

Kern County 2011 ... Start of a Recovery?



**John Husing, Ph.D.
Economics & Politics, Inc.**

After Losing 8.36 Million Jobs ... U.S. Job Creation Is Crawling Back



Source: U.S. Bureau of Labor Statistics

Started With Empty Shelves!



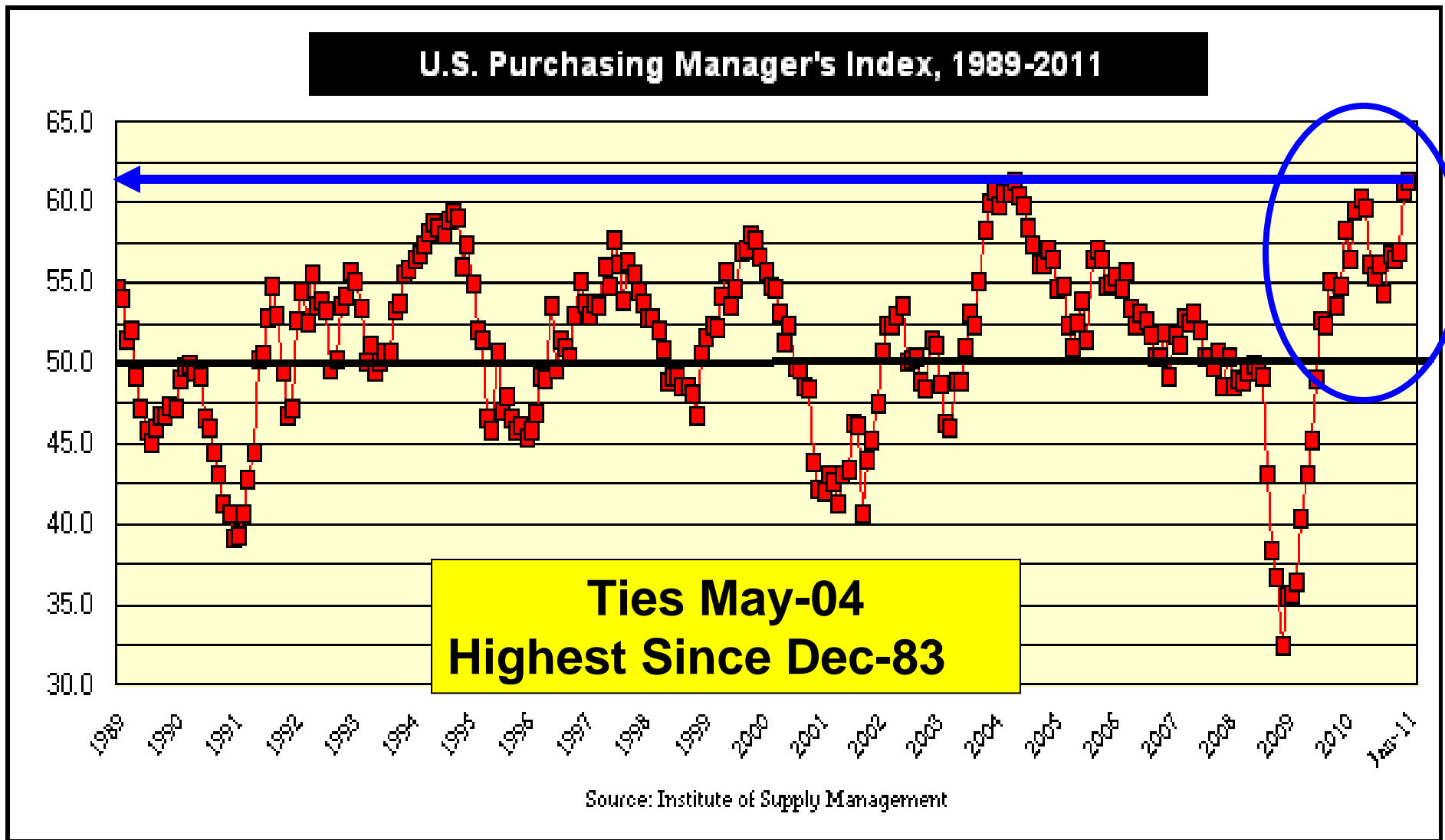
Led To Goods Movement Growth



Inventories Stay Low After Build-Up



U.S. Manufacturing Orders Soaring



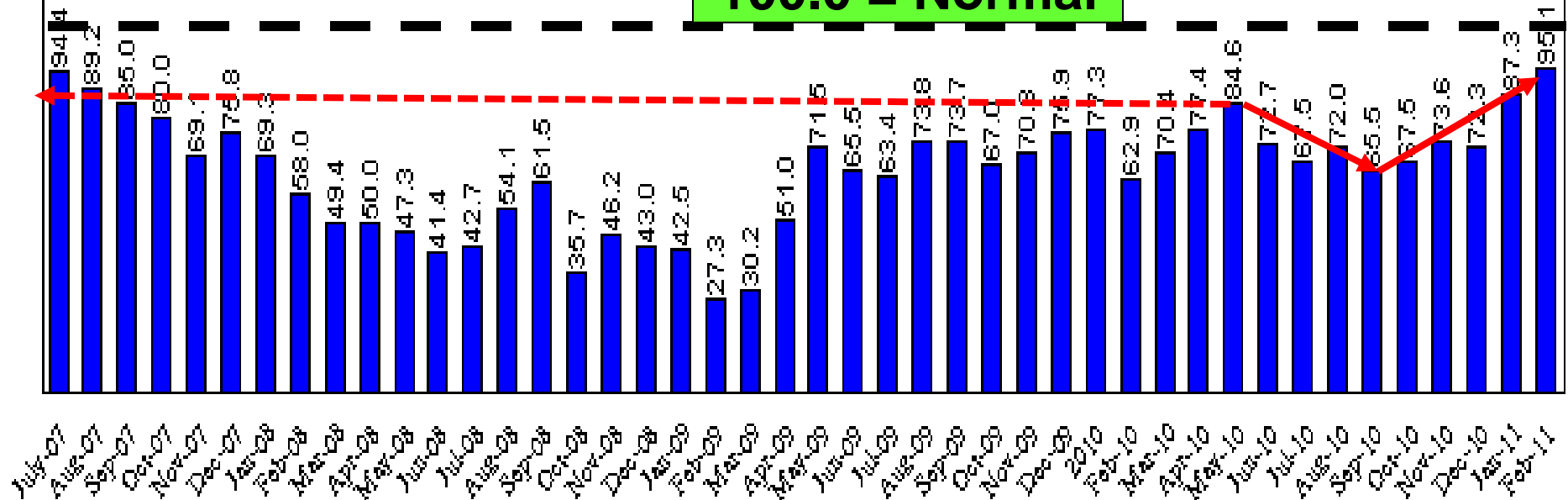


Consumers Confidence Gaining With Election Over!

Exhibit 9.-U.S. Consumer Confidence
Future Outlook, July 2007-Present

Source: Conference Board

100.0 = Normal

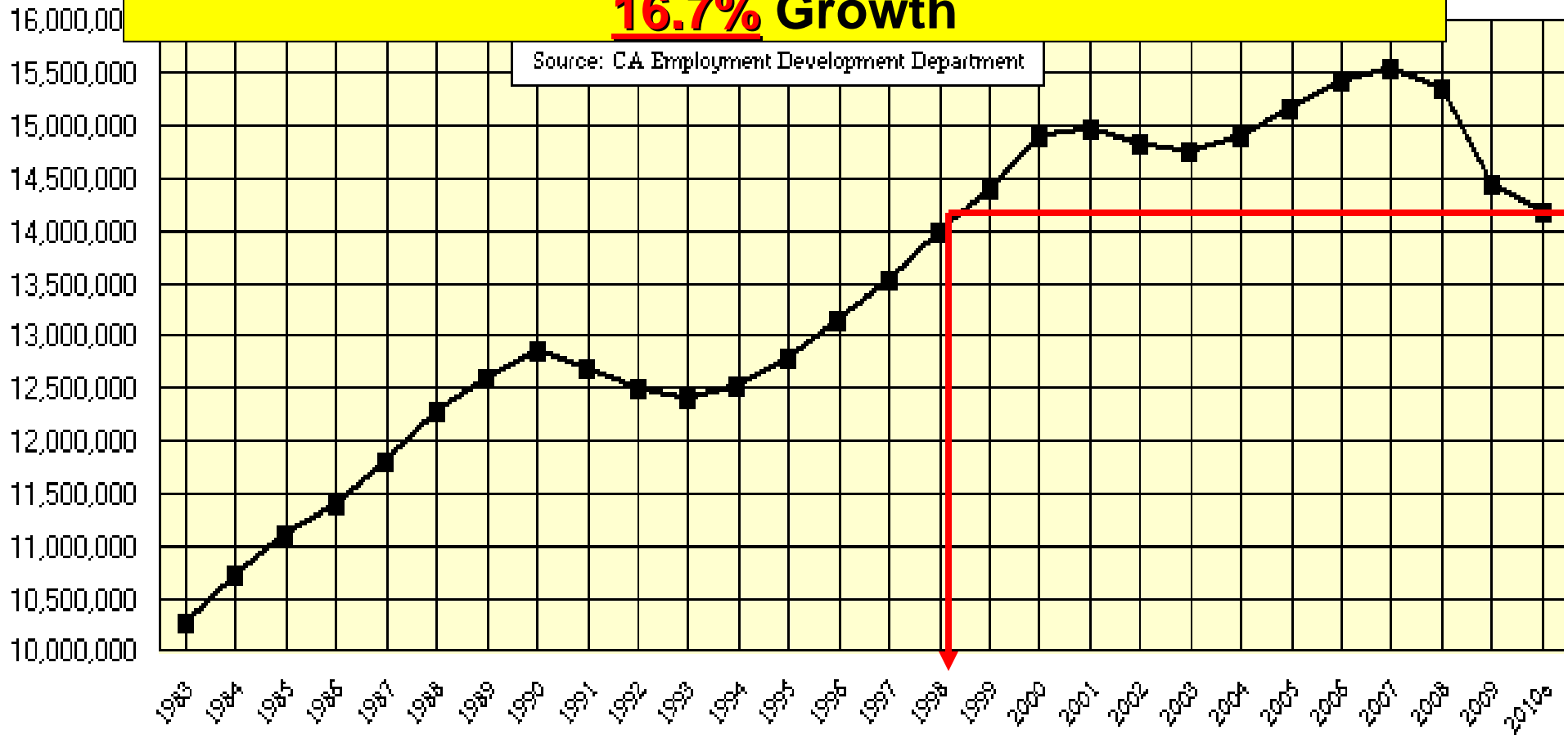


California Wage & Salary Employment Back to 1999 Level

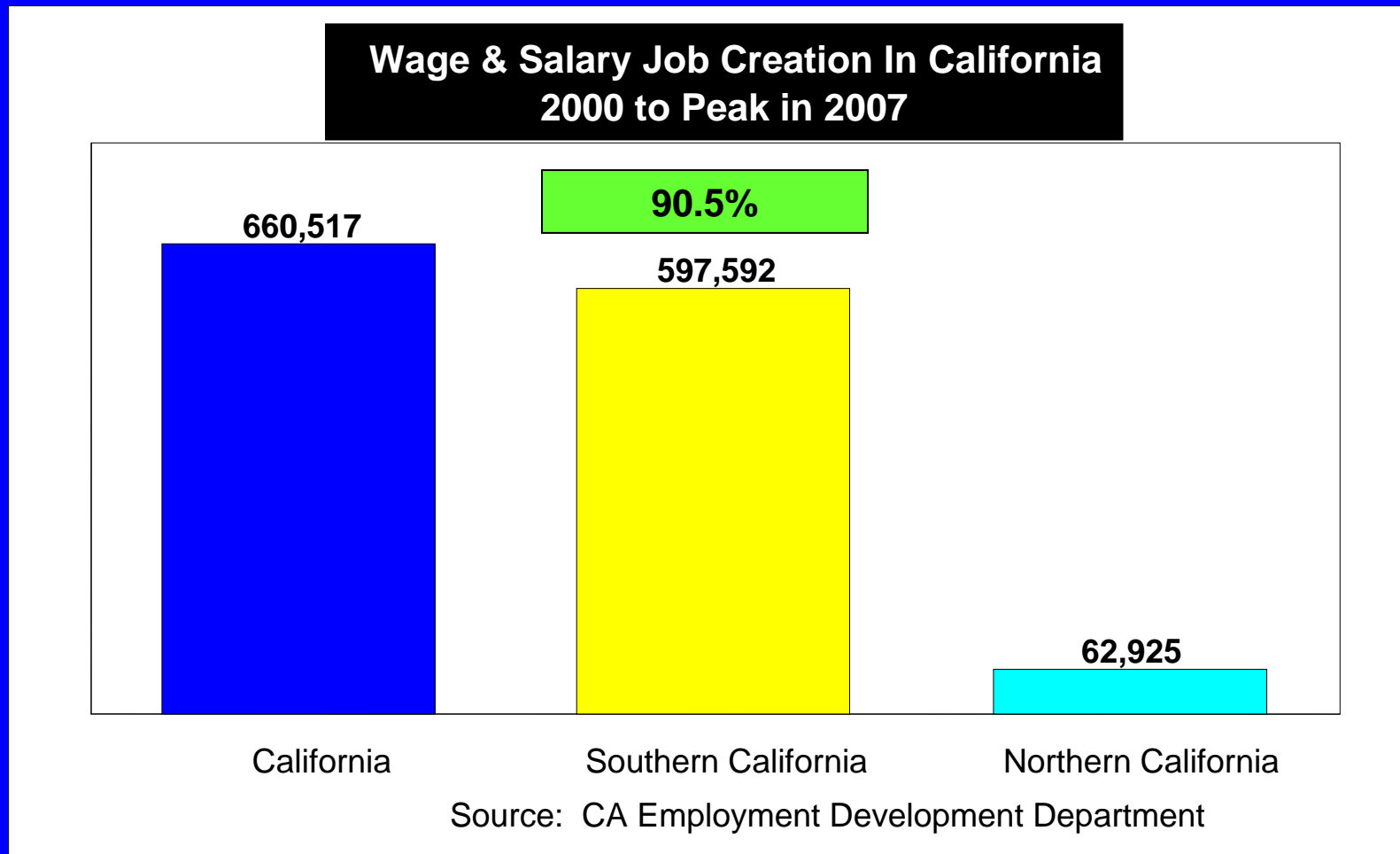
Every Wage & Salary Job Created In California Since
1998 Has Been Lost

Kern Co. 1998-2010 Added **38,600 Jobs**

16.7% Growth

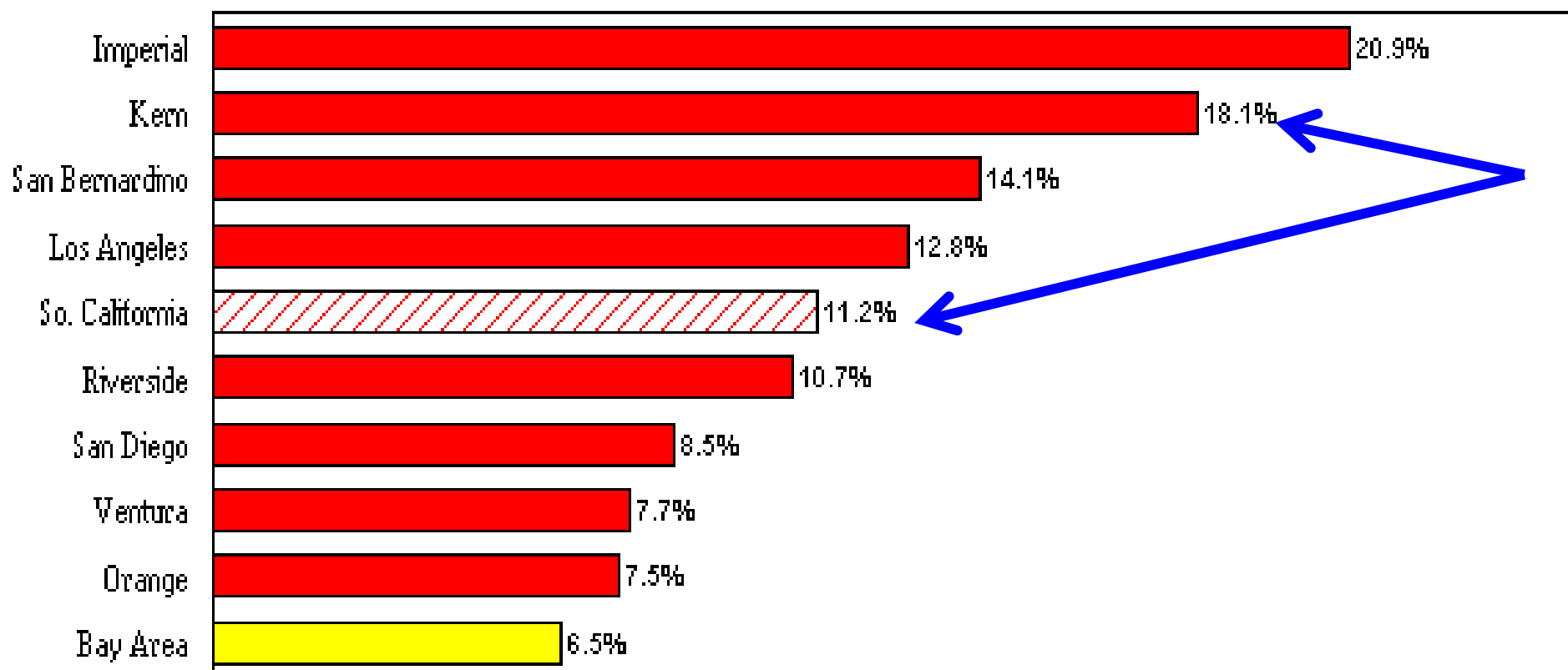


So. California Is Not No. California ... Where Most State Policy Is Conceived



Poverty A Much Greater So. California Issue

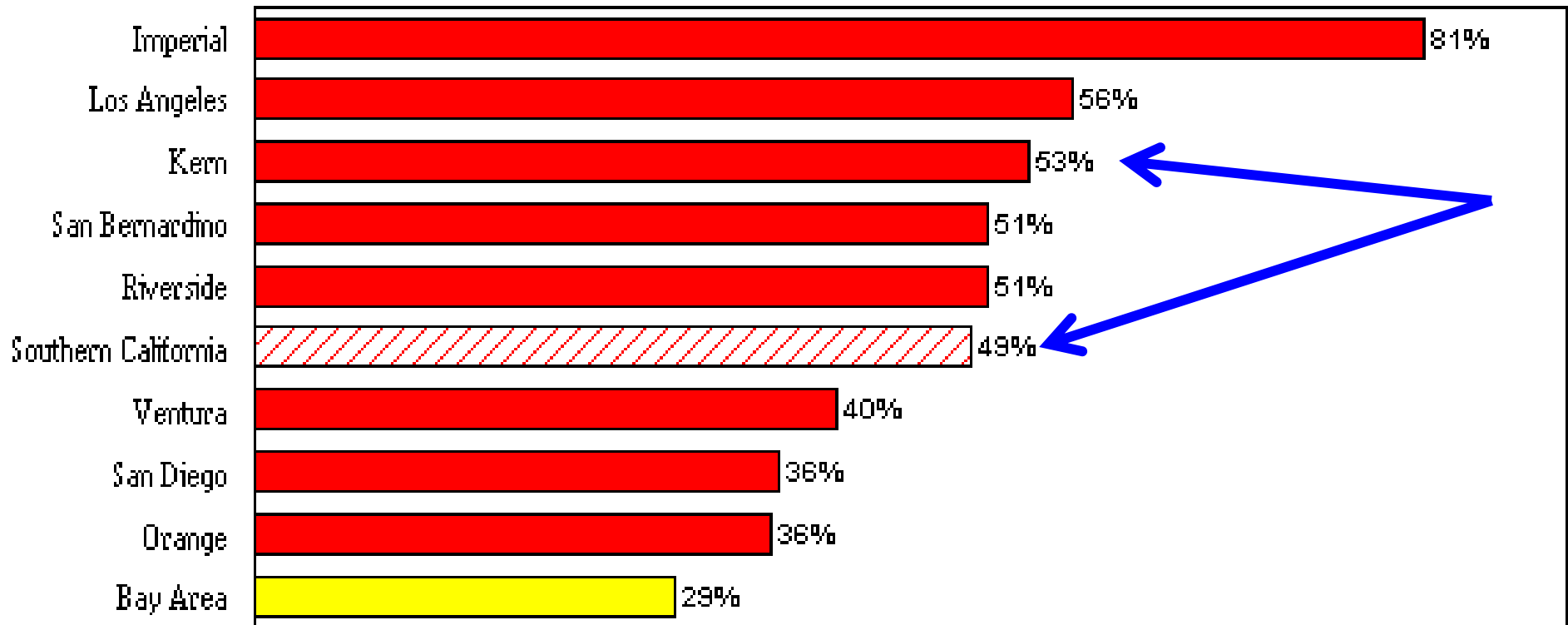
Share of Families Below Poverty Line
Southern California & Bay Area, 2009



Source: U.S. Census American Community Survey, 2009

Hispanics Hurt Disproportionately If So. California Does Not Create Jobs

Hispanic & African American Diversity
Southern California Counties, 2009

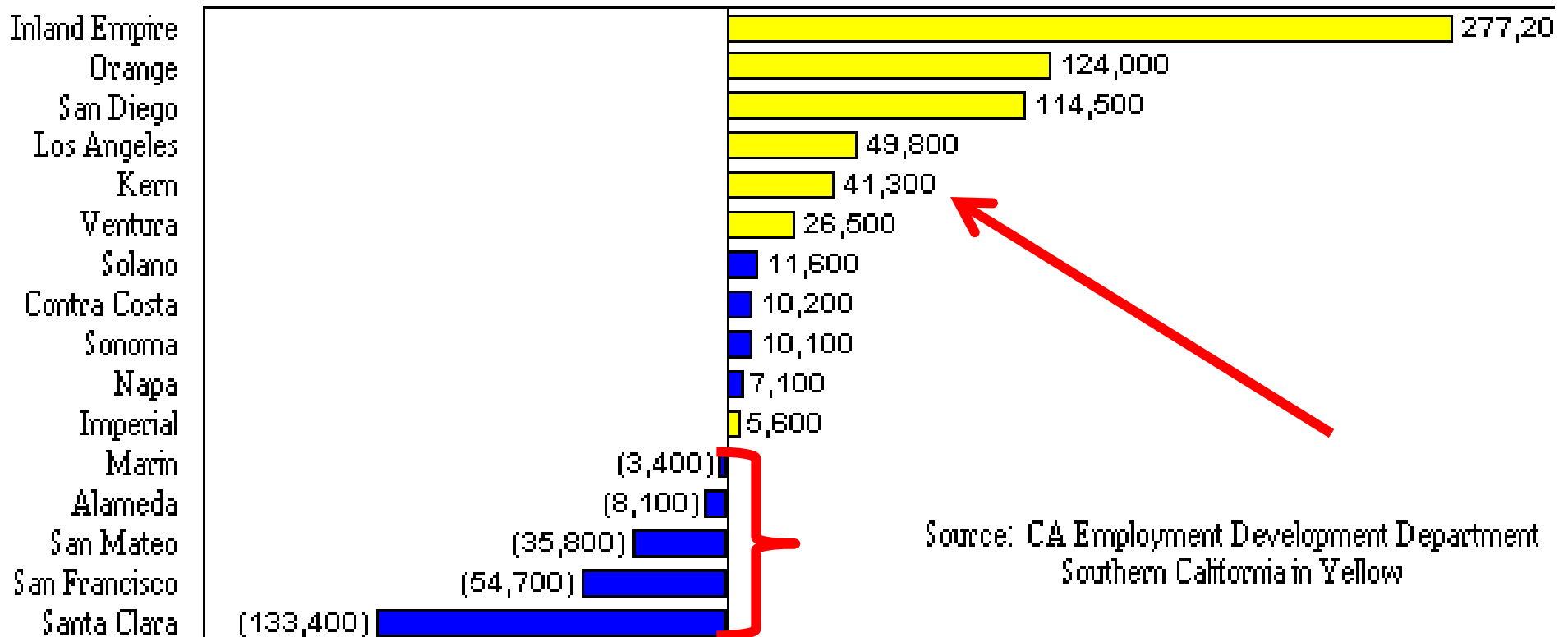


Source: American Community Survey, 2009

Where Jobs Create 2000 to 2007 Peak?

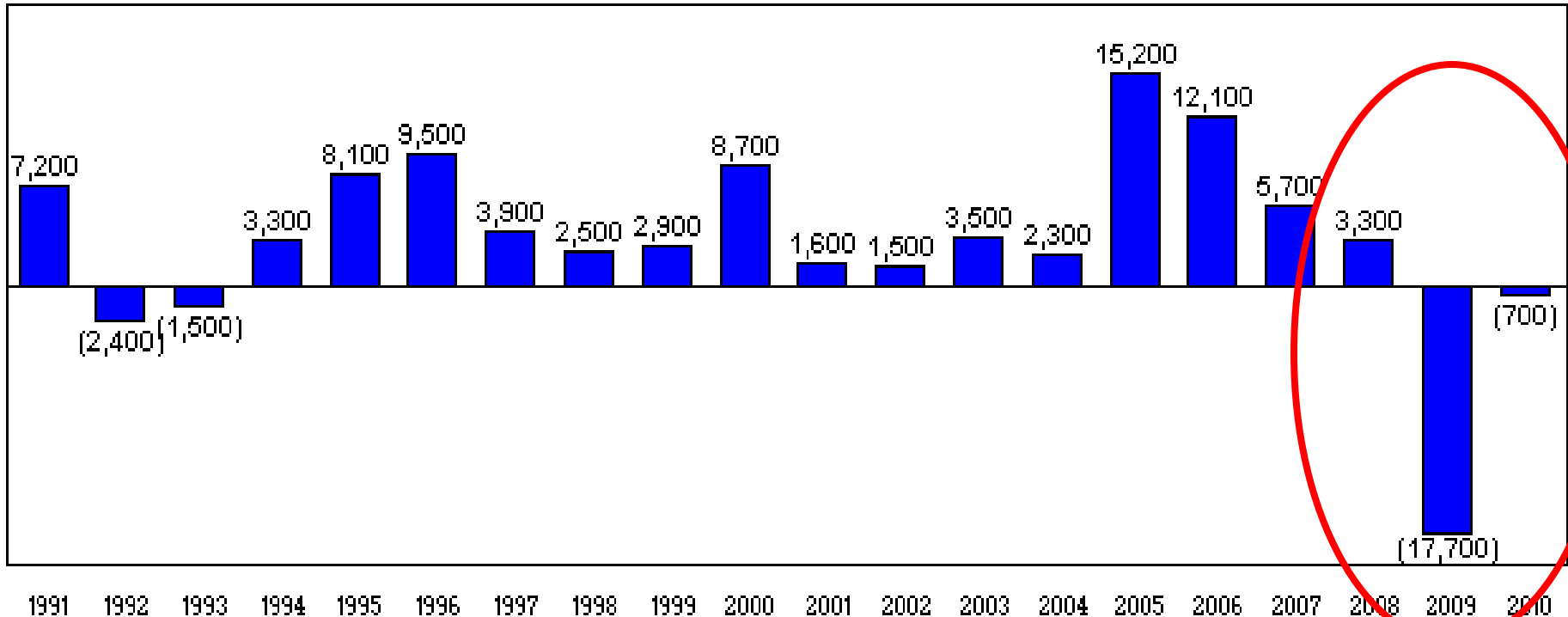
Kern County Was Responsible for 6.3% of California's Job Growth from 2000-2007

Wage & Salary Job Growth In California, 2000 to 2007 Peak Southern California & Bay Area Markets



In 2008, Kern Co. Gained 3,300
In 2009, it lost another - 17,700
In 2010, loss - 700
-15,100

**Wage & Salary Job Changes
 Kern County, 1991-2010**



Source: CA Employment Development Department

Gold Mine Theory

Secondary Tier



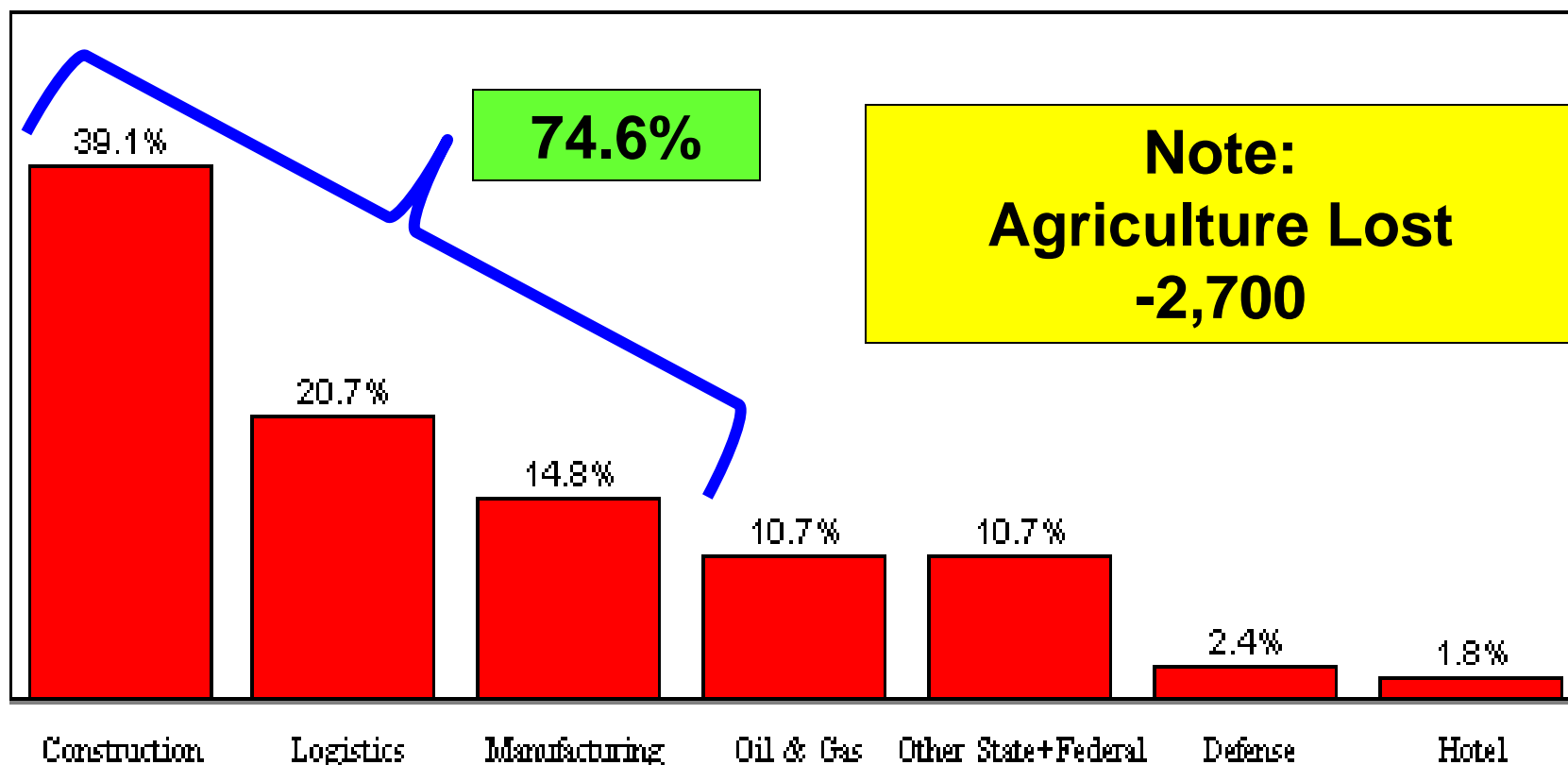
Primary Tier



Sectors Driving Growth, 2000-2007

Growing Sectors Up +16,900

Economic Base , Kern County, 2000-2007

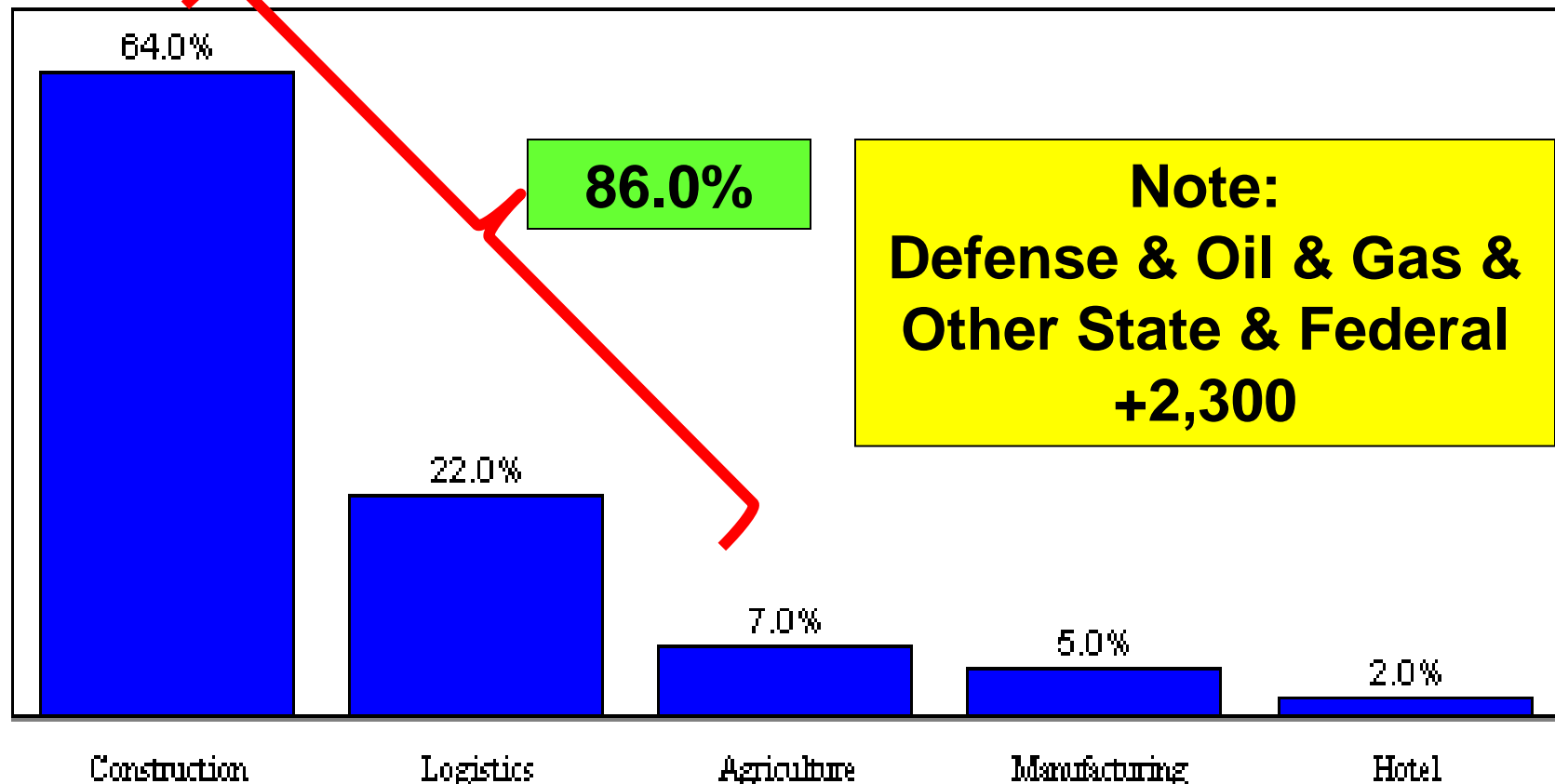


Source: CA Employment Development Dept. & Economics & Politics, Inc.

Sectors Causing Decline, 2007-2010

Declining Sectors Down -10,000

Economic Base , Kern County, 2007-2010



Source: CA Employment Development Dept. & Economics & Politics, Inc.

In Jan-2010, Kern County unemployment was 16.9%, U.S. was 9.4%, CA was 12.4%



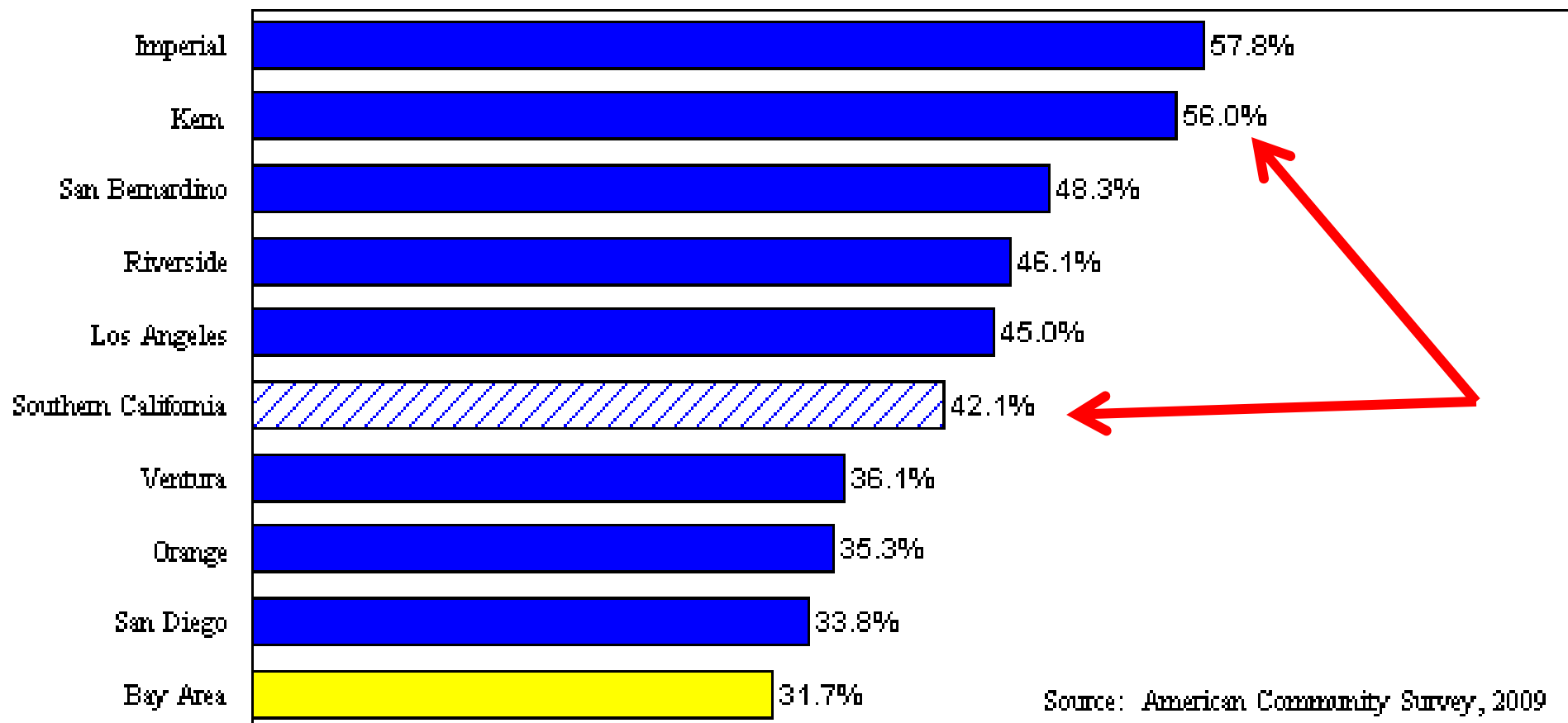
What Sectors Are Crucial To Kern Co.?

- | | |
|-------------------|--------------|
| 1. Agriculture: | Blue Collar |
| 2. Oil & Gas: | Blue Collar |
| 3. Logistics: | Blue Collar |
| 4. Manufacturing: | Blue Collar |
| 5. Construction: | Blue Collar |
| 6. Defense: | White Collar |

WHY?

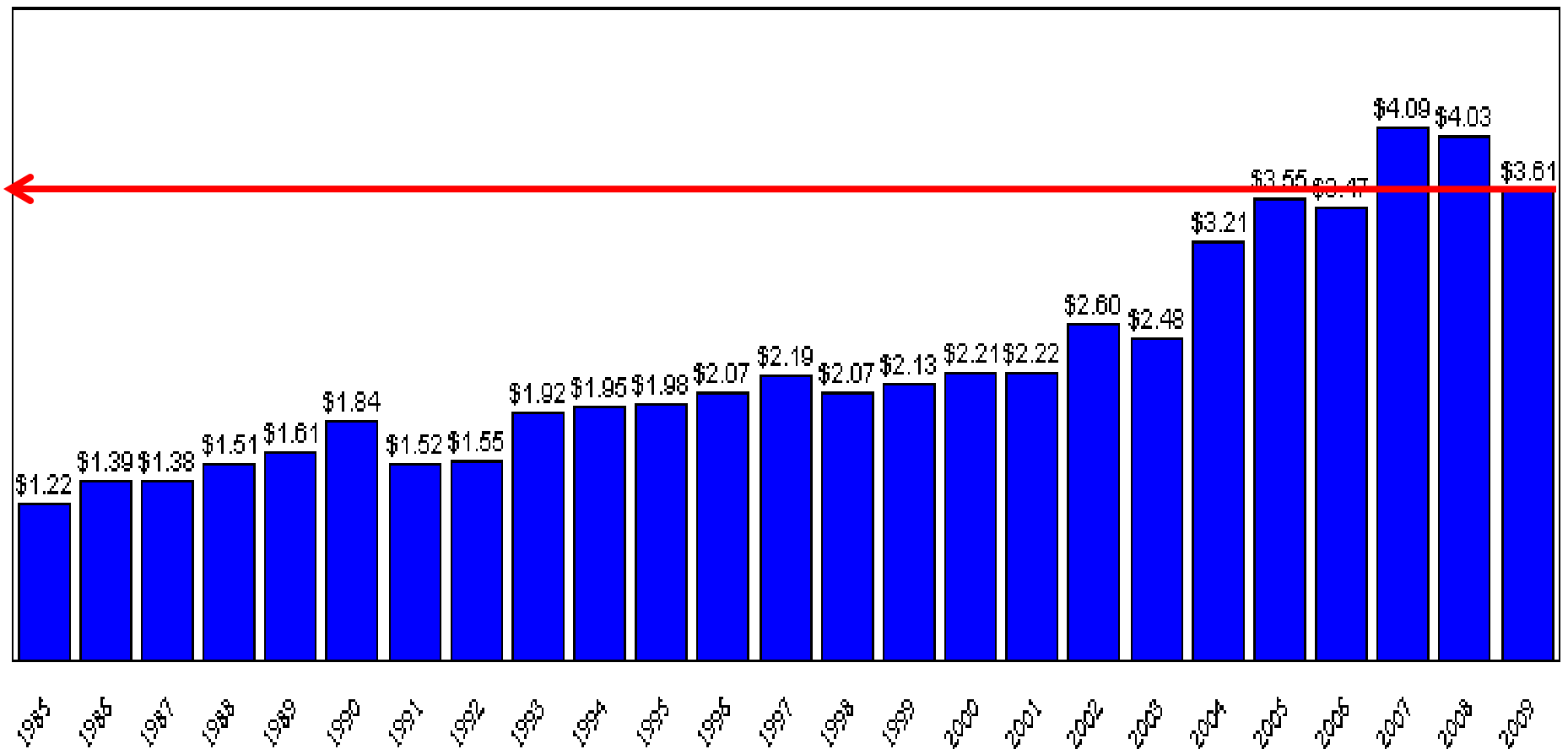
Marginally Educated: Need Blue Collar Work

Adults With High School or Less Schooling
Persons 25 & Over, 2009



1. Agriculture

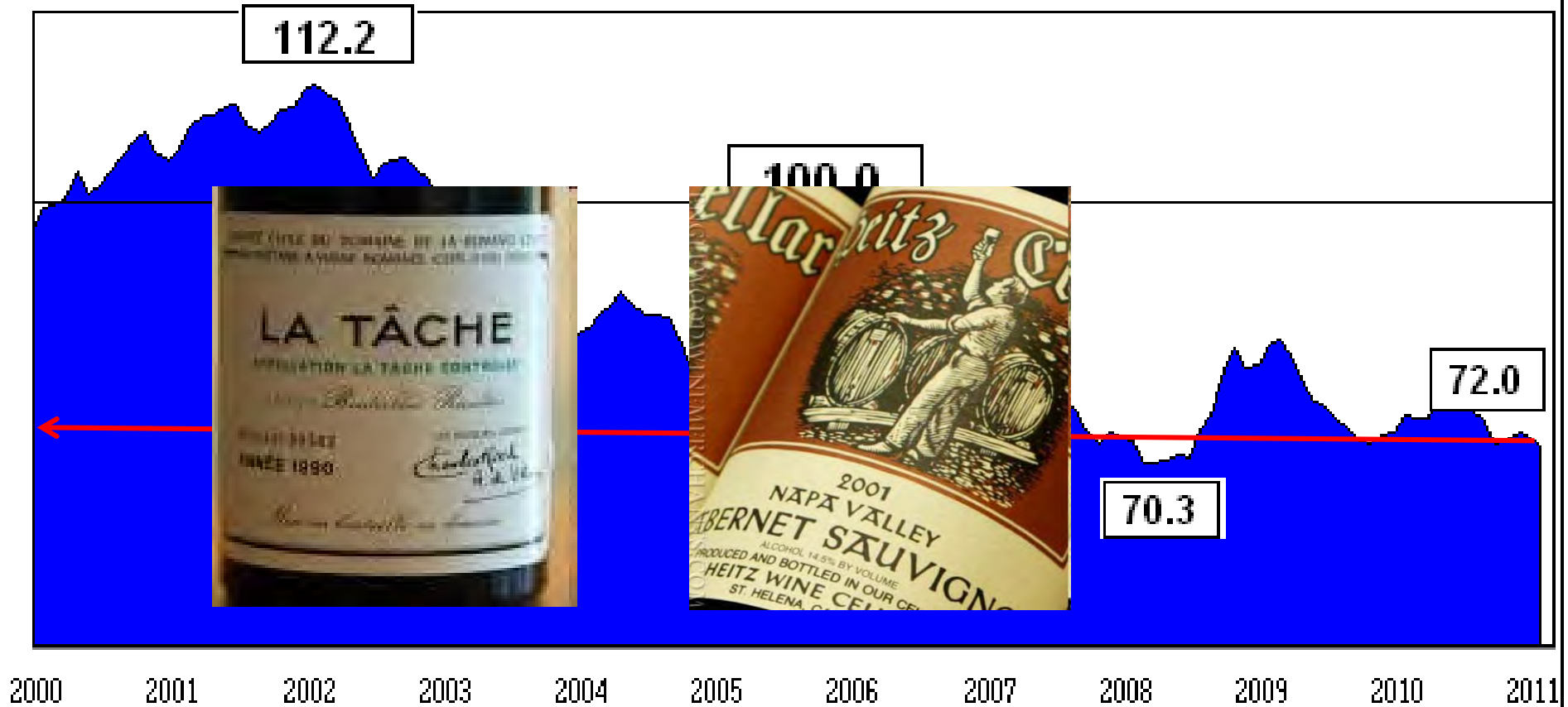
Agricultural Crop Valuation (billions)
Kern County, 1985-2009



Source: Kern County Agricultural Commissioner

Value of the Dollar

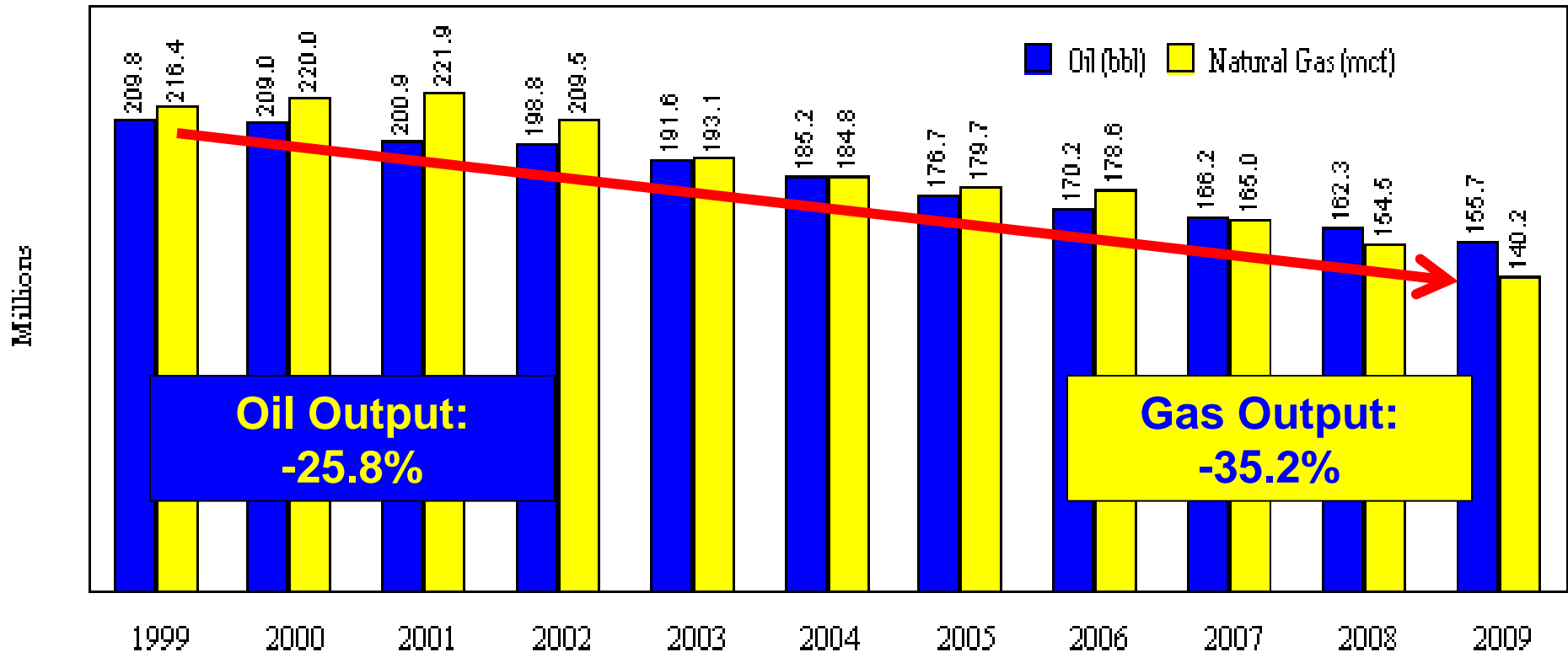
Value of Dollar vs. Major Currencies, 2000-2011



Source: U.S. Federal Reserve Board

2. Oil & Gas Production

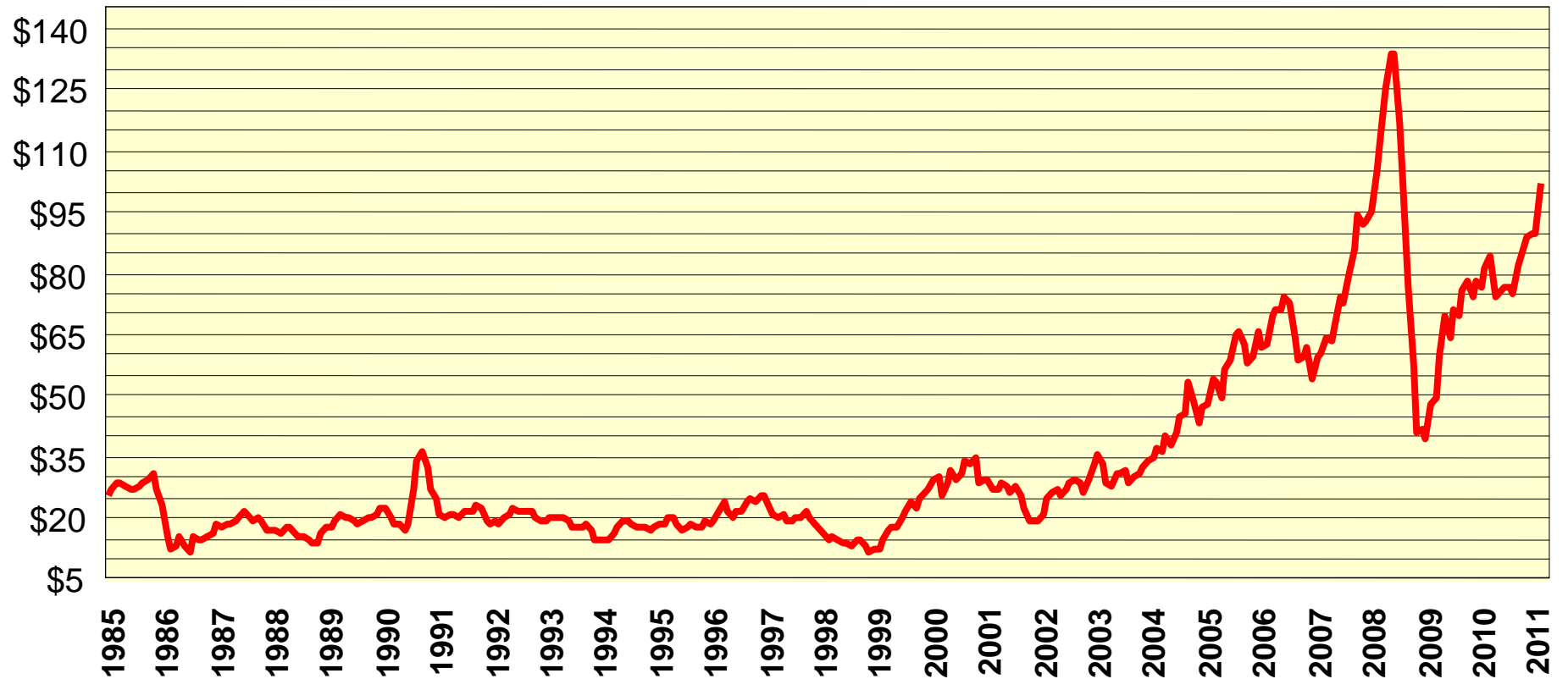
**Oil & Natural Gas Production
Kern & Tulare Counties, 1999-2009**



Source: CA Department of Conservation, Oil & Gas Division

Oil Prices

West Texas Intermediate Crude Oil Prices
Monthly Average. 1985-2011



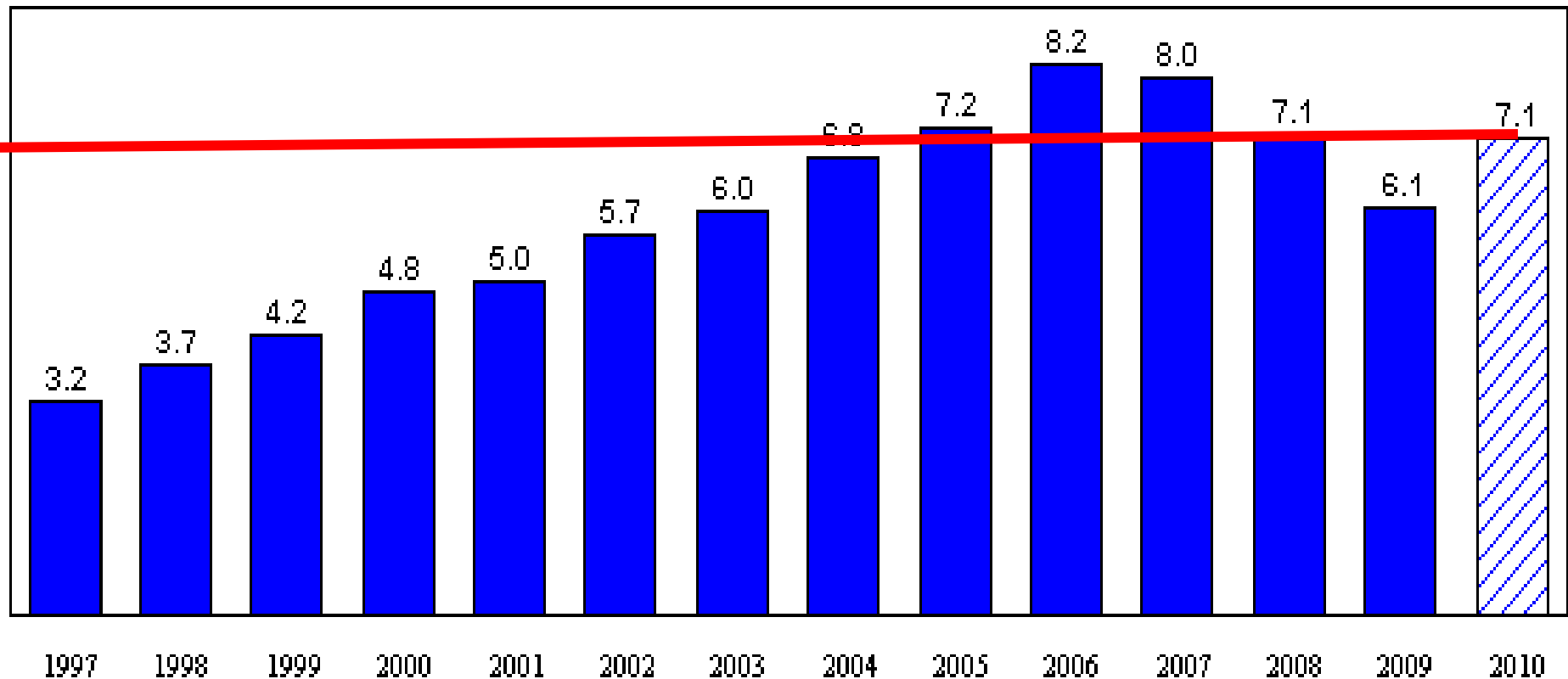
Source: Federal Reserve Bank of Dallas

3. Logistics



Port Import Volumes, up 17.4%

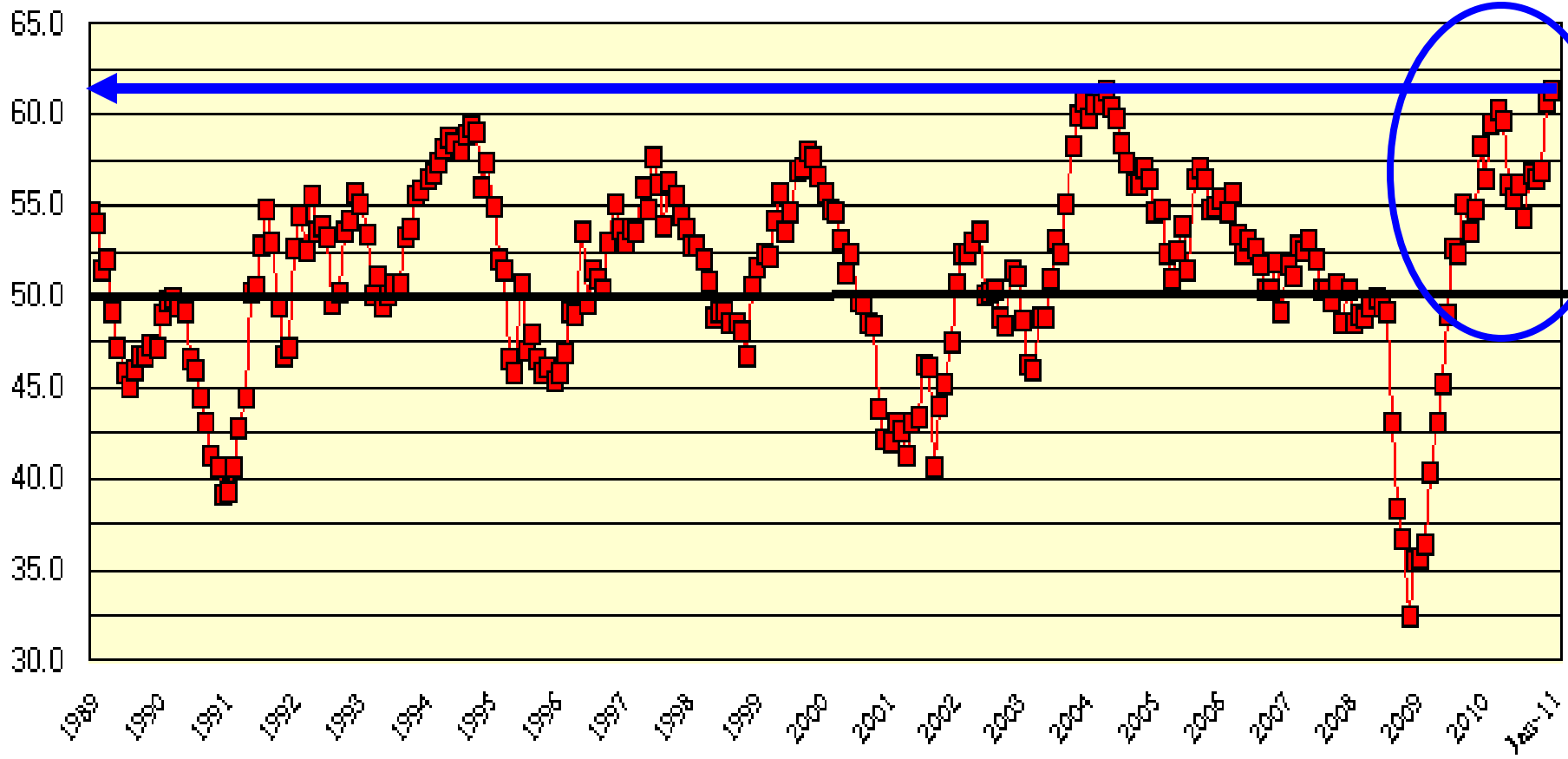
Exhibit 20.-Flow of Imported Containers
Los Angeles-Long Beach Ports, 1998-2010e (million teus)



Source: Port Import Export Reporting Service (PIERS), collected from Vessel, LA-LB for 2009-10

4. U.S. Manufacturing Orders Soaring

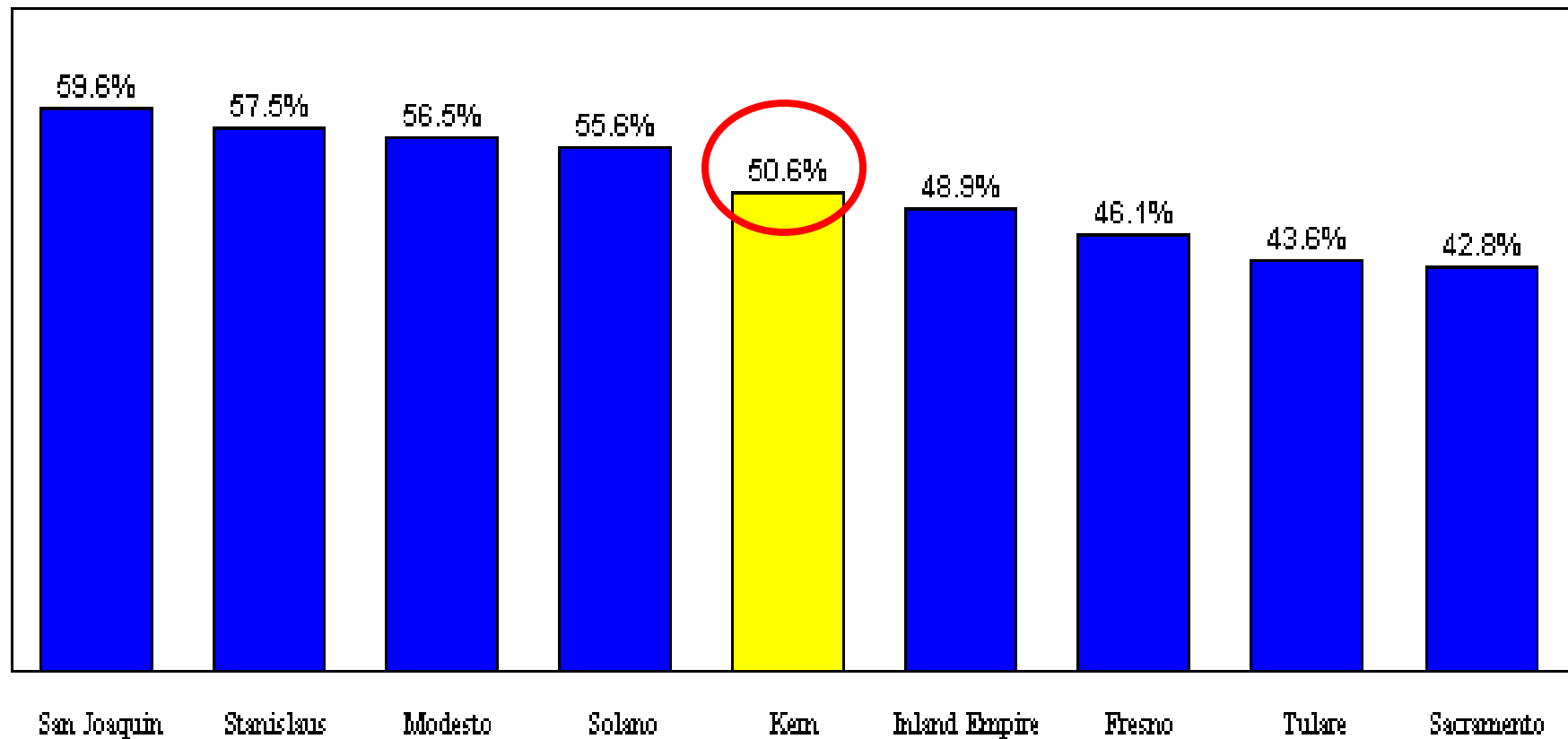
U.S. Purchasing Manager's Index, 1989-2011



Source: Institute of Supply Management

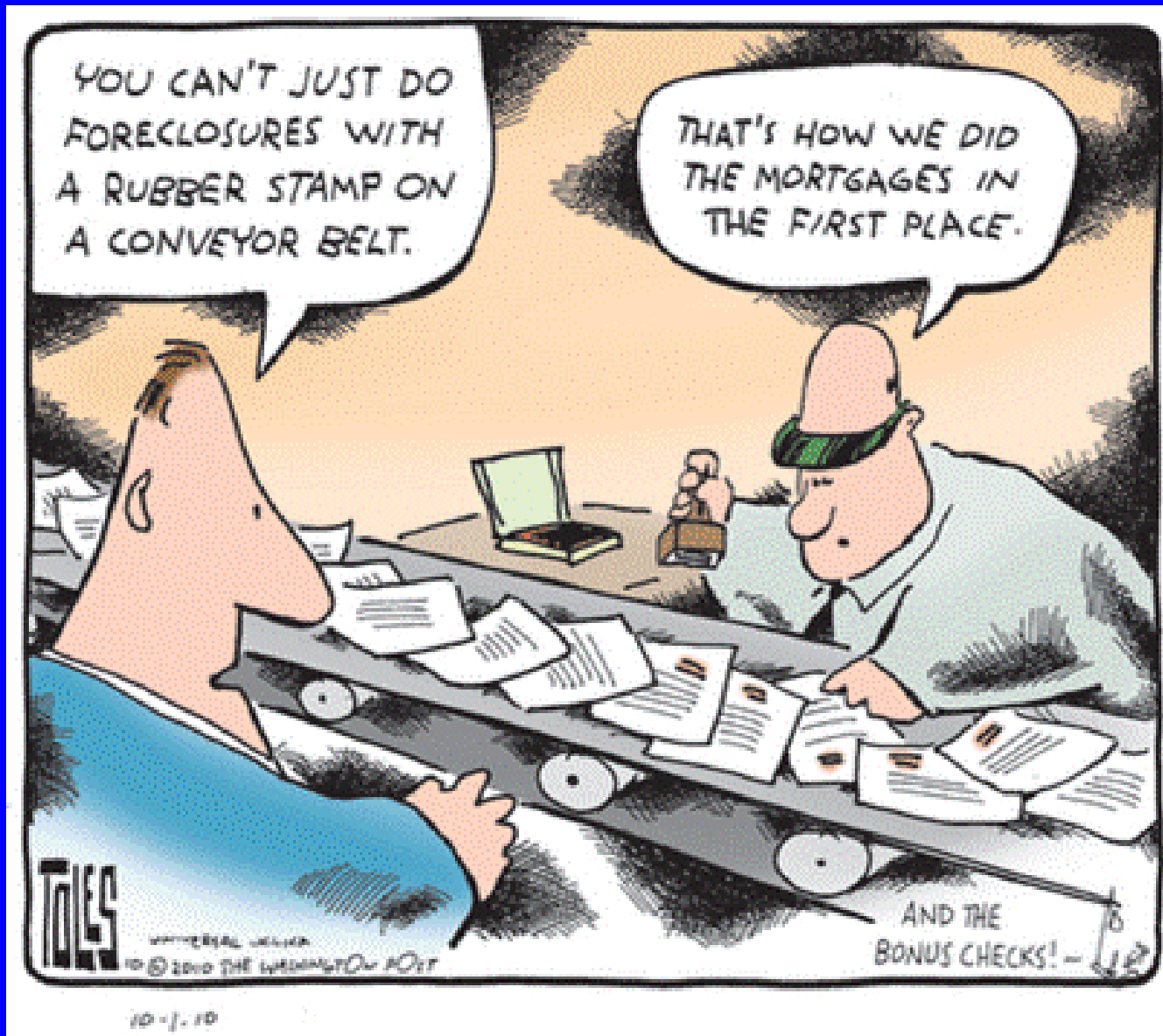
Foreclosures Issue

Share of Mortgages Underwater
CA Areas With Serious Levels, 4th Quarter 2010



Source: CoreLogic

5. Construction



Somebody Has To Take A Major Hit!

Homeowners Lose Their Homes

Lenders Lose Part of Their Investments

**Mortgage Backed Security Owners
Lose Part of Their Investments**

Taxpayers Subsidize One of the Above

Until This Happens, We Don't Have A Total Recovery



Right Now . . .

Housing: Supply & Demand

**Supply From
Foreclosures**

vs.

**Demand From
Lower Prices**

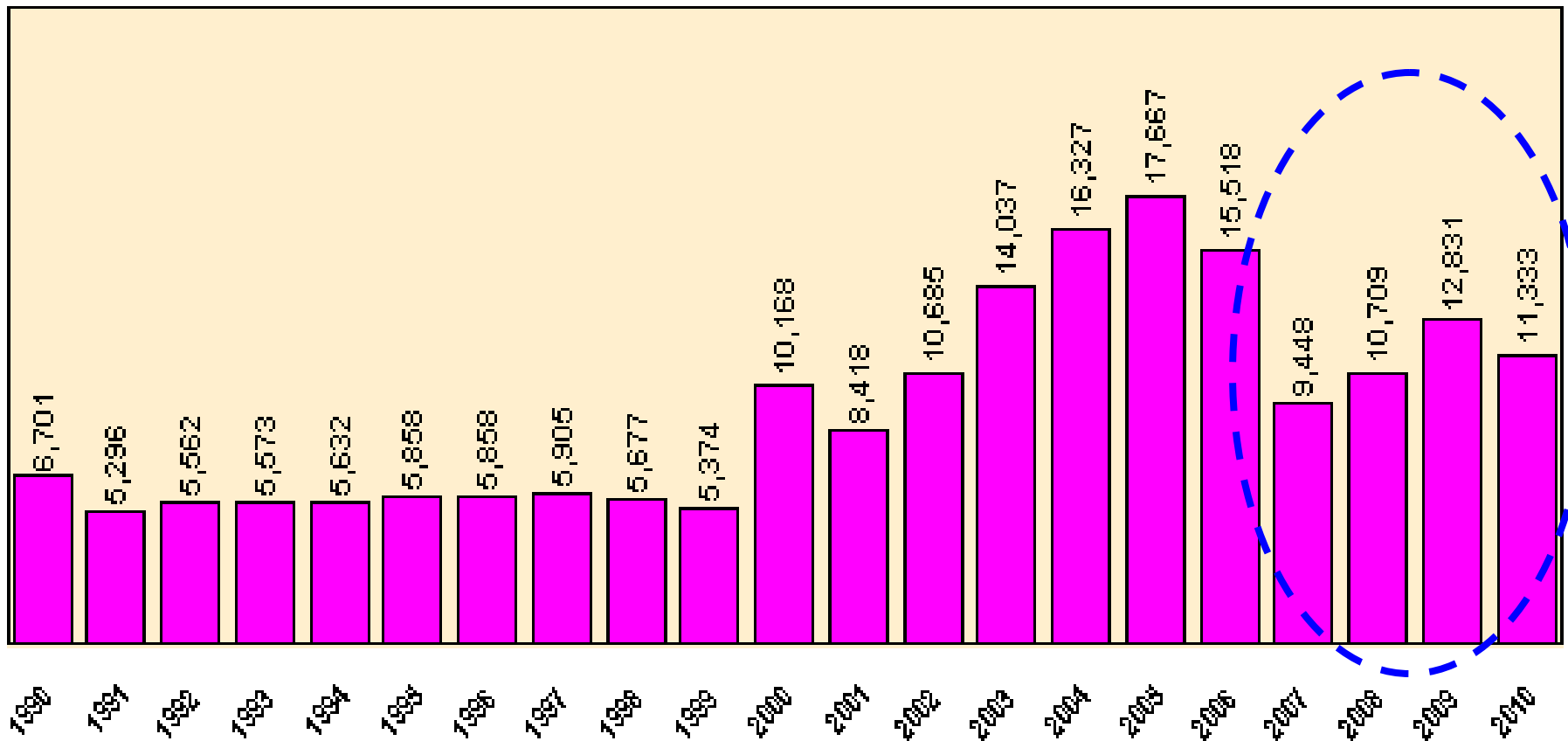


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Home Sales Volumes Roughly Stabilized

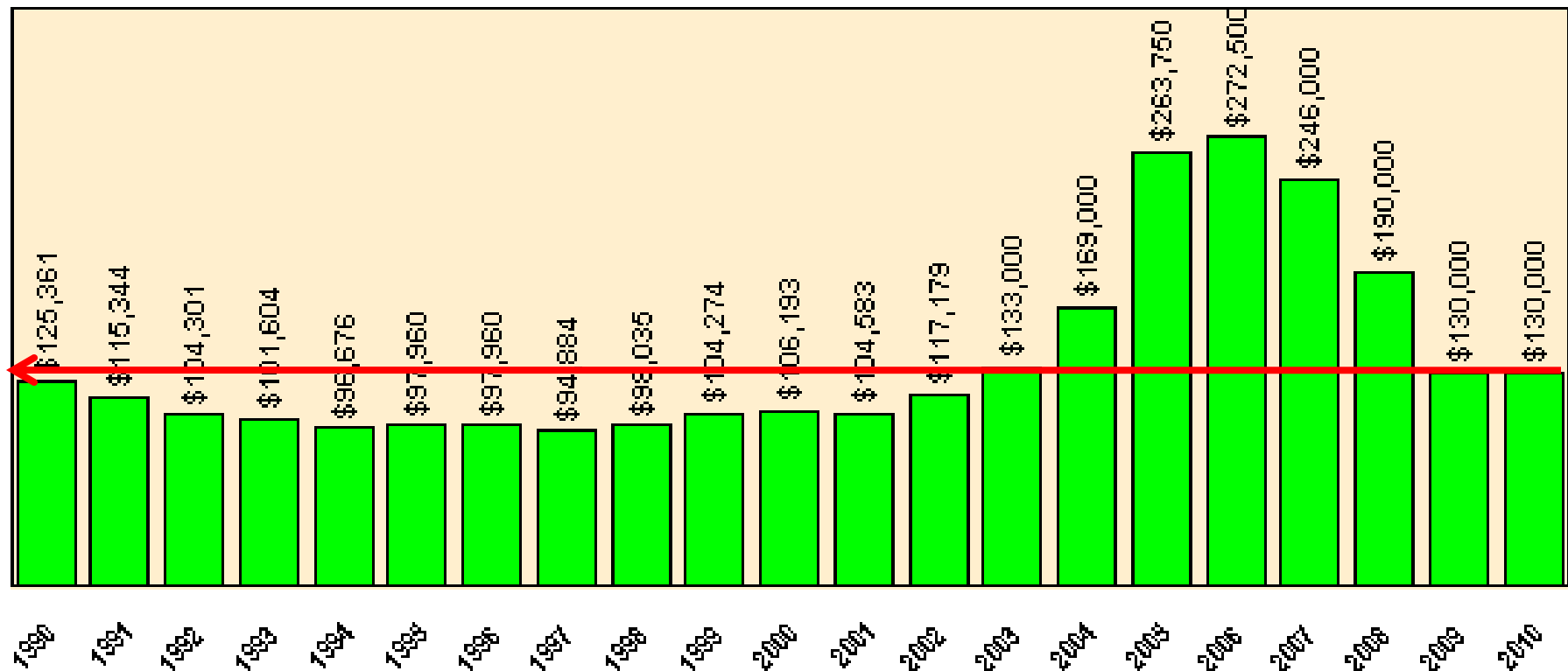
Residential Volume
Kern County, 1990-2010



Sources: CA Association of Realtors, Dataquik

Demand = Supply & Price Stopped Falling

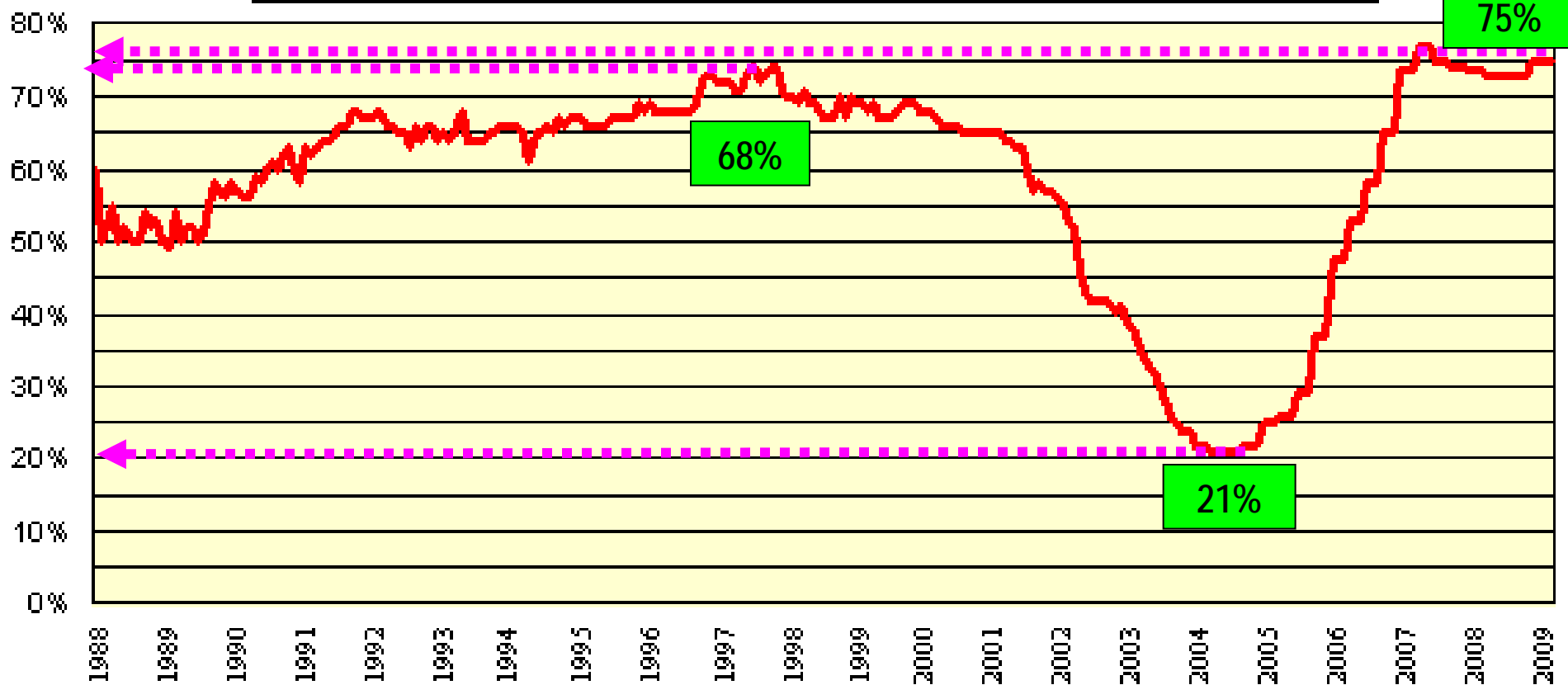
Median Home Price
Kern County, 1990-2010



Sources: CA Association of Realtors, Dataquick

Soaring Inland Housing Affordability Sets A Record ... Stimulating Demand

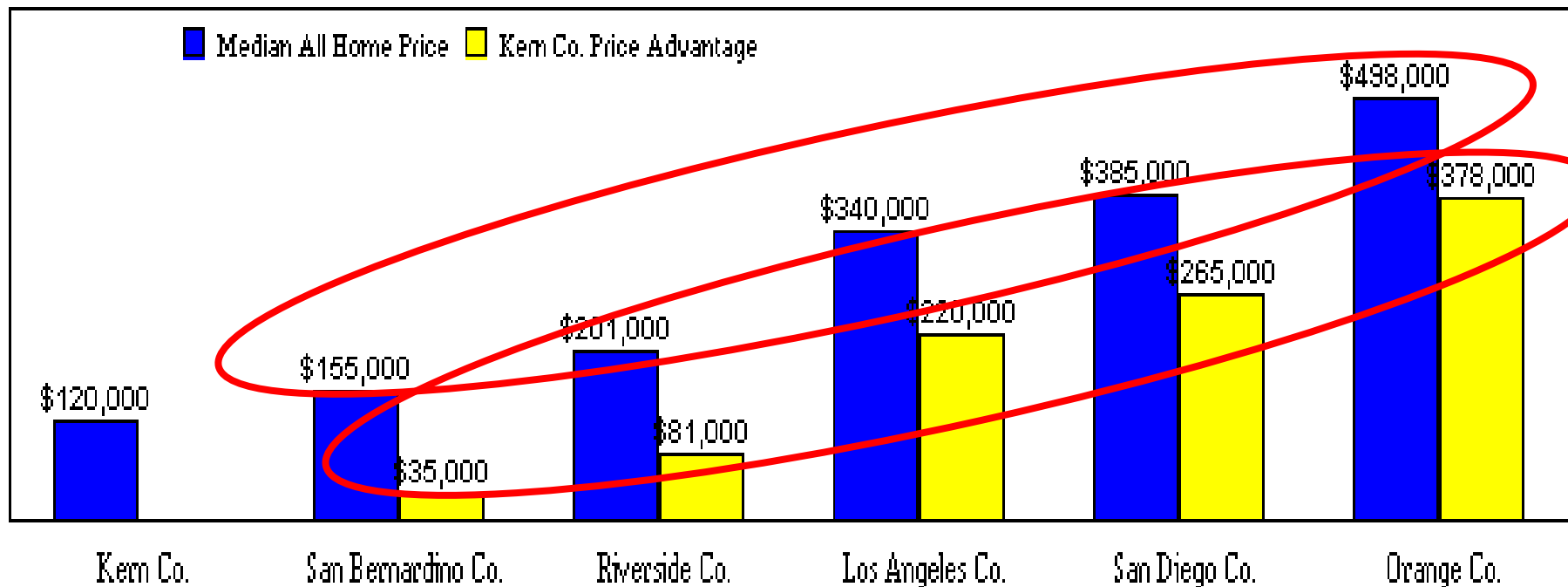
Housing Affordability, High Desert
Share of Families Afford Median Priced Home, 1988-2010



Source: CA Association of Realtors

Dirt Still = Price Advantage

Home Prices, So. California Markets Median Priced New & Existing Home, 4th Quarter 2010



Source: Dataquick & Zillow.com

**Mortgages
Are The Issue**

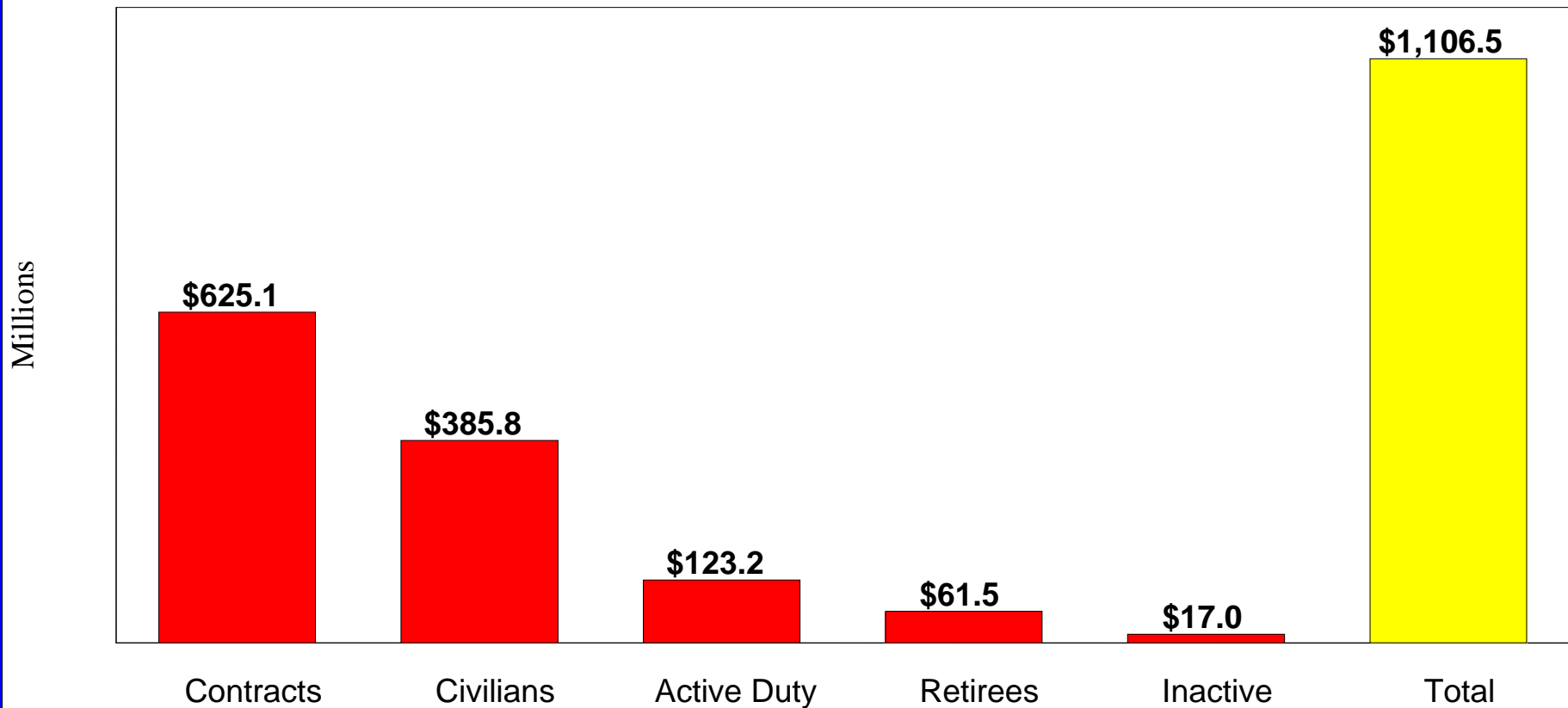


6. Defense Expenditures



Billion Dollar Sector

Department of Defense Expenditures Kern County, 2009



Source: Census Bureau Consolidate Federal Funds Report

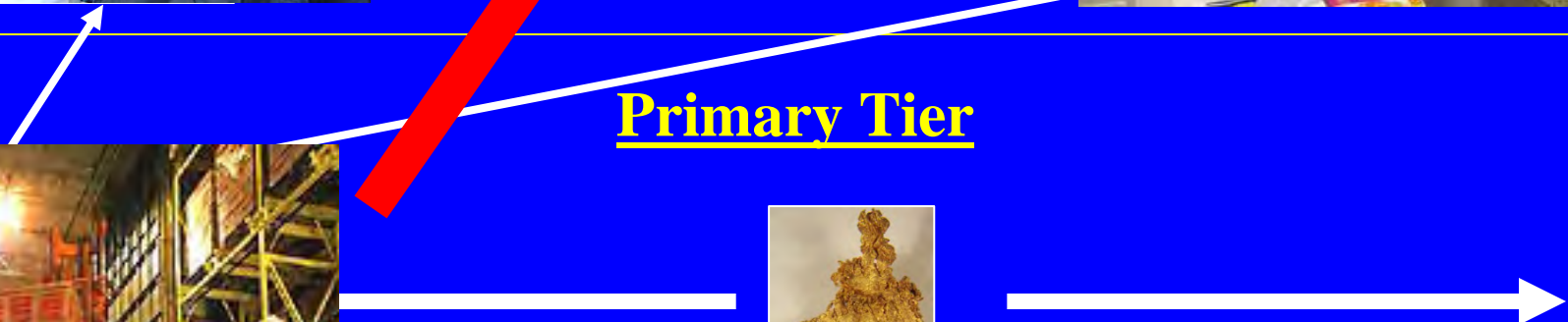
Gold Mine Theory



Secondary Tier

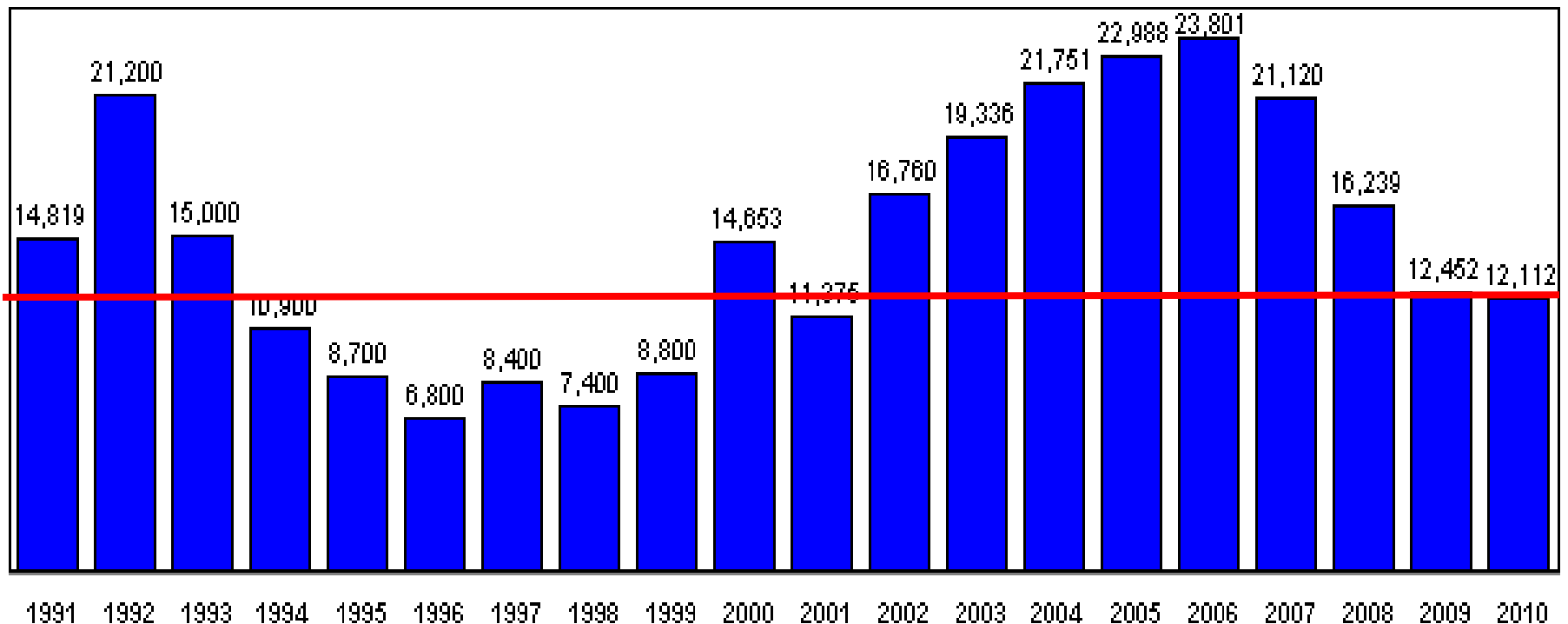


Primary Tier



Population Growth Slowed

Population Growth
Kern County, 1991-2010

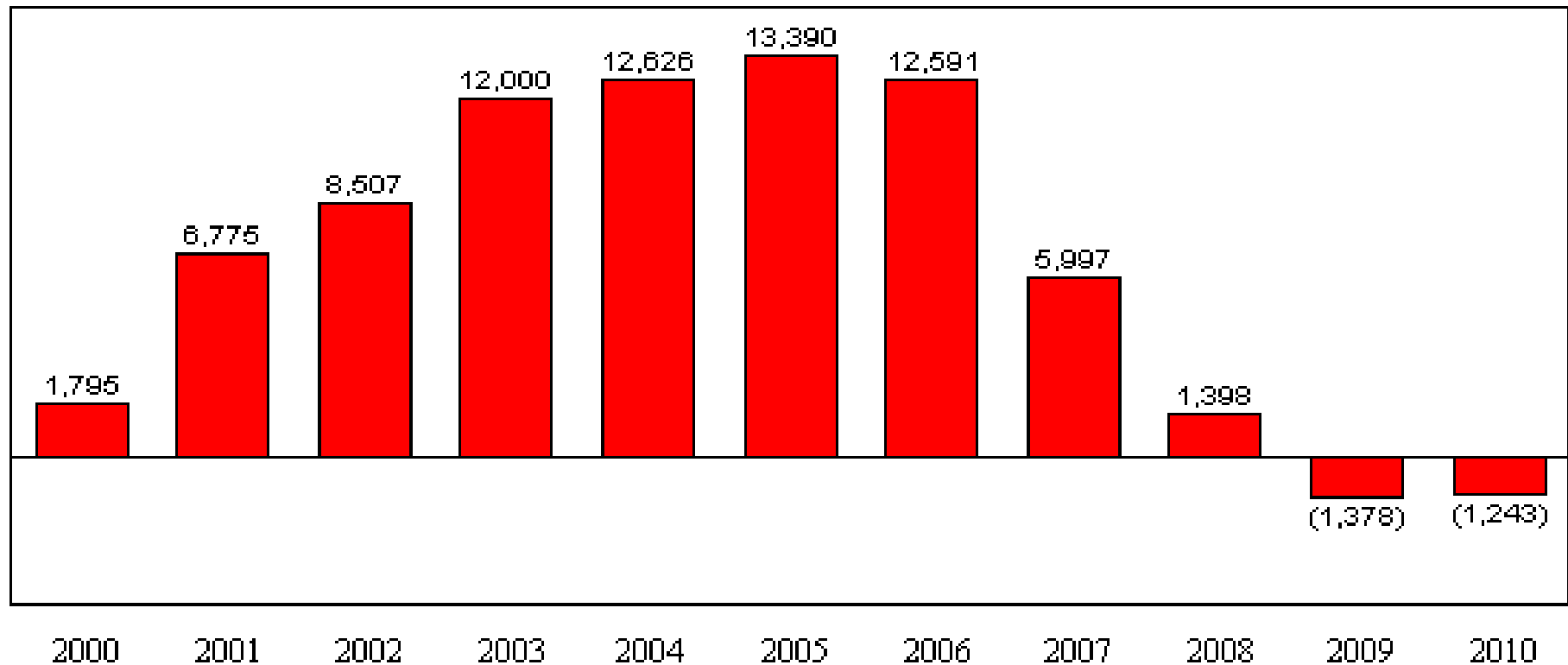


Source: CA Department of Finance

Slowdown in In-Migration

Families no longer bringing wealth, income, skill, spending

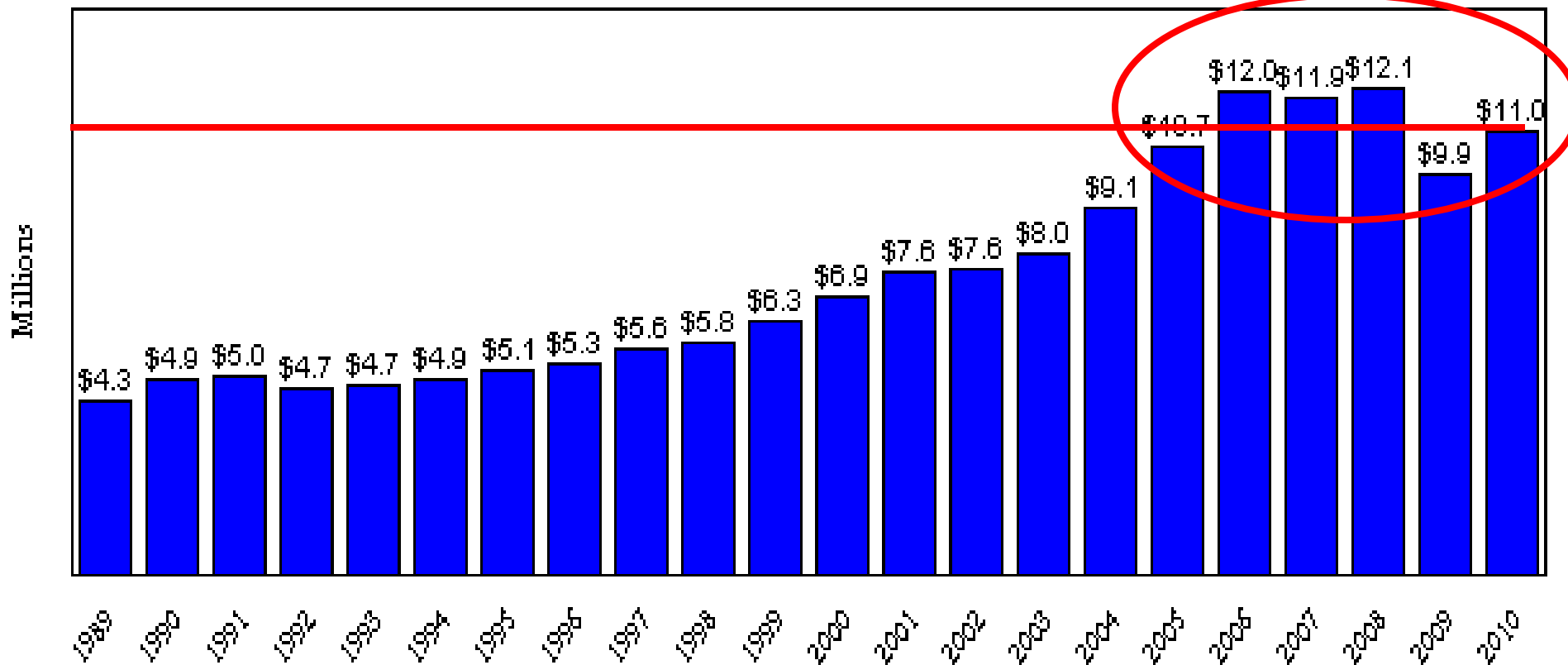
**Domestic Migration
Kern County, 2000-2010**



Source: CA Department of Finance

Retail Sales Growth

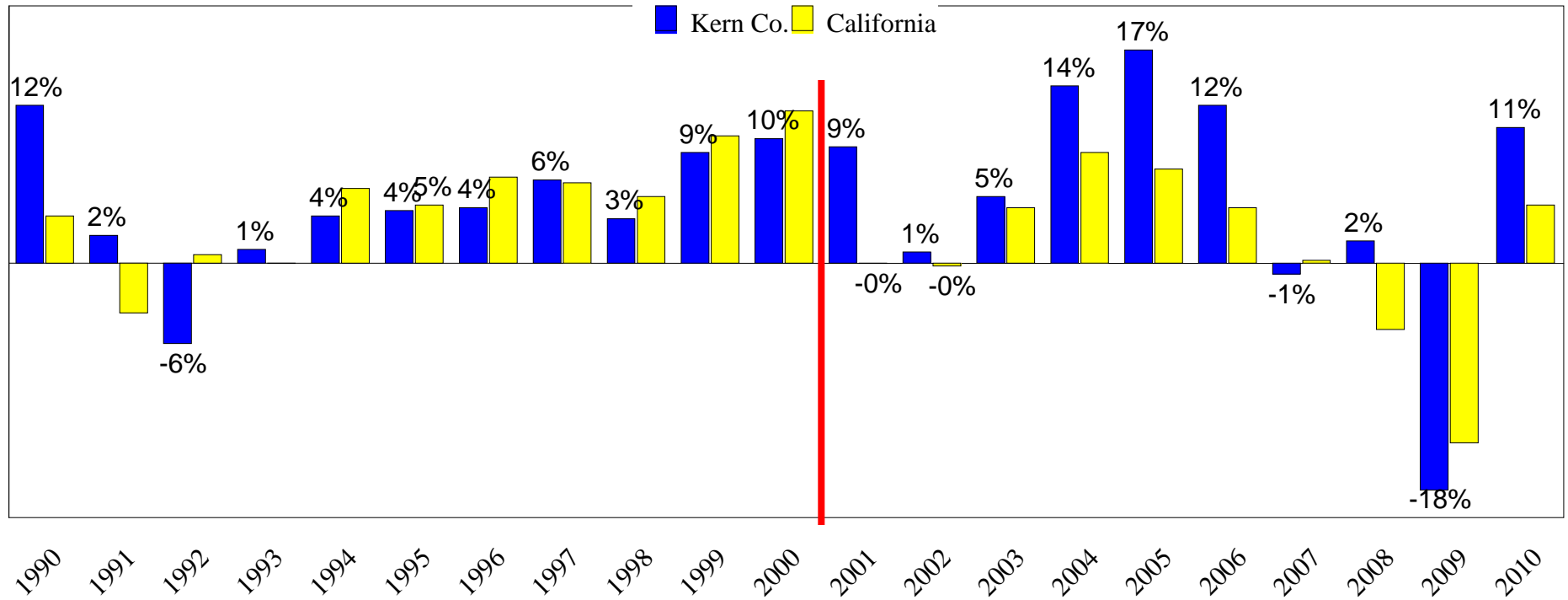
Total Retail Sales
Kern County, 1989-2010



Source: CA Board of Equalization, Hinderliter DeLlamas (2010)

Growth Rates of Retail Sales

**Growth of Retail Sales
Kern Co. & California, 1990-2010**



Source: CA Board of Equalization, Hinderliter DeLlamas (2010)

Report Card

<u>Sector</u>	<u>Grade</u>	<u>Issues</u>
1. Agriculture	A	Water
2. Oil & Gas	B	Depletion
3. Logistics	B-	Other Areas Need To Recover
4. Manufacturing	B	Small Size
5. Defense	B-	Budget Cuts
6. Construction	D-	Mortgage Crisis Continues
7. Retail	C+	Recovery of Housing



2011 Better than 2010

Job Growth Will Continue

Foreclosures A Continuing Issue

Complete Recovery 2013

www.johnhusing.com