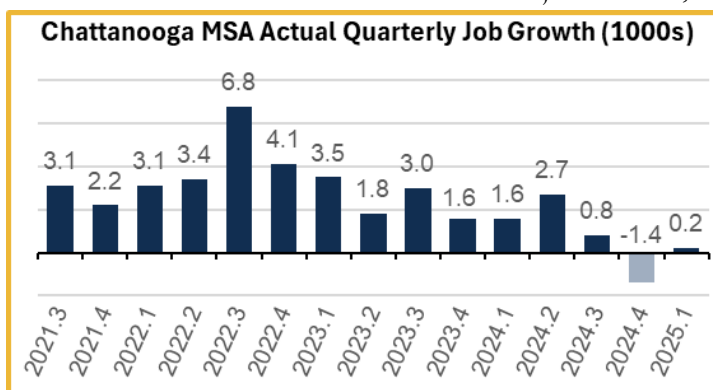


Special CRER Forecast for the Chattanooga MSA, May 14, 2024

The CRER has developed a model to forecast growth of nonfarm payroll employment in the Chattanooga MSA.¹ The model generates scenarios that depend on mean, or consensus, forecasts for the U.S. economy from the Blue Chip Economic Indicator survey. We also provide forecasts based on the averages of the top and bottom 10 forecasts from the survey. This release is a special intra-quarter forecast to account for the changing national economic situation.

Our most recent forecast was released April 14 and it reflected the general downward trend in the national and local outlook. Local job growth in the first quarter was weak—a net increase in nonfarm jobs of 200, which followed two consecutive quarters of weak or negative job growth (See the figure to the right). The advance estimate of real GDP growth for the United States for the first quarter of 2025 came in at -0.3 percent, which was nearly a full percentage point below expectations and about 2.5 percentage points below what had been expected at the start of the year.



The current consensus forecasts for real U.S. GDP growth for the remaining three quarters of the year are 1.1, 0.2, and 0.7 percent on an annual basis. The bottom 10 forecasts for each quarter average about 2 points lower than the consensus forecasts, which would likely mean a relatively mild official recession. Generally speaking, a recession sometime in 2025 has been seen as a real possibility.² There is some optimism, however, in that top 10 forecasts average at least 1.5 points higher than the consensus for the remaining quarters.

The CRER's updated forecasts for Chattanooga are provided in the table, which shows three scenarios based on the Blue Chip survey, and one based on the occurrence of a moderate recession. Under the consensus forecast for the US economy, local job growth would be slow throughout 2025 and pick up in 2026. The two recession scenarios (mild and moderate) indicate a loss of 900 and 5,000 jobs in 2025, respectively, along with slow growth in 2026. Under the most optimistic scenario, the local economy would gain 2,700 jobs in 2025, which would be the slowest annual growth since 2014, and would see strong growth in 2026.

Nonfarm Employment Growth Forecasts (1000s)				
Period	Consensus Forecast	Top 10 Forecasts	Bottom 10 Forecasts	Moderate Recession
2025.2	0.4	0.6	-0.3	-1.0
2025.3	0.7	0.9	-0.5	-2.2
2025.4	0.9	1.1	-0.3	-2.1
2026.1	1.2	1.3	0.5	-0.5
2026.2	1.4	1.6	0.9	0.7
2026.3	1.6	1.7	1.3	1.2
2026.4	1.7	1.9	1.5	1.5
2025	2.3	2.7	-0.9	-5.0
2026	5.9	6.5	4.2	2.8

An early April survey of Chattanooga area businesses indicated that there was more confidence in the local economy than the national economy: 41 percent of respondents said that national business conditions would be worse over the next 12 months relative to the previous 12 months, whereas only 24 percent said the same about local conditions. Also, 27 percent said that the new tariff policy will hurt their business and only 7 percent said that it would help it.

¹ The six counties in the MSA are Hamilton, Marion, and Sequatchie in Tennessee, and Catoosa, Dade, and Walker in Georgia.

² JP Morgan's most recent outlook places the probability at "below 50 percent", whereas Goldman Sachs puts it at 35 percent. According to the New York Fed's Treasury Spread measure, the probability exceeds 50 percent.