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Northwest Arkansas State of the Region Report 2021

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nwa
Northwest Arkansas

**STATE OF THE
REGION REPORT
— 2021 —**

NORTHWEST ARKANSAS
COUNCIL

 **UNIVERSITY OF
ARKANSAS** | Sam M. Walton College of Business
Center for Business & Economic Research

STATE OF THE REGION REPORT 2021

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 2018, the Northwest Arkansas Council created a strategic action agenda for 2018-2021. In this plan, the performance of Northwest Arkansas is benchmarked with other contemporary, high-performing regions: Austin, Des Moines, Madison, Durham-Chapel Hill, Raleigh and Provo-Orem. The 2021 State of the Region Report compares Northwest Arkansas with these regions in the areas of gross domestic product, employment, unemployment, establishment growth, average annual wages, research and development, and average domestic airfares. The 2020 Census was impacted by the COVID-19 pandemic and, as a result, updated data for the following indicators is not available: median household income, poverty, educational attainment, homeownership costs and commuting time.

The table on the next page is 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 the COVID-19 pandemic impacted metrics such as employment and unemployment. Additionally, this report includes data about population growth and housing production, two important factors that help explain why housing prices in the region are on the rise.



Northwest Arkansas Economic Indicators

Indicator	Most Recent Annual Data	Previous Year	% Change from Previous Year	
Population Estimate, July 2020	548,634	535,746	2.4%	▲
Real GDP (millions of chained 2012 dollars), 2019	\$23,863	\$23,727	0.6%	▲
Average Annual Unemployment Rate, 2020	4.5%	2.6%	1.9%	▲
Total Nonfarm Employment, 2020	261,700	264,600	-1.1%	▼
Average Annual Wages, 2020	\$50,470	\$47,600	6.0%	▲
Business Establishments, 2020	14,129	13,741	2.8%	▲
R&D Expenditures (in thousands), 2019	\$180,225	\$175,498	2.7%	▲
Average Domestic Airfare, 2020	\$374	\$485	-22.9%	▼

Peer Region Overview

Indicator	Fayetteville-Springdale-Rogers-MSA	Austin-Round Rock-Georgetown MSA	Des Moines-West Des Moines MSA	Madison MSA	Durham-Chapel Hill MSA	Raleigh-Cary MSA	Provo-Orem MSA
Population Growth, 2019-2020	2.4%	3.0%	1.1%	0.7%	1.1%	2.0%	2.4%
Real GDP Growth, 2018-2019	0.6%	3.1%	0.7%	2.6%	4.6%	3.0%	5.8%
Annual Unemployment Rates, 2020	4.5%	6.2%	5.5%	4.9%	6.1%	6.4%	3.7%
Nonfarm Employment Growth, 2020	-1.1%	-2.9%	-4.6%	-5.5%	-4.0%	-3.4%	0.0%
Average Annual Wages, 2020	\$50,470	\$57,830	\$55,660	\$57,680	\$64,430	\$56,720	\$49,980
Business Establishment Growth, 2020	2.8%	4.7%	2.1%	2.2%	6.1%	7.2%	5.0%
R&D Expenditures (millions), 2019	\$180.2	\$696.1	\$358.5	\$1,297.3	\$1,153.8	\$1,226.5	\$601.1
Average Domestic Airfare, 2020	\$374	\$286	\$303	\$360	\$289	\$289	\$330

The colors represent how the Fayetteville-Springdale-Rogers MSA compares to peer regions.

Ranking Scale:

1 st	2 nd	3 rd	4 th	5 th	6 th	7 th
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METROPOLITAN GDP

The Northwest Arkansas GDP grew by \$136 million in 2019 and has grown by over \$3.4 billion since 2014.

Real metropolitan gross domestic product (GDP) in the Northwest Arkansas region increased by 0.6% between 2018 and 2019, bringing GDP to nearly \$23.9 billion. The region's five-year average annual growth rate from 2014 to 2019 was 3.1%, lower than the average annual growth rate for peer regions but about 1.3 times higher than that of the nation, and over three times higher than the average growth rate in Arkansas.



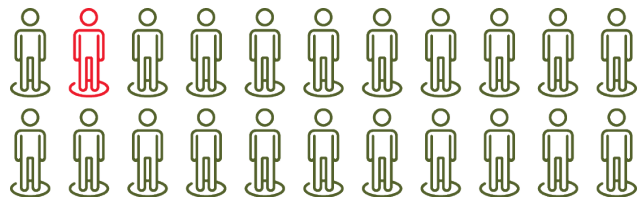
EMPLOYMENT

Northwest Arkansas created 25,800 net new jobs over 2015-2020.

From 2015 to 2020, Northwest Arkansas' employment grew at an average annual rate of 2.1%. Employment in Northwest Arkansas decreased -1.1% from 264,600 in 2019 to 261,700 in 2020, impacted by the COVID-19 pandemic. The pandemic had a lesser impact on jobs in Northwest Arkansas than within Arkansas, the United States, and all peer regions except for the Provo-Orem MSA.

UNEMPLOYMENT

The unemployment rate for Northwest Arkansas in 2020 was 4.5%, an increase of 1.9 percentage points from 2019 due to the COVID-19 pandemic. The 2020 unemployment rate in Northwest Arkansas was lower than both the state and national unemployment rates, and was the second lowest among peer regions, trailing only the Provo-Orem MSA at 3.7%. The 2020 unemployment rate was the highest for the region since 2014.



Only 1 in 22 (**4.5%**) adults within Northwest Arkansas' labor force were unemployed in 2020.



BUSINESS ESTABLISHMENT **GROWTH**

The number of Northwest Arkansas business establishments grew by 388 in 2020 and has grown by 1,804 since 2015.

Northwest Arkansas business establishment growth from 2019 to 2020 was 2.8%, higher than both the state and national growth rates, but slower than the average growth rate in peer regions. The five-year change in the number of establishments from 12,325 in 2015 to 14,129 in 2020 represents an annual average increase of 2.8%, higher than the growth rate in Arkansas and the nation.



2020 saw a **22.9% drop (\$111)** in the average annual domestic fare at Northwest Arkansas National Airport compared to 2019.



The average worker in Northwest Arkansas saw a **\$2,870 gain** in average annual wages in 2020.

AVERAGE ANNUAL DOMESTIC AIRFARE

Roundtrip flights from the Northwest Arkansas National Airport had an average annual domestic fare of \$374 in 2020, significantly lower than \$485 in the previous year. This is the result of the pandemic-induced lack of demand. The airport continued to have the highest average fare among peer regions. From 2015 to 2020, average fares in Northwest Arkansas decreased by 26.5%. *Salt Lake City airport was used as the fare comparison for the Provo-Orem MSA. The Durham-Chapel Hill MSA and Raleigh-Cary MSA share Raleigh-Durham International Airport.

ANNUAL WAGES

The average annual wage in Northwest Arkansas was the second lowest among peer regions at \$50,470 in 2020. Annual wages increased 6.0% in 2020, the region's growth rate was 1.5 percentage points greater than the peer regions' average. From 2015 to 2020, wage growth averaged 3.0% per year in Northwest Arkansas, which was the second lowest rate among peer regions. Annual wage growth was strongest in the Des Moines-West Des Moines MSA between 2015 and 2020 at 3.4%.



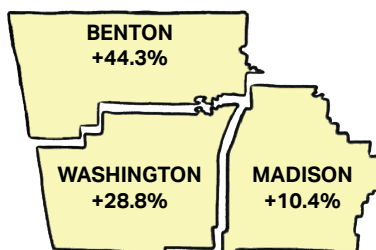
ACADEMIC RESEARCH & DEVELOPMENT

Research and Development Expenditure at the University of Arkansas increased by \$46.6M from 2015 to 2019.

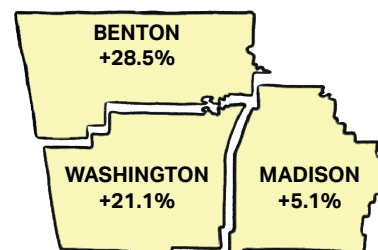
The University of Arkansas had over \$180 million in research and development expenditures in 2019, up 2.7% from 2018. Regardless, the University of Arkansas' ranking dropped one spot from No. 126 in 2018 to No. 127 in 2019 among all universities in the United States. Northwest Arkansas' peer regions 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 2020 received 75 invention disclosures (up from 67 in 2019), filed 50 new patent applications (up from 37 in 2019), and saw 20 patents issued (down from 22 in 2019).

NORTHWEST ARKANSAS HOUSING AND POPULATION CHANGES BY COUNTY

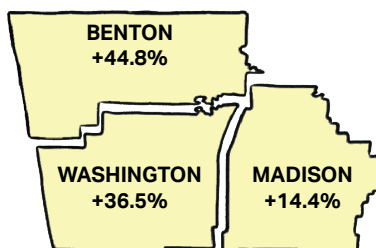
2000 - 2010 POPULATION



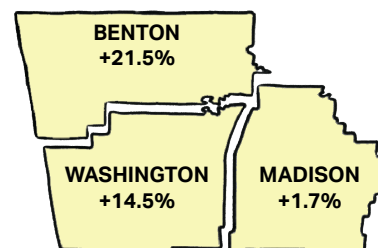
2010 - 2020 POPULATION



2000 - 2010 HOUSING UNITS



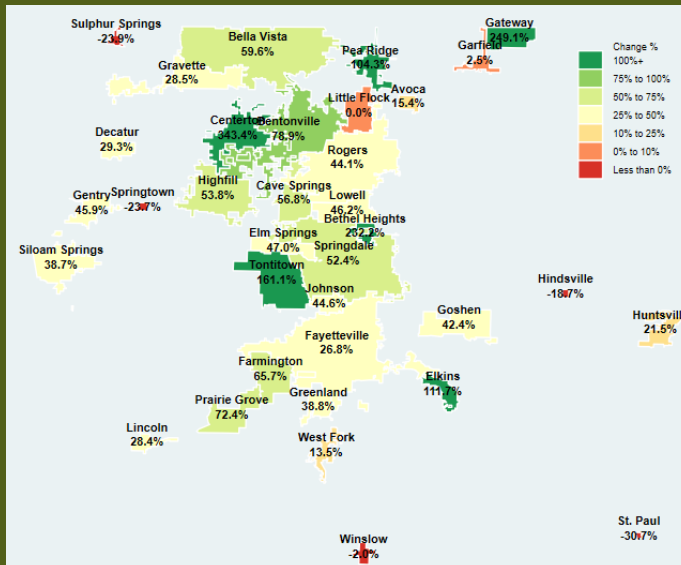
2010 - 2020 HOUSING UNITS



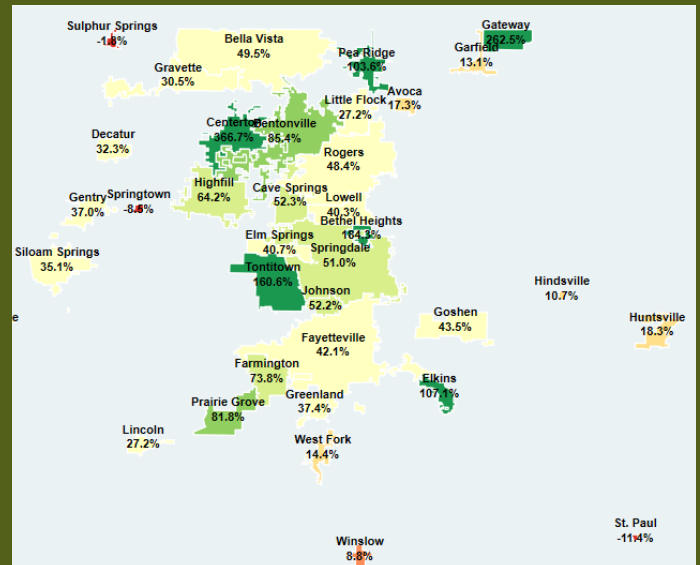
NOTE: Data comes from the Census Bureau's 2000, 2010, and 2020 Decennial Census

2000 - 2010

POPULATION CHANGES BY CITY



HOUSING PRODUCTION BY CITY

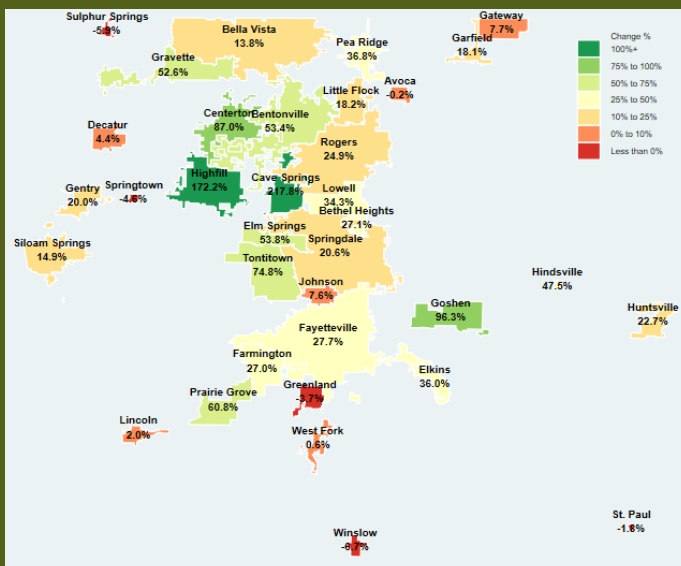


NOTE: Data comes from the Census Bureau's 2000, 2010, and 2020 Decennial Census

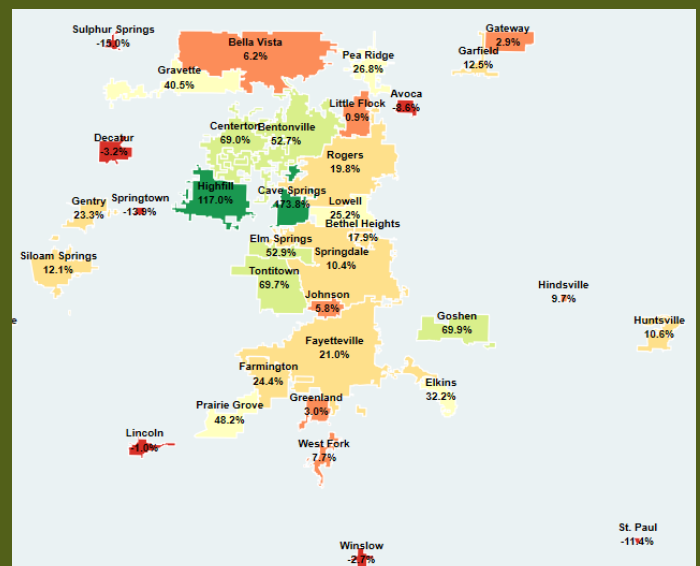
As population growth outpaced housing production between 2010 and 2020, the average price of homes in Benton and Washington counties reached record highs in the first half of 2021. In Benton County, the average price was \$311,333, 14.3% higher than a year ago and 42.4% higher than five years ago. In Washington County, the average price was \$297,343, which was 24.3% higher than a year ago and 46.7% higher than five years ago. Similar price increases were observed in the cities within the counties as well.

2010 - 2020

POPULATION CHANGES BY CITY



HOUSING PRODUCTION BY CITY



NOTE: Data comes from the Census Bureau's 2000, 2010, and 2020 Decennial Census



LIFE WORKS HERE

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.

Photography for this report provided by the Northwest Arkansas Council.

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