

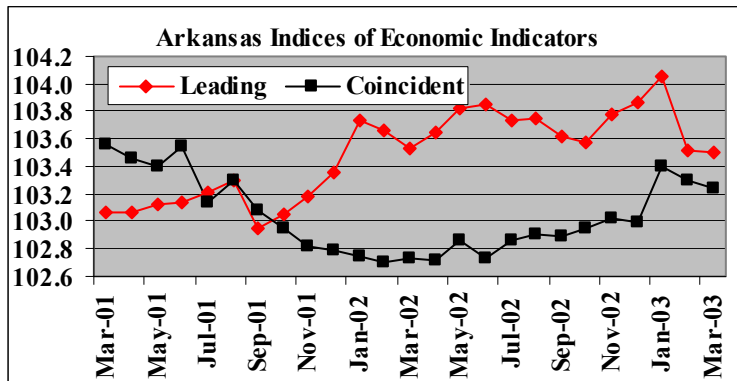


Forecasting Trends: Arkansas Indices of Economic Indicators, March 2003

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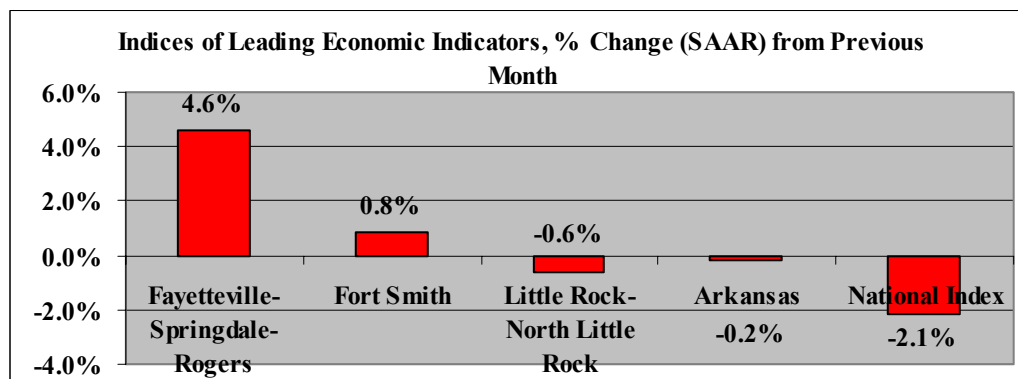
Forecasting Trends: Arkansas Indices of Economic Indicators, March 2003

After decreasing by a revised seasonally adjusted annual rate (SAAR) of 6.0 percent in February, the Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, decreased by a preliminary estimate of 0.2 percent

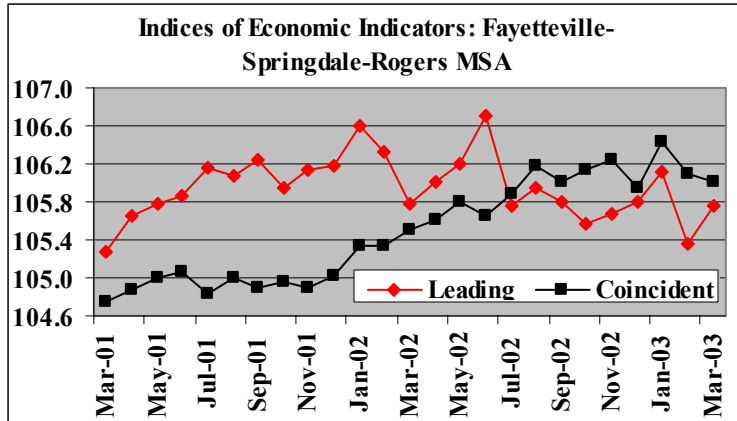


(SAAR) in March. The index's positive contributors were, from largest to smallest contribution, a 20.3 percent increase in the value of new, privately-owned residential building permits,¹ a 0.3 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.4 hours in February to 39.5 hours in March,^{2,3} and a 3.4 percent increase in the number of new incorporation registrations.⁴ The index's negative contributors were, from largest to smallest contribution, a 1.1 percent decrease in construction employment, a 2.1 percent (SAAR) decrease in the national index of leading economic indicators,⁵ and a 1.8 percent increase in the number of initial claims for unemployment insurance.⁶ The state's leading index now stands at a preliminary estimate of 103.5, equal to its revised level in February. Overall, the data suggest relatively marginal economic decay will occur in Arkansas in the fourth quarter of 2003.

The leading indices for the Fayetteville-Springdale-Rogers metropolitan statistical area (MSA), henceforth Northwest Arkansas, and the Fort Smith MSA performed relatively better than the state and national leading indices in March. The Northwest Arkansas leading index increased by 4.6 percent (SAAR), and the Fort Smith leading index increased by 0.8 percent (SAAR) for the month. The leading index for the Little Rock-North Little Rock MSA performed relatively worse than the state's leading index in March, decreasing by 0.6 percent (SAAR).

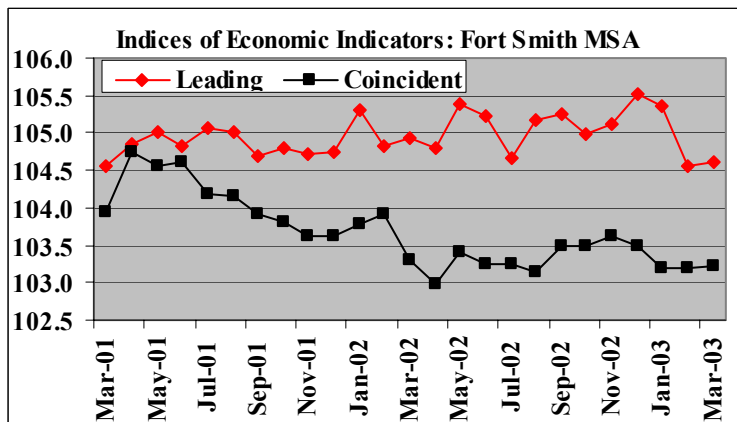


The Northwest Arkansas Index of Leading Economic Indicators, after decreasing by a revised 8.3 percent (SAAR) in February, increased by a preliminary estimate of 4.6 percent (SAAR) in March. The index's positive contributors were, from larger to smaller contribution, a 55.6 percent increase in the value of new,



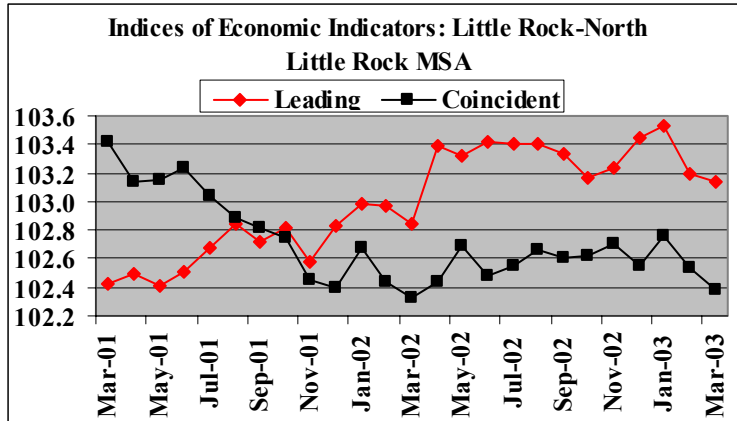
privately-owned residential building permits (largely due to the filing of permits for a \$15.2 million apartment complex in the City of Fayetteville)⁷ and a 2.3 percent increase in AWMH from a revised 38.0 hours in February to 38.9 hours in March. Construction employment in the MSA held steady in March at 7,600 workers. The index's sole negative contributor was the 0.2 percent (SAAR) decrease in the state's leading index. The Northwest Arkansas leading index now stands at a preliminary estimate of 105.8, up from its revised level of 105.4 in February. Overall, the data suggest relatively strong economic growth will occur within Northwest Arkansas in the fourth quarter of 2003. Clearly, though, the building permit data are anomalistic and therefore have the potential to overstate the gains the MSA's leading index made in March.

The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 8.8 percent (SAAR) in February, increased by a preliminary estimate of 0.8 percent (SAAR) in March. The index's sole positive contributor was a 6.1 percent increase in AWMH from a revised 38.2 hours in



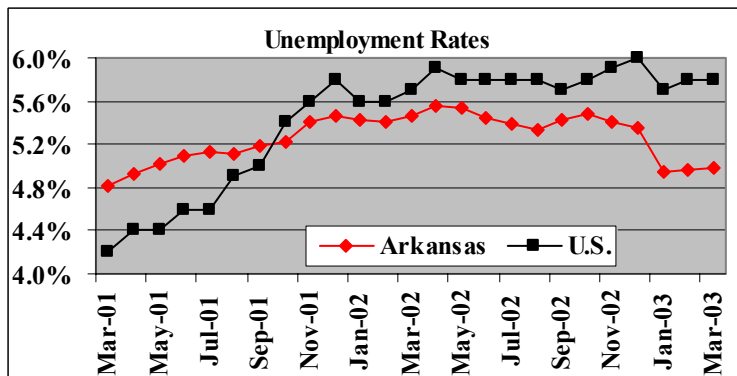
February to 40.5 hours in March. The index's negative contributors were, from largest to smallest contribution, a 2.0 percent decrease in construction employment, a 21.5 percent decrease in the value of new, privately-owned residential building permits, and the 0.2 percent (SAAR) decrease in the state's leading index. The Fort Smith leading index now stands at a preliminary estimate of 104.6, up from its revised level of 104.5 in February. Overall, the data suggest relatively mild economic growth will occur in the Fort Smith MSA in the fourth quarter of 2003.

The Little Rock Index of Leading Economic Indicators, after decreasing by a revised 3.9 percent (SAAR) in February, decreased by a preliminary estimate of 0.6 percent (SAAR) in March. The index's sole positive contributor was an 83.7 percent increase in the value of new, privately-owned



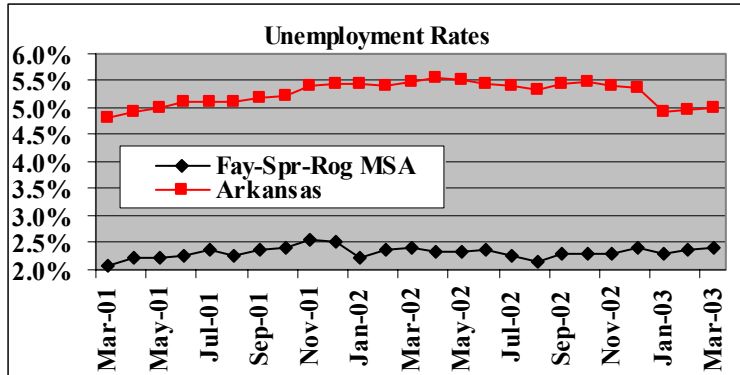
residential building permits. This major increase in the value of building permits can be traced to the filing of permits for a \$6.6 million apartment complex in the City of Little Rock,⁸ as well as major increases in the value of building permits for single-family units in the cities of Little Rock, Conway, Cabot, Bryant, and Benton. The index's negative contributors were, from largest to smallest contribution, a 2.4 percent decrease in construction employment, a 1.1 percent decrease in AWMH from a revised 42.3 hours in February to 41.9 hours in March, and the 0.2 percent (SAAR) decrease in the state's leading index. The Little Rock leading index now stands at a preliminary estimate of 103.1, down from its revised level of 103.2 in February. Overall, the data suggest relatively mild economic decay 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 1.1 percent (SAAR) in February, decreased by a preliminary estimate of 0.8 percent (SAAR) in March.



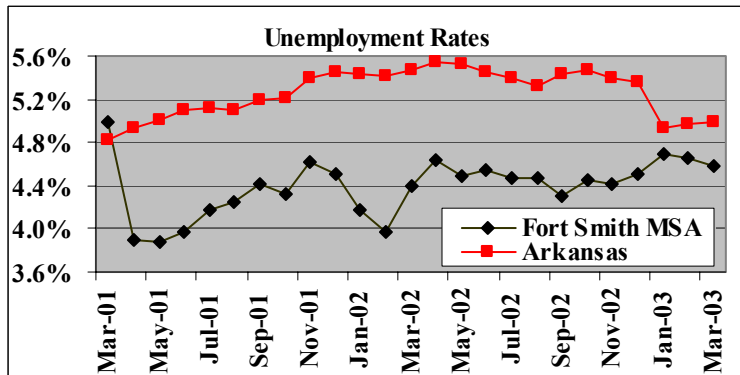
The unemployment rates for Arkansas and the U.S. held steady in March at 5.0 percent and 5.8 percent, respectively.⁹ In March 2002, the state's unemployment rate was 5.5 percent, and the national unemployment rate was 5.7 percent. The index's negative contributors were, from larger to smaller contribution, a 0.1 percent decrease in non-farm employment and a predicted 0.4 percent decrease in taxable sales.¹⁰ The Arkansas coincident index now stands at a preliminary estimate of 103.2, down from its revised level of 103.3 in February. Since March 2002, the Arkansas coincident index has increased 0.5 percent. Overall, the data suggest economic conditions in the state worsened marginally in March.

The Northwest Arkansas Index of Coincident Economic Indicators, after decreasing by a revised 3.6 percent (SAAR) in February, decreased by a preliminary estimate of 1.0 percent (SAAR) in March. The unemployment rate in the MSA held steady in March at 2.4 percent, equal to its level in March 2002.



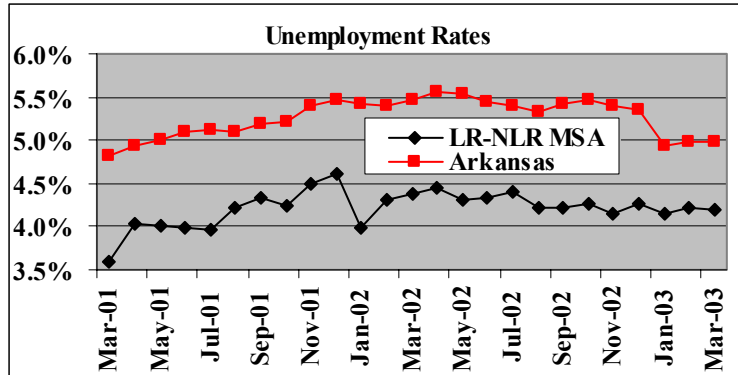
The index's negative contributors were, from larger to smaller contribution, a 0.2 percent decrease in non-farm employment and a predicted 1.2 percent decrease in taxable sales. The Northwest Arkansas coincident index now stands at a preliminary estimate of 106.0, down from its revised level of 106.1 in February. Since March 2002, the Northwest Arkansas coincident index has increased 0.5 percent. Overall, the data suggest economic conditions in Northwest Arkansas worsened moderately in March.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 0.2 percent (SAAR) in February, increased by a preliminary estimate of 0.2 percent (SAAR) in March. The index's positive contributors were, from larger to smaller contribution, a 0.1 percent decrease in the MSA's unemployment rate to 4.6 percent in March and a predicted 0.9 percent increase in taxable sales.



In March 2002, the MSA's unemployment rate was 4.4 percent. The index's sole negative contributor was a 0.1 percent decrease in non-farm employment. The Fort Smith coincident index now stands at a preliminary estimate of 103.2, equal to its revised level in February. Since March 2002, the Fort Smith coincident index has decreased 0.1 percent. Overall, the data suggest economic conditions in the Fort Smith MSA improved marginally in March.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 2.6 percent (SAAR) in February, decreased by a preliminary estimate of 1.8 percent (SAAR) in March. The index's sole positive contributor was a predicted 0.4 percent increase in



taxable sales. The MSA's unemployment rate held steady at 4.2 percent in March for the third consecutive month; in March 2002, the MSA's unemployment rate was 4.4 percent. The index's sole negative contributor was a 0.6 percent decrease in non-farm employment. The Little Rock coincident index now stands at a preliminary estimate of 102.4, down from its revised level of 102.5 in February. Since March 2002, the Little Rock coincident index has increased 0.1 percent. Overall, the data suggest economic conditions in the Little Rock-North Little Rock MSA worsened in March.

¹ Source: U.S. Census Bureau

² Source for non-farm wage and employment data: U.S. Commerce 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: The Conference Board

⁶ Source: Arkansas Employment Security Department

⁷ Source: Building Safety Department, City of Fayetteville, Arkansas.

⁸ Source: Building Permits Desk, Department of Planning and Development, City of Little Rock, Arkansas

⁹ "Labor force estimates for all states... have been revised to incorporate population controls reflecting the results of Census 2000, reestimation of models, and benchmarking to Current Population Survey annual averages. Labor force estimates for the remaining metropolitan areas have been revised to reflect updated inputs and the new statewide estimates. Data back to 2000 are subject to revision. Questions about these changes to the labor force data series can be directed to the Division of Local Area Unemployment Statistics at 202-691-6392." (BLS, <http://www.bls.gov/news.release/metro.nr0.htm>)

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.