

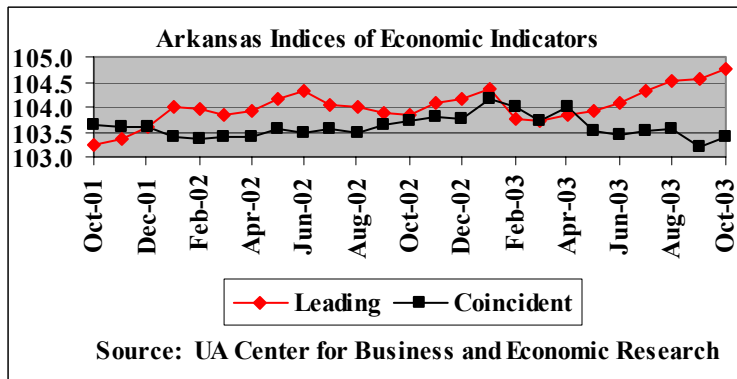


Forecasting Trends: Arkansas Indices of Economic Indicators, October 2003

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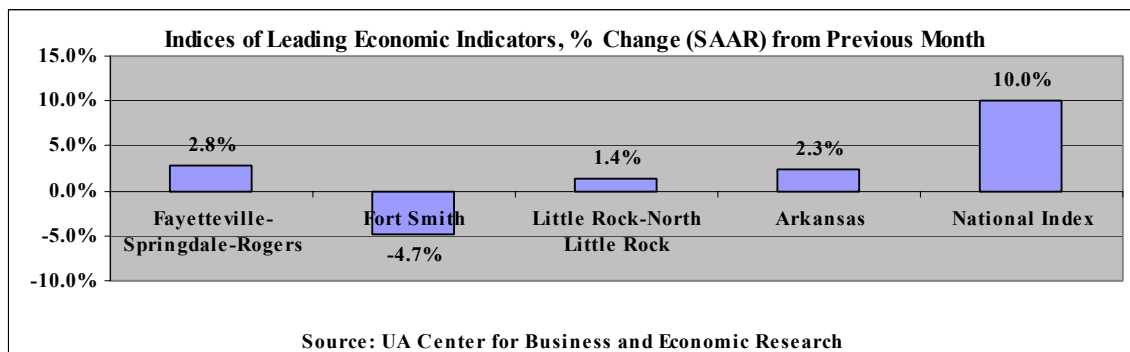
Forecasting Trends: Arkansas Indices of Economic Indicators, October 2003

After increasing by a revised seasonally adjusted annual rate (SAAR) of 0.5 percent in September, 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 2.3 percent (SAAR) in October. The index increased for the seventh consecutive month.

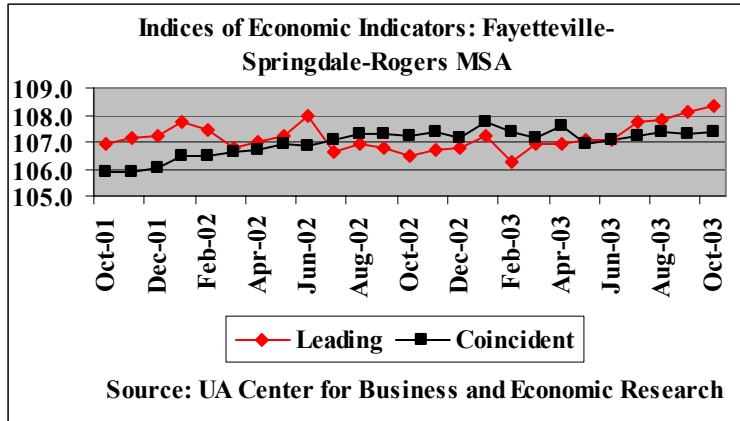


The index's positive contributors were, from largest to smallest contribution, a 0.8 percent (SAAR) increase in the national index of leading economic indicators,¹ a 0.8 percent increase in construction employment,² an 8.7 percent increase in the value of new building permits,³ and a 1.6 percent decrease in the number of initial unemployment insurance claims.⁴ The negative contributors were a 0.8 percent decrease in average weekly manufacturing hours (AWMH) from a revised 40.3 hours in September to 40.0 hours in October,⁵ and a 5.7 percent decrease in the number of new incorporation registrations.⁶ The state's leading index now stands at a preliminary estimate of 104.8, up from its revised level of 104.6 in September. Overall, the data imply the state will experience mild economic growth in the second quarter of 2004.

The leading index for the Fayetteville-Springdale-Rogers MSA,⁷ henceforth Northwest Arkansas, experienced a month-on-month increase in October of 2.8 percent. The Little Rock-North Little Rock metropolitan statistical area (MSA)⁸ index also increased, by 1.4%. The Fort Smith⁹ leading index experienced a month-on-month decline in October, by 4.7 percent (SAAR).

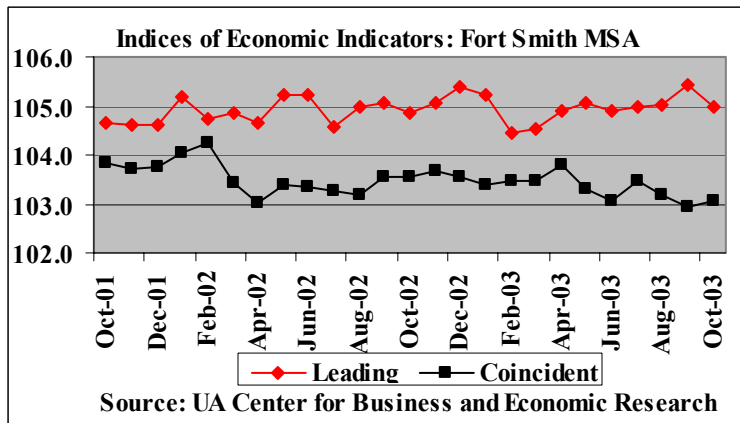


The Northwest Arkansas Index of Leading Economic Indicators, after increasing at a revised 3.1 percent (SAAR) in September, increased by a preliminary estimate of 2.8 percent (SAAR) in October. This is the fourth consecutive month the index has increased. The index's positive contributors were,



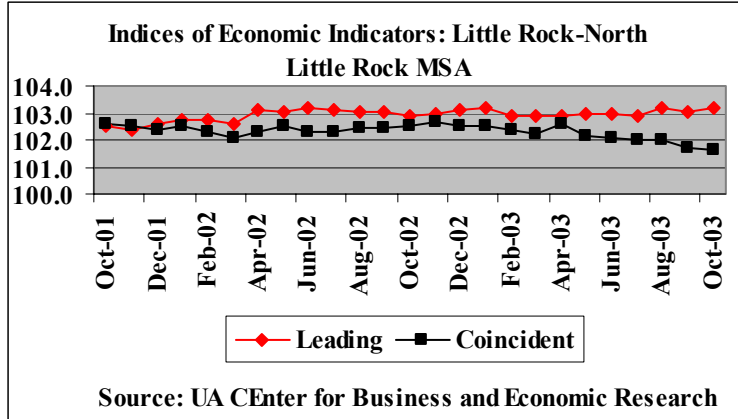
from largest to smallest contribution, a 0.6 percent increase in construction employment and a 3.6 percent increase in the value of building permits. The negative contributor was a .3% decrease in average weekly manufacturing hours (AWMH) from a revised 40.2 hours in September to 39.4 hours in October. The Northwest Arkansas leading index now stands at a preliminary estimate of 108.3, up from to its revised level of 108.1 in September. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience mild economic growth in the second quarter of 2004.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 4.8 percent (SAAR) in September, decreased by a preliminary estimate of 4.7 percent (SAAR) in September. There were no positive contributors. The negative contributors were a 7.6% decrease in average weekly manufacturing hours from a revised 40.8 in September to 37.7 hours in October and a 6.0% decline in the value of building permits. The Fort Smith leading index now stands at a preliminary estimate of 105.0 down from its revised level of 105.4 in September. Overall, the data imply mild economic decay will occur in the Fort Smith MSA in the second quarter of 2004.



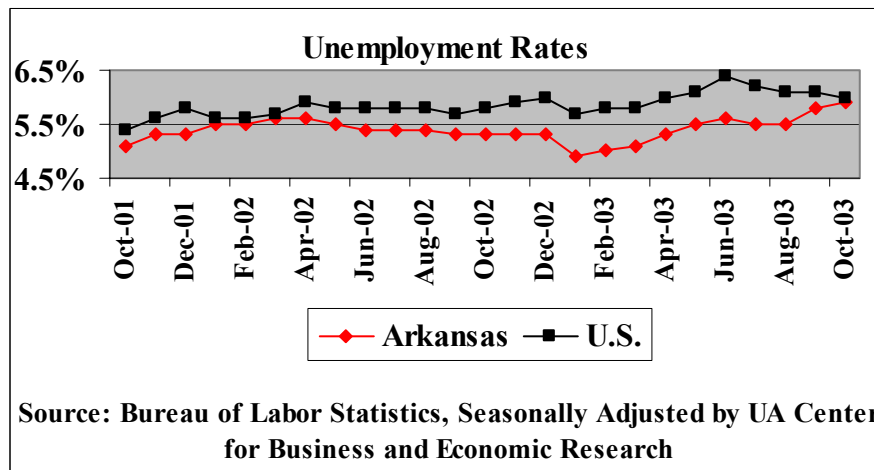
Overall, the data imply mild economic decay will occur in the Fort Smith MSA in the second quarter of 2004.

The Little Rock Index of Leading Economic Indicators, after falling by a revised 1.8 percent (SAAR) in September, increased by a preliminary estimate of 1.4 percent (SAAR) in October. The index's positive contributors were, from larger to smaller contribution, the 18.5 percent increase in the value



of building permits and the .4 percent increase in average weekly manufacturing hours. There were no negative contributors. The Little Rock leading index now stands at a preliminary estimate of 103.2, up from its revised level of 103.1 in September. Overall, the data imply mild economic decay will occur in the Little Rock-North Little Rock MSA in the second quarter of 2004.

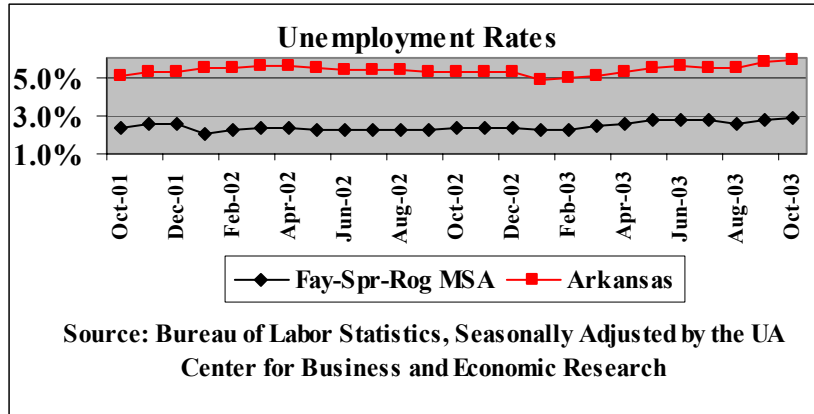
The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after decreasing by a revised 3.8 percent (SAAR) in September, increased by a



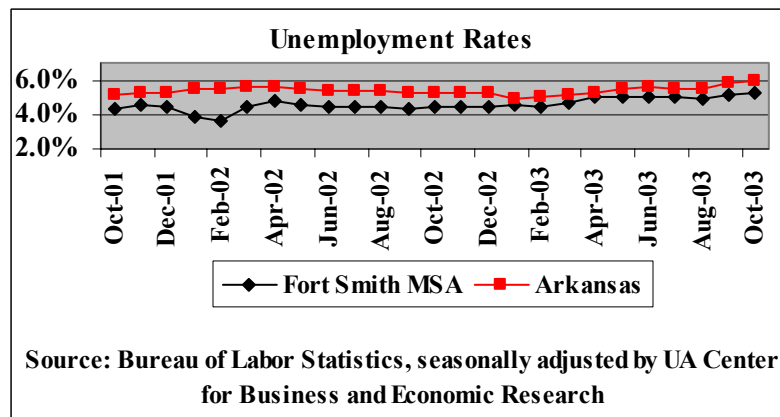
preliminary estimate of 2.1 percent (SAAR) in October. The index's positive contributors were an 11.8 percent increase in taxable sales and a .1 percent increase in non-farm employment. The negative contributor was a .1 percent increase in the unemployment rate. The national unemployment rate has been gradually falling over the last five months. The Arkansas unemployment rate has been trending upward since the beginning of this calendar year and they are now almost equal. The Arkansas coincident index now stands at a preliminary estimate of 103.4, up from its revised level in September of 103.2. Overall, the data imply economic conditions in the state improved slightly in September.

The Northwest Arkansas Index of Coincident Economic Indicators, after decreasing by a revised 1.3 percent (SAAR) in September, increased by a preliminary estimate of 1.0 percent (SAAR) in October.

The index's positive contributors were a .6 percent increase in non-farm employment and a 2.1 percent increase in taxable sales. A .1 percent increase in the unemployment rate was the sole negative contributor. In September 2002, the unemployment rate in the MSA was 2.3 percent. It was 2.9 percent in October. The Northwest Arkansas coincident index now stands at a preliminary estimate of 107.4, up from its revised level of 107.3 in September 2003 and equal to its level in November 2002. Overall, the data imply economic conditions in the Fayetteville-Springdale-Rogers MSA improved marginally in September.

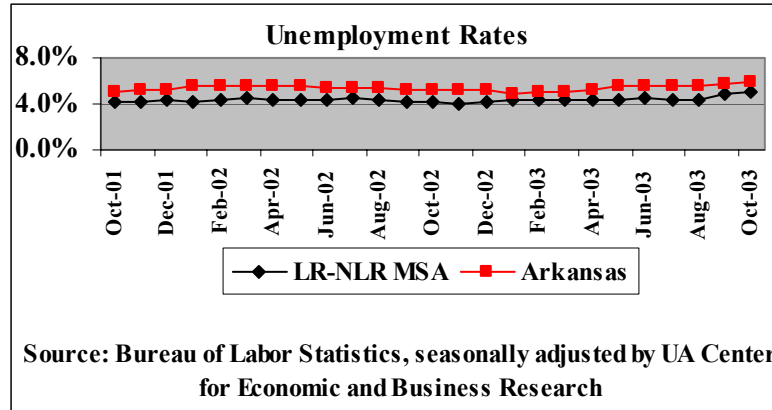


The Fort Smith Index of Coincident Economic Indicators, after declining by a revised 2.4 percent (SAAR) in September, increased by a preliminary estimate of 1.4 percent (SAAR) in October. The positive contributors were a .5 percent increase in non-farm employment and a



1.2 percent increase in taxable sales. The .1 percent increase in the unemployment rate was the negative contributor. The unemployment rate in the Fort Smith MSA was 5.2 percent in October 2003 and 4.5 percent in August 2002. The Fort Smith coincident index now stands at a preliminary estimate of 103.1, up from its revised level of 102.9 in September 2003 and up from 102.9 in September 2002. Overall, the data imply economic conditions in the Fort Smith MSA increased mildly in August.

The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 3.1 percent (SAAR) in September, declined by a preliminary estimate of 1.2 percent (SAAR) in October. The sole positive contributor was a 5.2 percent increase in projected taxable sales for the MSA. The negative contributors were a 0.1 percent decline in non-farm employment and a .2 percent rise in the unemployment rate. The unemployment rate was 5.0 percent in October 2003 and was 4.2 percent in October 2002. The Little Rock Coincident Index now stands at a preliminary estimate of 101.6, down from its revised level of 101.7 in September 2003 and down from 102.5 in October 2002. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA declined slightly in August.



¹ Source: The Conference Board

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

³ Source: U.S. Census Bureau

⁴ Source: Arkansas Employment Security Department

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.