

Third 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

Central Arkansas demonstrated solid economic performance in Q3 2024, earning an overall grade of B. While employment saw notable growth, other indicators showed mixed results.

Nonfarm Employment: The region added 13,400 jobs (3.5%), increasing total employment from 386,400 in September 2023 to 399,800 in September 2024. (Grade: A+)

- **Unemployment Rate:** Improved from 3.1% in September 2023 to 2.7% in September 2024. (Grade: C)
- **Building Permits:** Building permits experienced significant growth in September 2024, rising by 62.4% year-on-year from \$37.601 million in September 2023 to \$61.073 million in September 2024. This impressive increase underscores strong construction activity and earned an A+ grade for the month.

Sector Highlights

- **Manufacturing:** Employment grew to 20,700, up by 900 jobs from September 2023. (Grade: A+)
- **Construction:** Gained 1,500 jobs, reflecting continued demand in the sector. (Grade: A+)
- **Hospitality:** Declined by 800 jobs to 36,100, facing challenges in demand. (Grade: F)

While strong in employment growth, challenges in tax collections and hospitality employment temper Central Arkansas's overall performance.

Northwest Arkansas

The Northwest Arkansas metro continued its growth trajectory, earning an overall grade of A for Q3 2024. Employment and sectoral growth remained strong despite minor challenges.

- **Nonfarm Employment:** Nonfarm employment increased by 3,200 jobs (1.0%), reaching 315,500 by September 2024 compared to 312,300 in September 2023. This consistent growth earned a B.

THE COMPASS

Regional Economic Report

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The Compass Report Arkansas metro grades Third Quarter - 2024

Central Arkansas: B

Fort Smith metro: A

Jonesboro metro: C

Northwest Arkansas: A

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- Unemployment Rate: The unemployment rate dropped from 2.5% in September 2023 to 2.1% in September 2024. (Grade: C)
- Tax Collections: Gross sales and use tax collections rose 4.9% year-on-year, from \$14.908 million in September 2023 to \$15.645 million in September 2024, driven by consumer and business activity. (Grade: B)

Sector Highlights

- Manufacturing: Gained 1,100 jobs, reaching 31,500 by September. (Grade: A+)
- Construction: The sector added 1,100 jobs year-on-year, reflecting ongoing expansion in building activity. (Grade: A+)
- Hospitality: Employment increased by 1,200 jobs to 31,900, bolstered by a rebound in tourism and dining. (Grade: A+)

Northwest Arkansas's robust employment growth and tax collection gains signify a healthy and expanding economy.

Fort Smith Metro

The Fort Smith region experienced robust economic performance during the third quarter of 2024, earning an overall grade of A. Significant gains were observed in employment, with improvements across various sectors.

- Nonfarm Employment: The region added 2,700 jobs, increasing nonfarm employment by 2.3% year-on-year, from 115,500 in September 2023 to 118,200 in September 2024. This steady growth throughout the quarter earned an A grade.
- Unemployment Rate: The unemployment rate improved dramatically, dropping from 3.8% in September 2023 to 3.2% in September 2024. This decline reflects both job growth and effective labor market absorption, earning an A.
- Building Permits: Building permits surged significantly, increasing by 135% year-on-year from \$8.521 million in August 2023 to \$20.1 million in August 2024. This sharp growth highlights robust construction activity and earned an A+ grade for the quarter.

Sector Highlights

- Manufacturing: Added 1,000 jobs across the quarter, reaching 19,600 by September. This sector continues its strong recovery, earning an A+.
- Construction: Growth was equally impressive, with 600 jobs added, bringing employment to 6,200 by September 2024. (Grade: A+)
- Hospitality: Modest job gains of 567 jobs were observed year-on-year, with total employment reaching 10,300. (Grade: A+)

Despite minor declines in tax collections, Fort Smith's strong performance in employment and declining unemployment underscore its economic vitality.

Jonesboro Metro

The Jonesboro metro displayed modest economic progress, earning an overall grade of C. Gains in construction were offset by limited employment growth and weak tax collection trends.

- Nonfarm Employment: Increased slightly by 400 jobs (0.6%) from 65,100 in September 2023 to 65,500 in September 2024. (Grade: B-)
- Unemployment Rate: Fell from 2.8% in September 2023 to 2.5% in September 2024. (Grade: C)
- Building Permits: Building permits in September 2024 increased by 26.6% year-on-year, rising from 8.206 million in September 2023 to 10.391 million. However, August 2024 saw a 14.3% decline compared to the previous year, dropping from 13.067 million in August 2023 to 11.195 million. (Grade: C+)

Sector Highlights

- Construction: Building permit valuations rose, reaching \$10.391 million in September 2024, up from \$8.206 million in September 2023. (Grade: C+)

Despite growth in construction and declining unemployment, Jonesboro's weak nonfarm employment growth and tax collections indicate ongoing challenges.

Regional "Takeaways"

FORT SMITH REGION (July – September 2024 conditions)

Nonfarm employment in the Fort Smith Metro area continued its strong performance during the third quarter of 2024, rising 2.3% year-over-year (2,700 new jobs). Nonfarm employment increased steadily across the quarter, starting at 116,300 jobs in July and reaching 118,200 by September 2024. This steady job creation earned an A grade, reflecting the region's ongoing economic recovery and a resilient labor market.

The improvement in employment was accompanied by a significant drop in the unemployment rate. The metro area's unemployment rate decreased to 3.2% in September 2024, down from 3.8% in September 2023. This notable improvement signals both an expanding labor force and successful workforce absorption. Unemployment rates dropped consistently across the quarter, improving from 4.0% in July to 3.2% in September. The region's strong job market performance earned it an A for this indicator.

Sales and use tax collections in the metro area (Crawford, Franklin, Logan, and Sebastian Counties) remained mixed during the third quarter of 2024. Collections saw a slight year-over-year decline, decreasing from \$5.092 million in September 2023 to \$5.194 million in September 2024. The decline in July and August tax collections reflects variable consumer spending patterns, resulting in a C- grade for this indicator. While the overall decrease is modest, it suggests lingering caution among consumers.

Building permits in the Fort Smith Metro area demonstrated exceptional performance during the third quarter of 2024, earning an A+ grade. August 2024 was a standout month, with permits surging to \$20.1 million, marking the highest monthly total in over two years and a 135% year-over-year increase from \$8.521 million in August 2023. While September showed a slight decline, with permits dipping marginally from \$8.426 million in September 2023 to \$8.419 million in September 2024, the overall quarterly average rose to \$13.31 million, reflecting strong construction activity throughout the quarter. This stellar performance highlights the region's robust growth and momentum in the construction sector earning an A+.

The goods-producing sector remained a cornerstone of the Fort Smith economy, showing continued strength in both manufacturing and construction. Manufacturing employment saw significant gains, increasing by 1,000 jobs year-over-year to reach 19,600 by September 2024. Employment growth in this sector was consistent across the quarter, marking a notable recovery and earning an A+ grade. Similarly, the construction sector, including natural resources and mining, added 600 jobs, bringing total employment to 6,200. This steady growth reinforces the sector's importance to the regional economy and earned it an A+ grade.



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The hospitality sector also showed stable progress in Q3 2024. Employment in this sector increased modestly by 567 jobs year-over-year, reaching 10,300 by September 2024. While growth in hospitality employment was less dramatic than in manufacturing or construction, the consistent performance highlights ongoing recovery in tourism and dining-related industries, earning a B grade.

While the region made substantial gains in employment and demonstrated strong performance in key sectors, tax collections remain an area of concern. Consumer spending trends, as reflected in sales and use tax revenues, point to a mixed economic outlook that requires further monitoring in the coming quarters. Nonetheless, the overall economic performance of the Fort Smith Metro area in Q3 2024 is encouraging, with strong employment gains, robust growth in the goods-producing sectors, and declining unemployment. The region's performance earned an A grade for the quarter, signaling continued progress and resilience in the face of economic challenges.

NORTHWEST ARKANSAS (July - September 2024 conditions)

Nonfarm employment in Northwest Arkansas continued to demonstrate consistent growth in the third quarter of 2024, maintaining the region's long-term economic expansion. The metro area added 3,200 jobs year-over-year, marking a 1.0% increase. Nonfarm employment reached 315,500 in September 2024, up from 312,300 in September 2023. Job growth was steady throughout the quarter, with employment rising from 311,300 in July to 312,100 in August, before reaching the September total. This steady expansion earned the region a B grade for nonfarm employment.

While employment growth remained positive, the region's unemployment rate reflected some labor force challenges. The rate declined to 2.1% in September 2024, down from 2.5% in September 2023, suggesting an expanding labor market. However, the quarterly trend was less stable, as unemployment rose slightly in July to 3.0% before improving in August and September. Despite the overall improvement, labor force imbalances warrant close attention, earning the unemployment rate a C grade.

Gross sales and use tax collections for Benton, Madison, and Washington counties reflected solid gains during Q3 2024, driven by resilient consumer spending. Total collections reached \$15.645 million in September 2024, a 4.9% increase from \$14.908 million in September 2023. While August saw slight year-over-year declines, the overall upward trend highlights economic stability across the metro area. This performance earned the tax collections indicator a B grade.

The goods-producing sector remained a bright spot for Northwest Arkansas. Manufacturing employment continued its upward trajectory, adding 1,100 jobs year-over-year to reach 31,500 in September 2024. Growth was consistent across the quarter, reflecting strong demand in this critical industry and earning an A+ grade. Similarly, construction employment surged, adding 1,100 jobs, with total employment reaching 17,900 by September 2024. The construction sector's expansion highlights ongoing investment in housing and infrastructure, earning an A+ grade.

The hospitality sector continued its strong rebound in Q3 2024, driven by increased tourism and dining activity. Employment in the sector grew by 1,200 jobs, rising from 30,700 in September 2023 to 31,900 in September 2024. This steady growth earned the hospitality sector an A+ grade, underscoring its contribution to the region's economic strength.

Building permit activity showed notable volatility during Q3 2024, with mixed results across the quarter. While valuations surged to \$233.133 million in September, this followed lower-than-

expected figures in July. Despite the fluctuations, the September results reflect a strong close to the quarter, earning building permits a C+ grade for the quarter.

In summary, Northwest Arkansas continued to show resilience and steady economic expansion in Q3 2024. Strong job growth in manufacturing, construction, and hospitality sectors supports the region's positive trajectory, while gains in tax collections signal continued consumer activity. However, labor market challenges and variability in building permit activity highlight areas for ongoing monitoring. Overall, Northwest Arkansas earned an A grade for the quarter, reflecting its continued strength and economic stability.

CENTRAL ARKANSAS (July - September 2024 conditions)

Nonfarm employment in Central Arkansas grew consistently during the third quarter of 2024, adding 13,400 jobs year-over-year. Employment rose from 386,400 in September 2023 to 399,800 in September 2024, representing a 3.5% increase. Job growth was steady throughout the quarter, with employment increasing from 397,300 in July 2024 to 397,500 in August 2024, before reaching its September total. This consistent expansion earned the region an A+ grade for nonfarm employment.

The region's unemployment rate showed marked improvement in Q3 2024, dropping to 2.7% in September 2024 from 3.1% in September 2023. While the rate remained stable throughout the quarter, it indicates that job creation is successfully absorbing the labor force. This improvement earned the unemployment rate a C grade, reflecting progress but with room for further improvement.

Tax collections for Faulkner, Grant, Lonoke, Perry, and Pulaski counties saw slight declines compared to the previous year. In September 2024, sales and use tax collections totaled \$13.166 million, down from \$13.498 million in September 2023. This decline reflects mixed consumer spending patterns across the quarter, earning tax collections a C grade.

The goods-producing sector demonstrated exceptional strength in Q3 2024. Manufacturing employment increased by 900 jobs, rising to 20,700 in September 2024. Consistent gains across the quarter highlight the sector's importance to the regional economy and earned it an A+ grade. Similarly, the construction sector, including natural resources and mining, added 1,500 jobs year-over-year, bringing employment to 22,600 by September. This steady growth reinforces the sector's critical role in driving regional development and earned it an A+ grade.

In contrast, the hospitality sector continued to face challenges during Q3 2024. Employment declined by 800 jobs, falling from 36,900 in September 2023 to 36,100 in September 2024. This ongoing weakness reflects demand-related struggles within tourism and dining industries, resulting in an F grade for the sector.

In summary, Central Arkansas demonstrated strong economic growth in Q3 2024, with impressive gains in nonfarm employment, manufacturing, and construction sectors. However, challenges remain in tax collections and the hospitality sector. The region's overall performance earned it a B grade, reflecting solid progress with areas requiring continued attention.

THE JONESBORO METRO (July – September 2024 Conditions)

Nonfarm employment in the Jonesboro metro area showed minimal



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progress during the third quarter of 2024, reflecting modest job creation and lingering economic challenges. The region added 400 jobs year-over-year, increasing nonfarm employment from 65,100 in September 2023 to 65,500 in September 2024, a 0.6% increase. Employment growth was largely stagnant through the quarter, with totals rising marginally from 64,700 in July to 64,800 in August before reaching 65,500 in September. This modest growth earned the region a B- grade for nonfarm employment.

The unemployment rate, however, showed improvement, falling from 2.8% in September 2023 to 2.5% in September 2024. The decline reflects a slight tightening of the labor market despite sluggish job creation. Unemployment fell steadily throughout the quarter, improving from 3.5% in July to 3.1% in August before reaching its September low. This performance earned a C grade for unemployment.

Tax collections in Craighead and Poinsett counties presented ongoing challenges. Total gross sales and use tax collections decreased to \$3.051 million in September 2024, a 3.1% decline from \$3.149 million in September 2023. Weak consumer spending continued to weigh on the region's economic performance, leading to a C grade for tax collections.

The construction sector provided a bright spot for the Jonesboro metro in Q3 2024. Building permit valuations increased significantly, rising to \$10.391 million in September 2024, up from \$8.206 million in September 2023. This growth reflects renewed activity in the housing sector, earning the construction indicator a C+ grade.

While improvements in unemployment and growth in construction activity offer encouraging signs, Jonesboro's sluggish nonfarm employment growth and declining tax collections continue to present challenges. Overall, the region earned a C grade for Q3 2024, reflecting moderate struggles but with potential for improvement.

Understanding The Compass Report Grades

The "grading" approach used to measure the current and leading economic indicators is critical to 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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