

# SEPTEMBER 2022

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FINANCED BY FIRST HORIZON BANK

Welcome to the September 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**

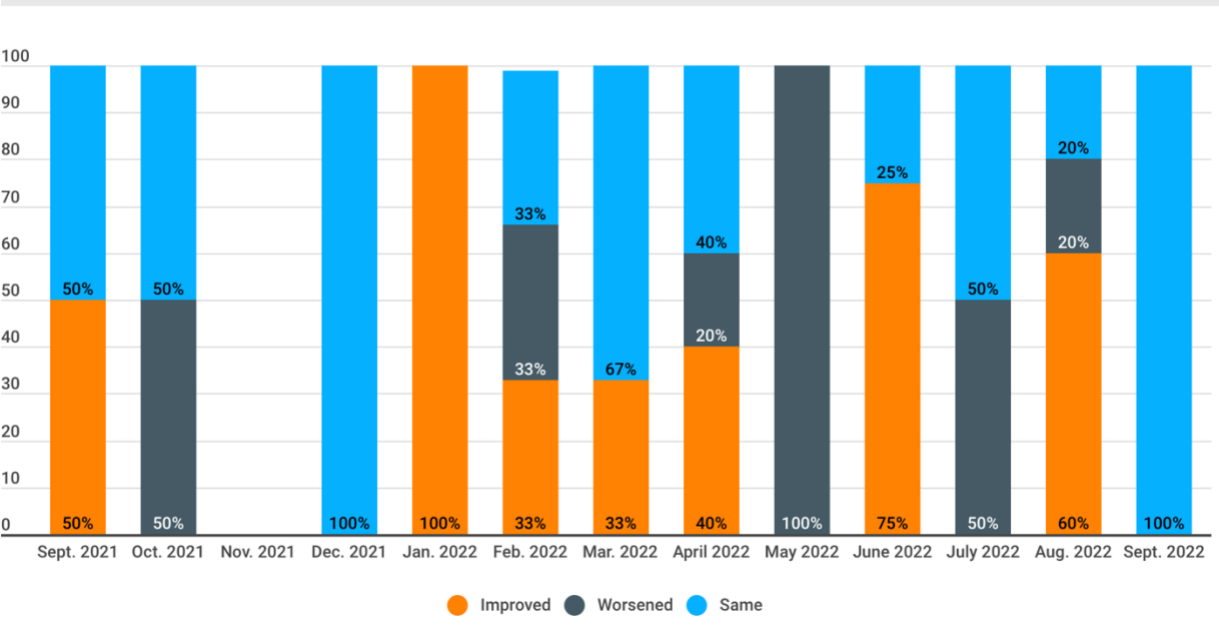
### **MANUFACTURING**

Based on the response to the September survey, the level of general business activity and company outlook are reported as being “the same.” (The level of general business activity was mostly “improved,” while company outlooks were split between “improved” and “worsened” in last month’s survey.)

The month-over-month response in September shows an “increase” in the average employee workweek and “no changes” for all the other indicators. (The month-over-month responses in the August survey showed 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” were mostly reported for delivery time, average employee workweek, and capital expenditures. Prices received for finished goods were split between “increase” and “no change.” The growth rate of orders was split between “increase” and “decrease.” Unfilled orders and finished goods inventories were split between “decrease” and “no change.”)

The six-month outlook in September anticipates “no changes” for any of the indicators. (The six-month outlook in August anticipated 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” were mostly expected for unfilled orders, delivery time, wages and benefits, and average employee workweek.)

**Manufacturing 13-Month Trend Evaluation of the Level of General Business Activity**



(Some percentages may not add up due to rounding.)  
**Note:** No manufacturing responses were received in November '21 due to a technical issue.

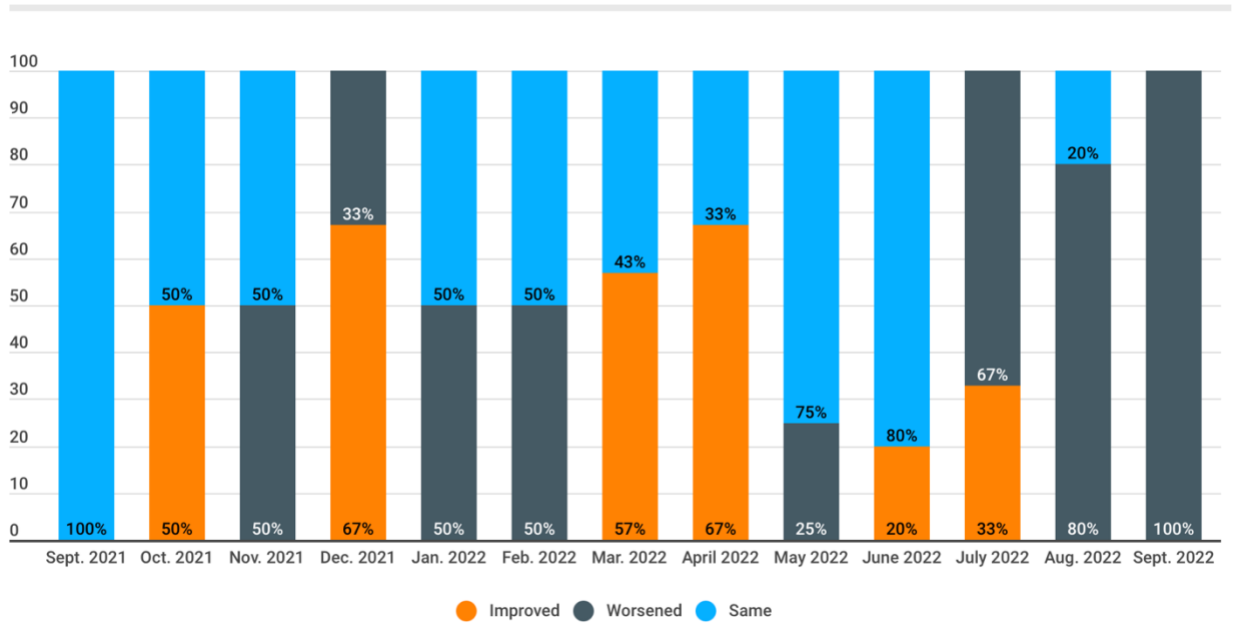
**RETAIL**

Knoxville area retailers indicated in the September survey that their current level of general business activity and company outlooks have “worsened” from last month. (The evaluation of the level of general business activity had “worsened” and company outlooks were reported as mostly “the same” in the August survey.)

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

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

### Retail 13-Month Trend Evaluation of the Level of General Business Activity



*(Some percentages may not add up due to rounding.)*

### SERVICE

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

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

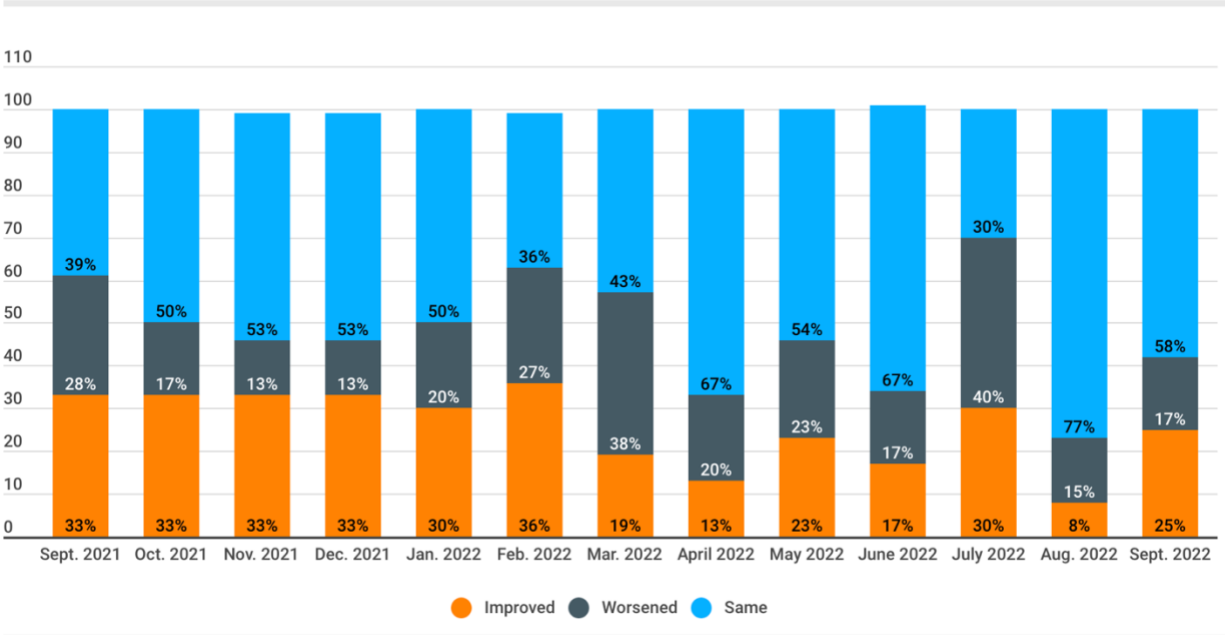
capital expenditures. Responses were mostly split between “increase” and “decrease” for the number of full-time employees and average employee workweek.)

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

Service sector comments indicate that businesses continue to worry about persistent inflation causing a possible recession. Hiring employees for all positions continues to be a challenge. Increased interest rates are driving down home sales.

**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/>

**Service 13-Month Trend Evaluation of the Level of General Business Activity**



(Some percentages may not add up due to rounding.)

**RECRUITING EMPLOYEES FROM OUT-OF-MARKET**

In addition to our regular survey questions, we asked participants if they actively recruit employees from out-of-market. The majority of respondents (65%) indicated they did not recruit employees from out-of-market. The 35% of respondents that indicated they did recruit from out-of-market cited the **Indeed** job posting site, the public sector, and employee references as their primary sources for recruitment.

## LABOR MARKET INFORMATION

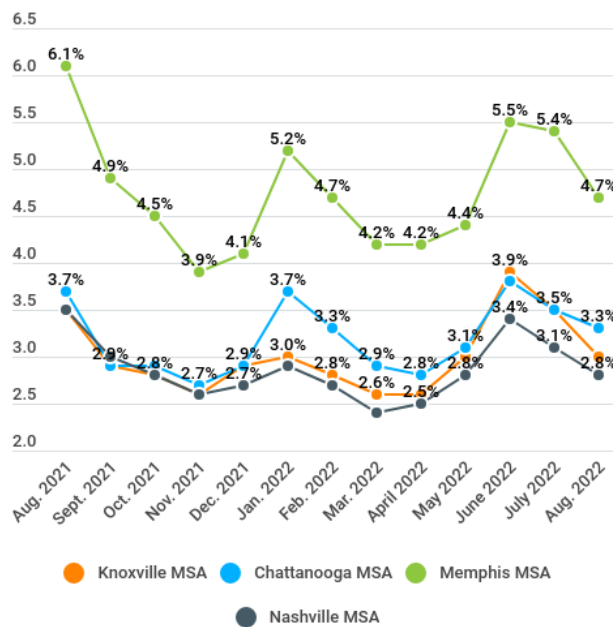
The Knoxville MSA’s unemployment rate in August was 3.0% (down from 3.5% in July and down from the 3.5% rate in August 2021.) Knox County’s unemployment rate in August was 2.9% (down from 3.3% in July and down from 3.3% in August 2021.) Tennessee’s unemployment rate was 3.5% in August (down from 4.0% in July and down from 4.3% in last August.) The U.S. unemployment rate was 3.8% in August (unchanged from July and down from the 5.3% unemployment rate recorded last August.)

The size of the total labor force decreased from July to August at the local, state, and national levels. The Knoxville MSA’s labor force decreased 1.5% from 447,510 in July to 440,798 in August. Knox County’s labor force decreased 1.4% from 254,917 in July to 251,344 in August. Tennessee’s labor force decreased 4.1% from 3,391,405 in July to 3,254,025 in August. The national labor force decreased 0.2% from 165,321,000 in July to 164,971,000 in August.

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

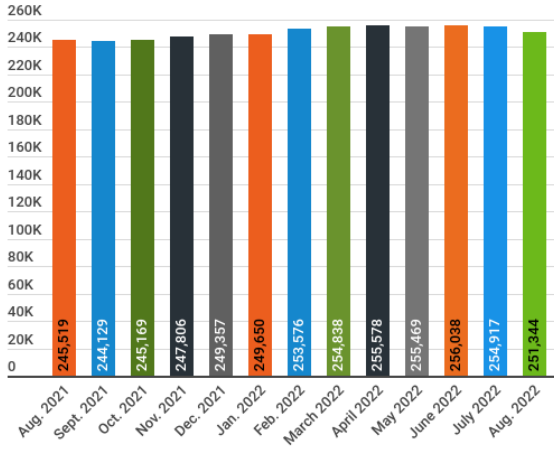
### Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

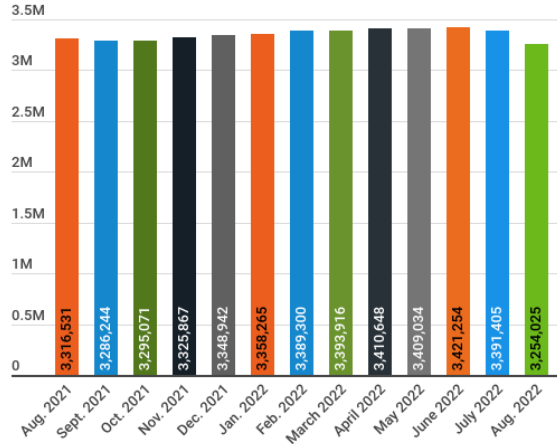


# Resident Labor Force

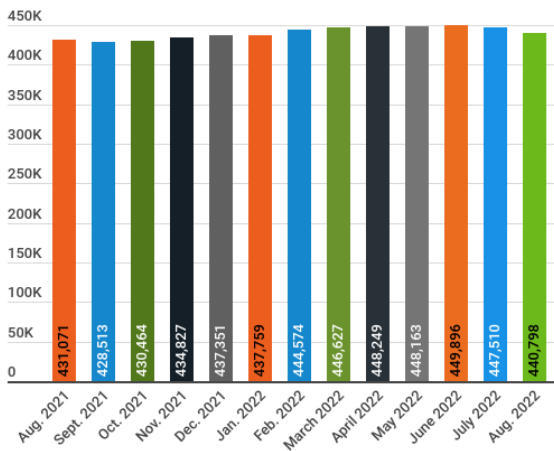
## Knox County



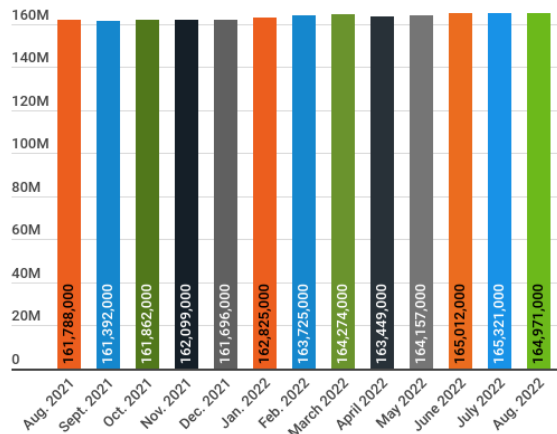
## Tennessee



## Knoxville MSA



## United States













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

## JOB MARKET

For the month of August, there were 9,481 unique active job postings in the Knoxville MSA (down 5.9% from July and up 14.9% from last August.) There were 6,370 unique active job postings in Knox County (down 4.6% from July and up 13.5% from this time last year.)

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

### Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	1,245
	Administrative Support, Waste Management and Remediation Services	1,058
	Retail Trade	860
	Professional, Scientific and Technical Services	645
	Manufacturing	534
	Educational Services	491
	Accommodation and Food Services	393
	Construction	284
	Wholesale Trade	278
	Finance and Insurance	255

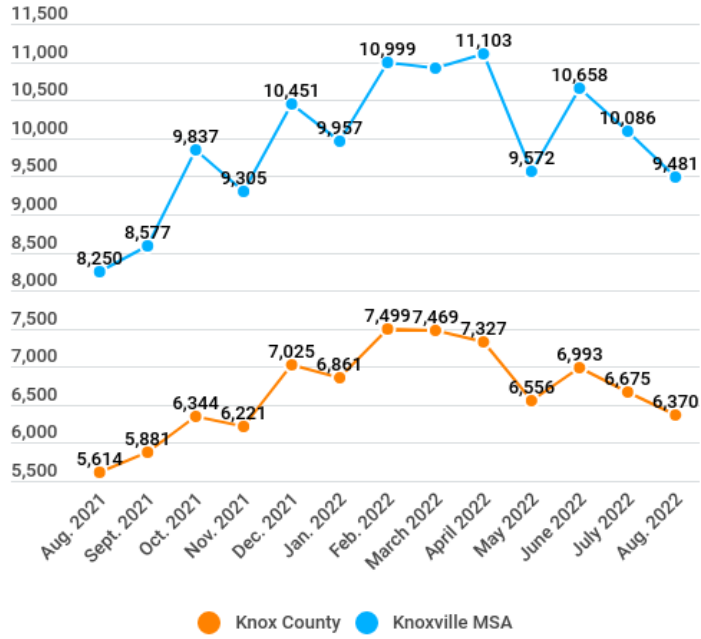
The Top 10 occupations (by number of job postings) in the Knoxville MSA in August were –

### Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	399
	Retail Salespersons	247
	Heavy and Tractor Trailer Drivers	211
	Laborers and Freight, Stock, and Material Movers, Hand	208
	First-Line Supervisors of Retail Workers	198
	Fast Food and Counter Workers	197
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	172
	Licensed Practical and Licensed Vocational Nurses	166
	Customer Service Representatives	158
	Software Developers	136

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 September report shows a gain of 208,000 in nonfarm private-sector employment (an increase from the 132,000 jobs gain in August.) Mid-sized businesses (50-499 employees) posted the largest gain with 90,000 jobs, large firms (500+ employees) gained 60,000 jobs, and small businesses (1-49 employees) gained 58,000 jobs.

ADP's Small Business Report, which further synthesizes the small business landscape, shows that the 58,000 jobs gain was driven mostly by the "Very Small" businesses (1-19 employees) grouping, which gained 45,000 jobs. "Other Small" businesses (20-49 employees) increased 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 10.1 million jobs to fill in August and only 6.3 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](#).

## CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from August 2021 to August 2022 is 8.3%. This is down from the 8.5% rate from July 2021 to July 2022. Last year, the national inflation rate was 5.3% from August 2020 to August 2021.

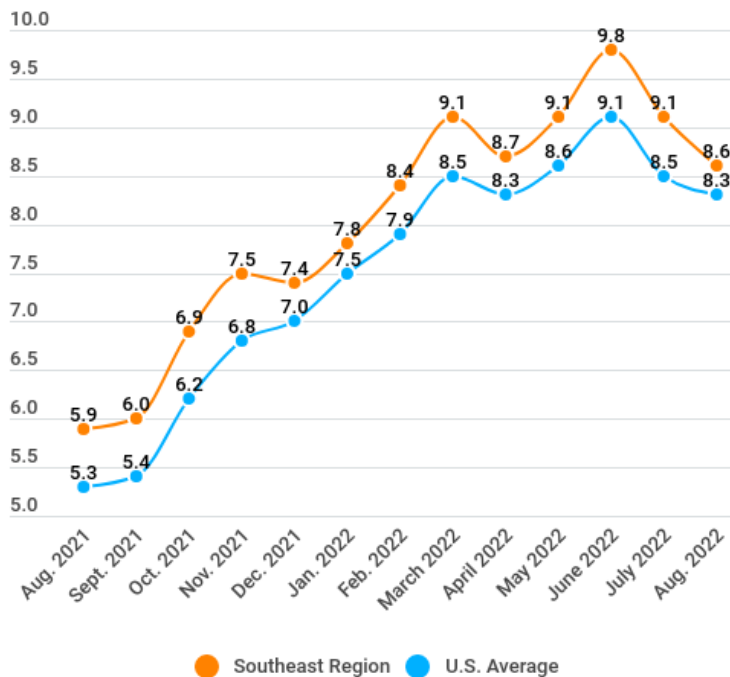
Higher inflation is primarily being driven by continued supply chain disruptions and higher gasoline prices and has persisted longer than the Fed's expected with price increases still at 40-year highs. From a year ago, gasoline prices are up 26%, groceries are up 13.5%, eating out prices are up 8%, and housing prices are up 6.2%. 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 8.6% for the August 2021 to August 2022 period. This is down from 9.1% in the July 2021 to July 2022 period. Last year, the rate was 5.9% for August 2020 to August 2021.

### Inflation Rates

Consumer Price Index - All Items



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

## **TENNESSEE BUSINESS LEADERS SURVEY – SUMMER 2022**

### **The University of Tennessee’s Boyd Center for Business and Economic Research**

recently released their Summer 2022 - Tennessee Business Leaders Survey’s findings. According to the report, 54.5% of business leaders statewide (and 53.6% in East Tennessee) believe the U.S. economy will worsen over the next year, while 67.5% statewide say the state economy will improve. While inflation remains high on people’s minds, only 35.6% of survey respondents statewide (and 34% in East Tennessee) think high inflation is here to stay. About 70% of respondents statewide (and 64.3% in East Tennessee) say that the state of Tennessee is moving in the right direction and 72.5% statewide (67.9% in East Tennessee) think the state is doing a good or excellent job of creating a good business environment. Over the next year, 41.7% statewide (46.4% in East Tennessee) expect their employment to grow moderately, while 44.7% statewide (44.6% in East Tennessee) expect employment to stay about the same.

The primary concern highlighted by business leaders is the need to improve training and education in workforce development as 68.6% of respondents statewide (and 67.9% in East Tennessee) indicated a shortage of appropriately trained workers. You can access the full report [here](#).

## **UNIVERSITY OF TENNESSEE TO HELP SPEARHEAD NEW MID-SOUTH INNOVATION CORPS HUB**

The University of Tennessee, along with eight other institutions, will be the founding members of the National Science Foundation’s new Mid-South Innovation Corps Hub. According to a UT press release, “The hub will prepare and support talented entrepreneurs, spur new high-growth companies, and promote inclusive economic development and prosperity, transforming metro areas in the mid-South into thriving innovation centers. The hub will launch in January 2023 and will help the region maximize its innovation economy potential through at least 2028.” The other eight institutions are Vanderbilt University, George Mason University, Jackson State University, Meharry Medical College, Tennessee State University, University of Kentucky, University of Louisville, and University of Virginia. You can read more [here](#).

## **HOUSING MARKET**

Home sales in the Knoxville area increased 4.8% in August to a seasonally adjusted annual rate (SAAR) of 21,232. Conversely, home sales in Knox County decreased 2.3% from the previous month to a seasonally adjusted annual rate (SAAR) of 8,212. Compared to the previous year, home sales in the Knoxville area were down 5.3% and 11.7% in Knox County.

Nationally, existing-home sales decreased in August for the seventh consecutive month to a seasonally adjusted annual rate of 4.80 million — down 0.4% from the previous month and 19.9% from a year ago. Home sales in the South were unchanged from the previous month but down 19.3% from a year prior.

The median home sales price in the Knoxville area was \$325,000 in August — up 14% from one year ago. Knox County's median home sale price was \$349,925 — up 15.6% from one year ago. Thirty-three percent of homes sold for over asking price in August, compared to 40% the previous month. 18% of homes sold for at least \$10,000 over asking and 6.3% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 9.5% of total home sales.

Active inventory in the Knoxville area continued to increase in August — up 52% from a year ago but still considerably lower than pre-pandemic levels. Inventory in Knox County was up 41% year-over-year. Half of homes sold in the Knoxville area were on the market for 8 days or less, up from 5 days in August 2020.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 1.98 months.

After months of robust gains, Knoxville's rental market is beginning to slow down with nearly every measure of annual rent growth declining from the previous month. Even so, effective rents in the Knoxville MSA were up 19% year-over-year in August, outpacing the annual rent growth of 10.5% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "Mortgage rates briefly retreated in July and August after hitting 6% in early June, propelling home sales in August. However, the combination of higher home prices and rising mortgage rates is still weighing heavily on affordability. This dynamic has pushed many prospective buyers out of the market and continues to place downward pressure on home sales. There's still a dearth of inventory and no signs that will change appreciably in the near term, which means the market is likely to remain relatively competitive and further boost home prices."

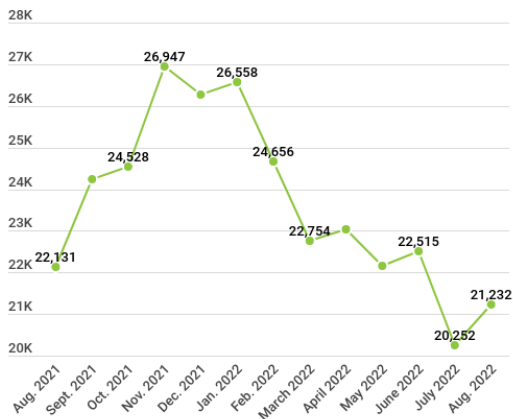
You can subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

*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.*

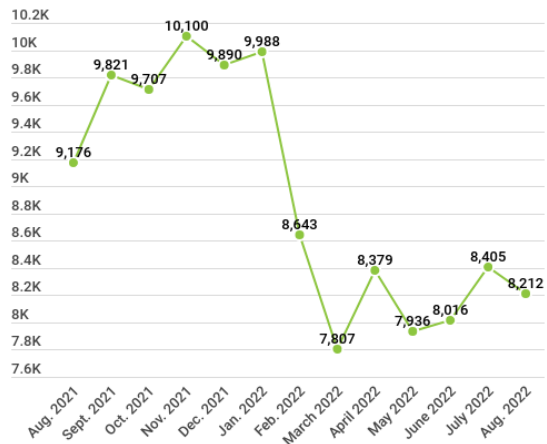
## Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

### Knoxville Area



### Knox County



## Knoxville Area Housing Market

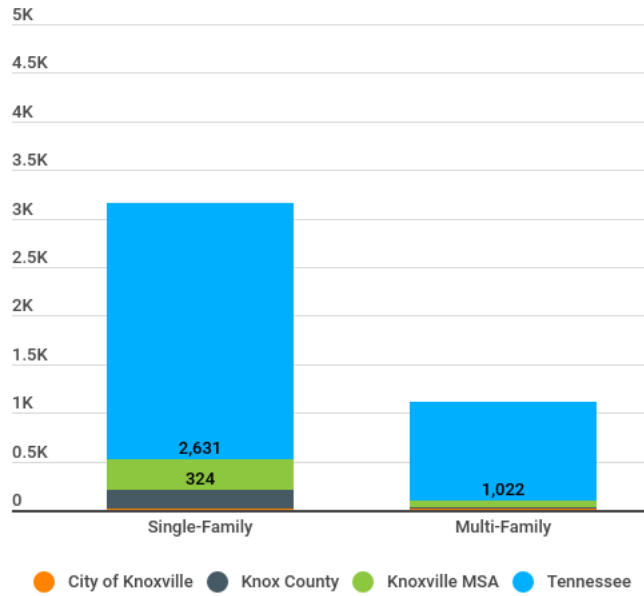
	Knoxville Area						Knox County							
	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	
Active Listings Inventory	3,031	3,140	3,001	2,666	2,372	2,074	1,862	2,021	2,302	2,786	3,332	3,922	3,725	
Median Home Sales Price	\$285,000	\$285,000	\$285,000	\$290,000	\$291,000	\$300,000	\$302,000	\$309,000	\$325,000	\$325,000	\$326,000	\$324,450	\$325,000	
Months Inventory	1.30	1.28	1.15	1.08	0.00	0.00	1.09	1.30	1.26	-	-	1.90	1.98	
Absorption Rates	77%	78%	87%	93%	103%	117%	91%	77%	79%	-	-	-	-	

	Knoxville Area						Knox County							
	Aug. 2021	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	
Active Listings Inventory	672	650	578	513	422	328	343	427	478	-	-	-	-	
Median Home Sales Price	\$300,000	\$290,000	\$291,000	\$301,000	\$308,000	\$300,000	\$310,000	\$326,000	\$340,000	\$346,000	\$358,875	\$350,000	\$349,925	
Months Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.86	-	-	
Absorption Rates	129%	134%	140%	151%	170%	221%	162%	123%	135%	-	-	-	-	

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

## Residential Building Permits

July 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 August 2022 was \$699.328 billion (up 1.2% from July and up 11.2% from last August.)

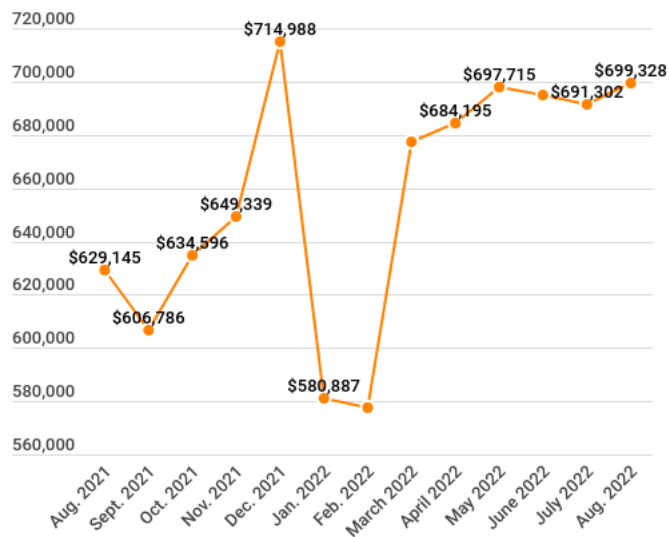
The retail sectors that showed the greatest growth from last August were Gasoline Stations (+30.1%), Non-store Retailers (+23.9%), Miscellaneous Stores (+19.4%), Food Services and Drinking Places (+18.9%), Building Materials (+12.6%), Food and Beverage Stores (+6.1%), and Motor Vehicle and Parts Sales (+6.0%).

Retail sectors that showed a decline in sales from last August were Electronics and Appliance Stores (-7.7%), Furniture and Home Furnishings Stores (-5.4%), and General Merchandise Stores (-1.3%).

### National Retail Sales

*in Millions of Dollars*

### Total Retail Sales



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

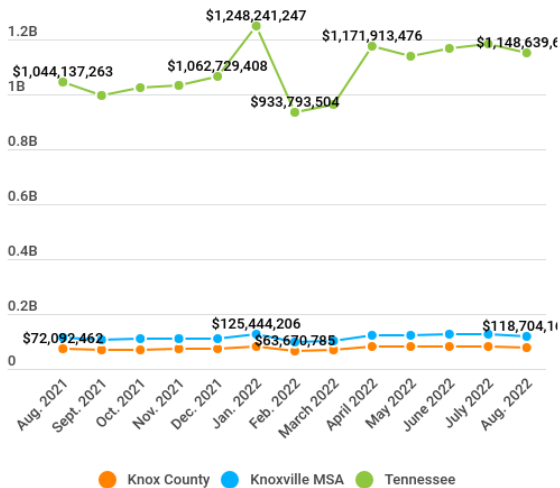
## TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$118.704 million in state sales taxes in August (down 5.5% from July and up 5.6% from last August) and Knox County collected \$76.165 million in August (down 5.9% from July and up 5.6% from last August.) The state of Tennessee collected \$1.149 billion in state sales taxes in August (down 2.7% from July and up 10.0% from last August.)

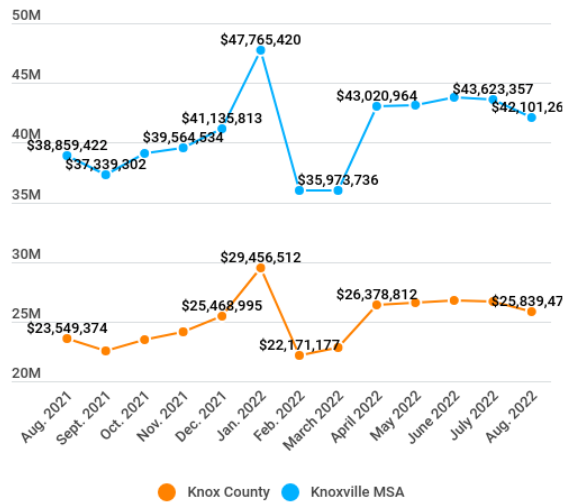
The Knoxville MSA collected \$42.101 million in local sales taxes in August (down 3.5% from July and up 8.3% from last August) and Knox County collected \$25.839 million (down 3.1% from July and up 9.7% from last August.)

### 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.

**September 8, 2022** – **Anakeesta**, the Gatlinburg theme park, announced a major \$34 million expansion that will double its size over the next three years. Plans include a second mountain rollercoaster, a European-themed village, a birdhouse-themed play area, and the Astra Lumina Enchanted Night Walk. You can read more [here](#).



## KNOX COUNTY BUSINESS LICENSES

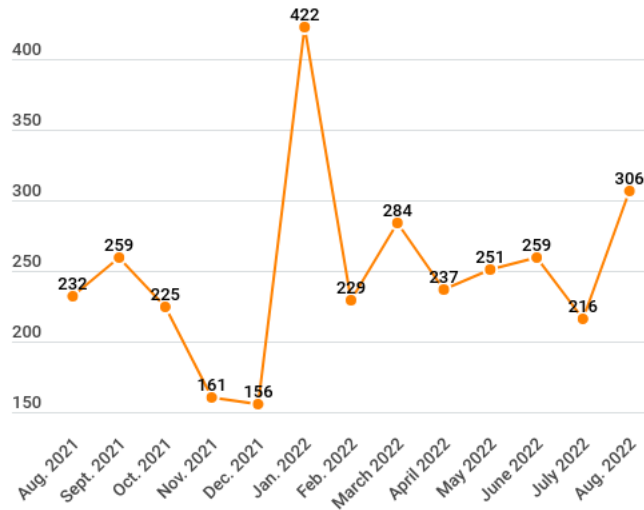
New business licenses issued in August 2022 by Knox County are up 31.9% from August 2021 during the pandemic and are up 9.7% from the pre-pandemic August 2019 count.

A total of 306 new business licenses were issued in August 2022 compared to 232 in August 2021 and 279 in August 2019. The top industry sectors for which business licenses were issued in August 2022 were services, non-classified establishments, construction, and retail.

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 and August passenger and freight data from McGhee Tyson Airport were 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.)

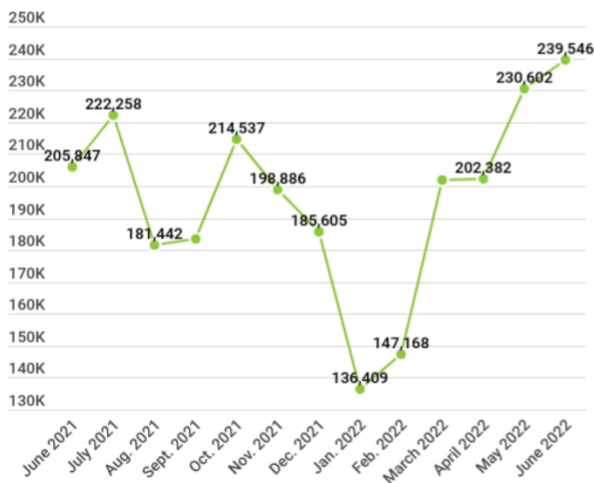
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in August was 2,172,367 (up 18.7% from the August 2021 daily passenger average of 1,829,383 but still down 8.6% from the pre-COVID August 2019 average of 2,375,684.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "The U.S. domestic traffic remained stable and close to previously achieved levels, with August posting a 0.5% drop from July 2022 and a month-over-month decline of 8.6% domestic revenue passenger kilometers (RPKs) are showing signs of a sideways trend in this market, where further recovery is limited by supply constraints. Nonetheless, RPKs and ASKs (available seat kilometers) have increased 7.0% and 3.3% year-over-year respectively." You can read more [here](#).

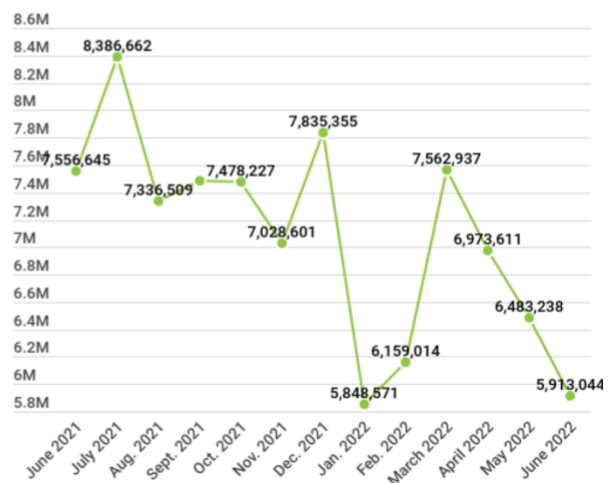
### Air Service

at McGhee-Tyson Airport

#### Passengers



#### Freight



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