



Mini Week in Review

Sage Economics <basu@substack.com>

Thu, Jan 1, 2026

Mini Week in Review

Putting a bow on the last week of 2025



We sent out 115 posts totaling approximately 80,000 words in 2025. That's a novel's worth of economics coverage. Thanks for sticking with us, and more to come in a hopefully-calmer 2026.

2025 ended with a mercifully quiet week on the economic data front. Because this Review is so short, we're making it free for all subscribers.

Monday

Pending Home Sales

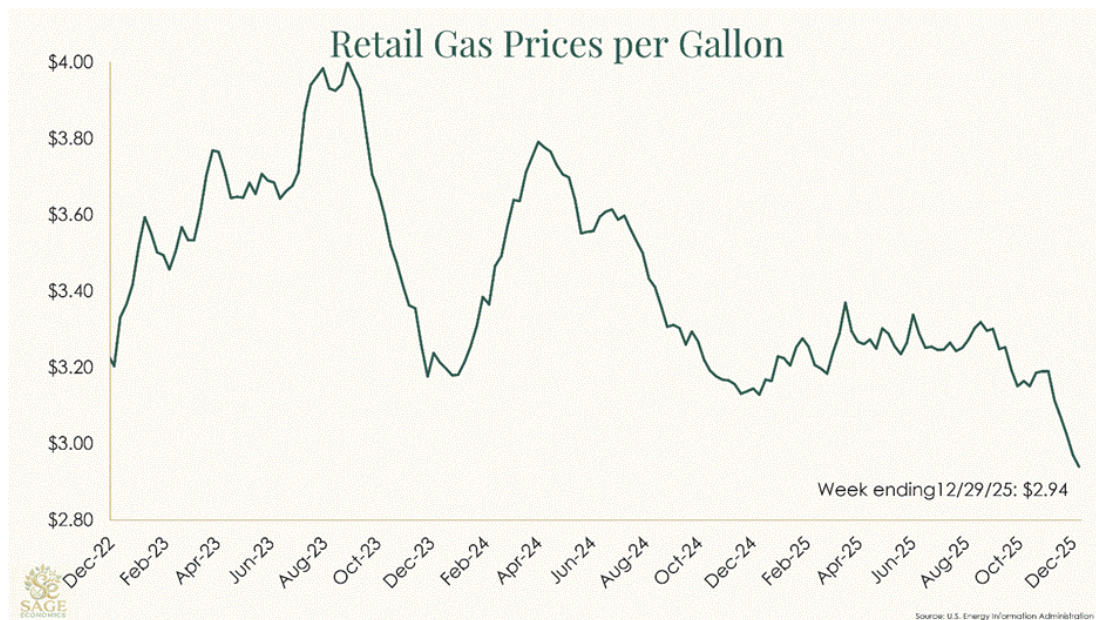
November was the best month of 2025 (when seasonally adjusted) for pending home sales, which hint at what actual home sales will look like a month or two down the road. Like we said in our 2026 outlook: homebuying conditions will be much improved this year.

TSA Checkpoint Travel Numbers

About 921 million people went through a TSA checkpoint in 2025, 0.5% more than in 2024. All things considered, not bad.

Oil Stuff

Gas prices fell to an average of \$2.94/gallon during the last week of the year. This is cheap and should give consumers a little boost heading into the new year.

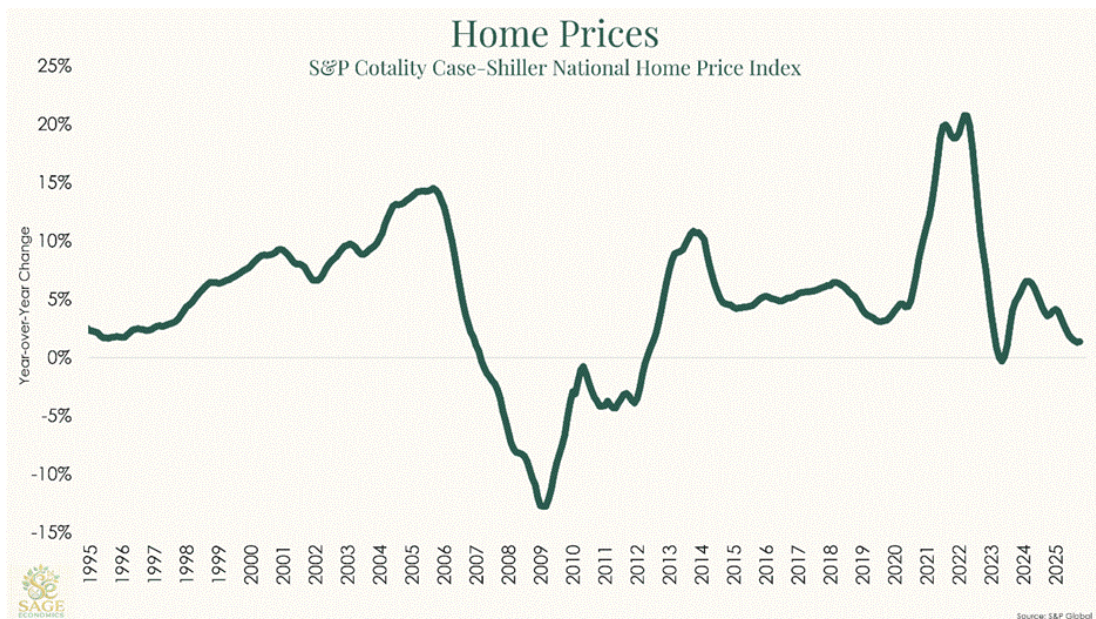


Diesel prices also fell this week and despite trending lower over the past several weeks are exactly the same as one year ago.

Tuesday

S&P Case-Shiller Home Price Index

Home prices rose just 1.36% from October 2024 to October 2025. That's the smallest year-over-year increase in more than two years. With inventory levels at their highest since 2019 and rising, housing price growth should remain tame over the next few quarters. Many regions have experienced recent declines in home sales prices.



FOMC Minutes

The Fed's members are deeply split on the timing of future cuts, according to minutes from their December meeting. This isn't terribly surprising, especially given the state of economic data—delayed and caveated—coming out of the federal government shutdown. The upshot is that there's a lot of uncertainty surrounding interest rate. Zack expects 3-4 cuts in 2026, while Anirban is sticking with the bond market (2 cuts).

Wednesday

Mortgage Rates

Mortgage rates fell during the last week of the year, with the average 30-year fixed down to 6.15%. That's the lowest level since October 2024. There's reason to think that 6% is a psychological threshold, below which would-be buyers become actual buyers.

Jobless Claims

Initial jobless claims fell to an extremely low 199,000 during the week ending 12/27. Continuing claims for unemployment insurance also remain low. While this series can be wonky during holiday weeks, one thing is clear—layoff activity remains low heading into the new year.

Thursday

New Year's Day

No data releases today. If you need something to read during college football commercials, there's always our [2026 Outlook](#).

Links of the Week

The 51 biggest American political moments of the 21st century ([Silver Bulletin](#))

Autism Hasn't Increased ([Marginal Revolution](#))

Ten things that are going right in America ([Noahpinion](#))

Final Thoughts

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

This year should be another year of growth, particularly in certain corporate segments. Artificial intelligence will continue to dominate the headlines, but instead of focusing on NVIDIA and data center developers, more attention will be paid to companies that are successfully generating productivity gains and expanded profitability by exploiting available use cases. Consumer behavior could meaningfully deteriorate as tariffs and immigration policy put upward pressure on costs and the labor market continues to generate very soft job growth.

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

There are a lot of reasons to worry about the economy in 2026 (some listed above), but layoffs are low, there are small signs of life from the housing market, and we'll get a nice boost from larger tax refunds during the first few months of the year. What can I say? I'm an optimist.



This Economy's Winners & Losers

Sage Economics <basu@substack.com>

Thu, Jan 8, 2026

This Economy's Winners & Losers

The K-shaped economy & the plight of job-seekers



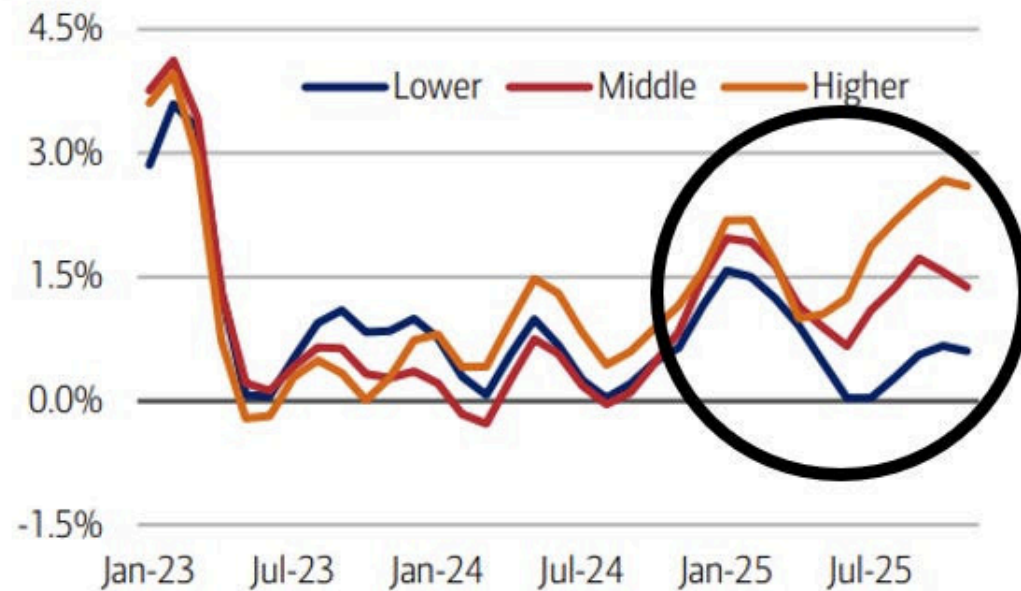
It's a great economy for higher income households and a terrible one for lower income households.

That's the prevailing narrative, anyway, and one widely deemed *The K-Shaped Economy*, a name derived from graphs like [this one from Bank of America](#) (we added the black circle).

Line goes up for higher income households, line goes down for lower income households.

Exhibit 4: Lower-income households' spending growth was 0.6% YoY in November, compared to 2.6% YoY for higher-income peers

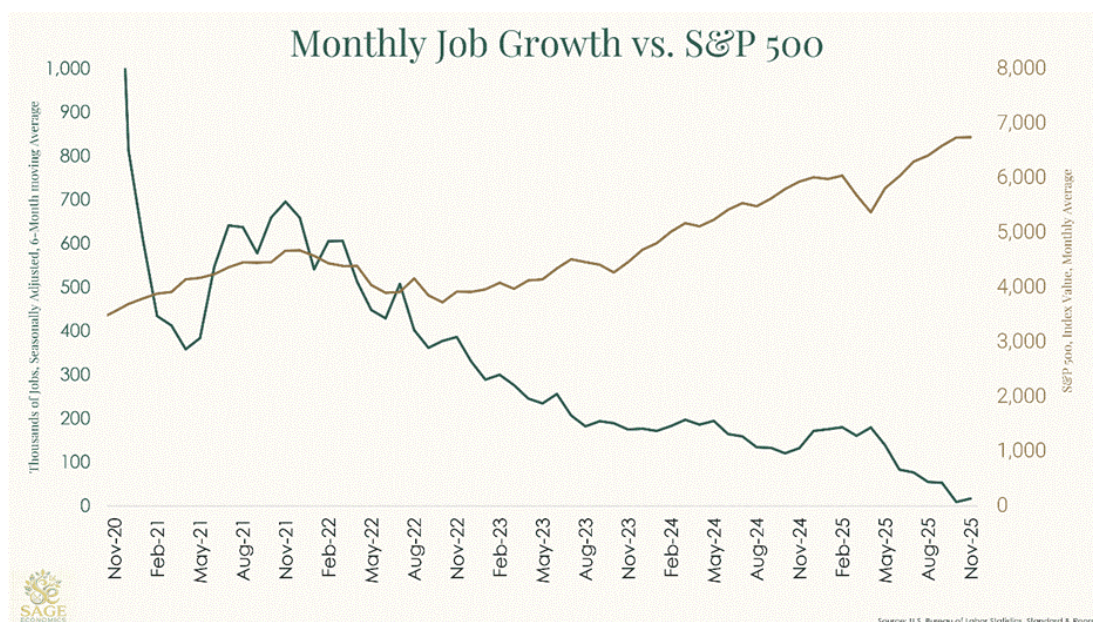
Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Another example: job growth slows, which hurts the masses, while stock prices soar, which helps the wealthy.



Talk of the K-Shaped Economy is everywhere. Media outlets like the [NYT](#), [Financial Times](#), [LA Times](#), [Business Insider](#), [Yahoo Finance](#), [Fox Business](#), [CNN](#), [Bloomberg](#), [NPR](#), [AP](#), and, well, you get it, have covered it.

Bloggers, from [Nobel Laureate Paul Krugman](#) to [Gen Zer Kyla Scanlon](#) and virtually everyone in between, have added their takes.

So why shouldn't we chime in too?

There's a Better Framing than the K-shaped Economy

The K-shaped story is, in many ways, undeniably true: inflation disproportionately harms lower income households, stratospheric stock prices disproportionately benefit higher income households, higher borrowing costs are harder on those who need to borrow more, etc. etc.

But there's another way to frame who this economy is helping and who it's hurting: **it's a great time to have a job and a horrible time to need one.**

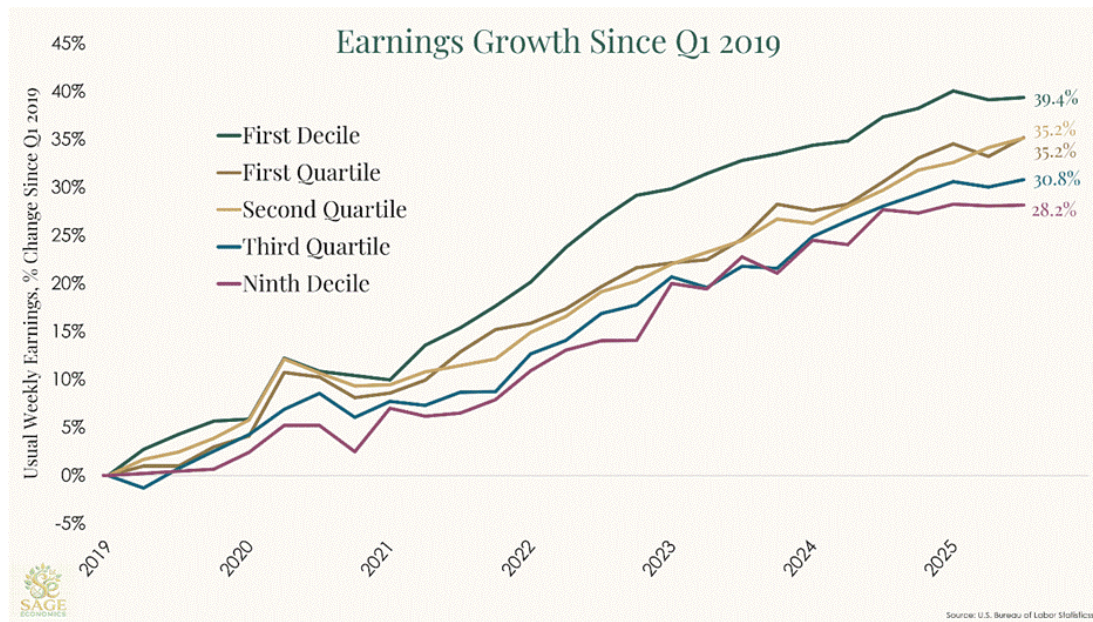
And that's because businesses just aren't hiring. 2025 was the worst year for hiring since 2012. To give that some context, 12 million fewer people were hired during the first 11 months of the year than during the same period of 2022.



So it's extraordinarily difficult to find a job. That usually means people are getting laid off en masse, but that's not the case right now. Fewer people

were fired in 2025 than in any year between at least 2001 and 2020 (just comparing the first 11 months of each year).

At the same time, wages have grown at a much faster pace at the bottom of the income distribution over the past several years (BLS doesn't have data for the fourth quartile).



So low earners are unusually unlikely to be laid off and have seen relatively rapid earnings growth. That doesn't change the fact that they're struggling under the weight of some very real K-shaped dynamics, but the biggest victims of current economic dynamics are those who need a job—largely, but not exclusively, young adults.



Dismal Job Growth, Decent Jobs Report

Sage Economics <basu@substack.com>

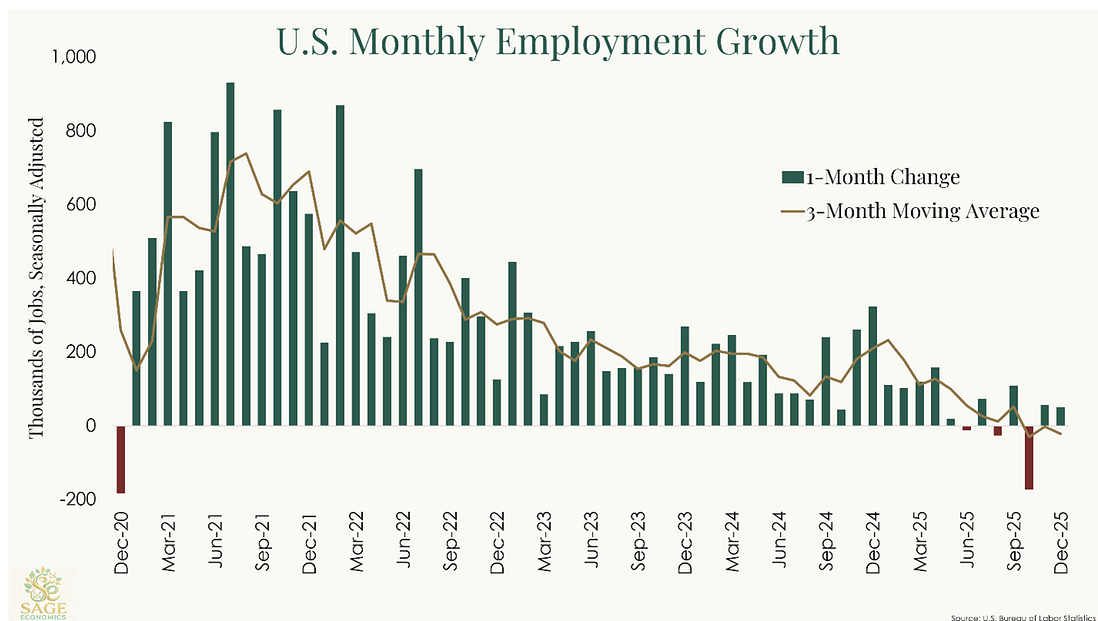
Fri, Jan 9, 2026

Dismal Job Growth, Decent Jobs Report

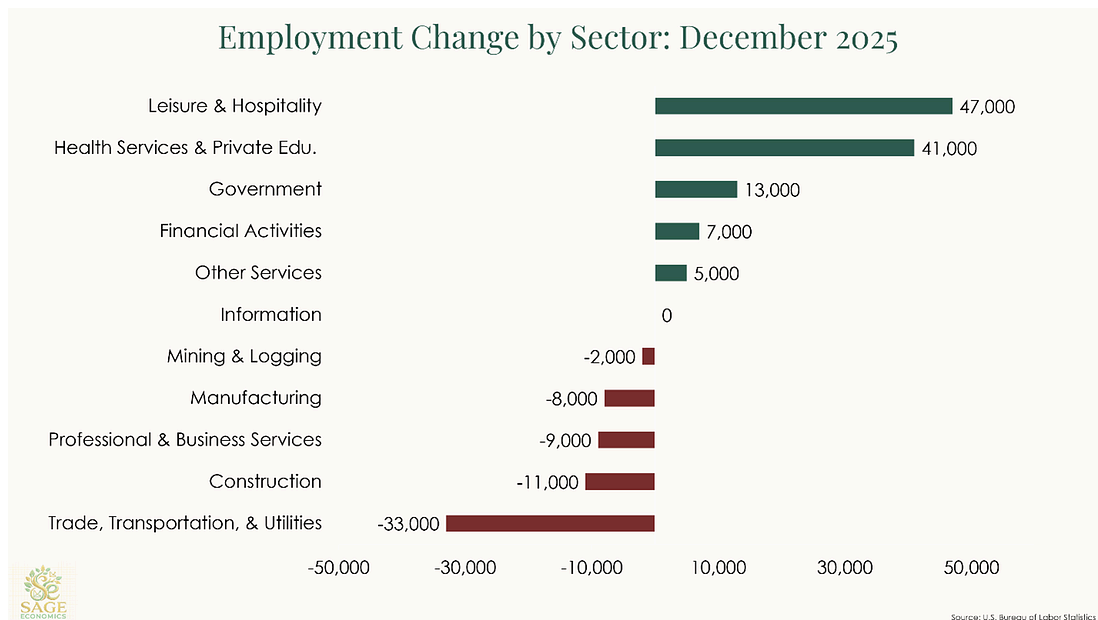
Stable unemployment the best we can hope for given stagnant workforce



Today's jobs report is disappointing at a glance. U.S. employers added just 50,000 jobs in December, and employment actually declined by 67,000 jobs during 2025's fourth quarter.

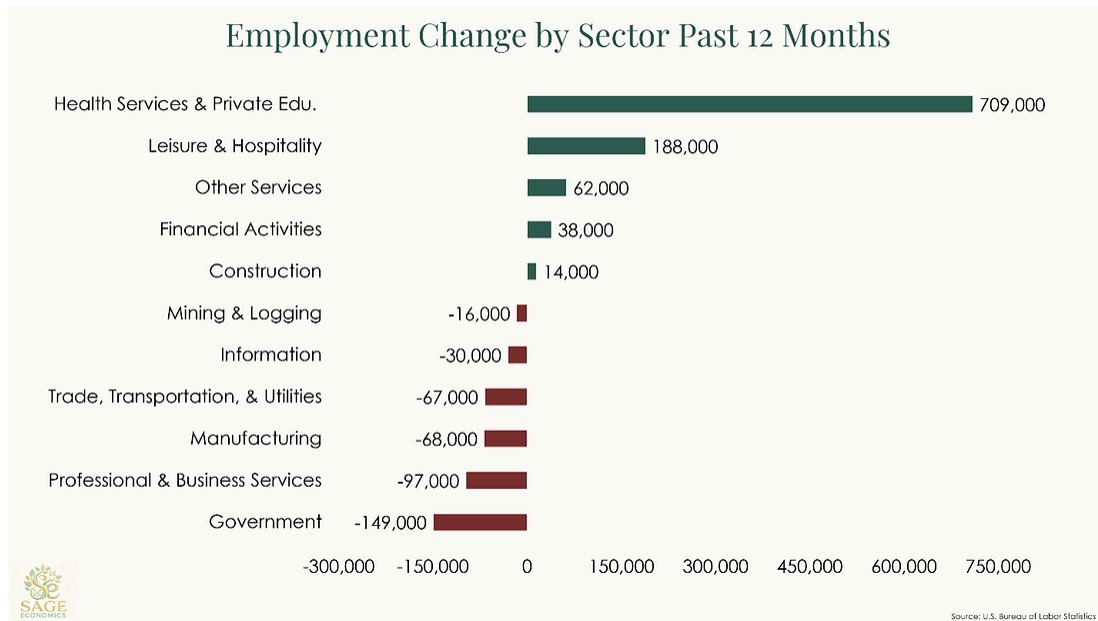


Industry dynamics remained pretty much unchanged in December, with momentum confined to healthcare, private education, and leisure and hospitality. Half of the major industry sectors lost jobs for the month, and it was a particularly difficult month for construction and trade, transportation, and utilities.



No way around it, tariffs are crushing domestic manufacturing, which lost jobs for the 8th straight month in December. Industry employment has declined by 68,000 over the past year.

Overall, 2025 was a dismal year for employment growth, as you can see below, and the economy would have lost jobs were it not for the scorching hot and utterly noncyclical healthcare sector.



Even so, this was a decent-enough jobs report. The unemployment rate fell to 4.4% (technically 4.38%), the lowest since August, and the prime age (25-54) employment-to-population ratio rebounded to 80.7%, while the prime age labor force participation rate remained near the cyclical high.

Given immigration policy and demographic dynamics, the workforce is not growing. As a result, we need to add very few jobs to keep unemployment stable.

The Upshot

We're not adding jobs, but prime age employment and workforce participation are relatively high and stable. It's not the economy I want, and there will be downstream problems, particularly for anyone who needs a job, but stable unemployment and anemic job growth is the best we can hope with a stagnant workforce.



Mortgage Backed Week in Review

Sage Economics <basu@substack.com>

Fri, Jan 9, 2026

Mortgage Backed Week in Review

Jobs, housing, oil, & more



The Bernie Sanders to President Trump policy pipeline is alive and well; the President indicated a desire to ban institutional investors buying additional single-family homes and defense contractor dividends and stock buy backs (as well as executive pay caps).

Those weren't even close to the most important economic policy announcements to come out of the White House during a week that was already loaded with economic data releases, including on jobs, manufacturing, consumer sentiment, residential construction, and a lot more.

If you missed it earlier, be sure to check out our [longer post on today's jobs report](#) (free for all subscribers).

Monday

ISM Manufacturing PMI

The manufacturing industry continues to suffer, contracting for a 10th consecutive month in December and at a faster pace than in November, according to this survey of industry managers. Comments from respondents make it abundantly clear that tariffs are crushing the manufacturing segment by driving up costs and diminishing demand.

TSA Checkpoint Travel Numbers

It's a strong start to the year for air travel, according to TSA data, with volumes up nearly 3% during the first week of 2026.

Other critical segments had a less strong start to the year, including the Baltimore Ravens and their kicker Tyler Loop. Not to pile on, but c'mon man. My trash talking days are over. To Ravens management: please hire Brian Flores as head coach and Mike McDaniel as offensive coordinator. Many thanks and Happy New Year, Anirban.

Tuesday

Oil Stuff

Gas prices continued to slide and are down to an average of \$2.94/gallon. Developments in Venezuela have put downward pressure on oil prices, which is good news for drivers, but domestic oil producers have to be fuming (about lower oil prices, not opportunities in Venezuela). If crude prices go much lower than they already are, we'll likely see declines in domestic production which, for the time being, continues at record-setting pace.

This dynamic—the president wants low oil prices, domestic producers want the exact opposite—will be an interesting one to follow going forward.

Diesel prices also fell and are below \$3.50/gallon for the first time since June. Lower fuel prices serve as a stimulus to consumption and are another reason to believe that the first half of 2026 will be economically solid overall.

Wednesday

Job Opening & Labor Turnover Survey (JOLTS)

The number of open, unfilled jobs fell sharply in November, a clear indication of weak demand for new workers. Hiring also fell from its already low levels,

while layoffs and quits remain unusually subdued. As we wrote yesterday, it's a decent time to have a job and a terrible time to need one (unless you work in healthcare).

ADP Employment Report

Private employers added 41,000 net new jobs in December, according to data from ADP. As has been the case, that was entirely due to healthcare, private education, and leisure and hospitality, which collectively added 63,000 jobs.

This is less important than Friday's jobs report but is more of what we've been seeing: a weak labor market with strong healthcare and hospitality hiring.

ISM Services PMI

The services sector kept growing in December, according to this survey of industry managers, and at a faster pace than it did in November. Recent developments (like tariffs) have accelerated the trend, it's been a good time for the services side of the economy and a dreadful one for the goods-producing one.

Mortgage Applications

Mortgage applications decreased pretty sharply over the past two weeks but are still higher than one year ago. Here's hoping for a big uptick by the end of 2026.

Thursday

President Trump Orders Purchase of \$200B in Mortgage Backed Securities

President Trump announced on Truth Social that he's "instructing [his] representatives to BUY \$200 BILLION DOLLARS IN MORTGAGE BONDS" in an effort to bring down mortgage rates. On the one hand, this *will* put modest downward pressure on mortgage rates.

On the other hand, it wasn't so long ago that politicians, especially those on the right, called this exact kind of GSE balance sheet expansion a contributor to the 2008 housing market crash. This won't cause a similar crisis, but it's

certainly not the kind of housing intervention I'd choose (how about just bringing down inflation?).

U.S. Monthly Trade Deficit

The U.S. goods and services trade deficit shrank to its lowest level since 2008 in October. Exports increased 2.6%, while imports fell by 3.2%.

While this might seem like tariffs doing their thing—and tariffs probably contributed some—virtually the entire monthly change was caused by a sharp drop in imports from Ireland, and that's due to tax-related accounting effects associated with multinational profit shifting (Ireland is a corporate tax haven).

Mortgage Rates

Mortgage rates inched higher but, with the average 30-year fixed at 6.16%, are still at virtually their lowest level since 2024.

Jobless Claims

Initial jobless claims came in at a very low 208,000 during the week ending January 3rd. Data can be wonky during holiday weeks, but absolutely nothing to worry about with initial or continued claims for unemployment insurance. Employers aren't hiring many people, but they are still holding onto those they already have.

Friday

BLS Jobs Report

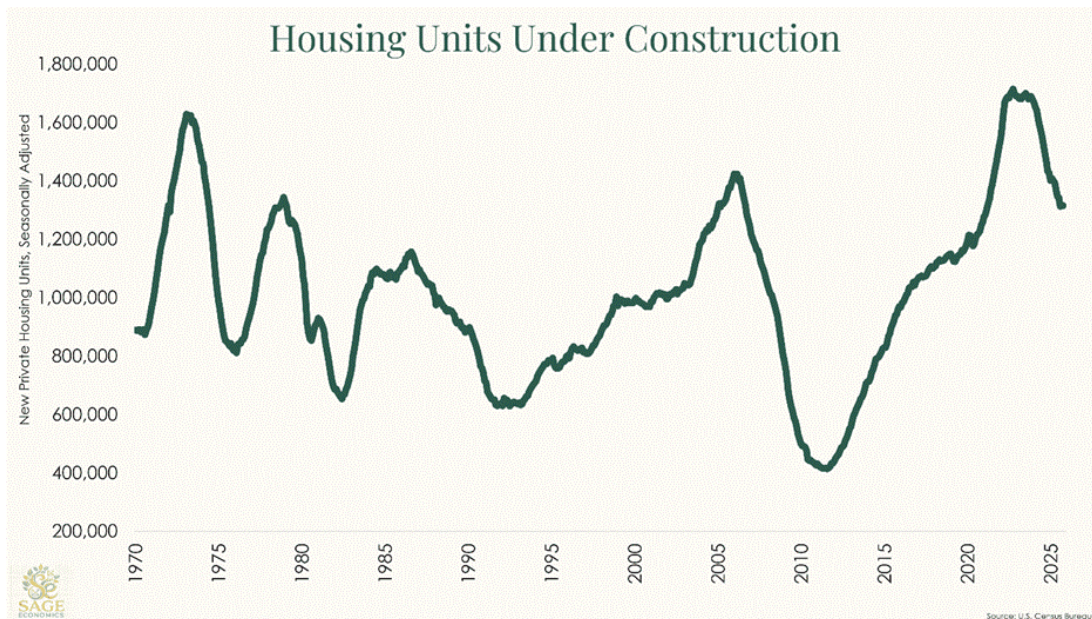
U.S. employers added 50,000 jobs in December and the unemployment rate ticked down to 4.4%. Job growth has been dismal, specifically in recent months but to a lesser extent throughout the entirety of 2025. Over the past six months, private job growth excluding healthcare has been negative.

You can read our [full post on the jobs report here](#).

New Residential Construction

This long-delayed data release pertains to October, so it's somewhat old news, but: permits to build new houses declined slightly in October. Single family permitting was down nearly 10% year over year. Housing starts also

declined, and the number of housing units under construction continued its inexorable downward march.



University of Michigan Consumer Sentiment

Consumer confidence inched up for the second straight month in January but is still down 25% over the past year. Interestingly, sentiment fell for the highest earners and improved among lower-income consumers. Lower gas prices may be a factor.

Links of the Week

How Did TVs Get So Cheap? ([Construction Physics](#))

America must embrace the Electric Age, or fall behind ([Noahpinion](#))

Burnout is breaking a sacred pact ([Useful Fictions](#))

Final Thoughts

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

With unemployment falling, tentative Fed members have another reason not to reduce interest rates this month. There are a number of interest rate sensitive sectors that are in or near recession, including construction and manufacturing. Higher rates for longer are in the offing. Inflation data may

improve as the shelter component's contribution eases, but there are many other categories that stand to become more expensive as the year proceeds, including imported goods and electricity.

Trump's Relentless Policymaking

Sage Economics <basu@substack.com>

Tue, Jan 13, 2026

Trump's Relentless Policymaking

Credit card rate caps, investigating the Fed, & more



Optimism that the White House's pace of economic policymaking would slow in 2026 has proved misplaced. Extraordinarily misplaced. Maybe the most misplaced that optimism has ever been.

During the first 12 days of 2026, the White House:

- Captured Venezuelan president Nicolás Maduro, leading to several oil-related policy announcements, including that revenues from the sale of Venezuelan oil would be stored in offshore accounts rather than with the U.S. Treasury.
- Announced a ban on institutional investors purchasing additional single-family homes.
- Banned defense contractor dividends and stock buybacks and capped defense contractor executive pay.
- Ordered the government to purchase \$200 billion in mortgage-backed securities.

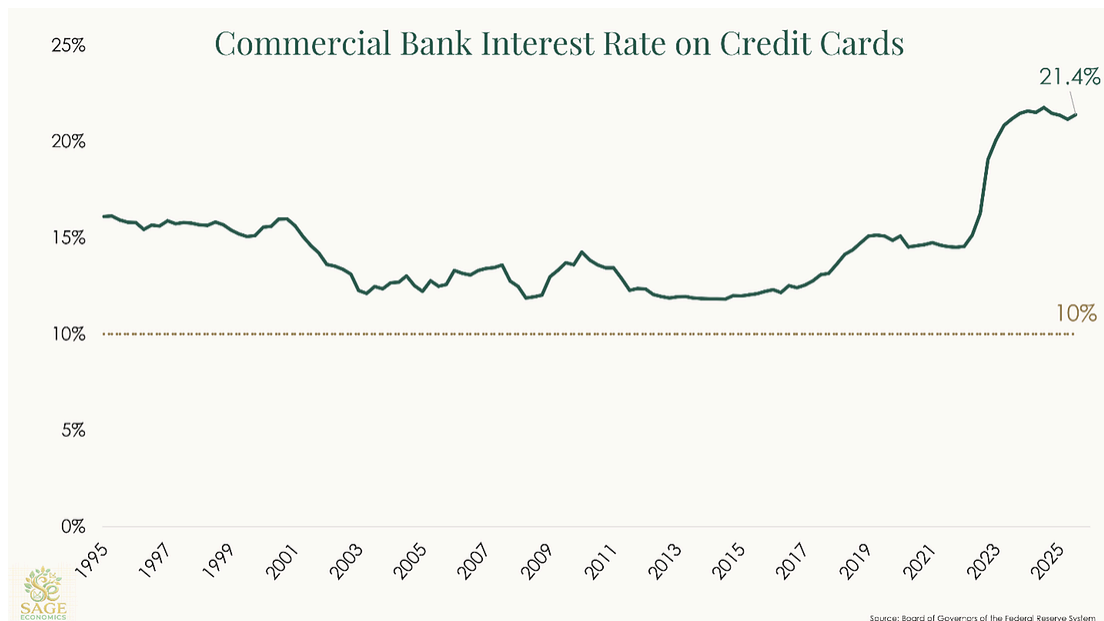
- Announced a 1-year ban on credit card companies charging interest rates higher than 10%, effective January 20th.
- Floated a \$600 billion increase to the military budget in 2027, bringing it from \$900 billion to \$1.5 trillion.
- Reportedly had the DOJ launch a criminal investigation into Fed chair Jerome Powell for lying during his testimony about renovations to the Fed offices.

Most of these spurred an “Ah! We should write about this for the newsletter” moment, only for another crazier, more economically impactful announcement to drop before we could type a single word.

So instead of a deep a deep dive on any of these topics, here are a few sporadic thoughts:

A bad idea on credit cards

Credit card interest rates have never dipped below 10% (at least since the data series started in 1995).



If they're capped at 10%, banks will revoke credit and/or begin charging large annual fees that many Americans can't afford. Think of it like this: if we capped mortgage rates at 1%, the result would be that nobody gets a mortgage.

So a 10% credit card rate cap would cause a drop in consumer spending. That would hurt restaurants, retailers, airlines, etc., which would in turn hamstring an already weak labor market.

Consider the Fed's most recent stress test, which is like a war game to make sure banks can survive a downturn. Under a severely adverse scenario (very bad downturn), 44% of outstanding balances held by accounts with credit scores under 650 would be uncollectible. 44%!

Even for borrowers with credit scores between 700-749, the banks lose 11%.

Table 34. Projected credit card portfolio loss rates and 25th and 75th percentile ranges by credit score, 2024:Q1-2026:Q1, 2024 Stress Test severely adverse scenario

Make Full Screen

Credit score (FICO® Score) ¹	Account-level loss rates (percent)			Portfolio-level loss rates (percent)
	25th	Median	75th	Average
Under 650	30.7	43.0	67.6	44.3
650–699	15.9	21.2	30.9	21.2
700–749	4.8	11.3	19.7	10.9
750 and over	4.3	6.9	14.8	5.7

Note: Account-level loss rates are calculated as cumulative nine-quarter losses on a given account divided by initial utilized balance. Portfolio-level loss rates are calculated as the sum of the cumulative nine-quarter losses divided by the sum of initial utilized balances. The set of consumer bank card accounts on which loss rates are calculated excludes accounts held for sale or accounted for under the fair-value option, observations missing data fields used in the model, accounts with 0–1 percent utilization rates as of 2023:Q4, and other types of loans that are not modeled using the domestic credit card model.

1. The Federal Reserve maps to FICO® Scores as an input to its credit card loss model, because these scores are the most widely used commercially available credit scores in the historical data used for estimation. [Return to table](#)

Who wins here? Payday lenders. Who loses? Just about everybody else.

Palace intrigue: investigating the Fed

Federal Housing Finance Agency Director Bill Pulte allegedly convinced President Trump to use the DOJ to investigate Powell, and he did it in a way that's becoming his hallmark: with custom posters.

Quick backstory: in November, Pulte showed up to Mar-a-Lago with a 3-by-5 poster labeled “Great American Presidents,” showing FDR beneath “30-year mortgage” and Trump beneath “50-year mortgage.” The President posted the image online shortly after. Most of the administration was furious about it.

Leaks now suggest that Pulte used printed-out “wanted” posters of the Fed chair to convince the President to go after Powell.

New day, same story. Many in the White House are reportedly angry about this, including Treasury Secretary Scott Bessent (Bessent does not like Pulte,

and he's not alone in that), because:

Attacks on Fed independence are self-defeating

Jerome Powell said, “The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the president.”

It doesn't matter if the President pushed for this investigation—he denies it, though leaks and former comments strongly suggest otherwise—it won't help him get his desired 1% Fed Funds rate, because attacking the Fed's independence:

Would, if successful, lead to higher borrowing costs. Investors know that an independent Fed is critically important, and a country without one isn't investment-worthy. It's no coincidence that the prices of gold and silver as well as Treasury yields all surged when this news dropped (more on this below).

Will make it harder for the president to confirm his preferred Fed Chair. Senator Thom Tillis said he “will oppose the confirmation of any nominee for the Fed—including the upcoming Fed Chair vacancy—until this legal matter is fully resolved.” He's on the Senate banking committee, which is presently 13-11 Republicans to Democrats, meaning he can indefinitely stall any nomination.

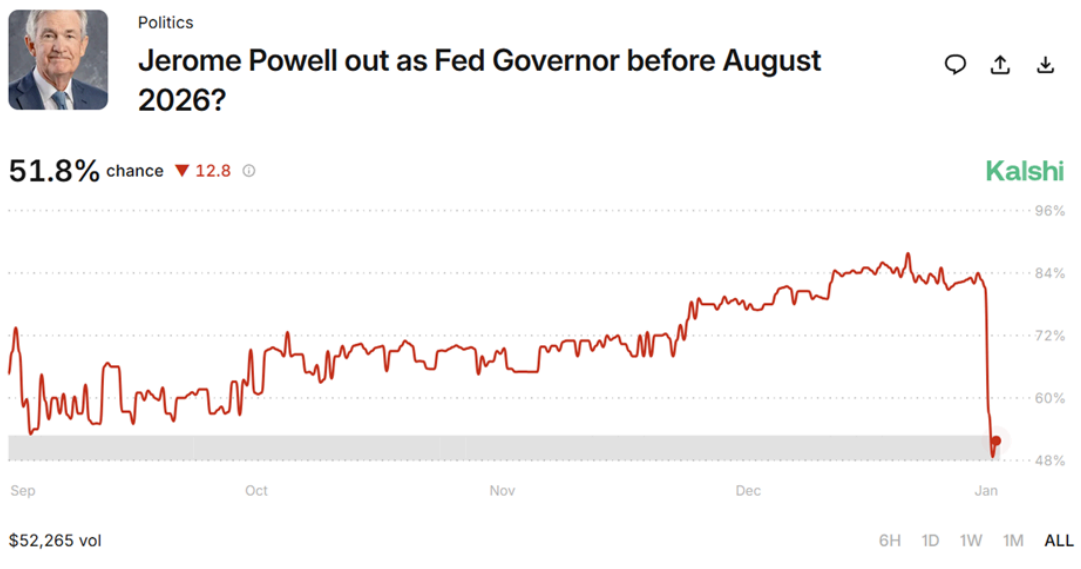
He's far from the only Republican senator to take issue with this.

Senator John Kennedy (also on the banking committee) said, “We need this like we need a hole in the head,” and “any litigation between the Federal Reserve and the executive branch of the United States government is going to cause interest rates to go up, not down.”

Senator Kevin Cramer, one of Powell's harshest critics, said: “Jerome Powell is a bad Fed Chair who has been elusive with Congress, especially regarding the overruns of the elaborate renovations of the building. I do not believe, however, he is a criminal. I hope this criminal investigation can be put to rest quickly along with the remainder of Jerome Powell's term. We need to restore confidence in the Fed.”

Even if this investigation goes away quietly, it has already reduced the odds that Senate Republicans will confirm a new Fed Chair who is seen to be particularly loyal to President Trump; on prediction markets, Kevin Hassett's odds of being the next Fed chair fell from about 45% to about 35% following the announcement.

A final note on this: while Powell is out as Fed Chair later this year, his term as a Fed Governor doesn't expire until 2028. It was widely assumed he'd leave his role as a Governor at the end of his term as Chair, but that no longer looks like a sure thing.



Little is likely to come of this investigation

The White House is attacking the Fed's independence, but it probably won't be a successful attack. The Senate understands the importance of an independent Fed, as mentioned above, and even a chair that's loyal to the White House will only account for 1 of 12 Fed votes.

That doesn't make this good or acceptable, but it does explain the relatively muted reaction in markets.

Is Bernie Sanders president?

Capping credit card interest rates? Telling companies what they can pay their executives? Banning institutional investors from acquiring homes?

A lot of this policy would be right at home on Bernie Sanders' campaign page, and it's probably not a coincidence that the senator posted this less than 24 hours before Trump called for the 10% cap on credit card interest rates.



More recent reports suggest President Trump is working with Elizabeth Warren on multiple “affordability” related measures. This is simply not what you expect from a Republican administration.

What do we take from this?

Much of this won't come to pass or result in anything concrete, but that's part of the problem. Businesses can't plan in this ever-changing, always-uncertain environment, and that's weighing on both hiring and certain forms of investment.

But let's not overreact. This policymaking isn't going to result in a near-term economic downturn (unless they really do cap credit card rates, which seems unlikely). Any damage will be long-term, including to the Fed's independence, to the way we govern, and to the Republican Party's commitment to limited government and free markets (RIP).



This Economy's Biggest Losers: Young Adults

Sage Economics <basu@substack.com>

Thu, Jan 15, 2026

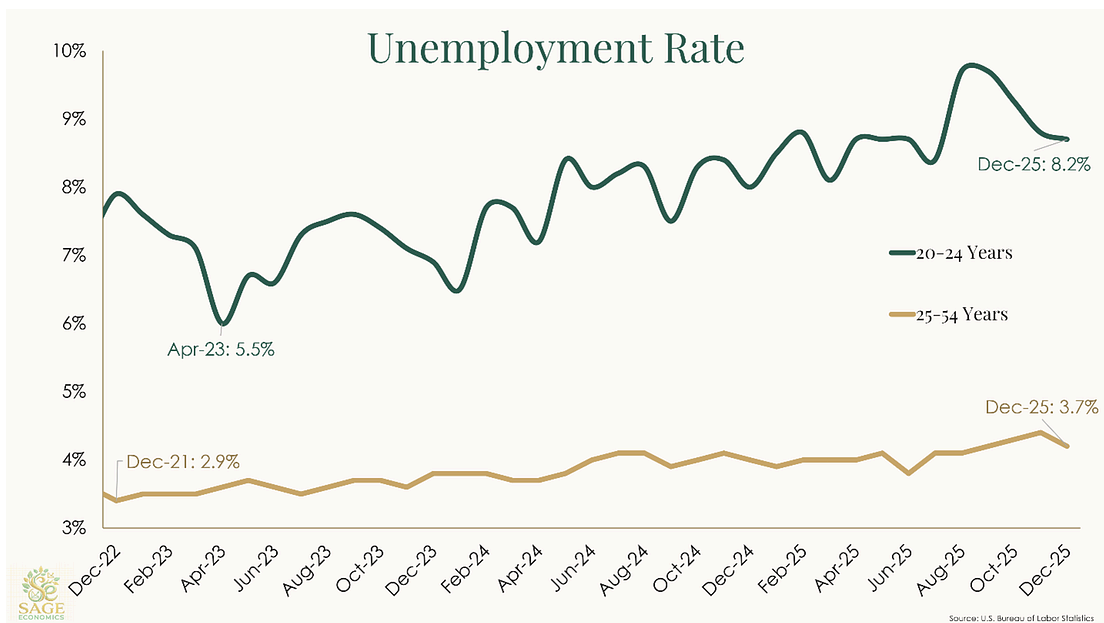
This Economy's Biggest Losers: Young Adults

Why law school applications are a bearish sign

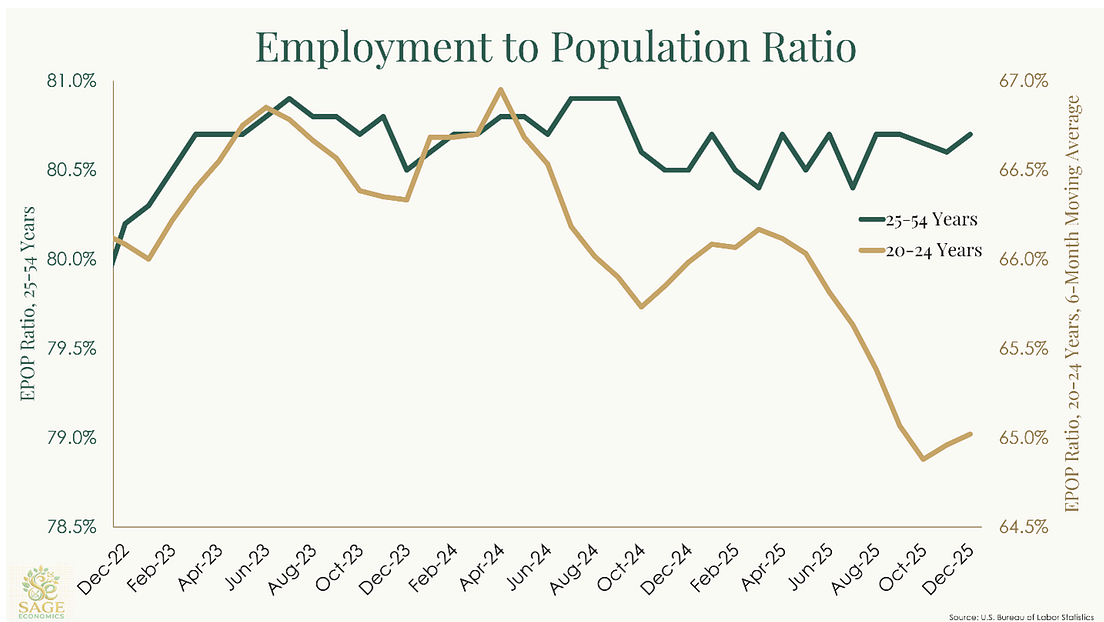


Last week we wrote about the K-Shaped story and the actual winners (people with jobs) and losers (people who need jobs) of the current economy. This week's post is about the demographic suffering most under current dynamics: young adults (a topic we wrote about at length last November).

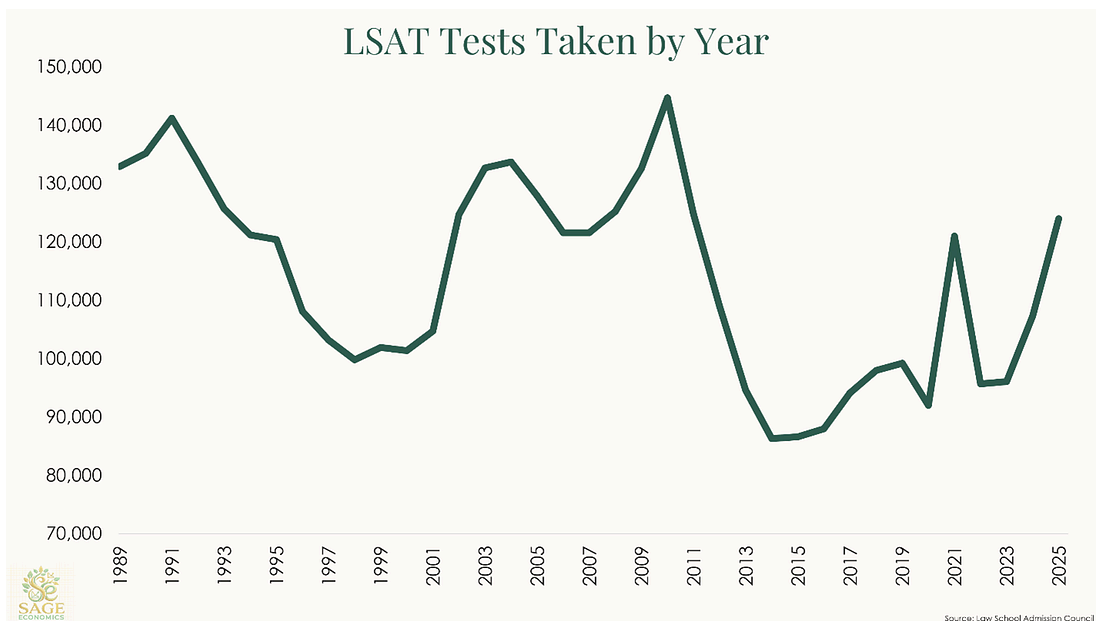
First, the unemployment rate for young adults has spiked. Since reaching a cyclical low about three years ago, the rate for people 20-24 years is up about 3 percentage points, while the rate for prime age workers (25-54) is up less than 1 percentage point.



This actually understates how bad the situation is for young adults, because many of them simply aren't looking for work. The employment to population (EPOP) ratio for those 20-24 years has plunged over the past 18 months, while the prime age EPOP ratio has barely budged (note that we had to do a dual y-axis so you could see what's happening in this graph).

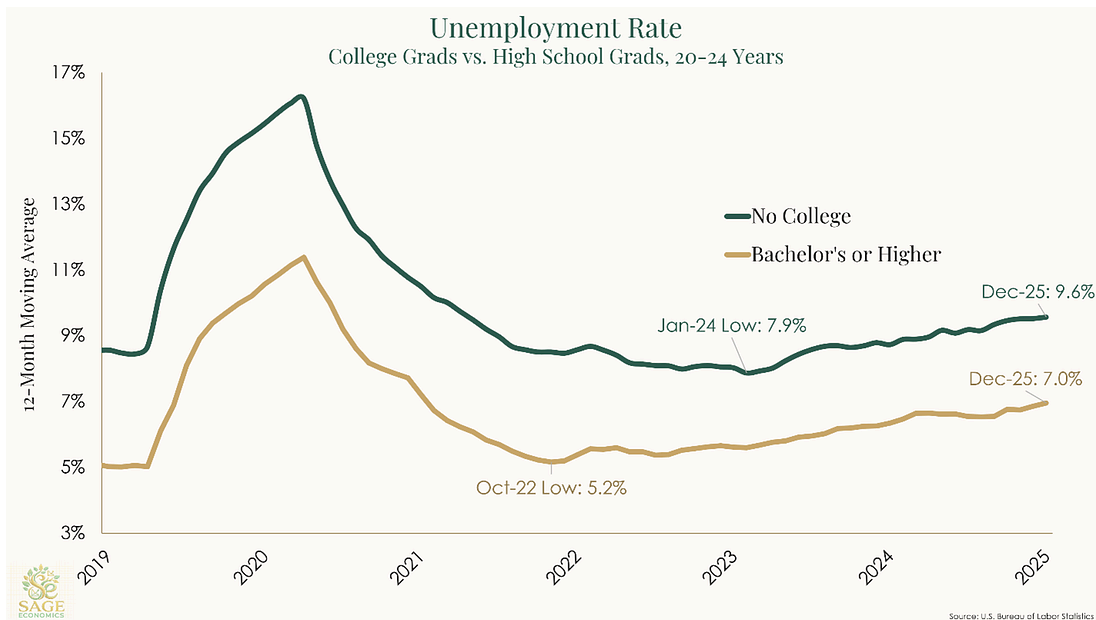


What are they doing instead of searching for jobs? A lot of them are applying to law school, and that's how you know the labor market really sucks for young adults.



College grads know when their job prospects are shot and, predictably, apply to law school (ironically, this makes it a brutal time to apply for law school and a few years from now a brutal time to graduate from one).

Of course, it's not just young college graduates who can't find jobs. The 20-24 year unemployment rate for those who never attended college has risen similarly.



The Upshot

It's not that it's a particularly tough time to be a young adult in search of a job, it's that it's a particularly tough time to be in search of a job, and young adults often are.

Yes, it's getting pretty bleak out there for young adults, but this is still nothing compared to what certain Millennials who entered the workforce in 2009 and 2010 experienced.



Encouraging Week in Review

Sage Economics <basu@substack.com>

Fri, Jan 16, 2026

Encouraging Week in Review

Inflation, retail spending, & more



Mortgage rates fell to within spitting distance of 6.0% this week, and the housing market will take off if we can get to a 5 handle. That, along with a lukewarm inflation reading, falling gas prices, and more evidence that the U.S. consumer simply cannot be stopped has me feeling better about the economy as we head into the long weekend.

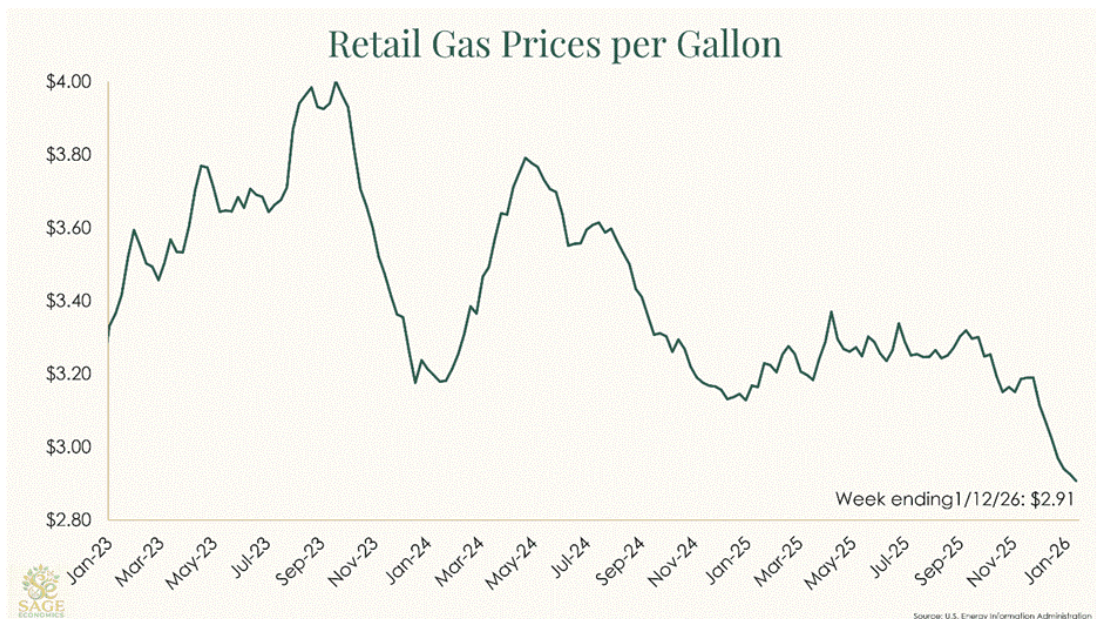
Monday

TSA Checkpoint Travel Numbers

It's been a blistering start to the year for air travel, according to TSA data. The number of people who have passed through security is up 2.3% year-to-date, with a particularly large increase over the past week.

Oil Stuff

Gas prices are down to \$2.91/gallon. That's exceptionally low, which is great for consumers.



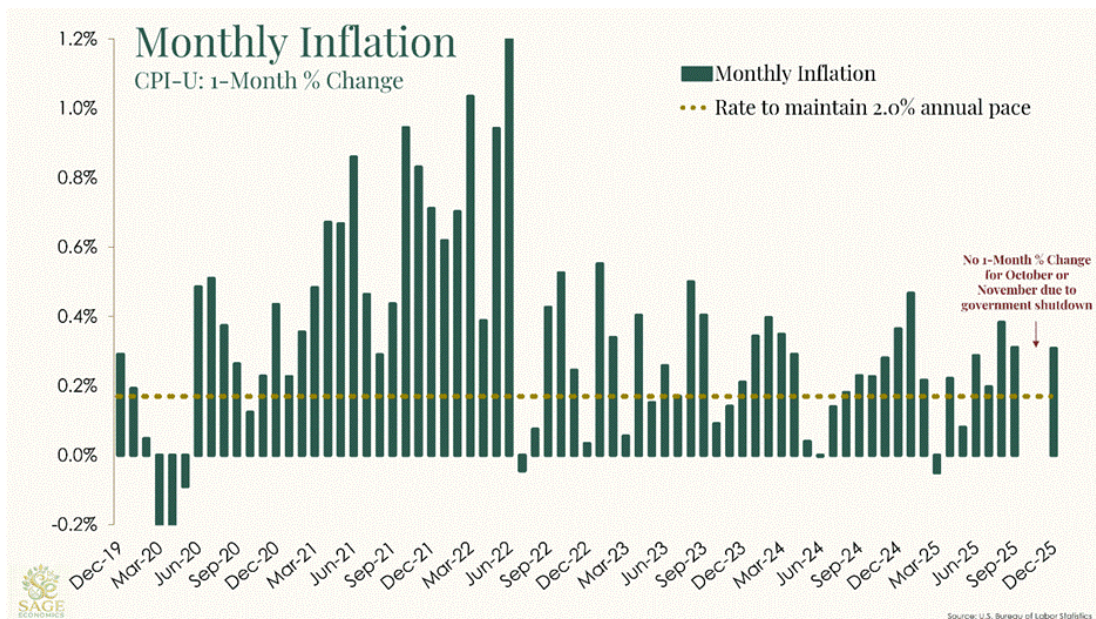
It's less great for oil producers, who aren't particularly fond of low oil prices. Unsurprisingly, domestic production has dipped below 13.8 million barrels per day for the first time since October (though it's still very high by historical levels).

It's an interesting time for the oil industry, and once the dust settles on the Venezuela situation and how that could affect the domestic economy, we'll try to put together a longer post on the subject.

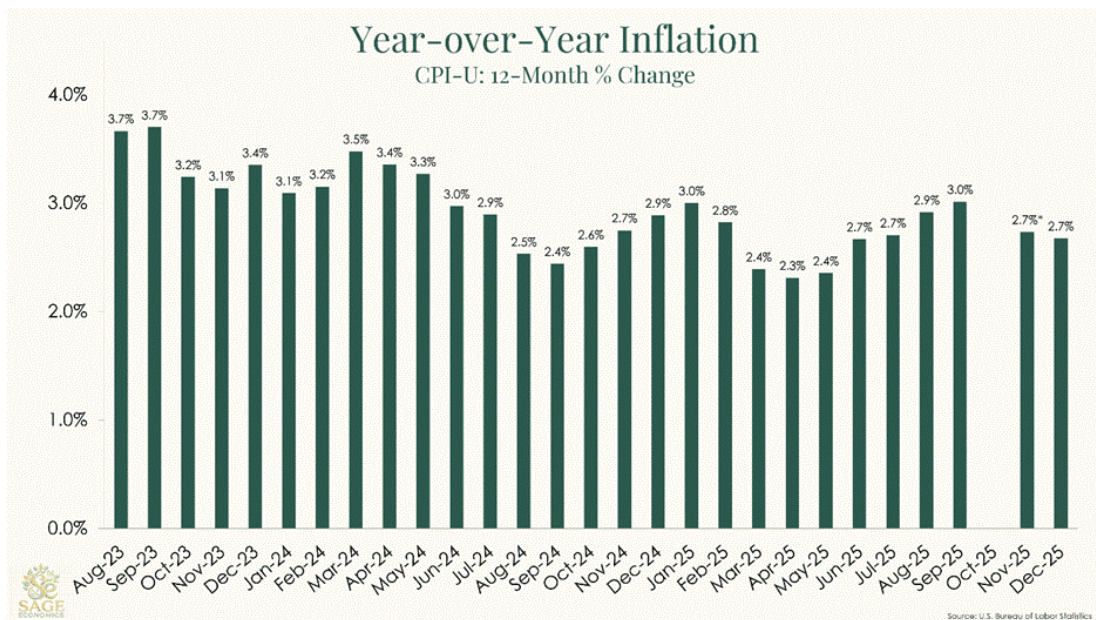
Tuesday

Consumer Price Index (Inflation)

Consumer prices increased less than expected in December, though still at a faster-than-2% annualized pace.



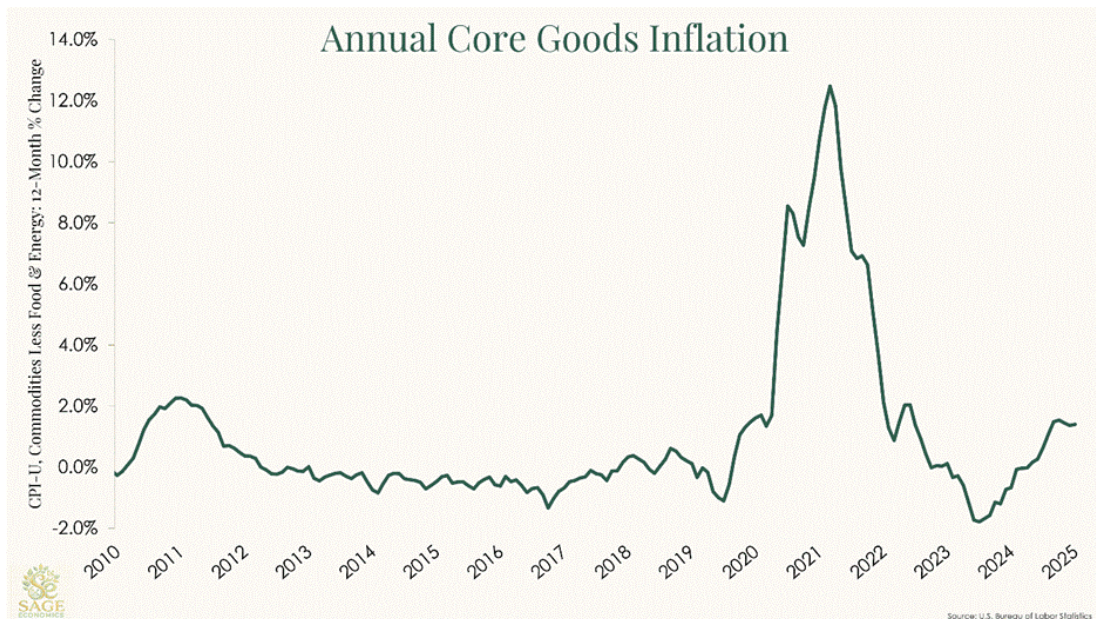
Year-over-year, prices are up 2.7%, while core prices (exclude food and energy) are up 2.6%. That's a nice improvement over the past few months, but inflation is still well above target.



Inflation has run at a roughly 2.5% annualized pace the past couple months. Are we okay with that? The Fed doesn't appear to be, though others are clearly clamoring for lower rates, inflation be damned.

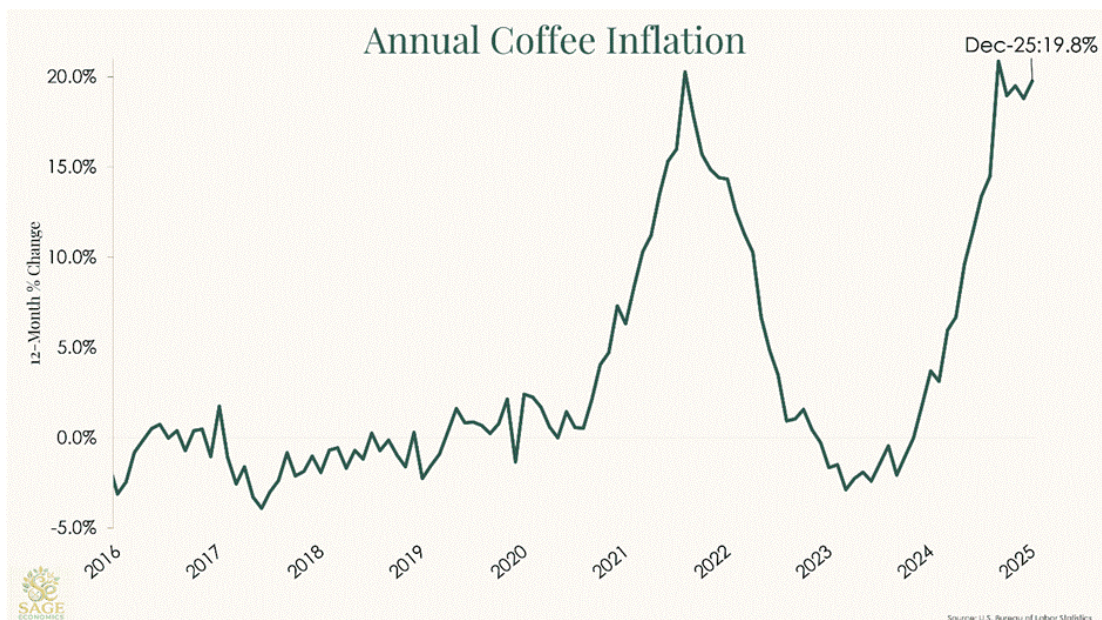
It's also still unclear how tariffs have been (and will be) passed through to consumers. Core goods prices are rising at a nearly 2.0% year-over-year

pace. While that's not terrible, it's also unusual (outside of the early months of the pandemic).



Big picture, inflation is in a better place than it was, but it's not quite good enough, and rising goods prices represent an ongoing cause for concern.

As a final note, coffee prices continue to soar and, after rising another 1.9% in December, are up a punishing 20% year over year.



NFIB Small Business Optimism Index

This measure of small business optimism increased in December but remains well below year-ago levels. Notably, the uncertainty component of the index fell to the lowest level since April 2024. A stable policy environment would go a long way for businesses in 2026.

New Home Sales

New home sales were virtually unchanged in October (this is a delayed data release, so pretty old news). Not much to see here, though inventories seem to be trending gradually lower as new home construction slows.

Wednesday

Retail Sales

Retail spending bounced back in November, rising 0.6% for the month after falling slightly in October. Even with a sluggish labor market, there's no sign of an imminent slowdown in retail sales. Say one thing for Americans: we love to shop.

Producer Price Index (more inflation)

This measure of inflation, which looks at the change in prices received by U.S. companies, increased modestly in November, although almost the entire increase was due to higher energy prices.

This data gives a good look at how construction input prices are changing, and you can see what Anirban had to say about that over at ABC.

Existing Home Sales

December was the best month for existing home sales in over a year (on a seasonally adjusted basis). This, along with mortgage rates, is a reason to be optimistic about the housing market in 2026.

The Beige Book

Economic growth grew at a "slight to modest pace" across most of the country in recent months, according to this Fed-published collection of anecdotal information. While there's a fair amount of good news in here, particularly about growth, this is a pretty big red flag: "Several contacts that initially absorbed tariff-related costs were beginning to pass them on to

customers as pre-tariff inventories became depleted or as pressures to preserve margins grew more acute.”

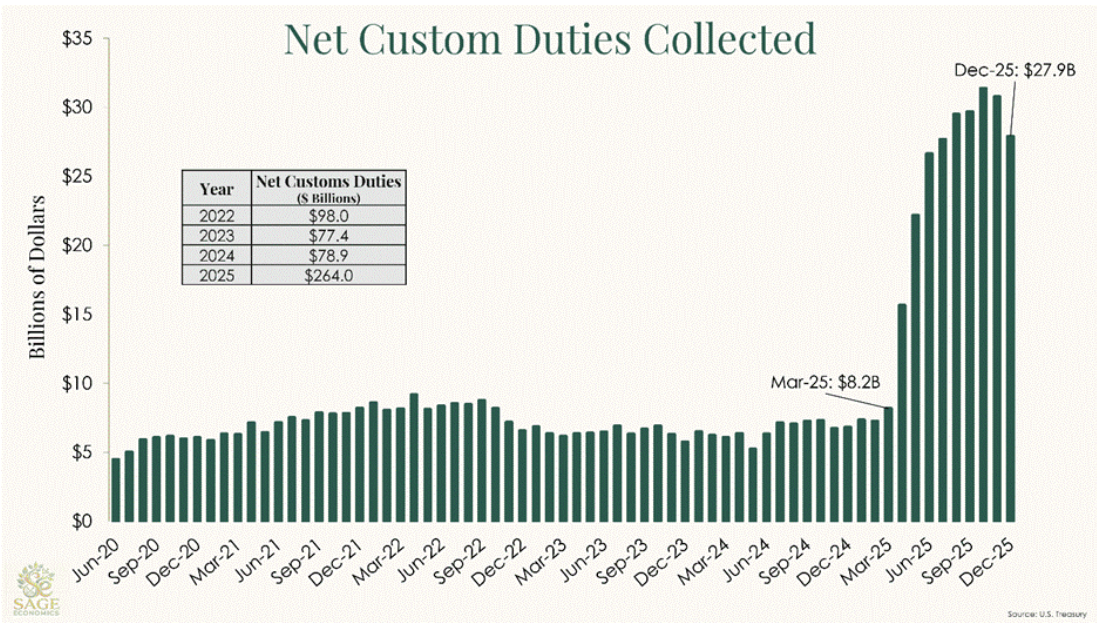
Mortgage Applications

Mortgage applications increased quickly over the past week, and purchase applications are now up 13% from the same week one year ago. More good news on the housing front.

Thursday

Tariff Revenues

Net custom duties reached \$264 billion in 2025. That’s \$185 billion more than we collected in 2024 (+235%).



That’s a big tax increase, and one (mechanically) paid entirely by U.S. importers.

That’s also a lot of tax revenues. So much that I seriously doubt a Democrat, if elected in 2028, would get rid of the tariffs, instead preferring to spend the revenues.

But it’s not nearly enough to do all the things President Trump has said we’ll do with it. For instance, we could send a \$2,000 rebate check to 86% of U.S.

taxpayers. Or we could reduce the FY25 federal budget deficit by about 15%. Or we could cover about 29% of the FY25 military budget.

And that's if we spent every penny of the revenues on a single thing, which is out of the question at this point, because we've already used \$12 billion of the revenue to help farmers who were hurt by tariffs.

Spending this on anything could be a moot point, because the federal government will have to refund about \$150 of that \$264 billion total if the Supreme Court rules against the IEEPA tariffs.

Mortgage Rates

Mortgage rates fell to the lowest level since September 2022, with the average 30-year fixed at 6.06%. Just a little bit lower and the housing market is going to absolutely rip.

Jobless Claims

Nothing but good news here. Initial jobless claims came in low again, and continued claims for unemployment insurance remained well behaved.

Friday

NAHB Housing Market Index

This measure of homebuilder confidence fell slightly in January, but it's only January 15th, so I'm guessing the survey period was for the very early part of the month. Note that this is a preliminary reading, and I'll be a little surprised if it's not revised higher next month.

Links of the Week

Nat Bullard's excellent presentation on the state of decarbonization
(recommended for anyone who likes charts)

Trapped in the hell of social comparison (Noahpinion)

How rising testosterone misuse is reshaping behavior, institutions, and elections (Facts and Reason)

Final Thoughts

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

The economy is not without risks. Hiring is nonexistent, there are some pretty harmful policy ideas floating around, and construction is still having a bad time. That said, joblessness remains relatively low, consumers are spending, and I feel good about the housing market over the next few months.



Looking at Contractor Job Losses

Sage Economics <basu@substack.com>

Tue, Jan 20, 2026

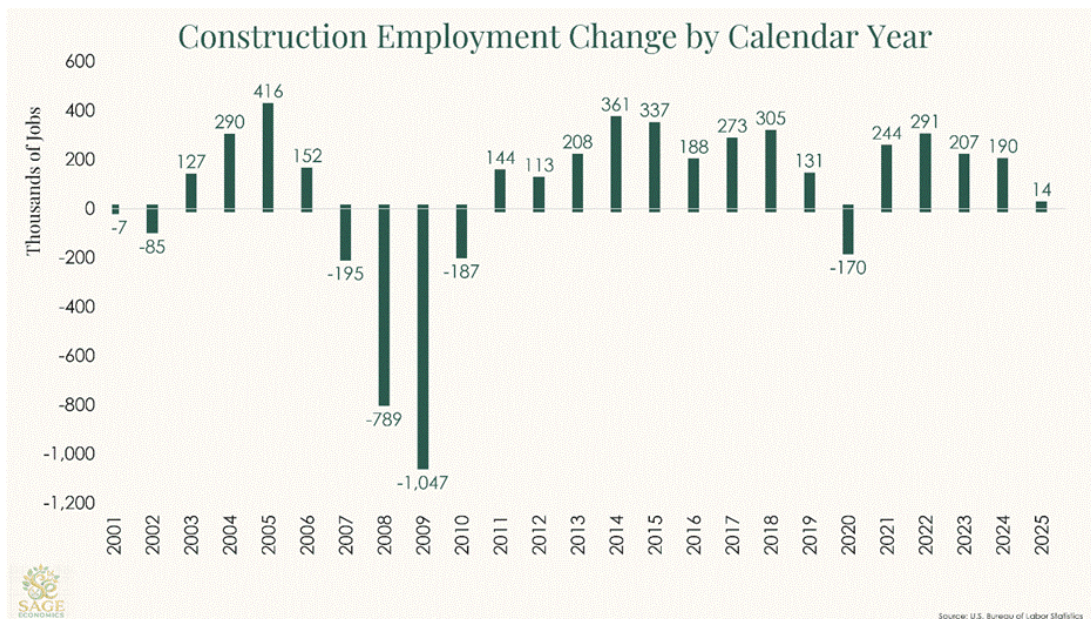
Looking at Contractor Job Losses

Residential trades hemorrhage jobs in 2025



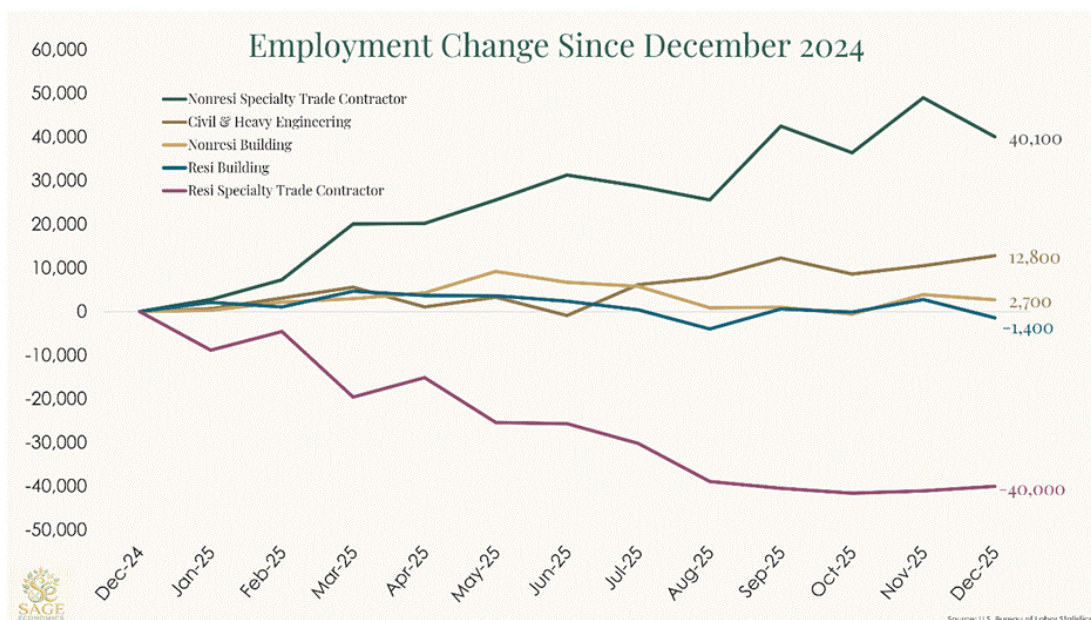
Construction Trend Tuesday covers one (hopefully) interesting industry trend in a quick, two minute read. You can access the archive of CTT posts here.

The construction industry added just 14,000 jobs in 2025. Excluding 2020, that's the worst year for construction employment since the Great Recession in 2010.

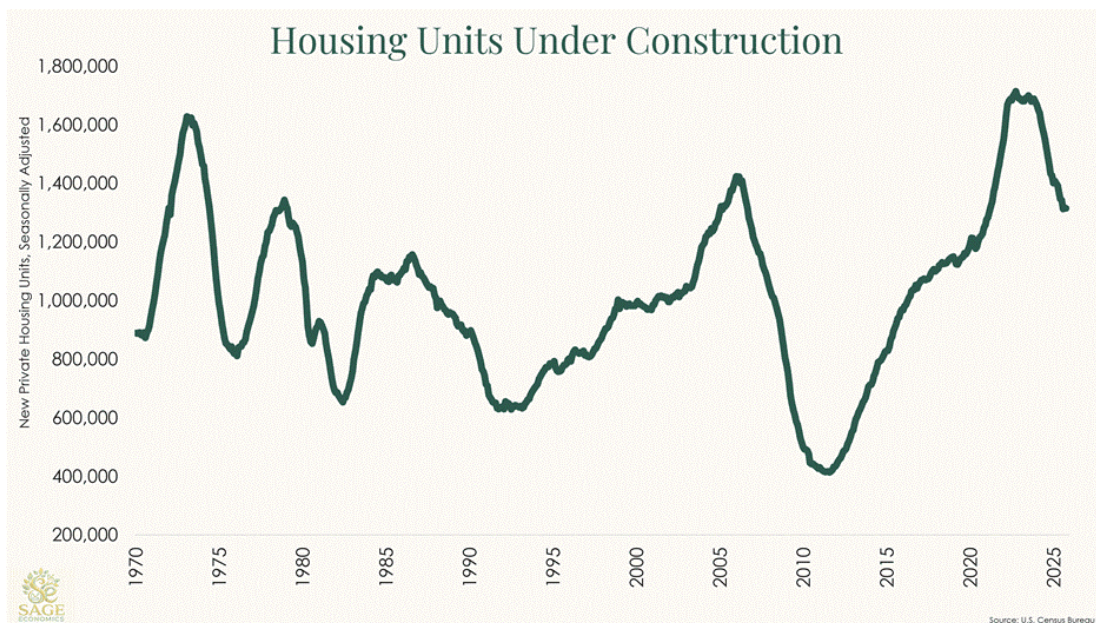


That weak performance was almost entirely due to a sharp drop in residential specialty trade contractor (STC) employment, though the residential building category also lost a few jobs for the year.

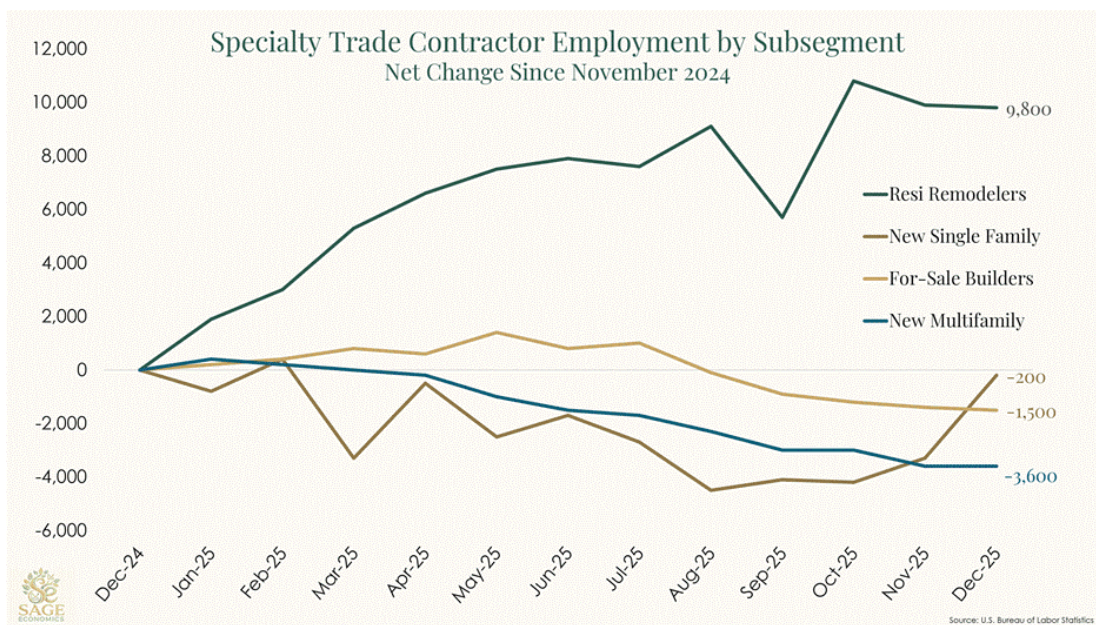
[The categories are defined by the primary activity of the employer, not by what the employee actually does.]



The cause here is pretty simple: the number of new homes under construction has fallen sharply from the 2022-23 historical peak.



As you can see below, remodeling employment has actually held up pretty well over the past year, with losses concentrated in the new residential STC subsegments (data by subsegment lags by a month, so this is Nov-24 to Nov-25).





Baffled Week in Review

Sage Economics <basu@substack.com>

Fri, Jan 23, 2026

Baffled Week in Review

Greenland, construction spending, & more



This week brought us updates on the Fed's favorite measure of inflation, a few housing stats, construction spending, and a baffling Greenland-related conflict between the U.S. and NATO that may no longer be a conflict. It also brought us a new Ravens' head coach, but I can't tell if I should be happy about that. Next week will bring parts of the U.S. weather more commonly found on Greenland. Bundle up!

Monday

Martin Luther King's Birthday

Here's a [nice primer](#) on Martin Luther King, Jr.'s views on economics.

Tuesday

The Greenland Saga

President Trump tacitly threatened to invade Greenland and explicitly threatened to levy 25% additional tariffs on EU countries defending

Greenland if Denmark didn't agree to sell the land to the U.S. on Friday.

This caused U.S. stocks to tank, with the S&P 500 falling more than 2% from the Friday close to the Tuesday afternoon low, and U.S. bond yields to surge, with the 10-year treasury yield jumping to its highest level since last August.

As has become the norm, President Trump walked back those threats, assuring he wouldn't invade Greenland or levy the additional tariffs and citing a "framework of a deal" for U.S. to gain control of some land on the island (no details on that yet). Talk of the TACO trade surged in financial markets (Wednesday/Thursday), though that chatter has fizzled by Friday morning. Accordingly, stocks rebounded and bond yields fell following the deescalation, but they're still lower and higher, respectively, than they were last Friday.

This kind of policy volatility (and tariff/immigration policies themselves) and the bond market's occasional disapproval helps explain why borrowing costs remain stubbornly elevated despite the Fed cutting the federal funds rate by 1.75 percentage points over the past roughly 1.5 years.

TSA Checkpoint Travel Numbers

Air travel was 3.2% higher year over year during the first three weeks of 2026, according to TSA data. While the winter storm set to devastate large portions of the eastern U.S. will affect the data for the coming weekend, underlying fundamentals remain encouraging.

Oil Stuff

Gas prices inched higher, ending a streak of seven straight weekly declines, but remain exceptionally low at \$2.93 gallon. This remains a stimulus for American consumers. Diesel prices also ticked higher but are still about \$0.19/gallon cheaper than one year ago.

Wednesday

Construction Spending

Construction spending increased in October but is still down 1.0% over the past year. The monthly gain was entirely due to an increase in residential

construction, and as has been the case, residential growth is entirely confined to the remodeling segment.

The nonresidential segment (flat for the month, down 0.9% for the year) remains bleak, with private nonresidential activity especially subdued. While very few subsegments—data centers excepted, of course—have momentum, most of the decline in spending is due to a sharp drop in manufacturing-related investment. Part of that drop is due to CHIPS Act-related megaprojects wrapping up, though tariffs are definitely weighing on the industrial segment.

Overall, not much to like here. The construction industry needs lower borrowing costs, looser lending standards, and a calmer policy environment.

Pending Home Sales

Pending home sales, which hint at what actual home sales will look like in a month or two, fell off a cliff in December. The 9.3% drop was the largest since April 2020.

While I try diligently not to over emphasize one month of data, realtors tell me that the market has really slowed. I attribute this to sagging consumer sentiment and a broad-based wait-and-see attitude, but it may simply be seasonality. A weakening job market may also help explain the recent reluctance to transact.

Mortgage Applications

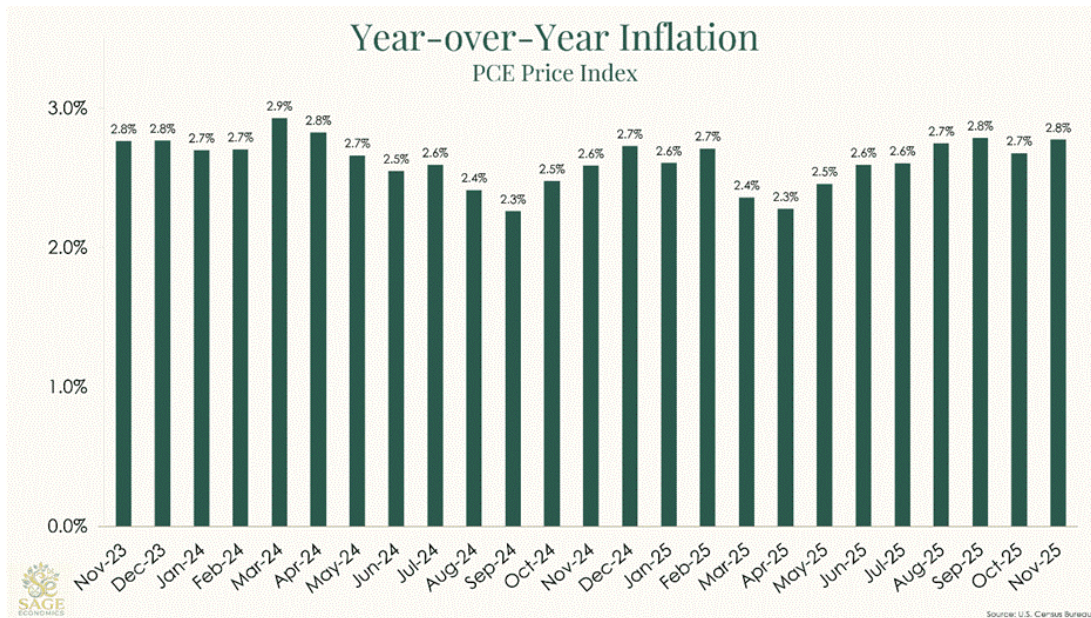
Mortgage applications increased again, and purchase applications are up 18% from the same week last year. Not bad! But of course, the bar is low.

Thursday

PCE Price Index

The Fed's favorite measure of inflation came in just slightly warm in October and November, according to this government shutdown-delayed data release. Both overall and core prices were up 2.8% year over year as of November.

As you can see below, inflation has been stuck in a pretty narrow range over the past year, though it's picked up since reaching a cyclical low of 2.3% y-o-y in April.



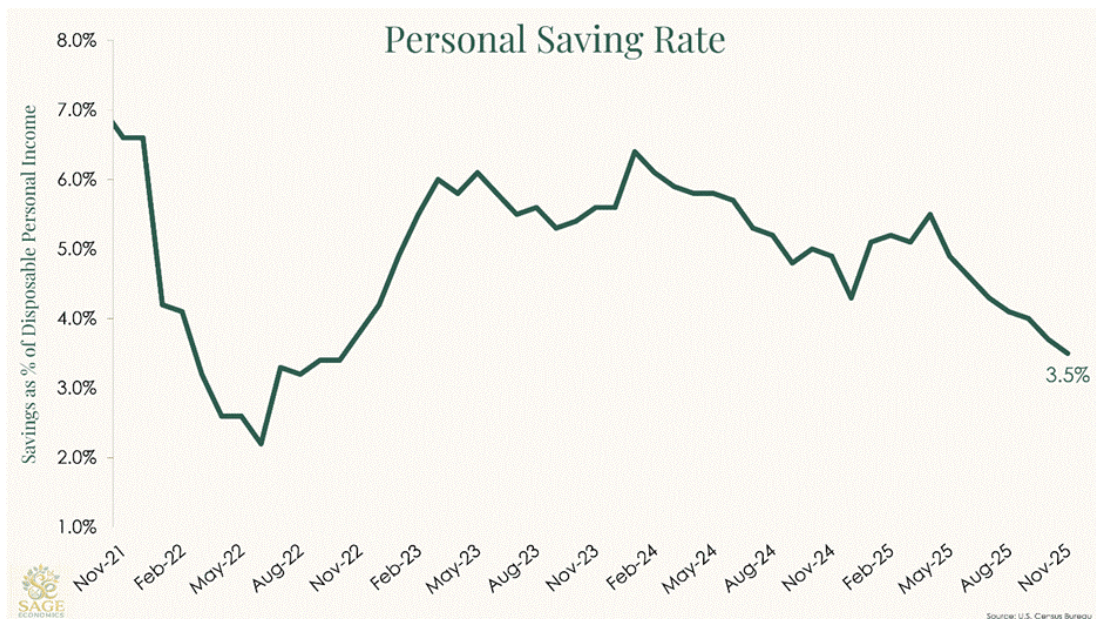
It would be tempting to simply blame tariffs, but that would be unreasonable. While both goods and services prices have risen at a similar pace over the past year, there's been a sharp increase in energy related goods and services prices. Energy has not been a major focus of tariff policymaking.

Inflation remains above the Fed's 2% target, and for the time being, the Fed is unlikely to cut rates until it drifts lower (i.e., no rate cut next week).

Income, Spending, & Saving

After adjusting for inflation, disposable personal income is up just 1.0% for 12 months ending in November 2025. That's the smallest annual increase in nearly three years, not that consumers seem to care; inflation-adjusted personal spending jumped in November and is up 2.6% year over year.

When spending rises faster than income, the saving rate falls, and that's exactly what happened for the seventh straight month in November. That may indicate weaker consumer spending at some point in the future, particularly if the stock market fails to hold up.



Mortgage Rates

Mortgage rates inched up to 6.09% for the average 30-year fixed, which is still within spitting distance of last week's 3+ year low.

Jobless Claims

Another week, another encouraging release from this series. Both initial jobless claims and continued claims for unemployment insurance remain low and, quite frankly, lower than expected.

Friday

University of Michigan Consumer Sentiment Index

This measure of consumer confidence increased in January but is still about 21% lower than one year ago. Key sentence: "Aside from tariff policy, consumers do not appear to be connecting foreign developments to their views of the economy. Note that interviews for this release concluded on January 19th, two days after Trump's social media post announcing additional tariffs on eight countries in Europe."

Links of the Week

Do Commodities Get Cheaper Over Time? (Construction Physics)

Let's save the human species! (Noahpinion)

Let companies set prices (Slow Boring)

Final Thoughts

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

Getting past Greenland is a big deal. Their iceberg sank the Titanic after all (their claim), and an ongoing battle between the world's two largest economies (US and EU) jeopardizes the well-being of financial markets and more.

Sticking with the international theme, the one thing that bothered me this week is the Japanese bond market (also the fact that the Ravens didn't hire Brian Flores as head coach). You may have noticed that interest rates on bonds rose dramatically there recently. As more investors chase those higher yields on Japanese bonds, it may result in our rates heading higher to attract sufficient inflows to keep financing our massive federal government deficits. We need lower interest rates to keep the economy going, not higher ones.



More on Contactor Job Losses

Sage Economics <basu@substack.com>

Tue, Jan 27, 2026

More on Contactor Job Losses

Which trades are shrinking?



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

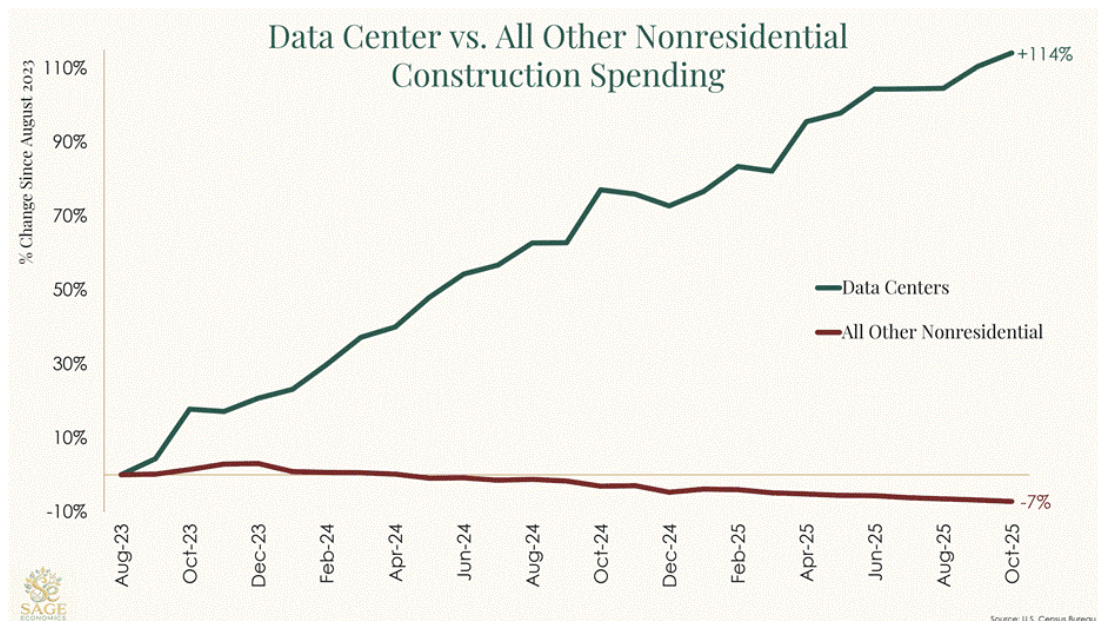
Last week's CTT looked at contractor job losses and zoomed in on the residential building segment.

This week, we're looking at specialty trade contractors.

The trades that have lost jobs over the past year, like framers, concrete pourers, drywallers, siders, and roofers, make a lot of sense. These are primarily involved in new construction, specifically on the residential side. The slowdown in new housing construction has clearly hit them hard.

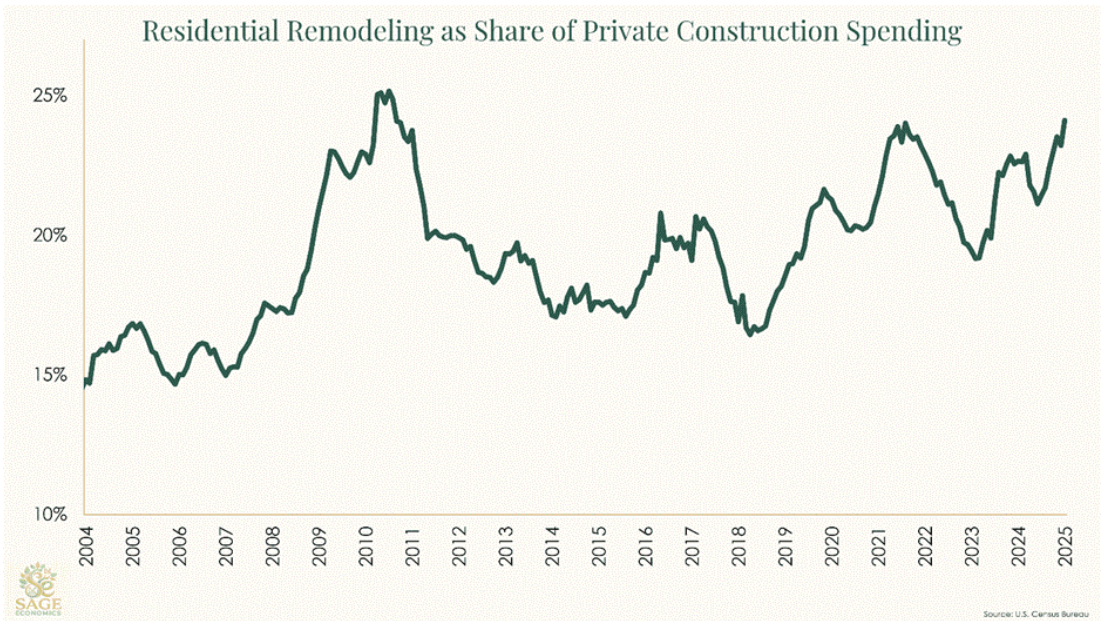


Which trades are gaining jobs? The ones involved with data centers, of course. Electrical, HVAC, and other building equipment contractors are heavily involved in data center buildouts, and the developments require extensive site preparation.



It also makes sense that finishing carpenters, painters, and floorers are adding jobs. While residential construction activity has been slowing,

remodeling work has actually gained steam over the past year and currently accounts for the highest share of private activity since 2011.





Newsy Week in Review

Sage Economics<basu@substack.com>

Fri, Jan 30, 2026

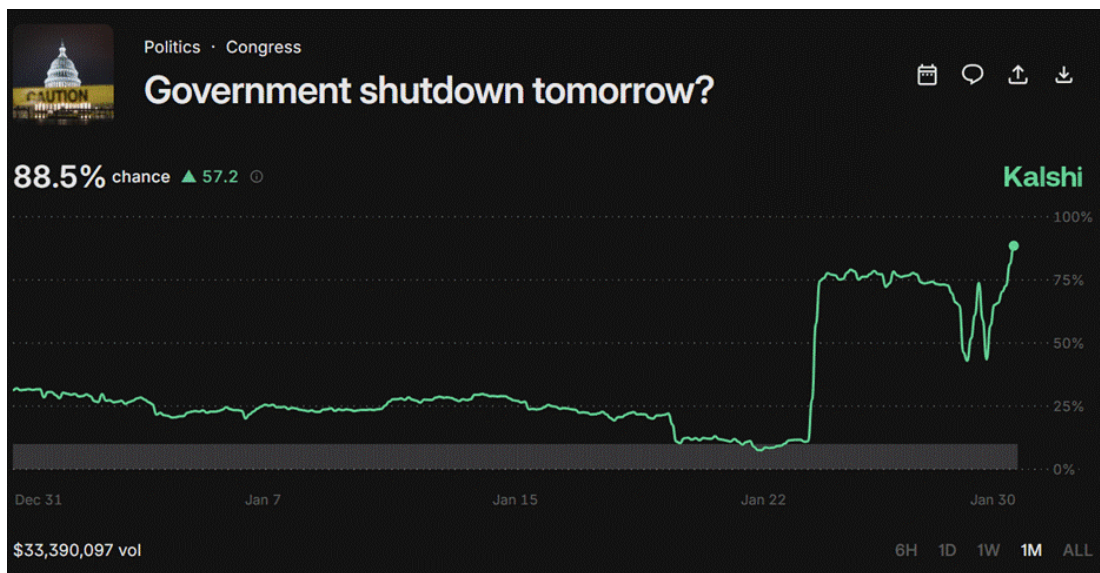
Newsy Week in Review

A new Fed Chair, sad consumers, & more



This week brought a barrage of economic news.

First and foremost, the killing of Alex Pretti by CBP agents in Minnesota and subsequent federal response have sent shockwaves through the U.S. political landscape, and some of those tremors will be felt in the economy. For instance, the odds of a government shutdown surged from 9% on January 23 to 77% on January 24. As of this writing (11:05 AM EST), the odds are up to 88% and rising.



Then there was winter storm Fern, which dumped snow and ice across much of the country and had big implications for oil markets, travel, and—given that schools here were closed from Monday to Thursday—my personal productivity.

Topping it all off, President Trump nominated Kevin Warsh to be the next Fed Chair today.

While this week was quieter on the data front, we still got updates on population growth, producer price inflation, consumer confidence, and more.

Monday

Durable Goods Orders

New orders for durable goods (things that typically last at least three years) increased at a healthy and faster-than-expected pace in November 2025 and—excluding expensive and volatile transportation orders—were up 2.4% year to date through the first 11 months of 2025.

Orders for computer and communication equipment are ripping, while orders for cars and car parts are hardly treading water.

Note that this release was delayed by the government shutdown. November feels like a long time ago, doesn't it?

TSA Checkpoint Travel Numbers

Just 1.3 million people flew on Sunday, according to TSA data. That's the fewest on any day since February 8, 2022, when the combination of winter storm Landon and the Omicron COVID-19 variant put a stop to most air travel.

This is interesting but not indicative of any broader economic trends. Winter weather sucks.

Oil Stuff

Gas prices increased for the second straight week but are still very low at \$2.98 gallon.

Diesel prices shot up at a faster pace and are just \$0.04 cheaper than one year ago.

Domestic oil production fell to the slowest pace since October, as of the week ending January 23rd, and will slow again for the following week due to the cold weather.

Tuesday

U.S. Population Growth

The U.S. population grew just 0.5% between July 2024 and July 2025. This was due to a "historic decline in net international migration," which fell from 2.7 million the previous year to just 1.3 million.

I'm working on a longer post on population stuff. For now, here's some scattered thoughts/highlights:

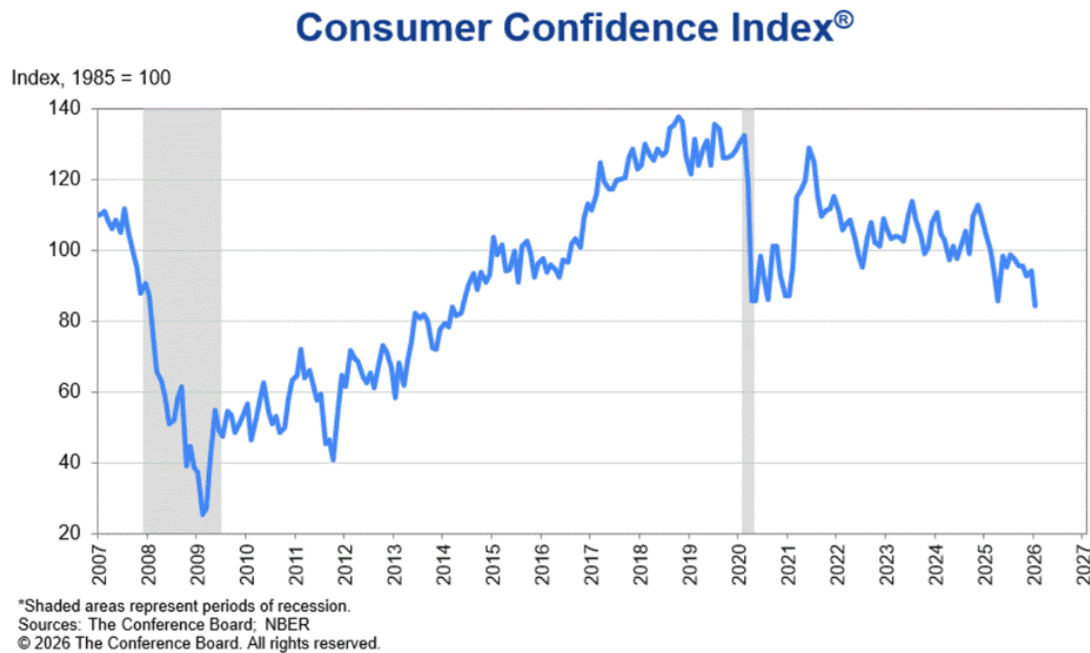
- Natural population growth (domestic births minus deaths) continues to slow, coming in at just 519,000 for the past year. That's down from 1.1 million in 2017. Simple projections show we're heading for a demographic cataclysm.
- "The Midwest was the only region where all states gained population from July 2024 to July 2025." What an unexpected turnaround for Flyover Country!
- Immigration is really hard to estimate. The Congressional Budget Office estimates net immigration slowed to 410,000 in 2025, while researchers

at Brookings think it went negative for the year (Great thread from economist Jed Kolko on this).

- The top five fastest growing states all voted for President Trump in each of the past three elections. The 2030 Census will not be kind to Democrats' electoral college math.

Conference Board Consumer Confidence Index

Consumer confidence fell off a cliff in January and is down to the lowest level since 2014. This is a little surprising; people are less confident than they were in April 2020 which, if you'll recall, was a really terrifying time for the economy.



I'm not quite sure what to make of this. Consumers have been downbeat—at least compared to pre-pandemic levels—for a while now, but the recent decline is shocking and not reflected in most economic data.

My best guess is that consumers are overwhelmed by chaotic policymaking: mentions of “tariffs,” “trade,” and “war” all increased in the write-in responses for the month.

S&P Cotality Case-Shiller Home Price Index

Home prices increased slowly in November and were up just 1.4% year over year. Prices increased at the fastest pace in the Midwest and Northeastern U.S. and fell in many sunbelt cities.

Wednesday

Fed Interest Rate Decision

The Fed kept rates unchanged at their January meeting, ending a streak of three straight 0.25 percentage point cuts. This isn't really news. It was universally known they weren't going to cut.

Two of the 12 voting members wanted to cut: Stephen Miran, who wants rates at 1%, and Chris Waller, who wants to be the next Fed Chair (too bad).

Mortgage Applications

Mortgage applications fell, which isn't surprising given the recent rebound in mortgage rates.

Thursday

The Trade Deficit

The trade deficit, which narrowed to a lowest-since-2009 level in October, exploded in November, expanding about 95% on a monthly basis. Exports fell by 3.6%, while imports grew by 5.0%. So the trade deficit may not be closing, but it is extremely volatile.

Mortgage Rates

Mortgage rates inched up again, though by just another 0.01 percentage points. At 6.10%, the average 30-year fixed rate is still low by recent standards yet too high to reignite the housing market.

Jobless Claims

New week, same well-behaved data for initial jobless claims and continued claims for unemployment insurance, both of which remain low. For me, this is the most encouraging indicator over the past few years.

Friday

Trump Nominates Kevin Warsh as Fed Chair

President Trump nominated Kevin Warsh to be the next Fed Chair. A few thoughts:

This is a perfectly fine pick. Warsh served as a Fed governor from 2006 to 2011 and is nicely qualified for the position.

Warsh is notoriously hawkish (tends to favor higher rates). This was especially true during the Great Recession. In 2009, for instance, he said “I continue to be more worried about upside risks to inflation than downside risks,” which is simply wrong in hindsight, but at least he was consistent about wanting tighter policy in the ensuing years.

Of course, his commentary became far less hawkish when Trump was nominated for President in November 2024. That may help explain why the President, who has lobbied for 1% rates, nominated someone who has historically favored raising rates.

I'm not criticizing him for this. If you want to be Fed Chair, which Warsh clearly does, you better publicly say what the President wants to hear.

And to be clear, the fact that he was hawkish does not mean he's going to lobby for higher rates, but he may have to work harder to convince the other voting members of the FOMC to cut them.

There are questions about how independently Warsh will function. This would have been a problem with any nominee given everything the President has said/done the past 12 months. Of course, the Fed Chair is just 1 of 12 votes on monetary policy.

As a final note, Warsh still needs to get through the nomination process, and I imagine the Senate will have some questions regarding independence.

Producer Price Index

Prices received by producers of finalized products jumped 0.5% December. Final demand goods prices were flat for the month, though that was due to lower food and energy prices, while services prices soared 0.7%.

But that's not all that important. This is the change in prices producers receive, and we care more about the change in prices consumers pay.

That said, there is some pretty concerning stuff in here, especially for the construction and manufacturing industries. **Put simply, tariff-affected inputs are getting slammed.** Primary nonferrous metal prices are up 62% year over year, for instance, and aluminum mill shape prices are up 31% over that span.

While this may not move the needle on overall inflation, it's devastating for anyone who relies on these inputs.

Links of the Week

Rest-of-2026 Labor Market Not-Quite-Outlook ([MacroMostly](#))

Let the Chinese cars in ([Noahpinion](#))

Trump is losing normies on immigration ([Silver Bulletin](#))

Final Thoughts

After this week, my outlook for the economy is: *A tiny bit worse*

For as much news/data as we got this week, nothing really moved the needle. The Consumer Confidence reading is concerning, however. At a certain point, the cumulative weight of ever-changing, ever-escalating policy has to cause some problems, right?

And then there's the potential for another government shutdown...