

APRIL 2021



FINANCED BY FIRST HORIZON BANK

Welcome to the April issue of *ECO – financed by First Horizon Bank*, the Knoxville Chamber’s monthly economic outlook analysis. Each month, we provide a varied list of economic indicators with subsequent insight into how the data and information may impact the region. A major component of this work is our monthly survey of businesses in the manufacturing, retail, and service sectors, which we leverage to gauge current economic conditions and gain insights into the economic outlook for the next six months. We also include traditional labor market, housing, sales tax, and airport information as well as impromptu information as it becomes available. We hope that *ECO – financed by First Horizon Bank* will help our regional business community make more-informed decisions as they run their businesses.

ECONOMIC SURVEY RESULTS

MANUFACTURING

Based on the response to the April survey, the current outlook and the level of general business activity has “improved” in the Knoxville region’s manufacturing sector. The forecast for the next six months points toward positive growth.

The month-over-month responses showed “increases” in production, capacity utilization, volume of new orders, growth rate of orders, unfilled orders, volume of shipments, delivery time, number of employees, and capital expenditures. “No change” was reported for finished goods inventories, prices paid for raw materials, prices received for finished goods, wages and benefits, and average employee workweek. (March’s month-over-month responses were mostly split between “increase” and “no change” for most items.)

The six-month outlook projects an “increase” in production, capacity utilization, volume of new orders, growth rate of orders, unfilled orders, volume of shipments, delivery time, finished goods inventories, prices received for finished goods, number of employees, average employee workweek, and capital expenditures. “No change” is expected for prices paid for raw materials and wages and benefits. (March’s six-month outlook was more “mixed” for most of the items.)

RETAIL

Knoxville area retailers indicated in the April survey that their evaluation of the level of general business activity has mostly “improved” while their company’s outlook is evenly split between “improved” and “the same”. (Retailers’ evaluation of the level of general business activity and company outlook were reported as “the same” in last month’s survey.)

The month-over-month responses in the April survey indicated “increases” in net sales revenue, input prices, and inventories. Responses were evenly split between “increase” and “no change” for average employee workweek, wages and benefits, and selling prices. “No changes” were mostly reported for internet sales and capital expenditures. Responses were “mixed” for the number of full-time and part-time employees. (Last month’s responses were similar except inventories were more “mixed”.)

The six-month outlook projects mostly “increases” in net sales revenue, number of full-time employees, wages and benefits, input prices, selling prices, and inventories. “No changes” are mostly predicted for internet sales and capital expenditures. The future number of part-time employees and average employee workweek are evenly split between “increase” and “no change”. (The March survey’s six-month outlook had similar forecasts except “no changes” were expected in net sales revenue.)

Retail comments suggest that hiring employees is still a challenge.

SERVICE

Knoxville area service sector businesses reported in the April survey that their current level of general business activity has mostly “improved” and company outlooks are mostly split between “improve” and “the same”. (The current level of general business activity was more “mixed” in last month’s survey.)

The month-over-month responses showed mostly “increases” in revenue, input prices, selling prices, and capital expenditures. “No change” was mostly reported for number of employees (both full-time and part-time), average employee workweek, and wages and benefits. (Last month’s survey responses match what we heard in this month’s survey except revenue, selling prices, and capital expenditures were reported as either “mixed” or “no change” in March.)

The six-month outlook shows respondents estimating mostly “increases” in revenue, input prices, and selling prices. There are mostly “no changes” expected in number of employees (both full-time and part-time), average employee workweek, wages and benefits, and capital expenditures. (March’s survey responses regarding the six-month outlook were the same except revenue, number of full-time employees, and wages and benefits were split between “increase” and “no change”.)

Service sector comments indicate that the construction sector is strong though costs are rising and some positions like CDL drivers and skilled technicians are becoming difficult to find. COVID relief funds are helping businesses but increased unemployment benefits are hurting businesses.

CURRENT MARCH 2021 REVENUE COMPARED TO PRE-COVID MARCH 2019 REVENUE

In addition to our regular survey questions, we asked respondents to tell us if their current revenue is up, down, or unchanged from pre-COVID March 2019 revenue and by how much either way.

Manufacturers indicated their revenue was up 10% from March 2019.

Retailers were evenly split between revenue being up and remaining the same. The reported revenue increases were 10% and 40%.

Service sector respondents were split across the board almost evenly. The reported revenue increases were 5%, 10%, and 25%. The reported revenue declines were 10%, 16%, and 25%.

These reported changes in revenue from March 2019 would suggest that the three sectors are in various stages of recovery from the COVID-19 economic downturn. Only portions of the service sector reported declines in revenue from March 2019 which suggests industries that are event-focused, visitor-driven, or dependent upon in-person meetings most likely have taken the brunt of the economic fallout from the COVID restrictions and last spring's total lockdown. Most manufacturing businesses were either considered essential so they could continue to operate during the lockdown or were able to transition operations toward producing COVID-related products like personal protective equipment. Retailers (while having to deal with limited capacity due to social distancing) have mostly been able to adapt through online sales, drive-thru windows, delivery, and takeout services. While almost all industries were affected by the pandemic in 2020, it is encouraging to see that many have returned to or surpassed revenue levels at or above those of 2019. As vaccination numbers increase and COVID-related restrictions begin to loosen or expire, all three sectors – especially the service sector – should experience further economic improvement.

Note: We are still growing the number of participating companies, so response totals in some areas may be fairly small.

If you are interested in being a participant in our monthly surveys, please register at this link. <https://www.knoxvillechamber.com/ecoregistration/>

LABOR MARKET INFORMATION

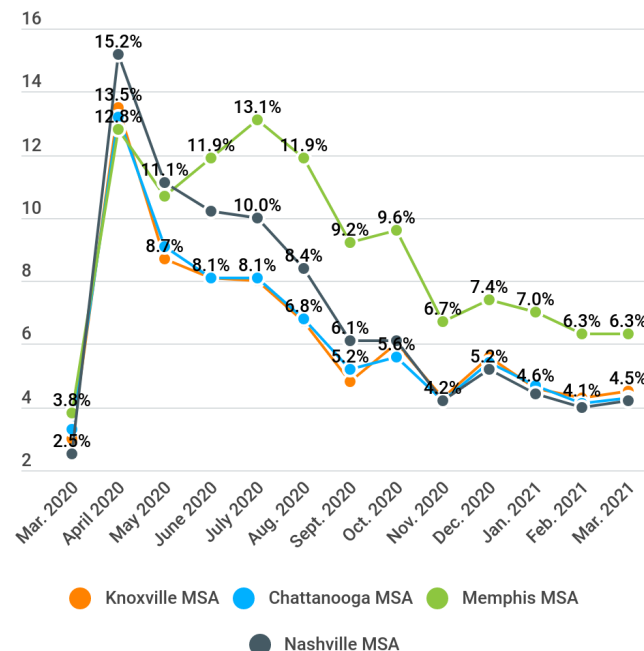
The Knoxville MSA's unemployment rate in March was 4.5% (this is an increase from February's 4.3% rate and higher than the 3.0% rate from March 2020.) Knox County's unemployment rate in March was 4.1% (up from 3.9% in February and up from 2.7% in March 2020.) Tennessee's unemployment rate was 5.1% in March (up from 4.9% in February and up from 4.3% in last March.) The U.S. unemployment rate was 6.2% in March (down from the 6.6% rate in February and up from the 4.5% unemployment rate recorded last March.)

The size of the total labor force has decreased locally and statewide in March from February. The Knoxville MSA's labor force decreased by 0.4% (from 432,835 to 431,122), Knox County's labor force decreased by 0.3% (from 246,055 to 245,202), and Tennessee's labor force decreased by 0.02% (from 3,299,505 to 3,298,593.) Meanwhile, the national labor force increased by 0.2% (from 160,008,000 to 160,397,000.)

Below is the 13-month unemployment rates trending comparison for the four largest MSA's in Tennessee -

Unemployment Rates - Tennessee MSA

13-Month Trending Comparison













(Sources: U.S. Bureau of Labor Statistics; Tennessee Department of Labor & Workforce Development)

JOB MARKET

For the month of March, there were 37,398 unique active job postings in the Knoxville MSA (up 6.1% from February and up 40.4% from last March.) There were 23,229 unique active job postings in Knox County (up 9.3% from February and up 44.7% from this time last year.)

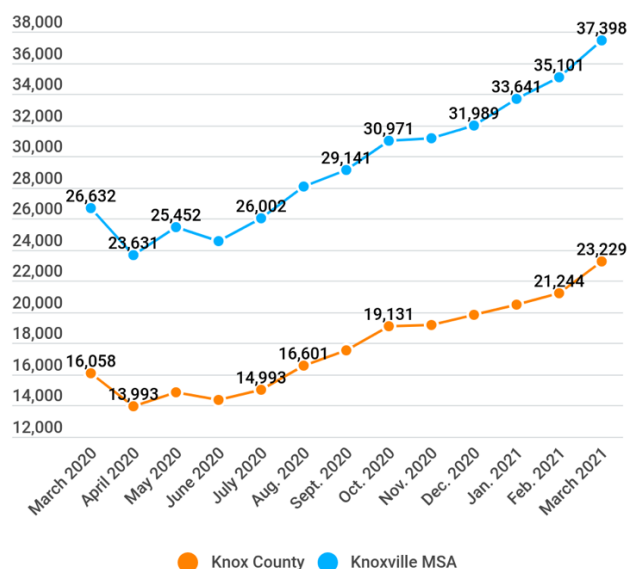
The Top 10 industries (by number of job postings) in the Knoxville MSA in March were –

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Retail Trade	4,636
	Administrative Support, Waste Management and Remediation Services	4,631
	Health Care and Social Assistance	4,359
	Professional, Scientific and Technical Services	2,542
	Transportation and Warehousing	2,469
	Accommodation and Food Services	2,409
	Manufacturing	1,562
	Finance and Insurance	1,095
	Other Services	946
	Educational Services	818

You can view the 13-month job postings trend for Knox County and the Knoxville MSA below

Unique Active Job Postings



(Source: EMSI Job Postings Analytics)

ADP NATIONAL EMPLOYMENT REPORT®

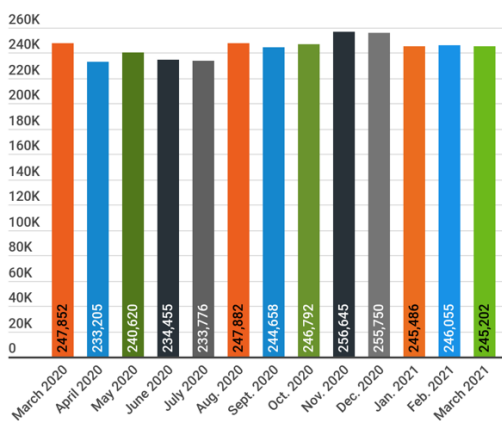
Each month, ADP, a large-scale payroll and human resources company releases their National Employment Report®, which provides a high-level look at month-over-month private-sector employment changes across the country.

The March report shows a gain of 517,000 in nonfarm private-sector employment (a significant increase from the 117,000 jobs gain reported in February.) Mid-sized businesses (50-499 employees) posted the largest gain of 188,000 jobs. Small businesses (1-49 employees) gained 174,000 jobs and large firms (500+ employees) increased by 155,000 jobs.

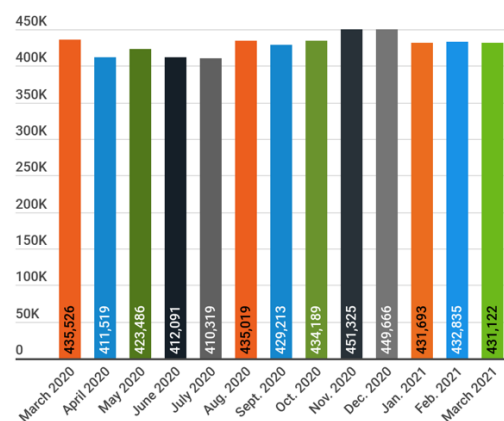
ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 174,000 jobs gain was driven mostly by the "Very Small" businesses (1-19 employees) which increased by 100,000 jobs, while "Other Small" businesses (20-49 employees) increased by 74,000 jobs.

Resident Labor Force

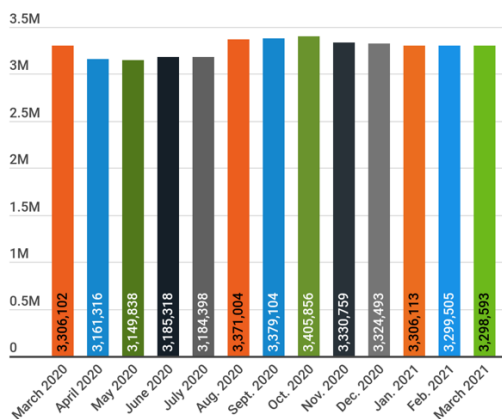
Knox County



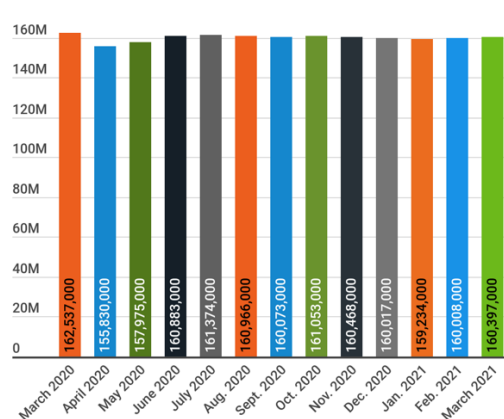
Knoxville MSA



Tennessee



United States



(Source: ADP)

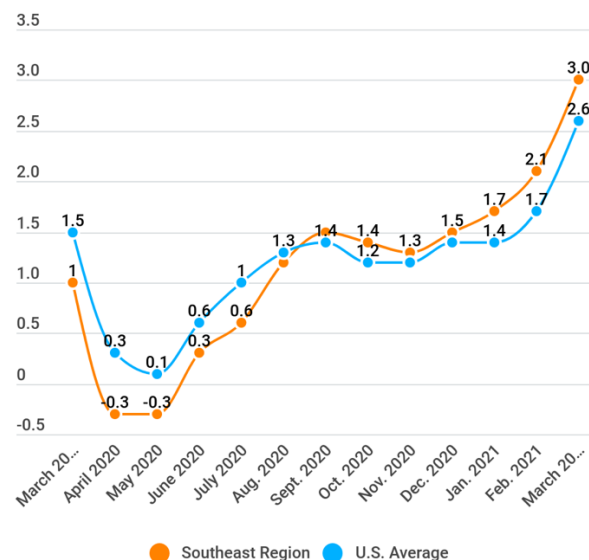
CONSUMER PRICE INDEX (INFLATION RATES)

The national inflation rate from March 2020 to March 2021 is 2.6%. This rate is much higher than the 1.7% rate for February 2020 to February 2021. Last year, the national inflation rate was 1.5% for March 2019 to March 2020. This month's jump in inflation is expected to be temporary. It is not a sign of the sustained 2% inflation rate that the Fed looks for before raising the key interest rate but instead a base effect due to the plunging prices at the start of the pandemic. The Fed's key interest rate is still near zero and is not expected to be raised until after 2023. You can read more [here](#).

Knoxville falls into the South Size Class B/C (population of 2.5 million or less) grouping. The current inflation rate for this region is 3.0% for the March 2020 to March 2021 period. This rate is up from the 2.1% rate in the February 2020 to February 2021 period. Last year, the rate was 1.0% for March 2019 to March 2020.

Inflation Rates

Consumer Price Index - All Items



(Source: U.S. Bureau of Labor Statistics; Consumer Price Index; Not Seasonally Adjusted)

HOUSING MARKET

March's existing-home sales in the Knoxville area increased 28.8% from February and 13.0% from one year ago. Home sales in Knox County increased 24.6% from February and 3.6% from one year ago.

Nationally, existing-home sales increased to a seasonally-adjusted annual rate of 6.01 million in March — down 3.7% from the prior month, but up 9.1% from a year ago. Home sales in the South similarly declined 6.1% from the prior month, but up 12.3% from the same time a year ago.

The median home sales price in the Knoxville area was \$255,000 in March — an increase from the previous month and up 22% year-over-year. Knox County's median home sales price was \$260,000 in March — a slight decline from the previous month, but up 15.6% year-over-year.

Housing inventories remain tight nationally, regionally, and locally. For the sixth consecutive month, inventory in the Knoxville area declined with active listings down 63% compared this time a year ago. In March, half of homes sold in the Knoxville area were on the market for 6 days or less.

Months of inventory, the number of months it would take to exhaust active listings at the current sales rate, declined to 1.03 months in March. The absorption rate, or the percentage of inventory sold per month, increased to 97% — up 66% from March 2020.

According to Hancan Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, “Knoxville’s housing market had yet another strong month in March, in part due to the seasonal uptick in new listings. Though the market continued to see year-over-year growth and near-insatiable buyer demand, a marginal slowdown in homes sales is evident after accounting for seasonal patterns. This combination of rising home prices and slowing seasonally adjusted home sales is indicative of the supply-side constraints. Overall, March’s data paints a cautiously optimistic picture of the housing market looking forward.”

Knoxville Area Housing Market

Knoxville Area

	March 2020	April 2020	May 2020	June 2020	July 2020	Aug. 2020
Homes Sold	1,620	1,460	1,470	1,970	2,290	2,020
Active Listings Inventory	3,970	4,070	4,050	3,710	3,590	3,200
Median Home Sales Price	\$210,000	\$215,000	\$212,000	\$225,000	\$235,000	\$235,000
Months Inventory	3.3	2.51	2.78	2.52	1.83	1.4
Absorption Rates	30%	40%	36%	40%	55%	72%

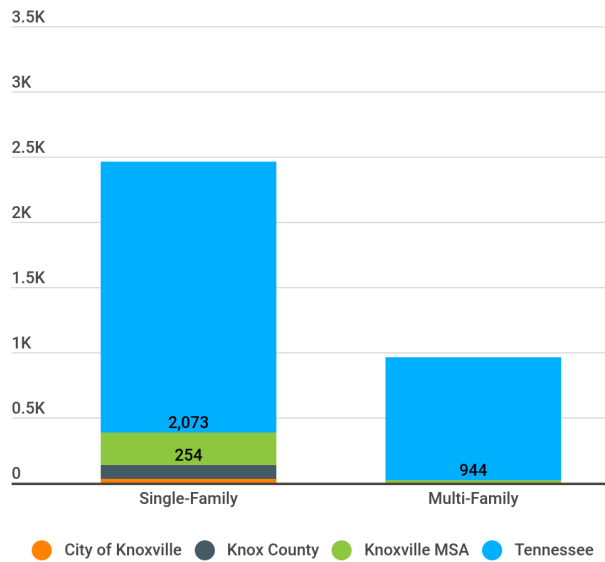
Knox County

	March 2020	April 2020	May 2020	June 2020	July 2020	Aug. 2020
Homes Sold	690	611	677	872	990	792
Active Listings Inventory	1,210	1,220	1,170	1,040	1,020	960
Median Home Sales Price	\$225,000	\$235,000	\$230,000	\$245,000	\$250,000	\$245,000
Months Inventory	2.48	1.77	1.91	1.54	1.16	0.97
Absorption Rates	40%	57%	52%	65%	86%	103%

(Sources: National Association of Realtors®, Knoxville Area Association of Realtors®)

Residential Building Permits

Feb. 2021



(Sources: U.S. Housing & Urban Development – SOCDS – State of the Cities Data Systems;
U.S. Census Bureau – Building Permits Survey)

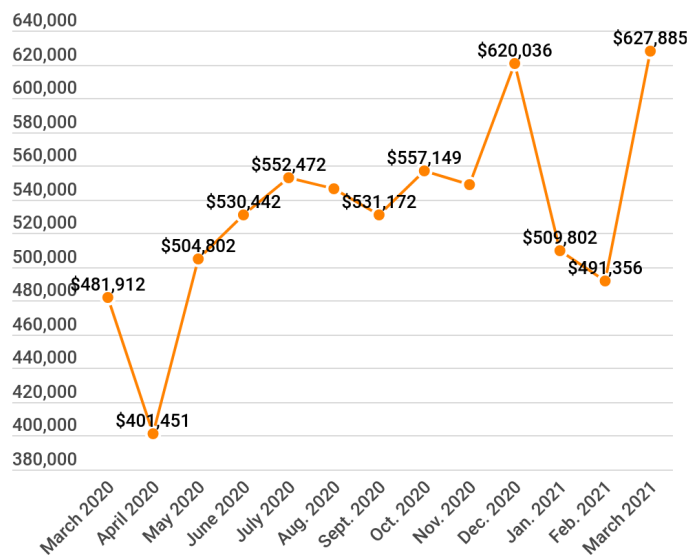
NATIONAL RETAIL SALES

The total advance monthly retail sales estimate for March 2021 was \$627.9 billion (up 27.8% from February and up 30.3% from last March.)

All retail sectors showed significant growth from this time last year with the single exception of Food and Beverage Stores (which were down 10.8%.) The retail sectors that showed the greatest growth from last March were Clothing Stores (+109.1%), Sporting Goods/Books/Hobby/Music Stores (+99.4%), Motor Vehicle and Parts Sales (+72.8%), Furniture and Home Furnishings Stores (+61.0%), and Miscellaneous Stores (+37.9%).

Most likely there are a few different things at play here. The first obvious factor is that COVID-19 shut down most of the economy beginning in March of last year so we would expect a significant increase in March 2021 sales across most retail sectors. The Food and Beverage Stores (a.k.a. Grocery Stores) sector showed a 10.8% drop from last March because when the COVID-19 lockdown began last year, a lot of people started raiding the grocery stores causing shortages of many items – most notoriously toilet paper. The other retail sectors are now most likely benefitting from customers with pent up demand, stimulus funds to spend, access to vaccinations, and freedom from cabin fever.

Total Retail Sales



For full report data, click [HERE](#).

(Source: U.S. Census Bureau; Advance Monthly Retail Trade Reports; Not Adjusted)

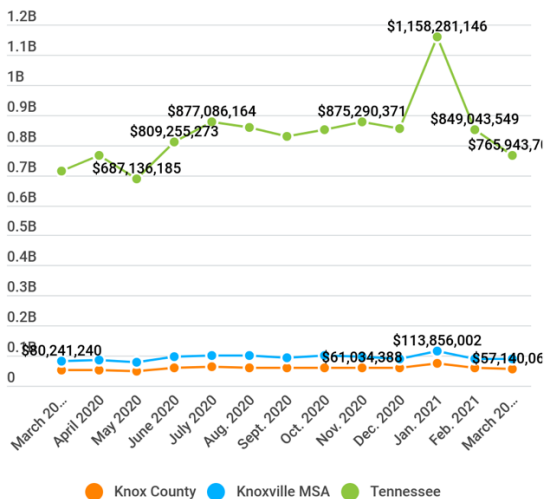
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The nine-county Knoxville MSA region collected \$90.02 million in state sales taxes in March (down 0.1% from February and up 12.2% from last March) and Knox County collected \$51.8 million in March (down 1.7% from February and up 10.3% from last March.) The state of Tennessee collected \$712.8 million in state sales taxes in March (down 9.8% from February and up 7.5% from last March.)

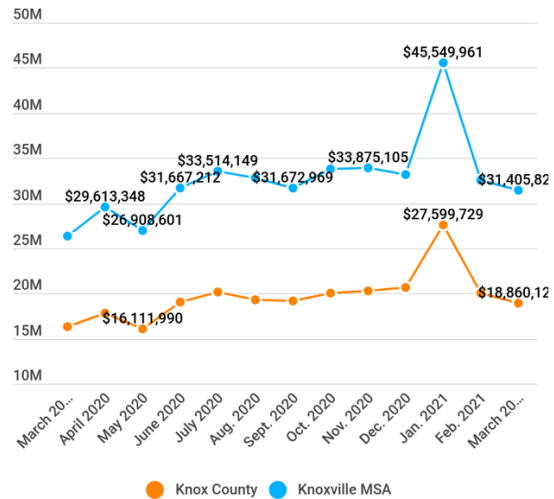
The Knoxville MSA collected \$26.3 million in local sales taxes in March (down 3.7% from February and up 19.4% from last March) and Knox County collected \$16.26 million (down 5.6% from February and up 16% from last March.)

Sales Tax Revenue

State Sales Tax



Local Sales Tax



(Source: Tennessee Department of Revenue)

RECENT BUSINESS EXPANSIONS AND NEW BUSINESS ANNOUNCEMENTS IN THE KNOXVILLE REGION

In this section of *ECO*, we share announcements of businesses that are expanding their existing operations or locating a new facility in the Knoxville region. If you would like to share your business expansion announcement with us, please send your info to jriley@knoxvillechamber.com.

New and existing industries continue to invest in the Knoxville region.

March 17, 2021 – [Tranzonic Companies](#), a manufacturer of disinfecting wipes, invested more than \$2 million at their facility in WestBridge Business Park in West Knoxville. The company is hiring 20 more employees to meet the increased demand for disinfecting wipes due to COVID-19. Tranzonic is the only disinfecting wipes manufacturer in Tennessee.

April 14, 2021 – [Ancient Lore Village](#), an exclusive event destination, is now officially open. The \$12 million “rentable village” in South Knoxville is a “secluded, fantastical world” that was created and inspired by Tom Boyd based on his book *Bokee’s Trek: Outcasts to Inner Earth* that featured a fantasy world with creatures like orcs and fairies. The village is located at 7107 Sevierville Pike and includes eight overnight “dwellings” for affluent families and groups to rent. There are plans to build at least seven more Ancient Lore Villages beginning with Chattanooga in 2022. You can read more [here](#).

April 20, 2021 – [Company Distilling](#) announced the building of a \$20 million bourbon whiskey manufacturing facility in Alcoa and a tasting room in Townsend creating a total of 50 to 60 new jobs. Jeff Arnett, a former Jack Daniel’s® master distiller, is launching a new Tennessee whiskey that is inspired by the Great Smoky Mountains. The 20,000 square-foot distillery in Alcoa will be part of a 31-acre campus that will also include a tasting room, restaurant, brewery, retail, bonfire pits and room for live entertainment and outdoor activities. The Alcoa location is scheduled to open sometime in 2022. The 4,000 square-foot tasting room in Townsend will be located on 13 acres between the Little River and Townsend Greenway. The Townsend tasting room will open later this year. In addition to the whiskey, there are plans to add flavored spirits, vodka, and gin to the production line in the future.

MIDWAY BUSINESS PARK OPENS FOR BUSINESS

After 15 years of land acquisition, rezoning, legal challenges, and county commission approval, Midway Business Park celebrated its official opening on April 7, 2021. Knox County's newest business park is located at 9395 Thorngrove Pike in far East Knox County at Exit 402 (Midway Road) on Interstate 40 (the last exit in Knox County before entering Sevier County.) The park has an approximate total of 354 acres that are available for small and large development sites that can accommodate buildings up to 500,000 square feet. The park is ideal for distribution of raw materials, goods, and services. The total projected economic impact of the business park (at full buildout and occupancy) is approximately 4,700 direct and indirect jobs and \$258 million in annual wages and benefits. The projected annual local tax revenue generated from these wages is approximately \$8.1 million. You can read more [here](#).

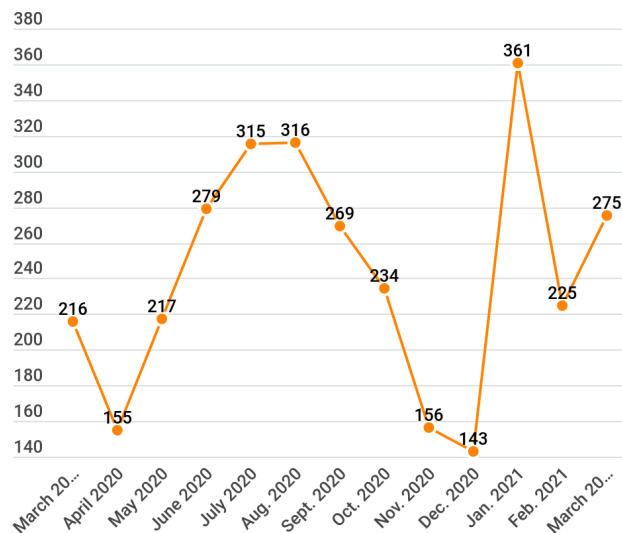
KNOX COUNTY BUSINESS LICENSES

New business licenses issued in March by Knox County are up 27.3% from last March. A total of 275 new business licenses were issued in March 2021 compared to 216 business licenses issued in March 2020.

Below is a chart showing the 13-month trend of business licenses issued by Knox County.

Business Licenses

Knox County



(Source: Knox County Clerk)

RESTORATION OF SBIR AND STTR MATCHING GRANTS IN TENNESSEE'S BUDGET

Governor Bill Lee has amended the state's FY 2021 budget to restore \$3 million in state matching funds to companies awarded Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) grants. Several regional organizations including Launch Tennessee, Life Science Tennessee, Tennessee Advanced Energy Business Council, and the Knoxville Chamber advocated strongly for the restoration of the matching funds. You can read the article [here](#).

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 82,703 passengers in February (up 0.6% from January passenger traffic and down 53.5% from the 177,669 passengers recorded in February 2020.)

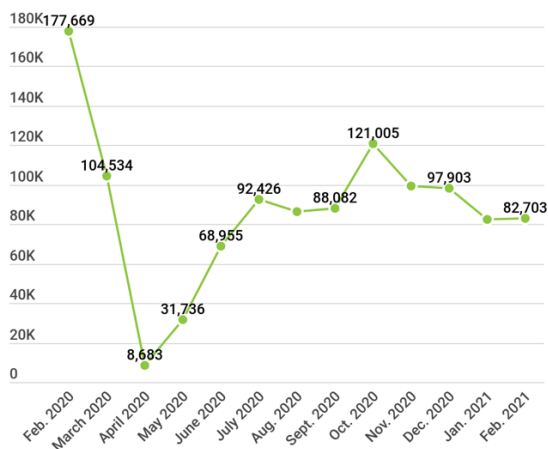
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in March was 1,227,421 (up 15.3% from the March 2020 daily passenger average of 1,064,355 but still down 47.5% from the pre-COVID March 2019 average of 2,339,686.) You can view the daily TSA checkpoint travel numbers [here](#).

The total freight recorded in February at TYS was 5,862,105 tons (down 18% from January and down 7.3% from last February.)

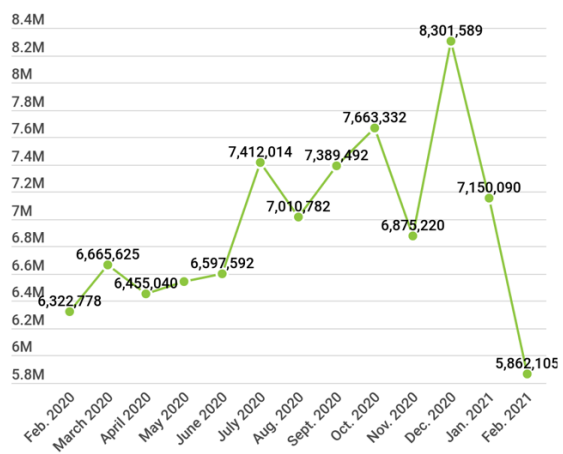
Air Service

at McGhee-Tyson Airport

Passengers



Freight



(Sources: Metropolitan Knoxville Airport Authority; U.S. Transportation Security Administration)