

Economic Update, February 20, 2026  
Submitted by Madison Thorn

**Summary:**

In the fourth quarter of 2025, real gross domestic product (GDP) increased at an annual rate of 1.4 percent, down from 4.4 percent in the third quarter. Also in the fourth quarter, advance selected services revenue rose 0.8 percent from the third quarter and 6.6 percent from a year earlier. In December 2025, personal income increased 0.3 percent, disposable personal income rose 0.3 percent, personal consumption expenditures increased 0.4 percent, and personal outlays rose \$90.2 billion; housing permits were issued at a seasonally adjusted annual rate of 1,448,000, and housing starts were at an annual rate of 1,404,000, while new single-family home sales were at an annual rate of 745,000. Durable goods orders decreased 1.4 percent in December, driven by a 5.3 percent decline in transportation equipment. The December trade deficit widened as exports fell and imports rose; for 2025 as a whole, the goods and services deficit decreased 0.2 percent from 2024, with exports up 6.2 percent and imports up 4.8 percent. State labor market data for December showed little change nationally in job openings, hires, and separations, while Tennessee's job openings rate declined to 4.0, hires rose to 3.7, and separations fell to 3.2. In January 2026, industrial production increased 0.7 percent, and pending home sales decreased 0.8 percent from December and 0.4 percent year over year, including a 4.0 percent year-over-year decline in the South. In February 2026, builder confidence fell to 36, mortgage rates declined to 6.01 percent for the 30-year fixed-rate mortgage, mortgage applications rose 2.8 percent from the prior week, the Weekly Economic Index was 2.58 percent (scaled to four-quarter GDP growth), the recession indicator remained below its threshold, initial unemployment claims totaled 206,000 for the week ending February 14 (3,297 in Tennessee), and consumer sentiment was little changed from January.

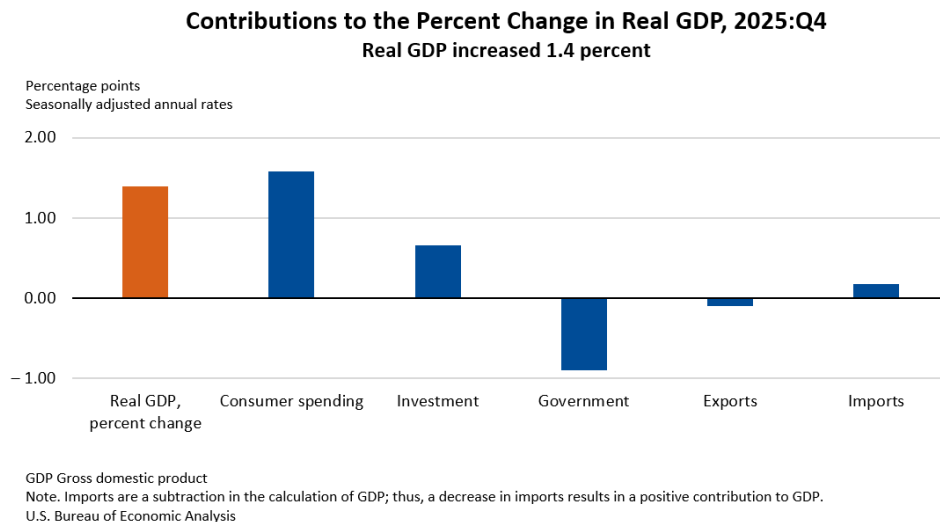
Tennessee's economy showed mixed signals in October 2025, the Tracking Tennessee's Economy dashboard reported Tuesday. Weekly initial unemployment claims declined by 11.78 percent, and state sales tax collections increased by 1.52 percent. However, single-family building permits fell by 3.83 percent. Nonfarm employment edged up just 0.03 percent, and the unemployment rate remained unchanged. The strongest monthly job gains were in retail trade (0.75 percent) and other services (0.66 percent). In contrast, financial activities and professional and business services (both down 0.83 percent) and education and health services (down 0.62 percent) saw the largest declines. Year over year, weekly initial claims decreased by 17.73 percent, sales tax collections rose by 7.92 percent, average hourly earnings increased by 3.42 percent (annual rate), and nonfarm employment grew by 0.62 percent (annual rate). Other services (2.77 percent, annual rate) and leisure and hospitality (2.45 percent, annual rate) saw the highest employment growth, while non-durable goods manufacturing (down 3.18 percent, annual rate) and transportation and utilities (down 1.26 percent, annual rate) declined. 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

Friday, [Quarterly GDP \(Advance Estimate\)](#): "Real gross domestic product (GDP) increased at an annual rate of 1.4 percent in the fourth quarter of 2025 (October, November, and December). . . . In the

third quarter, real GDP increased 4.4 percent. . . . The contributors to the increase in real GDP in the fourth quarter were increases in consumer spending and investment. These movements were partly offset by decreases in government spending and exports. Imports, which are a subtraction in the calculation of GDP, decreased.”



Friday, [Personal Income and Outlays](#): “Personal income increased \$86.2 billion (0.3 percent at a monthly rate) in December [2025]. . . . Disposable personal income (DPI)—personal income less personal current taxes—increased \$75.7 billion (0.3 percent), and personal consumption expenditures (PCE) increased \$91.0 billion (0.4 percent). . . . Personal outlays—the sum of PCE, personal interest payments, and personal current transfer payments—increased \$90.2 billion in December.”

Bureau of Labor Statistics

Thursday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in 6 states in December [2025]. . . . Over the month, hires rates decreased in 3 states and increased in 1 state. Total separations rates increased in 9 states and decreased in 2 states. Nationally, the job openings, hires, and total separations rates showed little change in December.” In Tennessee, the job openings rate decreased to 4.0 in December. The state’s hires rate rose to 3.7, and the total separations rate decreased to 3.2.

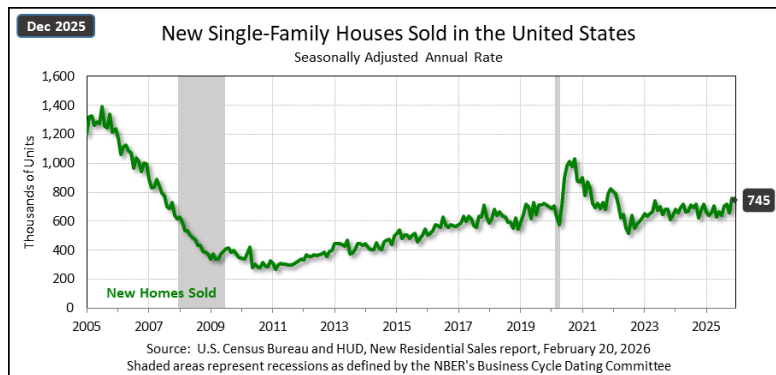
Census Bureau

Wednesday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in December [2025] were at a seasonally adjusted annual rate of 1,448,000. This is 4.3 percent above the revised November rate of 1,388,000, but is 2.2 percent below the December 2024 rate of 1,480,000. Single-family authorizations in December were at a rate of 881,000; this is 1.7 percent below the revised November figure of 896,000. Authorizations of units in buildings with five units or more were at a rate of 515,000 in December. . . . An estimated 1,425,200 housing units were authorized by building permits in 2025. This is 3.6 percent below the 2024 figure of 1,478,000. . . . Privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,404,000. This is 6.2 percent above the revised November estimate of 1,322,000, but is 7.3 percent below the December 2024 rate of 1,514,000. Single-family housing starts in December were at a rate of 981,000; this is 4.1 percent above the revised November figure of 942,000. The December rate for units in buildings with five units or more was 402,000. . . . An estimated 1,358,700 housing units were started in 2025. This is 0.6 percent below the 2024 figure of 1,367,100.”

Wednesday, [Advance Report on Durable Goods](#): “New orders for manufactured durable goods in December [2025], down two of the last three months, decreased \$4.6 billion or 1.4 percent to \$319.6 billion. . . . This followed a 5.4 percent November increase. Excluding transportation, new orders increased 0.9 percent. Excluding defense, new orders decreased 2.5 percent. Transportation equipment, also down two of the last three months, drove the decrease, \$6.4 billion or 5.3 percent to \$113.5 billion.”

Thursday, [U.S. International Trade in Goods and Services](#): “December [2025] exports were \$287.3 billion, \$5.0 billion less than November exports. December imports were \$357.6 billion, \$12.3 billion more than November imports. The December increase in the goods and services deficit reflected an increase in the goods deficit of \$15.7 billion to \$99.3 billion and a decrease in the services surplus of \$1.6 billion to \$29.0 billion. For 2025, the goods and services deficit decreased \$2.1 billion, or 0.2 percent, from 2024. Exports increased \$199.8 billion or 6.2 percent. Imports increased \$197.8 billion or 4.8 percent.”

Friday, [New Residential Sales](#): “Sales of new single-family houses in December 2025 were at a seasonally-adjusted annual rate of 745,000. . . . This is 1.7 percent below the November 2025 rate of 758,000, and is 3.8 percent above the December 2024 rate of 718,000. An estimated 679,000 new homes were sold in 2025. This is 1.1 percent below the 2024 figure of 686,000.”



Friday, [Advance Services Report](#): “Advance U.S. selected services total revenue for the fourth quarter of 2025, adjusted for seasonal variation but not for price changes, was \$6,159.4 billion, an increase of 0.8 percent from the third quarter of 2025 and up 6.6 percent from the fourth quarter of 2024. The second quarter of 2025 to third quarter of 2025 percentage change was not revised from the preliminary estimate of 2.4 percent.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending February 14 [2026], the advance figure for seasonally adjusted initial claims was 206,000, a decrease of 23,000 from the previous week's revised level. The previous week's level was revised up by 2,000 from 227,000 to 229,000. The 4-week moving average was 219,000, a decrease of 1,000 from the previous week's revised average. The previous week's average was revised up by 500 from 219,500 to 220,000.” In Tennessee, the advance figure for seasonally adjusted initial claims was 3,297 in the week ending February 14.

Federal Reserve Board

Wednesday, [Industrial Production and Capacity Utilization](#): “Industrial production increased 0.7 percent in January [2026] after moving up 0.2 percent in December [2025]. In January, manufacturing output advanced 0.6 percent, the index for mining decreased 0.2 percent, and utilities output moved up

2.1 percent. Capacity utilization rose to 76.2 percent, a rate that is 3.2 percentage points below its long-run (1972–2025) average.”

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

Federal Reserve Bank of Dallas

Thursday, [Weekly Economic Index](#): “The WEI is currently 2.58 percent, scaled to four-quarter GDP growth, for the week ended Feb. 14 [2026] and 2.43 percent for Feb. 7. The 13-week moving average is 2.31 percent. This is compared with 2.33 percent four-quarter GDP growth through third quarter 2025. Electricity output and fuel sales were not released this week due to the Washington’s Birthday holiday.”

Federal Reserve Bank of Richmond

Thursday, [Recession Indicator](#): “The Scavette-O’Trakoun-Sahm-style (SOS) indicator was 0.058 the week ending February 7, decreasing from the prior week’s reading and remaining below the recession threshold of 0.2.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment stagnated this month with very little change, just 0.2 index points higher than January. All index components posted insignificant movements this month; overall, consumers do not perceive any material differences in the economy from last month.”

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

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “ ‘Mortgage rates dropped again this week, now down to their lowest level since September of 2022,’ said Sam Khater, Freddie Mac’s Chief Economist. ‘This lower rate environment is not only improving affordability for prospective homebuyers, it’s also strengthening the financial position of homeowners. Over the past year, refinance application activity has more than doubled, enabling many recent buyers to reduce their annual mortgage payments by thousands of dollars.’ The 30-year FRM averaged 6.01 percent as of February 19, 2026, down from last week when it averaged 6.09 percent. A year ago at this time, the 30-year FRM averaged 6.85 percent. The 15-year FRM averaged 5.35 percent, down from last week when it averaged 5.44 percent. A year ago at this time, the 15-year FRM averaged 6.04 percent.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, increased 2.8 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 5 percent compared with the previous week. The Refinance Index increased 7 percent from the previous week and was 132 percent higher than the same week one year ago. The seasonally adjusted Purchase Index decreased 3 percent from one week earlier. The unadjusted Purchase Index increased 3 percent compared with the previous week and was 8 percent higher than the same week one year ago.”

National Association of Home Builders

Tuesday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes fell one point to 36 in February. . . . Current sales conditions held steady at 41. Sales

expectations in the next six months fell three points to 46. Traffic of prospective buyers dropped two points to 22. . . . The latest HMI survey also revealed that 36 percent of builders cut prices in February, down from 40 percent in January. While this marks the lowest incidence of price-cutting since last May (34 percent), the average price reduction remains at 6 percent. The use of sales incentives was 65 percent in February, unchanged from January, and marking the 11th consecutive month this share has exceeded 60 percent.”

National Association of Realtors

Thursday, [Pending Home Sales Index](#): “Pending home sales in January [2026] decreased by 0.8 percent from the prior month and 0.4 percent year-over-year. . . . Month-over-month pending home sales rose in the Midwest and West, and declined in the Northeast and South. Year-over-year pending home sales rose in the South and West and declined in the Northeast and Midwest.” For the South, pending home sales in January decreased by 4.5 from the prior month and 4.0 percent year over year.