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Economist: Recession end brings no cheers

Locals agree economy improving, but expect slow recovery

By Scott F Davis

Posted on October 4, 2009 at 4:33 a.m.

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FAYETTEVILLE — The recession is technically over, but people are not cheering and it does not feel like it, a University of Arkansas economist told business leaders last week.

Kathy Deck, director of the Center for Business and Economic Research at the UA's Sam M. Walton College of Business spoke before more than 175 people Wednesday at the Reynolds Center for Enterprise Development on the Fayetteville campus.

Deck was one of three economists whose presentations were included in videoconference presentations broadcast to seven locations across the state to more than 800 business leaders. Participants at the Fayetteville session said in interviews that they agree that it appears the economy is on the mend but that it's going to be a slow and bumpy ride to recovery.

Deck said that it's a positive sign for the national economy that inventory levels are low because that means that production will have to be stepped up to replenish those inventories.

"This is the mechanism for recovery," Deck said.

She also said that most economists expect the third quarter to show positive growth for the nation's gross domestic product.

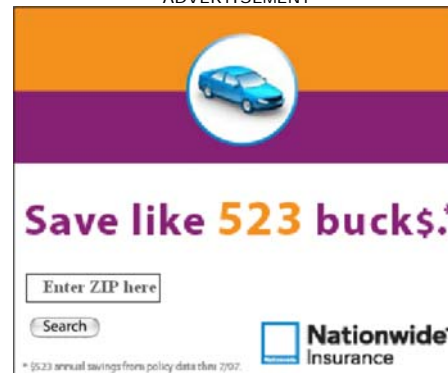
Despite these positive signs, the consumer feels slammed because of unemployment or fears of unemployment.

Consumers are scared because they feel a great deal of foreboding about taking on additional debt and watching the decline in the value of their homes, 401(k) plans and investments.

Michael Pakko, the chief economist for the Institute of Economic Advancement at the University of Arkansas at Little Rock said that Arkansas has experienced three phases of the recession that started in December 2007.

Few job losses occurred between December 2007 and September 2008 during the first phase. Then after the financial crisis in September 2008, the state lost 27,000 jobs between October 2008 and March, he said. Since March, the state has seen the job market stabilize, with the growth of 600 new jobs.

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The labor markets in Jonesboro and Hot Springs now have more jobs than at the beginning of the recession, he said.

Overall the state is "poised to emerge from the recession and see job growth across the state," he said.

Alan McVey, the director of the Delta Center for Economic Development at Arkansas State University in Jonesboro said that although Arkansas lags behind the rest of the country, the state's universities and colleges are seeing increases in enrollment. He said this will have a positive impact on the state's work force.

"A quality work force is the key to economic success in the future," McVey said.

A survey taken in seven different regions showed that respondents in each area, except for Pine Bluff, said they thought the local economy was doing better than the national economy. Fayetteville ranked the highest, followed by Little Rock and Jonesboro - which tied for second - Fort Smith, Magnolia and Monticello - which also tied, according to the report.

Local responses

Springdale Mayor Doug Sprouse said after the presentation that he's heard some "promising things" about possibilities for the city that lead him to believe that the economy maybe turning around.

"We're hearing more and more that coincides with the idea that the recession is over," Sprouse said. "It's going to be awhile before we feel like it's over."

A regional water utility official agrees that the national outlook seems to be on the mend and that Northwest Arkansas is in better shape than therest of the nation, but he said he does not expect a quick turnaround.

"As was discussed, job growth tends to lag significantly when we climb out of a recession, so for many people who are jobless, the pronouncement of the recession being over will seem somewhat hollow," said Larry Lloyd, chief operating officer for the Beaver Water District. "From my perspective, it appears that we have at a minimum turned the corner on a national level."

A Fayetteville banking executive said that he's positive because he's hearing more good news than bad from customers. While he believes the economy is on the mend, he also said that the recovery may take awhile.

Payne Brewer, executive vice president and loan manager at Arvest Bank in Fayetteville, has noticed "good news gradually outpacing the bad news for our local and national economy."

"While technically the economy meets the criteria for the end of recession, recovery is still a tough process. There are no quick cures for an ailing economy. This time is no different, and it may be more true today than in the past," Brewer said.

Cory Scott, the chief operating officer for Data Scout Pro, said he's encouraged that home saleshave increased for six straight months. He's seen clients and colleagues take a "hunker down approach to spending over the past few months" but said, "It feels that spending and confidence among these groups are slightly increasing."

Governor: State's image improving

Speaking from Little Rock, Gov. Mike Beebe welcomed participants, saying that Arkansas has come a long way to improving its image over the years. He praised the accomplishments of important, successful companies, such as Wal-Mart Stores Inc., Tyson Foods Inc., J.B. Hunt Transport Ser vices Inc., Acxiom Corp. and others for helping change attitudes about the state.

"The days of Arkansas being looked upon with a negative image are fast becoming a thing of the past," Beebe said. "We are now players."

He said that while it's important to attract new businesses and industries to the states, it's also important not to forget the importance of the many successful businesses already in the state.

"What we can't do is forget the ones who are here in our quest to find a new girlfriend,"

he said about business development efforts.

He said that many people who have moved to this state for business reasons have stayed because they love it here.

"Once they come, they don't leave," Beebe said. "The state is full of that. We have something to be proud of." Pitch for highways

After the presentations, business leaders at each session were asked to discuss their region's economy and to discuss and prioritize their local needs.

Arkansas State Highway Commissioner Dick Trammel seized the opportunity to encourage participants to select highways and transportation as a top priority.

"This state's in need of infrastructure," Trammel said.

He encouraged leaders to contact former state Sen. David Malone, Madison County Judge Wes Fowler and other members of the Arkansas Blue Ribbon Committee of Highway Finance and encourage them to find more funding sources for transportation.

"We have to do something," Trammel said. "I'm a cheerleader for better roads for my children and grandchildren."

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