

U.S. Economic Forecast

Wells Fargo U.S. Economic Forecast

	Actual												Forecast																		
	2015				2016				2017				2018				2014			2015			2016			2017			2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q															
Real Gross Domestic Product (a)	2.0	2.6	2.0	0.9	0.8	1.4	3.5	2.1	1.2	2.5	2.9	2.6	2.7	2.8	2.8	2.6	2.4	2.6	1.6	2.2	2.7	2.4	2.6	1.6	2.2	2.7	2.4	2.6	1.6	2.2	2.7
Personal Consumption	2.4	2.9	2.7	2.3	1.6	4.3	3.0	3.5	0.6	3.3	2.5	2.3	2.7	2.9	3.0	2.9	2.9	3.2	2.7	2.5	2.7	2.9	3.2	2.7	2.5	2.7	2.9	3.2	2.7	2.5	2.7
Business Fixed Investment	1.3	1.6	3.9	-3.3	-3.4	1.0	1.4	0.9	11.4	5.5	4.4	4.7	4.7	4.9	4.8	4.6	6.0	2.1	-0.5	5.1	4.8	6.0	2.1	-0.5	5.1	4.8	6.0	2.1	-0.5	5.1	4.8
Equipment	9.3	-0.3	9.1	-2.6	-9.5	-2.9	-4.5	1.9	7.2	5.9	3.9	4.3	3.8	4.3	4.2	3.7	5.4	3.5	-2.9	3.2	4.2	5.4	3.5	-2.9	3.2	4.2	5.4	3.5	-2.9	3.2	4.2
Intellectual Property Products	0.8	8.0	2.1	4.5	3.8	9.0	3.2	1.3	6.7	5.9	4.7	5.0	5.1	4.8	4.7	4.5	3.9	4.8	4.7	4.9	4.9	3.9	4.8	4.7	4.9	4.9	3.9	4.8	4.7	4.9	4.9
Structures	-12.3	-2.7	-4.3	-15.2	0.1	-2.1	12.0	-1.9	28.4	4.9	5.2	5.5	6.0	6.3	6.5	6.7	10.3	-4.4	-2.9	9.4	5.9	10.3	-4.4	-2.9	9.4	5.9	10.3	-4.4	-2.9	9.4	5.9
Residential Construction	13.4	14.8	12.6	11.5	7.8	-7.8	-4.1	9.6	13.7	3.0	6.5	6.3	5.8	5.6	5.4	5.4	3.5	11.7	4.9	5.8	5.7	3.5	11.7	4.9	5.8	5.7	3.5	11.7	4.9	5.8	5.7
Government Purchases	2.6	3.2	1.9	1.0	1.6	-1.7	0.8	0.2	-1.1	-0.7	1.2	1.3	1.8	1.7	1.5	1.4	-0.9	1.8	0.8	-0.2	1.4	-0.9	1.8	0.8	-0.2	1.4	-0.9	1.8	0.8	-0.2	1.4
Net Exports	-521.2	-524.9	-547.1	-566.6	-566.3	-558.5	-522.2	-605.0	-599.9	-620.0	-631.0	-641.4	-654.6	-671.1	-689.0	-708.5	-425.7	-540.0	-563.0	-623.1	-680.8	-425.7	-540.0	-563.0	-623.1	-680.8	-425.7	-540.0	-563.0	-623.1	-680.8
Pct. Point Contribution to GDP	-1.7	-0.1	-0.5	-0.5	0.0	0.2	0.9	-1.8	0.1	-0.5	-0.3	-0.2	-0.3	-0.4	-0.4	-0.4	-0.1	-0.7	-0.1	-0.4	-0.3	-0.1	-0.7	-0.1	-0.4	-0.3	-0.1	-0.7	-0.1	-0.4	-0.3
Inventory Change	114.4	93.8	70.9	56.9	40.7	-9.5	7.1	49.6	4.3	30.0	45.0	50.0	50.0	50.0	50.0	50.0	57.7	84.0	22.0	32.3	50.0	57.7	84.0	22.0	32.3	50.0	57.7	84.0	22.0	32.3	50.0
Pct. Point Contribution to GDP	1.0	-0.5	-0.6	-0.4	-0.4	-1.2	0.5	1.0	-1.1	0.6	0.4	0.1	0.0	0.0	0.0	0.0	-0.1	0.2	-0.4	0.1	0.1	-0.1	0.2	-0.4	0.1	0.1	-0.1	0.2	-0.4	0.1	0.1
Nominal GDP (a)	2.1	4.9	3.2	1.8	1.3	3.7	5.0	4.2	3.4	3.5	4.8	4.6	4.8	4.8	4.9	4.9	4.2	3.7	3.0	4.1	4.7	4.2	3.7	3.0	4.1	4.7	4.2	3.7	3.0	4.1	4.7
Real Final Sales	1.0	3.2	2.6	1.2	1.3	2.6	3.0	1.1	2.2	2.3	2.5	2.5	2.7	2.8	2.8	2.6	2.5	2.4	2.0	2.2	2.6	2.5	2.4	2.0	2.2	2.6	2.5	2.4	2.0	2.2	2.6
Retail Sales (b)	3.1	2.4	2.6	2.3	2.9	2.7	2.5	3.9	5.1	4.3	4.4	3.8	4.0	4.8	5.3	5.8	4.2	2.6	3.0	4.4	5.0	4.2	2.6	3.0	4.4	5.0	4.2	2.6	3.0	4.4	5.0
Inflation Indicators (b)																															
PCE Deflator	0.3	0.3	0.3	0.4	0.9	1.0	1.0	1.4	2.0	1.7	1.8	1.8	1.7	2.0	2.0	2.1	1.5	0.3	1.1	1.8	2.0	1.5	0.3	1.1	1.8	2.0	1.5	0.3	1.1	1.8	2.0
"Core" PCE Deflator	1.4	1.4	1.3	1.4	1.6	1.6	1.7	1.7	1.7	1.6	1.6	1.8	1.8	2.1	2.1	2.2	1.6	1.4	1.7	1.7	2.0	1.6	1.4	1.7	1.7	2.0	1.6	1.4	1.7	1.7	2.0
Consumer Price Index	-0.1	0.0	0.1	0.4	1.1	1.1	1.1	1.8	2.6	2.1	2.2	2.0	1.8	2.3	2.3	2.2	1.6	0.1	1.3	2.2	2.1	1.6	0.1	1.3	2.2	2.1	1.6	0.1	1.3	2.2	2.1
"Core" Consumer Price Index	1.7	1.8	1.8	2.0	2.2	2.2	2.2	2.2	2.2	1.9	1.9	2.0	1.9	2.3	2.3	2.2	1.7	1.8	2.2	2.0	2.2	1.7	1.8	2.2	2.0	2.2	1.7	1.8	2.2	2.0	2.2
Producer Price Index (Final Demand)	-0.5	-0.8	-0.9	-1.3	0.0	0.1	0.2	1.4	2.1	2.4	2.7	2.7	2.4	2.1	2.2	2.2	1.6	-0.9	0.4	2.5	2.2	1.6	-0.9	0.4	2.5	2.2	1.6	-0.9	0.4	2.5	2.2
Employment Cost Index	2.6	2.0	2.0	2.0	1.9	2.3	2.3	2.2	2.4	2.6	2.8	2.9	2.9	2.9	3.0	3.0	2.1	2.1	2.2	2.7	3.0	2.1	2.1	2.2	2.7	3.0	2.1	2.1	2.2	2.7	3.0
Real Disposable Income (a)	2.0	3.9	3.3	3.0	2.1	2.9	2.9	-0.3	1.7	3.1	2.2	2.1	3.4	3.5	3.5	3.4	3.5	3.5	2.6	1.9	3.0	3.5	3.5	2.6	1.9	3.0	3.5	3.5	2.6	1.9	3.0
Nominal Personal Income (b)	4.8	4.6	4.2	3.9	3.6	3.4	3.6	3.0	3.7	3.6	3.5	4.2	4.4	4.8	4.8	4.9	5.2	4.4	3.4	3.8	4.7	5.2	4.4	3.4	3.8	4.7	5.2	4.4	3.4	3.8	4.7
Industrial Production (a)	-3.3	-4.0	0.4	-3.7	-1.3	-0.7	0.8	0.7	1.8	6.0	2.4	2.4	2.4	2.2	2.3	2.1	3.1	-0.7	-1.2	2.2	2.6	3.1	-0.7	-1.2	2.2	2.6	3.1	-0.7	-1.2	2.2	2.6
Capacity Utilization	77.8	76.8	76.7	76.0	75.8	75.7	75.8	75.8	75.9	76.6	76.6	76.7	76.8	76.9	77.0	77.1	78.6	76.8	75.7	76.5	76.9	78.6	76.8	75.7	76.5	76.9	78.6	76.8	75.7	76.5	76.9
Corporate Profits Before Taxes (b)	7.5	-2.8	-4.5	-11.2	-6.6	-4.3	2.1	9.3	3.7	3.7	3.2	3.1	3.1	3.0	3.0	2.9	5.9	-3.0	-0.1	3.4	3.0	5.9	-3.0	-0.1	3.4	3.0	5.9	-3.0	-0.1	3.4	3.0
Corporate Profits After Taxes	7.9	-2.9	-6.0	-18.3	-6.5	-5.8	0.6	15.7	4.3	3.0	2.7	2.6	4.0	3.9	3.9	3.9	3.5	-5.3	0.5	3.1	3.9	3.5	-5.3	0.5	3.1	3.9	3.5	-5.3	0.5	3.1	3.9
Federal Budget Balance (c)	-263	123	-123	-214	-245	60	-186	-210	-317	95	-169	-366	-480	152	-256	-365	-484	-439	-586	-600	-950	-484	-439	-586	-600	-950	-484	-439	-586	-600	-950
Current Account Balance (d)	-114.5	-111.9	-123.1	-113.4	-133.1	-119.7	-116.0	-112.4	-125.0	-130.0	-135.0	-140.0	-150.0	-155.0	-160.0	-165.0	-392.1	-463.0	-481.2	-530.0	-630.0	-392.1	-463.0	-481.2	-530.0	-630.0	-392.1	-463.0	-481.2	-530.0	-630.0
Trade Weighted Dollar Index (e)	92.1	90.0	92.3	94.5	89.8	90.6	90.0	95.8	94.0	92.3	93.0	94.5	95.5	94.5	92.8	90.8	78.4	91.1	91.6	93.4	93.4	78.4	91.1	91.6	93.4	93.4	78.4	91.1	91.6	93.4	93.4
Nonfarm Payroll Change (f)	186	271	170	277	196	164	239	148	166	156	150	145	145	140	140	135	250	226	187	154	140	250	226	187	154	140	250	226	187	154	140
Unemployment Rate	5.5	5.4	5.1	5.0	4.9	4.9	4.9	4.7	4.7	4.3	4.2	4.2	4.1	4.1	4.0	4.0	6.2	5.3	4.9	4.4	4.1	6.2	5.3	4.9	4.4	4.1	6.2	5.3	4.9	4.4	4.1
Housing Starts (g)	0.99	1.16	1.16	1.12	1.15	1.16	1.15	1.25	1.24	1.22	1.26	1.27	1.30	1.34	1.35	1.36	1.00	1.11	1.17	1.26	1.35	1.00	1.11	1.17	1.26	1.35	1.00	1.11	1.17	1.26	1.35
Light Vehicle Sales (h)	16.9	17.2	17.7	17.9	17.3	17.1	17.5	18.0	17.2	16.8	17.0	16.9	16.9	16.9	16.9	16.8	16.5	17.4	17.5	17.0	16.9	16.5	17.4	17.5	17.0	16.9	16.5	17.4	17.5	17.0	16.9
Crude Oil - Brent - Front Contract (i)	55.6	63.9	51.6	45.0	35.2	47.0	47.0	51.0	54.6	52.0	54.0	52.0	56.0	58.0	59.0	56.0	99.5	54.0	45.1	53.2	57.3	99.5	54.0	45.1	53.2	57.3	99.5	54.0	45.1	53.2	57.3
Quarter-End Interest Rates (j)																															
Federal Funds Target Rate	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.50	1.50	1.75	2.00	2.25	0.25	0.27	0.52	1.31	1.88	0.25	0.27	0.52	1.31	1.88	0.25	0.27	0.52	1.31	1.88
3 Month LIBOR	0.27	0.28	0.33	0.61	0.63	0.65	0.85	1.00	1.15	1.45	1.70	1.70	1.70	1.95	2.20	2.45	0.23	0.32	0.74	1.50	2.08	0.23	0.32	0.74	1.50	2.08	0.23	0.32	0.74	1.50	2.08
Prime Rate	3.25	3.25	3.25	3.50	3.50	3.50	3.50	3.75	4.00	4.25	4.50	4.50	4.50	4.75	5.00	5.25	3.25	3.27	3.52	4.31	4.88	3.25	3.27	3.52	4.31	4.88	3.25	3.27	3.52	4.31	4.88
Conventional Mortgage Rate	3.77	3.98	3.89	3.96	3.69	3.57	3.46	4.20	4.20	4.19	4.33	4.36	4.41	4.45	4.49	4.58	4.17	3.85	3.65	4.27	4.48	4.17	3.85	3.65	4.27	4.48	4.17	3.85	3.65	4.27	4.48
3 Month Bill	0.03	0.01	0.00	0.16	0.21	0.26	0.29	0.51	0.76	1.02	1.30	1.40	1.45	1.50	1.75	2.00	0.03	0.05	0.32	1.12	1.68	0.03	0.05	0.32	1.12	1.68	0.03	0.05	0.32	1.12	1.68

Global Head of Research, Economics & Strategy

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

Chief Economist

John E. Silvia john.silvia@wellsfargo.com

Senior Economists

Mark Vitner, Senior Economist mark.vitner@wellsfargo.com

Jay H. Bryson, Global Economist jay.bryson@wellsfargo.com

Sam Bullard, Senior Economist sam.bullard@wellsfargo.com

Nick Bennenbroek, Currency Strategist nicholas.bennenbroek@wellsfargo.com

Anika R. Khan, Senior Economist anika.khan@wellsfargo.com

Eugenio J. Alemán, Senior Economist eugenio.j.aleman@wellsfargo.com

Azhar Iqbal, Econometrician azhar.iqbal@wellsfargo.com

Tim Quinlan, Senior Economist tim.quinlan@wellsfargo.com

Eric J. Viloria, Currency Strategist eric.viloria@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 Advisors, 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 © 2017 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.

Economists

Sarah House, Economist sarah.house@wellsfargo.com

Michael A. Brown, Economist michael.a.brown@wellsfargo.com

Jamie Feik, Economist jamie.feik@wellsfargo.com

Erik Nelson, Currency Strategist erik.f.nelson@wellsfargo.com

Economic Analysts

Misa Batcheller, Economic Analyst misa.n.batcheller@wellsfargo.com

Michael Pugliese, Economic Analyst michael.d.pugliese@wellsfargo.com

Julianne Causey, Economic Analyst julianne.causey@wellsfargo.com

E. Harry Pershing, Economic Analyst edward.h.pershing@wellsfargo.com

Administrative Assistants

Donna LaFleur, Executive Assistant donna.lafleur@wellsfargo.com

Dawne Howes, Administrative Assistant dawne.howes@wellsfargo.com