

## Second Quarter – 2023 Quarterly Narrative

An independent report of economic indicators from four Arkansas metro areas:

- Central Arkansas
- Northwest Arkansas
- The Fort Smith region
- Jonesboro metro

### REGIONAL SUMMARIES

#### Central Arkansas

Central Arkansas is experiencing a positive economic outlook with a declining unemployment rate, a notable increase in nonfarm employment, and solid growth in various sectors. While the construction industry faces challenges with declining building permit valuations, overall employment expansion and strong gross sales and use tax collections underscore a thriving economic environment. The region's grade stands at A- for the second quarter, reflecting its favorable employment trends and low unemployment rate.

#### Northwest Arkansas

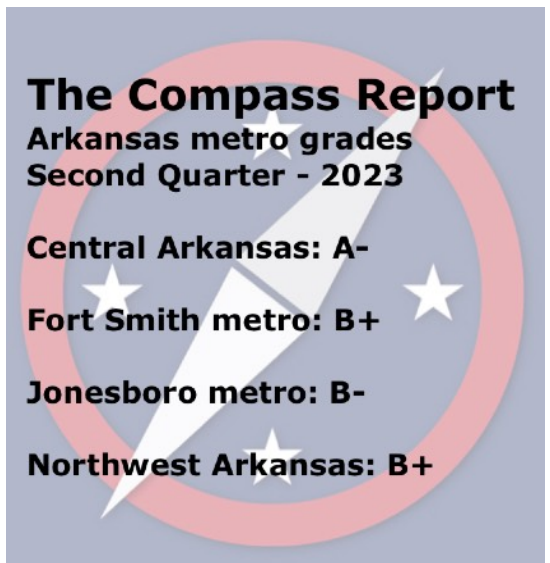
Northwest Arkansas Metro's Q2 2023 economic outlook earns a B+ grade, driven by robust non-farm employment growth at 5.1% and notable gains in several sectors. While the housing construction sector declined, June 2023 saw a temporary uptick. The region boasts a low 2.3% unemployment rate, the state's lowest, reflecting a thriving job market. A 3.5% labor force growth indicates an expanding workforce. Quarter-to-quarter comparisons reveal a positive trend in gross sales and use tax collections, signaling economic expansion. Overall, Northwest Arkansas offers a favorable economic environment marked by employment growth, low unemployment, and an expanding workforce, fostering a promising regional outlook.

#### Fort Smith metro

In the Fort Smith region during April-June 2023, the economic landscape displayed resilience and growth, earning the Fort Smith Metro an impressive grade of B+ for the second quarter of 2023. Key indicators included significant job gains in various sectors, a steady climb in manufacturing employment, and a notable increase in residential construction valuation. Tax collections also demonstrated a positive trend, reflecting economic stability. These factors collectively indicated a promising economic environment with potential for further regional rejuvenation.

#### Jonesboro

The Jonesboro MSA exhibits positive economic conditions in the second quarter of 2023. The region boasts a strong employment landscape, with a commendable decrease in the



unemployment rate and notable workforce expansion. Nonfarm employment continues to grow, setting records in May 2023. However, there is a concerning trend in declining building permit valuations, highlighting challenges in the construction sector. On the bright side, gross sales and use tax collections show robust growth, reflecting a thriving economy. The overall economic outlook for the Jonesboro Metro receives a B- grade, with strong employment and tax collection indicators tempered by construction sector challenges.

## Regional “Takeaways”

### **FORT SMITH REGION** (April-June 2023 conditions)

Non-farm employment was up 1.6% June-on-June (1,800 jobs), with total nonfarm employment an estimated 115,500 jobs in June compared to 113,700 in June 2022. Comparing quarter-on-quarter data, nonfarm employment in the metro continues to remain strong, reaching levels last seen in 2008 before the economic downturn.

The June total number of employed in the MSA was an estimated 117,501. Labor force data indicates there were 121,123 people either employed or looking for work in June 2023. By comparison, in June 2022, 119,879 people fit that description. This is an increase of 1.03%.

June-to-June, the manufacturing sector gained 300 jobs or roughly 1.6%. In June 2023 an estimated 18,800 people worked in the sector. Employment in the manufacturing sector continues its steady climb.

Of the ten employment sectors measured, seven saw increases June-on-June: construction (300), manufacturing (300), trade, transportation, and utilities (300), education and health services (700), leisure and hospitality (700), other services (100), and government (500).

During the period from June to June, two sectors, namely financial activities, and information, have shown no changes. Despite recovering to levels seen before the pandemic, both sectors are maintaining a consistent and stable performance. Only one employment sector experienced a decline. Employment in professional and business services reduced by 1,100 jobs or about 9.2% from June to June. Presently, this sector employs around 10,600 individuals, marking the lowest count in a decade, excluding a few months during the pandemic.

In the span of a year from June to June, residential construction demonstrated a substantial increase in valuation, amounting to \$12.413 million or 150%. The valuation of building permits for housing experienced a noteworthy rise from the second quarter of 2022 (\$24.215 million) to the second quarter of 2023 (\$40.258 million), marking an approximate growth of 66%.

Concerning sales and use tax collections in the Fort Smith MSA, there was an overall favorable trajectory in tax collections during the second quarter of 2023, with the most substantial surge happening in June. When looking at the entire quarter, it recorded an average uptick of around 4.15% in tax collections when compared to the corresponding months in 2022.

The unemployment rate in the Fort Smith area decreased by 0.3% (3.4%) when comparing June to the previous year. This rate exhibits a slight



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increase from the rates in April and May 2023. The trend in the unemployment rate within the Fort Smith area reflects a healthy economic stability.

The economic outlook for the Fort Smith regional economy remains healthy. In general, the Fort Smith area demonstrates evidence of economic expansion, marked by heightened employment levels across diverse sectors, a resurgent manufacturing industry, encouraging tax revenue patterns, and a diminishing unemployment rate. These indicators collectively signify a positive economic environment and the potential for economic rejuvenation in the region earning the Fort Smith Metro an overall grade of B+ for the second quarter of 2023.

#### **NORTHWEST ARKANSAS** (April-June 2023 conditions)

Non-farm employment grew at a rapid pace June-on-June. The metro economy added roughly 14,900 jobs which is an increase of 5.1%.

The building permit valuation for housing experienced a notable decline from the second quarter of 2022 to the second quarter of 2023. While June 2023 showed a temporary increase with a valuation of \$197.988 million compared to \$185.998 million June 2022, the overall trend remained downward. The average valuation for the second quarter of 2023 was \$160.755, a considerable decrease compared to the second quarter of 2022, which had an average valuation of \$184.731. This decline suggests a diminished demand for housing construction during this period.

Sectors that added jobs June-on-June were: mining, logging, and construction (1,800), manufacturing (600), trade, transportation, and utilities (3,600), financial activities (300), professional and business services (100), education and health services (2,300), leisure and hospitality (3,100), other services (1,000), and government (2,200). The only sector to lose employment was information services (-100). Growth in mining, logging, and construction is exceptionally strong at 12.2% with leisure and hospitality close behind at 10.8%.

The unemployment rate in the Northwest Arkansas metro was the lowest in the state among all MSAs in June (2.3%) The highest rate in the state was the Pine Bluff and Texarkana MSAs at 4%. To add perspective, of the 389 MSAs in the country, only three posted rates above 10% while eight posted rates below 2%.

The labor force grew June-on-June in Northwest Arkansas an estimated 10,838 (3.5%). By comparison, the labor force grew in Central Arkansas by 2.2%, the Fort Smith metro by 1%, and the Jonesboro MSA by 1.7%.

In a quarter-to-quarter comparison, the gross sales and use tax collections in the NWA (Northwest Arkansas) metro for the second quarter of 2023 exhibited a remarkable positive trend. The collections for April to June 2023 showed significant growth compared to the same period in 2022. This overall uptrend suggests strong economic expansion and increased commercial activity in Benton, Madison, and Washington counties during the second quarter of 2023.

The economic landscape in Northwest Arkansas during the second quarter of 2023 paints a favorable picture, earning an overall grade of B+. It is marked by strong growth in non-farm employment, with numerous



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sectors achieving notable employment gains and sustaining record-high levels. The region boasts impressively low unemployment rates, highlighting a thriving job market. Additionally, the labor force expanded significantly, indicating a dynamic and growing workforce. While there were fluctuations in building permit valuation and varying performances in the construction sector, the overall economic outlook for NWA remains decidedly positive.

### **CENTRAL ARKANSAS** (April-June 2023 conditions)

The unemployment rate for Central Arkansas continues to decline post pandemic. Comparing to June of last year, the metro area unemployment rate has fallen from 3.6% to 2.7%.

Nonfarm employment added 15,900 jobs or 4.3% since June 2022. By comparison, the Northwest Arkansas regional economy grew at a faster rate (5.1%) but added fewer new jobs (14,900). Both metros posted strong gains. The Fort Smith regional economy gained roughly 1,800 jobs, up 1.6% for the same period.

The building permit valuation for the second quarter of 2022 experienced a decline compared to the same period in 2023. Both April and May of 2023 showed a decline in building permit (housing) valuations. June 2023 continued the trend, with a valuation of \$56.469 million, down from the June 2022 valuation of \$85.611 million (-34%). Overall, the average valuation for the second quarter of 2023 was \$45.936 million, which marked a notable decrease compared to the second quarter of 2022 with an average valuation of \$68.939 million.

The largest sector in Central Arkansas, trade, transportation, and utilities, experienced an increase of 2,500 jobs or 3.3%. The other largest sector, government services, was basically unchanged only adding 100 jobs. Other sectors gaining employment were mining, logging, and construction (1,700), manufacturing (600), information (100), financial activities (400), professional and business services (300), education and health services (5,000), leisure and hospitality (4,500), and other services (700). No sector lost employment based on the available data. The sector with the greatest percentage increase was leisure and hospitality at 13.1%.

When comparing the most recent quarter (April to June) to the same quarter in the previous year, Central Arkansas experienced a substantial total percent increase in gross sales and use tax collections. The collections for this quarter in 2023 showed robust growth, marking a total increase of approximately 15.05% compared to the corresponding quarter in 2022. This significant uptick underscores a thriving economic environment in the Central Arkansas Metro.

In general, the economic landscape presents a picture of favorable employment expansion across diverse sectors, albeit with some fluctuations and variances. The region's low unemployment rate underscores its robust economic performance as the largest metropolitan area in the state. However, there's a significant downturn in building permit valuation within the construction sector, indicating potential challenges within this industry. The overall grade for Central Arkansas is an A-.

### **THE JONESBORO METRO** (April-June 2023 conditions)

The unemployment rate in the Jonesboro MSA for the second quarter averaged a strong 2.3%. June-on-June unemployment rate decreased from 3.3% to 2.6%.



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The workforce expanded from the second quarter of 2022 to the corresponding period in 2023 by a commendable 1,158 positions, representing a growth of 1.7%. In contrast, the Fort Smith MSA experienced a 1% expansion, the Northwest Arkansas metro region saw a substantial growth of 3.5%, and the labor force in Central Arkansas increased by 2.2%.

Nonfarm employment continues to expand for the second quarter of 2023, again setting record levels in May (65,200). For the second quarter the metro added roughly 1,600 jobs (2.4%).

The valuation of building permits experienced a decline from the second quarter of 2022 to the equivalent period in 2023. Across the three months there was a consistent reduction in permit valuations. June 2023 experienced a significant decline from \$14.578 million to \$9.894 million in June 2022.

The Jonesboro metro experienced a highly favorable change in gross sales and use tax collections during the second quarter of 2023, earning an overall grade of A+. Across Craighead and Poinsett counties, tax collections exhibited strong growth when comparing the second quarter of 2023 to the same period in the previous year. April and May both recorded notable increases in collections, while June remained stable. This consistent trend reflects robust commercial activity and economic vitality in the region, with an impressive average quarter-to-quarter change of approximately 3.5% compared to the second quarter of 2022.

The economic indicators for the Jonesboro Metro in the second quarter of 2023 receive an overall grade of B-. Non-farm employment showed robust growth, with an A+ rating, indicating a significant increase in jobs during the quarter. The metro also achieved a B+ for the change in the unemployment rate, demonstrating a positive trend in reducing unemployment. Additionally, gross sales and use tax collections received an A+ grade, reflecting strong commercial activity in the region. However, the valuation of building permits for housing declined significantly, earning an F rating, suggesting challenges in the construction sector. Overall, while there are positive aspects, such as employment and tax collections, there are areas of concern, particularly in the construction sector's performance and building permits.

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### **Understanding The Compass Report grades**

A key factor in understanding the report is in understanding the "grading" approach used to measure the current and leading economic indicators.

The strategy is to place the most recent data in historical context. Average values for the percent change over the referenced time period were calculated, as were standard deviations for each measure. The more similar current values are to historic averages the more likely the indicator grade is to be a "C."

The farther away the observed value, as measured by the standard deviation of the data, the more divergent the grade from "C." In other words, "C" reflects no change in economic activity. The grades "B" or "A" indicate improvement above the historical average, and "D" and "F" indicate a decline in



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economic activity compared to the historical average.

## **THE NATIONAL ECONOMY**

(April-June 2023 conditions)

Key Takeaways from the Bureau of Economic Analysis news release, 8/30/2023

**Real GDP Growth:** Real gross domestic product (GDP) increased at an annual rate of 2.1 percent in the second quarter of 2023, which was slightly higher than the 2.0 percent growth in the first quarter.

**Factors Contributing to GDP Growth:** The increase in real GDP in the second quarter was driven by rises in consumer spending, nonresidential fixed investment, state and local government spending, and federal government spending. These gains were partially offset by declines in exports, residential fixed investment, and private inventory investment. Imports decreased, contributing positively to GDP.

**Current-Dollar GDP:** Current-dollar GDP increased by 4.1 percent at an annual rate during the second quarter, reaching a level of \$26.80 trillion.

**Price Index:** The price index for gross domestic purchases increased by 1.7 percent in the second quarter.

**Personal Income:** Current-dollar personal income increased by \$232.1 billion in the second quarter. Disposable personal income increased by \$284.5 billion, or 5.9 percent.

**Personal Saving:** Personal saving was \$892.3 billion in the second quarter.

**Corporate Profits:** Profits from current production, which includes corporate profits with inventory valuation and capital consumption adjustments, decreased by \$10.6 billion in the second quarter.

**Profits by Sector:** Profits of domestic financial corporations decreased by \$47.8 billion in the second quarter, while profits of domestic nonfinancial corporations increased by \$17.1 billion. Rest-of-the-world profits increased by \$20.2 billion.

**Overall Economic Activity:** The average of real GDP and real gross domestic income (GDI), a supplemental measure of U.S. economic activity, increased by 1.3 percent in the second quarter, a significant improvement from the 0.1 percent increase in the first quarter.

These key takeaways suggest that the U.S. economy experienced modest growth in the second quarter, with positive contributions from various sectors, but with some areas of concern such as price inflation and changes in corporate profits.



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