SEPTEMBER 2023

ECO

FINANCED BY FIRST HORIZON BANK

Welcome to the September 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

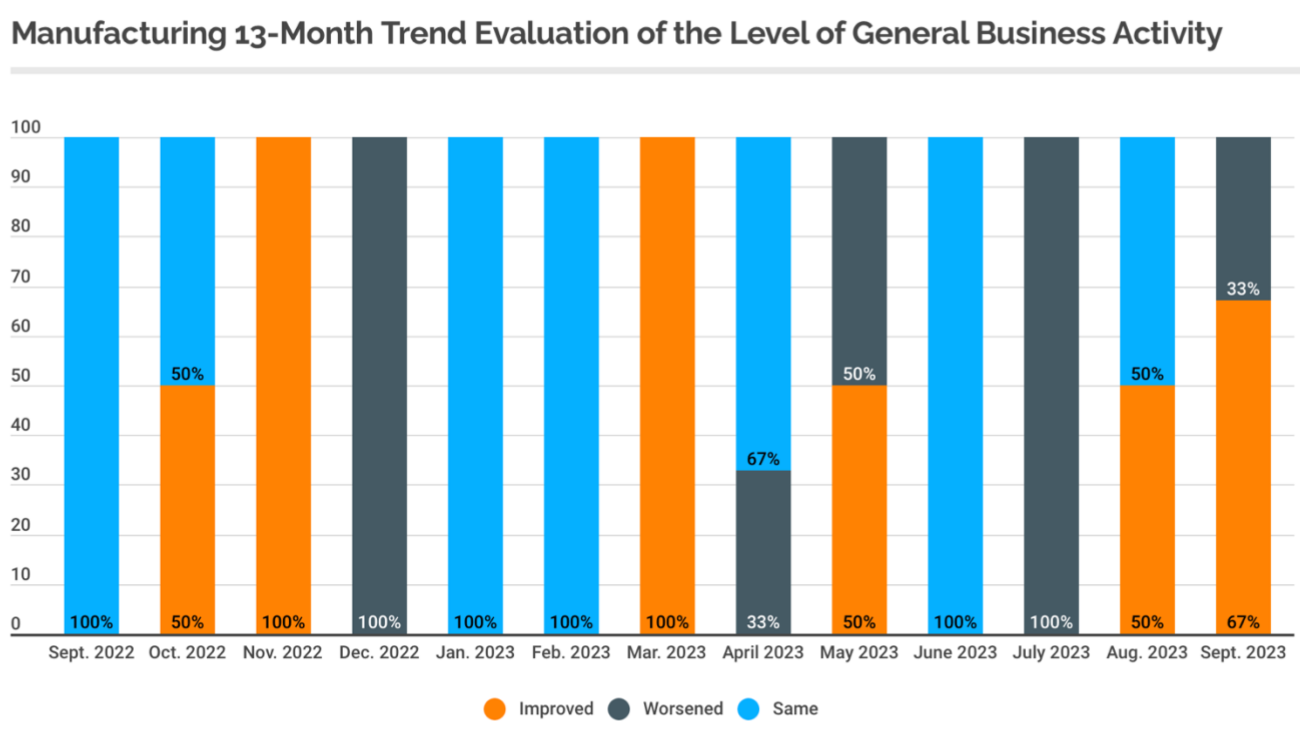
MANUFACTURING

Based on the response to the September survey, the level of general business activity and company outlooks are mostly "improved." (The level of general business activity was evenly split between "improved" and "the same" and company outlooks were reported as mostly "the same" in last month's survey.)

The month-over-month responses in the September survey show mostly "increases" in production, capacity utilization, growth rate of orders, volume of shipments, wages and benefits, number of employees, and capital expenditures. "No changes" are mostly reported for unfilled orders, finished goods inventories, and average employee workweek. "Decreases" are mostly reported for delivery time and prices paid for raw materials. The volume of new orders and prices received for finished goods are "mixed." (The month-over-month responses in the August 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 paid for raw materials, prices received for finished goods, number of employees, the average employee workweek, and capital expenditures. Wages and benefits were split evenly between "increase" and "no change.")

The six-month outlook in September anticipates mostly "increases" for delivery time and wages and benefits. "No changes" are mostly expected for the average employee workweek. All other business indicators are "mixed." (The six-month outlook in August anticipated mostly "increases" in production, volume of new orders, number of employees, and capital expenditures. "No changes" were 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 were evenly split between "increase" and "no change.")

Manufacturing comments indicate that some goods are taking months to ship and receive due to limited availability of slots on ships amid another slowdown in freight and shipping.

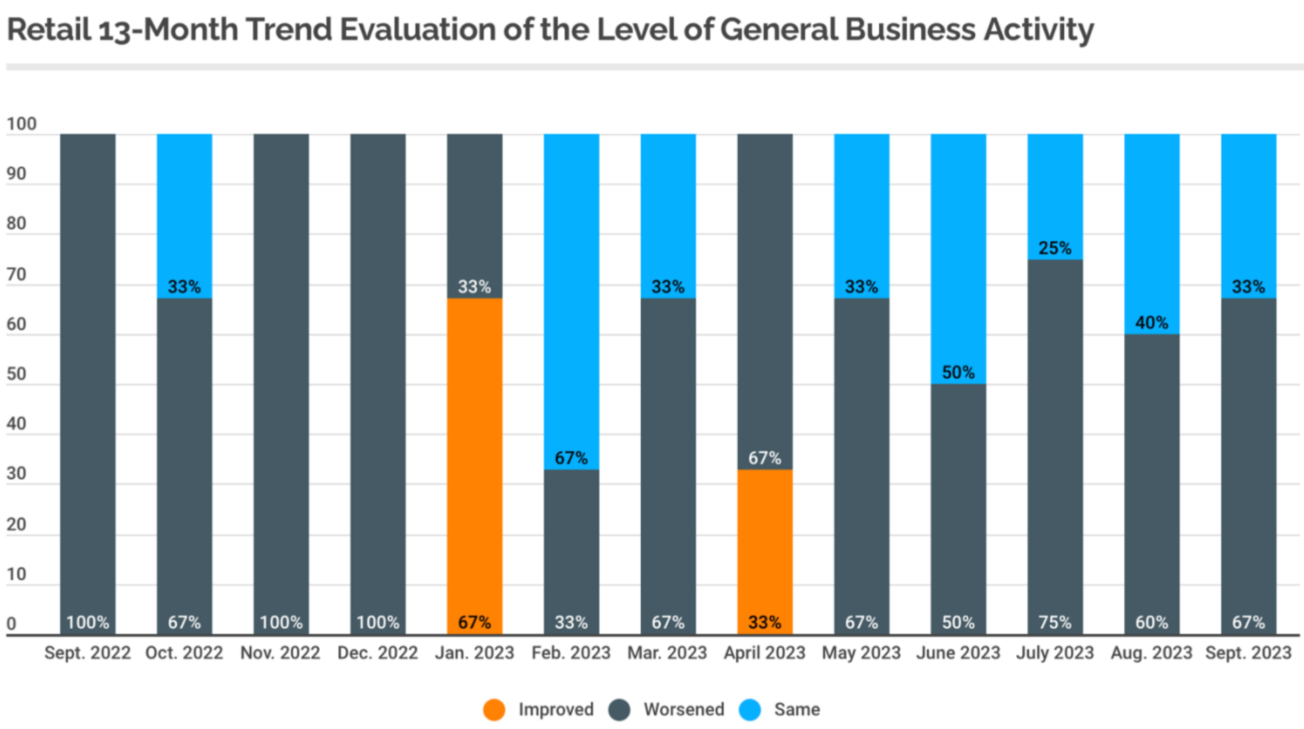


RETAIL

Knoxville area retailers indicated in the September survey that their current level of general business activity and company outlooks have mostly "worsened." (The same sentiment was reported in last month's survey.)

The month-over-month responses in the September survey show mostly "no changes" for internet sales, number of full-time and part-time employees, average employee workweek, selling prices, and inventories. Input prices and capital expenditures have mostly "increased." Net sales revenue has mostly "decreased." Wages and benefits are "mixed." (Month-over-month responses in the August survey showed mostly "increases" in wages and benefits, inventories, and input prices. "Decreases" were mostly reported for net sales revenue, internet sales, and selling prices. "No changes" were mostly reported for the number of full-time and part-time employees and the average employee workweek.)

The six-month retail outlook in September projects mostly "no changes" in internet sales, number of full-time and part-time employees, and average employee workweek. "Decreases" are mostly expected in net sales revenue. "Increases" are mostly anticipated for input prices, selling prices, and capital expenditures. Inventories and wages and benefits are "mixed." (The six-month outlook in August projected mostly "decreases" in net sales revenue, internet sales, selling prices, and capital expenditures. "No changes" were mostly expected in the number of full-time and part-time employees and the average employee workweek. "Increases" were mostly anticipated in wages and benefits, input prices, and inventories.)



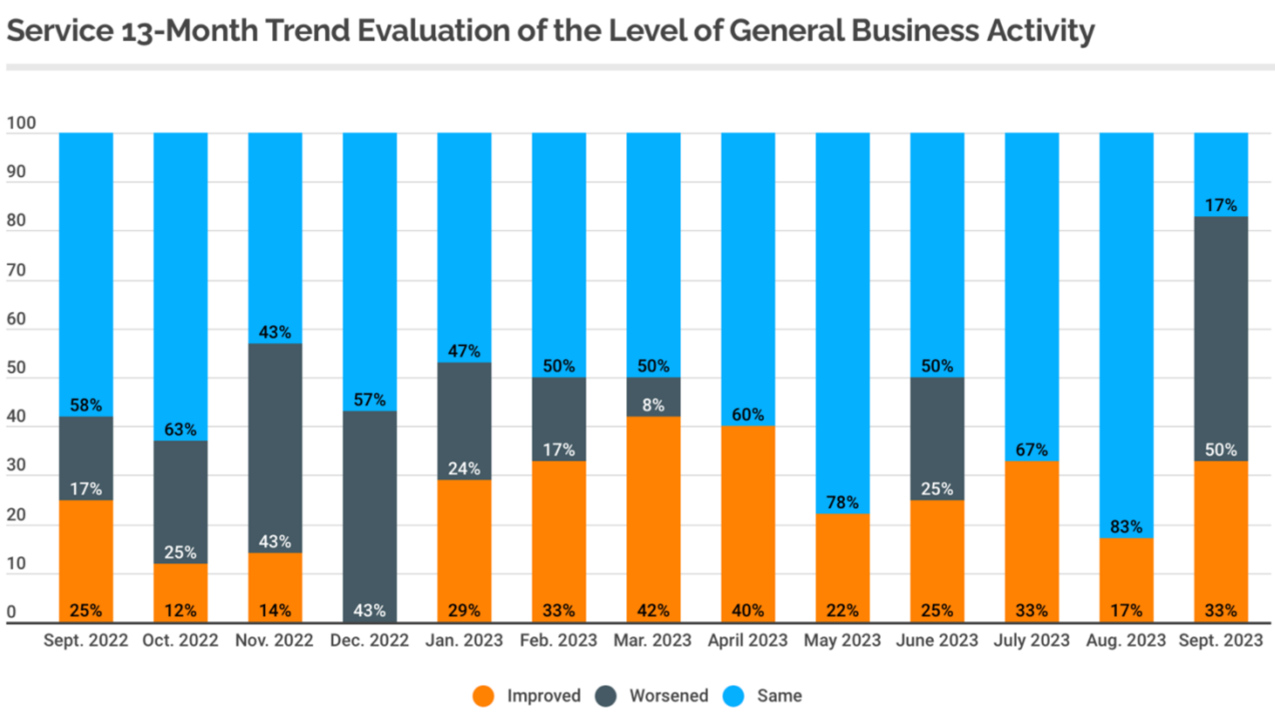
SERVICE

Knoxville area service sector businesses report in the September survey that their evaluation of general business activity is "mixed" and company outlooks are split between "improved" and "the same." (The level of general business activity was reported as mostly "the same" and company outlooks were "mixed" in last month's survey.)

The month-over-month responses in the September survey show mostly "no changes" in the number of full-time and part-time employees, average employee workweek, wages and benefits, and capital expenditures. Revenue and selling prices are somewhat "mixed." Input prices are mostly "increased." (Month-over-month responses in August showed mostly "no changes" in revenue, number of full-time and part-time employees, the average employee workweek, wages and benefits, and capital expenditures. "Increases" were mostly reported for input prices and selling prices.)

The six-month outlook in September projects mostly "no changes" in the number of full-time and part-time employees, average employee workweek, wages and benefits, and selling prices. Mostly "increases" are expected for input prices and capital expenditures. Revenue is somewhat "mixed." (The August survey's six-month outlook projected mostly "no changes" in the number of full-time and part-time employees, the average employee workweek, wages and benefits, and capital expenditures. "Increases" were mostly expected for input prices and selling prices. Revenue was expected to mostly "decrease.")

Service sector comments indicate that some businesses are pulling back on advertising to see how the overall economic conditions evolve in the short-term. Rising fuel costs could impact selling prices. The construction permitting process is delaying and hindering development. Some businesses report having low access to meaningful working capital and poor lending terms.



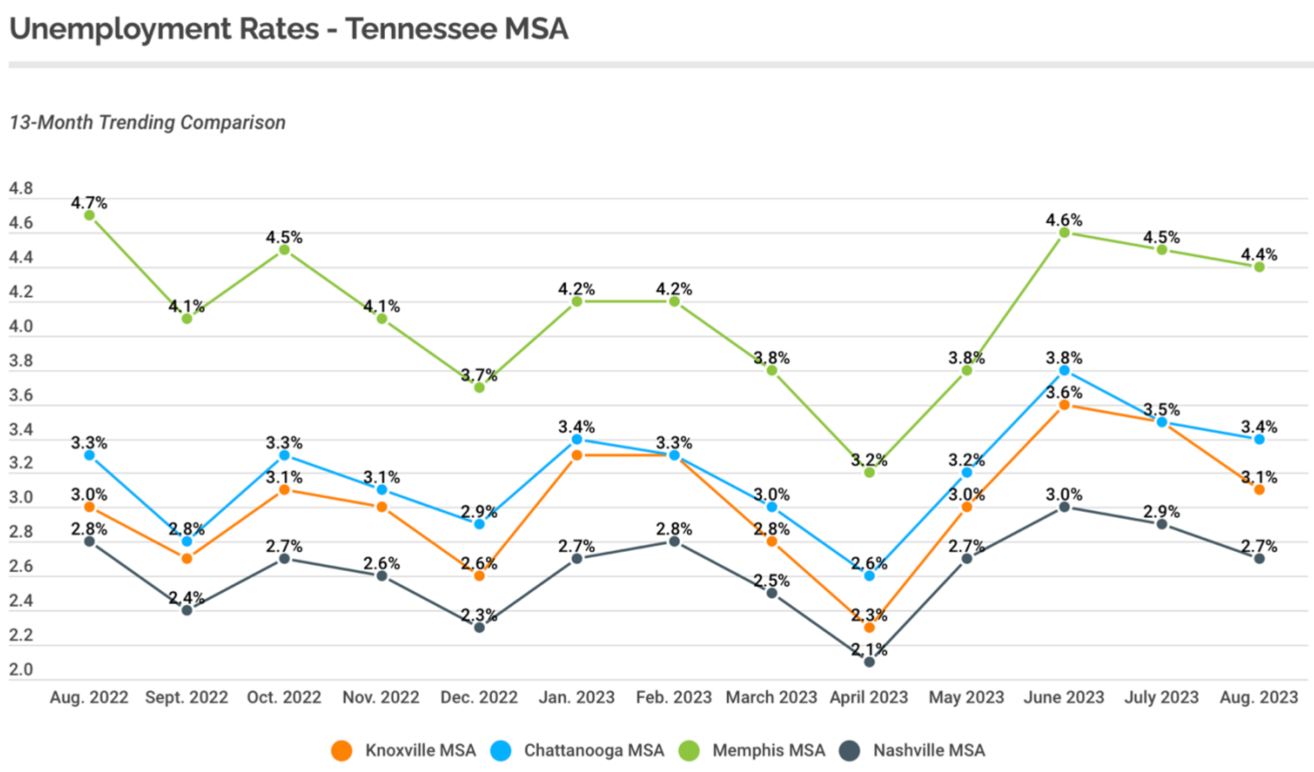
Note: *We are still growing the number of participating companies, so response totals in some areas may be fairly small. If you are interested in being a participant in our monthly surveys, please register at this below link.*
https://www.knoxvillechamber.com/economic-outlook-survey-registration/

LABOR MARKET INFORMATION

The Knoxville MSA's unemployment rate in August was 3.1% (down from 3.5% in July and up from 3.0% in August 2022.) Knox County's unemployment rate in August was 2.9% (down from 3.1% in July and unchanged from August 2022.) Tennessee's unemployment rate was 3.4% in August (down from 3.7% in July and down from the 3.5% rate in last August.) The U.S. unemployment rate was 3.9% in August (up from 3.8% in July and up from 3.8% in last August.)

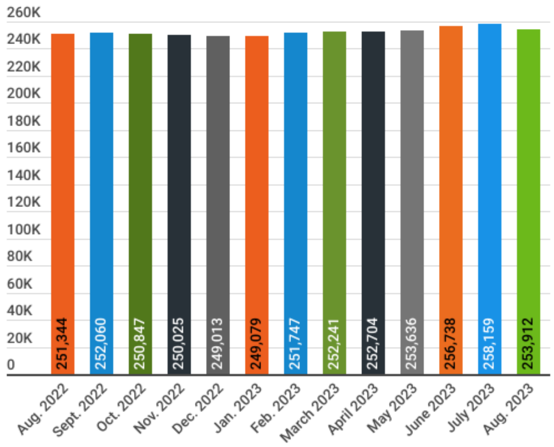
The size of the total labor force decreased from July to August at the local, state, and national levels. The Knoxville MSA's labor force decreased 1.8% from 453,126 in July to 445,115 in August. Knox County's labor force decreased 1.6% from 258,159 in July to 253,912 in August. Tennessee's labor force decreased 1.4% from 3,419,126 in July to 3,370,924 in August. The national labor force decreased 0.2% from 168,354,000 in July to 168,049,000 in August.

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

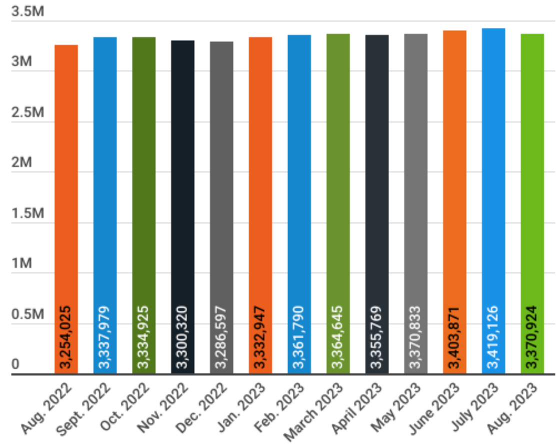


Resident Labor Force

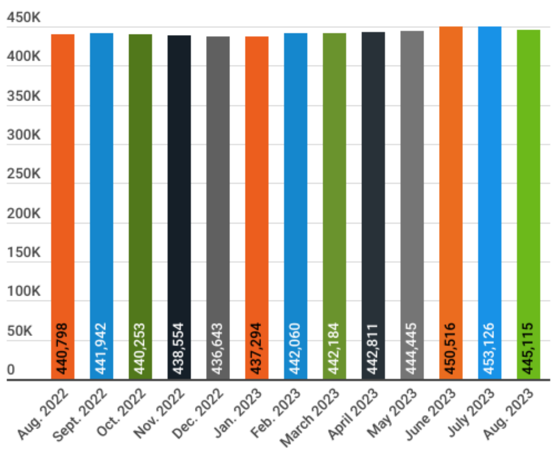
Knox County



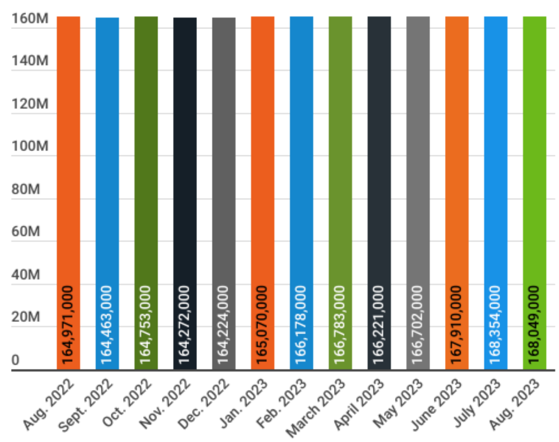
Tennessee



Knoxville MSA



United States



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

JOB MARKET

For the month of August, there were 10,641 unique active job postings in the Knoxville MSA (down 1.6% from July and up 12.2% from last August.) There were 7,221 unique active job postings in Knox County (down 0.9% from July and up 13.4% from this time last year.)

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

Top Ten Industries by Number of Postings

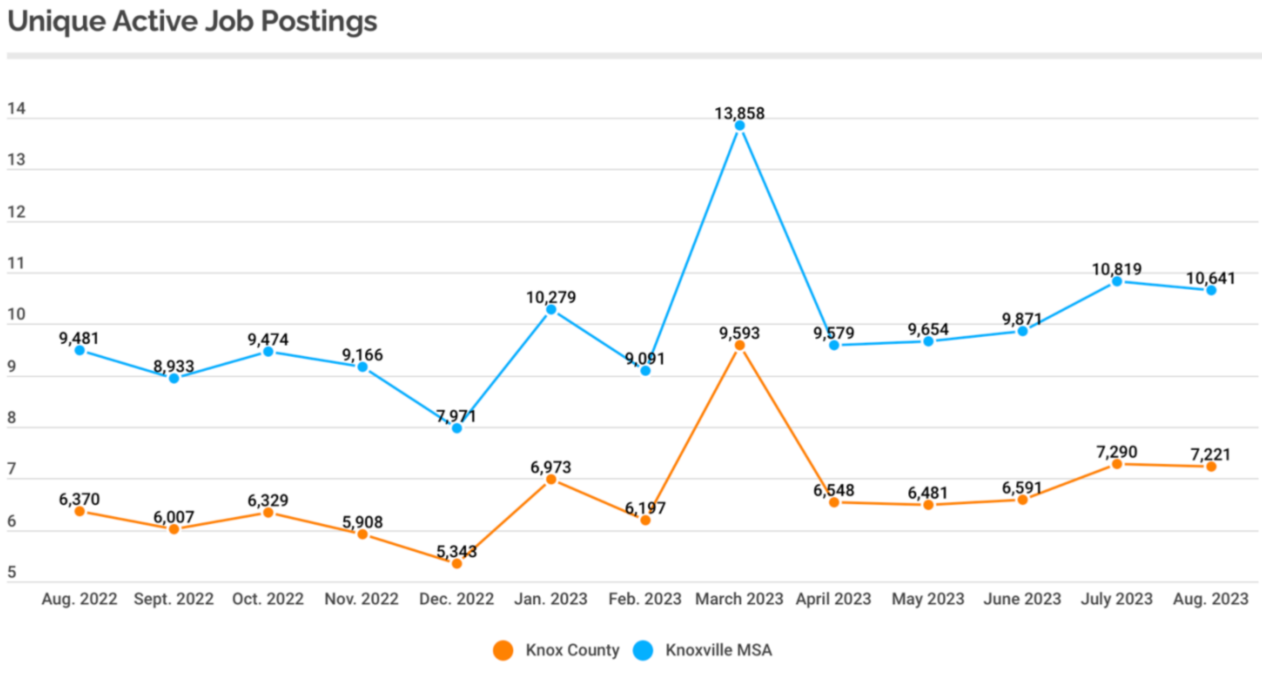
Industry	Number of Postings
Health Care and Social Assistance	1,455
Retail Trade	1,213
Administrative Support, Waste Management and Remediation Services	1,143
Professional, Scientific and Technical Services	878
Accommodation and Food Services	633
Manufacturing	517
Educational Services	451
Other Services	353
Construction	271
Wholesale Trade	249

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

Top Ten Occupations by Number of Postings

Occupation	Number of Postings
Retail Salespersons	490
Registered Nurses	460
First-Line Supervisors of Retail Workers	328
Laborers and Freight, Stock, and Material Movers, Hand	209
Customer Service Representatives	207
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	188
Licensed Practical and Licensed Vocational Nurses	172
Fast Food and Counter Workers	152
Heavy and Tractor-Trailer Truck Drivers	152
Maintenance and Repair Workers, General	148

You can view the 13-month job postings trend for Knox County and the Knoxville MSA below.



(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 September report shows a net gain of 89,000 in private-sector employment (down from the 177,000 jobs gain in August.) Industry sectors showing positive job growth in September include Leisure and Hospitality (+92,000), Financial Activities (+17,000), Construction (+16,000), Education and Health Services (+10,000), Other Services (+6,000), Natural Resources and Mining (+4,000), and Information (+1,000). Industry sectors showing negative job growth in September include Professional and Business Services (-32,000), Trade/Transportation/Utilities (-13,000), and Manufacturing (-12,000).

By establishment size, "Very Small" businesses (with 1-19 employees) gained 67,000 jobs, mid-sized businesses (with 50-249 employees) gained 55,000 jobs, "Other Small" businesses (with 20-49 employees) gained 28,000 jobs, and mid-sized businesses (with 250-499 employees) gained 17,000 jobs. The job gains were offset by large businesses (with 500+ employees) which lost 83,000 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 August and only 5.9 million hires, meaning there are 1.6 job openings for every unemployed person.

In August, the largest increases in U.S. job openings were in professional and business services (+509,000), financial activities (+86,000), other services (+75,000), manufacturing (+72,000), and health care and social assistance (+40,000).

The largest decreases in job openings were in accommodation and food services (-55,000), retail trade (-48,000), transportation/warehousing/utilities (-47,000), information (-20,000), and wholesale trade (-15,000).

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 August 2022 to August 2023 is 3.7%. This is up from the 3.2% rate from July 2022 to July 2023. Last year, the national inflation rate was 8.3% from August 2021 to August 2022.

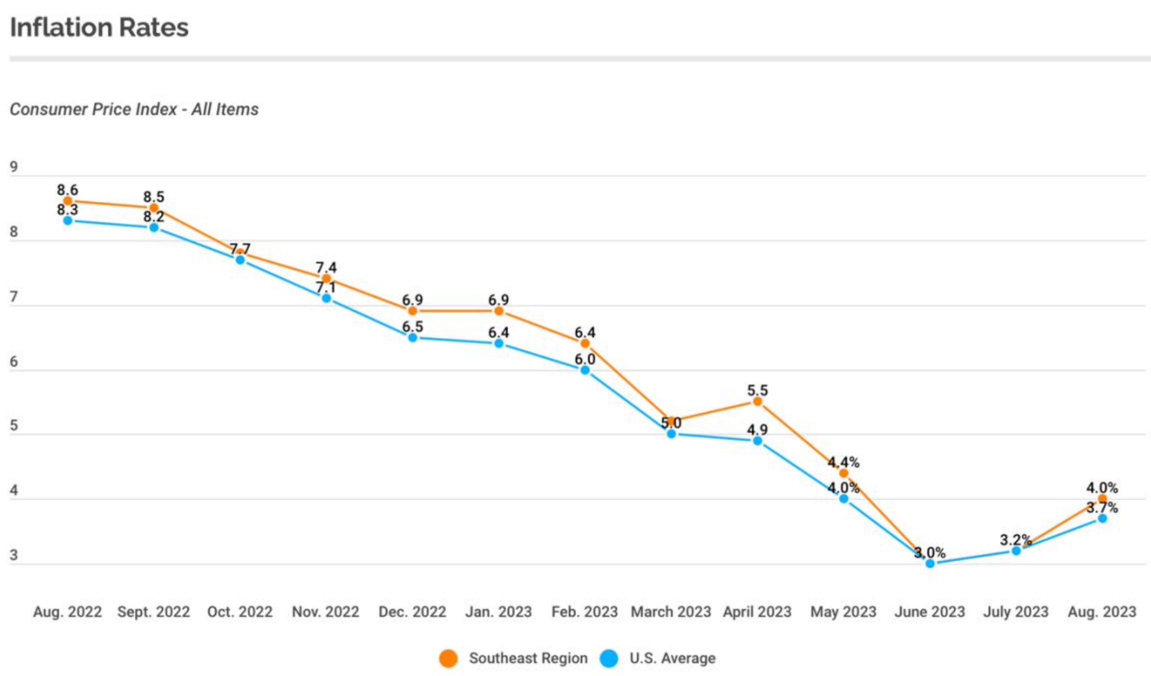
The August CPI report marks the fourteenth straight month that year-over-year inflation is below the June 2022 CPI peak high of 9.1%. While this continues to be an encouraging sign that runaway inflation may be winding down, high prices will likely linger longer.

From a year ago, auto repair services are up 12.0%, housing prices are up 7.3%, eating out prices are up 6.5%, apparel is up 3.1%, groceries are up 3.0%, new vehicle prices are up 2.9%, and electricity costs are up 2.1%.

Natural gas prices are down 16.5%, airline fares are down 13.3%, gasoline prices are down 3.3%, and used car prices are down 6.6%.

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 4.0% for the August 2022 to August 2023 period. This is up from 3.2% in the July 2022 to July 2023 period. Last year, the rate was 8.6% from August 2021 to August 2022.



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

HOUSING MARKET

Home sales in East Tennessee increased 10.2% in August to a seasonally adjusted annual rate (SAAR) of 17,957. Similarly, home sales in Knox County rose 11.1% from the previous month to a seasonally adjusted annual rate (SAAR) of 6,535. Compared to the previous year, home sales were down 15.4% in the East Tennessee region and 20.3% in Knox County.

Nationally, existing-home sales declined in August to a seasonally-adjusted annual rate of 4.04 million — down 0.7% from the previous month and 15.3% from a year ago. Home sales in the South fell 1.1% from the previous month and 12.4% from a year ago.

The median home sales price in the East Tennessee region was $350,000 in August, up 7.7% from a year ago. Knox County's median home sale price was $385,000, an increase of 10% from a year ago.

Half of the homes sold across the East Tennessee region when under contract within 10 days or less, up from 8 days the previous month. 28% of homes sold for more than the asking price, down from 30% the previous month. 13.9% of homes sold for at least $10,000 over asking and 4.7% sold for at least $25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 11.8% of total home sales.

Active inventory in the East Tennessee region increased slightly throughout August. Overall, active listings are slightly below 2022 levels but remain well below pre-pandemic levels.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2.4 months.

Apartment rent growth continues to moderate. After reaching annual growth of nearly 21% in July 2022, rents across the Knoxville MSA increased 3.9% from the previous year in August compared to 0.28% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at East Tennessee REALTORS®, "While home sales are well below 2022 levels, East Tennessee's housing market remains highly competitive because of the relatively low number of available homes on the market. This competition has boosted home prices, which in August experienced the strongest annual jump in well over a year. Knox County's housing market has been particularly strong, with half of the homes listed for sale last month going under contract within 4 days or less. With mortgage rates in September surging to their highest level since the year 2000, I suspect we will see buying activity decline in the last quarter of the year."

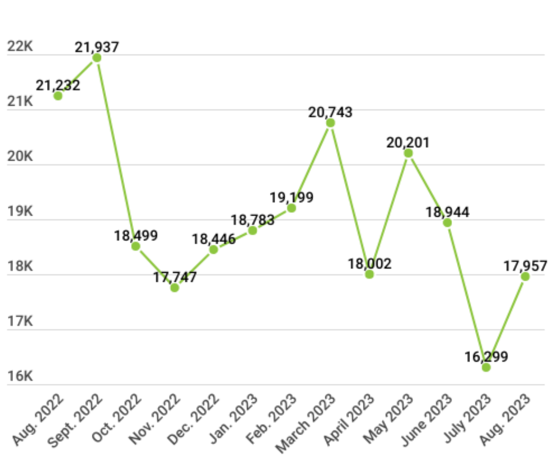
You can also subscribe to the East Tennessee REALTORS® monthly *Market Pulse Newsletter* **here**.

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.

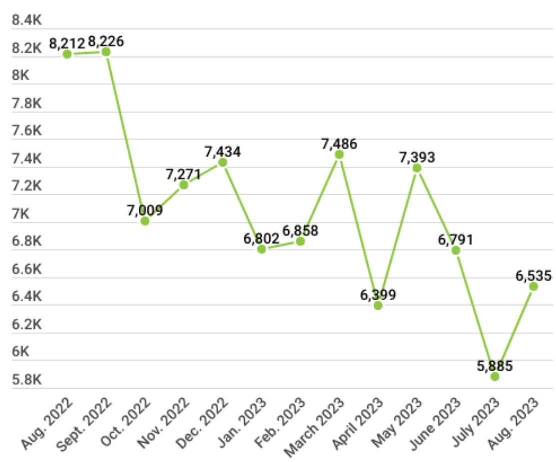
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

Knoxville Area | Knox County

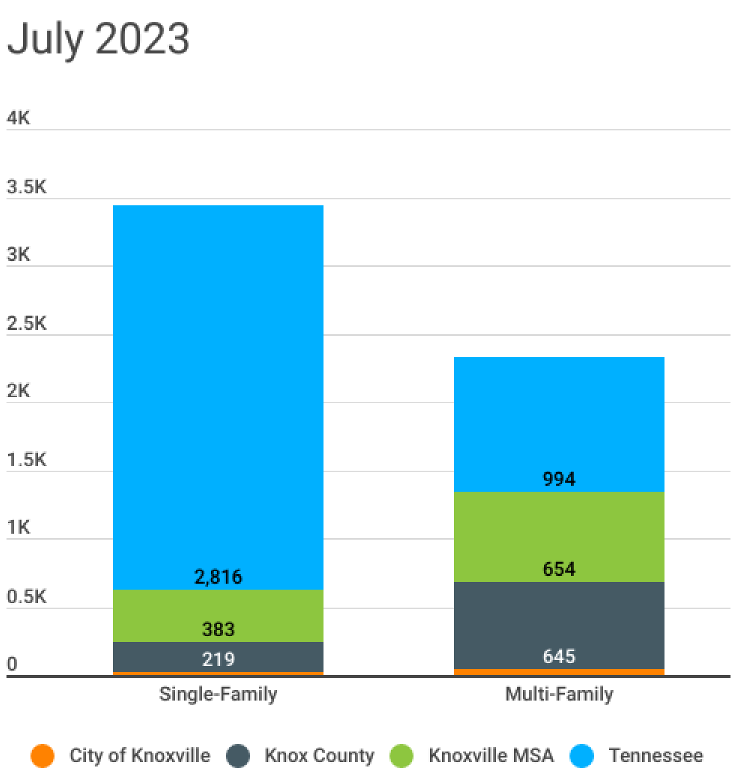
	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023
Active Listings Inventory	3,725	3,683	3,944	3,807	3,220	2,996	2,817	2,816	2,856	3,111	3,276	3,440	3,684
Median Home Sales Price	$325,000	$322,650	$315,000	$312,000	$318,000	$316,000	$316,000	$325,000	$325,000	$335,000	$350,000	$350,000	$350,000
Months Inventory	1.98	2.00	2.18	2.24	2.05	1.91	1.77	1.81	0.92	1.90	2.10	2.20	2.40

Knoxville Area	Knox County

	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023
Active Listings Inventory	-	-	-	-	-	-	555	549	486	527	611	665	751
Median Home Sales Price	$349,925	$335,625	$331,815	$333,613	$329,750	$338,810	$347,900	$352,200	$362,000	$383,000	$393,250	$372,000	$385,000

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

Residential Building Permits



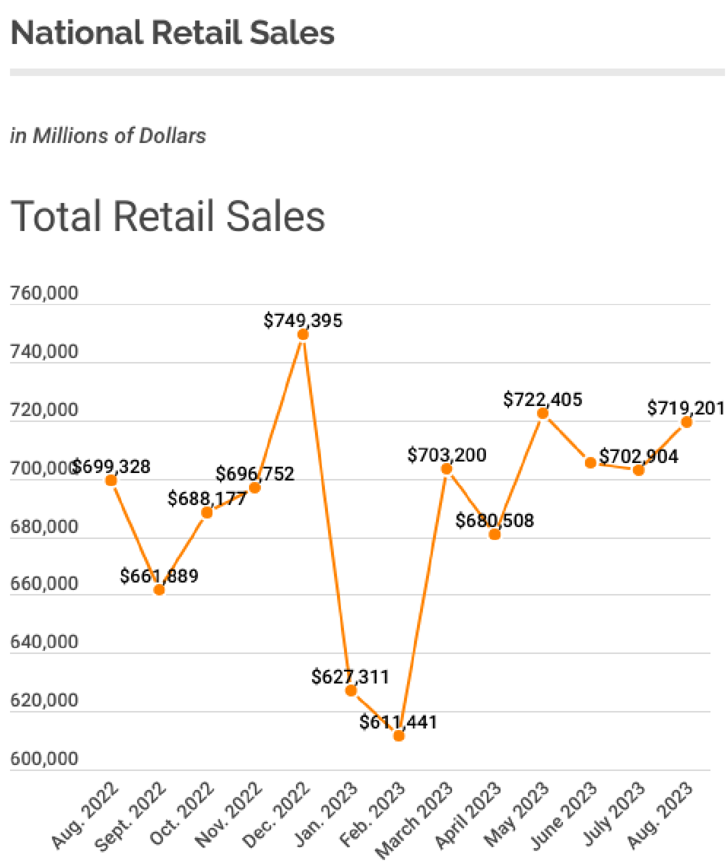
(Sources: U.S. Housing & Urban Development – SOCDS – State of the Cities Data Systems; U.S. Census Bureau – Building Permits Survey)

NATIONAL RETAIL SALES

The total advance monthly retail sales estimate for August 2023 was $719.201 billion (up 2.3% from July and up 2.8% from last August.)

The retail sectors that showed sales growth from last August were Health and Personal Care Stores (+8.6%), Non-store Retailers (+8.4%), General Merchandise Stores (+6.7%), Food Services and Drinking Places (+5.7%), Motor Vehicles and Parts Sales (+4.9%), Food and Beverage Stores (+3.8%), Clothing Stores (+3.8%), and Electronics and Appliance Stores (+2.9%).

Retail sectors that showed a decline in sales from last August were Gasoline Stations (-12.9%), Sporting Goods/Books/Hobby/Music Stores (-8.6%), Miscellaneous Stores (-6.4%), Furniture and Home Furnishings Stores (-5.9%), and Building Materials (-2.3%).

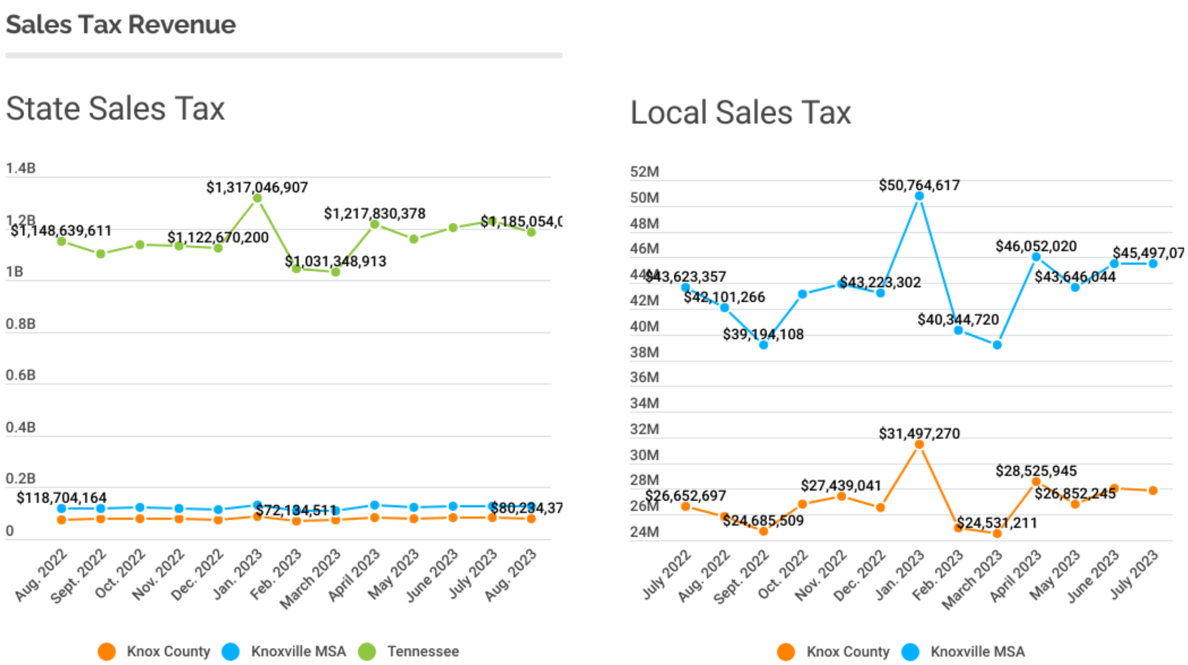


(Source: U.S. Census Bureau; Advance Monthly Retail Trade Reports; Not Adjusted)

TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected $125.295 million in state sales taxes in August (down 1.8% from July and up 5.6% from last August) and Knox County collected $80.234 million in August (down 3.4% from July and up 5.3% from last August.) The state of Tennessee collected $1.185 billion in state sales taxes in August (down 3.4% from July and up 3.2% from last August.)

The Knoxville MSA collected $44.889 million in local sales taxes in August (down 1.3% from July and up 6.6% from last August) and Knox County collected $27.121 million (down 2.8% from July and up 5.0% from last August.)



(Source: Tennessee Department of Revenue)

TENNESSEE RANKED #3 BY AREA DEVELOPMENT MAGAZINE AS A 2023 TOP STATE FOR DOING BUSINESS

Area Development Magazine polls a panel of site selectors in fourteen different categories annually to rank the "Top States for Doing Business." States in the southeast dominate the Top 10 list as they have established attractive business incentives, workforce programs, and a generally business-friendly attitude. Labor markets in southeastern states also tend to be favorable in terms of cost, availability, and "right-to-work" status.

Tennessee ranked #3 overall with the other top ten states being #1 Georgia (for the 10th straight year in a row), #2 South Carolina, #4 North Carolina, #5 Ohio, #6 Alabama, #7 Indiana, #8 Texas, #9 Virginia, and #10 Mississippi.

By category, Tennessee ranked #6 for Workforce Training Programs, #3 for Overall Cost of Doing Business, #5 for Business Incentives Programs, #8 for Competitive Labor Market, #2 for Energy Availability and Costs, #3 for Water Availability, #7 for Logistics and Infrastructure, #7 for Available Real Estate, #2 for Cooperative and Responsive State Government, #4 for Corporate Tax Structure, #4 for Site-Readiness Programs, #4 for Favorable Regulatory Environment, and #5 for Speed of Project Permitting. The only category that Tennessee did not rank in the top ten was for Access to Capital and Funding.

The report highlighted Tennessee as having the second-lowest state and local tax burden per capita, as well as no income tax on wages. Tennessee consistently ranks near the top for energy availability and costs due to the rates charged by local power providers served by the Tennessee Valley Authority (TVA) which sets rates below roughly 70% of the country. 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.

September 20, 2023 – Trillium Renewable Chemicals, a Knoxville-based startup that is pioneering the development of a new chemical manufacturing process to produce acrylonitrile from glycerol, announced a partnership with **Zeton** to design the world's first demonstration plant to convert plant-based glycerol into acrylonitrile, deemed "Project Falcon." You can read more **here**.

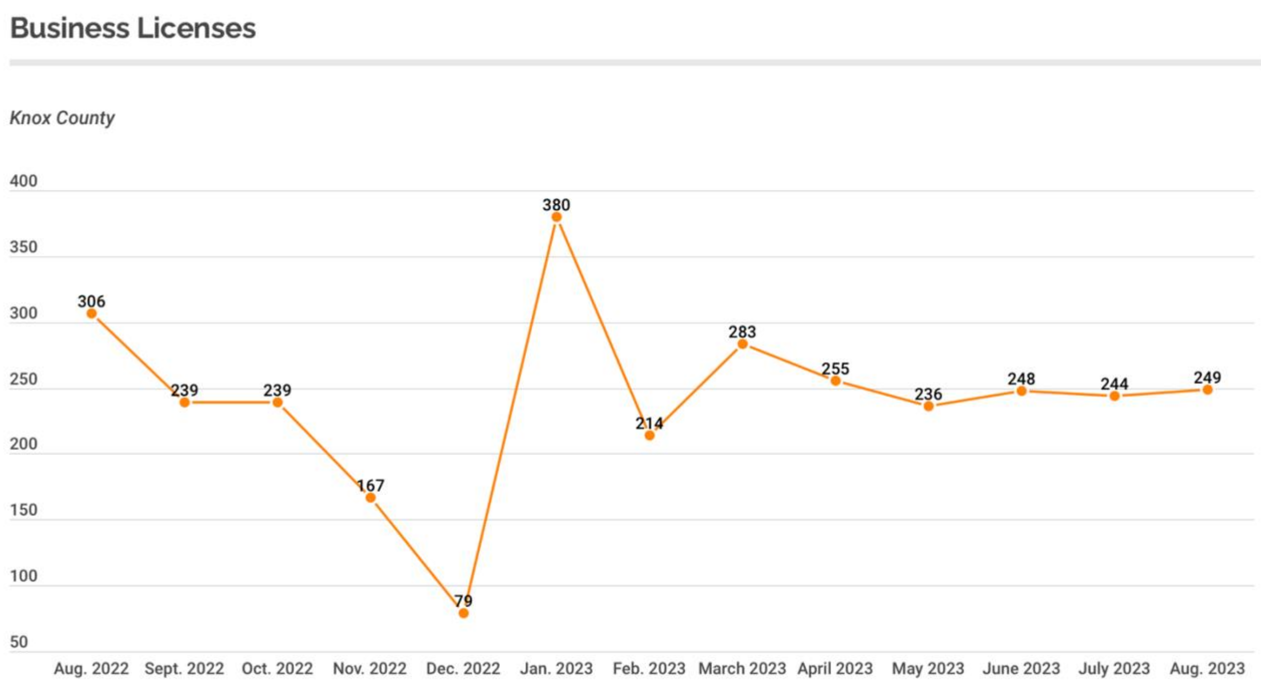
September 22, 2023 – DePre, a joint venture between **DeRoyal Industries** and **Premier, Inc.**, will establish a headquarters and manufacturing operation on West Beaver Creek Road in Powell. The $10.3 million facility will manufacture medical isolation gowns using an automated process that will be capable of producing two gowns per second to support Premier's portfolio of over 4,350 hospitals across the U.S. and create 26 new jobs. You can read more **here**.

KNOX COUNTY BUSINESS LICENSES

New business licenses issued in August 2023 by Knox County are up 2.0% from July and are down 18.6% from August 2022.

A total of 249 new business licenses were issued in August 2023 compared to 244 in July and 306 in August 2022. The top industry sectors for which business licenses were issued in August 2023 were services, non-classified establishments, construction, and retail.

Below is a chart showing the 13-month trend of business licenses issued by Knox County.



(Source: Knox County Clerk)

OAK RIDGE NATIONAL LABORATORY LAUNCHES CENTER FOR ARTIFICIAL INTELLIGENCE SECURITY RESEARCH

Oak Ridge National Laboratory (ORNL) recently announced the establishment of the **Center for AI Security Research (CAISER)** in partnership with federal agencies such as the Air Force Research Laboratory's Information Directorate and the Department of Homeland Security's Science and Technology Directorate to address vulnerabilities, threats, and risks to things such as individual privacy and international security related to emerging and advanced artificial intelligence (AI). Governments and industries around the world are adopting AI and want to take advantage of the benefits it promises in data processing, operational efficiencies, and decision making. CAISER will provide a dedicated research center for the lab's experts and collaborators to: lead basic and applied scientific research into the vulnerabilities, risks, and national security threats related to AI; develop capabilities to test and evaluate the robustness and vulnerabilities of AI tools and products; produce strategic reports and scientific studies in collaboration with industry and national security partners; and provide educational outreach and information to inform the public, policymakers, and the national security community. You can read more **here**.

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 246,799 passengers in August (down 10.7% from July's passenger traffic of 276,380 and up 13.2% from August 2022.)

The total freight recorded in August at TYS was 6,973,982 pounds (up 19.4% from July and down 6.9% from last August.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in August was 2,423,609 (up 10.6% from the August 2022 daily passenger average of 2,190,714 and up 2.7% from the pre-COVID August 2019 average of 2,359,247.) You can view the daily TSA checkpoint travel numbers **here**.

According to the **International Air Transport Association (IATA),** "In the U.S., both capacity and passenger traffic continued to achieve growth over pre-Covid levels. Available seat-kilometers (ASKs) and revenue passenger-kilometers (RPKs) climbed 9.6% and 11.2% YoY, respectively." You can read more **here**.

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