

The State of Kern County's Economy



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Challenges Facing the Nation

- **Low consumer confidence**
- **Weak consumer demand**
- **Declining business investment**
- **Massive business layoffs**
- **Financial market crisis**
- **Housing market recession**
- **Automobile industry recession**
- **Volatile and falling Stock Market**
- **Reduced demand for U.S. exports**
- **Greater capital outflow**
- **Mounting federal budget deficit**
- **Accumulating national debt**

Challenges Facing the Nation

- **Unemployment went up from 4.9% in December 2007 to 8.1% in February 2009.**
- **Inflation-adjusted GDP went down from \$11.7 trillion in 3rd quarter to \$11.5 trillion 4th quarter of 2008 for a loss of \$200 billion or 6.2%.**

Economic Policies of the Nation

- **Monetary expansion**

- **Low interest rates (Federal Funds Rate < 2.5%)**
- **Increased liquidity in the banking system**
- **New and innovative tools to restore credibility to the financial market**

- **Fiscal expansion to create jobs**

- **Increased government spending**
- **Individual and business tax cuts**
- **Aid to failing financial institutions, unemployed workers, and automobile industry**

Economic Policies of the Nation

- **The “Bail-out” Plan of Bush Administration**
 - **\$750 billion to support failing financial institutions**
- **The “Stimulus” Plan of Obama Administration**
 - **\$787 billion in spending increase and tax cut**
- **The “Budget” of Obama Administration**
 - **\$3.6 trillion (including cost of wars) in 2010, up from \$3.1 trillion in 2009; \$410 billion spending bill**
- **The federal budget deficit of \$1.85 trillion and national debt of more than \$11 trillion**

Challenges Facing the State

- **Double digit unemployment rate**
 - Up from 4.9% in Dec. 2007 to 10.5% in February 2009
- **Massive budget deficit**
 - \$42 billion through 2010
- **Second-highest housing foreclosure in the nation**
 - 75,230 default notices; 46,183 homes lost in 2008 4th qtr.
- **Accumulating debt**
 - 68.9 billion (not including student loans) in 2008
- **The lowest bond rating in the nation**
 - Dropped from A+ to A; most states are rated AAA or AA

Economic Policies of the Nation

- **Fiscal contraction - \$42 billion to balance the budget in two years**
 - **Spending cuts - \$12.8 billion**
 - **Income tax hicks - \$15.1 billion**
 - **Increased borrowing – \$14.1 billion**
- **Counties, cities, and publicly-funded agencies must share the spending cut**

Challenges Facing the Region

- **Rapid labor force growth**
- **Slow employment growth**
- **Rising unemployment**
- **Loss of personal and business income**
- **Business closures and layoffs**
- **Falling housing prices and rising foreclosures**

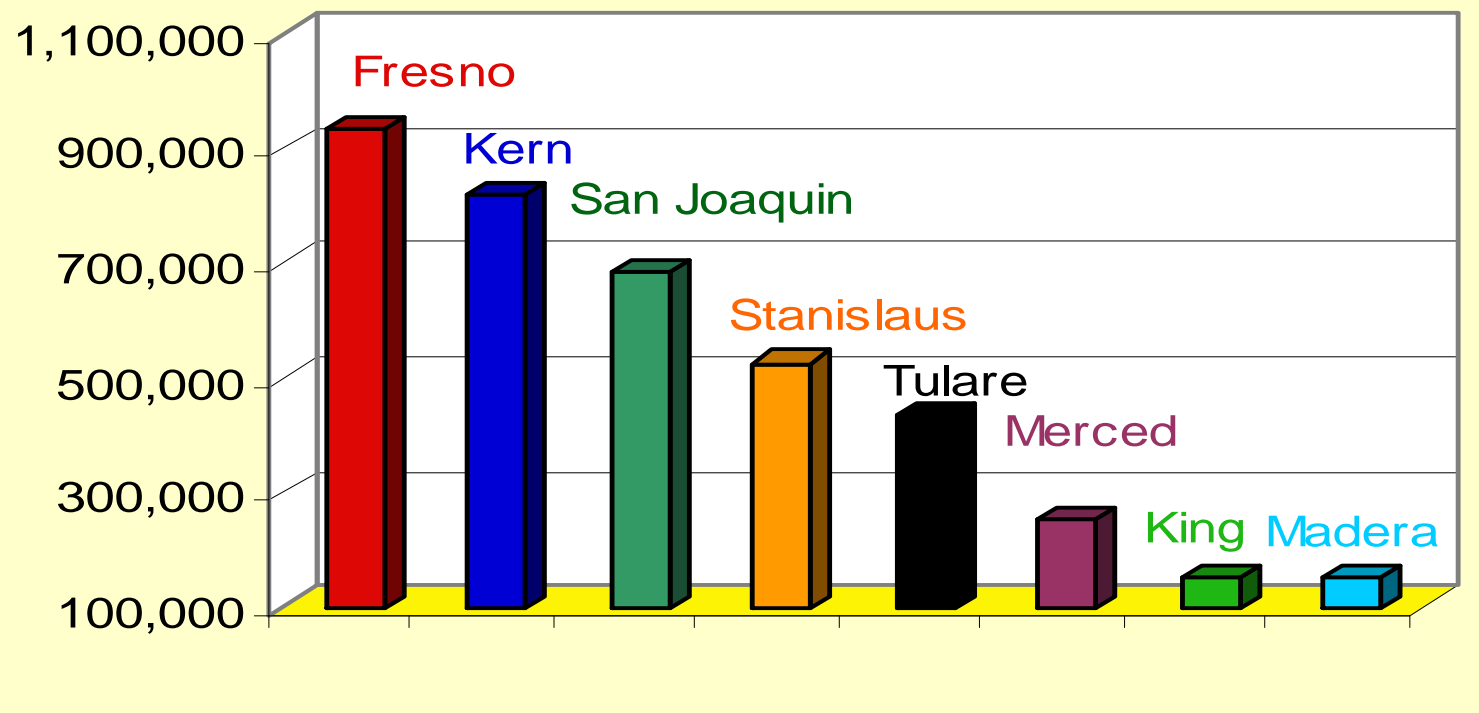
Challenges Facing the Region

The San Joaquin Valley: Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare

- **Top agricultural producing region**
- **27,280 square miles for 17% of state's land area**
- **4 million people for 10% of state's population**
- **Diversifying to value-added agriculture, manufacturing, logistics, and services**

Labor Market Conditions

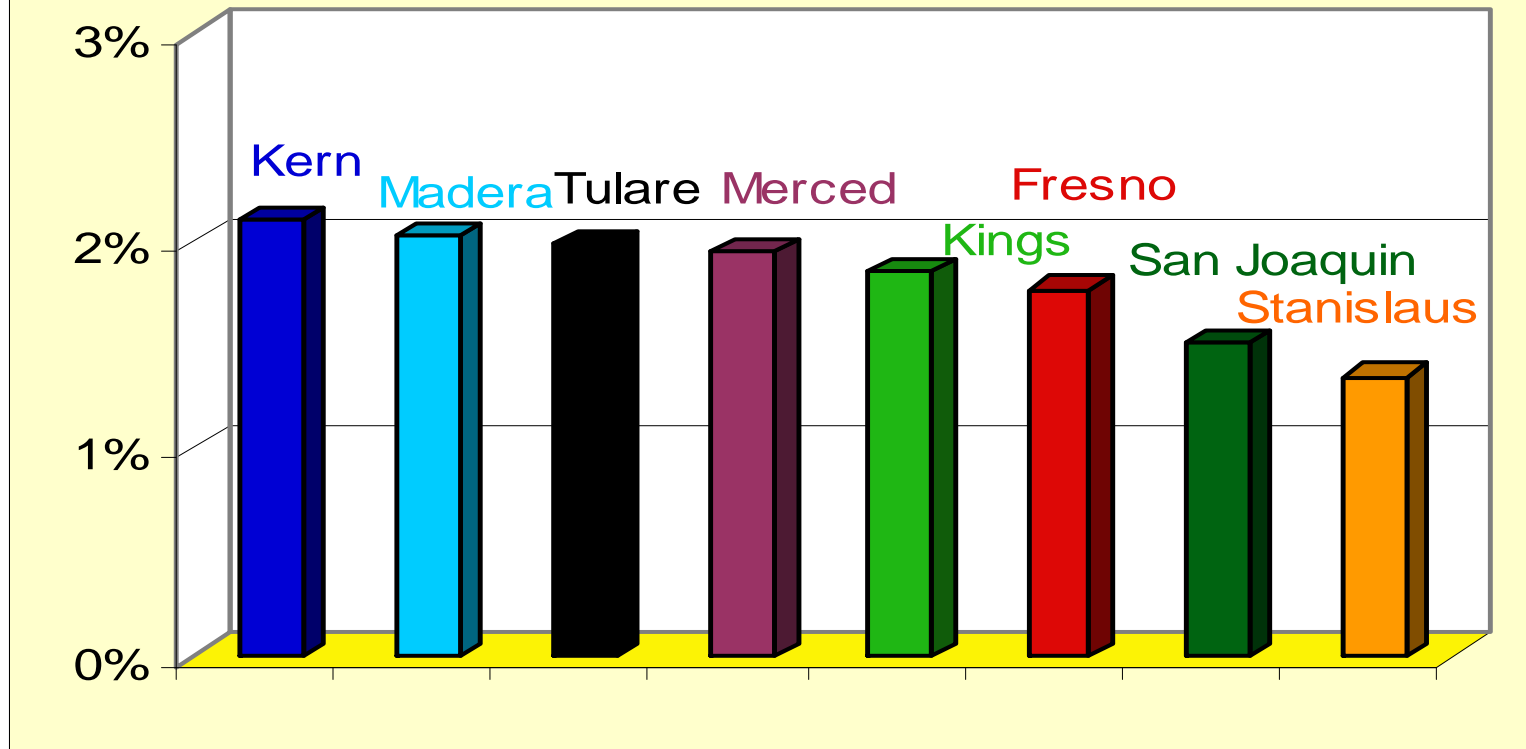
Figure 1.1. Population



Fresno	Kern	SJ	Stanislaus	Tulare	Merced	Kings	Madera	SJV
931,100	817,500	685,700	525,900	435,300	255,250	154,400	150,900	3,956,050

Labor Market Conditions

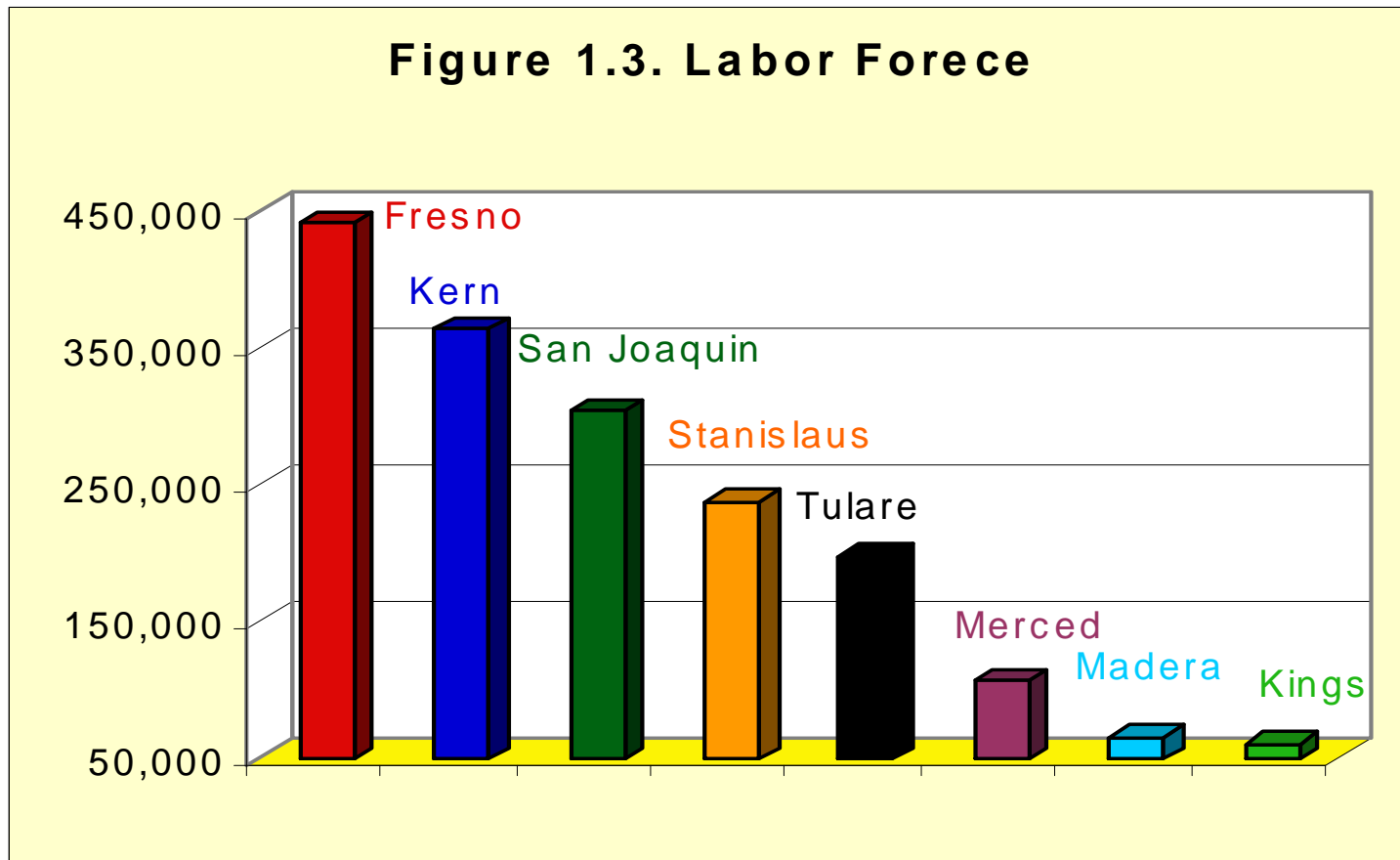
Figure 1.2. Population Growth



Kern	Madera	Tulare	Merced	Kings	Fresno	SJ	Stanislaus	SJV
2.1%	2.0%	2.0%	2.0%	1.9%	1.8%	1.5%	1.4%	1.8%

Labor Market Conditions

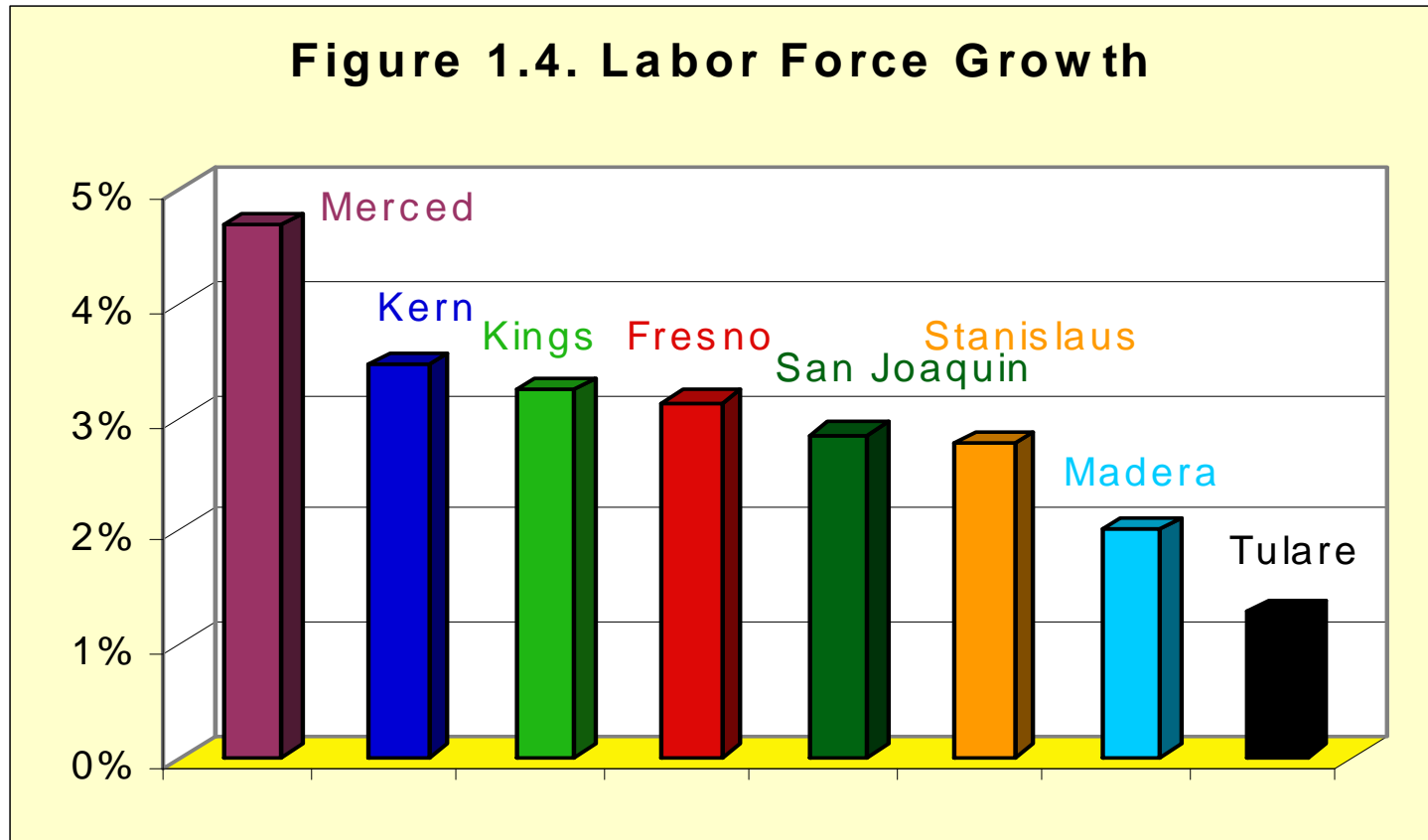
Figure 1.3. Labor Force



County	Labor Force
Fresno	441,400
Kern	364,100
SJ	303,300
Stanislaus	237,700
Tulare	197,700
Merced	106,900
Madera	65,700
Kings	60,400
SJV	1,777,200

Labor Market Conditions

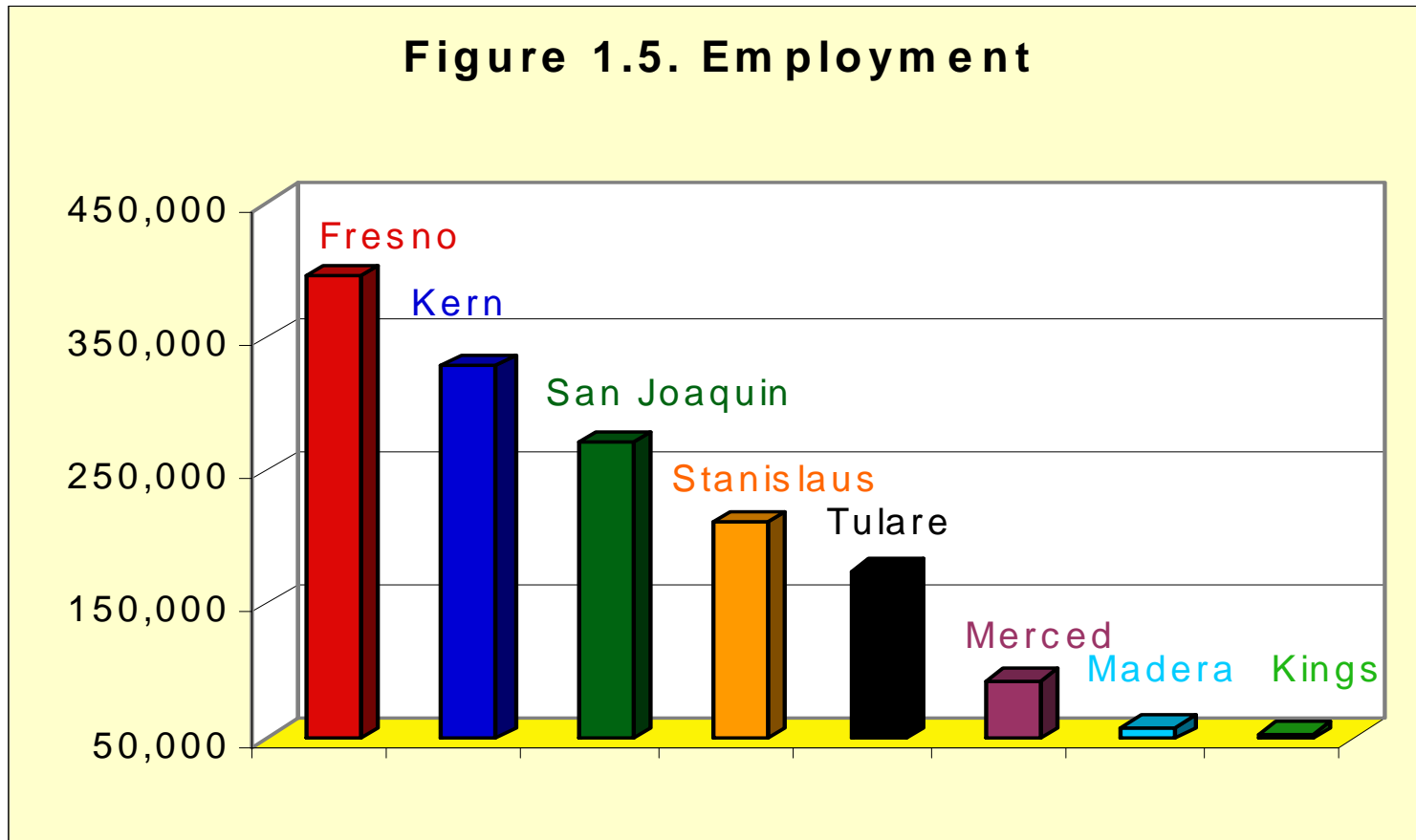
Figure 1.4. Labor Force Growth



County	Labor Force Growth (%)
Merced	4.7%
Kern	3.5%
Kings	3.2%
Fresno	3.1%
SJ	2.8%
Stanislaus	2.8%
Madera	2.0%
Tulare	1.3%
SJV	2.9%

Labor Market Conditions

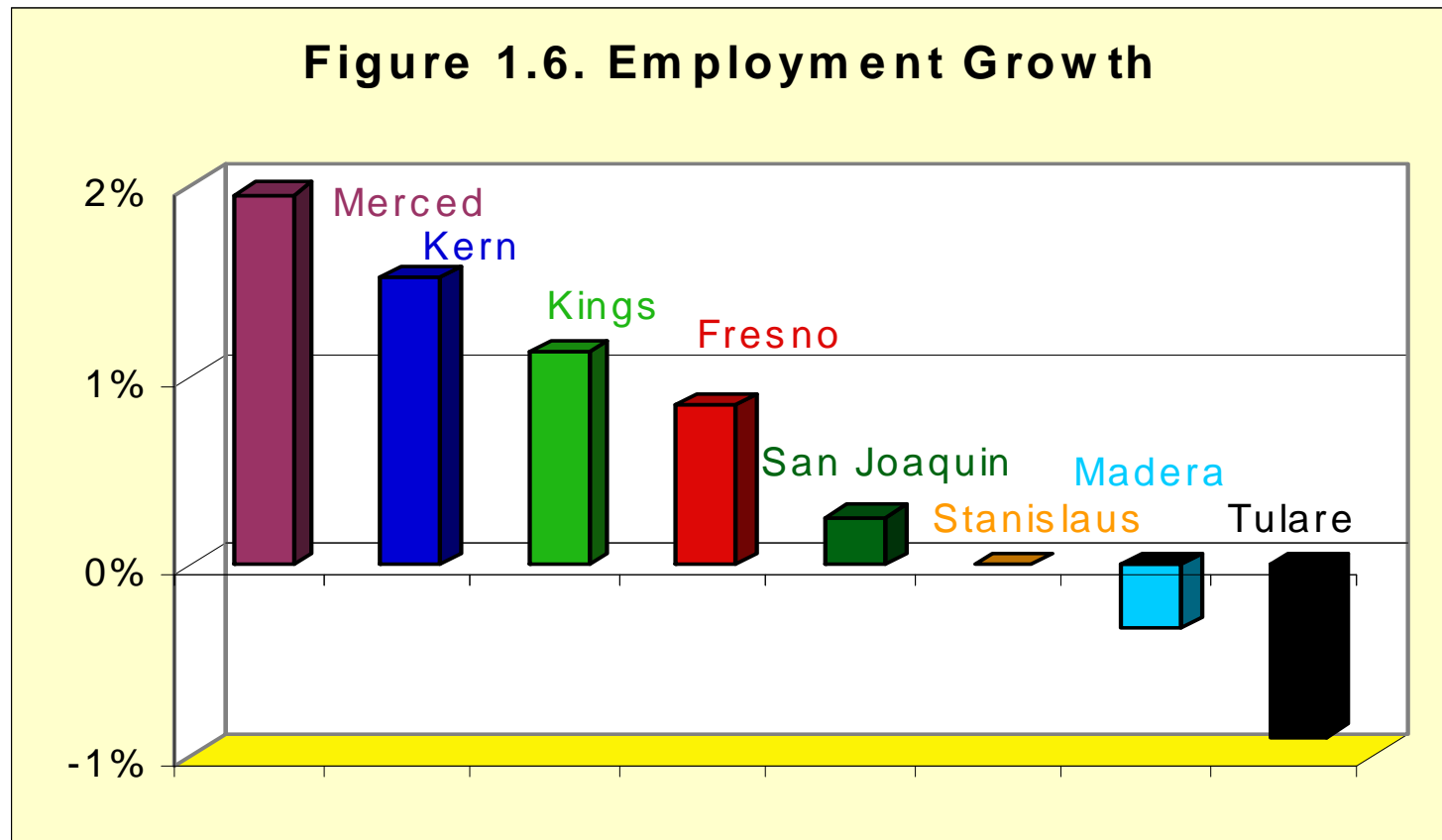
Figure 1.5. Employment



County	Employment
Fresno	394,500
Kern	327,700
SJ	271,500
Stanislaus	210,900
Tulare	175,400
Merced	93,500
Madera	59,300
Kings	54,000
SJV	1,586,800

Labor Market Conditions

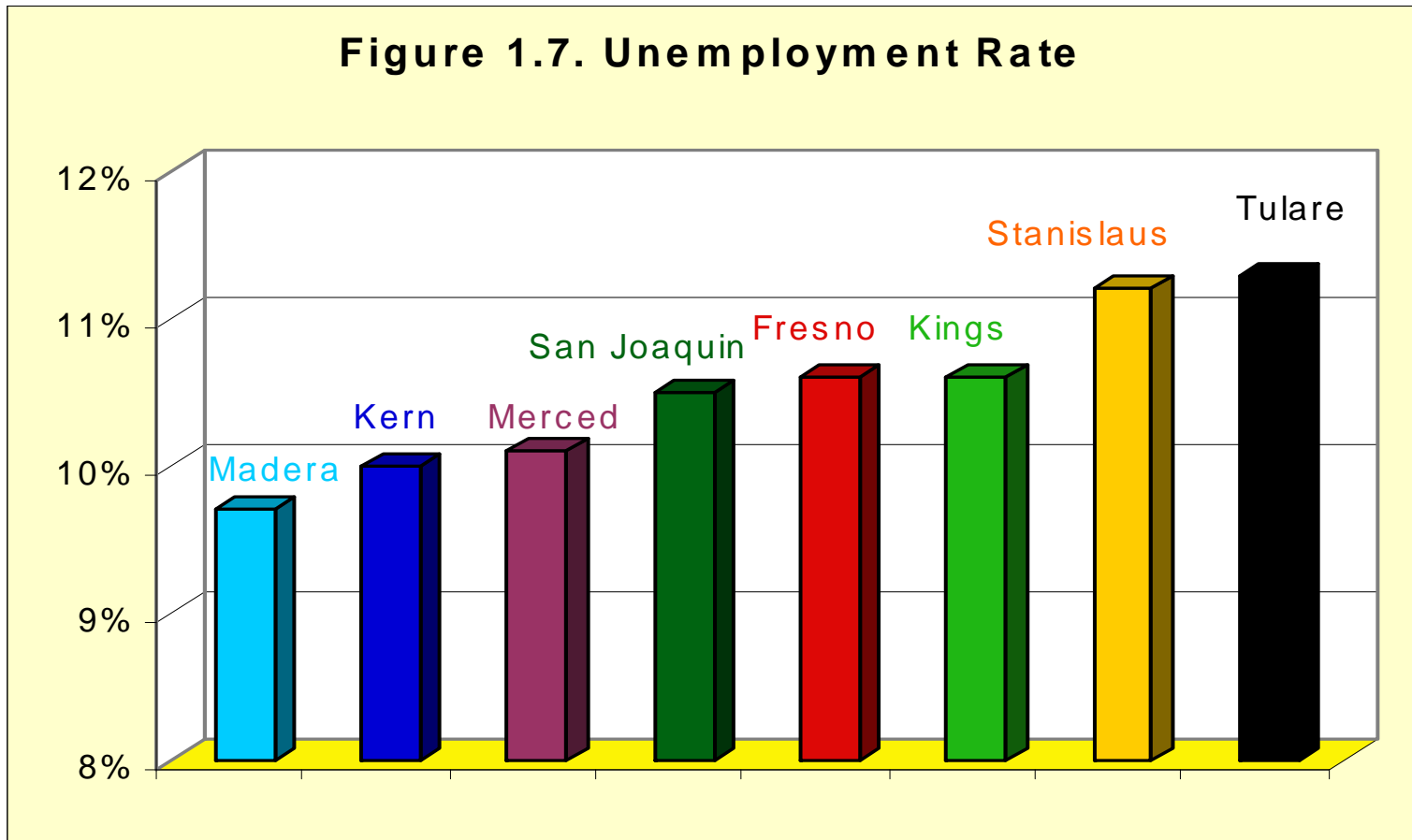
Figure 1.6. Employment Growth



County	Employment Growth (%)
Merced	2.0%
Kern	1.5%
Kings	1.1%
Fresno	0.8%
SJ	0.3%
Stanislaus	0.0%
Madera	-0.3%
Tulare	-0.9%
SJV	0.6%

Labor Market Conditions

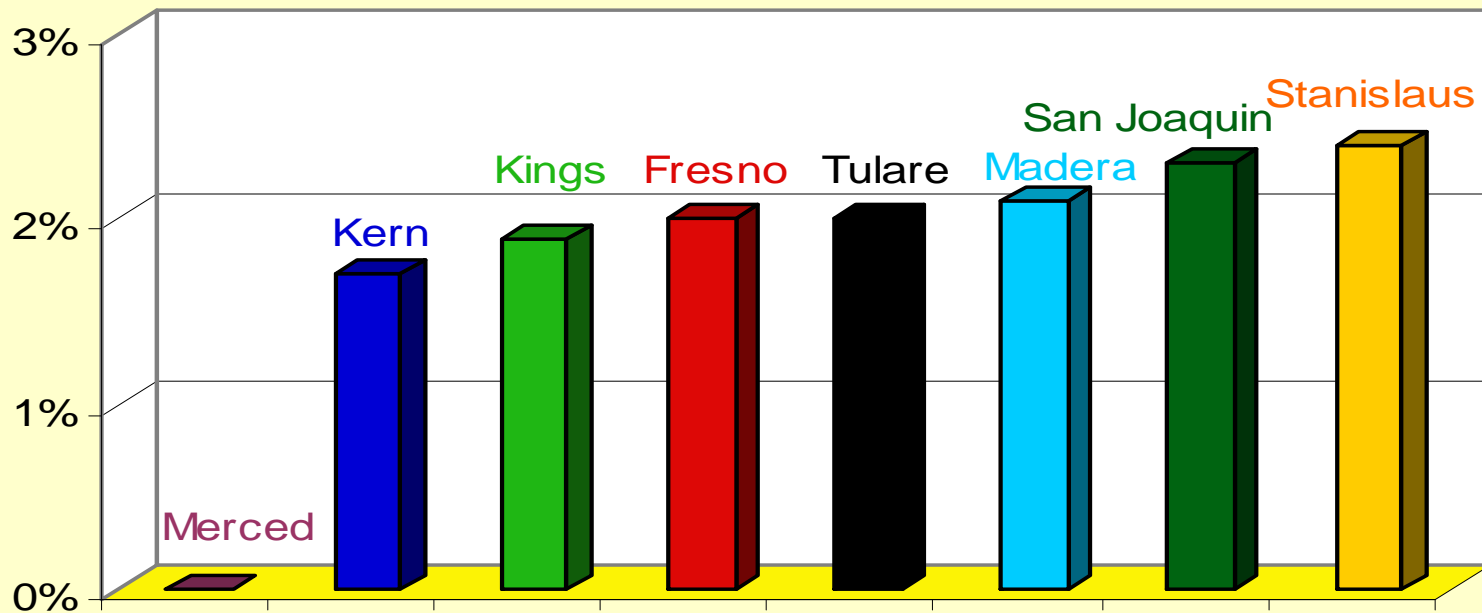
Figure 1.7. Unemployment Rate



Madera 9.7% Kern 10.0% Merced 10.1% SJ 10.5% Fresno 10.6% Kings 10.6% Stanislaus 11.2% Tulare 11.3% SJV 10.5%

Labor Market Conditions

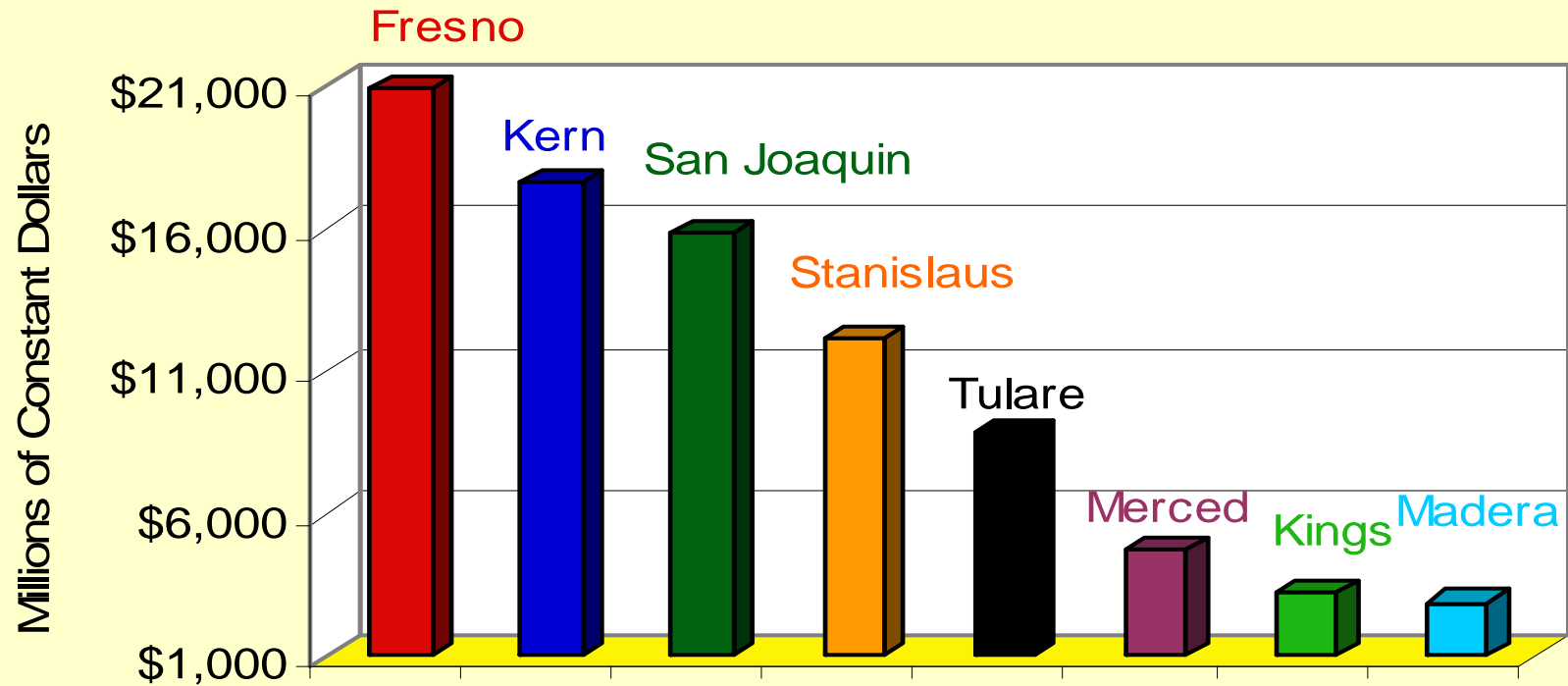
Figure 1.8. Unemployment Rate Change



County	Unemployment Rate Change
Merced	0.0%
Kern	1.7%
Kings	1.9%
Fresno	2.0%
Tulare	2.1%
Madera	2.3%
SJ	2.4%
Stanislaus	2.4%
SJV	1.8%

Economy

Figure 2.1. Personal Income



Fresno

Kern

SJ

Stanislaus

Tulare

Merced

Kings

Madera

SJV

\$20,996

\$17,690

\$15,871

\$12,190

\$8,856

\$4,729

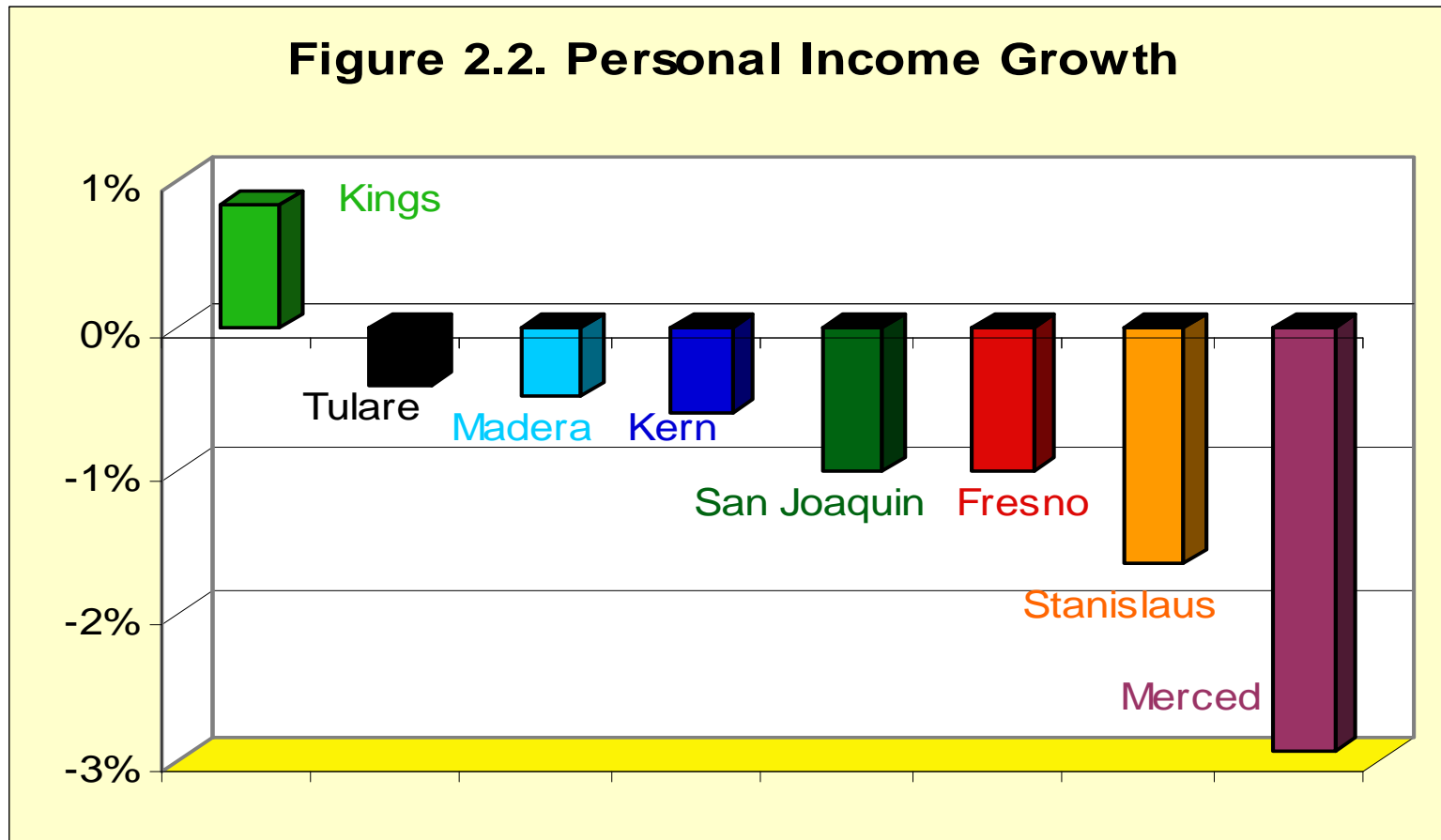
\$3,238

\$2,875

\$86,445

Economy

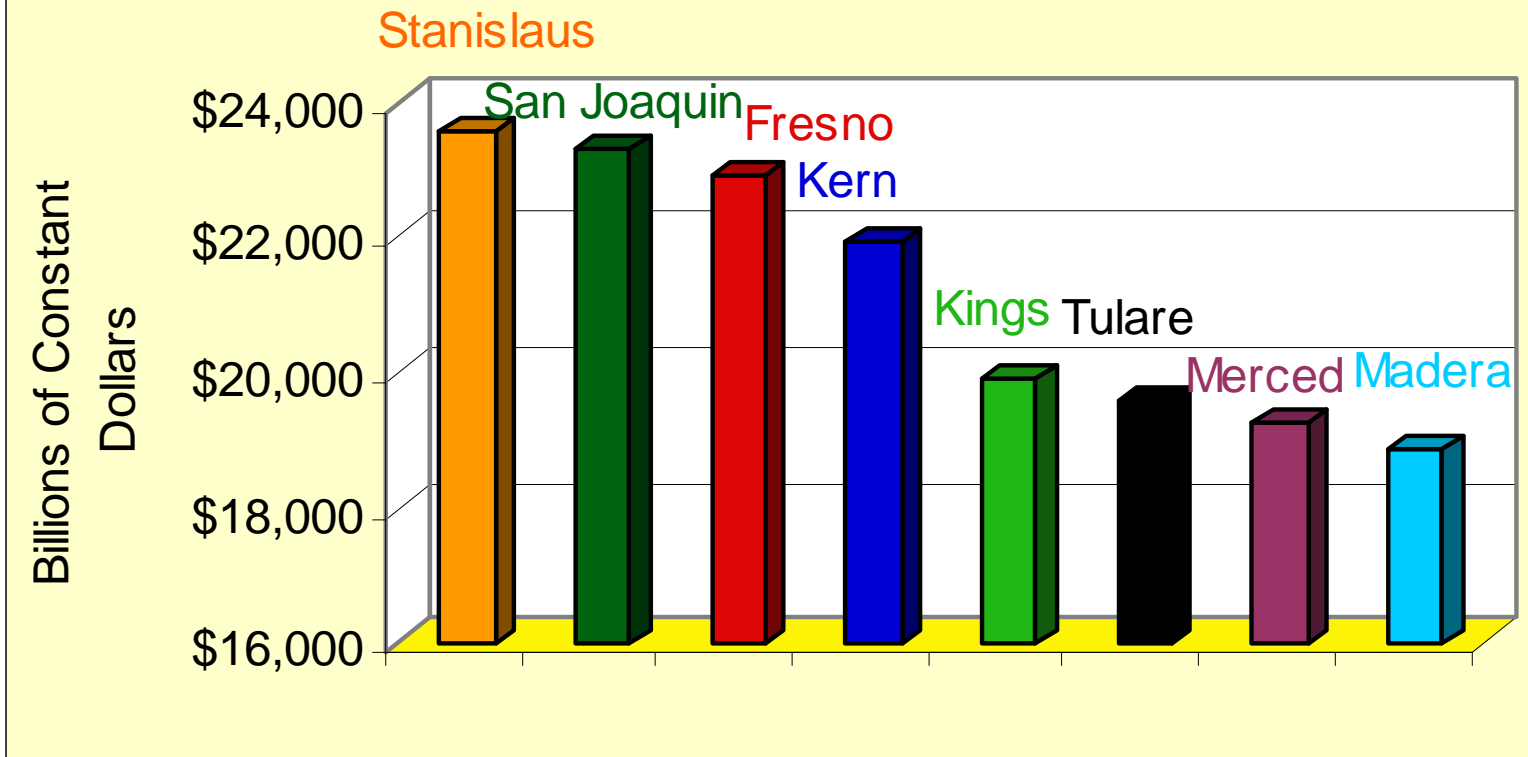
Figure 2.2. Personal Income Growth



Kings 0.8% Tulare -0.4% Madera -0.5% Kern -0.6% SJ -1.0% Fresno -1.0% Stanislaus -1.6% Merced -2.9% SJV -0.9%

Economy

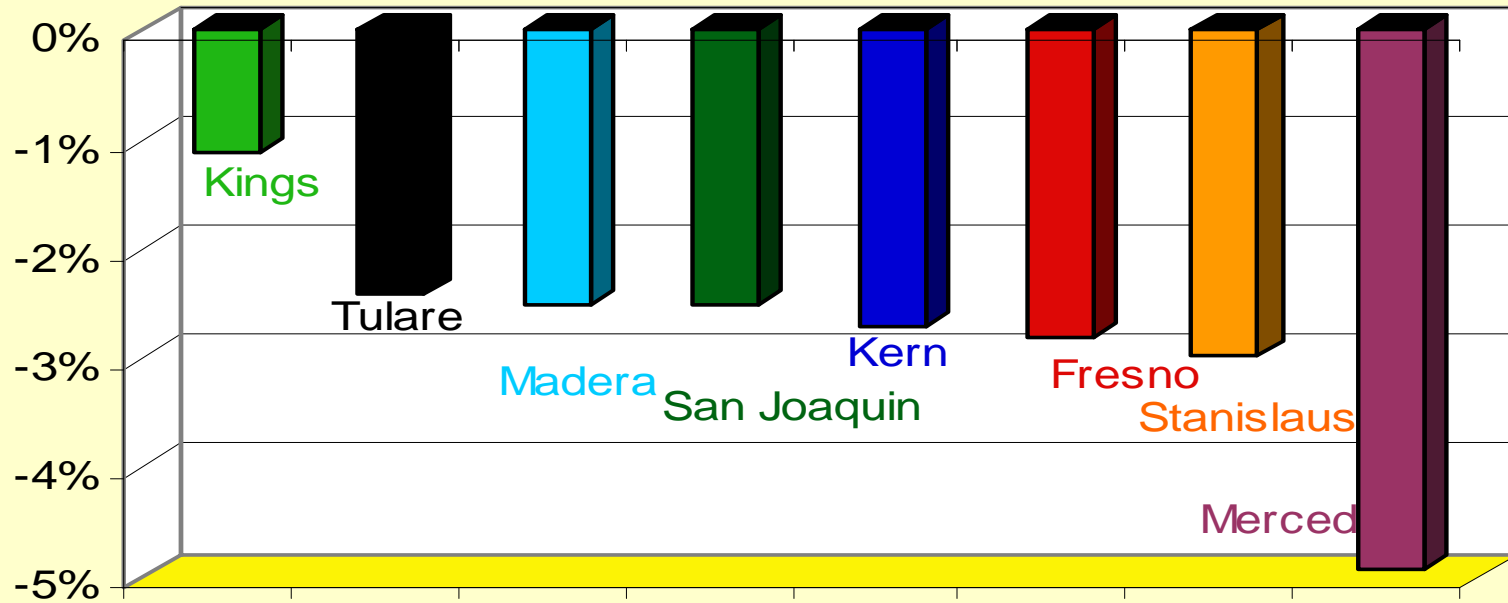
Figure 2.3. Per Capita Personal Income



Stanislaus	SJ	Fresno	Kern	Kings	Tulare	Merced	Madera	SJV
\$23,528	\$23,295	\$22,922	\$21,899	\$19,916	\$19,595	\$19,229	\$18,865	\$21,156

Economy

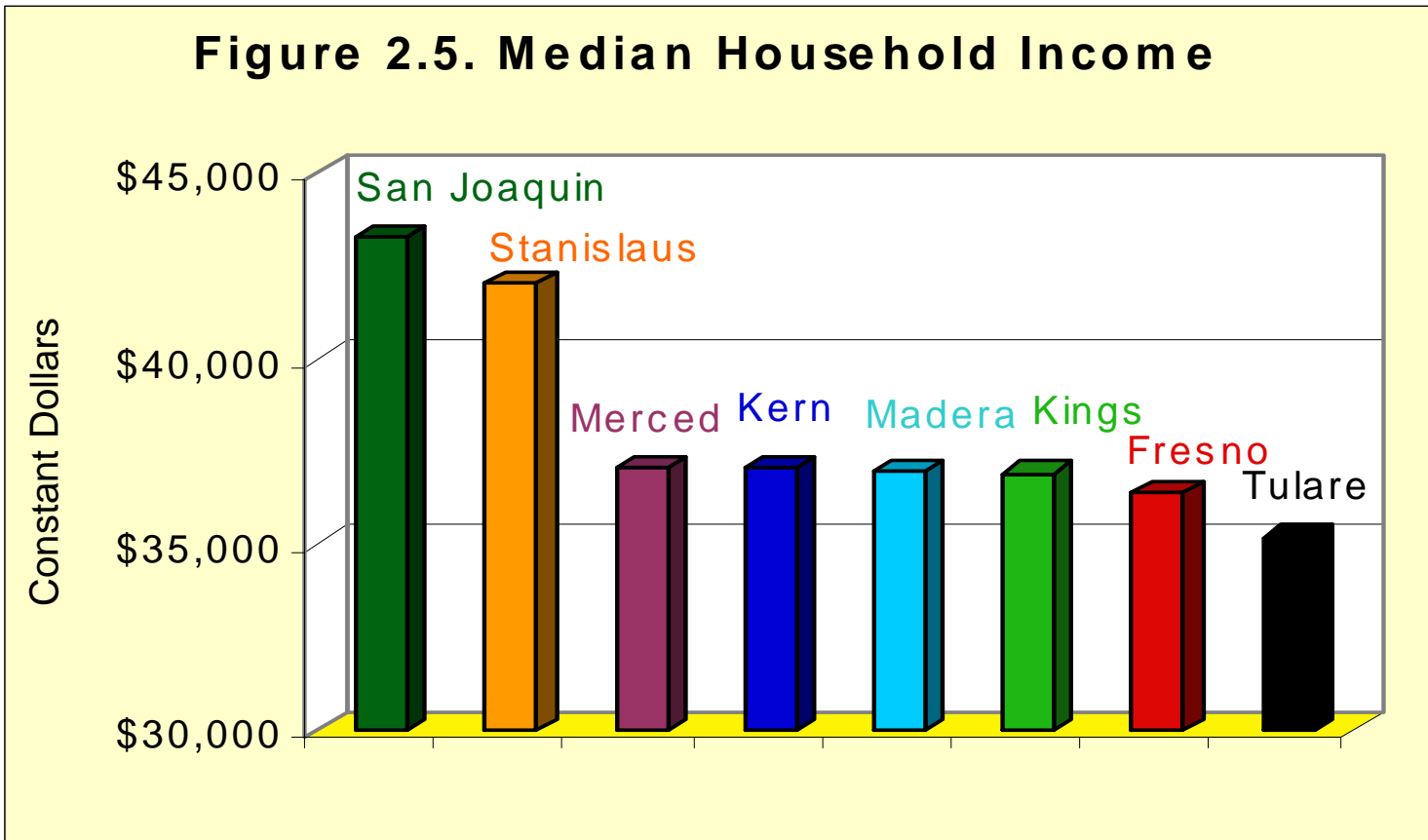
Figure 2.4. Per Capita Personal Income Growth



County	Per Capita Personal Income Growth
Kings	-1.1%
Tulare	-2.4%
SJ	-2.5%
Madera	-2.5%
Kern	-2.7%
Fresno	-2.8%
Stanislaus	-3.0%
Merced	-4.9%
SJV	-2.7%

Economy

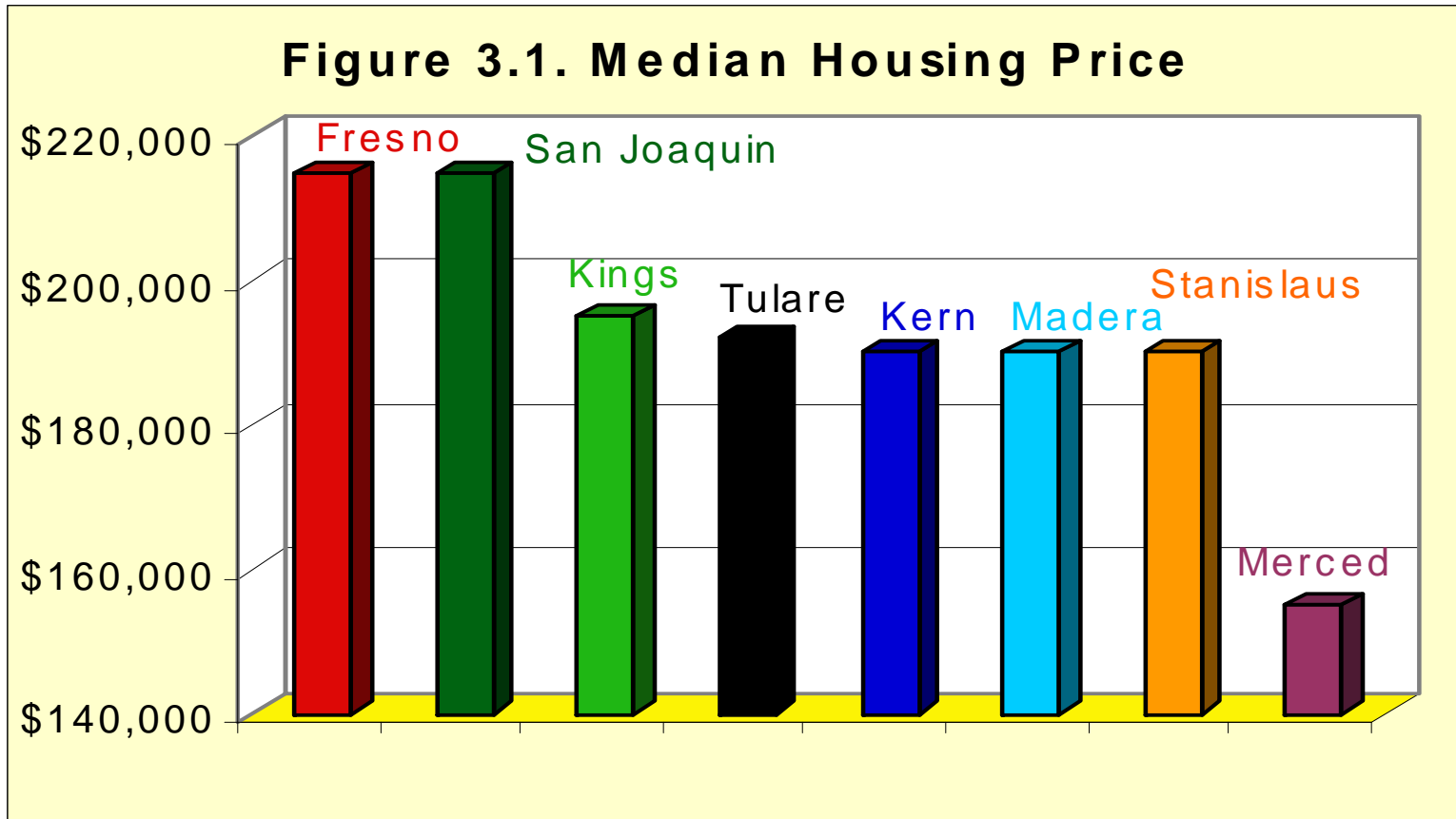
Figure 2.5. Median Household Income



SJ	Stanislaus	Merced	Kern	Madera	Kings	Fresno	Tulare	SJV
\$43,267	\$42,020	\$37,074	\$37,049	\$36,974	\$36,924	\$36,367	\$35,204	\$38,110

Housing Market

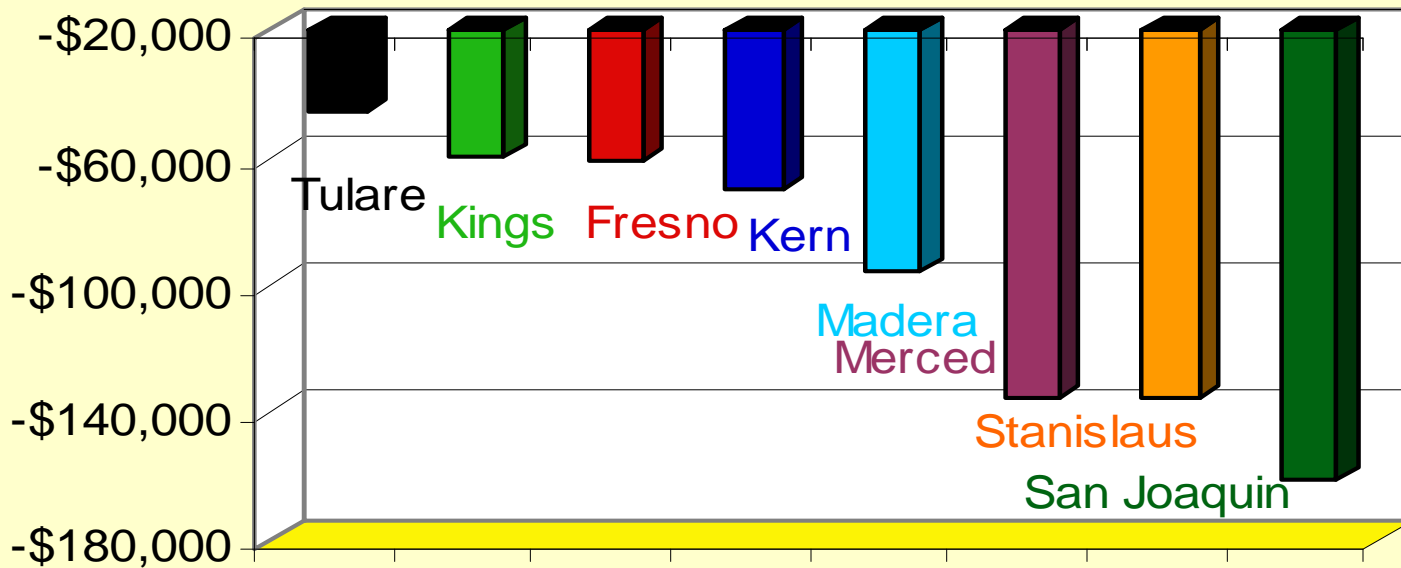
Figure 3.1. Median Housing Price



Fresno SJ Kings Tulare Stanislaus Kern Madera Merced SJV
\$215,000 \$215,000 \$195,000 \$192,000 \$190,000 \$190,000 \$190,000 \$155,000 \$192,750

Housing Market

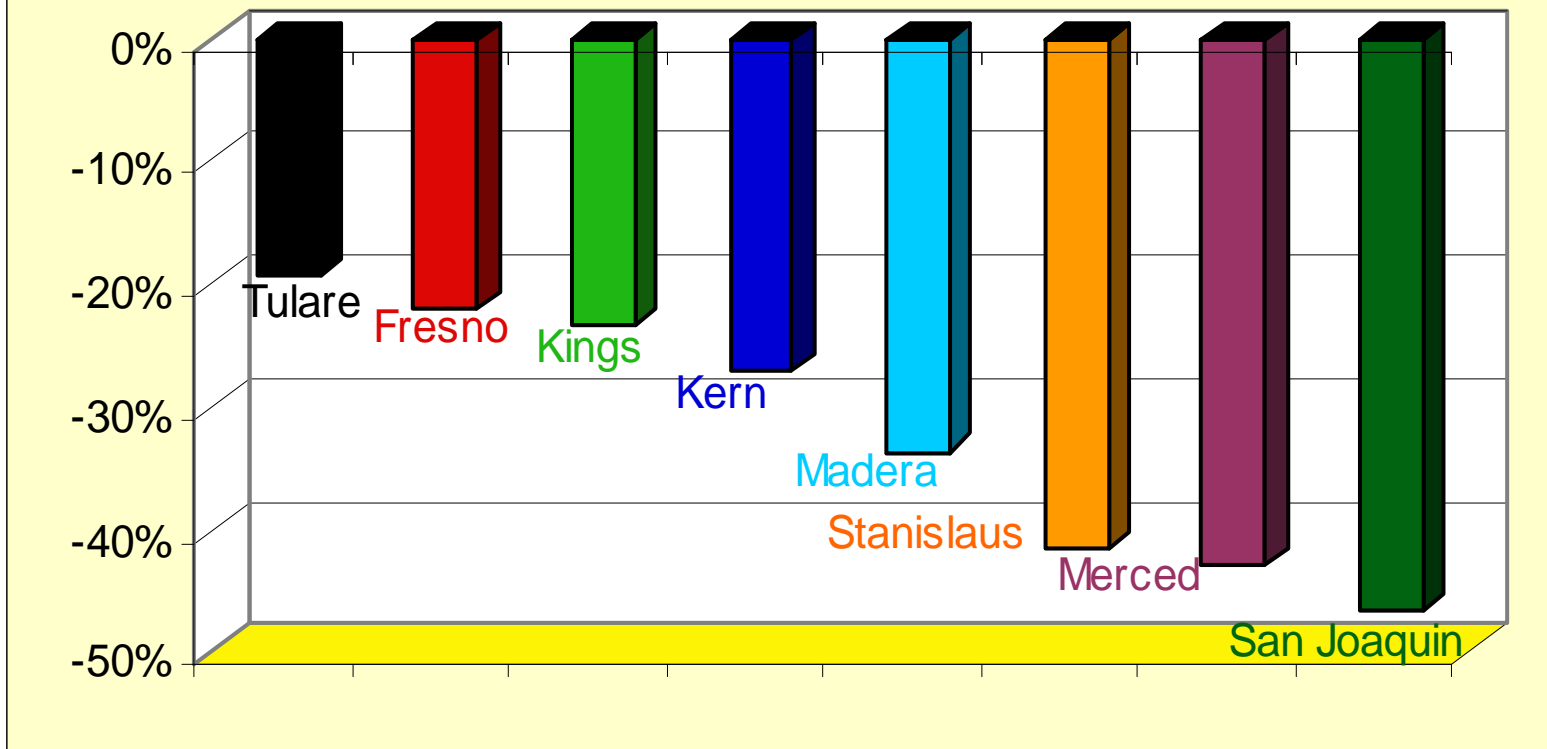
Figure 3.2.a. Median Housing Price Change



County	Median Housing Price Change
Tulare	-\$46,000
Kings	-\$59,750
Fresno	-\$60,500
Kern	-\$70,000
Madera	-\$96,000
Stanislaus	-\$135,000
Merced	-\$135,000
SJ	-\$161,000
SJV	-\$95,406

Housing Market

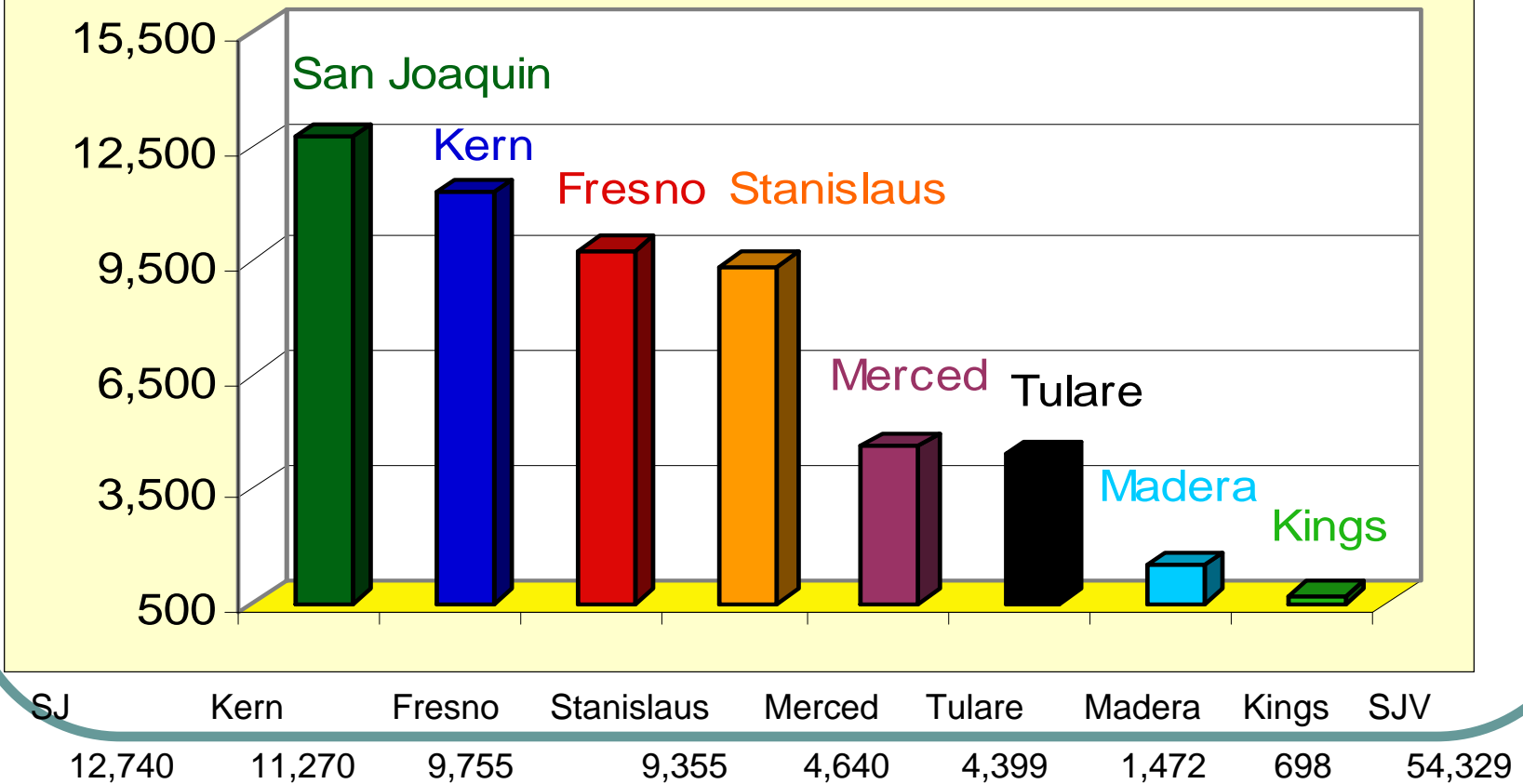
Figure 3.2.b. Median Housing Price Change



Tulare -19.3% Fresno -22.0% Kings -23.5% Kern -26.9% Madera -33.6% Stanislaus -41.5% Merced -42.8% SJ -46.6% SJV -33.1%

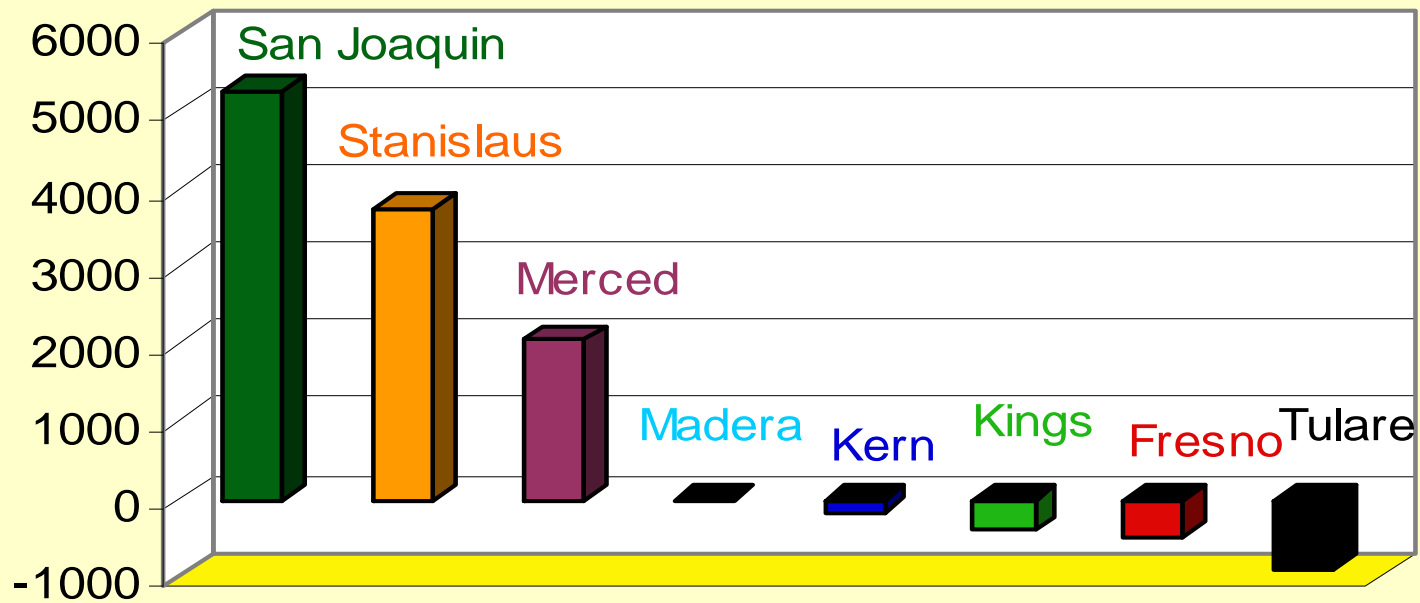
Housing Market

Figure 3.3. Housing Sales



Housing Market

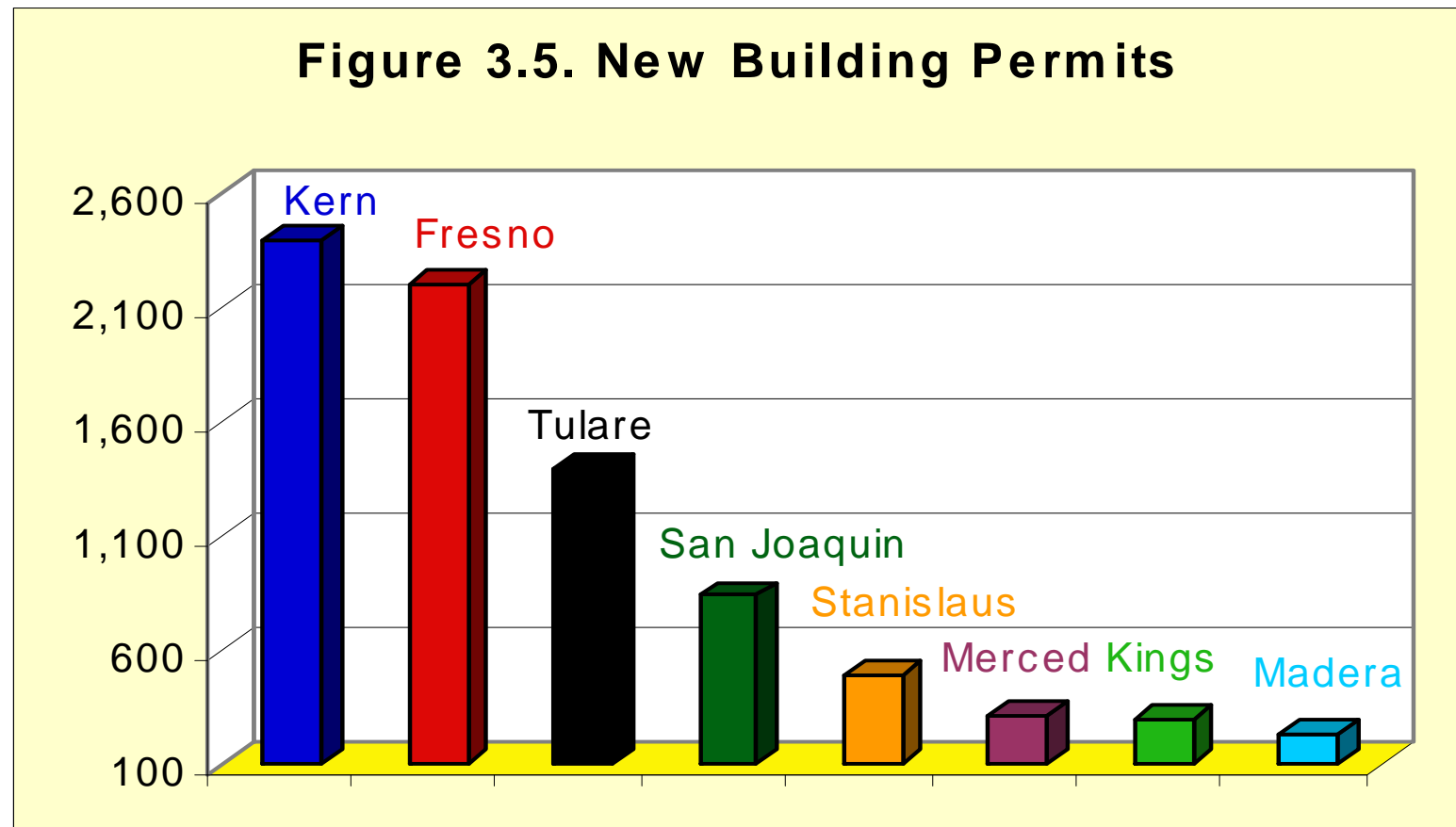
Figure 3.4. Housing Sales Change



SJ 5,270 Stanislaus 3,752 Merced 2,063 Madera -18 Kern -163 Kings -411 Fresno -471 Tulare -894 SJV 9,128

Housing Market

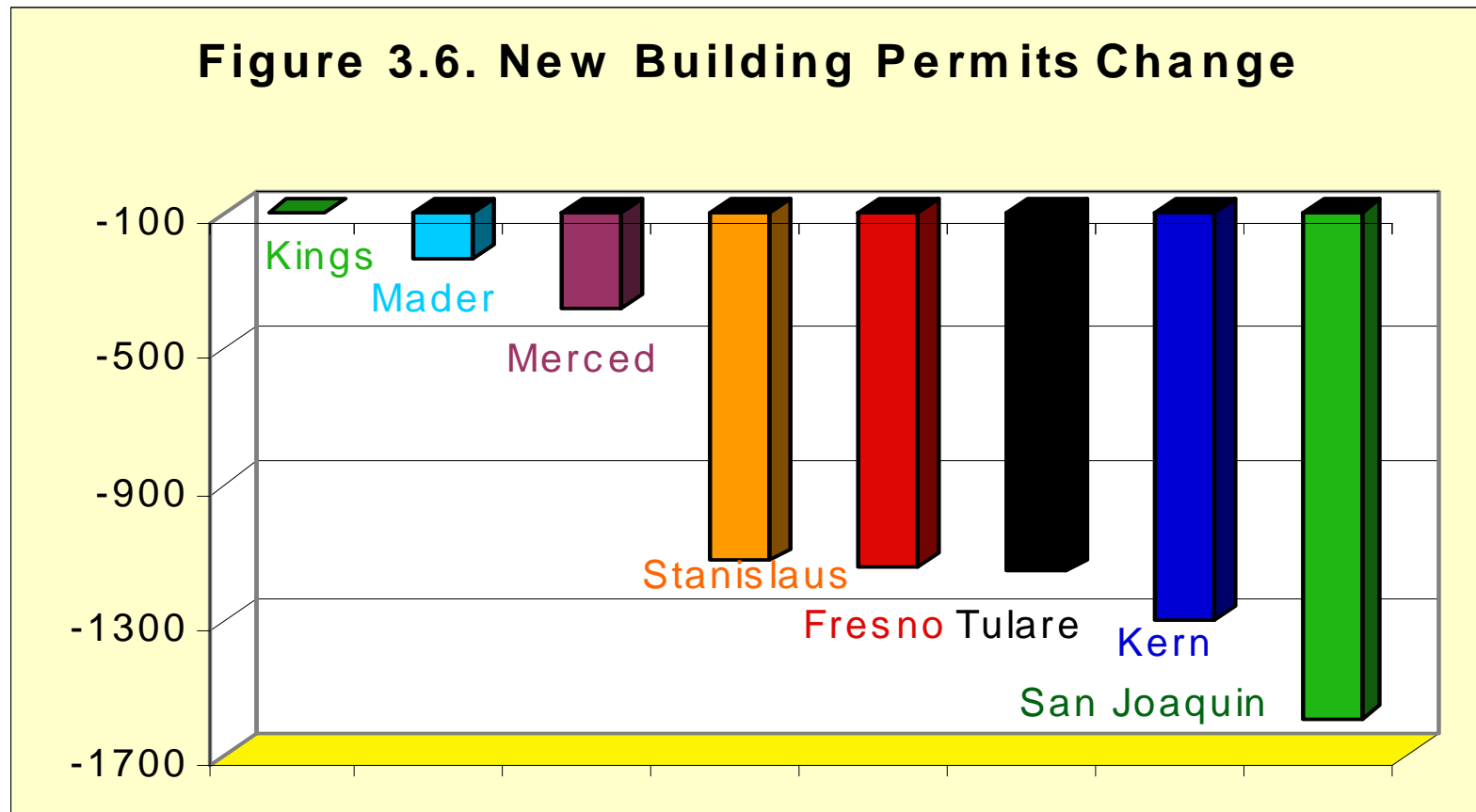
Figure 3.5. New Building Permits



Kern 2,400 Fresno 2,208 Tulare 1,402 SJ 838 San Joaquin 490 Stanislaus 308 Merced 298 Kings 229 Madera 229 SJV 8,173

Housing Market

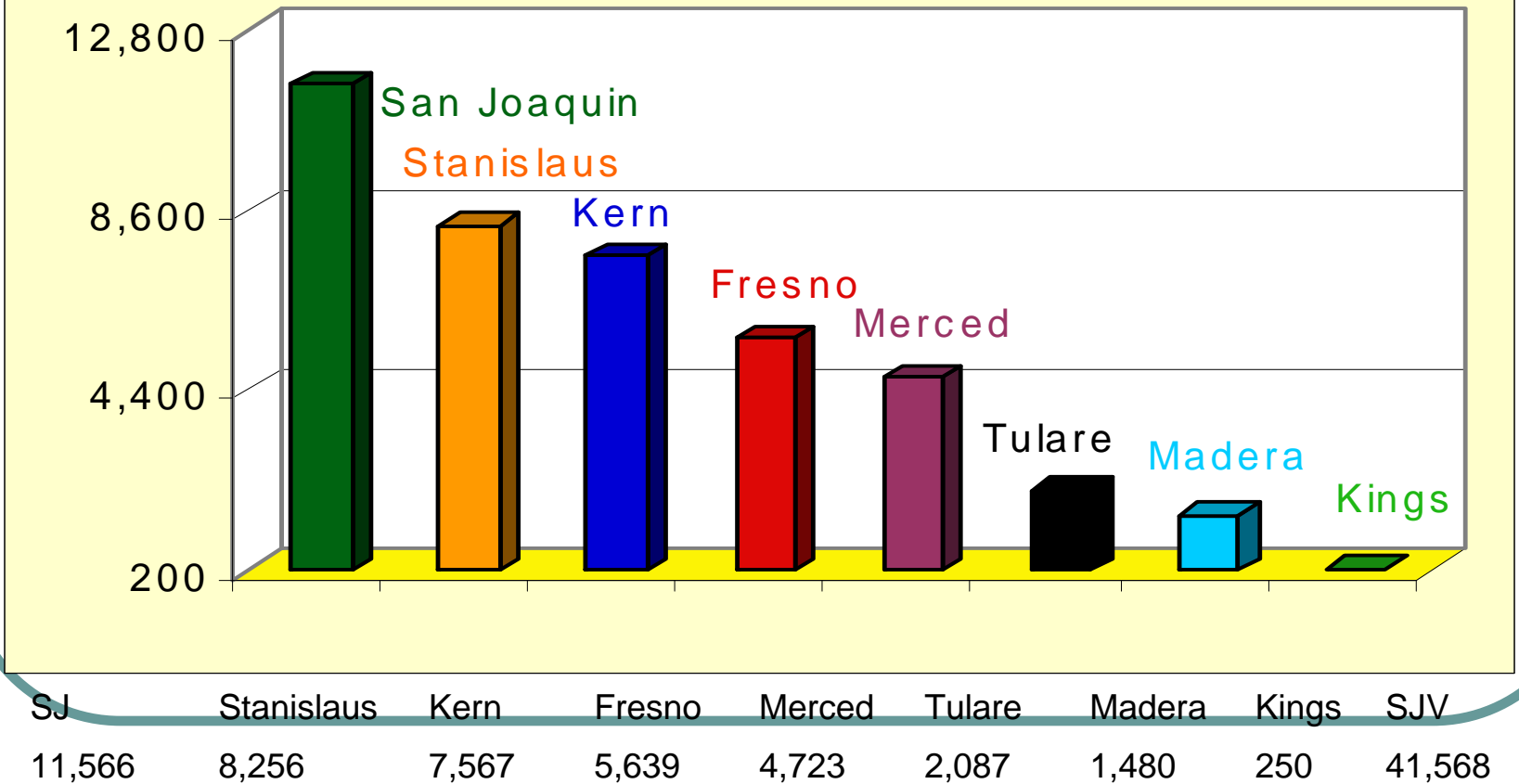
Figure 3.6. New Building Permits Change



Kings Madera Merced Stanislaus Fresno Tulare Kern SJ SJV
-82 -230 -379 -1,125 -1,142 -1,157 -1,299 -1,585 -6,999

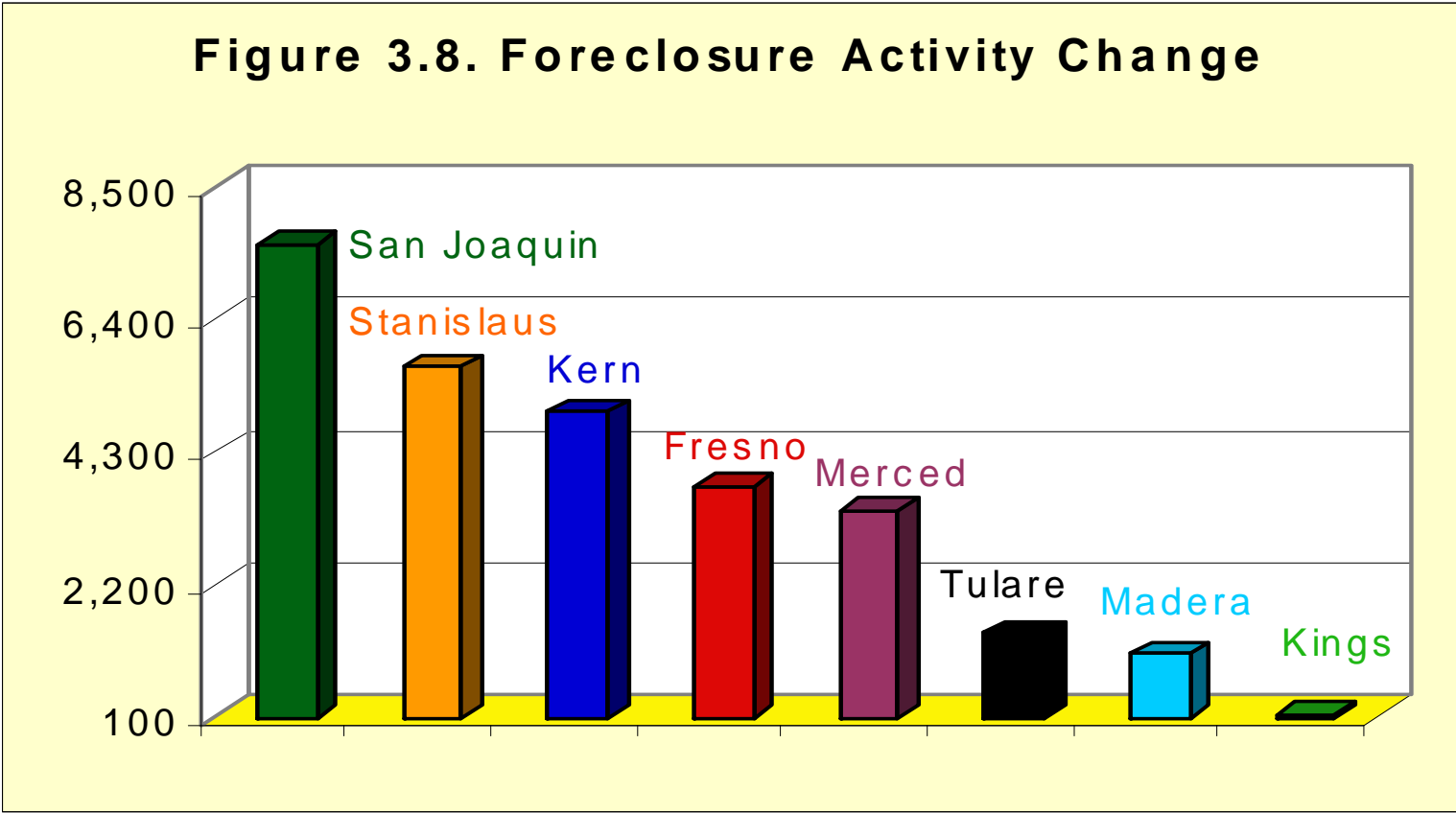
Housing Market

Figure 3.7. Foreclosure Activity



Housing Market

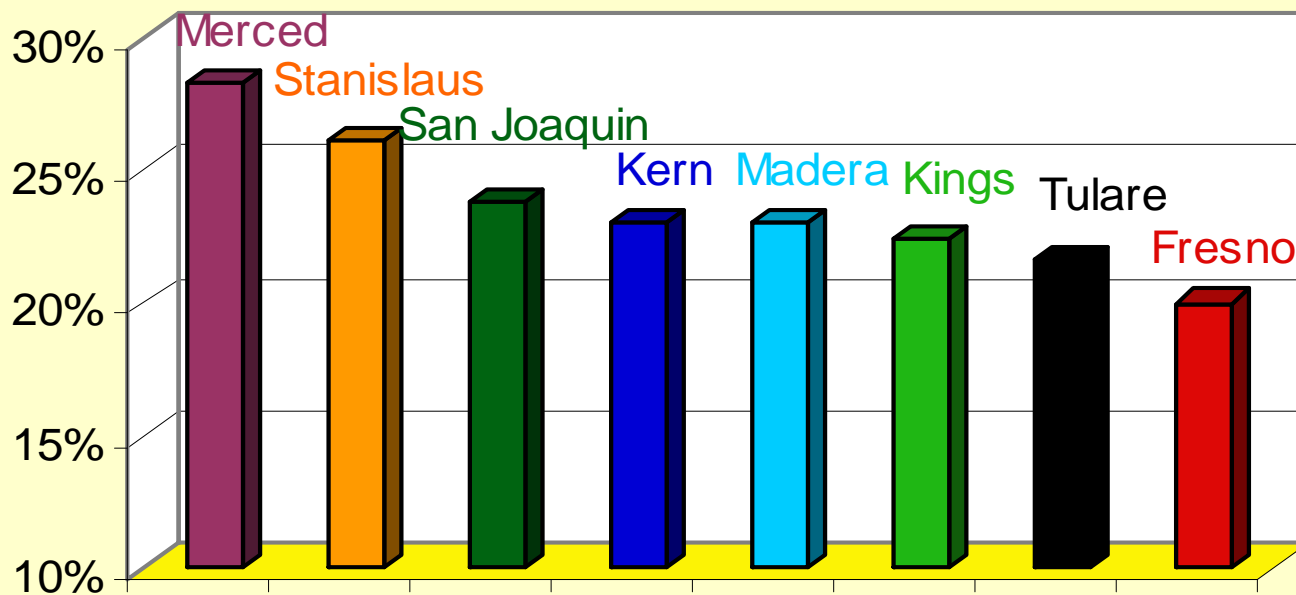
Figure 3.8. Foreclosure Activity Change



SJ	Stanislaus	Kern	Fresno	Merced	Tulare	Madera	Kings	SJV
7,594	5,630	4,919	3,741	3,378	1,424	1,112	155	27,953

Housing Market

Figure 3.9. Housing Affordability Indicator



County	Housing Affordability Indicator (%)
Merced	28.3%
Stanislaus	26.1%
SJ	23.8%
Kern	23.0%
Madera	23.0%
Kings	22.4%
Tulare	21.7%
Fresno	20.0%
SJV	23.5%

Housing Market

Figure 3.10. Median Housing Price at 33 percent Affordability

Location	Median Price	Depreciation Rate	Year
Fresno	\$130,200	-39.4%	2001-02
Kern	\$132,600	-30.2%	2002-03
Kings	\$132,200	-32.2%	2002-03
Madera	\$132,400	-30.3%	2001-02
Merced	\$132,700	-14.4%	2000-01
San Joaquin	\$154,900	-28.0%	1998-99
Stanislaus	\$150,400	-20.8%	2000-01
Tulare	\$126,000	-39.4%	2002-03
San Joaquin Valley	\$136,400	-29.2%	2001-02

What Does Recession Mean to Us?

- **Costs of Recession**

- **Loss of jobs and incomes**
- **Business bankruptcy and closure**
- **Housing foreclosure**
- **Loss of household wealth (retirement pension, home equity, etc.)**
- **Reduced consumer spending and business investment**
- **Loss of household and business confidence**
- **Social and psychological problems (divorce, suicide, crime, homelessness, drug and alcohol addiction, etc.)**

What Does Recession Mean to Us?

- **Benefits of Recession**
 - **Lower inflation rate**
 - **Lower interest rates**
 - **Lower stock prices**
 - **Lower income tax liability**
 - **Increased housing affordability**
 - **Increased household savings**
 - **Trimming business waste**

Recovery from Recession

- **San Joaquin Valley & Kern County**
 - **Benefit from federal government spending increases and tax cuts (bail-out, stimulus, budget, and earmarks)**
 - **Harmed by state's spending cuts (education, health, and other social services) and income and sales tax hicks**

Recovery from Recession

- **Kern County is expected to recover from the recession faster than California because of**
 - **High prices for crude oil and farm products**
 - **Low cost of doing business**
 - **Inexpensive land for business expansion and relocation**
- **We should see a slow recovery beginning late 2009 or early 2010.**