

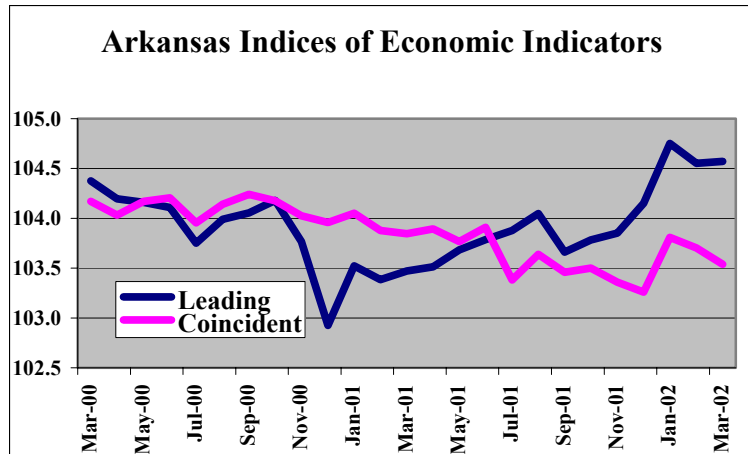


SAM M. WALTON COLLEGE of BUSINESS

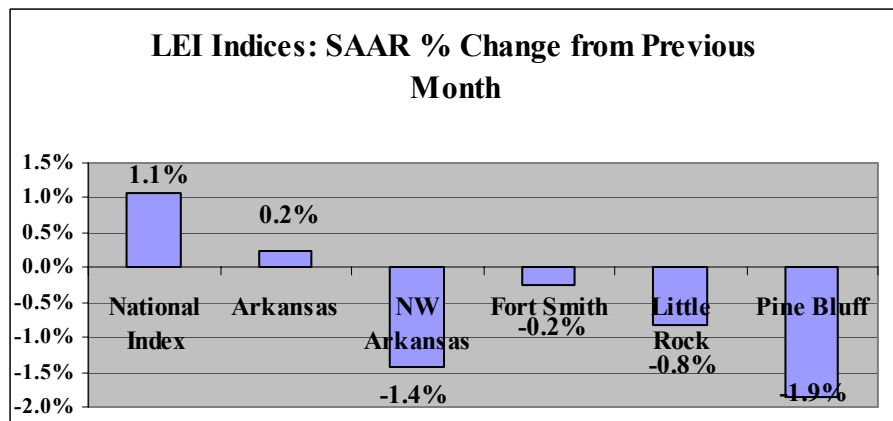
Center for Business and Economic Research

Forecasting Trends: Arkansas Indices of Economic Indicators, March 2002

After decreasing by a revised seasonally adjusted annual rate (SAAR) of 2.2 percent in February, the Arkansas Index of Leading Economic Indicators, which gauges economic conditions in the state six to nine months hence, increased by a preliminary estimate of 0.2 percent (SAAR) in March. The index's positive contributors, from largest to smallest contribution, were a 1.0 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.6 hours in February to 40.0 hours in March,¹ a 4.8 percent increase in the number of new incorporation registrations,² a 0.4 percent increase in construction employment, and a 1.1 percent (SAAR) increase in the national index of leading economic indicators.³ The index's negative contributors, from larger to smaller contribution, were a 22.3 percent decline in the value of new building permits⁴ and a 6.4 percent increase in the number of initial claims for unemployment insurance.⁵ The Arkansas leading index now stands at a preliminary estimate of 104.6, equal to its revised February level. Overall, the data suggest marginal economic growth will occur within Arkansas in the beginning of the fourth quarter of 2002.



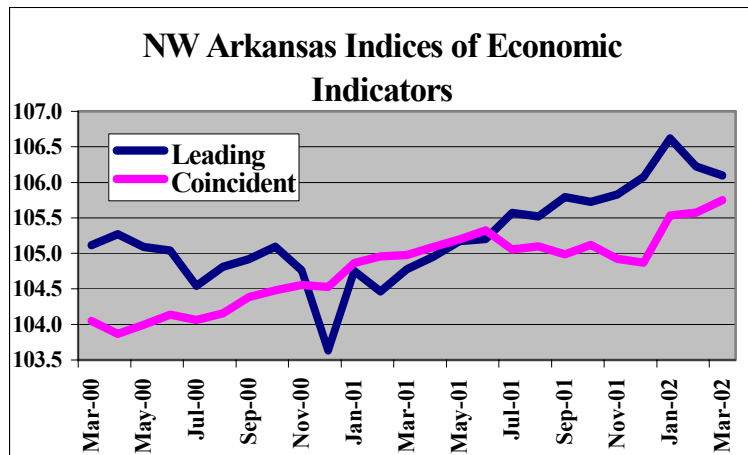
The leading indices for the four metropolitan statistical areas (MSAs) performed relatively worse than the national and state indices for the month of March. Indeed, all four MSA indices worsened on a month-on-month basis. The Fort Smith index, the Little Rock-North Little Rock index, the Northwest Arkansas index (which incorporates data for the Fayetteville-



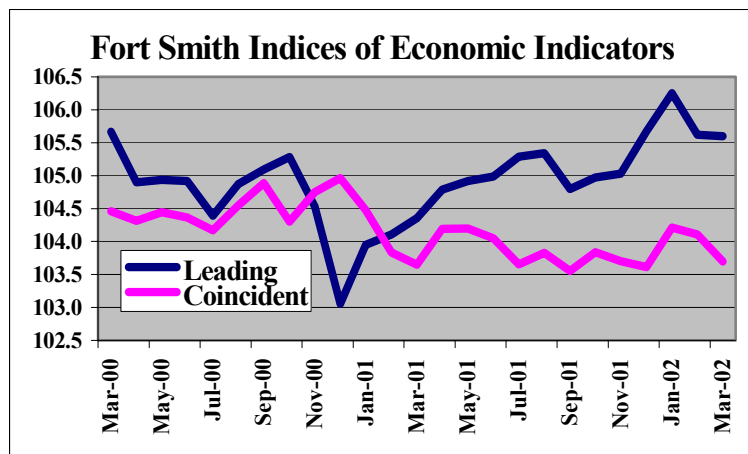
Little Rock index, the Northwest Arkansas index (which incorporates data for the Fayetteville-

Springdale-Rogers MSA), and the Pine Bluff index decreased by SAARs of 0.2 percent, 0.8 percent, 1.4 percent, and 1.9 percent, respectively, in March.

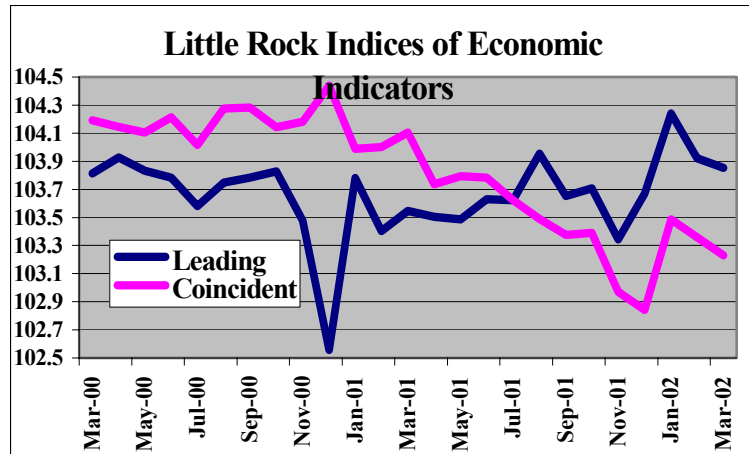
The Northwest Arkansas Index of Leading Economic Indicators, after decreasing by a revised 4.4 percent (SAAR) in February, decreased by a preliminary estimate of 1.4 percent (SAAR) in March. The index's positive contributors, from larger to smaller contribution, were a 0.6 percent increase in AWMH from a revised 39.8 hours in February to 40.0 hours in March and the 0.2 percent (SAAR) increase in the state's leading index. The index's negative contributors, from larger to smaller contribution, were a 17.6 percent decline in the value of new building permits and a 0.7 percent decline in construction employment. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.1, down from its revised level of 106.2 in February. Overall, the data suggest relatively weaker economic growth will occur in Northwest Arkansas in the beginning of the fourth quarter of 2002.



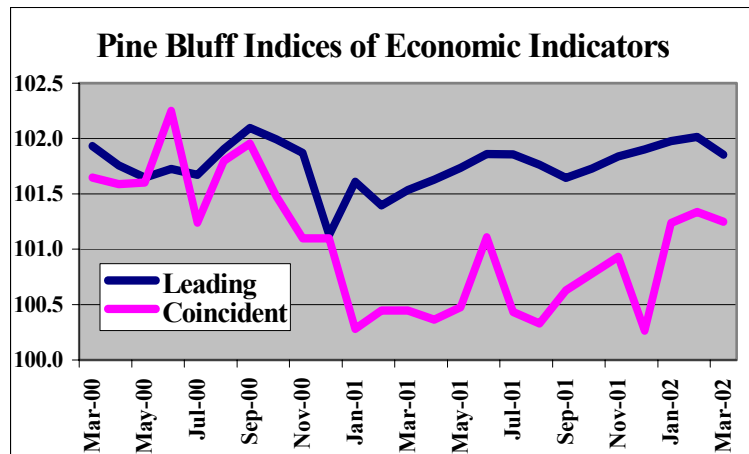
The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 6.9 percent (SAAR) in February, decreased by a preliminary estimate of 0.3 percent (SAAR) in March. The index's positive contributors, from largest to smallest contribution, were a 4.6 percent increase in AWMH from a revised 38.4 hours in February to 40.1 hours in March, the 0.2 percent (SAAR) increase in the state's leading index, and a 0.9 percent increase in the value of new building permits. The index's sole negative contributor was a 4.0 percent decline in construction employment. The Fort Smith leading index now stands at a preliminary estimate of 105.6, equal to its revised February level. Overall, the data suggest marginally weaker economic growth will occur in Fort Smith in the beginning of the fourth quarter of 2002.



The Little Rock Index of Leading Economic Indicators, after decreasing by a revised 3.6 percent (SAAR) in February, decreased by a preliminary estimate of 0.8 percent (SAAR) in March. The index's positive contributors, from larger to smaller contribution, were the 0.2 percent (SAAR) increase in the state's leading index and a 0.2 percent increase in AWMH from a revised 38.7 hours in February to 38.8 hours in March. The index's negative contributors, from larger to smaller contribution, were a 0.7 percent decline in construction employment and a 3.6 percent decline in the value of new building permits. The Little Rock leading index now stands at a preliminary estimate of 103.9, equal to its revised February level. Overall, the data suggest marginally weaker economic growth will occur in the capital city in the beginning of the fourth quarter of 2002.

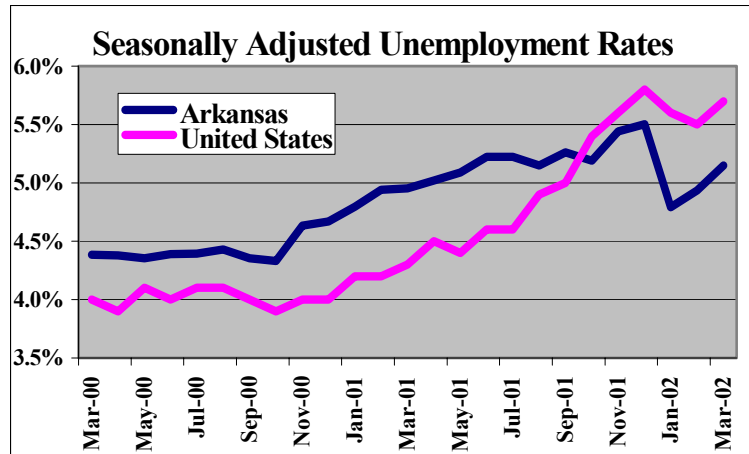


The Pine Bluff Index of Leading Economic Indicators, after increasing by a revised 0.4 percent (SAAR) in February, decreased by a preliminary estimate of 1.9 percent (SAAR) in March. The index's positive contributors, from larger to smaller contribution, were a 7.3 percent increase in construction employment and the 0.2 percent (SAAR) increase in the state's leading index. The index's negative contributors, from larger to smaller contribution, were a 94.3



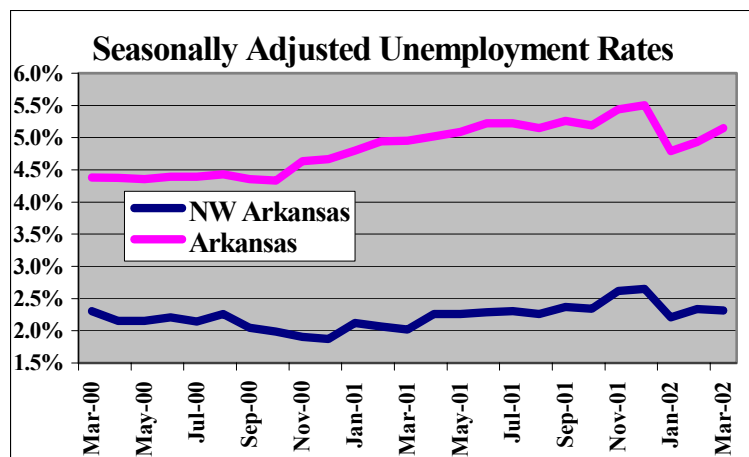
percent decline in the value of new building permits and a 0.8 percent decline in AWMH from a revised 39.7 hours in February to 39.4 hours in March. The Pine Bluff leading index now stands at a preliminary estimate of 101.9, down from its revised level 102.0 in February; this is the first decline in the Pine Bluff leading index since September 2001. Overall, the data suggest weaker economic growth will occur in Pine Bluff in the beginning of the fourth quarter of 2002.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions in the state, after decreasing by 1.2 percent (SAAR) in February, decreased by a preliminary estimate of 1.9 percent (SAAR) in March. Non-farm employment held steady in March at 1,155,000 persons. The balance of the index's components worsened on a month-on-month basis; from larger to smaller negative contribution, they



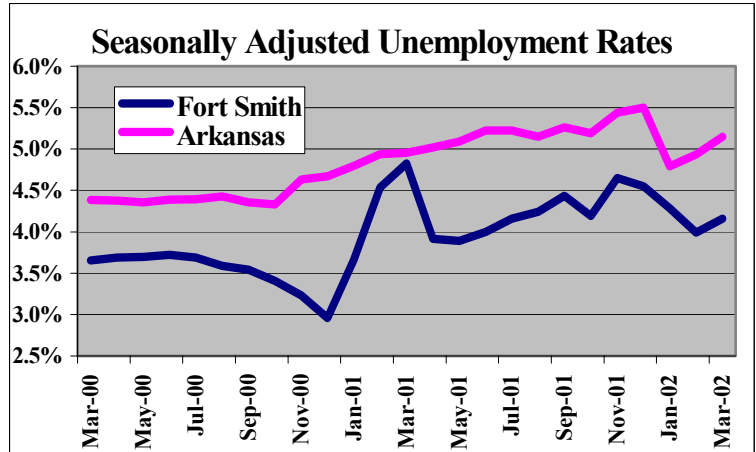
were a 0.2 percent increase in the unemployment rate and a projected 1.3 percent decline in taxable sales.⁶ The unemployment rate in Arkansas stood at 5.1 percent in March, 0.1 percent higher than its March 2001 level; the U.S. unemployment rate stood at 5.7 percent in March, up 1.4 percent from its March 2001 level. The Arkansas coincident index now stands at a preliminary estimate of 103.5, down from its revised level of 103.7 in February. Overall, the data suggest economic conditions in the state worsened in March.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 0.5 percent (SAAR) in February, increased by 2.0 percent (SAAR) in March. The index's sole positive contributor was a 0.7 percent increase in non-farm employment. The unemployment rate in Northwest Arkansas held steady at 2.3 percent in March, up 0.3 percent from its March 2001 level. The index's sole negative contributor was a projected 1.3 percent decline in taxable sales.



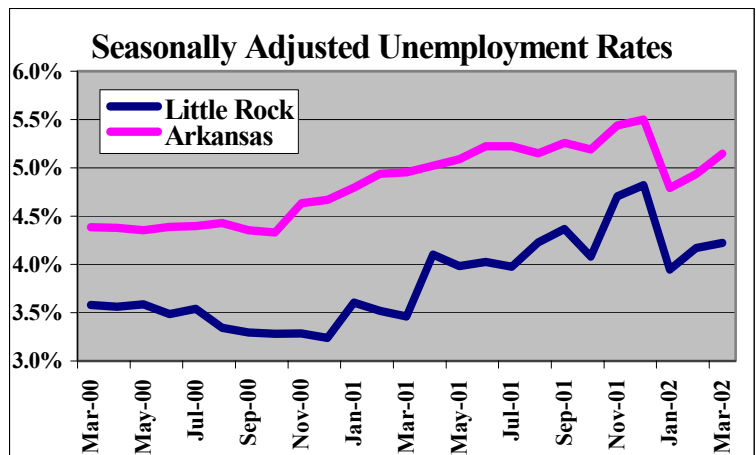
The Northwest Arkansas coincident index now stands at a preliminary estimate of 105.7, up from its revised level of 105.6 in February; this is the third consecutive monthly increase for the Northwest Arkansas coincident index. Overall, the data suggest economic conditions in Northwest Arkansas improved in March.

The Fort Smith Index of Coincident Economic Indicators, after decreasing by a revised 1.2 percent (SAAR) in February, decreased by a preliminary estimate of 4.7 percent (SAAR) in March. The index's sole positive contributor was a projected 1.2 percent increase in taxable sales. The index's negative contributors, from larger to smaller contribution, were a 0.9 percent decline in non-farm employment and a 0.2 percent increase in the unemployment rate.



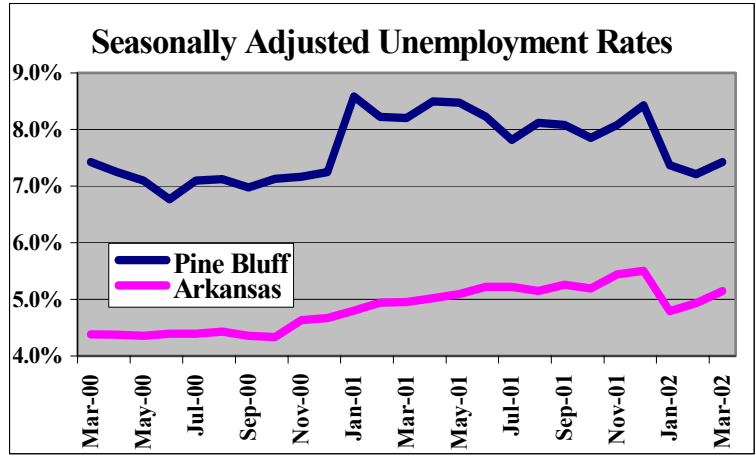
The unemployment rate in Fort Smith was 4.2 percent in March, down 0.6 percent from its March 2001 level. The Fort Smith coincident index now stands at a preliminary estimate of 103.7, down from its revised level of 104.1 in February. Overall, the data suggest economic conditions in Fort Smith worsened in March.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 1.5 percent (SAAR) in February, decreased by a preliminary estimate of 1.5 percent (SAAR) in March. All of the index's components worsened on a month-on-month basis; from largest to smallest negative contribution, they were a 0.2 percent decline in non-farm employment, a 0.1 percent increase in the unemployment rate, and a projected 0.9 percent decrease in taxable sales.



The unemployment rate in Little Rock stood at 4.2 percent in March, up 0.7 percent from its March 2001 level. The Little Rock coincident index now stands at a preliminary estimate of 103.2, down from its revised level of 103.4 in February. Overall, the data suggest economic conditions in the capital city worsened in March.

The Pine Bluff Index of Coincident Economic Indicators, after increasing by a revised 1.2 percent (SAAR) in February, decreased by a preliminary estimate of 1.1 percent (SAAR) in March. The index's positive contributors, from larger to smaller contribution, were a 0.1 percent increase in non-farm employment and a projected 0.5 percent increase in taxable sales. The index's sole negative contributor was a 0.2 percent increase in the Pine Bluff unemployment rate, which stood at 7.4 percent in March, down 0.8 percent from its March 2001 level. The Pine Bluff coincident index now stands at a preliminary estimate of 101.2, down from its revised level of 101.3 in February. Overall, the data suggest economic conditions in Pine Bluff worsened in March.



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

² Source: Information Network of Arkansas

³ Source: The Conference Board

⁴ Source: U.S. Census Bureau

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.