

THE WHATCOM INDEX OF ECONOMIC INDICATORS



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The Whatcom County Index of Economic Indicators (WIND) is an equal-weighted average of nine seasonally adjusted and smoothed series that represent outside forces and activities that have the potential to lead a considerable segment of the local economy. Given the month to month noise and other limitations of the data, the overall index appears to statistically lead upturns and downturns in the non-basic sectors (e.g., construction and services) of the economy by up to 12 months. Details of the nine components appear below.

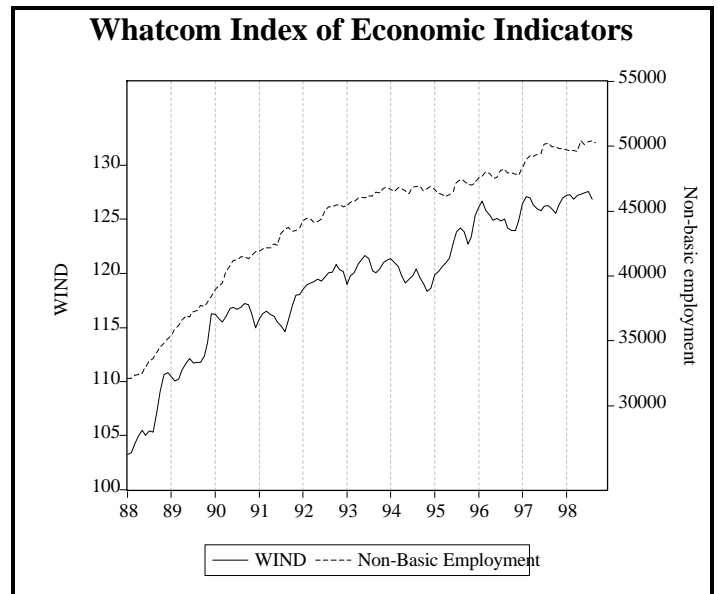
Overall Trend Since 1987. Although historically WIND has trended upward since its starting point in 1987, its rate of growth changed quite dramatically in early 1990. This period was nearing the end of the rapid expansion period in the U.S., Washington State, and more specifically in Whatcom County resulting from buildup of the retail infrastructure, immigration, and other economic factors. Since 1990, WIND has grown more modestly which has been generally matched by slower growth in the local economy.

Most Recent Trends. During the last sixteen months WIND has shown three distinct trends. First was the downward trend from February 1997 through October 1997. The index then trended upward through the middle of 1998. August 1998 has brought a downturn trend in the WIND index.

Trend From Feb-97 to Oct-97. The overall index experienced a downward trend beginning in February 1997. A decrease in the number of border crossings during this period contributed to WIND's decline. A drop in building permits also fueled this trend. Initial claims for unemployment insurance rose during this period while basic employment declined, further contributing to the overall downward trend in the index.



Trend From Oct-97 to Jul-98. Three distinct trends were seen in this period alone. WIND rose until early 1998 when it took a one month slump, and rose again through July. Factors contributing to this overall positive trend include Kilowatt usage hours and basic employment, both increasing during this period as a whole. Claims for unemployment insurance and interest rates both saw declines during this period, also contributing to WIND's overall upward trend.

Trend From Jul-98 to Aug-98. WIND has currently experienced a downward trend during the period from July to August. Kilowatt usage hours have decreased, pulling the index down. Basic employment has also slipped from where it was in July. Claims for unemployment insurance have increased during this period. These three factors have culminated in an overall downward trend from July to August 1998. This decline in WIND indicates only slight growth in the local economy through the beginning of 1999.



WHATCOM INDEX OF ECONOMIC INDICATORS (WIND)
 Percent Change from Previous Month (Jan. 1992 = 100)

Index	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98
WIND	127.19	127.29	126.89	127.20	127.33	127.48	127.53	126.88
% Change	0.18%	0.08%	-0.32%	0.25%	0.10%	0.11%	0.04%	-0.51%
Basic Employ.	161.25	162.71	163.65	164.28	163.48	163.42	162.15	159.16
% Change	4.13%	0.90%	0.58%	0.39%	-0.49%	-0.03%	-0.78%	-1.84%
Building Permits	108.65	106.92	105.10	105.49	105.16	106.93	107.33	109.33
% Change	-0.43%	-1.60%	-1.70%	0.37%	-0.31%	1.68%	0.37%	1.86%
Labor Force	187.60	188.51	188.45	189.36	188.45	186.97	189.29	189.49
% Change	-1.37%	0.49%	-0.03%	0.48%	-0.48%	-0.78%	1.24%	0.11%
Border Crossings	100.40	100.39	100.47	100.06	99.82	99.42	99.75	99.10
% Change	-1.36%	0.00%	0.08%	-0.41%	-0.24%	-0.40%	0.33%	-0.65%
Power Usage	126.18	125.86	124.56	126.13	127.41	128.10	127.66	126.02
% Change	-1.37%	-0.25%	-1.03%	1.26%	1.01%	0.54%	-0.34%	-1.29%
Help Wanted Ads	128.40	127.22	126.92	126.67	126.54	126.60	126.30	125.94
% Change	0.03%	-0.92%	-0.23%	-0.19%	-0.11%	0.04%	-0.24%	-0.28%
Unemp. Claims	96.69	96.32	97.20	96.52	96.25	96.42	97.51	99.41
% Change	-1.84%	-0.38%	0.91%	-0.70%	-0.29%	0.18%	1.12%	1.95%
Mortgage Rates	82.54	82.45	82.47	82.31	81.75	80.99	80.71	80.52
% Change	-0.49%	-0.11%	0.02%	-0.19%	-0.67%	-0.93%	-0.35%	-0.24%
Wash. State Index	107.85	109.07	108.56	107.54	108.66	108.36	108.66	108.15
% Change	-0.38%	1.13%	-0.47%	-0.94%	1.04%	-0.28%	0.28%	-0.47%

<i>Other Important Series</i>		Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98
	U. S. Leading Ind.	104.60	105.00	105.20	105.30	105.20	105.00	105.50	105.50
	% Change	0.10%	0.38%	0.19%	0.10%	-0.09%	-0.19%	0.48%	0.00%
	Whatcom Unemp. (Seasonally Adjusted)	5.91%	5.14%	5.20%	5.06%	5.13%	5.48%	5.77%	5.86%
	\$US/\$CAN Exchange	\$ 0.69	\$ 0.70	\$ 0.71	\$ 0.70	\$ 0.69	\$ 0.68	\$ 0.67	\$ 0.65
	Aluminum (price per lb.)	\$ 71.92	\$ 70.44	\$ 69.19	\$ 68.75	\$ 66.00	\$ 63.40	\$ 63.45	\$ 63.31
	*Producer Price Indexes (1982-84 = 100)								
	Refined Petroleum	57.10	54.40	50.60	52.80	54.90	53.20	51.60	49.00
	Pulp and Paper	172.30	172.20	172.10	172.30	172.20	172.00	172.00	171.70
	Lumber and Wood	181.10	182.20	182.40	182.50	180.40	177.50	177.90	179.40
	Food and Feedstuffs	131.30	131.70	130.90	130.80	131.50	131.50	131.80	132.30

* Source: U.S. Department of Commerce: *Survey of Current Business* and *Electronic Bulletin Board*.

Components of WIND

Whatcom County Non-Ag Manufacturing and State and Federal Government Employment

This series represents *basic* sector activity and is the sum of non-ag manufacturing, state and federal government employment. (Source: Washington State Employment Security Department)

Whatcom County Labor Force

The labor force consists of all persons who are either employed or seeking employment. Reductions in the labor force may signal out-migration or discouraged workers while increases to the labor force may be the result of encouraging economic and employment conditions.

(Source: Washington State Employment Security Department)

Whatcom County Total U.S./Canada Border Crossings

This series is the number of pedestrians and passengers in autos, trucks, and busses crossing the U.S.-Canada border at customs stations in the county. In response to exchange rate changes and other economic factors, changes in border crossings indicate the movement of tourists, cross-border shoppers, business interaction, and trade via the I-5 corridor. (Source: United States Customs Service)

The Number of Local Newspaper Help-wanted Ads

The series is the number of classified help-wanted ads appearing monthly in the *Bellingham Herald*. Although this series may not consistently predict upswings in the economy as employers first increase employee hours or re-hire recently laid off workers, the series should lead in other periods. (Source: *Bellingham Herald*)

Total Dollar Valuation of Construction Authorized by Building Permits (City of Bellingham)

This series is the inflation adjusted value of authorized building permits issued in a given month by the City of Bellingham. It shows anticipated fixed capital investment in structures by business, households, and the public sector. Only data for the City of Bellingham are reported here. (Source: City of Bellingham Building Services Division)

Whatcom County Total Industrial and Commercial Kilowatt Hours

This series is the amount of electrical power used by most of the industrial and commercial businesses in Whatcom County. In the short-run, changes in energy consumption may reflect hours worked and capacity utilization for many firms in Whatcom County. The series may also reflect additions to the capital equipment base and indicate economic (production) activity that is not represented in either manufacturing employment or government components. (Source: Puget Sound Energy, Northern Division)

Washington Index of Leading Indicators

Fluctuations at the state and national level may be indicative of more general trends affecting Whatcom County. The Washington Index of Leading Indicators uses the U.S. Index of Leading Economic Indicators as one of its component series. (Source: Washington State Office of the Forecast Council)

Whatcom County New Claims for Unemployment Insurance

This series is the number of new claims for unemployment insurance (regular entitlement) and is also used to represent the economic process of employment creation and decline. This series may reflect new employment opportunities (a decline in the series) or declines in employment levels as the result of firms closing or laying off workers. The series is adjusted for the size of the local employment base. For the calculation of WIND, this series is inverted so that a downturn in new claims results in a positive impact to the index. (Source: Washington State Employment Security Department)

U.S. Mortgage Rates

This series represents changes in long-term interest costs. In general, when long-term rates decline, more economic activity occurs in consumer, real estate, and other sectors, which can lead to changes in the region's employment level. This series is also inverted to calculate WIND so that lower interest rates result in a positive contribution to the index. (Source: Federal Home Loan Mortgage Corporation)



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