INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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February 1999

Key Statistics		Leading Indicators	
Humboldt County:		*Seasonally Adjusted*	%Change in January
Median Home Price (January)*	$124,500	Help Wanted Advertising	-18.28
30 Yr. Mortgage Rate (02/26)	7.25%	Building Permits	29.57
Prime Rate (02/26)	7.75%	Unemployment Claims	11.31
Unemployment Rate (January)	7.9%	Manufacturing Orders	-5.24

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

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* grew very modestly during the month of January, rising from a revised December value of 107.3 to 109.4. There was some variability in the performance of the various sectors of the Humboldt County economy during January. For example, while home sales were up a seasonally-adjusted 24 percent, and the retail sector was up by nearly 11 percent, the hospitality sector (as measured by hotel/motel occupancy rates) was down by a seasonally-adjusted 19 percent. As will be discussed in greater detail below, the employment and energy sectors both changed by less than two percent during January.

You will notice below that the manufacturing numbers show a large increase over those of December. This change in manufacturing reflects a change in how manufacturing information is reported to us and thus does not reflect an actual increase in manufacturing activity.

In the month-over-month comparison with February reports from the recent past, the seasonally adjusted *Index* for February 1999 was up by 4.6 percent over February 1998, and from 5.5 to 9.4 percent over levels observed from February 1994 - 97. These changes partially reflect the change in manufacturing data and so will tend to overstate how much better we are doing relative to the recent past.

Monthly Sectoral Analysis:

Home Sales: The Humboldt County Board of Realtors reported 85 residential home sales during January, up a seasonally-adjusted 24.3 percent over December 1998. Recall that 1998 was a very strong year for home sales, and it appears that that trend is continuing into early 1999. In a month-over-month comparison, seasonally adjusted home sales for January 1999 were far greater than in any January since we began the *Index* in 1994. For example, seasonally-adjusted January 1999 home sales were 46 percent above those of January 1998, and 107 percent above those of January 1997.

Employment: Total County employment reflects one of the most stable and reliable indicators of economic trend. The Employment Development Department's preliminary report for total civilian employment in Humboldt County was 56500 during January 1999, down by 800 from December 1998. The retail sector experienced the greatest loss (400 jobs), while manufacturing employment was down by 100. In a month-over-month comparison, seasonally adjusted county employment was up 2.1 percent over 1997 and 1998, up 3.3 precent over 1996, and up by between 5 and 5.5 precent over levels observed in 1994-95.

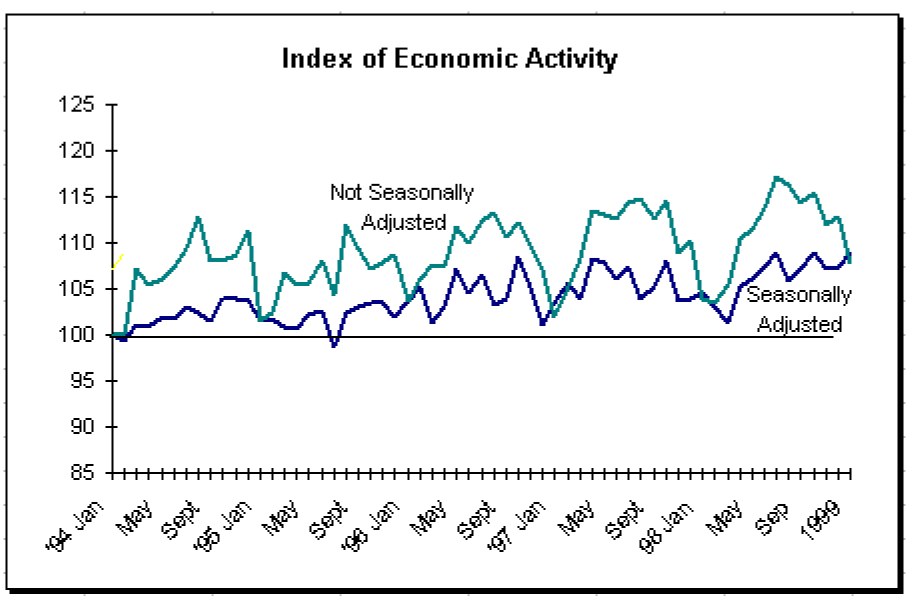
Retail Sales: Our participating county retailers continued to report strong retail sales during January 1999, up a seasonally-adjusted 10.5 percent from December 1998. Results from our participating retailers suggest that retail sales are a continuing source of economic growth for Humboldt county. In the month-over-month comparison, retail sales during January 1999 rose a seasonally adjusted 14.3 percent over January 1998, and 41.6 percent over 1997. Likewise retail sales during January 1999 were up by between 40-48 percent above levels observed in 1994, 1995, and 1996.

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 of the Humboldt county economy. Lumber-based manufacturing generates about 75 percent of total County manufacturing income. A revision in the way that data are reported to us by a major participating manufacturer has resulted in a shift in our manufacturing numbers that does not actually reflect an increase in Humboldt County manufacturing activity. Thus while seasonally-adjusted manufacturing is up by 15.8 percent during January, this increase reflects a change in how data are reported to us and not an increase in economic activity. The month-to-month change in the future will not be affected by this change in data reporting.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sectors performance. The last few months have been slow in the hospitality sector. Seasonally adjusted occupancy rates in January 1999 declined by 19.2% over December 1998. In the month-over-month comparison with Januarys in the recent past, January 1999 was almost identical to January 1997 and 1998, but was down considerably over January 1994-96.

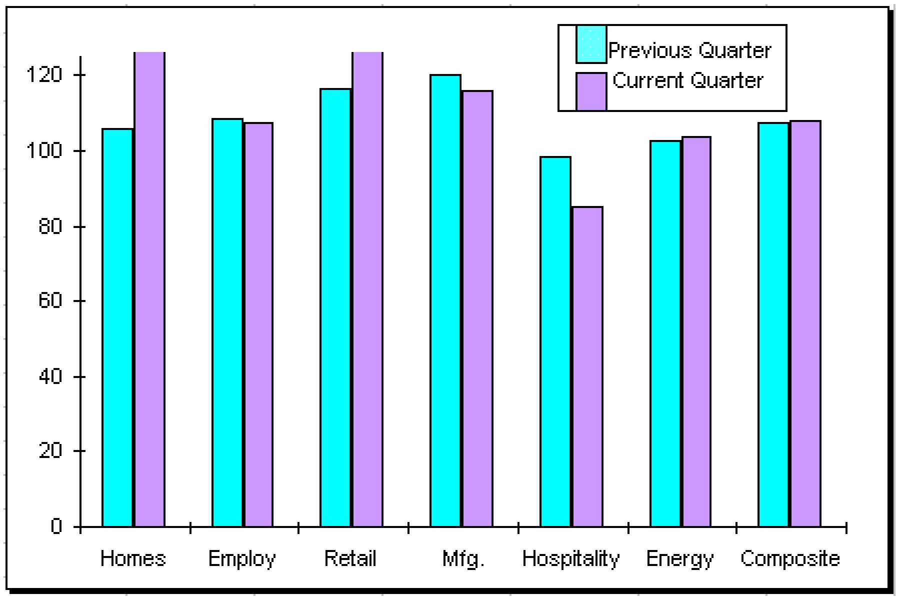
Energy: We use kilowatts of electricity consumed as our indicator of the energy sector of the Humboldt county economy. Energy and employment are the most stable of the sectors that we track, usually varying by no more than a few percentage points from month to month. This sector's performance remained stable during January 1999--seasonally-adjusted electricity consumption remained unchanged from December 1998's index of 104.1. Historical monthly comparisons show this sector to be down 3.1 percent over January 1998, down 2.6 percent over 1997, down 1.2 percent over 1996, and down 3.9 percent over 1995, and up 4.1% over January 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 January 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 "February 1999" report reflects data from January 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 (November through January) is 107.9, which is 0.6 percent higher than the previous rolling quarter (August through October).



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, and this month 3 of the 4 indicators are negative. On the negative side, help-wanted ads were down by 18 percent during January 1999, manufacturing orders were down by a bit over 5 percent, and first-time claims for unemployment insurance were up by 11 percent. On the positive side, building permits were up by almost 30 percent.

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