

MARCH 2023



FINANCED BY FIRST HORIZON BANK

Welcome to the March 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

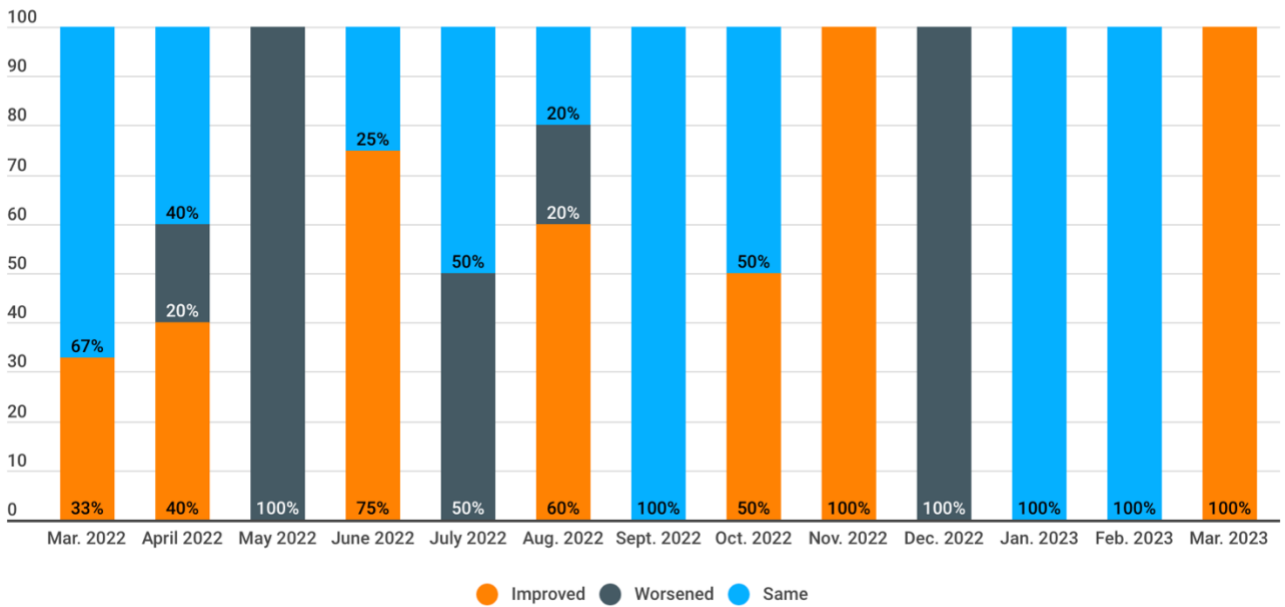
MANUFACTURING

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

The month-over-month responses in the March survey show “increases” in production, volume of new orders, growth rate of orders, volume of shipments, and average employee workweek. “No changes” are reported for capacity utilization, unfilled orders, delivery time, prices paid for raw materials, prices received for finished goods, wages and benefits, number of employees, and capital expenditures. Finished goods inventories are “decreased.” (The month-over-month responses in the February survey showed “increases” in production, capacity utilization, volume of shipments, wages and benefits, number of employees, and capital expenditures. “No changes” were reported for volume of new orders, growth rate of orders, unfilled orders, delivery time, finished goods inventories, prices paid for raw materials, prices received for finished goods, and average employee workweek.)

The six-month outlook in March anticipates “no changes” in any of the surveyed indicators except wages and benefits, which are expected to “increase.” (The six-month outlook in February anticipated “increases” in production, capacity utilization, volume of new orders, volume of shipments, prices paid for raw materials, wages and benefits, number of employees, and capital expenditures. “No changes” were expected in the growth rate of orders, unfilled orders, delivery time, finished goods inventories, prices received for finished goods, and average employee workweek.)

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



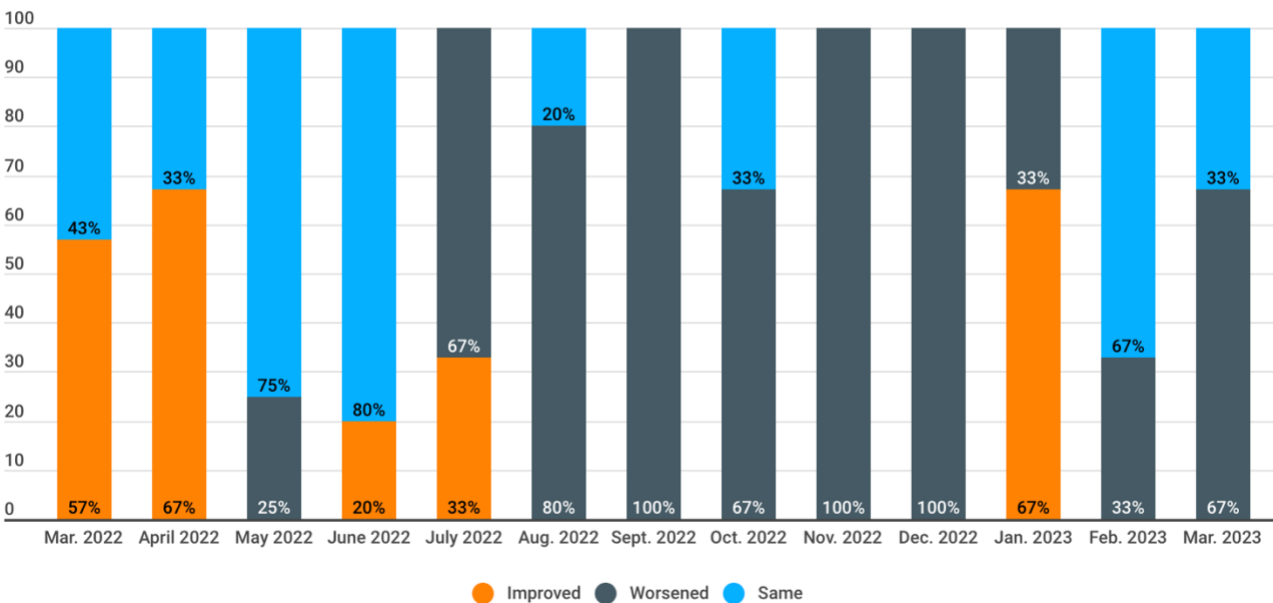
RETAIL

Knoxville area retailers indicated in the March survey that their current level of general business activity has mostly “worsened” from last month, while company outlooks are reported as mostly “the same.” (The level of general business activity was reported as mostly “the same” and company outlooks were reported as mostly “worsened” in the February survey.)

The month-over-month responses in the March survey show mostly “no changes” in net sales revenue, internet sales, number of part-time employees, average employee workweek, selling prices, and capital expenditures. Mostly “increases” are reported in the number of full-time employees, wages and benefits, and inventories. (Month-over-month responses in the February survey showed mostly “no changes” in internet sales, number of full-time and part-time employees, average employee workweek, and capital expenditures. “Increases” were reported in wages and benefits, input prices, and inventories. “Decreases” were mostly reported for selling prices. Net sales revenue was “mixed.”)

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

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



SERVICE

Knoxville area service sector businesses report in the March survey that their evaluation of the level of general business activity is nearly split between “the same” and “improved.” Company outlooks are mostly reported as being “the same.” (The level of general business activity and company outlooks were mostly reported as “the same” in last month’s survey.)

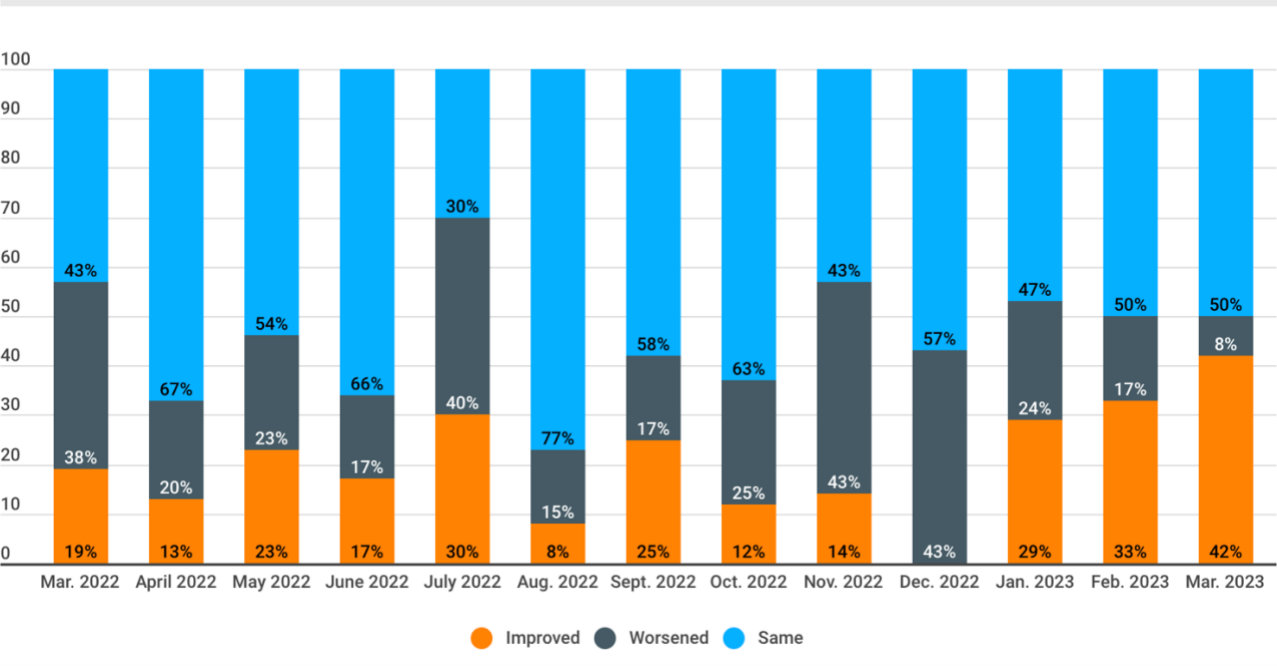
The month-over-month responses in the March survey show mostly “no changes” in the number of full-time and part-time employees, average employee workweek, and capital expenditures. Mostly “increases” are reported for input prices and wages and benefits. Revenue and selling prices are nearly split between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

capital expenditures. The number of full-time employees and selling prices were evenly split between “increase” and “no change.” Revenue was “mixed.”)

The six-month outlook in March projects mostly “increases” in input prices and wages and benefits. “No changes” are mostly expected in the average employee workweek and the number of full-time and part-time employees. Forecasted revenue is nearly split between “increase” and “decrease.” Future selling prices and capital expenditures are nearly split between “increase” and “no change.” (The February survey’s six-month outlook projected mostly “increases” in revenue and wages and benefits. “No changes” were mostly expected in the average employee workweek and capital expenditures. The number of full-time and part-time employees, input prices, and selling prices were evenly split between “increase” and “no change.”)

Service sector comments indicate that continued increases in interest rates could slow down or stop capital expenditures. Some businesses do not have enough money to give further raises to employees who are struggling with inflation.

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

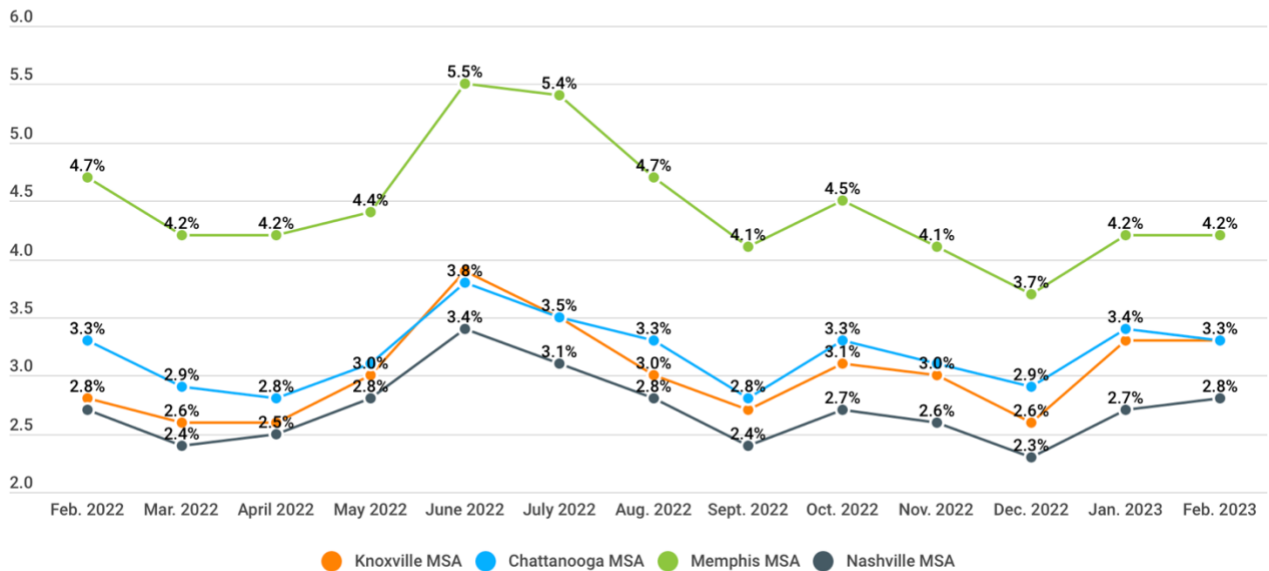
The Knoxville MSA's unemployment rate in February was 3.3% (unchanged from January and up from the 2.8% rate in February 2022.) Knox County's unemployment rate in February was 2.9% (down from 3.0% in January and up from 2.5% in February 2022.) Tennessee's unemployment rate was 3.6% in February (up from 3.5% in January and up from 3.3% in last February.) The U.S. unemployment rate was 3.9% in February (unchanged from January and down from the 4.1% unemployment rate recorded last February.)

The size of the total labor force slightly increased from January to February at the local, state, and national levels. The Knoxville MSA's labor force increased 1.1% from 437,294 in January to 442,060 in February. Knox County's labor force increased 1.1% from 249,079 in January to 251,747 in February. Tennessee's labor force increased 0.9% from 3,332,947 in January to 3,361,790 in February. The national labor force increased 0.7% from 165,070,000 in January to 166,178,000 in February.

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

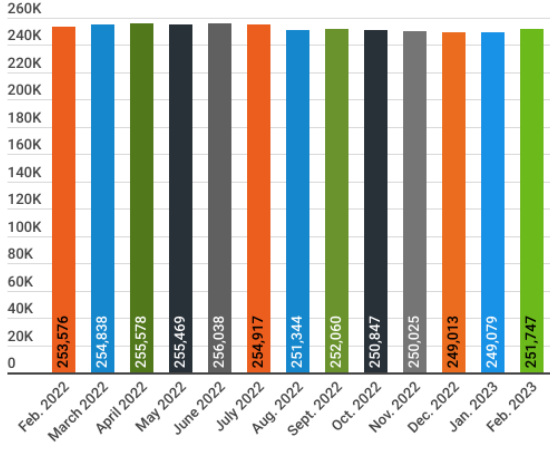
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

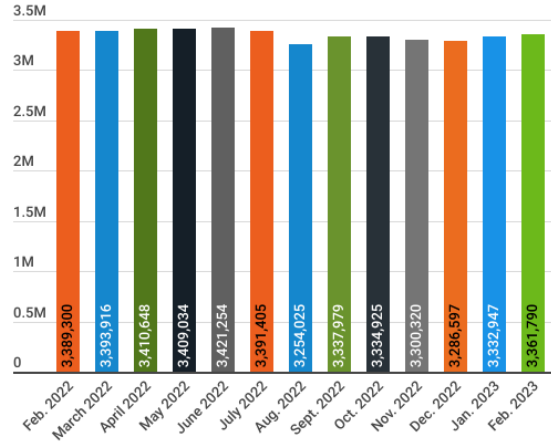


Resident Labor Force

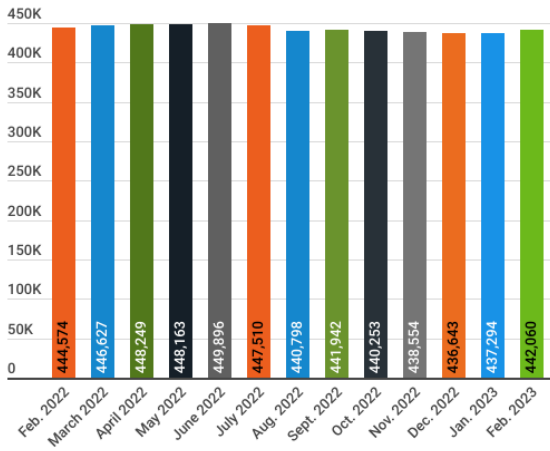
Knox County



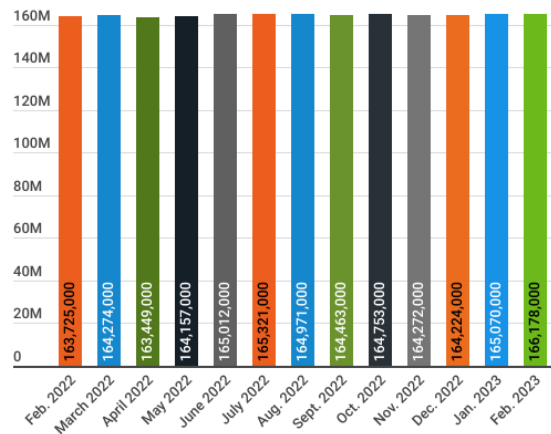
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of February, there were 9,091 unique active job postings in the Knoxville MSA (down 11.6% from January and down 17.3% from last February.) There were 6,197 unique active job postings in Knox County (down 11.1% from January and down 17.4% from this time last year.)

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

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	1,218
	Administrative Support, Waste Management and Remediation Services	1,088
	Retail Trade	892
	Professional, Scientific and Technical Services	595
	Accommodation and Food Services	566
	Educational Services	554
	Manufacturing	434
	Construction	289
	Wholesale Trade	235
	Finance and Insurance	211

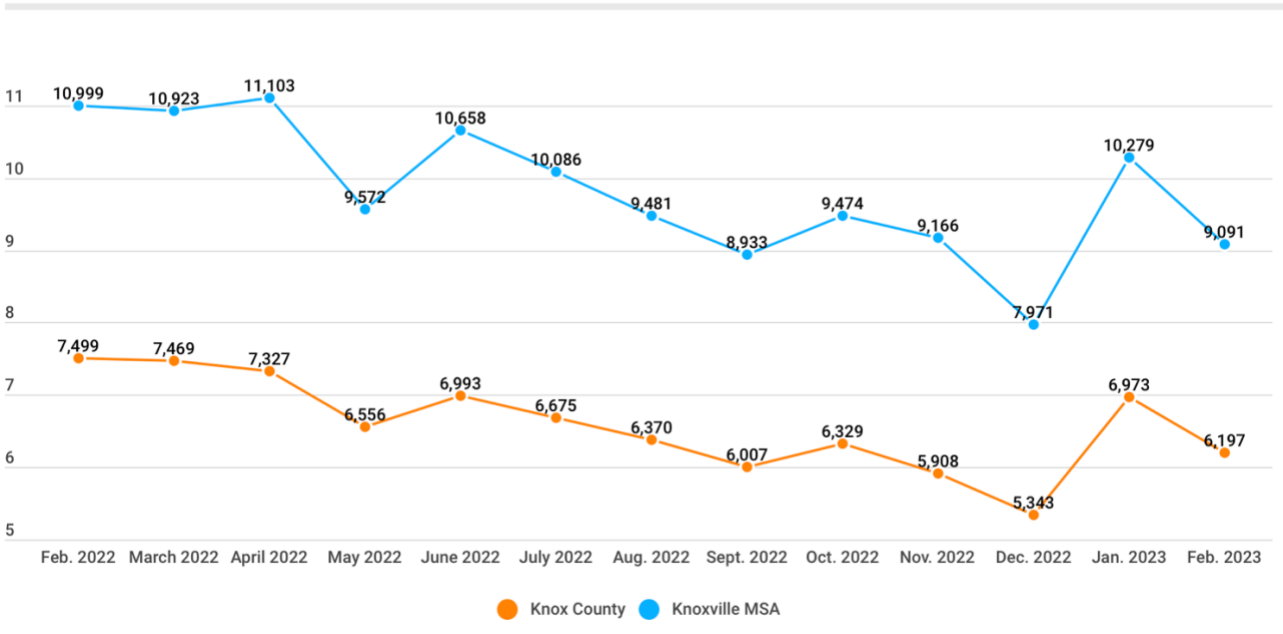
The Top 10 occupations (by number of job postings) in the Knoxville MSA in February were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	399
	Retail Salespersons	238
	First-Line Supervisors of Retail Workers	222
	Fast Food and Counter Workers	202
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	195
	Customer Service Representatives	170
	Laborers and Freight, Stock, and Material Movers, Hand	164
	Licensed Practical and Licensed Vocational Nurses	158
	Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	152
	Maintenance and Repair Workers, General	145

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, in collaboration with the Stanford Digital Economy Lab, releases the National Employment Report®, which provides a high-level look at month-over-month private-sector employment changes across the country.

The March report shows a net gain of 145,000 in private-sector employment (down from the 242,000 net jobs gain in February.) Industry sectors showing positive job growth in March include Leisure and Hospitality (+98,000), Trade/Transportation/Utilities (+56,000), Construction (+53,000), Natural Resources and Mining (+47,000), Education and Health Services (+17,000), and Other Services (+8,000). Industry sectors posting job losses in March include Financial Activities (-51,000), Professional and Business Services (-46,000), Manufacturing (-30,000), and Information (-7,000).

By establishment size, mid-sized businesses (with 50-249 employees) gained 75,000 jobs, “Other Small” businesses (with 20-49 employees) gained 63,000 jobs, “Very Small” businesses (with 1-19 employees) gained 38,000 jobs, and large businesses (with 500+ employees) gained 10,000 jobs. Mid-sized businesses (with 250-499 employees) lost 42,000 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 9.9 million jobs to fill in February and only 6.2 million hires, meaning there are approximately two job openings for every unemployed person.

In February, the largest increases in U.S. job openings were in construction (+129,000), arts/entertainment/recreation (+38,000), financial activities (+25,000), information (+9,000), and wholesale trade (+6,000).

The largest decreases in job openings were in professional and business services (-278,000), health care and social assistance (-150,000), transportation/warehousing/utilities (-145,000), accommodation and food services (-125,000), retail trade (-72,000), and manufacturing (-38,000).

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 AREA RANKED #40 ON TOP 100 FASTEST GROWING ECONOMIES FOR MIDSIZE CITIES

The [University of North Carolina's Kenan Institute of Private Enterprise](#) released its 2023 projected Gross Domestic Product (GDP) growth for the Top 100 Midsize Cities in the U.S. as part of its [American Growth Project](#) initiative. The cities are actually Extended Metropolitan Areas or EMAs (which usually include various combinations of nearby Metropolitan Statistical Areas and Micropolitan Statistical Areas). The Knoxville EMA includes the Knoxville MSA, Morristown MSA, Newport Micro, and Sevierville Micro area.

The Knoxville EMA ranked #40 with a projected 2023 GDP of \$73 billion with 0.3% growth. This GDP growth is down from the 1.9% GDP growth in 2022. In fact, all 100 EMAs on their list show lower growth as the researchers factored in an expected recession in late 2023 or early 2024. The real news here is the positive GDP growth despite the impending recession. The top ten EMAs by projected GDP growth in 2023 were Midland, TX (+6.7%), Amarillo, TX (+2.5%), Fort Collins, CO (+1.7%), Santa Barbara, CA (+1.1%), Fayetteville-Springdale, AR (+0.9%), Wichita, KS (+0.9%), Albany, NY (+0.9%), Salinas, CA (+0.8%), Charleston, SC (+0.8%), and Visalia, CA (+0.8%). You can read more [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from February 2022 to February 2023 is 6.0%. This is down from the 6.4% rate from January 2022 to January 2023. Last year, the national inflation rate was 7.9% from February 2021 to February 2022.

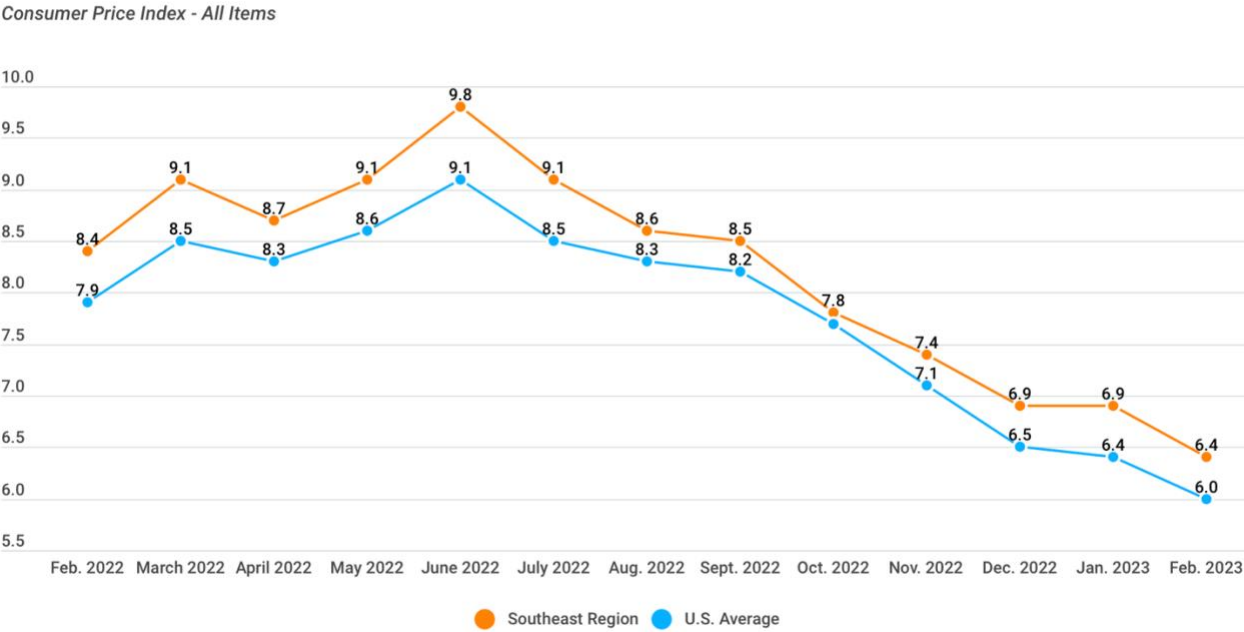
The February CPI report marks the eighth straight month that year-over-year inflation is below the June 2022 CPI peak high of 9.1%. While this continues to be an encouraging sign that runaway inflation may be winding down, high prices will likely linger longer.

From a year ago, airline fares are up 26.5%, natural gas prices are up 14.3%, electricity costs are up 12.9%, groceries are up 10.2%, eating out prices are up 8.4%, housing prices are up 8.1%, new vehicle prices are up 5.8%, and apparel is up 3.3%. Used car prices are down 13.6% and gasoline prices are down 2.0%. You can read more [here](#).

To bring down inflation, the Federal Reserve has increased its benchmark interest rate several times this year. 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 6.4% for the February 2022 to February 2023 period. This is down from 6.9% in the January 2022 to January 2023 period. Last year, the rate was 8.4% for February 2021 to February 2022.

Inflation Rates



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

HOUSING MARKET

Home sales in the Knoxville area increased 2.2% from January to February to a seasonally adjusted annual rate (SAAR) of 19,199. Similarly, home sales in Knox County increased 0.8% from the previous month to a seasonally adjusted annual rate (SAAR) of 6,858. Compared to the previous year, home sales were down 22.7% in the Knoxville area and 18.1% in Knox County.

Nationally, existing-home sales increased in February after twelve consecutive months of declines to a seasonally-adjusted annual rate of 4.58 million — up 14.5% from the previous month but down 22.6% from a year ago. Home sales in the South increased 15.9% from the previous month but were down 21.3% from a year ago.

The median home sales price in the Knoxville area was \$316,000 in February, an increase of 6.67% from one year ago. Knox County's median home sale price was \$347,900 – up 10.82% from one year ago.

Half of the homes sold in the Knoxville area were on the market for 25 days or less, up from 16 days the previous month. Twenty-five percent of homes sold for over-asking price in February, up from 18% the previous month. 11% of homes sold for at least \$10,000 over asking and 3% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 12.3% of total home sales.

Active inventory in the Knoxville area was virtually unchanged from the previous month. Overall, active listings are up around 100% year-over-year but remain around 48% below pre-pandemic levels. Inventory in Knox County was up 77% year-over-year in February. Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 1.77 months.

According to Hancen Sale, Governmental Affairs and Policy Director at the Knoxville Area Association of Realtors®, "The pace of home sales increased for the third consecutive month in February, though overall sales are still significantly below 2022 levels. Home price growth also accelerated for the first time since mid-2022 in February, which is likely a reflection of the drop in mortgage rates late last year. Knoxville's housing market is in the early stages of what is expected to be a prolonged recovery. Currently, there are no indications of a substantial supply surge on the horizon with new listings down 14% year-over-year in Q1 2023."

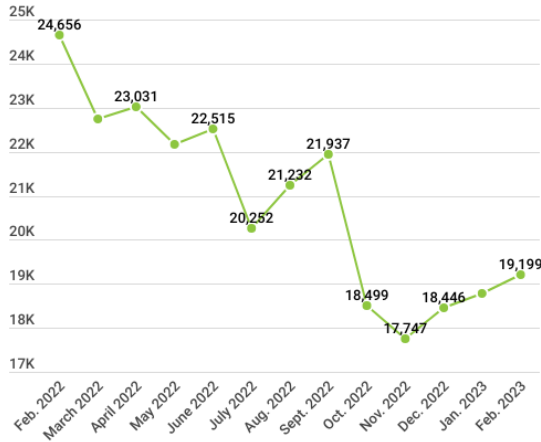
You can also subscribe to KAAR's monthly *Market Pulse Newsletter* [here](#).

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.

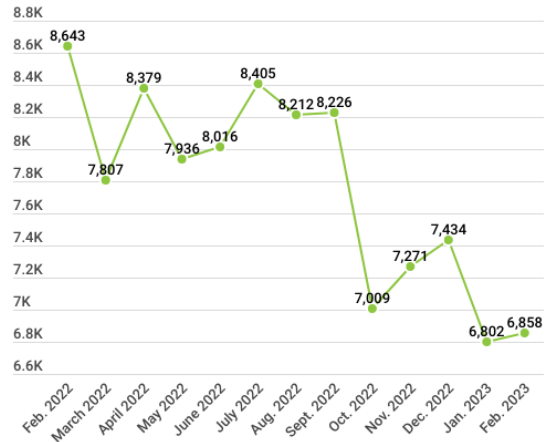
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

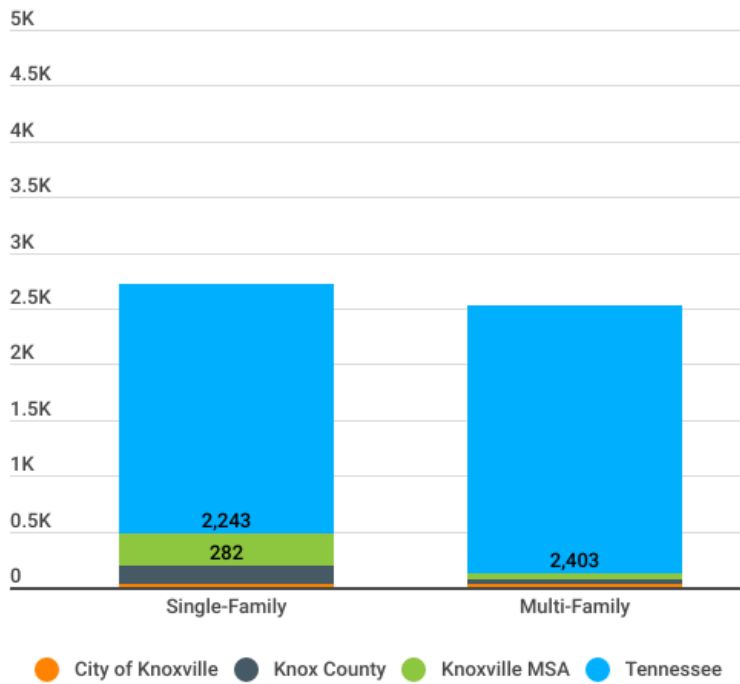
	Knoxville Area						Knox County						
	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023
Active Listings Inventory	1,862	2,021	2,302	2,786	3,332	3,922	3,725	3,683	3,944	3,807	3,220	2,996	2,817
Median Home Sales Price	\$302,000	\$309,000	\$325,000	\$325,000	\$326,000	\$324,450	\$325,000	\$322,650	\$315,000	\$312,000	\$318,000	\$316,000	\$316,000
Months Inventory	1.09	1.30	1.26	-	-	1.90	1.98	2.00	2.18	2.24	2.05	1.91	1.77
Absorption Rates	91%	77%	79%	-	-	-	-	-	-	-	-	-	-

	Knoxville Area					Knox County							
	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023
Active Listings Inventory	343	427	478	-	-	-	-	-	-	-	-	-	-
Median Home Sales Price	\$310,000	\$326,000	\$340,000	\$346,000	\$358,875	\$350,000	\$349,925	\$335,625	\$331,815	\$333,613	\$329,750	\$338,810	\$347,900
Months Inventory	0.00	0.00	0.00	0.70	0.86	-	-	-	-	-	-	-	-
Absorption Rates	162%	123%	135%	-	-	-	-	-	-	-	-	-	-

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

Residential Building Permits

Feb. 2023



(Sources: U.S. Housing & Urban Development – SOCDS – State of the Cities Data Systems; U.S. Census Bureau – Building Permits Survey)

NATIONAL RETAIL SALES

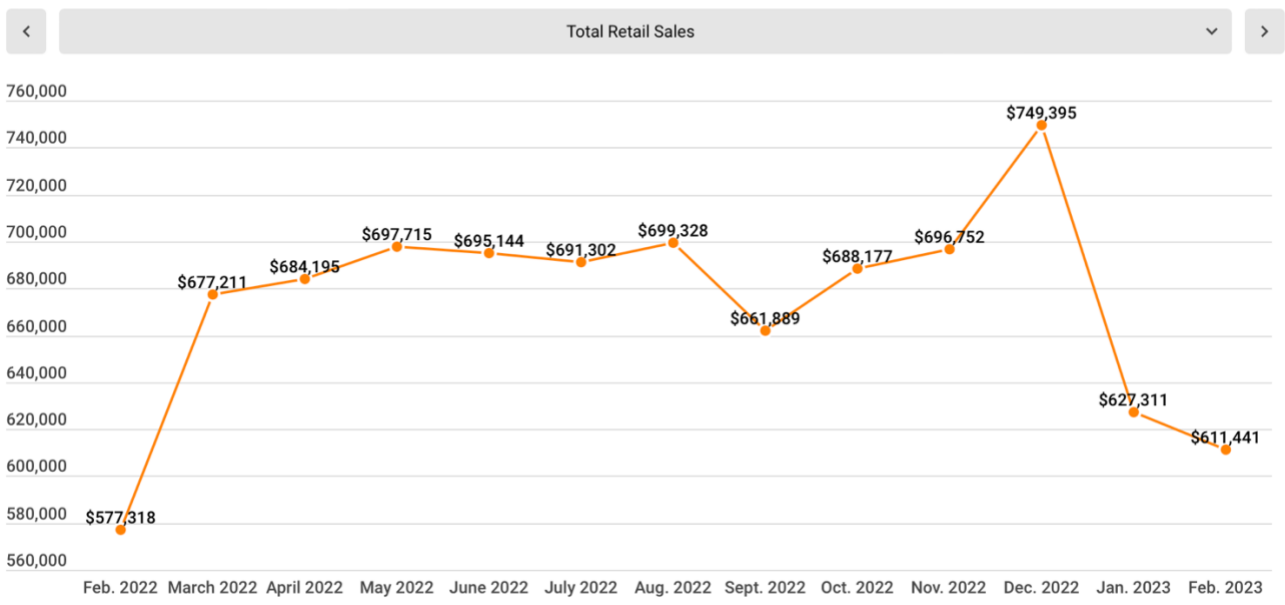
The total advance monthly retail sales estimate for February 2023 was \$611.441 billion (down 2.5% from January and up 5.9% from last February.)

The retail sectors that showed the greatest growth from last February were Food Services and Drinking Places (+24.3%), Non-store Retailers (+19.4%), and Health and Personal Care Stores (+8.1%).

Retail sectors that showed the greatest decline in sales from last February were Motor Vehicles and Parts Sales (-2.9%), Gasoline Stations (-2.0%), Clothing Stores (-1.6%), and Electronics and Appliance Stores (-1.3%).

National Retail Sales

in Millions of Dollars



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

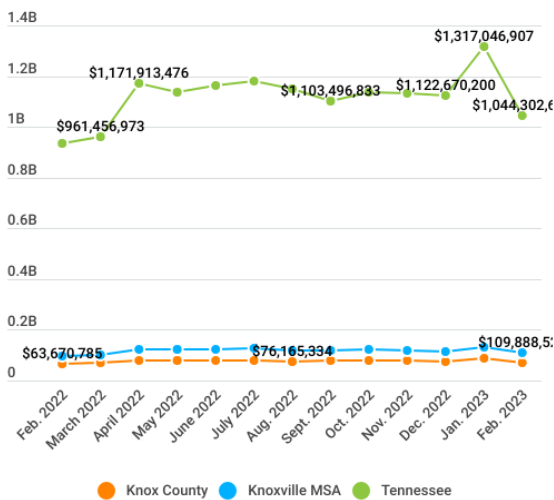
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$109.889 million in state sales taxes in February (down 16.3% from January and up 12.2% from last February) and Knox County collected \$72.135 million in February (down 18.1% from January and up 13.3% from last February.) The state of Tennessee collected \$1.044 billion in state sales taxes in February (down 20.7% from January and up 11.8% from last February.)

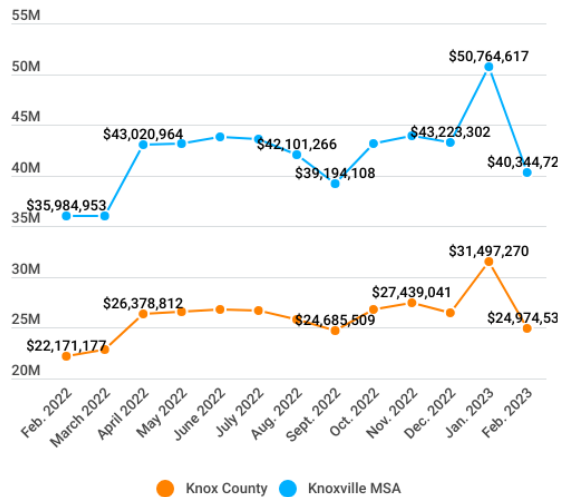
The Knoxville MSA collected \$40.345 million in local sales taxes in February (down 20.5% from January and up 12.1% from last February) and Knox County collected \$24.975 million (down 20.7% from January and up 12.6% from last February.)

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.

March 3, 2023 – [Covenant Health](#) announced the opening of their new 47,346 square-foot Covenant Health South campus, located at 7625 Chapman Highway in South Knoxville. The new location includes Covenant Health Urgent Care (urgent care clinic open seven days a week), Covenant Health Diagnostics (for imaging services), Covenant Therapy Centers (for physical, occupational, and orthopedic therapy), Southern Medical Group (for primary care services), Fort Sanders Women’s Specialists (for OB/GYN care), Knoxville Heart Group (for cardiology and cardiac rehabilitation services), and East Tennessee Nephrology (for chronic kidney disease management). Medical services will open in phases with all services available to patients by May 2023. You can read more [here](#).

March 8, 2023 – [One Inc.](#), a leading digital payments network for the insurance industry, announced the opening of a second location on East Walker Springs Lane in West Knoxville. The company hired 30 employees for its first office (also located in the same business park) in 2022 and is now hiring 50 additional employees for the new second office. The locations provide customer service and technical support for its more than 240 existing customers in the U.S. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

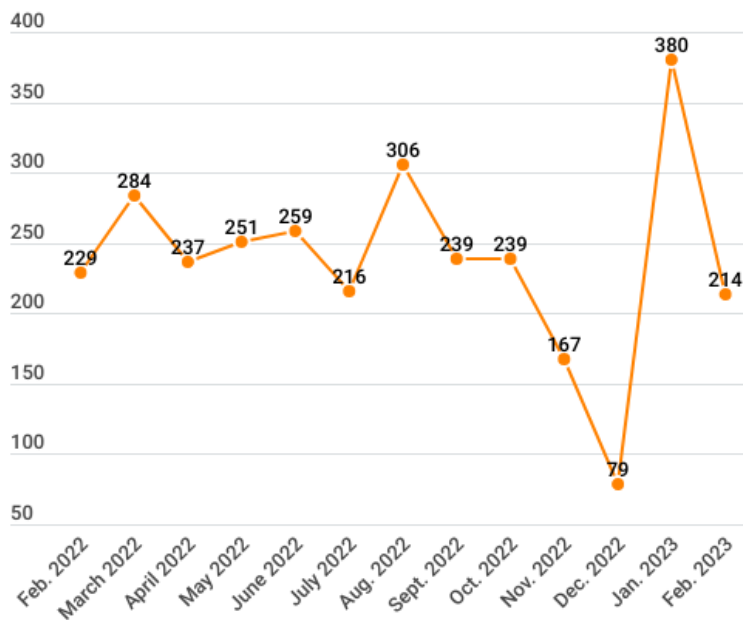
New business licenses issued in February 2023 by Knox County are down 6.6% from February 2022 and are down 14.7% from the pre-pandemic February 2019 count.

A total of 214 new business licenses were issued in February 2023 compared to 229 in February 2022 and 251 in February 2019. The top industry sectors for which business licenses were issued in February 2023 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)

UNIVERSITY OF TENNESSEE WILL LEAD MULTI-INSTITUTIONAL UNIVERSITY TRANSPORTATION CENTER

The University of Tennessee, Knoxville (UTK) is partnering with five other universities to form a new University Transportation Center, which will be housed in [**UTK's Center for Transportation Research**](#). The new center will address challenges in freight transportation system design, planning, operations, innovations in national and global supply chains through research, education, workforce development, and technology transfer activities. The five partner universities are Texas A&M University, the University of Illinois – Chicago, Oregon State University, North Carolina A&T State University, and California State University – Long Beach.

The U.S. Department of Transportation is funding \$2 million per year for five years for the Center for Freight Transportation for Efficient and Resilient Supply Chain through its [**University Transportation Centers Program**](#). You can read more [**here**](#).

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 166,163 passengers in February (down 6.7% from January's passenger traffic of 178,026 and up 12.9% from February 2022.) This month's passenger estimate is up 7.1% from pre-COVID February 2019.

The total freight recorded in February at TYS was 5,712,045 pounds (down 6.4% from January and down 7.3% from last February.)

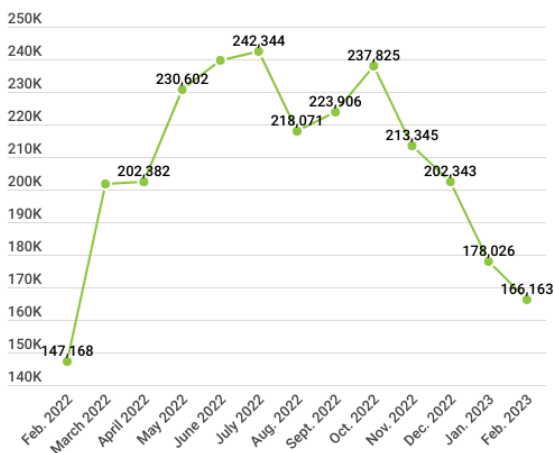
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in February was 2,075,831 (up 18.3% from the February 2022 daily passenger average of 1,755,145 and up 0.4% from the pre-COVID February 2019 average of 2,068,336.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "In the U.S., domestic revenue passenger kilometers (RPKs) increased 10.6% YoY in February and remained above pre-pandemic levels for the second consecutive month, growing 0.7% over February 2019 RPKs. You can read more [here](#).

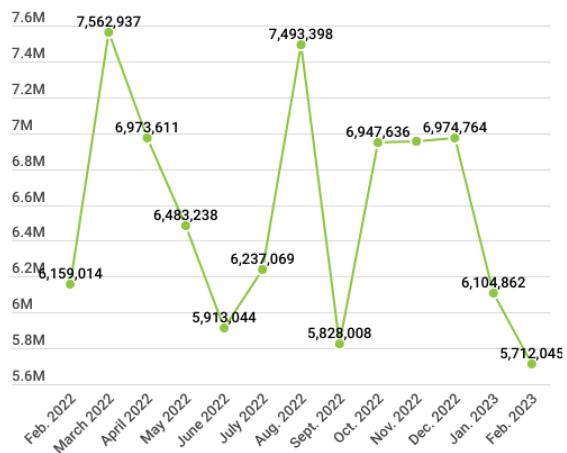
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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