

Current Economic Conditions in the Eighth Federal Reserve District

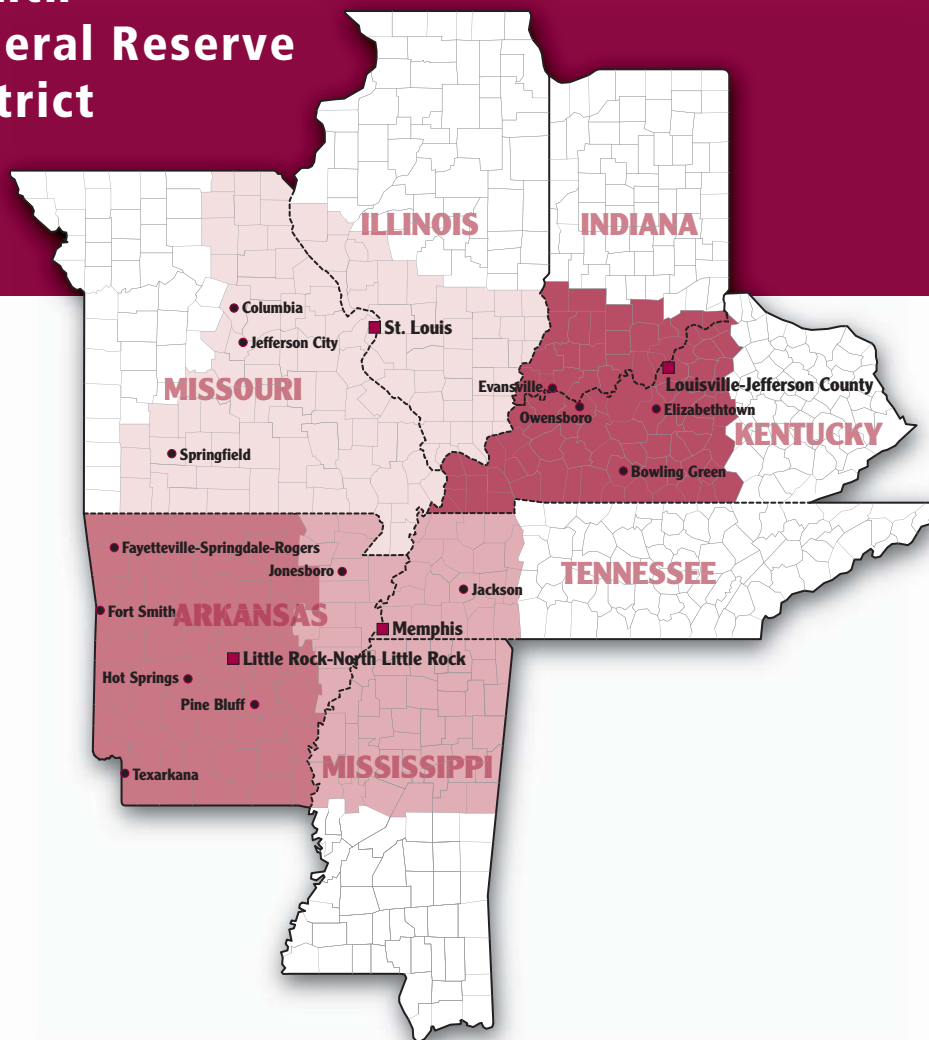
Little Rock Zone

June 22, 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/.

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.

For more information, please contact the Little Rock office:

Robert A. Hopkins, 501-324-8200, robert.hopkins@stls.frb.org

Economist:

Alejandro Badel, 314-444-8712, alejandrobadel@stls.frb.org

Little Rock Zone Report—June 22, 2012

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. However, the zone's performance has slipped below that of the nation in terms of annual employment growth, short-run employment growth, and the issuance of building permits. The following five points illustrate this assessment:

Annual Changes in Employment: By the end of April, Little Rock's nonfarm payroll employment was 1.2 percent lower than one year before, while national employment was 1.3 percent higher than last year.

Short-Term Changes in Employment: Between February 2012 and April 2012, Little Rock's local employment decreased by an average rate of 0.5 percent per month, while employment 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 decreased from 6.8 percent in January 2012 to 6.6 percent in April 2012. The unemployment rate for Little Rock continues to be well below the 8.1 percent rate registered for the nation.

Building Permits: The number of building permits issued in the Little Rock zone a third of the way into 2012 was 26.0 percent lower than the number issued over the same time period in 2011. This contrasts sharply with the 30.1 percent increase registered for the nation.

House Prices: At the close of the first quarter, housing prices were 0.9 percent higher in the Little Rock zone compared with the same time last year. In contrast, house prices for the nation decreased by 1.4 percent. In addition, Little Rock's modest growth was lower than half of the MSAs within the zone.

Anecdotal Information from the Beige Book

Agriculture and Natural Resources

- Year-to-date coal production (by early June) in Arkansas was 58.5 percent lower compared with the same period last year.
- Arkansas completed more than 97 percent of cotton, sorghum, and soybean planting by early June, while rice planting was completed in mid-May. Rates of completion were all higher than their 5-year average rates.
- In Arkansas, 95 percent of the winter wheat crop and 43 percent of pasture land were rated as fair or better in early June.

Car Dealers

- April and early May sales increased compared with the same time last year for two of three contacts; the remaining contacts reported declines.
- Sales were expected to increase in June and July when compared with the same time last year for five of six contacts; the remaining contacts expected no change in sales.

Construction

- A contact in Pine Bluff, Arkansas, reported new large-scale commercial construction plans in the public sector.
- A contact in central Arkansas noted that there are new high-end multifamily construction plans in North Little Rock, and this contact also reported a concern that older apartment units would experience downward pressure on rents due to the increased housing supply.

General Retail

- April and early May sales increased compared with the same time last year for one of three contacts; sales were flat for one of two contacts; sales decreased for the remaining contacts.
- Sales met or exceeded expectations for one of three contacts; sales were below expectations for the remaining contacts.

- Sales were expected to increase in June and July when compared with the same time last year for five of six contacts; the remaining contacts expect sales to remain constant.

Manufacturing

- Contacts in pipe, poultry processing, all-terrain vehicles, construction machinery, and nuclear energy equipment manufacturing plan to hire new workers while expanding operations or opening new plants. In contrast, contacts in paper product manufacturing and printing plan to lay off workers while reducing operations or closing plants.

Real Estate

- Contacts in Little Rock reported strong multi-family real estate activity due to the active participation of private investors, REITs, public and private pension funds, wealthy individuals, and families.

- A contact in Arkansas reported that there are ample positive developments in the office real estate market: longer lease commitments and renovation of existing facilities.
- A contact in Arkansas reported that the industrial real estate market is holding ample inventories.

Services

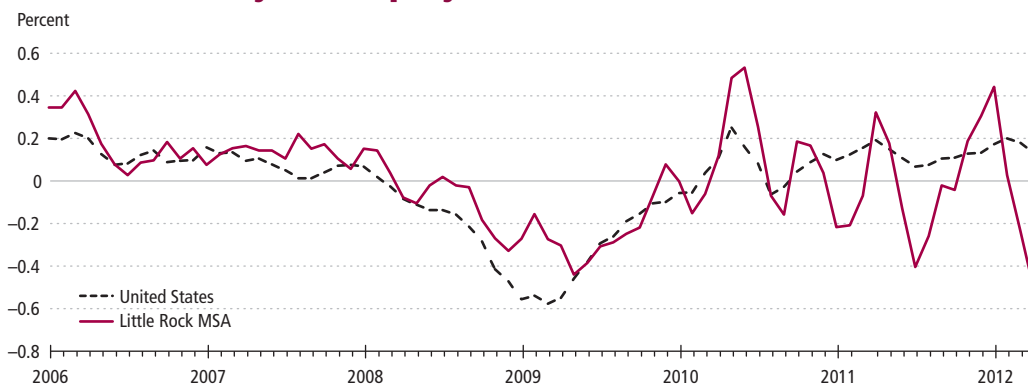
- A software development services contact plans to expand operations and hire new workers.

Banking and Finance

- Three of eight contacts expect loan demand to increase; the remaining contacts expect loan demand to stay the same.
- One of four contacts finds that loan delinquencies are improving; half of contacts find loan delinquencies are staying about the same; the remaining contacts find that loan delinquencies are getting worse.

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

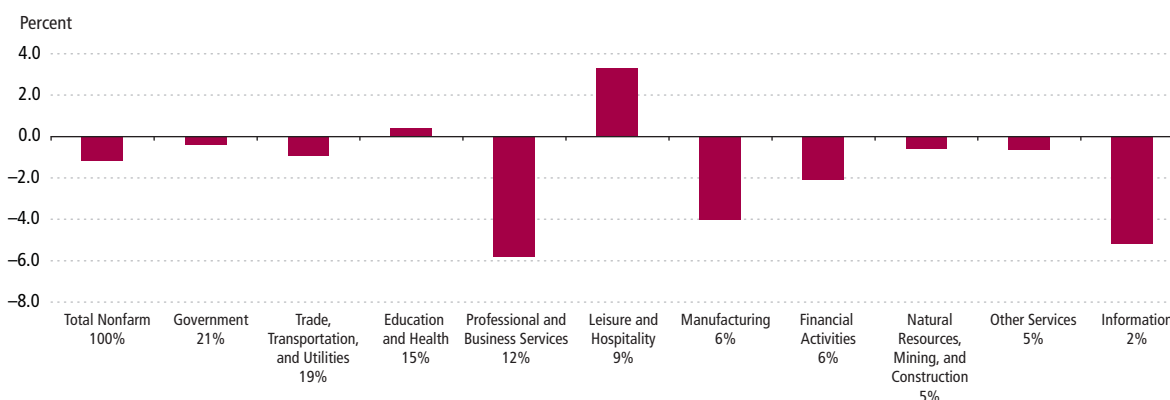
Nonfarm Payroll Employment Growth—Little Rock MSA



NOTE: 3-Month moving average, seasonally adjusted, January 2006–April 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, featuring large swings from one quarter to the next. Between February and April 2012, Little Rock’s employment contracted at an average rate of 0.5 percent per month, while national employment grew at an average rate of 0.1 percent per month.

Employment Growth by Sector—Little Rock MSA



NOTE: Percent change with respect to one year ago, April 2011–April 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 decreased by 1.2 percent in this MSA with respect to one year ago, while national employment increased by 1.3 percent. 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 –0.4 percent, –0.9 percent, and 0.4 percent, respectively. The Leisure and Hospitality sector, which accounts for 9 percent of employment, had the best performance in Little Rock (3.3 percent growth). The Professional and Business Services sector (12 percent of employment) posted the worst performance for the MSA with a 5.8 percent contraction.

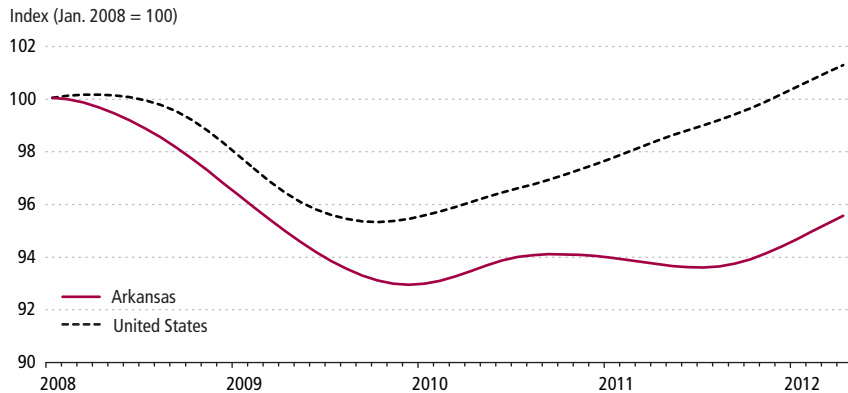
Employment and Unemployment by MSA

	Nonfarm payroll employment percent change, April 2011–April 2012			Unemployment rate April 2012
	Total	Goods producing	Service providing	
Little Rock, Ark.	–1.20	–2.45	–1.05	6.6
Fayetteville-Springdale-Rogers, Ark.	3.08	–2.79	4.33	5.6
Fort Smith, Ark.	–4.84	–6.91	–4.19	7.7
Texarkana, Ark.-Tex.	1.92	–1.54	2.36	6.7
United States	1.29	1.89	1.20	8.1

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 this table.
SOURCE: Bureau of Labor Statistics.

During the past 12 months, the Little Rock zone experienced mixed growth of employment across its MSAs. Half of the MSAs experienced positive total employment growth with gains driven by service-providing industries. All of the Little Rock zone’s MSAs exhibited negative employment growth for goods-producing industries. The Fort Smith MSA exhibited the largest drop in total employment as well as for both goods-producing and service-providing sectors individually. Unemployment rates have fallen for a second consecutive quarter for all of the zone MSAs as well as the nation. The highest unemployment rate in the Little Rock zone was 7.7 percent, registered in the Fort Smith MSA. This rate was 0.4 percentage points lower than the 8.1 percent rate registered for the nation.

Coincident Economic Activity Index—Arkansas

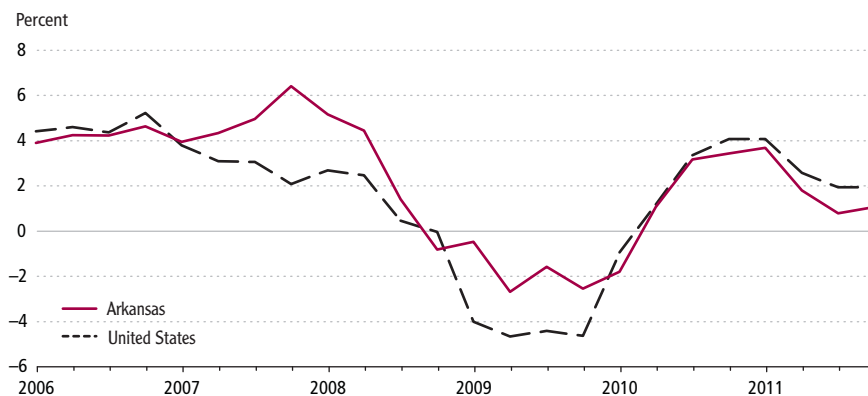


SOURCE: Federal Reserve Bank of Philadelphia.

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 index values during the recession show that, at their lowest points, the economic activity levels in Arkansas and the nation were at 92.9 percent and 95.3 percent of their pre-recession levels, respectively. While the nation has exceeded pre-recession levels of economic activity, Arkansas remains well below its own pre-recession value. On the upside, the index growth has accelerated in 2012 for Arkansas and levels have returned to 2009 values. The current values of the index are 95.5 percent for Arkansas and 101.2 percent for the nation.

Note: The Federal Reserve Bank of Philadelphia has significantly revised their national coincident economic activity index since our previous publication. Interested readers can view archival versions of the data in the St. Louis Fed's ALFRED database. <http://alfred.stlouisfed.org>. The series ID is USPHCI.

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 recovery was roughly similar to the nation's. However, between the fourth quarter of 2010 and the fourth quarter of 2011, personal income has increased by 1.0 percent in Arkansas and increased by 1.9 percent in the nation.

Residential Real Estate Activity by MSA

	Total building permits, units year-to-date		House price index, percent change, 2012:Q1/2011:Q1
	April 2012	Percent change	
Little Rock, Ark.	734	-26.0	0.9
Fayetteville-Springdale-Rogers, Ark.	493	34.7	-0.3
Fort Smith, Ark.	115	-40.4	0.7
Hot Springs, Ark.	13	8.3	6.6
Pine Bluff, Ark.	43	126.3	3.8
Texarkana, Ark.-Tex.	57	46.2	2.7
United States	230,165	30.1	-1.4

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

Building permit activity has markedly improved early in the second quarter. Authorized permits are higher year-over-year for Fayetteville, Hot Springs, Pine Bluff, and Texarkana. In contrast, the level of building permits in Little Rock and Fort Smith were 26 percent and 40 percent lower than the same time last year, respectively. At the close of March, house prices were up or nearly unchanged with respect to the previous year in most of the zone's MSAs. Half of the MSAs experienced solid gains, while the other half had close to zero growth. House price movements in the zone were better than the 1.4 percent decline exhibited by the nation. The greatest increase in house prices was registered in Hot Springs (6.6 percent), while the greatest decline was registered in Fayetteville (0.3 percent).