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## INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

Professor Steven Hackett, Director

October 1998

Key Statistics		Leading Indicators	
Humboldt County:		<i>Seasonally Adjusted</i>	%Change in September
Median Home Price (September)*	\$122,643	Help Wanted Advertising	-9.57
30 Yr. Mortgage Rate (10/27)	7.00%	Building Permits	45.99
Prime Rate (10/27)	8.00%	Unemployment Claims	-0.98
Unemployment Rate (September)	6.0%	Manufacturing Orders	-1.08

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

### Monthly Change

The seasonally adjusted *Index of Economic Activity for Humboldt County* rose from 104.9 to 106.6 during the month of September, a modest increase of 1.7 percent. The rather small overall increase in the *Index* is primarily due to unchanged levels of electricity usage and labor employment, and masks strong performance in the home-sales, retail, manufacturing, and hospitality sectors.

Seasonally adjusted home sales were up 9.3 percent during September. Moreover, in the month-on-month comparison, seasonally-adjusted home sales were stronger in September 1998 than in any previous September since we began tracking the Humboldt County economy in 1994. The decline in interest rates probably explains a good bit of this

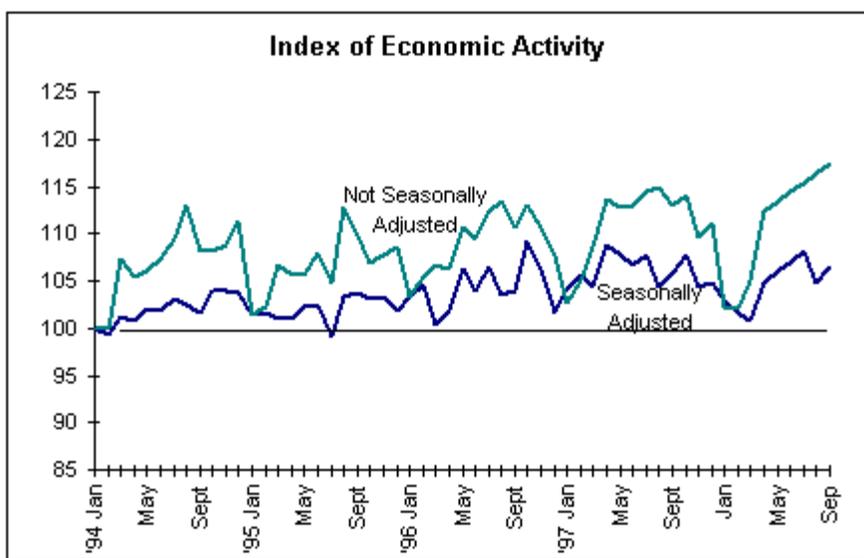
increase.

Seasonally adjusted retail sales were up 5.7 percent during September. As with home sales, in the month-on-month comparison, seasonally adjusted retail sales were stronger in September 1998 than in any previous September since we began the *Index* in 1994. Particularly striking is that seasonally-adjusted retail sales in September 1998 were about 25 percent above levels observed in 1994 - 1996, indicating that the retail sector is enjoying marked growth.

Seasonally adjusted manufacturing output (primarily board-feet of lumber) was up 10.1 percent during September. Seasonally adjusted manufacturing output in September 1998 was very similar to that of September 1997, but both are about 15 percent above 1994 - 1996 levels.

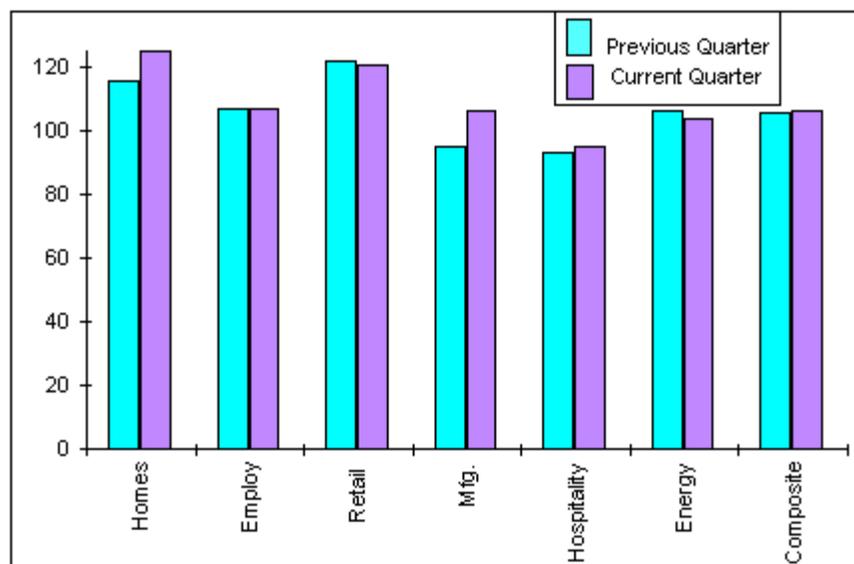
Seasonally-adjusted occupancy rates in the hospitality sector of the *Index* were up nearly 5 percent during September 1998. This sector experiences substantial fluctuations. For example, September 1998 occupancy rates were about 25 percent above those observed in September 1997, but were very similar to the rates observed in September 1996.

For those of you who are new or less familiar with the Index, the chart below plots the seasonally adjusted and non-seasonally adjusted index values from January 1994 to September 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. The quarterly index value for the current rolling quarter (July through September) is 106.5, essentially the same as was observed during the previous rolling quarter (April through June). Comparing the two rolling quarters, home-sales and the hospitality sector experienced modest growth, while the other sectors were essentially unchanged.



## 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 is frequently the case in the County economy, the leading indicators are mixed. As the table at the top shows, building permits increased by a huge amount during September, while help-wanted advertising was down by almost 10 percent, and the other sectors were essentially unchanged. The large burst of building activity is likely a response to falling interest rates. Many economists anticipate further interest rate declines in the coming months. If rates do continue to fall, the local impact will be significantly more building activity, which results in additional income flowing through our County economy.

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