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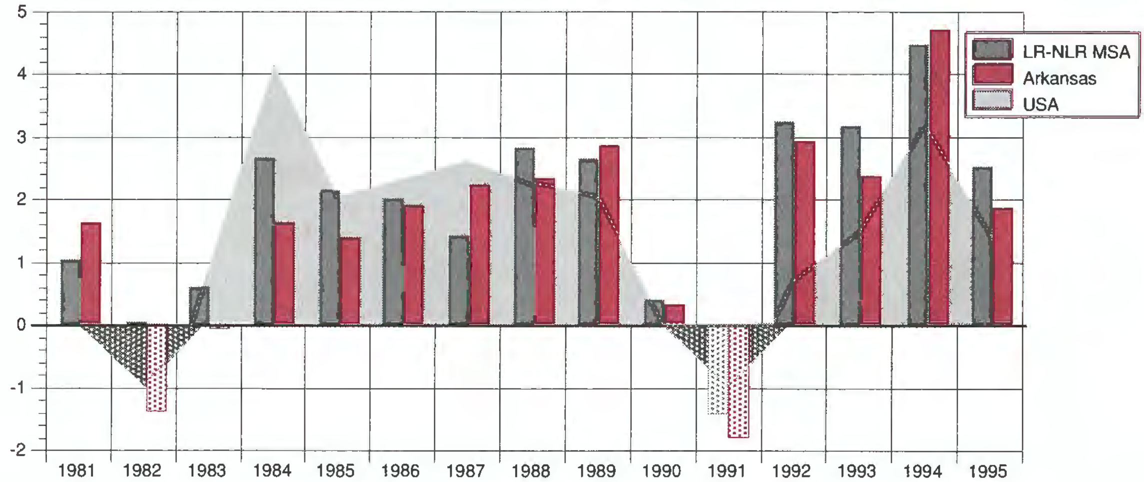
1996 Economic Review and Outlook

The four-county Little Rock-North Little Rock Metropolitan Statistical Area (MSA) has grown robustly since the early 1990's, exceeding the average national growth rate by a considerable margin. This expansive growth breaks with the trend of the 1980's, when regional employment growth lagged behind the national average during most of the decade. During the 1990's growth has occurred in virtually all sectors of the region's economy. In manufacturing and construction the Little Rock-North Little Rock MSA has defied national trends by growing while both sectors lost jobs at the national level.

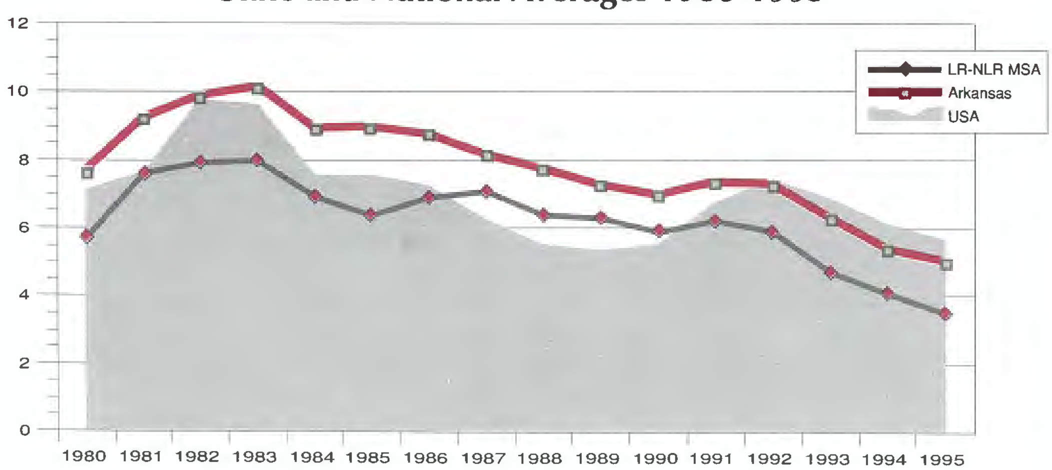
Annual Employment Growth or Decline, 1981-1995



Source: Arkansas Employment Security Department

As shown below, unemployment had dropped by 1995 to its lowest point since before 1980 in the Little Rock-North Little Rock MSA. Heavy demand for workers in the region's diverse economy and a decline in the number of young people entering the labor market are two main reasons for this trend. Demographic factors will probably cause today's labor shortage to continue into the foreseeable future.

Unemployment: Little Rock-North Little Rock MSA versus State and National Averages 1980-1995



Source: Arkansas Employment Security Department

Strength in Numbers: The Economic Diversity of Central Arkansas

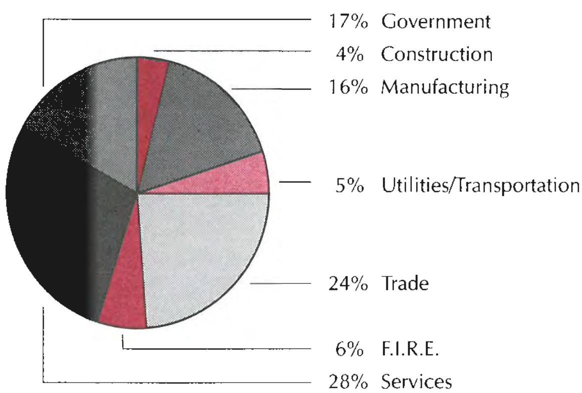
Recent growth in the Little Rock-North Little Rock MSA cannot be explained by a surge in just one or two industries. Instead, the region has experienced growth in all major sectors. The biggest gains were in construction, transportation and services. During 1995 Arkansas job growth ranked eighth in the nation, while state economic growth has averaged 3 percent annually for the last 30 years.[1]

Looking to the future, a major advantage is offered by the Little Rock-North Little Rock MSA's economic diversity. This means the region traces its economic health to a wide variety of businesses. An economic downturn in one sector would not seriously hurt the economy because growth and stability in other sectors would cushion the blow. The charts below and on the facing page compare employment by sector in the region with the nation and several other MSA's.

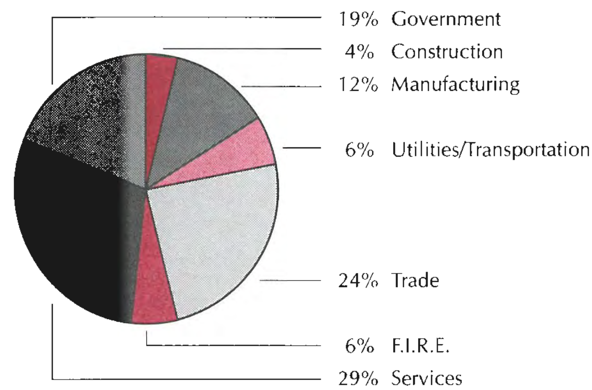
As the charts show, the Little Rock-North Little Rock MSA's employment distribution is strikingly similar to the U.S., with slightly less manufacturing and slightly more governmental employment than the nation. In all other sectors, the difference is about one percent or less. In contrast, the Fayetteville region shows fewer service jobs and much more manufacturing employment than the national average, and other differences. The same is true of Pine Bluff, which shows higher-than-average employment in manufacturing and government.

1995 Employment by Sector

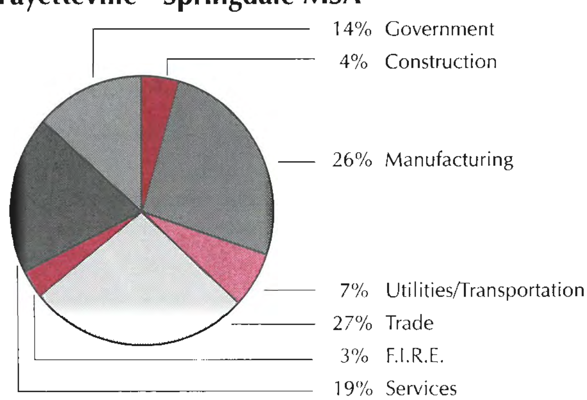
United States



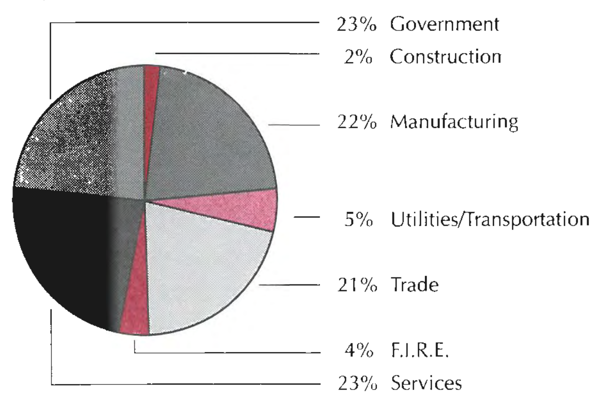
Little Rock-North Little Rock MSA



Fayetteville - Springdale MSA



Pine Bluff MSA



Source: Employment and Earnings, U.S. Bureau of Labor

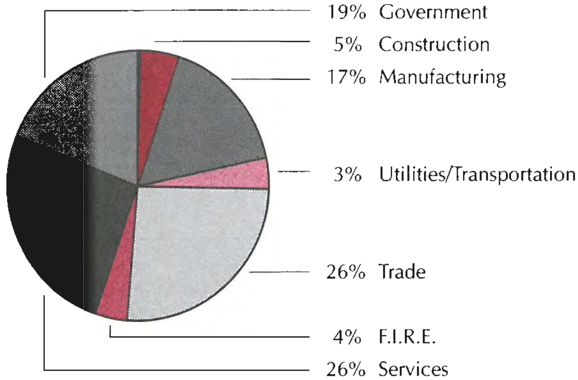
Note: F.I.R.E (Finance, Insurance and Real Estate).

[1] UALR Institute for Economic Advancement, Arkansas Economic Outlook Conference, January 24, 1996.

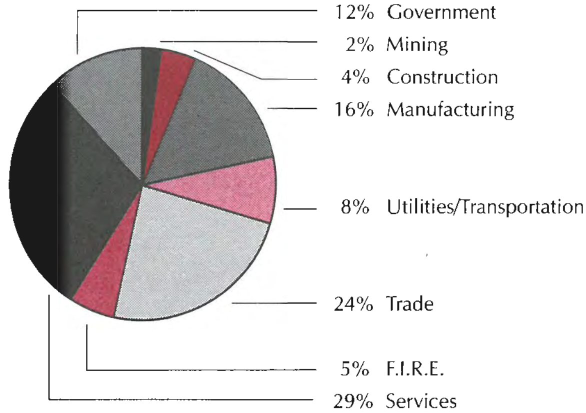
Farther afield, the Austin area shows a higher-than-average share of government employment. Memphis has more employment in utilities, transport and communications than the nation, while Tulsa has much less government employment than the national average. Only Knoxville shows an employment balance that roughly matches the U.S. average and the Little Rock - North Little Rock MSA.

1995 Employment by Sector

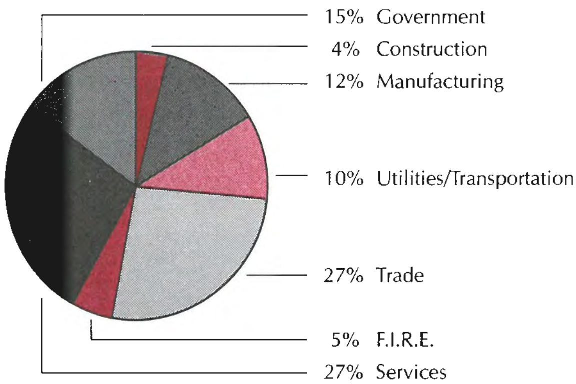
Knoxville MSA



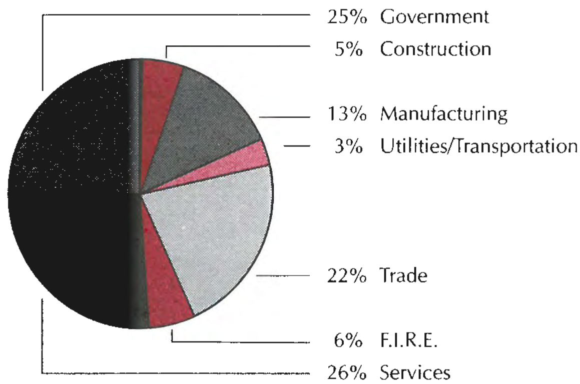
Tulsa MSA



Memphis MSA



Austin MSA



Source: Employment and Earnings, U.S. Bureau of Labor

Note: F.I.R.E (Finance, Insurance and Real Estate).

Employment Analysis 1980 - 1995

	LR-NLR MSA		Arkansas		United States	
	Total Employment	Unemployment (Percent)	Total Employment	Unemployment (Percent)	Total Employment	Unemployment (Percent)
1980	216,400	5.7	924,000	7.6	99,303,000	7.1
1981	218,700	7.6	939,000	9.1	100,397,000	7.6
1982	218,750	7.9	925,000	9.8	99,526,000	9.7
1983	220,025	8.0	924,000	10.1	100,834,000	9.6
1984	225,825	6.9	948,000	8.9	105,005,000	7.5
1985	230,750	6.4	961,000	8.7	107,150,000	7.2
1986	235,400	6.9	979,000	8.7	109,597,000	7.0
1987	238,800	7.1	1,001,000	8.1	112,440,000	6.2
1988	245,550	6.4	1,024,000	7.7	114,968,000	5.5
1989	252,050	6.3	1,053,000	7.2	117,342,000	5.3
1990	255,525	5.8	1,047,800	7.0	118,793,000	5.6
1991	252,275	6.1	1,033,400	7.4	117,718,000	6.8
1992	261,675	6.1	1,069,500	7.3	118,492,000	7.5
1993	265,900	4.9	1,092,900	6.2	120,259,000	6.9
1994	277,500	4.1	1,141,700	5.3	123,060,000	6.1
1995	284,375	3.5	1,163,500	4.9	124,900,000	5.6

Major Expanding Industries: 1993

Company	City	Product or Service	Capital Investment	New Jobs	New or Expanding
Amtran	Conway	Commercial, school bus bodies	$2,100,000	300	E
De Wafelbakkers	North Little Rock	European waffles	$4,000,000	150	N
Virco Mfg.	Conway	Storage cabinets, tables	$3,000,000	150	E
Maverick Transport	North Little Rock	Interstate trucking	$4,100,000	145	E
Molex Inc.	Maumelle	Wire connectors	$5,000,000	100	E
Wheatland Tube	Little Rock	Galvanized fence pipe	$2,000,000	50	E
Spirit Homes Inc.	Conway	Mobile homes	N/A	50	E
Polyvend Inc.	Conway	Vending machines, license plates	N/A	45	E
Tokusen USA Inc.	Conway	Steel tire cord for radial tires	$33,610,000	40	E
Plastic Ingenuity, Inc.	Maumelle	Plastic tubs	$5,000,000	40	N
Other expansions	MSA		$29,850,500	171	
Other new firms	MSA		$22,200,000	87	
TOTAL	**MSA**		**$110,860,500**	**1,328**	

Major Expanding Industries: 1994

Company	City	Product or Service	Capital Investment	New Jobs	New or Expanding
Southwest Airlines	Little Rock	Airline Reservations	$10,000,000	900	N
Systematics	Little Rock	Software design, data processing	$19,129,000	569	E
Alltel	Little Rock	Telecommunications	$20,000,000	300	E
RAM Industries	North Litle Rock	Message Boards	$4,000,000	300	N
Rank Video	North Little Rock	Video tapes	$27,000,000	250	N
AT&T	Little Rock	Computers	$16,900,000	200	E
Odom Sausage	Little Rock	Pork products	$7,725,500	100	E
Leisure Arts Inc.	Little Rock	Craft book publishing	$1,196,000	100	E
Arkansas Systems	Little Rock	Data processing	$2,000,000	58	E
Timex Corp.	Little Rock	Watches, watch cases	$3,200,000	55	E
Other Expansions	MSA		$69,859,000	376	
Other new firms	MSA		$450,000	65	
TOTAL	**MSA**		**$181,459,500**	**3,273**	

Source for Expanding Industry data: Arkansas Industrial Development Commission.

Major Expanding Industries: 1995

Company	City	Product or Service	Capital Investment	New Jobs	New or Expanding
Rank Video	North Little Rock	Video cassettes	$63,000,000	530	E
Nucor	Conway	Steel fasteners	$34,840,000	462	N
Arkansas Systems	Little Rock	Information systems	$15,000,000	300	E
Alltel	Little Rock	Telecommun-ications	N/A	160	E
Gunnebo Fastening	Lonoke	Construction anchors or fasteners	$3,000,000	110	E
Dassault Falcon Jet	Little Rock	Aircraft modification or maintenance	N/A	100	E
Rineco Chemical	Benton	Toxic waste disposal	N/A	81	E
ACI Coors	Benton	Distribution	N/A	52	E
Kimberly-Clark	Maumelle	Baby wipes	$30,000,000	48	E
Tokusen USA Inc	Conway	Steel tire cord	$25,000,000	39	E
Other expansions	MSA		$29,901,421	240	
Other new firms	MSA		$2,830,000	91	
TOTAL	**MSA**		**$203,571,421**	**2,213**	

A Major Upswing

The years 1993, 1994 and 1995 saw substantial gains for the local economy. Many locally-based companies, such as Axciom, Alltel, Arkansas Systems, and others, have grown rapidly in both revenues and employment, while there have been major move-ins by growing and successful firms from outside the region, including Rank Video, Nucor, and Southwest Airlines. Traditionally, the economy of the Little Rock-North Little Rock MSA has been based primarily on services and government, but recent years have seen significant growth in manufacturing as well.

Manufacturing: Up, Up, and Down

Manufacturing employment grew from 33,500 in January, 1990 to a peak of 36,800 in August, 1995, a 9.9% increase. Much of this growth can be attributed to the move-in of several new firms, rather than by gains in established firms. Since that time, manufacturing employment has dropped to 34,400 in May, 1996, the most recent date for which figures are available. This drop of 6.5% in nine months is due primarily to several plant closings and layoffs. If the trend continues, the manufacturing gains of recent years may soon be reversed, and the region will fall back in line with national industrial trends.

About This Data

The tables above and on the facing page should be used as general background only. The figures are estimates reported by local chambers of commerce to the Arkansas Industrial Development Commission. The data represent growth in major businesses and do not include all increases in investment and employment. The figures for job growth in particular should be used with caution, since in some cases downsizing, industrial layoffs, plant closings, etc., have occurred since the data was collected. Capital investment data should also be used with caution, since figures are not available for all firms (shown as "N/A"). Total capital investment in new and expanding industries is therefore probably higher than the numbers show. Nonetheless, the tables convey the region's major business success stories.

Local Socio-Economic Statistics 1993 - 1995

1993	LR-NLR MSA	Faulkner County	Lonoke County	Pulaski County	Saline County
Average Employment	265,275	31,975	19,425	180,400	33,475
% Unemployment	4.7	5.6	4.7	4.6	4.4
Manufacturing	33,300	N/A	N/A	N/A	N/A
New Industries	5	0	0	4	1
New Jobs	277	0	0	237	40
Expanding Industries	36	5	0	31	0
New Jobs	1,051	585	0	466	0
Assessed Valuations ($)	3,675,341,187	366,458,602	230,380,946	2,704,841,450	373,660,189
Real Estate ($)	2,635,779,314	259,556,142	162,268,011	1,934,063,604	279,891,557
Personal Property ($)	853,180,053	88,905,282	48,786,126	638,079,242	77,409,403
Corporate ($)	186,166,490	17,830,728	19,326,809	132,649,724	16,359,229
Bank Deposits ($)	5,203,644,000	405,899,000	227,239,000	4,306,276,000	264,230,000
Bank Assets ($)	5,711,231,000	447,861,000	267,947,000	4,700,413,000	295,010,000

1994	LR-NLR MSA	Faulkner County	Lonoke County	Pulaski County	Saline County
Average Employment	277,375	33,425	20,300	188,625	35,025
% Unemployment	4.1	5.2	3.9	4.0	3.6
Manufacturing	35,000	N/A	N/A	N/A	N/A
New Industries	6	1	0	4	1
New Jobs	1,515	15	0	1,460	40
Expanding Industries	37	3	1	31	2
New Jobs	1,758	17	44	1,647	50
Assessed Valuations ($)	3,818,199,332	379,459,032	244,729,408	2,774,874,774	419,056,118
Real Estate ($)	2,719,904,295	274,533,218	169,043,485	1,963,073,221	313,254,371
Personal Property ($)	920,892,454	104,575,084	55,388,480	672,397,661	88,531,229
Corporate ($)	195,104,421	18,180,448	20,297,443	139,356,012	17,270,518
Bank Deposits ($)	5,255,683,000	442,850,000	242,327,000	4,306,276,000	264,230,000
Bank Assets ($)	5,760,042,000	483,754,000	280,865,000	4,700,413,000	295,010,000

1995	LR-NLR MSA	Faulkner County	Lonoke County	Pulaski County	Saline County
Average Employment	284,375	36,125	21,950	189,050	37,250
% Unemployment	3.5	4.4	3.5	3.5	2.6
Manufacturing	36,000	N/A	N/A	N/A	N/A
New Industries	9	1	1	6	1
New Jobs	663	462	110	85	6
Expanding Industries	24	4	2	11	7
New Jobs	1,550	68	64	1,231	187
Assessed Valuations ($)	4,104,247,660	426,203,455	265,656,402	2,901,234,001	511,153,802
Real Estate ($)	2,880,374,949	289,589,971	181,846,223	2,027,722,205	381,216,550
Personal Property ($)	1,023,627,391	117,838,082	62,878,470	731,073,928	111,836,911
Corporate ($)	200,178,026	18,775,402	20,910,719	142,391,564	18,100,341
Bank Deposits ($)	5,116,857,000	452,751,000	255,951,000	4,138,582,000	269,573,000
Bank Assets ($)	6,146,817,000	515,046,000	299,300,000	5,023,069,000	309,402,000

Ahead of the Curve in the 1990's: The Information Sector Emerges

The Little Rock-North Little Rock MSA has seen major growth in business services in recent years. This sector includes data processing, software design, computer integrated systems design, and related fields. Employment in business services has grown from 15,000 in January 1990 to 21,100 in January 1996, a 40 percent increase in six years. The chart above shows the growth by annual averages. Note that the steepest increase occurred in 1993 and 1994. By comparison, average U.S. growth in business services was about 14 percent over the same period.

Several local companies specializing in these fields have led the local trend: Acxiom, Alltel's Information Services division (formerly Systematics), and Arkansas Systems. These firms are major players in national and international markets. Central Arkansas is therefore growing well in excess of the national average in an important and growing sector of the U.S. economy.

Two other successes in related fields round out the story of non-manufacturing technology-oriented growth. The first is Alltel's telephone and cellular mobile communications business. The second is the Southwest Airlines Reservations Center, which moved into the area during 1995.

All of these businesses serve far more than the local market. The firms described here export their services to other regions and, in some cases, other countries. These companies have brought in millions of dollars and provided thousands of jobs. The growth of these industries helps to explain much of the recent economic and population growth in central Arkansas.

Explaining the Trend

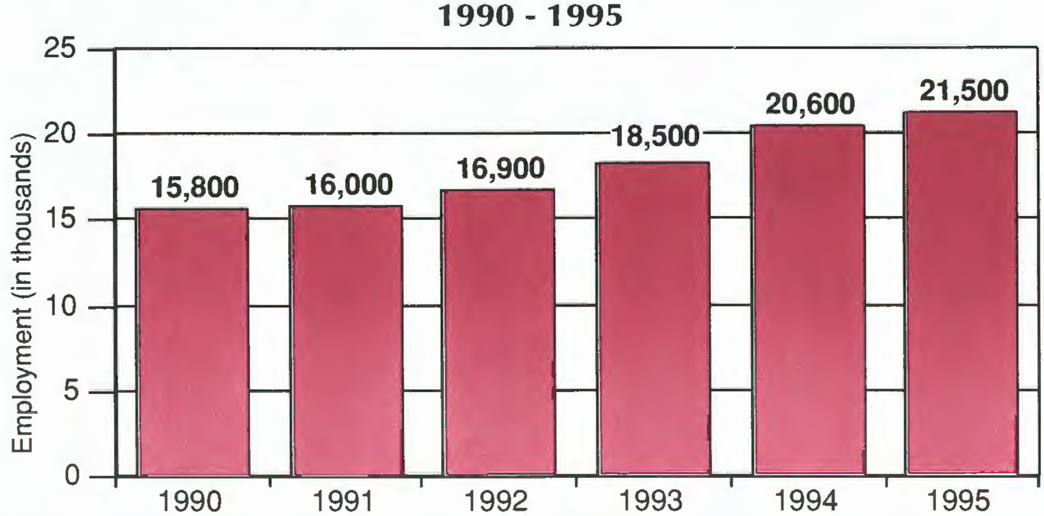
Economic trends are by definition hard to define and explain. With limited hard data, we can only speculate about what is going on. Here are some likely factors:

✓ The state of Arkansas has no sales tax on incoming telephone calls, and no law restricting employers from doing quality-assurance monitoring of employees' telephone conversations.

✓ Local advantage - fiber optics lines tend to follow interstate highways. Central Arkansas is astride I-30 and I-40, not far from the geographic center of the United States. I-40 is one of only four interstate highways that stretch from coast to coast.

✓ Quality of life - non-manufacturing businesses are increasingly concerned with the quality of living of their employees. Central Arkansas offers an attractive and reasonably sophisticated urban setting without the high stress factors often associated with larger urban areas.

LR-NLR MSA Business Service Employment 1990 - 1995



Source: Arkansas Employment Security Department

Housing Construction Trends 1990-1995

The Central Arkansas region has seen tremendous growth in single-family housing since the early 1990's, particularly during 1993 and 1994. The City of Little Rock permitted 740 units in 1993, its greatest annual growth in single-family housing during the last fifteen years. The vast majority of this new housing was built in rapidly expanding western Little Rock west of I-430.

Much of the region's housing growth has occurred outside Pulaski County. Conway, for example, in Faulkner County, had a record 515 single-family homes permitted in 1994. Cabot, in Lonoke County, permitted 400 single-family residences in 1995. Other outlying cities posted major gains, including Maumelle, Bryant, and Benton.

Single-Family Housing Unit Permits

	1990	1991	1992	1993	1994	1995
Little Rock	431	450	603	740	641	477
N Little Rock	61	58	113	107	97	98
Jacksonville	26	25	53	75	82	54
Sherwood	94	76	44	91	70	85
Maumelle	62	47	65	93	124	176
Cabot	123	141	184	224	297	400
Benton	85	122	138	183	194	138
Bryant	119	124	79	63	117	141
Conway	271	368	369	445	515	438
MSA Total	**1,272**	**1,411**	**1,648**	**2,021**	**2,137**	**2,007**

After years of slow growth, multi-family housing construction took a jump during 1995 in Pulaski County with the beginning of three new major apartment complexes. Major complexes were also constructed recently in Conway and Benton.

Multi-Family Housing Unit Permits

	1990	1991	1992	1993	1994	1995
Little Rock	25	19	0	11	18	430
N Little Rock	0	0	0	0	0	0
Jacksonville	0	6	0	6	10	1
Sherwood	60	4	0	30	16	457
Maumelle	0	0	0	14	6	0
Cabot	N/A	3	N/A	0	48	29
Benton	2	66	34	223	31	0
Bryant	40	0	4	0	4	16
Conway	51	291	110	132	288	139
MSA Total	**178**	**389**	**148**	**416**	**421**	**1,072**

Regional Housing Totals

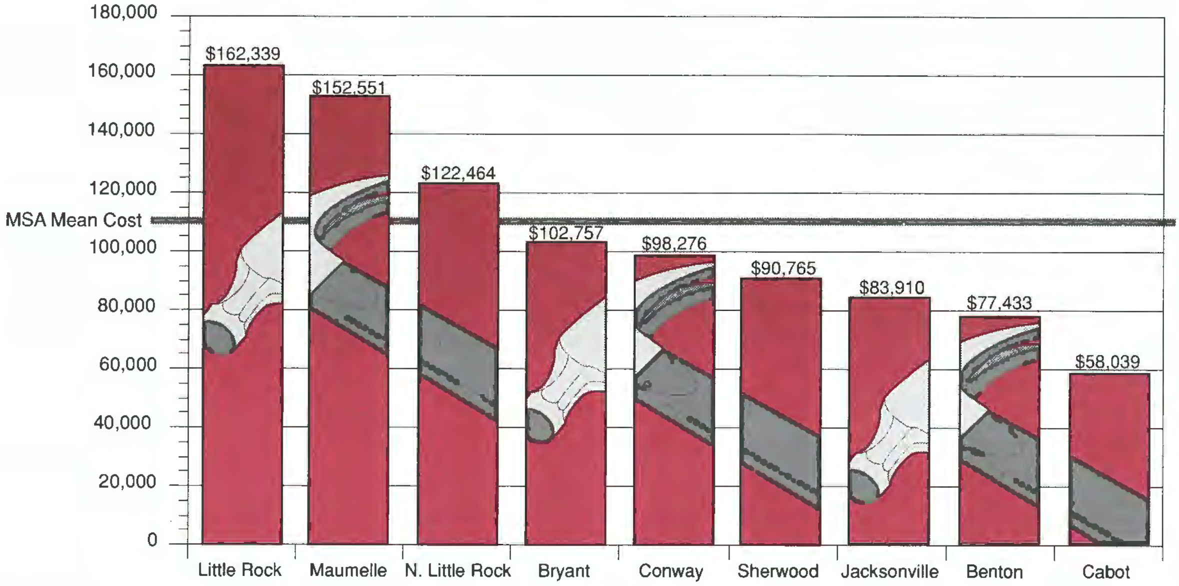
MSA Total (All housing units)	**1,450**	**1,800**	**1,796**	**2,437**	**2,558**	**3,079**
Percent Single Family	87.7	78.4	91.8	82.9	83.5	65.2
Percent Multi-Family	12.3	21.6	8.2	17.1	16.5	34.8

Source: City building permit departments.

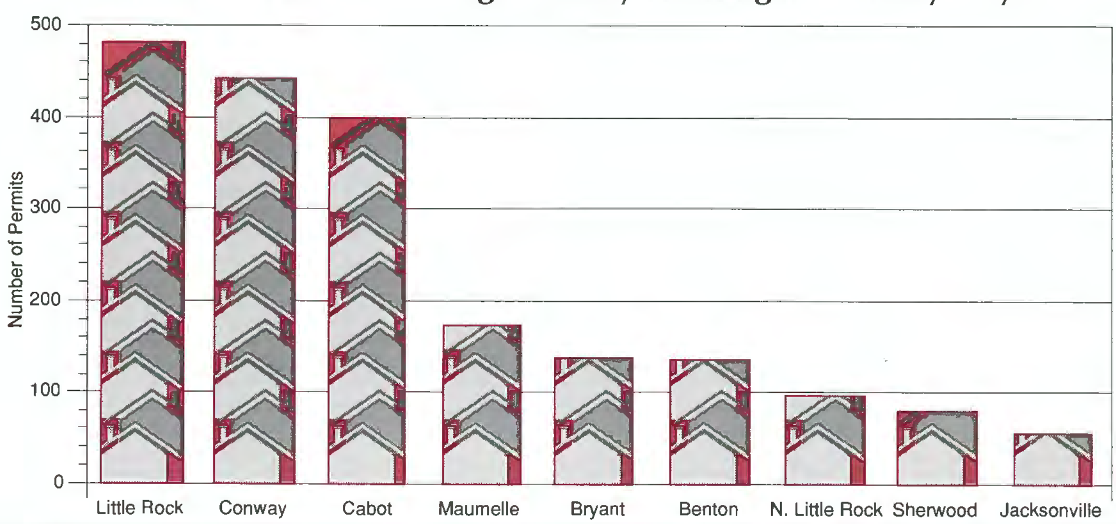
The Cost Factor

The table and chart below depict the average stated value of single-family housing permits by city within the Little Rock-North Little Rock MSA. As the chart shows, there is a striking difference between cities. The average new single-family home in Little Rock costs more than 2.5 times as much as the average new home in Cabot. Housing costs are generally higher in Pulaski County, with the partial exception of Sherwood and Jacksonville. There also appears to be some correlation between each city's rate of single-family housing growth and average cost. Cabot, however, is a sharp exception to this trend, with rapid growth and low costs simultaneously.

1995 — Average Single-Family Home Permit Values by City



1995 — Number of Single-Family Housing Permits by City



Use Building Permits With Care

Building permit data gives up-to-date information about construction activity and costs. While very useful, this information should be used with caution. There is no guarantee that permitted structures are ever built. Cost is an even more difficult issue, for two reasons: (1) the values quoted are only for construction costs, and do not include land cost; and (2) the cost is estimated at the time the permit is recorded; actual construction costs could go above or below the value quoted. Building activity outside incorporated areas of the MSA's four counties is not covered with these data.

1993-1995 Building Permit Values
($) Millions of Dollars

1993	All Permits	New Residential	Residential Repair and Additions	Non-Residential New and Repairs
Faulkner County				
Conway	71.7	50.5	1.1	20.1
Lonoke County				
Cabot	16.4	12.7	0.2	3.4
Pulaski County				
Little Rock	210.3	117.3	15.9	77.1
N Little Rock	30.5	10.7	3.1	16.7
Jacksonville	14.8	5.3	0.8	8.8
Sherwood	15.9	7.9	1.4	6.7
Maumelle	18.1	16.4	0.2	1.5
Saline County				
Benton	23.1	18.1	0.7	4.4
Bryant	9.2	5.7	0.6	2.9

1994	All Permits	New Residential	Residential Repair and Additions	Non-Residential New and Repairs
Faulkner County				
Conway	86.1	61.0	1.6	23.5
Lonoke County				
Cabot	25.1	18.3	0.4	6.4
Pulaski County				
Little Rock	260.5	111.8	13.8	134.8
N Little Rock	38.3	12.1	3.7	22.6
Jacksonville	13.0	6.4	1.1	5.4
Sherwood	19.2	6.2	1.5	11.6
Maumelle	28.4	20.0	0.2	8.2
Saline County				
Benton	31.1	16.4	0.7	14.0
Bryant	19.5	13.6	0.4	5.5

1995	All-Permits	New Residential	Residential Repair and Additions	Non-Residential New and Repairs
Faulkner County				
Conway	84.1	47.9	1.9	34.3
Lonoke County				
Cabot	33.6	23.2	0.9	9.5
Pulaski County				
Little Rock	205.5	91.2	15.0	99.2
N Little Rock	54.6	13.7	2.8	38.2
Jacksonville	7.6	4.5	0.4	2.6
Sherwood	24.4	18.5	2.1	3.8
Maumelle	30.6	26.9	0.1	3.6
Saline County				
Benton	20.9	11.0	1.1	8.8
Bryant	19.8	15.7	0.7	3.4

Notes: 1. Figures are rounded.
2. This data does not include construction activity in unincorporated areas or cities of under 5,000 population.

1993-1995 Building Permit Values:
County and MSA Totals ($) Millions of Dollars

	All Permits	New Residential	Residential Repair and Additions	Non-Residential New and Repairs
Faulkner County				
1993	71.7	50.5	1.1	20.1
1994	86.1	61.0	1.6	23.5
1995	84.1	47.9	1.9	34.3
Lonoke County				
1993	16.4	12.7	0.2	3.4
1994	25.1	18.3	0.4	6.4
1995	33.6	23.2	0.9	9.5
Pulaski County				
1993	289.5	157.5	21.4	110.7
1994	359.4	156.5	20.2	182.6
1995	322.7	154.8	20.5	147.4
Saline County				
1993	32.3	23.8	1.3	7.3
1994	50.6	30.0	1.1	19.5
1995	40.6	26.7	1.7	12.2
MSA Total				
1993	409.9	244.5	24.0	141.5
1994	521.2	265.8	23.3	232.1
1995	481.0	252.6	25.1	203.3

Half a Billion Dollars a Year

Construction in the Little Rock-North Little Rock MSA averaged nearly one-half billion dollars annually from 1993 to 1995, and actually exceeded the half-billion mark in 1994. In most cities of the MSA, this period of healthy growth began with a surge in new residential housing construction, followed by a wave of non-residential construction. In Conway, for example, residential construction was over twice as great in dollar value as non-residential construction in 1993, but by 1995 residential construction was just one-third greater. Cabot saw a dramatic surge in non-residential construction, with annual growth nearly tripling in dollar value from 1993 to 1995.

In North Little Rock, non-residential construction was greater in dollar value than residential in all three years. Much of this growth represented rapid retail development, especially along and near McCain Blvd. and US 67/167. Little Rock also saw non-residential construction surpass the dollar value of new housing construction by 1995. Much of Little Rock's growth represented retail and office development west of I-430 along Chenal Parkway, Bowman Rd. and West Markham St. The City of Benton also saw a major surge in non-residential construction from 1993 to 1995, much of it representing retail growth along I-30 and Military Road.

Economic Outlook

Economic growth in the state of Arkansas has slowed more than expected during the first half of 1996, with unexpected job losses in manufacturing.[1] If the state's slowdown continues too long or worsens, the Little Rock-North Little Rock MSA could slow down as well owing to economic linkages. In line with state trends, the MSA has lost manufacturing employment at a fairly steep rate since the middle of 1995.

The MSA has nonetheless shown steady growth so far in 1996, with growth in most sectors of the region's diverse economy compensating for manufacturing losses. The MSA's unemployment rate will remain low in the near future (probably under 4 percent) for economic and demographic reasons. Employment growth averaged 2.9 percent in the MSA from 1990 through 1995, and should roughly match this pace in 1996. For these reasons there should be steady economic growth (probably at 2 to 3 percent annual rate) for the Little Rock-North Little Rock MSA during the remainder of 1996 and into 1997.

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[1] Arkansas Institute for Economic Advancement, UALR Forecast Conference, July 24, 1996.

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