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State of the Northwest Arkansas Region 2016 Report

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NORTHWEST
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2016 State of the Northwest Arkansas Region Report



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UNIVERSITY OF
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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. In January 2015, the Northwest Arkansas Council created a new blueprint for development that outlines the peer regions and a strategic action agenda for 2015-2017. In the three-year plan, the performance of Northwest Arkansas is benchmarked with other contemporary, high-performing regions namely Austin, Des Moines, Madison, Durham-Chapel Hill and Raleigh. The 2016 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, and commuting time. Average airfares for these regions were added to the report, as Northwest Arkansas businesses and residents routinely face high costs for air travel. 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, and educational attainment showed strong increases from the previous year, while improvements in metrics such as median household income and R&D expenditures were more limited.

Northwest Arkansas Economic Indicators				
Indicator	Most Recent Annual Data	Previous Year	Percent Change from Previous Year	
Population Estimate, July 2015	513,559	502,064	2.3%	▲
Real GDP (millions of chained 2009 dollars), 2015	\$23,784	\$22,790	4.4%	▲
Average Annual Unemployment Rate, 2015	3.8%	4.6%	-0.8%	▼
Total Nonfarm Employment, 2015	235,300	224,300	4.9%	▲
Median Household Income, 2015	\$50,788	\$50,128	1.3%	▲
Average Annual Wages, 2015	\$43,570	\$42,410	2.7%	▲
Business Establishments, 2015	12,325	11,989	2.8%	▲
Percent of Adult Population with a Bachelor's Degree or Higher, 2015	30.8%	27.8%	2.9%	▲
Poverty Rate, 2015	14.3%	16.2%	-1.9%	▼
R&D Expenditures (in thousands), 2014	\$125,824	\$125,501	0.3%	▲
Average Annual Airfare, 2015	\$509	\$477	6.8%	▲



Peer Region Overview

Des Moines-West Des Moines MSA

Iowa

2015 Population: 622,889

2014 Population: 612,156

Growth 2014-2015: 2.3%

MSA Growth Rank: 24/381

Madison MSA

Wisconsin

2015 Population: 641,385

2014 Population: 634,364

Growth 2014-2015: 1.1%

MSA Growth Rank: 118/381

Durham-Chapel Hill MSA

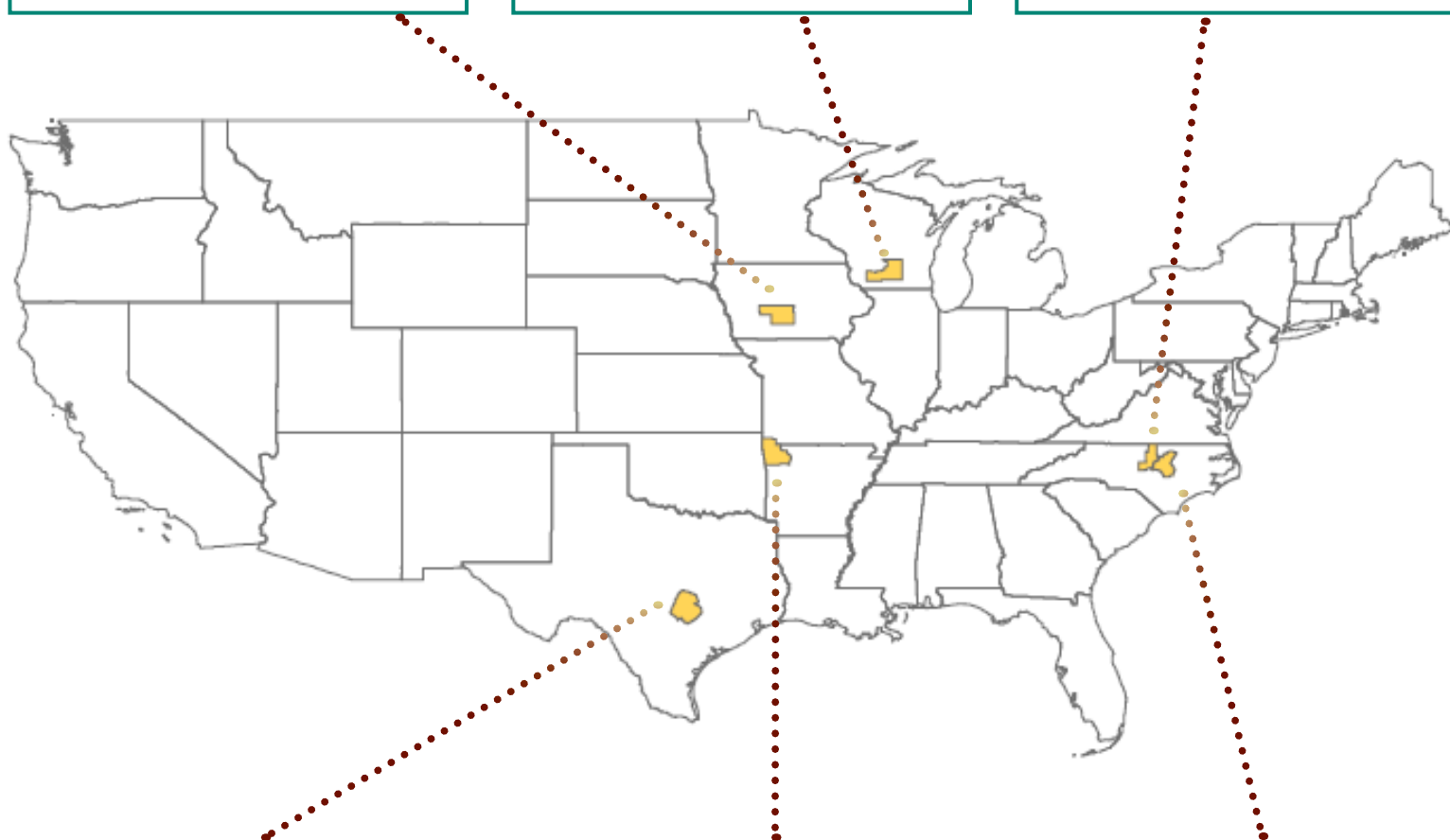
North Carolina

2015 Population: 552,493

2014 Population: 543,217

Growth 2014-2015: 1.7%

MSA Growth Rank: 51/381



Austin-Round Rock MSA

Texas

2015 Population: 2,000,860

2014 Population: 1,943,465

Growth 2014-2015: 3.0%

MSA Growth Rank: 7/381

Fayetteville-Springdale-Rogers MSA

Arkansas-Missouri

2015 Population: 513,559

2014 Population: 502,064

Growth 2014-2015: 2.3%

MSA Growth Rank: 24/381

Raleigh MSA

North Carolina

2015 Population: 1,273,568

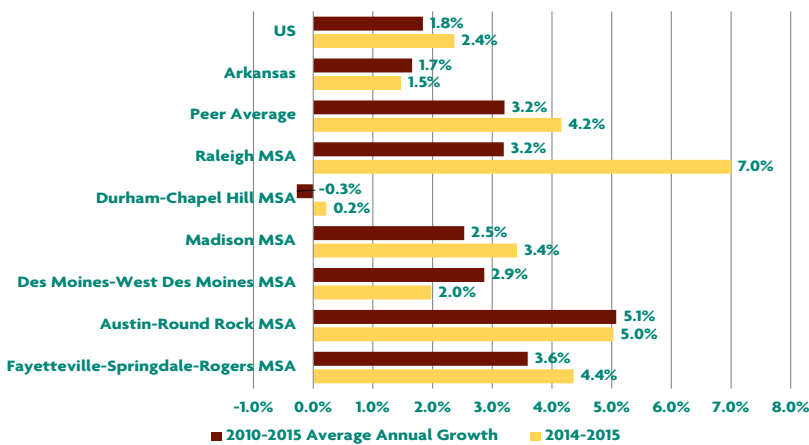
2014 Population: 1,243,035

Growth 2014-2015: 2.5%

MSA Growth Rank: 16/381

Peer Region Comparisons

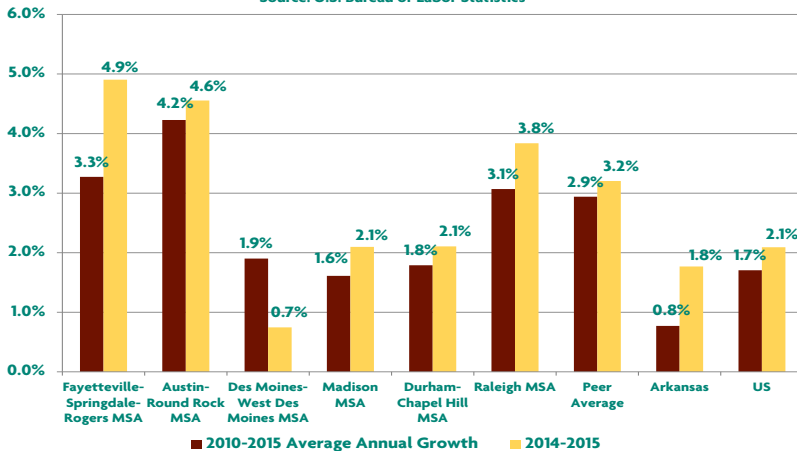
Change in Real GDP
Source: U.S. Bureau of Economic Analysis



Metropolitan GDP

From 2010 to 2015, real metropolitan gross domestic product (GDP) in the Northwest Arkansas region grew at an average annual pace of 3.6 percent. The region's average annual growth rate over that five-year period was slower than the Austin-Round Rock region, but significantly faster than the peer average growth rate of 3.2 percent. The most recent annual growth rate of the region's economic output was also strong, increasing by 4.4 percent, which was slightly faster than the peer region average, but significantly faster than the growth of the state and the nation.

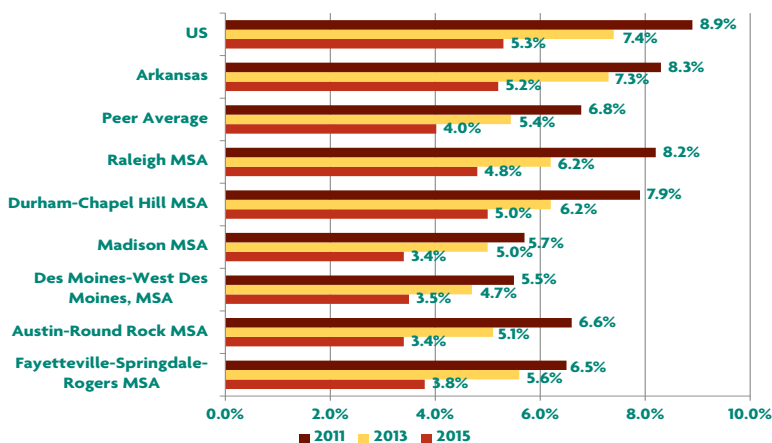
Employment Growth Rate
Source: U.S. Bureau of Labor Statistics



Employment

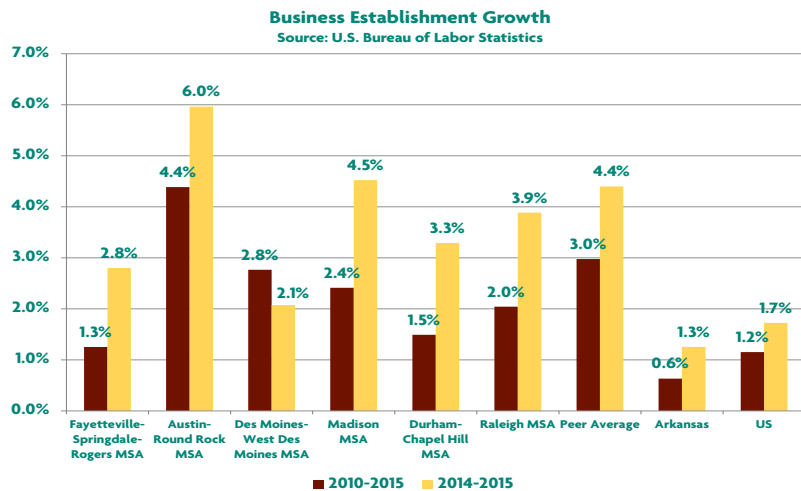
During the period from 2010 to 2015, employment in Northwest Arkansas grew at an average annual rate of 3.3 percent, slower than the Austin-Round Rock region, but faster than the other peer regions, the state of Arkansas, and the nation as a whole. Between 2014 and 2015, employment in Northwest Arkansas grew by 4.9 percent--faster than all the peer regions, the state, and the nation. Employment in Northwest Arkansas stood at 235,300 in 2015.

Unemployment Rate, Annual Average
Source: U.S. Bureau of Labor Statistics



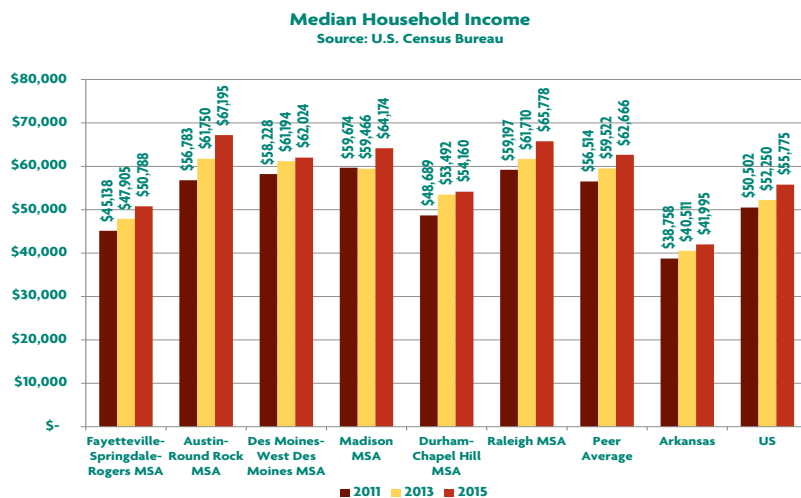
Unemployment

In 2015, the average annual unemployment rate in the Northwest Arkansas region was in the middle of the pack when compared to its peer regions. However, at 3.8 percent, the measure continued to outperform compared to the state unemployment rate of 5.2 percent and the national unemployment rate of 5.3 percent. The unemployment rate in 2015 dropped 0.8 percentage points from the rate in 2014 and was 2.7 percentage points lower than the unemployment rate in 2011. Only the Des Moines-West Des Moines and Madison regions had smaller changes in the unemployment rate than Northwest Arkansas since 2011, in large part because the unemployment rate in these two areas did not spike as high during the Great Recession.



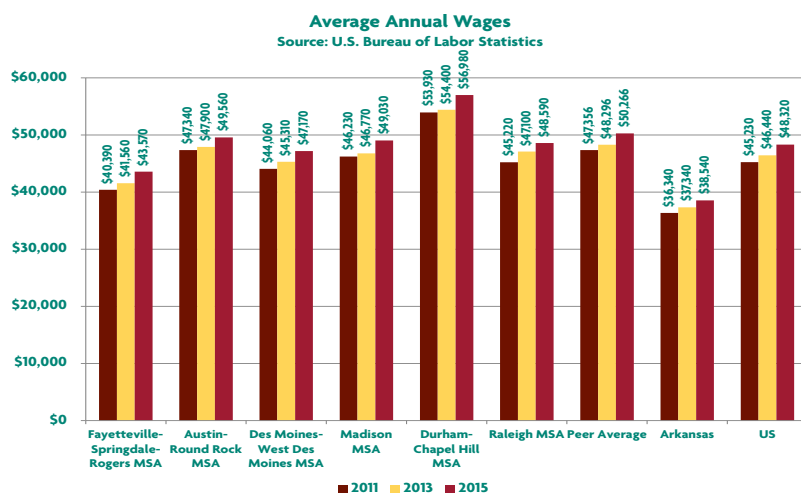
Business Establishment Growth

From 2010 to 2015, the number of business establishments in Northwest Arkansas increased at an average annual rate of 1.3 percent to a total of 12,325. This growth rate was the slowest among the peer regions, and slower than the nation as a whole, but faster than the growth rate for Arkansas state business establishments. The number of business establishments in Northwest Arkansas grew by 2.8 percent between 2014 and 2015, while the number of establishments in peer regions grew by an average of 4.4 percent.



Median Household Income

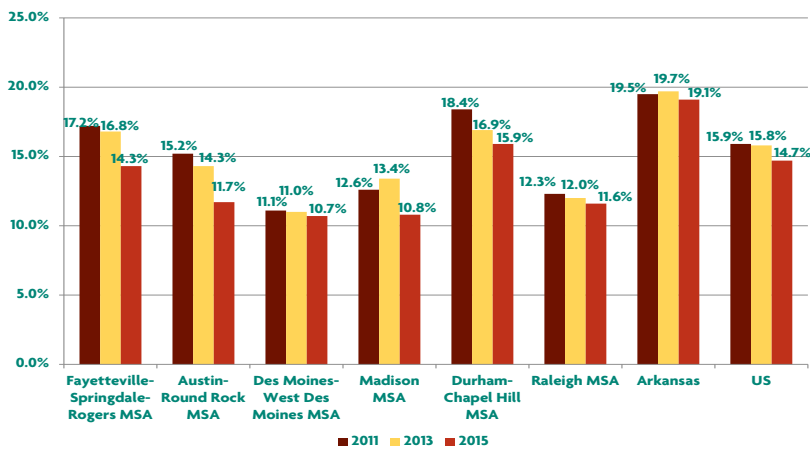
Median household income in Northwest Arkansas was higher than the median income in Arkansas, but below that of the peer regions and the nation as a whole. In 2015, the peer regions had a median household income that was 23.4 percent higher than Northwest Arkansas. Between 2011 and 2015, the Northwest Arkansas region's median household income grew by 3.0 percent, a rate that outstripped the growth in all but one of the peer regions, the state, and the nation. In 2015, median household income in Northwest Arkansas stood at \$50,788, which was 1.3 percent higher than the previous year.



Annual Wages

Like median household 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 15.4 percent lower than the peer region average in 2015. In Northwest Arkansas, average annual wages grew by 1.9 percent between 2011 and 2015, a rate that was faster than the growth rate in any of the peer regions, the state, or the nation. In 2015, the average annual wage in Northwest Arkansas was \$43,570, which was 2.7 percent higher than the average wage in the previous year.

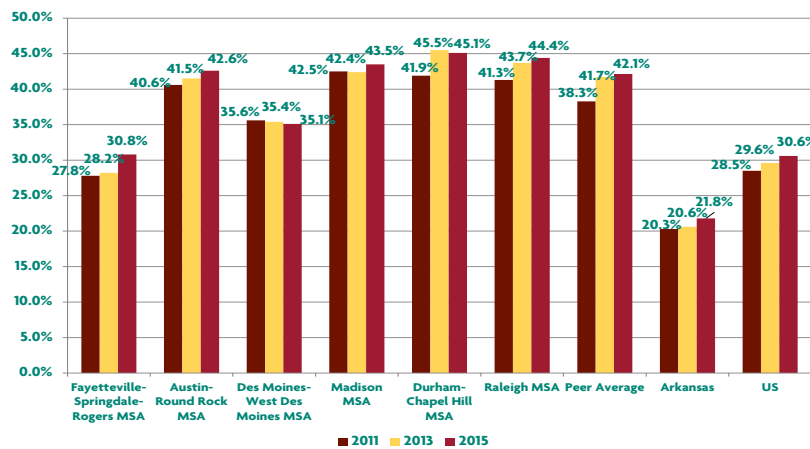
Poverty Rates: All Ages
Source: U.S. Census Bureau



Poverty

The poverty rate in Northwest Arkansas was 14.3 percent in 2015. This rate decreased 1.9 percentage points from 2014. Still, in 2015, the Northwest Arkansas poverty rate was the second highest among peer regions. Between 2011 and 2015, the Northwest Arkansas poverty rate decreased by 2.9 percentage points, which was the second largest decline when compared to the peer regions, the state, and the nation. The 2015 poverty rate in Northwest Arkansas was lower than the rate for the state of Arkansas, which was 19.1 percent, and was lower than the national poverty rate of 14.7 percent.

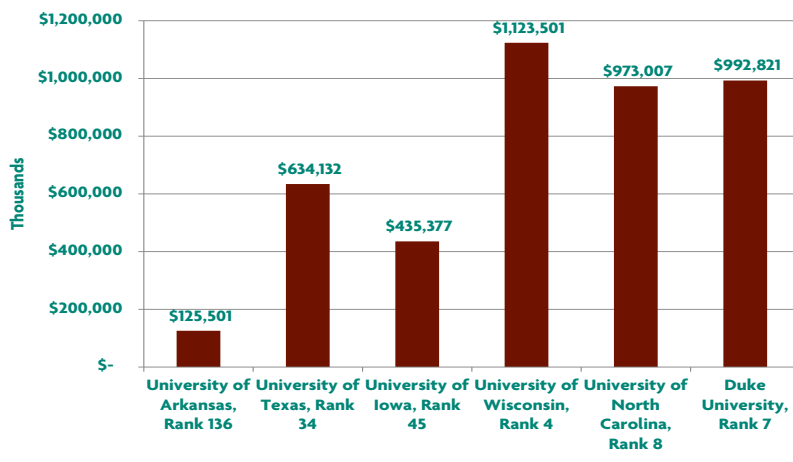
Bachelor's Degree or Higher in Adult Population
Source: U.S. Census Bureau



Educational Attainment

In Northwest Arkansas, 30.8 percent of adults over the age of 25 had attained a bachelor's degree or higher as of 2015, ranking the region last in educational attainment among peer regions, but ahead of the state of Arkansas and the nation. On average, 42.1 percent of the adult population of the peer regions had at least a bachelor's degree. Between 2011 and 2015, the proportion of adults aged 25 or over in Northwest Arkansas with a bachelor's degree or higher grew by 3.0 percentage points, which was in the middle of the pack when compared to the growth in educational attainment in peer regions, but a bigger increase than in the nation and the state.

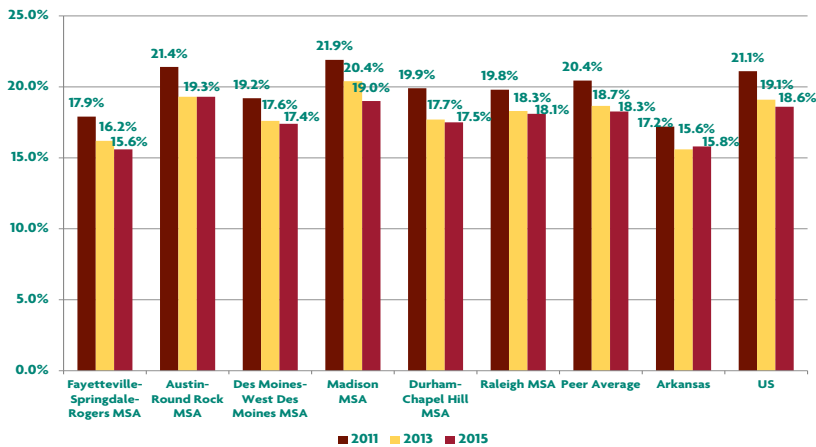
R&D Expenditures 2014
Source: National Science Foundation



Academic Research and Development

More than \$125.8 million of research and development expenditures were made by the University of Arkansas in 2014, up 0.3 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 2015, the University of Arkansas received 20 invention disclosures, filed 28 new patent applications, and received 10 patent issues. In 2014, the University received 24 disclosures of intellectual property, filed 27 new patent applications, and received six patent issues.

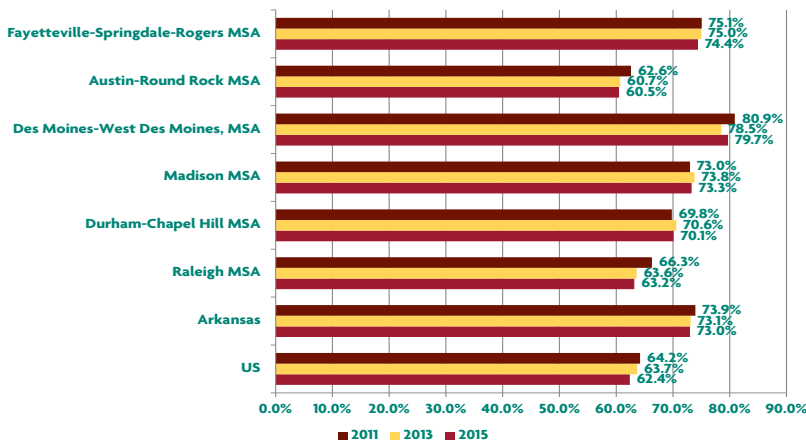
Median Cost of Homeownership as Percent of Income
Source: U.S. Census Bureau



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 17.9 percent of household income in Northwest Arkansas in 2011, decreasing to 16.2 percent in 2013, and dropping again to 15.6 percent in 2015. Homeownership costs in Northwest Arkansas were the lowest among all the peer regions, making the region the most attractive from an affordability perspective.

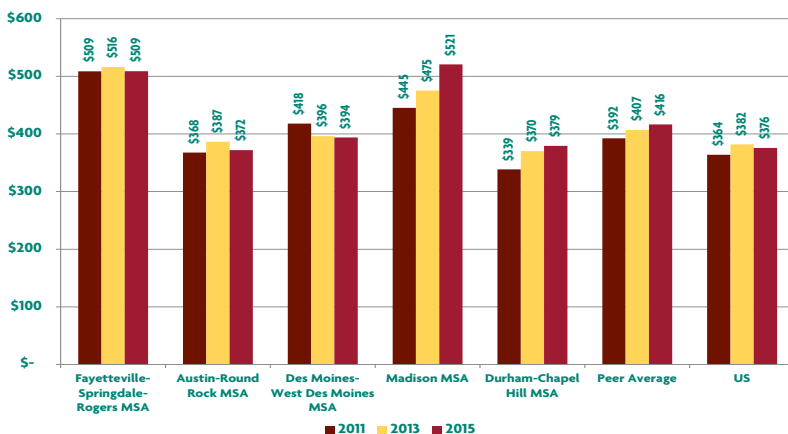
Commuting: Percent of Workers Traveling Fewer than 30 Minutes
Source: U.S. Census Bureau



Commuting

In 2015, 74.4 percent of Northwest Arkansas workers spent fewer than 30 minutes commuting to work. Among peer regions, this was the second-shortest average commute time after the Des Moines-West Des Moines region. Meanwhile, 2.3 percent of Northwest Arkansas workers used alternative modes of transportation to get to work, including biking, walking, and mass transit in 2015. This metric was down from 2.5 percent of the region's workers in 2014.

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



Average Annual Airfare

The average annual airfare for flights from Northwest Arkansas Regional Airport was consistently among the highest rates when compared to those in the peer regions and the national average. In 2015, the average airfare from Northwest Arkansas was \$509, second only to the Madison region. Compared to the peer regions, the average airfare from Northwest Arkansas was 22.2 percent higher in 2015, and was 35.5 percent higher than the national average airfare. From 2014 to 2015, average airfares in Northwest Arkansas increased 6.8 percent, back to a level seen in 2011 and 2013.



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 the U.S. Bureau of Transportation Statistics.

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