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State of the Northwest Arkansas Region 2018 Report

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NORTHWEST
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GREAT FOR BUSINESS. GREAT FOR LIFE.

2018 State of the Northwest Arkansas Region Report



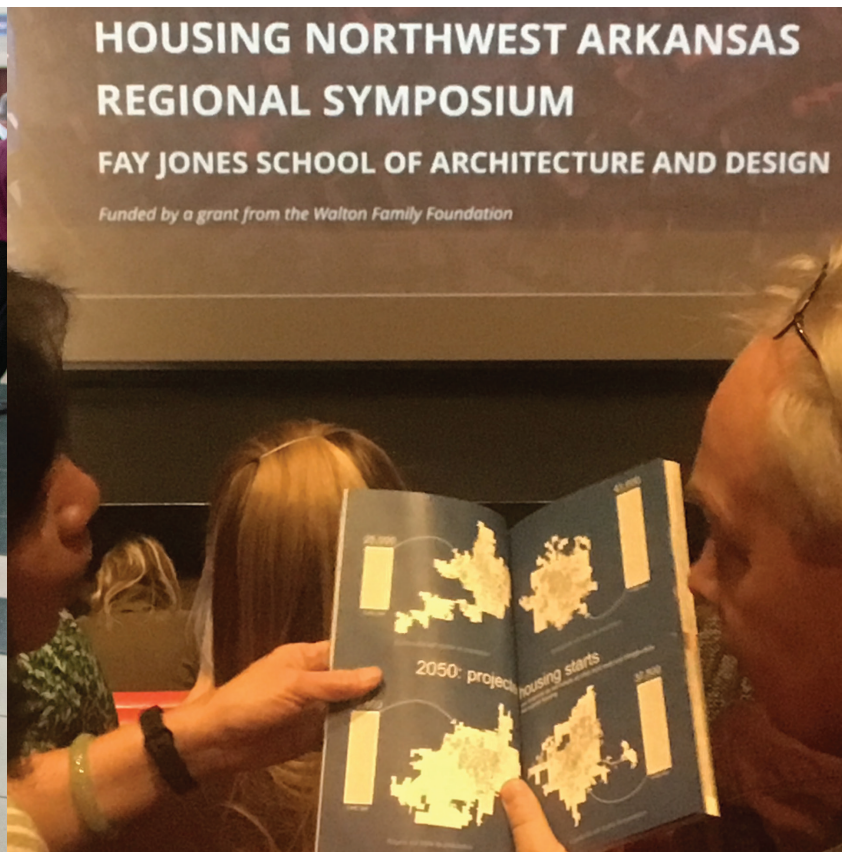
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Sam M. Walton College of Business
Center for Business & Economic Research

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 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 2018 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 2017	537,463	525,176	2.3%	▲
Real GDP (millions of chained 2009 dollars), 2017	\$25,341	\$24,507	3.4%	▲
Average Annual Unemployment Rate, 2017	2.8%	2.9%	-0.1%	▼
Total Nonfarm Employment, 2017	253,500	245,900	3.1%	▲
Median Household Income, 2017	\$56,038	\$51,848	8.1%	▲
Average Annual Wages, 2017	\$45,830	\$44,980	1.9%	▲
Business Establishments, 2017	13,047	12,653	3.1%	▲
Percent of Adult Population with a Bachelor's Degree or Higher, 2017	31.8%	30.9%	0.9%	▲
Poverty Rate, 2017	12.1%	13.2%	-1.1%	▼
R&D Expenditures (in thousands), 2016	\$145,020	\$133,660	8.5%	▲
Average Annual Domestic Airfare, 2017	\$538	\$509	5.8%	▲



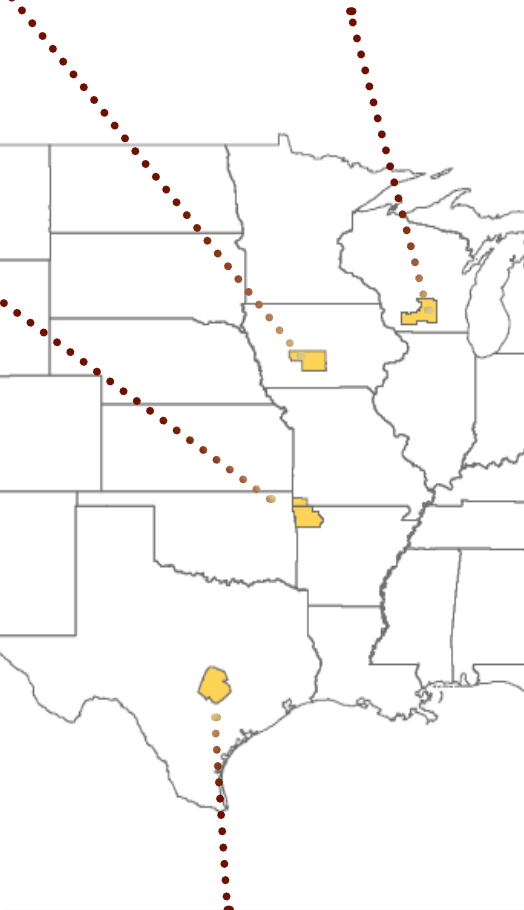
Peer Region Overview

Des Moines-West Des Moines MSA
 Iowa
 2017 Population: 645,911
 2016 Population: 634,740
 Growth 2016-2017: 1.8%
 MSA Growth Rank: 53/383

Madison MSA
 Wisconsin
 2017 Population: 654,230
 2016 Population: 647,432
 Growth 2016-2017: 1.0%
 MSA Growth Rank: 116/383

Durham-Chapel Hill MSA
 North Carolina
 2017 Population: 567,428
 2016 Population: 558,920
 Growth 2016-2017: 1.5%
 MSA Growth Rank: 70/383

Fayetteville-Springdale-Rogers MSA
 Arkansas-Missouri
 2017 Population: 537,463
 2016 Population: 525,176
 Growth 2016-2017: 2.3%
 MSA Growth Rank: 14/383

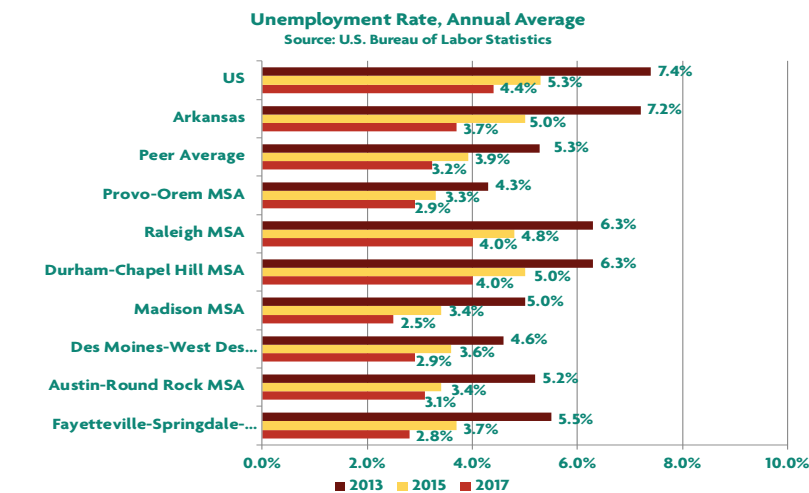
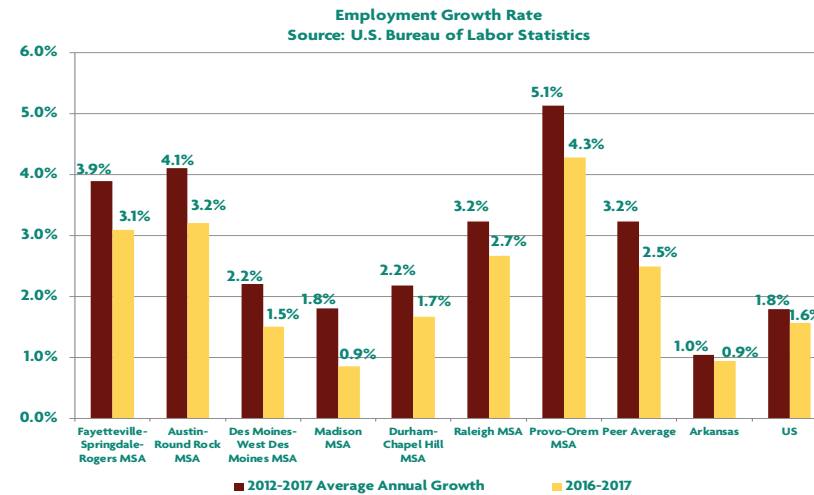
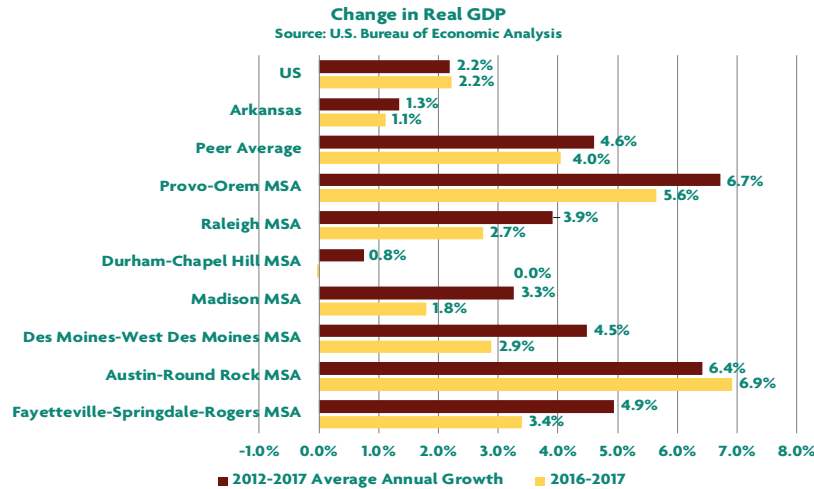


Provo-Orem MSA
 Utah
 2017 Population: 617,675
 2016 Population: 601,478
 Growth 2016-2017: 2.7%
 MSA Growth Rank: 8/383

Austin-Round Rock MSA
 Texas
 2017 Population: 2,115,827
 2016 Population: 2,060,558
 Growth 2016-2017: 2.7%
 MSA Growth Rank: 9/383

Raleigh MSA
 North Carolina
 2017 Population: 1,335,079
 2016 Population: 1,304,896
 Growth 2016-2017: 2.3%
 MSA Growth Rank: 16/383

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.

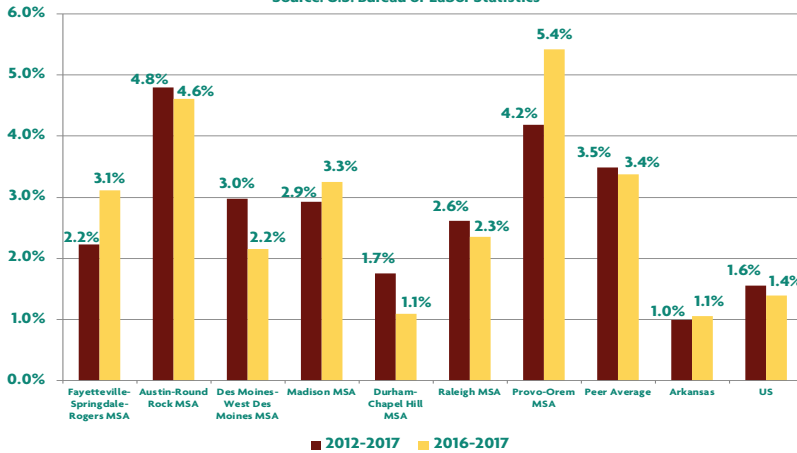
Employment

From 2012 to 2017, the Northwest Arkansas region's employment grew at an average annual rate of 3.9 percent. Northwest Arkansas' annual rate of employment growth during this time period was greater than all but two of the peer regions, the state, and the nation. Employment in Northwest Arkansas increased 3.1 percent from 245,900 in 2016 to 253,500 in 2017, a pace that was faster than the peer regions' average, Arkansas, and the United States.

Unemployment

The average annual unemployment rate for Northwest Arkansas in 2017 was 2.8 percent, down from 2.9 percent in 2016. The 2017 unemployment rate in Northwest Arkansas was the second lowest in all the peer regions, the state, and the nation. The lowest was the Madison region with 2.5 percent. The Des Moines-West Des Moines and Provo-Orem regions both followed closely at 2.9 percent. Since 2013, the unemployment rate declined 2.7 percent in Northwest Arkansas, which was the largest decline in the unemployment rate among peer regions, but was smaller than the declines in the state of Arkansas and the nation.

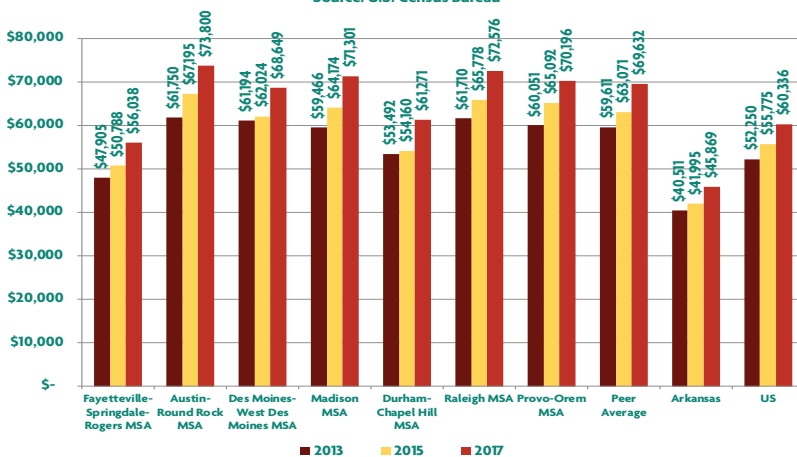
Business Establishment Growth
Source: U.S. Bureau of Labor Statistics



Business Establishment Growth

Northwest Arkansas business establishment growth from 2016 to 2017 was 3.1 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 11,683 in 2012 to 13,047 in 2017 represents an annual increase of 2.2 percent, which was the second slowest growth rate among the peer regions. However, it was still higher than the growth rate in Arkansas and the nation.

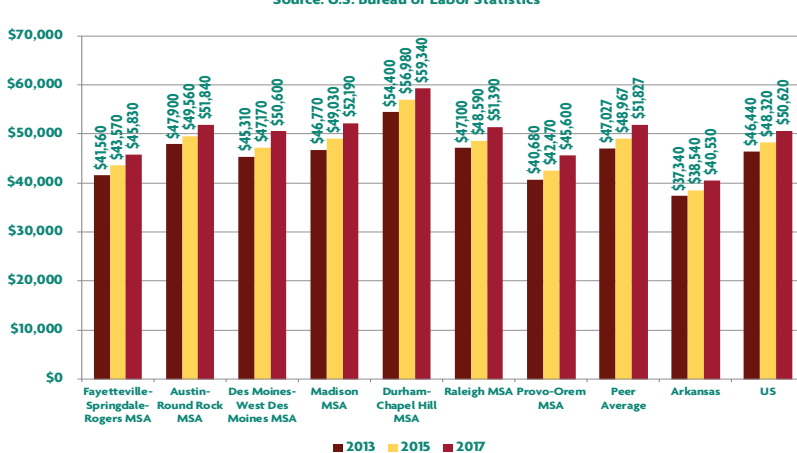
Median Household Income
Source: U.S. Census Bureau



Median Household Income

The median household income for Northwest Arkansas grew 8.1 percent to \$56,038 from 2016 to 2017. The region's median household income was 80.5 percent of the peer region median income and 92.9 percent of the national median household income. The median household incomes in Austin-Round Rock and Raleigh were the highest among the peer regions, and were 31.7 and 29.5 percent higher than Northwest Arkansas, respectively. From 2013 to 2017, Northwest Arkansas' average annual rate of change was 4.0 percent, the same as average growth rate in the peer regions.

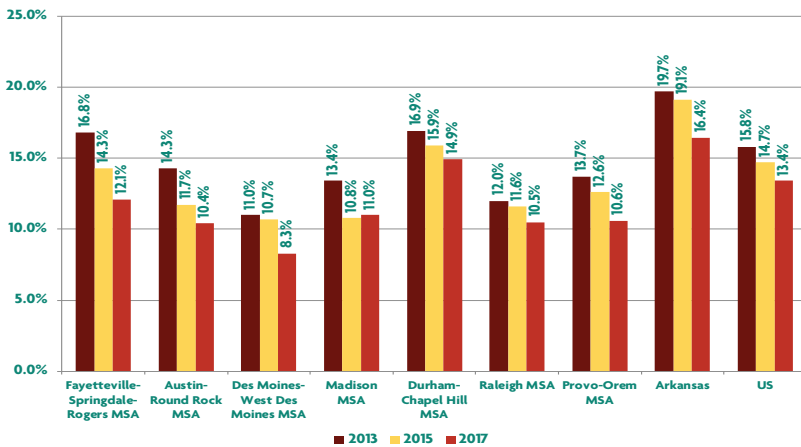
Average Annual Wages
Source: U.S. Bureau of Labor Statistics



Annual Wages

In spite of having a low unemployment rate, average annual wages in Northwest Arkansas is the second lowest among peer regions at \$45,830 in 2017. This was up 1.9 percent from the previous year, 0.5 percent less than the average annual change for all the peer regions. From 2013 to 2017, average wages grew 2.5 percent in Northwest Arkansas, placing the region in the middle of the pack when compared to the peer regions. Annual wage growth was strongest in the Provo-Orem region between 2013 and 2017 at 2.9 percent.

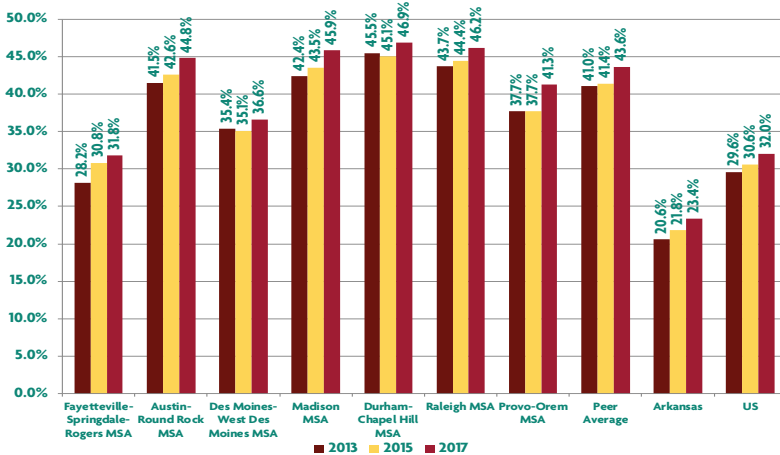
Poverty Rates: All Ages
Source: U.S. Census Bureau



Poverty

In 2017, the poverty rate for Northwest Arkansas was 12.1 percent, a 1.1 percent improvement from 2016. Only the Durham-Chapel Hill region had a higher poverty rate at 14.9 percent. The large proportion of college students in these regions drives the higher poverty rates. Since 2013, the poverty rate in Northwest Arkansas fell 4.7 percent which was the largest decline among peer regions. The 2017 poverty rate in Northwest Arkansas was significantly lower than the 17.2 percent poverty rate for the state of Arkansas.

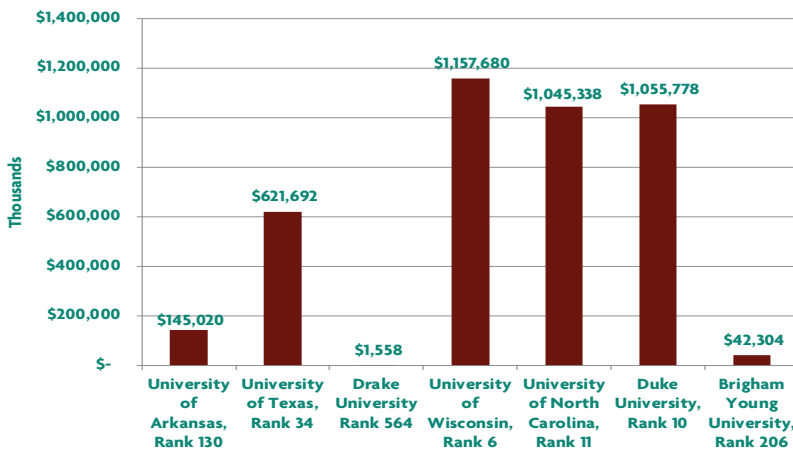
Bachelor's Degree or Higher in Adult Population
Source: U.S. Census Bureau



Educational Attainment

The percent of adults 25 years or older with a bachelor's degree or higher in Northwest Arkansas increased by 0.9 percent to 31.8 percent in 2017. On average, 43.6 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 (32.0 percent in 2017). Since 2013, higher education attainment grew 3.6 percent in Northwest Arkansas, more rapidly than the 2.6 percent average change among peer regions.

R&D Expenditures 2016
Source: National Science Foundation

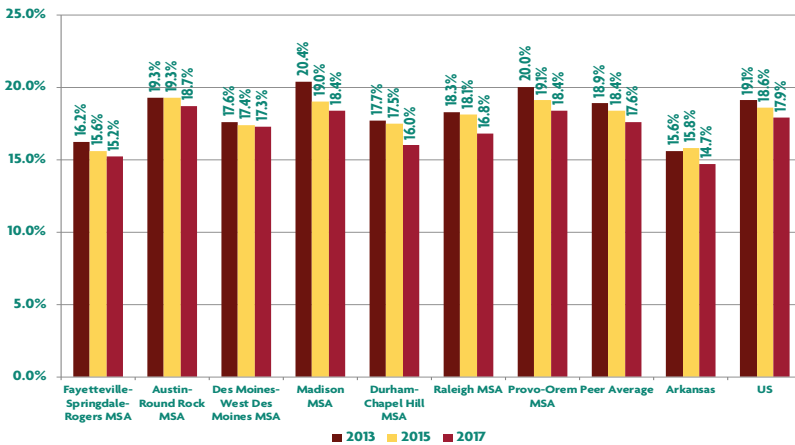


Academic Research and Development

The University of Arkansas had more than \$145 million in research and development expenditures in 2016, up 8.5 percent from 2015. The University of Arkansas improved its ranking from No. 131 in 2015 to No. 130 in 2016 among all universities in the United States. Northwest Arkansas' peer regions include some of the nation's top universities when it comes to academic research and development spending. Additionally, in 2017, the University of Arkansas received 54 invention disclosures (down from 58 in 2016), filed 8 new patent applications (down from 26 in 2016), and saw 13 patents issued (down from 37 in 2016).

Median Cost of Homeownership as Percent of Income

Source: U.S. Census Bureau

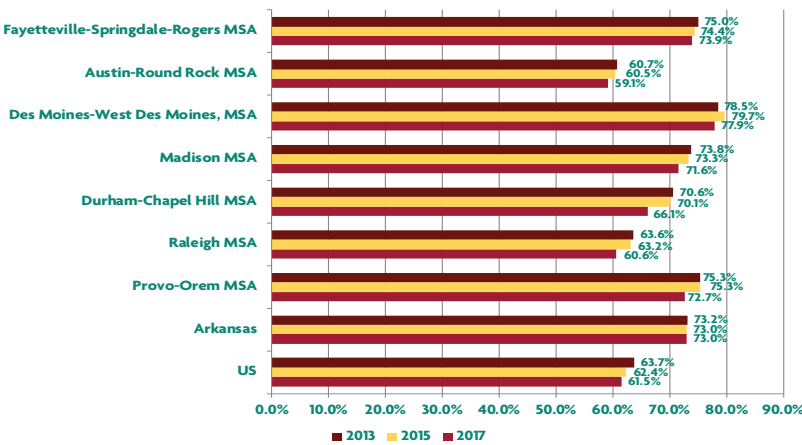


Cost of Homeownership

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. Homeownership costs were 15.2 percent of household income in 2017, down 0.1 percent from the previous year. Since 2013, median homeownership cost as a percent of household income in Northwest Arkansas has dropped 1.0 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

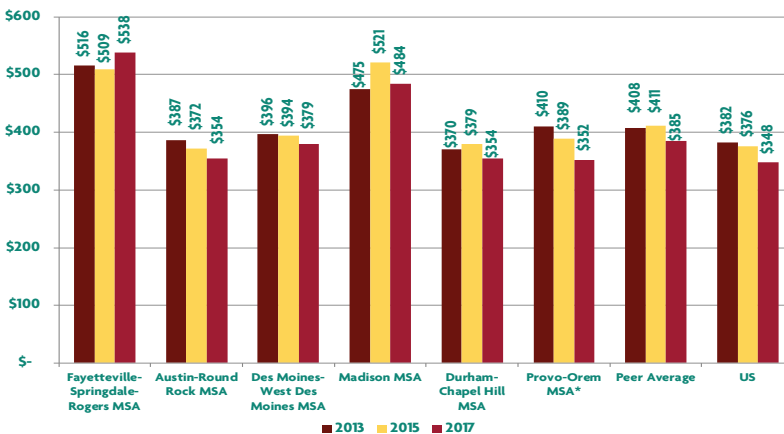


Commuting

In 2017, 73.9 percent of Northwest Arkansas workers spent fewer than 30 minutes commuting to work, down from 75.7 percent in 2016. Only the Des Moines-West Des Moines region had a higher percent of workers who spent less than 30 minutes commuting to work in 2017. The percent of workers in Northwest Arkansas who used alternative modes of transportation to get to work, including biking, walking, and public transit, decreased 0.3 percent from 2016 to 2.2 percent in 2017. 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 \$538 in 2017, an increase from \$509 in the previous year. The regional airport had the highest average fare among peer regions. Average fares in Northwest Arkansas were 39.9 percent higher than the peer region average and 54.6 percent higher than the national average. From 2013 to 2017, average fares in Northwest Arkansas increased by 4.3 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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