THE COMPASS
Regional Economic Report

TALK BUSINESS & POLITICS

in partnership with

UNIVERSITY of ARKANSAS FORT SMITH

The Compass Report
Arkansas metro grades
First Quarter - 2026

Central Arkansas: D

Fort Smith metro: C-

Jonesboro metro: C

Northwest Arkansas: B-

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First Quarter 2026
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 entered 2026 with weaker economic momentum, resulting in an **overall grade of D** for the first quarter. Non-farm employment was nearly flat compared to the prior year, with small gains in January and February followed by a slight year-over-year decline in March. The unemployment rate increased across the quarter, reaching 4.0% in March.

Sales tax collections offered one of the few positive signals, with average monthly Q1 collections increasing across Faulkner, Grant, Lonoke, Perry, and Pulaski counties. However, several leading indicators pointed to softness. Building permit valuations declined in January and March, while manufacturing, construction, and hospitality employment were all lower year-over-year by March.

The region's grade reflects these combined pressures, particularly the rise in unemployment and weakness across multiple employment sectors.

Northwest Arkansas

Northwest Arkansas remained one of the stronger-performing regions in the first quarter of 2026, earning an **overall grade of B-**. The region continued to add jobs year-over-year, with non-farm employment reaching approximately 306,400 by March. Growth was also evident in construction and hospitality, and building permit valuations showed particular strength, especially in March.

Not all indicators moved in the same direction. The unemployment rate increased to 3.3% in March, and manufacturing employment declined compared to the prior year.

However, consumer activity improved on a Q1 average basis, with gross sales and use tax collections increasing across Benton, Madison, and Washington counties. The region's performance was marked by strong employment growth and development activity, balanced by higher unemployment and weaker manufacturing.

Fort Smith Metro

The Fort Smith metro experienced mixed economic conditions in the first quarter of 2026, with softer labor market performance but continued growth in consumer activity and hospitality employment. Non-farm employment declined year-over-year throughout the quarter, falling to approximately 101,300 by March. Manufacturing employment was also lower than the previous year, while construction employment remained mostly flat.

The unemployment rate increased compared to the same period in 2025, rising to 4.2% in March. Consumer spending provided a positive counterbalance, as gross sales and use tax collections increased across Crawford, Franklin, Logan, and Sebastian counties.

Building permit valuations declined overall, suggesting softer housing construction activity. Hospitality was the strongest performing sector, with employment increasing in each month of the quarter. The Fort Smith Metro received an **overall grade of C-** for the first quarter of 2026.

Jonesboro Metro

The Jonesboro metro posted modest economic growth in the first quarter of 2026, earning an **overall grade of C**. Non-farm employment increased year-over-year in each month of the quarter, reaching approximately 64,600 by March. Sales tax collections across Craighead and Poinsett counties also improved on an average monthly basis, pointing to continued consumer activity in the region.

The stronger employment and sales tax results were balanced by some areas of concern. The unemployment rate increased slightly in March compared to the prior year, and the number of unemployed individuals also rose. Building permit valuations were uneven, with March activity below the same month in 2025. The region's first quarter performance reflected steady but limited growth, with enough mixed signals to keep the **overall grade at C**.

Regional "Takeaways"

FORT SMITH REGION (January - March 2026 conditions)

The Fort Smith metro experienced mixed economic conditions in the first quarter of 2026, resulting in an overall grade of C-. Non-farm employment declined year-over-year throughout the quarter, falling from 102,200 in March 2025 to 101,300 in March 2026. This softening in total employment contributed to a weaker current employment grade for the region.

The unemployment rate increased compared to the same period in 2025. The March unemployment rate rose from 3.7% in 2025 to 4.2% in 2026, while the number of unemployed individuals increased from 3,812 to 4,291. This indicates that labor market conditions weakened during the quarter, even as some sectors continued to show stability or growth.

Consumer activity remained a relative bright spot. Gross sales and use tax collections across Crawford, Franklin, Logan, and Sebastian counties increased year-over-year in each month of the quarter. Average monthly Q1 collections rose from approximately $5.01 million in 2025 to $5.16 million in 2026, an increase of 3.01%. City of Fort Smith collections also increased in each month, though March growth was modest.

Leading indicators were mixed. Building permit valuations declined overall compared to the prior year, particularly in January and March, suggesting softer housing construction activity. Manufacturing employment was lower year-over-year across the quarter, declining from 17,900 in each month of Q1 2025 to 17,600–17,700 in Q1 2026. Construction employment was mostly flat, holding at 4,800 in January and February before dipping slightly year-over-year in March.

Hospitality was the strongest performing sector in the Fort Smith Metro. Employment increased in each month of the quarter, rising from 9,000 in March 2025 to 9,300 in March 2026. These gains helped provide some balance to an otherwise softer regional labor market.

The first quarter picture for the Fort Smith Region was one of uneven performance. Consumer spending and hospitality employment continued to improve, but those gains were offset by lower overall employment, higher unemployment, weaker manufacturing, and reduced building permit valuations.

NORTHWEST ARKANSAS (January - March 2026 conditions)

Northwest Arkansas continued to show economic strength in the first quarter of 2026, earning an overall grade of B-. Non-farm employment increased year-over-year throughout the quarter, rising from 299,500 in March 2025 to 306,400 in March 2026. This continued job growth reflects the region's ongoing economic momentum.

The unemployment rate moved higher compared to the same period in 2025, though the increase was less severe than in some other regions. The March unemployment rate rose from 3.1% in 2025 to 3.3% in 2026, while the number of unemployed individuals increased from 9,722 to 10,608. The labor market remained active, but the increase in unemployment tempered the region's otherwise strong performance.

Consumer activity improved during the quarter. Gross sales and use tax collections across Benton, Madison, and Washington counties increased from an average monthly Q1 level of approximately $14.85 million in 2025 to $15.85 million in 2026, a gain of 6.73%. Monthly results varied across individual cities, but countywide collections showed solid year-over-year growth for the quarter.

Leading indicators were generally strong. Building permit valuations increased sharply, especially in January and March, with March valuations rising from $224.4 million in 2025 to $363.6 million in 2026. Construction employment also increased year-over-year in each month of the quarter, rising from 18,300 in March 2025 to 18,700 in March 2026.

Manufacturing was the weakest major sector for Northwest Arkansas. Employment declined from 27,700 in March 2025 to 27,200 in March 2026, with lower year-over-year levels in each month of the quarter. This softness stood in contrast to broader gains in other parts of the regional economy.

Hospitality remained one of the strongest areas of growth. Employment increased significantly year-over-year, rising from 32,100 in March 2025 to 33,800 in March 2026. This continued expansion points to sustained strength in travel, dining, entertainment, and related service activity.

The first quarter performance in Northwest Arkansas was defined by strong job growth, healthy construction activity, and continued hospitality gains. Rising unemployment and weaker manufacturing limited the overall grade, but the region remained one of the stronger performers among Arkansas metro areas.

CENTRAL ARKANSAS (January - March 2026 conditions)
Central Arkansas faced softer economic conditions in the first quarter of 2026, resulting in an overall grade of D. Non-farm employment showed limited movement compared to the same period in 2025. Employment was slightly higher in January and February but declined year-over-year in March, falling from 394,200 in March 2025 to 393,800 in March 2026. This mixed performance contributed to a current employment grade of C.

The unemployment rate increased across the quarter compared to 2025. January rose from 3.8% to 4.7%, February increased from 4.0% to 4.2%, and March increased from 3.6% to 4.0%. The number of unemployed individuals also rose, increasing from 13,969 in March 2025 to 15,956 in March 2026. These changes point to a weaker labor market than the region experienced one year earlier.

Consumer activity provided some support to the regional economy. Gross sales and use tax collections across Faulkner, Grant, Lonoke, Perry, and Pulaski counties increased from an average monthly Q1 level of approximately $13.01 million in 2025 to $13.55 million in 2026, a gain of 4.21%. Countywide collections declined slightly in January but increased in February and March.

Leading indicators were generally weak. Building permit valuations declined year-over-year in January and March, with March valuations falling from $68.4 million in 2025 to $58.3 million in 2026. Manufacturing employment was also lower across the quarter, declining from 21,100 in March 2025 to 20,700 in March 2026.

Construction employment declined year-over-year in each month of the quarter, falling from 21,400 in March 2025 to 21,200 in March 2026. Hospitality employment also softened, with March employment decreasing from 35,500 in 2025 to 35,300 in 2026.

The first quarter data for Central Arkansas show an economy under pressure. Sales tax collections remained positive, but higher unemployment, weaker building permit valuations, lower manufacturing employment, and declines in construction and hospitality employment weighed heavily on the region's performance, resulting in an overall grade of D.

THE JONESBORO METRO (January - March 2026 conditions)
The Jonesboro Metro experienced modest economic growth in the first quarter of 2026, resulting in an overall grade of C. Non-farm employment increased year-over-year in each month of the quarter, rising from 64,300 in March 2025 to 64,600 in March 2026. The gains were moderate but consistent, contributing to a stronger current employment grade for the region.

The unemployment rate increased compared to the same period in 2025. January rose from 4.1% to 4.8%, February remained at 4.2%, and March increased slightly from 3.8% to 3.9%. The number of unemployed individuals also increased, rising from 2,540 in March 2025 to 2,630 in March 2026. While the March change was relatively small, the quarter still reflected a softer labor market than the previous year.

Consumer activity showed modest improvement. Gross sales and use tax collections across Craighead and Poinsett counties increased from an average monthly Q1 level of approximately $2.98 million in 2025 to $3.09 million in 2026, a gain of 3.53%. Monthly countywide collections increased in January and February but were slightly lower year-over-year in March.

City of Jonesboro collections showed a similar pattern. Collections increased in January and February but declined slightly in March, falling from approximately $2.37 million in 2025 to $2.35 million in 2026. This suggests that consumer activity remained generally positive, though growth was not consistent across every month.

Building permit valuations were mixed during the quarter. January valuations were slightly lower year-over-year, February increased modestly, and March declined from $13.8 million in 2025 to $11.7 million in 2026. This uneven performance contributed to a more cautious view of near-term housing construction activity.

The first quarter for Jonesboro was marked by steady employment gains and modest growth in sales tax collections, balanced against higher unemployment and uneven building permit activity. The region's performance was stable overall, but not strong enough to move beyond a C grade.

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 are not available. While this limitation affected fourth quarter 2025 unemployment comparisons, first quarter 2026 comparisons are based on available January, February, and March data. In addition, previously published labor force and employment data were subject to revision by the U.S. Bureau of Labor Statistics. These revisions may affect comparisons to prior Compass Reports, particularly for unemployment rates, labor force levels, employment, and the number of unemployed individuals. The data presented in this report reflect the revised BLS series available at the time of publication.

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.