

Monthly — July 13, 2023

U.S. Economic Outlook: July 2023

Table of Contents

1. [The U.S. Economic Outlook](#)
2. [U.S. Forecast Table](#)
3. [Changes to U.S. Forecast](#)
4. [Sector Analysis](#)
5. [International Forecast Tables](#)
6. [Calendar](#)

Better-Than-Expected Does Not Mean All Is Well

- Since our prior outlook in June, our expectations for the U.S. economy have not materially changed. We continue to believe that the Federal Reserve's efforts to restore inflation back to 2% will slowly squeeze household and business spending, generating a mild downturn early next year.
- Over the past month, the economy has continued to weather the headwinds of tighter monetary policy surprisingly well. Nowhere has this dynamic been clearer than in the housing sector, where the dearth of existing home inventory and sturdy demand have boosted prices and single-family construction.
- But generally better-than-expected data should not be conflated with the overall direction of travel. The latest readings on nonfarm payrolls and personal spending more clearly indicate that the jobs market is cooling and consumers are running out of steam.
- We look for real consumer spending growth to proceed at a tepid pace over the second half of the year. Less-rapid headline disinflation, along with the softening jobs market, points to real disposable income growth weakening in the coming quarters at the same time the ability and willingness to augment current income with pandemic savings and credit continues to dwindle.
- After perking up in the second quarter, business investment still has a tough road ahead. Higher interest rates and stricter bank lending standards continue to weigh on business loan growth and present a tough backdrop for commercial real estate. At the same time, declining corporate profits provide less scope for businesses to fund investments internally.
- Consumer price data in June showed inflation is more clearly beginning to slow. We expect core inflation to ease further in the second half of the year as distortions stemming from the pandemic continue to unwind, and demand suffers under the weight of restrictive monetary policy. However, a timely and sustained return to the FOMC's target remains far from assured. We look for core PCE inflation to run closer to 3% than 2% on an annualized basis through the end of this year.
- We expect the FOMC to raise the fed funds rate another 25 bps at its upcoming meeting on July 26. Yet, with the June pause suggesting the Committee is increasingly weary of overdoing policy tightening, and June's slower rate of core inflation likely to persist, we believe the July hike will likely be the FOMC's last before it settles in for an extended pause.

Still Chugging Along, but Losing Steam

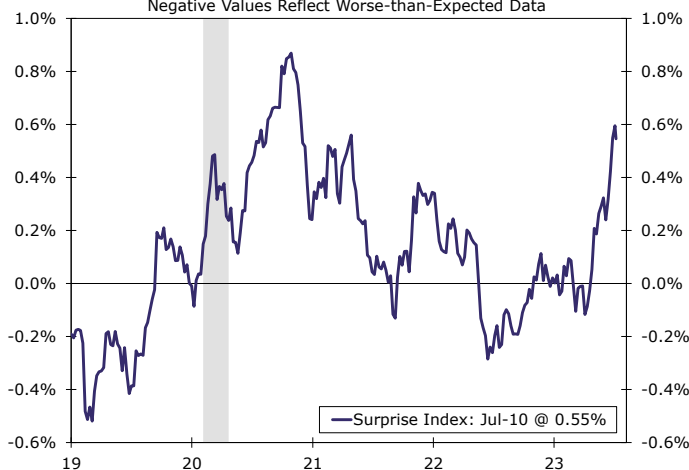
A frequent theme of our Monthly Economic Outlooks since the FOMC began aggressively tightening policy to rein in inflation has been the economy's surprising degree of resilience. The greater stamina of the U.S. economy led us last month to push out our expectation for when the Fed's efforts to return inflation to target have the unfortunate side effect of snuffing out growth and lead to a mild recession early next year.

Since our June Monthly Economic month, our views have not materially changed. The economy has continued to weather the headwinds stemming from tighter monetary policy and the fading of fiscal support better than generally expected. In recent weeks, the Bloomberg Economic Surprise Index, which measures the degree to which data come in stronger or weaker than consensus expectations, has climbed further and is near a two-and-a-half year high ([chart](#)).

Perhaps the most notable areas where data have surpassed expectations have been in the highly rate-sensitive housing and construction sectors. Residential real estate activity looks to have steadied so far this year. The dearth of existing homes for sale has pushed buyers into new homes, boosting builder confidence and single-family construction. In addition, sturdy underlying demand and low inventory have helped support existing prices and, by extension, homeowners' equity. In the nonresidential space, construction has remained solid on trend, fueled by investment in semiconductor and electric vehicle manufacturing and some relief in material costs. After advancing at a 16% annualized rate in Q1, we look for real spending on private nonresidential structures to rise at a 10% clip in Q2.

Bloomberg U.S. Economic Surprise Index

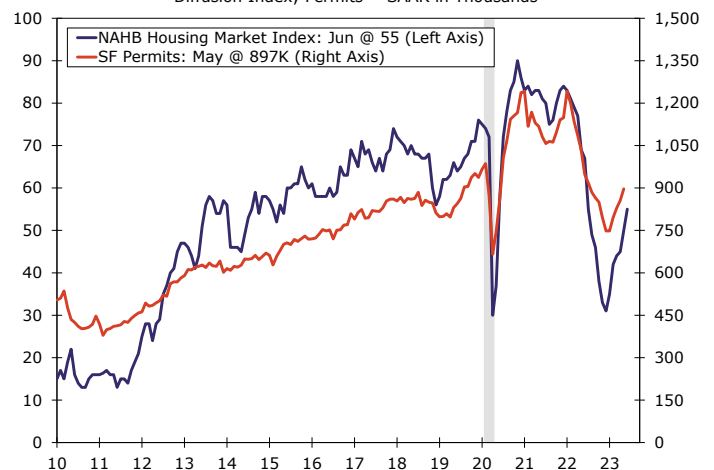
% Diff. Between Actual Data and Median of Analysts' Forecasts,
Negative Values Reflect Worse-than-Expected Data



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

Builder Confidence & Single-Family Permits

Diffusion Index; Permits = SAAR in Thousands



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

The array of data-beats suggest that policy tightening undertaken thus far in the cycle may be taking longer to pass through the economy and/or may be less potent than initially estimated due to the many unique circumstances of the post-pandemic environment. But that is not to say that the economy has been completely impervious to the Fed's efforts to dampen activity in order to corral inflation.

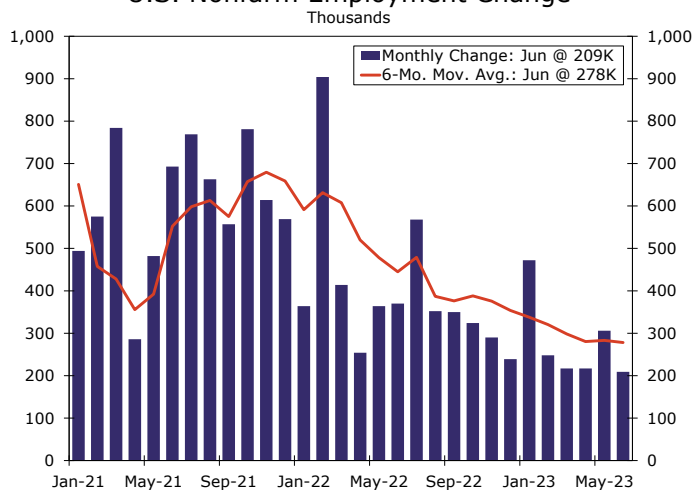
The June employment report added weight to the evidence that the labor market is slowly cooling off. Nonfarm payrolls—which had largely side-stepped the softening in other labor market data this year—rose by the smallest amount since 2020, with downward revisions more clearly showing hiring has lost momentum this year ([chart](#)). The jobs market remains strong overall, as evidenced by the unemployment rate edging back to 3.6% and wage growth still north of 4%. However, with increasingly less scope for "catch-up" hiring and a restrictive stance of monetary policy, a further slowdown in job growth appears in store. Hiring plans and job openings point to demand for workers continuing to ease, which, along with modest improvement in the supply of workers, should keep wage growth from strengthening.

A slower pace of hiring alongside tamer wage growth is set to weigh on consumer spending in the months ahead. Households have demonstrated tremendous staying power in the face of inflation thus

far this cycle, and this dynamic was underscored by personal consumption expenditures growth in Q1 being upwardly revised to 4.2% (annualized). However, momentum in spending has slowed sharply since early this year, which, along with the tougher Q1 comparison, sets up real consumer spending in Q2 to advance at just under a 1% pace, or a little less than half our estimate in our June outlook. We look for real spending to proceed at a tepid pace over the second half of the year. Less-rapid disinflation along with the softening jobs market points to real disposable income growth weakening in the coming quarters while at the same time the ability and willingness to augment current income with pandemic savings and credit continues to dwindle. Only about one quarter of "excess savings" remains and is being tapped at an ever-slower rate, while the availability of, and demand for, consumer credit is declining amid the higher interest rate environment. Later this year, the resumption of [student loan payments](#) will be a further headwind for spending among those households with educational debt.

While consumer spending has lost steam in recent months, business investment has perked up a bit. In addition to the previously mentioned strength in nonresidential structures lately, spending on equipment is poised for a rebound in Q2 thanks in large part to a pickup in aircraft shipments and business spending on vehicles as the auto crunch subsides. Yet, Q2's capex burst is unlikely to be the start of an upward trend. Higher interest rates and stricter bank lending standards continue to weigh on business loan growth and present a tough backdrop for commercial real estate. At the same time, declining corporate profits provide less scope for businesses to fund investments internally. We expect the ongoing squeeze on credit and profits to lead to a contraction in business fixed investment as the year progresses.

U.S. Nonfarm Employment Change



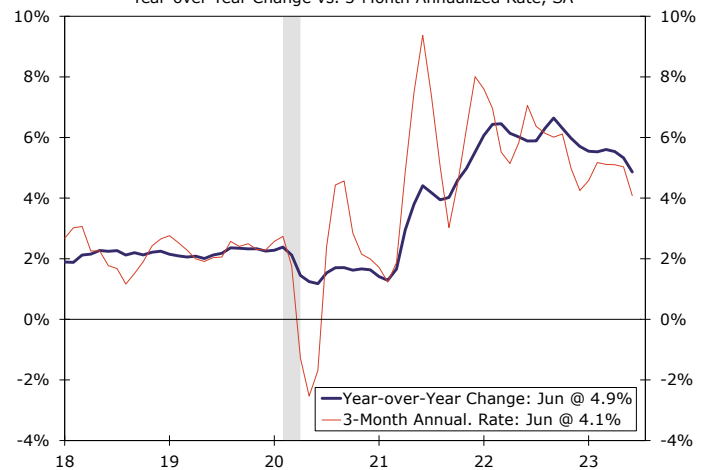
Source: U.S. Department of Labor and Wells Fargo Economics

The deteriorating financial position of households and more restrained investment environment should help dampen inflation pressures in the months ahead. The June CPI report showed encouraging progress on reducing inflation, with the core index posting its smallest monthly gain since February 2021 and breaking below 5% on a year-ago basis. We expect some further moderation in core inflation to unfold as the marked reduction in supply chain pressures and slower growth in housing costs feed through to official measures of inflation. However, there remains quite a lot of ground to cover, and a sustained return to the Fed's target in a timely manner remains far from assured. We expect core PCE inflation, the Fed's preferred inflation gauge, to still be running at a 2.7% annualized pace in Q4.

The bulk of the FOMC appears to be of the view that inflation will subside in the coming months but is not quite convinced the current policy setting will return it to 2% for the long haul. After holding the fed funds rate target steady at 5.00%-5.25% at its June meeting, the Committee signaled further tightening is likely. We continue to expect the FOMC will raise the fed funds rate another 25 bps at its upcoming meeting on July 26 as overall economic activity has cooled only incrementally and broader financial conditions have actually eased over the inter-meeting period. Yet with the June pause suggesting the Committee is increasingly weary of overdoing policy tightening, and June's slower rate of core inflation likely to persist, we believe the July hike will likely be the FOMC's last before it settles in for an extended pause.

U.S. Core Consumer Price Index

Year-over-Year Change vs. 3-Month Annualized Rate, SA



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

U.S. Forecast Table

Wells Fargo U.S. Economic Forecast																				
	Actual								Forecast								Actual		Forecast	
	2021				2022				2023				2024				2021	2022	2023	2024
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product (a)	6.3	7.0	2.7	7.0	-1.6	-0.6	3.2	2.6	2.0	0.9	1.7	0.2	-1.4	-1.8	2.1	2.6	5.9	2.1	1.7	0.1
Personal Consumption	10.8	12.1	3.0	3.1	1.3	2.0	2.3	1.0	4.2	0.9	1.9	1.2	-0.9	-1.6	0.8	2.5	8.3	2.7	2.1	0.3
Business Fixed Investment	8.9	9.9	0.6	1.1	7.9	0.1	6.2	4.0	0.6	8.0	-0.6	-4.4	-5.5	-0.3	2.2	3.7	6.4	3.9	2.8	-1.4
Equipment	6.1	14.0	-2.2	1.6	11.4	-2.0	10.6	-3.5	-8.9	8.2	-3.9	-7.1	-9.4	0.4	3.6	4.2	10.3	4.3	-1.3	-3.0
Intellectual Property Products	15.6	12.6	7.4	8.1	10.8	8.9	6.8	6.2	3.1	7.3	0.7	-2.5	-2.0	1.5	3.8	5.5	9.7	8.8	4.6	0.6
Structures	1.9	-2.5	-6.7	-12.7	-4.3	-12.7	-3.6	15.8	15.8	9.5	4.5	-2.5	-4.8	-6.9	-5.8	-2.5	-6.4	-6.6	7.4	-2.8
Residential Investment	11.6	-4.9	-5.8	-1.1	-3.1	-17.8	-27.1	-25.1	-4.0	-1.5	0.5	1.2	-0.9	-1.3	1.9	3.8	10.7	-10.6	-11.4	0.2
Government Purchases	6.5	-3.0	-0.2	-1.0	-2.3	-1.6	3.7	3.8	5.0	0.4	2.2	1.2	0.9	0.7	0.4	0.1	0.6	-0.6	2.7	0.9
Net Exports	-1164.5	-1203.9	-1267.5	-1297.6	-1488.7	-1430.5	-1268.8	-1238.6	-1208.4	-1294.3	-1277.4	-1276.1	-1231.1	-1189.9	-1185.4	-1204.5	-1233.4	-1356.7	-1264.0	-1202.7
Pct. Point Contribution to GDP	-1.0	-0.6	-1.1	-0.2	-3.1	1.2	2.9	0.4	0.6	-1.7	0.3	0.0	0.9	0.8	0.1	-0.4	-1.7	-0.6	0.5	0.3
Inventory Change	-83.0	-143.6	-48.6	197.6	214.5	110.2	38.7	136.5	3.5	45.4	30.3	18.2	-30.3	-106.0	-53.0	-27.2	-19.4	125.0	24.3	-54.1
Pct. Point Contribution to GDP	-2.5	-0.8	2.0	5.0	0.2	-1.9	-1.2	1.5	-2.1	0.8	-0.3	-0.2	-0.9	-1.5	1.0	0.5	0.2	0.7	-0.5	-0.4
Nominal GDP (a)	11.7	13.8	9.0	14.3	6.6	8.5	7.7	6.6	6.1	3.8	4.1	2.9	0.7	-0.4	4.6	5.6	10.7	9.2	5.6	2.3
Real Final Sales	9.2	7.9	0.7	1.9	-1.8	1.3	4.5	1.1	4.2	0.1	2.0	0.5	-0.4	-0.3	1.1	2.1	5.7	1.3	2.4	0.5
Retail Sales (b)	13.8	30.7	13.7	15.9	13.0	9.3	10.0	7.0	4.9	1.4	1.8	1.7	-0.6	-2.1	-3.9	-3.2	18.2	9.7	2.4	-2.4
Inflation Indicators (b)																				
PCE Deflator	1.9	4.0	4.5	5.7	6.4	6.6	6.3	5.7	4.9	3.7	3.3	3.0	2.5	2.1	2.1	2.2	4.0	6.3	3.7	2.2
"Core" PCE Deflator	1.7	3.5	3.9	4.7	5.3	5.0	4.9	4.8	4.7	4.5	4.0	3.6	3.0	2.6	2.5	2.4	3.5	5.0	4.2	2.6
Consumer Price Index	1.9	4.8	5.3	6.8	8.0	8.6	8.3	7.1	5.8	4.1	3.2	3.0	2.6	2.3	2.4	2.6	4.7	8.0	4.0	2.5
"Core" Consumer Price Index	1.5	3.7	4.0	5.0	6.3	6.0	6.3	6.0	5.6	5.2	4.4	3.9	3.4	3.0	3.0	2.9	3.6	6.1	4.8	3.1
Producer Price Index (Final Demand)	2.9	6.9	8.4	9.7	10.8	11.0	8.9	7.3	4.4	1.3	0.9	0.6	0.7	1.4	1.7	1.9	7.0	9.5	1.8	1.4
Employment Cost Index	2.6	2.9	3.7	4.0	4.5	5.1	5.0	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.6	3.5	3.3	4.9	4.5	3.7
Real Disposable Income (a)	52.3	-28.7	-4.6	-4.9	-10.6	-2.3	3.2	2.5	8.5	2.0	1.5	0.1	0.5	1.0	1.7	2.4	1.9	-6.2	3.4	1.0
Nominal Personal Income (a)	55.2	-19.7	1.7	3.0	3.0	4.9	7.5	5.0	5.1	4.2	3.6	2.3	2.0	1.7	3.5	4.8	7.4	2.3	4.8	2.7
Industrial Production (a)	1.4	6.5	3.2	4.2	3.7	4.1	2.1	-2.5	-0.4	2.7	-1.8	-6.0	-6.5	0.3	2.3	2.4	4.4	3.4	-0.2	-2.4
Capacity Utilization	75.5	77.2	78.2	79.2	80.0	80.6	80.8	79.9	79.5	79.8	79.4	78.2	76.9	77.0	77.4	77.9	77.6	80.3	79.2	77.3
Corporate Profits Before Taxes (b)	16.1	39.2	15.3	22.3	10.9	7.7	5.5	2.6	-1.8	-5.0	-6.0	-8.0	-10.0	-4.0	3.0	10.0	22.6	6.6	-5.2	-0.4
Corporate Profits After Taxes	13.8	37.5	14.0	20.7	6.1	5.0	3.5	1.6	-1.9	-5.2	-7.3	-8.9	-9.0	-4.4	2.9	10.2	20.9	4.0	-5.9	-0.2
Federal Budget Balance (c)	-1133	-532	-538	-378	-291	153	-860	-421	-679	-298	-201	-493	-643	-167	-397	-520	-2776	-1375	-1600	-1700
Trade Weighted Dollar Index (d)	104.2	102.7	105.3	108.2	109.6	114.7	121.4	116.6	116.2	114.8	115.3	114.5	113.0	111.5	110.3	109.3	104.5	115.1	115.2	111.0
Nonfarm Payroll Change (e)	618	487	663	655	561	329	423	284	312	244	178	98	-23	-233	-83	67	606	399	208	-68
Unemployment Rate	6.2	5.9	5.1	4.2	3.8	3.6	3.6	3.6	3.5	3.6	3.6	3.8	4.1	4.5	4.6	4.5	5.4	3.6	3.6	4.4
Housing Starts (f)	1.57	1.58	1.58	1.69	1.72	1.64	1.45	1.41	1.39	1.43	1.24	1.15	1.14	1.28	1.42	1.44	1.60	1.55	1.30	1.32
Light Vehicle Sales (g)	16.7	16.7	13.3	13.0	14.1	13.3	13.4	14.3	15.3	15.6	15.1	14.8	14.5	14.0	15.0	15.8	14.9	13.8	15.2	14.8
Crude Oil - Brent - Front Contract (h)	60.9	68.6	72.5	79.0	95.7	109.8	95.5	87.9	81.9	77.6	77.5	76.2	72.5	72.5	75.8	79.5	70.3	97.2	78.3	75.1
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate (j)	0.25	0.25	0.25	0.25	0.50	1.75	3.25	4.50	5.00	5.25	5.50	5.50	5.50	4.50	3.50	3.00	0.25	2.02	5.31	4.13
Secured Overnight Financing Rate	0.01	0.05	0.05	0.05	0.29	1.50	2.98	4.30	4.87	5.09	5.30	5.35	5.35	4.35	3.35	2.85	0.04	1.64	5.15	3.98
Prime Rate	3.25	3.25	3.25	3.25	3.50	4.75	6.25	7.50	8.00	8.25	8.50	8.50	8.50	7.50	6.50	6.00	3.25	5.02	8.31	7.13
Conventional Mortgage Rate	3.14	3.04	2.98	3.21	4.27	5.58	6.01	6.36	6.54	6.71	6.70	6.45	6.10	5.90	5.75	5.55	3.03	5.38	6.60	5.83
3 Month Bill	0.03	0.05	0.04	0.06	0.52	1.72	3.33	4.42	4.85	5.43	5.35	5.30	5.00	4.00	3.00	2.85	0.04	2.09	5.23	3.71
6 Month Bill	0.05	0.06	0.05	0.19	1.06	2.51	3.92	4.76	4.94	5.47	5.40	5.25	4.65	3.75	2.95	2.90	0.06	2.51	5.27	3.56
1 Year Bill	0.07	0.07	0.09	0.39	1.63	2.80	4.05	4.73	4.64	5.40	5.25	4.80	4.00	3.20	3.00	2.95	0.10	2.80	5.02	3.29
2 Year Note	0.16	0.25	0.28	0.73	2.28	2.92	4.22	4.41	4.06	4.87	4.60	4.20	3.70	3.20	3.05	3.00	0.27	2.99	4.43	3.24
5 Year Note	0.92	0.87	0.98	1.26	2.42	3.01	4.06	3.99	3.60	4.13	3.95	3.70	3.30	3.10	3.05	3.05	0.86	3.00	3.85	3.13
10 Year Note	1.74	1.45	1.52	1.52	2.32	2.98	3.83	3.88	3.48	3.81	3.75	3.60	3.30	3.15	3.10	3.10	1.45	2.95	3.66	3.16
30 Year Bond	2.41	2.06	2.08	1.90	2.44	3.14	3.79	3.97	3.67	3.85	3.90	3.80	3.65	3.55	3.50	3.50	2.06	3.11	3.81	3.55

Forecast as of: July 13, 2023

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) Federal Reserve Advanced Foreign Economies Index, 2006=100 - Quarter End

(e) Average Monthly Change

(f) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Houses Started

(g) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold

(h) Quarterly Average of Daily Close

(i) Quarterly Data - Period End; Annual Data - Annual Averages

(j) Upper Bound of the Federal Funds Target Rate

*3 Month LIBOR will no longer be published after June 30, 2023

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

Changes since Previous U.S. Economic Outlook

Changes to the Wells Fargo U.S. Economic Forecast

	Actual								Forecast								Acutal		Forecast	
	2021				2022				2023				2024				2021	2022	2023	2024
	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	0.73	-0.18	0.30	-0.19	-0.13	-0.31	0.22	0.15	0.00	0.00	0.17	-0.06
Personal Consumption	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	-1.17	-0.41	0.01	0.02	0.02	0.01	0.00	0.00	0.00	-0.17	-0.11
Business Fixed Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.76	4.18	0.27	0.14	0.19	0.42	0.27	0.46	0.00	0.00	0.61	0.49
Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.83	9.85	-0.02	0.02	-0.10	0.01	0.05	0.04	0.00	0.00	1.26	0.56
Intellectual Property Products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-2.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.55	0.00
Structures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.73	0.00	2.00	1.00	1.70	2.60	1.70	3.00	0.00	0.00	1.44	1.76
Residential Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.44	1.50	3.00	3.30	1.00	-3.20	-1.20	-1.00	0.00	0.00	1.10	0.54
Government Purchases	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.21	0.10	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.00
Net Exports	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	35.07	22.12	48.77	36.10	35.57	35.10	35.13	35.49	0.00	0.00	35.51	35.32
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.58	-0.25	0.52	-0.25	-0.01	-0.01	0.00	0.01	0.00	0.00	0.18	0.00
Inventory Change	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-3.40	8.89	5.93	3.56	-5.93	-20.74	-10.37	-5.33	0.00	0.00	3.74	-10.59
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	0.24	-0.06	-0.05	-0.18	-0.29	0.21	0.10	0.00	0.00	0.02	-0.07
Nominal GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.69	0.42	0.72	-0.34	-0.13	-0.51	0.56	0.68	0.00	0.00	0.32	0.03
Real Final Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.79	-0.43	0.36	-0.14	0.05	-0.02	0.02	0.05	0.00	0.00	0.15	0.01
Retail Sales (b)	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	-0.08	-0.29	-0.23	-0.40	-0.55	-0.48	-0.48	-0.32	0.00	0.01	-0.25	-0.46
Inflation Indicators (b)																				
PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.13	0.23	0.19	0.21	0.02	-0.01	0.16	0.00	0.00	0.13	0.09
"Core" PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.03	-0.13	-0.15	-0.12	-0.11	0.02	0.06	0.00	0.00	-0.08	-0.04
Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	-0.06	-0.14	-0.16	-0.32	-0.09	0.19	0.00	0.00	-0.04	-0.10
"Core" Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.22	-0.29	-0.29	-0.28	-0.02	0.06	0.00	0.00	-0.13	-0.13
Producer Price Index (Final Demand)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.12	-0.21	-0.26	-0.27	-0.18	-0.08	-0.07	0.00	0.00	-0.16	-0.15
Employment Cost Index	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
Real Disposable Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65	-0.21	-0.56	-0.32	-0.06	0.27	-0.37	-0.64	0.00	0.00	0.02	-0.19
Nominal Personal Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.06	-0.08	-0.26	0.02	0.07	-0.05	-0.13	0.00	0.00	0.11	-0.05
Industrial Production (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.14	0.90	1.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.41	0.26
Capacity Utilization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.13	0.42	0.41	0.41	0.41	0.41	0.41	0.00	0.00	0.25	0.41
Corporate Profits Before Taxes (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	-0.03
Corporate Profits After Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.23	-0.02
Federal Budget Balance (c)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-149.20	99.20	-11.06	-10.02	-16.80	-12.12	-11.05	0.00	0.00	-50.00	-50.00
Trade Weighted Dollar Index (d)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.93	-1.50	-1.00	-0.75	-0.75	-0.50	0.00	0.00	0.00	-1.11	-0.50
Nonfarm Payroll Change (e)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-50.33	3.33	0.00	8.33	16.67	0.00	0.00	0.00	0.00	-11.75	6.25
Unemployment Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.09	-0.06	-0.02	-0.05	-0.06	-0.06	0.00	0.00	-0.04	-0.05
Housing Starts (f)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	-0.03	-0.02	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	0.00	0.00	0.00	0.21	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00
Crude Oil - Brent - Front Contract (h)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-2.00	-1.67	-1.00	-0.67	0.00	0.00	0.00	0.00	0.00	-1.17	-0.17
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	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	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	-0.09	0.10	0.10	0.05	0.00	0.00	0.00	0.00	0.00	0.03	0.01
3 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00
6 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	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	0.15	0.15	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00
2 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.37	0.25	0.15	0.05	0.00	0.00	0.00	0.00	0.00	0.19	0.01
5 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.28	0.20	0.15	0.10	0.00	0.00	0.00	0.00	0.00	0.16	0.02
10 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.10	0.10	0.05	0.00	0.00	0.00	0.00	0.00	0.06	0.01
30 Year Bond	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	0.00	0.00	0.01	0.01

Forecast as of: July 13, 2023

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) Federal Reserve Advanced Foreign Economies Index, 2006=100 - Quarter End

(e) Average Monthly Change

(f) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Houses Started

(g) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold

(h) Quarterly Average of Daily Close

(i) Quarterly Data - Period End; Annual Data - Annual Averages

* 3 Month LIBOR will no longer be published after June 30, 2023

(j) Upper Bound of the Federal Funds Target Rate

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

Personal Consumption Expenditures

- Q2 PCE is now less than half of our previous projection due to upward revisions to Q1 and a stalling in recent spending data.
- Changes further out are relatively minor. Households still demonstrate an underlying resilience, and spending is only gradually losing momentum.

We have revised downward our expectation for second quarter consumer spending growth and now look for real PCE to rise at a 0.9% annualized pace during the quarter (down from 2.0% previously). Part of the downward revision is simply due to base effects after large upward revisions to first quarter consumption. Beyond that, a stalling in consumer spending in May suggests a weaker pace of consumption than we had forecast previously. Other changes to our forecast over the past month are relatively minor and consistent with the slight adjustments we've made to personal income based on employment.

Consumer spending continues to demonstrate an underlying resilience, though growth in spending may be entering stall speed. Real personal spending has now slipped in three of the first five months of the year. We still anticipate that households have some runway left in terms of consumption, and recent data suggest spending is only gradually losing momentum.

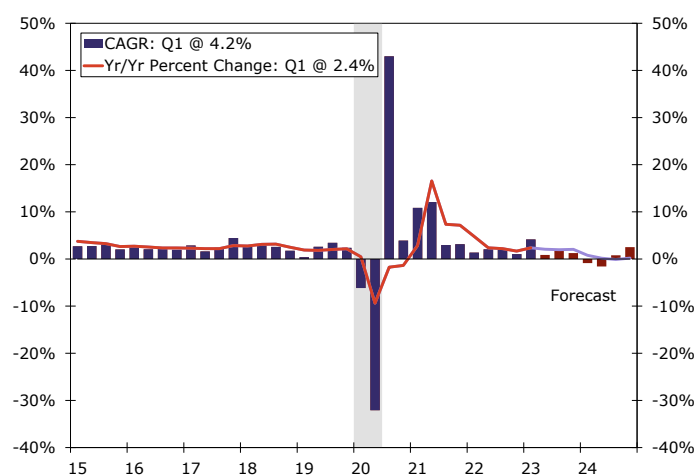
Investment: Equipment, Intellectual Property Products and Inventories

- Our expectations for equipment spending have flipped from negative to positive growth in the near term. We now look for equipment to rise at an 8.4% annualized pace in Q2.
- Stronger-than-expected shipments data and some normalization in auto sales to businesses are the main drivers of the upward revision.

Nondefense capital goods shipments rose 3.4% in May, indicating a much higher level of equipment spending in the second quarter than we had forecast previously. Factory orders also suggested some upside to end the quarter. Auto sales data have also been strong and indicate a larger share of vehicle sales going to businesses, which will boost equipment investment. Overall, these factors have led us to raise our expectations for Q2 equipment, and we now forecast spending to rise at an 8.4% annualized pace.

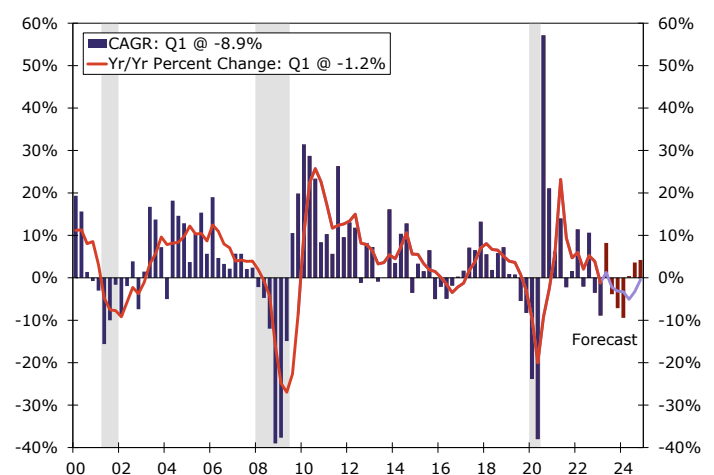
This surge likely won't last long, however. We expect growth in equipment to slip negative again in the third quarter as conditions continue to grow less and less favorable for new capital investment. The ISM manufacturing index flashed the broadest contraction in factory activity in May since the early pandemic days of 2020. The Fed looks to resume interest rate hikes eyeing tighter financial conditions, and a pull back in capital investment will help usher in mild economic contraction at the start of next year.

Real Personal Consumption Expenditures



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

Real Equipment Investment



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

Investment: Residential

- We have slightly boosted our forecast for residential fixed investment. Low resale inventory continues to be a boon for single-family construction, which now appears to be advancing at a modest pace. However, high interest rates and slower economic growth are likely to put a ceiling on single-family activity and weigh on multifamily construction, home improvement spending and brokers' commissions over the forecast horizon.

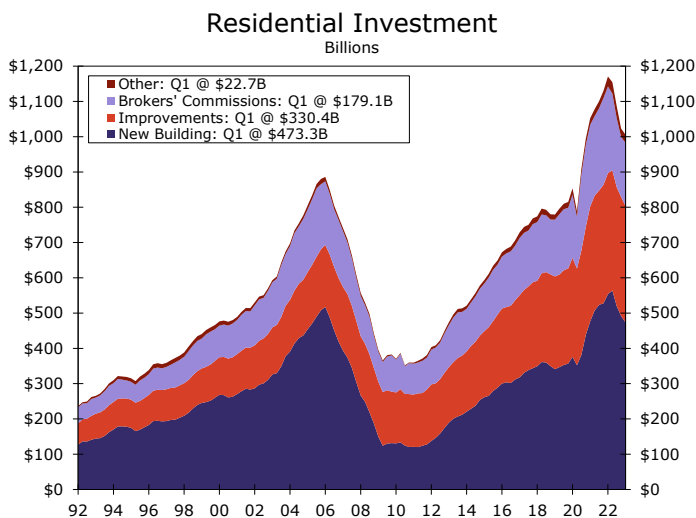
May's robust gain in single-family starts was the latest sign that residential construction appears to be gathering momentum despite higher interest rates. So far in Q2, the pace of single-family construction is up solidly compared to Q1. Multifamily starts have also improved so far in Q2, however growth has been more modest. The highly elevated count of multifamily units currently under construction in addition to softer apartment market conditions is likely to translate to a downshift in construction moving forward.

Home improvement spending, which accounts for roughly 35% of residential investment, looks to be weakening in contrast to new construction. Over the past three months through May, building material retail sales have pulled back sharply, declining at a 9.0% annual rate. Existing home sales and prices appear to have put in a bottom; however, a recent uptick in mortgage rates will likely limit growth in coming quarters. New home sales have shifted higher; however, the improvement has arrived alongside lower prices. All told, these factors imply a sluggish pace of brokers' commissions this year.

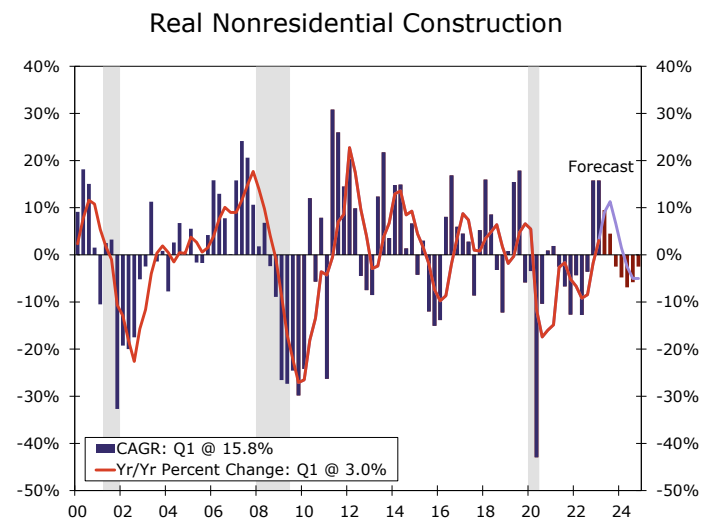
Investment: Nonresidential Structures

- We have not altered our expectation for another strong rise in real structures spending during Q2-2023. Private nonresidential construction continues to strengthen, with manufacturing outlays a significant driver behind the upturn. Recent momentum, in addition to easing material price inflation, has encouraged us to raise the level of total real structures spending over the forecast horizon, although growth likely will still be negative later this year and into 2024 due to tighter credit conditions and weakening commercial real estate fundamentals.

Nonresidential construction continues to strengthen. Although private nonresidential spending slipped during May, outlays are currently tracking for a solid gain in Q2. Manufacturing construction, namely for electric vehicle and semiconductor manufacturing facilities, continues to drive overall construction outlays and should continue to do so in the near term. Consequently, we currently expect nonresidential structures investment to rise 9.5% in Q2. Looking further ahead, new manufacturing project outlays should continue to grow at a solid pace. It may not be enough to offset weakness in other categories of structures spending, however. Weakening commercial real estate fundamentals, reduced credit access for developers and slowing macroeconomic growth indicates that a significant downshift in office, warehouse and other commercial construction is likely on the horizon.



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



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

Labor Market

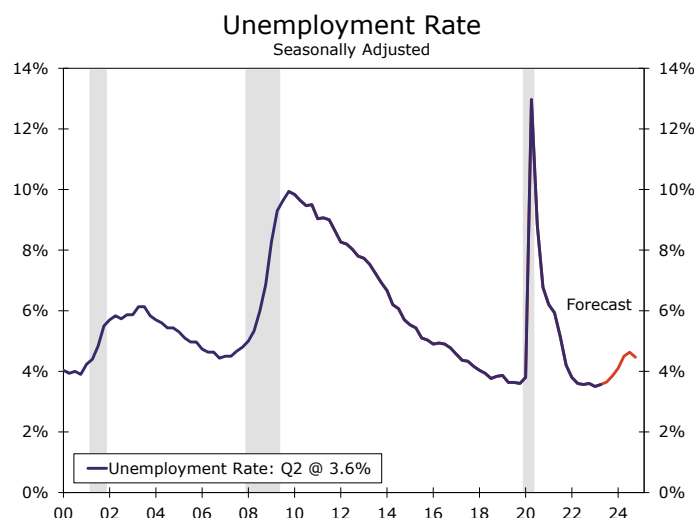
- We have not made any material changes to our forecasts for labor market data, such as nonfarm payrolls and the unemployment rate.
- Nonfarm payrolls averaged a solid increase of 244K in Q2, but this was a deceleration from the previous quarter and marked the slowest pace of job growth since Q4-2020.
- We still expect job growth to turn negative in the spring of 2024 and for the unemployment rate to peak around 4.6% in the second half of next year.

The cooling in the labor market has continued to be gradual rather than sudden. Nonfarm payrolls increased by 209K in June, coming in modestly below the Bloomberg consensus for the first time in 15 months. Downward revisions to job growth in the two previous months showed that employment growth has not been quite as strong as previously believed. That said, job growth of +200K is still quite strong even if it is directionally slower than the scorching pace seen over the past year. Still solid employment growth as measured by the establishment survey has been backed by other pieces of data that suggest the labor market remains tight. Jobless claims have remained in check, layoff announcements have declined and nominal wage growth appears to be running in a range of 4%-5%. The weight of the evidence still suggests that the labor market remains too tight to be consistent with 2% inflation, and we expect more softening in the labor market in the months ahead.

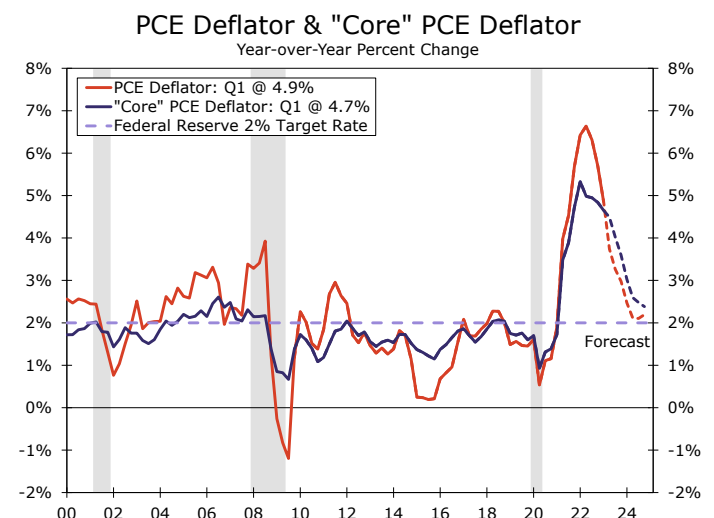
Inflation

- We have made no material changes to our inflation outlook this past month. As expected, recent data show a downward trend in inflation is more clearly under way, but a sustained return to 2% remains some ways off.
- We look for the year-over-year rate of core PCE inflation to register 3.6% in the fourth quarter of this year, down a tick from 3.7% in our June forecast.

The gradual weakening in demand and improvement on the supply side of the economy is beginning to more clearly translate into lower inflation. The unwinding of supply constraints and ongoing normalization of spending patterns helped to hold the core CPI in June to its smallest monthly gain since early 2021, and push the 12-month change below 5% for the first time in a year-and-a-half. We look for the trend in core inflation to slow further this year, helped along by some further deflation in goods and ongoing disinflation in housing. That said, there remains significant ground to cover before returning inflation to the Fed's 2% target on a sustained basis. The tight state of the jobs market is keeping labor costs running in excess of levels consistent with the FOMC's target, while the recent stability in food and energy-related commodity prices point to one notable disinflationary tailwind fading. By the fourth quarter of this year, we expect both headline and core PCE inflation to be running closer to 3% than 2% when measured on an annualized basis.



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



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

Fiscal Policy

- Congress still needs to pass the 12 annual appropriation bills or a continuing resolution by September 30 to avoid a government shutdown.
- State and local governments have been on a hiring spree, and real output in this sector is up a solid 2.5% year-over-year.

Although a debt ceiling crisis has been avoided, Congress still has an important budget deadline looming on the horizon. The federal fiscal year ends on September 30, and the legislature has not yet passed the 12 annual appropriations bills that fund the government's numerous discretionary programs. If the bills are not passed individually or collectively in a single omnibus package, Congress will need to pass a short-term continuing resolution (CR) to prevent a government shutdown. Congress is slated to be on its standard summer recess for the month of August, so the next few weeks and September will be critical to laying the groundwork for an eventual agreement. At the state and local level, employment growth has remained strong this year, which helped prop up overall nonfarm payroll growth. We believe there is still room to run for state and local hiring. Employment in this sector is about 1% below its pre-pandemic peak compared to a 3% *increase* in private nonfarm payrolls over the same period.

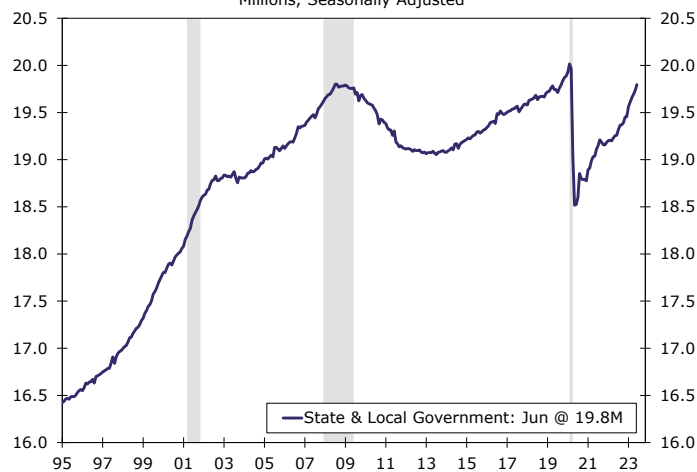
Monetary Policy & Interest Rates

- We have made no changes to our U.S. monetary policy forecast relative to our previous monthly economic outlook.
- We still expect one more 25 bps rate hike at the July FOMC meeting followed by an extended pause. We look for the FOMC to first cut the fed funds rate in Q2-2024.
- Our forecast for the 10-year Treasury yield at year-end 2023 is 3.60%.

Our U.S. monetary policy forecast is unchanged from our previous monthly economic outlook report, and accordingly our forecast for U.S. Treasury yields has not changed materially. We still expect one more 25 bps rate hike followed by an extended pause with the federal funds target range at 5.25%-5.50%. We expect the first rate cuts to occur in Q2-2024 as the U.S. economy falls into a mild recession and core inflation is much closer to 2%. Our base case forecast assumes the FOMC ends quantitative tightening (QT) at year-end as the economy approaches a downturn. With the end of the tightening cycle nearly complete and a recession on the horizon, we expect lower Treasury yields across the board later this year and into 2024. We expect the 10-year Treasury yield to finish 2023 at 3.60% and 2024 at 3.10%.

State & Local Government Employment

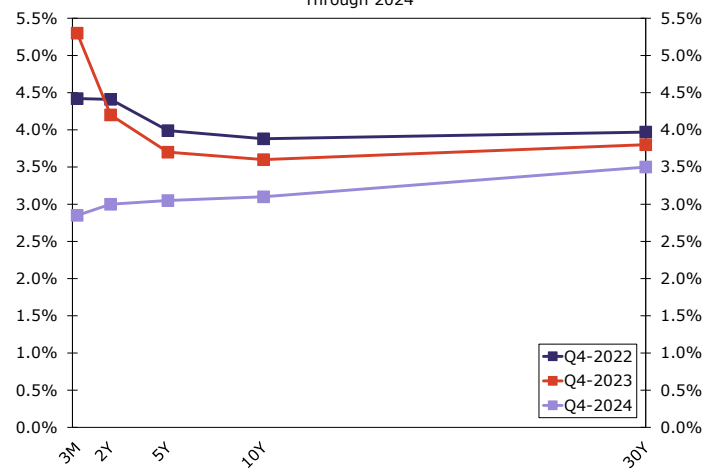
Millions, Seasonally Adjusted



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

Wells Fargo Treasury Yield Forecast

Through 2024



Source: Federal Reserve Board and Wells Fargo Economics

Net Exports

- We forecast net exports will chop 1.7 percentage points off of headline GDP growth in the second quarter.

The May data suggest real exports are tracking for a sizable decline at around a 9% annualized pace in the second quarter, while real imports slip a more modest 1%. The result is a 1.7 percentage point drag on headline GDP growth from net exports in Q2. We have not materially changed our outlook for net exports since our last monthly publication. Net exports are set to be a drag on growth in the near term amid resilient domestic demand before narrowing on trend and providing a sizable boost to headline GDP growth at the start of next year as the U.S. economy slips into a mild recession.

International Developments & The U.S. Dollar

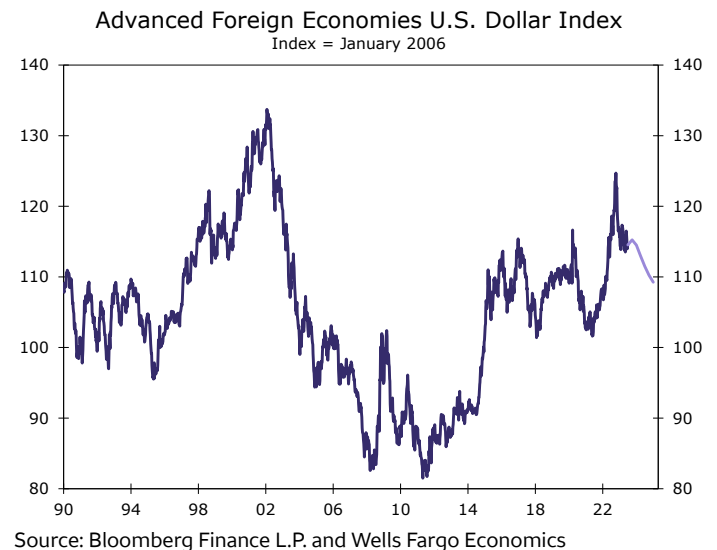
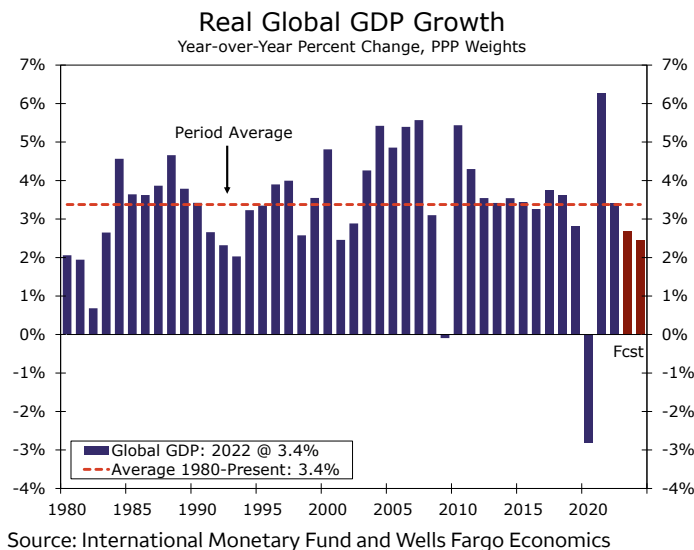
- We have not made significant changes to our global GDP forecast, which is reflective of our view that economic activity has likely peaked for the year. We forecast global growth of 2.7% this year, with risks tilted toward slower growth as China's economy struggles to recapture momentum.
- Emerging markets remain a bit of a bright spot in the global economy, particularly select countries in Latin America and Asia. Mexico and Brazil have experienced resilient economic activity, and we now forecast their respective economies to grow 2.0%-2.5% this year, while India's economy can grow 6.0% this calendar year.
- We maintain our view for a stable to slightly stronger U.S. dollar through the end of this year, before the dollar embarks on a period of prolonged depreciation in 2024. With the Fed still tightening policy and U.S. economic trends resilient, the greenback is likely to move sideways in the coming months. As the Fed approaches rate cuts in 2024, the dollar should come under pressure and weaken against most foreign currencies.
- For further reading on the global economy, please see our most recent [International Economic Outlook](#).

We have not made significant changes to the outlook for global economic growth, and continue to forecast global GDP growth of 2.7% for 2023. But no change to our global GDP forecast is still interesting and represents an inflection point in how we are thinking about the world. Over the first six months of this year, we have made consistent upward revisions to our global GDP forecast. July represents the first month of 2023 when we did not make an upward revision to our global growth outlook. The takeaway from holding our global GDP forecast steady is that we believe peak economic activity has been reached for this year. In our view, the best news for 2023 global growth is likely in the past. In that sense, China's economic recovery from COVID is over. The Eurozone slipped into recession earlier this year and is likely to experience subdued growth going forward. Also in Europe, the U.K. continues to be disrupted by elevated inflation and a central bank that continues to lift interest rates aggressively. Going forward, we would not be surprised if future forecast updates yielded downward revisions, especially as China's economy faces numerous challenges in the short term as well as structural issues that appear to be getting worse.

The majority of downside risk to the global economy comes from China. Following a burst of activity in Q1 after Zero-COVID policies were lifted, China's economy has lost that momentum. Sentiment has slipped sharply, while indicators such as retail sales and industrial production signal a quicker economic deceleration than we had expected. While the People's Bank of China (PBoC) has acknowledged that slowdown and eased monetary policy recently, lower lending rates are not likely to provide a significant boost to growth prospects this year. In addition, authorities have so far been steadfast in pushing back on fiscal stimulus. Targeted stimulus has been announced, such as tax credits for electric vehicle purchases and support for the local real estate sector, but we also believe these measures will do little to enhance short-term growth. We recently lowered our China GDP forecast to 5.7% for this year, and risks are still tilted toward additional downward revisions. A slowdown in China's economy can have ripple effects across emerging Asia and countries reliant on Chinese demand. This contagion can place downward pressure on our global GDP forecast. Longer term, China is likely to face roadblocks to growth via a declining population and labor force, an over-leveraged non-financial corporate sector, declining domestic consumption and persistent geopolitical tensions. This combination should lead to China eventually experiencing growth of 3.0%-4.0%, and the days of double-digit or even 6.0% growth are likely over.

There are some bright spots in the global economy, mostly found in the emerging markets. Mexico and Brazil have experienced resilient economic activity to date, and we have revised our 2023 growth forecasts significantly higher for each country. In Mexico, a resilient U.S. economy has supported the export sector; while in Brazil, fiscal stimulus and strong domestic consumption have enhanced the country's growth prospects. We now expect both of these economies to grow ~2.5% this year, which are meaningful upward revisions from prior forecasts of closer to 1% growth. India also continues to demonstrate economic resilience. This resilience comes from India being somewhat insulated from external developments. India has little trade linkages to China and the rest of the world, and has not been affected by the slowing demand. Also, the Reserve Bank of India did not raise interest rates all that meaningfully, leaving India's interest rate-sensitive sectors little damaged. This calendar year, we forecast India's economy to grow 6%, which when combined with China, means China and India should account for around 55% of global economic growth in 2023.

We recently adjusted our outlook on the U.S. dollar to reflect greenback strength/stability through the end of this year. This month, we maintain that view. With the Fed still likely to raise interest rates further and financial markets not fully priced for additional Fed tightening, the dollar can strengthen in the very near term. In addition, financial markets are priced for the Fed to ease monetary policy by the end of this year. As markets adjust to later Fed easing, we believe the dollar can strengthen against many G10 and emerging market currencies. For most of this year, we have been optimistic on the outlook for emerging currencies, and to date, EM FX has outperformed. But with EM central banks likely to begin easing monetary policy in the coming months and the Fed still tightening, we have become slightly less constructive on the outlook for developing currencies relative to the greenback. Starting in 2024, we still believe the dollar will enter a period of cyclical depreciation as the Fed eases monetary policy more aggressively than peer institutions. With interest rates set to swing in favor of foreign currencies, the dollar should weaken against currencies such as the euro, Japanese yen and across the emerging markets complex.



Wells Fargo International Economic Forecast

	GDP				CPI			
	2021	2022	2023	2024	2021	2022	2023	2024
Global (PPP Weights)	6.3%	3.4%	2.7%	2.5%	4.7%	8.7%	4.7%	3.8%
Advanced Economies ¹	5.4%	2.7%	1.4%	1.1%	3.1%	7.3%	4.8%	2.5%
United States	5.9%	2.1%	1.7%	0.1%	4.7%	8.0%	4.0%	2.5%
Eurozone	5.4%	3.5%	0.4%	1.6%	2.6%	8.4%	5.4%	2.2%
United Kingdom	7.6%	4.1%	0.2%	0.4%	2.6%	9.1%	7.8%	2.6%
Japan	2.1%	1.0%	1.3%	1.5%	-0.2%	2.5%	2.7%	1.5%
Canada	5.0%	3.4%	1.5%	1.6%	3.4%	6.8%	3.8%	2.2%
Switzerland	4.2%	2.1%	0.8%	1.6%	0.6%	2.8%	2.4%	1.6%
Australia	5.2%	3.7%	1.6%	1.8%	2.8%	6.6%	5.6%	3.2%
New Zealand	6.1%	2.7%	0.8%	1.5%	3.9%	7.2%	5.2%	2.6%
Sweden	5.4%	2.9%	-0.1%	1.1%	2.7%	8.3%	8.0%	2.5%
Norway	3.9%	3.7%	1.3%	0.9%	3.5%	5.7%	5.4%	2.8%
Developing Economies ¹	6.9%	4.0%	3.7%	3.5%	5.9%	9.8%	4.7%	4.7%
China	8.5%	3.0%	5.7%	4.7%	0.9%	2.0%	1.2%	2.2%
India	9.1%	6.7%	6.0%	6.7%	5.5%	6.7%	5.2%	5.0%
Mexico	4.7%	3.0%	2.3%	1.0%	5.7%	7.9%	5.2%	4.0%
Brazil	5.0%	3.0%	2.5%	1.0%	8.3%	9.0%	5.1%	4.3%

Forecast as of: July 13, 2023

¹Aggregated 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						
	2023			2024			
	Current	Q3	Q4	Q1	Q2	Q3	Q4
United States	5.25%	5.50%	5.50%	5.50%	4.50%	3.50%	3.00%
Eurozone ¹	3.50%	3.75%	3.75%	3.75%	3.25%	2.75%	2.25%
United Kingdom	5.00%	5.75%	5.75%	5.75%	4.75%	3.75%	3.25%
Japan	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Canada	5.00%	5.00%	5.00%	5.00%	4.50%	3.50%	3.00%
Switzerland	1.75%	2.00%	2.00%	2.00%	1.75%	1.50%	1.25%
Australia	4.10%	4.35%	4.35%	4.35%	4.10%	3.85%	3.60%
New Zealand	5.50%	5.50%	5.50%	5.50%	5.50%	5.25%	4.75%
Sweden	3.75%	4.00%	4.00%	4.00%	3.75%	3.25%	2.75%
Norway	3.75%	4.25%	4.25%	4.25%	4.00%	3.50%	3.00%
China ³	10.75%	10.50%	10.50%	10.25%	10.25%	10.25%	10.25%
India	6.50%	6.50%	6.00%	5.50%	5.00%	4.50%	4.50%
Mexico	11.25%	11.25%	11.25%	10.25%	9.25%	8.25%	7.25%
Brazil	13.75%	13.25%	12.25%	11.25%	10.25%	9.25%	8.25%
Chile	11.25%	10.25%	9.25%	8.25%	7.25%	6.25%	5.25%
Colombia	13.25%	13.25%	12.25%	11.25%	10.25%	9.25%	8.25%
	2-Year Note						
	2023			2024			
	Current	Q3	Q4	Q1	Q2	Q3	Q4
United States	4.74%	4.65%	4.25%	3.65%	3.20%	3.05%	3.00%
Eurozone ²	3.23%	3.25%	3.15%	2.95%	2.60%	2.35%	2.25%
United Kingdom	5.23%	5.40%	5.10%	4.60%	4.00%	3.55%	3.25%
Japan	-0.04%	0.00%	0.00%	0.05%	0.05%	0.10%	0.10%
Canada	4.67%	4.60%	4.30%	4.00%	3.50%	3.10%	3.00%
	10-Year Note						
	2023			2024			
	Current	Q3	Q4	Q1	Q2	Q3	Q4
United States	3.86%	3.85%	3.65%	3.25%	3.15%	3.10%	3.10%
Eurozone ²	2.58%	2.60%	2.50%	2.40%	2.35%	2.30%	2.30%
United Kingdom	4.51%	4.55%	4.35%	4.00%	3.75%	3.50%	3.30%
Japan	0.47%	0.50%	0.75%	0.70%	0.70%	0.65%	0.65%
Canada	3.42%	3.40%	3.25%	3.10%	3.05%	3.00%	3.00%

Forecast as of: July 13, 2023

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

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

This Month's Economic Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
Jul 10	11	12	13	14
Consumer Credit May \$7.24B	NFIB Small Business Optimism Jun 91.0 Reserve Bank of New Zealand Rate Decision July 5.50%	CPI (MoM) Jun 0.2% Core CPI (MoM) Jun 0.3% Bank of Canada Rate Decision July 5.00% Fed Beige Book	PPI Final Demand (MoM) May -0.3% <i>Daly (San Francisco) Speaks</i> <i>Waller* (Governor) Speaks</i>	Consumer Sentiment Jun 64.4 Import Price Index (MoM) May -0.6%
17	18	19	20	21
China GDP (SA QoQ) Q1 2.2%	Retail Sales (MoM) May 0.3% Industrial Production (MoM) May -0.2% Canada CPI (NSA, MoM) May 0.4%	Housing Starts (SAAR) May 1,631K United Kingdom (MoM) May 0.7%	Existing Home Sales (SAAR) May 4.30M Leading Index (MoM) -0.7% Japan CPI (YoY) May 3.2%	
24	25	26	27	28
	Consumer Confidence Jun 109.7 S&P/CS Home Prices (YoY) Apr -0.2%	FOMC Rate Decision (Upper Bound) Previous 5.25% Powell* (FOMC Chair) Speaks New Home Sales (SAAR) May 763K	GDP (Annualized, QoQ) Q1 2.0% Durable Goods Orders (MoM) May 1.8% ECB Deposit Facility Rate Decision Previous 3.50%	Personal Income & Spending (MoM) May 0.4%; 0.1% (Income; Spending) ECI Q1 1.2% Bank of Japan Policy Balance Rate Decision Previous -0.10%
31	August 1	2	3	4
Eurozone GDP (SA, QoQ) Q1 -0.1% Eurozone CPI (MoM) Jun 0.3%	Construction Spending (MoM) May 0.9% JOLTS May 9,842K ISM Manufacturing Jun 46.0	Central Bank of Brazil Selic Rate Previous 13.75%	ISM Services Jun 53.9 Bank of England Rate Decision Previous 5.00%	Nonfarm Payrolls Jun 209K

Note: (W) = Wells Fargo Estimate, (C) = Consensus Estimate, * = voting FOMC member in 2023, Purple = Market Moving Releases

Source: Bloomberg Finance L.P., Federal Reserve System, U.S. Department of Labor, U.S. Department of Commerce, Institute for Supply Management, Conference Board and Wells Fargo Economics

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Seery	Economist	332-204-0693	Shannon.Seery@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Jeremiah Kohl	Economic Analyst	704-410-1437	Jeremiah.J.Kohl@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation offer or solicitation with respect to the purchase or sale of any security or other financial product nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report. The views and opinions expressed in this report are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2023 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE