

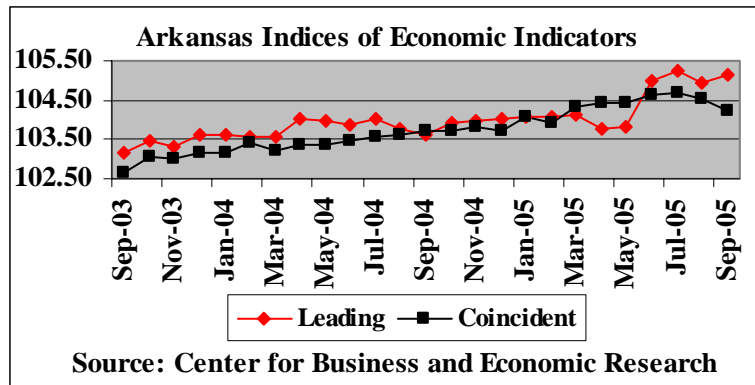


Forecasting Trends: Arkansas Indices of Economic Indicators, September 2005

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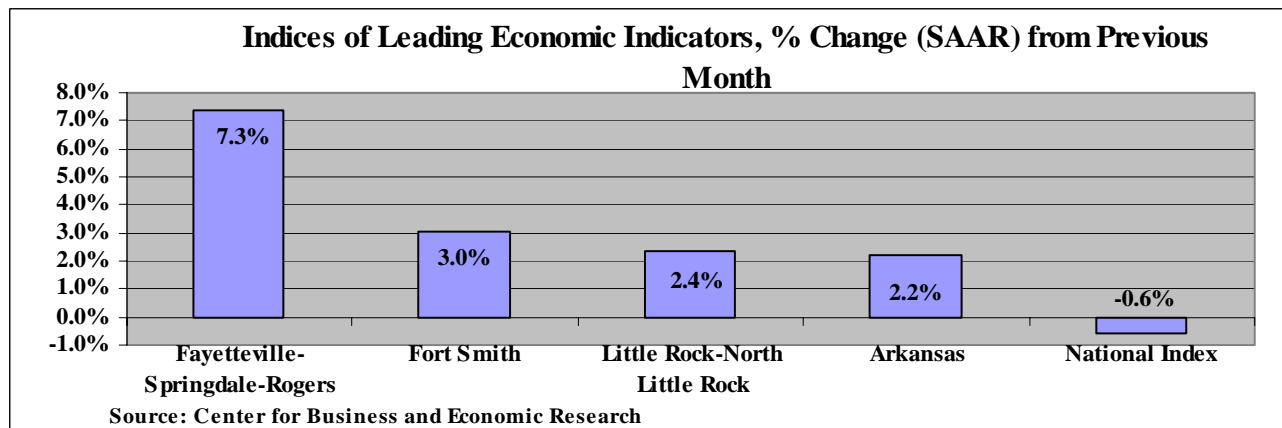
Forecasting Trends: Arkansas Indices of Economic Indicators, September 2005

The Arkansas Index of Leading Economic Indicators, which predicts economic conditions within the state six to nine months hence, increased by the seasonally adjusted annual rate (SAAR)¹ of 2.2 percent in September after decreasing by a revised 3.5 percent in August. The

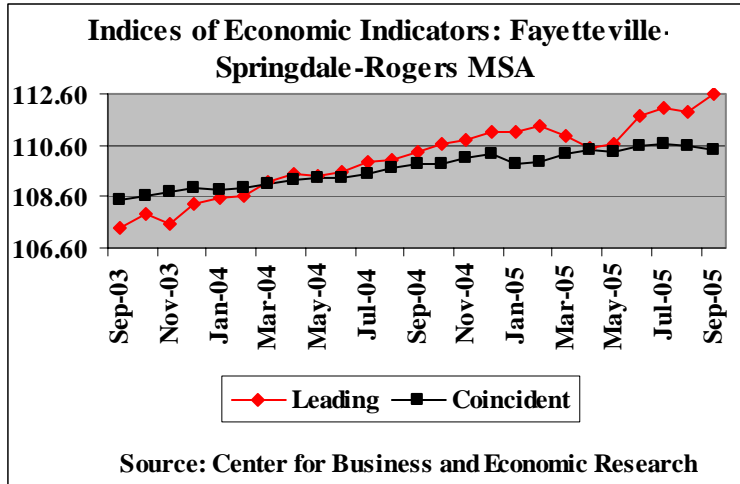


The index's positive contributors were a 23.4 percent increase in new incorporations, a 2.3 percent increase in average weekly manufacturing hours (AWMH), a 0.8 percent increase in the value of building permits, and a 0.1 percent increase in construction employment. The index's main negative contributor was the same as last month - the number of initial claims for unemployment, which increased by a 13.1 percent. Another negative contributor was a 0.6 percent decline in the national index of leading economic indicators. (According to the Conference Board, U.S. Leading Economic Indicators data for September are the first release to reflect the impact of the hurricanes, which hit the Gulf Coast region of the United States at the end of August and in September.) The state's leading index now stands at a preliminary estimate of 105.13. Overall, the data imply the state will experience a mild increase in economic activity in the second quarter of 2006.

The leading index for the Fayetteville-Springdale-Rogers MSA,² henceforth Northwest Arkansas, experienced an increase of 7.3 percent (SAAR) in September. The Little Rock-North Little Rock metropolitan statistical area (MSA)³ index increased by 2.4 percent and the Fort Smith⁴ leading index increased by 3.0 percent from August to September (SAAR).

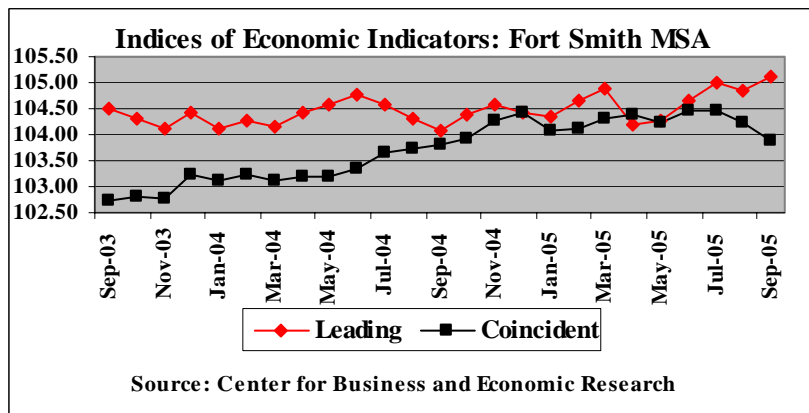


The Northwest Arkansas Index of Leading Economic Indicators, after decreasing by a revised 1.4 percent (SAAR) in August, increased by a preliminary estimate of 7.3 percent (SAAR) in September. The positive contributors to the index in decreasing order of importance were a 13.4 percent increase in the value of building permits, a 2.3 percent increase in average



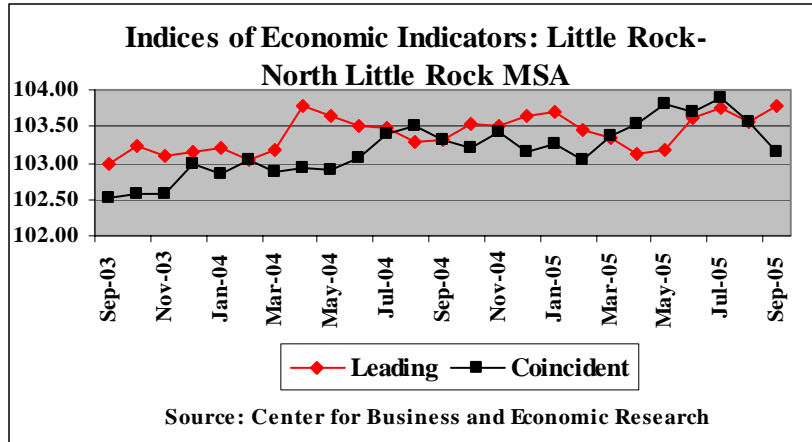
weekly manufacturing hours (AWMH), a 2.2 percent increase in the state index of leading economic indicators (SAAR), and a 1.5 percent increase in construction employment. The Northwest Arkansas leading index now stands at a preliminary estimate of 112.58. Overall, the data imply the Fayetteville-Springdale-Rogers MSA will experience an increase in the pace of economic activity in May to July of 2006.

The Fort Smith Index of Leading Economic Indicators, after decreasing by a revised 1.9 percent (SAAR) in August, increased by a preliminary estimate of 3.0 percent (SAAR) in September. The positive contributors to the index were a 2.2 percent increase in

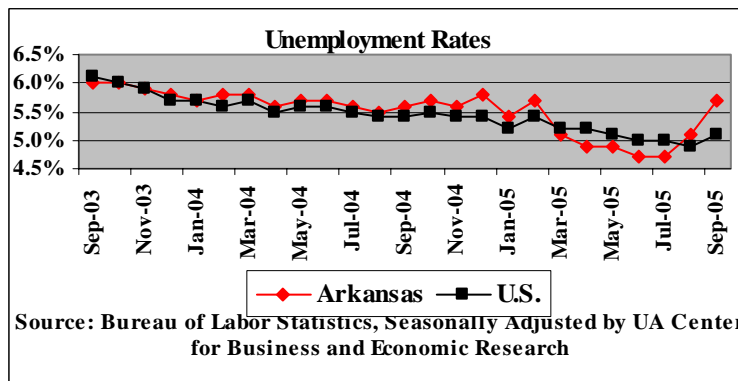


average weekly manufacturing hours (AWMH) as well as in the state index of leading economic indicators (SAAR), and a 1.0 percent increase in construction employment. The sole negative contributor was an 8.9 percent decrease in the value of building permits. The Fort Smith leading index now stands at a preliminary estimate of 105.11. Overall, the data imply increased economic activity in the Fort Smith MSA in the second quarter of next year.

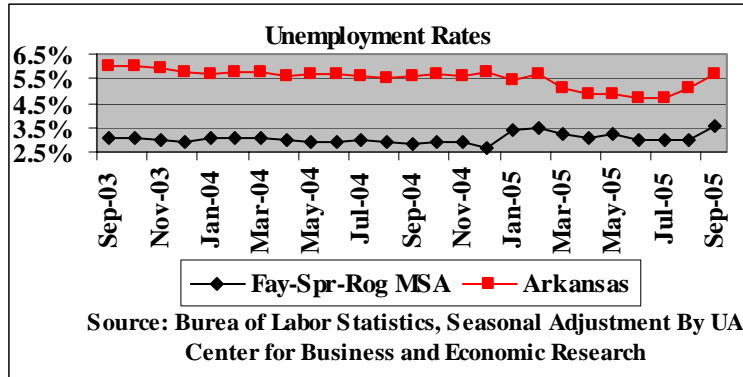
The Little Rock Index of Leading Economic Indicators, after decreasing by a revised 2.1 percent (SAAR) in August, increased by a preliminary 2.4 percent in September. The positive contributors to the index were a 3.4 percent increase in average weekly manufacturing hours, a 2.2 percent increase in the state index of leading economic indicators (SAAR), and a 0.5 percent increase in the construction employment. The only negative contributor was a 2.8 percent decline in the value of building permits. The Little Rock leading economic index now stands at a preliminary estimate of 103.78. Overall, the data imply that the economic pace in Little Rock-North Little Rock MSA will intensify in the spring of next year.



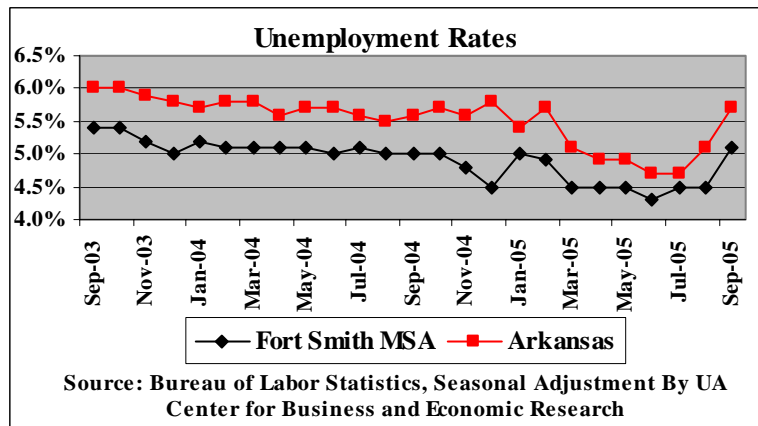
The Arkansas Index of Coincident Economic Indicators, which gauges current economic conditions within the state, after decreasing by a revised 2.0 percent (SAAR) in August, declined by a preliminary estimate of 3.5 percent (SAAR) in September. The positive contributors were a 2.0 percent increase in taxable sales and a 0.1 percent increase in non-farm employment. The index's negative contributor was a 0.6 percent increase in the state unemployment rate. The Arkansas coincident index now stands at a preliminary estimate of 104.21. Overall, the data imply economic conditions in the state continued to deteriorate in September.



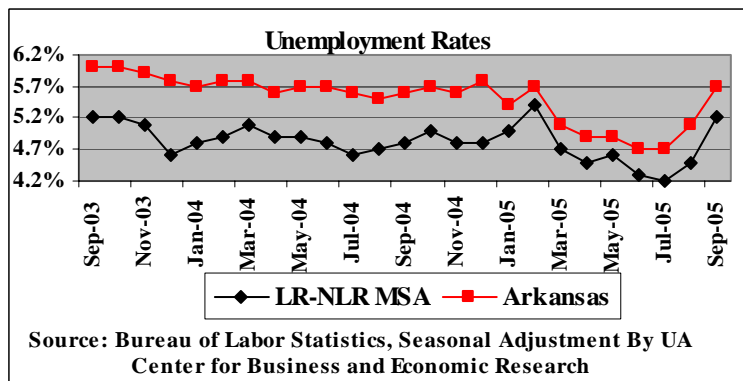
The Northwest Arkansas Index of Coincident Economic Indicators, after decreasing by a revised 1.5 percent (SAAR) in August, decreased by a preliminary estimate of 1.4 percent (SAAR) in September. The index's positive contributors were a 10.6 percent increase in taxable sales and a 0.6 percent increase in non-farm employment. The region's unemployment rate increased in September by 0.6 percent, influencing the index negatively. The Northwest Arkansas coincident index now stands at a preliminary estimate of 110.43. Overall, the data imply the pace of economic activity continued to slow down in the Fayetteville-Springdale-Rogers MSA in September.



The Fort Smith Index of Coincident Economic Indicators, after declining by a revised 2.6 percent (SAAR) in August, decreased by a preliminary estimate of 4.2 percent (SAAR) in September. The sole positive contributor was a 0.2 percent increase in non-farm employment. The index's negative contributors were a 2.2 percent decline in taxable sales and a 0.6 percent increase in the local unemployment rate. The Fort Smith coincident index now stands at a preliminary estimate of 103.87. Overall, the data imply economic activity in the Fort Smith MSA continued to slow down in September.



The Little Rock Index of Coincident Economic Indicators, after decreasing by a revised 3.6 percent (SAAR) in August, declined by 4.6 percent in September. The index's only positive contributor was a 4.8 percent increase in taxable sales. The negative contributors were a 0.7 percent increase in the local unemployment rate and a 0.1 percent decline in non-farm



employment. The Little Rock Coincident Index now stands at a preliminary estimate of 103.16. Overall, the data indicate that the economy in the Little Rock-North Little Rock MSA continued to deteriorate in September.

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.