

# NOVEMBER 2021

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FINANCED BY FIRST HORIZON BANK

Welcome to the November 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**

(Due to a technical issue, we did not receive any responses in the manufacturing sector this month. Below is the manufacturing survey analysis from last month.)

Based on the response to the October survey, the level of general business activity and the outlook for the next six months are split between “worse” and “the same.” (Business activity and outlook were both reported as split between “improved” and “the same” in the September survey.)

The month-over-month responses showed “increases” in delivery time. “No changes” were reported for capacity utilization, unfilled orders, prices received for finished goods, wages and benefits, number of employees, and average employee workweek. “Decreases” were reported for the volume of new orders, growth rate of orders, and finished goods inventories. Production, prices paid for raw materials, and capital expenditures were split between “increase” and “no change.” The volume of shipments was split between “decrease” and “no change.” (Month-over-

month responses in September showed “increases” in capacity utilization, prices paid for raw materials, wages and benefits, number of employees, and capital expenditures. The growth rate of orders, unfilled orders, and average employee workweek were split between “increase” and “no change.” The volume of new orders and finished goods inventories were split between “increase” and “decrease.”)

The six-month outlook projects an “increase” in prices paid for raw materials. The future growth rate of orders is expected to “decrease.” “No changes” are expected for the number of employees and average employee workweek. Responses are evenly split between “increase” and “no change” for unfilled orders, prices received for finished goods, and wages and benefits. Future capital expenditures and delivery time are evenly split between “increase” and “decrease.” Future production, capacity utilization, volume of new orders, volume of shipments, and finished goods inventories are evenly split between “decrease” and “no change.” (The six-month outlook in the September survey projected an “increase” in unfilled orders, delivery time, and prices paid for raw materials. Responses were split between “increase” and “no change” for number of employees, average employee workweek, and capital expenditures. Future production, capacity utilization, volume of new orders, and finished goods inventories were split between “increase” and “decrease.” The growth rate of orders was split between “decrease” and “no change.”)

Manufacturing comments indicate that the supply chain for raw materials is still a struggle and appears to be worsening.

## **RETAIL**

Knoxville area retailers indicated in the November survey that their evaluation of the level of general business activity and company outlooks are split between “worsened” and “the same.” (Respondents said that general business activity was split between “improved” and “the same,” while company outlooks were mostly “improved” in last month’s survey.)

The month-over-month responses in the November survey indicated “increases” in wages and benefits. “No change” was reported for internet sales and number of employees (both full-time and part-time.) Responses were evenly split between “increase” and “no change” for average employee workweek, selling prices, and capital expenditures. Net sales revenue and input prices were evenly split between “increase” and “decrease.” Inventories were evenly split between “decrease” and “no change.” (Month-over-month responses in October showed “increases” in net sales revenue, wages and benefits, input prices, selling prices, and inventories. “No change” was reported for internet sales. The average employee workweek was “mixed.” Responses were split between “increase” and “no change” for all other items.)

The six-month outlook projects an “increase” for wages and benefits, selling prices, and input prices. “No change” is expected for internet sales. The forecast is evenly split between “increase” and “no change” for the number of employees (both full-time and part-time) and

capital expenditures. Future net sales revenue and inventories are evenly split between “increase” and “decrease,” while the average employee workweek is evenly split between “decrease” and “no change.” (The October survey’s six-month outlook differed from this month by forecasting net sales revenue, average employee workweek, selling prices, and inventories would be split between “increase” and “no change.” Capital expenditures were expected to “increase,” while “no change” was expected for wages and benefits.)

Retail comments indicate that COVID-19 vaccination-related mandates could significantly reduce the ability of businesses to operate.

## **SERVICE**

Knoxville area service sector businesses reported in the November survey that their current level of general business activity is “mixed” while company outlooks are mostly reported as “the same.” (This marks the fourth consecutive month that service sector respondents indicated this same sentiment.)

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

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. “No changes” are mostly expected for the average employee workweek. The future number of part-time employees is mostly split between “increase” and “no change.” (Last month’s six-month outlook was similar for all items except “no change” was expected for the number of part-time employees and the number of full-time employees was split between “increase” and “no change.”)

Service sector comments indicate that there is continued concern regarding the current rate of rising inflation and increased government regulations. Finding qualified employees continues to be a challenge. Competing and contradictory COVID-19 vaccination mandates and masking regulations between the federal and state governments is causing mass confusion with businesses being faced with the impossible task of trying to interpret, implement, and comply with the conflicting government orders without being in violation of either the federal or state rules.

**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/](http://www.knoxvillechamber.com/ecoregistration/)*

## **IMPACT OF EMPLOYEE RETIREMENTS ON BUSINESS DURING COVID-19**

In addition to the regular monthly survey questions, we asked respondents if employee retirements during the last two years have impacted their business and if so, did retirements increase, decrease, or stay the same during COVID-19.

The overwhelming majority (70%) of respondents indicated that they did not experience any impacts from employee retirements during COVID-19. The majority (67%) of the service sector respondents indicated they did not experience any business impacts from retirements, while 33% indicated that they did. No retailers indicated any retirement impacts.

For the businesses that did indicate that they did experience impacts from employee retirements, 60% said retirements increased during COVID-19, while 40% indicated that retirements stayed the same during COVID-19.

## LABOR MARKET INFORMATION

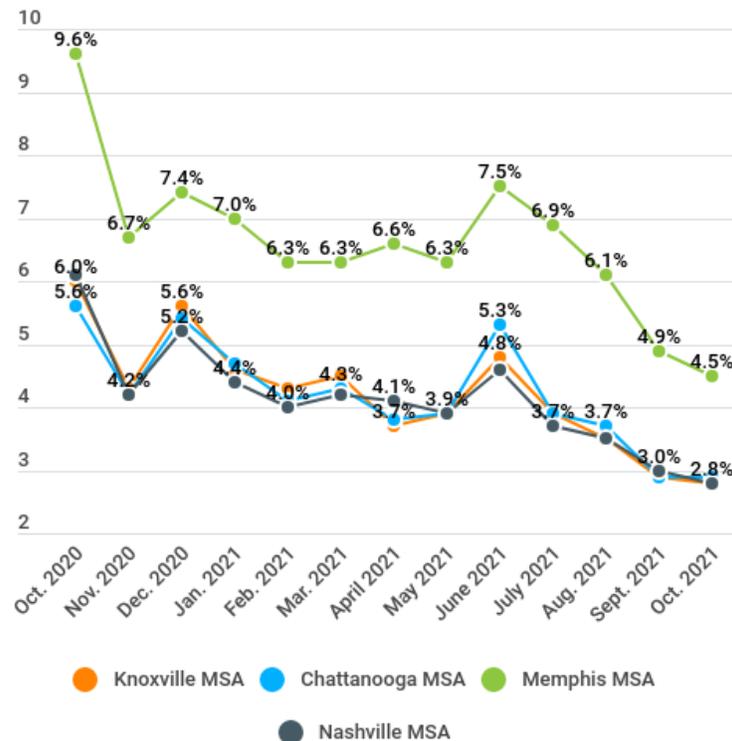
The Knoxville MSA's unemployment rate in October was 2.8% (this was lower than September's 2.9% rate and lower than the COVID-related 6.0% rate from October 2020.) Knox County's unemployment rate in October was 2.7% (unchanged from September and down from 5.6% in October 2020.) Tennessee's unemployment rate was 3.3% in October (down from 3.5% in September and down from 7.4% in last October.) The U.S. unemployment rate was 4.3% in October (down from the 4.6% rate in September and down from the 6.6% unemployment rate recorded last October.)

The size of the total labor force slightly increased from September to October at the local, state, and national level. The Knoxville MSA's labor force increased 0.5% (from 428,513 in September to 430,464 in October.) Knox County's labor force increased 0.4% (from 244,129 in September to 245,169 in October.) Tennessee's labor force increased 0.3% (from 3,286,244 in September to 3,295,071 in October.) The national labor force increased 0.3% (from 161,392,000 in September to 161,862,000 in October.)

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

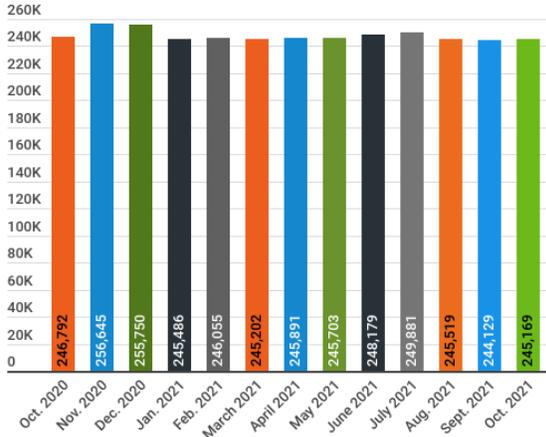
### Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

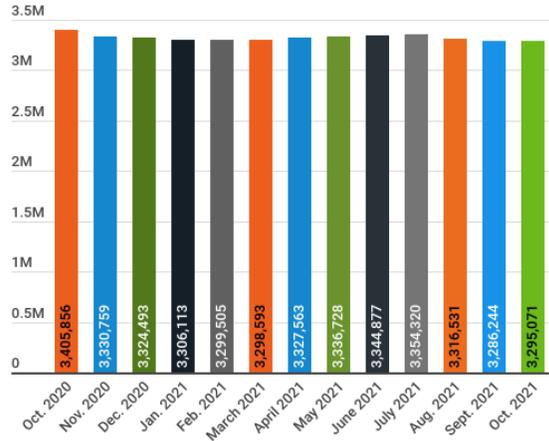


# Resident Labor Force

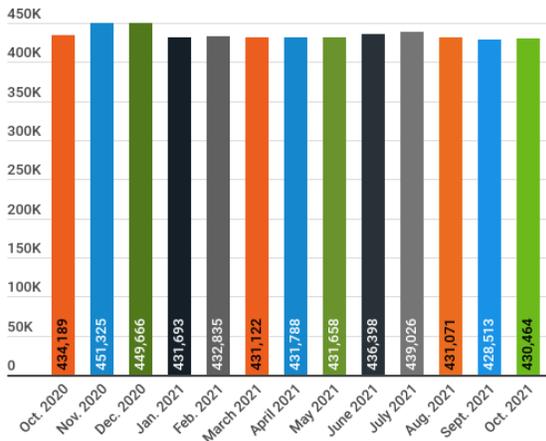
## Knox County



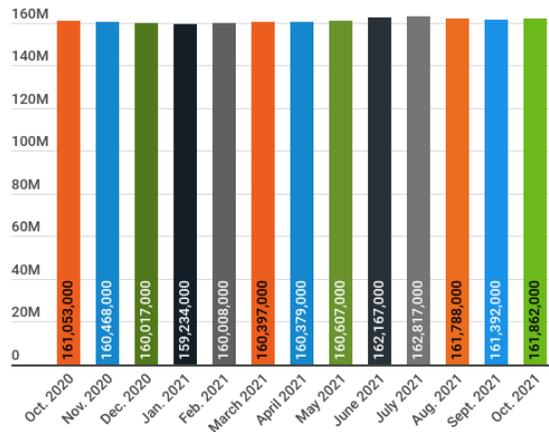
## Tennessee



## Knoxville MSA



## United States



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

## JOB MARKET

For the month of October, there were 42,675 unique active job postings in the Knoxville MSA (up 7.0% from September and up 37.8% from last October.) There were 27,211 unique active job postings in Knox County (up 5.5% from September and up 42.2% from this time last year.)

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

### Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Retail Trade	4,616
	Administrative Support, Waste Management and Remediation Services	4,520
	Health Care and Social Assistance	3,689
	Professional, Scientific and Technical Services	2,995
	Accommodation and Food Services	2,593
	Transportation and Warehousing	1,846
	Manufacturing	1,624
	Finance and Insurance	911
	Wholesale Trade	787
	Construction	785

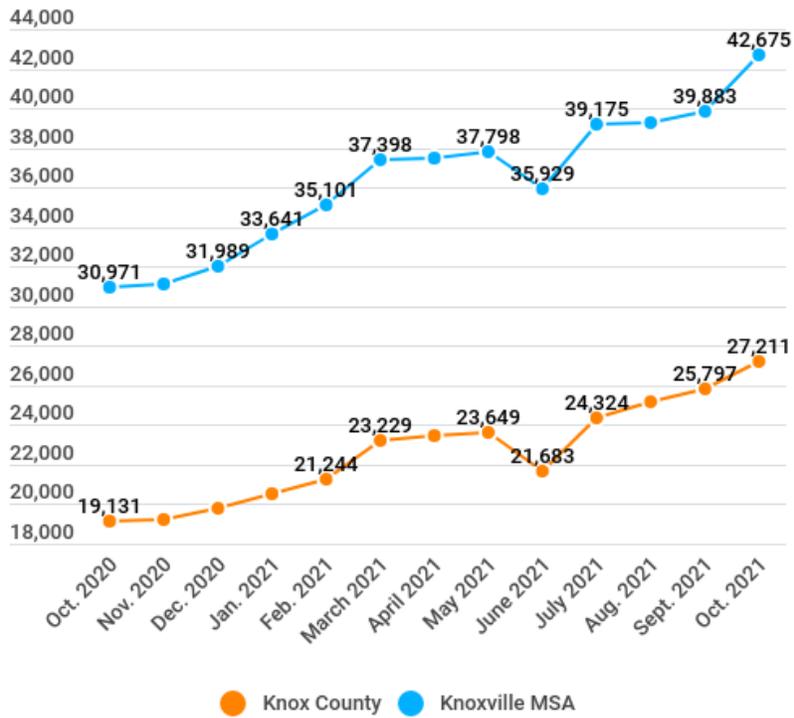
The Top 10 occupations (by number of job postings) in the Knoxville MSA in October were –

### Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Heavy and Tractor-Trailer Truck Drivers	2,117
	Registered Nurses	1,680
	First-Line Supervisors of Retail Workers	1,468
	Customer Service Representatives	1,296
	Retail Salespersons	1,244
	Stockers and Order Fillers	1,016
	Home Health and Personal Care Aides	918
	Software Developers	741
	Light Truck Drivers	674
	Fast Food and Counter Workers	664

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 October report shows a gain of 571,000 in nonfarm private-sector employment (an increase from the 568,000 jobs gain reported in September.) Large firms (500+ employees) posted the largest gain of 342,000 jobs. Small businesses (1-49 employees) increased by 115,000 jobs and midsized businesses (50-499 employees) gained 114,000 jobs.

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 115,000 jobs gain was driven mostly by "Other Small" businesses (20-49 employees) which increased by 60,000 jobs. The "Very Small" businesses (1-19 employees) increased by 56,000 jobs.

*(Source: ADP)*

## WORKER SHORTAGE CONTINUES

The regional worker shortage continues as the Knoxville MSA's labor force only increased slightly by 0.5% from 428,513 in September to 430,464 in October while the total number of job openings increased 7% from 39,883 in September to 42,675 in October. Meanwhile, the Knoxville MSA's unemployment estimate (or number of available workers) has decreased 1.5% from 12,334 in September to 12,155 in October. This currently means that if every unemployed person in the Knoxville MSA got hired today, they would only be able to fill 28% of the job openings, leaving 72% of open job positions unfilled.

The labor shortages are persisting longer than many economists expected. Businesses and policymakers were hoping that the expiration of the extra \$300 weekly unemployment benefit was going to cause a massive movement of jobless Americans to return to work. The extra federal unemployment benefit officially ended September 6th nationally and yet there has not been a significant influx of job applicants. Instead, the total workforce has continued to mostly shrink (or grow sparingly) at the national, state, and local levels. Economists continue to believe that there is a range of factors that continue to keep people from returning to the workforce including a continued fear of contracting COVID-19 in many public-facing jobs, a lack of childcare options, and career re-evaluations. You can read more [here](#).

There will continue to be more increasing pressure on wages, job flexibility, and childcare options. As a region, we must 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.

Immigration reform could potentially help ease the current worker shortage in the U.S. as low-wage foreign workers could fill many job openings in some of the hardest-hit industries including construction, accommodation and hospitality, various personal services (like salons, dry cleaners, repair services, etc.), and most importantly – transportation and warehousing. Currently, the U.S. has 774,010 job openings in transportation and warehousing (of which 759,172 are for heavy and tractor trailer truck drivers), over 1.5 million job openings in retail trade, 669,154 openings in accommodation and food services, and 213,174 openings in construction. Recruiting immigrants to work in these industries could help open up the supply chain bottlenecks at the ports, get more houses built to meet the affordable housing shortage, and better accommodate the increasing numbers of customers that are shopping, traveling, and eating inside restaurants. You can read more [here](#).

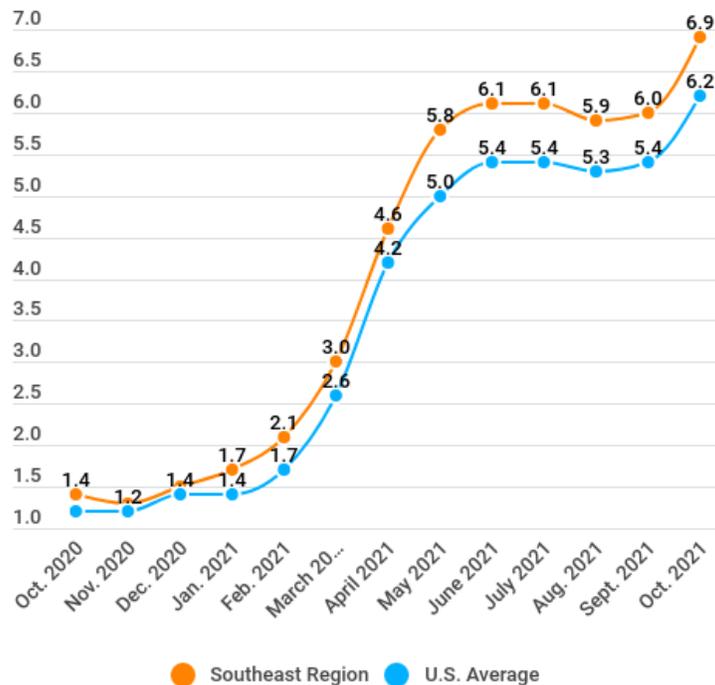
## CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from October 2020 to October 2021 is 6.2%. This is up from the 5.4% rate from September 2020 to September 2021. Last year, the national inflation rate was 1.2% from October 2019 to October 2020. Even though higher inflation is persisting longer than the Fed's expected, the Federal Reserve still insists 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 high inflation rates for the past seven months are raising further debates among economists as to whether the higher inflation is as "transitory" as the Fed believes. 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 6.9% for the October 2020 to October 2021 period. This is up from 6.0% in the September 2020 to September 2021 period. Last year, the rate was 1.4% for October 2019 to October 2020.

### Inflation Rates

Consumer Price Index - All Items



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

## HOUSING MARKET

Home sales in the Knoxville area increased 1.2% in October to a seasonally adjusted annual rate (SAAR) of 24,528. Conversely, home sales in Knox County declined 1.2% from the previous month to a seasonally adjusted annual rate (SAAR) of 9,707. Both the Knoxville area and Knox County experienced slight year-over-year declines.

Nationally, existing-home sales increased to a seasonally-adjusted annual rate of 6.34 million in October — up 0.8% from the previous month but down 5.8% from a year ago. Home sales in the South rose 0.4% from the previous month.

The median home sales price in the Knoxville area was \$285,000 in October — an increase of 14.0% from one year ago. Knox County's median home sale price was \$291,500 — an increase of 17.1% from one year ago.

Thirty-nine percent of homes sold for over asking price in October, down from 41% the previous month. 19.7% of homes sold for at least \$10,000 over asking price and 6.9% sold for at least \$25,000 over asking price, both lower than the respective share in the previous month. New construction (i.e. “Never Occupied,” “To Be Built,” “Under Construction,” or “Under Roof”) represented 9.12% of total home sales, though move-in ready homes accounted for just over 20% of those new construction sales.

Housing inventories have remained tight nationally, regionally, and locally since the onset of the pandemic — though the number of active listings has fallen dramatically in the past few months. In the Knoxville area, total inventory was down around 30% from a year ago and nearly 46% from pre-pandemic levels. 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, continues to hover around 1.1 months.

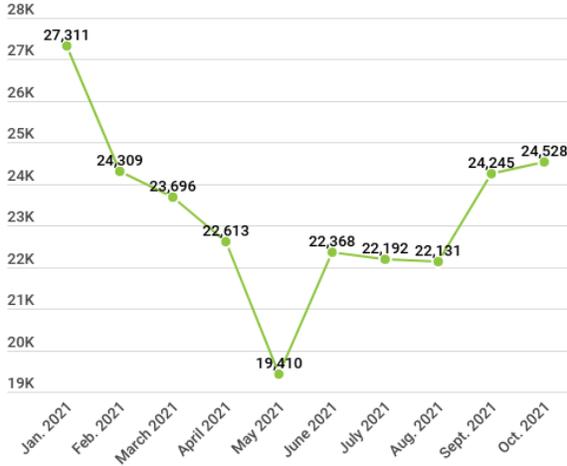
According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, *“The year-over-year decline in home sales can be attributed almost exclusively to a broad and sustained lack of inventory in both the Knoxville area and Knox County. As is typical this time of year, new listings have slowed. Aided by yet another dip in mortgage rates in the past month, demand has remained high and continued to quickly absorb new inventory. Prices remain relatively stable given the highly competitive nature of the current market but have shown some signs of returning to seasonal fluctuations.”*

*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.*

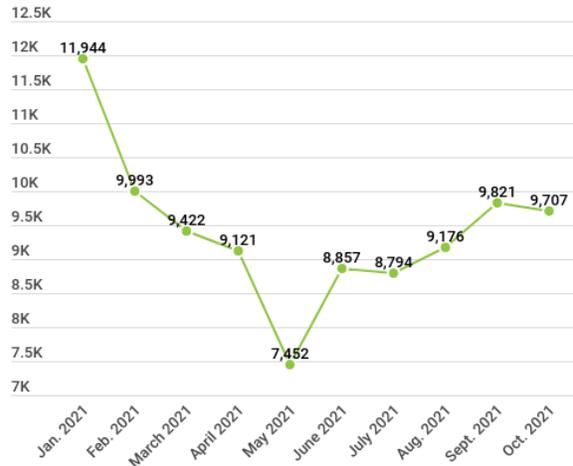
# Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

## Knoxville Area



## Knox County



## Knoxville Area Housing Market

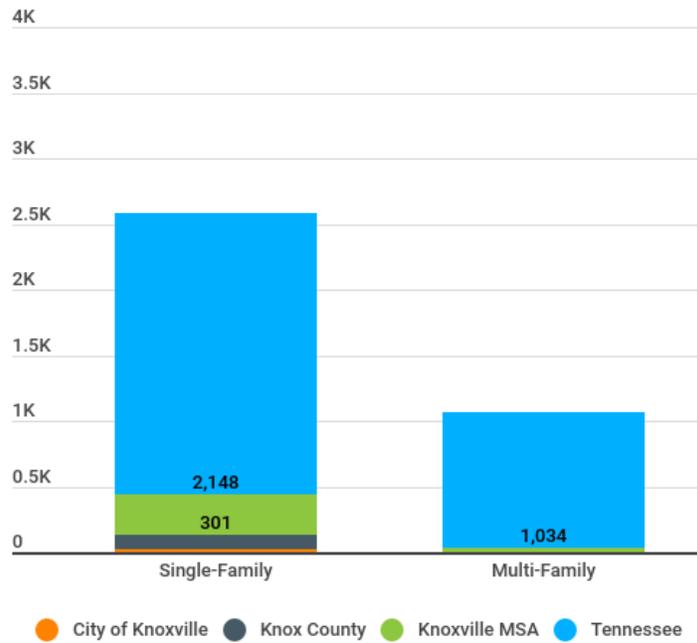
	Knoxville Area						Knox County						
	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021
Active Listings Inventory	3,010	2,840	2,490	2,100	1,910	1,720	1,910	2,040	2,350	2,660	2,770	2,730	2,310
Median Home Sales Price	\$250,000	\$245,000	\$240,000	\$240,000	\$245,000	\$255,000	\$260,000	\$265,000	\$275,000	\$284,000	\$285,000	\$285,000	\$285,000
Months Inventory	1.46	1.35	1.37	1.11	1.31	1.20	1.02	1.06	1.23	1.21	1.30	1.27	1.09
Absorption Rates	68%	74%	73%	90%	77%	84%	98%	94%	81%	83%	77%	79%	92%

	Knoxville Area						Knox County						
	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021
Active Listings Inventory	967	903	774	621	553	478	527	518	578	656	683	651	541
Median Home Sales Price	\$259,000	\$260,000	\$250,000	\$253,000	\$260,000	\$260,000	\$270,000	\$278,000	\$295,000	\$300,000	\$301,000	\$291,000	\$292,000
Months Inventory	1.15	1.07	1.09	0.81	0.91	0.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Absorption Rates	87%	93%	92%	126%	109%	125%	141%	151%	131%	142%	127%	136%	152%

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

## Residential Building Permits

Sept. 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 October 2021 was \$634.6 billion (up 4.6% from September and up 13.9% from last October.)

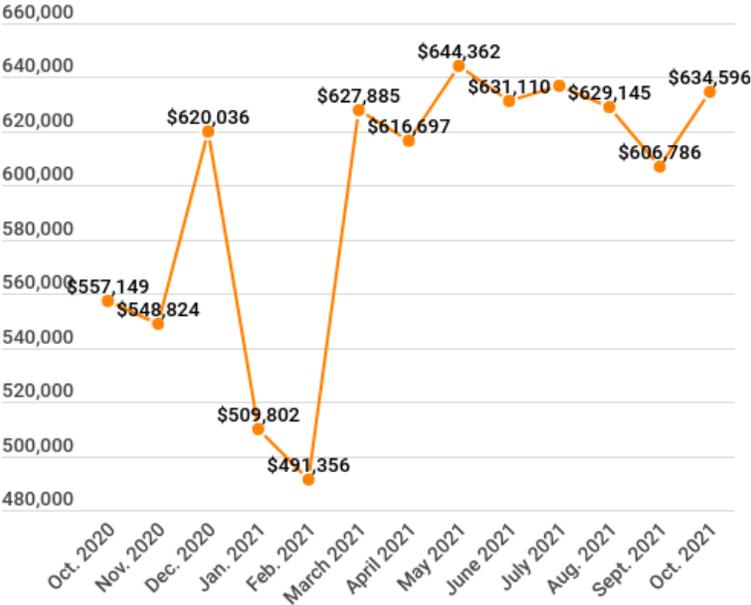
All retail sectors showed growth from this time last year. The retail sectors that showed the greatest growth from last October were Gasoline Stations (+47.4%), Clothing Stores (+31.3%), Food Services and Drinking Places (+30.0%), Miscellaneous Stores (+26.0%), Sporting Goods/Books/Hobby/Music Stores (+22.7%), General Merchandise Stores (+19.1%), and Furniture and Home Furnishings Stores (+15.1%).

Retail sectors seem to continue to benefit from pent up customer demand and increasing leisure 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

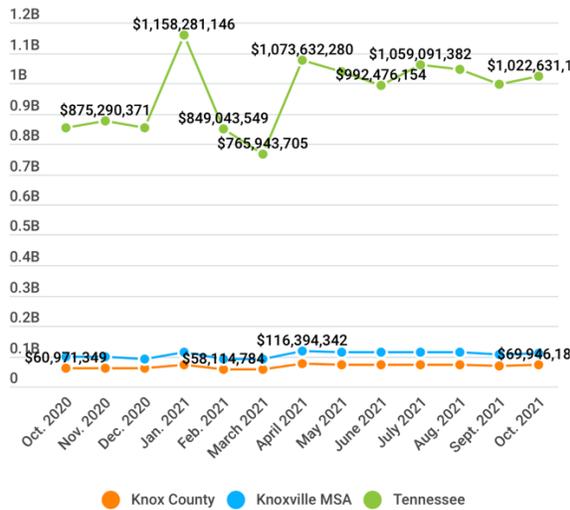
The Knoxville MSA region collected \$110.04 million in state sales taxes in October (up 3% from September and up 12.3% from last October) and Knox County collected \$69.95 million in October (up 1.4% from September and up 14.7% from last October.) The state of Tennessee collected \$1.023 billion in state sales taxes in October (up 2.7% from September and up 20% from last October.)

The Knoxville MSA collected \$39.12 million in local sales taxes in October (up 4.8% from September and up 16.8% from last October) and Knox County collected \$23.45 million (up 4% from September and up 17.3% from last October.)

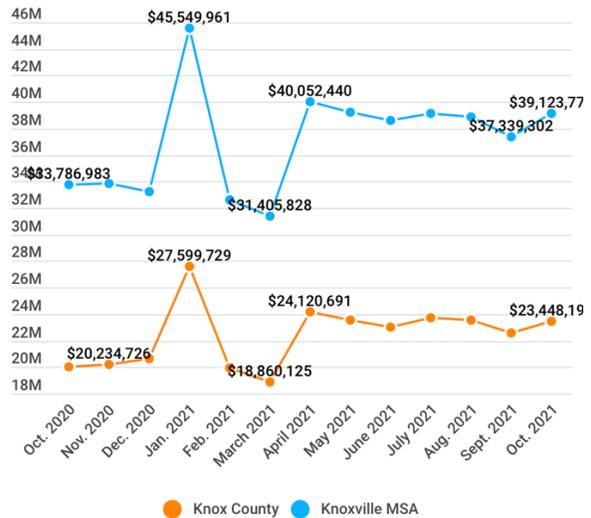
These significant increases in state and local sales tax collections from last year indicate that consumer spending continues to be strong.

### 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](mailto:jriley@knoxvillechamber.com).

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

**October 18, 2021** – [East Tennessee Children’s Hospital](#) expanded their pediatric services into Blount County by opening the [Blount Outpatient Center](#) in partnership with [TeamHealth](#). The new urgent care center is located at 352 Fountain View Circle in Alcoa and provides immediate medical attention to children from birth to 21 years old during hours of the day when most pediatrician offices are typically closed. Hours of operation are from 4 to 11 PM during the week and 1 to 11 PM on weekends. You can read more [here](#).

**November 10, 2021** – [General Fusion](#), a Canadian fusion energy technology development firm, announced that their new U.S. headquarters operation will be located in Oak Ridge. The company is expanding its collaboration with national laboratories, universities, and the U.S. government as it advances plans for a “first-of-a-kind” commercial pilot plant. “The new Oak Ridge operation will create up to 50 highly technical jobs to advance the company’s commercialization of fusion energy – a carbon-free power source necessary to meet the growing global energy demand while fighting climate change.” You can read more [here](#).

**November 16, 2021** – [Tennessee Smokies Stadium](#), a \$74.5 million multiuse baseball stadium, has cleared a last major government hurdle with Knoxville City Council’s approval of an agreement that ties together the city, Knox County, and the Knoxville Knox County Sports Authority to help finance and develop the stadium in the Old City. Randy Boyd, Tennessee Smokies owner and University of Tennessee System President, has committed to bringing at least \$142 million in private money to build 630,000 square feet of restaurants, retail, and residential units around the stadium. Plans also include a 22,000 square foot space that could be a future grocery store. [One Knoxville Sporting Club](#), the newly formed soccer team, will also play their home games at the stadium. You can read more [here](#).

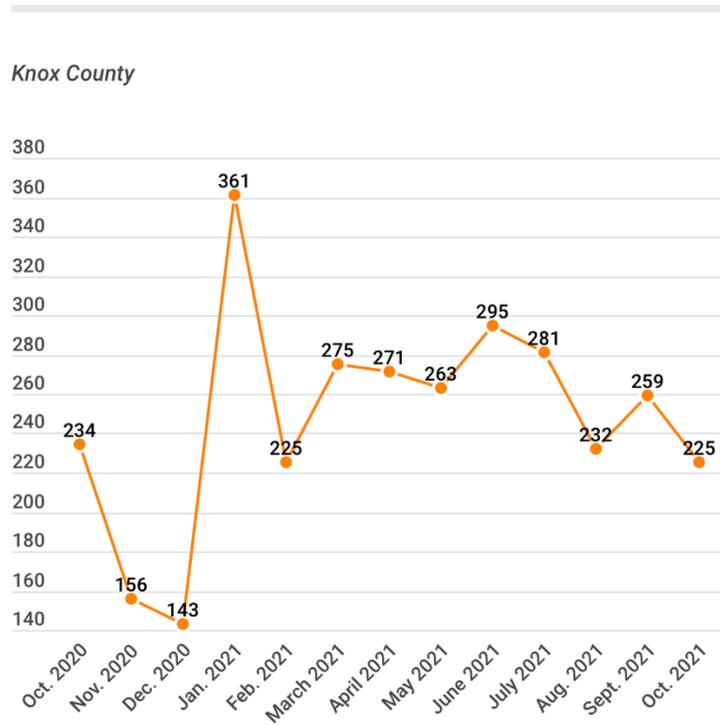
## KNOX COUNTY BUSINESS LICENSES

New business licenses issued in October 2021 by Knox County are down 3.8% from October 2020 during the pandemic and are also down 13.1% from the pre-pandemic October 2019 count.

A total of 225 new business licenses were issued in October 2021 compared to 234 in October 2020 and 259 in October 2019. The top industry sectors for which business licenses were issued in October 2021 were services, retail, construction, and non-classified establishments.

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

### Business Licenses



*(Source: Knox County Clerk)*

Despite this month's decline in the number of new business licenses in Knox County, the state of Tennessee placed 12th nationally for the greatest increase in new business applications since COVID-19 according to a recent research report from [CardConnect](#). Tennessee recorded a 60.23% increase in new business applications compared to 2019. The top performing states were Mississippi (111.94% growth), Georgia (96.79% growth), Louisiana (84.69% growth), South Carolina (84.52% growth), and Alabama (81.29% growth). You can read more [here](#).

## MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 183,243 passengers in September (up 1% from August's passenger traffic and up a whopping 108% from COVID-ravaged September 2020 but down 13.7% from pre-COVID September 2019.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in October was 1,843,949 (up 122.3% from the October 2020 daily passenger average of 829,570 but still down 20.7% from the pre-COVID October 2019 average of 2,326,075.) You can view the daily TSA checkpoint travel numbers [here](#).

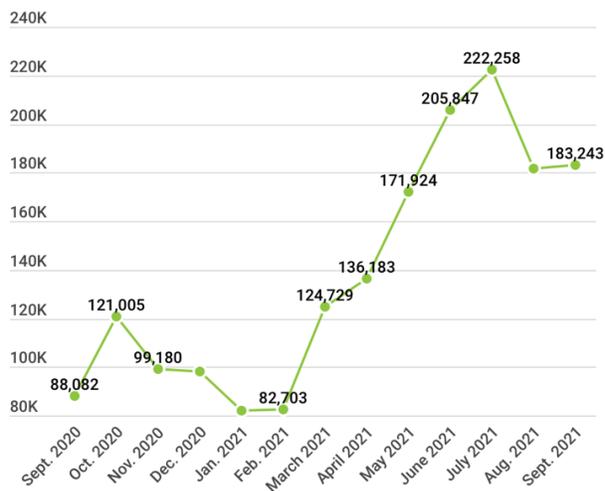
According to the [International Air Transport Association \(IATA\)](#), passenger volumes in the domestic U.S. market reached 87% of the pre-crisis levels. Travel bookings indicated accelerated growth in October. You can also read IATA's full Air Passenger Market Analysis for September 2021 [here](#).

The total freight recorded in September at TYS was 7,489,536 tons (up 2.1% from August and up 1.4% from last September.)

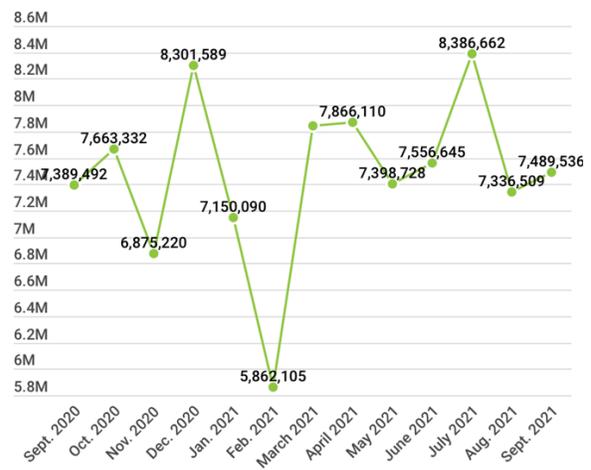
### Air Service

at McGhee-Tyson Airport

#### Passengers



#### Freight



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