

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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December 1999

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in December
Median Home Price (December)*	\$130,000	Help Wanted Advertising	19.6
30 Yr. Mortgage Rate (12/17)	8.25%	Building Permits	**
Prime Rate (12/17)	8.5%	Unemployment Claims	19.5
Unemployment Rate (December)	5.2%	Manufacturing Orders	-3.13

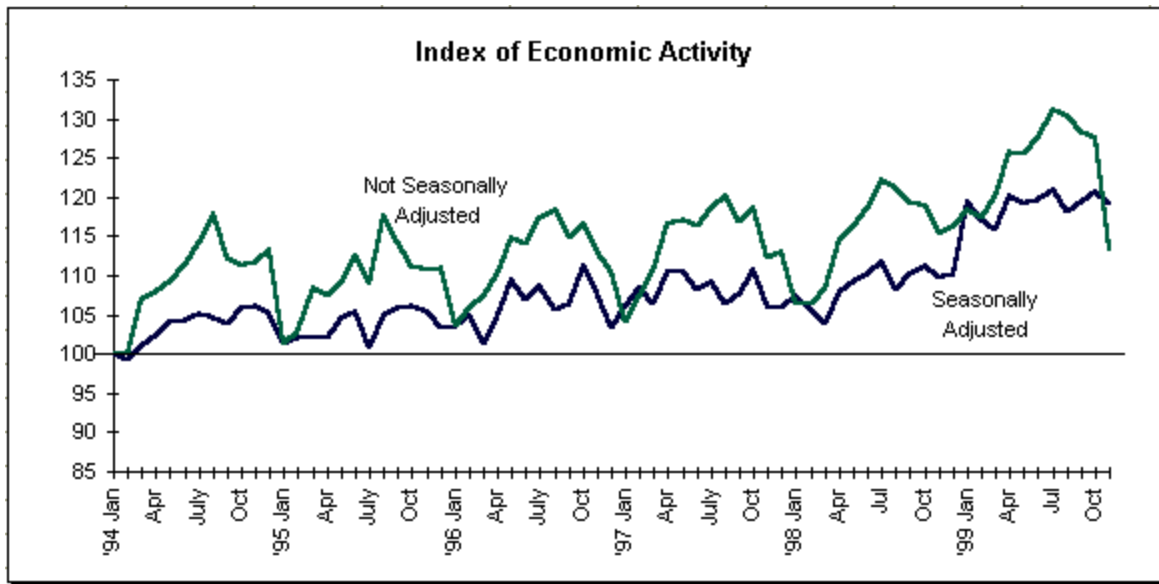
*Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does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

**Data were not available at the time the report was produced.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* decreased 1.08 percent from a revised 120.6 for the month of October to a preliminary 119.3 for the month of November. A month-over-month comparison with December 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 8.75 percent over December 1998, up 12.34 percent over December 1997, and up 10.67 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 "December 1999" report reflects data from November 1999. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



The downturn in the non-seasonally adjusted *Index* is indicative of the cyclic nature of economic activity in Humboldt County in the winter months. As described above, the seasonally-adjusted *Index* more accurately reflects underlying change in the local economy.

While there was some variability in the performance of the sectors measured by the *Index* during November, the strong performance of the retail and housing sectors this month are of note. The sharp increase in the unemployment sector of the *Index* in November will also be discussed in more detail below.

Monthly Sectoral Analysis:

Retail Sales: Seasonally-adjusted retail sales were strong in Humboldt County for the month of November. Specifically, retail sales were up 6.67 percent over the previous month's report. In the month-over-month comparison, sales were up 6.37 percent over November 1998, up 21.8 percent over November 1997, and up an incredible 46.85 percent over 1996.

Nation-wide retail sales were slow in the first two weeks of the month due to unseasonably warm weather. Sales picked up dramatically, however, after Thanksgiving and the overall result was an increase in national retail sales of 0.9 percent. The previous month's increase was only 0.3 percent. An extremely tight labor market has resulted in high consumer confidence and brisk spending. Some retailers are predicting that sales this holiday season will be the best of the decade. Economists are watching closely to see if this increase in retail sales is a year-end phenomenon or is indicative of an overall increase in consumer spending rates.

Employment: In their preliminary report for November 1999, the Employment Development Department (EDD) reported that 58,800 people were employed in Humboldt county, down by 300 from the revised October 1999 report. Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various **services** industries increased from a revised 42,600 for the month of October to 42,800 for the month of November (0.5%). The retail subsector of services remained unchanged at a revised 10,700.
- Total county employment in **manufacturing** declined 200 jobs for the month, from 6,400 in October to 6,200 in November (-3.2%).

While employment dipped a slight 0.54 percent this month over October, the month-over-month comparison shows slowing growth. For example, seasonally adjusted county employment was up 0.83 percent over November 1998, up 2.91 percent relative to November 1997, and up 2.61 percent relative to November 1996. This trend is consistent with employment reports from the recent past.

Home Sales: The home sales sector of the *Index* was also very strong in the month of November. The Humboldt County Board of Realtors reported 115 residential home sales during November 1999, a increase in sales of 30.5 percent over the previous month. In the month-over-month comparison, the seasonally adjusted home sales sector was up 17.6 percent over November 1998, up a vigorous 84.9 percent over November 1997, and up 52.4 percent over 1996.

While the local home sales sector is strong for the month of November, real estate and construction throughout the rest of the nation showed mixed results. Some economists and realtors believe that rate increases by the Federal Reserve has already begun to affect the national housing market.

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 November shows mixed results. While the sector decreased a seasonally-adjusted 3.13 percent over the previous month, a month-over-month comparison of December reports from the recent past shows modest increases in the sector. Specifically, manufacturing is up 3.75 percent over November 1998, up 4.66 percent over November 1997, and up 3.04 percent over November 1996.

According to the Federal Reserve, manufacturing activity nation-wide rose in all regions of the U.S.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Seasonally-adjusted occupancy rates were up a slight 1.09 percent over the last report. The month-over-month comparison with December reports from the recent past shows mixed results in the hospitality sector. The seasonally-adjusted occupancy rates were down 1.06 percent over November 1998, up 2.28 percent over 1997, and down 1.96 percent over November 1996. This pattern is similar to last month's hospitality sector report.

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 December report is down a remarkable 5.6 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 was remarkably strong for the month of November. Specifically, the number of help-wanted advertisements was up 19.6 percent over the previous month. In the month-over-month comparisons the help wanted sector was up 43.2 percent over November 1998, up 63.1 percent over November 1997, and up 23.5 percent over November 1996. The increase in help wanted advertising could represent optimistic retailers anticipating that Santa's sack will be extra heavy this year.

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.

After three months in a row of record low unemployment rates, Humboldt County unemployment insurance claims saw a sharp increase in November. Specifically, claims were up 19.5 percent over the previous month. Anita Alexander of the Employment Development Department believes that this increase is reflective of

Humboldt County's cyclical unemployment rate. She believes that the bulk of the new unemployment claims represent seasonal downturns in both the manufacturing and construction industries. It is typical for these industries to slow down during the winter months.

In the month-over-month comparison, however, new claims for unemployment insurance have actually improved. New unemployment claims were down 14.3 percent over November 1998, down 9.8 percent over November 1997 and down 16.8 percent over 1996. This is indicative of the relatively strong demand for workers nation-wide. In fact, initial U.S. jobless claims for November were the lowest in 26 years.

Manufacturing-Based Economic Indicators:

Manufacturing orders, a leading indicator of activity and employment in the County, again shows a downward trend in all comparisons. This month's seasonally-adjusted orders were down 10.20 percent over the previous month. The month-over-month comparison also shows declines. Manufacturing orders are down 18.03 percent over November 1998, down 12.89 percent over 1997, and down 27.83 percent over 1996.

Building permit data have not been reported for several months. Data from a major local source have not been available to us since June.

As indicated by the strong performance of the retail and home sales sectors, as well as the generally low unemployment rate, the pace of growth in economic activity in Humboldt County continues to be slow and steady.

Even after three rate hikes by the Federal Reserve, consumer confidence is high and, consequently, consumer spending is high. Even with a 0.9 percent increase in national retail sales, consumer prices only increased a slight 0.1 percent in November. While most economists do not expect the Fed to raise interest rates for a fourth time at their meeting next week, it is generally accepted that the economy can not continue this rate of growth without triggering inflation. As such, it is likely that the Fed will raise rates in the beginning of the new year. That and the annual mailing of our 1040 tax forms in January can give us reason for hope in 2000.

Happy Holidays!



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