

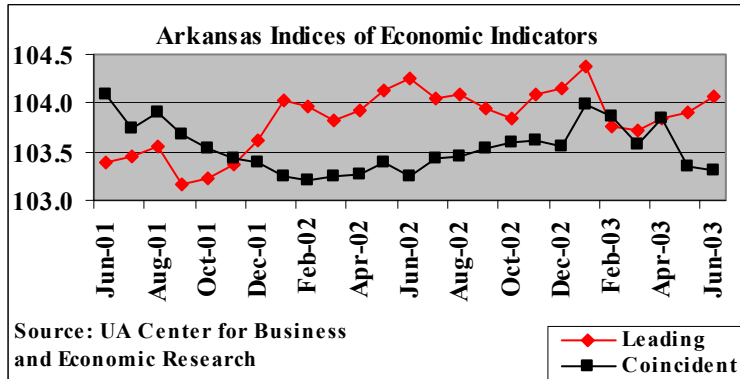


Forecasting Trends: Arkansas Indices of Economic Indicators, June 2003

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

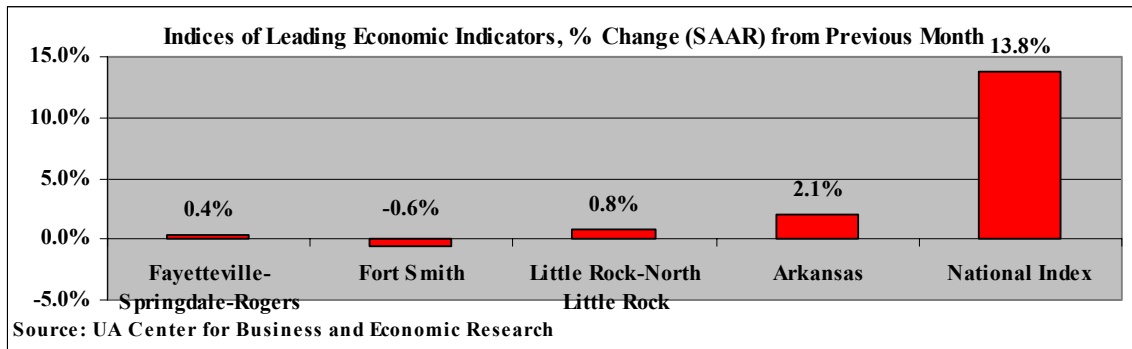
Forecasting Trends: Arkansas Indices of Economic Indicators, June 2003

After increasing by a revised seasonally adjusted annual rate (SAAR) of 0.7 percent in May, 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 June. The index increased for the third consecutive month. The index's positive contributors were, from largest to smallest contribution, a 13.8 percent (SAAR) increase in the national index of leading economic indicators,¹ a 1.0 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.4 hours in May to 39.8 hours in June,^{2,3} and a 6.0 percent increase in the number of new incorporation registrations.⁴ Construction employment in Arkansas held steady in June at 53,700 people. The index's negative contributors were, from larger to smaller contribution, a 15.9 percent decrease in the value of new, privately-owned housing units authorized⁵ and a 9.0 percent increase in the number of initial claims for unemployment insurance.⁶ The state's leading index now stands at a preliminary estimate of 104.1, up from its revised level of 103.9 in May. Overall, the data imply the state will experience relatively strong economic growth in the fourth quarter of 2003.

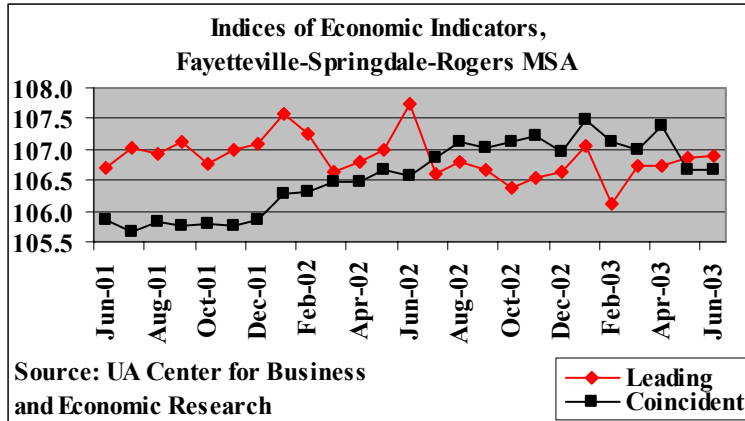


The index's positive contributors were, from largest to smallest contribution, a 13.8 percent (SAAR) increase in the national index of leading economic indicators,¹ a 1.0 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.4 hours in May to 39.8 hours in June,^{2,3} and a 6.0 percent increase in the number of new incorporation registrations.⁴ Construction employment in Arkansas held steady in June at 53,700 people. The index's negative contributors were, from larger to smaller contribution, a 15.9 percent decrease in the value of new, privately-owned housing units authorized⁵ and a 9.0 percent increase in the number of initial claims for unemployment insurance.⁶ The state's leading index now stands at a preliminary estimate of 104.1, up from its revised level of 103.9 in May. Overall, the data imply the state will experience relatively strong economic growth in the fourth quarter of 2003.

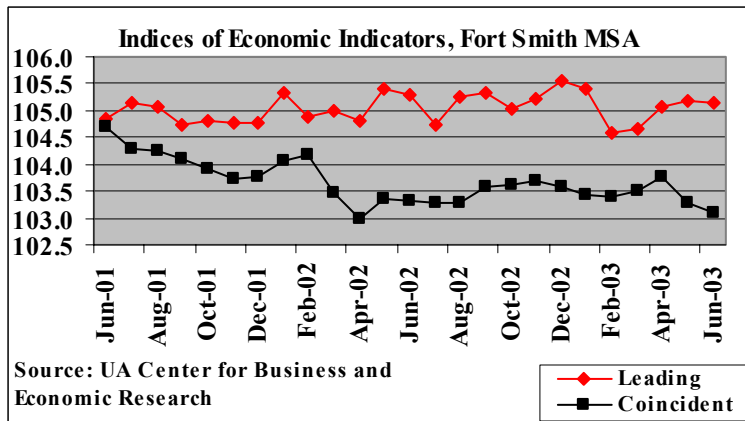
The leading indices for the Little Rock-North Little Rock metropolitan statistical area (MSA)⁷ and the Fayetteville-Springdale-Rogers MSA,⁸ henceforth Northwest Arkansas, experienced month-on-month gains in June, increasing 0.8 percent (SAAR) and 0.4 percent (SAAR), respectively. The leading index for the Fort Smith MSA⁹ worsened on a month-on-month basis in June, decreasing 0.6 percent (SAAR).



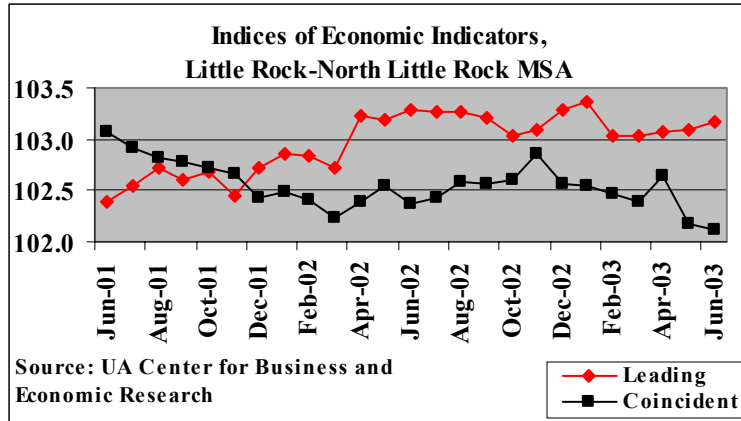
The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 1.4 percent (SAAR) in May, increased by a preliminary estimate of 0.4 percent (SAAR) in June. The index's positive contributors were, from larger to smaller contribution, the 2.1 percent (SAAR) increase in the state's leading index and a 1.2 percent increase in the value of new, privately-owned housing units authorized. Average weekly manufacturing hours held steady in the MSA at 38.7 hours in June. The index's sole negative contributor in June was a 1.0 percent decrease in construction employment. The Northwest Arkansas leading index now stands at a preliminary estimate of 106.9, equal to its revised level in May. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience marginal economic growth in the fourth quarter of 2003.



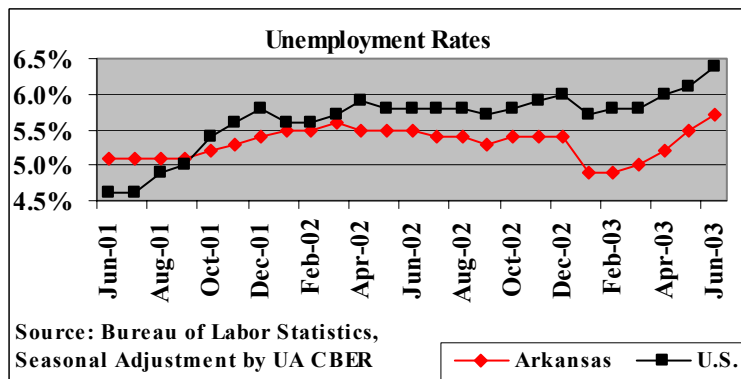
The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 1.5 percent (SAAR) in May, decreased by a preliminary estimate of 0.6 percent (SAAR) in June. Prior to June, the index increased for three consecutive months. The index's positive contributors were, from largest to smallest contribution, the 2.1 percent (SAAR) increase in the state's leading index, a 1.8 percent increase in AWMH from a revised 40.2 hours in May to 40.9 hours in June, and a 0.4 percent increase in construction employment. The index's sole negative contributor was 56.2 percent decrease in the value of new, privately-owned housing units authorized. In May, the figure was \$9.7 million, almost twice as much as in April (seasonally adjusted); therefore, the decline in June was not entirely surprising. Consequently, the inferences drawn from the index in June likely understate the growth potential of the MSA in the fourth quarter of 2003 (see below). The Fort Smith leading index now stands at a preliminary estimate of 105.1, down from its revised level of 105.2 in May. Overall, the data imply marginal economic decay will occur in the Fort Smith MSA in the fourth quarter of 2003.



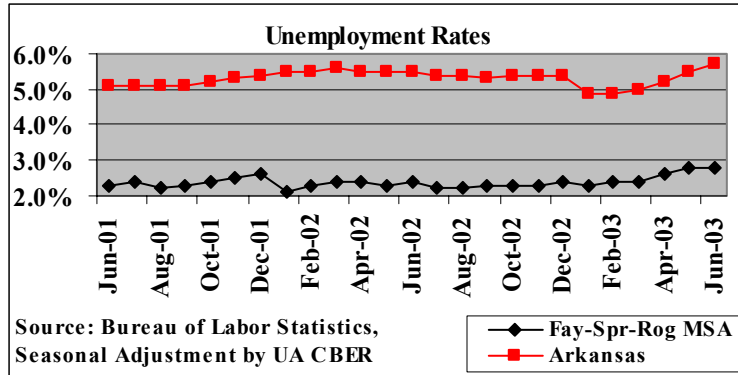
The Little Rock Index of Leading Economic Indicators, after increasing by a revised 0.4 percent (SAAR) in May, increased by a preliminary estimate of 0.8 percent (SAAR) in June. The index increased for the third consecutive month in June. The index's positive contributors were, from largest to smallest contribution, the 2.1 percent (SAAR) increase in the state's leading index, a 0.7 percent increase in construction employment, and a 0.6 percent increase in AWMH from a revised 41.6 hours in May to 41.8 hours in June. The index's sole negative contributor was a 19.2 percent decrease in the value of new, privately-owned housing units authorized. The Little Rock leading index now stands at a preliminary estimate of 103.2, up from its revised level of 103.1 in May. 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 5.5 percent (SAAR) in May, decreased by a preliminary estimate of 0.6 percent (SAAR) in June. The index's sole positive contributor was a projected 6.7 percent increase in taxable sales.¹⁰ The index's negative contributors were, from larger to smaller contribution, a 0.2 percent increase in the state's unemployment rate to 5.7 percent, its highest level since March 1998, and a 0.1 percent decrease in non-farm employment. The national unemployment rate increased 0.3 percent in June to 6.4 percent, its highest level since March 1994. In June 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 103.3, down from its revised level of 103.4 in May and equal to its level in June 2002. Overall, the data imply economic conditions in the state worsened moderately in June.

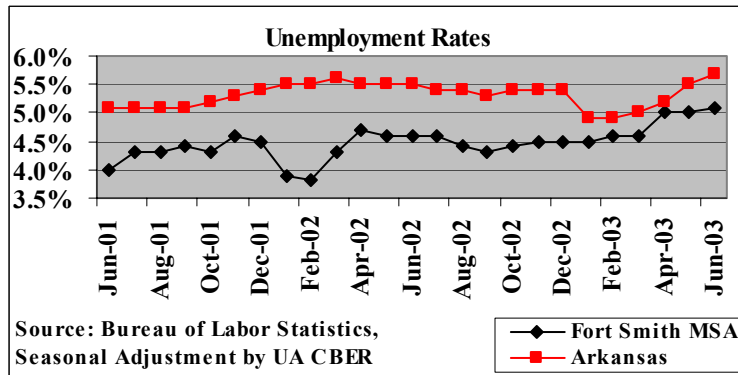


The Northwest Arkansas Index of Coincident Economic Indicators, after decreasing by a revised 7.6 percent (SAAR) in May, decreased by a preliminary estimate of 0.1 percent (SAAR) in June. The index's sole positive contributor was a projected 3.3 percent increase in



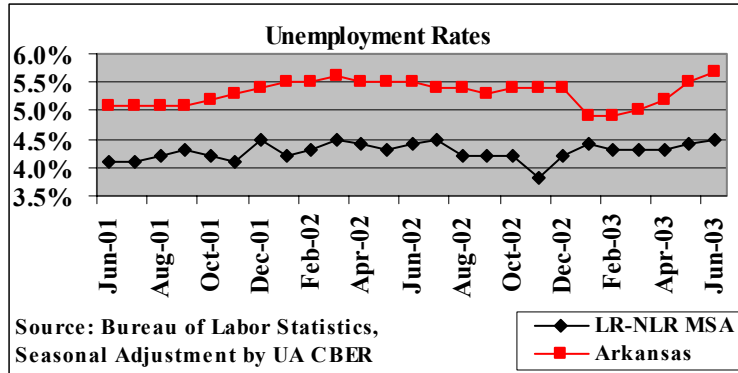
taxable sales in the MSA. The MSA's unemployment rate held steady in June at 2.8 percent, its highest level since November 1998. In June 2002, the unemployment rate in the MSA was 2.4 percent. The index's sole negative contributor was a 0.1 percent decrease in non-farm employment. The Northwest Arkansas coincident index now stands at a preliminary estimate of 106.7, equal to its revised level in May 2003 and up from 106.6 in June 2002. Overall, the data imply economic conditions in the Fayetteville-Springdale-Rogers MSA worsened marginally in June.

The Fort Smith Index of Coincident Economic Indicators, after decreasing by a revised 5.4 percent (SAAR) in May, decreased by a preliminary estimate of 2.3 percent (SAAR) in June. All three of the index's components worsened on a month-on-month basis in June. From largest to



smallest contribution, they were a 0.3 percent decrease in non-farm employment, a 0.1 percent increase in the MSA's unemployment rate to 5.1 percent (its highest level since August 1998), and a projected 0.1 percent decrease in taxable sales in the MSA. The unemployment rate in the Fort Smith MSA was 4.6 percent in June 2002. The Fort Smith coincident index now stands at a preliminary estimate of 103.1, down from its revised level of 103.3 in May 2003 and June 2002. Overall, the data imply economic conditions in the Fort Smith MSA worsened considerably in June.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 5.3 percent (SAAR) in May, decreased by a preliminary estimate of 0.7 percent (SAAR) in June. The index's sole positive contributor was a projected 5.2 percent increase in taxable sales in the MSA.



The index's negative contributors were, from larger to smaller contribution, a 0.3 percent decrease in non-farm employment and a 0.1 percent increase in the MSA's unemployment rate to 4.5 percent, its highest level since December 1993. In June 2002, the MSA's unemployment rate was 4.4 percent. The Little Rock Coincident Index now stands at a preliminary estimate of 102.1, down from its revised level of 102.2 in May 2003 and from 102.4 in June 2002. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA worsened moderately in June.

¹ Source: The Conference Board

² Source for non-farm wage and employment data: U.S. Labor Department, Bureau of Labor Statistics (BLS)

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 Source: Information Network of Arkansas

⁵ Source: U.S. Census Bureau

⁶ Source: Arkansas Employment Security Department

⁷ 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.

⁸ The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington 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.