

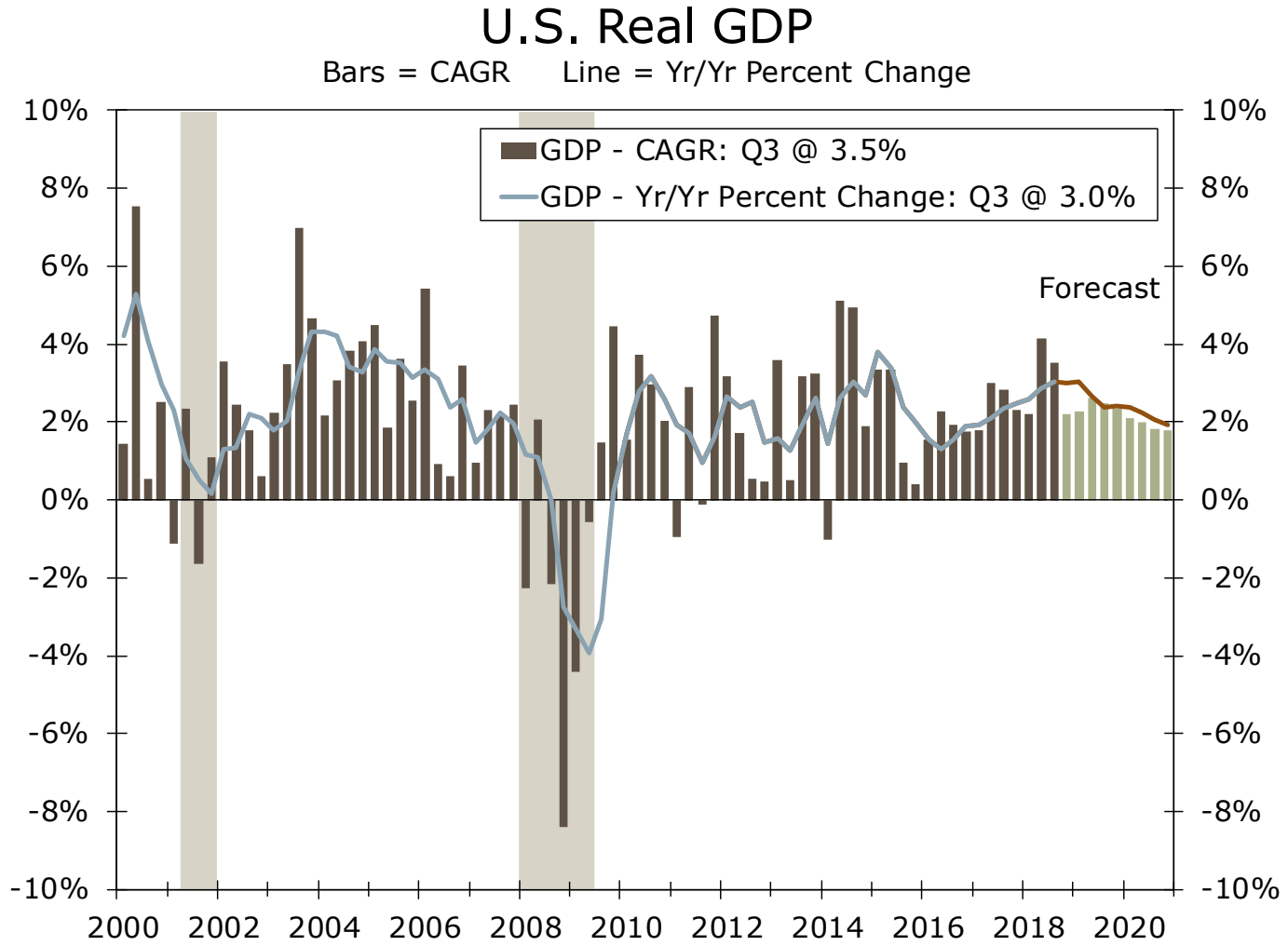
Economic Outlook

Charlie Dougherty, Vice President & Economist
January 10, 2019

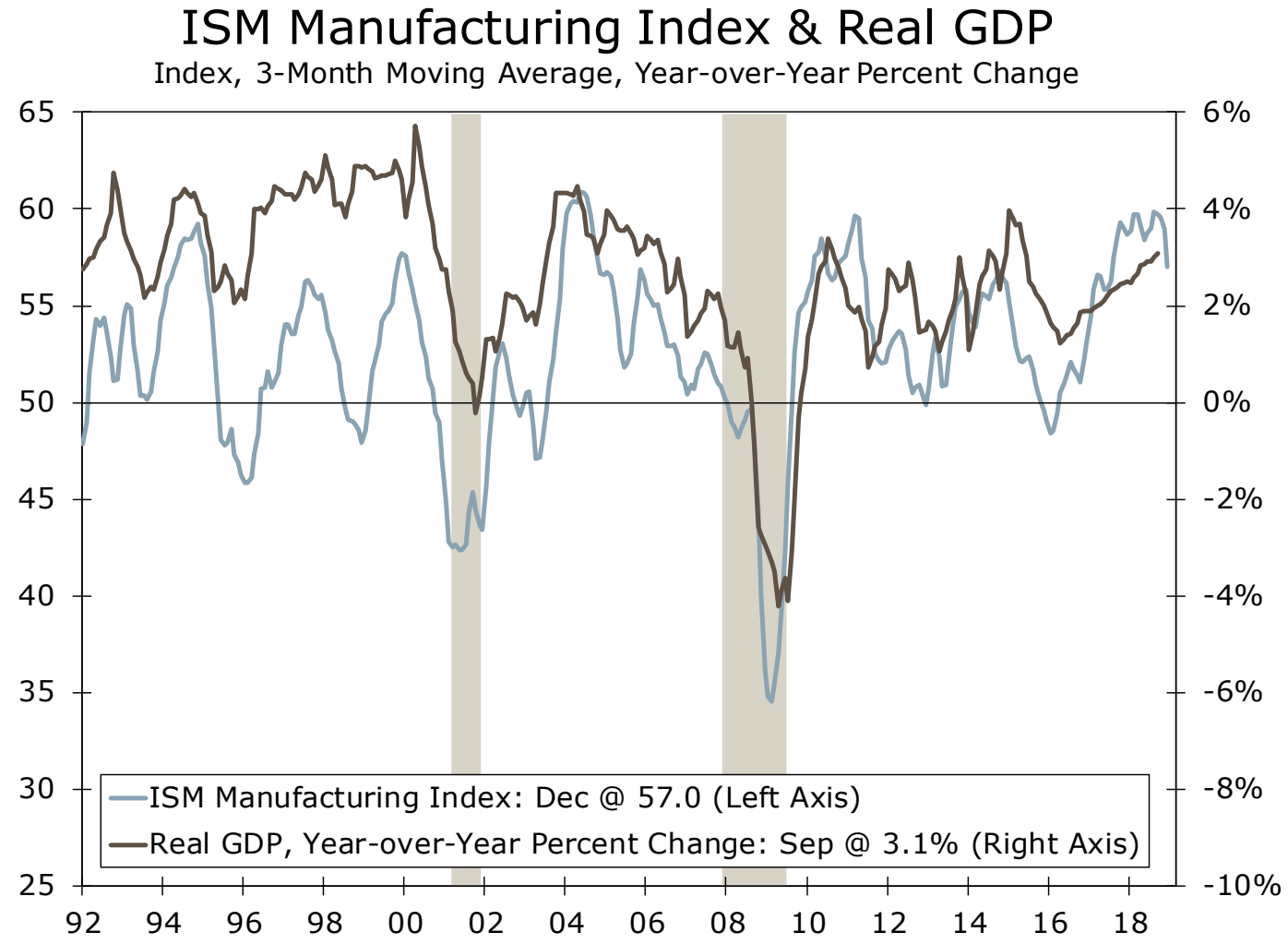
Together we'll go far



Real GDP growth has upshifted recently and should end the year at nearly a 3.0% pace. Growth will likely moderate in 2019, yet remain solid.



Source: U.S. Department of Commerce and Wells Fargo Securities

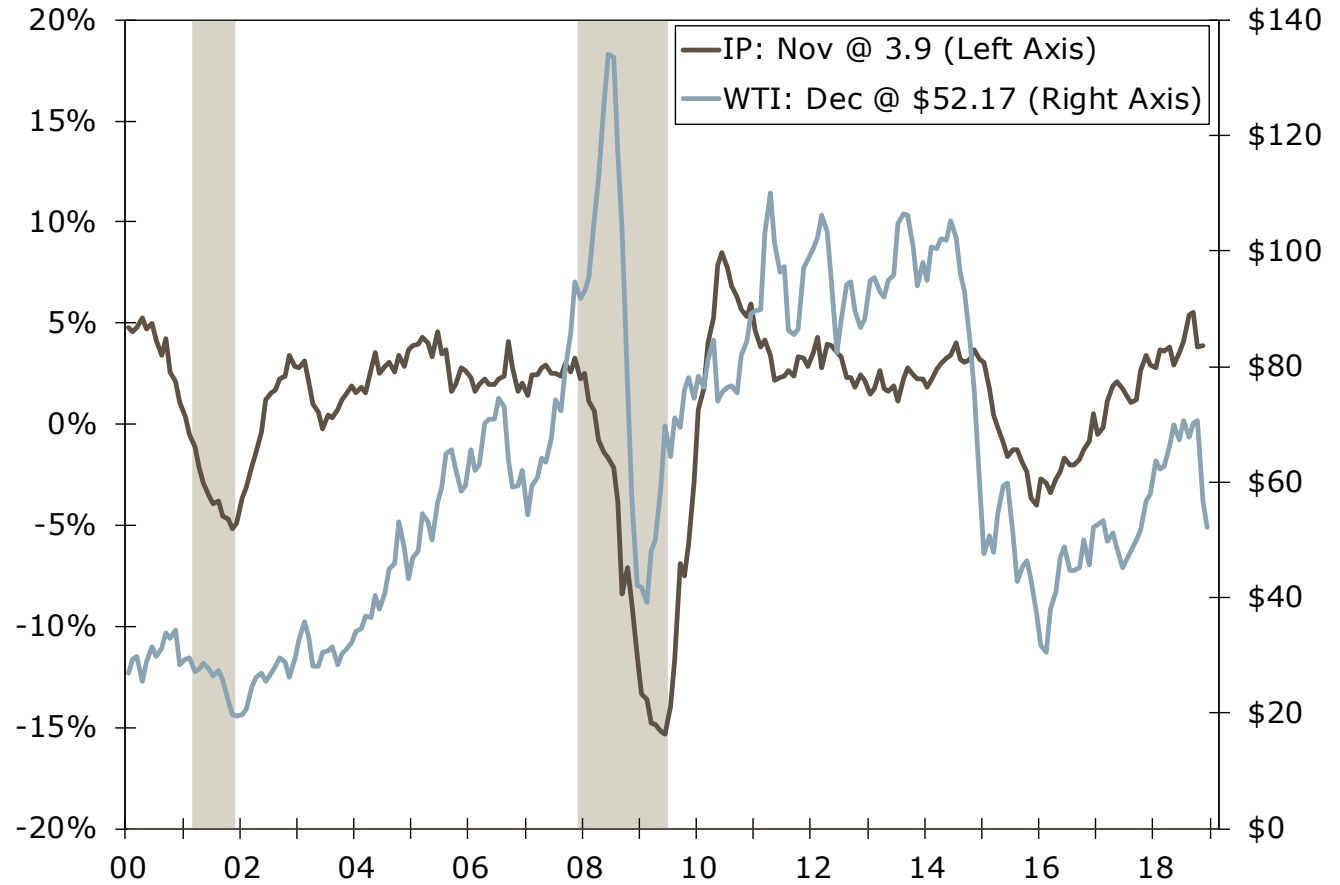


Source: Institute for Supply Management and Wells Fargo Securities

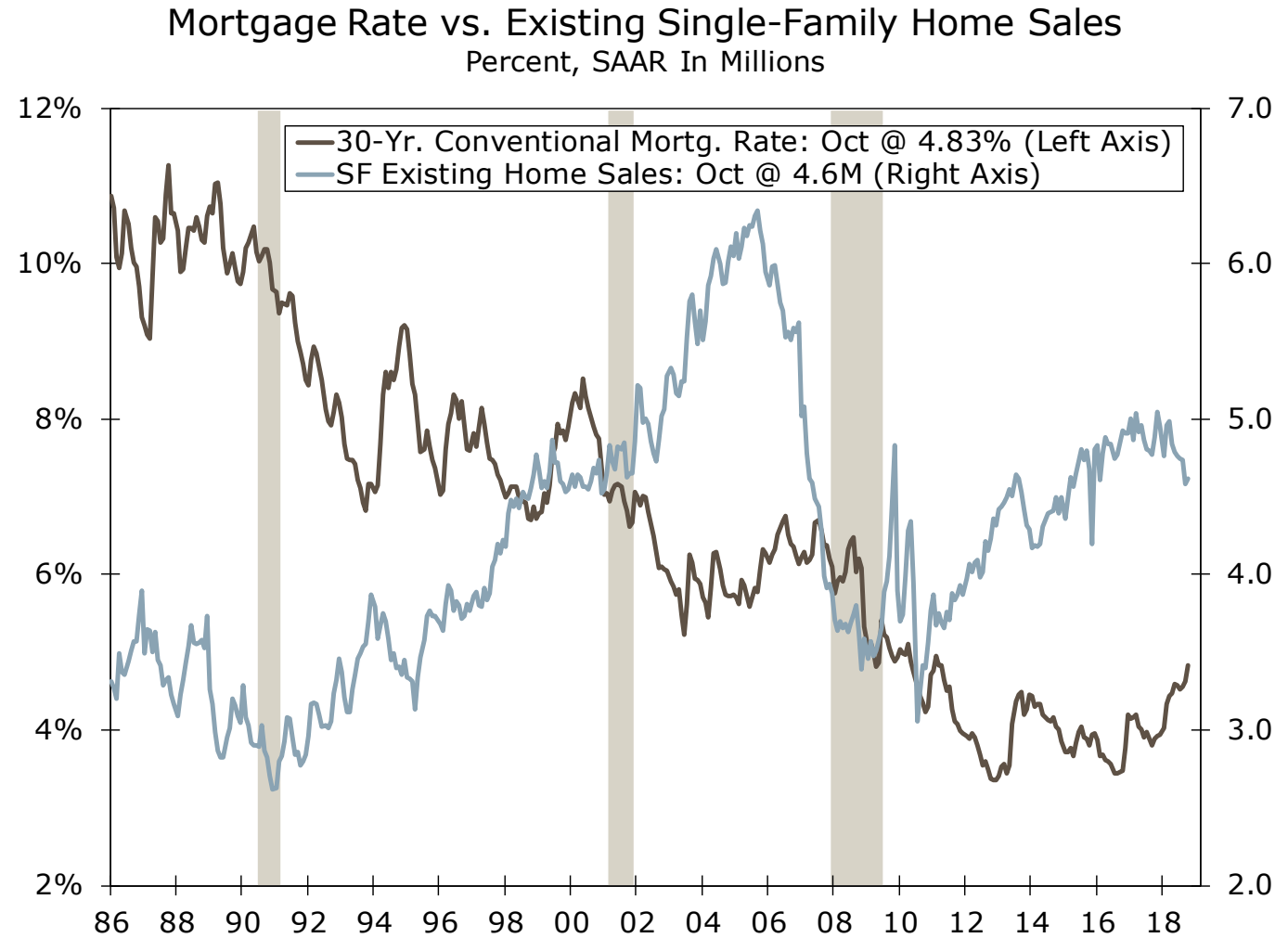


Industrial Production vs. WTI Oil Prices

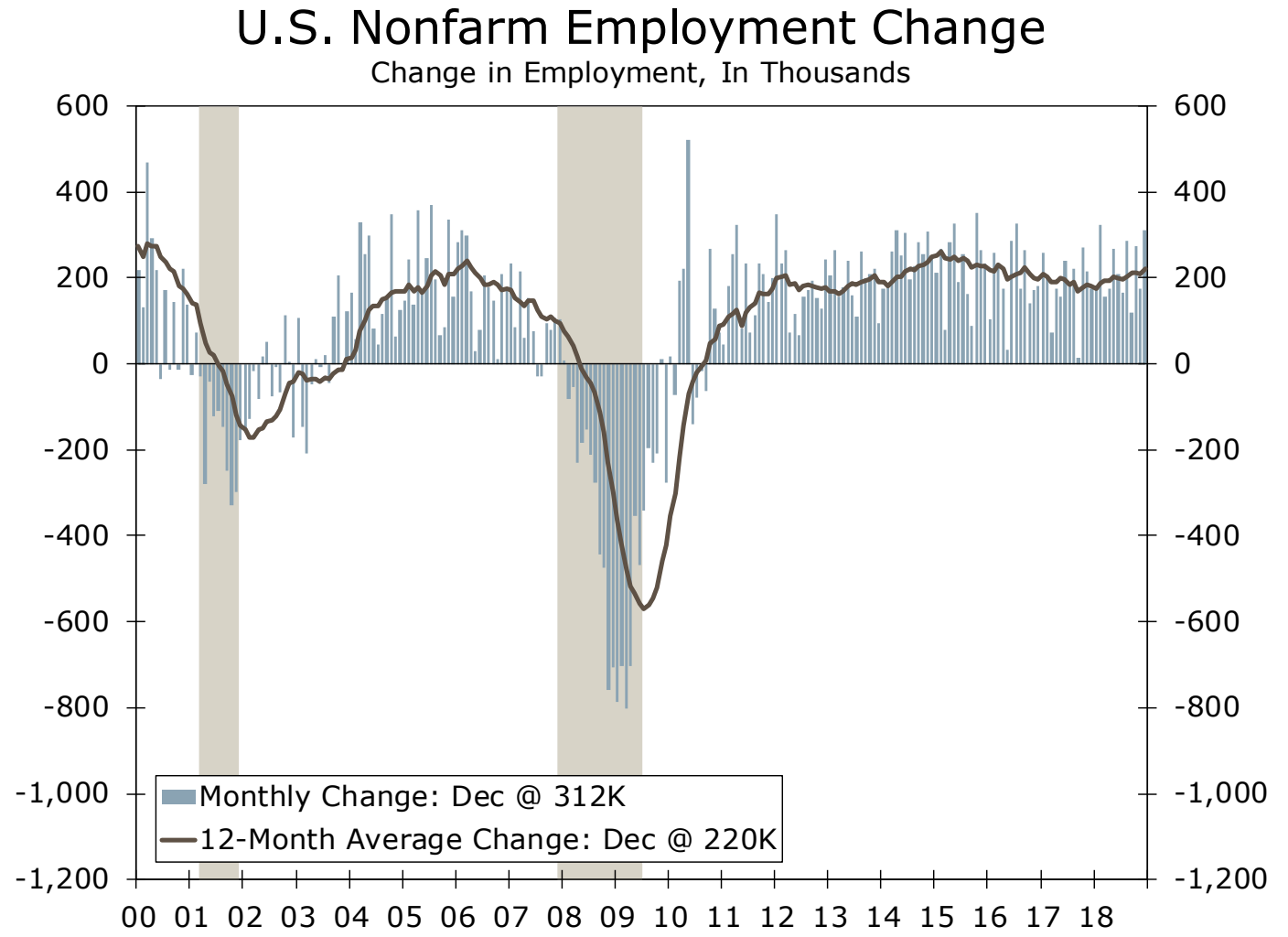
Year-over-Year Percent Change, USD



Source: Federal Reserve Board, Bloomberg LP and Wells Fargo Securities



Source: National Association of Realtors, U.S. Department of Commerce and Wells Fargo Securities

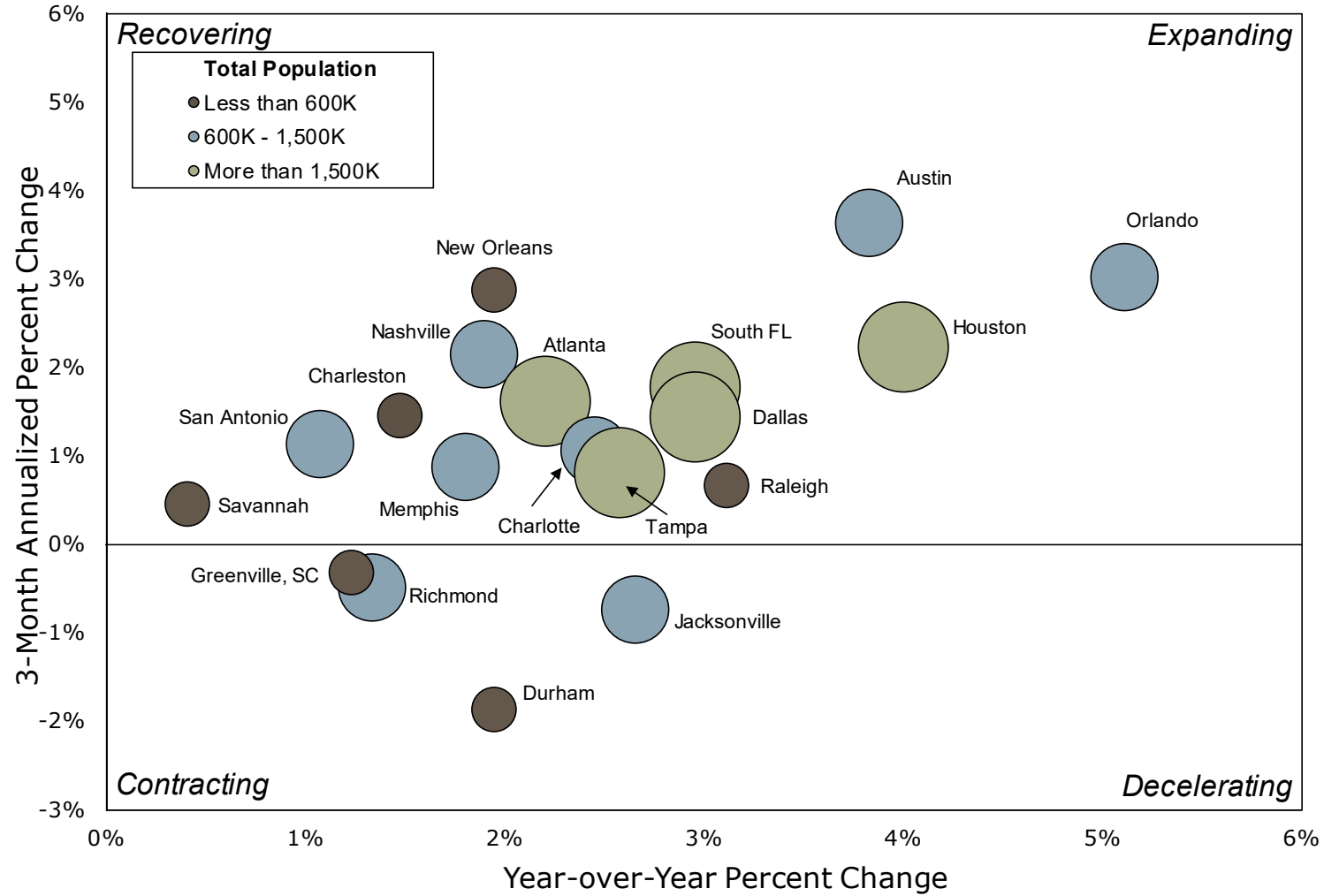


Source: U.S. Department of Labor and Wells Fargo Securities

Raleigh-Durham Outlook

Southeast Employment Growth by Metro

3-Month Moving Averages, November 2018

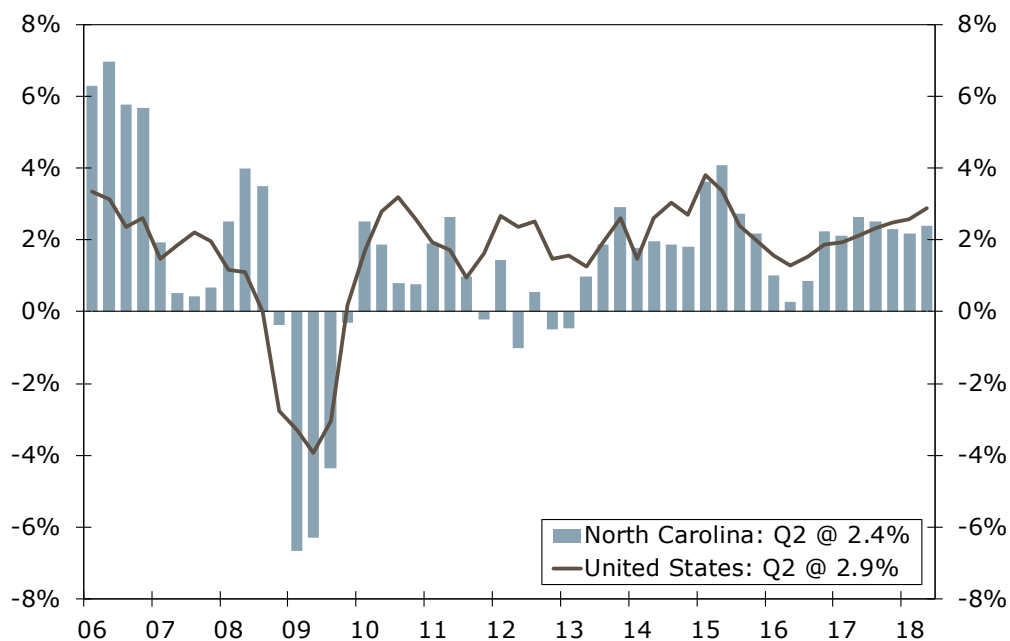


Source: U.S. Department of Labor and Wells Fargo Securities

Economic growth throughout the state has been solid. North Carolina claims two of the 15 fastest growing metros, with Charlotte and Raleigh near the top of the list.

Economic Growth

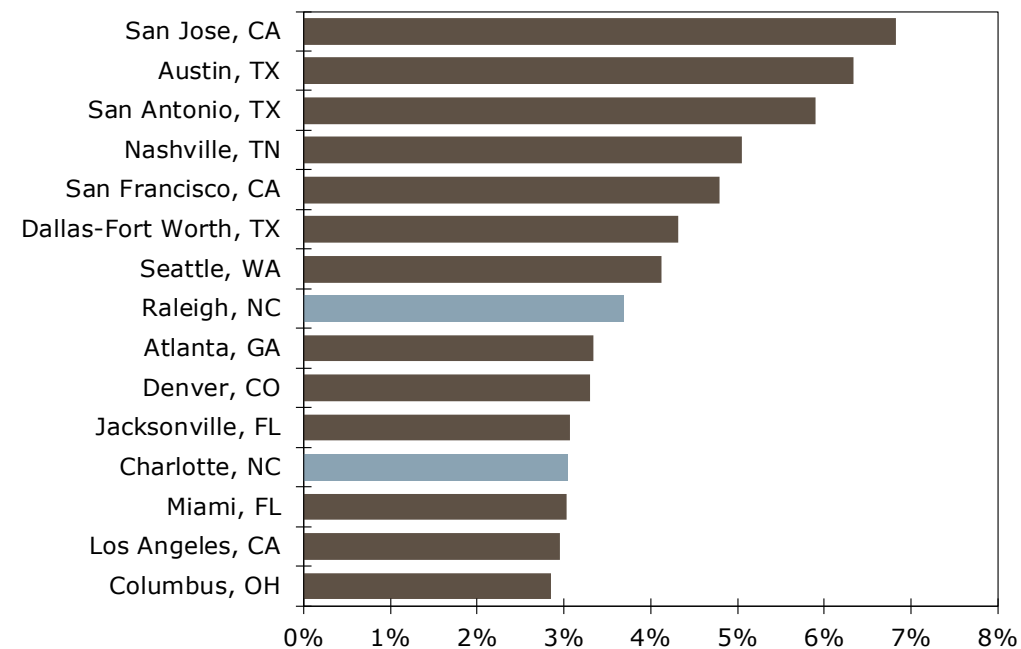
Real GDP Growth vs. U.S.
Year-over-Year Percent Change



Source: U.S. Department of Commerce and Wells Fargo Securities

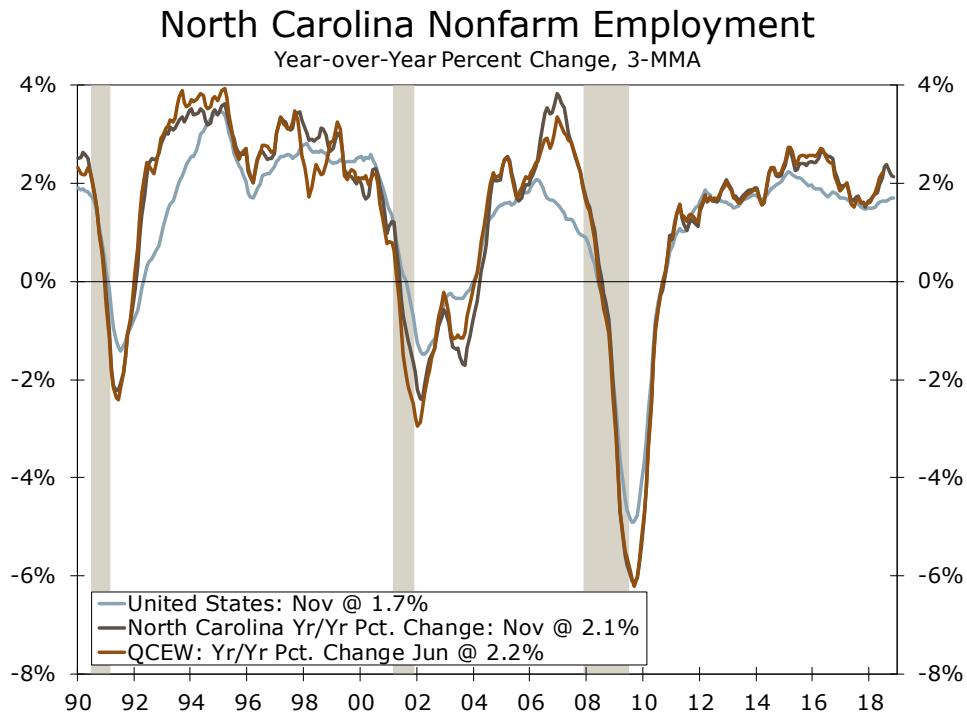
Fastest Growing Metros

Metro Area GDP Growth: Top 15
Change in Real GDP, CAGR, 2011-2017



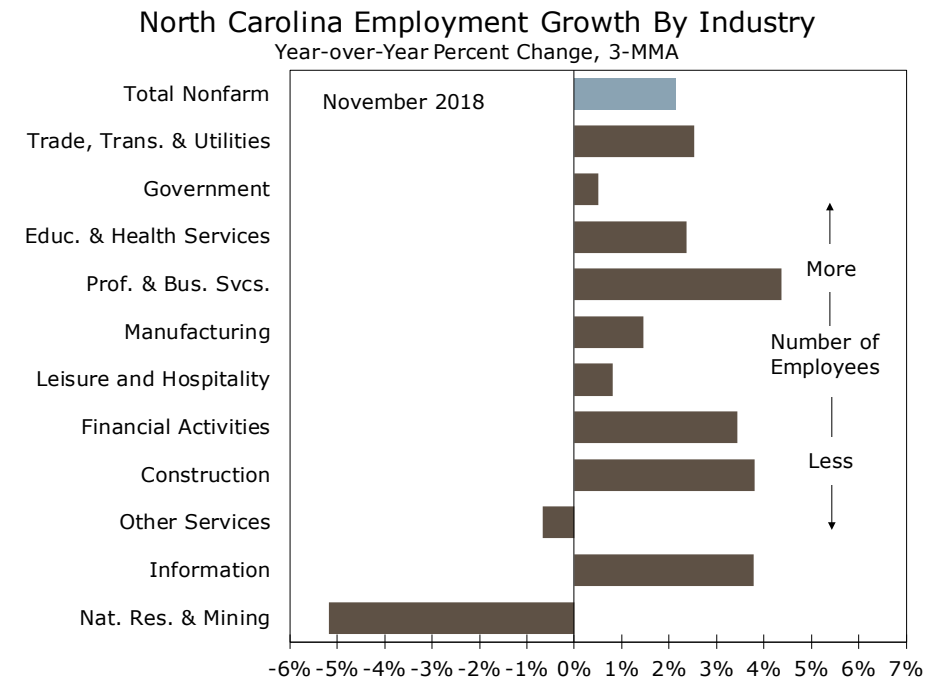
North Carolina's job growth moderated somewhat last year but has accelerated recently, with broad-based improvements across most industries and regions.

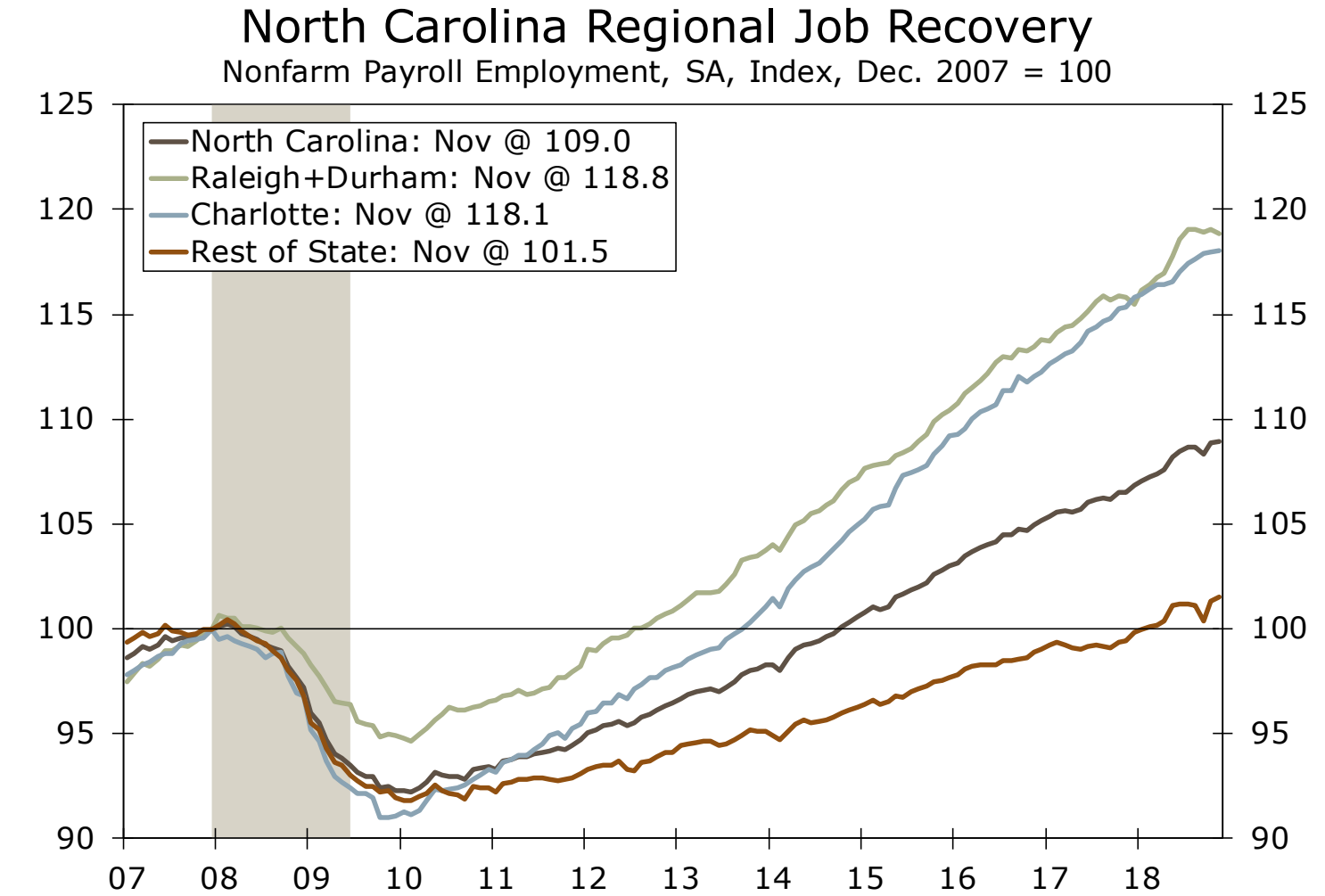
Nonfarm Employment



Source: U.S. Department of Labor and Wells Fargo Securities

Nonfarm Employment

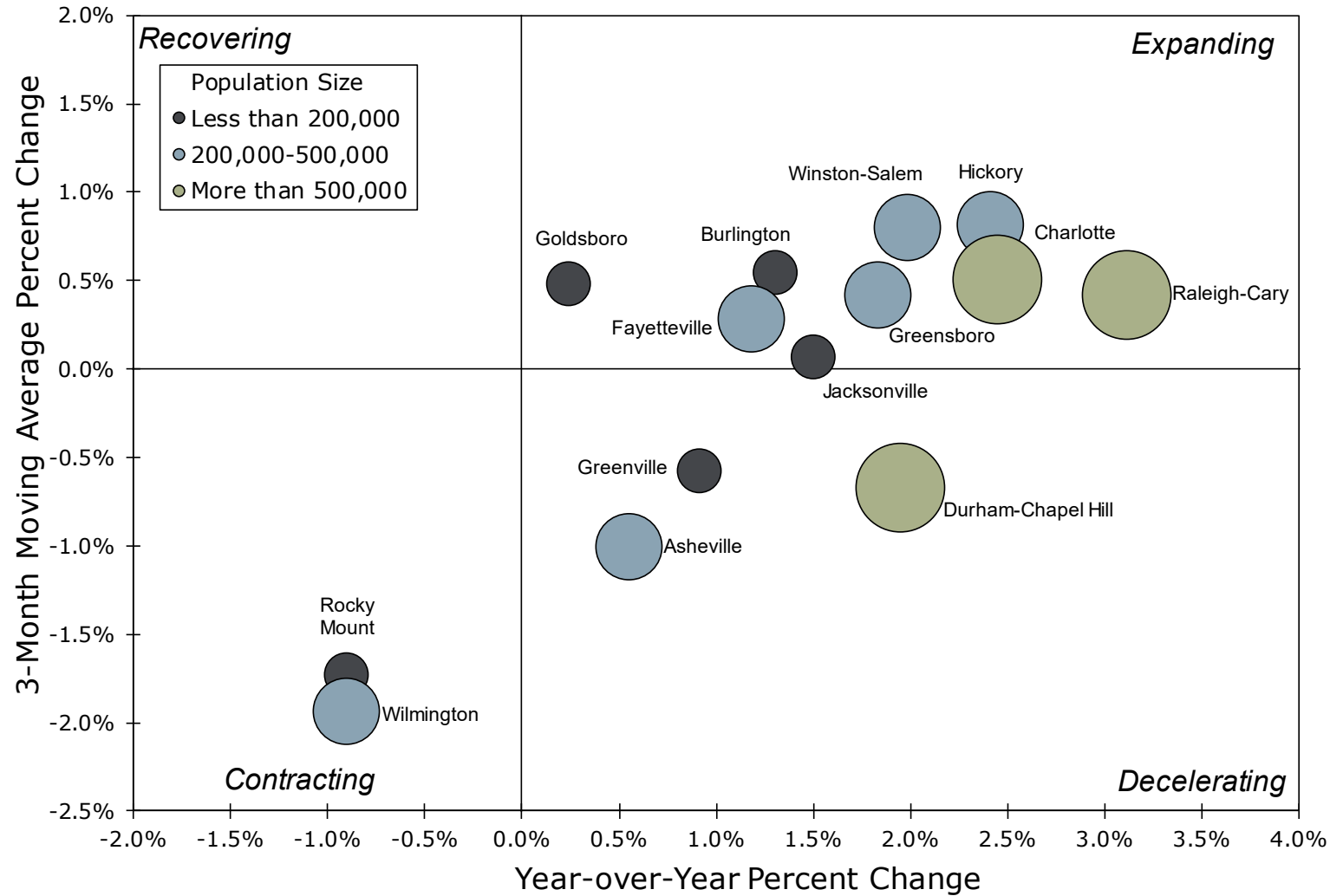




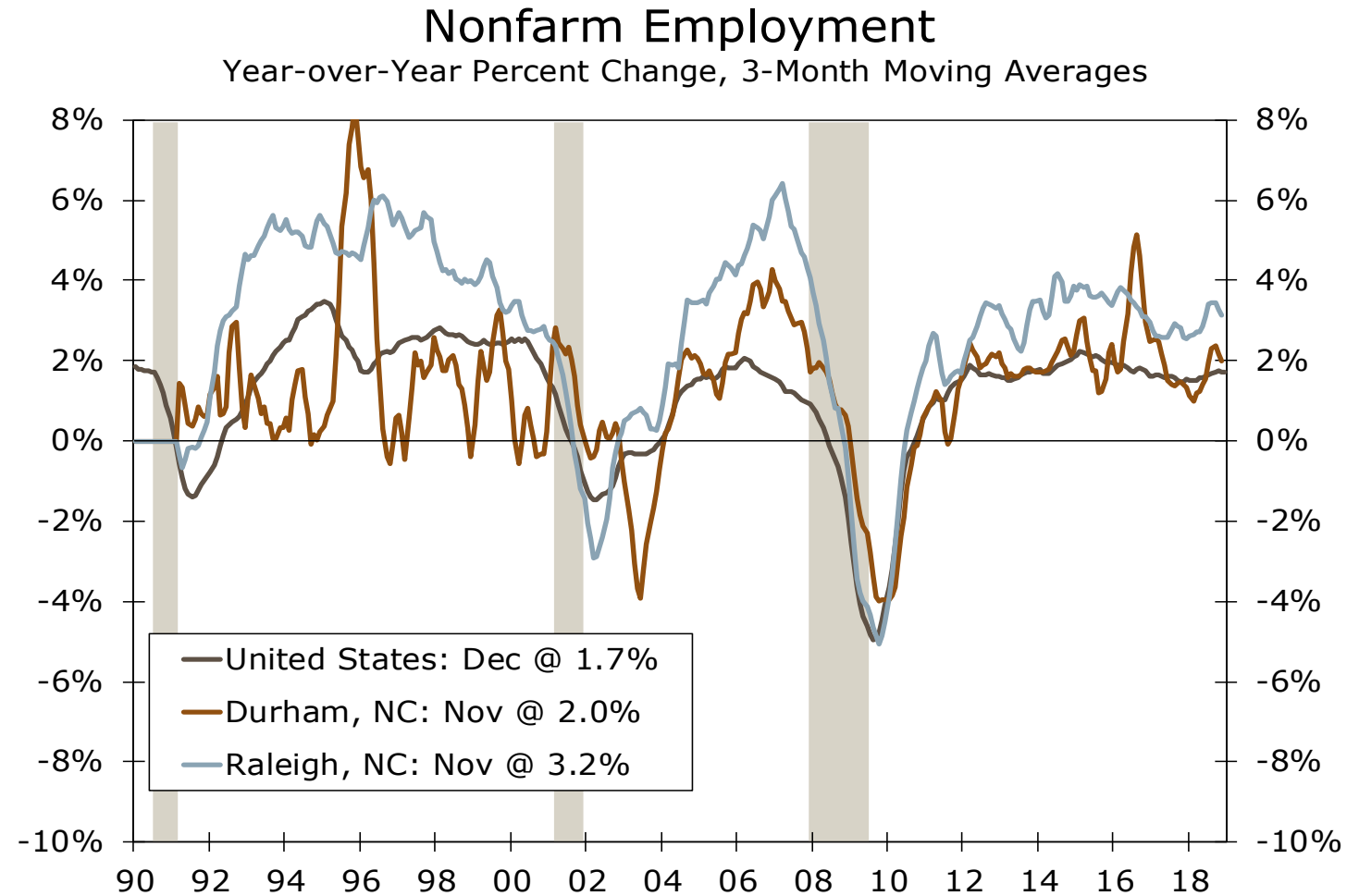
Source: U.S. Department of Labor and Wells Fargo Securities

North Carolina Job Growth by Metro

Year-over-Year Percent Change, 3-Month Moving Average, Nov 2018



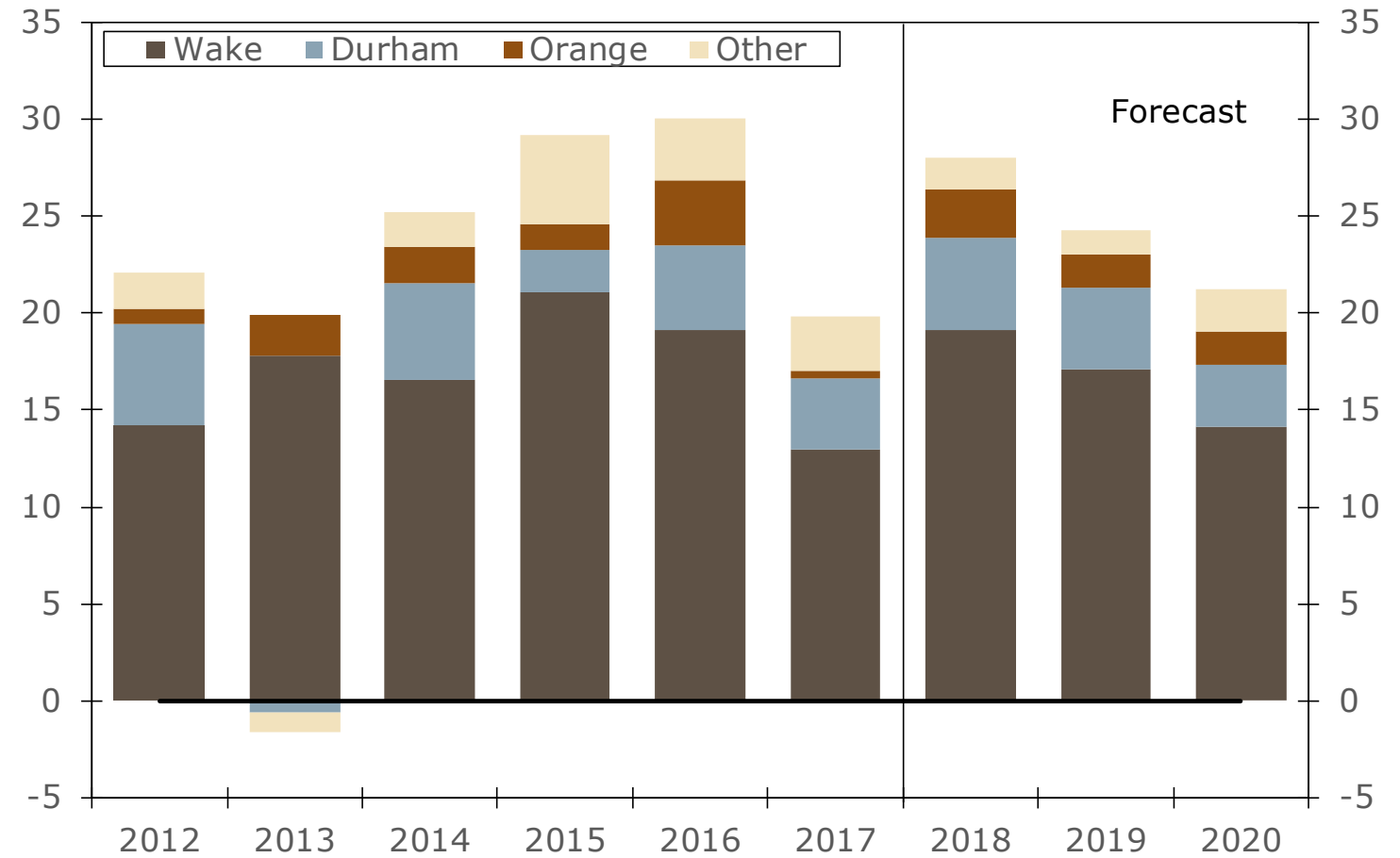
Source: U.S. Department of Labor and Wells Fargo Securities



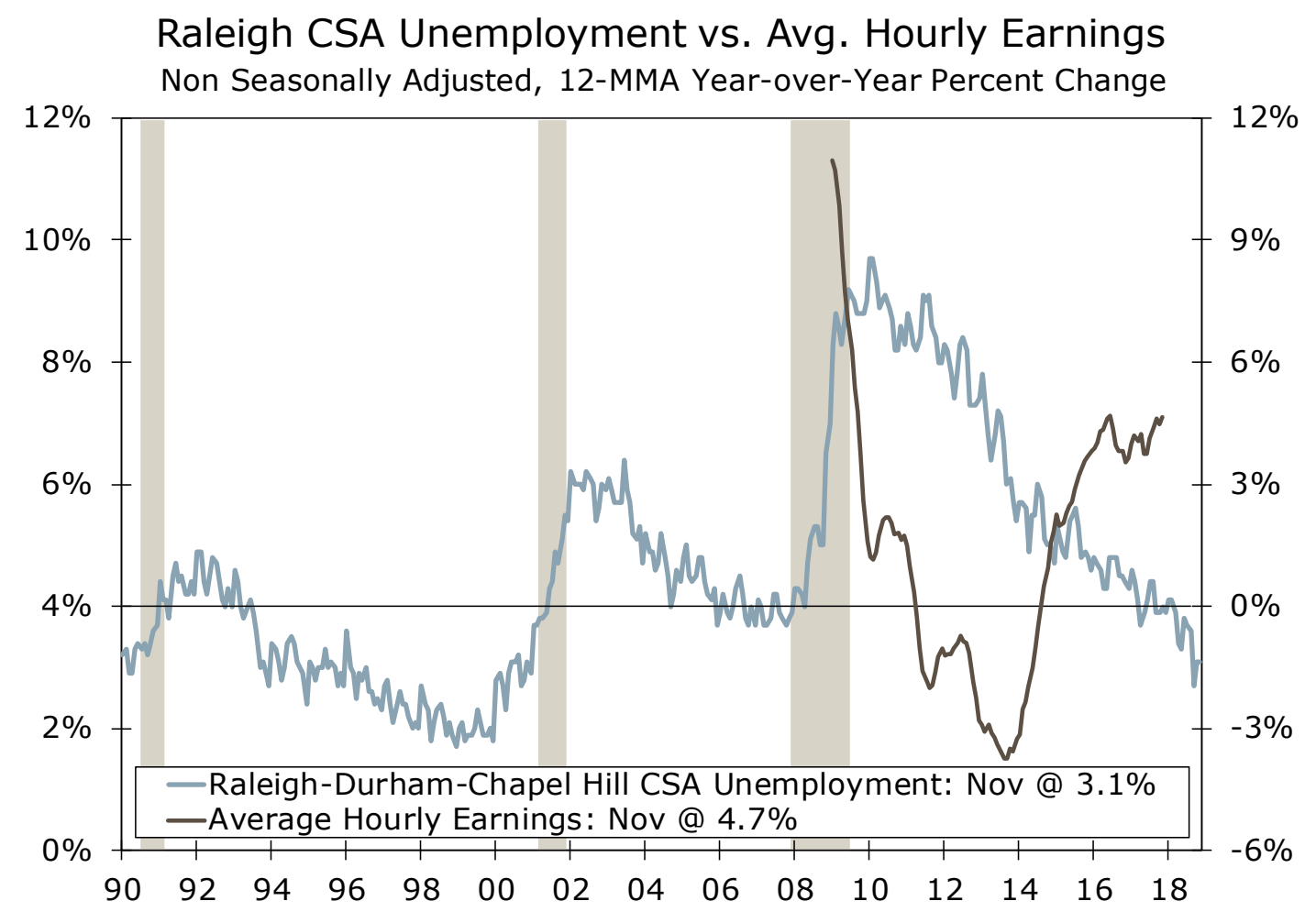
Source: U.S. Department of Labor and Wells Fargo Securities



Raleigh-Durham-Chapel Hill CSA Job Gain by County
Year-over-Year Level Change in Annual Averages, Thousands



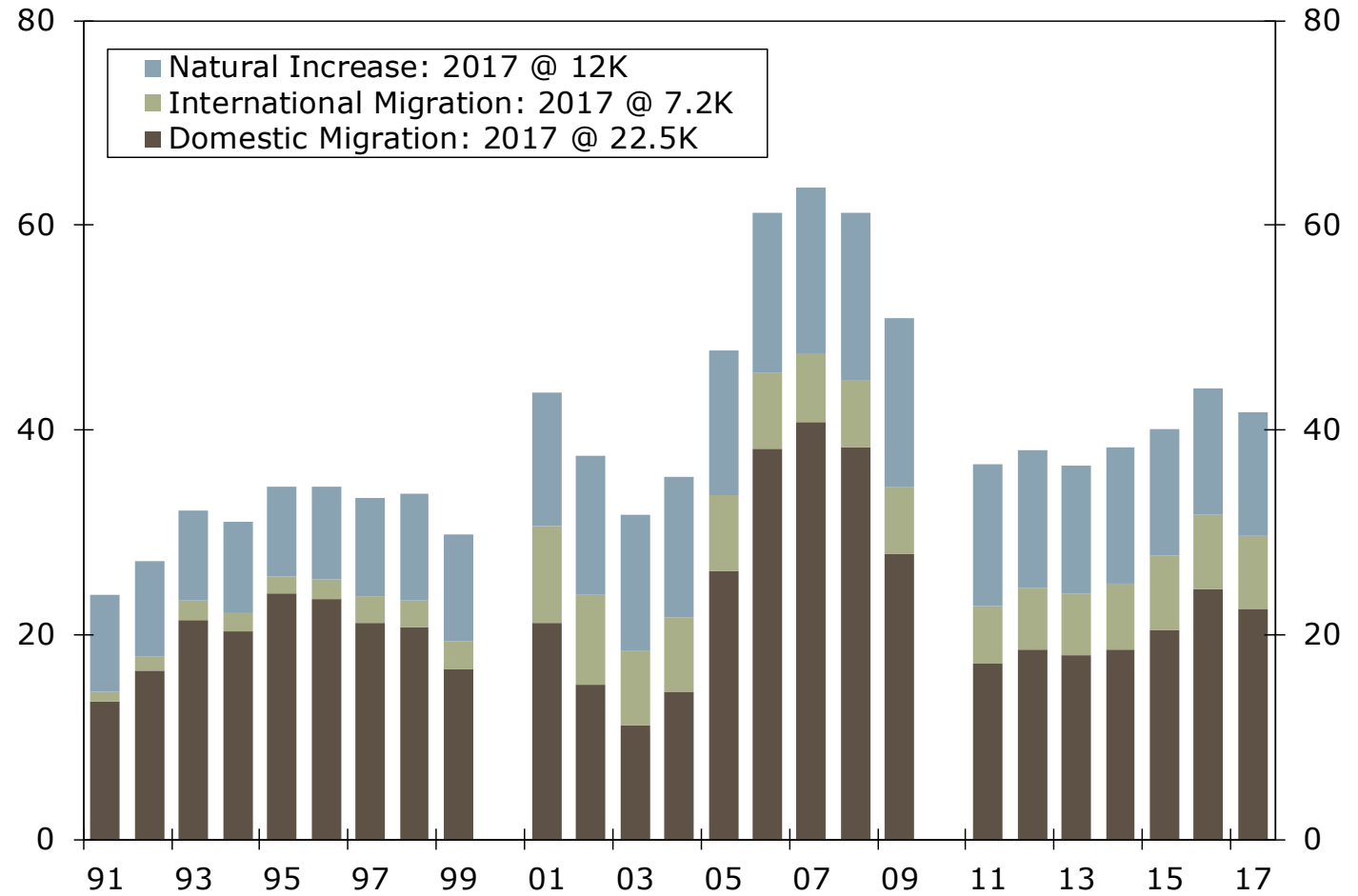
Source: U.S. Department of Labor and Wells Fargo Securities



Source: U.S. Department of Labor and Wells Fargo Securities



Components of Population Change: Raleigh-Durham CSA
In Thousands

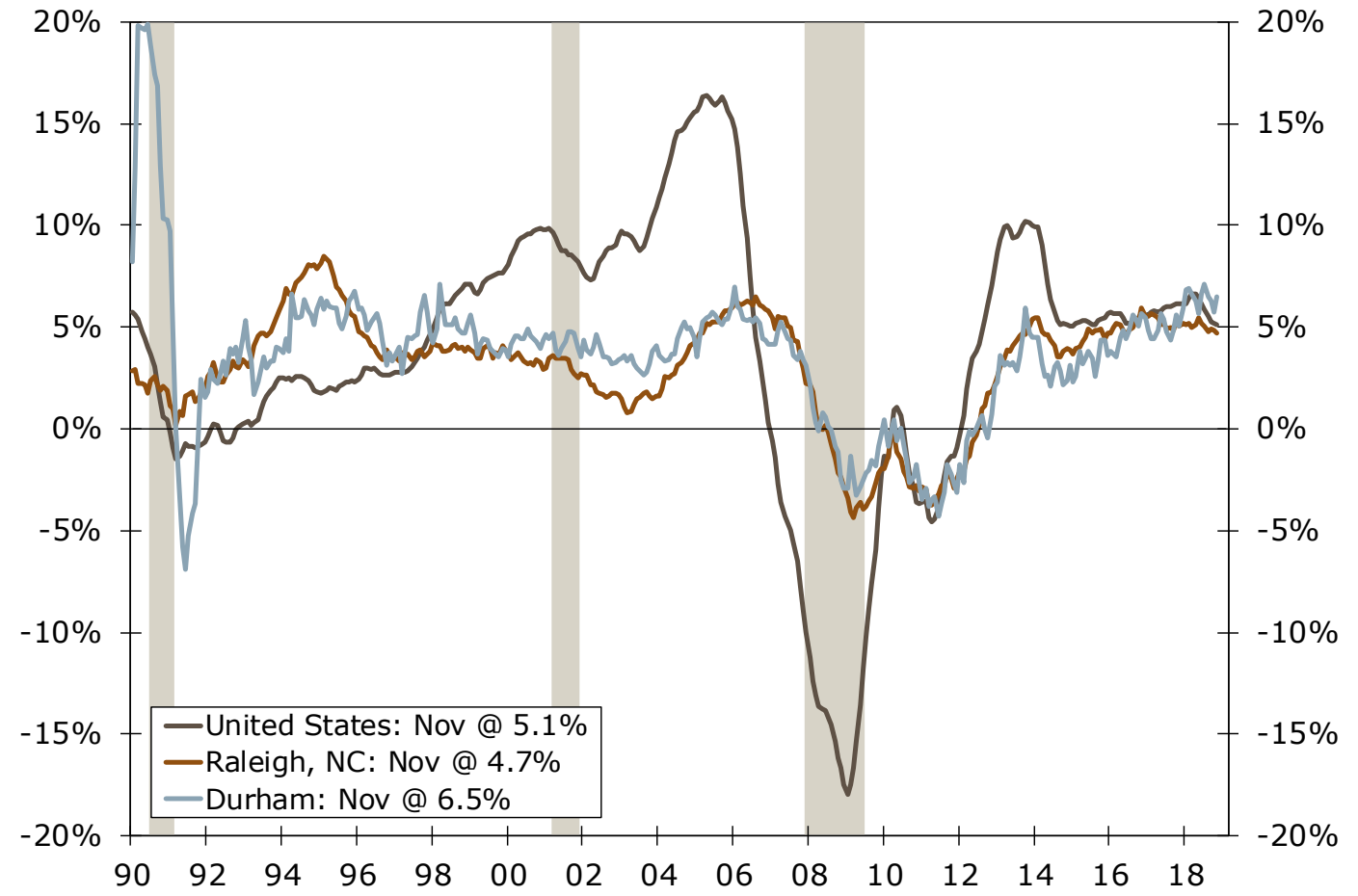


Source: U.S. Census Bureau and Wells Fargo Securities



CoreLogic Home Price Index

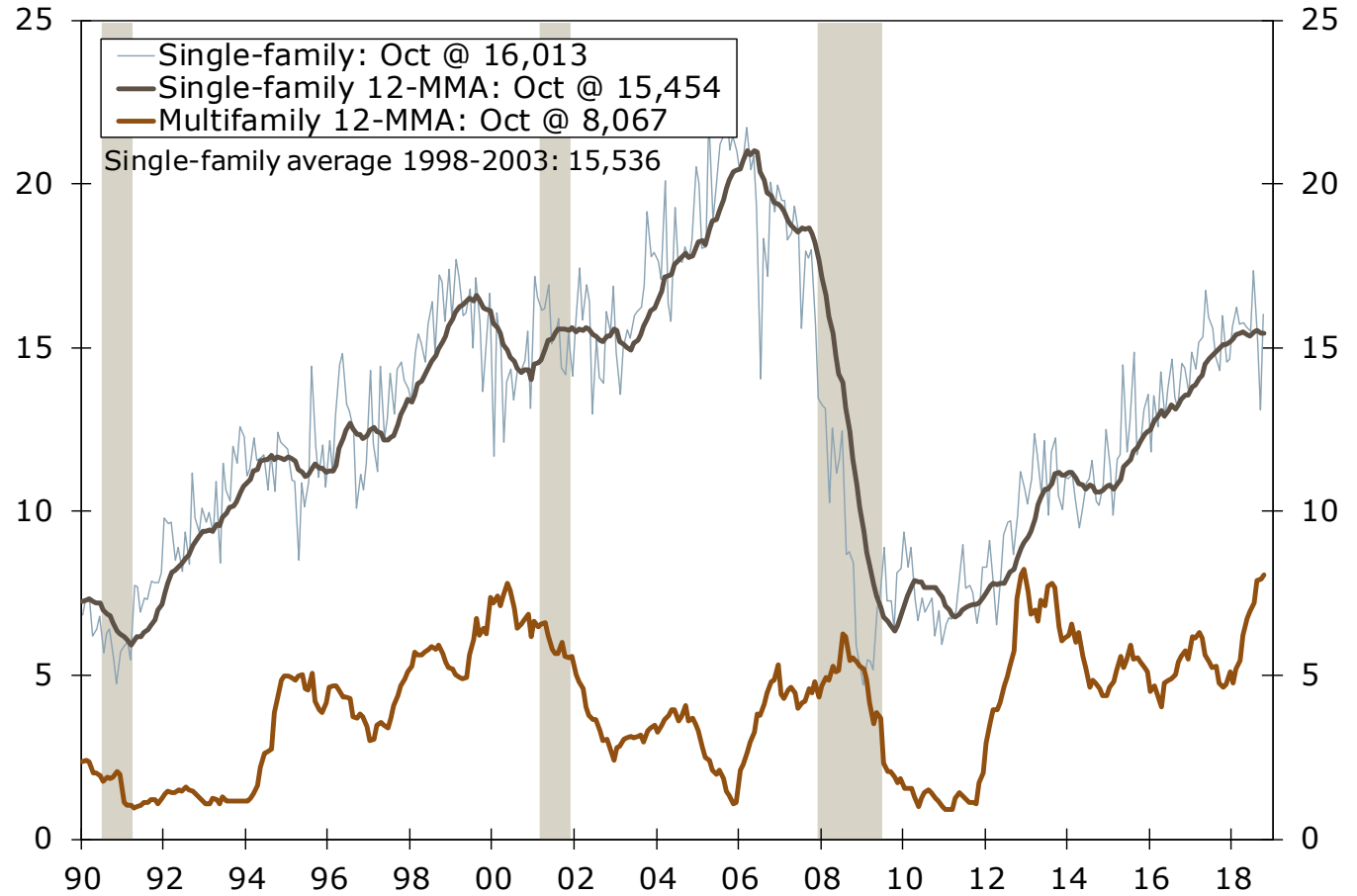
Year-over-Year Percent Change



Source: CoreLogic and Wells Fargo Securities

Raleigh-Durham CSA Housing Permits

Thousands of Permits, Seasonally Adjusted Annual Rate

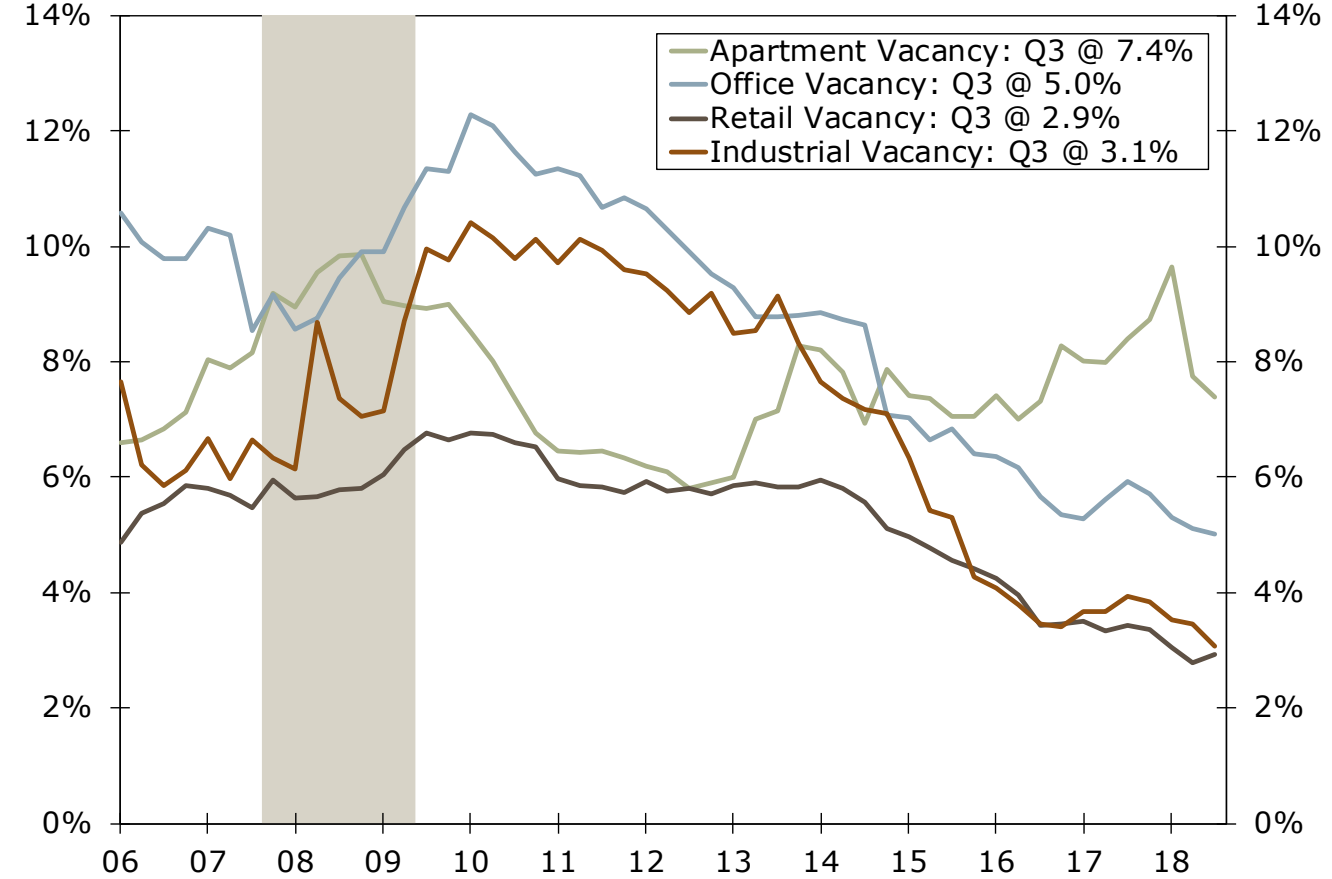


Source: U.S. Department of Commerce and Wells Fargo Securities



Raleigh Vacancy Rates

By Property Type, Percent

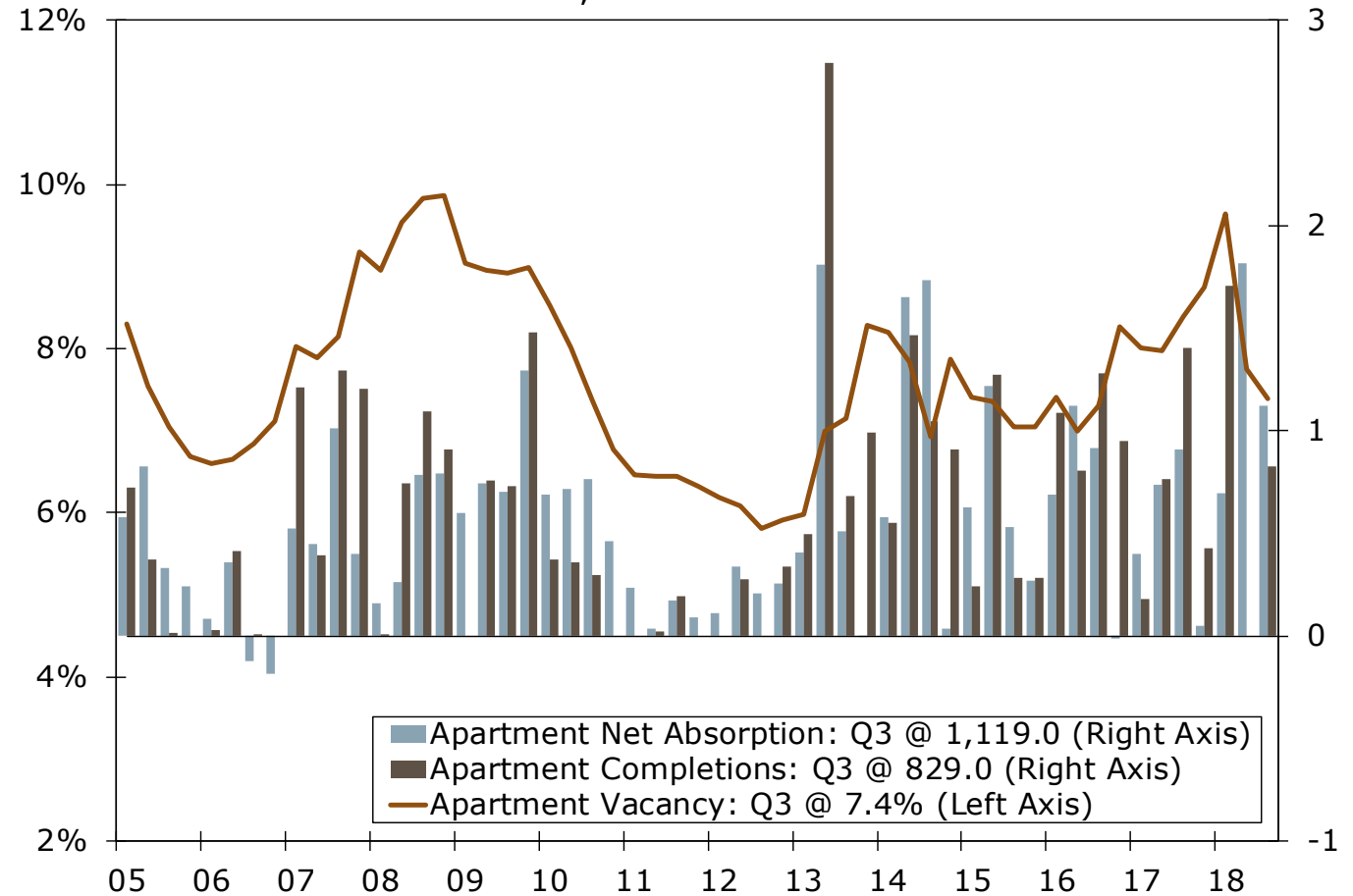


Source: CoStar and Wells Fargo Securities



Raleigh Apartment Supply & Demand

Percent, Thousands of Units



Source: CoStar and Wells Fargo Securities

Appendix

Raleigh-Durham Employment Outlook: Total Additions to Payrolls

	Actual						Forecast		
	2012	2013	2014	2015	2016	2017	2018	2019	2020
North Carolina	70,200	71,200	83,050	100,775	100,650	73,900	91,067	89,000	85,000
<i>Yr/Yr Percent Change</i>	1.8%	1.8%	2.0%	2.4%	2.4%	1.7%	2.1%	2.0%	1.8%
Raleigh-Durham CSA	22,081	18,261	25,212	29,167	30,001	19,795	28,044	24,300	21,200
	2.6%	2.1%	2.9%	3.2%	3.2%	2.1%	2.8%	2.4%	2.0%
Raleigh-Cary MSA	15,526	16,904	18,107	22,723	19,852	14,222	20,180	18,010	16,010
	3.1%	3.3%	3.4%	4.2%	3.5%	2.4%	3.3%	2.9%	2.5%
Durham-Chapel Hill MSA	5,747	1,493	7,134	3,927	7,955	4,095	7,040	6,201	5,142
	2.2%	0.6%	2.6%	1.4%	2.8%	1.4%	2.4%	2.1%	1.7%
Wake County	14,227	17,810	16,550	21,049	19,094	12,996	19,100	17,100	14,100
	3.2%	3.9%	3.5%	4.3%	3.7%	2.4%	3.5%	3.0%	2.4%
Durham County	5,228	(604)	5,022	2,201	4,417	3,659	4,770	4,170	3,250
	2.9%	-0.3%	2.7%	1.2%	2.3%	1.9%	2.4%	2.0%	1.6%
Orange County	774	2,065	1,869	1,315	3,301	373	2,505	1,750	1,720
	1.3%	3.3%	2.9%	2.0%	4.9%	0.5%	3.5%	2.4%	2.3%
All Other Counties in CSA	1,852	(1,010)	1,771	4,602	3,189	2,767	1,669	1,280	2,130
	1.2%	-0.6%	1.1%	2.9%	1.9%	1.6%	1.0%	0.7%	1.2%

Sources: U.S. Department of Labor and Wells Fargo Securities
 Forecast as of: January 08, 2019

North Carolina Economic Outlook

	Actual						Forecast		
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Gross Domestic Product by State, \$ Millions	439,571	445,361	453,629	467,913	473,034	484,308	496,900	511,310	522,559
Annual Rate	0.1%	1.3%	1.9%	3.1%	1.1%	2.4%	2.6%	2.9%	2.2%
Nominal Personal Income, \$ Millions	379,031	375,057	397,411	419,889	433,766	454,307	476,114	500,395	526,916
Nominal Personal Income, Percent Change	7.0%	-1.0%	6.0%	5.7%	3.3%	4.7%	4.8%	5.1%	5.3%
Real Median Household Income, \$	44,446	48,840	48,490	52,559	54,920	50,343	51,400	52,634	53,634
Population, Thousands	9,749	9,844	9,934	10,033	10,157	10,271	10,384	10,496	10,605
Change in thousands	92	94	90	99	124	114	113	113	109
Percent Change	1.0%	1.0%	0.9%	1.0%	1.23%	1.1%	1.1%	1.1%	1.0%
Nonfarm Employment, Thousands	3,985	4,057	4,140	4,240	4,341	4,415	4,506	4,595	4,680
Change in thousands	70	71	83	101	101	74	91	89	85
Percent Change	1.8%	1.8%	2.0%	2.4%	2.4%	1.7%	2.1%	2.0%	1.8%
Unemployment Rate, Annual Average	9.3%	8.0%	6.3%	5.7%	5.1%	4.6%	4.1%	3.8%	3.6%
Total Housing Permits	47,828	50,787	50,642	53,512	57,090	65,009	67,821	66,215	65,797
Single-Family Permits	29,564	34,941	35,456	37,465	41,174	46,500	48,128	49,475	50,564
Multi-Family Permits	18,264	15,846	15,186	16,047	15,916	18,509	19,694	16,740	15,233
FHFA Home Price Index, Percent Change	-1.6%	0.9%	2.4%	4.5%	5.4%	6.1%	7.2%	6.3%	4.9%

Sources: National Association of Realtors, Federal Housing Finance Authority, U.S. Department of Commerce, U.S. Department of Labor, Moody's Analytics & Wells Fargo Securities
Forecast as of: January 08, 2019

Wells Fargo U.S. Economic Forecast																
	Actual				Forecast								Actual		Forecast	
	2018				2019				2020				2016	2017	2018	2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	2.2	4.2	3.4	2.5	2.2	2.4	2.4	2.4	2.3	2.1	1.7	1.7	1.6	2.2	2.9	2.6
Personal Consumption	0.5	3.8	3.5	3.6	2.4	2.6	2.5	2.4	2.2	2.1	1.8	1.7	2.7	2.5	2.7	2.9
Business Fixed Investment	11.5	8.7	2.5	5.2	2.6	3.5	4.2	4.0	3.7	3.6	2.9	2.8	0.5	5.3	6.9	3.9
Equipment	8.5	4.6	3.4	5.3	0.3	2.3	3.7	3.1	2.7	2.6	2.1	2.0	-1.5	6.1	7.4	2.9
Intellectual Property Products	14.1	10.5	5.6	6.5	5.8	5.3	4.7	4.6	4.7	4.6	3.7	3.6	7.5	4.6	7.3	5.9
Structures	13.9	14.5	-3.4	3.0	2.5	3.5	4.5	5.0	4.5	4.0	3.5	3.5	-5.0	4.6	5.4	3.1
Residential Construction	-3.4	-1.3	-3.6	-3.0	-1.5	2.0	1.8	1.5	1.5	1.5	1.0	1.0	6.5	3.3	-0.2	-0.8
Government Purchases	1.5	2.5	2.6	2.8	2.3	2.3	1.7	1.2	0.7	0.7	0.3	0.1	1.4	-0.1	1.7	2.3
Net Exports ²	0.0	1.2	-2.0	-0.9	-0.2	-0.1	-0.1	-0.1	0.1	0.0	-0.1	0.0	-0.4	-0.4	-0.3	-0.5
Inventories ²	0.3	-1.2	2.3	0.1	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.1	0.2
Nominal GDP ¹	4.3	7.6	4.9	3.8	3.5	4.8	4.9	4.8	4.6	4.4	3.6	3.6	2.7	4.2	5.2	4.5
Corporate Profits Before Taxes ³	5.9	7.3	10.4	7.0	7.3	4.9	3.9	1.9	0.6	1.0	-1.4	-1.0	-1.1	3.2	7.7	4.4

Forecast as of: January 8, 2019

¹ Compound Annual Growth Rate Quarter-over-Quarter ² Percentage Point Contribution to GDP ³ Year-over-Year Percentage Change

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