

Humboldt Economic Index

May 2012

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Positive Gains in Retail and Manufacturing

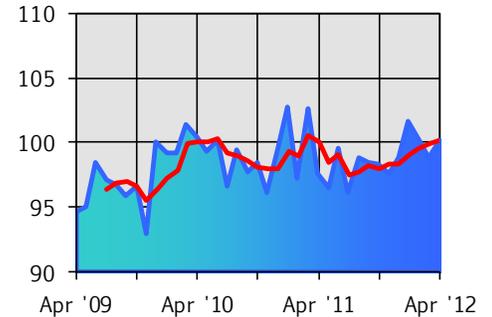
The Composite Index grew 1.4 percent from last month to a value of 100.2. Most sectors hovered around their previous month's value, but the Retail and Manufacturing industries showed growth while Unemployment Claims, a leading indicator, fell.

Regarding home sales, prices rose while the Home Sales Index dipped slightly. Houses are still not selling as they did a few years ago, but the Index value has been strong the past five months..

Total County Employment mildly decreased 0.4 percent after seasonal adjustment to 99.9. Although there was this slight decrease, there was also a decrease in Unemployment Claims. Help Wanted Advertising did fall slightly, but is at an Index value much higher than this time last year.

The largest contributors to the rise in the Composite Index were the Retail and Manufacturing sectors. Since these two sectors employ large amount of Humboldt County's workforce, rising Index values are a positive sign for

Composite Index



growth in economic activity.

Hospitality remains unchanged from last month, though the Index value is 4.1 percent lower than a year ago.

Overall, there was little change to the composition of economic activity in Humboldt County this month.

The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It 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.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	100.2	1.4	2.7	-8.8	-4.7
Home Sales	91.9	0.6	11.6	0.0	-30.6
Retail Sales	144.2	4.6	5.5	-9.9	8.0
Hospitality	79.3	0.0	-4.1	-11.4	-8.2
Electricity	138.3	0.0	5.2	4.3	33.0
Employment	99.9	-0.4	1.7	-5.4	-2.5
Manufacturing	37.6	15.6	-3.6	-48.8	-56.3

* 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.

The Index – Leading Indicators

Leading Indicators

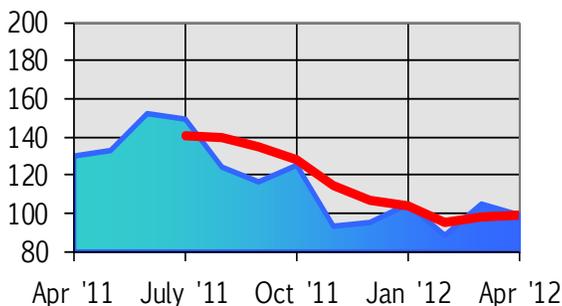
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-5.8%	N/A	-0.5%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$236,000	\$1,242	3.75%	9.9%
<p>* The Humboldt Association of Realtors provides home price data. 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.</p> <p>** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.</p> <p>† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.</p> <p>‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.</p>			

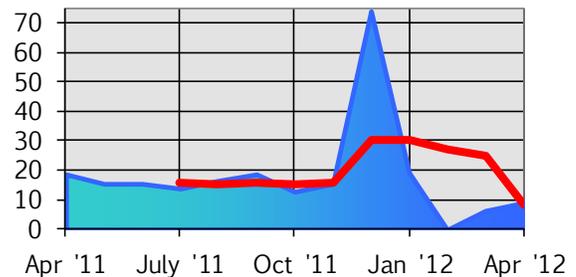
Unemployment Claims fell by 5.8 percent this month to an Index value of 99.0. While this is a moderate decline, the 4-month moving average did increase by 1.0 to a value of 99.1. Over the longer term, there has been an improvement in the values, with this month's number being 23.9 percent lower than at this point last year.

Index of Claims for Unemployment Insurance



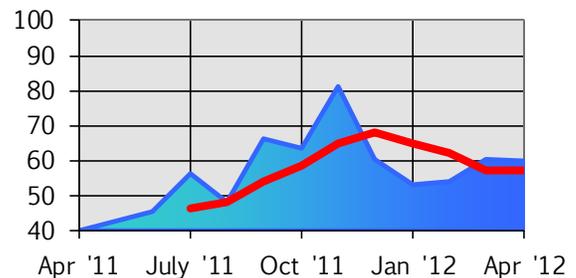
Building permits have slowly been increasing in number issued as this month has increased to an Index value of 8.53 up from 5.83. This remains a low point in the historical data, shrinking 53.8 percent from this time last year. Though there is improvement, it should be noted that this economic indicator is currently underperforming relative to previous years.

Index of Building Permits Issued



Help Wanted Advertising has declined very slightly to a value of 60.3, which is 0.5 percent lower than last month. Relative to this time of the year, however, Help Wanted Advertising has risen 49.3 percent compared to one year ago. This is a potential sign of reduced future unemployment, as businesses want to hire more employees.

Index of Help Wanted Advertising



Graphs Explanation: The blue area represents the seasonally adjusted Index of Unemployment Claims 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 Index – 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.

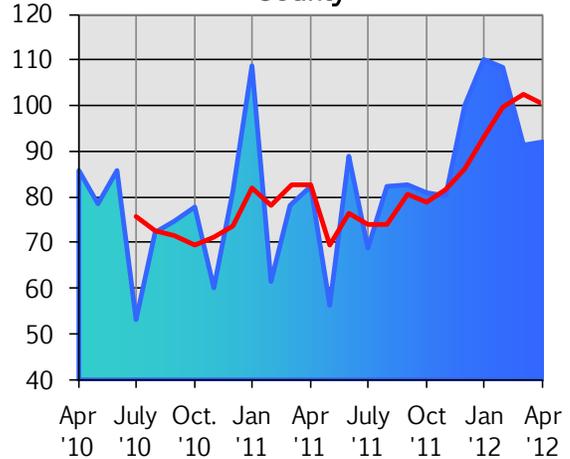
The Humboldt County Home Sales Index increased very slightly by 0.6 percent to an Index value of 91.94. Median home prices rose by 2.6 percent to a price of \$236,000, a 4.9 percent increase from last year at this time. The Index value itself has risen 11.6 percent from a year ago, displaying moderate improvement in the housing market. The average mortgage rate has decreased from 4.21 percent to 3.96 percent as reported by the Humboldt Association of Realtors.

C.A.R. reported that state-wide existing home sales grew by 11 percent from twelve months ago, while median existing home prices rose 5.7 percent from last period to \$308,050. On the national level, N.A.R. reported a month to month increase of 3.4 percent in national sales.

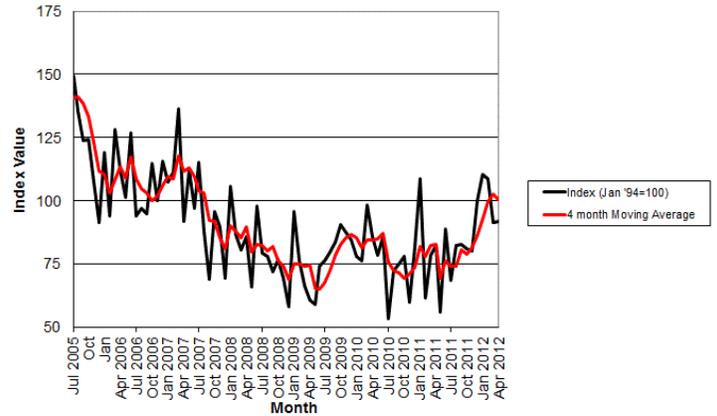
The Case-Shiller home price indexes report that there may be a stabilization of the national housing market over a moderate period. However, it is important to note that the most recent data does show that prices are falling on average. Fiserv, the generator of the Case-Shiller indexes, has predicted that national average home prices will rise at an annualized rate of 3.9 percent over the next five years. As with all economic projections, it is important to realize that predicting the future is very difficult and that it may not bear fruit.

We have updated our graphs on our Real Estate webpage for housing prices and sales. Inflation-adjusted housing prices are back to 2003 levels in Humboldt County, and housing sales have risen noticeably over the last year

Home Sales Index, Humboldt County

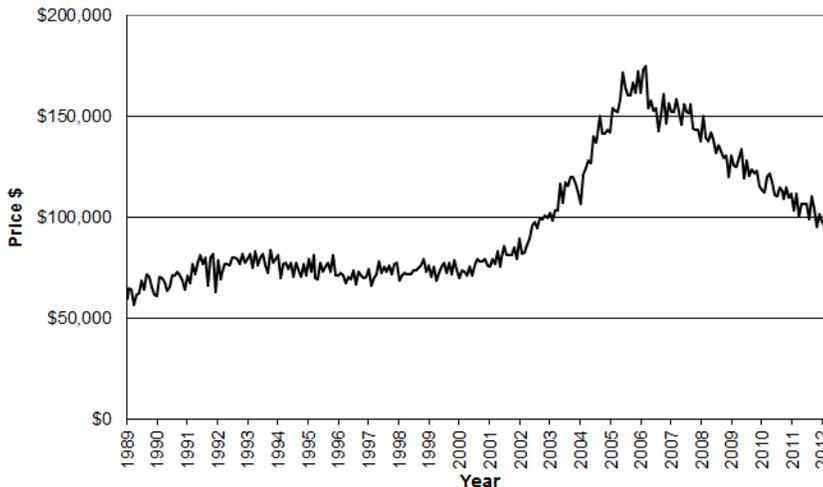


Seasonally Adjusted Home Sale Index, Humboldt County



Source: Humboldt Economic Index

Inflation-Adjusted Median Price of Houses Sold, Humboldt County



Source: Humboldt Economic Index. Amounts in 1982-84 dollars

The Index – Individual Sectors

Total County Employment

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

Total County Employment declined by 0.4 percent from the previous month to a seasonally adjusted value of 99.9, which is 1.7 percent above the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County slightly shrunk to 9.9 percent, though it is still 1.7 percent higher than the seasonally adjusted national unemployment rate, which remains at 8.1 percent. This is the first April since 2008 that the Humboldt County unemployment rate is under ten percent. The Employment Development Department indicated that there were no significant changes in the makeup of Humboldt County's employment, except for a 12.5 percent increase in agricultural employment from last month. Notably, although employment in the construction sector remains steady from last month, it is at a value 12.5 percent lower than last year at this time.

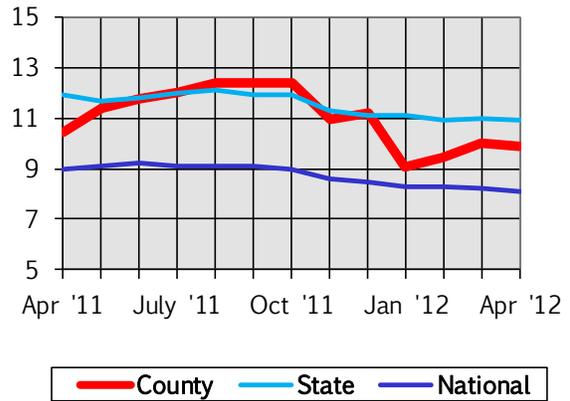
The Labor Department reported that the nation added an additional 69,000 jobs this month, with most new jobs being created in healthcare, transportation, and warehousing. There was however a decline of jobs in the construction sector.

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.

Hospitality stands virtually unchanged from the previous month at 79.3, a 0.1 increase in the Index. This is 4.1 percent less than this time last year, and the 4-month moving average fell to 80.1 from 82.7.

Unemployment Percentage Rates



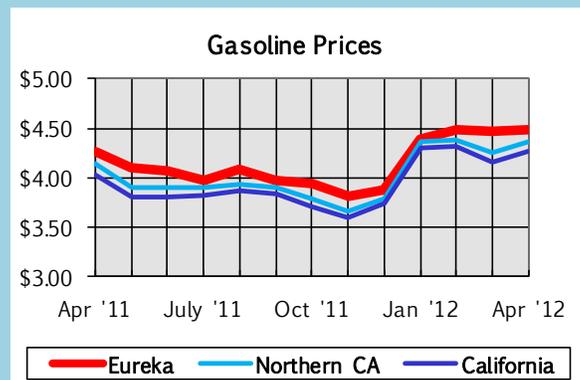
Gasoline Prices

Gasoline Prices for California went up by \$0.11 over the previous month to an average of \$4.27. The North Coast saw a similar increase of \$0.10, to an average of \$4.36. The gap between the Eureka gas price and average Northern Californian price lessened this month though, to a difference of \$0.12 as opposed to last month's \$0.21 difference. As mentioned in previous issues, if prices continue to rise, business and transportation costs will grow, making business operations costlier.

The CPI (Consumer Price Index), remained unchanged from last month but was 2.3 percent higher than twelve months ago.

Gas Prices		
Prices as of 5/30/2012	Average price*	Change from previous month
Eureka	\$4.48	\$0.01
Northern California	\$4.36	\$0.10
California	\$4.27	\$0.11

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



The Index – Individual Sectors

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 rose by 4.6 percent to 144.23, a moderate increase. Although moderate, the Retail Index is, with Manufacturing and Unemployment Claims, responsible for the gains in the Composite Index value. The Retail Index is higher than typically seen at this time of the year, a positive sign for retail performance.

However, on the national scale Consumer Confidence continued to fall to 64.9 this month from a value of 68.7, as consumers are less positive about labor prospects and more pessimistic about the short term outlook. A low or declining Consumer Confidence may signal future declines in retail as consumers begin to save more instead of spending their disposable income. On the one hand, the Consumer Confidence Survey did report that consumers were more positive about their future income, and projects that because of that we may still see moderate growth in the coming months. That will remain to be seen, as those anticipating fewer jobs increased to 21.0 percent from 18.4 percent while those claiming business conditions are "bad" increased to 34.3 percent from 33.2 percent.

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.

Lumber manufacturing grew a large amount from last month's value to a seasonally adjusted value of 37.63, a 15.6 percent increase. Although the Index value remains 3.6 percent less than this time last year, this month's seasonally adjusted Index value is the highest since last October. This is a positive indicator for greater economic activity in Humboldt County, since although the lumber industry has decreased throughout the decade it remains a large part of the local economy.

The Institute for Supply Management reported that the national manufacturing sector continued to grow for the 34th month in a row, with stable to strong sales numbers over the course of 2012 so far. However, the PMI did decrease by 1.3 percentage points to a value of 53.5. Thirteen out of the eighteen industries groups reported growth, including paper products and miscellaneous manufacturing, a good sign for the lumber industry. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

Explanatory Note: We have been tracking economic activity since January 1994. The Composite Index at the beginning of this report is a weighted average of each of the six sectors described 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 the most recent data available, which is usually from the previous month. For example, the "August 2006" report reflects mostly data from July 2006. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

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.

There is no update for Electricity Consumption this month, as new data has not yet been reported. Energy data is received quarterly, at which point the previous three months' values will be given.

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Consumer Confidence - The Institute of Supply Management
National Association of Realtors

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