

INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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May 1999

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in April
Median Home Price (April)*	\$113,250	Help Wanted Advertising	19.2
30 Yr. Mortgage Rate (05/24)	7.513%	Building Permits	**
Prime Rate (05/24)	7.75%	Unemployment Claims	-5.45
Unemployment Rate (April)	7.5%	Manufacturing Orders	**

*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.

**Data were not available at the time this report was put together.

Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* remained practically unchanged during April, dropping from 120.4 to 120.3. There was some variability in the performance of the sectors of the Humboldt County economy during April. The most remarkable change was the seasonally-adjusted drop of 25 percent in home sales. Mortgage rates are up and consequently applications for mortgages are down. This decrease in mortgage applications, combined with an unusually cool and damp April, would seem to be factors in the decrease in home sales. The hospitality sector (as measured by hotel/motel occupancy rates) was down by a seasonally-adjusted 14.5 percent. While occupancy rates were up, they were less than would normally be expected in April. In contrast, both the employment and the energy sectors were up a small amount. These latter two sectors carry a relatively large weight in the composite *Index*, and so offset the dropoff in home sales and area occupancy rates.

In the month-over-month comparison with May reports from the recent past, the seasonally adjusted *Index* for May 1999 was up by 11.5 percent over May 1998, up by 8.8 percent from May 1997, and up 14.6 percent from May 1996. The largest contributors to this increase over May reports from the recent past are the retail and energy sectors. Note too that a small part of this growth reflects a recent change in how manufacturing data are reported, and not an underlying increase in economic activity.

It is evident in the diagram below that there was a rather sharp increase in the seasonally-adjusted *Index of Economic Activity* starting in January. Energy is heavily weighted in the *Index*, and PG&E reported substantially higher energy usage in their first-quarter report to us.

Monthly Sectoral Analysis:

Home Sales: The Humboldt County Board of Realtors reported 78 residential home sales during April 1999, down a seasonally-adjusted 25.19 percent over March '99. April 1999 was also quite weak in comparison to Aprils in the recent past. In particular, in a month-over-month comparison, seasonally adjusted home sales for

April 1999 were 18 percent lower than April 1998, 22 percent lower than April 1997, and 14 percent lower than April 1996. Home sales are closely tied to interest rates. Recently the Federal Reserve Bank hinted that they may raise interest rates. This would continue and possibly deepen the slump that we observed in April.

Employment: In their preliminary report for April 1999, the Employment Development Department (EDD) reported that 57,400 people were employed in Humboldt County, up by 1,200 from the revised March 1999 report. Preliminary EDD data indicate the following changes in Humboldt County Employment:

- Total County employment in the various **services** industries increased from a revised 41,300 in March 1999 to 41,600 in April 1999, an increase of 300 jobs (0.7%). The retail subsector of services declined from a revised 10,600 in March 1999 to 10,500 in April, a decrease of 100 jobs (0.9%).
- Total County employment in **manufacturing** increased from a revised 6,100 in March 1999 to 6,300 in April 1999, an increase of 200 jobs (3.3%). This increase brings County manufacturing employment back up to levels observed in April 1998.

In a month-over-month comparison, seasonally adjusted county employment was up 2.68 percent over May 1998, up 2.29 percent relative to May 1997, and up 3.47 percent relative to May 1996.

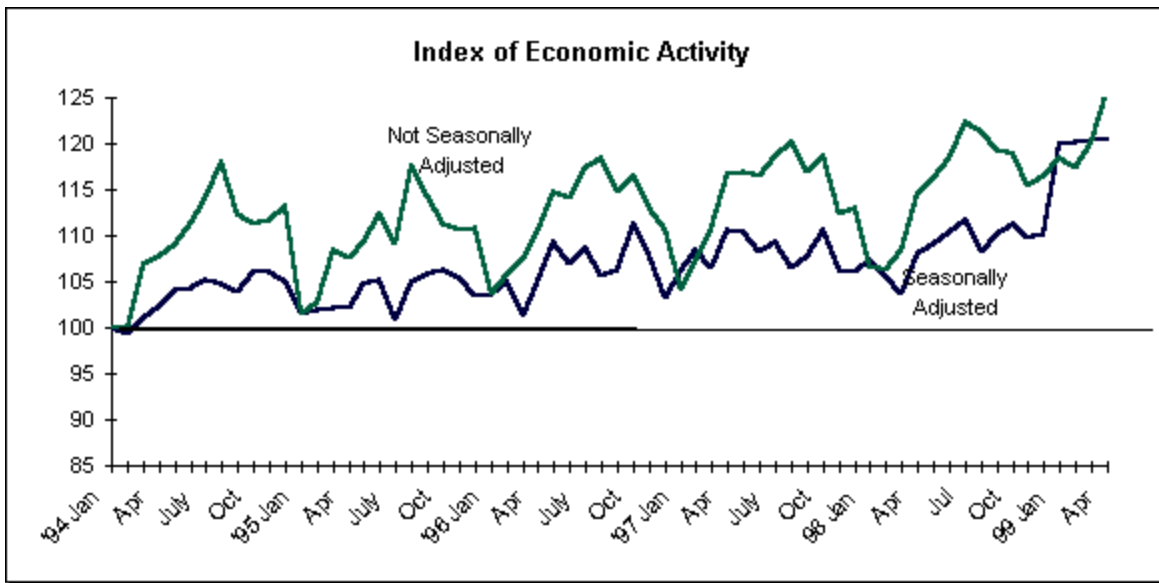
Retail Sales: Seasonally-adjusted retail sales were down a modest 0.87 percent from the last report. Despite this slight dropoff, data provided by our participating retailers suggest that retail sales are a continuing source of economic growth for Humboldt county. For example, month-over-month comparisons show retail sales up a seasonally-adjusted 10 percent over the May 1998 report, 10.9 percent over 1997, and 62.76 percent over 1996 figures. This remarkable growth in the retail index is attributable to a sharp increase in sales by several of our participating retailers, and may not be representative of the overall County retail sector performance.

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 declined by 5.2 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. Seasonally-adjusted occupancy rates were down 14.5 percent over the last report. In the month-over-month comparison, occupancy rates were consistently below the levels observed from May reports in the recent past. This can be attributed in part to the unusually poor April weather.

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. This sector experienced modest growth since the last report--seasonally-adjusted electricity consumption was up 3.46 percent. According to our source at PG&E, County electricity consumption has been growing recently due to increased manufacturing activity at area lumber mills, and due to increased use of electricity in specialty agriculture in the north side of the County.

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 "May 1999" report reflects data from April 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 were up a significant amount which would indicate increased employment in the future. The building permit and manufacturing orders data were not available at the time of writing the report. Claims for unemployment insurance were down 5.45 percent. Both the increase in help wanted ads and the decrease in unemployment insurance claims indicate future growth in the county economy.

Recent concerns about rising inflation has put upward pressure on interest rates. Rising interest rates reduce borrowing by individuals and by businesses, and so tend to slow down the economy. Locally, we may have already seen some of this trend showing up in the reduced number of home sales.

(Note: I would like to welcome new Assistant Director Deborah Keeth to the Index project. -SH)



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