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State of the Northwest Arkansas Region 2019 Report

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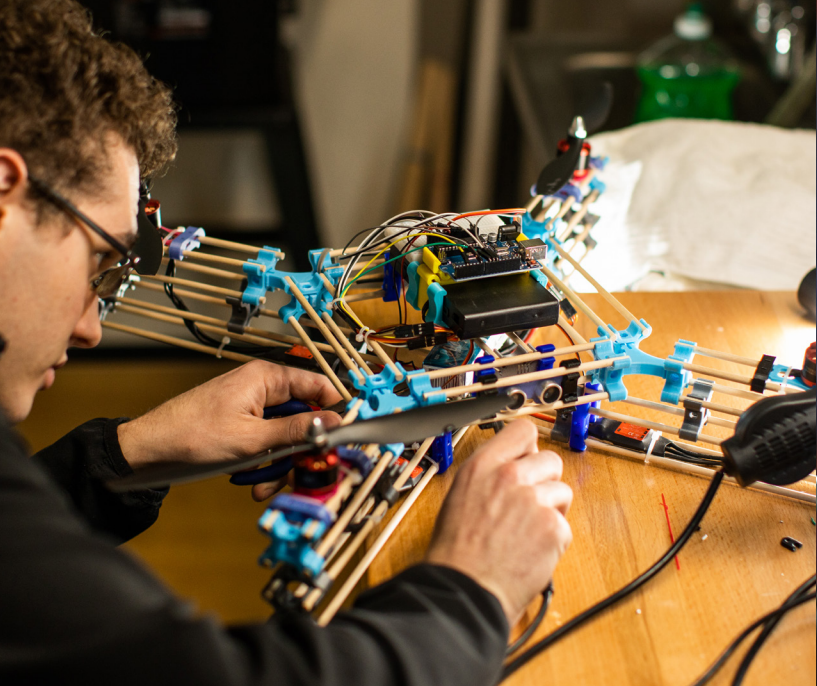


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2019 Report State of the Northwest Arkansas Region

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 economic performance. In July 2018, the Northwest Arkansas Council created a new blueprint for development that outlines the peer regions and a strategic action agenda for 2018-2021. In this plan, the performance of Northwest Arkansas is benchmarked with other contemporary, high-performing regions, namely Austin, Des Moines, Madison, Durham-Chapel Hill, Raleigh and Provo-Orem. The 2019 State of the Region Report compares Northwest Arkansas with these geographies in the areas of gross domestic product, employment, unemployment, establishment growth, median household income, average annual wages, poverty, educational attainment, research and development, homeownership costs, commuting time, and average domestic airfares. The table below provides a summary of the performance of the Northwest Arkansas region on these measures. Important indicators such as gross domestic product, business establishment growth, average annual wages, and university R&D expenditures showed strong increases from the previous year, while improvements in metrics such as poverty rate and higher education attainment were more limited.

Northwest Arkansas Economic Indicators				
Indicator	Most Recent Annual Data	Previous Year	Percent Change from Previous Year	
Population Estimate, July 2018	549,128	538,412	2.0%	▲
Real GDP (millions of chained 2009 dollars), 2017	\$25,341	\$24,507	3.4%	▲
Average Annual Unemployment Rate, 2018	2.8%	2.8%	0.0%	◀▶
Total Nonfarm Employment, 2018	258,100	252,600	2.2%	▲
Median Household Income, 2018	\$57,911	\$56,038	3.3%	▲
Average Annual Wages, 2018	\$46,470	\$45,830	1.4%	▲
Business Establishments, 2018	13,412	13,033	2.9%	▲
Percent of Adult Population with a Bachelor's Degree or Higher, 2018	31.6%	31.8%	-0.2%	▼
Poverty Rate, 2018	12.5%	12.1%	0.4%	▲
R&D Expenditures (in thousands), 2017	\$157,791	\$145,020	8.8%	▲
Average Annual Domestic Airfare, 2018	\$536	\$538	-0.3%	▼



Peer Region Overview

Des Moines-West Des Moines MSA

Iowa

2018 Population: 655,409

2017 Population: 645,100

Growth 2017-2018: 1.6%

MSA Growth Rank: 59/383

Madison MSA

Wisconsin

2018 Population: 660,422

2017 Population: 654,577

Growth 2017-2018: 0.9%

MSA Growth Rank: 128/383

Durham-Chapel Hill MSA

North Carolina

2018 Population: 575,412

2017 Population: 566,491

Growth 2017-2018: 1.6%

MSA Growth Rank: 62/383

Fayetteville-Springdale-Rogers MSA

Arkansas-Missouri

2018 Population: 549,128

2017 Population: 538,412

Growth 2017-2018: 2.0%

MSA Growth Rank: 27/383

Provo-Orem MSA

Utah

2018 Population: 633,768

2017 Population: 617,751

Growth 2017-2018: 2.6%

MSA Growth Rank: 10/383

Austin-Round Rock MSA

Texas

2018 Population: 2,168,316

2017 Population: 2,115,230

Growth 2017-2018: 2.5%

MSA Growth Rank: 13/383

Raleigh MSA

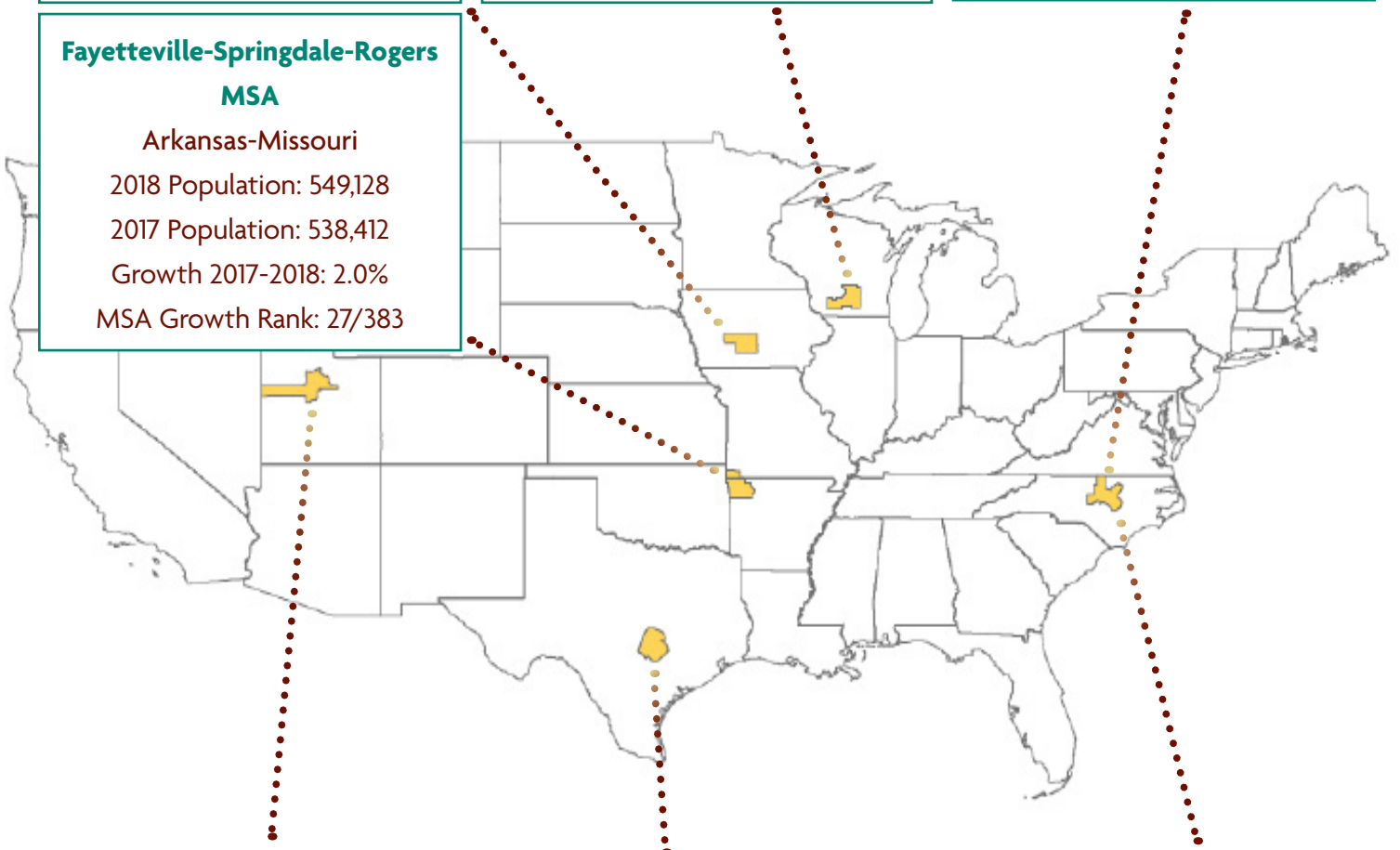
North Carolina

2018 Population: 1,362,540

2017 Population: 1,334,342

Growth 2017-2018: 2.1%

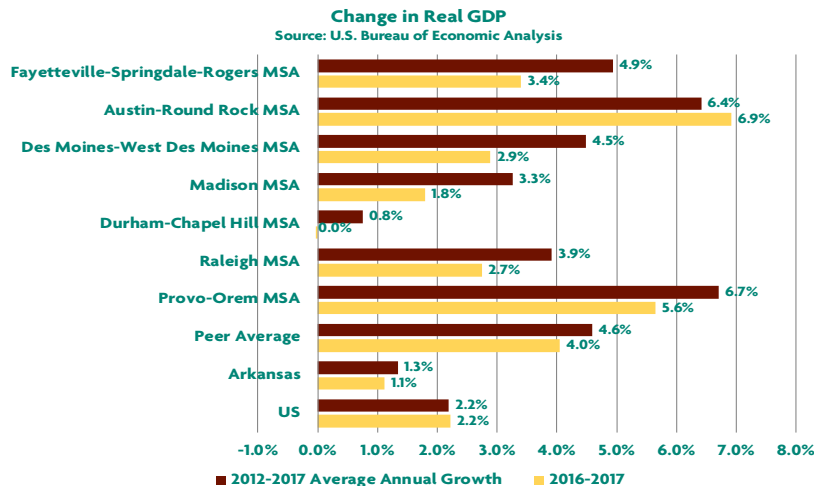
MSA Growth Rank: 22/383



Peer Region Comparisons

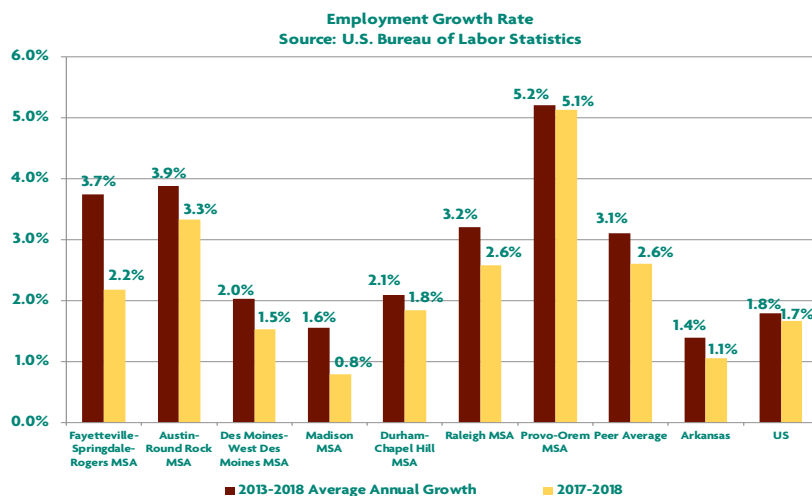
Metropolitan GDP

Real metropolitan gross domestic product (GDP) in the Northwest Arkansas region increased by 3.4 percent between 2016 and 2017, bringing the GDP to \$25.3 billion. The region's five-year average annual growth rate from 2012 to 2017 was 4.9 percent, slightly higher than the average annual growth rate for peer regions but was more than double that of the nation, and four times higher than the average growth rate in the state of Arkansas. The federal government shutdown delayed the release of 2018 data.



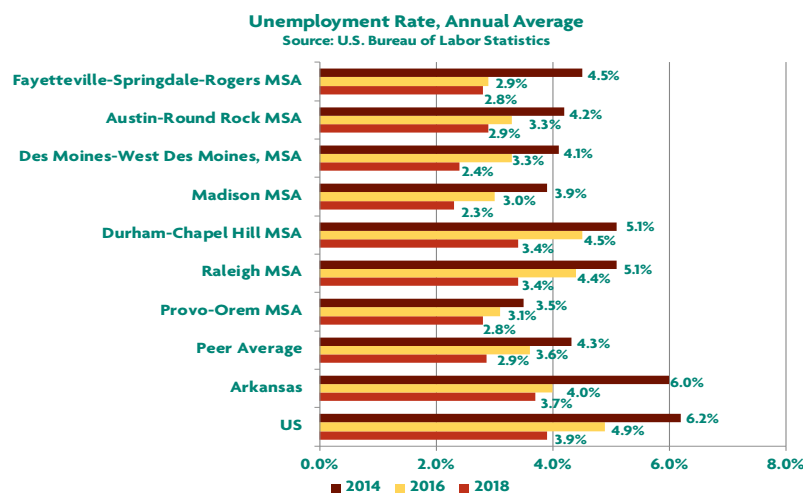
Employment

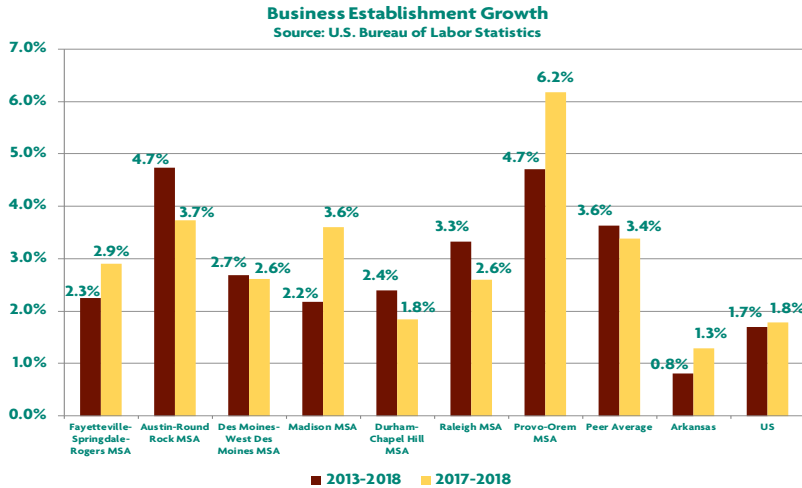
From 2013 to 2018, Northwest Arkansas' employment grew at an average annual rate of 3.7 percent. Northwest Arkansas' annual rate of employment growth during this time period was greater than all but two peer regions, Austin-Round Rock MSA and Provo-Orem MSA. Employment in Northwest Arkansas increased 2.2 percent from 252,600 in 2017 to 258,100 in 2018, a pace that was faster than that of Arkansas and of the United States. The 2018 growth rate was the slowest experienced by Northwest Arkansas since 2011.



Unemployment

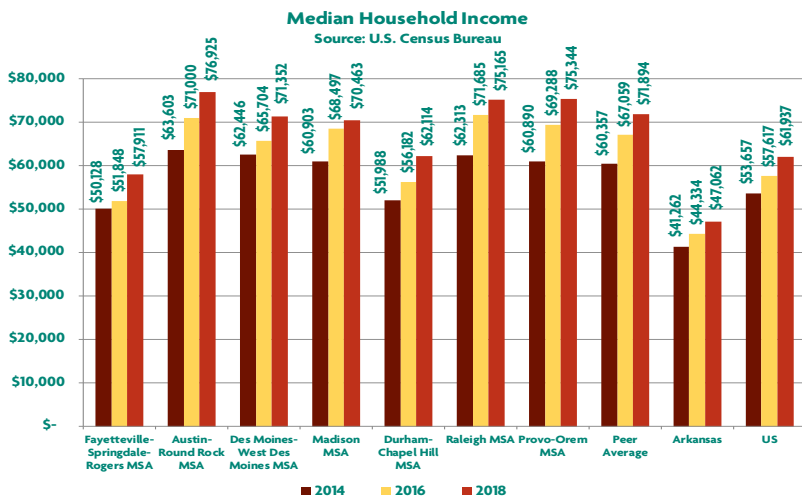
The unemployment rate for Northwest Arkansas in 2018 was 2.8 percent, unchanged from 2017. The 2018 unemployment rate in Northwest Arkansas was the third lowest in all the peer regions, the state, and the nation. The lowest was the Madison region with 2.3 percent, followed by the Des Moines-West Des Moines region with 2.4 percent. Since 2014, the unemployment rate declined 1.7 percentage points in Northwest Arkansas, which was the second largest decline in the unemployment rate among peer regions, but was smaller than the declines in Arkansas and the nation.





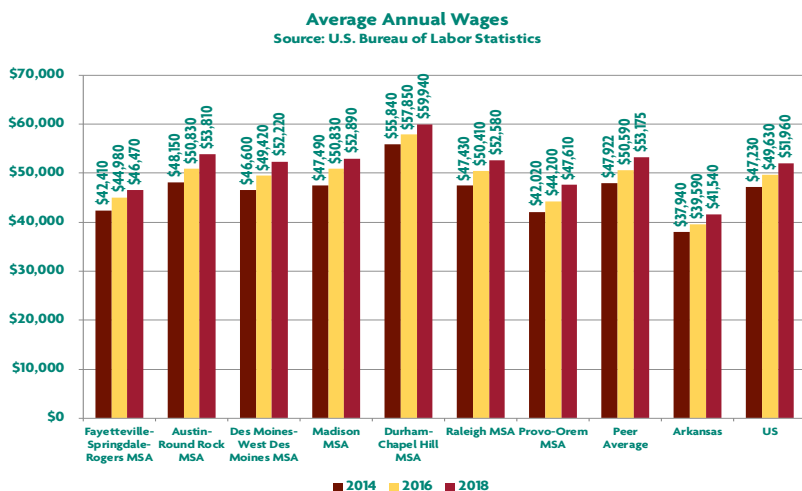
Business Establishment Growth

Northwest Arkansas business establishment growth from 2017 to 2018 was 2.9 percent, higher than both the state and the nation, but slightly slower than the average growth rate in peer regions. The five-year change in the number of establishments from 11,998 in 2013 to 13,412 in 2018 represents an annual increase of 2.3 percent, which was the second slowest growth rate among peer regions. However, it was higher than the growth rate in Arkansas and the nation.



Median Household Income

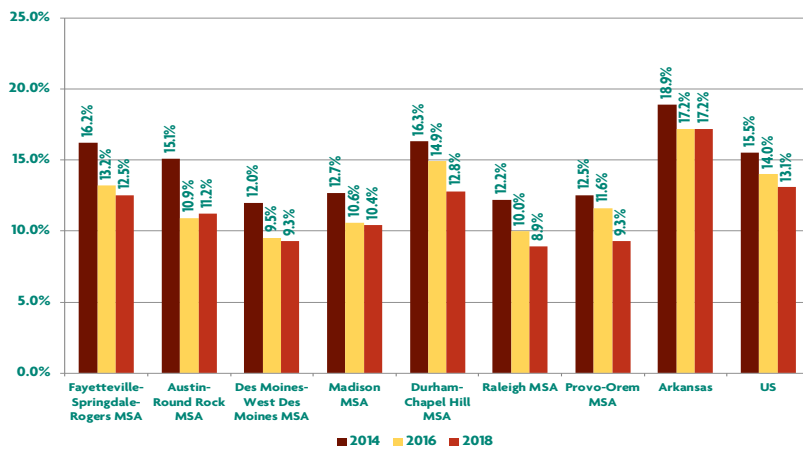
The median household income for Northwest Arkansas grew 3.3 percent to \$57,911 from 2017 to 2018. The region's median household income was 80.6 percent of the peer region median income and 93.5 percent of the national median household income. The median household incomes in Austin-Round Rock MSA and Provo-Orem MSA were the highest among the peer regions, and were 32.8 and 30.1 percent higher than Northwest Arkansas, respectively. From 2014 to 2018, Northwest Arkansas' average annual rate of change was 3.7 percent, which was below the average growth rate in the peer regions.



Annual Wages

In spite of having a low unemployment rate, the average annual wage in Northwest Arkansas was the lowest among peer regions at \$46,470 in 2018. Annual wages increased 1.4 percent in 2018, although the region's growth rate was 1.2 percentage points less than the peer region's average. From 2014 to 2018, wage growth averaged 2.3 percent per year in Northwest Arkansas, which was the second lowest rate among peer regions. Annual wage growth was strongest in the Provo-Orem region between 2014 and 2018 at 3.2 percent.

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

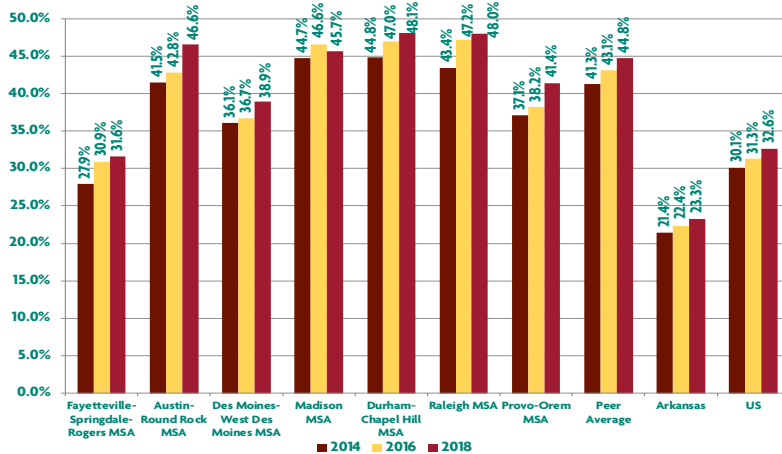


Poverty

In 2018, the poverty rate for Northwest Arkansas was 12.5 percent, a 0.4 percent increase from 2017. Only the Durham-Chapel Hill region had a higher poverty rate at 12.8 percent. The large proportion of college students in these regions drives the higher poverty rates. Since 2014, the poverty rate in Northwest Arkansas fell 3.7 percentage points which was the second largest decline among peer regions, after the Austin-Round Rock MSA. The 2018 poverty rate in Northwest Arkansas was significantly lower than the 17.2 percent poverty rate for the state of Arkansas.

Bachelor's Degree or Higher in Adult Population

Source: U.S. Census Bureau

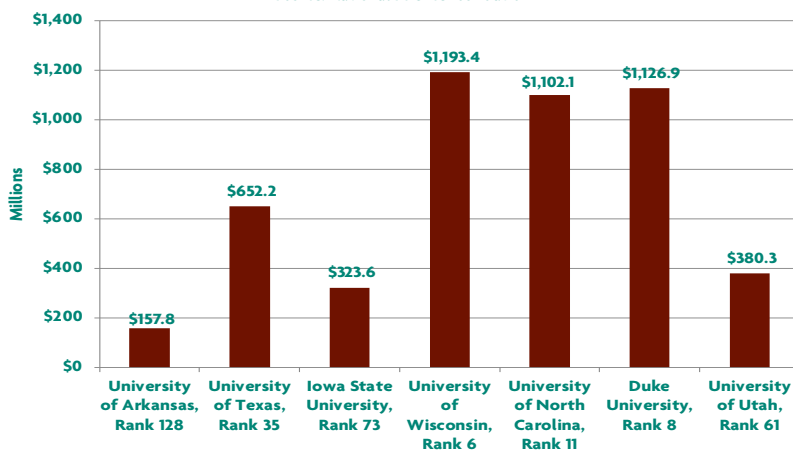


Educational Attainment

The percent of adults 25 years or older with a bachelor's degree or higher in Northwest Arkansas decreased by 0.2 percent to 31.6 percent between 2017 and 2018. On average, 44.8 percent of adults 25 years or older had a bachelor's degree or higher in peer regions. Over the years, Northwest Arkansas has been gradually catching up to the national higher education attainment level (32.6 percent in 2018). Since 2014, higher education attainment grew 3.7 percentage points in Northwest Arkansas, more rapidly than the 3.5 percent average change among peer regions.

R&D Expenditures 2017

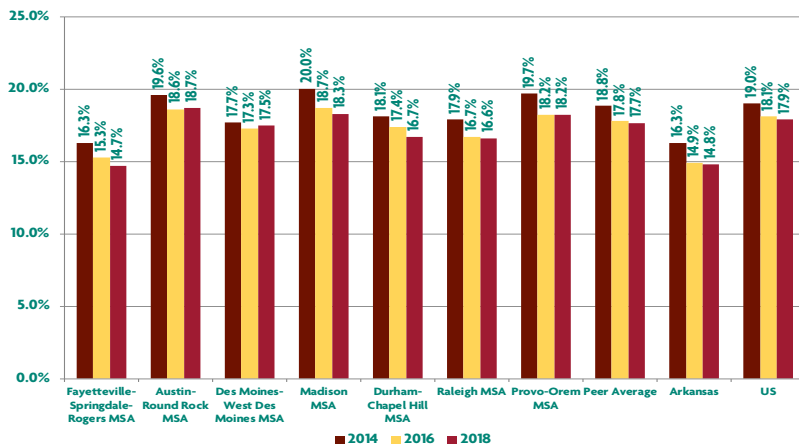
Source: National Science Foundation



Academic Research and Development

The University of Arkansas had almost \$158 million in research and development expenditures in 2017, up 8.8 percent from 2016. The additional funds improved the University of Arkansas' ranking from No. 130 in 2016 to No. 128 in 2017 among all universities in the United States. Northwest Arkansas' peer regions include some of the nation's top universities for academic research and development spending, as is evidenced by their high rankings. In addition, the University of Arkansas, in 2018, received 43 invention disclosures (down from 54 in 2017), filed 27 new patent applications (up from 8 in 2017), and saw 18 patents issued (up from 13 in 2017).

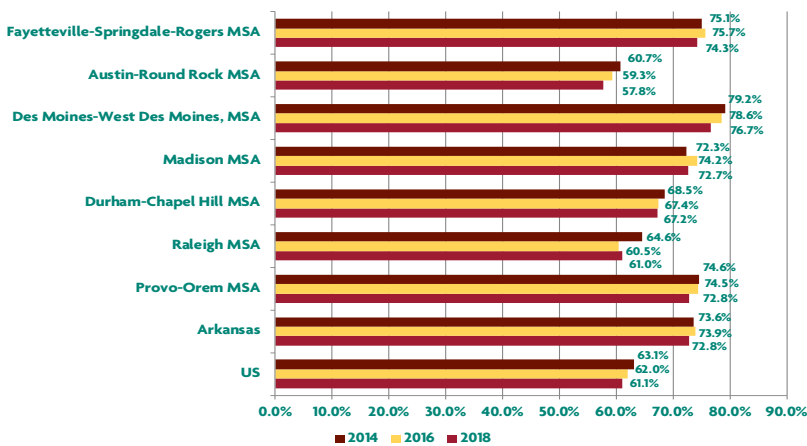
Median Cost of Homeownership as Percent of Income
Source: U.S. Census Bureau



Cost of Homeownership

The cost of homeownership as a percentage of monthly household income for Northwest Arkansas continued to be lower than all the peer regions and the nation. In 2018, the median homeownership costs averaged 14.7 percent of household income, down 0.5 percentage points from the previous year. Since 2014, median homeownership cost as a percent of household income in Northwest Arkansas has dropped 1.6 percent as a result of improvement in the region's household incomes.

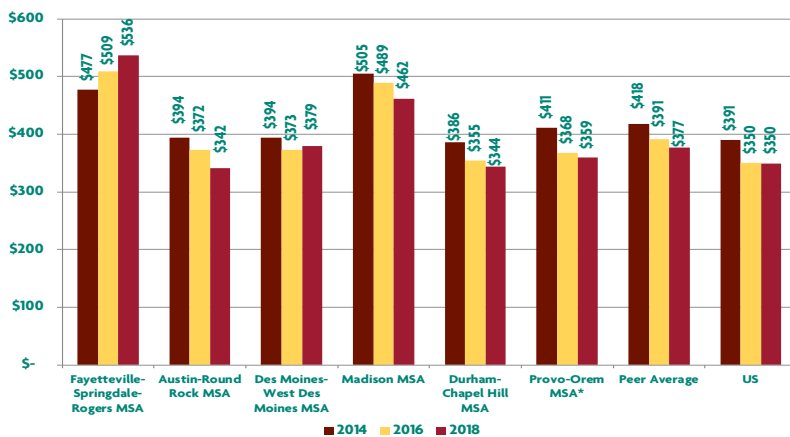
Commuting: Percent of Workers Traveling Fewer than 30 Minutes
Source: U.S. Census Bureau



Commuting

In 2018, 74.3 percent of Northwest Arkansas workers spent fewer than 30 minutes commuting to work, up from 73.9 percent in 2017. Only the Des Moines-West Des Moines region had a higher percent of workers who spent fewer than 30 minutes commuting to work in 2018. The percent of workers in Northwest Arkansas who used alternative modes of transportation to get to work, including biking, walking, and public transit, increased by 0.1 percent from 2017 to 2.3 percent in 2018. Most peer regions had significantly more workers who used alternative modes of transport.

Average Annual Domestic Airfare
Source: U.S. Bureau of Transportation Statistics



Average Annual Domestic Airfare

Flights from the Northwest Arkansas Regional Airport had an average annual domestic fare of \$536 in 2018, marginally lower than \$538 in the previous year. The airport continued to have the highest average fare among peer regions. The average fares in Northwest Arkansas were 42.2 percent higher than the peer region average and were 53.4 percent higher than the national average. From 2014 to 2018, average fares in Northwest Arkansas increased by 12.5 percent. *Salt Lake City airport was used as the fare comparison for the Provo-Orem MSA.



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, U.S. Census Bureau, and U.S. Bureau of Transportation Statistics.

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For questions about this report, contact:

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