

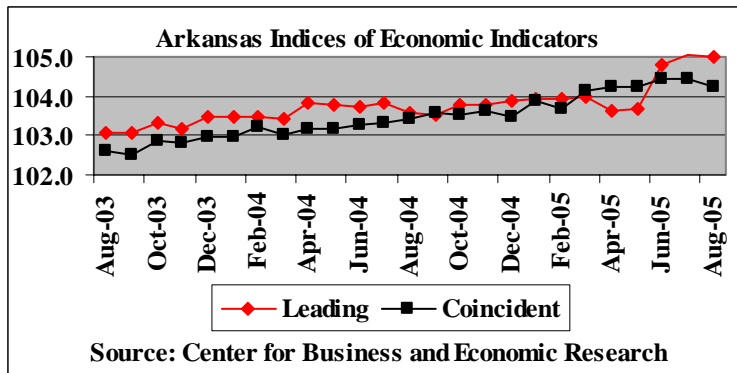


Forecasting Trends: Arkansas Indices of Economic Indicators, August 2005

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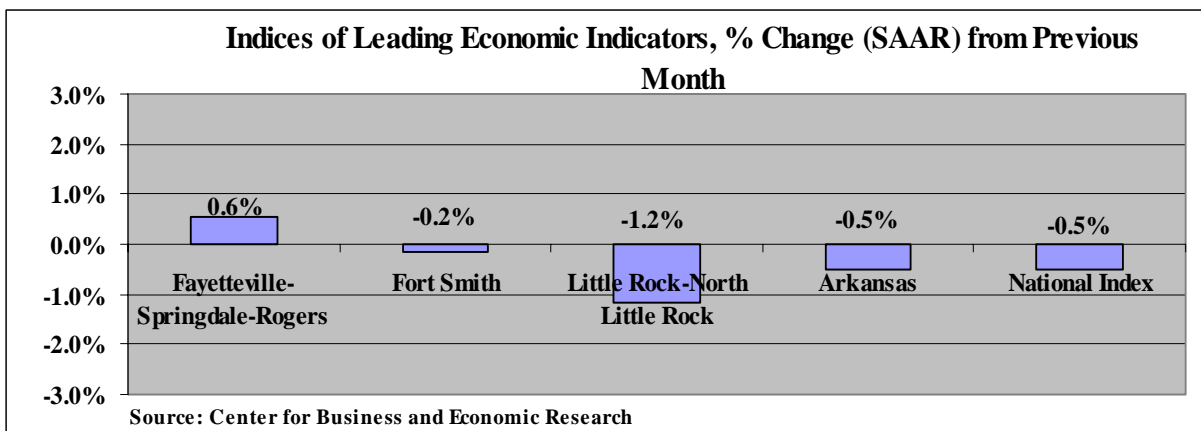
Forecasting Trends: Arkansas Indices of Economic Indicators, August 2005

The Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, decreased by the seasonally adjusted annual rate (SAAR)¹ of 0.5 percent in August after increasing by revised 3.2 percent in July. The index's positive

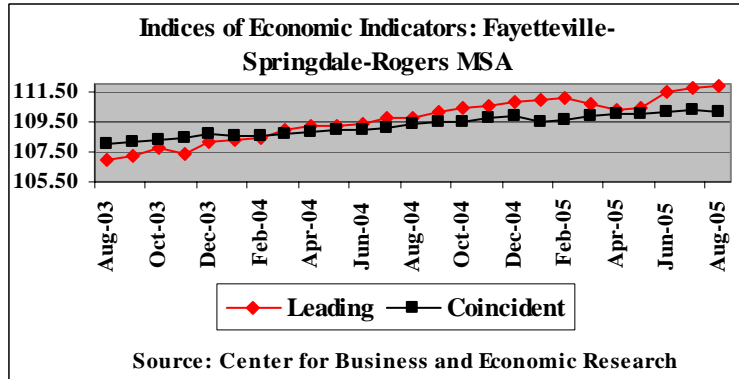


contributors were a 10.4 percent increase in new incorporations, a 1.6 percent increase in average weekly manufacturing hours (AWMH), and a 0.2 percent increase in construction employment. The index's main negative contributor was a 29.2 percent increase in the number of initial claims for unemployment. Other negative contributors were a 2.3 percent decline in the number of building permits and a 0.5 percent decline in the national index of leading economic indicators. (According to the Conference Board, the economic effects of the hurricanes, which hit the Gulf Coast region of the United States, were not reflected in the August value of the national leading index. The immediate impact of the hurricanes will be more fully reflected in the coming months.) The state's leading index now stands at a preliminary estimate of 105, down slightly from its revised level of 105.1 in July. Overall, the data imply the state will experience steady economic activity in the end of the first quarter of 2006.

The leading index for the Fayetteville-Springdale-Rogers MSA,² henceforth Northwest Arkansas, experienced an increase of 0.6 percent (SAAR) in August. The Little Rock-North Little Rock metropolitan statistical area (MSA)³ index decreased by 1.2 percent and the Fort Smith⁴ leading index decreased by 0.2 percent from July to August (SAAR).

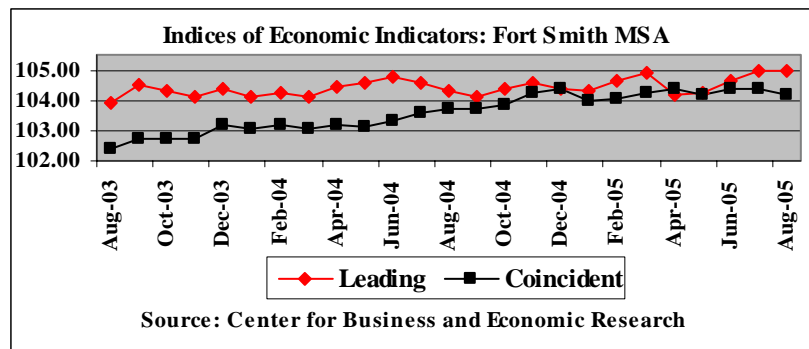


The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 3.3 percent (SAAR) in July, increased by a preliminary estimate of 0.6 percent (SAAR) in August. The only positive contributor to the index was a 0.7 percent increase in construction employment.



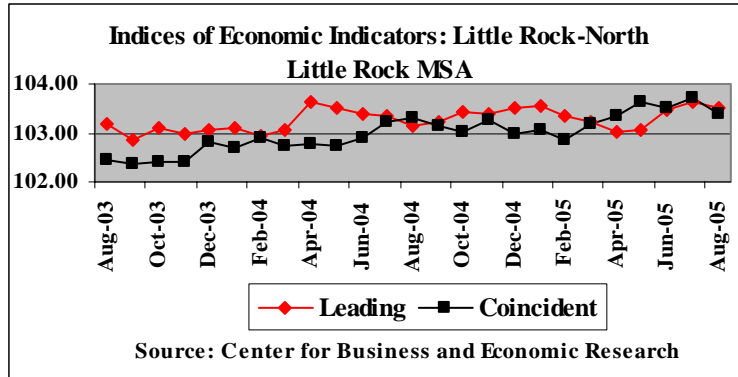
Average weekly manufacturing hours (AWMH) stayed at the same level in Northwest Arkansas in August. The index's negative contributors were a 2.6 percent decline in the value of building permits and a 0.5 percent decline in the state index of leading economic indicators (SAAR). The Northwest Arkansas leading index now stands at a preliminary estimate of 111.82, up from revised 111.76 in July. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience a mild increase in the pace of economic activity early next year.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 4.2 percent (SAAR) in July, decreased by a preliminary estimate of 0.2 percent (SAAR) in August. The sole positive contributor was a 36.6 percent increase



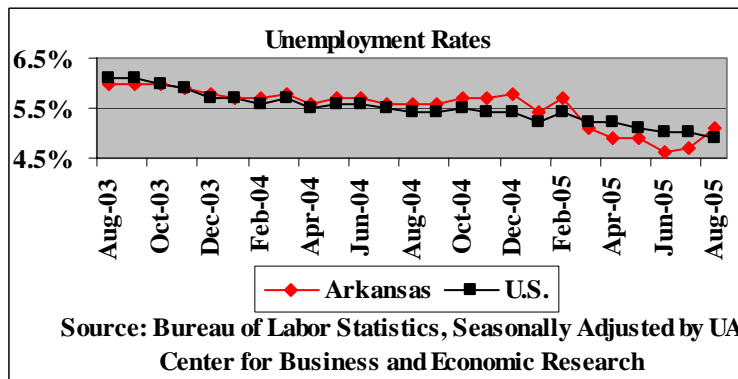
in the value of building permits. The index's negative contributors in decreasing order of importance were a 1.0 percent decline in average weekly manufacturing hours (AWMH), a 0.8 percent decline in construction employment, and a 0.5 percent decline in the state index of leading economic indicators (SAAR). The Fort Smith leading index now stands at a preliminary estimate of 104.98, slightly down from its revised level of 105.0 in July. Overall, the data imply steady economic activity in the Fort Smith MSA in February to April of 2006.

The Little Rock Index of Leading Economic Indicators, after increasing by a revised 1.6 percent (SAAR) in July, decreased by a preliminary 1.2 percent in August. The positive contributors to the index were a 10.5 percent increase in the value of building permits and a 0.5 percent increase in the construction employment.



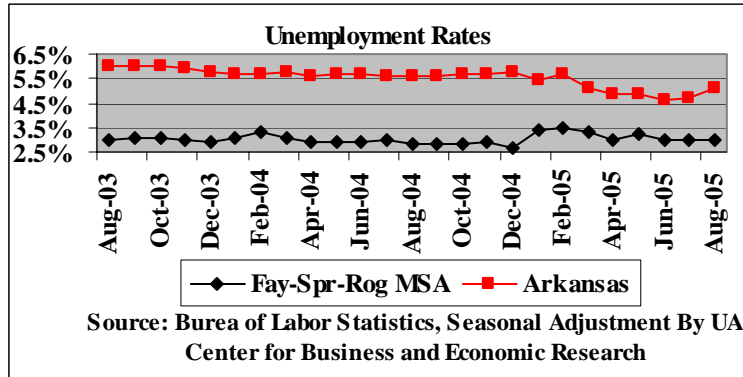
The negative contributors were a 4.9 percent decline in average weekly manufacturing hours and a 0.5 percent decline in the state index of leading economic indicators (SAAR). The Little Rock leading index now stands at a preliminary estimate of 103.52, down from its revised level of 103.62 in July. Overall, the data imply that the economic pace will slow down in the end of the first quarter of 2006.

The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after increasing by a revised 0.5 percent (SAAR) in July, declined by a preliminary estimate of 2.4 percent (SAAR) in August. The sole positive contributor was a 0.1 percent increase in non-farm employment.



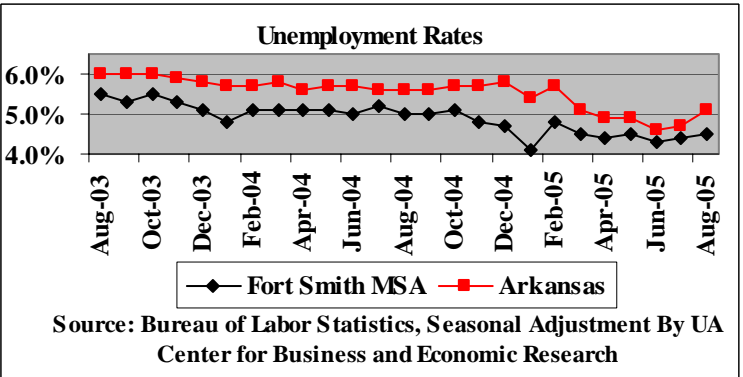
The index's negative contributors were a 1.9 percent decline in taxable sales and a 0.4 percent increase in the state unemployment rate. The Arkansas coincident index now stands at a preliminary estimate of 104.3, down from the revised 104.5 in July. Overall, the data imply economic conditions in the state deteriorated in August.

The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 1.5 percent (SAAR) in July, decreased by a preliminary estimate of 1.4 percent (SAAR) in August. The region's unemployment rate stayed at the same level in August. The index's



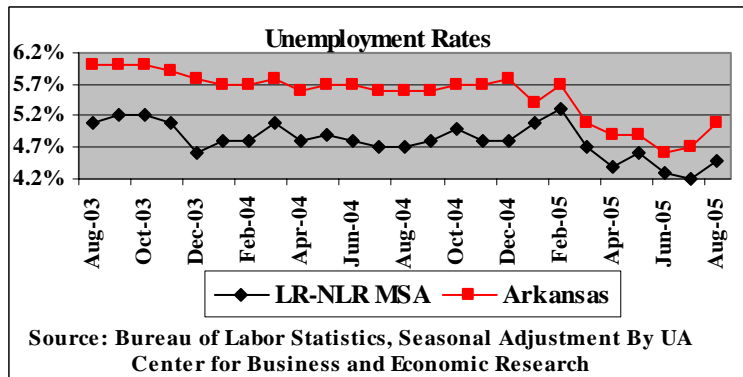
negative contributors were a 2.7 percent decline in taxable sales and a 0.2 percent decline in non-farm employment. The Northwest Arkansas coincident index now stands at a preliminary estimate of 110.2, down from its revised level of 110.3 in July. Overall, the data imply the pace of economic activity slowed down slightly in the Fayetteville-Springdale-Rogers MSA in August.

The Fort Smith Index of Coincident Economic Indicators, after rising by a revised 0.2 percent (SAAR) in July, decreased by a preliminary estimate of 2.5 percent (SAAR) in August. The sole positive contributor was a 3.8 percent increase in taxable sales. The index's negative contributors were a 0.8



percent decline in non-farm employment and a 0.1 percent increase in the local unemployment rate. The Fort Smith coincident index now stands at a preliminary estimate of 104.2, down from revised level of 104.4 in July. Overall, the data imply economic activity in the Fort Smith MSA slowed down in August.

The Little Rock Index of Coincident Economic Indicators, after increasing by a revised 2.2 percent (SAAR) in July, declined by 3.6 percent in August. The negative contributors were a 0.7 percent decline in taxable sales, a 0.3 percent decline in non-farm employment, and a 0.3



percent increase in the local unemployment rate. The Little Rock Coincident Index now

stands at a preliminary estimate of 103.4, down from its revised level of 103.7 in July. Overall, the data indicate that the economy in the Little Rock-North Little Rock MSA deteriorated in August.

¹ Seasonally adjusted annual rate (SAAR) is a rate adjustment that attempts to remove the seasonal variations in the data. Most data will be affected by the time of the year. Adjusting for the seasonality in data means more accurate relative comparisons can be drawn from month to month all year. The SAAR is calculated by dividing the unadjusted annual rate for the month by its seasonality factor and creating an adjusted annual rate for the month (in this report the unadjusted change from the previous to the recent month in the power of 12 and then 1 is subtracted from that amount). These adjustments are more often used when economic data is released to the public. For example, the ice cream industry tends to have a large level of seasonality as it will sell more ice cream in the summer than in the winter. By using seasonally adjusted sale rates, the sales in the summer can be accurately compared to the sales in the winter.

² The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington County, Arkansas.

³ 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.

⁴ The Fort Smith MSA is defined for this paper to be Crawford County, Arkansas; Sebastian County, Arkansas; and Sequoyah County, Oklahoma.