



U.S. Economic Outlook: Restoring Balance

January 4, 2022

Sarah House

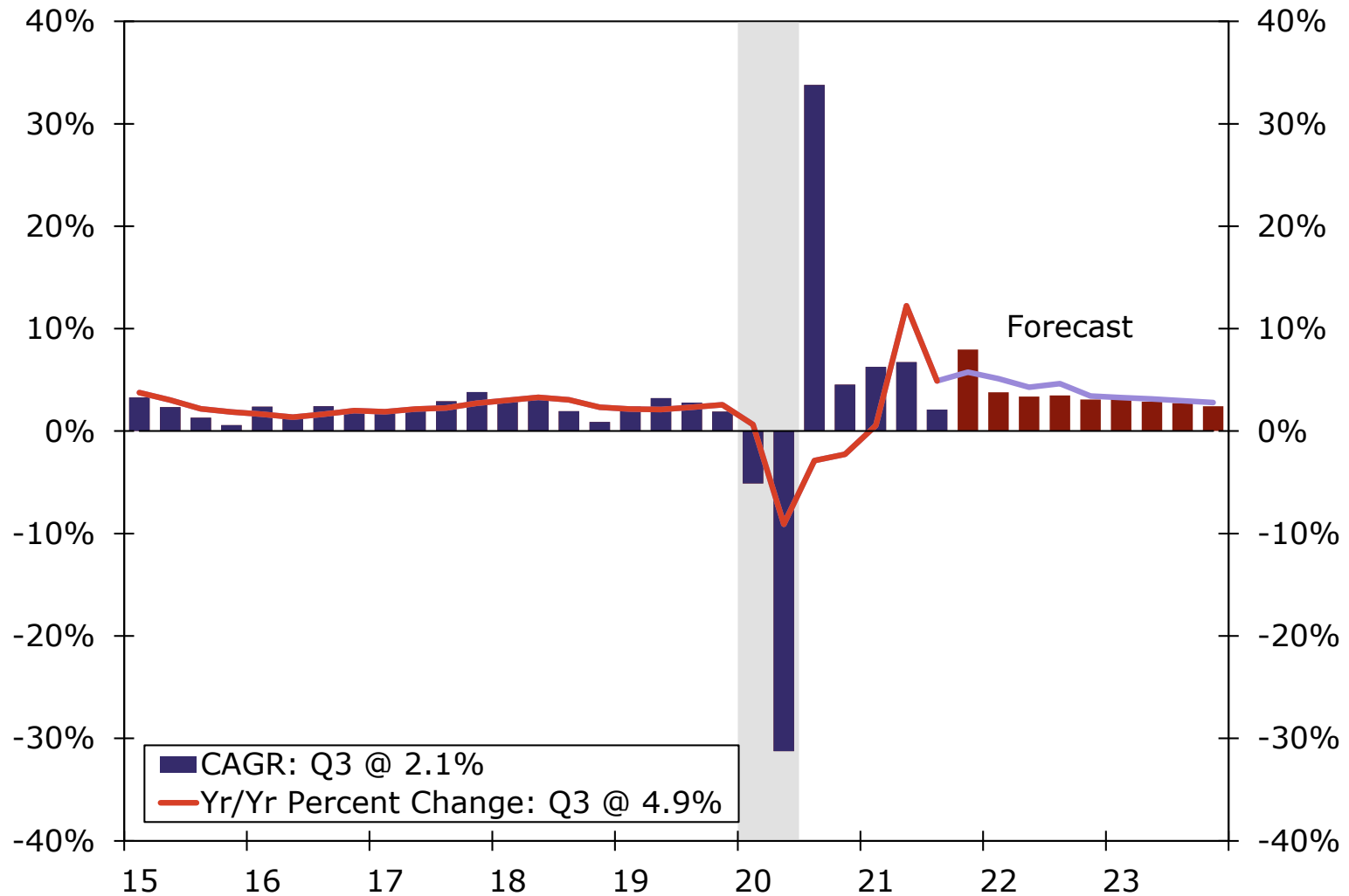
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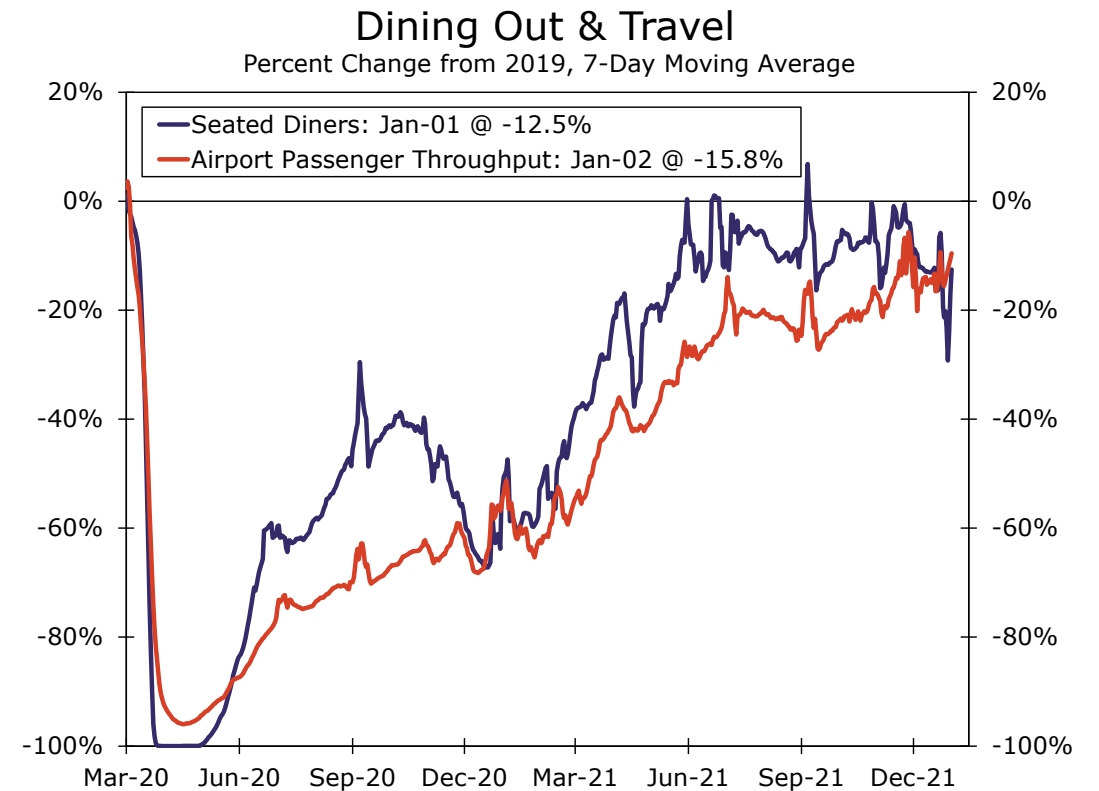
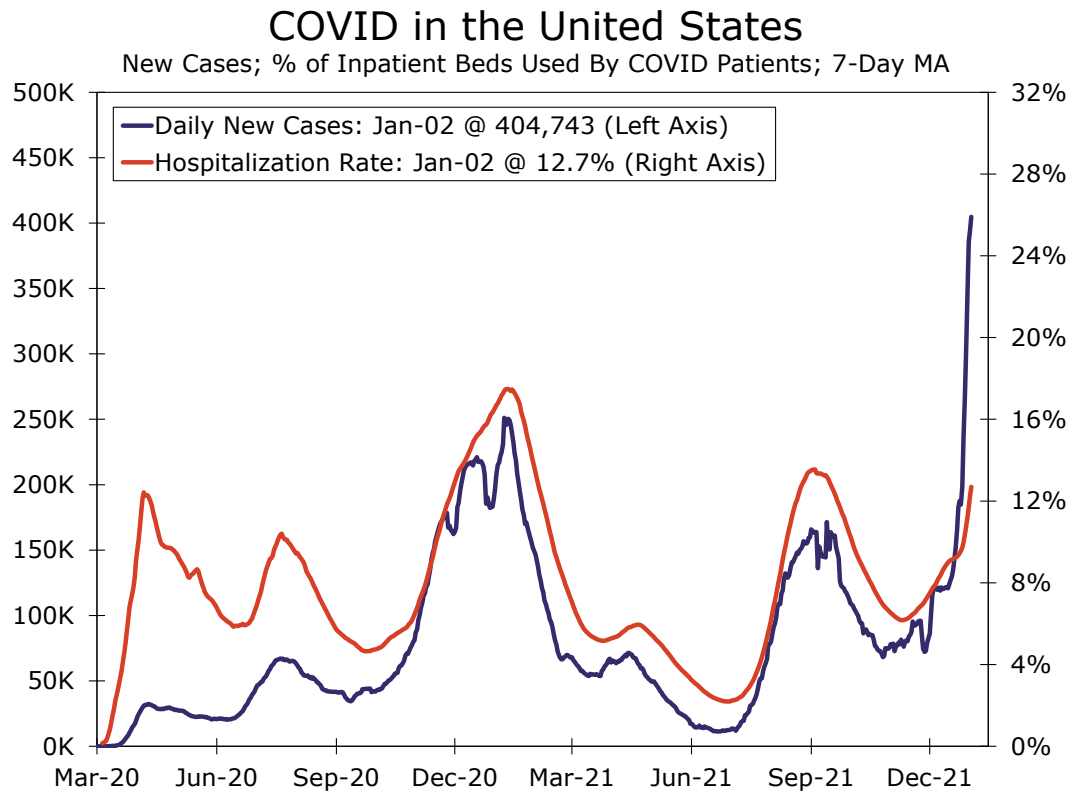
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After a sharp slowdown in Q3, growth is expected to bounce back over the next few quarters and grow at an above-trend rate this year

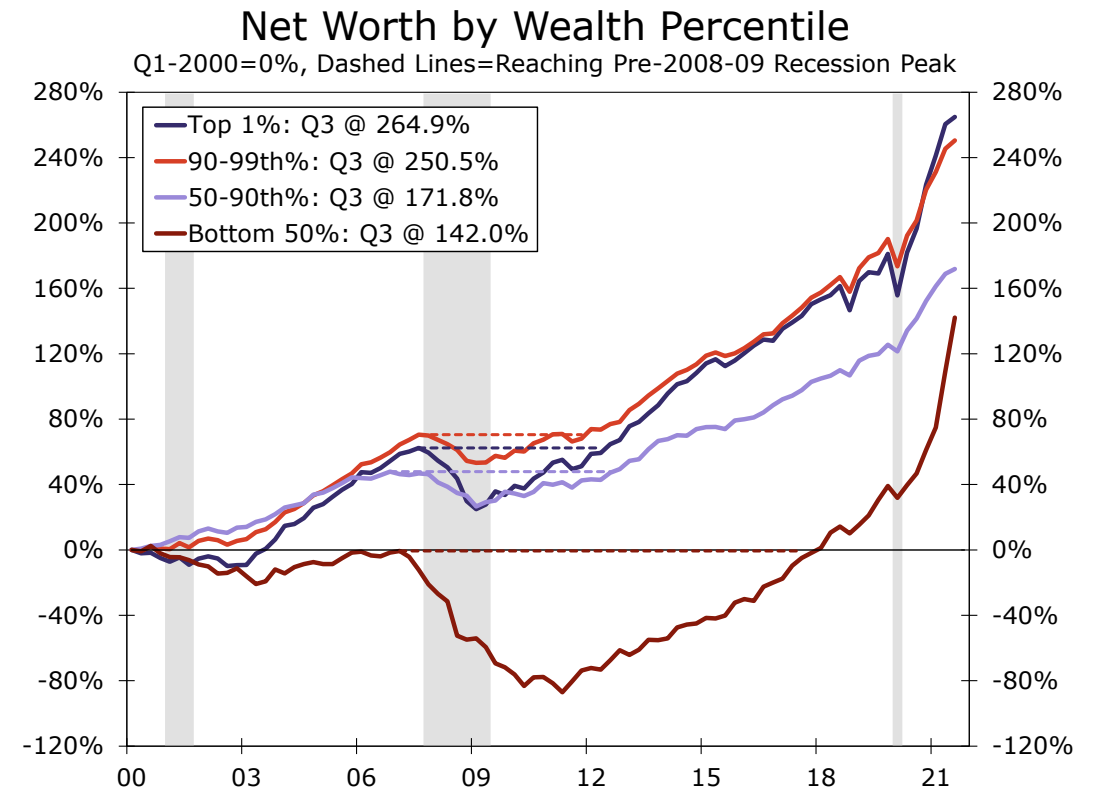
U.S. Real GDP Growth



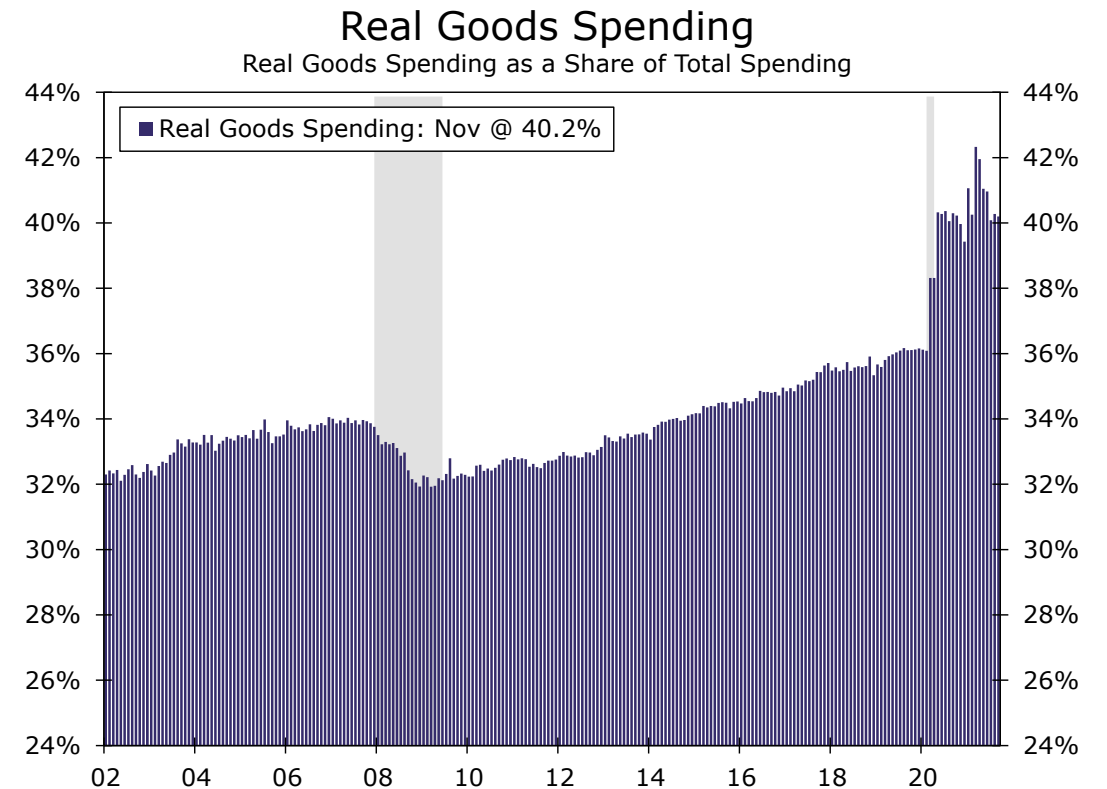
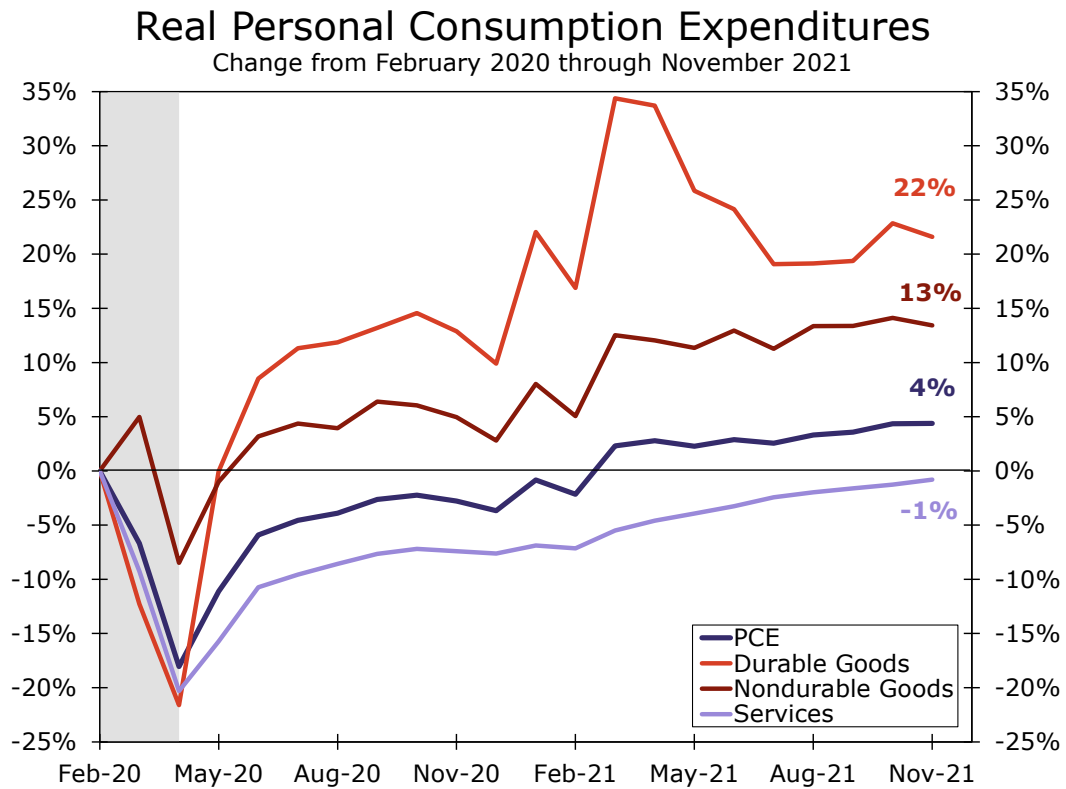
Omicron is a near-term headwind, but activity has grown less sensitive to the ebbs and flow of the virus



Excess savings and strong balance sheets should support spending even as fiscal support fades further in the rearview mirror

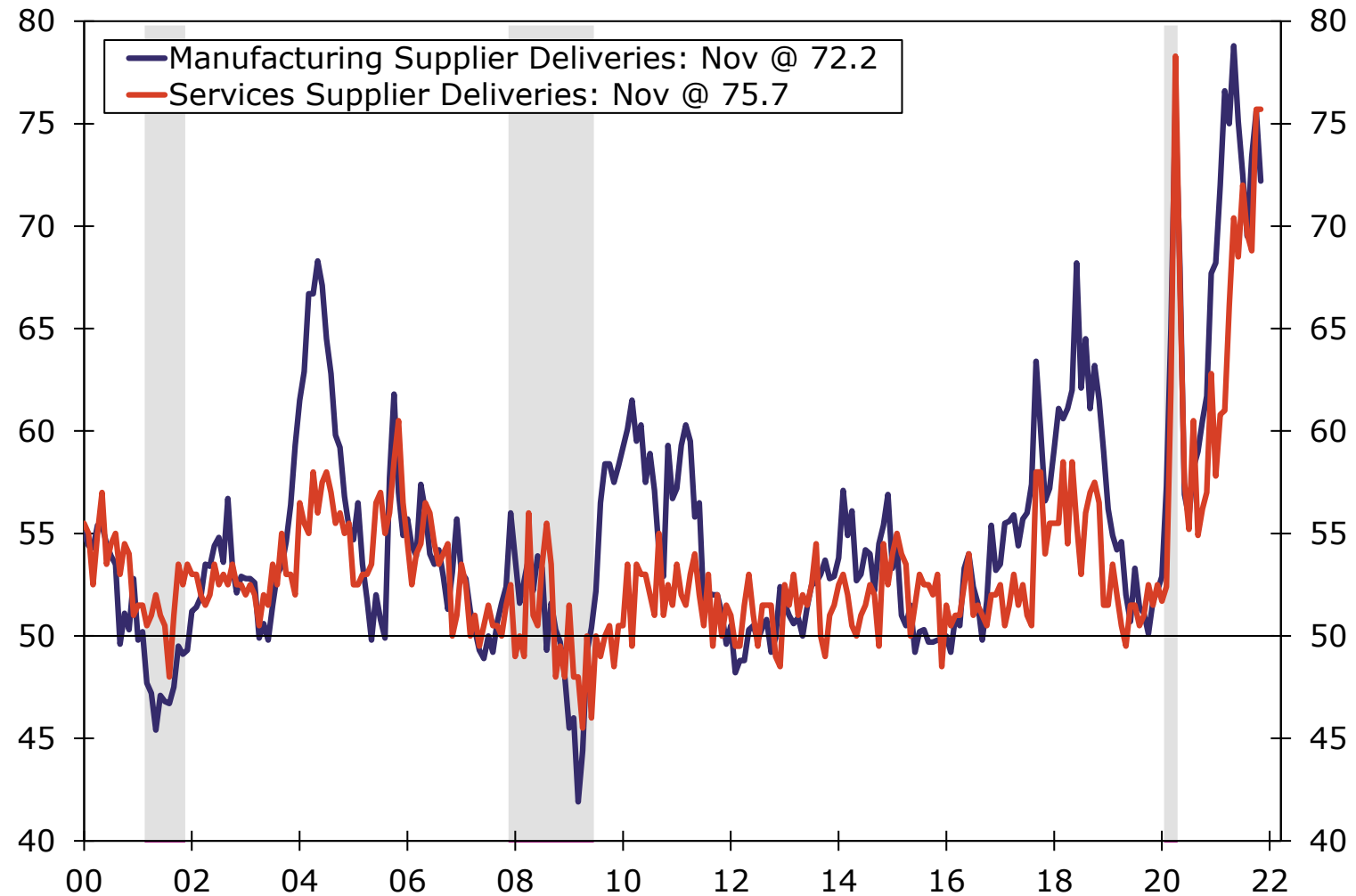


Consumer spending patterns remain transformed by the pandemic

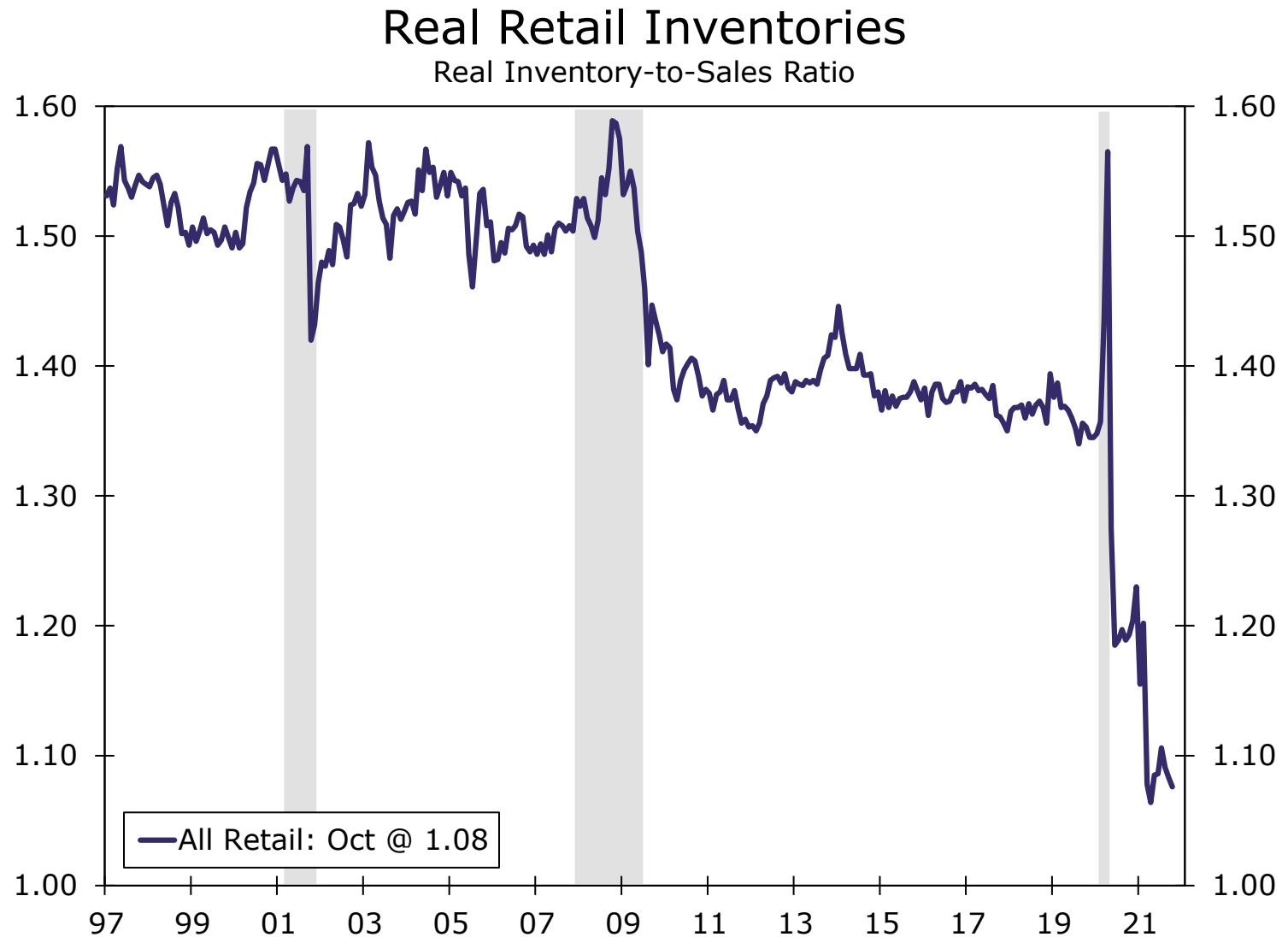


Supply chains are still stretched with few signs of improving

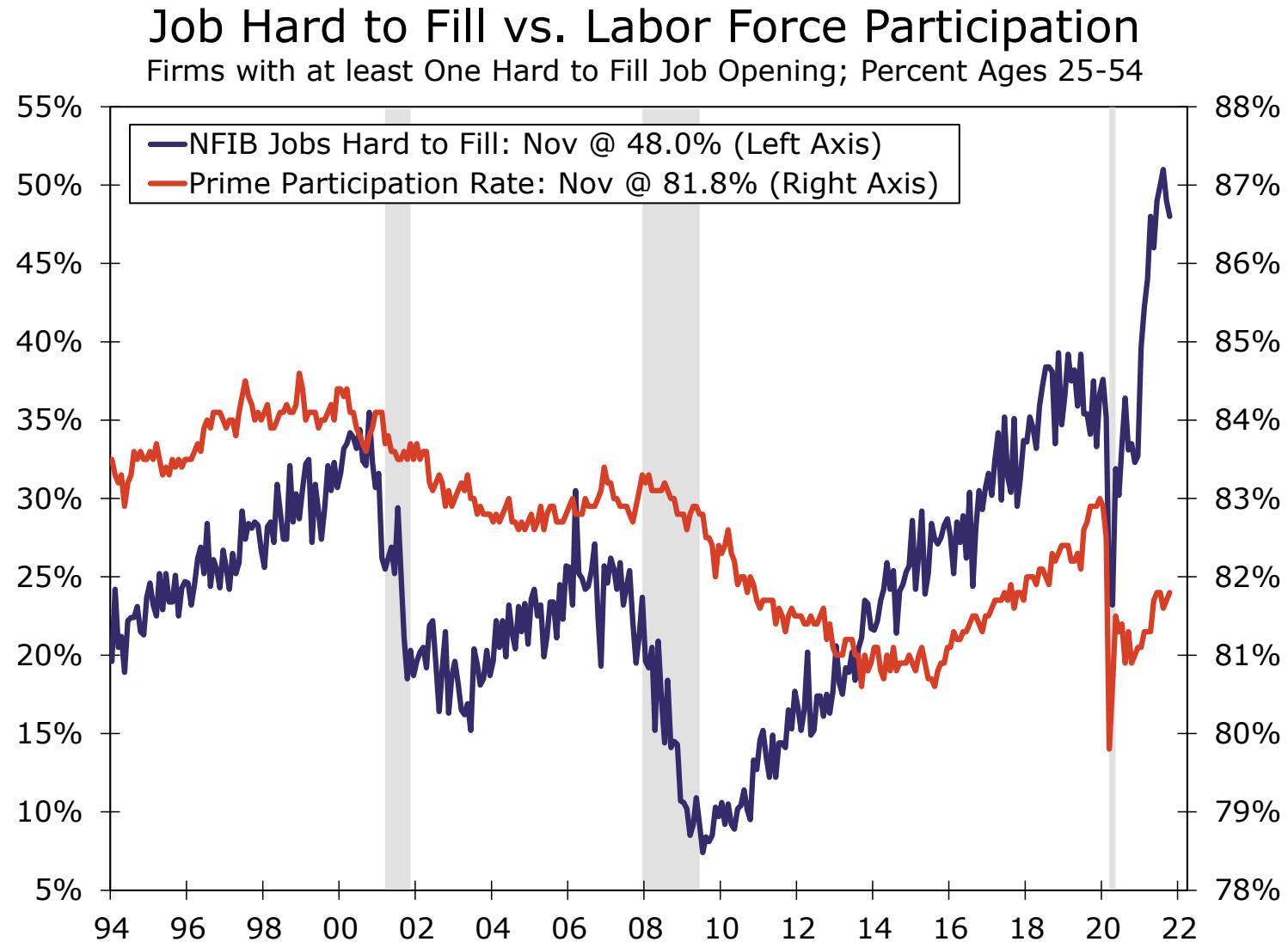
ISM Supplier Deliveries



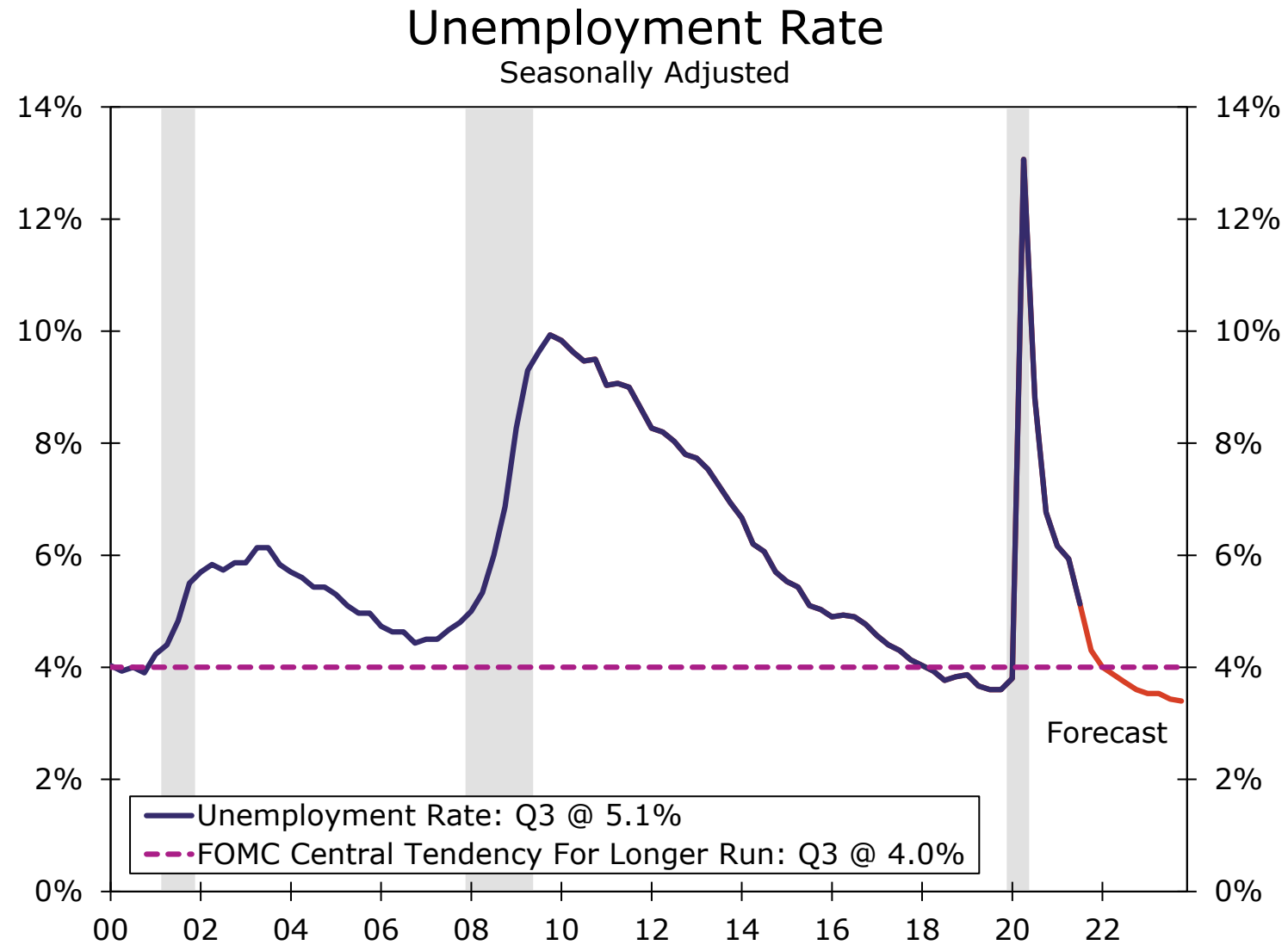
The need to restock will keep supply chains busy well into 2022



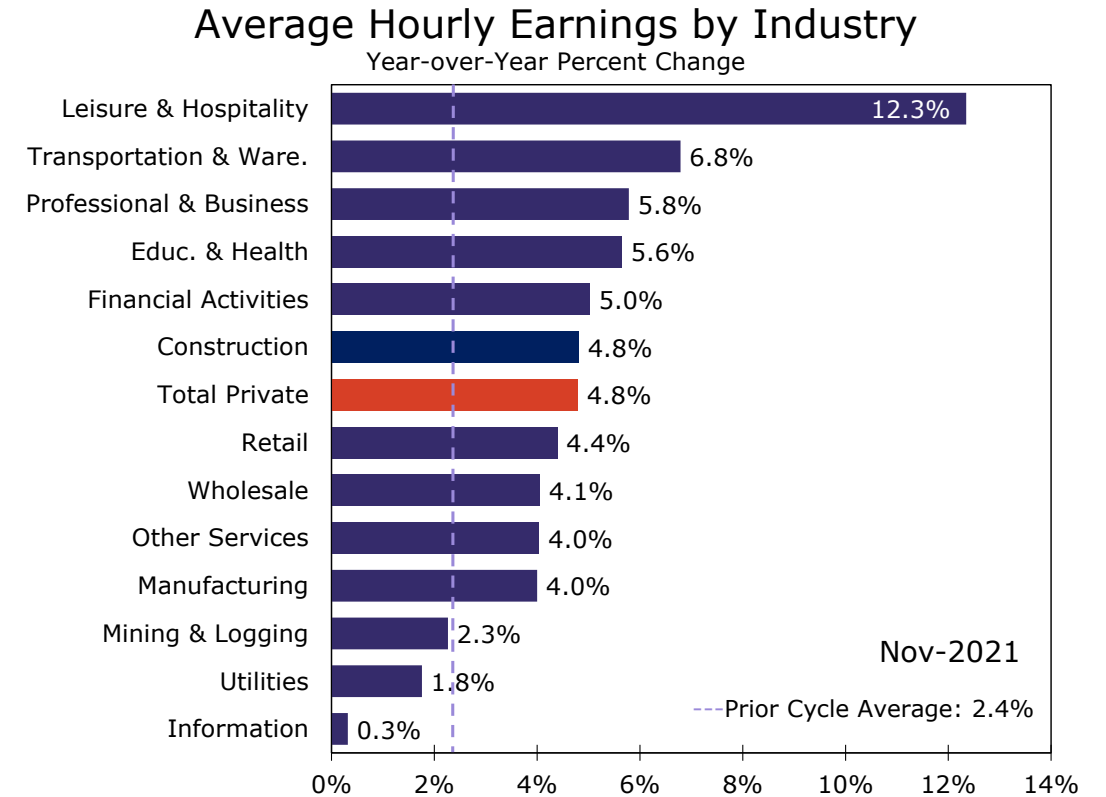
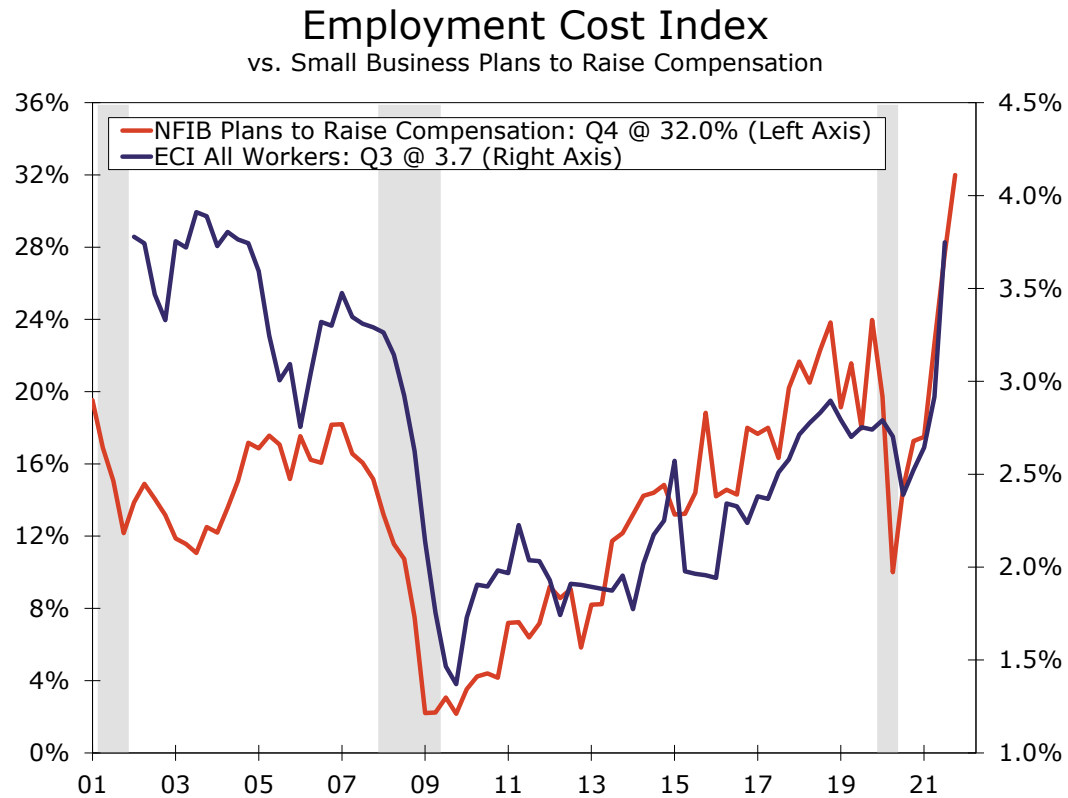
The availability of labor continues to hold back the jobs recovery, but supply and demand are inching toward a better balance



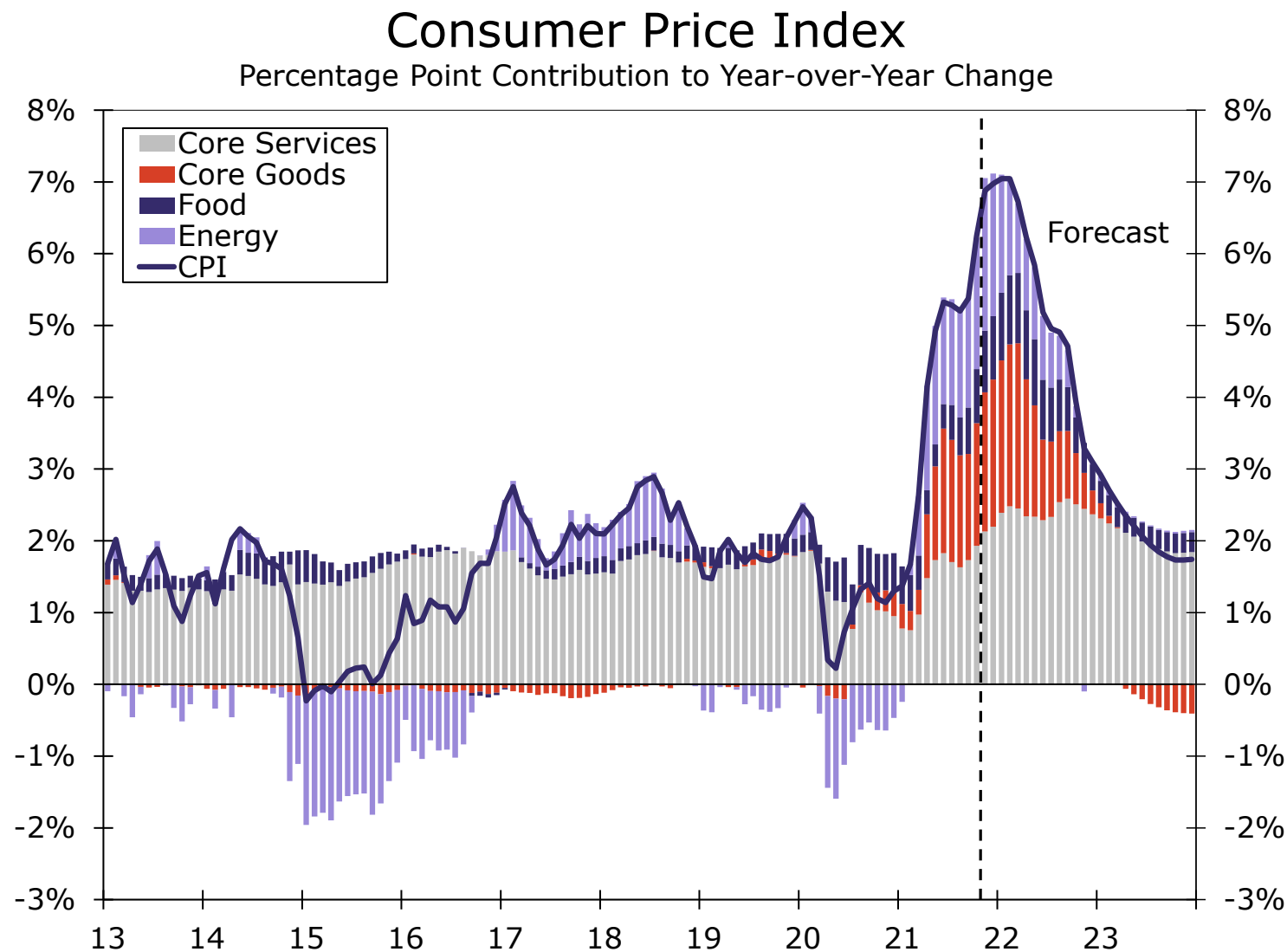
“Maximum employment” is quickly approaching



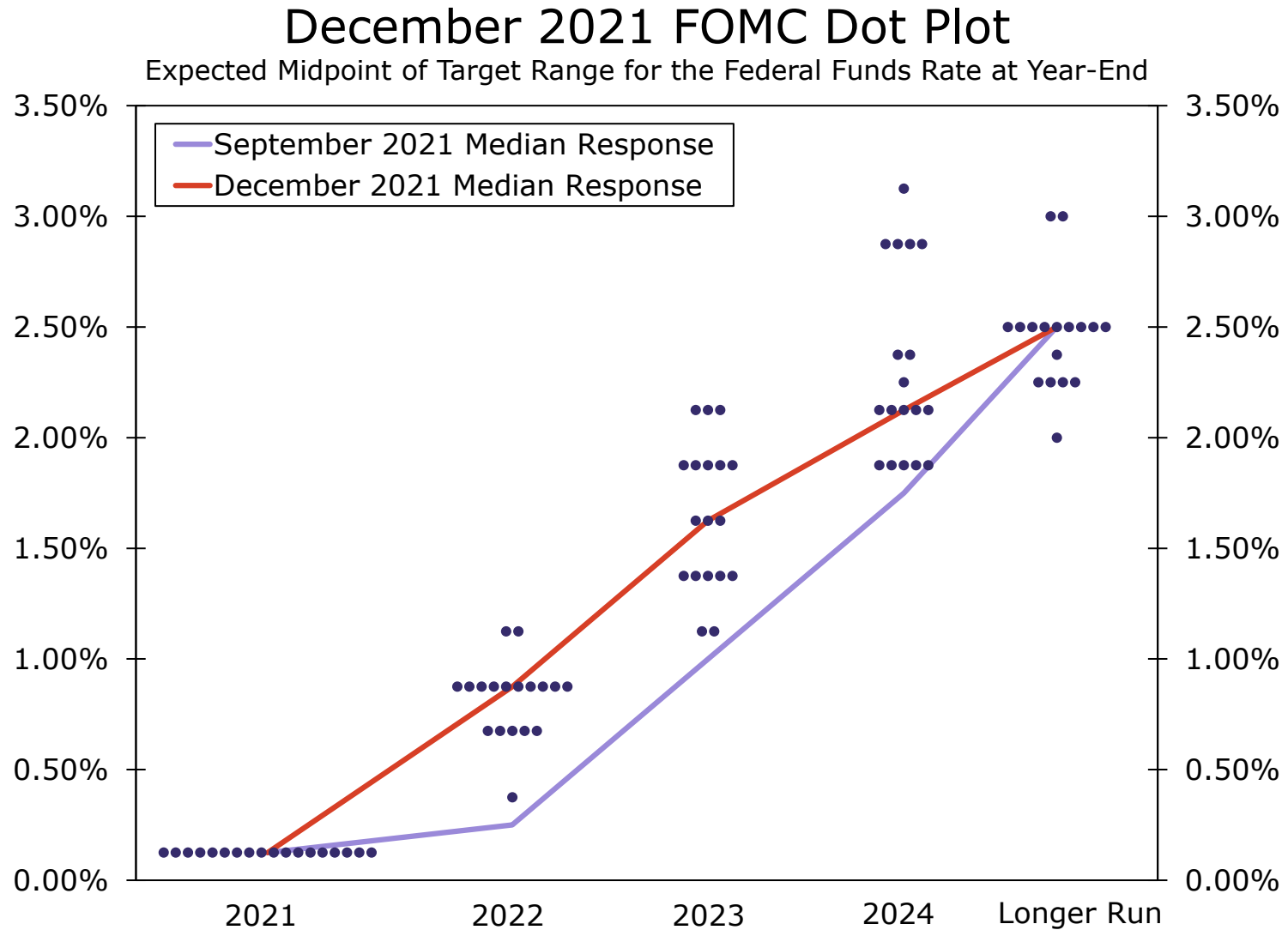
Rising labor costs are adding to near-term inflation pressures



“Maximum employment” is quickly approaching



The faster taper positions the Fed for earlier—and perhaps more—tightening over the next few years



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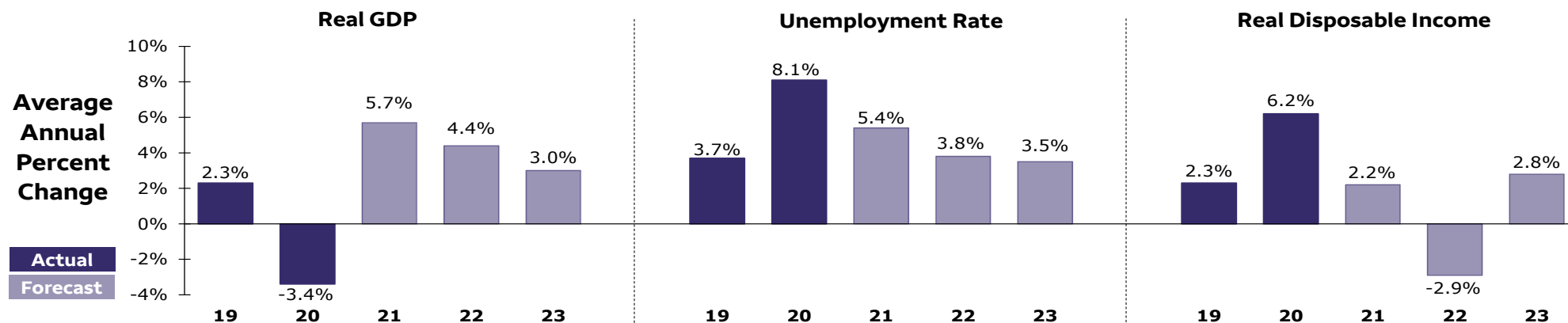
Q&A

Wells Fargo Securities U.S. Economic Forecast

	Actual				Forecast								Actual	Forecast		
	2021				2022				2023				2020	2021	2022	2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	6.3	6.7	2.1	8.0	3.8	3.4	3.5	3.1	3.1	2.9	2.7	2.4	-3.4	5.7	4.4	3.0
Personal Consumption	11.4	12.0	1.7	5.5	3.2	2.5	2.6	2.7	2.9	2.7	2.4	2.1	-3.8	8.0	3.7	2.6
Business Fixed Investment	12.9	9.2	1.5	6.7	4.6	4.6	5.6	5.0	4.9	4.0	4.4	4.3	-5.3	7.6	5.0	4.7
Equipment	14.1	12.1	-2.4	6.1	4.4	4.4	6.8	5.5	5.3	3.6	4.4	4.3	-8.3	13.3	4.7	5.0
Intellectual Property Products	15.6	12.5	9.3	10.7	6.0	5.6	5.1	4.9	5.1	4.8	5.0	5.0	2.8	10.2	7.4	5.0
Structures	5.4	-3.0	-5.0	-1.5	1.2	2.4	3.5	3.9	3.3	2.9	2.5	2.4	-12.5	-7.7	0.3	3.1
Residential Investment	13.3	-11.7	-8.3	3.0	3.5	4.0	4.0	3.5	3.0	2.5	2.0	1.5	6.8	9.2	1.0	3.0
Government Purchases	4.2	-2.0	0.9	1.1	3.4	2.7	2.5	2.2	1.9	1.9	1.8	1.7	2.5	0.7	2.0	2.1
Net Exports ²	-1.6	-0.2	-1.2	0.7	-0.6	0.0	0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.2	-1.8	-0.2	0.0
Inventories ²	-2.6	-1.3	2.1	1.9	0.8	0.3	0.1	0.0	0.0	0.0	0.0	0.0	-0.6	-0.2	0.8	0.1
Nonfarm Payroll Change ³	518	615	651	385	458	392	268	255	240	225	215	200	-785	542	343	220
Unemployment Rate	6.2	5.9	5.1	4.3	4.0	3.9	3.7	3.6	3.5	3.5	3.4	3.4	8.1	5.4	3.8	3.5
Consumer Price Index ⁴	1.9	4.8	5.3	6.7	7.0	5.8	4.9	3.5	2.7	2.2	1.9	1.7	1.2	4.7	5.3	2.1
Real Disposable Income ⁴	15.1	-4.3	-0.9	-0.1	-10.4	-1.9	-0.3	1.9	2.4	2.7	2.8	2.9	6.2	2.2	-2.9	2.7
Quarter-End Interest Rates ⁵																
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.50	0.50	0.25	0.44	1.31
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.35	3.55	3.65	3.70	3.75	3.75	3.80	3.80	3.12	3.01	3.56	3.78
2 Year Note	0.16	0.25	0.28	0.55	0.75	1.00	1.20	1.40	1.60	1.75	1.90	2.00	0.39	0.31	1.09	1.81
10 Year Note	1.74	1.45	1.52	1.55	1.80	2.00	2.10	2.15	2.20	2.20	2.25	2.25	0.89	1.57	2.01	2.23

Forecast as of: December 09, 2021

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



Forecast as of: December 9, 2021

Wells Fargo International Economic Forecast

	GDP				CPI			
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Global (PPP Weights)	-3.1%	5.7%	4.4%	3.2%	3.2%	4.2%	4.4%	3.4%
Advanced Economies ¹	-4.5%	5.3%	4.2%	2.7%	0.7%	3.4%	3.9%	1.9%
United States	-3.4%	5.7%	4.4%	3.0%	1.2%	4.7%	5.3%	2.1%
Eurozone	-6.3%	5.1%	3.9%	2.2%	0.3%	2.6%	2.7%	1.5%
United Kingdom	-9.8%	6.9%	4.3%	2.2%	0.9%	2.5%	3.3%	2.1%
Japan	-4.6%	1.8%	2.3%	1.7%	0.0%	-0.2%	0.5%	0.7%
Canada	-5.3%	4.7%	4.7%	2.6%	0.7%	3.3%	2.9%	2.1%
Switzerland	-2.5%	3.7%	3.1%	2.0%	-0.7%	0.5%	0.6%	0.7%
Australia	-2.4%	4.1%	3.1%	3.1%	0.9%	2.5%	2.3%	2.2%
New Zealand	-2.1%	4.8%	3.2%	2.7%	1.7%	3.7%	3.9%	2.2%
Sweden	-2.8%	4.8%	3.5%	2.2%	0.7%	2.0%	2.1%	1.5%
Norway	-0.8%	4.0%	4.2%	2.1%	1.3%	3.3%	2.2%	1.9%
Developing Economies ¹	-2.1%	6.0%	4.5%	3.6%	5.1%	4.8%	4.8%	4.6%
China	2.3%	7.8%	5.5%	5.4%	2.4%	1.0%	2.1%	2.2%
India	-7.3%	7.8%	9.2%	5.0%	6.2%	5.0%	4.6%	4.8%
Mexico	-8.3%	5.6%	3.0%	2.1%	3.4%	5.6%	4.8%	3.8%
Brazil	-4.1%	4.8%	1.3%	2.3%	3.2%	8.5%	5.5%	3.5%

Forecast as of: December 09, 2021

¹Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Securities

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