

DECEMBER 2021



FINANCED BY FIRST HORIZON BANK

Welcome to the December 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 December survey, the level of general business activity and the outlook for the next six months are reported as being “the same.” (Business activity and the outlook for the next six months were split between “worse” and “the same” in the October survey. Due to technical issues, we did not receive any manufacturing input in November.)

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

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

Manufacturing comments indicate that the supply chain problems are persisting for some industries with improvements not expected until around summer 2022.

RETAIL

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

The month-over-month responses in the December survey indicated mostly “increases” in net sales revenue, average employee workweek, input prices, and capital expenditures. “No changes” were mostly reported for internet sales, number of full-time employees, wages and benefits, and selling prices. Responses were “mixed” for the number of part-time employees and inventories. (Month-over-month responses in November showed “increases” in wages and benefits. “No change” was reported for internet sales and number of full-time and part-time employees. 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.”)

The six-month retail outlook projects mostly “increases” for all business indicators except for net sales revenue which are expected to mostly “decrease” and “no changes” are forecasted for internet sales. (The November survey’s six-month outlook projected an “increase” for wages and benefits, selling prices, and input prices. “No change” was expected for internet sales. The forecast was evenly split between “increase” and “no change” for the number of full-time employees, part-time employees and capital expenditures. Future net sales revenue and inventories were evenly split between “increase” and “decrease,” while the average employee workweek was evenly split between “decrease” and “no change.”)

SERVICE

Knoxville area service sector businesses reported in the December survey that their current level of general business activity and company outlooks are mostly “the same.” (The level of general business activity was reported as “mixed” while company outlooks were mostly reported as “the same” in the November survey.)

The month-over-month responses in the December survey show mostly “increases” for wages and benefits, input prices, and selling prices. “No changes” are mostly reported for the number of full-time and part-time employees, average employee workweek, and capital expenditures. Responses for revenue are “mixed.” (Month-over-month responses in the November survey 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.)

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

Service sector comments indicate that supply chain issues continue to make it difficult to manage backlogs, stored material, scheduling, and invoicing. Businesses are also not getting enough inventory on a timely basis.

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 below link. www.knoxvillechamber.com/ecoregistration/*

LABOR MARKET INFORMATION

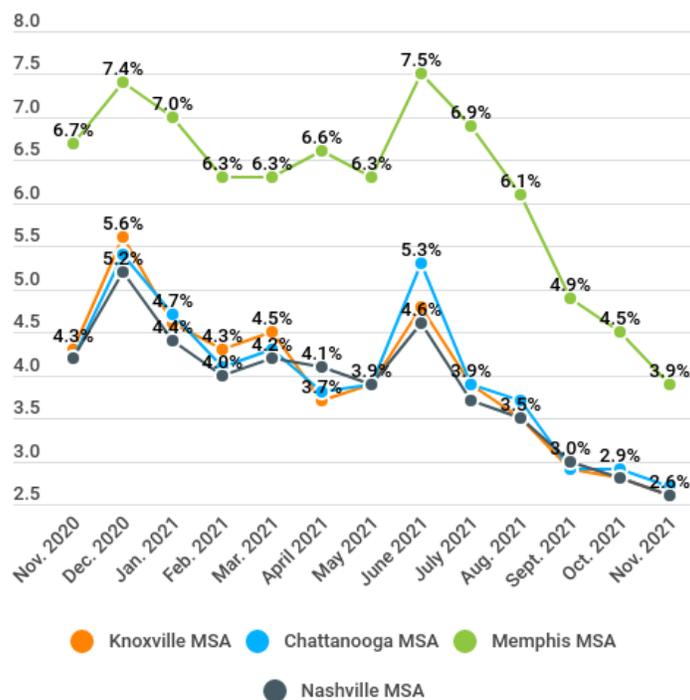
The Knoxville MSA’s unemployment rate in November was 2.6% (this was lower than October’s 2.8% rate and lower than the COVID-related 4.3% rate from November 2020.) Knox County’s unemployment rate in November was 2.4% (down from 2.7% in October and down from 4% in November 2020.) Tennessee’s unemployment rate was 3.1% in November (down from 3.3% in October and down from 5.1% in last November.) The U.S. unemployment rate was 3.9% in November (down from the 4.3% rate in October and down from the 6.4% unemployment rate recorded last November.)

The size of the total labor force slightly increased from October to November at the local, state, and national level. The Knoxville MSA’s labor force increased 1% (from 430,464 in October to 434,827 in November.) Knox County’s labor force increased 1.1% (from 245,169 in October to 247,806 in November.) Tennessee’s labor force increased 0.9% (from 3,295,071 in October to 3,325,867 in November.) The national labor force increased 0.1% (from 161,862,000 in October to 162,099,000 in November.)

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

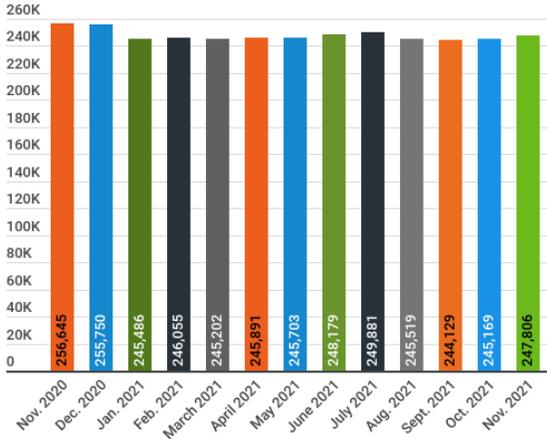
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

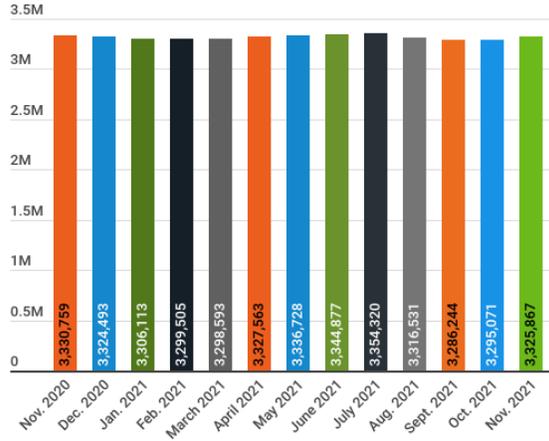


Resident Labor Force

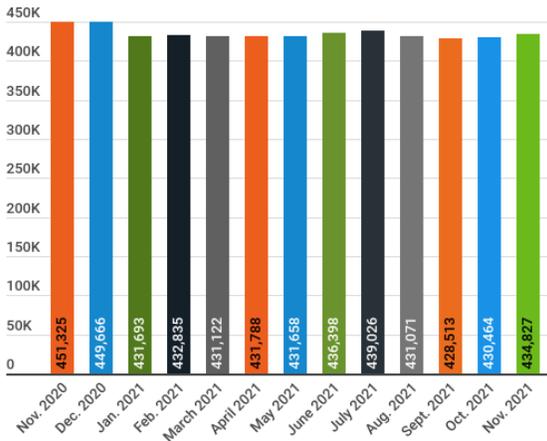
Knox County



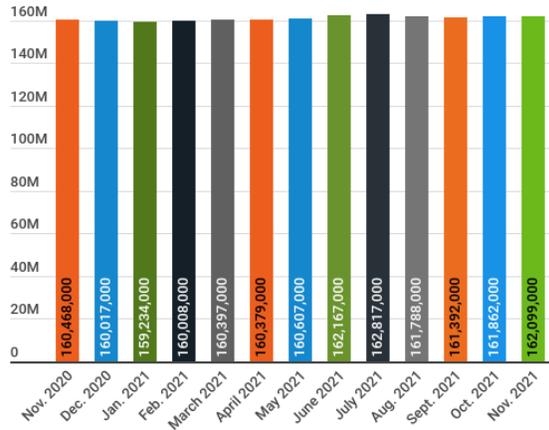
Tennessee



Knoxville MSA



United States



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

JOB MARKET

For the month of November, there were 44,935 unique active job postings in the Knoxville MSA (up 5.3% from October and up 44.4% from last November.) There were 28,717 unique active job postings in Knox County (up 5.5% from October and up 49.5% from this time last year.)

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

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Retail Trade	4,467
	Administrative Support, Waste Management and Remediation Services	4,462
	Health Care and Social Assistance	4,027
	Professional, Scientific and Technical Services	3,125
	Accommodation and Food Services	2,409
	Transportation and Warehousing	2,340
	Manufacturing	1,791
	Finance and Insurance	1,001
	Construction	962
	Information	910

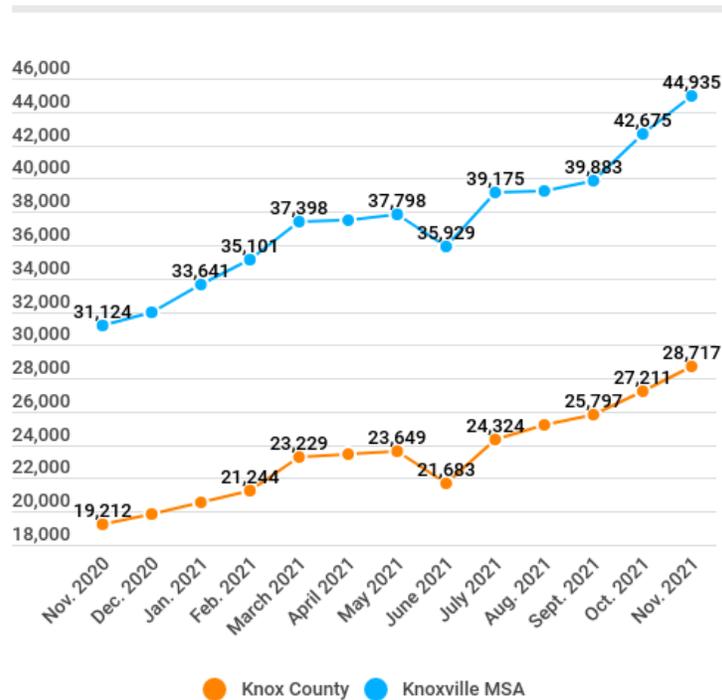
The Top 10 occupations (by number of job postings) in the Knoxville MSA in November were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Heavy and Tractor-Trailer Truck Drivers	2,518
	Registered Nurses	1,816
	Customer Service Representatives	1,445
	First-Line Supervisors of Retail Workers	1,344
	Retail Salespersons	1,303
	Stockers and Order Fillers	1,028
	Home Health and Personal Care Aides	1,025
	Software Developers	728
	Light Truck Drivers	707
	Fast Food and Counter Workers	697

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 November report shows a gain of 534,000 in nonfarm private-sector employment (a decrease from the 571,000 jobs gain reported in October.) Large firms (500+ employees) posted the largest gain of 277,000 jobs. Midsized businesses (50-499 employees) gained 142,000 jobs and small businesses (1-49 employees) increased by 115,000 jobs.

ADP’s Small Business Report, which further synthesizes the small business landscape, shows that the 115,000 jobs gain was driven mostly by the “Very Small” businesses (1-19 employees) which increased by 62,000 jobs. “Other Small” businesses (20-49 employees) increased by 53,000 jobs.

(Source: ADP)

WORKER SHORTAGE CONTINUES

The regional worker shortage continues as the Knoxville MSA's labor force only increased slightly by 1% from 430,464 in October to 434,827 in November while the total number of job openings increased 5.3% from 42,675 in October to 44,935 in November. Meanwhile, the Knoxville MSA's unemployment estimate (or number of available workers) has decreased 6.3% from 12,155 in October to 11,387 in November. This currently means that if every unemployed person in the Knoxville MSA got hired today, they would only be able to fill 25% of the job openings, leaving 75% 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.

According to a [U.S. Chamber of Commerce](#) survey of 529 Americans who have become unemployed during the pandemic and have not returned to work conducted in November, 53% said they were only "somewhat active," "not very active," or "not very active at all" in looking for work. Almost two-thirds (65%) did not expect to be back working before the new year and 8% indicated that they never plan to go back to work. One in three are not expecting to return to work before Q2 2022. About a third of respondents (32%) indicated that they were looking to switch industries. Thirteen percent left multiple jobs during the pandemic (with 57% of those holding their most recent position for three months or less.) Industries in which more than 50% of respondents were "strongly active" in searching for a new job include Hospitality (55%), Health Services (54%), and Manufacturing (51%). Industries in which less than 50% of respondents were "strongly active" in searching for a new job include Construction (46%), Retail (41%), and Trade/Transportation/Utilities (39%). Those last three industry sectors align with several other crises we're all currently experiencing like the affordable housing shortage, understaffed stores, supply chain backlogs, limited or lack of inventory, etc. The U.S. Chamber survey also concluded that hiring bonuses of \$1,000, flexible work hours, the ability to work from home, and a positive work environment are all incentives that seem the most likely to bring unemployed workers back. You can read more and download the full report [here](#).

We can continue to expect more increasing pressure on wages, sign-up bonuses, 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.

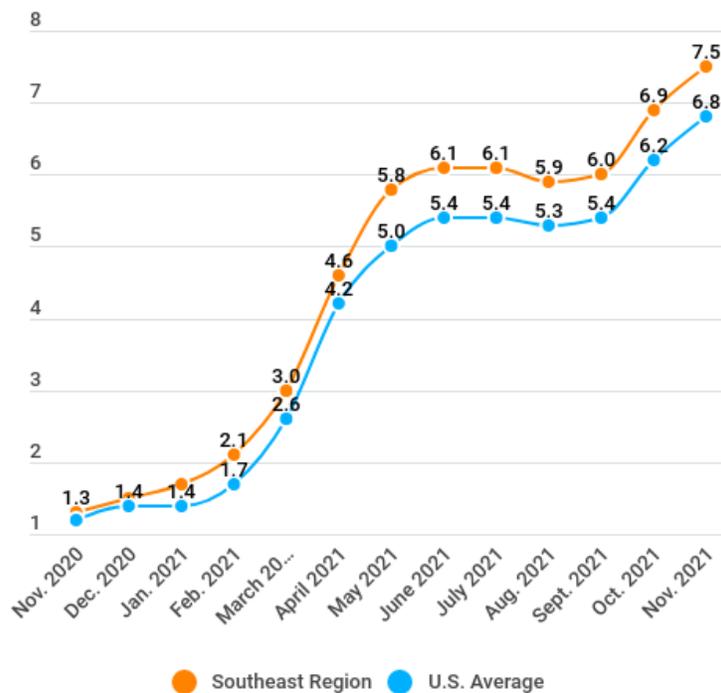
CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from November 2020 to November 2021 is 6.8%. This is up from the 6.2% rate from October 2020 to October 2021. Last year, the national inflation rate was 1.2% from November 2019 to November 2020. Higher inflation has persisted longer than the Fed's expected with price increases hitting a 39-year high last month. You can read more [here](#). The Federal Reserve Board has agreed to clear the way for earlier and faster interest rate increases in 2022 by accelerating the phaseout of its bond-buying stimulus. The Fed's policymaking committee had been keeping its benchmark rate near zero but now projects three interest rate hikes next year, three more increases in 2023 and two in 2024. That would push the rate to 2.1% by the end of 2024. You can read more about the Fed's future rate increases [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 7.5% for the November 2020 to November 2021 period. This is up from 6.9% in the October 2020 to October 2021 period. Last year, the rate was 1.3% for November 2019 to November 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 9.9% in November to a seasonally adjusted annual rate (SAAR) of 26,947. The Knoxville area recorded more home sales in November 2021 than any other November on record. Similarly, home sales in Knox County rose 4.1% from the previous month to a seasonally adjusted annual rate (SAAR) of 10,100. Home sales were up 11.2% in the Knoxville area and 0.3% in Knox County compared to the previous year.

Nationally, existing-home sales increased to a seasonally adjusted annual rate of 6.46 million in November — up 1.9% from the previous month but down 2.0% from a year ago. Home sales in the South rose 2.9% from the previous month and 1.1% from one year ago.

The median home sales price in the Knoxville area was \$295,000 in November — up 21.6% from one year ago. Knox County's median home sale price was \$310,000 — an increase of 19.2% from one year ago.

Thirty-eight percent of homes sold for over asking price in November, down from 39% the previous month. 20.1% of homes sold for at least \$10,000 over asking price and 7.1% sold for at least \$25,000 over asking price. New construction (i.e. "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 8.8% of total home sales, though move-in ready homes accounted for a smaller percentage of all new construction sales.

The number of active listings has fallen dramatically in the past few months, down more than 25% since September. In the Knoxville area, total inventory was down around 27% from a year ago and nearly 50% from pre-pandemic levels. Half of homes sold in the Knoxville area were on the market for 6 days or less, down from 8 days in November 2020.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, continues to hover around 1 month. In other words, the total volume of home sales each month is roughly equivalent to overall inventory.

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "November 2021 ranks as one of the strongest on record for the Knoxville area housing market, experiencing record-breaking home sales and quickly rising home prices. It appears the threat of higher mortgage rates has spurred more activity among buyers rushing to "lock-in" while rates remain near historic lows. Since October, some 15-20% more homes go under contract than are being added to the market each week. As long as this supply-demand gap persists, I suspect home prices will continue to climb."

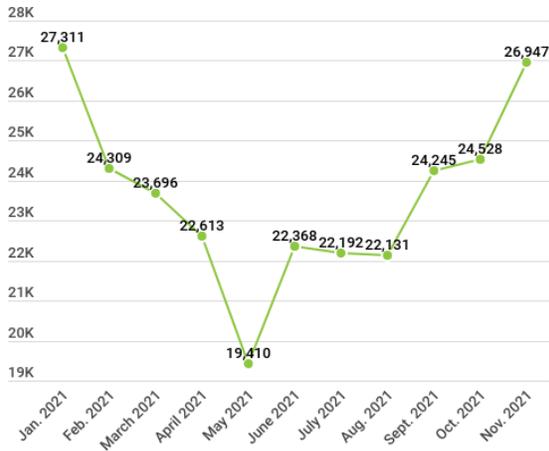
Knoxville Area Association of REALTORS® (KAAR) reports monthly home sales patterns using a seasonally adjusted annualized rate (SAAR), an adjusted rate that takes into account typical seasonal fluctuations in data and is expressed as an annual total. Comparing month-over-month housing market data using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

The National Association of Realtors® (NAR) recently released a report, **2022 Housing Market Hidden Gems**, in which the Knoxville MSA was listed as one of 15 metro areas that experienced the most net migration gains in the first half of 2021 based on NAR’s analysis of U.S. Postal Service data. The Knoxville MSA also made NAR’s list of the Top 10 Undervalued Metro Area Housing Markets in 2021 coming in at #5. The report notes about Knoxville – “This metro area has one of the most affordable home prices, with the median value of property at \$228,878, so it is attracting movers into the area. In 2020, nearly 10,000 people moved into the area. Home prices are rising fast at a cumulative 3-year pace of 22.4% as of 2021 Q3, outpacing the cumulative wage growth of 16.5%. Like the Daphne (Alabama) metro area, access to broadband services is relatively low, with just 66.6% of households with broadband services; improved opportunity to access broadband services can encourage more businesses and workers to relocate to the area, especially those wanting to work from home.” The Knoxville Chamber is helping to address the broadband coverage issue as part of the eKnox Broadband Task Force which is working to create more options toward the goal of achieving 100 percent broadband connectivity for every household in the Knoxville MSA. You can read more [here](#).

Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

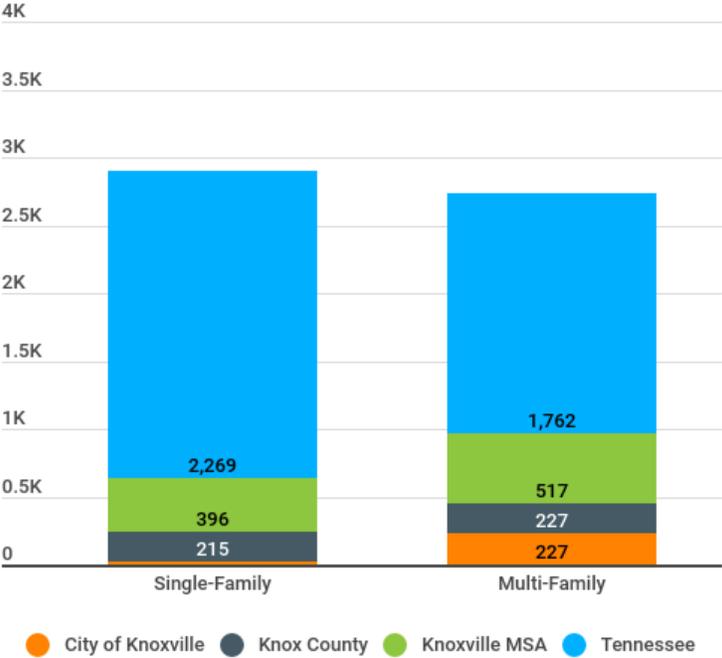
	Knoxville Area						Knox County						
	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021
Active Listings Inventory	2,830	2,490	2,100	1,920	1,730	1,910	2,040	2,350	2,670	2,770	2,760	2,400	2,080
Median Home Sales Price	\$243,000	\$240,000	\$240,000	\$245,000	\$255,000	\$260,000	\$265,000	\$275,000	\$284,000	\$285,000	\$285,000	\$285,000	\$295,000
Months Inventory	1.34	1.37	1.11	1.31	1.21	1.03	1.07	1.24	1.21	1.30	1.28	1.13	0.00
Absorption Rates	74%	73%	90%	76%	83%	97%	94%	81%	83%	77%	78%	89%	100%

	Knoxville Area						Knox County						
	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021
Active Listings Inventory	898	774	617	550	482	526	518	579	660	682	657	571	471
Median Home Sales Price	\$260,000	\$250,000	\$253,000	\$260,000	\$260,000	\$270,000	\$278,000	\$294,000	\$300,000	\$301,000	\$291,000	\$293,000	\$310,000
Months Inventory	1.07	1.09	0.81	0.91	0.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Absorption Rates	94%	92%	126%	109%	124%	140%	151%	130%	142%	128%	135%	145%	167%

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

Residential Building Permits

Oct. 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 November 2021 was \$649.3 billion (up 2.3% from October and up 18.3% from last November.)

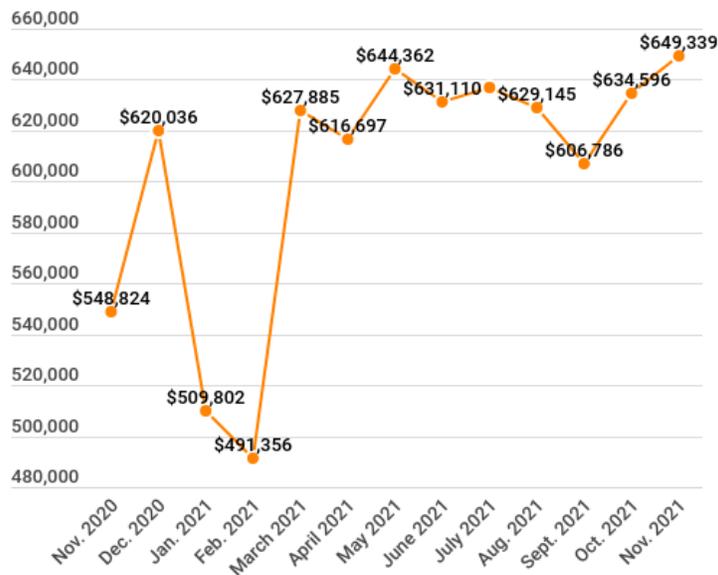
All retail sectors showed growth from this time last year. The retail sectors that showed the greatest growth from last November were Gasoline Stations (+57.3%), Clothing Stores (+42.9%), Food Services and Drinking Places (+39.2%), Miscellaneous Stores (+28.3%), Sporting Goods/Books/Hobby/Music Stores (+23.0%), Furniture and Home Furnishings Stores (+22.6%), Motor Vehicle and Parts Sales (+15.0%), General Merchandise Stores (+14.6%), and Food and Beverage Stores (+10.1%).

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

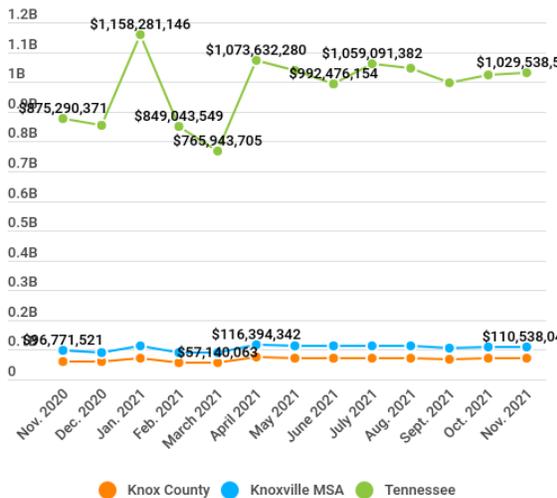
The Knoxville MSA region collected \$110.54 million in state sales taxes in November (up 0.5% from October and up 14.9% from last November) and Knox County collected \$71.47 million in November (up 2.2% from October and up 17.1% from last November.) The state of Tennessee collected \$1.029 billion in state sales taxes in November (up 0.7% from October and up 17.6% from last November.)

The Knoxville MSA collected \$39.56 million in local sales taxes in November (up 1.1% from October and up 17.9% from last November) and Knox County collected \$24.106 million (up 2.8% from October and up 19.1% from last November.)

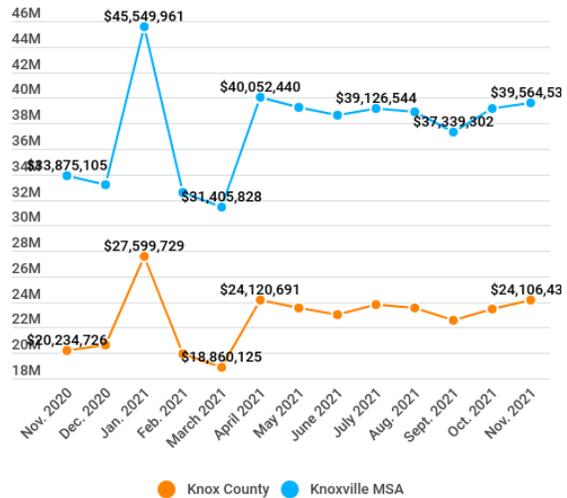
These significant increases in state and local sales tax collections from last year indicate that consumer spending continues to be strong.

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.

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

December 5, 2021 – [Yee-Haw Brewing Company](#) announced plans to open a brewery and taproom in the spring of 2022 at the former Elkmont Exchange brewery in North Knoxville. Yee-Haw is one of the most recognizable beer brands in Tennessee and Knoxville is their largest market for sales. The new Knoxville location will create close to 100 new jobs and have one of the largest barrel operations in East Tennessee. Yee-Haw has other locations in Johnson City, Nashville, Pigeon Forge, and Greenville, South Carolina. Their products are also available in grocery stores and craft beer markets throughout East and Middle Tennessee. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

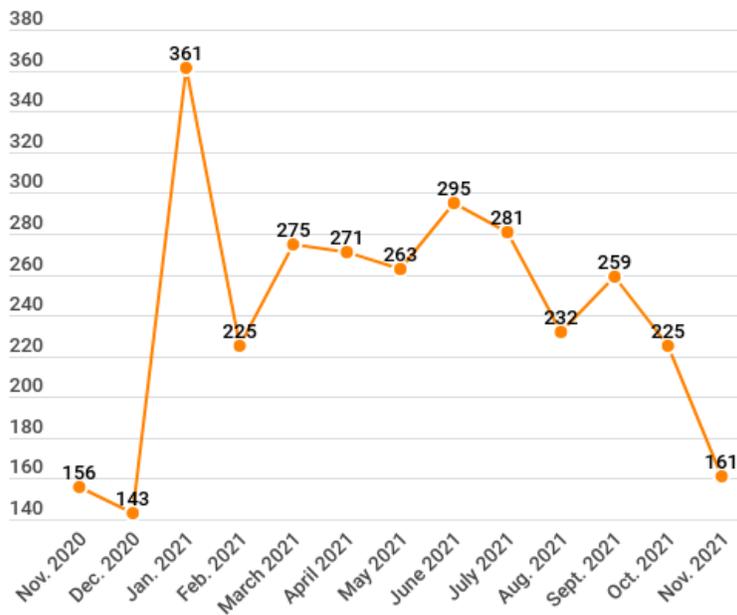
New business licenses issued in November 2021 by Knox County are up 3.2% from November 2020 during the pandemic and are down 17.9% from the pre-pandemic November 2019 count.

A total of 161 new business licenses were issued in November 2021 compared to 156 in November 2020 and 196 in November 2019. The top industry sectors for which business licenses were issued in November 2021 were services, construction, retail, and non-classified establishments.

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

Business Licenses

Knox County



(Source: Knox County Clerk)

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 214,537 passengers in October (up 17.1% from September's passenger traffic and up 77.3% from COVID-ravaged October 2020 but down 12.2% from pre-COVID October 2019.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in November was 1,921,472 (up 127.3% from the November 2020 daily passenger average of 845,239 but still down 16% from the pre-COVID November 2019 average of 2,286,951.) You can view the daily TSA checkpoint travel numbers [here](#).

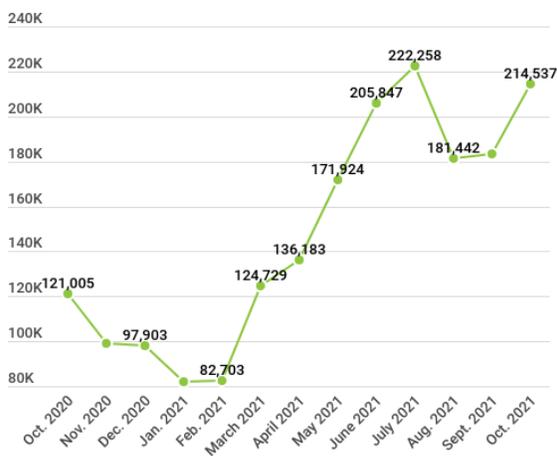
According to the [International Air Transport Association \(IATA\)](#), October 2021 passenger volumes in the domestic U.S. market are down 10.5% from pre-COVID October 2019. This is an improvement from the negative difference of 13.1% from September 2019 to September 2021. You can view IATA's full State of the Regions for the Americas briefing for December 2021 [here](#).

The total freight recorded in October at TYS was 7,478,227 tons (down 0.2% from September and down 2.4% from last October.)

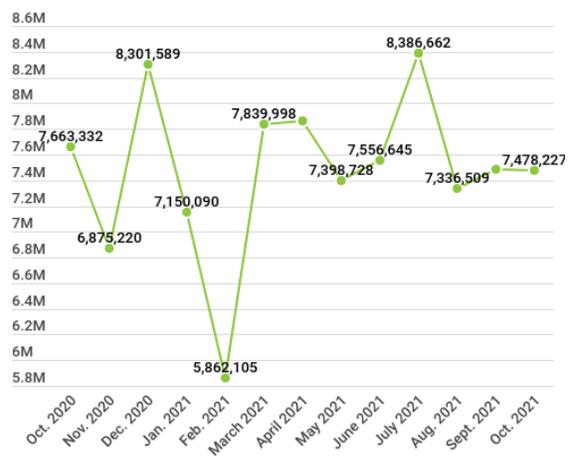
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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