

First Quarter 2024 Quarterly Narrative

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

- Fort Smith Region
- Northwest Arkansas
- Central Arkansas
- Jonesboro Metro

REGIONAL SUMMARIES

Central Arkansas

The Central Arkansas economy in Q1 2024 demonstrated robust performance with some areas requiring attention.

- **Employment:** Job growth was substantial year-over-year, with non-farm employment increasing by 4.0%. Significant gains were seen in construction, manufacturing, and hospitality, highlighting the region's economic vitality.
- **Housing:** Building permit valuations for housing surged dramatically in Q1, especially in February and March, reflecting strong demand and investment in the housing market. The total valuation in March 2024 exceeded the previous year's figures by a considerable margin.
- **Taxes:** Sales and use tax collections across Faulkner, Grant, Lonoke, Perry, and Pulaski counties were mixed. While the overall collections showed slight declines in January and March, February saw an increase, indicating variability in consumer spending patterns. Little Rock showed some resilience with increased collections in the latter part of the quarter.
- **Unemployment:** The unemployment rate increased to 3.1%, up from 2.5% in the previous year. Although this marks a rise, it remains within the range of pre-pandemic levels, reflecting broader labor market adjustments.

Central Arkansas earned an A- for the first quarter of 2024.

The regional economy is bolstered by significant job growth and strong performance in the housing market. However, the rise in the unemployment rate and mixed tax collection results highlight areas that require ongoing monitoring and strategic planning to ensure sustained economic health.

Northwest Arkansas

Northwest Arkansas maintained its upward economic trajectory in Q1 2024, **earning a grade of B** despite facing challenges in certain sectors.

- **Employment:** The non-farm employment sector exhibited robust growth, with approximately 5,700 jobs added during the quarter, representing a notable increase of 1.8% compared to the same period in 2023. Construction, including natural resources and mining, experienced exceptional expansion, adding 2,200 jobs, indicative of ongoing development and infrastructure projects within the region. However, the manufacturing sector faced challenges,



The Compass Report Arkansas metro grades First Quarter - 2024

Central Arkansas: A-

Fort Smith metro: B

Jonesboro metro: C

Northwest Arkansas: B

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witnessing a decline of 1,400 jobs compared to the previous year, warranting closer examination and potential interventions.

- **Hospitality:** The hospitality sector remained relatively stable, adding approximately 1,400 jobs during the first quarter of 2024, highlighting continued demand for services despite broader economic fluctuations.
- **Unemployment:** The unemployment rate experienced a slight uptick, reaching 2.5% by March 2024. While still below the national average, this increase warrants monitoring to assess its impact on the local economy and labor market dynamics.
- **Taxes:** Gross sales and use tax collections in Benton, Madison, and Washington counties continued to exhibit positive growth trends, reaching \$15.505 million in March 2024, representing a notable increase compared to the same period in 2023. This upward trajectory indicates sustained consumer confidence and spending patterns within the region.
- **Building Permits:** The valuation of building permits for housing experienced fluctuations during the quarter, with significant increases observed in February and March, underscoring the dynamic nature of the housing market and its responsiveness to various economic factors.

Overall, the economic outlook for Northwest Arkansas in Q1 2024 remains positive, supported by continued growth in construction and hospitality sectors, robust tax collections, and overall resilience. However, challenges in sectors such as manufacturing require ongoing monitoring and targeted strategies to ensure sustained long-term economic prosperity.

Fort Smith metro

The Fort Smith Region's economic performance in Q1 2024 showcased resilience amidst varying indicators, **earning a grade of B.**

- **Employment:** Non-farm employment in the Fort Smith Region grew by 2.5% year-over-year, adding 2,900 jobs and increasing the total to 117,200 in Q1 2024. Notable growth was observed in sectors such as mining, logging, and construction, manufacturing, education and health services, leisure and hospitality, and other services, indicating stability and promising signs of growth.
- **Unemployment:** The unemployment rate fluctuated slightly, reaching 3.5% in March 2024, down from 4.2% in January. While this rate is higher than the previous year's 2.8%, it signifies improvement from the last quarter's 3.8%. The labor force expanded, with 120,800 individuals actively seeking employment or employed in March 2024.
- **Building Permits:** Building permits showed a mixed trend, with decreases in January and February but a significant turnaround in March, aligning closely with the previous year's average. This indicates a potential rebound in construction activities after a slow start to the year.
- **Taxes:** Gross sales and use tax collections decreased year-over-year and remained relatively flat through the first quarter of 2024. Fort Smith recorded a sales tax of \$14.361 million for the first quarter of 2024 compared to a total of \$14.689 million for the same time frame in 2023, reflecting some economic challenges in the region's commercial activity.

Overall, the Fort Smith Region demonstrated economic stability and potential for growth in Q1 2024. Despite fluctuations in certain sectors and declines in tax collections, the region's employment growth and improving unemployment rate indicate resilience and a positive trajectory for future economic development.

Jonesboro metro

The Jonesboro Metro experienced a mixed economic outlook in Q1 2024, reflecting both challenges and potential for growth.

- **Unemployment:** The average unemployment rate in the Jonesboro MSA



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experienced a rise over the quarter, climbing from 3.1% in January 2023 to 3.4% in January 2024, before decreasing to 3.1% in February and 2.9% in March. While remaining relatively low historically, this increase warrants attention, earning a D grade.

- **Employment:** Non-farm employment decreased compared to the same period in 2023, with declines recorded in January, February, and March. This downward trend, resulting in an overall grade of F for non-farm employment, presents challenges in the labor market that require strategic interventions.

- **Building Permits:** Building permit valuations showed promising growth, particularly in January and February, indicating potential for expansion in housing and construction activities. Despite a slight dip in March, the overall trend suggests a positive outlook, earning a C+ grade for this indicator.

- **Taxes:** Gross sales and use tax collections in Craighead and Poinsett counties presented a mixed picture, with fluctuations observed across the quarter. While January collections decreased, February and March showed some growth. Similarly, the city of Jonesboro's collections followed a similar pattern, resulting in a C+ grade for this indicator.

Despite challenges in the labor market, the Jonesboro MSA demonstrates some stability and potential for growth in housing and construction sectors, as well as in tax collections. However, the increase in the unemployment rate and decline in non-farm employment underscore the need for targeted strategies to address labor market dynamics and stimulate economic activity. Overall, **the Jonesboro MSA earned an overall grade of C** for the first quarter of 2024, reflecting its mixed economic conditions.

THE ARKANSAS ECONOMY (January – March 2024 conditions)

During the first quarter of 2024, Arkansas exhibited robust growth in non-farm employment, consistently expanding throughout the period. From January 2023 to March 2024, the state experienced an increase of 14,000 jobs, reflecting a significant 1.0% rise. By March 2024, non-farm employment reached an estimated total of 1,367,000 positions, up from 1,352,000 in March 2023. This trend suggests a strong and stable job market, earning an A+ grade for non-farm employment.

However, the unemployment rate in Arkansas rose during the first quarter of 2024. The state's unemployment rate increased from 3.4% in January 2023 to 3.7% in January 2024. February saw a rise from 3.2% to 3.6%, and March experienced an uptick from 3.0% to 3.5%. This increase indicates a less favorable labor market, resulting in a D grade for the change in the unemployment rate.

Gross sales and use tax collections showed positive trends, with notable increases across the first quarter of 2024. January 2024 collections rose to \$249.239 million from \$245.281 million in January 2023. February saw a substantial increase to \$288.030 million from \$266.062 million in 2023, and March collections reached \$282.259 million, up from \$268.669 million in 2023. This upward trajectory in consumer spending and revenue growth earned a B grade.

Building permit valuations for housing in Arkansas demonstrated a mixed yet promising trend. January 2024 saw a decrease to \$199.422 million from \$219.964 million in January 2023. However, February and March showed significant growth, with February rising to \$258.245 million from \$208.247 million in 2023, and March increasing to \$283.460 million from \$176.973 million in 2023. This positive trend indicates strong potential for the housing market and construction sector, earning a B+ grade.

In contrast, manufacturing employment declined during the first quarter of 2024. January 2024 recorded 159,900 jobs, down from 164,500 in January 2023. This downward trend continued into February and March, with 159,300 jobs in February 2024 compared to 164,200 in 2023,

and 160,700 jobs in March 2024 compared to 163,900 in 2023. Consequently, this sector received an F grade for its performance.

The construction sector, excluding natural resources and mining, showed remarkable employment growth. Arkansas saw an increase in construction-related employment, with January 2024 reaching 67,500 jobs compared to 61,200 in January 2023. February and March continued this trend, with 68,000 jobs in both months of 2024, up from 61,500 and 61,900 in the same months of 2023, respectively. This strong growth earned an A+ grade.

The hospitality sector also demonstrated robust growth in employment during the first quarter of 2024. January 2024 saw an increase to 127,300 jobs from 126,500 in January 2023. This positive trend continued in February, with employment rising to 128,100 from 126,500 in 2023, and March reaching 130,200 jobs compared to 126,700 in 2023. This sector's consistent growth earned an A+ grade.

Historical trends show that the unemployment rate for March 2024 increased to 3.5%, up from 2.8% in 2023. The number of unemployed individuals rose to 48,316 in March 2024, up from 38,985 in 2023, indicating some challenges in the labor market.

In summary, the economic conditions in Arkansas for the first quarter of 2024 highlight both strengths and weaknesses. The state displayed significant increases in non-farm employment and notable growth in the construction and hospitality sectors. However, the rise in the unemployment rate and declines in manufacturing employment indicate potential challenges.

Overall, Arkansas earned a B grade for this quarter, reflecting a resilient economy with areas needing attention to sustain growth.

Regional "Takeaways"

FORT SMITH REGION (January – March 2024 conditions)

Non-farm employment in the Fort Smith metro area demonstrated impressive growth in the first quarter of 2024, with approximately 2,900 jobs added, representing a 2.5% increase. Industries that experienced job growth from January to March included manufacturing (adding 400 jobs), construction (adding 800 jobs), and hospitality (adding 600 jobs). The concentration of employment in goods-producing sectors remained stable, increasing slightly from 20.9% in January 2023 to 21.6% in January 2024.

The valuation of building permits for housing in the Fort Smith metro area experienced a mixed performance in the first quarter of 2024 compared to the same period in 2023. January 2024 valuations decreased to \$6.219 million from \$8.845 million in January 2023. February also saw a decline to \$6.613 million from \$12.107 million in 2023. However, March 2024 showed a significant increase to \$10.549 million from \$6.688 million in March 2023, resulting in an overall C grade for building permit valuations.

The unemployment rate in the Fort Smith metro area saw a notable increase, climbing from 2.8% in March 2023 to 3.5% in March 2024. January saw an increase from 3.5% in 2023 to 4.2% in 2024, and February's rate rose from 3.0% in 2023 to 4.0% in 2024. This rise in unemployment rates earned an F grade for this indicator.

Gross sales and use tax collections in the Fort Smith metro area exhibited modest decreases in the first quarter of 2024 compared to the same period



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in 2023. The total amount for Q1 2024 amounted to \$14.584 million, showing slight decrease from the \$14.858 million collected during the corresponding quarter in 2023. The city of Fort Smith saw a decline in collections, particularly in January, which impacted the overall performance, resulting in a C grade for gross sales and use tax collections.

Earning a grade of B, the Fort Smith Metro area demonstrates strong economic performance across various sectors, particularly in non-farm employment, manufacturing, and construction. Positive economic trends are evident despite a rise in the unemployment rate, which remains near pre-pandemic levels. The mixed performance in building permit valuations and modest growth in gross sales and use tax collections reflect a stable economic environment with room for improvement in certain areas.

NORTHWEST ARKANSAS (January – March 2024 conditions)

Non-farm employment in the Northwest Arkansas metro area continues its upward trajectory, maintaining its robust growth trend. Over the first quarter of 2024, approximately 5,700 jobs were added, reflecting a notable increase of 1.8% compared to the same period in 2023.

Among the industries, construction, including natural resources and mining, experienced exceptional expansion, showcasing a remarkable surge in employment figures. From January to March 2024, this sector added a substantial 2,200 jobs, demonstrating a significant growth rate. This surge in construction employment is indicative of ongoing development and infrastructure projects within the region.

However, the manufacturing sector witnessed a decline in employment numbers, reflecting a concerning trend. With a decrease of 1,400 jobs compared to the same quarter in the previous year, this sector faces challenges that warrant closer examination and potential interventions to stimulate growth.

In the hospitality sector, employment numbers remained relatively stable, with a modest increase observed during the first quarter of 2024. This sector added approximately 1,400 jobs, highlighting continued demand for services despite broader economic fluctuations.

The unemployment rate in the Northwest Arkansas metro area experienced a slight uptick, reaching 2.5% by March 2024. While still below the national average, this increase warrants monitoring to assess its impact on the local economy and labor market dynamics.

Gross sales and use tax collections in Benton, Madison, and Washington counties continued to exhibit positive growth trends during the first quarter of 2024. Total collections for March 2024 amounted to \$15.505 million, representing a notable increase compared to the same period in 2023. This upward trajectory indicates sustained consumer confidence and spending patterns within the region.

The valuation of building permits for housing experienced fluctuations during the first quarter of 2024. While there was a decrease in January compared to the previous year, subsequent months saw significant increases, particularly in February and March. These fluctuations underscore the dynamic nature of the housing market and its responsiveness to various economic factors.

Looking at historical trends, the unemployment rate in the Fayetteville, Springdale, Rogers Metropolitan Statistical Area (MSA) has shown slight variability over the years. March 2024 data indicates a slight increase compared to the previous year, reaching 2.5%. Similarly, the number of unemployed individuals in the MSA increased marginally, reflecting broader economic dynamics and labor market conditions.

Overall, the economic outlook for Northwest Arkansas in the first quarter of 2024 remains positive, despite challenges in certain sectors such as manufacturing. Continued growth in construction and hospitality sectors, coupled with robust tax collections, underpins the region's resilience and economic vitality. However, monitoring key indicators and implementing targeted strategies will be essential to navigate potential challenges and sustain long-term economic prosperity.

CENTRAL ARKANSAS (January – March 2024 conditions)

Central Arkansas experienced notable economic developments in the first quarter of 2024, earning an overall grade of A-. Non-farm employment growth in the region was particularly strong, reflecting a vibrant labor market and economic resilience.

Non-farm employment saw a substantial increase, with 15,100 jobs added compared to the first quarter of 2023. This represents a growth rate of approximately 4.0%, bringing total non-farm employment to 394,500 by March 2024. Significant job gains were observed in several sectors, notably in construction, including natural resources and mining, which added 2,600 jobs, and manufacturing, which saw an increase of 400 jobs. The hospitality sector also showed healthy growth, adding 1,300 jobs over the quarter.

Despite the robust job growth, the unemployment rate in Central Arkansas increased slightly. The rate stood at 3.1% in March 2024, up from 2.5% in March 2023. This increase reflects broader labor market adjustments, though it remains consistent with pre-pandemic levels. The number of unemployed individuals in the Little Rock-North Little Rock-Conway MSA rose to 11,553 in March 2024 from 9,946 in March 2023.

Gross sales and use tax collections across Faulkner, Grant, Lonoke, Perry, and Pulaski counties showed mixed results. Total collections for the quarter amounted to \$38.799 million, which is slightly below expectations. The city of Little Rock showed some strength, with an increase in collections to \$6.835 million in March 2024, despite slight declines in other months. In addition, Conway and North Little Rock experienced modest increases in collections.

Building permit valuations for housing exhibited remarkable growth, particularly in February and March 2024. The total valuation for March 2024 reached \$61.654 million, a substantial increase from \$34.259 million in March 2023. This surge indicates strong demand and investment in the housing sector, signaling confidence in the region's economic prospects.

Looking at historical trends, the unemployment rate in the Little Rock-North Little Rock-Conway MSA has fluctuated over the past decade, with the current rate aligning with the pre-pandemic levels observed in 2019. The number of unemployed individuals has similarly reflected these trends, with the current figures slightly higher than in 2023 but lower than in the earlier part of the last decade.

Overall, Central Arkansas demonstrates robust economic performance with significant job growth and increased building permit valuations, underscoring a thriving housing market. Despite a slight uptick in the unemployment rate, the region's economic indicators suggest a positive outlook for sustained growth. The area earned a grade of A-, reflecting its strong labor market, increased employment in key sectors, and ongoing economic expansion.



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THE JONESBORO METRO (January – March 2024 Conditions)

The Jonesboro MSA experienced an increase in the average unemployment rate, rising from 3.1% in January 2023 to 3.4% in January 2024. February saw a rise from 2.4% to 3.1%, and March showed an increase from 2.2% to 2.9%. Despite these increases, the rates remain relatively low historically, though this indicator received a D grade.

Non-farm employment decreased in Q1 2024 compared to the same period in 2023. January 2024 recorded 63,600 jobs, down from 64,100 in January 2023. This trend continued in February and March, with 63,600 jobs in February 2024 compared to 64,500 in 2023, and 64,000 jobs in March 2024 down from 64,500 in 2023, resulting in an overall grade of F for non-farm employment.

Building permit valuations increased, with January 2024 seeing \$8.662 million, up from \$7.567 million in January 2023, and February rising to \$10.215 million from \$7.733 million in 2023. Although March saw a slight dip to \$11.497 million from \$12.058 million in March 2023, the overall trend suggests a positive outlook for housing and construction, earning a C+ grade.

Gross sales and use tax collections in Craighead and Poinsett counties presented a mixed picture, with January 2024 collections decreasing to \$2.735 million from \$2.870 million in January 2023. February saw a slight increase to \$2.926 million in 2024 from \$2.903 million in 2023. March collections rose to \$3.219 million in 2024 compared to \$3.105 million in 2023.

For the city of Jonesboro, collections followed a similar pattern, with January 2024 decreasing to \$1.990 million from \$2.082 million in January 2023. February and March 2024 collections showed growth, with \$2.094 million and \$2.350 million, respectively, compared to \$2.131 million and \$2.230 million in the same months of 2023. This resulted in a C+ grade for this indicator.

While the unemployment rate for March 2024 is 2.9%, higher than the previous year's rate of 2.2%, the number of unemployed individuals in March 2024 increased to 1,955, up from 1,679 in 2023. This reflects some challenges in the labor market.

In summary, the economic conditions in the Jonesboro MSA for the first quarter of 2024 indicate a mixed outlook. The unemployment rate has increased slightly, and non-farm employment has declined. However, building permit valuations and gross sales and use tax collections suggest some stability and potential for growth. The Jonesboro MSA earned an overall grade of C.

Understanding The Compass Report grades

The "grading" approach used to measure the current and leading economic indicators is a key factor in understanding the report. The strategy is to place the most recent data in a historical context. Average values for the percent change over the referenced period were calculated, as were standard deviations for each measure. The more similar current values are to historical averages, the more likely the indicator grade will 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 economic activity compared to the historical average.

