Sonoma County Economic Development Board

BUSINESS BAROMETER

January 2006

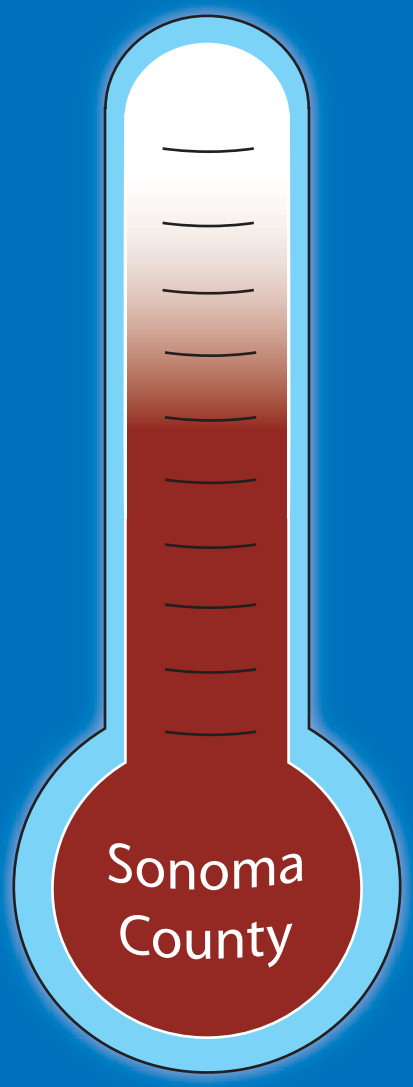
In This Month's Report:

- Employment data, seasonally adjusted by the EDB, tracks the performance of the job market since 2000. The seasonally adjusted unemployment rate stands at 4.4%.

- Inflation rises to 2.8%, but energy prices begin to fall, with gasoline declining to $2.21 per gallon in the Bay Area.

- The median price of a home in Sonoma County rises to $567,500, a 26% gain over 2004.

- A special focus this month on the County's manufacturing sector.



Produced in partnership with the Workforce Investment Board

With Acknowledgment and Appreciation to the Underwriters of the Economic Development Board Foundation Research Initiatives Program

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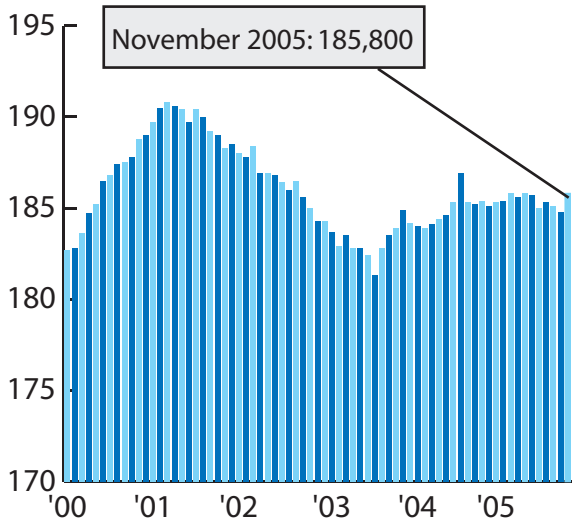
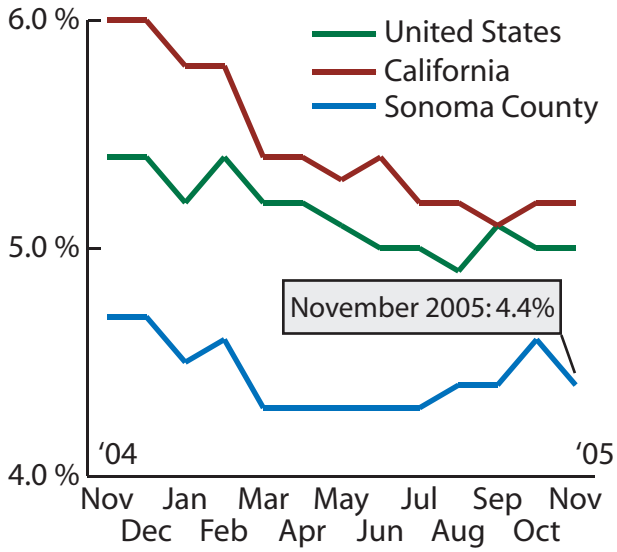
Employment (Thousands)



400 Change in jobs since last year

5,000 Change in jobs since March 2001

Unemployment Rate



0.3% Change in unemployment rate since last year

While employment has yet to return to its 2001 peak, Sonoma County has experienced positive job creation since August of 2003. There were 600 more Sonoma County jobs in November 2005 than in November 2004.

Over the past year the Sonoma County unemployment rate has remained near or below 4.6% and has consistently been well below the U.S. and California unemployment rates. The unemployment rate has declined from 4.7% to 4.4% over the past year.

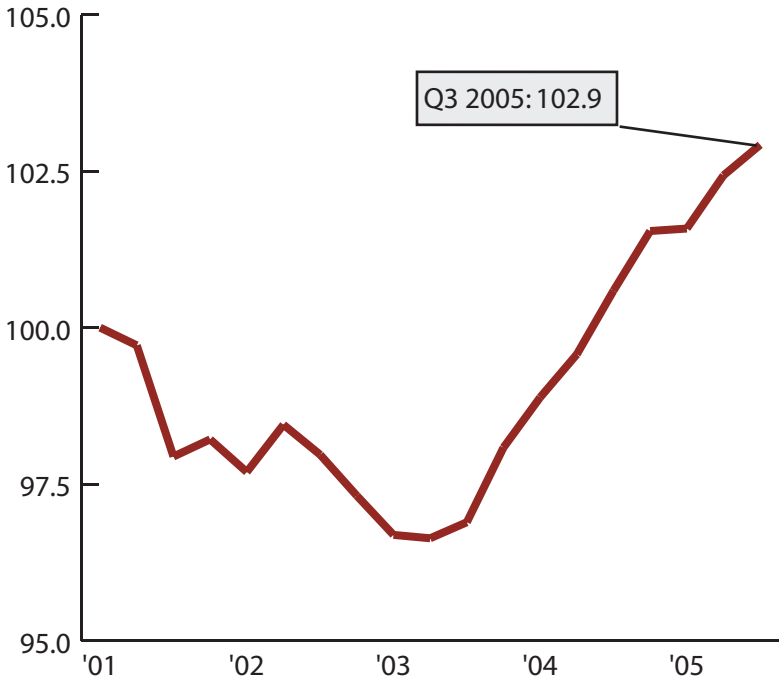
Sources: Bureau of Labor Statistics (http://www.bls.gov)
Data is seasonally adjusted by the EDB

Business Cycle Index

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.



2.3% Change in index since last year

2.9% Change in index since 1st Quarter 2001

Source: Sonoma County Economic Development Board

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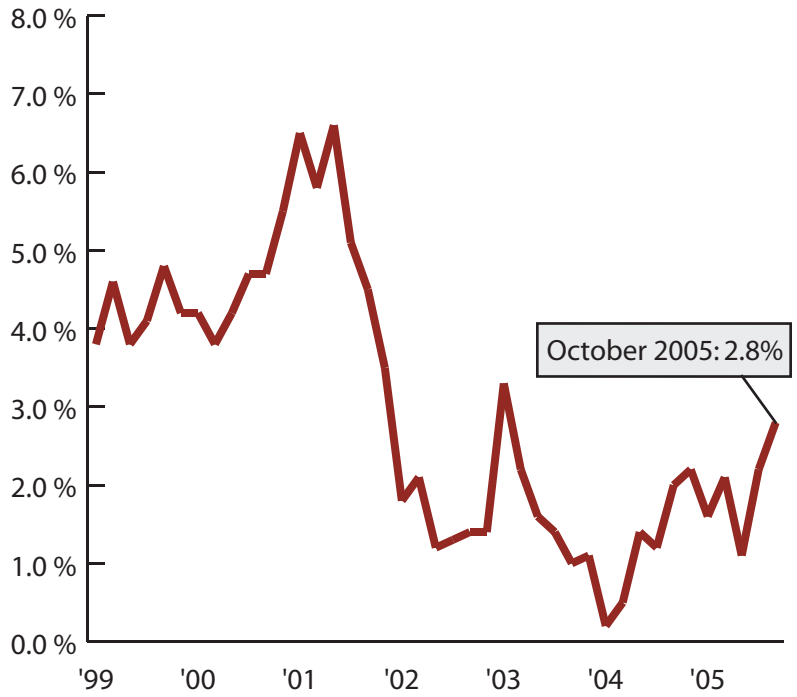
Inflation

Rapidly increasing gasoline and natural gas prices earlier this year contributed to significant concern over the possibility of increased inflation. While inflation has increased over the last year (from 2.0% in October 2004 to 2.8% last October), it has remained relatively low compared to historical trends in the Bay Area. Additionally, gasoline prices have begun to decline, falling 83 cents since its September peak to an average of $2.21 per gallon for regular unleaded. This is only 4.6 cents higher than the average gasoline price in December, 2004.

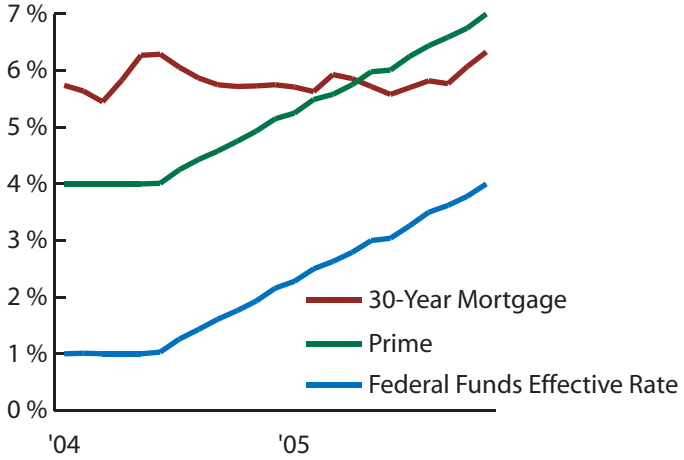
12-Month Change in Prices, *San Francisco Bay Area*



0.8% Increase in rate of inflation since last year

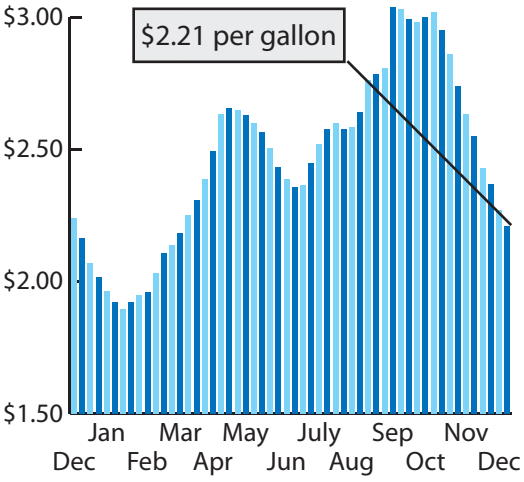
1.9% Decrease in rate of inflation since October 2000

Interest Rates



Sources: Bureau of Labor Statistics (http://www.bls.gov) and The Board of Governors of the Federal Reserve (http://www.federalreserve.gov)

Gasoline, *San Francisco Bay Area*

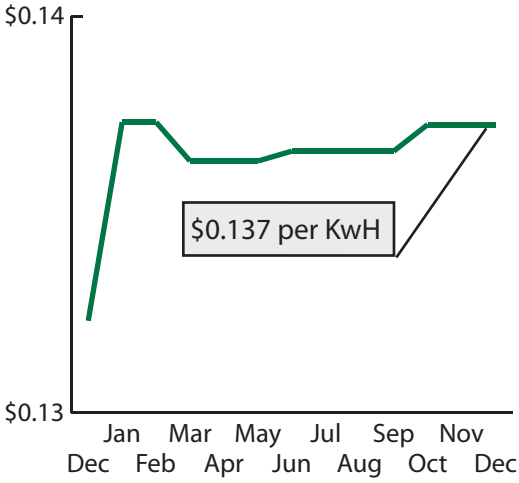


83¢ Decrease since September 2005 peak

4.6¢ Increase since last year

Electricity

Price per Kilowatt Hour

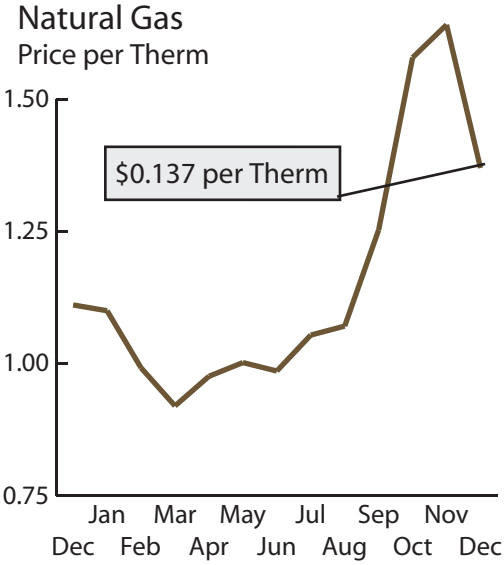


3.7% Increase since last year

0.0% Unchanged since November

Natural Gas

Price per Therm



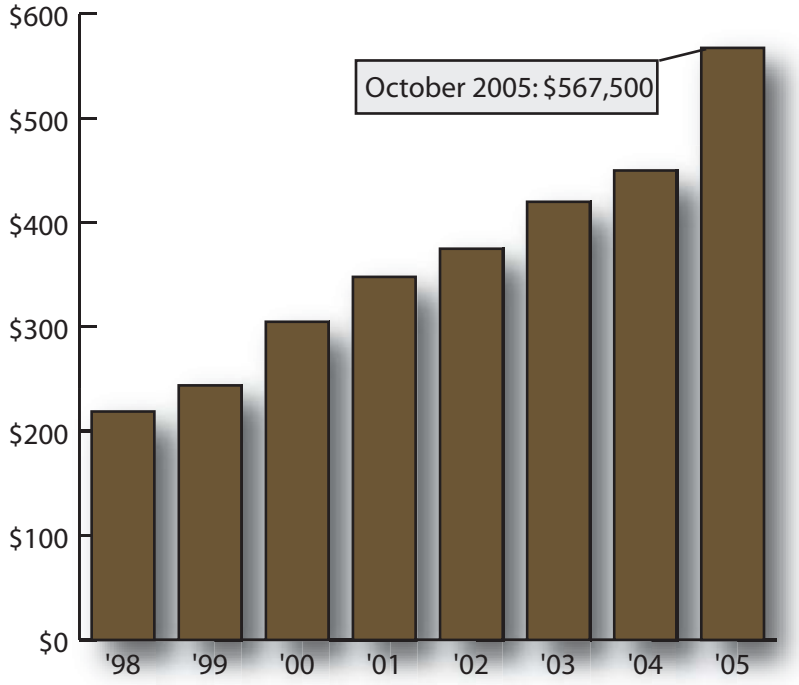
36% Increase since last year

16% Decrease since November

Sources: Department of Energy (http://www.doe.gov) and Pacific Gas and Electric (http://www.pge.com)

Housing

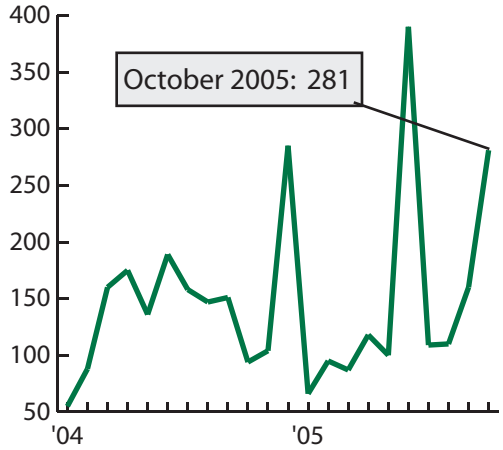
Median Home Price (Thousands)



26% Increase since 2004

159% Increase since 1998

Housing Starts



Year	Housing Starts
2004	1742
2005*	1516

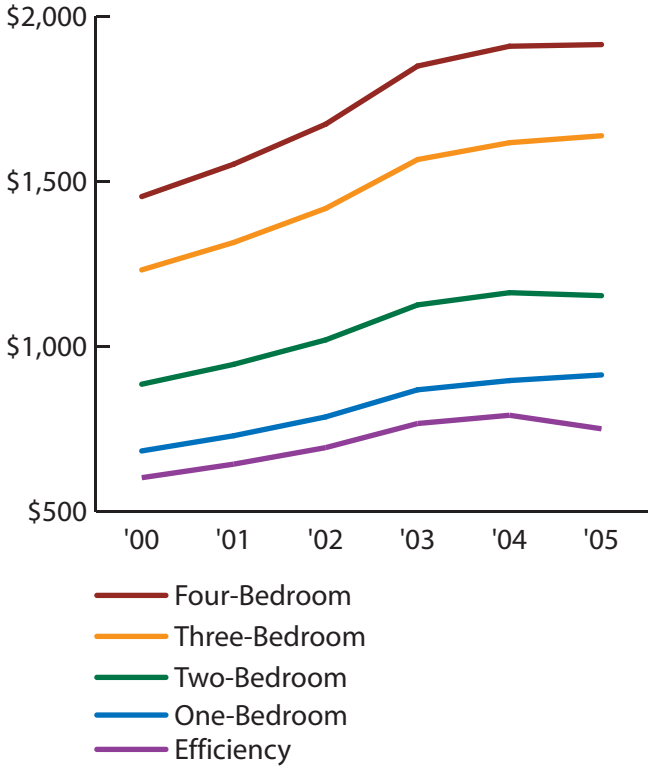
*through October

121 Increase since last month

163 More starts in the first 10 months of 2005 compared to 2004

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

Fair Market Rent



Home prices have increased dramatically over the last seven years, and the median home price in October 2005 was $567,500 for Sonoma County, a 26% increase since 2004. "Housing Starts" — new homes that recently began construction — has 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 calender 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)

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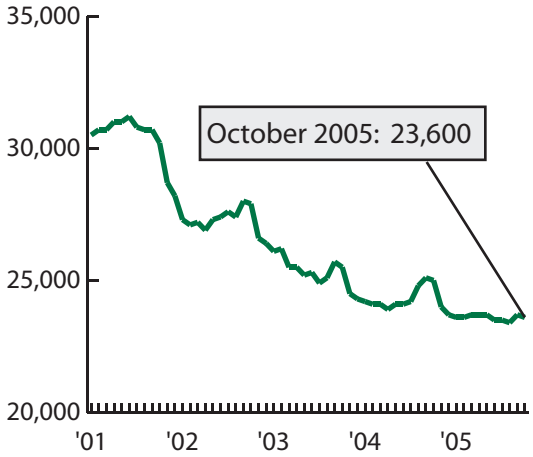
Special Focus: The Manufacturing Sector

Manufacturing Employment



1,400

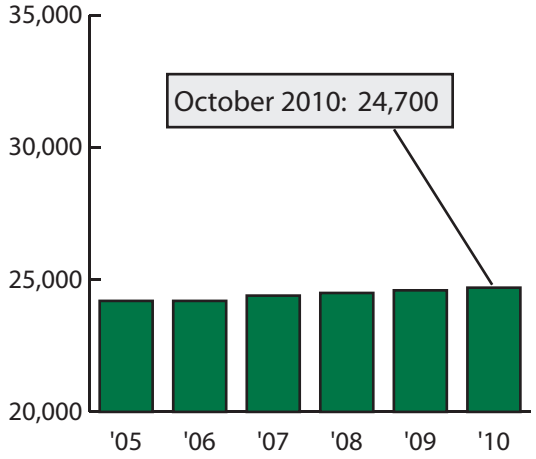
Decrease since October 2004

6,600

Decrease since October 2001

Source: California Employment Development Department
http://www.edd.ca.gov

Forecasted Manufacturing Employment

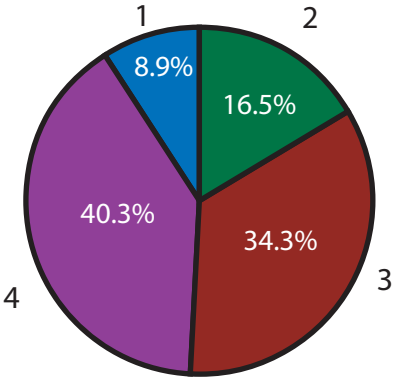


1,100

Predicted increase by 2010

Source: Economy.com, "Thriving in Sonoma County"
http://www.sonoma-county.org/edb

Sector Breakdown



1 Textiles and Other Nondurable Goods

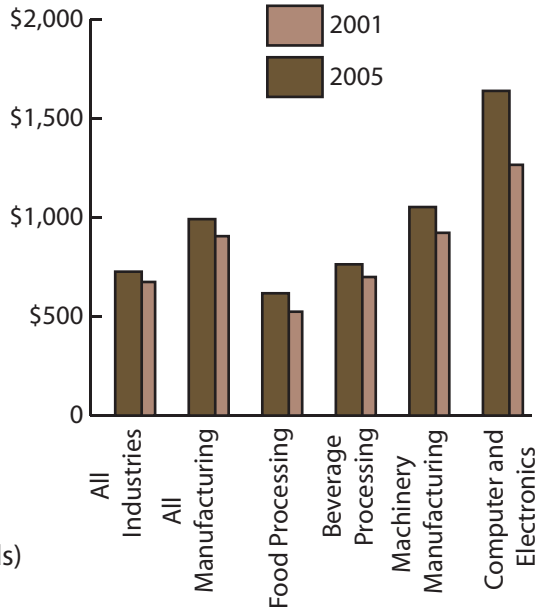
2 Computer and Electronic Products (Durable Goods)

3 All Other Durable Goods

4 Food and Beverage (Nondurable Goods)

Source: California Employment Development Department
http://www.edd.ca.gov

Average Weekly Wages



Source: California Employment Development Department
http://www.edd.ca.gov

The manufacturing sector employs 12.6% of Sonoma County's nonfarm workforce, currently making it one of the County's largest sectors. Nationally, only 10.6% of the workforce is employed in manufacturing. Manufacturing currently employs 23,600 people, more than 40% of whom work in the food and beverage processing industry, which includes wine production. Another significant source of manufacturing employment are high-tech and telecom manufacturing firms, which employ 16.5% of the manufacturing sector.

Manufacturing has declined in recent years, and currently employs 6,600 fewer than it did as recently as October 2001. Much of the decline in recent years can be attributed to the decline of the high-tech sector in California, and, as such, Moody's Economy.com expects manufacturing employment in Sonoma County to slowly rise for the rest of the decade.

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.

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