

Current Economic Conditions in the Eighth Federal Reserve District

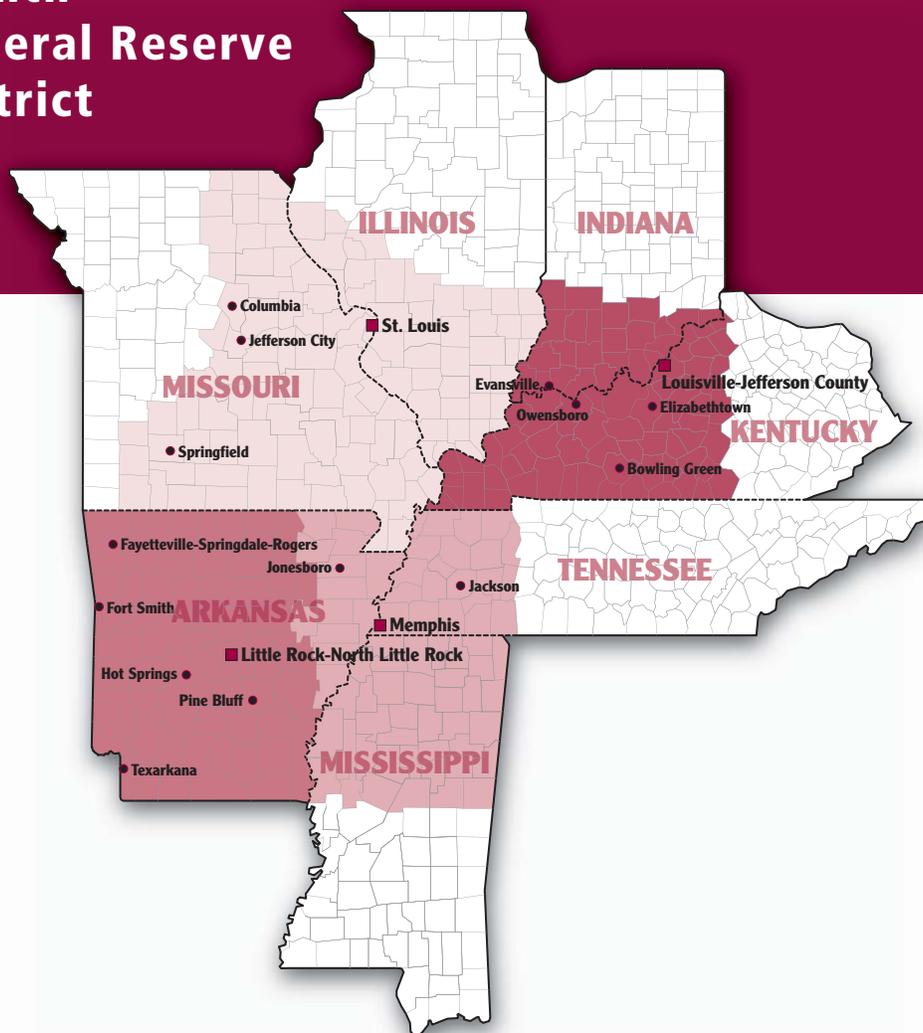
Little Rock Zone

June 30, 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—June 30, 2011

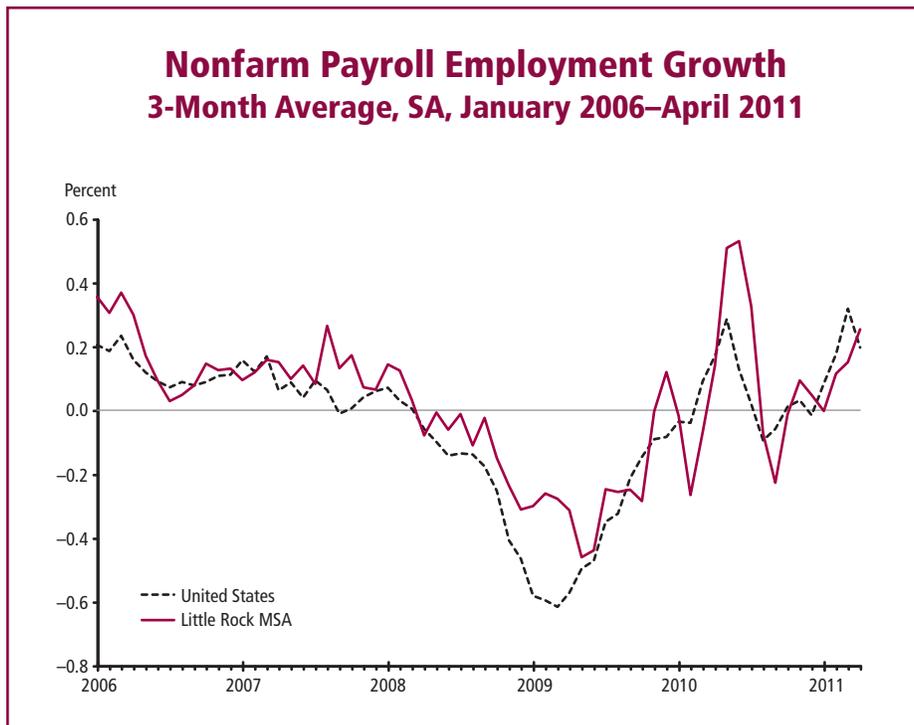
At the close of April, the annual growth of employment, building permits, and house prices was 1.7 percent, 26.9 percent, and –1.1 percent in Little Rock and 1.0 percent, –12.7 percent, and –3.1 percent in the nation.

The annual growth of personal income was 3.6 percent in Arkansas and 2.7 percent in the nation.

In the past three months, local employment increased at a rate of 0.3 percent per month—slightly higher than the rate registered for nationwide employment.

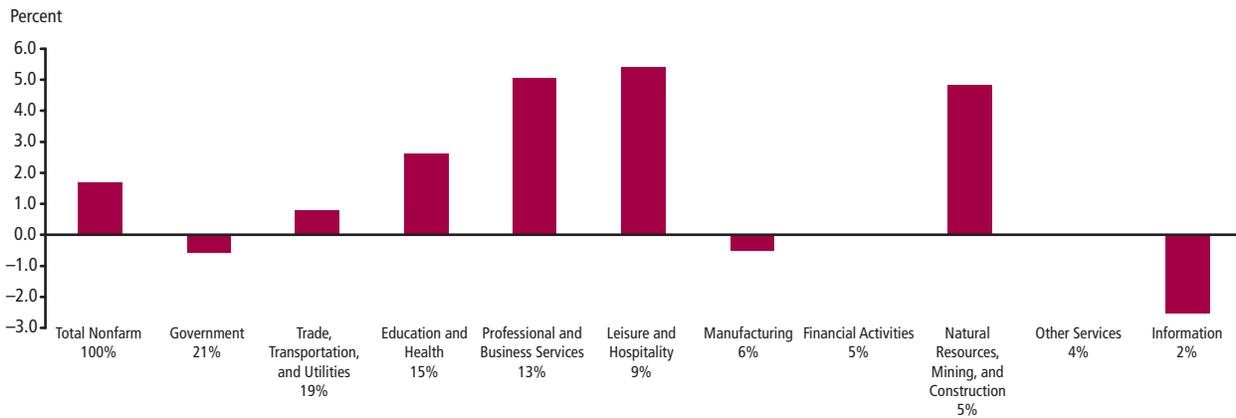
The unemployment rate in Little Rock (6.8 percent) was substantially lower than the nation's (8.9 percent).

Little Rock outperformed the nation according to all six of the indicators considered.



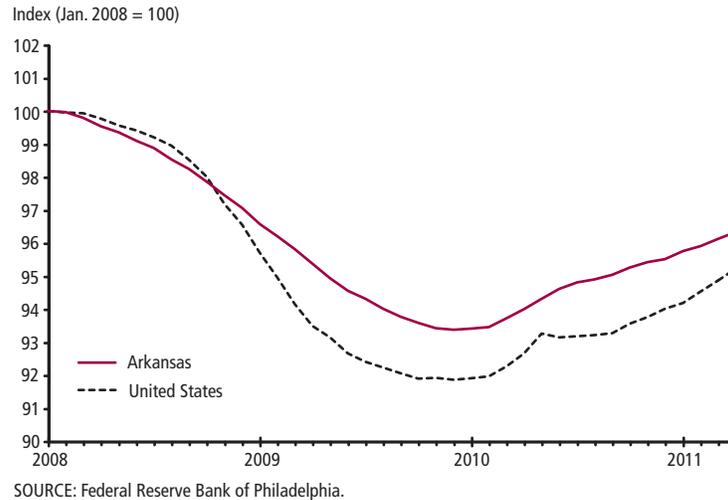
Little Rock's recession-related decline in employment, which was centered near January 2009, was milder than the nation's decline. Additionally, the recovery started earlier in Little Rock, where the first increase in employment was observed in December 2009. This recovery, however, was more volatile than the nation's during 2010. In the past three months, Little Rock employment expanded at an average rate of 0.3 percent per month while national employment did so at an average rate of 0.2 percent per month.

Little Rock MSA Employment Growth by Sector Year/Year Percent Change, April 2010–April 2011



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Little Rock’s economic performance. Employment increased by 1.7 percent in this MSA with respect to one year ago, while the increase was only 1.0 percent 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 –0.6 percent, 0.8 percent, and 2.6 percent, respectively. Sectoral and aggregate employment changes in Little Rock moved primarily in the same positive direction. The Leisure and Hospitality Services sector, which accounts for 9 percent of employment, had the best performance in Little Rock (5.4 percent).

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. The coincident index for Arkansas 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 91.9 for the United States. Current values of the index suggest that economic activity in Arkansas is at 96.3 percent of its pre-recession level, while national activity is at 95.2 percent of its pre-recession level. In summary, this index suggests that the economic performance of the Little Rock zone is slightly better than the nation's.

Little Rock Zone—MSA Employment and Unemployment

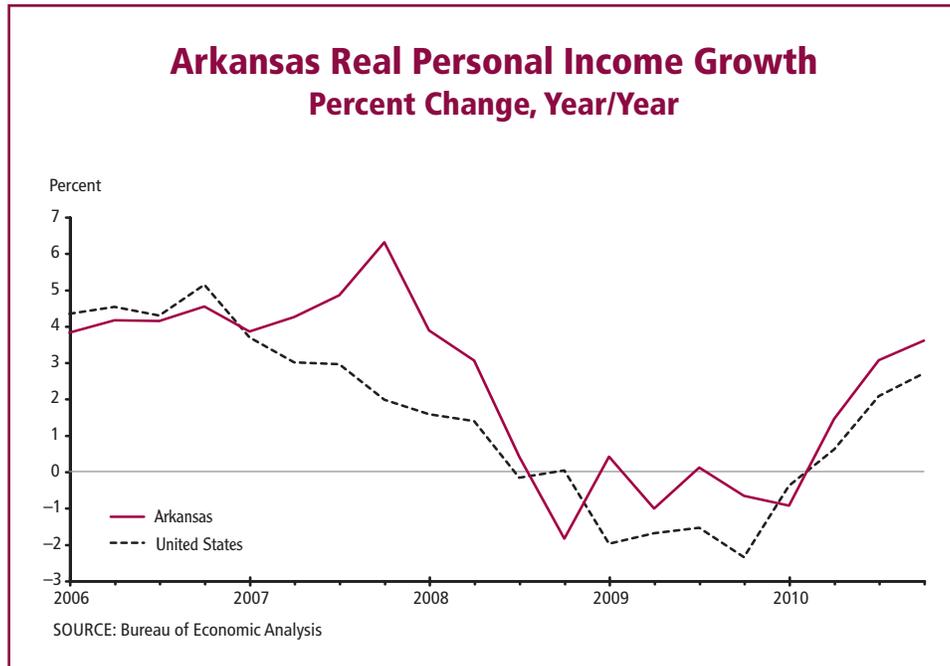
Nonfarm payroll employment percent change,
April 2010–April 2011

	Nonfarm payroll employment percent change, April 2010–April 2011			Unemployment rate April 2011
	Total	Goods producing	Service providing	
Little Rock	1.69	1.92	1.67	6.8
Fayetteville-Springdale-Rogers, Ark.	1.90	-1.09	2.57	6.0
Fort Smith, Ark.	0.51	-1.38	1.13	8.0
Texarkana, Ark.-Tex.	0.18	1.61	0.00	7.5
United States	0.98	1.31	0.96	8.9

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.

Total employment expansion in the Little Rock zone is positive for all four MSAs and strongest in Little Rock and the Fayetteville MSA. In the Fayetteville MSA and Fort Smith, the positive change was driven by the expansion of employment in service-providing activities, which offset the declines observed in goods-producing activities. The highest unemployment rate in the Little Rock zone was registered in Fort Smith, at 8.0 percent. This unemployment rate is still lower than the 8.9 percent rate registered for the United States.



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 fourth quarter of 2009 and the fourth quarter of 2010, personal income grew 3.6 percent in Arkansas and 2.7 percent in the nation.

Little Rock Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q1/2010:Q4
	April 2011	Percent change	
Little Rock	992	26.9	-1.1
Fayetteville-Springdale-Rogers, Ark.	366	-23.3	-4.0
Fort Smith, Ark.	193	-19.6	-1.0
Hot Springs, Ark.	12	-20.0	-3.1
Pine Bluff, Ark.	19	111.1	-8.3
Texarkana, Ark.-Tex.	39	18.2	1.8
United States	176,883	-12.7	-3.1

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

Housing activity in the Little Rock zone is generally weaker than it was around the same time last year. The number of building permits issued since the beginning of 2011 is lower than last year's in three of six MSAs. The largest declines in issued building permits were observed in Fayetteville-Springdale-Rogers (-23.3 percent) and Hot Springs (-20 percent). In contrast, Little Rock, Pine Bluff, and Texarkana experienced increases of 26.9 percent, 111.1 percent, and 18.2 percent, respectively. In general, upward and downward swings in the number of building permits were more pronounced in each of the zone's MSAs than in the nation, where they declined by 12.7 percent. House prices continued to fall within 5 of the zone's 6 MSAs in 2011:Q1. These house price declines were similar or more severe than the 3.1 percent decline for the United States in half of the MSAs. The greatest increase in house prices was registered in Texarkana (1.8 percent), while the greatest decline was registered in Pine Bluff (-8.3 percent).