

U.S. Economic Forecast

**WELLS
FARGO**

SECURITIES

Wells Fargo U.S. Economic Forecast

	Actual				Forecast												Actual			Forecast	
	2016				2017				2018				2019				2015	2016	2017	2018	2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Real Gross Domestic Product (a)	0.6	2.2	2.8	1.8	1.2	3.1	3.2	2.9	2.0	4.7	3.2	3.1	2.3	3.0	2.9	2.7	2.9	1.5	2.3	3.1	2.9
Personal Consumption	1.8	3.8	2.8	2.9	1.9	3.3	2.2	4.0	0.9	3.3	2.8	2.8	2.1	3.0	2.7	2.6	3.6	2.7	2.8	2.6	2.7
Business Fixed Investment	-4.0	3.3	3.4	0.2	7.2	6.7	4.7	6.8	10.4	5.9	6.2	4.9	4.5	4.8	4.6	4.2	2.3	-0.6	4.7	7.1	4.9
Equipment	-13.1	-0.6	-2.1	1.8	4.4	8.8	10.8	11.5	5.8	5.1	5.5	4.2	3.7	4.1	4.0	3.3	3.5	-3.4	4.8	7.4	4.2
Intellectual Property Products	6.3	11.1	4.2	-0.4	5.7	3.7	5.2	0.8	13.2	4.0	5.4	5.3	4.9	5.4	5.3	5.1	3.8	6.3	3.9	6.0	5.1
Structures	2.3	0.5	14.3	-2.2	14.8	7.0	-7.0	6.3	16.2	11.0	9.0	6.0	5.5	5.5	5.0	4.5	-1.8	-4.1	5.6	8.2	6.2
Residential Construction	13.4	-4.7	-4.5	7.1	11.1	-7.3	-4.7	12.8	-1.1	3.5	7.5	7.5	6.5	7.0	7.0	6.0	10.2	5.5	1.8	2.9	6.7
Government Purchases	1.8	-0.9	0.5	0.2	-0.6	-0.2	0.7	3.0	1.3	2.1	3.5	2.6	1.3	1.1	1.0	0.7	1.4	0.8	0.1	1.9	1.8
Net Exports	-584.2	-572.4	-557.3	-631.1	-622.2	-613.6	-597.5	-653.9	-656.8	-604.5	-639.1	-651.1	-661.5	-669.8	-675.8	-678.2	-545.3	-586.2	-621.8	-637.9	-671.3
Pct. Point Contribution to GDP	-0.3	0.3	0.4	-1.6	0.2	0.2	0.4	-1.2	0.0	1.2	-0.8	-0.3	-0.2	-0.2	-0.1	-0.1	-0.7	-0.2	-0.2	-0.1	-0.2
Inventory Change	40.6	12.2	17.6	63.1	1.2	5.5	38.5	15.6	13.9	32.0	48.0	50.0	52.0	54.0	56.0	58.0	100.5	33.4	15.2	36.0	55.0
Pct. Point Contribution to GDP	-0.6	-0.7	0.2	1.1	-1.5	0.1	0.8	-0.5	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.2	-0.4	-0.1	0.1	0.1
Nominal GDP (a)	0.8	4.7	4.2	3.8	3.3	4.1	5.3	5.3	4.2	6.8	5.5	5.4	4.6	5.4	5.4	5.1	4.0	2.8	4.1	5.3	5.3
Real Final Sales	1.2	2.9	2.6	0.7	2.7	3.0	2.4	3.4	2.0	4.7	2.8	3.1	2.3	3.0	2.8	2.7	2.6	1.9	2.4	3.1	2.9
Retail Sales (b)	2.9	2.5	2.5	3.5	4.9	4.1	4.2	5.6	4.5	5.5	5.9	4.8	5.7	5.4	5.1	5.0	2.6	2.9	4.7	5.2	5.3
Inflation Indicators (b)																					
PCE Deflator	1.0	1.0	1.2	1.6	2.0	1.6	1.5	1.7	1.8	2.2	2.4	2.2	2.2	2.2	2.3	2.3	0.3	1.2	1.7	2.1	2.3
"Core" PCE Deflator	1.6	1.7	1.8	1.9	1.8	1.5	1.4	1.5	1.6	1.9	2.0	2.0	2.1	2.1	2.1	2.2	1.3	1.8	1.5	1.9	2.1
Consumer Price Index	1.1	1.1	1.1	1.8	2.6	1.9	2.0	2.1	2.3	2.7	2.7	2.5	2.3	2.5	2.6	2.6	0.1	1.3	2.1	2.5	2.5
"Core" Consumer Price Index	2.2	2.2	2.2	2.2	2.1	1.8	1.7	1.7	1.9	2.2	2.3	2.2	2.2	2.3	2.4	2.4	1.8	2.2	1.8	2.2	2.3
Producer Price Index (Final Demand)	0.0	0.1	0.3	1.4	2.0	2.2	2.4	2.8	2.8	3.0	3.1	2.6	2.5	2.5	2.6	2.9	-0.9	0.4	2.3	2.9	2.6
Employment Cost Index	1.9	2.3	2.3	2.2	2.4	2.4	2.5	2.6	2.7	2.8	2.9	2.9	3.0	3.0	3.0	3.1	2.1	2.2	2.5	2.8	3.0
Real Disposable Income (a)	0.2	1.9	0.7	-1.8	2.9	2.7	0.7	1.2	3.6	3.0	2.5	2.5	2.8	2.6	2.6	2.6	4.2	1.4	1.2	2.4	2.6
Nominal Personal Income (b)	2.9	2.5	2.6	1.6	3.1	2.7	2.8	4.0	3.7	4.0	4.2	4.0	4.3	4.7	4.8	4.8	5.0	2.4	3.1	4.0	4.6
Industrial Production (a)	-1.9	-2.1	1.1	0.7	1.0	5.0	-1.5	7.7	2.4	5.9	2.4	2.4	2.5	2.3	2.3	2.3	-1.0	-1.9	1.6	3.7	2.6
Capacity Utilization	75.7	75.2	75.2	75.3	75.4	76.2	75.8	77.0	77.2	78.0	78.1	78.2	78.2	78.3	78.4	78.4	77.3	75.3	76.1	77.9	78.3
Corporate Profits Before Taxes (b)	-6.2	-8.2	-1.6	8.7	3.3	6.3	5.3	2.7	6.8	4.3	-2.4	-1.0	-3.8	-1.2	1.4	1.2	-1.1	-2.1	4.4	1.8	-0.6
Corporate Profits After Taxes	-4.2	-8.0	-2.2	14.1	3.7	7.8	7.7	4.8	16.9	14.8	6.0	5.7	-3.5	-0.9	1.3	1.1	-1.5	-0.5	6.0	10.7	-0.5
Federal Budget Balance (c)	-245	60	-187	-210	-317	4	-143	-225	-375	16	-191	-321	-395	-64	-270	-337	-439	-587	-666	-775	-1050
Current Account Balance (d)	-111.9	-103.1	-109.3	-108.6	-107.7	-121.8	-103.4	-116.1	-124.1	-110.0	-120.0	-125.0	-130.0	-135.0	-140.0	-145.0	-407.8	-432.9	-449.1	-479.1	-550.0
Trade Weighted Dollar Index (e)	89.7	90.6	89.9	95.7	94.0	90.5	88.1	87.5	86.3	90.0	89.5	88.8	87.3	85.8	84.3	83.0	91.0	91.5	91.1	88.6	85.1
Nonfarm Payroll Change (f)	198	164	255	164	177	190	142	221	218	211	190	180	170	170	160	160	226	195	182	200	165
Unemployment Rate	4.9	4.9	4.9	4.7	4.7	4.3	4.3	4.1	4.1	3.9	3.9	3.8	3.7	3.7	3.6	3.5	5.3	4.9	4.4	3.9	3.6
Housing Starts (g)	1.14	1.16	1.15	1.25	1.23	1.17	1.17	1.26	1.32	1.31	1.31	1.32	1.37	1.39	1.41	1.43	1.11	1.17	1.20	1.32	1.40
Light Vehicle Sales (h)	17.3	17.2	17.5	17.8	17.1	16.8	17.1	17.7	17.1	17.1	16.9	16.8	16.7	16.7	16.6	16.6	17.4	17.5	17.2	17.0	16.7
Crude Oil - Brent - Front Contract (i)	35.2	47.0	47.0	51.0	54.6	50.8	52.2	61.4	66.9	74.6	77.0	72.0	75.0	80.0	85.0	80.0	54.0	45.1	54.7	72.6	80.0
Quarter-End Interest Rates (j)																					
Federal Funds Target Rate	0.50	0.50	0.50	0.75	1.00	1.25	1.25	1.50	1.75	2.00	2.25	2.50	2.50	2.75	2.75	3.00	0.27	0.52	1.13	2.13	2.75
3 Month LIBOR	0.63	0.65	0.85	1.00	1.15	1.30	1.33	1.69	2.31	2.34	2.50	2.65	2.65	2.90	2.90	3.15	0.32	0.74	1.26	2.45	2.90
Prime Rate	3.50	3.50	3.50	3.75	4.00	4.25	4.25	4.50	4.75	5.00	5.25	5.50	5.50	5.75	5.75	6.00	3.27	3.52	4.13	5.13	5.75
Conventional Mortgage Rate	3.69	3.57	3.46	4.20	4.20	3.90	3.81	3.94	4.44	4.57	4.59	4.70	4.85	4.94	4.99	5.04	3.85	3.65	3.99	4.58	4.96
3 Month Bill	0.21	0.26	0.29	0.51	0.76	1.03	1.06	1.39	1.73	1.93	2.15	2.40	2.60	2.65	2.70	2.75	0.05	0.32	0.95	2.05	2.68
6 Month Bill	0.39	0.36	0.45	0.62	0.91	1.14	1.20	1.53	1.93	2.11	2.30	2.55	2.70	2.75	2.80	2.85	0.17	0.46	1.07	2.22	2.78
1 Year Bill	0.59	0.45	0.59	0.85	1.03	1.24	1.31	1.76	2.09	2.33	2.55	2.75	2.95	3.03	3.10	3.20	0.32	0.61	1.20	2.43	3.07
2 Year Note	0.73	0.58	0.77	1.20	1.27	1.38	1.47	1.89	2.27	2.52	2.70	2.90	3.05	3.12	3.19	3.26	0.69	0.83	1.40	2.60	3.16
5 Year Note	1.21	1.01	1.14	1.93	1.93	1.89	1.92	2.20	2.56	2.73	2.84	2.97	3.12	3.24	3.31	3.38	1.53	1.33	1.91	2.78	3.26
10 Year Note	1.78	1.49	1.60	2.45	2.40	2.31	2.33	2.40	2.74	2.85	2.94	3.10	3.25	3.34	3.39	3.44	2.14	1.84	2.33	2.91	3.36
30 Year Bond	2.61	2.30	2.32	3.06	3.02	2.84	2.86	2.74	2.97	2.98	3.09	3.30	3.50	3.60	3.65	3.73	2.84	2.59	2.89	3.09	3.62

Forecast as of: July 11, 2018

Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter

(b) Year-over-Year Percentage Change

(c) Quarterly Sum - Billions USD; Annual Data Represents Fiscal Yr.

(d) Quarterly Sum - Billions USD

(e) Federal Reserve Major Currency Index, 1973=100 - Quarter End

(f) Average Monthly Change

(g) Millions of Units - Annual Data - Not Seasonally Adjusted

(h) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold

(i) Quarterly Average of Daily Close

(j) Annual Numbers Represent Averages

Together we'll go far



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