

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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July 1999

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in June
Median Home Price (June)*	\$125,450	Help Wanted Advertising	20.1
30 Yr. Mortgage Rate (07/26)	8.125%	Building Permits	-16.1
Prime Rate (07/26)	8.0%	Unemployment Claims	-15.2
Unemployment Rate (June)	6.2%	Manufacturing Orders	5.99

*Home price data are provided by the Humboldt County Board of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does not verify such information provided and disclaims any responsibility for its accuracy. Each Participant agrees to hold the Service harmless against any liability arising from any inaccuracy or inadequacy of the information.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* declined very slightly during June, dropping a slim 0.5% from a revised 119.2 to 118.6. While there was some variability in the performance of the sectors measured by the *Index* during June, most note-worthy is the apparent slowing growth over the long-term in the home sales, employment, and retail sectors. This cooling in economic activity is consistent with national trends and is observed in the composite *Index* values.

In the month-over-month comparison with July reports from the recent past, the seasonally adjusted *Index* for July 1999 was up 7.43 percent over July 1998, up 9.61 percent over July 1997, and up 10.84 percent over 1996. While growth in the *Index* is occurring, the pace of the growth has slowed.

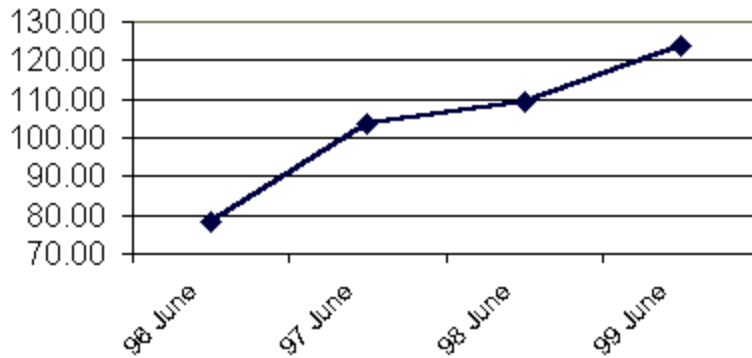
It is evident in the diagram below that the nonseasonally-adjusted *Index of Economic Activity* is following its usual pattern of rising to a peak during the summer months. In contrast, the seasonally adjusted *Index* has leveled off.

Monthly Sectoral Analysis:

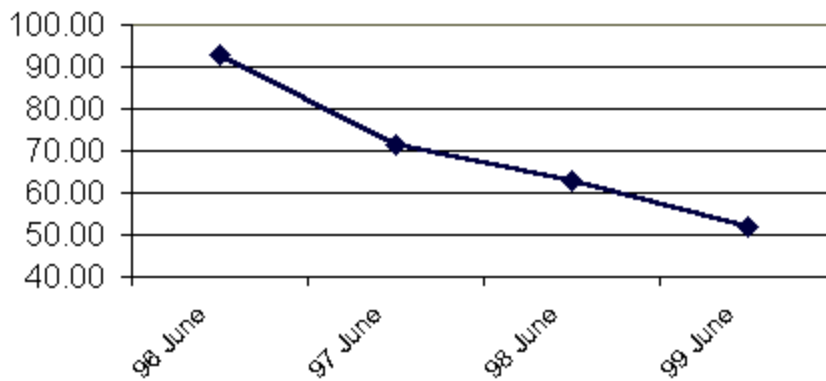
Home Sales: The Humboldt County Board of Realtors reported 106 residential home sales during June 1999, an increase of 3.3 percent over the previous month. In the month-over-month comparison, seasonally-adjusted home sales were up 13.5 percent over June 1998, 19.6 percent over June 1997, and an incredible 58.7 percent over June 1996. As discussed above, growth in the home sales sector is tapering. Coupled with that, building permits issued for the month of June have been consistently declining over the previous three years. For example, permits issued this June were down 17.8 percent over June 1998, 27.4 percent over June 1997, and 44.3 percent over June 1996. This trend is consistent with the national plunge in home construction starts. The Commerce Department recently reported that June starts nationally were down 5.6 percent over May 1999.

The month-over-month median Home Sales and Building Permit Index data are shown in the diagram below:

Home Sales Index, Seasonally Adjusted



Building Permit Index



Employment: In their preliminary report for June 1999, the Employment Development Department (EDD) reported that 58,200 people were employed in Humboldt county, up by 300 from the revised May 1999 report. Preliminary EDD data indicate the following changes in Humboldt county employment:

- Total county employment in the various **services** industries decreased from a revised 42,000 in May 1999 to 41,900 in June 1999, a decrease of 100 jobs (0.2%). The retail subsector of services decreased from a revised 10,600 in May 1999 to 10,500 in June, a decrease of 100 jobs (9%).
- Total county employment in **manufacturing** increased in June 1999 over May, from 6,300 to 6,400 (1.6%).

In a month-over-month comparison, seasonally adjusted county employment was up 1.06 percent over June 1998, up 2.63 percent relative to June 1997, and up 3.54 percent relative to June 1996. While the slope is less pronounced than in the home sales sector, growth in the employment sector appears to be slowing.

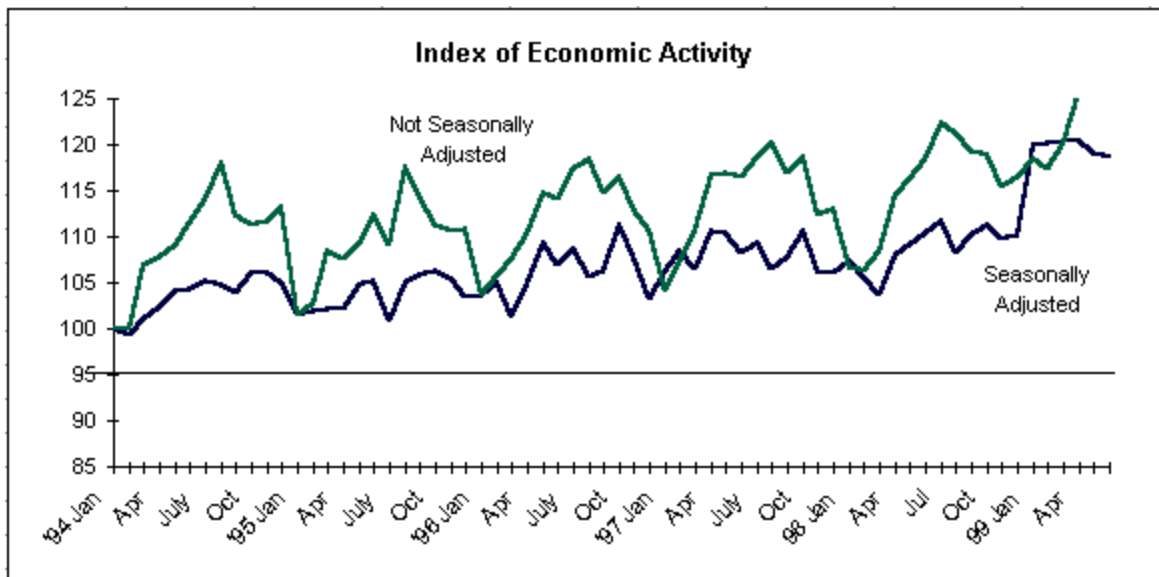
Retail Sales: Seasonally-adjusted retail sales were down 3.8 percent from last month. The month-over-month comparison with June reports from the recent past is similar to the trend in the home sales and employment sectors -- it shows growth, but at a decreased rate. For example, county retail sales were up a seasonally-adjusted 5.4 percent over the July 1998 report, 18.7 percent over 1997, and 39.8 percent over 1996 figures. This, too, is consistent with the national trend toward decelerating growth. While spending has been high because of a strong stock market, strong labor market, income gains, and consumer confidence, retail sales nationally for the month of June were up only 0.1 percent over the previous month. This has been mainly attributed to a weakness in sales at auto retailers.

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 increased 2.1 percent from the last report. There has not been a consistent trend in month-over-month comparisons of seasonally-adjusted manufacturing over the past few years.

Hospitality: We use occupancy rates at participating county hotels and motels as the indicator of this sector's performance. It is worth noting that while seasonally-adjusted occupancy rates were up 1.7 percent over the last report, a general downward trend exists. In the month-over-month comparison, occupancy rates were consistently below the levels observed from July reports in the recent past. For example, the sector was down 14.8 percent over June 1998, down 0.7 percent over 1997, and down 16.0 percent over June 1996.

Energy: We use kilowatts of electricity consumed as our indicator of the energy sector of the Humboldt county economy. Energy and employment have been the most stable of the sectors that we track, usually varying by no more than a few percentage points from month to month. The energy sector in the June report is down 1.7 percent over the previous month.

For those of you who are new or less familiar with the *Index*, we have been tracking seasonally adjusted economic activity since January 1994. 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 "July 1999" report reflects data from June 1999. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.



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.

Help wanted ads increased 20.1 percent over the previous month, indicating an increased number of new job openings. Manufacturing orders at local mills increased 6.0 percent over the previous month. This is in stark contrast, however, to the 39.2 percent decrease in lumber orders over the previous year. As discussed in the Home Sales sector, issuance of building permits has consistently decreased over the past few years. Claims for unemployment insurance were down 15.2 percent in June, indicating a decline in the number of newly unemployed people in Humboldt county. In contrast to the county is the national jobless level. While the national

level is low, jobless claims are climbing. Experts believe this could indicate a deceleration of the national economy.

In June the Federal Reserve Bank increased interest rates one quarter point in response to the booming economy -- an 8 year expansion that is the longest in peacetime history. As discussed in last month's *Index*, higher interest rates have adverse effects on business profits and on the attractiveness of stocks. By discouraging borrowing, higher interest rates slow down consumer spending and economic growth. The national economic deceleration of growth in many sectors would indicate that the tool has begun to work. The question economists are now debating is whether the cool down was enough. Alan Greenspan noted in his midyear economic report to Congress that he is prepared to follow-up last month's increase in interest rates. In addition the Fed released a revised economic forecast predicting a slight slow down in national economic growth.



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