

DECEMBER 2023



FINANCED BY FIRST HORIZON BANK

Welcome to the December 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

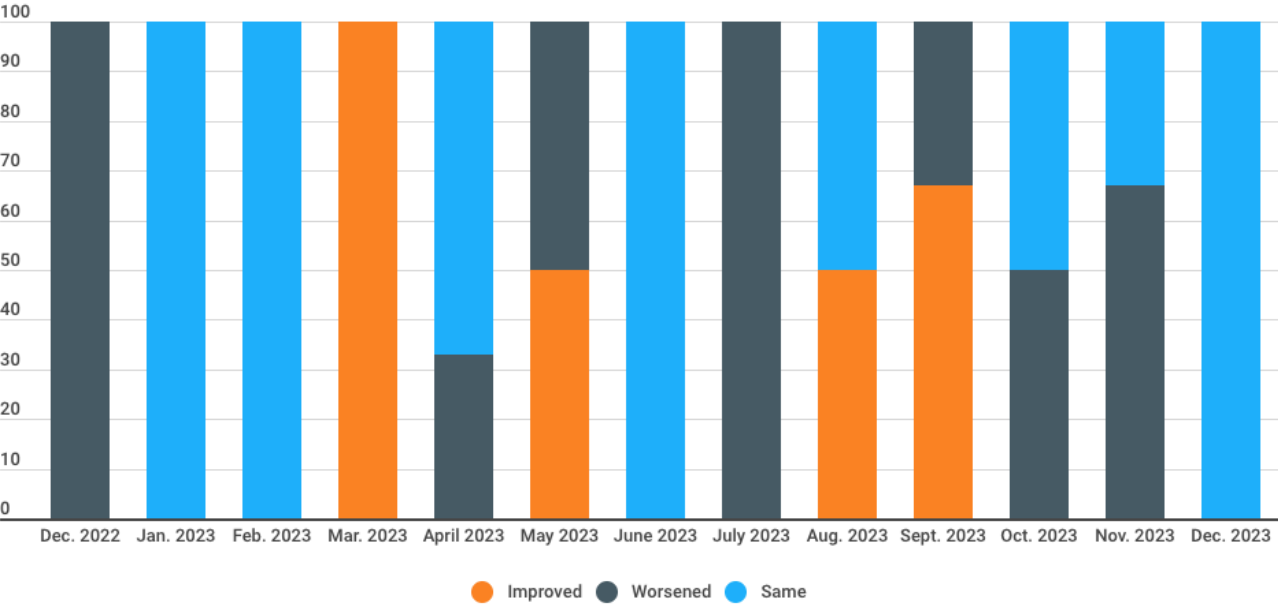
MANUFACTURING

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

The month-over-month responses in the December survey show “no changes” in production, capacity utilization, growth rate of orders, unfilled orders, volume of shipments, number of employees, and average employee workweek. The volume of new orders, delivery time, finished goods inventories, prices paid for raw materials, and prices received for finished goods have “decreased.” Capital expenditures and wages and benefits have “increased.” (The month-over-month responses in the November survey showed mostly “no changes” in the volume of new orders, growth rate of orders, unfilled orders, delivery time, finished goods inventories, prices paid for raw materials, prices received for finished goods, wages and benefits, average employee workweek, and capital expenditures. Production, capacity utilization, volume of shipments, and number of employees were “mixed.”)

The six-month outlook in December anticipates “no changes” in production, capacity utilization, volume of new orders, growth rate of orders, unfilled orders, volume of shipments, number of employees, average employee workweek, and capital expenditures. “Decreases” are expected in delivery time, finished goods inventories, and prices paid for raw materials. “Increases” are forecasted for prices received for finished goods and wages and benefits. (The six-month outlook in November anticipated mostly “no changes” in the volume of new orders, growth rate of orders, unfilled orders, delivery time, finished goods inventories, prices paid for raw materials, prices received for finished goods, average employee workweek, and capital expenditures. Mostly “increases” were expected in production, capacity utilization, volume of shipments, and number of employees. Wages and benefits were “mixed.”)

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



RETAIL

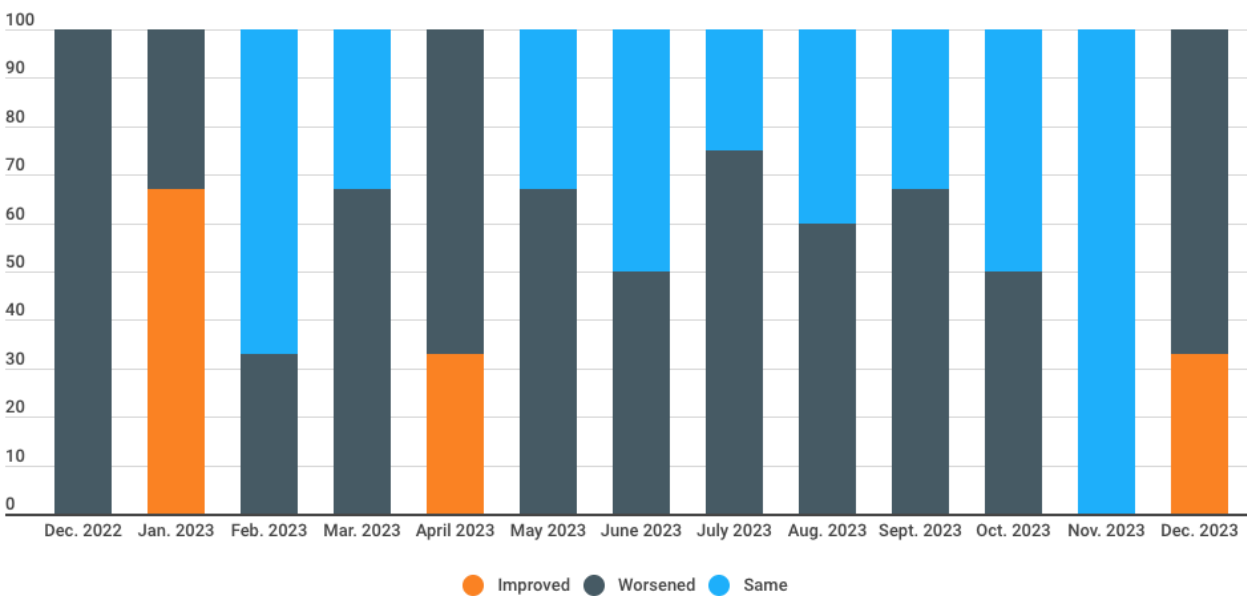
Knoxville area retailers indicated in the December survey that their evaluation of the level of general business activity and company outlooks have mostly “worsened.” (The evaluation of the level of general business activity and company outlooks were “the same” in last month’s survey.)

The month-over-month responses in the December survey show mostly “increases” in net sales revenue, wages and benefits, input prices, selling prices, and capital expenditures. “No changes” are mostly reported for internet sales, the number of full-time and part-time employees, and average employee workweek. Inventories have mostly “decreased.” (Month-over-month responses in the November survey showed “increases” in the number of part-time employees, wages and benefits, input prices, and inventories. “Decreases” were reported for internet sales,

selling prices, and capital expenditures. “No changes” were reported for net sales revenue, number of full-time employees, and average employee workweek.)

The six-month retail outlook in December projects mostly “increases” in input prices and selling prices. “No changes” are mostly expected in the average employee workweek and the number of full-time employees. The number of part-time employees is evenly split between “decrease” and “no change.” All other indicators are “mixed.” (The six-month outlook in November projected “increases” in wages and benefits, input prices, and inventories. “Decreases” were expected in net sales revenue, internet sales, number of part-time employees, selling prices, and capital expenditures. “No changes” were expected in the number of full-time employees and average employee workweek.)

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



SERVICE

Knoxville area service sector businesses report in the December survey that their evaluation of the level of general business activity is evenly split between “worsened” and “the same.” Company outlooks are mostly “mixed.” (The evaluation of the level of general business activity was mostly split between “the same” and “worsened” and company outlooks were mostly “mixed” in last month’s survey.)

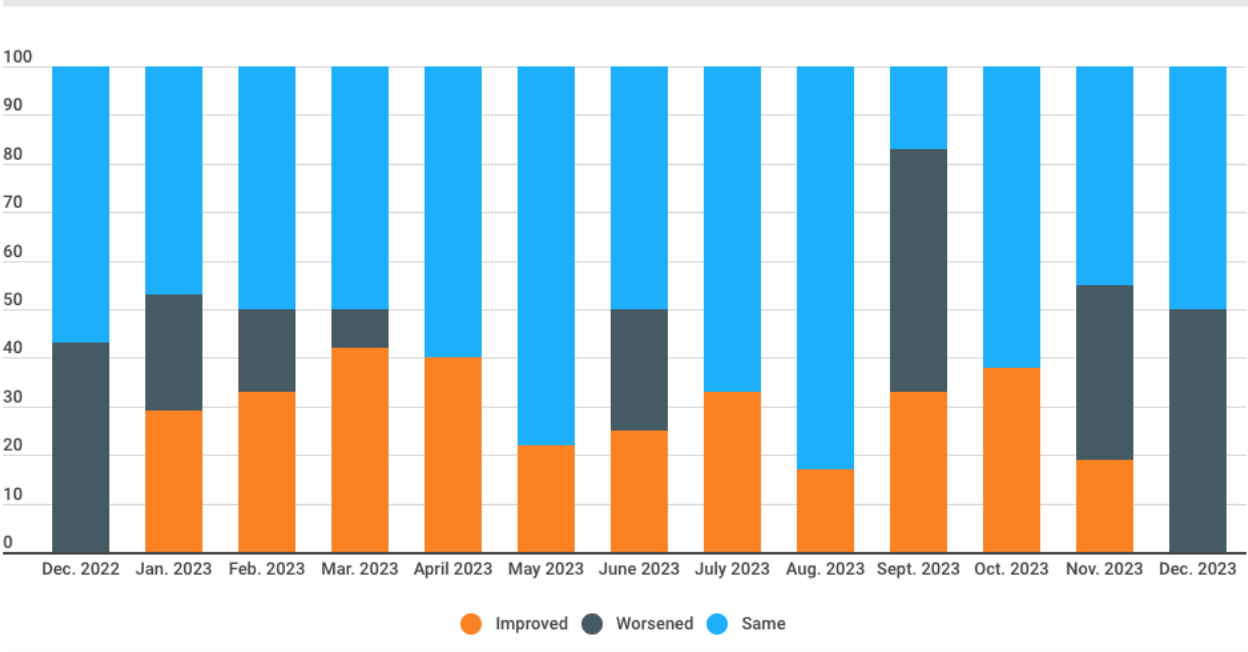
The month-over-month responses in the December survey show mostly “no changes” in revenue, the number of full-time and part-time employees, average employee workweek, and selling prices. Capital expenditures have mostly “increased.” Input prices and wages and benefits are mostly split between “increase” and “no change.” (Month-over-month responses in November

showed mostly “no changes” in the numbers of full-time and part-time employees, average employee workweek, and capital expenditures. Revenue had mostly “decreased.” Wages and benefits, input prices, and selling prices were mostly split between “increases” and “no change.”)

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

Service sector comments indicate that healthcare costs and government regulations are hampering businesses.

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

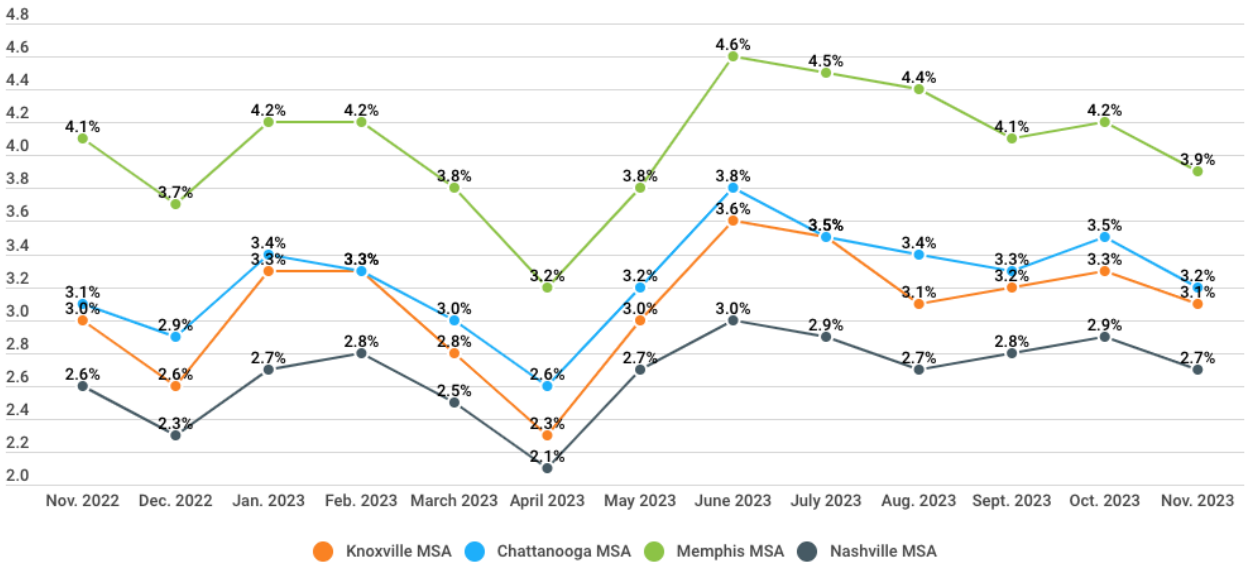
The Knoxville MSA's unemployment rate in November was 3.1% (down from 3.3% in October and up from 3.0% in November 2022.) Knox County's unemployment rate in November was 2.9% (down from 3.0% in October and up from 2.8% in November 2022.) Tennessee's unemployment rate was 3.4% in November (down from 3.6% in October and up from the 3.3% rate in last November.) The U.S. unemployment rate was 3.5% in November (down from 3.6% in October and up from 3.4% in last November.)

The size of the total labor force slightly decreased from October to November at the local and state levels. The Knoxville MSA's labor force decreased 0.9% from 454,181 in October to 450,267 in November. Knox County's labor force decreased 0.9% from 258,906 in October to 256,490 in November. Tennessee's labor force decreased 0.4% from 3,410,214 in October to 3,395,018 in November. Meanwhile, the national labor force increased 0.1% from 167,774,000 in October to 167,977,000 in November.

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

Unemployment Rates - Tennessee MSA

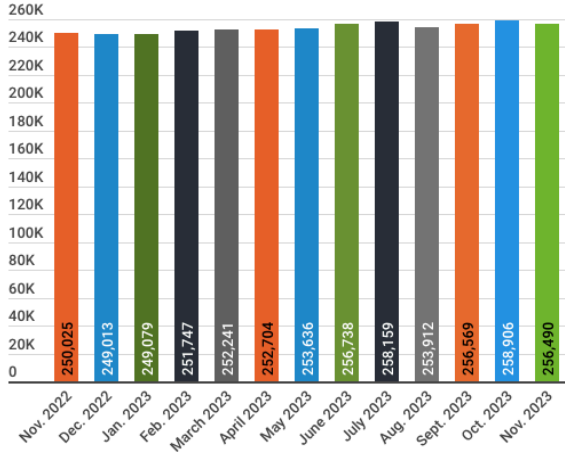
13-Month Trending Comparison



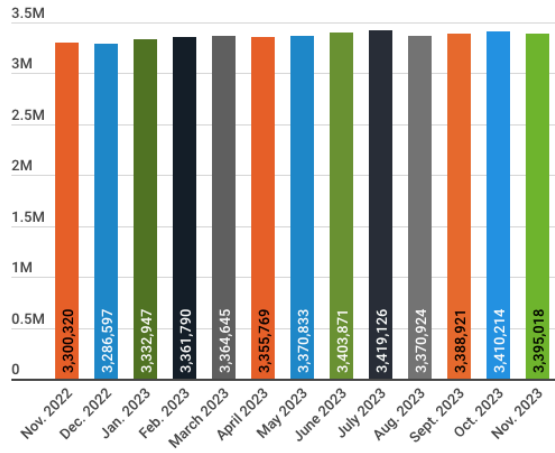
(Sources: U.S. Bureau of Labor Statistics; Tennessee Department of Labor & Workforce Development)

Resident Labor Force

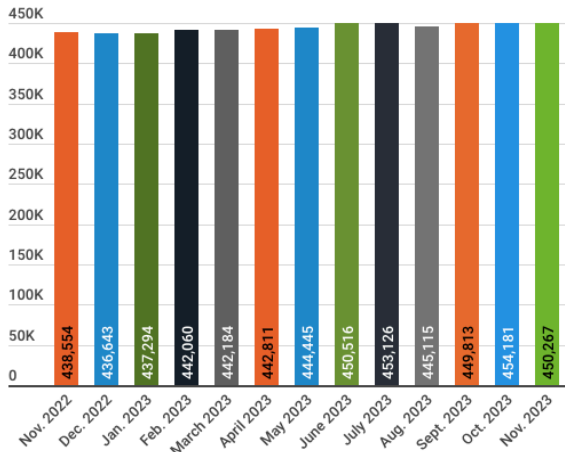
Knox County



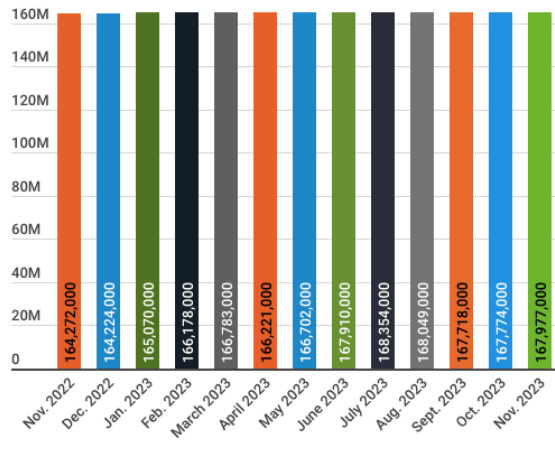
Tennessee



Knoxville MSA



United States













JOB MARKET

For the month of November, there were 7,829 unique active job postings in the Knoxville MSA (down 15% from October and down 14.6% from last November.) There were 5,308 unique active job postings in Knox County (down 12% from October and down 10.2% from this time last year.)

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

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	1,091
	Retail Trade	960
	Administrative Support, Waste Management and Remediation Services	887
	Professional, Scientific and Technical Services	702
	Accommodation and Food Services	583
	Manufacturing	372
	Educational Services	337
	Construction	230
	Finance and Insurance	212
	Wholesale Trade	201

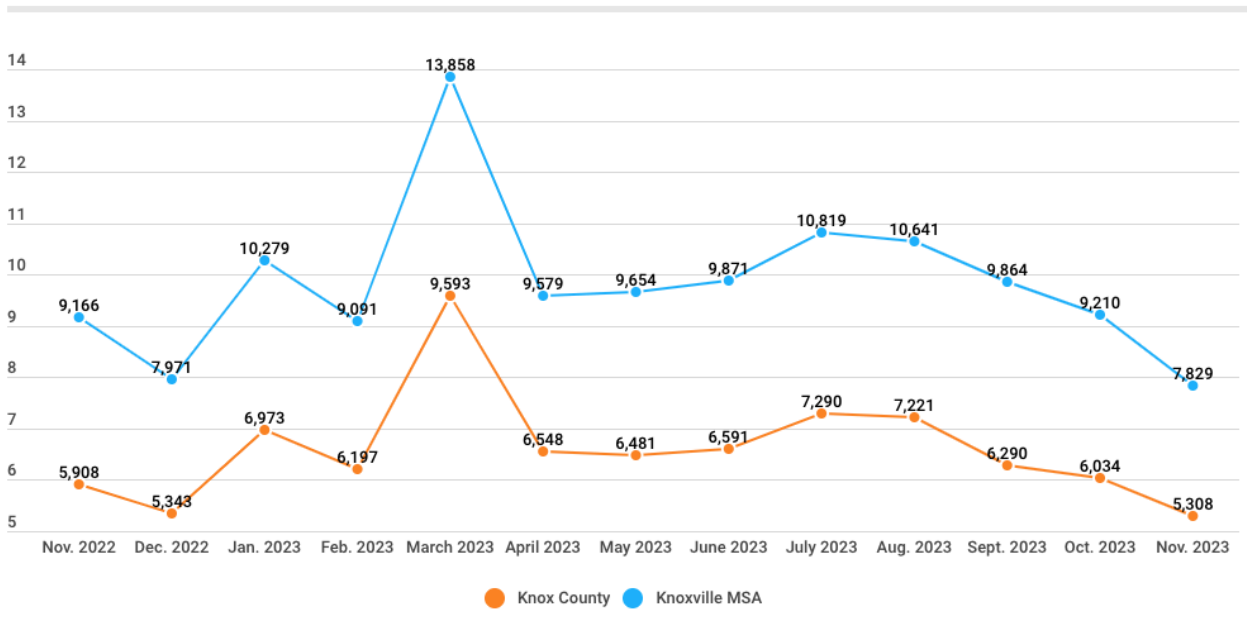
The Top 10 occupations (by number of job postings) in the Knoxville MSA in November were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	315
	Retail Salespersons	302
	First-Line Supervisors of Retail Workers	201
	Laborers and Freight, Stock, and Material Movers, Hand	171
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	165
	Licensed Practical and Licensed Vocational Nurses	138
	Customer Service Representatives	134
	Fast Food and Counter Workers	134
	Home Health and Personal Care Aides	129
	Postsecondary Teachers	122

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)

Report 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 December report shows a net gain of 164,000 in private-sector employment (up from the 103,000 net jobs gain in November.) Industry sectors showing positive job growth in December include Leisure and Hospitality (+59,000), Education and Health Services (+42,000), Construction (+24,000), Other Services (+22,000), Financial Activities (+18,000), Trade/Transportation/Utilities (+15,000), and Professional and Business Services (+1,000). Industry sectors showing negative job growth in December include Manufacturing (-13,000), Information (-2,000), and Natural Resources and Mining (-2,000).

By establishment size, mid-sized businesses (with 50-249 employees) gained 58,000 jobs, “Very Small” businesses (with 1-19 employees) gained 54,000 jobs, large businesses (with 500+ employees) gained 40,000 jobs, and “Other Small” businesses (with 20-49 employees) gained 20,000 jobs. The job gains were offset by mid-sized businesses (with 250-499 employees) which lost 5,000 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 and only 5.5 million hires in November, meaning there are 1.6 job openings for every unemployed person.

In November, the largest increases in U.S. job openings were in wholesale trade (+63,000), construction (+43,000), retail trade (+42,000), financial activities (+38,000), other services (+29,000), health care and social assistance (+24,000), and information (+12,000).

The largest decreases in job openings were in transportation/warehousing/utilities (-128,000), accommodation and food services (-78,000), professional and business services (-33,000), arts/entertainment/recreation (-19,000), educational services (-14,000, and manufacturing (-14,000).

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 RANKS IN TOP 20 ON EIG'S INDEX OF STATE DYNAMISM

The [Economic Innovation Group \(EIG\)](#) recently released its latest Index of State Dynamism (ISD), which measures and ranks all 50 states and the District of Columbia's performance across eight different measures of economic dynamism over a three-decade period from 1992 to 2021. EIG defines the concept of dynamism as capturing "the intrinsic vitality of an economy: how quickly it changes, how efficiently it redeploys its resources to the most productive use, and how successfully it translates experimentation into opportunity."

EIG analyzed the following eight measures to determine the ISD score for each state and D.C. – core startup rate, the share of workers at firms less than five years old, growth in total firms, the number of inventors per 1,000 residents, the number of housing permits per 1,000 residents, worker churn, labor force participation rates, and migration rates.

Tennessee ranked #19 with an ISD score of 35.2. The Volunteer State was also in the top 20 for five of the eight measures with the lowest three rankings being #39 for the number of inventors per 1,000 residents, #36 for labor force participation rate, and #26 for the share of workers of firms less than five years old.

The top ten states (by ISD score) were - #1 Utah (56.0), #2 Idaho (49.9), #3 Delaware (49.5), #4 Colorado (48.8), #5 Florida (45.8), #6 Arizona (45.5), #7 Texas (44.4), #8 Nevada (43.7), #9 Washington (43.6), and #10 Georgia (41.9). The rankings for the rest of the southern states were -

#13 North Carolina (38.6), #15 South Carolina (37.3), #24 Virginia (32.7), #38 Arkansas (27.7), #40 Alabama (26.8), #44 Louisiana (24.1), #48 Kentucky (22.7), #49 Mississippi (22.5), and #51 West Virginia (14.4).

You can read EIG's report and access the interactive data [here](#).

KNOXVILLE RANKS #30 ON AREA DEVELOPMENT'S 2023 LIST OF LEADING METRO LOCATIONS: HOTSPOTS OF ECONOMIC GROWTH

[Area Development](#) partnered with [Chmura Economics & Analytics](#) to rank the economic strength of 384 metropolitan areas based on the five-year trends of such indicators as gross metropolitan product (GMP), unemployment rates, job growth, wage growth, and available workforce. The leading metro areas are poised for long-term economic growth and are often hubs of high-tech industry. Like other reports and lists that measure growth over time, many locations that people think of as high-tech hubs in California and the Northeast don't show up near the top of the list. This is likely due to the migration of many tech workers from those established areas to places that are more affordable and have a better quality of life.

Overall, the Knoxville MSA ranks #30. The Top 10 metros are #1 Salt Lake City, UT; #2 Olympia, WA; #3 Decatur, AL; #4 Miami, FL; #5 Austin, TX; #6 Missoula, MT; #7 Palm Bay-Melbourne-Titusville, FL; #8 Tampa, FL; #9 Tallahassee, FL; and #10 Ogden, UT. The rankings for Knoxville's peer MSAs are #18 Chattanooga; #20 Nashville; #50 Lexington (KY); #57 Huntsville (AL); #63 Asheville; #67 Durham-Chapel Hill (NC); #81 Raleigh; #109 Greenville (SC); and #290 Memphis. You can read more [here](#).

OAK RIDGE ASSOCIATED UNIVERSITIES (ORAU) ANNOUNCES NEW STEM ACCELERATOR

[ORAU](#) recently announced the launch of the ORAU STEM Accelerator (OSA) to help address the significant challenges the U.S. nuclear energy industry faces in attracting and retaining qualified talent. The OSA will partner with two-year and four-year colleges, industries, non-profits, professional organizations, labor unions, and government to help solve the toughest challenges in science, technology, engineering, and mathematics (STEM) education, training, research, and innovation.

The OSA will focus initially on nuclear science and technology as it is the greatest current need with space manufacturing and critical national infrastructure to follow in time. ORAU is working with the Nuclear Energy Institute and other partners to address critical challenges by establishing a nuclear energy coalition, analyzing data for decision-making, implementing strategic talent planning, strengthening career awareness and retention, establishing diversity/equity/inclusion/accessibility best practices, emphasizing training and certification, and building a sustainable pipeline. You can read more [here](#) and [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from November 2022 to November 2023 is 3.1%. This is down from 3.2% in the October 2022 to October 2023 period. Last year, the national inflation rate was 7.1% from November 2021 to November 2022.

The November CPI report marks the seventeenth 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 insurance is up 19.2%, auto repair services are up 8.5%, housing prices are up 6.5%, eating out prices are up 5.3%, electricity costs are up 3.4%, groceries are up 1.7%, new vehicle prices are up 1.3%, and apparel is up 1.1%.

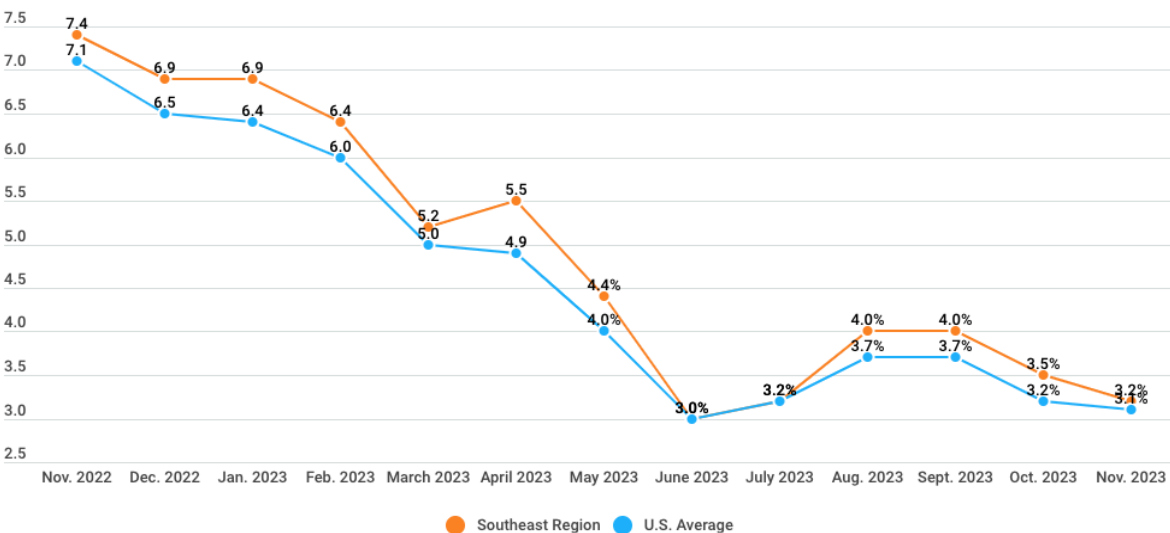
From a year ago, airline fares are down 12.1%, natural gas prices are down 10.4%, gasoline prices are down 8.9%, and used car prices are down 3.8%.

In December, the Federal Reserve has indicated that it was likely done hiking interest rates and now forecasts three rate cuts next year, a faster pace than many economists expected, as the inflation rate continues to fall.

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 November 2022 to November 2023 period. This is down from 3.5% in the October 2022 to October 2023 period. Last year, the rate was 7.4% from November 2021 to November 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 1.2% from October to November to a seasonally adjusted annual rate (SAAR) of 17,389. By comparison, home sales in Knox County fell 2.0% from the previous month to a seasonally adjusted annual rate (SAAR) of 6,997. Compared to the previous year, home sales were down 5.0% in the East Tennessee region and down 5.5% from the previous year in Knox County.

Nationally, existing home sales increased in November to a seasonally adjusted annual rate of 3.82 million — up 0.8% from the previous month but still down 7.3% from a year ago. Home sales in the South increased 4.7% from the previous month but remained down 4.3% from a year ago.

The median home sales price in the East Tennessee region was \$346,000 in November, up 10.8% from a year ago. Knox County's median home sale price was \$362,500, an increase of 8.2% from a year ago.

Half of the homes sold across the East Tennessee region when under contract within 15 days or less, up from 12 days the previous month but down from 14 days a year ago. 25% of homes sold for more than the asking price, down from 26% the previous month. 12.9% of homes sold for at least \$10,000 over asking and 4.6% sold for at least \$25,000 over asking. New construction (i.e., “Never Occupied,” “To Be Built,” “Under Construction,” or “Under Roof”) represented 13.7% of total home sales.

Active inventory in the East Tennessee region increased in November, a typical seasonal trend. Overall, active listings were up 3.5% from a year ago.

Months of inventory, or the number of months it would take to exhaust active listings at the current sales rate, was 2.92 months.

Apartment rent growth continued to moderate in November, with rents across the Knoxville MSA increasing by 3.72% from the previous year compared to 0.16% nationally.

According to Hancen Sale, Governmental Affairs and Policy Director at East Tennessee REALTORS®, “Poor affordability conditions continue to hamper home sales and, with one month of data still outstanding, home sales across the East Tennessee region are poised to fall approximately 15% in 2023. Despite the decline in sales, a lack of housing inventory continued to place upward pressure on home prices. Although housing market activity remains well below pre-pandemic levels, economic conditions continue to improve and will likely boost home sales in 2024.”

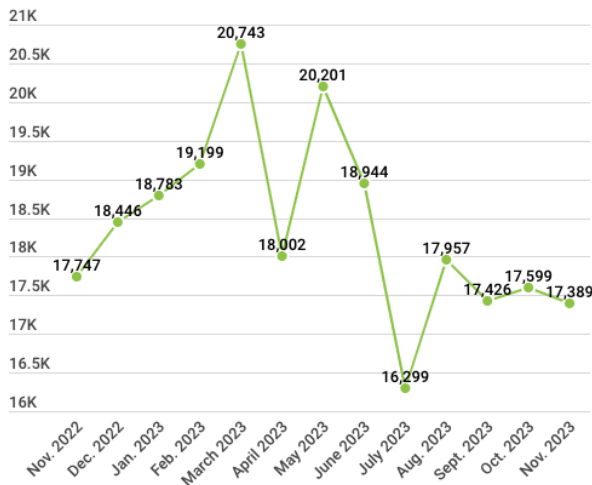
You can also subscribe to the East Tennessee REALTORS® monthly Market Pulse Newsletter [here](#).

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.

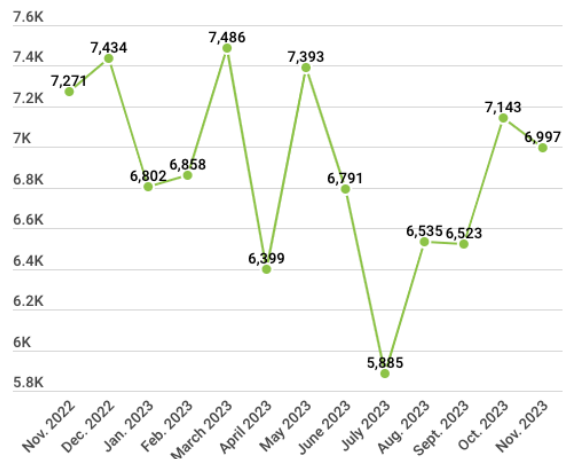
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



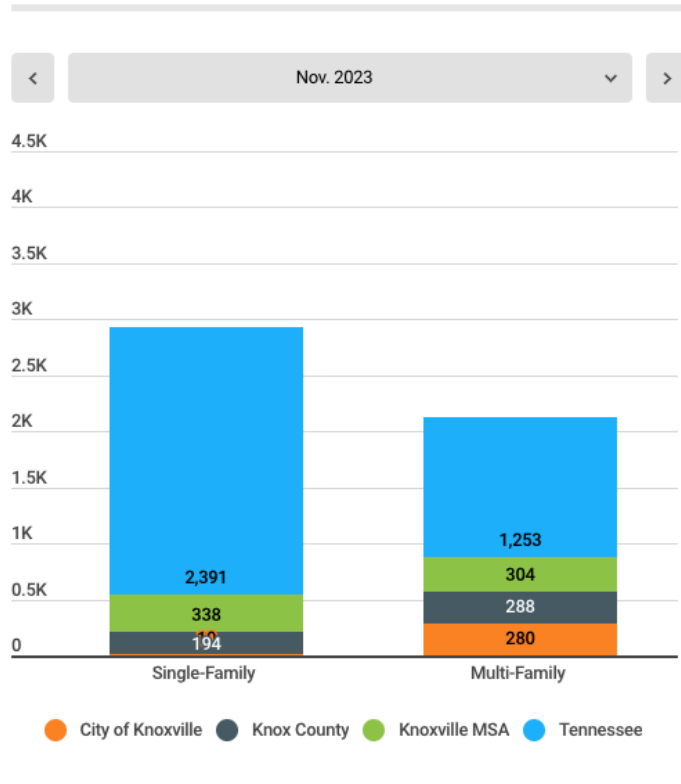
Knoxville Area Housing Market

	Knoxville Area						Knox County						
	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023	Sept. 2023	Oct. 2023	Nov. 2023
Active Listings Inventory	3,807	3,220	2,996	2,817	2,816	2,856	3,111	3,276	3,440	3,684	3,870	4,096	4,245
Median Home Sales Price	\$312,000	\$318,000	\$316,000	\$316,000	\$325,000	\$325,000	\$335,000	\$350,000	\$350,000	\$350,000	\$340,000	\$350,000	\$346,000
Months Inventory	2.24	2.05	1.91	1.77	1.81	0.92	1.90	2.10	2.20	2.40	2.60	2.73	2.92

	Knoxville Area						Knox County						
	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023	Sept. 2023	Oct. 2023	Nov. 2023
Active Listings Inventory	-	-	-	555	549	486	527	611	665	751	823	862	972
Median Home Sales Price	\$333,613	\$329,750	\$338,810	\$347,900	\$352,200	\$362,000	\$383,000	\$393,250	\$372,000	\$385,000	\$363,530	\$368,319	\$362,500

(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

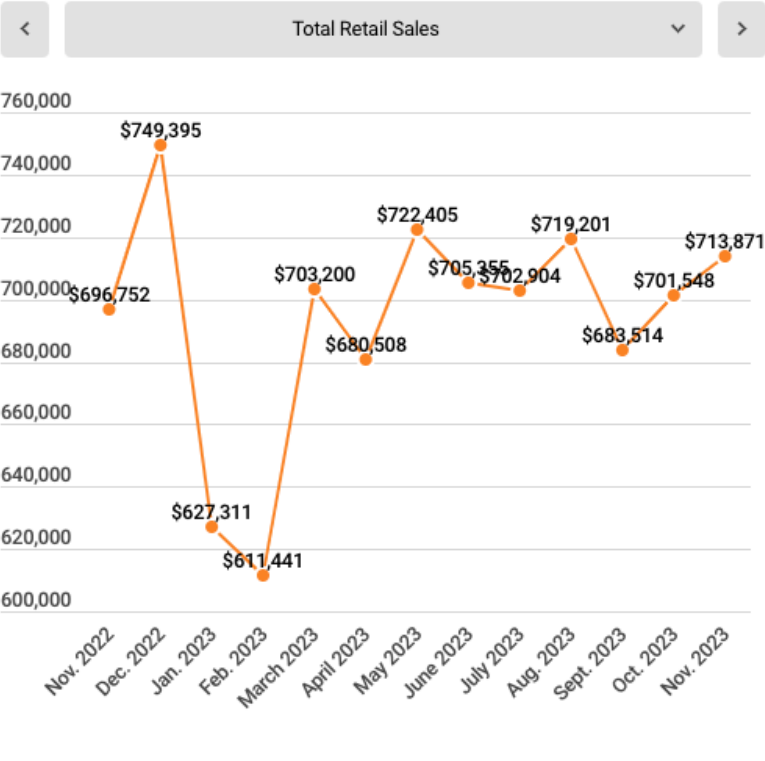
The total advance monthly retail sales estimate for November 2023 was \$713.871 billion (up 1.8% from October and up 2.5% from last November.)

The retail sectors that showed sales growth from last November were Electronics and Appliance Stores (+12.1%), Health and Personal Care Stores (+10.6%), Non-store Retailers (+9.9%), Motor Vehicles and Parts Sales (+5.9%), Food Services and Drinking Places (+4.4%), Food and Beverage Stores (+1.7%), and General Merchandise Stores (+1.0%).

Retail sectors that showed a decline in sales from last November were Gasoline Stations (-13.4%), Sporting Goods/Books/Hobby/Music Stores (-9.9%), Miscellaneous Stores (-8.1%), Furniture and Home Furnishings Stores (-7.9%), Building Materials (-2.4%), and Clothing Stores (-0.4%).

National Retail Sales

in Millions of Dollars



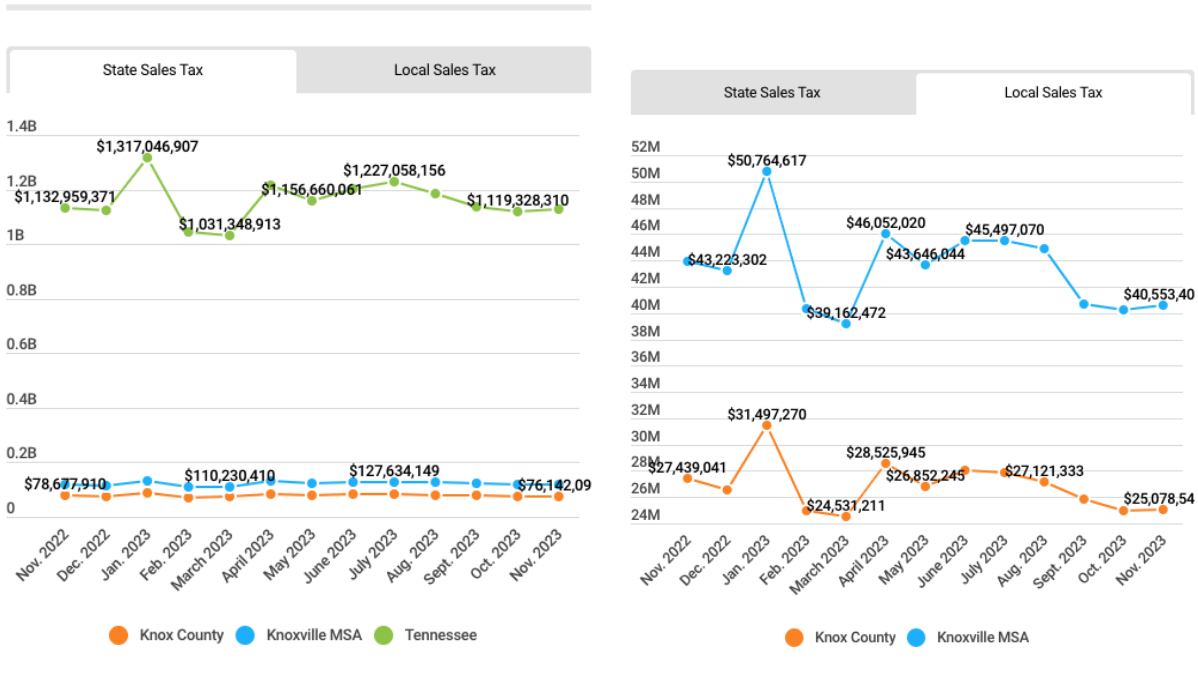
(Source: U.S. Census Bureau; Advance Monthly Retail Trade Reports; Not Adjusted)

TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$116.790 million in state sales taxes in November (down 2.2% from October and down 2.8% from last November) and Knox County collected \$76.142 million in November (down 0.2% from October and down 3.2% from last November.) The state of Tennessee collected \$1.130 billion in state sales taxes in November (up 1.0% from October and down 0.3% from last November.)

The Knoxville MSA collected \$40.553 million in local sales taxes in November (up 0.9% from October and down 7.7% from last November) and Knox County collected \$25.078 million (up 0.4% from October and down 8.6% from last November.)

Sales Tax Revenue



(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.

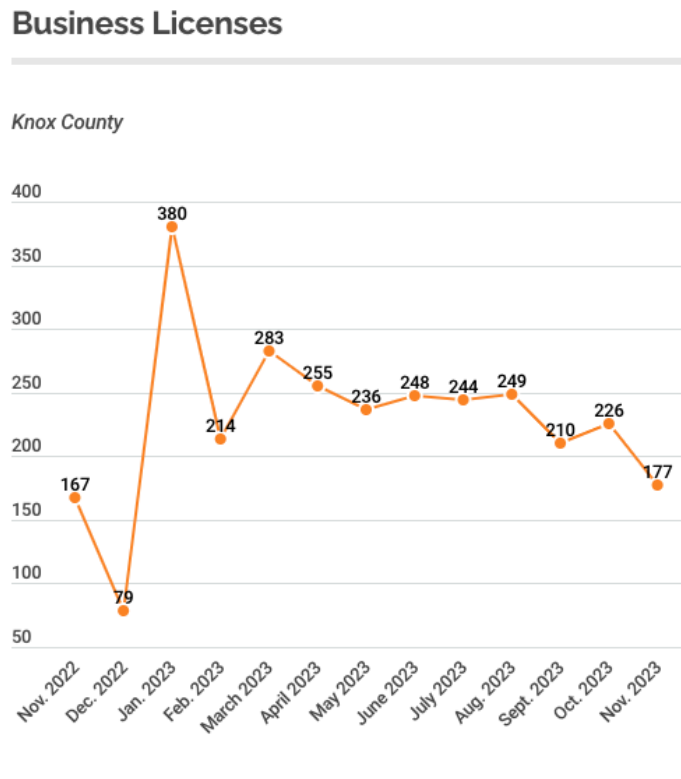
December 13, 2023 – [Custom Foods of America](#), a food products manufacturer and supplier, announced a \$51 million expansion of its plant on Pleasant Ridge Road in northwest Knoxville. The expansion will create 249 new jobs and add 200,000 square feet of new space for manufacturing, storage, staging, and shipping. Custom Foods manufactures food products such as soups, side dishes, appetizers, and sauces for restaurants and convenience stores. You can read more [here](#).

KNOX COUNTY BUSINESS LICENSES

New business licenses issued in November 2023 by Knox County are down 21.7% from October and are up 6% from November 2022.

A total of 177 new business licenses were issued in November 2023 compared to 226 in October and 167 in November 2022. The top industry sectors for which business licenses were issued in November 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.



(Source: Knox County Clerk)

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 251,833 passengers in November (down 12.3% from October’s passenger traffic of 287,204 and up 18% from November 2022.)

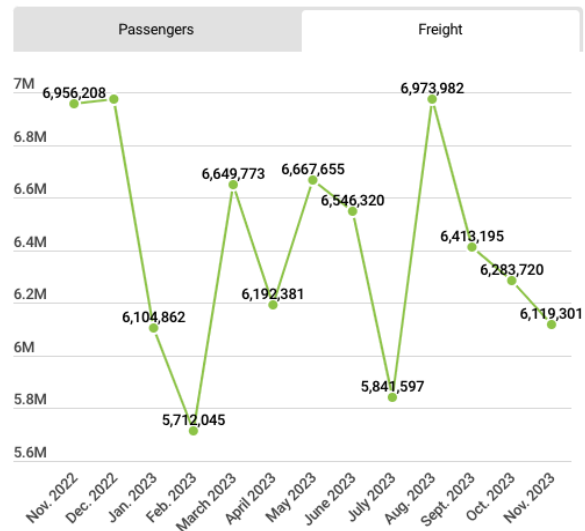
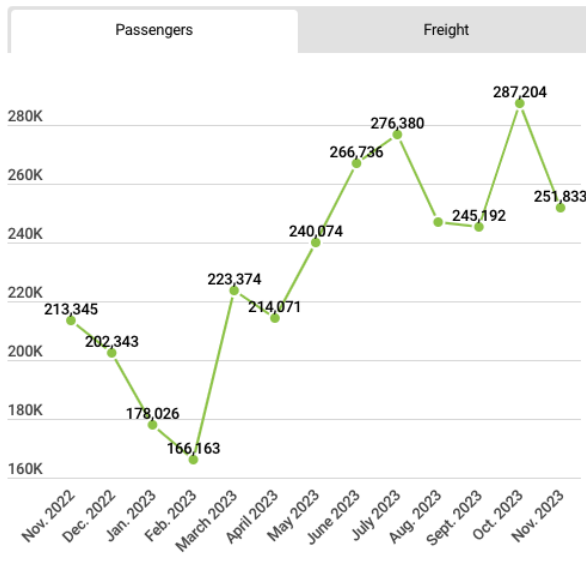
The total freight recorded in November at TYS was 6,119,301 pounds (down 2.6% from October and down 12% from last November.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation’s TSA checkpoints in November was 2,390,263 (up 10.6% from the November 2022 daily passenger average of 2,160,234 and up 5.1% from the pre-COVID November 2019 average of 2,275,320.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the International Air Transport Association (IATA), “Air passenger traffic, measured in revenue passenger kilometers (RPKs), continued to grow in November with a 29.7% increase over the year. Global RPKs are now just 0.9% lower than pre-pandemic levels.” You can read more [here](#).

Air Service

at McGhee-Tyson Airport



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