METRO TRENDS

Economic Review and Outlook

October 2011

- Tracking a Tenuous Recovery in 2011
- The Long-Term Economic Horizon: Looking Toward 2040
- Building a Green Economy in Central Arkansas
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METROPLAN

SMART PLANNING MAKES SMART PLACES.

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

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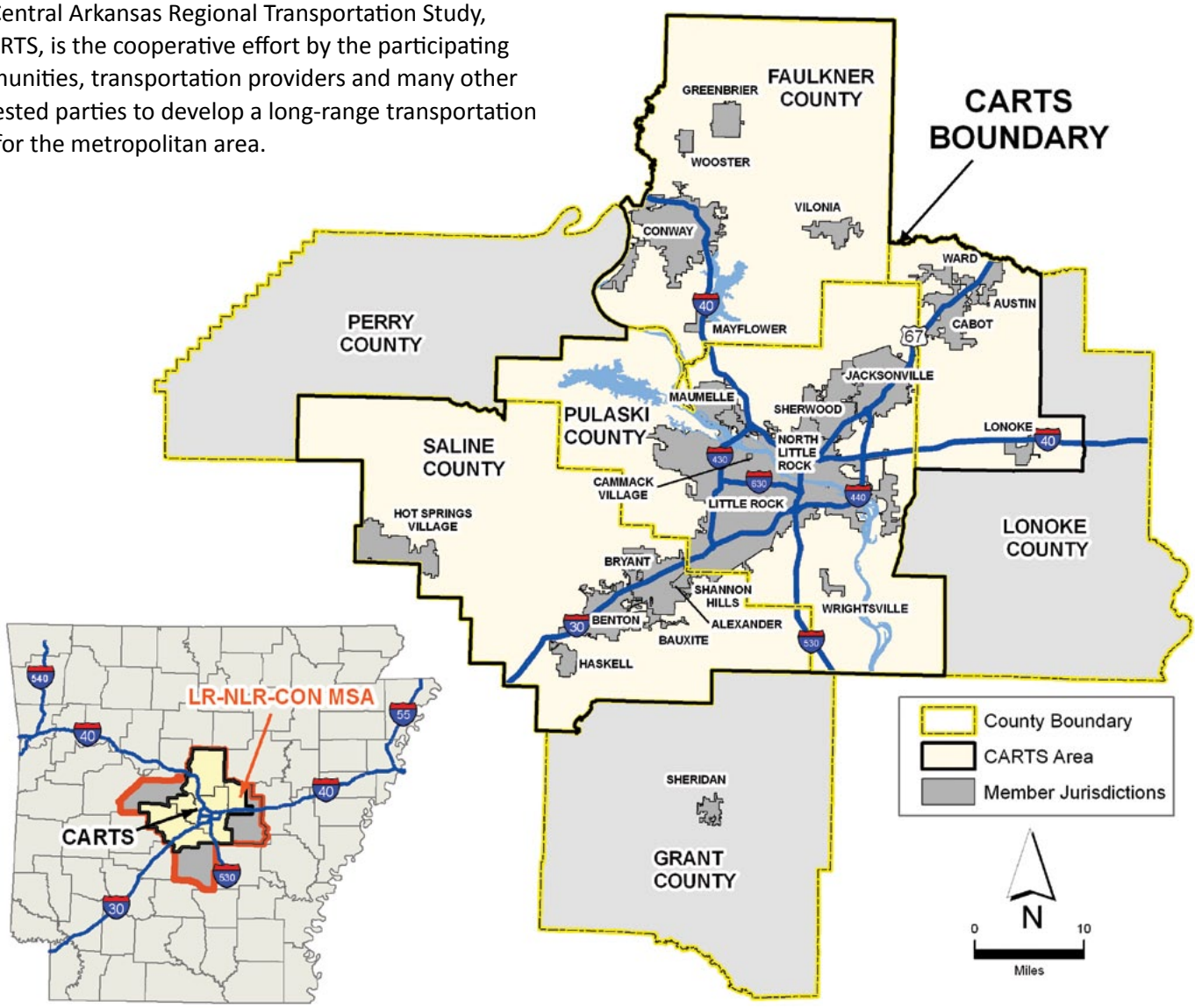
About Metroplan

Metroplan is a voluntary association of local governments that has operated by interlocal agreement since 1955. Originally formed as the Metropolitan Planning Commission of Pulaski County, Metroplan now has members in five counties of 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.

About CARTS

The Central Arkansas Regional Transportation Study, or CARTS, is the cooperative effort by the participating communities, transportation providers and many other interested parties to develop a long-range transportation plan for the metropolitan area.



Tracking a Tenuous Recovery in 2011

Midyear 2011 found the recovery slowing if not stalled, with the looming prospect for relapse into a new recession. The federal fiscal crisis of late summer has increased the uncertainties and undermined economic confidence at a critical stage in the recovery.

Metroplan's employment index, depicted in the chart below, shows that central Arkansas has created a few jobs since the local bottom-out about February 2010. After a surge in the spring of 2010, however, seasonally adjusted employment growth has been essentially flat. This probably means the local area is seeing jobs grow more slowly than population, also a problem at the national level. The local employment index has hovered just below 1.02 for about a year, while the U.S. index has climbed anemically from 0.97 to 0.98.

The unemployment comparison at right shows the region has suffered less economic pain than the U.S. average, but in June 2011 the region's unemployment rate was back up to 7.3 percent (seasonally adjusted), matching its previous recession peak in August of 2010. U.S. unemployment remains high, at 9.1 percent in July of 2011.

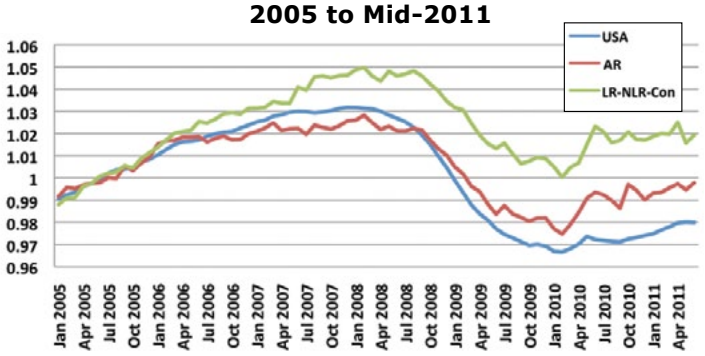
The federal fiscal crisis of late summer has increased the uncertainties and undermined economic confidence at a critical stage in recovery.

Employment by Industry

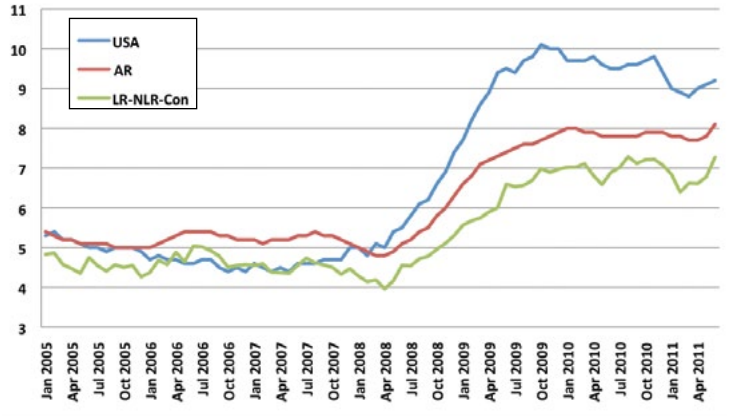
The chart below shows local employment change by industry over the past year, from May of 2010 to May of 2011. As the figures show, the local region failed to out-perform the U.S. average in any sectors of job change except finance and government. Much of this probably owed to the local 'lag effect,' by which U.S. economic cycles tend to hit the central Arkansas region later than average.

The local region only exceeded the U.S. growth rate in the previously hard-hit financial sector, and local job loss in government was slower than the U.S. average. Local growth nearly matched the U.S. average in professional and business services, which was the biggest job gainer. The region also showed gains in retailing and the leisure/ hospitality industries, albeit at a slower pace than the U.S. average.

Index of Employment Change 2005 to Mid-2011

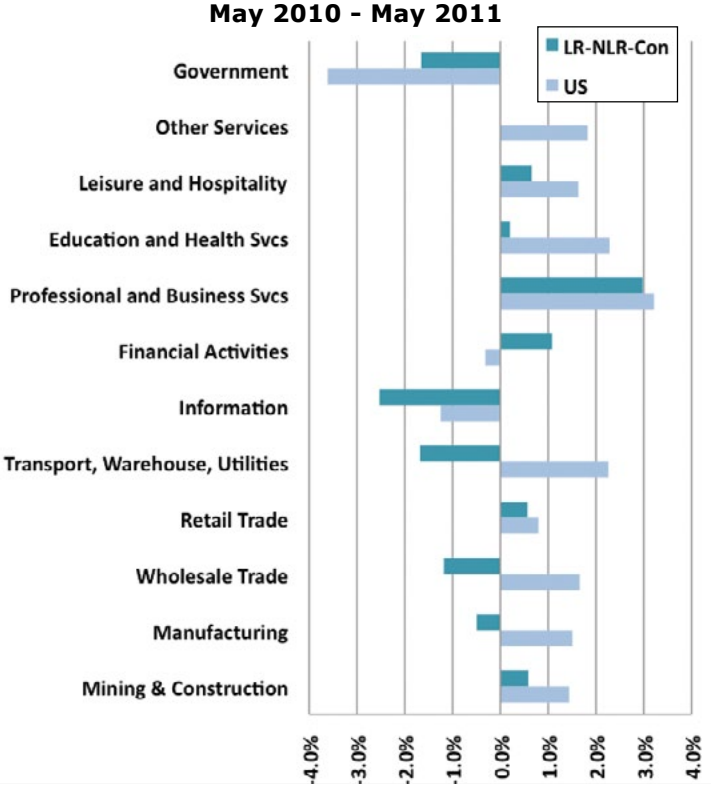


Percent Unemployed 2005 to Mid-2011



[1] Data from Arkansas Department of Workforce Services with index by Metroplan.

Job Change by Industry May 2010 - May 2011



Major job losses in government employment were related to completion of Census 2010, a major but temporary source of jobs. The local area saw larger losses in the information sector than the U.S. average. The biggest divergence from the U.S. average was in the transportation, warehousing and utilities sector, and secondarily in wholesale trade. The region's two biggest job losers within these broader categories included scheduled air transportation, general freight trucking, and air transportation support activities. In all of these detailed categories, the rate of local job loss exceeded the national average during the 2007-2009 period.

Employment by County

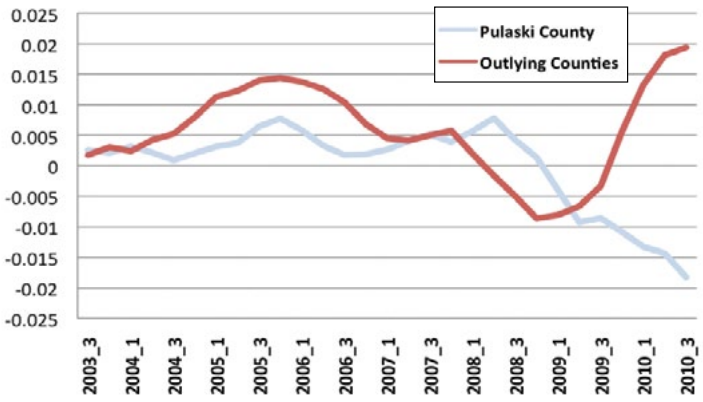
When recession first began dragging down central Arkansas employment from late 2007 onward, employment dropped more sharply in the outlying counties than in centrally-located Pulaski County. By early 2009, this trend reversed in both Faulkner and Saline Counties, both of which saw employment growth even as Pulaski County employment continued declining through the third quarter of 2010.

In Faulkner County, the biggest gains have been in the mining sector (natural gas activity in the Fayetteville Shale Play) as well as in the management sector (primarily the Hewlett-Packard facility). Saline County employment growth has been in construction, professional/scientific/technical services, as well as broad-based growth in several service sectors. Lonoke County employment also grew slightly.

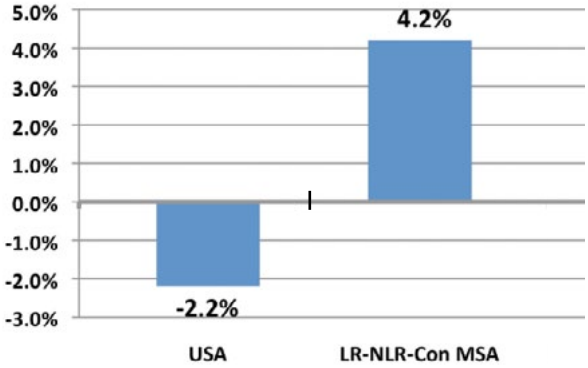
Income Trends

The Great Recession has been hard on incomes nationally. For the large majority of U.S. metro areas, inflation-adjusted per capita income declined over the 2005-2009 period. For the Central Arkansas region, income increased 4.2 percent, ranking the region 50th among 366 U.S. metro areas for income growth 2005-2009.

Employment Change from Previous Quarter (Smoothed) 2003-2010



Per Capita Income Change 2005-2009 (Inflation-Adjusted)



Jill Joiner says people tell her, "You don't look homeless."

For many of us, the Great Recession has been an abstraction, with little direct personal impact beyond grim news stories and reductions in retirement savings and home values. For Jill Joiner and her husband Ron, today's economic troubles have become very personal. Job losses, followed by some health problems, made them and their 9-year-old son homeless.

Ron has a bachelor's degree, an associate degree, and is a journeyman electrician. Jill holds a part-time job, and wants to finish a degree in social work. But for now, they are taking things one day at a time. Aided by Family Promise of Pulaski County, a network of churches that assists homeless families, they stay in different churches for week-long stints. One of their biggest challenges is transportation. Lacking a car, they use transit when possible, but find it difficult to commute to work, run errands, attend job interviews, and meet other challenges. Sometimes a church member loans them a car. A church van helps take their son to Pulaski Heights Elementary and back. "You don't look homeless," people tell her. But she is. Jill says, "We're hiding in plain sight."

[2] Data from U.S. Bureau of the Census, LEHD Quarterly Workforce Indicators
[3] U.S. Bureau of Economic Analysis

The Long-Term Economic Horizon: Looking Toward 2040

Metroplan is beginning to develop the next long-range regional plan, Metro 2040. How do you predict the basic nature of the regional economy thirty years into the future? Only with great difficulty, especially in rocky times when tomorrow's stock market is beyond comprehension. Several data elements can help:

1. **Demographics.** Because a good part of the 2040 workforce is alive today, demographic analysis can provide useful background predictions.
2. **Labor force participation.** The share of people in the workforce varies by age, sex, and race. Personal decisions to enroll in trade schools and colleges can affect workforce participation rates, as can retirement decisions. Forecasters project trends in workforce participation.
3. **Jobs by industry.** Recent changes in jobs by occupation and industry can be extrapolated forward, reflecting broad trends like declining manufacturing jobs, and growing health-care employment. The balance of jobs by industry is in flux at present, as American society adapts to a transformed economy in the Great Recession's slow-moving aftermath.
4. **Job locations.** Employment has been suburbanizing for decades. For example, while Pulaski County jobs grew 3.5 percent from 2003 to 2010, jobs in Faulkner County jumped 17.7 percent. Evidence today suggests the suburbanizing trend is continuing, but with more clustering in 'activity nodes.' At a time of little job growth, however, the pace of change is slower than in the past.

Economic trends have shifted sharply since the Great Recession's onset, altering the outlook.

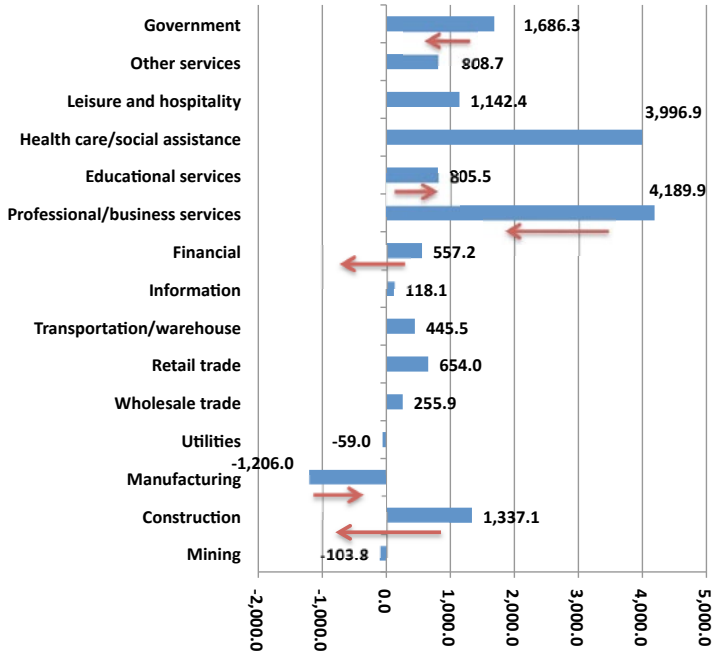
It is looking increasingly likely that the Great Recession, and its ensuing multi-year economic slowdown, is not just another cyclical 'blip.' Sweeping, non-linear economic changes are underway. Predicting the future is therefore particularly difficult, yet also timely and relevant.

In 2009, the U.S. Bureau of Labor Statistics (BLS) released employment projections to the year 2018. The projections mapped out likely areas of U.S. economic growth. The insights are useful, yet may be more a reflection of the recent past than a prediction. Recent articles by BLS economists have admitted that economic trends have shifted sharply since the Great Recession's onset, altering the outlook.

The chart at right summarizes the projections, and includes red arrows for economic sectors that face new prospects in light of the Great Recession:

1. **Government.** Few branches of government, federal, state or local, can grow much with today's badly-weakened public balance sheets.
2. **Educational services.** This sector, along with health care / social assistance, managed to grow jobs through the recession, when all other sectors lost ground. Economic dislocations caused by the Great Recession will drive demand for better education many years into the future.
3. **Finance.** This sector is closely tied to the construction and property over-valuations that burst in 2007-2008. The financial sector grew far faster than its historical average during the housing boom. Its share of future jobs will drop back more in line with historic trends.
4. **Professional and business services.** One of the country's leading job-builders in decades past, this sector suffered the second-greatest job loss during the recession. Professional and business services are undergoing a structural adjustment. Much of this sector is tied to the country's troubled financial and construction sectors. At the same time, this sector includes 'middle-skill' jobs that are giving way to labor-saving technologies and foreign outsourcing.
5. **Manufacturing.** This sector's overall output will accelerate as the U.S. adjusts toward greater export orientation. The rate of job loss may slow too, although overall job growth remains unlikely.
6. **Construction.** This sector suffered worst of all. It appears the multi-year slump in housing construction represents a 'new normal' more than a short-term recessionary blip. The office and commercial sectors may be over-built also, due to job losses in sectors like finance and professional / business services. M

Forecast U.S. Employment Change by Industry 2008-2018 (Jobs x 1,000)



The Spatial Question

Even as our economy is painfully adjusting amidst a transformative economic cycle, the very shape of the development landscape is changing too. Change is coming not just to the nature of our workforce, but the locations in which the work is performed.

1. **Suburbanization.** Congestion is a major factor in encouraging workplace suburbanization. Metroplan's TELUM (Transportation Economic Land Use Model) has demonstrated how employment locates where transportation nodes come together, but tends to disperse away from congested locations. Suburbanization will thus continue, caught between the balance employers must seek between centrality within the transportation network and proximity to residences of their workforce.

2. **Clustering.** Studies have shown that proximity to other workers boosts productivity. By providing workers with resources and amenities, like restaurants, exercise facilities, and meeting-places in close proximity, clustering can boost interaction and idea-exchange, and improve worker retention as well. The future will probably see the intensification of economically diverse employment clusters at the junctions of transportation networks, whether in traditional downtown areas or suburbs.

3. **Pedestrian access and public health.** The success of North Shore Office Park, located on the River Trail near the Big Dam Bridge, shows how pedestrian access throws another wild card into the mix. With health insurance costs rising, and growing recognition of the connection between lengthy car commutes and health problems, many businesses want to provide recreation opportunities during the workday, and even allow for bicycle commuting. Governments too constrained fiscally to provide major road or transit improvements may get more "bang for their buck" by providing pedestrian infrastructure instead.

There is no way to foresee our society's future spatial expression with precision. Yet to meet the lengthy time horizons involved with funding, planning, and building transportation infrastructure, we must nonetheless try.

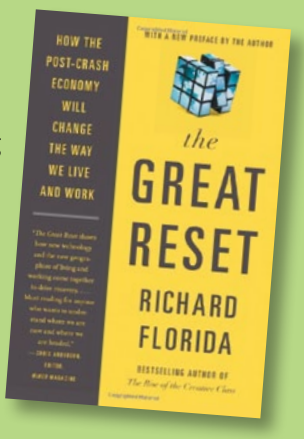
The Great Reset

Richard Florida's *The Great Reset* is one of those titles that advances the national economic and social dialogue by pulling otherwise baffling trends together into a meaningful context. Today's economic crisis, Mr. Florida believes, is far more than a 'normal' recession. Instead, today's troubles mirror the 'Long Depression' of the 1870s and the Great Depression of the 1930s, times of societal pain economist Joseph Schumpeter dubbed 'creative destruction,' which ultimately yielded a better future.

Developers and urban planners take note: much of the transformation will be geographic, as our country develops a new 'spatial fix' for its problems. The 1870s saw the Streetcar Era, with the emergence of dense, highly centralized, industrial cities. Recovery from the Great Depression set off decades of suburbanization. The Great Reset will also construct a new urban landscape.

Tomorrow's economy will be driven by ideas and creativity. The suburban 'spatial fix,' which built up a durable home-owning middle class after the 1930s, no longer works because it cannot provide the velocity and density needed to spur creative processes. Time-pressed idea workers dislike wasting time in traffic. They are spending more of their incomes on 'experiential' purchases, like exercise, dining out, and cultural events, and less on time-consuming, maintenance-heavy big-ticket items, like houses and cars. Suburbs will not disappear, but they must become denser, more economically diverse, and more accessible for bicycles and pedestrians.

The nature of work will change in other ways. Today's most successful service-sector companies, like Google, Best Buy, and Whole Foods, build their workforces into teams with a stake in overall success. Worker empowerment demands more personal responsibility, but reduces the sense of futility and drudgery common to outdated 'top-down' organizations.



Florida uses the example of building maintenance staffs to provide a corrective lesson. Generally treated as low-status workers, these people have direct knowledge of how buildings function. Properly empowered, they can reform maintenance practices, find energy savings, and improve waste disposal.

The economic future will be discovered in similar, heretofore unseen, blind spots. Two basic skill clusters will predominate:

1. **Analytical skills.** Pattern recognition and problem-solving. Finding the blind spots, and fixing them. Analytical skills are also incremental to the ongoing scientific/technological advances that drive economic growth.
2. **Social intelligence.** Change involves people, and teamwork. Social intelligence skills will make teams responsible and effective enough to replace outdated hierarchies of the past. Organizations must build teams out of the socially complex, more heavily female and culturally diverse workforce of the future.

Florida admits 'I don't have a crystal ball. Nobody can say in advance what this new economy, new way of life, this spatial fix, will ultimately look like.' Yet he has gone a long way toward bringing today's uncertainties into better focus, and has given a prescription for turning economic pain into opportunity.

Building a Green Economy in Central Arkansas

Green Manufacturing in Central Arkansas

In 2008, the Brookings Institution ranked the central Arkansas region 15th worst in the nation, out of the 100 largest metro areas, for the per capita size of its carbon footprint. Central Arkansas residents released over 3 metric tons of carbon per capita, against the U.S. metropolitan average of 2.2. In short, the region did not fare well in one of the first national "green" rankings of metro areas.

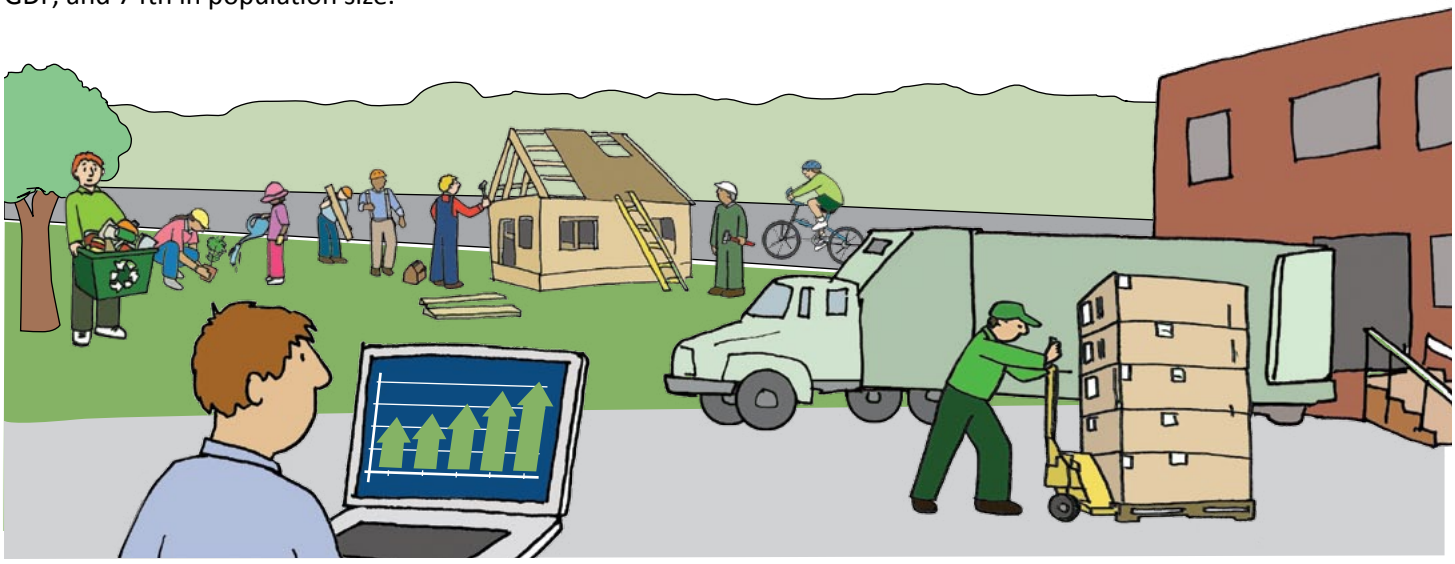
Since the central Arkansas region has never been a major industrial center, the region's emergence as a manufacturer of green products stands out against the 'background static' of routine statistical measures.

It therefore came as a surprise when, in July of 2011, the Brookings Institution released a study that ranked central Arkansas fourth in the nation for growth in 'clean economy' jobs 2003-2010. The region also ranked eighth for its share of clean economy jobs in proportion to the total work force. Overall, the Little Rock-North Little Rock-Conway MSA ranked 44th out of the 100 largest metros in the nation for the total size of its clean economy. This stands out in comparison with the region's 65th rank in GDP, and 74th in population size.[1]

The region was especially strong in Green Consumer Products, with 5,407 such jobs in 2010. The Brookings report, available online at www.brookings.edu/metro/clean_economy.aspx, mentioned the firms in the table below as green producers in central Arkansas:

Company	Location	Product	NAICS
Centria Inc.	Sheridan	Energy-saving building materials	3323
L'Oreal USA Inc	North Little Rock	Green consumer products (cosmetics)	3256
LM Windpower[2]	Little Rock	Wind turbine blades	3336
Rock-Tenn Co.	Conway	Recycled-content products	3222

The central Arkansas region is also a sizeable exporter of green products, with an average export value of $57,514 per job, second in the nation. Since the central Arkansas region has never been a major industrial center, the region's emergence as a manufacturer of green products stands out against the 'background static' of routine statistical measures. Local success with green products may help explain some of the region's economic resilience in today's crisis times. Central Arkansas has the potential to become a growth pole in one of the most promising directions in global economic activity. **M**



[1]Metroplan rankings, based on data from the U.S. Bureau of Economic Analysis and Census 2010.
[2]Formerly LM Glasfiber Inc. (and listed as such in the Brookings study).

A Case Study in Green Manufacturing: Delta Plastics and Revolution Bag

About twenty years ago, farmers in the Delta region began switching from using irrigation pipe made of plastic and metal to flexible, disposable poly tubing. The new irrigation tubing was easier to deploy in fields, and less obstructive for farm vehicles. But disposal remained a problem. Used tubing came in from the fields dirty with soil and vegetative matter, and seemed impossible to recycle.

Dhu Thompson of Delta Plastics refused to accept this state of affairs. He and his engineers combined technologies from several different fields, and in 1998 patented a process for cleaning and recycling the tubing into plastic resin. The resin could then be recycled into all types of plastic products. Delta Plastics recently spawned a new subsidiary that makes plastic bags from recycled irrigation tubing, literally turning trash into trash bags. The offshoot is appropriately named Revolution Bag.

Beginning full operation in March of 2011, Revolution Bag sells a high-quality, cost-effective green product in the fiercely competitive, $4 billion U.S. plastic bag industry. Delta Plastics obtains its plastic waste by offering free disposal to farmers who purchase its tubing, using a system of trucks for after-use pickup. Based in Stuttgart, Delta Plastics started its Little Rock operations about two years ago, taking advantage of the Little Rock Port's efficient rail service and proximity to the Delta region.

Revolution Bag and Delta Plastics today employ about 160 workers in the central Arkansas region. The business is growing despite recession, and might someday move into international exports.

As anyone in manufacturing knows, innovation is a constant – there is no such thing as 'business as usual.' There are huge additional opportunities in irrigation and recycling, and Delta Plastics is pursuing them. Expect more revolutions in the near future. M

Dhu Thompson (Photo: Michael Pirnique)

Revolution Bag takes used irrigation tubing from a 400-mile radius to turn waste plastic into the bags being rolled out in these images.

At right: Recycled-plastic trash bags ready for shipment at Revolution Bag in Little Rock.

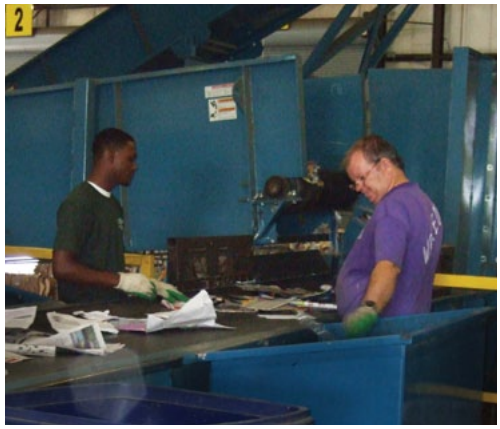
Organizations that Have Formally Recognized Delta Plastics

- Arkansas Business (Two-time Arkansas Business of the Year)
- Arkansas Wildlife/National Wildlife Environmental Federation
- Keep Arkansas Beautiful Commission
- Keep America Beautiful
- Arkansas Recycling Coalition

Reaching Toward a Greener Future at the Conway Recycling Center

Anyone who thinks recycling is a frivolous 'feel-good' activity should visit the Conway Recycling Center. They have made 'waste' a synonym for 'opportunity.' Many ordinary garbage items, like clothing, toys, baby strollers, and even working appliances, are intercepted on their way to the landfill, then cleaned and sold for re-use. Conway Recycling has become a go-to source for disaster relief, helping people after house fires, floods, or tornadoes. Their new automated facility – the only one of its type in the American South – sorts recycling waste quickly and cleanly, with fewer workers than ever before. The city has enough excess capacity to take other cities' recycling waste, and turn it into a revenue-producing commodity.

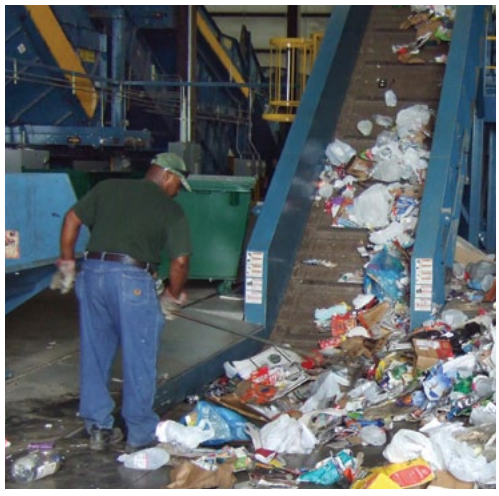
The recycling program in Conway and Faulkner County is really about dollars and cents. Land-filling is only cheaper than recycling in the short-term sense. When the current landfill opened in 1991, its life expectancy was projected to be 17 years – the year 2008. Thanks to recycling, the same landfill is now expected to last out to 2026. By diverting waste from the landfill, the Recycling Center is delaying the day when future taxpayers must purchase more land. The Conway Recycling Center demonstrates that an important future opportunity lies in finding and fixing inefficiencies in today's practices. The long-term financial gain will be enormous. The long-term reduction in land wastage, pollution, and environmental damage is even greater. M



Ony a small amount of sorting is still done by hand.

Employees guide the recycling material onto a conveyor belt. Rather than eliminating jobs, automation has allowed Conway Recycling to put its workforce into expanding the reach of its recycling program.

Angie Howard and Cheryl Herrington of the Conway Recycling Center stand in front of baled plastic waste, which is sometimes stored until zigzagging commodities markets offer a worthwhile price.



Above: Many items are saved from the landfill, then cleaned, repaired and given new homes through the resale shop.

Below: electronics are collected and sent to Texarkana for disassembly.

Above: The NexGEN Automatic Recycling Sorting System separates aluminum, steel and plastics quickly and reliably.

The Conway Recycling Center holds learning sessions in the colorful education center. Children tour the facility and learn about what they can do to help their community.

Fill-up day has been put off until 2026.

Altered Housing Market Faces Uncertain Future

The year 2011 marks the third year since the financial crisis of 2008. The housing market bottomed out early in 2009, but has not yet recovered. By the second quarter of 2011, Metroplan's single-family housing index showed a U.S. value of 0.25, meaning single-family housing construction lingered at 25 percent of its level during the boom years 2004-2005. The central Arkansas single-family market was down to 0.37. For multifamily housing, the U.S. index stood at 0.36, while the central Arkansas region saw a value of 0.8.

These figures continue a trend evident for three years now, in which construction of new multi-family units has exceeded single-family construction in central Arkansas. This shift toward multi-family housing has likewise led the move toward "building in" as a replacement for the previous trend of "building out," when construction activity moved in succeeding waves farther out into the region's periphery.

During the first half of 2011, single-family construction showed a pronounced preference for the region's central cities, gaining ground over the first half of 2010 in North Little Rock, and holding nearly steady in Little Rock and Sherwood. All other cities showed a drop-off in single-family construction, with the exception of Cabot. The decline was most pronounced in Jacksonville and Bryant (both off by over 50 percent), followed by Conway and Benton (each off about 40 percent).

For three years now… construction of new multi-family units has exceeded single-family construction in central Arkansas.

Central Arkansas Housing Unit Permits
First Six Months of Each Year 2008-2011

Single-Family Housing Unit Permits

	2008	2009	2010	2011
Benton	159	97	129	78
Bryant	71	59	109	73
Cabot	62	42	45	45
Conway	126	158	137	82
Hot Sprgs Vill.	53	30	40	26
Jacksonville	35	14	33	16
Little Rock	211	186	183	180
Maumelle	69	48	50	34
N Little Rock	49	36	74	80
Sherwood	91	44	61	54
Total SF	873	684	821	642

Multi-Family Housing Unit Permits

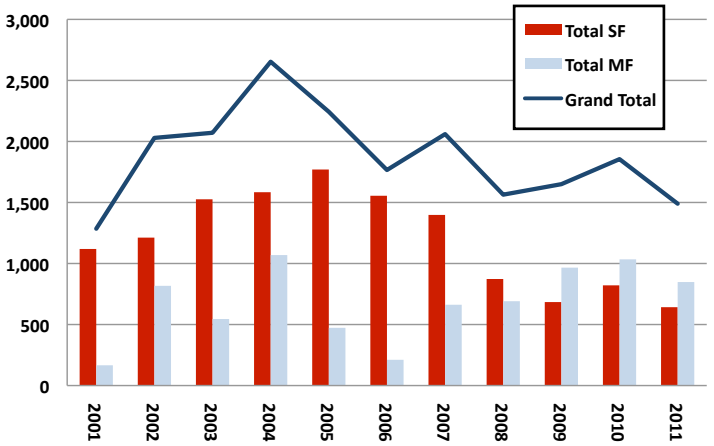
	2008	2009	2010	2011
Benton	0	0	0	0
Bryant	10	4	450	22
Cabot	0	72	36	0
Conway	212	528	318	0
Hot Sprgs Vill.	0	0	0	0
Jacksonville	25	8	6	0
Little Rock	278	328	126	514
Maumelle	46	16	0	0
N Little Rock	120	8	98	312
Sherwood	0	2	0	0
Total MF	691	966	1,034	848
Total Units	1,564	1,650	1,855	1,490
Percent SF	55.8%	41.5%	44.3%	43.1%
Percent MF	44.2%	58.5%	55.7%	56.9%

Construction of the Park Avenue Center continues a mid-town retail comeback in Little Rock.

In multi-family construction, the central cities swept the field, with 514 new multi-family units permitted in Little Rock, and 312 in North Little Rock. Only one other city (Bryant) recorded a few (22) multi-family permits. In the case of Conway, it was the first six-month interval with no new multi-family (or duplex) permits yet recorded by Metroplan.

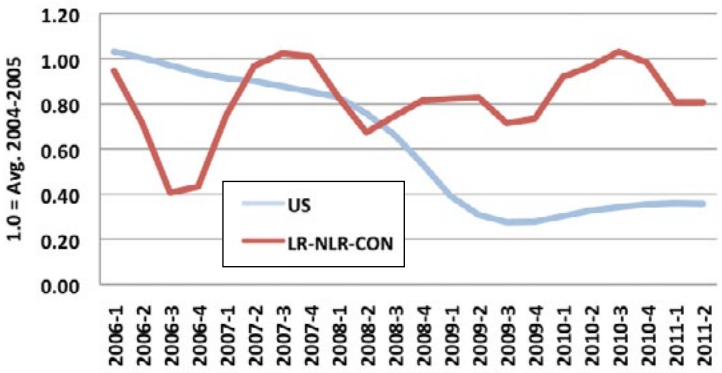
New apartments in western Little Rock reflect today's market trends.

LR-NLR-Conway Housing Unit Permits
First Six Months of Each Year 2001-2011

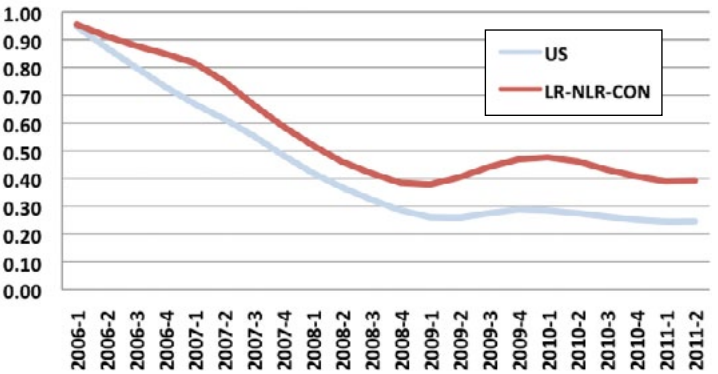


A new home goes into Little Rock's venerable Pulaski Heights neighborhood.

Multi-Family Construction Index
2006-2011 (Seasonally Adjusted)



Single-Family Construction Index
2006-2011 (Seasonally Adjusted)



Construction Value Trends

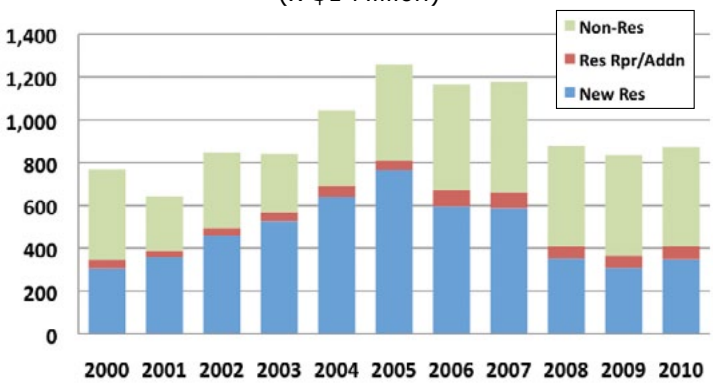
Total new construction value in central Arkansas rebounded slightly in 2010 to $870.8 million. This represents a 4.2% increase over 2009, a year with the lowest values since 2001. Residential new construction value increased 12 percent over 2009, to $347.1 million. Nonresidential construction in 2010 was $460.7 million, down 2 percent since 2009. Regionally, Faulkner and Saline counties saw gains. Saline County construction value was $162.4 million in 2010, versus $100.7 million in 2009. Faulkner County hit $152.7 million, its highest value since 2006. Construction values in Pulaski and Lonoke counties were down compared with 2009.

The chart below uses an index to compare US and local trends in residential construction value through the first half of 2011. The central Arkansas region, with an index value of 0.73, widened its edge over the U.S. average (0.53) in early 2011. Local multi-family construction accounts for much of the difference. The chart below right compares nonresidential construction. While both continued veering downward, the LR-NLR-Conway MSA remains higher, with an index value of 1.30 compared with the base period (the years 2002-2003), while the US average was 0.93. Overall, nonresidential construction has not fallen as hard in the period 2008-2011.

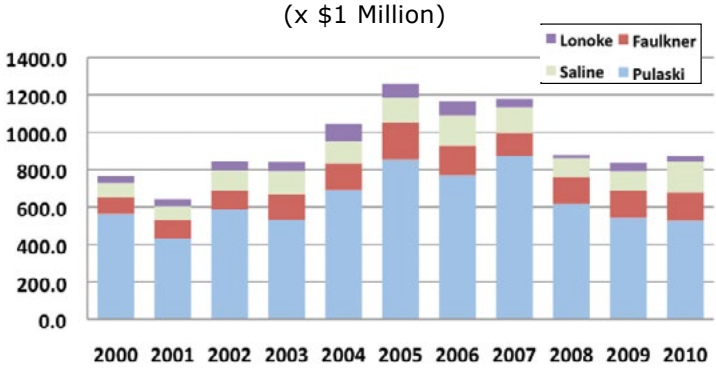
The chart at the top of the next page shows median regional new-home value, which was $163,874 in 2010. Up from 2009, this is still lower than the average during 2004-2008. From 2000 to 2005, regional median new-home value climbed on average 5.5 percent annually. This trend then reversed, falling about 0.8 percent annually from 2006 to 2010.

The distribution of median new-home permit values by city is shown in the chart at right center on the next page. Little Rock, which registered the third-highest values as recently as 2008, is now registering near the center of the pack. Maumelle, Hot Springs Village, and Bryant rank highest. Cabot, Jacksonville, and North Little Rock offered the most affordable new units in 2010.

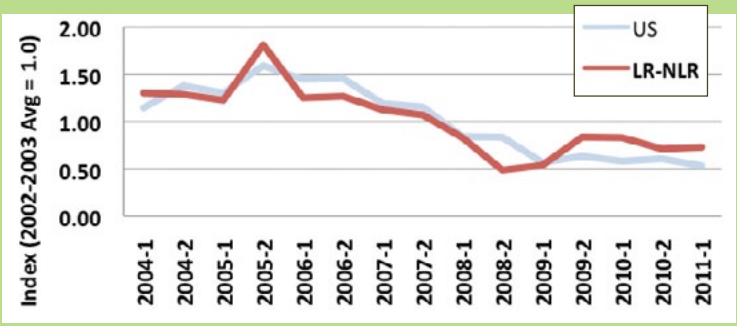
Permit Values by Type 2000-2010
(x $1 Million)



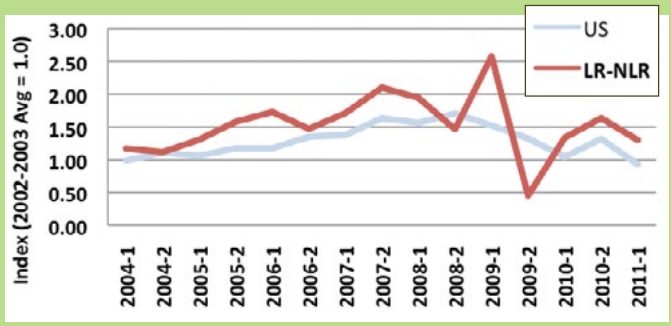
Permit Values by County 2000-2010
(x $1 Million)



Residential Construction Value Trend 2004-2011

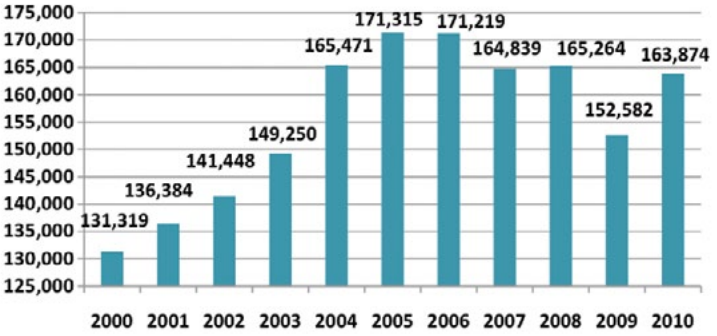


Nonresidential Construction Value Trend 2004-2011

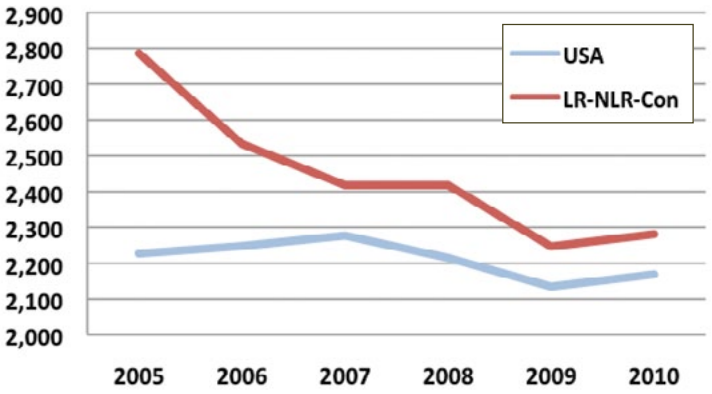


The chart below compares median square footage for homes in central Arkansas with the U.S. average. Both veered up slightly in 2010 compared with the previous year. The larger size of central Arkansas homes probably reflects the region's housing affordability advantage.

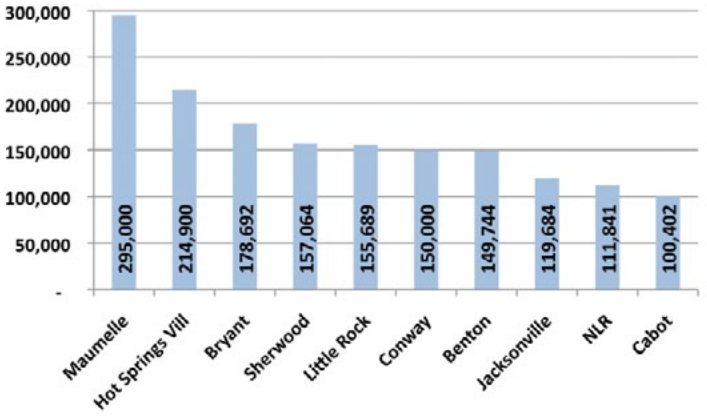
Central AR Median New Home Permit Value 2000-2010 ($)



Median Square Footage of New Single-Family Homes 2005-2010



Median Single-Family Permit Value 2010 ($)



LR-NLR-Conway MSA Socio-Economic Statistics 2010-2011

	LR-NLR-Conway MSA	Faulkner	Grant	Lonoke	Perry	Pulaski	Saline
Average Res. Employment 2010	318,300	52,425	7,900	30,275	4,350	177,075	46,275
% Unemployment	7.0%	7.5%	7.1%	6.7%	8.4%	7.0%	6.8%
New Industries 2010**	3	0	0	0	0	3	0
Expanding Industries 2010**	12	4	0	0	0	8	0
Bank Deposits 2011 ($ 1,000)*	$9,524,921	$3,199,891	$100,669	$402,515	0	$5,687,055	$134,791
Bank Assets 2011 ($ 1,000)*	$11,773,519	$3,956,743	$115,340	$481,545	0	$7,051,057	$168,834

Sources: Arkansas Department of Workforce Services, 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 and asset data represent July 31, 2011.
**New and Expanded industries as announced by the Arkansas Economic Development Commission.

AEDC List of New and Expanded Industries LR-NLR-Conway MSA 2010

NAICS	Corporation	City	New/Exp	Jobs	Product/Service
2211	Southwest Power Pool, Inc.	Little Rock	E	26	Electric services
3121	Rock Town Distrillery, Inc.	Little Rock	N	3	Vodka, gin & whiskey
3132	Kimberly-Clark Corporation	Maumelle	E	0	Nonwoven fabrics
3219	Century Industries, Inc.	Little Rock	E	12	Wood staircases
3222	Rock Tenn Converting	Conway	E	50	Paperboard cartons
3222	Kimberly-Clark Corporation	Conway	E	40	Sanitary paper products
3222	Kimberly-Clark Corporation	Conway	E	60	Personal care products
3255	PPG Architectural Finishes	Little Rock	E	5	Paints and coatings
3329	Welspun Tubular LLC	Little Rock	E	230	Steel pipe
3342	ARMA Design	N Little Rock	N	50	Security electronics
5182	Acxiom Corporation	Conway	E	70	Data processing, hosting
5511	Allied Wireless	Little Rock	N	200	Corporate headquarters
5511	Oleen Pinnacle Healthcare	Little Rock	E	20	Corporate headquarters
5612	Cellco Partnership (Verizon)	Little Rock	E	0	Corporate headquarters

Sources: Arkansas Economic Development Commission.

Economic Outlook for 2012

Central Arkansas suffered less than average during hard times since 2007, but (in line with past downturns) recovery has lagged the U.S. average. Thus, the Brookings Institution's Metro Indicators ranked the Little Rock-North Little Rock-Conway MSA in the 'Strongest 20' among the 100 largest metro areas for overall performance,[1] but in the 'Weakest 20' for recovery performance. Regional GDP growth has lagged the U.S. average following the recession's trough. Within the region, recovery has been more pronounced in Faulkner and Saline counties. Saline County's first major information technology cluster has emerged with Fleming Network Services in Bryant. Pulaski County, with its large share of jobs in the hard-hit business services and finance sectors, has been slower to recover. Overall, the region continues to benefit from economic diversity and low costs, and has shown dynamism in green manufacturing.

Today's employment crisis is most acute in middle-skill jobs, traditionally held by college graduates.

Local businesses have moved beyond crisis reaction. They are investing and looking toward the future again, but with understandable caution in today's shaky environment. Even when short-term business conditions look favorable, firms are reluctant to create new full-time positions. There is also a greater-than-usual mismatch between unfilled demand for workers with the highest skill levels, and weak demand for less skilled workers.

One key to understanding today's economic and employment crisis is that jobs with routine work tasks are being automated. Today's employment crisis is most acute in middle-skill jobs, traditionally held by college graduates. Technology, software, and foreign outsourcing are replacing once-safe jobs in fields like accounting, legal research, and even professional medicine.[2] The answer is to nurture creative and analytical skills machines cannot match.

Economic pundits are calling for more entrepreneurship, yet the pathways of business success in the recent past, fields like real estate, finance, business services, and even information, are retrenching. Entrepreneurs are finding it harder than in the past to gain financial backing for business ventures.[3]

In a sharp turnaround from the past, manufacturing may offer better prospects.[4] While modern, highly automated factories are unlikely to generate large numbers of jobs, shifting macroeconomic trends and technological revolution are creating once-in-a-lifetime opportunities for those willing to embrace the manufacturing sector's demand for original thinking, social skills, and constant improvement. New techniques, especially 3-D printing technologies, will make manufacturing more malleable than ever, less hindered by production-line constraints and more easily influenced by personal creativity.[5]

It is the 'creative class' of bright and generally well-educated entrepreneurs who will drive the future. Innovative thinking thrives in a cultural and physical environment that encourages interaction and idea exchange. A look at landscapes in central Arkansas shows that environments which provide these opportunities are thriving despite the economic slowdown. **M**

Retail incubator space goes in at the River Market District.

[1]*Metro Monitor*, September 2011, at www.brookings.edu.
[2]'Angst for the Educated," *The Economist*, September 3, 2011.
[3]Lending conditions for small businesses have improved since the 2009-2010 crisis, but remain tighter than the easy-credit years prior to 2008. For insight, see 'Starting a Business in a Downturn: Crazy or Genius?' Catherine Clifford, http://www.money.cnn.com/, October 5, 2011.
[4]From 2009 to 2010, nondurable manufacturing contributed more to U.S. GDP growth than any other sector. U.S. Bureau of Economic Analysis news release September 13, 2011.
[5]For further background, see 'The Printed World,' *The Economist*, February 12, 2011.

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