

## Fourth Quarter 2025 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 recorded moderate economic growth in the fourth quarter of 2025, driven by strong gains in non-farm employment and increased activity in key sectors. Employment levels rose year-over-year, reaching approximately 405,500 by December. Manufacturing and hospitality sectors both showed consistent growth throughout the quarter, while construction employment declined.

The unemployment rate increased compared to the previous year, with November and December reaching 4% and 3.9%, respectively. Consumer spending showed modest growth, with gross sales and use tax collections increasing slightly over the same period in 2024. Building permit valuations rose overall, despite some monthly variation. Taken together, Central Arkansas experienced steady employment growth and gains in key sectors, with higher unemployment and declining construction employment shaping overall conditions.

### Northwest Arkansas

Northwest Arkansas demonstrated continued economic growth in the fourth quarter of 2025, supported by strong gains in non-farm employment and broad-based sector expansion. Employment increased across the quarter, with total employment reaching approximately 323,700 by December. Growth was evident in manufacturing, construction, and hospitality sectors, all of which posted notable year-over-year increases.

The unemployment rate rose during the quarter, with November and December rates increasing to 3.2% and 3.1%, respectively. Consumer spending showed moderate growth, with gross sales and use tax collections increasing compared to the same period in 2024. Building permit valuations reflected mixed activity, with declines in October and November followed by an increase in December. Overall, Northwest Arkansas experienced sustained employment growth and sector expansion, alongside higher unemployment and variable construction activity.



## The Compass Report Arkansas metro grades Fourth Quarter - 2025

**Central Arkansas: C+**

**Fort Smith metro: C**

**Jonesboro metro: C**

**Northwest Arkansas: B**

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## **Fort Smith Metro**

The Fort Smith Metro economy experienced modest economic conditions in the fourth quarter of 2025, with steady growth in non-farm employment. From October through December, employment levels increased year-over-year, with total employment reaching approximately 105,200 by December. Job gains were most notable in the hospitality sector, which showed consistent growth throughout the quarter, while manufacturing employment remained relatively stable and construction employment declined slightly.

The unemployment rate increased compared to the same period in 2024, with November and December rates rising to 4.2% and 4.4%, respectively. Consumer spending showed moderate growth, as reflected in increased gross sales and use tax collections across the region. Building permit valuations declined year-over-year, indicating softer construction activity. Overall, the Fort Smith Metro maintained steady employment growth, with gains in hospitality and consumer activity offset by higher unemployment and reduced construction activity.

## **Jonesboro Metro**

The Jonesboro Metro economy experienced modest growth in the fourth quarter of 2025, with steady increases in non-farm employment. Employment rose year-over-year across the quarter, reaching approximately 66,900 by December. Growth was consistent but moderate, reflecting incremental gains in the regional labor market.

The unemployment rate increased compared to the same period in 2024, with November and December both reaching 3.9%. Consumer spending improved slightly, as reflected in increased gross sales and use tax collections. Building permit valuations showed mixed performance, with a decline in October followed by stabilization and growth in subsequent months. Overall, Jonesboro Metro saw moderate employment growth alongside rising unemployment and mixed construction activity.

## **Regional "Takeaways"**

### **FORT SMITH REGION** (October-December 2025 conditions)

The Fort Smith Metro experienced modest economic conditions in the fourth quarter of 2025, supported by steady gains in non-farm employment. Employment increased year-over-year across the quarter, rising from 104,200 in October 2024 to 105,200 in December 2025. Growth was consistent through November and December, reflecting incremental expansion in the regional labor market.

Despite these gains, the unemployment rate increased compared to the same period in 2024. November and December unemployment rose to 4.2% and 4.4%, respectively, compared to 3.2% and 3.3% the previous year. This increase occurred alongside rising employment levels, indicating continued changes in labor force participation.

Consumer spending showed moderate growth during the quarter. Gross sales and use tax collections across Crawford, Franklin, Logan, and Sebastian counties increased year-over-year in each month, with December collections rising from approximately \$5.70 million in 2024 to \$6.11 million in 2025. City-level collections in Fort Smith reflected more modest gains, with slight variation across the quarter.

Leading indicators for construction activity showed some softness. Building permit valuations declined overall, with October and December posting lower values than the previous year, while November remained relatively flat. Construction employment also declined slightly across the quarter, while manufacturing employment remained relatively stable with minimal change.

The hospitality sector recorded the strongest gains among major sectors. Employment increased consistently across all three months, rising from 8,900 in December 2024 to 9,400 in December 2025. This growth reflects sustained activity in travel and leisure-related industries.

Taken together, these conditions resulted in an **overall grade of C** for the Fort Smith Metro for the fourth quarter of 2025.

### **NORTHWEST ARKANSAS** (October-December 2025 conditions)

Northwest Arkansas demonstrated continued economic growth in the fourth quarter of 2025, earning an **overall grade of B**. This performance was supported by strong gains in non-farm employment and expansion across multiple sectors. Employment increased year-over-year throughout the quarter, rising from 317,100 in October 2024 to 323,700 in December 2025, reflecting sustained labor market growth.

The unemployment rate increased compared to the same period in 2024, with November and December rates rising to 3.2% and 3.1%, respectively, compared to 2.3% and 2.5% the previous year. This increase occurred alongside continued job growth throughout the region.

Consumer spending showed moderate growth over the quarter. Gross sales and use tax collections across Benton, Madison, and Washington counties increased year-over-year, with December collections rising from approximately \$17.87 million in 2024 to \$18.17 million in 2025. City-level collections varied, with some municipalities showing increases while others experienced slight declines.

Construction activity showed mixed results. Building permit valuations declined in October and November compared to the previous year but rebounded in December, exceeding prior-year levels. Construction employment increased steadily across the quarter, reflecting continued activity in the sector.

Manufacturing employment also showed consistent growth, increasing across all three months year-over-year. The hospitality sector experienced strong gains, with employment rising significantly from 30,700 in December 2024 to 33,200 in December 2025.

Overall, the region experienced sustained employment growth and broad-based sector expansion, alongside higher unemployment and variable construction activity.

### **CENTRAL ARKANSAS** (October-December 2025 conditions)

Central Arkansas recorded moderate economic growth in the fourth quarter of 2025, driven by strong gains in non-farm employment and continued expansion in key sectors. Employment increased year-over-year across the quarter, rising from 400,500 in October 2024 to 405,500 in December 2025.

The unemployment rate increased compared to the same period in 2024, with November and December rates rising to 4.0% and 3.9%, respectively, compared to 3.0% and 3.1% the previous year. This increase occurred alongside rising employment levels across the region.



Consumer spending showed modest growth during the quarter. Gross sales and use tax collections across Faulkner, Grant, Lonoke, Perry, and Pulaski counties increased overall compared to 2024, with December collections rising from approximately \$15.80 million to \$16.55 million. City-level data reflected steady growth across Conway, North Little Rock, and Little Rock, with some monthly variation.

Construction indicators presented mixed conditions. Building permit valuations increased overall compared to the previous year, with November and December posting higher values, while October showed a decline. In contrast, construction employment declined across all three months year-over-year.

Manufacturing employment showed consistent gains across the quarter, while the hospitality sector also experienced strong growth, with employment rising from 34,200 in December 2024 to 35,900 in December 2025.

With these combined trends, Central Arkansas received an **overall grade of C+** for the fourth quarter of 2025.

### **THE JONESBORO METRO** (October-December 2025 conditions)

The Jonesboro Metro experienced modest economic growth in the fourth quarter of 2025, supported by steady increases in non-farm employment. Employment rose year-over-year across the quarter, increasing from 65,500 in October 2024 to 66,900 in December 2025. The unemployment rate increased compared to the same period in 2024, with November and December both rising to 3.9%, compared to 3.1% and 3.2% the previous year. This increase occurred alongside continued employment growth.

Consumer spending showed moderate improvement during the quarter. Gross sales and use tax collections across Craighead and Poinsett counties increased year-over-year in each month, with December collections rising from approximately \$3.48 million in 2024 to \$3.67 million in 2025. City-level collections reflected similar patterns, with modest increases overall. Building permit valuations showed mixed results, with a decline in October followed by stabilization in November and an increase in December.

The region's overall performance for the quarter resulted in **a grade of C**, reflecting steady employment gains alongside rising unemployment and variable construction activity.

### **DATA NOTE**

*Due to a lapse in federal appropriations, labor force data from the Current Population Survey were not collected for the October 2025 reference period and will not be available. As a result, unemployment rate comparisons for this quarter are based on November and December data only. Establishment survey data for October are published with November data, consistent with federal reporting practices. Also, revisions made in the first quarter of 2026 will be incorporated into future quarterly reports.*

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### **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.

