacturing	87.8	-5.3	2.6	17.5	10.6	-1.6	-17.0

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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 "smooths" month to month volatility.

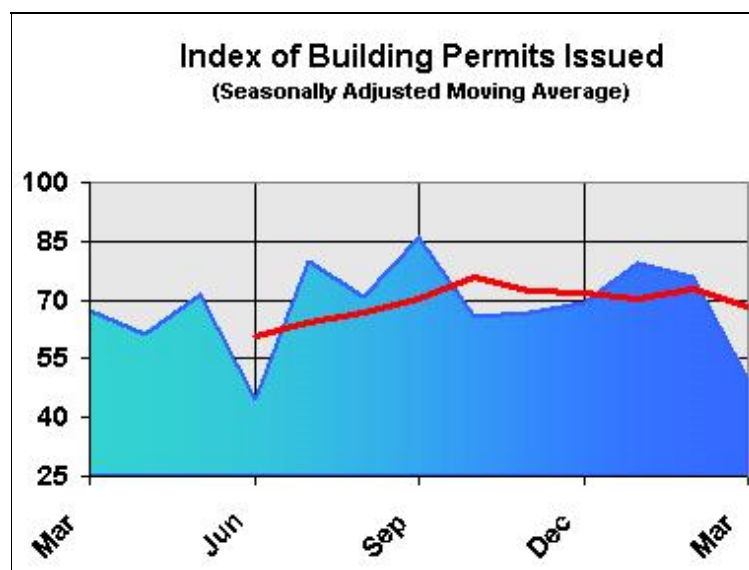
The Index of claims for unemployment insurance is an indicator of negative economic activity. This leading indicator increased by 8.9 percent in March, indicating an increase in unemployment in the future. The Index of claims for unemployment insurance now stands at 58.0. This is still a relatively low value, especially when compared to March of 2004 when the Index stood at 125.2. The four month moving average indicates that overall unemployment activity is fairly static.



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 March the number of help wanted advertisements increased by 9.0 percent to an Index value of 170.2. The four month moving average continued to exhibit a steady upward trend with an average value of 149.9. This indicates continued job growth in Humboldt County.

Nationally, the Conference Board's help wanted advertising Index reported a decline of two percentage points, following February and January's high. March's Index value of 39 is the same as the Index value for March of 2004. The Conference Board Economist Ken Goldstein says: "Clearly something has changed sharply and suddenly. What appears to have developed is a renewed business caution on stepping up investing and hiring plans. With cost increasing in 2005 for materials and labor, the key question has been whether executives can push prices up enough to keep pace with costs. Fears that they may not be able to accomplish that have turned hiring plans very cautious again." (conference-board.org)

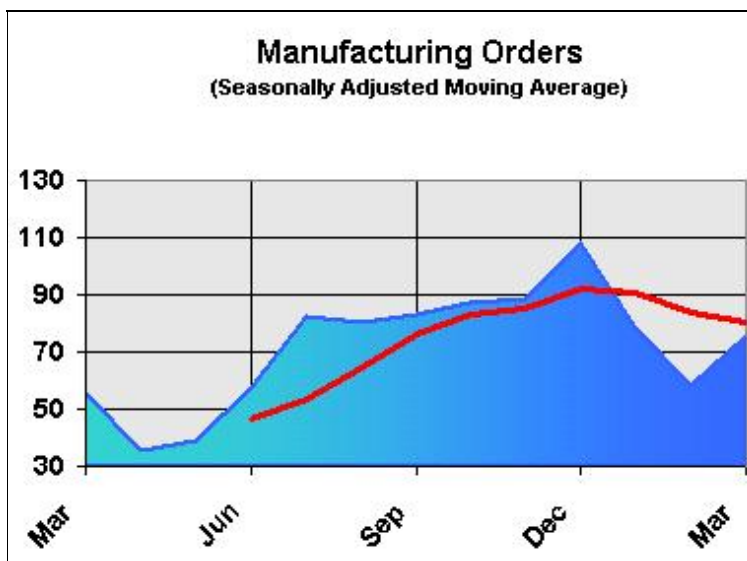


Graphic description: The seasonally adjusted Index of Building Permits is represented above by the blue

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. In March the Index of building permits continued last month's decline, dropping 34.6 percent to an Index value of 49.6. 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 has begun to reflect the two months of decline seen in the actual Index values. The four month moving average currently stands at 68.4, 18.9 percent higher than the actual Index value.

The National Association of Realtors (NAR) also reports a leading indicator of the housing market, The Pending Home Sales Index. This Index is based on a broad sample of sales-contract activity. In March the national home sales leading indicator dropped just 0.3 percent. According to NAR's chief economist, even though activity looks to be slowing, expectations are still high when compared to the same period last year, and any contractions this month serve to balance the strong activity we've seen recently. (realtor.org)



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 jumped 28.5 percent in March to an Index value of 75.3. This increase is as a reversal of the last two month's decline, and serves to level the fourth month moving average. The average of the last four months of manufacturing orders now stands at 80.1, and is down slightly from last month.

Nationally, the U.S. Census Bureau reports a 2.8 percent decrease in manufacturing orders for durable goods and a 0.2 percent increase in new orders for general manufactured goods. (census.gov)

Key Statistics		Leading Indicators	
			% Change From Previous Month
Median Home Price*	\$295,217	Unemployment Claims	8.9
30 Yr. Mortgage Rate			

as of 1/15	5.875%	Help Wanted	9.0
Unemployment Rate**	6.3%	Building Permit	-34.6
		Manufacturing Orders	28.5
<p>* 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.</p>			
<p>** Preliminary EDD data (not seasonally adjusted). See the EDD Website for updates.</p>			

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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.

Home sales in Humboldt County increased in March, following a decrease in the number of homes sold last month. The Index grew 14.8 percent to an Index value of 125.3. The median selling price for a home in Humboldt County was \$295,217 this month, an increase from February's median selling price of \$295,000. March's figure is now the highest recorded price since the Index began in 1994. The median selling price does not affect the Index.

Statewide home prices are also on the rise, increasing 5.2 percent in March to \$495,400. This represents a 15.7 percent increase in the median home price for the same period last year. The state sales index increased 7.5 percent when compared to March of 2004. This indicates another strong year for the California housing market, in part dependant on California growing as a state. "Year-to-date sales are 6 percent ahead of last year's pace, reflecting the continued strength of the real estate market and the improving economic fundamentals of the California economy," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "Demographic growth in the state's population also is fueling much of this activity -- California has absorbed three million new residents since 2000." (car.org)

Nationwide home sales were strong as well. The seasonally adjusted number of homes sold rose 1.0 percent in March to 6.89 million, while sales increased 4.9 percent compared with last year at this time. The national median home price rose 11.4 percent from March of 2004 to \$195,000. David Lereah, NAR's chief economist, said economic improvements have been supporting the housing sector. "With mortgage interest rates remaining historically low, gains in the labor market and economic growth appear to have lifted the confidence of home buyers," he said. "There's no question there is a strong demand for housing from a growing population." (realtor.org)

According to the country's largest mortgage company, Freddie Mac, the nationwide average for a 30-year fixed rate mortgage as of April 28th was 5.78 percent with an average 0.6 points. This is down from last month's mortgage rate of 6.04 percent. In April of 2004 the 30-year fixed rate mortgage averaged 6.01 percent. "The market was disappointed on the news of lower consumer confidence and lower orders for durable goods," said Frank Nothaft, vice president and chief economist. "These numbers suggest that the Fed will remain restrained in its practice of raising short term rates, which may be an indication the Fed doesn't see inflation to be as great a threat as the markets previously had thought it would be." (freddiemac.com)

Enthusiasm for growth in the home sales sector is often tempered with concerns about housing affordability. This is clearly an issue in Humboldt County, as we at the Index have recorded several record setting median home prices, in both real and nominal terms. According to a study conducted by the Center for Housing Policy and funded by Freddie Mac, the number of working families in the United States who spend more than half of their income on housing has grown from 2.4 million in 1997 to 4.2 million in 2003. This is a 76 percent increase in less than a decade. The study classifies 14.1 million American families as having 'critical housing needs' in 2003. The study also found that the majority of working families with critical housing needs are immigrant families. "These new findings help shed light on a troubling trend across America – working a full-time job does not guarantee families a decent, affordable place to live," said Barbara Lipman, research director for the Center for Housing Policy. "In fact, the housing problems of working families are more persistent and pervasive than many experts may have thought, and are not only confined to cities, renters, or the East and West coasts." (freddiemac.com)

Visit [Freddie Mac](#) for more information, or [click here for the full report](#).

Retail Sales

The Index value for 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 sales sector declined this month to a value of 136.7. This is a 1.6 percent decline from February, and a 7.0 percent decline from March of 2004. Retail sales, usually strong in Humboldt County, failed to meet seasonal expectations this month. This contraction should not affect the overall upward trend of the retail sales Index, as indicated by a high four-month moving average of 143.0.

National retail sales, as reported by U.S. Census Bureau, increased slightly in March. Seasonally adjusted sales were \$339.3 billion, an increase of 0.3 percent ($\pm 0.7\%$) from the previous month and up 5.8 percent ($\pm 0.8\%$) from March 2004. Total sales from January through March 2005 were up 7.2 percent ($\pm 0.7\%$) from the same period a year ago. (census.gov)

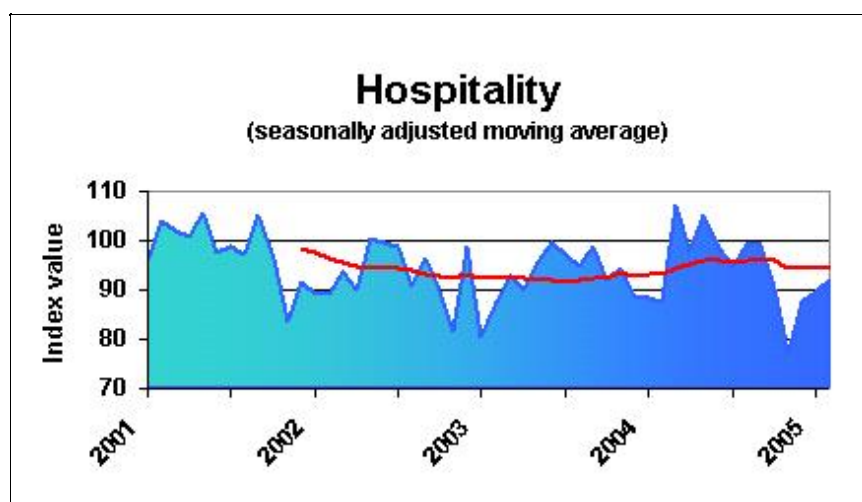
The Federal Reserve Board reported continued economic expansion across the nation over the last few months, including "solid growth" in San Francisco. Most notably, while the sales of domestic and larger cars and trucks stagnated, apparel and jewelry sales were reported as strong in many regions of the U.S. Any sluggish retail activity is attributed to unfavorable weather and rising gasoline prices. Gas prices specifically seemed to influence a decline in the demand for SUVs in many districts, although there was not noticeable shift to smaller vehicles. (federalreserve.gov)

According to a recent article in the Wall Street Journal, Texan dealerships specifically have noticed consumers shifting away from SUVs like the Honda CRV and GMC's Chevrolet Suburban and Tahoe and toward more fuel efficient vehicles like Chevrolet's Aveo. Because Texas has long been the stronghold for big trucks and bigger SUVs, this shift has raised concerns for many automobile manufacturers. One result is development and subsequent increased sales of more "crossover" SUVs, which are smaller and more fuel efficient because they are built on a car underpinning rather than a heavier and bulkier truck frame. The other result is the decline of the SUV as we know it today. Both General Motors corp. and Ford have cut SUV production plants. According to William Clay Ford Jr., the chairman and chief executive officer of Ford, "The shift out of traditional SUVs which we anticipated several years ago is happening at a rate faster than we anticipated". (wsj.com)

Looking to the future, the Conference Board's Consumer Confidence Index declined again in April. This is the fourth consecutive month of decline in consumer confidence. "Less robust current conditions and a more cautious outlook have consumers feeling less confident in April than in March," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "Looking ahead, consumers do not anticipate an improvement in economic growth nor in their incomes. And, they expect an even tighter job market over the summer months." The Consumer Confidence Index now stands at 97.7 (1985=100), down from 103.0 in March and 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 twelve-month moving average of the hospitality index which smoothes month-to-month volatility to show the long run trend.

The hospitality sector continued to grow in March, increasing 2.7 percent from February's value to 92.1. This is the third consecutive month the hospitality sector has seen growth. This most recent figure is also up 5.4 percent from the Index value from the same time last year, and up 5.3 percent from March 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 twelve-month moving average, indicated by the red trend line, shows that while the hospitality sector fluctuates from month to month beyond seasonal variability, the overall trend is one of consistency. In the last four years the twelve-month moving average has not dropped below 90.0 or reached above 100.0 in four years.

Nationally, The Federal Reserve Board indicated strong tourism spending reported by several financial districts including San Francisco. The Federal Reserve indicated that tourism spending was strongly linked to favorable weather. (federalreserve.gov)

Gasoline Prices

Gas prices continue their sharp increase in April, in Humboldt County and across the nation. According to the California State Automotive Association, Eureka has the highest average gas price in the state at \$2.82 for a gallon of regular unleaded gasoline. While the crude oil price has fallen in recent weeks, consumers have yet to see much affect. This is especially worrisome as we head into the summer, which is traditionally a season of increased gas consumption and lower prices. Eureka's gas prices are 19 cents higher than the state average, and 55 cents higher than the national average. According to AAA, the least expensive gasoline is found in Monmouth, New Jersey where the average price is \$2.05 per gallon.

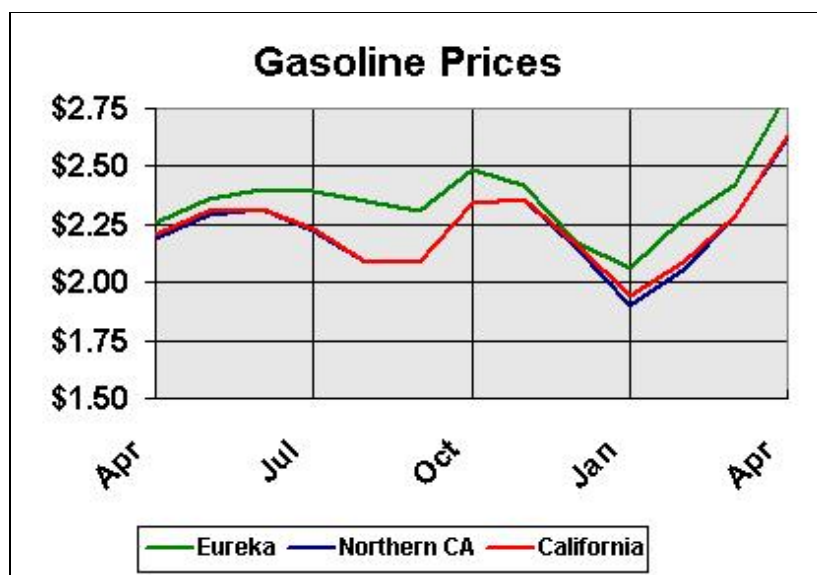
"Prices in many communities have increased by 70 cents a gallon or more since the beginning of the year," said Sean Comey, spokesman for AAA of Northern California. "The rate of increase has jumped

recently, from a penny or so a day to a nickel or more overnight in some cases." (csaa.com)

Because of record high prices, this month's Bigger Picture section includes more information on the forces driving gasoline prices. For a 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 4/12)		Change From Prev. Month (cents/gal.)
Eureka	\$2.82	40¢
Northern Ca	\$2.62	34¢
California	\$2.63	35¢

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 actual value of the electricity Index fell 2.5 percent to 122.4 in March.

First quarter electricity consumption figures have been revised:

* January's electricity Index which was originally reported at 137.3, was revised down to 128.1.

* February's electricity Index which was originally reported at 113.5, was revised up to 125.5.

Total County Employment

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

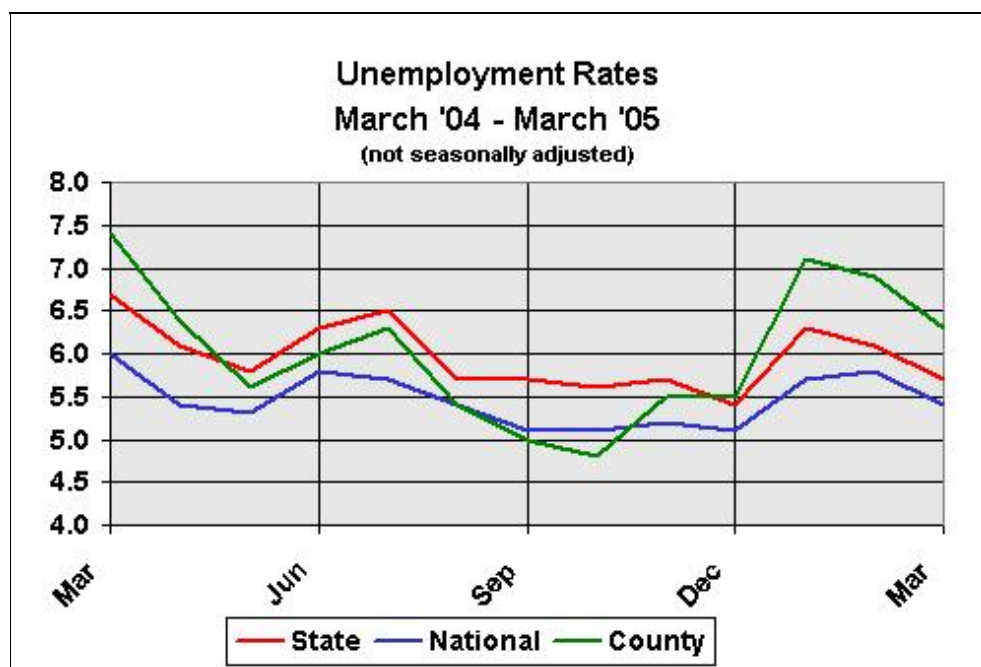
In March's preliminary employment and labor force report, the EDD reported 57,900 people employed in Humboldt County. This is a net gain of 600 job from February's revised number. The total civilian labor force increased by 100 people to 61,700. The seasonally adjusted total county employment Index rose by just 0.7 percent, and now stands at 107.5. This is a 3.4 percent increase from the same period last year.

Sectoral changes in Humboldt County employment:

- Overall the service sector posted a net gain of 700 jobs in March.
 - Wholesale Trade gained 100 jobs.
 - Real Estate, Rental, and Leasing Services gained 100 jobs.
 - Education and Health Services gained 100 jobs.
 - Food Services and Drinking Places gained 100 jobs.
 - Local Government gained 100 jobs.
 - State Government gained 200 jobs.

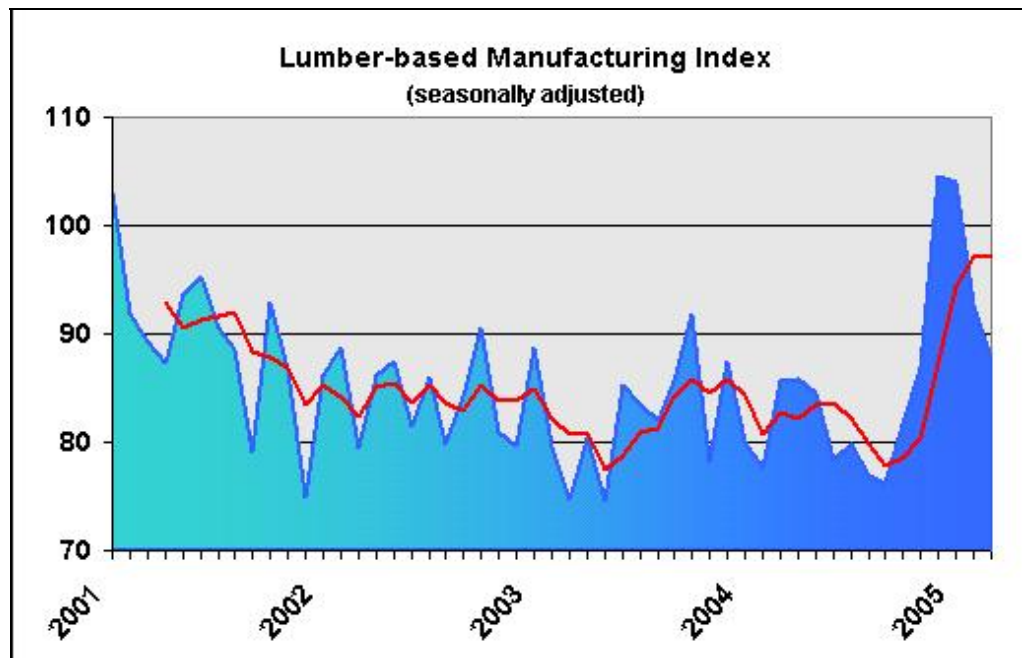
- Overall goods producing employment gained 300 jobs in March.
 - Wood Product Manufacturing gained 200 jobs.
 - Construction gained 100 jobs.

The revised county unemployment rate dropped from 7.1 percent in February to 6.3 percent this month. Both the State and National remain below the county level at 5.7 percent and 5.4 percent respectively. The decrease in the unemployment rate is pushed by a relatively large increase in jobs and a rather small increase in the total 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.

In March lumber based manufacturing declined further to an Index value of 87.8. This represents a 5.3 percent contraction from February's figure and a 16.3 percent contraction from January's figure. The four month moving average has leveled out to 97.3. This month's value represents a 2.6 percent increase from March of 2004.

National economic activity in the manufacturing sector, as measured by the Institute of Supply Management, registered 53.3 percent on May 2nd. A number over 50 indicates growth. This is the 23rd consecutive month of growth, although manufacturing growth has slowed consistently over the past four months. "February was another good month in the manufacturing sector. While the overall rate of growth is slowing, the overall picture is improving as price increases and shortages are becoming less of a problem. Exports and imports remain strong. The recent trend of inventory growth reversed direction during February; this reduces possible concerns about involuntary inventory build. Customers' inventories declined slightly, reinforcing the probability that inventories are not yet a concern." said Norbert J. Ore, C.P.M., chair of the Institute for Supply Management. (ism.ws.cfm)

According to a recent article in the San Francisco Chronicle, the slowed pace of national manufacturing is generally good news; many economists concerned with inflation feel this slowing could indicate a cooling of the economy necessary to balance out inflationary pressure. Douglas Porter, deputy chief economist at BMO Nesbitt Burns, said "you could make the case that manufacturing activity had been running too hot for comfort for the past year or so. We would have had serious inflationary pressure had the manufacturing sector kept growing at that pace," he added. Now, he said, the U.S. economy appears to be on track to expand at a sustainable rate. (sfgate.com)

The Bigger Picture

Spotlight on Gas Prices

By: Andrea Walters

Although the price of a barrel of oil has dropped in recent weeks, many consumers in California and Humboldt County have yet to see much change. The average price of a barrel of oil peaked the first week in April at \$52.07, and currently stands at \$49.60. This price is based on the value of a 'basket' of seven crude oils, set by the Organization of Petroleum Exporting Countries (OPEC) and received in New York. (djnewswire.com) Oil prices have risen sharply in recent years, from an annual average of \$23.12 in 2001, to an average of \$45.38 for the first four months of 2005. In fact, the exceptionally high oil prices world wide have led OPEC to retract many of its price controls, such as a minimum price band of \$22 to \$28 per barrel of crude oil. High prices and increasing demand have also induced OPEC to increase production, raising the upward limit on oil production for its members by 500,000 barrels a day in March. OPEC has considered another increase in production, but is hesitant to risk flooding the market.

California consistently responds more quickly and more severely to increases in the price of crude oil per barrel. Many speculate as to the reasons why California is so responsive, and conventional wisdom leans toward blaming refineries and gas distributors for 'gouging' Californians. In a recent report for the California Energy Commission and prepared by the University of California Energy Institute many of these conventional wisdom arguments are dismissed. According to the report, [Market Power in California's Gasoline Market](#), the primary factor influencing California's high gas prices is its legislated use of California Reformulated Gasoline (CaRFG). CaRFG is a type of gasoline used specifically in California, and is "cleaner-burning" than the gasoline used in other states.

Because California requires a special blend of gasoline, it has to get its gas from refineries that specifically produce CaRFG. Only thirteen of the twenty-two refineries in California are equipped to produce CaRFG. In 2003 the CaRFG supplied by those thirteen refineries totaled about 15 billion gallons while 14.8 billion gallons of CaRFG were consumed. Today the refineries that produce CaRFG are producing at or near their maximum, meaning that even though the demand for and price of CaRFG is increasing, the supply stays essentially the same. This lack of response to changes in price and in demand is referred to as inelasticity. Inelasticity on the supply side of CaRFG means that when the price of crude oil goes up, suppliers have no choice but to pass the additional cost on to consumers. This supply-side inelasticity also means that an increase in demand will be met with higher prices, not higher supply.

Inelasticity of supply is one half of force behind California's responsiveness to increases in international oil prices. The other half is based on the behavior of Californian consumers. Californians are widely recognized for their love affair with the automobile. This is evidenced daily on freeways (the frequency of cars with a single passenger) and in driveways (the number of households with multiple cars) across the state. It takes a substantial increase in the price of gasoline to induce Americans in general and Californians in specific to drive less and subsequently demand less gasoline. This lack of response to changes in price is known as inelasticity of demand, which works with inelasticity of supply to continually force gas prices in California higher than in other states. It's very possible we are seeing the same thing today; an increase in the price of crude oil has raised the price of gasoline everywhere, but especially in California where inelasticity on both the supply and the demand side mean higher retail prices.

This is of special concern to Humboldt County consumers, who feel price increases more sharply.

According to the California State Automotive Association, Eureka is once again home to the highest gas prices in California with \$2.82. Eureka, and subsequently Humboldt County, tends to experience higher than average gas prices for several reasons, as explained in Dr. Eschker and Humboldt State University economics student Lara Remke's paper [Regulation and Competition in Rural Gasoline Markets](#). The last time that Eureka gasoline prices were considerably above San Francisco, in 2002, the main reasons were the switch to Ethanol and increased competition in San Francisco. Integrated retailers, retail gas stations owned and operated by refineries, lowered prices in San Francisco in an effort to increase their share of the retail market. In 2003 gas prices in Eureka declined relative to San Francisco in anticipation of increased competition from Costco.

Regional fluctuations in gas prices are generally tied to changes in the level of competition. While the forces behind Eureka's recent price increase are still unclear, the fact that prices will continue to increase remains. The price of crude oil has dropped in recent weeks, it is on the rise again, and can be expected to continue to rise in the future. The fact of the matter is that oil is a non-renewable resource, and very expensive. According to the U.S. Energy Information Administration we imported over 10 million barrels of oil per day for three consecutive weeks in April. Demand for oil is constantly increasing in the United States, while domestic production remains relatively flat. Every year the amount of oil we import increases, and as the price of that oil increases, we may, as a nation, have an incentive to find an alternative. (eia.doe.gov)

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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](#)

[Dow Jones Newswires](#)

[Energy Information Administration](#)

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

[Freddie Mac](#)

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