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Professor Steven Hackett, Director

March 1999

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	% Change in February
Median Home Price (February)*	\$116,500	Help Wanted Advertising	6.42
30 Yr. Mortgage Rate (03/30)	7.258%	Building Permits	-41.37
Prime Rate (03/30)	7.25%	Unemployment Claims	13.50
Unemployment Rate (February)	7.9%	Manufacturing Orders	-6.83

***Home price data are provided by the Humboldt County Board of Realtors.**

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* experienced a slight decrease during the month of February, dropping from a revised January *Index* value of 109 to 108.6. There was some variability in the performance of the various sectors of the Humboldt County economy during February. For example, while home sales were down a seasonally-adjusted 16.5 percent during February, and the retail sector was down by nearly 10 percent, the hospitality sector (as measured by hotel/motel occupancy rates) was up by a seasonally-adjusted 17.5 percent. As will be discussed in greater detail below, the employment and energy sectors both changed by less than two percent during February.

In the month-over-month comparison with March reports from the recent past, the seasonally adjusted *Index* for February 1999 was up by 5.3 percent over February 1998, and up 2.7 to 9.4 percent over levels observed

from February 1994 - 97. Note that a small part of this growth reflects a recent change in how manufacturing data are reported, and not an underlying increase in economic activity.

Monthly Sectoral Analysis:

Home Sales: The Humboldt County Board of Realtors reported 71 residential home sales during February 1999, down a seasonally-adjusted 16.5 percent over January '99. Recall that 1998 was a very strong year for home sales, and so while February is a bit off the pace of late 1998, it is strong relative to recent past years. In particular, in a month-over-month comparison, seasonally adjusted home sales for February were far greater than in any February since the *Index* began with the exception of a 12.3 percent decrease relative to 1994. For example, seasonally-adjusted February 1999 home sales were 44.9 percent above those of February 1997 and 1998, and 20.3 percent above those of February 1995.

Employment: The Employment Development Department reported that 56800 people were employed in Humboldt County in February 1999, up by 300 from the revised January 1999 report. The retail sector experienced an increase of 200 jobs while manufacturing lost 100. In a month-over-month comparison, seasonally adjusted county employment was up 1.8 percent over 1998, a gain of 2 percent over 1997, and an increase of 3 to 6.4 percent over levels observed in 1994-96.

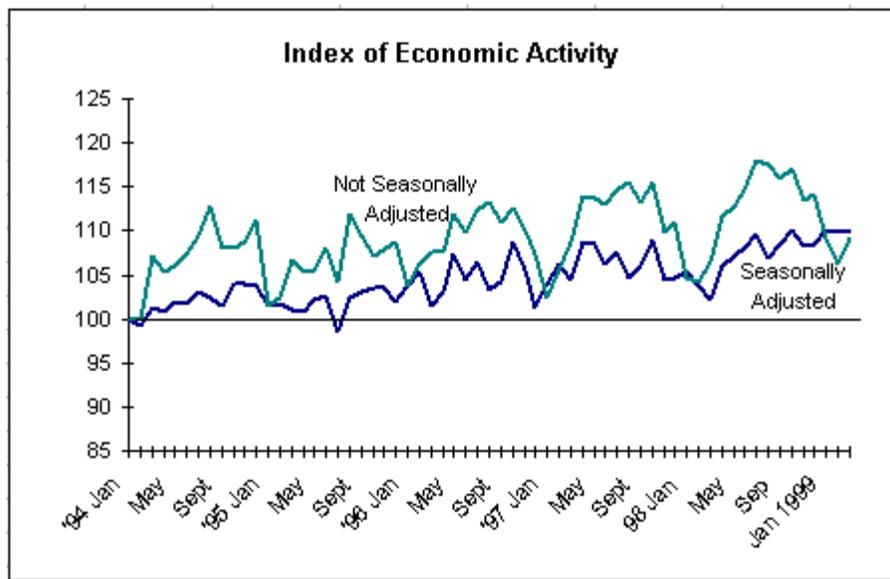
Retail Sales: Our participating county retailers showed strong growth throughout 1998. This trend seems to be slowing in the first quarter of 1999. Retail sales declined considerably during February, down a seasonally-adjusted 9.8 percent from January '99. Despite this dropoff, data provided by our participating retailers suggest that retail sales are a continuing source of economic growth for Humboldt county. For example, month-over-month comparisons show retail sales for February 1999 up a seasonally-adjusted 9.9 percent over February 1998, 4.4 percent over 1997, and 23 to 36 percent over 1994-96 figures.

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. Seasonally adjusted manufacturing in February 1999 reflects a decline of 6.3 percent over January 1999. Note: Previous month-over-month comparisons for this sector are no longer applicable due to significant changes in reported data at the end of 1998.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. Although the last few months have been slow for the hospitality sector, the current trend is reversing with seasonally adjusted occupancy rates in February 1999 up sharply by 17.5 percent over January 1999. In month-over-month comparisons, this sector experienced a 27.5 percent increase over February 1998. In contrast, February 1999's performance is down from 3.6 to 26.5 percent over levels observed in 1994-97.

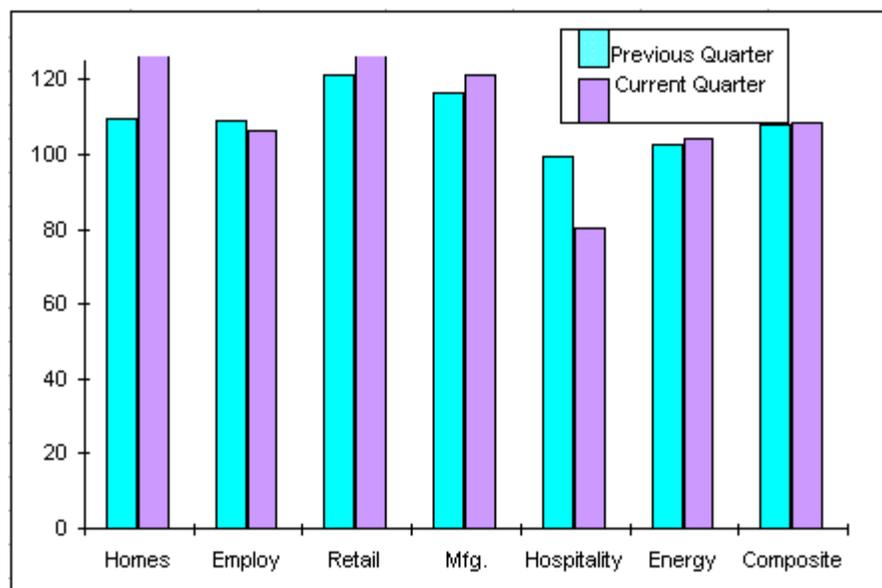
Energy: We use kilowatts of electricity consumed as our indicator of the energy sector of the Humboldt county economy. Energy and employment are the most stable of the sectors that we track, usually varying by no more than a few percentage points from month to month. This sector's performance remained stable during February 1999--seasonally-adjusted electricity consumption reflect a slight increase of 1.3 percent over January 1999's index. Historical monthly comparisons show this sector to be down 1.3 percent over February 1998, up a slight .2 percent over 1997, down 1.9 percent over 1996, up .28 percent over 1995, and up 3.4 percent over February 1994.

For those of you who are new or less familiar with the Index, the chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to February 1999. 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 1999" report reflects data from February 1999. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



Quarterly Change

We also look at the performance of the county economy over a longer period of time by comparing the current and previous rolling quarters of seasonally adjusted data. The quarterly index value for the current rolling quarter (December through February) is 109.6, which is up a scant 0.6 percent from the previous rolling quarter (September through November).



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 building permits issued, (iii) volume of manufacturing orders, and (iv) number of claims for unemployment insurance.

As is usually the case in the County economy, the leading indicators are mixed, with 3 out of 4 showing negative numbers. On the positive side, help-wanted ads increased by 6.5 percent during February 1999. On the negative side, manufacturing orders were down by 6.8 percent, first-time claims for unemployment insurance were up by 13.5 percent, and building permits took a strong hit with a decrease of over 41 percent.

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