

OCTOBER 2023



FINANCED BY FIRST HORIZON BANK

Welcome to the October 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

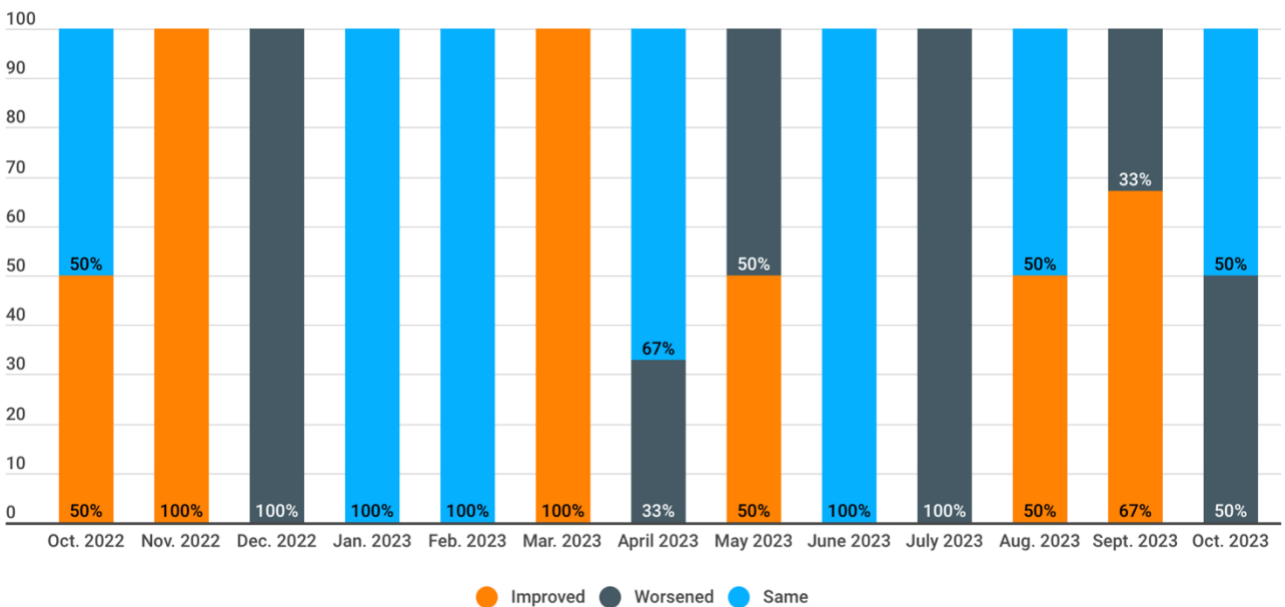
MANUFACTURING

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

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

The six-month outlook in October anticipates “no changes” in unfilled orders, delivery time, prices paid for raw materials, prices received for finished goods, and average employee workweek. Production is “increased.” Capacity utilization, finished goods inventories, wages and benefits, number of employees, and capital expenditures are evenly split between “increase” and “no change.” The volume of new orders and the volume of shipments are evenly split between “increase” and “decrease.” The growth rate of orders is split between “decrease” and “no change.” (The six-month outlook in September anticipated mostly “increases” for delivery time and wages and benefits. “No changes” were mostly expected for the average employee workweek. All other business indicators were “mixed.”)

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



RETAIL

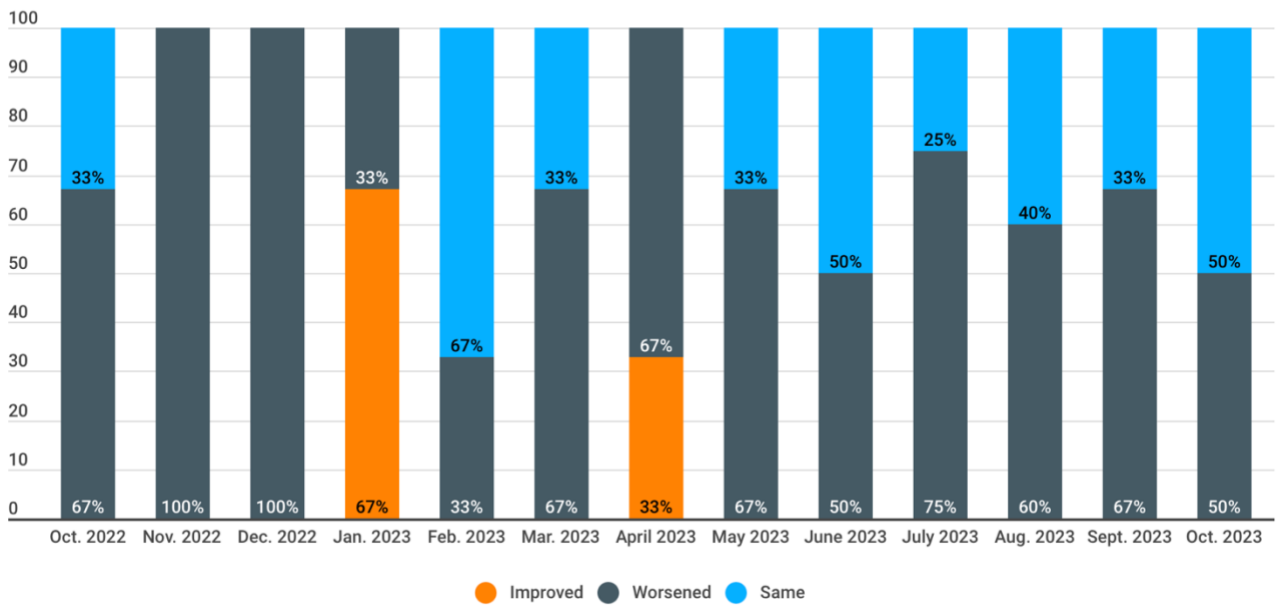
Knoxville area retailers indicated in the October survey that their level of general business activity is split between “worsened” and “no change.” Company outlooks are “mixed.” (The level of general business activity and company outlooks were mostly reported as “worsened” in last month’s survey.)

The month-over-month responses in the October survey show mostly “no changes” in internet sales, number of full-time and part-time employees, average employee workweek, input prices, and selling prices. Net sales revenue and inventories have mostly “decreased.” Capital expenditures have mostly “increased.” Wages and benefits are “mixed.” (Month-over-month responses in the September survey showed 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 had mostly “increased.” Net sales revenue had mostly “decreased.” Wages and benefits were “mixed.”)

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

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



SERVICE

Knoxville area service sector businesses report in the October 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 “mixed” and company outlooks were split between “improved” and “the same” in last month’s survey.)

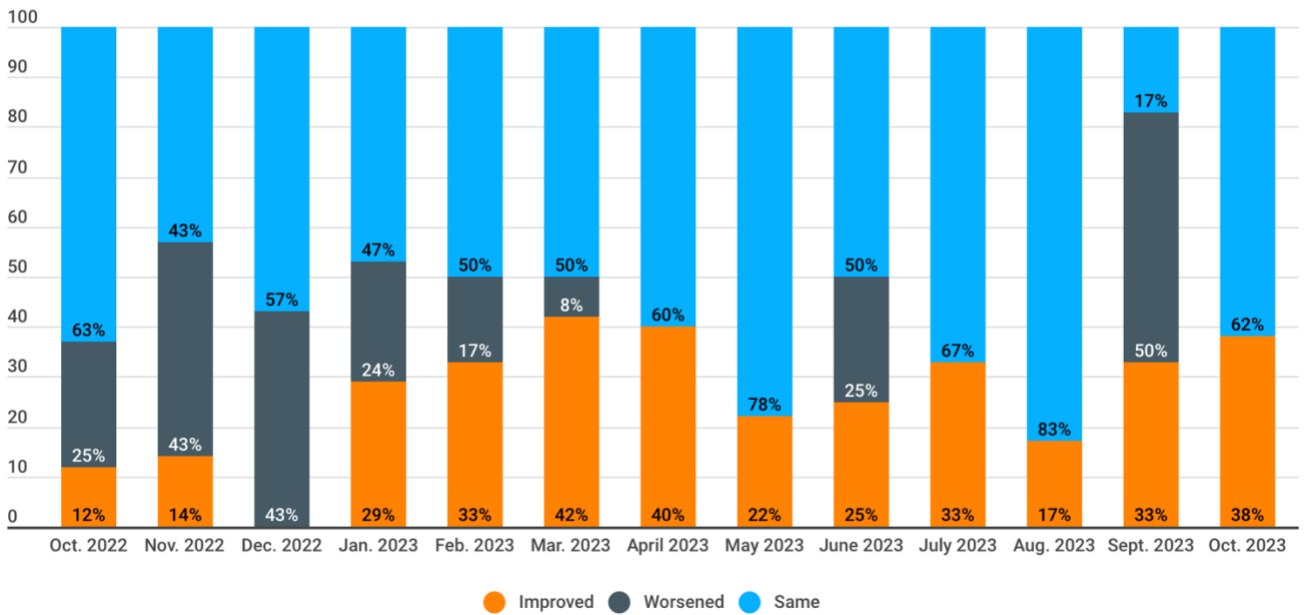
The month-over-month responses in the October survey show mostly “increases” in revenue and input prices. The number of full-time and part-time employees, average employee workweek, wages and benefits, selling prices, and capital expenditures are mostly split between “increase” and “no changes.”

(Month-over-month responses in September showed 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 were somewhat “mixed.” Input prices were mostly “increased.”)

The six-month outlook in October projects mostly “increases” in revenue, input prices, and capital expenditures. “No changes” are mostly expected in the number of part-time employees and selling prices. The number of full-time employees and wages and benefits are split evenly between “increase” and “no change.” The average employee workweek is “mixed.” (The September 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, and selling prices. Mostly “increases” were expected for input prices and capital expenditures. Revenue was somewhat “mixed.”)

Service sector comments indicate that higher interest rates are impairing some projects.

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

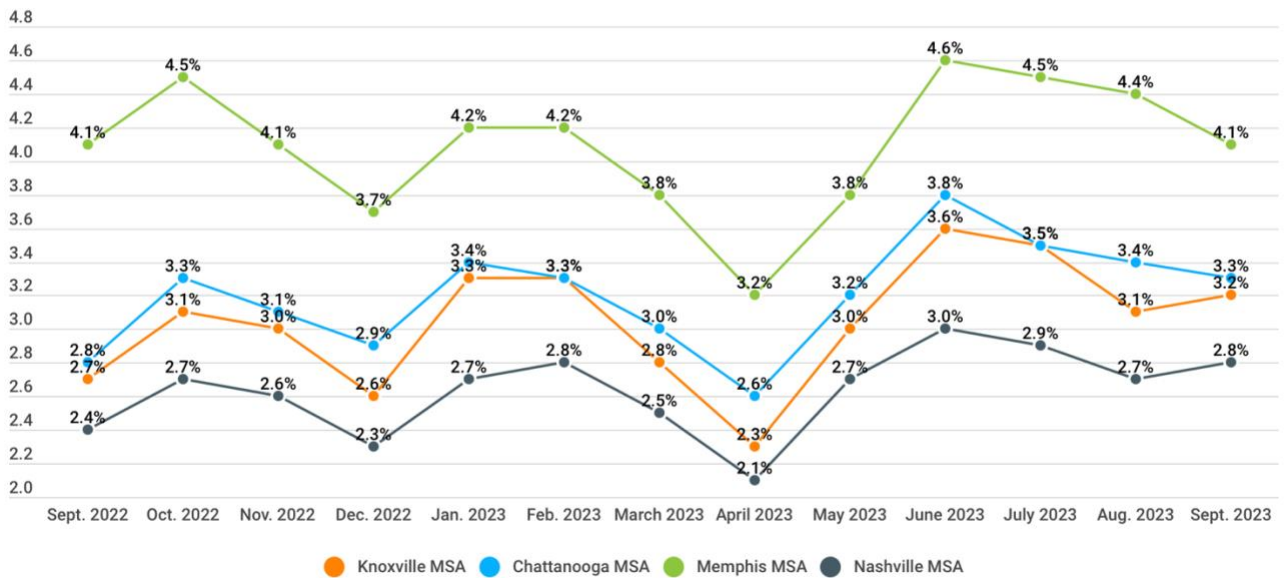
The Knoxville MSA’s unemployment rate in September was 3.2% (up from 3.1% in August and up from 2.7% in September 2022.) Knox County’s unemployment rate in September was 3.0% (up from 2.9% in August and up from 2.4% in September 2022.) Tennessee’s unemployment rate was 3.4% in September (unchanged from August and up from the 3.0% rate in last September.) The U.S. unemployment rate was 3.6% in September (down from 3.9% in August and up from 3.3% in last September.)

The size of the total labor force increased from August to September at the local and state levels. The Knoxville MSA’s labor force increased 1.1% from 445,115 in August to 449,813 in September. Knox County’s labor force increased 1.0% from 253,912 in August to 256,569 in September. Tennessee’s labor force increased 0.5% from 3,370,924 in August to 3,388,921 in September. Meanwhile, the national labor force decreased 0.2% from 168,049,000 in August to 167,718,000 in September.

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

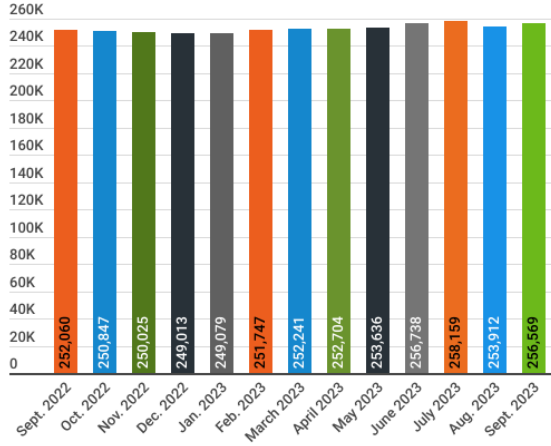
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

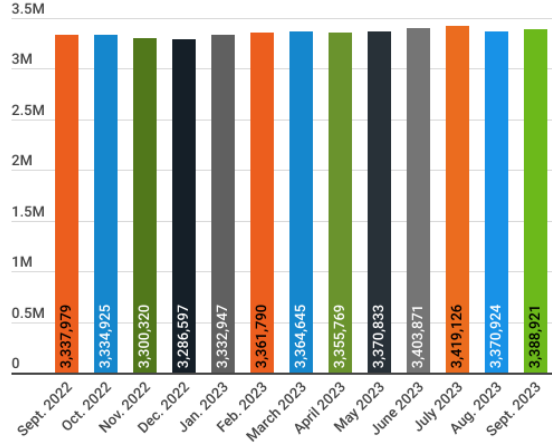


Resident Labor Force

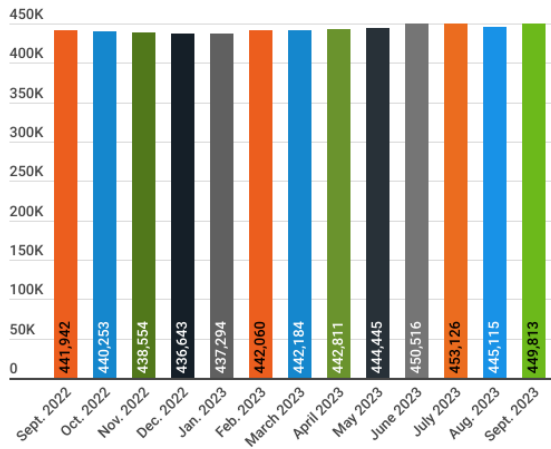
Knox County



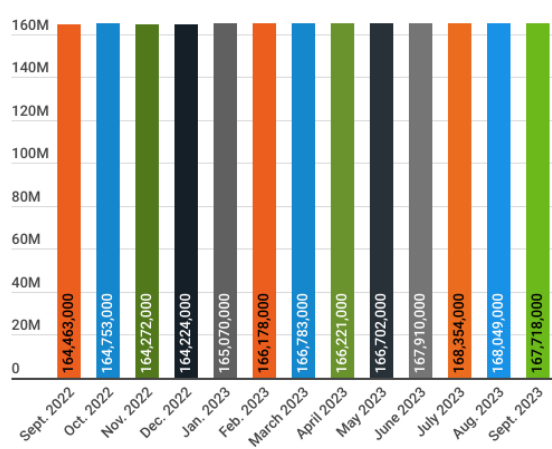
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of September, there were 9,864 unique active job postings in the Knoxville MSA (down 7.3% from August and up 10.4% from last September.) There were 6,290 unique active job postings in Knox County (down 12.9% from August and up 4.7% from this time last year.)







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

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	1,181
	Retail Trade	1,137
	Administrative Support, Waste Management and Remediation Services	1,033
	Professional, Scientific and Technical Services	737
	Accommodation and Food Services	641
	Manufacturing	481
	Construction	394
	Transportation/Warehousing	380
	Educational Services	373
	Other Services	322

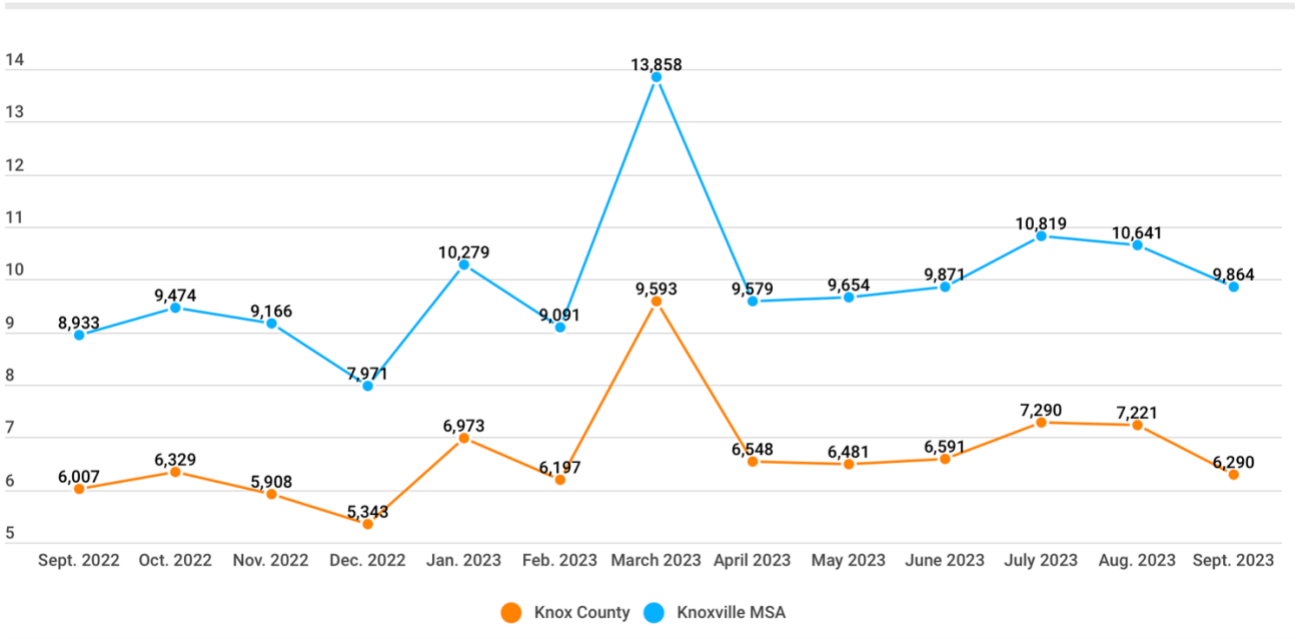
The Top 10 occupations (by number of job postings) in the Knoxville MSA in September were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	382
	Retail Salespersons	371
	Heavy and Tractor-Trailer Truck Drivers	311
	First-Line Supervisors of Retail Workers	267
	Laborers and Freight, Stock, and Material Movers, Hand	247
	Customer Service Representatives	197
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	193
	Fast Food and Counter Workers	184
	Licensed Practical and Licensed Vocational Nurses	146
	Food Service Managers	145

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 October report shows a net gain of 113,000 in private-sector employment (up from the 89,000 net jobs gain in September.) Industry sectors showing positive job growth in October include Education and Health Services (+45,000), Trade/Transportation/Utilities (+35,000), Financial Activities (+21,000), Leisure and Hospitality (+17,000), Construction (+4,000), and Manufacturing (+3,000). Industry sectors showing negative job growth in October include Professional and Business Services (-10,000), Natural Resources and Mining (-1,000), and Other Services (-1,000). Information was unchanged.

By establishment size, mid-sized businesses (with 50-249 employees) gained 96,000 jobs, "Very Small" businesses (with 1-19 employees) gained 21,000 jobs, and large businesses (with 500+ employees) gained 18,000 jobs. The job gains were offset by mid-sized businesses (with 250-499 employees) which lost 18,000 jobs and "Other Small" businesses (with 20-49 employees) which lost 2,000 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 and only 5.9 million hires in September (both unchanged from August), meaning there are 1.6 job openings for every unemployed person.

In September, the largest increases in U.S. job openings were in accommodation and food services (+141,000), financial activities (+94,000), construction (+56,000), transportation/warehousing/utilities (+42,000), arts/entertainment/recreation (+39,000), manufacturing (+23,000), retail trade (+23,000), and wholesale trade (+23,000).

The largest decreases in job openings were in other services (-124,000), professional and business services (-105,000), health care and social assistance (-50,000), and information (-41,000).

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](#).

TENNESSEE BUSINESSES MORE POSITIVE ABOUT THE STATE'S ECONOMY THAN THE NATIONAL ECONOMY

Results from the Summer 2023 Tennessee Business Leaders Survey conducted by the [University of Tennessee Boyd Center for Business and Economic Research](#) show that 37% of businesses statewide and 39% of East Tennessee businesses expect the U.S. economy to be "a little worse" over the next twelve months, while 49% statewide and 54% in East Tennessee expect the state's economy to be "a little better" over the next twelve months. Both statewide and East Tennessee respondents cite business investment, government leadership, and the labor force in Tennessee as their basis for being more positive about the state's economy compared to the national economy.

Other highlights from the biannual survey results show that 73% statewide and 72% in East Tennessee think the state is headed in the right direction. Fifty-four percent statewide and 48% in East Tennessee think the state government is doing a "good" job of creating a friendly business environment. The top five priorities the state should focus on to improve the business climate by both statewide and East Tennessee respondents are enhanced workforce development, infrastructure development (roads/bridges), technology infrastructure (high-speed internet), business development incentives, and energy infrastructure (power transmission). The top five challenges that businesses face both statewide and locally are adverse economic conditions, risk management, ability to obtain suitable financing, existing U.S. competition, and health care costs. You can view the full interactive survey results [here](#).

KNOXVILLE MOVES UP TWELVE SPOTS TO RANK #57 ON THE 2023 TECH INNOVATION INDEX

The [North Carolina Technology Association \(NC Tech\)](#), in partnership with [Economic Leadership LLC](#), recently released their third annual Tech Innovation Index report. Starting in 2021, NC Tech has partnered with consulting firm Economic Leadership LLC to develop an index that compares North Carolina's metro areas' tech performance with other top metro areas throughout the country. The index rankings are based on three key metrics – tech worker supply, tech worker demand, and innovation.

Knoxville ranked #57 on the 2023 Tech Innovation Index (up from #69 on the 2022 index). The top ten metros are #1 Austin, #2 San Jose, #3 San Francisco, #4 Boston, #5 Seattle, #6 Durham-Chapel Hill, #7 Raleigh, #8 San Diego, #9 Provo (UT), and #10 Madison (WI). Rankings for Knoxville's other peer metros are #32 Nashville, #58 Lexington (KY), #73 Greenville (SC), #84 Memphis, #86 Chattanooga, and #91 Asheville. You can read the full report [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from September 2022 to September 2023 is 3.7%. This is unchanged from August 2022 to August 2023. Last year, the national inflation rate was 8.2% from September 2021 to September 2022.

The September CPI report marks the fifteenth 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 10.2%, housing prices are up 7.2%, eating out prices are up 6.0%, gasoline prices are up 3.0%, electricity costs are up 2.6%, new vehicle prices are up 2.5%, groceries are up 2.4%, and apparel is up 2.3%.

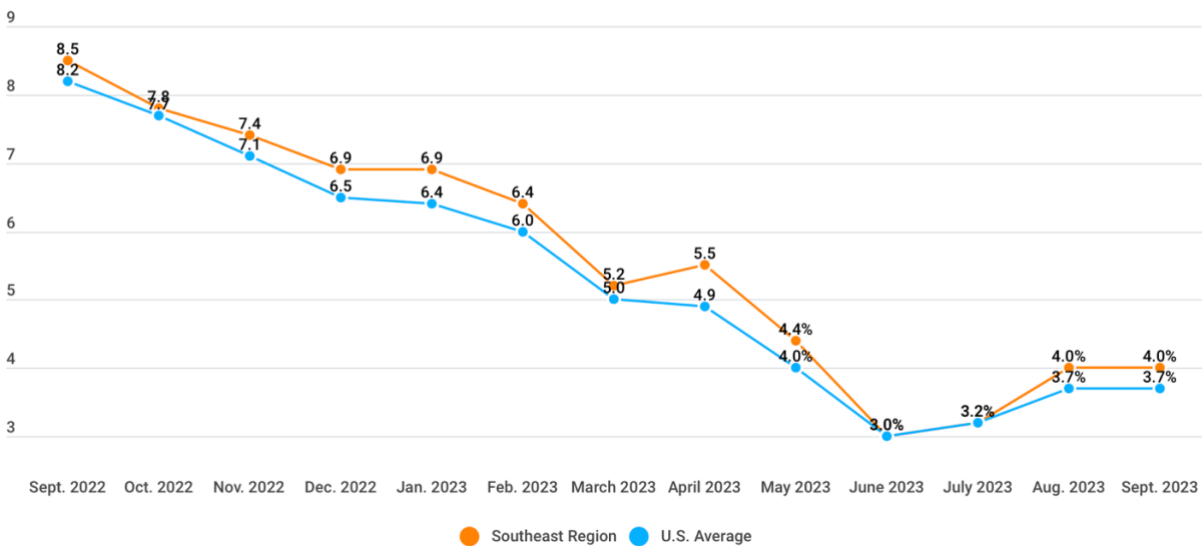
Natural gas prices are down 19.9%, airline fares are down 13.4%, and used car prices are down 8.0%.

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 not to 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 September 2022 to September 2023 period. This is unchanged from the August 2022 to August 2023 period. Last year, the rate was 8.5% from September 2021 to September 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 decreased 3% in September to a seasonally adjusted annual rate (SAAR) of 17,426. Similarly, home sales in Knox County fell 0.2% from the previous month to a seasonally adjusted annual rate (SAAR) of 6,523. Compared to the previous year, home sales were down 19.9% in the East Tennessee region and 19.7% in Knox County.

Nationally, existing-home sales declined in September to a seasonally adjusted annual rate of 3.96 million — down 2.0% from the previous month and 15.4% from a year ago. Home sales in the South fell 1.1% from the previous month and 11.7% from a year ago.

The median home sales price in the East Tennessee region was \$340,000 in September, up 5.3% from a year ago. Knox County's median home sale price was \$363,530, an increase of 7.5% from a year ago.

Half of the homes sold across the East Tennessee region when under contract within 11 days or less, up from 10 days the previous month. 26% of homes sold for more than the asking price, down from 28% the previous month. 13.3% of homes sold for at least \$10,000 over asking and 3.7% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 11.1% of total home sales.

Active inventory in the East Tennessee region increased throughout September. Overall, active listings were down roughly 3% from a year ago and remain 47% 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 2.6 months.

Apartment rent growth continues to moderate. After reaching annual growth of nearly 20% in Q3 2022, rents across the Knoxville MSA increased by 4.5% from the previous year in Q3 2023 compared to 0.04% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at East Tennessee REALTORS®, "East Tennessee is likely to continue to see home sales contract under the weight of higher mortgage rates, which have climbed to their highest levels since the dawn of the 21st century. According to our forecast for the remainder of the year, home sales are poised to fall 20% in 2023 – one of the largest declines on record. Nonetheless, low housing supply has outweighed the decrease in demand, which is why home prices have continued to rise in recent months even as sales fall."

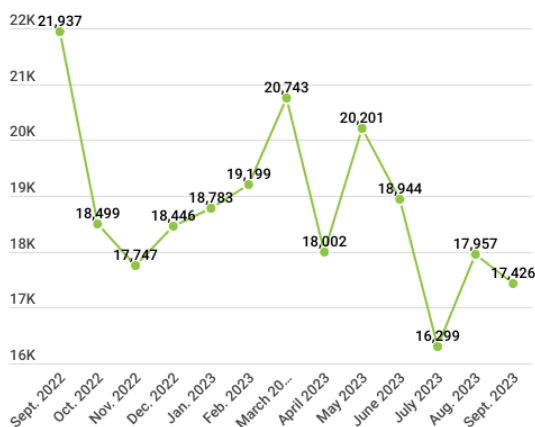
You can also subscribe to the East Tennessee REALTORS® monthly *Market Pulse Newsletter* [here](#).

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.

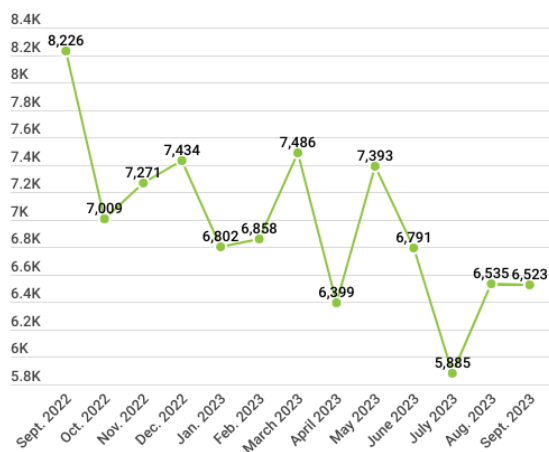
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

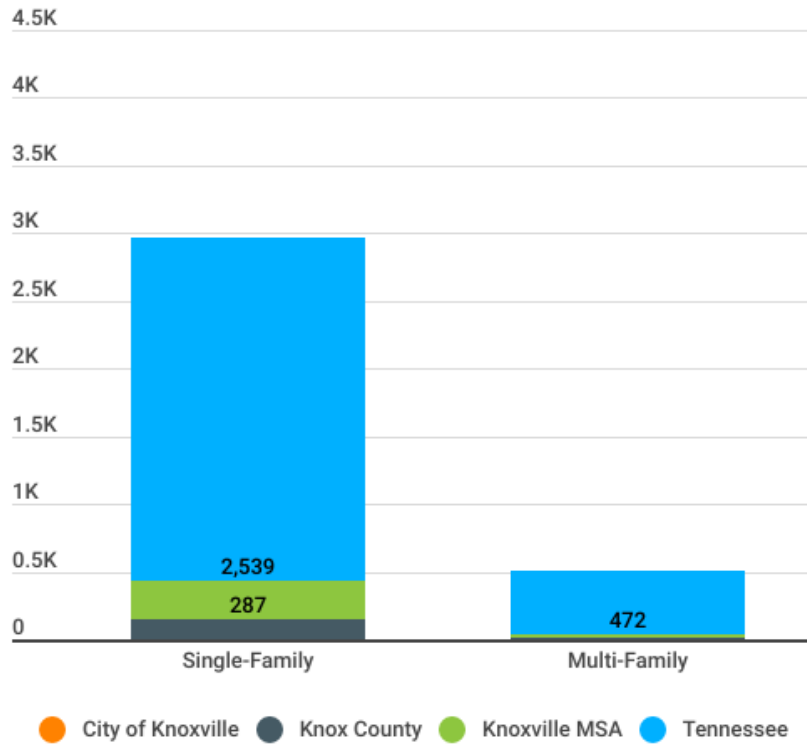
	Knoxville Area						Knox County						
	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023	Sept. 2023
Active Listings Inventory	3,683	3,944	3,807	3,220	2,996	2,817	2,816	2,856	3,111	3,276	3,440	3,684	3,870
Median Home Sales Price	\$322,650	\$315,000	\$312,000	\$318,000	\$316,000	\$316,000	\$325,000	\$325,000	\$335,000	\$350,000	\$350,000	\$350,000	\$340,000
Months Inventory	2.00	2.18	2.24	2.05	1.91	1.77	1.81	0.92	1.90	2.10	2.20	2.40	2.60

	Knoxville Area						Knox County						
	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023	Sept. 2023
Active Listings Inventory	-	-	-	-	-	555	549	486	527	611	665	751	823
Median Home Sales Price	\$335,625	\$331,815	\$333,613	\$329,750	\$338,810	\$347,900	\$352,200	\$362,000	\$383,000	\$393,250	\$372,000	\$385,000	\$363,530

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

Residential Building Permits

Sept. 2023



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

NATIONAL RETAIL SALES

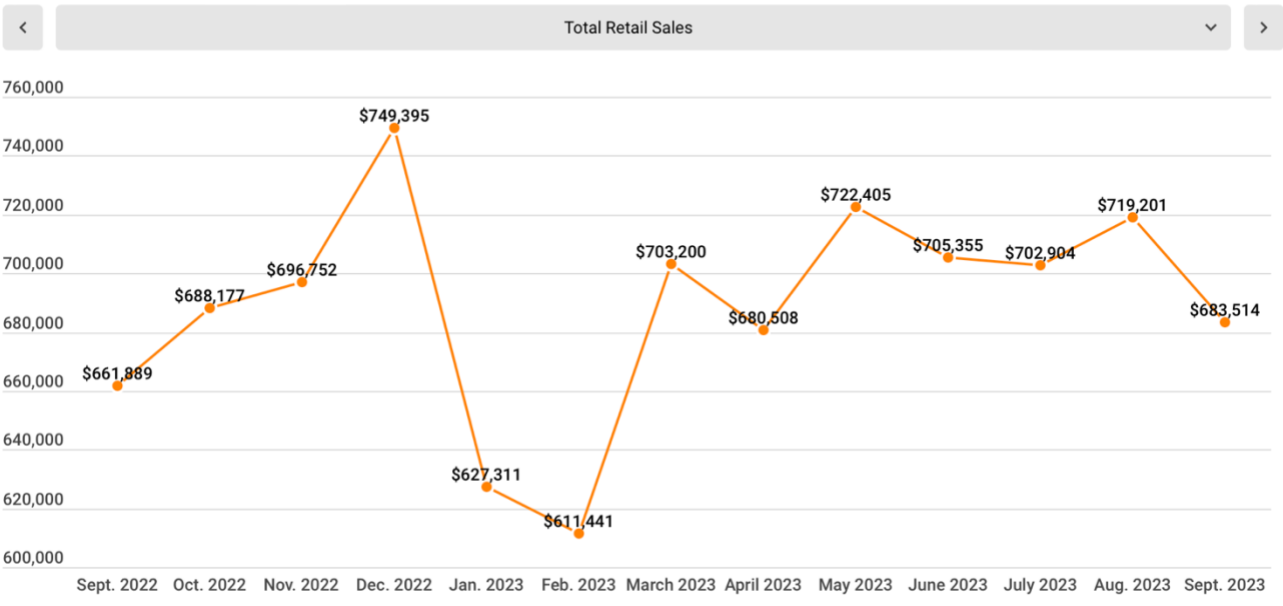
The total advance monthly retail sales estimate for September 2023 was \$693.514 billion (down 5.0% from August and up 3.3% from last September.)

The retail sectors that showed sales growth from last September were Electronics and Appliance Stores (+7.5%), Motor Vehicles and Parts Sales (+7.3%), Health and Personal Care Stores (+7.1%), General Merchandise Stores (+7.0%), Non-store Retailers (+6.7%), Food Services and Drinking Places (+5.0%), Food and Beverage Stores (+4.1%), and Clothing Stores (+0.9%).

Retail sectors that showed a decline in sales from last September were Sporting Goods/Books/Hobby/Music Stores (-8.8%), Furniture and Home Furnishings Stores (-8.5%), Gasoline Stations (-7.4%), Building Materials (-5.1%), and Miscellaneous Stores (-1.7%).

National Retail Sales

in Millions of Dollars



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

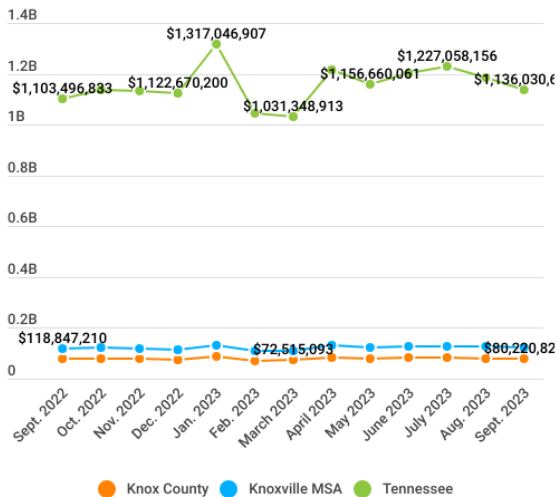
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$123.194 million in state sales taxes in September (down 1.7% from August and up 3.7% from last September) and Knox County collected \$80.221 million in September (statistically unchanged from August and up 3.4% from last September.) The state of Tennessee collected \$1.136 billion in state sales taxes in September (down 4.1% from August and up 2.9% from last September.)

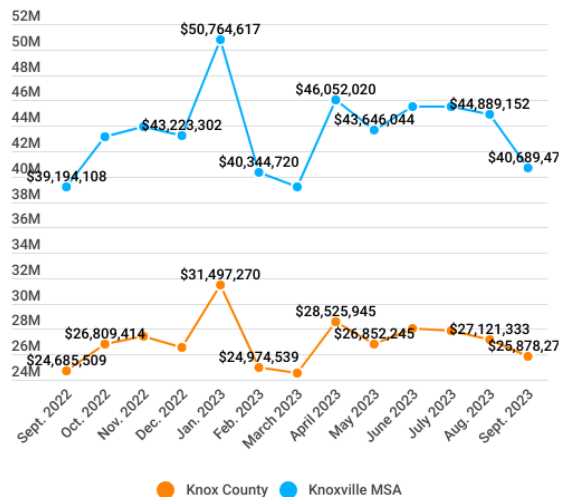
The Knoxville MSA collected \$40.689 million in local sales taxes in September (down 9.4% from August and up 3.8% from last September) and Knox County collected \$25.878 million (down 4.6% from August and up 4.8% from last September.)

Sales Tax Revenue

State Sales Tax



Local Sales Tax



(Source: Tennessee Department of Revenue)

RECENT BUSINESS EXPANSIONS AND NEW BUSINESS ANNOUNCEMENTS IN THE KNOXVILLE REGION

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

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

October 2, 2023 – [Malibu Boats](#), a Loudon-based premier manufacturer of recreational powerboats, announced that it will open a second plant at the Roane Regional Business and Technology Park in Lenoir City. The company will invest \$75 million into an existing 260,000-square-foot facility and create 770 new jobs over the next five years. The new plant will help meet the growing demand for their Cobalt brand boats beginning in early 2024. You can read more [here](#).

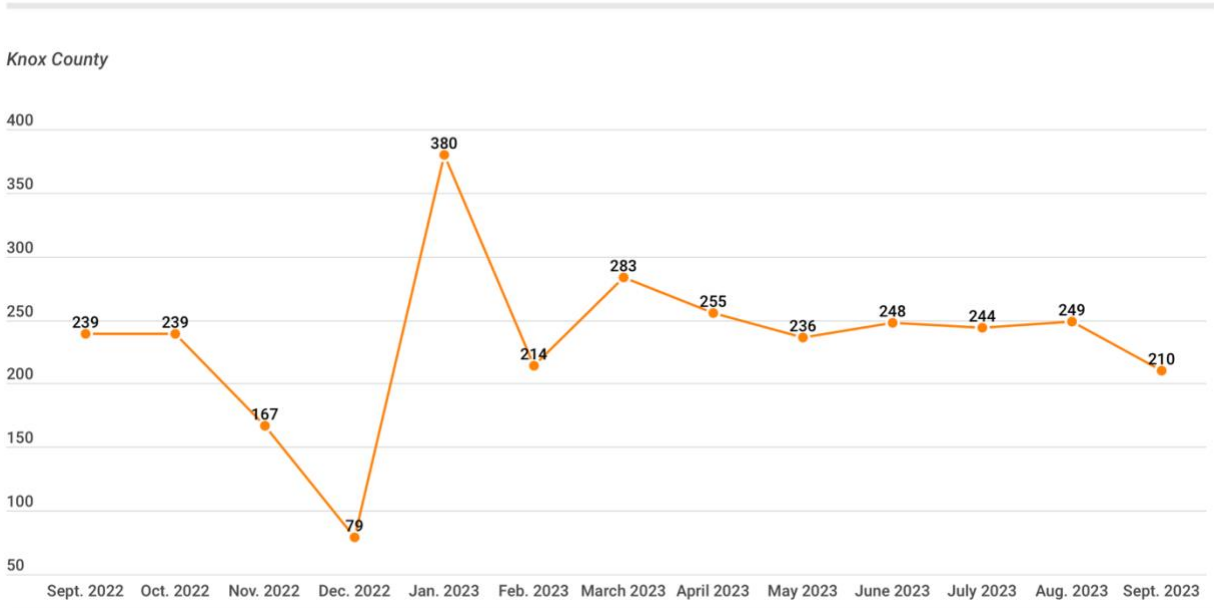
KNOX COUNTY BUSINESS LICENSES

New business licenses issued in September 2023 by Knox County are down 15.7% from August and are down 12.1% from September 2022.

A total of 210 new business licenses were issued in September 2023 compared to 249 in August and 239 in September 2022. The top industry sectors for which business licenses were issued in September 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)

KNOXVILLE MCGHEE TYSON AIRPORT (TYS) RANKS #20 ON THE AIRPORT ACCESSIBILITY INDEX FOR SMALL HUBS

The Airport Accessibility Index (AAI) was created by [Swelbar-Zhong Consultancy](#) to study the COVID-19 pandemic's massive structural changes to commercial aviation. The index ranks the nation's airports in five different hub size groups – large hubs (airports which receive 1% or more of commercial enplanements in the U.S. each year), medium hubs (airports which receive 0.25 to 1% U.S. commercial enplanements), small hubs (airports receiving 0.05 to 0.25% U.S. commercial enplanements), nonhubs (airports receiving less than 0.05% U.S. commercial enplanements, but more than 10,000 enplanements annually), and nonprimary nonhubs (airports that receive between 2,500 to 10,000 enplanements annually). The rankings are based on the types of airlines that service the airports, the size of destination airports, the number of departures and seats on planes, and how well airports execute their flight schedules.

Knoxville McGhee Tyson Airport (TYS) ranks #20 in the small hubs category for 2022 data (moving up three spots from the 2019 ranking.) Among Knoxville's peer cities in the small hub category, Asheville Regional Airport (AVL) ranks #28, Greenville-Spartanburg International Airport (GSP) ranks #33, Lexington Blue Grass Airport (LEX) ranks #46, Huntsville International Airport (HSV) ranks #57, and Chattanooga Lovell Field Airport (CHA) ranks #69. For large hubs, Nashville International Airport (BNA) ranks #26. For medium hubs, Raleigh-Durham International Airport (RDU) ranks #4 and Memphis International Airport (MEM) ranks #29. You can read more [here](#).

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 245,192 passengers in September (down 0.7% from August's passenger traffic of 246,799 and up 9.5% from September 2022.)

The total freight recorded in September at TYS was 6,413,195 pounds (down 8.0% from August and up 10.0% from last September.)

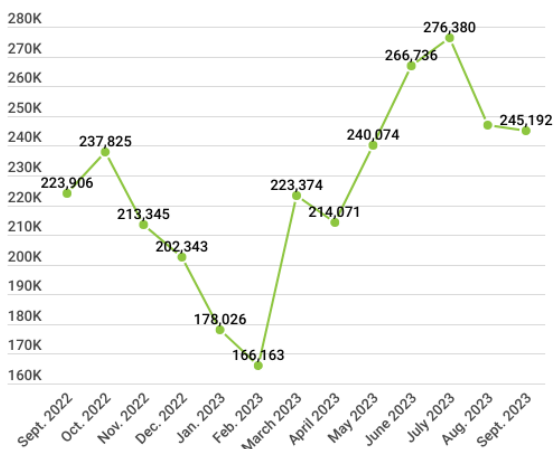
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in September was 2,333,592 (up 10.3% from the September 2022 daily passenger average of 2,116,568 and up 3.9% from the pre-COVID September 2019 average of 2,246,344.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "In the U.S., domestic revenue-passenger-kilometers (RPKs) grew by 5.5% YoY and by 6.1% over pre-Covid levels in September, as a positive trend in seasonally adjusted terms persisted." You can read more [here](#).

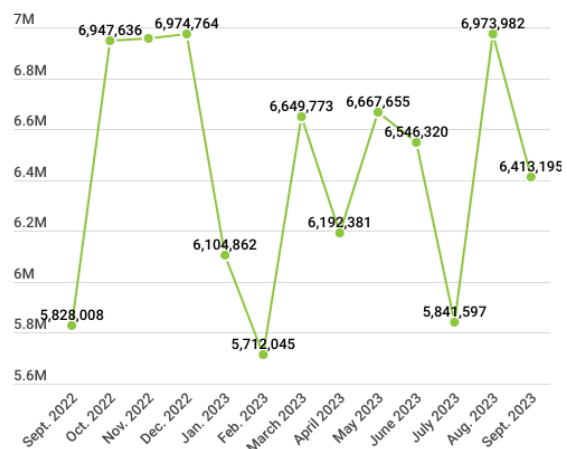
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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