



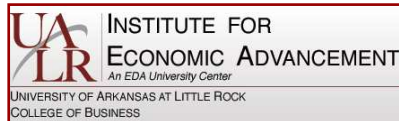
Arkansas Economic Outlook

Michael Pakko

Chief Economist and State Economic Forecaster
Institute for Economic Advancement

October 29, 2009

The College of Business serves as a catalyst to advance education and economic development in the State of Arkansas.



The Arkansas Recession

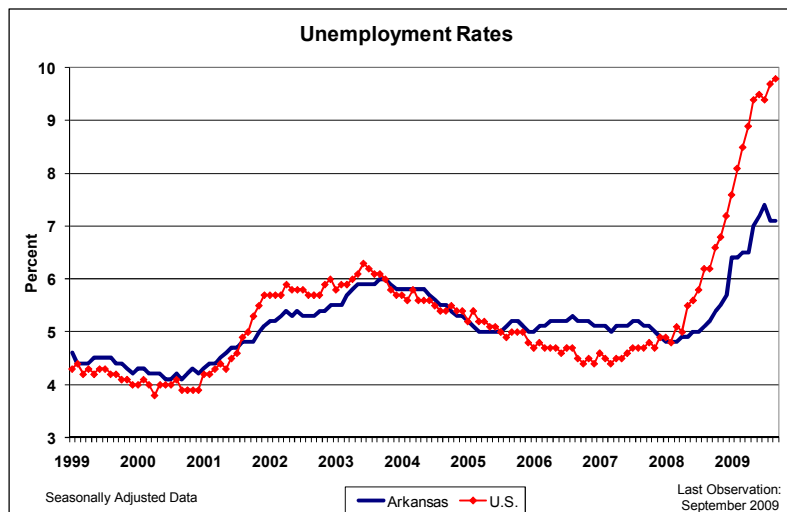
Arkansas has been affected by the national recession, but the impact has been less severe than in other parts of the country.

- Standard explanation: Arkansas doesn't experience the peaks or the valleys (the "basic economy").
- Problems in the national economy are not "homegrown."
- Growth continues in industries that are increasingly important to the Arkansas economy.

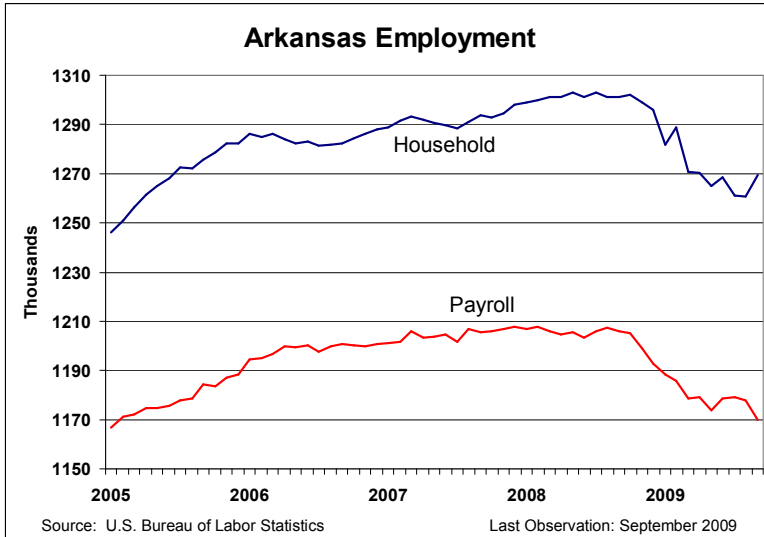
Arkansas and the U.S.

- Arkansas' "Basic Economy"
 - Coincident Index of Economic Activity
 - Employment
 - Regional Differences
- Local manifestations of national problems
 - House Prices
 - Bank Failures
- Changing industry mix → sectoral focus

Arkansas and the U.S.

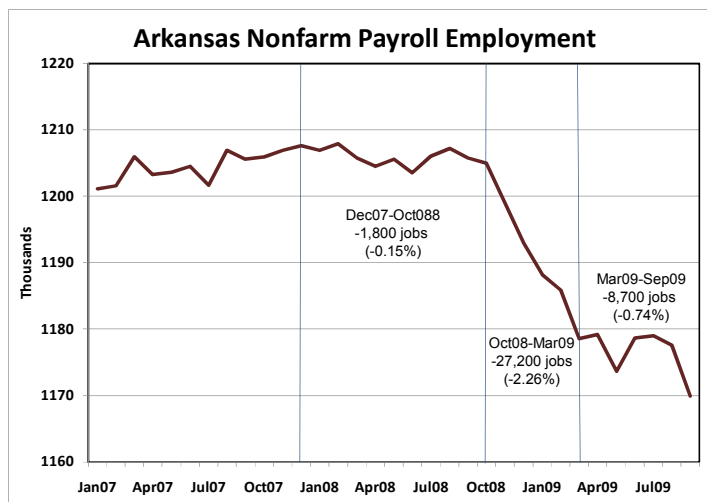


Arkansas Employment



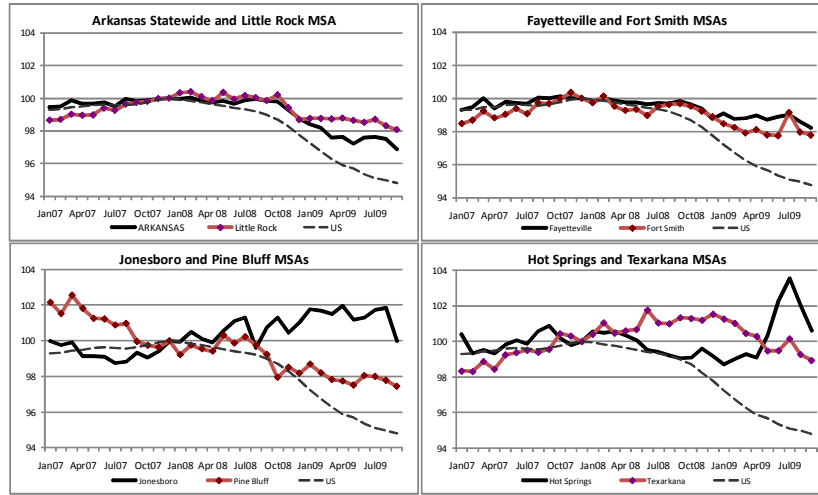
Arkansas Employment

Three Phases of Recession



Arkansas Employment

Indexes of Nonfarm Payroll Employment for Arkansas and MSAs
 (Dec. 2007 = 100)



SOURCES: U.S. Bureau of Labor Statistics and the Institute for Economic Advancement.

Last Observation: September 2009

Arkansas Employment

Employment Growth Over Three Phases of Recession

	Percent Changes		
	Dec. 2007 - Oct. 2008	Oct 2008 - March 2009	March 2009 - Sept. 2009
Fayetteville - Springdale - Rogers	-0.16	-1.05	-0.59
Fort Smith	-0.32	-1.77	-0.13
Hot Springs	-0.93	0.24	1.30
Jonesboro	0.78	0.71	-1.47
Little Rock - N. Little Rock - Conway	-0.15	-1.12	-0.66
Memphis	-1.23	-1.63	-0.82
Pine Bluff	-0.78	-1.42	-0.39
Texarkana	1.34	-0.87	-1.52
ARKANSAS TOTAL	-0.15	-2.26	-0.74
U.S.	-1.03	-2.73	-1.54

Source: U.S. Bureau of Labor Statistics,
 Seasonally Adjusted data for MSAs are from the *Institute for Economic Advancement*

Arkansas Employment

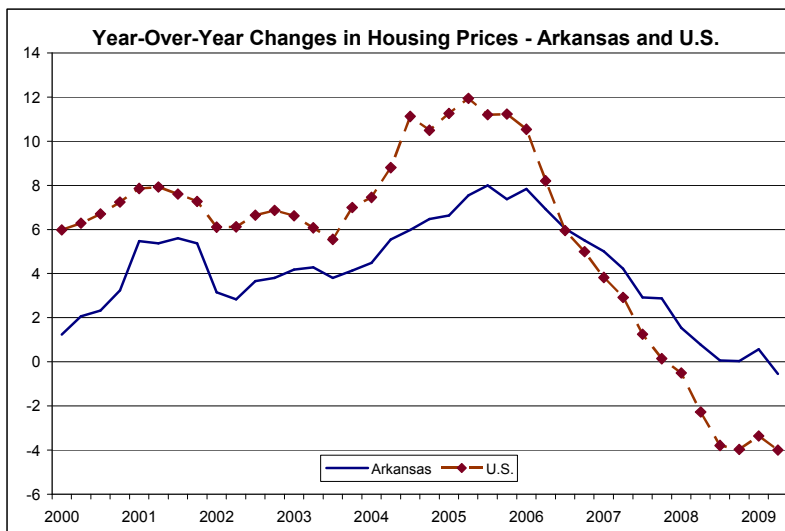
Metro Area Unemployment Rates

	Not Seasonally Adjusted			Seasonally Adjusted*		
	Aug. 2008	July 2009	Aug. 2009	Aug. 2008	July 2009	Aug. 2009
Fayetteville-Springdale-Rogers	3.9	6.2	5.4	4.0	5.5	5.5
Fort Smith	4.6	7.7	7.1	4.9	7.5	7.5
Hot Springs	5.2	7.0	6.4	5.3	6.6	6.6
Jonesboro	4.8	7.2	6.4	4.8	6.5	6.4
Little Rock-N. Little Rock-Conway	4.4	6.7	6.0	4.4	6.1	6.0
Memphis	7.1	10.3	10.4	7.0	10.0	10.2
Pine Bluff	7.3	9.8	9.1	7.2	9.0	9.0
Texarkana	4.9	6.4	6.4	4.8	6.1	6.3
Arkansas Total	5.1	7.7	6.8	5.1	7.4	7.1
U.S. Total	6.1	9.7	9.6	6.2	9.4	9.7

Source: U.S. Bureau of Labor Statistics

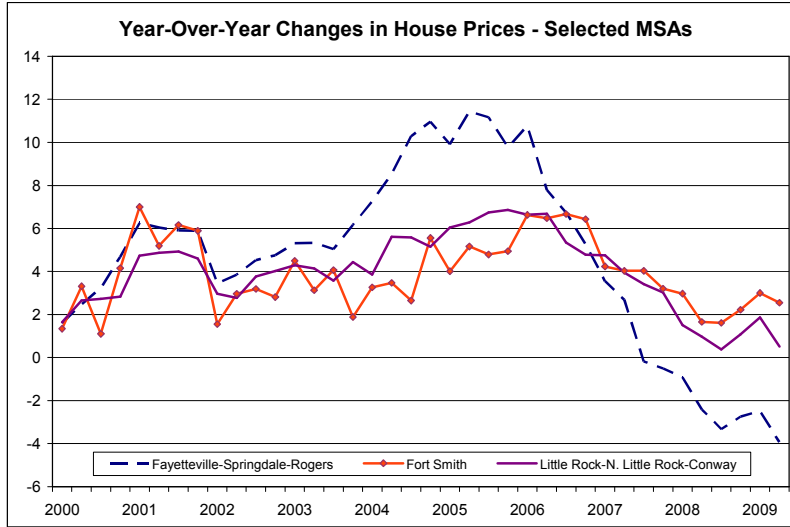
*MSA data are seasonally adjusted by the *Institute for Economic Advancement*.

Arkansas Housing Prices



Source: Federal Housing Finance Authority (FHFA)

Arkansas Housing Prices



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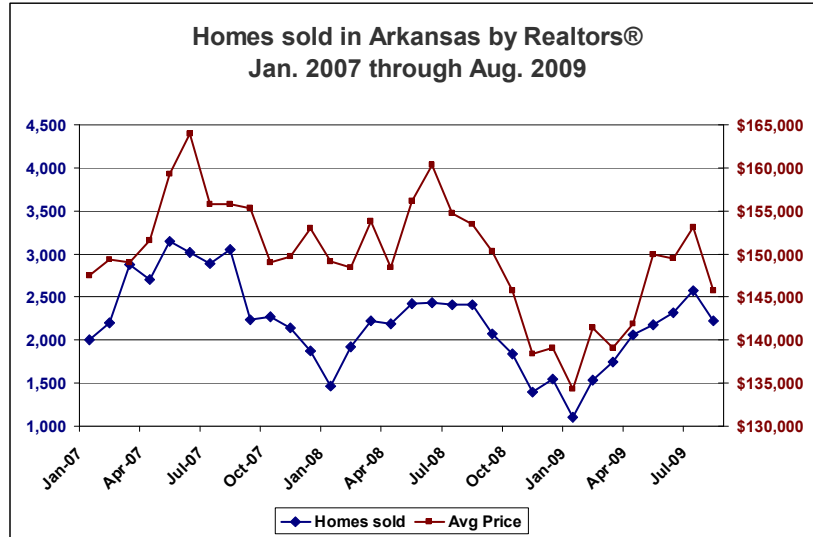
Arkansas Housing Prices

Cumulative Change in House Prices Before and After National Peak (2007:Q2)

	<u>2004:Q2 - 2007:Q2</u>	<u>2007:Q2 - 2009:Q2</u>
Fayetteville - Springdale - Rogers	23.3	-6.3
Fort Smith	16.5	4.3
Hot Springs	26.9	3.0
Jonesboro	9.0	1.1
Little Rock - N. Little Rock - Conway	17.9	1.5
Pine Bluff	15.2	5.4
Texarkana	11.5	6.6
Arkansas	19.8	0.2
U.S.	24.7	-6.2
Phoenix, AZ	66.2	-29.4

Source: Federal Housing Finance Authority (FHFA)

Arkansas Real Estate



Arkansas Banking

Banking Industry in Arkansas:

- According the FDIC, there have been 139 bank failures nationwide since the onset of the recession.
- Number of bank failures in Arkansas: 1
- More to come from our luncheon speaker

Arkansas Banking

Residential Mortgage Delinquency Rates for Eighth District States Percent 90+ Days Delinquent or in Foreclosure, 2009:Q2

	All mortgages	Prime			Subprime		
		Total	FRM	ARM	Total	FRM	ARM
Missouri	5.0	3.0	2.5	7.3	18.6	13.7	27.2
Illinois	8.6	5.5	4.0	13.6	29.9	19.7	40.3
Indiana	8.4	5.0	4.2	12.5	23.8	18.3	34.3
Kentucky	5.7	3.3	2.7	9.1	20.4	15.3	31.6
Tennessee	5.9	3.3	2.7	8.8	19.7	14.6	30.1
Mississippi	7.4	4.2	3.6	14.0	22.6	17.9	34.1
Arkansas	4.5	2.8	2.3	8.6	17.0	13.0	25.8
U.S. Total	8.0	5.4	3.5	15.1	26.5	17.1	38.7

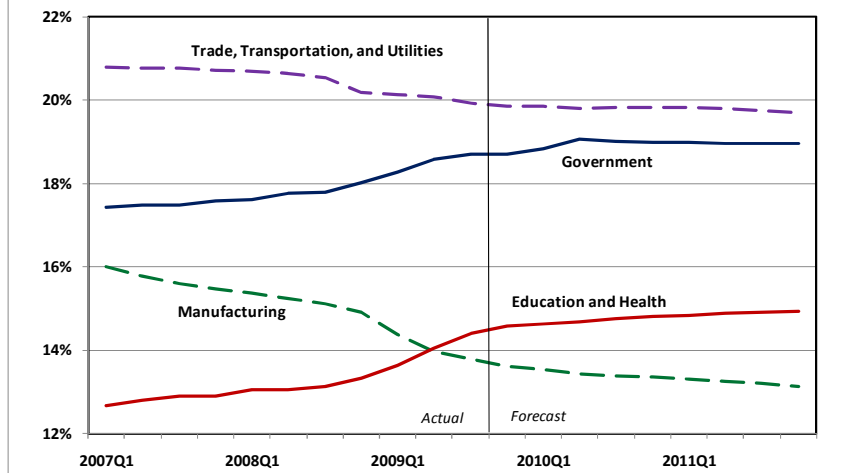
NOTE: FRM, fixed-rate mortgages; ARM, adjustable-rate mortgages.

SOURCE: Mortgage Bankers Association, National Delinquency Survey/Haver Analytics.

From the Federal Reserve Bank of St. Louis, *Current Economic Conditions in the Eighth Federal Reserve District, Little Rock Zone* (Burgundy Book), September 24, 2009

Changing Industry Mix

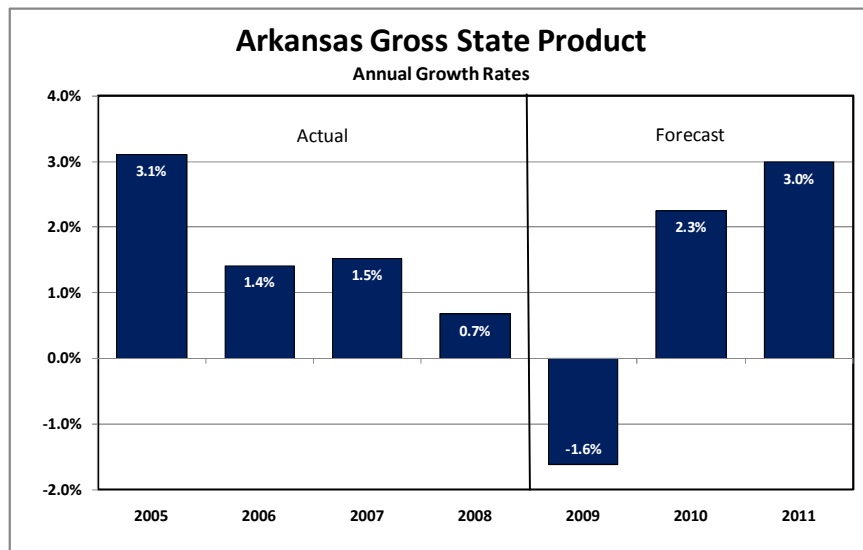
Arkansas Employment Shares



Arkansas Forecasts

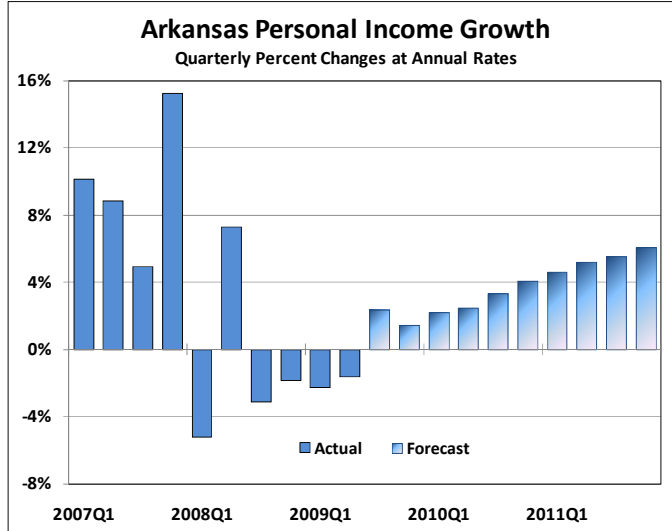
- Model: Arkansas Baseline from Moody's economy.com
- Inputs: Consensus Forecast for U.S. (IEA)
- Method:
 - Estimate relationship between national and state variables from the Moody's model
 - Substitute consensus forecast for national values

Arkansas Forecasts



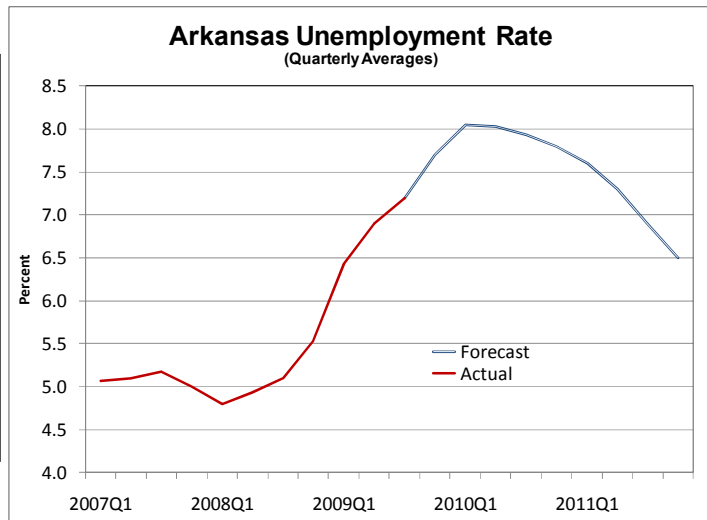
Arkansas Forecasts

Q4/Q4 Growth	
2007	9.7%
2008	-0.8%
2009	-0.0%
2010	3.0%
2011	5.4%



Arkansas Forecasts

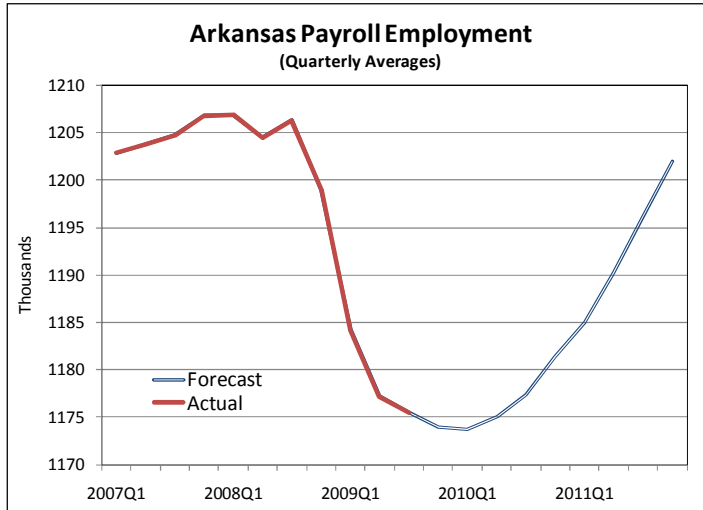
End of Year	
2007	5.0%
2008	5.5%
2009	7.7%
2010	7.8%
2011	6.5%



Arkansas Forecasts

Q4/Q4 Growth

2007	+6,600 +0.5%
2008	-7,800 -0.6%
2009	-25,000 -2.1%
2010	+7,300 +0.6%
2011	+20,700 +1.8%



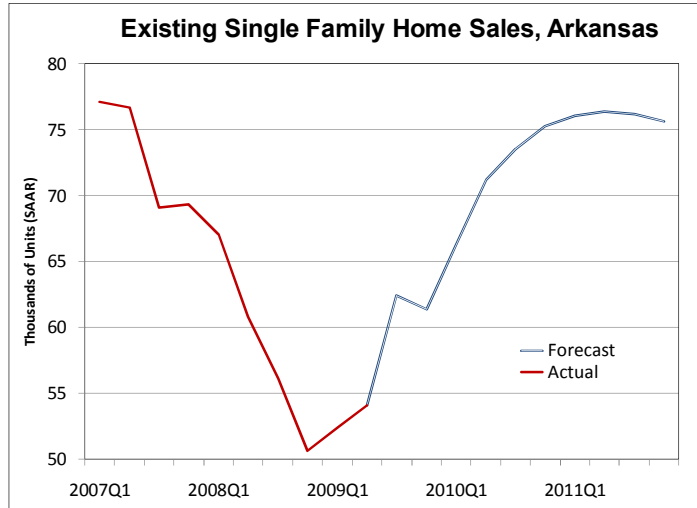
Arkansas Forecasts

Forecasts for Arkansas Payroll Employment by Supersector (Q4/Q4)

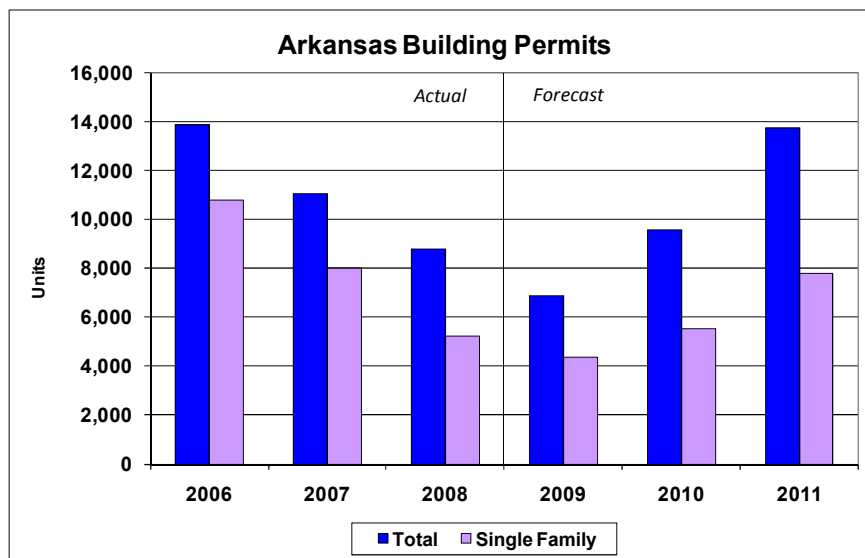
	2007 (actual)		2008 (actual)		2009		2010		2011	
	Change	Percent	Change	Percent	Change	Percent	Change	Percent	Change	Percent
Total Nonagricultural	6600	0.5%	-7833	-0.6%	-24967	-2.1%	7333	0.6%	20697	1.8%
Natural Resources & Mining	1733	21.5%	1233	12.6%	861	7.8%	528	4.4%	454	3.7%
Construction	-667	-1.2%	333	0.6%	-5053	-8.9%	-3712	-7.2%	835	1.7%
Total Manufacturing	-8133	-4.2%	-8000	-4.3%	-18992	-10.6%	-1988	-1.2%	230	0.1%
Trade, Transportation & Utilities	633	0.3%	-8100	-3.2%	-8799	-3.6%	1219	0.5%	2388	1.0%
Information	-200	-1.0%	-1133	-5.9%	-1344	-7.4%	62	0.4%	206	1.2%
Financial Activities	267	0.5%	-1367	-2.6%	-3387	-6.5%	398	0.8%	453	0.9%
Professional & Business Services	3200	2.8%	-933	-0.8%	-1291	-1.1%	2865	2.5%	4649	3.9%
Education & Health Services	3867	2.5%	4000	2.6%	11452	7.2%	3645	2.1%	4719	2.7%
Leisure & Hospitality	2100	2.1%	2033	2.0%	-2051	-2.0%	-157	-0.2%	2549	2.5%
Other Services	167	0.4%	133	0.3%	127	0.3%	-92	-0.2%	472	1.0%
Total Government	3633	1.7%	3967	1.9%	3510	1.6%	4567	2.1%	3742	1.7%

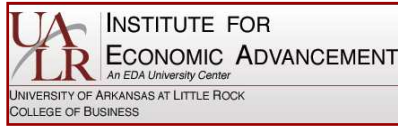
Arkansas Forecasts

Annual Averages	
2007	73.1K
2008	58.6K
2009	57.6K
2010	71.6K
2011	76.1M



Arkansas Forecasts





Arkansas Economist

For more information and analysis of the Arkansas Economy, visit the *Arkansas Economist*: www.arkansaseconomist.com

