

# AUGUST 2023

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FINANCED BY FIRST HORIZON BANK

Welcome to the August 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**

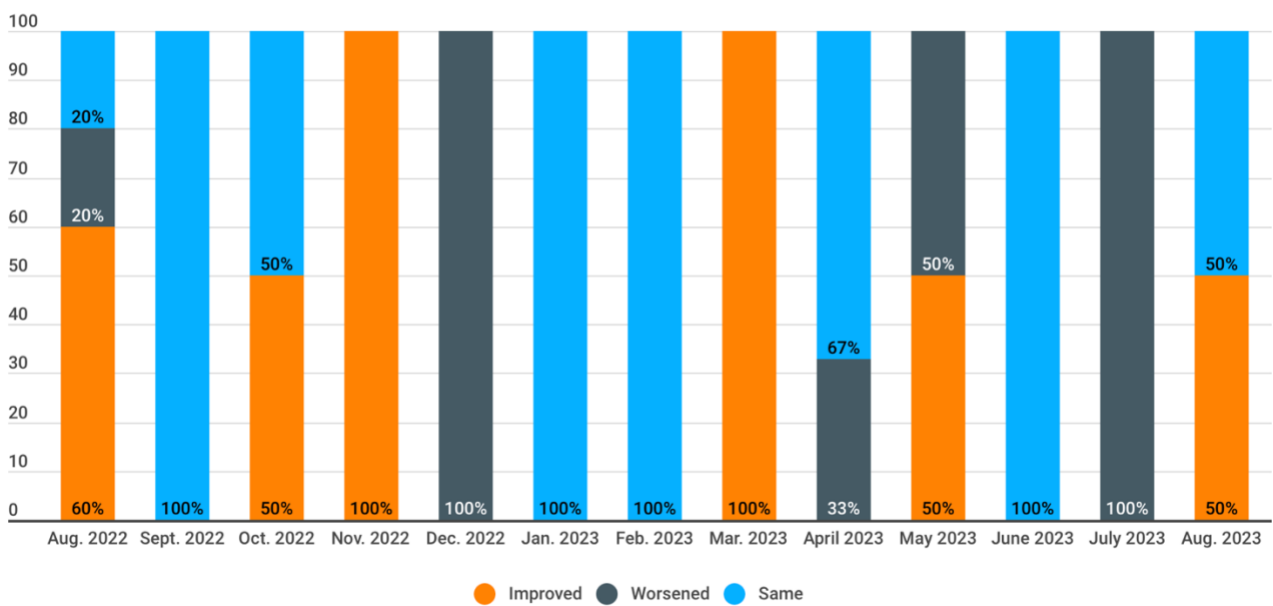
Based on the response to the August survey, the level of general business activity is evenly split between “improved” and “the same.” Company outlooks are reported as mostly “the same.” (The level of general business activity had “worsened” and company outlooks were reported as mostly “the same” in last month’s survey.)

The month-over-month responses in the August 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 paid for raw materials, prices received for finished goods, number of employees, the average employee workweek, and capital expenditures. Wages and benefits are split evenly between “increase” and “no change.” (The month-over-month responses in the July survey showed “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 the average employee workweek. Prices paid for raw materials and capital expenditures had “increased.” Wages and benefits had “decreased.”)

The six-month outlook in August anticipates mostly “increases” in production, volume of new orders, number of employees, and capital expenditures. “No changes” are mostly expected for

capacity utilization, delivery time, finished goods inventories, and the average employee workweek. The growth rate of orders, unfilled orders, volume of shipments, prices paid for raw materials, prices received for finished goods, and wages and benefits are evenly split between “increase” and “no change.” (The six-month outlook in July anticipated “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 the average employee workweek. “Increases” were expected for prices paid for raw materials and capital expenditures. Delivery time was expected to “decrease.”)

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



### RETAIL

Knoxville area retailers indicated in the August survey that their current level of general business activity and company outlooks have mostly “worsened.” (The level of general business activity had mostly “worsened” and company outlooks were mostly “the same” in the July survey.)

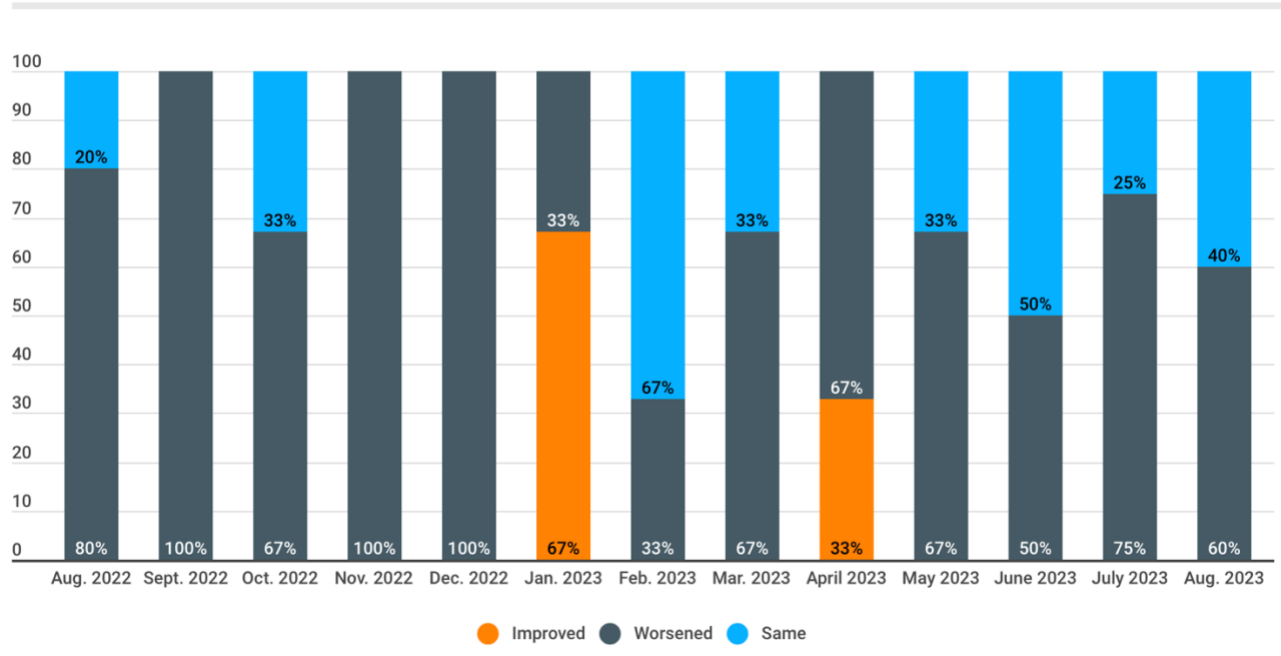
The month-over-month responses in the August survey show mostly “increases” in wages and benefits, inventories, and input prices. “Decreases” are mostly reported for net sales revenue, internet sales, and selling prices. “No changes” are mostly reported for the number of full-time and part-time employees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

“Increases” were mostly reported in input prices and wages and benefits. Net sales revenue and selling prices were “mixed.”)

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

Retail comments indicate that some retailers are expecting a decrease in Q3 and Q4 sales this year.

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



### SERVICE

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

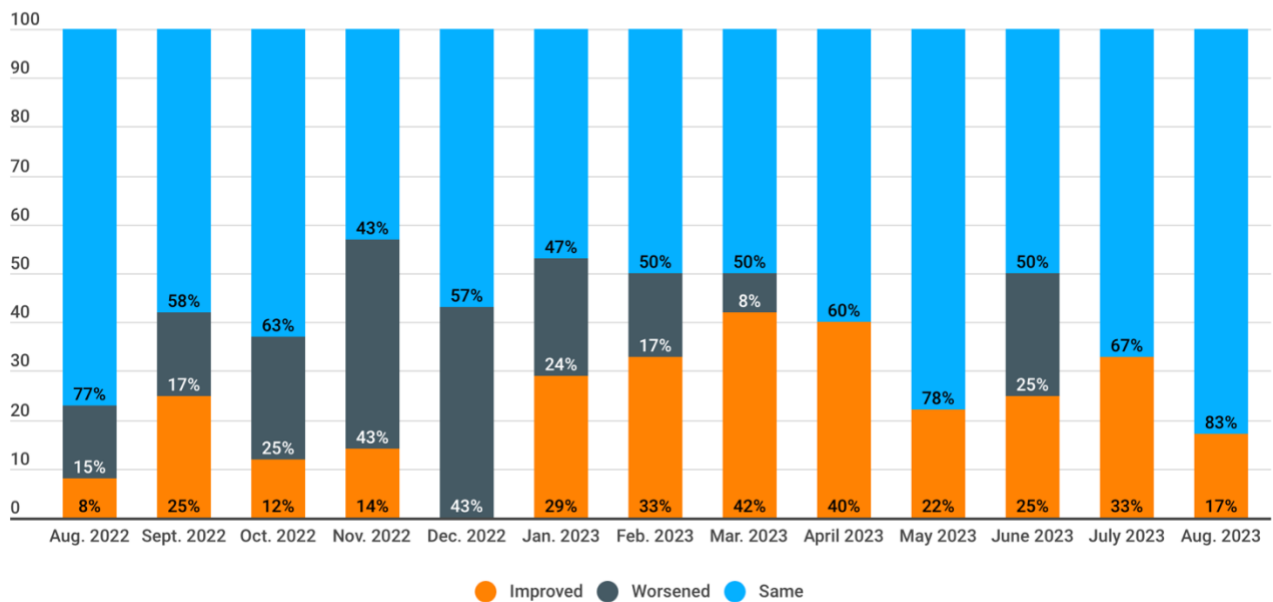
The month-over-month responses in the August survey show mostly “no changes” in revenue, number of full-time and part-time employees, the average employee workweek, wages and benefits, and capital expenditures. “Increases” are mostly reported for input prices and selling

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

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

Service sector comments indicate that hiring employees with a work ethic continues to be a challenge. Labor costs (specifically wages) are outpacing inflation. Trying to provide more services for less money has become a challenge for some service providers as many customers seem to expect “five-star service for two-star prices.”

### 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

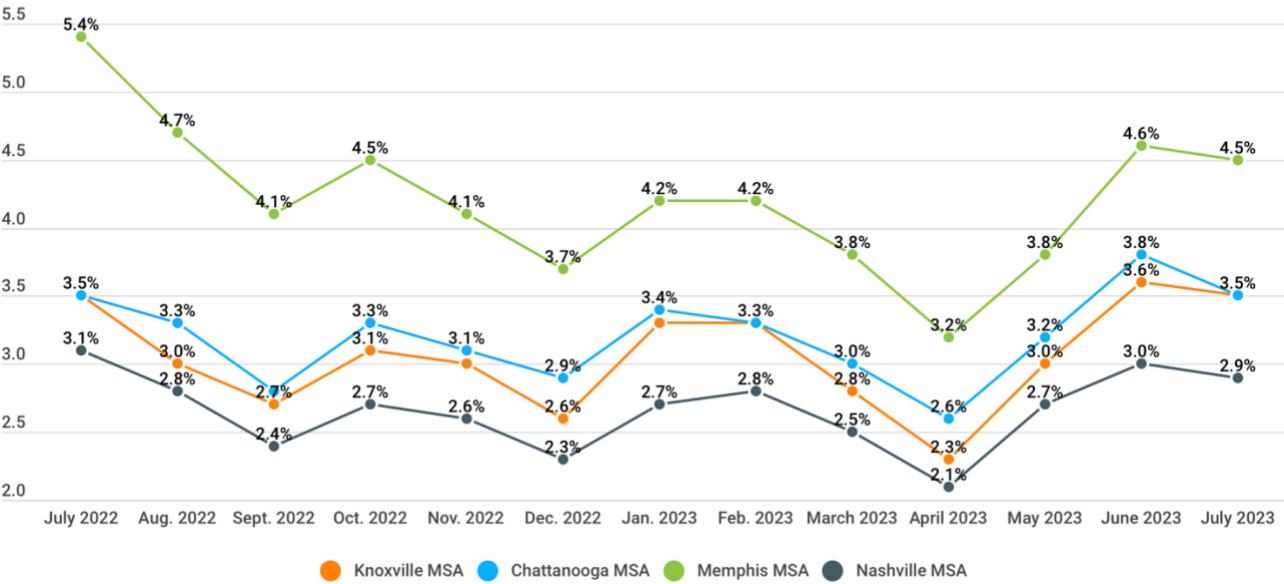
The Knoxville MSA’s unemployment rate in July was 3.5% (down from 3.6% in June and unchanged from July 2022.) Knox County’s unemployment rate in July was 3.1% (down from 3.3% in June and down from 3.3% in July 2022.) Tennessee’s unemployment rate was 3.7% in July (down from 3.8% in June and down from the 4.0% rate in last July.) The U.S. unemployment rate was 3.8% in July (unchanged from June and unchanged from last July.)

The size of the total labor force slightly increased from June to July at the local, state, and national levels. The Knoxville MSA’s labor force increased 0.6% from 450,516 in June to 453,126 in July. Knox County’s labor force increased 0.6% from 256,738 in June to 258,159 in July. Tennessee’s labor force increased 0.4% from 3,403,871 in June to 3,419,126 in July. The national labor force increased 0.3% from 167,910,000 in June to 168,354,000 in July.

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

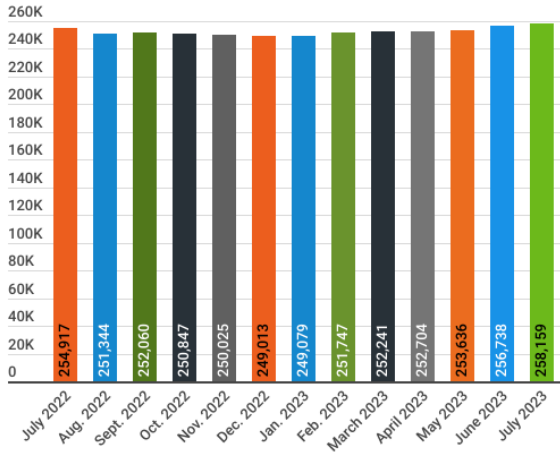
## Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

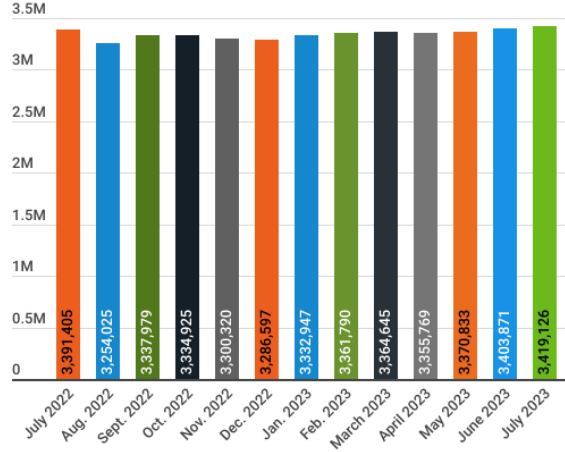


## Resident Labor Force

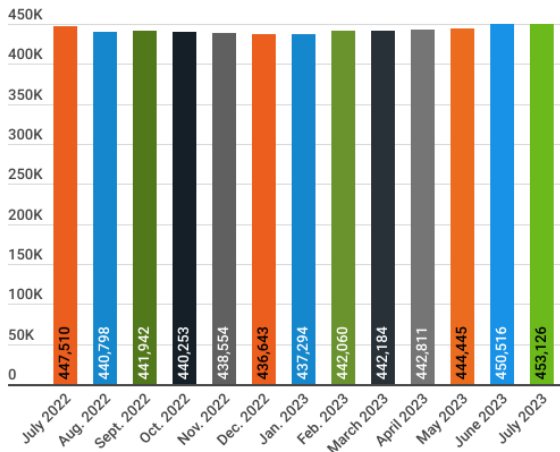
### Knox County



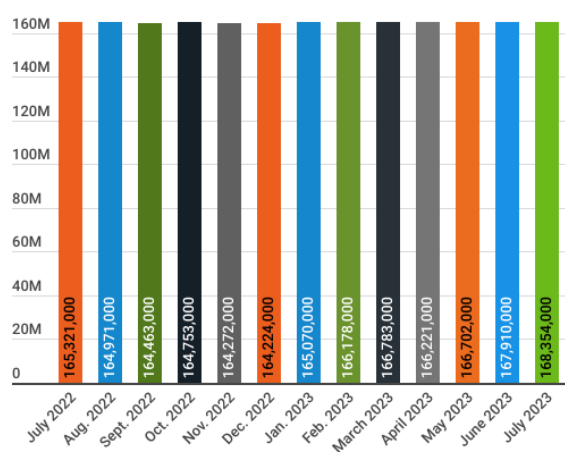
### Tennessee



### Knoxville MSA



### United States













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

## JOB MARKET

For the month of July, there were 10,819 unique active job postings in the Knoxville MSA (up 9.6% from June and up 7.3% from last July.) There were 7,290 unique active job postings in Knox County (up 10.6% from June and up 9.2% from this time last year.)

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

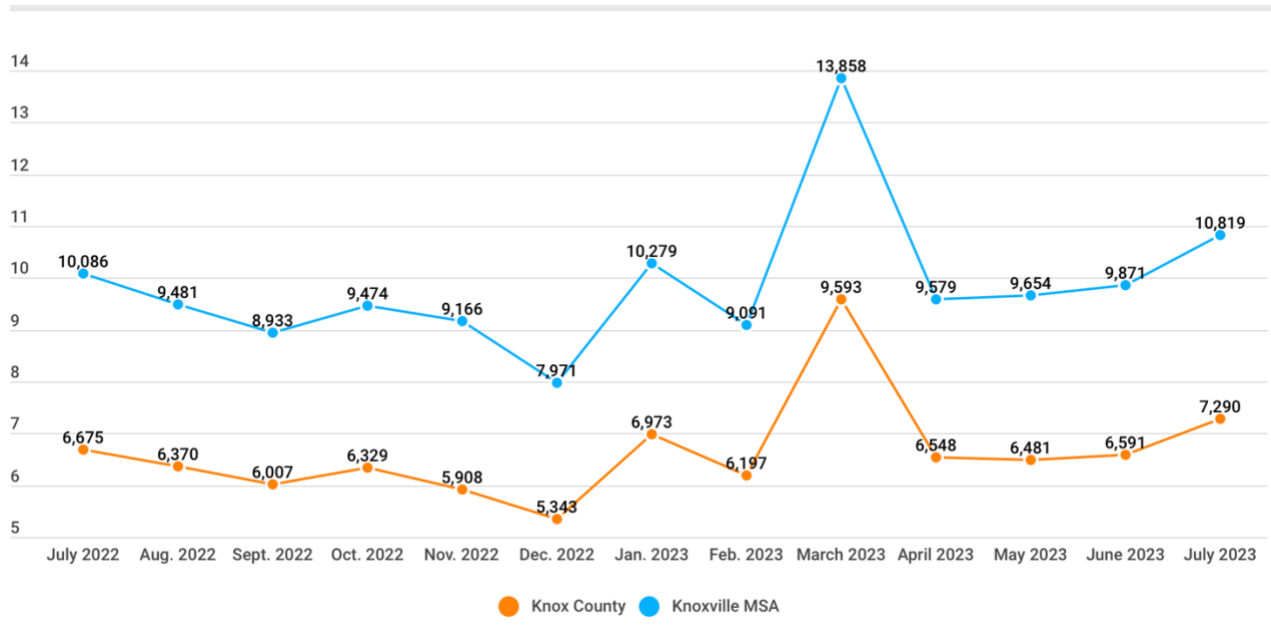
	Industry	Number of Postings
	Health Care and Social Assistance	1,426
	Administrative Support, Waste Management and Remediation Services	1,298
	Retail Trade	951
	Accommodation and Food Services	658
	Professional, Scientific and Technical Services	643
	Educational Services	635
	Manufacturing	567
	Transportation and Warehousing	403
	Construction	295
	Other Services	294

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

	Occupation	Number of Postings
	Registered Nurses	492
	Laborers and Freight, Stock, and Material Movers, Hand	348
	Retail Salespersons	288
	First-Line Supervisors of Retail Workers	238
	Heavy and Tractor-Trailer Truck Drivers	226
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	223
	Fast Food and Counter Workers	209
	Customer Service Representatives	194
	Licensed Practical and Licensed Vocational Nurses	188
	Postsecondary Teachers	172

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 August report shows a gain of 177,000 in private-sector employment (down from the 324,000 net jobs gain in July.) Industry sectors showing positive job growth in August include Education and Health Services (+52,000), Trade/Transportation/Utilities (+45,000), Leisure and Hospitality (+30,000), Professional and Business Services (+15,000), Manufacturing (+12,000), Other Services (+7,000), Construction (+6,000), Information (+5,000), and Natural Resources and Mining (+5,000). The Financial Activities sector was unchanged from July.

By establishment size, large businesses (with 500+ employees) gained 83,000 jobs, mid-sized businesses (with 50-249 employees) gained 74,000 jobs, “Other Small” businesses (with 20-49 employees) gained 17,000 jobs, mid-sized businesses (with 250-499 employees) gained 5,000 jobs, and “Very Small” businesses (with 1-19 employees) gained 1,000 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 8.8 million jobs to fill in July and only 5.8 million hires, meaning there are 1.5 job openings for every unemployed person.

In July, the largest increases in U.S. job openings were in information (+101,000), transportation/warehousing/utilities (+75,000), accommodation and food services (+61,000), financial activities (+40,000), and education services (+20,000).

The largest decreases in job openings were in professional and business services (-198,000), health care and social assistance (-130,000), other services (-64,000), wholesale trade (-32,000), manufacturing (-30,000), and construction (-23,000). Retail trade was unchanged from last month.

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](#).

## **REMOTE WORKERS WILLING TO RELOCATE FOR AFFORDABLE HOUSING**

According to a recent report released by Fannie Mae and PSB Insights, the willingness of people who either work fully remote or are hybrid workers to relocate to a new metropolitan area or increase their commute time by 20+ minutes has increased to 22% in Q1 2023 from 14% in Q3 2021. Fannie Mae's monthly National Housing Survey asked more than 3,000 mortgage holders, owners, and renters between January and March of this year how remote and hybrid work has changed over the past few years and how it has impacted housing considerations. The report found that "affordability" was the top factor for people when picking a new home at 36%. "Neighborhood" was the top consideration at 49% in 2014, which was the last time the top consideration question was asked. Homeowners and renters both showed growth in prioritizing "affordability," but renters showed the largest increase from 21% in 2014 to 46% in 2023. You can read the full report [here](#).

According to the August 2023 edition of East Tennessee REALTORS®'s Market Pulse, "Affordability is driving housing market dynamics. At the beginning of 2022, East Tennessee homebuyers needed an annual income of roughly \$59k to qualify for a mortgage on the median-priced home – but that number has since ballooned to more than \$110k as of August 2023. With interest rates elevated and house prices holding steady, a sizable share of households cannot even afford a lateral move – much less an upgrade." Until the Knoxville area market increases its affordable housing inventory (including the "missing middle" housing types like duplexes, rowhouses, courtyard apartments, etc.), many remote and hybrid workers will not likely relocate here from other regions.

## CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from July 2022 to July 2023 is 3.2%. This is up from the 3.0% rate from June 2022 to June 2023. Last year, the national inflation rate was 8.5% from July 2021 to July 2022.

The July CPI report marks the thirteenth 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 7.7%, eating out prices are up 7.1%, groceries are up 3.6%, new vehicle prices are up 3.5%, apparel is up 3.2%, and electricity costs are up 3.0%.

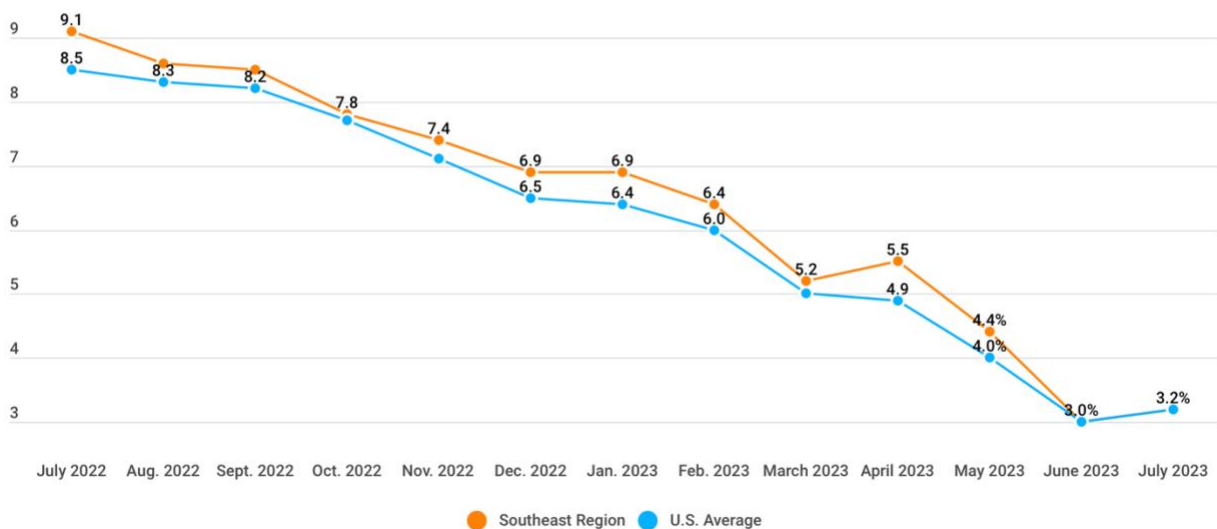
Gasoline prices are down 19.9%, airline fares are down 18.6%, natural gas prices are down 13.7%, and used car prices are down 5.6%.

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 3.2% for the July 2022 to July 2023 period. This is up from 3.0% in the June 2022 to June 2023 period. Last year, the rate was 9.1% from July 2021 to July 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 14.0% from June to July to a seasonally adjusted annual rate (SAAR) of 16,299. Similarly, home sales in Knox County fell 13.3% from the previous month to a seasonally adjusted annual rate (SAAR) of 5,885. Compared to the previous year, home sales were down 19.4% in the Knoxville area and 28.6% in Knox County.

Nationally, existing-home sales declined in July to a seasonally adjusted annual rate of 4.07 million — down 2.2% from the previous month and 16.6% from a year ago. Home sales in the South fell 2.6% from the previous month and 14.3% from a year ago.

The median home sales price in the Knoxville area was \$350,000 in July, up 8.0% from a year ago. Knox County's median home sale price was \$372,000, an increase of 6.3% from a year ago.

Half of the homes sold across the East Tennessee region were on the market for 8 days or less, unchanged from the previous month. 30% of homes sold for more than the asking price, unchanged from the previous month. 15.5% of homes sold for at least \$10,000 over asking and 4.4% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 10.4% of total home sales.

Active inventory in the East Tennessee region declined from the previous year in July. Overall, active listings are down approximately 10% from a year ago but remain well below pre-pandemic levels. Inventory in Knox County was down 15% year-over-year in July.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2.2 months.

**Apartment rents** in the Knoxville metro area increased 6.06% from the previous year in July, compared to 0.78% growth nationally. Rents in the area are forecasted to grow an additional 5% over the next 12 months.

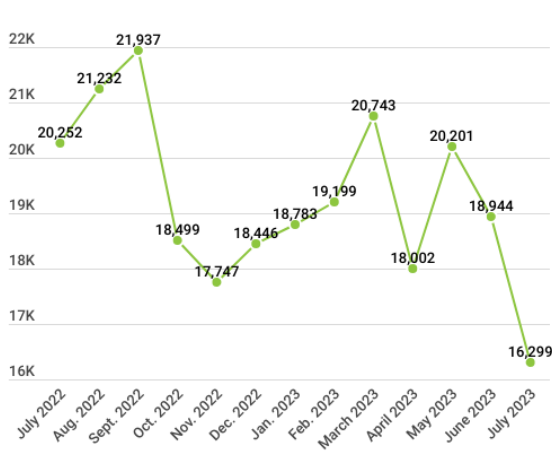
You can also subscribe to the East Tennessee REALTORS® monthly *Market Pulse Newsletter* [here](#).

*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.*

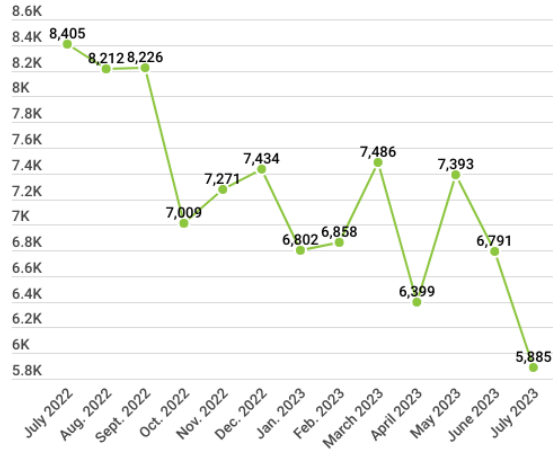
## Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

### Knoxville Area



### Knox County



## Knoxville Area Housing Market

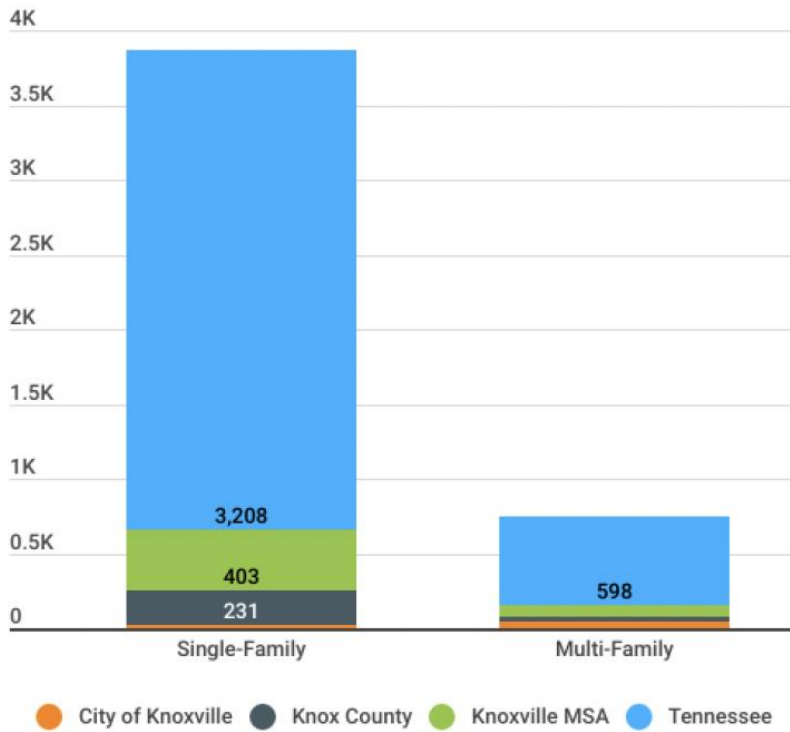
	Knoxville Area						Knox County						
	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023
Active Listings Inventory	3,922	3,725	3,683	3,944	3,807	3,220	2,996	2,817	2,816	2,856	3,111	3,276	3,440
Median Home Sales Price	\$324,450	\$325,000	\$322,650	\$315,000	\$312,000	\$318,000	\$316,000	\$316,000	\$325,000	\$325,000	\$335,000	\$350,000	\$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	2.20

	Knoxville Area						Knox County						
	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023
Active Listings Inventory	-	-	-	-	-	-	-	555	549	486	527	611	665
Median Home Sales Price	\$350,000	\$349,925	\$335,625	\$331,815	\$333,613	\$329,750	\$338,810	\$347,900	\$352,200	\$362,000	\$383,000	\$393,250	\$372,000

(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 July 2023 was \$702.904 billion (down 0.3% from June and up 1.7% from last July.)

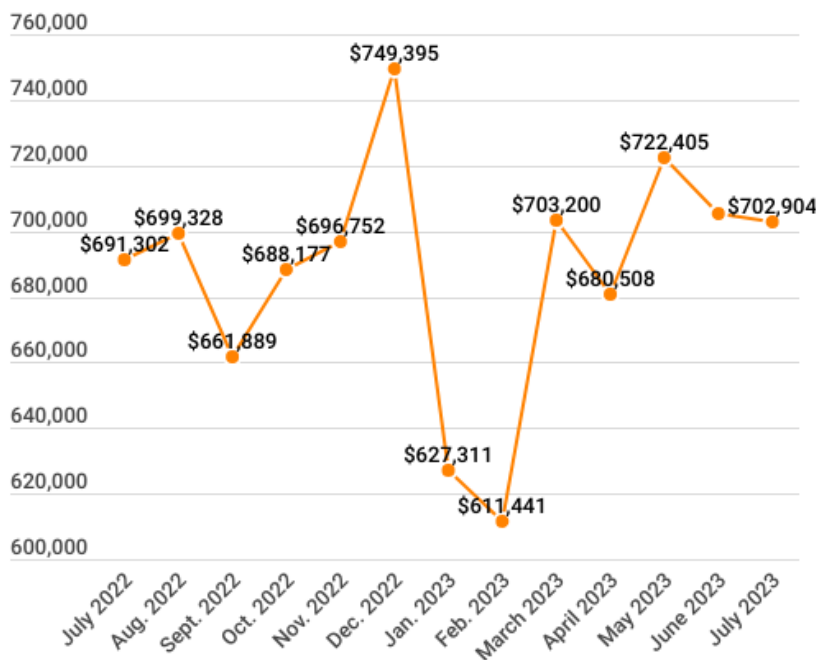
The retail sectors that showed sales growth from last July were General Merchandise Stores (+8.9%), Non-store Retailers (+8.8%), Health and Personal Care Stores (+7.9%), Motor Vehicles and Parts Sales (+6.5%), Food Services and Drinking Places (+4.3%), Food and Beverage Stores (+3.0%), and Electronics and Appliance Stores (+2.6%).

Retail sectors that showed a decline in sales from last July were Gasoline Stations (-22.3%), Furniture and Home Furnishings Stores (-10.4%), Sporting Goods/Books/Hobby/Music Stores (-8.2%), Miscellaneous Stores (-5.9%), Building Materials (-3.2%), and Clothing Stores (-0.6%).

### National Retail Sales

*in Millions of Dollars*

### Total Retail Sales



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

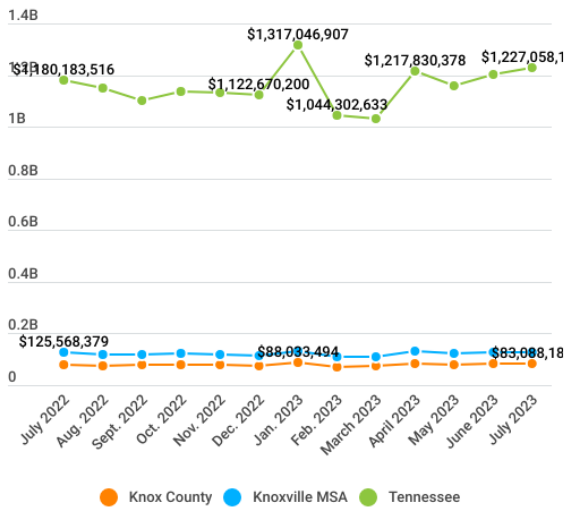
## TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$127.634 million in state sales taxes in July (down 1.0% from June and up 1.6% from last July) and Knox County collected \$83.088 million in July (down 1.3% from June and up 2.7% from last July.) The state of Tennessee collected \$1.227 billion in state sales taxes in July (up 2.1% from June and up 4.0% from last July.)

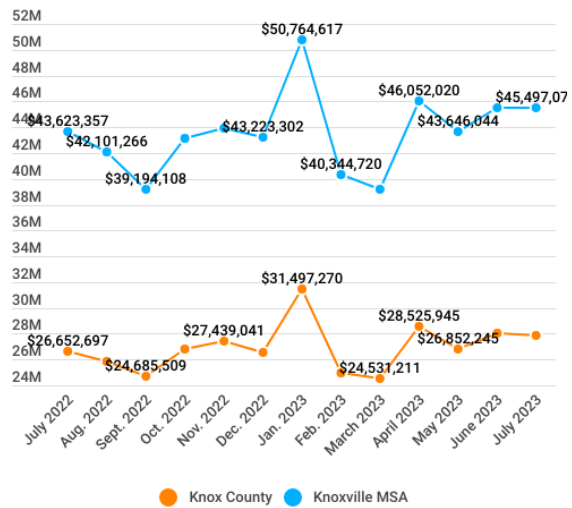
The Knoxville MSA collected \$45.497 million in local sales taxes in July (statistically unchanged from June and up 4.3% from last July) and Knox County collected \$27.896 million (down 0.4% from June and up 4.7% from last July.)

### 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.

**August 1, 2023** – [Hanon Systems](#), a South Korean automotive thermal solutions supplier, announced it would open a new manufacturing facility in Loudon. The company will invest \$170 million and create 600 new jobs in Huntington Park. Hanon Systems will supply thermal solutions including heating ventilation and air conditioning; powertrain cooling; compressor; fluid transport; and electronics and fluid pressure to automakers serving the North American market. You can read more [here](#).

**August 1, 2023** – [Roane State Community College](#) and the [Tennessee College of Applied Technology \(TCAT\) Knoxville](#) held a groundbreaking for the new Knox Regional Health Science Education Center. The 130,000-square-foot facility will be located on the Covenant Health Campus at 9575 Sherrill Boulevard in West Knoxville. This facility will replace Roane State's current Knox County Center for Health Sciences on Hayfield Road. Roane State programs to be offered at the new location will include nursing, EMS, polysomnography, respiratory therapy, cardiovascular technology, healthcare administration, and public health. TCAT Knoxville programs will include dental assisting, phlebotomy, and surgical technology. The new facility is expected to open for students in the fall of 2025. You can read more [here](#).

**August 11, 2023** – [Edfinancial Services](#), a Knoxville-based student loan servicing company, announced it would be adding 500 new jobs to its office location on N. Seven Oaks Drive in the Cedar Bluff area. With the ending of the federal pause on repayment and interest accrual on government-owned student loans due to COVID-19 emergency relief, student loan repayments are scheduled to begin again in September. Open positions range from customer service to loan processing. You can read more [here](#).



## KNOX COUNTY BUSINESS LICENSES

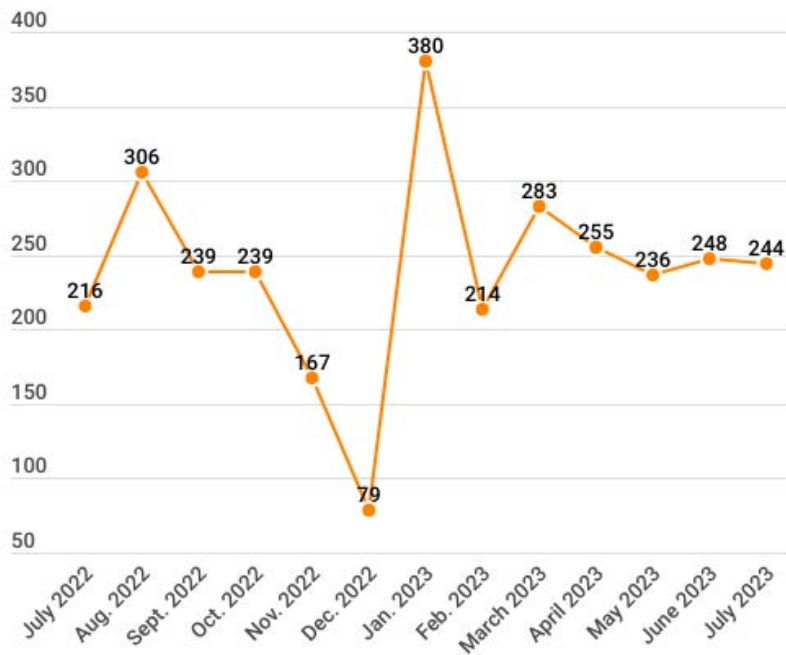
New business licenses issued in July 2023 by Knox County are down 1.6% from June and are up 13.0% from July 2022.

A total of 244 new business licenses were issued in July 2023 compared to 248 in June and 216 in July 2022. The top industry sectors for which business licenses were issued in July 2023 were services, construction, retail, non-classified establishments, and finance/insurance/real estate.

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 276,380 passengers in July (up 3.6% from June’s passenger traffic of 266,736 and up 14.0% from July 2022.) This sets a new all-time monthly passenger record for July.

The total freight recorded in July at TYS was 5,841,597 pounds (down 10.8% from June and down 6.3% from last July.)

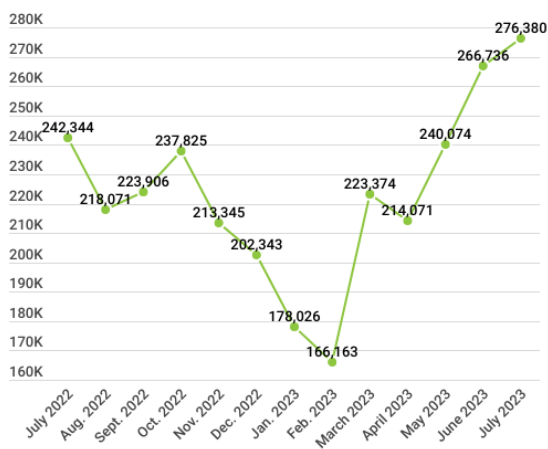
According to the Transportation Security Administration, the average daily number of passengers passing through the nation’s TSA checkpoints in July was 2,564,072 (up 12.0% from the July 2022 daily passenger average of 2,288,742 and down 1.1% from the pre-COVID July 2019 average of 2,592,486.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), “The U.S. market still boasts strong results, with domestic revenue passenger-kilometers (RPKs) 3.0% above the pre-covid level, 11.1% YoY growth, and an average load factor within pre-pandemic territory.” You can read more [here](#).

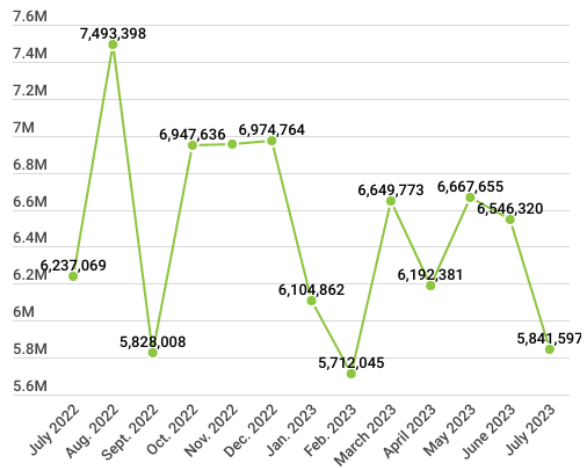
### Air Service

at McGhee-Tyson Airport

#### Passengers



#### Freight



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