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METROTRENDS

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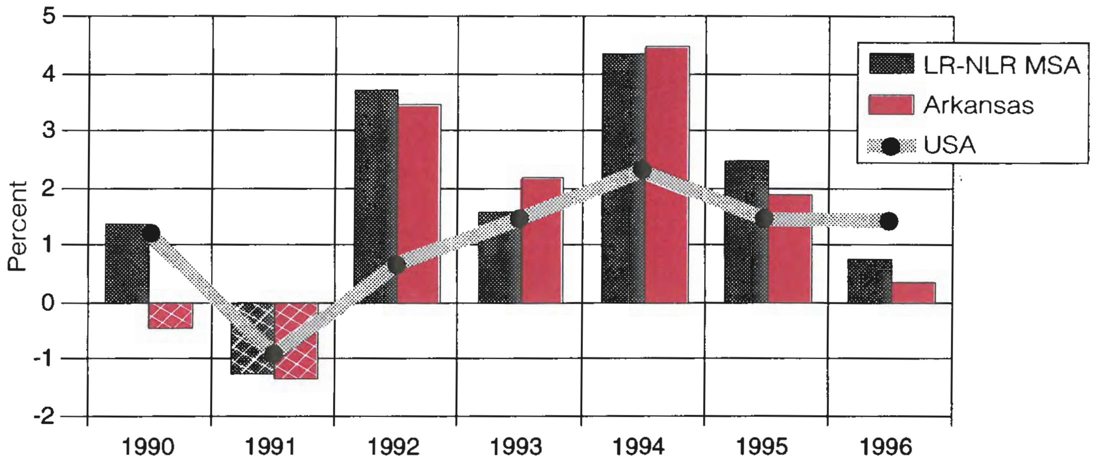
1997 Economic Review and Outlook

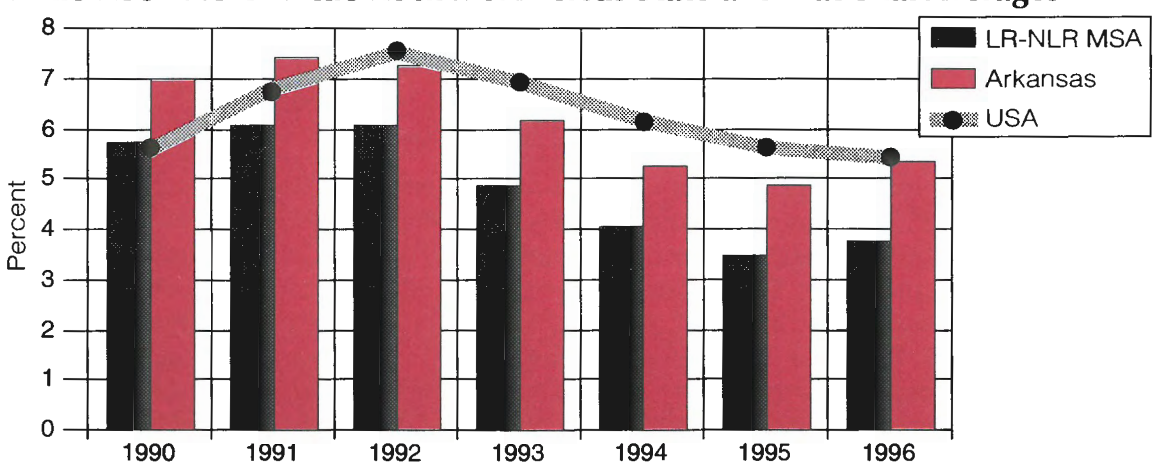
The four-county Little Rock-North Little Rock Metropolitan Statistical Area (MSA) has seen a slowdown in economic growth over the last year. In 1996, for the first time since early in the decade, the region's rate of job growth was slower than the national job growth rate. Local job losses in manufacturing were offset by moderate growth in all other sectors. Despite the slowdown, however, total employment growth since 1990 has amounted to 12.2 percent for the MSA, versus 6.7 percent for the national economy as a whole.

1990 - 1996 Annual Employment Growth or Decline



The region's unemployment rate remained low and barely climbed in 1996, remaining substantially below national and state averages. Slow labor force growth, owing to the relatively low number of young people entering their first jobs, has kept unemployment down despite slow job growth.

1990 - 1996 Unemployment Little Rock-North Little Rock MSA Versus State and National Averages



Source: Arkansas Employment Security Department

Employment Analysis 1990 - 1996

	LR-NLR MSA		Arkansas		United States	
	Total Employment	Unemployment (Percent)	Total Employment	Unemployment (Percent)	Total Employment	Unemployment (Percent)
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	277,600	4.1	1,142,900	5.3	123,060,000	6.1
1995	283,600	3.6	1,162,900	4.9	124,900,000	5.6
1996	286,625	3.8	1,167,800	5.4	126,708,000	5.6

Source: Arkansas Employment Security Division, Arkansas Labor Force Statistics Annual Averages 1990 - 1995, prepared July 1996. Revised with addition of 1996 data 8/27/97.

Major Expanding Industries: 1996

Company	City	Product or Service	Capital Investment	New Jobs	New or Expanding
Rank Video	North Little Rock	Video cassettes	$3,736,000	575	E
Acxiom	Conway	Info. management	$27,200,000	150	E
Service Master	Little Rock	Uphosltery & Carpet cleaning	$2,200,000	106	N
Maybelline Int'l.	North Little Rock	Cosmetics	$3,300,000	100	E
Sprint	Little Rock	Telecommunications	$58,772,000	100	N
Watkins Printing	Little Rock	Printing	$7,100,000	100	E
Kimberly-Clark	Maumelle	Baby wipes	$40,000,000	68	E
Arksys	Little Rock	Information systems	$14,800,000	65	E
GMAC	Little Rock	Auto finance	N/A	60	E
Blue Bell Creameries	North Little Rock	Dairy products	$1,000,000	50	N
S.F. Services, Inc.	North Little Rock	Farm supply co-op	$2,145,000	50	E
Porocel	Little Rock	Calcined alumina	N/A	40	E
Other new firms	MSA		$4,866,218	145	
Other expansions	MSA		$26,472,000	226	
TOTAL	**MSA**		**$191,591,218**	**1,835**	

Source: Arkansas Economic Development Corporation

About The Expanding Industry Data

The table below should be used as general background only. The figures are estimates reported by chambers of commerce to the Arkansas Economic Development Commission (AEDC, formerly AIDC). The data represent growth in major businesses, but 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. Taken as a whole, however, the table depicts recent trends in regional businesses.

Expanding, Slowly

The pace of employment expansion was much slower during 1996 than it was in 1995 within the Little Rock-North Little Rock MSA. As the table opposite shows, employment in the MSA grew from 283,600 in 1995 to 286,625 in 1996, an increase of 3,025 workers, or just 1.1 percent. From 1994 to 1995, by comparison, employment grew by 6,000 workers, or 2.2 percent. As the table on expanding industries (see facing page) shows, the portion of new jobs in service industries is greater than during previous years. The bulk of job creation appears to have occurred in the region's core cities (Little Rock and North Little Rock), with less growth in outlying areas than during previous years. While the sheer volume of job growth has diminished, the shift toward services is in line with national trends.

Local Socio-Economic Statistics
Little Rock - North Little Rock MSA

1996	LR-NLR MSA	Faulkner County	Lonoke County	Pulaski County	Saline County
Average Employment	286,625	37,275	22,800	188,125	38,425
% Unemployment	3.8	4.6	4.6	3.8	2.8
Manufacturing	34,300	N/A	N/A	N/A	N/A
New Industries	14	1	1	12	0
New Jobs	401	12	20	369	0
Expanding Industries	25	1	0	24	0
New Jobs	1,434	150	0	1,284	0
Assessed Valuations ($)	4,719,678,035	525,515,630	290,975,523	3,341,643,583	561,543,299
Real Estate ($)	3,352,909,364	358,856,439	200,944,120	2,386,139,765	406,969,040
Personal Property ($)	1,153,604,580	146,512,187	68,456,120	803,271,283	135,364,990
Corporate ($)	213,164,091	20,147,004	21,575,283	152,232,535	19,209,269
Bank Deposits ($)	6,028,291,000	510,659,000	278,622,000	4,953,179,000	285,831,000
Bank Assets ($)	6,939,033,000	565,764,000	314,364,000	5,720,362,000	338,543,000

Public School Enrollment
Little Rock - North Little Rock MSA

County	1990 - 1991 School Year	1996 - 1997 School Year	Percent Change
Faulkner	10,551	13,522	28.2
Lonoke	8,581	10,315	20.2
Pulaski	55,579	53,260	-4.2
Saline	10,769	11,965	11.1
MSA Total	**85,480**	**89,062**	**4.2**

Source: Greater Little Rock Chamber of Commerce, Arkansas Department of Education

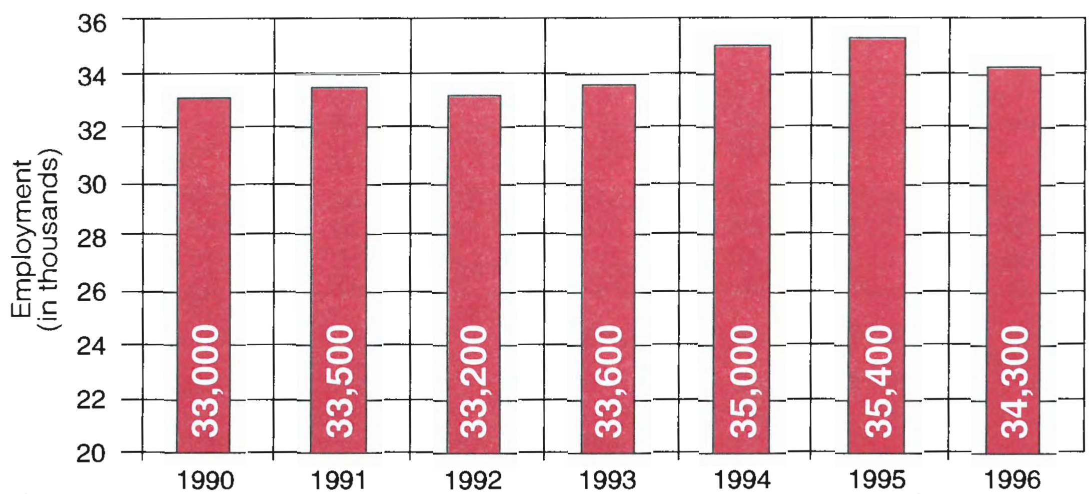
Manufacturing: The Good Times are Over

Manufacturing employment dropped in the Little Rock - North Little Rock MSA during 1996, after several years of growth. Several plant closings occurred, while few new facilities were added. The rate of manufacturing job loss in central Arkansas exceeded even the state's manufacturing employment decline in 1996. The main plant closings were:

- In March, Polyvend of Conway, a maker of vending machines, announced plans to close, eliminating 200 local jobs.
- In December 1996, Phillips Electronics announced the phase-out of its Little Rock light bulb plant. Part of the local business scene since 1948, Phillips employed 480 workers.
- During 1995 and 1996, Babcock & Wilson ST, a manufacturer of industrial boilers, phased out approximately 230 jobs and closed its Little Rock plant.

Not all of the news is bad: Virco, a manufacturer of school furniture, has seen its business boom in recent years. Virco's Conway plant now employs roughly 1,600 workers. Rank Video, a manufacturer of video cassettes in North Little Rock, employs over 1,000 workers, turning out 20 million movie cassettes

1990 - 1996 Manufacturing Employment
Little Rock - North Little Rock MSA



Sources: Arkansas Labor Market Trends by the Arkansas Employment Security Department, recent issuers of *Arkansas Democrat-Gazette, Arkansas Business*, and the *Conway Log Cabin-Democrat*.

annually - 30 to 40 percent of the entire U.S. market. Molex, a watch-maker, is adding 500 new jobs to its Maumelle facility. Further, employment growth in other sectors of the regional economy exceeded losses in manufacturing, allowing continued overall job growth.

Preliminary mid-1997 data suggests that manufacturing employment in the Little Rock - North Little Rock MSA has continued its decline. This data corroborates national trends; even local successes at attracting firms cannot counteract the relentless job-cutting and automation of U.S. industry, and odds are good that manufacturing jobs will continue to diminish as percent of the local job market.

On the Road to Technology Leadership?

The Central Arkansas region appears to be gaining an edge in a crucial sector of economic activity: computer and data processing services. This sector accounted for 4,113 jobs in the Little Rock-North Little Rock MSA in 1996, an astounding 76 percent of all computer and data processing jobs within the state of Arkansas. While total jobs within the Little Rock-North Little Rock MSA grew by 1.1 percent from 1995 to 1996, data processing employment grew by about 11.0 percent, or ten times as fast.

What is happening? A recent article in *Arkansas Business* magazine suggests that Arkansas may be benefiting from spin-off growth from nearby Texas. With major computer and electronic manufacturers in the Austin, Houston, and Dallas-Ft. Worth areas, Texas is becoming a prominent electronic hardware-producing region. Arkansas, by comparison, is grabbing a niche in software and data management, benefiting from the presence of the growing technology market nearby.[1]

The region's newest start-ups are small firms which produce specialized software for business and education. Several mid-size and larger firms are also flourishing, such as ESI Group, which was ranked by the *Arkansas Business Book of Lists* as one of the state's fastest-growing businesses, as well as other highly successful firms, including Arksys, Acxiom, and the Information Services branch of Alltel.

At present, the Little Rock-North Little Rock MSA shows a Location Quotient of 1.38 in computer and data processing services, meaning employment in the sector is 138 percent of the national average - over a third again as much as the national average, based on the region's size. The trend is promising, but only time can tell if the Central Arkansas region will have a major high-tech future.

Why A Small Trend May Make a Big Difference

What is special about computer and data processing services? This sector will probably be the U.S. economy's biggest growth area in the future. The data processing sector has ranked as one of the fastest-growing segments of economic activity since the late 1980's. Even more important, current trends suggest that computer and data processing services are becoming the basis for innovation and economic growth in most other sectors of the U.S. economy. Recent research suggests that American manufacturing, for example, is moving toward the "soft factory," in which software, not hardware, is becoming the determining factor for production efficiency.[2]

Locally, data processing services are serving exactly the roles described above - improving the production efficiency of other businesses, whether the concern is ATM machines (Arksys), grocery-store price and inventory accounts (EESE Software), or setting up computer and software systems for businesses of many types (ESI Group).[3] These companies do not just serve the local market. Instead, firms in this sector are exporting their services to other regions and even other countries (for example, Arksys recently closed deals with banks in Paraguay and Indonesia). And this is why the promising growth of this sector could pay big dividends for the future of Central Arkansas.

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[1] Little, James, "State on High-Tech Road," *Arkansas Business*, July 7-13, 1997.

[2] Luker, William, Jr., and Donald Lyons, "Employment Shifts in High-Technology Industries, 1988-96," *Monthly Labor Review*, June 1997.

[3] *Arkansas Business*, July 7-13, 1997.

1996 Building Permit Values: ($) Millions of Dollars

1996	All Permits	New Residential	Residential Repair and Additions	Non-Residential New and Repairs
Faulkner County	102.3	49.4	1.8	51.1
Conway	102.3	49.4	1.8	51.1
Lonoke County	26.8	21.0	1.0	4.7
Cabot	26.8	21.0	1.0	4.7
Pulaski County	400.9	133.8	23.2	243.9
Little Rock	275.1	77.8	17.9	179.4
North Little Rock	54.2	10.0	2.5	41.7
Jacksonville	17.4	6.5	1.1	9.7
Sherwood	20.4	10.1	1.5	8.8
Maumelle	33.8	29.4	0.1	4.3
Saline County	56.9	42.2	1.2	13.5
Benton	32.2	21.6	0.7	9.9
Bryant	24.7	20.6	0.5	3.6
MSA Total	**587.0**	**246.5**	**27.2**	**313.2**

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

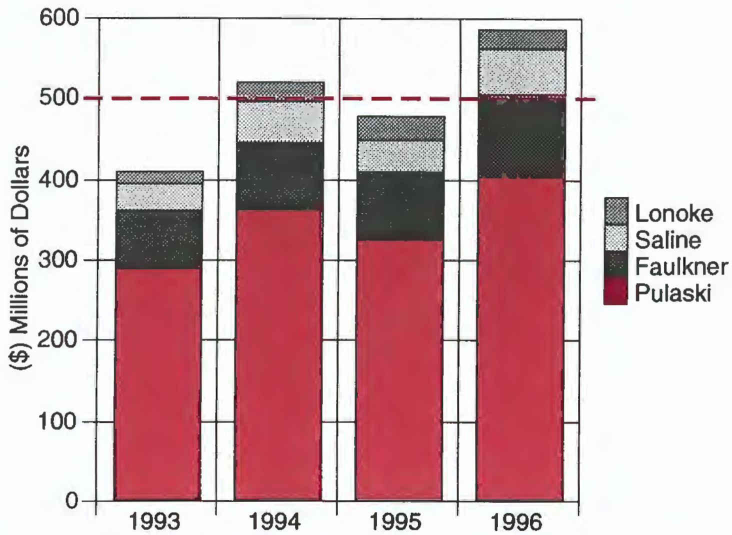
Surprise! 1996 Was a Record Year

The statewide economic slowdown that took hold in 1996 did not hinder the construction industry in the Little Rock-North Little Rock MSA. Total construction value hit its highest level ever at $587 million, exceeding the one-half billion dollar mark for the second time in history. The surge was led by commercial construction, which grew by 22 percent from 1995 to its 1996 level of $313.2 million, accounting for 53 percent of the total dollar value of construction activity. New residential activity dropped slightly, by 2.4 percent from its 1995 level, while residential repairs grew at 8.8 percent over 1995.

Over half (57 percent) of non-residential construction in the MSA took place in Little Rock. Much of this investment went into major retail, office and hotel developments along and near Chenal / Financial Center Parkways in western Little Rock. The second largest amount of non-residential construction was in North Little Rock, followed by Conway. All other cities in the MSA also recorded gains in commercial building except for Cabot.

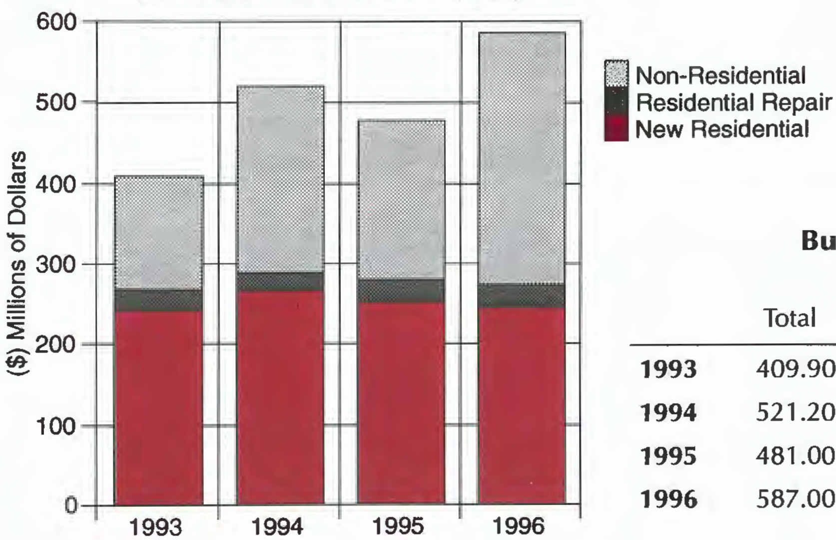
In residential construction, gains in dollar value occurred in Maumelle, followed by Benton, Bryant, Conway and Jacksonville. All other cities saw some decline in the total dollar value of residential construction.

Total Building Permit Values by County
LR - NLR MSA 1993 - 1996



The chart above shows total construction activity trends in the four counties of the MSA. Construction value has see-sawed in recent years, increasing sharply from 1993 to 1994, then dropping in most places from 1994 to 1995. Total construction rose in dollar value from 1995 to 1996 everywhere except Lonoke County, where it dropped by 20.2 percent. Construction value increased 23.6 percent in Faulkner County, 24.2 percent in Pulaski County, and 40.1 percent in Saline County.

Building Permit Value Trends
LR-NLR MSA 1993 - 1996



Building Permit Values

	Total	New Residential	Residential Repairs	Non-Residential
1993	409.90	224.50	24.00	141.50
1994	521.20	265.80	23.30	232.10
1995	481.00	252.60	25.10	203.30
1996	587.00	246.50	27.20	313.20

Housing Construction: Preliminary Numbers for 1997

While total 1997 housing construction counts will not be known before the new year, a preliminary trend can be determined from construction thus far. The table and chart below depict building permits for the *first half of 1997* (January through June), in comparison for the *first half* of previous years. The numbers suggest a continuing slowdown in the pace of housing construction. In single-family housing, Maumelle is the only community in the MSA that built more new houses in the first six months of 1997 than during the first six months of 1996. Sherwood held even, while all other cities showed decline. The sharpest drop was in Cabot, which saw new single-family housing permits drop by 40 percent. The drop-off in new housing was generally more pronounced in outlying areas and less severe in the central region.

Single-Family Housing Unit Permits
First Half of Year 1990-1997

Single-Family	1990	1991	1992	1993	1994	1995	1996	1997
Little Rock	226	226	288	382	368	261	263	230
North Little Rock	30	28	46	59	59	47	50	37
Jacksonville	20	11	27	37	45	27	43	39
Sherwood	61	40	26	43	40	49	46	46
Maumelle	35	26	31	36	79	68	112	147
Cabot	62	71	92	99	166	183	155	93
Benton	34	62	69	77	107	73	73	57
Bryant	61	57	40	36	58	71	84	63
Conway	131	181	199	249	319	225	218	167
MSA Total (SF)	**660**	**702**	**818**	**1,018**	**1,241**	**1,004**	**1,044**	**879**

Multi-Family Housing Unit Permits
First Half of Year 1990-1997

Multi-Family	1990	1991	1992	1993	1994	1995	1996	1997
Little Rock	25	10	0	3	14	249	7	230
North Little Rock	0	0	0	0	0	0	0	2
Jacksonville	0	6	0	2	10	1	0	7
Sherwood	20	0	0	11	6	274	19	0
Maumelle	0	0	0	14	6	0	0	0
Cabot	0	0	0	0	0	13	5	0
Benton	0	0	16	24	10	0	276	0
Bryant	40	0	0	0	4	10	0	2
Conway	39	146	40	46	148	51	194	184
MSA Total (MF)	**124**	**162**	**56**	**100**	**198**	**598**	**501**	**425**

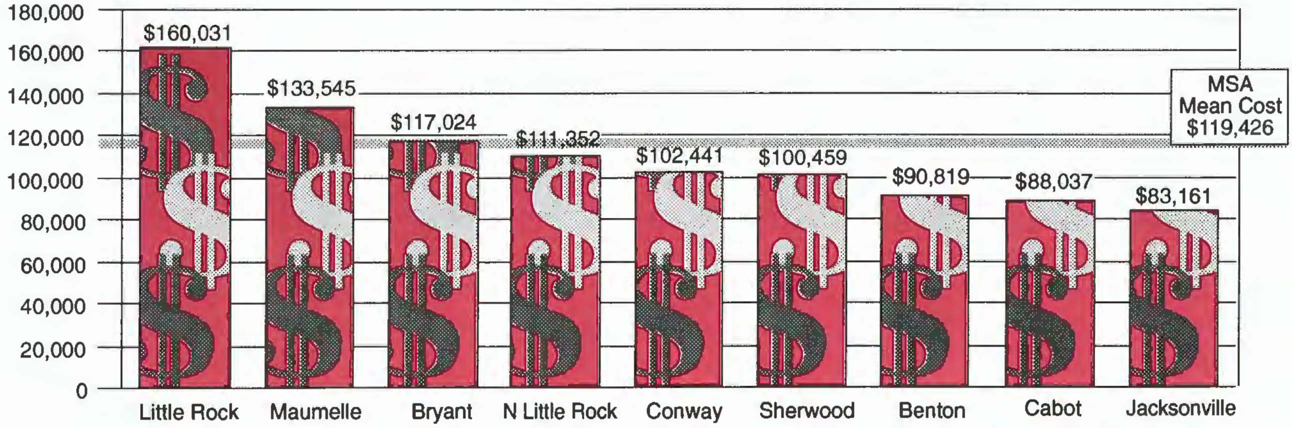
MSA Total	1990	1991	1992	1993	1994	1995	1996	1997
(All Housing Units)	784	864	874	1,118	1,439	1,602	1,545	1,304
Percent SF	84.2	81.3	93.6	91.1	86.2	62.7	67.6	67.4
Percent MF	15.8	18.8	6.4	8.9	13.8	37.3	32.4	32.6

Note: Cabot figures for 1990, 1991 and 1992 extrapolated from annual totals.

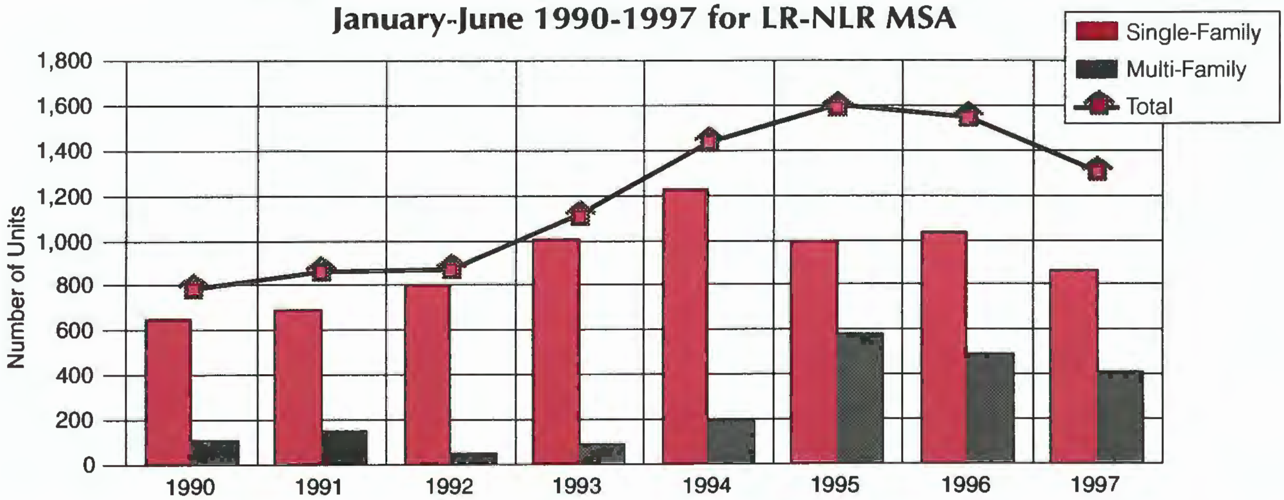
The Rest of the Picture: The Cost of Housing

The chart below depicts the average cost of new single-family housing units by city within the MSA, based on building permit data. The differences between cities, while very striking, came down somewhat in 1996. The cities with some of the most expensive single-family homes, Little Rock, Maumelle, and North Little Rock, saw average prices decline from 1995 to 1996, especially in Maumelle. Jacksonville, a more moderately-priced market, also saw a small drop in average cost. Average stated prices went up sharply in Cabot, and also rose in Bryant, Conway, Sherwood and Benton.

1996 Average Single-Family Home Permit Values by City



Single-Family and Multi-Family Housing Unit Permits January-June 1990-1997 for LR-NLR MSA



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 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.

The Times, They are a-Changing

Arkansas has historically been one of America's most rural states. Even today, the majority of state residents live in small towns and rural areas. But for many local residents, life is changing. Just like elsewhere in the United States, a rise in affluence has been accompanied by large-scale urbanization. Cities and their surrounding areas have grown, mainly owing to two factors: (1) migration of people to cities, and; (2) the expansion of suburban populations outward from cities into the surrounding countryside.

Today Arkansas is at the brink of becoming a majority-metro state, meaning more state residents will soon live within metropolitan areas than in rural areas. As the table to the right shows, roughly four in five Americans now live within metropolitan areas. For Arkansas the ratio is lower, but has been climbing more rapidly in recent years, and by 1996 had reached 48.3 percent of the state's population.

Percent Population
Metropolitan and Non-metropolitan

United States	Metro	Non-Metro
1980	78.2	21.8
1990	79.6	20.4
1996	79.9	20.1
Arkansas		
1980	42.1	57.9
1990	44.2	55.8
1996	48.3	51.7

Arkansas will probably become a majority-metro state shortly after the year 2000. Why? Because population is growing faster within metropolitan areas than in rural areas. Further, just as two counties (Benton and Craighead) became metropolitan during the 1990's, more counties may achieve metropolitan status in the near future.

The 50 percent mark may appear symbolic, but in the long run the rise of metropolitan populations to statewide majority status will have implications for lifestyles, voting habits, and economic priorities. And the days when Arkansas was a predominantly rural state will belong to history.

Arkansas Metropolitan Population 1980-1996

	1980	**1990**	**1996**
Non-Metro Population	1,323,000	1,311,000	1,298,000
Metro Population	963,000	1,040,000	1,212,000
Difference	360,000	271,000	86,000

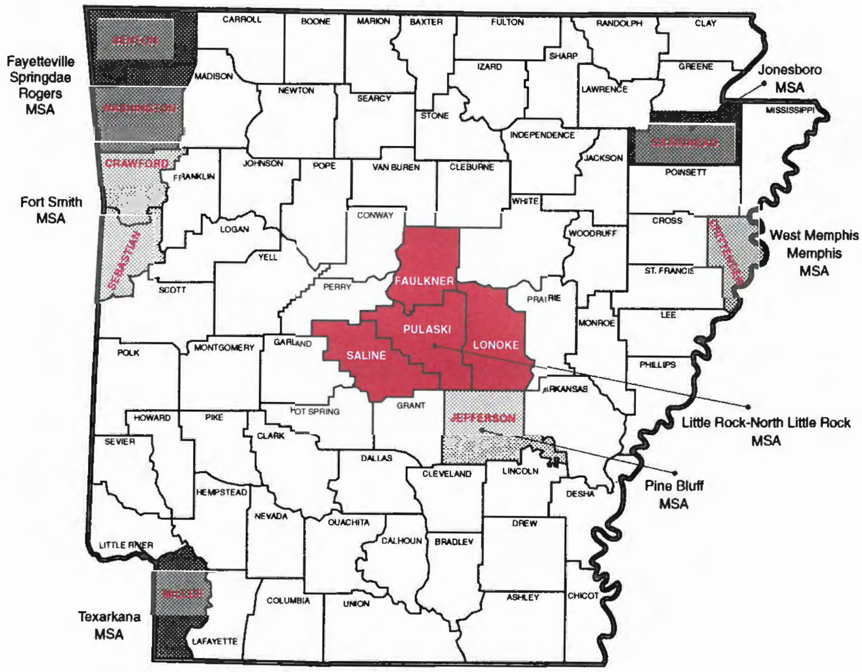
Sources: 1980 and 1990 data from *1996 Statistical Abstract of the United States*. 1996 Arkansas data from Metroplan compilation of Census Bureau population estimates. 1996 U.S. data from *Sales and Marketing Management* magazine annual Survey of Buying Power.

What Is An MSA?

MSA stands for "Metropolitan Statistical Area." Recognizing that city boundaries long ago ceased to define the limits of urban areas, the Census Bureau classifies as MSA's regions containing a city of at least 50,000 population or a built-up area of at least 100,000 population.

To simplify statistical information and match existing political frameworks, the Bureau uses county boundaries to define the extent of each MSA. A county with significant population density and close commuting and economic ties to adjacent cities and urbanized areas can be classified as part of an MSA, and over time additional counties can be added to existing MSA's. For example the Little Rock-North Little Rock MSA (then called an SMSA) was originally confined to Pulaski County, then expanded to include Saline County during the 1970's. In 1983, Faulkner and Lonoke Counties were added to the MSA; additional nearby counties may follow in the future. The table below shows current Arkansas MSA's and their constituent counties.

Arkansas MSA Areas



Arkansas Metropolitan Statistical Areas
1996 Population

MSA	Total MSA Population	Counties Within Arkansas	Arkansas Portion of MSA Population
Fayetteville-Springdale-Rogers	260,940	Benton, Washington	260,940
Fort Smith	191,482	Crawford, Sebastian	154,901
Jonesboro	76,155	Craighead	76,155
Little Rock-North Little Rock	556,935	Faulkner, Lonoke, Pulaski, Saline	556,935
Memphis-West Memphis	1,078,151	Crittenden	49,604
Pine Bluff	83,007	Jefferson	83,007
Texarkana	123,919	Miller	38,950

Source: Metroplan compilations from U.S. Bureau of the Census County Population Estimates for July 1, 1996.

Economic Outlook

Economic growth has continued at a stable rate in the Little Rock - North Little Rock MSA in recent years. Preliminary 1997 data suggest employment growth at a faster rate than during 1996. Unemployment remains fairly low at just over 4 percent for the MSA as a whole; slightly higher in Faulkner County while a bit lower in Lonoke and Saline Counties. Manufacturing job loses have not seriously impacted the region's overall employment situation. Service-sector job growth will continue.

Multi-family housing occupancy appears to have dropped in Pulaski County during 1997.[1] This, coupled with substantial new multi-family construction underway and planned, may cause a pronounced weakening of the multi-family market in the near future. Retail construction, which was high in 1996, may begin slowing due to market saturation across the region and reflecting a diminished prospect for retail growth at the national level.[2] Office construction is forecast to be strong at the national level, and may also do well in the increasingly service-oriented economy of the Little Rock - North Little Rock MSA. Housing growth will continue at a moderate pace across the MSA, with the exception of Maumelle, where growth will be more rapid.

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[1] Waldon, George. "Apartment Vacancies Forecast to Increase," *Arkansas Business*, September 29, 1997.

[2] *ULI 1996 Real Estate Forecast: Outlook by Sector, Area, and Enterprise*, Washington D.C.: Urban Land Institute, 1996.

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