The Index of Economic Activity for Humboldt County

November 1998

**Key Statistics**

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<td>30 Yr. Mortgage Rate (11/30)</td>
<td>7.00%</td>
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<td>8.00%</td>
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<td>5.6%</td>
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*Home price data are provided by the Humboldt County Board of Realtors.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* increased from 105.9 to 107.4 during the month of October, a modest increase of 1.4 percent. All sectors of the economy monitored by the *Index* increased during October except home sales, which declined by 22 percent. The raw or non-seasonally adjusted index also increased slightly during October.

In the month-over-month comparison with Octobers in the recent past, the seasonally adjusted *Index* for October 1998 was down 2.9 percent relative to October 1997, essentially unchanged from October 1996, and up by approximately 5 percent over levels observed in October 1994 and 1995.

Monthly Sectoral Analysis:
Home Sales: The Humboldt County Board of Realtors reported 80 residential home sales during October, down from the 113 homes sold in September. In a month-over-month comparison, seasonally adjusted home sales for October 1998 were significantly below sales in Octobers from the recent past. For example, October 1998 home sales were 33.3 percent below October 1997, 27.2 percent below October 1996, essentially the same as in October 1995, and 13 percent below October 1994.

Employment: The Employment Development Department reported total employment figures for Humboldt County in October 1998 that in seasonally adjusted terms were 2.2 percent above those in September. In a month-over-month comparison, seasonally adjusted county employment was essentially unchanged from levels observed in October 1997 and October 1996, but was up 2 percent on October 1995, and up 3 percent on October 1994.

Retail Sales: Our participating county retailers reported relatively strong retail sales during October 1998, up a seasonally-adjusted 5.8 percent from September. Results from our participating retailers suggest that retail sales are a continuing source of economic growth for Humboldt county. October 1998 retail sales were up a seasonally adjusted 10.5 percent over October 1997, and approximately 25 percent over levels observed in October 1994, 1995, and 1996.

Manufacturing: We use board feet of dimensional lumber produced by major county lumber mills as our indicator of the manufacturing sector of the Humboldt county economy, and seasonally adjusted manufacturing was up about 2 percent over September. In the month-over-month comparison, seasonally-adjusted manufacturing output in October 1998 was essentially unchanged relative to October 1997, but was up by at least 7 percent over levels observed in October 1994, 1995, and 1996.

Hospitality: We use occupancy rates at participating county hotels and motels are our indicator of the county hospitality sector, and seasonally adjusted occupancy rates were up 5 percent over September. In the month-on-month comparison with Octobers in the recent past, October 1998 was up at least 10 percent in seasonally adjusted terms relative to October 1994, 1995, 1996, and 1997.

Energy: We use kilowatts of electricity consumed as our indicator of the energy sector of the Humboldt county economy, and October 1998 was essentially unchanged from that of September in seasonally adjusted terms. Seasonally adjusted electricity consumption was 10 percent higher in October 1996 and 7 percent higher in October 1997, respectively, relative to October 1998, while seasonally adjusted energy consumption in 1994 and 1995 was 1.5 percent lower.

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 October 1998. 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.
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 (August through October) is 106.1, down by a scant 0.2 percent from the previous rolling quarter (May through July). Comparing the two rolling quarters, home sales led the decline.

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 frequently the case in the County economy, the leading indicators are mixed. While help-wanted ads and building permits were down, fewer people filed for unemployment claims, and manufacturing orders were up a bit. These indicators are quite a mixed bag this month!

In terms of the overall economy, the Fed has relaxed interest rates three times, and the equity markets have responded with a vote of confidence in the prospects for the US economy, and thus indirectly for the world economy.
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economy.

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