

Forecasting Trends: Indexes of Economic Indicators for The State of Arkansas, February 2001

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Following a surge of 11.23% in January, the **index of leading economic indicators** (LEI) for the state of Arkansas fell by a seasonally adjusted annualized rate (SAAR) of 2.13% for the month of February, suggesting weaker economic growth for the state in late summer. Five of the six components waned on a month-to-month basis, with a decline in weekly manufacturing hours from 40.1 hours to 39.6 leading the way. Filings for new incorporations numbered 1,159 in February, down from 1,316 one month earlier, contributing to the index's decline. The number of Arkansans employed in construction jobs increased last month from 52.4 to 53.2 thousands, but after accounting for seasonal factors, construction employment edged slightly lower. An increase in the value of building permits and a decline in the number of persons initially filing for unemployment insurance buoyed the index slightly; initial claims fell from 32.4 thousand in January to 18.3 thousand in February, largely due to seasonal factors. Lastly, a seasonally adjusted annualized decline in the national index of leading economic indicators of 2.18% contributed to the index's deteriorating to its **current level** of 104.1.

The Arkansas index of coincident economic indicators, which summarizes the current state of economic affairs, fell more dramatically than the leading index in February, down a SAAR of 4.47%. Two variables helped drive the index downward in February, most notably the decline in taxable sales, predicted to be off of January's level by \$252 million (10%). Although the non-seasonally adjusted unemployment rate fell from 5.2% to 5.1% in February, the seasonally adjusted unemployment rate nudged its way upward by 0.16%. Lastly, a seasonally adjusted decline in non-farm employment of 0.08% also caused the index to inch downward to 104.53, its lowest level since October 2000.

The **Northwest Arkansas** (Fayetteville-Springdale-Rogers metropolitan statistical area) indexes also exhibited weakness in February after making substantial gains in January. The index of leading economic indicators fell a SAAR of 1.18 percent, primarily caused by a precipitous decline in the average weekly manufacturing hours (AWMH) from 41.3 hours to 38.6 hours. This is a new low for this indicator and mirrors the fall in AWMH on the state level. Also pulling the index down was a drop in the state index of leading economic indicators, discussed above. Two factors help to prop up the Northwest Arkansas index, however; construction employment rose from 6.9 thousand to 7.1 thousand, a seasonally adjusted increase of 3.6 percent. An increase in the value of building permits also bolstered **the Northwest Arkansas index**, rising from \$14,611,000 in January to \$19,498,000 in February. The increases in these two indicators could not overcome the decline in average manufacturing hours, though, causing the index to fall to 105.30.

The Northwest Arkansas index of coincident economic indicators fell slightly for the month of February, down a SAAR of 0.60 percent. Non-farm employment increased by 0.40 percent, and the unemployment rate decreased from 1.95 to 1.89 percent, both

seasonally adjusted, during the period. However, the drop in taxable sales of ten percent overshadowed these two gains, causing the index to fall to 105.11.

The index of leading economic indicators for the state of Arkansas performed slightly better than the national index in February; the index for **Arkansas** fell by a SAAR of 2.13 percent, compared to the national index's falling by 2.18 percent. **Northwest Arkansas** was the only metropolitan statistical area that bested the national average in February, falling only 1.18 percent. The LEI index for the **Fort Smith** MSA fell from 104.3 to 104.1, a SAAR decline of 2.43 percent, while the indexes for the **Pine Bluff** and **Little Rock** MSAs performed significantly worse than the national index, declining 3.30 and 3.51 percent, respectively. The index for Pine Bluff ended the month at 102.3, down from 102.6 one month prior, while the Little Rock index dropped from 103.6 in January to 103.3 in February.

The decline in the index of leading economic indicators for the state was the primary motivator behind the reduced performance of the indexes for the Fort Smith, Little Rock, and Pine Bluff MSAs. Also contributing to the declines were the reductions in construction employment, waning most noticeably in the Pine Bluff MSA- eight percent. Falling average weekly manufacturing hours contributed to the declines in the Little Rock and Fort Smith indexes; during the same period, the Pine Bluff MSA reaped the gains of a 0.10 percent increase in average manufacturing hours.