

Forecasting Trends: Arkansas Economic Indicators: April 2001

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The Arkansas index of leading economic indicators, after experiencing modest gains in March, lost ground in April, declining by a seasonally adjusted annualized rate (SAAR) of 0.59%. Three of the six **components** experienced month-on-month improvements in April. Filings for new incorporations increased by 10.89%, and the number of Arkansans submitting initial filings for unemployment insurance declined by 8.18% in April. Lastly, the national index of leading economic indicators increased at a SAAR of 1.11% for the month. The balance of the indicators experienced month-on-month declines, which ultimately caused the state index to decay. The value of new building permits and construction employment dropped by 3.46% and 0.60% from their levels in March, respectively. Of particular note is the 1.52% decline in average weekly manufacturing hours (AWMH), dropping from 39.65 to 39.05 hours; this is the third consecutive month in which AWMH declined. This is most likely due to an unintended accumulation of inventories by manufacturers. One would expect that, if demand remains strong for manufactured goods, this downward trend would reverse itself once inventories shrink to acceptable levels, and producers begin to step up production. According to the U.S. Census Bureau, estimated advance retail sales increased slightly during April¹. Lynn Franco, Director of The Conference Board's Consumer Center, upon release of the latest consumer confidence numbers, had this to say of consumer spending, "Nowhere, however, are there indications that consumers will curtail their spending, which points to continued economic growth."² Despite this good news, the AWMH indicator still warrants close inspection in the proceeding months in order to predict rough economic waters for the state. The changes in the indicators, taken in aggregate, caused a decline in the **leading index** from 104.25 in March to 104.20 in April, suggesting that the economic outlook for Arkansas in early fall will be relatively worse than that for the nation as a whole.

Be it noted, however, that the leading indices for the four **metropolitan statistical areas** (MSAs) all performed better than the state index. The Northwest Arkansas index, which compiles data for Fayetteville, Springdale, and Rogers, increased by a SAAR of 3.47% in April and is the only MSA index to surpass the national index's performance. The Fort Smith and Little Rock indices both increased for the month of April, up SAARs of 0.10% and 0.62%, respectively. The Pine Bluff index declined slightly for April, down a SAAR of 0.13%, still faring better than the index for the state.

Three of the four **indicators** that comprise the leading index for Northwest Arkansas experienced month-on-month increases. The value of new building permits rose substantially for the month, up 22.13%. This indicates that construction employment, which improved by 0.60% in April, will continue to rise in future months. An increase in AWMH from 38.98 to 40.01, or

¹ "Table 1A. Estimated Advance Monthly Retail Sales – April 2001"
<http://www.census.gov/svsd/advretl/view/adv1.txt> June 1, 2001

² "Consumer Confidence Rebounds" <http://www.conference-board.org/products/c-consumer.cfm> June 1, 2001

2.64%, also contributed to the Northwest Arkansas index's increasing by a SAAR of 3.47%. In fact, the Arkansas index is the only constituent that experienced a month-on-month decline. This was not enough to pull the **Northwest Arkansas index** downward for the month, however; the leading index ended the month at 105.65, up from 105.35 in March. The data predict that Northwest Arkansas will perform better economically early this fall relative to the state as a whole and to the nation as a whole.

The Fort Smith index of leading economic indicators crept upward for the month of April by a SAAR of 0.10%. Like Northwest Arkansas, the Fort Smith MSA experienced an **increase** in AWMH, up from 38.96 hours to 39.02, or 0.15%. An explosion in the value of new building permits, rising by 44.82% in April, suggests an increase in construction employment in the near future; for the month in question, though, construction employment fell by 1.37%. Taken in sum, the changes in the individual components led to scarcely any change in the index; for the month of April, the **index** rose from 104.75 to 104.76, which suggests that Fort Smith will experience marginally better economic conditions this fall relative to the state in aggregate.

Increases in two **leading indicators** contributed to the Little Rock index's rising by a SAAR of 0.62% in April. First, construction employment increased by 0.91%, and, secondly, the value of new building permits increased by 20.51%. The balance of the components decreased during April, however; the state index, as mentioned above, declined for the month of April, while AWMH fell for the third consecutive month, down from 39.86 hours in March to 38.89 hours in April, or 2.42%. In the end, the **leading index for Little Rock** scored 103.33 in April, up slightly from its 103.28 performance in March. The data paint a generally favorable economic picture for the capital city relative to the state as a whole for the coming fall months.

The leading index for Pine Bluff, although falling by a SAAR of 0.13% in April, still performed better than the leading index for Arkansas, which fell by a SAAR of 0.59%. The **primary motivator** behind this decline was, in fact, the diminished performance of the Arkansas index, followed by a 0.65% decline in AWMH, falling from 39.32 hours in March to 39.06 in April. The remaining two indicators mitigated the decline in the index, however; construction employment increased by 1.92%, and the value of new building permits increased by 10.42% during the period. For the month of April, the **leading index for Pine Bluff** fell from 101.82 to 101.81. Despite the decline in the index, the figures suggest that Pine Bluff will manage better economically than the state as a whole this fall.

The Arkansas index of coincident economic indicators, which serves as a measure of the current economic situation for the state, fell for the month of April by a SAAR of 1.23%. Although taxable sales increased by 7.15% from March, which reinforces the comments made by Ms. Franco, the balance of the coincident indicators fell on a month-on-month basis. Non-farm employment contracted by 0.17%, which contributed to the unemployment rate's increasing from 4.20% to 4.46%, its highest level since July 2000. The coincident index fell from 104.61 to 104.50, suggesting less favorable current economic conditions for the state in April than in March.

The Northwest Arkansas index of coincident economic indicators performed better than the state index in April, up a SAAR of 0.12%. The lone contributing factor to this marginal increase is a

6.55% rise in taxable sales for the month. The remaining two components experienced month-on-month declines in April. The unemployment rate for Northwest Arkansas increased 0.06% from its historical low in March to 1.90% in April, perhaps brought about by a 0.11% decline in non-farm employment. In spite of these two figures, the coincident index inched up from 105.27 to 105.28, which suggests marginally more favorable economic conditions for the MSA in April than in March.

The Fort Smith index of coincident economic indicators performed by far the best of the four MSA indices, increasing by a SAAR of 5.11%. This can be traced to improvements in two of the three indicators. Taxable sales increased by 2.61%, but, more importantly, the unemployment rate fell from 4.23% to 3.31%, reversing its three-month upward trend. Non-farm employment shrank, however, in April by 0.56%; this is analogous to the situation the state experienced in March, where non-farm employment *and* the unemployment rate fell. This arises when the decline in the labor force outpaces the decline in total employment, composed of both non-farm and farm employment. The conclusion must be reached, then, that some persons who were working in non-farm industries switched into agrarian production, while the remainder dropped out of the labor force. For the month of April, the index of coincident economic indicators for the Fort Smith MSA increased from 104.6 to 105.1, suggesting considerably more favorable economic conditions in April than in March.

The index of coincident economic indicators for Little Rock is the only MSA index to perform relatively worse than the state index for the month of April, falling by a SAAR of 2.06%. The single contributor to this decline is a 0.39% increase in the unemployment rate for the capital city, up from 3.04% in March to 3.43% in April. The balance of the indicators experienced month-on-month gains, with non-farm employment and taxable sales increasing by 0.16% and 0.07%, respectively. However, the bad news of the increase in the unemployment rate overwhelmed the marginal gains experienced by the other indicators, ultimately sending the index downward from 103.9 to 103.7, suggesting considerably less favorable economic conditions in Little Rock in April than in March.

The Pine Bluff index of coincident economic indicators fell by a SAAR of 0.63% for the month of April. Despite the negative figure, the index for the MSA bested the state index, which fell by 1.23%. Whereas non-farm employment increased by 0.12% for the month, which contributed positively to the index, the unemployment rate rose from 7.53% to 7.67%. One could conclude then that the labor force in Pine Bluff increased at a greater rate than the increase in total employment. The second element contributing to the index's declining performance is taxable sales, which fell by 0.38% on a month-on-month basis. These two factors, the increase in the unemployment rate and a decrease in taxable sales, caused the index to wane from 101.05 to 101.00 for the month of April, suggesting less favorable current economic conditions in Pine Bluff.