

Humboldt Economic Index

September 2012

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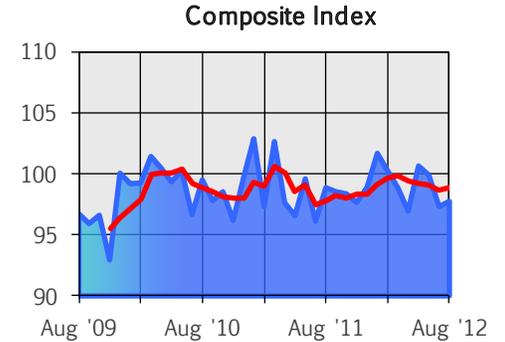
Mortgage Rates at Record Lows, Gas Prices spike

The composite Index has incrementally grown by 0.4 from last month to a value of 97.7, and although it has retracted 1.1 percent from this month last year it has raised the 4 month moving average to 98.9 from 98.7. This was a slight increase, though with the Home Index, Unemployment Claims, Building Permits, and Help Wanted Advertising reporting reduced values. The Employment Index, Retail Index, Manufacturing Index, and Hospitality Index all grew, with the largest growth being in the Retail Index.

The Index of Home sales and prices decreased this month to an Index value of 87.0, a contraction of 1.3 percent from last month. Mortgage rates are still falling to record lows with the average 30-year rate at 3.36 percent, and more will be covered on the significance of this in the Home Index section.

Total County Employment increased by less than 0.1 percent after the seasonal adjustment to 96.8. Meanwhile, Unemployment Claims shrank from last month by 13.9 percent, the largest decrease in 7 months.

Gas prices, though they seemed to steady out over the month, have shot up once again throughout California. While most of September only saw 2 cent



increases across California, with a 1 cent increase in Eureka, a few days ago prices increased up to 50 cents or more. While the indications are towards prices staying elevated for a short time period before lowering, the prices will continue to rely on both the local supply of gas from refineries and the long term international supply chains. For more information, the Gas Prices section of this Index contains a more thorough explanation.

The Composite Index is increasing this month due to slight gains across the board with the exception of the housing market, even though mortgage rates are falling. Industries remain relatively unchanged and the real estate market is beneficial for those looking to buy or refinance at the moment.

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	97.7	0.4	-1.1	-7.7	-9.1
Home Sales	87.0	-1.3	5.6	-1.0	-44.4
Retail Sales	143.4	1.7	-1.6	-7.4	2.0
Hospitality	85.5	0.1	-2.7	-6.1	-6.9
Electricity	125.8	0.0	-2.2	0.6	26.0
Employment	96.8	0.0	0.4	-7.1	-5.5
Manufacturing	36.1	3.0	-11.5	-38.1	-54.8

* 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

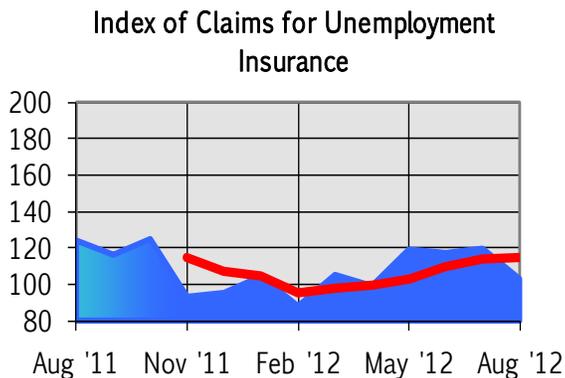
Leading Indicators

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*	-13.9%	-49.6%	-4.4%
* All values are seasonally adjusted.			

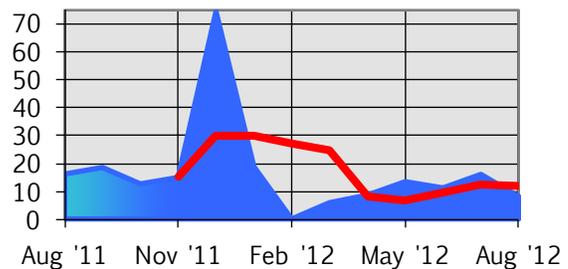
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$220,780	\$1,412	3.38%	11.4%
* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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. ** Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard. † 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.			

Unemployment Claims shrank by 13.9 percent this month, to an Index value of 102.8. This is the largest decrease since this last February and the largest change of any kind since May. This month's value still continued to increase the 4 month moving average up 0.8 percent to a value of 114.6. When considering the percentage change with Unemployment Claims, it is important to remember that, in contrast to several other Indexes, it is not unusual to see changes of up to 20 percent on a month to month basis.



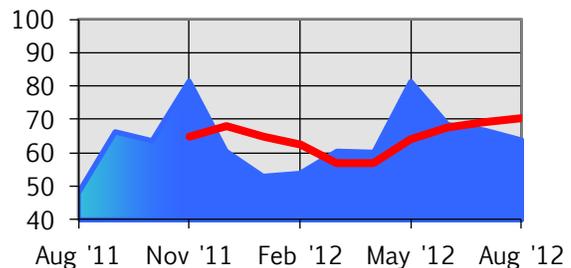
Building permits dropped back down to May levels, falling 49.6 percent to an Index value of 8.04 from the previous 15.96. This Index in particular has held low values over time because of the aftereffects of the recession on the construction industry. At this time, Building permits are down 50.0 percent from last year and down 62.5 percent from five years ago.

Index of Building Permits Issued



Help Wanted Advertising has dropped to a value of 63.9, 4.4 percent lower than last month's seasonally adjusted value of 66.9. Though this is another decline in Index value, Help Wanted Advertising remains in better shape than last year, with an increase of 33.0 percent from last August. Additionally, the 4 month moving average has increased by 1.3 percent to an Index value of 70.2.

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.

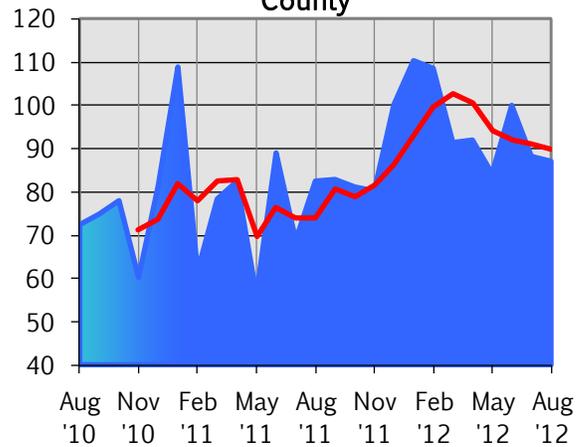
The Humboldt County Home Sales Index shrank by 1.3 percent to an Index value of 87.04, though that is a 5.6 percent growth from last year. Median home prices lessened by 4.0 percent to a price of \$220,780, a \$3,470 decrease from last year. Though this month's Composite Index increased, the Home Sales Index was one of the main Indexes to decrease.

The S&P Case-Shiller home price index reflected a price increase this past July of 1.2 percent over home prices the year before, and 1.6 percent over the previous month. These are smaller values than the National Association of Realtors estimate of home prices of a 9.5% increase over the year before, but that is primarily due to the fact that the Case-Shiller Index adjusts for the size of home purchased. The S&P Case-Shiller home-price index, a national index of housing prices, is calculated monthly using a 3 month moving average, and published with a two month lag.

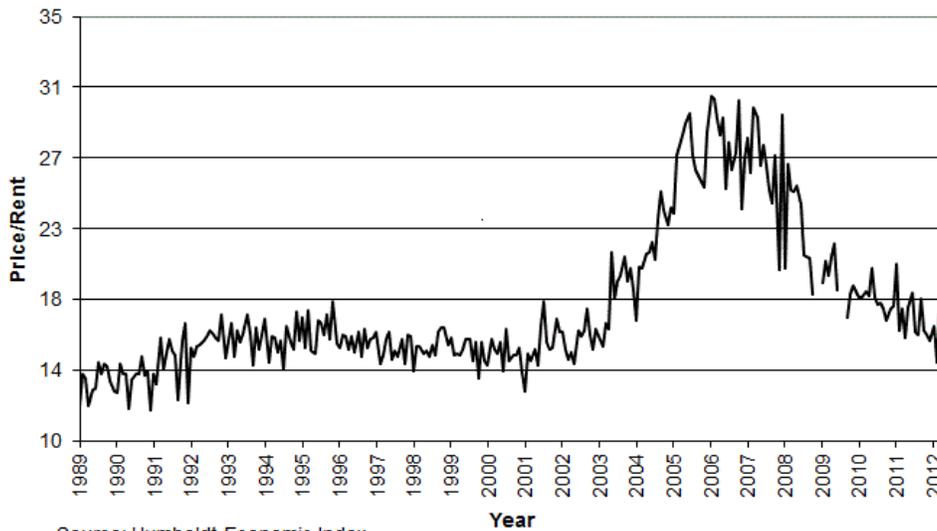
Particularly of importance in the housing sector are the mortgage rates, which have hit new all-time lows. 30 year fixed rate mortgages are currently at 3.36 percent, down from 3.40 percent last week and 15 year mortgages were about 2.69 percent, down from 2.73. The 30 year fixed rate mortgage rates are the lowest since long term mortgages began in the 1950's. Mortgage applications

have risen 16.6 percent over the last week, with 83 percent of those to refinance loans, the Mortgage Bankers Association reported. However, it is important to note that the effect of these low rates may be minimized by the fact that lending requirements are stricter than before as a result of the previous housing crisis and that the recession could have affected the ability of people to afford a down payment.

Home Sales Index, Humboldt County



Humboldt County Housing Price to Rent Ratio, 1989-2012 (medium home price/mean rent, adjusted for expenses)



Source: Humboldt Economic Index

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 increased by less than 0.1 percent from the previous month to a seasonally adjusted value of 96.8, which is the first positive change in five consecutive months and 0.4 percent above the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County grew to 11.4 percent, which is 3.3 percent higher than the seasonally adjusted national unemployment rate, which has slightly lessened to 8.1 percent. Humboldt County has been decreasing its unemployment rate over the long term, with a decrease by 7.1 percent in the Index since August 2007. For California on the whole, employment is down 38,300 jobs, though unemployment shrank by 0.1 percent at a seasonally adjusted 10.6 percent.

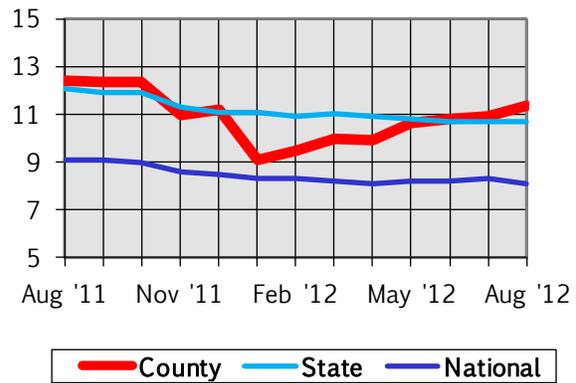
The Labor Department's latest statistics reported that the nation added an additional 114,000 nonfarm payroll jobs in September, complemented by a decrease in the number of unemployed persons by 456,000. However, the number of people employed part time for economic reasons rose by 600,000. These workers, known as involuntary part time workers, are those that had their hours cut or were unable to find a full time job

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 grew for the fifth consecutive month, though by a small 0.1 percent to an Index value of 85.6. However, Hospitality is down -2.7 percent from this time last year, and 6.1 percent lower than five years ago. Despite this, the 4-month moving average did increase by 1.9 percent to a value of 84.6.

Unemployment Percentage Rates



Gasoline Prices

Gasoline Prices for California have stayed high but steady for most of the month, there has been a spike in prices quite recently. Before this spike, the average California gas price decreased \$0.02 to an average of \$4.13 while Northern California saw an increase of \$0.02 from \$4.22 to \$4.24. Eureka gas prices increased \$0.01, going from to 4.38.

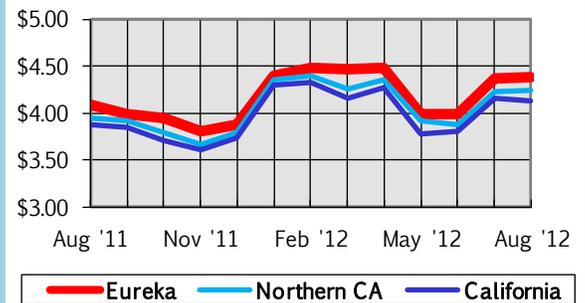
Regarding the recent spike however, gas prices in Eureka have spiked as high as \$4.80 a gallon of regular gas, and that is due to particular disruptions in the supply of gas. California as a state has a particular blend of gasoline, which means that there would be difficulty in buying gas from neighboring states, so when there is any disruption it tends to have an immediate effect at the pump. In this case, there was a power failure in an ExxonMobil refinery as well as the shutdown of a Chevron pipeline to several other refineries.

Gas Prices

Prices as of 9/28/2012	Average price*	Change from previous month
Eureka	\$4.38	\$0.01
Northern California	\$4.24	\$0.02
California	\$4.13	-\$0.02

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

Gasoline Prices



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 this month by a small 1.7 percent to an Index value of 143.4. This also boosted the 4 month average by 2.8 percent to a value of 146.7. The Retail index has contracted by 1.6 percent from last year despite these gains, and is 7.4 percent less than 5 years ago.

On the national scale, Consumer Confidence improved by a strong 9 points to a value of 70.3, alongside improvements to the Expectations Index and Present Situation Index. Consumers were more optimistic in their short term outlook for business conditions, employment, and personal financial situation. Additionally, consumers were more positive in their view of the job market. The Consumer Confidence Index is back to February levels after dipping to historically low values.

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 increased this month by 3.0 percent to an Index value of 36.1. This value is still significantly smaller than 12 months ago, with a 11.5 percent reduction. Though there was an increase this month, it was not sufficient to raise the 4-month average, with the 4-month average decreasing by 0.9 percent to an Index value of 35.8.

The Institute for Supply Management reported that the national manufacturing sector has expanded following the last three months of contraction, and the overall economy continued to grow for the 40th consecutive month. The PMI was registered at 51.5 percent, an increase of 1.9 percent from August. Businesses reported contraction in new orders and inventories for the third month in a row as well. Eleven out of the eighteen industry groups reported growth, including paper products and wood products. Wood products in particular commented that while business improved through the third quarter, it has been a typical trend for business to slow down in the fourth quarter. The PMI (Producing Managers Index) is based on the number of manufacturing supply managers who expect business conditions to improve in the near future.

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.

Energy data has been updated for April through June, and the Energy Index stands at a value of 125.8. This is down 7.7 percent from May's value of 136.3, and 6.3 percent down from 12 months ago. May's Index was 3.3 percent higher than April's value of 132.0. While electricity usage has declined in the short term, there is no indication of this being a trend.

The quarterly update for the Energy Index will be coming soon.

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.

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National Association of Realtors

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