In This Month’s Report:

- Newly revised employment data shows that Sonoma County added 3,000 jobs in the 12-month period ending July 2006. The seasonally adjusted unemployment rate in Sonoma County fell to 4.0% in July of 2006. (All employment data is seasonally adjusted by the EDB).

- Home prices in July 2006 declined 1.8% from the 2005 median.

- Natural gas prices rose, while gasoline prices fell to $3.05 per gallon in the Bay Area. Despite the relief at the pump, inflation increased in June 2006 to 3.9% per year.

- A special focus this month on the County’s Agriculture and Food Processing sector.
**Employment (Thousands)**

- July 2006: 188,800

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**Unemployment Rate**

- United States
- California
- Sonoma County

- July 2006: 4.0%

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**Business Cycle Index**

The Sonoma County Business Cycle rose again in the 1st Quarter of 2006. Currently, the Index stands at 105.3 – 5.3% above 1st Quarter 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.

The Sonoma County Business Cycle Index attempts to show the current trends of several key economic statistics in one graph. The 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 - 51%, Wages - 28%, 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.

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**Sources:**
- Data is seasonally adjusted by the EDB
- Sonoma County Economic Development Board (http://www.sonoma-county.org/edb)
Inflation

Gasoline prices continued their decline from May’s $3.33-per-gallon high, while natural gas prices crept up 11% over the past month. Tightening labor supplies and slowing productivity growth, coupled with high energy prices, have pushed inflation up in the Bay Area to a 3.9% annual level, a 2.8% increase from June 2005.

Interest Rates


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

Sources: Department of Energy (http://www.doe.gov) and Pacific Gas and Electric (http://www.pge.com)
The median home price fell again for the second month in a row, decreasing $9,000 in value on average from last year’s numbers. In fact, home prices have decreased 3.5% since April, when the median home price was $565,000. “Housing Starts” have declined slightly on a year-to-date basis, suggesting that the construction boom may be cooling. (Housing starts are new homes which begin construction during a calendar year -- so a housing start in December 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. The current fair market rent for a two-bedroom apartment is $1151 per month.
The Sonoma County “Agriculture and Food Processing” sector comprises a significant portion of the County’s economy, employing 18,700 people, or 9.3% of the County’s workforce. In 2005, the sector had an economic output of $1.14 billion, its fourth year as a “billion dollar” industry.

Employment and output in the industry are projected to remain relatively stable, with inflation-adjusted output in 2011 expected to be 7.6% higher than 2005, and employment in 2011 expected to be 1,200 or 6.4% higher than in 2005.

As an export-oriented industry, the “Agriculture and Food Processing” sector captures consumer spending from outside of Sonoma County, and indirectly supports many more jobs and businesses locally. It also has an important relationship with the County’s tourism sector, both of which complement each other.