

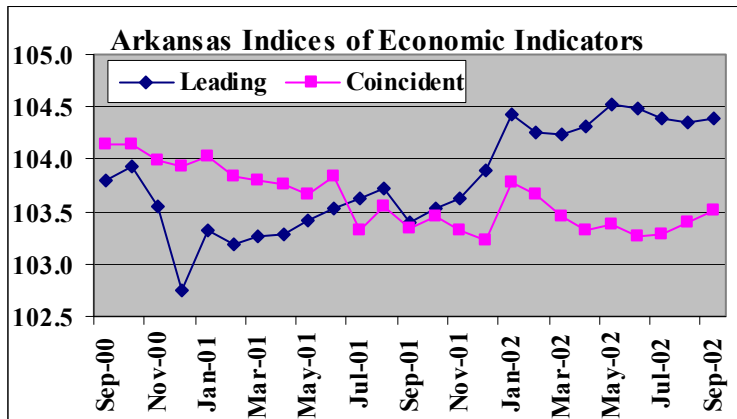


**Forecasting Trends: Arkansas Indices of Economic Indicators, September 2002**

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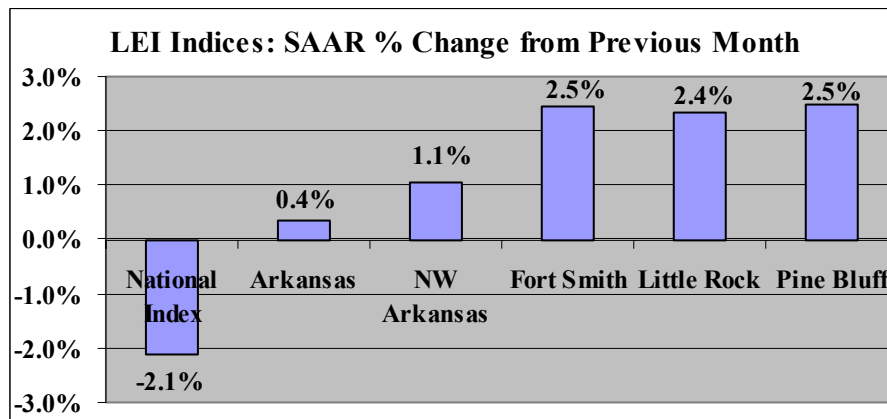
## Forecasting Trends: Arkansas Indices of Economic Indicators, September 2002

After decreasing by a revised seasonally adjusted annual rate (SAAR) of 0.4 percent in August, 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 0.4 percent (SAAR) in September. The



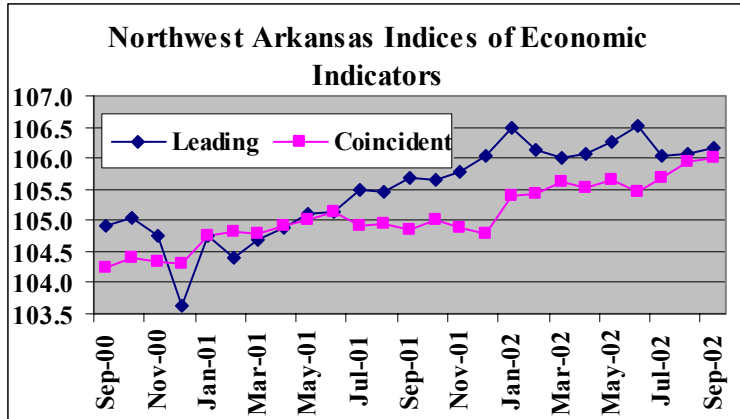
The index's positive contributors were, from largest to smallest contribution, a 19.1 percent increase in the value of new, privately-owned residential building permits,<sup>1</sup> a 0.9 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.8 hours in August to 40.2 hours in September,<sup>2</sup> and a 1.3 percent increase in the number of new incorporation registrations.<sup>3</sup> The index's negative contributors were, from largest to smallest contribution, a 0.7 percent decrease in construction employment, a 2.1 percent (SAAR) decrease in the national index of leading economic indicators,<sup>4</sup> and a 3.7 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 104.4, equal to its revised level in August and July. Overall, the data suggest marginal economic growth will occur within Arkansas in the first quarter of 2003.

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



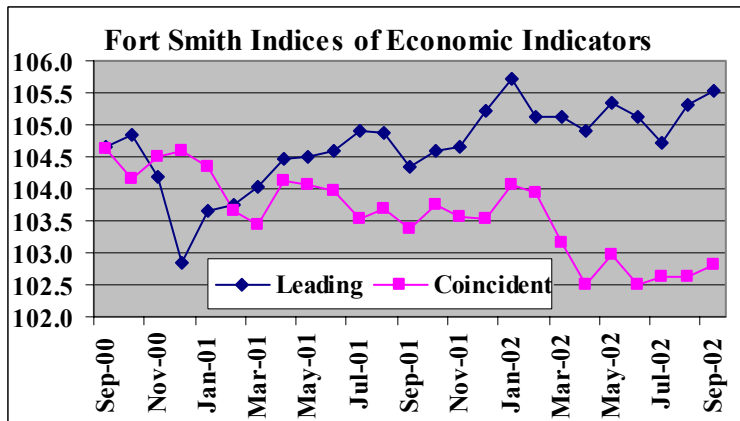
leading indices for the Fort Smith MSA and the Pine Bluff MSA both increased by 2.5 percent (SAAR) from August to September. The leading indices for the Little Rock-North Little Rock MSA and the Fayetteville-Springdale-Rogers MSA (Northwest Arkansas) increased by 2.4 percent (SAAR) and 1.1 percent (SAAR), respectively, for the month.

The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 0.3 percent (SAAR) in August, increased by a preliminary estimate of 1.1 percent (SAAR) in September. The index's positive contributors were, from largest to smallest contribution, an 18.6 percent increase in the



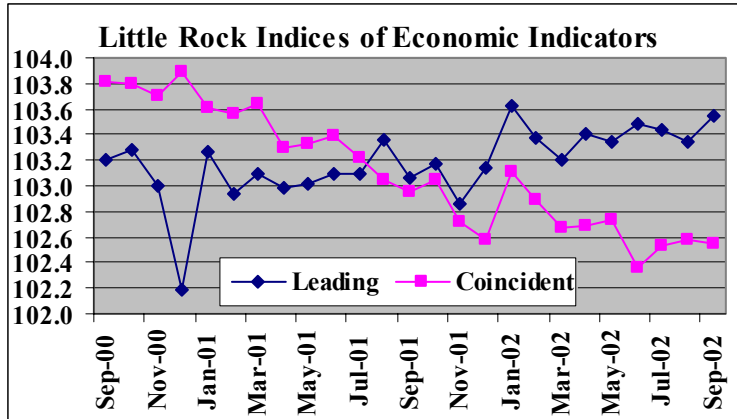
value of new, privately-owned residential building permits, a 0.5 percent increase in construction employment, and the 0.4 percent (SAAR) increase in the state's leading index. The index's sole negative contributor was a 1.1 percent decrease in AWMH from a revised 40.6 hours in August to 40.1 hours in September. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.2, up from its revised level of 106.1 in August. Overall, the data suggest relatively strong economic growth will occur within Northwest Arkansas in the first quarter of 2003.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 6.9 percent (SAAR) in August,<sup>6</sup> increased by a preliminary estimate of 2.5 percent (SAAR) in September. The index's positive contributors were, from largest to smallest contribution, a 111.6 percent increase in the



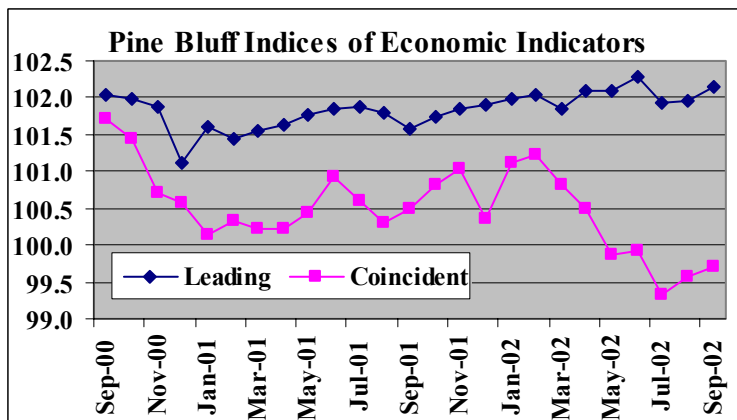
value of new, privately-owned residential building permits,<sup>7</sup> a 0.4 percent increase in construction employment, and a 0.4 percent (SAAR) increase in the state's leading index. The index's sole negative contributor was a 2.2 percent decrease in AWMH from a revised 41.4 hours in August to 40.5 hours in September. The Fort Smith leading index now stands at a preliminary estimate of 105.5, up from its revised level of 105.3 in August. Overall, the data suggest relatively strong economic growth will occur in Fort Smith in the first quarter of 2003.

The Little Rock Index of Leading Economic Indicators, after decreasing by a revised 1.1 percent (SAAR) in August, increased by a preliminary estimate of 2.4 percent (SAAR) in September. The index's positive contributors were, from largest to smallest contribution, a 45.6 percent increase in the value



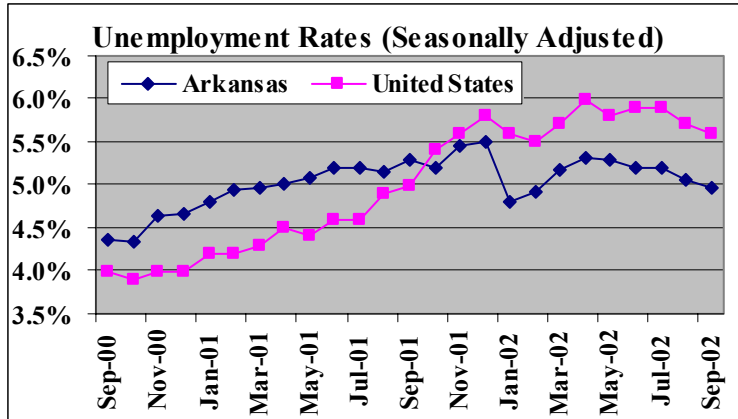
of new, privately-owned residential building permits,<sup>8</sup> a 0.8 percent increase in construction employment, and the 0.4 percent (SAAR) increase in the state's leading index. The index's sole negative contributor was a 0.4 percent decrease in AWMH from a revised 39.8 hours in August to 39.7 hours in September. The Little Rock leading index now stands at a preliminary estimate of 103.5, up from its revised level of 103.3 in August. Overall, the data suggest that relatively strong economic growth will occur in the capital city in the first quarter of 2003.

The Pine Bluff Index of Leading Economic Indicators, after increasing by a revised 0.1 percent (SAAR) in August, increased by a preliminary estimate of 2.5 percent (SAAR) in September. All four of the index's components experienced month-on-month improvements in September.



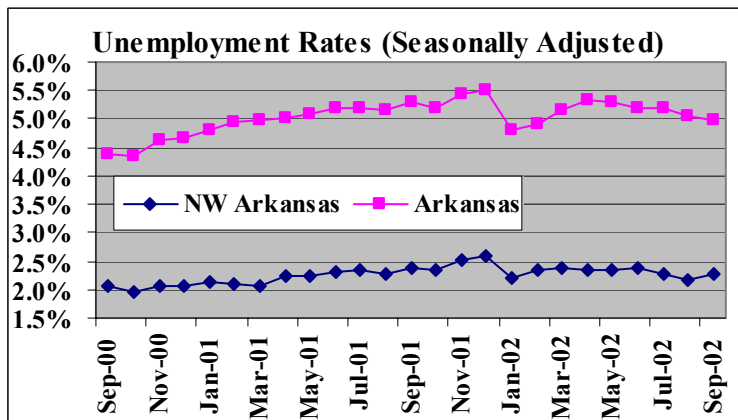
They were, from largest to smallest contribution, a 234.8 percent increase in the value of new, privately-owned residential building permits,<sup>9</sup> a 1.5 percent increase in AWMH from a revised 40.1 hours in August to 40.7 hours in September, a 2.3 percent increase in construction employment, and the 0.4 percent increase 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 101.9 in August and July. Overall, the data suggest that relatively strong economic growth will occur in Pine Bluff in the first quarter of 2003.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 1.2 percent (SAAR) in August, increased by a preliminary estimate of 1.4 percent (SAAR) in September. The index's positive contributors were, from larger to smaller



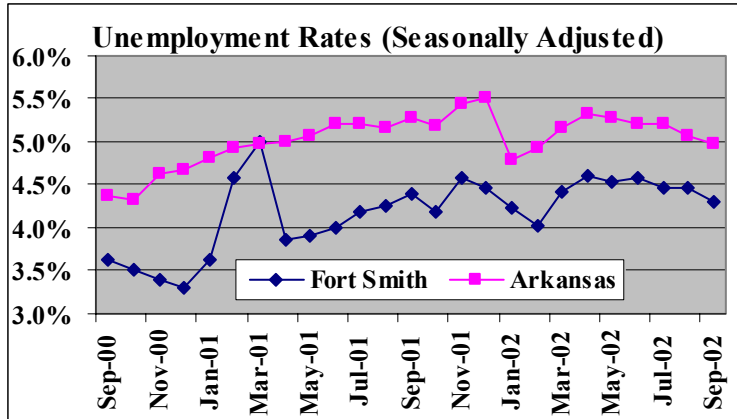
contribution, a 0.2 percent increase in non-farm employment and a 0.1 percent decrease in the state's unemployment rate. The unemployment rate in Arkansas was 5.0 percent in September, down 0.3 percent from September 2001; the U.S. unemployment rate stood at 5.6 percent in September, up 0.6 percent from September 2001. The index's sole negative contributor was a predicted 0.4 percent decrease in taxable sales.<sup>10</sup> The Arkansas coincident index, which increased for the third consecutive month in September, now stands at a preliminary estimate of 103.5, up from its revised level of 103.4 in August. Since January, the Arkansas coincident index has decreased 0.3 percent. Overall, the data suggest economic conditions in the state improved in September.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 2.9 percent (SAAR) in August, increased by a preliminary estimate of 0.7 percent (SAAR) in September. The index's positive contributors were, from larger to smaller contribution, a 0.5 percent increase in non-farm

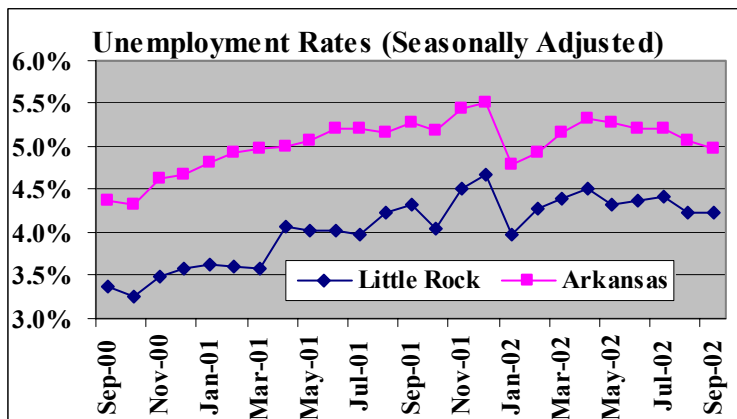


employment and a predicted 0.9 percent increase in taxable sales. The index's sole negative contributor was a 0.1 percent increase in the MSA's unemployment rate. The unemployment rate in the Fayetteville-Springdale-Rogers MSA was 2.3 percent in September, down 0.1 percent from September 2001. The Northwest Arkansas coincident index, which increased for the third consecutive month in September, now stands at a preliminary estimate of 106.0, up from its revised level of 105.9 in August. Since January, the Northwest Arkansas coincident index has increased 0.6 percent. Overall, the data suggest economic conditions in Northwest Arkansas improved in September.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 0.3 percent (SAAR) in August, increased by a preliminary estimate of 1.9 percent (SAAR) in September. The index's positive contributors were, from larger to smaller contribution, a 0.2 percent decline in the MSA's unemployment rate and a 0.3 percent increase in non-farm employment. The unemployment rate in the Fort Smith MSA was 4.3 percent in September, down 0.1 percent from September 2001. The index's sole negative contributor was a predicted 2.6 percent decline in taxable sales. The Fort Smith coincident index, which increased for the third consecutive month in September, now stands at a preliminary estimate of 102.8, up from its revised level of 102.6 in August and July. Since January, the Fort Smith coincident index has decreased 1.2 percent. Overall, the data suggest economic conditions in Fort Smith improved in September.

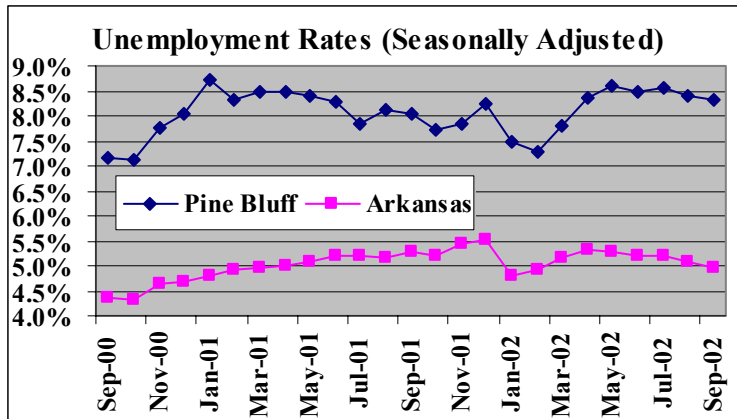


The Little Rock Index of Coincident Economic Indicators, after increasing by a revised 0.6 percent (SAAR) in August, decreased by a preliminary estimate of 0.3 percent (SAAR) in September. For the month, non-farm employment held steady at 310,700 persons. The unemployment rate for the Little Rock-North Little Rock MSA also held steady in September at 4.2 percent, down 0.1 percent from September 2001. The index's primary negative contributor was a predicted 1.0 percent decrease in taxable sales. The Little Rock coincident index now stands at a preliminary estimate of 102.6, equal to its revised level in August. Since January, the Little Rock coincident index has decreased 0.5 percent. Overall, the data suggest economic conditions in the capital city worsened marginally in September.



Overall, the data suggest economic conditions in Fort Smith improved in September. The Little Rock-North Little Rock MSA also held steady in September at 4.2 percent, down 0.1 percent from September 2001. The index's primary negative contributor was a predicted 1.0 percent decrease in taxable sales. The Little Rock coincident index now stands at a preliminary estimate of 102.6, equal to its revised level in August. Since January, the Little Rock coincident index has decreased 0.5 percent. Overall, the data suggest economic conditions in the capital city worsened marginally in September.

The Pine Bluff Index of Coincident Economic Indicators, after increasing by a revised 3.0 percent (SAAR) in August, increased by a preliminary estimate of 1.5 percent (SAAR) in September. The index's positive contributors were, from larger to smaller contribution, a 0.1 percent decrease in the MSA's



unemployment rate and a 0.2 percent increase in non-farm employment. The unemployment rate in the Pine Bluff MSA was 8.3 percent in September, up 0.2 percent from September 2001. The index's sole negative contributor was a predicted 0.3 percent decrease in taxable sales. The Pine Bluff coincident index now stands at a preliminary estimate of 99.7, up from its revised level of 99.6 in August. Since January, the Pine Bluff coincident index has decreased 1.4 percent. Overall, the data suggest economic conditions in Pine Bluff improved in September.

<sup>1</sup> Source: U.S. Census Bureau

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

<sup>3</sup> Source: Information Network of Arkansas

<sup>4</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>5</sup> Source: Arkansas Employment Security Department

<sup>6</sup> This was due primarily to a 7.0 percent upward revision in AWMH for the month of August by the U.S. Commerce Department, Bureau of Labor Statistics.

<sup>7</sup> This large increase is due primarily to a building permit filed by a private contractor to construct a \$5.3 million, 108-unit complex for the University of Arkansas at Fort Smith. Source: Don Chavis, Permit Officer, City of Fort Smith, Arkansas.

<sup>8</sup> This large increase is due primarily to a building permit for a \$7.4 million apartment complex in the City of Benton, Arkansas in Saline County. Source: Lauretta Wright, Administrative Assistant, City of Benton, Arkansas.

<sup>9</sup> This is due to building permits for houses in new subdivisions located in White Hall and Pine Bluff, as well 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>10</sup> Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

Data were seasonally adjusted using SAS ® Proc X11.