

Economic Update, January 16, 2026  
Submitted by Bob Moreo

**Summary:**

Inflation remained “sticky” in December, “potentially bolstering the case for the Federal Reserve to hold interest rates steady when policymakers vote later this month,” [Realtor.com reported](#). Consumer prices “rose 2.7 percent in the 12 months through December, matching economist expectations and unchanged from the November rate.” And although producer prices “moved up less than expected,” [according to CNBC](#), “the headline PPI [produce price index] was up 3 percent from a year ago [and] core PPI excluding trade services posted a 3.5 percent annual gain.” Mortgage rates dropped at the end of last week, and the average “is now down to its lowest level in more than three years,” [ABC News reported](#). Although these rates have been decreasing since late summer, “home sales remained stuck at a 30-year low last year,” while the pullback “has spurred a sharp increase in homeowners seeking to refinance.” Retail and food sales were up, while manufacturing and wholesale trade ticked down. North American manufacturers reduced procurement activity for the sixth consecutive month in December, according to the [GEP Global Supply Chain Volatility Index](#).

TACIR has an ongoing partnership with the Business and Economic Research Center at Middle Tennessee State University to provide an interactive [Tracking Tennessee’s Economy](#) dashboard. Please visit the website to learn more about Tennessee’s economic and labor market trends at the state, county, and metropolitan statistical area levels.

**Federal Government Indicators and Reports:**

Bureau of Economic Analysis

Wednesday, [US International Transactions](#): “The US current-account deficit . . . narrowed by \$22.8 billion, or 9.2 percent, to \$226.4 billion in the third quarter of 2025. . . . The revised second-quarter deficit was \$249.2 billion. The third-quarter deficit was 2.9 percent of current-dollar gross domestic product, down from 3.3 percent in the second quarter. . . . Exports of goods decreased \$1.9 billion to \$548.0 billion. . . . Imports of goods decreased \$5.0 billion to \$815.4 billion. . . . Exports of services increased \$11.7 billion to \$314.2 billion, and imports of services increased \$3.1 billion to \$225.0 billion.”

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent on a seasonally adjusted basis in December. . . . Over the last 12 months, the all items index increased 2.7 percent before seasonal adjustment. . . . The index for all items less food and energy rose 0.2 percent in December. . . . The all items less food and energy index rose 2.6 percent over the last 12 months.”

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees were unchanged from November to December, seasonally adjusted. . . . This result stems from an increase of 0.3 percent in average hourly earnings combined with an increase of 0.3 percent in CPI-U. . . . From December 2024 to December 2025, real average hourly earnings increased 1.1 percent.”

Wednesday, [Producer Price Index](#): “The Producer Price Index for final demand increased 0.2 percent in November, seasonally adjusted. . . . Final demand prices edged up 0.1 percent in October and advanced 0.6 percent in September. On an unadjusted basis, the index for final demand rose 3.0

percent for the 12 months ended in November. . . . Prices for final demand less foods, energy, and trade services climbed 3.5 percent.”

Thursday, [US Import and Export Price Indexes](#): “US import prices increased 0.4 percent over the 2 months from September 2025 to November 2025. . . . Prices for US exports increased 0.5 percent.” Year-over-year, “Import prices for nonfuel industrial supplies and materials increased 4.6 percent for the year ended November 2025. . . . Import capital goods prices increased 1.5 percent. . . . US export prices increased 3.3 percent over the 12-month period ended in November. . . . Agricultural export prices increased 2.6 percent.”

Friday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were higher in November than a year earlier in 259 of the 387 metropolitan areas, lower in 100 areas, and unchanged in 28 areas. . . . Nonfarm payroll employment increased over the year in 8 metropolitan areas, decreased in 2 areas, and was essentially unchanged in 377 areas. The national unemployment rate in November was 4.3 percent, not seasonally adjusted, up from 4.0 percent a year earlier.” The Nashville-Davidson—Murfreesboro—Franklin area had the second highest percent increase in nonfarm employment among metropolitan areas of more than a million people (+1.7 percent). The unemployment rate for November 2025 was lower than a year ago in the Johnson City metropolitan area, higher in Chattanooga, Kingsport-Bristol, and Morristown, and unchanged in all other areas and for the state as a whole.

Bureau of Transportation Statistics

Wednesday, [Freight Transportation Services Index](#): “The Freight Transportation Services Index rose 1.2 percent in November from October, rising for the month after two months of decline. . . . From November 2024 to November 2025 the index rose 1.2 percent.”

Wednesday, [Transportation Producer Price Index](#): “Prices increased for freight transportation and equipment 2.2 percent in November 2025 from November 2024.” The transportation services producer price index for trucking increased 4.2 percent over the 12-month period, compared to a 2.5 percent increase for all services, including transportation and non-transportation. The indexes for air and rail services both increased 1.9 percent.

Census Bureau

Tuesday, [New Residential Sales](#): “Sales of new single-family houses in October 2025 were at a seasonally-adjusted annual rate of 737,000. . . . This is 0.1 percent below the September 2025 rate of 738,000 and is 18.7 percent above the October 2024 rate of 621,000. The seasonally-adjusted estimate of new houses for sale at the end of October 2025 was 488,000. This is virtually unchanged from the September 2025 estimate of 488,000 and is 1.7 percent above the October 2024 estimate of 480,000.”

Wednesday, [Advance Estimates of US Retail and Food Services](#): Advance estimates of US retail and food services sales for November 2025 “were \$735.9 billion [seasonally adjusted], up 0.6 percent from the previous month and up 3.3 percent from November 2024. Total sales for the September 2025 through November 2025 period were up 3.6 percent from the same period a year ago.”

Wednesday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for October, adjusted for seasonal and trading day differences but not for price changes, was estimated at \$1,943.7 billion, down 0.2 percent from September 2025, but was up 3.5 percent from October 2024. [Inventories] were estimated at an end-of-month level of \$2,677.8 billion, up 0.3 percent from September 2025 and were up 1.4 percent from October 2024.”

Wednesday, [Business Formation Statistics](#): “Business Applications for December 2025, adjusted for seasonal variation, were 497,046, a decrease of 7.3 percent compared to November 2025. Projected Business Formations (within 4 quarters) for December 2025, adjusted for seasonal variation, were 30,438, a decrease of 3.3 percent compared to November 2025.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending January 10, the advance figure for seasonally adjusted initial claims was 198,000, a decrease of 9,000 from the previous week’s revised level. . . . The 4-week moving average was 205,000, a decrease of 6,500 from the previous week’s revised average.” In Tennessee, there were 6,624 initial claims for the week ending January 10, an increase of 3,522 from the week prior.

Federal Reserve Board

Wednesday, [The Beige Book](#): “Overall economic activity increased at a slight to modest pace in eight of the twelve Federal Reserve Districts, with three Districts reporting no change and one reporting a modest decline. This marks an improvement over the last three report cycles where a majority of Districts reported little change. . . . Manufacturing activity varied with five Districts reporting growth and six reporting contraction. . . . Employment was mostly unchanged in the most recent period, with eight of the twelve Districts reporting no changes in hiring.” In the Sixth District, which includes Middle and East Tennessee, the “economy grew slightly. Employment levels were flat to slightly down. Prices grew slightly. Retail sales improved, and travel rose modestly. Home sales improved, but commercial real estate declined. Transportation activity was flat to slightly down, while manufacturing activity was flat to slightly up.” In the Eight District, which includes West Tennessee, “Economic activity has modestly increased since our previous report. The uptick in activity was attributed to the end of the government shutdown and strong late-holiday sales. Employment levels were unchanged. Prices continued to increase moderately.”

Friday, [Industrial Production and Capacity Utilization](#): “Industrial Production increased 0.4 percent in December and grew at an annual rate of 0.7 percent in the fourth quarter. Manufacturing output rose 0.2 percent in December but declined at an annual rate of 0.7 percent in the fourth quarter.”

### **Economic Indicators and Confidence:**

GEP / S&P Global

Tuesday, [Global Supply Chain Volatility](#): “Although the global index edged up to -0.17 in December, its highest level since June 2025, underlying data continue to signal softening global manufacturing demand. . . . In December, North American manufacturers reduced procurement activity at the fastest rate since May 2025, marking the sixth consecutive month of softening input demand.”

National Federation of Independent Business

Tuesday, [Small Business Optimism](#): “The NFIB Small Business Optimism Index rose 0.5 points in December to 99.5 and remained above its 52-year average of 98. Of the 10 Optimism Index components, two increased, three decreased, and five were unchanged. . . . The Uncertainty Index fell 7 points from November to 84, the lowest reading since June 2024. . . . The net percent of owners expecting better business conditions rose 9 points from November to a net 24 percent.”

S&P Global

Tuesday, [Global Investment Manager Index](#) (IMI): “The IMI’s Risk Appetite Index . . . has risen for a fourth successive month, up from +34 percent in December to +41 percent, its joint-highest ‘risk on’ reading since April 2021. . . . Views around shareholder returns are now the most positive for a year while equity fundamentals are seen to the most positive for three years.”

### **Mortgages and Housing Markets:**

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Late last week, mortgage rates dropped, driving the weekly average down to its lowest level in more than three years,’ said Sam Khater, Freddie Mac’s Chief Economist. . . . The 30-year FRM averaged 6.06 percent as of January 15, 2026, down from last week when it averaged 6.16 percent. A year ago at this time, the 30-year FRM averaged 7.04 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 28.5 percent from one week earlier, according to data . . . for the week ending January 9, 2026. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$832,750 or less) decreased to 6.18 percent from 6.25 percent.”

National Association of Home Builders

Friday, [Housing Market Index](#) (HMI): “Builder confidence in the market for newly built single-family homes fell two points to 37 in January. . . . The future sales component of the HMI dipped below 50 for the first time since September, indicating that builders continue to face several issues that include labor and lot shortages as well as elevated regulatory and material costs.”

National Association of Realtors

Wednesday, [Existing Home Sales](#): “Existing-home sales increased by 5.1 percent in December. . . . Month-over-month sales increased in all regions. Year-over-year sales increased in the South [up 3.6 percent], remained flat in the Midwest and West, and decreased in the Northeast.”