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April 1998

Key Statistics		Leading Indicators	
County:		<i>Seasonally Adjusted</i>	% Change in March
Median Home Price (March)*	\$116,900	Help Wanted Advertising	-6.78
30 Yr. Mortgage Rate (04/24)	7.383%	Building Permits	-1.73
Prime Rate (04/24)	8.5%	Unemployment Claims	-19.49
Unemployment Rate (March)	8.2%	Manufacturing Orders	-4.08

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

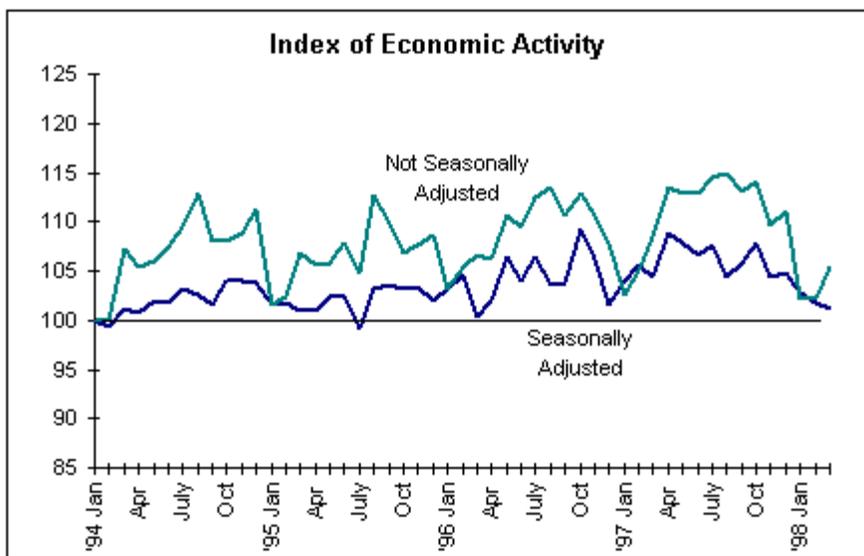
Note: Based on information we have accumulated on the Humboldt County economy, we have revised the index start in January by changing the weights assigned to various economic sectors. Careful readers will notice the change by comparing the plotted index values in the chart below to the chart from previous months. This revision will result in the index being a more stable reflection of the Humboldt County economy.

Monthly Change

The seasonally-adjusted *Index of Economic Activity for Humboldt County* declined slightly from 101.7 in February to 101.2 in March, a drop of about 0.5 percent. Continued unseasonably heavy rainfall in March is a likely culprit, indicated in part by the decline in the hospitality sector of the index. Nevertheless there were several sectors that did show an increase. Most prominent of these was home sales, which increased 60 percent, though this sector normally displays substantial month-to-month volatility and so has only a small role to play in the composition of the index.

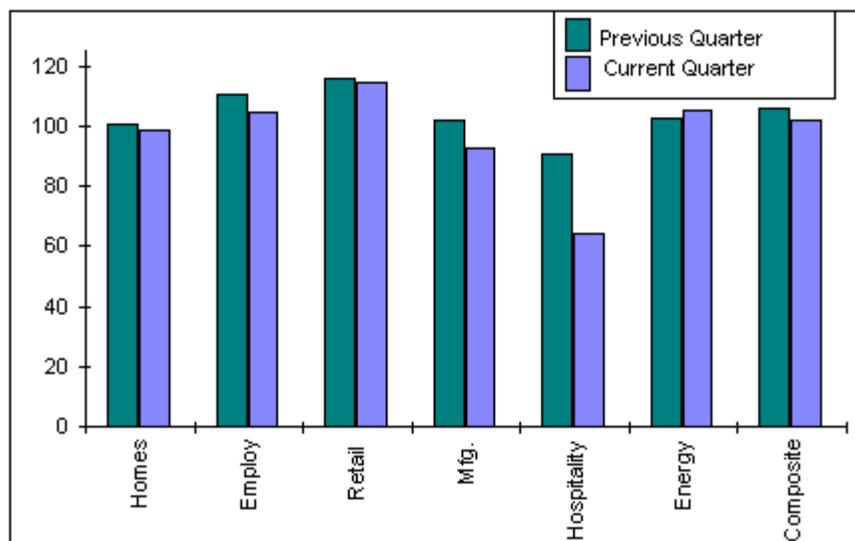
The raw (non-seasonally adjusted) index increased by a mere 3 percent, from 102.1 in February to 105.4 in March.

This indicates that the normal spring rebound in the County economy has not yet fully manifested itself. The chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to March 1998. 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. Output in the first quarter of this year (January through March) decreased by 3.6 percent--from 103.1 to 101.9-- as compared to the fourth quarter of last year (October through December). All the index components except for energy decreased this quarter. The sectors showing the sharpest dropoff were manufacturing and hospitality with drops of 9 and 29 percent respectively. These are both weather-sensitive sectors and demonstrate the continued economic impact of our unusually wet winter. The chart below plots the quarterly index values for each sector in the index.



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 indicated in the table at the top of the page, manufacturing orders dropped after four months of sustained growth, while the number of building permits issued decreased for the second month in a row. Help wanted advertising decreased as well. A positive signal however, is that claims for unemployment insurance fell by nearly 20 percent. Thus the leading indicators are somewhat in conflict with one another and offer little guidance.

It is likely that once things dry out up here there will be a burst of economic activity that had been suppressed by the weather, such as postponed tourism (reflected in higher occupancy rates in area hotels and motels), construction, and industrial forestry. The magnitude of the usual summertime level of economic activity could be tempered by decreased demand in asian markets for lumber, pulp, and other industrial products of the local area.

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