

Current Economic Conditions in the Eighth Federal Reserve District

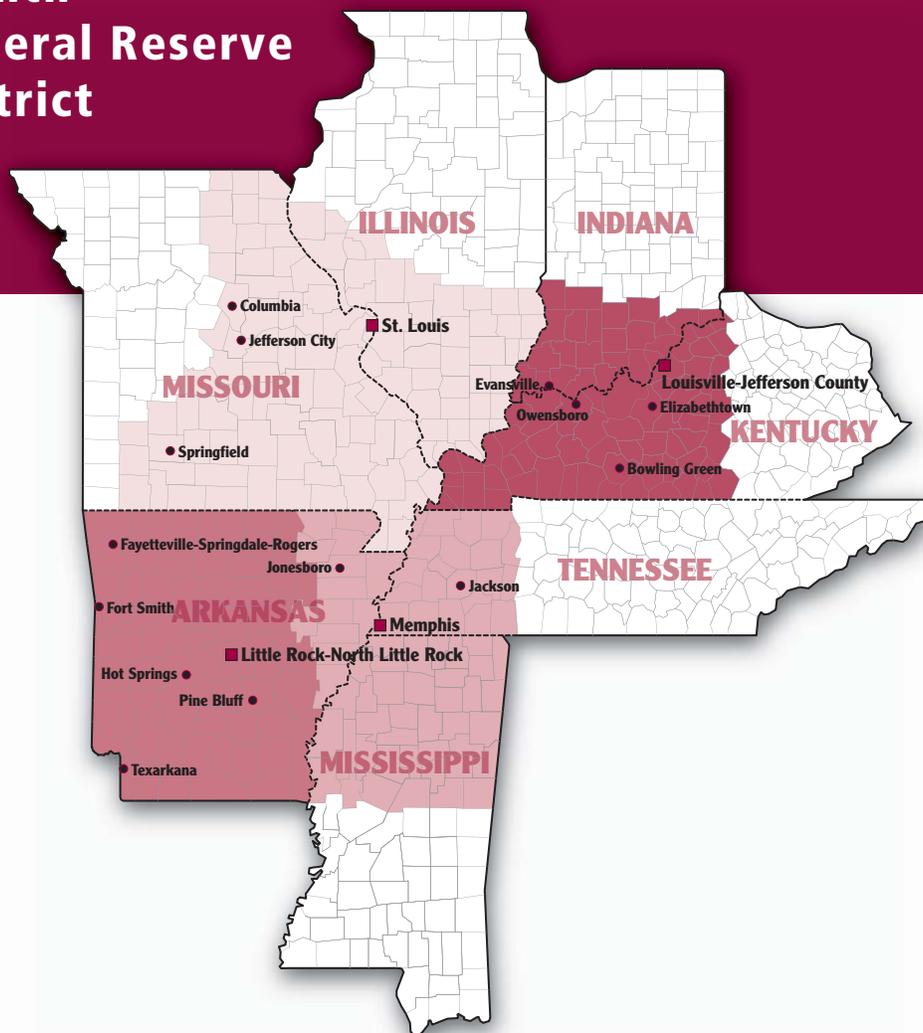
Little Rock Zone

March 18, 2011

Prepared by the
Research Division of the
Federal Reserve Bank of St. Louis



Eighth Federal Reserve District



This report (known as the *Burgundy Book*) summarizes information on economic conditions in the Little Rock zone of the Eighth Federal Reserve District (see map above), headquartered in St. Louis. Separate reports have also been prepared for the Louisville, Memphis, and St. Louis zones and can be downloaded from research.stlouisfed.org/regecon/.

The report includes government-provided data for Arkansas and the metro areas of the Little Rock zone. These data are the most recent available at the time this report was assembled.

NOTE: Metropolitan statistical areas (MSAs) are larger geographic areas than cities, as defined by the Census Bureau. Unless noted otherwise, when we refer to a location—such as Little Rock—we refer to the Little Rock MSA and not to the city of Little Rock.

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Little Rock Zone Report—March 18, 2011

The most recent data—between December 2010 and January 2011— reveals that the annual growth of employment, building permits, and housing prices was 1.6 percent, 122 percent, and –1 percent in Little Rock and 0.7 percent, –8.9 percent, and –1.3 percent in the nation. In the past three months, local employment increased at a rate of 0.1 percent per month, approximately the same rate registered for nationwide employment. The unemployment rate in Little Rock (7.1 percent) was substantially lower than the nation’s (9.4 percent). Little Rock is outperforming the nation according to all of the indicators listed, with the exception of employment growth, where it performs like the nation. This view coincides with positive reports from retailers and car dealers and with increased revenues in the agricultural and coal sectors.

General Retailers

- January and early February sales increased compared with the same time last year for two in three contacts; sales decreased for one in six contacts.
- Sales met or exceeded expectations for five in six contacts.
- Sales were expected to increase in this quarter compared with the same time last year for two in three contacts; the remaining contacts expected a decrease.

Car Dealers

- January and early February sales increased compared with the same time last year for all contacts.
- Sales were expected to increase in this quarter compared with the same time last year for five in six contacts; one in six contacts expected a decrease.

Manufacturing

- Contacts in sanitary paper products and animal slaughtering and processing plan to expand operations and hire new workers.
- Contacts in wood products, plastic products, and poultry processing plan to lay off workers and/or close plants.

Services

- A contact in business support plans to open a new facility and hire workers.

Real Estate

- Home sales in January 2011 were 5.6 percent lower than in January 2010.

- New single-family housing permits were 12 percent lower in January 2011 than in January 2010.
- Between the third and fourth quarters of 2010, office vacancy rates increased, while the industrial vacancy rate decreased.

Construction

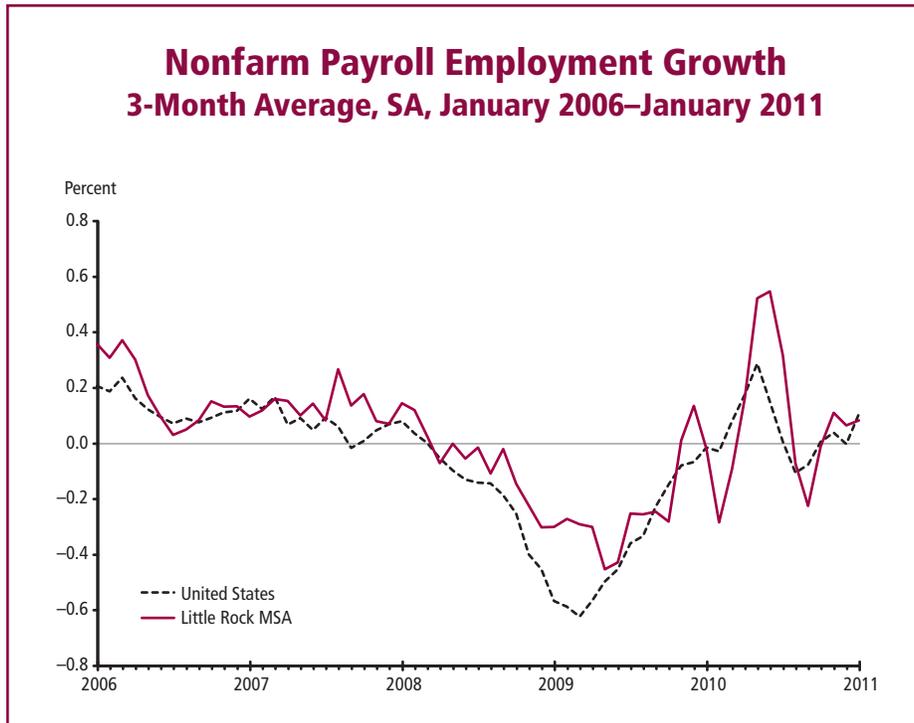
- Some commercial contractors in central Arkansas expect positive growth in commercial construction for 2011.
- Contacts in Little Rock noted that residential construction activity remained slow.

Banking and Finance

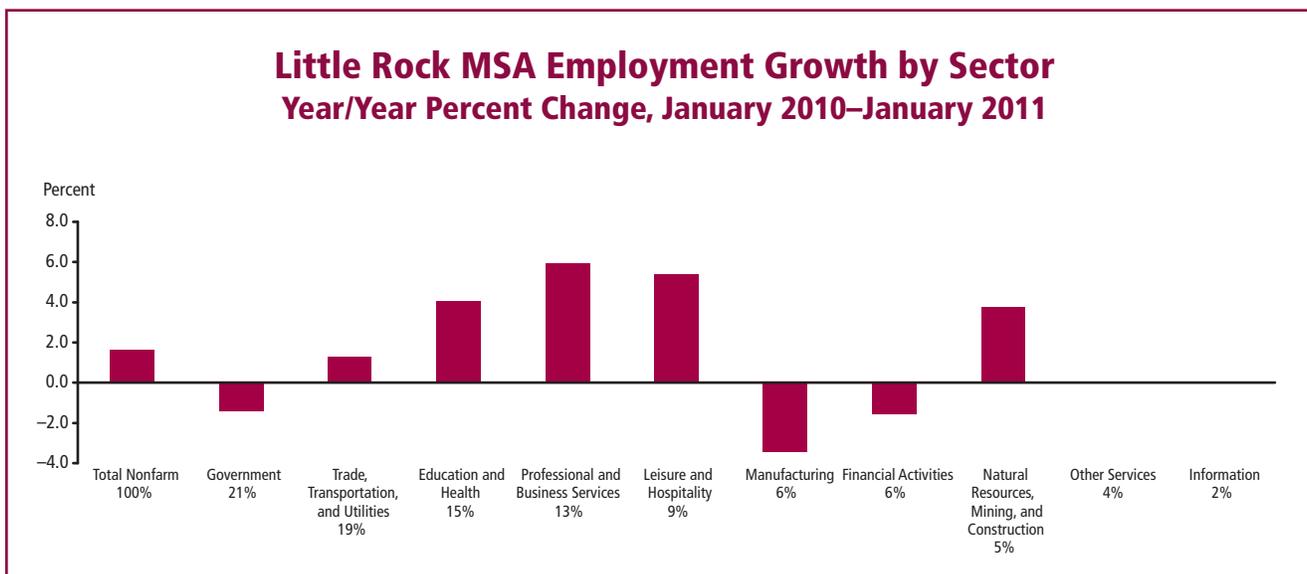
- Consumer and commercial and industrial lending activity was relatively unchanged. Contacts described demand in these categories as “sluggish.”
- Residential mortgage lending activity increased modestly, with one contact noting that current loan demand is “mostly housing related.”
- Deposit growth increased modestly.

Agriculture

- Coal production in Arkansas was 120 percent higher in 2010 than in 2009.
- The aggregate production value of corn, sorghum, soybeans, and cotton was 14.2 percent higher in 2010 than in 2009, while the production value of winter wheat, rice, and hay was lower by 5.1 percent.
- The market prices of corn, sorghum, winter wheat, soybeans, and cotton were 24, 28.2, 7, 17, and 11 percent higher in 2010 than in 2009, respectively. The price of rice was 14.2 percent lower, while the price of hay remained unchanged.



Little Rock’s recession-related decline in employment, centered in January 2009, was milder than in the nation overall. Additionally, the recovery started earlier in Little Rock, where the first positive growth rate was observed in December 2009. During the past three months, both Little Rock and national employment expanded at an average rate of 0.1 percent per month.



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Little Rock’s economic performance. Annual employment grew by 1.6 percent in this MSA, compared with a 0.7 percent increase for the United States. The three largest sectors in Little Rock are Government; Trade, Transportation, and Utilities; and Education and Health, accounting for 21 percent, 19 percent, and 15 percent of employment, respectively. Growth in these three sectors was –1.4 percent, 1.3 percent, and 4.1 percent, respectively. Sectoral and aggregate employment changes in Little Rock moved primarily in the same positive direction. The Professional and Business Services sector had the best performance in Little Rock (5.9 percent) and accounts for 13 percent of employment.

Little Rock Zone—MSA Employment and Unemployment

	Nonfarm payroll employment percent change, January 2010–January 2011			Unemployment rate December 2010
	Total	Goods producing	Service providing	
Little Rock	1.63	-0.28	1.87	7.1
Fayetteville-Springdale-Rogers, Ark.	2.25	0	2.76	6.4
Fort Smith, Ark.	-0.26	0	-0.34	8.6
Texarkana, Ark.-Tex.	1.44	3.28	1.21	7.2
United States	0.69	0.54	0.71	9.4

NOTE: Sector-level employment data are not available for Hot Springs, Ark., or Pine Bluff, Ark.; as a result, these MSAs are not included in the previous chart or in this table.

SOURCE: Bureau of Labor Statistics.

Employment expansion in the Little Rock zone is substantial in the Little Rock, Fayetteville-Springdale-Rogers, and Texarkana MSAs. This holds for primarily service-providing activities. The highest unemployment rate in the Little Rock zone was registered in Fort Smith, at 8.6 percent. This unemployment rate is still lower than the 9.4 percent rate registered for the United States.

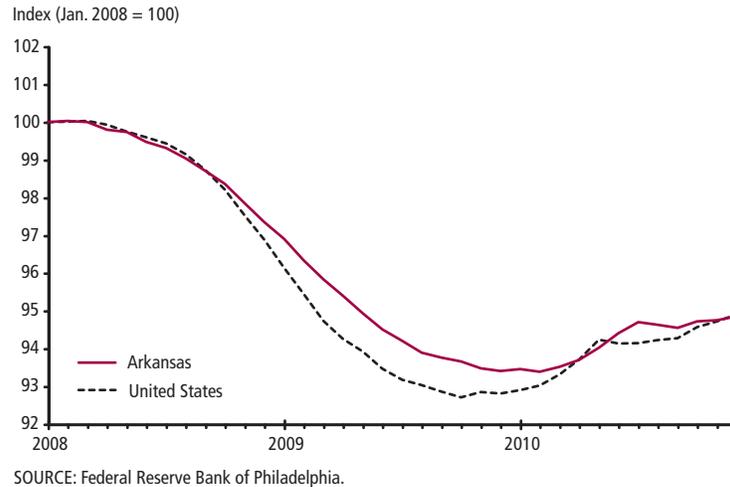
Little Rock Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2010:Q4/2009:Q4
	January 2011	Percent change	
Little Rock	278	122.4	-1
Fayetteville-Springdale-Rogers, Ark.	103	27.2	-4.1
Fort Smith, Ark.	31	-27.9	-3.6
Hot Springs, Ark.	4	33.3	-0.6
Pine Bluff, Ark.	7	250	-1.2
Texarkana, Ark.-Tex.	8	60	0.4
United States	35,985	-8.9	-1.3

SOURCE: Bureau of the Census, Federal Housing Financing Authority.

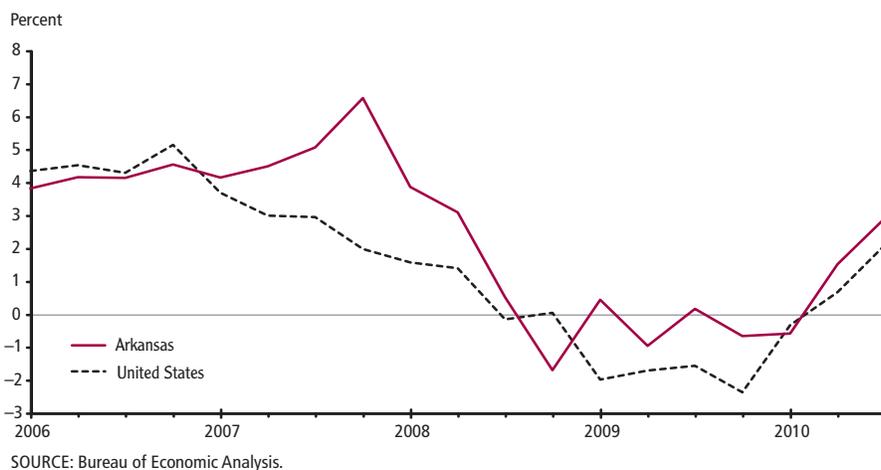
The MSAs in the Little Rock zone are off to a much better start in 2011 than in 2010, with 5 of the 6 MSAs experiencing an expansion of building permits in January 2011. The Little Rock and Pine Bluff MSAs had the largest expansions, with 122.4 percent and 250 percent increases, respectively. Only Fort Smith exhibited a contraction of building permits, with a 27.9 percent decrease year-over-year. The expansionary trend across the Little Rock zone MSAs was remarkable compared with the 8.9 percent contraction of building permits experienced by the nation. However, the change in year-over-year house prices for the MSAs paints a different picture of the Little Rock zone: 5 out of the 6 MSAs exhibited house price declines for 2010:Q4. The house price decline for 4 out of the 6 MSAs was similar or more severe as compared with the 1.3 percent decrease for the United States. The greatest increase in house prices was registered in Texarkana, while the greatest decline was registered in Fayetteville-Springdale-Rogers.

Arkansas Coincident Economic Activity Index



The Philadelphia Fed's coincident index combines information on payroll employment, wages, unemployment, and hours of work to give a single measure of economic performance. This index gives an idea of the state economic environment in which Little Rock operates. Arkansas's coincident index reveals a milder impact of the recession and a quicker recovery compared with the nation. The index bottomed at 93.4 for Arkansas, while it bottomed at 92.7 for the United States. Current values of the index suggest that economic activity in Arkansas is at 94.9 percent of its pre-recession levels, while activity is also at 94.9 percent in the nation. In summary, the state economic environment of the Little Rock zone should roughly coincide with the nation's according to the index.

Arkansas Real Personal Income Growth Percent Change, Year/Year



In Arkansas, personal income growth was well above the nation's for several quarters before the recession, which started in the last quarter of 2007. The recession's impact on Arkansas's personal income has also been milder and the recovery stronger than in the nation. Between the third quarter of 2009 and the third quarter of 2010, personal income grew 2.9 percent in Arkansas, while it grew 2.1 percent in the nation.