

# APRIL 2022

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FINANCED BY FIRST HORIZON BANK

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

## **ECONOMIC SURVEY RESULTS**

### **MANUFACTURING**

Based on the response to the April survey, the level of general business activity and company outlooks are split between “improved” and “the same.” (The level of general business activity and company outlooks were reported as mostly “the same” in the March survey.)

The month-over-month responses in April show mostly “increases” in production, capacity utilization, volume of new orders, growth rate of orders, volume of shipments, delivery time, prices paid for raw materials, wages and benefits, number of employees, average employee workweek, and capital expenditures. “No changes” are mostly reported for unfilled orders and prices received for finished goods. Finished goods inventories are mostly split between “increased” and “decreased.” (The month-over-month responses in March showed mostly “increases” in capacity utilization, volume of new orders, prices paid for raw materials, prices received for finished goods, wages and benefits, average employee workweek, and capital expenditures. “Decreases” were mostly reported for production, unfilled orders, delivery time, finished goods inventories, and number of employees. The growth rate of orders was split between “increase” and “no change.” Responses were “mixed” for the volume of shipments.)

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

## **RETAIL**

Knoxville area retailers indicated in the April survey that their evaluation of the level of general business activity and company outlooks are mostly “improved.” (In March’s survey, the level of general business activity and company outlooks were more-or-less split between “improved” and “the same.”)

The month-over-month responses in the April survey show mostly “increases” in net sales revenue, number of full-time employees, wages and benefits, input prices, selling prices, and inventories. “No changes” are mostly reported for internet sales, number of part-time employees, average employee workweek, and capital expenditures. (Month-over-month responses in the March survey showed “increases” in net sales revenue, input prices, and selling prices. Responses were more-or-less split between “increase” and “no change” for capital expenditures and wages and benefits. “Decreases” were mostly reported for internet sales, number of full-time and part-time employees, and average employee workweek. Inventories were split between “increase” and “decrease.”)

The six-month retail outlook projects mostly “increases” in net sales revenue, number of full-time and part-time employees, average employee workweek, wages and benefits, input prices, and selling prices. “No change” is expected in future internet sales. Future capital expenditures and inventories are “mixed.” (The six-month outlook in March projected mostly “increases” in net sales revenue, number of full-time employees, input prices, selling prices, and capital expenditures. “No changes” were mostly expected in internet sales, wages and benefits, and average employee workweek. The future number of part-time employees was split between “increase” and “no change.” Future inventories were split between “increase” and “decrease.”)

Retail comments indicate that supply chain issues are still affecting retail inventories.

## **SERVICE**

Knoxville area service sector businesses report in the April survey that their current level of general business activity and company outlooks are mostly “the same.” (The level of general business activity and company outlooks were mostly split between “worse” and “the same” in the March survey.)

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

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

Service sector comments indicate that the slow development of new housing and the low inventory of existing homes for sale continue to be a problem.

**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/)*

## RISING GAS PRICES AND THE EFFECTS ON BUSINESSES

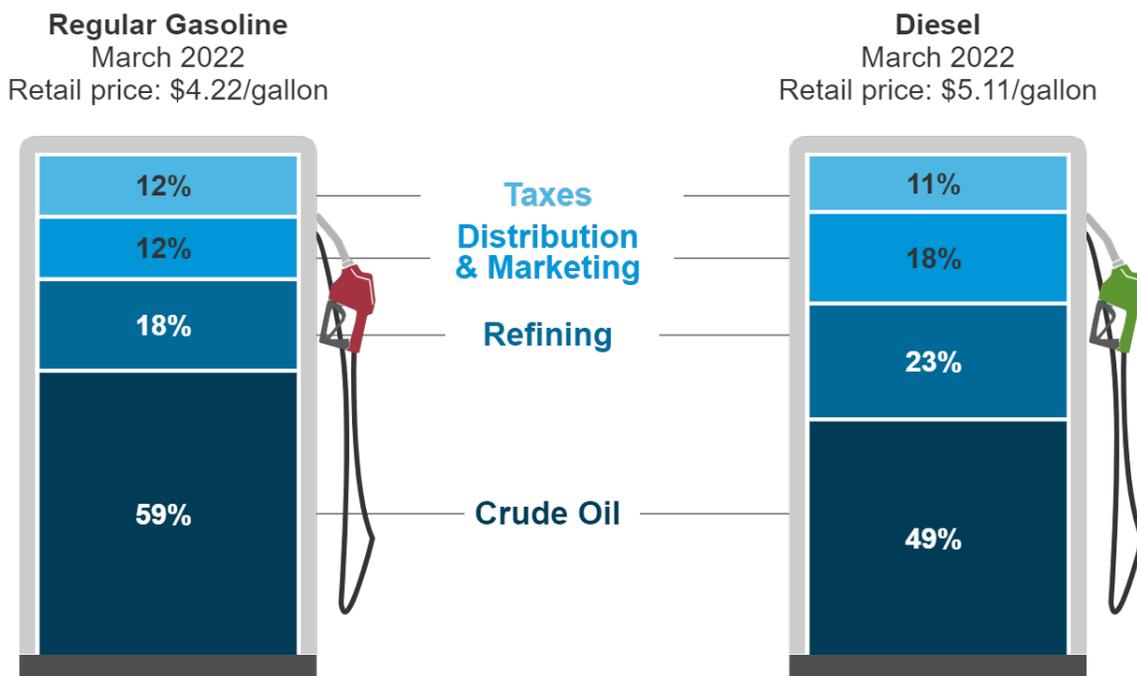
In addition to our regular monthly survey questions, we asked respondents if the rising price of gas has been affecting their business and if so, in what ways.

Over three-quarters (78%) of respondents indicated that the rising price of gas is negatively impacting their business. For the other 22% of respondents, we can only assume that their business operations are office-based, don't have vehicle fleets, or that the rising price of gas may only affect them as individuals and not as a business line item.

Respondents indicated that increased gas and diesel prices impact businesses with large fleets of vehicles especially hard. These businesses include trucking firms, construction companies, repair contractors, landscapers, and many other service providers. Increased shipping and freight costs are cutting into the net profits of many businesses. Some businesses indicate that they can't pass the increased shipping costs onto customers due to "set price" contracts or the fear of losing customers. Manufacturers are seeing increased costs for raw materials that are linked to oil such as rubber and plastic products.

According to AAA, "as supply remains tight and the market remains highly volatile, crude prices will likely continue to fluctuate, pushing pump prices higher." You can read more [here](#).

## What we pay for in a gallon of:



Source: U.S. Energy Information Administration, *Gasoline and Diesel Fuel Update*

## LABOR MARKET INFORMATION

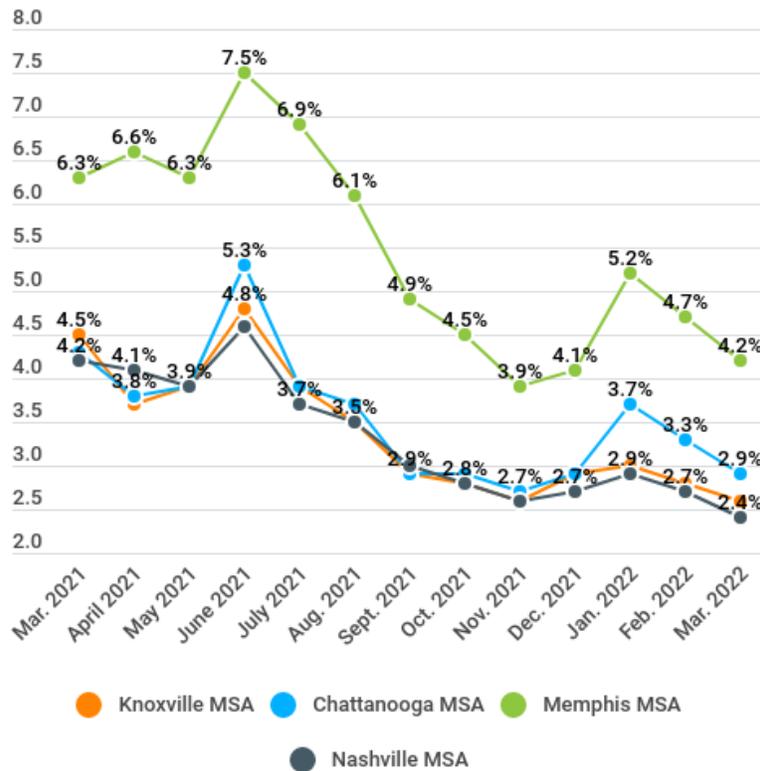
The Knoxville MSA’s unemployment rate in March was 2.6% (this was lower than February’s 2.8% rate and much lower than the 4.5% rate from March 2021.) Knox County’s unemployment rate in March was 2.4% (down from 2.5% in February and down from 4.1% in March 2021.) Tennessee’s unemployment rate was 3.0% in March (down from 3.3% in February and down from 5.1% in last March.) The U.S. unemployment rate was 3.8% in March (down from the 4.1% rate in February and down from the 6.2% unemployment rate recorded last March.)

The size of the total labor force increased only slightly from February to March at the local, state, and national levels. The Knoxville MSA’s labor force only increased 0.5% (from 444,574 in February to 446,627 in March.) Knox County’s labor force only increased 0.5% (from 253,576 in February to 254,838 in March.) Tennessee’s labor force only increased 0.1% (from 3,389,300 in February to 3,393,916 in March.) The national labor force only increased 0.3% (from 163,725,000 in February to 164,274,000 in March.)

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

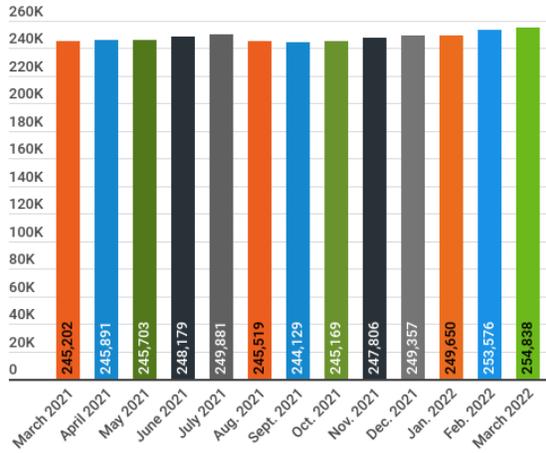
### Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

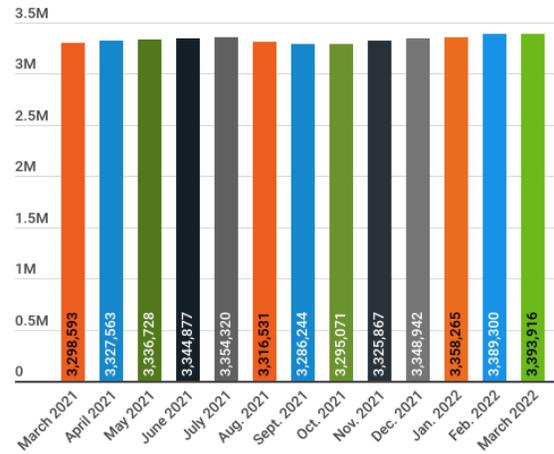


# Resident Labor Force

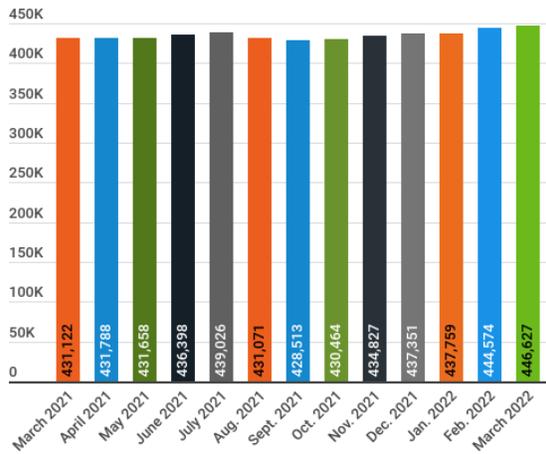
## Knox County



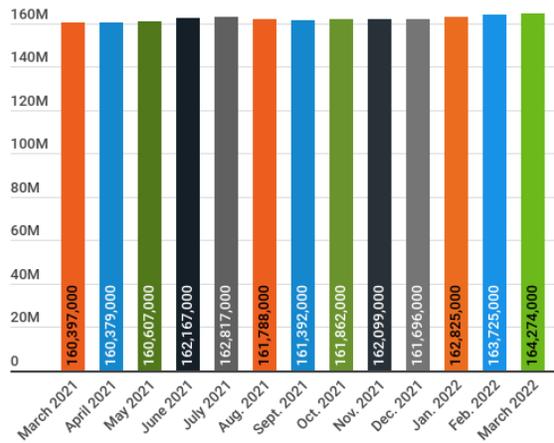
## Tennessee



## Knoxville MSA



## United States



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

## JOB MARKET

**Data Note:** Emsi, our source for job postings data in ECO – financed by First Horizon Bank, has merged with Burning Glass and is now using a new integrated feed for job postings data that allows for further deduplication of job postings, better employer tagging, and improved industry classification. Analysis for the current estimates, top 10 job posting industries, top 10 occupations, and the 13-month job posting trends for Knox County and Knoxville MSA reflect Emsi Burning Glass' new methodology.

For the month of March, there were 10,923 unique active job postings in the Knoxville MSA (down 0.7% from February and up 30.4% from last March.) There were 7,469 unique active job postings in Knox County (down 0.4% from February and up 27.8% from this time last year.)

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

### Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Administrative Support, Waste Management and Remediation Services	1,396
	Retail Trade	1,134
	Health Care and Social Assistance	910
	Professional, Scientific and Technical Services	810
	Manufacturing	634
	Accommodation and Food Services	569
	Utilities	419
	Finance and Insurance	329
	Transportation and Warehousing	288
	Wholesale Trade	247

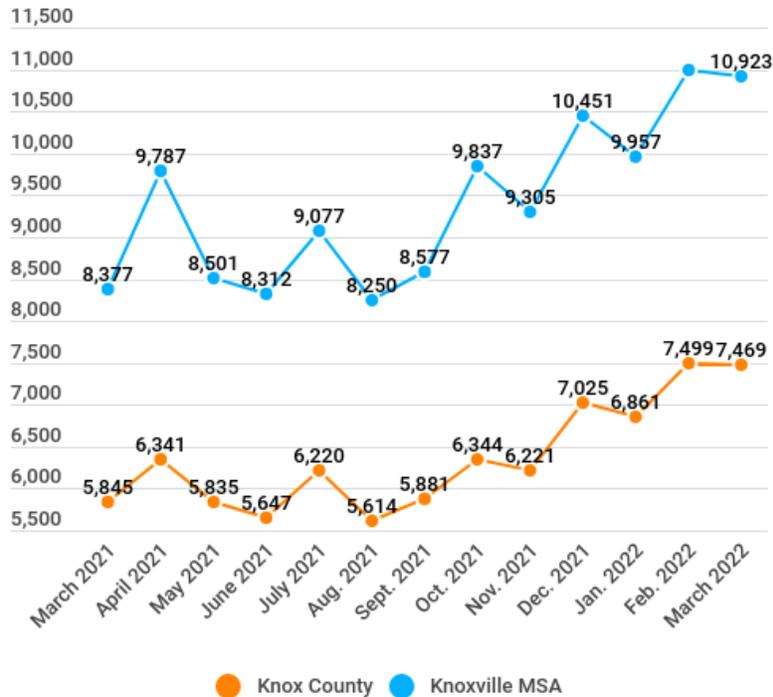
The Top 10 occupations (by number of job postings) in the Knoxville MSA in March were –

### Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	355
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	293
	Heavy and Tractor Trailer Drivers	258
	Retail Salespersons	253
	Laborers and Freight, Stock, and Material Movers, Hand	246
	First-Line Supervisors of Retail Workers	218
	Fast Food and Counter Workers	202
	Customer Service Representatives	191
	Software Developers and Software Quality Assurance Analysts and Testers	175
	Personal Service Managers, All Other	162

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

## Unique Active Job Postings



(Source: Emsi Burning Glass)

## ADP NATIONAL EMPLOYMENT REPORT®

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

The March report shows a gain of 455,000 in nonfarm private-sector employment (a decrease from the 475,000 jobs gain reported in February.) Midsized businesses (50-499 employees) posted the largest gain with an increase of 188,000 jobs, large firms (500+ employees) gained 177,000 jobs, and small businesses (1-49 employees) gained 90,000 jobs.

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 90,000 jobs gain was driven mostly by "Other Small" businesses (20-49 employees) which increased by 53,000 jobs. The "Very Small" businesses (1-19 employees) increased by 37,000 jobs.

(Source: ADP)

## WORKER SHORTAGE UPDATE

The labor shortages are persisting longer than many economists expected. There continues to be high job demand and slower workforce growth resulting in fierce competition for talent and many open jobs going unfilled. According to the latest data from the U.S. Bureau of Labor Statistics (BLS), the nation had 11.5 million jobs to fill in March, meaning there is now an unprecedented two job openings for every unemployed person. It will take time for this mismatch between labor demand and supply to align. In the meantime, wages will continue to rise as businesses compete to attract talent. You can read the latest job openings summary from BLS [here](#).

In the [February 2022 issue of ECO](#), we wrote about what Bharat Ramamurti, the National Economic Council Deputy Director, recently coined [“The Great Upgrade”](#) in which many people who quit their jobs were looking to change careers or “upgrade” from their last job. Further evidence of career transitions in the labor force can be found in recent research from [The Oliver Wyman Forum](#), a consulting firm and think tank, that shows non-college degreed blue-collar workers are making the transition toward tech jobs. They have been coined the [“New Collars.”](#) They are blue-collar workers who have quit their low-paying jobs in warehousing, manufacturing, hospitality, and other hourly positions in the past two years and have transitioned over to “new collar” roles that provide on-the-job training tech skills, better pay and flexible schedules. Many of these workers did not have the option to work remotely due to the nature of their jobs or they were considered “essential workers.” Tech job postings have increased significantly over the past two years and with the very tight labor market, many companies have waived some prequalifications such as prior work experience or a four-year college degree. This has opened an array of new career options for the “New Collars.” You can read more [here](#).

As we continue to see more tightening in the labor market and a major realignment in the job market, we can expect 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)

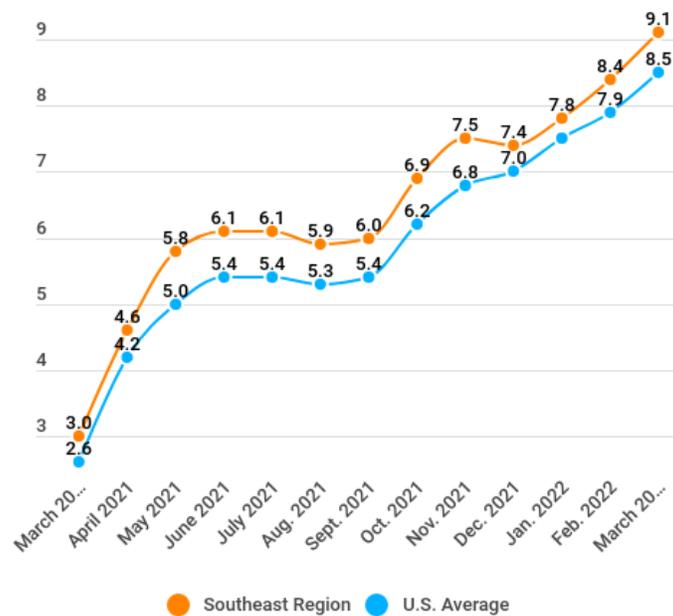
The national inflation rate from March 2021 to March 2022 is 8.5%. This is up from the 7.9% rate from February 2021 to February 2022. Last year, the national inflation rate was 2.6% from March 2020 to March 2021. Higher inflation is primarily being driven by the supply chain disruptions and pent-up consumer demand for goods and has persisted longer than the Fed's expected with price increases hitting 40-year highs. Gasoline prices rose 18% from February, largely driven by the ongoing Russian war in Ukraine and grocery prices are up 10%. You can read more [here](#).

The Federal Reserve raised the benchmark short-term interest rate at its March meeting for the first time since 2018. After two years of holding the borrowing rate near zero, the Fed voted to raise the key rate to a target range of 0.25% to 0.5% and further signaled that there would be more hikes at the Fed's six remaining meetings this year to fight inflation. You can read more [here](#). The average 30-year fixed-rate mortgage rose to 5.11% in the week ending April 21, marking the seventh consecutive week of increases and a twelve-year high. For comparison, the average mortgage rate was 2.97% this time last year. 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 9.1% for the March 2021 to March 2022 period. This is up from 8.4% in the February 2021 to February 2022 period. Last year, the rate was 3.0% for March 2020 to March 2021.

### 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 declined 7.7% in March to a seasonally adjusted annual rate (SAAR) of 22,754. Similarly, home sales in Knox County declined 9.7% from the previous month to a seasonally adjusted annual rate (SAAR) of 7,807. Compared to the previous year, home sales in the Knoxville area declined 2.1% and 15.1% in Knox County.

Nationally, existing-home sales decreased to a seasonally adjusted annual rate of 5.77 million in March — down 2.6% from the previous month and 4.5% from a year ago. Home sales in the South similarly declined 3.0% from the previous month and 3.0% from one year prior.

The median home sales price in the Knoxville area was \$310,000 in March — up 21.6% from one year ago. Knox County's median home sale price was \$327,450 — up 26.6% from one year ago. Forty-three percent of homes sold for over asking price in March, compared to 43% the previous month. 26.5% of homes sold for at least \$10,000 over asking price and 12% sold for at least \$25,000 over asking price. New construction (i.e., “Never Occupied,” “To Be Built,” “Under Construction,” or “Under Roof”) represented 9.3% of total home sales, though move-in ready homes accounted for only 23% of all new construction sales.

In the Knoxville area, total inventory was down just 1% from a year ago but remains down more than 60% from pre-pandemic levels. Inventory in Knox County was down 22.5% year-over-year. Half of homes sold in the Knoxville area were on the market for 4 days or less. Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 1.1 months.

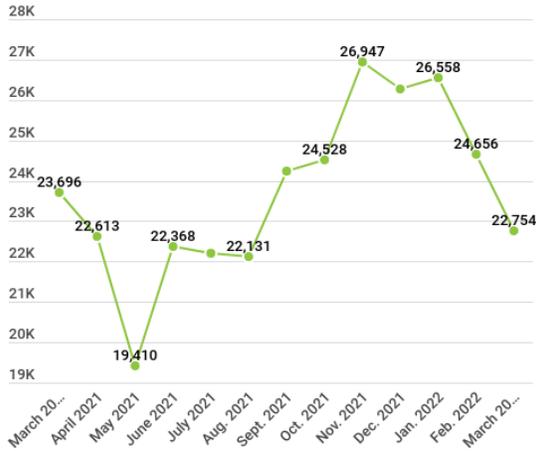
According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, “Knoxville’s housing market is showing signs of moderation, in part because of eroding housing affordability due to higher home prices, limited (but rising) inventory, and rising mortgage rates.”

*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.*

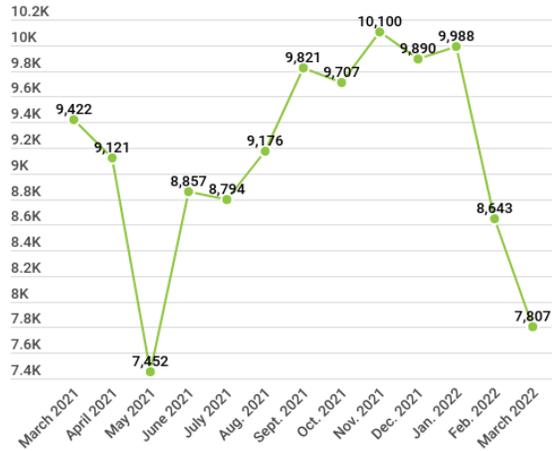
## Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

### Knoxville Area



### Knox County



## Knoxville Area Housing Market

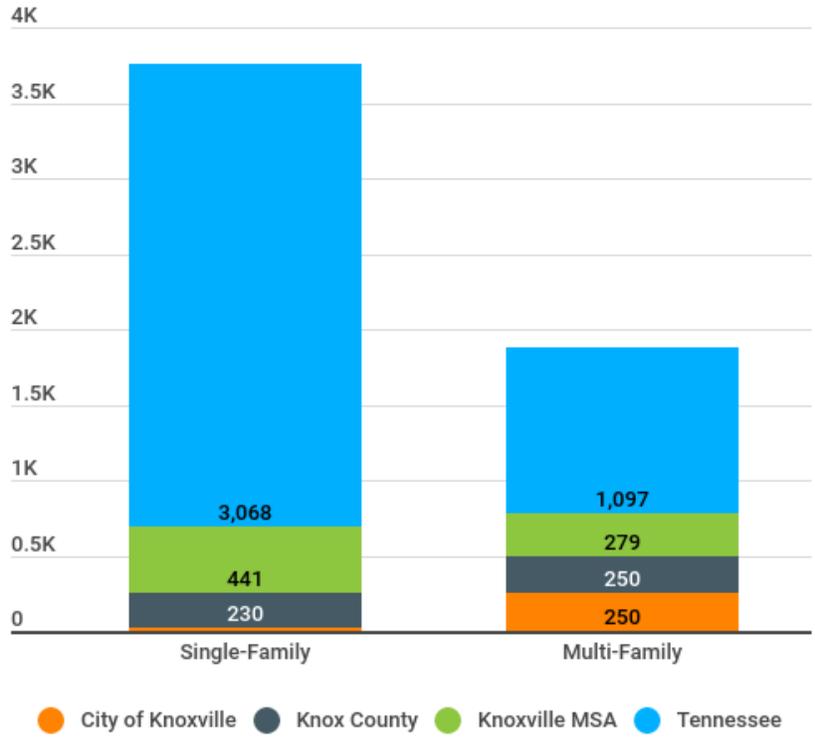
	Knoxville Area						Knox County						
	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022
Active Listings Inventory	1,730	1,920	2,050	2,360	2,660	2,770	2,770	2,450	2,250	2,000	1,690	1,600	1,710
Median Home Sales Price	\$255,000	\$260,000	\$265,000	\$275,000	\$284,000	\$285,000	\$285,000	\$285,000	\$290,000	\$291,000	\$300,000	\$305,000	\$310,000
Months Inventory	1.20	1.03	1.06	1.23	1.20	1.30	1.28	1.15	1.07	0.00	0.00	1.05	1.15
Absorption Rates	83%	97%	94%	81%	83%	77%	78%	87%	93%	104%	119%	95%	87%

	Knoxville Area						Knox County						
	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022
Active Listings Inventory	471	517	510	574	649	678	656	583	514	421	322	328	365
Median Home Sales Price	\$259,000	\$270,000	\$278,000	\$295,000	\$300,000	\$300,000	\$291,000	\$295,000	\$305,000	\$308,000	\$300,000	\$310,000	\$327,000
Months Inventory	0.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Absorption Rates	128%	143%	154%	131%	144%	128%	134%	140%	153%	172%	226%	170%	143%

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

# Residential Building Permits

Feb. 2022



(Sources: U.S. Housing & Urban Development – \_SOCDS – \_State of the Cities Data Systems; U.S. Census Bureau – \_Building Permits Survey)

## NATIONAL RETAIL SALES

The total advance monthly retail sales estimate for March 2022 was \$677.211 billion (up 17.3% from February and up 7.9% from last March.)

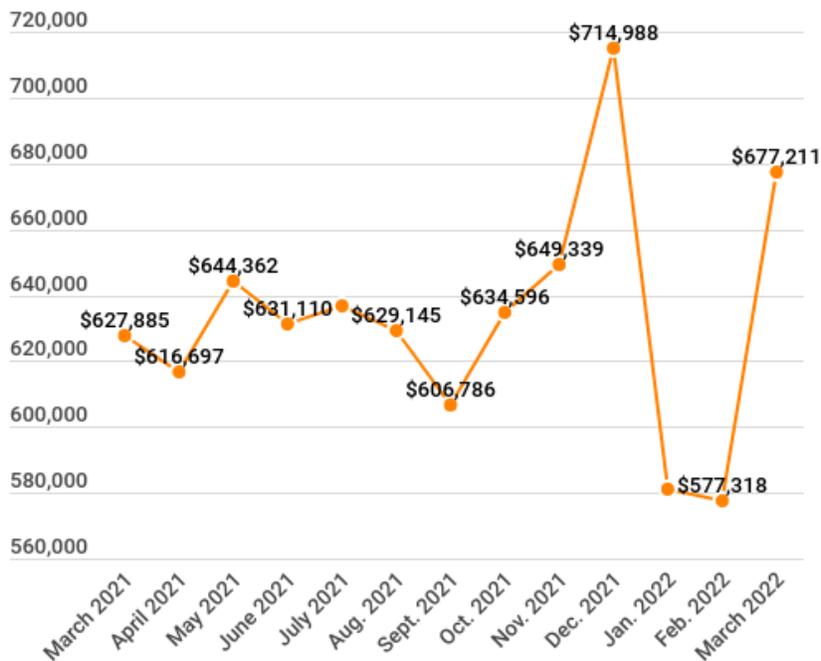
The retail sectors that showed the greatest growth from last March were Gasoline Stations (+40.3%), Food Services and Drinking Places (+22.3%), Clothing Stores (+17.2%), Miscellaneous Stores (+16.2%), Furniture and Home Furnishing Stores (+10.9%), Food and Beverage Stores (+9.3%), and General Merchandise Stores (+8.7%). Retail sectors that showed a decline in sales from last March were Electronics and Appliance Stores (-11.1%), Health and Personal Care Stores (-3.0%), Sporting Goods/Books/Hobby/Music Stores (-2.5%), and Non-store Retailers (-1.8%).

Most retail sectors continue to benefit from pent up customer demand and increased leisure travel despite rising inflation.

### National Retail Sales

*in Millions of Dollars*

### Total Retail Sales



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

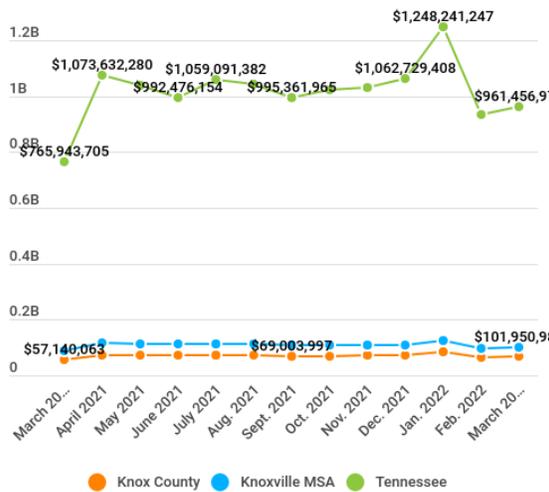
## TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$101.951 million in state sales taxes in March (up 4.1% from February and up 13.9% from last March) and Knox County collected \$68.295 million in March (up 7.3% from February and up 19.5% from last March.) The state of Tennessee collected \$961.457 million in state sales taxes in March (up 3.0% from February and up 25.5% from last March.)

The Knoxville MSA collected \$35.974 million in local sales taxes in March (statistically unchanged from February and up 15.5% from last March) and Knox County collected \$22.843 million (up 3.0% from February and up 21.1% from last March.)

### Sales Tax Revenue

#### State Sales Tax



#### Local Sales Tax



(Source: Tennessee Department of Revenue)

## RECENT BUSINESS EXPANSIONS AND NEW BUSINESS ANNOUNCEMENTS IN THE KNOXVILLE REGION

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

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

**April 4, 2022 – [TRISO-X LLC](#), a subsidiary of [X-energy LLC](#)**, announced that the Horizon Center Industrial Park in Oak Ridge will be the future site of the nation's first High-Assay Low-Enriched Uranium (HALEU) based fuel fabrication facility – the TRISO-X Fuel Fabrication Facility (TF3). This commercial advanced nuclear reactor fuel fabrication facility is scheduled for commissioning and start-up in 2025 through funding, in part, from the U.S. Department of Energy's Advanced Reactor Demonstration Program. TF3 is projected to create 400 new jobs and an investment of nearly \$300 million. You can read more [here](#).

## KNOX COUNTY BUSINESS LICENSES

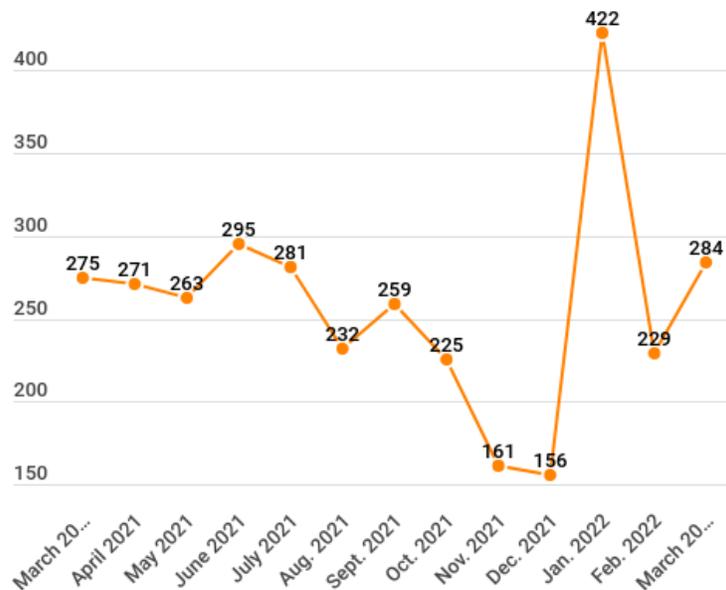
New business licenses issued in March 2022 by Knox County are up 3.3% from March 2021 during the pandemic and are also up 12.3% from the pre-pandemic March 2019 count.

A total of 284 new business licenses were issued in March 2022 compared to 275 in March 2021 and 253 in March 2019. The top industry sectors for which business licenses were issued in March 2022 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

*Knox County*



(Source: Knox County Clerk)

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

The Metropolitan Knoxville Airport Authority recorded 201,833 passengers in March (up 37.1% from February’s passenger traffic of 147,168 and up 61.8% from COVID-ravaged March 2021.) This month’s passenger estimate is only down 1.3% from pre-COVID March 2019 – an encouraging sign that local air travel may be getting closer to normal.

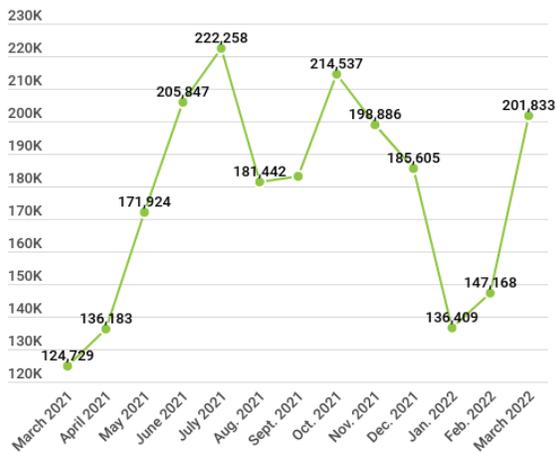
According to the Transportation Security Administration, the average daily number of passengers passing through the nation’s TSA checkpoints in March was 2,053,002 (up 65% from the March 2021 daily passenger average of 1,243,955 but still down 12.4% from the pre-COVID March 2019 average of 2,344,640.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), “Improving pandemic developments at the global level bode well for the air travel recovery in 2022, though the geopolitical issues in Eastern Europe combined with rising inflationary pressures will negatively impact some markets. For now, the bookings for future travel to, from and within the Americas region do not show any significant impact of the conflict.” You can read IATA’s full State of the Region: The Americas Report [here](#).

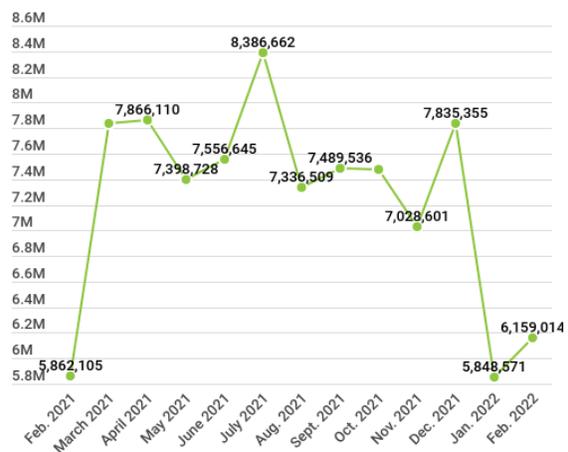
### Air Service

at McGhee-Tyson Airport

#### Passengers



#### Freight



(Sources: Metropolitan Knoxville Airport Authority; U.S. Transportation Security Administration; International Air Transport Association)