

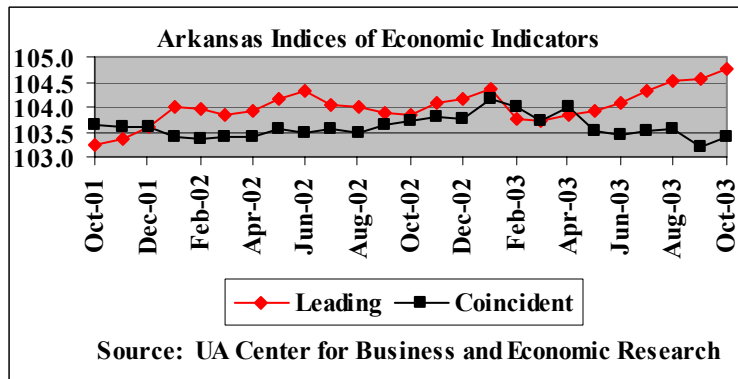


**Forecasting Trends: Arkansas Indices of Economic Indicators, November 2003**

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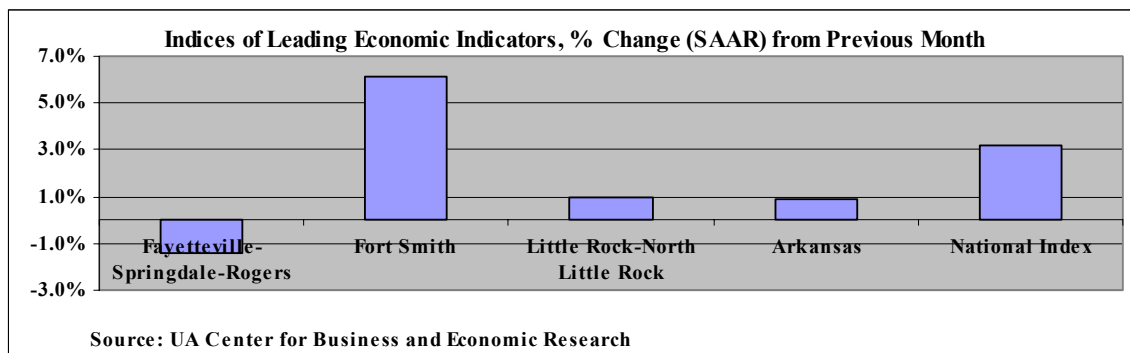
## Forecasting Trends: Arkansas Indices of Economic Indicators, November 2003

After increasing by a revised seasonally adjusted annual rate (SAAR) of 2.3 percent in October, 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 .9 percent (SAAR) in November. The

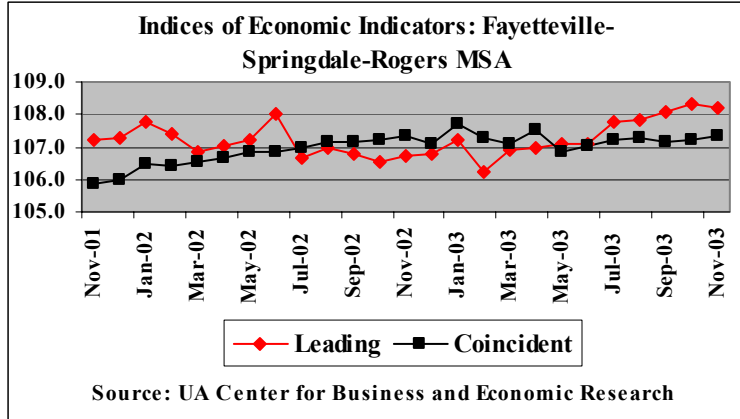


The index has stayed even or increased for the eighth consecutive month. The index's positive contributors were, from largest to smallest contribution, a 11.1 percent (SAAR) decrease in the number of initial unemployment insurance claims,<sup>1</sup> a 3.2 percent increase in the national index of leading economic indicators<sup>2</sup> and a 0.9 percent increase in average weekly manufacturing hours (AWMH) from a revised 40.2 hours in October to 40.5 hours in November.<sup>3</sup> The negative contributors were an 18.0 percent decline in the value of new building permits and a 4.0 percent decrease in the number of new incorporations.<sup>8</sup> The state's leading index now stands at a preliminary estimate of 104.8, up from its revised level of 104.7 in October. Overall, the data imply the state will experience mild economic growth in the second and third quarters of 2004.

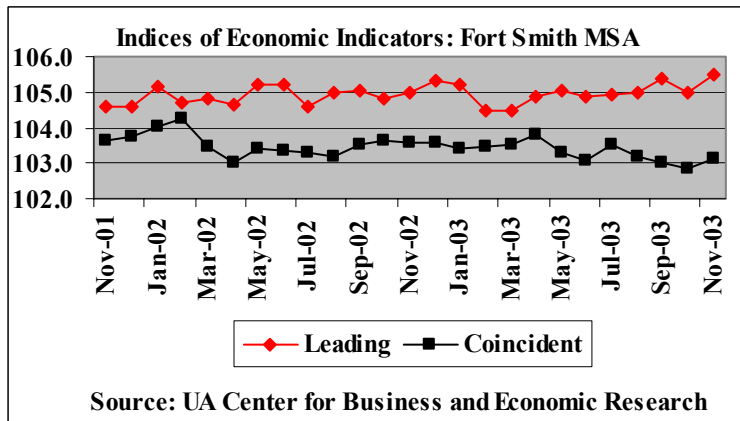
The leading index for the Fayetteville-Springdale-Rogers MSA,<sup>4</sup> henceforth Northwest Arkansas, experienced a month-on-month decline in November of 1.4 percent. The Little Rock-North Little Rock metropolitan statistical area (MSA)<sup>5</sup> index increased by 0.9%. The Fort Smith<sup>6</sup> leading index experienced a month-on-month increase in November of 6.1 percent (SAAR).



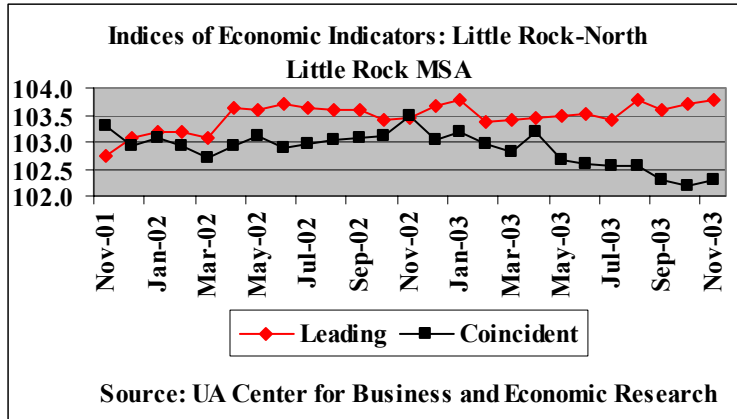
The Northwest Arkansas Index of Leading Economic Indicators, after increasing at a revised 2.5 percent (SAAR) in September, declined by a preliminary estimate of 1.4 percent (SAAR) in October, breaking a string of nine consecutive months of the index increasing or staying even. The index's positive contributors were, from largest to smallest contribution, a 0.9 percent increase in the Arkansas index and a 0.5 percent increase in construction employment. The negative contributors were a 30.1 percent decline in the value of building permits and a 0.1 percent decrease in average weekly manufacturing hours (AWMH). The Northwest Arkansas leading index now stands at a preliminary estimate of 108.2, down slightly from its revised level of 108.3 in October. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience mild economic decay in the second and third quarters of 2004.



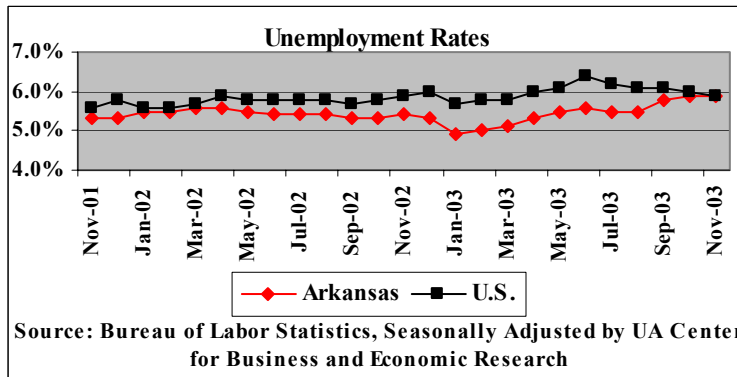
The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 4.4 percent (SAAR) in October, increased by a preliminary estimate of 6.1 percent (SAAR) in November. Positive contributors were an 8.9% increase in average weekly manufacturing hours from a revised 37.9 in October to 41.3 hours in November, a 0.9 percent increase in the Arkansas index and a 0.5 percent increase in construction employment. The only negative contributor was a 5.7% decline in the value of building permits. The Fort Smith leading index now stands at a preliminary estimate of 105.5, up from its revised level of 105.0 in October. Overall, the data imply economic growth will occur in the Fort Smith MSA in the second and third quarters of 2004.



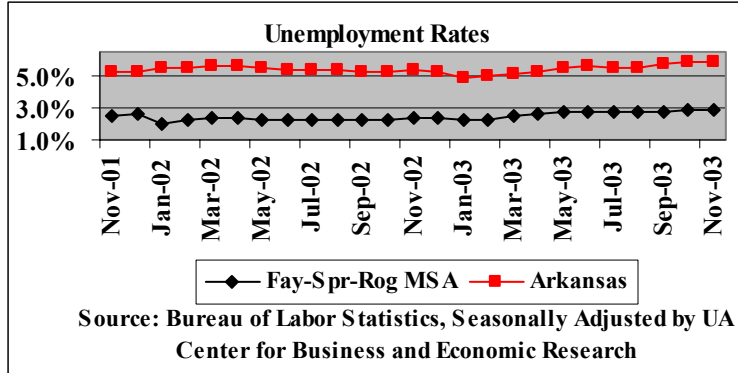
The Little Rock Index of Leading Economic Indicators, after increasing by a revised 1.8 percent (SAAR) in October, again increased by a preliminary estimate of 0.9 percent (SAAR) in November. The index's positive contributors were, from larger to smaller contribution, a 1.2 percent increase in average weekly manufacturing hours, a 0.4 percent increase in construction employment and the 0.9 percent increase in the Arkansas index. The only negative contributor was a 7.1 percent drop in the value of building permits. The Little Rock leading index now stands at a preliminary estimate of 103.8, up from its revised level of 103.7 in October. Overall, the data imply mild growth decay will occur in the Little Rock-North Little Rock MSA in the second and third quarters of 2004.



The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 2.3 percent (SAAR) in October, increased by a preliminary estimate of 0.2 percent (SAAR) in November. The index's positive contributor was a 0.1 percent increase in non-farm employment. The negative contributor was a 0.6 percent decrease in taxable sales. The national unemployment rate has been gradually falling over the last five months. The Arkansas unemployment rate has been trending upward since the beginning of 2003 and they are now equal. The Arkansas coincident index now stands at a preliminary estimate of 103.4. Overall, the data imply economic conditions in the state improved marginally in November.

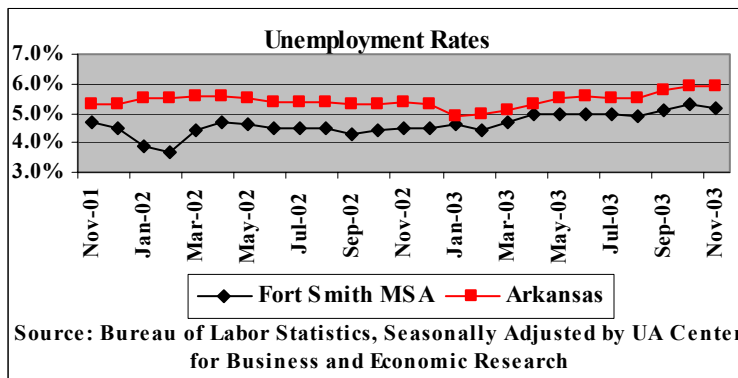


The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 1.0 percent (SAAR) in October, increased by a preliminary estimate of 1.3 percent (SAAR) in November. The index's positive contributors were a 0.4 percent increase in non-farm employment



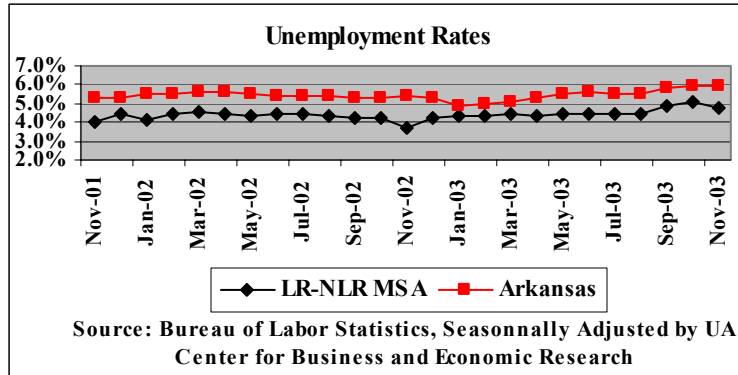
and a 2.5 percent increase in taxable sales. There were no negative contributors. In September 2002, the unemployment rate in the MSA was 2.3 percent. It was 2.9 percent in November. The Northwest Arkansas coincident index now stands at a preliminary estimate of 107.3, up from its revised level of 107.2 in October 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 declining by a revised 1.4 percent (SAAR) in October, increased by a preliminary estimate of 3.3 percent (SAAR) in November. The positive contributors were a 0.5 percent increase in non-farm employment, a 0.1



percent decline in the unemployment rate and a 1.1 percent increase in taxable sales. There were no negative contributors. The unemployment rate in the Fort Smith MSA was 5.2 percent in November 2003, as compared to its low point of 4.5 percent in August 2002. The Fort Smith coincident index now stands at a preliminary estimate of 103.2, up from its revised level of 102.9 in October 2003. Overall, the data imply economic conditions in the Fort Smith MSA increased mildly in November.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 1.5 percent (SAAR) in October, increased by a preliminary estimate of 1.6 percent (SAAR) in November. The positive contributors were a 0.3 percent drop in the unemployment rate and a



0.3 percent increase in taxable sales for the MSA. The only negative contributor was a 0.2 percent decline in non-farm employment. The unemployment rate was 4.8 percent in November 2003, compared to the low point of 3.7 percent in November 2002. The Little Rock Coincident Index now stands at a preliminary estimate of 102.3, up from its revised level of 102.2 in October 2003. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA improved slightly in November.

<sup>1</sup> Source: Arkansas Employment Security Department

<sup>2</sup> Source: The Conference Board

<sup>3</sup> 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>.

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

<sup>5</sup> 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.

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

<sup>8</sup>Source: Arkansas Secretary of State's Office