

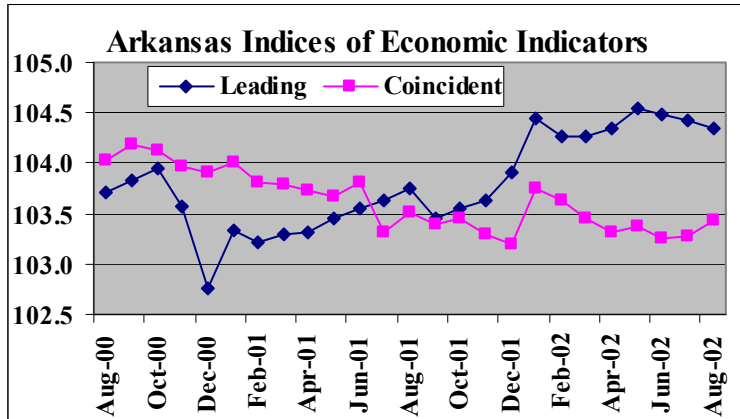


Forecasting Trends: Arkansas Indices of Economic Indicators, August 2002

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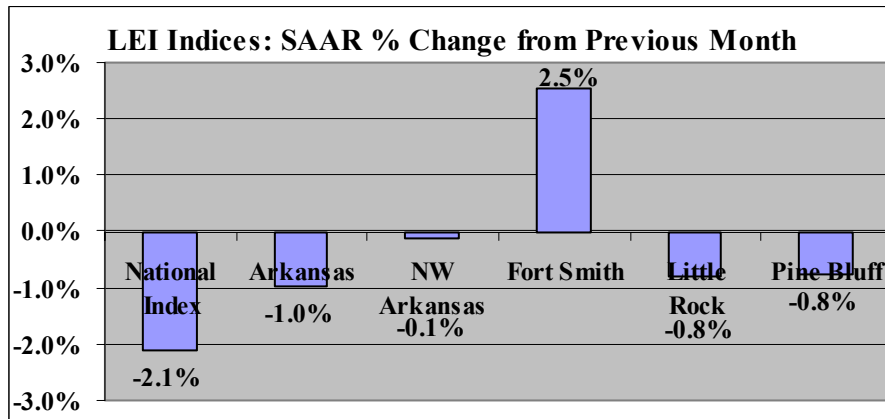
Forecasting Trends: Arkansas Indices of Economic Indicators, August 2002

After decreasing by a revised seasonally adjusted annual rate (SAAR) of 0.7 percent in July, the Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, decreased by a preliminary estimate of 1.0 percent (SAAR) in August. The



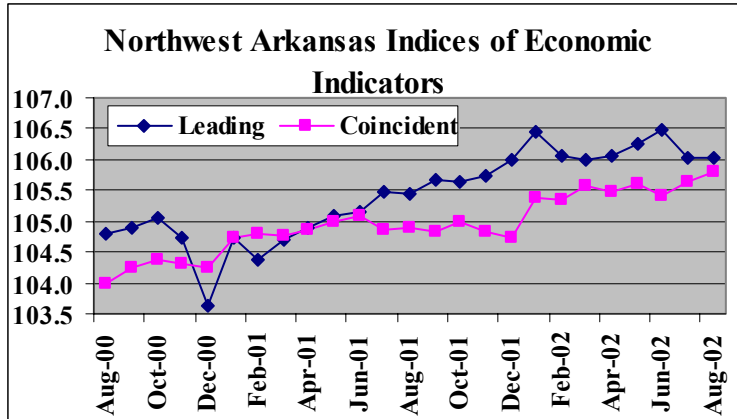
The index's positive contributors were, from larger to smaller contribution, an 11.3 percent decline in the number of initial claims for unemployment insurance¹ and a 0.1 percent increase in construction employment.² The index's negative contributors were, from largest to smallest contribution, a 1.1 percent decrease in average weekly manufacturing hours (AWMH) from a revised 40.0 hours in July to 39.5 hours in August, a 2.1 percent (SAAR) decline in the national index of leading economic indicators,³ a 6.2 percent decrease in the value of new privately-owned residential building permits,⁴ and a 0.5 percent decrease in the number of new incorporation registrations.⁵ The Arkansas leading index now stands at a preliminary estimate of 104.3, down from its revised level of 104.4 in July. Overall, the data suggest moderate economic decay will occur within Arkansas in the first quarter of 2003.

The leading indices for the four metropolitan statistical areas (MSAs) performed relatively better than the state's leading index and the national leading index in August.



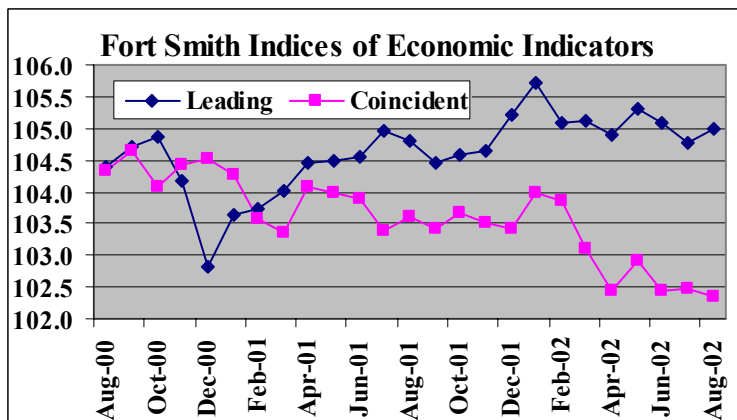
However, the Fort Smith index was the only one among the four to experience an improvement from July, increasing by 2.5 percent (SAAR). The Northwest Arkansas index (which incorporates data for the Fayetteville-Springdale-Rogers MSA) decreased by 0.1 percent (SAAR) in August; the Little Rock-North Little Rock index and the Pine Bluff index both decreased by 0.8 percent (SAAR) for the month.

The Northwest Arkansas Index of Leading Economic Indicators, after decreasing by a revised 4.9 percent (SAAR) in July,⁶ decreased by a preliminary estimate of 0.1 percent (SAAR) in August. The index's positive contributors were, from larger to smaller contribution, a 12.9 percent increase in the value of new



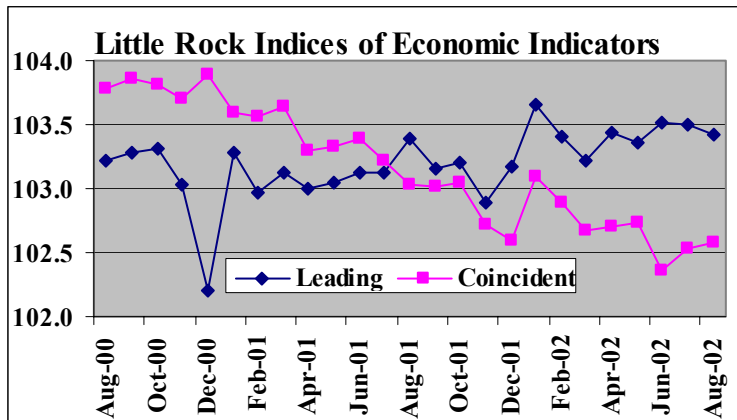
privately-owned residential building permits and a 0.3 percent increase in AWMH from a revised 40.7 hours in July to 40.8 hours in August. The index's negative contributors were, from larger to smaller contribution, the 1.0 percent (SAAR) decrease in the state's leading index and a 0.3 percent decrease in construction employment. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.0, equal to its revised level in July. Overall, the data suggest marginal economic decay will occur within Northwest Arkansas in the first quarter of 2003.

The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 3.5 percent (SAAR) in July, increased by a preliminary estimate of 2.5 percent (SAAR) in August. The index's positive contributors were, from largest to smallest contribution, a 46.8 percent increase in the value of new

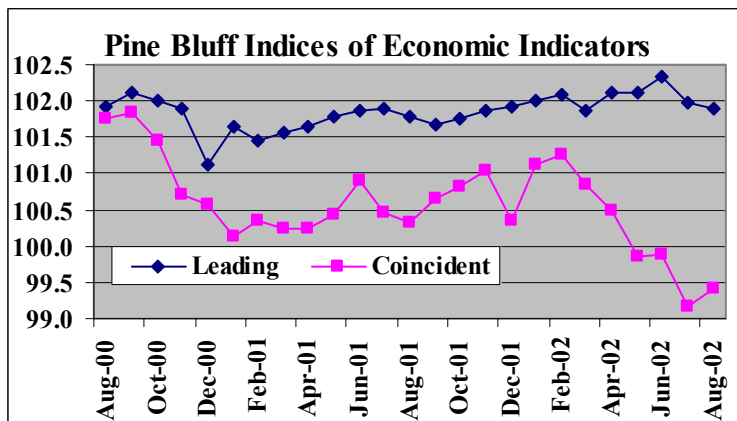


privately-owned residential building permits, a 1.0 percent increase in construction employment, and a 0.7 percent increase in AWMH from a revised 38.4 hours in July to 38.7 hours in August. The index's sole negative contributor was the 1.0 percent (SAAR) decline in the state's leading index. The Fort Smith leading index now stands at a preliminary estimate of 105.0, up from its revised level of 104.8 in July. Overall, the data suggest relatively strong economic growth will occur in Fort Smith in the first quarter of 2003.

The Little Rock Index of Leading Economic Indicators, after decreasing by a revised 0.2 percent (SAAR) in July, decreased by a preliminary estimate of 0.8 percent (SAAR) in August. The index's positive contributors were, from larger to smaller contribution, a 0.8 percent increase in AWMH from a revised 39.2 hours in July to 39.6 hours in August and a 0.2 percent increase in construction employment. The index's negative contributors were, from larger to smaller contribution, a 19.9 percent decrease in the value of new privately-owned residential building permits and the 1.0 percent (SAAR) decrease in the state's leading index. The Little Rock leading index now stands at a preliminary estimate of 103.4, down from its revised level of 103.5 in July. Overall, the data suggest that moderate economic decay will occur in the capital city in the first quarter of 2003.

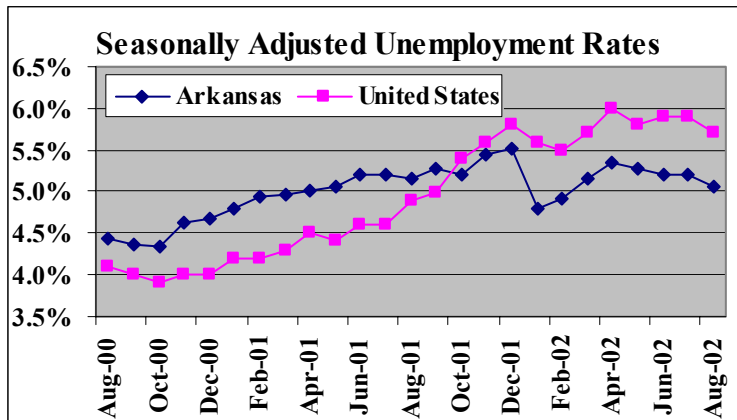


The Pine Bluff Index of Leading Economic Indicators, after decreasing by a revised 4.1 percent (SAAR) in July,⁷ decreased by a preliminary estimate of 0.8 percent (SAAR) in August. The index's sole positive contributor was a 1.3 percent increase in AWMH from a revised 39.4 hours in July to 40.0 hours in August. The index's negative contributors were, from largest to smallest contribution, a 29.7 percent decrease in the value of new privately-owned residential building permits, a 4.1 percent decrease in construction employment, and the 1.0 percent (SAAR) decrease in the state's leading index. The Pine Bluff leading index now stands at a preliminary estimate of 101.9, down from its revised level of 102.0 in July. Overall, the data suggest that moderate economic decay will occur in Pine Bluff in the first quarter of 2003.



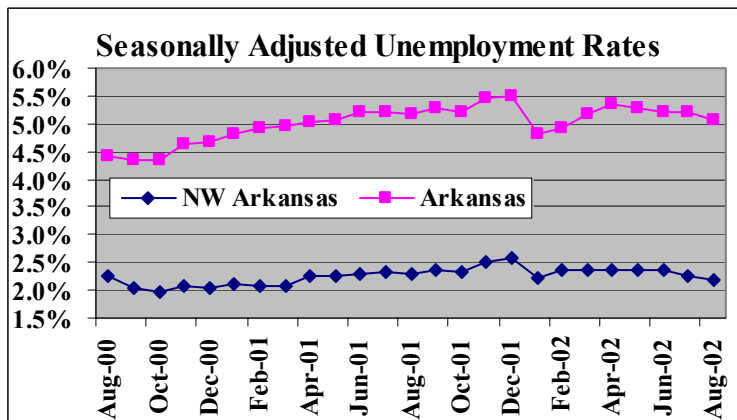
The Pine Bluff Index of Leading Economic Indicators, after decreasing by a revised 4.1 percent (SAAR) in July,⁷ decreased by a preliminary estimate of 0.8 percent (SAAR) in August. The index's sole positive contributor was a 1.3 percent increase in AWMH from a revised 39.4 hours in July to 40.0 hours in August. The index's negative contributors were, from largest to smallest contribution, a 29.7 percent decrease in the value of new privately-owned residential building permits, a 4.1 percent decrease in construction employment, and the 1.0 percent (SAAR) decrease in the state's leading index. The Pine Bluff leading index now stands at a preliminary estimate of 101.9, down from its revised level of 102.0 in July. Overall, the data suggest that moderate economic decay will occur in Pine Bluff in the first quarter of 2003.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.3 percent (SAAR) in July, increased by a preliminary estimate of 1.9 percent (SAAR) in August. All three of the index's components experienced



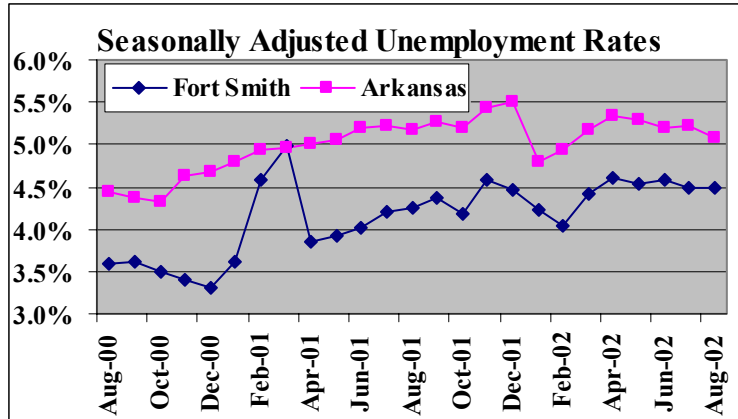
month-on-month improvements in August. From largest to smallest contribution, they were a 0.1 percent decrease in the state's unemployment rate, a 0.1 percent increase in non-farm employment, and a predicted 1.0 percent increase in taxable sales.⁸ The unemployment rate in Arkansas was 5.1 percent in August, down 0.1 percent from August 2001; the U.S. unemployment rate stood at 5.7 percent in August, up 0.8 percent from August 2001. The Arkansas coincident index now stands at a preliminary estimate of 103.4, up from its revised level of 103.3 in July. Since January, the Arkansas coincident index has decreased 0.3 percent. Overall, the data suggest economic conditions in the state improved in August.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 2.6 percent (SAAR) in July, increased by a preliminary estimate of 1.8 percent (SAAR) in August. The index's positive contributors were, from larger to smaller contribution, a 0.4 percent increase in non-farm

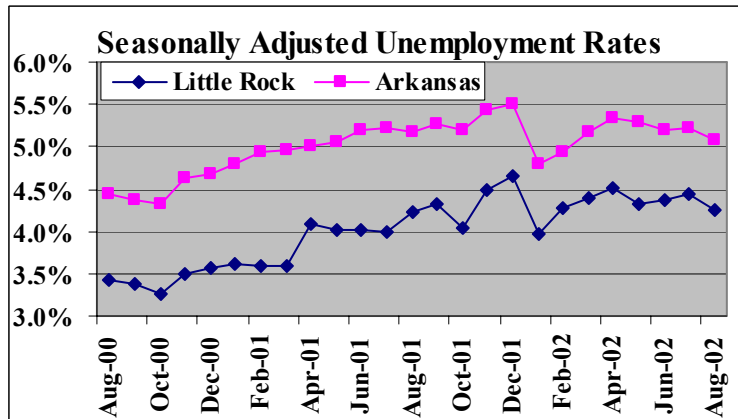


employment and a 0.1 percent decrease in the MSA's unemployment rate. The unemployment rate in the MSA was 2.2 percent in August, down 0.1 percent from August 2001. The index's sole negative contributor was a predicted 0.6 percent decline in taxable sales. The Northwest Arkansas coincident index now stands at a preliminary estimate of 105.8, up from its revised level of 105.6 in July. Since January, the Northwest Arkansas coincident index has increased 0.4 percent. Overall, the data suggest economic conditions in Northwest Arkansas improved in August.

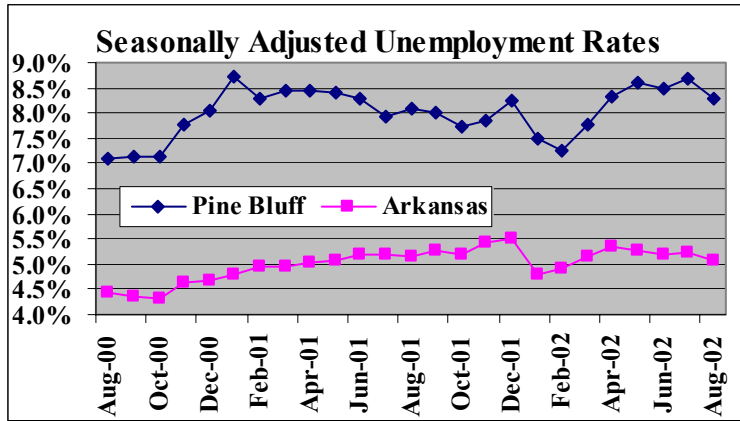
The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 0.4 percent (SAAR) in July, decreased by a preliminary estimate of 1.5 percent (SAAR) in August. The index's sole positive contributor was a predicted 1.7 percent increase in taxable sales. The unemployment rate in the MSA held steady at 4.5 percent in August, up 0.2 percent from August 2001. The index's sole negative contributor was a 0.5 percent decrease in non-farm employment. The Fort Smith coincident index now stands at a preliminary estimate of 102.3, down from its revised level of 102.5 in July. Since January, the Fort Smith coincident index has decreased 1.6 percent. Overall, the data suggest economic conditions in Fort Smith worsened in August.



The Little Rock Index of Coincident Economic Indicators, after increasing by a revised 1.9 percent (SAAR) in July, increased by a preliminary estimate of 0.6 percent (SAAR) in August. The index's sole positive contributor was a 0.2 percent decrease in the MSA's unemployment rate. The unemployment rate in the MSA was 4.2 percent in August, equal to its level in August 2001. The index's negative contributors were, from larger to smaller contribution, a 0.1 percent decline in non-farm employment and a predicted 1.2 percent decrease in taxable sales. The Little Rock coincident index now stands at a preliminary estimate of 102.6, up from its revised level of 102.5 in July. Since January, the Little Rock coincident index has decreased 0.5 percent. Overall, the data suggest economic conditions in the capital city improved in August.



The Pine Bluff Index of Coincident Economic Indicators, after decreasing by a revised 8.2 percent (SAAR) in July, increased by a preliminary estimate of 3.0 percent (SAAR) in August. The index's positive contributors were, from larger to smaller contribution, a 0.4 percent decrease in the MSA's



unemployment rate and a predicted 0.8 percent increase in taxable sales. The unemployment rate in the MSA was 8.3 percent in August, up 0.2 percent from August 2001. The index's sole negative contributor was a 0.1 percent decrease in non-farm employment. The Pine Bluff coincident index now stands at a preliminary estimate of 99.4, up from its revised level of 99.2 in July. Since January, the Pine Bluff coincident index has decreased 1.7 percent. Overall, the data suggest economic conditions in Pine Bluff improved in August.

¹ Source: Arkansas Employment Security Department

² Source for employment data: U.S. Commerce Department, Bureau of Labor Statistics

³ Source: The Conference Board

Note: "In light of substantial data revisions announced by the Bureau of Economic Analysis (BEA) in July, The Conference Board decided to undertake a mid-year benchmark of its composite economic indexes...Due to these revisions, month-to-month changes in the composite [national] indexes are no longer comparable to those issued prior to this benchmark."

<http://www.globalindicators.org/US/LatestReleases/2002/Jul02.pdf>

The revisions noted in the Conference Board's press release for May and June have been incorporated in the construction of the Arkansas Index of Leading Economic Indicators.

⁴ Source: U.S. Census Bureau

⁵ Source: Information Network of Arkansas

⁶ The sharp decline in Northwest Arkansas' leading index in July was due to a sharp drop-off in the value of building permits, caused by the incentives created by the City of Bentonville's enactment of impact fees on building construction beginning on July 1, 2002.

⁷ The sharp declines in Pine Bluff's leading and coincident indices were primarily due to declines in non-farm employment, specifically declines in construction employment, as a chemical weapons decommissioning facility reached substantial completion in July, and a large number of construction workers were no longer working on the project.

⁸ Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

Data were seasonally adjusted using SAS ® Proc X11.