



Contractors Cut Men in 2025

Sage Economics <basu@substack.com>

Tue, Feb 3, 2026

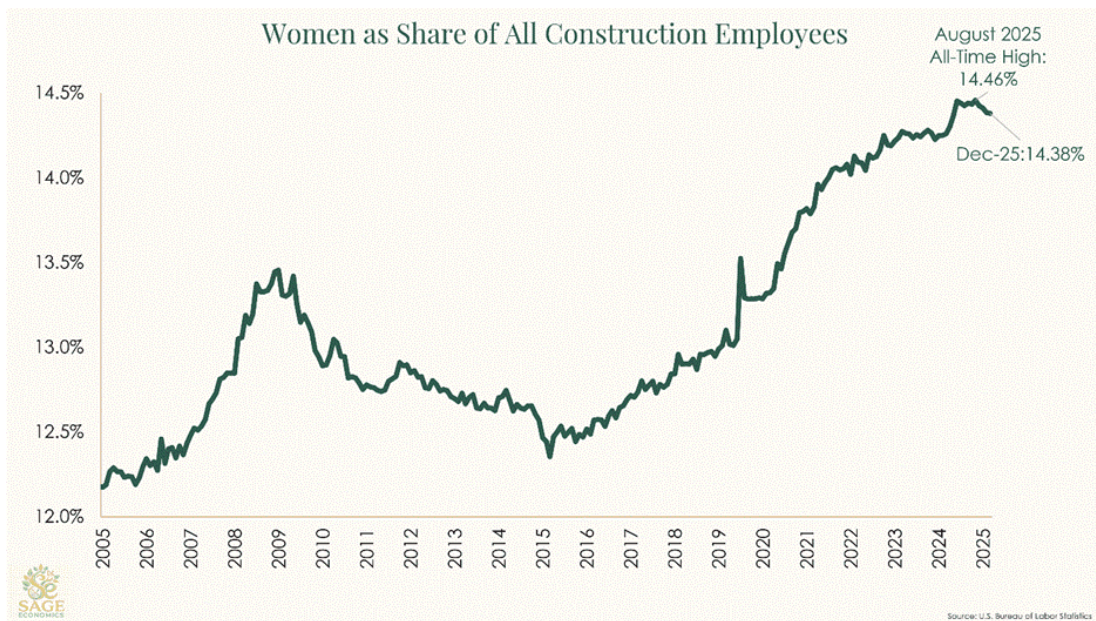
Contractors Cut Men in 2025

Women account for 86% of the year's construction job growth



Construction Trend Tuesday covers one (hopefully) interesting industry trend in a quick, two-minute read. You can access the archive of CTT posts here.

Women accounted for 12,000 of the 14,000 construction jobs gained in 2025. In August, their share of the industry's workforce reached a record high of 14.46%.

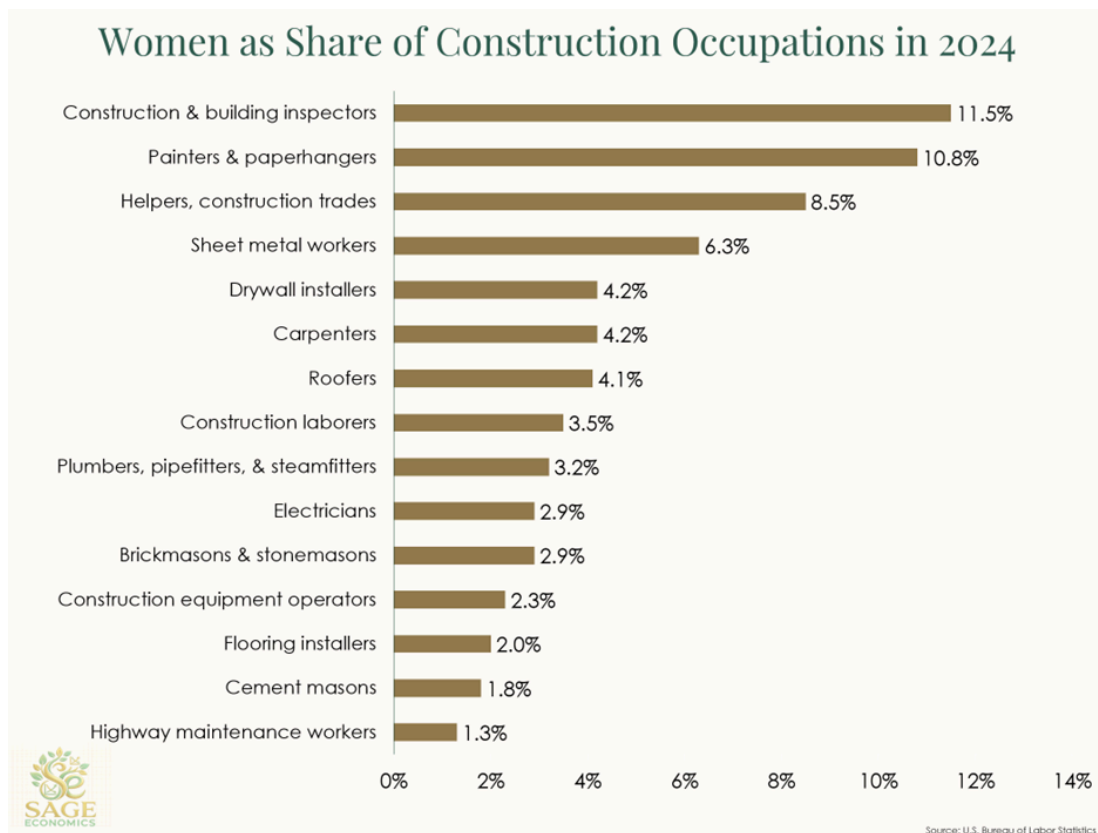


This trend, however, has little to do with women flocking to construction occupations or diversity hiring efforts.

“Construction employment,” as defined by the Bureau of Labor Statistics, includes anyone who works for a company that primarily delivers construction services. So a human resources job counts as a construction job just the same as a welder does.

Occupational employment-by-gender data shows that women typically account for a higher share of white collar jobs. More than 75% of HR workers and about 65% of marketing managers are women, for instance.

The share of women in actual construction occupations, while rising, was just 4.3% in 2024. For most trades, it’s actually below 3%, though women do account for a higher share of painters and construction and building inspectors.



When the industry contracts, as it did in 2025, front-line construction jobs are cut before white collar ones. This is why women's share of the industry's workforce tends to rise during recessions (look at 2009 in the first graph above).

Another factor here is that huge contractors, which tend to have more white collar workers, have had a particularly good year, while smaller contractors have not. Backlog for the largest contractors is at a four-year high, while backlog for the smallest contractors is at a four-year low, according to [ABC's Construction Backlog Indicator](#).

That divergence may be due to the data center boom, which has primarily benefited contractors with the size and experience to handle massive, billion dollar projects.

Loose Week in Review

Sage Economics

Fri, Feb 6, 2026

Loose Week in Review

Layoffs, lending standards, & more



This was a dark week for the once vaunted Washington Post, which [laid off](#) hundreds of employees and cut the entire sports department and most of the Metro department. For our readers in suburban Maryland looking to fill their local news void, the [Baltimore Banner](#) recently expanded their coverage into Prince George's and Montgomery counties.

Today should have brought us January jobs data from the BLS, but the brief government shutdown delayed it until next Wednesday. Nonetheless, this week delivered quite a bit of economic news and data, including updates on job openings, immigration levels, lending standards, and a lot more.

Got questions? [If so, be sure to submit them for our upcoming Q&A post.](#)

Monday

ISM Manufacturing PMI

Manufacturing activity expanded in January for the first time in a year, according to this [survey of industry managers](#). This is good news for a beleaguered manufacturing segment, but ISM notes that this upbeat indication is “tempered by commentary citing that January is a reorder month after the holidays, and some buying appears to be to get ahead of expected price increases due to ongoing tariff issues.” In other words, the particularly noteworthy strength in new orders may be merely temporary.

[Comments from respondents](#) keep getting bleaker:

“‘Hope’ has been word of the year in the Transportation Equipment industry. Unfortunately, all the hope in the world has not materialized into order activity in 2025 or the first half of 2026. Across the board, buyers continue to stand on the sidelines. As we enter 2026, every conversation revolves around hope that the second half of 2026 starts the turnaround. It’s hard to set strategy on hope, but thanks to the uncertainty brought about by this administration, here we are.”

Senior Loan Officer Opinion Survey (SLOOS)

The [Q4 2025 SLOOS](#) is loose, but lending standards sure aren’t. Fewer than 2% of banks loosened standards for commercial and industrial loans, while fewer than 9% loosened them for construction and land development loans.

Responses were slightly better regarding demand for loans, with the share reporting higher demand just slightly above the share reporting weaker demand. It appears that banks are embracing a more defensive stance given still lingering economic uncertainty.

Oil Stuff

[Gas](#) prices increased for a third consecutive week, though they’re still low at just a smidge below \$3.00/gallon. Note that this isn’t the seasonal increase that happens as stations switch to summer blend. That won’t start until later in February.

[Diesel prices](#) also rose and are now up \$0.40/gallon over the past month.

[Domestic oil production](#) cratered to its slowest pace since late 2024. It’s safe to mostly blame the cold weather for that. Actually, oil prices have been

edging higher recently. Should that continue, production should follow.

Tuesday

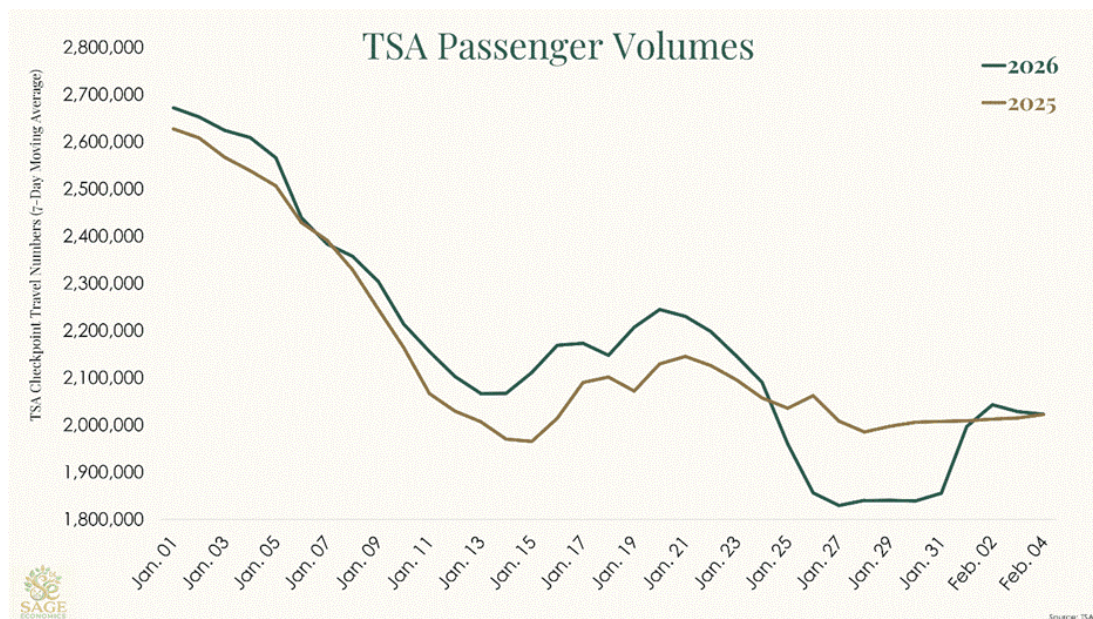
Trump Administration...increases immigration?

The White House announced a temporary final rule that will effectively double the number of H-2B temporary nonagricultural worker visas for FY 2026. This will result in nearly 65,000 more H-2B visas and is the direct result of lobbying on behalf of frustrated businesses.

Shhhh! Nobody tell Stephen Miller about this.

TSA Checkpoint Travel Numbers

This last winter storm put a freeze on air travel, according to TSA data, but it's bounced back since. Air travel volumes were unchanged on a year-over-year basis for the week ending February 4th.



Wednesday

ADP Employment Report

Private employers added just 22,000 jobs in January, according to payroll processing firm ADP. Manufacturing lost another 8,000 jobs and employment in that critical segment has now shrunk during every month since March 2024.

Healthcare, meanwhile, continues to carry the labor market. Without the 74,000 new healthcare jobs added in January, private employers would have lost more than 50,000 jobs for the month.

We shouldn't read too much into this. ADP data are less important than the (delayed until next Wednesday) BLS jobs report. Even so, this is yet another indication that hiring is weak and the labor market remains fragile.

ISM Services PMI

The services side of the economy kept chugging right along in January, according to this [survey of industry managers](#). The segment expanded for a 19th straight month, and [the comments](#) seem to suggest that growth is slow but steady.

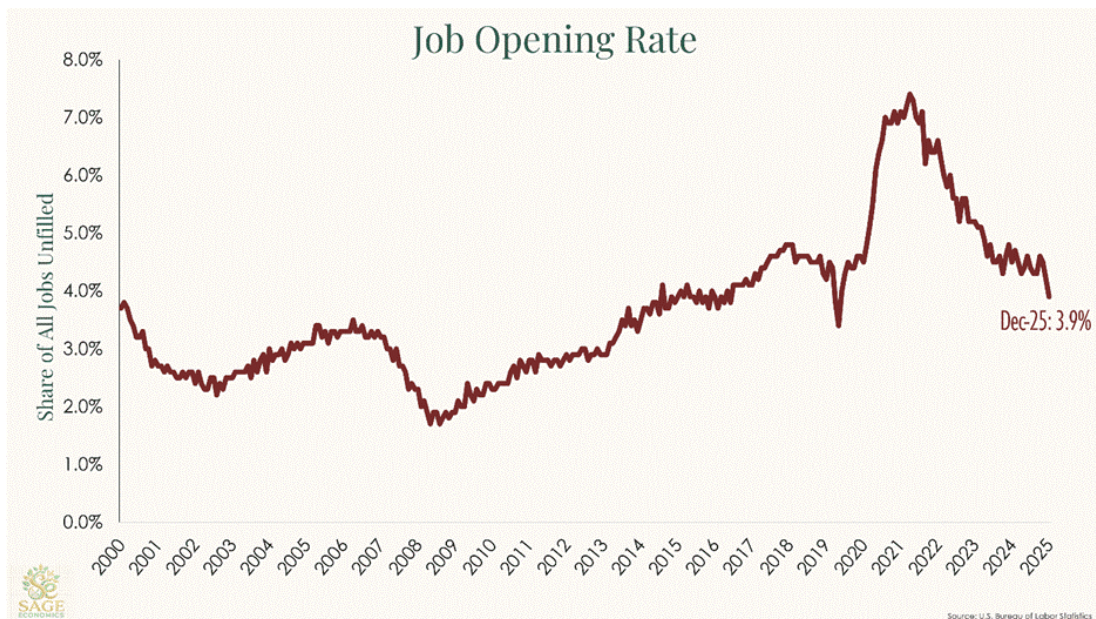
Mortgage Applications

[Mortgage applications](#) fell last week. Apparently, snow/ice storms aren't great for home purchasing, but this may have more to do with the fact that mortgage rates refuse to decline meaningfully.

Thursday

Job Opening & Labor Turnover Survey (JOLTS)

The number of [open, unfilled jobs](#) fell in December and is now at its lowest level since 2020 (not a great time for labor demand, if you'll recall!). There were 1.1 million fewer job openings in December than in September. These data can be volatile, but not *one million jobs over three months* volatile. Hiring is set to soften further even as layoff announcements expand (Zack pays little attention to the [layoff announcement data from Challenger](#) – I am a bit more enamored with that data series).



Job openings aside, labor market conditions were mostly unchanged in December. Hiring picked up slightly but is still really slow, and both layoffs (as opposed to layoff announcements) and quits remain subdued. The Great Stay continues, but with increasingly ominous demand signals.

Mortgage Rates

Mortgage rates inched up by another 0.01 percentage points, with the average 30-year fixed now at 6.11%. You know what didn't inch higher – the Orioles pitching staff :(

Jobless Claims

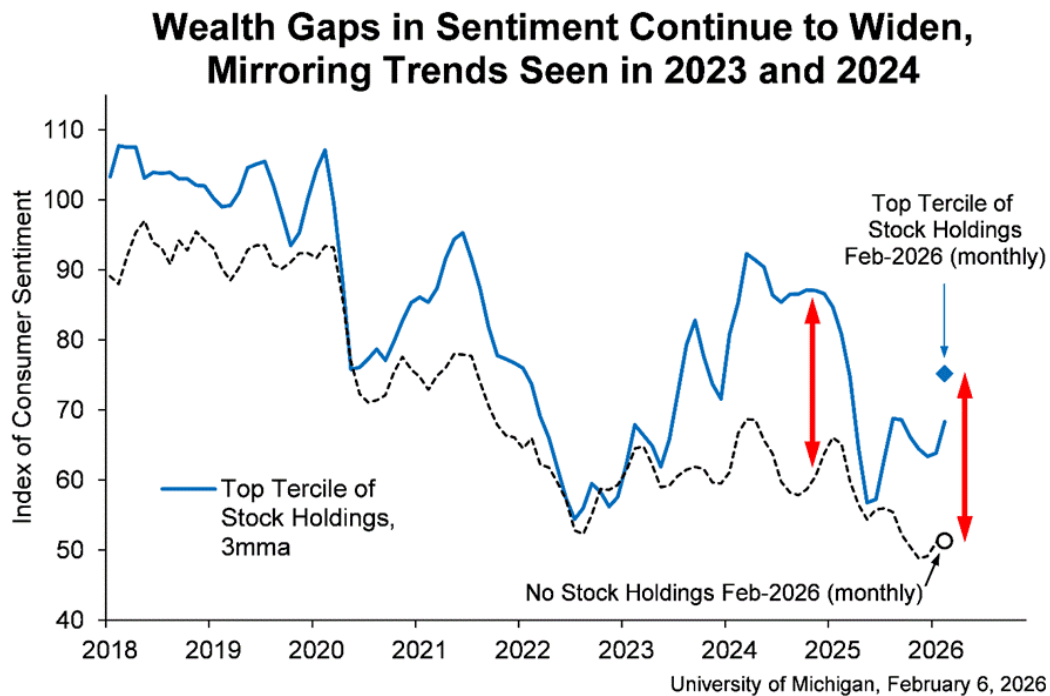
Last week as associated with a sizable increase in initial jobless claims, but that's almost certainly the result of snow/ice storms. We'll wait at least a few weeks to read more into this.

We also got a small but un concerning increase in continuing claims for unemployment insurance. Nothing to worry about for now; both initial and continuing claims remain low by historic standards. That said, finding a job is getting tougher out there. It's also more competitive out there for jobseekers, with some older Americans potentially unretiring given the ongoing onslaught of rising prices.

Friday

Michigan Consumer Sentiment Index

Consumer sentiment ticked higher in February, with a 5% increase in the view of current economic conditions offsetting a 1% decline in forward-looking expectations. As you can see below, those with the most stock holdings are feeling much better than those with no stock holdings. While that's in no way surprising, I expect that gap may shrink by the time the final February reading is released later this month due to the recent market downturn.



Links of the Week

Stop Blaming DoorDash for the Affordability Crisis ([Mike Konczal](#))

International financial anarchy ([Noahpinion](#))

Why clinical trials are inefficient. And why it matters. ([Policy and Practice](#))

Final Thoughts

After this week, my outlook for the economy is: Worse

One of the pillars that has been holding this economy together is stock prices. The rise in stock prices has helped propel consumer spending, especially among the already wealthy. But with stock prices in retreat along with many other assets (Bitcoin anyone?), the wealth effect went in reverse this past

week. That could just be temporary as it has been in recent years as investors have bought on the dips, but maybe this time is different.

Does Contractor Optimism Check Out?

Sage Economics

Tue, Feb 10, 2026

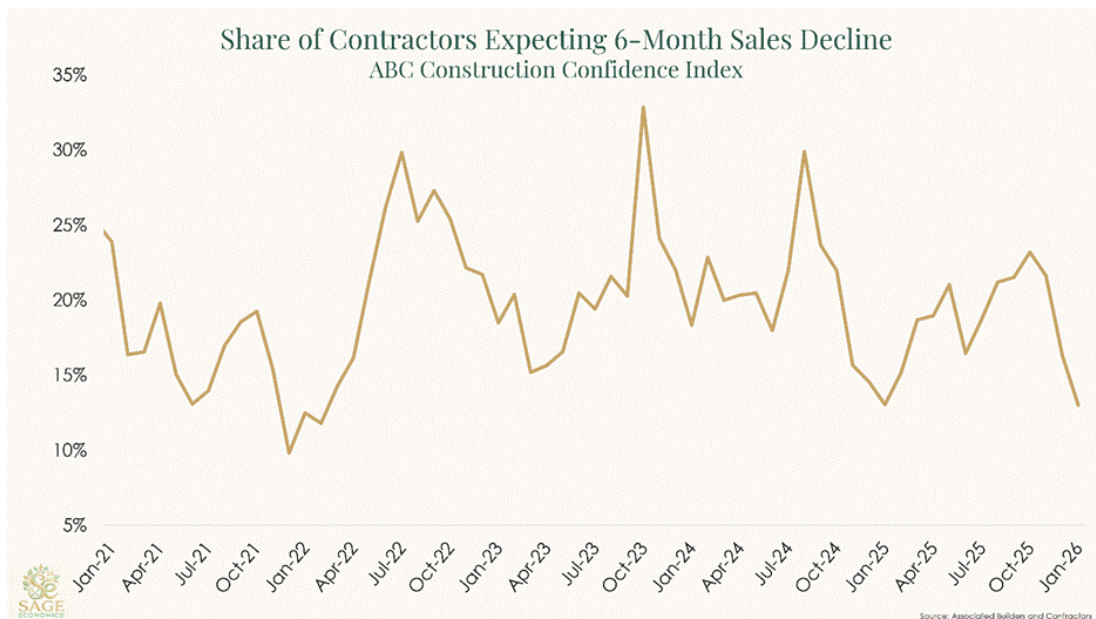
Does Contractor Optimism Check Out?

Sunny outlook does not extend to *other* contractors



Construction Trend Tuesday covers one (hopefully) interesting industry trend in a quick, two-minute read. You can access the archive of CTT posts here.

Contractors are extraordinarily upbeat about the near-term outlook. Just 13% of ABC members, for instance, expect their sales to decline over the next six months, according to ABC's Construction Confidence Index (CCI). That's a three-year low and a massive improvement from October 2025, when 23% of contractors expected their sales to decline.



This is surprising given recent construction industry data, most of which has been fairly downbeat. So surprising that we introduced a new question in our most recent ABC CCI Survey:

Do you think other contractors will see their sales decline over the next six months?

And sure enough, contractors are far less optimistic about their competitors; 46% think *other* contractors' sales will be lower six months from now.

There are a few ways to look at this.

Optimistically, contractors are more informed about their own operations and have good reason to be upbeat about the near-term outlook. Maybe the doom and gloom about other contractors is due to economics newsletters that talk about how bad construction industry data has been recently.

Pessimistically, it may be difficult to think clearly about your own operations. No business owner wants to acknowledge that their sales are going to drop, but they may take a more clear-eyed view of how market conditions will affect others.



A Good, Better, & Bad Jobs Report

Sage Economics

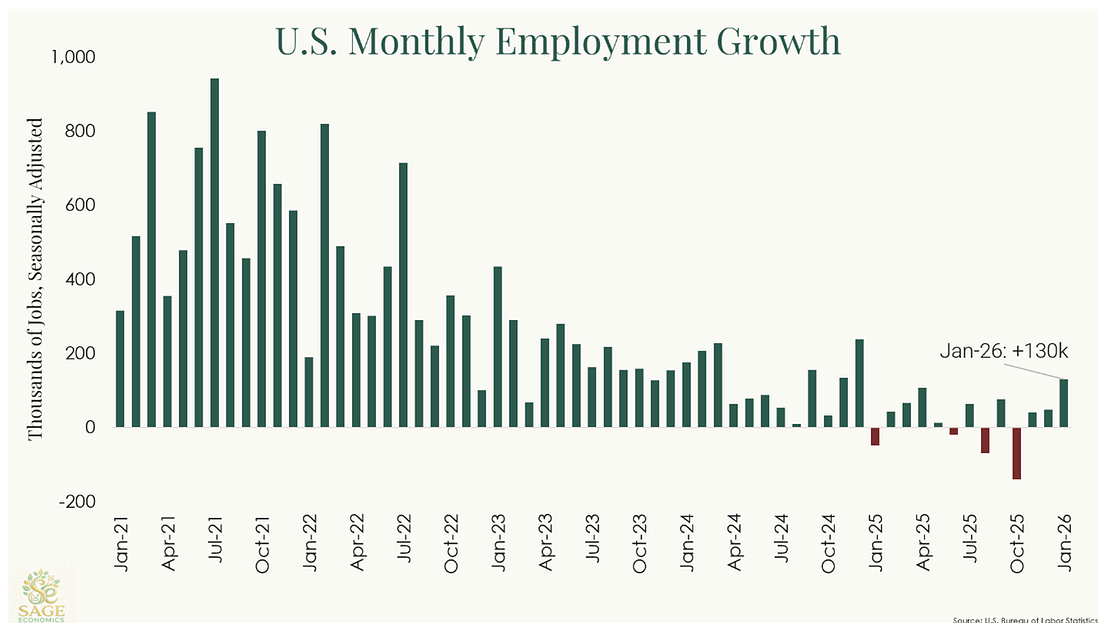
Wed, Feb 11, 2026

A Good, Better, & Bad Jobs Report

Employment growth surprises to the upside in January



Job growth surprised to the upside in January, with U.S. payroll employment rising by 130,000. That's the good news.

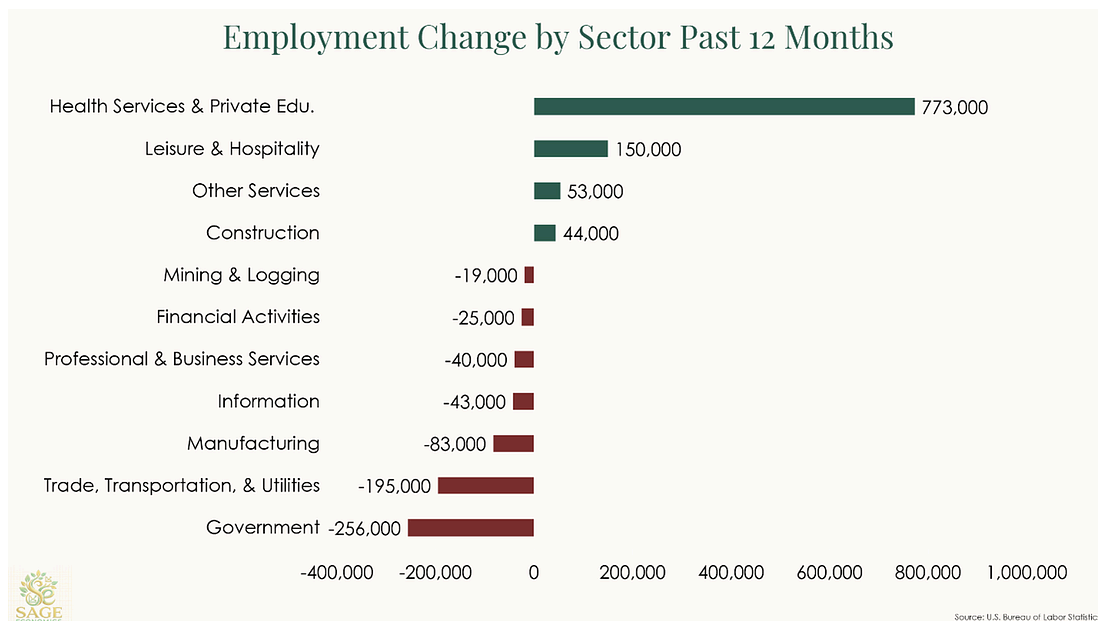


The better news is that the unemployment rate ticked down for the second straight month and, at 4.3%, is in much better shape than in November (4.5%). The prime age (25-54) employment to population ratio is also in really great shape.

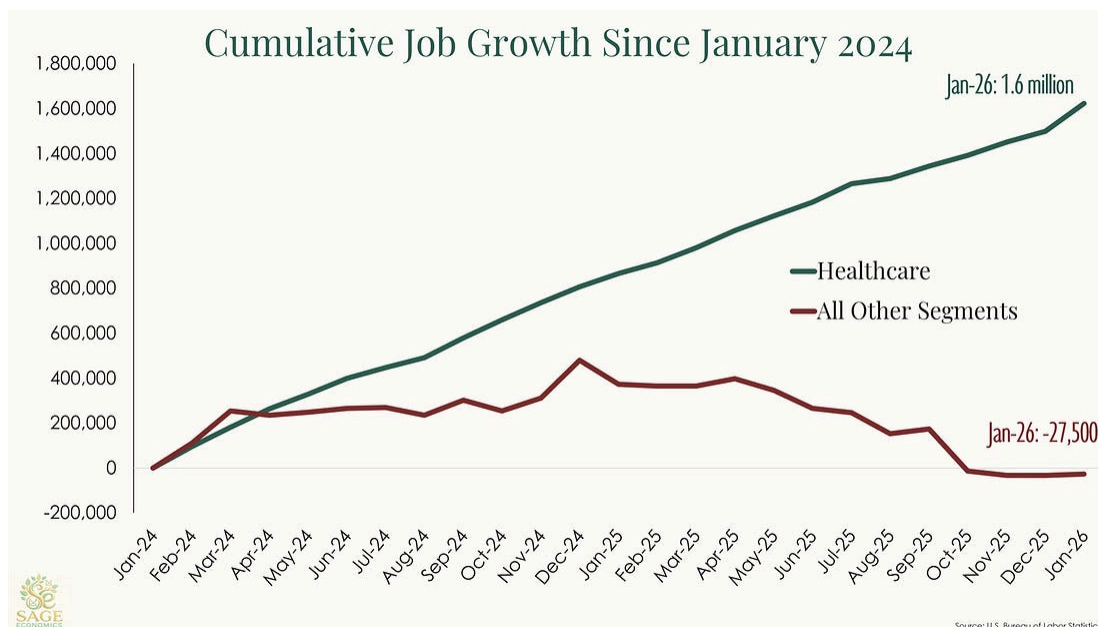
This will be reassuring to the Fed.

Now for the bad news: after pretty serious downward revisions, we averaged just 15,000 jobs per month in 2025. That's the worst non-recessionary calendar year of growth since 2003, and you have to go back decades earlier than that to find another one so bad.

And even that might understate 2025's labor market weakness, because virtually all recent job growth has occurred in the healthcare segment.



Seriously, since January 2024 the healthcare and social assistance sector has added 1.6 million jobs. All other sectors combined have lost a combined 27,500 jobs over that two-year period.



Even with January's upside surprise, job growth will likely remain unusually slow in 2026.

In one sense, that's okay. Given demographic dynamics and a lack of immigration, it won't take many new jobs to keep the unemployment rate steady.

In another sense, this low hire, slow employment growth environment is less okay. Just ask anyone who's currently searching for a job outside of healthcare.

The Upshot

We're in the midst of a jobless economic expansion. That's pretty weird.

The Fed's takeaway from today's jobs report will be that unemployment is steady and there's no need to cut.

Free Trade Week in Review

Sage Economics

Fri, Feb 13, 2026

Free Trade Week in Review

Inflation, retail spending, & more



Free Trade (or *freer* trade, anyway) had its best week in years, posting multiple wins on the tariff front.

First, the White House agreed to allow \$800 million in Argentinian beef imports in an effort to lower prices.

Then on Tuesday Congress rejected a measure that would have limited Congress's ability to vote against the White House's tariffs (yes, you read that right).

As a result, Congress voted to overturn the tariffs on Canada on Wednesday, a move that succeeded due to six Republican defectors. Of course, the president will almost certainly veto that once it gets through the Senate.

And as of this morning, the Financial Times reports that the White House is planning to roll back some of its steel and aluminum tariffs, a tacit acknowledgement that these import taxes are in fact causing economic harm.

On the data front, this week brought us updates on inflation, retail spending, a jobs report (read our [longer post on that here](#)), and a whole lot more.

Monday

Oil Stuff

Gas prices increased for the fourth straight week and are back above \$3.00/gallon for the first time since mid-December. Diesel prices were essentially flat for the week.

Domestic oil production bounced back to near-record highs last week, confirming that the prior week's slowdown was weather-related.

TSA Checkpoint Travel Numbers

Air travel has bounced back big time after plunging during the big winter storms, [according to TSA data](#). During the week ending February 9th, travel volumes were 4.1% higher than during the same week one year ago.

Tuesday

Retail Sales

Retail spending was unchanged in December and just 2.4% higher than in December 2024. That's not great, but I actually think this data is...I don't want to say "better," but maybe *slightly less bad* than it looks at a glance

A lot of this recent weakness is due weak spending in interest rate-sensitive dealerships and furniture stores. Most other categories have posted healthy increases over the past year.

And 2025 was actually a decent year for retail spending, with total sales 3.7% higher than in 2024. That jumps to 4.2% if you exclude sales at gas stations (gas prices were lower in 2025).

There's plenty of reasons to worry about consumers (see right below this!), but at least as of December, nothing in the retail sales data is panic-worthy. Of course, given recent winter storms, retail sales will likely be weak again for January, so we won't get another credible read on this until February's data is released.

Household Debt and Credit

This data on delinquency rates is worrying and will get its own post at some point in the not so distant future.

For now, let's start with the share of credit card debt 90+ days overdue, which rose to 12.7% in Q4 2025, the highest level since 2011.

Auto loans are also a large and growing cause for concern, with 5.21% of the total balance 90+ days past due. That's the second highest quarterly rate ever, trailing only Q4 2010.

The youngest borrowers (18-29) are transitioning into serious delinquency at the fastest rate. That's always the case. What's interesting is that the transitioning rate for those 18-29 has slowed over the past year for most debt types with one glaring exception: student loans.

We've also seen rising delinquency in states that had red-hot housing markets and have since cooled (like AZ, FL, and TX). This makes sense, especially with some portion of recent homebuyers likely underwater.

Despite those massive red flags, the total share of household debt that's 90+ days late stands at just 3.12%, which is lower than in Q4 2019. That's entirely due to low (albeit rising) delinquency rates on mortgages and home equity line of credits.

Big picture, this data has me a little worried about consumers, especially those at the lower end of the income distribution.

Tariffs Cost Average Household \$1,000 in 2025

This Tax Foundation analysis estimates that tariffs implemented in 2025 amounted to an average tax increase of \$1,000 per U.S. household in 2025. This represents the "largest US tax increase as a percent of GDP (0.54 percent for 2026) since 1993." That's obviously not helping the household debt problems mentioned above.

U.S. Import and Export Price Indexes

U.S. import prices are flat over the past year, while U.S. export prices are up 3.1% over the past year. While it's possible (likely, even) that import prices

would have risen absent tariffs, the fact that import prices haven't fallen is a sign that foreign companies are not eating the cost of tariffs.

NFIB Small Business Optimism Index

Small business owner optimism fell slightly in January and remains quite a bit below the December 2024 cyclical peak. That said, small business owners are always happier with a Republican in the White House, and overall optimism levels remain relatively elevated.

Wednesday

BLS Jobs Report

U.S. employers added 130,000 jobs in January and the unemployment rate fell to 4.3%. While the January data was surprisingly upbeat, revisions to 2025's data were as bad as expected; we averaged an exceptionally disappointing 15,000 new jobs per month last year.

Again, you can read our longer thoughts on this release [here](#).

Mortgage Applications

Mortgage applications fell last week due to a large drop in purchase applications. I think it's safe to still chalk this up to the weather. Who wants to go house hunting with snow on the ground? Not me.

Thursday

Existing Home Sales

Sales of existing homes (i.e. not newly built) absolutely fell off a cliff in January. Again, given the weather this tells us little about longer-term market conditions.

Mortgage Rates

Mortgage rates ticked down slightly. The average 30-year fixed stands at 6.09%, about 0.8 percentage points lower than one year ago.

Jobless Claims

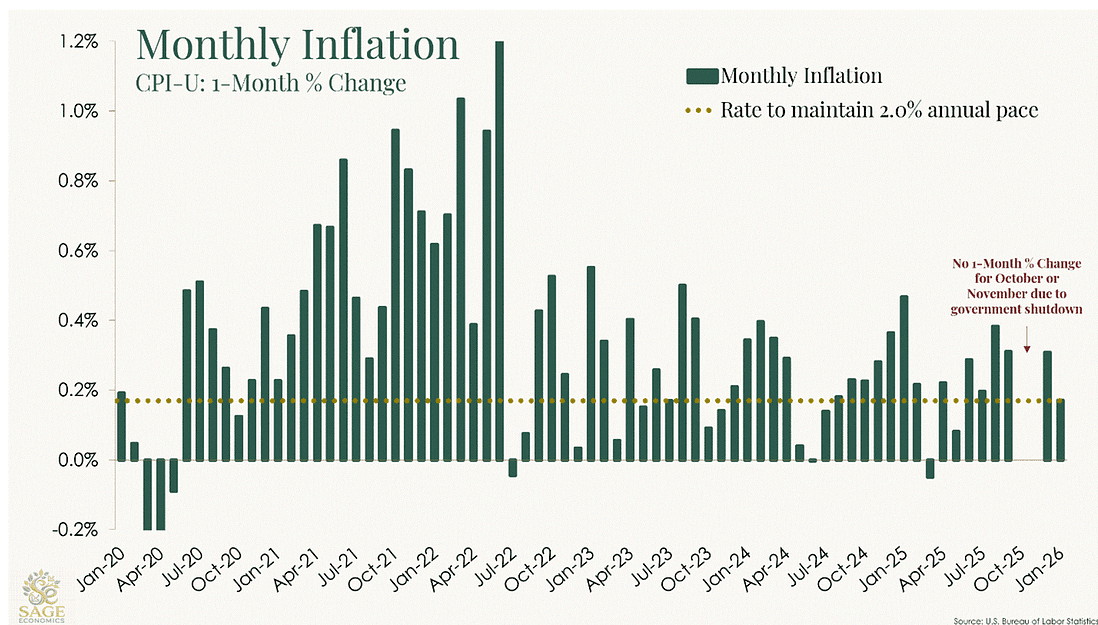
Initial jobless claims fell slightly during the week ending February 7 but are still a decent bit higher than a few weeks ago. This could very well still reflect weather effects, and I wouldn't read too much into it until we get another week of data.

We also saw a small rise in continued claims for unemployment insurance, but nothing to worry about for the time being.

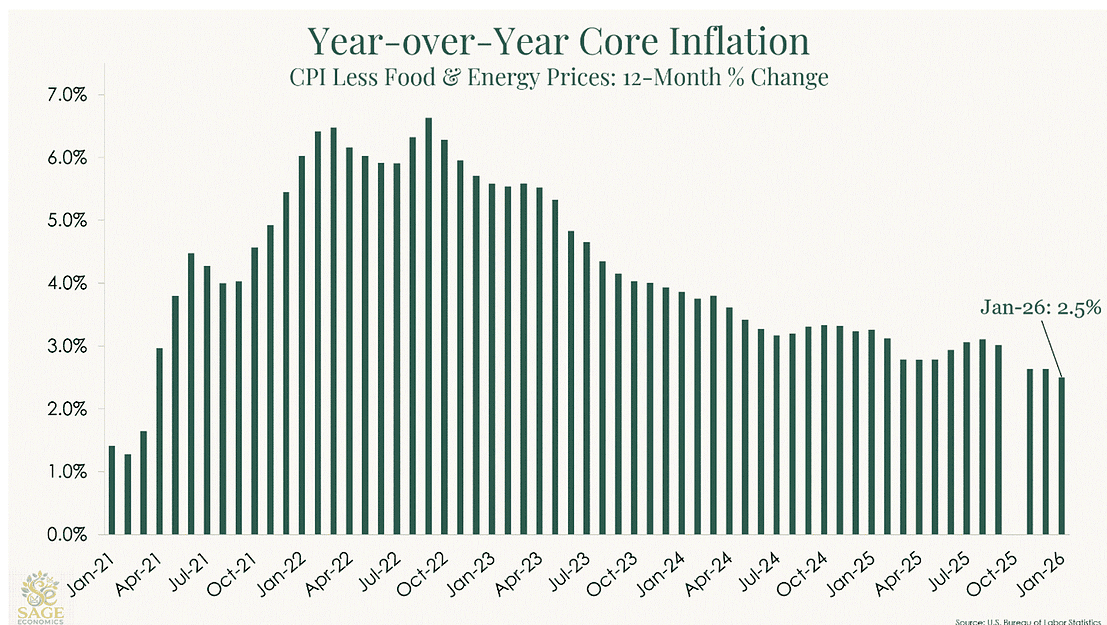
Friday

Consumer Price Index

Inflation came in a little cooler than expected in January, and consumer prices are now up just 2.4% year over year.



Core prices (exclude food and energy due to volatility) rose a little bit faster than overall prices in January but slowed to a 2.5% year-over-year pace. That's the slowest pace since 2021, before this whole inflation saga really kicked off.



Big picture, it looks like inflation, both core and overall, has settled at a pretty steady 2.5% annualized pace over the past several months. That's encouraging!

Even so, the Fed will likely hold rates steady due to the strong jobs report (I'm on record that record that rates should be lower, fwiw).

Final note: CPI is still a little janky because of the missing October data caused by the government shutdown. That may cause the data to show inflation picking up a little in the coming months, but that's not an issue if it's due to methodological and not real-work factors.

Links of the Week

AI and the Economics of the Human Touch ([Agglomerations](#))

The 11 Most Interesting Ideas I Read on Paternity Leave ([Derek Thompson](#))

Trends in US Construction Productivity ([Construction Physics](#))

Final Thoughts

After this week, my outlook for the economy is: *Better*

The debt data for Q4 2025 is worrisome, but unemployment appears stable and inflation has settled in to a not-terrible 2.5% annualized pace. We'll take it!

Is The K-Shape Fading?

Sage Economics

Wed, Feb 18, 2026

Is The K-Shape Fading?

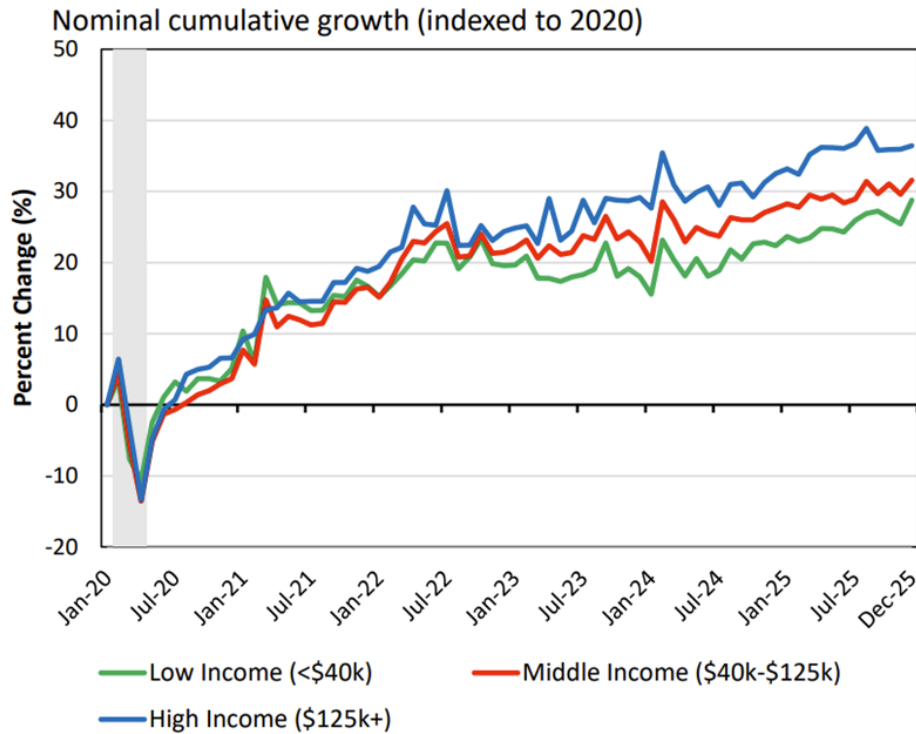
Signs that low income spending caught up in 2025



We've written [two previous posts](#) about the K-Shaped economy (the idea that things are getting better for higher-income households and worse for lower-income ones). [Recent data from the New York Fed](#), however, indicate that some aspects of the economy might have become less K-shaped in 2025.

This chart shows that spending growth among the lowest income consumers began to lag in mid-2022 and by 2024 was well below spending among higher income households. That's our K-shape: the blue line started rising, the green line started going down.

Retail Spending ex Auto by Income, Cumulative Growth (2020)

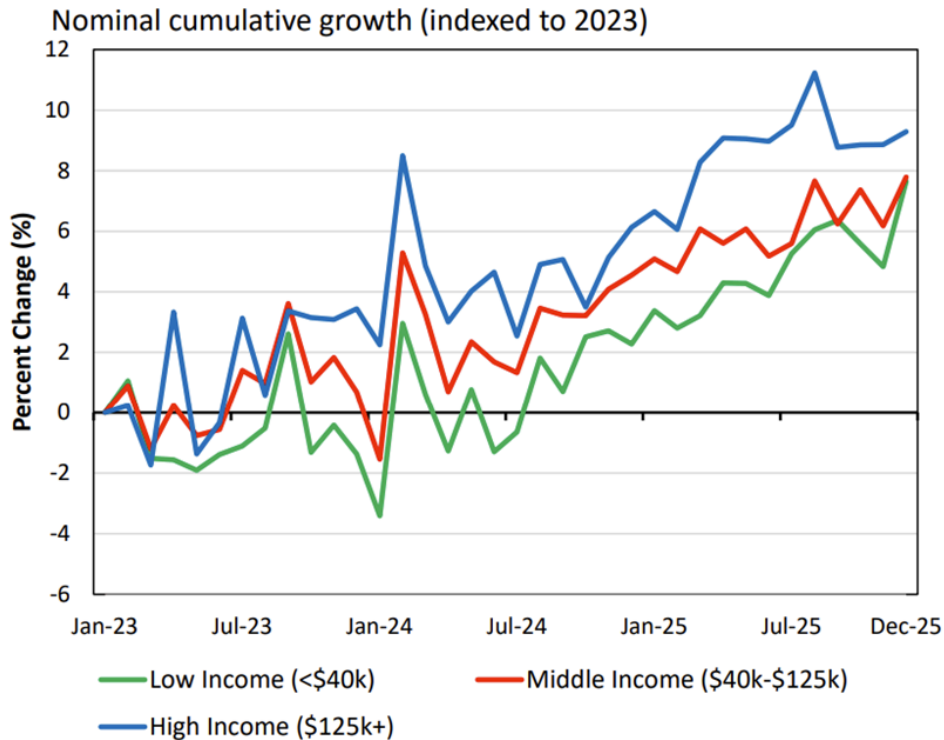


Sources: Numerator Consumer Spending Data, Consumer Price Index via Haver Analytics, and authors' calculations.

But our K-shape started to look less K-shaped during the second half of 2025. As you can see, the blue line is flat for most of the year, while the green line rose sharply.

The trend is particularly visible on the chart below, which shows cumulative spending growth since the start of 2023. Note that low-income household spending growth caught up to middle-income spending growth by December 2025.

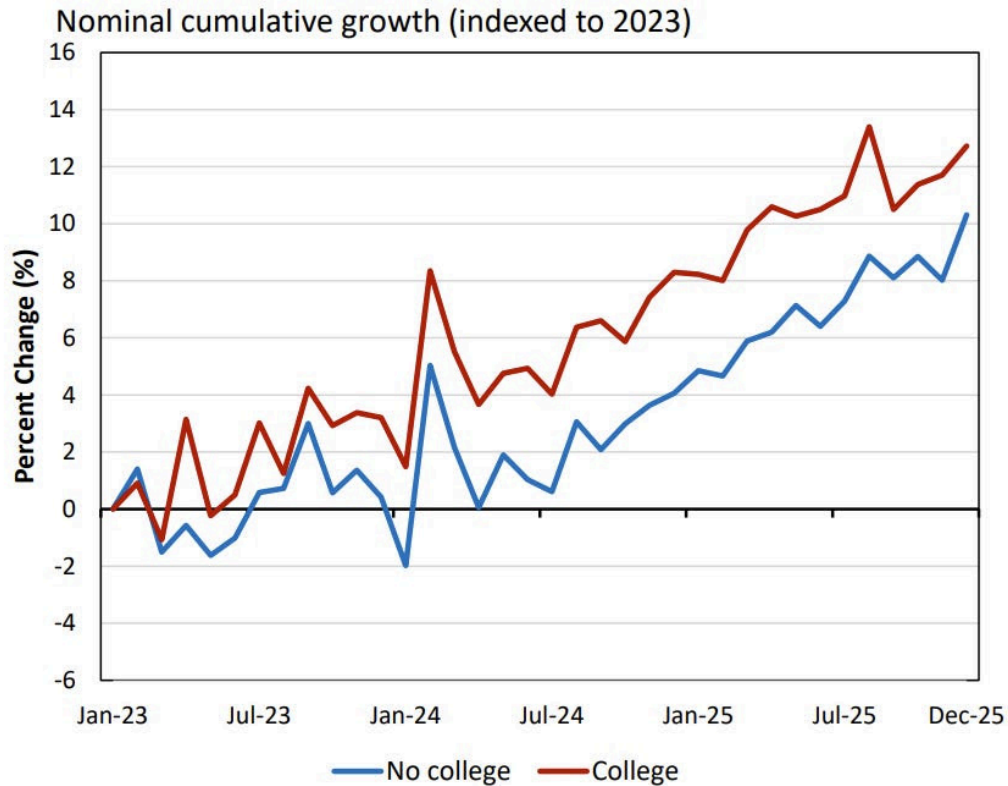
Retail Spending ex Auto by Income, Cumulative Growth (2023)



Sources: Numerator Consumer Spending Data, Consumer Price Index via Haver Analytics, and authors' calculations.

We see the same trend by education level. While college educated consumers have still spent more over the past two years, the gap narrowed over the course of 2025.

Retail Spending ex Auto by Education, Cumulative Growth



Sources: Numerator Consumer Spending Data, Consumer Price Index via Haver Analytics, and authors' calculations.

The Upshot

This is just one data source, but it shows that lower income household spending grew at a faster rate than high or middle income household spending in 2025.

Struck-Down-Tariffs Week in Review

Sage Economics

Fri, Feb 20, 2026

Struck-Down-Tariffs Week in Review

GDP growth, inflation, a SC tariff ruling, & more



The Supreme Court ruled this morning that “IEEPA does not authorize the President to impose tariffs,” which is exactly the kind of monumental news you like to see while scrambling to send out your newsletter.

While that’s the story of the week, we also got a deluge of economic data including updates on inflation, GDP growth, the trade deficit, home sales, and a lot more.

Monday

Presidents Day

43rd President George W. Bush is now [writing on Substack](#). The poor guy only has 3,600 subscribers, about 10,000 fewer than this humble economics newsletter. What can we say? Blogging isn’t for everyone.

Tuesday

NAHB Housing Market Index

Homebuilder confidence fell in February and remains pretty low by historical standards. Slightly more than one in three builders cut prices in February (36%, to be exact). While that's the lowest percentage since May, it still signals that home sellers are having a tough time finding buyers.

Oil Stuff

Gas prices increased for the fifth straight week but are still pretty low. Diesel prices also rose and are above \$3.70/gallon for the first time since early December.

Domestic oil production inched up last week and is even closer to the November 2025 all-time high. With crude oil prices rising over the past week, production is likely to hold up well, at least in the short term.

TSA Checkpoint Travel Numbers

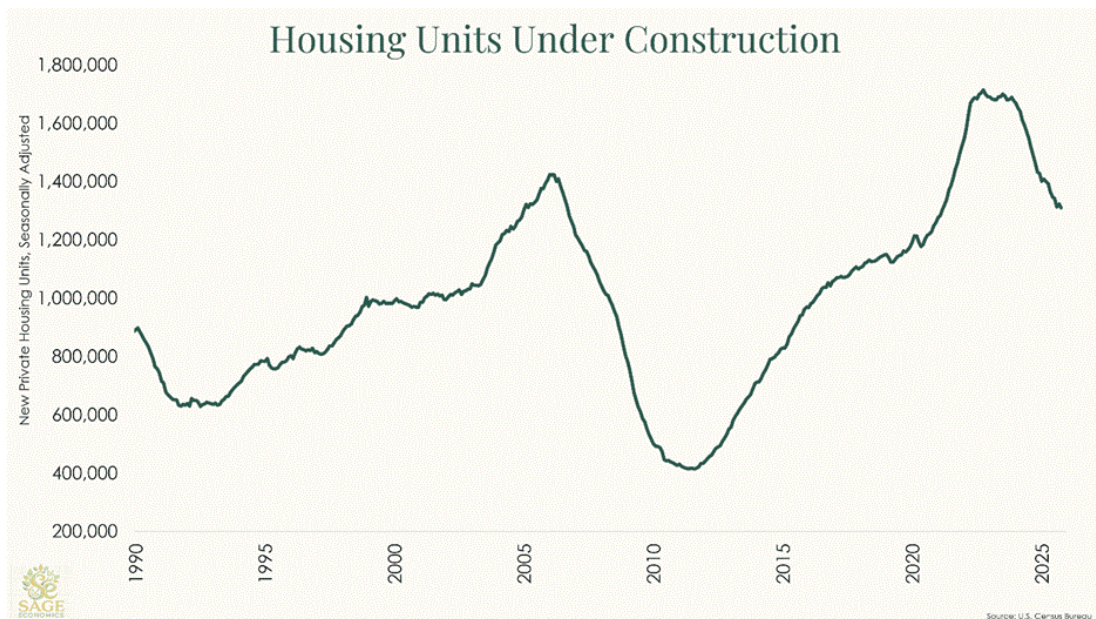
Air travel roared back this past week, according to TSA data, with nearly 7% more people flying than during the same week last year. This is a bullish sign.

Wednesday

New Residential Construction

Permitting for new housing units sped up in December, rising to the highest (seasonally adjusted) level since March. Despite the increase, permitting was still lower than it was in December 2024. Housing starts also picked up, but those too are down year over year.

Big picture, the housing boom of 2022 and 2023 continues to unwind. There will be another boom at some point in the future as America deals with its housing shortage and affordability issues in earnest, but we're not there yet.



Industrial Production

Industrial production (how much our manufacturing, mining, and utilities segments produce) increased by a healthy 0.7% in January and is up 2.3% year over year. Industrial production is one of the six indicators the NBER uses to diagnose a recession, so it's encouraging to see it up (even if only modestly) over the past year.

Durable Goods Orders

Orders for new durable goods (things that typically last at least 3 years) were 7.8% higher in 2025 than in 2024. That's largely due to more orders of aircrafts; excluding transportation equipment, new orders increased 2.8% in 2025. That's a perfectly acceptable, if unspectacular, rate of growth.

Fed Meeting Minutes

The Fed released the minutes from their January meeting (they held rates steady). Best not to read too deeply into these, but this line stands out:

“Several participants indicated that they would have supported a two-sided description of the Committee’s future interest rate decisions, reflecting the possibility that upward adjustments to the target range for the federal funds rate could be appropriate if inflation remains at above-target levels.”

Are rate increases likely? No, but the Fed wants us to know that they're not entirely off the table.

Mortgage Applications

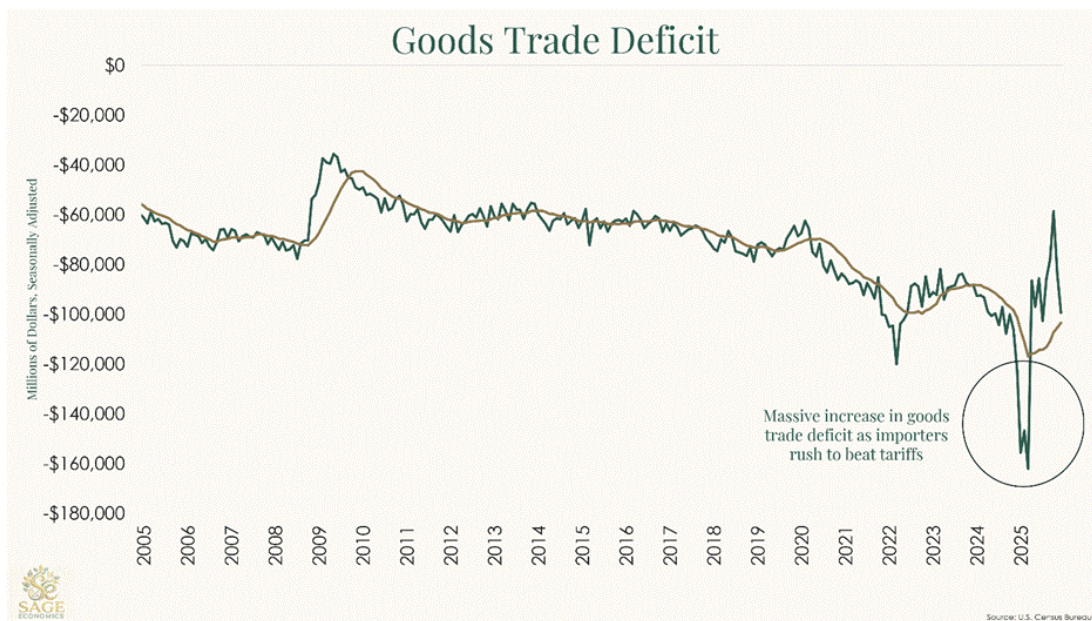
Mortgage applications edged higher this past week, but there's still a ways to go here.

Thursday

The Trade Deficit

The trade deficit surged 33% higher in December as exports fell 2% and imports increased 4%. The total trade deficit shrank 0.2% in 2025, but the trade deficit in goods—the only thing directly affected by tariffs—actually grew, increasing 2.1% for the year.

It was a weird year in goods trade, though, with a massive front loading in early 2025 as importers raced to beat tariffs.



The big takeaway is that, despite tariffs, U.S. goods imports are still growing faster than goods exports. Given today's Supreme Court's decision, we might see an even larger trade deficit this year as imports become more affordable, at least temporarily.

Pending Home Sales

Pending home sales, which are supposed to show us what actual home sales will look like in a month or two, decreased in January and are down 0.4% year over year. As the release says, “Improving affordability conditions have yet to induce more buying activity.”

Mortgage Rates

Mortgage rates fell sharply last week and, with the average 30-year fixed at 6.01%, are at the lowest level since September 2022. We’re now at the precipice of sub-6% rates, which could be a psychological catalyst for the market.

Jobless Claims

Initial jobless claims fell back to a perfectly low 206,000. This confirms that the prior two weeks were indeed bolstered by winter weather. We saw another small rise in continued claims for unemployment insurance, but nothing to worry about for the time being.

The upshot: no matter where you look, you won’t find signs of rising layoff activity.

Friday

Supreme Court Rules Against IEEPA Tariffs

The Supreme Court ruled that “IEEPA does not authorize the President to impose tariffs.” Gorsuch, Barrett, and Roberts joined the three liberal justices in a 6-3 decision.

We’ll write more about this next week, but a few scattered thoughts:

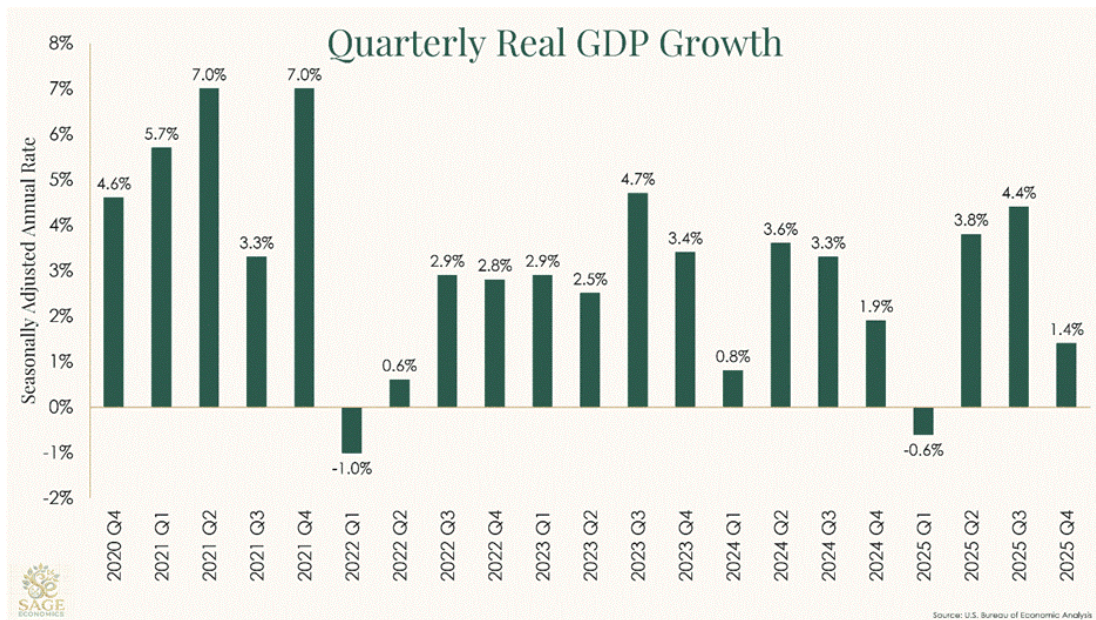
1. IEEPA tariffs represent about 70% of the tariffs implemented in 2025.
2. The White House surely has plans to replace these tariffs through other means. Expect more legal challenges and uncertainty.
3. This likely invalidates any “trade deals” reached using IEEPA tariffs.
4. This ruling didn’t address refunds to businesses, so that remains up in the air.
5. The Budget Lab has a lightning fast analysis that finds: “Current Tariff Rate: Without IEEPA tariffs, consumers will face an overall average

effective tariff rate of 9.1%, which remains the highest since 1946 excluding 2025. (If IEEPA tariffs had been allowed to stay in effect, this figure would have been 16.9%.)"

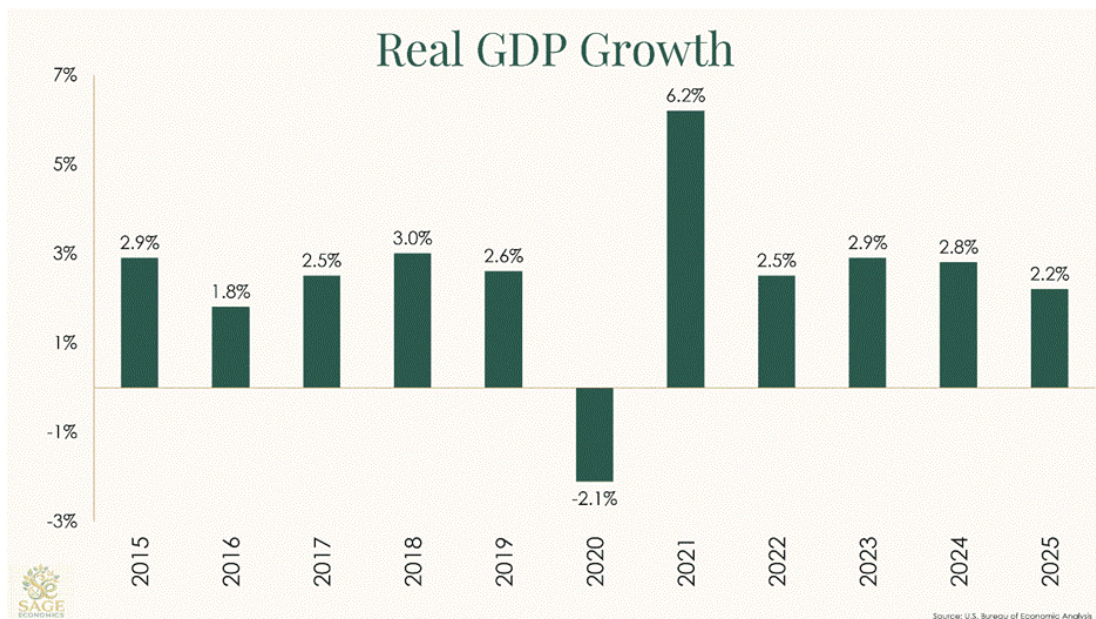
6. Bold of the Supreme Court to drop this ruling a few days before the State of the Union, when they'll have to sit about ten feet from the President for an hour+ speech.

GDP Growth

Real GDP expanded at a 1.4% annualized rate in the fourth quarter after expanding at a 4.4% rate in the third quarter.



Total 2025 GDP growth came in at 2.2%. That's the slowest annual growth since 2020 (and 2016 before that).

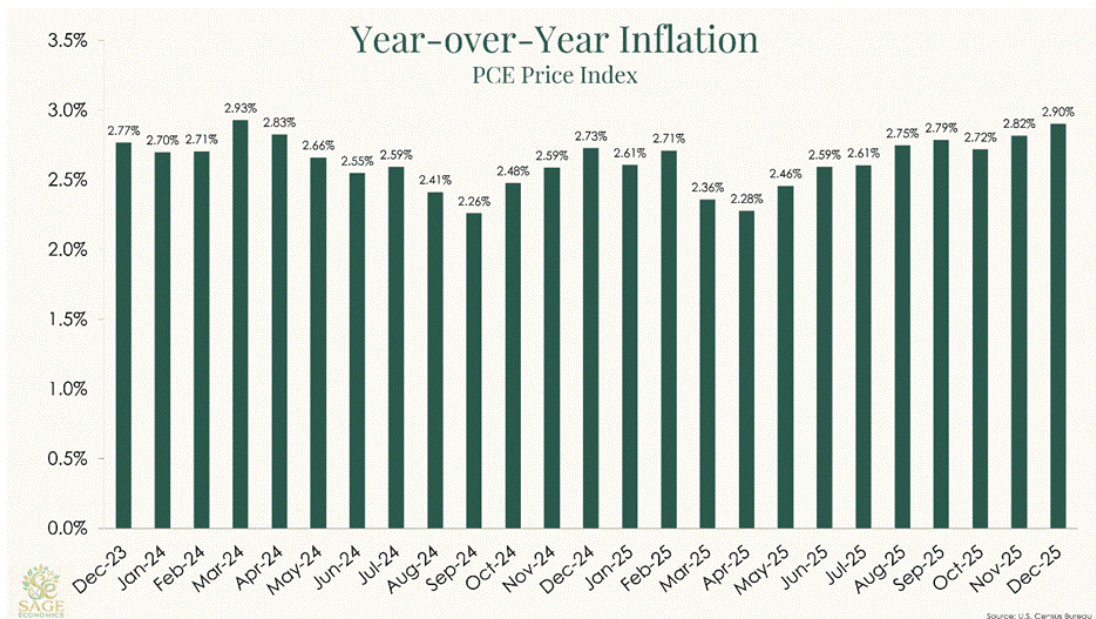


For the year, growth was driven by consumer spending and business investment in equipment and IP. Investment in structures—nonresidential and especially residential—dragged on growth, as did nondefense spending by the federal government.

The upshot: the economy is growing, but the rate of that growth slowed in 2025. Moreover, this has become a jobless expansion.

PCE Price Index (Inflation)

The Fed's preferred measure of inflation increased 0.4% in December and was up 2.9% year over year. That's the fastest annual inflation since March 2023. Not great!



Core prices also increased 0.4% for the month and are now up 3.0% year over year. The faster-than-expected monthly increase was driven by a huge 0.5% increase in durable goods prices.

The monumental takeaway here is that the Fed isn't going to rush to cut rates, at least not until inflation slows. A new Fed Chairman won't make much of a difference in the near-term.

Spending, Saving, & Income

Personal income increased 0.3% in December, with the wage and salary component of that slowing to 0.2% growth (the slowest since June). That's slower than monthly inflation, so real personal income actual declined in December.

Spending increased at a faster rate, rising 0.4% for the month, although it was unchanged in inflation adjusted terms.

Because spending rose faster than income, the savings rate fell to 3.6%, the lowest level since October 2022.

New Home Sales

Sales of newly built homes slowed slightly in December but are up about 4% year over year and, over the past two months, have run faster than at any point since the 2022 boom.

Links of the Week

Record Low Crime Rates Are Real, Not Just Reporting Bias Or Improved Medical Care ([Astral Codex Ten](#))

The Obscure Media Theory That Explains '99% of Everything' ([Derek Thompson](#))

You are no longer the smartest type of thing on Earth ([Noahpinion](#))

Final Thoughts

After this week, Anirban's outlook for the economy is: *Improved*

I don't love tariffs. Most economists trained after WWII don't. Mind you, I think government revenue is a good thing, all else equal. So is diversification of the economy through reindustrialization and fair trade. But sizable taxes on U.S. importers are not the best way to get there, in my humble estimation. Today's Supreme Court decision is disinflationary and could ultimately produce an environment in which the Federal Reserve is more likely to further cut borrowing costs. That would be great.

After this week, Zack's outlook for the economy is: *Better*

Unemployment is low, the economy is growing, and the court struck down IEEPA tariffs. What's not to like (other than, you know, inflation)?

Sci-fi Week in Review

Sage Economics

Fri, Feb 27, 2026

Sci-fi Week in Review

Inflation, construction spending, & a lot more



On Sunday, Citrini Research published a [science fiction story envisioning an economy ravaged by AI in 2028](#). It went viral, so viral that it was cited as a cause of Monday's sizeable market dip.

This is fun speculative fiction, but it's just that: fiction. This [Citadel Securities note](#) nicely outlines many of my objections to the Citrini piece.

Improbably, that wasn't this week's most important economic connection to science fiction; a tussle between the Pentagon and Anthropic evokes Skynet, the apocalyptic AI featured in the Terminator movies (more on this under Thursday).

This week's biggest nonfiction story is that average mortgage rates dipped below 6.0% for the first time since 2022. Read on for updates on that, consumer confidence, construction spending, inflation, and a lot more.

Monday

Companies Sue for Tariff Refunds

FedEx filed a lawsuit against the Trump administration and is seeking a full refund of the IEEPA tariffs it paid over the past year (the Supreme Court ruled those tariffs illegal last Friday), joining thousands of other companies who had already initiated lawsuits with the U.S. Court of International Trade. Notably, FedEx has vowed to pass any refunds on to its customers.

The White House has signaled that it will fight to keep the \$133 billion in illegally collected revenue.

Oil Stuff

Gas prices typically rise from early March to early June as refineries switch to the more expensive summer-blend, so it's no surprise that gas prices inched higher for the sixth straight week. At \$3.07/gallon, it's still pretty cheap, though.

Diesel prices also rose and are above \$3.80/gallon for the first time since November.

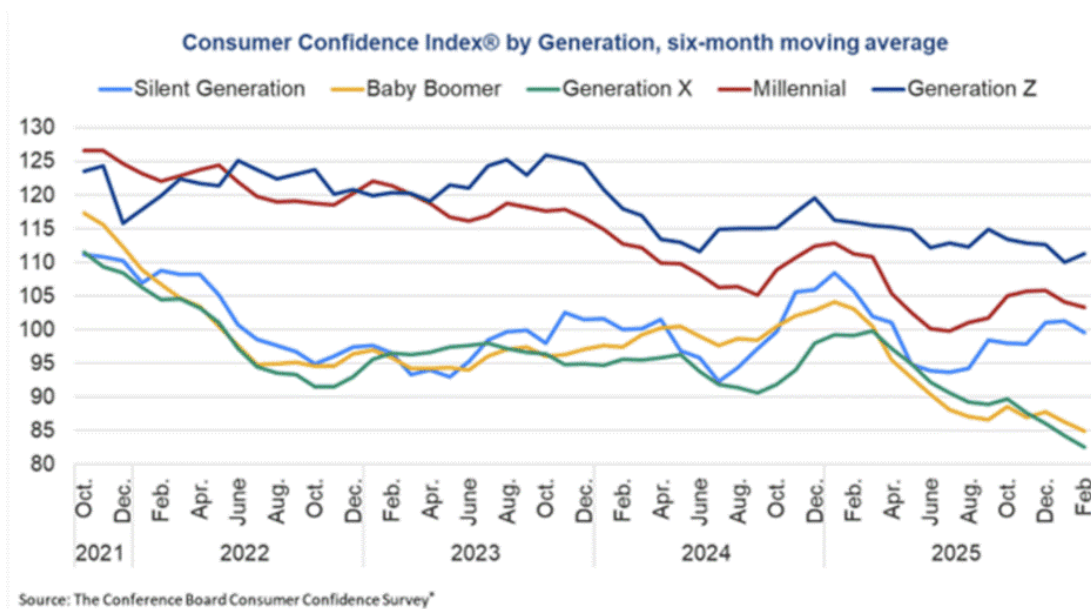
TSA Checkpoint Travel Numbers

Another squall of winter weather suppressed air traffic, according to TSA data, but fundamentals here look good, with far more people flying than during early 2025 (weather permitting).

Tuesday

Conference Board Consumer Confidence Index

Consumer confidence improved slightly in February but is still down substantially from the November 2024 cyclical peak. Interestingly, Gen Z has the best sentiment over the past six months while Gen X has the worst.



S&P Cotality Case-Shiller Home Price Indices

Home prices fell slightly in December and, on a national basis, are down nearly 0.5 over the past three months. Given how slow home sales are at the moment, I'm all for anything that improves affordability.

Wednesday

Mortgage Applications

Mortgage applications increased slightly last week but are up considerably from a year ago. Given how much mortgage rates have fallen over the past 12 months, that's not surprising. I expect the weekly increase would have been larger if not for winter weather.

Thursday

Mortgage Rates

Mortgage rates fell below 6.0% for the first time since 2022, with the average 30-year fixed at 5.98%. Hopefully this, plus falling home prices, ignites the housing market.

Jobless Claims

Initial jobless claims inched up to a perfectly low 212,000, and continued claims for unemployment insurance remain below year ago levels. This remains the most encouraging indicator.

Friday

Pentagon Comes for Claude's Guardrails

On Tuesday, Defense Secretary Pete Hesgeth requested that Anthropic loosen the safety standards in its AI model, allegedly to allow for automated weapons targeting and mass domestic surveillance.

And “request” is probably not the right word, because the Pentagon reportedly threatened to either cancel Anthropic’s \$200 million contract and label them a “supply chain risk,” which would have significant implications for the business, or use the Defense Production Act to force Anthropic to change its model.

On Thursday, Anthropic CEO Dario Amodei released a statement confirming that they won’t accede to the Pentagon’s demands.

How the pentagon responds will have significant implications for AI safety (paging Sarah Connor) as well as for how involved the Federal Government will be in U.S. businesses.

Producer Price Index

Final demand prices charged by U.S. producers (i.e. stuff sold for its end use, not inputs) increased 0.5% in January and are up 2.9% year over year. Prices received for inputs were flat for the second straight month and are up 2.6% year over year.

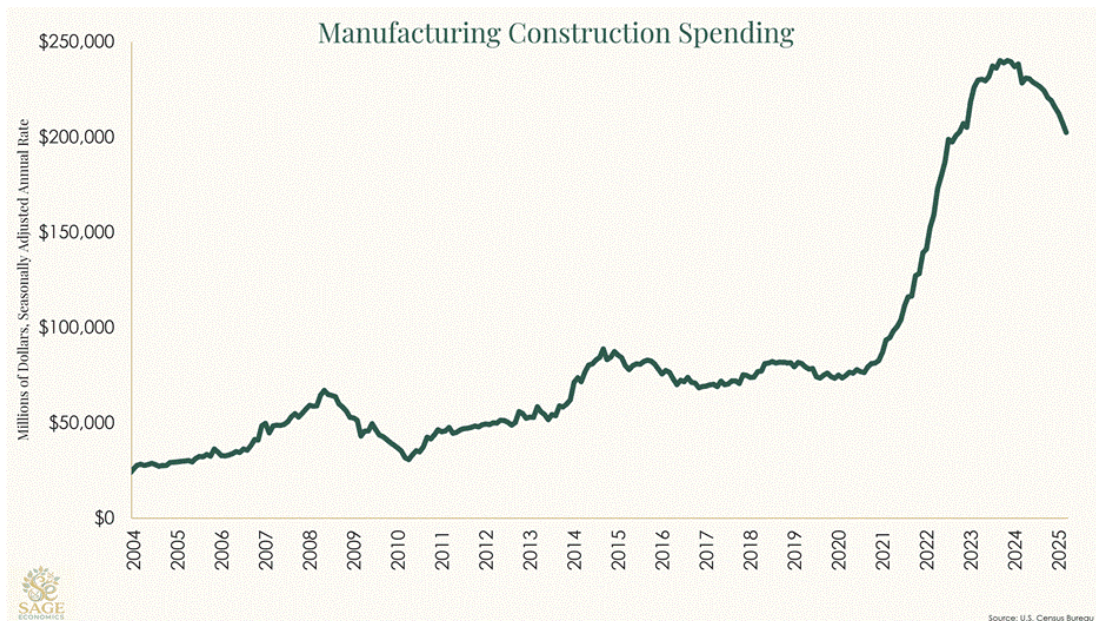
What do we take from this? Not much. It’s another sign that inflation is running at a mid-to-high-2% year-over-year pace, but this is a less important measure than the Consumer Price Index and PCE Price Index.

Construction Spending

Construction spending increased in December, but that was entirely due to a chunky rise in residential spending.

Nonresidential spending fell for the month, and private nonresidential activity is now down 1.8% year over year. The manufacturing construction boom continues to unwind (spending in the segment is down 16% from the August

2024 peak), and that's the biggest drag on nonresidential activity, but the majority of nonresidential categories shrank in December.



Links of the Week

Why AI Is 'Not Particularly Good' at Curing Disease ([Derek Thompson](#))

Does overwork make [AI] agents Marxist? ([Ghosts of Electricity](#))

The hard problem of AI therapy ([Whitmanic](#))

Final Thoughts

After this week, Zack's outlook for the economy is: *Better*

Initial claims remain low, and that's our most real-time economic indicator. I'm not reading too much into the construction spending data (not surprising that the industry was weak in December), and if lower rates stick around for a while, the housing market could get a much needed boost.