

JULY 2021



FINANCED BY FIRST HORIZON BANK

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

The month-over-month responses showed “no changes” in unfilled orders, prices paid for raw materials, prices received for finished goods, wages and benefits, number of employees, and average employee workweek. “Increases” were reported in production, volume of new orders, and delivery time. Finished goods inventories were reported as “decreased.” Capacity utilization, growth rate of orders, and capital expenditures were evenly split between “increased” and “no change.” Volume of shipments were evenly split between “increased” and “decreased.” (June’s month-over-month responses were less split and showed “decreases” in production, capacity utilization, and volume of new orders.)

The six-month outlook projects an “increase” in production, capacity utilization, prices paid for raw materials, and capital expenditures. “No changes” are expected for unfilled orders, prices received for finished goods, and average employee workweek. Responses are evenly split between “increase” and “no change” for volume of new orders, growth rate of orders, volume of shipments, delivery time, wages and benefits, and number of employees. Finished goods inventories are expected to be “decreased.” (June’s six-month outlook projected “increases” in unfilled orders, finished goods inventories, prices received for finished goods, wages and benefits, and number of employees. “No changes” were expected for all other items.)

RETAIL

Knoxville area retailers indicated in the July survey that their evaluation of the level of general business activity has “improved” while their company’s outlook remains “the same” or unchanged. (The level of general business activity and retail outlook were reported as being “improved” in last month’s survey.)

The month-over-month responses in the July survey indicated “increases” in net sales revenue, average employee workweek, wages and benefits, input prices, selling prices, capital expenditures, and inventories. Responses were split between “increase” and “no change” for the number of employees (both full-time and part-time.) “No change” was reported for internet sales. (June’s month-over-month responses showed “no changes” for number of part-time employees, average employee workweek, and selling prices. Mixed responses were reported for the number of full-time employees.)

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

Retail comments suggest that hiring employees is still a challenge. Restaurants continue to be forced to limit seating capacity due to shortage of servers and other support staff. Tightening of the supply chain also continues to be a challenge for retailers.

SERVICE

Knoxville area service sector businesses reported in the July survey that their current level of general business activity has mostly “improved” while company outlooks are mostly reported as “the same.” (Company outlooks were mostly split between “improved” and “the same” in last month’s survey.)

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

The six-month outlook shows respondents estimating mostly “increases” in revenue, number of full-time employees, wages and benefits, input prices, and selling prices. “No changes” are expected in capital expenditures. The future number of part-time employees and average employee workweek are mostly split between “increase” and “no change.” (June’s six-month outlook predicted mostly “increases” in capital expenditures and mostly “no changes” in the number of part-time employees and average employee workweek.)

Service sector comments indicate that supply chain issues are more challenging now than at any point last year. Concerns are growing regarding the number of unvaccinated people coupled with the increasing spread of the delta variant of COVID-19. Lack of available land in Knox County that meet business needs without the long rezoning process is also becoming a challenge.

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. www.knoxvillechamber.com/ecoregistration/

OCCUPATIONS THAT SURVEY PARTICIPANTS ARE STRUGGLING TO FILL

In addition to the regular survey questions, we asked respondents which occupations they are struggling the most to fill in their respective industry sectors. Warehouse positions made the list across all three sectors. The manufacturing sector also listed clerical and sales support workers. The retail sector listed cashiers, servers, hosts, and cooks. The service sector listed all entry-level workers, clerical and administrative support workers, answering service agents, plumbers, electricians, HVAC technicians, field labor technicians, project managers, home improvement workers, legal assistants, attorneys, nurses, and any positions requiring five or more years of experience.

Based on the June job postings data for the Knoxville MSA, our survey participants are not alone in seeking workers for these positions. The number of current job openings for some of these occupations in descending order by demand include: 4,942 for Transportation and Material Moving (these would include the warehouse positions across the three survey sectors), 3,038 for Office and Administrative Support (these would include all of the clerical jobs), 1,614 for Registered Nurses, 851 for Food and Beverage Servers, 742 for Home Health and Personal Care Aides, 597 for Fast Food Counter Workers, 424 for Cashiers, 361 for Nursing Assistants, 346 for Licensed Practical Nurses, 92 for HVAC Technicians, 59 for Plumbers, and 56 for Electricians. For many of the retail and service sectors, this may be an indication that everyone is hiring at the same time which gives any available workers more competitive options to choose from or possible changes in careers. This is forcing many businesses to increase wages or offer other incentives like sign-up bonuses to compete with other employers. Restaurant workers, for example, seem to be the most resistant to come back to work. Food servers, in particular, took the brunt of verbal abuse from customer pushback when enforcing mask and social distance policies while trying not to offend anyone and still hoping to receive tips. You can read [this article](#) about how restaurant workers are quitting in droves which is exacerbating the hiring crisis for restaurants especially as more and more people are eating out and increasing the demand for yet more workers.

For other industry sectors like health services and some of the trades (plumbing, electrical, HVAC), employees have to meet certain qualifications and/or have certifications in order to be hired. While there are thousands of job openings for different types of nurses and much smaller numbers of openings for plumbers, electricians, and HVAC technicians, there probably are not enough qualified available workers in our current labor force to meet the demand which just further supports the theory that there is a worker shortage in our region. You can read another interesting article regarding the labor shortage [here](#).

LABOR MARKET INFORMATION

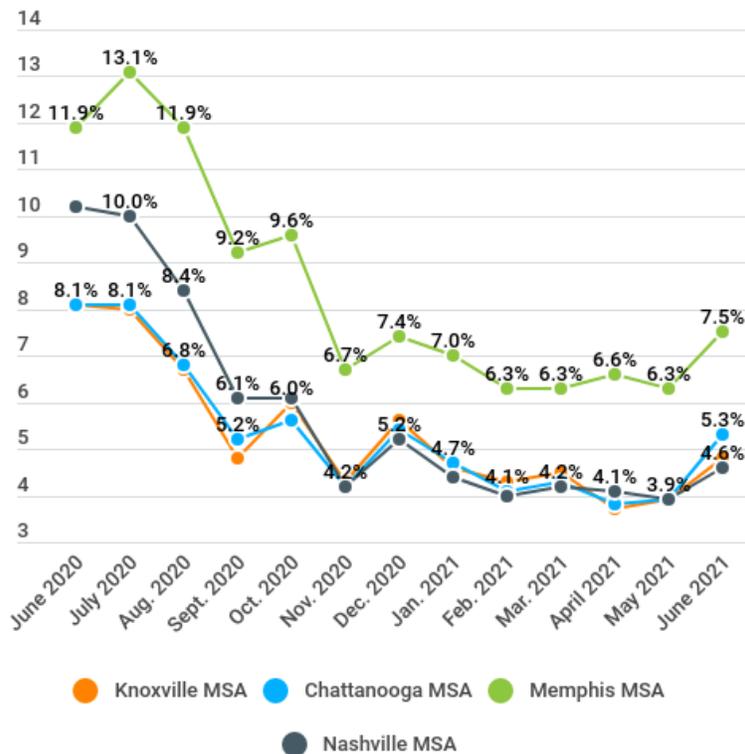
The Knoxville MSA’s unemployment rate in June was 4.8% (this was higher than May’s 3.9% rate and much lower than the COVID-related 8.1% rate from June 2020.) Knox County’s unemployment rate in June was 4.5% (up from 3.6% in May and down significantly from 7.9% in June 2020.) Tennessee’s unemployment rate was 5.6% in June (up from 4.6% in May and way down from 9.9% in last June.) The U.S. unemployment rate was 6.1% in June (up from the 5.5% rate in May and down from the 11.2% unemployment rate recorded last June.)

The size of the total local labor force rose about 1% from May to June, while Tennessee’s labor force only grew by 0.2%. The Knoxville MSA’s labor force increased 1.1% (from 431,658 in May to 436,398 in June.) Knox County’s labor force increased by 1% (from 245,703 in May to 248,179 in June.) Meanwhile, Tennessee’s labor force increased by only 0.2% (from 3,336,728 in May to 3,344,877 in June.) Similar to the local labor force, the national labor force increased by 1% (from 160,607,000 in May to 162,167,000 in June.)

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

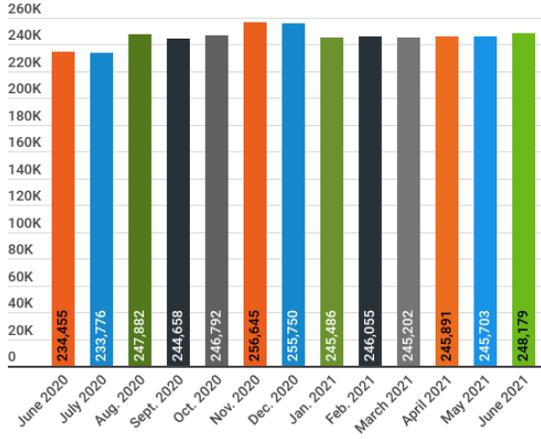
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

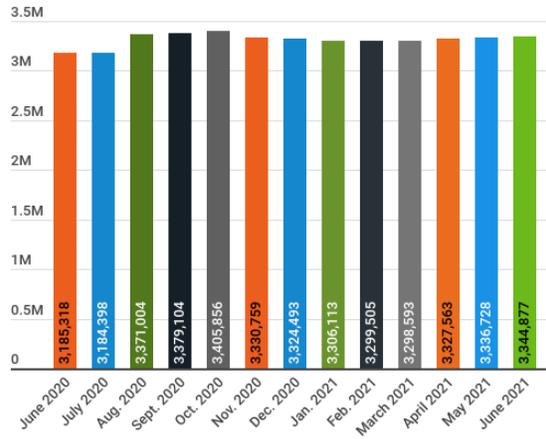


Resident Labor Force

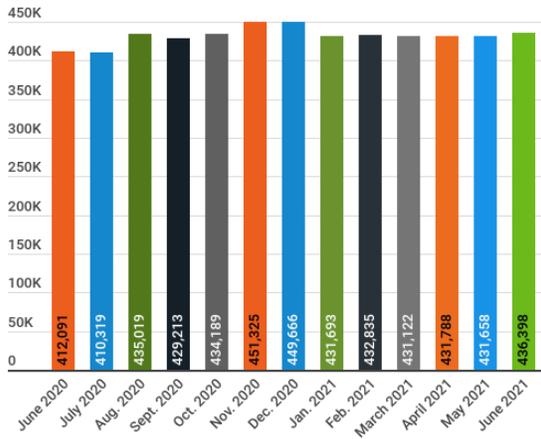
Knox County



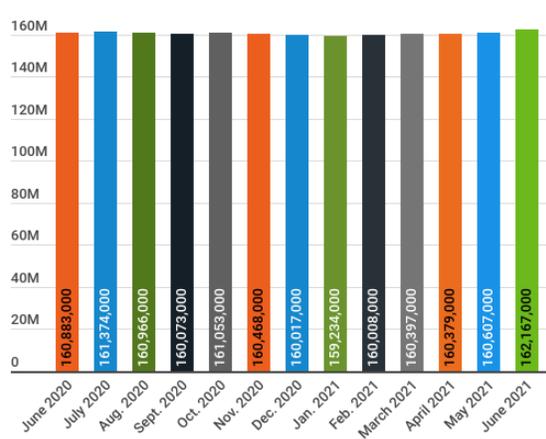
Tennessee



Knoxville MSA



United States



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

JOB MARKET

For the month of June, there were 35,929 unique active job postings in the Knoxville MSA (down 4.9% from May and up 46.1% from last June.) There were 21,683 unique active job postings in Knox County (down 8.3% from May and up 51.2% from this time last year.)

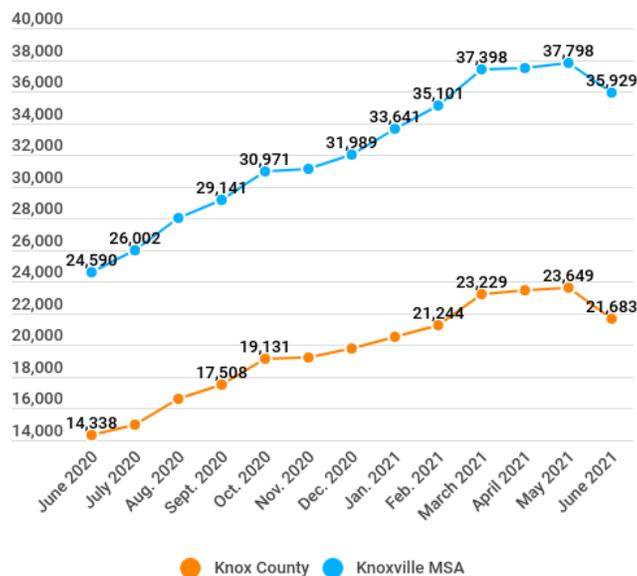
The Top 10 industries (by number of job postings) in the Knoxville MSA in June were –

Top Ten Industries by Number of Postings

Industry	Number of Postings
 Retail Trade	4,852
 Administrative Support, Waste Management and Remediation Services	4,638
 Health Care and Social Assistance	3,946
 Professional, Scientific and Technical Services	3,047
 Accommodation and Food Services	2,431
 Manufacturing	1,788
 Transportation and Warehousing	1,750
 Other Services	1,223
 Finance and Insurance	967
 Educational Services	766

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 June report shows a gain of 692,000 in nonfarm private-sector employment (a significant decrease from the 978,000 jobs gain reported in May.) Large firms (500+ employees) posted the largest gain of 240,000 jobs. Midsized businesses (50-499 employees) gained 236,000 jobs and small businesses (1-49 employees) increased by 215,000 jobs.

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 215,000 jobs gain was driven mostly by "Other Small" businesses (20-49 employees) which increased by 122,000 jobs. The "Very Small" businesses (1-19 employees) increased by 93,000 jobs.

(Source: ADP)

WORKER SHORTAGE CONTINUES

It appears the worker shortage is continuing despite the slight 1% increase in the local labor force for the Knoxville MSA. As of June, the Knoxville MSA's labor force has increased to 436,398. The Knoxville MSA's unemployment estimate (or number of available workers) has also increased to 21,059. The total June number of active job openings in the Knoxville MSA is 35,929. This currently means that if every unemployed person in the Knoxville MSA got hired today, they would now be able to fill 58% of the job openings, leaving 42% of open job positions unfilled. (This is the flip of what was the case last month when available workers would have been able to fill only 44% of job openings and 56% would go unfilled – which is encouraging - but still leaves a significant number of jobs unfilled.)

So why are so many businesses still struggling to hire workers in our region as evidenced by the responses we received to the previously mentioned bonus survey question regarding difficult occupations to fill? Perhaps there could be a misalignment of skills and qualifications between available labor and job openings, or a lack of childcare options, or misaligned expectations regarding wages and job flexibility, or as many employers argue - too much extra federal money disincentivizing people from working.

The extra \$300 weekly federal pandemic-related unemployment payments ended in Tennessee on July 3rd. Many businesses are hoping to see an uptick in hiring now that the benefit expired. (Though we are now hearing concerns that the federal childcare tax credit will just replace the canceled extra unemployment money to disincentivize going back to work.) We should hopefully get a better idea as to whether hiring improves or not over the next few months and if businesses are able staff back up to full capacity beginning with July data.

Meanwhile, 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.

Due to the aforementioned possible wage pressure, we, in partnership with the Knoxville HR Connection, Results HR, and the University of Tennessee Human Resource Management Intern Program, have launched the 2021 Wage & Benefit Survey that is designed to gauge the pay and benefit structures for the Knoxville area in order to provide actionable benchmarks for the business community. Your candid input is critical to the success and viability of the questionnaire results. To ensure your privacy, individual responses cannot be traced back to any company in particular. Please click [here](#) to complete the survey prior to **Friday, August 27**. (Respondents will receive priority access to the survey results.)

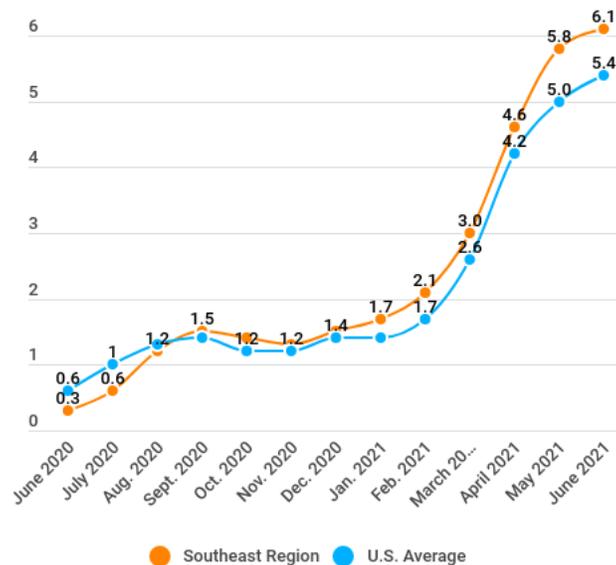
CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from June 2020 to June 2021 is 5.4%. This rate is higher than the 5.0% rate from May 2020 to May 2021. Last year, the national inflation rate was 0.6% from June 2019 to June 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 6.1% for the June 2020 to June 2021 period. This rate is up from the 5.8% rate in the May 2020 to May 2021 period. Last year, the rate was 0.3% for June 2019 to June 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 increased 15.2% from May, propelled by a boost in existing home inventory. Home sales (seasonally adjusted) in Knox County increased 27.8% from May. Both Knox County and the Knoxville area recorded strong year-over-year gains.

Nationally, existing-home sales declined to a seasonally-adjusted annual rate of 5.86 million in May — up 1.4% from the previous month. Home sales in the South were unchanged from May. The median home sales price in the Knoxville area was \$275,000 in June — an increase from the previous month and up 22.2% year-over-year. Knox County’s median home sales price was \$295,000 in June – up from \$278,000 in May and up 20.4% year-over-year.

Housing inventories remain tight nationally, regionally, and locally. In the Knoxville area, active listings are down more than 46% compared to this time a year ago. 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, rose to 1.05 months in June — the first increase since January 2021.

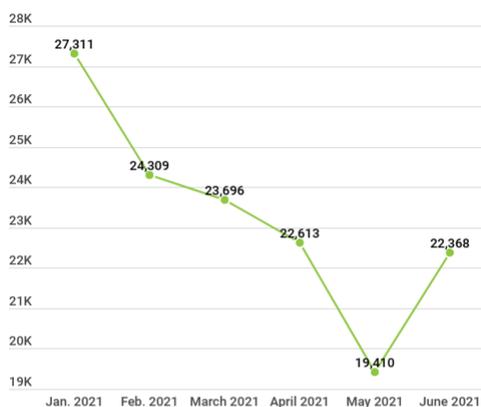
According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, “Data suggests the housing market is beginning to moderate, though it remains highly competitive with persistent supply-demand gap. The considerable jump in seasonally adjusted home sales is largely the result of more inventory, a sign of the typical springtime boost.”

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.

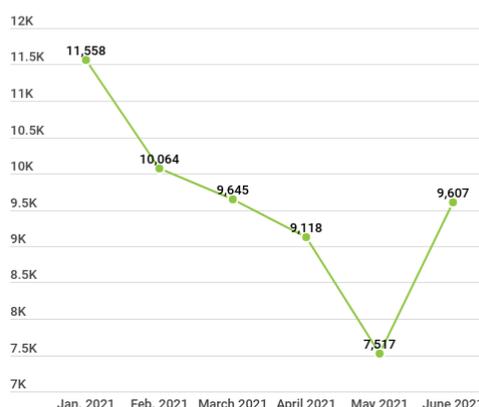
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

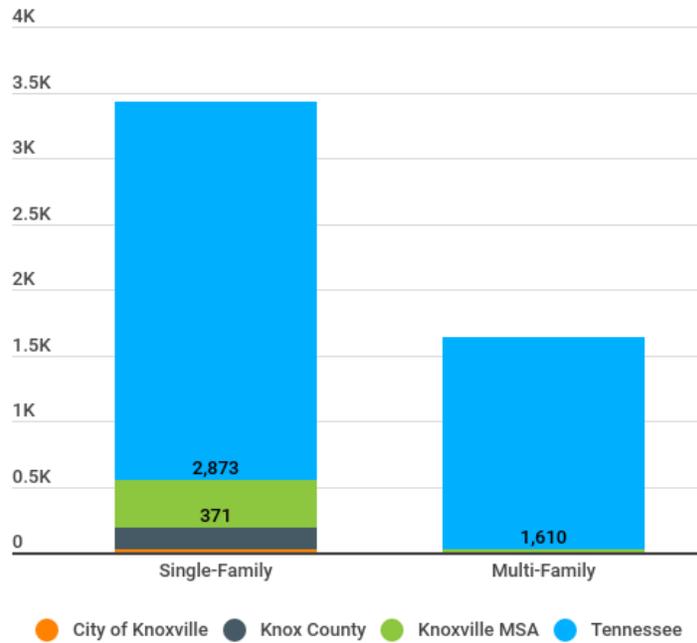
	Knoxville Area						Knox County						
	June 2020	July 2020	Aug. 2020	Sept. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021
Active Listings Inventory	3,730	3,610	3,210	3,000	3,110	2,920	2,570	2,170	1,960	1,780	1,920	1,960	2,010
Median Home Sales Price	\$225,000	\$235,000	\$236,000	\$236,000	\$250,000	\$243,000	\$240,000	\$239,000	\$245,000	\$255,000	\$260,000	\$265,000	\$275,000
Months Inventory	2.53	1.84	1.40	1.48	1.49	1.38	1.40	1.14	1.33	1.22	1.03	1.02	1.05
Absorption Rates	40%	54%	72%	68%	67%	73%	71%	88%	75%	82%	97%	98%	95%

	Knoxville Area						Knox County						
	June 2020	July 2020	Aug. 2020	Sept. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021
Active Listings Inventory	1,050	1,020	964	910	1,010	937	807	649	578	505	548	516	500
Median Home Sales Price	\$245,000	\$250,000	\$246,000	\$248,000	\$259,000	\$260,000	\$249,000	\$250,000	\$260,000	\$260,000	\$269,000	\$278,000	\$295,000
Months Inventory	1.54	1.17	0.97	1.15	1.19	1.10	1.12	0.81	0.91	0.72	0.00	0.00	0.00
Absorption Rates	65%	85%	103%	87%	84%	91%	89%	121%	104%	119%	136%	152%	151%

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

Residential Building Permits

May 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 June 2021 was \$631.1 billion (down 2.1% from May but up 19% from last June.)

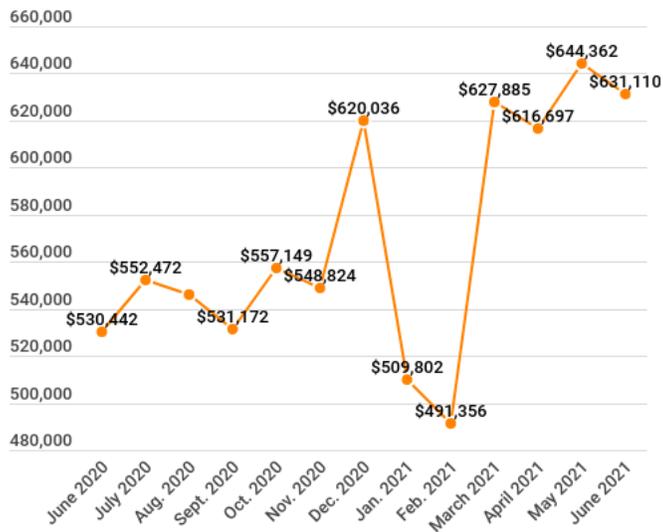
All retail sectors showed growth from this time last year. The retail sectors that showed the greatest growth from last June were Clothing Stores (+54.9%), Food Services and Drinking Places (+49.5%), Gasoline Stations (+39.9%), Miscellaneous Stores (+32.7%), Furniture and Home Furnishings Stores (+25.5%), Motor Vehicle and Parts Sales (+19.9%), Electronics and Appliances (+15.9%), Sporting Goods/Books/Hobby/Music Stores (+15.6%), Health and Personal Care Stores (+13.6%), and General Merchandise Stores (+13.3%).

Retail sectors are now most likely benefitting from pent up customer demand 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

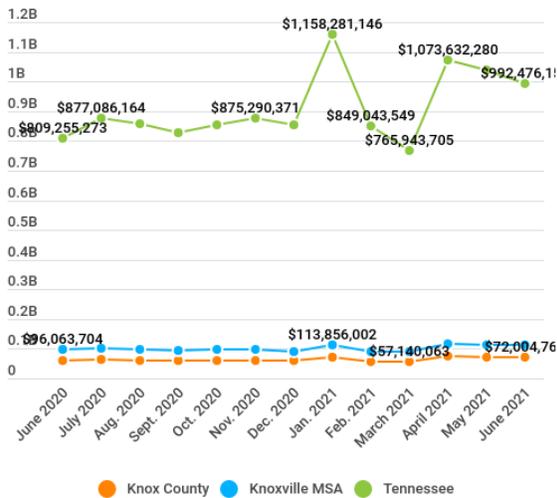
The Knoxville MSA region collected \$113.8 million in state sales taxes in June (unchanged from May and up 19.3% from last June) and Knox County collected \$72 million in June (down 0.5% from May and up 20.9% from last June.) The state of Tennessee collected \$992.5 million in state sales taxes in June (down 4.5% from May and up 22.6% from last June.)

The Knoxville MSA collected \$38.6 million in local sales taxes in June (down 1.5% from May and up 23.2% from last June) and Knox County collected \$23 million (down 2.2% from May and up 21.4% from last June.)

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 – [Optimas Solutions](#), a global industrial manufacturer, distributor and service provider, announced the opening of a new 25,000 square-foot regional distribution center at 132 Sherlake Lane in West Knoxville. The new facility is part of the larger Optimas strategy of creating “a U.S. distribution footprint that more efficiently brings supply closer to customer demand to ensure timely delivery of parts, plus better inventory management.” You can read more [here](#).

July 14, 2021 – [Avertium](#), a cybersecurity management company, reopened its recently renovated headquarters and state-of-the-art Cyber Fusion Center at Centerpoint Business Park. The company provides managed IT security services and cybersecurity consulting services including actionable risk assessments, pen testing, cyber augmentation services, digital forensics, and incident response. Avertium was formed in 2019 when Knoxville-based Sword & Shield was acquired by a growth equity firm and merged with several other companies. The company actively recruits from Pellissippi State Community College’s Cybercrime Unit, the University of Tennessee, and several other schools in East Tennessee. You can read more [here](#).

July 16, 2021 – [Kairos Power](#), a nuclear power engineering company, announced it will invest \$100 million and create 55 new jobs to establish a low-power demonstration reactor at East Tennessee Technology Park in Oak Ridge. The reactor, called Hermes, is a scaled version of the company’s Fluoride Salt-Cooled High-Temperature Reactor, an advanced reactor technology that seeks to provide carbon-free, affordable, and safe energy. Kairos Power was launched as a mission-driven engineering company through joint broad research efforts at U.S. universities and national laboratories. The company will accelerate the development of innovative nuclear technology that has the potential to be cost competitive with natural gas in the U.S. electricity market and reshape the global energy landscape. You can read more [here](#).

July 20, 2021 – [The Outpost](#), a live music venue, announced it will be located at 808 S. State Street just east of the First Horizon Tower in downtown Knoxville. The 5,000 square-foot venue is slated to open sometime in 2022 and will be able to accommodate up to 450 people. The Outpost will be small enough to be intimate but large enough to attract big name acts. Owners, Kent Oglesby and Garrett Thomson, are inviting musicians to perform a concert series, “The Outpost Outdoors Concert Series”, in a parking lot adjacent to the new venue this September and October. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

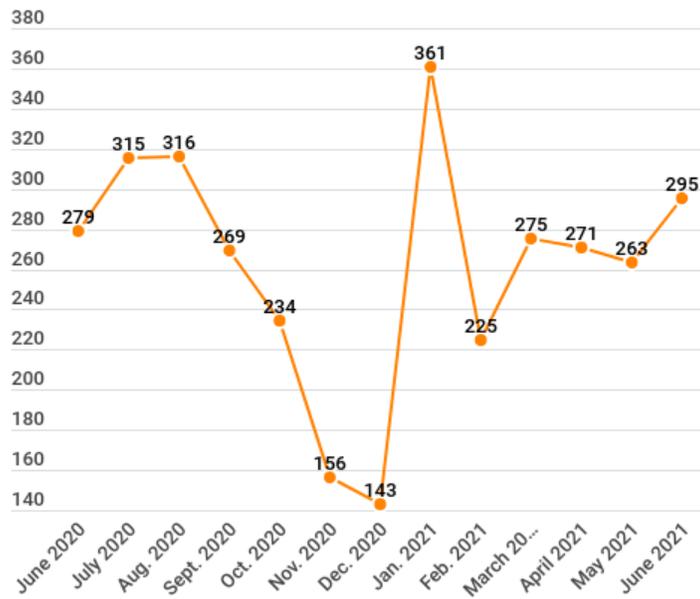
New business licenses issued in June 2021 by Knox County are up 5.7% from June 2020 during the pandemic and are also up 7.3% from the pre-pandemic June 2019 count. This marks the third time this year that business licenses have been higher than the same month of the pre-COVID year 2019. (The other times were March 2021 when business licenses were 8.7% higher than March 2019 and last month when business licenses were 6% higher than May 2019.)

A total of 295 new business licenses were issued in June 2021 compared to 279 in June 2020 and 275 in June 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)

TENNESSEE RANKS #15 FOR BEST STATE FOR BUSINESS STARTS

[WalletHub](#) recently released its rankings of “Best States for Business Starts” and Tennessee came in at #15. The report ranked the states based on weighted scoring in three major areas – “Business Environment,” “Business Costs,” and “Access to Resources.”

Tennessee placed #7 for “Business Environment” (which includes metrics such as the growth in the number of small businesses, the number of startups per capita, five-year business survival rates, the entrepreneurship index, industry variety, average length of workweek, share of engaged workers, and GDP growth.) Tennessee ranked #16 for “Business Costs” (which includes office space affordability, labor costs, corporate taxes, state and local taxes, cost of living, and insurance costs.)

The last category, “Access to Resources,” includes a few metrics that we know needs improvement such as financing accessibility/small business loans, venture investment, and working age population growth. Tennessee ranked #39 for “Access to Resources.” You can access the full report [here](#).

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 171,924 passengers in May (up 26.2% from April's passenger traffic and up a whopping 441.7% from COVID-ravaged May 2020 but down 25.9% from pre-COVID May 2019.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in June was 1,890,429 (up 284.4% from the June 2020 daily passenger average of 491,835 but still down 26% from the pre-COVID June 2019 average of 2,555,626.) You can view the daily TSA checkpoint travel numbers [here](#).

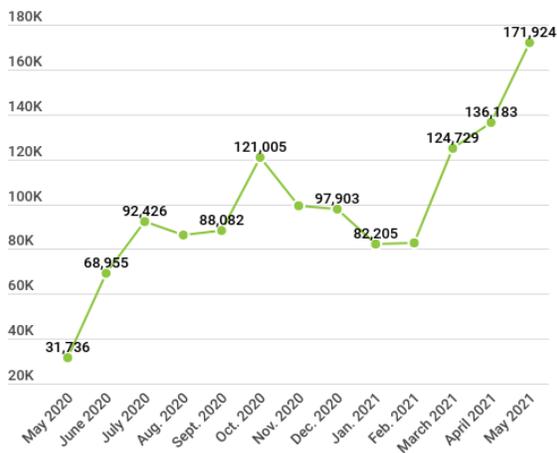
Domestic U.S. air travel demand continues to strengthen due to the initial rapid vaccine rollout and the [International Air Transport Association \(IATA\)](#) now expects a full recovery by the end of this year or early next year. However, this rebound in travel could be at risk if the new delta variant of COVID rages uncontrolled and causes more widespread surges and travel restrictions. International air travel will still 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 May 2021 [here](#).

The total freight recorded in May at TYS was 7,398,728 tons (down 5.9% from April and up 13.2% from last May.)

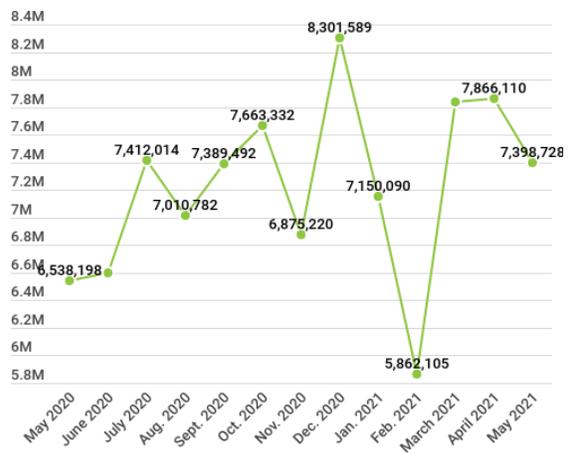
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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