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July 1997

Key Statistics		Leading Indicators	
County:		<i>Seasonally Adjusted</i>	% Change in June
Median Home Price (June)*	\$116,000	Help Wanted Advertising	-0.03
30 Yr. Mortgage Rate (7/25)	7.625%	Building Permits	17.01
Prime Rate (7/25)	8.50%	Unemployment Claims	13.75
Unemployment Rate (June)	6.6%	Manufacturing Orders	6.16

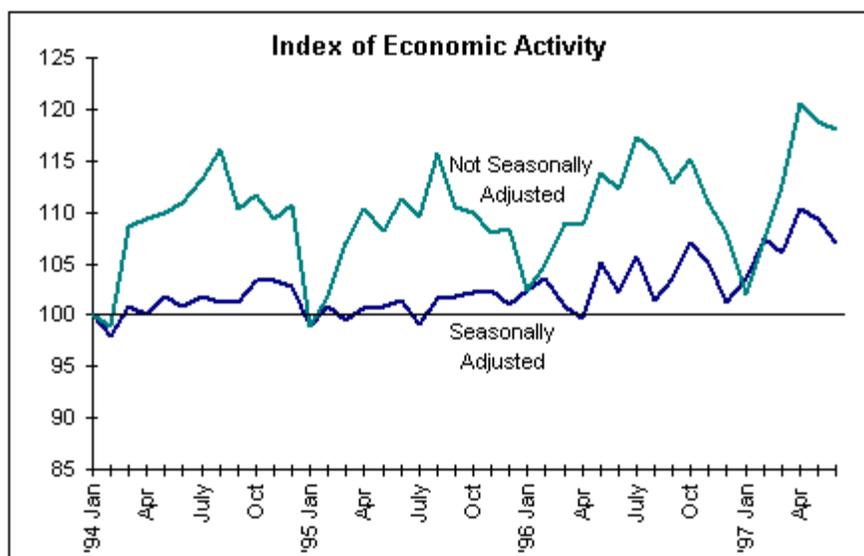
*Home price data are provided by the Humboldt County Board of Realtors

Monthly Change

The *index of economic activity for Humboldt County* dropped during the month of June, and it appears that the economy is returning to a more normal level after the extremely strong activity of April and May. The seasonally adjusted index fell from 109.3 in May to 107.0 in June, a decrease of 2.1 percent. The base month for the index is January 1994 in which the index value is set at 100. Energy use increased and the housing market boomed with an increase of almost 25 percent. Retail sales, manufacturing, and hospitality dropped, while employment stayed the same.

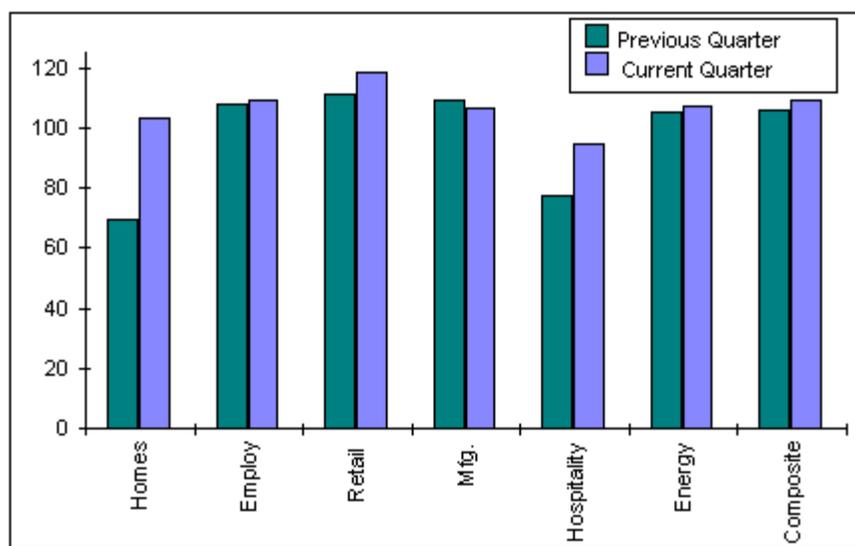
The non-seasonally adjusted index also experienced a slight decrease from 118.9 to 118.0. This is unusual, as it is typical for the non-seasonal index to rise from January to August and then decline through December. However, since the economy has been operating at a high level of activity for the past two months, we expect the economy is adjusting to a more normal level. The chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to June 1997. The seasonally adjusted series corrects for seasonal variation in the data, therefore it is a

better measure of fundamental change in the economy.



Quarterly Change

We also look at the economy's performance over a longer period of time by comparing the two previous rolling quarters. The economy in the second quarter (April, May and June) increased as compared with the first quarter (January, February, and March). The composite index increased from 105.6 to 108.9, an increase of 3.13 percent. This reflects the strong growth in housing, retail sales and hospitality over the past several months. The chart below plots the quarterly index values for each sector in the index. All sectors except manufacturing increased in the current quarter relative to the previous quarter.



Leading Indicators

We track four leading indicators to indicate direction of change in the economy in the coming month. These are help-wanted advertising, building permits issued, manufacturing orders, and claims for unemployment insurance. As the table above shows, manufacturing orders and the demand for building permits both increased this month. However, unemployment insurance claims increased while help wanted advertising saw little change. Given the mixed signals from these leading indicators, we predict that the seasonally adjusted *index of economic activity for Humboldt County* will not change significantly in July. The economy should maintain its relatively strong level of activity.

