

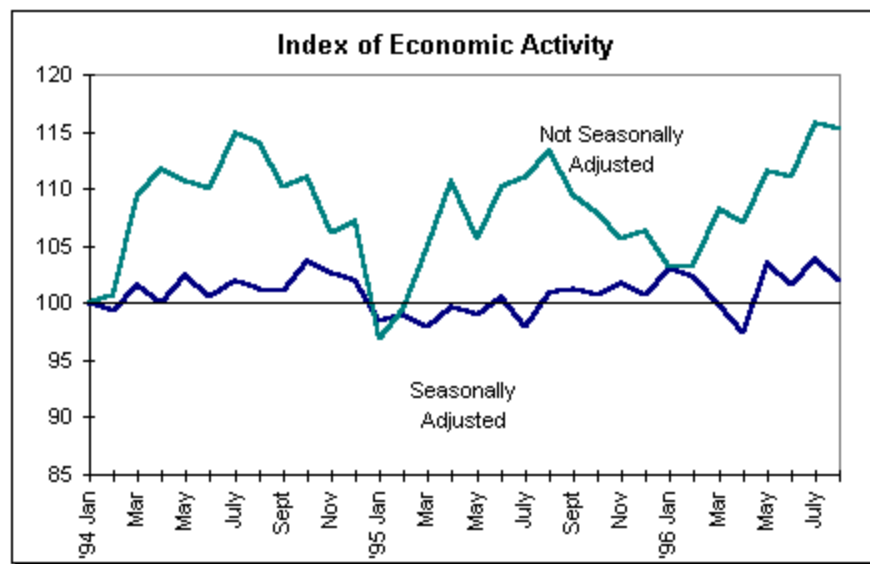
INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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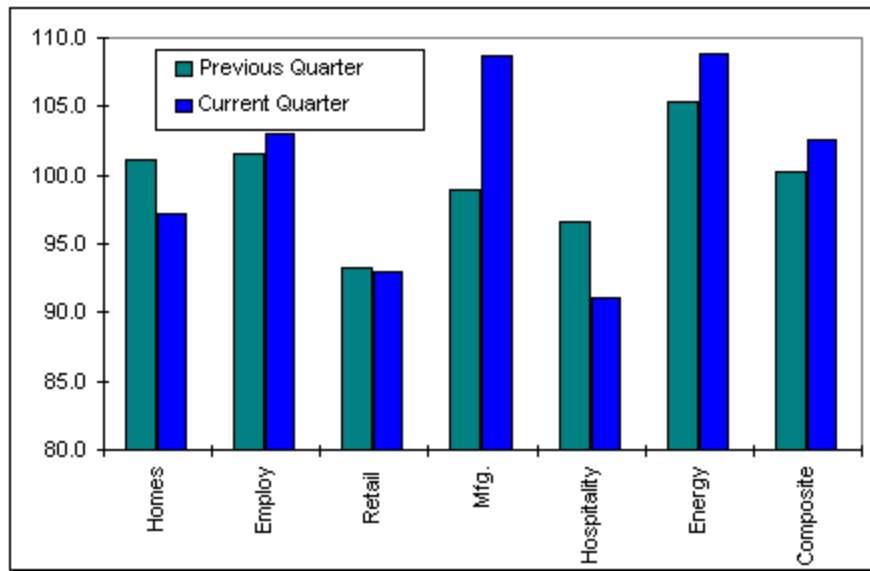
September 1996

Economic activity in Humboldt County declined moderately from July to August. The *current index of economic activity* declined 1.82 percent from 103.9 in July to 102 in August. Due to the fluctuations in the month to month data, it is useful to compare index values over longer periods of time. The average value of the index for the last three months (June through August) increased 2.3 percent over the index average for March, April, and May, suggesting that the economy is recovering strongly from a drop in activity early in 1996. The component breakdown of this increase is explained in more detail below.

The graph below plots seasonally and non-seasonally adjusted values for the *index of economic activity* from January of 1994 through August of 1996. The base month for the index is January, 1994 and the index for that month is set at 100. Seasonal adjustment is a technique used to eliminate seasonal variation among economic data. An increase in the seasonally adjusted series represents an increase in economic activity beyond the normal seasonal fluctuations. Therefore, the seasonally adjusted series is a better measure of fundamental change in the economy.



The bar chart below displays the change in the index values the two previous rolling quarters. In other words, the "current quarter" is the average of the index for the past three months (June, July, and August) while the "previous quarter" is the average of the index for the three preceding months (March, April, and May). On the horizontal axis are the components of the *current index of economic activity*. The composite component, as shown on the far right of the chart, is the overall change in the economic activity in Humboldt County and displays an increase in the index from 100.2 to 102.5. Housing sales, retail sales, and tourism declined in the current quarter, the most notable change being a decline in tourism. Employment, manufacturing, and energy experienced increases. The sharp rise in manufacturing suggests that lumber activity is strong.



To indicate likely direction of change in the future, we track help wanted advertising, manufacturing orders for the next month, and claims for unemployment insurance. These are leading indicators that should signal what will happen to economic activity in the coming month. Help wanted advertising and orders were both up in August, while claims for unemployment insurance were sharply down. This suggests that the local economy will continue to experience economic growth in the near future. Moreover, the County's performance is consistent with the strong growth modes of both the state and national economies. At the national level, the coincident index of economic activity in July increased by 0.1 percent while the leading indicators index rose by 0.2 percent.



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