

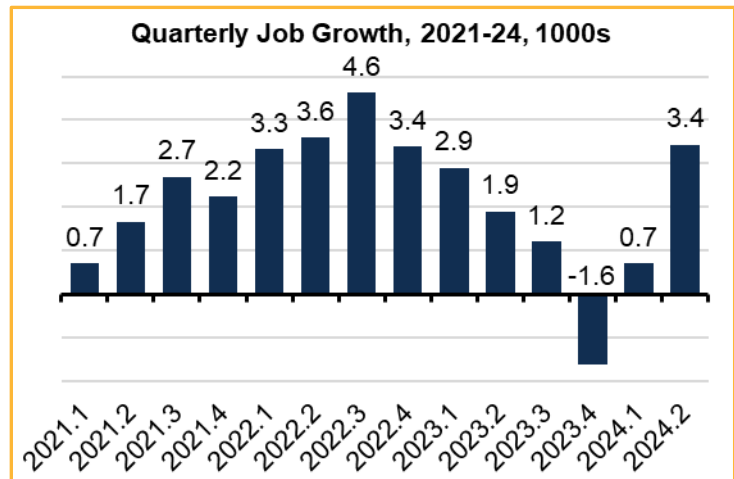
CRER Forecast for the Chattanooga MSA, September 5, 2024

According to data from the Bureau of Labor Statistics, the economy of the Chattanooga MSA has experienced very strong job growth since the end of the COVID pandemic.¹ Since the start of 2021, job growth has averaged about 2,200 per quarter, although the gains were far from uniform over time: Quarterly growth peaked in mid-2022 and tapered off until recovering in mid-2024 (see the figure). The next few quarters should help clarify what the new normal will be for Chattanooga job growth.

The CRER has developed a model to forecast near-term quarterly job growth for the Chattanooga MSA. The model is summarized at the bottom of the page and is used to generate scenarios that depend on the state of the national economy. Specifically, the table provides local forecasts based on the median, top 10, and bottom 10 forecasts of the US economy from the Blue Chip Economic Indicator survey. The table also includes a forecast in the event of a medium-depth recession lasting three quarters and starting in early 2025.

With inflation largely in check and with various indicators showing weakness in the real economy, the Fed is expected to begin reducing its Federal Funds Rate target in September. These actions are expected to bring mildly higher national growth in 2025. If growth follows the path of the median Blue Chip forecast, the CRER forecasts strong job growth for Chattanooga: 8.4 thousand in 2024 and 7.7 thousand in 2025. Such growth would make both years among the top five since 1990.

The Blue Chip survey also indicates increased recession anxiety in that negative growth in late 2024 is seen as more likely by forecasters, despite the higher median forecast. If a recession occurs in 2025, Chattanooga is forecast to see job growth of 6.5 thousand in 2024 and -2.8 thousand in 2025, with a return to positive job growth by the end of 2025.



Forecast Input	Median US Forecast	Top 10 US Forecast	Bottom 10 US Forecast	Medium US Recession
2024.3	2.3	2.4	2.1	2.1
2024.4	1.9	2.1	1.8	0.3
2025.1	1.9	2.0	1.7	-1.1
2025.2	1.9	2.1	1.7	-1.5
2025.3	2.0	2.1	1.8	-1.1
2025.4	2.0	2.2	1.8	0.8
2024	8.4	8.7	8.1	6.5
2025	7.7	8.5	7.0	-2.8

The median, top 10, and bottom 10 forecasts are from the most-recent Blue Chip Economic Indicator Survey.

Technical Details: The CRER forecast uses a spatial vector autoregression model with exogenous variables (SpVARX) to estimate the growth rate of nonfarm employment in Chattanooga. Local employment growth is modeled as a function of its own past values and the past values of employment growth in the MSAs of the wider region (Atlanta, Birmingham, Cleveland, Knoxville, and Nashville). The model's exogenous variables include growth in the national economy and MSA-specific time trends.

¹ The Chattanooga MSA includes six counties, three in Tennessee (Hamilton, Marion, and Sequatchie) and three in Georgia (Catoosa, Dade, and Walker).