

Humboldt Economic Index

March 2013

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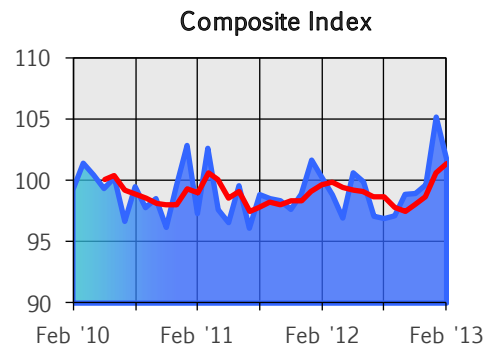
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The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted Index that 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.

Composite Index declines due to Housing and Retail

The composite Index has contracted by 3.3 percent from last month's historically significant value of 105.1 to the current value of 101.7. It gained 1.5 percent from this time last year. While a significant month to month decline in the value of the Composite Index, this month remains above average relative to the majority of months in the last three years. Additionally, the 4 month moving average has been moved up by this from 100.6 to 101.3. The Home Sales Index declined the most, with Retail, Employment and Manufacturing declining as well. Hospitality did see an increase this month.



The Index of Home sales and prices dropped from its highest level since March of 2007 to a value of 105.6, a decrease of 19.3 percent. Mortgage rates, while low relative to last year, have been holding steady lately with the average 30-year rate at 3.54 percent as of April 4th.

The Total County Employment Index slightly declined from last month's value of 101.0 to this month's value of 100.6. Meanwhile, Unemployment Claims decreased from last month by 21.4 percent. Help Wanted Advertising increased this month to a value of 66.9

from 61.6. National labor markets are continuing to make improvements, with the unemployment rate lowering over time.

Gas prices are starting to decline from the latest surge of up to 60 cents in some areas. Eureka gas prices have dropped by 10 cents down to an average of \$4.27.

The Composite Index has contracted significantly this month, mostly due to the Home Sales Index coming down from its large gains last month.

Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
Composite	101.7	-3.3	1.5	-2.6	-6.4
Home Sales	105.6	-19.3	-2.7	22.0	-28.0
Retail Sales	146.7	-6.1	4.5	3.3	4.4
Hospitality	88.2	2.0	2.2	-4.6	5.8
Electricity	131.1	0.0	1.8	-1.6	11.8
Employment	100.6	-0.4	0.0	-3.9	-4.2
Manufacturing	33.4	-7.1	5.7	-35.9	-58.1

* 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

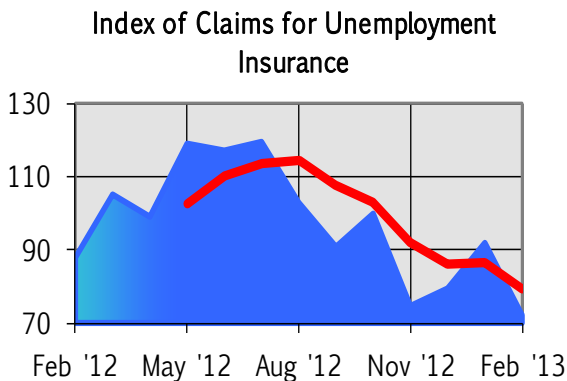
Leading Indicators

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*	-21.4%	-43.2%	8.7%
* All values are seasonally adjusted.			

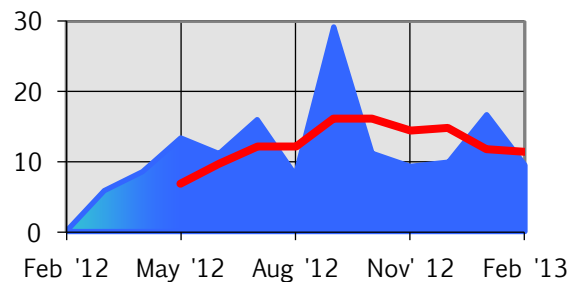
Key Statistics			
Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$225,000	\$1,325	3.50%	8.2%
<p>* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated 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 decreased by 21.4 percent this month, to an Index value of 72.2, the lowest value since June of 2008. The unemployment claims have decreased by 17.9 percent from this time last year. The 4 month moving average decreased to an index value of 79.5 from 86.4. 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.



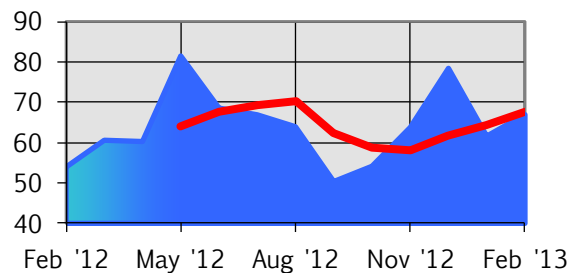
Building permits contracted by 43.2 percent to an Index value of 9.5 from the previous 16.7. The 4 month moving average has decreased in value from 11.8 to 11.3. This Index has held low values for several years due to slow recovery in the construction sector, so even large percentage changes correspond to small absolute changes.

Index of Building Permits Issued



Help Wanted Advertising has increased to a value of 66.9, up 8.7 percent from last month's seasonally adjusted value of 61.6. The level this month is 24.1 percent higher than this time last year. Additionally, the 4 month moving average has increased by 5.0 percent to an Index value of 67.7 from a value of 62.7.

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.

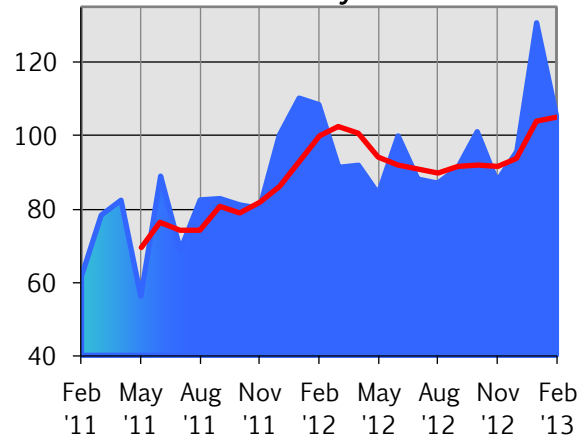
The Humboldt County Home Sales Index contracted sizably by 19.3 percent to an Index value of 105.6, though still remaining the highest value since February of 2012 with the exception of last month. Median home prices decreased slightly to a median of \$225,000 from \$230,000. This data may indicate that last month's value was an outlier and not signaling a greater trend.

The S&P Case-Shiller home price index reflected that prices continued to grow through January 2013, with the 10 and 20 city composites posting gains. The 10 city composite reported a growth of 7.3 percent over the 12 month period beginning January of 2012 and ending this January, while the 20-city composite reported annual returns of 8.1 percent over the same period. All 20 of the 20 cities considered in the 20-city composite posted gains for 2012, and 19 of the cities posted accelerated growth. New York, for the first time in 28 months, made positive returns. The Chairman of the Index Committee, David Blitzer, comments that these two composites have posted their highest year over year increases since the summer of 2006. 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. Within the Case-Shiller Index are composites of 10 and 20 cities the Index considers representative of the national housing market.

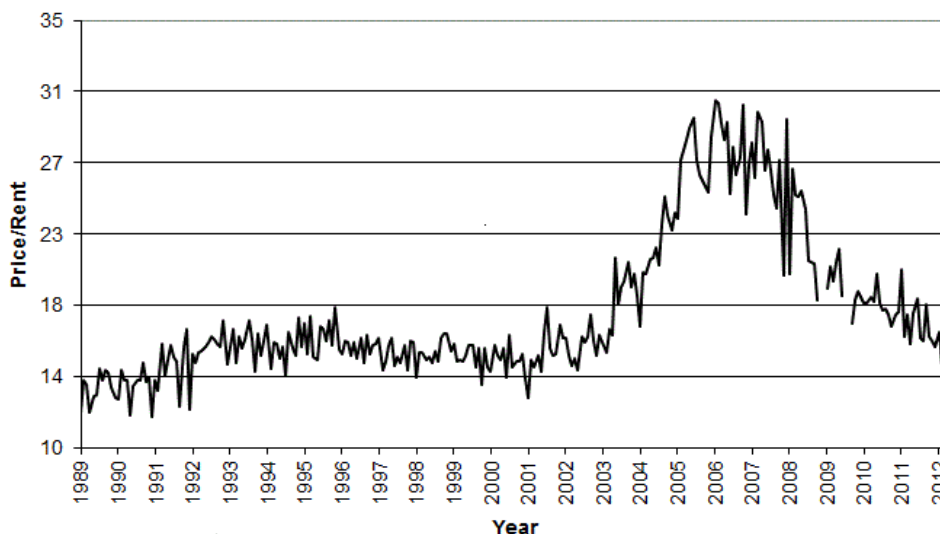
Particularly of importance in the housing sector are the mortgage rates, which after hitting 65 year lows have remained relatively consistent levels. Mortgage rates have

once again dipped slightly lower, according to Freddie Mac, with the average 30 year fixed mortgage fluctuating around the value of 3.5 percent for the last two months. 30 year fixed rate mortgages averaged 3.54 percent in the week ending April 4, down from last week when it averaged 3.57 percent. 15 year mortgages were about 2.74 percent, down from 2.76 in late March. The values for a 30 year and 15 year fixed mortgage last year at this time were 3.98 and 3.21 respectively. The low mortgage rates assist in making home purchases more affordable, serving as a possibly large factor in the recovery of the housing market. It is important to note that the effect of these low mortgage 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 decreased this month from an index value of 101 to a value of 100.6. The seasonally adjusted unemployment rate for Humboldt County increased from 7.9 to 8.2 percent this month. The seasonally adjusted national unemployment rate decreased from 7.9 to 7.7 percent.

The Employment Development Department of California indicated in its February statistics that Humboldt County's labor force has decreased by about 300 individuals. For California on the whole, employment added 73,600 jobs, and state-wide unemployment decreased to a seasonally adjusted 9.6 percent, with 25,600 less unemployed compared to the previous month.

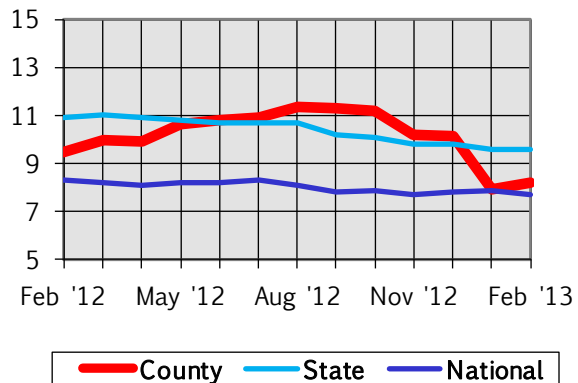
The Labor Department's latest statistics reported that the nation added an additional 268,000 nonfarm payroll jobs in February, and the unemployment rate dropped to 7.7 percent. National employment rose in 42 out of the 50 states, with California having the second highest monthly employment growth after Texas. However, California was tied with Nevada and Mississippi for the highest state unemployment rate.

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 2.0 percent to an Index value of 88.2 from last month's value of 86.4. Corresponding with this growth, the current value is 2.2 percent greater than last year at this time. Despite this, the 4-month moving average has still declined from an index value of 89.8 to a value of 88.8.

Unemployment Percentage Rates



Gasoline Prices

Gasoline Prices for California have declined recently, with average California prices declining 20 cents. The average California gas price fell to an average of \$4.03 down from last month's \$4.23 while Northern California fell to a price of \$3.97. Eureka gas prices have slightly decreased to \$4.27, 10 cents lower than last month's \$4.37.

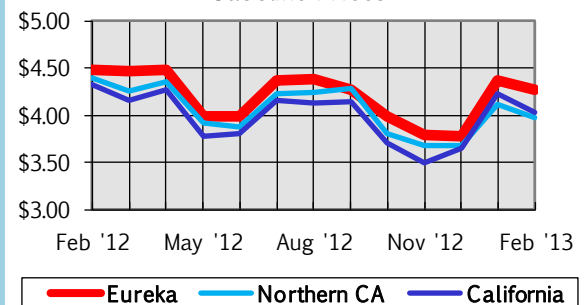
Possible reasons for the recent high gas prices include an earlier switch to summer blend gasoline than usual, as well as higher than usual maintenance costs associated with Californian refineries. According to the LA Times, prices should continue to slowly decline as many of California's most important refineries begin to return to full production. Wholesale prices have also decreased with little indication that prices will begin to rise again.

Gas Prices

Prices as of 3/28/2013	Average price*	Change from previous month
Eureka	\$4.27	-\$0.10
Northern California	\$3.97	-\$0.15
California	\$4.03	-\$0.20

* 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 moderately declined by 6.1 percent, from 156.2 to 146.7. However, this is a growth of 4.5 percent from this time last year. This Index's 4 month moving average has increased by 1.3 percent to 149.2 from a value of 147.3 as well.

On the national scale, Consumer Confidence retracted from last month's significant increase. Consumer Confidence declined by 8.3 points to a value of 59.7, while the Expectations Index also posted a large 11.5 point decrease from 72.4 to 60.9. The Present Situation Index also declined, with a 3.5 point decrease from 61.4 to 57.9. According to Lynn Franco, the Director of Economic Indicators at the Conference Board, "Consumer Confidence fell sharply in March, following February's uptick. This month's retreat was driven primarily by a sharp decline in expectations, although consumers were also more pessimistic in their assessment of current conditions".

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 has declined this month to a value of 33.4 from 35.9, a 7.0 percent decrease from last month's value. However, this value is greater than 12 months ago by 5.7 percent. This month's value decreased the 4-month average, with the 4-month average declining by 1.7 percent to an Index value of 34.7 from 35.3.

The Institute for Supply Management reported that the national manufacturing sector has expanded for the fourth consecutive month, and the overall economy continued to grow for the 46th consecutive month. The PMI was registered at 51.3 percent, a decrease of 2.9 percentage points from February's 54.2 percent. Businesses reported growth in exports for the fourth consecutive month, registering at an Index value of 56.0. Twelve industries are reporting growth in new export orders in March, including wood and paper products. Fourteen out of the eighteen industry groups reported growth this month, including paper products, wood products, and furniture products. 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 fourth fiscal quarter, October through December, and the Energy Index stands at a value of 131.1. This is a 10.8 percent increase from November's value of 118.3, and but a 7.0 percent drop from 12 months ago. November's Index value was 118.3, 6.8 percent lower than October's value of 126.4, and down 0.4 percent from the year before. The month of October saw a 12.3 percent increase from September, but lost 10.5 percent from the previous October.

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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National Association of Realtors

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