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October 1997

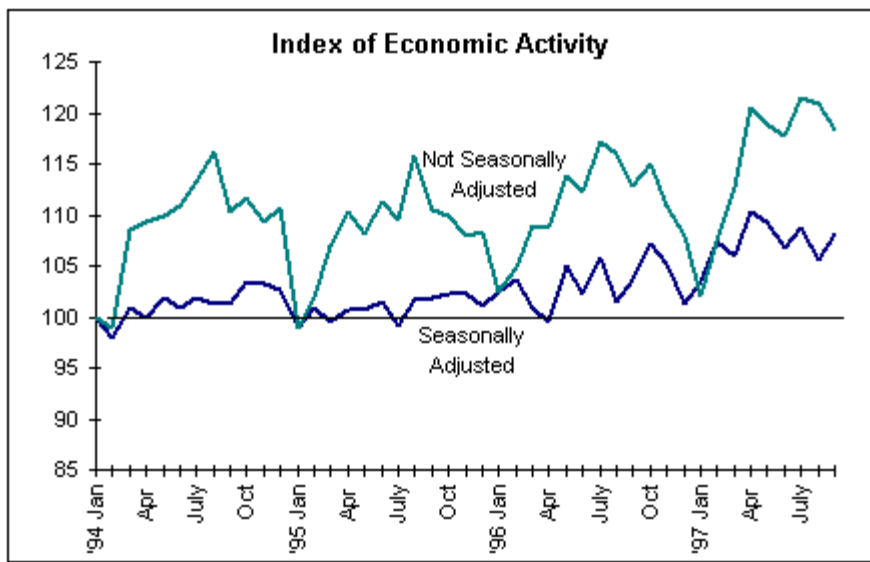
Key Statistics		Leading Indicators	
County:		<i>Seasonally Adjusted</i>	% Change in September
Median Home Price (September)*	\$122,590	Help Wanted Advertising	-14.04
30 Yr. Mortgage Rate (10/20)	7.75%	Building Permits	32.90
Prime Rate (10/20)	8.50%	Unemployment Claims	40.27
Unemployment Rate (September)	6.1%	Manufacturing Orders	-10.55

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

Monthly Change

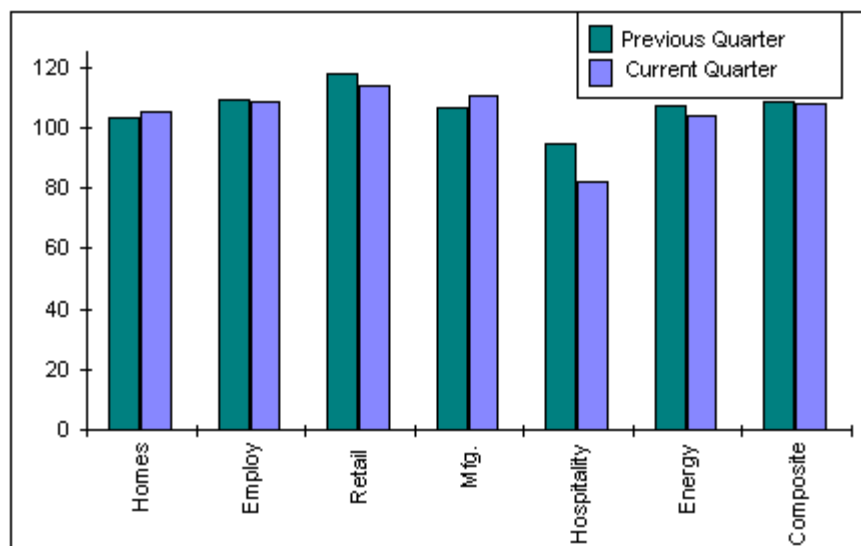
The *index of economic activity for Humboldt County* rose during the month of September. The seasonally adjusted index increased from 105.7 in August to 108.1 in September, an increase of 2.3 percent. The volatile housing market rebounded from last month's 14.5 percent decrease with an increase of 14.2 percent. Manufacturing rebounded as well, increasing 10.6 percent. Employment, retail sales, and energy all rose slightly during the month. The hospitality component declined 7.6 percent.

The non-seasonally adjusted index decreased 2.2 percent from 120.9 to 118.3. This is normal as the index rises from January, peaks in mid-summer, and declines through December as the tourist season comes to an end and timber harvesting slows. The chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to June 1997. The seasonally adjusted series corrects for monthly variation in the data, therefore it is a better measure of fundamental change in the economy.



Quarterly Change

We also look at the economy's performance over a longer period of time by comparing the two previous quarters. Output in the third quarter of 1997 (July, August, and September) decreased slightly as compared with the second quarter (April, May and June). The composite index fell from 108.8 to 107.5, a decrease of 1.2 percent. This decrease highlights once again the strong growth our economy experienced in the first half of 1997. All the components of the index except home sales and manufacturing declined this quarter. The most significant decreases were in hospitality, retail sales, and energy with 13.5 percent, 3.4 percent, and 2.8 percent declines respectively. Employment dropped only slightly. The chart below plots the quarterly index values for each sector in the index.



Leading Indicators

We track four leading indicators to indicate direction of change in the economy in the near future. These are help-wanted advertising, building permits issued, manufacturing orders, and claims for unemployment insurance. As the table above shows, help wanted advertising decreased again this month and manufacturing orders also declined. Unemployment insurance claims rose significantly. However, demand for building permits experienced an increase for a second month in row. Given the overall negative signals from these leading indicators, we predict that the seasonally adjusted *index of economic activity for Humboldt County* will decrease slightly in October. The economy overall, however, should remain at a relatively strong level of activity.

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