

Forecasting Trends: Arkansas Economic Indicators, June 2001

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In the face of a slowing economy, the Arkansas index of leading economic indicators points to increased economic activity at the end of 2001 into the beginning of 2002. The index increased by a seasonally adjusted annual rate (SAAR) of 0.8% in June. Three of the index's six **components** experienced month-on-month improvements for the period. These include, from largest to smallest positive contributor, a 16.5% increase in the value of building permits, a 3.3% SAAR increase in the national index of leading economic indicators, and a 0.1% increase in average weekly manufacturing hours (AWMH) from a revised 39.50 in May to 39.53 in June. This is the second month in which AWMH has increased, suggesting slightly improving conditions for Arkansas' manufacturing sector.

The balance of the indicators worsened on a month-on-month basis. These include, from largest to smallest negative contributor, a 5.1% decline in filings for new incorporations, a 5.8% increase in initial claims for unemployment insurance, and a 0.1% decline in construction employment. Seasonally adjusted initial claims were slightly above 25,000 in June, the highest level for this indicator since February 1996. The **Arkansas** index of leading economic indicators now stands at 104.33, up 0.1% from a revised 104.25 in May. The data suggest that the Arkansas economy will improve in the fourth quarter of 2001 and the first quarter of 2002.

Three of Arkansas' four **metropolitan statistical area** (MSA) leading indices improved in June. The Little Rock and Pine Bluff indices bested the state index, increasing by SAARs of 1.2% and 2.1%, respectively; the Fort Smith index increased by a SAAR of 0.6%. The Fayetteville-Springdale-Rogers (Northwest Arkansas) index was the only index that declined in June, down a SAAR of 0.3%.

The index of leading economic indicators for **Northwest Arkansas** fell from a revised 105.70 in May to 105.67 in June. The index's three positive **contributors**, from largest contribution to smallest, were the 0.8% SAAR increase in the state index, a 0.4% increase in AWMH from a revised 39.5 in May to 39.7 in June, and a 0.1% increase in construction employment. These were outweighed by a 14.0% decline in the value of building permits, however. Overall, the data suggest marginally less favorable economic conditions in Northwest Arkansas at the end of the year.

The leading index for **Fort Smith** increased from a revised 104.9 in May to 105.0 in June. The index's three positive **contributors**, from largest to smallest contribution, were a 16.1% increase in the value of building permits, the 0.8% SAAR increase in the state index, and a 0.2% increase in AWMH from a revised 39.4 in May to 39.5 in June. The sole negative contributor to the index in June was a 0.9% decline in construction employment. Overall, the data suggest more favorable economic conditions in Fort Smith in December and January.

The **Little Rock** index of leading economic indicators increased from a revised 103.2 in May to 103.3 in June. The two positive **contributors**, from larger to smaller contribution, were a 53.6% increase in the value of building permits and the 0.8% SAAR increase in the state index of leading economic indicators. The balance of the indicators worsened on a month-on-month basis; from larger to smaller negative contribution, they were a 0.7% decline in construction employment and a 0.1% decline in AWMH from a revised 39.59 in May to 39.56 in June. Overall, the data suggest more favorable economic conditions in the capital city at year's end.

The index of leading economic indicators for **Pine Bluff** increased from a revised 101.9 in May to 102.0 in June. Three **components** increased on a month-on-month basis; from largest to smallest contribution, they were a 6.1% increase in AWMH from a revised 38.5 in May to 40.1 in June, the 0.8% SAAR increase in the state index, and a 0.04% increase in construction employment. The increase in AWMH is certainly good news and is perhaps indicative of inventories falling to more acceptable levels, facilitating an acceleration in production. The sole negative contributor to the index in June was a 37.8% decline in the value of new building permits. Since May's building permit data included a new AT&T switching station, this was somewhat expected. Overall, the data suggest relatively strong economic conditions in Pine Bluff at the end of the year.

The performance of the Arkansas index of coincident economic indicators in June was indicative of the current weakness in the overall economy. For the month, the index declined by a SAAR of 2.8%. The sole positive **contributor** to the index in June was a 0.1% increase in taxable sales. The balance of the components worsened; from larger to smaller negative contributor, they were a 0.2% increase in the **unemployment rate** from a revised 4.7% in May to 4.9% in June and a 0.2% decline in non-farm employment. The unemployment rate has risen each of the last three months and is approximately 0.4% higher than in June 2000. The index now stands at 103.9, down 0.2% from a revised 104.2 in May.

The Northwest Arkansas index of coincident economic indicators reversed its two-month downward trend, ending the month up a SAAR of 1.2%. The sole positive contributor was a 0.7% increase in non-farm employment. This outweighed the balance of the indicators' worsening on a month-on-month basis; from larger to smaller negative contributor, they were a 0.07% increase in the **unemployment rate** from a revised 2.06% in May to 2.13% in June and a 2.7% decline in taxable sales. The unemployment figure, however, is lower than it was one year ago. The index now stands at 105.4, up 0.1% from a revised 105.3 in May. The data suggest that the economic conditions in Northwest Arkansas are relatively better than in the state as a whole.

The index of coincident economic indicators for Fort Smith fell more precipitously in June, down a SAAR of 4.9%. All three indicators worsened on a month-on-month basis; from largest to smallest negative contributor, they were a 0.2% increase in the **unemployment rate** from a revised 3.4% in May to 3.6% in June, a 0.4% decline in non-farm employment, and a 7.4% decline in taxable sales. The unemployment rate, despite its increase, is still lower than it was one year ago. The index now stands at 104.5, down 0.4% from a revised 104.9 in May. The data suggest that the economic conditions in Fort Smith are deteriorating relatively more quickly than in the state as a whole.

The Little Rock index of coincident economic indicators fell by a SAAR of 3.1% in June. All three indicators worsened on a month-on-month basis. From largest to smallest negative contributor, they were a 0.2% increase in the **unemployment rate** from a revised 3.6% in May to 3.8% in June, 0.2% decline in non-farm employment, and a 1.6% decline in taxable sales. The unemployment rate is higher than it was one year ago. The index now stands at 103.2, down 0.2% from a revised 103.4 in May. The data suggest that the economic conditions in the capital city are deteriorating faster than in the state as a whole.

The Pine Bluff index of coincident economic indicators made slight progress in June, increasing by a SAAR of 0.2%. Two of the indicators improved on a month-on-month basis; from larger to smaller positive contributor, they were a 3.8% increase in taxable sales and a 0.1% decline in the **unemployment rate** from a revised 7.8% in May to 7.7% in June. Despite the decline, the unemployment rate is still nearly one percentage point higher in June 2001 than in June 2000. The sole negative contributor to the index was a 0.1% decline in non-farm employment. The index now stands at 100.7, up 0.1% from a revised 100.6 in May. The data suggest that the economic conditions in Pine Bluff are improving.