In This Month’s Report:

- The unemployment rate in Sonoma County declines for the second consecutive month. Employment data, seasonally adjusted by the EDB, tracks the performance of the job market since 2000. The seasonally adjusted unemployment rate stands at 4.2%. The unemployment rate fell by 0.5% in 2005.

- Energy prices resume their rise, with gasoline reaching $2.40 per gallon in the Bay Area. Inflation, however, declined in December 2005 to 2.0% per year.

- There were 1,973 new homes constructed in Sonoma County in 2005, an increase of 231 homes constructed over 2004, according to a US Census survey.

- A special focus this month on the County’s health sector.
With Acknowledgment and Appreciation to the Underwriters of the Economic Development Board Foundation Research Initiatives Program
Sonoma County Permit & Resources Management Dept. • Sonoma County Office of Education Community Development Commission • Sonoma County Health Services • Sonoma County Transportation & Public Works • Sonoma County Workforce Investment Board
The Sonoma County Business Cycle Index attempts to show the current trends of several key economic statistics in one graph. The index includes data on the employment of the Sonoma County workforce; wages earned; sales in Sonoma County; and the Sonoma County Business Confidence Index, a quarterly survey of local business executives.

The Sonoma County Business Cycle Index combines four statistics in varying proportions based on their volatility - those statistics, such as employment, which are relatively stable are considered more important than those statistics, such as business confidence, which tend to vary considerably. Currently the index is weighted in the following approximate proportions: Employment - 50%, Wages - 29%, Taxable Sales - 18%, Business Confidence - 3%. The index is set so that 1st Quarter 2001 = 100.

The index provides a visual representation of the overall business cycle in Sonoma County. Following the decline of the technology sector, the index shows the economic contraction experienced in Sonoma County after 2001. The index “bottoms out” in the first half of 2003, and has been steadily rising since, a representation of the improving economic conditions experienced in the County. Currently the index stands at 102.9 - 2.9% above 1st Quarter 2001.

Sources: Bureau of Labor Statistics (http://www.bls.gov)
Data is seasonally adjusted by the EDB
Inflation

Rapidly increasing gasoline and natural gas prices earlier this year contributed to significant concern over the possibility of increased inflation. However, over the past year the rate of inflation has actually declined by 0.2% to 2.0% per year. While gasoline prices are well below their September peak, in recent months they have resumed their rise. Overall, gasoline prices are 45 cents higher than they were one year ago. Similarly, natural gas prices, after falling in December, rose 18% in January.

Interest Rates


Gasoline, San Francisco Bay Area

Electricity

Price per Kilowatt Hour

Natural Gas

Price per Therm

Sources: Department of Energy (http://www.doe.gov) and Pacific Gas and Electric (http://www.pge.com)
November 2005: $575,000

Housing

Fair Market Rent

Sources: California Association of Realtors (http://www.car.org) and
The U.S. Bureau of the Census (http://www.census.gov)

Home prices have increased dramatically over the last seven years, and the median home price in November 2005 was $575,000 for Sonoma County, a 28% increase since 2004. “Housing Starts” — new homes that recently began construction — have risen with 163 more starts so far in 2005 than through the same period last year. (Housing starts are new homes which begin construction during a calendar year – so a housing start in October of 2005 may not be completed for quite some time).

“Fair Market Rents,” calculated by the Department of Housing and Urban Development, have reached a plateau in Sonoma County, with the fair market rent for two-bedroom and efficiency apartments actually declining in the last year. The current fair market rent for a two-bedroom apartment is $1154 per month.

Sources: Department of Housing and Urban Development (http://www.hud.gov)
The health sector employs roughly 8% of Sonoma County’s nonfarm workforce, currently making it one of the county’s largest sectors. Health currently employs 15,800 people, more than 67% of whom work in either “ambulatory care” businesses (doctor’s, dentists, and specialists offices as well as outpatient care facilities) or hospitals. Residential care facilities employ 18.1% of the sector, and “social assistance” organizations, which are considered part of the health sector, employ 14.4%.

Employment in the health sector has declined slightly from its peak in 2002, but Moody’s Economy.com expects the health care sector to experience steady employment growth through 2010. Total output for the health sector surpassed $1 Billion in 2001, and will steadily grow to $1.74 Billion in 2010.

Notes and Acknowledgements

The purpose of the Business Barometer Report is to provide a sense of how the Sonoma County economy is performing. The indicators selected for this report cover a wide array of economic areas, including employment, housing and construction, prices and inflation, and more. The hope is that briefly presenting this variety of information in one report gives the reader a broad picture of the health and direction of the local economy. The Economic Development Board encourages interested readers to recommend any pertinent local indicator or area that may improve this report. All data is believed to be the most current available at the time of publication. This report was prepared by Will Cathcart.