

Humboldt Economic Index

December 2012

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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.

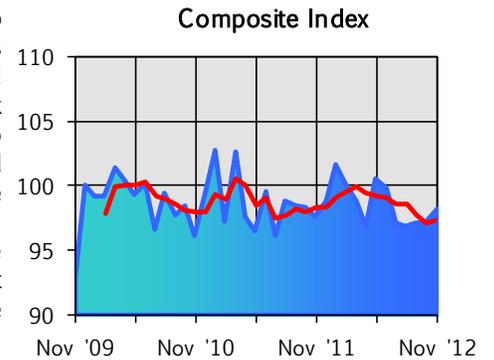
Growth in Housing Market, Rest of Index Contracts

This month we say goodbye to Catherine, who did an excellent job as analyst with very little supervision and minimum training. She was a quick learner and we will miss her attention to detail. She graduated last month and plans to attend graduate school in the fall.

We welcome Nathan Freney as the new Analyst. Nathan is a very bright economics major who has experience with other related projects.

The composite Index has grown by 1.0 percent from last month to a value of 98.2 from a value of 97.2, and has increased by 0.6 percent from this time last year. The Indexes that increase this month were the Employment, Hospitality, and Retail Indexes, with gains in Help Wanted Advertising as well. Home Sales significantly contracted this month, alongside slight decreases in Manufacturing and Permits. The Unemployment Claims Index also dropped to the lowest it has been in years.

The Index of Home sales and prices was reduced this month to an Index value of 87.6, a drop of 13.4 percent from last month. Mortgage rates are still hovering around record lows, with the



average 30-year rate at 3.34 percent as of last week, and more will continue to be covered on the significance of this in the Home Index section.

The Total County Employment Index expanded 0.5 percent after the seasonal adjustment to 97.0. Meanwhile, Unemployment Claims fell from last month by 25.3 percent. The seasonally adjusted County Unemployment Rate shrank a moderate amount, with the value contracting by 1.0 percent to 10.2 percent. Gas prices continued to drop lower than \$4, and as of a few days ago are at \$3.79 in Eureka though they may continue to drop.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	98.2	1.0	0.6	-6.5	-7.9
Home Sales	87.6	-13.4	9.2	-2.4	-38.1
Retail Sales	146.9	5.5	3.3	-13.0	9.2
Hospitality	96.5	4.9	1.9	12.4	5.8
Electricity	112.5	0.0	-5.3	-12.6	-0.6
Employment	97.0	0.5	0.2	-6.3	-6.6
Manufacturing	35.4	-0.2	-4.4	-5.7	-56.2

* 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

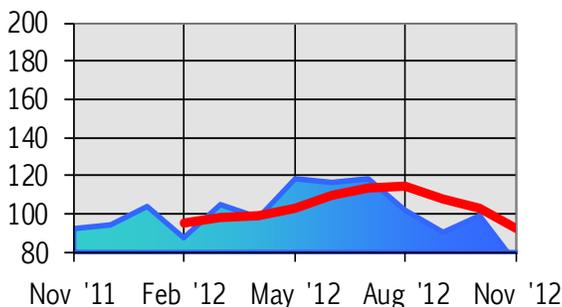
The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-25.3%	-16.8%	17.7%
* All values are seasonally adjusted.			

Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$235,000	\$1,304	3.38%	10.2%
<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>			

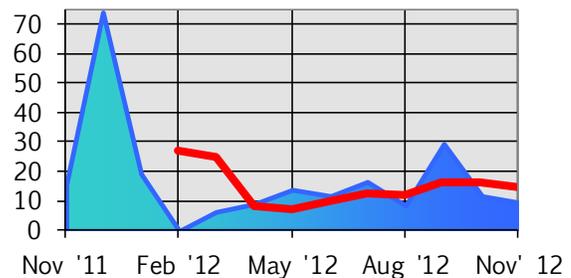
Unemployment Claims dropped by 25.3 percent this month, to an Index value of 74.6. As a result of this, the 4 month moving average sank by 11.2 points to a value of 92.0, the third consecutive decrease in the 4 month moving average. This is the lowest seasonally adjusted level of unemployment claims since June of 2008. When considering the percentage change with Unemployment Claims however, 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



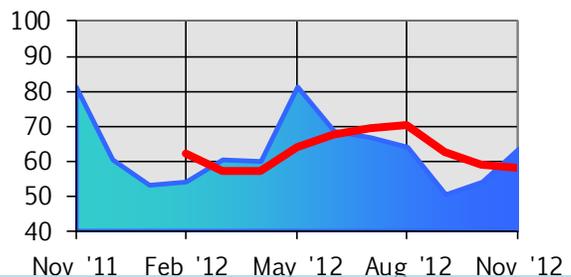
Building permits contracted moderately, decreasing 16.8 percent to an Index value of 9.3 from the previous 11.2. This Index in particular has held low values over time because of the aftereffects of the recession on the construction industry. At this time, Building permits are down 37.5 percent from last year and the 4 month moving average has decreased in value to 14.4.

Index of Building Permits Issued



Help Wanted Advertising has decreased to a value of 58.0, 1.3 percent lower than last month's seasonally adjusted value of 58.8. This is third consecutive decrease in the Help Wanted Advertising, but the level this month is 17.7 percent higher than this time last year. The 4 month moving average has decreased by 4.3 percent to an Index value of 62.3 from a value of 65.2.

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

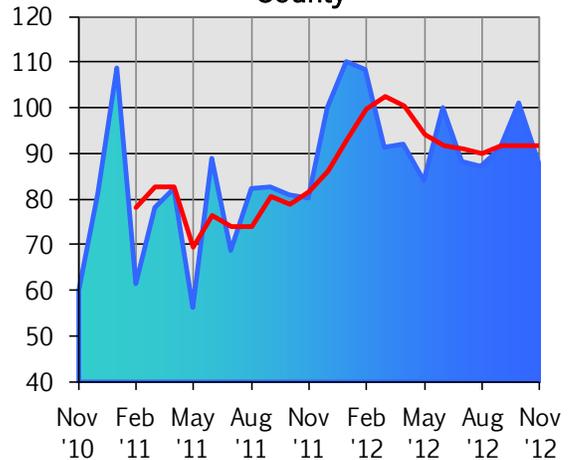
The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

The Humboldt County Home Sales Index contracted by 13.4 percent to an Index value of 87.6, though still managed to grow 9.2 percent from this time last year. Median home prices remained the exact same as the prices last month, a median of \$235,000. Despite the similarity in price, the significant decrease this month is due to a contraction in sales. Even though the Home Sales Index contracted a large amount, the Index is no worse than August of 2012.

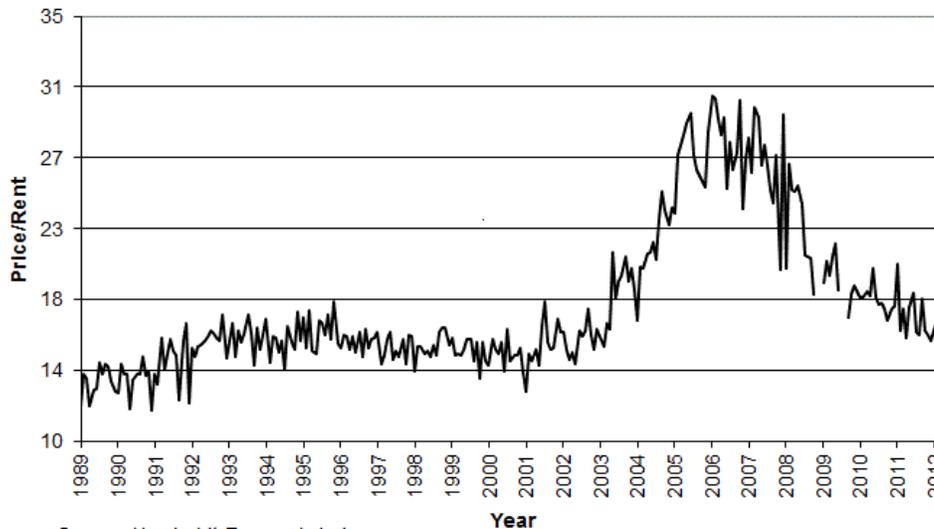
The S&P Case-Shiller home price index reflected that prices continued to increase over the third quarter, with the national composite up 4.3 percent over home prices the year before. This annual increase is greater than the previous month's 12 month increase of 3.0 percent, although the prices on a month to month basis fell in the majority of cities. This can be explained by the historical trend of home prices being lower in the fall and winter than in the spring and summer. Once seasonally adjusted, only three of the twenty cities in this Index returned negative numbers. The most recent press release comments that the housing sector appears to have stronger growth than before, and that housing growth is beginning to gather strength and benefit the national economy. that 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 in November and continue to stay near record lows. 30 year fixed rate mortgages as of the end of December hover around 3.34 percent, up slightly from 3.31 percent in November, according to Freddie Mac. 15 year mortgages were about 2.64 percent, down from 2.65. Mortgage rates have only been above 4.00 percent for one week in this entire year, and current 30 year fixed rate mortgage rates have fallen from the average of 4.00 percent just 12 months ago. Nationwide, home sales were at a two year high this past November and were up 15.3 percent from just a year ago at that time. Sales for existing homes increased for the third month in a row in November as well, with them selling at the fastest rate since April 2010.

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 0.5 percent from the previous month to a seasonally adjusted value of 97.0. The current value of this Index is also greater than the value at this time last year by 0.2 percent. The seasonally adjusted unemployment rate for Humboldt County significantly decreased to 10.2 percent, the lowest it has been since April of 2012. The Employment Index has contracted over the long term, with a decrease by 6.3 percent in the Index since November of 2007.

The Employment Development Department of California indicated in its November statistics that Humboldt County's labor force has expanded by about 400 individuals. For California on the whole, employment added 78,000 jobs, and unemployment shrank by 0.3 percent to a seasonally adjusted 9.8 percent.

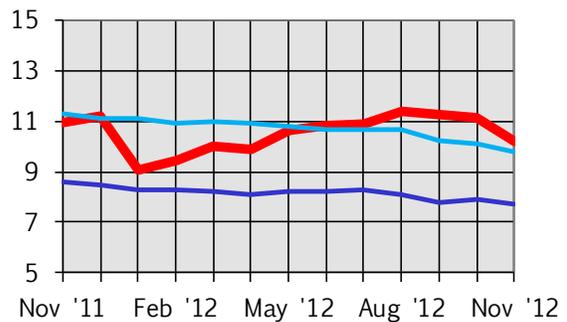
The Labor Department's latest statistics reported that the nation added an additional 155,000 nonfarm payroll jobs in November, accompanied by a small change in the amount of people unemployed with the rate decreasing from 7.9 to 7.8 percent. National employment rose in construction, health care, manufacturing, and food services.

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 this month, increasing 4.9 percent to an Index value of 96.5 from last month's revised value of 92.0. This is the highest seasonally adjusted value for the Hospitality Index since January of 2011. Corresponding with this, the current value is 1.9 percent greater than last year at this time and an even greater 12.4 percent from five years ago. In addition to this, the 4-month moving average grew by 3.1 percent to a value of 90.7.

Unemployment Percentage Rates



— County — State — National

Gasoline Prices

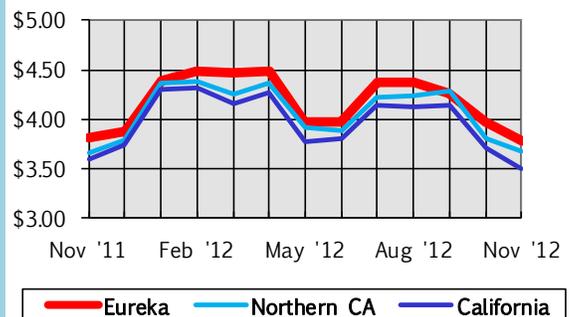
Gasoline Prices for California have continued to fall from the spike in prices during October, and are now holding relatively steady. The average California gas price has now reached average of \$3.50 down from last month's \$3.71 while Northern California went down from \$3.80 to \$3.68. Eureka gas prices are slightly pricier at \$3.79, but that is down from last month's \$3.98. Eureka gas prices are the cheapest prices since December of 2010. This is matched by California's statewide prices, which also are at their cheapest since December of 2010.

The reason for the October 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. 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 12/24/2012	Average price*	Change from previous month
Eureka	\$3.79	-\$0.19
Northern California	\$3.68	-\$0.12
California	\$3.50	-\$0.21

* 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.

The Retail Sales Index increased by 5.5 percent to an Index value of 147.0. Corresponding with that growth, the 4 month average has increased by 1.0 percent to a value of 143.1. Additionally, the Retail index has expanded by 3.3 percent from last year, although it still is 13.0 percent less than 5 years ago.

On the national scale, Consumer Confidence significantly declined by 6.4 points to a value of 75.1, while the Expectations Index posted a sharp 14.4 point decrease from 80.9 to 66.5. The Present Situation Index however had a 5.4 point increase from 57.4 to 62.8. According to the Director of Economic Indicators at the Conference Board, the fall in expectations was most likely caused by uncertainty surrounding the oncoming fiscal cliff. A similar decline in expectations was experienced in August of 2011 during the debt ceiling discussions. Despite this, consumers are more upbeat than last month about current business and labor market conditions as evidenced by the Present Situation Index.

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 remained exactly the same this month at 35.4, a 0 percent increase from last month's value. This value is still smaller than 12 months ago, with a 4.4 percent reduction. Though remaining the same, this month's value increased the 4-month average, with the 4-month average growing by 0.03 percent to an Index value of 34.0 from 33.9.

The Institute for Supply Management reported that the national manufacturing sector has expanded following the contraction the month before, and the overall economy continued to grow for the 43rd consecutive month. The PMI was registered at 50.7 percent, a decrease of 1.2 percent from November's 49.5 percent. Businesses reported growth in new orders for the fourth month and production for the third month while employment reported growth after a month of contraction. Seven out of the eighteen industry groups reported growth, including paper products and wood products. Nine out of the eighteen industry groups reported contraction. Of particular note is that respondents to the Index survey were uncertain about government regulations, taxes and global economics in general as we enter 2013. 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 the third fiscal quarter, July through September, and the Energy Index stands at a value of 112.5. This is a 9.9 percent decrease from August's value of 124.9, and a 6.2 percent drop from 12 months ago. August's Index was 0.8 percent higher than July's value of 124.0, though it was still down 2.9 percent from the year before. The month of July saw a 1.5 percent decrease from June, but gained 3.4 percent from the previous July.

The next update for the Energy Index will be coming after the end of this quarter.

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.

HUMBOLDT STATE UNIVERSITY

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■ ■ ■ *realize human potential*

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National Association of Realtors

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