

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION

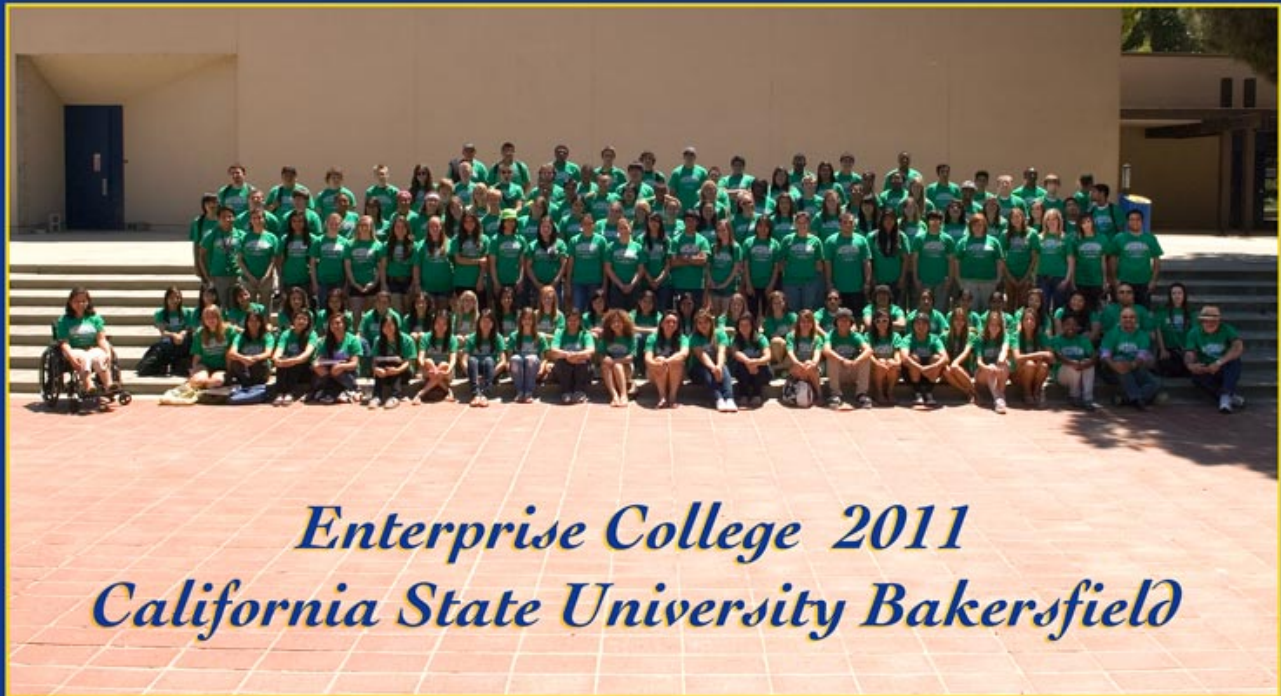


Volume 13 Issue 2

KERN ECONOMIC JOURNAL

2011 Second Quarter

*Award of Merit from the California Association
for Local Economic Development*



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.

We wish to gratefully acknowledge the Journal sponsors:



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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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California, The Leading Green Economy

David Lyman
 City of Bakersfield

The second annual Site Selection Sustainability Rankings list California as the most sustainable state in the nation. The rankings also name three California metropolitan areas in the top ten sustainable areas: San Francisco-Oakland-Fremont, Los Angeles-Long Beach-Santa Ana, and San Jose-Sunnyvale-Santa Clara. In addition, Canada is identified as the leading green economy among foreign countries.

The Site Selection's proprietary New Plant Database derives these rankings from a unique index of data points ranging from alternative-fuel vehicles in use to green incentives to corporate end-user facility projects within green industry sectors. According to the Site Selection Managing Editor, Adam Bruns, "top-ranking areas for sustainability do not just pass restrictive laws or put token solar panels on every edifice. They nurture an ecosystem of business, institutions, government, and individual citizens all striving to place a proper value on their locality's limited resources, and sometimes to make or save money in the process."

Source:
 "California and Its Cities Top List of Sustainable Areas," Site Selection, Conway Data Inc., July 7, 2011, <http://www.conway.com/portal>

Arend, Mark, Site Selection Names Names 2011 Sustainability Leaders, July 5, 2011, http://www.conway.com/press/110705_Sustainability-Leaders.htm

Top Ten Sustainable Areas		
States	Metropolitan Areas	Countries
1. California	1. San Francisco-Oakland-Fremont, CA	1. Canada
2. Washington	2. Portland-Vancouver-Beaverton, OR-WA	2. Spain
3. Oregon	3. Los Angeles-Long Beach-Santa Ana, CA	3. United Kingdom
4. Minnesota	4. Chicago-Naperville-Joliet, Ill.-Ind.-WI	4. Germany
5. Colorado	5. New York-Newark-Edison, NY-NJ-PA	5. Sweden
6. New York	6. San Jose-Sunnyvale-Santa Clara, CA	6. Denmark
7. Vermont	T7. Phoenix-Mesa-Glendale, AZ	7. Norway
8. Texas	T7. Austin-Round Rock-San Marcos, TX	8. Brazil
9. Massachusetts	9. Washington-Arlington-Alexandria, DC-VA	9. Ireland
10. New Mexico	T10. Seattle-Tacoma-Bellevue, WA	T10. France
	T10. Houston-Baytown-Sugar Land, TX	T10. Japan

ECONOMY AT A GLANCE!

2011 SECOND QUARTER

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB

National Economy

Real Gross Domestic Product (GDP) increased at an annual rate of 1.3 percent in the second quarter from a revised rate of 0.4 percent in the first quarter of 2011, according to the "advance" estimate released by the Bureau of Economic Analysis. The increase in the real GDP primarily reflected positive contributions from exports, nonresidential fixed investment, private inventory investment, and federal government spending. 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 – ascended 1.1 percentage points to reach 114.5. This modest increase in the composite indicator points to a sluggish economic growth. However, the Consumer Sentiment Index lost 1.8 percentage points to arrive at 71.9, indicating that households are worried about keeping jobs and making incomes. In the meantime both unemployment and inflation remained high. The rate of unemployment climbed from 8.9 to 9.1 percent. The cost of living increased at an annual rate of 4.1 percent; the cost of producing ascended 16.9 percent; and the cost of employment rose 2.8 percent.

State Economy

In California, the unemployment rate declined from 12.2 to 11.8 percent. Among the counties, San Francisco (9.0 percent), Orange (9.2 percent), San Luis Obispo (10.0 percent), San Diego (10.4 percent), and Santa Clara (10.3 percent) had unemployment rates below the state average. However, Sacramento (12.6 percent), Los Angeles (12.4 percent), Riverside (14.4 percent), and Fresno (16.8 percent) had unemployment rates above the state average.

The state's civilian labor force shrunk by 53,000, but total employment inclined by 24,400. Meanwhile, 77,400 fewer workers were unemployed. Nonfarm industries were responsible for 28,700 more jobs, but farming enterprises cut 2,770 jobs. A wide range of industries added jobs: manufacturing, wholesale trade, transportation, warehousing and utilities, finance and insurance, professional and business services, educational services, health-care and social assistance, and leisure and hospitality. Meanwhile, several industries reduced employment: construction, retail trade, real es-

tate and rental and leasing, and federal, state, and local governments.

Local Economy

In Kern County, households became less pessimistic about employment and financial conditions of their families and relatives as the Consumer Sentiment Index gained 6 point to reach 88. Local businesses became more optimistic about their employment and financial conditions as the Business Outlook Index gained 3 points to reach 119.

In the meantime, the county's economy expanded at an annual rate of 2.3 percent. Kern's economy generated \$15.36 billion in personal income, \$90 million more than the previous quarter. Increased total personal income was offset by rapid labor force growth. As a result, personal income per worker decreased \$280 to reach \$40,700.

Labor market conditions improved in the second quarter of this year. Total employment increased by 10,600, which consisted of 4,200 more nonfarm jobs and 11,300 more farm jobs, but 4,900 fewer informal jobs. Private enterprises created 3,400 jobs and government agencies added 800 paid positions. When adjusted for seasonal variations, the rate of unemployment dropped from 16.6 to 14.9 percent. Still below the county average, the rate of unemployment was 10.8 percent in Bakersfield, 12.2 percent in California City, 8.8 percent in Ridgecrest, and 9.7 percent in Tehachapi.

Housing market conditions also improved this quarter. The county's median sales price for all residential units appreciated \$7,600 (or 6.5 percent) from \$117,000 to \$124,600. In Bakersfield, the median housing price appreciated \$10,000 (or 8.2 percent) from \$122,200 to \$132,200. In Kern County, 520 more homes were sold as total sales increased from 2,534 to 3,054. In Bakersfield, 429 more homes were sold as sales of residential units inclined from 1,815 to 2,244. However, the number of building permits issued for the construction of new privately-owned dwelling units declined from 304 to 206. The housing affordability indicator fell from 31.6 to 30.2 percent. The foreclosure activity slowed from 1,865 to 1,485 and the number of homes lost to foreclosure decreased from 1,640 to 1,555.

(Continued on page 12)

KERN COUNTY BUSINESSES MORE CONFIDENT



ABBAS P. GRAMMY
PROFESSOR OF ECONOMICS, CSUB

Results of the Business Outlook Survey indicate that Kern County business managers are somewhat more optimistic about local employment and business conditions. In the second quarter (April through June) of 2011, the *Business Outlook Index* improved to 119 from 116. Relative to four quarters ago, the index was up 9 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. While the *Current Conditions Index* remained constant at 118, the *Future Conditions Index* rose to 120 from 114.

Employment Outlook:

Fifty-six percent of interviewees reported that the number of jobs in their companies stayed constant this quarter. However, 24 percent said more jobs were available in their companies and 20 percent reported reduced employment.

Likewise, 65 percent perceived that the number of jobs would stay constant next quarter, whereas 25 percent expected their companies to hire more workers. The remaining 10 percent anticipated a smaller workforce.

Financial Outlook:

One-half of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 34 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, 31 percent anticipated increased sales and profits and 10 percent predicted reduced sales and profits.

Industry Outlook:

Forty-six percent of survey respondents perceived that the employment and general business conditions of their industries remained the same as the previous quarter, while 39 percent felt these conditions improved and 15 percent indicated crumbling business conditions.

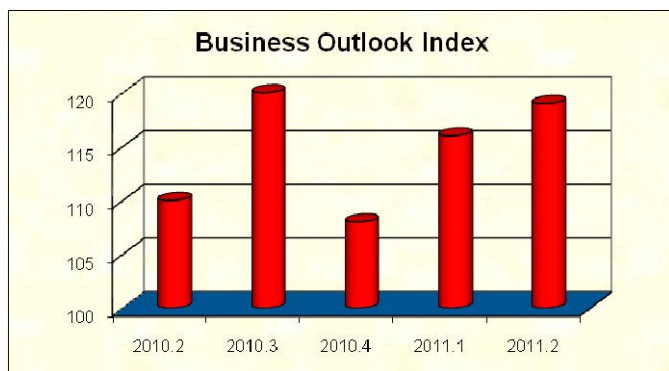
Fifty-one percent anticipated that the employment and general business conditions of their industries would stay unchanged next quarter. Yet, 37 percent expected progress and 12 percent felt otherwise.

Economic Outlook:

When asked about Kern County's economy, 53 percent of interviewees perceived no change this quarter. Nevertheless, 38 percent felt conditions improved and 11 percent said conditions worsened.

Likewise, 50 percent felt that economic conditions would remain unchanged next quarter. However, 37 percent anticipated the economy would get better and 13 percent said conditions are likely to get worse.

(Continued on page 5)



	Current Quarter	Previous Quarter	Four Quarters Ago
Business Outlook Index	119	116	110
Current Conditions Index	118	118	100
Future Conditions Index	120	114	120

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 increased from 82 in the first quarter to 88 in the second quarter of 2011. While an index value of 88 is far from euphoric, this is the highest reading in three years. The index value peaked at 125 in the first quarter of 2007, bottomed out at 66 in the first quarter of 2010, and "flatlined" at an average value of 81 over the four preceding quarters. Nationally, the University of Michigan's consumer sentiment index stood at 72, essentially remaining unchanged for the past three quarters. The national index made a strong gain in May that was completely erased in June.

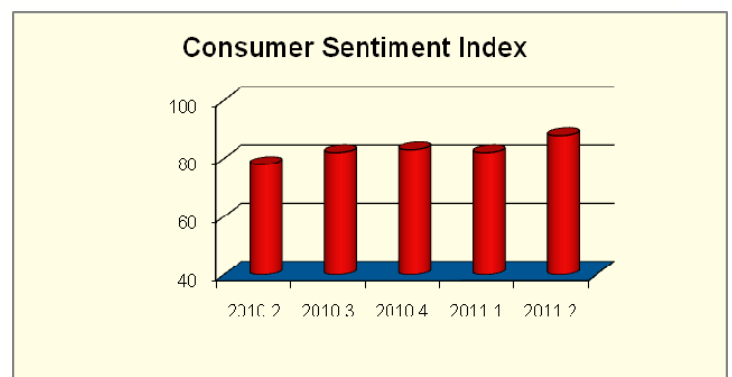
Although the Bakersfield index is conceptually similar to the University of Michigan's national index, their magnitudes cannot be directly compared. The performance of both indexes has paralleled the financial collapse and slow recovery.

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 measuring recent conditions and future expectations. The second quarter's gain in the overall index resulted from a strong increase (from 74 to 90) in the sub-index measuring current conditions that was partially offset by a much smaller decrease (from 90 to 86) in the sub-index reflecting expectations.

The sub-index measuring recent financial conditions increased because respondents reported an improvement in the financial condition of their households as well as the households of their local acquaintances. Twenty percent indicated their households became better off financially over the most recent 12 months, compared to 14 percent in the previous quarter. Twenty-one percent indicated their condition had worsened, down from 37 percent in the first quarter. Likewise, more households reported their acquaintances were doing better (13 percent compared to just 5 percent in the previous quarter), and fewer reported they were doing worse (31 percent compared to

42 percent previously). The percentage of households reporting they were spending less than usual on discretionary items such as dining out, entertainment, and weekend outings decreased from 36 in the first quarter to 23 in the second quarter.

As mentioned above, there was a small deterioration in optimism. While there was almost no change in the percentage of households expecting their financial situation to worsen over the coming 12 months, there was a 14 percent shift from "expecting improvement" to "expecting more of the same." However, there was a six-point decrease (from 51 to 45 percent) in the percent of households who thought this was a risky time to draw down savings or incur debt in order to make a major purchase - perhaps because of low interest rates and progress in paying off debt. This dampened the sub-index decrease that otherwise would have resulted from the decline in the number of households expecting improvement in their financial situation. Respondents perceived little change in the degree of optimism of their local acquaintances.



(Continued on page 5)

Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	88	82	78
Sub-index: Current Conditions	90	74	74
Sub-index: Future Expectations	86	90	81

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).	12 %	65 %	23 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	20 %	59 %	21 %
How your acquaintances in Kern County are doing financially compared to one year ago.	13 %	56 %	31 %

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	26 %	55 %	19 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	19 %	45 %	36 %
	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?	14 %	41 %	45 %

Businesses More Confident (Continued from page 3)

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:

- Households spending more money on discretionary items
- More people traveling and taking vacations
- Small businesses using income tax refunds

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

- Slow economic recovery at the national level
- State budgetary cuts adversely affecting small businesses
- High fuel prices increasing the cost of doing business

Question	Response		
	Better	Same	Worse
Employment in your company this quarter was	24%	56%	20%
Employment in your company next quarter will be	25%	65%	10%
Financial condition (sales or profits) of your company this quarter was	34%	50%	16%
Financial condition (sales or profits) of your company next quarter will be	31%	59%	10%
Employment and general business conditions in your industry this quarter were	39%	46%	15%
Employment and general business conditions in your industry next quarter will be	37%	51%	12%
Employment and general business conditions in Kern County this quarter were	38%	53%	11%
Employment and general business conditions in Kern County next quarter will be	37%	50%	13%

TRACKING KERN'S ECONOMY¹

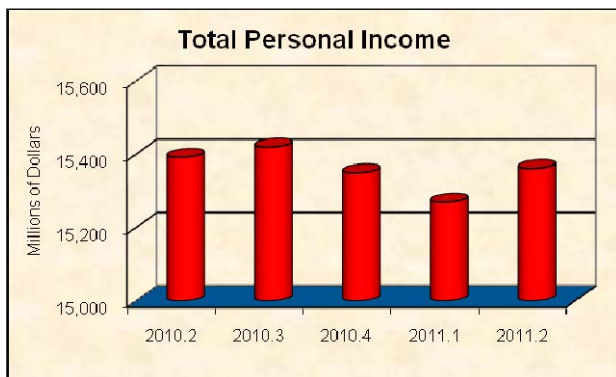
2011 SECOND QUARTER

ABBAS P. GRAMMY

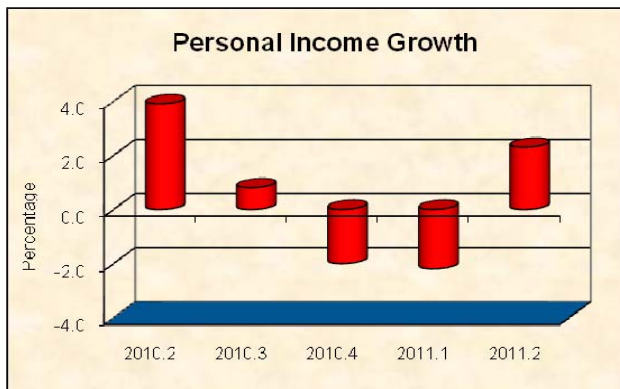
PROFESSOR OF ECONOMICS, CSUB

Economy

Personal Income - Kern County's total personal income (in constant 1996 dollars and adjusted for seasonal variations) increased \$90 million from \$15.27 billion in the first quarter to \$15.36 billion in the second quarter. Rising employment, appreciating housing prices, and greater non-labor income contributed to the growth in personal income. However, this quarter's total personal income was \$32 million lower than that of four quarters ago.



Growth of Personal Income - The gain of \$90 million of personal income translated into an annualized growth rate of 2.3 percent in the second quarter of 2011. Kern's economy grew -2.2 percent in the previous quarter and 3.9 percent four quarters ago.



Personal Income Per Worker - Increased total personal income was offset by labor force growth. As a result, personal income per worker decreased \$280 from \$40,980 in the first quarter to \$40,700 in the second quarter. Personal income per worker remained unchanged 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.

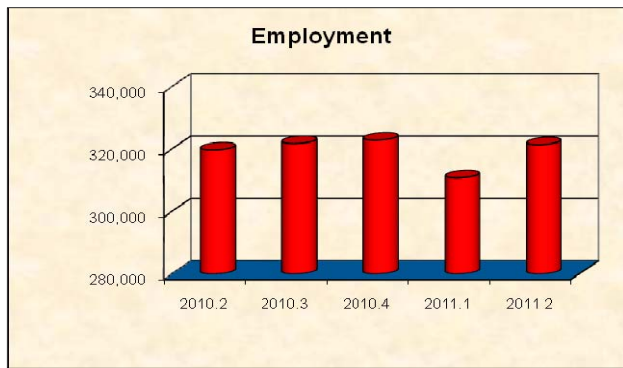
Labor Force - The civilian labor force increased by 5,000 members from 372,510 in the first to 377,510 in the second quarter. However, 800 fewer workers were available for work relative to the second quarter of 2010.



Employment - In the second quarter of 2011, Kern County's economy added 10,600 jobs as total employment increased from 310,810 to 321,410. Similarly, the county employed 1,700 more workers this quarter relative to the second quarter of last year.

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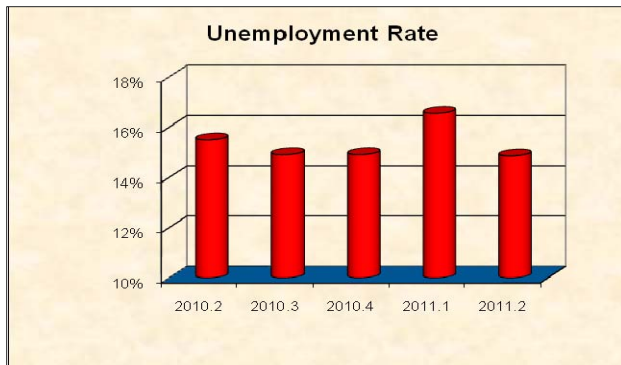
¹Source - Online databases: labormarketinfo.edd.ca.gov, bakersfieldgasprices.com, dqnews.com, economagic.com, bea.gov, bls.com, gpoaccess.gov, dairy.nu, msn.com, census.gov, kerndata.com, and bry.com



Unemployment - The number of jobless workers decreased by 5,600 as unemployment declined from 61,700 in the first quarter to 56,100 in the second quarter. Likewise, 2,500 fewer workers were unemployed this quarter than four quarters ago.



Unemployment Rate - In the meantime, the rate of unemployment dropped from 16.6 percent to 14.9 percent. This quarter's unemployment rate was 0.6 percent lower than that of four quarters ago.

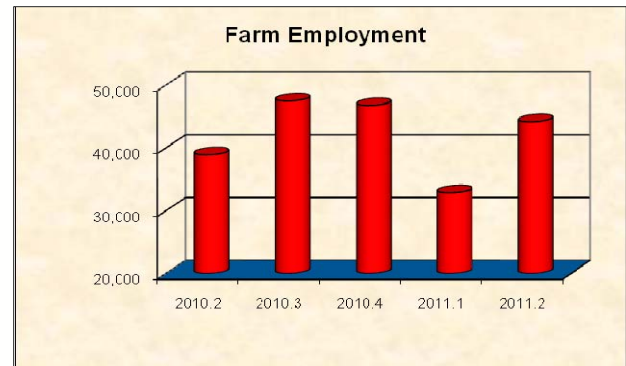


The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate ranged between 8.8 percent in Ridgecrest and 38.0 percent in Arvin. In Bakersfield, the rate of unemployment was 10.8 percent.

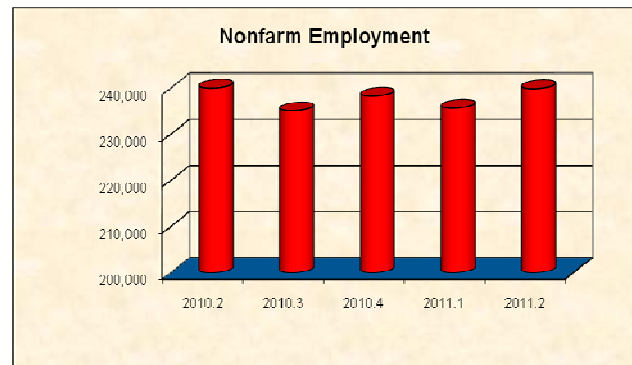
Farm Employment - In the second quarter of 2011, Kern County employed 11,300 more farm workers. Farm employment increased from 32,870 to 44,170. Likewise, the farming industry hired 5,270 more workers this quarter than four quarters ago.

Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Ridgecrest	8.8	Mojave	17.1
Tehachapi	9.7	Lake Isabella	18.0
Bakersfield	10.8	Shafter	26.5
California City	12.2	Lamont	26.7
Rosamond	12.8	Wasco	27.5
Frazier Park	14.9	McFarland	30.7
Taft	15.1	Delano	36.8
Oildale	16.2	Arvin	38.0

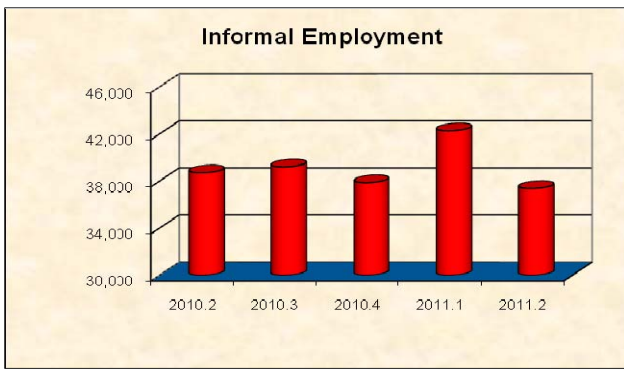
Note: City-level data are not adjusted for seasonality and "informal" market workers.



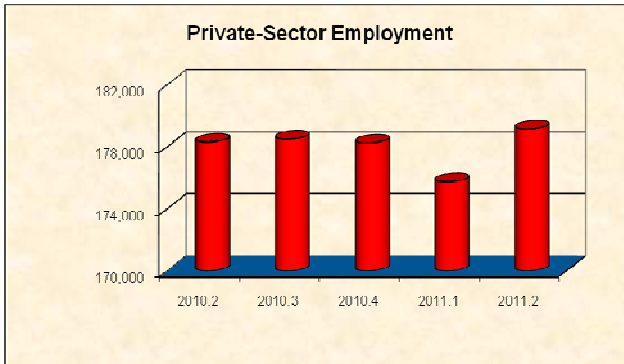
Nonfarm Employment - Local nonfarm industries employed 4,200 more workers this quarter. The number of nonfarm jobs increased from 235,670 in the first quarter to 239,870 in the second quarter. Nevertheless, nonfarm industries employed 2,230 fewer workers this quarter than four quarters ago. All major nonfarm industries contributed to the employment growth of Kern County in the second quarter of 2011.



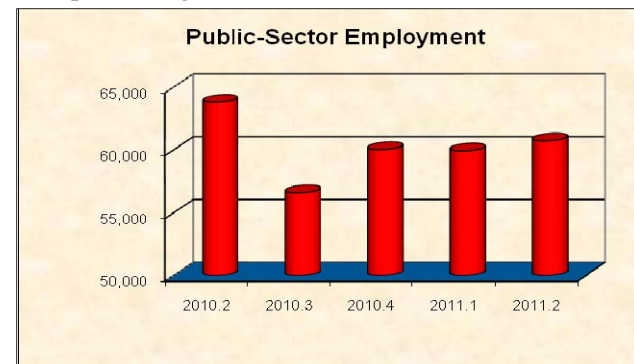
Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the second quarter of 2011, the number of informal workers decreased by 4,900 from 42,270 to 37,370. Likewise, the informal labor market offered 1,340 fewer 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 2011, private companies added 3,400 jobs as their employment increased from 175,740 to 179,140. Relative to four quarters ago, the private sector offered 840 more jobs.



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 second quarter of 2011, employment in government agencies inclined by 800 from 59,930 to 60,730. However, the public sector employed 3,070 fewer workers this quarter relative to four quarters ago.



Housing Market

Housing Price - In the second quarter of 2011, Kern County's housing market conditions improved. The median sales price for all residential units appreciated \$7,600 (or 6.5 percent) to \$124,600 from \$117,000. Still, the county's median

housing price was \$12,000 (or 8.8 percent) lower than that of four quarters ago.



In Bakersfield, the median housing price appreciated \$10,000 (or 8.2 percent) to \$132,200 from \$122,200. However, the city's median housing price was \$8,800 (or 6.2 percent) lower than that of four quarters ago.



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

Location	Median Price 2011.1	Median Price 2011.2	Price Change 2011.1-2011.2	Price Change 2010.4-2011.1
Kern County	\$117,000	\$124,600	\$7,600	6.5%
Bakersfield	\$122,200	\$132,200	\$10,000	8.2%
California City	\$59,100	\$62,100	\$3,000	5.1%
Delano	\$115,800	\$116,000	\$200	0.2%
Ridgecrest	\$168,200	\$167,400	-\$800	-0.5%
Rosamond	\$114,500	\$114,000	-\$500	-0.4%
Taft	\$49,500	\$66,800	\$17,300	34.9%
Tehachapi	\$143,400	\$135,700	-\$7,700	-5.4%

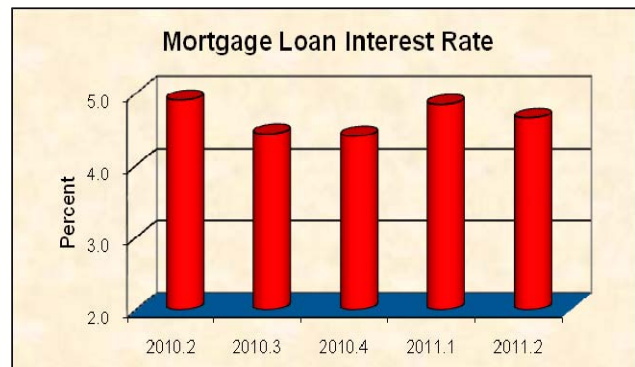
Housing Sales - In Kern County, 520 more homes were sold as total sales increased from 2,534 in the first quarter to 3,054 in the second quarter. However, 206 fewer units were sold this quarter relative to the second quarter of last year.

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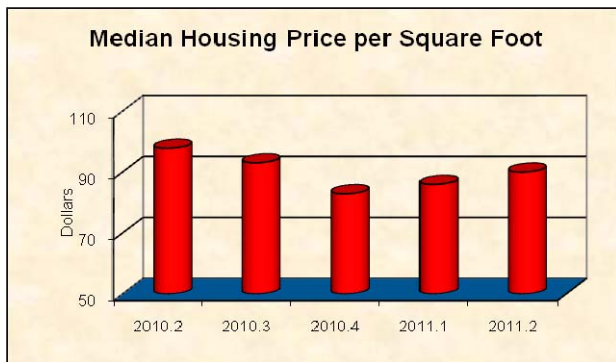
In Bakersfield, 429 more homes were sold as sales of residential units inclined from 1,815 in the first quarter to 2,244 in the second quarter. Nevertheless, sales were down by 107 units this quarter relative to the second quarter of last year.

Mortgage Interest Rate - In the second quarter of 2011, the interest rate of thirty-year conventional mortgage loans dropped from 4.85 to 4.66 percent. Four quarters ago, the mortgage loan interest rate was 4.91 percent.



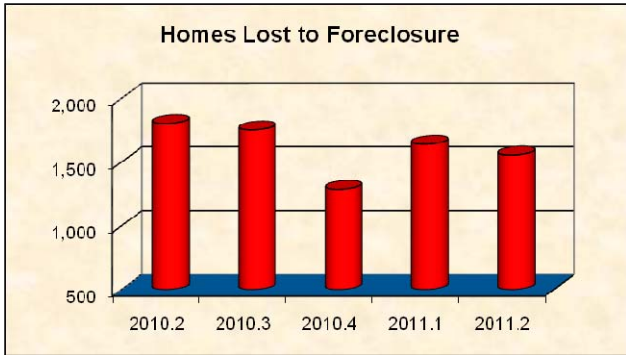
Median Housing Price per Square Foot - The median sales price per square foot of housing area increased \$4 from \$86 in the first quarter to \$90 in the second quarter. Nevertheless, the median housing price per square foot has gone down \$8 since the second quarter of last year.

Housing Foreclosure Activity - In the second quarter of 2011, the county's foreclosure activity slowed from 1,865 to 1,485. As a result, 380 (or 20.4 percent) fewer homeowners received notices of loan default from their mortgage bankers. Likewise, the number of default notices has gone down by 523 (or 26.0 percent) since the second quarter of last year.

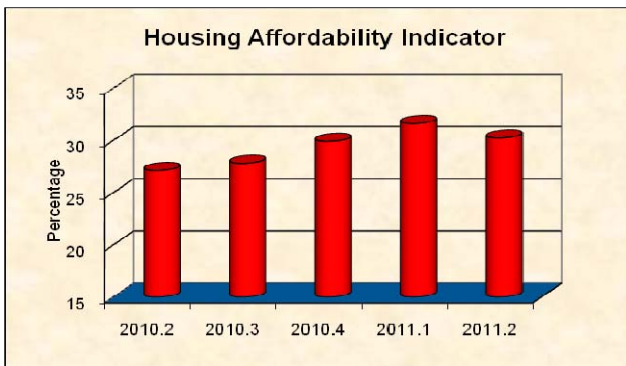


New Building Permits - In the second quarter of 2011, the number of building permits issued for the construction of new privately-owned dwelling units declined by 98 from 304 to 206. Similarly, 256 fewer building permits were issued this quarter relative to four quarters ago.

The number of homes lost to foreclosure decreased from 1,640 in the first quarter to 1,555 in the second quarter. As a result, 85 (or 5.2 percent) fewer homes were lost to foreclosure. Similarly, 247 (or 13.7 percent) fewer homes were lost to foreclosure relative the second quarter of 2010.



Housing Affordability - Median housing prices divided by median household income is a measure of housing affordability. With large appreciation of housing prices and slow growth of household income, the affordability indicator declined from 31.6 percent in the first quarter to 30.2 percent in the second quarter. The housing affordability indicator was 27.1 percent four quarters ago.

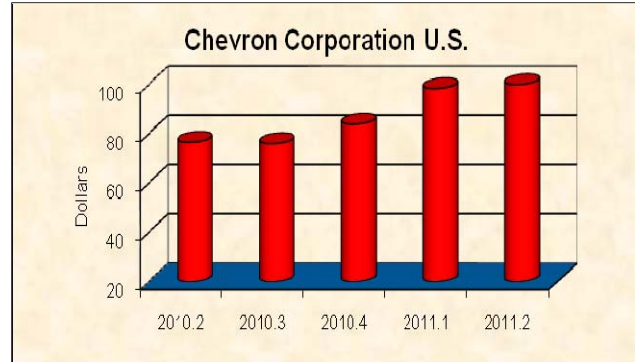


Stock Market

In the second quarter of 2011, the composite price index (2010.2 = 100) of the five publically traded companies doing business in Kern County increased 3.1 points from 103.7 to 106.8. The index was 6.8 points higher than that of four quarters ago. Average “close” prices were measured for five local *market-movers*: Chevron Corporation, Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



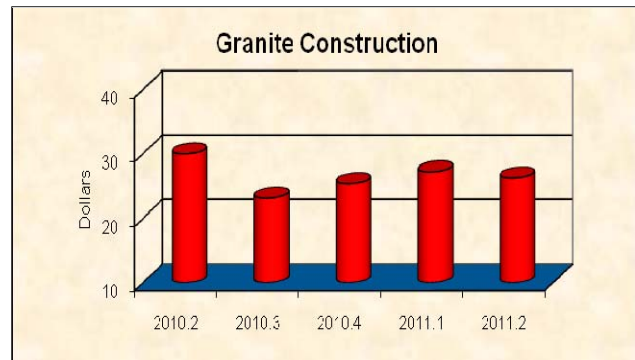
Chevron Corporation US - CVX gained \$5.16 (or 5.2 percent) per share as its price rose from \$98.39 in the first quarter to \$103.55 in the second quarter. Likewise, CVX has gained \$26.99 (or 35.3 percent) since the second quarter of 2010.



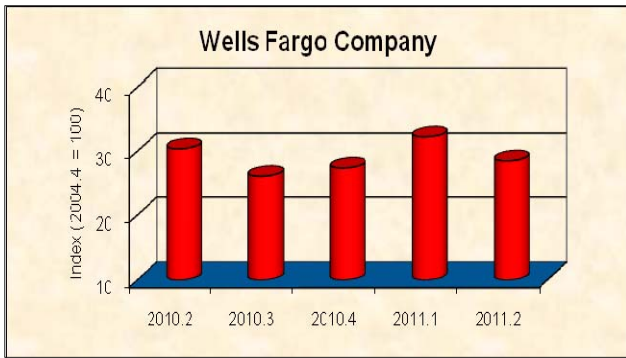
Tejon Ranch Company - TRC made \$6.22 (or 21.6 percent) per share as its stock price rose from \$28.77 in the first quarter to \$34.99 in the second quarter. Likewise, TRC was up \$8.10 (or 30.1 percent) relative to the second quarter of 2010.



Granite Construction - GVA lost 93¢ (or 3.4 percent) per share in the second quarter of 2011 as its stock price decreased from \$27.22 to \$26.29 per share. Similarly, GVA has gone down \$3.68 (or 12.3 percent) since the second quarter of 2010.



Wells Fargo Company - WFC dropped \$3.77 (or 11.7 percent) per share as its stock price fell from \$32.25 in the first quarter to \$28.48 in the second quarter. Relative to one year ago, WFC was down \$1.90 (or 6.3 percent).

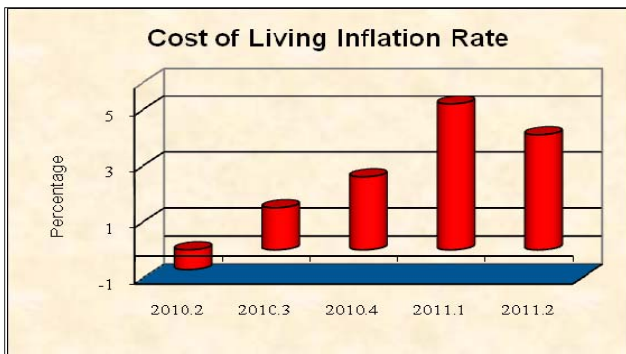


Sierra Bancorp - BSRR made 15¢ (or 1.4 percent) per share as its price inclined from \$10.87 in the first quarter to \$11.02 in the second quarter. However, BSRR has gone down \$1.65 (or 13.0 percent) since the second quarter of 2010.

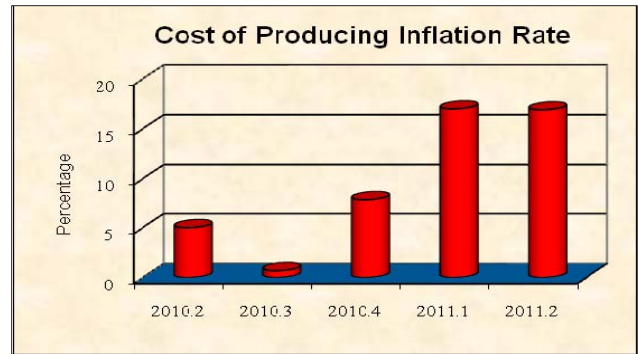


Inflation

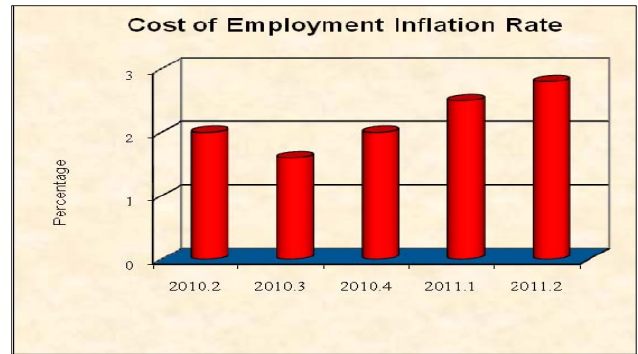
Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 222.3 in the first quarter to 224.5 in the second quarter. As a result, inflation for the cost of living accelerated at an annual rate of 4.1 percent. The cost of living inflation rate was 5.2 percent last quarter and -0.7 percent four quarters ago.



Cost of Producing - The Producer Price Index for all commodities (1996 =100) climbed from 195.9 in the first quarter to 203.7 in the second quarter. The inflation rate for the cost of producing accelerated at a rapid annualized rate of 16.9 percent. The cost of producing inflation rate was 17.0 percent last quarter and 5.0 percent four quarters ago.

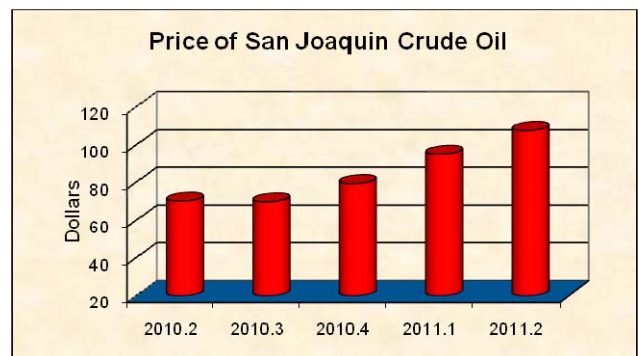


Cost of Employment - The Cost of Employment Index (December 2005 = 100) increased from 114.0 in the first quarter to 114.8 in the second quarter. The cost of employment inclined at an annual rate of 2.8 percent. The cost of employment inflation rate was 2.5 percent last quarter and 2.0 percent four quarters ago.



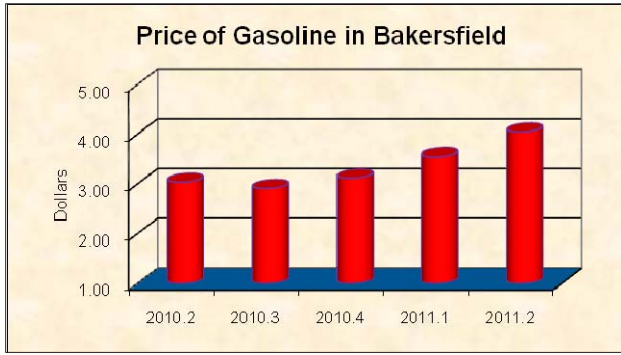
Commodity Prices

Price of Oil - The average price of San Joaquin Valley heavy crude increased \$12.49 (or 13.1 percent) per barrel from \$95.17 in the first quarter to \$107.66 in the second quarter. Likewise, the average price of crude oil was up \$37.52 (or 53.5 percent) per barrel relative to the second quarter of 2010.

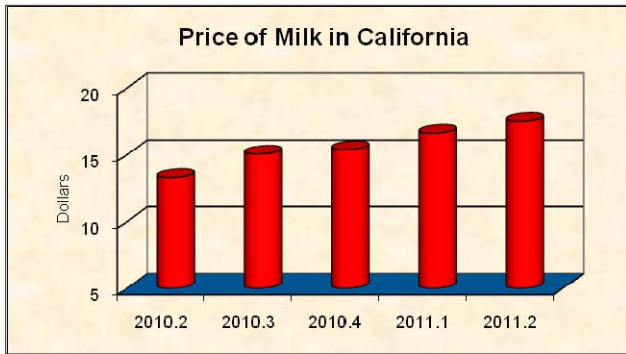


Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 50¢ (or 14.1 percent) per gallon from \$3.55 in the first quarter to \$4.05 in the second quarter. Compared with the fourth quarter of last year, the average gasoline price was up \$1.01 (or 33.2 percent).

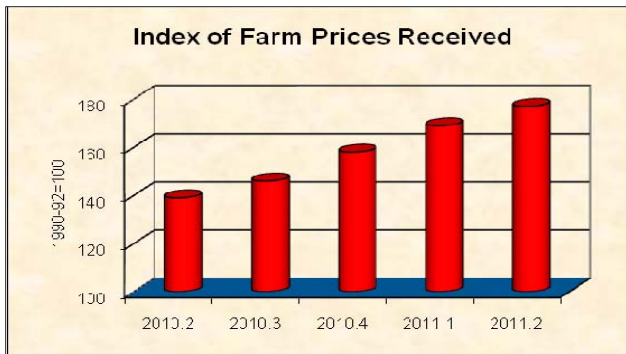
(Continued on page 12)



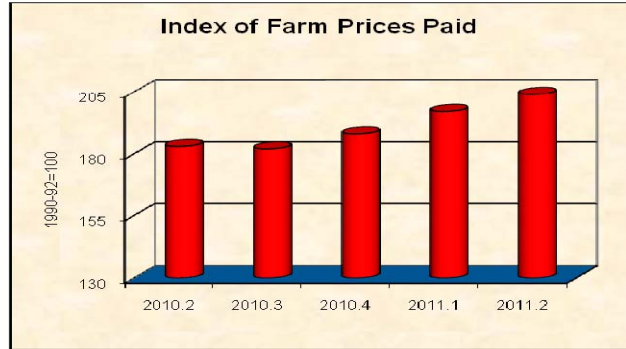
Price of Milk - The unit price of California’s Class III milk increased 87¢ (or 5.2 percent) from \$16.63 in the first quarter to \$17.50 in the second quarter. Likewise, the unit price of milk has gone up \$4.19 (or 31.5 percent) since the second quarter of 2010.



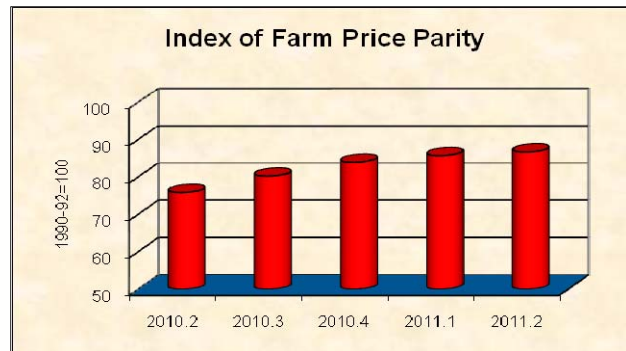
Farm Prices - In the second quarter of 2011, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) climbed 8 points to arrive at 177. Likewise, the index was 38 points higher than that of four quarters ago.



The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents climbed 7 points to reach 204. Similarly, the index value was 21 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 2011, the gap between prices paid and prices received narrowed as Index of Farm Price Parity rose to 87 from 86. Likewise, the gap between prices farmers paid and prices farmers received narrowed 11 points since the second quarter of 2010.



At a Glance (Continued from page 2)

In commodity markets, the average price of San Joaquin Valley heavy crude per barrel increased from \$95.17 to \$107.66. In the Bakersfield metropolitan area, the average retail price of regular gasoline increased \$3.55 to \$4.05 per gallon. The unit price of California’s Class III milk rose from \$16.63 to \$17.50. The index of prices farmers received for their outputs rose 8 point to reach 177, while the index of prices farmers paid for their inputs inclined 7 points to arrive at 204. As a result, the

parity between output prices farmers received and input prices farmers paid narrowed 1 point to reach 87.

The composite price index (2010.2=100) of the top five locally traded stocks increased 3.1 points from 103.7 to 106.8. In the second quarter of this year, the average stock prices appreciated for Chevron Corporation, Tejon Ranch Company, and Sierra Bancorp, but declined for Wells Fargo Company and Granite Construction.

Econ Brief!

Kern County, Third Highest Payroll Gains

David Lyman
City of Bakersfield

The average compensation per job in Kern County increased 23.0 percent between 2004 and 2009, which was the third highest rate among major counties in California.

According to the latest data published by the *United States Bureau of Labor Statistics*, the average compensation per job in Kern County increased to \$54,443 in 2009 from \$44,261 in 2004. Only two California counties had higher rates of increase over those five years: Solano (27.7 percent) and San Mateo (23.3 percent).

Kern County's average compensation per job (\$54,443) is the highest in the San Joaquin Valley, exceeding that of San Joaquin (\$51,851), Stanislaus (\$50,918), Fresno (\$48,605), and Tulare (\$43,421).

Nationwide, Kern County ranked 154th among 331 major counties in average compensation per job. Three California counties made the top list of highest paying jobs: Santa Clara (\$98,165), San Mateo (\$94,291), and San Francisco (\$91,130).

Source:
American Business Journals, using data from the U.S. Bureau of Labor Statistics

Econ Brief!

Does Money Buy Happiness?

Abbas P. Grammy

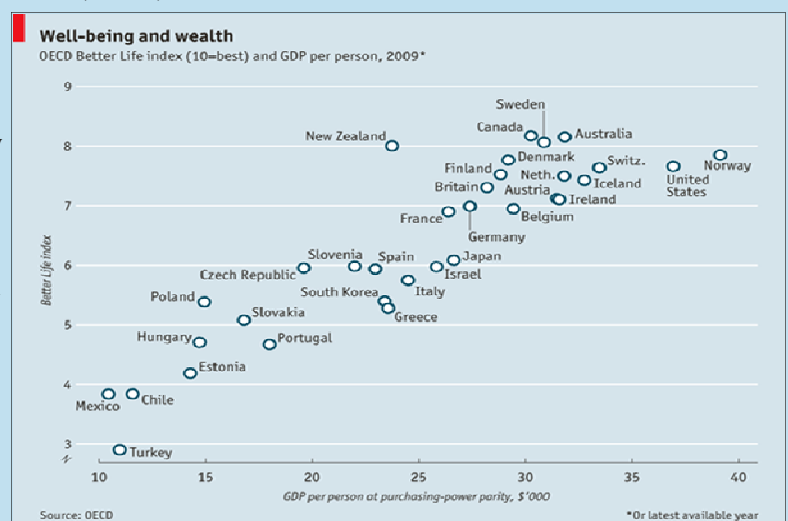
The Per Capita Gross Domestic Product (PCGDP) measures income per person across countries. PCGDP is a "rough" measure of economic development because it takes no account of the quality of life such as depletion of natural resource, pollution of air and contamination of water, distribution of income, and production of household goods and services. Nevertheless, increased income per person expands the range of opportunities for individuals to better their economic conditions.

To measure the quality of life, the Organization of Economic Development and Cooperation has recently published its Better Life Index. The database includes 34 countries and 11 life indicators: housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, and work-life balance. The top 10 countries with the happiest people are Denmark, Canada, Norway, Australia, the Netherlands, Sweden, Switzerland, Finland, Israel, and Austria.

In the chart at the right, the PCGDP is plotted against the Better Life Index. Countries that have a higher PCGDP score higher in the Better Life Index, indicating a positive correlation between income per person and quality of life. The correlation coefficient between the PCGDP and the Better Life Index is 0.80 and statistically significant at the 5 percent level.

Money does not buy happiness, but it surely helps. Money can help improve the quality of life. With more income, we can provide better housing accommodation, hire helpers to do our household chores, buy more nutritious food, get more education, afford better health-care services, employ more cops for protection, improve air quality, and finance after-school enrichment programs for kids.

Source:
Better Life Initiative: Your Better Life Index, Organization of Economic Development and Cooperation,
http://www.oecd.org/document/35/0,3746,en_2649_201185_47837411_1_1_1_1,00.html



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