

Second Quarter 2024 Quarterly Narrative

An independent report of economic indicators from four Arkansas metro areas

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

REGIONAL SUMMARIES

Central Arkansas

The Central Arkansas economy continued to show strength in nonfarm employment, manufacturing, and construction, but challenges remain in hospitality employment and rising unemployment rates. The region's performance in the second quarter of 2024 received a B, indicating strong economic growth with room for improvement in certain areas.

Central Arkansas saw solid employment growth in nonfarm, particularly in the construction and manufacturing sectors. However, rising unemployment rates and weak tax collections indicate mixed economic performance in certain months. The following summarizes Central Arkansas' economic performance:

- **Nonfarm Employment:** The region added 11,100 jobs, a 2.8% increase, reaching 400,800 jobs by June 2024. (Grade: A+)
- **Unemployment Rate:** The unemployment rate rose from 2.7% in June 2023 to 3.4% in June 2024, reflecting that job creation could not keep pace with labor force growth. (Grade: C-)
- **Tax Collections:** Mixed performance, with tax collections peaking at \$13.636 million in June 2024 but showing slight declines in May year-on-year. (Grade: B-)

Following are some sector highlights.

- **Manufacturing:** Added 400 jobs, reaching 20,500 jobs in June 2024. (Grade: A+)
- **Construction:** Significant gains in construction employment, adding 2,000 jobs by June, reflecting strong growth in the sector. (Grade: A+)
- **Hospitality:** Employment dropped sharply, losing over 2,000 jobs, falling to 36,200 by June 2024. (Grade: D)

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The Compass Report Arkansas metro grades Second Quarter - 2024

Central Arkansas: B

Fort Smith metro: B+

Jonesboro metro: C-

Northwest Arkansas: B+

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Fort Smith Metro

While economic data for the Fort Smith region remains mixed, the substantial gains in nonfarm employment and manufacturing jobs are encouraging signs. However, the rising unemployment rate and the slight dip in sales tax collections signal that there are still challenges to overcome. The region's overall performance for the second quarter of 2024 earned it a B+ grade, reflecting steady progress but with room for improvement.

The Fort Smith region continued to experience solid nonfarm job growth in the second quarter of 2024, with significant gains in the manufacturing and construction sectors. However, despite the job creation, the unemployment rate increased, and tax collections showed mixed performance. The following are the key economic indicators for Fort Smith.

- Nonfarm Employment: The region added 3,000 jobs in Q2, increasing nonfarm employment by 2.6%, from 115,500 in June 2023 to 118,500 in June 2024. (Grade: A+)
- Unemployment Rate: Despite job growth, unemployment rose to 3.9% in June 2024 from 3.4% the previous year, reflecting a growing labor force with incomplete absorption into the job market. (Grade: D)
- Tax Collections: Sales tax collections were marginally down, declining by 0.53% from June 2023 to June 2024. The region saw declines after a brief uptick in early Q2. (Grade: C-)

Following are some sector highlights.

- Manufacturing: The sector added 700 jobs, reaching 19,500 by June, marking a solid recovery. (Grade: A+)
- Construction: The sector grew similarly, adding 800 jobs across the quarter. (Grade: A+)
- Hospitality: Modest job gains were observed, increasing by 500 jobs over the quarter. (Grade: B)

Jonesboro Metro

While the Jonesboro metro area showed encouraging signs in construction, with solid building permit growth, other indicators painted a less optimistic picture. Stagnant nonfarm employment, rising unemployment, and weak sales tax collections suggest challenges for the region moving forward. The overall performance for the second quarter of 2024 earned Jonesboro a C- grade, reflecting moderate struggles with some areas of potential.

Jonesboro exhibited modest economic growth in Q2 2024, with slight improvements in employment figures. However, despite solid building permit activity, the metro faced rising unemployment and lower-than-expected tax collections. Following are key points for Jonesboro's economy.

- Nonfarm Employment: The region added only 200 jobs, reaching 65,200 by June 2024, reflecting modest growth of 0.3%. (Grade: C)
- Unemployment Rate: The unemployment rate increased from 2.6% in June 2023 to 3.3% in June 2024, indicating labor market strain. (Grade: F)
- Tax Collections: Gross sales and use tax collections declined, dropping April collections to \$2.999 million from \$3.134 million in 2023. (Grade: D)

Following is a sector highlight.

- Construction: Building permit valuations showed strong growth, increasing to \$12.860 million in June 2024, up from \$9.894 million in 2023. (Grade: B+)



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Northwest Arkansas

Northwest Arkansas exhibited strong job growth in nonfarm employment, construction, hospitality, and manufacturing sectors during the second quarter of 2024. Rising unemployment rates remain a challenge, but the region's economic fundamentals are largely solid. The region's overall performance earned it a B+ grade, reflecting positive growth, with some areas needing attention.

The Northwest Arkansas economy continued its strong performance with steady job growth, particularly in nonfarm employment and hospitality. However, rising unemployment rates and mixed results in tax collections reveal areas of concern. Here are the key takeaways for Northwest Arkansas.

- **Nonfarm Employment:** The metro area added 8,500 jobs, achieving a 2.8% growth year-on-year, bringing nonfarm employment to 314,100 in June 2024. (Grade: A+)
- **Unemployment Rate:** The unemployment rate increased to 2.8% in June 2024, up from 2.3% in June 2023, indicating more job seekers entering the market. (Grade: F)
- **Tax Collections:** Gross sales and use tax collections showed mixed results, with June 2024 collections increasing slightly to \$15.858 million from \$15.395 million in 2023. (Grade: C)

Following are some sector highlights.

- **Manufacturing:** The sector reversed prior declines, adding 400 jobs by June, increasing total employment to 31,200. (Grade: A+)
- **Construction:** Strong performance, with the sector adding 1,600 jobs, reflecting growth in building activity. (Grade: A+)
- **Hospitality:** Continued robust growth, with an additional 1,400 jobs, bringing employment to 33,200. (Grade: A+)

REGIONAL TAKEAWAYS

FORT SMITH REGION (April – June 2024 conditions)

Nonfarm employment in the Fort Smith Metro area demonstrated robust growth during the second quarter of 2024, up 2.6% June-on-June (3,000 new jobs). The total nonfarm employment in June 2024 was an estimated 118,500 jobs compared to 115,500 in June 2023.

This marked a continuation of job growth seen earlier in the quarter, with 117,800 jobs in April and 118,500 jobs in May. The region's improvement in nonfarm employment earned an A+ grade, reflecting its strong job market recovery.

However, this employment growth did not translate into a reduced unemployment rate. The metro area's unemployment rate increased during the same period, up to 3.9% in June 2024 from 3.4% in June 2023. This rise in the unemployment rate, earning a D grade, signals a growing labor force but also suggests that not all new entrants found employment. The increase in unemployment began in April, with rates climbing from 3.3% in April to 3.6% in May before reaching 3.9% in June.

Gross sales and use tax collections in the metro area (Crawford, Franklin, Logan, and Sebastian Counties) reflected mixed results. Tax collections for the second quarter of 2024 were marginally down compared to the same period in 2023, dropping from \$5.434 million in June 2023 to \$5.406 million in June 2024, marking a 0.53% decrease. This slight drop followed an uptick in the earlier part of the quarter, where April 2024 collections slightly edged out the previous year. The overall decline in collections, alongside slow growth in May, resulted in a C-grade for this indicator.

On the positive side, the goods-producing sector experienced gains, with employment concentration increasing from 20.8% in June 2023 to 21.8% in June 2024. This uptick was consistent across the quarter and reflected strong performance in the manufacturing and construction industries.

Leading indicators for the Fort Smith regional economy were mixed. Building permit valuations, a key indicator of future construction activity, sharply declined year-on-year. Valuations in June 2024 were down to \$11.718 million from \$18.185 million in June 2023, a steep drop of more than 35%. The decline in May was equally notable, falling from \$15.227 million in 2023 to \$10.071 million in 2024. April, however, saw an increase to \$8.608 million from \$6.846 million in the same month in 2023. These fluctuations in building permit valuations earned a C- grade for this indicator.

With consistent job gains, manufacturing employment was a bright spot for the region. June 2024 saw 19,500 employed in the sector, up 700 jobs from the same month in 2023. This growth has been steady throughout the quarter, marking a solid recovery in the industry and earning an A+ grade for manufacturing employment. Similarly, the construction sector, which includes natural resources and mining, saw a significant boost, adding 800 jobs in April, May, and June compared to 2023. Construction employment also earned an A+ grade.

The hospitality sector showed moderate growth. Employment in this sector increased by 100 jobs in April, 200 jobs in May, and 200 jobs in June compared to 2023, bringing the total number of hospitality jobs to 10,700 in June 2024. While growth was not as dramatic as in other sectors, the consistent increase earned hospitality employment a B.

Despite the positive employment trends, the unemployment rate in June 2024 rose slightly to 3.9% from 3.8% in June 2023, and the total number of unemployed individuals increased from 4,602 in June 2023 to 4,867 in June 2024. This contrasts with the notable progress seen since 2020 when unemployment spiked due to the pandemic.

NORTHWEST ARKANSAS (April – June 2024 conditions)

Nonfarm employment in Northwest Arkansas continued to expand during the second quarter of 2024, maintaining the region's long-standing economic growth. The metro area added approximately 8,500 jobs from June 2023 to June 2024, an increase of 2.8%. By June 2024, nonfarm employment stood at 314,100, up from 305,600 in June 2023. Growth remained consistent throughout the quarter, with 313,800 jobs in April and 314,800 in May. This consistent expansion earned the region an A+ grade for nonfarm employment.

However, despite the positive job growth, the metro area's unemployment rate worsened. The unemployment rate rose from 2.3% in June 2023 to 2.8% in June 2024, reflecting an increase in job seekers not immediately finding employment. The rate climbed steadily through the quarter, starting at 2.3% in April and 2.5% in May. This rise in the unemployment rate earned the region an F grade for unemployment performance, suggesting a mismatch between job creation and labor force growth.

Gross sales and use tax collections for Benton, Madison, and Washington counties showed mixed results. Total collections in June 2024 reached \$15.858 million, slightly up from \$15.395



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million in June 2023. However, earlier in the quarter, both April and May saw lower collections than the same months in 2023, leading to a C grade for overall tax collections performance. Bentonville experienced the most significant decline at the city level, with collections falling to \$3.531 million in April 2024, down from \$4.922 million in April 2023. Conversely, Fayetteville, Rogers, and Springdale saw more favorable results, especially in June.

The goods-producing sector's employment concentration remained relatively stable but dipped slightly from 16.0% in June 2023 to 15.7% in June 2024. This reflects the overall stability of these industries.

Building permit activity also presented mixed results. While April saw a jump in valuations to \$156.144 million compared to \$123.792 million in April 2023, May and June experienced declines. June 2024 valuations fell to \$192.548 million, down from \$197.988 million in June 2023. These fluctuations earned the construction sector a C grade for building permit activity, indicating some uncertainty in the sector's near-term trajectory.

Contrary to earlier assumptions of manufacturing struggles, the sector experienced consistent growth throughout the second quarter of 2024. Manufacturing employment increased from 30,800 jobs in June 2023 to 31,200 jobs in June 2024, reflecting a steady rise across the quarter. April 2024 saw 30,700 manufacturing jobs compared to 30,100 in April 2023, and May showed similar gains, with 30,900 jobs in 2024 versus 30,300 in May 2023. This robust recovery earned the manufacturing sector an A+ grade, as it successfully reversed its previous trend of job losses and continued to contribute significantly to the regional economy.

The construction sector, which includes natural resources and mining, performed exceptionally well, adding 1,600 jobs between June 2023 and June 2024. Total employment in the industry reached 18,100 in June 2024, compared to 16,500 in June 2023. This impressive growth earned construction an A+ grade, marking it as one of the standout sectors for the region. The hospitality sector also showed strong growth. Employment in this sector grew from 31,800 in June 2023 to 33,200 in June 2024, adding 1,400 jobs over the year. This robust growth throughout the quarter earned the hospitality sector an A+ grade as it thrived in the post-pandemic recovery.

Northwest Arkansas continues to experience one of the lowest unemployment rates in the state despite the slight rise during this quarter. The unemployment rate reached 2.8% in June 2024, up from 2.3% in 2023. This increase was reflected in the number of unemployed individuals, which rose to 9,192 in June 2024, up from 8,180 in June 2023. However, this figure remains significantly below the unemployment highs in 2020 during the pandemic.

CENTRAL ARKANSAS (January – March 2024 conditions)

Nonfarm employment in Central Arkansas grew steadily during the second quarter of 2024. The region added approximately 11,100 jobs between June 2023 and June 2024, representing a 2.8% increase. By June 2024, nonfarm employment in the area reached 400,800 jobs, up from 389,700 jobs in June 2023. This growth was consistent throughout the quarter, with employment rising from 397,300 in April to 398,400 in May. The steady increase in jobs earned Central Arkansas an A+ grade for nonfarm employment growth.

However, despite the robust job gains, the metro area's unemployment rate worsened, rising from 2.7% in June 2023 to 3.4% in June 2024. This increase was visible throughout the quarter, beginning at 3.0% in April and reaching 3.1% in May. While the region's unemployment rate remains relatively low, this upward trend led to a C- grade for unemployment performance, reflecting that job creation has not fully absorbed the growing labor force.

Gross sales and use tax collections for Faulkner, Grant, Lonoke, Perry, and Pulaski counties were mixed during the second quarter of 2024. In June 2024, collections totaled \$13.636 million, up from \$13.124 million in April but down from \$14.069 million in June 2023. May 2024 also saw a slight year-over-year decrease in collections, from \$14.043 million in May 2023 to \$13.550 million. These fluctuations resulted in a B- grade for tax collections.

Building permit activity in Central Arkansas was mixed in the second quarter of 2024. April saw a significant jump in building permit valuations, rising to \$52.742 million compared to \$35.749 million in April 2023. However, the gains were not sustained throughout the quarter, with June valuations dropping sharply to \$31.815 million, down from \$56.469 million in June 2023. These fluctuations earned the region a C grade for building permit activity, indicating some uncertainty in the construction sector.

Manufacturing employment, by contrast, was a bright spot for the Central Arkansas economy. Manufacturing jobs increased steadily over the year, rising from 20,100 in June 2023 to 20,500 in June 2024. This followed consistent gains throughout the quarter. The sector's strong performance resulted in an A+ grade for manufacturing employment.

Similarly, the construction sector experienced significant growth during the second quarter of 2024. Construction employment, which includes natural resources and mining, rose to 22,600 jobs in June 2024, up from 20,600 jobs in June 2023. The sector added jobs consistently throughout the quarter, demonstrating its continued importance to the regional economy. The impressive growth in construction employment earned the sector an A+ grade.

In contrast, the hospitality sector struggled during the second quarter of 2024. Employment in the sector dropped to 36,200 jobs in June 2024, down from 38,800 jobs in June 2023. The sector saw employment declines throughout the quarter, with April and May also showing year-over-year decreases. The weakness in hospitality employment led to a D grade for this sector.

THE JONESBORO METRO (April - June 2024 Conditions)

Nonfarm employment in the Jonesboro metro area showed modest growth in the second quarter of 2024. The region added only 200 jobs from June 2023 to June 2024, representing a minimal increase of 0.3%. Nonfarm employment was 65,200 in June 2024, compared to 65,000 in June 2023. Employment numbers were stagnant for much of the quarter, with 64,600 jobs in April and 64,900 in May 2024. This limited growth in nonfarm employment earned the region a C grade.

The metro area's unemployment rate, however, rose significantly. It increased from 2.6% in June 2023 to 3.3% in June 2024. This increase was consistent across the quarter, rising from 2.7% in April to 2.9% in May. The rising unemployment rate and lackluster job growth earned the region an F grade for unemployment performance.

Gross sales and use tax collections in Craighead and Poinsett counties decreased during the second quarter of 2024. April 2024 collections dropped to \$2.999 million from \$3.134 million in April 2023. May and June saw similarly weak performance, with only minor increases in June collections (\$3.089 million in June 2024 compared to \$3.063 million in June 2023). The declines throughout the quarter resulted in a D grade for tax collections.



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Jonesboro also saw weak sales tax collections at the city level, with April 2024 collections down to \$2.168 million from \$2.314 million in April 2023. Although collections stabilized somewhat in May and June, with a slight increase in June (\$2.191 million compared to \$2.188 million in June 2023), overall performance was lackluster.

Building permit valuations provided a more optimistic outlook for the construction sector in Jonesboro. Valuations rose significantly in April 2024 to \$11.489 million, compared to \$9.790 million in April 2023. This trend continued through the quarter, with a substantial increase in June 2024 when valuations reached \$12.860 million, up from \$9.894 million in June 2023. This strong performance in building permits earned a B+ grade, indicating positive activity in the housing sector and suggesting potential for future growth in construction employment.

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.



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