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March 1998

Key Statistics		Leading Indicators	
County:		<i>Seasonally Adjusted</i>	% Change in February
Median Home Price (February)*	\$115,000	Help Wanted Advertising	-12.92
30 Yr. Mortgage Rate (03/30)	7.108%	Building Permits	9.79
Prime Rate (03/30)	8.5%	Unemployment Claims	23.61
Unemployment Rate (February)	8.9%	Manufacturing Orders	8.09

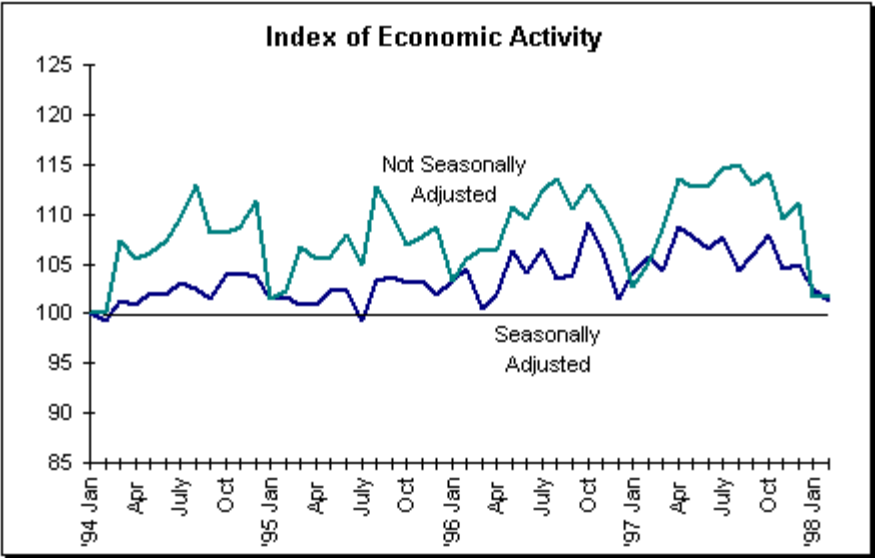
\*Home price data are provided by the Humboldt County Board of Realtors.

***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

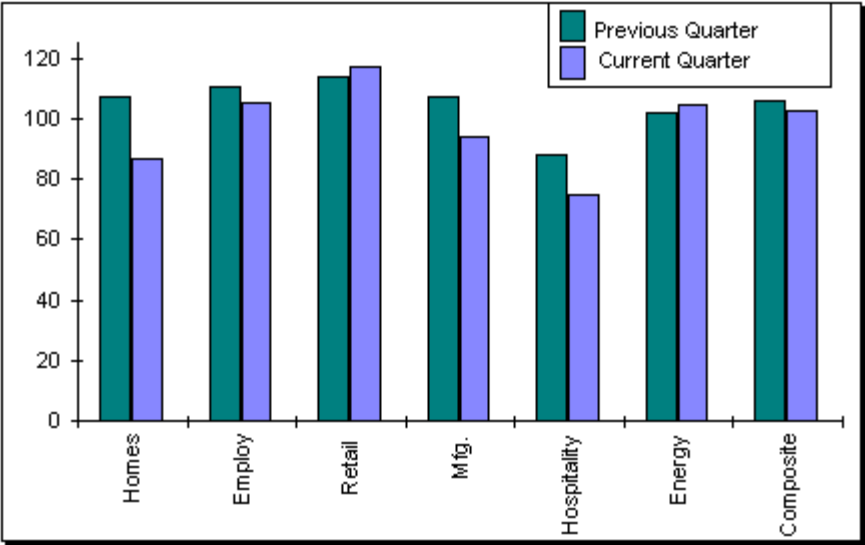
The seasonally-adjusted *Index of Economic Activity for Humboldt County* decreased slightly during the month of February, falling about 1 percent from 102.4 in January to 101.2 in February. Eureka and vicinity experienced approximately 14 inches of rain in February (around 300 percent of normal), which undoubtedly kept people indoors and so helped contribute to an 18 percent decline in home sales. Other weather-related declines occurred in hospitality, manufacturing, and retail sales. In contrast employment rose slightly, while energy consumption, generally the most stable element of the index, remained virtually unchanged.

The raw (non-seasonally adjusted) index remained unchanged from the January figure of 101.7, providing a stark indication that we must wait at least another month for the usual spring rebound in the local economy. The chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to February 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 current quarter (December, January, February) decreased by 3 percent--from 106 to 102.8--as compared to the previous quarter (September, October, November). Home sales, manufacturing, and hospitality saw significant decreases of 19, 12, and 15 percent respectively. The sharp declines in these weather-sensitive sectors all point to the economic impact of our unusually wet winter. The employment sector dropped as well. Retail sales and energy consumption increased slightly. 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 help-wanted advertising, building permits issued, manufacturing orders, and claims for

unemployment insurance. As indicated in the table at the top of the page, orders are up for the fourth month in a row, and permits recovered somewhat from a large decrease last month, both of which are positive signals. However, a large decrease in help wanted advertising, together with an even larger percentage increase in claims for unemployment insurance, counteract the positive signals from the other indicators. Thus the leading indicators do not provide much useful information on the direction of change in the county economy in the near future. Probably the single most important factor affecting the index in March will be the extent to which the El Nino weather pattern continues to generate above-normal rainfall for the region.

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