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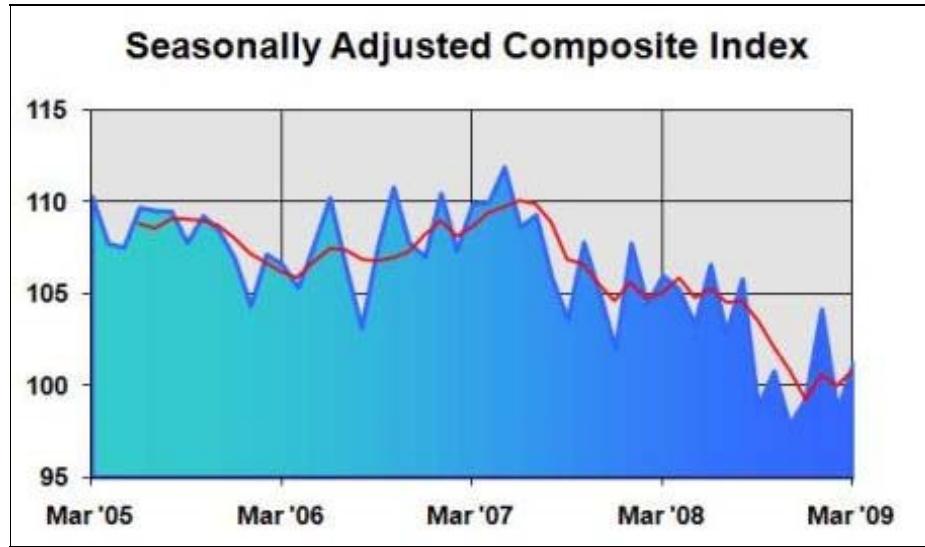
April 2009

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#20

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The seasonally adjusted composite Index is represented in the graph above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Composite Index and Overall Performance

The Humboldt Economic Index measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted Index that shows changes relative to the base month (January 1994). The composite Index is a weighted combination of six individual sectors of the local economy. The current Index is based on the most recently available data, which is generally data from the previous month.

Humboldt County's Composite rose 2.6 percent from the previous month to 101.2. The only two sectors to experience contraction were the Home Sales and Total County Employment indices. The decline of home sales activity is partly due to the contraction of the county's employment. Even with falling home prices potential buyers are deterred from entering the market as job security remains uncertain in Humboldt County. Manufacturing activity rose approximately 46.7 percent from the previous month but is still well below the one and five year ago marks. Retail remained the strongest component of the index expanding 6.6 percent from March 2009 to a seasonally adjusted value of 152.9, which is about on par with that of March 2008 level. Leading indicators suggest no to slight decreases in economic activity as the unemployment rate continues to deepen and unemployment claims continues its steady march beyond record high set at 126.2. Help-wanted is also down which will also contribute to a slowing of activity throughout the county.

Composite & Sectors

| | | Percent Change From: | | | |
|--------------------------------|--------------|----------------------|----------------|------------------|-----------------|
| Index | Value* | Last Month | One Year Ago** | Five Years Ago** | Ten Years Ago** |
| Composite | 101.2 | 2.6 | -4.5 | -9.1 | -8.8 |
| Home Sales | 66.45 | -12.9 | -17.6 | -55.9 | -45.1 |
| Retail Sales | 152.9 | 6.6 | -0.4 | 4.1 | 19.5 |
| Hospitality | 86.3 | 1.2 | -10.5 | 0.1 | -4.5 |
| Electricity Consumption | 130.5 | 4.3 | -2.5 | 5.7 | 2.7 |
| Total County Employment | 100.5 | -1.9 | -3.7 | -3.4 | -3.9 |
| Manufacturing | 47.4 | 46.7 | -5.2 | -44.6 | -58.2 |

* These values are adjusted to remove seasonal fluctuation. The base month is Jan. of 1994, with an Index value of 100.

** The percent change from the same month one, five and ten years ago.

Key Statistics

| Median Home Price* | Mortgage Rate† | Unemployment Rate‡ |
|--------------------|----------------|--------------------|
| \$265,000 | 4.375% | 10.3% |

* Home price data are provided by the Humboldt Association of Realtors. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does not verify such information provided and disclaims any responsibility for its accuracy. Each Participant agrees to hold the Service harmless against any liability arising from any inaccuracy or inadequacy of the information.

† 30 year owner occupied conforming conventional fixed rate provided by Umpqua Bank.

‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.

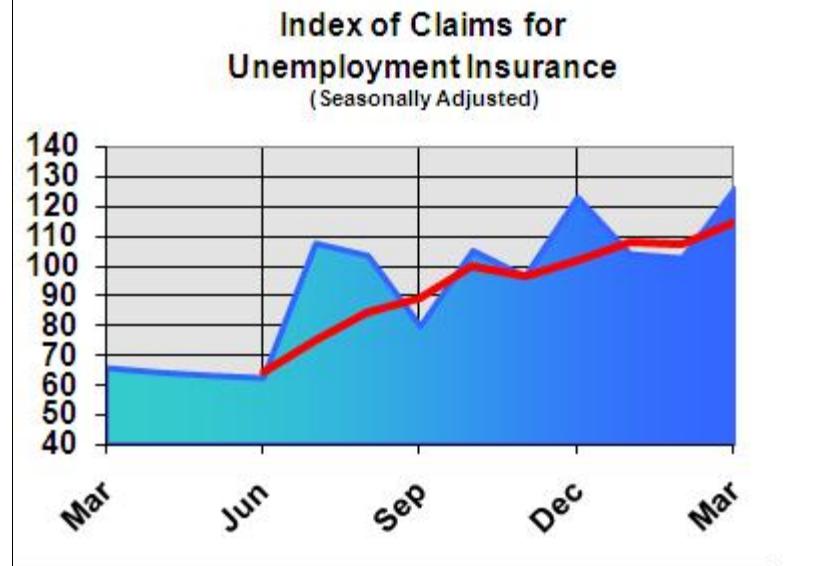
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Leading Indicators

| Leading Indicators | | | | |
|--------------------------|---------------------|-------------------------|------------------|----------------------|
| | Unemployment Claims | Help Wanted Advertising | Building Permits | Manufacturing Orders |
| Change from Prior Month* | 22.5% | -10.9% | -31.6% | N/A |

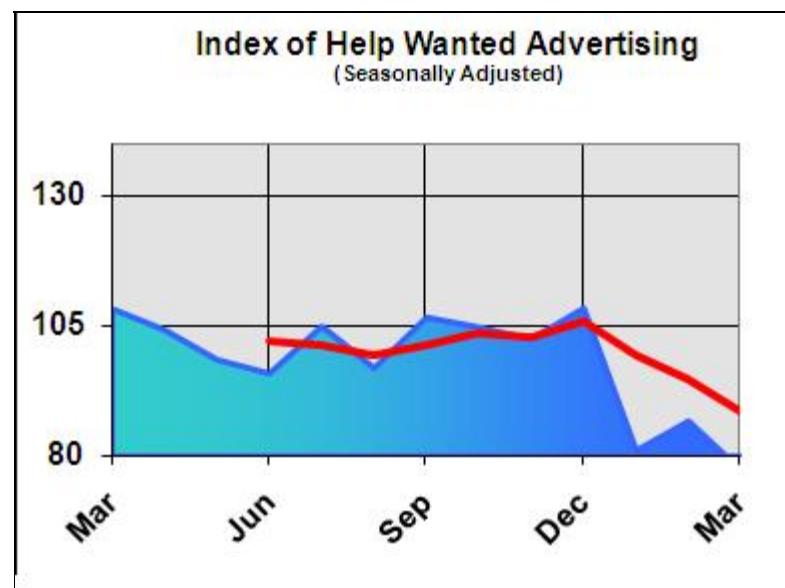
* All values are seasonally adjusted.

The Index tracks four leading indicators to get a sense of the direction that the county economy may take in the near future. The four leading indicators are (1) number of claims for unemployment insurance, (2) help wanted advertising, (3) building permits, and (4) expected manufacturing orders. The graphs in this section use a four-month moving average of seasonally adjusted index values in order to demonstrate the overall trend in the data with less monthly volatility.



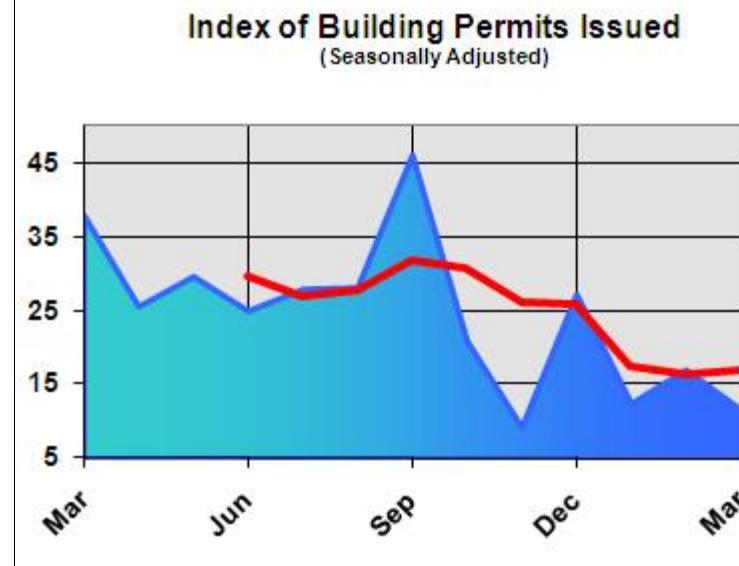
The seasonally adjusted Index of Unemployment Claims is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Unemployment claims shot up 22.5 percent to a seasonally adjusted index value of 126.2. As seen in the graph above the four month moving average clearly shows an upward trend as of late. As more persons file for unemployment insurance there will be less discretionary spending which will negatively affect sales in non-necessary or luxury products.



The seasonally adjusted Index of Help Wanted Advertising is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Help-Wanted Advertising declined by 10.9 percent to a seasonally adjusted index value of 77.3. A decline in this index could translate into future weakness in the demand for labor. This could put pressure on future unemployment rates which could affect future strength in any of the other sectors.



The seasonally adjusted Index of Building Permits is represented above by the blue area. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Permits declined 31.6 percent from the previous month and 69.2 percent from March 2008. Declines in this market symbolize a cooling off of local economic activity as investment is slower to enter the economy due to a sluggish demand in local and neighboring markets.

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Individual Sectors

Home Sales

The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Home Sales Index contracted 12.9 percent from the previous month and 17.6 percent from the March 2008. The median home price in the county declined \$1500 to \$265,000 while interest rates for the county remain unchanged and at favorable levels for potential buyers. Even though prices are falling and interest rates remain low, buyers are experiencing hardships in the employment industry which ultimately will affect the housing market. With the Claims for Unemployment Insurance Index up and the Help-Wanted Advertising down we could see continued weakness in the housing market as possible buyers stay out of the market until they obtain a secure job which makes a good wage.

The S&P/Case-Shiller 20-City Composite Home Price Index, the best gauge of national house prices, fell at an annual rate of 18.6 percent in February.

The California Association of Realtors reported that sales declined 16 percent from February, but is up 63.8 percent from March 2008. Median home prices are down 39 percent from March 2008. **The National Association of Realtors** also reported sales of all housing types declined 3 percent from February 2009 and 7.1 percent down from the same period last year. Median home price for all housing types rose 4.2 percent from the previous month, but are down 12.4 percent from March 2008. Median prices for single-family homes declined 11.5 percent from twelve months ago.

Freddie-Mac reported the national average commitment rate for a 30-year, conventional fixed-rate mortgage fell to an all time low to 5.00 percent. In the previous month it averaged 5.13 percent while twelve months ago the average stood at 5.97 percent. Continued declines in interests rates may attract future home buyers, but only if employment begins to stabilize allowing buyers to feel secure in their purchase.

For a local perspective on the possibility of a housing bubble, visit our **Special Projects** page for a study of the Humboldt County housing market. Also, visit the **Humboldt Real Estate Economics Page**.

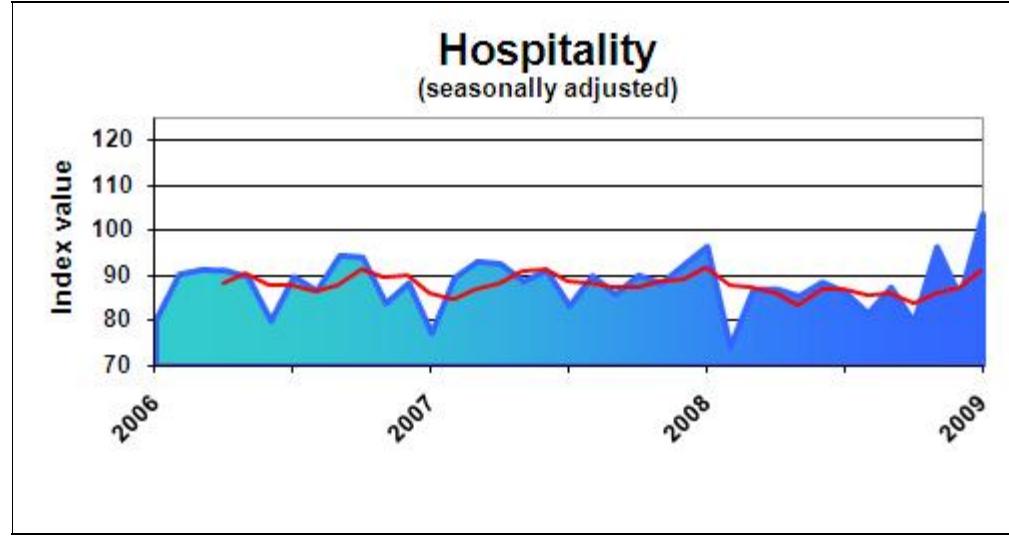
Retail Sales

The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Retail Sales remained strong through March as sales picked up 6.6 percent from the previous month to an index value of 152.9; while only 0.4 percent lower than the same period twelve months ago. Sales activity showed steady to increasing activity across all areas the index tracks. Some of the largest gains were seen in grocery stores while other industries kept steady levels of activity. Future sales in necessary items will most likely out pace sales of luxury items. With rising unemployment claims and dampened help-wanted advertising could put pressure on retail sales in the coming months as unemployment continues to rise and consumers purchasing power starts to dwindle. Furthermore, banks throughout the United States have begun to raise interest rates on credit cards in hopes to pay back the American people for the bailout. Accompanied to higher interest rates which increases monthly payments, gas prices are starting to rise slowly. These two factors will also put more pressure on sales activity throughout Humboldt County as the pool of discretionary spending dwindles.

Hospitality

The Index value of the hospitality sector is based on seasonally adjusted average occupancy each month at a cross section of local hotels, motels and inns.



The seasonally adjusted hospitality index is represented by the blue area in the graph above. The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

The seasonally adjusted Hospitality Index rose 1.2 percent to 86.3 when compared to last month. Hospitality is remains within its normal trends and should experience higher activity in the coming years as Humboldt State University's population continues to expand.

Gasoline Prices

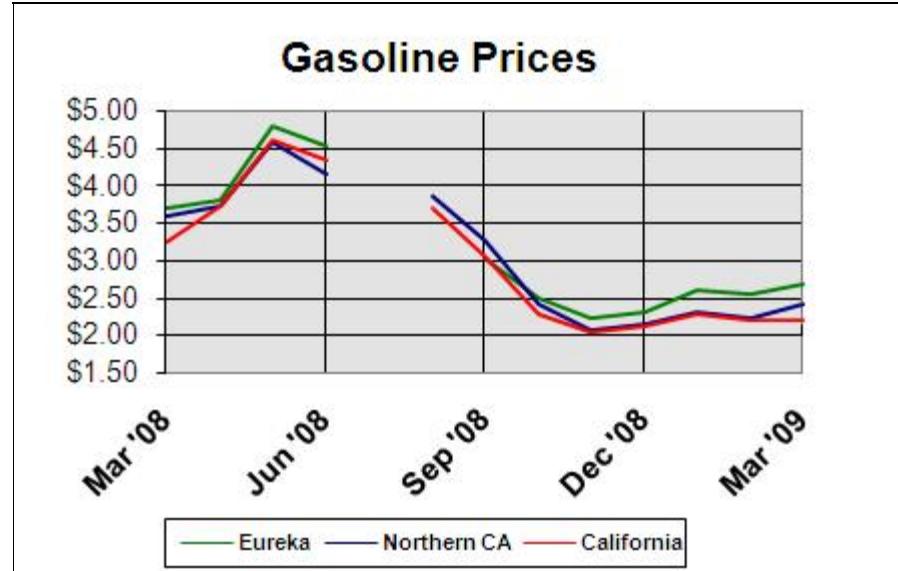
The average price of gas rose in March to \$2.66, a 14 cent increase from the previous month and is still \$1.06 below the March 2008 level. While gas prices had their drop out in mid-2008 they seem to have leveled off and slowly started to march upward. Demand for oil still remains relatively weak throughout the United States, but overseas demand for oil is picking up momentum. Largely due to increased demand from China, price of oil is nearing \$53 a barrel as of May 4, 2009. Furthermore, the dampening demand within the United States has lead to a decline in employment of the refinery industry throughout America; an estimated 663,000 jobs have been cut throughout March 2009.

For a local perspective on gasoline prices, visit our [Special Projects page](#) for our study of the Eureka gasoline market and an examination of why Humboldt County gas prices tend to be higher than the rest of California's.

| Gas Prices | | |
|--------------------------|-------------------|----------------------------------|
| Prices as of 5/1/2009 | Average Price* | Change from Previous Month |
| Eureka | \$2.66 | \$.14 |
| Northern | \$2.42 | \$.18 |

| CA | | |
|------------|--------|-------|
| California | \$2.20 | \$0.0 |

* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey (www.csaa.com).



Electricity Consumption

The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation reduce the sector's index value, while not necessarily indicating a decline in economic activity. Because we collect our data for this sector quarterly, values are frequently estimated, and are revised when the quarterly data are received.

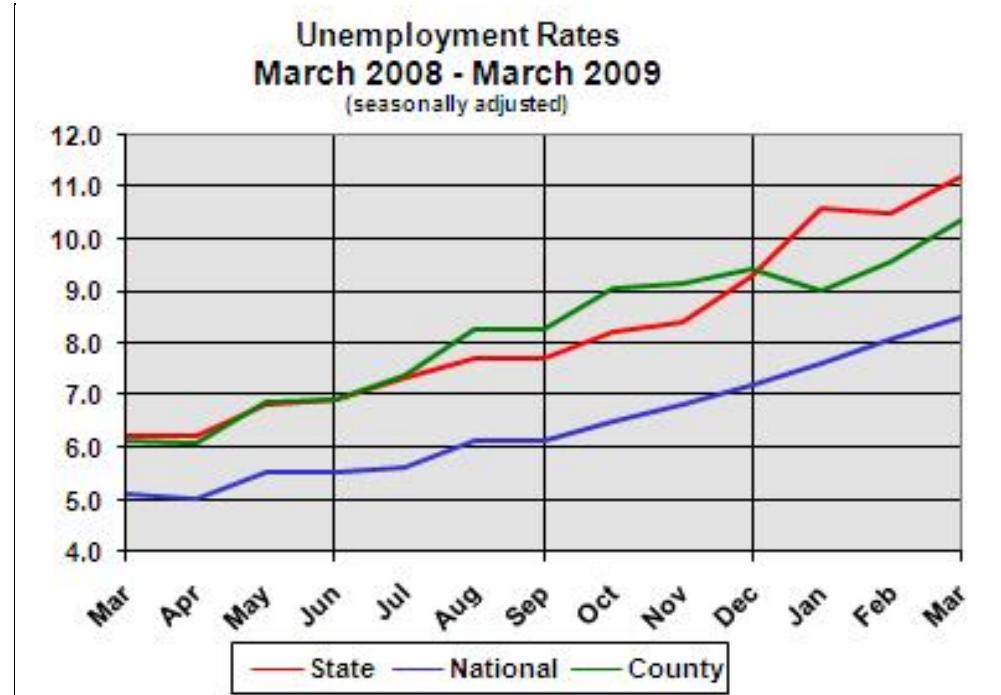
Our quarterly energy data is now available, reported energy consumption for January, February, and March were 133.8, 125.2, and 130.5 respectively. Energy Consumption for both February and March were lower than the same period twelve months ago. Natural gas consumption has remained quite volatile throughout the years; however, since 2003 natural gas consumption has regularly outpaced electricity consumption.

The Alternative and Renewable Fuels and Vehicle Technology Program, California's first transportation Investment Plan, allocates \$176 million over the following two years to aid in producing a more "green" fleet of vehicles and provides further incentives to spur on innovation to meet California's climate change policies.

Total County Employment

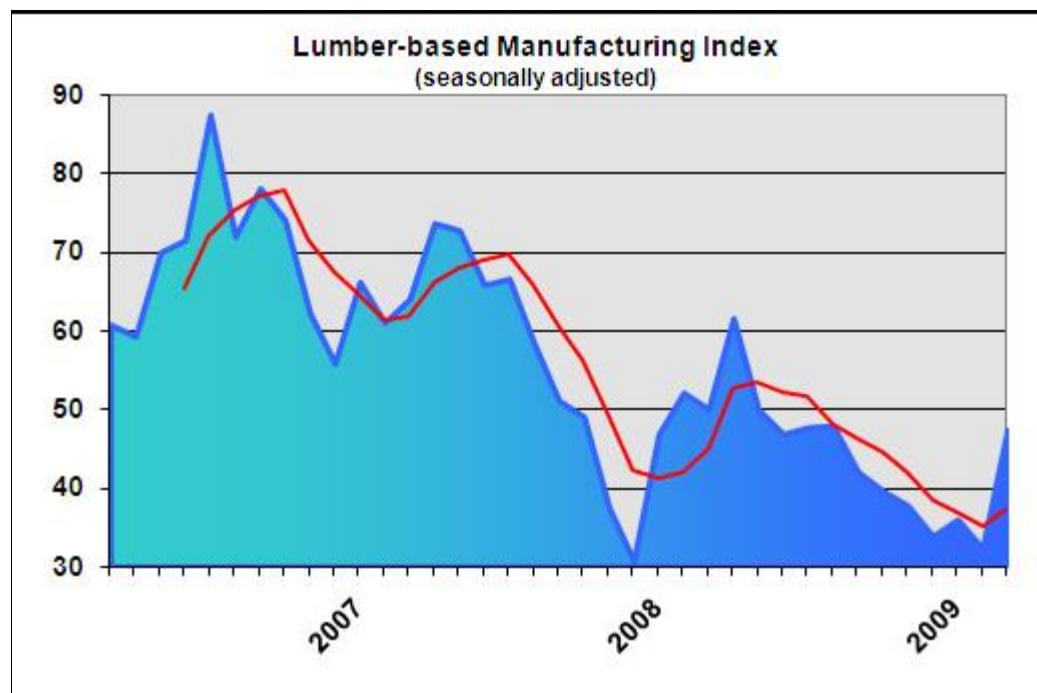
The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

The number of employed declined by 600 in March bringing the seasonally adjusted index value to 100.5, a 1.9 percent decline from the previous month. The service providing sector contracted the most of all sectors in Humboldt County, declining by approximately 200 persons; however, government had the highest gains in employment on the state and local level within Humboldt County. This increase in employment is most due to the increase in fiscal spending. The seasonally adjusted unemployment rate for the county rose again for the second month to 10.3 percent while the state unemployment rate continues to rise and is reported at a seasonally adjusted 11.2 percent. The California unemployment rate has tended upward since February 2008 due to declines in economic activity in a number of sectors throughout the economy.



Lumber Manufacturing

The index value of this sector is based on a combination of payroll employment and board feet of lumber production at major county lumber companies and is adjusted to account for normal seasonal variations. Lumber-based manufacturing generates about 55 percent of total county manufacturing employment.



The seasonally adjusted lumber-based manufacturing index is represented by the blue area in the graph above.

The red line shows the four month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

Lumber-based manufacturing activity rose to a seasonally adjusted index value of 47.4, while this is a 46.7 percent increase of the previous month it is still 5.2 percent below the March 2008 level. As seen in the graph above, manufacturing is going through rapid boom and bust cycles. Without any domestic or international demand for lumber-based manufactured goods continued overall degradation of this sector will continue.

The Institute of Supply Management reports that the manufacturing sector failed to expand in April, the fifteenth consecutive month. Demand for manufactured products remains weak domestically

and internationally, which has lead to falling prices of input and final products. Another negative indicator for manufactured goods is the continued high inventories from distributors which will put downward pressure on new orders in the future. However, the ISM does report that the contraction of manufacturing activity is beginning to slow which could symbolize the bottoming out of the national manufacturing sector.

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Explanatory Note: For those of you who are new or less familiar with the Index, we have been tracking economic activity since January 1994. The composite indices plotted as blue and red lines in the diagram at the top of this page are weighted averages of each of the six sectors described in the table above. Each sectoral index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectoral index value is currently 150, that means that (inflation-adjusted) retail sales among the firms that report data to us are 50 percent higher than in January 1994. We also seasonally adjust each sector, and the composite index, to correct for "normal" seasonal variation in the data, such as wet season vs. dry season, and so trends in the seasonally-adjusted composite index provide a better indication of underlying growth and fundamental change in the economy. Each month's report reflects data gathered from the previous month. For example, the "August 2006" report reflects data from July 2006. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

Cited References:

[The Alternative and Renewable Fuels and Vehicle Technology Program](#)

[The California Association of Realtors](#)

[Housing Affordability Mortgage Protection Program](#)

[The Institute of Supply Management](#)

[The National Association of Realtors](#)

[Price of Oil](#)

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