

LITTLE ROCK REGIONAL ECONOMY IN 2022



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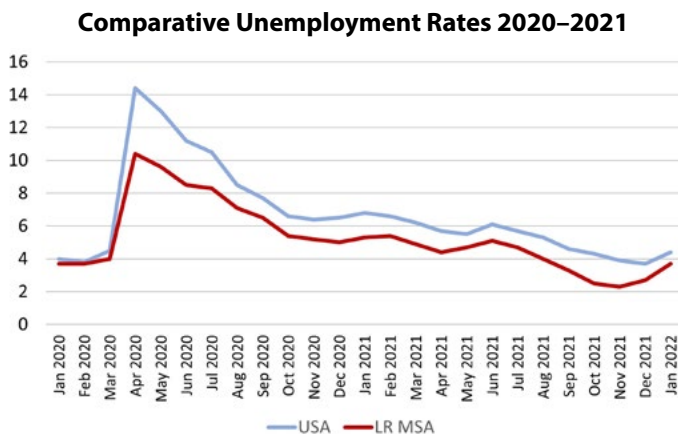
April, 2022

The regional economy continues to recover from the Covid-19 pandemic. Total regional employment was 365,700 in January 2022, about 1,100 lower than its pre-pandemic peak in January 2020. While recovering, local job growth is running at a slightly slower pace than the U.S. average.



Source: U.S. Bureau of Labor Statistics. Index and local seasonal adjustment by Metroplan.

Local unemployment was, by January 2022, down to 3.7 percent for the Little Rock region.¹ This matches January of 2020, just before the pandemic hit. It is lower than the U.S. rate of 4 percent in January 2022. However, the available local labor force remains smaller by about 2 percent, (6,000 potential workers) than it was pre-pandemic. Childcare demands have held many women out of the labor force during the crisis. Some older workers have retired early, while others—particularly those with health risks—have held out from the job market. Anecdotal evidence speaks of diminished willingness to hold jobs.



Figures not seasonally adjusted. Source: U.S. Bureau of Labor Statistics.

¹ U.S. Bureau of Labor Statistics.



I-30 reconstruction continues in downtown Little Rock. Demolition of the 6th Street overpass. Photo: Kelie Wylie and ARDOT.

DURING COVID-19 PEAK
THE LITTLE ROCK
UNEMPLOYMENT RATE
IN APRIL 2020
WAS **11.6%**

CURRENT LOCAL
UNEMPLOYMENT ↓
IS **3.7%**

CURRENT
U.S. UNEMPLOYMENT
IS **4.0%**



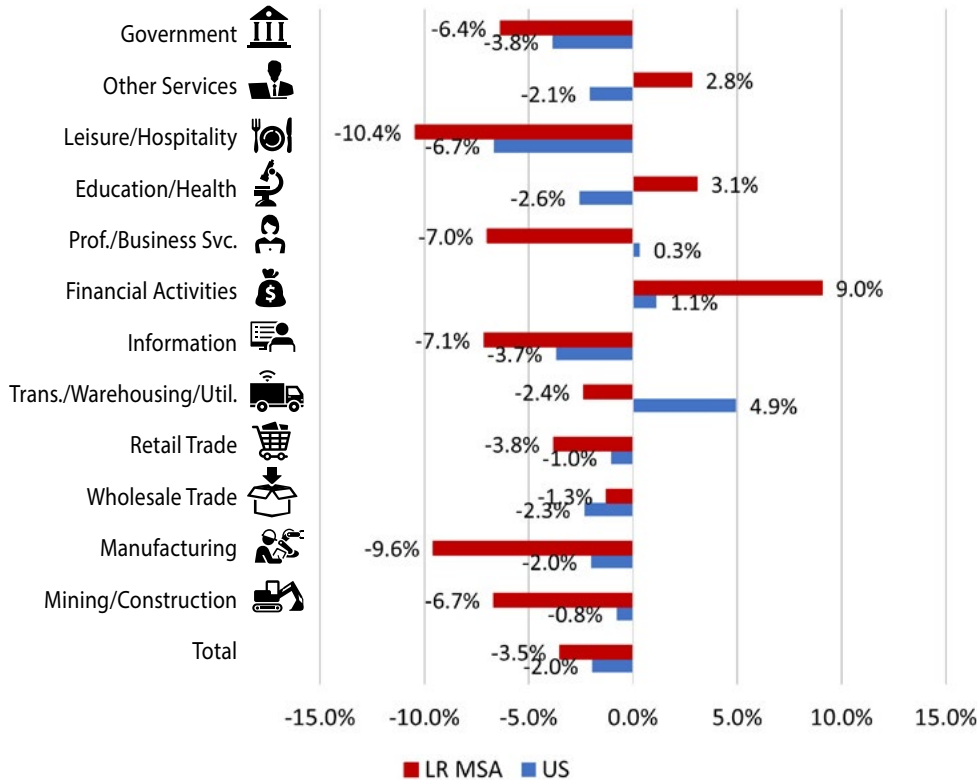
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It has now been two years since Covid-19 upended economic activity. The chart below compares job change by industry for the U.S. and the Little Rock MSA in the past two years. Despite losses in most industries during this difficult period, U.S. warehousing jobs grew rapidly during the pandemic—up 18 percent from 2019 to 2021. Central Arkansas saw net job loss in this sector but may reverse the trend soon. Two brand-new large local Amazon warehouse / fulfillment facilities are staffing up, and additional businesses have recently announced new warehouses or are eyeing the region.



Visible imprint of financial sector growth: the new Bank OZK headquarters in Little Rock. Photo: polkstanleywilcox.com/project/bank-ozk-headquarters-2020

Job Change by Industry November 2019 to November 2021



Source: U.S. Bureau of Labor Statistics.



Restaurants are thriving as customers return. Photo: [facebook.com/grumpyrabbitlonoke](https://www.facebook.com/grumpyrabbitlonoke)

Central Arkansas jobs out-grew the U.S. average over the 2019-2021 period in three sectors: Other Services, Education/Health, and above all, Financial Activities. The region's finance sector has been the most reliable provider of job growth over the past decade and correlates with a promising niche in fintech.² The region's above-average performance in the financial sector also helps explain its above-average emphasis in the promising cyber-security field.

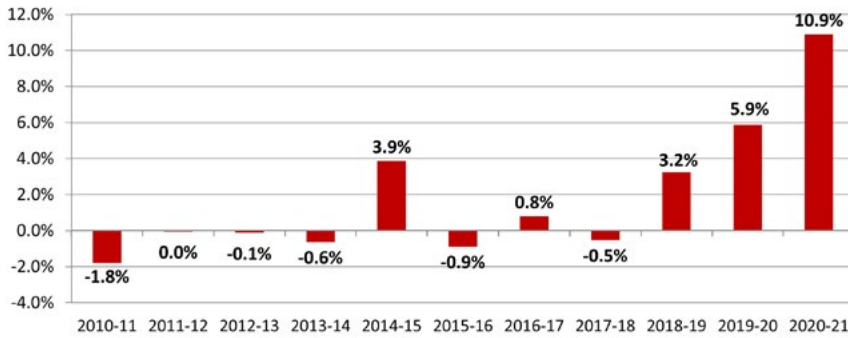
Regional retail sales were strong in 2021, up 10.9 percent in 2021, pumped upward by federal stimulus spending. Retail sales might lose some ground in 2022 as the effects of federal stimulus wear off.

Financial sector job growth in Central Arkansas 2019–2021:

↑9%

² Further background can be found in Metroplan's *Economic Review and Outlook* newsletters for 2021 and 2019 at <http://www.metroplan.org>.

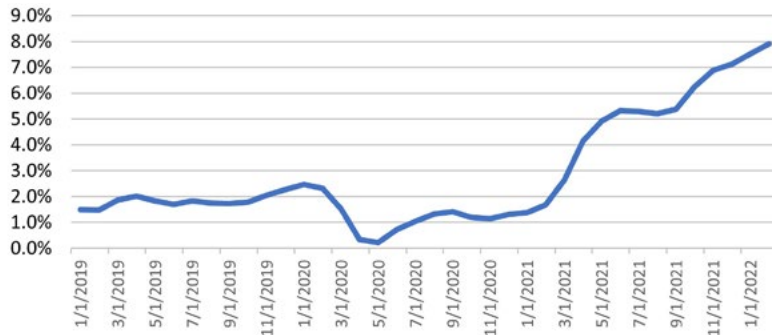
Little Rock Regional Retail Sales 2010–2021
Annual Percent Change, Inflation-Adjusted



After three very good years retail sales may be due for a correction.

Inflation has re-emerged in the U.S. economy, reaching 7.9 percent in February 2022. Today's inflation correlates with federal fiscal stimulus in 2020 and 2021, which propped up consumer spending while supply remained constrained by pandemic conditions. Businesses are hiking prices to confront challenges like labor shortage, transportation bottlenecks, and uncertainty about zigzagging demand from the ebbs and flows of pandemic waves.

Year-over-Year Inflation 2019–early 2022



Grocery prices make inflation feel personal.

The war in Ukraine has impacted global trading trends, especially in commodities like natural gas and oil. The Little Rock region is an energy importer although it has linkages to industries that might benefit from higher energy prices.

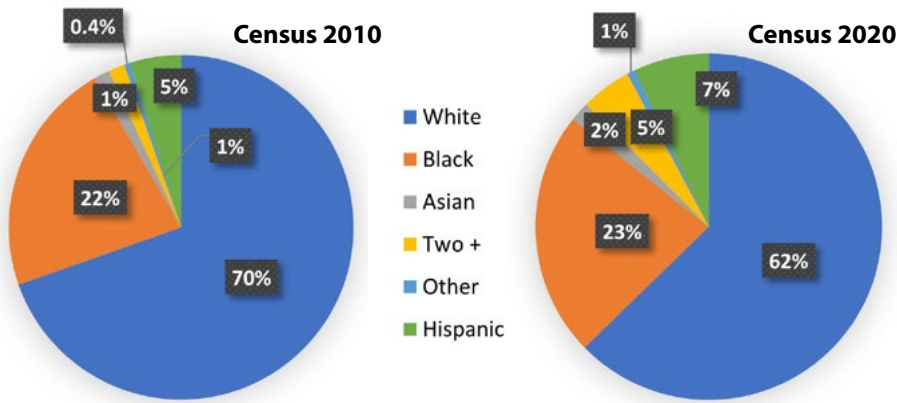
Nearly two years into the Covid-19 pandemic, the region—like the country—continues experiencing illness and death. Mortality in Pulaski County remains slightly above the U.S. average but well below the state average. However, deaths have continued climbing. By March of 2022 the Little Rock MSA had lost about 2,100 lives to the pandemic, and the bulk of deaths have come in the period after widespread vaccination was available. The gap in public health education about vaccines has cost lives. The correlation between vaccination and lower mortality is beyond dispute. The state's rural counties, with their lower vaccination rates, have suffered death rates about 50 percent higher than Pulaski County and U.S. averages.



Vaccinations safeguard against serious illness and death.

Region	Population	Deaths	Deaths / 100,000
Pulaski County	397,821	1,172	294.6
Little Rock MSA	750,936	2,156	287.1
Arkansas Total	3,025,891	11,308	373.7
Arkansas (rural)	1,096,501	5,059	461.4
United States	331,893,745	968,839	291.9

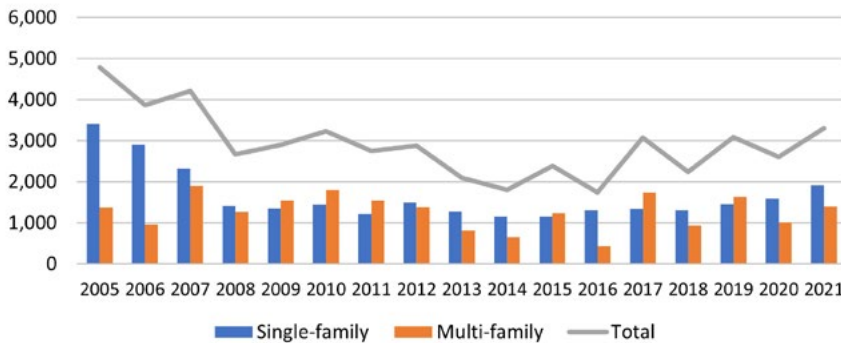
Arkansas Department of Health and U.S. Centers for Disease Control as of April 11, 2022, and Census Bureau population estimates for 7/1/2021.



Census 2020 results revealed a region which continues growing slowly and diversifying its ethnic makeup. The region gained about 48,000 persons over the 2010 census, reaching a population of 748,031. The Black non-Hispanic population increased by 11 percent, today accounting for about 23 percent of regional population. White non-Hispanic population declined 3.7 percent, and now accounts for about 63 percent of the region – smaller than in 2010 but a higher share of total population than the national average (58 percent). The fastest growth was among Hispanics (up 57 percent), persons of two or more races, and Asians. While ethnic diversity remains greatest in Pulaski County, nonwhite population grew fastest in Saline County followed by other suburban counties.⁴

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Little Rock MSA Housing Unit Permits 2005–2021



Single-family homes in the region are a bargain by national standards.

Construction continues adding housing to the market. During 2021 the region gave permits to 3,306 total housing units, its fastest housing growth since 2007. This included 1,908 new single-family housing units, also the most since 2007. Like the rest of the country, the region has seen a surge in single-family housing construction. With more people working from home, and remote work becoming more common, there is a push toward upgrading private residences.

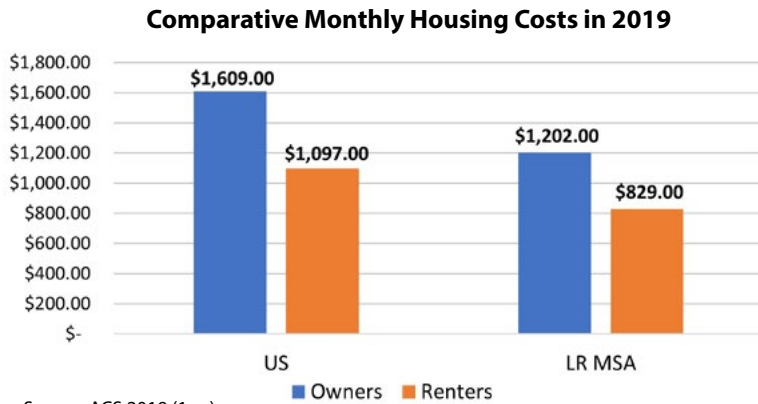
Multi-family construction continued, with 1,398 new units in 2021. This was not a record performance but runs a little above average over the past ten years. Multi-family has accounted for about 44 percent of total regional new housing units over the past decade. Multi-family currently accounts for about 22 percent of regional housing, up somewhat from 20 percent in 2010.⁵ The rising share of multi-family housing correlates with rising population density and housing affordability challenges for many residents.



Multi-family now accounts for 22 percent of regional housing.

⁴ For further insights on Census 2020, see *Metrotrends 2021 Demographic Review and Outlook*, at <http://www.metroplan.org>.
⁵ ACS 2019 and ACS 2010 for Little Rock MSA, one-year versions.

Although housing construction has not yet regained unsustainable boom levels from the 2005-2007 period, regional housing construction has picked up since about 2017. Monthly housing costs for owners and renters in the Little Rock MSA run at just 75 percent of the U.S. average, conferring a major cost-of-living advantage. The region's housing affordability advantage could become a significant boost to overall regional growth in a post-Covid-19 economy, in which many modern workers have less need to be located close to job centers in expensive coastal cities.



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Between vaccination and viral contagion, a large share of the population now has at least some immunity to Covid-19.

Looking Forward

The future of the pandemic and the train of international events are the critical economic questions for 2022 and 2023. Covid-19 will probably become endemic, i.e., widely present but less potent, as many viruses behave over longer-term exposure to human populations.⁶ Between vaccination and viral contagion, a large share of the population now has at least some immunity to Covid-19. Renewed risks from mutant strains cannot be ruled out. Vaccination and rapid testing will remain the best tools, and public education the best means for amplifying them.

The international situation has been complicated by war in Ukraine. The embargoes imposed on Russia will have little impact on most economic activity, since Russia accounts for only 2 percent of global GDP. Russia is, however, a major exporter of commodities and accounts for about 10 percent of global oil production. Oil prices have so far risen about 18 percent since the invasion began.⁷ The Central Arkansas region has some economic linkages to the oil and gas industries. Rising energy prices might be offset by some favorable shifts in local economic sectors due to this war.

Labor shortage is an emerging reality for employers in the post-pandemic economy. The pandemic disrupted the labor force, but underlying demographics will probably constrain labor force growth into the future. Employers need long-term strategies to attract and keep workers on the one hand, or to find autonomous technologies to replace absent workers looking forward.



Workers are harder to find and keep these days.

⁶ *The World Ahead in 2022*, the Economist November 2021, 16.

⁷ U.S. Energy Information Administration, consulted March 9, 2022.

Following a brief recession in the second quarter of 2020, U.S. economic growth was robust in 2021. GDP growth from 2020 to 2021 was 5.7 percent, the country's fastest since the early 1980s. It will slow in 2022. Inflation will be the key wild card for the year ahead. To tamp it down, the Federal Reserve hiked interest rates in March 2022 and will probably raise them several more times during the year. The interaction between rate hikes and price stabilization is not a certain science; recessions have erupted following rate hikes in the past. Many economists are warning that a recession may loom by 2023. Federal stimulus money that boosted economic activity during 2020 and 2021 has dissipated.



Source: U.S. Bureau of Economic Analysis.

Headwinds from inflation, rising interest rates, and the war in Ukraine will probably slow the pace of economic growth over the next year or two.

In a similar vein, retail sales could slow substantially in 2022 compared with their robust performance in 2021, mainly due to withdrawal of federal stimulus. Retail sales will be influenced by vagaries of the ongoing pandemic, as well as the fate of programs like the federal child tax credit, during 2022. Both national and local economies are emerging from a recession in 2020 in better shape than was expected when the tumult began in early 2020. The economy quickly adapted to the worst pandemic in over a century and came out of it growing fast. Headwinds from inflation and the war in Ukraine will probably slow the pace of economic growth over the next year or two. The local area will remain competitive, with a distinct housing cost advantage.



Housing costs in Central Arkansas run 25 percent below the U.S. average for owners as well as renters.



Amazon's new warehouse in eastern North Little Rock is now up and running. The region is likely to see further investment in new warehouse space soon.