

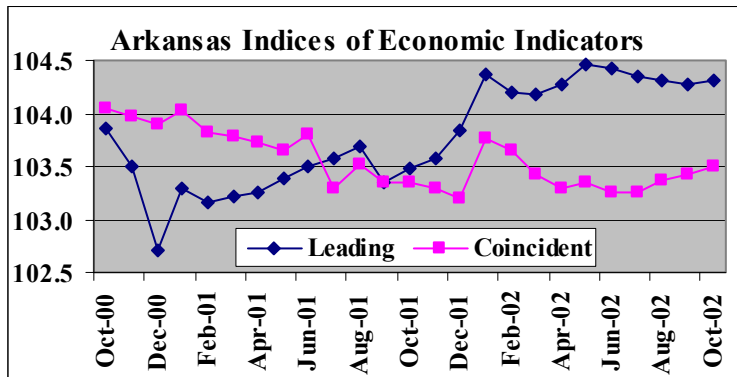


**Forecasting Trends: Arkansas Indices of Economic Indicators, October 2002**

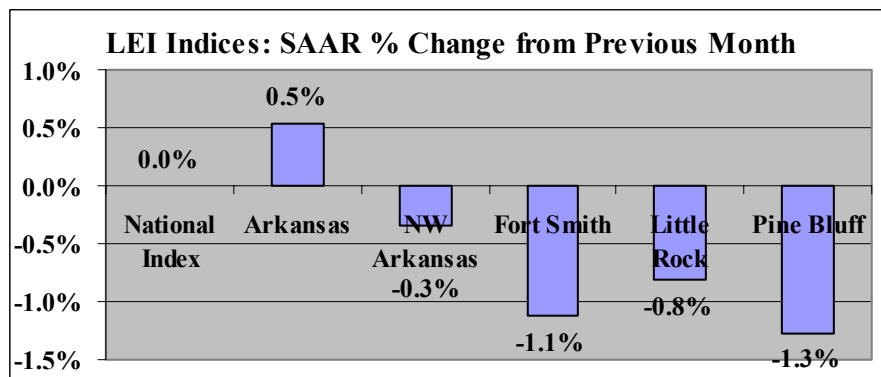
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## Forecasting Trends: Arkansas Indices of Economic Indicators, October 2002

After decreasing by a revised seasonally adjusted annual rate (SAAR) of 0.4 percent in September, 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 0.5 percent (SAAR) in October. The index's positive contributors were, from larger to smaller contribution, a 1.5 percent increase in construction employment<sup>1</sup> and a 4.9 percent increase in the number of new incorporation registrations.<sup>2</sup> From September to October, the national index of leading economic indicators remained flat,<sup>3</sup> and average weekly manufacturing hours (AWMH) in Arkansas held steady at September's revised level of 40.0 hours. The index's negative contributors, from larger to smaller contribution, were a 15.6 percent decrease in the value of new, privately-owned residential building permits<sup>4</sup> and a 13.9 percent increase in the number of initial claims for unemployment insurance.<sup>5</sup> The Arkansas leading index now stands at a preliminary estimate of 104.3, equal to its revised level in September and August. Overall, the data suggest that mild economic growth will occur within Arkansas in the second quarter of 2003.

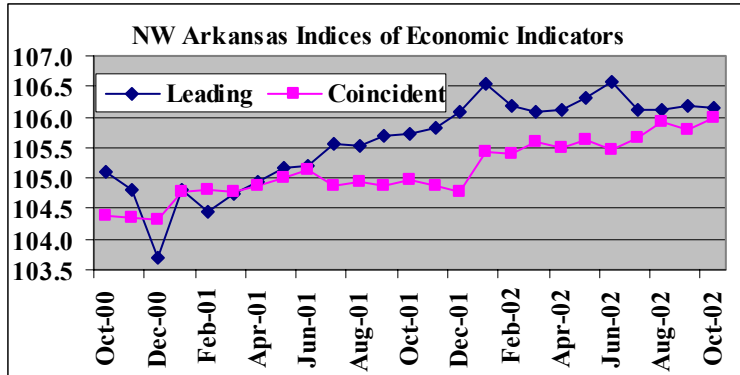


The leading indices for the four metropolitan statistical areas (MSAs) all performed relatively worse than the state's leading index and the national leading index in



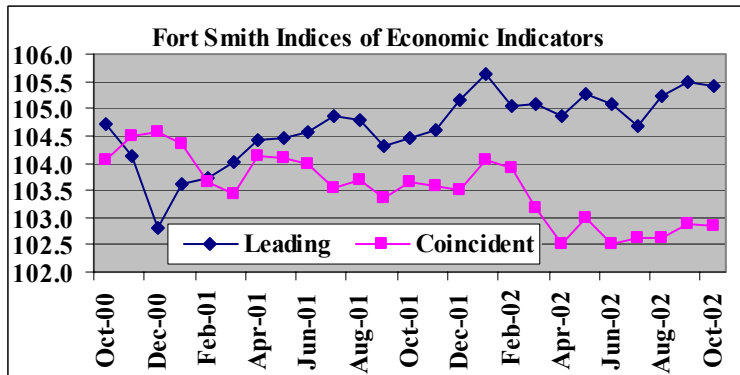
October. The leading index for the Fayetteville-Springdale-Rogers MSA (Northwest Arkansas) and the Little Rock-North Little Rock MSA decreased by 0.3 percent (SAAR) and 0.8 percent (SAAR), respectively, from September to October. The leading index for the Fort Smith MSA and the Pine Bluff MSA decreased by 1.1 percent (SAAR) and 1.3 percent (SAAR), respectively, for the month.

The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 0.5 percent (SAAR) in September, decreased by a preliminary estimate of 0.3 percent (SAAR) in October. The index's positive contributors were, from largest to smallest contribution, a 0.3



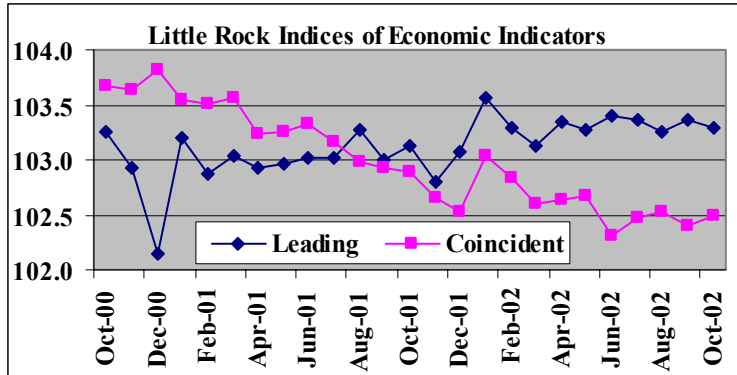
percent increase in construction employment, the 0.5 percent (SAAR) increase in the state's leading index, and a 0.8 percent increase in the value of new, privately-owned residential building permits. The index's sole negative contributor was a 1.7 percent decrease in AWMH from a revised 40.1 hours in September to 39.4 hours in October. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.1, down from its revised level of 106.2 in September. Overall, the data suggest that mild economic decay will occur within Northwest Arkansas in the second quarter of 2003.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 2.9 percent (SAAR) in September, decreased by a preliminary estimate of 1.1 percent (SAAR) in October. The index's positive contributors were, from larger to smaller contribution, a 1.6 percent



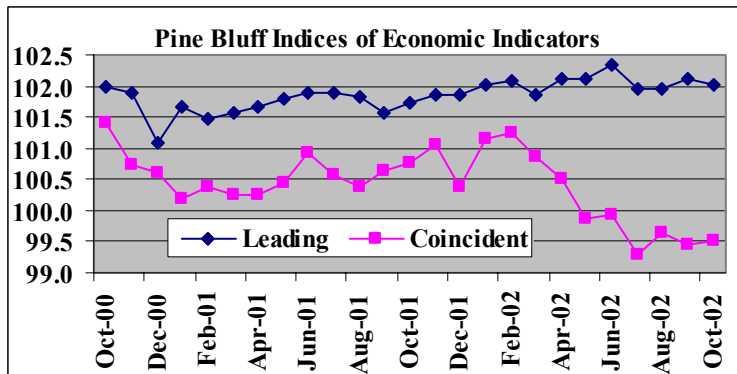
increase in AWMH from a revised 41.0 hours in September to 41.7 hours in October and the 0.5 percent (SAAR) increase in the state's leading index. From September to October, construction employment in the Fort Smith MSA held steady at 4,200 persons. The index's sole negative contributor was a 44.7 percent decrease in the value of new, privately-owned residential building permits.<sup>6</sup> The Fort Smith leading index now stands at a preliminary estimate of 105.4, down from its revised level of 105.5 in September. Overall, the data suggest that moderate economic decay will occur in the Fort Smith MSA in the second quarter of 2003.

The Little Rock Index of Leading Economic Indicators, after increasing by a revised 1.3 percent (SAAR) in September, decreased by a preliminary estimate of 0.8 percent (SAAR) in October. The index's positive contributors were, from larger to smaller contribution, a 0.4 percent



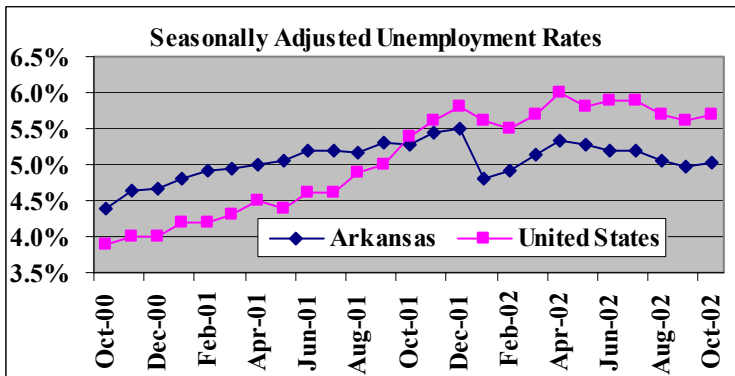
increase in construction employment and the 0.5 percent increase in the state's leading index. The index's negative contributors were, from larger to smaller contribution, a 21.3 percent decrease in the value of new, privately-owned residential building permits<sup>7</sup> and a 1.4 percent decrease in AWMH from a revised 39.4 hours in September to 38.8 hours in October. The Little Rock leading index now stands at a preliminary estimate of 103.3, down from its revised level of 103.4 in September. Overall, the data suggest that mild economic decay will occur in the Little Rock-North Little Rock MSA in the second quarter of 2003.

The Pine Bluff Index of Leading Economic Indicators, after increasing by a revised 1.9 percent (SAAR) in September, decreased by a preliminary estimate of 1.3 percent (SAAR) in October. The index's sole positive contributor was the 0.5 percent (SAAR) increase in



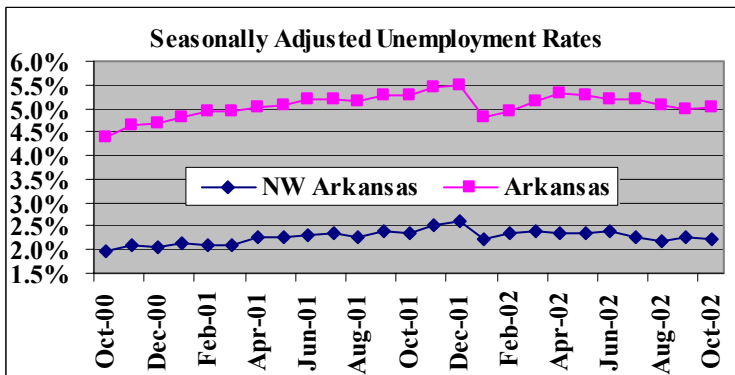
the state's leading index. The index's negative contributors were, from largest to smallest contribution, a 2.6 percent decrease in AWMH from a revised 40.3 hours in September to 39.3 hours in October, a 21.4 percent decrease in the value of new, privately-owned residential building permits,<sup>8</sup> and a 0.9 percent decrease in construction employment. The Pine Bluff leading index now stands at a preliminary estimate of 102.0, down from its revised level of 102.1 in September. Overall, the data suggest that moderate economic decay will occur in the Pine Bluff MSA in the second quarter of 2003.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.7 percent (SAAR) in September, increased by a preliminary estimate of 0.8 percent (SAAR) in October. The index's positive



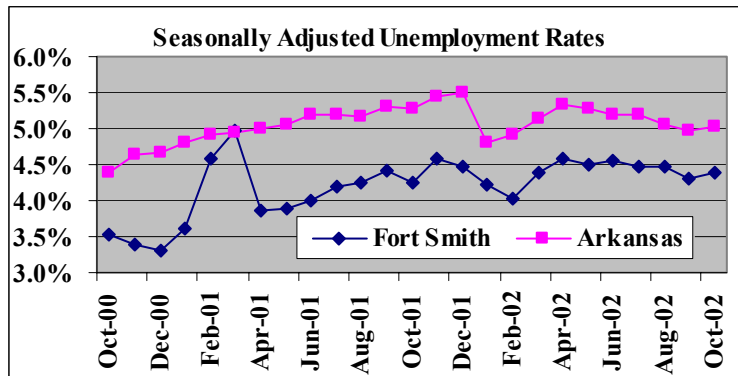
contributors were, from larger to smaller contribution, a 0.2 percent increase in non-farm employment and a predicted 1.6 percent increase in taxable sales.<sup>9</sup> The state's unemployment rate held steady in October at 5.0 percent, down 0.3 percent from October 2001. The unemployment rate for the U.S. stood at 5.7 percent in October, up 0.3 percent from October 2001. The Arkansas coincident index, which increased for the fourth consecutive month in October, now stands at a preliminary estimate of 103.5, up from its revised level of 103.4 in September. Since January, the Arkansas coincident index has decreased 0.3 percent. Overall, the data suggest economic conditions in the state improved in October.

The Northwest Arkansas Index of Coincident Economic Indicators, after decreasing by a revised 1.4 percent (SAAR) in September, increased by a preliminary estimate of 2.1 percent (SAAR) in October. All three of the index's components experienced month-on-month

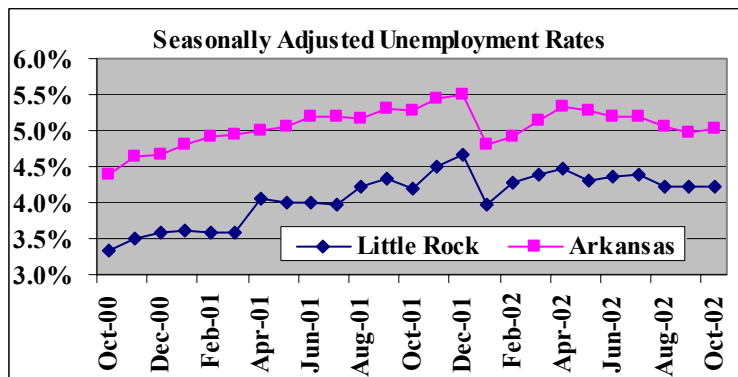


improvements in October. They were, from largest to smallest contribution, a 0.6 percent increase in non-farm employment, a 0.1 percent decrease in the MSA's unemployment rate, and a predicted 0.8 percent increase in taxable sales. The unemployment rate in the Fayetteville-Springdale-Rogers MSA was 2.2 percent in October, down 0.1 percent from October 2001. The Northwest Arkansas coincident index now stands at a preliminary estimate of 106.0, up from its revised level of 105.8 in September. Since January, the Northwest Arkansas coincident index has increased 0.5 percent. Overall, the data suggest economic conditions in Northwest Arkansas improved in October.

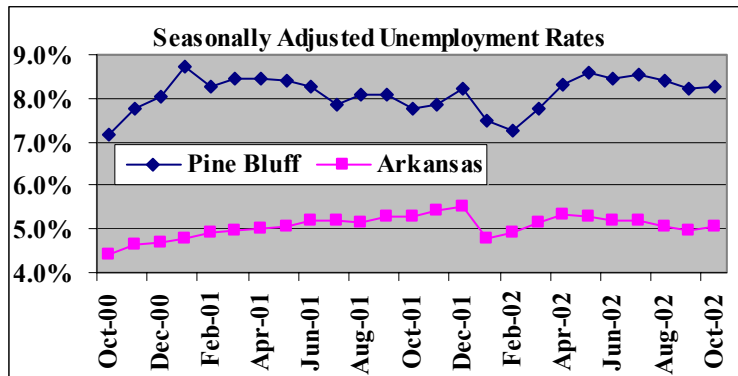
The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 3.3 percent (SAAR) in September, decreased by a preliminary estimate of 0.4 percent (SAAR) in October. The index's sole positive contributor was a predicted 3.6 percent increase in taxable sales. The index's negative contributors were, from larger to smaller contribution, a 0.1 percent increase in the MSA's unemployment rate and a 0.1 percent decrease in non-farm employment. The unemployment rate in the Fort Smith MSA was 4.4 percent in October, up 0.2 percent from October 2001. The Fort Smith coincident index now stands at a preliminary estimate of 102.9, equal to its revised level in September. Since January, the Fort Smith coincident index has decreased 1.2 percent. Overall, the data suggest economic conditions in the Fort Smith MSA worsened marginally in October.



The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 1.5 percent (SAAR) in September, increased by a preliminary estimate of 1.2 percent (SAAR) in October. The index's positive contributors were, from larger to smaller contribution, a predicted 4.0 percent increase in taxable sales and a 0.1 percent increase in non-farm employment. The unemployment rate for the Little Rock-North Little Rock MSA held steady in October at 4.2 percent, equal to its level in October 2001. The Little Rock coincident index now stands at a preliminary estimate of 102.5, up from its revised level of 102.4 in September. Since January, the Little Rock coincident index has decreased 0.5 percent. Overall, the data suggest economic conditions in the Little Rock-North Little Rock MSA improved in October.



The Pine Bluff Index of Coincident Economic Indicators, after decreasing by a revised 2.4 percent (SAAR) in September, increased by a preliminary estimate of 0.8 percent (SAAR) in October. The index's positive contributors were, from larger to smaller contribution, a predicted 2.3



percent increase in taxable sales and a 0.2 percent increase in non-farm employment. The index's sole negative contributor was a 0.1 percent increase in the MSA's unemployment rate. The unemployment rate in the Pine Bluff MSA was 8.3 percent in October, up 0.5 percent from October 2001. The Pine Bluff coincident index now stands at a preliminary estimate of 99.5, up from its revised level of 99.4 in September. Since January, the Pine Bluff coincident index has decreased 1.6 percent. Overall, the data suggest economic conditions in the Pine Bluff MSA improved in October.

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

<sup>2</sup> Source: Information Network of Arkansas

<sup>3</sup> Source: The Conference Board

Note: "In light of substantial data revisions announced by the Bureau of Economic Analysis (BEA) in July, The Conference Board decided to undertake a mid-year benchmark of its composite economic indexes...Due to these revisions, month-to-month changes in the composite [national] indexes are no longer comparable to those issued prior to this benchmark."

<http://www.globalindicators.org/US/LatestReleases/2002/Jul02.pdf>

The revisions noted in the Conference Board's press release for May and June have been incorporated in the construction of the Arkansas Index of Leading Economic Indicators.

<sup>4</sup> Source: U.S. Census Bureau

<sup>5</sup> Source: Arkansas Employment Security Department

<sup>6</sup> The value of new, privately-owned building permits in the Fort Smith MSA spiked in September, primarily due to a \$5.3 million permit filed by a private contractor to construct a 108-unit complex for the University of Arkansas at Fort Smith. Source: Don Chavis, Permit Officer, City of Fort Smith, Arkansas.

<sup>7</sup> The value of new, privately-owned building permits in the Little Rock-North Little Rock MSA spiked in September, primarily due to the filing of a \$7.4 million building permit for an apartment complex in the City of Benton, Arkansas in Saline County. Source: Laurretta Wright, Administrative Assistant, City of Benton, Arkansas.

<sup>8</sup> The value of new, privately-owned building permits in the Pine Bluff MSA spiked in September, primarily due to the filing of several building permits for houses in new subdivisions located in White Hall and Pine Bluff and the filing of building permits for two retirement lodges located in Pine Bluff. Sources: Ellen Welch, Court Clerk, City of White Hall, Arkansas, and Bobbie Lain, Executive Secretary, City of Pine Bluff, Arkansas.

<sup>9</sup> Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

Note: Data were seasonally adjusted using SAS ® Proc X11.