December 2005

METROTRENDS

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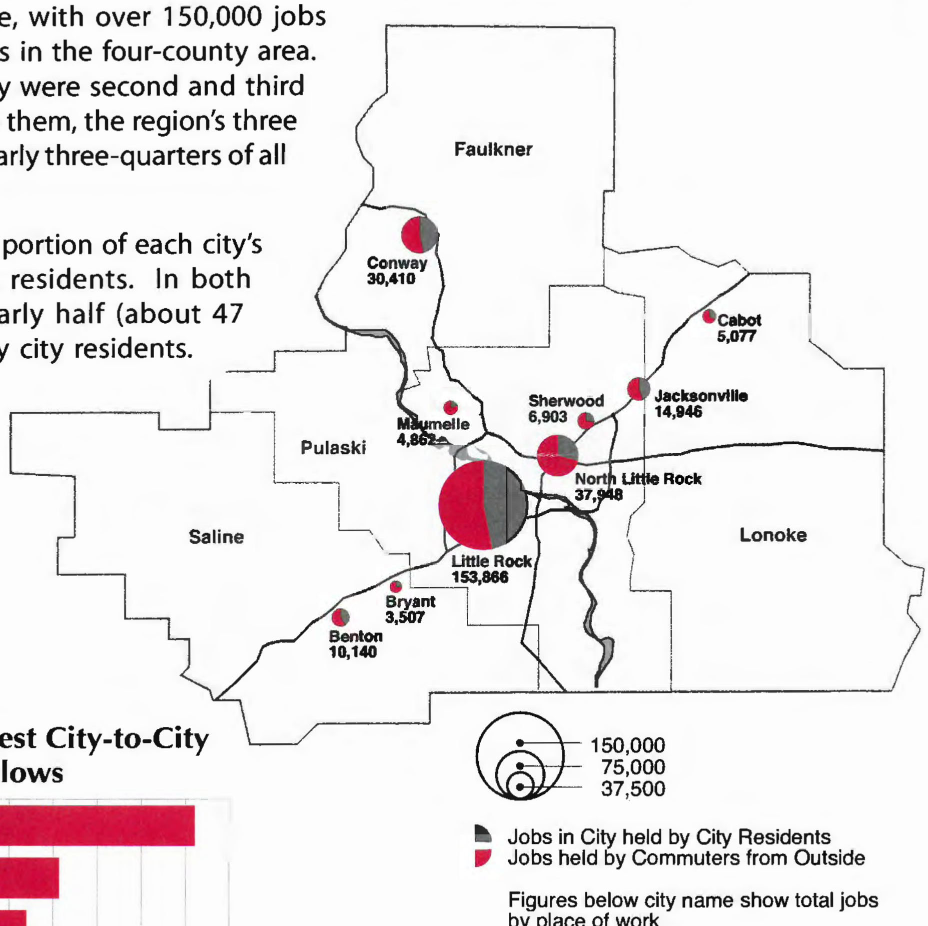
2005 Economic Review and Outlook

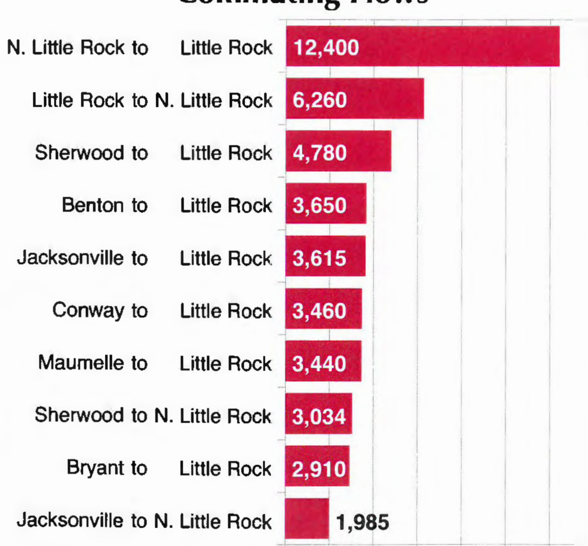
Jobs, Cities and Growth

During 2005, the Bureau of Transportation Statistics finally released data on commuting and employment for individual cities. The map (below) shows jobs by place of work in the year 2000 for cities within the four-county Little Rock-North Little Rock MSA. As you can see, Little Rock dominated the regional employment picture, with over 150,000 jobs – just over one-half of all jobs in the four-county area. North Little Rock and Conway were second and third largest, respectively. Between them, the region's three largest cities accounted for nearly three-quarters of all employment in the region.

The map also shows the portion of each city's workforce composed of city residents. In both Little Rock and Conway, nearly half (about 47 percent) of jobs were held by city residents. For most of the region's other communities, the ratio was lower. Maumelle had the lowest portion of jobs in the city held by local residents – about 20 percent. Bryant had the second-lowest ratio at about 24 percent.



2000 LR-NLR MSA Largest City-to-City Commuting Flows



The chart at left shows the region's largest commuting flows from residence to workplace in 2000. As you can see, the largest was across the Arkansas River from North Little Rock into Little Rock. Of the ten largest flows, seven had a work destination in Little Rock, while the remaining three went to North Little Rock.

Source: Census Transportation Planning Package 2000.

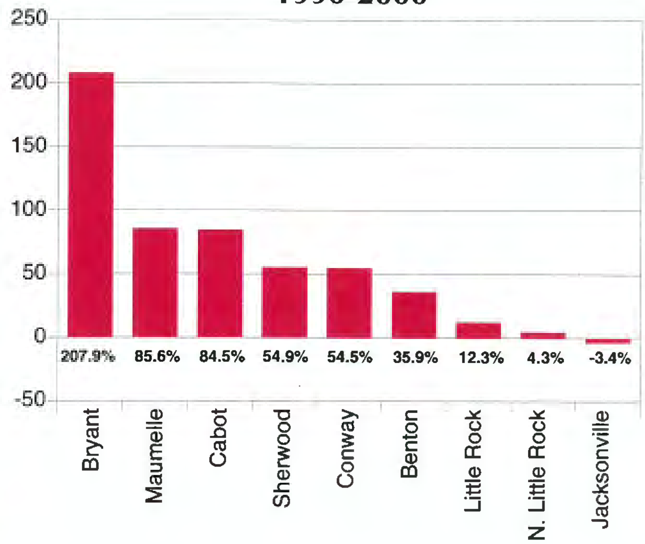
City Commuting and Employment Trends

Many of the region's jobs have been migrating to the suburbs in recent years. As the chart below shows, Bryant ranked first in percentage employment growth, more than doubling employment from 1990 to 2000. Maumelle ranked second, followed by Cabot.

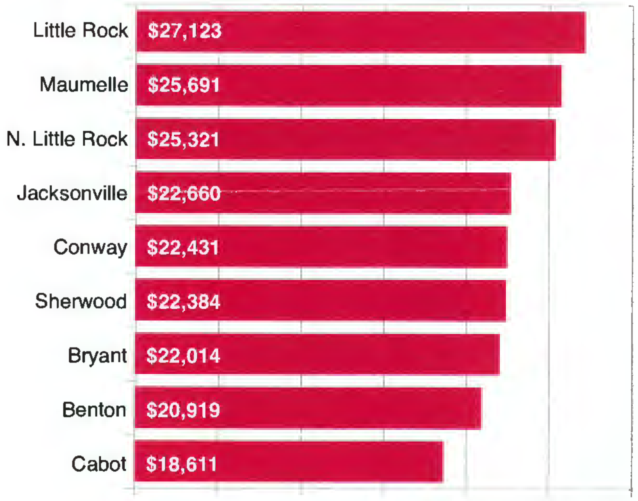
Despite the suburbanization of some jobs, the large majority are located toward the region's center. The chart below shows median earnings by place of work for the larger communities in central Arkansas. As you can see, jobs in Little Rock, North Little Rock and Maumelle pay better than jobs farther out from the center.

Some foresee a future where the traditional workplace will be replaced by telecommunications technologies, allowing people to work from home or any other location of their choice. But today's workers seem to gain something from being close to one another. For most of them, the commute from suburbs to core areas will remain a daily reality well into the future.

Employment Change by City 1990-2000



Median Earnings by Place of Work 2000



LR-NLR Employment by City 2000

City	Total Jobs by Place of Work	Total Jobs Held by City Residents	Share of Jobs Held by City Residents
Benton	10,140	4,225	41.7%
Bryant	3,507	845	24.1%
Cabot	5,077	1,730	34.1%
Conway	30,410	14,240	46.8%
Jacksonville	14,946	6,680	44.7%
Little Rock	153,866	72,090	46.9%
Maumelle	4,862	950	19.5%
North Little Rock	37,948	11,035	29.1%
Sherwood	6,903	1,825	36.4%

Source: CTPP 2000 pt.3

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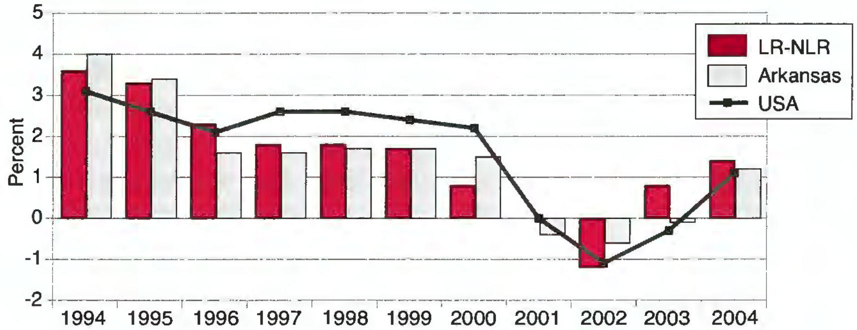
National vs. Regional Employment Trends

Steady as She Goes

National economic recovery finally began bringing serious job growth with it during 2004. Non-farm payroll jobs rose 1.4 percent in the Little Rock-North Little Rock MSA, somewhat above 1.2 percent growth for the state of Arkansas and 1.1 percent for the U.S. as a whole. The region suffered less severely than average from the past recession, showing only one year of net job loss (2002), compared with two years of job decline for the U.S. as a whole and three years for the state of Arkansas.

Annual Employment Change by Percent 1994-2004



Unemployment declined slightly over the past year to 5.1 percent, remaining a bit below state and U.S. averages of 5.7 and 5.5 percent respectively. While unemployment is not a severe problem in the region, it has not returned to average levels under 4 percent recorded in the region during the prosperous years from 1995 to 2000.

The table below shows the region's most favorable recent indicator – income growth. Local per capita income grew by about 11 percent from 2000 to 2003, about twice as fast as the U.S. average.

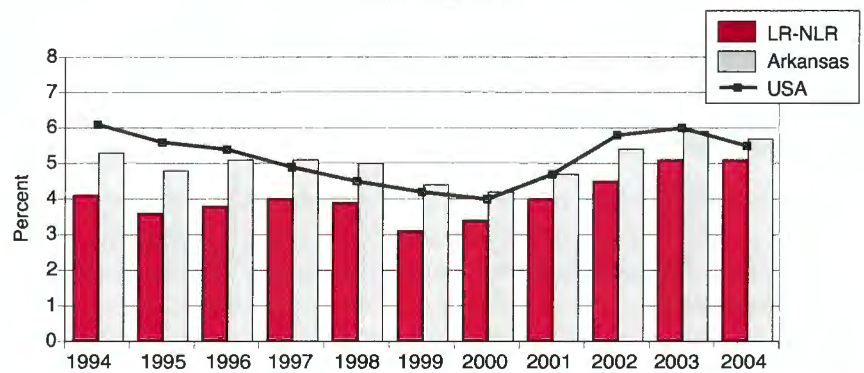
Per Capita Income in Nominal Dollars

Year	LR-NLR MSA	US
2000	26,960	29,845
2003	29,927	31,472
Change	11.0%	5.5%

Sources:
1. Income data from U.S. Bureau of Economic Analysis
2. CPI data from U.S. Bureau of Labor Statistics

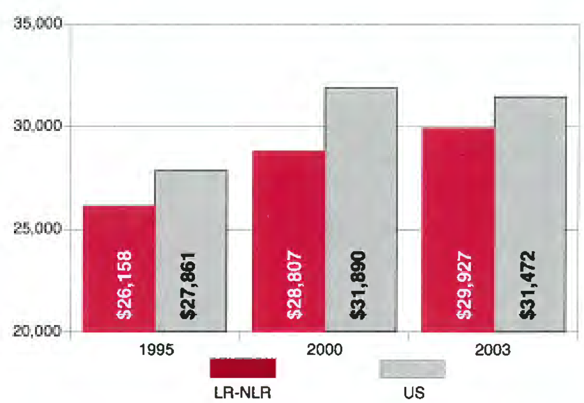
The chart at right shows local and U.S. income trends 1995-2003, after adjusting for inflation. As you can see, national per capita incomes actually declined in real terms from 2000 to 2003. By comparison, growth in the Little Rock region was sufficient to allow a slight net gain despite the rising cost of living.

Unemployment Rate Comparison 1994-2004



Employment data courtesy of Arkansas Employment Security Department.

Real Per Capita Income 1995-2003 (2003 Dollars)



Critical Industries

Little Rock-North Little Rock Critical Industries

The table at right gives a profile of the most vital industries in central Arkansas. The list shows local sectors that have an employment size of 1.5 times the national average or more. These industries are generally involved in exporting goods and services outside the region, thus generating the bulk of economic growth. The discussion that follows will focus on selected industries and clusters of particular importance.

The region's largest economic engine is health care and related industries (NAICS 6221, 6222, 6223 and 6232). The five health-related categories depicted here account for about 29,000 jobs, nearly ten percent of total regional employment.

The second-largest engine is telecommunications. The two different sectors in this industry are going in opposite directions. The first, wired telecom (NAICS 5171) has been retrenching in recent years, and the Bureau of Labor Statistics (BLS) predicts that national employment in this sector will continue declining. The BLS projects that the second, wireless telecom (NAICS 5172), will grow by 50.5 percent at the national level from 2002 through 2012. On the whole, the Little Rock area telecom sector has stood up well to national and international competitive pressures and should remain a major player in years to come.

Computer systems design and services (NAICS 5415) remains an important emphasis in the central Arkansas economy. Local employment losses in this sector slightly exceeded those at the national level from 2000-2004. Ranked as a "Level I" high-technology industry by the Bureau of Labor Statistics, this sector has the highest proportion of technology-oriented occupations of all the high tech sectors.[1] It is difficult to overstate the importance of this vital and prosperous industry for the central Arkansas region's future.

The region's aircraft modification and finishing industry also gives it a significant presence in aerospace manufacturing (NAICS 3364). Local craftsmanship has allowed central Arkansas to retain a vital foothold in this industry despite intense national and international competition. Central Arkansas has some presence in a few other manufacturing sectors (NAICS 3222, 3256, and 3329) but is not primarily a manufacturing region.

The wide variety of sectors in the table gives evidence of the LR-NLR region's general economic diversity. The region's economic emphasis in such categories as health care, construction, trucking, and social advocacy organizations also demonstrates its role as a regional center serving a large and mostly rural hinterland.

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[1] *Monthly Labor Review*, July 2005, p. 64.

Caveats, Limitations and Credit

1. Employment size gives no information about productivity, profitability, and other vital measures of business performance.
2. The NAICS categories give more detail and up-to-date information than the old SIC codes, but still have a generalizing effect that leaves out subtle distinctions in a constantly-changing economy.
3. There are, at present, no NAICS categories for two potentially vital emerging industries: Biotech and nanotechnology. Biotechnology is partially represented by NAICS 3254 and 5417, neither of which is a major sector in central Arkansas. However, some local biotech research activity at UAMS and elsewhere may fall into other NAICS classifications, pointing to the limitations of existing classification systems for emerging economic sectors. There are at present no NAICS categories for nanotechnology.
4. Metroplan obtained the detailed data used for this analysis with expert and friendly help from the staff at the Arkansas Employment Security Department. Thanks!

Critical Industries - Background

Understanding the Table

NAICS refers to North American Industrial Classification System, a federal code for categorizing industries.

Location Quotient refers to each sector's employment size relative to the national average. A score below 1.0 (one) implies a lower percentage than the national average, while a score above 1.0 suggests a higher proportion than average. Thus, the score of 3.03 in wireless telecommunications suggests that local employment in this sector is proportionally about three times as great as the national average.

Share Change refers to each economic sector's local gain or loss in employment relative to the national average after adjusting for general economic growth and growth or loss within the sector at the national level. Gains in a sector may suggest local competitive advantages.

Technology Status refers to a classification of high-technology industries done by the U.S. Bureau of Labor Statistics. The industry groups are ranked in a hierarchy, with the strongest technology focus in Level I. Technology status is explained in greater depth on page 7.

Threshold for Analysis

The industries listed above were selected based on their location quotient and size of employment. To make the list, a local industry needed a location quotient of 1.5 or above, with over 800 employees.

LR-NLR MSA Top Twenty Critical Industries 2004

NAICS	Category Title	Employment Jan 04	Location Quotient Jan 04	Employment Change 2000-04	Share Change in Employment 2000-04	Technology Status
2213	Water, sewage, and other systems	835	7.30	8.9%	6.9%	
2362	Nonresidential building construction	2,662	1.51	-15.1%	-6.0%	
2373	Highway, street, bridge construction	2,598	3.86	2.9%	1.6%	
3222	Paper product manufacturing	2,142	2.42	-20.3%	-5.6%	
3256	Soap, cosmetic manufacturing	1,044	3.60	-8.7%	2.8%	
3329	Other fabricated metal manufacturing	1,079	1.56	-19.1%	N/A	
3364	Aerospace products and parts	1,789	1.64	-21.7%	-4.3%	Level I
4236	Electrical / electronic wholesalers	1,494	1.75	36.1%	54.6%	
4237	Hardware, plumbing etc. wholesalers	938	1.64	-10.8%	-3.7%	
4841	General freight trucking	4,451	1.90	-16.7%	-10.3%	
4881	Support activities for air transportation	924	2.65	43.9%	42.7%	
5171	Wired telecommunications carriers	3,292	2.35	N/A	N/A	Level III
5172	Wireless telecommunications carriers	1,446	3.03	105.1%	94.6%	Level III
5415	Computer systems design and services	4,756	1.69	-11.2%	-4.7%	Level I
6221	General medical/surgical hospitals	22,730	2.25	7.4%	-0.4%	
6222	Psychiatric, substance abuse hospitals	1,197	5.19	-8.1%	N/A	
6223	Specialty hospitals	1,086	2.95	N/A	N/A	
6232	Residential MR, MH, SA facilities*	2,396	1.96	19.6%	N/A	
6243	Vocational rehabilitation services	1,547	1.64	21.1%	N/A	
8133	Social advocacy organizations	1,036	2.36	35.1%	9.4%	

Note: The names of some NAICS categories have been simplified for presentation.
Further information on NAICS available at http://www.census.gov

*Abbreviations stand for: Mental Retardation, Mental Health, and Substance Abuse.

Data source:Arkansas Employment Security Department, and U.S. Bureau of Labor Statistics.

High Tech Trends

High Technology in Metropolitan Arkansas

We frequently get questions at Metroplan about how the Little Rock region compares economically with the faster-growing Fayetteville-Springdale region. This brief analysis attempts to begin answering these questions by comparing each metro area's high-technology industries. Technology sectors matter because earnings in high-technology occupations generally run well above average. Hi-tech industries, especially in Level I, have a large R&D (research and development) component, which can generate new wealth through innovation and spur growth in other economic sectors.

The table below compares high-technology employment in the central and northwest Arkansas metropolitan areas by hi-tech level. As you can see, the Little Rock-North Little Rock MSA has a larger share of Level I technology industries, accounting for about 4.4 percent of local employment in early 2004. The region's Level I hi-tech employment is primarily concentrated in two sectors: NAICS 3364 (aerospace manufacturing) and NAICS 5415 (computer systems design and services). Together, these sectors make up 58.1 percent of Level I hi-tech employment in the LR-NLR MSA.

By comparison, the Fayetteville-Springdale Rogers MSA has smaller representation in Level I, which accounts for only 2 percent of local employment. Both MSA's are fairly small in Level II hi-tech. The northwest Arkansas region has a much larger share in Level III hi-tech, however, with more jobs in this sector despite its smaller overall employment size. Northwest Arkansas hi-tech employment is dominated by one sector, NAICS 5511 (management of companies and enterprises), which accounted for 69.6 percent of regional Level III hi-tech employment in early 2004.

Central and Northwest Arkansas Hi-Tech Employment January 2004

	Total Employment	Hi-Tech Employment by Sector: Level I	Level II	Level III	Hi-Tech Total
Little Rock-North Little Rock MSA					
Private Employment	257,700	11,268	4,550	10,638	26,456
Percent of Private Employment		4.4	1.8	4.1	10.3
Fayetteville-Springdale-Rogers MSA					
Private Employment	159,200	3,184	2,031	16,983	22,198
Percent of Private Employment		2.0	1.3	10.7	13.9

Source: Arkansas Employment Security Department

The Little Rock-North Little Rock MSA has a comparatively smaller share in Level III hi-tech employment. About 45 percent of Level III jobs in central Arkansas are in telecommunications, a sector which faces mixed prospects as explained on page 4.

While northwest Arkansas has a higher overall proportion of tech workers, central Arkansas has a greater percentage of workers in Tech Level I, which ranks highest in R&D activity. By comparison, the dominant tech sector in northwest Arkansas (NAICS 5511) is notably low in R&D activity.[1] In summary, the economic strengths of central and northwest Arkansas differ. Often described as rivals, the two regions actually demonstrate a classic case of regional complementarity, a condition which encourages mutually beneficial exchange.

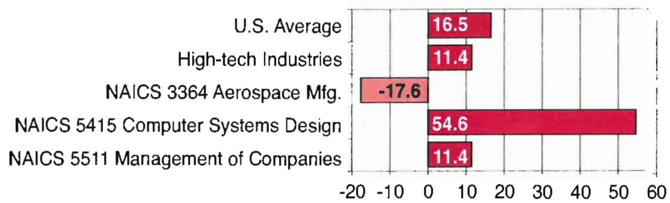
[1] Monthly Labor Review July 2005, p. 66.

A Look at Our High Technology Future

As the table on page 4 shows, both of the two leading Level I hi-tech sectors in central Arkansas have lost jobs in recent years, in line with national trends. There is probably some linkage between recent weaknesses in these vital sectors and slow overall employment growth in the Little Rock-North Little Rock MSA from 2000 through 2004.

It is impossible to predict the fortunes and fluctuations of local businesses in years to come. However, the Bureau of Labor Statistics has published projections for U.S. employment growth for the period 2002-2012, shown in the chart at right. These national trends will probably influence local business activity.

Projected Percent Employment Change for Selected U.S. Industry Sectors 2002-2012



As you can see, hi-tech industries are expected to gain employment more slowly than average over this period. The aerospace manufacturing industry will under-perform most other tech industries, and may shed nearly 18 percent of its jobs nationwide from 2002 to 2012. The Little Rock area might better this performance because there is more growth in corporate jets (the local specialty) than aerospace in general.

The computer systems design and services sector is expected to strongly exceed the national average in employment growth. According to the BLS, employment growth in NAICS 5415 will rank third in employment growth among all Level I hi-tech industries. Productivity is also rising fast, meaning output in this sector will grow even faster than employment, rising 9 percent annually through 2012. Despite business fluctuations in recent years, the Little Rock-North Little Rock region is very fortunate to have a foothold NAICS 5415, a home-grown tech industry positioned squarely in one of the most important growth sectors in global economics today.

Technology Levels Explained

The table below explains the technology levels used in the articles on critical industries and high technology trends on pp. 4-7. The Bureau of Labor Statistics has identified 46 NAICS industry sectors as "high technology." To qualify, an industry must have at least twice the national average of technology-oriented workers. Within these industries, there are three levels, each defined by the ratio of high-technology occupations within the sector compared with the national average. Level I industries have the most intensive high technology activity, and usually involve the greatest amount of research and development activity.

	Prevalence of Technology-Oriented Workers	Technology-Oriented Workers as Percent of Employment	Research and Development Activity	Number of U.S. NAICS Industries
Level I	5 times average or more	24.7 +	Almost always	14
Level II	3 to 4.9 time average	14.8 to 24.7	Sometimes	12
Level III	2 to 2.9 times average	9.8 to 14.7	Sometimes	20

The crucial factor in these rankings is technology-oriented workers, primarily scientific and engineering specialists. According to the Bureau of Labor Statistics, "Workers in these occupations need an in-depth knowledge of the theories and principles of science, engineering, and mathematics underlying technology," with official certifications in these fields ranging from "a vocational certificate or associate's degree to a doctorate."

For more information, see "High-Technology Employment: A NAICS-Based Update," by Daniel Hecker, in Monthly Labor Review, July 2005. This article is available on the web as a .pdf document at http://www.bls.gov.

Housing Construction Trends

Fast Times for the Housing Business

Construction boom times continued during the first half of 2005, with over 2,200 new housing unit starts. This was the second-highest January-June total yet recorded in the region. Single-family housing was particularly strong, setting a new record with 1,770 new units permitted. Multi-family permits dropped somewhat to 473 across the region.

There is a widespread consensus that rising interest rates may finally slow the recent national housing construction boom. Early estimates from local city building permits through the end of September show no sign of a slowdown yet.

LR-NLR Housing Unit Permits
January - June 1995-2005

Single-Family	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Benton	73	73	57	84	76	127	103	128	217	218	230
Bryant	71	84	63	74	86	90	110	121	92	61	91
Cabot	183	155	93	139	140	157	160	159	209	243	247
Conway	225	218	167	218	240	211	208	219	287	248	266
Jacksonville	27	43	39	38	37	41	67	41	69	90	60
Little Rock	261	263	230	265	287	283	239	276	331	390	494
Maumelle	68	112	147	145	157	139	130	141	164	149	177
N. Little Rock	47	50	37	33	43	30	38	32	37	40	61
Sherwood	49	46	46	67	71	64	64	95	120	145	144
Single-Family Total	1,004	1,004	879	1,063	1,137	1,142	1,119	1,212	1,526	1,584	1,770

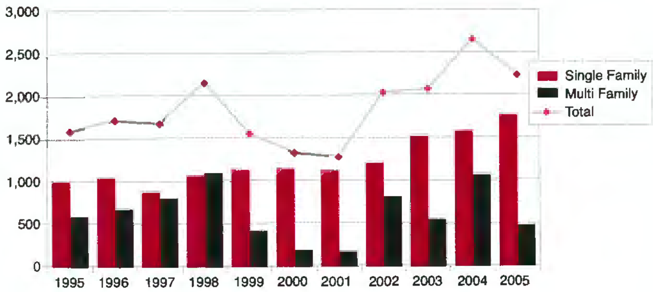
Multi-Family	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Benton	0	276	0	0	5	8	24	0	0	0	0
Bryant	10	0	2	0	4	4	0	0	0	0	0
Cabot	13	5	0	0	20	0	0	144	0	14	0
Conway	51	194	184	236	67	50	17	237	39	189	72
Jacksonville	1	0	7	1	58	80	0	114	4	2	4
Little Rock	240	183	609	634	261	42	64	263	278	864	97
Maumelle	0	0	0	0	0	0	0	0	168	0	0
N. Little Rock	0	0	2	0	0	0	0	59	56	0	300
Sherwood	274	19	0	226	0	8	61	0	0	0	0
Multi-Family Total	589	677	804	1,097	415	192	166	817	545	1,069	473

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total Housing Units	1,593	1,721	1,683	2,160	1,552	1,334	1,285	2,029	2,071	2,653	2,243
Percent Single-Family	63.0	60.7	52.2	49.2	73.3	85.6	87.1	59.7	73.7	59.7	78.9
Percent Multi-Family	37.0	39.3	47.8	50.8	26.7	14.4	12.9	40.3	26.3	40.3	21.1

LR-NLR MSA Median and Mean Value for New Single-Family Housing 2004

City	Median ($)	City	Mean ($)
Maumelle	233,666	Little Rock	261,708
Little Rock	231,500	Maumelle	229,471
Bryant	158,823	N. Little Rock	177,313
Conway	144,676	Bryant	169,692
N. Little Rock	137,000	Conway	166,060
Sherwood	133,332	Benton	133,766
Benton	127,151	Sherwood	132,335
Jacksonville	117,338	Jacksonville	117,903
Cabot	104,733	Cabot	108,755

LR-NLR Housing Unit Permits
January - June 1995-2005



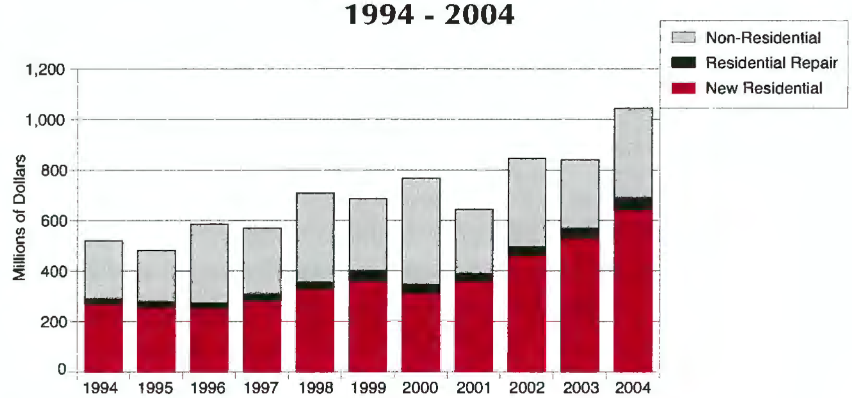
Building Permit Values

Construction Value Tops $1 Billion in 2004

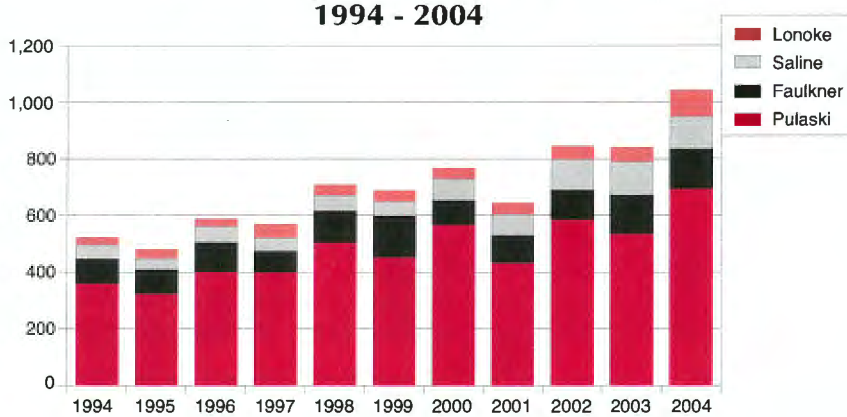
During 2004 the value of construction in the LR-NLR region exceeded one billion dollars, for the first time ever. The trend was driven by strong performance in both residential and non-residential construction. New residential construction was $638.1 million, a 23 percent gain over 2003. Continued low interest rates and the nationwide housing boom were major factors in residential growth, augmented by a multi-family construction surge.

Non-residential construction was $354.6 million during 2004, nearly 31 percent higher than in 2003. Non-residential construction exceeded 2003 values in all four counties. Performance was especially strong in Lonoke County, with over $33 million invested in nonresidential structures, up from $12.7 million the year before.

Building Permit Value Trends
1994 - 2004



Total Building Permit Values by County
1994 - 2004



The region continued outperforming U.S. construction trends, although its lead narrowed in face of a resurgent construction trend at the national level. From 2000-2004, LR-NLR regional construction value increased 23.6 percent, versus 17.2 nationally. The annual total for single-family housing construction grew 94.8 percent for the region from 2000-2004, versus 59.4 percent growth at the national level.

2004 Building Permit Values - ($) Millions of Dollars

	All Permits	New Residential	Residential Repairs & Additions	Non-Residential New & Modified/Repair
Faulkner	141.1	92.2	3.9	45.3
Conway	141.1	92.2	3.9	45.3
Lonoke County	92.4	58.6	0.7	33.1
Cabot	92.4	58.6	0.7	33.1
Pulaski County	682.5	414.9	41.9	235.7
Little Rock	465.7	262.7	34.4	168.6
North Little Rock	69.8	22.5	4.4	42.9
Jacksonville	37.6	14.7	1.0	21.9
Sherwood	56.5	52.1	2.1	2.3
Maumelle	62.9	62.9	N/A	N/A
Saline County	117.4	72.4	4.4	40.6
Benton	82.2	49.6	1.0	31.6
Bryant	35.2	22.8	3.4	9.0

Retail Trends

Retail Trends in Central Arkansas

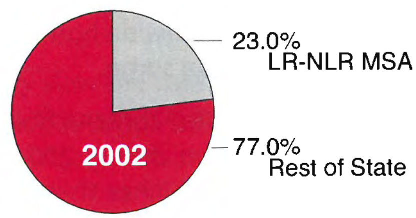
Retailing remains a major portion of the economy in central Arkansas. In 2002, retailing accounted for 35,300 jobs in the region, or about 11 percent of total employment.[1] While the six-county Little Rock-North Little Rock MSA accounted for 23 percent of the state's population in 2002, it had 29 percent of the value of all retail sales.

Growth within the central Arkansas market continued dispersing. From 1992 to 2002, Pulaski County's share in retail sales declined from 78 percent to 71 percent. Among the other counties in the region, Saline County showed the largest change in proportion, from 8 percent of retail sales in 1992 to 13 percent in 2002.

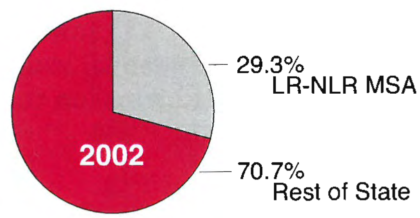
Recent years have seen the emergence of large "big-box" retail centers in Faulkner, Lonoke and Saline Counties. While many of the residents of these counties continue working in Pulaski County, they are finding a wider choice of shopping opportunities close to home.

[1] Job totals and all other data presented use the new NAICS classifications. The NAICS system puts fewer jobs in retailing than under the old SIC system.

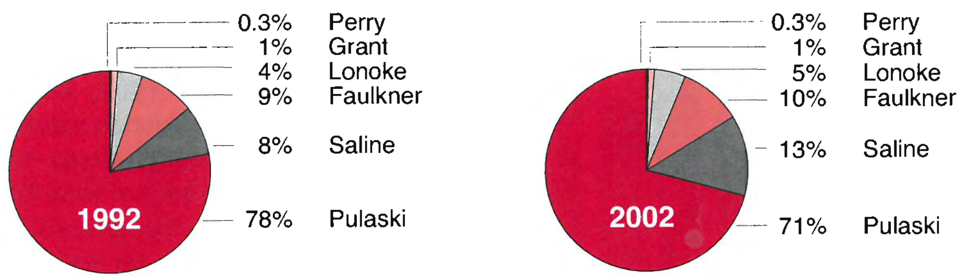
Central Arkansas Share of State Population 2002



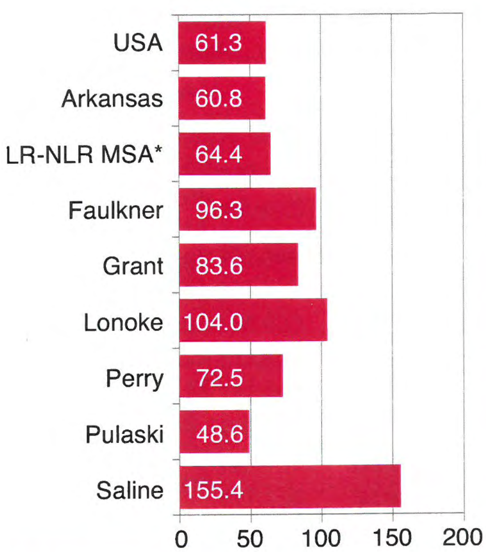
Central Arkansas Share of State Retail Sales 2002



Retail Sales as Portion of 6-County LR-NLR MSA 1992 and 2002



Percent Retail Sales Growth 1992 - 2002



Retail Sales Data 1992 - 2002

	1992 Sales ($1,000)	2002 Sales ($1,000)	Percent Growth 1992-2002
USA	1,894,880,209	3,056,421,997	61.3
Arkansas	15,925,313	25,611,630	60.8
LR-NLR MSA*	4,558,661	7,492,909	64.4
Faulkner	393,345	772,155	96.3
Grant	46,454	85,290	83.6
Lonoke	188,880	385,232	104.0
Perry	12,852	22,169	72.5
Pulaski	3,535,842	5,254,294	48.6
Saline	381,288	973,769	155.4

*Six-county MSA definition.
Source: US Census of Retail Trade 1992-2002

LR-NLR Socio-Economic Statistics 2004

	LR-NLR MSA**	Faulkner	Grant	Lonoke	Perry	Pulaski	Saline
Average Resident Employment	308,075	46,625	7,950	27,225	4,650	178,600	43,025
%Unemployment	5.1	4.9	5.5	4.6	5.7	5.3	4.6
New Industries***	0	0	0	0	0	0	0
Expanding Industries***	6	2	0	0	0	4	0
Assessed Valuations ($)	7,223,241,462	937,732,669	150,620,688	540,488,679	70,541,957	4,741,185,290	1,003,834,824
Real Estate ($)	5,222,655,804	676,499,515	98,968,044	393,849,837	48,322,953	3,396,486,322	755,821,130
Personal Property ($)	1,672,179,059	233,457,210	39,778,099	114,132,365	15,458,400	1,106.609,415	217,980,069
Corporate ($)	328,406	27,775,944	11,874,545	32,507,477	6,760,604	238,089,553	30,033,625
Bank Deposits ($)*	4,486,847,000	N/A	N/A	353,079,000	N/A	3,963,247,000	170,521,000
Bank Assets ($)*	5,618,018,000	N/A	N/A	478,367,000	N/A	4,928,500,000	211,151,000

Sources: Arkansas Employment Security Department, Arkansas Department of Economic Development, Arkansas Assessment Coordination Divsion, and Little Rock Regional Chamber of Commerce.

* Bank data exclude assets and deposits held by banks serving the area but based outside the four-county Little Rock-North Little Rock MSA.

** Data compiled by Metroplan for six-county LR-NLR MSA.

*** New and expanded industries as announced by the Arkansas Department of Economic Development.

ADED List of New and Expanded Industries LR-NLR MSA 2002

Category/Company	City	New or Expanded	SIC	NAICS	Product or Service
Durable Manufacturing					
IC Corporation	Conway	E	3713	3362	Motor vehicle bodies
Interstate Group LLC	Conway	E	3715	3362	Truck trailers
Non-Durable Manufacturing					
Kimberly-Clark	Maumelle	E	2297	3132	Non-woven fabrics
Inviting Company	N. Little Rock	E	2759	3231	Commercial printing
Ashland Speciality Chemical	Jacksonville	E	2821	3252	Composite polyester resins
L'Oreal USA Products	N. Little Rock	E	2844	3256	Cosmetics

Source: Arkansas Department of Economic Development

Economic Outlook 2006

Rising productivity is fueling robust growth in the U.S. economy despite a heavy debt load, rising interest rates and fuel price uncertainties. The productivity gains may result from continuing diffusion of information technologies.

Above-average income growth shows that central Arkansas is prospering, but local job growth during 2005 has run more slowly than the U.S. average. Inside the region, housing growth has picked up in northeast Pulaski County. Both Sherwood and Jacksonville have seen major housing gains since about 2002, probably induced in part by recent completion of the North Belt Freeway's eastern section between I-40 and U.S. 67-167.

New trends are emerging elsewhere, too. About half of North Little Rock's new single-family housing starts are in the Scott area east of I-440. Downtown Little Rock and North Little Rock are seeing the

(continued on page 12)

Economic Outlook 2006 (continued)

beginnings of a new wave of housing growth which should further broaden and diversify the region's reviving core. Farther west, as the most accessible land in far western Little Rock grows scarcer, a significant portion of new housing construction is deflecting onto a southwesterly axis west of I-430.

Major retail construction is occurring in Bryant along the newly-widened I-30 corridor in Saline County. Nationally, the retail industry is changing shape. E-commerce soaks up a tiny but ever-growing share of business. The focus in store retailing is moving toward "lifestyle centers," compact mixed-use retail nodes that evoke traditional downtowns but are located close to the customer and draw from a smaller radius than regional malls. This trend is just beginning to impact central Arkansas and will bring major changes in years to come.

Slow job growth in recent years owes in part to the region's industry mix. Future prospects are encouraging thanks to local cost-of-living advantages and a presence in IT sectors that appear primed for renewed growth. The region's large medical presence also offers a fertile testing-ground for innovative products and services from the local medical research sector. The above-average rise in central Arkansas incomes suggests that local productivity growth – a measure of innovation - is running at an even faster pace than the national average. This is a promising indicator in a post-industrial world with few barriers to trade and communication, where home-based innovation is the essential ingredient of success.

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