

CRER Forecast for the Chattanooga MSA, February 18, 2024

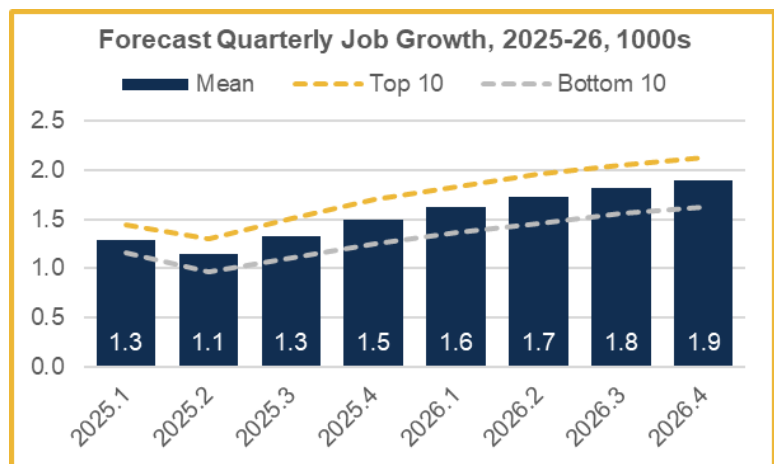
The CRER has developed a model to forecast near-term job growth for the Chattanooga MSA.¹ The model is summarized at the bottom of the page and generates scenarios that depend on forecasts for the U.S. economy from the Blue Chip Economic Indicator survey. The first figure below provides the CRER's quarterly forecasts for Chattanooga through 2026 using the mean forecasts from the Blue Chip survey. The dotted lines use the averages of the survey's highest ten and lowest ten forecasts. The second figure provides the CRER forecasts in terms of annual job growth in the context of annual growth since 2013.

Partly because Chattanooga's fourth quarter job growth was weaker than expected, the near term outlook has been downgraded. The CRER's previous forecast was for job growth of at least 1.5 thousand per quarter throughout 2025, for a total of 6.7 thousand more jobs by the end of the year. The new forecast is for positive but weak job growth early in the year and for annual job growth of 5.3 thousand.

Another contributing factor to the downgrade is that inflation is now expected to remain above the Federal Reserve's target through 2025, meaning that interest rates are expected to remain elevated and industrial production is expected to be lower than had been forecast.

In addition to changes in the expected Federal Reserve policy, uncertainty about trade policy is likely holding back investments and expansions in the first quarter. Threatened widespread tariffs would raise the input costs for most local manufacturers while raising prices for consumers.

The consensus for 2026 is that inflation will ease and Fed policy will loosen, providing boosts to industrial production and the local economy. The 7.1 thousand additional jobs forecast for Chattanooga in 2026 are under that ideal scenario.



Technical Details: The CRER forecast uses a spatial vector autoregression model with exogenous variables (SpVARX) to estimate the quarterly 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).