

# **Current Economic Conditions in the Eighth Federal Reserve District**

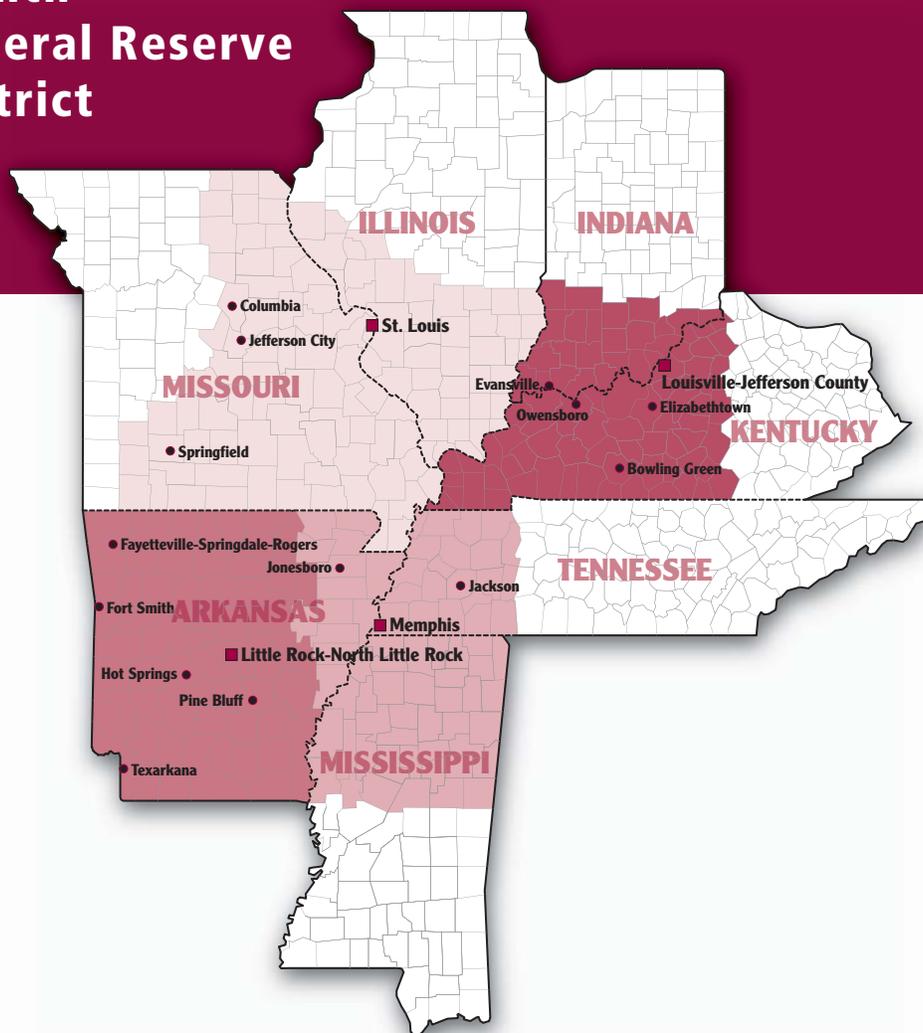
## **Little Rock Zone**

March 23, 2012

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/](https://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.

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# Little Rock Zone Report—March 23, 2012

The most recent data at the time of publication show that Little Rock is performing better than the nation in terms of short-run employment growth, the unemployment rate, and to a certain extent annual house price growth. The zone's performance in terms of annual 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 January 2012, Little Rock's nonfarm payroll employment was 1.0 percent higher than one year before, while national employment was 1.6 percent higher.

## Short-Term Changes in Employment

Between November 2011 and January 2012, Little Rock's local employment increased at an average rate of 0.4 percent per month, while national employment increased at an average rate of 0.2 percent per month.

## Unemployment Rate

In Little Rock, the unemployment rate decreased, from 7.3 percent in October 2011 to 6.9 percent in December 2011. The unemployment rate for Little Rock continues to be well below the 8.5 percent rate registered for the nation.

## Building Permits

The number of building permits issued in the Little Rock zone at the beginning of 2012 was 57.9 percent lower than the number issued at the beginning of 2011. This contrasts sharply with the 28.6 percent increase registered for the nation during the same period.

## House Prices

At the close of the fourth quarter, house prices were 0.2 percent higher in the Little Rock zone than they were at the same time last year. In contrast, house prices for the nation decreased by 3 percent. In addition, Little Rock's modest growth was markedly better than the average performance of the other MSAs within the zone.

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## Anecdotal Information from the Beige Book

### Agriculture and Natural Resources

- Year-to-date coal production (by early March) in Arkansas was 60 percent lower relative to the same period in 2011.
- The overall value of field crops in Arkansas rose by 19 percent from 2010 to 2011.
- Prices for most of the major crops in the zone increased from 2010 to 2011: The increases ranged from a 10 percent rise in soybean prices to a 43 percent rise in sorghum prices.
- The majority of crop values also increased in that same period: Hay posted the smallest rise (3 percent) while winter wheat posted the highest rise (420 percent). Meanwhile, rice posted a 19 percent decline in value.

### Car Dealers

- January and early February sales increased compared with the same time last year for 2 in 3 contacts; sales were unchanged for the remainder of contacts.
- All contacts expected sales to increase in March and April when compared with the same time last year.

### Construction

- Contacts in central Arkansas reported increased bidding in commercial construction projects and noted that the public sector has been a major contributor to construction activity in the area.
- A contact in Little Rock noted that the milder winter weather has improved new construction activity, while a contact in northwest Arkansas noted limited new office space construction.

## General Retailers

- January and early February sales increased compared with the same time last year for 1 in 2 contacts; sales decreased for 1 in 3 contacts.
- Sales met or exceeded expectations for most contacts.
- Sales were expected to increase in March and April when compared with the same time last year for 5 in 6 contacts; the remaining contacts expected a decrease.

## Manufacturing

- Industrial gas, primary metal, clothing, tortilla, and bean processing contacts plan to expand operations and hire new workers. Some contacts in speaker components and soft drinks plan to lay off workers and/or close plants.

## Real Estate

- Contacts in Little Rock noted commercial office and retail space real estate activity increased compared with last year.

## Services

- Some freight transportation and business support contacts plan to lay off workers and/or close plants.

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# Detailed Indicators: Employment, Unemployment, Personal Income, and General Economic Activity

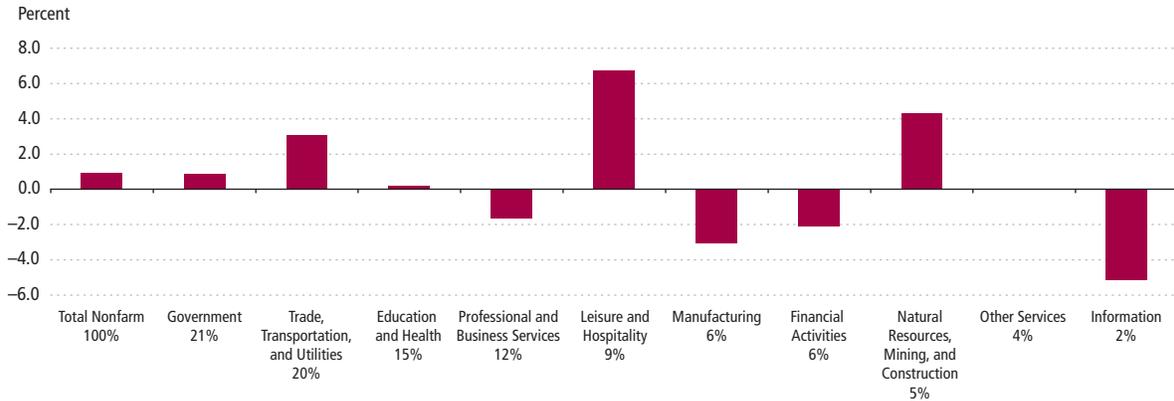
## Nonfarm Payroll Employment Growth—Little Rock MSA



NOTE: 3-Month moving average, seasonally adjusted, January 2006–January 2012.  
SOURCE: Bureau of Labor Statistics.

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, has been substantially less steady than the nation's during 2010 and 2011 and included large swings from one quarter to the next. Between November 2011 and January 2012, Little Rock's employment grew at an average rate of 0.4 percent per month, while national employment grew at an average rate of 0.2 percent per month.

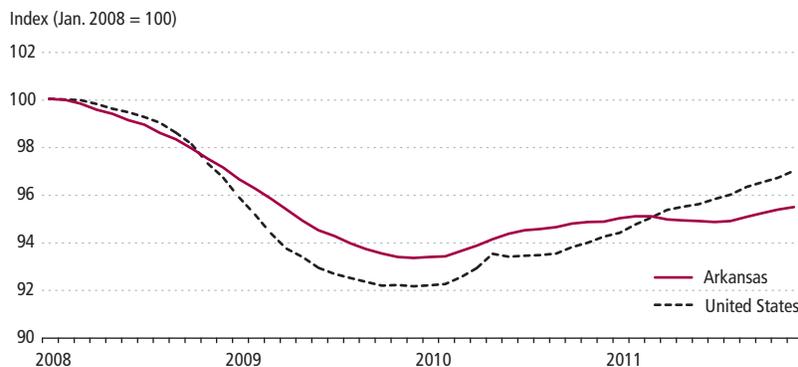
## Employment Growth by Sector—Little Rock MSA



NOTE: Percent change with respect to one year ago, January 2011–January 2012.  
SOURCE: Bureau of Labor Statistics.

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 percent in this MSA with respect to one year ago, while national employment increased by 1.6 percent. The three largest sectors in Little Rock are Government; Trade, Transportation, and Utilities; and Education and Health, accounting for 21 percent, 20 percent, and 15 percent of employment, respectively. Growth in these three sectors was 0.9 percent, 3.1 percent, and 0.2 percent, respectively. The Leisure and Hospitality sector, which accounts for 9.0 percent of employment, had the best performance in Little Rock (6.7 percent growth).

## Coincident Economic Activity Index—Arkansas



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 at the state level. The coincident indexes show a milder impact of the recession and an earlier start of the recovery in Arkansas compared with the nation. The index reached its lowest point at 93.3 for Arkansas and at 92.1 for the nation. However, this year’s behavior of the indexes reveals that Arkansas’s recovery may have slowed down with respect to the nation’s. As a consequence of this slowdown, the nation is currently closer to reaching pre-recession levels of activity than Arkansas. The current values of the index are 95.5 for Arkansas and 97.0 for the nation.

## Employment and Unemployment by MSA

	Nonfarm payroll employment percent change, January 2011–January 2012			Unemployment rate December 2011
	Total	Goods producing	Service providing	
Little Rock, Ark.	0.96	0.28	1.04	6.9
Fayetteville-Springdale-Rogers, Ark.	2.11	−0.57	2.69	6.4
Fort Smith, Ark.	−5.57	−7.69	−4.91	8.3
Texarkana, Ark.-Tex.	2.31	1.59	2.40	7.3
United States	1.55	2.53	1.40	8.5

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 this table.  
SOURCE: Bureau of Labor Statistics.

During the past 12 months, the Little Rock zone experienced an expansion of employment in three of its four MSAs, with the greatest increase registered in Texarkana. For the three MSAs exhibiting positive employment growth, the overall increase was driven by employment gains in service-providing activities. Since the previous Burgundy Book report, unemployment rates have fallen for every MSA in the Little Rock zone as well as the nation. The highest unemployment rate in the Little Rock zone was 8.3 percent, registered in the Fort Smith MSA. This rate was 0.2 percentage points lower than the 8.5 percent rate registered for the nation.

## Real Personal Income Growth—Arkansas



NOTE: Percent change with respect to previous 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 at the national level, while the speed of the Arkansas recovery was roughly similar to the nation's. However, between the third quarter of 2010 and the third quarter of 2011, personal income has fallen by 0.7 percent in Arkansas and increased by 1.2 percent in the nation.

## Residential Real Estate Activity by MSA

	Total building permits, units year-to-date		House price index, percent change, 2011:Q4/2010:Q4
	January 2012	Percent change	
<b>Little Rock, Ark.</b>	<b>117</b>	<b>-57.9</b>	<b>0.2</b>
Fayetteville-Springdale-Rogers, Ark.	107	3.9	-2.4
Fort Smith, Ark.	32	3.2	-1.2
Hot Springs, Ark.	4	0.0	-2.1
Pine Bluff, Ark.	0	-100.0	-3.8
Texarkana, Ark.-Tex.	16	100.0	1.0
United States	46,278	28.6	-3.0

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

The beginning of 2012 has not been remarkable for real estate activity in the Little Rock zone. The number of building permits issued at the beginning of 2012 remains low in all MSAs and there have been no permits issued yet in Pine Bluff. The number of permits issued in Little Rock during January was down 57.9 percent with respect to January of last year. At the close of December 2011, house prices were down with respect to the previous year in most of the zone's MSAs. Two-thirds of the MSAs experienced losses and one-third of the MSAs experienced mild gains. House price declines were generally less severe than the 3.0 percent decline for the nation. The greatest increase in house prices was registered in Texarkana (1.0 percent), while the greatest decline was registered in Pine Bluff (3.8 percent).