

Economists Optimistic

DIRECTOR SAYS AREA POISED TO REGAIN SOME JOBS IN 2012

By Ron Wood RWOOD@NWAONLINE.COM

ROGERS — A panel of economists said Wednesday they're cautiously optimistic the economy will improve this year.

"It looks like Northwest Arkansas is poised to regain some jobs in 2012," Kathy Deck told about 900 business, education and political leaders gathered at the 2012 Business Forecast luncheon in Rogers.

"This is not on par with the growth we saw in the good old days when I used to talk about 600 or 700 jobs a month," Deck said. "But, I expect the state to end 2012 with a few thousand more jobs than we have now."

Deck, director for the Center for Business and Economic Research at the University of Arkansas, was one of three presenters at the 18th annual event.

Eugene Flood, executive vice president of Diversified Financial Services TIAA-CREF, said the country is close to the end of the current economic cycle and he sees the economy growing in 2012.

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"We think it's going to grow at 1/2 or 2 percent," Flood said.

Flood said noncommercial debt and personal income are back to about normal, prerecession levels and consumer savings should be close to normal in the next couple years.

The federal budget deficit is an issue that still has to be tackled, but perhaps by as little as 1 percent a year, Flood said. The European debt crisis should not be a big problem for the U.S. economy because we don't have that many interests there and any impact, positive or negative, should be quite small.

Paul Thomas, chief economist for Intel Corporation, said he expects to see continued worldwide growth in the technology sector. Thomas said it's becoming ever cheaper, both in the U.S. and abroad, to buy computers, laptops and smartphones, and people are buying those devices.

"It's a driver and one reason we should be cautiously optimistic in the short term and optimistic long term," Thomas said.

In Northwest Arkansas the recession skewed life for people of all ages, from those who had planned to retire to those trying to find their first job, Deck said.

"Labor force growth is the whole story. It's the story for the baby boomers and it's the story for Gen Xs and it's the story for those Millennials who are right behind us," Deck said. "We all have different impacts from this recession, not the least of which is because the baby boomers are forced to stay a little bit longer, it has implications for everyone."

Deck said the regional labor force followed the state and national decline during the recession but then it kept going down, even when the recession ended and the labor force began to recover nationally. It has settled at a very low rate of growth.

The labor force includes everyone working or looking for work.

"We need to see Northwest Arkansas back to a point where labor force growth is double the nation's," Deck said.

Last spring, the region appeared to be seeing some recovery, Deck said. But, by midyear, the debt ceiling battle in Washington cooled economic growth nationally, and the state and Northwest Arkansas followed.

"That's not surprising. We're a very consumer-driven economy and the consumers were feeling terrible," Deck said.

Unemployment could be a big story in Arkansas this year, Deck said.

"What I expect to see this year is a narrowing between the unemployment rate for the nation and the state," Deck said.

Arkansas, traditionally, tends to cycle slightly behind the rest of the country on employment, Deck said. As the unemployment rate comes down on the national level, expect the state unemployment rate to drop as well, just not as quickly.

The unemployment rate for Arkansas in December was 7.7 percent, down from 7.9 percent in December 2010.

The national unemployment rate was 8.5 percent in December.

The unemployment rate for the Fayetteville, Springdale and Rogers metropolitan area was 5.5 percent in November, down from 5.9 percent in October. Unemployment for the metro area last year peaked at 7 percent in June.

Metro employment numbers for December are expected to be released Feb. 1 by the federal Bureau of Labor Statistics.

Deck said a healthy metro rate, indicative of good growth, should probably be about 4 percent.

It was an anomaly that Arkansas outperformed the rest of the country during the most recent recession, Deck said.

"As we get into the recovery, we're going back to a more normal routine," Deck said. "So, don't be surprised when you read that Arkansas' unemployment rate is not, in fact, falling as fast as that of the nation as a whole. We see Northwest Arkansas continuing to outperform the country substantially."

Deck said growth won't hit pre-recession levels for some time but the region does appear to be moving in the right direction.

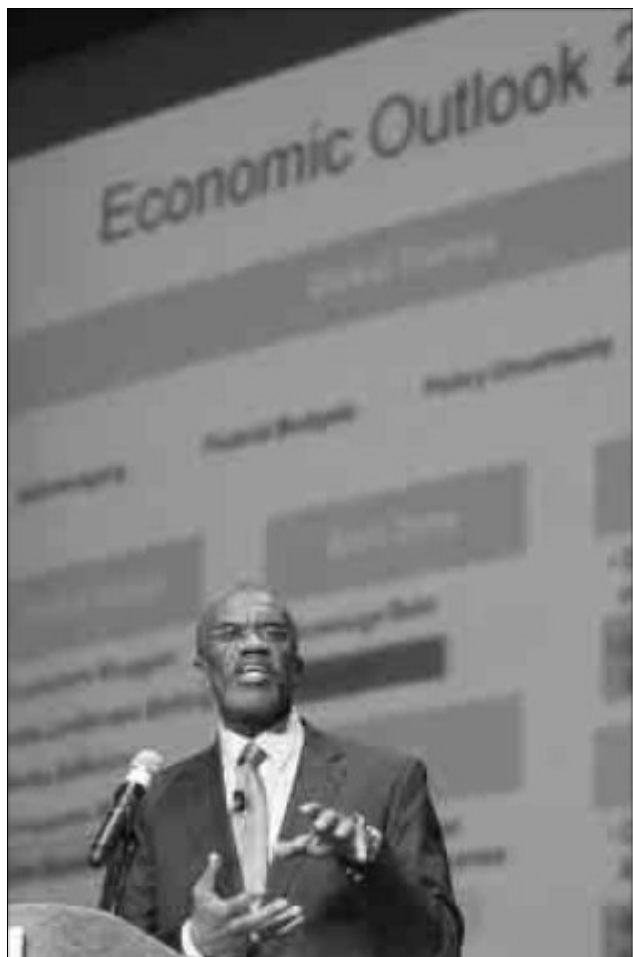
"That 2 percent growth we're going to see nationally, we're going to see that growth in Arkansas and here in Northwest Arkansas," Deck said. "It's not going to feel spectacular. It's not going to feel like the good old days. But, it's certainly on the right track."



STAFF PHOTOS MARC F. HENNING Kathy Deck, director of the Center for Business and Economic Research at the University of Arkansas' Sam M. Walton College of Business, answers a question Wednesday from the audience about Northwest Arkansas' economy for the coming year during the Business Forecast 2012 at the John Q. Hammons Center in Rogers.



Rogers Mayor Greg Hines listens as Kathy Deck delivers her economic and jobs forecast for Northwest Arkansas.



STAFF PHOTO MARC F. HENNING Eugene Flood, executive vice president of Diversified Financial Services, delivers his domestic economic forecast Wednesday during the Business Forecast 2012 at the John Q. Hammons Center in Rogers.

BY THE NUMBERS

UNEMPLOYMENT RATE

The unemployment rate in Northwest Arkansas hit its highest post-recession point in June.

	Labor Force	Unemployment Rate
November 2010	228,240	5.5 percent
June 2011	228,177	7 percent
November 2011	228,600	5.5 percent

SOURCE: BUREAU OF LABOR STATISTICS