

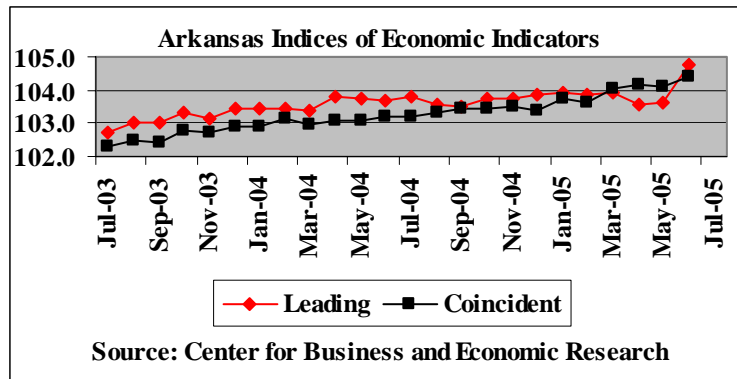


**Forecasting Trends: Arkansas Indices of Economic Indicators, July 2005**

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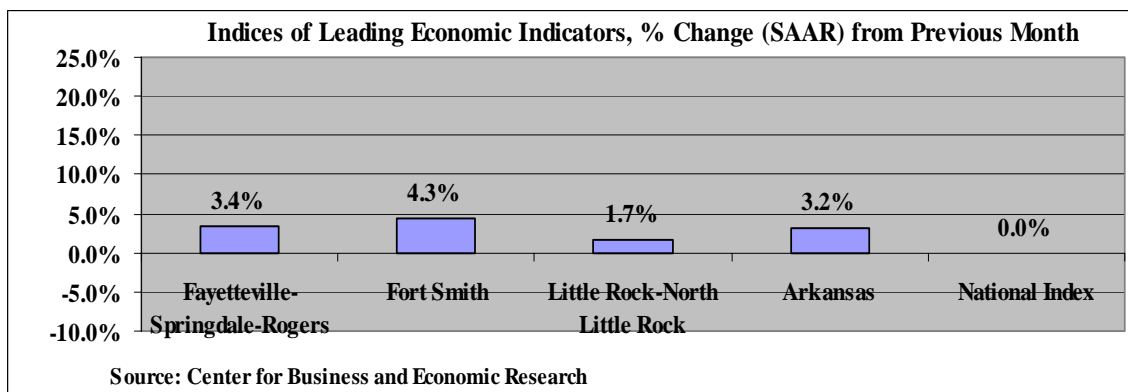
## Forecasting Trends: Arkansas Indices of Economic Indicators, July 2005

After the revised seasonally adjusted annual rate (SAAR) increased by 14.2 percent in June the Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, increased by 3.2 percent in July. The index's positive

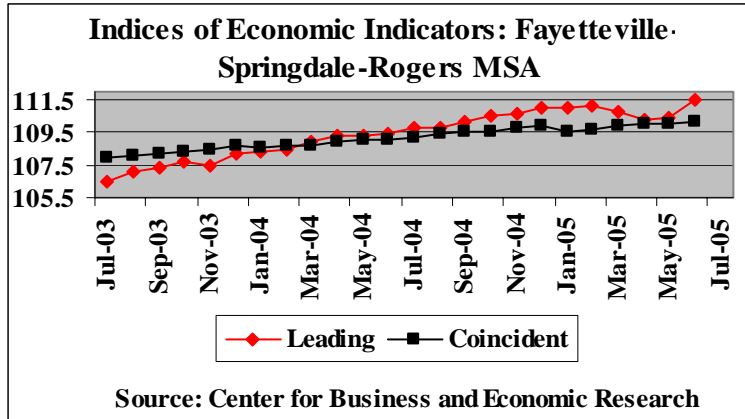


contributors in decreasing order of importance were a 12.5 percent increase in the number of building permits, a 0.7 percent increase in the value of building permits, and a 0.5 percent increase in average weekly manufacturing hours (AWMH). The national index of leading economic indicators was flat in the state in July. The index's negative contributors, in decreasing order of importance, were a 26.9 percent increase in the number of initial claims for unemployment, a 5.0 percent decline in new incorporations, and a 0.3 percent decline in construction employment. The state's leading index now stands at a preliminary estimate of 105, up from its revised level of 104.7 in June. Overall, the data imply the state will experience a mild increase in economic activity in the first quarter of next year.

The leading index for the Fayetteville-Springdale-Rogers MSA,<sup>1</sup> henceforth Northwest Arkansas, experienced a month-on-month increase of 3.4 percent in July. The Little Rock-North Little Rock metropolitan statistical area (MSA)<sup>2</sup> index increased by 1.7 percent and the Fort Smith<sup>3</sup> leading index increased by 4.3 percent from June to July.

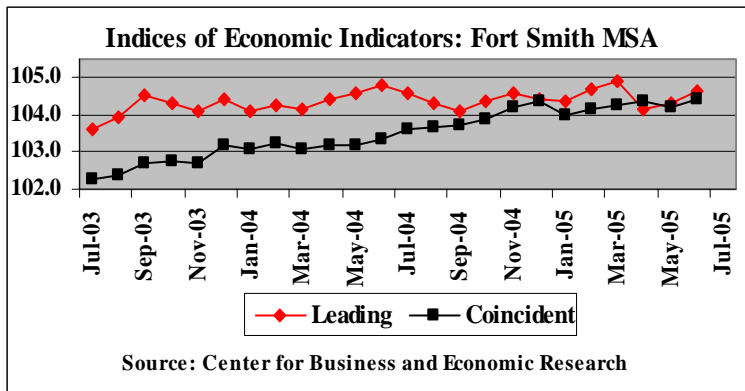


The Northwest Arkansas Index of Leading Economic Indicators, after increasing by a revised 12.8 percent (SAAR) in June, increased by a preliminary estimate of 3.4 percent in July. The positive contributors to the index were a 25.4 percent increase in the value of building permits, a 3.2 percent increase in the state



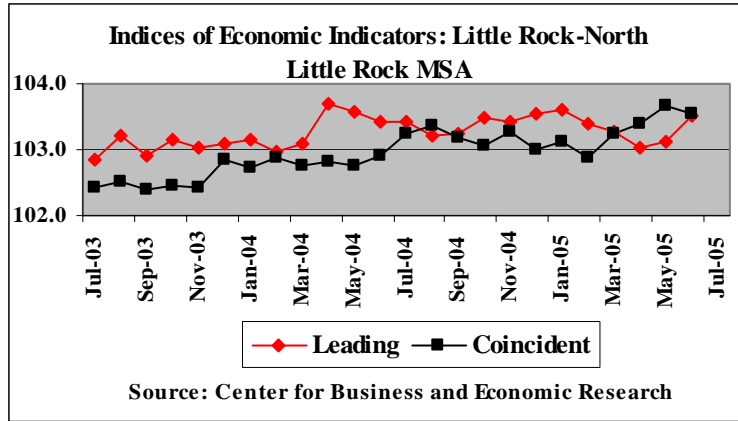
index of leading economic indicators (SAAR), and a 0.8 percent increase in construction employment. The sole negative contributor was a 2 percent decline in average weekly manufacturing hours (AWMH). The Northwest Arkansas leading index now stands at a preliminary estimate of 111.87, up from 111.56 in June. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience a mild increase in the pace of economic activity in the first quarter of next year.

The Fort Smith Index of Leading Economic Indicators, after increasing by a revised 4.3 percent (SAAR) in June, increased by a preliminary estimate of 4.3 percent (SAAR) in July. The positive contributors in decreasing order of importance were a 9.3 percent increase in the value of building permits, a

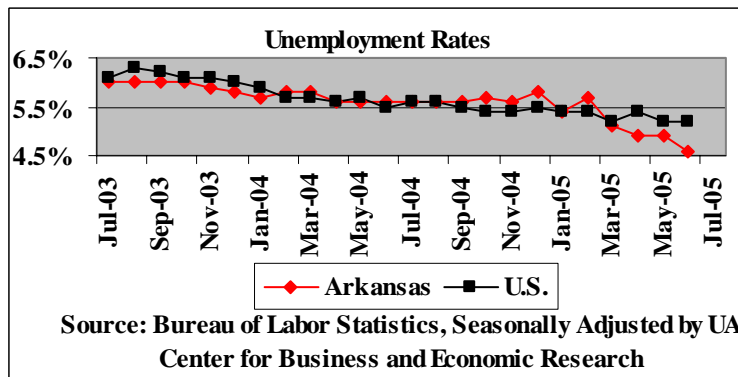


3.2 percent increase in the state index of leading economic indicators (SAAR), a 1.4 percent increase in construction employment, and a 1.1 percent increase in average weekly manufacturing hours (AWMH). The Fort Smith leading index now stands at a preliminary estimate of 105.0, up from its revised level of 104.7 in June. Overall, the data imply improving economic activity in the Fort Smith MSA in the first quarter of 2006.

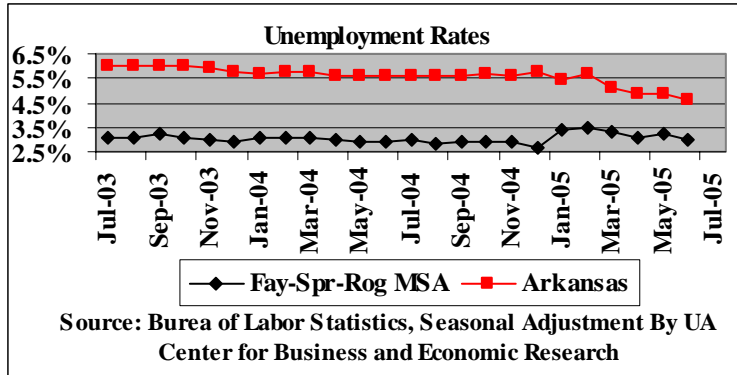
The Little Rock Index of Leading Economic Indicators, after increasing by a revised 5 percent (SAAR) in June, increased by a preliminary 1.7 percent in July. The positive contributors to the index were a 3.2 percent increase in the state index of leading economic indicators (SAAR), a 1 percent increase in the construction employment, and a 0.3 percent increase in average weekly manufacturing hours. The negative contributor was an 11.9 percent decline in the value of building permits. The Little Rock leading index now stands at a preliminary estimate of 103.57, up from its revised level of 103.53 in June. Overall, the data imply that the economic pace will pick up in 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 2.8 percent (SAAR) in June, declined by a preliminary estimate of 0.4 percent (SAAR) in July. The positive contributors were a 0.9 percent increase in taxable sales and a 0.1 percent increase in non-farm employment. The sole negative contributor was a 0.1 percent increase in the state unemployment rate. The Arkansas coincident index now stands at a preliminary estimate of 104.33 down from the revised 104.37 in June. Overall, the data imply economic conditions in the state were down slightly in July.

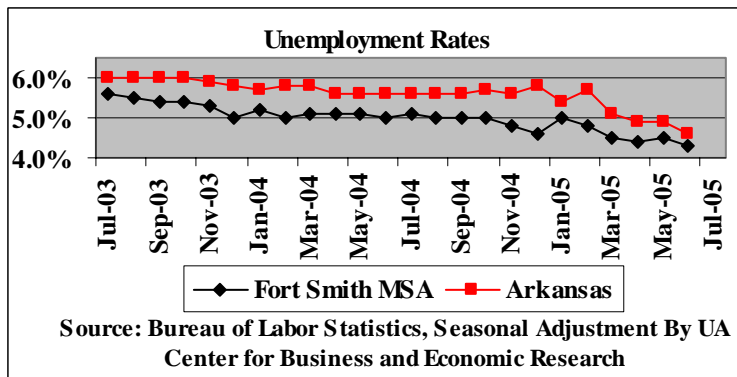


The Northwest Arkansas Index of Coincident Economic Indicators, after increasing by a revised 2.4 percent (SAAR) in June, increased by a preliminary estimate of 1.4 percent (SAAR) in July. The index's positive contributor was a 0.4 percent increase in non-farm employment.



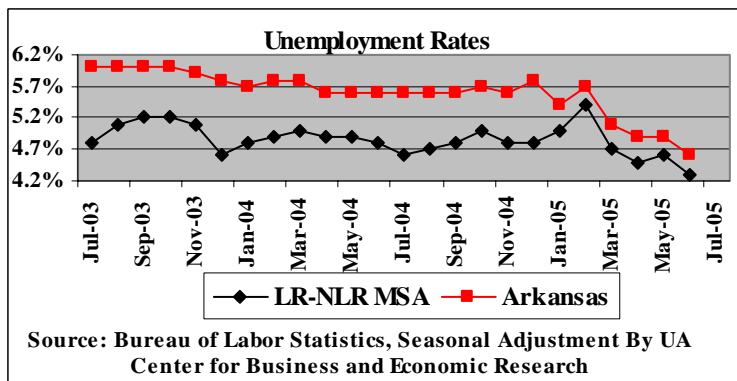
The region's unemployment rate was unchanged in July. The only negative contributor was a 2.6 percent decline in taxable sales. The Northwest Arkansas coincident index now stands at a preliminary estimate of 110.33, up from its revised level of 110.21 in June. Overall, the data imply the pace of economic activity was up slightly in the Fayetteville-Springdale-Rogers MSA in July.

The Fort Smith Index of Coincident Economic Indicators, after rising by a revised 2.3 percent (SAAR) in June, increased by a preliminary estimate of 0.3 percent (SAAR) in July. The sole positive contributor was a 0.6 percent increase in non-farm employment.



The negative contributors were a 3.4 percent decline in taxable sales and a 0.1 percent increase in the local unemployment rate. The Fort Smith coincident index now stands at a preliminary estimate of 104.4, the same as its revised level of 104.4 in June. Overall, the data imply economic activity in the Fort Smith MSA was steady in July.

The Little Rock Index of Coincident Economic Indicators, after declining by a revised 1.3 percent (SAAR) in June, rose by 2.4 percent in July. The positive contributors were a 0.3 percent increase in both non-farm employment and taxable sales and a 0.1 percent decline in the local unemployment rate.



The Little Rock Coincident Index now stands at a preliminary estimate of 103.75, up from its

revised level of 103.55 in June. Overall, the data indicate that the economy in the Little Rock-North Little Rock MSA improved a bit during July.

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<sup>1</sup> The Fayetteville-Springdale-Rogers MSA is defined for this paper to be Benton County, Arkansas and Washington County, Arkansas.

<sup>2</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>3</sup> The Fort Smith MSA is defined for this paper to be Crawford County, Arkansas; Sebastian County, Arkansas; and Sequoyah County, Oklahoma.