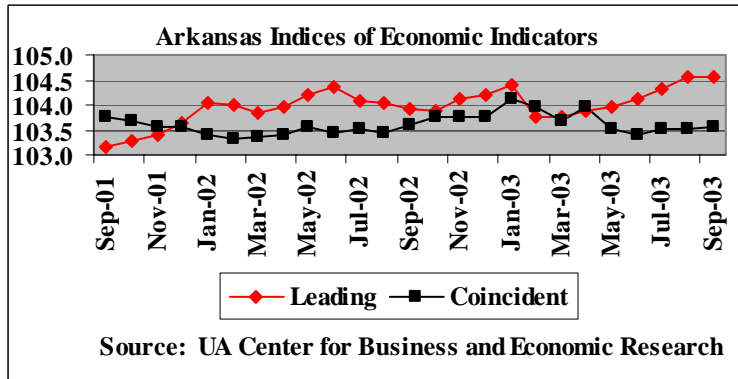


**Forecasting Trends: Arkansas Indices of Economic Indicators, September 2003**

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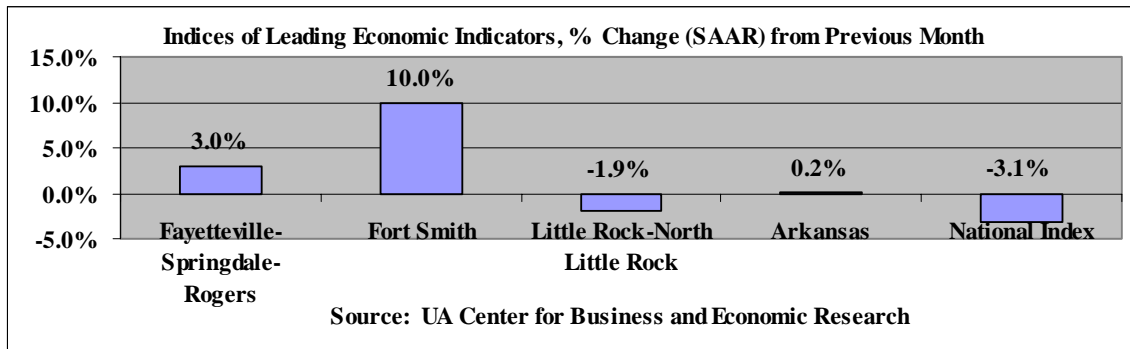
## Forecasting Trends: Arkansas Indices of Economic Indicators, September 2003

After increasing by a revised seasonally adjusted annual rate (SAAR) of 2.6 percent in August, 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 0.2 percent (SAAR) in September. The index increased for the sixth consecutive month.

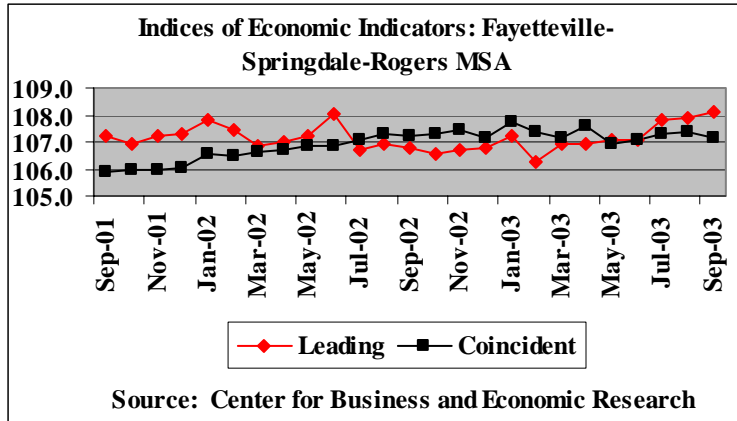


The index's positive contributors were, from largest to smallest contribution, a 1.4 percent increase in average weekly manufacturing hours (AWMH) from a revised 39.7 hours in August to 40.3 hours in September,<sup>1</sup> a 13.2 percent increase in the number of new incorporation registrations,<sup>2</sup> and a 0.5 percent decrease in the number of initial unemployment insurance claims.<sup>3</sup> The negative contributors were a 3.1 percent (SAAR) increase in the national index of leading economic indicators,<sup>4</sup> an 11.0 percent decrease in the value of new building permits,<sup>5</sup> and a 0.2 percent decrease in construction employment.<sup>6</sup> The state's leading index now stands at a preliminary estimate of 104.6, equal to its revised level of in August. 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,<sup>7</sup> henceforth Northwest Arkansas, experienced a month-on-month increase in September of 3.0 percent. The Fort Smith<sup>8</sup> leading index also increased by 10.0%. The Little Rock-North Little Rock metropolitan statistical area (MSA)<sup>9</sup> index experienced a month-on-month decline in September, decreasing by 1.9 percent (SAAR).

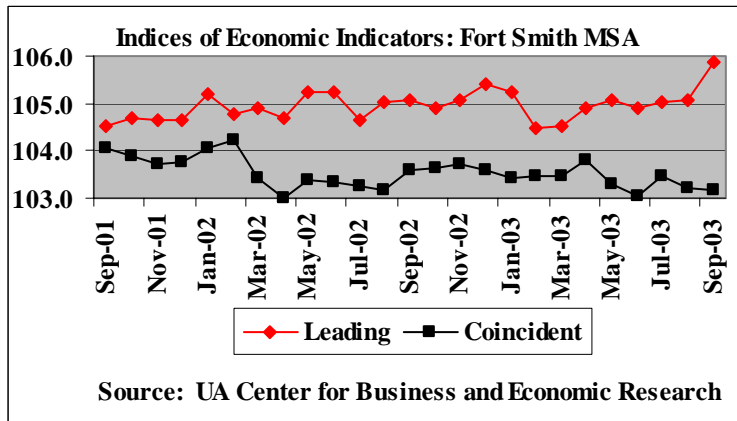


The Northwest Arkansas Index of Leading Economic Indicators, after increasing at a revised 0.8 percent (SAAR) in August, increased by a preliminary estimate of 3.0 percent (SAAR) in September. The index's positive contributors were, from largest to smallest contribution, a 1.6 percent increase in average



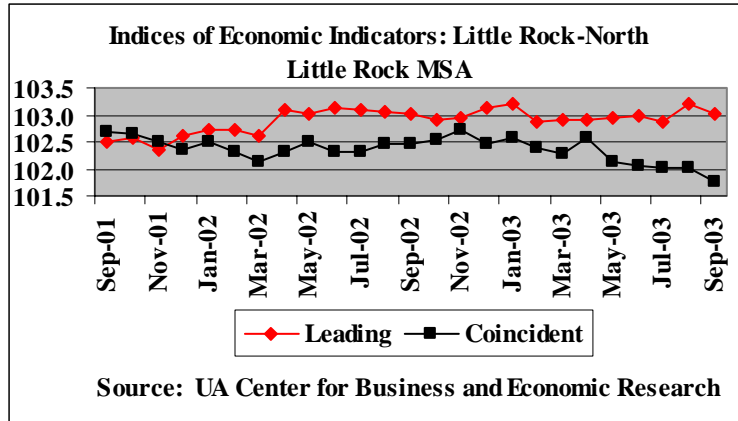
weekly manufacturing hours, a 0.6 percent increase in construction employment, a 7.7 percent increase in the value of building permits, and the 0.2 percent (SAAR) increase in the state's leading index. There were no negative contributors. The Northwest Arkansas leading index now stands at a preliminary estimate of 108.1, up from to its revised level of 107.9 in August. 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 0.4 percent (SAAR) in August, increased by a preliminary estimate of 10.0 percent (SAAR) in September. This is the third consecutive month that the index has increased. The index's positive contributors were,

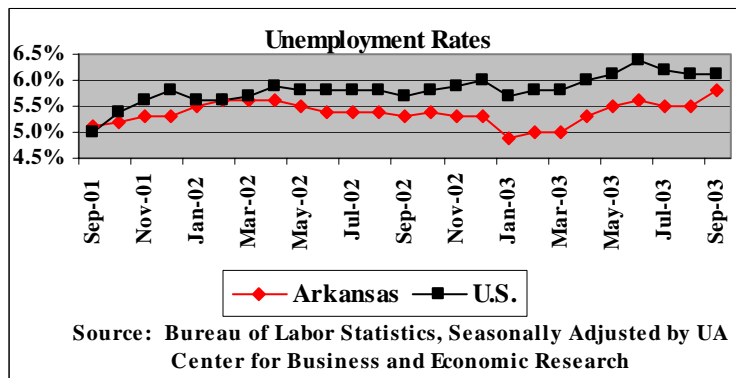


from largest to smallest contribution, the 0.2 percent (SAAR) increase in the state's leading index, a 1.7 percent increase in construction employment, a 28.9 percent increase in building permits, and an 11.5 percent increase in the value of new privately owned housing units authorized. There were no negative contributors. The Fort Smith leading index now stands at a preliminary estimate of 105.9 up from its revised level of 105.1 in August. Overall, the data imply strong economic growth will occur in the Fort Smith MSA in the second quarter of 2004.

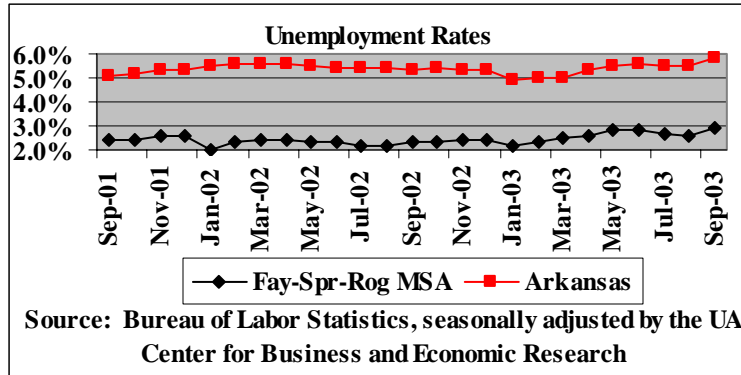
The Little Rock Index of Leading Economic Indicators, after rising by a revised 3.6 percent (SAAR) in August, declined by a preliminary estimate of 1.9 percent (SAAR) in September. The index's positive contributors were, from larger to smaller contribution, the 0.2 percent (SAAR) increase in the state's leading index and the 0.0 percent change in average weekly manufacturing hours. The negative contributors were the 41.7 percent decline in the value of new, privately-owned housing units authorized, and the 0.5 percent decline in construction employment. The Little Rock leading index now stands at a preliminary estimate of 103.0, down from its revised level of 103.2 in August. Overall, the data imply mild economic decay will occur in the Little Rock-North Little Rock MSA in the second quarter of 2004.



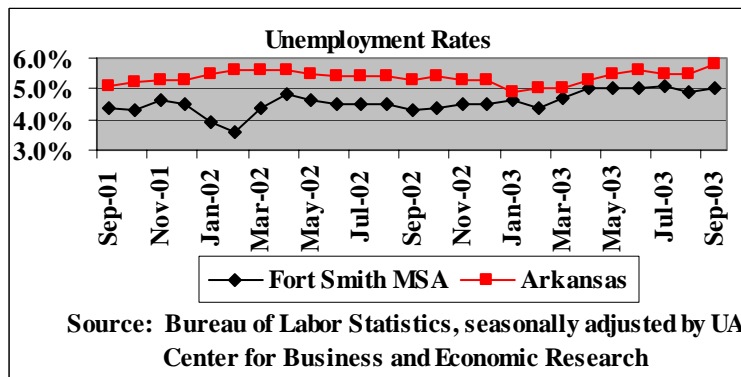
The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.2 percent (SAAR) in August, increased by a preliminary estimate of 0.2 percent (SAAR) in September. The index's sole positive contributor was a 0.4 percent increase in non-farm employment. The index's negative contributors were a 0.4 percent decline in projected taxable sales and a 0.3 percent increase in the state unemployment rate from 5.5 to 5.8 percent.<sup>10</sup> The national unemployment rate remained stabilized at 6.1 percent in September. In September 2002, the national and state unemployment rates were 5.7 percent and 5.3 percent, respectively. The Arkansas coincident index now stands at a preliminary estimate of 103.6, up from its revised level in August of 103.5 and equal to its level in September 2002. Overall, the data imply economic conditions in the state improved slightly in September.



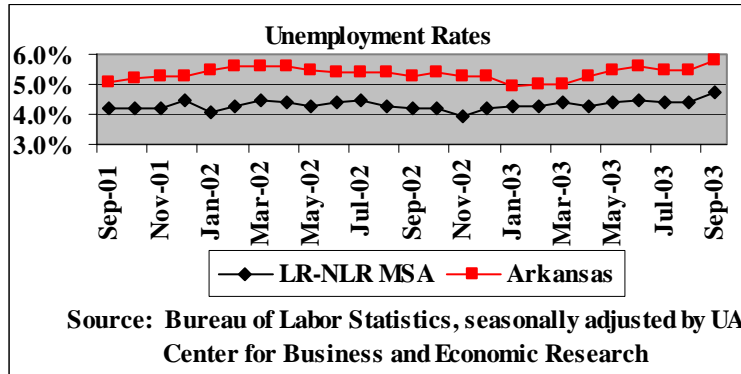
The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 1.3 percent (SAAR) in August, decreased by a preliminary estimate of 2.4 percent (SAAR) in September. The index's sole positive contributor was a 3.4 percent increase in predicted taxable sales in the MSA. The index's negative contributors were a 0.1 percent decline in non-farm employment in the MSA and a 0.3 percent increase in the unemployment rate in the MSA to 2.9 percent. In September 2002, the unemployment rate in the MSA was 2.3 percent. The Northwest Arkansas coincident index now stands at a preliminary estimate of 107.2, down from its revised level of 107.4 in August 2003 and equal to its level in September 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 2.9 percent (SAAR) in August, declined by a preliminary estimate of 0.2 percent (SAAR) in September. The sole positive contributor was a projected 0.5 percent increase in taxable sales in the MSA. The negative contributors were a 0.1 percent increase in the MSA's unemployment rate to 5.0 percent and a decline in non-farm employment by 0.1 percent in September. The unemployment rate in the Fort Smith MSA was 4.9 percent in August 2003 and 4.3 percent in September 2002. The Fort Smith coincident index now stands at a preliminary estimate of 103.2, equal to its revised level in August 2003 and down from 103.6 in September 2002. Overall, the data imply economic conditions in the Fort Smith MSA declined mildly in August.



The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 0.1 percent (SAAR) in August, declined by a preliminary estimate of 2.9 percent (SAAR) in September. The sole positive contributor was a 1.4 percent increase in projected taxable sales for the MSA. The negative



contributors were a 0.3 percent increase in the MSA's unemployment rate to 4.7 percent and a 0.1 percent decline in non-farm employment. The unemployment rate was 4.4 percent in August 2003 and was 4.2 percent in September 2002. The Little Rock Coincident Index now stands at a preliminary estimate of 101.8, down from its revised level of 102.0 in August 2003 and down from 102.5 in September 2002. Overall, the data imply economic conditions in the Little Rock-North Little Rock MSA declined moderately in August.

<sup>1</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>2</sup> Source: Information Network of Arkansas

<sup>3</sup> Source: Arkansas Employment Security Department

<sup>4</sup> Source: The Conference Board

<sup>5</sup> Source: U.S. Census Bureau

<sup>6</sup> Source for non-farm wage and employment data: U.S. Labor Department, Bureau of Labor Statistics (BLS)

<sup>7</sup> The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington County, Arkansas.

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

<sup>9</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>10</sup> Source: Author's manipulation of data provided by the Arkansas Department of Finance and Administration

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