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SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION



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2011 First Quarter

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KERN ECONOMIC JOURNAL is a quarterly publication of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions.

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Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for *consideration* of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in hard or electronic copy. Individual authors are responsible for the views and research results.

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Econ Brief!

Look Out! Inflation

The United States economy, with 8.8 percent unemployment rate and 13.5 million unemployed workers, is experiencing a set back as inflation is gaining momentum. Energy and food prices have been rising sharply in recent months. "The combined increase in [prices of] the necessities of food and energy creates a harsh double-whammy for already stressed consumers," according to Craig Johnson of the Customer Growth Partners.¹

Inflationary pressures have been gaining momentum since summer of 2010. The cost of living inflation accelerated from 1.4 percent in the third quarter of 2010, to 2.6 percent in the fourth quarter of 2010, and to 5.2 percent in the first quarter of 2011. During the same three quarters, the cost of food inflation accelerated steadily from 0.7 percent, to 2.1 percent, and 5.2 percent. The cost of energy inflation has been out of control, rising from 5.4 percent, to 22.7 percent, and to 38.3 percent.²

Increasing fuel prices are pushing prices of food items and other commodities even higher, resulting in a more rapid general inflation. Accelerating inflation hampers "real" growth and slows the already sluggish economy. In particular, low-income households are feeling a harsher double-whammy as they spend a larger percentage of their incomes on the necessities. On average, low-income households use up 16 percent of their spending budgets on food and 18 percent on gasoline (at \$4.00 per gallon). In contrast, the rich spend 11 percent of their budgets on food and 13 percent on gasoline (at \$4.00 per gallon).³

¹Berk, Christina C., "Killer Combo of High Gas, Food Prices at Key Tipping Point," CNBC, April 21, 2011, <http://www.cnbc.com/id/42704213>

²The cost of living inflation is measured by the percentage change of the Consumer Price Index (CPI). The cost of food inflation is measured by the percentage change of the CPI-Food and the cost of energy inflation is measured by the percentage change of the CPI-Energy. All CPI data are adjusted for seasonal changes. Data source: Economagic.com: Economic Time Series Page, <http://www.economagic.com/>

³"Food Fights: Rising Global Grocery Bills Are hitting Poor and Causing Political Unrest," *The Newsweek*, February 28, 2011 and "The Varying Impact of Gas Prices," *The New York Times*, http://www.nytimes.com/interactive/2008/06/09/business/20080609_GAS_GRAPHIC.html

ECONOMY AT A GLANCE!

2011 FIRST QUARTER

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB

National Economy

Real Gross Domestic Product (GDP) increased at an annual rate of 1.8 percent in the first quarter of 2011, according to the "advance" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2010, real GDP increased 3.1 percent. The increase in real GDP primarily reflected positive contributions from personal consumption expenditures, private inventory investment, and nonresidential fixed investment. These contributions were partly offset by negative effects of federal government spending, state and local government spending, and imports.

The Index of Leading Economic Indicators – a measure of future economic activity – ascended 1.0 point to reach 113.4. Relative to four quarters ago, the index is up 4.9 points. This modest increase in the composite indicator points to a slow and uneven economic recovery. Likewise, the University of Michigan's Consumer Sentiment Index increased 1.8 points to arrive at 73.1. This gain was due to improved employment expectations that made consumers more willing to spend money and adopt more favorable prospects for the overall economy.

The rate of unemployment dropped from 9.6 to 8.9 percent. One year prior, however, the nation's unemployment rate was 9.7 percent. The cost of living increased at an annual rate of 5.2 percent; the cost of producing ascended 17.0 percent; and the cost of employment rose 2.5 percent.

State Economy

In California, the unemployment rate declined from 12.5 to 12.2 percent. Among the counties, San Francisco (8.7 percent), Orange (9.1 percent), San Luis Obispo (10.0 percent), San Diego (10.2 percent), and Santa Clara (10.6 percent) had unemployment rates below the state average. However, Sacramento (12.4 percent), Los Angeles (12.5 percent), Riverside (14.0 percent), and Fresno (18.2 percent) had unemployment rates above the state average.

The state's civilian labor force shrunk by 33,400, but total employment inclined by 28,900. Meanwhile, 62,300 fewer workers were unemployed. Nonfarm industries were responsible for 92,730 more jobs and farming enterprises added 1,370 jobs. A wide range of industries added jobs: mining and logging, construction, manufacturing, wholesale and retail trade, transportation,

warehousing and utilities, professional and business services, educational services, health-care and social assistance, and leisure and hospitality. Meanwhile, several industries reduced employment: finance and insurance, real estate and rental and leasing, federal and state governments.

Local Economy

In Kern County, households remained pessimistic about employment and financial conditions of their families and relatives as the *Consumer Sentiment Index* lost 1 point to reach 82. Conversely, businesses became more optimistic about their employment and financial conditions as the *Business Outlook Index* gained 8 points to reach 116.

In the meantime, the county's economy contracted at an annual rate of 2.2 percent. Kern's economy generated \$15.26 billion in personal income, \$84 million less than the previous quarter. Reduced total personal income was offset by a considerable decline in the labor force. As a result, personal income per worker increased \$530 to reach \$40,980.

Labor market conditions deteriorated in the first quarter of this year. Total employment decreased by 12,100, which consisted of 2,600 fewer nonfarm jobs and 13,900 fewer farm jobs, but 4,400 more informal jobs. Private enterprises cut 2,500 jobs and government agencies dropped 100 paid positions.

Among local industries, only education and health-care services and public education added jobs this quarter. However, a wide-range of industries cut jobs: mining and logging, construction, manufacturing, retail trade, transportation, warehousing and utilities, professional and business services, leisure and hospitality, federal government, and city and county government agencies.

When adjusted for seasonal variations, the rate of unemployment climbed from 14.9 to 16.6 percent. Still below the county average, the rate of unemployment was 12.0 percent in Bakersfield, 13.5 percent in California City, 9.9 percent in Ridgecrest, and 10.9 percent in Tehachapi.

Housing market conditions continued to deteriorate. The county's median sales price for all residential units depreciated \$5,000 (or 4.1 percent) from \$122,000 to \$117,000. In Bakersfield, the median housing price de-

(Continued on page 5)

KERN BUSINESS OUTLOOK BRIGHTENED IN EARLY 2011



ABBAS P. GRAMMY
PROFESSOR OF ECONOMICS, CSUB

Results of the survey of Business Outlook indicate that Kern County business managers are more optimistic about employment and business conditions. In the first quarter (January through March) of 2011, the *Business Outlook Index* improved to 116 from 108. Relative to four quarters ago, the index was up 10 points.

Kern County's *Business Outlook Index* is compiled from telephone surveys administered to a random sample of local business managers listed in various telephone directories. Index values above 100 indicate optimism, while values below 100 suggest pessimism. The intent of the survey is to help business managers make more informed decisions given local economic trends. Survey results also enable investors to assess the potential for local economic growth based on the degree of business confidence.

To make an in-depth analysis of business confidence, we disaggregated the *Business Outlook Index* into two indices relating to recent and future business perceptions. Survey respondents expressed optimistic perceptions about current and future business conditions. The *Current Conditions Index* ascended to 118 from 96 and the *Future Conditions Index* rose to 114 from 112.

Employment Outlook:

Fifty-seven percent of interviewees reported that the number of jobs in their companies stayed constant this quarter. However, 30 percent said more jobs were available in their companies and 13 percent reported reduced employment.

Likewise, 75 percent perceived that the number of jobs would stay constant next quarter, whereas 24 percent

expected their companies to hire more workers. The remaining 1 percent anticipated a smaller workforce.

Financial Outlook:

Fifty-eight percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 26 percent indicated increased sales and profits and 16 percent stated reduced sales and profits.

Similarly, 59 percent expected financial conditions of their companies would remain constant next quarter. However, 27 percent anticipated increased sales and profits and 14 percent predicted reduced sales and profits.

Industry Outlook:

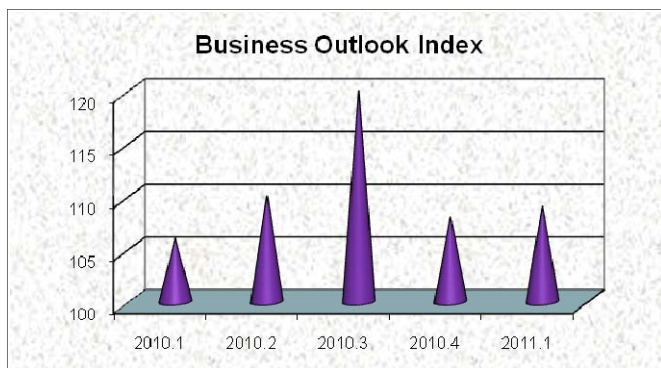
Fifty percent of survey respondents perceived that the employment and general business conditions of their industries remained the same as the previous quarter, while 34 percent felt these conditions improved and 16 percent indicated crumbling business conditions.

Sixty-eight percent anticipated that the employment and general business conditions of their industries would stay unchanged next quarter. Yet, 18 percent expected progress and 14 percent felt otherwise.

Economic Outlook:

When asked about Kern County's economy, 52 percent of interviewees perceived no change this quarter. Nevertheless, 39 percent felt conditions improved and 9 percent said conditions worsened.

(Continued on page 13)



	Current Quarter	Previous Quarter	Four Quarters Ago
Business Outlook Index	116	108	106
Current Conditions Index	118	96	98
Future Conditions Index	114	112	116

LITTLE CHANGE IN BAKERSFIELD CONSUMER SENTIMENT IN EARLY 2011



MARK EVANS

ASSOCIATE DEAN, SCHOOL OF BUSINESS & PUBLIC ADMINISTRATION
PROFESSOR AND CHAIR OF ECONOMICS, CSUB

Bakersfield's Index of Consumer Sentiment remained steady in the first quarter of 2011, attaining a value of 82 compared to 83 in the fourth quarter of 2010. The local index has barely moved since the second quarter of 2010 when it rebounded from 66, its lowest reading ever. Nationally, the University of Michigan's consumer sentiment index inched forward to a value of 73 after averaging 71 in the fourth quarter. The national index made strong gains in February, but retreated in March to its lowest value since November 2009.

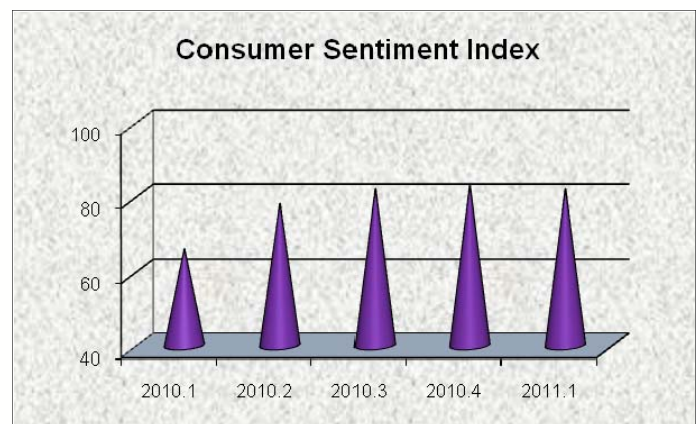
Although the Bakersfield index is conceptually similar to the University of Michigan's national index, their magnitudes cannot be directly compared. The performance of both indexes has paralleled the financial collapse and slow recovery. While the national index bottomed out a year before the local index, both are mired at a level that is exceeded between 80 and 90 percent of the time.

CSUB compiles the Bakersfield index from telephone interviews of a random sample of households in order to help local decision makers compare national and local trends. The Bakersfield index is disaggregated into sub-indexes reflecting financial outcomes over the previous 12 months and expectations for the coming year.

Inertia in the aggregate index masked divergent changes in current trends and future sentiment. While the sub-index measuring current conditions declined from 79 to 74, the index reflecting future expectations increased by three points to 90 from 87.

The sub-index reflecting current buying and financial trends declined primarily because fewer households reported being better off than one year ago (14 percent - down from 19 percent) and more reported being worse off (37 percent compared to 27 percent in the previous quarter). While there was a slight uptick (two points) in the percent of households reporting they spent "more than usual" on discretionary items, this was offset by an equal decline in the percent spending "less than usual."

While the degree of increased optimism was unexceptional, it is worth noting that this expectations sub-index has increased, albeit modestly, for four consecutive quarters. This continued improvement was due to some extent to a slight shift in the percentage of households expecting the financial situation of their family to improve in the coming year (from 38 to 40 percent) matched by a slight decline in those expecting further deterioration (21 percent compared to 23 percent in the previous quarter). The second factor contributing to improvement was a slight increase in the percentage of respondents stating this is a safe time to use savings or incur debt (16 percent compared to 14 percent in the previous quarter) and a larger ten-point reduction in the percentage who think this is a risky time to draw down savings or incur debt. This suggests progress is being made in repairing household balance sheets in Bakersfield, a precondition for sustainable, self-reinforcing growth.



(Continued on page 5)

Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	82	83	66
Sub-index: Current Conditions	74	79	52
Sub-index: Future Expectations	90	87	79

Table 2: Recent Buying and Financial Trends			
	More than usual	Same as usual	Less than usual
Your recent spending on discretionary items (dining out, weekend outings, entertainment).	17 %	47 %	36 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	14 %	49 %	37 %
How your acquaintances in Kern County are doing financially compared to one year ago.	5 %	53 %	42 %

Table 3: Future Expectations			
	Better or more stable	About the same	Worse or more risky
The most likely financial situation of your family one year from now	40 %	39 %	21 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	22 %	43 %	35 %
	Safe time to buy	Neutral response	Risky time to buy
Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods?	16 %	33 %	51 %

At a Glance (Continued from page 2)

preciated \$6,100 (or 4.8 percent) from \$128,300 to \$122,200. In Kern County, 247 fewer homes were sold as total sales decreased from 2,781 to 2,534. In Bakersfield, 165 fewer homes were sold as sales of residential units declined from 1,980 to 1,815. Likewise, the number of building permits issued for the construction of new privately-owned dwelling units declined from 355 to 304. The housing affordability indicator improved from 29.9 to 31.6 percent.

The county's foreclosure activity slowed from 2,011 to 1,865. As a result, 146 (or 7.3 percent) fewer homeowners received notices of loan default from their mortgage bankers. Nearly 88 percent of homeowners receiving default notices lost their homes to foreclosure. The number of homes lost to foreclosure increased from 1,286 to 1,640. As a result, 354 (or 27.5 percent) more homes were lost to foreclosure.

In commodity markets, the average price of San Joaquin Valley heavy crude increased 20.0 percent from \$79.34 to \$95.17 per barrel. In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 13.8 percent from \$3.12 to \$3.55 per gallon. The unit price of California's Class III milk edged up 8.0 percent from \$15.40 to \$16.63. The index of prices farmers received for their outputs rose 11 point to reach 169, while the index of prices farmers paid for their inputs inclined 9 points to arrive at 197. As a result, the parity between output prices farmers received and input prices farmers paid narrowed 2 points to reach 86.

The composite price index (2010.1=100) of the top five locally traded stocks increased 11.7 points from 94.3 to 106.0. In the first quarter of this year, the average stock prices inclined for Chevron Corporation U.S., Tejon Ranch Company, Wells Fargo Company, and Granite Construction, but declined for Sierra Bancorp.

TRACKING KERN'S ECONOMY¹

2011 FIRST QUARTER

ABBAS P. GRAMMY

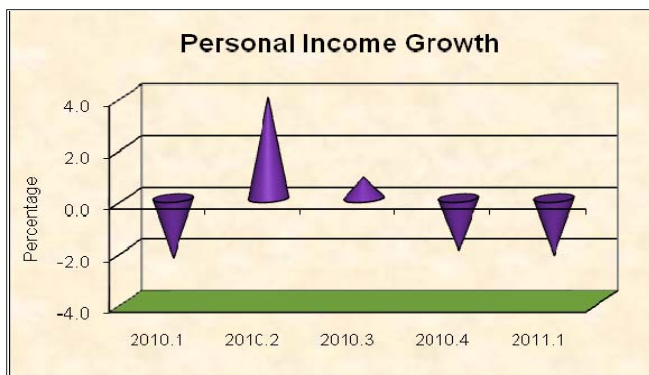
PROFESSOR OF ECONOMICS, CSUB

Economy

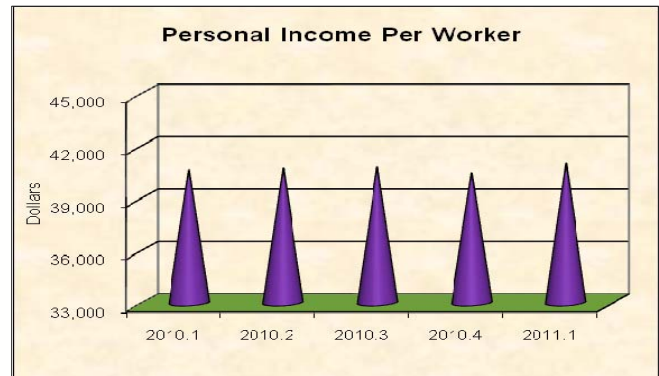
Personal Income - Kern County's total personal income (in constant 1996 dollars and adjusted for seasonal variations) declined \$84 million from \$15.35 billion in the fourth quarter of 2010 to \$15.26 billion in the first quarter of 2011. Rising unemployment, falling housing prices, and loss of residential property to foreclosure were partly offset the rise in transfer payments and non-labor income. However, this quarter's total personal income was \$29 million higher than that of four quarters ago.



Growth of Personal Income - The loss of \$84 million of personal income translated into a negative annualized growth rate of 2.2 percent in the first quarter of 2011. Kern's economy grew -2.0 percent in the previous quarter and -2.3 percent four quarters ago.



Personal Income Per Worker - Reduced total personal income was offset by a considerable decline in the labor force. As a result, personal income per worker increased \$530 from \$40,450 in the fourth quarter of 2010 to \$40,980 in the first quarter of 2011. Similarly, personal income per worker was \$380 more than that of four quarters ago.



Labor Market

We adjust published data in three ways. Firstly, we averaged monthly data to calculate quarterly data. Secondly, we recalculated quarterly data to take into account workers employed in the "informal" market (i.e., self-employed labor and those who work outside their county of residence). Finally, we adjusted quarterly data for the effects of seasonal variations.

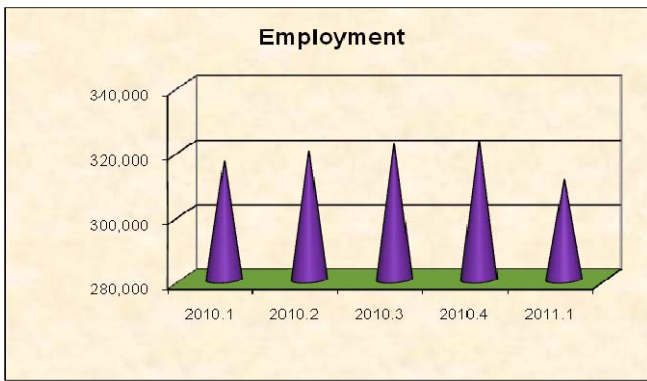
Labor Force - The civilian labor force decreased by 7,000 members from 379,510 in the fourth quarter of 2010 to 372,510 in the first quarter of 2011. Likewise, 2,890 fewer workers were available for work relative to the first quarter of 2010.



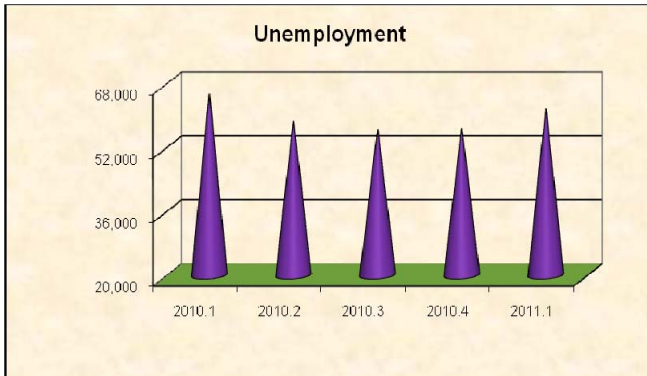
Employment - In the first quarter of 2011, Kern County's economy lost 12,100 jobs as total employment decreased from 322,910 to 310,810. Similarly, the county employed 5,790 fewer workers this quarter relative to the first quarter of last year.

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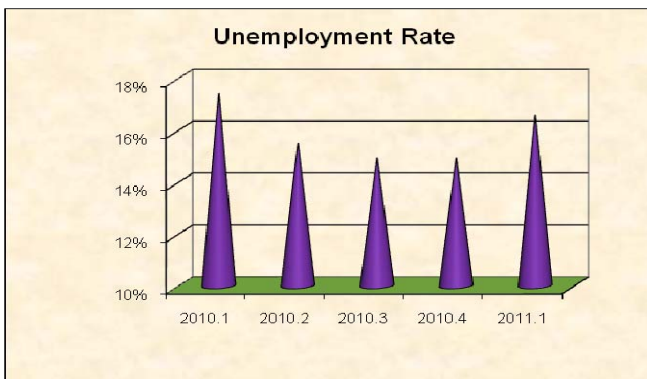
¹Source - Online databases: labormarketinfo.edd.ca.gov, bakersfieldgasprices.com, dqnews.com, economagic.com, bea.gov, bls.com, gpoaccess.gov, dairy.nu, msn.com, census.gov, kerndata.com, and bry.com



Unemployment - The number of jobless workers increased by 5,100 as unemployment climbed from 56,600 in the fourth quarter of 2010 to 61,700 in the first quarter of 2011. However, 3,600 fewer workers were unemployed this quarter than four quarters ago.



Unemployment Rate - In the meantime, the rate of unemployment climbed from 14.9 percent to 16.6 percent. This quarter's unemployment rate, however, was 0.8 percent lower than that of four quarters ago.

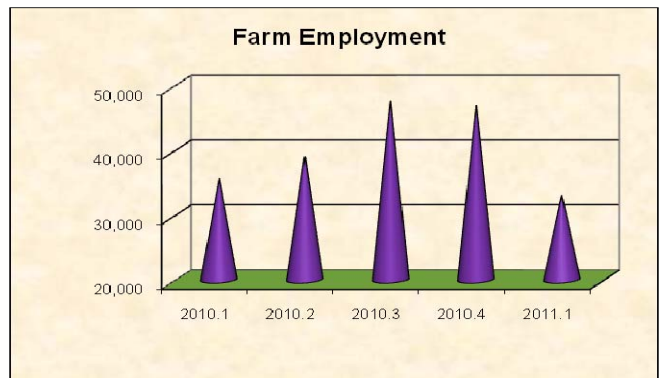


The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate ranged between 9.9 percent in Ridgecrest and 40.8 percent in Arvin. In Bakersfield, the rate of unemployment was 12.0 percent.

Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Ridgecrest	9.9	Mojave	18.8
Tehachapi	10.9	Lake Isabella	19.8
Bakersfield	12.0	Shafter	28.9
California City	13.5	Lamont	29.0
Rosamond	14.1	Wasco	29.9
Frazier Park	14.9	McFarland	33.2
Taft	16.6	Delano	39.5
Oildale	17.8	Arvin	40.8

Note: City-level data are not adjusted for seasonality and "informal" market workers.

Farm Employment - In the first quarter of 2011, Kern County employed 13,900 fewer farm workers. Farm employment decreased from 46,770 to 32,870. Likewise, the farming industry hired 2,630 fewer workers this quarter than four quarters ago.

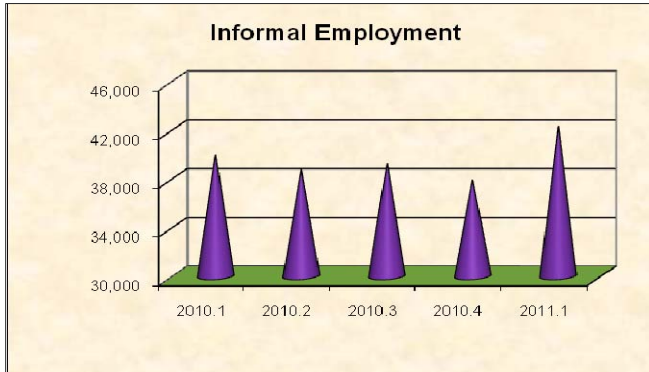
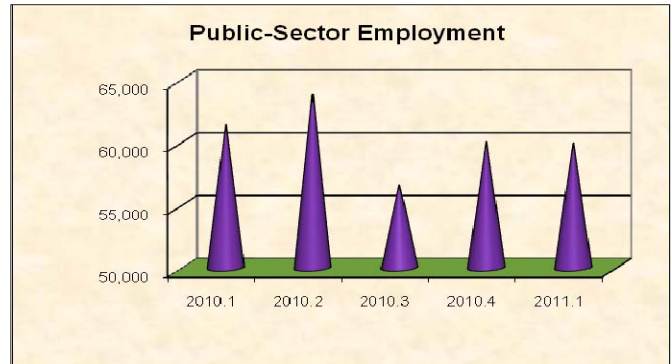
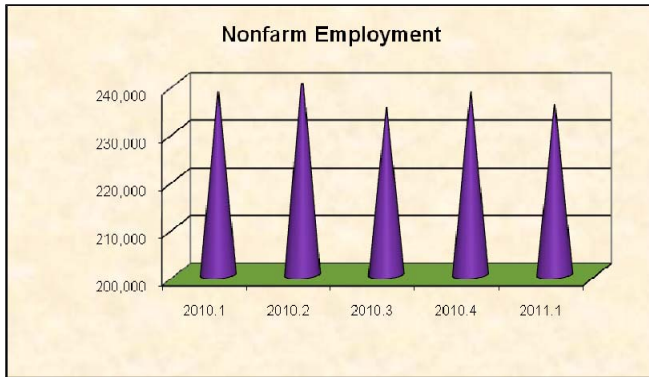


Nonfarm Employment - Local nonfarm industries employed 2,600 fewer workers this quarter. The number of nonfarm jobs decreased from 238,270 in the fourth quarter of 2010 to 235,670 in the first quarter of 2011. Similarly, nonfarm industries employed 2,630 fewer workers this quarter than four quarters ago.

Among local industries, only education and health-care services and public education added jobs this quarter. However, a wide-range of industries cut job: mining and logging, construction, manufacturing, retail trade, transportation, warehousing and utilities, professional and business services, leisure and hospitality, federal government, and city and county government agencies.

Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the first quarter of 2011, the number of informal workers increased by 4,400 from 37,870 to 42,270. Likewise, the informal labor market offered 2,360 more jobs this quarter relative to the first quarter of last year.

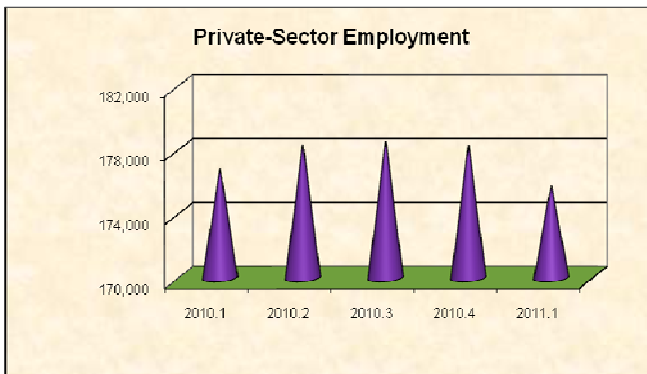
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Housing Market

Housing Price - In the first quarter of 2011, Kern County’s housing market conditions continued to deteriorate. The median sales price for all residential units depreciated \$5,000 (or 4.1 percent) from \$122,000 to \$117,000. Similarly, the county’s median housing price was \$13,500 (or 10.3 percent) lower than that of four quarters ago.

Private-sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the first quarter of 2011, private companies cut 2,500 jobs as their employment decreased from 178,240 to 175,740. Relative to four quarters ago, the private sector offered 1,060 fewer jobs.



In Bakersfield, the median housing price depreciated \$6,100 (or 4.8 percent) from \$128,300 to \$122,200. Likewise, the city’s median housing price was \$14,600 (or 10.7 percent) lower than that of four quarters ago.

Public-sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the first quarter of 2011, employment in government agencies inclined by 100 from 60,030 to 59,930. Similarly, the public sector employed 1,470 fewer workers this quarter relative to four quarters ago.



Housing price changes varied across the county. Among selected locations shown below, the median sales price depreciated in Bakersfield, California City, Delano, Rosamond, Taft, and Tehachapi. The median housing price appreciated only in Ridgecrest.

Location	Median Price 2010.4	Median Price 2011.1	Price Change 2010.4-2011.1	Price Change 2010.4-2011.1
Kern County	\$122,000	\$117,000	-\$5,000	-4.1%
Bakersfield	\$128,300	\$122,200	-\$6,100	-4.8%
California City	\$61,300	\$59,100	-\$2,200	-3.6%
Delano	\$118,950	\$115,800	-\$3,150	-2.6%
Ridgecrest	\$155,000	\$168,200	\$13,200	8.5%
Rosamond	\$116,800	\$114,500	-\$2,300	-2.0%
Taft	\$68,800	\$49,500	-\$19,300	-28.1%
Tehachapi	\$162,000	\$143,400	-\$18,600	-11.5%

Housing Sales - In Kern County, 247 fewer homes were sold as total sales decreased from 2,781 in the fourth quarter of 2010 to 2,534 in the first quarter of 2011. However, 22 more units were sold this quarter relative to the first quarter of last year.



In Bakersfield, 165 fewer homes were sold as sales of residential units declined from 1,980 in the fourth quarter of 2010 to 1,815 in the first quarter of 2011. Nevertheless, sales were up by 6 units this quarter relative to the



first quarter of last year.

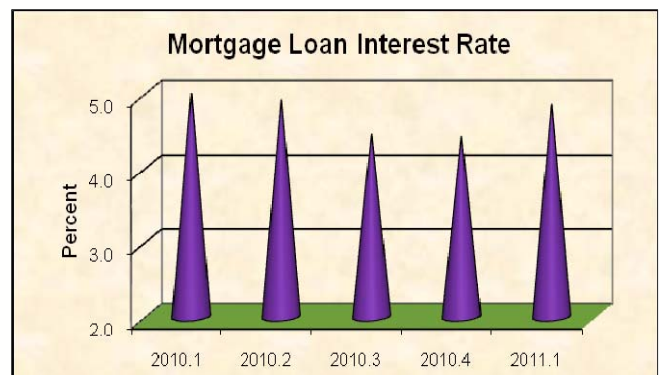
Median Housing Price per Square Foot - The median sales price per square foot of housing area inclined \$3 from \$83 in the fourth quarter of 2010 to \$86 in the first quarter of 2011. Nevertheless, the median housing price per square foot has gone down \$11 since the first quarter of last year.



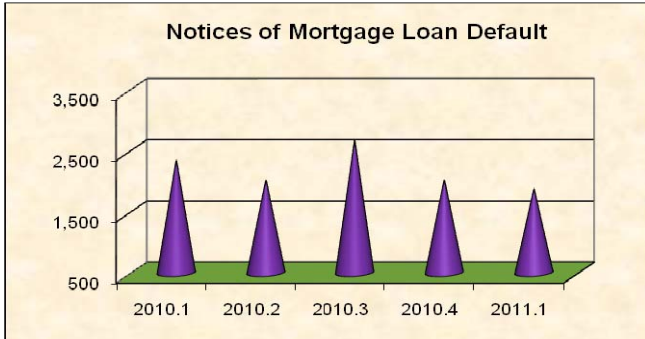
New Building Permits - In the first quarter of 2011, the number of building permits issued for the construction of new privately-owned dwelling units declined by 51 from 355 to 304. Similarly, 161 fewer building permits were issued this quarter relative to four quarters ago.



Mortgage Interest Rate - In the first quarter of 2011, the interest rate of thirty-year conventional mortgage loans increased from 4.41 to 4.85 percent. Four quarters ago, mortgage loan interest rate was 4.99 percent.



Housing Foreclosure Activity - In the first quarter of 2011, the county's foreclosure activity slowed from 2,011 to 1,865. As a result, 146 (or 7.3 percent) fewer homeowners received notices of loan default from their mortgage bankers. Likewise, the number of default notices has gone down by 466 (or 20.0 percent) since the first quarter of last year.



Nearly 88 percent of homeowners receiving default notices lost their homes to foreclosure. The number of homes lost to foreclosure increased from 1,286 in the fourth quarter of 2010 to 1,640 in the first quarter of 2011. As a result, 354 (or 27.5 percent) more homes were lost to foreclosure. Similarly, 104 (or 6.8 percent) more homes were lost to foreclosure relative to the first quarter of 2010.



Housing Affordability - Median housing prices divided by median household income is a measure of housing affordability. With such a sharp decline in the median housing price, the affordability indicator improved from 29.9 percent in the fourth quarter of 2010 to 31.6 percent in the first quarter of 2011. The housing affordability indicator was 28.0 percent four quarters ago.

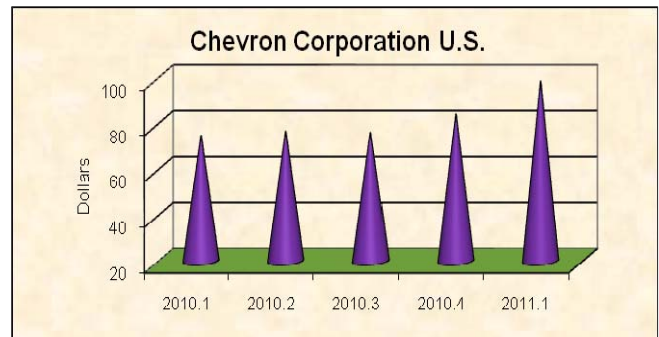


Stock Market

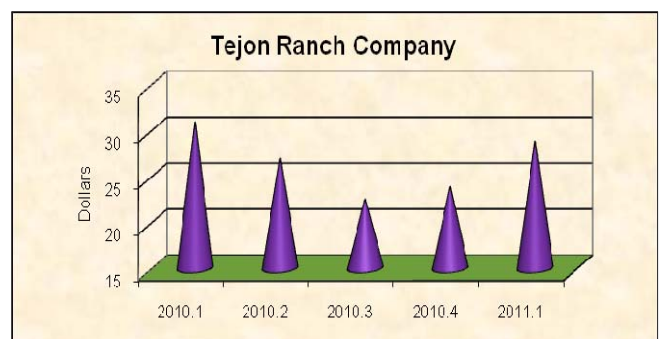
In the first quarter of 2011, the composite price index (2010.1 = 100) of the five publically traded companies doing business in Kern County increased 11.7 points from 94.3 to 106.0. The index was 6.0 points higher than that of four quarters ago. Average "close" prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



Chevron Corporation US - CVX gained \$14.45 (or 17.2 percent) per share as its price rose from \$83.94 in the fourth quarter of 2010 to \$98.39 in the first quarter of 2011. Likewise, CVX has gained \$23.73 (or 31.8 percent) since the first quarter of 2010.

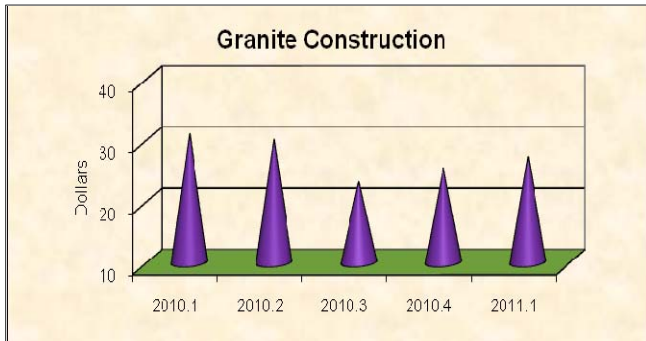


Tejon Ranch Company - TRC made \$4.94 (or 20.7 percent) per share as its stock price rose from \$23.83 in the fourth quarter of 2010 to \$28.77 in the first quarter of 2011. However, TRC was down \$2.10 (or 6.8 percent) relative to the first quarter of 2010.

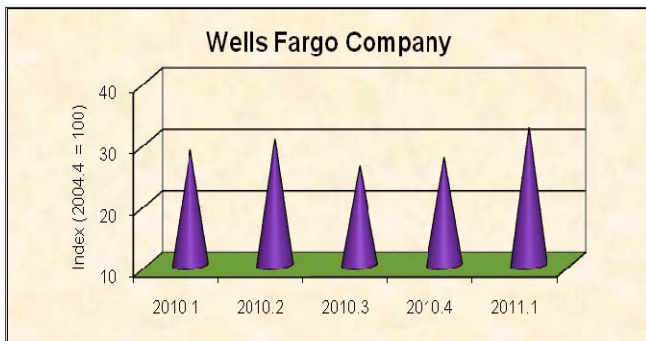


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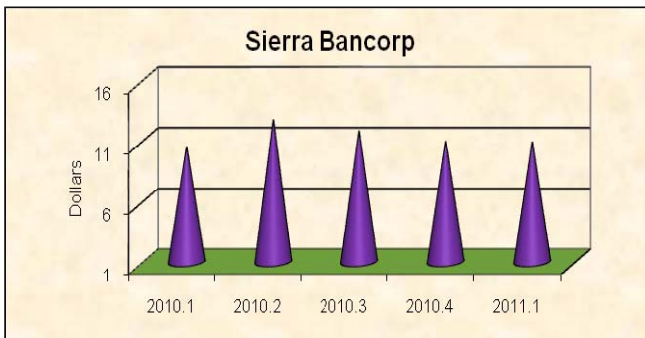
Granite Construction - GVA gained \$1.82 (or 7.2 percent) per share in the first quarter of 2011 as its stock price increased from \$24.10 to \$27.22 per share. Nonetheless, GVA has gone down \$3.69 (or 11.9 percent) since the first quarter of 2010.



Wells Fargo Company - WFC made \$4.88 (or 17.8 percent) per share as its stock price rose from \$27.37 in the fourth quarter of 2010 to \$32.25 in the first quarter of 2011. Relative to one year ago, WFC was up \$3.66 (or 12.8 percent).



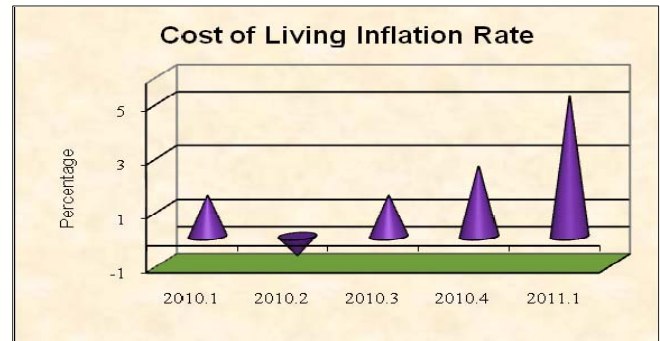
Sierra Bancorp - BSRR lost 3¢ (or 0.3 percent) per share as its price declined from \$10.90 in the fourth quarter of 2010 to \$10.87 in the first quarter of 2011. However, BSRR has gone up 41¢ (or 3.9 percent) since the first quarter of 2010.



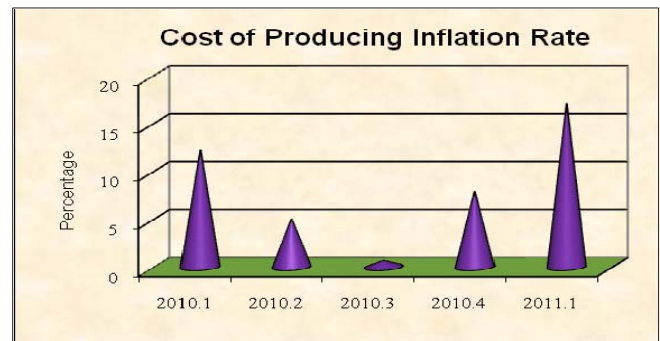
Inflation

Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 219.5 in the fourth quarter of 2010 to 222.3 in the first quarter of

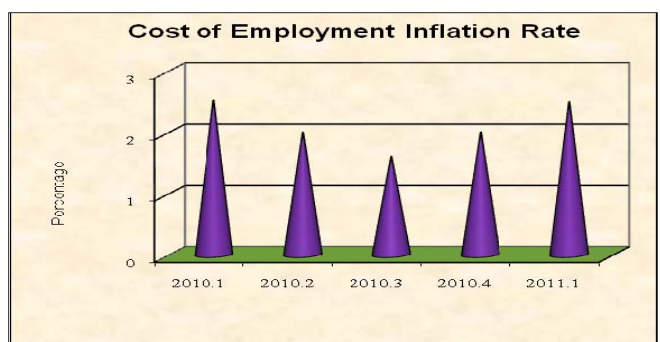
2011. As a result, inflation for the cost of living accelerated at an annual rate of 5.2 percent. The cost of living inflation rate was 2.6 percent last quarter and 1.5 percent four quarters ago.



Cost of Producing - The Producer Price Index for all commodities (1996 = 100) climbed from 188.1 in the fourth quarter of 2010 to 195.6 in the first quarter of 2011. The inflation rate for the cost of producing accelerated at a rapid annualized rate of 17.0 percent. The cost of producing inflation rate was 7.9 percent last quarter and 12.2 percent four quarters ago.

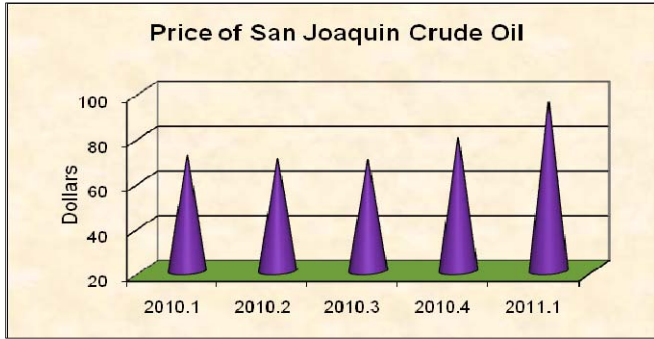


Cost of Employment - The Cost of Employment Index (December 2005 = 100) increased from 113.3 in the fourth quarter of 2010 to 114.0 in the first quarter of 2011. The cost of employment inclined at an annual rate of 2.5 percent. The cost of employment inflation rate was 2.0 percent last quarter and 2.5 percent four quarters ago.

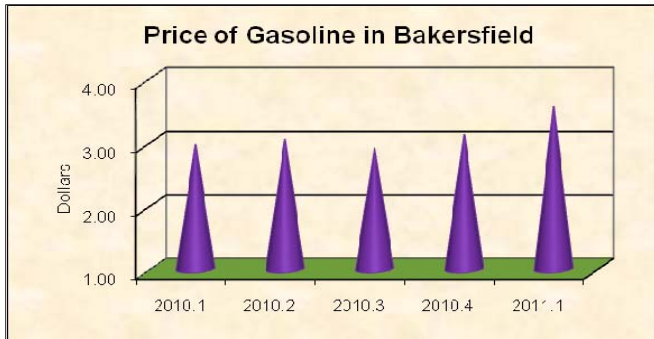


Commodity Prices

Price of Oil - The average price of San Joaquin Valley heavy crude increased \$15.83 (or 20.0 percent) per barrel from \$79.34 in the fourth quarter of 2010 to \$95.17 in the first quarter of 2011. Likewise, the average price of crude oil was up \$23.60 (or 33.0 percent) per barrel relative to the first quarter of 2010.



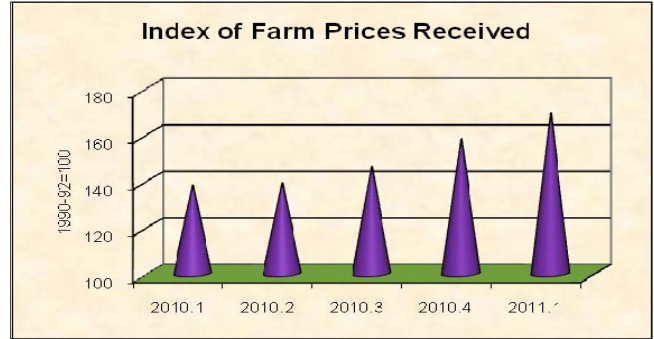
Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 43¢ (or 13.8 percent) per gallon from \$3.12 in the fourth quarter of 2010 to \$3.55 in the first quarter of 2011. Compared with the fourth quarter of last year, the average gasoline price was up 59¢ (or 19.9 percent).



Price of Milk - The unit price of California’s Class III milk increased \$1.23 (or 8.0 percent) from \$15.40 in the fourth quarter of 2010 to \$16.63 in the first quarter of 2011. Likewise, the unit price of milk has gone up \$2.78 (or 20.1 percent) since the first quarter of 2010.



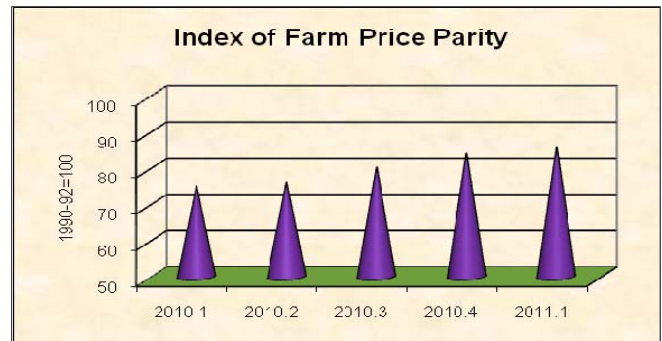
Farm Prices - In the first quarter of 2011, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) climbed 11 points to arrive at 169. Likewise, the index was 31 points higher than that of four quarters ago.



The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents climbed 9 points to reach 197. Similarly, the index value was 13 points higher than that of four quarters ago.



We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the first quarter of 2011, the gap between prices paid and prices received narrowed as Index of Farm Price Parity rose to 86 from 84. Likewise, the gap between prices farmers paid and prices farmers received narrowed 11 points since the first quarter of 2010.



Likewise, 60 percent felt that economic conditions would remain unchanged next quarter. However, 30 percent anticipated the economy would get better and 10 percent said conditions are likely to get worse.

Factors Affecting Business Outlook:

We asked interviewees to identify factors that have affected employment and financial conditions of their companies. They felt several factors brightened the business outlook:

- Public works projects creating jobs
- Growth of health-care industry
- High food prices

Conversely, survey respondents expressed the belief that several factors darkened the business outlook:

- Sluggish economy and high unemployment
- State budgetary cuts affecting higher education
- Rising fuel prices and production costs

Question	Response		
	Better	Same	Worse
Employment in your company this quarter was	30%	57%	13%
Employment in your company next quarter will be	24%	75%	1%
Financial condition (sales or profits) of your company this quarter was	26%	58%	16%
Financial condition (sales or profits) of your company next quarter will be	27%	59%	14%
Employment and general business conditions in your industry this quarter were	34%	50%	16%
Employment and general business conditions in your industry next quarter will be	18%	68%	14%
Employment and general business conditions in Kern County this quarter were	39%	52%	9%
Employment and general business conditions in Kern County next quarter will be	30%	60%	10%

Econ Brief!

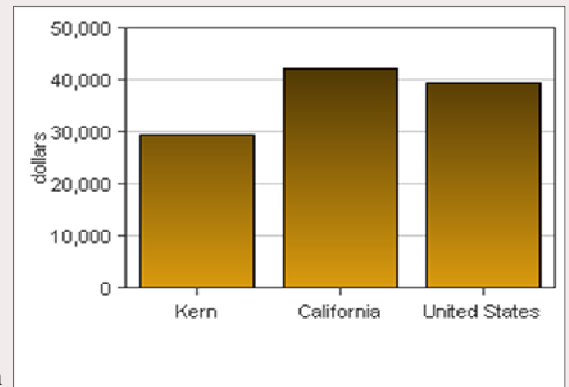
Kern Personal Income Ranks 47th in California

David Lyman
City of Bakersfield

Per capita personal income¹ for Kern County in 2009 was \$29,630, ranking it 47th among California's 58 counties, according to data released today by the *United States Bureau of Economic Analysis*. Kern County's per capita personal income was 70 percent of the state average (\$42,400) and 75 percent of the national average (\$39,600).

Kern County's 2009 per capita personal income reflected a decrease of 1.5 percent from 2008. Statewide, there was a 3.3 percent decrease during the same time, and a national decline of 2.6 percent. Compared to 1999, Kern County's ranking among California counties remains unchanged at 47th.

In the San Joaquin Valley, Mariposa County had the highest level of per capita personal income (\$33,500), while Kings County had the lowest (\$26,400). Kern County placed 5th in the San Joaquin Valley.



¹Personal income is a comprehensive measure of the income of all persons from all sources. In addition to wages and salaries, it includes employer-provided health insurance, dividends and interest income, social security benefits, and other types of income.

Sources:

For detailed information from BEA about personal income in Kern County:
<http://www.bea.gov/regional/bearfacts/action.cfm?fips=06029&areatype=06029>

Rank	County	Per Capita Personal Income
36	Mariposa	\$33,500
43	Stanislaus	\$31,250
44	San Joaquin	\$31,100
45	Fresno	\$30,650
47	Kern	\$29,630
51	Tulare	\$27,700
42	Merced	\$27,500
55	Madera	\$26,800
57	Kings	\$26,400

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