Monthly — November 13, 2026

Economic Outlook: November 2026

FOMC Turns Increasingly Hawkish as Inflation Persists

Monthly Macro Bullet Points

- **We have not made any substantial changes to our outlook in the wake of the Midterm elections**. Although recent equity market volatility and the potential for a tighter regulatory environment surrounding the AI buildout present some modest downside risk to the pace of consumer spending and business investment, the results of the elections do not materially change the expectation that overall growth will remain sturdy over the coming quarters. We anticipate full-year GDP growth of 2.4% for 2026 and 2.5% in 2027, essentially unchanged from the October forecast.
- **The AI buildout remains intact, but appears set to slow.** We continue to track strong rates of high-tech investment heading into the final stretch of the year. Looking ahead**,** the level of business fixed investment directed toward AI infrastructure should remain robust. That noted, even with strong demand prospects, tightening supply-side constraints (e.g., power, compute) implies a more moderate pace of growth ahead.
- **The labor market is poised to remain broadly in balance.** Recent firming in the pace of hiring signals that labor demand is now on more secure ground. We continue to foresee a stable pace of employment growth over the next year, anticipating payrolls to expand by an average 65k per month. Though hardly energetic, this pace is in line with our estimate of breakeven job growth and enough to keep the unemployment rate steady at 4.1% over the course of 2027.
- **Inflation will start to lose steam in the quarters ahead.** We have adjusted our near-term core PCE deflator forecast slightly higher (now 3.3% y/y in Q4-26) on the back of October's relatively hot CPI reading. Though energy prices remain a significant swing factor in the near term, we continue to see core inflation easing over the balance of next year. Core services, though continuing to be relatively sticky, should soon start to reestablish a disinflationary trend amid contained labor costs and shelter prices. Meanwhile, core goods prices look set to cool on fading tariff effects and moderating AI-related development. All told, we look for core PCE to ease to a 2.6% y/y rate in Q4-27.
- **The FOMC's center of gravity has shifted hawkish.** We anticipate a 25 bp fed funds hike at the December meeting. In 2027, we maintain our view that a balanced labor market and an improving trend in inflation will reduce the need for additional monetary tightening. Given that price pressures have moved further away from the FOMC's 2% objective in recent months, as well as increasingly hawkish FOMC communication over the past several weeks, we note that the risks are skewed toward some modest additional tightening early next year.
- **Global monetary policy is shifting toward a more extended tightening cycle.** Advanced economy rate hikes are increasingly extending into 2027, while emerging markets have also turned more hawkish, with some hikes brought forward and less room for cuts elsewhere.

Our 2027 Annual Economic Outlook is set to be published in Mid-December. We will roll our forecast out to 2028 in that release.

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U.S. Forecast Table

Wells Fargo U.S. Economic Forecast

	Actual								Forecast								Actual		Forecast	
	2024				2025				2026				2027							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2024	2025	2026	2027
Real Gross Domestic Product (a)	1.4	3.6	3.2	2.4	0.1	4.0	3.9	0.2	2.5	2.2	3.4	2.4	2.1	2.3	2.6	2.4	3.0	2.3	2.4	2.5
Personal Consumption	1.8	3.9	3.7	4.3	0.6	2.1	3.7	1.9	0.7	3.8	3.8	2.4	1.8	2.2	2.1	2.1	2.9	2.6	2.4	2.4
Business Fixed Investment	2.9	2.6	6.0	-0.7	10.7	7.6	3.8	2.1	9.9	9.0	12.7	10.9	6.6	5.5	6.1	5.7	3.9	5.4	7.8	7.9
Equipment	-1.1	6.4	10.2	-3.0	20.4	7.2	8.9	6.9	15.5	13.4	20.9	12.3	6.5	5.0	6.3	5.3	3.3	8.8	12.6	9.2
Intellectual Property Products	8.3	2.1	3.6	1.4	8.0	16.3	5.7	4.4	15.6	9.2	8.4	9.3	7.9	6.4	6.4	6.4	4.6	6.8	9.7	7.7
Structures	0.5	-2.4	3.4	-0.3	0.9	-5.3	-7.7	-9.8	-9.4	0.1	5.4	4.1	3.4	4.4	4.8	5.0	3.8	-2.2	-4.7	4.0
Residential Investment	9.9	-2.8	-4.5	2.7	-2.7	-4.3	-6.3	-1.8	-7.6	2.8	-3.3	-2.1	1.5	3.3	4.1	4.4	3.2	-2.7	-3.4	1.1
Government Purchases	3.5	3.6	5.2	3.6	-0.6	2.3	1.6	-5.7	4.7	-0.1	5.3	0.9	1.0	0.7	0.7	0.7	4.5	1.6	1.1	1.3
Net Exports	-936.1	-1012.2	-1068.7	-1080.2	-1352.7	-1051.7	-991.5	-1006.3	-1019.5	-1099.3	-1320.3	-1365.3	-1397.4	-1420.3	-1441.8	-1460.0	-1024.3	-1100.6	-1201.1	-1429.9
Pct. Point Contribution to GDP	-0.1	-1.1	-0.8	-0.2	-4.0	4.5	1.0	-0.3	0.0	-1.1	-3.3	-0.7	-0.5	-0.4	-0.3	-0.3	-0.5	-0.3	-0.4	-0.9
Inventory Change	-3.7	60.8	54.8	1.0	154.0	-35.3	-45.9	-45.9	-34.7	-63.4	20.3	17.7	21.7	22.7	35.5	39.4	28.2	6.7	-15.0	29.8
Pct. Point Contribution to GDP	-1.0	1.2	-0.1	-0.9	2.5	-3.2	-0.1	0.0	0.2	-0.5	1.6	0.0	0.1	0.0	0.2	0.1	0.0	-0.1	-0.1	0.2
Nominal GDP (a)	4.7	6.3	4.7	5.0	3.3	6.2	7.4	3.7	5.8	8.5	5.6	6.7	4.9	4.4	4.8	4.8	5.6	5.0	6.1	5.4
Real Final Sales	2.5	2.3	3.2	3.3	-2.4	7.4	4.0	0.2	2.3	2.8	1.7	2.5	2.1	2.3	2.4	2.4	3.0	2.4	2.5	2.4
Retail Sales (b)	-0.2	0.6	0.9	2.9	3.8	3.7	3.9	2.6	3.1	5.6	5.5	6.2	5.8	3.4	2.6	1.7	1.1	3.5	5.1	3.4
Inflation Indicators (b)																				
PCE Deflator	2.8	2.7	2.4	2.5	2.5	2.5	2.7	2.7	3.0	3.6	3.5	3.8	3.5	2.7	2.7	2.3	2.6	2.6	3.5	2.8
"Core" PCE Deflator	3.2	2.9	2.9	2.9	2.7	2.8	2.8	2.8	3.0	3.1	3.1	3.3	3.0	2.9	2.9	2.6	2.9	2.8	3.1	2.8
Consumer Price Index	3.2	3.2	2.7	2.7	2.7	2.5	2.9	2.7	2.7	3.8	3.5	3.9	3.6	2.4	2.4	1.9	3.0	2.7	3.5	2.6
"Core" Consumer Price Index	3.8	3.4	3.3	3.3	3.1	2.8	3.1	2.6	2.5	2.7	2.5	2.8	2.7	2.5	2.5	2.3	3.4	2.9	2.6	2.5
Employment Cost Index	4.2	4.1	3.9	3.8	3.6	3.6	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	4.0	3.5	3.4	3.3
Real Disposable Income (a)	3.9	2.9	1.2	1.7	1.1	2.7	1.2	0.5	2.4	-0.2	2.3	-0.3	5.2	2.2	1.9	2.2	3.2	1.6	1.2	2.3
Nominal Personal Income (a)	7.0	5.7	3.9	5.1	6.1	5.6	4.2	3.5	5.1	4.7	4.0	3.7	5.1	4.2	4.0	4.5	5.9	5.1	4.4	4.3
Industrial Production (a)	-2.6	2.7	-2.3	-1.5	4.2	1.8	2.1	-1.9	1.2	4.8	2.8	3.1	2.2	1.8	1.7	1.7	-0.7	1.1	1.8	2.4
Capacity Utilization	76.3	76.6	76.0	75.5	76.0	76.1	76.2	75.6	75.6	76.2	76.6	77.2	77.7	78.1	78.6	79.0	76.1	75.9	76.4	78.3
Federal Budget Balance (c)	-555	-209	-544	-711	-596	-30	-438	-602	-566	-198	-626	-699	-590	-156	-554	-724	-1817	-1775	-1992	-2000
Nonfarm Payroll Change (d)	203	76	72	135	20	34	23	-39	73	81	79	90	75	61	62	60	122	10	81	64
Unemployment Rate	3.8	4.0	4.2	4.1	4.1	4.2	4.3	4.5	4.3	4.3	4.1	4.1	4.1	4.1	4.1	4.1	4.0	4.3	4.2	4.1
Light Vehicle Sales (g)	15.6	15.7	15.6	16.5	16.5	16.2	16.4	15.8	15.5	16.5	16.2	15.7	16.4	16.6	16.6	16.7	15.9	16.3	16.0	16.6
Crude Oil - WTI (h)	76.9	80.6	75.2	70.3	71.4	63.6	64.9	59.1	72.4	92.7	85.7	91.0	85.0	81.0	79.0	76.0	75.8	64.8	85.5	80.3
Housing Starts (e)	1.41	1.34	1.34	1.39	1.40	1.36	1.35	1.32	1.42	1.35	1.29	1.25	1.27	1.30	1.35	1.40	1.37	1.36	1.33	1.33
New Home Sales, Single-Family (f)	672.3	686.3	711.3	667.7	654.0	662.7	686.7	710.7	621.7	652.3	667.7	661.0	669.0	678.0	685.0	693.0	684.4	678.5	650.7	681.3
Total Existing Home Sales (e)	4.1	4.0	4.0	4.1	4.1	4.0	4.0	4.2	4.1	4.1	4.0	3.8	3.9	4.0	4.0	4.1	4.1	4.1	4.0	4.0
S&P Case-Shiller National Home Price Index (b)	6.4	6.0	4.4	3.8	3.9	2.4	1.5	1.3	0.9	1.3	1.6	0.9	0.6	1.1	1.7	2.9	5.1	2.2	1.1	2.0
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate (j)	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.75	4.00	4.25	4.25	4.25	4.25	4.25	5.27	4.33	3.94	4.25
Secured Overnight Financing Rate	5.34	5.33	4.96	4.49	4.41	4.45	4.24	3.87	3.68	3.68	3.90	4.15	4.15	4.15	4.15	4.15	5.15	4.24	3.85	4.15
Prime Rate	8.50	8.50	8.00	7.50	7.50	7.50	7.25	6.75	6.75	6.75	7.00	7.25	7.25	7.25	7.25	7.25	8.27	7.33	6.94	7.25
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.82	6.35	6.20	6.18	6.49	6.86	7.15	7.05	6.95	6.90	6.85	6.72	6.60	6.67	6.94
3 Month Bill	5.46	5.48	4.73	4.37	4.32	4.41	4.02	3.67	3.70	3.87	4.20	4.15	4.15	4.15	4.15	4.15	5.18	4.21	3.98	4.15
6 Month Bill	5.38	5.33	4.38	4.24	4.23	4.29	3.83	3.59	3.72	4.01	4.33	4.35	4.25	4.20	4.20	4.20	5.00	4.09	4.10	4.21
1 Year Bill	5.03	5.09	3.98	4.16	4.03	3.96	3.68	3.48	3.68	3.98	4.54	4.50	4.30	4.30	4.25	4.25	4.69	3.91	4.18	4.28
2 Year Note	4.59	4.71	3.66	4.25	3.89	3.72	3.60	3.47	3.79	4.14	4.88	4.70	4.55	4.45	4.40	4.35	4.37	3.81	4.38	4.44
5 Year Note	4.21	4.33	3.58	4.38	3.96	3.79	3.74	3.73	3.92	4.19	5.09	4.85	4.80	4.75	4.70	4.65	4.13	3.92	4.51	4.73
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.24	4.16	4.18	4.30	4.44	5.29	5.05	5.00	4.95	4.90	4.85	4.21	4.29	4.77	4.93
30 Year Bond	4.34	4.51	4.14	4.78	4.59	4.78	4.73	4.84	4.88	4.91	5.64	5.40	5.35	5.35	5.30	5.30	4.41	4.78	5.21	5.33

Forecast as of: November 13, 2026

Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter
(b) Year-over-Year Percentage Change
(c) Quarterly Sum - Billions USD; Annual Data Represents Fiscal Year
(d) Average Monthly Change, Thousands
(e) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Annual Total, Millions
(f) Quarterly Data - Average Monthly SAAR, Thousands; Annual Data - Actual Annual Total, Thousands
(g) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Total Vehicles Sold, Millions
(h) Quarterly Average of Daily Close, USD
(i) Quarterly Data - Period End; Annual Data - Annual Averages
(j) Upper Bound of the Federal Funds Target Range

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

Forecast Delta Table

Changes to the Wells Fargo U.S. Economic Forecast

	Actual								Forecast								Actual		Forecast	
	2024				2025				2026				2027				2024	2025	2026	2027
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	-0.45	0.14	0.00	0.36	0.14	0.00	0.00	-0.01	0.03
Personal Consumption	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.06	0.00	0.11	0.00	0.00	0.00	0.00	0.05	0.08
Business Fixed Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.22	4.83	1.84	-0.28	1.65	0.82	0.00	0.00	0.46	1.70
Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80	7.31	2.96	0.00	2.02	2.04	0.00	0.00	1.08	3.02
Intellectual Property Products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.37	1.39	1.48	-0.64	1.90	0.00	0.00	0.00	0.27	0.91
Structures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.07
Residential Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.64	-0.60	-0.40	-0.10	0.10	-0.10	0.00	0.00	-0.12	-0.31
Government Purchases	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.03	-0.32	0.00	0.00	0.00	0.00	0.00	0.00	0.35	0.31
Net Exports	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-34.51	-129.33	-122.73	-125.82	-127.01	-128.18	0.00	0.00	-40.96	-125.93
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.30	-1.54	0.11	-0.05	-0.02	-0.02	0.00	0.00	-0.17	-0.35
Inventory Change	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-27.04	11.83	-4.93	-4.93	0.00	0.00	0.00	0.00	-3.80	-2.46
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.22	0.63	-0.27	0.00	0.08	0.00	0.00	0.00	-0.02	0.01
Nominal GDP (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.26	-0.08	0.26	-0.07	0.36	0.17	0.00	0.00	0.03	0.13
Real Final Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.38	-1.08	0.41	0.00	0.28	0.14	0.00	0.00	-0.04	0.07
Retail Sales (b)	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
Inflation Indicators (b)																				
PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.09	0.08	0.07	0.02	0.00	0.00	0.02	0.06
"Core" PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.11	0.11	0.11	0.10	0.00	0.00	0.00	0.03	0.08
Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.09	0.08	0.10	0.08	0.00	0.00	0.01	0.09
"Core" Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.11	0.11	0.11	-0.01	0.00	0.00	0.03	0.08
Employment Cost Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.03	0.00	-0.03	0.00	-0.01	0.00	0.00	-0.01	-0.01
Real Disposable Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-1.12	0.23	0.08	0.00	-0.03	0.00	0.00	-0.08	-0.15
Nominal Personal Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	-0.86	0.17	0.02	0.00	0.00	0.00	0.00	-0.04	-0.10
Industrial Production (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	1.09	1.18	1.06	0.84	0.58	1.16	0.00	0.00	0.26	0.94
Capacity Utilization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.22	0.37	0.57	0.73	0.84	1.06	0.00	0.00	0.16	0.80
Federal Budget Balance (c)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.12	-92.56	141.13	29.29	-77.86	-75.60	0.00	0.00	7.53	0.00
Nonfarm Payroll Change (d)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28.00	26.67	10.00	1.00	3.33	5.00	0.00	0.00	13.67	4.83
Unemployment Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.05	-0.05	-0.05	-0.05	0.00	0.00	-0.02	-0.05
Light Vehicle Sales (g)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.01	-0.12	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.00
Crude Oil - WTI (h)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.33	2.48	0.55	0.62	-0.32	0.00	0.00	0.33	0.83
Housing Starts (e)	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
New Home Sales, Single-Family (f)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.67	25.80	25.55	25.92	26.56	26.40	26.49	0.00	0.00	13.50	26.34
Total Existing Home Sales (e)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.20	-0.06	-0.06	-0.06	-0.06	0.00	0.00	-0.05	-0.06
S&P Case-Shiller National Home Price Index (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.10	0.14	-0.10	-0.41	-0.82	-0.54	0.00	0.00	0.00	0.00
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate (j)	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
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	0.00	0.00	0.00	0.00	0.00	0.05	0.00	-0.05	-0.05	-0.05	0.00	0.00	0.01	-0.04
3 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
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	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
1 Year Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00
2 Year Note	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
5 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00
10 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.05	-0.05	-0.05	-0.05	0.00	0.00	-0.01	-0.05
30 Year Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.05	-0.05	-0.05	0.00	0.00	0.00	-0.01	-0.04

Forecast as of: November 13, 2026

Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter
(b) Year-over-Year Percentage Change
(c) Quarterly Sum - Billions USD; Annual Data Represents Fiscal Year
(d) Average Monthly Change, Thousands
(e) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Total Houses Started, Millions
(f) Quarterly Data - Average Monthly SAAR, Thousands; Annual Data - Actual Total Houses Started, Thousands
(g) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Total Vehicles Sold, Millions
(h) Quarterly Average of Daily Close, USD
(i) Quarterly Data - Period End; Annual Data - Annual Averages
(j) Upper Bound of the Federal Funds Target Range

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

Sector Analysis

Personal Consumption Expenditures (PCE)

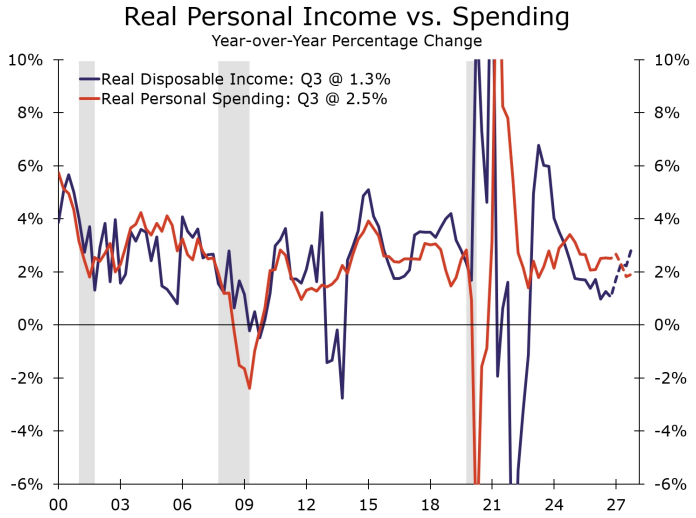
- We did not materially alter our real PCE forecast, and expect consumer spending growth to continue.

Consumer spending has held up remarkably well this year despite higher gasoline costs weighing on household purchasing power. While we do not expect the recent above-trend near-4% annualized pace of real consumption growth to be sustained, we see consumers continuing to spend at a healthy clip into next year. A firmer income backdrop revealed by recent revisions, continued support from household wealth and an expected recovery in purchasing power as inflation slows should keep consumption on solid footing. We expect real consumption growth to remain north of 2% in the final quarter of the year and roughly match this year's average pace in 2027.

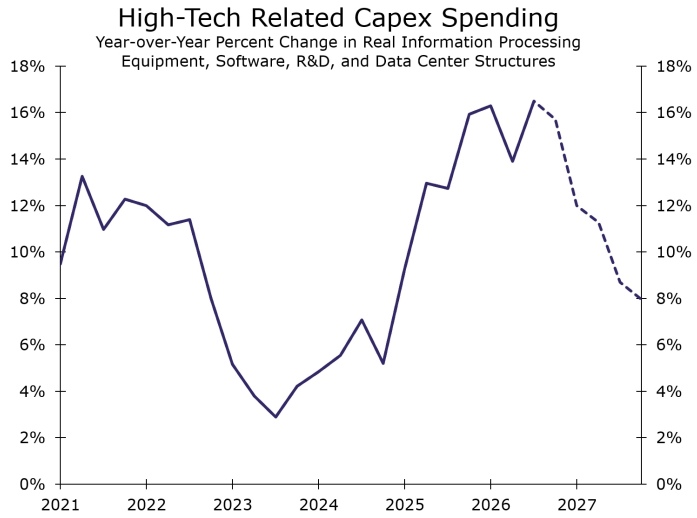
Investment: Equipment, Intellectual Property Products, and Inventories

- A stronger-than-expected capex outturn in Q3 has revealed a slightly firmer trend headed into next year.

Business investment continues to be driven by the high-tech buildout, with real equipment spending stronger than expected in Q3 and the latest data suggest a firmer trend. We have not materially changed our outlook following the Democratic sweep in the midterms. Our forecast already assumes some moderation in high-tech investment next year and a smaller contribution to GDP growth as the buildout matures. Beyond high-tech, we expect only a modest broadening in capex spending over the coming year.



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



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

Investment: Residential

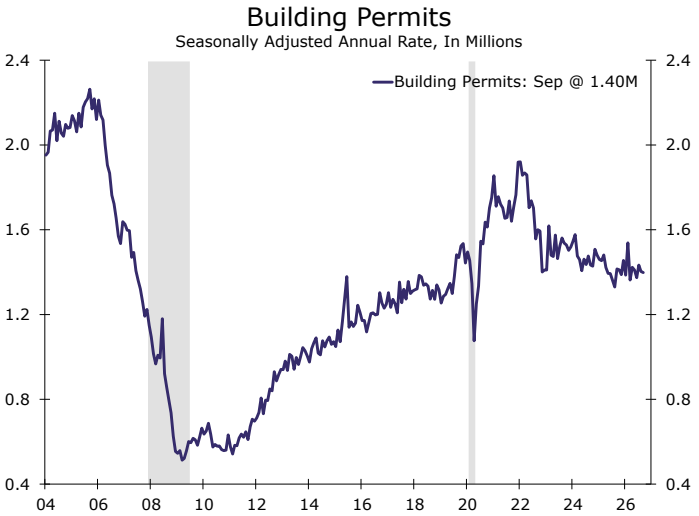
- We have not made major changes to our outlook for residential investment. High mortgage rates and challenging affordability conditions look set to continue pressuring home sales and new single-family construction.

Not much has changed in the way of residential investment. Mortgage rates have come in somewhat, but are still elevated above 7.0%. Building permits are stuck in a low gear, with single-family projects continuing to moderate against a backdrop of weak buyer demand and elevated inventories. Multifamily permits have picked up modestly, reflecting renewed strength in apartment demand. Modestly lower mortgage rates and stabilizing apartment market conditions should help put a floor beneath residential investment and bring about modest growth over the course of next year.

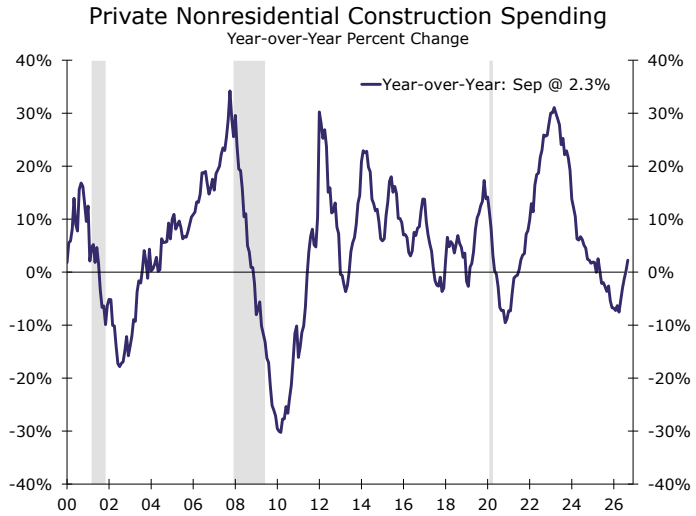
Investment: Nonresidential Structures

- Structures investment is likely to maintain healthy momentum amid robust data center, power, and related nonresidential construction.

Structures investment accelerated notably in Q3. The bulk of this momentum can be traced to data centers and power, however, activity also appears to be broadening out. As examples, private spending on communication and transportation infrastructure have perked up and manufacturing construction appears to be stabilizing on increased semiconductor investment. The downturn in commercial construction has also softened as data centers shore up demand for warehousing. Although new regulations may soften the pace of data center starts, there are more than enough projects already in the pipeline to support healthy structures investment through next year.



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



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

Net Exports & Trade

- Net exports should remain a fairly persistent drag on U.S. real GDP growth amid continued imports.

A surge in imports, particularly of high-tech goods like computers, caused net exports to subtract more than 3 percentage points from Q3 GDP growth. We expect trade to remain a drag in Q4, though with little data in hand, that largely reflects where trade flows ended last quarter and an assumption of another sizable gain in imports. Looking ahead, continued strength in high-tech investment should keep import growth elevated and the trade deficit wide, leaving net exports a persistent drag on U.S. growth. Exports remain more volatile, but imports are increasingly the bigger driver of the trade story.

Labor Market

- Labor demand has improved modestly in recent months. We now expect payroll growth to average 65K per month in 2027, and the unemployment rate to hold steady at 4.1% over the next four quarters.

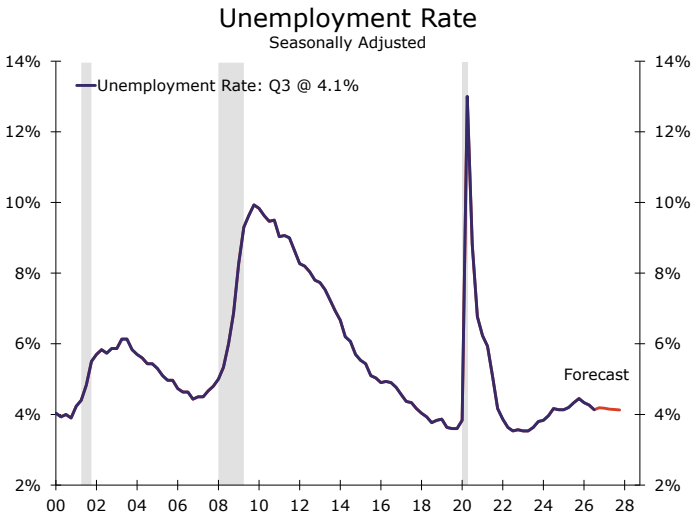
The October jobs report reinforced our view that the labor market remains solid. The pickup in job growth this year aligns with purchasing manager surveys that point to expanding employment across the goods and services sectors. At the same time, the historically low trends in initial jobless claims and the layoff rate suggest employers broadly remain reluctant to shed workers. Structurally, firms appear focused on retaining existing staff and investing heavily in AI adoption while remaining selective about adding to head count—a dynamic that should keep the low-hire, low-fire environment largely intact. We expect payroll growth to average around 65K per month in 2027, roughly in line with our estimate of breakeven job growth. That should keep the unemployment rate steady at 4.1% through next year and labor market conditions generally consistent with full employment.

Inflation

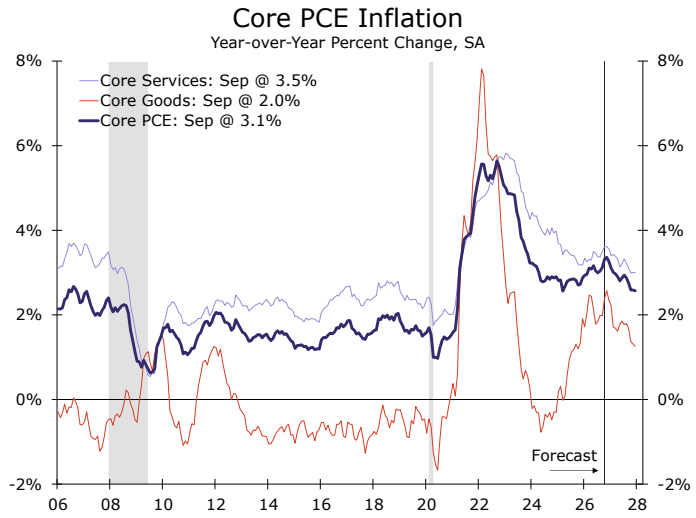
- We look for the core PCE deflator to rise 3.3% on a Q4-over-Q4 basis in 2026 before slowing to 2.6% in 2027.

The October inflation report reinforced the persistence of price pressures, with upside surprises emerging across a range of categories. Although gasoline and diesel prices have receded in recent

weeks, earlier increases in transportation costs are still working their way through supply chains. Food inflation picked up in October and looks poised to strengthen further. The outlook for energy prices remains highly uncertain and represents the largest swing factor for inflation, in our view. Within the core, we continue to expect goods inflation to moderate in 2027 as tariff-related pressures fade further and demand tied to the AI buildout cools. Services inflation, however, is likely to prove stickier. Health care services prices have been running hot and should continue to face upward pressure from the aging population, and primary shelter inflation looks to be stabilizing. Taken together, we expect inflation to remain above the Fed's 2% target through next year and look for the core PCE deflator to end 2027 at 2.6% on a Q4-over-Q4 basis.



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



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

Fiscal Policy

- The lame duck session of Congress probably will not yield a budget reconciliation bill or a debt ceiling resolution. The December 11 government funding deadline probably will be punted to Q1/ early Q2 via another continuing resolution.
- We project a federal budget deficit of $2.0 trillion for FY 2027, similar to FY 2026 in dollar terms but a bit smaller as a share of GDP (~6%).

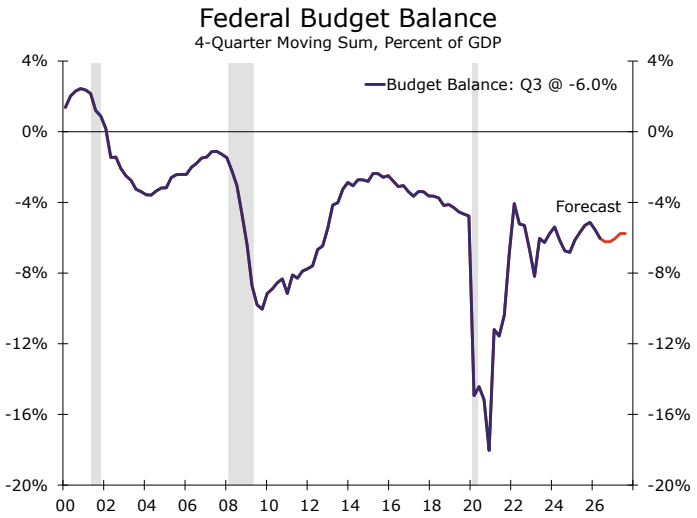
Assuming that Congress does not increase or suspend the debt ceiling in the next six weeks, the incoming Democratic Congress will need to negotiate a resolution with President Trump in 2027. Right now, it looks like Treasury will hit the debt ceiling around early March. At that point, Treasury can lean on extraordinary measures and its cash on hand to last for about 7-8 months, putting the debt ceiling "X date" somewhere around early Q4. We suspect the debt ceiling/annual budget negotiations will include a lift to defense and nondefense discretionary government spending for FY 2027/2028, but we doubt the bump will be enough to meaningfully move our economic growth or deficit forecasts. For now, our working assumption is that divided government will not produce any major new fiscal expansions/contractions over the next two years, leaving the budget deficit picture as status quo until after the 2028 election.

Monetary Policy & Interest Rates

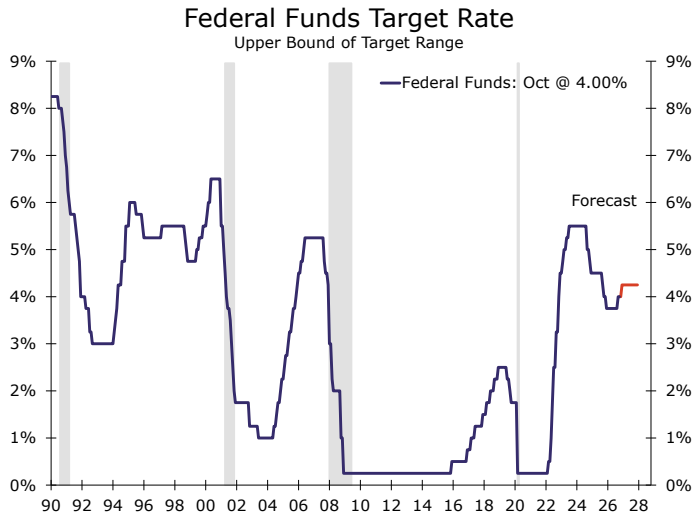
- Our baseline forecast is for another 25 bp rate hike to the fed funds rate in December, followed by an extended hold from the FOMC through 2027. The risks are tilted toward 1-2 more hikes early next year.
- Our forecast for the 10-year Treasury yield at year-end 2027 is 4.85%.

The recent inflation data seem to make a hike in December a lock so long as financial conditions don't completely implode in the coming weeks. The core CPI came in about 8 bps above consensus at 0.3% for October, and a 0.4% on core PCE is plausible, depending on how the PPI data shake out. This should put the FOMC's hawks back in the driver's seat after the October skip.

Past December, the outlook will be highly dependent on future inflation data. Our expectation is that core inflation will cool gradually in 2027, and we still do not see clear signs of demand-side inflation in the data. But hiking cycles have an inertial component to them, and the recent inflation data reset the clock to zero on the Fed seeing several good inflation prints in a row. This creates some modest upside risk to our base case for the fed funds rate next year.



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



Source: Federal Reserve Board and Wells Fargo Economics

International Developments

- Global growth has proven more resilient, with our 2026 growth forecast revised higher and a modest improvement in the underlying 2027 outlook.
- Our 2026 inflation forecast has moved slightly lower, while our 2027 forecast has moved higher, with inflationary risks likely to persist into 2027.
- The monetary policy bias remains toward extended tightening across advanced economies. Emerging market policy paths remain differentiated, but have also shifted in a more hawkish direction, with some central banks bringing forward rate hikes and others having less room to ease in 2027.

The balance of risks to global inflation remains tilted to the upside. Elevated geopolitical uncertainty, resilient activity and persistent energy and supply-chain pressures increase the risk that inflation remains higher for longer. Although the direct effects of supply shocks may prove temporary, central banks are increasingly focused on delayed pass-through, persistent services inflation and potential second-round effects on wages, prices and inflation expectations. Higher government bond yields are meanwhile keeping financial conditions tight. The result is a shift toward more extended tightening, with several rate hikes moving further into the forecast horizon and less room for easing in 2027.

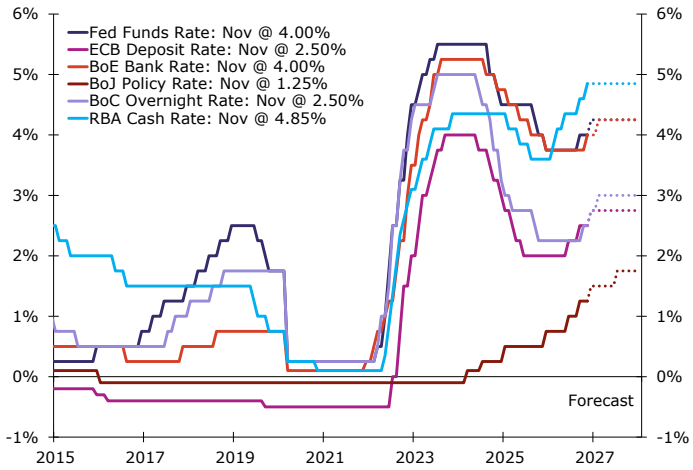
Across advanced economies, the tightening cycle is increasingly extending into 2027. Our **European Central Bank** outlook is unchanged, with a 25 bps hike in December still our base case, although tighter financial conditions raise the risk of a later move. In the U.K., our November **Bank of England** hike was realized, and we now expect another 25 bps hike in Q1-2027, reflecting renewed inflation pressures associated with the Ofgem price-cap reset.

Elsewhere, the policy outlook has turned more hawkish in Canada. Having previously flagged upside risks to our year-end call, we now expect the **Bank of Canada** to hike at consecutive meetings, bringing the policy rate to 3.00% by Q1-2027. In Australia, the **Reserve Bank of Australia** raised the Cash Rate again in November. After five hikes, we think policymakers have room to assess how tighter policy feeds through the economy, although risks remain skewed toward another increase if inflation stays elevated or activity proves stronger than expected. Japan is unchanged: we continue to expect the **Bank of Japan** to hike in December and again in 2027, bringing the terminal rate to 1.75%.

Emerging market policy paths remain differentiated but have also shifted more hawkishly. In India, resilient growth and rising inflation have led us to bring forward our second **Reserve Bank of India**

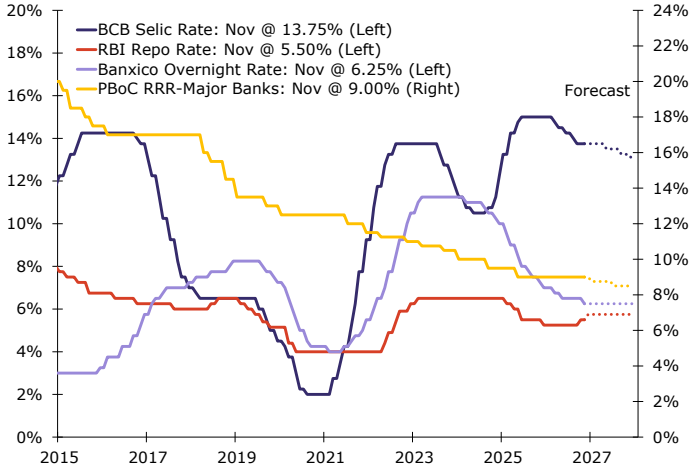
hike from Q1-2027 to December 2026. **Brazil** is moving toward higher-for-longer policy, with persistent inflation raising the bar for additional easing; we now expect cuts to resume in Q2 rather than Q1-2027 and see less easing overall next year. In Mexico, **Banxico's** cut to 6.25% was more easing than we expected, and with inflation risks still tilted to the upside, we now expect rates to remain on hold. **China** remains the exception: continued targeted policy support and resilient exports should support growth, prompting most upward revisions to our 2026 and 2027 growth forecasts, while greater scope for easing likely emerges in 2027.

Advanced Economies Policy Rates



Source: Bloomberg Finance L.P. and Wells Fargo Economics

EM Central Bank Policy Rates



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo International Economic Forecast

	GDP				CPI			
	2024	2025	2026	2027	2024	2025	2026	2027
Global (PPP Weights)	3.5%	3.5%	3.0%	2.9%	5.8%	4.1%	4.3%	4.1%
Advanced Economies[1]	2.0%	2.0%	1.9%	2.0%	2.6%	2.5%	3.3%	2.7%
United States	3.0%	2.3%	2.4%	2.5%	3.0%	2.7%	3.5%	2.6%
Eurozone	1.2%	1.2%	1.1%	1.3%	2.4%	2.1%	3.2%	2.6%
United Kingdom	1.1%	1.2%	1.5%	1.4%	2.5%	3.4%	3.4%	3.2%
Japan	0.1%	1.2%	0.9%	0.9%	2.7%	3.2%	2.0%	2.2%
Canada	2.0%	1.9%	1.1%	1.8%	2.4%	2.1%	2.8%	2.9%
Australia	1.0%	2.0%	1.9%	1.4%	3.2%	2.8%	4.1%	3.4%
Developing Economies[1]	4.5%	4.5%	3.7%	3.5%	8.0%	5.2%	5.0%	5.0%
China	5.0%	5.0%	4.6%	4.4%	0.2%	0.1%	1.0%	1.1%
India	7.4%	7.3%	7.3%	6.9%	4.6%	2.2%	4.8%	4.7%
Mexico	1.5%	0.5%	1.9%	2.3%	4.7%	3.8%	4.0%	4.1%
Brazil	3.4%	2.3%	2.0%	1.9%	4.4%	5.0%	4.7%	4.6%

Forecast as of: November 13, 2026

[1]Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Economics

Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

Central Bank Key Policy Rate

	2026		2027			
	Current	Q4	Q1	Q2	Q3	Q4
United States	4.00%	4.25%	4.25%	4.25%	4.25%	4.25%
Eurozone[1]	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
United Kingdom	4.00%	4.00%	4.25%	4.25%	4.25%	4.25%
Japan	1.25%	1.50%	1.50%	1.50%	1.75%	1.75%
Canada	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%
Australia	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%
China[3]	9.00%	9.00%	8.75%	8.75%	8.75%	8.50%
India	5.50%	5.75%	5.75%	5.75%	5.75%	5.75%
Mexico	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Brazil	13.75%	13.75%	13.75%	13.50%	13.25%	13.00%

2-Year Note

	2026		2027			
	Current	Q4	Q1	Q2	Q3	Q4
United States	4.86%	4.70%	4.55%	4.45%	4.40%	4.35%
Eurozone[2]	3.14%	3.15%	3.20%	3.20%	3.15%	3.10%
United Kingdom	4.97%	4.90%	4.95%	4.90%	4.85%	4.80%
Japan	1.86%	1.95%	2.05%	2.10%	2.15%	2.15%
Canada	3.34%	3.35%	3.45%	3.45%	3.40%	3.40%

10-Year Note

	2026		2027			
	Current	Q4	Q1	Q2	Q3	Q4
United States	5.10%	5.05%	5.00%	4.95%	4.90%	4.85%
Eurozone[2]	3.35%	3.35%	3.40%	3.40%	3.35%	3.30%
United Kingdom	5.30%	5.30%	5.25%	5.20%	5.15%	5.10%
Japan	2.81%	3.00%	3.05%	3.10%	3.15%	3.15%
Canada	3.78%	3.90%	3.95%	3.95%	3.90%	3.85%

Forecast as of: November 13, 2026

[1] ECB Deposit Rate [2] German Government Bond Yield [3] Reserve Requirement Ratio Major Banks

Source: Bloomberg Finance L.P. and Wells Fargo Economics

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