

JUNE 2021



FINANCED BY FIRST HORIZON BANK

Welcome to the June 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 June survey, the level of general business activity and the outlook for the next six months remains “the same.” (Business activity and outlook were reported as split between “improved” and “the same” in May’s survey.)

The month-over-month responses showed “no changes” in growth rate of orders, volume of shipments, prices received for finished goods, wages and benefits, and average employee workweek. “Increases” were reported for unfilled orders, delivery time, finished goods inventories, prices paid for raw materials, number of employees, and capital expenditures. “Decreases” were reported for production, capacity utilization, and volume of new orders. (May’s month-over-month responses were more “mixed” and “increases” were reported for production, capacity utilization, and volume of new orders.)

The six-month outlook projects an “increase” in production, unfilled orders, finished goods inventories, prices paid for raw materials, prices received for finished goods, wages and benefits,

and number of employees. “No changes” are expected for capacity utilization, volume of new orders, growth rate of orders, volume of shipments, delivery time, average employee workweek, and capital expenditures. (May’s six-month outlook was “mixed” for most items except for “increases” expected in growth rate of orders, volume of shipments, and wages and benefits.)

Manufacturer comments indicate that worker shortages are causing supply chain and delivery issues.

RETAIL

Knoxville area retailers indicated in the June survey that their evaluation of the level of general business activity and their company’s outlook have mostly “improved.” (The retail outlook was reported as being “the same” in last month’s survey.)

The month-over-month responses in the June survey indicated “increases” in net sales revenue, wages and benefits, input prices, capital expenditures, and inventories. “No change” was reported for internet sales, number of part-time employees, average employee workweek, and selling prices. Mixed responses were reported for the number of full-time employees. (Last month’s responses were similar except both full-time and part-time employees were reported as “decreased” while the average employee workweek was “increased” and there was “no change” in capital expenditures.)

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

Retail comments suggest that hiring employees is still a challenge.

SERVICE

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

The month-over-month responses showed mostly “no changes” in revenue, the number of employees (both full-time and part-time), average employee workweek, wages and benefits, selling prices, and capital expenditures. Input prices were reported as “increased.” (Last month’s survey responses were similar except revenue, input prices, and capital expenditures were split between “increase” and “no change.”)

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

Service sector comments indicate that supply chain issues and hiring employees continue to be challenges.

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/>

HOW THE PRICING AND AVAILABILITY OF CONSTRUCTION MATERIALS HAS IMPACTED COMPANY BOTTOM LINES

In addition to the regular survey questions, we asked respondents if the pricing and availability of construction materials has impacted the bottom lines of their businesses and if so, how.

The majority of respondents (61%) said that their bottom lines have not been impacted by construction material costs or availability.

Rising prices of steel, lumber, and commercial roofing materials were identified by the other respondents as impacting their bottom lines. Shortages of materials, supplies, and products are driving material prices, delivery costs, and capital improvement costs higher. Supply chain shortages are contributing to increased lead times and delayed delivery times. Lumber prices and lack of workers are impacting both commercial and residential building activity.

LABOR MARKET INFORMATION

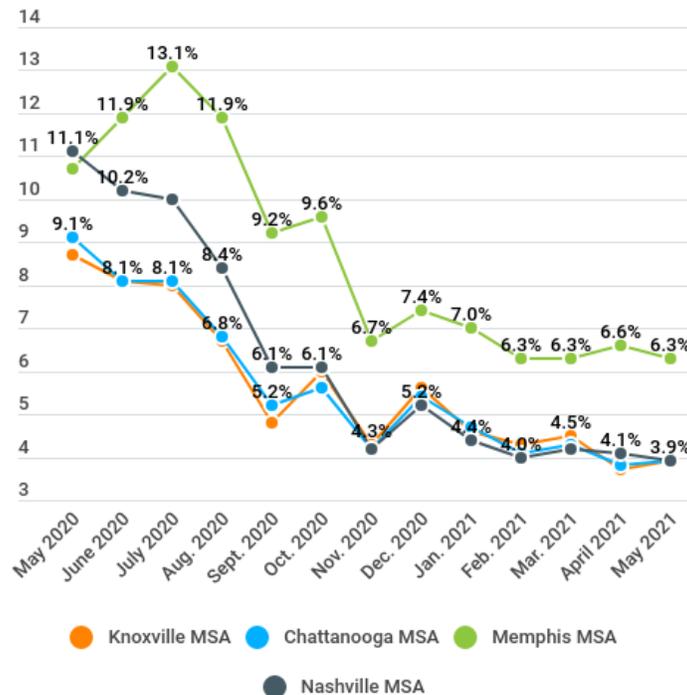
The Knoxville MSA's unemployment rate in May was 3.9% (this is slightly higher than April's 3.7% rate and much lower than the COVID-related 8.7% rate from May 2020.) Knox County's unemployment rate in May was 3.6% (slightly up from 3.5% in April and down significantly from 8.3% in May 2020.) Tennessee's unemployment rate was 4.6% in May (down from 4.7% in April and way down from 9.8% in last May.) The U.S. unemployment rate was 5.5% in May (down from the 5.7% rate in April and down from the 13.0% unemployment rate recorded last May.)

The size of the total local labor force continues to be close to flat from April to May, contributing further to the region's worker shortage. The Knoxville MSA's labor force slightly decreased by 0.03% (from 431,788 in April to 431,658 in May.) Knox County's labor force decreased by 0.08% (from 245,891 in April to 245,703 in May.) Meanwhile, Tennessee's labor force slightly increased by 0.3% (from 3,327,563 in April to 3,336,728 in May.) The national labor force barely increased by 0.1% (from 160,379,000 in April to 160,607,000 in May.)

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

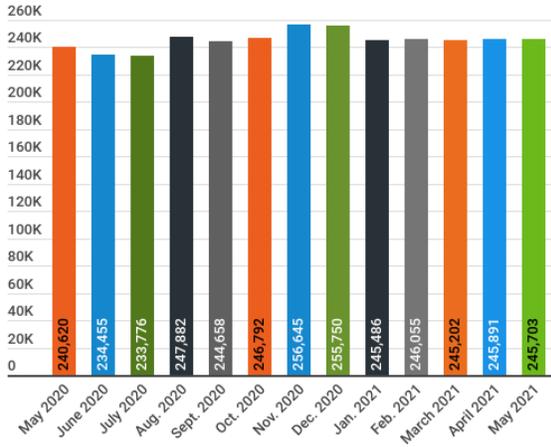
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

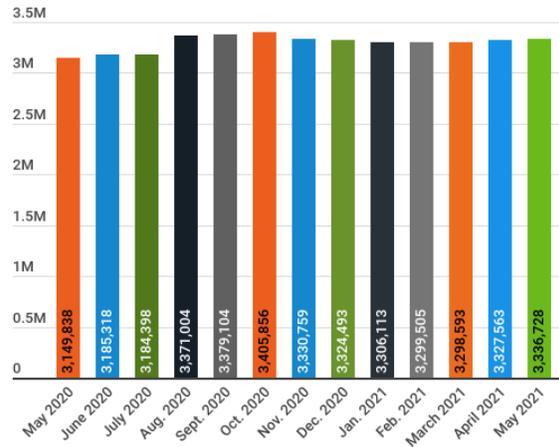


Resident Labor Force

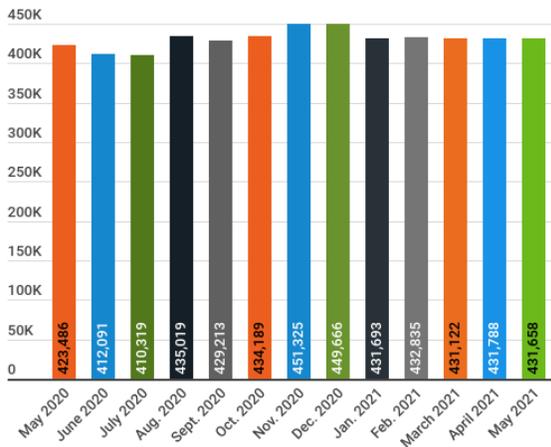
Knox County



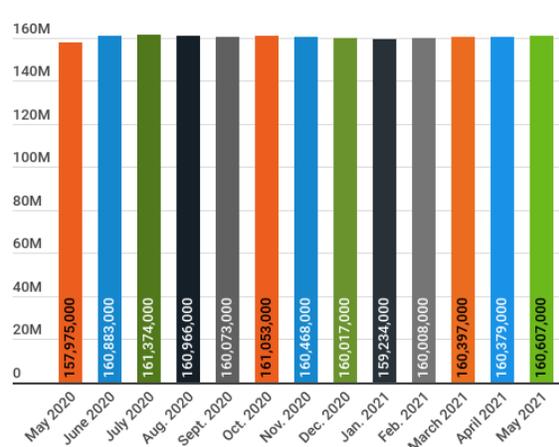
Tennessee



Knoxville MSA



United States



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

JOB MARKET

For the month of May, there were 37,798 unique active job postings in the Knoxville MSA (up 0.9% from April and up 48.5% from last May.) There were 23,649 unique active job postings in Knox County (up 0.7% from April and up 59.1% from this time last year.)

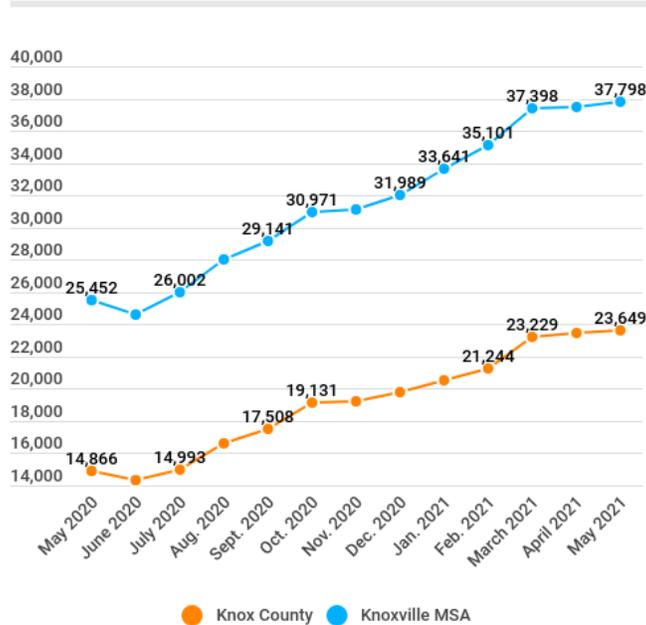
The Top 10 industries (by number of job postings) in the Knoxville MSA in May were –

Top Ten Industries by Number of Postings

Industry	Number of Postings
Retail Trade	4,952
Administrative Support, Waste Management and Remediation Services	4,608
Health Care and Social Assistance	4,053
Professional, Scientific and Technical Services	2,846
Accommodation and Food Services	2,729
Transportation and Warehousing	1,780
Manufacturing	1,743
Other Services	1,068
Finance and Insurance	985
Educational Services	738

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 May report shows a gain of 978,000 in nonfarm private-sector employment (a significant increase from the 742,000 jobs gain reported in April.) Midsized businesses (50-499 employees) posted the largest gain of 338,000 jobs. Small businesses (1-49 employees) gained 333,000 jobs and large firms (500+ employees) increased by 308,000 jobs.

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 333,000 jobs gain was driven mostly by the "Very Small" businesses (1-19 employees) which increased by 177,000 jobs, while "Other Small" businesses (20-49 employees) increased by 156,000 jobs.

(Source: ADP)

EXTRA FEDERAL UNEMPLOYMENT PAYMENTS TO END IN TENNESSEE AS WORKER SHORTAGE CONTINUES

The extra \$300 weekly federal pandemic-related unemployment payments will end in Tennessee on July 3. Many businesses are hoping to see an uptick in hiring once the benefits expire. We continue to hear from short-staffed businesses that the extra unemployment payments disincentivize unemployed people from going back to work. We should get a better idea as to whether hiring improves or not over the next few months and if businesses are able to staff back up to full capacity.

Meanwhile, it appears the local worker shortage is continuing. The labor force for both the Knoxville MSA and Knox County have slightly decreased from April to May by 0.03% and 0.08% respectively, showing continued stagnation in the labor market. As of May, the number of unemployed people in the Knoxville MSA is 16,731 (of which 8,852 are in Knox County.) The total May number of active job openings in the Knoxville MSA is 37,798. This currently means that if every unemployed person in the Knoxville MSA got hired today, they would only be able to fill 44% of the job openings, leaving 56% of open job positions unfilled. We should continue to expect increasing pressure on wages, job flexibility, and childcare options. As a region, we need to figure out how we can significantly increase the size of our local labor force through talent attraction (recruiting more people aged 25-54 to our region), talent retention (keeping recent college graduates and people aged 25-54 here), and immigration reform (increasing work visas and the ability to recruit specialized talent from abroad) in order to meet our region's ever-increasing job demand.

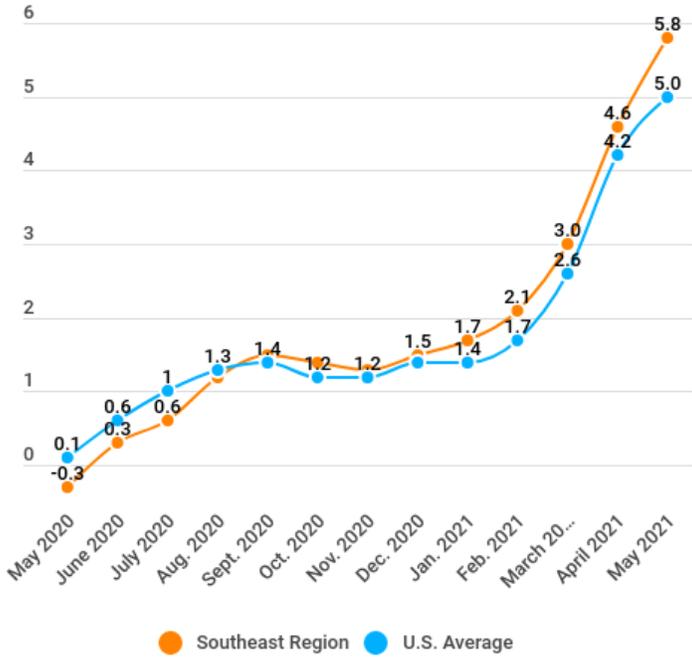
CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from May 2020 to May 2021 is 5.0%. This rate is higher than the 4.2% rate from April 2020 to April 2021. Last year, the national inflation rate was 0.1% from May 2019 to May 2020. The Federal Reserve still says that we should continue to expect higher inflation rates over the next few months as the economy corrects itself from last year’s pandemic-related economic shutdown and restrictions. The general consensus among economists continues to be that the near-term inflation increases are temporary and will give way to more normal price growth over the long-term. The Fed’s key interest rate continues to be 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 5.8% for the May 2020 to May 2021 period. This rate is up from the 4.6% rate in the April 2020 to April 2021 period. Last year, the rate was -0.3% for May 2019 to May 2020.

Inflation Rates

Consumer Price Index - All Items



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

HOUSING MARKET

Seasonally adjusted home sales in the Knoxville Area declined 14.5% from April, falling well below home sales numbers in 2018 and 2019. Home sales (seasonally adjusted) in Knox County declined 19.2% from April. Both regions recorded year-over-year gains, but this is largely a result of suppressed home sales during the early days of the pandemic.

Nationally, existing-home sales declined to a seasonally-adjusted annual rate of 5.80 million in May — down 0.9% from the prior month. Home sales in the South similarly declined 0.4% from the prior month.

The median home sales price in the Knoxville area was \$265,000 in May — an increase from the previous month and up 25% year-over-year. Knox County's median home sales price was \$278,000 in May — up from the previous month and up 20.9% year-over-year.

Housing inventories remain tight nationally, regionally, and locally. In the Knoxville Area, active listings are down almost 75% compared this time a year ago — though this value is inflated due to the onset of the pandemic. In May, half of homes sold in the Knoxville area were on the market for 4 days or less.

Months of inventory, the number of months it would take to exhaust active listings at the current sales rate, fell to 0.5 months in May.

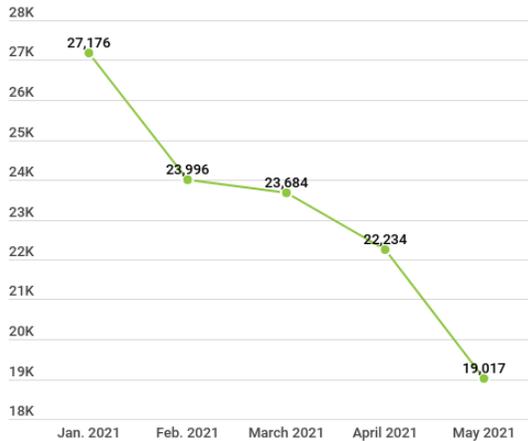
According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, *“Again, seasonally adjusted home sales data indicates a highly competitive housing market that is saturated with buyers but lacks the inventory to meet current demand. With bidding wars becoming more commonplace, it’s likely more and more buyers will be priced out of the market — more than 68% of homes sold in May went for list price or above with nearly 10% going for \$25,000 or more over asking. Addressing supply-side constraints should be top-of-mind for local elected officials and policymakers.”*

Knoxville Area Association of REALTORS® (KAAR) reports monthly home sales patterns using a seasonally adjusted annualized rate (SAAR), an adjusted rate that takes into account typical seasonal fluctuations in data and is expressed as an annual total. Comparing month-over-month housing market data using this method provides a more accurate depiction of home sales.

Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

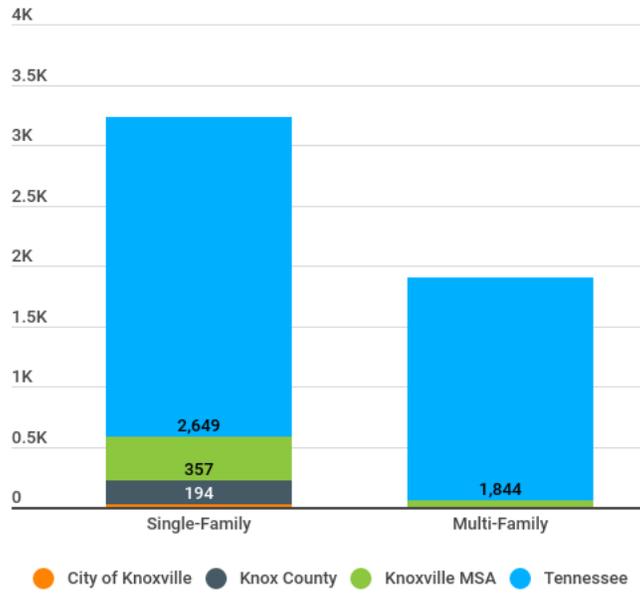
	Knoxville Area						Knox County						
	May 2020	June 2020	July 2020	Aug. 2020	Sept. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021
Active Listings Inventory	4,110	3,750	3,630	3,240	3,030	3,130	2,940	2,590	2,190	1,980	1,770	1,880	1,040
Median Home Sales Price	\$212,000	\$225,000	\$235,000	\$236,000	\$237,000	\$250,000	\$243,000	\$240,000	\$240,000	\$245,000	\$255,000	\$260,000	\$265,000
Months Inventory	2.80	2.54	1.84	1.40	1.49	1.50	1.39	1.42	1.14	1.35	1.22	1.01	0.50
Absorption Rates	36%	39%	54%	71%	67%	67%	72%	71%	88%	74%	82%	99%	185%

	Knoxville Area						Knox County						
	May 2020	June 2020	July 2020	Aug. 2020	Sept. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021
Active Listings Inventory	1,190	1,060	1,030	973	923	1,020	949	818	660	586	513	547	315
Median Home Sales Price	\$230,000	\$245,000	\$250,000	\$246,000	\$248,000	\$259,000	\$260,000	\$250,000	\$251,000	\$260,000	\$260,000	\$270,000	\$278,000
Months Inventory	1.92	1.55	1.17	0.97	1.16	1.20	1.18	1.14	0.81	0.91	0.72	0.00	0.00
Absorption Rates	52%	64%	85%	102%	86%	83%	90%	88%	119%	103%	118%	136%	248%

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

Residential Building Permits

April 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 May 2021 was \$644.4 billion (up 4.5% from April and up 28% from last May.)

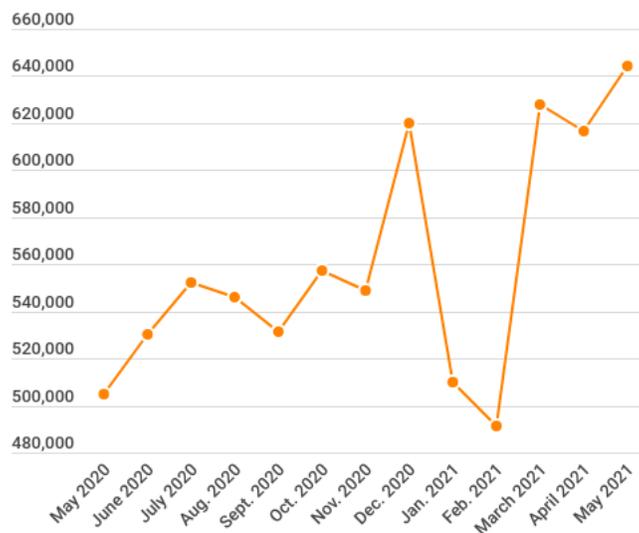
All retail sectors showed growth from this time last year. The retail sectors that showed the greatest growth from last May were Clothing Stores (+211.7%), Food Services and Drinking Places (+72.1%), Gasoline Stations (+58.6%), Furniture and Home Furnishings Stores (+56.6%), Miscellaneous Stores (+50.8%), Electronics and Appliances (+44%), Motor Vehicle and Parts Sales (+37.5%), Sporting Goods/Books/Hobby/Music Stores (+31%), and Health and Personal Care Stores (+22.5%).

Retail sectors are now most likely benefitting from expiring pandemic-related restrictions, customers with pent up demand, stimulus funds to spend, access to vaccinations, and increasing summer travel.

National Retail Sales

in Millions of Dollars

Total Retail Sales



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

TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

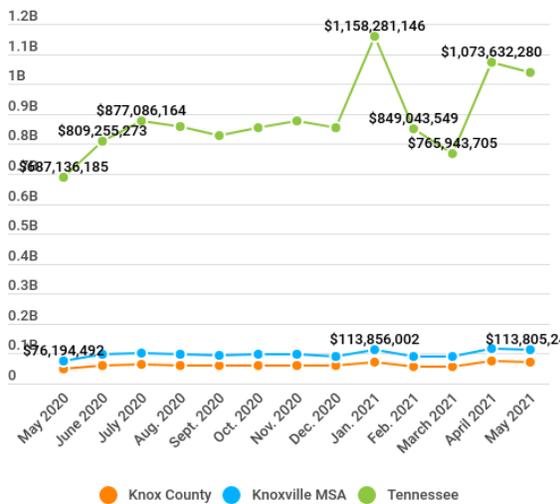
The Knoxville MSA region collected \$113.8 million in state sales taxes in May (down 2.2% from April and up 50.5% from last May) and Knox County collected \$72.4 million in May (down 2.2% from April and up 51.7% from last May.) The state of Tennessee collected \$1.04 billion in state sales taxes in May (down 3.2% from April and up 51.2% from last May.)

The Knoxville MSA collected \$39.2 million in local sales taxes in May (down 2.1% from April and up 47.3% from last May) and Knox County collected \$23.6 million (down 2.3% from April and up 46.2% from last May.)

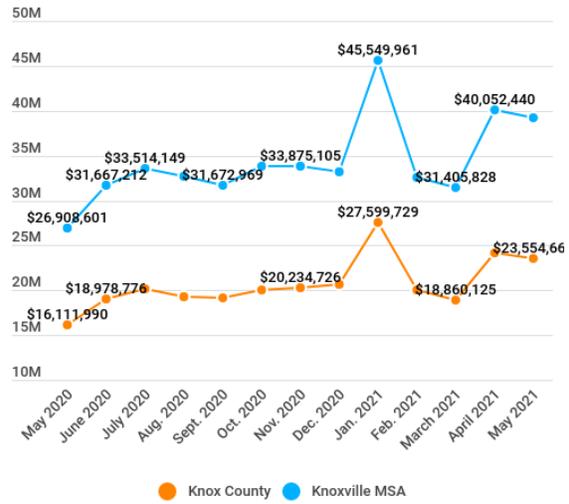
These significant increases in state and local sales tax collections from last year indicate that consumer spending is on the upswing.

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.

June 1, 2021 – [LaserShip](#), a last-mile e-commerce delivery services provider, announced it would be expanding service into Tennessee with three new branch locations – one each in Nashville, Memphis, and Knoxville. The pandemic-driven e-commerce boom has allowed many smaller regional final-mile delivery carriers like LaserShip to compete with logistic titans FedEx and UPS. The Nashville location will be the largest of the three new branches in Tennessee creating 200 new jobs to meet local delivery demand. While no details were reported for the new Knoxville delivery branch located at 10738 Dutchtown Road in Hardin Valley, the company is already beginning to host open houses for prospective employees and post job openings for package handlers, sorters, and package delivery drivers. You can read more [here](#).

June 1, 2021 – [River Breeze Event Center](#), a new outdoor entertainment venue, broke ground at the former River Breeze Drive-In movie theater at 6110 Asheville Highway in East Knox County with plans to open in Spring 2022. The new \$2.5 million event center will host everything from major music concerts to weddings. Plans include having a permanent on-site beer garden, space for food trucks, and pop-up bars. Shuttle service will be provided to pick up concertgoers from multiple locations in downtown Knoxville for major events. Visit Knoxville has estimated the venue will have a \$5.5 million direct economic impact on Knoxville.

June 29, 2021 – [Flex-N-Gate](#), an automotive original equipment manufacturer (OEM) supplier, announced a \$5.5 million expansion of its Rockford manufacturing facility in Blount County. The expansion will add 91 new jobs to the plant's current 185 employees. Flex-N-Gate manufactures automotive plastic, metal, lighting and mechanical assemblies. You can read more [here](#).

June 29, 2021 – [Knoxville Utilities Board](#) (KUB) received approval from Knoxville City Council to offer 1-gigabyte symmetrical, fiber broadband internet to its electric service customers. Even though the total buildout of the \$702 million broadband network to the entire KUB electric service area is estimated to take seven years, broadband service will become available to some customers beginning in 2022. Approximately 210,000 households in Knox, Grainger, Sevier, and Union Counties will have access to the broadband service after the full buildout. Options for cable television and home phone access over KUB's fiber network will also be available. KUB anticipates hiring 200 people for their new broadband division, including technical support staff, home installers and maintenance professionals. You can view KUB's Fiber and Broadband Plan [here](#).

KNOX COUNTY BUSINESS LICENSES

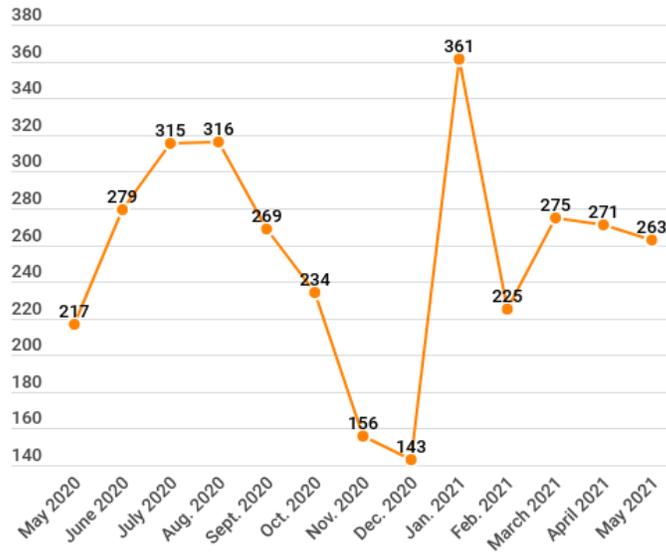
New business licenses issued in May 2021 by Knox County are up 21.2% from May 2020 during the pandemic and are also up 6% from the pre-pandemic May 2019 count. This marks the second time this year that business licenses have been higher than the same month of the pre-COVID year 2019. (The other time was March 2021 when business licenses were 8.7% higher than March 2019.)

A total of 263 new business licenses were issued in May 2021 compared to 217 in May 2020 and 248 in May 2019. Perhaps more people will be starting businesses now that most pandemic-related restrictions have been eased or allowed to expire.

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

Business Licenses

Knox County



(Source: Knox County Clerk)

MILITARY HAS \$2.98 BILLION ECONOMIC IMPACT ON KNOXVILLE REGION

The East Tennessee Military Affairs Council (ETMAC), in cooperation with the Knoxville Chamber, released their latest Military Economic Impact Analysis showing a total economic impact of \$2.98 billion on East Tennessee. The tri-annual report uses U.S. Department of Defense methodology to measure military-related economic activity for fiscal year 2019 within a 50-mile radius of Knoxville. Since there are no major military bases in East Tennessee, ETMAC's report shows the collective economic impact of all the smaller Active Duty, National Guard, and Reserve units as well as the economic impacts of veteran benefits, military retirees, and Department of Defense contracts. Not included in the report is any military-related activity at the U.S. Department of Energy in Oak Ridge as that activity and associated economic impact are already well publicized and included in other studies.

By breakdown of the total economic impact, the Department of Defense contracts account for \$1.378 billion, veteran benefits account for \$816.5 million, more than 9,000 military retirees account for \$458.4 million, and Active Duty, Guard, and Reserve units account for \$327 million. The largest military installations in the region are McGhee Tyson Air National Guard Base (U.S. Air Force) and the 278th Armored Cavalry Regiment (U.S. Army National Guard). You can read the full analysis report [here](#).

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 136,183 passengers in April (up 9.2% from March passenger traffic and up a whopping 1468.3% from COVID-ravaged April 2020 but down 28% from pre-COVID April 2019.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in May was 1,609,161 (up 578.9% from the May 2020 daily passenger average of 237,017 but still down 33% from the pre-COVID May 2019 average of 2,401,685.) You can view the daily TSA checkpoint travel numbers [here](#).

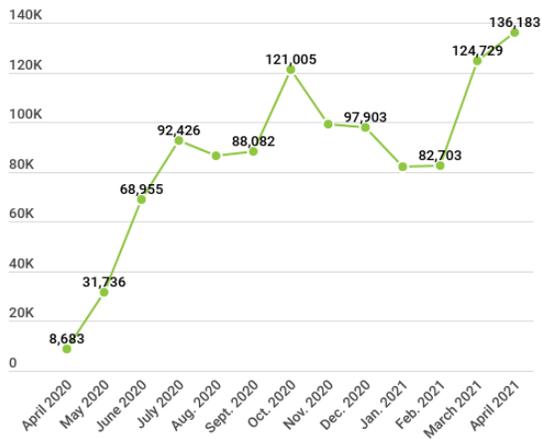
Domestic U.S. air travel demand continues to strengthen due to the rapid vaccine rollout and the [International Air Transport Association \(IATA\)](#) now expects a full recovery by the end of this year or early next year. International air travel may see a slower recovery due to tighter COVID restrictions and slower vaccine rollouts in other countries. You can read IATA's full Air Passenger Market Analysis for April 2021 [here](#).

The total freight recorded in April at TYS was 7,866,110 tons (up 0.3% from March and up 21.9% from last April.)

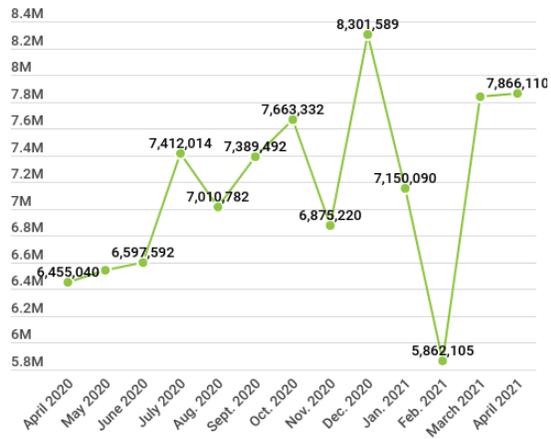
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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