

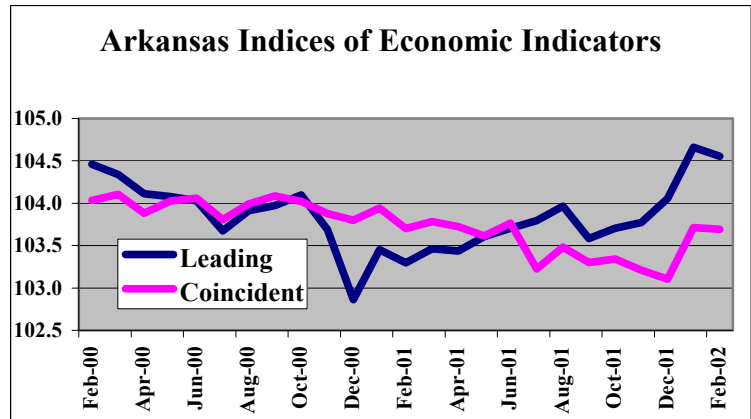


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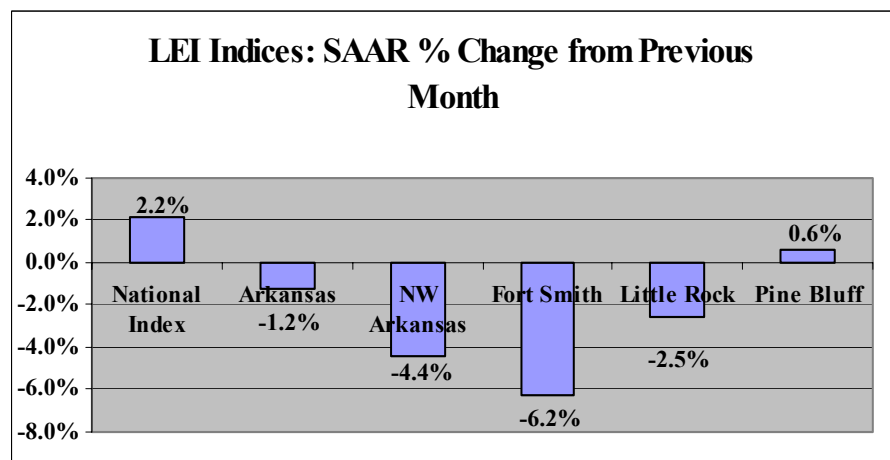
Forecasting Trends: Arkansas Indices of Economic Indicators, February 2002

After increasing by a revised seasonally adjusted annual rate (SAAR) of 7.2 percent in January, the Arkansas Index of Leading Economic Indicators, which gauges economic conditions in the state six to nine months hence, decreased by a preliminary estimate of 1.2 percent (SAAR) in February. The index's positive contributors, from largest to smallest contribution, were a 0.8 percent increase in



average weekly manufacturing hours (AWMH) from a revised 39.5 hours in January to 39.9 hours in February,¹ a 2.2 percent (SAAR) increase in the national index of leading economic indicators,² and a 5.1 percent decline in the number of initial claims for unemployment insurance.³ Construction employment held steady at its January level of 55,200 persons. The index's negative contributors, from larger to smaller contribution, were a 27.0 percent decline in the value of new building permits⁴ and a 9.3 percent decline in the number of new incorporation registrations.⁵ The Arkansas leading index now stands at a preliminary estimate of 104.6, down from a revised 104.7 in January; this is the first decline in the leading index since September 2001. Overall, the data suggest relatively weaker economic growth will occur in the state in the third quarter of 2002.

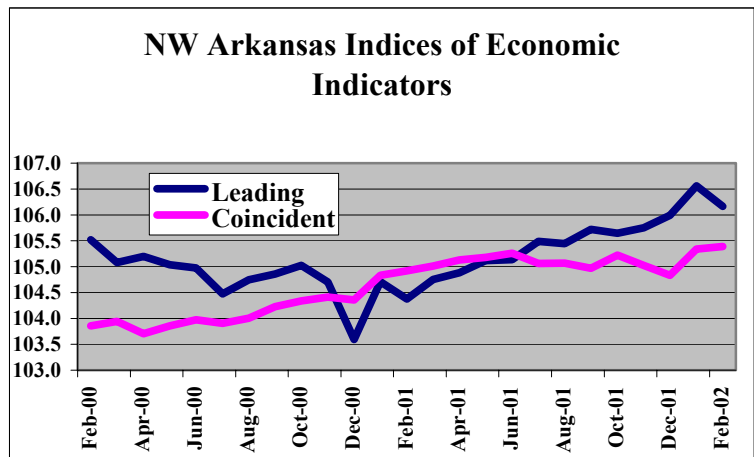
The leading indices for the four metropolitan statistical areas (MSAs) performed relatively worse than the national index's 2.2 percent (SAAR) increase in February. The Pine Bluff leading index was the sole MSA index to experience positive gains for the month, increasing by 0.6 percent (SAAR).



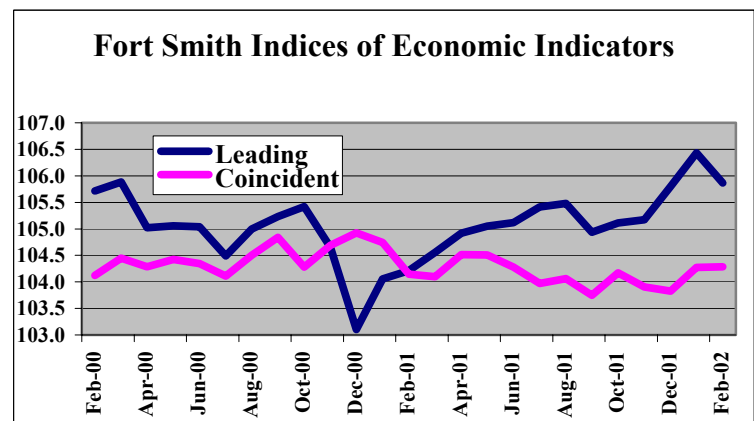
The balance of the MSA indices performed relatively worse than the state index's 1.2 percent

(SAAR) decline; the Little Rock-North Little Rock index, Northwest Arkansas index (which incorporates data for the Fayetteville-Springdale-Rogers MSA), and the Fort Smith index declined by SAARs of 2.5 percent, 4.4 percent, and 6.2 percent, respectively.

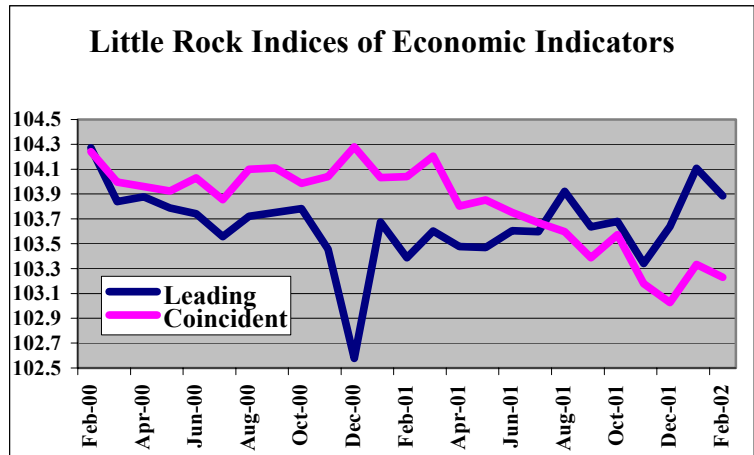
The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised SAAR of 6.7 percent in January, declined by a preliminary estimate of 4.4 percent (SAAR) in February. The index's positive contributors, from larger to smaller contribution, were a 0.8 percent increase in construction employment and a 1.2 percent increase in AWMH from a revised 39.0 hours in January to 39.5 hours in February. The index's negative contributors, from larger to smaller contribution, were a 61.5 percent decline in the value of new building permits and the 1.2 percent SAAR decline in the state's leading index. The Northwest Arkansas leading index now stands at 106.2, down from a revised 106.6 in January; this is the first decline in the leading index since October 2001. Overall, the data suggest relatively weaker economic growth will occur in Northwest Arkansas in the third quarter of 2002.



The Fort Smith Index of Leading Economic Indicators, after increasing by a revised SAAR of 7.4 percent in January, declined by a preliminary estimate of 6.3 percent (SAAR) in February. All four of the index's components worsened on a month-on-month basis; from largest to smallest negative contribution, they were a 53.5 percent decline in the value of new building permits, a 1.6 percent decline in AWMH from a revised 39.0 hours in January to 38.4 hours in February, the 1.2 percent SAAR decline in the state's leading index, and a 0.2 percent decline in construction employment. The Fort Smith leading index now stands at a preliminary estimate of 105.9, down from a revised 106.4 in January; this is the first decline in the leading index since September 2001. Overall, the data suggest relatively weaker economic growth will occur in Fort Smith in the third quarter of 2002.

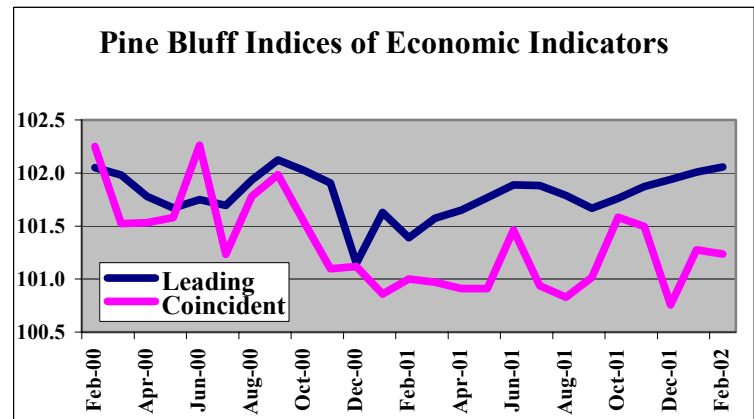


The Little Rock Index of Leading Economic Indicators, after increasing by a revised SAAR of 5.6 percent in January, declined by a preliminary estimate of 2.5 percent (SAAR) in February. The index's sole positive contributor was a 4.1 percent increase in the value of new building permits. The index's negative contributors, from largest to smallest contribution, were a 1.0 percent decline in construction employment, a 2.3



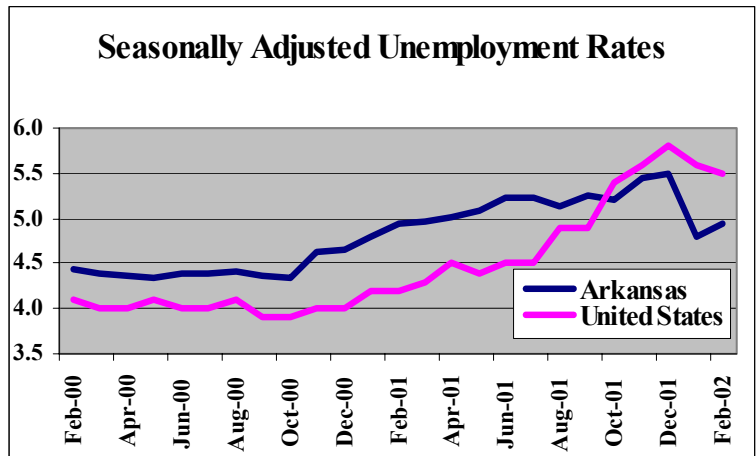
percent decline in AWMH from a revised 39.2 hours in January to 38.3 hours in February, and the 1.2 percent SAAR decline in the state's leading index. The Little Rock leading index now stands at a preliminary estimate of 103.9, down from a revised 104.1 in January; this is the first decline in the leading index since November 2001. Overall, the data suggest relatively weaker economic growth will occur in the capital city in the third quarter of 2002.

The Pine Bluff Index of Leading Economic Indicators, after increasing by a revised SAAR of 0.8 percent in January, increased by a preliminary estimate of 0.6 percent (SAAR) in February. The index's sole positive contributor was a 717.4 percent increase in the value of new building permits, precipitated by the approval of construction permits for several large homes. The index's negative



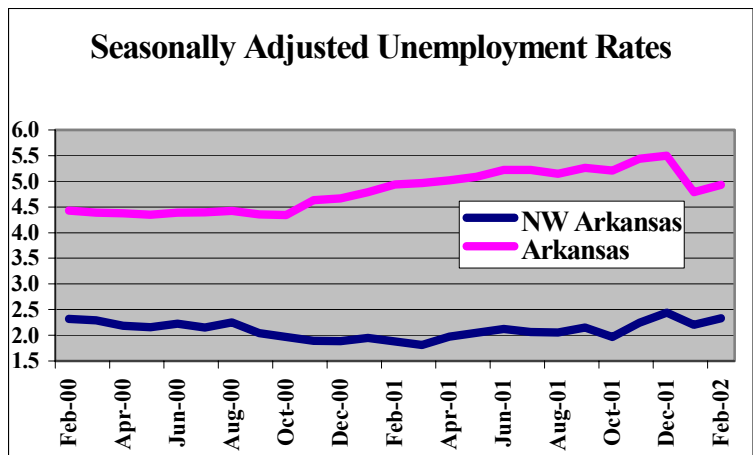
contributors, from largest to smallest contribution, were a 1.7 percent decline in AWMH from a revised 40.3 hours in January to 39.6 hours in February, a 4.3 percent decline in construction employment, and the 1.2 percent SAAR decline in the state's leading index. The Pine Bluff leading index now stands at a preliminary estimate of 102.1, up from a revised 102.0 in January; this is the fifth consecutive month in which the leading index has experienced positive gains. Overall, the data suggest relatively strong economic growth will occur in Pine Bluff in the third quarter of 2002.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions in the state, after increasing by a revised SAAR of 7.3 percent in January, held steady in February. The index's positive contributors, from larger to smaller contribution, were a 0.1 percent increase in non-farm employment and a projected 1.9 percent increase in taxable sales.⁶ The index's sole negative contributor was a 0.1 percent



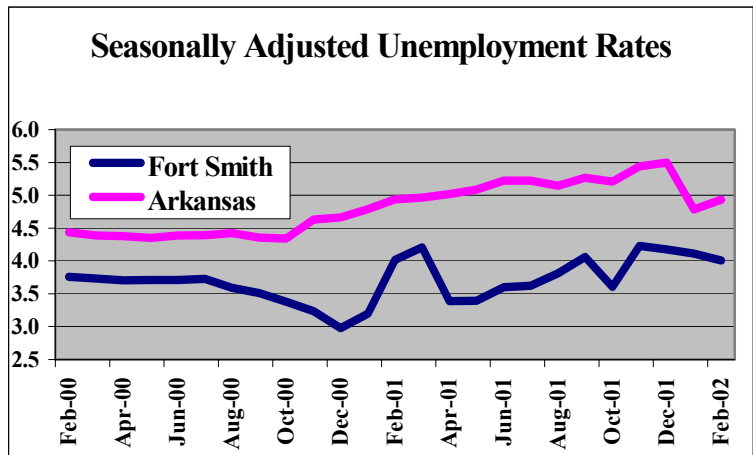
increase in the unemployment rate. The unemployment rate in Arkansas stood at 4.9 percent in February, equal to its February 2001 level; the U.S. unemployment rate stood at 5.5 percent in February, up 1.3 percent from its February 2001 level. The Arkansas coincident index now stands at a preliminary estimate of 103.7. Overall, the data suggest that economic conditions in the state remained relatively unchanged from January.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised SAAR of 6.0 percent in January, increased by a preliminary estimate of 0.5 percent (SAAR) in February. The index's positive contributors, from larger to smaller contribution, were a 0.5 percent increase in non-farm employment and a projected 2.0 percent increase in taxable sales. The index's sole negative contributor was a 0.1 percent increase in the

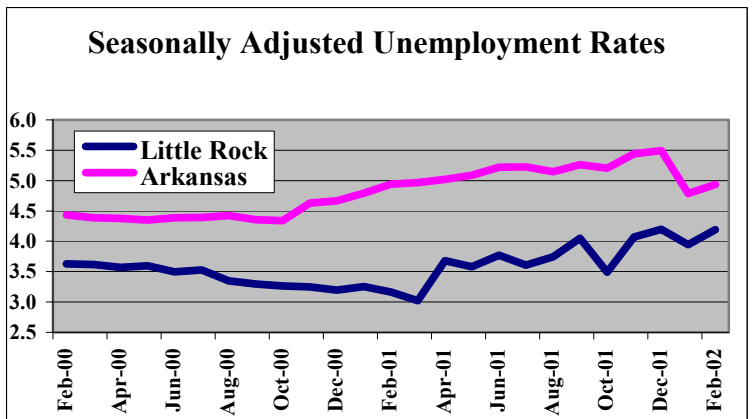


unemployment rate. The unemployment rate in Northwest Arkansas stood at 2.3 percent in February, up 0.4 percent from its February 2001 level. The Northwest Arkansas coincident index now stands at a preliminary estimate of 105.4, up from a revised 105.3 in January. Overall, the data suggest that economic conditions in Northwest Arkansas improved in February.

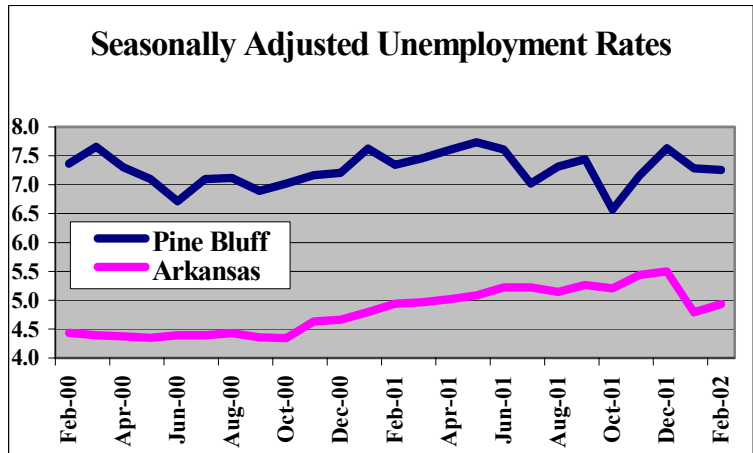
The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised SAAR of 5.3 percent in January, held steady in February. The index's positive contributors, from larger to smaller contribution, were a projected 7.2 percent increase in taxable sales and a 0.1 percent decline in the unemployment rate. The index's sole negative contributor was a 0.5 percent decline in non-farm employment. The unemployment rate in Fort Smith stood at 4.0 percent in February, equal to its February 2001 level. The Fort Smith coincident index now stands at a preliminary estimate of 104.3. Overall, the data suggest that economic conditions in Fort Smith remained relatively unchanged from January.



The Little Rock Index of Coincident Economic Indicators, after increasing by a revised SAAR of 3.6 percent in January, declined by a preliminary estimate of 1.2 percent (SAAR) in February. The index's sole positive contributor was a projected 3.2 percent increase in taxable sales. Non-farm employment held steady at its January level of 313,800 persons. The index's sole negative contributor was a 0.2 percent increase in the unemployment rate. The unemployment rate in Little Rock stood at 4.2 percent in February, up 1.0 percent from its February 2001 level. The Little Rock coincident index now stands at a preliminary estimate of 103.2, down from a revised 103.3 in January. Overall, the data suggest economic conditions in the capital city worsened in February.



The Pine Bluff Index of Coincident Economic Indicators, after increasing by a revised SAAR of 6.4 percent in January, declined by a preliminary estimate of 0.5 percent (SAAR) in February. The unemployment rate in Pine Bluff held steady at January's revised level of 7.3 percent, equal to its February 2001 level. The index's negative contributors, from larger to smaller contribution, were a 0.1 percent decline in non-farm employment and a projected 0.9 percent decrease in taxable sales. The Pine Bluff coincident index now stands at a preliminary estimate of 101.2, down from a revised 101.3 in January.



Overall, the data suggest economic conditions in Pine Bluff worsened in February.

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

² Source: The Conference Board

³ Source: Arkansas Employment Security Department

⁴ Source: U.S. Census Bureau

⁵ Source: Information Network of Arkansas

⁶ Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration
Data were seasonally adjusted using SAS ® Proc X11.