

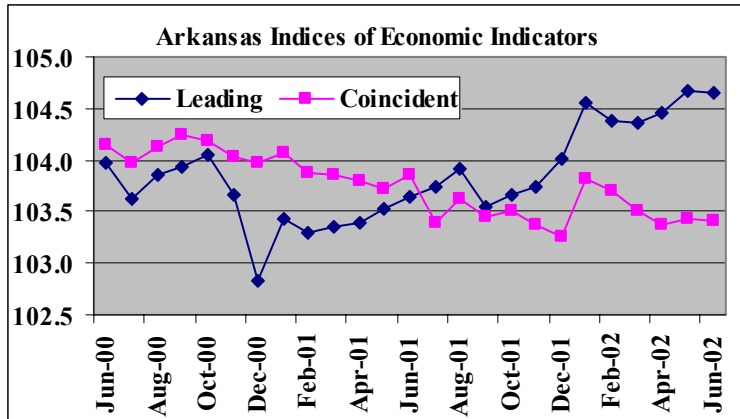


Forecasting Trends: Arkansas Indices of Economic Indicators, June 2002

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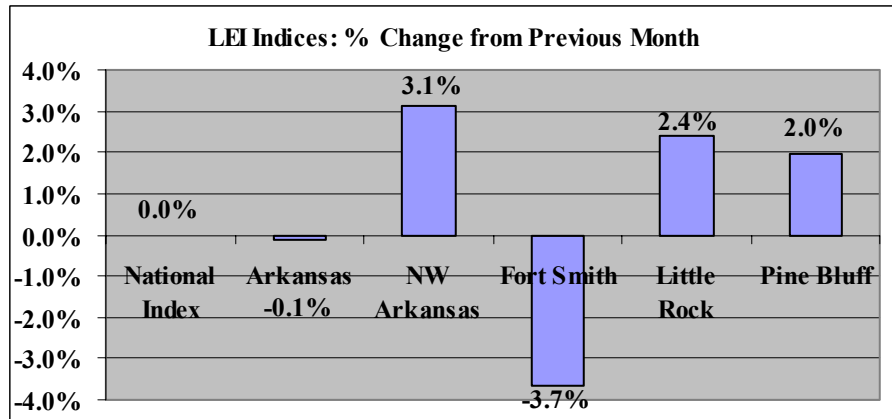
Forecasting Trends: Arkansas Indices of Economic Indicators, June 2002

After increasing by a revised seasonally adjusted annual rate (SAAR) of 2.4 percent in May, 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 0.1 percent (SAAR) in June. The index's positive



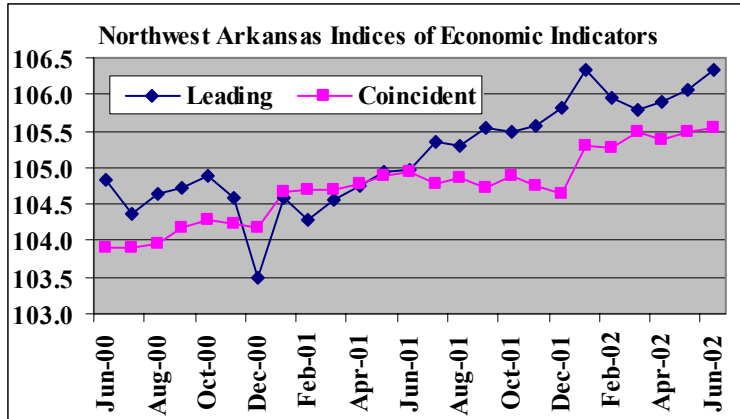
contributors, from larger to smaller contribution, were a 31.7 percent increase in the value of new building permits¹ and a 4.5 percent decrease in the number of initial claims for unemployment insurance.² The national index of economic indicators held steady in June.³ The index's negative contributors, from largest to smallest contribution, were a 1.1 percent decrease in average weekly manufacturing hours (AWMH) from a revised 40.4 hours in May to 40.0 hours in June,⁴ a 7.5 percent decrease in the number of new incorporation registrations,⁵ and a 0.2 percent decrease in construction employment. The Arkansas leading index now stands at a preliminary estimate of 104.7, equal to its revised level in May. Overall, the data suggest weak economic decay will occur within Arkansas in the fourth quarter of 2002.

The leading indices for three of the four metropolitan statistical areas (MSAs) performed relatively better than the national leading index and the Arkansas leading index in



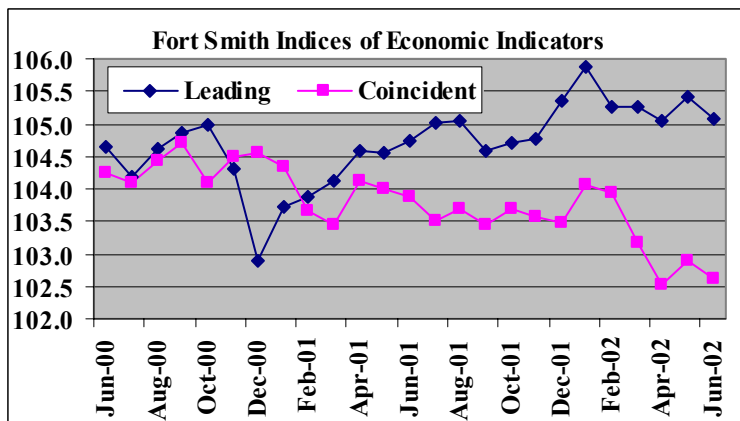
June. The Northwest Arkansas index (which incorporates data for the Fayetteville-Springdale-Rogers MSA), the Little Rock-North Little Rock index, and the Pine Bluff index increased by 3.1 percent (SAAR), 2.4 percent (SAAR), and 2.0 percent (SAAR), respectively, for the month. The Fort Smith index performed relatively worse than the state and national leading indices in June, decreasing by 3.7 percent (SAAR).

The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 2.1 percent (SAAR) in May, increased by a preliminary estimate of 3.1 percent (SAAR) in June. The index's positive contributors, from larger to smaller contribution, were a 103.1 percent increase in the value of new building



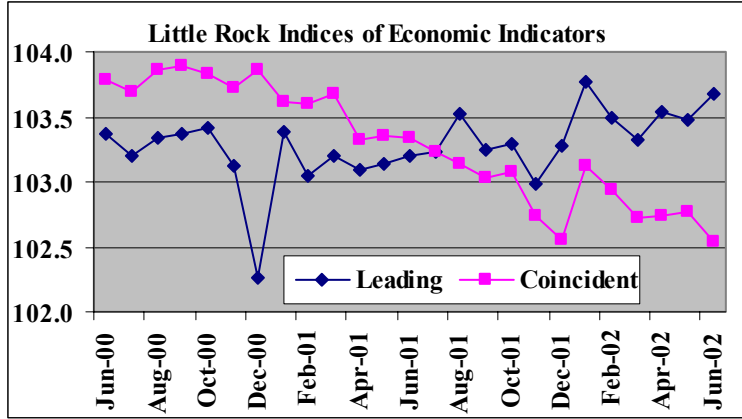
permits and a 2.1 percent increase in AWMH from a revised 40.0 hours in May to 40.8 hours in June. The index's negative contributors, from larger to smaller contribution, were a 1.8 percent decline in construction employment and the 0.1 percent (SAAR) decrease in the state's leading index. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.3, up from its revised level of 106.1 in May. Overall, the data suggest relatively strong economic growth will occur in Northwest Arkansas in the fourth quarter of 2002.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 4.3 percent (SAAR) in May, decreased by a preliminary estimate of 3.7 percent (SAAR) in June. The index's sole positive contributor was a 19.7 percent increase in the value of new building permits. The index's negative



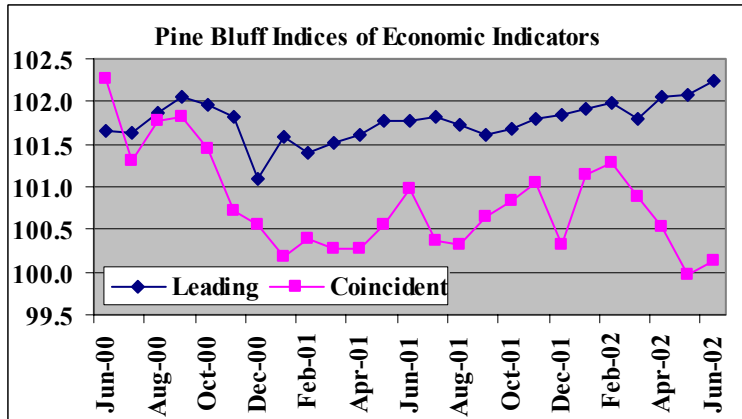
contributors, from largest to smallest contribution, were a 3.2 percent decrease in AWMH from a revised 40.4 hours in May to 39.1 hours in June, a 2.0 percent decline in construction employment, and the 0.1 percent (SAAR) decrease in the state's leading index. The Fort Smith leading index now stands at a preliminary estimate of 105.1, down from its revised level of 105.4 in May. Overall, the data suggest relatively strong economic decay will occur in Fort Smith in the fourth quarter of 2002.

The Little Rock Index of Leading Economic Indicators, after decreasing by a revised 0.8 percent (SAAR) in May, increased by a preliminary estimate of 2.4 percent (SAAR) in June. The index's positive contributors, from largest to smallest contribution, were a 1.3 percent increase in construction employment, a



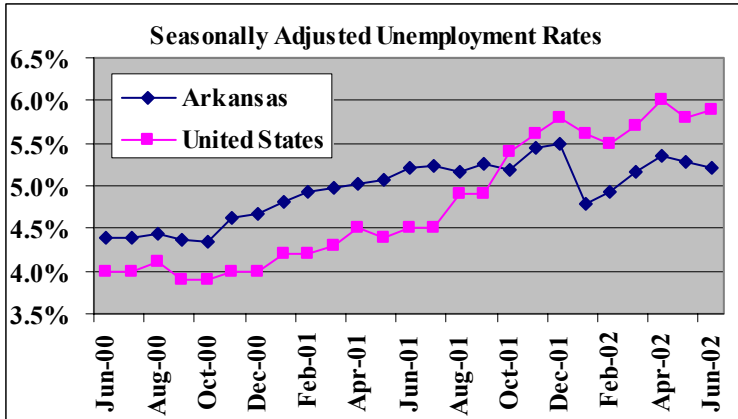
1.5 percent increase in AWMH from a revised 39.0 hours in May to 39.6 hours in June, and a 10.3 percent increase in the value of new building permits. The index's sole negative contributor was the 0.1 percent (SAAR) decrease in the state's leading index. The Little Rock leading index now stands at a preliminary estimate of 103.7, up from its revised level of 103.5 in May. Overall, the data suggest that relatively strong economic growth will occur in the capital city in the fourth quarter of 2002.

The Pine Bluff Index of Leading Economic Indicators, after increasing by a revised 0.2 percent (SAAR) in May, increased by a preliminary estimate of 2.0 percent (SAAR) in June. The index's positive contributors, from larger to smaller contribution, were a 2.8 percent increase in AWMH from a revised 39.0



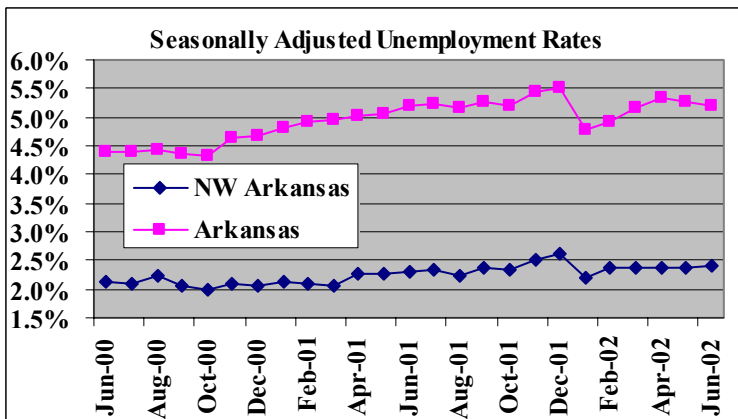
hours in May to 40.1 hours in June and a 10.6 percent increase in construction employment. The index's negative contributors, from larger to smaller contribution, were a 10.3 percent decrease in the value of new building permits and the 0.1 percent (SAAR) decrease in the state's leading index. The Pine Bluff leading index now stands at a preliminary estimate of 102.2, up from its revised level of 102.1 in May. Overall, the data suggest that relatively strong economic growth will occur in Pine Bluff in the fourth quarter of 2002.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.8 percent (SAAR) in May, decreased by a preliminary estimate of 0.2 percent (SAAR) in June. The index's positive contributors, from larger to



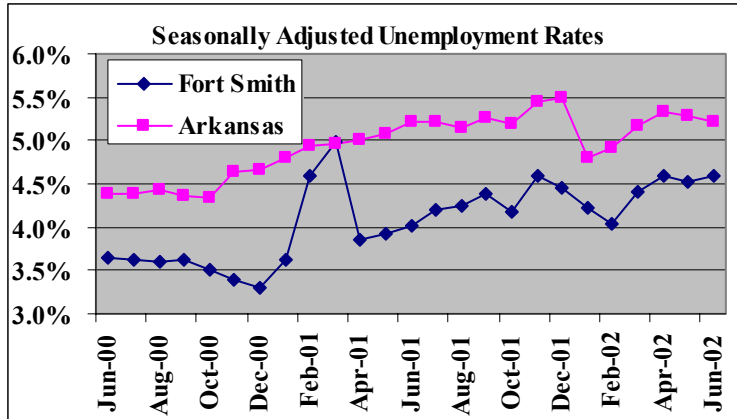
smaller contribution, were a 0.1 percent decrease in the unemployment rate and a predicted 2.3 percent increase in taxable sales.⁶ The index's sole negative contributor was a 0.2 percent decline in non-farm employment. In June, the unemployment rate for the state was 5.2 percent, equal to its level in June 2001; the U.S. unemployment rate stood at 5.9 percent in June, up 1.3 percent from June 2001. The Arkansas coincident index now stands at a preliminary estimate of 103.4, equal to its revised level in May. Since January, the Arkansas coincident index has declined 0.4 percent. Overall, the data suggest economic conditions in the state worsened marginally in June.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 1.1 percent (SAAR) in May, increased by a preliminary estimate of 0.6 percent (SAAR) in June. The index's positive contributors, from larger to smaller contribution, were a predicted 2.7 percent



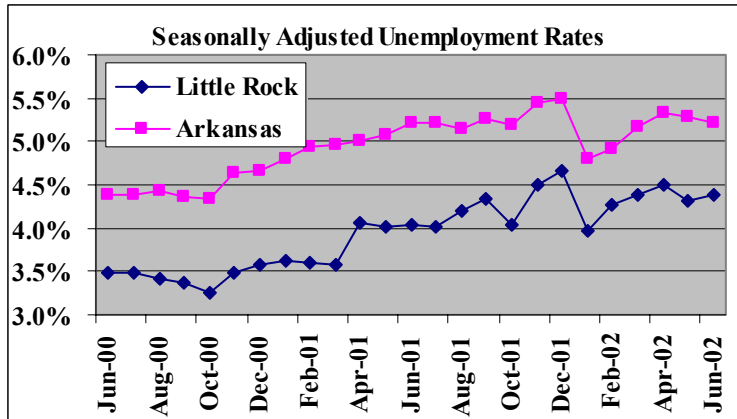
increase in taxable sales and a 0.1 percent increase in non-farm employment. The unemployment rate in the MSA held steady in June at 2.4 percent, up 0.1 percent from June 2001. The Northwest Arkansas coincident index now stands at 105.5, equal to its revised level in May. Since January, the Northwest Arkansas coincident index has increased 0.2 percent. Overall, the data suggest economic conditions in Northwest Arkansas improved marginally in June.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 4.7 percent (SAAR) in May, decreased by a preliminary estimate of 3.2 percent (SAAR) in June. All three of the index's components worsened in June; they were, from largest to smallest negative contribution, a 0.4 percent



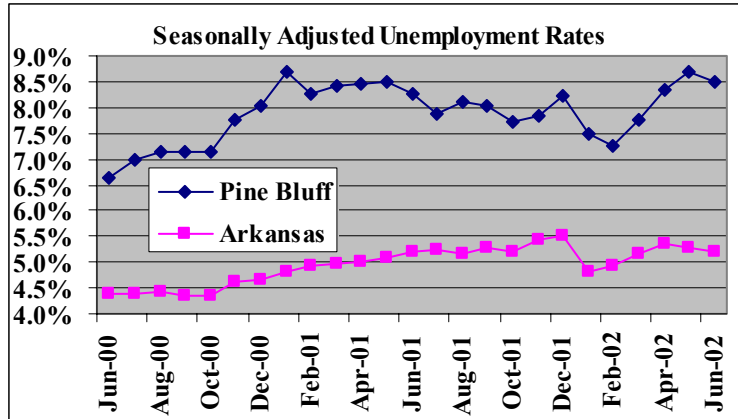
decrease in non-farm employment, a predicted 4.0 percent decrease in taxable sales, and a 0.1 percent increase in the MSA's unemployment rate. The unemployment rate in the MSA was 4.6 percent in June, up 0.6 percent from June 2001. The Fort Smith coincident index now stands at a preliminary estimate of 102.6, down from its revised level of 102.9 in May. Since January, the Fort Smith coincident index has decreased 1.4 percent. Overall, the data suggest economic conditions in Fort Smith worsened in June.

The Little Rock Index of Coincident Economic Indicators, after increasing by a revised 0.5 percent (SAAR) in May, decreased by a preliminary estimate of 2.7 percent (SAAR) in June. The index's sole positive contributor was a predicted 0.6 percent increase in taxable sales. The index's negative contributors, from larger to smaller contribution, were a 0.5 percent decline in non-farm employment and a



0.1 percent increase in the MSA's unemployment rate. The unemployment rate in the MSA was 4.4 percent in June, up 0.4 percent from June 2001. The Little Rock coincident index now stands at a preliminary estimate of 102.5, down from its revised level of 102.8 in May. Since January, the Little Rock coincident index has decreased 0.6 percent. Overall, the data suggest economic conditions in the capital city worsened in June.

The Pine Bluff Index of Coincident Economic Indicators, after decreasing by a revised 6.7 percent (SAAR) in May, increased by a preliminary estimate of 2.0 percent (SAAR) in June. Prior to the month of June, the Pine Bluff coincident index declined for three consecutive months. The index's positive



contributors, from larger to smaller contribution, were a 0.2 percent decrease in the MSA's unemployment rate and a predicted 4.3 percent increase in taxable sales. The index's sole negative contributor was a 0.2 percent decline in non-farm employment. The unemployment rate in the MSA was 8.5 percent in June, up 0.2 percent from June 2001. The Pine Bluff coincident index now stands at a preliminary estimate of 100.1, up from its revised level of 100.0 in May. Since January, the Pine Bluff coincident index has decreased 1.0 percent. Overall, the data suggest economic conditions in Pine Bluff improved in June.

¹ Source: U.S. Census Bureau

² Source: Arkansas Employment Security Department

³ Source: The Conference Board

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

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.