

JULY 2022



FINANCED BY FIRST HORIZON BANK

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

ECONOMIC SURVEY RESULTS

MANUFACTURING

Based on the response to the July survey, the level of general business activity and company outlooks are evenly split between “worsened” and “the same” from last month. (The level of general business activity and company outlooks were both reported as “improved” in the June survey.)

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

number of employees and capital expenditures. Responses were "mixed" for finished goods inventories.)

The six-month outlook in July anticipates "no changes" in unfilled orders, delivery time, finished goods inventories, and prices received for finished goods. Future production, capacity utilization, prices paid for raw materials, wages and benefits, and capital expenditures are split between "increase" and "no change." Volume of new orders, growth rate of orders, and average employee workweek are split between "decrease" and "no change." Projections are split between "increase" and "decrease" for the future volume of shipments and number of employees. (The six-month outlook in June projected mostly "increases" in prices paid for raw materials, prices received for finished goods, wages and benefits, number of employees, and capital expenditures. "No changes" were expected for future finished goods inventories and average employee workweek. Future delivery time was split between "increase" and "no change." All other future metrics were "mixed.")

RETAIL

Knoxville area retailers indicated in the July survey that their evaluation of the current level of general business activity and company outlooks have "worsened" from last month. (Both of these assessments were mostly reported as "the same" in the June survey.)

The month-over-month responses in the July survey show "no changes" in internet sales, number of full-time and part-time employees, average employee workweek, and capital expenditures. "Increases" are reported for net sales revenue, wages and benefits, and input prices. "Decreases" are reported for inventories. Responses are "mixed" for selling prices. (Month-over-month responses in the June survey showed "increases" in wages and benefits as well as input prices. Net sales revenue was slightly split between "increase" and "no change." Selling prices were slightly split between "increase" and "decrease." "No change" was mostly reported for internet sales, the number of full-time and part-time employees, average employee workweek, and capital expenditures. "Decreases" were mostly reported for inventories.)

The six-month retail outlook in July projects "no changes" in internet sales, number of full-time employees, average employee workweek, wages and benefits, selling prices, and capital expenditures. "Increases" are expected in the number of part-time employees and input prices. "Decreases" are expected in net sales revenue and inventories. (The six-month outlook in June projected mostly "increases" in wages and benefits, input prices, and capital expenditures. "No changes" were expected in internet sales, the number of full-time and part-time employees, and average employee workweek. "Decreases" were forecasted in net sales revenue, selling prices, and inventories.)

Retail comments indicate that the homeless issue in downtown needs to be addressed to improve the retail experience for customers.

SERVICE

Knoxville area service sector businesses report in the July survey that their current level of general business activity is "mixed" and company outlooks are mostly "the same." (Both assessments were reported as being mostly "the same" in the June survey.)

The month-over-month responses in the July survey show mostly "increases" in revenue and input prices. "No changes" are mostly reported for the number of full-time and part-time employees, average employee workweek, wages and benefits, and capital expenditures. Selling prices are evenly split between "increase" and "no change." (Month-over-month responses in June showed "no changes" in the number of full-time and part-time employees, average employee workweek, and capital expenditures. "Increases" were mostly reported for input prices and selling prices. Wages and benefits were evenly split between "increase" and "no change." Revenue was "mixed.")

The six-month outlook in July projects "no changes" in the number of full-time and part-time employees and average employee workweek. Input prices and selling prices are expected to "increase." Future wages and benefits and capital expenditures are split between "increase" and "no change." Revenue is split between "increase" and "decrease." (The June survey's six-month outlook showed mostly "increases" in wages and benefits, input prices, and selling prices. "No changes" were mostly forecasted for the number of full-time and part-time employees, average employee workweek, and capital expenditures. Future revenue was split evenly between "increase" and "decrease.")

Note: We are still growing the number of participating companies, so response totals in some areas may be fairly small. If you are interested in being a participant in our monthly surveys, please register at this link. [**https://www.knoxvillechamber.com/ecoregistration/**](https://www.knoxvillechamber.com/ecoregistration/)

LABOR MARKET INFORMATION

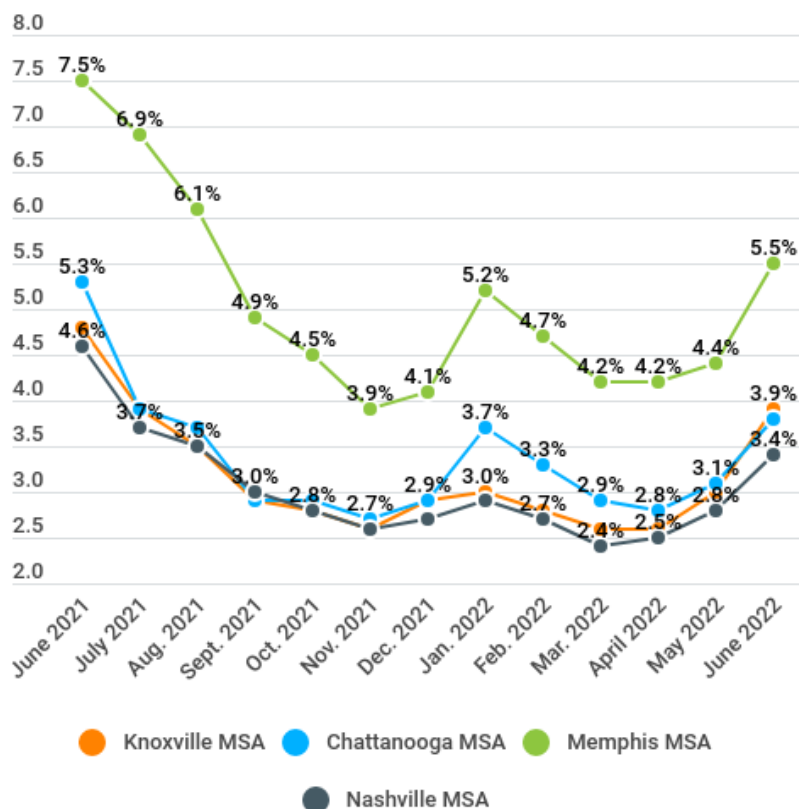
The Knoxville MSA's unemployment rate in June was 3.9% (up from 3.0% in May but lower than the 4.8% rate from June 2021.) Knox County's unemployment rate in June was 3.6% (up from 2.8% in May and down from 4.5% in June 2021.) Tennessee's unemployment rate was 4.3% in June (up from 3.4% in May and down from 5.6% in last June.) The U.S. unemployment rate was 3.8% in June (up from the 3.4% rate in May and down from the 6.1% unemployment rate recorded last June.)

The size of the total labor force slightly increased from May to June at the local, state, and national levels. The Knoxville MSA's labor force increased 0.4% from 448,163 in May to 449,896 in June.) Knox County's labor force increased 0.2% from 255,469 in May to 256,038 in June.) Tennessee's labor force increased 0.4% from 3,409,034 in May to 3,421,254 in June.) The national labor force increased 0.5% (from 164,157,000 in May to 165,012,000 in June.)

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

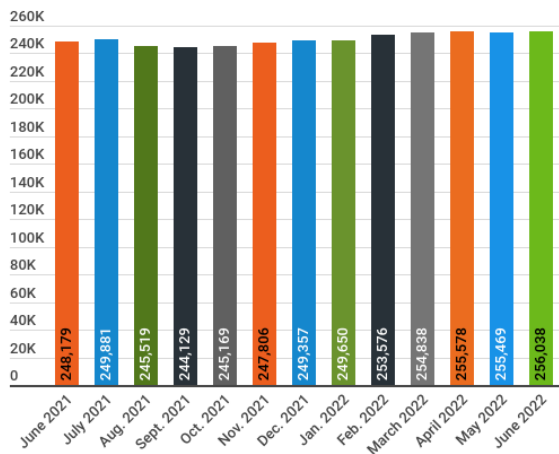
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

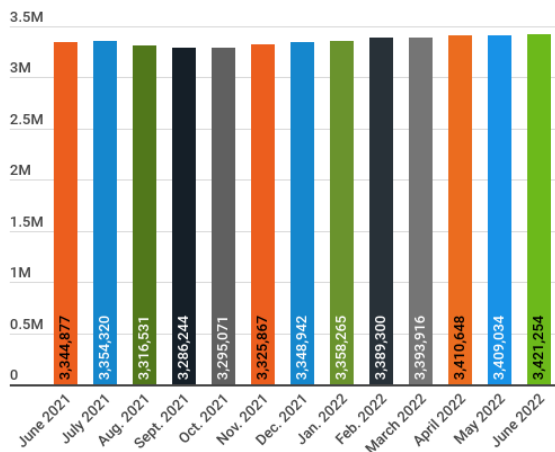


Resident Labor Force

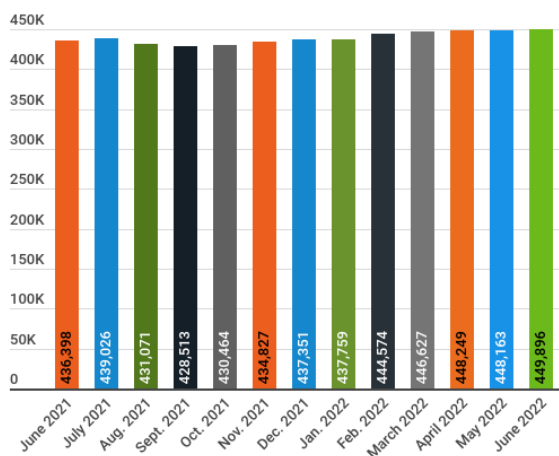
Knox County



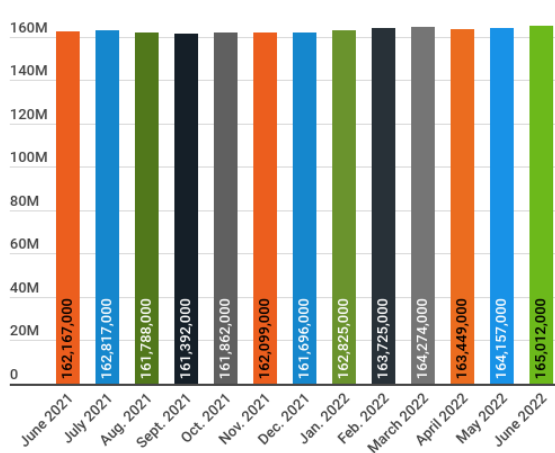
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of June, there were 12,018 unique active job postings in the Knoxville MSA (up 5.8% from May and up 44.6% from last June.) There were 7,879 unique active job postings in Knox County (statistically unchanged from May and up 39.5% from this time last year.)

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

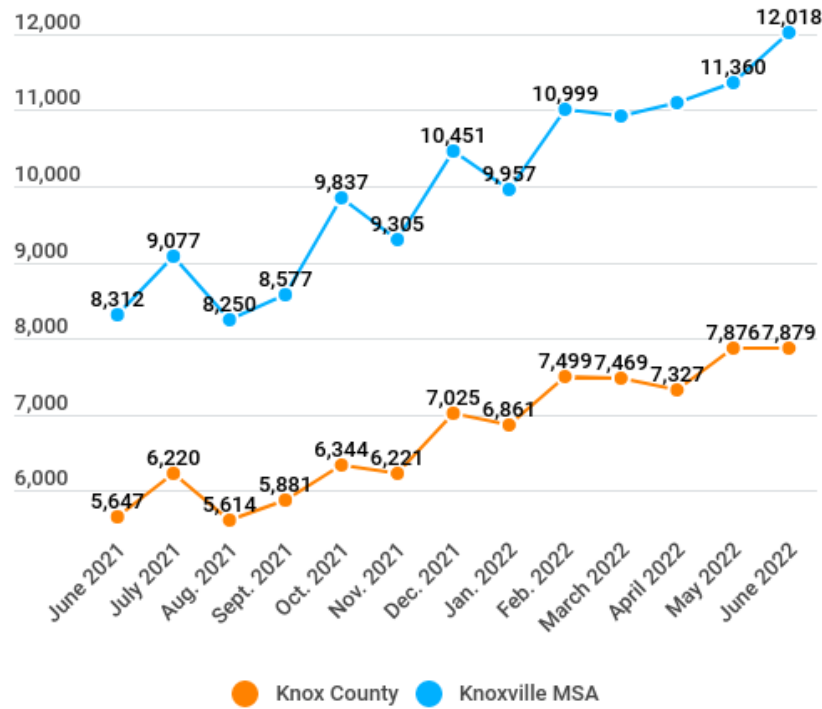
	Industry	Number of Postings
	Administrative Support, Waste Management and Remediation Services	1,428
	Retail Trade	1,415
	Health Care and Social Assistance	1,073
	Professional, Scientific and Technical Services	784
	Accommodation and Food Services	722
	Manufacturing	648
	Finance and Insurance	424
	Wholesale Trade	395
	Utilities	356
	Construction	311

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

	Occupation	Number of Postings
	Registered Nurses	489
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	331
	Heavy and Tractor Trailer Drivers	305
	Laborers and Freight, Stock, and Material Movers, Hand	303
	Retail Salespersons	253
	First-Line Supervisors of Retail Workers	236
	Customer Service Representatives	224
	Fast Food and Counter Workers	223
	Software Developers and Software Quality Assurance Analysts and Testers	209
	Stockers and Order Fillers	190

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

Unique Active Job Postings



(Source: Lightcast – formerly 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.

Data note: ADP Research Institute (ADPRI) and the Stanford Digital Economy Lab (the "Lab") announced they will retool the ADP National Employment Report (NER) methodology to provide a more robust, high-frequency view of the labor market and trajectory of economic growth. In preparation for the changeover to the new report and methodology, ADPRI will pause issuing the current report and has targeted August 31, 2022, to reintroduce the ADP National Employment Report in collaboration with the Stanford Digital Economy Lab (the "Lab"). For more information on this announcement, please visit [here](#). Below is the May report analysis.

The May report shows a gain of 128,000 in nonfarm private-sector employment (a decrease from the 247,000 jobs gain reported in April.) Large firms (500+ employees) posted the largest gain with an increase of 122,000 jobs and midsize businesses (50-499 employees) gained 97,000 jobs. The overall job gains were offset by the loss of 91,000 jobs in the small businesses grouping (1-49 employees).

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 91,000 jobs loss was driven mostly by the "Very Small" businesses (1-19 employees), which decreased by 78,000 jobs. "Other Small" businesses (20-49 employees) decreased by 13,000 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 10.7 million jobs to fill in June and only 6.4 million hires, meaning there are approximately 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](#).

Resignations continue to contribute to the ongoing worker shortage. Tennessee ranked 10th on [WalletHub's](#) recently released ranking of states with the highest job resignation rates. To rank all 50 states and the District of Columbia, WalletHub applied a weighted formula to each state's latest month (May 2022) resignation rate and the resignation rate for the last 12 months as reported by the U.S. Bureau of Labor Statistics. Tennessee's resignation rate for May 2022 was 3.4% and resignation rate for last 12 months was 3.31%. States with higher resignation rates than Tennessee include Alaska, Montana, Wyoming, Florida, Georgia, Vermont, Idaho, Mississippi, and Arizona. With employers aggressively competing to hire from the limited pool of job applicants, incentives exist for applicants to constantly change jobs or careers. You can read more and see full list of rankings [here](#).

WALLETHUB RANKS THE MOST AND LEAST EDUCATED METROS IN AMERICA

Speaking of [WalletHub](#), the personal finance website also recently compared the 150 largest metropolitan statistical areas (MSAs) across 11 metrics including the share of adults aged 25 and older with a bachelor's degree or higher, the quality of the public-school system, and the gender education gap. The Knoxville MSA ranked 90th overall with a total score of 50.61 on a 100-point scale. Knoxville also ranked 91st for educational attainment and 59th for quality of education and attainment gap. Our peer MSA's ranked as follows (with overall scores) – #7 Durham, NC (78.06), #8 Raleigh, NC (77.08), #24 Lexington, KY (66.17), #28 Asheville, NC (62.61), #48 Nashville (58.79), #95 Greenville, SC (49.82), #104 Memphis (46.59), and #112 Chattanooga (44.92). You can read more [here](#). Many cities are competing to attract highly educated workers to support economic growth and increase tax revenues. Higher levels of educational attainment tend to lead to higher wages. We must recruit more people aged 25-54 to our region to significantly increase the size of our local skilled labor force.

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from June 2021 to June 2022 is 9.1%. This is up from the 8.6% rate from May 2021 to May 2022 and is the highest inflation rate since November 1981. Last year, the national inflation rate was 5.4% from June 2020 to June 2021.

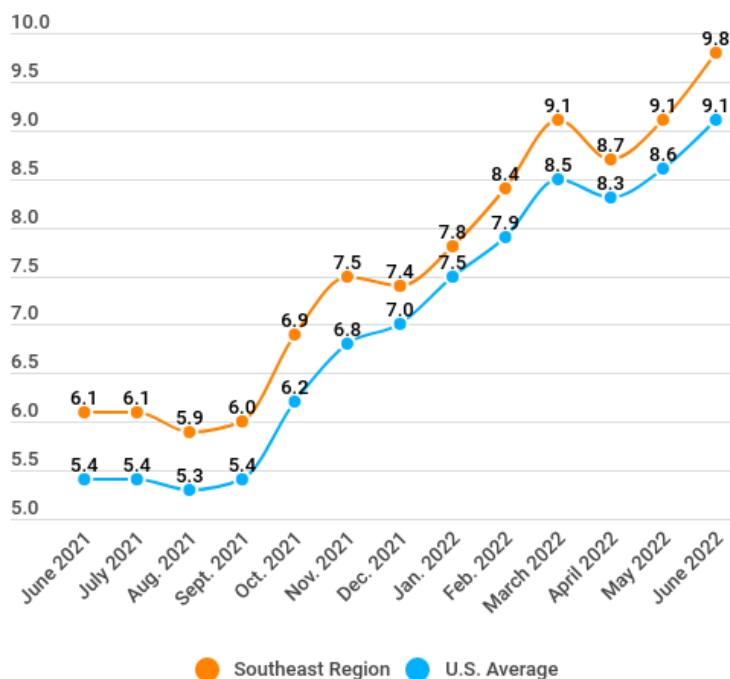
Higher inflation is primarily being driven by the supply chain disruptions and higher gasoline prices and has persisted longer than the Fed's expected with price increases still at 40-year highs. From a year ago, gasoline prices are up 61%, airfares are up 34%, food prices are up 10.4%, energy prices are up 41.6%, and new car prices are up 7.1%. You can read more [here](#).

The Federal Reserve is continuing to hike rates to bring down inflation but higher interest rates mean higher borrowing costs throughout the economy. The Fed needs to be careful to not slow the economy down to the point that it triggers a recession.

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 9.8% for the June 2021 to June 2022 period. This is up from 9.1% in the May 2021 to May 2022 period. Last year, the rate was 6.1% for June 2020 to June 2021.

Inflation Rates

Consumer Price Index - All Items



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

HOUSING MARKET

The pace of home sales in the Knoxville area increased 1.6% in June to a seasonally adjusted annual rate (SAAR) of 22,515. Similarly, home sales in Knox County increased 1.0% from the previous month to a seasonally adjusted annual rate (SAAR) of 8,016. Compared to the previous year, home sales in the Knoxville area were down 2.9% and 13.0% in Knox County. Nationally, existing-home sales declined for the fifth consecutive month to a seasonally-adjusted annual rate of 5.12 million in June — down 5.4% from the previous month and 14.2% from a year ago. Home sales in the South similarly declined 6.2% from the previous month and 14.1% from one year prior.

The median home sales price in the Knoxville area was \$326,000 in June — up more than 18.5% from one year ago. Knox County's median home sale price was \$358,875 – up more than 20% from one year ago.

Forty-six percent of homes sold for over asking price in June, compared to 50% the previous month. 31% of homes sold for at least \$10,000 over asking and 14% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 8.9% of total home sales, though move-in ready new homes accounted for less than 2% of all sales.

Total inventory in the Knoxville metro area continued trending upward – up 33% from a year ago but only half of pre-pandemic levels. Half of homes sold in the Knoxville area were on the market for 4 days or less.

In Knox County, months of supply – or the number of months it would take to exhaust active listings at the current sales rate – was 0.86 months.

Higher mortgage rates are placing even more pressure on Knoxville's rental market. Effective rents in the Knoxville MSA were up 19.31% year-over-year in Q2-2022, outpacing the annual rent growth of 14.49% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "With mortgage rates rising at the fastest pace this century, there are signs of moderation in Knoxville's housing market, which is likely to continue through the rest of the year. Higher mortgage rates coupled with record high home prices are weighing heavily on housing affordability. In the short term, we aren't likely to experience any dramatic shifts in the market – just continued moderation."

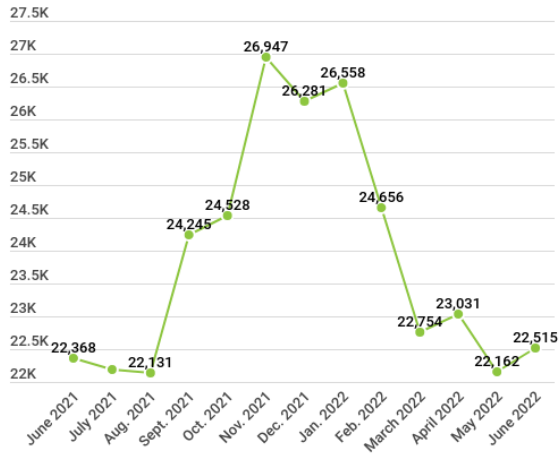
You can subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

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

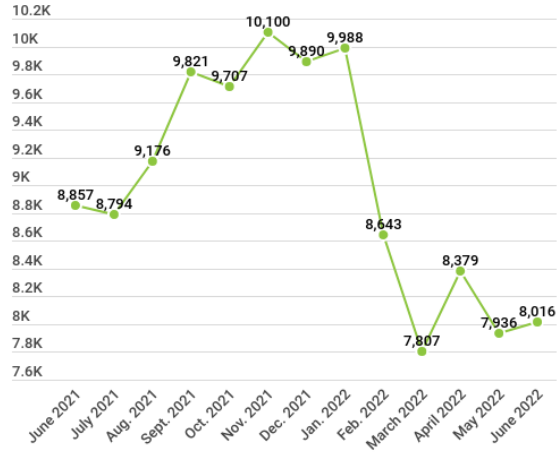
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

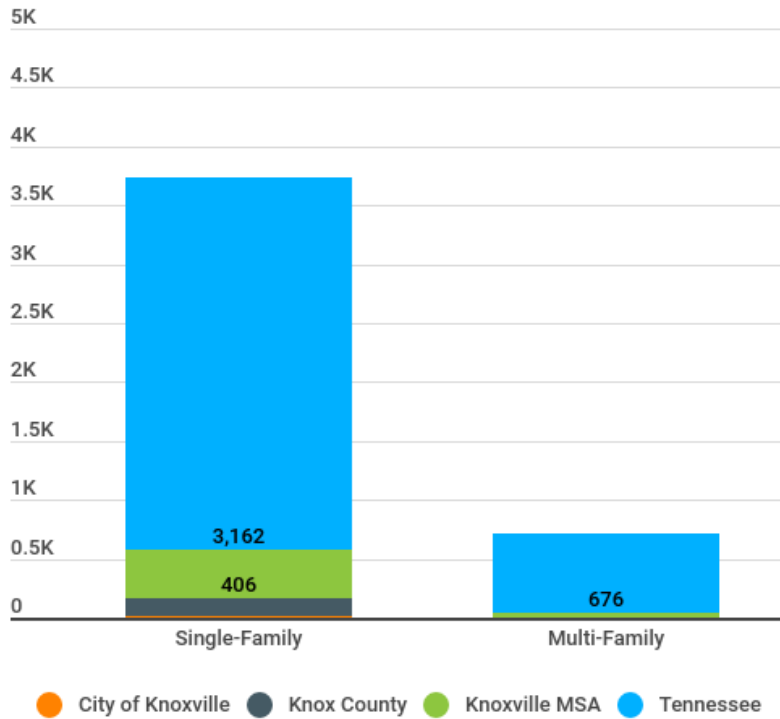
Knoxville Area							Knox County						
	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022
Active Listings Inventory	2,360	2,660	2,780	2,770	2,460	2,260	2,010	1,720	1,660	1,960	2,330	-	-
Median Home Sales Price	\$275,000	\$284,000	\$285,000	\$285,000	\$285,000	\$290,000	\$291,000	\$300,000	\$302,000	\$309,000	\$325,000	\$325,000	\$326,000
Months Inventory	1.23	1.20	1.30	1.28	1.15	1.08	0.00	0.00	1.09	1.30	1.26	-	-
Absorption Rates	81%	84%	77%	78%	87%	93%	103%	117%	91%	77%	79%	-	-

Knoxville Area							Knox County						
	June 2021	July 2021	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022
Active Listings Inventory	566	643	672	650	578	513	422	328	343	427	478	-	-
Median Home Sales Price	\$295,000	\$300,000	\$300,000	\$290,000	\$291,000	\$301,000	\$308,000	\$300,000	\$310,000	\$326,000	\$340,000	\$346,000	\$358,000
Months Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	-
Absorption Rates	132%	144%	129%	134%	140%	151%	170%	221%	162%	123%	135%	-	-

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

Residential Building Permits

June 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 June 2022 was \$695.144 billion (down 0.4% from May and up 10.1% from last June.)

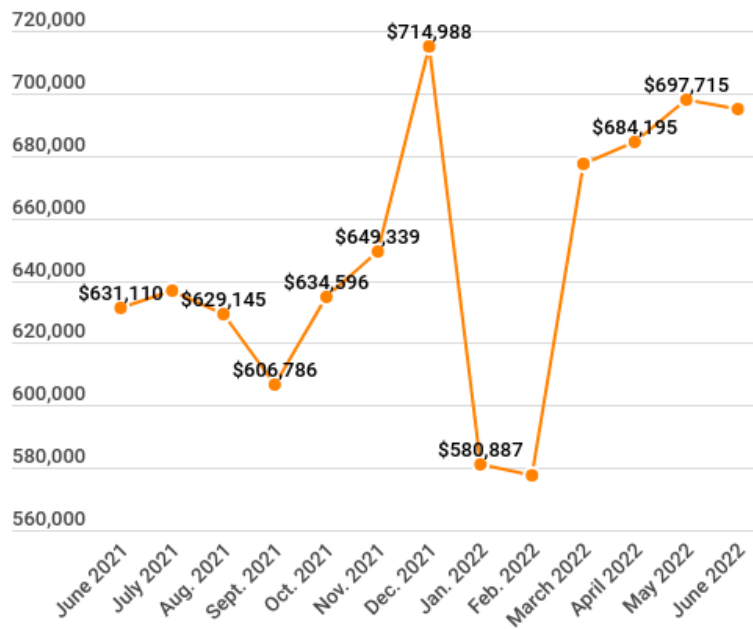
The retail sectors that showed the greatest growth from last June were Gasoline Stations (+52.9%), Food Services and Drinking Places (+21.9%), Non-store Retailers (+20.4%), Miscellaneous Stores (+13.9%), and Building Materials (+6.4%).

Retail sectors that showed a decline in sales from last June were Electronics and Appliance Stores (-5.9%) and Motor Vehicles and Parts Sales (-3.8%).

National Retail Sales

in Millions of Dollars

Total Retail Sales



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

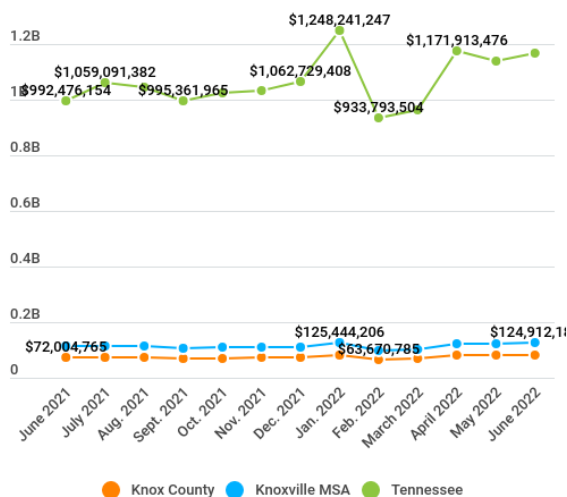
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$124.912 million in state sales taxes in June (up 1.3% from May and up 9.7% from last June) and Knox County collected \$81.149 million in June (up 1.2% from May and up 12.7% from last June.) The state of Tennessee collected \$1.164 billion in state sales taxes in June (up 2.5% from May and up 17.3% from last June.)

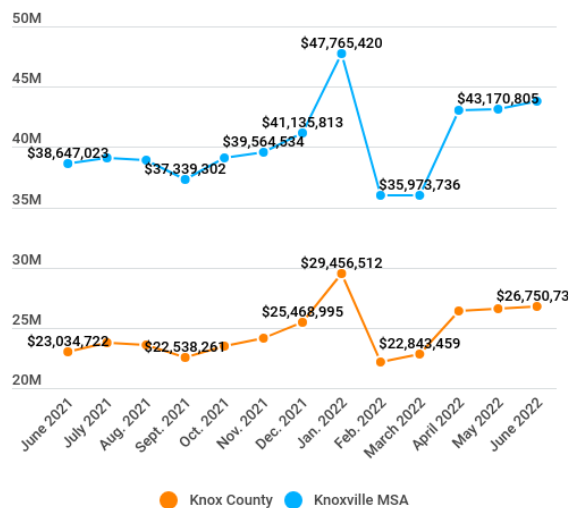
The Knoxville MSA collected \$43.771 million in local sales taxes in June (up 1.4% from May and up 13.3% from last June) and Knox County collected \$26.750 million (up 0.6% from May and up 16.1% from last June.)

Sales Tax Revenue

State Sales Tax



Local Sales Tax



(Source: Tennessee Department of Revenue)

RECENT BUSINESS EXPANSIONS AND NEW BUSINESS ANNOUNCEMENTS IN THE KNOXVILLE REGION

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

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

June 18, 2022 – [Smoky Mountain School of Cooking](#), located at 2005 Wears Valley Road in Sevierville, is a new cooking school that teaches the basics of Appalachian cooking through live demonstration classes and is now booking classes. The Appalachian Store and Café will open July 30. You can read more [here](#).

July 19, 2022 – [Covenant Health](#) announced the \$45 million purchase of Provision CARES Proton Therapy Center in the Dowell Springs medical park off Middlebrook Pike. The facility will become part of Covenant's Thompson Cancer Survival Center system and will be renamed Thompson Proton Center. Covenant Health will retain the Provision CARES employees. You can read more [here](#).

July 26, 2022 – Rhode Island-based [Bluedog Capital Partners](#) announced they will be demolishing the MAC building on Fifth Avenue in North Knoxville and building a \$40 million unique "live-work" apartment development called MAC at Fifth that will include ground-level units where entrepreneurs could live, work, and sell their products. The building will be U-shaped with five stories. Demolition of the current MAC building is expected to begin in early 2023 and MAC at Fifth will hopefully open in 2024. You can read more [here](#).

July 28, 2022 – [Covenant Health](#) and [Acadia Healthcare](#) held a ribbon-cutting to celebrate the opening of the [East Tennessee Behavioral Health Hospital](#) at 1444 Old Weisgarber Road off Middlebrook Pike. The 90-bed inpatient facility will help meet the critical need for additional mental health resources in Knox and surrounding counties. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

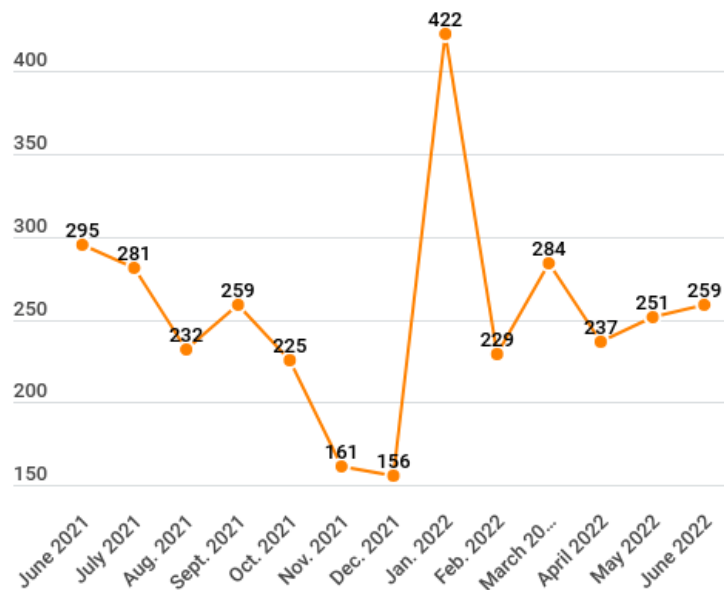
New business licenses issued in June 2022 by Knox County are down 12.2% from June 2021 during the pandemic and are down 5.8% from the pre-pandemic June 2019 count.

A total of 259 new business licenses were issued in June 2022 compared to 295 in June 2021 and 275 in June 2019. The top industry sectors for which business licenses were issued in June 2022 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 239,546 passengers in June (up 3.9% from May's passenger traffic of 230,602 and up 16.4% from COVID-ravaged June 2021.) This month's passenger estimate is down 4.3% from pre-COVID June 2019.

The total freight recorded in June at TYS was 5,913,044 pounds (down 8.8% from May and down 21.8% from last June.)

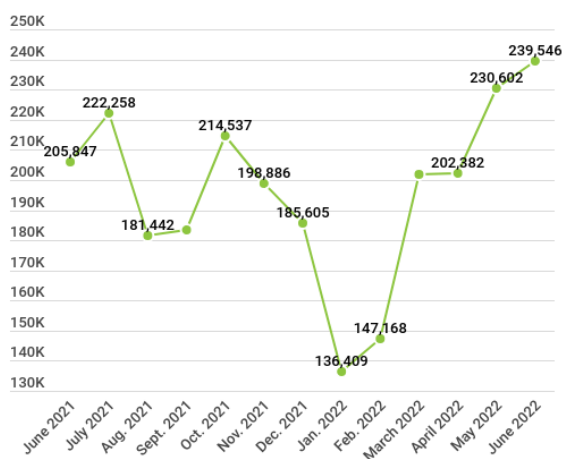
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in June was 2,272,129 (up 19.2% from the June 2021 daily passenger average of 1,905,907 but still down 10.9% from the pre-COVID June 2019 average of 2,550,338.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "The U.S. domestic traffic remained essentially unchanged in June compared with May, increasing by just 0.3%. Compared with the same month in 2019, traffic volumes eased a little on this occasion to be 8.2% below the June 2019 level, from a decline of around 5% in May." You can read more [here](#).

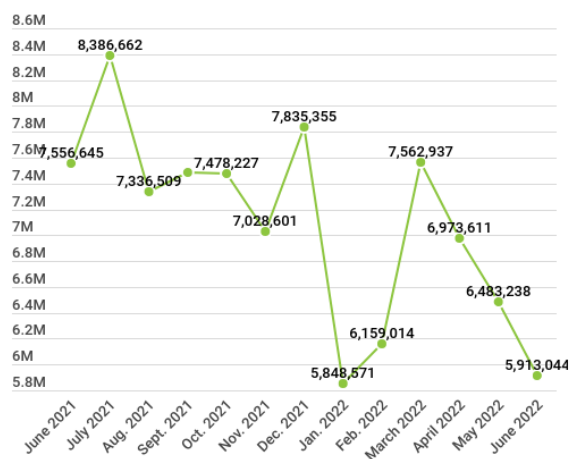
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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