Economy

Personal Income – To be consistent with data on local area personal income published by the United States Bureau of Economic Analysis, we revised our estimation for Kern County’s personal income. We calculated personal income as the sum of wages and salaries, self-employment income, rental income, property income, business profit, dividends, interest income, rental income, and personal and business transfer payments. Next, we upgraded our base period for adjustment of inflation from 1996 to 2012.

In our estimation, Kern County’s personal income totaled $30.53 billion in the first quarter of 2015. We found this amount to be $211 million lower than that of the previous quarter. The decrease in personal income in the fourth quarter primarily reflected positive contributions from an increased number of employed workers in Kern County. However, these positive contributions were fully offset by negative contributions from property income and profit income. Four quarters ago, personal income was almost $30.6 billion, showing a secular stagnation in Kern County for almost a year.

Growth of Personal Income – With substantial increases in personal, labor, and property incomes, Kern’s economy showed a significant improvement. The increase of $2.2 billion in personal income is translated to an annual growth rate of 28.9 percent. This substantial improvement in personal income represents substantial employment growth even during a period of stagnating oil prices, highlighting the improving robustness of the Kern County economy to oil price shocks.

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1 Source - 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
**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 3,067 members from 390,533 in the first quarter of 2015 to 393,600 in the second quarter of 2015. In addition, 20,070 more workers were available for work this quarter relative to the second quarter of 2014.

**Employment** – In the second quarter of 2015, Kern County hired 6,667 more workers as total employment increased from 347,233 in the first quarter of 2015 to 353,900 in the second quarter of 2015. Even better, the county employed 20,180 more workers this quarter than four quarters ago.

**Unemployment** – In the meantime, 3,633 fewer workers were unemployed as the number of jobless workers decreased from 43,300 to 39,667. Likewise, 3,053 fewer workers were unemployed this quarter than the second quarter of last year.
Unemployment Rate – Kern County’s unemployment rate decreased one percentage point to 10.1 percent. The county’s unemployment rate was 11.4 percent four quarters ago.

The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate varied between 4.9 percent in Inyokern to 24.8 percent in McFarland. In Bakersfield, the unemployment rate was 9.2 percent.

<table>
<thead>
<tr>
<th>Location</th>
<th>Unemployment Rate (%)</th>
<th>Location</th>
<th>Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inyokern</td>
<td>4.9</td>
<td>Bakersfield</td>
<td>9.2</td>
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<tr>
<td>Taft</td>
<td>6.7</td>
<td>Arvin</td>
<td>12.1</td>
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<td>Lamont</td>
<td>6.9</td>
<td>Delano</td>
<td>12.4</td>
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<td>Ridgecrest</td>
<td>7.0</td>
<td>Oildale</td>
<td>13.3</td>
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<tr>
<td>Tehachapi</td>
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<td>Wasco</td>
<td>13.7</td>
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<td>Edwards</td>
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<tr>
<td>Rosamond</td>
<td>8.6</td>
<td>Mojave</td>
<td>18.6</td>
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<tr>
<td>Shafter</td>
<td>8.9</td>
<td>California City</td>
<td>21.1</td>
</tr>
<tr>
<td>Lake Isabella</td>
<td>8.9</td>
<td>McFarland</td>
<td>24.8</td>
</tr>
</tbody>
</table>

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

Farm Employment – In the second quarter of 2015, Kern County hired 10,300 more farm workers. As a result, farm employment increased from 48,200 to 58,500. Similarly, the farming industry hired 18,520 more workers this quarter than four quarters ago.
Nonfarm Employment – Local nonfarm industries employed 767 more workers this quarter. Hence, the number of nonfarm workers increased from 258,433 to 259,200. Likewise, nonfarm industries hired 9,730 more workers this quarter than four quarters ago.

In Bakersfield, however, many nonfarm industries lost jobs: oil and gas extraction, construction, manufacturing, financial activities, clothing accessories stores, and professional and business services. However, jobs were added in state and local government, leisure and hospitality, education and health services, information, and service providing industries.

Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and workers employed outside their county of residence. In the second quarter of 2015, the number of informal workers decreased by 4,400 from 40,600 to 36,200. Likewise, the informal labor sector hired 8,070 fewer workers 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 2015, private companies hired 133 fewer workers as their employment decreased from 196,933 to 196,800. Conversely, the private sector employed 6,900 more workers this quarter than four quarters ago.

![Private-Sector Employment](image)

**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 2015, government agencies hired 900 more workers as their employment increased from 61,500 to 62,400. Similarly, the public sector employed 2,830 more workers this quarter than four quarters ago.

![Public-Sector Employment](image)

**Housing Market**

**Housing Price** - In the second quarter of 2015, Kern County’s housing prices continued to strongly increase, reaching a level not seen since the second quarter of 2008. The median sales price for all residential units increased $8,167 (or 4.2 percent) from $192,333 in the first quarter of 2015 to $200,500 in the second quarter of 2015. Similarly, the county’s median sales price appreciated $17,150 (or 9.4 percent) between the second quarter of 2014 and the second quarter of 2015.
In Bakersfield, the median housing price appreciated $12,000 (or 5.7 percent) from the first quarter of 2015, to reach a similar level not seen since the first quarter of 2008: $221,000. Similarly, the city’s median sales price has appreciated $16,300 (or 8.0 percent) since the second quarter of 2014.

Housing price varied across the county. Within previous four quarters (2014 second quarter to 2015 second quarter), the median sales price appreciated in all the major cities of Kern County without exception. In dollar value, California City had the largest appreciation of $26,000. Likewise, California City recorded the largest appreciation rate of 40.0 percent, though the median sales price for California City declined between the first and second quarter of 2015.

<table>
<thead>
<tr>
<th></th>
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<td>Rosamond</td>
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<td>$161,250</td>
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<td>Taft</td>
<td>$103,000</td>
<td>$91,300</td>
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<td>Tehachapi</td>
<td>$218,167</td>
<td>$197,300</td>
<td>20,867</td>
<td>10.6</td>
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</table>

**Housing Sales** – In the second quarter of 2015, price appreciation was accompanied by significant sales increases. In Kern County, 903 more homes were sold as total sales increased from 2,422 to 3,325. Compared to four quarters ago 369 more units were sold.
In Bakersfield, sales of residential units increased, but at a slower rate than in Kern County, as 609 more homes were sold. Total sales increased from 1,726 to 2,335. Sales were up by 263 units this quarter relative to the second quarter of last year.

New Building Permits – In the second quarter of 2015, Kern County issued 615 permits for construction of new privately-owned dwelling units. The county issued 460 new building permits last quarter and 345 four quarters ago, showing a significant uptick in the housing market that was coupled with increases in both number and median prices of sales.

Mortgage Interest Rate – In the second quarter of 2015, the interest rate on thirty-year conventional mortgage loans increased from 3.72 percent to 3.83 percent. Four quarters ago, the mortgage loan interest rate was 4.23 percent.
**Housing Foreclosure Activity** – Kern County’s foreclosure activity continued to slow in the second quarter of 2015. The number of homeowners receiving notices of loan default from their mortgage bankers declined from 426 to 407. Similarly, the number of default notices has gone down by 147 since the second quarter of last year.

**Stock Market**
In the first quarter of 2015, the composite price index (2014.1=100) of the five publicly traded companies doing business in Kern County decreased 0.1 percentage points from the previous quarter, from 96.8 to 96.7. The index was also 4.1 percentage 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 U.S.:** CVX lost $8.51 (or 8.1 percent) per share as its price decreased from $104.98 to $96.47. Relative to the second quarter of 2014, CVX was down $27.89 (or 22.4 percent).
Tejon Ranch Company: TRC lost $0.74 (or 2.8 percent) per share as its stock price dropped from $26.45 to $25.71. Likewise, TRC was down $5.68 (or 18.1 percent) relative to the second quarter of 2014.

Granite Construction: GVA gained $0.37 (or 1.1 percent) per share as its stock price increased from $35.14 to $35.51. Conversely, GVA has declined $1.05 (or 2.9 percent) since the second quarter of 2014.

Wells Fargo Company: WFC made $1.84 (or 3.4 percent) per share as its stock price ascended from $54.40 to $56.24. Relative to one year ago, WFC was up $5.93 (or 11.8 percent).
Sierra Bancorp: BSRR gained $0.61 (or 3.7 percent) per share as its price increased from $16.70 to $17.31. Similarly, BSRR has gained $1.60 (or 10.2 percent) since the second quarter of 2014.

Inflation
Cost of Living – In the second quarter of 2015, the Consumer Price Index for all urban areas (1982-84 = 100) increased from 236.1 to 237.7. As a result, inflation for the cost of living accelerated at an annual rate of 2.71 percent. The cost of living inflation rate was -1.35 percent last quarter and 3.0 percent four quarters ago.

Cost of Production – The Producer Price Index for all commodities (1982 =100) increased from 191.6 to 192.8. As a result, the cost of production accelerated at an annual rate of 2.51 percent. The cost of production inflation rate was -18.33 percent last quarter and 5.3 percent four quarters ago.
**Cost of Employment** - The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 123.6 to 123.8. As a result, the cost of employment grew at an annual rate of 0.65 percent. The cost of employment inflation rate was 2.3 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 $0.59 per gallon from $2.93 to $3.52. Compared with the second quarter of last year, the average gasoline price was down $0.63.
**Price of Milk** – The unit price of California’s Class III milk increased $0.51 (or 3.2 percent) from $15.73 to $16.24. Noticeably, the price increased in each month of the second quarter of 2015, increasing by $0.53 in June. Even more noticeably, the price is still down $6.51 (or 28.6 percent) relative to the second quarter of last year.

![Price of Milk in California](image)

**Farm Prices** – In the second quarter of 2015, the national Index of Prices Received by Farmers for all farm products (2011 = 100) increased 8.4 points from 99.3 to 107.7. The index was 113 four quarters ago.

![Index of Farm Prices Received](image)

Meanwhile, the national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents increased 1.4 point to reach 110.7. The index was 112 four quarters ago.

![Index of Farm Prices Paid](image)
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 2015, the gap between prices paid and prices received increased substantially as the Index of Farm Price Parity increased from 91 percent to 97 percent. Four quarters ago, the price ratio was 101 percent, meaning that conditions for farmers are improving to what they were.