

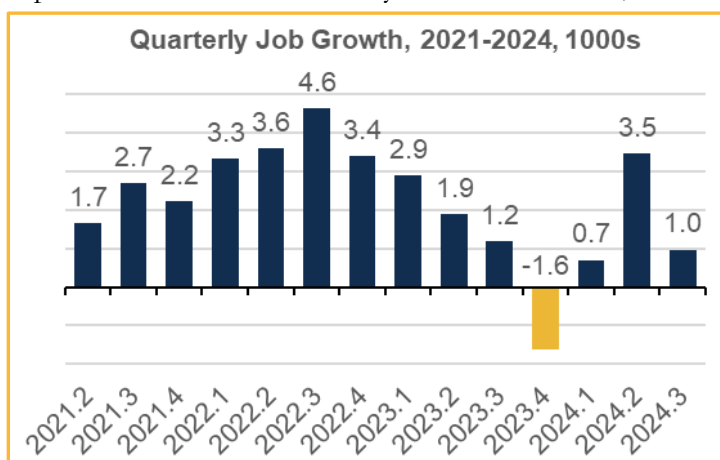
CRER Forecast for the Chattanooga MSA, November 12, 2024

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 CRER has developed a model to forecast near-term 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 strength of the U.S. economy. The table provides the CRER's local forecasts based on the median, top 10, and bottom 10 forecasts of the U.S. economy from the Blue Chip Economic Indicator survey for November 11, 2024.

Since our previous forecast in early September, the Federal Reserve has cut the Fed Funds Target by a total of 75 basis points and the presidential election has been resolved. Third quarter job growth was lower than expected but national forecasts for 2025 have strengthened overall. For example, the median forecast for 2025 real GDP growth rose from 1.8 percent to 2.1 percent since our previous forecast. On the other hand, industrial production is forecast to grow more slowly than was previously thought.

Historically, the Chattanooga economy has been more responsive to changes in industrial production rather than real GDP. As a consequence, the CRER's forecasts for Chattanooga job growth have been revised downward somewhat. Specifically, if the U.S. economy performs in accord with the median forecast, the Chattanooga MSA should see a net increase of 6.7 thousand jobs in each of 2024 and 2025 rather than 8.4 thousand and 7.7 thousand forecast previously. Nevertheless, 2024 and 2025 would still be the sixth and seventh best years for job growth since 1990.



Change in Employment, 1000s			
Forecast Input	Median US Forecast	Top 10 US Forecast	Bottom 10 US Forecast
2024.3	1.0	1.0	1.0
2024.4	1.6	1.7	1.5
2025.1	1.5	1.6	1.4
2025.2	1.6	1.8	1.4
2025.3	1.7	1.9	1.5
2025.4	1.8	2.0	1.6
2024	6.7	6.8	6.6
2025	6.7	7.3	6.0

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).