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**Professor Steven Hackett, Executive Director
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March 2001

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in March
Median Home Price*	\$136,500	Help Wanted Advertising	-11.1%
30 Yr. Mortgage Rate (3/28)	7.125%	Building Permits	45.8%
Prime Rate (3/28)	8.0%	Unemployment Claims	9.2%
Unemployment Rate**	7.0%	Manufacturing Orders	-8.6%

* 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.

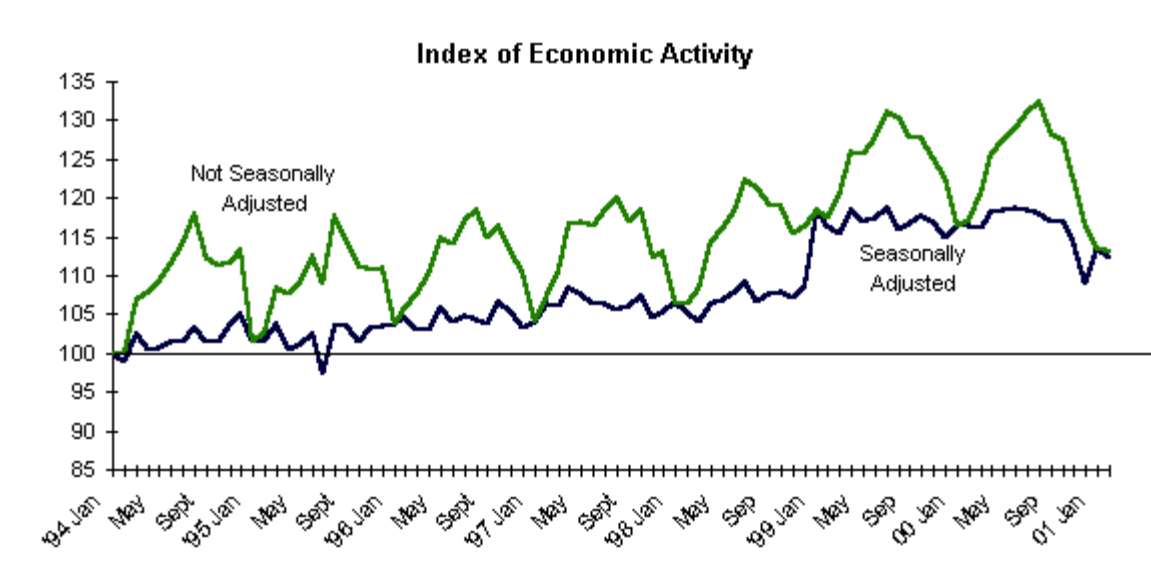
** Preliminary EDD data. See the [EDD Website](#) for updates.

Monthly Change

The seasonally-adjusted *Index of Economic Activity for Humboldt County* declined slightly since last month. The seasonally adjusted *Index* value decreased 1.3 percent over the previous month. In the month-over-month comparison, the *Index* declined 3.6 percent over 2000, declined 3.7 percent over 1999, and increased 6.5 percent

over 1998. Due to current volatility in the energy sector, it is difficult to predict future economic performance in the county at this time.

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 "March 2001" report reflects data from February 2001. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

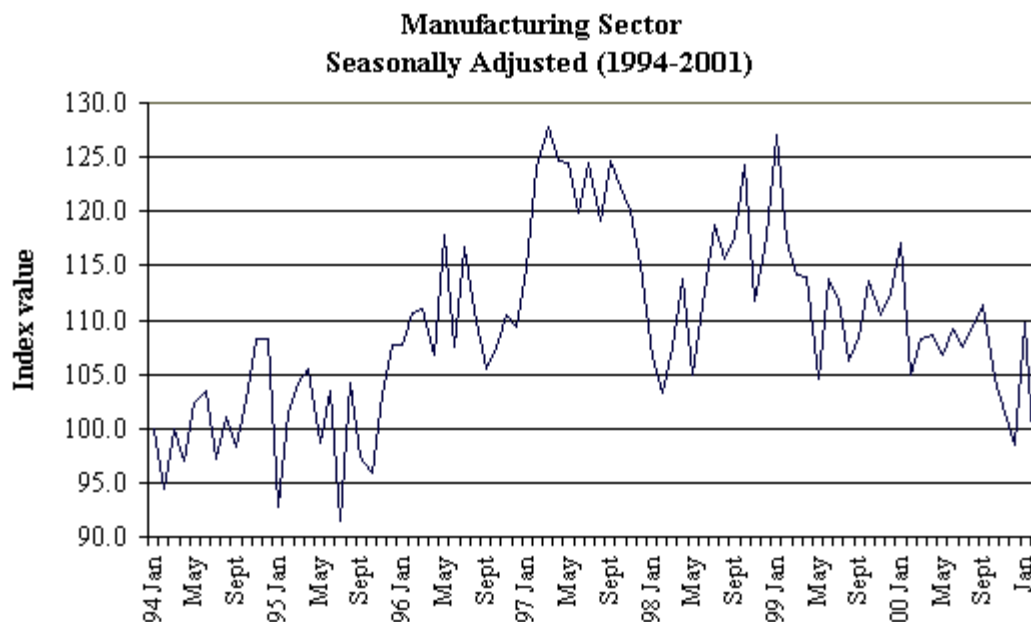


Monthly Sectoral Analysis:

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.

Despite last month's surge, the manufacturing sector in February returned to its trend of declining across all comparisons. The manufacturing sector decreased 11.8 percent over the previous month. In the month-over-month comparison, the sector declined 7.6 percent over 2000, declined 17.4 percent over 1999 and decreased 6.1 percent over 1998.

The graph below shows changes in Humboldt County manufacturing activity since 1994. While there is clearly month to month volatility, there appears to be an overall downward trend.



The local decline mirrors manufacturing activity nationwide. While no other sector of the national economy is experiencing significant net job loss at this time, 190,000 manufacturing jobs have been lost nationally since the beginning of this year. Since July 2000, 426,000 jobs have been shed. While nearly all manufacturing industries have been affected, information from the Bureau of Labor Statistics claims that the lumber and wood products industry has been hit particularly hard. 180 jobs in this industry have been lost locally since January 2001.

Compounding the jobs lost in this sector is the decline in the average workweek and in the number of overtime hours being worked. Because traditionally these jobs are relatively high paying, lost wages in manufacturing can have a noticeable impact on other sectors of the economy such as retail spending and the housing market.

As mentioned last month, increased energy costs have directly impacted manufacturer's costs and their ability to be competitive. Most economists expect the declines in national manufacturing activity to continue.

Retail Sales: The retail sales sector of the *Index* appears to be slowing over the strong pace set in 2000. Specifically, the sector decreased 0.6 percent over the previous month. In the month-over-month comparisons, the sector decreased 3.0 percent over 2000, increased 4.2 percent over 1999, and increased 16.0 percent over 1998.

National retail sales were lower than expected for the month of February. Economists had optimistic expectations for growth in this sector, but figures declined a slight 0.2 percent over the previous month. This decline may be an indicator of lower consumer confidence in February.

Home Sales: The Home Sales sector of this month's *Index* has risen for the third consecutive month. The sector increased 9.3 percent over the previous month. In the month-over-month comparison, the sector dropped 3.3 percent over 2000, increased 25.0 percent over 1999 and increased a striking 81.6 percent over 1998. This may be due to the unseasonably good weather during the month of February. Eighty-nine units were sold this month. Though down from February 2000, this is still a high figure for Humboldt County during this time of year.

Our February quote shows the 30-year fixed mortgage rate (zero points) in Humboldt County dropped one-eighth percent to 7.125 over the previous month. This is related to the Federal Reserve's recent action which lowered interest rates an additional one-half percent. Lower mortgage rates continue to support strong home sales, offsetting declines in other sectors of the economy. Some economists claim that a healthy housing market can prevent an overall economic downturn.

National existing and new home sales remain strong. While down slightly from January, February's figures are

near the peaks reached last year. Strong demand and limited inventory have contributed to the continued growth of home prices. Nationally, prices are rising at a 4 percent rate annually. In the Bay Area this trend is even more pronounced, with prices up 18 percent since February last year.

Employment: In their preliminary report for February 2001, the Employment Development Department (EDD) reported that 55,800 people were employed in Humboldt county, unchanged from January's revised figure. February's employment figures are up 0.7 percent over the previous year.

Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various services industries increased from a revised 41,700 during the month of January to a preliminary 41,900 for the month of February, or 0.5 percent. This sector is up 2.4 percent over the previous year's figures. The retail subsector of services remained unchanged at 10,500. This subsector is up 4.0 percent over the previous year.
- Despite news of layoffs in the local manufacturing sector, total county employment in manufacturing increased from a revised 5,900 for the month of January to 6,000 for the month of February. This subsector is up 7.1 percent over the previous year. Employment data for this month is preliminary, and we will provide revised figures as they become available.

The performance of the employment sector of the *Index* is fairly consistent when compared to February's of the recent past. The sector decreased 0.3 percent over the previous month's report. In the month-over-month comparison, the sector is unchanged from 2000, down 1.4 percent from the 1999 report, and unchanged from 1998.

Nationally, the employment sector was somewhat stronger than expected for the month of February. The labor market added more than 135,000 new jobs. Employment growth is currently at 1.4 percent. This is slower than the 2.0 percent growth for this month last year. As noted above, nearly all manufacturing industries are experiencing layoffs. The national manufacturing sector lost 94,000 jobs during the month. This is in addition to a revised figure of 96,000 manufacturing jobs lost in January. As reported last month, the downward trend in manufacturing employment is expected to continue into the near future.

The county unemployment rate increased very slightly from a revised 6.9 percent for the month of January to a preliminary 7.0 percent for the month of February. The unemployment rate in the state decreased 0.2 percent from a revised 5.1 percent for January. This rate is still slightly higher than the national average of 4.6 percent. The relatively low national unemployment rate does not reflect the rising number of underemployed people--those working part-time who would rather be working full-time, and those employed in jobs below their skill levels--in the work force. As a result, the unemployment rate may be overstating the actual health of the labor market.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. The hospitality sector experienced mixed results for the month of February. The sector decreased 12.6 percent over last month's report. In the month-over-month comparison seasonally-adjusted occupancy rates were up 3.5 percent over 2000, up 4.1 percent over 1999, and down 0.7 percent over 1998.

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. This has changed dramatically in recent months as California continues to experience the fallout from the restructure electricity market.

Reliable information for this sector is not available for this month due, in large part, to this volatility. Figures will be reported as they become available.

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 strong for the second month in a row. Specifically, the sector decreased 11.1 percent over the previous month. In the month-over-month comparison, help wanted advertising was down 6.0 percent over 2000, up 14.1 percent over 1999 and up 14.1 percent over 1998.

National help-wanted advertising also declined in the month of February. The national index is down to its lowest level since September 1993. Unfortunately, the only region showing growth in this sector is the Pacific States. Despite an apparently strong overall employment situation, people seem to be losing their optimism. At the beginning of 2000, 55 percent of households believed jobs to be plentiful. This figure is now down to 44 percent.

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 showed mixed reviews in the month of February. Claims increased 9.2 percent over the previous month. In the month-over-month comparison, claims are down 0.2 percent over 2000, down 12.8 percent over 1999, and down 18.9 percent over 1998.

Layoffs have been occurring in the region and across the country. So far the overall effects appear to be limited to the manufacturing sector. We will continue to monitor claims for unemployment insurance over the next few months to see what effect recent manufacturing layoffs will have.

Manufacturing Economic Indicator:

Manufacturing orders, a leading indicator of activity and employment in the County, were down in nearly all comparisons for the month of February. Manufacturing orders were down 8.6 percent over the previous month. In the month-over-month comparison, orders were up 9.7 percent over 2000, down 37.9 percent over 1999, and down 36.1 percent over 1998.

Home Sales Economic Indicator:

Building permits were up across all measures in February. The sector increased 45.8 percent over the previous month, 68.2 percent over 2000, 68.2 percent over 1999, and 60.9 percent over 1998. Unseasonably dry weather this winter has likely played a role in the increase. While these numbers are certainly impressive, it is too soon to determine whether they indicate an upward trend. Elsewhere across the nation, figures are down slightly.

The Federal Reserve's report on economic activity for late January and February painted a relatively rosy picture. The majority of the districts reported strong growth during this period. Activity in the San Francisco district was slightly less positive, though still greater than was expected. The San Francisco Bay region has been disproportionately hit by declines in Internet-based businesses. Demand for products and services was reported as being generally strong with most sectors either up or unchanged from the previous period.

Meanwhile, the U.S. Index of Leading Economic Indicators fell 0.3 percent in February, the fourth drop in the last five months. The contrasting information supports the view that the current economic slump is shaping up to look more like a "U" rather than a "V". In the latter case, a sharp downturn is followed by an equally sharp upturn. This yields a V-shaped graph. According to many economists the economy is beginning to look more U-like. In this case a period of flat or negative growth is followed by a more gradual recovery.

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