

## Forecasting Trends: Arkansas Economic Indicators, August 2001

Adam Cole  
Center for Business and Economic Research  
Sam M. Walton College of Business  
University of Arkansas

For the fourth consecutive month, the Arkansas index of leading economic indicators advanced; in August, the index increased by a seasonally adjusted annual rate (SAAR) of 1.1%. Five of the index's six components experienced month-on-month improvements. From largest positive contributor to smallest, they were a 0.8% increase in construction employment, an 11.7% decline in initial claims for unemployment insurance, a 7.6% increase in the value of new building permits, a 2.7% increase in the number of filings for new incorporations, and a 0.2% increase average weekly manufacturing hours (AWMH) from a revised 39.7 hours in July to 39.8 hours in August. The index's sole negative contributor was a 3.2% SAAR decline in the national index of leading economic indicators. The index now stands 104.5, up from a revised 104.4 in July. The data suggest more favorable economic conditions in the state in the first quarter of 2002.

None of the metropolitan statistical area (MSA) indices bested the state index in August. The Pine Bluff index increased by a SAAR of 0.8%; the Little Rock index held steady. The indices for Northwest Arkansas (the Fayetteville-Springdale-Rogers MSA) and Fort Smith declined by SAARs of 1.2% and 5.7%, respectively.

The Northwest Arkansas leading index declined 0.1% from a revised 105.7 in July to 105.6 in August. Three of the index's four components experienced month-on-month improvements in August. From largest positive contributor to smallest, they were a 15.6% increase in the value of new building permits, the 1.1% SAAR increase in the state's leading index, and a 0.1% increase in construction employment. The sole negative contributor was a 4.8% decline in AWMH from a revised 40.8 hours in July to 38.8 hours in August. Overall, the data suggest less favorable conditions in Northwest Arkansas in the first quarter of 2002.

The Fort Smith leading index declined 0.5% from a revised 105.4 in July to 104.9 in August. Two of the index's four components experienced month-on-month improvements. From larger to smaller positive contribution, they were the 1.1% SAAR increase in the state's leading index and a 13.1% increase in the value of new building permits. The index's negative contributors, from larger to smaller contribution, were a 4.3% decline in AWMH from a revised 40.8 hours in July to 39.1 hours in August and a 3.2% decline in construction employment. Overall, the data suggest less favorable conditions in Fort Smith in the first quarter of 2002.

The Little Rock leading index held steady in August at 103.4. The index's positive contributors, from larger to smaller contribution, were a 3.0% increase AWMH from a revised 40.0 hours in July to 41.3 hours in August and the 1.1% SAAR increase in the state's leading index. The offsetting negative contributors were, from larger to smaller contribution, a 1.4% decline in construction employment and a 0.5% decline in the value of new building permits. Overall, the data suggest unchanged economic conditions in the capitol city in the first quarter of 2002.

The Pine Bluff leading index increased 0.1% from a revised 102.0 in July to 102.1 in August. Three of the index's four components experienced month-on-month improvements. From largest positive contributor to smallest, they were a 1.3% increase AWMH from a revised 40.9 hours in July to 41.4 hours in August, the 1.1% SAAR increase in the state's leading index, and a 5.7% increase the value of new building permits. The sole negative contributor was a 2.0% decline in construction employment. Overall, the data suggest more favorable economic conditions in Pine Bluff in the first quarter of 2002.

The Arkansas index of coincident economic indicators, which depicts current economic conditions, fell for the fifth consecutive month; in August, the index declined by a SAAR of 0.1%. The index's sole positive contributor was a 0.1% increase in non-farm employment. A 3.6% decline in taxable sales was the primary motivator behind the index's fall. This indicator merits very close inspection in the coming months to gauge consumer reaction to the events of September 11. The Arkansas unemployment rate held steady in August at 4.6%; the national unemployment rate for the month was 4.9%. One year earlier, the Arkansas and national unemployment rates were 4.4% and 4.1%, respectively. The Arkansas coincident index now stands at 104.2; the data suggest economic conditions in the state worsened on the margin in August.

The Northwest Arkansas index of coincident economic indicators increased by a SAAR of 0.5% in August. The index's sole positive contributor was a 0.3% increase in non-farm employment. Unemployment in the MSA held steady at 2.1% in August, down from 2.2% one year earlier. The index's sole negative contributor was a 4.3% decline in taxable sales. The index now stands at 105.3; the data suggest economic conditions in Northwest Arkansas improved in August.

The Fort Smith index of coincident economic indicators declined by a SAAR of 0.5% in August. The index's sole positive contributor was a 1.3% increase in taxable sales. The index's negative contributors, from larger to smaller contribution, were a 1.1% decline in non-farm employment and a 0.2% increase in the unemployment rate. The unemployment rate in the MSA was 3.8% in August, up from 3.6% one year earlier. The index now stands at 103.7; the data suggest economic conditions in Fort Smith decayed in August.

The Little Rock index of coincident economic indicators declined by a SAAR of 1.6% in August. All three components contributed negatively to the index. From largest to smallest contribution, they were a 0.1% increase in the unemployment rate, a 2.7% decline in taxable sales, and a 0.1% decline in non-farm employment. The unemployment rate in the MSA was 3.7% in August, up from 3.4% one year earlier. The index now stands at 103.2; the data suggest economic conditions in the capitol city decayed in August.

The Pine Bluff index of coincident economic indicators declined by a SAAR of 1.5% in August. The sole positive contributor was a 0.2% increase in non-farm employment. The negative contributors, from larger to smaller contribution, were a 0.2% increase in the unemployment rate and a 2.1% decline in taxable sales. The unemployment rate in the MSA was 7.3% in August, up from 7.1% one year earlier. The index now stands at 100.8; the data suggest economic conditions in Pine Bluff decayed in August.