

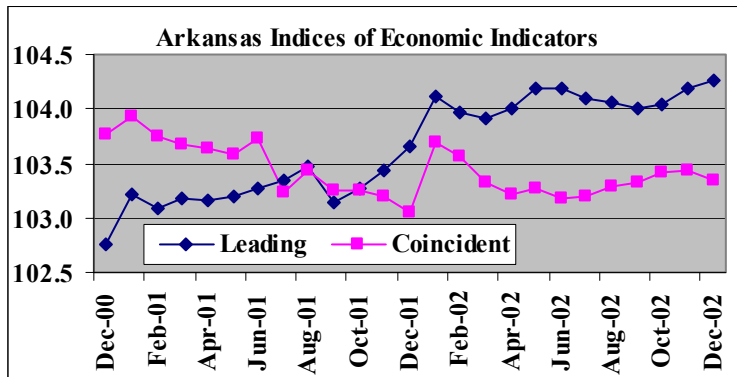


Forecasting Trends: Arkansas Indices of Economic Indicators, December 2002

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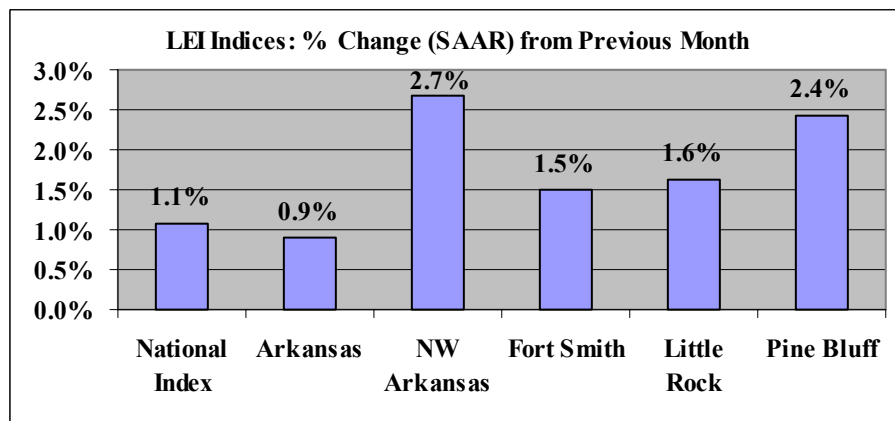
Forecasting Trends: Arkansas Indices of Economic Indicators, December 2002

After increasing by a revised seasonally adjusted annual rate (SAAR) of 1.7 percent in November, the Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, increased by a preliminary estimate of 0.9 percent (SAAR) in



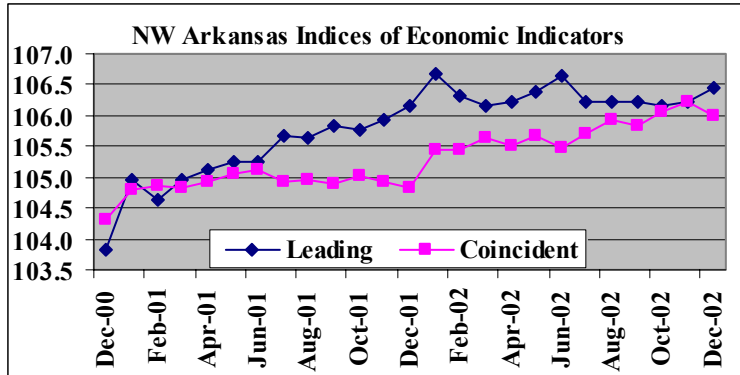
December. The index's positive contributors were, from largest to smallest contribution, a 1.2 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.7 hours in November to 40.2 hours in December,¹ a 0.6 percent increase in construction employment, a 5.1 percent increase in the value of new, privately-owned residential building permits,² and a 1.1 percent (SAAR) increase in the national index of leading economic indicators.³ The index's negative contributors were, from larger to smaller contribution, a 22.9 percent increase in the number of initial claims for unemployment insurance⁴ and a 4.8 percent decrease in the number of new incorporation registrations.⁵ The Arkansas leading index now stands at a preliminary estimate of 104.3, up from its revised level of 104.2 in November. Overall, the data suggest mild economic growth will occur within Arkansas in the third quarter of 2003.

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



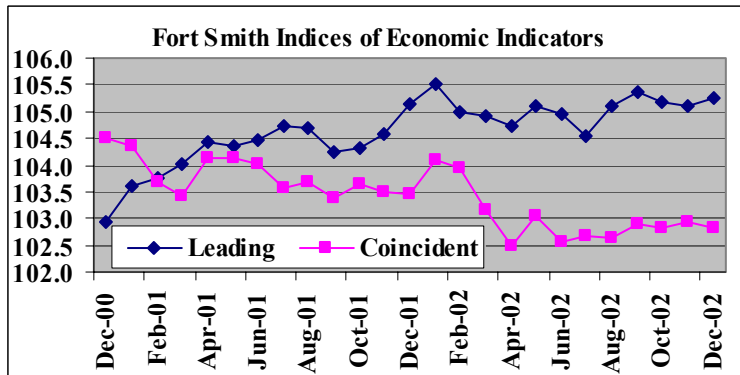
December. The leading indices for the Fayetteville-Springdale-Rogers MSA (Northwest Arkansas) and the Pine Bluff MSA increased by 2.7 percent (SAAR) and 2.4 percent (SAAR), respectively, from November to December. The leading indices for the Little Rock – North Little Rock MSA and the Fort Smith MSA increased by 1.6 percent (SAAR) and 1.5 percent (SAAR), respectively, for the month.

The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 0.8 percent (SAAR) in November, increased by a preliminary estimate of 2.7 percent (SAAR) in December. The index's positive contributors were, from largest to smallest contribution, a 3.5



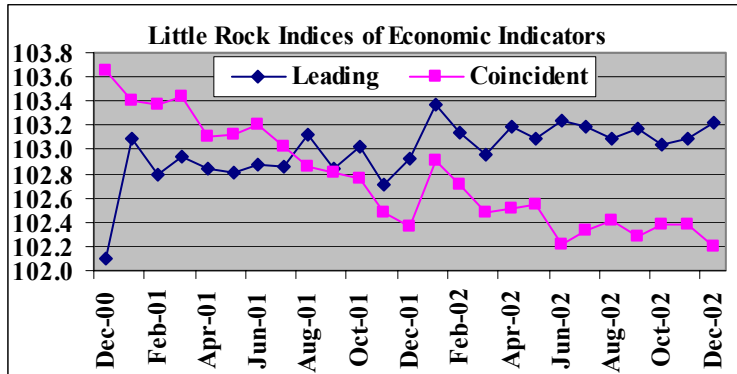
percent increase in AWMH from a revised 38.0 hours in November to 39.4 hours in December, the 0.9 percent (SAAR) increase in the state's leading index, and a 0.4 percent increase in construction employment. The index's sole negative contributor was a 10.7 percent decrease in the value of new, privately-owned residential building permits. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.5, up from its revised level of 106.2 in November. Overall, the data suggest relatively strong economic growth will occur within Northwest Arkansas in the third quarter of 2003.

The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 0.8 percent (SAAR) in November, increased by a preliminary estimate of 1.5 percent (SAAR) in December. The index's positive contributors were, from larger to smaller contribution, a 3.7 percent



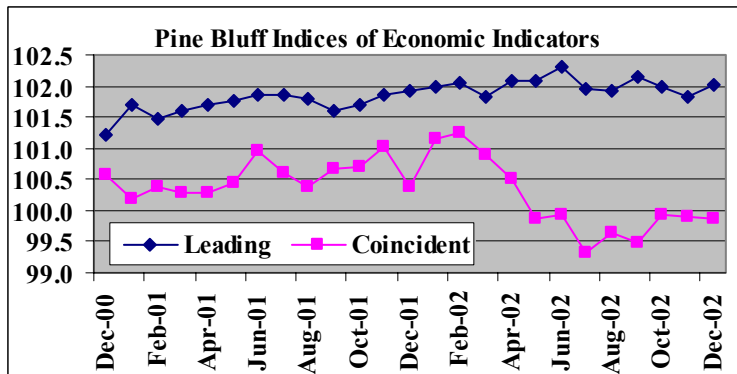
increase in AWMH from a revised 40.4 hours in November to 41.8 hours in December and the 0.9 percent (SAAR) increase in the state's leading index. The index's negative contributors were, from larger to smaller contribution, a 1.1 percent decrease in construction employment and a 13.7 percent decrease in the value of new, privately-owned residential building permits. The Fort Smith leading index now stands at a preliminary estimate of 105.2, up from its revised level of 105.1 in November. Overall, the data suggest moderate economic growth will occur in the Fort Smith MSA in the third quarter of 2003.

The Little Rock Index of Leading Economic Indicators, after increasing by a revised 0.6 percent (SAAR) in November, increased by a preliminary estimate of 1.6 percent (SAAR) in December. The index's positive contributors were, from largest to smallest contribution, a 1.2



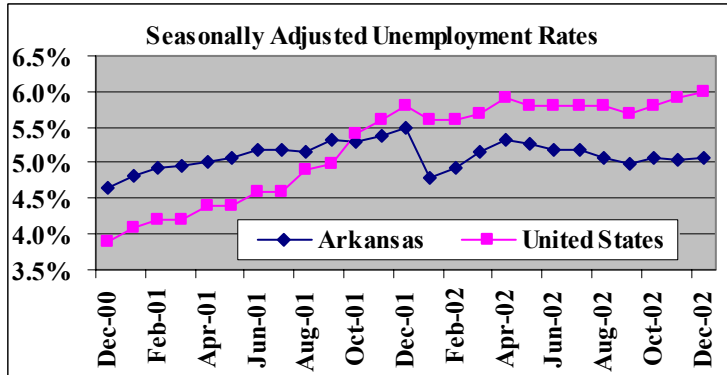
percent increase in construction employment, the 0.9 percent (SAAR) increase in the state's leading index, and a 0.5 percent increase in AWMH from a revised 38.4 hours in November to 38.6 hours in December. The index's sole negative contributor was a 3.9 percent decrease in the value of new, privately-owned residential building permits. The Little Rock leading index now stands at a preliminary estimate of 103.2, up from its revised level of 103.1 in November. Overall, the data suggest moderate economic growth will occur in the Little Rock-North Little Rock MSA in the third quarter of 2003.

The Pine Bluff Index of Leading Economic Indicators, after decreasing by a revised 1.9 percent (SAAR) in November, increased by a preliminary estimate of 2.4 percent (SAAR) in December. The index's positive contributors were, from largest to smallest contribution, a 5.0



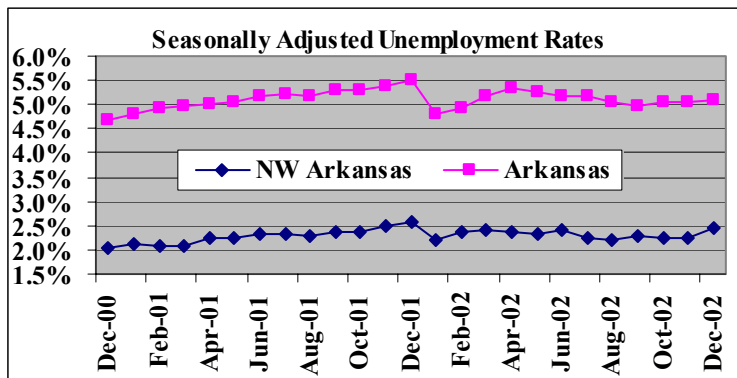
percent increase in AWMH from a revised 37.1 hours in November to 39.0 hours in December, the 0.9 percent (SAAR) increase in the state's leading index, and a 1.1 percent increase in construction employment. The index's sole negative contributor was a 2.1 percent decrease in the value of new, privately-owned residential building permits. The Pine Bluff leading index now stands at a preliminary estimate of 102.0, up from its revised level of 101.8 in November. Overall, the data suggest relatively strong economic growth will occur in the Pine Bluff MSA in the third quarter of 2003.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.2 percent (SAAR) in November, decreased by a preliminary estimate of 1.0 percent (SAAR) in December. All three of the



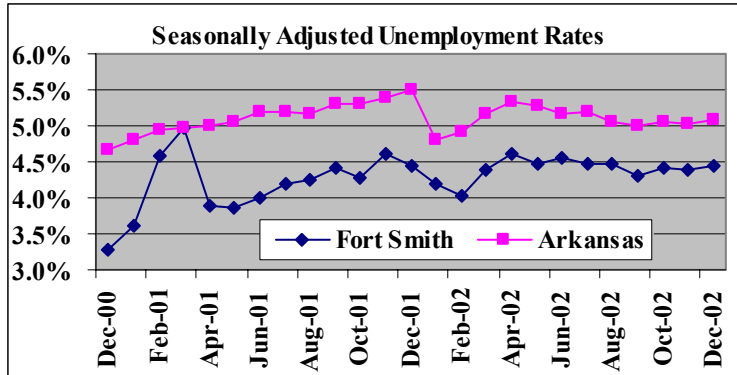
index's components worsened on a month-on-month basis in December. From largest to smallest negative contributor, they were a 0.1 percent decrease in non-farm employment, a predicted 1.6 percent decrease in taxable sales in December,⁶ and a 0.1 percent increase in the state's unemployment rate to 5.1 percent in December. In December 2001, the unemployment in Arkansas was 5.5 percent. The national unemployment rate held steady in December at 6.0 percent; in December 2001, the national unemployment rate was 5.8 percent. After increasing for five consecutive months, the Arkansas coincident index now stands at a preliminary estimate of 103.4, equal to its revised level in October and November. Since January 2002, the Arkansas coincident index has decreased 0.3 percent. Overall, the data suggest economic conditions in the state worsened in December.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 1.7 percent (SAAR) in November, decreased by a preliminary estimate of 2.4 percent (SAAR) in December. All three of the index's components



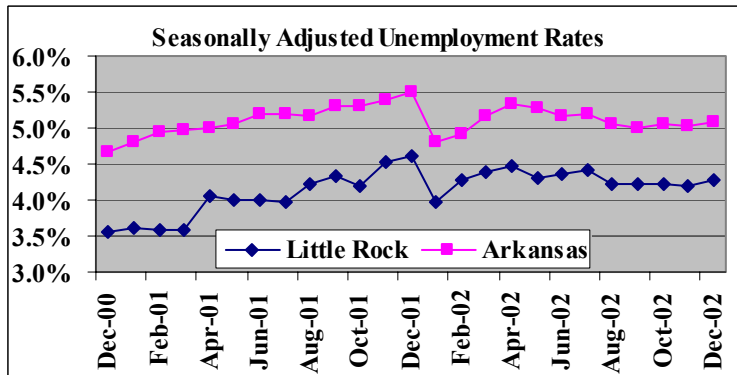
worsened on a month-on-month basis in December. From largest to smallest negative contribution, they were a 0.1 percent increase in the MSA's unemployment rate to 2.4 percent in December, a 0.3 percent decrease in non-farm employment, and a predicted 0.2 percent decrease in taxable sales. The unemployment rate in the Fayetteville-Springdale-Rogers MSA was 2.6 percent in December 2001. The Northwest Arkansas coincident index now stands at a preliminary estimate of 106.0, down from its revised level of 106.2 in November. Since January 2002, the Northwest Arkansas coincident index has increased 0.5 percent. Overall, the data suggest economic conditions in Northwest Arkansas worsened in December.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 1.3 percent (SAAR) in November, decreased by a preliminary estimate of 1.0 percent (SAAR) in December. The unemployment rate in the Fort Smith MSA held steady in December at 4.4 percent,



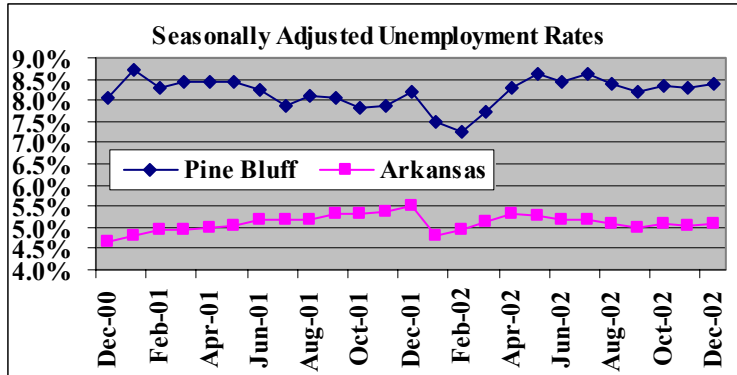
equal to its level in December 2001. The index's negative contributors were, from larger to smaller contribution, a 0.1 percent decrease in construction employment and a predicted 0.7 percent decrease in taxable sales. The Fort Smith coincident index now stands at a preliminary estimate of 102.8, down from its revised level of 102.9 in November. Since January 2002, the Fort Smith coincident index has decreased 1.2 percent. Overall, the data suggest economic conditions in the Fort Smith MSA worsened in December.

The Little Rock Index of Coincident Economic Indicators, after holding steady in November, decreased by a preliminary estimate of 2.0 percent (SAAR) in December. All three of the index's components worsened on a month-on-month basis in December. From largest to



smallest negative contribution, they were a 0.2 percent decrease in non-farm employment, a 0.1 percent increase in the MSA's unemployment rate to 4.3 percent in December, and a predicted 1.7 percent decrease in taxable sales. In December 2001, the unemployment rate for the Little Rock-North Little Rock MSA was 4.6 percent. The Little Rock coincident index now stands at a preliminary estimate of 102.2, down from its revised level of 102.4 in November. Since January 2002, the Little Rock coincident index has decreased 0.7 percent. Overall, the data suggest economic conditions in the Little Rock-North Little Rock MSA worsened in December.

The Pine Bluff Index of Coincident Economic Indicators, after decreasing by a revised 0.4 percent (SAAR) in November, decreased by a preliminary estimate of 0.5 percent (SAAR) in December. The index's sole positive contributor was a 0.2 percent increase in construction employment. The index's negative contributors were, from larger to smaller contribution, a 0.1 percent increase in the MSA's unemployment rate to 8.4 percent in December and a predicted 1.1 percent decrease in taxable sales. In December 2001, the unemployment rate for the MSA was 8.2 percent. The Pine Bluff coincident index now stands at a preliminary estimate of 99.9, equal to its revised level in October and November. Since January 2002, the Pine Bluff coincident index has decreased 1.3 percent. Overall, the data suggest economic conditions in the Pine Bluff MSA worsened marginally in December.



¹ Source for employment data: U.S. Commerce Department, Bureau of Labor Statistics

² Source: U.S. Census Bureau

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: Arkansas Employment Security Department

⁵ Source: Information Network of Arkansas

⁶ Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

Note: Data were seasonally adjusted using SAS ® Proc X11.