

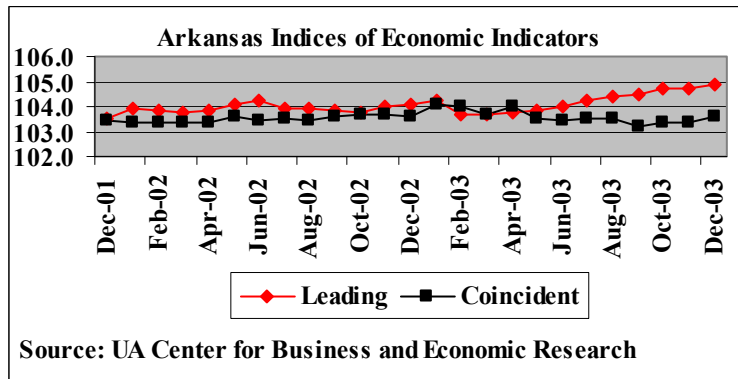


Forecasting Trends: Arkansas Indices of Economic Indicators, December 2003

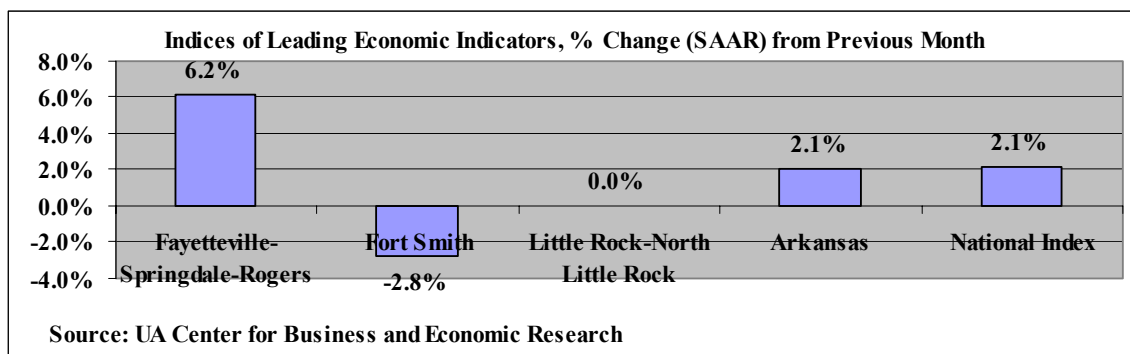
Glyn Finley
Research Assistant
Center for Business and Economic Research
Sam M. Walton College of Business
University of Arkansas
479.575.4151
<http://cber.uark.edu>

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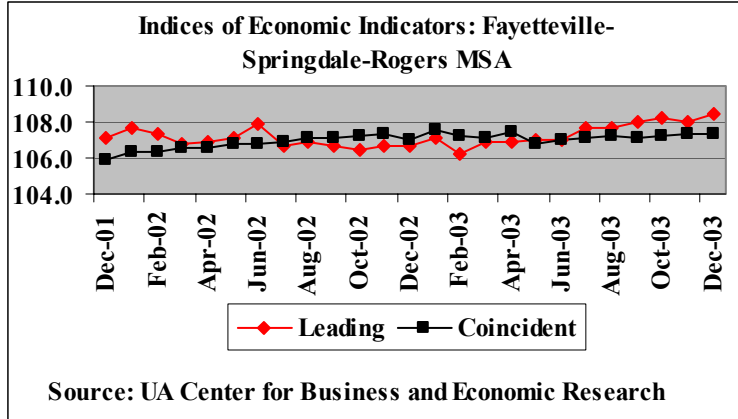
After increasing by a revised seasonally adjusted annual rate (SAAR) of .5 percent in November, the Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, increased by a preliminary estimate of 2.1 percent (SAAR) in December. The index has stayed even or increased for ten consecutive months. The index's positive contributors were, from largest to smallest contribution, a 32.1 percent (SAAR) increase in the value of new building permits, a 14.8% increase in the number of new incorporations⁸, a 2.1 percent increase in the national index of leading economic indicators¹ and a 3.6 percent drop in the number of initial unemployment insurance claims². The only negative contributor was a decline of 0.6 percent in average weekly manufacturing hours (AWMH), from a revised 40.4 hours in November to 40.2 hours in December.³ The state's leading index now stands at a preliminary estimate of 104.9, up from its revised level of 104.7 in November. Overall, the data imply the state will experience mild economic growth in the third quarter of 2004.



The leading index for the Fayetteville-Springdale-Rogers MSA,⁴ henceforth Northwest Arkansas, experienced a month-on-month increase in December of 6.2 percent. The Little Rock-North Little Rock metropolitan statistical area (MSA)⁵ index remained constant. The Fort Smith⁶ leading index experienced a month-on-month decline in December of 2.8 percent (SAAR).

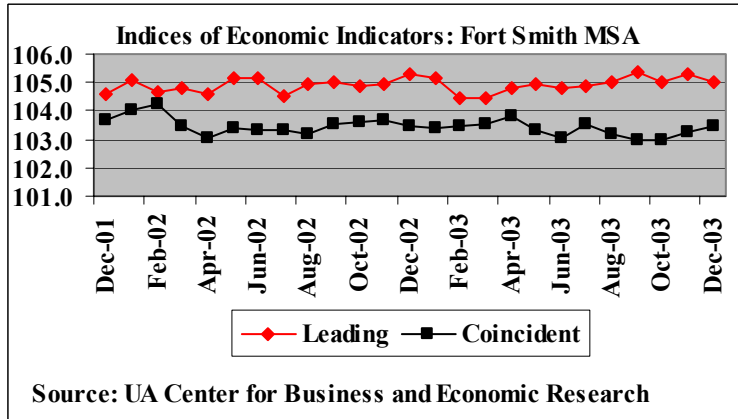


The Northwest Arkansas Index of Leading Economic Indicators, after decreasing at a revised 2.7 percent (SAAR) in November, increased by a preliminary estimate of 6.2 percent (SAAR) in December. The index's positive contributors were, from largest to smallest contribution, a 74.3 percent increase in the value



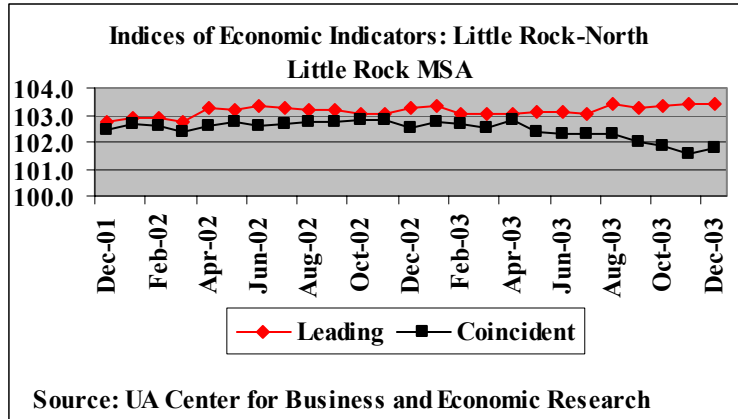
of building permits, a 2.1 percent increase in the Arkansas index and a 0.8 percent increase in construction employment. The only negative contributor was a 1.1 percent decrease in average weekly manufacturing hours (AWMH). The Northwest Arkansas leading index now stands at a preliminary estimate of 108.5, up sharply from to its revised level of 107.9 in October. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience mild economic decay in the third quarter of 2004.

The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 2.9 percent (SAAR) in November, decreased by a preliminary estimate of 2.8 percent (SAAR) in December. Positive contributors were an 41.0% increase in the value of building permits, a 2.1 percent increase in the



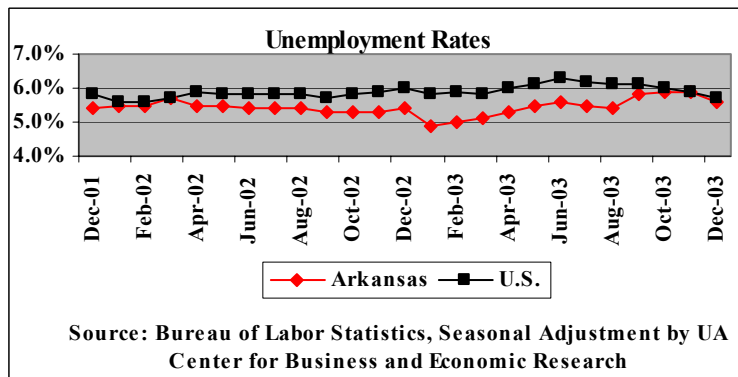
Arkansas index and a 0.8 percent increase in construction employment. The only negative contributor was a 10.9% decline in average weekly manufacturing hours, from a revised 39.9 in November to 35.5 hours in December. The Fort Smith leading index now stands at a preliminary estimate of 105.0, down from its revised level of 105.3 in November. Overall, the data imply mild economic stagnation will occur in the Fort Smith MSA in the third quarter of 2004.

The Little Rock Index of Leading Economic Indicators, after increasing by a revised 1.4 percent (SAAR) in November, remained constant in December. The index's positive contributors were, from larger to smaller contribution, the 2.1 percent increase in the Arkansas index and a 0.3 percent



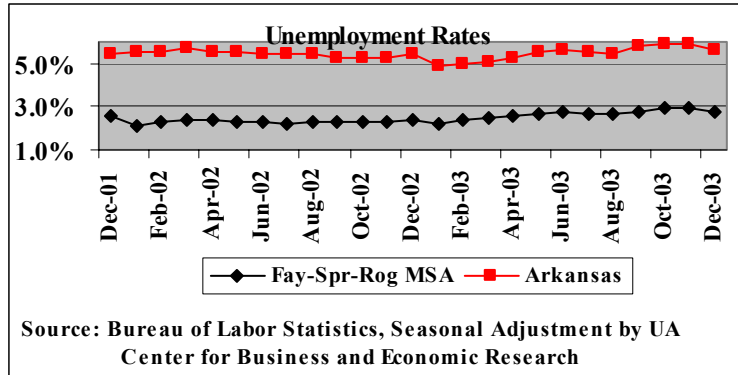
increase in construction employment. The negative contributors were a 2.7 percent decline in average weekly manufacturing hours and a 1.0 percent drop in the value of building permits. The Little Rock leading index now stands at a preliminary estimate of 103.4, even with its revised level of 103.4 in November. Overall, the data imply that no economic growth or decay will occur in the Little Rock-North Little Rock MSA in the third quarter of 2004.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.2 percent (SAAR) in November, increased by a preliminary estimate of 2.6 percent (SAAR) in December. The index's



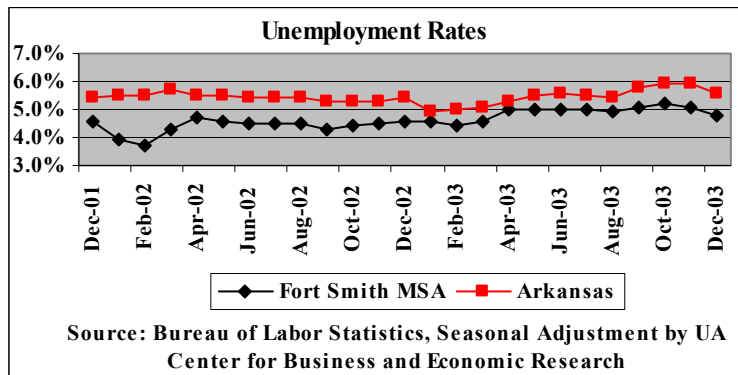
positive contributors were 0.3 percent drop in the unemployment rate and a 0.1 percent increase in non-farm employment. The negative contributor was a 0.5 percent decrease in taxable sales. The Arkansas coincident index now stands at a preliminary estimate of 103.6, up slightly from the revised 103.4 in November. Overall, the data imply economic conditions in the state mildly improved in December.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 0.4 percent (SAAR) in November, increased by a preliminary estimate of 1.0 percent (SAAR) in December. The index's positive contributors were 0.1 percent decline in the

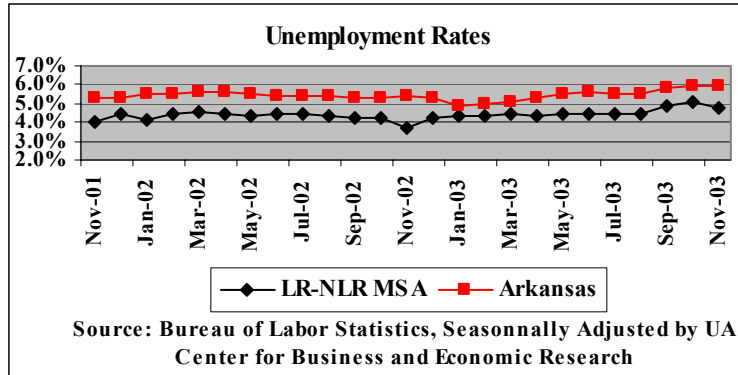


unemployment rate and a 0.8 percent increase in taxable sales. There were no negative contributors. The Northwest Arkansas coincident index now stands at a preliminary estimate of 107.4, up slightly from its revised level of 107.3 in November 2003. Overall, the data imply economic conditions in the Fayetteville-Springdale-Rogers MSA improved marginally in November.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 3.5 percent (SAAR) in November, increased by a preliminary estimate of 1.9 percent (SAAR) in December. The positive contributors were a 0.3 percent decline in the unemployment rate and a 6.4 percent increase in taxable sales. The only negative contributor was a 0.4 percent decline in non-farm employment. The Fort Smith coincident index now stands at a preliminary estimate of 103.4, up marginally from its revised level of 103.3 in October 2003. Overall, the data imply economic conditions in the Fort Smith MSA increased mildly in December.



The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 3.3 percent (SAAR) in November, increased by a preliminary estimate of 2.7 percent (SAAR) in December. The sole positive contributor was a 0.5 percent drop in the unemployment rate.



The negative contributors were a 0.1 percent decline in non-farm employment and a 3.9 percent decrease in taxable sales for the MSA. The Little Rock Coincident Index now stands at a preliminary estimate of 101.8, up from its revised level of 101.6 in November 2003. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA improved slightly in December.

¹ Source: The Conference Board

² Source: Arkansas Employment Security Department

³ 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>.

⁴ The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington County, Arkansas.

⁵ 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.

⁶ The Fort Smith MSA is defined for this paper to be Crawford County, Arkansas; Sebastian County, Arkansas; and Sequoyah County, Oklahoma.

⁸Source: Arkansas Secretary of State's Office