

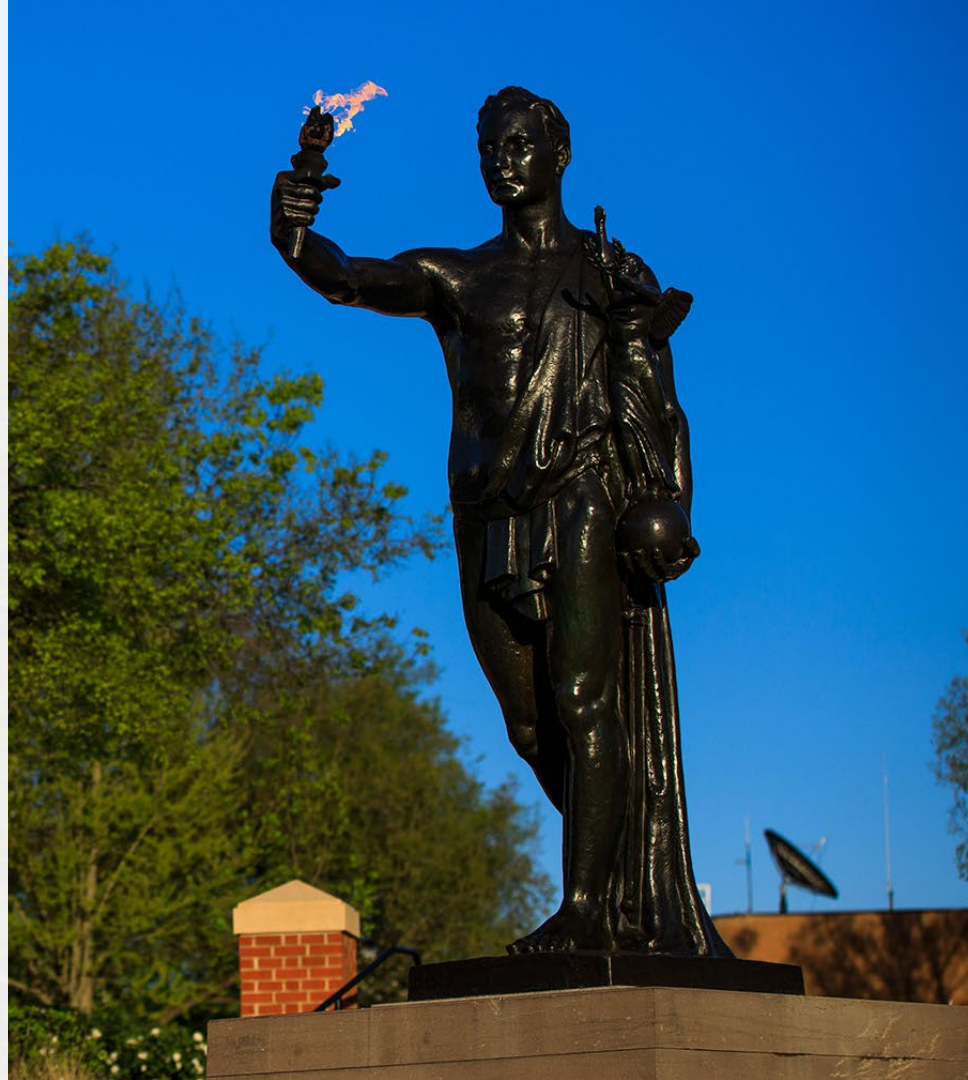
Economic Outlook

Dr. Don Bruce, Director
October 2026



THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

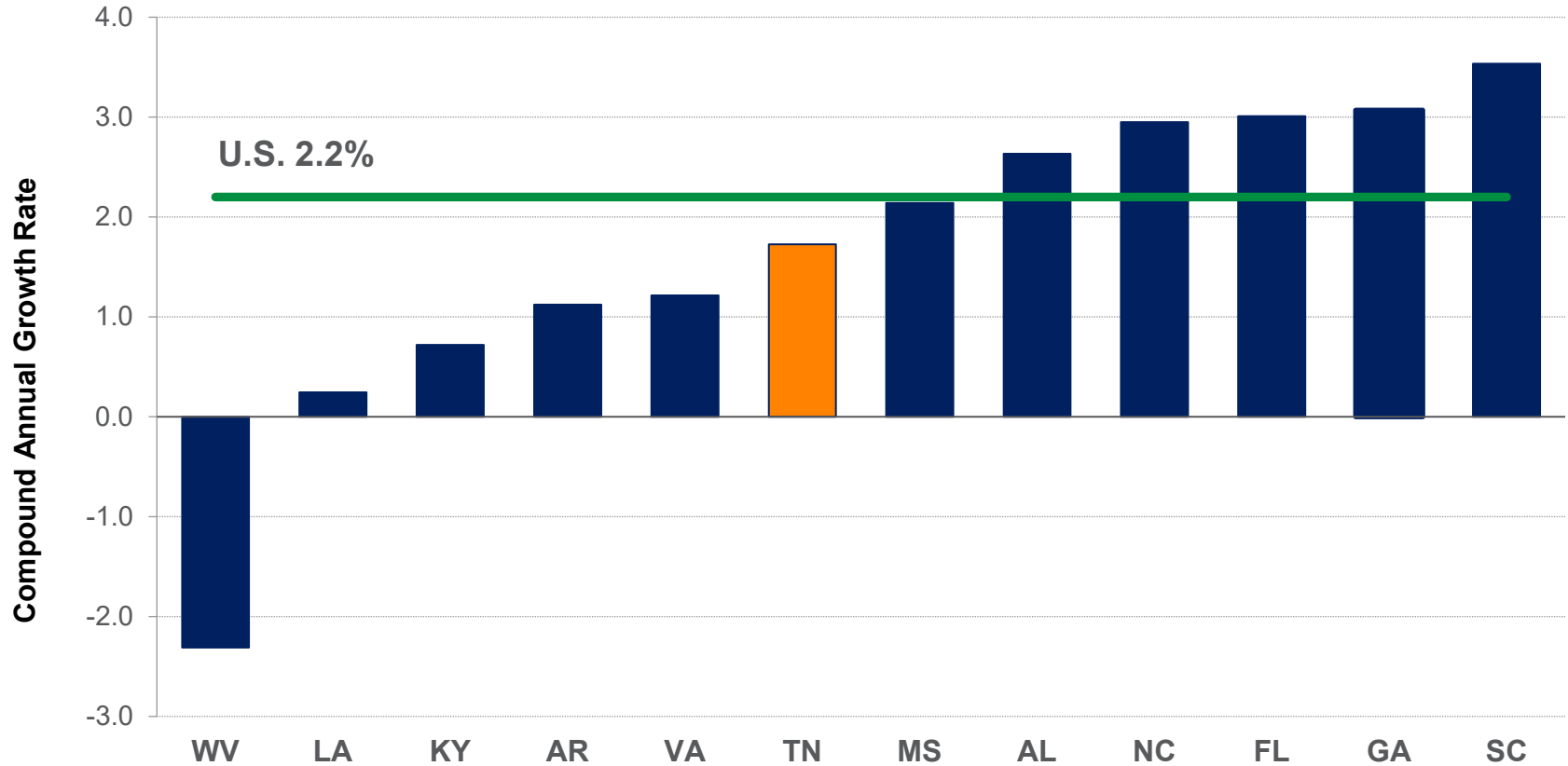
BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH



Highlights (?)

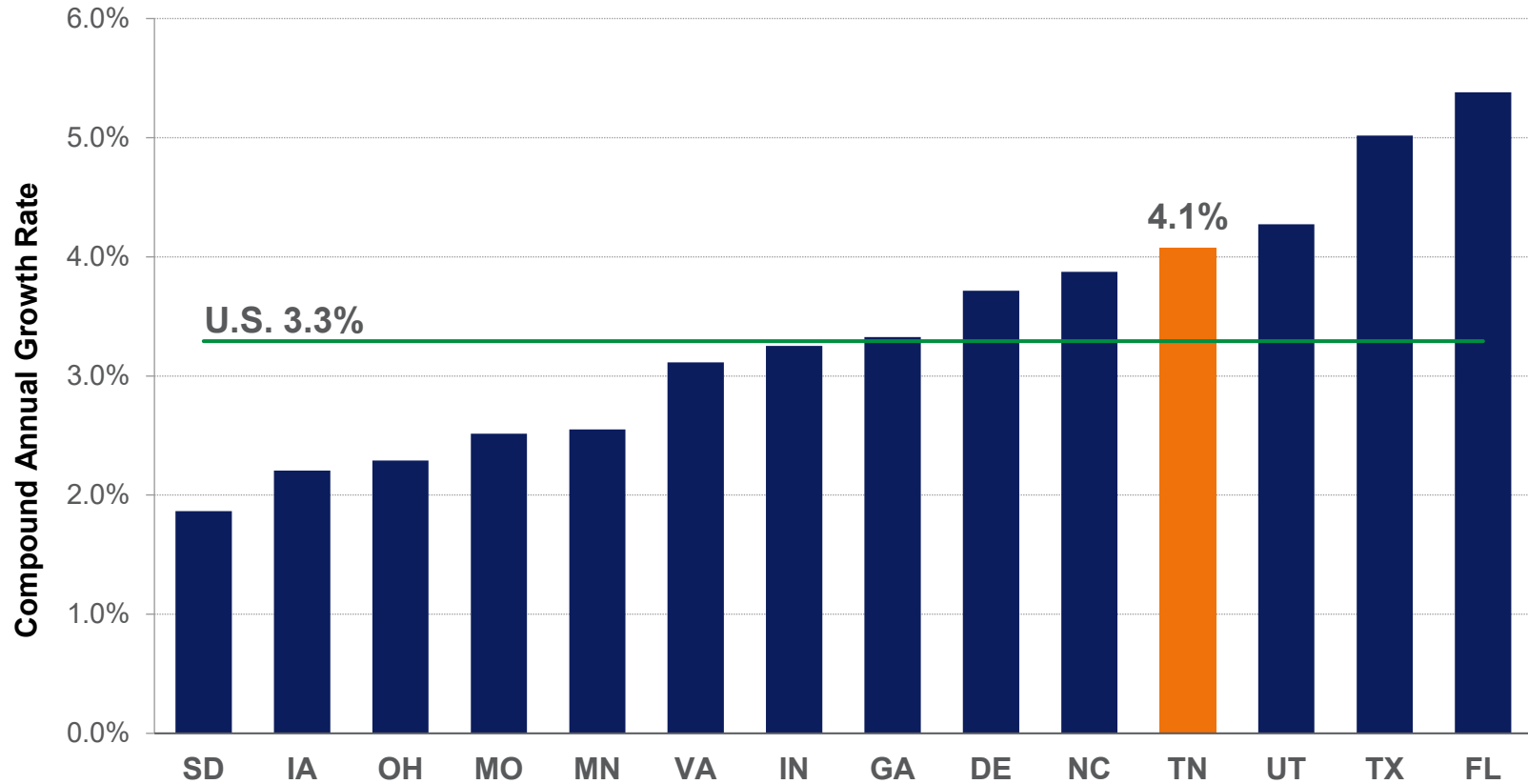
	<u>No recession</u> in the forecast...yet. Real GDP growth of 2.4% in 2026 and 2.7% in 2027.
	<u>Inflation</u> is back up, driven by oil prices and tariffs. No interest rate cuts for another year or more. Rate hikes?
	<u>Unemployment</u> is up slightly. Still very low by historic standards and lower in TN.
	<u>Population</u> growth is finally slowing down in TN. In-migration has offset flat natural population growth.
	<u>House prices</u> are finally moderating after several years of strong growth.

Real GDP Growth Rates, 2026 Q2



Source: Bureau of Economic Analysis

Real GDP Growth Rates, 2020 to 2025



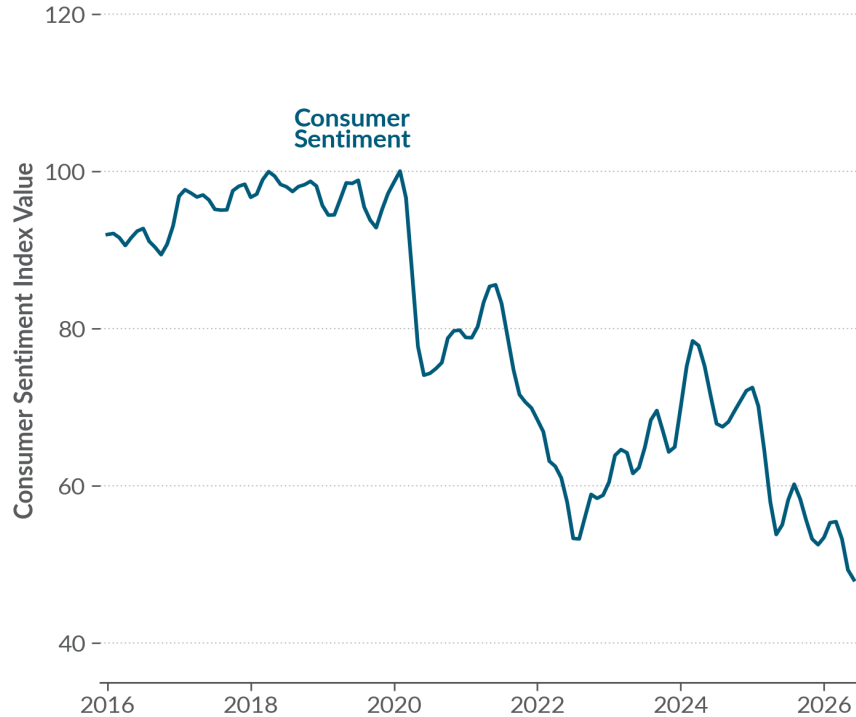
Source: Bureau of Economic Analysis

Figure 2.31: Long Run Real GDP Forecast, Tennessee and the U.S.



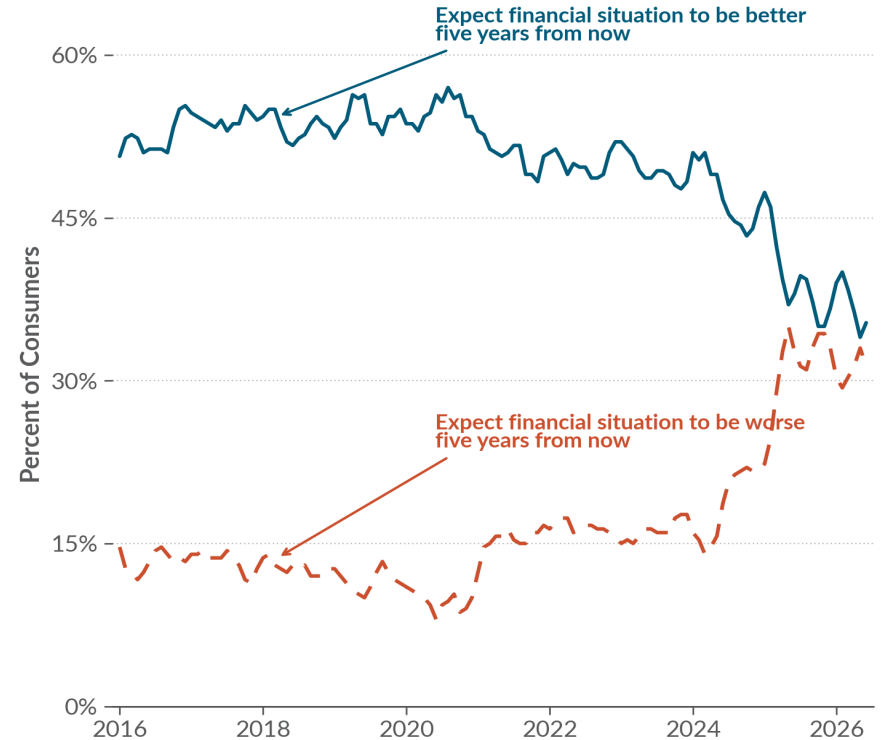
Sources: Boyd CBER UT, Bureau of Economic Analysis, S&P Global Market Intelligence

Consumer sentiment at record lows...



Source: University of Michigan Survey of Consumers.

...with an exceptionally pessimistic long-term outlook.



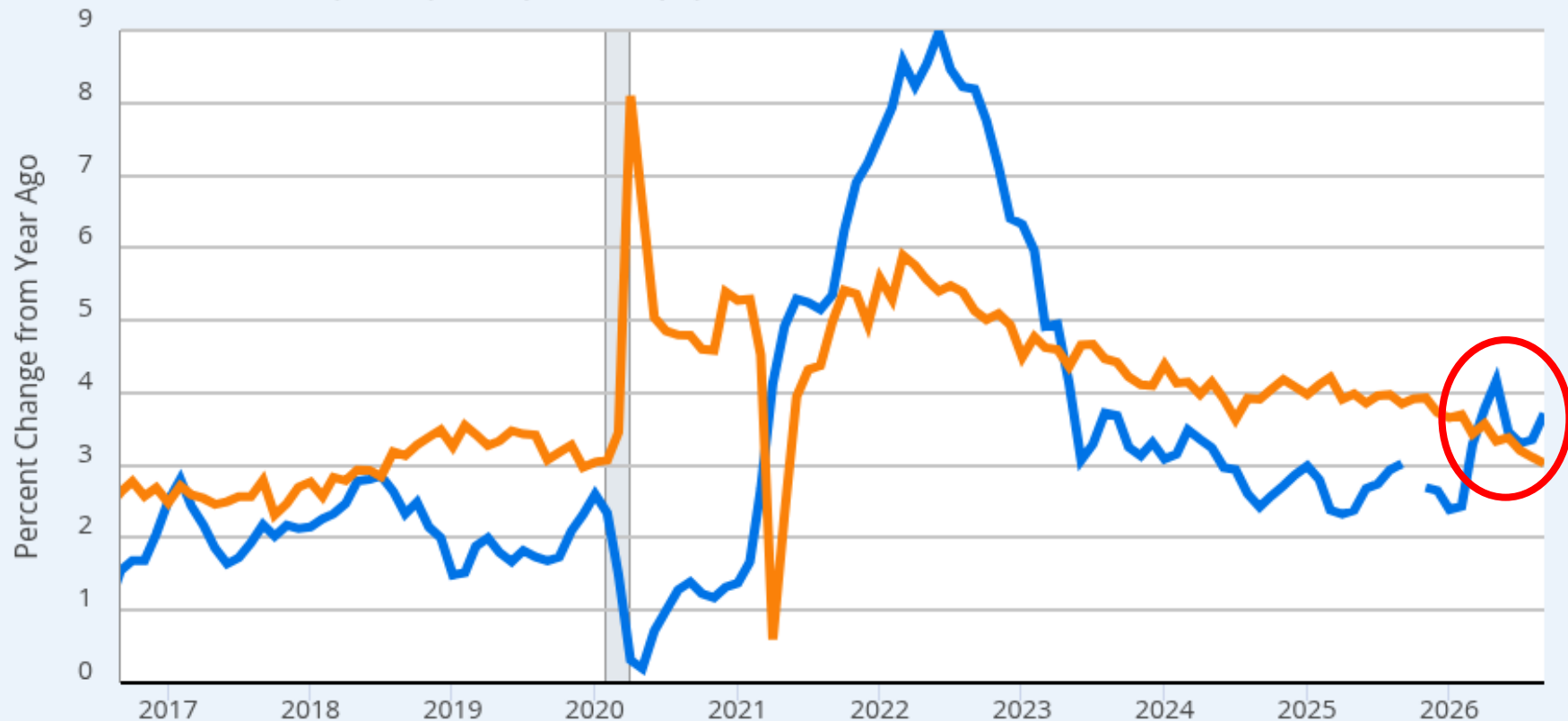
Inflation is Ticking Back Up

All items	3.7		
Food	2.5	All items less food and energy	2.6
Food at home	1.8	Commodities less food/energy	0.7
Food away from home	3.5	New vehicles	0.6
Energy	20.4	Used cars and trucks	-1.5
Energy commodities	35.3	Apparel	3.4
Gasoline (all types)	34.2	Medical care commodities	-3.3
Fuel oil	74.2	Services less energy services	3.1
Energy services	4.6	Shelter	3.2
Electricity	4.4	Transportation services	2.7
Utility (piped) gas service	5	Medical care services	2.5

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— Consumer Price Index for All Urban Consumers: All Items in U.S. City Average
 — Average Hourly Earnings of All Employees, Total Private

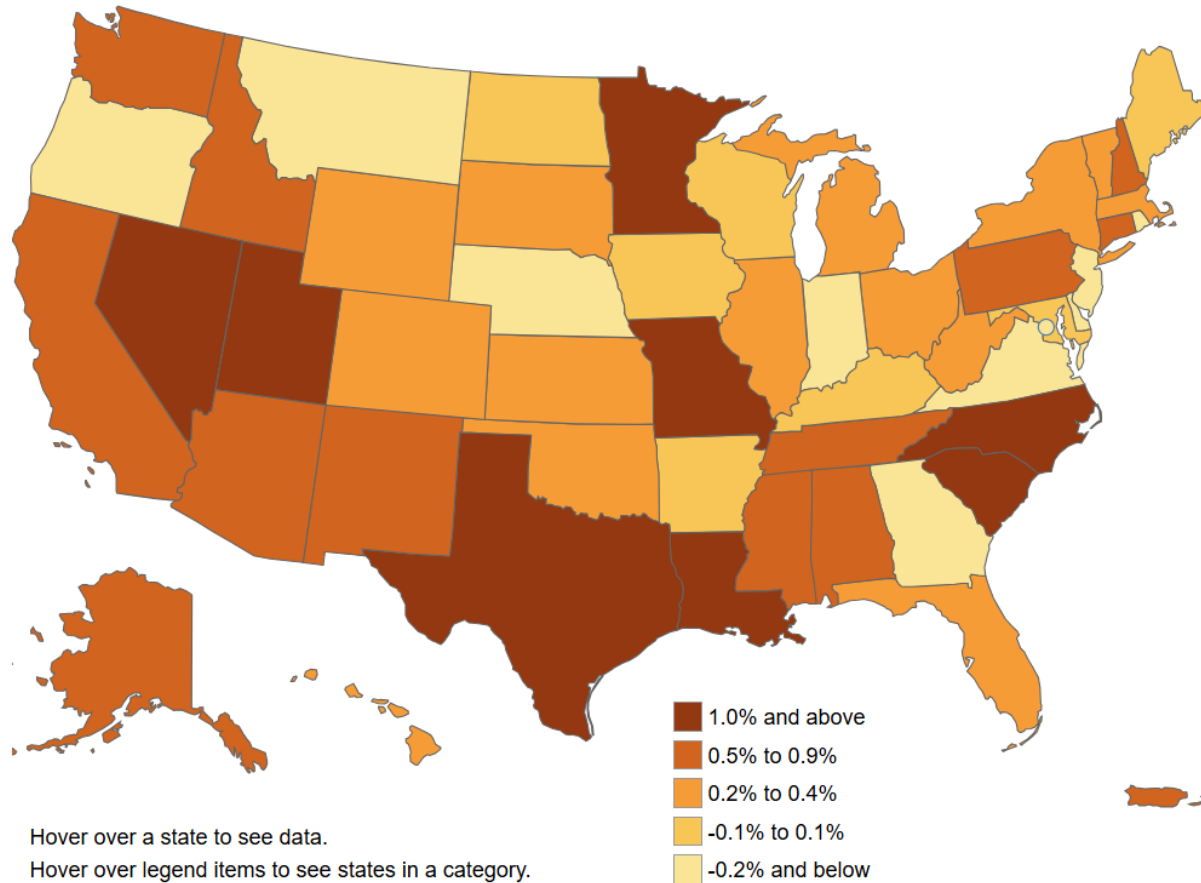


Source: U.S. Bureau of Labor Statistics via FRED®

Shaded areas indicate U.S. recessions.

myf.red/g/1ZCBw

Change in nonfarm employment by state, July 2025 to July 2026, seasonally adjusted

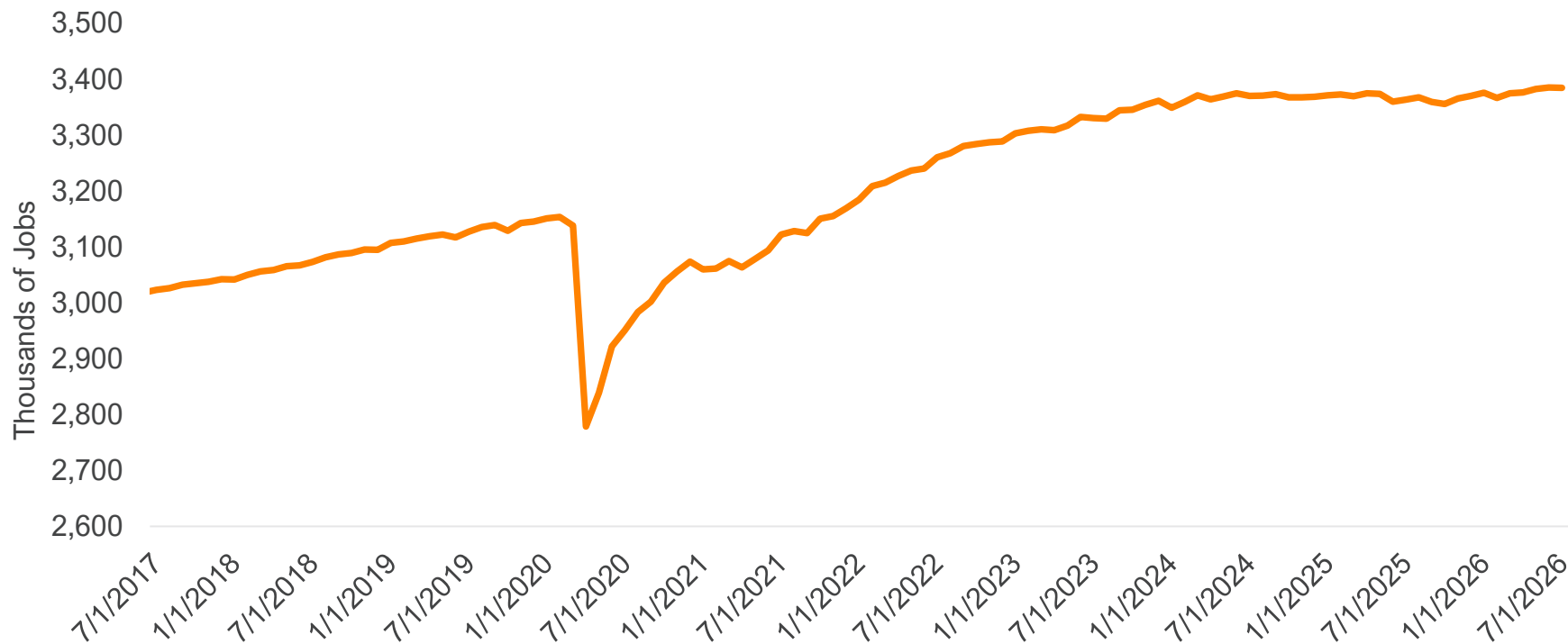


Hover over a state to see data.

Hover over legend items to see states in a category.

Source: U.S. Bureau of Labor Statistics.

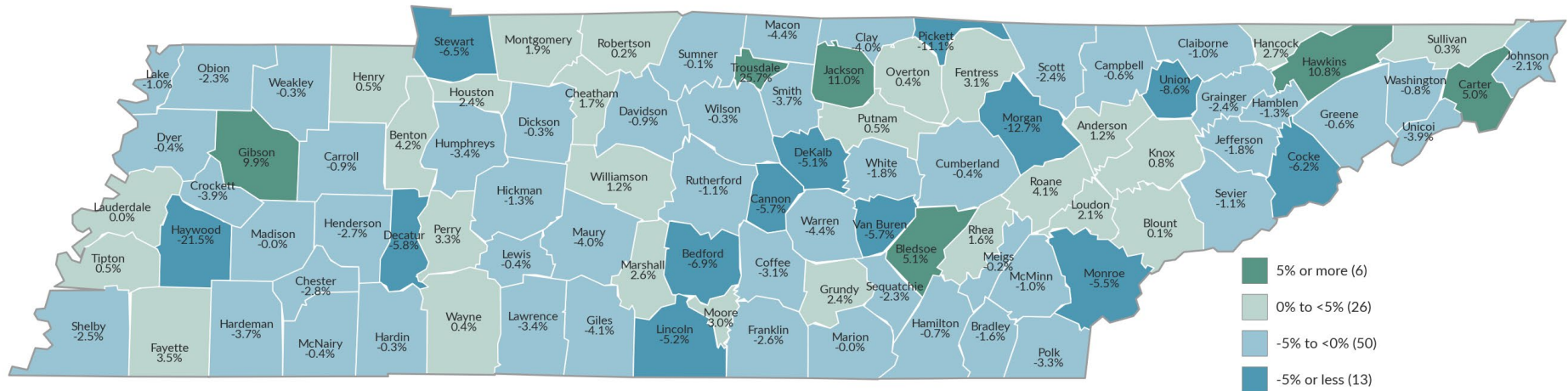
Tennessee Nonfarm Employment Growth Has Flattened (*still up 231,000 since Feb. 2020!*)



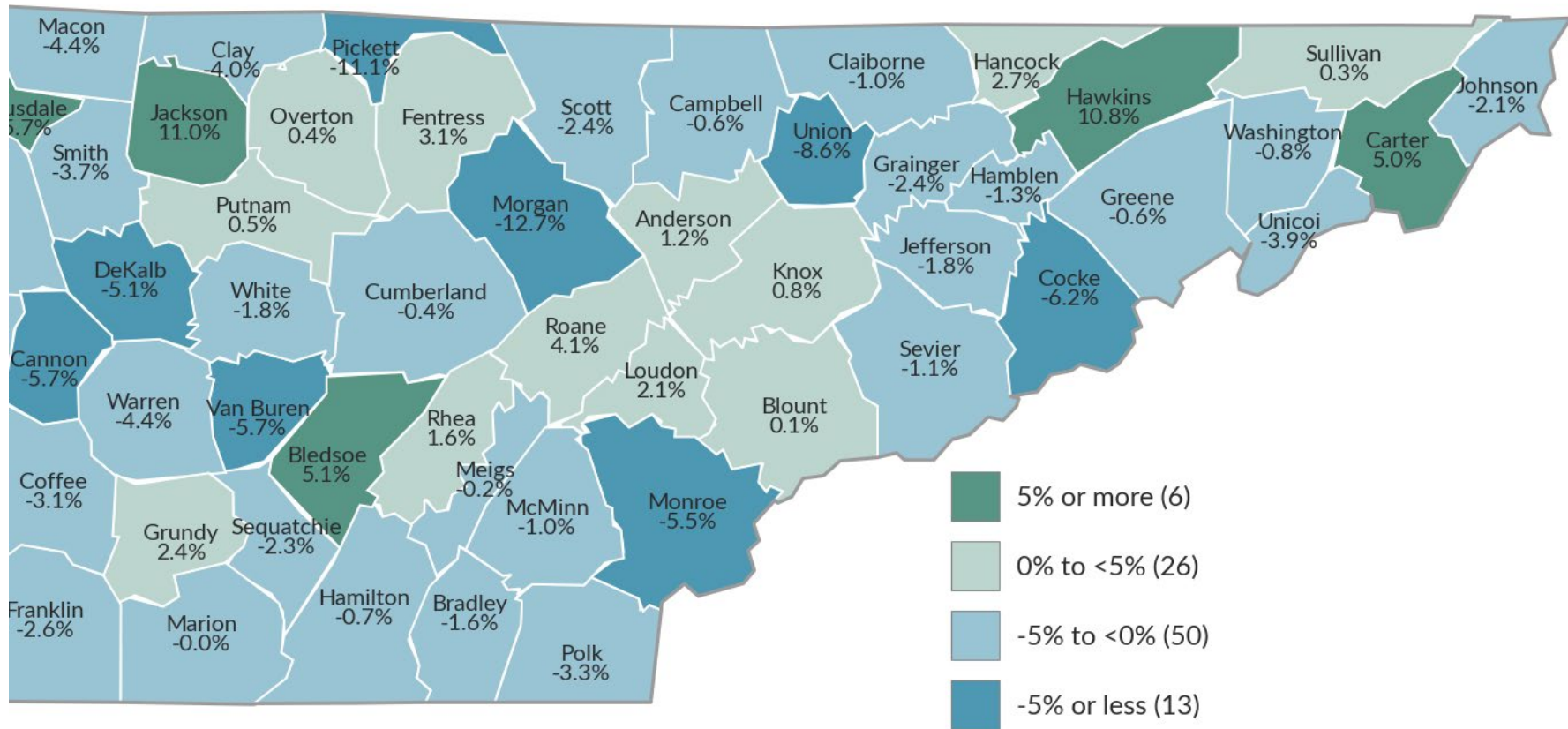
Source: Bureau of Labor Statistics

Employment Growth by County, 2024 to 2025

Panel A: Percentage Change

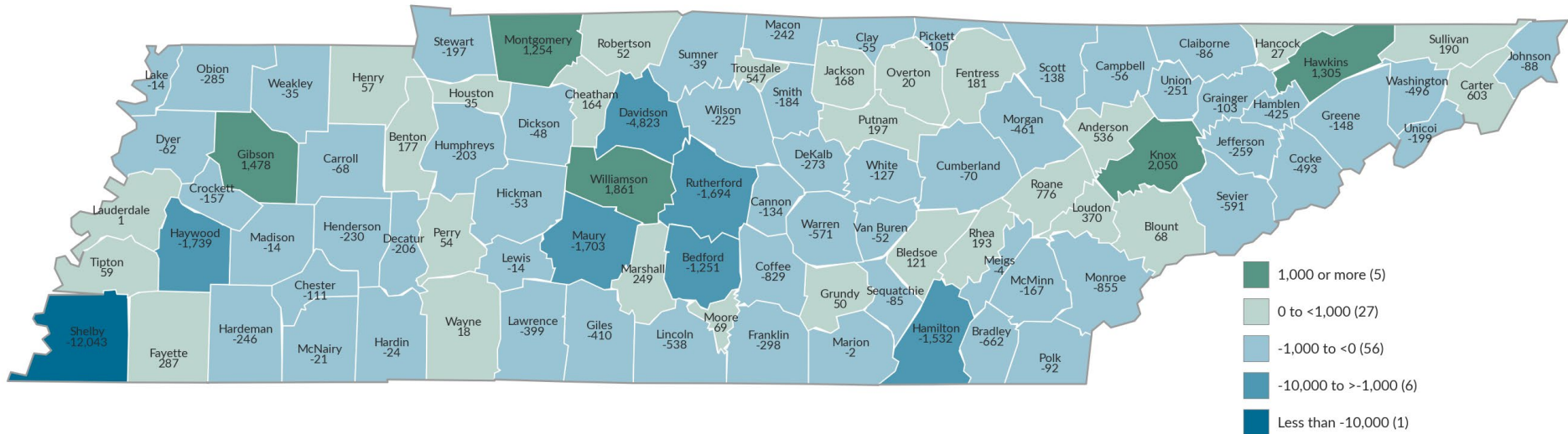


Employment Growth by County (%), 2024 to 2025

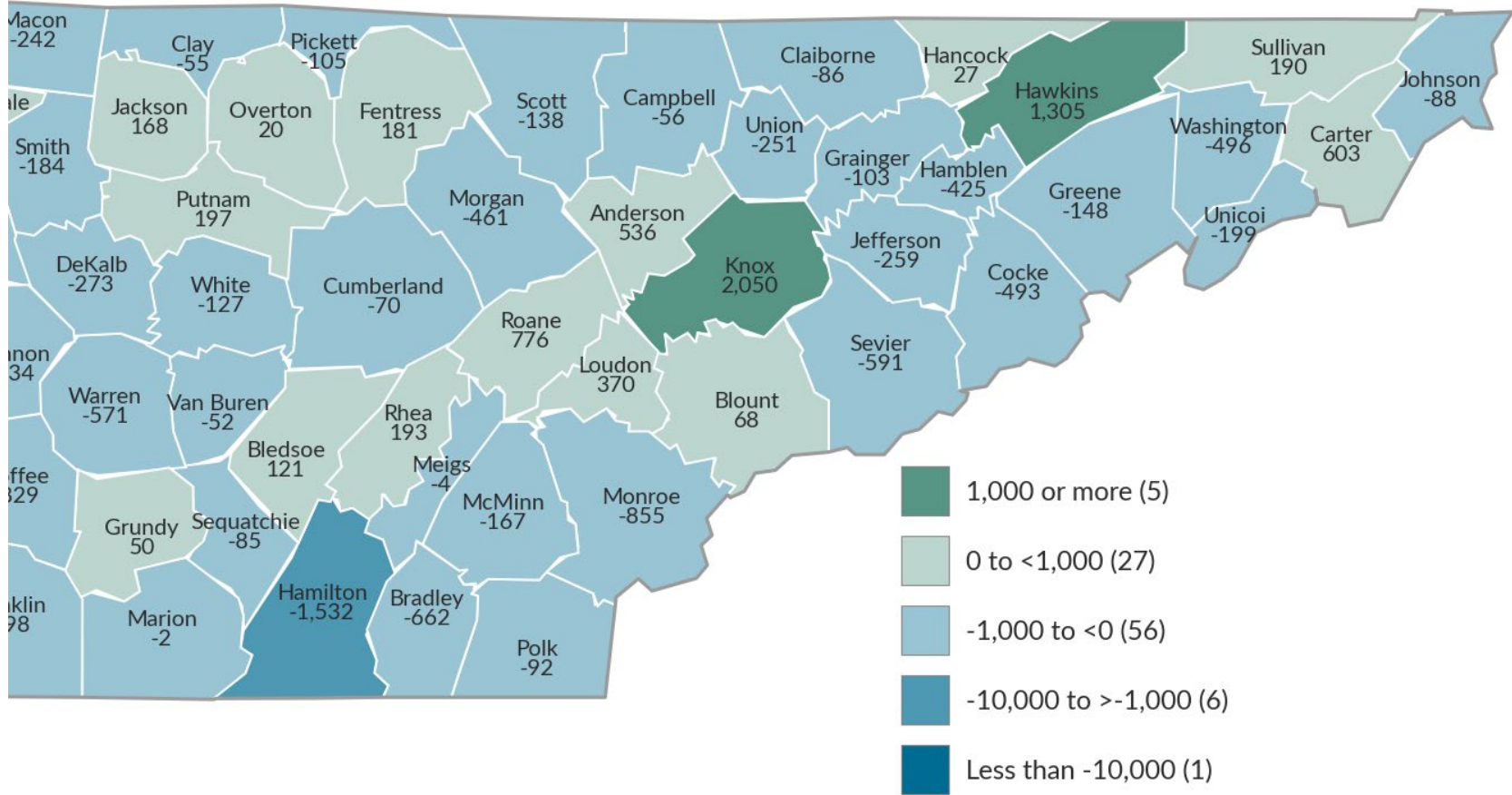


Employment Growth by County, 2024 to 2025

Panel B: Change in Number of Jobs

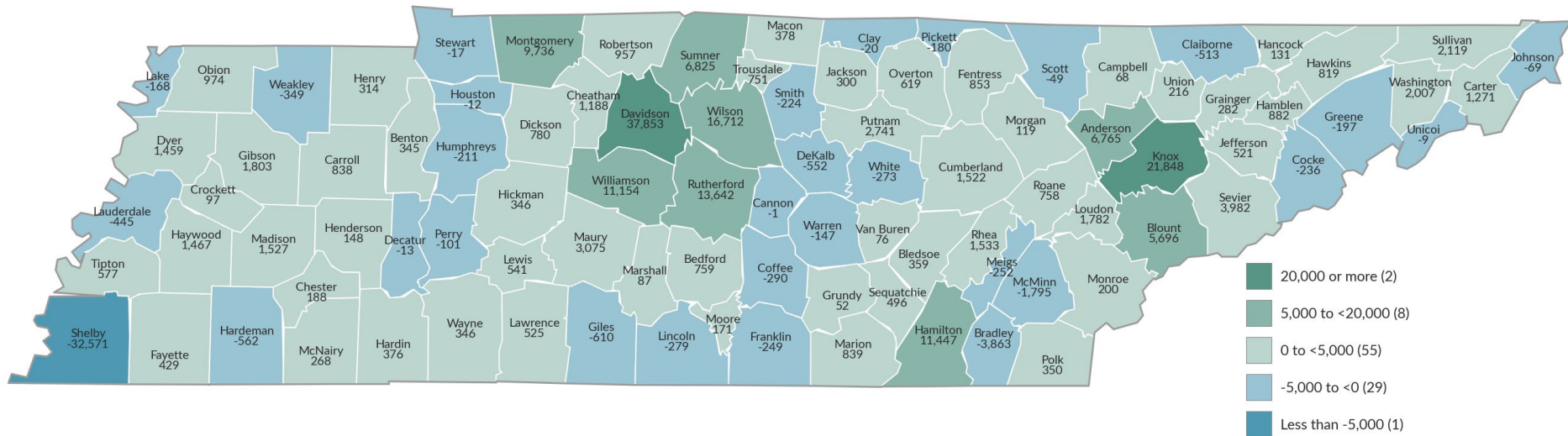


Employment Growth by County (#), 2024 to 2025

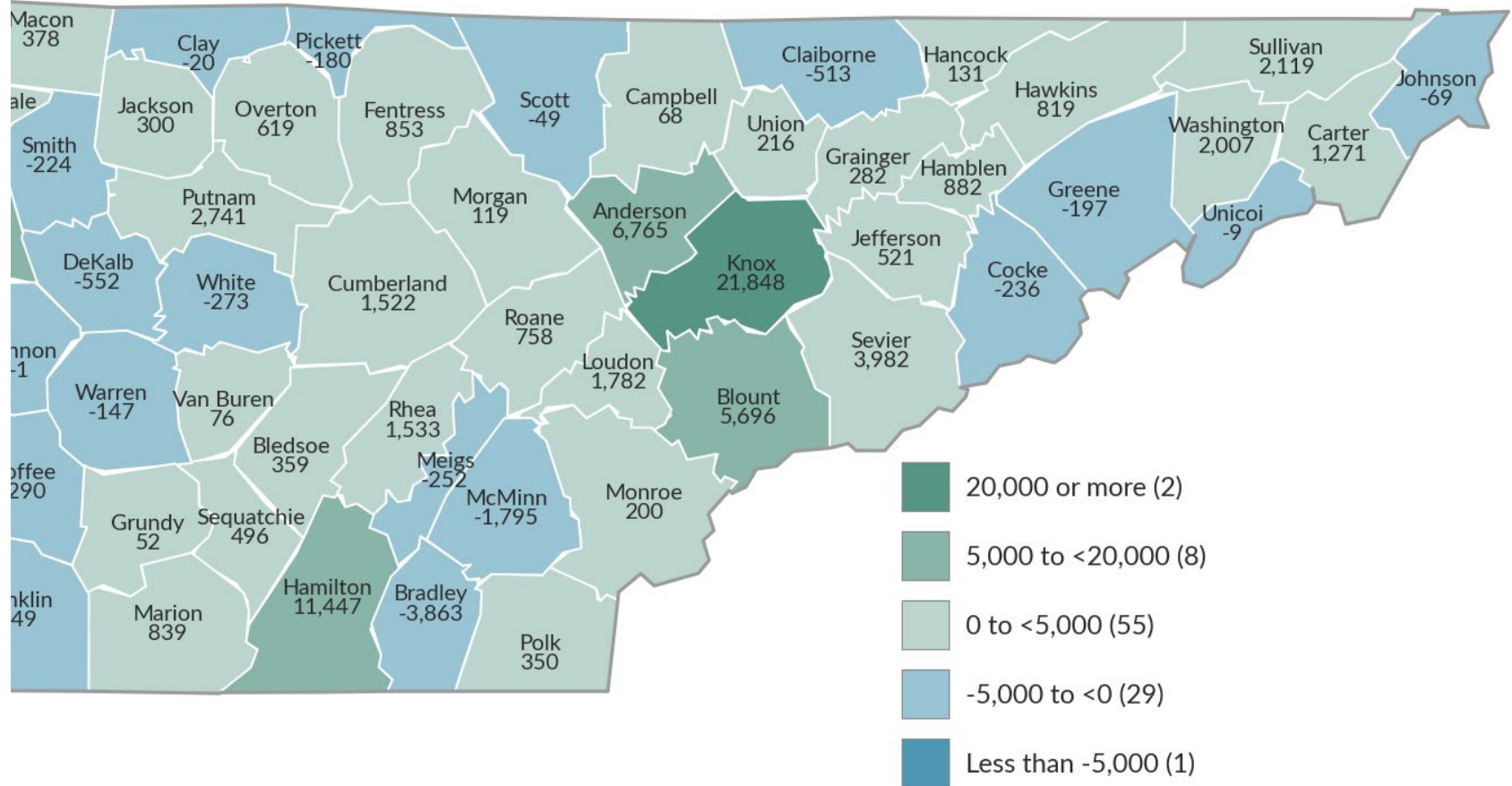


Employment Gains by County Since the Pandemic, 2019 to 2025

Change in Number of Jobs

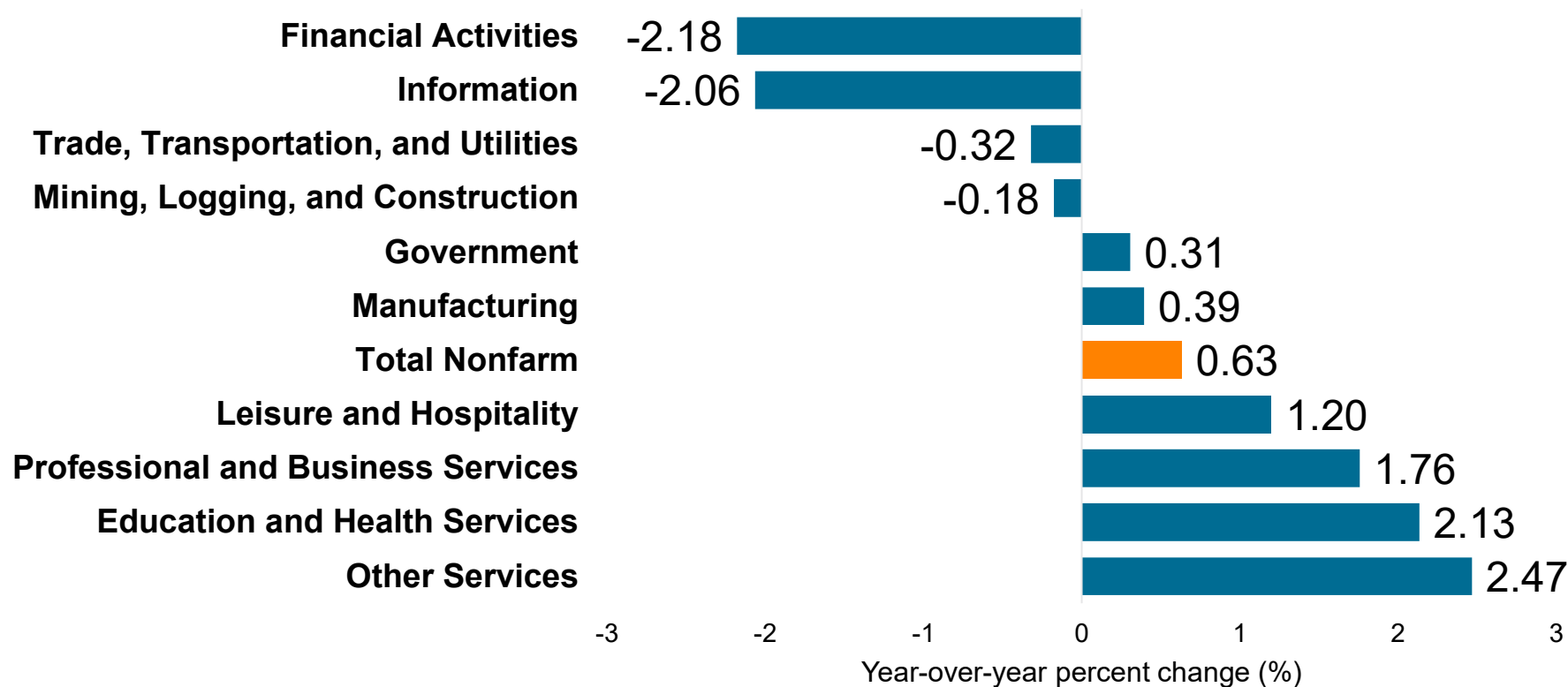


Employment Gains, 2019 to 2025



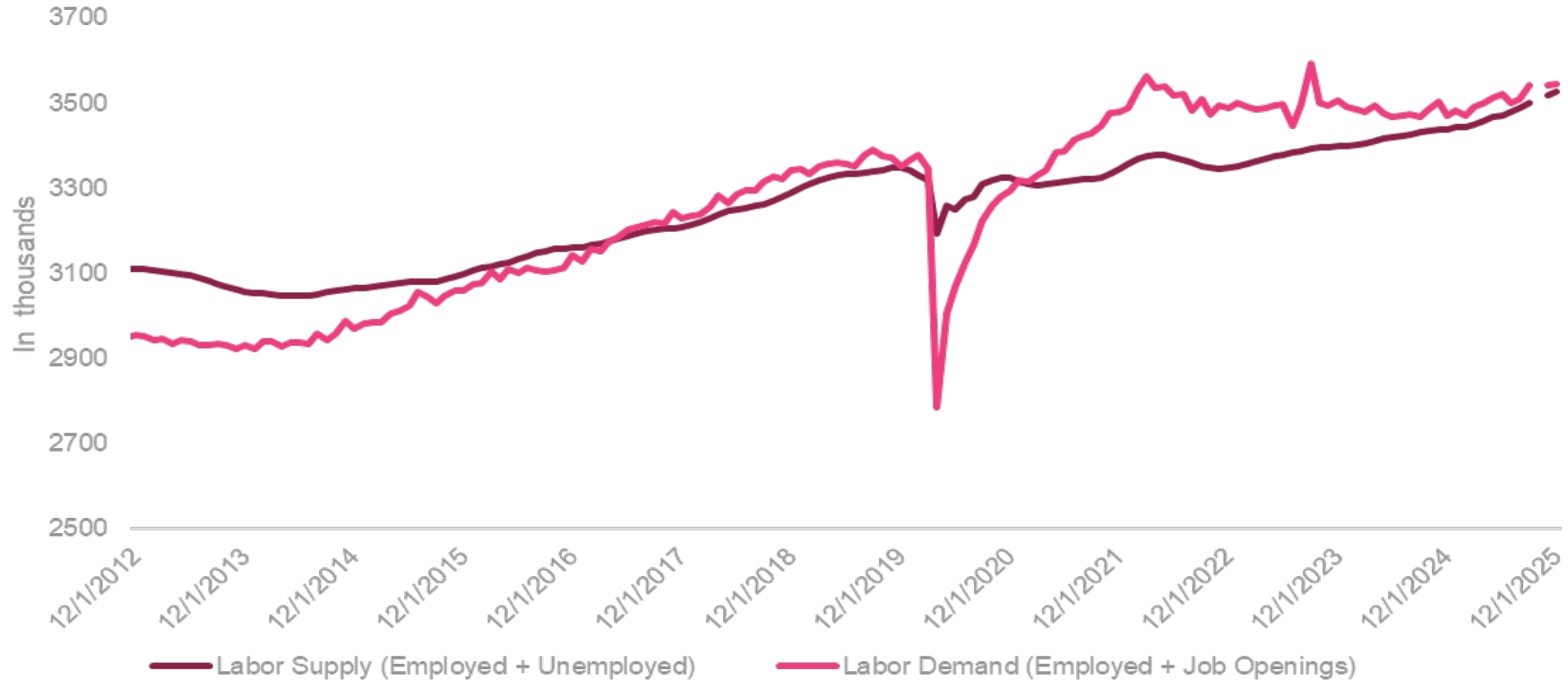
TN Job Growth Has Slowed For Many Sectors

(July 2026 Year-over-Year)



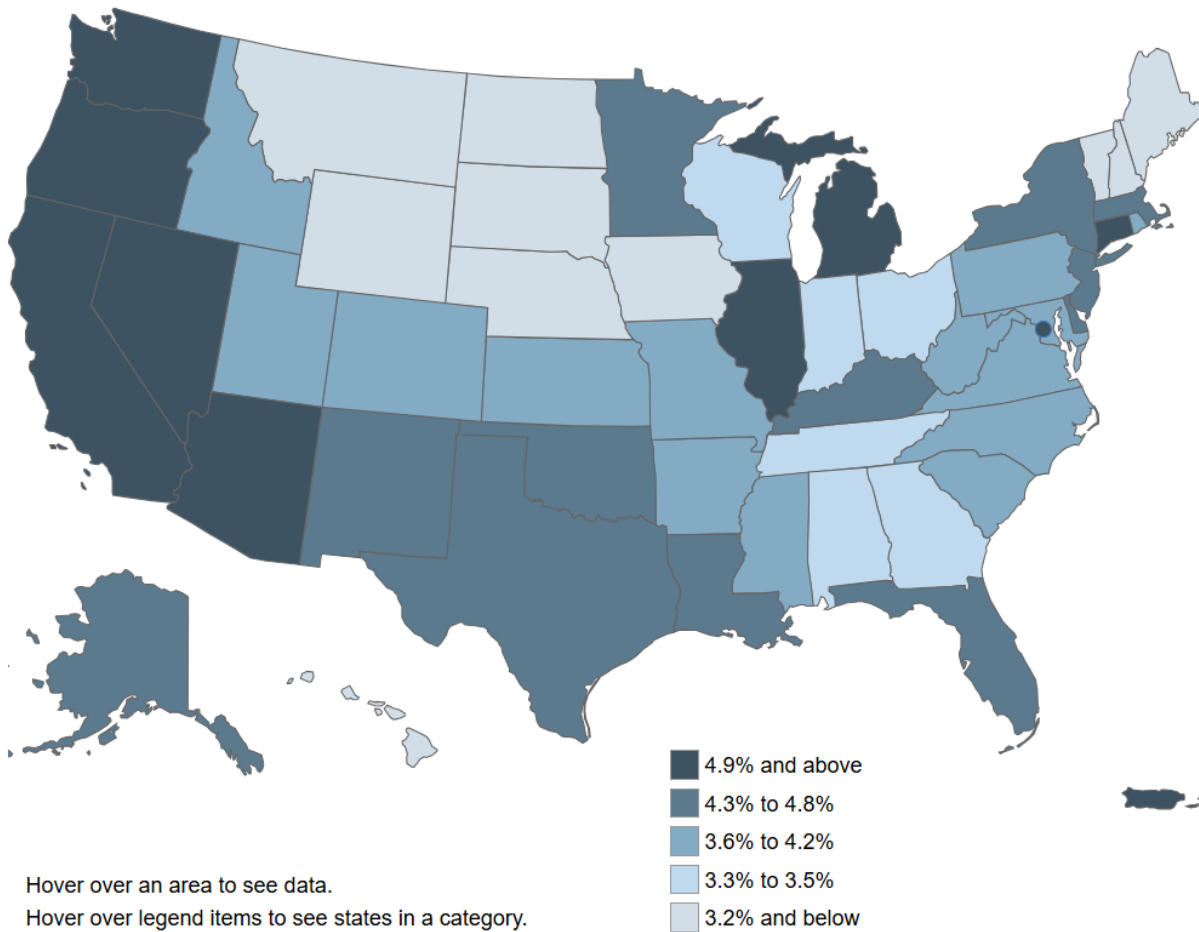
Source: Bureau of Labor Statistics

The Worker Shortage in Tennessee is Down to 15,000 (*Lowest Since Early 2021*)

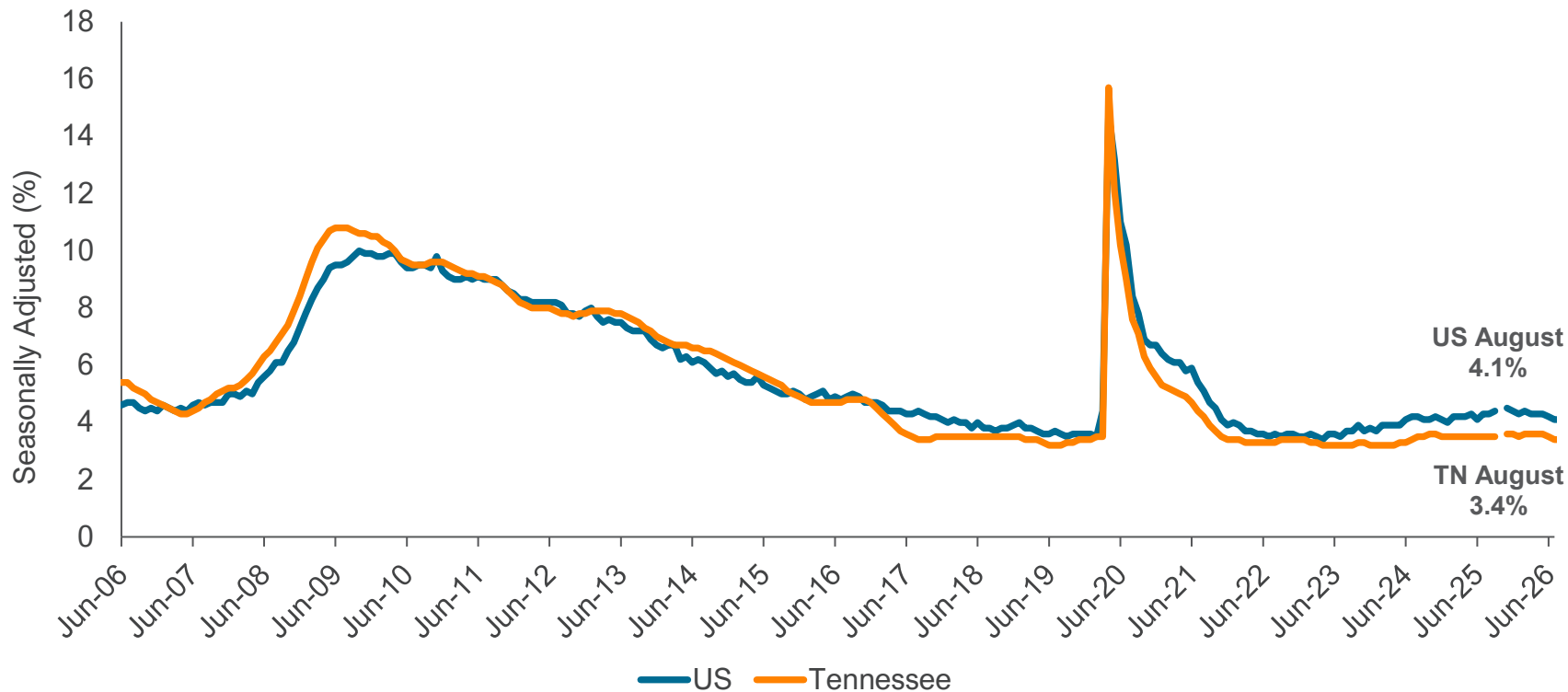


Source: Bureau of Labor Statistics Job Openings and Labor Turnover Survey

State unemployment rates, July 2026, seasonally adjusted

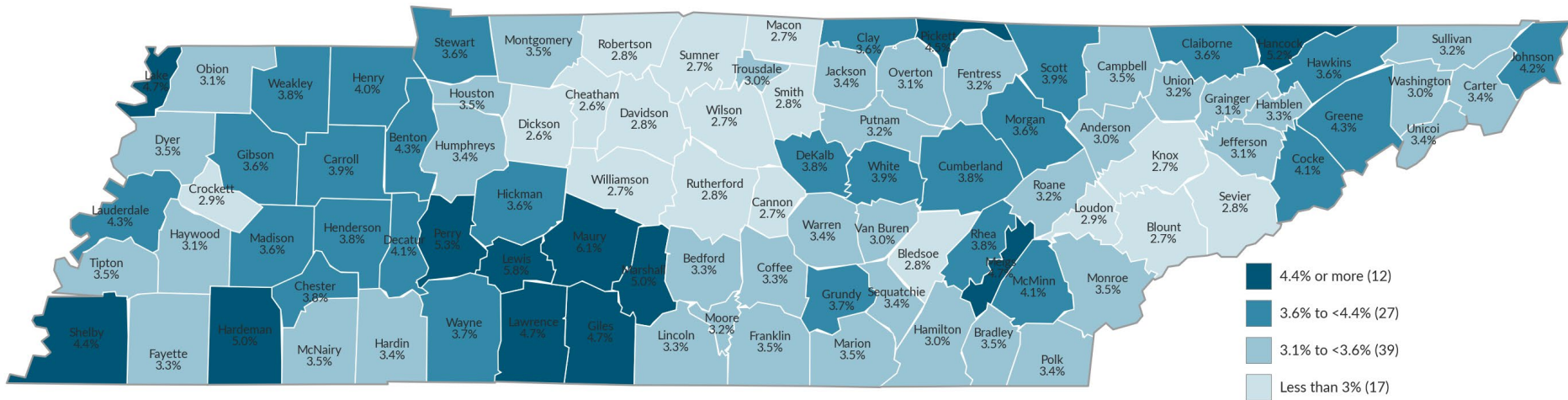


Unemployment Rates are Drifting Upward But Remain Historically Low, *Especially in TN*

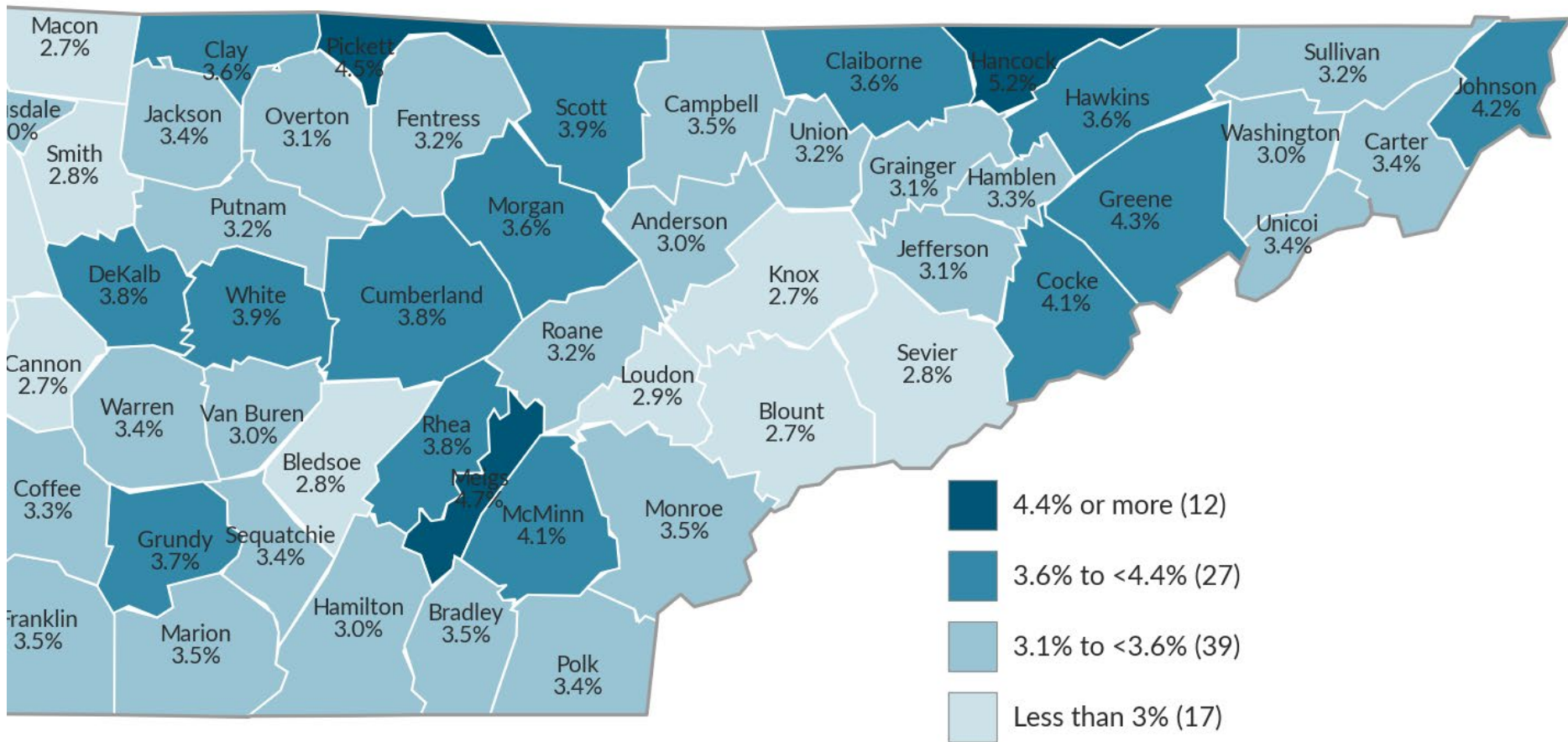


Source: Bureau of Labor Statistics

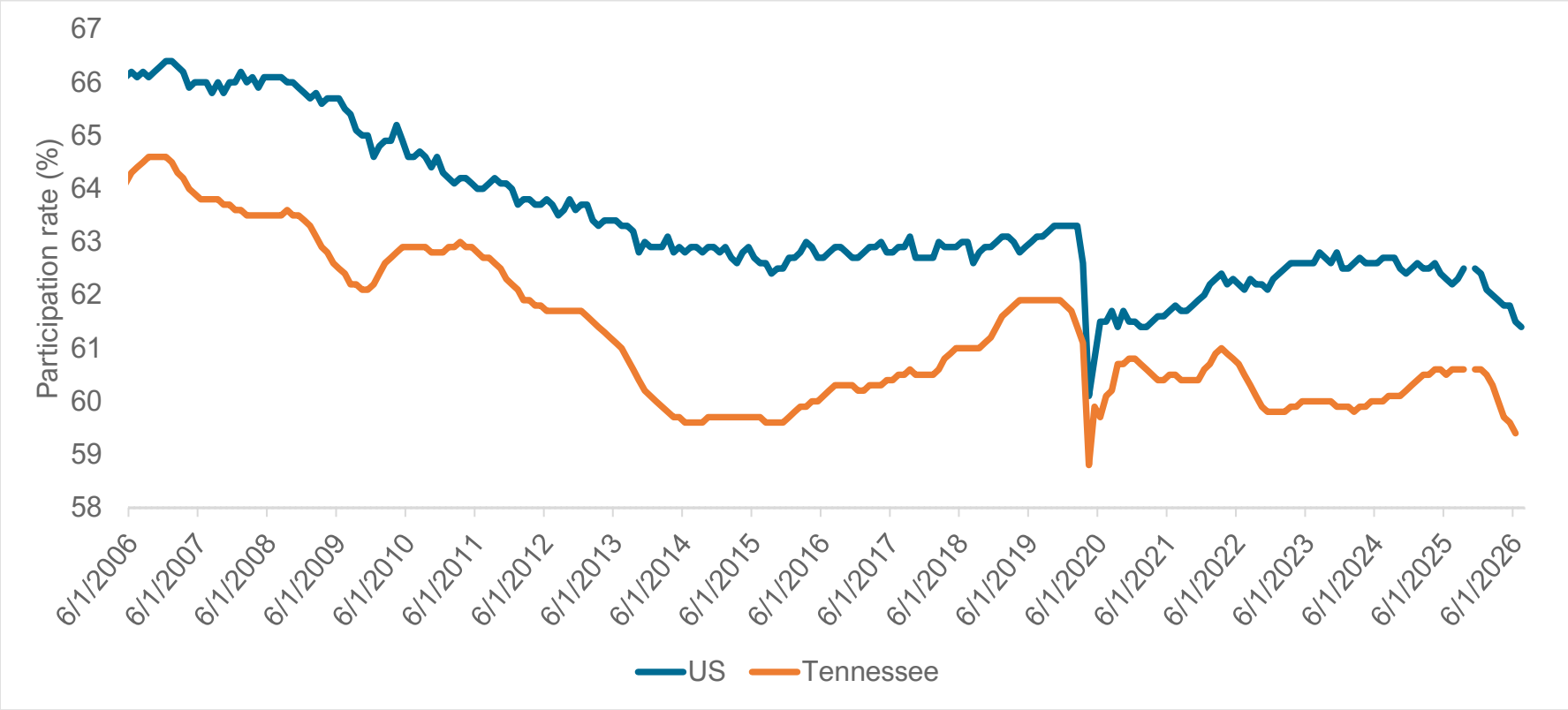
Unemployment Rates Across Tennessee, December 2025



Unemployment Rates by County, Dec. 2025

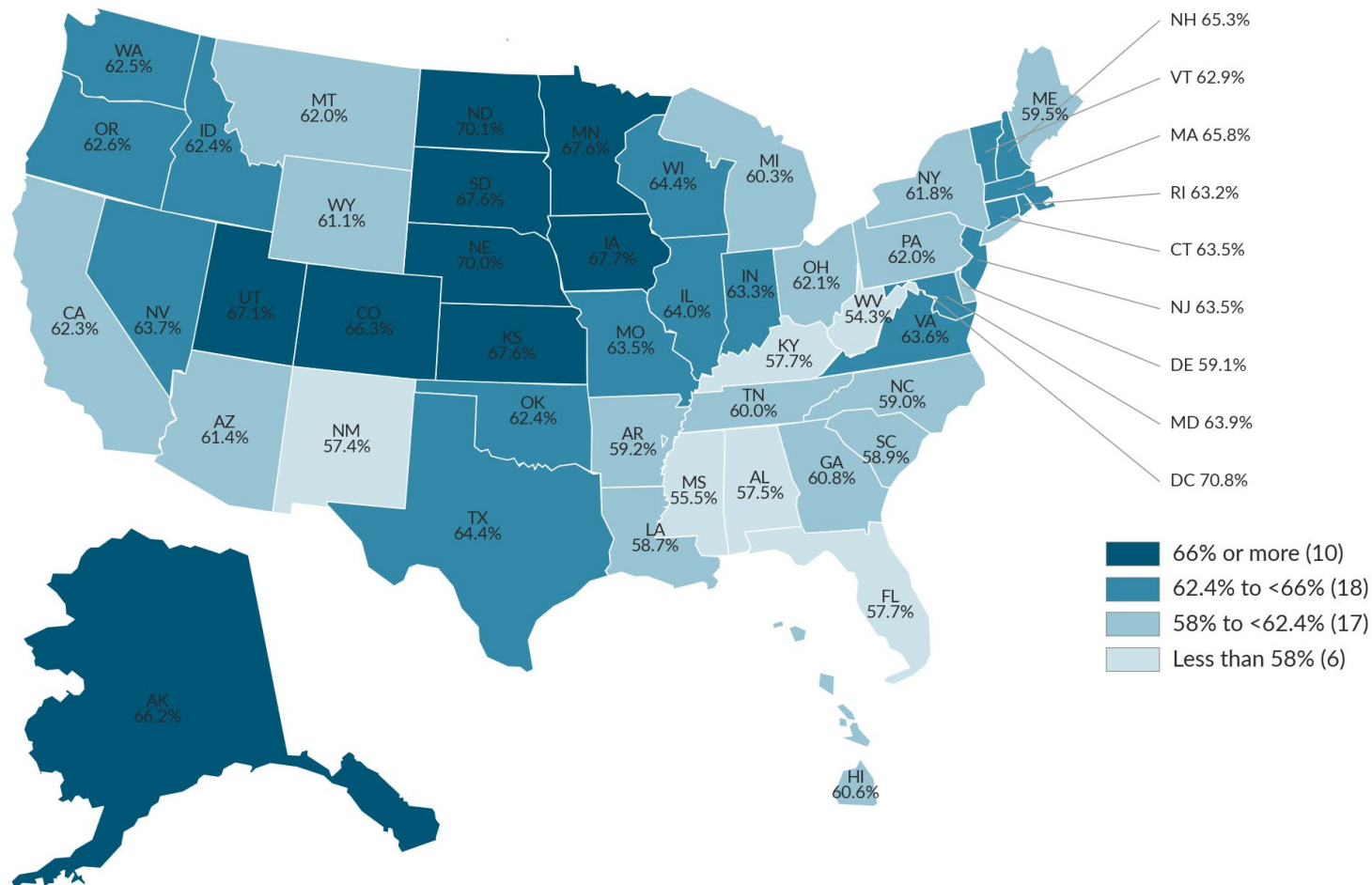


Labor Force Participation Remains Depressed

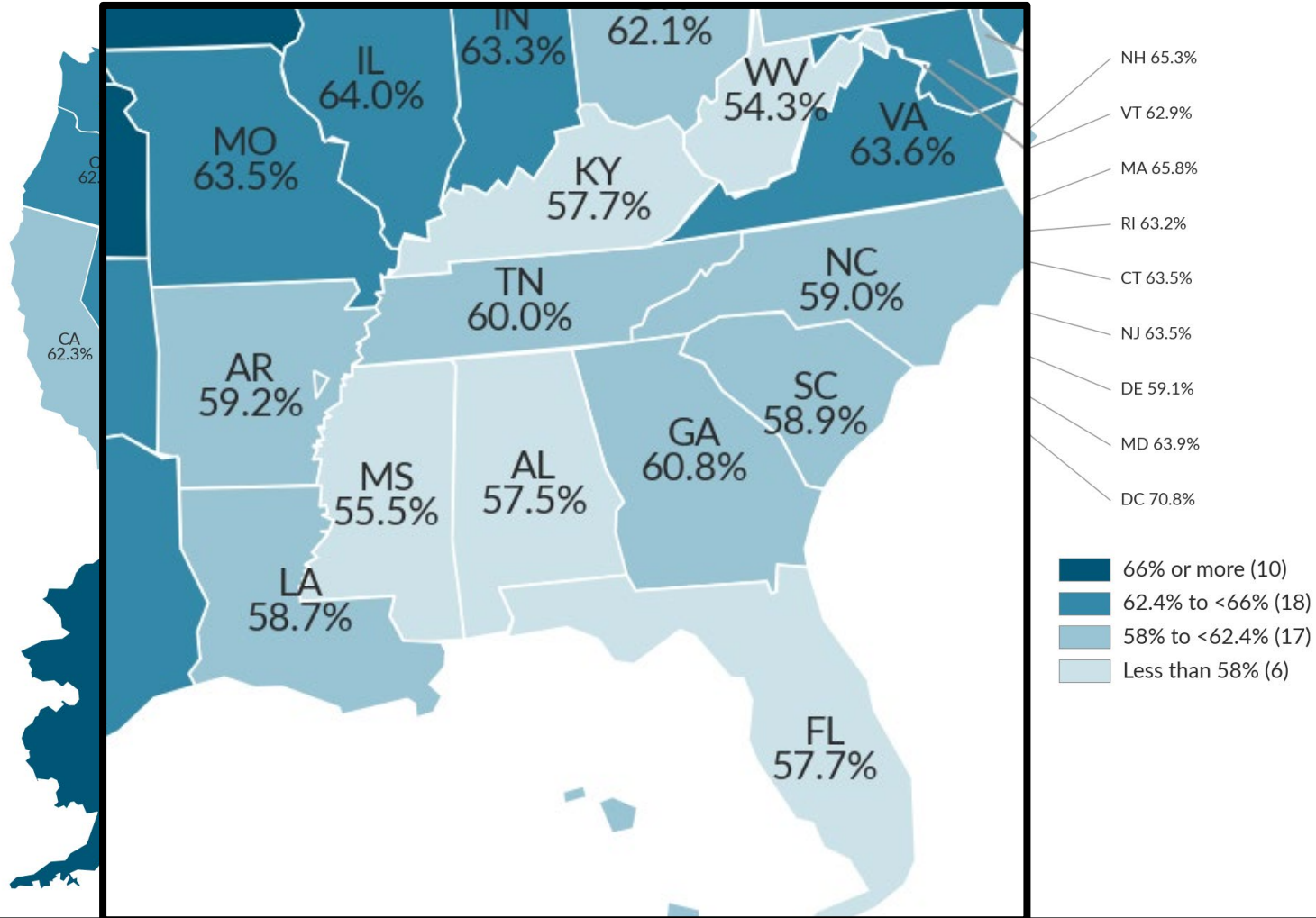


Source: Bureau of Labor Statistics

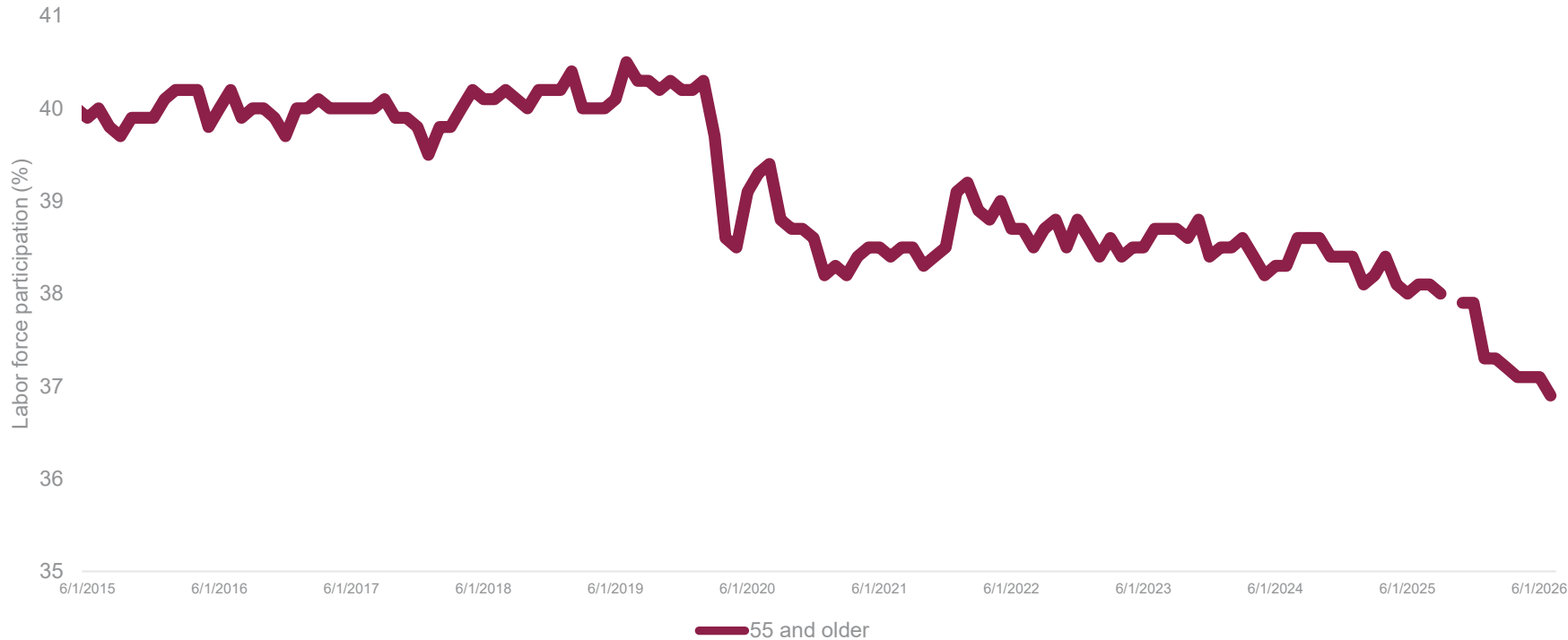
Labor Force Participation Rates are Low Across Most of the Southeast (April 2026)



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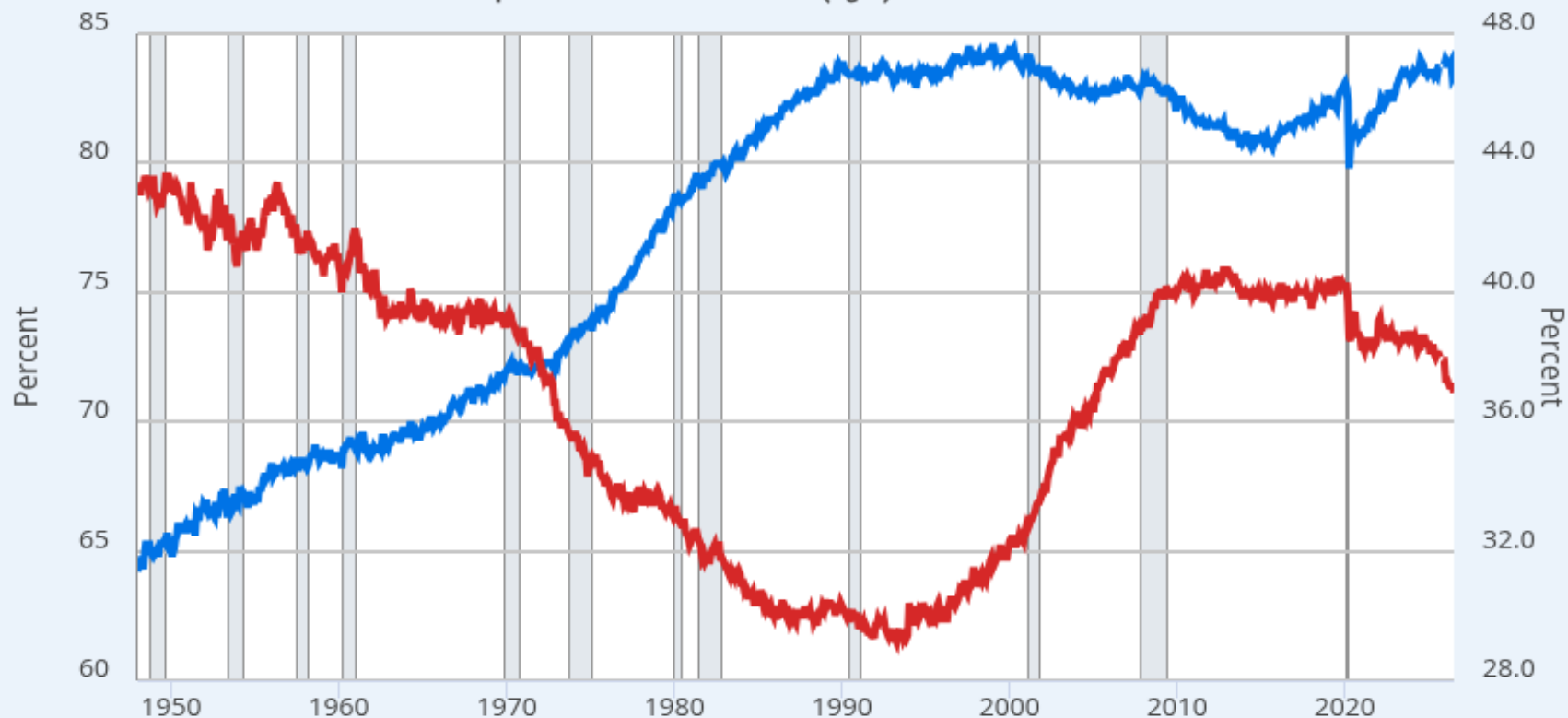


U.S. Labor Force Participation Among Workers Aged 55 and Older Continues to Fall



Source: Bureau of Labor Statistics

— Labor Force Participation Rate - 25-54 Yrs. (left)
 — Labor Force Participation Rate - 55 Yrs. & over (right)

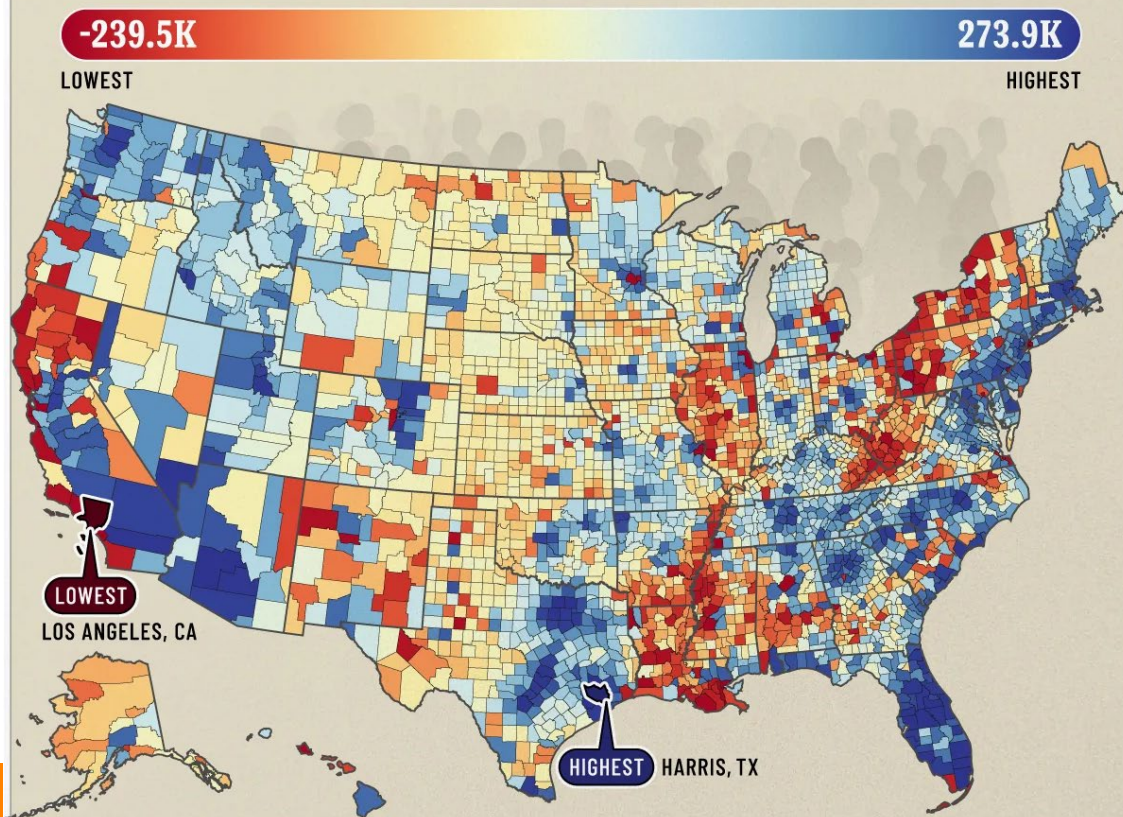


Source: U.S. Bureau of Labor Statistics via FRED®

Shaded areas indicate U.S. recessions.

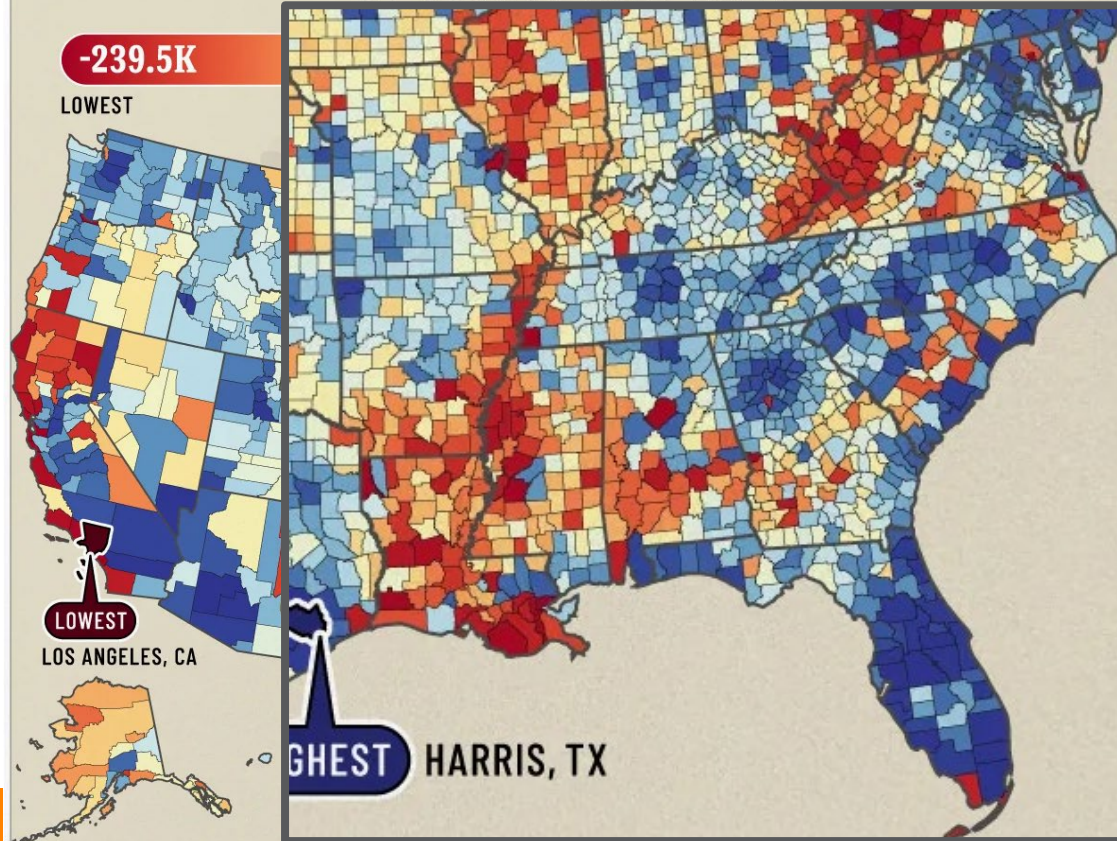
myf.red/g/1XVbl

POST-PANDEMIC Population Change BY COUNTY 2021-2024



Source: U.S. Census Bureau via Harvard University
Joint Center for Housing Studies

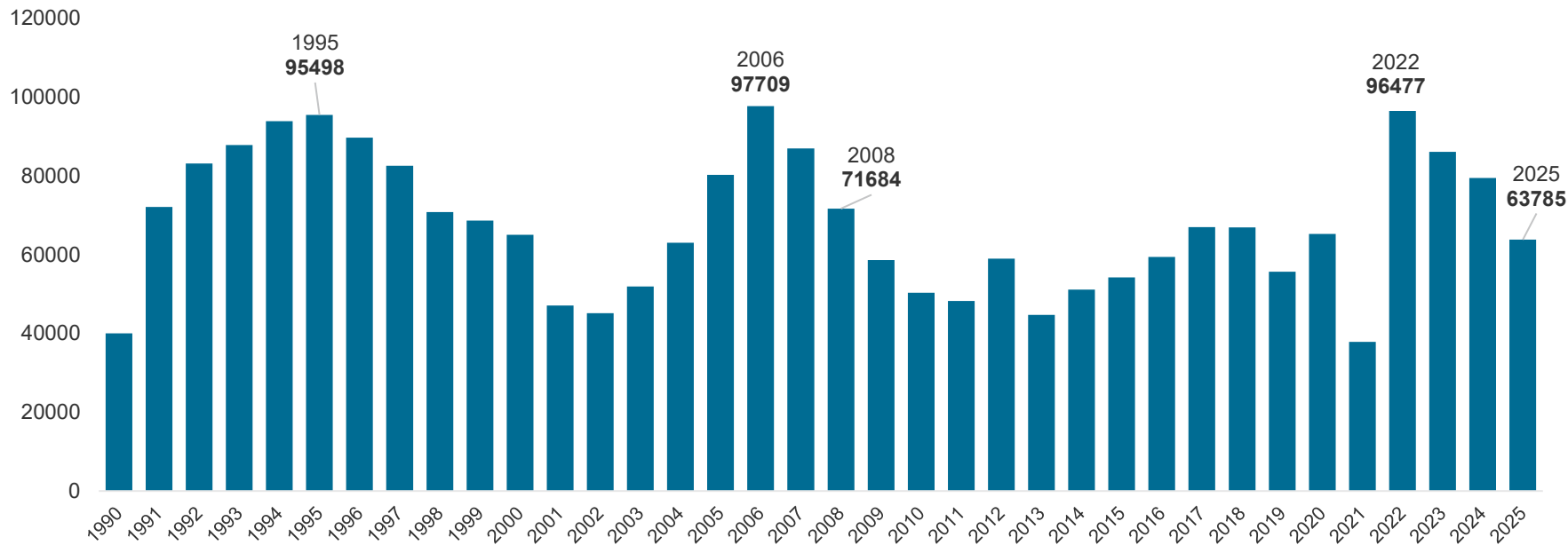
POST-PANDEMIC Population Change BY COUNTY 2021-2024



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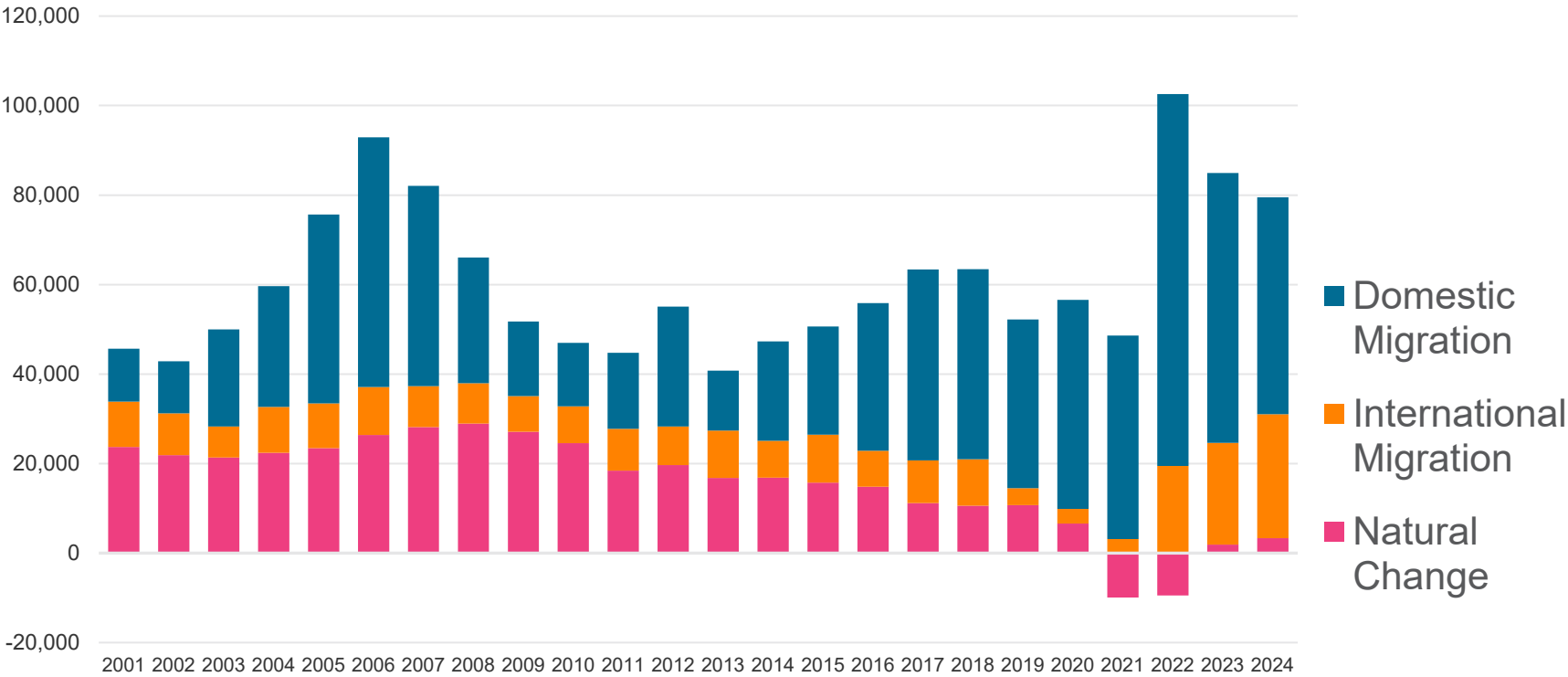
Tennessee Population Growth is Slowing

Annual Population Change, 1990 to 2025



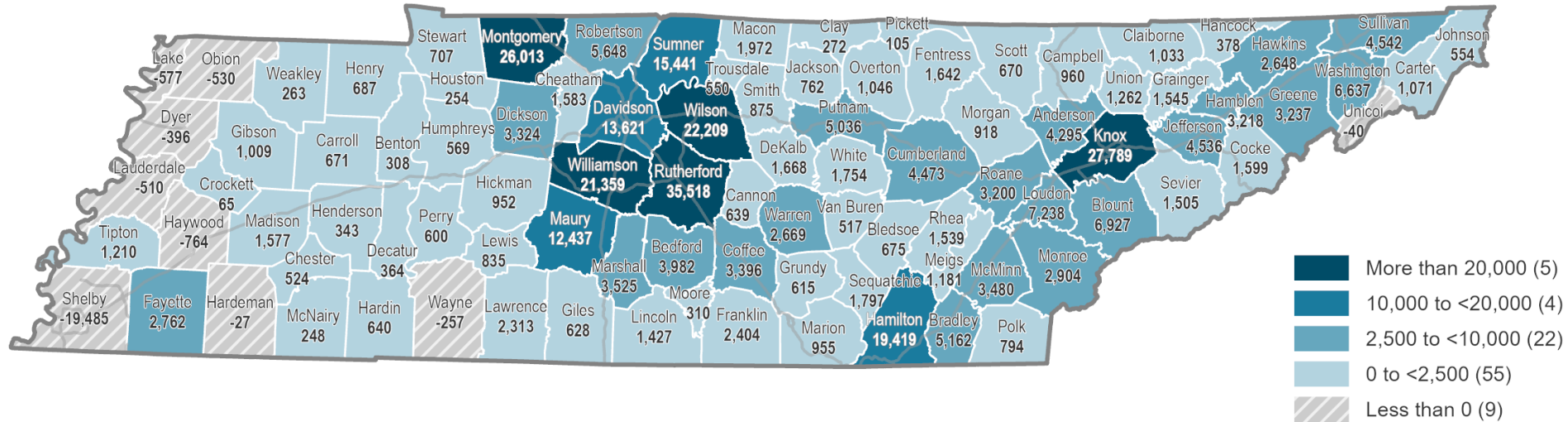
Source: U.S. Census Bureau, Population Estimate Program, 1990-2025

Population Growth in Tennessee Has Been Driven By Domestic Migration

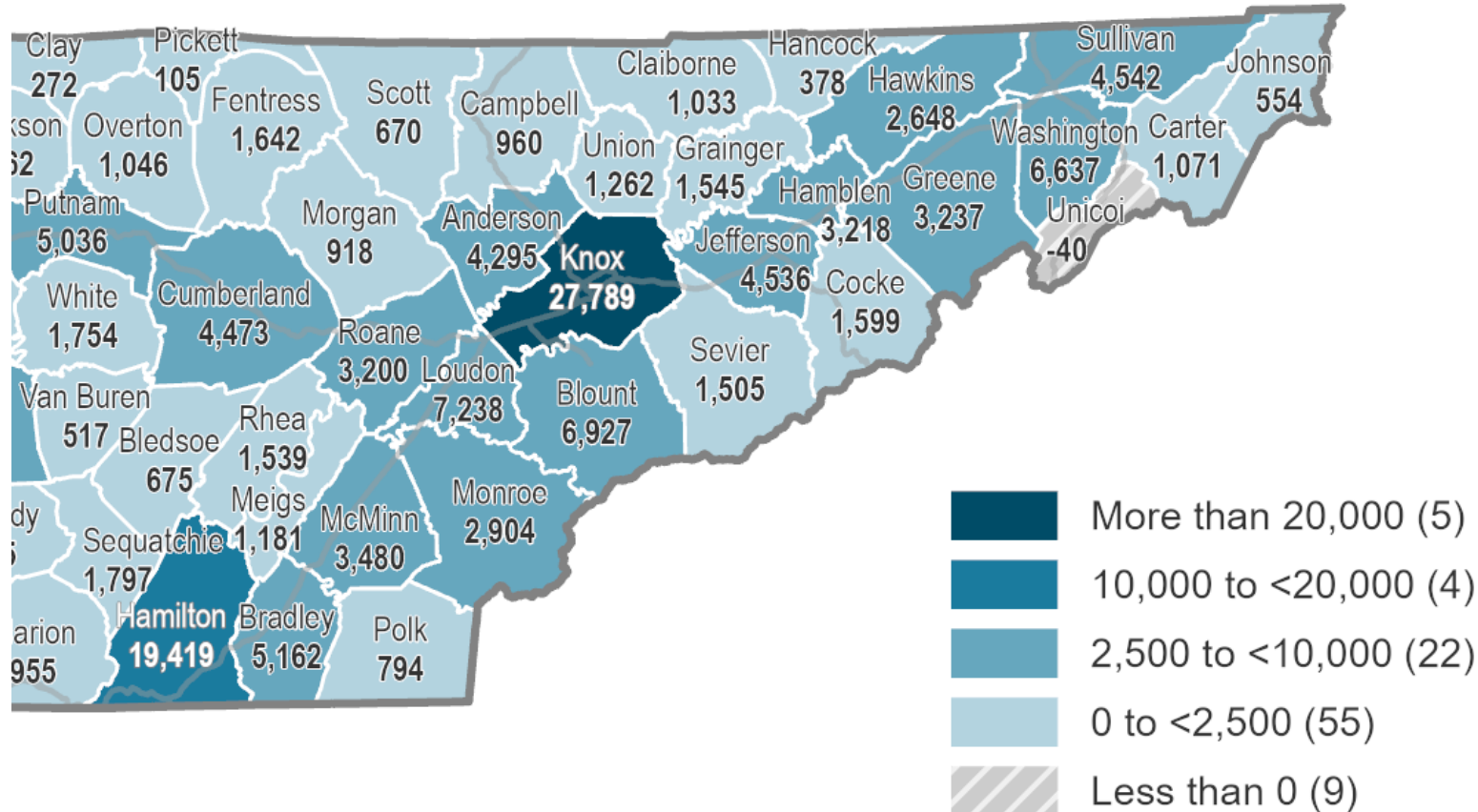


Source: Vintage 2024 Population Estimates, Vintage 2010 and 2020 Evaluation Estimates, State and County Components of Population Change by U.S. Census Bureau.

Tennessee County Population Changes Since the Pandemic, 2019 to 2024

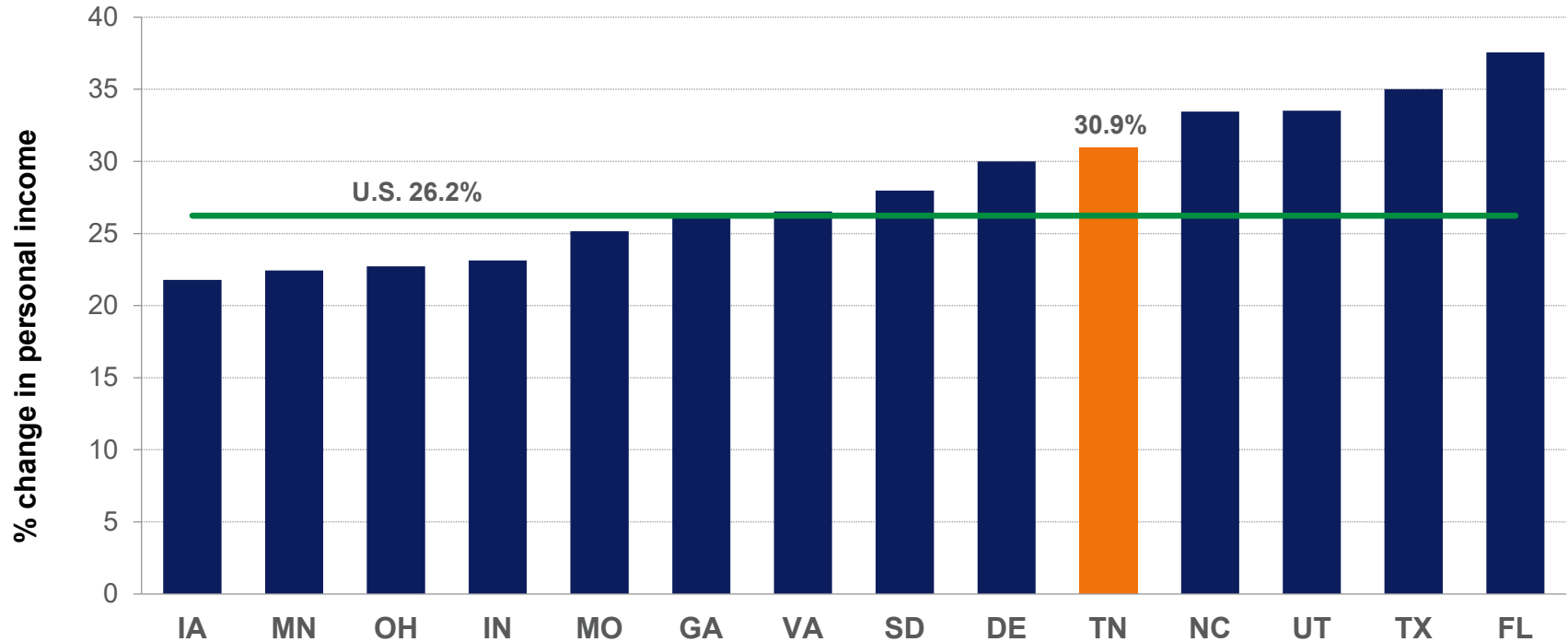


TN County Population Changes, 2019 to 2024



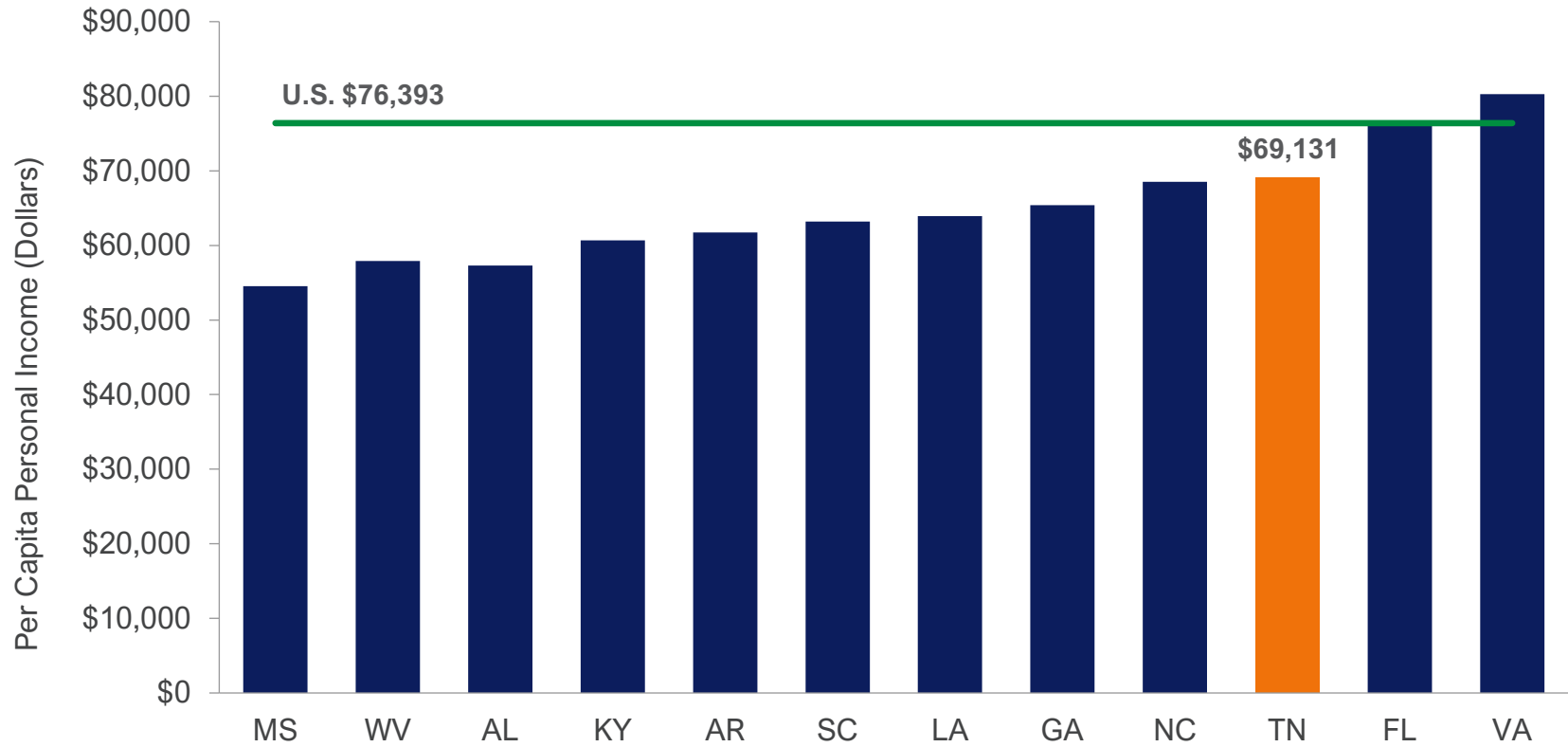
Personal Income Growth

Q2 2021 - Q1 2026
Seasonally Adjusted



Source: Bureau of Economic Analysis

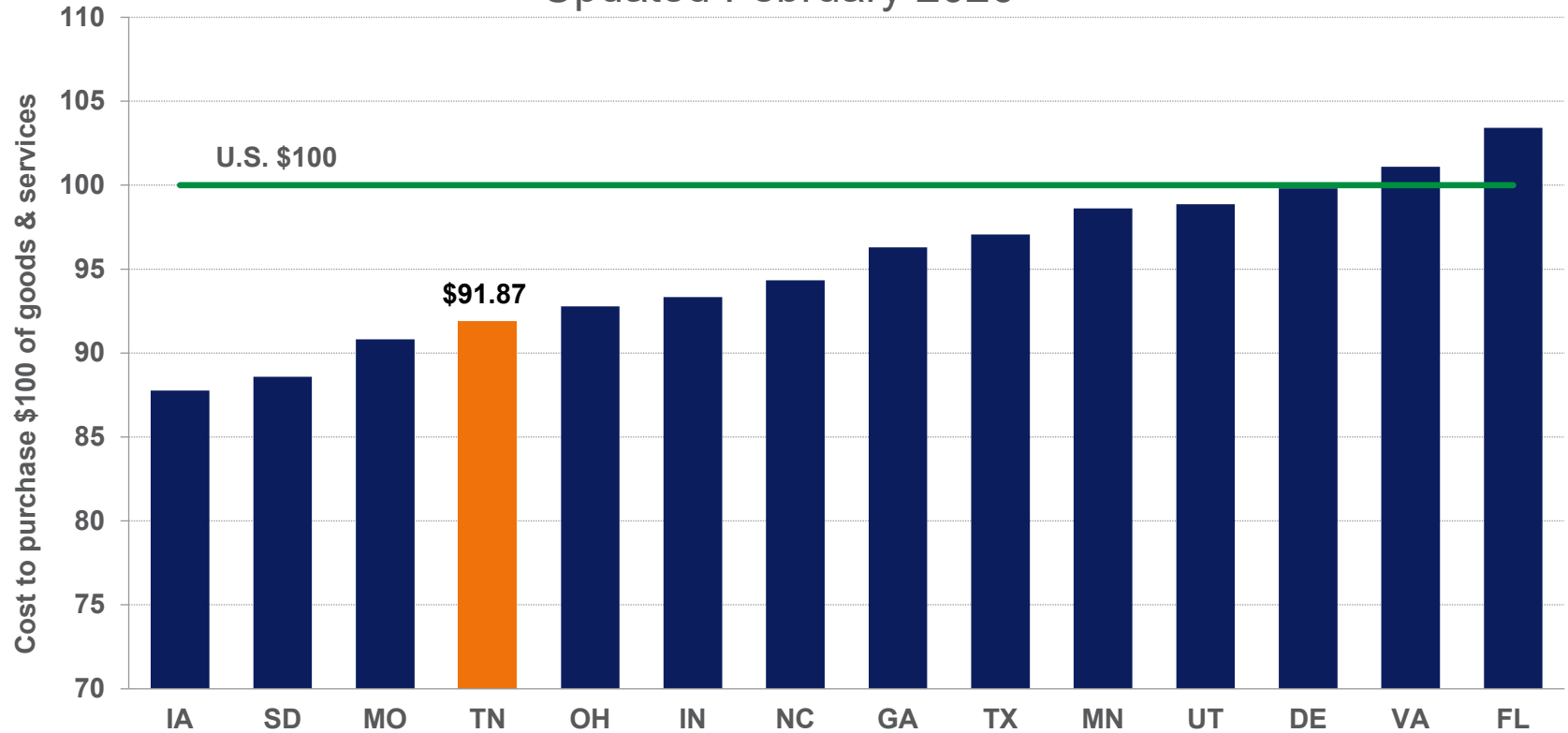
Nominal Per Capita Personal Income, 2025



Source: Bureau of Economic Analysis

Regional Price Parities by State

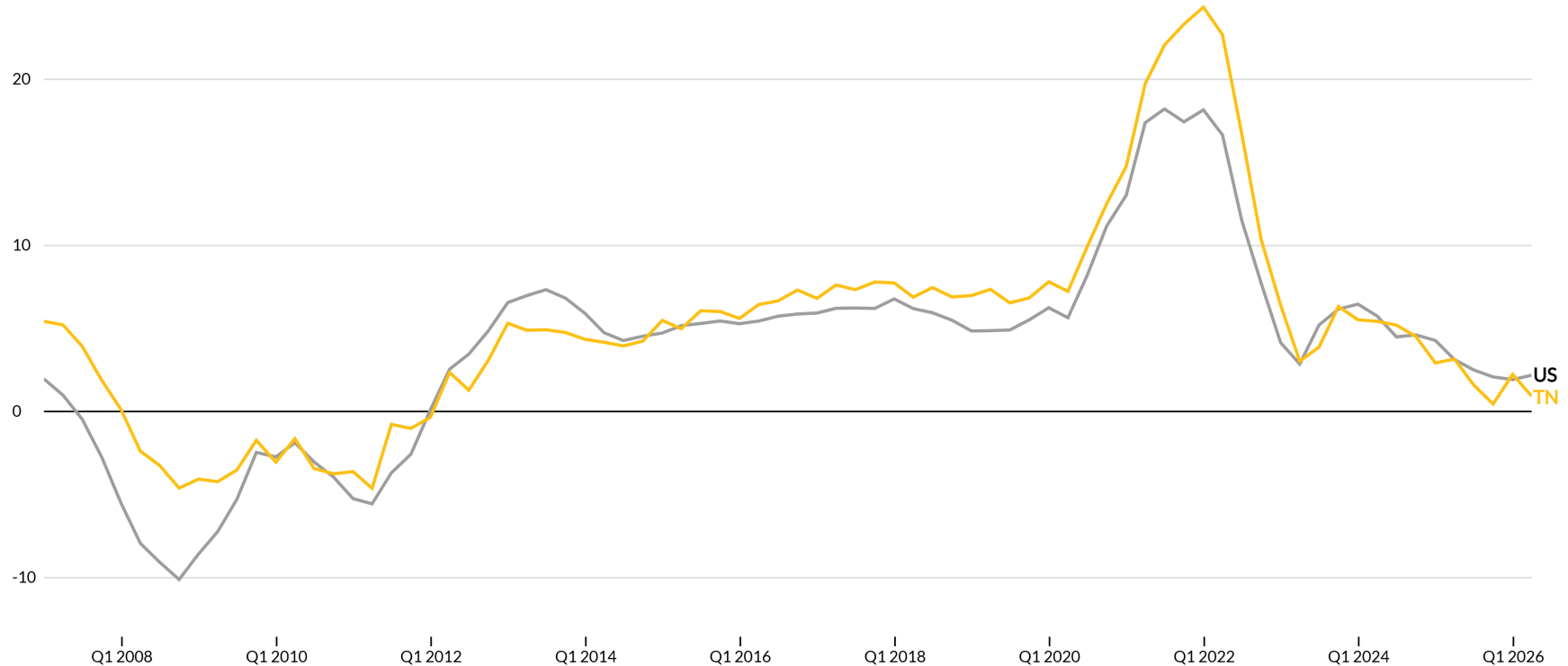
Updated February 2026



Source: Bureau of Economic Analysis

Housing Price Growth Continues to Slow Down

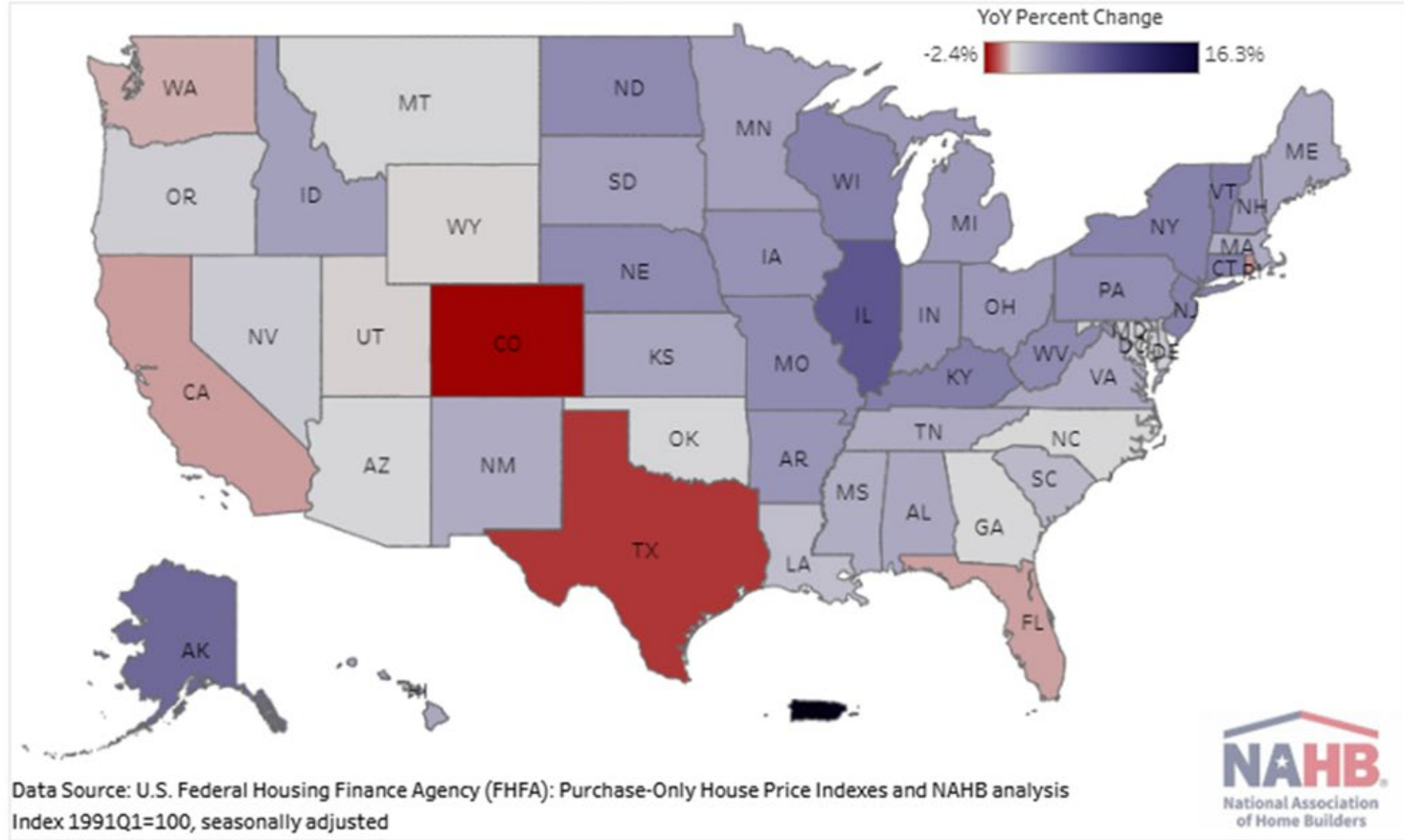
(Seasonally Adjusted Year-over-Year Percent Change)



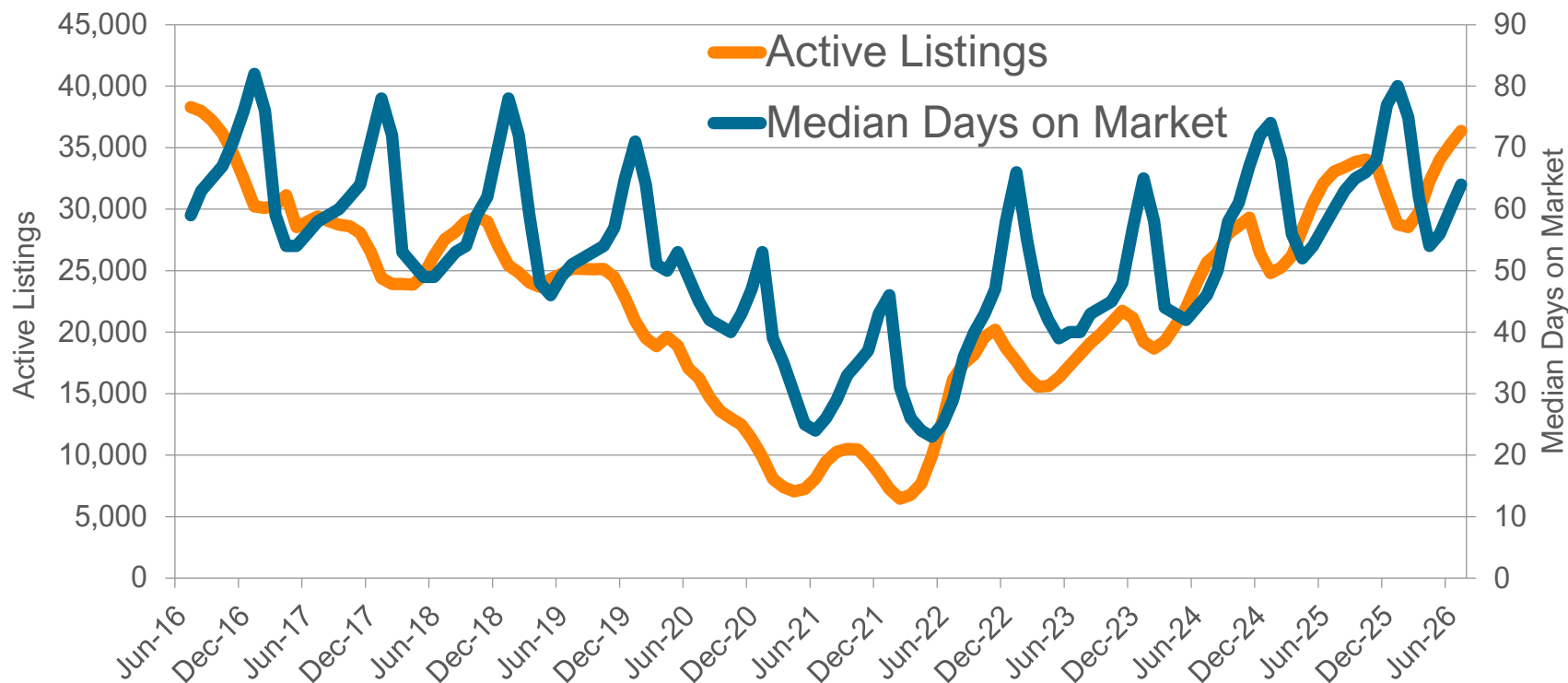
Source: Federal Housing Finance Agency via the State Economic Monitor

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Figure 1: House Price Appreciation by State
(1Q 2025 vs 1Q 2026)



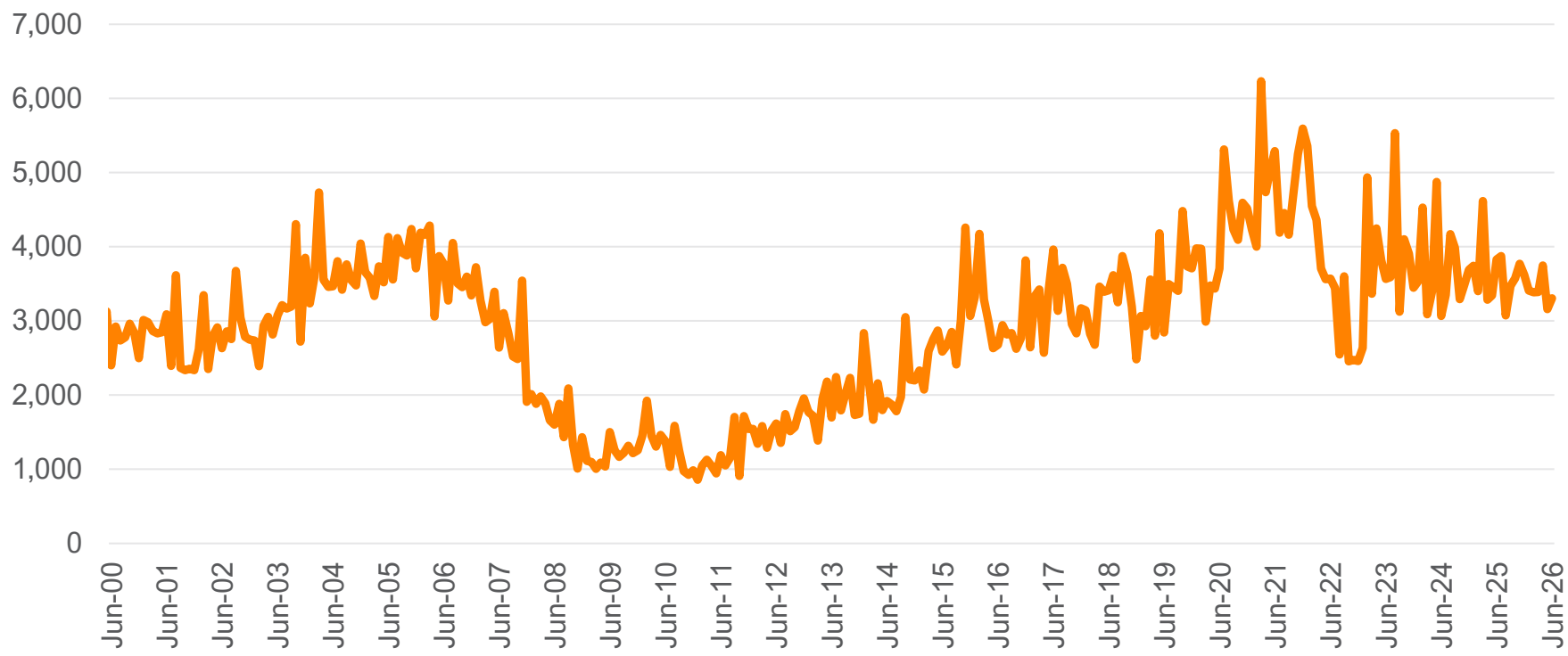
More Active TN Listings, Longer Time on Market



Source: Realtor.com

New TN Permits for Private Housing Units

Monthly, Seasonally Adjusted



Source: Census

Key Forecast Factors

Geopolitical Instability

- Diesel/gas supply and price impacts

Tariffs

- Export markets; Imported supply markets

Inflation & Interest Rates

- How many rate increases, and when?

Population Growth & Labor Markets

- Deportations, immigration, labor supply

Consumer & Business Confidence

- Consumption and housing demand

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