

NOVEMBER 2022



FINANCED BY FIRST HORIZON BANK

Welcome to the November 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

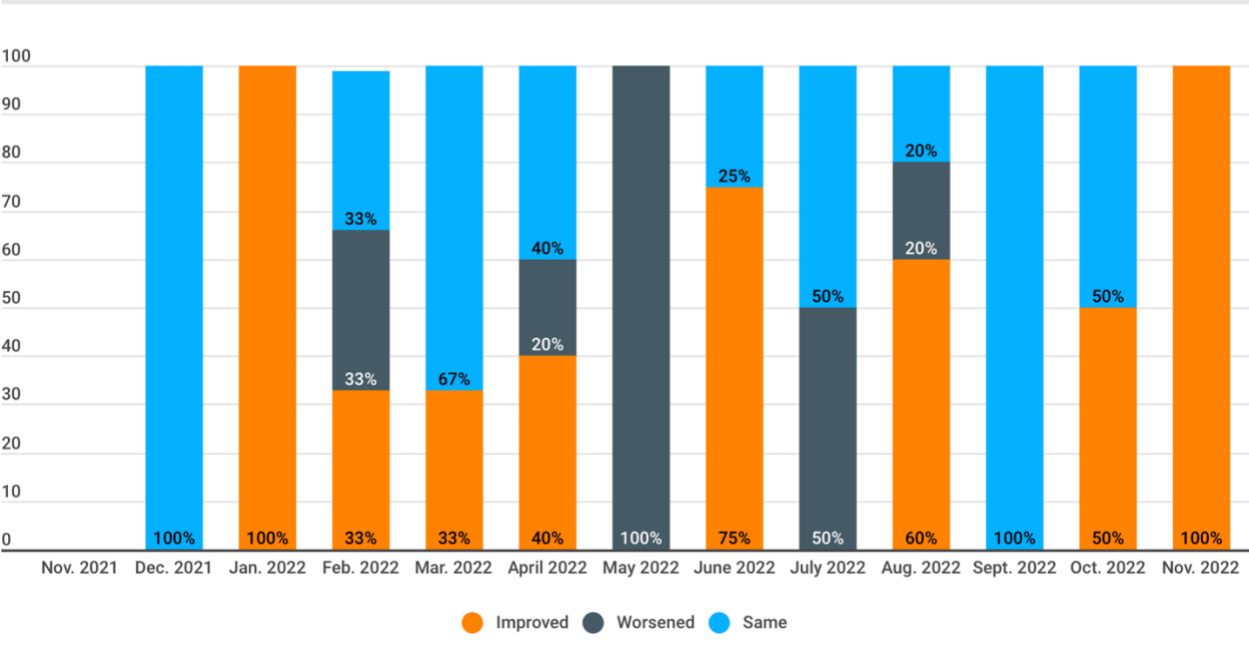
Based on the response to the November survey, the level of general business activity and company outlooks are reported as “improved.” (The level of general business activity and company outlooks were split between “improved” and “the same” in last month’s survey.)

The month-over-month responses in November show “no changes” in any of the survey indicators. (The month-over-month responses in the October survey showed 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” were reported for the volume of new orders and finished goods inventories. Unfilled orders and volume of shipments were split between “decrease” and “no change.” The number of employees was evenly split between “increase” and “decrease.”)

The six-month outlook in November anticipates “increases” in prices paid for raw materials, prices received for finished goods, and wages and benefits. “No changes” are expected in

production, capacity utilization, volume of new orders, growth rate of orders, unfilled orders, volume of shipments, delivery time, finished goods inventories, number of employees, average employee workweek, and capital expenditures. (The six-month outlook in October anticipated 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” was expected for unfilled orders and finished goods inventories.)

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

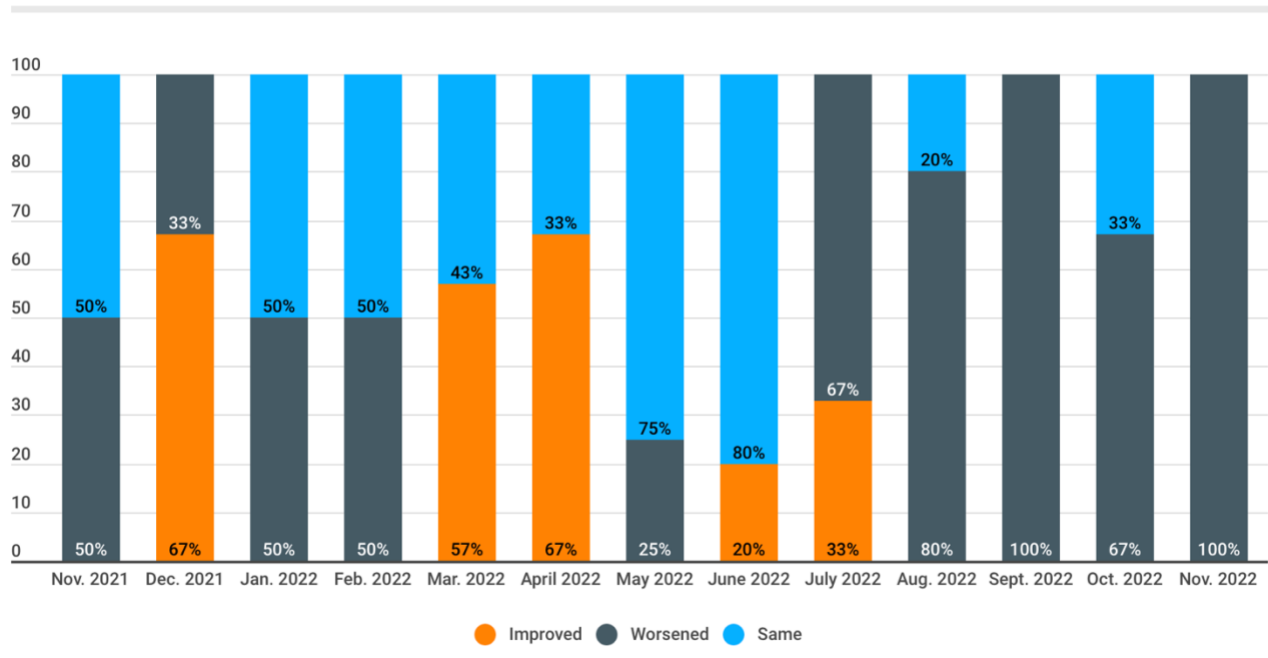
Knoxville area retailers indicated in the November survey that their current level of general business activity and company outlooks have “worsened” from last month. (The level of general business activity and company outlooks were also reported as “worsened” in the October survey.)

The month-over-month responses in the November survey show “increases” in wages and benefits, input prices, and inventories. “No changes” are reported in capital expenditures, average employee workweek and the number of full-time and part-time employees. “Decreases” are mostly reported in selling prices, net sales revenue, and internet sales. (Month-over-month responses in the October survey showed mostly “increases” in wages and benefits, input prices, and inventories. “No changes” were mostly reported for internet sales, number of

full-time and part-time employees, average employee workweek, and capital expenditures. Selling prices were reported as mostly “decreased.” Net sales revenue was “mixed.”)

The six-month retail outlook in November projects “decreases” in net sales revenue, internet sales, selling prices, and capital expenditures. “Increases” are expected in wages and benefits, input prices, and inventories. “No changes” are anticipated in the average employee workweek and the number of both full-time and part-time employees. (The six-month outlook in October projected “no changes” in the number of full-time and part-time employees, average employee workweek, and capital expenditures. Mostly “decreases” were expected in net sales revenue, internet sales, and selling prices. Mostly “increases” were expected in wages and benefits, input prices, and inventories.)

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



SERVICE

Knoxville area service sector businesses report in the November survey that their evaluation of the level of general business activity is mostly split between “worsened” and “the same.” Company outlooks are “mixed” from last month. (The level of general business activity and company outlooks were reported as mostly “the same” in the October survey.)

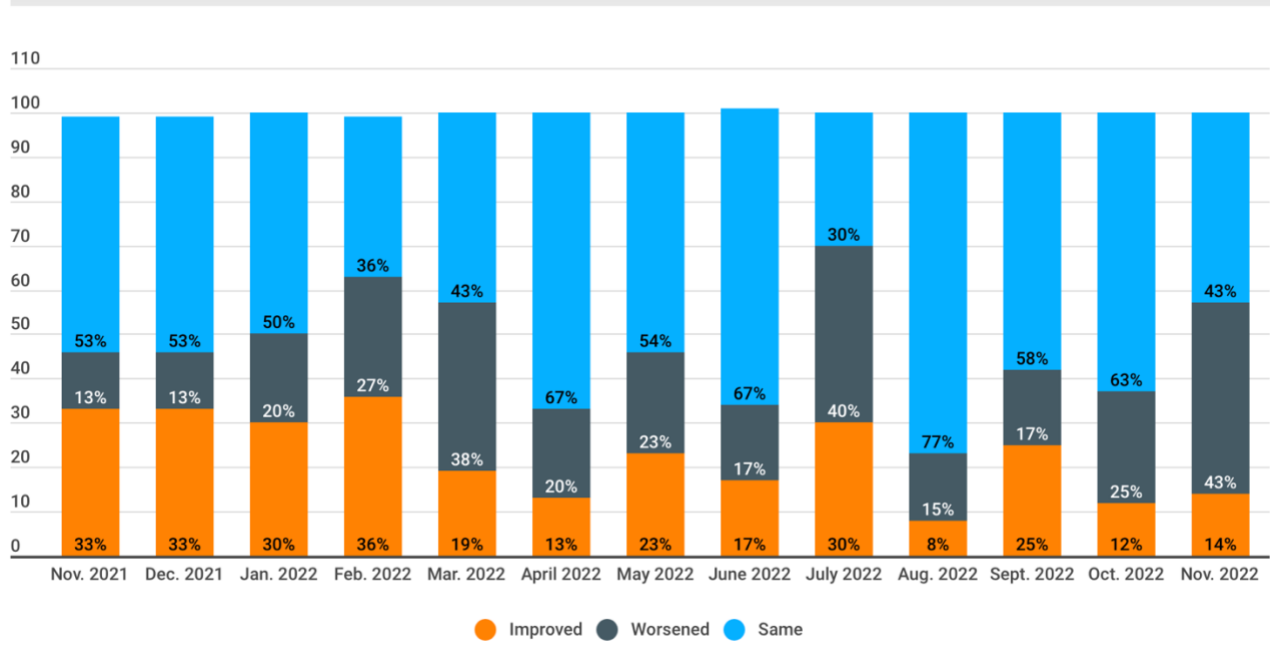
The month-over-month responses in the November survey show mostly “increases” in wages and benefits, input prices, and selling prices. Revenue is nearly split between “increase” and “decrease.” “No changes” are mostly reported for the number of part-time employees and average employee workweek. The number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

showed mostly “no changes” in the number of full-time and part-time employees, average employee workweek, and capital expenditures. “Increases” were mostly reported in wages and benefits, input prices, and selling prices. Revenue was mostly split between “increase” and “decrease.”)

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

Service sector comments indicate that some businesses are worried about a possible diesel fuel shortage. Others noted that while contractor business is increasing due to more building, the real estate market is slowing.

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 <https://www.knoxvillechamber.com/ecoregistration/>.

LABOR MARKET INFORMATION

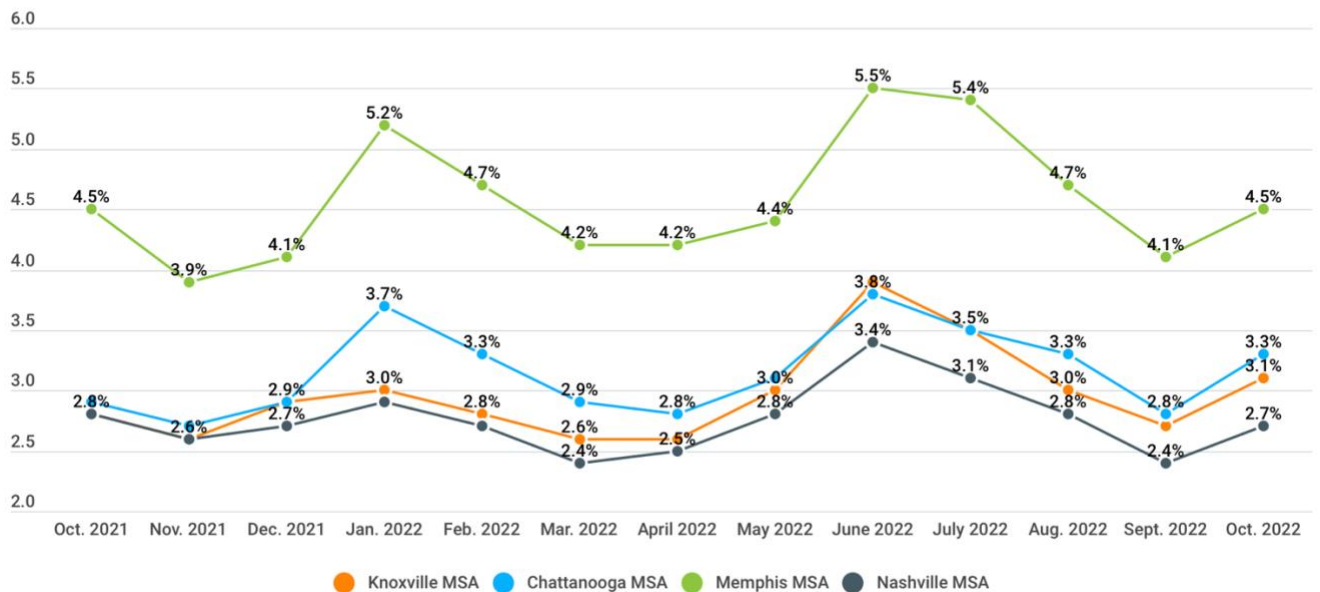
The Knoxville MSA's unemployment rate in October was 3.1% (up from 2.7% in September and up from the 2.8% rate in October 2021.) Knox County's unemployment rate in October was 2.9% (up from 2.4% in September and up from 2.7% in October 2021.) Tennessee's unemployment rate was 3.5% in October (up from 3.0% in September and up from 3.3% in last October.) The U.S. unemployment rate was 3.4% in October (up from 3.3% in September and down from the 4.3% unemployment rate recorded last October.)

The size of the total labor force slightly decreased from September to October at the local and state levels. The Knoxville MSA's labor force decreased 0.4% from 441,942 in September to 440,253 in October. Knox County's labor force decreased 0.5% from 252,060 in September to 250,847 in October. Tennessee's labor force decreased 0.1% from 3,337,979 in September to 3,334,925 in October. Meanwhile, the national labor force increased 0.2% from 164,463,000 in September to 164,753,000 in October.

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

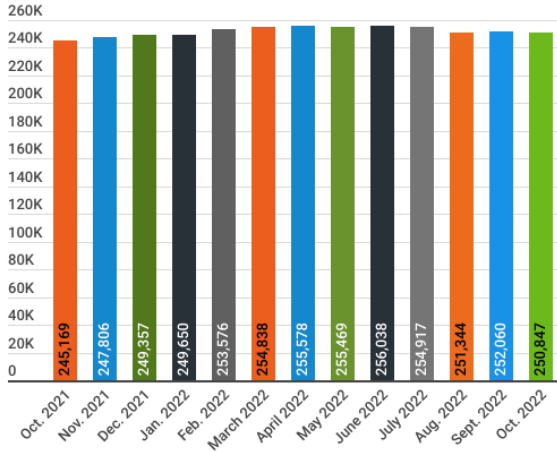
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

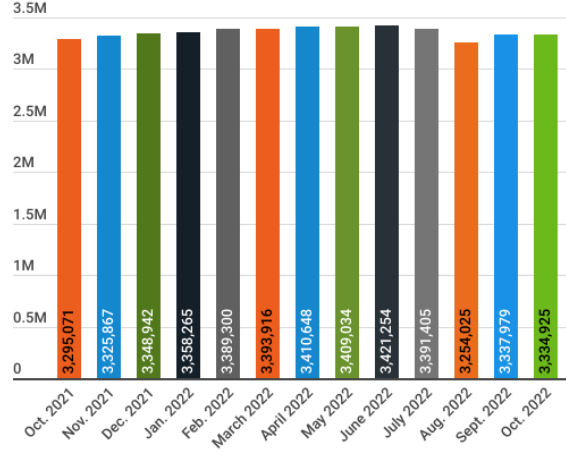


Resident Labor Force

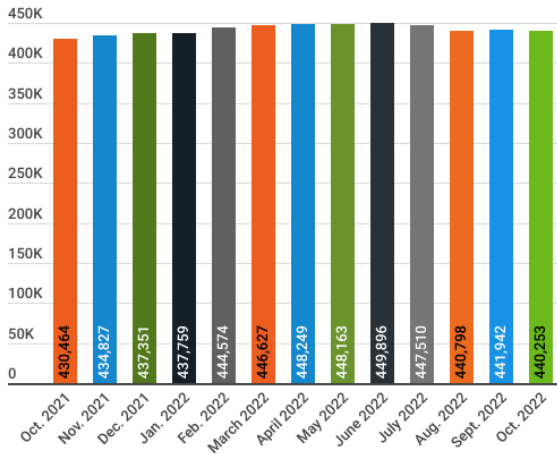
Knox County



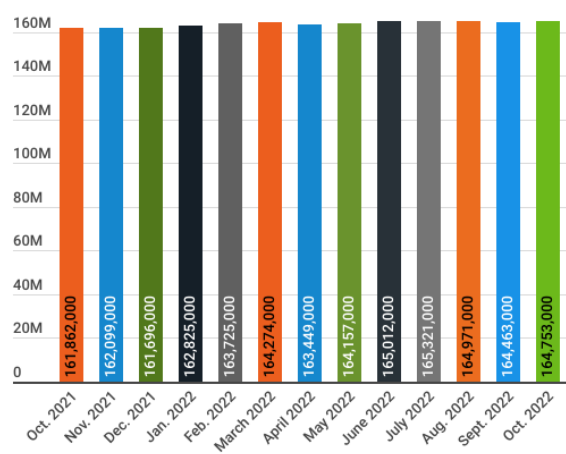
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of October, there were 9,474 unique active job postings in the Knoxville MSA (up 6.1% from September and down 3.4% from last October.) There were 6,329 unique active job postings in Knox County (up 5.4% from September and down 0.2% from this time last year.)

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

Top Ten Industries by Number of Postings

| | Industry | Number of Postings |
|--|---|--------------------|
|  | Health Care and Social Assistance | 1,220 |
|  | Administrative Support, Waste Management and Remediation Services | 1,179 |
|  | Retail Trade | 995 |
|  | Professional, Scientific and Technical Services | 708 |
|  | Manufacturing | 535 |
|  | Accommodation and Food Services | 455 |
|  | Educational Services | 412 |
|  | Finance and Insurance | 282 |
|  | Construction | 279 |
|  | Wholesale Trade | 240 |

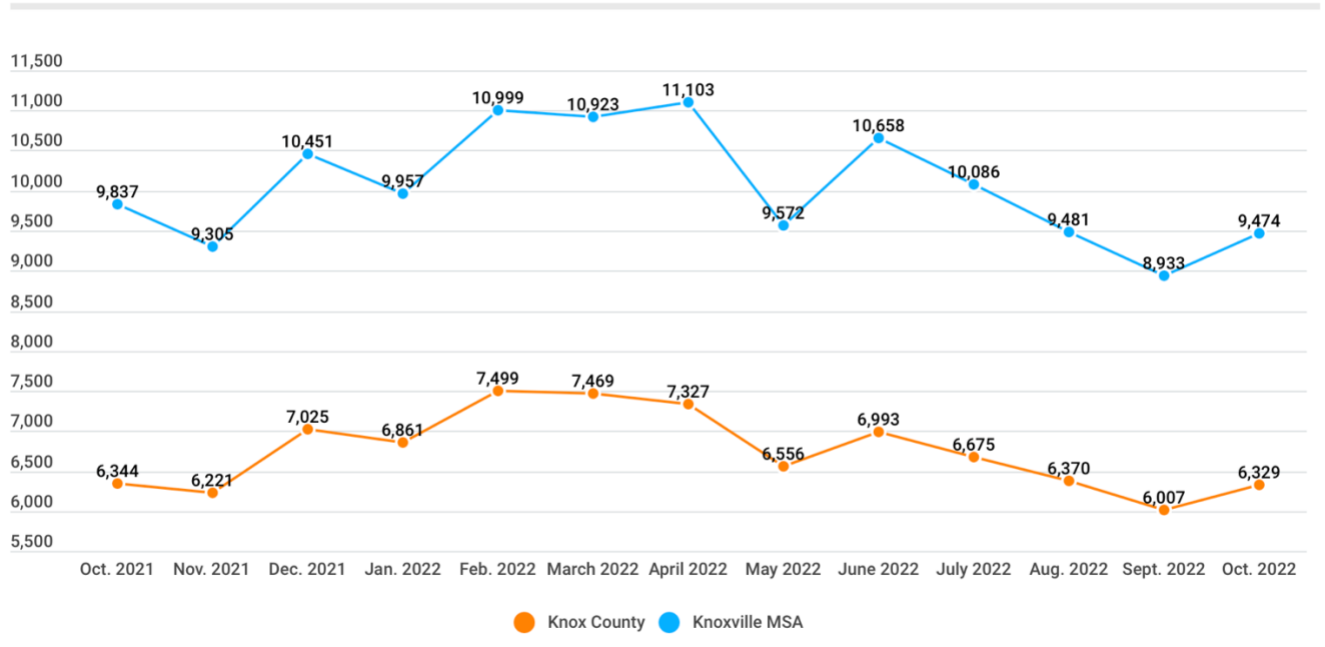
The Top 10 occupations (by number of job postings) in the Knoxville MSA in October were –

Top Ten Occupations by Number of Postings

| | Occupation | Number of Postings |
|---|--|--------------------|
|  | Registered Nurses | 348 |
|  | Retail Salespersons | 264 |
|  | Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products | 220 |
|  | First-Line Supervisors of Retail Workers | 200 |
|  | Laborers and Freight, Stock, and Material Movers, Hand | 198 |
|  | Customer Service Representatives | 193 |
|  | Fast Food and Counter Workers | 166 |
|  | Managers, All Other | 163 |
|  | Stockers and Order Fillers | 142 |
|  | Home Health and Personal Care Aides | 133 |

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 November report shows a net gain of 127,000 in nonfarm private-sector employment (down from the 239,000 jobs gain in October.) Mid-sized businesses (with 50-249 employees) posted the largest gain with 283,000 jobs but are offset by mid-sized businesses (with 250-499 employees) posting a loss of 37,000 jobs. Large businesses (with 500+ employees) posted a loss of 68,000 jobs. "Very Small" businesses (with 1-19 employees) gained 5,000 jobs, while "Other Small" businesses (with 20-49 employees) lost 56,000 jobs.

Industry sectors showing positive job growth in November include Leisure and Hospitality (+224,000), Trade/Transportation/Utilities (+62,000), Education and Health Services (+55,000), Natural Resources and Mining (+16,000), and Other Services (+8,000). Industry sectors posting job losses in November include Manufacturing (-100,000), Professional and Business Services (-77,000), Financial Activities (-34,000), Information (-25,000), and Construction (-2,000).

(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 10.3 million jobs to fill in October and only 6 million hires, meaning there are approximately two job openings for every unemployed person. In October, the largest increases in U.S. job openings were in other services (+76,000), finance and insurance (+70,000), wholesale trade (+40,000), and retail trade (+24,000).

The number of job openings decreased in professional and business services (-146,000), government (-138,000), and manufacturing (-89,000). 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](#).

TRANSITIONING KNOXVILLE'S ECONOMY FOR THE "IMAGINATION AGE"

The global economy is expected to experience a transformative shift from the third industrial revolution (i.e., the Digital Age) to the fourth, what Next Conference's Martin Recke identifies as the "**Imagination Age.**" Among many other technological advances, fully autonomous vehicles, individualized medications, and wholly 3D-printed buildings could become normal parts of our everyday life. According to the **McKinsey Global Institute**, automation will also continue to eliminate jobs in several industry sectors including 60% of manufacturing jobs, 59% of transportation and warehousing jobs, 57% of agriculture jobs, 54% of accommodation and food services jobs, and 52% of retail jobs.

Knoxville (for this purpose, "Knoxville" refers to both the City of Knoxville and Knox County) is at a very crucial inflection point at least from an economic standpoint. The community will need to decide if it wants to stay on its current stable economic path and accept it as good enough, or should it embrace the fact that the global economy is about to experience significant disruption and what it needs to be prepared for it. The Knoxville Chamber believes that the community should commit to an economic transition that will position itself to take advantage of the coming global upheaval to ensure that the community does not fall behind, but instead garners a greater level of prosperity.

While Knoxville, with its stable economy, continues to grow at a measured pace, other peer communities like Raleigh, North Carolina, are accelerating past us. According to the U.S. Bureau of Labor Statistics, Raleigh (i.e., Wake County) has increased its average annual pay (AAP), a strong indicator of the economic health of a community, from \$47,272 in 2011 to \$69,235 in 2021, an increase of \$21,963 or 46.5%. During this same period, Knox County's AAP increased from \$40,862 to \$57,255 for a difference of \$16,393 or 40.1%. This means that Knoxville went from trailing Raleigh's AAP by \$6,410 to \$11,980 during this eleven-year period. If Knoxville had experienced an equal AAP growth rate to Raleigh, Knoxville's AAP would have been over \$2,600 per employed Knoxville citizen or approximately \$662 million more in total annual compensation. The chamber estimates that for every \$1,000 increase in AAP, \$1.8 million in local economic impact is generated.

To meet the needs of the coming "Imagination Age," Knoxville must increase the amount of innovative talent at the K-12 and post-secondary school levels to fill the workforce needs in fields like artificial intelligence (AI), quantum science, and biotechnology. Knoxville will also need to attract and retain high-growth companies, high-wage talent, and innovative entrepreneurs. Developing the necessary civic furniture (e.g., the multiuse baseball stadium) will also help Knoxville to attract high-wage talent (particularly in the primary working age group of 25-54).

You can read the Knoxville Chamber's full economic transition issue brief [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from October 2021 to October 2022 is 7.7%. This is down from the 8.2% rate from September 2021 to September 2022. Last year, the national inflation rate was 6.2% from October 2020 to October 2021.

The October CPI report marks the fourth straight month that year-over-year inflation is below the June CPI high of 9.1%. While this could be an encouraging sign that runaway inflation may be winding down, high prices will likely linger for some time.

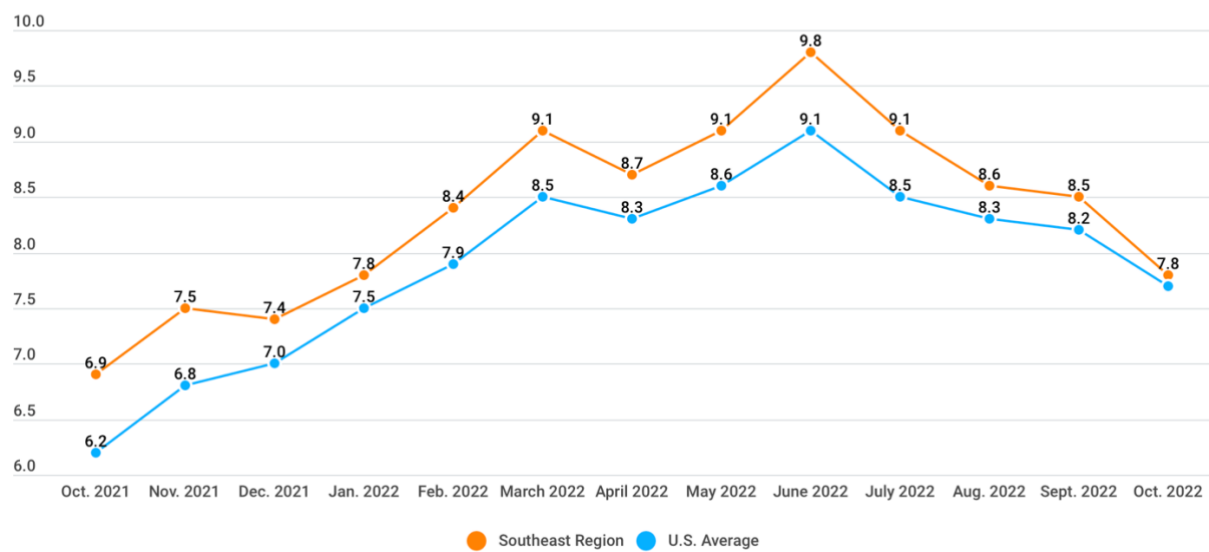
Higher gasoline prices are primarily being driven by OPEC+'s decision to cut production of crude oil. From a year ago, gasoline prices are up 18%, groceries are up 12%, eating out prices are up 9%, and housing prices are up 6.9%. You can read more [here](#).

To bring down inflation, the Federal Reserve has increased its benchmark interest rate several times this year with plans to increase it again at its December meeting. 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.

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 7.8% for the October 2021 to October 2022 period. This is down from 8.5% in the September 2021 to September 2022 period. Last year, the rate was 6.9% for October 2020 to October 2021.

Inflation Rates

Consumer Price Index - All Items



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

HOUSING MARKET

Home sales in the Knoxville area declined 15.7% from September to October to a seasonally adjusted annual rate (SAAR) of 18,499. Similarly, home sales in Knox County declined 14.8% from the previous month to a seasonally adjusted annual rate (SAAR) of 7,009. Compared to the previous year, home sales in the Knoxville area were down 21.4% and 25.6% in Knox County.

Nationally, existing-home sales decreased in October for the ninth consecutive month to a seasonally adjusted annual rate of 4.43 million — down 5.9% from the previous month and 28.4% from a year ago. Home sales in the South decreased 4.8% from the previous month and 27.2% from a year prior.

The median home sales price in the Knoxville area was \$315,000 in October — up 10.5% from one year ago. Knox County's median home sale price was \$331,815 — up 12.5% from one year ago.

Twenty-three percent of homes sold for over asking price in September, compared to 27% the previous month. 10% of homes sold for at least \$10,000 over asking and 4% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 10.5% of total home sales.

Active inventory in the Knoxville area continued to increase in October — up 68% from a year ago but still below pre-pandemic levels. Inventory in Knox County was up 51% year-over-year. Half of homes sold in the Knoxville area were on the market for 14 days or less.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2.18 months.

Knoxville's **rental market** continues to outperform the U.S. overall. Effective rents were up 15.8% year-over-year in October, compared to 7.6% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "The current softening in the housing market was anticipated, and it's more a reflection of temporary affordability constraints than a long-run downturn. Demand is down because more and more people can't afford to purchase a home, not because they don't want to. It's also important to keep in mind the housing market is returning to earth after reaching an astronomical high over the past two years, so many of the dramatic year-over-year figures aren't as worrisome as they appear."

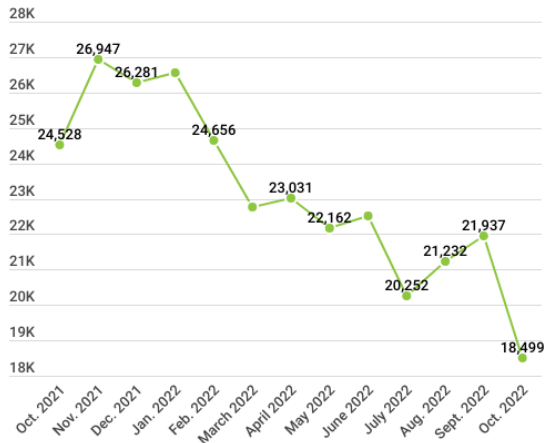
You can subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

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.

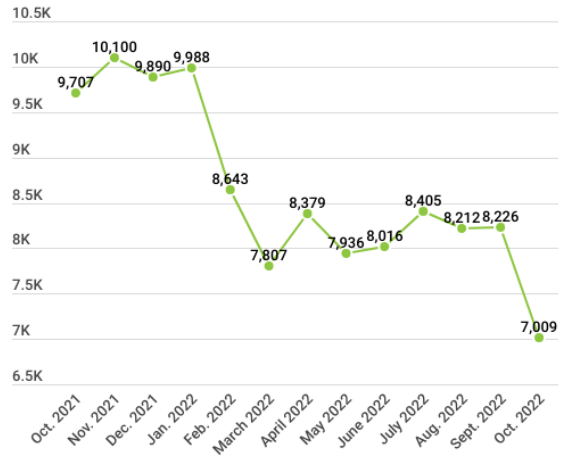
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

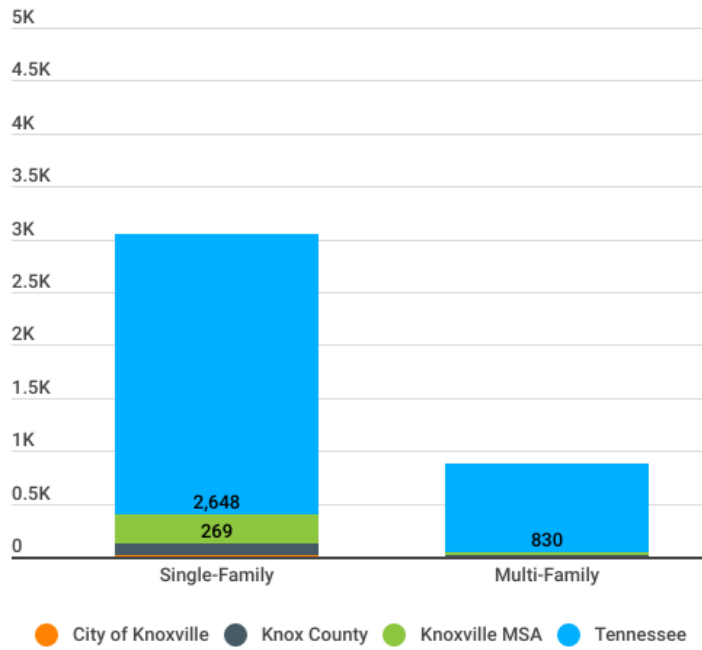
| | Knoxville Area | | | | | | Knox County | | | | | | |
|---------------------------|----------------|-----------|-----------|-----------|-----------|------------|-------------|-----------|-----------|-----------|-----------|------------|-----------|
| | Oct. 2021 | Nov. 2021 | Dec. 2021 | Jan. 2022 | Feb. 2022 | March 2022 | April 2022 | May 2022 | June 2022 | July 2022 | Aug. 2022 | Sept. 2022 | Oct. 2022 |
| Active Listings Inventory | 3,001 | 2,666 | 2,372 | 2,074 | 1,862 | 2,021 | 2,302 | 2,786 | 3,332 | 3,922 | 3,725 | 3,683 | 3,944 |
| Median Home Sales Price | \$285,000 | \$290,000 | \$291,000 | \$300,000 | \$302,000 | \$309,000 | \$325,000 | \$325,000 | \$326,000 | \$324,450 | \$325,000 | \$322,650 | \$315,000 |
| Months Inventory | 1.15 | 1.08 | 0.00 | 0.00 | 1.09 | 1.30 | 1.26 | - | - | 1.90 | 1.98 | 2.00 | 2.18 |
| Absorption Rates | 87% | 93% | 103% | 117% | 91% | 77% | 79% | - | - | - | - | - | - |

| | Knoxville Area | | | | | | Knox County | | | | | | |
|---------------------------|----------------|-----------|-----------|-----------|-----------|------------|-------------|-----------|-----------|-----------|-----------|------------|-----------|
| | Oct. 2021 | Nov. 2021 | Dec. 2021 | Jan. 2022 | Feb. 2022 | March 2022 | April 2022 | May 2022 | June 2022 | July 2022 | Aug. 2022 | Sept. 2022 | Oct. 2022 |
| Active Listings Inventory | 578 | 513 | 422 | 328 | 343 | 427 | 478 | - | - | - | - | - | - |
| Median Home Sales Price | \$291,000 | \$301,000 | \$308,000 | \$300,000 | \$310,000 | \$326,000 | \$340,000 | \$346,000 | \$358,875 | \$350,000 | \$349,925 | \$335,625 | \$331,815 |
| Months Inventory | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.70 | 0.86 | - | - | - | - |
| Absorption Rates | 140% | 151% | 170% | 221% | 162% | 123% | 135% | - | - | - | - | - | - |

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

Residential Building Permits

Sept. 2022



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

NATIONAL RETAIL SALES

The total advance monthly retail sales estimate for October 2022 was \$688.177 billion (up 4% from September and up 8.4% from last October.)

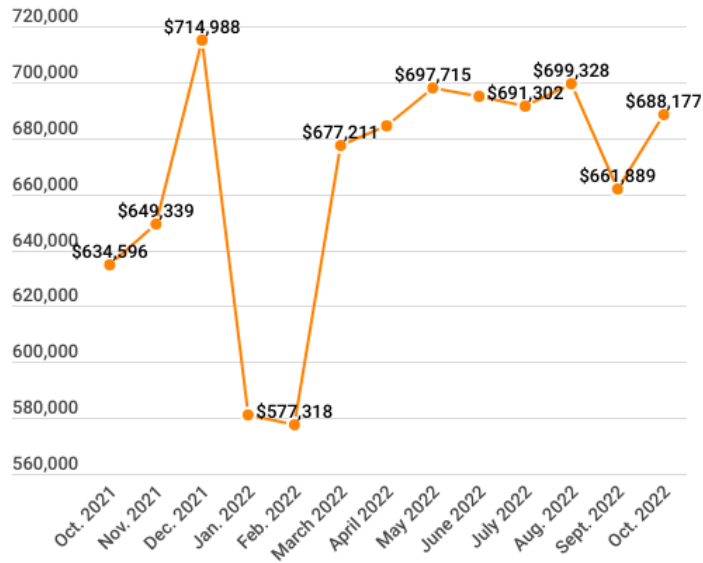
The retail sectors that showed the greatest growth from last October were Non-store Retailers (+25.3%), Food Services and Drinking Places (+22.4%), Gasoline Stations (+15.9%), Building Materials (+7.5%), Health and Personal Care Stores (+6.3%), Miscellaneous Stores (+5.2%), and Food and Beverage Stores (+4.6%).

Retail sectors that showed a decline in sales from last October were Electronics and Appliance Stores (-14.1%), General Merchandise Stores (-3.7%), Sporting Goods/Books/Hobby/Music Stores (-3%), and Furniture and Home Furnishings Stores (-1.7%).

National Retail Sales

in Millions of Dollars

Total Retail Sales



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

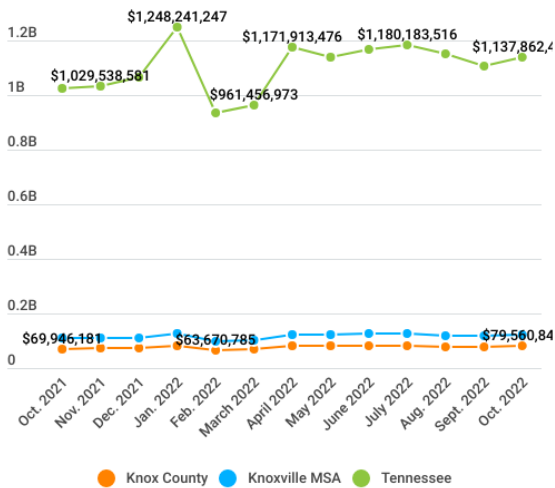
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$123.156 million in state sales taxes in October (up 3.6% from September and up 11.9% from last October) and Knox County collected \$79.561 million in October (up 2.5% from September and up 13.7% from last October.) The state of Tennessee collected \$1.138 billion in state sales taxes in October (up 3.1% from September and up 11.3% from last October.)

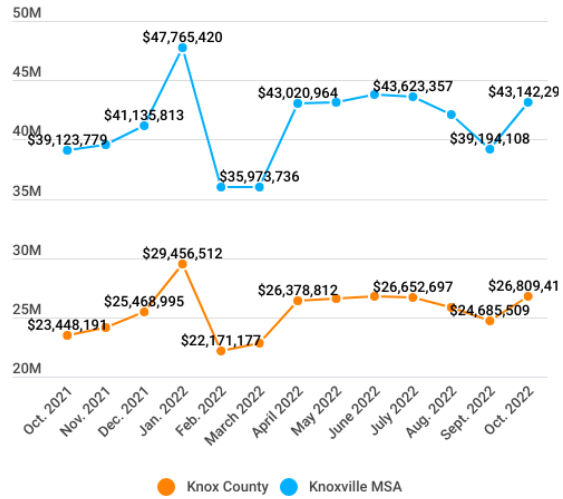
The Knoxville MSA collected \$43.142 million in local sales taxes in October (up 10.1% from September and up 10.3% from last October) and Knox County collected \$26.809 million (up 8.6% from September and up 14.3% from last October.)

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.

November 9, 2022 – [Hitachi Zosen Inova USA \(HZI USA\)](#), a global renewable energy solutions company, announced a \$6.6 million expansion of its North American headquarters located at 10025 Investment Drive in West Knoxville. The company specializes in converting municipal and agricultural waste into clean, renewable electricity, natural gas, and hydrogen. HZI USA's expansion will create 90 new jobs to support engineering, procurement, and construction projects. You can read more [here](#).

November 9, 2022 – [Oak Ridge](#) and [Argonne](#) National Laboratories announced they have entered into cooperative research and development agreements with [Wabtec](#), a leading manufacturer of freight locomotives, to develop combustion technology that will power the next generation of locomotives with zero-carbon hydrogen and other low-carbon fuels to help reduce carbon dioxide emissions from the roughly 25,000 diesel-powered locomotives currently in use in North America. The research team will develop hardware and control strategies for Wabtec's single-cylinder dual-fuel locomotive engine in the [National Transportation Research Center](#) in West Knox County. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

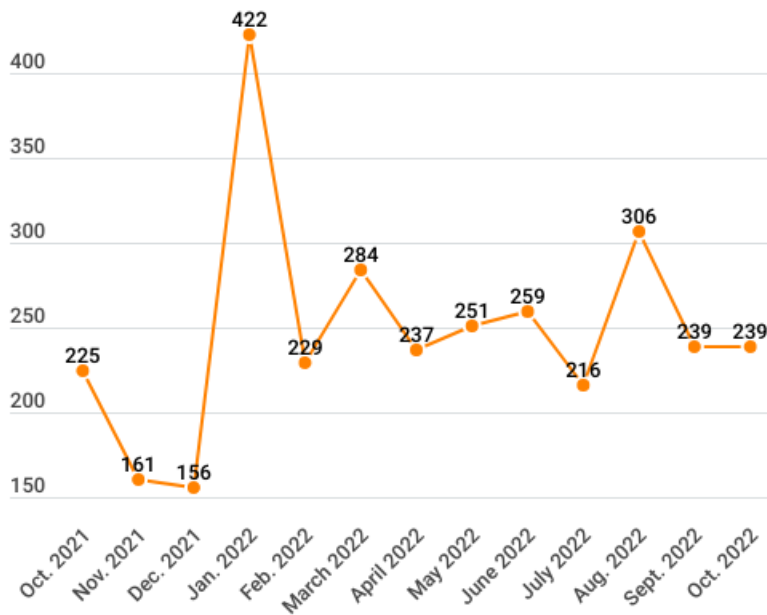
New business licenses issued in October 2022 by Knox County are up 6.2% from October 2021 during the pandemic and are down 7.7% from the pre-pandemic October 2019 count.

A total of 239 new business licenses were issued in October 2022 compared to 225 in October 2021 and 259 in October 2019. The top industry sectors for which business licenses were issued in October 2022 were services, retail, construction, and non-classified establishments.

Below is a chart showing the 13-month trend of business licenses issued by Knox County.

Business Licenses

Knox County



(Source: Knox County Clerk)

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 237,825 passengers in October (up 6.2% from September’s passenger traffic of 223,906 and up 10.9% from October 2021 during COVID.) This month’s passenger estimate is down 2.7% from pre-COVID October 2019.

The total freight recorded in October at TYS was 6,947,636 pounds (up 19.2% from September and down 7.1% from last October.)

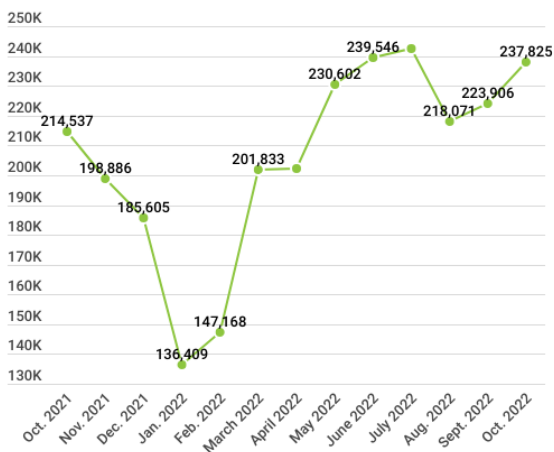
According to the Transportation Security Administration, the average daily number of passengers passing through the nation’s TSA checkpoints in October was 2,194,580 (up 19.1% from the October 2021 daily passenger average of 1,843,329 but still down 5.5% from the pre-COVID October 2019 average of 2,322,090.) You can view the daily TSA checkpoint travel numbers here.

According to the International Air Transport Association (IATA) , “Domestic traffic in the U.S. continues to be resilient and the best-performing market among monitored countries. The positive trend has been sustained over the past months with traffic levels close to those achieved in 2019.” You can read more here.

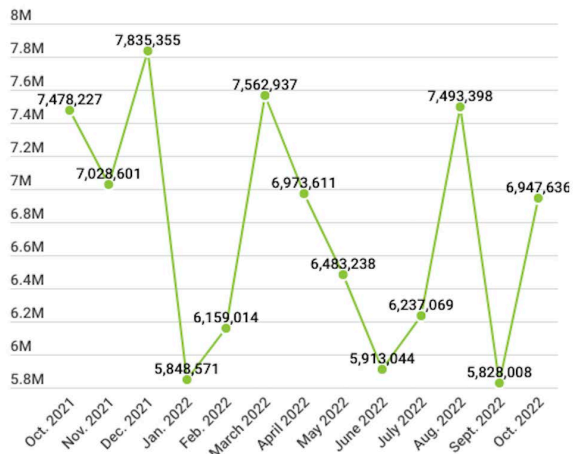
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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