

APRIL 2023



FINANCED BY FIRST HORIZON BANK

Welcome to the April 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

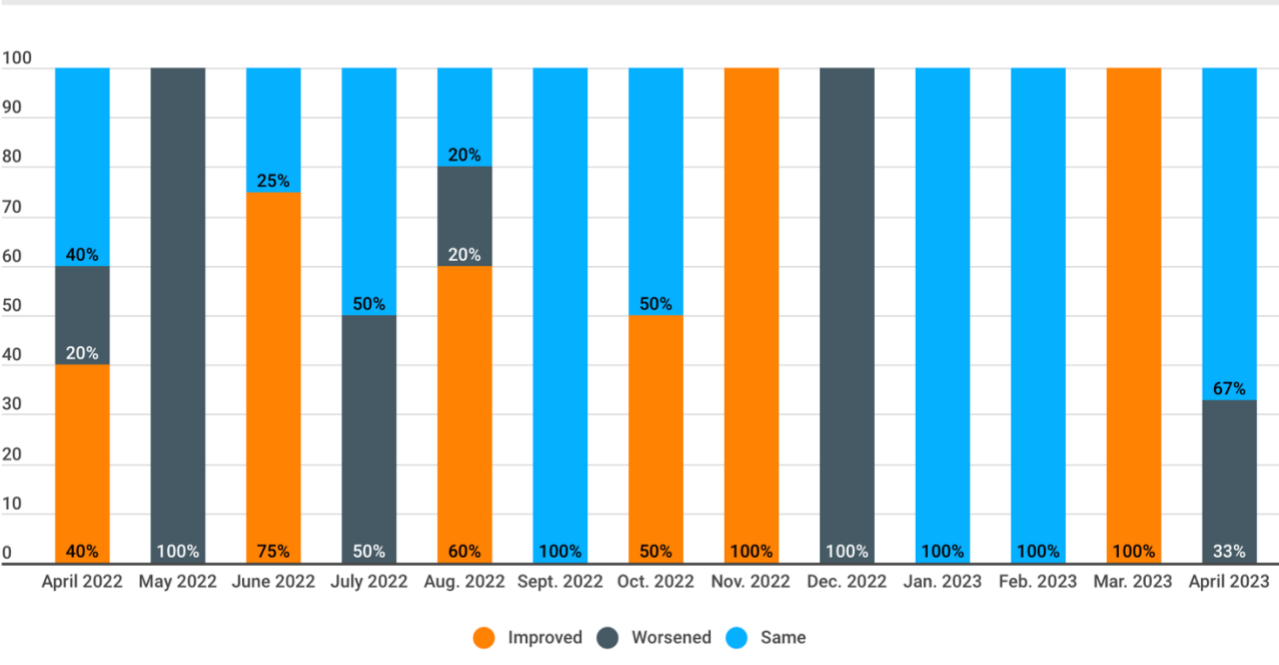
MANUFACTURING

Based on the response to the April survey, the level of general business activity and company outlooks are reported mostly as “the same.” (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 April survey show mostly “increases” in the volume of new orders, growth rate of orders, unfilled orders, volume of shipments, and finished goods inventories. “No changes” are mostly reported for delivery time, prices received for finished goods, wages and benefits, average employee workweek, and capital expenditures. Capacity utilization and number of employees are reported as mostly “decreased.” Production is split between “increase” and “no change.” Prices paid for raw materials is “mixed.” (The month-over-month responses in the March survey showed “increases” in production, volume of new orders, growth rate of orders, volume of shipments, and average employee workweek. “No changes” were 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 were “decreased.”)

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

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



RETAIL

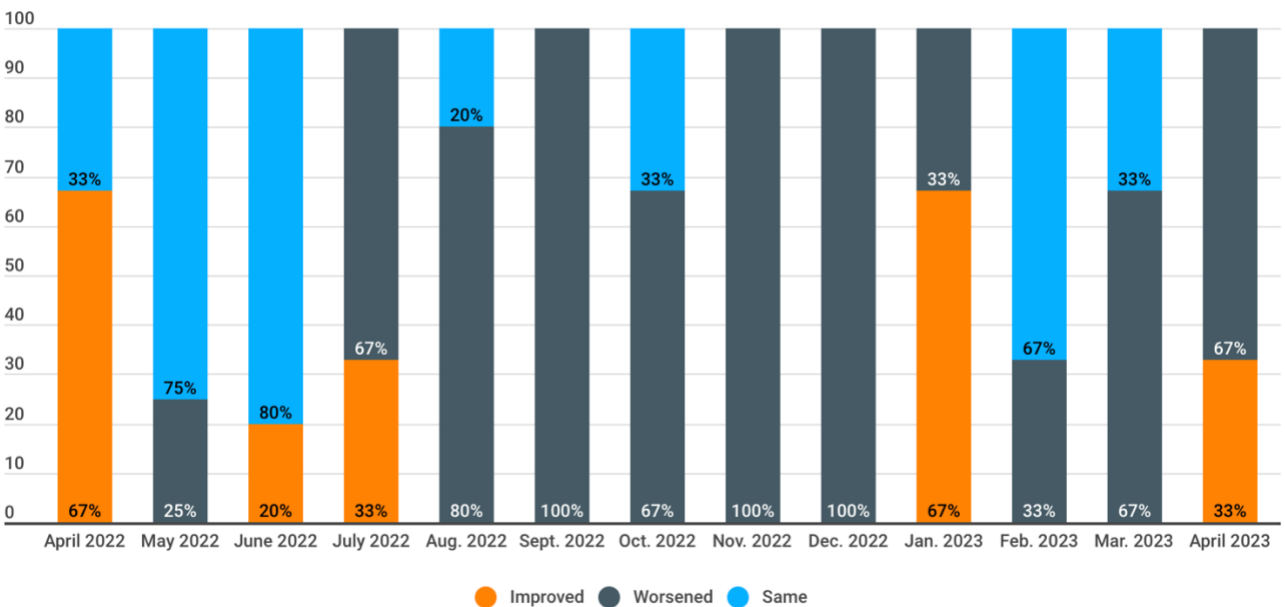
Knoxville area retailers indicated in the April survey that their current level of general business activity has mostly "worsened" from last month, while company outlooks are "mixed." (The level of general business activity was reported as mostly "worsened," while company outlooks were reported as mostly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

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

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

Retail comments indicate that sales were up in March after being slow in February. Declining-to-moderating gas prices could be helping with discretionary spending.

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



SERVICE

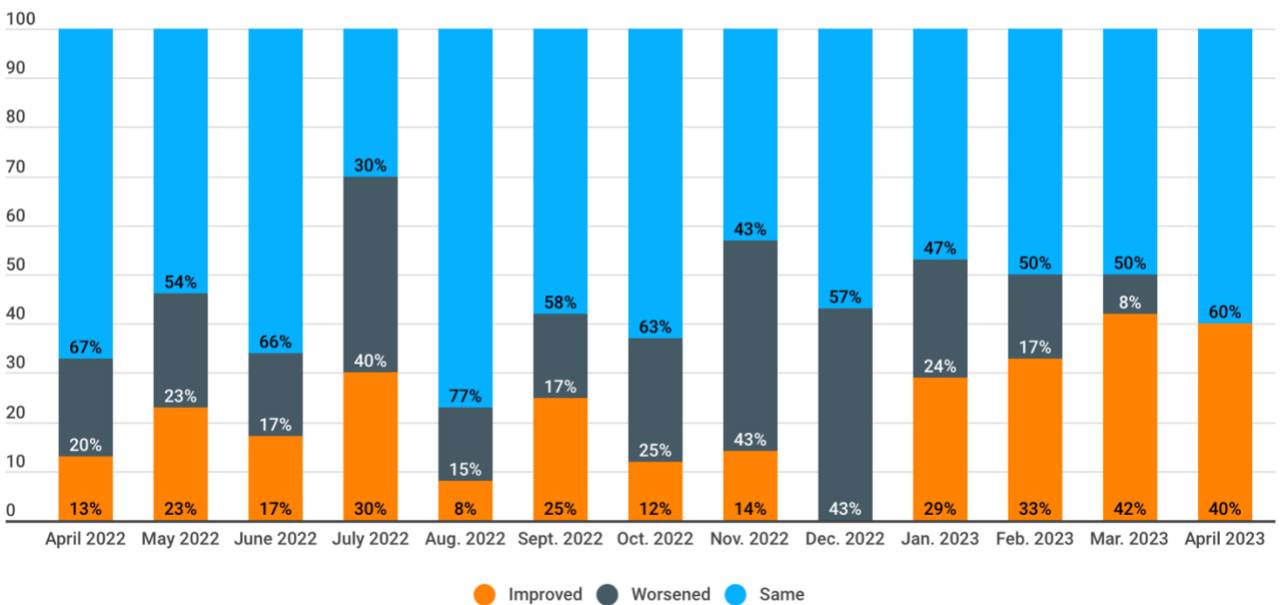
Knoxville area service sector businesses report in the April survey that their evaluation of the level of general business activity is mostly “the same” from last month, while company outlooks are mostly split between “improved” and “worsened.” (The level of general business activity was nearly split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

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

reported for input prices and wages and benefits. Revenue and selling prices were nearly split between “increase” and “no change.”)

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

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 below link.

<https://www.knoxvillechamber.com/economic-outlook-survey-registration/>

THE STATE OF TENNESSEE RANKS HIGH ON TWO DIFFERENT SURVEYS

Tennessee ranked #3 on Chief Executive Magazine's 2023 Best States for Business survey. The survey bases its rankings on things like business climate, growing cities, and rise in professional class. The top ten states are #1 Texas, #2 Florida, #3 Tennessee, #4 North Carolina, #5 Arizona, #6 Indiana, #7 Georgia, #8 South Carolina, #9 Nevada, and #10 Utah. You can read more [here](#).

Tennessee also moved up five places from #29 to #24 on U.S. News & World Report's Best States rankings. The survey analyzes over 70 metrics across eight categories including economy, healthcare, education, fiscal stability, natural environment, crime and corrections, opportunity, and infrastructure. Within the eight categories, Tennessee ranked 5th for fiscal stability, 12th for the economy, 16th for infrastructure, 26th for opportunity, 31st for natural environment, 33rd for education, 34th for healthcare, and 41st for crime and corrections. The top ten states are #1 Utah, #2 Washington, #3 Idaho, #4 Nebraska, #5 Minnesota, #6 New Hampshire, #7 Iowa, #8 Wisconsin, #9 Vermont, and #10 Florida. You can read more [here](#).

LABOR MARKET INFORMATION

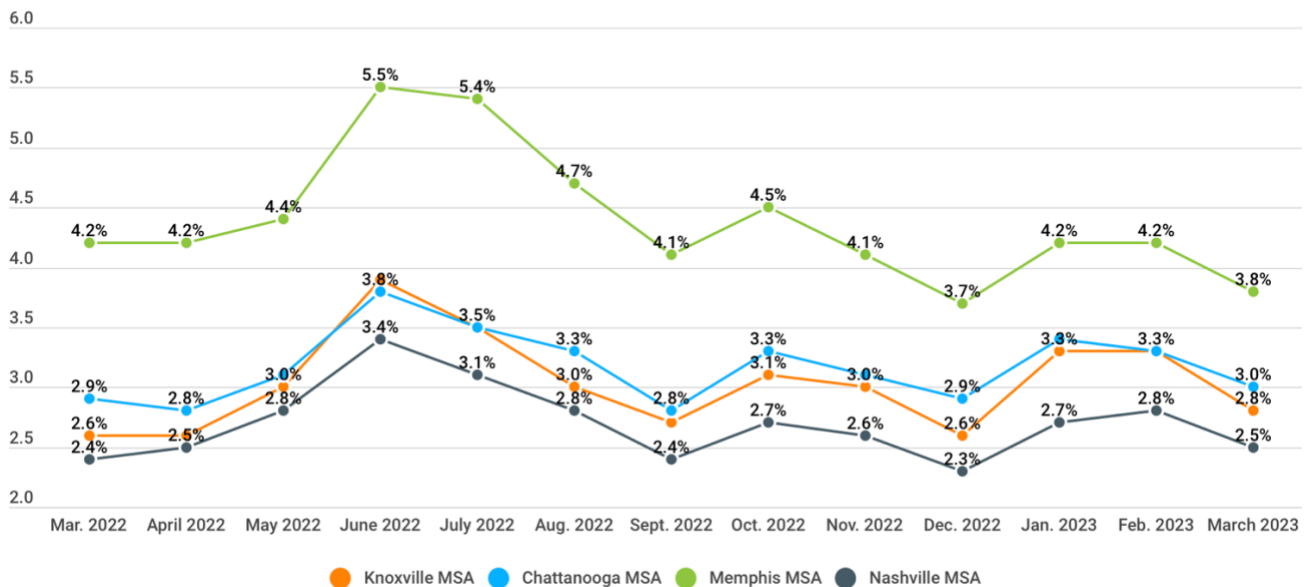
The Knoxville MSA's unemployment rate in March was 2.8% (down from 3.3% in February and up from the 2.6% rate in March 2022.) Knox County's unemployment rate in March was 2.6% (down from 2.9% in February and up from 2.4% in March 2022.) Tennessee's unemployment rate was 3.1% in March (down from 3.6% in February and up from 3.0% in last March.) The U.S. unemployment rate was 3.6% in March (down from 3.9% in February and down from the 3.8% unemployment rate recorded last March.)

The size of the total labor force slightly increased from February to March at the local, state, and national levels. The Knoxville MSA's labor force was statistically unchanged, but still increased from 442,060 in February to 442,184 in March. Knox County's labor force increased 0.2% from 251,747 in February to 252,241 in March. Tennessee's labor force increased 0.1% from 3,361,790 in February to 3,364,645 in March. The national labor force increased 0.4% from 165,178,000 in February to 166,783,000 in March.

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

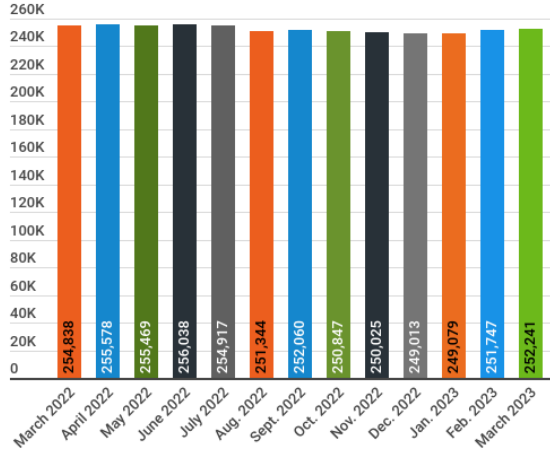
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

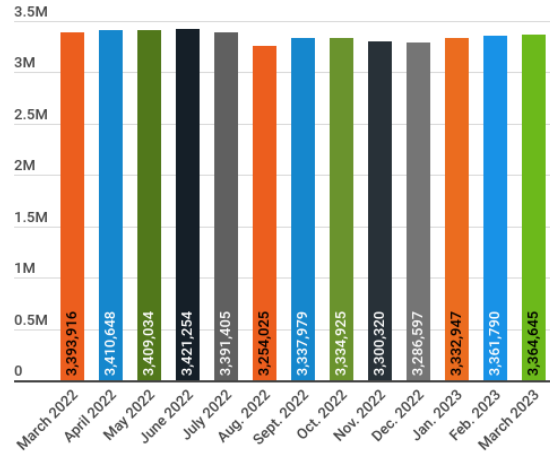


Resident Labor Force

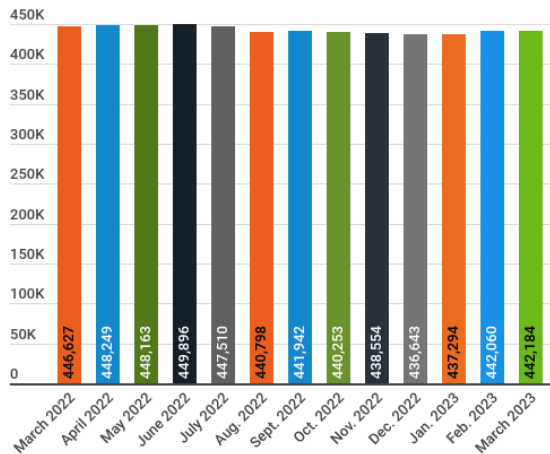
Knox County



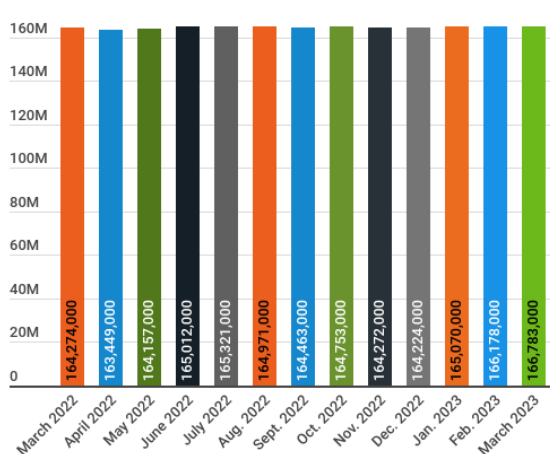
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of March, there were 13,858 unique active job postings in the Knoxville MSA (up 52.4% from February and up 26.9% from last March.) There were 9,593 unique active job postings in Knox County (up 54.8% from February and up 28.4% from this time last year.)

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

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	2,282
	Administrative Support, Waste Management and Remediation Services	1,512
	Retail Trade	1,367
	Accommodation and Food Services	862
	Professional, Scientific and Technical Services	814
	Educational Services	732
	Manufacturing	722
	Construction	431
	Wholesale Trade	388
	Finance and Insurance	327

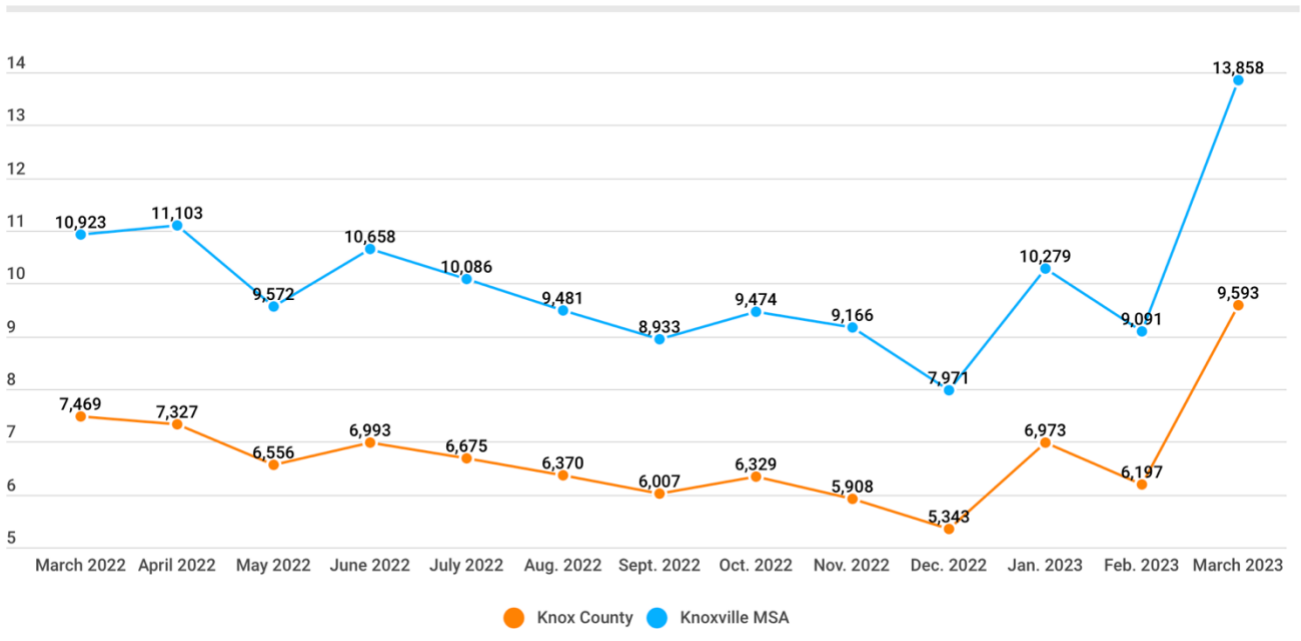
The Top 10 occupations (by number of job postings) in the Knoxville MSA in March were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	775
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	344
	Fast Food and Counter Workers	312
	Retail Salespersons	310
	Customer Service Representatives	283
	First-Line Supervisors of Retail Workers	268
	Laborers and Freight, Stock, and Material Movers, Hand	238
	Maintenance and Repair Workers, General	223
	Home Health and Personal Care Aides	217
	Health Technologists and Technicians, All Other	214

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 April report shows a net gain of 296,000 in private-sector employment (up from the 145,000 net jobs gain in March.) Industry sectors showing positive job growth in April include Leisure and Hospitality (+154,000), Education and Health Services (+69,000), Construction (+53,000), Natural Resources and Mining (+52,000), Trade/Transportation/Utilities (+32,000), Other Services (+16,000), and Information (+2,000). Industry sectors posting job losses in April include Manufacturing (-38,000), Financial Activities (-28,000), and Professional and Business Services (-16,000).

By establishment size, “Other Small” businesses (with 20-49 employees) gained 107,000 jobs, mid-sized businesses (with 50-249 employees) gained 95,000 jobs, large businesses (with 500+ employees) gained 47,000 jobs, mid-sized businesses (with 250-499 employees) gained 27,000 jobs, and “Very Small” businesses (with 1-19 employees) gained 14,000 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 9.6 million jobs to fill in March and only 6.1 million hires, meaning there are approximately two job openings for every unemployed person.

In March, the largest increases in U.S. job openings were in accommodation and food services (+75,000), education services (+28,000), financial activities (+25,000), and information (+15,000).

The largest decreases in job openings were in transportation/warehousing/utilities (-144,000), professional and business services (-135,000), retail trade (-84,000), health care and social assistance (-71,000), construction (-63,000), other services (-45,000), and manufacturing (-14,000).

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 RANKS #4 FOR SELF-EMPLOYED INDIVIDUALS THAT EARN MORE THAN THE MEDIAN INCOME

[ChamberofCommerce.org](#), a how-to resource for business owners, recently released a report that showed Knoxville ranked #4 in the nation in terms of the income difference between self-employed individuals and all workers. According to the report, the average income of the self-employed in Knoxville was \$66,987, which is \$24,758 more than the median income of \$42,229 for all workers. The other top five cities based on the difference between self-employed income and the median income were #1 Amarillo, TX (\$63, 213 income difference), #2 Modesto, CA (\$46,729), #3 Cincinnati, OH (\$30,914), and #5 Chattanooga, TN (\$23,167). Also of note, Nashville ranked #12 with a \$14,737 income difference and Memphis ranked #41 with a \$7,742 income difference. You can read the report [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from March 2022 to March 2023 is 5.0%. This is down from the 6.0% rate from February 2022 to February 2023. Last year, the national inflation rate was 8.5% from March 2021 to March 2022.

The March CPI report marks the ninth 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.

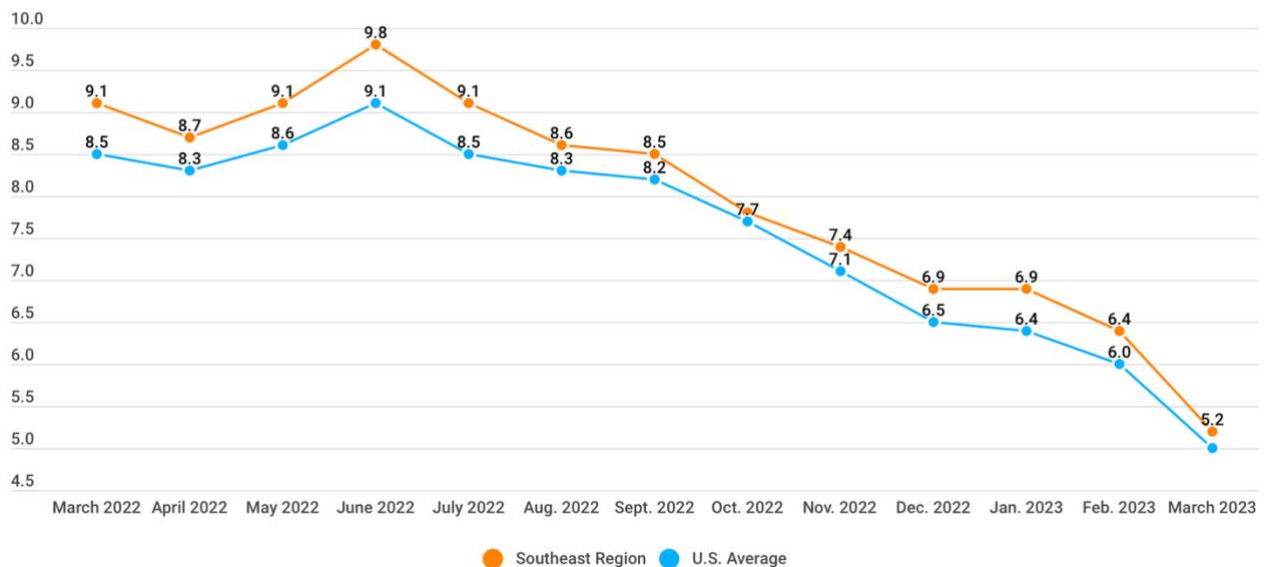
From a year ago, airline fares are up 17.7%, auto repair services are up 13.3%, electricity costs are up 10.2%, eating out prices are up 8.8%, groceries are up 8.4%, housing prices are up 8.2%, new vehicle prices are up 6.1%, natural gas prices are up 5.5%, and apparel is up 3.3%. Gasoline prices are down 17.4% and used car prices are down 11.2%. 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 5.2% for the March 2022 to March 2023 period. This is down from 6.4% in the February 2022 to February 2023 period. Last year, the rate was 9.1% for March 2021 to March 2022.

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 8% from February to March to a seasonally adjusted annual rate (SAAR) of 20,743. Similarly, home sales in Knox County increased 9.2% from the previous month to a seasonally adjusted annual rate (SAAR) of 7,486. Compared to the previous year, home sales were down 8.9% in the Knoxville area and 17.0% in Knox County.

Nationally, existing-home sales decreased in March to a seasonally adjusted annual rate of 4.44 million — down 2.4% from the previous month and 22.0% from a year ago. Home sales in the South receded 1.0% from the previous month and 20.4% from a year ago.

The median home sales price in the Knoxville area was \$325,000 in March, an increase of 5.72% from one year ago. Knox County's median home sale price was \$352,200 – up 7.71% from one year ago.

Half of the homes sold in the Knoxville area were on the market for 16 days or less, down from 25 days the previous month. 23.8% of homes sold for over-asking price, down from 25% the previous month. 12% 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 15% of total home sales.

Active inventory in the Knoxville area was virtually unchanged from the previous month. Overall, active listings are up 60-70% year-over-year but remain well below pre-pandemic levels. Inventory in Knox County was up 33% year-over-year in April.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 1.81 months. Apartment rents in Knoxville were up 12.75% in the first quarter of 2023, compared to 4.46% growth nationally.

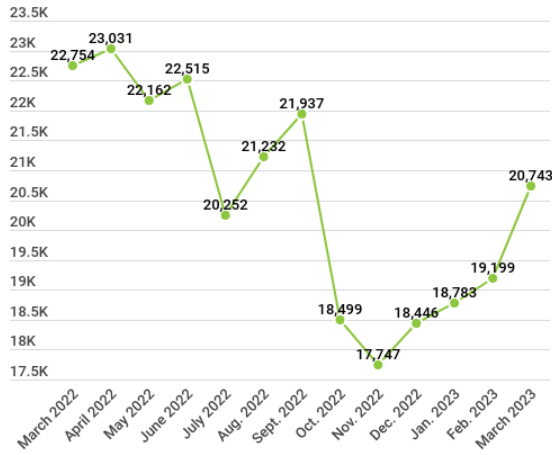
You can also subscribe to KAAR's monthly Market Pulse Newsletter [here](#).

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.

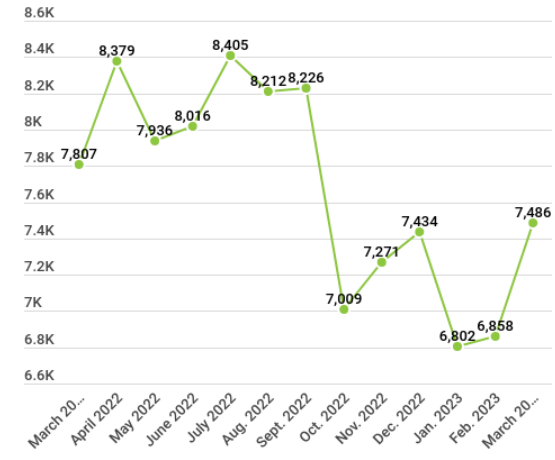
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

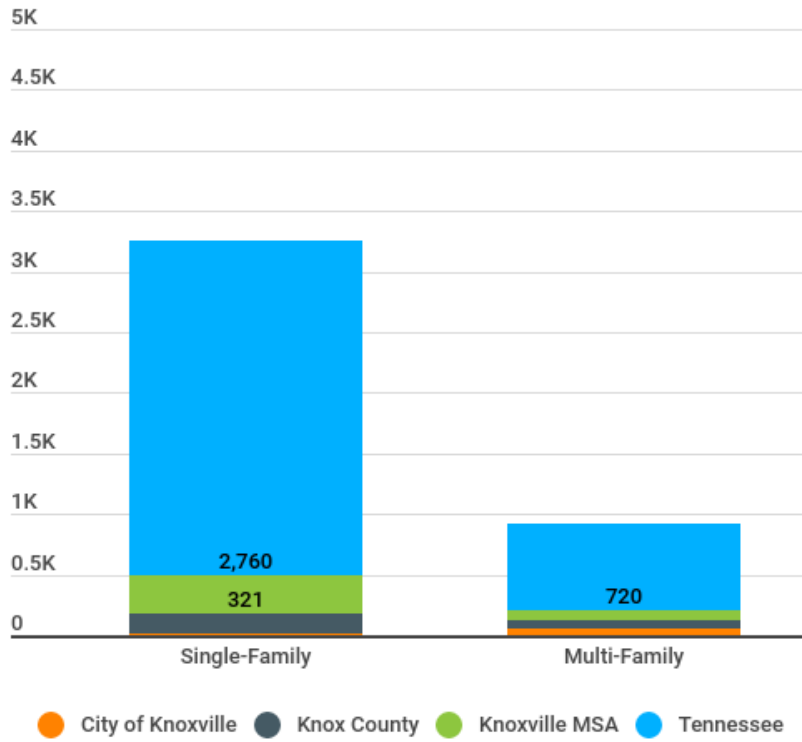
	Knoxville Area						Knox County						
	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023
Active Listings Inventory	2,021	2,302	2,786	3,332	3,922	3,725	3,683	3,944	3,807	3,220	2,996	2,817	2,816
Median Home Sales Price	\$309,000	\$325,000	\$325,000	\$326,000	\$324,450	\$325,000	\$322,650	\$315,000	\$312,000	\$318,000	\$316,000	\$316,000	\$325,000
Months Inventory	1.30	1.26	-	-	1.90	1.98	2.00	2.18	2.24	2.05	1.91	1.77	1.81
Absorption Rates	77%	79%	-	-	-	-	-	-	-	-	-	-	-

	Knoxville Area						Knox County						
	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023
Active Listings Inventory	427	478	-	-	-	-	-	-	-	-	-	-	-
Median Home Sales Price	\$326,000	\$340,000	\$346,000	\$358,875	\$350,000	\$349,925	\$335,625	\$331,815	\$333,613	\$329,750	\$338,810	\$347,900	\$352,200
Months Inventory	0.00	0.00	0.70	0.86	-	-	-	-	-	-	-	-	-
Absorption Rates	123%	135%	-	-	-	-	-	-	-	-	-	-	-

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

Residential Building Permits

March 2023



(Sources: U.S. Housing & Urban Development – _SOCDS – _State of the Cities Data Systems; U.S. Census Bureau – _Building Permits Survey)

NATIONAL RETAIL SALES

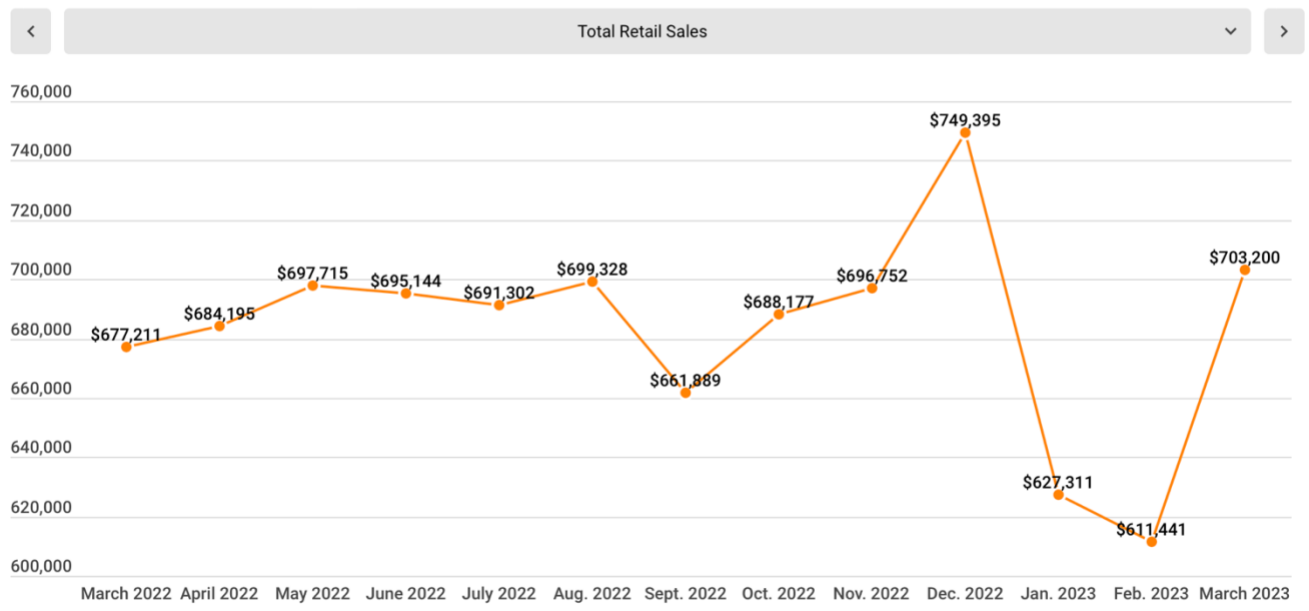
The total advance monthly retail sales estimate for March 2023 was \$703.200 billion (up 15.0% from February and up 3.8% from last March.)

The retail sectors that showed the greatest growth from last March were Non-store Retailers (+26.0%), Food Services and Drinking Places (+23.3%), and Health and Personal Care Stores (+7.9%).

Retail sectors that showed the greatest decline in sales from last March were Gasoline Stations (-13.6%), Furniture and Home Furnishings Stores (-6.0%), Electronics and Appliance Stores (-4.7%), General Merchandise Stores (-4.1%), Building Materials (-4.0%), Clothing Stores (-3.6%), and Motor Vehicles and Parts Sales (-3.3%).

National Retail Sales

in Millions of Dollars



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

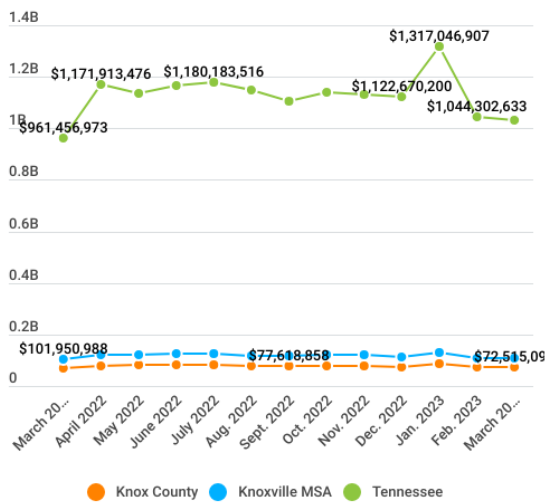
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$110.230 million in state sales taxes in March (up 0.3% from February and up 8.1% from last March) and Knox County collected \$72.515 million in March (up 0.5% from February and up 6.2% from last March.) The state of Tennessee collected \$1.031 billion in state sales taxes in March (down 1.2% from February and up 7.3% from last March.)

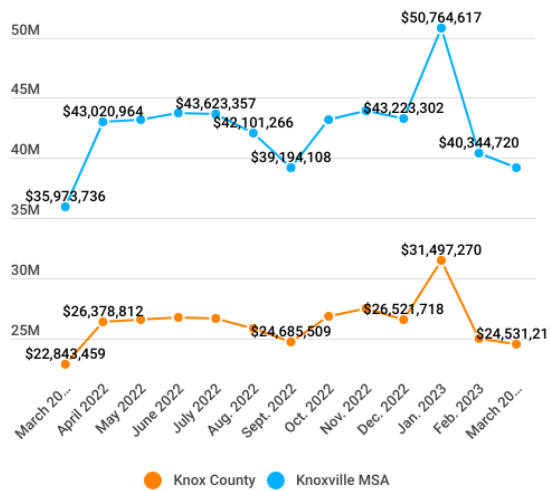
The Knoxville MSA collected \$39.162 million in local sales taxes in March (down 2.9% from February and up 8.9% from last March) and Knox County collected \$24.531 million (down 1.8% from February and up 7.4% from last March.)

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.

April 11, 2023 – [Magnus Venus Products \(MVP\)](#), a global manufacturer of fluid movement and production solutions for industrial applications in the composites and adhesives markets, announced a \$20 million expansion that will combine the company's corporate office and assembly/service center into one site. The renovated 125,000-square-foot facility will enable MVP to increase manufacturing velocity to meet customer demand and is estimated to create 100 new jobs over the next five years. You can read more [here](#).

April 11, 2023 – [The Institute for Advanced Composites Manufacturing Innovation \(IACMI\)](#), a Knoxville-based 120-member manufacturing institute, announced it will be receiving a funding renewal from the U.S. Department of Energy (DOE). IACMI will receive \$30 million over the next five fiscal years, with a first-year \$6 million investment to further technological research and development and accelerate commercialization in the domestic composites manufacturing sector. IACMI is the first clean energy institute to be renewed by DOE. You can read more [here](#).

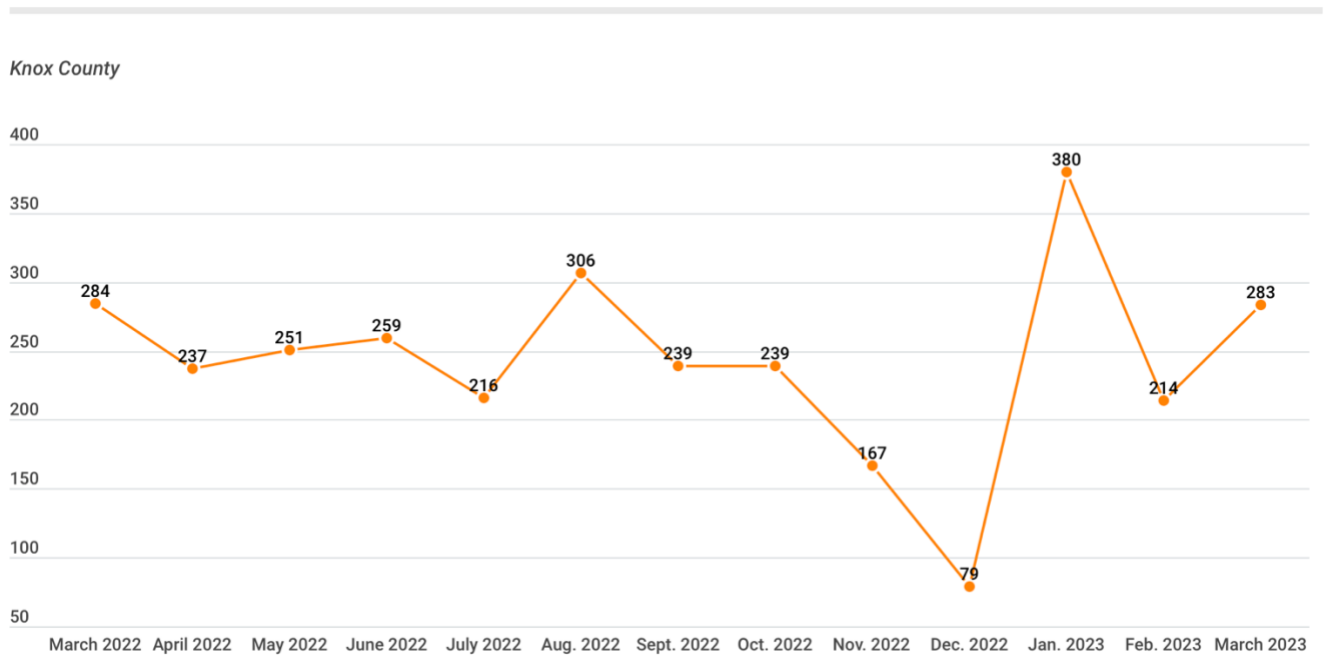
KNOX COUNTY BUSINESS LICENSES

New business licenses issued in March 2023 by Knox County are down 0.4% from March 2022 and are up 11.9% from the pre-pandemic March 2019 count.

A total of 283 new business licenses were issued in March 2023 compared to 284 in March 2022 and 253 in March 2019. The top industry sectors for which business licenses were issued in March 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



(Source: Knox County Clerk)

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 223,374 passengers in March (up 34.4% from February's passenger traffic of 166,163 and up 10.7% from March 2022.)

The total freight recorded in March at TYS was 6,649,773 pounds (up 16.4% from February and down 12.1% from last March.)

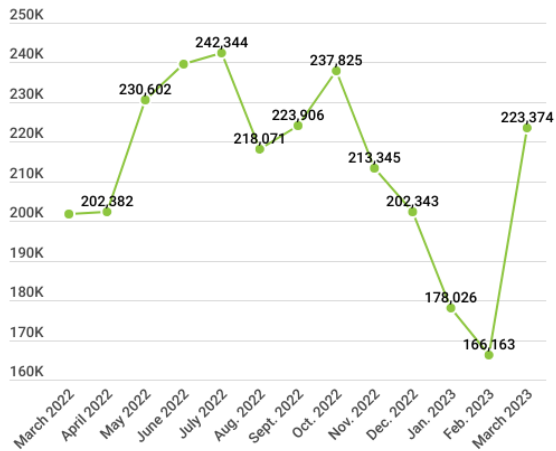
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in March was 2,309,560 (up 10.9% from the March 2022 daily passenger average of 2,082,445 and down 2.2% from the pre-COVID March 2019 average of 2,360,683.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "Global passenger traffic exhibited strong growth in March, with industry-wide revenue passenger-kilometers (RPKs) increasing by 52.4% year-on-year (YoY) and reaching 88.0% of March 2019 levels. Carriers in the U.S. have mostly recovered their domestic traffic." You can read more [here](#).

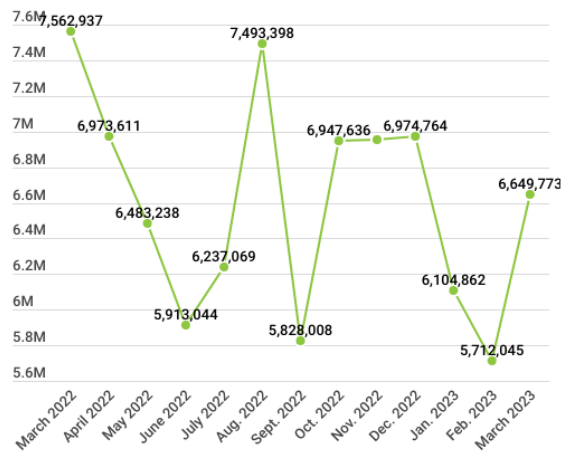
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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