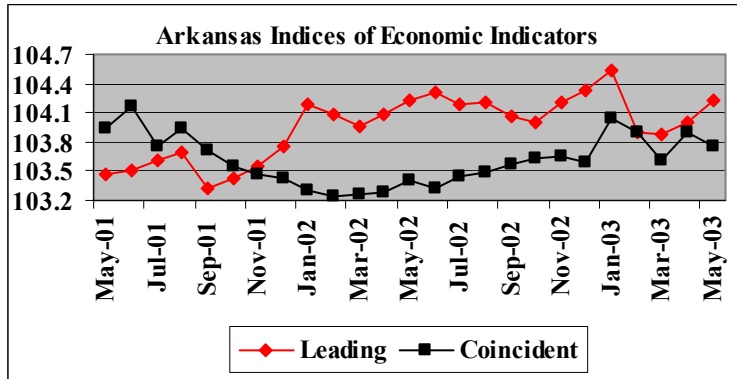


Forecasting Trends: Arkansas Indices of Economic Indicators, May 2003

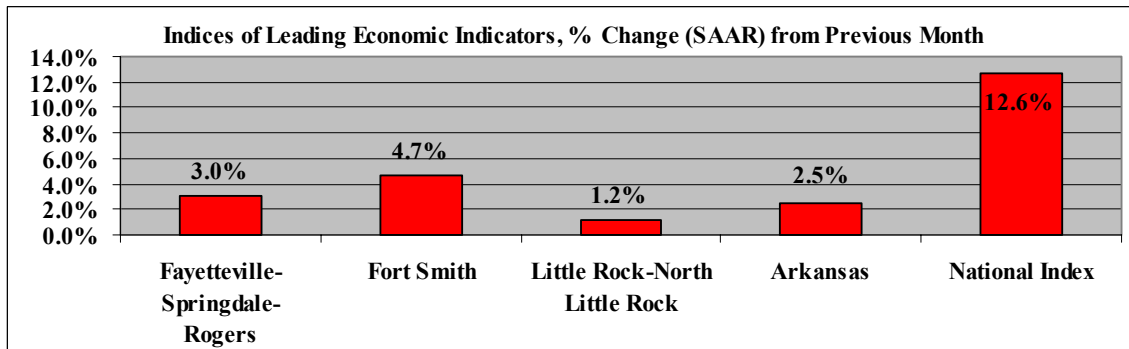
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Forecasting Trends: Arkansas Indices of Economic Indicators, May 2003

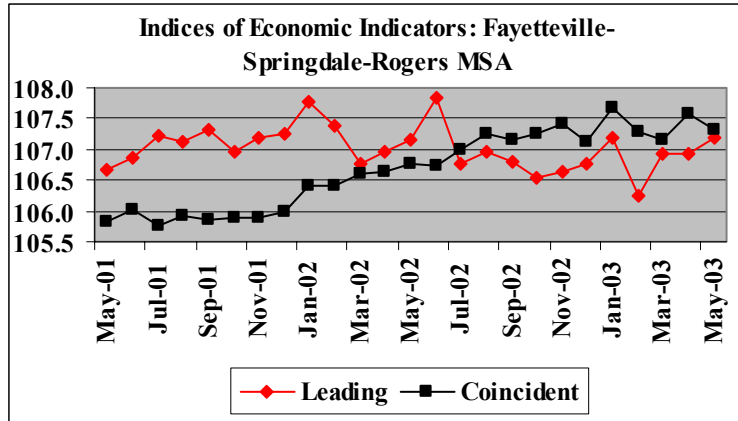
After increasing by a revised seasonally adjusted annual rate (SAAR) of 1.5 percent in April, the Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, increased by a preliminary estimate of 2.5 percent (SAAR) in May. The index's positive contributors were, from largest to smallest contribution, a 12.6 percent (SAAR) increase in the national index of leading economic indicators,¹ a 12.3 percent increase in the value of new, privately-owned residential building permits,² a 13.9 percent decrease in the number of initial claims for unemployment insurance,³ and a 0.1 percent increase in construction employment.^{4,5} The index's negative contributors were, from larger to smaller contribution, a 3.1 percent decrease in the number of new incorporation registrations⁶ and a 1.5 percent decrease in average weekly manufacturing hours (AWMH) from a revised 39.8 hours in April to 39.2 hours in May. The state's leading index now stands at a preliminary estimate of 104.2, up from its revised level of 104.0 in April. Overall, the data imply relatively strong economic growth will occur in Arkansas in the fourth quarter of 2003.



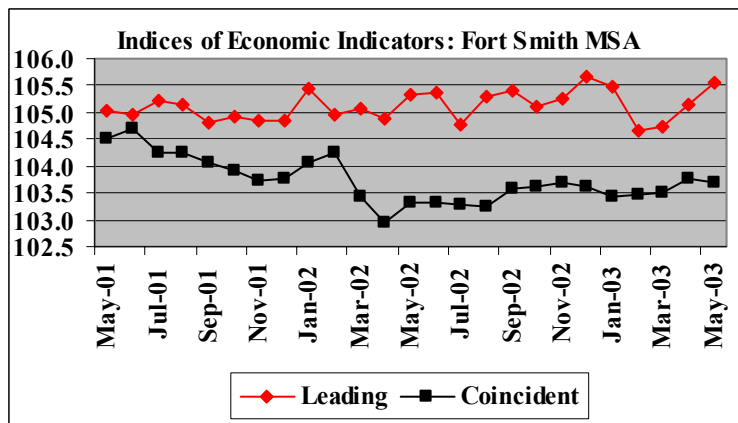
The leading indices for all three metropolitan statistical areas (MSAs)⁷ experienced month-on-month gains in May. The leading indices for the Fort Smith MSA⁸ and the Fayetteville-Springdale-Rogers MSA,⁹ henceforth Northwest Arkansas, performed relatively better than the state's leading index in May, increasing by 4.7 percent (SAAR) and 3.0 percent (SAAR), respectively. The leading index for the Little Rock-North Little Rock MSA¹⁰ increased 1.2 percent (SAAR) for the month.



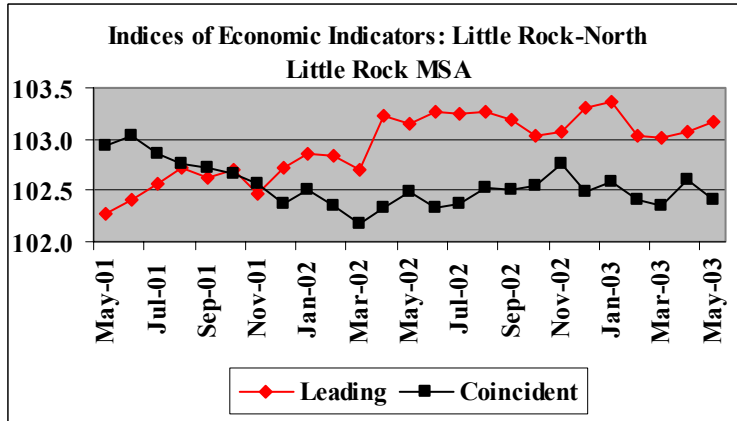
The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 0.1 percent (SAAR) in April, increased by a preliminary estimate of 3.0 percent (SAAR) in May. The index's positive contributors were, from largest to smallest contribution, the 2.5 percent (SAAR) increase in the state's leading index, a 1.1 percent increase in AWMH from a revised 38.2 hours in April to 38.7 hours in May, and a 0.2 percent increase in construction employment. The index's sole negative contributor in May was a 4.6 percent decrease in the value of new, privately-owned residential building permits. The Northwest Arkansas leading index now stands at a preliminary estimate of 107.2, up from its revised level of 106.9 in April. Overall, the data imply relatively strong economic growth will occur in Northwest Arkansas in the fourth quarter of 2003.



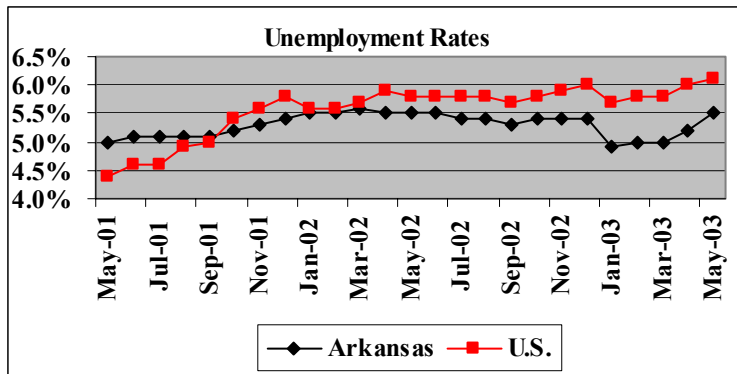
The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 5.0 percent (SAAR) in April, increased by a preliminary estimate of 4.7 percent (SAAR) in May. The index's positive contributors were, from largest to smallest contribution, a 76.1 percent increase in the value of new, privately-owned residential building permits, the 2.5 percent (SAAR) increase in the state's leading index, and a 0.3 percent increase in AWMH from a revised 41.4 hours in April to 41.5 hours in May. The index's sole negative contributor was a 0.1 percent decrease in construction employment. The Fort Smith leading index now stands at a preliminary estimate of 105.5, up from its revised level of 105.1 in April. Overall, the data imply relatively strong economic growth will occur in the Fort Smith MSA in the fourth quarter of 2003.



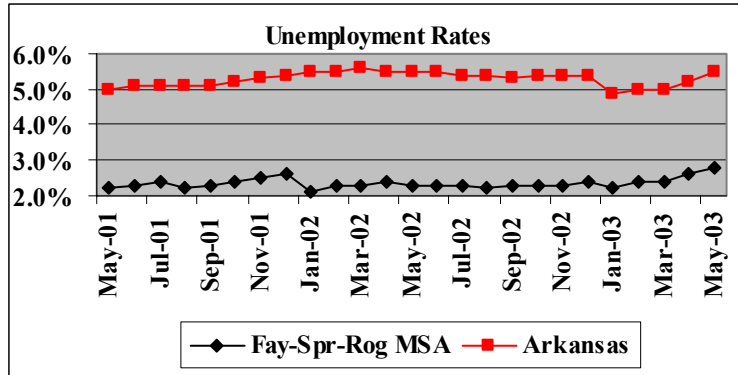
The Little Rock Index of Leading Economic Indicators, after increasing by a revised 0.7 (SAAR) percent in April, increased by a preliminary estimate of 1.2 percent (SAAR) in May. The index's positive contributors were, from larger to smaller contribution, a 29.6 percent increase in the value of new, privately-owned residential building permits and the 2.5 percent (SAAR) increase in the state's leading index. The index's negative contributors were, from larger to smaller contribution, a 0.3 percent decrease in construction employment and a 0.5 percent decrease in AWMH from a revised 42.2 hours in April to 41.9 hours in May. The Little Rock leading index now stands at a preliminary estimate of 103.2, up from its revised level of 103.1 in April. Overall, the data suggest 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 increasing by a revised 3.4 percent (SAAR) in April, decreased by a preliminary estimate of 1.6 percent (SAAR) in May. Non-farm employment in the state held steady at 1.15 million people in May. The index's negative contributors were, from larger to smaller contribution, a 0.3 percent increase in the state's unemployment rate to 5.5 percent in May and a predicted 0.5 percent decrease in taxable sales.¹¹ The unemployment rate for the U.S. increased 0.1 percent to 6.1 percent in May. In May 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 103.8, down from its revised level of 103.9 in April. Since May 2002, the index has increased 0.3 percent. Overall, the data imply economic conditions in the state worsened moderately in May.

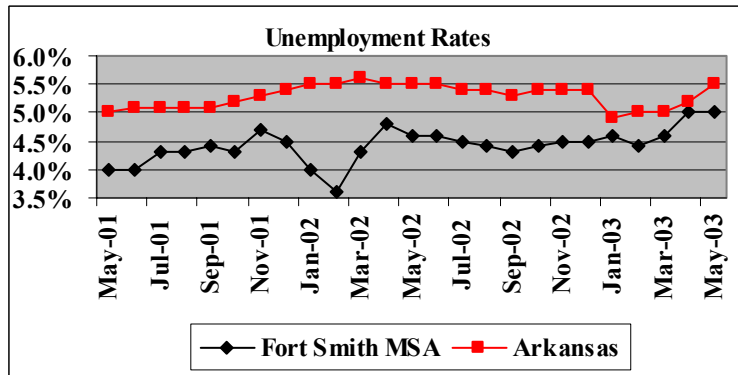


The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 4.8 percent (SAAR) in April, decreased by a preliminary estimate of 2.9 percent (SAAR) in May. All three of the index's components worsened on a month-on-month basis in May. The



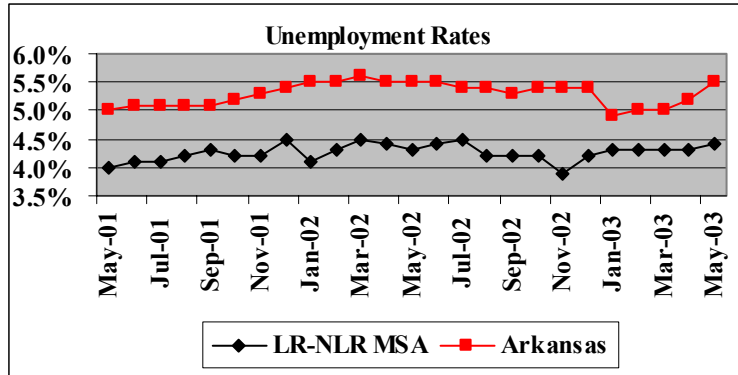
components, from largest to smallest contribution, were a 0.2 percent increase in the MSA's unemployment rate to 2.8 percent, a predicted 6.7 percent decrease in taxable sales, and a 0.1 percent decrease in non-farm employment. In May 2002, the MSA's unemployment rate was 2.3 percent. The Northwest Arkansas coincident index now stands at a preliminary estimate of 107.3, down from its revised level of 107.6 in April. Since May 2002, the index has increased 0.5 percent. Overall, the data imply economic conditions in Northwest Arkansas worsened moderately in May.

The Fort Smith Index of Coincident Economic Indicators, after increasing by a revised 3.2 percent (SAAR) in April, decreased by a preliminary estimate of 1.1 percent (SAAR) in May. The MSA's unemployment rate held steady at 5.0 percent in May; in May 2002, the MSA's



unemployment rate was 4.6 percent. The index's negative contributors were, from larger to smaller contribution, a predicted 3.4 percent decrease in taxable sales and a 0.1 percent decrease in non-farm employment. The Fort Smith coincident index now stands at a preliminary estimate of 103.7, down from its revised level of 103.8 in April. Since May 2002, the Fort Smith coincident index has increased 0.3 percent. Overall, the data imply economic conditions in the Fort Smith MSA worsened moderately in May.

The Little Rock Index of Coincident Economic Indicators, after increasing by a revised 3.1 percent (SAAR) in April, decreased by a preliminary estimate of 2.2 percent (SAAR) in May. All three of the index's components worsened on a month-on-month basis in May. The components,



from largest to smallest negative contribution, were a 0.1 percent increase in the MSA's unemployment rate to 4.4 percent, a predicted 3.5 percent decrease in taxable sales, and a 0.1 percent decrease in non-farm employment. In May 2002, the MSA's unemployment rate was 4.3 percent. The Little Rock Coincident Index now stands at a preliminary estimate of 102.4, down from its revised level of 102.6 in April. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA worsened moderately in May.

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. Commerce 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 Office of Management and Budget revised its definitions of metropolitan statistical areas, effective June 6, 2003. These new definitions will be incorporated into the BLS Local Area Unemployment Statistics and the MSA-level leading and coincident indices effective with the release for the January 2005 data.

⁸ The Fort Smith MSA is defined for this paper to be Crawford County, Arkansas; Sebastian County, Arkansas; and Sequoyah County, Oklahoma.

⁹ The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington County, Arkansas.

¹⁰ 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.

¹¹ Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

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