

U.S. Economic Forecast

**WELLS
FARGO**

SECURITIES

Wells Fargo U.S. Economic Forecast

	Actual								Forecast								Actual		Forecast	
	2017				2018				2019				2020				2017	2018	2019	2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product (a)	1.8	3.0	2.8	2.3	2.2	4.2	3.3	2.7	2.5	2.7	2.6	2.4	2.2	2.0	1.9	1.8	2.2	2.9	2.8	2.2
Personal Consumption	1.8	2.9	2.2	3.9	0.5	3.8	3.4	2.8	2.2	2.9	2.6	2.5	2.1	2.2	1.8	1.7	2.5	2.6	2.8	2.2
Business Fixed Investment	9.6	7.3	3.4	4.8	11.5	8.7	5.5	5.4	4.7	4.9	4.4	4.0	3.7	3.6	2.9	2.8	5.3	7.3	5.1	3.7
Equipment	9.1	9.7	9.8	9.9	8.5	4.6	4.1	4.8	3.8	4.2	3.7	3.1	2.7	2.6	2.1	2.0	6.1	7.4	4.1	2.8
Intellectual Property Products	8.0	6.6	1.7	0.7	14.1	10.5	7.1	5.2	4.8	5.3	4.7	4.6	4.7	4.6	3.7	3.6	4.6	7.4	5.6	4.5
Structures	12.8	3.8	-5.7	1.3	13.9	14.5	7.0	7.0	6.5	6.0	5.5	5.0	4.5	4.0	3.5	3.5	4.6	7.1	6.8	4.5
Residential Construction	11.1	-5.5	-0.5	11.1	-3.4	-1.3	0.5	2.5	4.5	5.0	4.5	4.0	3.5	3.0	2.5	2.0	3.3	0.7	3.3	3.5
Government Purchases	-0.8	0.0	-1.0	2.4	1.5	2.5	3.2	3.1	2.4	1.6	1.0	0.8	0.7	0.5	0.3	0.1	-0.1	1.8	2.2	0.7
Net Exports	-845.5	-844.1	-845.9	-899.2	-902.4	-841.0	-916.6	-945.8	-960.3	-982.8	-997.6	-1008.1	-1009.6	-1019.1	-1016.5	-1010.6	-858.7	-901.4	-987.2	-1013.9
Pct. Point Contribution to GDP	-0.1	0.1	0.0	-0.9	0.0	1.2	-1.6	-0.6	-0.3	-0.5	-0.3	-0.2	0.0	-0.2	0.1	0.1	-0.4	-0.2	-0.5	-0.1
Inventory Change	-2.4	11.9	64.4	16.1	30.3	-36.8	48.0	50.0	51.0	52.0	57.0	56.0	56.0	55.0	55.0	55.0	22.5	22.9	54.0	55.3
Pct. Point Contribution to GDP	-0.8	0.2	1.0	-0.9	0.3	-1.2	1.8	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Nominal GDP (a)	3.9	4.2	4.8	5.1	4.3	7.6	4.7	5.5	5.7	5.2	5.3	4.9	4.6	4.4	4.4	4.2	4.2	5.2	5.4	4.7
Real Final Sales	2.6	2.8	1.8	3.2	1.9	5.4	2.2	2.7	2.5	2.7	2.5	2.4	2.2	2.0	1.9	1.8	2.2	2.9	2.7	2.2
Retail Sales (b)	4.9	4.1	4.2	5.6	4.5	5.7	6.1	4.9	5.4	4.8	4.4	4.5	4.5	4.4	4.4	3.7	4.7	5.3	4.8	4.2
Inflation Indicators (b)																				
PCE Deflator	2.0	1.6	1.6	1.8	1.9	2.2	2.2	2.2	2.4	2.5	2.7	2.6	2.5	2.4	2.4	2.4	1.8	2.1	2.5	2.4
"Core" PCE Deflator	1.8	1.6	1.5	1.6	1.7	1.9	2.0	2.0	2.2	2.2	2.3	2.3	2.2	2.2	2.2	2.1	1.6	1.9	2.2	2.2
Consumer Price Index	2.6	1.9	2.0	2.1	2.3	2.6	2.7	2.6	2.6	2.8	3.0	2.9	2.7	2.7	2.5	2.5	2.1	2.5	2.8	2.6
"Core" Consumer Price Index	2.1	1.8	1.7	1.7	1.9	2.2	2.3	2.3	2.4	2.6	2.7	2.7	2.5	2.3	2.4	2.4	1.8	2.2	2.6	2.4
Producer Price Index (Final Demand)	2.0	2.2	2.4	2.8	2.8	3.0	2.9	2.7	2.8	2.8	3.1	3.1	2.9	2.9	2.7	2.6	2.3	2.9	2.9	2.8
Employment Cost Index	2.4	2.4	2.5	2.6	2.7	2.8	2.8	2.9	2.9	3.0	3.1	3.2	3.2	3.3	3.3	3.3	2.5	2.8	3.1	3.3
Real Disposable Income (a)	4.5	2.2	2.2	2.3	4.4	2.5	2.5	2.5	2.8	2.6	2.6	2.6	2.6	2.5	2.2	2.0	2.6	2.9	2.6	2.5
Nominal Personal Income (b)	4.1	4.3	4.5	4.6	4.3	4.7	4.6	4.3	4.5	4.7	4.8	4.8	4.6	4.3	4.2	3.9	4.4	4.5	4.7	4.2
Industrial Production (a)	1.0	5.0	-1.5	7.7	2.5	5.1	3.4	3.7	2.4	4.2	1.2	4.0	2.5	4.7	0.7	0.1	1.6	3.8	3.2	2.8
Capacity Utilization	75.4	76.2	75.8	77.0	77.2	77.8	78.1	78.4	78.5	78.6	78.6	78.8	78.9	79.1	79.0	78.9	76.1	77.9	78.6	79.0
Corporate Profits Before Taxes (b)	3.0	3.6	2.8	3.3	5.9	7.3	8.0	6.2	5.6	1.8	0.5	-0.8	-1.6	-2.2	-2.6	-3.4	3.2	6.9	1.7	-2.4
Corporate Profits After Taxes	6.0	6.2	6.4	7.3	15.1	15.8	17.0	12.5	4.7	1.9	0.3	-1.0	-1.8	-2.4	-2.9	-3.7	6.5	15.1	1.4	-2.7
Federal Budget Balance (c)	-317	4	-143	-225	-375	-7	-168	-321	-396	-63	-270	-337	-416	-63	-283	-364	-666	-775	-1050	-1100
Trade Weighted Dollar Index (d)	94.0	90.5	88.1	87.5	86.3	90.0	90.1	90.5	89.8	88.5	87.3	86.3	84.8	84.0	82.8	81.8	91.1	89.2	87.9	83.3
Nonfarm Payroll Change (e)	177	190	142	221	218	217	190	180	170	170	160	160	150	140	100	90	182	201	165	120
Unemployment Rate	4.7	4.3	4.3	4.1	4.1	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.3	4.4	3.9	3.6	3.3
Housing Starts (f)	1.23	1.17	1.17	1.26	1.32	1.26	1.25	1.33	1.34	1.36	1.36	1.38	1.39	1.40	1.41	1.42	1.20	1.29	1.36	1.41
Light Vehicle Sales (g)	17.1	16.8	17.1	17.6	17.1	17.2	16.9	16.8	16.8	16.7	16.7	16.6	16.6	16.5	16.4	16.3	17.1	17.0	16.7	16.5
Crude Oil - Brent - Front Contract (h)	54.6	50.8	52.2	61.4	66.9	74.6	75.8	82.0	80.0	85.0	88.0	82.0	80.0	74.0	70.0	70.0	54.7	74.9	83.8	73.5
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate	1.00	1.25	1.25	1.50	1.75	2.00	2.25	2.50	2.75	3.00	3.25	3.25	3.25	3.25	3.25	3.00	1.13	2.13	3.06	3.19
3 Month LIBOR	1.15	1.30	1.33	1.69	2.31	2.34	2.40	2.70	2.95	3.15	3.40	3.40	3.40	3.40	3.40	3.15	1.26	2.44	3.23	3.34
Prime Rate	4.00	4.25	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.25	6.25	6.25	6.25	6.00	4.13	5.13	6.06	6.19
Conventional Mortgage Rate	4.20	3.90	3.81	3.94	4.44	4.57	4.63	4.95	5.05	5.15	5.25	5.30	5.30	5.25	5.20	5.15	3.99	4.65	5.19	5.23
3 Month Bill	0.76	1.03	1.06	1.39	1.73	1.93	2.19	2.40	2.65	2.90	3.05	3.10	3.05	3.00	2.95	2.75	0.95	2.06	2.93	2.94
6 Month Bill	0.91	1.14	1.20	1.53	1.93	2.11	2.36	2.60	2.80	2.95	3.10	3.15	3.10	3.05	3.00	2.80	1.07	2.25	3.00	2.99
1 Year Bill	1.03	1.24	1.31	1.76	2.09	2.33	2.59	2.80	3.00	3.05	3.15	3.20	3.15	3.10	3.05	2.90	1.20	2.45	3.10	3.05
2 Year Note	1.27	1.38	1.47	1.89	2.27	2.52	2.81	3.00	3.10	3.15	3.25	3.25	3.20	3.15	3.10	3.00	1.40	2.65	3.19	3.11
5 Year Note	1.93	1.89	1.92	2.20	2.56	2.73	2.94	3.15	3.25	3.35	3.45	3.50	3.45	3.40	3.35	3.25	1.91	2.85	3.39	3.36
10 Year Note	2.40	2.31	2.33	2.40	2.74	2.85	3.05	3.35	3.45	3.55	3.65	3.70	3.70	3.65	3.60	3.55	2.33	3.00	3.59	3.63
30 Year Bond	3.02	2.84	2.86	2.74	2.97	2.98	3.19	3.55	3.65	3.80	3.90	3.95	4.00	4.00	3.95	3.90	2.89	3.17	3.83	3.96

Forecast as of: October 10, 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) Federal Reserve Major Currency Index, 1973=100 - Quarter End

(e) Average Monthly Change

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

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

(h) Quarterly Average of Daily Close

(i) Annual Numbers Represent Averages

Together we'll go far



Global Head of Research, Economics & Strategy

Diane Schumaker-Krieg diane.schumaker@wellsfargo.com
Global Head of Research, Economics & Strategy

Senior Economists

Jay H. Bryson, Global Economist jay.bryson@wellsfargo.com
Mark Vitner, Senior Economist mark.vitner@wellsfargo.com
Sam Bullard, Senior Economist sam.bullard@wellsfargo.com
Nick Bennenbroek, Currency Strategist nicholas.bennenbroek@wellsfargo.com
Azhar Iqbal, Econometrician azhar.iqbal@wellsfargo.com
Tim Quinlan, Senior Economist tim.quinlan@wellsfargo.com
Sarah House, Senior Economist sarah.house@wellsfargo.com

Economists

Charlie Dougherty, Economist charles.dougherty@wellsfargo.com
Erik Nelson, Currency Strategist erik.f.nelson@wellsfargo.com
Michael Pugliese, Economist michael.d.pugliese@wellsfargo.com

Economic Analysts

Abigail Kinnaman, Economic Analyst abigail.kinnaman@wellsfargo.com
Shannon Seery, Economic Analyst shannon.seery@wellsfargo.com
Matthew Honnold, Economic Analyst matthew.honnold@wellsfargo.com

Administrative Assistants

Donna LaFleur, Executive Assistant donna.lafleur@wellsfargo.com
Dawne Howes, Administrative Assistant dawne.howes@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC. ("WFS") is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. ("WFBNA") is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. WFS and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2018 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. For purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.