

Monthly — October 14, 2021

# U.S. Economic Outlook: October 2021

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## Supply Chain Reaction

- In recent days, the seven-day moving average of new COVID cases has dropped to about 90K for the first time since July, after exceeding 170K at its September 13 peak around the timing of our previous forecast update.
- As one problem fades, another has gotten worse. Supply chain issues have been with us to varying degrees since the pandemic first broke out in March 2020, but in recent weeks, supply chains have shifted from merely a major headache to an outright crisis.
- COVID case spikes overseas and the resulting absenteeism at far-flung ports and factories have had a lagged effect on the production pipeline all over the world.
- The result is the “everything shortage,” which is offering a fast education on the far-reaching impacts of global trade to everyone from big business owners to ordinary consumers.
- The logjam will push back the timing of some growth we had anticipated later this year and early next year, which will weigh on our forecast for 2022, although most of that growth shows up later in the forecast.
- We now forecast that real GDP will grow 4.0% in 2022, down from 4.5% last month. Our outlook for 2023 looks for output to grow at an above-trend rate of 3.2% that year, up from 3.0% previously.
- The shortages and longer wait times are having an effect on consumer prices. Headline inflation, as measured by the PCE deflator, rose to 4.3% on a year-over-year basis (see [chart](#)), with core PCE deflator coming in at 3.6%. These measures reflect the highest headline and core inflation in more than 30 years.
- We expect the FOMC to announce a tapering in its asset purchases later this year, which should contribute to the upward creep in long-term interest rates that we will forecast in coming quarters.
- Rate hikes are not on the docket, however, as the FOMC will likely wait until the labor market is nearing “maximum” employment until it begins to hike rates, a condition that we do not believe will be met until the second half of 2023. We forecast that the committee will raise its target range for the fed funds rate 75 bps in the last two quarters of 2023.

All estimates/forecasts are as of 10/14/2021 unless otherwise stated. 10/14/2021 6:00:57 EDT. Please see page 15 for rating definitions, important disclosures and required analyst certifications. Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

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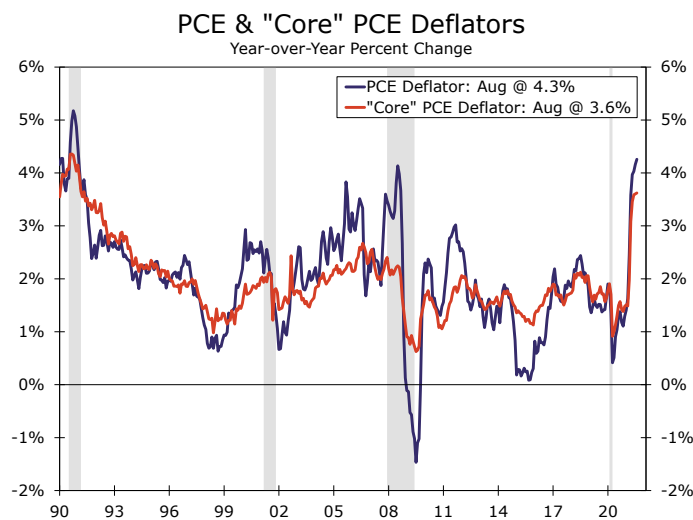
## Supply Chain Reaction

While it may be true that hope springs eternal, if the past 20 months have taught us anything, it is that hopes can be dashed in unending ways as well. A surge in the Delta variant was the primary culprit in our downward revision to our growth forecast in September. This month, we are paring back expectations again, but this time it is the worsening backdrop for supply chains that is to blame. There is an upshot though: while some of the activity suppressed by shortages is lost forever, a lot of it is merely delayed. Our full-year growth forecast for 2022 at 4.0% is now half a percentage point lower than it was a month ago, but we see scope for a pickup in activity as supply chains normalize, perhaps as soon as the second half of next year. In the meantime, the shortages mean even higher prices, which has implications for Fed policy.

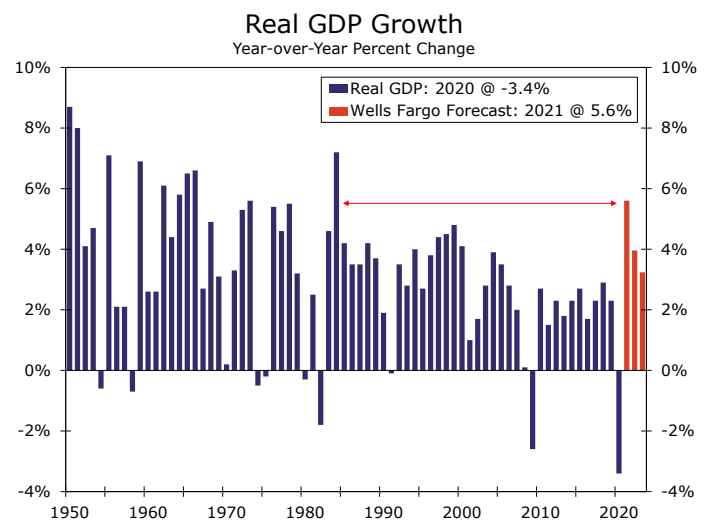
Although the virus case counts are again moving lower, Americans have generally remained more cautious, perhaps even growing leery of apparent improvements after so many false-dawns throughout this pandemic. The University of Michigan index of consumer sentiment rose to 72.8 in September, but that comes after having dipped to its lowest level since 2011 in August, while the Conference Board's index of consumer confidence fell in September to its lowest level since last winter.

Despite these setbacks in sentiment, retail sales shot up 0.7% in August. Control group sales posted a 2.5% gain, the biggest since stimulus checks went out in March this year. We see some gains reflecting catch-up in stores where inventory was previously picked clean and others tied perhaps to the Child Tax Credits and back-to-school spending. A key factor to keep in mind is that prices are playing a role here, and after adjusting for inflation, the spending gains are more modest. The retail sales figures are not adjusted for price changes, but the figures in the personal income and spending report are. After adjusting for inflation, the 0.8% nominal increase in personal spending was cut in half to a 0.4% real increase. That was not enough to offset the 0.5% decline in real PCE revealed in the revision to July. It is for this reason that we anticipate real consumer spending growth will come in at just a scant 0.7% increase in the third quarter.

While we remain concerned about COVID's impact on consumer spending, most individuals seem to be going about their daily routines, albeit perhaps not with the same vigor as they did earlier in the summer when the pandemic appeared to be winding down. In short, significant retrenchment in consumer spending does not appear likely unless the new case count shoots markedly higher from its current level. We forecast that real GDP in the United States will grow 5.6% in 2021 (see [chart](#)). That still marks the strongest full year for U.S. economic growth since 1984, but it is a meaningful downgrade from the 7.3% rate that we forecasted in early June when new COVID cases were averaging roughly 15K per day and before prospects for a more vibrant rebound were ruined by the Delta variant.



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

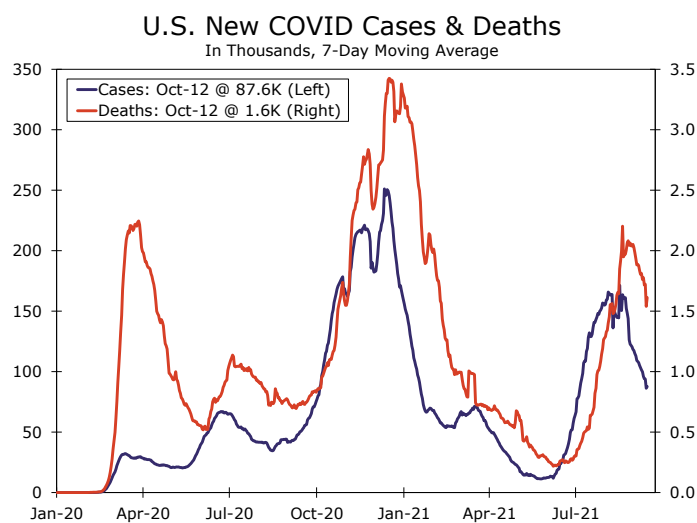


Source: U.S. Department of Commerce and Wells Fargo Securities

At this stage of the game however, the Delta variant is becoming less disruptive with case counts falling and vaccinations rising (see [chart](#)). Our forecast has built in an expectation that eventually

consumer spending will benefit from a few catch-up quarters. Guessing the timing of that rebound has always been complicated by the unpredictability of the virus, but it is now further complicated by the supply chain crisis. As of this writing, port officials from California are meeting with the president to figure out a strategy for clearing the armada of container ships anchored off the Pacific Coast. Hopefully clearing the logjam there will help alleviate the queue of ships, which have begun anchoring off East Coast ports in recent weeks—the latest sign of a worsening supply chain dynamic. The ISM Manufacturing index, a closely watched barometer of activity in the manufacturing sector, rose in September to 61.1, but the largest overall increase among sub-components was a jump in the supplier delivery index (see [chart](#)). This measure rises the longer that factories have to wait for supplies. Ordinarily, a modest wait is consistent with a fast-growing economy. However, today it says more about the supply chain crisis. As if to accentuate this issue, eight out of 10 respondents representing almost every industry cited supply chain and sourcing problems.

On the bright side, there are some indications that most firms are restocking, even if only incrementally. The inventories component rose 1.4 points to 55.6 in September, the highest in more than a decade, though recall that this is a measure of the share of firms adding to inventories, not the extent to which they are building those stocks. We are forecasting that a slower drawdown of inventories in Q3 will meaningfully add to growth in the quarter.

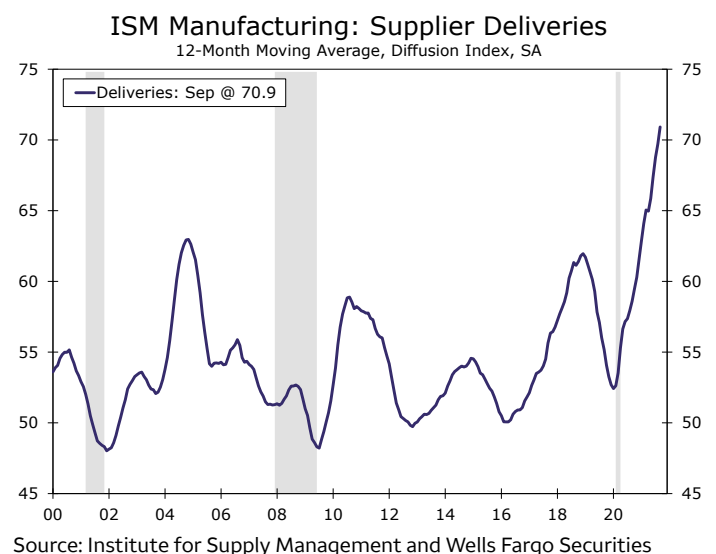


Source: Bloomberg LP and Wells Fargo Securities

The supply chain crisis may drive prices even higher and slow economic growth, but because household and business balance sheets are generally in solid shape, we still look for the economic expansion to remain intact, even if it is somewhat held back by these headwinds. We forecast that real GDP will grow 4.0% in 2022, a half a percentage point downgrade from last month. To the extent that there is any good news in the snarling of global trade routes, it is that 2023 will get a boost as the timing of our expected surge gets pushed into the second half of next year, which has a carryover effect that boosts 2023 GDP growth to an above-trend rate of 3.2% that year (see [chart](#)).

Materials are not the only thing in short supply. Job growth has been only tepid in recent months as a record share of businesses report that workers are hard to find. Consumers agree. Of those surveyed by the University of Michigan, more people are saying that jobs are plentiful than at any point in the past half century. The problem is not on the demand side, it is a labor supply problem, as many still fear COVID in the workplace, cannot find or afford childcare or are simply unable or unwilling to do the jobs available today. Still, above-trend real GDP growth should lead to solid growth in payrolls in coming months, and we look for the unemployment rate, which currently stands at 4.8%, to trend lower over our forecast period.

With the economy growing at an above-trend rate and the labor market continuing to heal, we believe that the Federal Open Market Committee (FOMC) will eventually take its foot off of the monetary policy accelerator. The Fed currently purchases \$80 billion of Treasury securities and \$40 billion of mortgage-backed securities (MBS) per month. We expect the FOMC to announce that it will begin to taper its asset purchases soon. The specific timing of that announcement was thrown into doubt



Source: Institute for Supply Management and Wells Fargo Securities

by the lackluster job growth in September, although we suspect the taper announcement is more likely at the November 3 meeting than the one that takes place on December 15. Although the exact pace of tapering is still unclear, we think policymakers will set the pace such that purchases cease by mid-2022, which should contribute to the upward creep in long-term interest rates that we will forecast in coming quarters. However, we believe that actual rate hikes by the Federal Reserve are still some ways off.

### Key Assumptions Underpinning Our Forecast

- Our forecast assumes that future waves of rising COVID cases do not lead to widespread government restrictions.
- Our forecast assumes the \$1 trillion bipartisan infrastructure bill becomes law by year-end, but we have not yet incorporated a potential budget reconciliation bill, as both the size and composition of such a bill remain highly uncertain.
- We expect the FOMC to announce that it will begin to taper its asset purchases soon. The specific timing is more uncertain given September's disappointing jobs report, although we suspect the taper announcement is more likely to take place in November than in December. We see policymakers setting the pace such that purchases wrap up by mid-2022; however, we believe that actual rate hikes are unlikely until the second half of 2023.

U.S. Forecast Table

Wells Fargo Securities U.S. Economic Forecast																				
	Actual				Forecast				Actual 2020	Forecast				Actual 2020	Forecast					
	2020		2021		2022		2023			2021		2022			2023					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2021	2022	2023	
Real Gross Domestic Product (a)	-5.1	-31.2	33.8	4.5	6.3	6.7	3.0	4.4	3.8	3.5	4.1	3.7	2.8	3.0	3.0	2.8	-3.4	5.6	4.0	3.2
Personal Consumption	-6.9	-33.4	41.4	3.4	11.4	12.0	0.7	2.4	2.1	2.9	3.6	3.5	2.2	2.4	2.5	2.3	-3.8	7.7	3.0	2.7
Business Fixed Investment	-8.1	-30.3	18.7	12.5	12.9	9.2	1.1	5.3	4.7	4.7	5.6	5.0	4.9	4.0	4.4	4.3	-5.3	7.5	4.8	4.7
Equipment	-21.3	-36.2	55.9	26.4	14.1	12.1	-7.6	5.1	4.5	4.4	6.8	5.5	5.3	3.6	4.4	4.3	-8.3	12.4	3.8	5.0
Intellectual Property Products	3.8	-10.6	8.1	10.2	15.6	12.5	12.0	6.8	6.0	5.6	5.1	4.9	5.1	4.8	5.0	5.0	2.8	10.3	7.0	5.0
Structures	-0.9	-46.8	-15.3	-8.2	5.4	-3.0	1.3	2.0	2.4	2.9	3.2	3.4	3.5	3.1	2.9	2.7	-12.5	-6.8	2.1	3.2
Residential Investment	20.4	-30.7	59.9	34.4	13.3	-11.7	-4.0	3.5	4.0	4.5	4.5	4.0	3.5	3.5	3.0	3.0	6.8	9.8	2.0	3.7
Government Purchases	3.7	3.9	-2.1	-0.5	4.2	-2.0	1.1	3.1	2.5	2.3	2.1	2.2	2.0	2.0	1.7	1.5	2.5	0.9	2.1	2.0
Net Exports	-841.9	-774.8	-1021.3	-1132.8	-1226.1	-1244.5	-1270.6	-1286.2	-1269.1	-1268.9	-1262.5	-1263.2	-1259.5	-1252.4	-1244.0	-1239.2	-942.7	-1256.9	-1265.9	-1248.8
Pct. Point Contribution to GDP	-0.1	1.5	-3.3	-1.7	-1.6	-0.2	-0.5	-0.3	0.3	0.0	0.1	0.0	0.1	0.1	0.2	0.1	-0.2	-1.7	0.0	0.1
Inventory Change	-30.4	-252.8	25.3	88.8	-88.3	-168.5	-34.6	39.5	69.2	79.1	81.1	83.0	83.0	85.0	87.0	87.0	-42.3	-63.0	78.1	85.5
Pct. Point Contribution to GDP	-0.5	-4.0	6.8	1.1	-2.6	-1.3	2.8	1.5	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.1	0.7	0.0
Nominal GDP (a)	-3.9	-32.4	38.7	6.6	10.9	13.4	9.1	9.0	7.1	6.2	6.1	5.4	4.5	4.9	5.1	5.0	-2.2	9.8	7.7	5.2
Real Final Sales	-4.6	-27.6	25.9	3.4	9.1	8.1	2.0	2.8	3.2	3.3	4.0	3.7	2.8	2.9	3.0	2.8	-2.9	5.7	3.4	3.2
Retail Sales (b)	1.2	-7.9	3.9	3.9	14.8	32.0	14.3	14.7	4.7	-0.4	2.3	3.1	3.6	2.6	2.7	2.8	0.3	18.6	2.4	2.9
Inflation Indicators (b)																				
PCE Deflator	1.7	0.6	1.2	1.2	1.8	3.9	4.3	5.0	4.9	3.9	3.0	2.3	2.0	1.8	1.8	1.9	1.2	3.8	3.5	1.9
"Core" PCE Deflator	1.8	1.0	1.5	1.4	1.7	3.4	3.7	4.2	4.4	3.6	2.9	2.5	2.1	1.9	2.0	2.1	1.4	3.2	3.3	2.0
Consumer Price Index	2.1	0.4	1.3	1.2	1.9	4.8	5.3	6.0	6.0	4.7	3.6	2.6	2.0	1.7	1.6	1.9	1.2	4.5	4.2	1.8
"Core" Consumer Price Index	2.2	1.3	1.7	1.6	1.4	3.7	4.1	4.6	5.3	4.2	3.4	2.9	2.3	1.9	1.8	2.1	1.7	3.5	3.9	2.0
Producer Price Index (Final Demand)	1.1	-1.0	0.0	0.7	2.9	6.7	8.2	8.8	7.3	5.2	3.1	2.0	1.6	1.6	1.8	2.0	0.2	6.7	4.4	1.7
Employment Cost Index	2.8	2.7	2.4	2.5	2.6	2.9	3.2	3.3	3.1	3.0	2.8	2.6	2.6	2.7	2.7	2.8	2.6	3.0	2.9	2.7
Real Disposable Income (b)	1.6	12.5	6.9	4.0	15.1	-4.7	-1.7	-0.7	-11.1	-2.6	-0.5	2.0	2.6	3.2	3.2	2.9	6.2	1.7	-3.3	3.0
Nominal Personal Income (b)	3.3	10.9	7.1	4.8	16.1	1.1	4.2	5.3	-5.3	1.5	2.5	4.4	4.6	5.0	5.0	4.9	6.5	6.5	0.7	4.9
Industrial Production (a)	-6.7	-42.4	44.5	8.2	4.0	6.2	7.3	4.6	4.0	3.8	3.4	3.0	3.0	3.2	3.3	3.0	-7.2	5.9	4.5	3.2
Capacity Utilization	75.3	65.6	71.9	73.4	74.1	75.2	76.2	76.6	77.4	78.1	78.7	79.3	79.7	80.0	80.4	80.9	71.6	75.5	78.4	80.3
Corporate Profits Before Taxes (b)	-5.6	-18.6	2.3	0.9	17.6	45.1	8.0	9.5	9.0	1.5	7.5	9.5	6.5	4.5	4.0	4.0	-5.2	18.8	6.8	4.7
Corporate Profits After Taxes	-3.8	-18.3	2.1	1.1	14.7	43.4	6.9	9.2	9.4	1.4	7.5	9.6	6.5	4.5	4.0	4.0	-4.7	17.3	6.8	4.7
Federal Budget Balance (c)	-386.9	-2000.9	-387.6	-572.9	-1133.4	-531.7	-562.1	-389.6	-525.3	-83.1	-302.0	-296.1	-432.1	33.9	-205.7	-297.5	-3131.9	-2800.0	-1300.0	-900.0
Trade Weighted Dollar Index (d)	112.8	110.4	106.6	103.3	104.2	102.9	105.4	107.5	106.8	105.8	104.8	104.0	103.3	102.5	102.0	102.0	109.1	105.0	105.3	102.4
Nonfarm Payroll Change (e)	-359.7	-4333.3	1341.7	212.7	518.0	615.0	550.3	375.0	450.0	375.0	268.3	255.0	240.0	225.0	215.0	200.0	-784.7	514.6	337.1	220.0
Unemployment Rate	3.8	13.1	8.8	6.8	6.2	5.9	5.1	4.7	4.5	4.3	4.2	4.1	4.0	3.8	3.7	3.6	8.1	5.5	4.3	3.8
Housing Starts (f)	1.49	1.09	1.44	1.58	1.60	1.59	1.56	1.53	1.55	1.59	1.61	1.58	1.52	1.60	1.56	1.52	1.38	1.57	1.58	1.55
Light Vehicle Sales (g)	15.0	11.3	15.4	16.2	16.8	16.9	13.3	15.0	15.9	16.6	16.8	17.2	17.2	17.4	17.5	17.6	14.5	15.5	16.6	17.4
Crude Oil - Brent - Front Contract (h)	51.0	34.7	43.8	45.5	60.9	68.6	72.5	81.0	79.0	77.0	75.0	73.5	71.5	71.0	69.0	69.0	43.7	70.8	76.1	70.1
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	0.50	0.25	0.25	0.50
Secured Overnight Financing Rate (h)	1.23	0.05	0.09	0.09	0.04	0.02	0.05	0.05	0.05	0.05	0.05	0.05	0.10	0.10	0.35	0.85	0.36	0.04	0.05	0.35
3 Month LIBOR	1.45	0.30	0.23	0.24	0.19	0.15	0.13	0.10	0.10	0.10	0.10	0.10	0.15	0.25	0.50	1.00	0.65	0.14	0.10	0.48
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.50	4.00	3.50	3.25	3.25	3.50
Conventional Mortgage Rate	3.45	3.16	2.89	2.69	3.08	2.98	2.87	3.20	3.40	3.55	3.65	3.70	3.75	3.75	3.80	3.80	3.12	3.03	3.58	3.78
3 Month Bill	0.11	0.16	0.10	0.09	0.03	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.10	0.20	0.45	0.95	0.36	0.04	0.05	0.43
6 Month Bill	0.15	0.18	0.11	0.09	0.05	0.06	0.05	0.05	0.05	0.05	0.10	0.15	0.25	0.35	0.65	1.10	0.37	0.05	0.09	0.59
1 Year Bill	0.17	0.16	0.12	0.10	0.07	0.07	0.09	0.10	0.10	0.15	0.25	0.40	0.60	0.80	1.05	1.30	0.37	0.08	0.23	0.94
2 Year Note	0.23	0.16	0.13	0.13	0.16	0.25	0.28	0.35	0.45	0.65	0.85	1.05	1.25	1.40	1.55	1.70	0.39	0.26	0.75	1.48
5 Year Note	0.37	0.29	0.28	0.36	0.92	0.87	0.98	1.10	1.25	1.45	1.60	1.75	1.85	1.90	1.95	2.00	0.53	0.97	1.51	1.93
10 Year Note	0.70	0.66	0.69	0.93	1.74	1.45	1.52	1.70	1.90	2.00	2.10	2.15	2.20	2.20	2.25	2.25	0.89	1.60	2.04	2.23
30 Year Bond	1.35	1.41	1.46	1.65	2.41	2.06	2.08	2.25	2.40	2.50	2.55	2.55	2.60	2.60	2.65	2.65	1.56	2.20	2.50	2.63

Forecast as of: October 14, 2021  
 Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter (f) Millions of Units - Annual Data - Not Seasonally Adjusted  
 (b) Year-over-Year Percentage Change (g) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold  
 (c) Quarterly Sum - Billions USD; Annual Data Represents Fiscal Yr. (h) Quarterly Average of Daily Close  
 (d) Federal Reserve Advanced Foreign Economies Index, 2006=100 - Quarter End (i) Annual Numbers Represent Averages  
 (e) Average Monthly Change

Source: U.S. Department of Commerce, U.S. Department of Labor, IHS Markit, Federal Reserve Board and Wells Fargo Securities

Forecast Delta Table

Changes to the Wells Fargo Securities U.S. Economic Forecast																					
	Actual				Forecast												Actual		Forecast		
	2020		2021		2022				2023				2020	2021	2022	2023					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2020	2021	2022	2023	
Real Gross Domestic Product (a)	0.00	0.00	0.00	0.00	0.00	0.17	-1.57	-1.35	-0.39	-0.63	0.63	0.92	0.01	-0.04	0.08	0.04	0.00	-0.26	-0.51	0.22	
Personal Consumption	0.00	0.00	0.00	0.00	0.00	0.18	-0.20	-0.34	-1.31	-1.13	0.41	1.20	-0.06	-0.18	-0.06	0.00	0.00	-0.02	-0.49	0.15	
Business Fixed Investment	0.00	0.00	0.00	0.00	0.00	-0.04	-1.29	-0.66	-0.92	-0.76	0.39	0.10	0.00	0.00	0.00	0.00	0.00	-0.22	-0.61	0.02	
Equipment	0.00	0.00	0.00	0.00	0.00	0.53	-2.56	-1.44	-1.89	-1.57	1.00	0.35	0.00	0.00	0.00	0.00	0.00	-0.38	-1.21	0.09	
Intellectual Property Products	0.00	0.00	0.00	0.00	0.00	-2.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.38	-0.12	0.00	
Structures	0.00	0.00	0.00	0.00	0.00	2.43	-0.20	-0.10	-0.50	-0.40	-0.30	-0.30	0.00	0.00	0.00	0.00	0.00	0.41	-0.14	-0.12	
Residential Investment	0.00	0.00	0.00	0.00	0.00	-0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.02	0.00	
Government Purchases	0.00	0.00	0.00	0.00	0.00	-0.13	-0.58	0.30	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	0.05	0.00	
Net Exports	0.0	0.0	0.0	0.0	0.0	2.6	-48.9	-78.9	-60.1	-57.5	-44.4	-41.3	-38.7	-34.5	-28.7	-26.6	0.0	-31.3	-50.8	-32.1	
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.06	-1.06	-0.61	0.38	0.05	0.26	0.06	0.05	0.08	0.11	0.04	0.00	-0.17	-0.10	0.09	
Inventory Change	0.0	0.0	0.0	0.0	0.0	0.9	0.1	-19.9	-10.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	-4.7	-2.7	-0.2	
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.04	-0.02	-0.41	0.20	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.01	0.01	
Nominal GDP	0.00	0.00	0.00	0.00	0.00	0.19	-1.26	0.20	0.46	-0.21	0.45	0.47	-0.39	-0.30	-0.15	-0.06	0.00	-0.11	0.06	-0.05	
Real Final Sales	0.00	0.00	0.00	0.00	0.00	0.13	-1.51	-0.92	-0.60	-0.84	0.63	0.92	0.01	-0.04	0.08	0.05	0.00	-0.23	-0.52	0.21	
Retail Sales (b)	0.00	0.00	-0.06	0.00	0.00	0.05	0.36	0.75	0.68	0.62	0.41	0.00	0.00	0.00	0.00	0.00	-0.02	0.30	0.43	0.00	
Inflation Indicators (b)																					
PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.48	0.69	0.79	0.64	0.15	-0.15	-0.32	-0.33	-0.24	0.00	0.14	0.57	-0.26	
"Core" PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.32	0.56	0.71	0.65	0.33	0.00	-0.22	-0.27	-0.20	0.00	0.10	0.56	-0.17	
Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.60	0.95	1.16	1.10	0.33	-0.23	-0.64	-0.74	-0.53	0.00	0.16	0.88	-0.54	
"Core" Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	-0.07	0.24	0.70	1.00	1.10	0.59	-0.11	-0.61	-0.76	-0.54	0.00	0.04	0.85	-0.51	
Producer Price Index (Final Demand)	0.00	0.00	0.00	0.00	0.00	0.11	0.21	0.76	0.91	0.79	0.69	0.09	-0.28	-0.36	-0.36	-0.28	0.00	0.27	0.61	-0.32	
Employment Cost Index	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.32	0.39	0.41	0.23	0.09	0.01	0.00	0.00	0.00	0.00	0.13	0.28	0.00	
Real Disposable Income (b)	0.00	0.00	0.00	0.00	0.00	0.24	0.36	-0.36	-0.94	-1.76	-0.99	-0.16	0.64	1.20	0.33	0.24	0.00	0.06	-0.97	0.60	
Nominal Personal Income (b)	0.00	0.00	0.00	0.00	0.00	0.05	0.25	-0.17	-0.61	-1.09	-0.41	-0.01	0.50	0.89	0.00	0.00	0.00	0.03	-0.53	0.34	
Industrial Production (a)	0.00	0.00	0.00	0.00	0.05	0.06	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.03	0.00	
Capacity Utilization	0.00	0.00	0.00	0.00	0.01	0.02	0.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.00	
Corporate Profits Before Taxes (b)	0.00	0.00	0.00	0.00	0.00	1.72	-2.00	-2.50	-1.00	-0.50	-0.50	2.50	1.50	0.50	0.00	0.00	0.00	-0.85	0.11	0.49	
Corporate Profits After Taxes	0.00	0.00	0.00	0.00	0.00	1.16	-2.00	-2.50	-1.00	-0.50	-0.50	2.50	1.50	0.50	0.00	0.00	0.00	-0.96	0.11	0.49	
Federal Budget Balance (c)	0.00	0.00	0.00	0.00	0.00	0.00	200.00	-0.03	-0.09	0.11	0.00	-0.09	-0.24	0.31	0.01	-0.09	0.00	200.00	0.00	0.00	
Trade Weighted Dollar Index (d)	0.00	0.00	0.00	0.00	0.00	0.00	-0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00	0.03	0.50	0.50	
Nonfarm Payroll Change (e)	0.00	0.00	0.00	0.00	0.00	0.00	-12.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-3.08	0.00	0.00	
Unemployment Rate	0.00	0.00	0.00	0.00	0.00	0.00	-0.10	-0.30	-0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.10	-0.04	0.00	
Housing Starts (f)	0.00	0.00	0.00	0.00	0.00	0.00	0.02	-0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Light Vehicle Sales (g)	0.00	0.00	0.00	0.00	0.00	0.00	-0.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.18	0.00	0.00	
Crude Oil - Brent - Front Contract (h)	0.00	0.00	0.00	0.00	0.00	0.00	0.54	10.00	8.00	8.00	8.00	8.00	0.00	7.00	5.00	5.00	0.00	2.63	8.00	4.25	
Quarter-End Interest Rates (i)																					
Federal Funds Target Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Secured Overnight Financing Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3 Month LIBOR	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	
Prime Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Conventional Mortgage Rate	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.00	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	0.00	-0.01	-0.05	-0.05	
3 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1 Year Bill	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.05	0.05	0.05	0.05	0.00	0.00	0.00	0.05	
2 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.05	0.05	0.10	0.15	0.15	0.15	0.10	0.10	0.10	0.00	0.02	0.11	0.11	
5 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.10	0.10	0.10	0.05	0.05	0.05	0.05	0.05	0.05	0.00	0.06	0.08	0.05	
10 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	
30 Year Bond	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	0.00	-0.02	-0.05	-0.05	

Forecast as of: October 14, 2021  
 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 Advanced Foreign Economies Index, 2006=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

Source: U.S. Department of Commerce, U.S. Department of Labor, IHS Markit, Federal Reserve Board and Wells Fargo Securities

## Personal Consumption Expenditures

- Nominal spending increased 0.8% in August, but half of that was attributable to higher prices. Real spending growth was not enough to offset a downwardly revised drop of 0.5% in July. On that basis, we have lowered our call for Q3 PCE to just 0.7% at an annualized rate.
- Most non-sentiment indicators point to consumer activity picking up in September. With COVID cases heading lower, some return to service spending activity is possible, and there is money in household savings to bankroll a quicker rate of spending in the final quarter of the year. Despite having the cash, even if consumers are finally inclined to spend more, the scarcity of goods and the dearth of service workers mean households may simply be unable to spend it.

Our high-frequency consumer dashboard is showing mixed signals as Q3 winds down. Sentiment measures remain weak, but despite what consumers may say, activity looks much better in September. Perhaps because new COVID case counts are coming back down, people are returning to regular activities. NYC subway ridership is sharply higher; and Google phone data show more workplace visits and reduced time at home. Container ships may be bobbing off the coast waiting for an open dock, but the number of cruise ships underway has increased for a fifth straight month. Both Redbook and the advance retail sales indicator from the Chicago Fed reported gains in September. We still suspect that inflation will take a major bite out of third quarter growth and have penciled in an annualized gain of just 0.7% in Q3, though we are encouraged to see some momentum coming into the current quarter. Even if consumers do regain lost confidence, we suspect the main challenge for the fourth quarter will be finding everything on the shopping list as the supply chain crisis worsens.

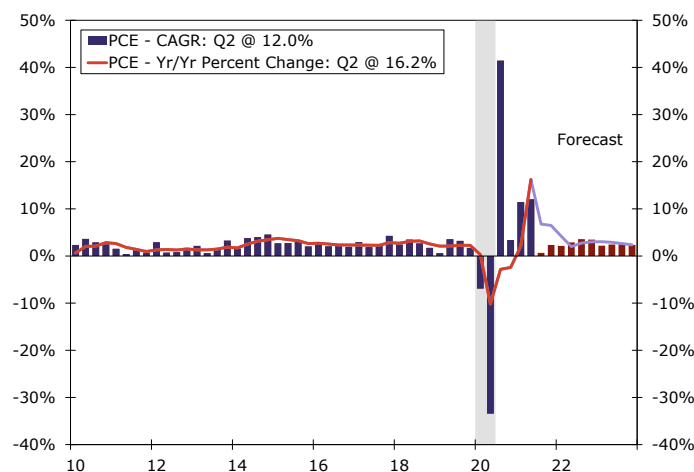
## Investment: Equipment, Intellectual Property Products and Inventories

- The outlook for business spending would be brighter if not for ongoing material and labor shortages, which are limiting manufacturers when demand remains robust.
- Despite the worsening supply chain crisis and rising costs, core capital goods orders climbed in August, as unfilled orders stacked up. Total shipments slipped 0.5% last month, as categories associated with severe input shortages such as computers, appliances and autos posted declines.

Supply problems, from sourcing inputs to getting needed help, continue to limit production. After adjusting for higher prices, we are now braced for a 7.6% decline in Q3 equipment spending. But lean levels of inventories suggest output will rebound in subsequent quarters even as consumer demand transitions back to services. The need to replenish inventory and meet order backlogs should keep manufacturing humming, even if the pace of output continues to be limited by supply.

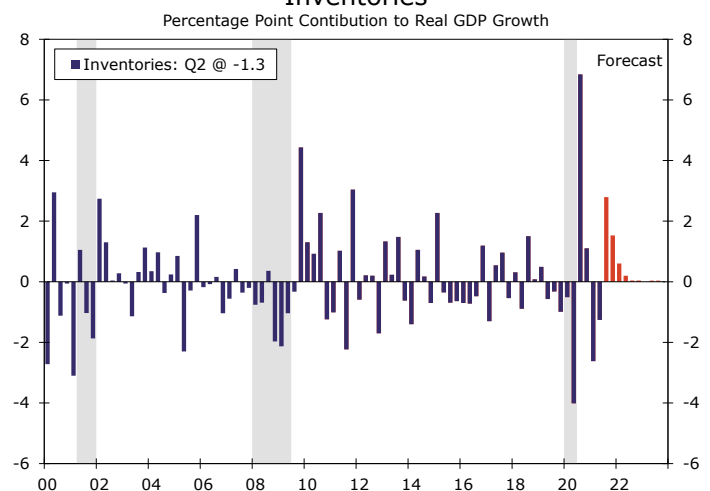
Inventories are critical to GDP growth in the remainder of 2021. More than half of headline Q3 GDP growth comes from a 2.8pp boost from inventories. Remarkably, this lift comes merely from a slower drawdown in stockpiles. An outright inventory build in Q4 provides another boost.

Real Personal Consumption Expenditures



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

Inventories



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

### Investment: Residential

- We have not made any substantial changes to our residential investment outlook.

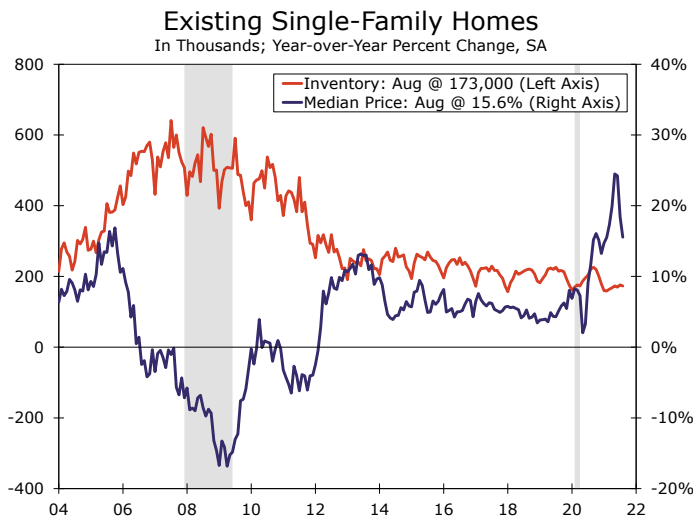
Home buying has moderated alongside low inventories and high home prices. Existing home sales slipped during August, ending a two-month streak of gains. While the pandemic-induced race for more space has cooled, we expect home buying to remain sturdy. Prices are up substantially on a year-over-year basis, but are now moderating and are expected to continue to do so over the next couple of years. Mortgage rates have moved higher in recent weeks and should continue to rise, but only modestly. Even with low supply and deteriorating affordability, we anticipate demand will remain strong. Pending home sales, which lead existing home sales by one or two months, rose sharply in August. Mortgage applications for purchase have also firmed up recently, after losing momentum earlier this summer.

The overall lack of homes for sale will likely support a relatively robust pace of new residential construction over the next few years. Home builders are selling virtually everything they can build and face a growing backlog of projects. Single-family development has been hindered by shortages of building materials and skilled labor, and we expect construction to ramp up once these headwinds die down. A recent up-shift in multifamily starts and permits indicates that ascending apartment rents, which have come along with resurgent leasing demand, are encouraging developers to move forward with projects. Furthermore, soaring home prices have significantly boosted homeowner equity, which along with more time being spent at home and low interest rates, has led to a surge in repair and remodel activity.

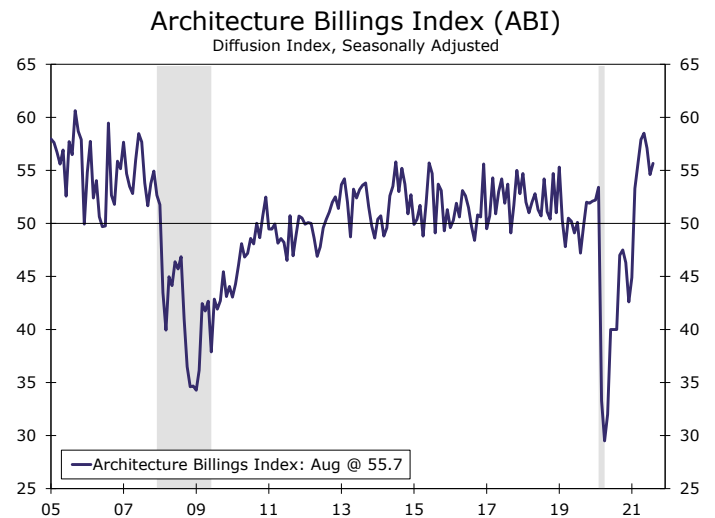
### Investment: Nonresidential Structures

- We have reduced our outlook for structures investment in 2021 and 2022. The pandemic's knock-on effects continue to weigh on nonresidential construction, notably new office development. Oil and gas drill activity continues to strengthen alongside higher oil prices, although the pace of expansion has been fairly moderate.

Total nonresidential expenditures slipped in August, and spending is down 6.7% on a year-to-date basis. Most major categories of nonresidential spending remain weak. While we have modestly reduced our outlook for structures spending, we still foresee a solid pace of improvement in the years ahead. The Architectural Billings Index, which leads nonresidential construction spending by about a year, has been in expansion territory (over 50) for seven straight months, which suggests nonresidential activity should strengthen. However, building material pricing and availability remain significant impediments. Scarcities of skilled labor have also become a headwind for the construction industry. In terms of oil and gas investment, higher oil prices should support a moderate pace of expansion. Exploration and drilling may be restrained going forward, however, as higher input and transportation costs, as well as mounting environmental concerns, weigh on capital spending.



Source: National Association of Realtors and Wells Fargo Securities



Source: American Institute of Architects and Wells Fargo Securities



## Labor Market

- Labor availability remains the primary obstacle to more robust hiring.
- The ongoing strength of wage gains suggests the labor market is already tight.

The labor market recovery continues to be held back by the availability of labor. Demand indicators continue to hover near record levels, including job openings, small business hiring plans and consumers' views that jobs are "plentiful." Yet workers remain slow to return to the labor market. Despite schools being back open, emergency unemployment benefits ending and the latest wave of COVID peaking early in the month, the labor force participation rate slipped in September. The 194K payroll gain in September was held back by a 180K drop in public and private education hiring, as schools struggled to bring back the usual number of workers this school year. With labor supply, rather than demand, being the biggest challenge to hiring right now, the jobs market continues to tighten. The unemployment rate tumbled to 4.8% in September. We expect wage pressures over the next few quarters, as measured by the ECI, to be stronger as a result. However, we still look for constraints on the labor supply to ease up in the coming months, which should support somewhat stronger hiring early next year and keep wages from spiraling higher.

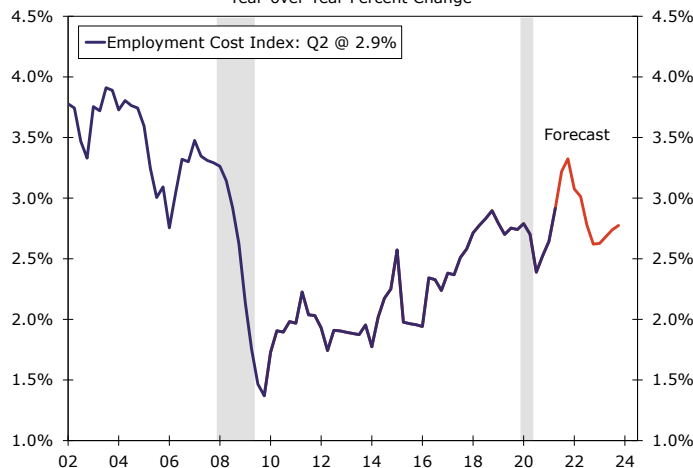
## Inflation

- With logjams across supply chains showing few signs of improving and energy prices climbing to multi-year highs, we have raised our near-term inflation outlook.
- Inflation should still recede toward the end of next year, but it is unlikely to fall meaningfully below the FOMC's 2% target as services inflation strengthens.

The latest readings on inflation support our view that the most acute price hikes are behind us, but inflation is not about to fade quietly into the night. Energy prices have been back on the advance, with oil and natural gas prices near seven-year highs. Meanwhile, supply chain bottlenecks continue to plague the goods sector and are likely to persist well into next year. We have raised our near-term outlook for inflation as result. We now expect PCE inflation to peak in the first quarter, with core PCE inflation hitting 4.4%. As spending shifts back toward services and income growth slows, easing demand for goods and fewer COVID-related supply disruptions next year should help goods inflation come off the boil. Yet inflation is likely to remain elevated, at least by the standards of the past cycle, as the tightening labor market keeps wage growth strong and housing inflation picks up. We expect PCE inflation to run around 2% in 2023. Not only have inflation expectations come off their historic lows since COVID and the FOMC has become slightly more tolerant of inflation under its new framework, but *structural forces* that held down inflation last cycle are unlikely to exert as much downward pressure on inflation in the years ahead.

### Employment Cost Index

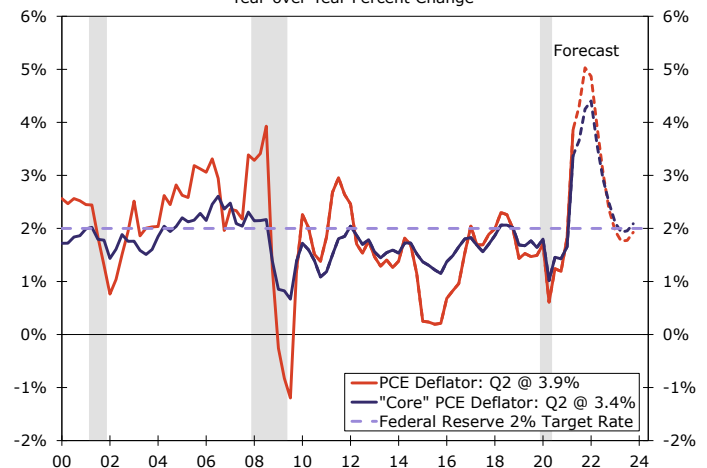
Year-over-Year Percent Change



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

### PCE Deflator & "Core" PCE Deflator

Year-over-Year Percent Change



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

### Fiscal Policy

- We have made no major changes to our forecasts for the government component of GDP or the federal budget deficit.
- Our forecast still assumes the \$1 trillion bipartisan infrastructure bill becomes law, but we have not yet incorporated a budget reconciliation bill into our forecast, as both the size and composition of such a bill remain highly uncertain.
- Even if a budget reconciliation bill does eventually become law, the federal budget deficit will likely shrink by more than \$1 trillion in fiscal year 2022.

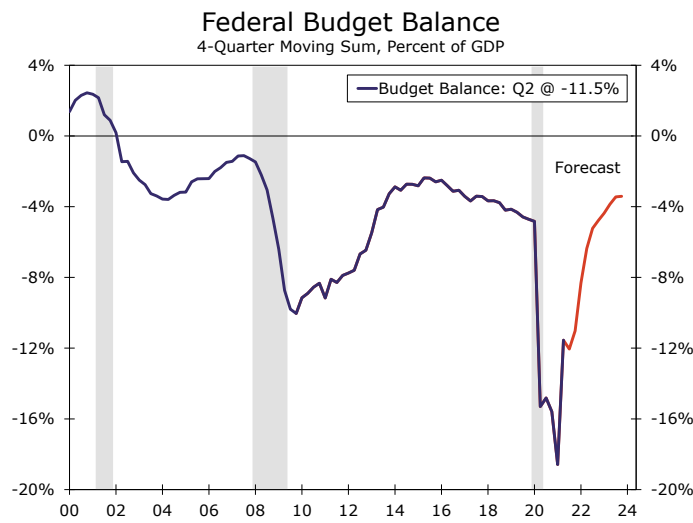
Congress has averted a near-term government shutdown and debt ceiling debacle, but the resolution simply moved the deadlines out a few months. Current federal government discretionary spending is only authorized through December 3, and the \$480 billion debt ceiling increase probably only affords the Treasury a few months of additional borrowing capacity. We expect headlines regarding government funding and the debt ceiling to re-emerge this winter.

The fate of the \$1 trillion bipartisan infrastructure bill remains wedded to the budget reconciliation bill that contains much of the rest of the Biden administration's economic policy agenda. [We have written](#) for several months now that we think a budget reconciliation bill will eventually become law, but that the final package will be scaled back significantly to roughly \$2 trillion over 10 years. Our thinking on this has not changed, and although the top-line size appears to be coming into focus, the actual composition of the bill remains highly uncertain.

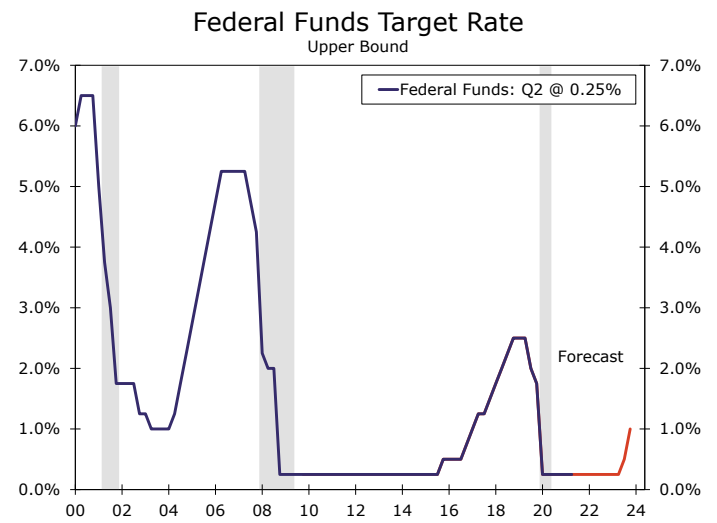
### Monetary Policy & Interest Rates

- We have made no major changes to our forecast for U.S. interest rates.
- We think a November 3 taper announcement by the FOMC is more likely than a December 15 announcement, but either is plausible. We look for the FOMC to keep the fed funds rate on hold in 2022 before hiking 75 bps in 2023.

The FOMC remains on track to announce the tapering of its asset purchases at its November or December meeting. The November 3 meeting appeared to be the more likely of the two prior to the release of the September employment report, but nonfarm payrolls rose just 194,000 in September, the slowest pace of 2021. We still think a November 3 taper announcement is more likely than a December 15 announcement, but either is plausible. If the FOMC does not announce a taper in November, a December announcement seems all but assured unless the economy completely comes off the rails. Although the exact pace of tapering is still unclear, we think policymakers will set the pace such that purchases cease by mid-2022. Our rates forecast through the end of 2022 is largely unchanged. We continue to think the 10-year yield will finish 2022 between 2.00% and 2.25%.



Source: U.S. Department of the Treasury and Wells Fargo Securities



Source: Federal Reserve Board and Wells Fargo Securities

## Net Exports

- We are now forecasting net exports to subtract 0.5pp from headline growth in Q3 and 1.7pp for 2021. This is compared to the 0.5pp boost we had penciled in for Q3 and the 1.5pp drag for 2021 in the September update.
- Real goods imports came in stronger than we had forecast for August, while exports were a touch weaker. Furthermore, while the data are nominal and normally a small factor, services imports are also shaping up for a sizable annualized growth rate in Q3, which is adding to the drag.
- Fundamentals are taking a back seat to the latest changes related to the supply chain crisis, which adds to volatility and complicates trade forecasting.

The baseline here should be straightforward. With the global economy lagging, the sharper rebound in the United States this year, and then transitioning to stronger global growth combined with gradual slowing in domestic spending throughout the rest of the forecast period, this suggests that trade should be a drag on growth this year before transitioning to a modest boost next year and beyond as the trade deficit gradually narrows. The reality is that the ups and downs of supply chain problems mean that trade figures can be curiously out of whack from month to month.

## International Developments & the U.S. Dollar

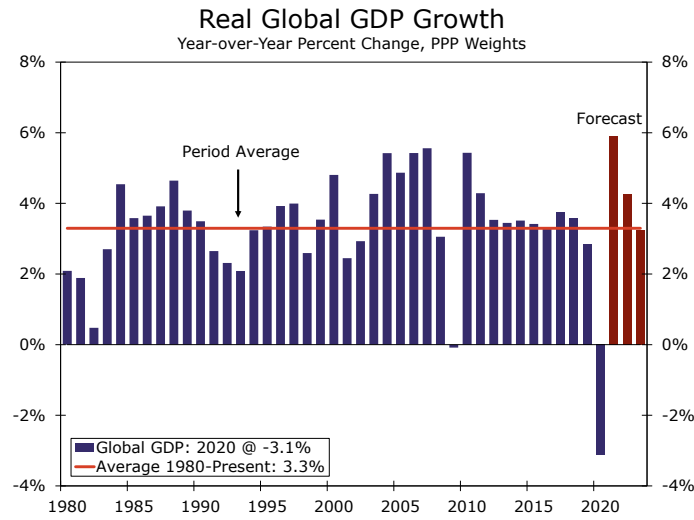
- We have made only modest downward revisions to our global growth forecast, and now anticipate global GDP growth of 5.9% this year (compared to a forecast of 6.0% a month ago) and 4.3% for 2022 (compared to 4.4% a month ago).
- Our outlook for the path of global monetary policy is little changed. Among the next G10 central banks we believe will begin raising interest rates are the Bank of England (starting in Q2-2022) and the Bank of Canada (starting in Q3-2022), although the risks are tilted toward rate hikes sooner rather than later.
- We have revised our forecast for the trade-weighted U.S. dollar slightly, although the overall profile remains unchanged. We forecast U.S. dollar strength through the end of this year, giving way to U.S. dollar weakness as 2022 progresses.
- For further reading on the global economy, please see our most recent [International Economic Outlook](#).

We have made some modest downward revisions to our global GDP forecast, although we believe the medium-term growth outlook generally remains favorable. Most notably, activity in some European economies still appears to be a bit bumpy as those countries move along the path of their post-COVID recovery. In the U.K., retail sales have fallen in the four months through August, while both the Eurozone and the United Kingdom saw a softening in PMI surveys in latter part of Q3. As a result, we have shaved our growth forecast for the Eurozone, while in the U.K. despite some upward revisions to historical data, we now expect softer U.K. GDP growth in 2022 than previously. The near-term growth outlook in Australia and New Zealand also remains uncertain as restrictions remain in place across large parts of those countries.

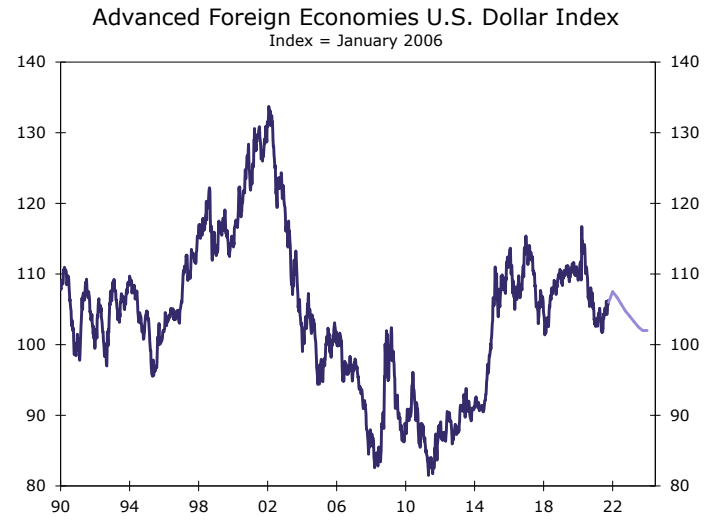
Despite some uncertainties with respect to the near-term outlook, central banks in Norway and New Zealand have already begun rate hike cycles, and the Bank of England and Bank of Canada are expected to be the next central banks to lift rates, given elevated inflation in the United Kingdom and a sturdy growth outlook in Canada. We currently expect the Bank of England to begin with an initial rate increase in Q2-2022 and the Bank of Canada to start raising rates in Q3-2022. That said, the debate has turned to whether rate increases in both countries could begin sooner than that, with some discussion that an initial modest rate hike could even occur in the United Kingdom before the end of 2021.

This anticipation of relatively near-term action from many international central banks informs our outlook for the U.S. dollar. We do expect that the current period of U.S. dollar strength could persist through the end of this year, given the expectation that the Fed will soon begin to slow its bond purchases, the debt ceiling debate still not fully resolved, and China's economic outlook still somewhat unsettled. Nonetheless, should global sentiment become calmer once Fed tapering is under way and U.S. debt ceiling issues are resolved, we believe the (relatively) faster tightening by many global central

banks compared to the Fed will weigh on the greenback. Accordingly, our view of softening in the U.S. dollar over the medium term remains little changed from our prior forecast.



Source: International Monetary Fund and Wells Fargo Securities



Source: Bloomberg LP and Wells Fargo Securities

### Wells Fargo International Economic Forecast

	GDP				CPI			
	2020	2021	2022	2023	2020	2021	2022	2023
Global (PPP Weights)	-3.1%	5.9%	4.3%	3.2%	3.2%	4.1%	3.9%	3.4%
Advanced Economies <sup>1</sup>	-4.5%	5.3%	4.2%	2.8%	0.7%	3.2%	2.9%	1.7%
United States	-3.4%	5.6%	4.0%	3.2%	1.2%	4.5%	4.2%	1.8%
Eurozone	-6.3%	5.1%	4.3%	2.2%	0.3%	2.3%	1.7%	1.5%
United Kingdom	-9.8%	7.3%	5.1%	2.2%	0.9%	2.2%	2.7%	2.1%
Japan	-4.6%	2.3%	2.5%	1.7%	0.0%	-0.2%	0.5%	0.6%
Canada	-5.3%	5.4%	4.1%	2.3%	0.7%	3.1%	2.4%	2.1%
Switzerland	-2.5%	3.3%	3.0%	2.0%	-0.7%	0.5%	0.6%	0.7%
Australia	-2.4%	3.9%	3.6%	3.1%	0.9%	2.4%	1.9%	2.1%
New Zealand	-2.1%	4.9%	3.8%	2.8%	1.7%	2.8%	2.3%	2.2%
Sweden	-2.8%	4.3%	3.4%	2.2%	0.7%	1.8%	1.6%	1.5%
Norway	-0.8%	3.5%	3.9%	2.1%	1.3%	2.9%	2.1%	1.9%
Developing Economies <sup>1</sup>	-2.1%	6.3%	4.4%	3.6%	5.1%	4.8%	4.7%	4.7%
China	2.3%	8.2%	5.5%	5.4%	2.4%	1.3%	2.3%	2.3%
India	-7.3%	8.2%	8.1%	5.0%	6.2%	5.1%	4.6%	4.8%
Mexico	-8.3%	6.4%	3.0%	2.4%	3.4%	5.4%	4.3%	3.8%
Brazil	-4.1%	5.2%	2.3%	2.4%	3.2%	8.0%	4.5%	3.5%

Forecast as of: October 14, 2021

<sup>1</sup>Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Securities

### Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

	Central Bank Key Policy Rate					
	2021	2022				2023
	Q4	Q1	Q2	Q3	Q4	Q1
United States	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Eurozone <sup>1</sup>	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
United Kingdom	0.10%	0.10%	0.25%	0.25%	0.50%	0.75%
Japan	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Canada	0.25%	0.25%	0.25%	0.50%	0.75%	1.00%
	2-Year Note					
	2021	2022				2023
	Q4	Q1	Q2	Q3	Q4	Q1
United States	0.35%	0.45%	0.65%	0.85%	1.05%	1.25%
Eurozone <sup>2</sup>	-0.70%	-0.65%	-0.65%	-0.60%	-0.60%	-0.55%
United Kingdom	0.50%	0.70%	0.90%	1.10%	1.20%	1.30%
Japan	-0.10%	-0.10%	-0.10%	-0.10%	-0.05%	-0.05%
Canada	0.60%	0.75%	0.90%	1.05%	1.25%	1.45%
	10-Year Note					
	2021	2022				2023
	Q4	Q1	Q2	Q3	Q4	Q1
United States	1.70%	1.90%	2.00%	2.10%	2.15%	2.20%
Eurozone <sup>2</sup>	-0.25%	-0.20%	-0.10%	0.00%	0.15%	0.30%
United Kingdom	1.10%	1.25%	1.40%	1.50%	1.60%	1.65%
Japan	0.10%	0.10%	0.15%	0.15%	0.20%	0.20%
Canada	1.60%	1.85%	1.95%	2.10%	2.20%	2.30%

Forecast as of: October 14, 2021

<sup>1</sup> ECB Deposit Rate <sup>2</sup> German Government Bond Yield

Source: Bloomberg LP and Wells Fargo Securities

### This Month's Economic Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Construction Spending (MoM)</b> August 0.0% <b>ISM Manufacturing</b> September 61.1 <b>Royal Bank of Australia Cash Rate Target</b> Previous 0.10%		<b>FOMC Rate Decision (Upper Bound)</b> Previous 0.25% <b>Powell* (Fed Chair)</b> Post FOMC Press Conference <b>U.S. Treasury Quarterly Refunding</b>	<b>Trade Balance</b> August -\$73.3B <b>Bank of England Rate Decision</b> Previous 0.10% <b>OPEC Meeting</b>	<b>Nonfarm Payrolls</b> September 194K
<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>Evans (Chicago Fed)</b> Speaks on Economy and Monetary Policy <b>Federal Reserve Conference</b> Conference on Gender and the Economy	<b>NFIB Small Business Optimism</b> September 99.1 <b>PPI Final Demand (MoM)</b> August 0.7% <b>China CPI (YoY)</b> August 0.8%	<b>CPI (MoM)</b> September 0.4%	<b>U.S. Veterans Day Observed</b> [U.S. Markets Closed] <b>United Kingdom GDP (YoY)</b> Q2 23.6% <b>Bank of Mexico Overnight Rate Decision</b> Previous 4.75%	<b>JOLTS Job Openings</b> August 10.4M <b>Consumer Sentiment</b> September 72.8
<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>
<b>Japan GDP (Annualized, QoQ)</b> Q2 0.5%	<b>Retail Sales (MoM)</b> August 0.7% <b>Industrial Production (MoM)</b> August 0.4% <b>Import Price Index (MoM)</b> August -0.3%	<b>Housing Starts (SAAR)</b> August 1.62M <b>United Kingdom CPI (YoY)</b> August 3.2% <b>Canada CPI (YoY)</b> August 4.1%	<b>Japan CPI (YoY)</b> August -0.4%	
<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>26</b>
<b>Existing Home Sales (SAAR)</b> August 5.88M		<b>Durable Goods Orders (MoM)</b> August 1.8% <b>Personal Income &amp; Spending (MoM)</b> August 0.2%; 0.8% (Income; Spending) <b>FOMC Meeting Minutes</b>	<b>U.S. Thanksgiving Day Observed</b> [U.S. Markets Closed]	
<b>29</b>	<b>30</b>	<b>1</b>	<b>2</b>	<b>3</b>
	<b>Consumer Confidence</b> September 109.3 <b>Canada GDP (Annualized, QoQ)</b> Q2 -1.1%	<b>Construction Spending (MoM)</b> August 0.0% <b>ISM Manufacturing</b> September 61.1		<b>Nonfarm Payrolls</b> September 194K <b>Government Shutdown Deadline</b>

Note: (W) = Wells Fargo Estimate, (C) = Consensus Estimate, \* = voting FOMC member in 2021, Purple = Market Moving Releases

Source: Bloomberg LP, Federal Reserve System, U.S. Department of Labor, U.S. Department of Commerce, Institute for Supply Management, Conference Board and Wells Fargo Securities

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