

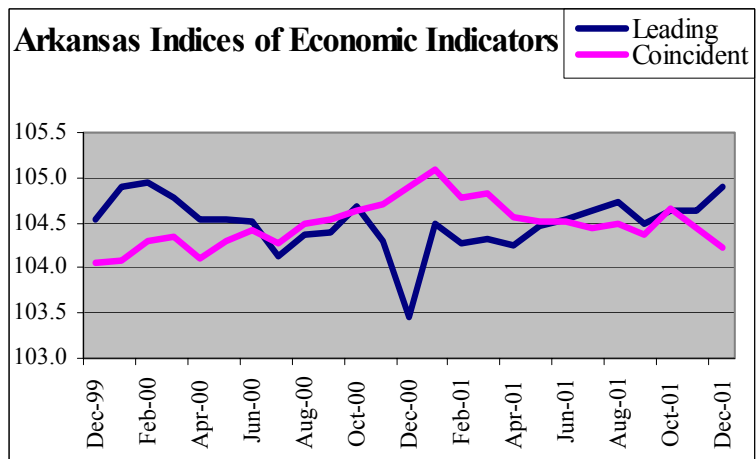


# SAM M. WALTON COLLEGE of BUSINESS

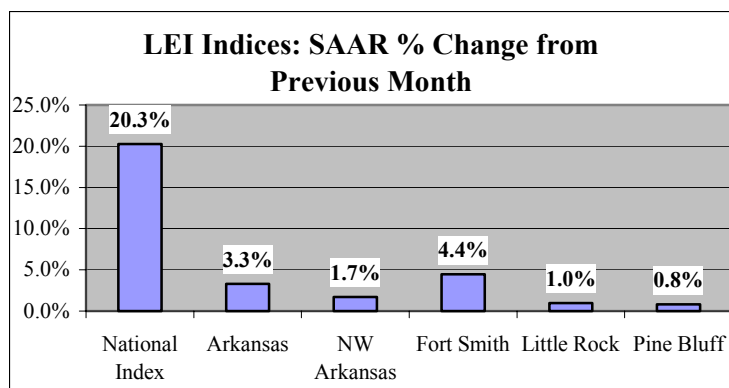
*Center for Business and Economic Research*

## Forecasting Trends: Arkansas Indices of Economic Indicators, December 2001

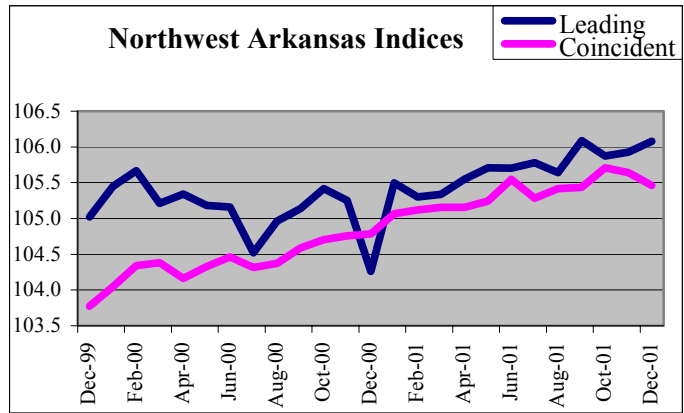
After declining marginally in November, the Arkansas Index of Leading Economic Indicators, which gauges economic conditions in the state six to nine months hence, increased by a seasonally adjusted annual rate (SAAR) of 3.3 percent in December. The index's positive contributors, from largest to smallest contribution, were a 20.3 percent SAAR increase in the national index of leading economic indicators, a 1.5 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.0 hours in November to 39.6 hours in December, a 0.4 percent increase in construction employment, and a 2.7 percent decline in the number of initial claims for unemployment insurance. The index's negative contributors, from larger to smaller contribution, were a 20.3 percent projected decline in the number of new incorporation registrations and a 3.3 percent decline in the value of new building permits. The leading index now stands at 104.9, up from a revised 104.6 in November. Overall, the data suggest more favorable economic conditions in the state in the third quarter of 2002.



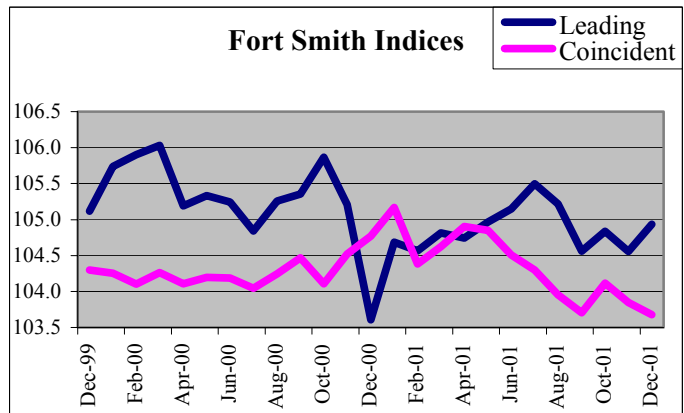
All of the leading indices for Arkansas' metropolitan statistical areas (MSAs) increased in December. The Fort Smith index was the only MSA index to perform relatively better than the state's index, increasing by a SAAR of 4.5 percent. The leading indices for Northwest Arkansas, (which incorporates data for the Fayetteville-Springdale-Rogers MSA), Little Rock, and Pine Bluff increased by SAARs of 1.7 percent, 1.0 percent, and 0.8 percent, respectively.



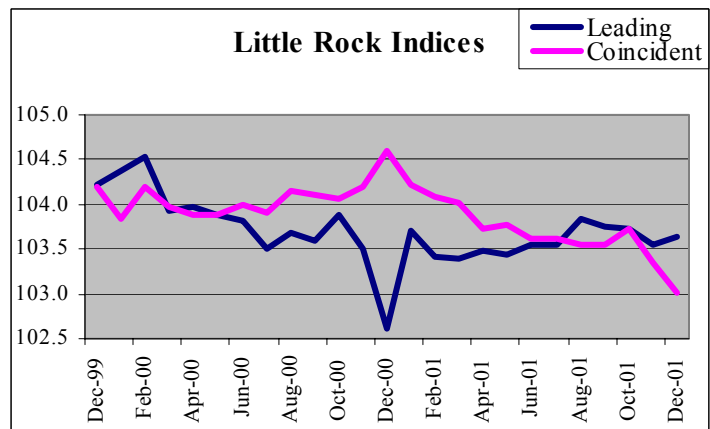
The Northwest Arkansas Index of Leading Economic Indicators increased for the second consecutive month, increasing by SAARs of 0.6 percent (revised) and 1.7 percent in November and December, respectively. The index's positive contributors, from larger to smaller contribution, were the 3.3 percent SAAR increase in the state's leading index and a 13.6 percent increase in the value of new building permits. The index's negative contributors, from larger to smaller contribution, were a 0.6 percent decline in construction employment and a 0.5 percent decline in AWMH from a revised 39.0 hours in November to 38.8 hours in December. The leading index now stands at 106.1, up from a revised 105.9 in November. Overall, the data suggest more favorable economic conditions in Northwest Arkansas in the third quarter of 2002.



The Fort Smith Index of Leading Economic Indicators, after declining by a SAAR of 3.2 percent in November, increased by a SAAR of 4.5 percent in December. All of the index's components experienced month-on-month improvements; from largest to smallest contribution, they were the 3.3 percent SAAR increase in the state's leading index, a 0.7 percent increase in construction employment, a 12.4 percent increase in the value of new building permits, and a 0.4 percent increase in AWMH from a revised 38.3 hours in November to 38.5 hours in December. The leading index now stands at 104.9, up from a revised 104.6 in November. Overall, the data suggest more favorable economic conditions in Fort Smith in the third quarter of 2002.

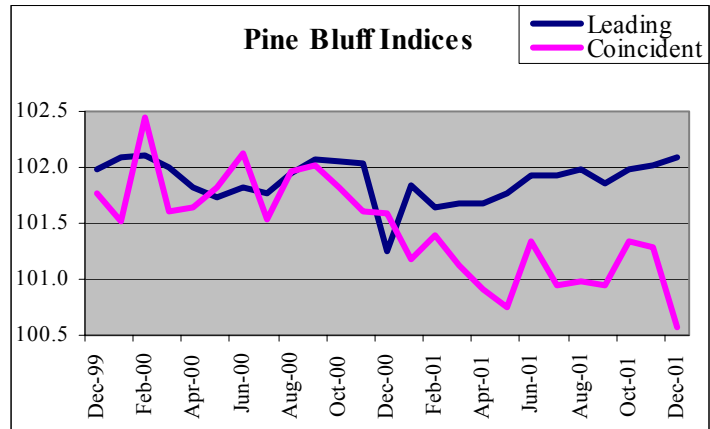


The Little Rock Index of Leading Economic Indicators, after declining for three consecutive months, increased by a SAAR of 1.0 percent in December. The index's positive contributors, from largest to smallest contribution, were a 3.4 percent increase in AWMH from a revised 39.3 hours in November to 40.6 hours in December, the 3.3 percent SAAR increase in the state's leading index, and a 4.9 percent increase in the value

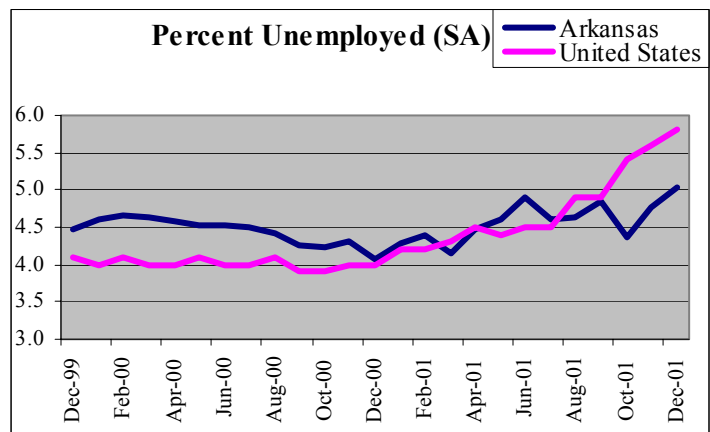


of new building permits. The index's sole negative contributor was a 1.6 percent decline in construction employment. The leading index now stands at 103.6, up from a revised 103.5 in November. Overall, the data suggest more favorable economic conditions in the capital city in the third quarter of 2002.

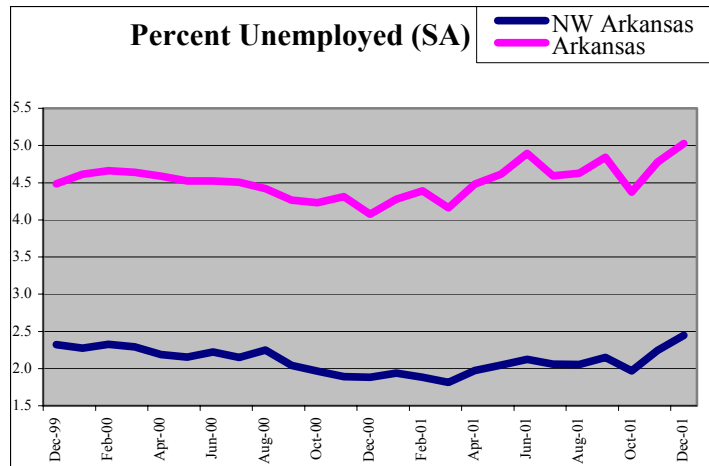
The Pine Bluff Index of Leading Economic Indicators increased for the third consecutive month, up a SAAR of 0.8 percent in December. The index's positive contributors, from larger to smaller contribution, were the 3.3 percent SAAR increase in the state's leading index and a 0.6 percent increase in AWMH from a revised 40.1 hours in November to 40.4 hours in December. The index's negative contributors, from larger to smaller contribution, were a 17.2 percent decline in the value of new building permits and a 2.0 percent decline in construction employment. The leading index now stands at 102.1, up from a revised 102.0 in November. Overall, the data suggest more favorable economic conditions in Pine Bluff in the third quarter of 2002.



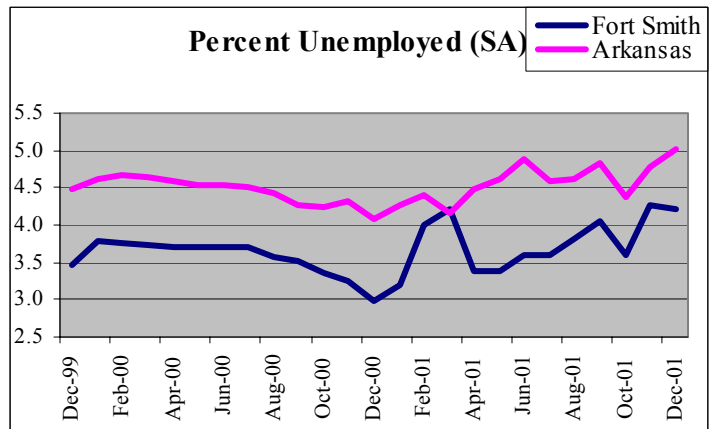
The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions in the state, declined for the second consecutive month, falling by SAARs of 2.6 percent (revised) and 2.3 percent in November and December, respectively. All three of the index's components worsened on month-on-month bases; from largest to smallest contribution, they were a 0.2 percent increase in the unemployment rate, a 0.1 percent decline in non-farm employment, and a projected 0.3 percent decline in taxable sales. The unemployment rate in Arkansas stood at 5.0 percent in December, 0.9 percent higher than in December 2000; the U.S. unemployment rate stood at 5.8 percent in December 2001, up 1.8 percent from December 2000. The coincident index now stands at 104.2, down from a revised 104.4 in November. Overall, the data suggest economic conditions in the state worsened in December.



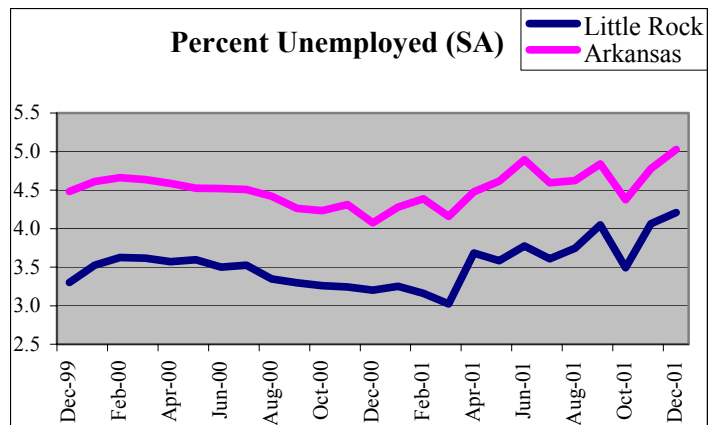
The Northwest Arkansas Index of Coincident Economic Indicators declined for the second consecutive month, falling by SAARs of 0.7 percent (revised) and 2.0 percent in November and December, respectively. The index's sole positive contributor was a 0.2 percent increase in non-farm employment. The index's negative contributors, from larger to smaller contribution, were a 0.2 percent increase in the unemployment rate and a projected 5.4 percent decline in taxable sales. The unemployment rate in Northwest Arkansas stood at 2.4 percent in December, 0.5 percent higher than in December 2000. The coincident index now stands at 105.5, down from a revised 105.6 in November. Overall, the data suggest economic conditions in Northwest Arkansas worsened in December.



The Fort Smith Index of Coincident Economic Indicators declined for the second consecutive month, falling by SAARs of 3.0 percent (revised) and 2.0 percent in November and December, respectively. The index's sole positive contributor was a 0.1 percent decline in the unemployment rate. The index's negative contributors, from larger to smaller contribution, were a 9.2 percent projected decline in taxable sales and a 0.1 percent decline in non-farm employment. The unemployment rate in Fort Smith stood at 4.2 percent in December, up 1.2 percent from December 2000. The coincident index now stands at 103.7, down from a revised 103.8 in November. Overall, the data suggest economic conditions in Fort Smith worsened in December.

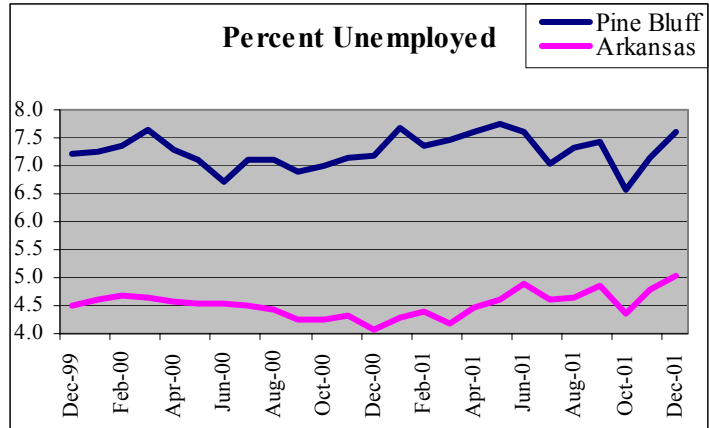


The Little Rock Index of Coincident Economic Indicators declined for the second consecutive month, falling by SAARs of 4.2 percent (revised) and 3.7 percent in November and December, respectively. All three of the index's components worsened on month-on-month bases; from largest to smallest contributor, they were a 0.4 percent decline in non-farm employment, a 0.1



percent increase in the unemployment rate, and a 5.0 percent projected decline in taxable sales. The unemployment rate in Little Rock stood at 4.2 percent in December, up 1.0 percent from December 2000. The coincident index now stands at 103.0, down from a revised 103.3 in November. Overall, the data suggest economic conditions in the capital city worsened in December.

The Pine Bluff Index of Coincident Economic Indicators declined for the second consecutive month, falling by SAARs of 0.7 percent (revised) and 8.0 percent in November and December, respectively. All three of the components worsened on month-on-month bases; from largest to smallest negative contributor, they were a 0.8 percent decline in non-farm employment, a 0.5 percent increase in the unemployment rate, and a 4.6 percent projected decline in taxable sales.



The unemployment rate in Pine Bluff stood at 7.6 percent in December, up 0.4 percent from December 2000. The coincident index now stands at 100.6, down from a revised 101.3 in November. Overall, the data suggest economic conditions in Pine Bluff worsened in December.