

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

Professor Steven Hackett, Director



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Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in December
Median Home Price (December)*	\$118,950	Help Wanted Advertising	27.33
30 Yr. Mortgage Rate (01/28)	6.775%	Building Permits	-17.01
Prime Rate (01/28)	7.15%	Unemployment Claims	5.57
Unemployment Rate (December)	6.6%	Manufacturing Orders	17.67

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

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* was essentially unchanged during the Month of December, falling very slightly from a revised November value of 106 to a December value of 105.8. There was some variability in the performance of the various sectors of the Humboldt County economy during December. For example, while home sales were up a seasonally-adjusted 13 percent, the hospitality sector (as measured by hotel/motel occupancy rates) was down by 10 percent during December. As will be discussed in greater detail below, all the other sectors that we monitor changed by less than five percent during December. The raw or non-seasonally adjusted *Index* was essentially unchanged during December.

In the month-over-month comparison with Decembers in the recent past, the seasonally adjusted *Index* for December 1998 was essentially unchanged from December 1997, up by approximately 4 percent over December 1996 and 1995, and up 2 percent over December 1994.

Monthly Sectoral Analysis:

Home Sales: The Humboldt County Board of Realtors reported 108 residential home sales during December, up a seasonally-adjusted 13 percent over November 1998. Overall, 1998 was a very strong year for home sales, up by a seasonally-adjusted 20 percent over 1997, no doubt a reflection in part of lower mortgage interest rates. As mortgage interest rates fall, so too does the cost of home ownership, which consequently leads to an increase in both first-time home sales and home upgrades. In a month-over-month comparison, seasonally adjusted home sales for December 1998 were far greater than in any December since we began the *Index* in 1994. Specifically, seasonally-adjusted December 1998 home sales were 53 percent above those of December 1997, 29 percent above December 1996 and 1995, and 42 percent above 1994 levels.

Employment: The Employment Development Department reported that 56,700 people were employed in Humboldt County in December 1998, down by 500 from November 1998. About 80 percent of the decline in County employment during December occurred in the manufacturing sector. While total employment grew very slightly in 1998, in part because stronger employment growth in the retail and service sectors (2.5 percent growth during 1998) was offset by a loss of 233 manufacturing jobs employment (a decline of 3.5 percent during 1998). Most of the job losses in manufacturing are in lumber (175 out of 233). In a month-over-month comparison, seasonally adjusted county employment in December 1998 was down by 3 percent relative to December 1997, down 1 percent from December 1996, and up by about 1 percent from levels observed in December 1994 and 1995.

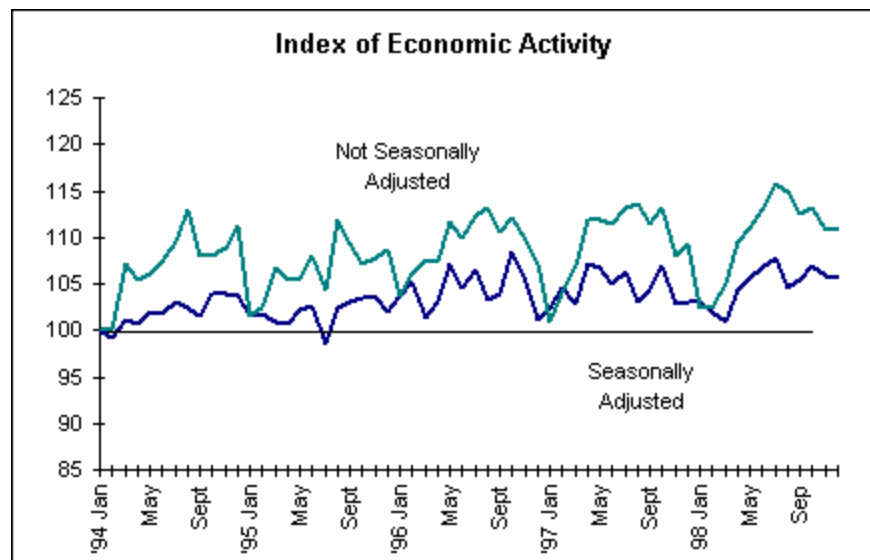
Retail Sales: Our participating county retailers reported relatively strong retail sales during December 1998, which were up a seasonally-adjusted 3.5 percent from November 1998. Results from our participating retailers suggest that retail sales are a continuing source of economic growth for Humboldt county--seasonally-adjusted retail sales for 1998 rose by 5 percent over that of 1997. In the month-over-month comparison, December 1998 retail sales were up a seasonally adjusted 11 percent over December 1997, and 34-41 percent over levels observed in December 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. Seasonally adjusted manufacturing in December 1998 was down by 1.2 percent over the revised value for November 1998. In the month-over-month comparison, seasonally-adjusted manufacturing in December 1998 was no more than 1.5 percent above or below levels observed in December 1994 - 1997. Overall, 1998 was a weaker year for manufacturing than 1997, with the overall seasonally-adjusted *Index* for the manufacturing sector falling by 8 percent over 1998.

Hospitality: We use occupancy rates at participating county hotels and motels as our indicator of the county hospitality sector. Seasonally adjusted occupancy rates in December 1998 were down by 10.4 percent over November 1998. In the month-over-month comparison with Decembers in the recent past, December 1998 was down by 1.6 percent in seasonally adjusted terms relative to December 1997, up by 37 percent relative to December 1996, up by 11 percent relative to December 1995, and up by 18 percent over December 1994.

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. Seasonally-adjusted electricity consumption in December 1998 was up 0.5 percent from November 1998. In the month-over-month comparison, seasonally-adjusted energy was up by 1.2 percent relative to December 1997, up 2.3 percent relative to December 1996, up a scant 0.4 percent relative to December 1995, and down 1.2 percent from December 1994.

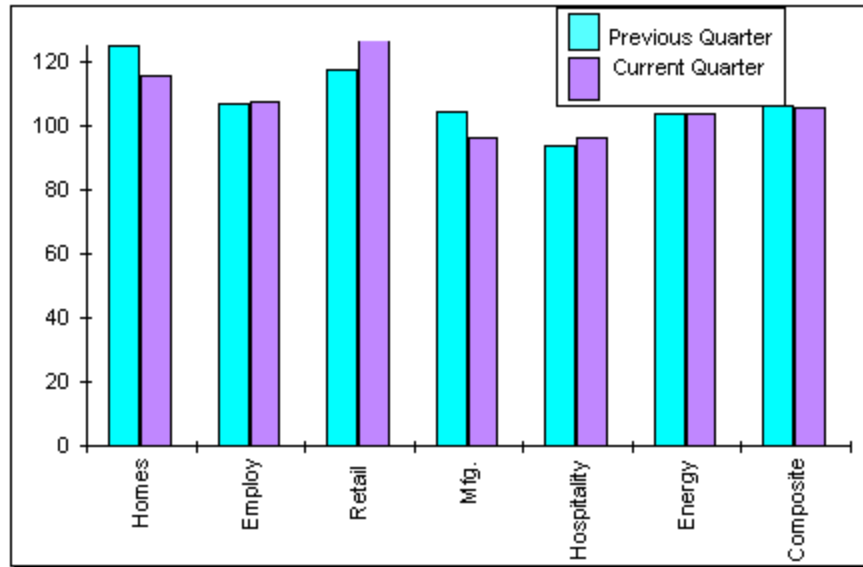
For those of you who are new or less familiar with the Index, the chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to December 1998. Each sector of the seasonally adjusted series is weighted to correct for "normal" monthly variation in the data, and so trends in the seasonally-adjusted index provide a better indication of underlying growth and fundamental change in the economy.



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

(October through December) is 105.7, which is 0.3 percent lower than the previous rolling quarter (July through September).



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. The number of people who filed for unemployment insurance was up by a seasonally-adjusted 5.57 percent in December, and building permits were down a seasonally-adjusted 17 percent, both of which indicate a slowing economy. In contrast, the seasonally-adjusted number of help-wanted ads was up by more than 27 percent, and manufacturing orders were up by 17 percent, both positive indicators. Thus the leading indicators offer no help to us in forecasting the future direction of the Humboldt County economy.

Economic Indicators and Forecasts for the State of California and the US:

- [Economic Indicators for the State of California:](#)
- [The Conference Board--Access the *Index of Leading Economic Indicators* and the *Consumer Confidence Survey*:](#)



[Back to Main Index Page](#)