

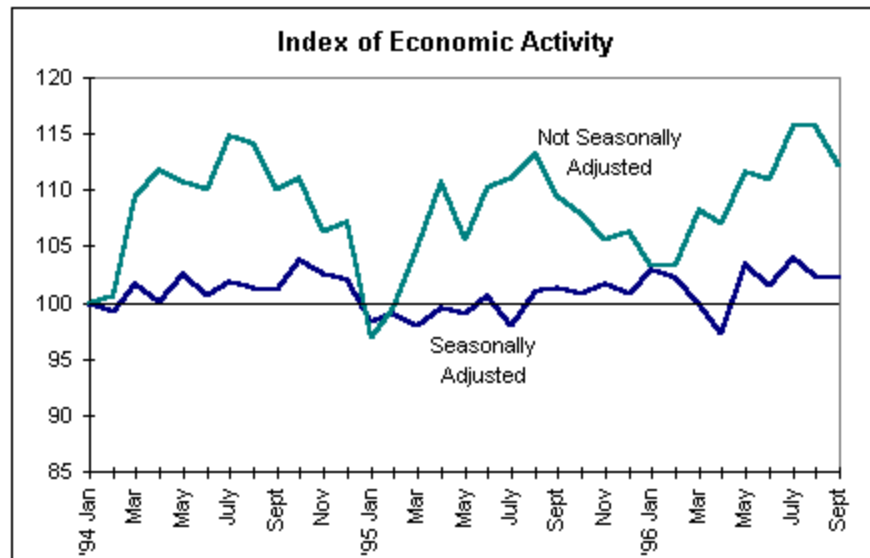
INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

Professor Steven Hackett, Director

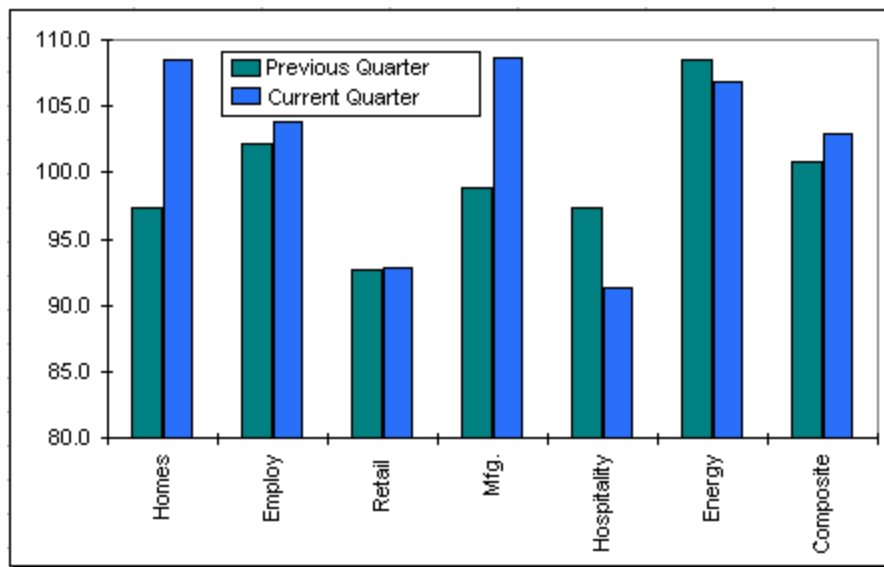
October 1996

Economic activity in Humboldt County remained essentially constant in September showing a very slight decline from August to September, suggesting that the recent County strike was too short to have a significant impact. The *current index of economic activity* declined from 102.5 to 102.2 in September, a 0.26 percent decrease. In contrast, third quarter economic activity increased by 2.7 percent over the second quarter. The index rose to a seasonally adjusted value of 102.9 from 100.2 in the second quarter. January 1994 is the base month for the index and its value is set at 100. Thus the 102.2 value for September indicates that the level of economic activity has increased 2.2 percent since that time.

The graph below plots the seasonally and non-seasonally adjusted values for the *index of economic activity* from January 1994 through September 1996. Seasonal adjustment is a technique that eliminates seasonal variation from the economic data. An increase in the seasonally adjusted series represents an increase in economic activity beyond normal seasonal fluctuations. Therefore, the seasonally adjusted series is a better measure of fundamental change in the economy. The non-seasonally adjusted series declined from its typical July-August peak reflecting the normal seasonal drop in manufacturing and tourist activity with the onset of the rainy season.



The bar chart below displays the change in the seasonally adjusted index components between the second and third quarters of 1996. The composite index describes the overall change in economic activity in Humboldt County and, as mentioned above, the index rose to a seasonally adjusted value of 102.9 from 100.2 in the second quarter. A sharp increase occurred in manufacturing and housing, home sales seem to have rebounded from their decline in the second quarter. Employment and retail sales registered modest gains over the third quarter. Hospitality and energy decreased from the previous quarter, with the hospitality sector showing the largest decline.



To indicate future change in the economy, we track four leading indicators: help wanted advertising, building permits issued, manufacturing orders, and claims for unemployment insurance. Through this process we hope to forecast the direction of change in the seasonally adjusted index in the near future. Unfortunately, the number of permits issued is not available due to the recent County strike so it is not possible for us to give a numeric forecast for November. Moreover, the other indicators are giving mixed signals. Help wanted advertising decreased in September while claims for unemployment insurance rose, suggesting that the economy is slowing. However, manufacturing orders were strong. Our best estimate is that the index will fall slightly in the coming month, but the County will continue its modest growth over the medium term.

The modest growth of the County in the third quarter of 1996 is consistent with the growth experienced at the state and national level. The state unemployment rate fell from 6.9 percent in August to 6.7 percent in September. The County unemployment rate fell to 6.3 percent from 6.6 percent in August.



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