

Economy at a Glance! **2009 First Quarter**

The Gross Domestic Product - the output of goods and services produced in the United States – declined for the third consecutive quarter. After falling 6.3 in the fourth quarter of 2008, the GDP plunged at an annual rate of 6.1 percent in the first quarter of 2009, according to advance estimates released by the Bureau of Economic Analysis. This decline reflected negative contributions from exports, private inventory investment, equipment and software, nonresidential structures, and residential fixed investment. These negative effects were partly offset by a positive contribution from personal consumption expenditures.

The Index of Leading Economic Indicators – a measure of future economic activity – continued its falling trend. The index fell to 98.4 from 99.4, expecting the recession to continue over the next three to six months. For the seventh consecutive quarter, the rate of unemployment increased. It climbed to 8.1 from 6.9 percent. In the meantime, the general level of prices continued its falling trend. The cost of living decreased at a rate of 2.3 percent and the cost of producing descended at a sharp rate of 9.2 percent. The cost of employment increased at a slow annual rate of 1.2 percent.

In California, the unemployment rate climbed 2.3 percent to reach 10.6 percent. The state's economy added 40,600 members to its workforce. In the meantime, the state lost 386,800 jobs and had 427,300 more unemployed workers. While the farm labor market gained 1,100 jobs, non-farm industries cut 254,500 paid positions. The industries of construction, manufacturing, wholesale and retail trade, transportation and warehousing, information, finance and insurance, real estate and rental services, professional, scientific and technical services, administrative support and waste management, leisure and hospitality, and local government cut jobs. In contrast, the industries of educational services, health-care and social assistance, and state and local governments added jobs.

In Kern County, households became slightly more pessimistic about employment and financial conditions of their families and relatives as the *Consumer Sentiment Index* fell one point to 73. In contrast, Kern County businesses became less pessimistic about their employment and financial conditions as the *Business Outlook Index* rose 2 percentage points to reach 92.

In the meantime, the county's economy declined at an annual rate of 3.6 percent. Kern's economy generated \$15.43 billion in personal income, \$140 million less than the previous quarter. Such a sharp economic decline caused personal income per worker to fall \$300, reaching \$41,300.

Kern County's labor market conditions continued to deteriorate. The county's workforce declined by 1,100 members. In the meantime, 6,200 more workers lost jobs and 5,100 more collected unemployment benefits. The loss of 6,200 farm jobs and 1,500 nonfarm jobs was partly offset by the gain of 1,500 informal jobs (self-employed workers and those working outside the county). A wide range of nonfarm industries cut jobs including construction, manufacturing, retail trade, information, real estate, professional and business services, leisure and hospitality, and local government.

The rate of unemployment climbed to 11.6 from 10.2 percent. Still below the county average, the rate of unemployment averaged 10.4 percent in Bakersfield, 11.6 percent in California City, 8.5 percent in Ridgecrest, and 10 percent in Tehachapi.

Kern County's housing market fell into a deeper recession as housing prices plunged. The median sales price for all residential units depreciated \$29,500 (or 18.8 percent) from \$156,500 to \$127,000. In Bakersfield, the median housing price plummeted \$28,800 (or 18.2 percent) to \$129,500 from \$158,300. Depreciation in prices caused housing affordability to rise from 24.2 to 29.1 percent. The number of homes sold declined from 2,921 to 2,900 in Kern County, but rose from 2,202 to 2,239 in Bakersfield. The number of building permits issued for the construction of new privately-owned dwelling units dropped from 326 to 297. The county's foreclosure activity accelerated at a rapid rate of 76.1 percent from 2,566 to 4,238. As a result, 1,672 more homeowners received notices of loan default from their mortgage bankers.

In commodity markets, the average price of San Joaquin crude oil dropped \$10 to reach \$35.08 per barrel. Similarly, the average price of regular gasoline sold in the Bakersfield metropolitan area decreased 21¢ to arrive at \$2.21 per gallon. The unit price of California's Class III milk edged down \$5.51 to attain \$10.44. The index of prices farmers received for their outputs fell 12 points to reach 130, and the index of prices farmers paid for their inputs dropped 8 points to arrive at 174. However, the parity between output prices farmers received and input prices farmers paid remained constant at 78.

The composite price index (2008.1 = 100) of the top five locally traded stocks declined 7.7 points from 78.1 to 70.4. Relative to four quarters ago, the composite price index of stocks for these *market-movers* edged 29.6 percent lower. Average stock prices fell for Chevron Corporation U.S., San Joaquin Bank, and Tejon Ranch Company, but increased for Granite Construction and Occidental Petroleum Corporation.