

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION



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2012 Second Quarter

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Enterprise College 2012
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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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Cover photo by Gary Bunk: *Enterprise College: Economics for Future Leaders*, CSUB, The Class of 2012. *Enterprise College: Economics for Future Leaders* is an intensive summer program in economics and leadership for high school seniors. Students earn both college and high school credit for an introductory economics course. The program is supported by instructional funds from the School of Business and Public Administration and a grant from the Mid State Development Corporation.

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Econ Brief!

Bakersfield Metropolitan Area: Top 20 Growth Rate in The Nation

David Lyman
Manager, Convention and Visitor Bureau

Over the past decade, the Bakersfield-Delano metropolitan area¹ had the highest average annual economic growth rate in California and 12th highest growth rate nationwide. This assessment is one of the results of a study prepared by IHS Global Insight for the U.S. Conference of Mayors released in July 2012. The study showed that between 2001 and 2011, Bakersfield's average annual growth rate was 7.0 percent, the top growth rate in California and number 12 out of 363 areas nationwide. The 20 metropolitan areas with the highest average annual growth rates are listed here.

¹Bakersfield-Delano metropolitan area includes all of Kern County.

Source: <http://usmayors.org/metroeconomies/0712/FullReport.pdf>

Rank	Metropolitan Area	Economy (billion of US\$)		Average Annual Growth Rate
		2001	2011	2001-2011 (%)
1	Midland, TX	5.3	12.7	9.1
2	Odessa, TX	3.0	7.2	9.0
3	Pascagoula, MS	3.1	7.4	9.0
4	Casper, WY	3.0	6.9	8.8
5	Jacksonville, NC	3.9	8.6	8.2
6	Hinesville-Fort Stewart, GA	1.7	3.7	7.9
7	Corvallis, OR	2.4	5.1	7.7
8	Houma-Bayou Cane-Thibodaux, LA	5.8	11.9	7.5
9	Lafayette, LA	10.3	20.7	7.2
10	Shreveport-Bossier City, LA	12.9	25.7	7.1
11	Killeen-Temple-Fort Hood, TX	8.1	16.0	7.1
12	Bakersfield-Delano, CA	15.8	31.1	7.0
13	Baton Rouge, LA	22.8	44.5	6.9
14	Lake Charles, LA	6.9	13.5	6.9
15	Longview, TX	5.3	10.4	6.8
16	Morgantown, WV	3.2	6.1	6.8
17	Bismarck, ND	2.9	5.6	6.8
18	Cheyenne, WY	2.7	5.3	6.7
19	Durham-Chapel Hill, NC	20.8	39.6	6.7
20	Clarksville, TN-KY	5.7	10.8	6.6

ECONOMY AT A GLANCE!

2012 SECOND QUARTER

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB

National Economy

The United States economy has been sluggish with high unemployment and low inflation. The Gross Domestic Product increased at an annual rate of 1.5 percent from 2.0 percent in the previous quarter, according to the "advance" estimate released by the Bureau of Economic Analysis. Such a sluggish growth reflected positive contributions from personal consumption expenditures, exports, private inventory investment, and nonresidential fixed investment. These positive effects were partly offset by negative contributions from state and local government spending and imports.

The Index of Leading Economic Indicators – a measure of future economic activity – increased slightly from 95.4 to 95.7, indicating continued sluggish growth ahead. Likewise, the University of Michigan's Consumer Sentiment Index improved marginally from 75.0 to 75.8. The rate of unemployment declined ever so slowly from 8.3 to 8.2 percent. The cost of living increased at an annual rate of only 0.8 percent, the cost of producing remained flat, and the cost of employment rose 0.5 percent.

State Economy

In California, the unemployment rate fell from 11.4 to 10.5 percent. Among the counties, San Francisco, Orange, San Luis Obispo, Santa Clara, San Jose, and San Diego had unemployment rates below the state average. However, Sacramento, Los Angeles, Riverside, and Fresno had unemployment rates above the state average.

The state's civilian labor force shrunk by 23,500. Meanwhile, 138,400 more workers gained jobs and 161,900 fewer workers were unemployed. Nonfarm industries were responsible for 188,900 more jobs and farming enterprises added 93,000 jobs. A wide range of industries added jobs: mining and logging, construction, manufacturing, wholesale trade, information, finance and real estate, professional and business services, leisure and hospitality, transportation, warehousing and utilities, educational services, health-care and social assistance, and federal, state, and local governments.

Local Economy

In Kern County, households became pessimistic about employment and financial conditions of their families

and relatives as the *Consumer Sentiment Index* dropped from 101 to 99. However, businesses were slightly more confident about local employment and economic conditions as the *Business Outlook Index* improved from 113 to 114.

In the meantime, the county's economy expanded at an annual rate of 2.4 percent. Kern's economy generated \$15.52 billion in real personal income, \$90 million more than the previous quarter. Personal income per worker increased \$400 to reach \$40,500.

Labor market conditions improved in the second quarter of 2012. The county added 7,160 jobs, including 9,670 more farm jobs and 2,130 more nonfarm jobs. Private enterprises created 1,630 jobs and government agencies added 500 jobs. The rate of unemployment dropped from 15.2 to 13.7 percent, as 5,330 fewer workers were unemployed. While below the county average, the rate of unemployment averaged 8.0 percent in Ridgecrest, 8.9 percent in Tehachapi, 9.8 percent in Bakersfield, and 11.0 percent in California City.

Housing market conditions improved considerably. The county's median sales price for all residential units appreciated \$12,300 (or 10.4 percent) from \$118,400 to \$130,700. In Bakersfield, the median housing price appreciated \$16,200 (or 12.9 percent) from \$125,500 to \$141,700. In Kern County, 535 more homes were sold as total sales increased from 2,577 to 3,112. In Bakersfield, 364 more homes were sold as sales of residential units inclined from 1,827 to 2,191. However, the number of building permits issued for the construction of new privately-owned dwelling units decreased from 407 to 279. Rising housing prices and improving household income made the housing affordability indicator to fall to 29.1 percent from 31.9 percent. The county's foreclosure activity slowed from 1,641 to 1,508, as 133 fewer homeowners received notices of loan default from their mortgage bankers. Likewise, the number of homes lost to foreclosure decreased from 981 to 802, when 179 fewer homes were lost to foreclosure.

In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 18¢ from \$3.95 to \$4.13 per gallon. The unit price of California's Class III milk decreased \$3.39 from \$16.28 to \$15.53. The index

(Continued on page 12)

KERN COUNTY BUSINESSES STILL CONFIDENT

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB



Results of the Business Outlook Survey indicate that Kern County business managers are slightly more optimistic about local employment and business conditions. In the second quarter (April through June) of 2012, the *Business Outlook Index* improved to 114 from 113. However, the index stood at 119 four quarters ago.

Comparing with the previous quarter survey, we can see signs of improved optimism. The percentage of positive responses increased from 33 to 35, and the percentage of neutral responses fell from 47 to 44. The offsetting factor, however, was the rise in the percentage of negative responses from 20 to 21.

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. Compared with the previous quarter, the *Current Conditions Index* rose to 116 from 115, whereas the *Future Conditions Index* remained flat at 112. These results indicate while business managers are cautiously optimistic about current conditions.

Employment Outlook:

Thirty-nine percent of interviewees reported that the number of jobs in their companies stayed constant this quarter. However, 37 percent said more jobs were available in their companies and 24 percent reported reduced employment.

Likewise, 52 percent perceived that the number of jobs would stay constant next quarter, whereas 28 percent expected their companies to hire more workers. The remaining 20 percent anticipated a smaller workforce.

Financial Outlook:

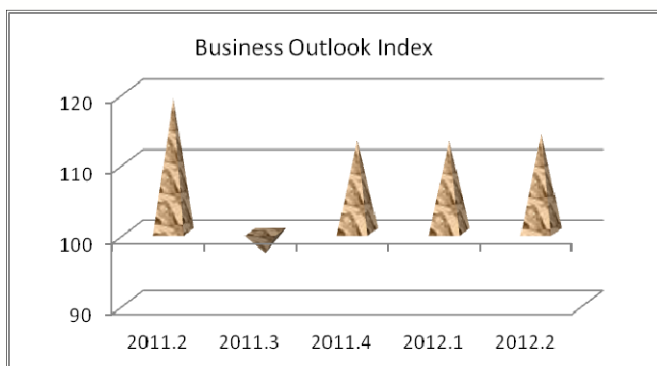
Forty-three percent of survey respondents reported that financial conditions (sales and profits) of their companies were constant this quarter, whereas 36 percent indicated increased sales and profits and 21 percent stated reduced sales and profits.

Similarly, 49 percent expected financial conditions of their companies would remain constant next quarter. However, 33 percent anticipated increased sales and profits and 18 percent predicted reduced sales and profits.

Industry Outlook:

Forty-two percent of survey respondents perceived that employment and general business conditions of their industries remained the same as the previous quarter, while 39 percent felt these conditions improved and 19 percent indicated crumbling business conditions.

Forty-four percent anticipated that the employment and general business conditions of their industries would stay unchanged next quarter. Yet, 37 percent expected progress and 19 percent felt otherwise.



	Current Quarter	Previous Quarter	Four Quarters Ago
Business Outlook Index	114	113	119
Current Conditions Index	116	115	116
Future Conditions Index	112	112	110

(Continued on page 5)

CONSUMER SENTIMENT IN BAKERSFIELD REMAINS STALLED

MARK EVANS

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



As the economy appeared to be losing momentum in the second quarter, Bakersfield consumer sentiment could not advance for the second consecutive quarter beyond its strong gain in the fourth quarter of 2011. The index slipped from 101 in the first quarter to 99. Nationally, the University of Michigan's index of consumer sentiment remained unchanged at 76.

The values of the national and local indexes cannot be directly compared, since they are calculated using different survey questions and formulas. What can be compared is the level of each index compared to its past values. The current value of the Bakersfield Index is larger than 36 percent of past values and smaller than 64 percent of values since CSUB first began compiling the index in 1999. Nationally, University of Michigan's quarterly value of 76 has been exceeded 72 percent of the time since 1999.

CSU Bakersfield 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 measuring recent conditions and future expectations. Both sub-indexes decreased modestly.

The sub-index measuring recent financial conditions decreased slightly from 98 to 97. There was little change in the responses to any of the questions relating to this sub-index. For each question, the percentage of neutral responses decreased by roughly five percent compared to the previous quarter with near-equal movements from neutral to improvement and from neutral to decline.

Twenty-two percent of respondents reported spending more than usual on discretionary items, while 29 percent reported spending less than normal. Thirty-one percent indicated their family was doing better financially than one year ago, while 23 percent indicated they were worse off. Evaluations of how acquaintances in Kern County are doing compared to one year ago were not as good as the self assessments. Twenty-three percent thought their acquaintances were better off, while 32 percent thought they were worse off.

The sub-index measuring expectations for the coming year decreased from 103 to 100. The percent of households expecting their financial situation to improve over the next year held steady at 25 percent, while the percent expecting their situation to worsen or become more risky increased from 23 to 29 percent. Respondents reported a small deterioration in the expectations of acquaintances compared to the previous quarter. The percent reporting that their local acquaintances expected financial improvement over the coming year decreased to 25 percent from 28 percent in the previous quarter, while there was a five percent uptick in the percentage who reported acquaintances were pessimistic. However, the bottom line is future spending and there was a four percent increase (from 25 to 29) in the percent of respondents who think this is a safe time to draw down savings or incur debt for an expensive purchase. Just 22 percent think this is a risky time for such a purchase compared to 24 percent in the first quarter.

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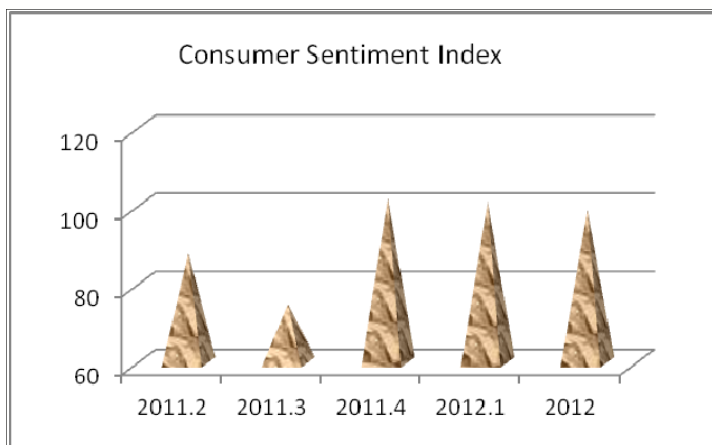


Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	99	101	88
Sub-index: Current Conditions	97	98	90
Sub-index: Future Expectations	100	103	86

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).	22 %	49 %	29 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	31 %	46 %	23 %
How your acquaintances in Kern County are doing financially compared to one year ago.	23%	45 %	32 %

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	25 %	46 %	29 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	25 %	48 %	27 %
	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?	29 %	49 %	22 %

Renewed Business Optimism (Continued from page 3)

Economic Outlook:

When asked about Kern County’s economy, 40 percent of interviewees perceived no change this quarter. Nevertheless, 38 percent felt conditions improved and 22 percent said conditions worsened.

Likewise, 42 percent felt that economic conditions would remain unchanged next quarter. However, 34 percent anticipated the economy would get better and 24 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:

- Business starting to pick up
- Fuel prices are going down
- Increased hiring leads to more spending

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

- Summer season has been somewhat slow
- Business is still waiting for economic recovery
- State legislation is not helping business

TRACKING KERN'S ECONOMY¹

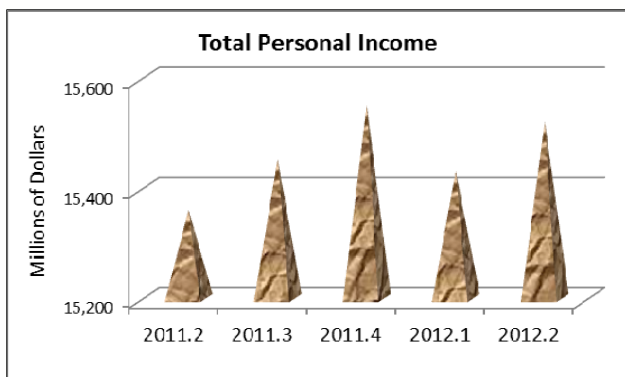
2012 SECOND QUARTER

ABBAS P. GRAMMY

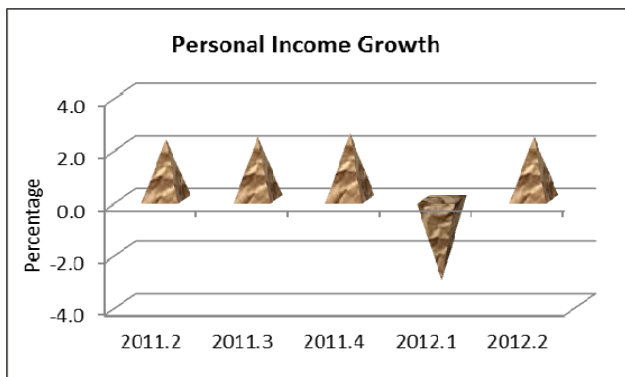
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Economy

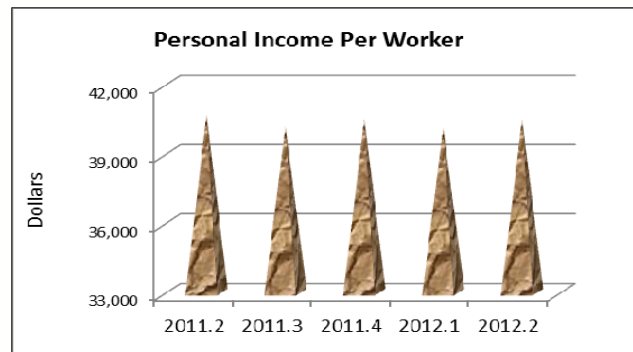
Personal Income - Kern County's total personal income (in constant 1996 dollars) increased \$90 million from \$15.43 billion in the first quarter to \$15.52 billion in the second quarter of 2012. Increased employment, rising housing prices, and fewer loss of property to foreclosure contributed to the growth of total personal income. Relative to four quarters ago, Kern County's economy generated \$160 million more income.



Growth of Personal Income - The gain of \$90 million of personal income translated into an annualized growth rate of 2.4 percent in the second quarter of 2012. Kern's economy declined 3.1 percent in the previous quarter, but grew 2.3 percent four quarters ago.



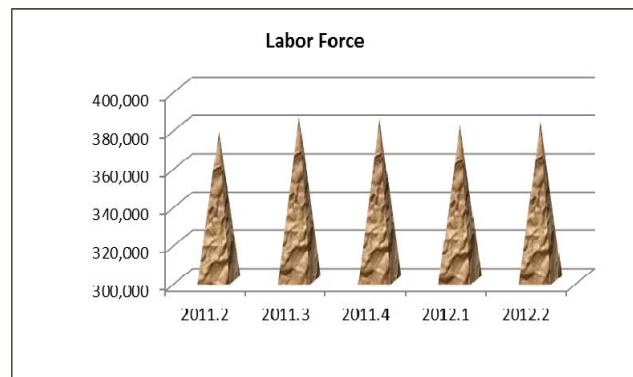
Personal Income Per Worker - Rising total personal income coupled with a growing labor force made personal income per worker rise from \$40,100 in the first quarter to \$40,500 in the second of 2012. Nevertheless, personal income per worker was down \$200 this quarter relative to four quarters ago.



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.

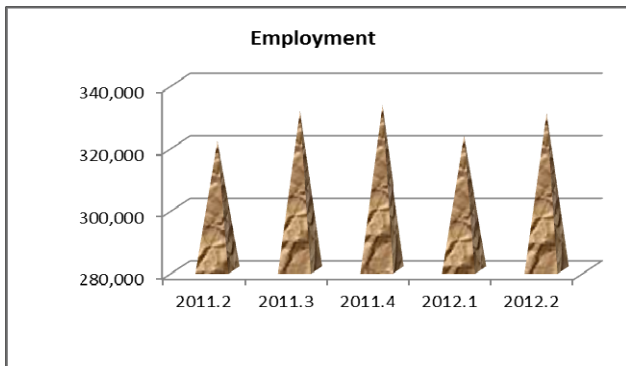
Labor Force - The civilian labor force increased by 1,830 members from 380,880 in the first quarter to 382,710 in the second quarter of 2012. Likewise, 5,200 more workers were available for work this quarter relative to the second quarter of 2011.



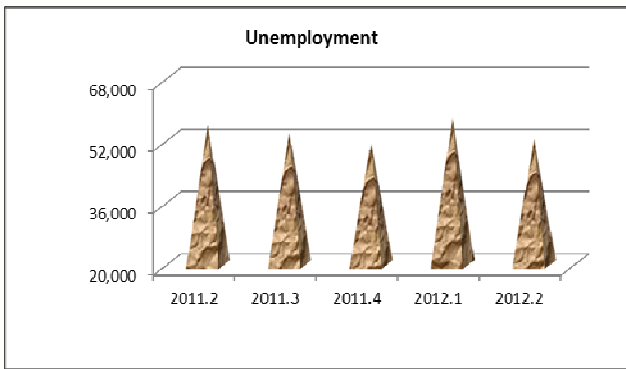
Employment - In the second quarter of 2012, Kern County's economy added 7,160 jobs as total employment increased from 323,150 to 330,310. Likewise, the county employed 8,900 more workers this quarter relative to the second quarter of last year.

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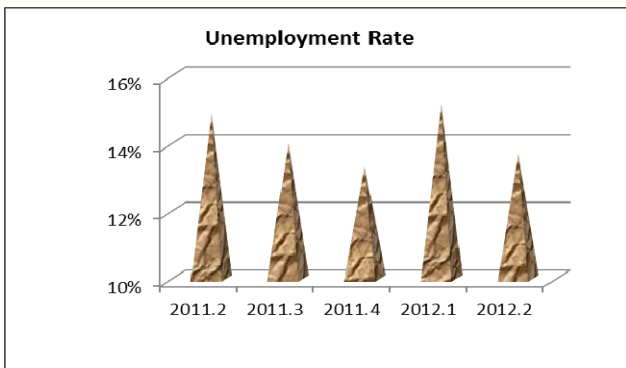
¹Source - Online databases: labormarketinfo.edd.ca.gov, bakersfieldgasprices.com, dqnews.com, economagic.com, bea.gov, bls.com, gpoaccess.gov, dairy.nu, msn.com, census.gov, kerndata.com, and bry.com



Unemployment - The number of jobless workers decreased by 5,330 as total unemployment dropped from 57,730 in the first quarter to 52,400 in the second quarter of 2012. Similarly, 3,700 fewer workers were unemployed this quarter than four quarters ago.



Unemployment Rate - In the meantime, the rate of unemployment fell 1.5 percent from 15.2 percent to 13.7 percent. Kern County's unemployment rate was 14.9 percent four quarters ago.

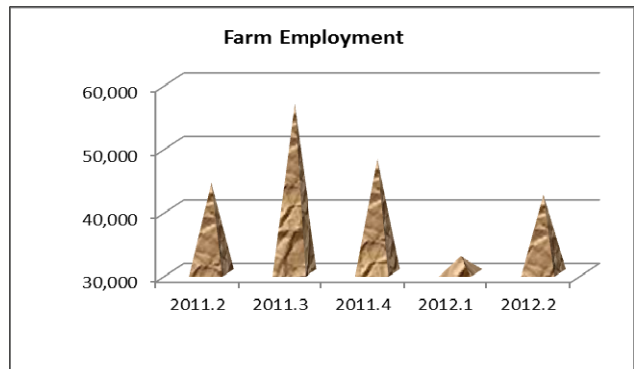


The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate varied between 8.0 percent in Ridgecrest and 35.5 percent in Arvin. In Bakersfield, the rate of unemployment was 9.8 percent.

Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Ridgecrest	8.0	Mojave	15.6
Tehachapi	8.9	Lake Isabella	16.5
Bakersfield	9.8	Shafter	24.5
California City	11.0	Lamont	24.6
Rosamond	11.6	Wasco	25.4
Frazier Park	12.3	McFarland	28.5
Taft	13.7	Delano	34.3
Oildale	14.7	Arvin	35.5

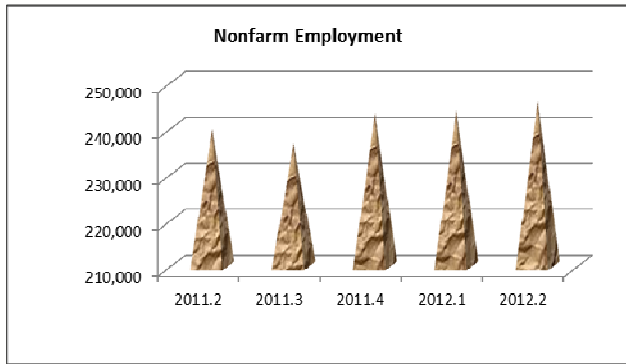
Note: City-level data are not adjusted for seasonality and "informal" market workers.

Farm Employment - In the second quarter of 2012, Kern County employed 9,670 more farm workers. Farm employment increased from 32,640 to 42,310. However, the farming industry hired 1,860 fewer workers this quarter than four quarters ago.

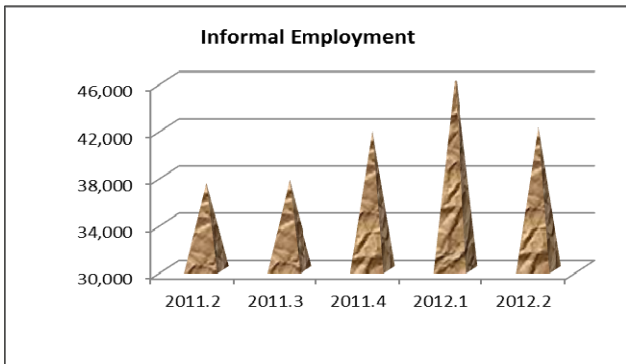


Nonfarm Employment - Local nonfarm industries employed 2,130 more workers this quarter. The number of nonfarm jobs increased from 243,740 in the first quarter to 245,870 in the second quarter of 2012. Similarly, nonfarm industries employed 6,000 more workers this quarter than four quarters ago.

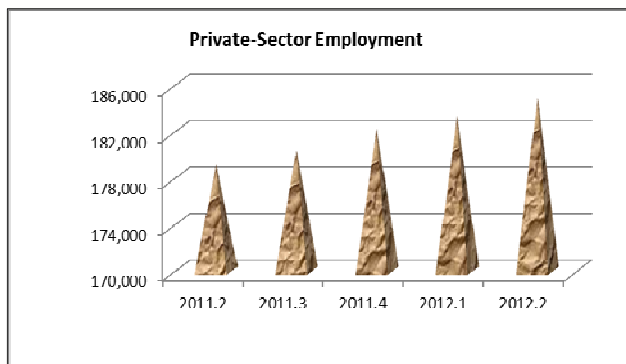
Several nonfarm industries added job: oil and gas extraction, construction, manufacturing, information, wholesale and retail trade, financial activities, transportation, warehousing and utilities, health-care and social assistance, leisure and hospitality, local government, and public education. However, jobs were cut in professional and business services and federal and state governments.



Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those working outside their county of residence. In the second quarter of 2012, the number of informal workers decreased by 4,640 from 46,770 to 42,130. However, the informal labor market offered 4,760 more jobs this quarter relative to the second quarter of last year.

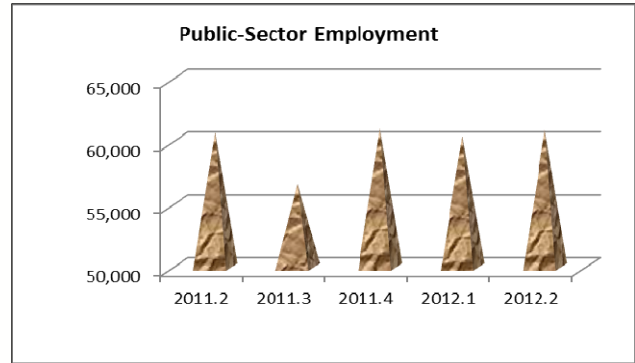


Private-sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the second quarter of 2012, private companies added 1,630 jobs as their employment increased from 182,310 to 184,940. Relative to four quarters ago, the private sector offered 5,800 more jobs.



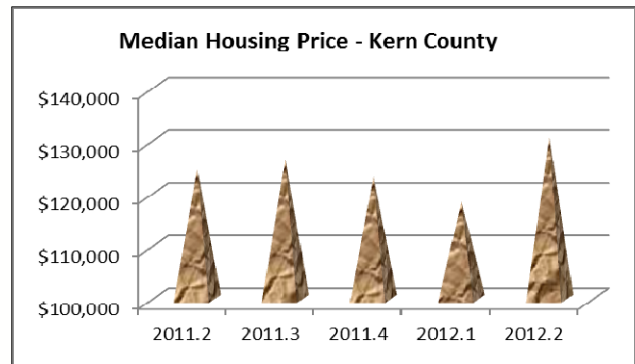
The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the second quarter of 2012, government agencies added 500 jobs as their employment increased from 60,430 to 60,930. Likewise, the public sector employed

200 more workers this quarter relative to four quarters ago.

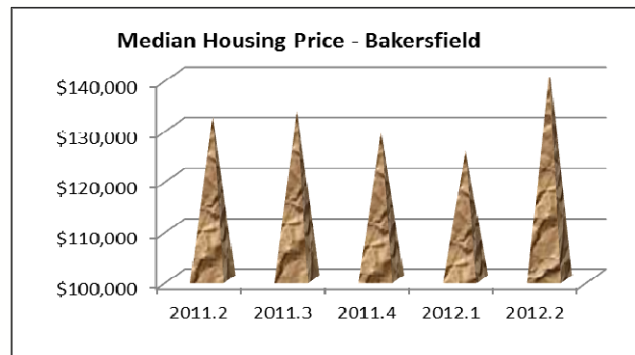


Housing Market

Housing Price - In the second quarter of 2012, Kern County's housing market conditions improved. The median sales price for all residential units appreciated \$12,300 (or 10.4 percent) from \$118,400 to \$130,700. Likewise, the county's median housing price was \$6,100 (or 4.9 percent) higher than that of four quarters ago.



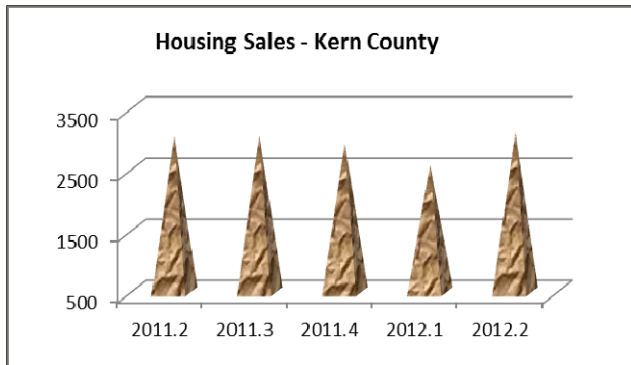
In Bakersfield, the median housing price appreciated \$16,200 (or 12.9 percent) from \$125,500 to \$141,700. Similarly, the city's median housing price was \$3,300 (or 2.7 percent) higher than that of four quarters ago.



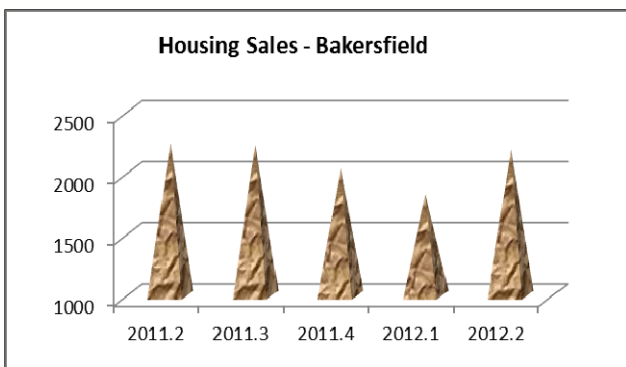
Housing price changes varied across the county. Among selected locations shown below, the median sales price appreciated in Bakersfield, Ridgecrest, Rosamond, and Tehachapi. The median housing price depreciated in California City, Delano, and Taft.

Location	Median Price 2012.1	Median Price 2012.2	Price Change 2012.1 to 2012.2	Price Change 2012.1-2012.2
Kern County	\$118,400	\$130,700	\$12,300	10.4%
Bakersfield	\$125,500	\$141,700	\$16,200	12.9%
California City	\$56,800	\$47,700	-\$9,100	-16.0%
Delano	\$131,300	\$120,500	-\$10,800	-8.2%
Ridgecrest	\$141,000	\$145,500	\$4,500	3.2%
Rosamond	\$108,400	\$112,100	\$3,700	3.4%
Taft	\$61,400	\$60,800	-\$600	-1.0%
Tehachapi	\$134,500	\$138,000	\$3,500	2.6%

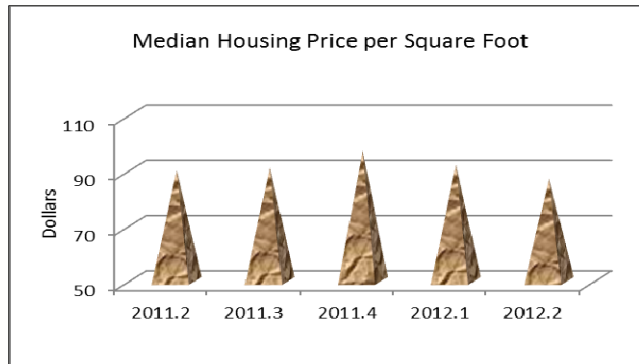
Housing Sales - In Kern County, 535 more homes were sold as total sales increased from 2,577 in the first quarter to 3,112 in the second quarter of 2012. Likewise, 58 more units were sold this quarter relative to the second quarter of last year.



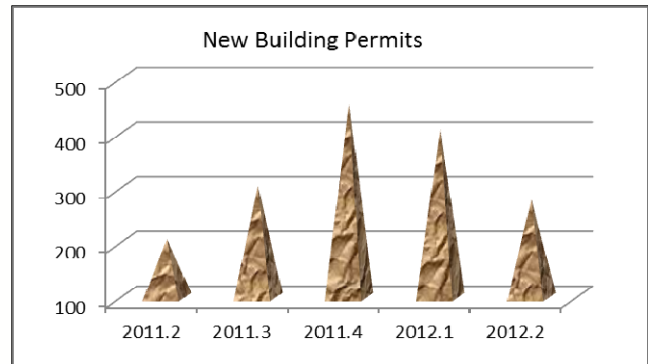
In Bakersfield, 364 more homes were sold as sales of residential units climbed from 1,827 in the first quarter to 2,191 in the second quarter of 2012. Nevertheless, sales were down by 53 units this quarter relative to the second quarter of last year.



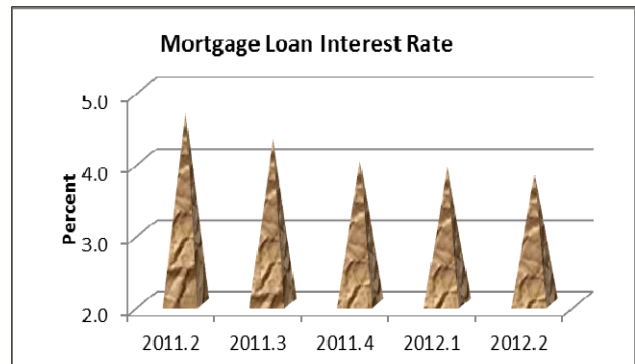
Median Housing Price per Square Foot - The median sales price per square foot of housing area declined \$5 from \$92 in the first quarter to \$87 in the second quarter of 2012. Likewise, the median housing price per square foot has gone down \$3 since the second quarter of last year.



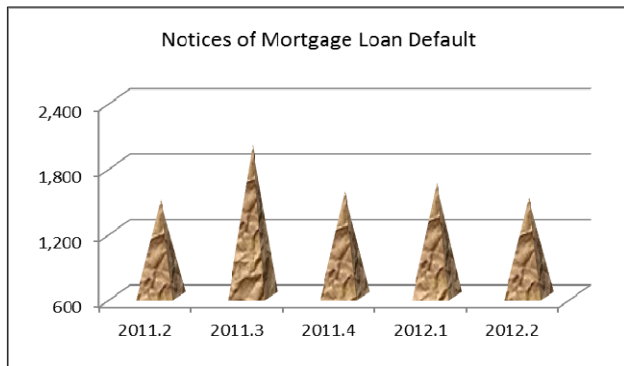
New Building Permits - In the second quarter of 2012, Kern County issued 128 fewer building permits for construction of new privately-owned dwelling units. The number of permits decreased from 407 to 279. Nevertheless, 73 more building permits were issued this quarter relative to four quarters ago.



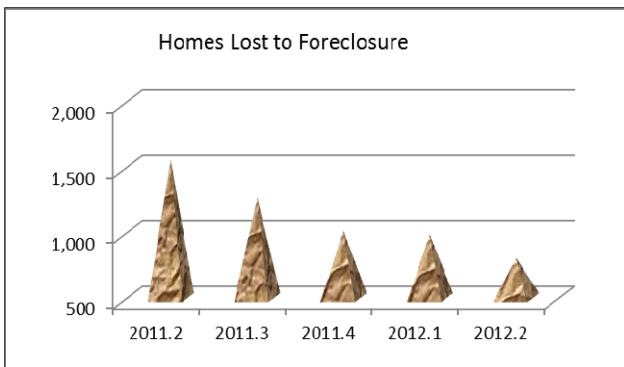
Mortgage Interest Rate - In the second quarter of 2012, the interest rate of thirty-year conventional mortgage loans decreased from 3.92 to 3.80 percent. Four quarters ago, mortgage loan interest rate was 4.66 percent.



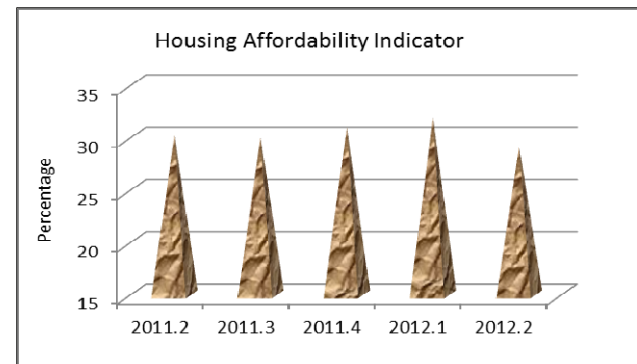
Housing Foreclosure Activity - In the second quarter of 2012, the county's foreclosure activity slowed from 1,641 to 1,508. As a result, 133 fewer homeowners received notices of loan default from their mortgage bankers. However, the number of default notices has gone up by 23 since the second quarter of last year.



The number of homes lost to foreclosure decreased from 981 in the first quarter to 802 in the second quarter of 2012. As a result, 179 fewer homes were lost to foreclosure. Similarly, 753 fewer homes were lost to foreclosure relative to the second quarter of 2011.



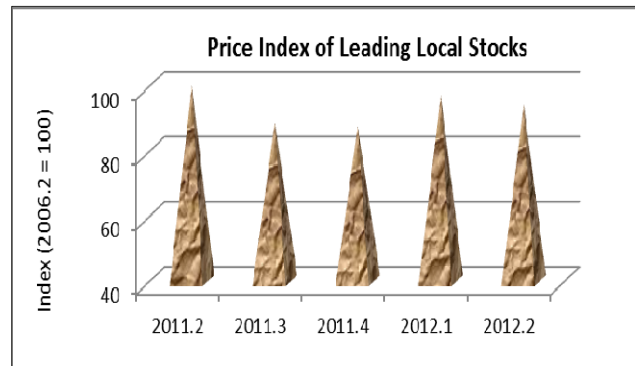
Housing Affordability - Median housing prices divided by median household income is a measure of housing affordability. With appreciation of housing prices and modest growth of household income, the affordability indicator declined from 31.9 percent in the first quarter to 29.1 percent in the second quarter of 2012. The housing affordability indicator was 30.2 percent four quarters ago.



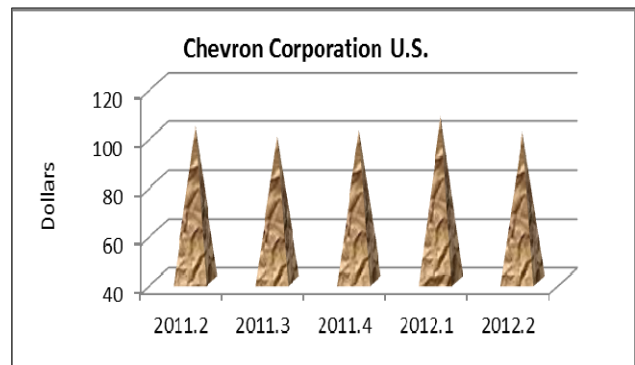
Stock Market

In the first quarter of 2012, the composite price index (2011.2 = 100) of the five publically traded companies doing business in Kern County decreased 2.7 points from 97.0 to 94.3. The index was 5.7 points lower than that of four quarters ago. Average “close” prices were measured

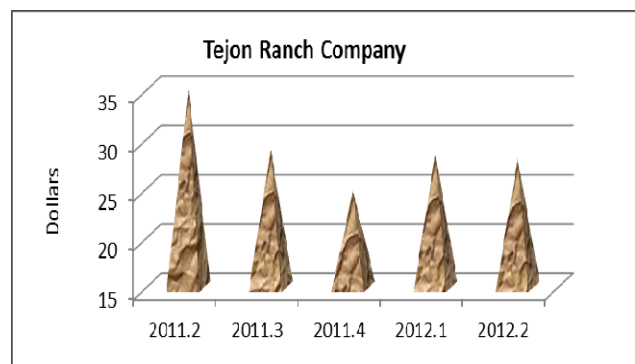
for five local *market-movers*: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



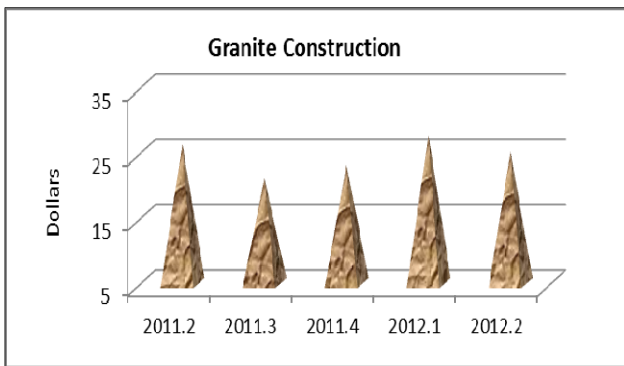
Chevron Corporation US - CVX lost \$6.38 (or 5.9 percent) per share as its price fell from \$107.60 in the first quarter to \$101.22 in the second quarter of 2012. Relative to the second quarter of 2011, CVX has dropped \$2.33 (or 2.3 percent).



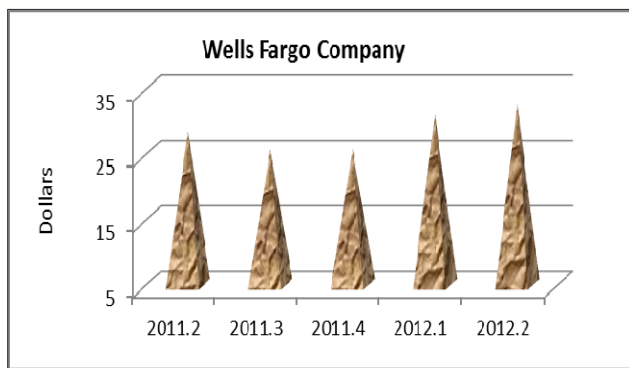
Tejon Ranch Company - TRC lost 48¢ (or 1.7 percent) per share as its stock price decreased from \$28.37 in the first quarter to \$27.89 in the second quarter of 2012. Likewise, TRC was down \$7.10 (or 20.3 percent) relative to the second quarter of 2011.



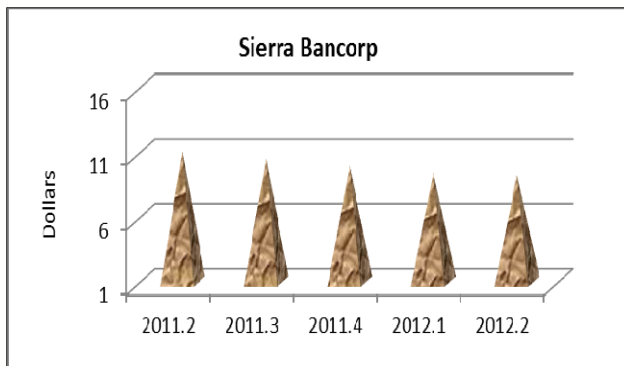
Granite Construction - GVA lost \$2.57 (or 9.3 percent) per share in the second quarter of 2012 as its stock price decreased from \$27.65 to \$25.08. Likewise, GVA has gone down \$1.21 (or 4.6 percent) since the second quarter of 2011.



Wells Fargo Company - WFC gained \$1.50 (or 4.8 percent) per share as its stock price ascended from \$31.08 in the first quarter to \$32.58 in the second quarter of 2012. Relative to one year ago, WFC was up \$4.10 (or 14.4 percent).

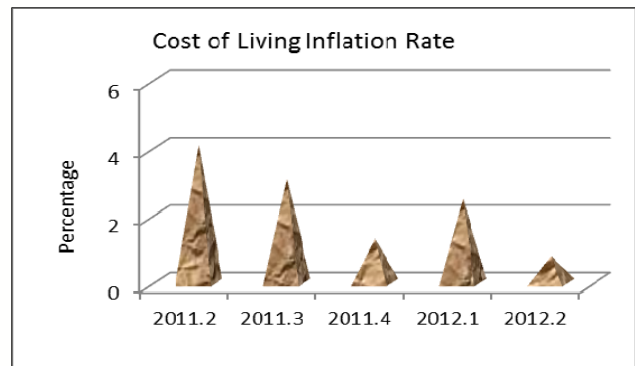


Sierra Bancorp - BSRR lost 18¢ (or 1.9 percent) per share as its price declined from \$9.44 in the first quarter to \$9.26 in the second quarter of 2012. Likewise, BSRR has gone down \$1.76 (or 16.0 percent) since the second quarter of 2011.

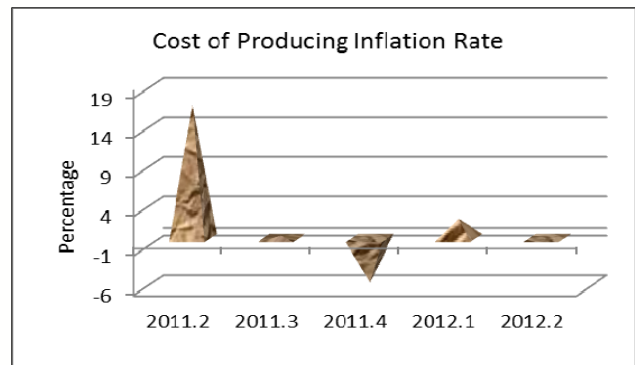


Inflation

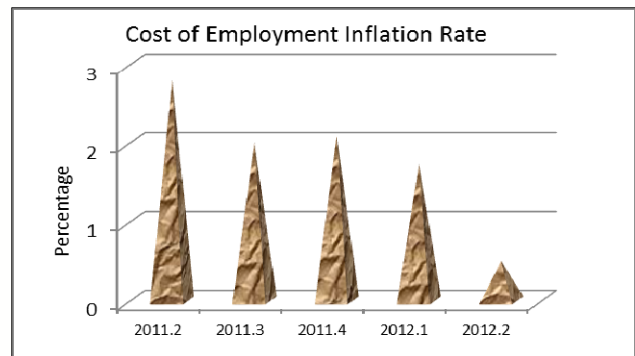
Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 228.3 in the first quarter to 228.8 in the second quarter of 2012. As a result, inflation for the cost of living accelerated at an annual rate of 0.8 percent. The cost of living inflation rate was 2.5 percent last quarter and 4.1 percent four quarters ago.



Cost of Producing - The Producer Price Index for all commodities (1996 =100) stayed constant at 202.2 in the second quarter of 2012. There was zero inflation in the cost of producing. The cost of producing inflation rate was 2.5 percent last quarter and 16.9 percent four quarters ago.



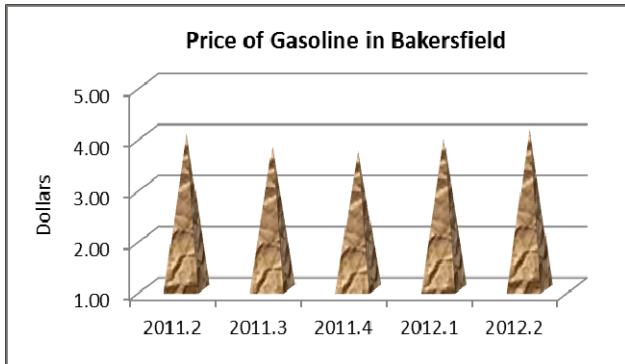
Cost of Employment - The Cost of Employment Index (December 2005 = 100) increased from 116.2 in the first quarter to 116.8 in the second quarter of 2012. The cost of employment inclined at an annual rate of 0.5 percent. The cost of employment inflation rate was 1.7 percent last quarter and 2.8 percent four quarters ago.



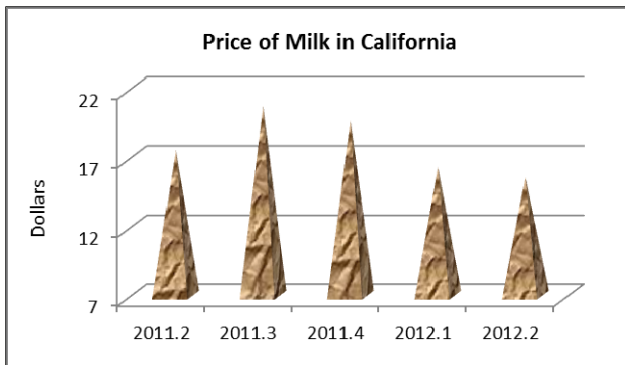
Commodity Prices

Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 18¢ (or 4.6 percent) per gallon from \$3.95 in the first quarter to \$4.13 in the second quarter of 2012. Compared with

the second quarter of last year, the average gasoline price was up 8¢ (or 2.0 percent).

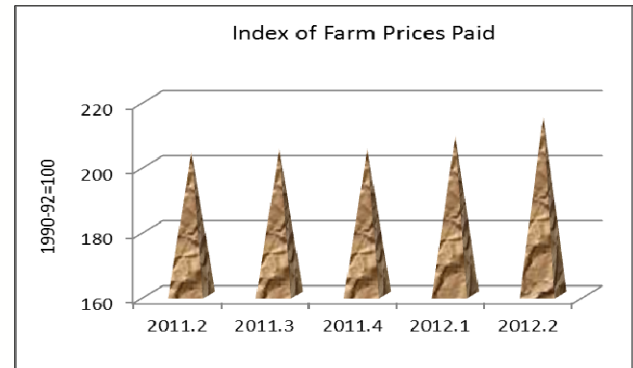
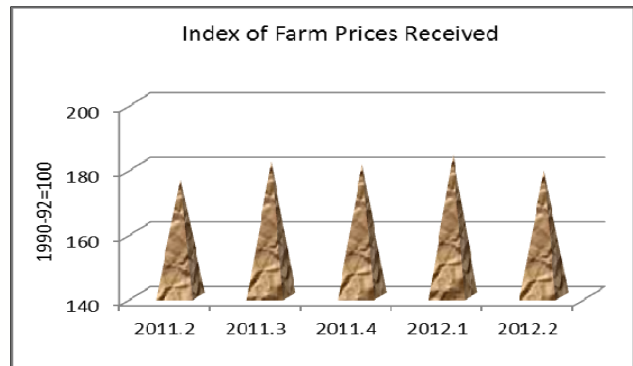


Price of Milk - The unit price of California’s Class III milk decreased 75¢ (or 4.6 percent) from \$16.28 in the first quarter to \$15.53 in the second quarter of 2012. Likewise, the unit price of milk has gone down \$1.97 (or 11.3 percent) since the second quarter of 2011.

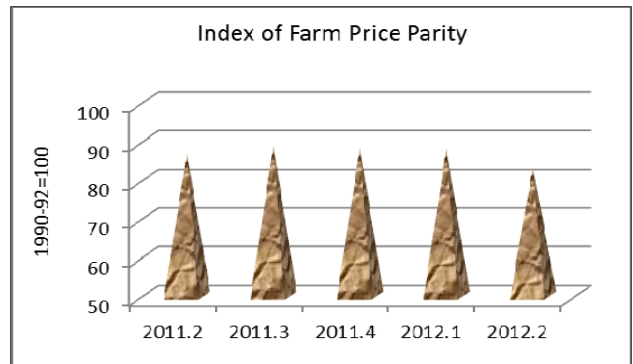


Farm Prices - In the second quarter of 2012, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) decreased 5 points to arrive at 179. However, the index was 2 points higher than that of four quarters ago.

The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents climbed 6 points to reach 215. The index value was 11 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 second quarter of 2012, the gap between prices paid and prices received widened as Index of Farm Price Parity widened 5 points to reach 83. Likewise, the gap between prices farmers paid and prices farmers received has widened 4 points since the second quarter of 2011.



At a Glance (Continued from page 2)

of prices farmers received for their outputs fell 5 points to reach 179, while the index of prices farmers paid for their inputs went up 6 points to arrive at 215. As a result, the parity between output prices farmers received and input prices farmers paid widened 5 points to reach 83. The composite price index (2011.2 = 100) of the top five locally traded stocks dropped 2.7 points from 97.0 to 94.3. In the second quarter of this year, the average

stock price improved for Wells Fargo Company. However, stock prices fell for Chevron Corporation, Tejon Ranch Company, Granite Construction, and Sierra Bancorp.

Bakersfield Paychecks Second Largest in Central Valley

David Lyman
Manager, Convention and Visitors Bureau

Paychecks are bigger in Kern County than anywhere else in the Central Valley, except Sacramento. In Bakersfield metropolitan area, the average pay per employee is \$38,900, ranking it second in the Central Valley and 147th nationally. Sacramento average paychecks are \$43,000, which is 66th nationally. The largest average paychecks in California are in the San Jose area.

The business blog *On Numbers* analyzed newly released private-sector data from the U.S. Census Bureau for 2010, the latest year for which official figures are available. Average pay, which is not directly reported by the Bureau, was calculated by dividing each area's total private-sector payroll by its number of employees.

Rank	Metropolitan Area	No. Businesses	Annual Payroll	Pay per Employee
1	San Jose-Sunnyvale-Santa Clara	45,032	\$72,915,196,000	\$85,100
2	San Francisco-Oakland-Fremont	117,723	\$114,527,215,000	\$64,800
3	Los Angeles-Long Beach-Santa Ana	330,969	\$240,006,735,000	\$49,500
4	San Diego-Carlsbad-San Marcos	75,794	\$51,975,079,000	\$47,200
5	Oxnard-Thousand Oaks-Ventura	19,606	\$10,798,492,000	\$45,800
6	Santa Barbara-Santa Maria-Goleta	11,207	\$5,993,735,000	\$44,600
7	Napa	3,945	\$2,394,334,000	\$43,600
8	Santa Rosa-Petaluma	13,186	\$6,222,977,000	\$43,500
9	Sacramento-Arden-Arcade-Roseville	44,514	\$26,729,442,000	\$43,000
10	Vallejo-Fairfield	6,744	\$4,126,211,000	\$42,100
11	Santa Cruz-Watsonville	6,781	\$2,856,153,000	\$41,900
12	Salinas	8,336	\$3,911,377,000	\$40,600
13	Bakersfield-Delano	11,925	\$6,807,639,000	\$38,900
14	Modesto	8,366	\$4,686,668,000	\$38,500
15	Stockton	10,825	\$5,875,690,000	\$36,600
16	Fresno	15,782	\$8,220,904,000	\$36,500
17	San Luis Obispo-Paso Robles	7,778	\$2,859,177,000	\$35,500
18	Riverside-San Bernardino-Ontario	65,024	\$33,508,511,000	\$35,000
19	Truckee-Grass Valley	2,987	\$907,247,000	\$34,700
20	Madera	1,910	\$848,633,000	\$34,600

Source: *Excerpted from Bizjournals.com, July 19, 2012*



Premier Thoughts:

Collection of Economic Essays
2010-2011

Abbas P. Grammy
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