

Current Economic Conditions in the Eighth Federal Reserve District

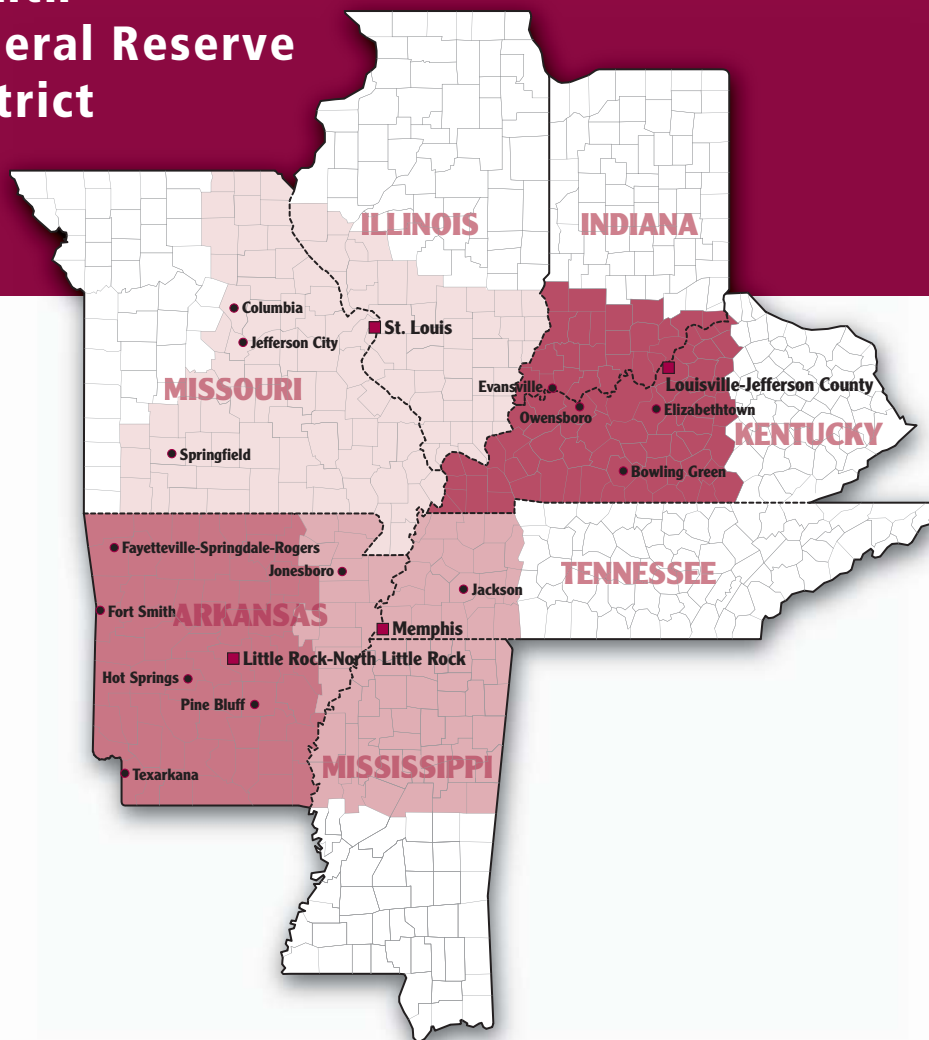
Little Rock Zone

September 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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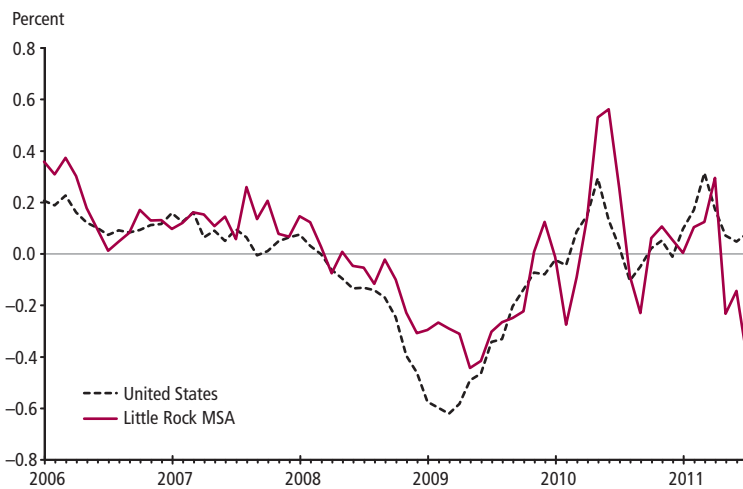
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Little Rock Zone Report—September 30, 2011

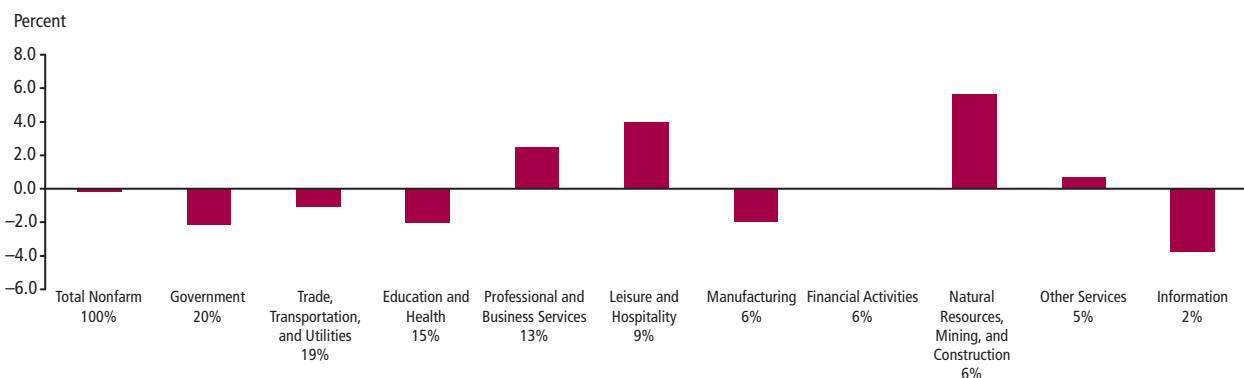
At the close of July, the annual growth of employment, building permits, and housing prices was –0.1 percent, 0.5 percent, and –2.7 percent in the Little Rock MSA and 0.9 percent, –4.9 percent, and –4.5 percent in the nation. At the same time, the annual growth of personal income was 3.2 percent in Arkansas and 3.1 percent in the nation. Also, in the past three months, local employment decreased at a rate of 0.4 percent per month—much lower than the positive growth rate (0.1 percent) registered for nationwide employment. Finally, the unemployment rate in Little Rock (7.1 percent) was substantially lower than the nation’s (9.1 percent). Therefore, Little Rock has outperformed the nation according to four of the six indicators considered.

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



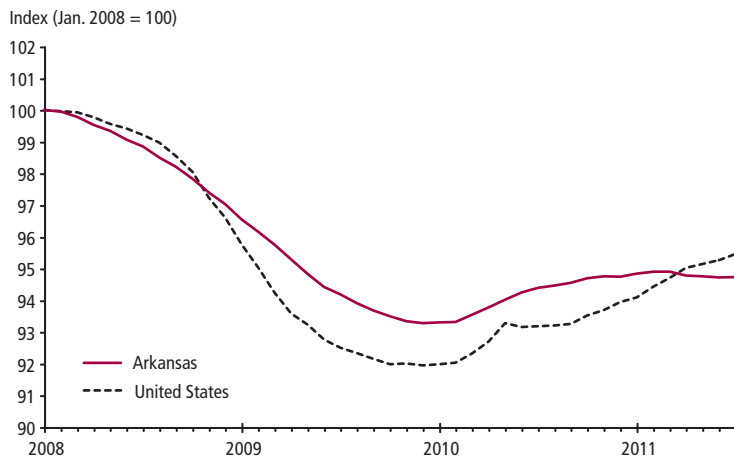
Little Rock’s recession-related decline in employment, which was centered near January 2009, was milder than the nation’s decline. Additionally, the recovery started earlier in Little Rock, where the first increase in employment was observed in December 2009. This recovery, however, was more volatile than the nation’s during 2010 and 2011. In the past three months, Little Rock’s employment contracted at an average rate of 0.4 percent per month, while national employment grew at an average rate of 0.1 percent per month.

Little Rock MSA Employment Growth by Sector Year/Year Percent Change, July 2010–July 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 0.1 percent in this MSA with respect to one year ago, while employment increased by 0.9 percent for the United States. The three largest sectors in Little Rock are Government; Trade, Transportation, and Utilities; and Education and Health, accounting for 20 percent, 19 percent, and 15 percent of employment, respectively. Growth in these three sectors was –2.2 percent, –1.1 percent, and –2.0 percent, respectively. In summary, the figure shows that while half of the sectors exhibited positive or neutral growth, the three largest sectors uniformly declined at significant rates. The Natural Resources, Mining, and Construction sector, which accounts for 6 percent of employment, had the best performance in Little Rock (5.6 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 91.9 for the United States. 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 Arkansas. The current values of the index are 94.7 for Arkansas and 95.5 for the nation.

Little Rock Zone—MSA Employment and Unemployment

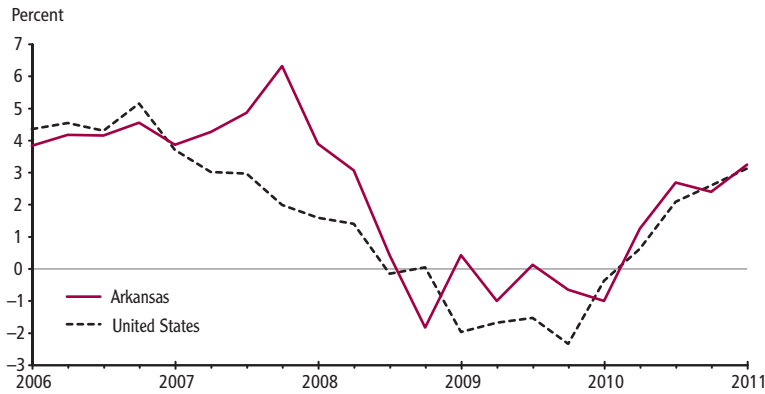
	Nonfarm payroll employment percent change, July 2010–July 2011			Unemployment rate July 2011
	Total	Goods producing	Service providing	
Little Rock	–0.15	1.58	–0.37	7.1
Fayetteville-Springdale-Rogers, Ark.	–0.30	–3.48	0.43	6.5
Fort Smith, Ark.	0.43	–0.68	0.81	8.3
Texarkana, Ark.-Tex.	–1.26	3.17	–1.83	7.9
United States	0.92	1.66	1.68	9.1

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 total employment in three of its four MSAs, with the greatest decline registered in the Texarkana MSA. In the Little Rock MSA, the overall decline in employment was driven by employment losses in service-providing activities, which offset gains in goods-producing activities. The contraction in employment in the Little Rock zone contrasts with its low unemployment level, relative to the nation. The highest unemployment rate in the Little Rock zone was 8.3 percent, registered in the Fort Smith MSA. This rate was 0.8 percentage points lower than the 9.1 percent rate registered for the United States.

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 Arkansas's personal income was milder and the recovery has been roughly similar to that of the nation. Between the first quarter of 2010 and the first quarter of 2011, personal income grew 3.2 percent in Arkansas and 3.1 percent in the nation.

Little Rock Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q2/2010:Q2
	July 2011	Percent change	
Little Rock	2,113	0.5	-2.7
Fayetteville-Springdale-Rogers, Ark.	679	-13.8	-5.0
Fort Smith, Ark.	307	-24.6	0.4
Hot Springs, Ark.	17	-34.6	4.3
Pine Bluff, Ark.	48	-40.7	-1.0
Texarkana, Ark.-Tex.	224	44.5	4.3
United States	346,452	-4.9	-4.5

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

Housing activity in the Little Rock zone has been 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 four of the six MSAs. The largest declines in issued building permits were observed in Pine Bluff (-40.7 percent) and Hot Springs (-34.6 percent). In contrast, Little Rock and Texarkana experienced increases of 0.5 percent and 44.5 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 4.9 percent. House price performance was mixed for the zone's MSAs in 2011:Q2, with half of the MSAs experiencing gains and half of the MSAs experiencing losses. House price declines were generally less severe than the 4.5 percent decline for the United States. The greatest increase in house prices was registered in both Texarkana and Hot Springs (4.3 percent), while the greatest decline was registered in the Fayetteville MSA (-5.0 percent).