

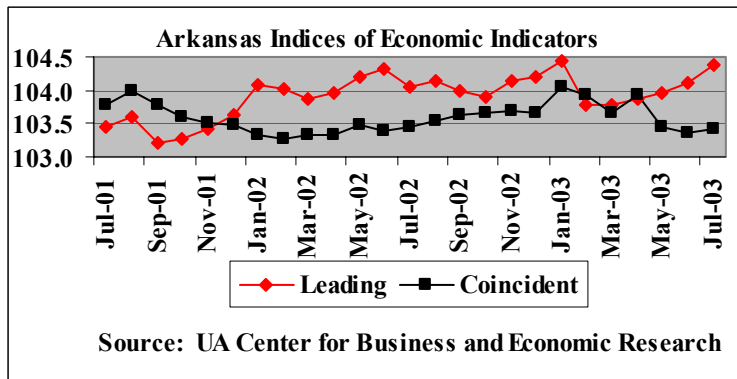


Forecasting Trends: Arkansas Indices of Economic Indicators, July 2003

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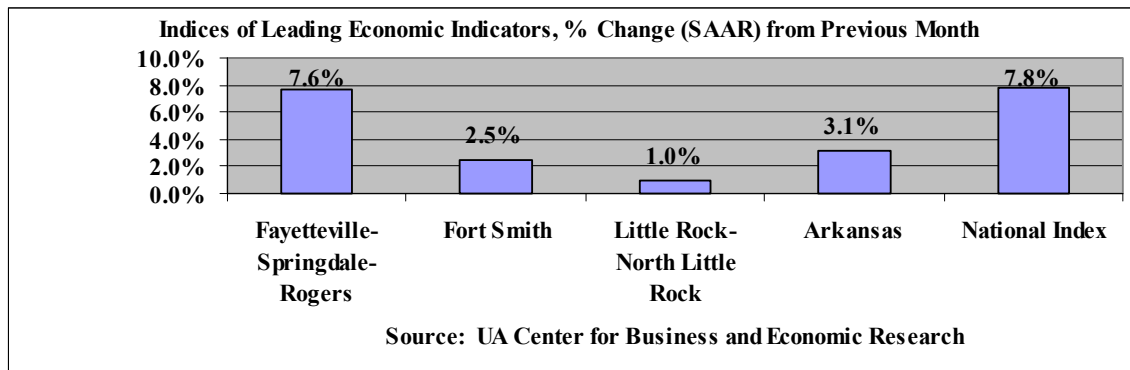
Forecasting Trends: Arkansas Indices of Economic Indicators, July 2003

After increasing by a revised seasonally adjusted annual rate (SAAR) of 1.8 percent in June, 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 3.1 percent (SAAR) in July. The index

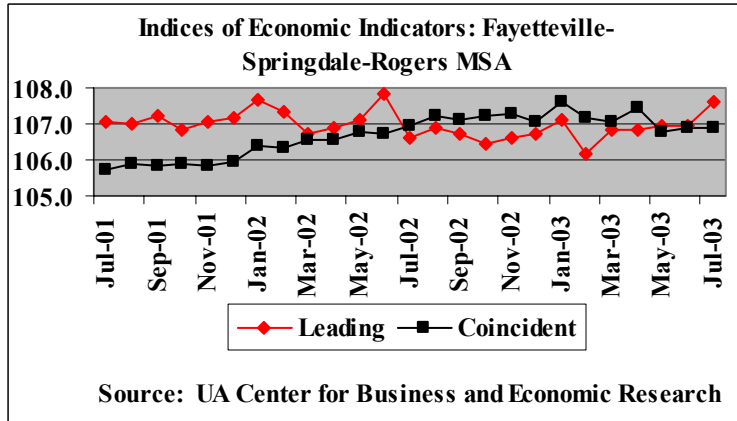


increased for the fourth consecutive month. The index's positive contributors were, from largest to smallest contribution, a 0.7 percent (SAAR) increase in the national index of leading economic indicators,¹ a 17.2 percent increase in the value of new building permits², a 7.5 percent decrease in the number of initial unemployment insurance claims,³ a 0.4 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.7 hours in June to 39.9 hours in July,^{4,5} and a 2.0 percent increase in the number of new incorporation registrations.⁶ The index's negative contributor was construction employment in Arkansas which declined by 0.3 percent in July to 53,406 people. The state's leading index now stands at a preliminary estimate of 104.4, up from its level of 104.1 in June. Overall, the data imply the state will experience relatively strong economic growth in the fourth quarter of 2003.

The leading indices for the Fayetteville-Springdale-Rogers MSA,⁷ henceforth Northwest Arkansas, the Little Rock-North Little Rock metropolitan statistical area (MSA)⁸, and the Fort Smith MSA⁹ experienced month-on-month gains in June, increasing 7.6 percent (SAAR) and 2.5 percent (SAAR), and 1.0 percent (SAAR), respectively.

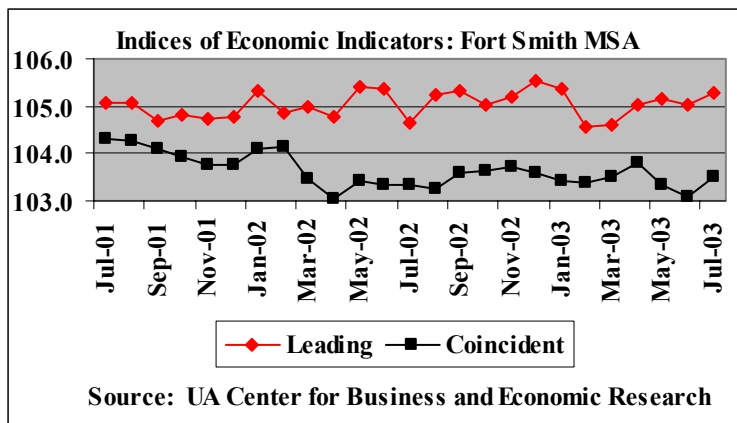


The Northwest Arkansas Index of Leading Economic Indicators, after remaining stable at a revised 0.0 percent (SAAR) in June, increased by a preliminary estimate of 7.6 percent (SAAR) in July. The index's positive contributors were, from larger to smaller contribution, the 4.4



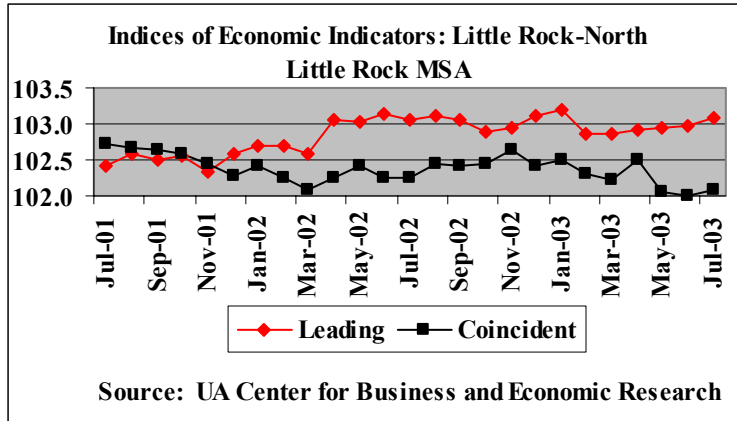
percent (SAAR) increase from 38.7 to 40.4 in average weekly manufacturing hours, an increase of 0.3 percent (SAAR) in the state's leading index, and a 22.8 percent increase in the value of new, privately-owned housing units authorized. Construction employment held steady in the MSA at 17,259 in July. The Northwest Arkansas leading index now stands at a preliminary estimate of 107.6, up from its revised level of 106.9 in June. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience strong economic growth in the fourth quarter of 2003.

The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 1.4 percent (SAAR) in June, increased by a preliminary estimate of 2.5 percent (SAAR) in July. Prior to June, the index increased for three consecutive months. The index's positive contributors were, from largest to smallest

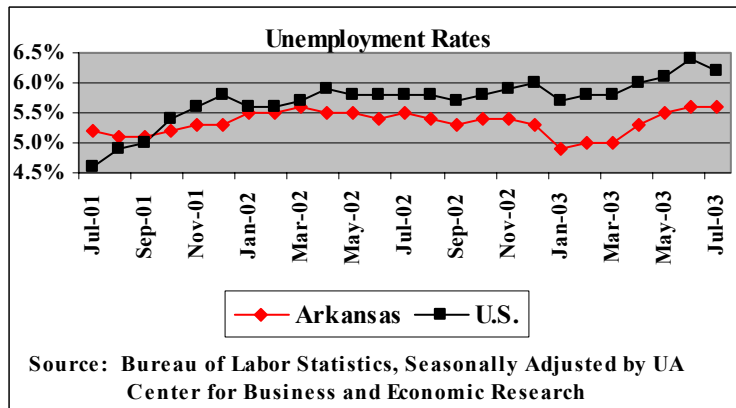


contribution, the 0.3 percent (SAAR) increase in the state's leading index, a 0.9 percent increase in construction employment, and a 9.9 percent increase in the value of new, privately-owned housing units authorized. The index's sole negative contributor was a 1.5 percent decrease in AWMH from a revised 41.1 hours in June to 40.5 hours in July. The Fort Smith leading index now stands at a preliminary estimate of 105.3, up from its revised level of 105.0 in May. Overall, the data imply moderate economic growth will occur in the Fort Smith MSA in the fourth quarter of 2003.

The Little Rock Index of Leading Economic Indicators, after increasing by a revised 0.5 percent (SAAR) in June, increased by a preliminary estimate of 1.0 percent (SAAR) in July. The index increased for the fourth consecutive month in July. The index's positive contributors were, from largest to smallest contribution, the 0.3 percent (SAAR) increase in the state's leading index and the 22.8 percent increase in the value of new, privately-owned housing units authorized. Construction employment was unchanged from June to July. The index's sole negative contributor was a 1.7 percent decrease in AWMH from a revised 41.4 hours in June to a preliminary 40.7 hours in July. The Little Rock leading index now stands at a preliminary estimate of 103.1, up from its revised level of 103.0 in June. Overall, the data imply moderate economic growth will occur in the Little Rock-North Little Rock MSA in the fourth quarter of 2003.

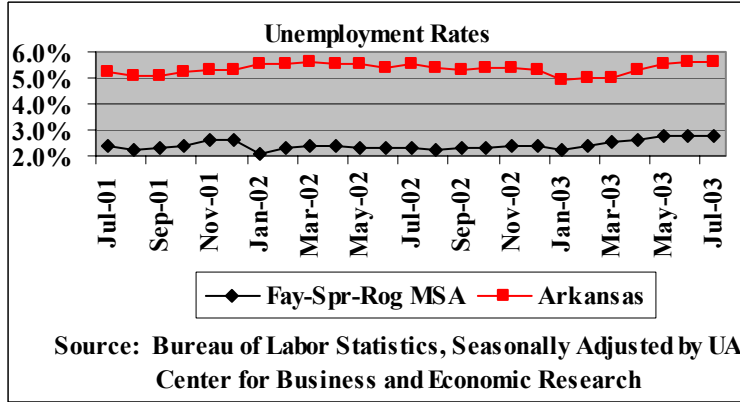


The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after decreasing by a revised 1.0 percent (SAAR) in June, increased by a preliminary estimate of 0.6 percent (SAAR) in July. The index's positive contributors



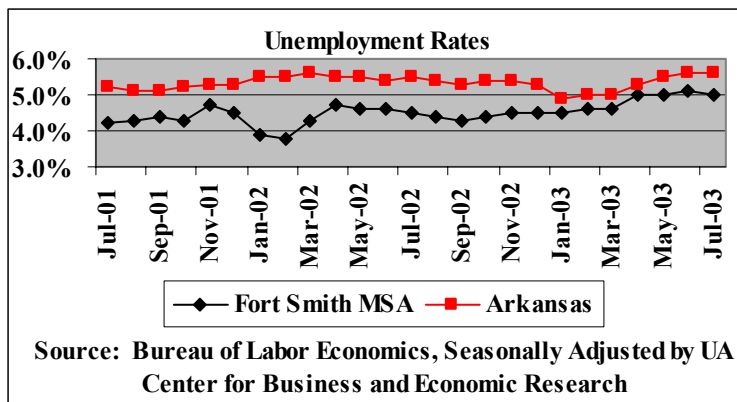
were, from largest to smallest contribution, a stable state unemployment rate at 5.6 percent and a 1.8 percent increase in taxable sales.¹⁰ The index's sole negative contributor was slightly lower non-farm employment 1,146,374. The national unemployment rate declined to 6.2 percent in July from 6.4 percent in June, its highest level since March 1994. In July 2002, the national and state unemployment rates were 5.8 percent and 5.5 percent, respectively. The Arkansas coincident index now stands at a preliminary estimate of 103.4, equal to its revised level in June and down from its level of 103.5 in July 2002. Overall, the data imply economic conditions in the state remained unchanged in July.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 1.5 percent (SAAR) in June, decreased by a preliminary estimate of 0.1 percent (SAAR) in July. The index's sole positive contributor was a projected 0.2 percent increase in non-farm employment in the



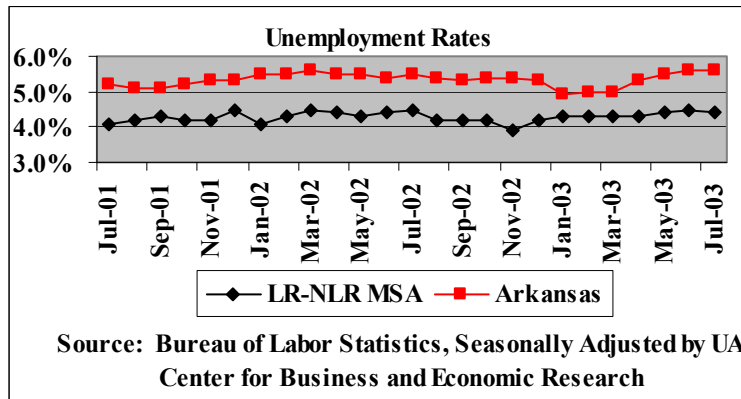
MSA. The MSA's unemployment rate held steady in July at 2.8 percent, its highest level since November 1998. In July 2002, the unemployment rate in the MSA was 2.3 percent. The index's sole negative contributor was a 3.8 percent decrease in projected taxable sales. The Northwest Arkansas coincident index now stands at a preliminary estimate of 106.9, equal to its revised level in June 2003 and in July 2002. Overall, the data imply economic conditions in the Fayetteville-Springdale-Rogers MSA worsened marginally in July.

The Fort Smith Index of Coincident Economic Indicators, after decreasing by a revised 3.0 percent (SAAR) in June, increased by a preliminary estimate of 5.2 percent (SAAR) in July. All three of the index's components improved on a month-on-month basis in July. From largest to smallest



contribution, they were a 0.6 percent increase in non-farm employment, a 0.1 percent decrease in the MSA's unemployment rate to 5.0 percent, and a projected 8.2 percent increase in taxable sales in the MSA. The unemployment rate in the Fort Smith MSA was 4.5 percent in July 2002. The Fort Smith coincident index now stands at a preliminary estimate of 103.5, up from its revised level of 103.1 in June 2003 and 103.3 in July 2002. Overall, the data imply economic conditions in the Fort Smith MSA improved marginally in July.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 0.7 percent (SAAR) in June, increased by a preliminary estimate of 0.9 percent (SAAR) in July. The index's positive contributors were, from larger to smaller contribution, a decrease of 0.1 percent in the unemployment rate to 4.4



percent and an increase of 0.2 percent in non-farm employment. The index's sole negative contributor was a 3.9 percent decrease in projected taxable sales in the MSA. In July 2002, the MSA's unemployment rate was 4.5 percent. The Little Rock Coincident Index now stands at a preliminary estimate of 102.1, up from its revised level of 102.0 in June 2003 and down from 102.2 in July 2002. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA improved marginally in July.

¹ Source: The Conference Board

² Source: U.S. Census Bureau

³ Source: Arkansas Employment Security Department

⁴ Source for non-farm wage and employment data: U.S. Labor Department, Bureau of Labor Statistics (BLS)

⁵ 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>.

⁶ Source: Information Network of Arkansas

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

⁸ 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.

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

¹⁰ Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

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