

# OCTOBER 2022

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FINANCED BY FIRST HORIZON BANK

Welcome to the October 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**

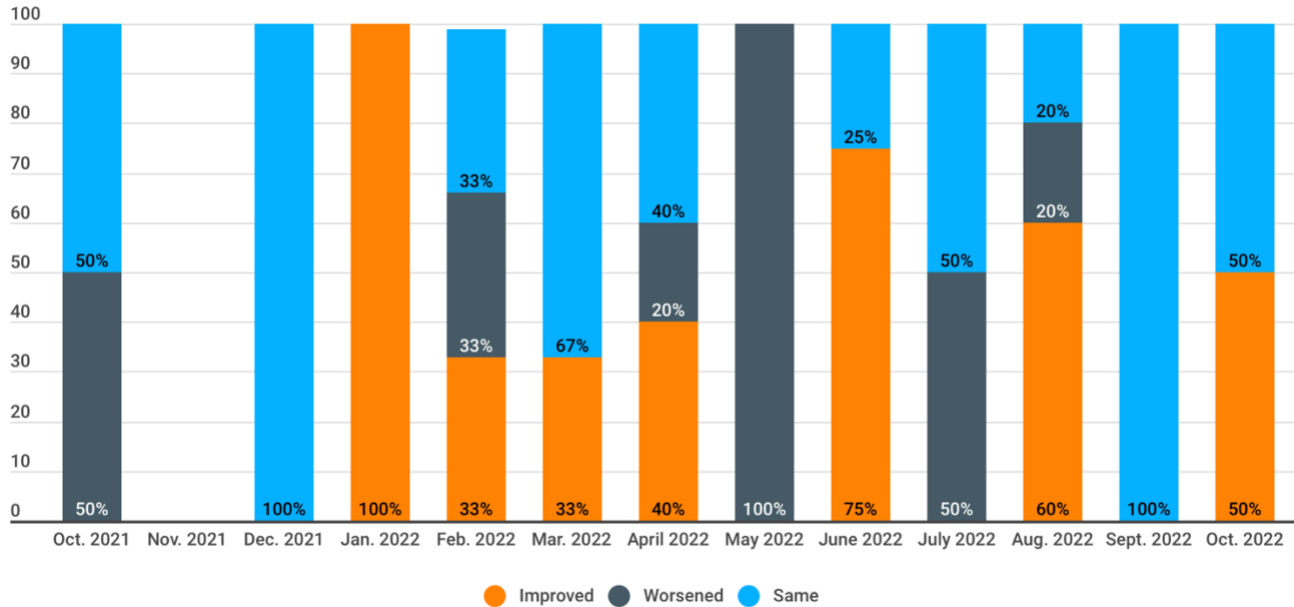
Based on the response to the October survey, the level of general business activity and company outlooks are split between “improved” and “the same.” (The level of general business activity and company outlooks were reported as being “the same” in last month’s survey.)

The month-over-month responses in October show an even split between “increase” and “no change” in production, capacity utilization, growth rate of orders, delivery time, prices paid for raw materials, prices received for finished goods, wages and benefits, average employee workweek, and capital expenditures. “No changes” are reported for the volume of new orders and finished goods inventories. Unfilled orders and volume of shipments are split between “decrease” and “no change.” The number of employees is evenly split between “increase” and “decrease.” (The month-over-month responses in the September survey showed an “increase” in the average employee workweek and “no changes” for all the other indicators.)

The six-month outlook in October anticipates an even split between “increase” and “no change” in production, capacity utilization, volume of new orders, growth rate of orders, volume of

shipments, delivery time, prices paid for raw materials, prices received for finished goods, wages and benefits, number of employees, average workweek, and capital expenditures. "No change" is expected for unfilled orders and finished goods inventories. (The six-month outlook in September anticipated "no changes" for any of the indicators.)

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



**Note:** No manufacturing responses were received in November '21 due to a technical issue.

**RETAIL**

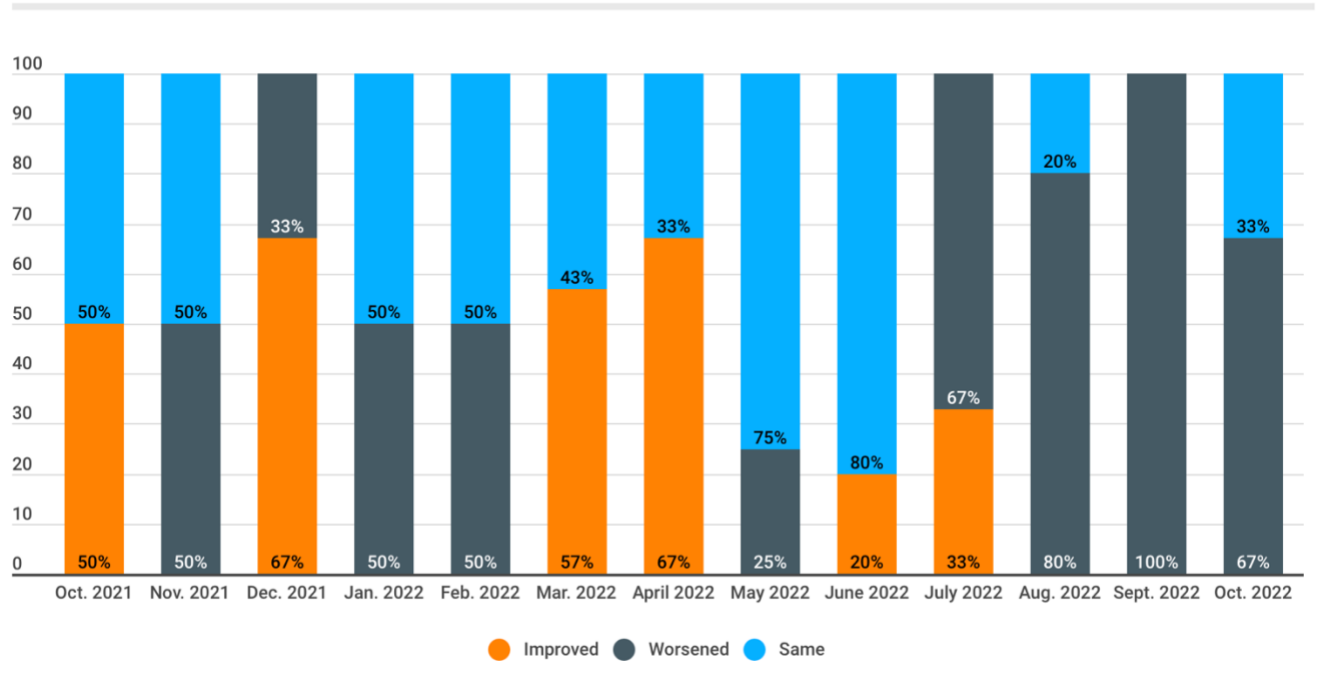
Knoxville area retailers indicated in the October survey that their current level of general business activity and company outlooks have mostly "worsened" from last month. (The level of general business activity and company outlooks were also reported as "worsened" in the September survey.)

The month-over-month responses in the October survey show mostly "increases" in wages and benefits, input prices, and inventories. "No changes" are mostly reported for internet sales, number of full-time and part-time employees, average employee workweek, and capital expenditures. Selling prices are reported as mostly "decreased." Net sales revenue is "mixed." (Month-over-month responses in the September survey showed "increases" in input prices and wages and benefits. "Decreases" were mostly reported for net sales revenue, selling prices, and inventories. "No changes" were mostly reported for the number of both full-time and part-time

employees and the average employee workweek. Internet sales were evenly split between “decrease” and “no change.” Capital expenditures were “mixed.”)

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

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



### SERVICE

Knoxville area service sector businesses report in the October survey that their evaluation of the level of general business activity and company outlooks are mostly “the same” from last month. (The level of general business activity and company outlooks were mostly “mixed” in the September survey.)

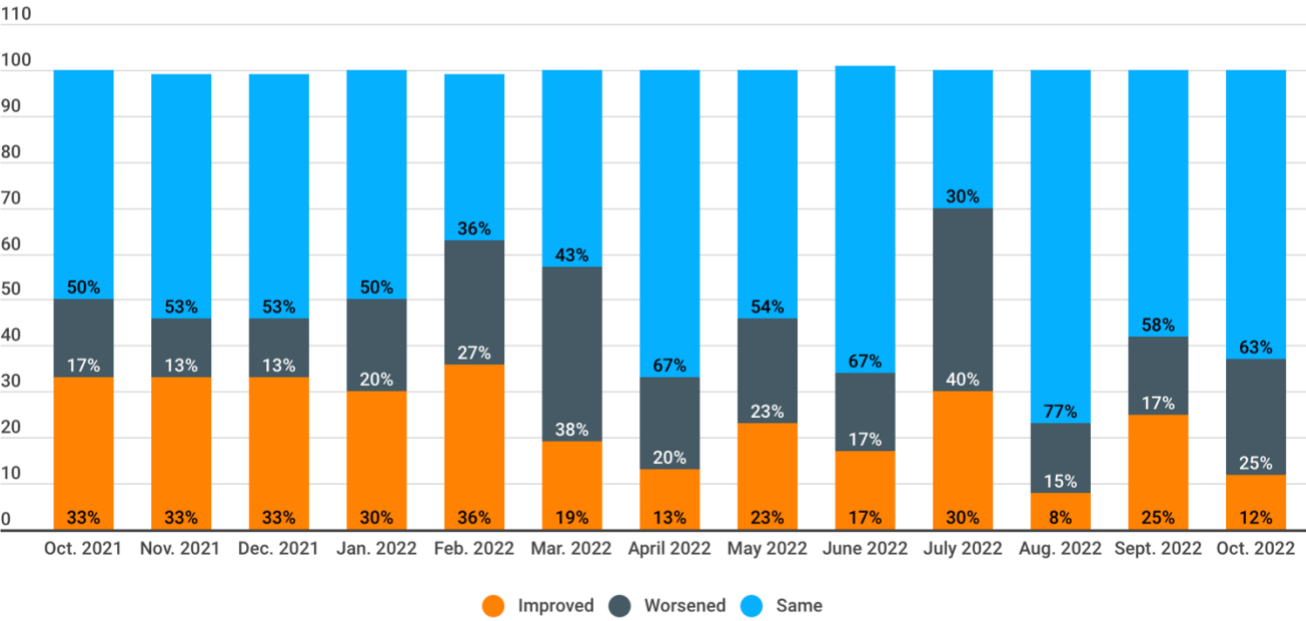
The month-over-month responses in the October survey show mostly “no changes” in the number of full-time and part-time employees, average employee workweek, and capital

expenditures. "Increases" are mostly reported in wages and benefits, input prices, and selling prices. Revenue is mostly split between "increase" and "decrease." (Month-over-month responses in September showed "no changes" in the number of part-time employees, average employee workweek, and capital expenditures. "Increases" were reported in wages and benefits, input prices, and selling prices. Revenue and the number of full-time employees were mostly split between "increase" and "no change.")

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

Service sector comments indicate that businesses continue to be challenged by inflation, hiring employees with a work ethic, supply chain disruptions, fuel costs, and healthcare costs. Increased labor costs are also forcing businesses to pass on higher costs for products and services to their customers.

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



**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/>

## **RETIREMENT OF EMPLOYEES OVER NEXT FIVE YEARS**

In addition to the regular survey questions, respondents were asked if they anticipated an influx of retirements over the next five years and if so, what percentage of their workforce would be retiring.

A majority of respondents (54%) indicated that they did anticipate an influx in employee retirements over the next five years. Twenty-nine percent indicated that it would impact about 15% of their workforce. Another 29% did not answer or did not know. Fourteen percent each said retirements would impact 5%, 6%, and as much as 90% of their workforce.

## **LABOR MARKET INFORMATION**

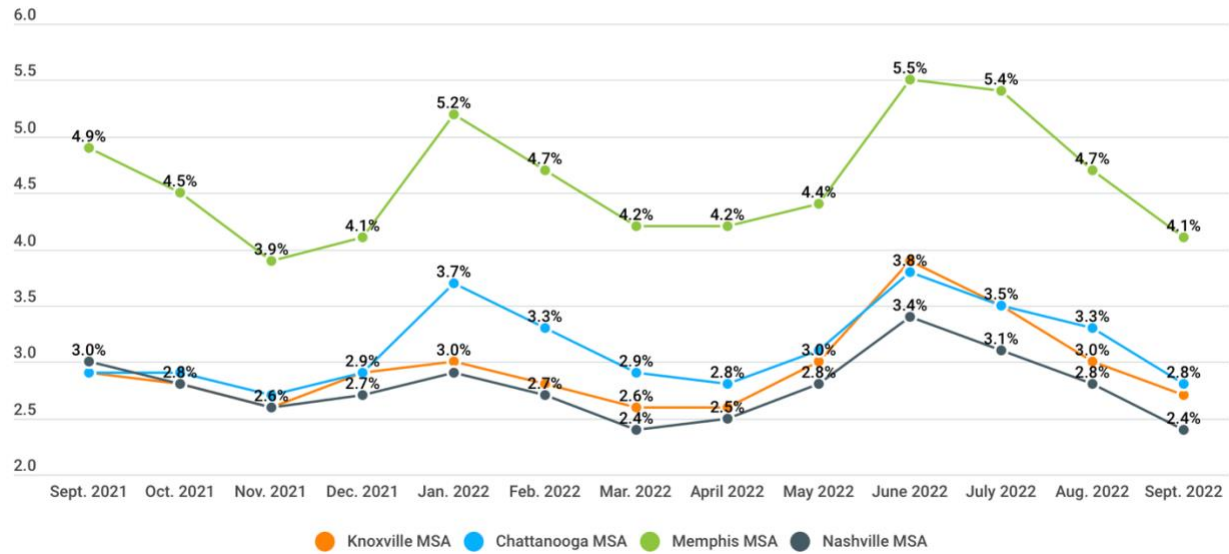
The Knoxville MSA's unemployment rate in September was 2.7% (down from 3.0% in August and down from the 2.9% rate in September 2021.) Knox County's unemployment rate in September was 2.4% (down from 2.9% in August and down from 2.7% in September 2021.) Tennessee's unemployment rate was 3.0% in September (down from 3.5% in August and down from 3.5% in last September.) The U.S. unemployment rate was 3.3% in September (down from 3.8% in August and down from the 4.6% unemployment rate recorded last September.)

The size of the total labor force slightly increased from August to September at the local and state levels. The Knoxville MSA's labor force increased 0.3% from 440,798 in August to 441,942 in September. Knox County's labor force increased 0.3% from 251,344 in August to 252,060 in September. Tennessee's labor force increased 2.6% from 3,254,025 in August to 3,337,979 in September. Meanwhile, the national labor force decreased 0.3% from 164,971,000 in August to 164,463,000 in September.

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

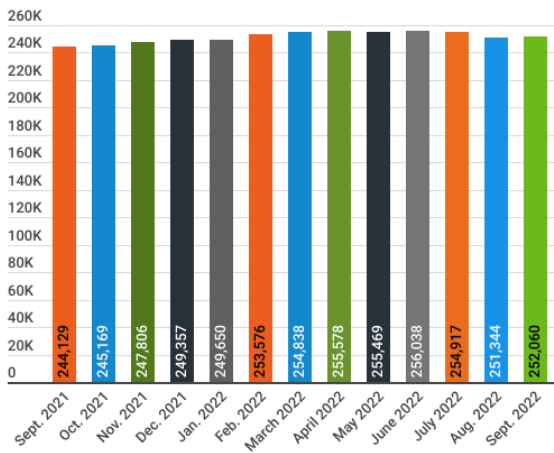
### Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

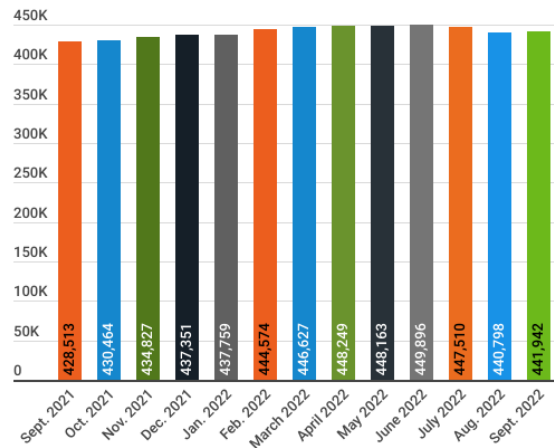


### Resident Labor Force

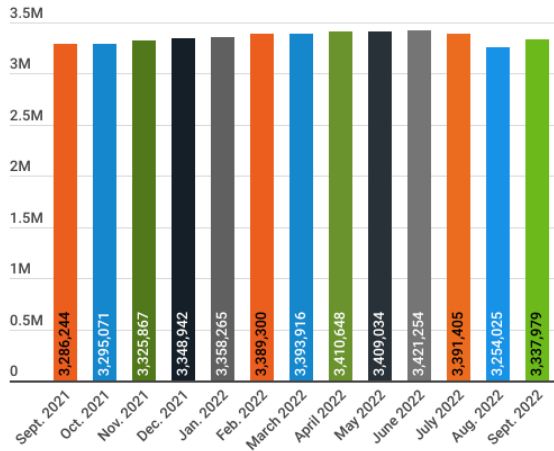
#### Knox County



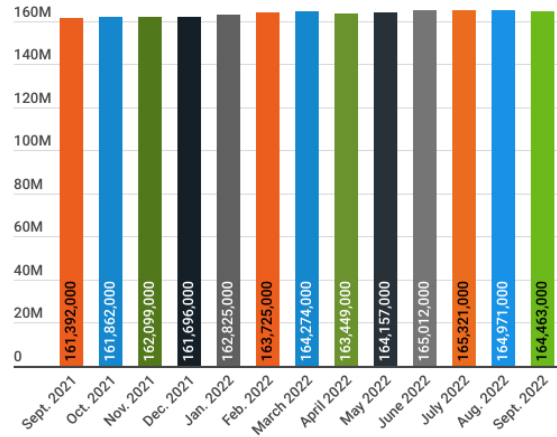
#### Knoxville MSA



## Tennessee



## United States



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

## JOB MARKET

For the month of September, there were 8,933 unique active job postings in the Knoxville MSA (down 5.8% from August and up 4.2% from last September.) There were 6,007 unique active job postings in Knox County (down 5.7% from August and up 2.1% from this time last year.)

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

### Top Ten Industries by Number of Postings

Industry	Number of Postings
Health Care and Social Assistance	1,043
Administrative Support, Waste Management and Remediation Services	1,035
Retail Trade	891
Professional, Scientific and Technical Services	674
Manufacturing	504
Accommodation and Food Services	454
Educational Services	376
Wholesale Trade	250
Construction	230
Finance and Insurance	229

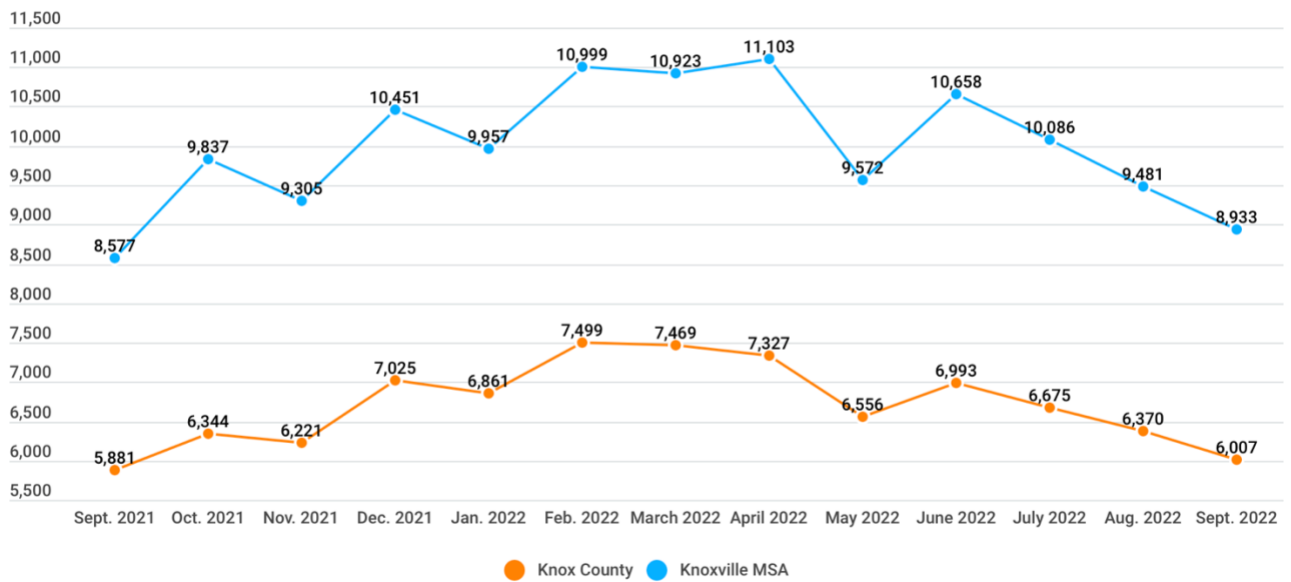
The Top 10 occupations (by number of job postings) in the Knoxville MSA in September were –

### Top Ten Occupations by Number of Postings

Occupation	Number of Postings
Registered Nurses	360
Retail Salespersons	292
Laborers and Freight, Stock, and Material Movers, Hand	218
First-Line Supervisors of Retail Workers	195
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	185
Heavy and Tractor Trailer Drivers	175
Fast Food and Counter Workers	145
Customer Service Representatives	144
Software Developers	142
Maintenance and Repair Workers, General	141

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 October report shows a gain of 239,000 in nonfarm private-sector employment (an increase from the 208,000 jobs gain in September.) Mid-sized businesses (50-499 employees) posted the largest gain with 218,000 jobs and small businesses (1-49 employees) had a net gain of 25,000 jobs. Meanwhile, large firms (500+ employees) lost 4,000 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 "Very Small" businesses (1-19 employees) grouping, which gained 62,000 jobs. This was offset by the "Other Small" businesses (20-49 employees), which lost 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 10.7 million jobs to fill in September and only 6.1 million hires, meaning there are approximately two job openings for every unemployed person. In September, the largest increases in U.S. job openings were in accommodation and food services (+215,000); health care and social assistance (+115,000); and transportation, warehousing, and utilities (+111,000). The number of job openings decreased in wholesale trade (-104,000) and in finance and insurance (-83,000). 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](#).

## **WORKER BURNOUT IS ANOTHER EFFECT OF THE WORKER SHORTAGE**

Much has already been said about the primary reasons for the worker shortage including lack of childcare and elder care options, the Great Resignation, the Great Retirement, increased competition for talent with higher wages and perks, job hopping, career changes (the Great Upgrade), and so on. Worker burnout is another factor that seems to be on the rise lately. Recent labor strikes (or threats of strikes), walkouts, and other labor activities (e.g., union organizing) appear to be related to worker burnout in some of the industry sectors that have the most pronounced staffing shortages. These tend to be the industries that remained open through much of the pandemic and had many workers who decided to either quit, change careers, or retire, leaving the remaining employees with a much heavier and stressful workload. Health care, retail, hospitality, education, and even railroads are among the industries that have recently experienced backlash from exhausted workers. Recent examples include rail workers threatening to strike over sick pay and scheduling, 15,000 nurses who walked out in Minnesota seeking more flexible schedules and protection against retaliation for reporting understaffing, health care workers authorizing strikes in Michigan and Oregon, and teachers in Seattle delaying the start of the school year with a week-long strike for better special education teacher-to-student ratios. While many industries overall have increased pay on average 5.2% and upwards of 8.6% in hospitality, workers are being asked to increase their workload or hours 20% to 30% due to being short staffed. In some industries, it appears to be too big of an ask. You can read more [here](#).

## CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from September 2021 to September 2022 is 8.2%. This is down from the 8.3% rate from August 2021 to August 2022. Last year, the national inflation rate was 5.4% from September 2020 to September 2021.

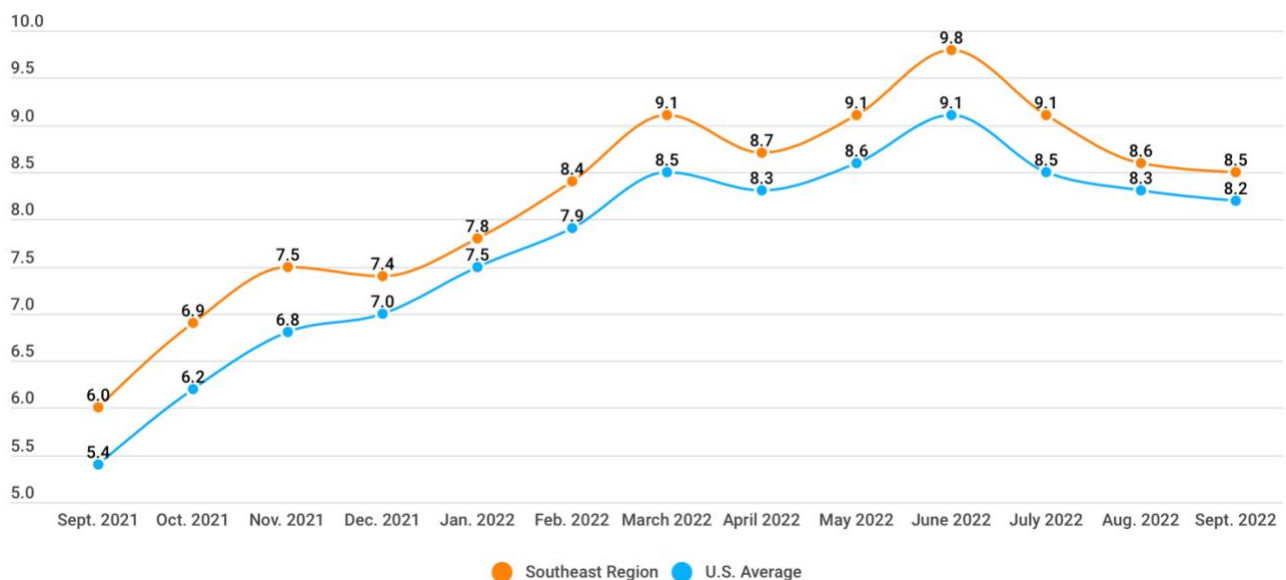
Higher inflation is primarily being driven by continued supply chain disruptions and higher gasoline prices and has persisted longer than the Fed's expected with price increases still at 40-year highs. From a year ago, gasoline prices are up 18.2%, groceries are up 13%, eating out prices are up 8.5%, and housing prices are up 6.6%. You can read more [here](#).

To bring down inflation, the Federal Reserve has increased its benchmark interest rate five times this year with plans to increase it again at both its November and December meetings. 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. The overabundance of job openings is also contributing to inflationary pressures. 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 8.5% for the September 2021 to September 2022 period. This is down from 8.6% in the August 2021 to August 2022 period. Last year, the rate was 6.0% for September 2020 to September 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 increased 3.3% from August to September to a seasonally adjusted annual rate (SAAR) of 21,937. Similarly, home sales in Knox County increase 0.3% from the previous month to a seasonally adjusted annual rate (SAAR) of 8,226. Compared to the previous year, home sales in the Knoxville area were down 9.5% and 15.4% in Knox County.

Nationally, existing-home sales decreased in September for the eighth consecutive month to a seasonally adjusted annual rate of 4.71 million — down 1.5% from the previous month and 23.8% from a year ago. Home sales in the South decreased 1.9% from the previous month and 23.8% from a year prior.

The median home sales price in the Knoxville area was \$322,650 in September — up 13.2% from one year ago. Knox County's median home sale price was \$335,625 — up 14.2% from one year ago.

Twenty-seven percent of homes sold for over asking price in September, compared to 33% the previous month. 12.6% of homes sold for at least \$10,000 over asking and 3.7% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 10.4% of total home sales.

Active inventory in the Knoxville area continued to increase in August — up 68% from a year ago but still below pre-pandemic levels. Inventory in Knox County was up 23% year-over-year. Half of homes sold in the Knoxville area were on the market for 11 days or less.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2 months.

Effective rents in the Knoxville MSA were up 19.6% from one year ago, outpacing the 10.5% growth nationally. On average, effective rents are 47% — or \$442 — higher than pre-pandemic levels. Rent growth over the past year was highest among Class A units (22.6%) and lowest among Class C units (8.0%).

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "With mortgage rates at the highest level since 2002, housing affordability remains a significant challenge. Between higher home prices and higher mortgage rates, the monthly principal and interest payment on the typical listing has risen by more than \$800 over the course of 2022 — a tough pill to swallow for buyers and sellers alike."

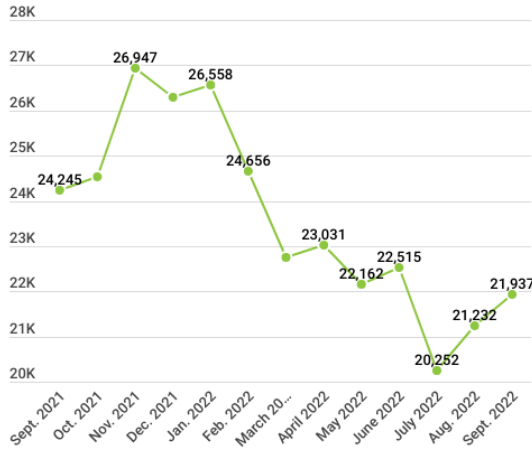
You can subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

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.

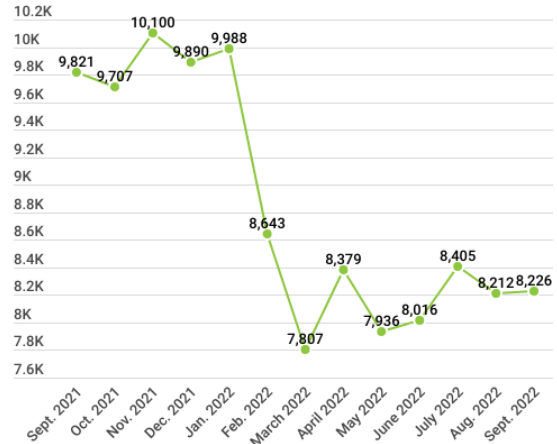
## Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

### Knoxville Area



### Knox County



## Knoxville Area Housing Market

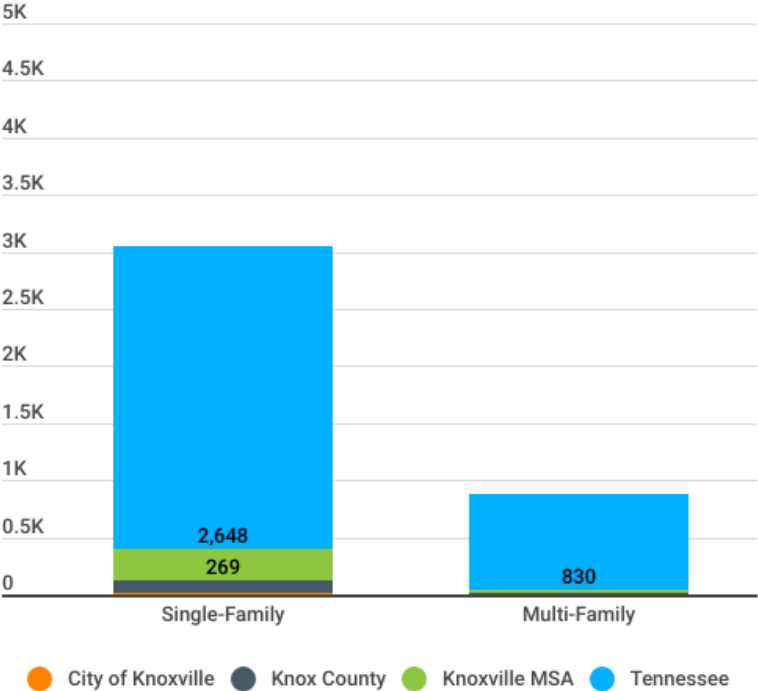
	Knoxville Area						Knox County						
	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022
Active Listings Inventory	3,140	3,001	2,666	2,372	2,074	1,862	2,021	2,302	2,786	3,332	3,922	3,725	3,683
Median Home Sales Price	\$285,000	\$285,000	\$290,000	\$291,000	\$300,000	\$302,000	\$309,000	\$325,000	\$325,000	\$326,000	\$324,450	\$325,000	\$322,650
Months Inventory	1.28	1.15	1.08	0.00	0.00	1.09	1.30	1.26	-	-	1.90	1.98	2.00
Absorption Rates	78%	87%	93%	103%	117%	91%	77%	79%	-	-	-	-	-

	Knoxville Area						Knox County						
	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022
Active Listings Inventory	650	578	513	422	328	343	427	478	-	-	-	-	-
Median Home Sales Price	\$290,000	\$291,000	\$301,000	\$308,000	\$300,000	\$310,000	\$326,000	\$340,000	\$346,000	\$358,875	\$350,000	\$349,925	\$335,625
Months Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.86	-	-	-
Absorption Rates	134%	140%	151%	170%	221%	162%	123%	135%	-	-	-	-	-

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

# Residential Building Permits

Sept. 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 September 2022 was \$661.889 billion (down 5.4% from August and up 9.1% from last September.)

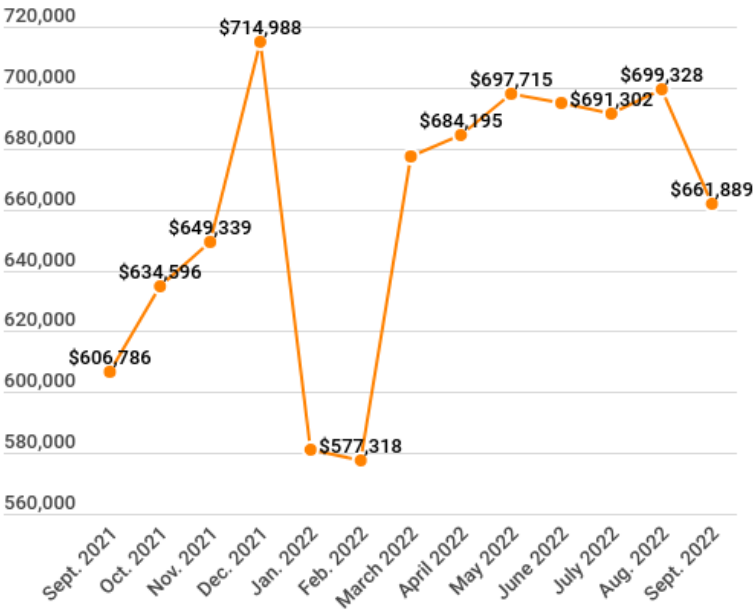
The retail sectors that showed the greatest growth from last September were Food Services and Drinking Places (+22%), Gasoline Stations (+21.9%), Non-store Retailers (+20.8%), Miscellaneous Stores (+9.3%), Building Materials (+8.2%), Health and Personal Care Stores (+6.6%), and Food and Beverage Stores (+4%).

Retail sectors that showed a decline in sales from last September were Electronics and Appliance Stores (-9.2%), Furniture and Home Furnishings Stores (-3.5%), and General Merchandise Stores (-1.2%).

## National Retail Sales

*in Millions of Dollars*

### Total Retail Sales



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

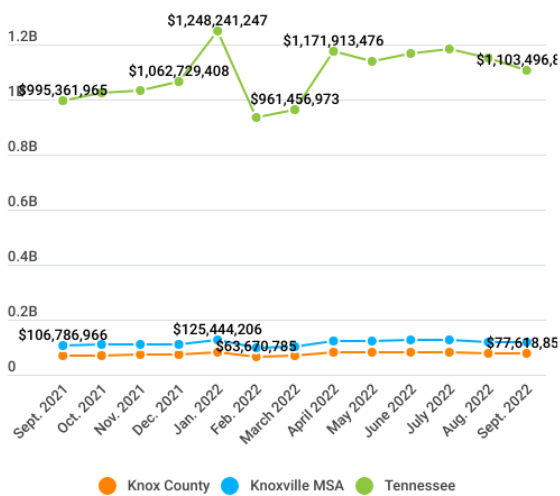
## TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$118.847 million in state sales taxes in September (up 0.1% from August and up 11.3% from last September) and Knox County collected \$77.619 million in September (up 1.9% from August and up 12.5% from last September.) The state of Tennessee collected \$1.103 billion in state sales taxes in September (down 3.9% from August and up 10.9% from last September.)

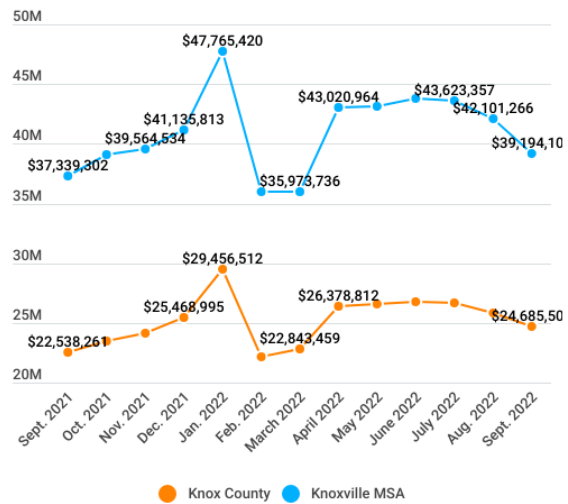
The Knoxville MSA collected \$39.194 million in local sales taxes in September (down 6.9% from August and up 5.0% from last September) and Knox County collected \$24.685 million (down 4.5% from August and up 9.5% from last September.)

### 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.

**October 21, 2022** – [Hardcoat Technologies](#), an injection molding and hardcoating manufacturer for the automotive, ATV, and industrial markets, announced a \$6.6 million expansion that includes constructing a new 23,500-square-foot facility adjacent to its Papermill Drive plant that will help support its growing work with SL Tennessee, an automotive parts manufacturer in Clinton. The expansion will add 85 new jobs. You can read more [here](#).

**October 24, 2022** – [Oak Ridge National Laboratory \(ORNL\)](#) hosted a groundbreaking ceremony for the new [U.S. Stable Isotope Production and Research Center](#). According to an ORNL press release, the 64,000-square-foot facility “will produce stable isotopes on a large scale, meeting the nation’s increasing demands for isotopes needed in medicine, industry, science and national security” and “will dramatically expand the United States’ isotope enrichment capabilities, reducing dependence on foreign suppliers.” The facility is being made possible by \$75 million in funding from the federal Inflation Reduction Act. The groundbreaking ceremony was attended by U.S. Energy Secretary Jennifer Granholm who also met with workers building ORNL’s 100,000-square-foot [Translational Research Capability \(TRC\)](#) facility “that will contain laboratories for various types of research, including those that require special environments, like low vibration, electromagnetic shielding or inert atmosphere.” The TRC facility is scheduled for completion in 2023. You can read more [here](#).

## KNOX COUNTY BUSINESS LICENSES

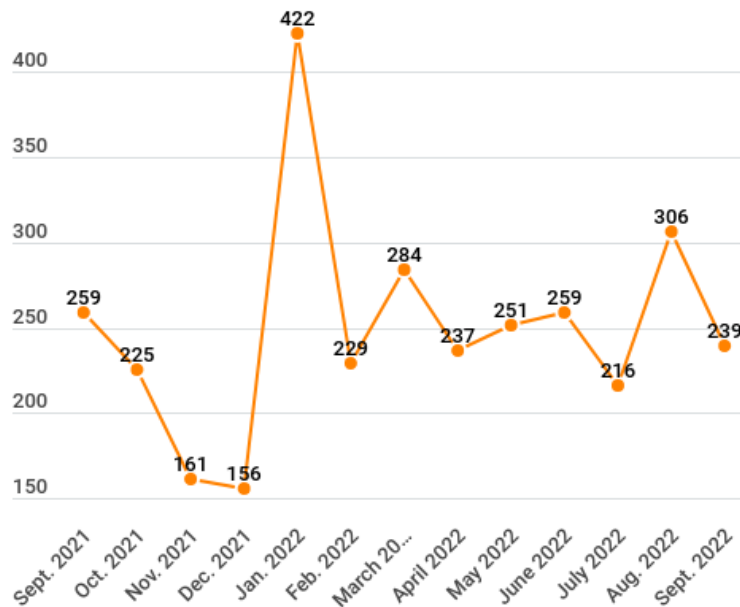
New business licenses issued in September 2022 by Knox County are down 7.7% from September 2021 during the pandemic and are up 1.3% from the pre-pandemic September 2019 count.

A total of 239 new business licenses were issued in September 2022 compared to 259 in September 2021 and 236 in September 2019. The top industry sectors for which business licenses were issued in September 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)*

The Metropolitan Knoxville Airport Authority recorded 218,071 passengers in August (down 10% from July's passenger traffic of 242,344 and up 20.2% from August 2021 during COVID.) This month's passenger estimate is down 6.6% from pre-COVID August 2019.

The total freight recorded in August at TYS was 7,493,398 pounds (up 20.1% from July and up 2.1% from last August.)

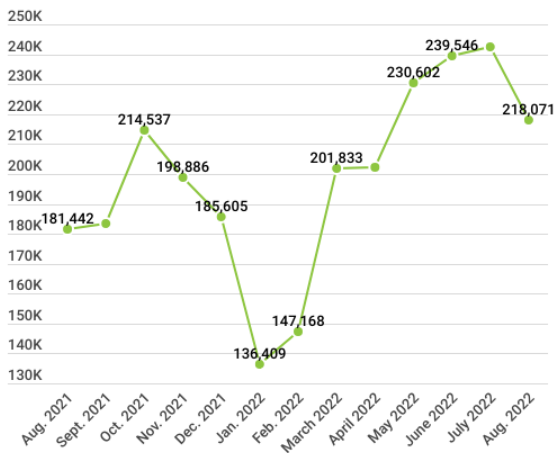
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in September was 2,119,353 (up 23.1% from the September 2021 daily passenger average of 1,721,210 but still down 5.9% from the pre-COVID September 2019 average of 2,252,633.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "The U.S. domestic traffic continues to achieve pre-pandemic levels, with September standing 0.4% up compared to the same month in 2019. With seat capacity down 3.0% vs 2019, the passenger load factor is 2.9% higher than in 2019, at 85.4%." You can read more [here](#).

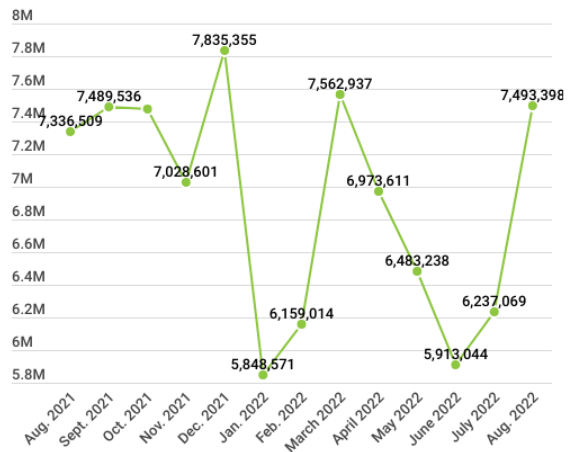
### Air Service

at McGhee-Tyson Airport

#### Passengers



#### Freight



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