

JUNE 2023



FINANCED BY FIRST HORIZON BANK

Welcome to the June 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 June survey, the level of general business activity and company outlooks are reported as mostly “the same.” (The level of general business activity was split between “improved” and “worsened,” while company outlooks were reported as “worsened” in last month’s survey.)

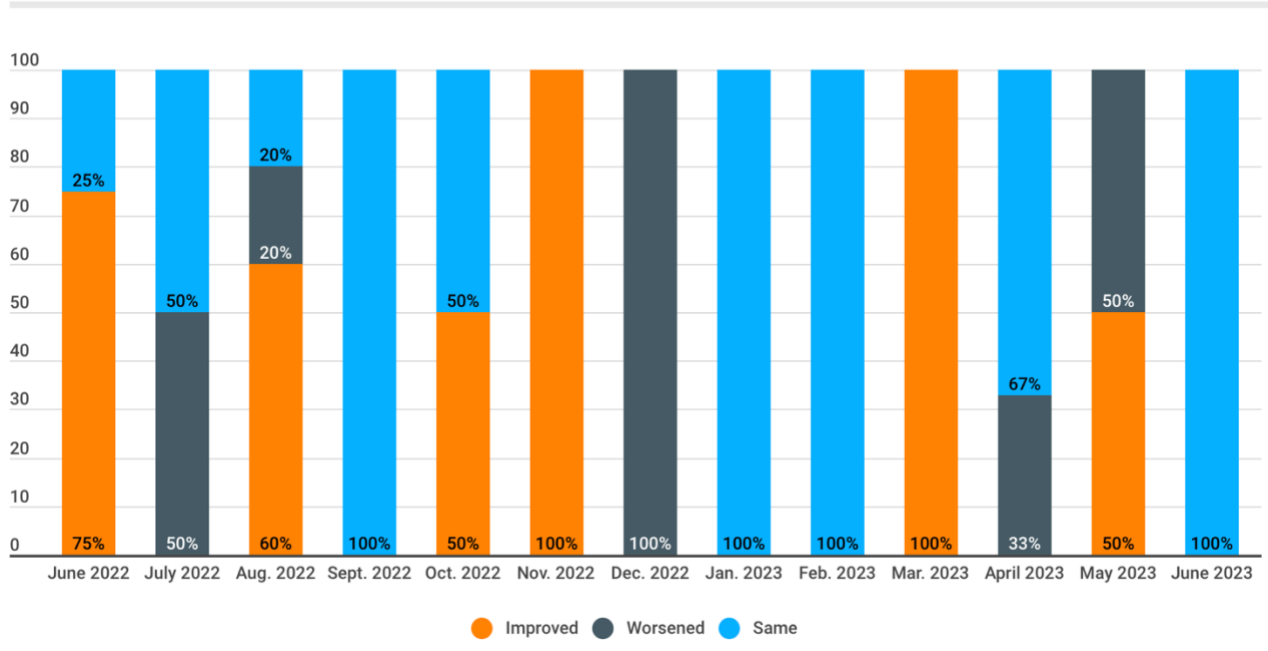
The month-over-month responses in the June survey show “decreases” in production, capacity utilization, volume of new orders, volume of shipments, prices received for finished goods, and number of employees. “No changes” are reported in the growth rate of orders, unfilled orders, delivery time, prices paid for raw materials, wages and benefits, average employee workweek, and capital expenditures. Finished goods inventories are reported as “increased.” (The month-over-month responses in the May survey showed “decreases” in production, capacity utilization, volume of new orders, growth rate of orders, and number of employees. “No changes” were reported in unfilled orders, prices paid for raw materials, and prices received for finished goods. Delivery time was split between “increase” and “no change.” Volume of shipments, wages and benefits, average employee workweek, and capital expenditures were split between “decrease” and “no change.” Finished goods inventories were reported as “increased.”)

The six-month outlook in June anticipates “increases” in production, capacity utilization, growth rate of orders, and volume of shipments. “No changes” are 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” are forecasted in wages and benefits and number of employees. (The six-month outlook in May anticipated “decreases” in the number of employees and wages and benefits.

“No changes” were expected in the prices paid for raw materials. Responses were split between “decrease” and “no change” for volume of new orders, growth rate of orders, unfilled orders, volume of shipments, delivery time, prices received for finished goods, and average employee workweek. Production and capacity utilization were split between “increase” and “decrease.” Finished goods inventories and capital expenditures were split between “increase” and “no change.”)

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



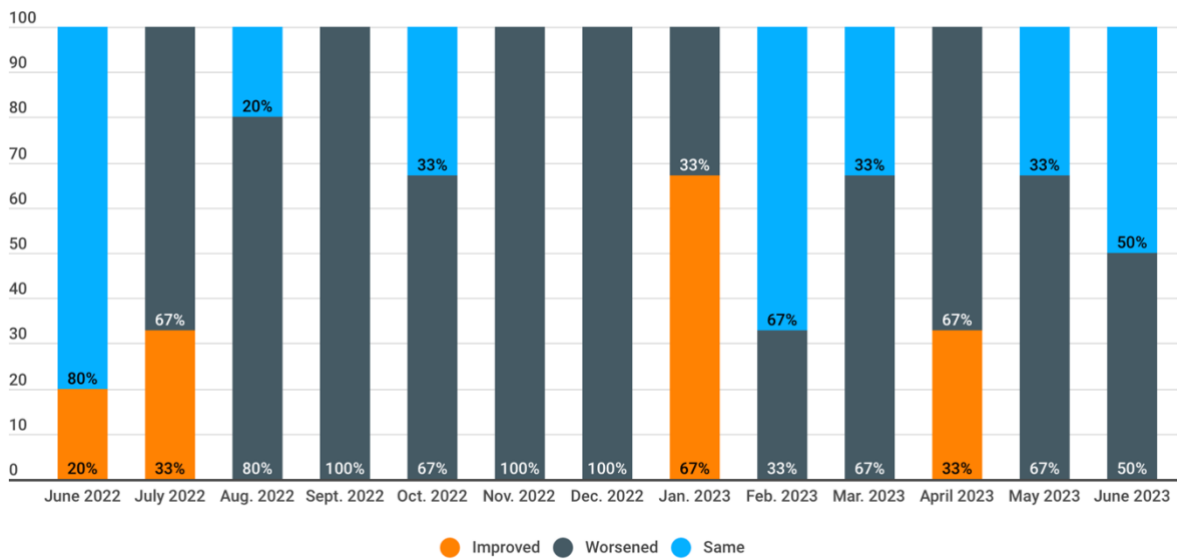
RETAIL

Knoxville area retailers indicated in the June survey that their current level of general business activity and company outlooks are split between “the same” and “worsened.” (The level of general business activity and company outlooks were both reported as “worsened” in the May survey.)

The month-over-month responses in the June survey show “increases” in wages and benefits, input prices, and inventories. Net sales revenue, number of full-time employees, selling prices, and capital expenditures are split between “increase” and “decrease.” The number of part-time employees and average employee workweek are split between “increase” and “no change.” Internet sales are split between “decrease” and “no change.” (Month-over-month responses in the May survey showed mostly “increases” in the number of full-time and part-time employees, wages and benefits, input prices, and inventories. “No changes” were mostly reported for internet sales and average employee workweek. Selling prices and capital expenditures had mostly “decreased.” Net sales revenue was “mixed.”)

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

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



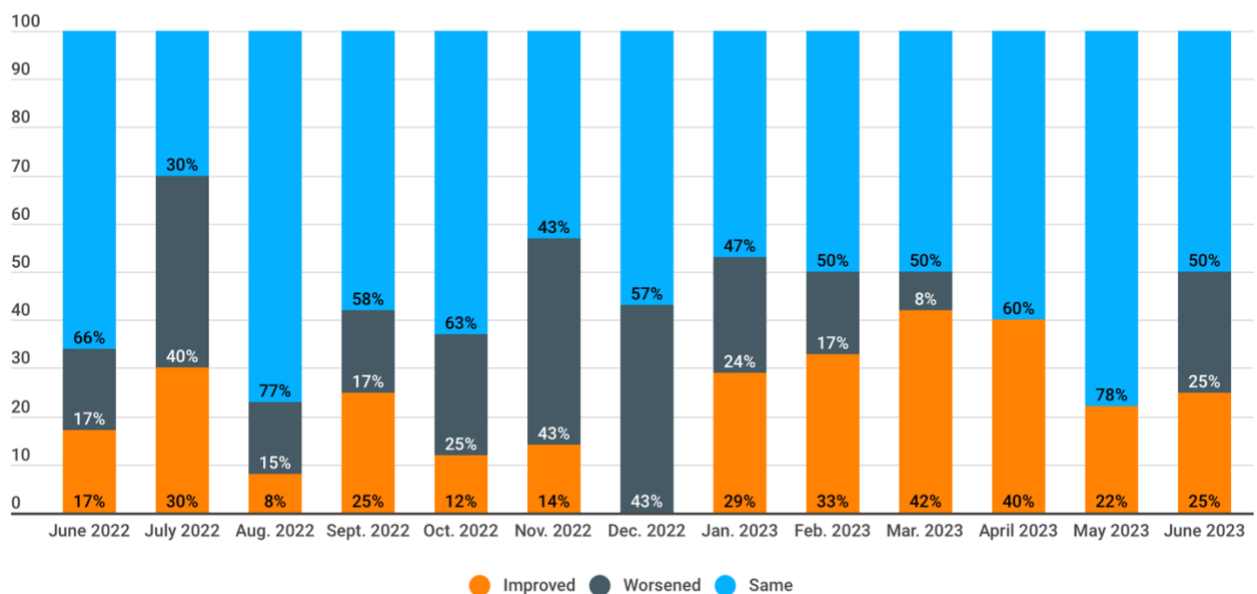
SERVICE

Knoxville area service sector businesses report in the June survey that their evaluation of the level of general business activity is mostly “the same,” while company outlooks are mostly “improved.” (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 June survey show 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 are split between “increase” and “no change.” (Month-over-month responses in May showed “increases” in wages and benefits and input prices. “No changes” were reported in the number of full-time and part-time employees, average employee workweek, and capital expenditures. Revenue and selling prices were mostly split between “increase” and “no change.”)

The six-month outlook in June projects 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” are expected in input prices. Revenue is split between “increase” and “no change.” (The May survey’s six-month outlook projected “increases” in wages and benefits and input prices. “No changes” were mostly expected in the number of full-time and part-time employees and average employee workweek. Selling prices and capital expenditures were split between “increase” and “no change.” Revenue was “mixed.”)

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/ecoregistration/>

LABOR MARKET INFORMATION

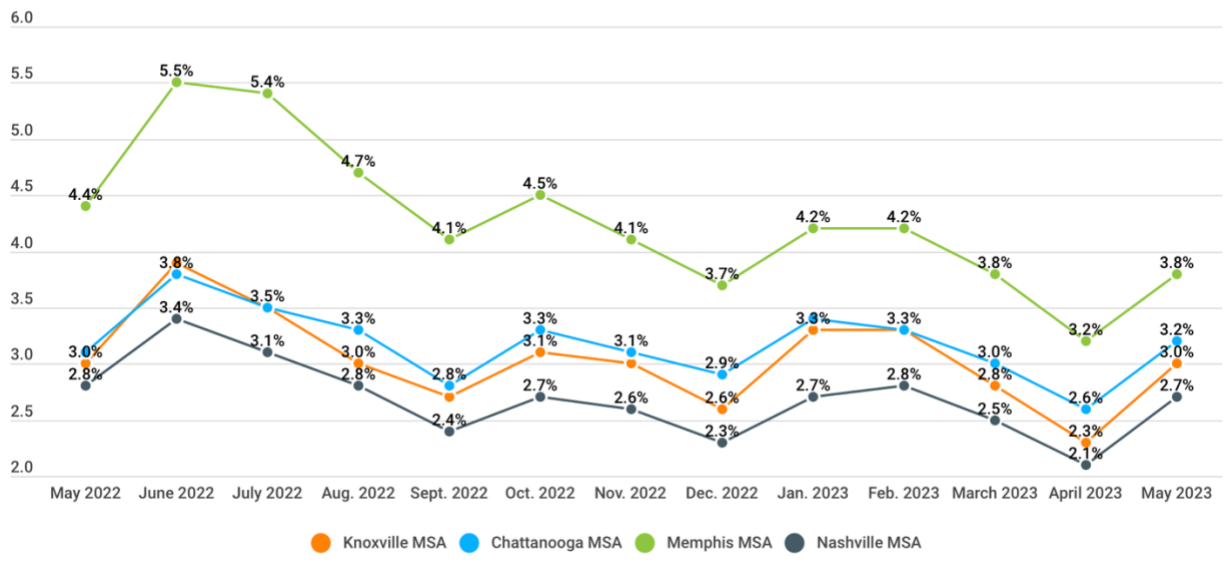
The Knoxville MSA’s unemployment rate in May was 3.0% (up from 2.3% in April and unchanged from May 2022.) Knox County’s unemployment rate in May was 2.8% (up from 2.1% in April and unchanged from May 2022.) Tennessee’s unemployment rate was 3.2% in May (up from 2.6% in April and down from the 3.4% rate in last May.) The U.S. unemployment rate was 3.4% in May (up from 3.1% in April and unchanged from last May.)

The size of the total labor force slightly increased from April to May at the local, state, and national levels. The Knoxville MSA’s labor force increased 0.4% from 442,811 in April to 444,445 in May. Knox County’s labor force increased 0.4% from 252,704 in April to 253,636 in May. Tennessee’s labor force increased 0.4% from 3,355,769 in April to 3,370,833 in May. The national labor force increased 0.3% from 166,221,000 in April to 166,702,000 in May.

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

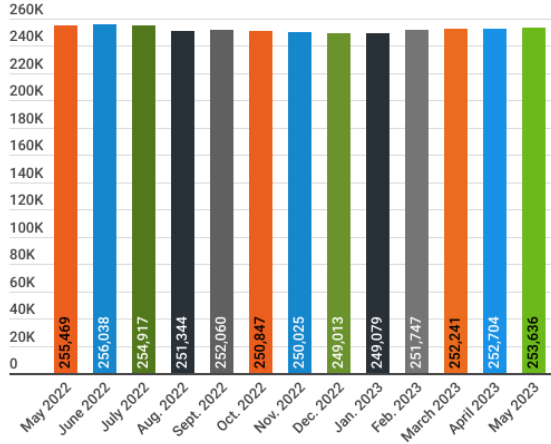
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

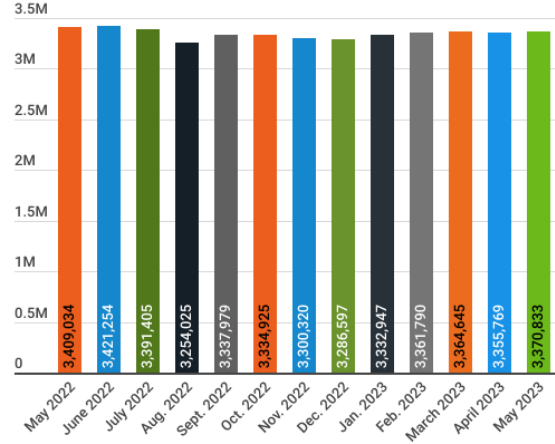


Resident Labor Force

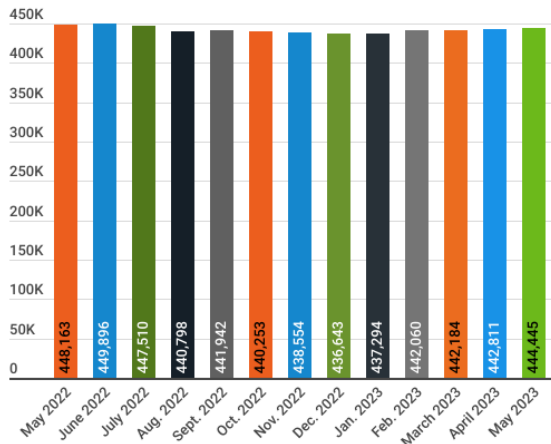
Knox County



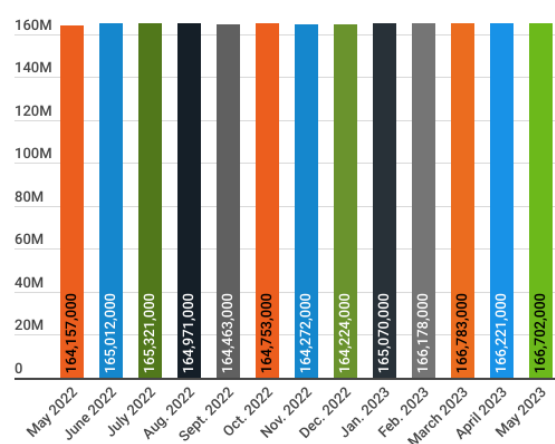
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of May, there were 9,654 unique active job postings in the Knoxville MSA (up 0.8% from April and up 0.9% from last May.) There were 6,481 unique active job postings in Knox County (down 1.0% from April and down 1.1% from this time last year.)

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

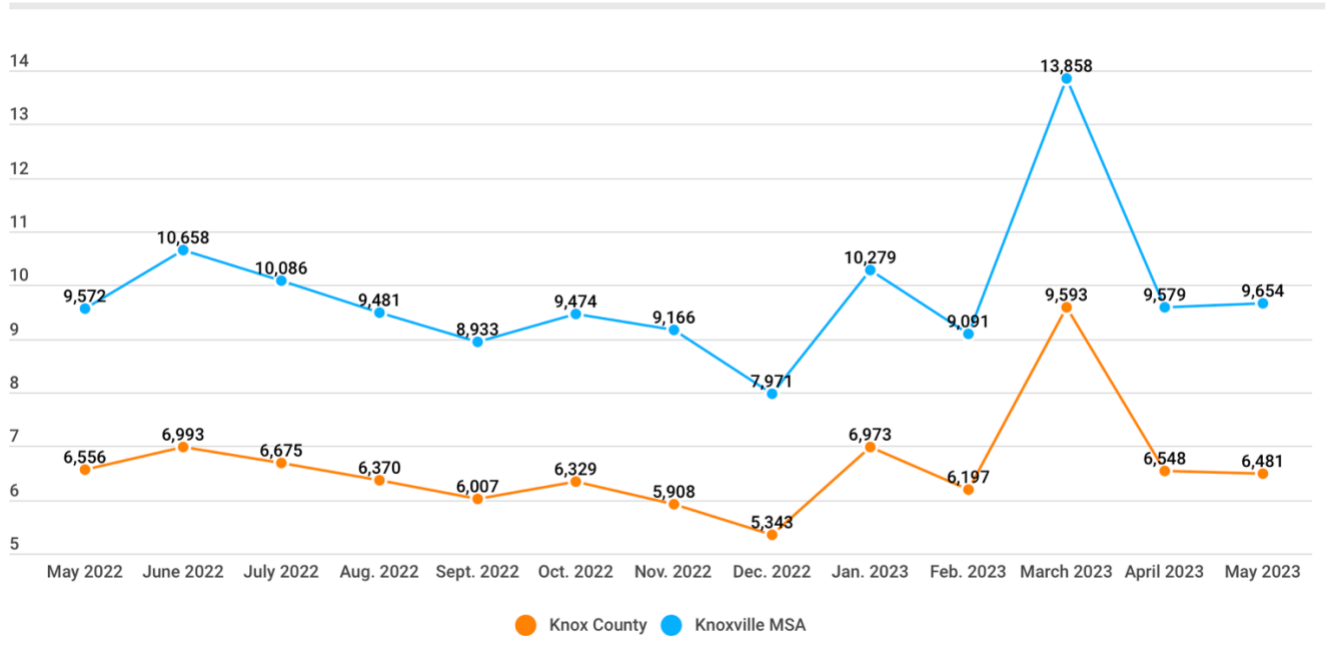
	Industry	Number of Postings
	Health Care and Social Assistance	1,281
	Retail Trade	1,063
	Administrative Support, Waste Management and Remediation Services	1,013
	Professional, Scientific and Technical Services	667
	Accommodation and Food Services	543
	Manufacturing	515
	Educational Services	464
	Other Services	282
	Construction	272
	Wholesale Trade	270

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

	Occupation	Number of Postings
	Registered Nurses	469
	Retail Salespersons	266
	Laborers and Freight, Stock, and Material Movers, Hand	237
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	236
	First-Line Supervisors of Retail Workers	206
	Heavy and Tractor-Trailer Truck Drivers	199
	Customer Service Representatives	194
	Fast Food and Counter Workers	170
	Maintenance and Repair Workers, General	148
	Managers, All Other	141

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 June report shows a net gain of 497,000 in private-sector employment (up from the 278,000 net jobs gain in May.) Industry sectors showing positive job growth in June include Leisure and Hospitality (+232,000), Construction (+97,000), Trade/Transportation/Utilities (+90,000), Education and Health Services (+74,000), Natural Resources and Mining (+69,000), and Other Services (+28,000). Industry sectors posting job losses in June include Manufacturing (-42,000), Information (-30,000), Financial Activities (-16,000), and Professional and Business Services (-5,000).

By establishment size, mid-sized businesses (with 50-249 employees) gained 171,000 jobs, "Very Small" businesses (with 1-19 employees) gained 162,000 jobs, "Other Small" businesses (with 20-49 employees) gained 137,000 jobs, and mid-sized businesses (with 250-499 employees) gained 12,000 jobs. The job gains were offset by large businesses (with 500+ employees), which lost 8,000 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 9.8 million jobs to fill in May and only 6.2 million hires, meaning there are approximately two job openings for every unemployed person.

In May, the largest increases in U.S. job openings were in professional and business services (+94,000), education services (+45,000), transportation/warehousing/utilities (+41,000), and construction (+19,000).

The largest decreases in job openings were in health care and social assistance (-285,000), financial activities (-126,000), retail trade (-125,000), other services (-78,000), arts/entertainment/recreation (-69,000), manufacturing (-64,000), accommodation and food services (-39,000), wholesale trade (-15,000), and information (-9,000).

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](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from May 2022 to May 2023 is 4.0%. This is down from the 4.9% rate from April 2022 to April 2023. Last year, the national inflation rate was 8.6% from May 2021 to May 2022.

The May CPI report marks the eleventh 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 13.5%, eating out prices are up 8.3%, housing prices are up 8.0%, electricity costs are up 5.9%, groceries are up 5.8%, new vehicle prices are up 4.7%, and apparel is up 3.5%.

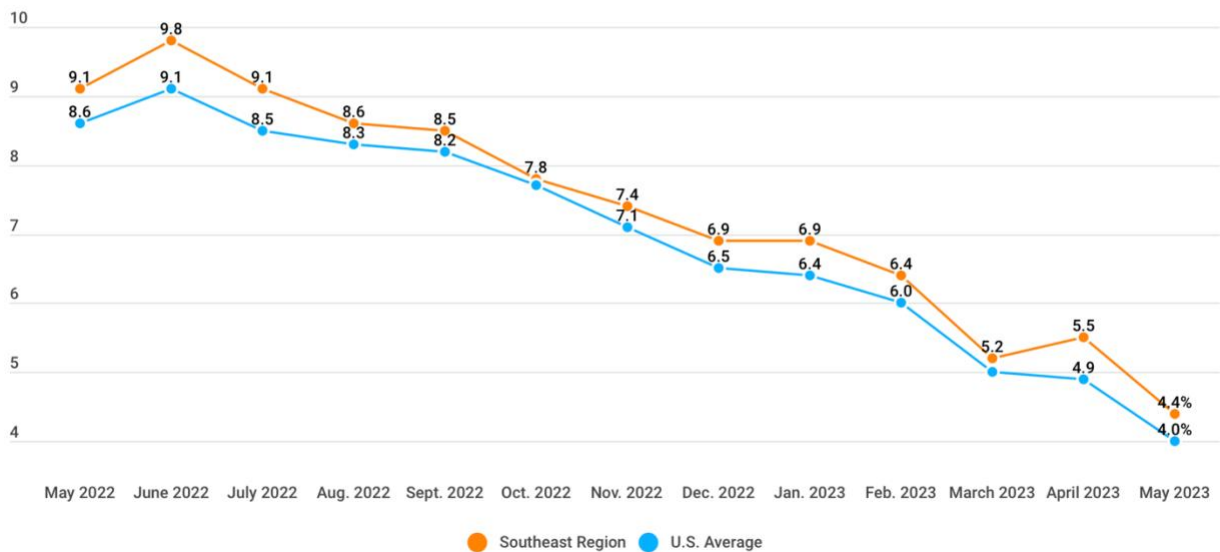
Gasoline prices are down 19.7%, airline fares are down 13.4%, natural gas prices are down 11.0%, and used car prices are down 4.2%. You can read more [here](#).

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 4.4% for the May 2022 to May 2023 period. This is down from 5.5% in the April 2022 to April 2023 period. Last year, the rate was 9.1% for May 2021 to May 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 increased 12.2% from April to May to a seasonally adjusted annual rate (SAAR) of 20,201. Similarly, home sales in Knox County increased 15.5% from the previous month to a seasonally adjusted annual rate (SAAR) of 7,393. Compared to the previous year, home sales were down 10.2% in the Knoxville area and 8.9% in Knox County.

Nationally, existing-home sales increased in May to a seasonally adjusted annual rate of 4.30 million — up 0.2% from the previous month but down 20.4% from a year ago. Home sales in the South expanded 1.5% from the previous month but fell 16.5% from a year ago.

The median home sales price in the Knoxville area was \$335,000 in May, up 0.9% from a year ago. Knox County's median home sale price was \$383,000, an increase of 10.9% from a year ago.

Half of the homes sold across the East Tennessee region were on the market for 8 days or less, down from 9 days the previous month. 32% of homes sold for more than the asking price, up from 30% the previous month. 16% of homes sold for at least \$10,000 over asking and 6% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 12% of total home sales.

Active inventory in the East Tennessee region increased modestly throughout June. Overall, active listings are up 8% year-over-year 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 1.9 months.

Apartment rents in Knoxville were up 9.2% from the previous year in May 2023, compared to 2.3% growth nationally.

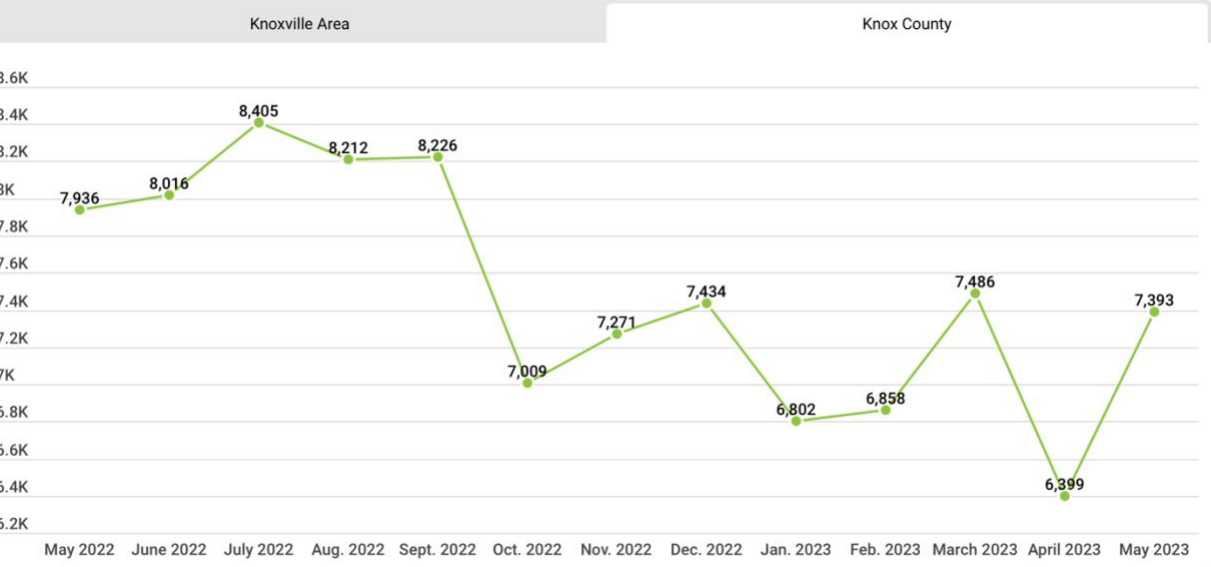
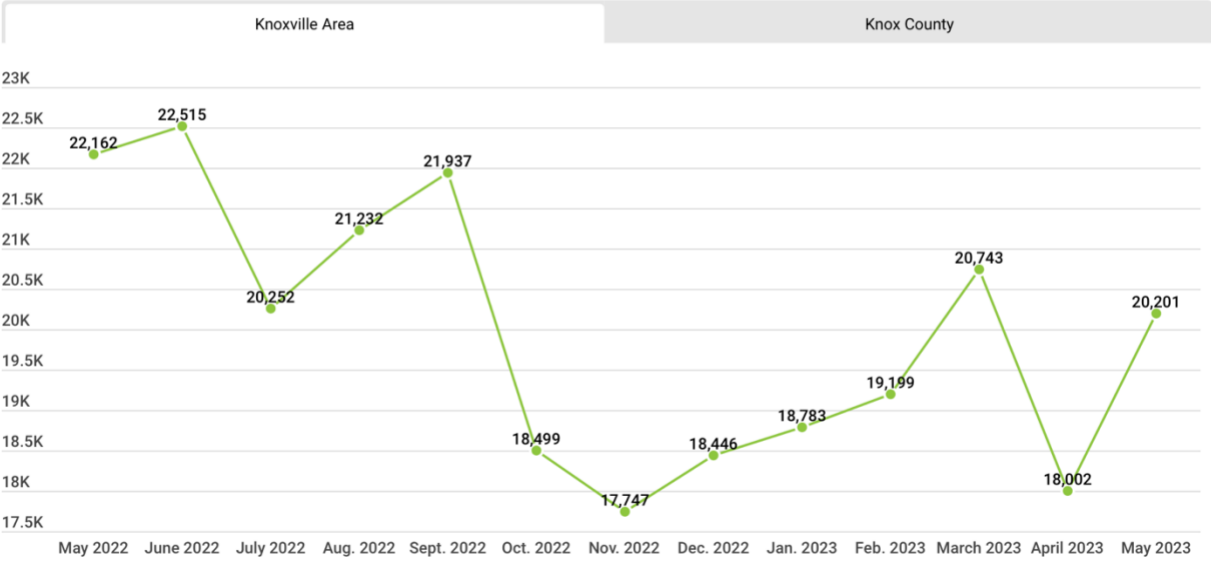
According to Hancen Sale, Governmental Affairs and Policy Director at East Tennessee REALTORS®, "Overall, housing market activity remains stagnant compared to the previous year, but the lack of new listings means competition is still high for the relatively small number of homes on the market. Persistently high inflation, which is likely to keep mortgage rates elevated throughout the rest of 2023, will continue to place downward pressure on home sales."

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

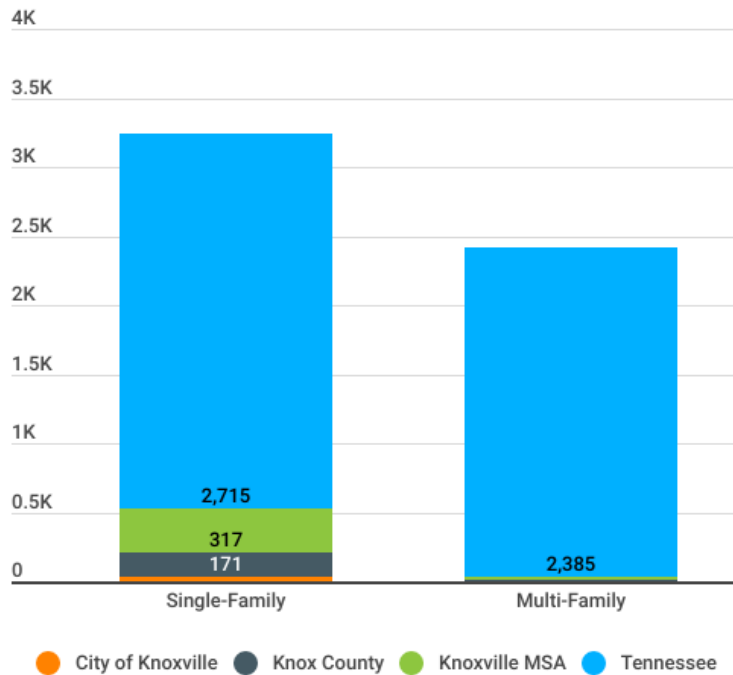
Seasonally Adjusted, Annualized Rate of Home Sales



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

Residential Building Permits

April 2023



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

KNOXVILLE MSA IS #1 “BEST PLACE TO LIVE” IN TENNESSEE

U.S. News & World Report recently released its “Best Places to Live” report, using several criteria related to quality of life, value, and desirability to rank 150 metro areas in the nation.

The Knoxville MSA ranked #1 in Tennessee and #21 in the nation. Knoxville also ranked 10th for lowest cost of living, 16th for fastest-growing place, and 43rd best place to retire.

The top ten best places to live are #1 Green Bay, WI; #2 Huntsville, AL; #3 Raleigh-Durham, NC; #4 Boulder, CO; #5 Sarasota, FL; #6 Naples, FL; #7 Portland, ME; #8 Charlotte, NC; #9 Colorado Springs, CO; and #10 Fayetteville, AR. Among Knoxville’s other peer cities – Asheville, NC is #29; Greenville, SC is #31; Lexington, KY is #34; Chattanooga is #48; Nashville is #61; and Memphis is #144. You can read more [here](#).

NATIONAL RETAIL SALES

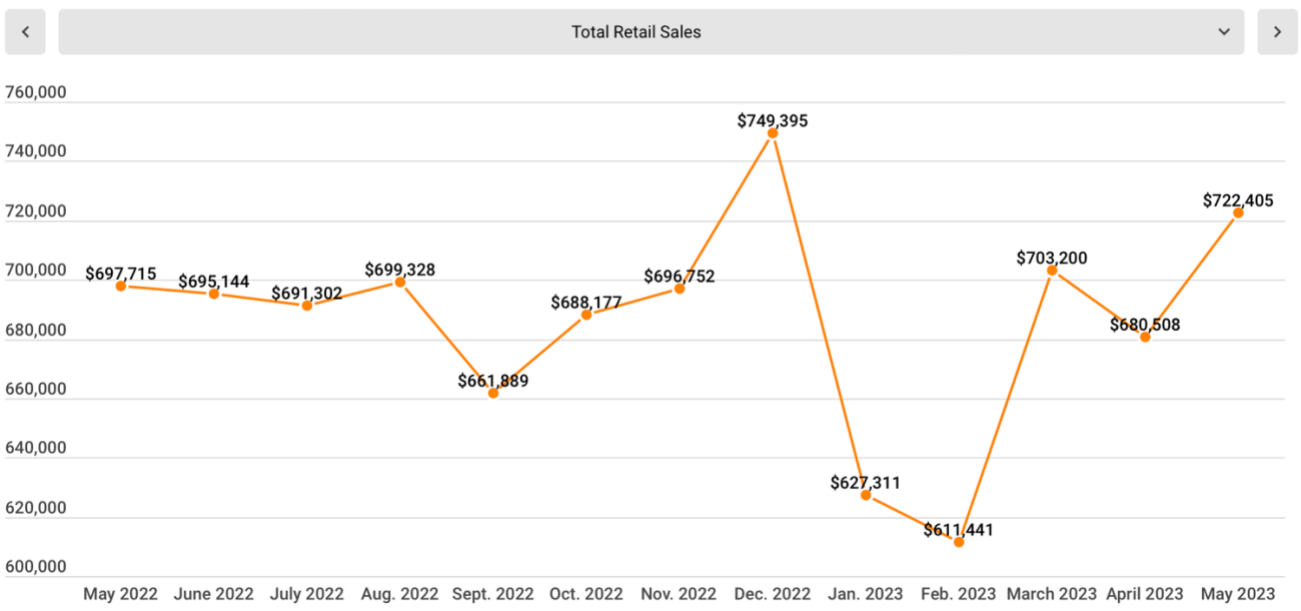
The total advance monthly retail sales estimate for May 2023 was \$722.405 billion (up 6.2% from April and up 3.5% from last May.)

The retail sectors that showed sales growth from last May were Non-store Retailers (+14.5%), Health and Personal Care Stores (+8.7%), General Merchandise Stores (+8.4%), Motor Vehicles and Parts Sales (+8.0%), Food and Beverage Stores (+5.5%), Food Services and Drinking Places (+2.9%), and Building Materials (+2.2%).

Retail sectors that showed a decline in sales from last May were Gasoline Stations (-20.3%), Furniture and Home Furnishings Stores (-6.1%), Sporting Goods/Books/Hobby/Music Stores (-4.3%), Clothing Stores (-3.7%), Miscellaneous Stores (-1.8%), and Electronics and Appliance Stores (-0.8%).

National Retail Sales

in Millions of Dollars



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

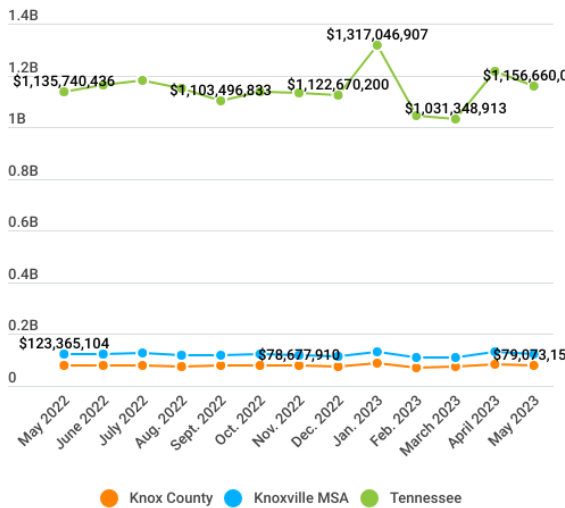
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$121.959 million in state sales taxes in May (down 5.9% from April and down 1.1% from last May) and Knox County collected \$79.073 million in May (down 7.5% from April and down 1.4% from last May.) The state of Tennessee collected \$1.157 billion in state sales taxes in May (down 5.0% from April and down 1.8% from last May.)

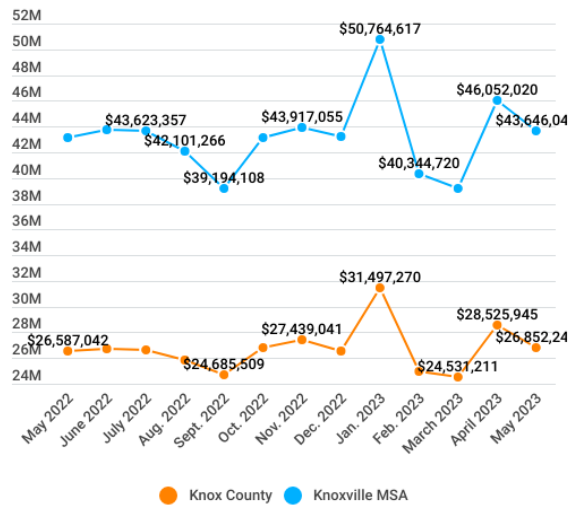
The Knoxville MSA collected \$43.646 million in local sales taxes in May (down 5.2% from April and up 1.1% from last May) and Knox County collected \$26.852 million (down 5.9% from April and up 1.0% from last May.)

Sales Tax Revenue

State Sales Tax



Local Sales Tax



(Source: Tennessee Department of Revenue)

TENNESSEE RANKS #15 ON WALLETHUB'S "2023 BEST AND WORST STATE ECONOMIES" RANKINGS

WalletHub recently ranked the 50 states and the District of Columbia across three key areas – economic activity, economic health, and innovation potential. The rankings are based on 28 key indicators of economic performance and strength ranging from growth in Gross Domestic Product (GDP) to start-up activity to the share of jobs in high-tech industries. Tennessee ranked 15th overall, 6th for economic activity, 9th for economic health, and 37th for innovation potential. The top ten states overall were #1 Washington, #2 Utah, #3 Massachusetts, #4 Colorado, #5 California, #6 Idaho, #7 North Carolina, #8 District of Columbia, #9 Texas, and #10 Arizona. You can read more [here](#).

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.

June 15, 2023 – [SkyNano LLC](#), a science-based technology company focused on the reduction of carbon pollution, was awarded a nearly \$3.5 million grant from the U.S. Department of Energy (DOE) for its project titled "Tailored Ultra-Low-Carbon Concrete Enabled by Nanocarbon Additives Produced from Recycled Kiln CO₂." The project "will demonstrate a carbon utilization process to create solid carbon products that, when blended into concrete, can increase durability and lower the amount of Portland cement, and thereby the energy and emissions required to create concrete." Project partners include the [University of Tennessee](#), [Missouri University of Science and Technology](#), [Ash Grove Cement Company](#), and [Tennessee Valley Authority \(TVA\)](#). You can read the DOE press release [here](#).

June 15, 2023 – [Oak Ridge National Laboratory \(ORNL\)](#) was awarded \$5 million from the U.S. Department of Energy (DOE) to lead a team in developing an industrial heat pump system capable of 200 Centigrade sink temperatures. The project titled "Ultra-High Temperature Cascade Industrial Heat Pump for Waste Heat Recovery" will address "multiple systems-level design considerations for raising sink temperatures of industrial heat pumps while maintaining acceptable efficiencies, including waste heat recovery technology. Developing heat pumps with high sink temperatures allows for the electrification of high-heat industrial processes." Project partners include [Emerson Climate \(now Copeland\)](#), [Trane Technologies](#), [Chemours](#), [Energy Recover Inc.](#), [Southern Company](#), and [University of Illinois Urbana-Champaign](#). You can read the DOE press release [here](#).

KNOX COUNTY BUSINESS LICENSES

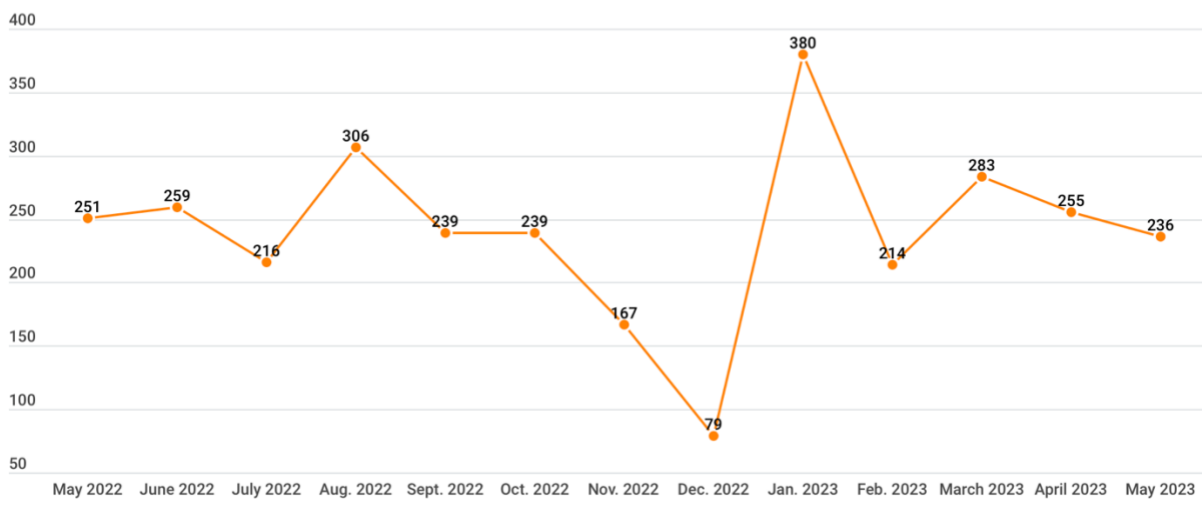
New business licenses issued in May 2023 by Knox County are down 7.5% from April and are down 6.0% from May 2022.

A total of 236 new business licenses were issued in May 2023 compared to 255 in April and 251 in May 2022. The top industry sectors for which business licenses were issued in May 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

Knox County



(Source: Knox County Clerk)

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 240,074 passengers in May (up 12.1% from April’s passenger traffic of 214,071 and up 4.1% from May 2022.)

The total freight recorded in May at TYS was 6,667,655 pounds (up 7.7% from April and up 2.8% from last May.)

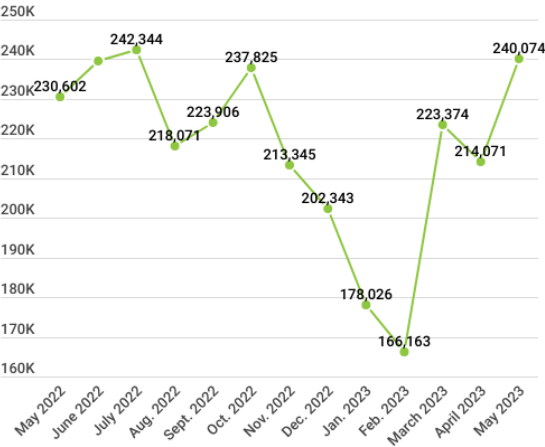
According to the Transportation Security Administration, the average daily number of passengers passing through the nation’s TSA checkpoints in May was 2,393,532 (up 10.2% from the May 2022 daily passenger average of 2,171,096 and down only 0.5% from the pre-COVID May 2019 average of 2,406,094.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), “The U.S. domestic market experienced a 7.1% annual rise in passenger traffic this month. Growing faster than the 5.5% YoY increase recorded in April. Domestic demand was 2.5% higher than 2019 levels.” You can read more [here](#).

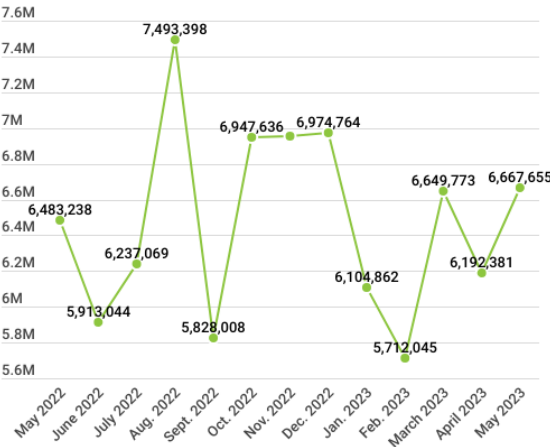
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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