

# JULY 2023

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FINANCED BY FIRST HORIZON BANK

Welcome to the July 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**

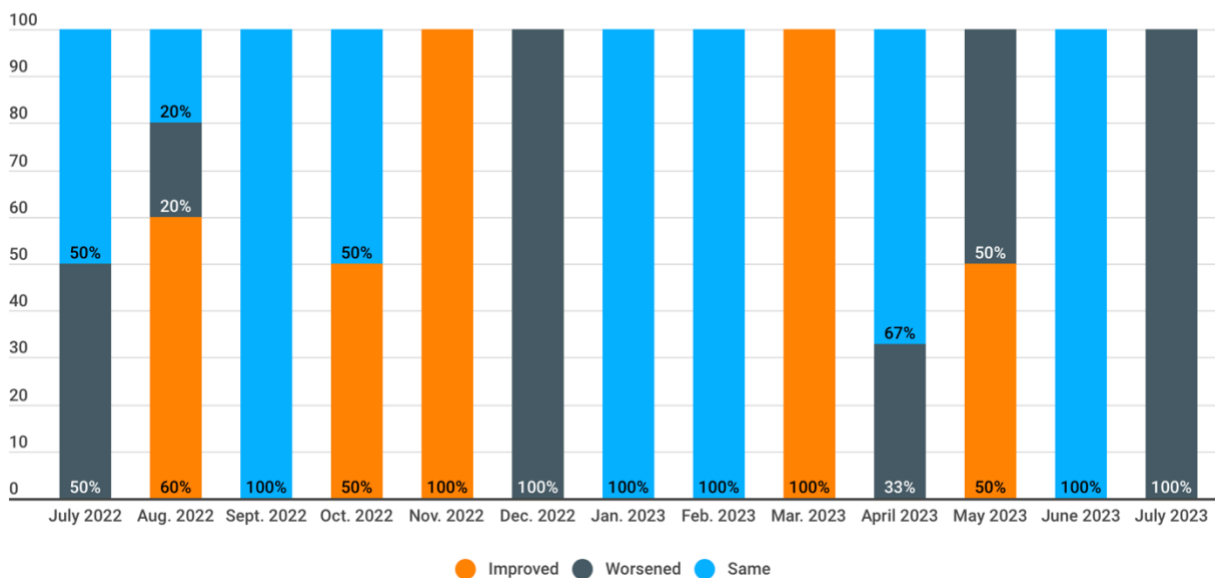
### **MANUFACTURING**

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

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

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

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



### RETAIL

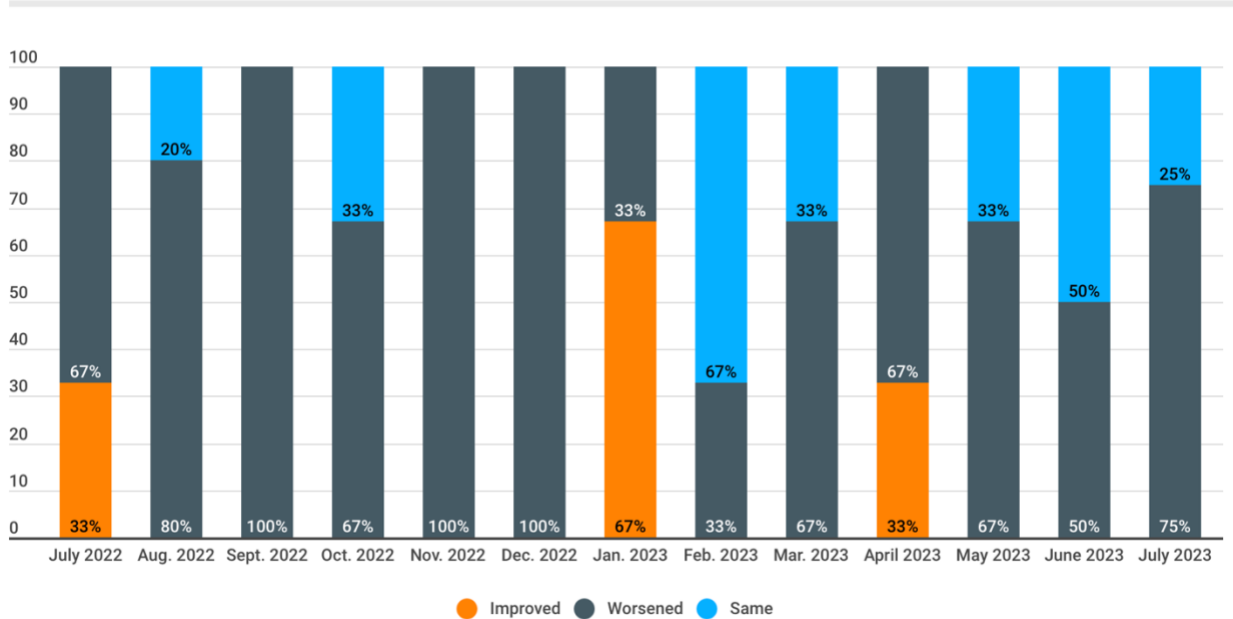
Knoxville area retailers indicated in the July survey that their current level of general business activity has mostly “worsened.” Company outlooks are mostly “the same.” (The level of general business activity and company outlooks were split between “the same” and “worsened” in the June survey.)

The month-over-month responses in the July survey show mostly “no changes” in internet sales, number of part-time employees, and average employee workweek. The number of full-time employees, capital expenditures, and inventories are evenly split between “increase” and “no change.” “Increases” are mostly reported in input prices and wages and benefits. Net sales revenue and selling prices are “mixed.” (Month-over-month responses in the June survey showed “increases” in wages and benefits, input prices, and inventories. Net sales revenue, number of full-time employees, selling prices, and capital expenditures were split between

“increase” and “decrease.” The number of part-time employees and average employee workweek were split between “increase” and “no change.” Internet sales were split between “decrease” and “no change.”)

The six-month retail outlook in July projects mostly “increases” in input prices, capital expenditures, and inventories. Internet sales, wages and benefits, and selling prices are “mixed.” “No changes” are mostly expected in the number of full-time and part-time employees and the average employee workweek. Net sales revenue is split evenly between “decrease” and “no change.” (The six-month outlook in June projected “increases” in wages and benefits, input prices, and inventories. “No changes” were expected in internet sales and average employee workweek. The number of both full-time and part-time employees was split between “increase” and “no change.” Selling prices and capital expenditures were split between “increase” and “decrease.” Net sales revenue was split between “decrease” and “no change.”)

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



### SERVICE

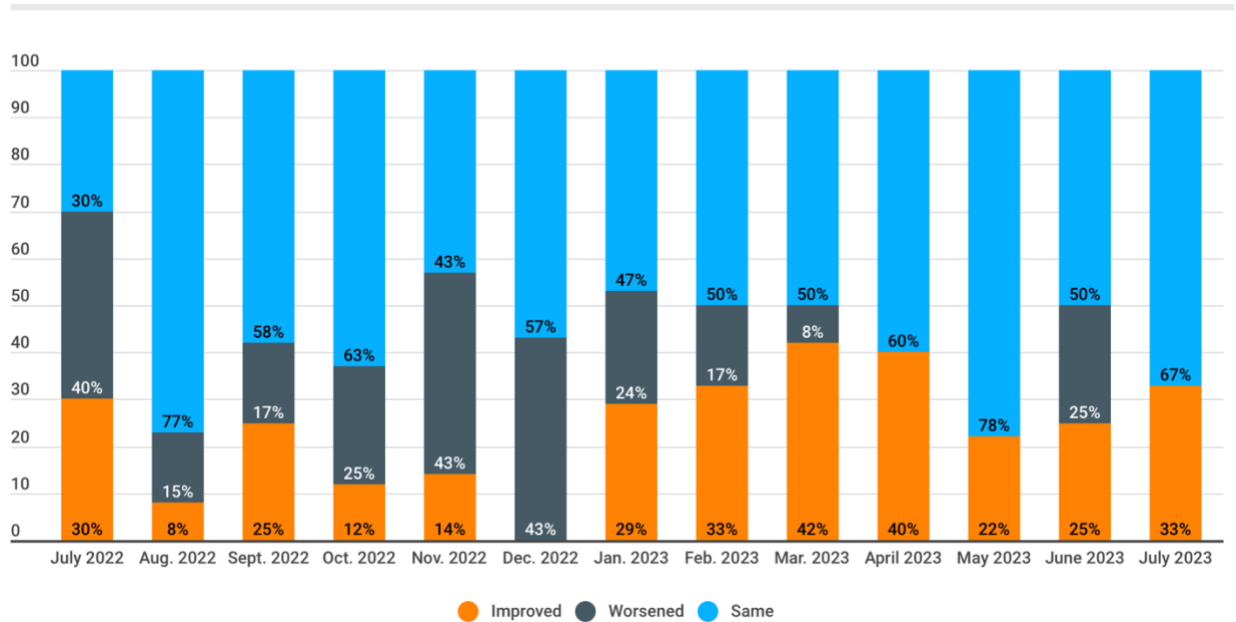
Knoxville area service sector businesses report in the July survey that their evaluation of the level of general business activity and company outlooks are mostly “the same.” (The level of general business activity was reported as mostly “the same” and company outlooks were mostly reported as “improved”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

The month-over-month responses in the July survey show mostly “increases” in revenue, number of full-time employees, and capital expenditures. “No changes” are mostly reported in the number of part-time employees, average employee workweek, wages and benefits, and selling prices. Input prices were “mixed.” (Month-over-month responses in June showed mostly

“no changes” in revenue, number of full-time and part-time employees, average employee workweek, selling prices, and capital expenditures. Input prices and wages and benefits were split between “increase” and “no change.”)

The six-month outlook in July projects mostly “increases” in revenue, number of full-time employees, wages and benefits, input prices, selling prices, and capital expenditures. “No changes” are mostly expected in the number of part-time employees and average employee workweek. (The June survey’s six-month outlook projected mostly “no changes” in the number of full-time and part-time employees, average employee workweek, wages and benefits, selling prices, and capital expenditures. “Increases” were expected in input prices. Revenue was 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/>

## LABOR MARKET INFORMATION

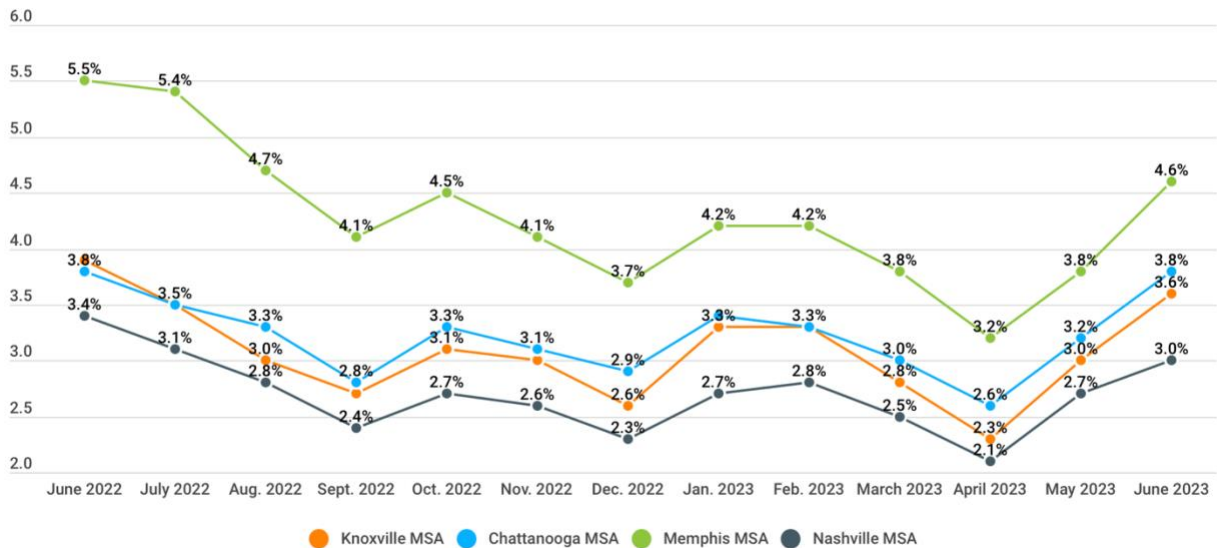
The Knoxville MSA’s unemployment rate in June was 3.6% (up from 3.0% in May and down from 3.9% in June 2022.) Knox County’s unemployment rate in June was 3.3% (up from 2.8% in May and down from 3.6% in June 2022.) Tennessee’s unemployment rate was 3.8% in June (up from 3.2% in May and down from the 4.3% rate in last June.) The U.S. unemployment rate was 3.8% in June (up from 3.4% in May and unchanged from last June.)

The size of the total labor force increased from May to June at the local, state, and national levels. The Knoxville MSA’s labor force increased 1.4% from 444,445 in May to 450,516 in June. Knox County’s labor force increased 1.2% from 253,636 in May to 256,738 in June. Tennessee’s labor force increased 1.0% from 3,370,833 in May to 3,403,871 in June. The national labor force increased 0.7% from 166,702,000 in May to 167,910,000 in June.

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

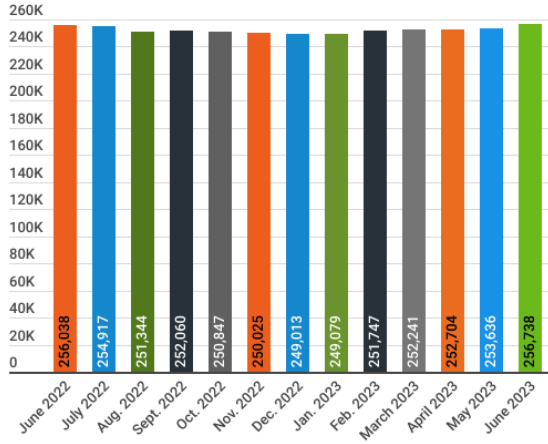
### Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

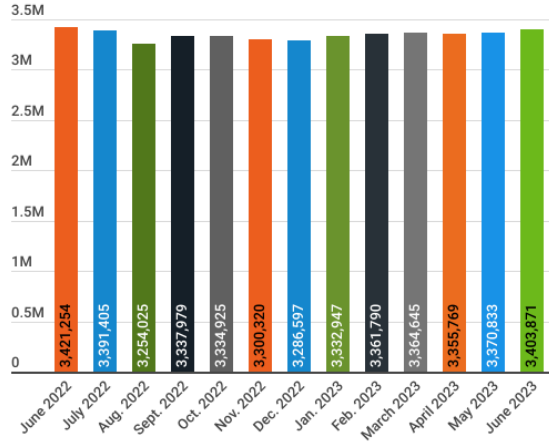


## Resident Labor Force

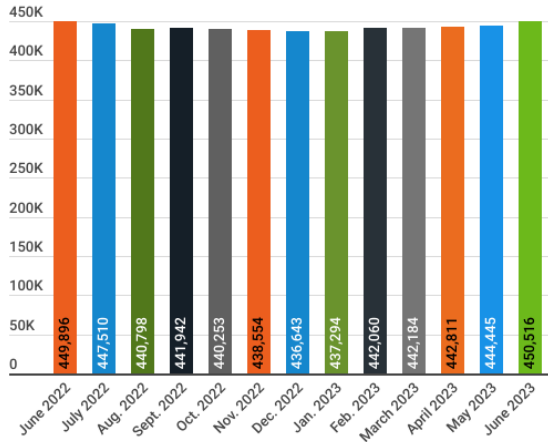
### Knox County



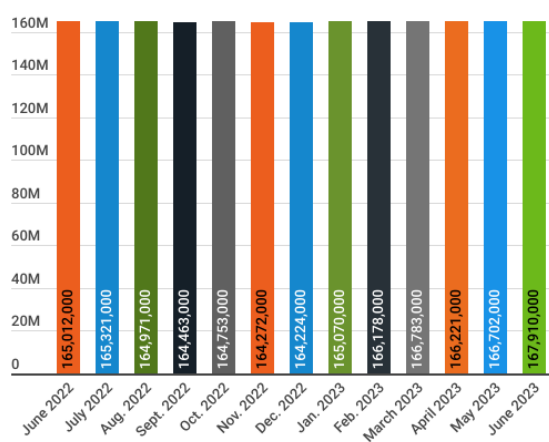
### Tennessee



### Knoxville MSA



### United States













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

## JOB MARKET

For the month of June, there were 9,871 unique active job postings in the Knoxville MSA (up 2.2% from May and down 7.4% from last June.) There were 6,591 unique active job postings in Knox County (up 1.7% from May and down 5.7% from this time last year.)

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

### Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	1,272
	Administrative Support, Waste Management and Remediation Services	1,190
	Retail Trade	976
	Accommodation and Food Services	613
	Professional, Scientific and Technical Services	604
	Manufacturing	545
	Educational Services	437
	Other Services	294
	Wholesale Trade	276
	Construction	272

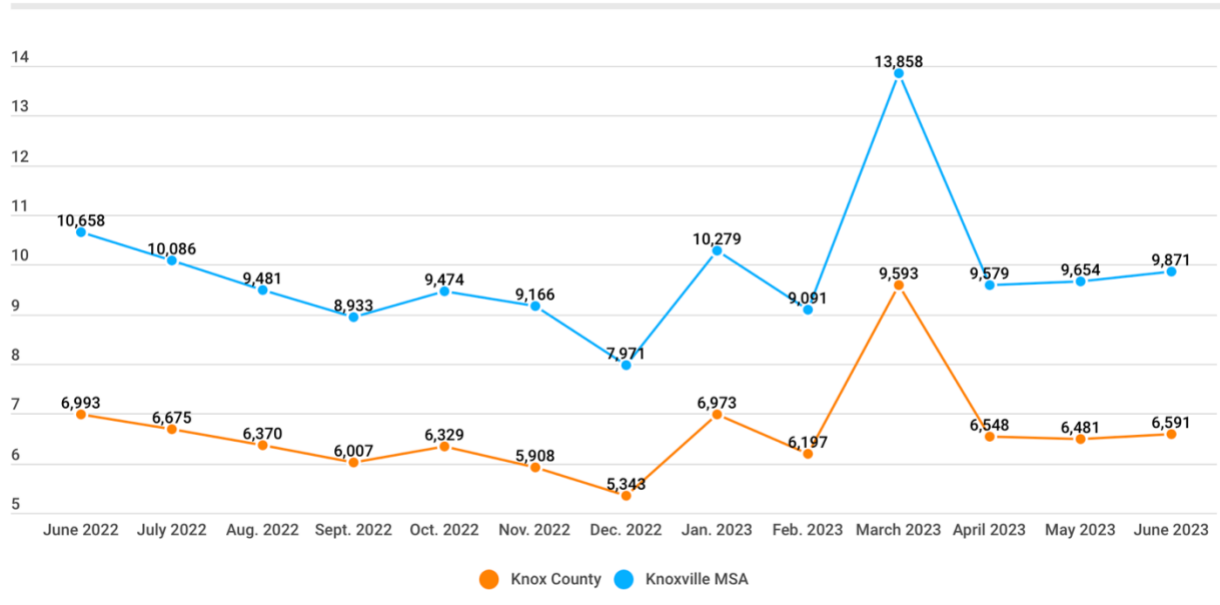
The Top 10 occupations (by number of job postings) in the Knoxville MSA in June were –

### Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	387
	Retail Salespersons	275
	Heavy and Tractor-Trailer Truck Drivers	267
	Laborers and Freight, Stock, and Material Movers, Hand	249
	First-Line Supervisors of Retail Workers	237
	Customer Service Representatives	209
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	199
	Licensed Practical and Licensed Vocational Nurses	197
	Fast Food and Counter Workers	170
	Home Health and Personal Care Aides	148

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 July report shows a net gain of 324,000 in private-sector employment (down from the 497,000 net jobs gain in June.) Industry sectors showing positive job growth in July include Leisure and Hospitality (+201,000), Natural Resources and Mining (+48,000), Information (+36,000), Trade/Transportation/Utilities (+30,000), Other Services (+24,000), Education and Health Services (+12,000), Construction (+9,000), and Professional and Business Services (+5,000). Industry sectors posting job losses in July include Manufacturing (-36,000) and Financial Activities (-5,000).

By establishment size, mid-sized businesses (with 50-249 employees) gained 152,000 jobs, "Other Small" businesses (with 20-49 employees) gained 123,000 jobs, and "Very Small" businesses (with 1-19 employees) gained 114,000 jobs. The job gains were offset by large businesses (with 500+ employees), which lost 67,000 jobs and mid-sized businesses (with 250-499 employees), which lost 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 June and only 5.9 million hires, meaning there are 1.6 job openings for every unemployed person.

In June, the largest increases in U.S. job openings were in health care and social assistance (+136,000), other services (+46,000), arts/entertainment/recreation (+17,000), wholesale trade (+17,000), and financial activities (+6,000).

The largest decreases in job openings were in accommodation and food services (-98,000), transportation/warehousing/utilities (-78,000), retail trade (-36,000), manufacturing (-26,000), education services (-12,000), information (-9,000), construction (-5,000), and professional and business services (-1,000).

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](#).

## **OPPORTUNITIES AND CHALLENGES FOR THE NUCLEAR ENERGY INDUSTRY IN THE KNOXVILLE REGION**

The Knoxville region has several assets to support the potential growth of the nuclear industry including one of the nation's top nuclear engineering programs at the University of Tennessee – Knoxville (UTK), ongoing nuclear research at Oak Ridge National Laboratory (ORNL), uranium expertise at the Y-12 National Security Complex, and a few nuclear-related companies locating in the Heritage Center (which once housed the K-25 Gaseous Diffusion Plant) in Oak Ridge.

In order to succeed in growing the nuclear industry, the Knoxville region will need to address the challenges of attracting and growing a skilled workforce, create and grow a robust supply chain, and identify sources of funding.

The state of Tennessee is taking steps to grow the nuclear energy industry. Governor Bill Lee issued [\*\*Executive Order 101\*\*](#) in May to establish the Tennessee Nuclear Energy Advisory Council and appropriated \$50 million in the FY '24 state budget to incentivize nuclear companies to locate in Tennessee or start here. The newly-constituted council is required to deliver a preliminary report by the end of this year that contains an analysis of three issues – 1) regulatory, workforce, or education barriers that exist and would impede the creation and expansion of nuclear energy facilities in Tennessee; 2) funding opportunities for state government, local governments, and the private sector; and 3) opportunities for the state to harness existing and emerging technologies. The council must also deliver a final report by October 31, 2024 that addresses its findings in six core areas – 1) recommended legislative, policy, and budgetary changes to address regulatory, workforce, or education barriers to the creation and expansion of nuclear energy facilities in the state; 2) recommended funding opportunities for state government, local governments, and the private sector; 3) recommended economic opportunities for a vibrant nuclear energy ecosystem; 4) identified siting considerations; 5) recommended storage and waste practices that continue the state's long history of protecting Tennessee's environment; and 6) recommended federal actions that the state should pursue with federal partners and agencies. You can read more [here](#).

# CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from June 2022 to June 2023 is 3.0%. This is down from the 4.0% rate from May 2022 to May 2023. Last year, the national inflation rate was 9.1% from June 2021 to June 2022.

The June CPI report marks the twelfth 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, auto repair services are up 12.7%, housing prices are up 7.8%, eating out prices are up 7.7%, electricity costs are up 5.4%, groceries are up 4.7%, new vehicle prices are up 4.1%, and apparel is up 3.1%.

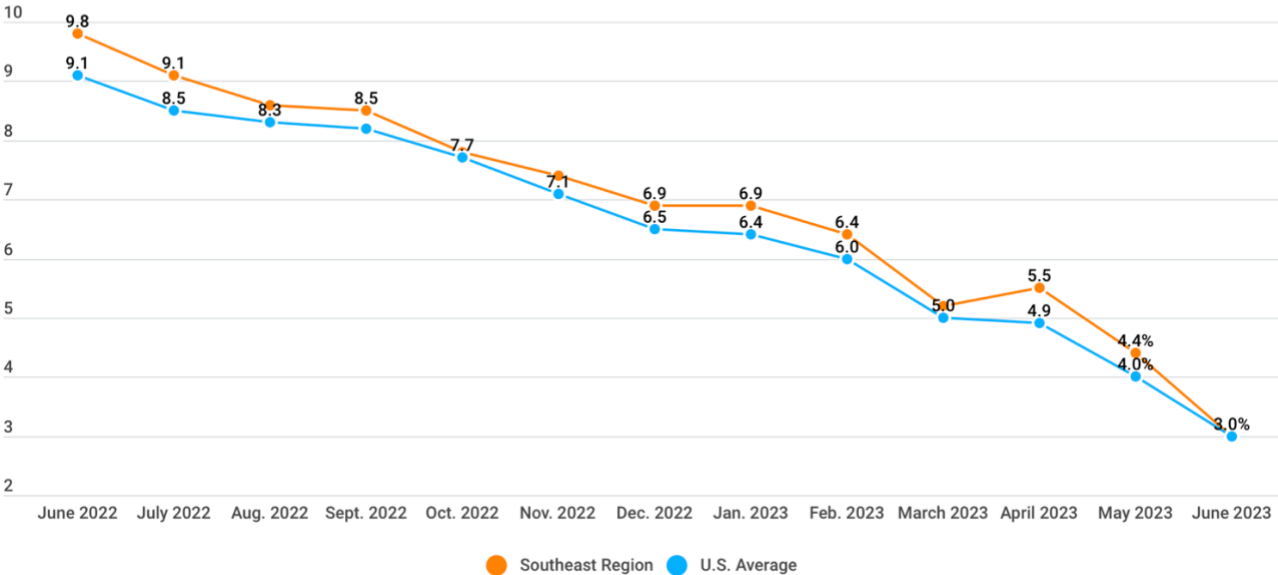
Gasoline prices are down 26.5%, airline fares are down 18.9%, natural gas prices are down 18.6%, and used car prices are down 5.2%.

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 3.0% for the June 2022 to June 2023 period. This is down from 4.4% in the May 2022 to May 2023 period. Last year, the rate was 9.8% for June 2021 to June 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 East Tennessee declined 6.2% from May to June to a seasonally adjusted annual rate (SAAR) of 18,944. Similarly, home sales in Knox County fell 8.1% from the previous month to a seasonally adjusted annual rate (SAAR) of 6,791. Compared to the previous year, home sales were down 16.2% in the Knoxville area and 17.2% in Knox County. Nationally, existing-home sales declined in June to a seasonally-adjusted annual rate of 4.16 million — down 3.3% from the previous month and 18.9% from a year ago. Home sales in the South fell 5.4% from the previous month and 16.2% from a year ago.

The median home sales price in the Knoxville area was \$350,000 in June, up 7.3% from a year ago. Knox County's median home sale price was \$393,250, an increase of 10.3% from a year ago.

Half of the homes sold across the East Tennessee region were on the market for 7 days or less, down from 8 days the previous month. 30% of homes sold for more than the asking price, down from 32% the previous month. 15% of homes sold for at least \$10,000 over asking and 5% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 11% of total home sales.

Active inventory in the East Tennessee region increased modestly throughout June. Overall, active listings are essentially unchanged from a year ago but remain well below pre-pandemic levels. Inventory in Knox County was down 7% year-over-year in June.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2.1 months.

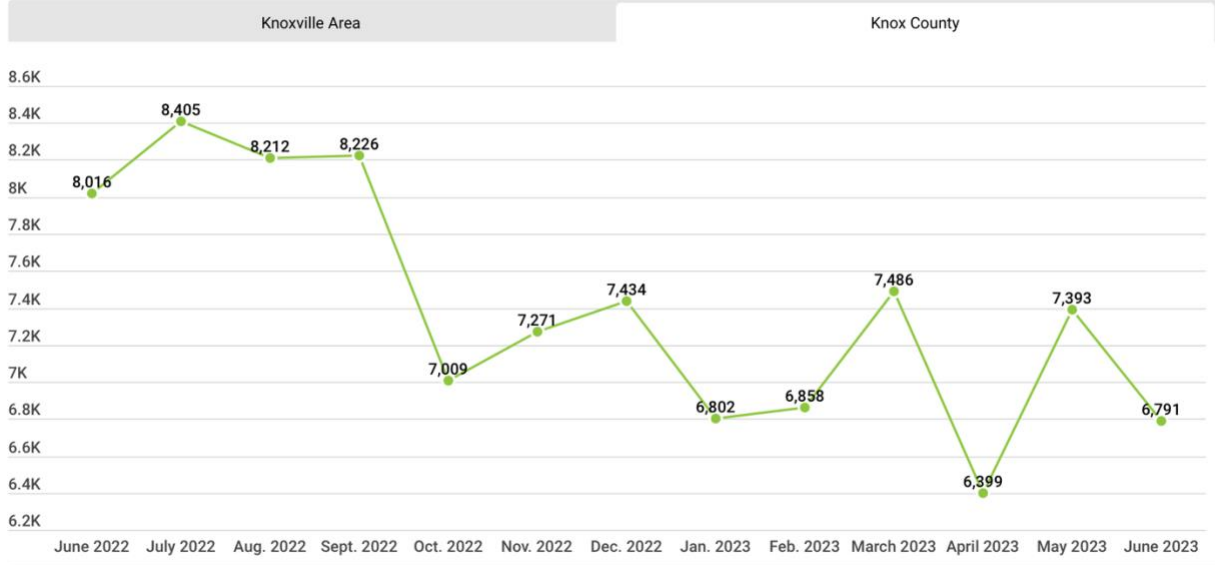
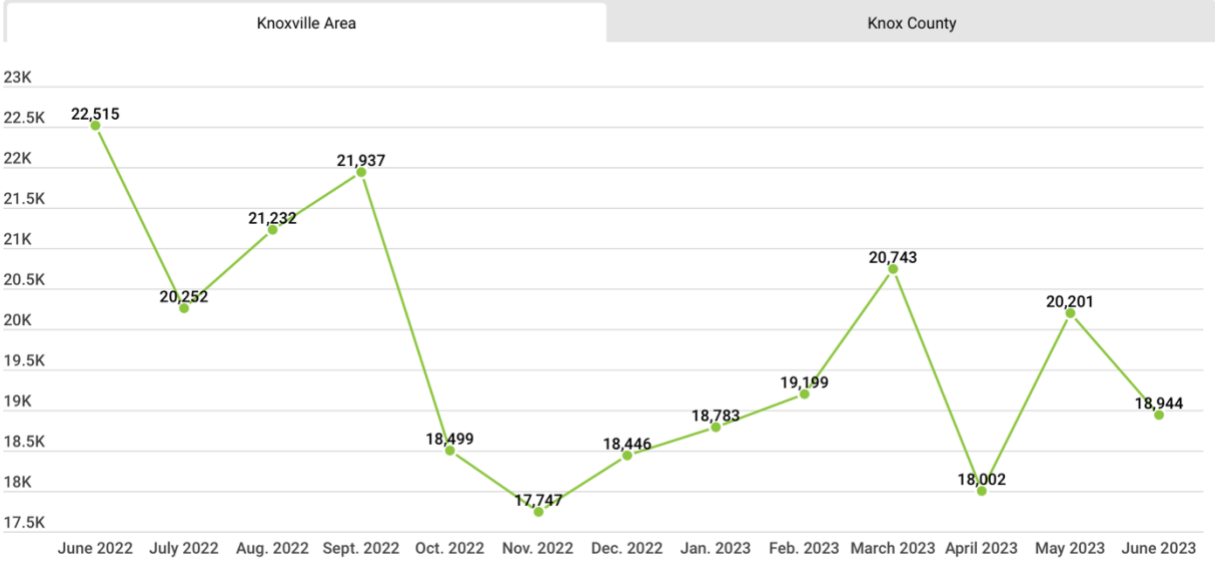
**Apartment rents** in the Knoxville metro area increased 9.6% from the previous year in the second quarter of 2023, compared to 2.3% growth nationally.

You can also subscribe to the East Tennessee REALTORS® monthly Market Pulse Newsletter [here](#).

*East Tennessee REALTORS® 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 Housing Market

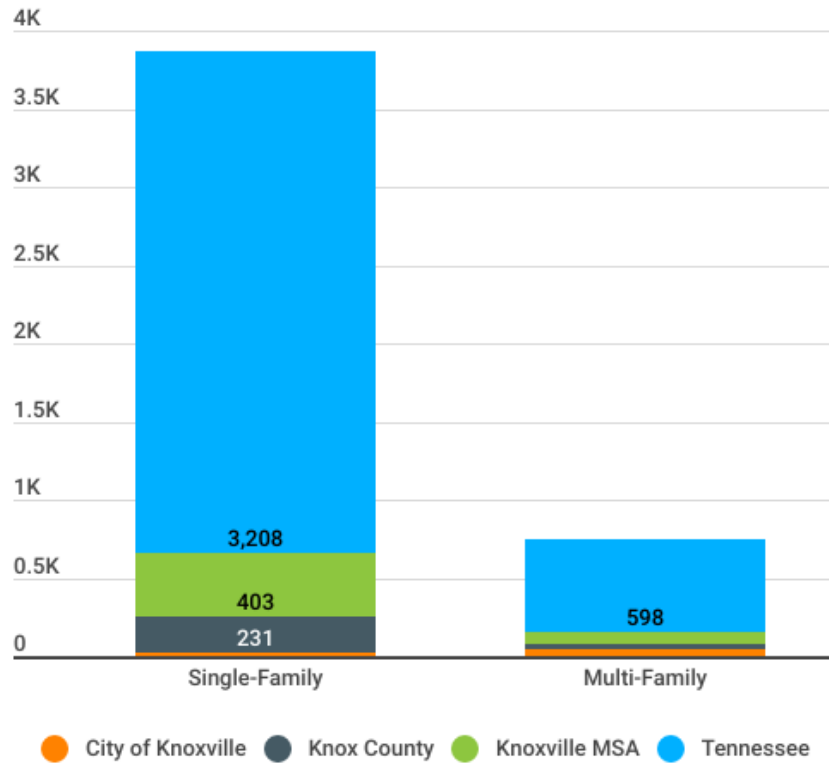
	Knoxville Area							Knox County					
	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023
Active Listings Inventory	3,332	3,922	3,725	3,683	3,944	3,807	3,220	2,996	2,817	2,816	2,856	3,111	3,276
Median Home Sales Price	\$326,000	\$324,450	\$325,000	\$322,650	\$315,000	\$312,000	\$318,000	\$316,000	\$316,000	\$325,000	\$325,000	\$335,000	\$350,000
Months Inventory	-	1.90	1.98	2.00	2.18	2.24	2.05	1.91	1.77	1.81	0.92	1.90	2.10

	Knoxville Area							Knox County					
	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023
Active Listings Inventory	-	-	-	-	-	-	-	-	555	549	486	527	611
Median Home Sales Price	\$358,875	\$350,000	\$349,925	\$335,625	\$331,815	\$333,613	\$329,750	\$338,810	\$347,900	\$352,200	\$362,000	\$383,000	\$393,250

(Sources: National Association of REALTORS®; East Tennessee REALTORS®)

## Residential Building Permits

June 2023



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

## NATIONAL RETAIL SALES

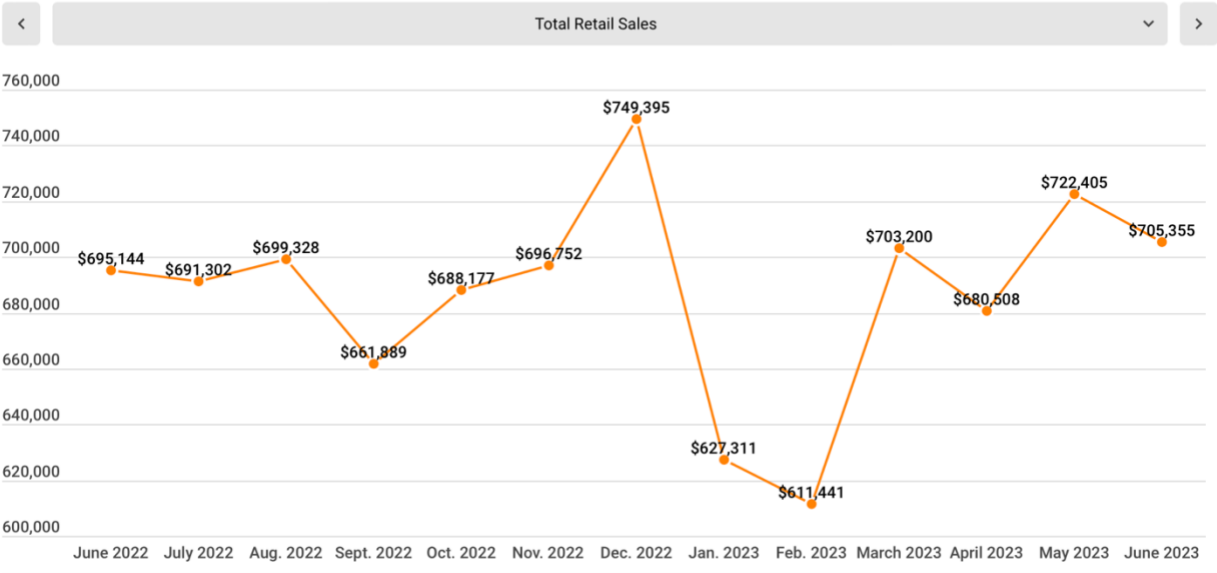
The total advance monthly retail sales estimate for June 2023 was \$705.355 billion (down 2.4% from May and up 1.5% from last June.)

The retail sectors that showed sales growth from last June were Health and Personal Care Stores (+9.7%), Non-store Retailers (+8.4%), General Merchandise Stores (+8.0%), Motor Vehicles and Parts Sales (+5.4%), Food Services and Drinking Places (+4.6%), Food and Beverage Stores (+4.0%), Electronics and Appliance Stores (+3.5%), Miscellaneous Stores (+2.0%), and Clothing Stores (+1.5%).

Retail sectors that showed a decline in sales from last June were Gasoline Stations (-25.3%), Furniture and Home Furnishings Stores (-8.3%), Sporting Goods/Books/Hobby/Music Stores (-8.1%), and Building Materials (-2.4%).

### National Retail Sales

in Millions of Dollars



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



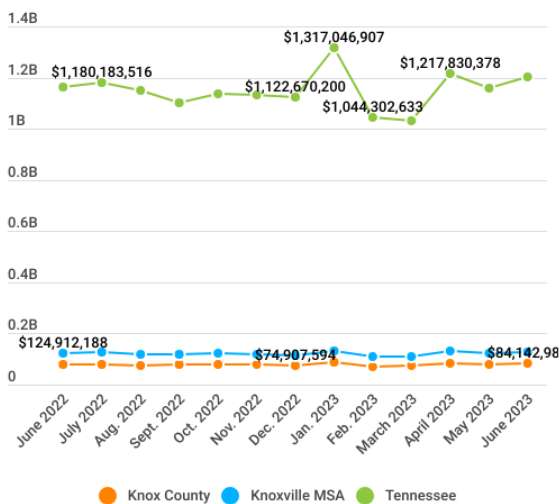
## TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$128.984 million in state sales taxes in June (up 5.8% from May and up 3.3% from last June) and Knox County collected \$84.143 million in June (up 6.4% from May and up 3.7% from last June.) The state of Tennessee collected \$1.201 billion in state sales taxes in June (up 3.9% from May and up 3.2% from last June.)

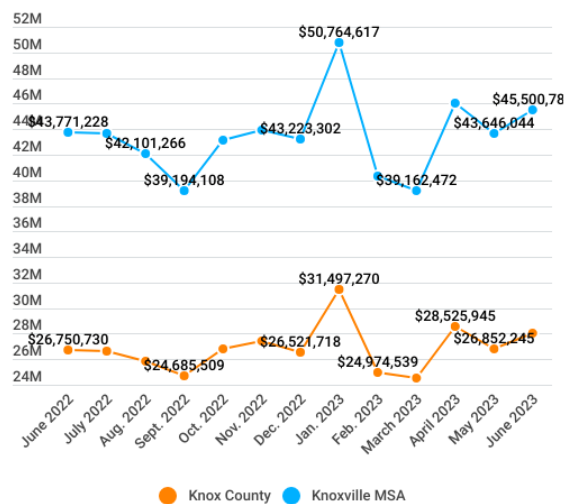
The Knoxville MSA collected \$45.501 million in local sales taxes in June (up 4.2% from May and up 4.0% from last June) and Knox County collected \$28.004 million (up 4.3% from May and up 4.7% from last June.)

### Sales Tax Revenue

#### State Sales Tax



#### Local Sales Tax



(Source: Tennessee Department of Revenue)

## **RECENT BUSINESS EXPANSIONS AND NEW BUSINESS ANNOUNCEMENTS IN THE KNOXVILLE REGION**

In this section of ECO, we share announcements of businesses that are expanding their existing operations or locating a new facility in the Knoxville region. If you would like to share your business expansion announcement with us, please send your info to [jriley@knoxvillechamber.com](mailto:jriley@knoxvillechamber.com).

New and existing industries continue to invest in the Knoxville region.

**July 5, 2023 – EDP Biotech Corporation**, a Knoxville-based early detection diagnostic product company, announced a merger with New Day Diagnostics LLC, another diagnostic testing company based in Boca Raton, FL. Best known for ColoPlex™, an early detection aid for the diagnosis of colorectal cancers and polyps, EDI Biotech is a full-service Contract Research Organization (CRO) with a growing roster of diagnostic clients focused on In-Vitro Diagnostics (IVD), development, direct-to-consumer (DTC) testing, and commercialization. New Day Diagnostics provides physician Point-of-Care and Physician Mediated-DTC testing. The new entity will keep the New Day Diagnostics company name and will be headquartered in Knoxville. Eric Mayer, the current President and CEO of EDP Biotech, will serve in the same capacity at the new company and Navroze Mehta, the Founder and CEO of New Day, will serve as Executive Chairman. The company expects to have 30 high wage employees by the end of the year and grow to 40 by the end of 2024. You can read more [here](#).

## **TENNESSEE IS RANKED #3 ON "AMERICA'S TOP STATES FOR BUSINESS" IN 2023**

CNBC, the business news cable network, recently released its annual ranking of "America's Top States for Business." CNBC ranked all 50 states based on 86 metrics in 10 broad categories of competitiveness. Each category was weighted based on how frequently states use them as selling points in their economic development marketing materials (so basically on the attributes that states use to sell themselves).

Tennessee ranked #3 overall and by category – #3 for infrastructure, #5 for economy, #5 for education, #7 for cost of doing business, #9 for workforce, #15 for access to capital, #19 for business friendliness, #22 for cost of living, #27 for technology and innovation, and #43 for life, health, and inclusion.

The top ten states for business were #1 North Carolina, #2 Virginia, #3 Tennessee, #4 Georgia, #5 Minnesota, #6 Texas, #7 Washington, #8 Florida, #9 Utah, and #10 Michigan. The ten lowest ranking states were #41 Oklahoma, #42 Alabama, #43 New Mexico, #44 Arkansas, #45 Rhode Island, #46 West Virginia, #47 Hawaii, #48 Mississippi, #49 Louisiana, and #50 Alaska. You can read more [here](#).

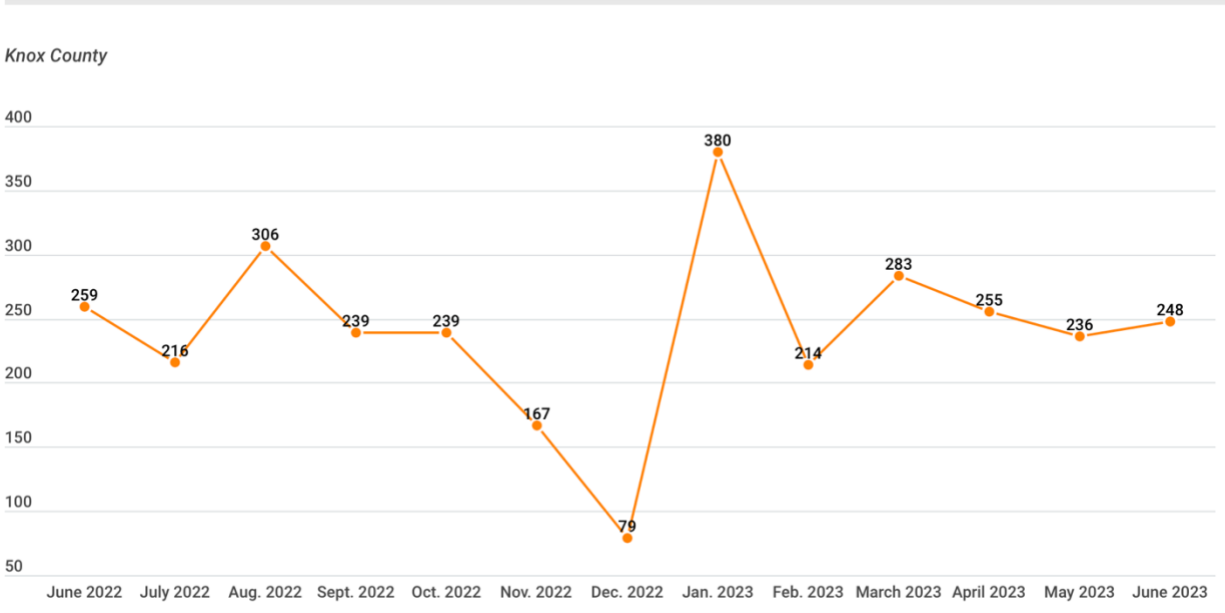
# KNOX COUNTY BUSINESS LICENSES

New business licenses issued in June 2023 by Knox County are up 5.1% from May and are down 4.2% from June 2022.

A total of 248 new business licenses were issued in June 2023 compared to 236 in May and 259 in June 2022. The top industry sectors for which business licenses were issued in June 2023 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



(Source: Knox County Clerk)

## MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 266,736 passengers in June (up 11.1% from May's passenger traffic of 240,074 and up 11.4% from June 2022.)

The total freight recorded in June at TYS was 6,546,320 pounds (down 1.8% from May and up 10.7% from last June.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in June was 2,564,235 (up 11.1% from the June 2022 daily passenger average of 2,307,972 and up 0.8% from the pre-COVID June 2019 average of 2,544,141.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "The U.S. domestic market conserved its momentum, growing 0.2% over June 2019 levels. Throughout the first half of the year, this market has shown robust performance, standing 2.2% above pre-Covid levels." You can read more [here](#).

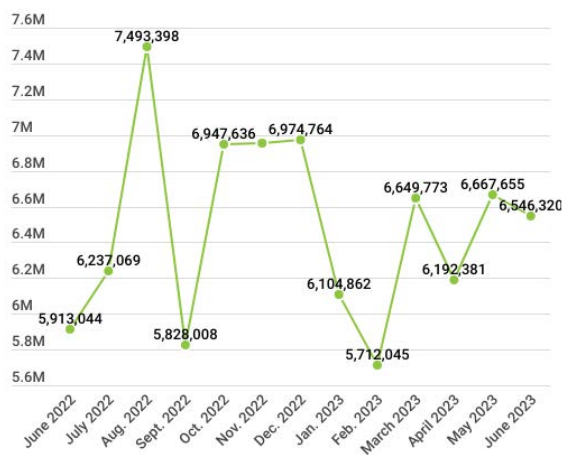
### Air Service

at McGhee-Tyson Airport

#### Passengers



#### Freight



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