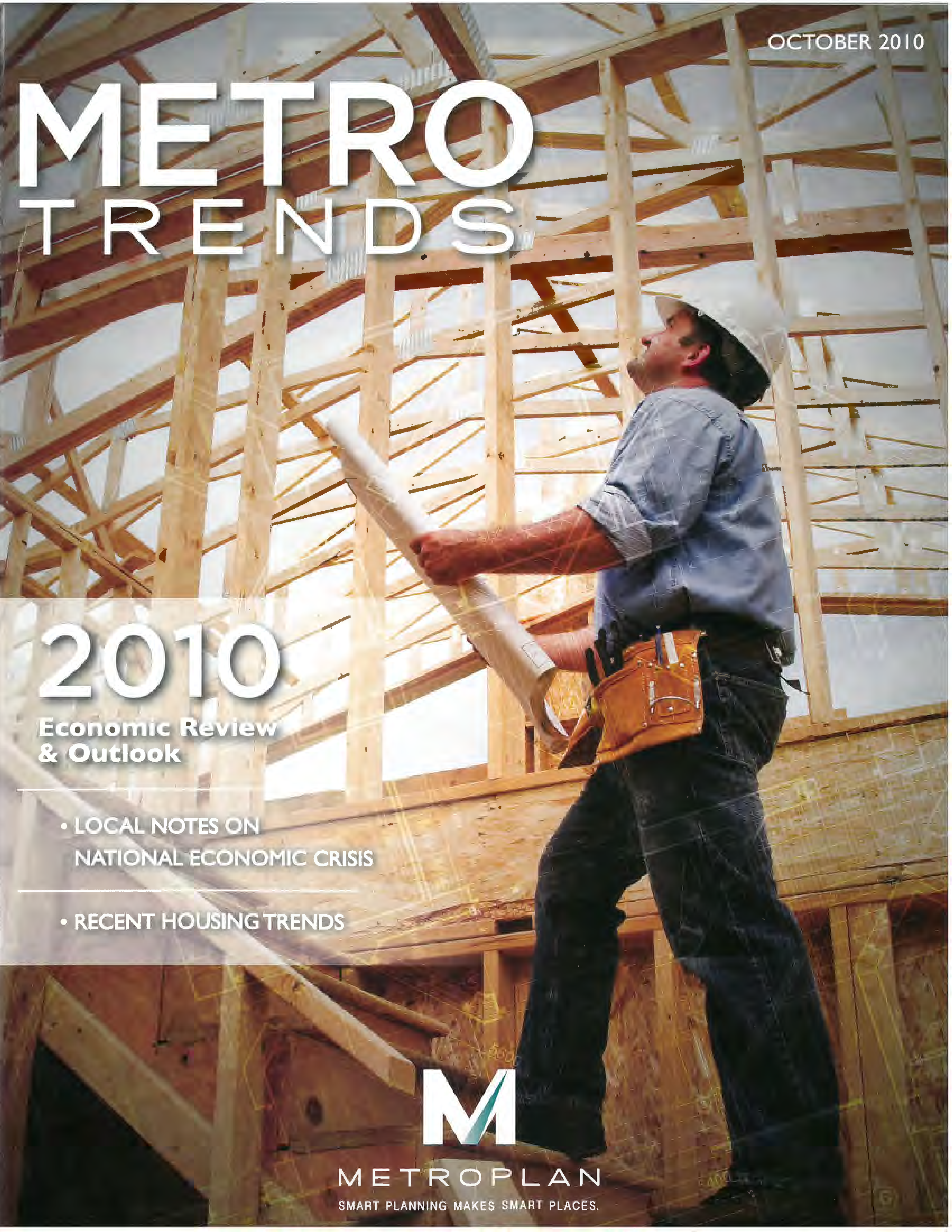
OCTOBER 2010

METRO TRENDS



2010 Economic Review & Outlook

- LOCAL NOTES ON NATIONAL ECONOMIC CRISIS
- RECENT HOUSING TRENDS

METROPLAN

SMART PLANNING MAKES SMART PLACES.

About Metroplan

Metroplan is a voluntary association of local governments that has operated by interlocal agreement since 1955. Originally formed as the Metropolitan Area Planning Commission of Pulaski County, Metroplan now has members in the six-county metro area (see below). Metroplan is the designated metropolitan planning organization (MPO) under Title 23 of the United States Code.

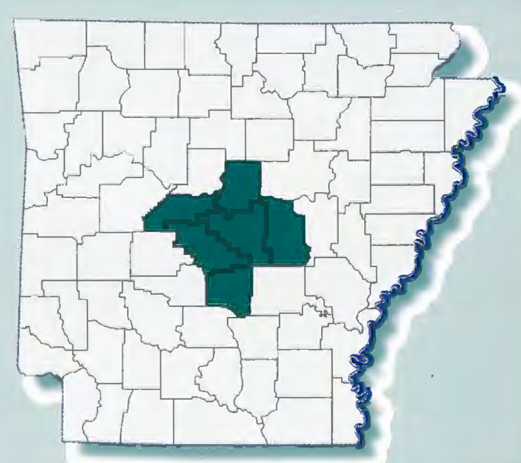
Metroplan serves as the regional voice on issues affecting central Arkansas, develops transportation plans required by federal law, convenes stakeholders to deal with common environmental issues, and provides information and staff resources to our member local governments, the business community and the public. As part of that mission Metroplan publishes Metrotrends twice yearly. The spring edition is the Demographic Review and Outlook; the fall edition is the Economic Review and Outlook.

Table of Contents

This issue of the Economic Review and Outlook is dedicated in loving memory to Jean Dahms, who died unexpectedly while on vacation in September, 2010. Employed at Metroplan for the past thirty years, Jean was our Graphics Specialist, giving form, balance and color (her favorite) to virtually all of Metroplan's published products. Her work spanned many years of the Metrotrends newsletter series, including the first draft of this edition of the Economic Review and Outlook.

Metroplan's Economic Review and Outlook is an annual chronicle providing demographic and housing data and insight for the Little Rock-North Little Rock-Conway MSA.

Prepared by: Jonathan Lupton, Research and writing



This report was funded in part through grant(s) from the Federal Highway Administration and Federal Transit Administration, U.S. Department of Transportation. The views and opinions of the authors (or agency) expressed herein do not necessarily state or reflect those of the U.S. Department of Transportation.

CENTRAL ARKANSAS AND THE GREAT RECESSION

Over the past two years, central Arkansas has been an island of comparative economic stability during the worst economic crisis in 70 years. During 2009, the region gained national attention for its low unemployment and a less severe drop-off in job and income growth. Yet so far, the year 2010 has given less positive news.

From January to August, 2010, total US jobs grew by 2.0 percent. During the same interval, central Arkansas jobs dropped slightly, by 0.3 percent. By August of 2010, the central Arkansas region had 13,900 fewer jobs than it had a year earlier.

It is likely that central Arkansas is simply lagging the national trend, and employment growth will begin recovering soon. In the meantime, the seasonally adjusted figures below show that the region's edge on the national average is diminishing, at least in the short term.

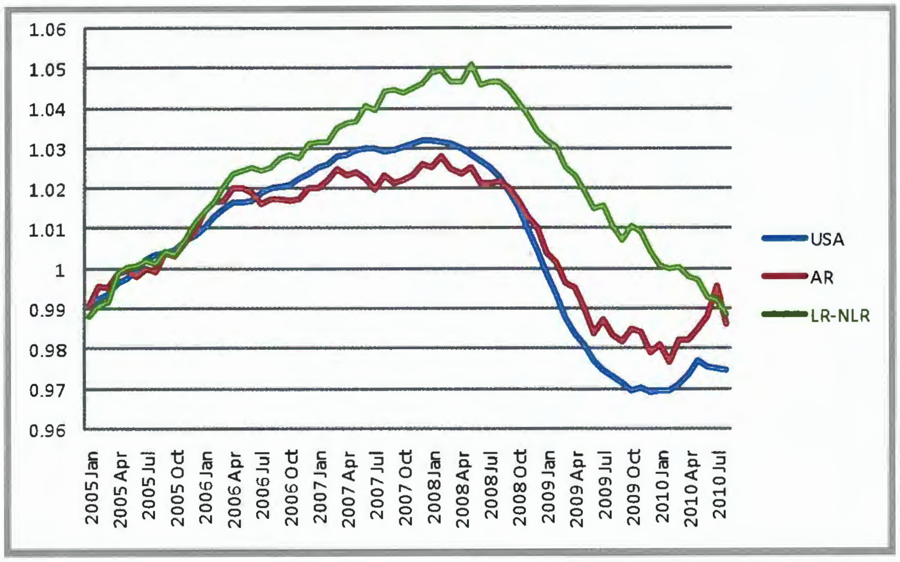
Local unemployment has remained well below the U.S. average, but has continued climbing. By August of 2010, adjusted for seasonality, local unemployment had climbed to roughly the state average (7.4 percent, versus 7.5 percent for the state). U.S. unemployment has remained stubbornly in the 9.5-9.6 percent range during the summer of 2010, barely down from its seasonally adjusted peak of 10.1 percent in October 2009.

Other indicators show moderately good signs. Local income held up fairly well through 2009. As the chart on page 2 shows, while local per capita income declined from 2008 to 2009, the loss was about one quarter of the average income loss for other U.S. metro areas.

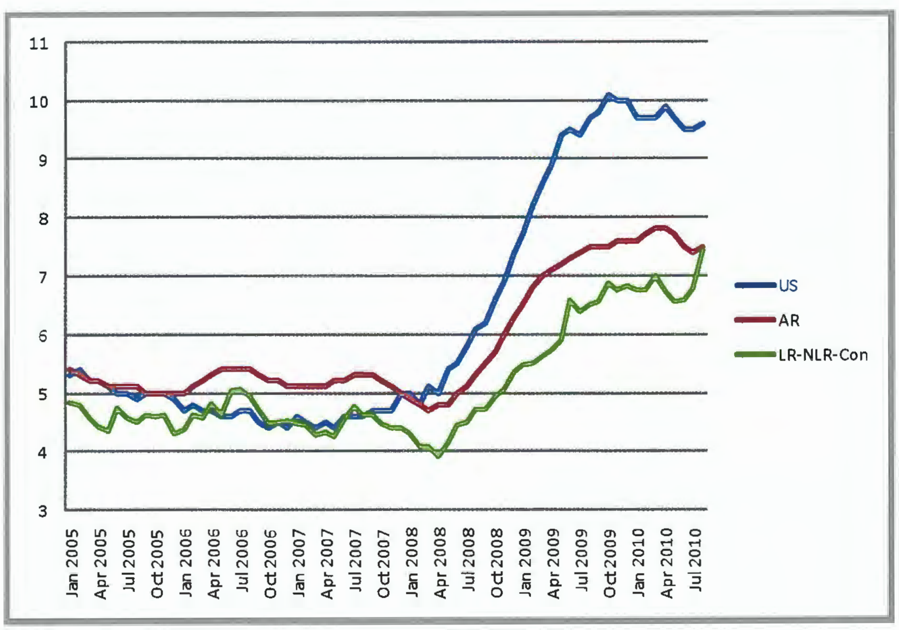
Local housing construction, described on pages 8-10, has shown signs of modest recovery in the first half of 2010. Housing is emerging from the downturn qualitatively altered from years past. There is more emphasis on multi-family units and smaller, less expensive single-family units.

The "Transcending the Great Recession" article beginning on page 4 looks reflectively at the Little Rock-North Little Rock-Conway region's

Index of Employment Jan 2005 - August 2010
(Seasonally Adjusted)



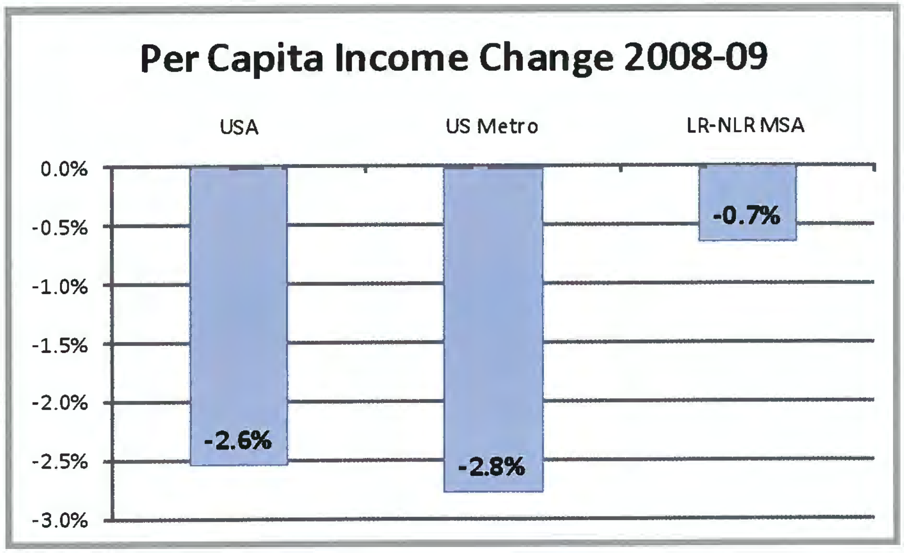
Percent Unemployment Jan 2005 - Aug 2010
(Seasonally Adjusted)



economy, explaining what makes the region tick and what its future growth prospects may look like. **M**

Sources: Arkansas Department of Workforce Services, U.S. Bureau of Economic Analysis.

Local unemployment has remained well below the US average, but has continued climbing.



AEDC LIST OF NEW AND EXPANDED INDUSTRIES
LR-NLR-CONWAY MSA 2009

NAICS	Corporation	City	New/Exp	Jobs	Product/Service
311911	Unilever - Skippy Peanut Butter	Little Rock	E	0	peanut butter
313210	Goff Distribution	Little Rock	E	9	broadwoven fabric mill
322210	AGE Industries LTD	Conway	E	12	corrugated boxes
323110	Allegra Print & Image Arkansas	Little Rock	E	17	commercial printing
325620	L'Oreal USA Products, Inc.	N. Little Rock	E	30	cosmetics
326113	Delta Plastics of the South LLC	Little Rock	E	10	plastic tubing
332913	Kohler Company	Sheridan	E	0	plumbing fixtures
332992	Remington Arms Company, Inc.	Lonoke	E	124	ammunition
332996	Welspun Tubular LLC	Little Rock	N	300	steel pipe
333120	Caterpillar, Inc.	N. Little Rock	N	600	construction machinery
336413	Galley Support Innovations, Inc.	Sherwood	E	17	aerospace support products
518210	Acxiom Corporation	Conway	E	50	data processing, hosting and related services
541511	Hewlett-Packard	Conway	N	1000	customer support center
551114	Southwestern Energy Company	Conway	E	150	corporate headquarters
551114	Protech Solutions, Inc.	Little Rock	E	4	corporate headquarters

Source: Arkansas Economic Development Commission.

SUPPLY, DEMAND, AND CAPACITY LIMITS

Most of us would rather forget the wallet-thinning fuel prices that pushed gasoline close to $4 per gallon during the summer of 2008. Yet the underlying problem remains very real. The chart below contrasts the price of gasoline with global oil production. Since about 2005 prices have been well above levels in the 1990s. Economic principles suggest that, when the price (demand) is high, supply will increase, too. Yet global oil production remains flat-lined.[1]

In fact, the year 2005 saw the global peak of crude oil production to date.[2] Despite unprecedented price hikes, total crude production in 2008 was slightly lower. Global recession caused prices to drop by late 2008. Production has nudged down, then up, since then, but has shown little ability to increase even when prices are high. Non-conventional oil sources, like tar sands and shale oil, have room to grow, but entail disturbing environmental costs and far higher prices than crude oil. Non-conventional oil production has not yet increased enough make a major difference in total oil supply.

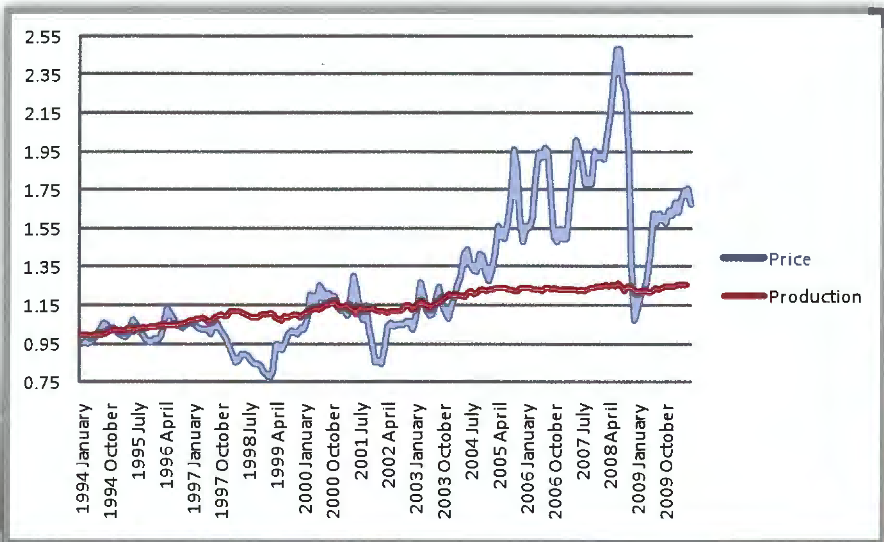
For the short term, two things are clear:

1. Global oil supply remains tight.

2. Price volatility is a byproduct of strained capacity. Wild price changes – not just up, but also down – are evidence of "queuing," fluctuations that occur when load approaches capacity. Such volatility is familiar to utility operators.[3]

The 2008 price spike was a temporary speculative bubble. But it could not have happened in a world where oil supply could easily expand to meet demand. Global recession, not oil supply growth, popped the 2008 "oil bubble." As world economic recovery takes hold, oil price volatility may make a comeback, too. **M**

Global Oil Production vs U.S. Fuel Price
(Inflation Adjusted 1994-2010)



Index of price and production: 1994 = 1.0

Economic principles suggest that, when the price (demand) is high, supply will increase, too. Yet global oil production remains flat-lined.

[1] U.S. Energy Information Administration. Index for oil and price based on 1994 value=1.0.

[2] Note the distinction between crude oil and total oil. In 2008, while crude production was lower, total global oil production increased slightly, due to oil gained from more expensive sources like tar sands and ethanol.

[3] Kenneth S. Deffeyes, *Beyond Oil*, p. 31.

CRITICAL INDUSTRIES

To build wealth, a region must have sectors in which it specializes in order to trade goods and services beyond its boundaries. Economic geographers use location quotient (LQ) analysis to determine each economic sector's level of local emphasis. A location quotient of 1.25 or above generally denotes an industry sector that serves more than local needs, and exports beyond a region.

THE MANUFACTURING SECTOR

Central Arkansas does not have a heavy emphasis on manufacturing. Nonetheless, the region has a few key manufacturing specialties. Most of these can be fit into two categories:

1. Technologically sophisticated manufacturing, in areas like aerospace, wind power turbines, specialized commercial machinery (including lasers), and a handful of other niches.
2. Manufacturing tied to local natural resources, like wood and paper products, furniture, ceramics, and glass products.

The table below shows the region's top manufacturing industries, as identified by location quotient analysis.[1]

NON-MANUFACTURING CRITICAL INDUSTRIES

The table below ranks the region's most prominent non-manufacturing, or service-oriented, industries.

Rank	Name	NAICS	LQ 2010
1	Psychiatric/substance abuse hospitals	6222	4.22
2	Specialty hospitals	6223	3.29
3	Social advocacy organizations	8133	2.39
4	Business support services	5614	2.23
5	Technical and trade schools	6115	2.07
6	Hardware equip. wholesale	4237	1.91
7	Vocational rehab services	6243	1.89
8	Electrical and electronic goods wholesale	4236	1.86
9	General freight trucking	4841	1.80
10	Dry-cleaning/laundry services	8123	1.66
11	Support activities for air transportation	4881	1.63
12	Waste treatment/disposal	5622	1.61

Health care and wholesale trade dominate the list. The breadth of other sectors, from trucking to social advocacy to trade schools to business support services, points up the region's overall diversity.

Rank	Sector	NAICS	EMP10	LQ10	Local Examples
1	Alumina mfg.	3313	510	3.96	Almatis, Tenenbaum Recycling, Porocel
2	Other fabricated metals	3329	2,067	3.75	Remington Arms, Schueck Steel, Orbit Valve
3	Converted paper products	3222	1,737	2.61	Vestcom Int'l, Kimberly Clark, Rock Tenn
4	Sawmills/wood preservation	3211	441	2.26	Koppers Inc.
5	Aerospace products/parts	3364	2,386	2.14	Dassault Falcon Jet, Hawker-Beechcraft
6	Motor vehicle body/equipment	3362	496	1.98	Davis Trailer & Truck, Hilbilt Mfg.
7	Engine, turbine, power transmission	3336	402	1.93	LM Wind Power
8	Household/institutional furniture	3371	1,004	1.88	Virco, Conestoga Wood, Architectural Arts
9	Commercial/service machinery	3333	307	1.44	Snap-On, BEI Precision Systems
10	Architectural/structural metals	3323	1,070	1.41	Custom Metals, Jacksonville Steel
11	Forging/stamping	3321	267	1.32	Hiwasse Mfg.

NAICS = N. AMERICAN INDUSTRY CLASSIFICATION | EMP10 = EMPLOYMENT 2010 | LQ = LOCATION QUOTIENT

[1] Location quotient refers to local employment concentration measured against national averages. For example, the 3.12 figure for NAICS 3329 means our region has 3.12 times as many jobs as would normally be expected in this sector. Figures represent 1st Quarter 2010. The threshold for this table is a location quotient of 1.25. Data courtesy of Arkansas Department of Workforce Services. LQ Analysis by Metroplan.

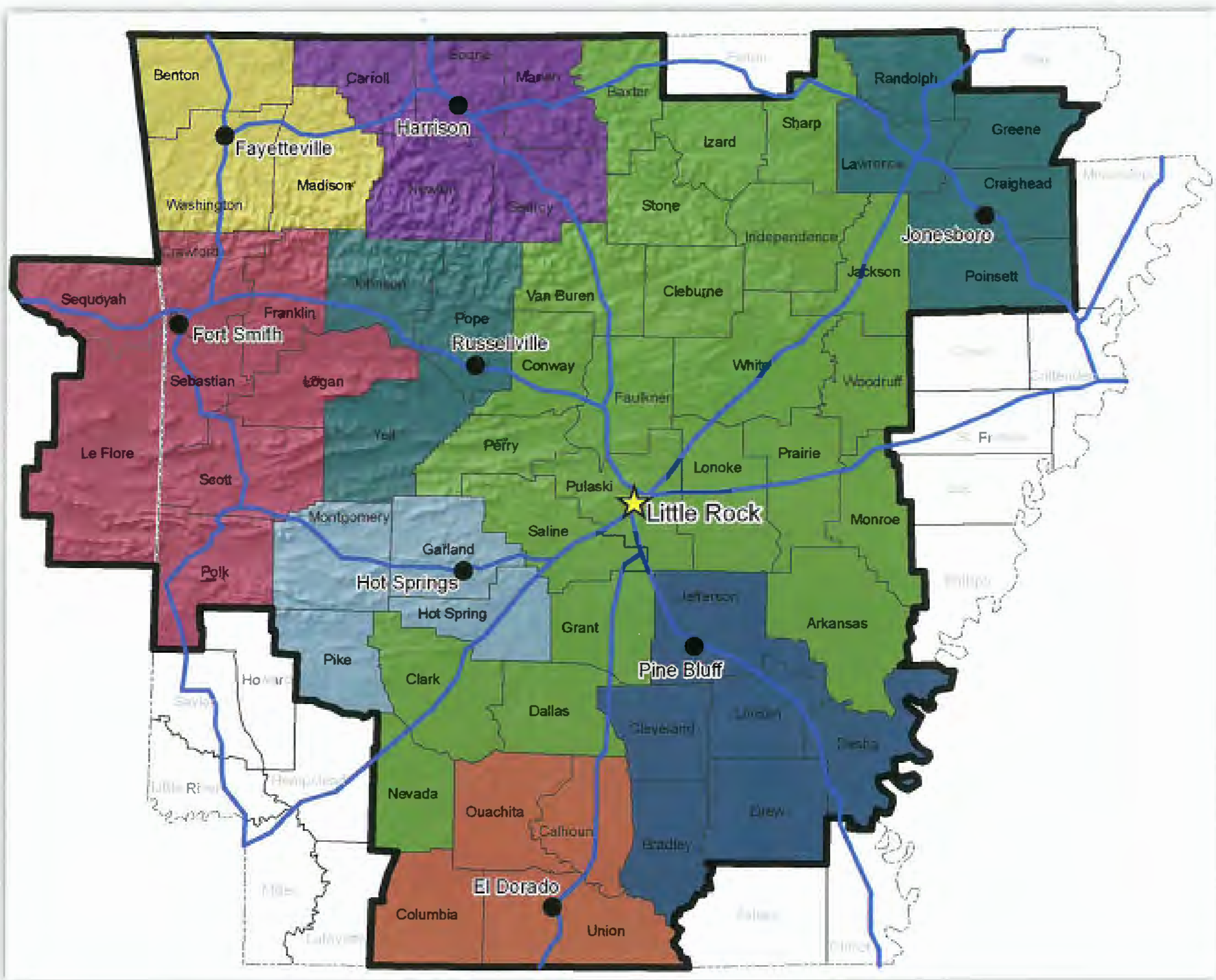
THE REGIONAL PERSPECTIVE

The image below shows the Little Rock Major Trade Area, a geographic definition developed by Rand McNally for its *Commercial Atlas and Marketing Guide*.

As you can see, it is made up of sub-regions, each of which has its own smaller trading area. The Major Trading Area, however, defines the scope of overall trading relationships. What is striking about the Little Rock Major Trade Area is its large size - 61 counties in total, including two in Oklahoma. By comparison, the Nashville Major Trading Area, centered on a larger metropolitan area, contains just 43 counties. The New Orleans Major Trading Area, based on a metro several times larger than central Arkansas, has 64 counties.

The Little Rock-NLR-Conway metro area is a trading center for several smaller metro areas. It also serves an unusually large, primarily rural hinterland. Central Arkansas lies at the hub of roads, railroads and waterways, at a point where mountains and hilly uplands give way to the state's flat, agricultural Delta region. As such, it serves as a trading center between sharply contrasting geographic regions, and as a center for wholesale distributors, media outlets, banking, insurance, health care, retail sales, professional services, and other activities. This role helps explain its economic diversity.

The central Arkansas region's large market area also helps explain the region's comparatively cosmopolitan character. Education levels in Pulaski County run well above the national average. Visitors are often surprised at the vitality of the region's core, as well as the comparative sophistication of its arts and cultural activities.



Major Trading Area presented with permission from Rand McNally. ©Rand McNally, R.L. 10-S-013.

Transcending the Great Recession

EXPORTS: THE INTERNATIONAL IMPERATIVE

Since the Great Recession can be attributed in part to excessive consumption, one way out is to export more. Americans have to become better at restoring our buying power by selling goods and services on the world market, so we can sustain a high standard of living without spending beyond our means.

A recent study by the Brookings Institution looked at the export potential of America's 100 largest metro areas, including the Little Rock-North Little Rock-Conway MSA. The study's conclusions had striking relevance for central Arkansas.[2]

According to the Brookings report, the LR-NLR-Conway MSA has six major industries that export successfully to world markets:

- Transportation equipment manufacturing (primarily aerospace)
- Chemical manufacturing
- Business, professional, and technical services
- Freight and port services
- Tourism

The study noted that central Arkansas is not a major exporter, ranking 80th among the top 100 U.S. metros for value of exports as a share of gross metro product (7.9%). Still, the report hinted at regional potential. During the years 2003-2008, local exports grew at an 11.3 percent annual rate, ranking the region 29th among the 100 largest U.S. metros for export growth–nearly the top quarter.

One of the study's most intriguing conclusions was that the fastest U.S. export growth was in the publishing industry, including books, newspapers, and software. The second fastest growth was in business, professional, and technical services. The striking connection here is that the central Arkansas region has above-average concentration in both.[3] In fact, the local business support sector showed local growth even in recessionary conditions from 2007 to 2010, when this sector was declining at the national level, and positive share change, as shown below.[4]

AEDC LIST OF NEW AND EXPANDED INDUSTRIES
LR-NLR-CONWAY MSA 2009

NAICS	Name	Location Quotient	Local Share Change 2007-10
5614	Business support services	2.23	+37.7%
5111	Newspapers, periodicals, books	1.36	-2.8%



Local industries showing promise and export success: James Hayes Glass, left; Phelps Fan, maker of industrial exhaust systems, center and right.

[2] For a two-page analysis pertaining to the LR-NLR-Conway MSA, visit www.brookings.edu/metro/exports.

[3] With the exception of software publishing, in which regional location quotient is an unimpressive 0.31.

[4] Location quotient and shiftshare analysis from data provided by Arkansas Department of Workforce Services. Local share change refers to employment growth after accounting for national and sector-specific employment changes during the study period.

TOWARD A CREATIVE ECONOMY

A recent study by the Winthrop Rockefeller Foundation made the case that Arkansas can gain ground economically by putting more emphasis on creative activities. According to the study, at least 35,000 jobs in the state are in "classifiable creative enterprises." Such local assets, the study contends, have the potential to become vital components of future economic growth.[5]

Creative, "right-brain," activity is, by definition, hard to define through "left-brain," analytical means. Nonetheless, the table below attempts to identify creative economic sectors in central Arkansas that may show economic potential. All of the sectors below were selected because they showed over 15 percent local share change from 2007 to 2010. All but one of the sectors also showed job growth during the tough economic times 2007-2010. This suggests the local industries listed hold competitive advantages.

The first three sectors, sawmills, wood products, and furniture wholesaling, all show a local bent toward wood products. Wood products are a fairly sizable component of the local manufacturing sector, tied to the local natural resource base.[6] Since products are cheapest close to their source, central Arkansas has an obvious cost advantage when adding value through manufacturing and local craftsmanship.

The central Arkansas region has also made advances in motion picture industries, specialized design services, and performing arts. In these sectors, the region has a smaller employment share than the U.S. average, but gained jobs despite recession conditions. What might be the key to local success in these industries?

The previous analysis pointed to the region's cosmopolitan character for its size, which stems in part from its role as the center of an unusually large trading area. The presence of many high incomes, and sizable local finance industries, may help explain the region's competitiveness.[7] Arts require a nurturing cultural environment, along with the presence of wealth and private philanthropy. Indeed, the final industry sector on the list, "grant-making and giving services," has also seen an above-average share gain compared with the national average.

These creative areas could also represent some of the most important up-and-coming directions for economic activity. If so, central Arkansas may be well positioned to embrace a rapidly evolving future. **M**

NAICS	Sector	Shr Chg	Jobs 2007	Jobs 2010	LQ 2010
3211	Sawmills/wood preservation	0.39	394	441	2.26
3219	Other wood products	0.29	302	279	0.64
4232	Furniture/home furnishing wholesale	0.37	144	166	0.75
5121	Motion picture/video industries	0.15	394	442	0.55
5414	Specialized design services	0.19	145	152	0.56
7111	Performing arts companies	0.29	180	232	0.87
8123	Grantmaking/giving services	0.27	261	344	0.98

Source: NAICS 4-digit Jobs data from Arkansas Dept. of Workforce Services, share change and location quotient analysis by Metroplan.

[5] See *Deep Roots, High Hopes: Foundations of Arkansas' Creative Economy*, at www.arkansasarts.org.

[6] The local wood products sector even has linkages with the local aerospace manufacturing sector, which benefits from local wood-crafting expertise for the interior finishing of aircraft.

[7] In 2009, Pulaski County's per capita income ranked nearly 10 percent higher than the national average.

SOLIDIFYING HOUSING MARKET FACES UNCERTAIN FUTURE

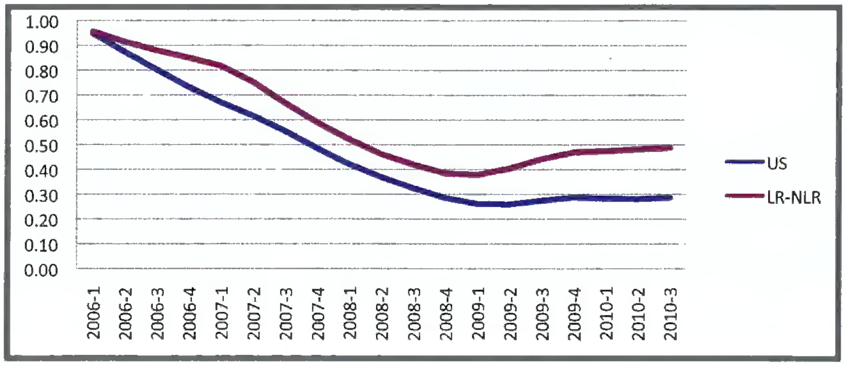
As the charts at right show, national housing construction is no longer falling. But it has dropped pretty far from its go-go pace in 2004-2005. U.S. construction of single-family units has recently stabilized at about 29 percent, less than one-third of its previous average in those boom years. U.S. multi-family housing hit a trough of 27 percent in late 2009, then edged up to 33 percent by third quarter, 2010.

By contrast, the local housing situation is much stronger. In the third quarter of 2010, the local single-family index stood at 0.49. In multi-family housing, the comparison with U.S. average is even more favorable. By the third quarter of 2010, the regional multi-family index had climbed to 1.28.

In June of 2010, Lindsey Construction began work on nearly 450 new apartment units in Bryant, a project which accounts for about half of the regional multi-family construction total in the first half of 2010. Most of the region's other multi-family projects are in Conway, Little Rock, and North Little Rock. In all, multi-family construction accounted for over half – 55 percent – of the region's new housing units under construction from January through June of 2010. This continues a change in the single-family/multi-family construction balance that began in 2009.

Local single-family construction has at last resumed a slow pace of growth, after less of a drop-off than the U.S. average. In Jacksonville and North Little Rock, single-family housing construction in the first half of 2010 more than doubled its pace over the same interval in 2009. Most of North Little Rock new housing starts are in the Baucum/Scott area in eastern Pulaski County. The third biggest

Single-Family Construction Index 2006-2010
(Seasonally Adjusted)



CENTRAL ARKANSAS HOUSING UNIT PERMITS FIRST SIX MONTHS OF EACH YEAR 2007-2010

Single-Family Housing Unit Permits

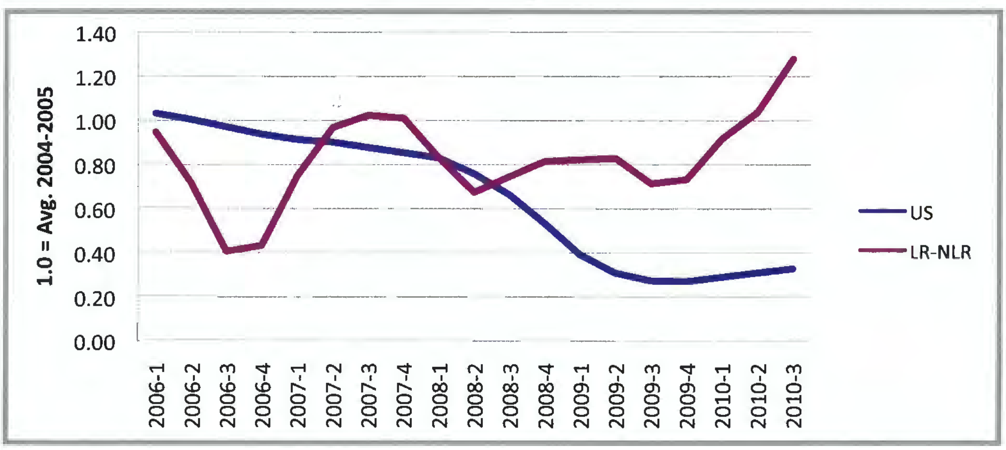
	2007	2008	2009	2010
Benton	241	159	97	129
Bryant	82	71	59	109
Cabot	122	62	42	44
Conway	170	126	158	138
Hot Springs Vill.	115	50	30	40
Jacksonville	85	35	14	33
Little Rock	414	211	186	183
Maumelle	91	69	48	50
N. Little Rock	70	49	36	74
Sherwood	123	91	44	58

Multi-Family Housing Unit Permits

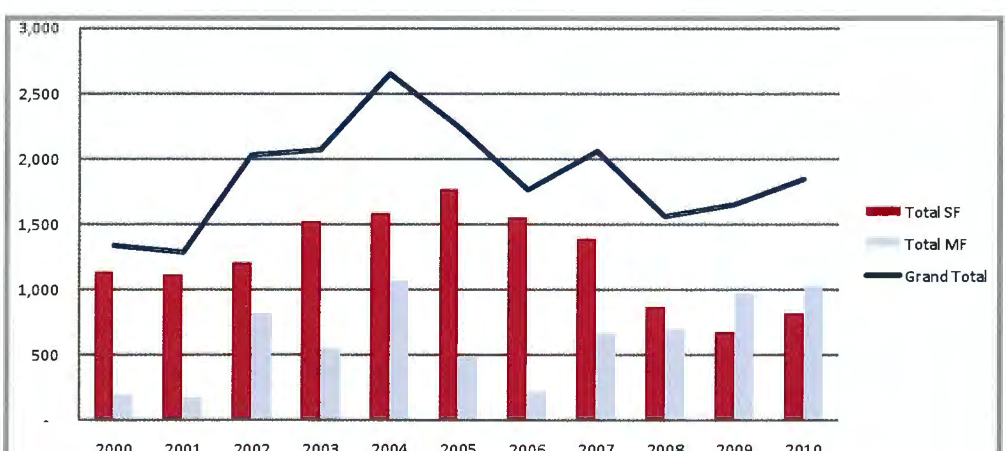
	2007	2008	2009	2010
Benton	0	0	0	0
Bryant	412	10	4	446
Cabot	0	0	72	36
Conway	10	212	528	318
Hot Springs Vill.	0	0	0	0
Jacksonville	16	25	8	6
Little Rock	208	278	328	126
Maumelle	0	46	16	0
N. Little Rock	16	120	8	98
Sherwood	0	0	2	0

Mixed use development in the heart of The Village at Hendrix in Conway.

Multi-Family Construction Index 2006-2010
(Seasonally Adjusted)



LR-NLR-Conway Housing Unit Permits
First Six Months of Each Year 2000-2010



gainer was Bryant, where new single-family permits rose 85 percent over January-June 2009. Only Conway and Little Rock saw a mild drop-off from January-June of 2009 to the same period in 2010.

The prospect for local housing markets has grown more uncertain in the past few months. Interest rates remain low, and concerns for continuing deflation will keep them low for the immediate future. Yet the deflation trend hints at a deeper problem. Economists know that the climb-out from banking and credit crises tends to be slower than other forms of economic recovery. U.S. recovery from the Great Recession seems to be following this pattern.

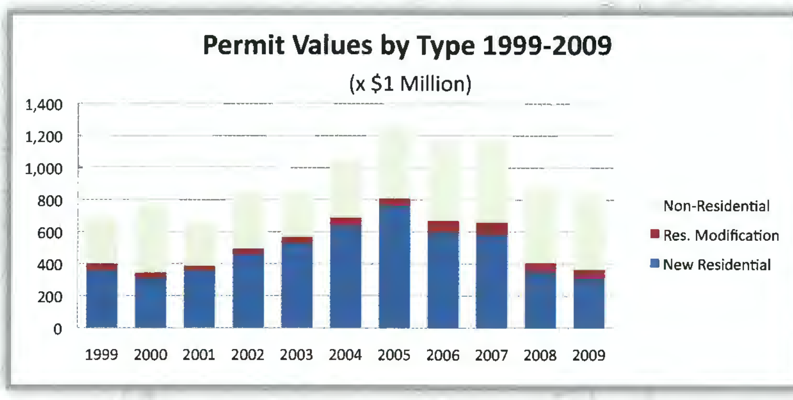
Job decline has continued in central Arkansas, despite the beginnings of national and state job recovery in late 2009. During the years 2008 and 2009, the region's better-than-average jobs picture seems to have fed some in-migration, a factor that buffered local housing markets against the recession's worst effects. With a softer local job trend, in-migration may weaken or reverse. This could diminish housing demand through the remainder of 2010, and into 2011. **M**

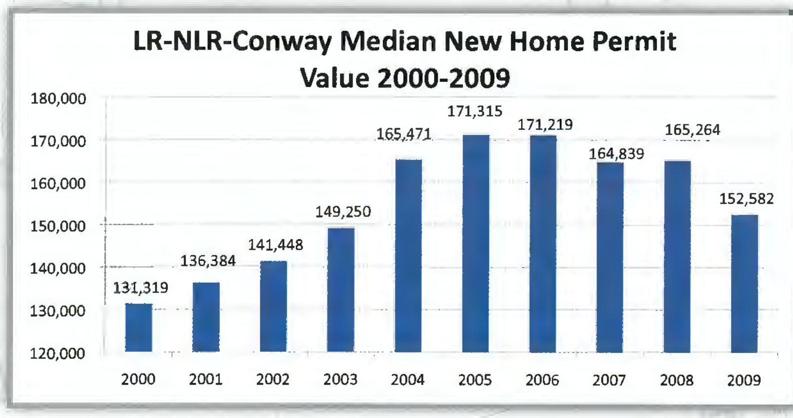
CONSTRUCTION VALUE TRENDS

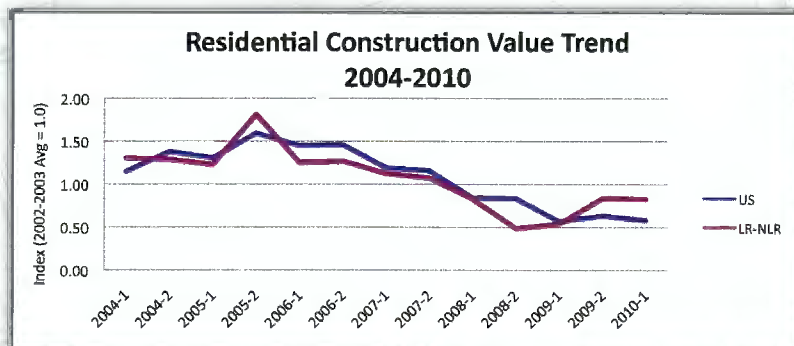
The chart at right shows that the total value of permitted construction dropped again in 2009, but less steeply than the previous year. Residential construction was just $310 million in 2009, its lowest level in ten years. Nonresidential construction was $470 million in 2009 — also down, but only compared with the past three years. Nonresidential construction in 2009 was still higher than values recorded in 2005 and all years earlier. Three factors may explain the comparative strength in nonresidential construction: (1) the impact of federal stimulus funding in several large institutional construction projects, particularly schools; (2) decisions by developers, as well as public and private institutions, to invest in new construction while interest rates are at historic lows, and construction costs are also down; and (3) continuing confidence in the central Arkansas economy, as expressed by private and public leaders and investors.

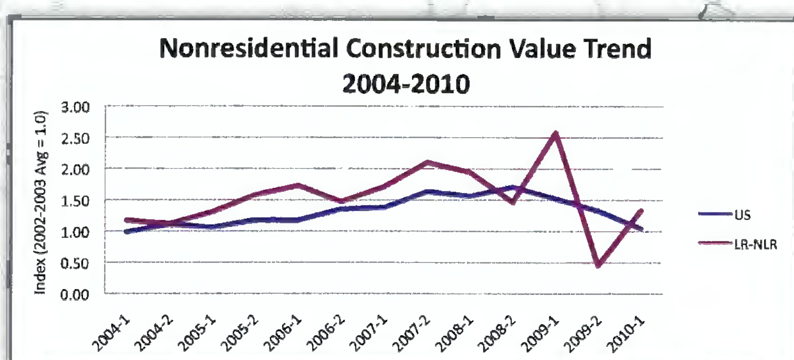
Residential construction values are down compared with past years. The chart at right shows a rebound in the second half of 2009 through the first half of 2010. Local residential construction values have also run above the U.S. average over the past twelve months. Nonresidential construction has been more volatile when looked at in six-month intervals, but has generally remained above the U.S. average.

The chart to the right shows the average permit value of a new single-family home in the region from 2000 through 2009. As you can see, by 2009 value had dropped to barely higher than the median in 2003, six years earlier. The decline in average value reflects both real estate market devaluation and smaller, less elaborate new housing units on average.



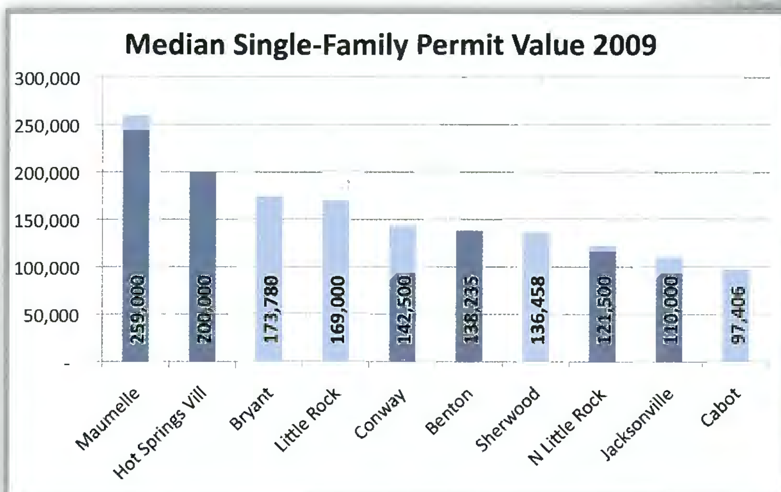


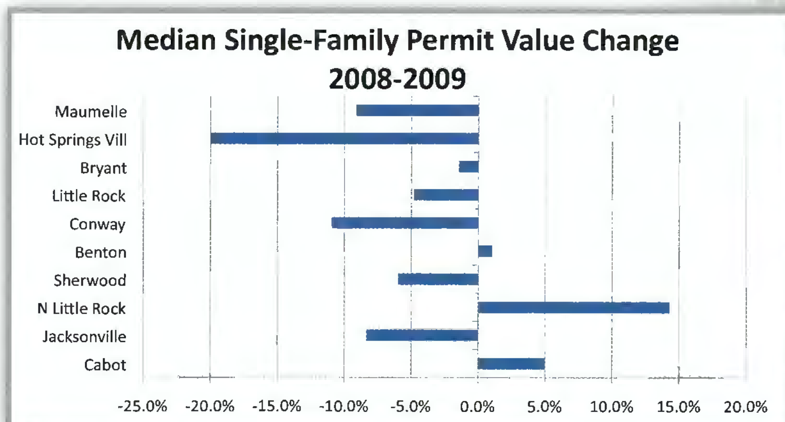


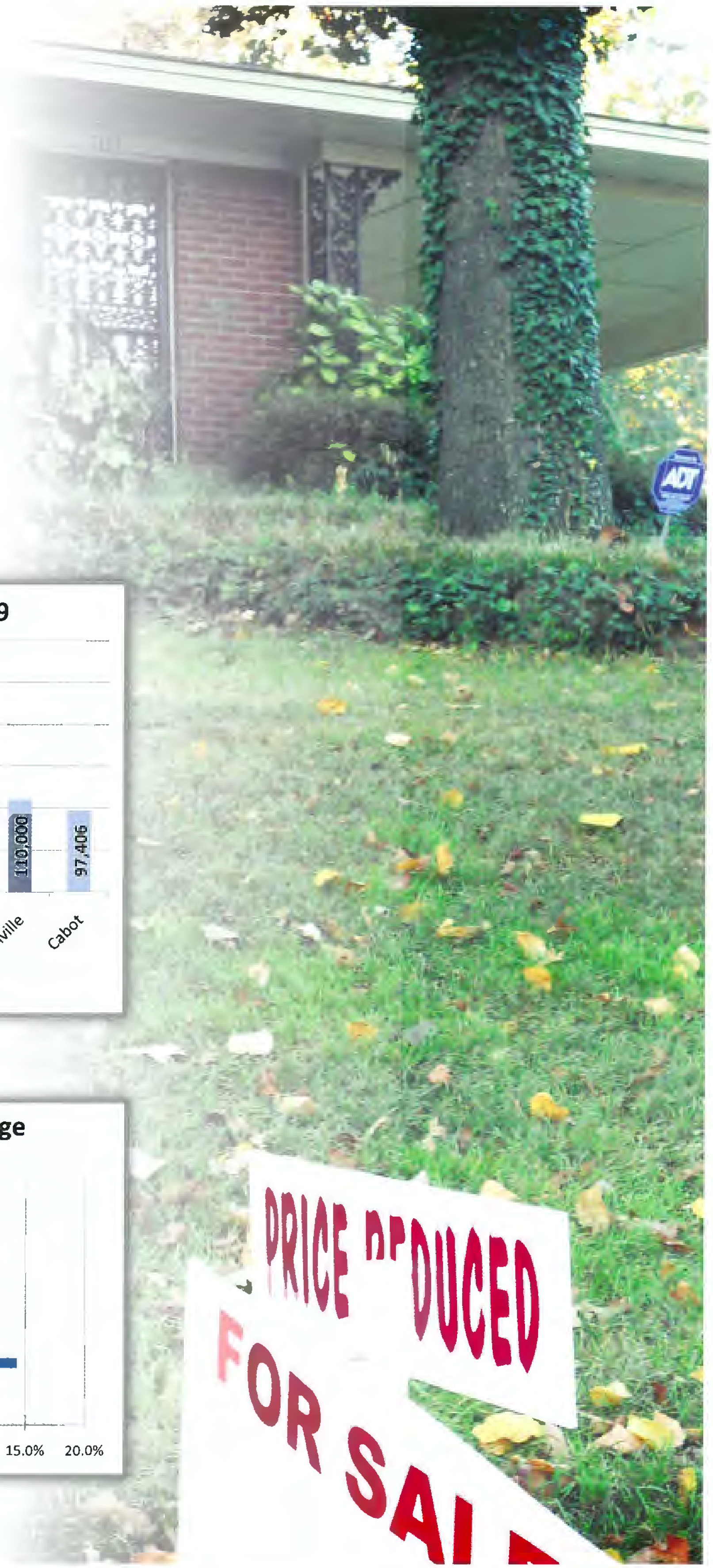


Construction Value Trends

The chart below shows the median value of single-family permits in 2009 by city. Over the period 2008 to 2009, values generally dropped more among cities with higher median costs. For example, Maumelle's 2009 value of \$259,000 is 9 percent below its 2008 value of \$285,000, while Hot Springs Village saw a 20 percent drop from \$250,000 in 2008 to \$200,000 in 2009. Values increased from 2008 to 2009 in North Little Rock, Cabot, and Benton — all cities with 2009 average values in the lower half. **M**



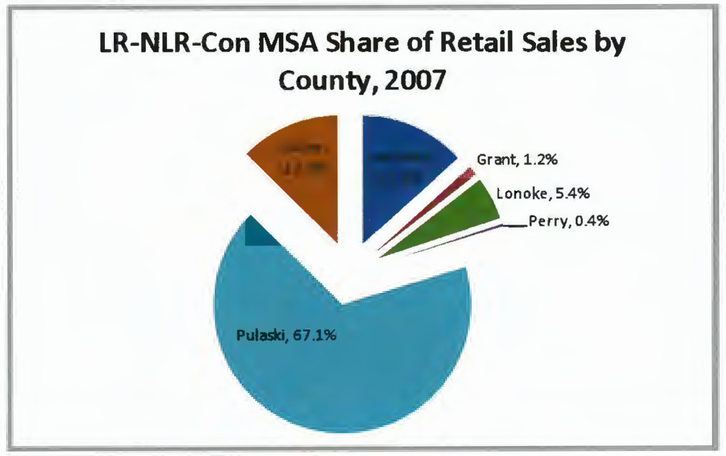




Resale housing has also seen lower prices.

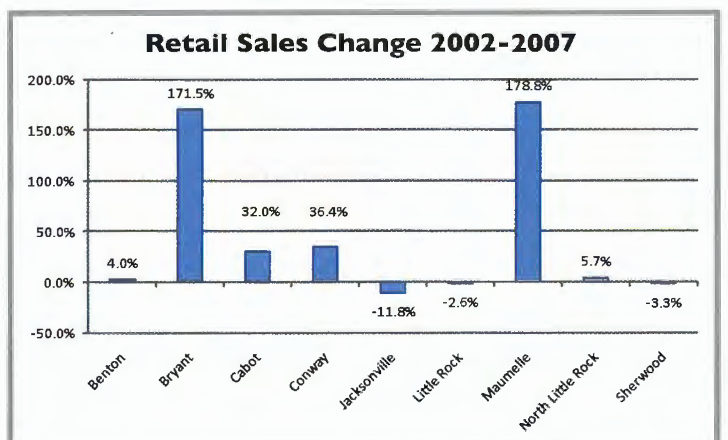
RECESSION AND TRANSITION IN LOCAL RETAILING

The chart below shows retail sales by county in 2007, according to the recently-released U.S. Economic Census. As you can see, Pulaski County accounted for about two-thirds of regional sales. This is down from nearly three-quarters of regional sales ten years earlier, in 1997.



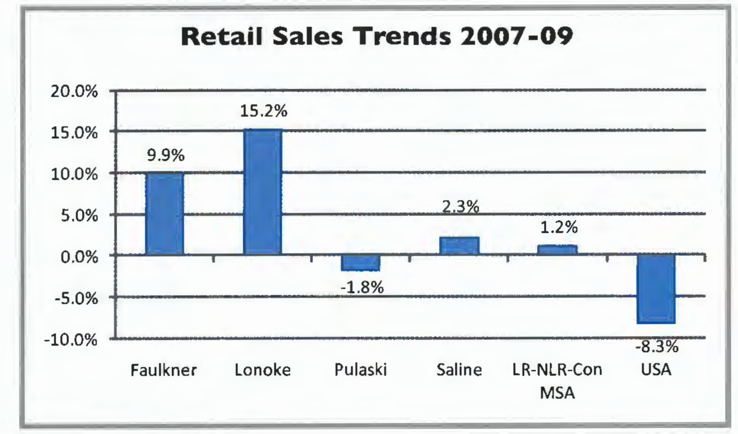
The chart below gives change in retail sales by city from 2002 to 2007, adjusted for inflation. The two biggest gainers were Bryant and Maumelle. Sales growth was also strong in Cabot and Conway, both of which were growing from a larger base. Pulaski County sales declined in all cities aside from Maumelle and North Little Rock. Retailing has spent the past few years catching up with residential growth on the region's periphery.

The 2002 and 2007 figures come from Economic Census, which is reliable, but predates the onset of recession. The chart at top right gives retail sales trends in the turbulent years 2007-2009.[1]



[1] Figures are Metroplan estimates, derived from Arkansas Department of Finance and Administration sales tax collection data. Saline County figures are extrapolations, since there is no county sales tax. U.S. figures from U.S. Bureau of the Census.

Retail Trends



As you can see, regional sales have continued growing slowly overall, although Pulaski County has seen a modest net loss. The region as a whole managed to show a slight 1.2 percent gain, contrasting with a net national loss of over 8 percent.

Retailing is more sensitive than other sectors to economic swings, and thus is a sector in flux these days. The table below is generalized from U.S. retail sales data from 2007 to 2009. It compares the top seven losers and gainers in retailing.

BIGGEST LOSERS	BIGGEST GAINERS
1 Auto dealers	1 Discount dept. stores & clubs
2 Furniture, home furnishings	2 Pharmacies, drug stores
3 Traditional dept. stores	3 Limited-service eating places
4 Gas stations	4 Electronic/mail shopping
5 Building material/supply	5 Sporting goods
6 Women's clothing	6 Food and groceries
7 Office supply	7 Used merchandise

Most of the biggest retail losses reveal recent macroeconomic trends: declining gas prices, less spending on discretionary items like women's clothing and furniture, and dropping office supply needs at a time of job cutbacks. Some of the biggest "gainers" demonstrate similar trends. Discount department stores and used-goods stores perform well when shoppers need bargains.

Yet a few of the up-and-coming sectors may give insight into changing consumer tastes. Gains in pharmacies and drug stores may reflect rising health needs in an aging population, but this trend also shows how drug stores are becoming the new convenience stores, often sited close to residences. Growth in sporting goods may suggest changing cultural norms. Gains in "limited-service eating places" – as opposed to full-service restaurants, which have lost ground – may reflect economic strain. But there is a hint of cultural change, too, toward less formal dining habits. Growth in e-commerce continues a trend visible since the late 1990's. **M**

2011 ECONOMIC OUTLOOK

The jobs decline that hit central Arkansas in 2010 may begin to reverse in 2011, as national and global economic recovery continues. The region traditionally experiences recessions later than the national average. Local recovery will be slow, for two reasons. First, national recovery will lag, since the Great Recession was a credit crisis, and hence qualitatively different from other recessions in the decades since World War II.[1] Second, the economic diversity that shielded central Arkansas from recession's worst early effects will also mute local resurgence, at least until recovery begins impacting a broader range of industries.

As local job growth resumes in 2011, housing markets may make modest gains. A recent Brookings study claims that, as with many U.S. midsection markets in the aftermath of the 2007-2008 housing crash, central Arkansas housing is today under-valued.[2] Meanwhile, slowing global wind industry demand may lead to a business shakeout in this sector,[3] with possible local implications. Recovery in vital local aerospace and trucking industries will be impacted by potentially volatile fuel prices.

Local economic development leaders will be looking for opportunities to build local vocational skills and lure new industries, especially the eagerly-sought "green" jobs. Such efforts may help, but every other region will be competing for the same turf.

Metro areas in the central U.S. have shown economic resilience in recent years, suggesting advantages in cost of living and quality of life.[4] As one of these places, the central Arkansas region continues holding an edge that will make today's economic hardships look transitory over the long run. But keep an eye on energy prices. **M**

Little Rock-North Little Rock-Conway MSA Socio-Economic Statistics 2009-2010

	LR-NLR-Con MSA	Faulkner	Grant	Lonoke	Perry	Pulaski	Saline
Average Res. Employment 2009	323,025	53,750	8,125	30,525	4,475	180,050	47,100
% Unemployment	6.2	6.4	6.6	5.9	7.3	6.2	6.1
New Industries 2009**	4	2	0	0	0	2	0
Expanding Industries 2009**	10	1	1	1	0	7	0
Bank Deposits 2010 ($1,000)*	9,423,715	2,601,448	90,942	415,657	0	6,208,680	106,988
Bank Assets 2010 ($1,000)*	11,969,949	3,329,338	104,245	502,516	0	7,884,560	149,290

Sources: Arkansas Department of Workforce Services, Arkansas Economic Development Commission, and FDIC.

Rounding may cause some unemployment rates to differ slightly from DWS data.

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

Bank deposit data represent June 30, 2010.

** New and Expanded industries as announced by the Arkansas Economic Development Commission.

[1] "The Great Debt Drag," *The Economist*, September 18, 2010.

[2] "MetroMonitor: Tracking Economic Recession and Recovery in America's Largest 100 Metro Areas," Brookings Institution, September 2010, p. 14.

[3] "Wild is the Wind," *The Economist*, September 25, 2010.

[4] Joel Kotkin, *The Next Hundred Million: America in 2050.* Penguin Press, 2010.

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TODAY.

TOMORROW.

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