

Current Economic Conditions in the Eighth Federal Reserve District

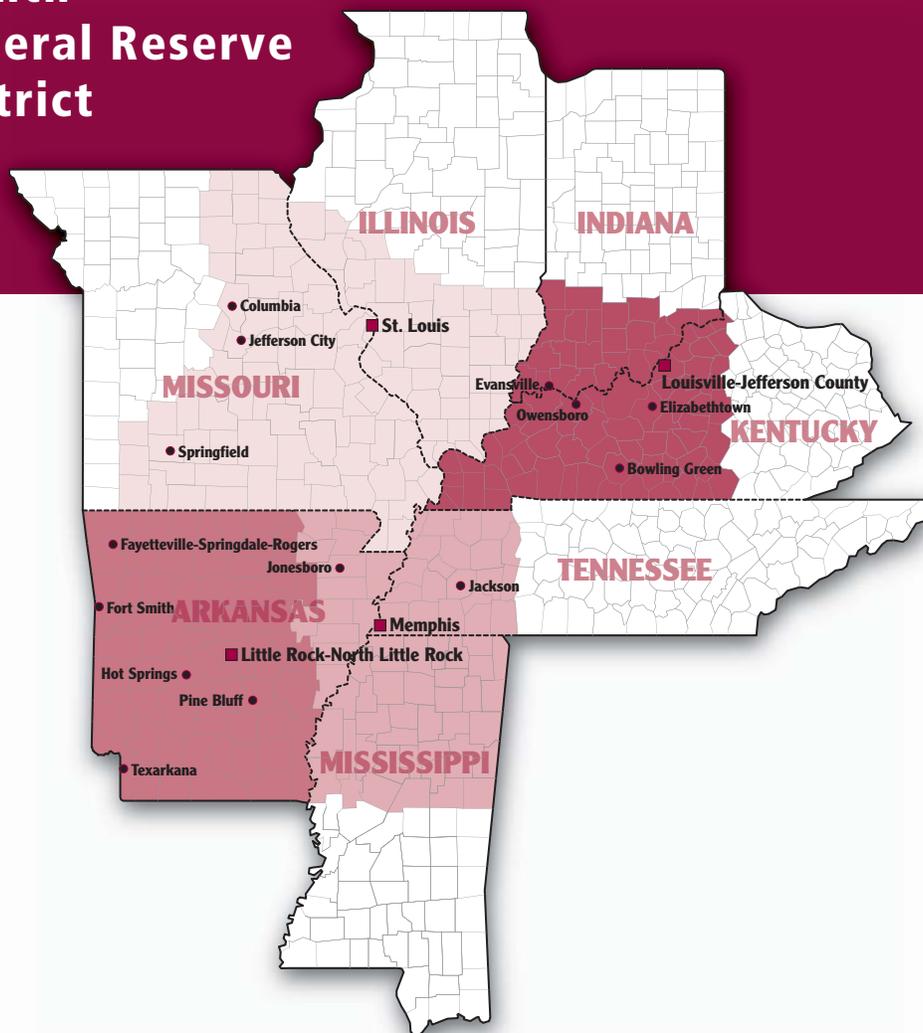
Little Rock Zone

December 23, 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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The most recent data at the time of publication show that Little Rock is performing better than the nation in terms of the unemployment rate and annual house price growth, while its performance in terms of annual employment growth, short-run employment growth, and the issuance of building permits is less favorable than the nation's. The following five points illustrate this assessment:

Annual Changes in Employment

By the end of October, Little Rock's nonfarm payroll employment was 0.5 percent lower than one year before, while national employment was 1.2 percent higher than last year.

Short-Term Changes in Employment

Between August and October, Little Rock's local employment decreased by an average rate of 0.2 percent per month, while it increased at an average rate of 0.1 percent per month for the nation as a whole.

Unemployment Rate

In Little Rock, the unemployment rate increased, from 7.2 percent in July to 7.4 percent in October. Despite this increase, the unemployment rate in Little Rock remained below the 9.0 percent rate registered for the nation at the close of October.

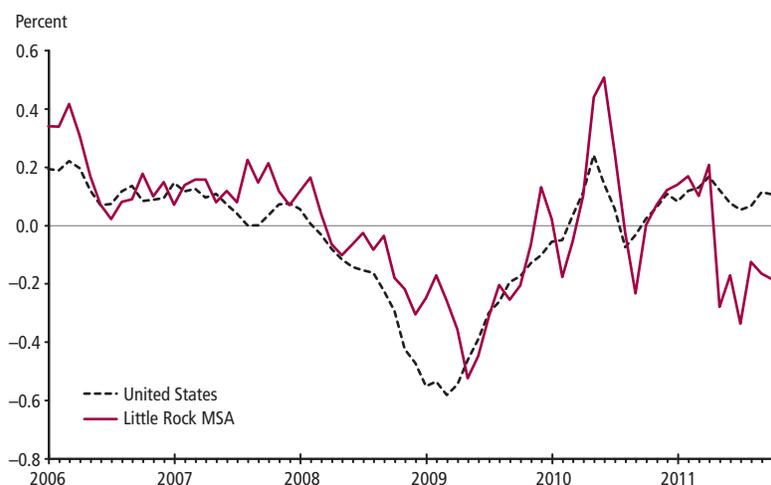
Building Permits

The number of building permits issued in the Little Rock zone from the beginning of 2011 through October was 11.2 percent lower than the number issued during the same months of 2010. This fall contrasts with the approximately constant number of building permits issued in the nation as a whole during the same periods.

House Prices

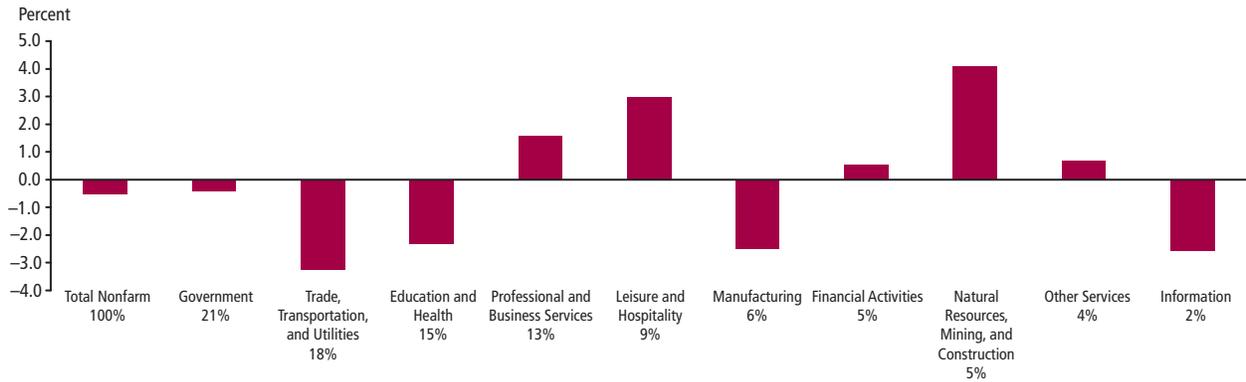
At the close of the third quarter, housing prices were 0.4 percent lower in the Little Rock zone compared with the same time last year. This decrease was less severe than the average decrease of 4.3 percent in house prices registered for the nation as a whole during the same period.

Nonfarm Payroll Employment Growth 3-Month Moving Average, SA, January 2006–October 2011



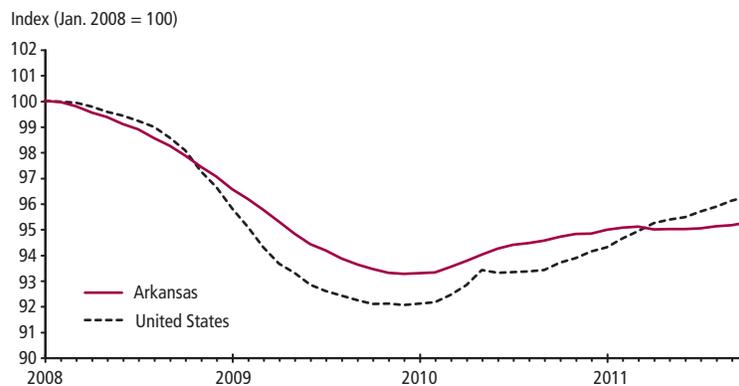
Little Rock's recession-related decline in employment, which was centered near January 2009, was milder than the nation's decline. Additionally, the recovery started earlier in Little Rock, where the first increase in employment was observed in December 2009. This recovery, however, was more volatile than the nation's during 2010 and 2011. Between August and October of 2011, Little Rock's employment contracted at an average rate of 0.2 percent per month, while national employment growth increased at an average rate of 0.1 percent per month.

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



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Little Rock's economic performance. Employment decreased by 0.5 percent in this MSA with respect to one year ago, while employment increased by 1.2 percent for the nation. The three largest sectors in Little Rock are Government; Trade, Transportation, and Utilities; and Education and Health, accounting for 21 percent, 18 percent, and 15 percent of employment, respectively. Growth in these three sectors was -0.4 percent, -3.3 percent, and -2.3 percent, respectively. The Natural Resources, Mining, and Construction sector, which accounts for 5 percent of employment, had the best performance in Little Rock (4.1 percent).

Arkansas Coincident Economic Activity Index



SOURCE: Federal Reserve Bank of Philadelphia.

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 indexes for Arkansas and the nation reveal a milder impact of the recession and an earlier start of the recovery in Arkansas compared with the nation. The index bottomed out at 93.3 for Arkansas, while it bottomed out at 92.1 for the nation. However, this year's behavior of the indexes reveals that recovery in Arkansas may have slowed down with respect to the nation's. As a consequence of this slowdown, the nation is currently closer to pre-recession levels of activity than is Arkansas. The current values of the index are 95.3 for Arkansas and 96.3 for the nation.

Little Rock Zone—MSA Employment and Unemployment

	Nonfarm payroll employment percent change, October 2010–October 2011			Unemployment rate October 2011
	Total	Goods producing	Service providing	
Little Rock	-0.53	0.54	-0.66	7.4
Fayetteville-Springdale-Rogers, Ark.	0.54	-3.76	1.51	6.8
Fort Smith, Ark.	-0.68	-0.35	-0.79	8.6
Texarkana, Ark.-Tex.	-0.18	3.17	-0.59	7.8
United States	1.21	1.81	1.11	9.0

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.

During the past 12 months, the Little Rock zone experienced a contraction of employment in three of its four MSAs, with the greatest decline registered in the Fort Smith MSA. For the three MSAs exhibiting negative employment growth, the overall decline was driven by employment losses in service-providing activities. Although employment performance was below the nation's, unemployment rates remain below the national level in the Little Rock zone. The highest unemployment rate in the Little Rock zone was 8.6 percent, registered in the Fort Smith MSA. This rate was 0.4 percentage points lower than the 9.0 percent rate registered for the nation.

Arkansas Real Personal Income Growth Percent Change, Year/Year



SOURCE: Bureau of Economic Analysis.

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 personal income in Arkansas was milder than—and the recovery roughly similar to—that of the nation. Between the second quarter of 2010 and the second quarter of 2011, personal income grew 2.3 percent in Arkansas and 2.9 percent in the nation.

Little Rock Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q3/2010:Q3
	October 2011	Percent change	
Little Rock	2,633	-11.2	-0.4
Fayetteville-Springdale-Rogers, Ark.	983	-5.8	-3.9
Fort Smith, Ark.	458	-15.3	-1.6
Hot Springs, Ark.	28	-17.6	2.4
Pine Bluff, Ark.	62	-33.3	-5.8
Texarkana, Ark.-Tex.	314	72.5	0.4
United States	510,949	0.0	-4.3

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

Real estate activity in the Little Rock zone has been generally weaker this year than it was last year. The number of building permits issued since the beginning of 2011 is lower than last year's in five of the six MSAs. The largest declines in issued building permits were observed in Pine Bluff (33.3 percent) and Hot Springs (17.6 percent). In contrast, Texarkana experienced an increase of 72.5 percent. 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 remain constant with respect to the same time last year.

Finally, house price growth was mixed for the zone's MSAs in the third quarter of 2011, with a third of the MSAs experiencing gains and two-thirds of the MSAs experiencing losses. House price declines were generally less severe than the 4.3 percent decline for the nation. The greatest increase in house prices was registered in Hot Springs (2.4 percent), while the greatest decline was registered in Pine Bluff (5.8 percent).