INDEX OF ECONOMIC ACTIVITY FOR HUMBOLDT COUNTY

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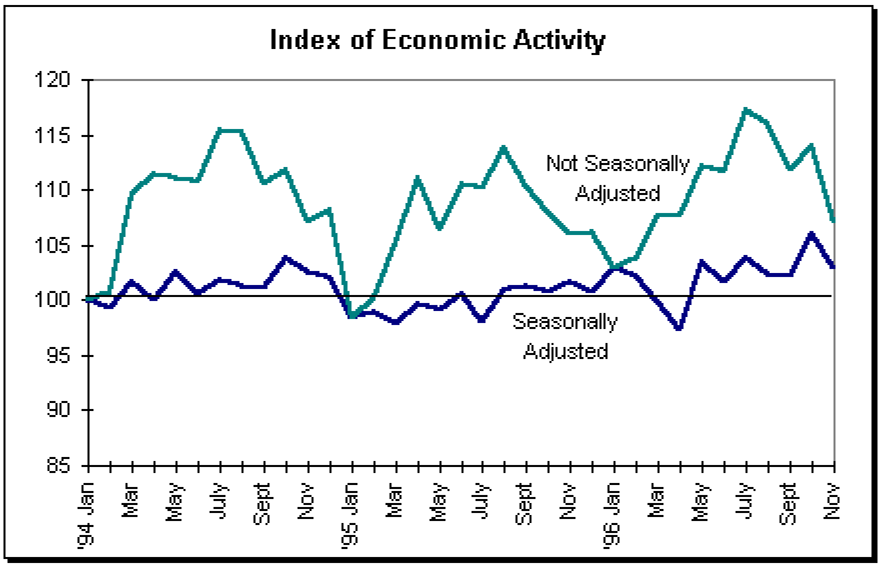
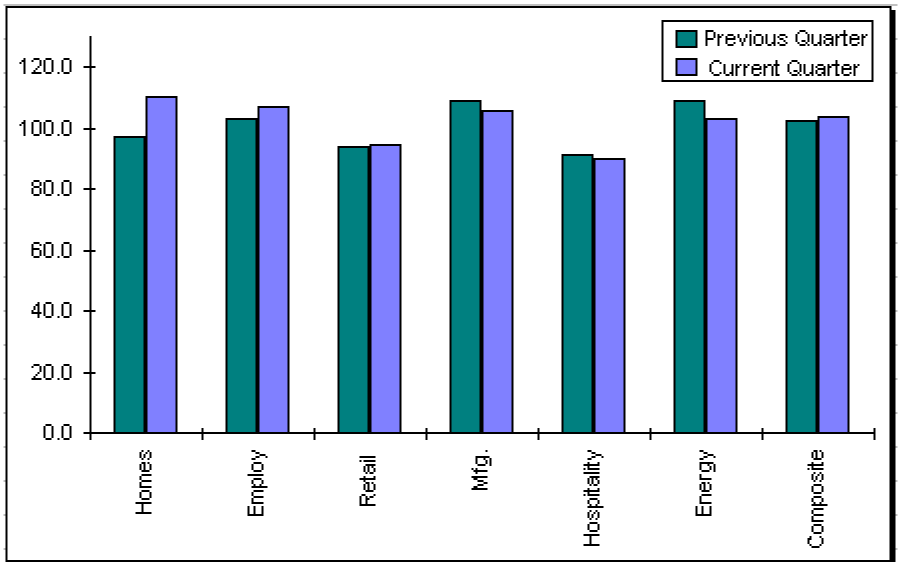
The economy of Humboldt County experienced a substantial decline in the month of November. The seasonally adjusted index decreased from 106 to 102.9, a 2.88 percent decrease in the *index of economic activity for Humboldt County.* Economic growth decreased in every sector except Hospitality. The *non-seasonally adjusted index* decreased from 114 in October to 107.2 in November, a decrease of 6.8 percent. This suggests that the surprisingly strong October performance was not sustained and the economy returned a slower level of economic activity in November. It is typical for the economy's level of activity to peak in July or August, and then fall from September until January when it bottoms out.



We also compare the economy's performance over a longer period of time by comparing the two previous "rolling" quarters. The economy in the current rolling quarter (months of September, October, and November) grew slightly as compared with the previous rolling quarter (months of June, July, and August). The composite index increased from 102.7 to 103.7 basis points, an increase of less than one percent. Home sales, employment, and retail sales increased in the current quarter. Home sales showed the largest increase. Manufacturing, hospitality, and energy declined in the current quarter with the largest decrease in energy.



We track four leading indicators to indicate direction of change in the economy in the coming month. These are help-wanted advertising, building permits issued, manufacturing orders, and claims for unemployment insurance. Help-wanted advertising and manufacturing orders declined in November suggesting a slowing economy. However, claims for unemployment insurance decreased and building permits were up sharply. Overall, we believe that *the index of economic activity for Humboldt County* will rise slightly in December.

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