

DECEMBER 2022



FINANCED BY FIRST HORIZON BANK

Welcome to the December 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

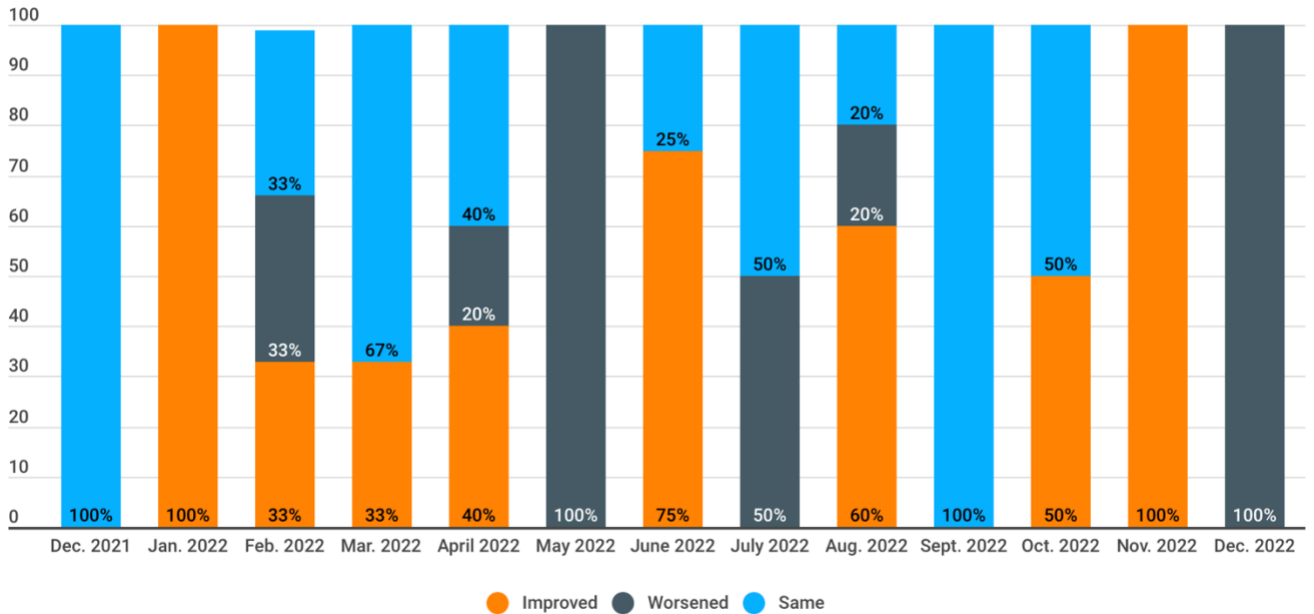
Based on the response to the December survey, the level of general business activity and company outlooks are reported as “worsened.” (The level of general business activity and company outlooks were reported as “improved” in last month’s survey.)

The month-over-month responses in the December survey show “no changes” in any of the survey indicators. (The month-over-month responses in the November survey also showed “no changes” in any of the survey indicators.)

The six-month outlook in December anticipates “decreases” in production, capacity utilization, volume of new orders, growth rate of orders, and volume of shipments. “Increases” are expected in prices paid for raw materials, prices received for finished goods, and wages and benefits. “No changes” are expected in unfilled orders, delivery time, finished goods inventories, number of employees, average employee workweek, and capital expenditures. (The six-month outlook in November anticipated “increases” in prices paid for raw materials, prices received for finished goods, and wages and benefits. “No changes” were 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.)

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



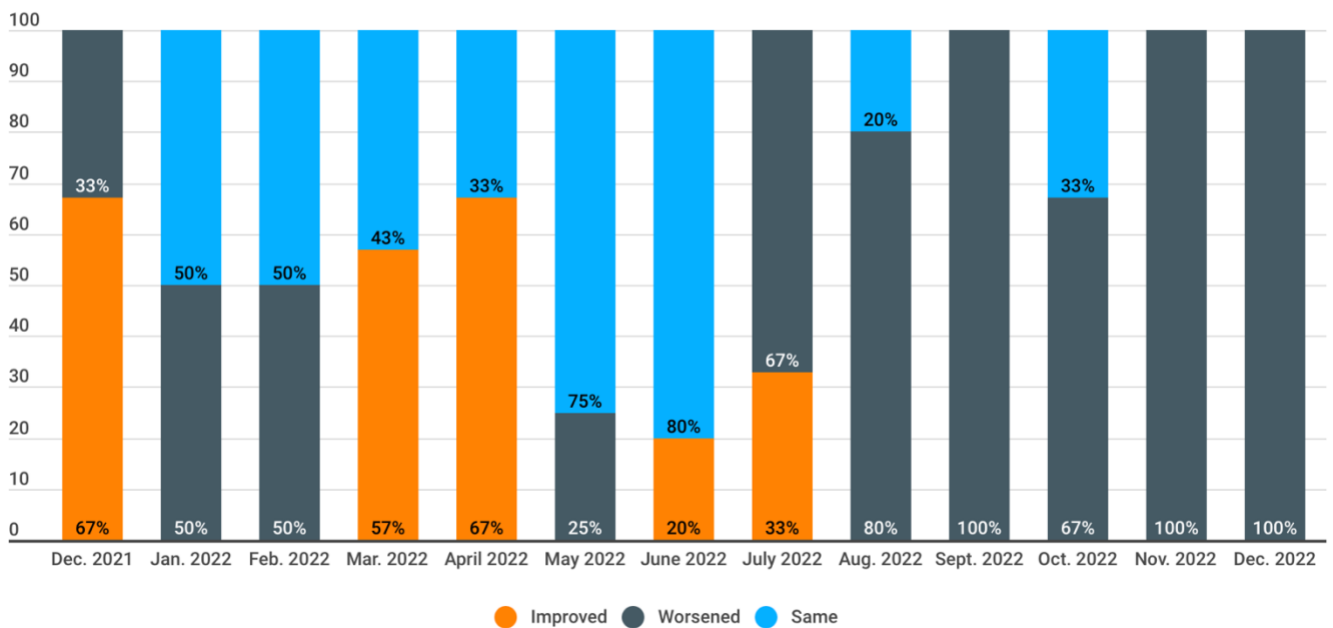
RETAIL

Knoxville area retailers indicated in the December 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 November survey.)

The month-over-month responses in the December survey show “decreases” in net sales revenue and internet sales. “No changes” are reported in the average employee workweek and the number of full-time and part-time employees. Inventories and wages and benefits are evenly split between “increase” and “decrease.” Input prices and capital expenditures are evenly split between “increase” and “no change.” Selling prices are evenly split between “decrease” and “no change.” (Month-over-month responses in the November survey showed “increases” in wages and benefits, input prices, and inventories. “No changes” were reported in capital expenditures, average employee workweek and the number of full-time and part-time employees. “Decreases” were mostly reported in selling prices, net sales revenue, and internet sales.)

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

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



SERVICE

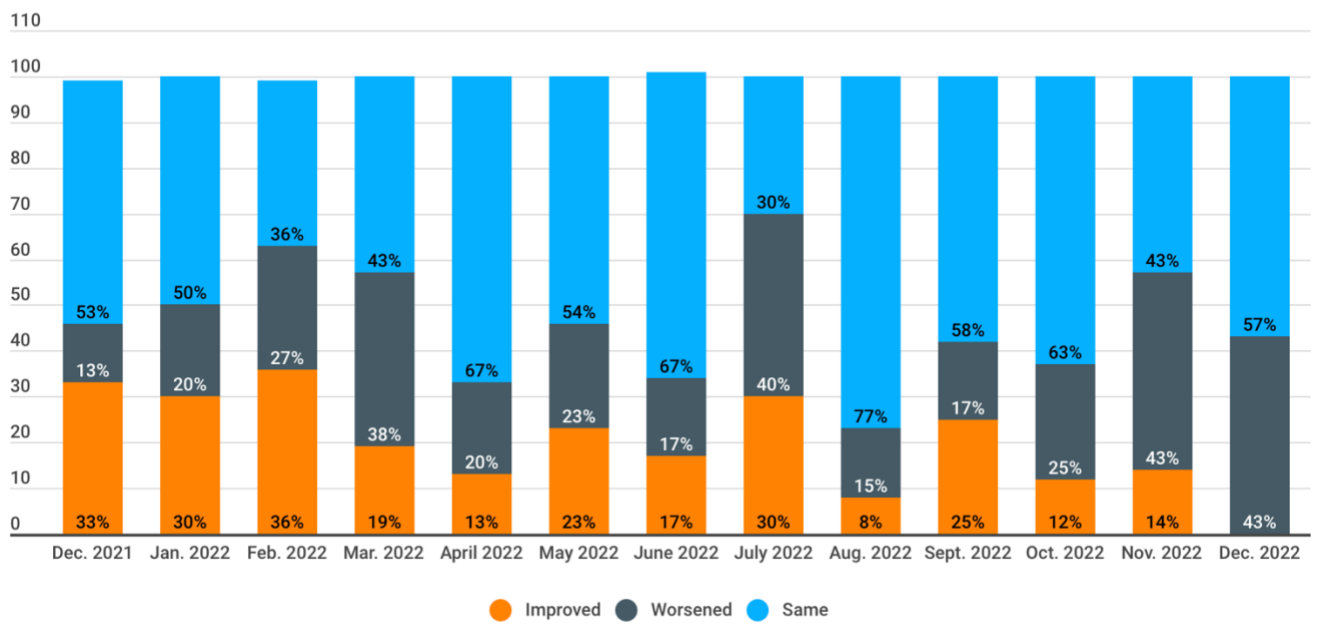
Knoxville area service sector businesses report in the December survey that their evaluation of the level of general business activity is nearly split between “worsened” and “the same.” Company outlooks are reported as mostly “the same.” (The level of general business activity was mostly split between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

The month-over-month responses in the December survey show mostly “no changes” in the number of full-time and part-time employees, average employee workweek, and capital expenditures. Input prices are reported as “increased.” “Decreases” are mostly reported in revenue. Selling prices and wages and benefits are mostly split between “increase” and “no change.” (Month-over-month responses in November showed mostly “increases” in wages and benefits, input prices, and selling prices. Revenue was nearly split between “increase” and

“decrease.” “No changes” were mostly reported for the number of part-time employees and average employee workweek. The number of full-time employees and capital expenditures were nearly split between “increase” and “no change.”)

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

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/economic-outlook-survey-registration/>

LABOR MARKET INFORMATION

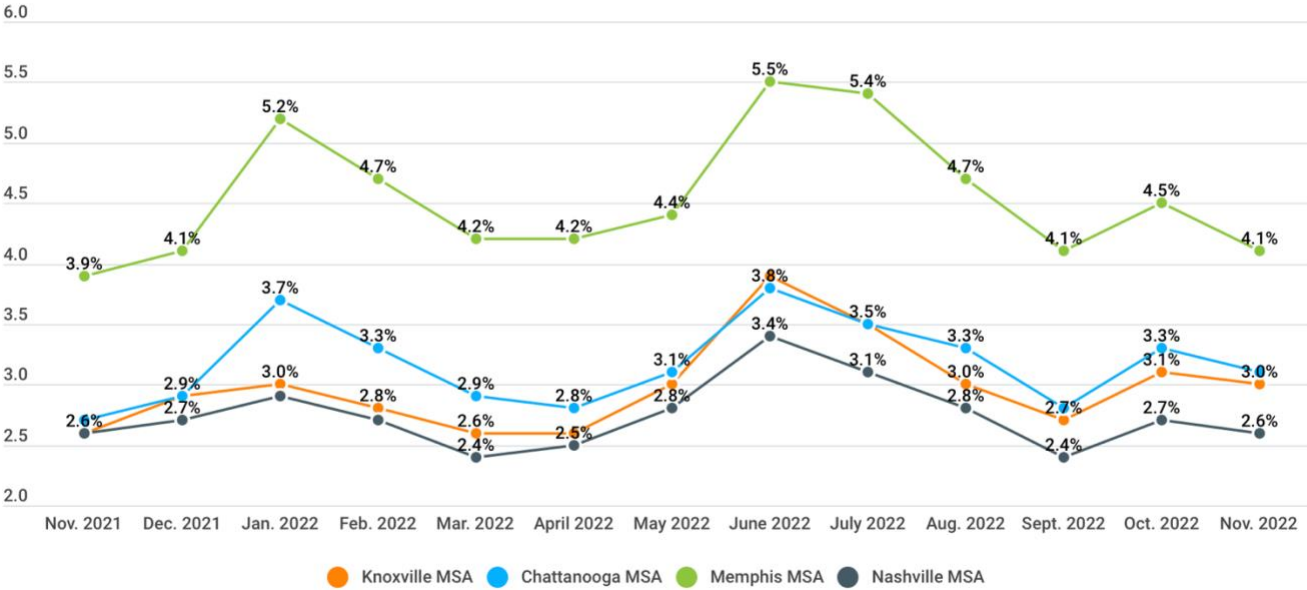
The Knoxville MSA’s unemployment rate in November was 3.0% (down from 3.1% in October and up from the 2.6% rate in November 2021.) Knox County’s unemployment rate in November was 2.8% (down from 2.9% in October and up from 2.4% in November 2021.) Tennessee’s unemployment rate was 3.3% in November (down from 3.5% in October and up from 3.1% in last November.) The U.S. unemployment rate was 3.4% in November (unchanged from October and down from the 3.9% unemployment rate recorded last November.)

The size of the total labor force slightly decreased from October to November at the local, state, and national levels. The Knoxville MSA’s labor force decreased 0.4% from 440,253 in October to 438,554 in November. Knox County’s labor force decreased 0.3% from 250,847 in October to 250,025 in November. Tennessee’s labor force decreased 1.0% from 3,334,925 in October to 3,300,320 in November. The national labor force decreased 0.3% from 164,753,000 in October to 164,272,000 in November.

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

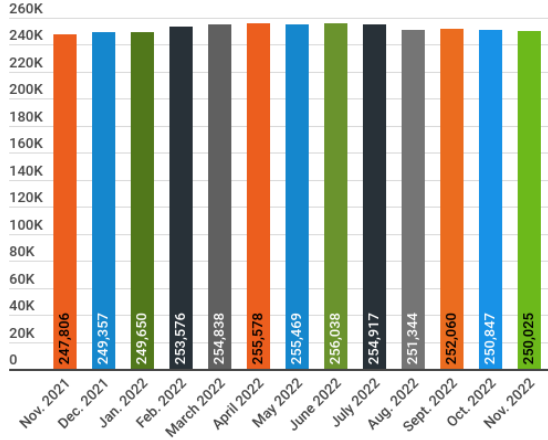
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

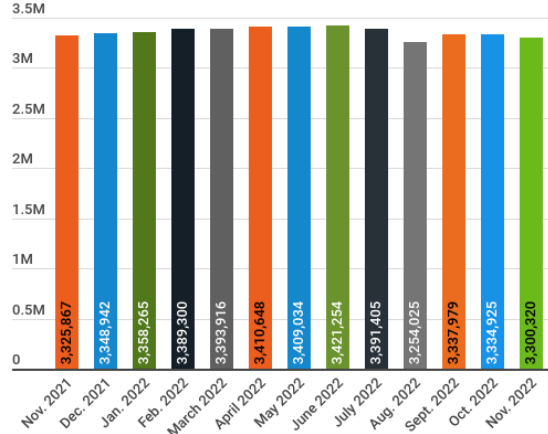


Resident Labor Force

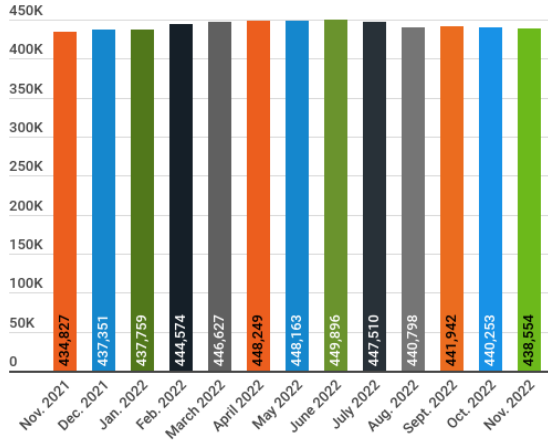
Knox County



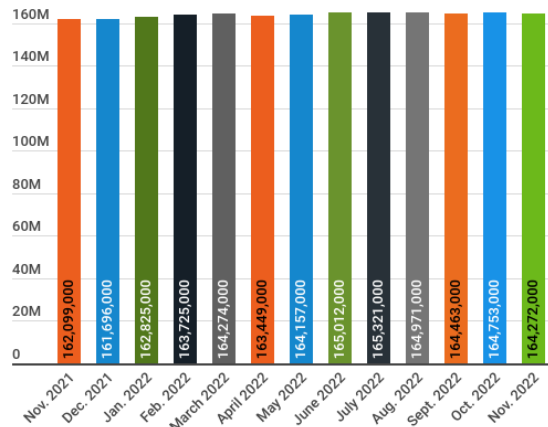
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of November, there were 9,166 unique active job postings in the Knoxville MSA (down 3.3% from October and down 1.5% from last November.) There were 5,908 unique active job postings in Knox County (down 6.7% from October and down 5% from this time last year.)

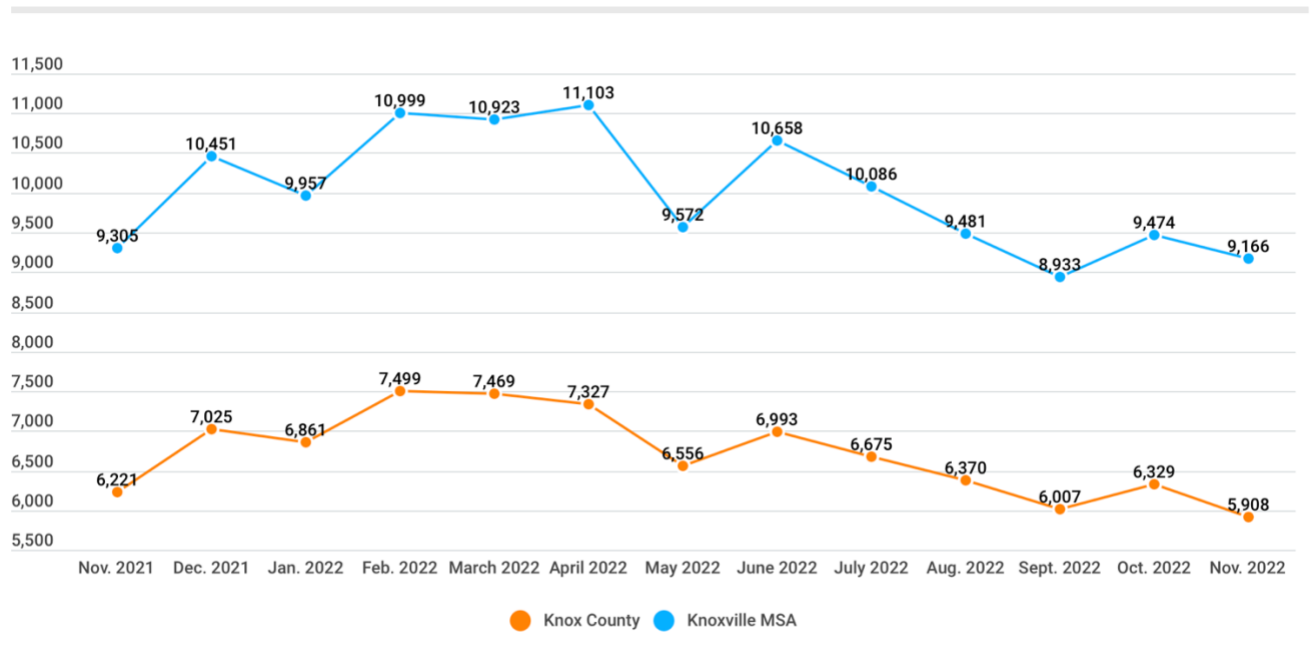
The Top 10 industries (by number of job postings) in the Knoxville MSA in November were –

	Industry	Number of Postings
	Retail Trade	1,222
	Health Care and Social Assistance	1,169
	Administrative Support, Waste Management and Remediation Services	919
	Professional, Scientific and Technical Services	680
	Manufacturing	499
	Accommodation and Food Services	466
	Educational Services	451
	Construction	272
	Wholesale Trade	231
	Finance and Insurance	220

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

	Occupation	Number of Postings
	Retail Salespersons	498
	Registered Nurses	385
	First-Line Supervisors of Retail Workers	292
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	199
	Fast Food and Counter Workers	170
	Maintenance and Repair Workers, General	153
	Stockers and Order Fillers	143
	Customer Service Representatives	141
	Managers, All Other	137
	Software Developers	137

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



(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 December report shows a net gain of 235,000 in nonfarm private-sector employment (up from the 127,000 net jobs gain in November.) Mid-sized businesses (with 50-249 employees) posted the largest gain with 159,000 jobs followed by “Other Small” businesses (with 20-49 employees) gaining 130,000 jobs, “Very Small” businesses (with 1-19 employees) gaining 65,000 jobs, and mid-sized businesses (with 250-499 employees) gaining 32,000 jobs. The overall jobs gain was offset by the large businesses (with 500+ employees) posting a loss of 151,000 jobs.

Industry sectors showing positive job growth in December include Leisure and Hospitality (+123,000), Professional and Business Services (+52,000), Education and Health Services (+42,000), Construction (+41,000), Other Services (+31,000), and Information (+1,000). Industry sectors posting job losses in December include Trade/Transportation/Utilities (-24,000), Natural Resources and Mining (-14,000), Financial Activities (-12,000), and Manufacturing (-5,000).

(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 10.5 million jobs to fill in November and only 6.1 million hires, meaning there are approximately two job openings for every unemployed person. In November, the largest increases in U.S. job openings were in professional and business services (+212,000), manufacturing (+57,000), and retail trade (+37,000).

The largest decreases in job openings were in leisure and hospitality (-118,000), accommodation and food services (-89,000), finance and insurance (-75,000), health care and social assistance (-62,000), arts/entertainment/recreation (-29,000), wholesale trade (-24,000), and transportation/warehousing/utilities (-22,000).

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](#).

KNOXVILLE IS AMONG THE TOP 20 CITIES WHERE MILLENNIALS ARE LEAVING

SmartAsset, a financial technology company, recently released its sixth annual study on which cities millennials are moving to and which cities they are leaving. They rank Knoxville #16 on its Top 20 list of cities in which millennials are leaving. Census data from 2021 was used to analyze the number of people aged 25 to 39 who moved into a city from a different state compared to the number of same-aged people moving out of a city to a different state. As we mentioned many times in previous ECO reports, the Knoxville area does not have enough people in the prime working age range of 25-54 to meet the current job demand. It is imperative that we attract and retain young talent to meet our region's workforce needs.

The Top 20 cities that millennials are moving to are #1 Austin, TX; #2 Denver, CO; #3 Dallas, TX; #4 Raleigh, NC; #5 Jacksonville, FL; #6 Henderson, NV; #7 Salt Lake City, UT; #8 Virginia Beach, VA; #9 Tampa, FL; #10 Nashville, TN; #11 Overland Park, KS; #12 St. Petersburg, FL; #13 Fort Worth, TX; #14 Tempe, AZ; #15 Scottsdale, AZ; #16 Boulder, CO; #17 Gilbert, AZ; #18 Charlotte, NC; #19 Stamford, CT; and #20 Houston, TX.

The Top 20 cities where millennials are leaving are #1 New York City; #2 Chicago, IL; #3 Washington, DC; #4 Boston, MA; #5 Los Angeles, CA; #6 San Francisco, CA; #7 Lincoln, NE; #8 Memphis, TN; #9 Fresno, CA; #10 Omaha, NE; #11 Oakland, CA; #12 Springfield, MO; #13 San Jose, CA; #14 Anaheim, CA; #15 Minneapolis, MN; #16 Knoxville, TN; #17 Kansas City, MO; #18 Spokane, WA; #19 Arlington, VA; and #20 Amarillo, TX.

You can read more [here](#).

CHILD CARE CRISIS CONTINUES TO NEGATIVELY IMPACT WORKERS AND BUSINESSES IN TENNESSEE

According to a recent report by **Tennesseans for Quality Early Education (TQEE)**, a nonprofit that advocates for expanded pre-kindergarten resources, the lack of affordable child care costs the state of Tennessee \$2.6 billion per year and costs Knox County an estimated \$108 million annually. Center-based child care costs between \$10,000 to \$11,000 per year and home-based child care averages \$6,000 to \$7,000 per year making it unaffordable for many families. Parents in Knox County lose \$69 million annually due to disruptions in work schedules or job losses caused by the lack of child care. Local businesses lose \$21.5 million annually in lost revenue caused by the lack of productivity and higher hiring and retention costs. The reduced economic activity translates to a \$17 million decrease in annual tax revenue for local governments. The TQEE report recommends increased public funding for early education and enhanced child care benefits from private-sector employers. You can read the full report [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from November 2021 to November 2022 is 7.1%. This is down from the 7.7% rate from October 2021 to October 2022. Last year, the national inflation rate was 6.8% from November 2020 to November 2021.

The November CPI report marks the fifth 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 longer.

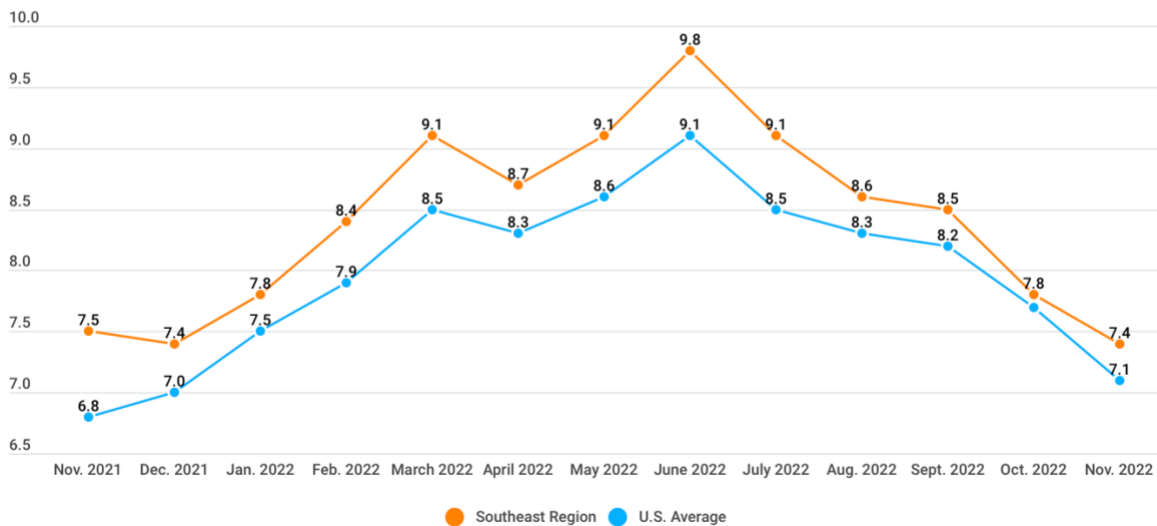
From a year ago, natural gas prices are up 15.5%, electricity costs are up 13.7%, groceries are up 12%, gasoline prices are up 10.1%, eating out prices are up 8.5%, new vehicle prices are up 7.2%, and housing prices are up 7.1%. Used car prices have started trending down with this month's report showing a decrease of 3.3% from last year. 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 7.4% for the November 2021 to November 2022 period. This is down from 7.8% in the October 2021 to October 2022 period. Last year, the rate was 7.5% for November 2020 to November 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 4.1% from October to November to a seasonally adjusted annual rate (SAAR) of 17,747. However, home sales in Knox County increased 3.7% from the previous month to a seasonally adjusted annual rate (SAAR) of 7,271. Compared to the previous year, home sales were down 30.1% in the Knoxville area and 23.6% in Knox County.

Nationally, existing-home sales decreased in November for the tenth consecutive month to a seasonally adjusted annual rate of 4.09 million — down 7.7% from the previous month and 35.4% from a year ago. Home sales in the South decreased 7.1% from the previous month and 35.0% from a year prior.

The median home sales price in the Knoxville area was \$312,000 in November — up 5.8% from one year ago. Knox County's median home sale price was \$333,613 – up 9.38% from one year ago.

Twenty-three percent of homes sold for over-asking price in November, unchanged from the previous month. 11% 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 11.4% of total home sales.

Active inventory in the Knoxville area peaked in November, with active listings falling 23% from their peak by the end of year. Overall, active listings are up 77% year-over-year but remain well below pre-pandemic levels. Inventory in Knox County was up 72% year-over-year in November. Half of homes sold in the Knoxville area were on the market for 13 days or less. Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2.24 months.

Knoxville's rental market continues to outperform the U.S. overall. Effective rents were up 12.73% year-over-year in November, compared to 6.53% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "The housing market has essentially been frozen over the past few months because of higher mortgage rates and the resulting affordability constraints. However, inventory remains relatively low which is likely to further boost home prices. Considering the decline in mortgage rates in recent weeks and initial evidence that inflation may have reached a peak, the outlook for the housing market is improving – which is evidenced by preliminary data suggesting Knoxville's housing market may outperform expectations in December and the early months of 2023.

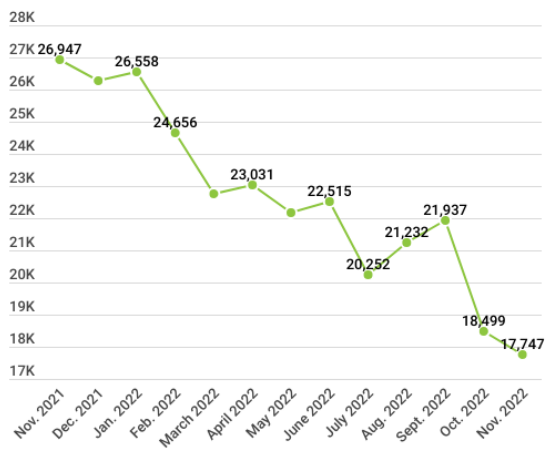
You can subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

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.

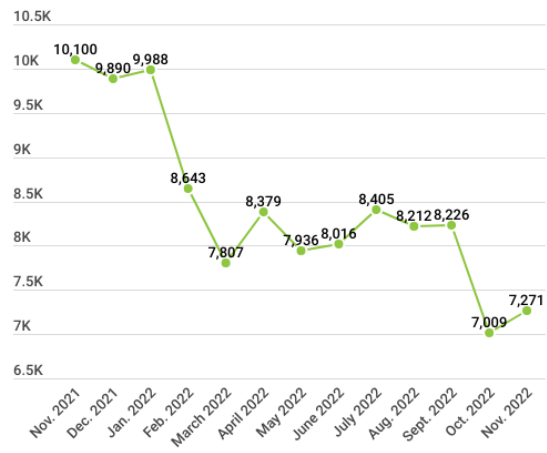
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

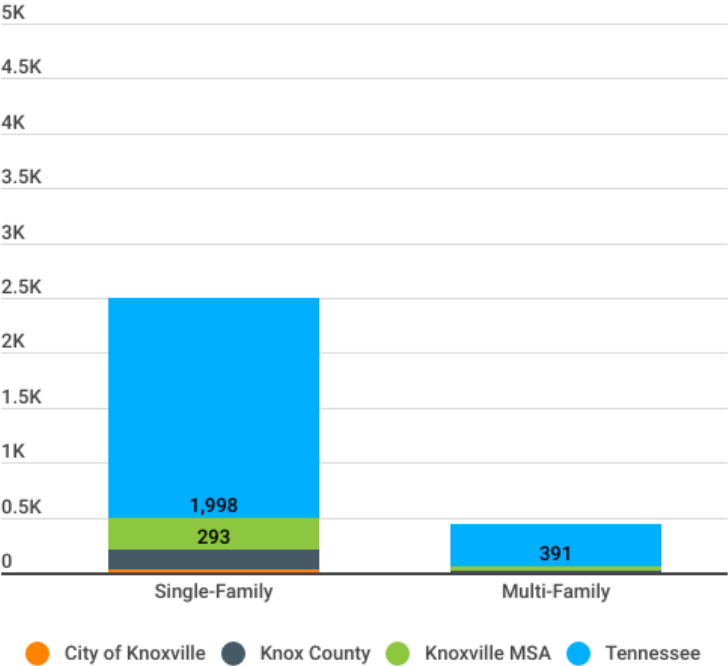
	Knoxville Area						Knox County						
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022
Active Listings Inventory	2,666	2,372	2,074	1,862	2,021	2,302	2,786	3,332	3,922	3,725	3,683	3,944	3,807
Median Home Sales Price	\$290,000	\$291,000	\$300,000	\$302,000	\$309,000	\$325,000	\$325,000	\$326,000	\$324,450	\$325,000	\$322,650	\$315,000	\$312,000
Months Inventory	1.08	0.00	0.00	1.09	1.30	1.26	-	-	1.90	1.98	2.00	2.18	2.24
Absorption Rates	93%	103%	117%	91%	77%	79%	-	-	-	-	-	-	-

	Knoxville Area						Knox County						
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022
Active Listings Inventory	513	422	328	343	427	478	-	-	-	-	-	-	-
Median Home Sales Price	\$301,000	\$308,000	\$300,000	\$310,000	\$326,000	\$340,000	\$346,000	\$358,875	\$350,000	\$349,925	\$335,625	\$331,815	\$333,613
Months Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.86	-	-	-	-	-
Absorption Rates	151%	170%	221%	162%	123%	135%	-	-	-	-	-	-	-

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

Residential Building Permits

Oct. 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 November 2022 was \$696.752 billion (up 1.2% from October and up 7.3% from last November.)

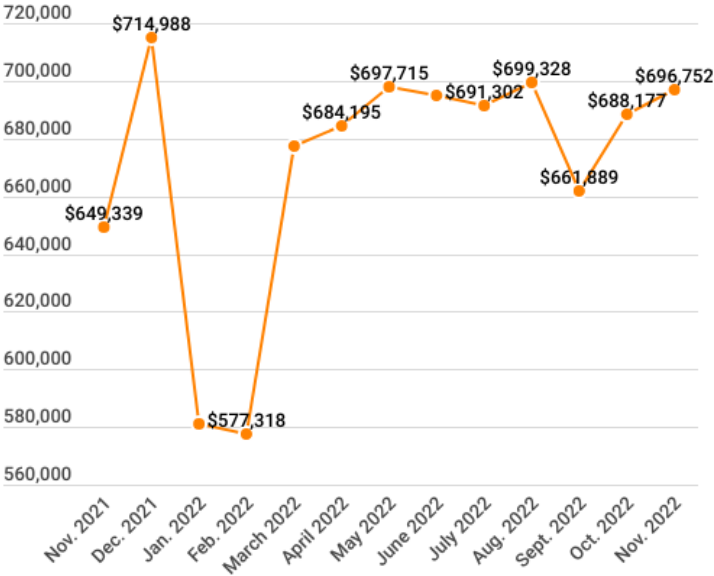
The retail sectors that showed the greatest growth from last November were Food Services and Drinking Places (+21.4%), Non-store Retailers (+17.2%), Gasoline Stations (+14.7%), Health and Personal Care Stores (+8.5%), Miscellaneous Stores (+8.3%), Food and Beverage Stores (+5.4%), and Building Materials (+5.3%).

Retail sectors that showed a decline in sales from last November were Electronics and Appliance Stores (-13.6%), Furniture and Home Furnishings Stores (-6.7%), and Motor Vehicle and Parts Sales (-1.8%).

National Retail Sales

in Millions of Dollars

Total Retail Sales



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

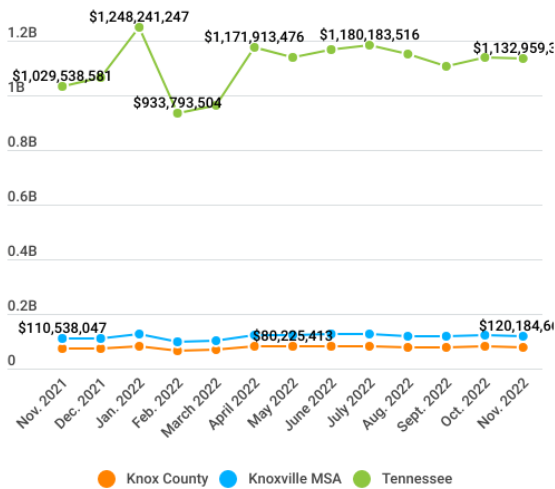
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$120.185 million in state sales taxes in November (down 2.4% from October and up 8.7% from last November) and Knox County collected \$78.678 million in November (down 1.1% from October and up 10.1% from last November.) The state of Tennessee collected \$1.133 billion in state sales taxes in November (down 0.4% from October and up 10% from last November.)

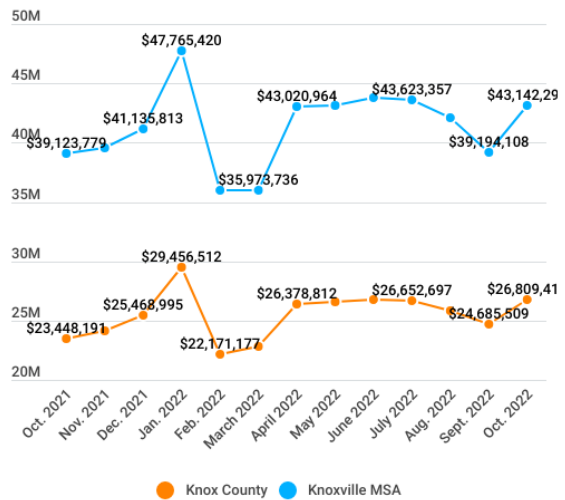
The Knoxville MSA collected \$43.917 million in local sales taxes in November (up 1.8% from October and up 11% from last November) and Knox County collected \$27.439 million (up 2.3% from October and up 13.8% from last November.)

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 15, 2022 – [Pilot Company](#) announced a strategic partnership with [Volvo Group](#) to develop a network of high-performance electric vehicle (EV) charging stations to help support fleet customers with battery-electric Class 8 trucks. Chargers will be located at select Pilot and Flying J travel centers that are positioned along major transportation corridors. Pilot recently embarked on a \$1 billion [“New Horizons”](#) initiative to upgrade and prepare its locations for the future of travel with the development of charging networks for both passenger vehicles and Class 8 trucks. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

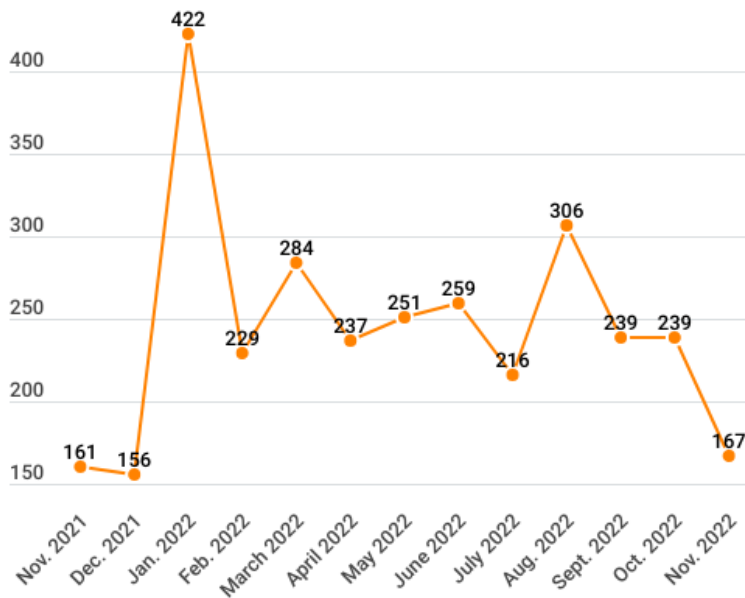
New business licenses issued in November 2022 by Knox County are up 3.7% from November 2021 during the pandemic and are down 14.8% from the pre-pandemic November 2019 count.

A total of 167 new business licenses were issued in November 2022 compared to 161 in November 2021 and 196 in November 2019. The top industry sectors for which business licenses were issued in November 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

The Metropolitan Knoxville Airport Authority recorded 213,345 passengers in November (down 10.3% from October's passenger traffic of 237,825 and up 7.3% from November 2021 during COVID.) This month's passenger estimate is up 0.5% from pre-COVID November 2019.

The total freight recorded in November at TYS was 6,956,208 pounds (up 0.1% from October and down 1% from last November.)

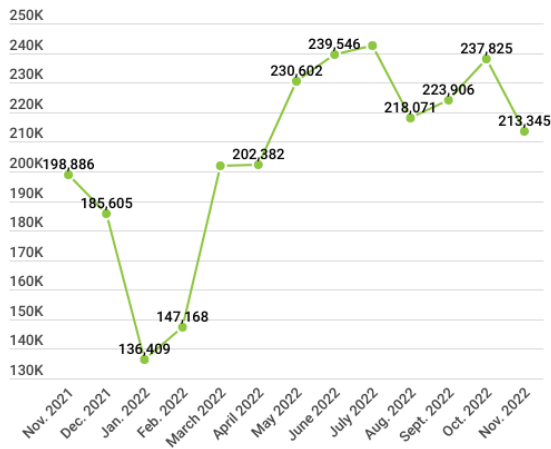
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in November was 2,145,705 (up 12.3% from the November 2021 daily passenger average of 1,910,403 but still down 5.7% from the pre-COVID November 2019 average of 2,275,320.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "The U.S. continues to be the best-performing domestic market among those monitored. In November 2022, traffic stood merely 1% below the November 2019 level." You can read more [here](#).

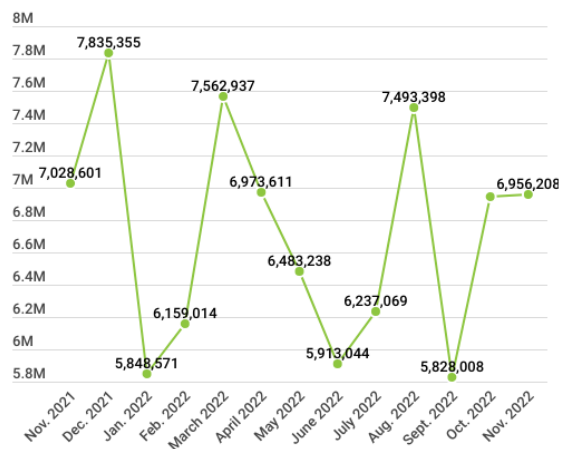
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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