FEBRUARY 2025

ECO

Economic Conditions Outlook

FINANCED BY FIRST HORIZON.

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 2025) ECONOMIC SURVEY RESULTS

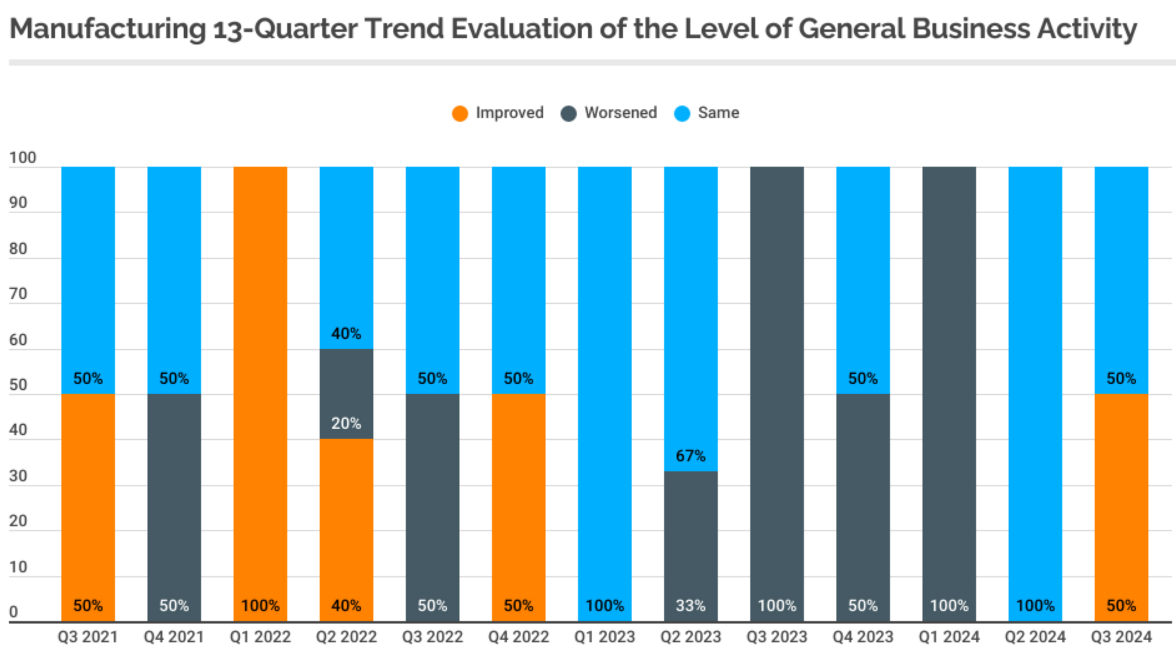
MANUFACTURING

Based on the response to the Quarter 1 (January 2025) survey, the evaluation of the level of general business activity and company outlooks have mostly "improved" from the previous quarter. (In the last quarter, the evaluation of the level of general business activity had "worsened" and company outlooks were split evenly between "worsened" and "the same.")

The Quarter 1 current indicator responses show mostly "increases" in the growth rate of orders, prices paid for raw materials, and wages and benefits. "No changes" are mostly reported in unfilled orders, delivery time, finished goods inventories, prices received for finished goods, and average employee workweek. Production, volume of new orders, volume of shipments, and capital expenditures are mostly split between "increased" and "decreased." The number of

employees is mostly split between "increased" and "no change." Capacity utilization is mostly split between "decreased" and "no change."
(In the last quarter, responses showed "decreases" in production, capacity utilization, volume of new orders, and average employee workweek. Wages and benefits had "increased." Unfilled orders, delivery time, prices paid for raw materials, prices received for finished goods, and number of employees were evenly split between "decreased" and "no change." The growth rate of orders, volume of shipments, and capital expenditures were evenly split between "increased" and "decreased." Finished goods inventories were split between "increased" and "no change.")

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

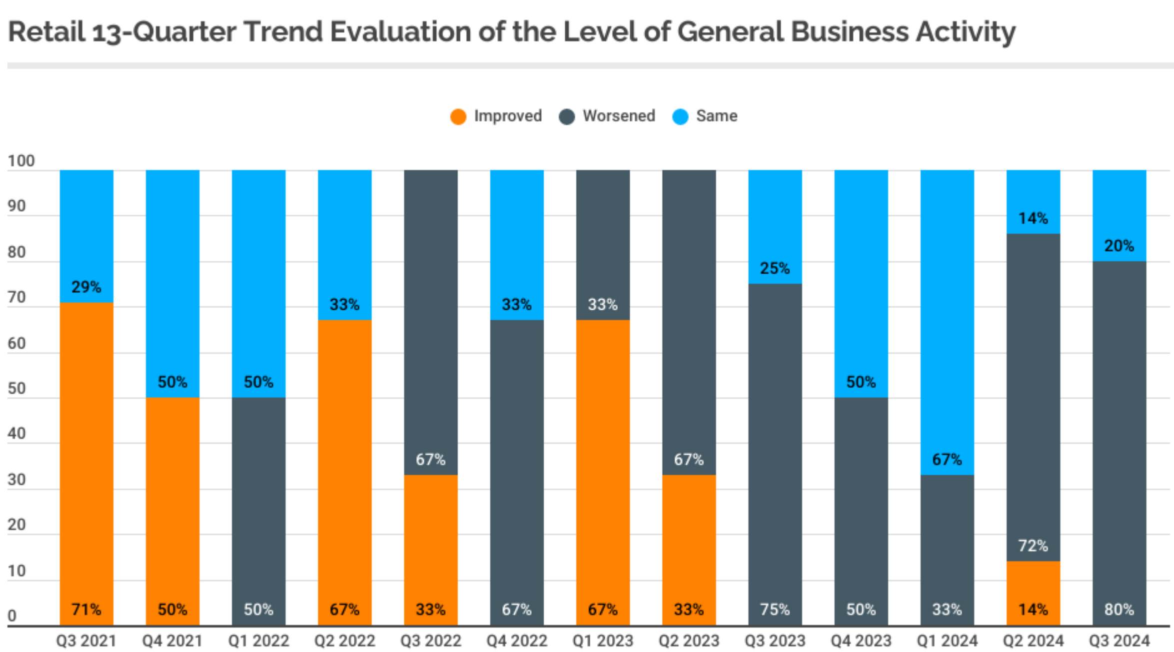


RETAIL

Knoxville area retailers indicated in the Quarter 1 (January 2025) survey that the evaluation of the level of general business activity is mostly "the same" from the last quarter, while their company outlooks have mostly "improved." (In the last quarter, retailers responded that their evaluation of the level of general business activity and company outlooks were "the same" from the last quarter.)

The Quarter 1 current indicator responses show mostly "increases" in net sales revenue, wages and benefits, input prices, and selling prices. "No changes" are mostly reported in internet sales, the number of full-time and part-time employees, and the average employee workweek. Capital expenditures and inventories are evenly split between "increase" and "no change." (In the last quarter, retail responses showed "increases" in net sales revenue, wages and benefits, input prices, and selling prices. "No changes" were reported in internet sales, the number of full-time and part-time employees, average employee workweek, capital expenditures, and inventories.)

The six-month retail outlook in Quarter 1 projects mostly "increases" in net sales revenue, wages and benefits, input prices, selling prices, and capital expenditures. "No changes" are mostly forecasted for internet sales, the number of part-time employees, and the average employee workweek. The number of full-time employees and inventories are evenly split between "increase" and "no change." (The six-month outlook in the last quarter anticipated "increases" in net sales revenue, wages and benefits, input prices, and selling prices. "No changes" were expected in internet sales, the number of full-time and part-time employees, average employee workweek, capital expenditures, and inventories.)



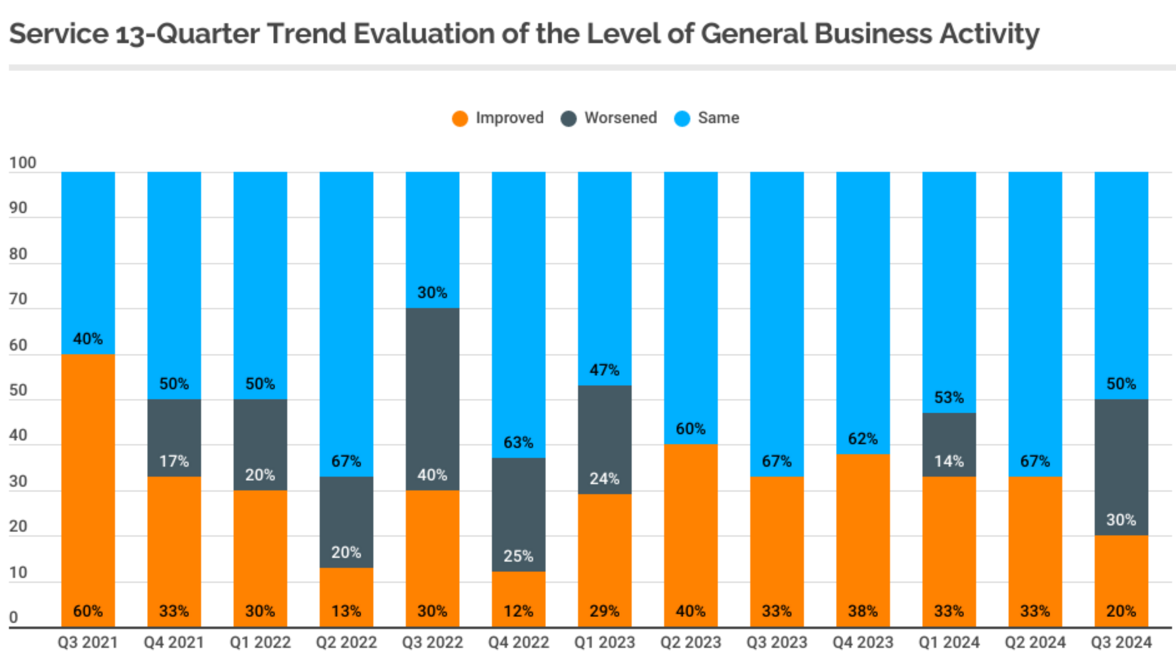
SERVICE

Knoxville area service sector businesses report in the Quarter 1 (January 2025) survey that their evaluation of the level of general business activity has mostly "improved" from the last quarter, while company outlooks continue to be "mixed." (The evaluation of the level of general business activity had mostly "worsened" and company outlooks were "mixed" in the last quarter.)

The Quarter 1 current indicator responses show mostly "increases" in revenue, wages and benefits, input prices, and capital expenditures. "No changes" are mostly reported for the number of part-time employees, the average employee workweek, and selling prices. The number of full-time employees is "mixed." (In the last quarter, responses showed mostly "no changes" in the number of full-time and part-time employees, average employee workweek, and wages and benefits. Input prices had mostly "increased." Capital expenditures were mostly split between "increased" and "no change." All other indicators were "mixed.")

The six-month outlook in Quarter 1 projects mostly "increases" in revenue, the number of full-time employees, wages and benefits, input prices, selling prices, and capital expenditures. Mostly "no changes" are expected in the number of part-time employees and the average employee workweek. (The six-month outlook in the last quarter anticipated mostly "increases" in revenue, input prices, and capital expenditures. Mostly "no changes" were expected in the number of part-time employees and average employee workweek. The number of full-time employees, wages and benefits, and selling prices were mostly split between "increase" and "no change.")

Service sector comments indicate that many service employees are working multiple jobs and asking for more pay due to inflation.



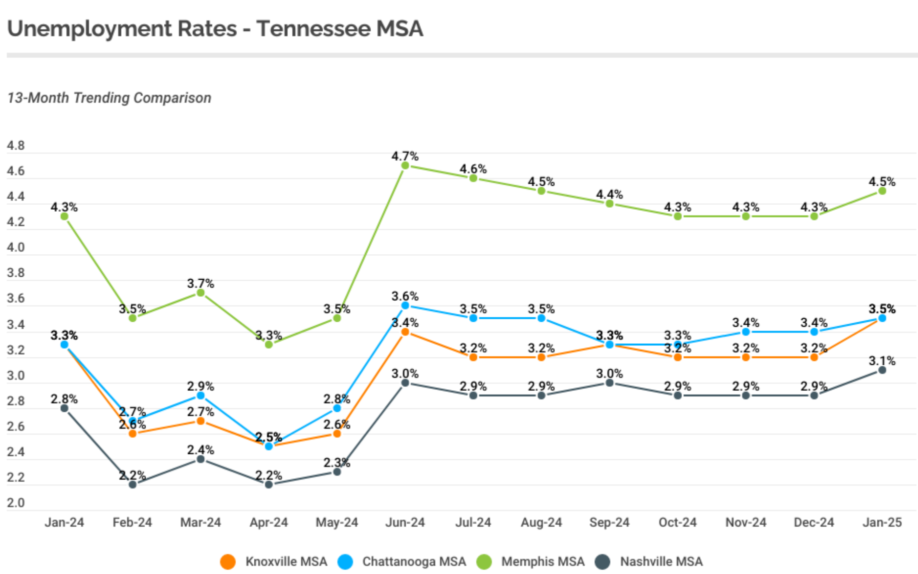
Note: We are still growing the number of participating companies, so response totals in some areas may be fairly small. If you are interested in being a participant in our quarterly surveys, please register at this below link.
https://www.knoxvillechamber.com/economic-outlook-survey-registration/

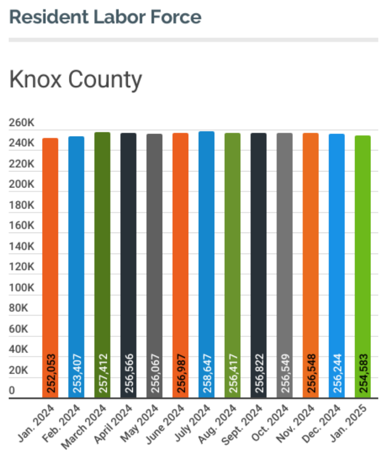
LABOR MARKET INFORMATION

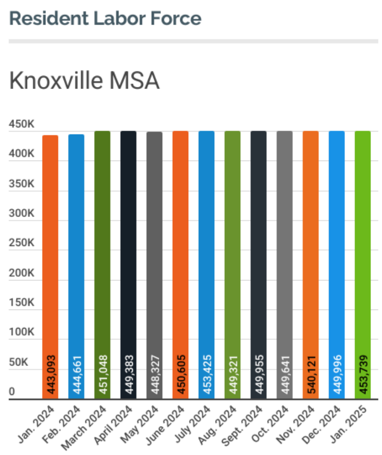
The Knoxville MSA's unemployment rate in January was 3.5% (up from 3.2% in December and up from 3.3% in January 2024.) Knox County's unemployment rate in January was 3.3% (up from 3.0% in December and up from 3.0% in January 2024.) Tennessee's unemployment rate was 3.8% in January (up from 3.5% in December and up from 3.5% in last January.) The U.S. unemployment rate was 4.4% in January (up from 3.8% in December and up from 4.1% in last January.)

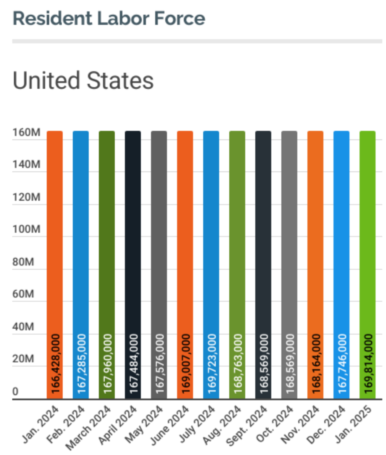
The size of the total labor force slightly increased from December to January at the MSA, state, and national levels. The Knoxville MSA's labor force increased 0.8% from 449,996 in December to 453,739 in January. Tennessee's labor force increased 0.2% from 3,426,084 in December to 3,431,226 in January. The national labor force increased 1.2% from 167,746,000 in December to 169,814,000 in January. Meanwhile, Knox County's labor force decreased 0.6% from 256,244 in December to 254,583 in January.

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









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

JOB MARKET

For the month of January, there were 9,999 unique active job postings in the Knoxville MSA (up 15.4% from December and down 0.5% from last January.) There were 6,239 unique active job postings in Knox County (up 13.7% from December and down 1.7% 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	1,634
	Administrative and Support and Waste Management and Remediation Services	1,213
	Retail Trade	943
	Professional, Scientific and Technical Services	747
	Accommodation and Food Services	568
	Manufacturing	512
	Educational Services	343
	Transportation and Warehousing	326
	Finance and Insurance	301
	Construction	295

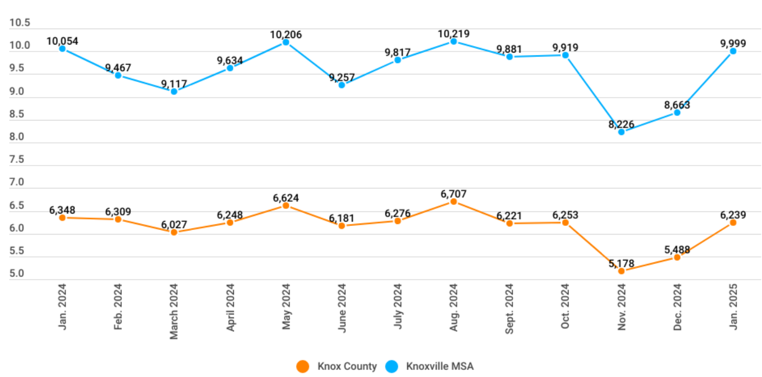
The Top 10 occupations (by number of job postings) in the Knoxville MSA in January were –

Top Ten Occupations by Number of Postings

	Occupation	Number of Postings
	Registered Nurses	536
	Heavy and Tractor-Trailer Truck Drivers	360
	Retail Salespersons	274
	First-Line Supervisors of Retail Workers	185
	Licensed Practical and Licensed Vocational Nurses	180
	Home Health and Personal Care Aids	180
	Customer Service Representatives	167
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	149
	Fast Food and Counter Workers	139
	General and Operations Managers	134

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 net gain of 77,000 in private-sector employment (down from the 183,000 net jobs gain in January.) Industry sectors showing positive job growth in February include Leisure and Hospitality (+41,000), Professional and Business Services (+27,000), Construction (+26,000), Financial Activities (+26,000), Manufacturing (+18,000), and Other Services (+17,000).

Industry sectors showing negative job growth in February include Trade/Transportation/Utilities (-33,000), Education and Health Services (-28,000), Information (-14,000), and Natural Resources and Mining (-2,000).

By establishment size, large businesses (with 500+ employees) gained 37,000 jobs, mid-sized businesses (with 250-499 employees) gained 31,000 jobs, mid-sized businesses (with 50-249 employees) gained 15,000 jobs, and "Other Small" businesses (with 20-49 employees) gained 5,000 jobs. The job gains were offset by "Very Small" businesses (with 1-19 employees), which lost 17,000 jobs.

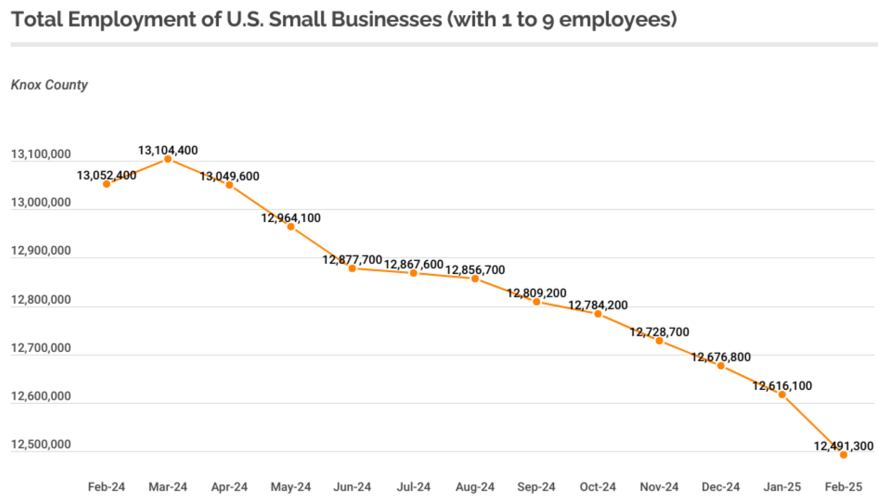
(Source: ADP)

INTUIT QUICKBOOKS SMALL BUSINESS INDEX

Each month, Intuit QuickBooks, the accounting software provider for small and medium-sized businesses, releases the Small Business Index Report, which analyzes employment and revenue trends for small businesses in the U.S. with one to nine employees across twelve industry sectors.

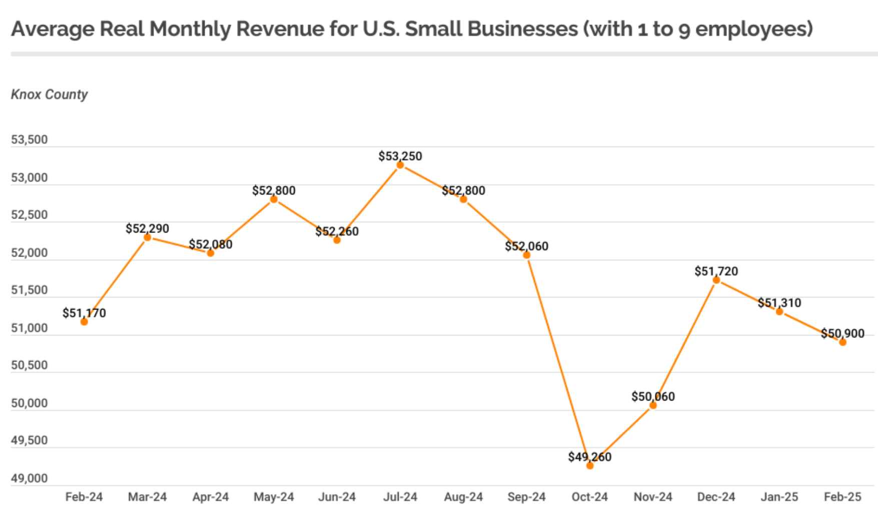
In February, there were 12,491,300 people employed by U.S. small businesses with one to nine employees, down 0.99% from January and down 4.3% from last February. Jobs were down across all twelve industry sectors including Professional and Business Services (-23,800), Education and Health Services (-21,200), Leisure and Hospitality (-20,900), Retail Trade (-13,300), Manufacturing (-9,700), Construction (-9,100), Finance and Real Estate (-8,500), Transportation and Warehousing (-6,400), Wholesale Trade (-5,900), Information (-3,500), Agriculture/Natural Resources/Mining (-2,100), and Utilities (-500).

Below is the 13-month total employment trend for U.S. small businesses with one to nine employees -



Average real monthly revenue in February for U.S. small businesses with one to nine employees was $50,900 (in 2017 dollars) per business, a 0.79 percent decrease from January and a 0.53 percent decrease from last February. The index is deflated to 2017 dollars to remove the impact of inflation and track real changes in revenue and is also seasonally adjusted. Industry sectors showing revenue growth in February include Utilities (+2.58%), Retail Trade (+1.75%), Construction (+0.99%), Leisure and Hospitality (+0.58%), Transportation and Warehousing (+0.39%), Manufacturing (+0.38%), and Professional and Business Services (+0.19%). Industry sectors showing a decline in revenue in February include Wholesale Trade (-6.33%), Information (-4.89%), Natural Resources and Mining (-4.19%), Financial Activities (-1.31%), and Education and Health Services (-0.37%).

Below is the 13-month average real monthly revenue trend for U.S. small businesses with one to nine employees –



You can access the full report **here**.

Source: Intuit QuickBooks

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 7.6 million jobs to fill and only 5.5 million hires in December, meaning there are 1.2 job openings for every unemployed person.

In December, the largest increases in U.S. job openings were in arts/entertainment/recreation (+65,000), transportation/warehousing/utilities (+38,000), retail trade (+19,000), and accommodation and food services (+2,000).

The largest decreases in job openings were in professional and business services (-225,000), health care and social assistance (-180,000), financial activities (-166,000), construction (-55,000), information (-13,000), private educational services (-13,000), manufacturing (-11,000), and other services (-6,000). Job openings in wholesale trade were unchanged from last month.

It will take time for this mismatch between labor demand and supply to align. In the meantime, wages will continue to rise as businesses compete to attract talent. You can read the latest job openings summary from BLS **here**.

KNOXVILLE TECHNOLOGY COUNCIL (KTECH) RELEASES 2024 PULSE SURVEY REPORT

In January, the Knoxville Technology Council (KTech) released its 2024 PULSE Survey Report. The annual survey of companies in the Knoxville area includes perspectives and trends regarding the way their employees work and the future of technology. Some of the highlights from the survey's findings include nearly 11 percent of the company respondents indicated that they no longer have a physical office location and their employees are entirely remote, while a third of respondents said the majority of their employees work in the office full-time, and the remaining 40 percent indicate they use a flexible work model. Sixty percent of respondents said the biggest challenges of the flexible work options were a lack of personal connection and fewer boundaries between work and home. A shortage of enough qualified job applicants in the "Tech Workforce" was cited as another major challenge. Most technology investments are being made in cybersecurity. Artificial intelligence (AI) and machine learning are expected to have the most potential to change the way their businesses operate in the next three to five years. You can read the full report **here**.

CONSUMER PRICE INDEX (CPI - INFLATION RATES)

The national inflation rate from January 2024 to January 2025 is 3.0%. This is up from 2.9% in the December 2023 to December 2024 period. Last year, the national inflation rate was 3.1% from January 2023 to January 2024.

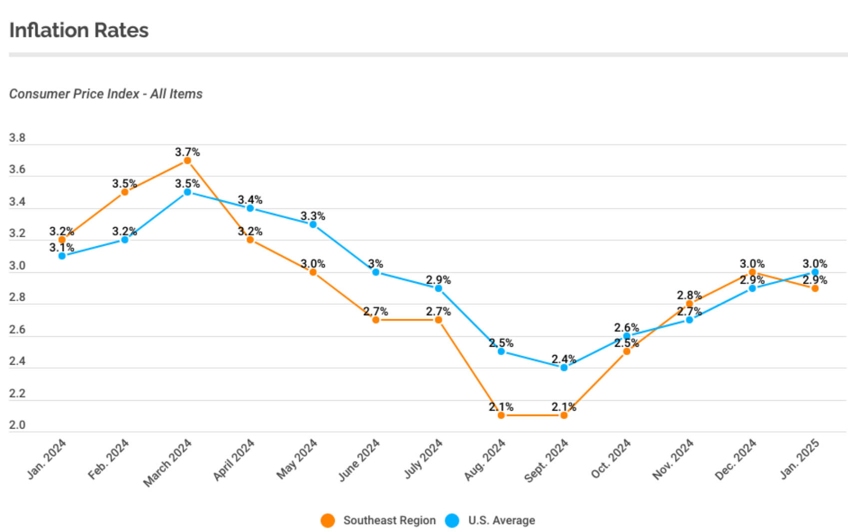
The January CPI report marks the thirty-first straight month that year-over-year inflation is below the June 2022 CPI peak high of 9.1%. High prices for some items will likely linger longer.

From a year ago, auto insurance is up 11.8%, airline fares are up 7.1%, auto repair services are up 5.9%, natural gas prices are up 4.9%, housing prices are up 4.4%, eating out prices are up 3.4%, electricity costs are up 1.9%, groceries are up 1.9%, used car prices are up 1.0%, and apparel is up 0.4%.

From a year ago, new vehicle prices are down 0.3% and gasoline prices are down 0.2%.

The Federal Reserve decided to keep the federal funds rate at 4 ¼ to 4 ½ percent at its Federal Open Market Committee (FOMC) policy-setting meeting March 18-19. The Fed stated that recent indicators suggest that economic activity has continued to expand at a solid pace, labor market conditions have remained solid, the unemployment rate has stabilized at a low level in recent months, and inflation remains somewhat elevated. The committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the long run. The uncertainty around the economic outlook has increased. Most economists are expecting two more quarter percentage point cuts this year. 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 2.9% for the January 2024 to January 2025 period. This is down from 3.0% in the December 2023 to December 2024 period. Last year, the rate was 3.2% from January 2023 to January 2024.



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

HOUSING MARKET

Home sales in East Tennessee decreased 0.4% from December to January, leveling out after an unusually fast-paced end to the year at a seasonally adjusted annual rate (SAAR) of 18,453. Compared to the previous year, home sales were up 7.4% in the East Tennessee region, showing a healthy start to the year. By comparison, home sales in Knox County increased 3.6% from the previous year at a seasonally adjusted annual rate (SAAR) of 6,839.

The median home sales price across the East Tennessee region was $360,642 in January, up 3.4% from a year ago. Knox County's median home sale price was $391,250, an increase of 1% from a year ago.

Half of the homes sold across the East Tennessee region went under contract in 37 days or less, up from 22 days last year and 30 days last month.

Active inventory in the East Tennessee region was up 33.4% from the previous year, an unexpectedly high increase showing the potential for loosening inventory and increased sales.

Months of inventory for East Tennessee, or the number of months it would take to exhaust active listings at the current sales rate, increased to 4.19 months.

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.

Knoxville Area Housing Market

Knoxville Area

	Jan. 2024	Feb. 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	Sept. 2024	Oct. 2024	Nov. 2024	Dec. 2024	Jan. 2025
Active Listings Inventory	3,849	3,833	3,989	4,346	4,693	4,910	5,352	5,494	5,710	5,924	5,860	5,794	5,395
Median Home Sales Price	$350,000	$354,000	$350,497	$354,450	$365,000	$375,000	$374,950	$365,000	$371,250	$374,900	$375,000	$374,000	$360,642
Months Inventory	2.75	2.67	2.82	2.94	3.17	3.33	3.58	3.70	3.82	3.95	2.42	2.14	4.19

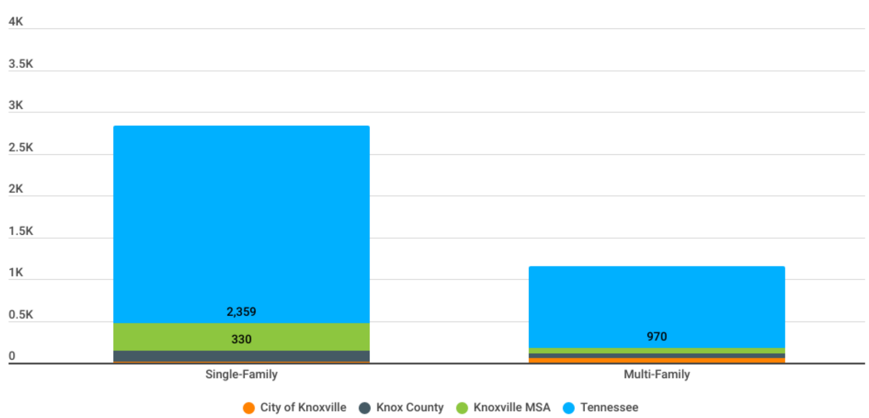
Knox County

	Jan. 2024	Feb. 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	Sept. 2024	Oct. 2024	Nov. 2024	Dec. 2024	Jan. 2025
Active Listings Inventory	777	723	745	809	917	1,072	1,175	1,232	1,251	1,309	1,315	1,315	1,027
Median Home Sales Price	$384,700	$381,080	$380,000	$374,900	$388,000	$399,450	$390,000	$385,000	$404,950	$400,000	$402,000	$402,000	$391,250

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

Residential Building Permits

Jan. 2025



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

HOUSING FORECAST FOR 2025

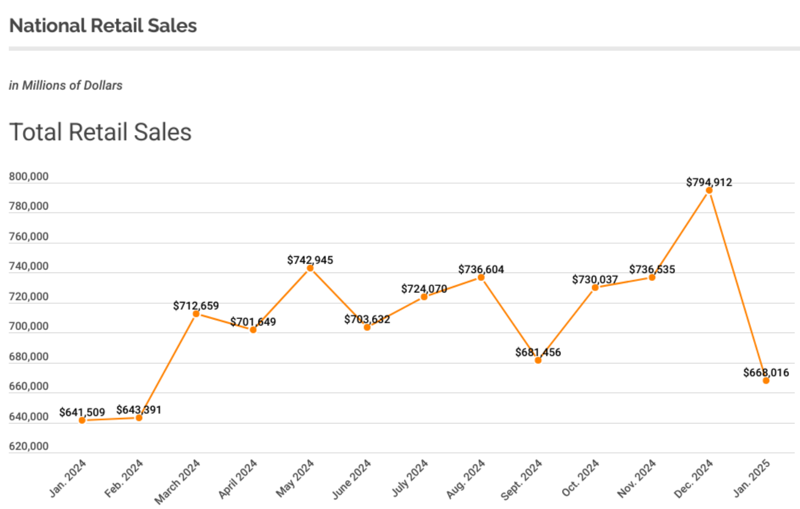
East Tennessee REALTORS® recently released its 2025 Housing Market Forecast and it shows some positive shifts from the past few years of challenges due mostly to the region's ongoing economic and population growth. In 2025, home prices are expected to grow modestly by 2.9% annually and total home sales are expected to increase by 8.7%. Apartment rent growth should hold steady at 3.5% in 2025, continuing the stabilization that began in late 2024. The primary challenge will continue to be low inventory placing pressure on affordability. You can read the full report **here**.

NATIONAL RETAIL SALES

The total advance monthly retail sales estimate for December 2024 was $794.912 billion (up 7.9% from November and up 3.0% from last December.)

The retail sectors that showed sales growth from last December were Furniture and Home Furnishings Stores (+12.3%), Non-store Retailers (+9.2%), Motor Vehicles and Parts Sales (+6.1%), Health and Personal Care Stores (+5.2%), General Merchandise Stores (+1.1%), Food Services and Drinking Places (+0.5%), and Clothing Stores (+0.1%).

Retail sectors that showed a decline in sales from last December were Sporting Goods/Books/Hobby/Music Stores (-3.9%), Miscellaneous Stores (-2.3%), Building Materials (-2.0%), Electronics and Appliance Stores (-1.8%), Gasoline Stations (-1.5%), and Food and Beverage Stores (-0.2%).

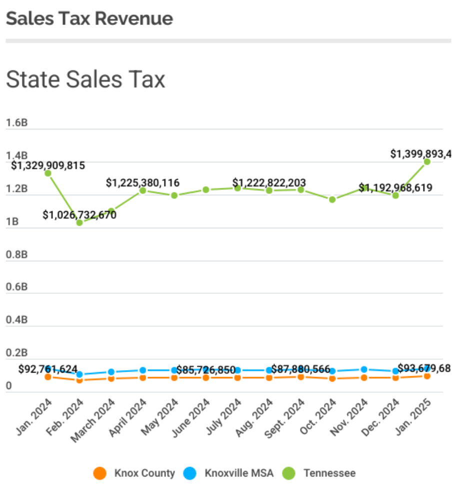


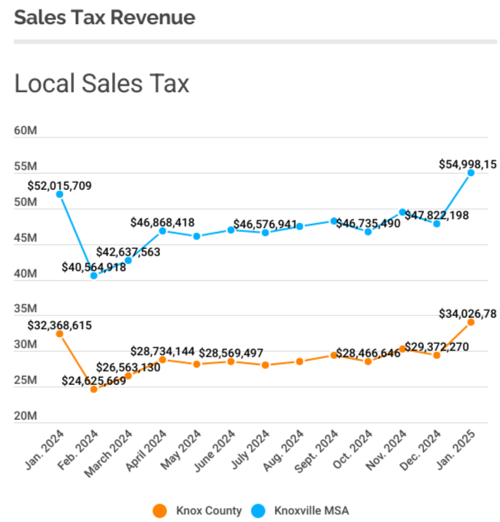
(Source: U.S. Census Bureau; Advance Monthly Retail Trade Reports; Not Adjusted)

TENNESSEE STATE AND LOCAL SALES TAX COLLECTIONS

The Knoxville MSA region collected $140.999 million in state sales taxes in January (up 10.6% from December and up 1.9% from last January) and Knox County collected $93.680 million in January (up 12.0% from December and up 1.0% from last January.) The state of Tennessee collected $1.399 billion in state sales taxes in January (up 17.3% from December and up 5.3% from last January.)

The Knoxville MSA collected $54.998 million in local sales taxes in January (up 15.0% from December and up 5.7% from last January) and Knox County collected $34.027 million (up 15.8% from December and up 5.1% from last January.)





(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.

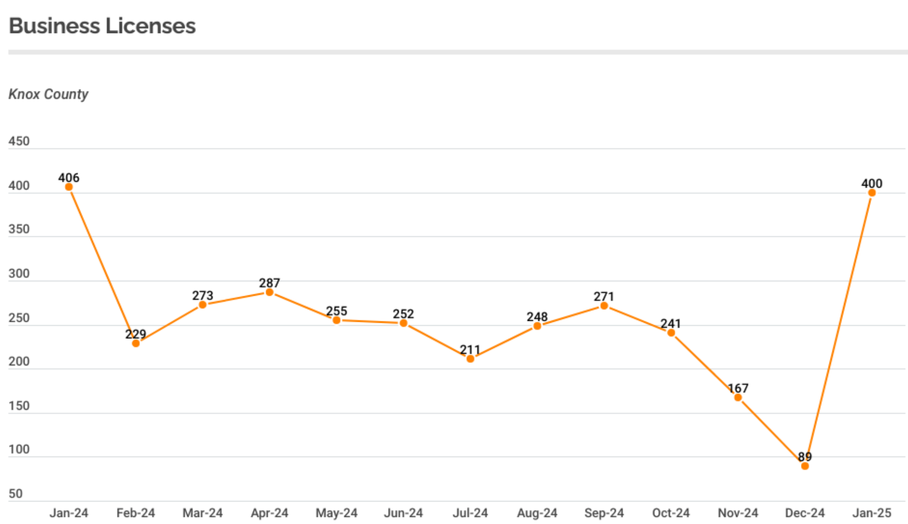
February 7, 2025 – **Qore Performance**, an innovative wearable cooling, heating, and hydration company, held a ribbon cutting for its new headquarters off Northshore Drive in Bearden. The company's largest clients include the U.S. Department of Defense, Chick-fil-A, and Dutch Bros. You can read more **here**.

KNOX COUNTY BUSINESS LICENSES

New business licenses issued in January 2025 by Knox County are up 349.4% from December and are down 1.5% from January 2024.

A total of 400 new business licenses were issued in January 2025 compared to 89 in December and 406 in January 2024. The top industry sectors for which business licenses were issued in January 2025 were services, non-classified establishments, retail, 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 232,533 passengers in January (down 20.8% from December's passenger traffic of 293,579 and up 19.7% from January 2024.)

The total freight recorded in January at TYS was 4,537,199 pounds (up 2.9% from December and down 13.0% from last January.)

According to the Transportation Security Administration, the average daily number of passengers passing through the nation's TSA checkpoints in January was 2,120,496 (up 2.0% from the January 2024 daily passenger average of 2,078,943 and up 12.2% 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)** , "In the US, RPK (Revenue Passenger-Kilometer) growth stood at 3.0% YoY, remaining within the long-term average pace. Low-cost carriers saw stronger activity this month in the country." You can read more **here.**

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