

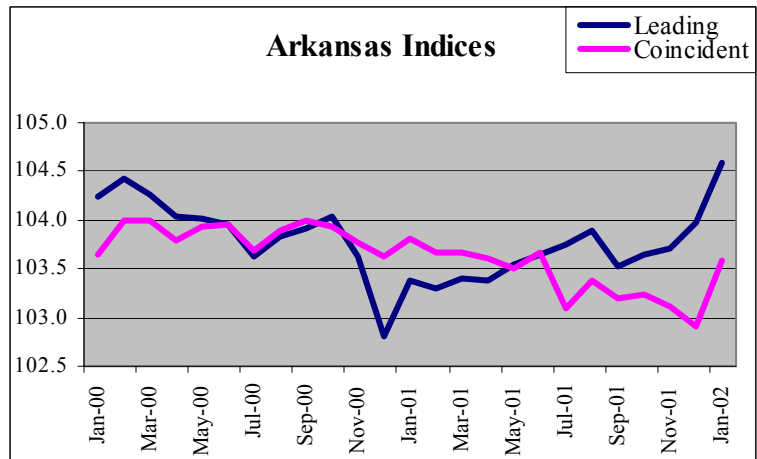


SAM M. WALTON COLLEGE of BUSINESS

Center for Business and Economic Research

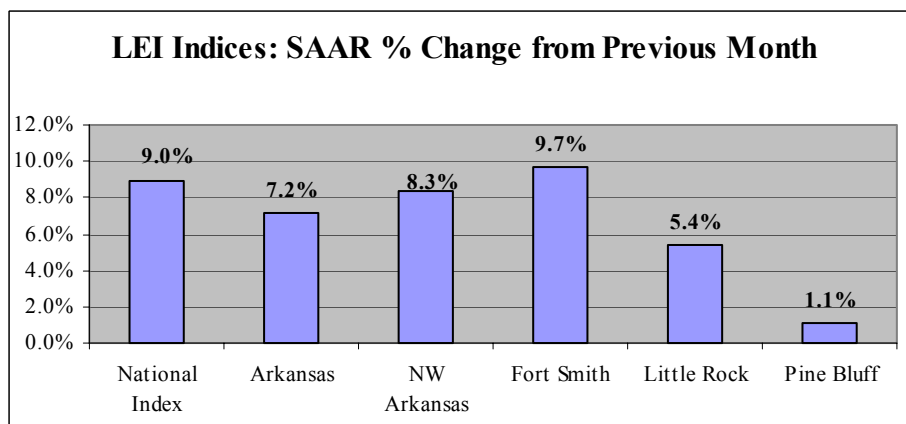
Forecasting Trends: Arkansas Indices of Economic Indicators, January 2002

After increasing by a revised seasonally adjusted annual rate (SAAR) of 3.3 percent in December, the Arkansas Index of Leading Economic Indicators, which gauges economic conditions in the state six to nine months hence, increased by a preliminary SAAR of 7.2 percent in January. All of the index's components experienced month-on-month improvements; from largest to smallest contribution, they were a



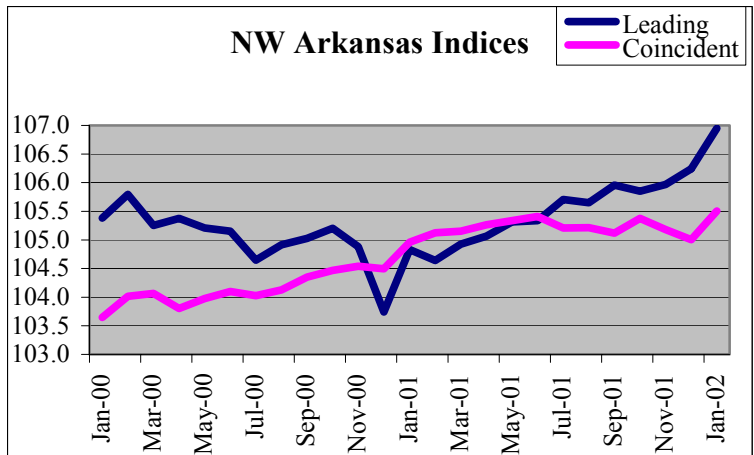
47.3 percent increase in the value of new building permits,¹ a 9.0 percent (SAAR) increase in the national index of leading economic indicators,² a 20.4 percent increase in the number of new incorporation registrations,³ a 1.5 percent increase in construction employment,⁴ a 9.8 percent decline in the number of initial claims for unemployment insurance,⁵ and a 0.3 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.4 hours in December to 39.5 hours in January. The leading index now stands at 104.6, up from a revised 104.0 in December. Overall, the data suggest relatively stronger economic growth will occur in the state in the third quarter of 2002.

All of the leading indices for Arkansas' metropolitan statistical areas (MSAs) increased in January. The Fort Smith leading index and the Northwest Arkansas leading index (which incorporates data for the Fayetteville-Springdale-Rogers



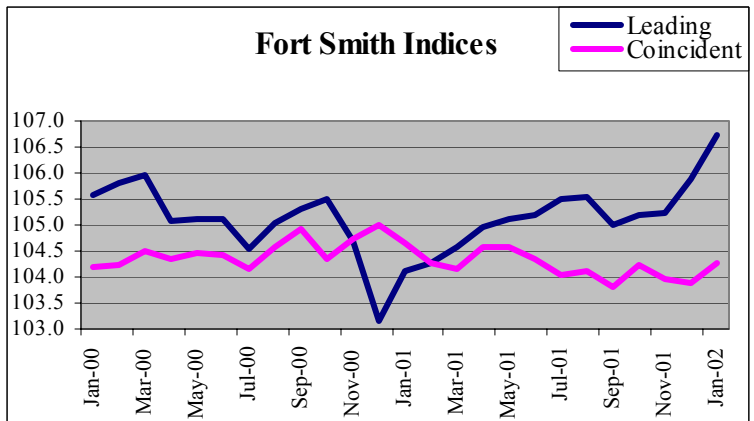
MSA) performed relatively better than the state's index, increasing by SAARs of 9.7 percent and 8.3 percent, respectively. The Little Rock and Pine Bluff leading indices performed relatively worse than the state's index, increasing by SAARs of 5.4 percent and 1.1 percent, respectively.

The Northwest Arkansas Index of Leading Economic Indicators increased for the third consecutive month in January. The index's positive contributors, from largest to smallest contribution, were the 7.2 percent SAAR increase in the state's leading index, a 61.7 percent increase in the value of new building permits, and a 1.7 percent increase in construction employment. The index's sole negative contributor was a 2.2



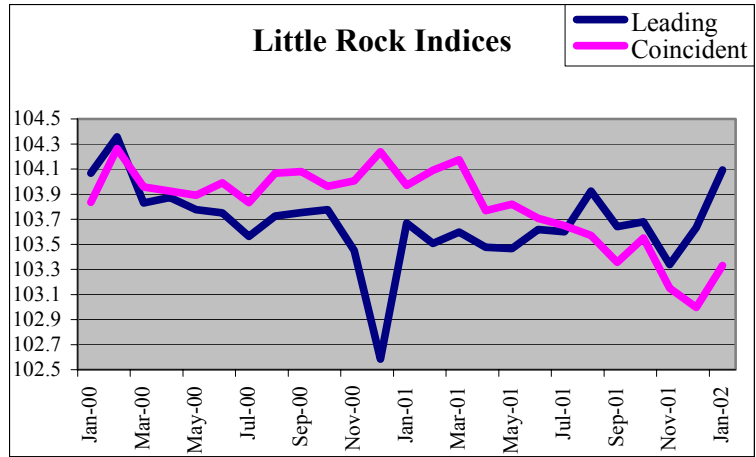
percent decline in AWMH from a revised 40.0 hours in December to 39.1 hours in January. The leading index now stands at 106.9, up from a revised 106.2 in December. Overall, the data suggest relatively strong economic growth will occur in Northwest Arkansas in the third quarter of 2002.

The Fort Smith Index of Leading Economic Indicators increased for the fourth consecutive month in January. The index's positive contributors, from largest to smallest contribution, were the 7.2 percent SAAR increase in the state's leading index, a 124.1 percent increase in the value of new building permits, and a 1.2 percent increase in AWMH from a revised 39.2 hours in December to 39.7

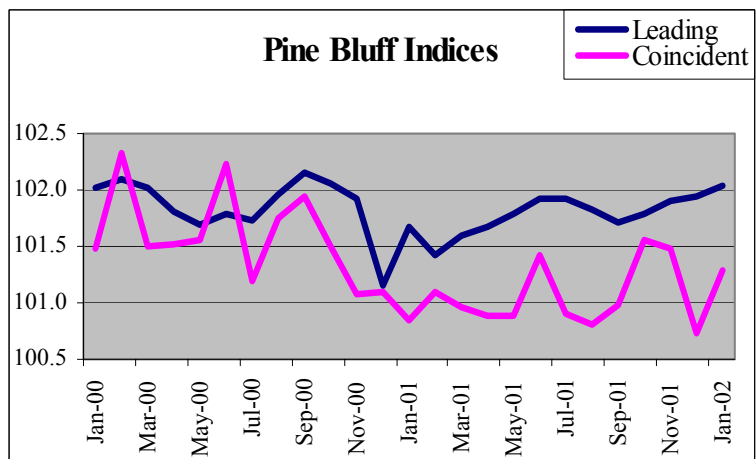


hours in January. The index's sole negative contributor was a 1.8 percent decline in construction employment. The leading index now stands at 106.7, up from a revised 105.9 in December. Overall, the data suggest relatively strong economic growth will occur in Fort Smith in the third quarter of 2002.

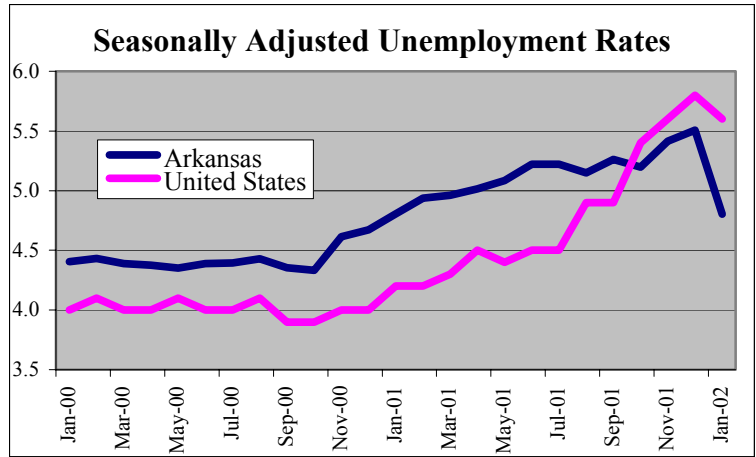
The Little Rock Index of Leading Economic Indicators increased for the second consecutive month in January. All of the index's components experienced month-on-month improvements; from largest to smallest contribution, they were the 7.2 percent SAAR increase in the state's leading index, a 1.2 percent increase in construction employment, a 11.1 percent increase in the value of new building permits, and a 0.5 percent increase in AWMH from a revised 39.0 hours in December to 39.2 hours in January. The leading index now stands at 104.1, up from a revised 103.6 in December. Overall, the data suggest relatively strong economic growth will occur in the capital city in the third quarter of 2002.



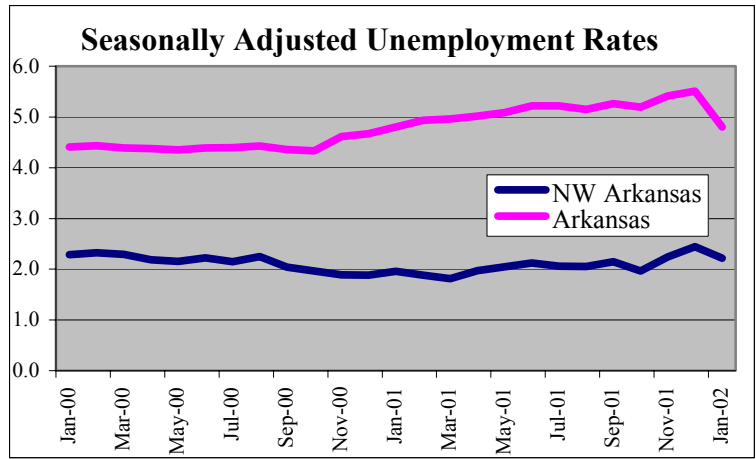
The Pine Bluff Index of Leading Economic Indicators increased for the fourth consecutive month in January. The index's positive contributors, from larger to smaller contribution, were the 7.2 percent SAAR increase in the state's leading index and a 0.6 percent increase in construction employment. The index's negative contributors, from larger to smaller contribution, were a 68.1 percent decline in the value of new building permits and a 0.2 percent decrease in AWMH from a revised 40.4 hours in December to 40.3 hours in January. The leading index now stands at 102.0, up from a revised 101.9 in December. Overall, the data suggest strong economic growth will occur in Pine Bluff in the third quarter of 2002.



The Arkansas Index of Coincident Economic Indicators, after declining by a revised SAAR of 2.3 percent in December, increased by a preliminary estimate of 8.1 percent (SAAR) in January. All of the index's components experienced month-on-month improvements; from largest to smallest contribution, they were a 0.7 percent decline in the unemployment rate, a 0.6 percent increase in non-farm employment, and a projected 0.4 percent increase in taxable sales.⁶ The unemployment rate in Arkansas stood at 4.8 percent in January, equal to its level in January 2001; the U.S. unemployment rate stood at 5.6 percent in January 2002, up 1.4 percent from January 2001. The coincident index now stands at 103.6, up from a revised 102.9 in December. Overall, the data suggest economic conditions in the state improved in January.

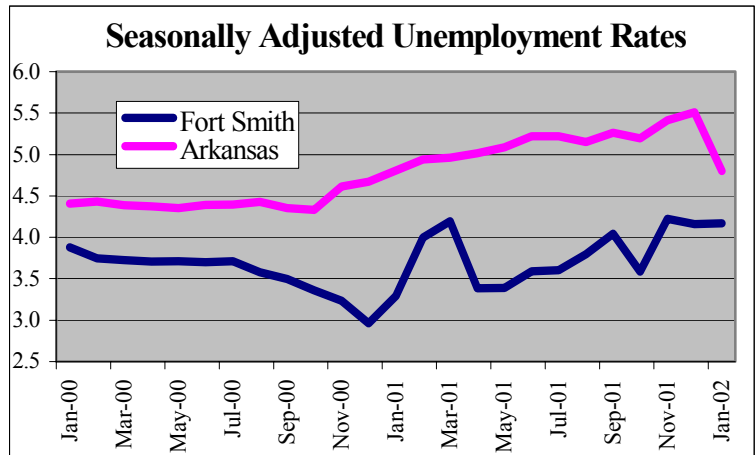


The Northwest Arkansas Index of Coincident Economic Indicators, after declining by a revised SAAR of 2.0 percent in December, increased by a preliminary estimate of 5.9 percent (SAAR) in January. The index's positive contributors, from larger to smaller contribution, were a 1.3 percent increase in non-farm employment and a 0.2 percent decline in the unemployment rate. Taxable sales are projected to remain unchanged from December's level. The unemployment rate in Northwest Arkansas stood at 2.2 percent in January, 0.2 percent higher than in January 2001. The coincident index now stands at 105.5, up from a revised 105.0 in December. Overall, the data suggest economic conditions in Northwest Arkansas improved in January.



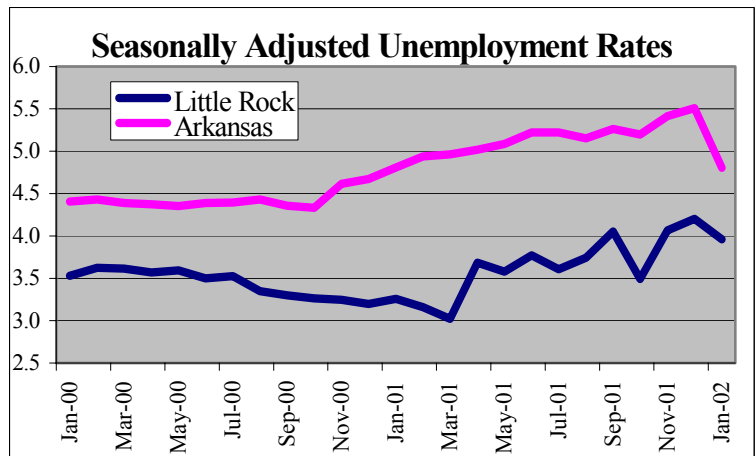
The Fort Smith Index of Coincident Economic Indicators, after declining for two consecutive months, increased by a preliminary estimate of 4.2 percent (SAAR) in January. The index's positive contributors, from larger to smaller contribution, were a projected 10.6 percent increase in taxable sales and a 0.5 percent increase in non-farm employment.

The unemployment rate held steady in January at 4.2 percent, approximately 0.9 percent higher than in January 2001. The coincident index now stands at 104.3, up from a revised 103.9 in December. Overall, the data suggest economic conditions in Fort Smith improved in January.

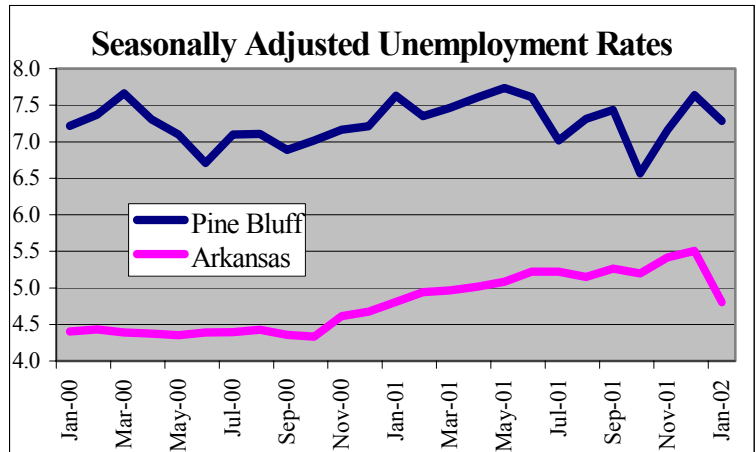


The Little Rock Index of Coincident Economic Indicators, after declining for two consecutive months, increased by a preliminary estimate of 4.0 percent (SAAR) in January. The index's positive contributors, from larger to smaller contribution, were a 0.5 percent increase in non-farm employment and a 0.2 percent decline in the unemployment rate.

The unemployment rate in Little Rock stood at 4.0 percent in January, 0.7 percent higher than in January 2001. The index's sole negative contributor was a projected 2.2 percent increase in taxable sales. The coincident index now stands at 103.3, up from a revised 103.0 in December. Overall, the data suggest economic conditions in the capital city improved in January.



The Pine Bluff Index of Coincident Economic Indicators, after declining for two consecutive months, increased by a preliminary estimate of 6.9 percent (SAAR) in January. All of the index's components experienced month-on-month improvements; from largest to smallest contribution, they were a 0.8 percent increase in non-farm employment, a 0.4 percent decline in the unemployment rate, and a projected 2.9 percent increase in taxable sales. The unemployment rate in Pine Bluff stood at 7.3 percent in January, 0.3 percent lower than in January 2001. The coincident index now stands at 101.3, up from a revised 100.7 in December. Overall, the data suggest economic conditions in Pine Bluff improved in January.



¹ Source: U.S. Census Bureau

² Source: The Conference Board

³ Source: Information Network of Arkansas

⁴ Source for employment data: U.S. Commerce Department, Bureau of Labor Statistics

⁵ Source: Arkansas Employment Security Department

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