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2015 State of the Northwest Arkansas Region Report

NORTHWEST ARKANSAS
COUNCIL



UNIVERSITY OF
ARKANSAS

Sam M. Walton College of Business
Center for Business & Economic Research

Northwest Arkansas Overview

The State of the Northwest Arkansas Region Report is an annual publication, commissioned by the Northwest Arkansas Council, that serves as a tool for evaluating the economic performance of the region. The Northwest Arkansas Council announced in January 2015 that the organization's five-year strategic plan for 2010-2015 was completed one year ahead of schedule. As a result, the Northwest Arkansas Council created a blueprint for development that outlines new peer regions and strategies for 2015-2017. In the new three-year plan, the performance of Northwest Arkansas is benchmarked with other contemporary, high-performing regions such as Austin, Des Moines, Madison, and Raleigh-Durham. The 2015 State of the Region Report compares Northwest Arkansas with these geographies in the areas of gross domestic product, employment, unemployment, establishment growth, per capita personal income, average annual wages, poverty, educational attainment, research and development, homeownership cost, and commuting time. The table below provides a summary of the performance of the Northwest Arkansas region on these measures. Important indicators such as gross domestic product, employment, per capita personal income, and wages showed strong increases from the previous year, while improvements in metrics such as establishment growth, educational attainment, and poverty were more limited for Northwest Arkansas.

| Northwest Arkansas Economic Indicators | | | | |
|--|-------------------------|---------------|-----------------------------------|----|
| Indicator | Most Recent Annual Data | Previous Year | Percent Change from Previous Year | |
| Population, July 2014 | 501,653 | 492,375 | 1.9% | ▲ |
| Real GDP (millions of chained 2009 dollars), 2014 | \$25,105 | \$24,006 | 4.6% | ▲ |
| Unemployment Rate, 2014 | 4.6% | 5.6% | -1.0% | ▼ |
| Total Nonfarm Employment, 2014 | 223,700 | 214,800 | 4.1% | ▲ |
| Per Capita Personal Income, 2013 | \$37,863 | \$36,985 | 2.4% | ▲ |
| Average Annual Wages, 2014 | \$42,410 | \$41,560 | 2.0% | ▲ |
| Establishments, 2014 | 11,998 | 11,998 | 0.0% | ◀▶ |
| Percent of Adult Population with a Bachelor's Degree or Higher, 2014 | 27.9% | 28.2% | -0.3% | ▼ |
| Poverty Rate, 2014 | 16.2% | 16.8% | -0.6% | ▼ |
| R&D Expenditures (in thousands), 2013 | \$125,501 | \$123,199 | 1.9% | ▲ |



New Peer Region Overview

Des Moines-West Des Moines MSA

Iowa

2014 Population: 611,548

2013 Population: 600,086

Growth 2013-2014: 1.9%

MSA Growth Rank: 35/381

Madison MSA

Wisconsin

2014 Population: 633,787

2013 Population: 627,466

Growth 2013-2014: 1.0%

MSA Growth Rank: 109/381

Durham-Chapel Hill MSA

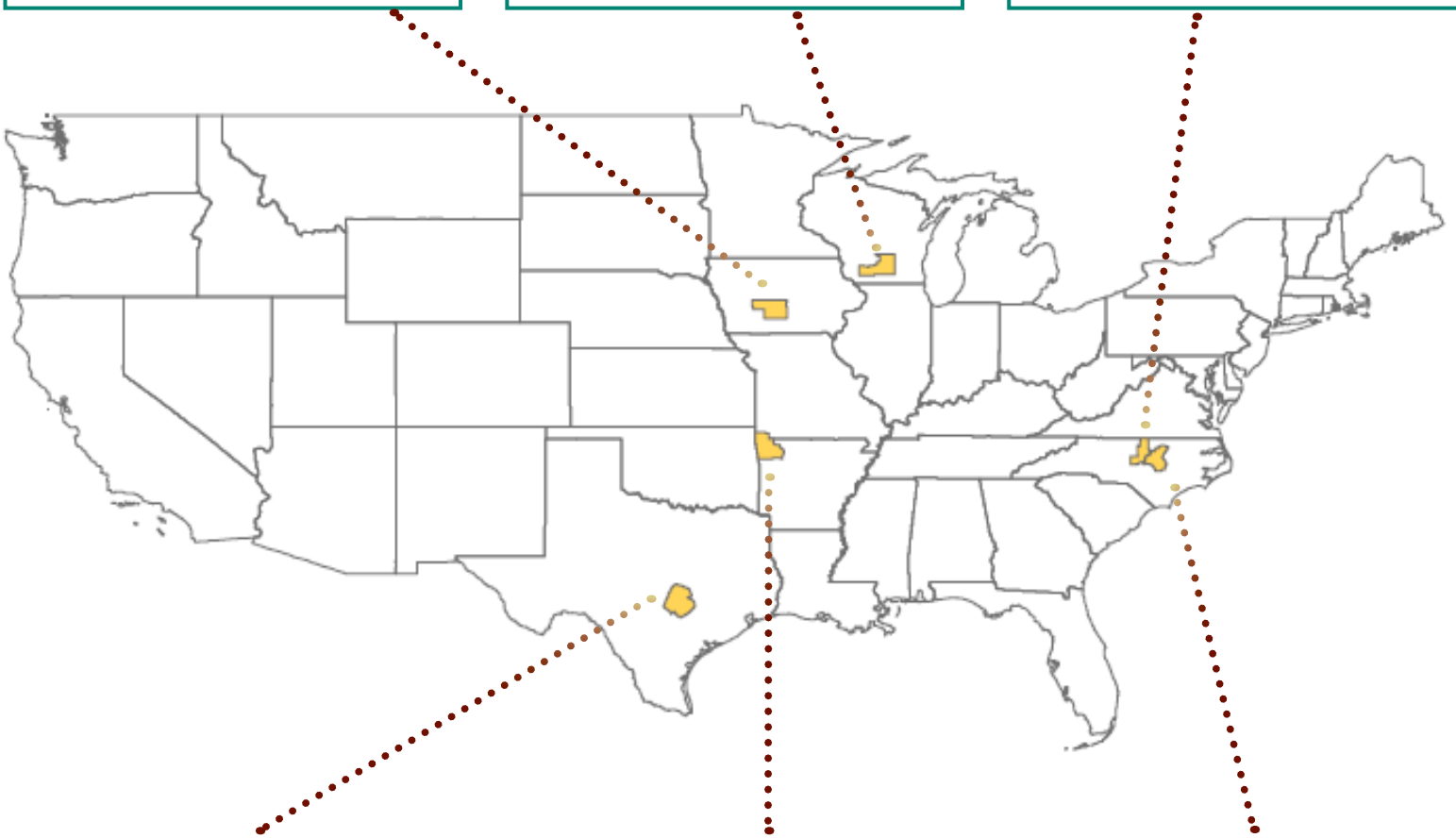
North Carolina

2014 Population: 542,710

2013 Population: 533,622

Growth 2013-2014: 1.7%

MSA Growth Rank: 42/381



Austin-Round Rock MSA

Texas

2014 Population: 1,943,299

2013 Population: 1,885,803

Growth 2013-2014: 3.0%

MSA Growth Rank: 3/381

Fayetteville-Springdale-Rogers MSA

Arkansas-Missouri

2014 Population: 501,653

2013 Population: 492,375

Growth 2013-2014: 1.9%

MSA Growth Rank: 36/381

Raleigh MSA

North Carolina

2014 Population: 1,242,974

2013 Population: 1,215,299

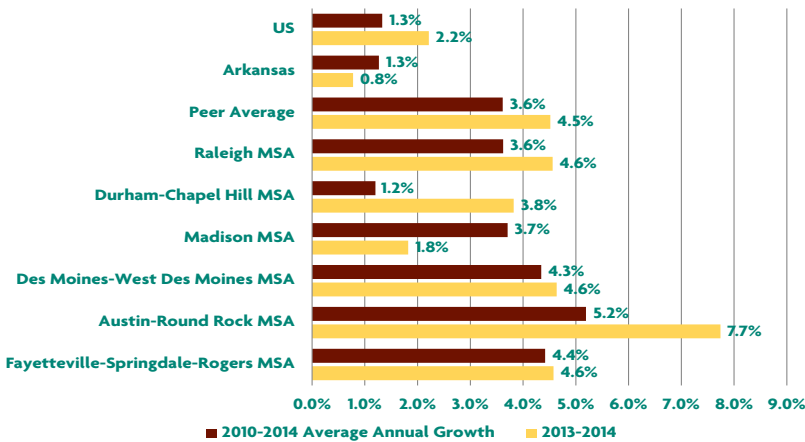
Growth 2013-2014: 2.3%

MSA Growth Rank: 15/381

Peer Region Comparisons

Change in Real GDP

Source: U.S. Bureau of Economic Analysis

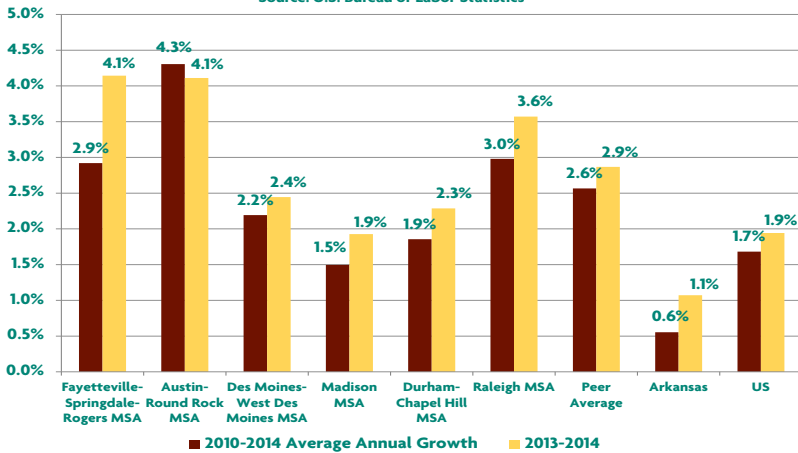


Metropolitan GDP

From 2010 to 2014, the real metropolitan gross domestic product (GDP) in the Northwest Arkansas region grew at an average annual pace of 4.4 percent. The region's average annual growth rate over that four-year period was slower than the Austin-Round Rock region, but significantly faster than the peer average growth rate of 3.6 percent. The most recent annual growth rate of the region's economic output was also strong, increasing by 4.6 percent, which was slightly faster than the peer region average, but significantly faster than the growth of the state and the nation.

Employment Growth Rate

Source: U.S. Bureau of Labor Statistics

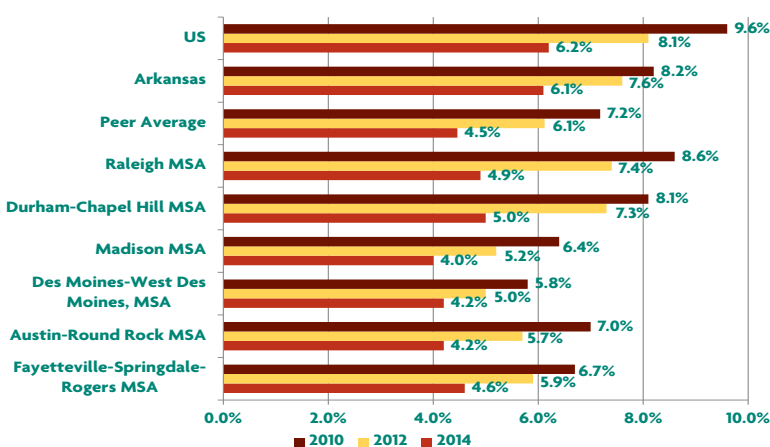


Employment

During the period from 2010 to 2014, employment in Northwest Arkansas grew at an average annual rate of 2.9 percent, slower than both the Austin-Round Rock and the Raleigh regions, but faster than the other peer regions, the state of Arkansas, and the nation as a whole. Between 2013 and 2014, employment in Northwest Arkansas grew by 4.1 percent, equaling the Austin-Round Rock region, and also growing faster than the peer region average, the state, and the nation. Employment in Northwest Arkansas stood at 223,700 in 2014.

Unemployment Rate, Annual Average

Source: U.S. Bureau of Labor Statistics

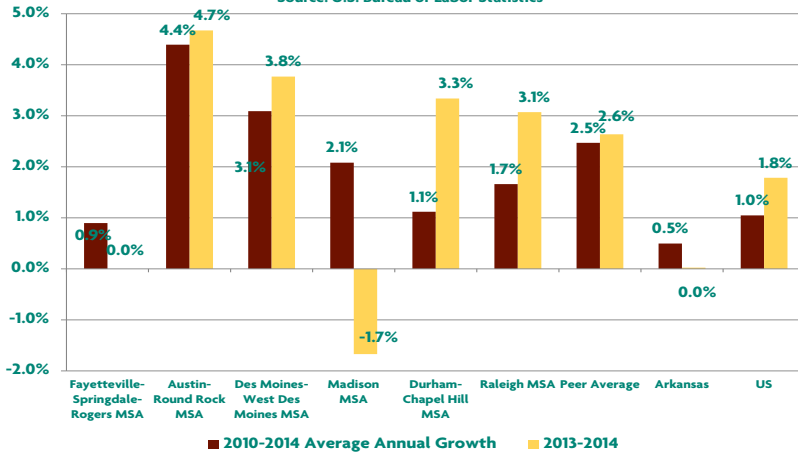


Unemployment

In 2014, the Northwest Arkansas region had the second-highest unemployment rate of all its peer regions. However, at 4.6 percent, the measure was lower than the state unemployment rate of 6.1 percent and the national unemployment rate of 6.2 percent. The unemployment rate in 2014 dropped a percentage point from the rate in 2013 and was 2.1 percentage points lower than the unemployment rate in 2010. Only the Des Moines-West Des Moines region had a smaller change in the unemployment rate than Northwest Arkansas since 2010, in large part because the unemployment rate in those two areas did not spike as high during the recession.

Establishment Growth

Source: U.S. Bureau of Labor Statistics

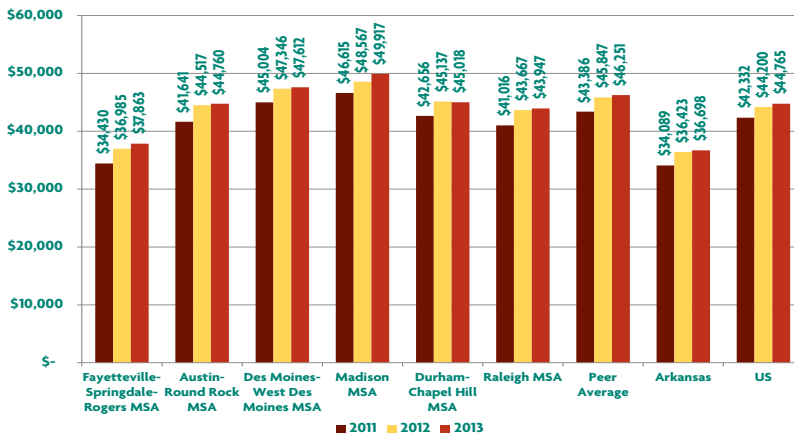


Establishment Growth

From 2010 to 2014, the number of business establishments in Northwest Arkansas increased at an average annual rate of 0.9 percent to a total of 11,998. This growth rate was the slowest among the peer regions and slower than the nation as a whole, but faster than the growth rate in Arkansas state establishments. The number of business establishments in Northwest Arkansas was unchanged between 2013 and 2014, while the number of establishments in peer regions grew by an average of 2.2 percent.

Per Capita Personal Income

Source: U.S. Bureau of Economic Analysis

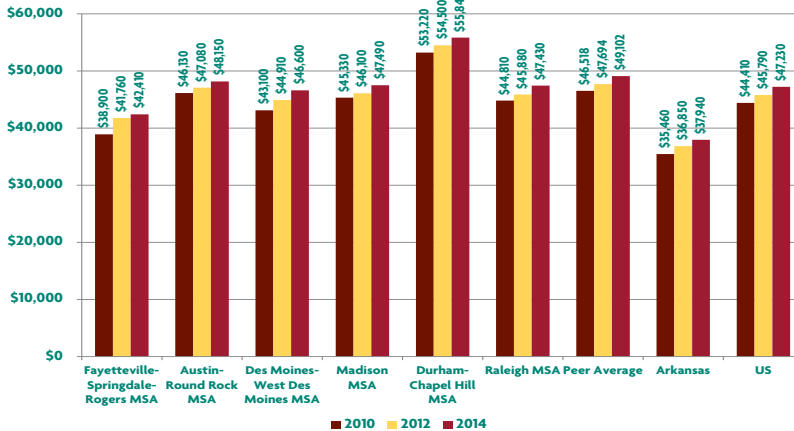


Per Capita Personal Income

Per capita personal incomes in Northwest Arkansas have tended to be higher than those in Arkansas, but below those in the peer regions and the nation as a whole. In 2013, on average, the peer regions had a per capita personal income that was 22.2 percent higher than Northwest Arkansas. However, between 2010 and 2013, the Northwest Arkansas region's per capita personal income grew by a total of 17.0 percent, a rate that outstripped growth in all the peer regions and the state. In 2013, per capita personal income in Northwest Arkansas stood at \$37,863, which was 2.4 percent higher than the previous year.

Average Annual Wages

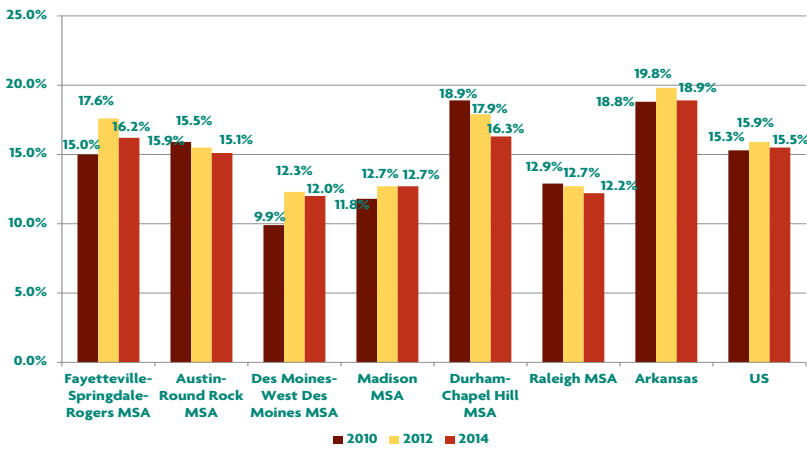
Source: U.S. Bureau of Labor Statistics



Annual Wages

Like per capita personal income, average annual wages in the Northwest Arkansas region have been consistently lower than in the peer regions and the nation as a whole. Average annual wages in Northwest Arkansas were 15.8 percent lower than the peer region average in 2014. Average annual wages grew by a total 9.0 percent in Northwest Arkansas between 2010 and 2014, a rate that was significantly faster than the growth rate in any of the peer regions. In 2014, the average annual wage in Northwest Arkansas was \$42,410 which was 2.0 percent higher than the average wage in the previous year.

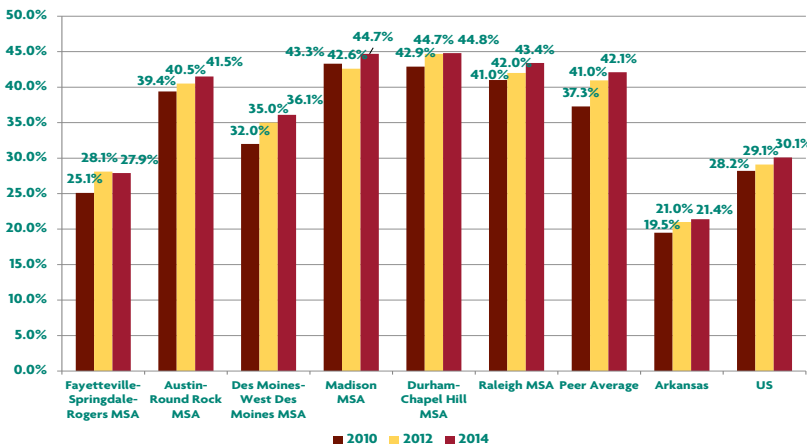
Poverty Rates: All Ages
Source: U.S. Census Bureau



Poverty

The poverty rate in Northwest Arkansas was 16.2 percent in 2014. This rate decreased 0.6 percentage points from 2013. Still, in 2014, the Northwest Arkansas poverty rate was the second highest among peer regions. Between 2010 and 2014, the Northwest Arkansas poverty rate increased by 1.2 percentage points, which placed the region in the middle of the pack when compared to the peer regions, the state and the nation. The 2014 poverty rate in Northwest Arkansas was lower than the rate for the state of Arkansas, but 0.7 percentage points higher than the national rate of 15.5 percent.

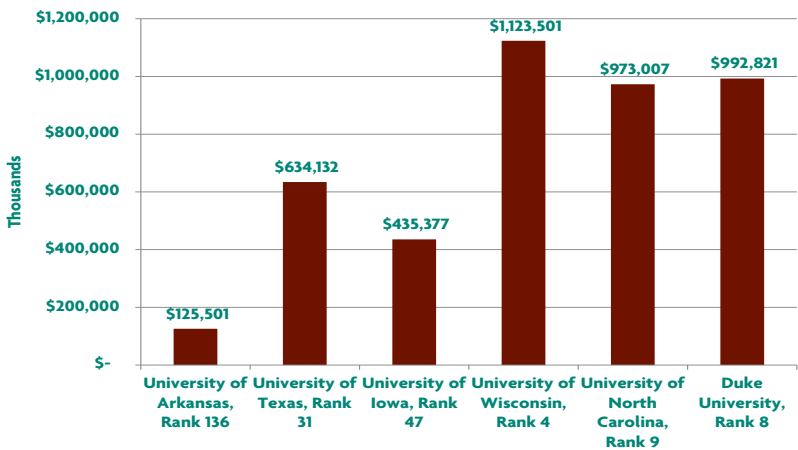
Bachelor's Degree or Higher in Adult Population
Source: U.S. Census Bureau



Educational Attainment

In Northwest Arkansas, 27.9 percent of adults over the age of 25 had attained a bachelor's degree or higher in 2014, ranking the region last in educational attainment among peer regions, but ahead of the state of Arkansas. On average, 42.1 percent of the adult population of the peer regions had at least a bachelor's degree. Between 2010 and 2014, the proportion of adults aged 25 or over in Northwest Arkansas with a bachelor's degree or higher grew by 2.8 percentage points, which was a bigger increase than in the nation, the state, and all peer regions except Des Moines-West Des Moines.

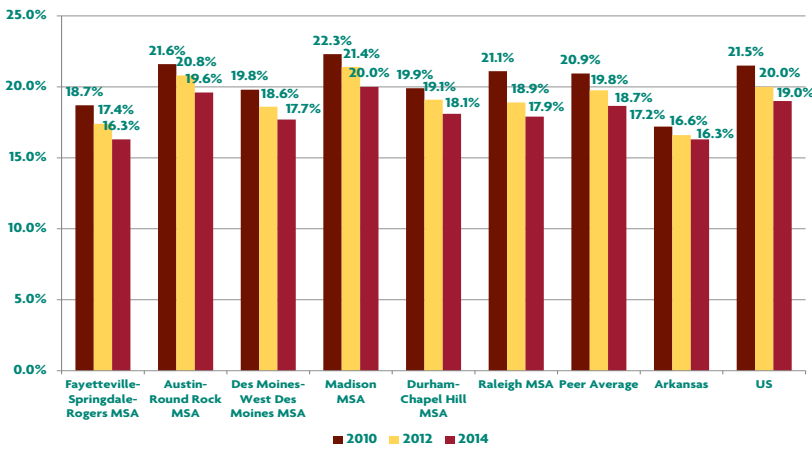
R&D Expenditures 2013
Source: National Science Foundation



Academic Research and Development

More than \$125.5 million of research and development expenditures were made by the University of Arkansas in 2013, up 1.9 percent from the previous year. All the peer regions' universities were ranked within the top 50 in research expenditures nationwide while the University of Arkansas research expenditures ranked 136th among research universities in that year. In 2014, the University of Arkansas received 24 disclosures of intellectual property and filed 27 new patent applications and received six patent issues.

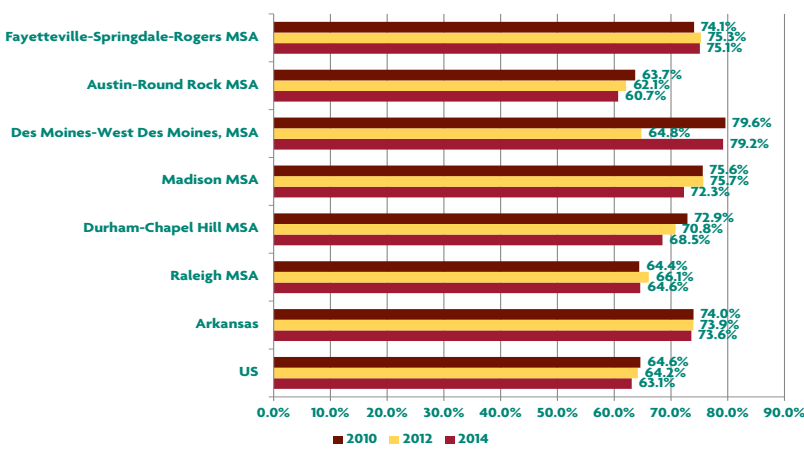
Median Cost of Homeownership as Percent of Income
Source: U.S. Census Bureau



Cost of Homeownership

The measure of homeownership costs as a percentage of monthly household income provides an excellent tool for comparing housing affordability. Homeownership costs accounted for 18.7 percent of household income in Northwest Arkansas in 2010, decreasing to 17.4 percent in 2012, and dropping again to 16.3 percent in 2014. Homeownership costs in Northwest Arkansas were the lowest among all the peer regions, making the region the most attractive from an affordability perspective.

Commuting: Percent of Workers Traveling Fewer than 30 Minutes
Source: U.S. Census Bureau



Commuting

In 2014, 75.1 percent of Northwest Arkansas workers spent fewer than 30 minutes commuting to work. Among peer regions, this was the second-shortest commute after the Des Moines-West Des Moines region. Meanwhile, 2.8 percent of Northwest Arkansas workers used alternative modes of transportation to get to work, including biking, walking, and mass transit in 2014. This metric was up from 2.4 percent of the region's workers in 2012, but down from 3.4 percent of the workers in 2010.





Information for this report was gathered from the following sources: National Science Foundation, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and U.S. Census Bureau.

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