The composite Index grew 1.4 percent from last month to a value of 100.9, and is 4.5 percent higher than this time last year. Retail sales had the largest gains, with Hospitality having the second largest, while Home sales slipped.

Home prices decreased and when seasonally adjusted, home sales dropped as well. The national housing market is currently performing better, with home sales on the rise. Mortgage rates are at a record low at the moment, and this may help to stimulate this sector in the near future.

Total County Employment declined 1.2 percent after the seasonal adjustment to 98.7. This corresponded with a large increase in Unemployment Claims, and the County Unemployment Rate grew by 0.7 percent to a seasonally adjusted 10.6 percent. Help Wanted Advertising declined as well, but is still 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 Hospitality values, Retail sales having a 9.8 percent increase and Hospitality with an increase of 3.9 percent.

Gas prices are of particular note this month as well, with significant price drops all over the United States, California prices dropping between 40 and 50 cents. This will come as a relief to many who are planning on making summer trips, and if the prices hold, will help lower transportation and distribution costs for businesses.

### Composite & Sectors

<table>
<thead>
<tr>
<th></th>
<th>Value*</th>
<th>Last Month</th>
<th>One Year ago**</th>
<th>Five Years ago**</th>
<th>Ten Years ago**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite</td>
<td>100.9</td>
<td>1.4</td>
<td>4.5</td>
<td>-9.8</td>
<td>-4.2</td>
</tr>
<tr>
<td>Home Sales</td>
<td>84.2</td>
<td>-8.4</td>
<td>50.0</td>
<td>-25.0</td>
<td>-35.6</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>153.8</td>
<td>9.8</td>
<td>4.9</td>
<td>-5.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Hospitality</td>
<td>82.4</td>
<td>3.9</td>
<td>1.5</td>
<td>-11.5</td>
<td>-2.3</td>
</tr>
<tr>
<td>Electricity</td>
<td>138.3</td>
<td>0.0</td>
<td>5.9</td>
<td>6.8</td>
<td>37.6</td>
</tr>
<tr>
<td>Employment</td>
<td>98.7</td>
<td>-1.2</td>
<td>0.6</td>
<td>-6.5</td>
<td>-3.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>36.3</td>
<td>-2.9</td>
<td>0.6</td>
<td>-50.0</td>
<td>-58.4</td>
</tr>
</tbody>
</table>

* 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.
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.

<table>
<thead>
<tr>
<th>Key Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Home Price*</td>
</tr>
<tr>
<td>$219,000</td>
</tr>
</tbody>
</table>

* 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** grew by 20.2 percent this month, to an Index value of 118.9. This is a significant increase, though the Index value is 10.1 percent less than it was a year ago at this time. This month’s value put the 4 month moving average up 3.7 percent to a value of 102.7. The change this month was significant, yet it is also not unusual to see month to month changes of up to 20 percent in Unemployment Claims.

**Building permits** continue to slowly increase in number issued as this month has increased to an Index value of 13.35 up from 8.53. So far the months of 2012 have been low points in the historical data, and this month is no exception with a decrease of 10 percent from this time last year. Though there is improvement, it should be noted that this economic indicator is currently underperforming relative to the past. We are out of the recession, but the Construction industry is still feeling the aftereffects of it.

**Help Wanted Advertising** has declined to a value of 56.7, 6 percent lower than last month. A moderate drop in Index value, Help Wanted Advertising remains in better shape than last year, with an increase of 31.8 percent from last May. Additionally, the 4 month moving average has increased by 2 percent to an Index value of 57.9.

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**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.
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 dropped by 8.4 percent to an Index value of 84.17. Median home prices fell by 7.2 percent to a price of $219,000, an 8.8 percent decrease from last year. While this Index value is the lowest seasonally adjusted value since November of last year, every month so far in 2012 has shown higher values than the previous year. This month’s Index has risen 50 percent from a year ago, a significant increase. However, this may be due in large part to the fact that the Index value 12 months ago was the lowest recorded since July of 2010.

Although Humboldt County has seen a decrease in housing purchases this month when seasonally adjusted, the US as a whole saw house purchases rise to a 2 year high, as reported by the Department of Commerce. National sales of new single family homes were up 7.6 percent from last month and up 19.8 percent from May of 2011.

Particularly of importance in the housing sector is that mortgage rates are at a record low right now, with 30 year fixed rate mortgages holding at 3.66 percent and 15 year mortgages at 3.02 percent. These are the lowest rates in Freddie Mac’s records, which have been kept since 1971. These low rates, if they hold, increase the affordability of housing and can strengthen housing demand.
Gasoline Prices

Prices as of $3.98

<table>
<thead>
<tr>
<th></th>
<th>Average price*</th>
<th>Change from previous month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eureka</td>
<td>-$0.50</td>
<td>$3.92</td>
</tr>
<tr>
<td>Northern California</td>
<td>-$0.44</td>
<td>$3.78</td>
</tr>
<tr>
<td>California</td>
<td>-$0.49</td>
<td>-$0.49</td>
</tr>
</tbody>
</table>

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

The Humboldt Economic Index

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 by 3.9 percent to an Index value of 82.4. This growth was second only to Retail sales growth and was a significant contributor to the increase in the Composite Index value. Hospitality is up 1.5 percent from this time last year, and this month raised the 4-month moving average by 2 percent to an Index value of 81.8.

Gasoline Prices

Gasoline Prices for California have experienced a significant drop from last month, falling $0.49 to an average of $3.78. The North Coast and Eureka saw similar decreases, with North Coast gas falling $0.44 to $3.92 and Eureka gas by $0.50 to $3.98. This large decline in prices is due in large part to both lower demand for gas by consumers and lower prices for barrels of oil, with a barrel now going for $82.28 on the New York Mercantile Exchange, down by $2.68 from $84.96 as of July 2nd.

The CPI (Consumer Price Index), if including food and energy, decreased 0.3 percent. This was largely due to the decrease in gas prices, as the national gas index declined 6.8 percent while the national food index remains unchanged. If food and energy data are removed, the CPI saw the third consecutive increase of 0.2 percent, indicating a fairly consistent and moderate climb.

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 1.2 percent from the previous month to a seasonally adjusted value of 98.7, which is the third consecutive slight decline, though this month remains 0.6 percent above the value 1 year ago. The seasonally adjusted unemployment rate for Humboldt County grew to 10.6 percent, and is now 2.4 percent higher than the seasonally adjusted national unemployment rate which remains at 8.2 percent. Humboldt County has been decreasing its unemployment rate over the long term, with a decrease by 6.5 percent in the Index since May 2007. The Employment Development Department indicated that while the Educational and Health Services slightly decreased in employment, the Financial Activities, Mining and Logging, and Construction industries added jobs. For California on the whole, Employment is up 25,000 jobs and Unemployment has decreased by 0.1 percent to a seasonally adjusted 10.8 percent.

The Labor Department has not yet come out with employment figures updated from last month. Their latest statistics reported that the nation added an additional 69,000 jobs in May, with most new jobs being created in healthcare, transportation, and warehousing. There was however a decline of jobs in the construction sector.

Unemployment Percentage Rates
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 9.8 percent to an Index value of 153.8, the largest month to month increase since December 2009. With the largest gains this month, Retail sales are responsible for most of the increase in the composite Index. With an increase of 4.9 percent from May 2011, the Retail Index is again 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 62.0 this month from a value of 64.4, the fourth consecutive moderate decline, as consumers are less positive about income expectations 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. The Consumer Confidence Survey predicts that spending may be restrained in the short term if this trend continues, but that there will be little change in overall economic activity. Consumer’s assessment of the current situation did improve this month, with saying that business conditions are good rising 1.3 percent to 14.9, though 35.1 percent of consumers still feel that business conditions are bad.

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 declined this month by 2.9 percent to an Index value of 36.3. This value is fairly unchanged from 12 months ago, with a 0.6 percent growth. Although it is a decrease, this month does continue to raise the 4-month average by 1.5 percent to an Index value of 34.5.

The Institute for Supply Management reported that the national manufacturing sector has contracted for the first time since July 2009, though the overall economy has continued to grow for the 37th consecutive month. The PMI was registered at 49.7 percent, a decrease of 3.8 percent from May. Seven out of the eighteen industry groups reported growth, while nine reported contraction, including paper products. Additionally, the Furniture and Related Products industry group reported that business has started to show signs of slowing. 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.

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 few months’ values will be given.

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.
Cited References:
California Association of Realtors - Case-Shiller Home Price Indices
Consumer Confidence - The Institute of Supply Management
National Association of Realtors

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