

FEBRUARY 2024



FINANCED BY FIRST HORIZON BANK

Welcome to the February 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 quarterly 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.

Survey Note: *Beginning January 2024 and going forward, the Economic Conditions Outlook (ECO) Survey is being conducted on a quarterly basis instead of monthly.*

QUARTER 1 (JANUARY 2024) ECONOMIC SURVEY RESULTS

MANUFACTURING

Based on the response to the Quarter 1 (January 2024) survey, the evaluation of the level of general business activity has “worsened” and company outlooks are split between “worsened” and “the same.” (In the last quarter, the level of general business activity was evenly split between “worsened” and “the same.” Company outlooks were reported as “the same.”)

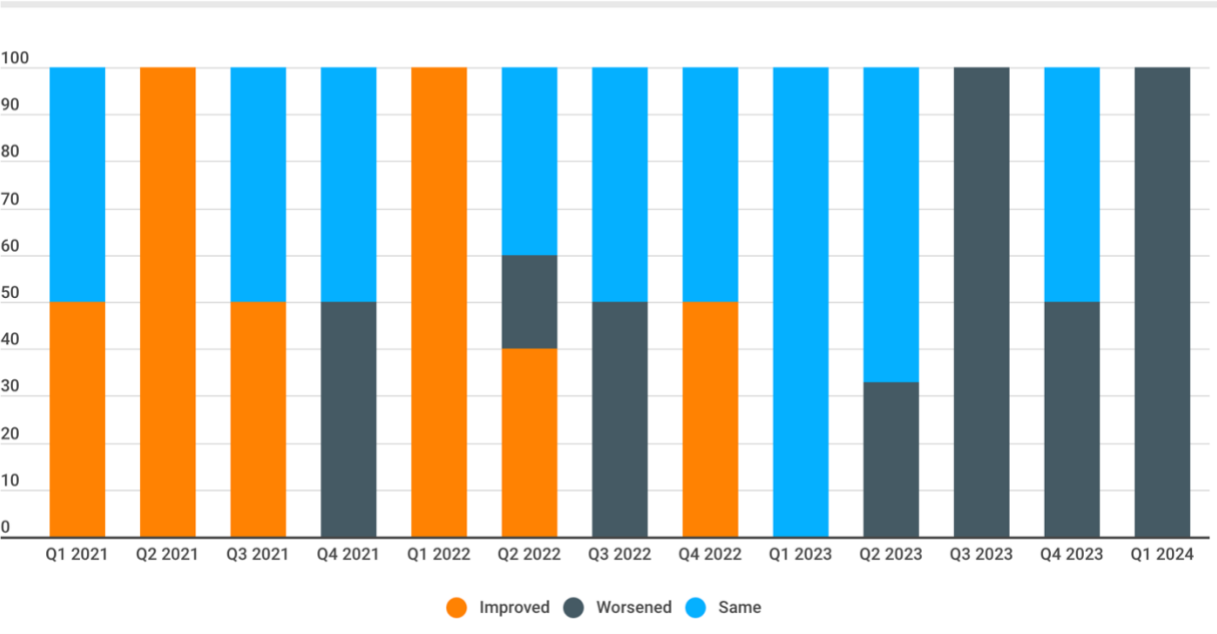
The Quarter 1 current indicator responses show “increases” in production, capacity utilization, wages and benefits, and the number of employees. Prices paid for raw materials are split evenly between “increase” and “decrease.” The volume of new orders, growth rate of orders, unfilled orders, volume of shipments, delivery time, finished goods inventories, prices received for finished goods, average employee workweek, and capital expenditures are all evenly split between “increase” and “no change.” (In the last quarter, “no changes” were reported in the growth rate of orders, delivery time, prices paid for raw materials, prices received for finished

goods, and average employee workweek. Capital expenditures were “increased.” Production, capacity utilization, volume of shipments, finished goods inventories, wages and benefits, and number of employees were evenly split between “increase” and “no change.” The volume of new orders and unfilled orders were evenly split between “decrease” and “no change.”)

The six-month outlook in Quarter 1 anticipates “increases” in production, capacity utilization, volume of shipments, and the number of employees. All the other indicators are evenly split between “increase” and “no change.” (The six-month outlook in the last quarter expected “no changes” in unfilled orders, delivery time, prices paid for raw materials, prices received for finished goods, and average employee workweek. Production was “increased.” Capacity utilization, finished goods inventories, wages and benefits, number of employees, and capital expenditures were evenly split between “increase” and “no change.” The volume of new orders and the volume of shipments were evenly split between “increase” and “decrease.” The growth rate of orders was split between “decrease” and “no change.”)

Manufacturing comments indicate that hiring qualified workers continues to be a problem and a few supply chain issues remain.

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



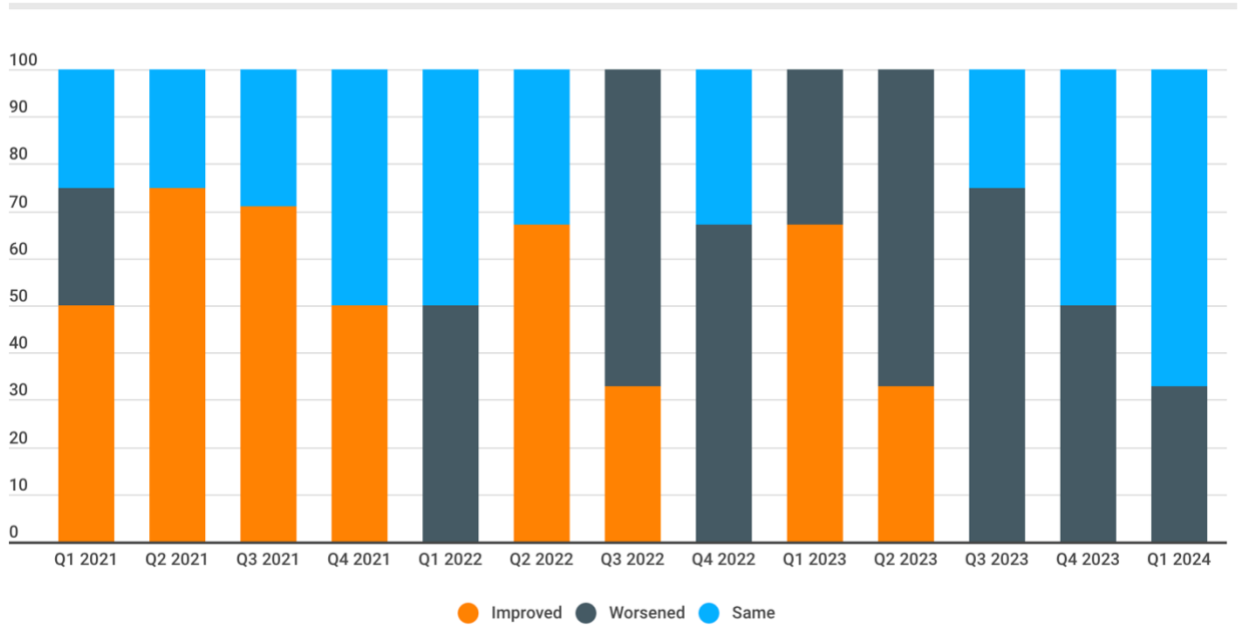
RETAIL

Knoxville area retailers indicated in the Quarter 1 (January 2024) survey that their evaluation of the level of general business activity is mostly “the same” and company outlooks are “mixed.” (In the last quarter, the level of general business activity was split between “worsened” and “no change” and company outlooks were “mixed.”)

The Quarter 1 current indicator responses show mostly “increases” in net sales revenue, wages and benefits, input prices, and inventories. There are mostly “no changes” in internet sales, the number of full-time and part-time employees, and the average employee workweek. Selling prices and capital expenditures are reported as mostly “decreased.” (In the last quarter, there were “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 had mostly “decreased.” Capital expenditures had mostly “increased.” Wages and benefits were “mixed.”)

The six-month retail outlook in Quarter 1 projects mostly “decreases” in net sales revenue, internet sales, the number of full-time and part-time employees, the average employee workweek, and selling prices. Input prices and inventories are expected to mostly “increase.” “No changes” are expected in wages and benefits. Capital expenditures are “mixed.” (The six-month outlook in the last quarter anticipated mostly “increases” in net sales revenue, number of part-time employees, input prices, selling prices, capital expenditures, and inventories. “No changes” were mostly expected in internet sales, number of full-time employees, wages and benefits, and the average employee workweek.)

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



SERVICE

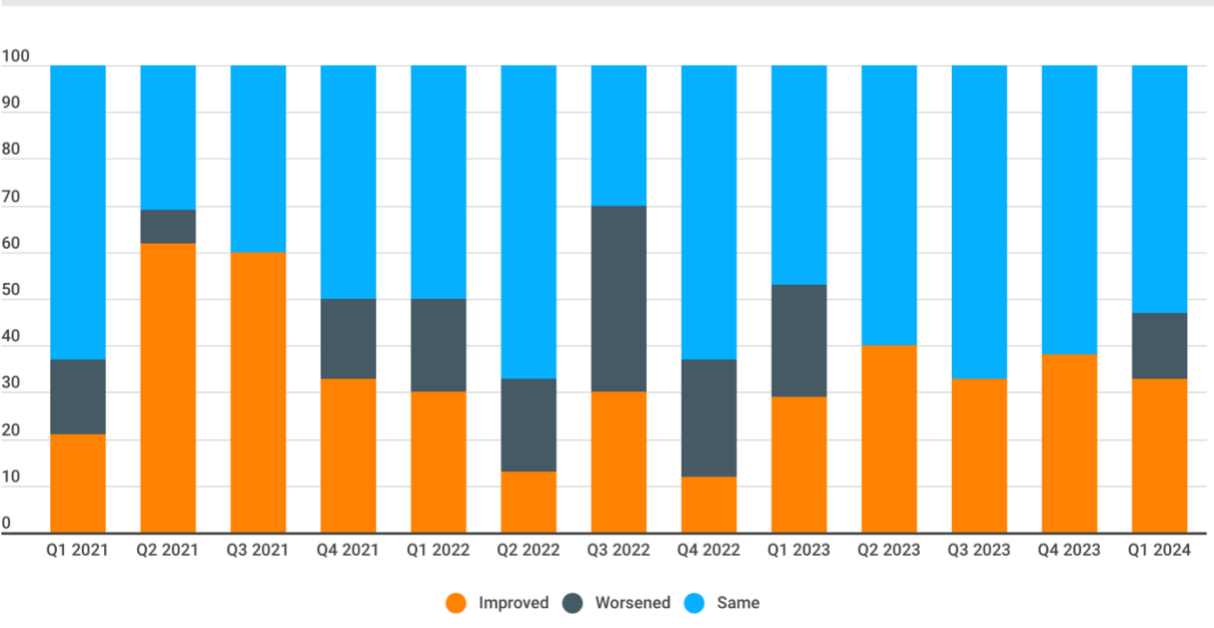
Knoxville area service sector businesses report in the Quarter 1 (January 2024) survey that their evaluation of the level of general business activity and company outlooks are mostly “the same.” (The sentiment was the same in the last quarter.)

The Quarter 1 current indicator responses show mostly “no changes” in revenue, the number of full-time and part-time employees, the average employee workweek, wages and benefits, and capital expenditures. Input prices and selling prices have mostly “increased.” (In the last quarter, mostly “increases” were reported 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 were mostly split between “increase” and “no changes.”)

The six-month outlook in Quarter 1 projects mostly “no changes” in the number of part-time employees and the average employee workweek. Revenue, the number of full-time employees, wages and benefits, and input prices are almost evenly split between “increase” and “no change.” Selling prices and capital expenditures are expected to mostly “increase.” (The six-month outlook in the last quarter anticipated mostly “increases” in revenue, input prices, and capital expenditures. “No changes” were mostly expected in the number of part-time employees and selling prices. The number of full-time employees and wages and benefits were split evenly between “increase” and “no change.” The average employee workweek was “mixed.”)

Service sector comments indicate that increased borrowing costs and general higher prices are prohibitive to business expansion. Hiring skilled workers is still an issue.

Service 13-Quarter 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 quarterly surveys, please register at this below link.

<https://www.knoxvillechamber.com/economic-outlook-survey-registration/>

LABOR MARKET INFORMATION

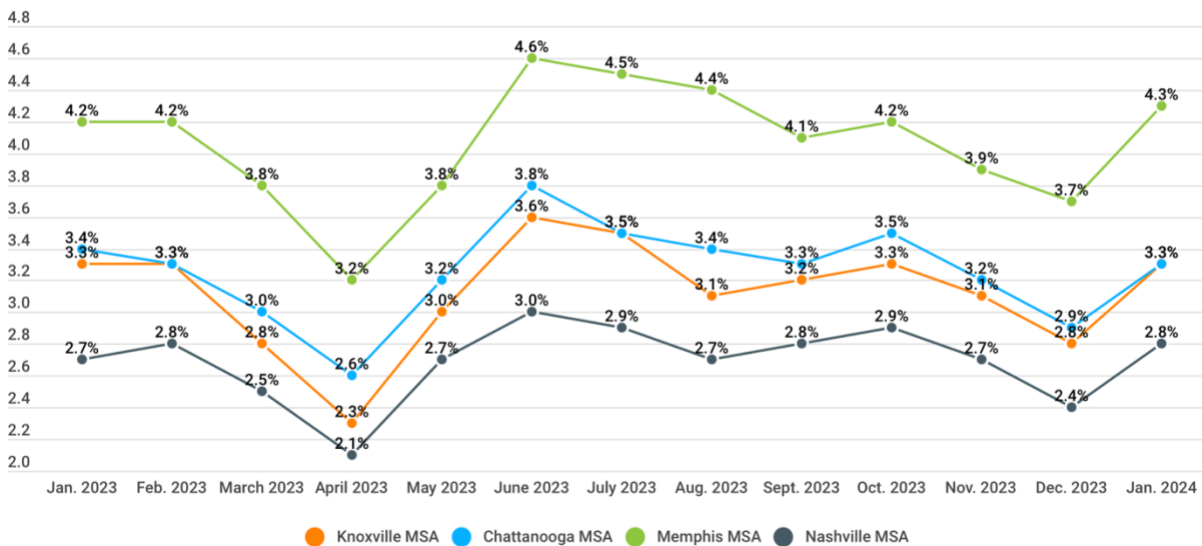
The Knoxville MSA's unemployment rate in January was 3.3% (up from 2.8% in December and unchanged from January 2023.) Knox County's unemployment rate in January was 3.0% (up from 2.6% in December and unchanged from January 2023.) Tennessee's unemployment rate was 3.5% in January (up from 3.0% in December and unchanged from last January.) The U.S. unemployment rate was 4.1% in January (up from 3.5% in December and up from 3.9% in last January.)

The size of the total labor force slightly decreased from December to January at the local, state, and national levels. The Knoxville MSA's labor force decreased 1.3% from 448,878 in December to 443,093 in January. Knox County's labor force decreased 1.4% from 255,685 in December to 252,053 in January. Tennessee's labor force decreased 0.5% from 3,392,133 in December to 3,376,813 in January. The national labor force decreased 0.1% from 166,661,000 in December to 166,428,000 in January.

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

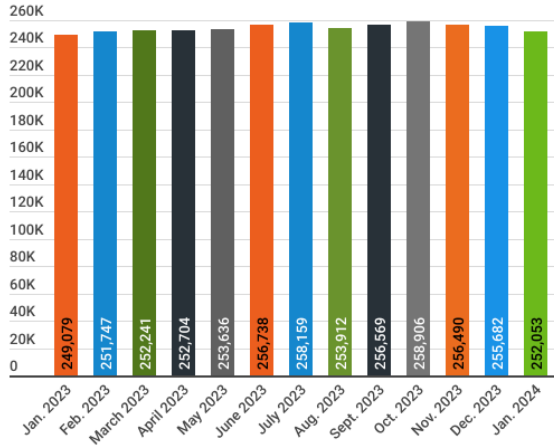
Unemployment Rates - Tennessee MSA

13-Month Trending Comparison

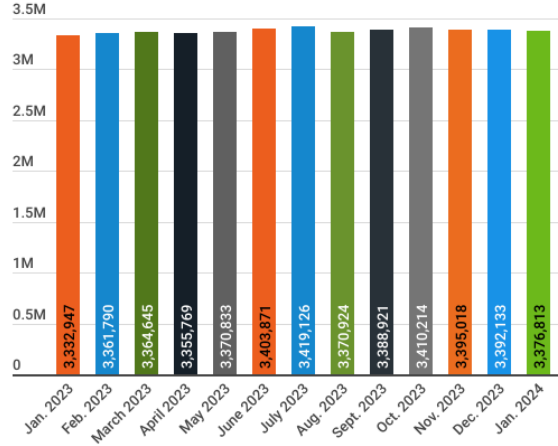


Resident Labor Force

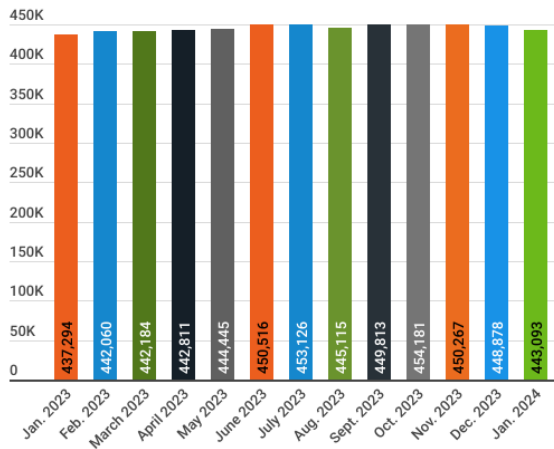
Knox County



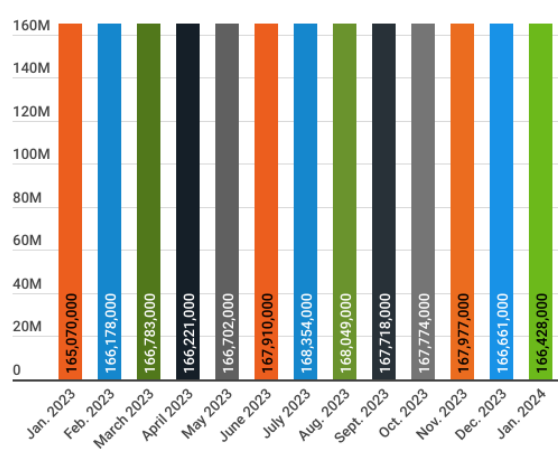
Tennessee



Knoxville MSA



United States













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

JOB MARKET

For the month of January, there were 10,054 unique active job postings in the Knoxville MSA (up 12.4% from December and down 2.2% from last January.) There were 6,348 unique active job postings in Knox County (up 12.1% from December and down 9.0% from this time last year.)

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

Top Ten Industries by Number of Postings

	Industry	Number of Postings
	Health Care and Social Assistance	1,324
	Administrative Support, Waste Management and Remediation Services	1,223
	Retail Trade	1,132
	Professional, Scientific and Technical Services	947
	Accommodation and Food Services	679
	Manufacturing	517
	Educational Services	346
	Finance and Insurance	304
	Construction	296
	Wholesale Trade	249

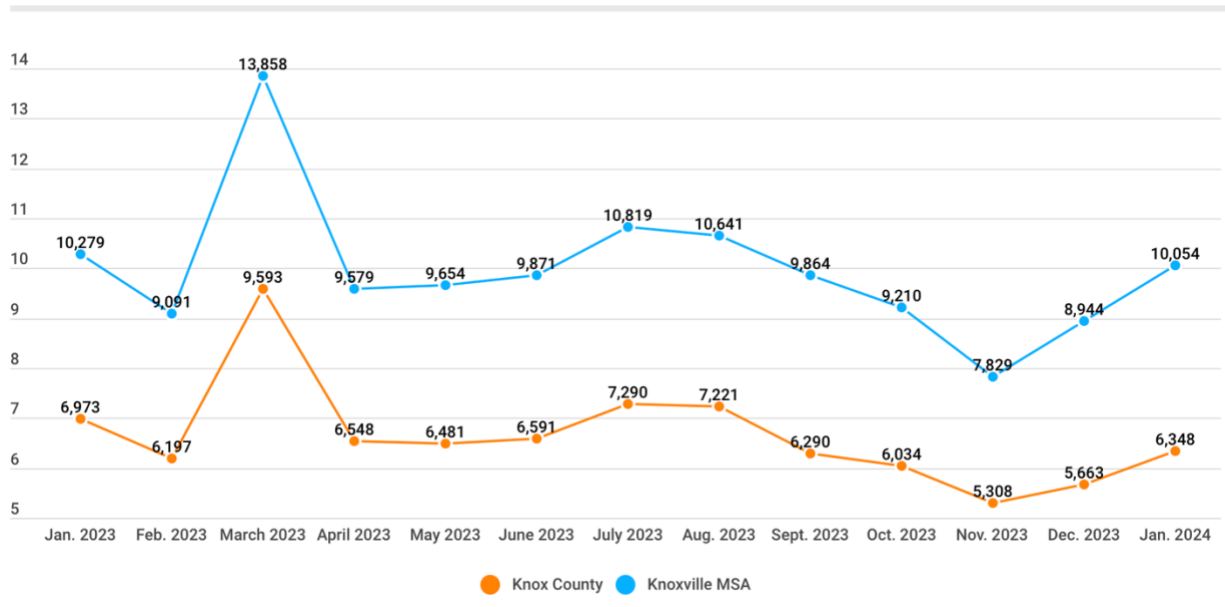
The Top 10 occupations (by number of job postings) in the Knoxville MSA in January were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	439
	First-Line Supervisors of Retail Workers	305
	Retail Salespersons	275
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	263
	Laborers and Freight, Stock, and Material Movers, Hand	215
	Fast Food and Counter Workers	188
	Customer Service Representatives	169
	Licensed Practical and Licensed Vocational Nurses	164
	Heavy and Tractor-Trailer Truck Drivers	163
	Home Health and Personal Care Aides	161

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 February report shows a gain of 140,000 in private-sector employment (up from the 107,000 jobs gain in January.) Industry sectors showing positive job growth in February include Leisure and Hospitality (+41,000), Construction (+28,000), Trade/Transportation/Utilities (+24,000), Financial Activities (+17,000), Other Services (+14,000), Education and Health Services (+11,000), Manufacturing (+6,000), and Professional and Business Services (+5,000). The only industry sectors showing negative job growth in February are Natural Resources and Mining (-4,000) and Information (-2,000).

By establishment size, large businesses (with 500+ employees) gained 61,000 jobs, mid-sized businesses (with 50-249 employees) gained 53,000 jobs, mid-sized businesses (with 250-499 employees) gained 16,000 jobs, "Very Small" businesses (with 1-19 employees) gained 11,000 jobs, and "Other Small" businesses (with 20-49 employees) gained 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 8.9 million jobs to fill and only 5.7 million hires in January, meaning there are 1.6 job openings for every unemployed person.

In January, the largest increases in U.S. job openings were in accommodation and food services (+94,000), health care and social assistance (+71,000), other services (+64,000), financial activities (+57,000), professional and business services (+54,000), manufacturing (+36,000), information (+34,000), and arts/entertainment/recreation (+2,000).

The largest decreases in job openings were in retail trade (-170,000), transportation/warehousing/utilities (-66,000), private educational services (-41,000), wholesale trade (-31,000), and construction (-21,000).

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 IS ONE OF THE TOP TEN STATES STRUGGLING THE MOST IN HIRING

[WalletHub](#), the personal finance website, recently released its rankings of the 50 states and the District of Columbia where employers are struggling the most to hire the workers they need. The rankings were based on the rate of job openings for the latest month and the last twelve months. Despite the positive trends of the national labor force participation rate and low unemployment rate, many businesses still face labor shortages and find it difficult to hire new workers in some states more than others. Tennessee ranked #10. (Many of the ECO survey respondents frequently indicate they struggle to hire qualified employees.) The rest of the Top Ten struggling states are #1 West Virginia, #2 South Carolina, #3 Alaska, #4 Colorado, #5 Minnesota, #6 Louisiana, #7 Mississippi, #8 Michigan, and #9 Virginia. The states that are least struggling with hiring are #51 Washington, #50 Hawaii, #49 Indiana, #48 California, and #47 New York. You can read more [here](#).

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from January 2023 to January 2024 is 3.1%. This is down from 3.4% in the December 2022 to December 2023 period. Last year, the national inflation rate was 6.4% from January 2022 to January 2023.

The January CPI report marks the nineteenth straight month that year-over-year inflation is below the June 2022 CPI peak high of 9.1%. High prices for some items will likely linger longer.

From a year ago, auto insurance is up 20.6%, auto repair services are up 6.5%, housing prices are up 6.0%, eating out prices are up 5.1%, electricity costs are up 3.8%, groceries are up 1.2%, new vehicle prices are up 0.7%, and apparel is up 0.1%.

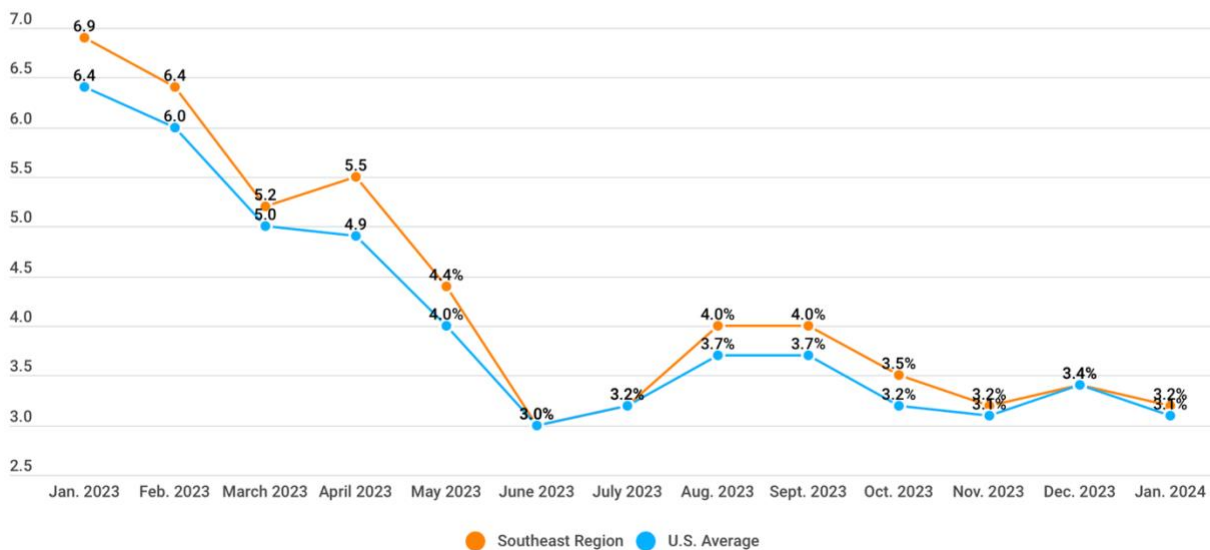
From a year ago, natural gas prices are down 17.8%, airline fares are down 6.4%, gasoline prices are down 6.4%, and used car prices are down 3.5%.

In January, the Federal Reserve indicated that economic activity has been expanding at a solid pace. Job gains have moderated since early last year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. The Fed is committed to achieving maximum employment and inflation at the rate of 2 percent over the longer run. The Fed will keep the federal funds rate at the current 5 ¼ to 5 ½ percent and continue to monitor all indicators until it has gained confidence that inflation is moving toward the desired 2 percent before considering any future rate cuts. You can read more [here](#).

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 January 2023 to January 2024 period. This is down from 3.4% in the December 2022 to December 2023 period. Last year, the rate was 6.9% from January 2022 to January 2023.

Inflation Rates

Consumer Price Index - All Items



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

HOUSING MARKET

Home sales in East Tennessee increased 6.3% from December to January to a seasonally adjusted annual rate (SAAR) of 17,180. By comparison, home sales in Knox County accelerated 2.1% from the previous month to a seasonally adjusted annual rate (SAAR) of 6,503. Compared to the previous year, home sales were down 6.7% in the East Tennessee region and 1.5% from the previous year in Knox County.

Nationally, existing home sales increased in January to a seasonally adjusted annual rate of 4.00 million — up 3.1% from the previous month but down 1.7% from a year ago. Home sales in the South rose 4.0% from the previous month but fell 1.6% from a year ago.

The median home sales price across the East Tennessee region was \$350,000 in January, up 10.8% from a year ago. Knox County's median home sale price was \$384,700, an increase of 13.6% from a year ago.

Half of the homes sold across the East Tennessee region when under contract in 23 days or less, up from 18 days the previous month but down from 25 days a year ago. 43.5% of homes sold for the asking price or above. 9% of homes sold for at least \$10,000 over asking and 3.1% sold for at least \$25,000 over asking. New construction (i.e., "Never Occupied," "To Be Built," "Under Construction," or "Under Roof") represented 16% of total home sales.

Active inventory in the East Tennessee region increased in January, with the total number of active listings up 19.2% 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 2.75 months.

Apartment rent growth slowed in January, with rents across the Knoxville metro area increasing 3.7% from the previous year. By comparison, rents were up 0.25% nationally during the same period.

According to Hancen Sale, Governmental Affairs and Policy Director at East Tennessee REALTORS®, "East Tennessee's housing market started off slow in the first month of 2024 owing to a lack of resale inventory and continued affordability constraints. However, inventory levels are set to experience some improvement as we move closer to the spring selling season and affordability conditions are expected to be fairly stable, providing more certainty for buyers and sellers alike."

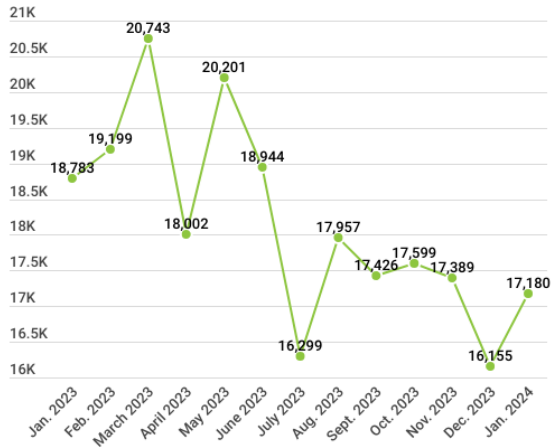
You can subscribe to the East Tennessee REALTORS® monthly *Market Pulse Newsletter* [here](#).

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.

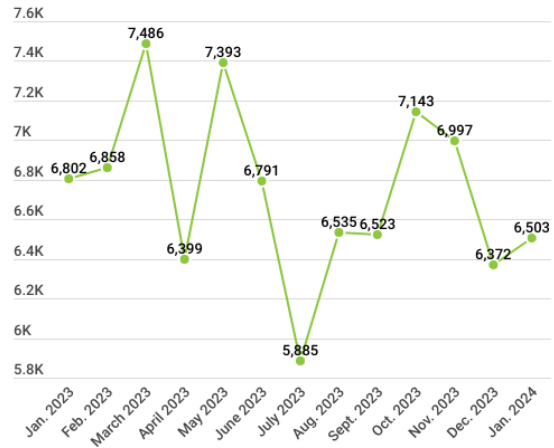
Home Sales

Seasonally Adjusted, Annualized Rate of Home Sales

Knoxville Area



Knox County



Knoxville Area Housing Market

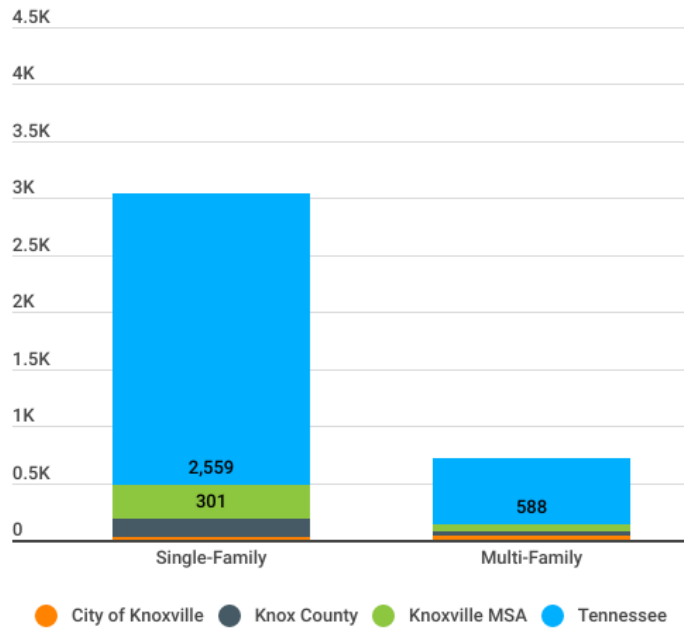
	Knoxville Area						Knox County						
	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023	Sept. 2023	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024
Active Listings Inventory	2,996	2,817	2,816	2,856	3,111	3,276	3,440	3,684	3,870	4,096	4,245	3,949	3,849
Median Home Sales Price	\$316,000	\$316,000	\$325,000	\$325,000	\$335,000	\$350,000	\$350,000	\$350,000	\$340,000	\$350,000	\$346,000	\$345,000	\$350,000
Months Inventory	1.91	1.77	1.81	0.92	1.90	2.10	2.20	2.40	2.60	2.73	2.92	2.89	2.75

	Knoxville Area						Knox County						
	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug. 2023	Sept. 2023	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024
Active Listings Inventory	-	555	549	486	527	611	665	751	823	862	972	923	777
Median Home Sales Price	\$338,810	\$347,900	\$352,200	\$362,000	\$383,000	\$393,250	\$372,000	\$385,000	\$363,530	\$368,319	\$362,500	\$365,000	\$384,700

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

Residential Building Permits

Jan. 2024



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

NATIONAL RETAIL SALES

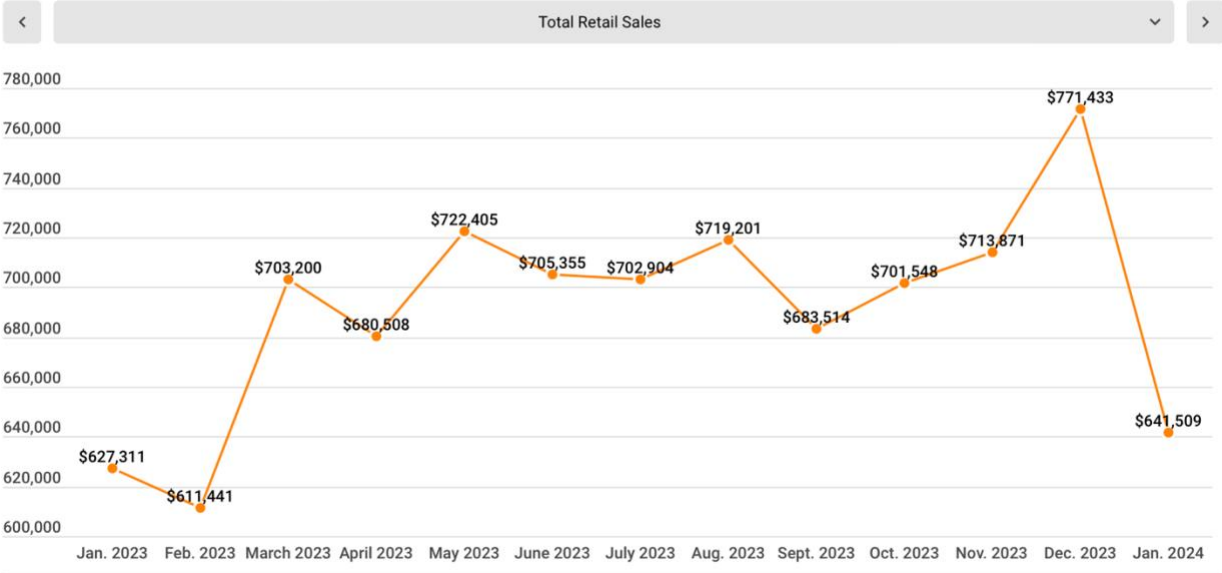
The total advance monthly retail sales estimate for January 2024 was \$641.509 billion (down 16.8% from December and up 2.3% from last January.)

The retail sectors that showed sales growth from last January were Non-store Retailers (+10.1%), Electronics and Appliance Stores (+8.7%), Health and Personal Care Stores (+8.1%), General Merchandise Stores (+4.6%), Food and Beverage Stores (+3.2%), Motor Vehicles and Parts Sales (+2.3%), Clothing Stores (+2.0%), and Food Services and Drinking Places (+0.2%).

Retail sectors that showed a decline in sales from last January were Gasoline Stations (-9.8%), Sporting Goods/Books/Hobby/Music Stores (-8.3%), Furniture and Home Furnishings Stores (-6.9%), Building Materials (-5.0%), and Miscellaneous Stores (-0.8%).

National Retail Sales

in Millions of Dollars



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

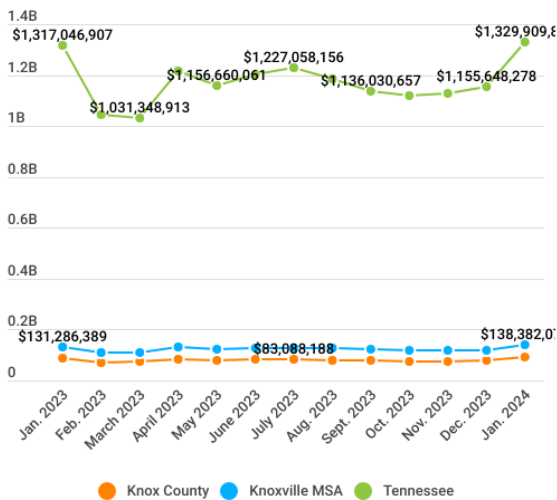
TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected \$138.382 million in state sales taxes in January (up 15.2% from December and up 5.4% from last January) and Knox County collected \$92.762 million in January (up 17.4% from December and up 5.4% from last January.) The state of Tennessee collected \$1.330 billion in state sales taxes in January (up 15.1% from December and up 1.0% from last January.)

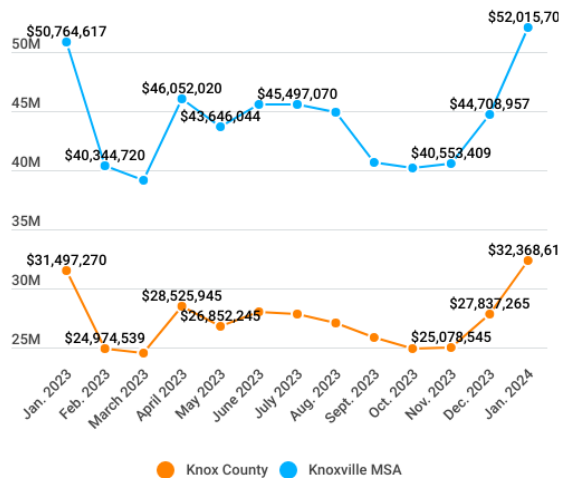
The Knoxville MSA collected \$52.016 million in local sales taxes in January (up 16.3% from December and up 2.5% from last January) and Knox County collected \$32.369 million (up 16.3% from December and up 2.8% from last January.)

Sales Tax Revenue

State Sales Tax



Local Sales Tax



(Source: Tennessee Department of Revenue)

KNOXVILLE RANKS #28 ON MILKEN INSTITUTE'S BEST-PERFORMING CITIES INDEX 2024

The Milken Institute recently released its annual Best-Performing Cities (BPC) Index, which measures the economic vitality of cities and their attractiveness to residents and businesses. The BPC index compares 403 metropolitan areas by measuring 13 metrics across three key categories – labor market performance, high-tech impact, and access to economic opportunities. Labor market performance includes short- and medium-term indicators of trends in employment and wages. High-tech impact captures the presence and growth of high-tech industries. Access to economic opportunities reflects the cities' ability to remain attractive to residents by providing access to services and building inclusive and sustainable social structures.

Knoxville ranked #28, improving four spots from last year's ranking and 33 spots higher from the 2022 index. Knoxville's best metric ranking was #17 for High-Tech GDP 2017-2022 and worst metric ranking was #157 for Broadband Access 2022. The overall rankings for Knoxville's peer cities were #2 Raleigh, #6 Nashville, #16 Huntsville, #36 Durham-Chapel Hill, #38 Greenville (SC), #46 Chattanooga, #61 Asheville, #131 Lexington (KY), and #175 Memphis. You can read the full report [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.

February 21, 2024 – [Type One Energy](#), a leading stellarator fusion energy company and first recipient of funding through [Tennessee's \\$50 million Nuclear Energy Fund](#), announced it will invest \$223.5 million to establish its corporate headquarters somewhere in the Knoxville area and expand its research and development operations at TVA's Bull Run Fossil Plant in Anderson County's Claxton community. The expansion will create a total of 330 new jobs. The company plans to build the world's most advanced stellarator named Infinity One. Stellarators are fusion devices formed in a twisted doughnut shape that use powerful magnetic fields to contain plasma heated to temperatures several times hotter than the core of the sun. Engineers will use it to run tests as a crucial step toward opening a full-scale fusion power plant that could one day replace coal-powered plants to produce electricity. You can read more [here](#) and [here](#).

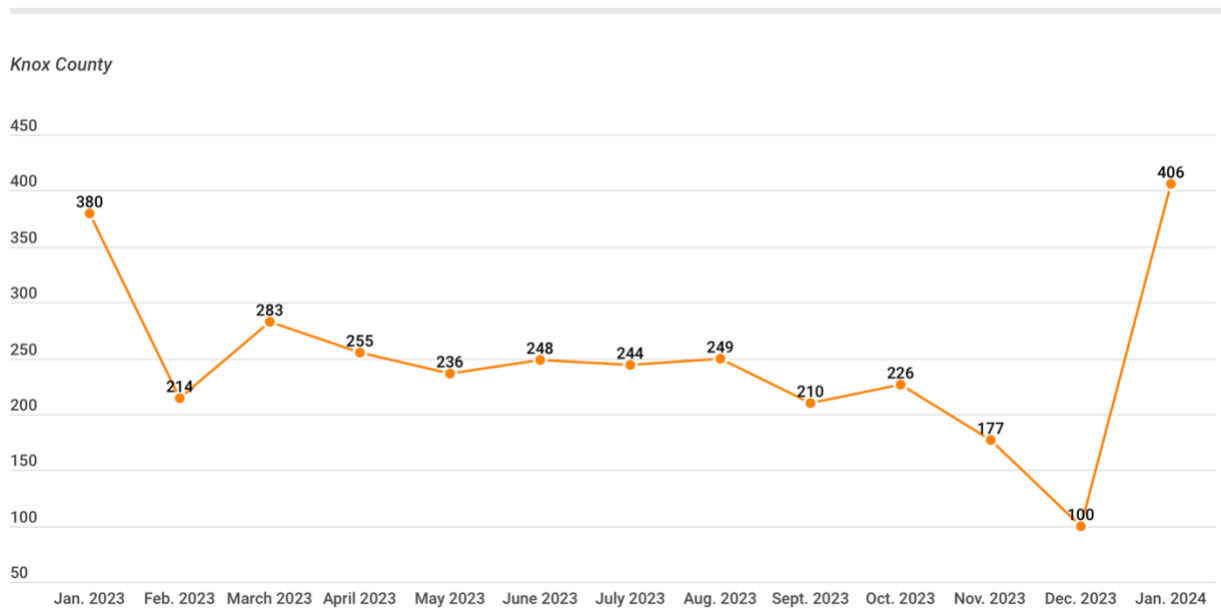
KNOX COUNTY BUSINESS LICENSES

New business licenses issued in January 2024 by Knox County are up 306% from December and are up 6.8% from January 2023.

A total of 406 new business licenses were issued in January 2024 compared to 100 in December and 380 in January 2023. The top industry sectors for which business licenses were issued in January 2024 were services, construction, retail, and non-classified establishments.

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

Business Licenses



(Source: Knox County Clerk)

MCGHEE TYSON AIRPORT (TYS) PASSENGER AND FREIGHT TRENDS

The Metropolitan Knoxville Airport Authority recorded 194,305 passengers in January (down 17.5% from December's passenger traffic of 235,552 and up 9.1% from January 2023.)

The total freight recorded in January at TYS was 5,218,061 pounds (down 25.6% from December and down 14.5% from last January.)

In February, Avelo Airlines announced new service at McGhee Tyson Airport with direct flights to New Haven, Connecticut beginning May 9. The nonstop flights to Tweed-New Haven Airport (HVN) will run Thursdays and Sundays. Introductory low one-way fares will start at \$62. You can read more [here](#).

Allegiant Air also announced the addition of three new nonstop flight destinations from TYS to Jacksonville (JAX), MidAmerica St. Louis (BLV), and South Bend (SBN), Indiana with select one-way airfares as low as \$45. Flights to St. Louis will operate Thursdays and Sundays beginning June 13. Flights to Jacksonville and South Bend will operate Mondays and Fridays beginning June 14. You can read more [here](#).

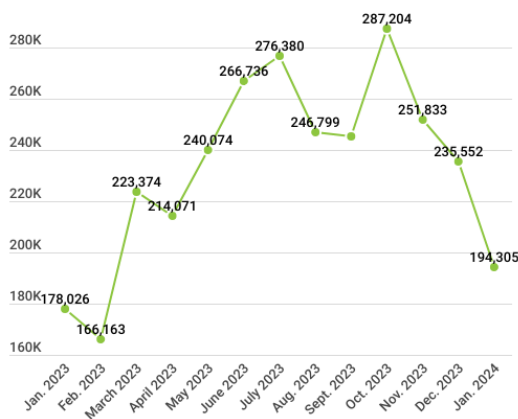
According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in January was 2,078,943 (up 6.4% from the January 2023 daily passenger average of 1,953,172 and up 10% from the pre-COVID January 2019 average of 1,890,451.) You can view the daily TSA checkpoint travel numbers [here](#).

According to the [International Air Transport Association \(IATA\)](#), "U.S. domestic traffic saw a slight decline of 2.2% MoM in seasonally adjusted terms, explained by the harsh winter weather conditions some parts of the country experienced over the month. Despite those events, traffic growth continued at a solid rate of 3.1% YoY and 5.9% against pre-pandemic." You can read more [here](#).

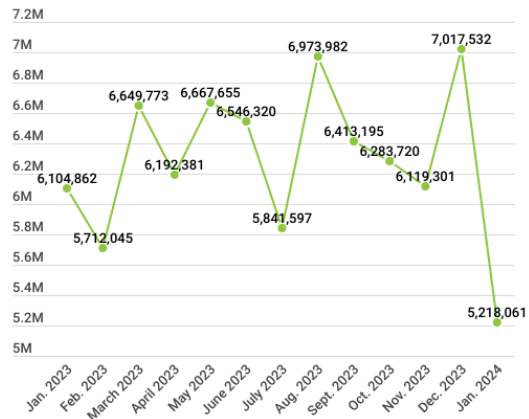
Air Service

at McGhee-Tyson Airport

Passengers



Freight



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