

AUGUST 2022



FINANCED BY FIRST HORIZON BANK

Welcome to the August 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 August survey, the level of general business activity has mostly “improved,” while company outlooks are split between “improved” and “worsened.” (The level of general business activity and company outlooks were evenly split between “worsened” and “the same” in last month’s survey.)

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

volume of new orders and growth rate of orders. Average employee workweek and wages and benefits were split between "increase" and "no change.")

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

Manufacturing comments indicate that reduced discretionary income of customers is causing reduced demand for some products.

RETAIL

Knoxville area retailers indicated in the August survey that their current level of general business activity has "worsened" from last month. Company outlooks are reported as mostly "the same." (The evaluation of the level of general business activity and company outlooks were reported as "worsened" in the July survey.)

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

The six-month retail outlook in August projects "no changes" in internet sales, number of full-time and part-time employees, average employee workweek, and capital expenditures. "Decreases" are anticipated in net sales revenue and inventories. "Increases" are expected for wages and benefits and input prices. Future selling prices are split between "increase" and "decrease." (The six-month outlook in July projected "no changes" in internet sales, number of full-time employees, average employee workweek, wages and benefits, selling prices, and capital expenditures. "Increases" were expected in the number of part-time employees and input prices. "Decreases" were expected in net sales revenue and inventories.)

Retail comments indicate that boating industry sales continue to do well with the influx of people moving into the area from other states.

SERVICE

Knoxville area service sector businesses report in the August survey that their current level of general business activity and company outlooks are “the same.” (The level of general business activity was “mixed” and company outlooks were mostly “the same” in the July survey.)

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

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

Service sector comments indicate that hiring, inflation, and supply chain disruptions continue to be challenges. Inflation is also inhibiting capital investment. Some equipment and vehicle repairs are taking as long as four months due to shortages and delivery of repair parts. Delivery time that typically takes 1 to 3 months for some equipment is now taking 9 to 18 months. Some city zoning codes are inhibiting business growth.

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/>

LABOR MARKET INFORMATION

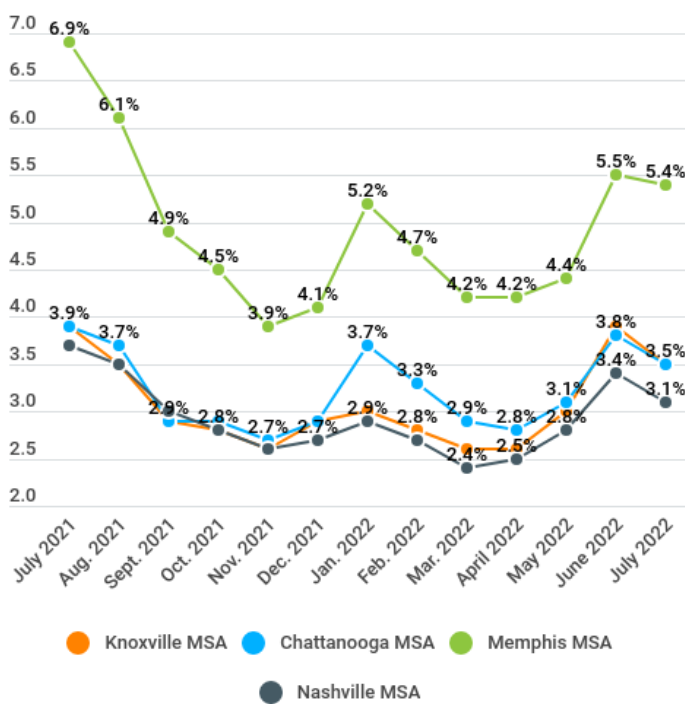
The Knoxville MSA's unemployment rate in July was 3.5% (down from 3.9% in June and down from the 3.9% rate in July 2021.) Knox County's unemployment rate in July was 3.3% (down from 3.6% in June and down from 3.6% in July 2021.) Tennessee's unemployment rate was 4.0% in July (down from 4.3% in June and down from 4.7% in last July.) The U.S. unemployment rate was 3.8% in July (unchanged from June and down from the 5.7% unemployment rate recorded last July.)

The size of the total labor force decreased from June to July at the local and state levels. The Knoxville MSA's labor force decreased 0.5% from 449,896 in June to 447,510 in July. Knox County's labor force decreased 0.4% from 256,038 in June to 254,917 in July. Tennessee's labor force decreased 0.9% from 3,421,254 in June to 3,391,405 in July. Meanwhile, the national labor force increased 0.2% from 165,012,000 in June to 165,321,000 in July.

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

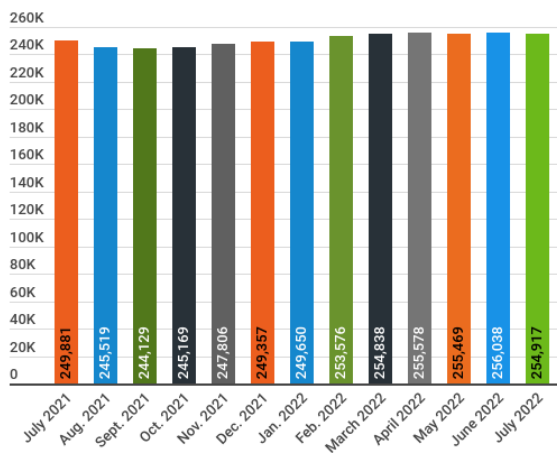
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

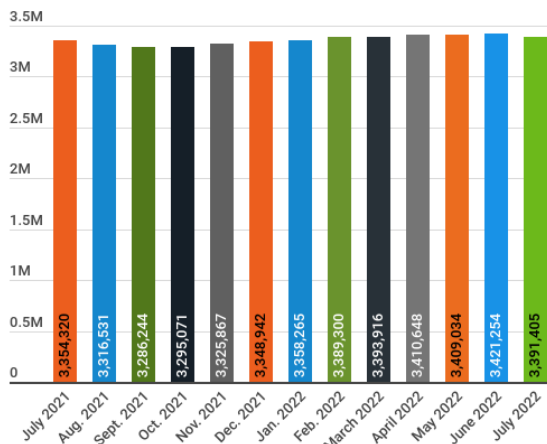


Resident Labor Force

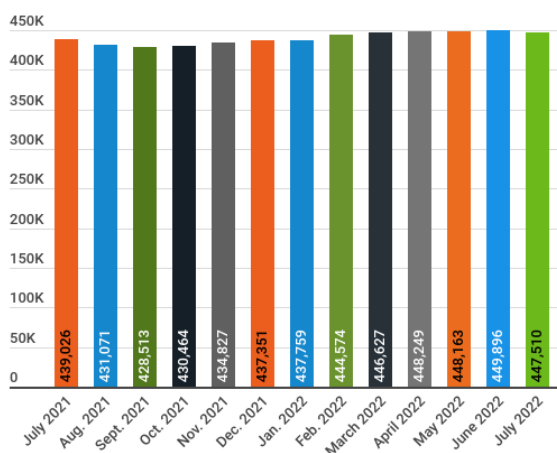
Knox County



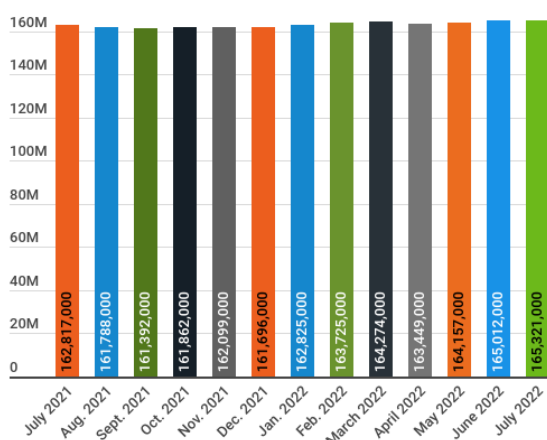
Tennessee



Knoxville MSA



United States













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

JOB MARKET

Data Note: Lightcast (formerly Emsi Burning Glass) has revised the number of unique active job postings for the months of May and June. The new estimates are reflected in the 13-month trending chart.

For the month of July, there were 10,086 unique active job postings in the Knoxville MSA (down 5.4% from June and up 11.1% from last July.) There were 6,675 unique active job postings in Knox County (down 4.5% from June and up 7.3% from this time last year.)

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

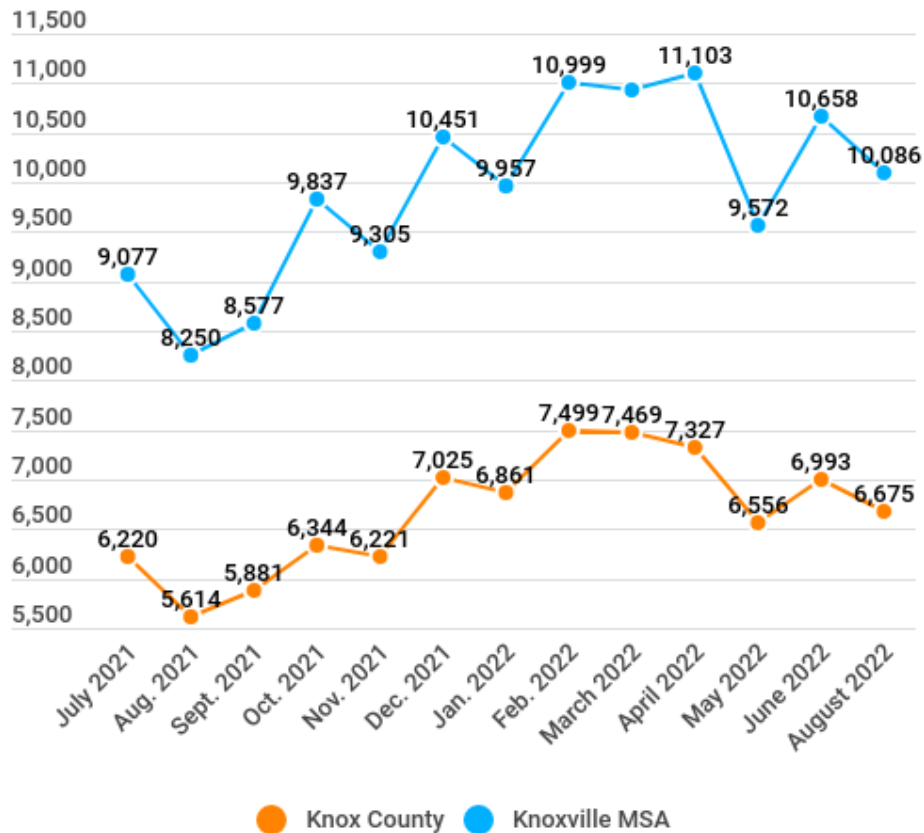
| | Industry | Number of Postings |
|---|---|--------------------|
|  | Health Care and Social Assistance | 1,225 |
|  | Retail Trade | 1,067 |
|  | Administrative Support, Waste Management and Remediation Services | 1,024 |
|  | Professional, Scientific and Technical Services | 716 |
|  | Manufacturing | 635 |
|  | Accommodation and Food Services | 514 |
|  | Educational Services | 404 |
|  | Wholesale Trade | 311 |
|  | Construction | 302 |
|  | Finance and Insurance | 281 |

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

| | Occupation | Number of Postings |
|---|--|--------------------|
|  | Registered Nurses | 363 |
|  | Retail Salespersons | 297 |
|  | First-Line Supervisors of Retail Workers | 257 |
|  | Laborers and Freight, Stock, and Material Movers, Hand | 229 |
|  | Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products | 217 |
|  | Maintenance and Repair Workers, General | 204 |
|  | Customer Service Representatives | 167 |
|  | Heavy and Tractor Trailer Drivers | 160 |
|  | Fast Food and Counter Workers | 159 |
|  | Managers, All Other | 153 |

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.

The August report shows a gain of 132,000 in nonfarm private-sector employment (a decrease from the 270,000 jobs gain in July.) Large firms (500+ employees) posted the largest gain with an increase of 54,000 jobs, midsize businesses (50-499 employees) gained 53,000 jobs, and small businesses (1-49 employees) gained a net 25,000 jobs.

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 25,000 net jobs gain was driven mostly by the "Other Small" businesses (20-49 employees) which increased by 72,000 jobs, but was offset by a 47,000-job loss in the "Very Small" businesses (1-19 employees) grouping.

(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 11.2 million jobs to fill in July 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](#).

Marginalized people such as people with disabilities, the formerly incarcerated, and those who are housing insecure are often overlooked by hiring managers but the ongoing worker shortage may help encourage employers to give these people an opportunity to demonstrate that they can help fill the void and be valuable contributors to the economy. You can read more [here](#).

The Great Resignation and continuing worker shortage are forcing more companies in the U.S. to order a record number of robots. According to the [Association for Advancing Automation \(A3\)](#), robot sales hit a record high in North America for the third-straight quarter. A total of 12,305 robots valued at \$585 million were sold in Q2 2022, a 25% increase from Q2 2021. The automotive industry accounted for 59% of the orders, while the rest came predominantly from the food and consumer goods industry. You can read more [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from July 2021 to July 2022 is 8.5%. This is down from the 9.1% rate from June 2021 to June 2022. Last year, the national inflation rate was 5.4% from July 2020 to July 2021.

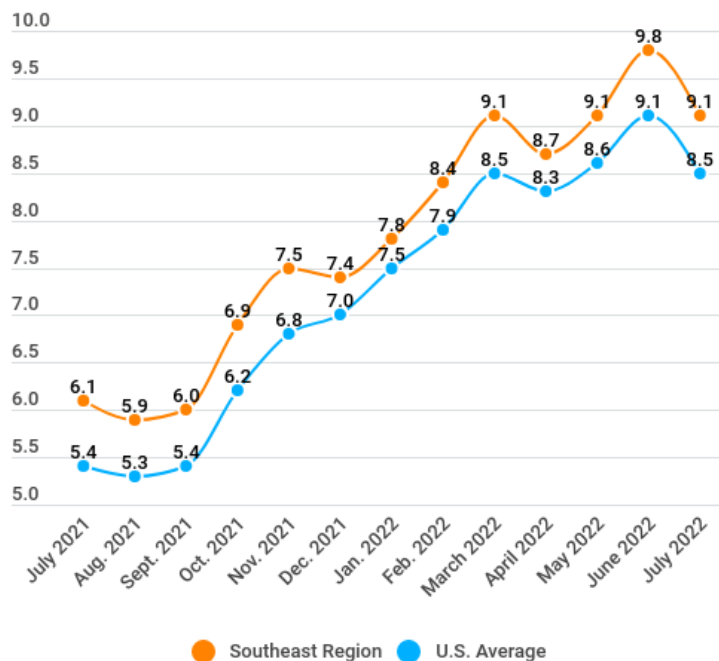
Higher inflation is primarily being driven by the supply chain disruptions and higher gasoline prices and has persisted longer than the Fed's expected with price increases still at 40-year highs. From a year ago, gasoline prices are up 45% and food prices are up 13.1%. You can read more [here](#).

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 9.1% for the July 2021 to July 2022 period. This is down from 9.8% in the June 2021 to June 2022 period. Last year, the rate was 6.1% for July 2020 to July 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 decreased 10.1% in July to a seasonally adjusted annual rate (SAAR) of 20,252. Home sales in Knox County increased 4.9% from the previous month to a seasonally adjusted annual rate (SAAR) of 8,405. Compared to the previous year, home sales in the Knoxville area were down 9.4% and 5.4% in Knox County.

Nationally, existing-home sales decreased for the sixth consecutive month to a seasonally-adjusted annual rate of 4.81 million in July — down 5.9% from the previous month and 20.2% from a year ago. Home sales in the South similarly declined 5.3% from the previous month and 19.6% from one year prior.

The median home sales price in the Knoxville area was \$324,450 in July — up 14% from one year ago. Knox County's median home sale price was \$350,000 — up 16% from one year ago. Forty percent of homes sold for over asking price in July, compared to 46% the previous month. 24.5% of homes sold for at least \$10,000 over asking and 10.5% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 7.5% of total home sales, though move-in ready new homes accounted for less than 2% of all sales.

Active inventory in the Knoxville area continued to increase in July — up around 50% from a year ago but still **considerably** lower than pre-pandemic levels. Inventory in Knox County was up 27% year-over-year. Half of homes sold in the Knoxville area were on the market for 5 days or less.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 1.9 months.

According to Hancan Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "As expected, the combination of higher home prices and rising mortgage rates is weighing heavily on housing affordability and thus home sales have begun to decline. Inventory is trending upward, but the rate of growth seems to be tapering off. I expect we will continue to see signs of a moderating market over the coming year, though the market should remain relatively stable."

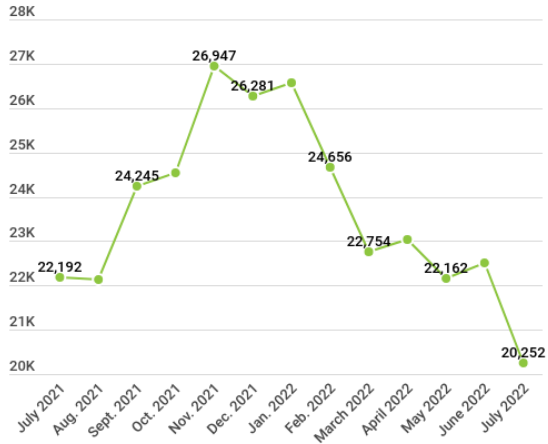
You can subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

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.

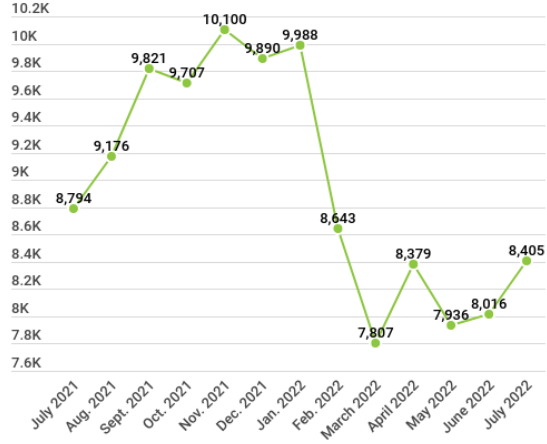
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

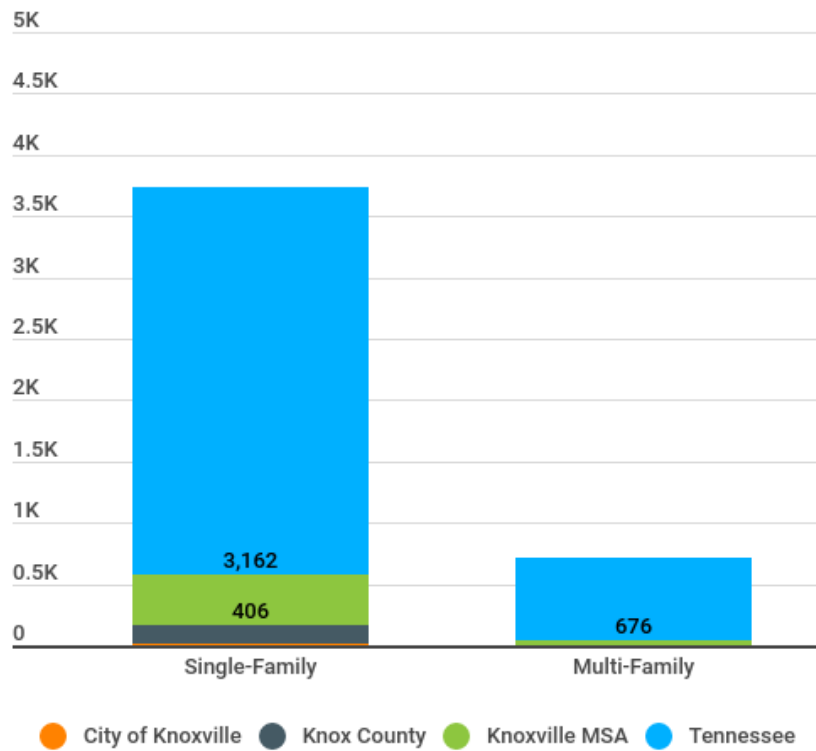
| Knoxville Area | | | | | | | Knox County | | | | | | |
|---------------------------|-----------|-----------|------------|-----------|-----------|-----------|-------------|-----------|------------|------------|-----------|-----------|-----------|
| | July 2021 | Aug. 2021 | Sept. 2021 | Oct. 2021 | Nov. 2021 | Dec. 2021 | Jan. 2022 | Feb. 2022 | March 2022 | April 2022 | May 2022 | June 2022 | July 2022 |
| Active Listings Inventory | 2,660 | 3,031 | 3,140 | 3,001 | 2,666 | 2,372 | 2,074 | 1,862 | 2,021 | 2,302 | 2,786 | 3,332 | 3,922 |
| Median Home Sales Price | \$284,000 | \$285,000 | \$285,000 | \$285,000 | \$290,000 | \$291,000 | \$300,000 | \$302,000 | \$309,000 | \$325,000 | \$325,000 | \$326,000 | \$324,450 |
| Months Inventory | 1.20 | 1.30 | 1.28 | 1.15 | 1.08 | 0.00 | 0.00 | 1.09 | 1.30 | 1.26 | - | - | 1.90 |
| Absorption Rates | 84% | 77% | 78% | 87% | 93% | 103% | 117% | 91% | 77% | 79% | - | - | - |

| Knoxville Area | | | | | | | Knox County | | | | | | |
|---------------------------|-----------|-----------|------------|-----------|-----------|-----------|-------------|-----------|------------|------------|-----------|-----------|-----------|
| | July 2021 | Aug. 2021 | Sept. 2021 | Oct. 2021 | Nov. 2021 | Dec. 2021 | Jan. 2022 | Feb. 2022 | March 2022 | April 2022 | May 2022 | June 2022 | July 2022 |
| Active Listings Inventory | 643 | 672 | 650 | 578 | 513 | 422 | 328 | 343 | 427 | 478 | - | - | - |
| Median Home Sales Price | \$300,000 | \$300,000 | \$290,000 | \$291,000 | \$301,000 | \$308,000 | \$300,000 | \$310,000 | \$326,000 | \$340,000 | \$346,000 | \$358,875 | \$350,000 |
| Months Inventory | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.70 | 0.86 | - |
| Absorption Rates | 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 July 2022 was \$691.302 billion (down 0.6% from June and up 8.5% from last July.)

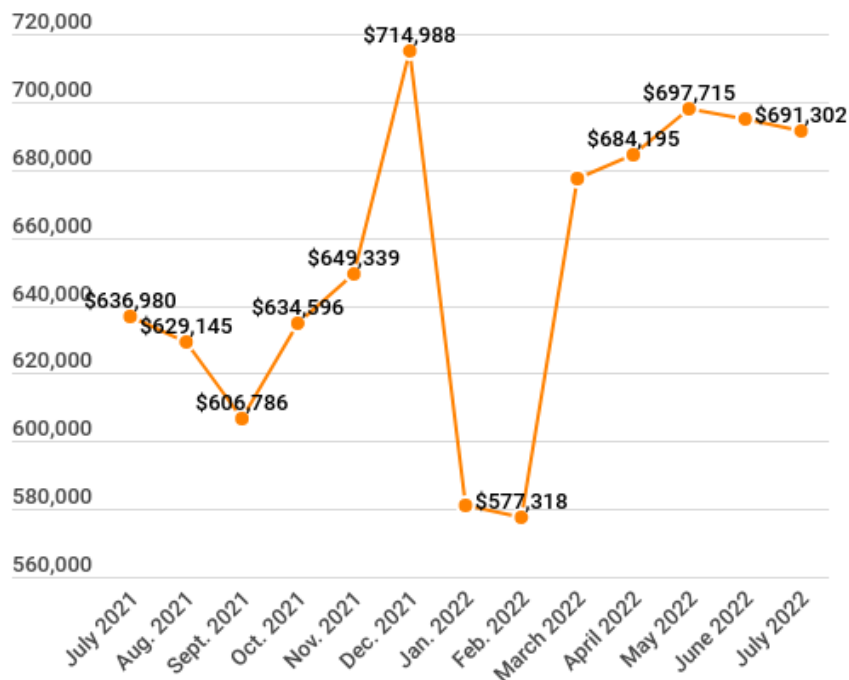
The retail sectors that showed the greatest growth from last July were Gasoline Stations (+36.9%), Non-store Retailers (+27.4%), Food Services and Drinking Places (+18.3%), Miscellaneous Stores (+13.4%), Food and Beverage Stores (+5.5%), and Building Materials (+5.2%).

Retail sectors that showed a decline in sales from last July were Electronics and Appliance Stores (-13.2%), Motor Vehicles and Parts Sales (-4.7%), General Merchandise Stores (-3.6%), Clothing Stores (-2.5%), and Furniture and Home Furnishings Stores (-2.4%).

National Retail Sales

in Millions of Dollars

Total Retail Sales



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

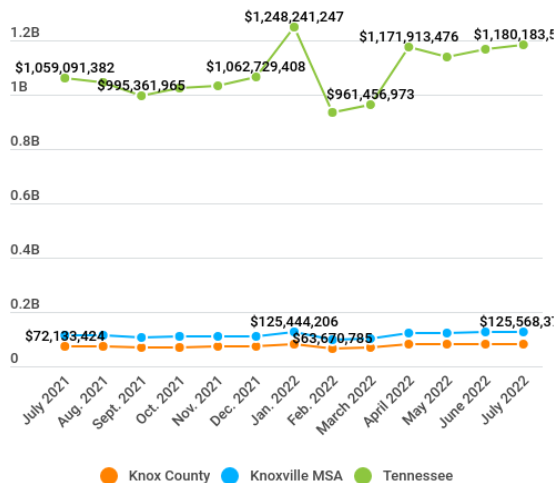
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$125.568 million in state sales taxes in July (up 0.5% from June and up 11.7% from last July) and Knox County collected \$80.903 million in July (down 0.3% from June and up 12.2% from last July.) The state of Tennessee collected \$1.180 billion in state sales taxes in July (up 1.3% from June and up 11.4% from last July.)

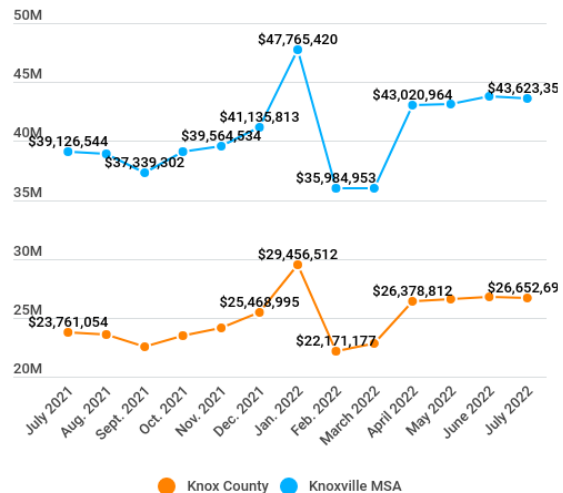
The Knoxville MSA collected \$43.623 million in local sales taxes in July (down 0.3% from June and up 11.5% from last July) and Knox County collected \$26.653 million (down 0.4% from June and up 12.2% from last July.)

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.

August 1, 2022 – [BNA Associates](#) officially purchased the Andrew Johnson Building (912 S. Gay Street) in downtown Knoxville for \$6 million. The “AJ Building” is the former home of the Knox County Board of Education’s central office. BNA Associates plans to transform the building into the musical-themed 143-room Hotel Americana. Among other amenities, the new hotel will include live music spaces, game areas, and a restaurant. You can read more [here](#).

August 12, 2022 – [Topgolf Entertainment Group](#), a global sports and entertainment company, officially opened a new two-level golf driving range entertainment venue across from the Turkey Creek retail development at 11400 Outlet Drive in West Knox County. The \$20 million venue includes 72 climate-controlled outdoor hitting bays, a full-service restaurant, two bars, a lounge area, outdoor patio, rooftop terrace, and private event space. There are also two virtual Topgolf Swing Suites in downtown Knoxville – one located at the Embassy Suites by Hilton and another inside the Marble City Market. Topgolf will create about 300 full- and part-time jobs in the area. You can read more [here](#).

August 18, 2022 – [Cirrus Aircraft](#) has added three 12,000-square-foot airplane hangars at its training hub next to McGhee Tyson Airport in Alcoa. The \$6.6 million expansion is in anticipation of a record-breaking sales year in which the company expects to sell 680 private planes, about 150 more than in 2021. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

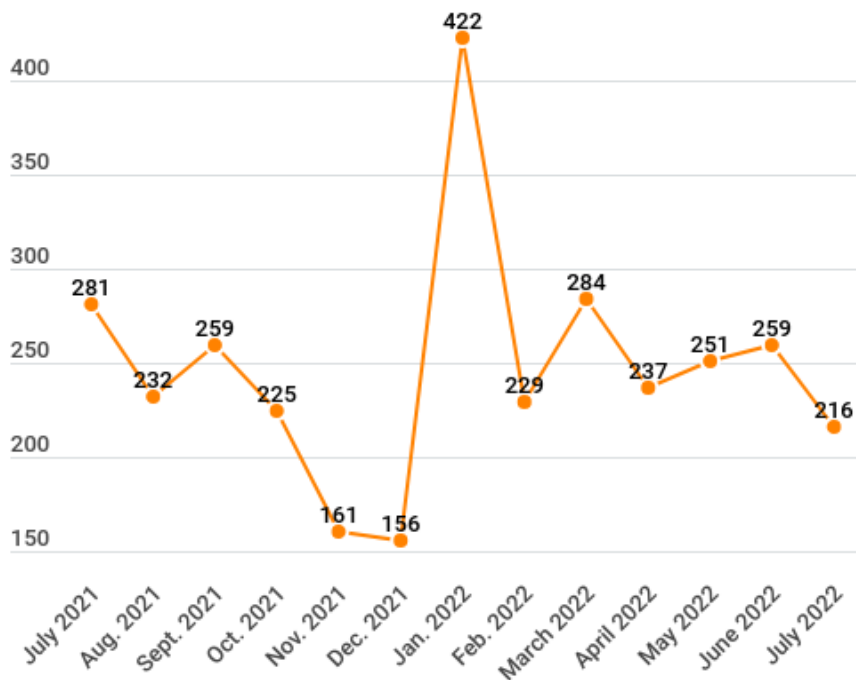
New business licenses issued in July 2022 by Knox County are down 23.1% from July 2021 during the pandemic and are down 28% from the pre-pandemic July 2019 count.

A total of 216 new business licenses were issued in July 2022 compared to 281 in July 2021 and 300 in July 2019. The top industry sectors for which business licenses were issued in July 2022 were services, retail, non-classified establishments, and construction.

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

Data Note: July passenger and freight data from McGhee Tyson Airport was not available in time for report release.

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.)

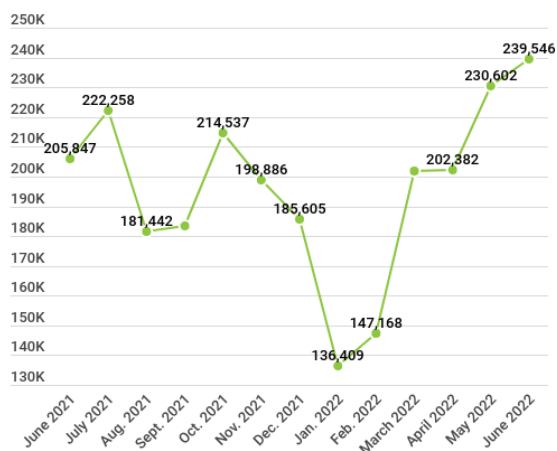
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in July was 2,267,441 (up 11.1% from the July 2021 daily passenger average of 2,041,271 but still down 12.1% from the pre-COVID July 2019 average of 2,578,449.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "The U.S. domestic traffic remains stable and close to full recovery levels compared to 2019. On that basis, volumes are 8.4% lower this month, a 1% decrease from June 2022. However, domestic revenue passenger kilometers (RPKs) in this market grew by 2.8% month-on-month (MoM), a clear manifestation of the resilient US recovery." You can read more [here](#).

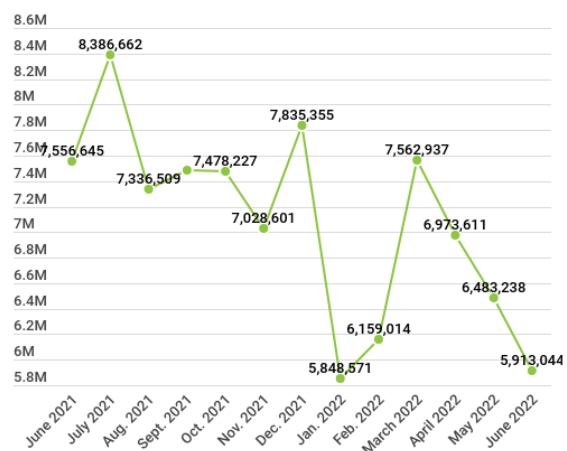
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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