

Humboldt Economic Index

October 2012

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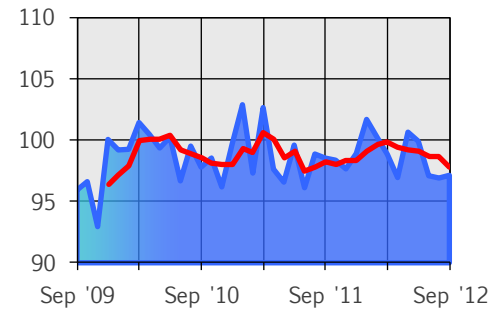
Growth in Housing, Hospitality, and Manufacturing

The composite Index has grown by 1.8 from last month to a value of 98.7, and increasing by 0.2 percent from this time last year. However, the 4 month moving average has been moved down by this from 98.7 to 98.2. There were moderate increases this month in the Home Sales and Hospitality Indexes, alongside a large increase in the Manufacturing Index. Retail had a small contraction. There was a significant reduction in the updated Energy Index.

The Index of Home sales and prices increased this month to an Index value of 91.1, a growth of 4.7 percent from last month. Mortgage rates are still hovering around record lows, with the average 30-year rate at 3.39 percent as of last week, and more will be covered on the significance of this in the Home Index section.

Total County Employment increased by 1.1 percent after the seasonal adjustment to 97.8. Meanwhile, Unemployment Claims shrank from last month by 11.7 percent. The seasonally adjusted County Unemployment Rate shrank a slight amount, with the value only contracting by 0.1 percent to 11.3 percent. Help Wanted Advertising had a large decline this month to a value of

Composite Index



50.4, but the other employment indicators may signal a net expansion in the labor market.

Gas prices, after jumping double digits in price, have lowered back down again throughout California. Though the prices stayed elevated for a short time period as predicted in last month's issue, the short term problems and shortages are fading as time goes on.

The Composite Index increases this month due to gains across the board with the exception of the retail market. Industries remain relatively unchanged and the real estate market is still beneficial for those looking to buy due to continuing low mortgage rates.

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	97.1	0.2	-1.4	-6.2	-6.8
Home Sales	91.1	4.7	10.0	32.3	-22.6
Retail Sales	142.6	-0.6	-0.8	-10.5	2.4
Hospitality	89.0	4.0	-1.7	6.9	7.5
Electricity	112.5	-9.9	-6.2	-10.3	12.2
Employment	97.8	1.1	0.4	-6.8	-5.2
Manufacturing	35.2	17.6	-16.5	-31.0	-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.

The Index – Leading Indicators

Leading Indicators

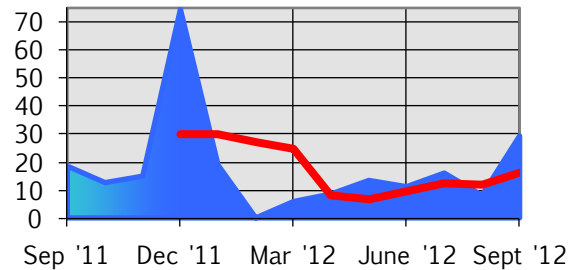
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

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‡
\$216,525	\$1,258	3.38%	11.3%
<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>			

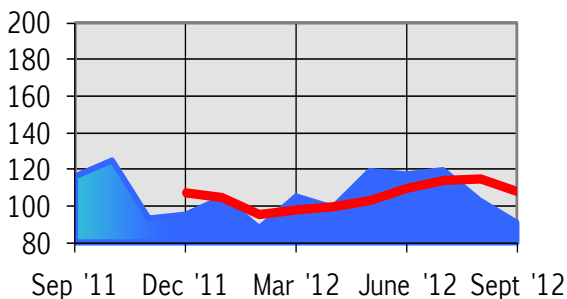
Building permits rose by a large amount, increasing 262.8 percent to an Index value of 29.18 from the previous 8.04. This Index in particular has held low values over time because of the aftereffects of the recession on the construction industry, and so small absolute changes often result in large percentage changes. At this time, Building permits are up 58.3 percent from last and the 4 month moving average is up to 16.1 from 12.1.

Index of Building Permits Issued



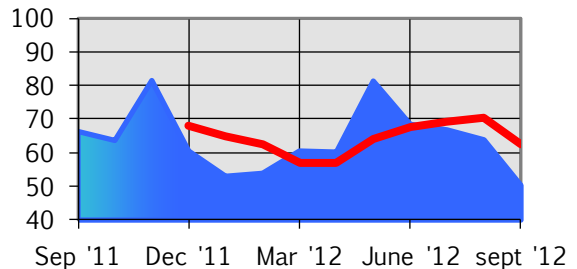
Unemployment Claims shrank by 11.7 percent this month, to an Index value of 90.8. This month's value shrank the 4 month moving average down 6.1 percent to a value of 107.5, the first decrease in the 4 month moving average since February. When considering the percentage change with Unemployment Claims, it is important to remember that, in contrast to several other Indexes, it is uncommon but not rare to see changes of up to 20 percent on a month to month basis.

Index of Claims for Unemployment Insurance



Help Wanted Advertising has dropped to a value of 50.35, 21.2 percent lower than last month's seasonally adjusted value of 63.9. In addition, the Help Wanted Advertising Index is 24.2 percent less than this time last year. The 4 month moving average has decreased by 11.1 percent to an Index value of 62.4 as well.

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.

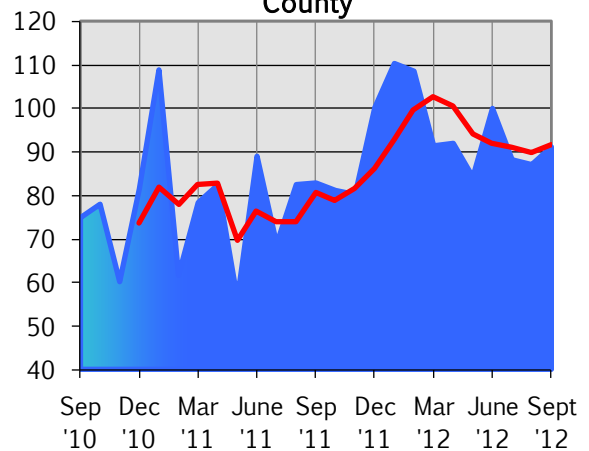
The Humboldt County Home Sales Index grew by 4.7 percent to an Index value of 91.1, a 10.0 percent growth from last year. Median home prices lessened by 1.9 percent to a price of \$216,525, a 13.4 percent decrease from last year's \$250,000 median price in September. Home Sales, along with Hospitality and Manufacturing, was one of the main Indexes responsible for this month's Composite Index growth.

The S&P Case-Shiller home price index reflected a price increase this past August of 2.0 percent over home prices the year before, and 0.9 percent over the previous month. Of particular note, on the national level home sales are up, consumer mortgage default rates are down, and consumer confidence in this market is rising as well. 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. The particular Case-Shiller Index used in this case is a composite of 20 cities the Index considers representative of the national housing market.

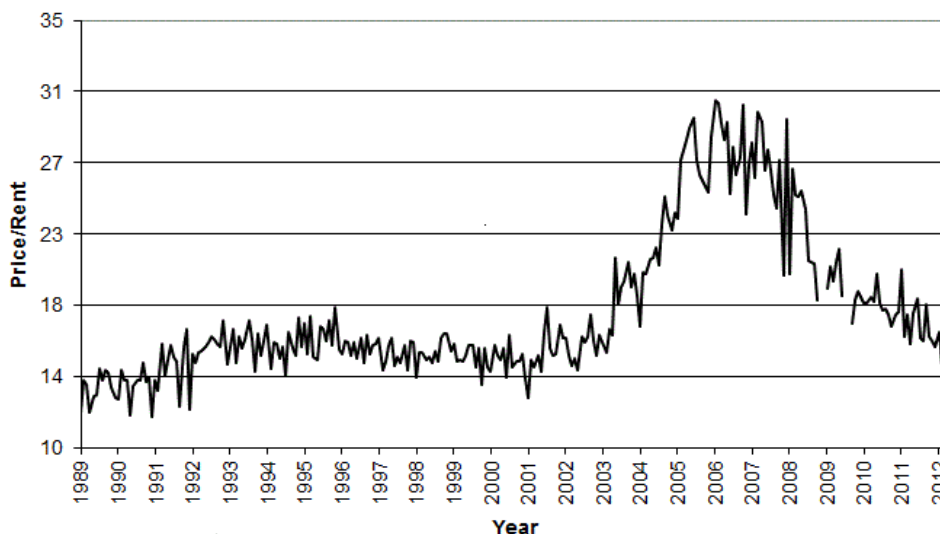
Particularly of importance in the housing sector are the mortgage rates, which hit all-time lows last month and continue to stay relatively low. 30 year fixed rate mortgages as of the end of last week average 3.39 percent, down from 3.41 percent according to Freddie Mac. 15 year mortgages were about 2.7 percent, down from 2.72. While higher than the figures last month, 30

year fixed rate mortgage rates are still comparable to the rates when long term mortgages began in the 1950's. Mortgage applications have decreased 4.8 percent over the last week, with 80 percent of those to refinance loans, the Mortgage Bankers Association reported. 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 1.1 percent from the previous month to a seasonally adjusted value of 97.8, the only positive change greater than 1 percent since January. This Index also continues to be 0.4 percent above the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County slightly decreased to 11.3 percent, which is 3.4 percent higher than the seasonally adjusted national unemployment rate, which has decreased to 7.9 percent. Humboldt County has been decreasing its unemployment rate over the long term, with a decrease by 6.8 percent in the Index since September 2007. For California on the whole, employment is up 52,600 jobs, though unemployment shrank by 0.4 percent at a seasonally adjusted 10.2 percent.

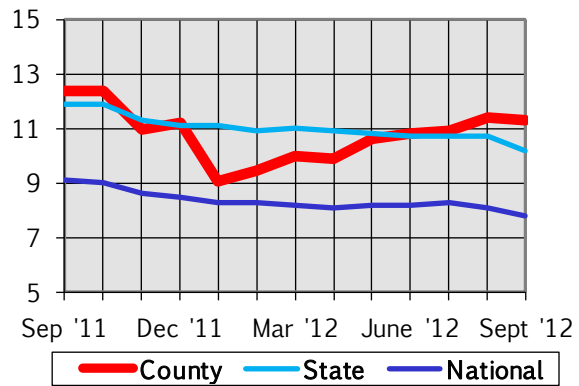
The Labor Department's latest statistics reported that the nation added an additional 171,000 nonfarm payroll jobs in September, although there was little change in the amount of people unemployed. The number of people employed part time for economic reasons fell by 269,000. These workers, known as involuntary 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 sixth consecutive month, 4.0 percent to an Index value of 89.0. However, despite the increase, Hospitality down -1.7 percent from this time last year. Hospitality is doing better over the long term though, with a 6.9 percent increase from five years ago. The 4-month moving average continued increase by 1.9 percent to a value of 86.2.

Unemployment Percentage Rates



Gasoline Prices

Gasoline Prices for California have recently fallen from the spike in prices quite recently. Down from prices as high \$4.80, the average California gas price has now reached average of \$4.14 while Northern California is \$4.28. Eureka gas prices are slightly cheaper, going to 4.27. Gas prices might also still be decreasing as of this posting.

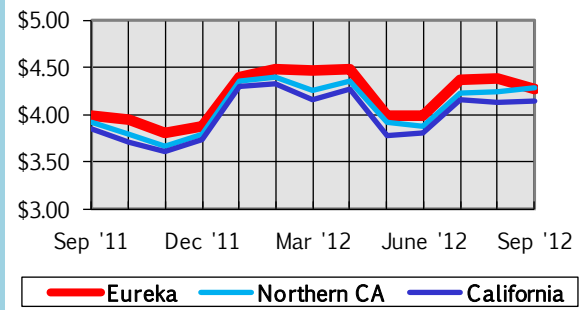
The reason for the recent surge in gas prices was that California as a state has a particular blend of gasoline, which means that there is difficulty in buying gas from neighboring states. When there are any disruptions like the recent ones, there tends to be an immediate effect at the pump. In this 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 10/30/2012	Average price*	Change from previous month
Eureka	\$4.27	-\$0.11
Northern California	\$4.28	\$0.04
California	\$4.14	\$0.01

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

The Retail Sales Index contracted by 0.6 percent to an Index value of 142.6. In line with that decrease, the 4 month average declined by 1.7 percent to a value of 144.1. The Retail index has contracted by 0.8 percent from last year in addition to this, and is 10.5 percent less than 5 years ago. This Index was the only Index represented in the Composite Index to have declined.

On the national scale, Consumer Confidence improved by 3.8 points to a value of 72.2, alongside improvements to the Expectations Index and Present Situation Index. Consumers were more optimistic in their short term outlook for business conditions, availability of jobs, and modestly more upbeat about their personal financial situation. The Consumer Confidence Index is currently at the highest level it has been all year.

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 17.6 percent to an Index value of 35.2. This value is still smaller than 12 months ago, with a 16.5 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 0.8 percent to an Index value of 34.0.

The Institute for Supply Management reported that the national manufacturing sector has expanded for the second month following the three months of contraction, and the overall economy continued to grow for the 41st consecutive month. The PMI was registered at 51.7 percent, an increase of 0.2 percent from September. Businesses reported growth in new orders and production while prices and employment reported small contractions. Eight out of the eighteen industry groups reported growth, including paper products. Eight out of the eighteen industry groups reported contraction, including Wood products. Wood products companies commented that there has been a slowdown in demand as they predicted last quarter, since it has been a typical trend for their sector 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 July through September, and the Energy Index stands at a value of 112.5. This is the lowest level since 2009 and is down 13.0 percent from August's value of 124.9. The value of the Energy Index was 124.0 in July.

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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