The Little Rock Regional Economy in 2021

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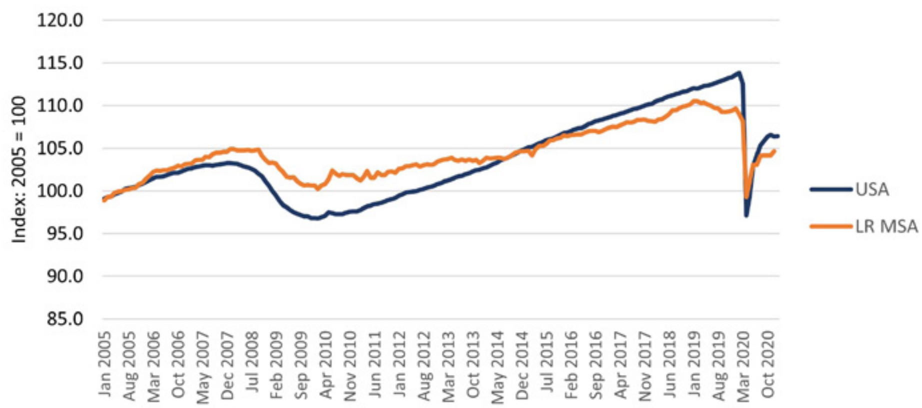
In the year 2020, the Little Rock region suffered its greatest economic loss since the Great Depression, as a consequence of the national economic and public health crisis associated with the coronavirus pandemic. The chart below compares recent U.S. and Little Rock MSA job trends, conveying the stark economic crash during 2020.[1]

Monthly Job Trend 2005–2021



U.S. Bureau of Labor Statistics, Index by Metroplan.

> In the year 2020, the Little Rock region suffered its greatest economic loss since the Great Depression.

> While formal economic restrictions are few, voluntary social distancing measures have jolted critical sectors of the economy.

The chart allows you to compare the crisis in 2020 with the Great Recession 2008–2009. As you can see the job drop-off in the former recession was nowhere near as deep, nor as quick, as the one centered on the "lockdown" month of April 2020. It seemed like the country could "flatten the curve" of the pandemic, allowing a return to normal economic growth. Instead, the economy re-opened gradually, followed by worsening pandemic conditions during the fall of 2020 and into winter 2021. While formal economic restrictions were few, voluntary social distancing measures jolted critical sectors of the economy, which can only recover as the public health situation improves.

The sudden job loss at the pandemic's outset was less severe locally, probably because the local lockdown was less total. Both the U.S. and local economies began recovering jobs almost immediately, but renewed growth was running out of steam by the end of 2020. It is difficult to directly measure the correlation between pandemic severity and economic growth, but there is a link.

Unemployment statistics give some idea of the human consequences. Prior to the pandemic, unemployment in the Little Rock region was 3.2 percent in February of 2020. By April 2020 it had shot up to 11.6 percent, or more than one in ten of the region's resident workforce. By December 2020 the region's unemployment rate had declined considerably to 4.6 percent. The pandemic had an uneven impact on unemployment.

PRIOR TO THE PANDEMIC,
THE LITTLE ROCK REGIONAL UNEMPLOYMENT RATE
Ran as low as **3.2%**

BY APRIL 2020
THE UNEMPLOYMENT RATE:
Had grown to **11.6%**

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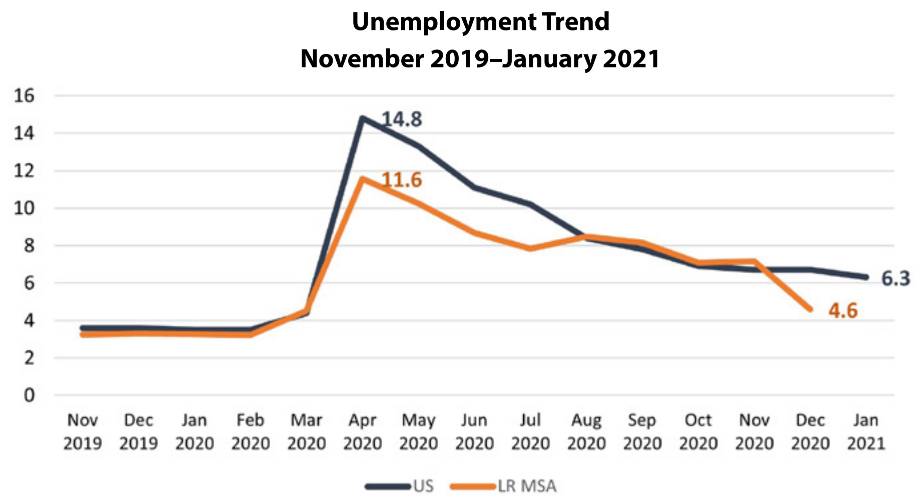
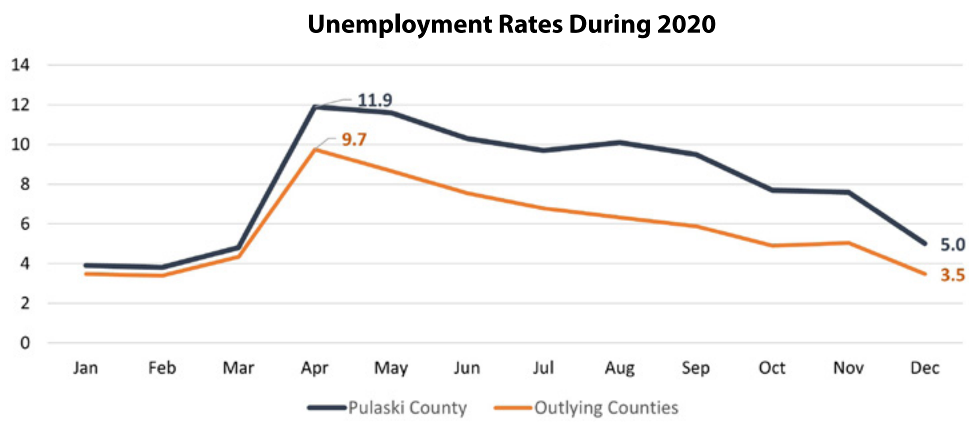
[1] Jobs data from U.S. Bureau of Labor Statistics, with seasonal adjustment by Metroplan.



U.S. Bureau of Labor Statistics. LR MSA seasonal adjustment by Metroplan.

Pulaski County unemployment went from 3.8 percent in February to 11.9 percent in April, then subsided to 5 percent by December 2020. In outlying counties unemployment peaked at 9.7 percent in April, and by December 2020 was almost down to pre-pandemic levels at 3.5 percent. It appears that Pulaski County jobs, with a higher-than-average emphasis in service sectors like leisure/hospitality and health care, took a harder-than-average economic hit from Covid-19.

The pandemic knocked labor force participation down nationally and locally. It appears that Covid-19 has compelled some workers—women in particular—to drop out of the labor force to assist with family care-giving needs.



Source: U.S. Bureau of Labor Statistics. Not seasonally adjusted.

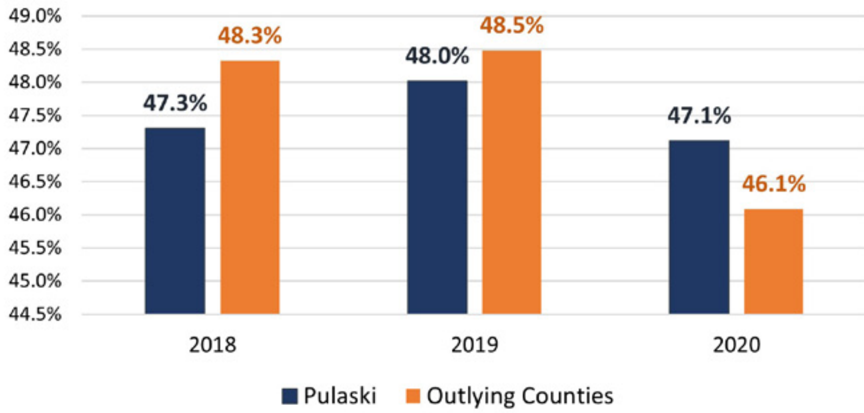
The region's leisure and hospitality jobs have been especially hard hit

As much as
14%

Labor force participation measures the share of population which is either employed or looking for work. The pandemic knocked participation down nationally and locally. It appears that Covid-19 has compelled some workers—women in particular—to drop out of the labor force to assist with family care-giving needs. Prior to the pandemic, labor force participation ran slightly higher in outlying counties than in Pulaski County. Yet when labor force participation dropped during 2020, it fell by more in the region's outlying counties.[2] This seems to correlate with larger households and families in the outlying counties, and it is likely that in some cases family members have dropped their jobs to look after family needs, including kids kept home from school.

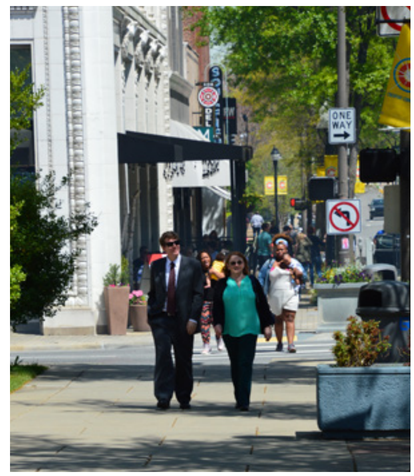
[2] U.S. Bureau of Labor Statistics, county figures not adjusted for seasonality.

Labor Force as Share of Total Population 2018–2020

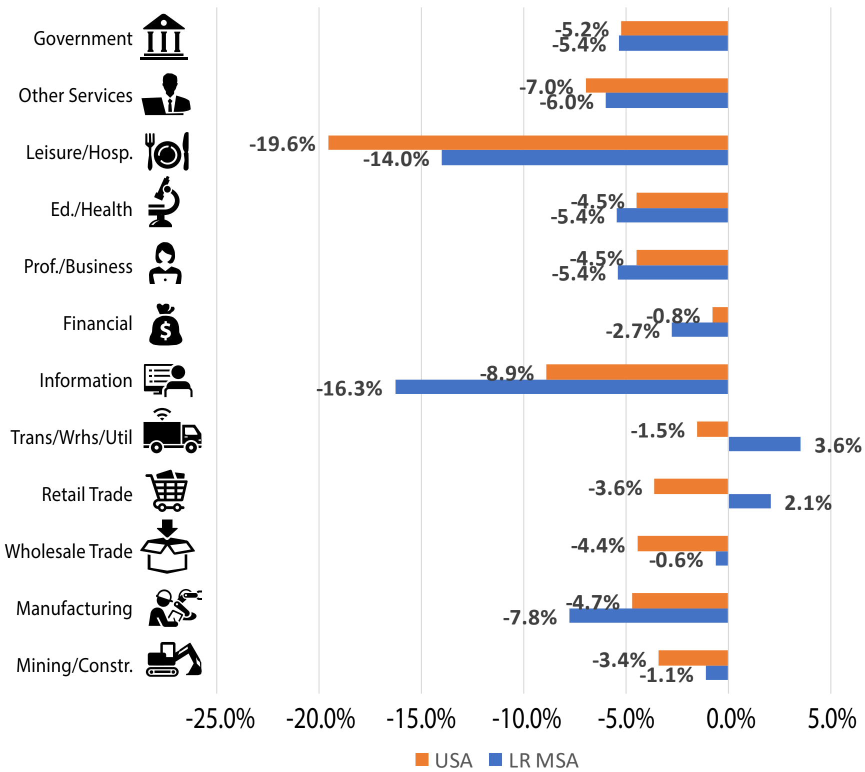


Job losses were especially acute in the leisure/hospitality sector.

The region seems to have taken a harder-than-average economic hit from the pandemic. The chart below compares the change in jobs by industry from November 2019 to November 2020, for both the overall U.S. economy and for the Little Rock MSA.[2]

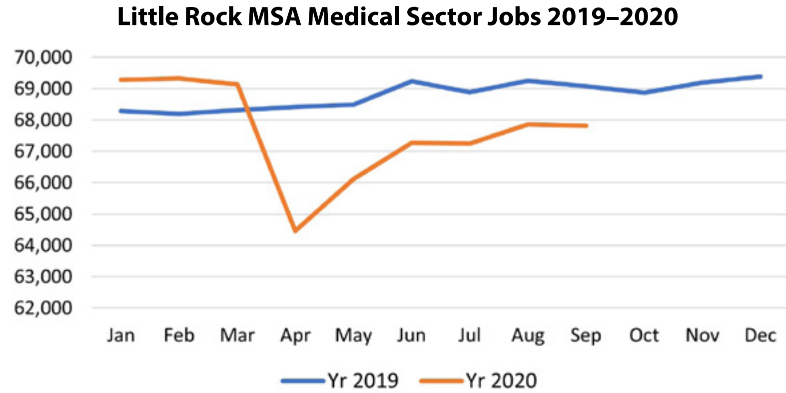


Job Change by Sector November 2019 to November 2020

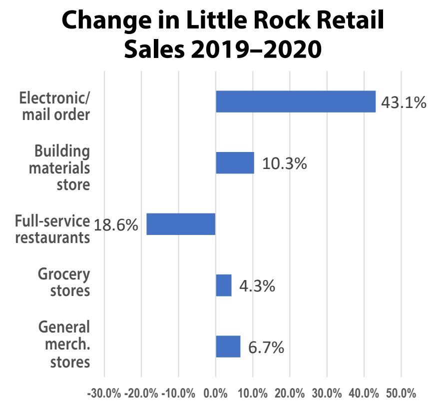


The drop in labor force participation during the pandemic was more than double the drop previously during the Great Recession.

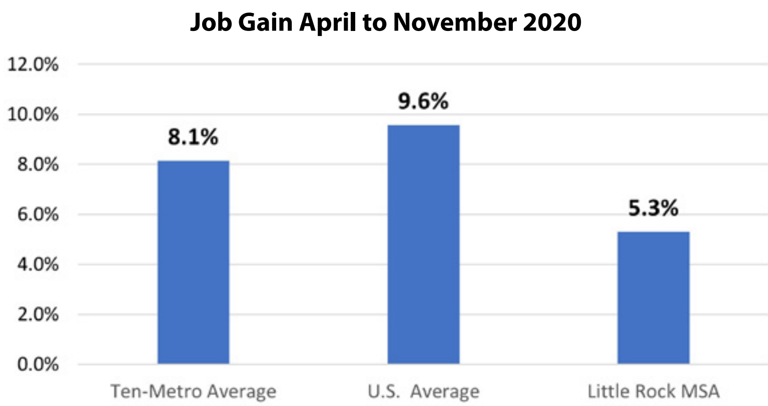
As you can see, job losses were especially acute in the leisure/hospitality sector, as well as "other services," which includes personal services like fitness activities, barbers and hair/nail salons. The region's sizeable medical sector took a hit too. The region lost fewer jobs than the U.S. average in leisure/hospitality. Note also how the local retail and transportation/warehousing sectors managed some job growth despite pandemic conditions.



Source: Arkansas Department of Workforce Services.



To evaluate local job performance, Metroplan compared monthly job trends for the Little Rock MSA against the U.S. average, and the average for ten selected metro areas in the south-central U.S. The figures suggest the local area took a roughly-average "hit" from the lockdown in April, losing fewer jobs in proportion than the U.S. average and slightly more than average for the ten selected metros. However, the region seems to be recovering more slowly, as shown in the chart below.[3]



The prevailing wisdom is that once pandemic conditions subside the economy will see a wave of fast growth. Yet the crisis may have done greater economic damage than basic metrics like job growth and unemployment rates can convey. The drop in labor force participation during the pandemic was more than double the drop previously during the Great Recession, at both the national level and for the Little Rock MSA. Some of this was undoubtedly caused by changes to families' child care situations during the pandemic, as well as temporary job loss in pandemic-impacted sectors like restaurants. Normally labor force participation recovers only slowly from recessions. It may recover more quickly in the unique circumstances of Covid-19, but this is unsure. It will be a critical measure to watch.

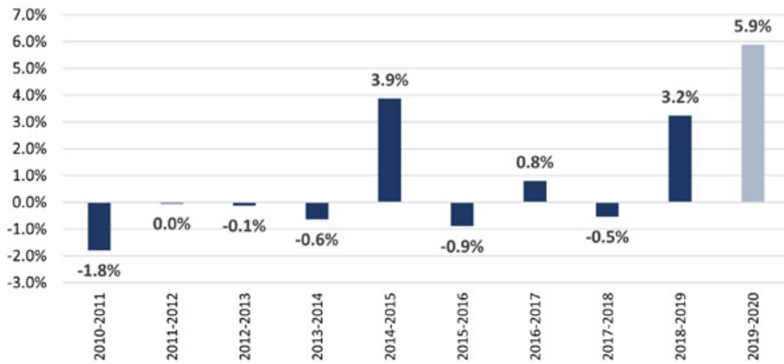
An oddity of the current recession is that, while it hit selected stores quite hard, the retail sector as a whole did well. In 2020, overall retail sales for the Little Rock MSA rose sharply over their 2019 levels. This was despite phenomenal growth in competing online sales during the pandemic. The retail sector's comparatively solid performance in a severe recession seems counter-intuitive, but direct Federal fiscal stimulus gave households money to spend, while social distancing may have left many people with time on their hands for shopping.

> Although retail sales in selected areas were strong during the pandemic, the already-notable shift toward online shopping intensified during the outbreak.

[3] Figures in charts on p. 4 represent nonfarm payroll jobs from the U.S. Bureau of Labor Statistics.

Little Rock MSA Retail Sales Annual Percent Change

2010–2020 (Inflation-adjusted)

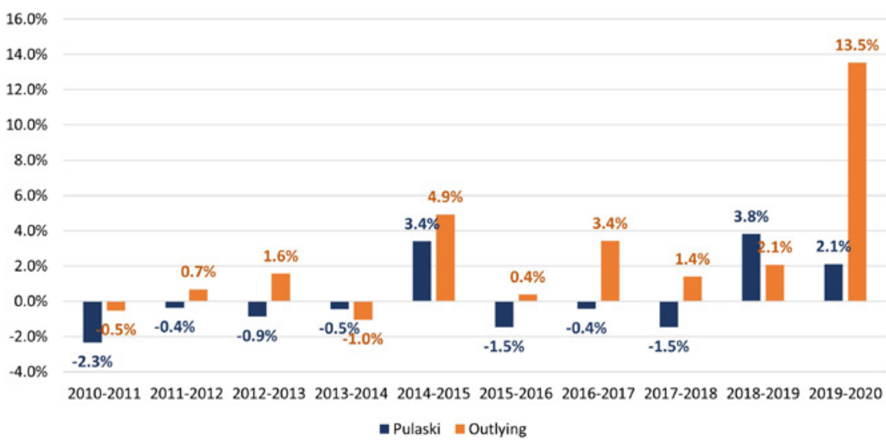


Demand for office space is weak in light of the paradigm shift toward remote work induced by Covid-19.

The chart below compares year-over-year retail sales between Pulaski County and the three largest outlying counties in the Little Rock MSA. As you can see, while retail sales were up across the board during 2020, the larger growth by far occurred in outlying counties. It seems that consumers living in peripheral bedroom communities opted to stay closer to home for shopping during pandemic conditions.

Amazon's half-billion dollar fulfillment center in the Port of Little Rock.

Annual Retail Sales Change Over Previous Year 2010–2020



Source: Arkansas Department of Finance and Administration sales tax revenue data.
Total sales extrapolations, CPI adjustment and analysis by Metroplan

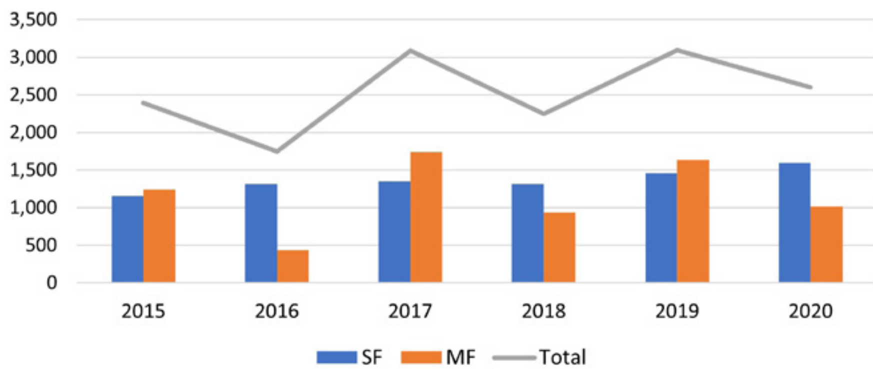
The demand for office space post-pandemic remains uncertain.

Preliminary data suggest that property values have continued rising despite the recession. But demand for office space is weak in light of the paradigm shift toward remote work induced by Covid-19. Although retail sales in selected areas were strong during the pandemic, the already-notable shift toward online shopping intensified during the outbreak. The new Amazon warehouse in the Little Rock Port, an investment of $500 million, was one sign of the growing activity and investment in E-commerce, which functions a lot like a public utility for a socially distanced world. Retail vacancies are becoming a serious issue, especially in retail sectors hit hard by the pandemic. Some of the job loss in office-intensive areas, including downtown Little Rock may prove permanent. Vacancy and retrofits – possibly from commercial toward residential use - will be competing realities in the post-pandemic real estate market.

Single-family housing construction is ticking upward.

Residential markets took only a mild hit from the Covid-19 crisis during spring and early summer of 2020, and recovered during the fall. By year's end, national and regional housing markets had strengthened and could be poised for major growth during 2021. Residential construction activity slowed a bit during the spring and early summer of 2020, but made up for it with robust growth during the remainder of the year. By year's end, the Little Rock region had seen the largest number of new single-family housing units permitted since 2007, at over 1,500 new units. Low interest rates and a certain degree of "cocooning" by home-bound workers may be factors explaining this trend. Multi-family housing construction was down by a bit, but this comes after several strong years for the predictably cyclical local multi-family sector.

Little Rock MSA Permit Trend 2015–2020



Comparatively early mandates in Little Rock, North Little Rock, Conway and other cities for masking and other public health measures helped protect the resident population.

While the Little Rock region took a worse-than-average economic hit compared with state and U.S. averages, it appears that the Central Arkansas region has (so far) seen a bit less mortality than state and U.S. averages, as of March 2, 2021.[4]

Covid-19 Mortality

Region	Population	Deaths	Rate
Pulaski County	391,911	506	129.1
Outlying Counties	350,473	377	107.6
Little Rock MSA	742,384	883	118.9
Arkansas Total	3,017,804	4,265	141.3
Arkansas (rural)	1,119,455	1,823	162.8
United States	328,239,523	513,122	156.3

Barbara McDonald, APRN, who has been working in the UAMS COVID-19 testing unit on campus. Photo credit: UAMS.

Within the region, Pulaski County has seen higher mortality than the five outlying counties, probably due to its above-average share of Black and Hispanic/Latino populations, which have suffered higher mortality rates than the U.S. average. Yet even Pulaski County has seen less mortality than state and the U.S. averages. It is likely that comparatively early mandates in Little Rock, North Little Rock, Conway and other cities for masking and other public health measures helped protect the resident population.

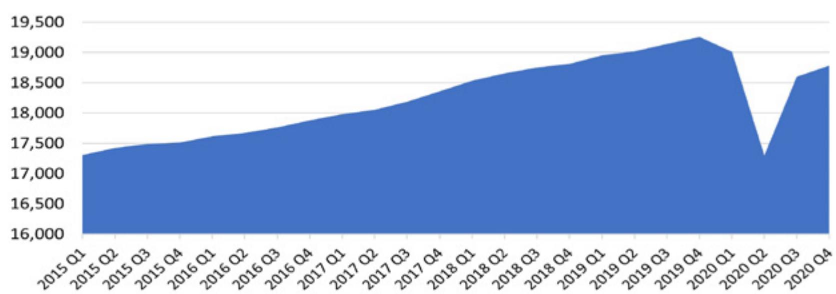
Sometime during 2021 the pandemic will finally begin to subside as vaccinations take hold. Caseloads and death rates are declining, although there remains some uncertainty due to the growing emergence of new variants of Covid-19. The shape of the coming economic recovery is difficult to foresee, partly because it has been over a century

[4] Metroplan mortality compilations from U.S. Centers for Disease Control and Arkansas Department of Health. Population figures from U.S. Bureau of the Census, July 2019 estimates.

since the country has experienced pandemic conditions on this scale. Here are a few speculations:

- It is likely that harder-hit Pulaski County will see a stronger-than-average "bounce back" effect as its service-sector economy regains footing, once social distancing begins to ease.
- Property values may shift as the economic situation stabilizes into a new balance, once the pandemic is over. Office and retail space will see higher vacancy rates into the future.
- According to an IMF study, social unrest tends to surge about fourteen months after a pandemic's onset, and to peak twenty-four months out.[5] Do not assume the social disruption seen thus far is the final word.
- Census 2020 results for local areas will be released by late summer, 2021. Most of the region will see modest population gains from Census 2010 figures. Several smaller towns (under 6,000 population) including Austin, Ward, Greenbrier, Vilonia and Wooster will probably register the region's fastest gains over the 2010-2020 decade.

U.S. Quarterly GDP 2015–2020 ($ billions)



Source: U.S. Bureau of Economic Analysis.

Many forecasters do not expect the economy to make up all the ground it lost during Covid-19 until 2022 or even 2023.

Expect single-family housing construction to lead the way early in the recovery.

Recent trends may offer hints about the way forward. The chart above shows the U.S. GDP trend since 2015.[6] As you can see, it grew steadily through the final quarter of 2019, dipped in early 2020, then plunged during second quarter "lockdown period" of 2020. Fast growth in the third quarter of 2020 slowed in the fourth quarter. Even after a strong first blush of recovery, the U.S. economy was about 2.5 percent weaker than prior to Covid-19. This lower starting point may indicate permanent economic loss, or hysteresis, from the crisis. Many forecasters do not expect the economy to make up all the ground it lost during Covid-19 until 2022 or even 2023.

Commodity prices, which sagged during 2020, have risen sharply as recovery takes hold, while interest rate cuts by the Federal Reserve and fiscal stimulus from the U.S. Congress have put a lot of money into the economy. The pandemic suppressed consumption, compelling some consumers to just save money. As spending returns, inflation will likely tick upward. The inflationary surge may be brief, but some economists warn it could take hold longer-term. In any case, expect single-family housing construction to lead the way early in the recovery. Like any economic disruption, the Covid-19 recession has forced an adjustment of priorities, yielding economic pain on the one hand and innovation on the other. The economy and society post-Covid will emerge on a slightly altered vector from trends before the pandemic.

[5] "The Year When Everything Changed," Economist, December 16, 2020.
[6] U.S. Bureau of Labor Statistics. Little Rock MSA GDP data for 2020 not yet available.

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