

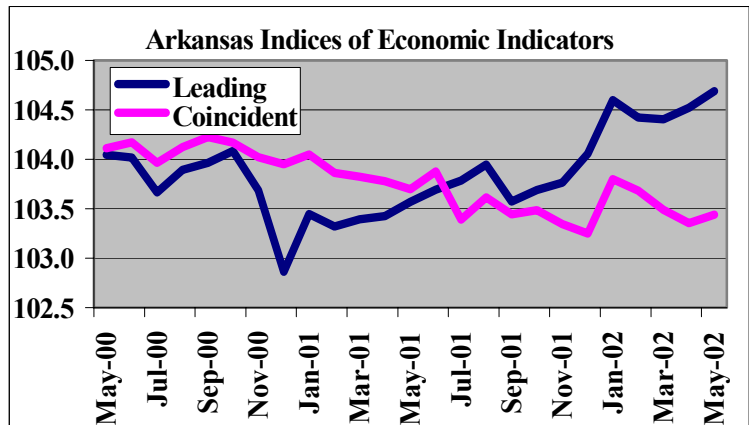


Forecasting Trends: Arkansas Indices of Economic Indicators, May 2002

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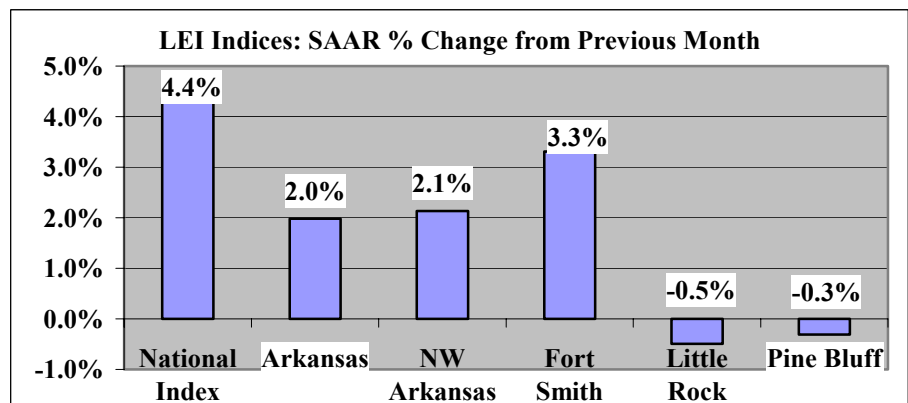
Forecasting Trends: Arkansas Indices of Economic Indicators, May 2002

After increasing by a revised seasonally adjusted annual rate (SAAR) of 1.3 percent in April, 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 2.0 percent (SAAR) in May. The index's positive contributors, from largest to smallest contribution, were a 4.4 percent (SAAR) increase



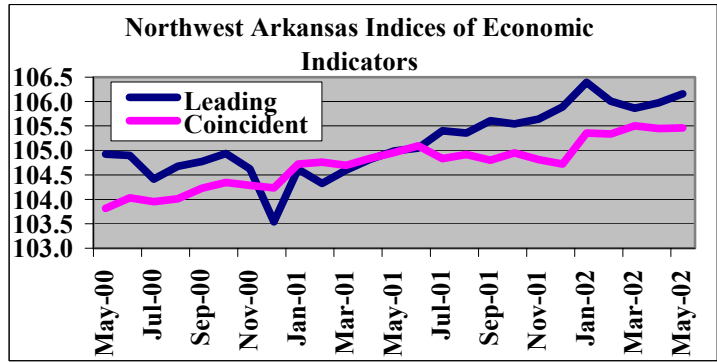
in the national index of leading economic indicators,¹ a 1.0 percent increase in average weekly manufacturing hours (AWMH) from a revised 40.1 hours in April to 40.5 hours in May,² a 14.7 percent decrease in the number of initial claims for unemployment insurance,³ a 0.5 percent increase in construction employment, and a 0.6 percent increase in the number of new incorporation registrations.⁴ The index's sole negative contributor was an 11.7 percent decrease in the value of new building permits.⁵ The Arkansas leading index now stands at a preliminary estimate of 104.7, up from its revised level of 104.5 in April. Overall, the data suggest relatively strong economic growth will occur within Arkansas in the fourth quarter of 2002.

The leading indices for the four metropolitan statistical areas (MSAs) all performed relatively worse than the national leading index in May. The Fort Smith index and the Northwest Arkansas index (which incorporates data for the Fayetteville-Springdale-Rogers

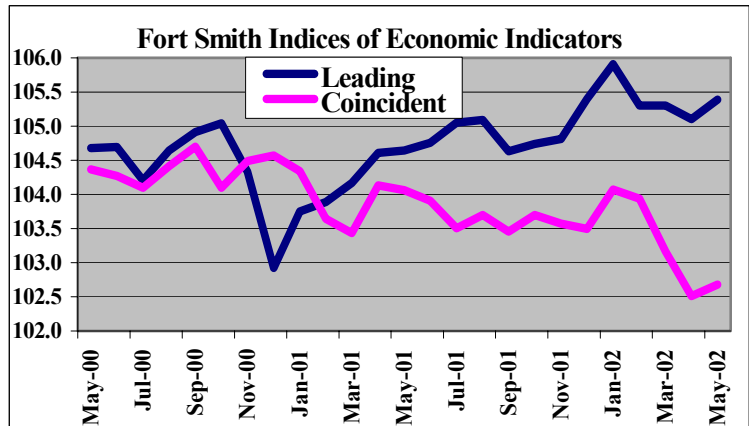


MSA) performed relatively better than the state index for the month, increasing by 3.3 percent (SAAR) and 2.1 percent (SAAR), respectively. The Pine Bluff index and Little Rock-North Little Rock index performed relatively worse than the state index in May, decreasing by 0.3 percent (SAAR) and 0.5 percent (SAAR), respectively.

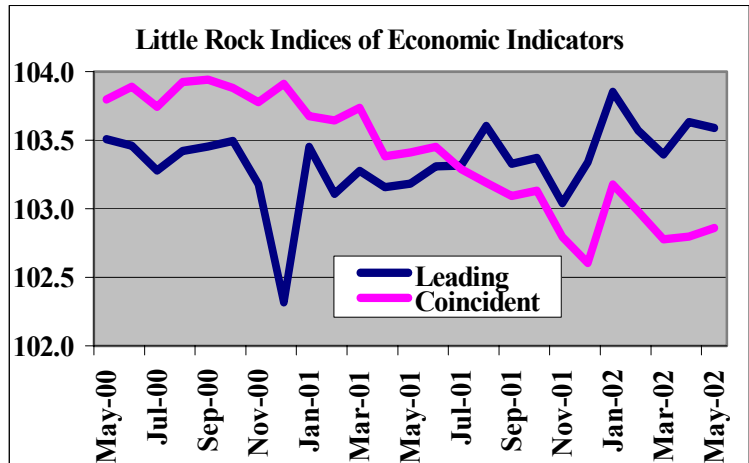
The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 1.2 percent (SAAR) in April, increased by a preliminary estimate of 2.1 percent (SAAR) in May. The index's positive contributors, from largest to smallest contribution, were a 2.5 percent increase in AWMH from a revised 39.2 hours in April to 40.2 hours in May, a 23.0 percent increase in the value of new building permits, and the 2.0 percent (SAAR) increase in the state's leading index. The index's sole negative contributor was a 1.7 percent decline in construction employment. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.2, up from its revised level of 106.0 in April. 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 decreasing by a revised 2.3 percent (SAAR) in April, increased by a preliminary estimate of 3.3 percent (SAAR) in May. The index's positive contributors, from larger to smaller contribution, were a 4.0 percent increase in AWMH from a revised 39.4 hours in April to 41.0 hours in May and the 2.0 percent (SAAR) increase in the state's leading index. The index's negative contributors, from larger to smaller contribution, were a 0.8 percent decline in construction employment and an 11.6 percent decrease in the value of new building permits. The Fort Smith leading index now stands at a preliminary estimate of 105.4, up from its revised level of 105.1 in April. Overall, the data suggest relatively strong economic growth will occur in Fort Smith in the fourth quarter of 2002.

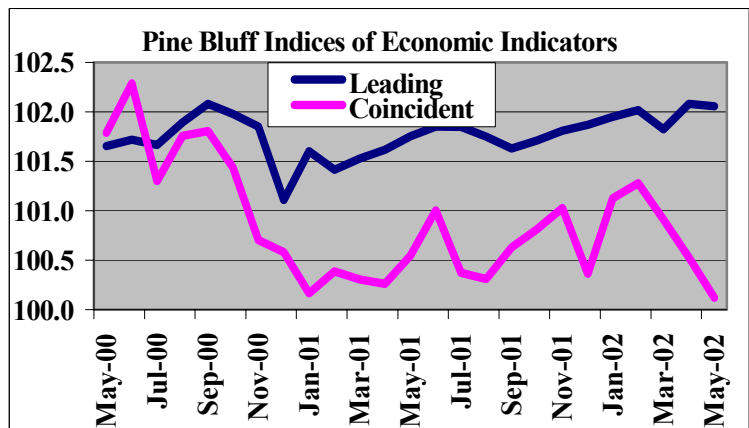


The Little Rock Index of Leading Economic Indicators, after increasing by a revised 2.8 percent (SAAR) in April, decreased by a preliminary estimate of 0.5 percent (SAAR) in May. The index's sole positive contributor was the 2.0 percent (SAAR) increase in the state's leading index. For the month of May, construction employment held steady at 15,600 persons, and AWMH held steady at 39.1 hours. The index's sole negative contributor was a 26.7 percent decrease in the value of new building permits.



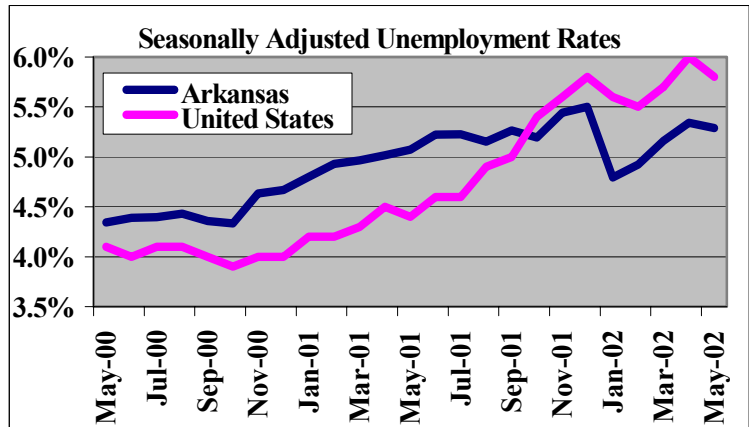
The Little Rock leading index now stands at a preliminary estimate of 103.6, equal to its revised level in April. Overall, the data suggest that marginally weak economic decay will occur in the capital city in the fourth quarter of 2002.

The Pine Bluff Index of Leading Economic Indicators, after increasing by a revised 3.1 percent (SAAR) in April, decreased by a preliminary estimate of 0.3 percent (SAAR) in May. The index's positive contributors, from larger to smaller contribution, were the 2.0 percent (SAAR) increase in the state's leading index and a 2.4 percent increase in the value of new building permits. The index's negative contributors, from larger to

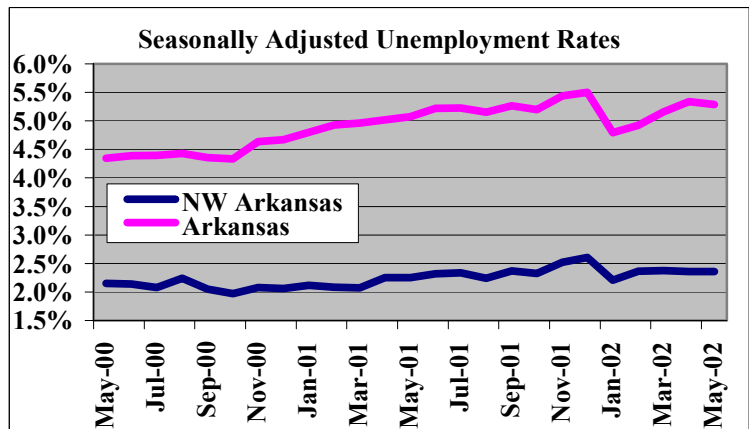


smaller contribution, were a 2.2 percent decrease in AWMH from a revised 39.7 hours in April to 38.8 hours in May and a 1.6 percent decline in construction employment. The Pine Bluff leading index now stands at a preliminary estimate of 102.1, equal to its revised level in April. Overall, the data suggest that marginally weak economic decay will occur in Pine Bluff in the fourth quarter of 2002.

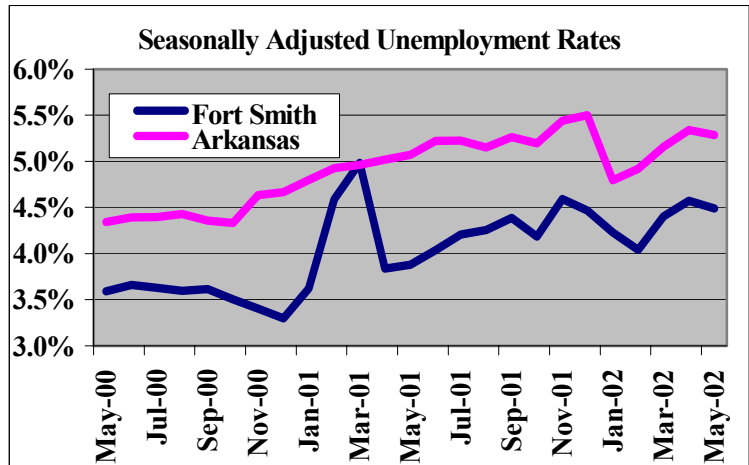
The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after decreasing by a revised 1.6 percent (SAAR) in April, increased by a preliminary estimate of 1.0 percent (SAAR) in May. Prior to May, the Arkansas coincident index had declined for three consecutive months. The index's sole positive contributor was a 0.1 percent increase in non-farm employment. The unemployment rate for the state remained steady at 5.3 percent in May; taxable sales are predicted to remain flat for the month of May.⁶ In May 2001, unemployment for the state of Arkansas stood at 5.1 percent; the U.S. unemployment rate stood at 5.8 percent in May, up 1.4 percent from May 2001. The Arkansas coincident index now stands at a preliminary estimate of 103.4, equal to its revised level in April. Overall, the data suggest economic conditions in the state improved in May.



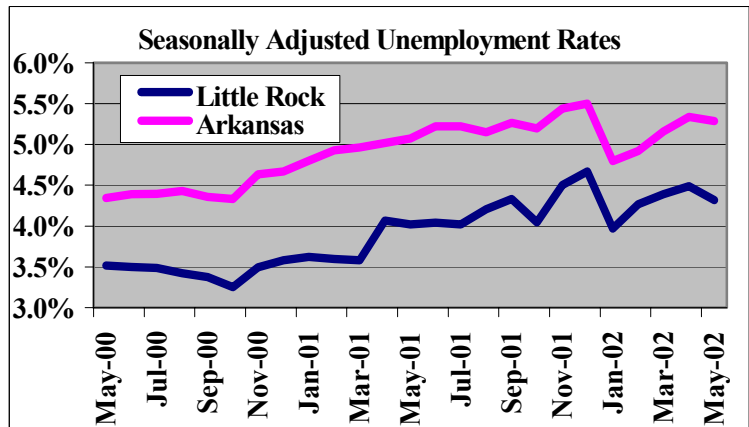
The Northwest Arkansas Index of Coincident Economic Indicators, after decreasing by a revised 0.5 percent (SAAR) in April, increased by a preliminary estimate of 0.1 percent (SAAR) in May. The index's sole positive contributor was a 0.2 percent increase in non-farm employment. The unemployment rate in the MSA held steady in May at 2.4 percent, up 0.1 percent from May 2001. The index's sole negative contributor was a predicted 2.3 percent decline in taxable sales. The Northwest Arkansas coincident index now stands at 105.5, equal to its revised April and March levels. Overall, the data suggest economic conditions in Northwest Arkansas held steady or improved marginally in May.



The Fort Smith Index of Coincident Economic Indicators, after decreasing by a revised 7.4 percent (SAAR) in April, increased by a preliminary estimate of 2.0 percent (SAAR) in May. Prior to May, the Fort Smith coincident index had declined for three consecutive months. All three of the index's components experienced month-on-month improvements in May; they were, from largest to smallest positive contribution, a 0.2 percent increase in non-farm employment, a 0.1 percent decrease in the MSA's unemployment rate, and a predicted 2.1 percent increase in taxable sales. In May, the unemployment rate in the MSA was 4.5 percent, up 0.6 percent from May 2001. The Fort Smith coincident index now stands at a preliminary estimate of 102.7, up from its revised level of 102.5 in April. Overall, the data suggest economic conditions in Fort Smith improved in May.

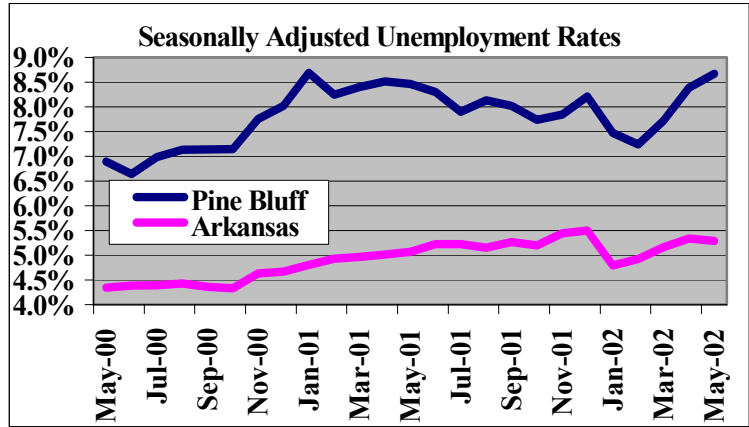


The Little Rock Index of Coincident Economic Indicators, after increasing by a revised 0.2 percent (SAAR) in April, increased by a preliminary estimate of 0.7 percent (SAAR) in May. The index's sole positive contributor was a 0.2 percent decrease in the MSA's unemployment rate; the unemployment rate in the MSA was 4.3 percent in May, up 0.3 percent from May 2001. Non-farm



employment held steady in May at 313,100 persons. The index's sole negative contributor was a predicted 1.4 percent decrease in taxable sales. The Little Rock coincident index now stands at a preliminary estimate of 102.9, up from its revised level of 102.8 in April. Overall, the data suggest economic conditions in the capital city improved in May.

The Pine Bluff Index of Coincident Economic Indicators, after decreasing by a revised 4.5 percent (SAAR) in April, decreased by a preliminary estimate of 4.8 percent (SAAR) in May. This is the third consecutive month in which the Pine Bluff coincident index has declined. All three of the index's components worsened on a month-on-month basis; they were, from largest to smallest negative contribution, a 0.5 percent decrease in non-farm employment, a 0.3 percent increase in the MSA's unemployment rate, and a predicted 2.0 percent decline in taxable sales. The unemployment rate in the MSA was 8.7 percent in May, up 0.2 percent from May 2001. The Pine Bluff coincident index now stands at a preliminary estimate of 100.1, down from its revised level of 100.5 in April. Overall, the data suggest economic conditions in Pine Bluff worsened in May.



¹ Source: The Conference Board

² Source for employment data: U.S. Commerce Department, Bureau of Labor Statistics

³ Source: Arkansas Employment Security Department

⁴ Source: Information Network of Arkansas

⁵ Source: U.S. Census Bureau

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