

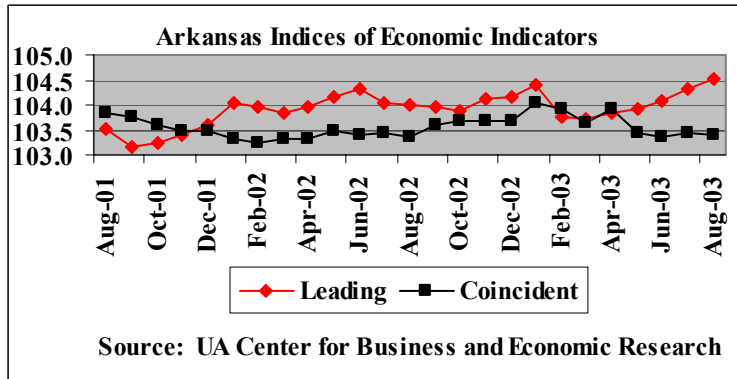


**Forecasting Trends: Arkansas Indices of Economic Indicators, August 2003**

Kathy Deck  
Associate Director  
Center for Business and Economic Research  
Sam M. Walton College of Business  
University of Arkansas  
479.575.4151  
<http://cber.uark.edu>

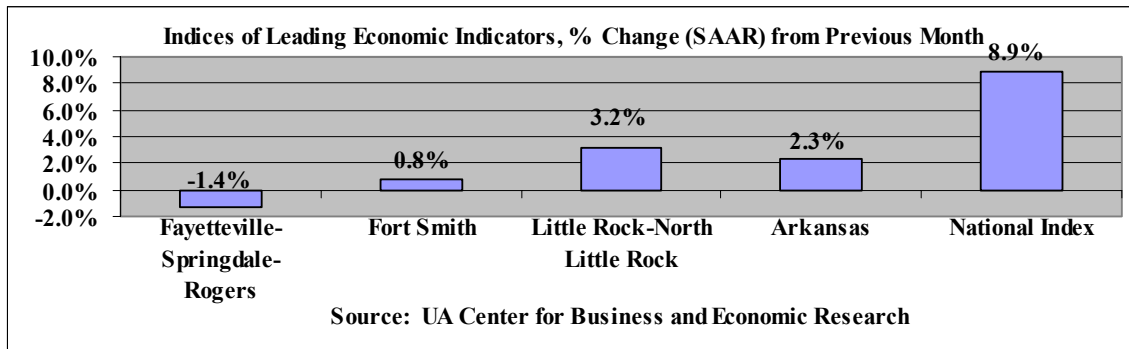
## Forecasting Trends: Arkansas Indices of Economic Indicators, July 2003

After increasing by a revised seasonally adjusted annual rate (SAAR) of 2.5 percent in July, 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 2.3 percent (SAAR) in August. The index increased for the fifth consecutive month. The index's positive contributors were, from largest to smallest contribution, a 0.9 percent (SAAR) increase in the national index of leading economic indicators,<sup>1</sup> a 9.2 percent decrease in the number of initial unemployment insurance claims,<sup>2</sup> a 0.3 percent increase in construction employment,<sup>3</sup> and a 3.7 percent increase in the value of new building permits<sup>4</sup>. The negative contributors were a 20.0 percent decrease in the number of new building permits, a 6.1 percent decline in the number of new incorporation registrations,<sup>5</sup> and a 0.3 percent decline in average weekly manufacturing hours (AWMH) from a revised 39.7 hours in July to 39.6 hours in August.<sup>6</sup> The state's leading index now stands at a preliminary estimate of 104.5, up from its revised level of 104.3 in July. Overall, the data imply the state will experience moderately strong economic growth in the first quarter of 2004.

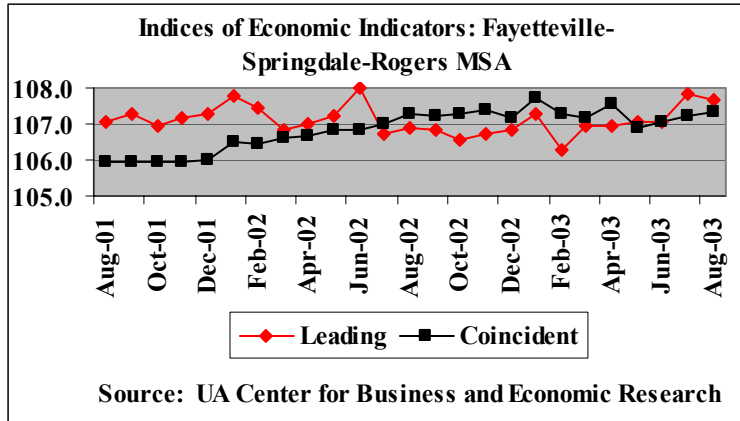


The index increased for the fifth consecutive month. The index's positive contributors were, from largest to smallest contribution, a 0.9 percent (SAAR) increase in the national index of leading economic indicators,<sup>1</sup> a 9.2 percent decrease in the number of initial unemployment insurance claims,<sup>2</sup> a 0.3 percent increase in construction employment,<sup>3</sup> and a 3.7 percent increase in the value of new building permits<sup>4</sup>. The negative contributors were a 20.0 percent decrease in the number of new building permits, a 6.1 percent decline in the number of new incorporation registrations,<sup>5</sup> and a 0.3 percent decline in average weekly manufacturing hours (AWMH) from a revised 39.7 hours in July to 39.6 hours in August.<sup>6</sup> The state's leading index now stands at a preliminary estimate of 104.5, up from its revised level of 104.3 in July. Overall, the data imply the state will experience moderately strong economic growth in the first quarter of 2004.

The leading index for the Fayetteville-Springdale-Rogers MSA,<sup>7</sup> henceforth Northwest Arkansas, experienced a month-on-month decline in August of 1.4 percent. The Little Rock-North Little Rock metropolitan statistical area (MSA)<sup>8</sup> and the Fort Smith MSA<sup>9</sup> experienced month-on-month gains in August, increasing 3.2 percent (SAAR) and 0.8 percent (SAAR), respectively.

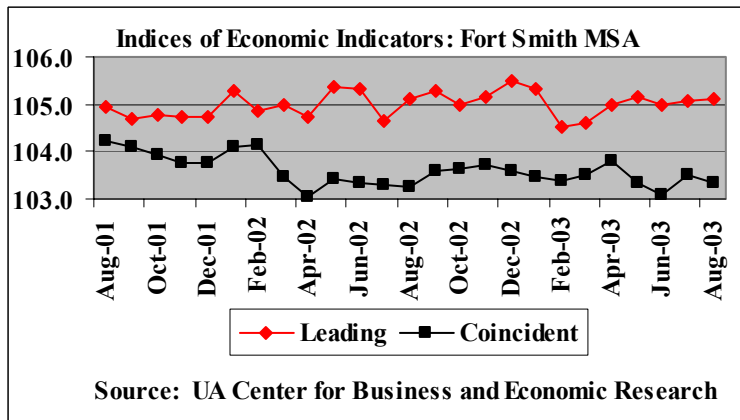


The Northwest Arkansas Index of Leading Economic Indicators, after increasing at a revised 8.5 percent (SAAR) in July, decreased by a preliminary estimate of 1.4 percent (SAAR) in August. The index's positive contributors were, from larger to smaller contribution, the 0.2 percent (SAAR) increase in the



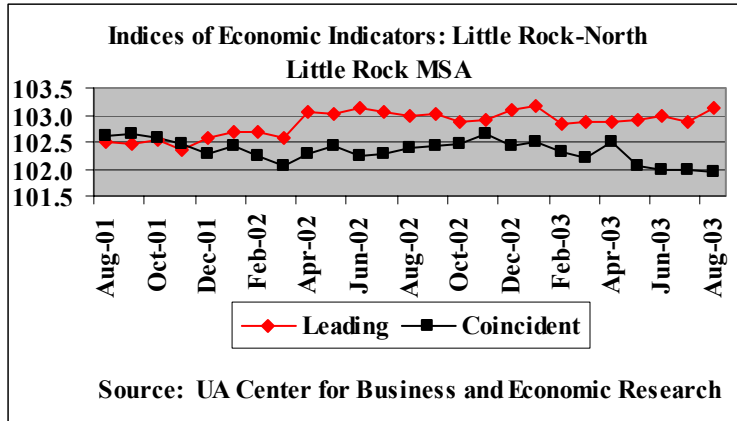
state's leading index and the 0.3 percent increase in construction employment. The negative contributors were the 14.5 percent decline in the value of new, privately-owned housing units authorized and a 2.9 percent decline from 40.3 to 39.1 in average weekly manufacturing hours. The Northwest Arkansas leading index now stands at a preliminary estimate of 107.7, down from to its revised level of 107.8 in July. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience mild economic decline in the first quarter of 2004.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 0.8 percent (SAAR) in July, increased by a preliminary estimate of 0.8 percent (SAAR) in August. This is the second consecutive month that the index has increased. The index's positive contributors were, from largest to



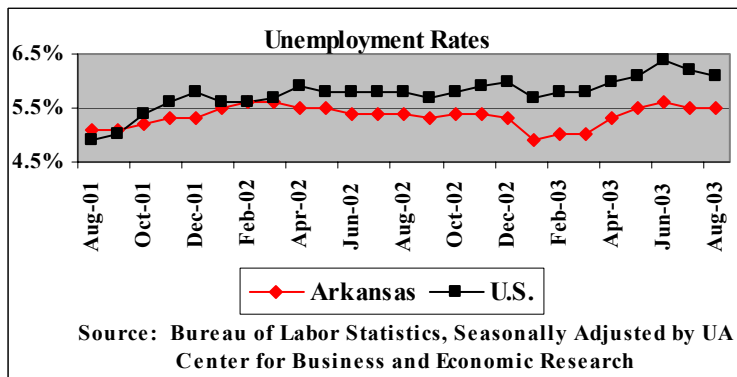
smallest contribution, the 0.2 percent (SAAR) increase in the state's leading index and a 1.3 percent increase in construction employment. The negative contributors were a 3.1 percent decline in average weekly manufacturing hours and a 1.5 percent decrease in the value of new, privately-owned housing units authorized. The Fort Smith leading index now stands at a preliminary estimate of 105.1, the same as its revised level in July. Overall, the data imply mild economic growth will occur in the Fort Smith MSA in the first quarter of 2004.

The Little Rock Index of Leading Economic Indicators, after declining by a revised 1.1 percent (SAAR) in July, increased by a preliminary estimate of 3.2 percent (SAAR) in August. The index has increased for six of the last seven months. The index's positive contributors were, from largest to smallest



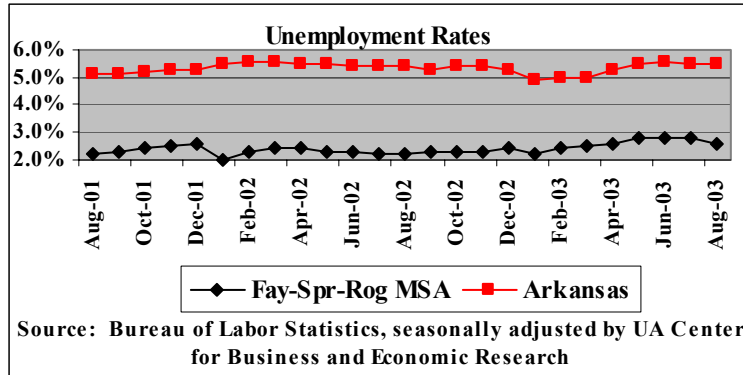
contribution, the 5.6 percent increase in average weekly manufacturing hours, the 0.2 percent (SAAR) increase in the state's leading index, the 25.4 percent increase in the value of new, privately-owned housing units authorized, and the 0.1 percent increase in construction employment. The Little Rock leading index now stands at a preliminary estimate of 103.1, up from its revised level of 102.9 in July. Overall, the data imply mild economic growth will occur in the Little Rock-North Little Rock MSA in the and the first quarter of 2004.

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 July, declined by a preliminary estimate of 0.3 percent (SAAR) in August.



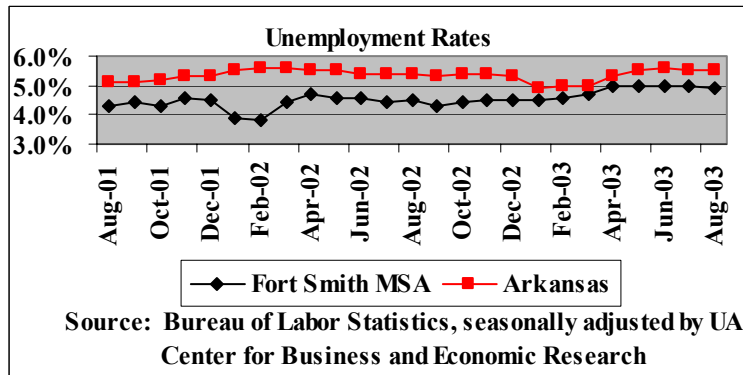
The index's positive contributors were, from larger to smaller contribution, a stable state unemployment rate at 5.6 percent and a 0.3 percent increase in taxable sales.<sup>10</sup> The index's sole negative contributor was a 0.2 percent decline in non-farm employment. The national unemployment rate declined to 6.1 percent in August from 6.2 percent in July. In August 2002, the national and state unemployment rates were 5.8 percent and 5.4 percent, respectively. The Arkansas coincident index now stands at a preliminary estimate of 103.4, equal to its revised level in June and July and down from its level of 104.0 in August 2002. Overall, the data imply economic conditions in the state remained unchanged in August.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 2.2 percent (SAAR) in July, increased by a preliminary estimate of 1.2 percent (SAAR) in August. The index's positive contributors were a 0.5 percent increase in non-farm employment in



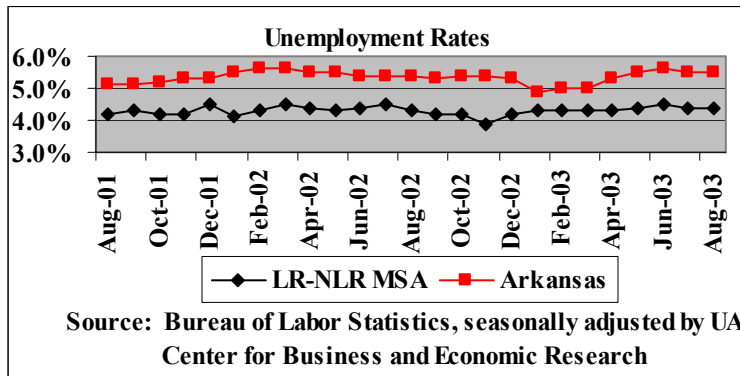
the MSA and a decline of 0.2 percent in the MSA's unemployment rate to 2.6 percent. In August 2002, the unemployment rate in the MSA was 2.2 percent. The index's sole negative contributor was a 9.5 percent decrease in projected taxable sales. The Northwest Arkansas coincident index now stands at a preliminary estimate of 107.3, up from its revised level of 107.2 in July 2003 and equal to its level in August 2002. Overall, the data imply economic conditions in the Fayetteville-Springdale-Rogers MSA improved marginally in August.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 5.3 percent (SAAR) in July, declined by a preliminary estimate of 2.2 percent (SAAR) in August. The sole positive contributor was 0.1 percent decline in the MSA's unemployment rate. Non



farm employment declined by 0.4 percent in August and projected taxable sales declined by 4.9 percent. The unemployment rate in the Fort Smith MSA was 4.9 percent in August, down from 5.0 percent in July and up from 4.5 percent in August 2002. The Fort Smith coincident index now stands at a preliminary estimate of 103.3, down from its revised level of 103.5 in July 2003 and up from 103.2 in August 2002. Overall, the data imply economic conditions in the Fort Smith MSA declined moderately in August.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 0.2 percent (SAAR) in July, declined by a preliminary estimate of 0.3 percent (SAAR) in August. Both the unemployment rate and non farm employment were unchanged in the month. The sole negative



contributor was a 3.3 percent decline in projected taxable sales. The unemployment rate was 4.4 percent in August and July 2003 and was 4.3 percent in August 2002. The Little Rock Coincident Index now stands at a preliminary estimate of 101.9, down from its revised level of 102.0 in July 2003 and down from 102.4 in July 2002. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA declined marginally in August.

<sup>1</sup> Source: The Conference Board

<sup>2</sup> Source: Arkansas Employment Security Department

<sup>3</sup> Source for non-farm wage and employment data: U.S. Labor Department, Bureau of Labor Statistics (BLS)

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

<sup>5</sup> Source: Information Network of Arkansas

<sup>6</sup> Beginning with the January 2003 data, the BLS has converted the non-farm payroll data series for states and metropolitan areas from the 1987 Standard Industrial Classification (SIC) basis to the 2002 North American Industry Classification System basis. Moreover, the data now reflect March 2002 benchmark levels. To read more about these issues, go to <http://www.bls.gov/sae/saenaics.htm> and <http://www.bls.gov/sae/790notes.htm>.

<sup>7</sup> The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington County, Arkansas.

<sup>8</sup> The Little Rock-North Little Rock MSA is defined for this paper to be Faulkner County, Arkansas; Lonoke County, Arkansas; Pulaski County, Arkansas; and Saline County, Arkansas.

<sup>9</sup> The Fort Smith MSA is defined for this paper to be Crawford County, Arkansas; Sebastian County, Arkansas; and Sequoyah County, Oklahoma.

<sup>10</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.