Monthly — January 12, 2024

U.S. Economic Outlook: January 2024

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The Facts Have Compelled Us to Change Our U.S. Economic Outlook

- The moonshot in inflation that occurred in 2021-22 had two important consequences. Not only did it erode real income, but it led to a hawkish response by the FOMC. Consequently, in June 2022 we began to forecast a looming U.S. recession.
- In the spirit of John Maynard Keynes, the facts have compelled us to change our minds. In short, we now look for the U.S. economy to continue expanding over our entire forecast period, which runs through the end of 2025.
- Real income growth has turned positive again due to the marked decline in inflation over the past year or so. Furthermore, it appears that the FOMC's tightening cycle has come to an end. Expectations of monetary easing by market participants have led to a relaxation in financial conditions, which are exerting less restraint on the economy than they were a few months ago.
- We look for the FOMC to cut its target range by 125 bps by the end of this year and by a total of 225 bps by the end of 2025. We think the first rate cut of the easing cycle will occur at the May 1 FOMC meeting.
- Although we now think it is more likely than not that the economy will continue to expand in coming quarters, we readily acknowledge that the economy is not completely out of the danger zone. The baseline probability of recession at any point in time is roughly 15%. Knowing what we know presently, we would now guess the probability of a U.S. recession this year is roughly 40% or so.
- A vicious circle of slower spending growth leading to cutbacks in employment that subsequently cause spending to downshift further appears less likely than it did when inflation was raging. Margins generally remain healthy for most businesses, and many firms appear to be in no hurry to cut staff.
- Even if the economy does not slip into an official recession—real GDP could conceivably contract modestly in one of the next few quarters—we suspect that the pace of real GDP growth will be sluggish over the next few quarters. We forecast that real GDP will grow only 1% or so between the fourth quarter of last year and Q4-2024, considerably slower than the 2.4% per annum average growth rate during the previous economic expansion (2010-2019).

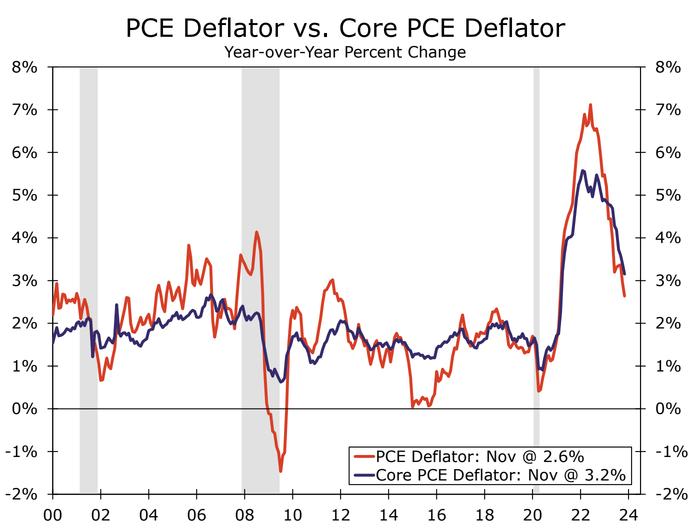
Change of View: Continued Economic Expansion Looking More Likely Than Not

We have been forecasting since June 2022 that the U.S. economy would experience a modest downturn due largely to the moonshot in inflation that had two important consequences. First, growth in income was not keeping pace with the rise in prices. Disposable personal income (i.e., aggregate income less taxes) was up only 0.9% on a year-ago basis in Q2-2022, while PCE inflation, which most economists believe is a better measure of consumer price inflation than the CPI, was running at 6.8%. Consequently, real income in mid-2022 was down nearly 6% relative to its level of the preceding year. In our view, this significant decline in purchasing power would lead to retrenchment in consumer spending. Second, the sharp rise in inflation was provoking a hawkish response by the Federal Reserve. The FOMC was on the cusp of hiking its target range for the federal funds rate by 75 bps per meeting when we made our recession forecast, and the Committee would ultimately raise rates by a cumulative amount of 525 bps. We feared in mid-2022 that the Fed could end up making an unintended policy mistake by tightening too much.

John Maynard Keynes, one of the most influential economists of the 20th century, is famously credited with quipping "when the facts change, I change my mind." In the spirit of Lord Keynes, the facts have compelled us to change our minds. In short, we now look for the U.S. economy to continue expanding over our entire forecast period, which runs through the end of 2025. The reason for our change of view boils down to the considerable drop in inflation since summer 2022. The year-over-year rate of overall PCE inflation peaked at 7.1% in June 2022, but it has subsequently dropped back to 2.6% (Figure 1). The sharp rise in the overall rate of PCE inflation, and its subsequent decline, reflects, at least in part, volatility that the conflict between Russia and Ukraine imparted to food and energy prices. But the core rate of inflation, which excludes prices of food and energy, has dropped from 5.5% in September 2022 to 3.2% at present. Meanwhile, growth in nominal personal disposable income has remained resilient. On a year-over-year basis, real disposable income was up more than 4% in Q3-2023. Households drew down savings that were accumulated during the pandemic to maintain positive rates of spending growth when inflation eroded real income (Figure 2). Although excess savings have been whittled away in recent quarters, especially when measured in inflation-adjusted terms, strong growth in real income is helping to support real consumer spending.

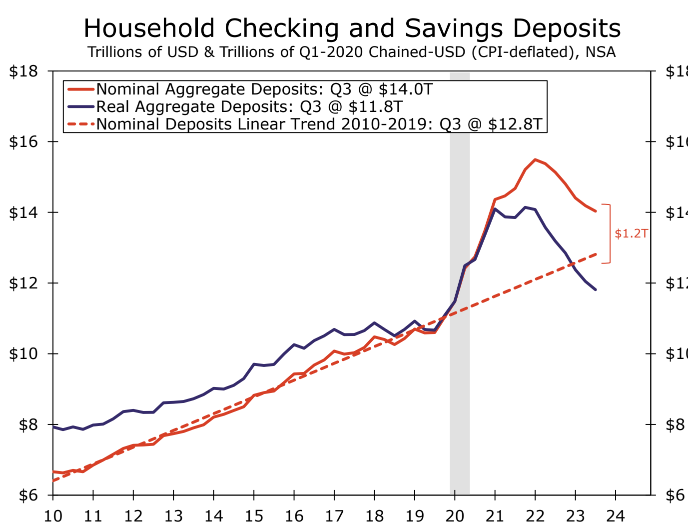
The facts have compelled us to change our minds.

Figure 1



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

Figure 2



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

Furthermore, it appears that the FOMC's rate hiking cycle has come to an end as the Committee has maintained the target range for the federal funds rate at 5.25%-5.50% since late July. The pause in tightening and subsequent expectations of monetary easing by market participants have led to a relaxation in financial conditions, which are exerting less restraint on the economy than they were a few months ago. Over the past few months, corporate bond spreads have tightened, the stock market has rallied and the U.S. dollar has depreciated vis-à-vis many currencies.

The "dot plot" that was released at the conclusion of the December FOMC meeting shows that 17 of the 19 Committee members think rates will be lower at the end of this year than they were at year-end 2023. We also look for the FOMC to ease policy this year, but we think the Committee's thinking—as indicated by its median forecast of 75 bps worth of rate cuts this year—is too conservative. We forecast the FOMC will cut rates by 125 bps by the end of 2024, commencing with a 25 bp reduction at the May 1 meeting. We look for a total of 225 bps of rate cuts by the end of 2025, which would put the target range for the fed funds rate at 3.00%-3.25% in Q4-2025. Rate cuts at the short end of the yield curve should offer a lifeline to households and businesses with exposure to floating rate debt.

We look for the FOMC to cut rates by 125 bps by the end of 2024.

Significant Risks Still Remain

Although we now think it is more likely than not that the economy will continue to expand in coming quarters, we readily acknowledge that the economy is not completely out of the danger zone. As we noted in last month's report, "cracks are starting to appear in the household sector as delinquency rates, especially on auto loans and credit cards, have moved markedly higher in recent quarters." More households will likely experience increasing amounts of financial stress as long as short-term interest rates remain elevated, which could cause growth in consumer spending to downshift in the coming months.

According to the National Bureau of Economic Research (NBER), which is the official arbiter of U.S. business cycles, the American economy has been in recession for about 15% of the post-World War II period. In short, the baseline probability of recession at any point in time is roughly 15%. Knowing what we know presently, we would now guess the probability of a U.S. recession this year is roughly 40% or so. Not only are interest rates in the United States elevated, which is helping to restrain the rate of U.S. economic growth, but the economies of many trading partners are weak at present. Therefore, real net exports are not likely to add much to U.S. real GDP growth in the coming quarters. In our view, there is still a chance, which is not insignificant, that the U.S. economy could experience a downturn in the foreseeable future.

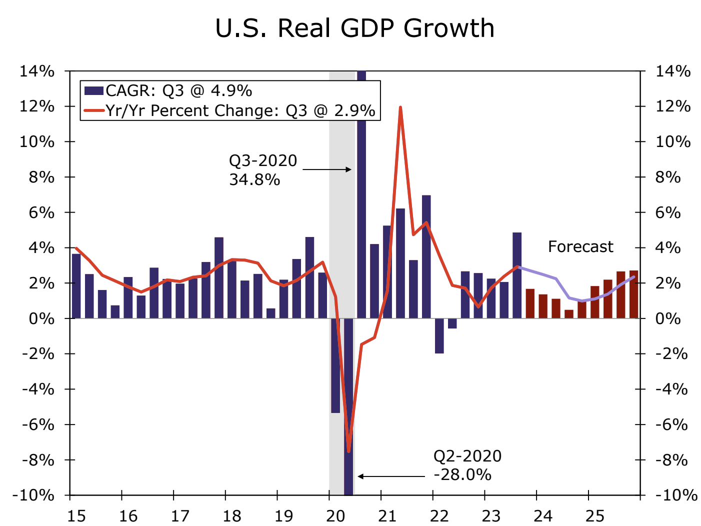
We would guess the probability of a U.S. recession this year is roughly 40% or so.

That noted, a vicious circle of slower spending growth leading to cutbacks in employment that subsequently cause spending to downshift further appears less likely than it did when inflation was raging. Margins generally remain healthy for most businesses, and the low level of initial claims for unemployment insurance by displaced workers indicate that many firms are in no hurry to cut staff. Although hiring plans among small businesses have downshifted from two years ago, the percentage of firms reporting that they plan to add to payrolls in the next three months remains elevated (Figure 3). As long as employment growth does not turn negative, consumer spending will likely continue to grow, which will help to support the overall level of economic activity.

Figure 3

Source: NFIB and Wells Fargo Economics

Figure 4



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

Although we forecast that the U.S. economy will continue to expand through the end of next year, we suspect that the pace of real GDP growth will be sluggish over the next few quarters (Figure 4). We estimate that real GDP grew at an annualized pace of only 1.7% in the fourth quarter of last year—preliminary data for Q4-2023 will be released on January 25—and we look for sub-trend growth rates throughout 2024. Admittedly, real GDP could conceivably contract modestly in one of the next few quarters. But if our forecast is realized, then real GDP will grow only 1% or so between the fourth quarter of last year and Q4-2024, considerably slower than the 2.4% per annum average growth rate during the previous economic expansion (2010-2019). Interest rates, not only in the United States but in most other major economies, remain elevated. Central banks should ease monetary policy significantly this year, but those rate cuts likely will do little to spur economic growth over the next few quarters. But as rates decline later this year, the table will be set for stronger rates of real GDP growth in 2025.

Real GDP growth likely will be sluggish over the next few quarters.

U.S. Forecast Table

Wells Fargo U.S. Economic Forecast

	Actual								Forecast								Actual	Forecast		
	2022				2023				2024				2025				2022	2023	2024	2025
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product (a)	-2.0	-0.6	2.7	2.6	2.2	2.1	4.9	1.7	1.4	1.1	0.5	1.0	1.8	2.2	2.7	2.7	1.9	2.4	1.7	1.7
Personal Consumption	0.0	2.0	1.6	1.2	3.8	0.8	3.1	2.2	1.0	0.5	0.5	1.1	1.4	1.9	2.2	2.3	2.5	2.2	1.3	1.4
Business Fixed Investment	10.7	5.3	4.7	1.7	5.7	7.4	1.4	1.5	0.9	-0.1	-1.5	-0.8	3.4	5.1	7.1	6.3	5.2	4.3	0.9	2.7
Equipment	16.8	4.9	5.6	-5.0	-4.1	7.7	-4.4	0.0	0.6	0.5	0.6	0.4	5.5	5.8	8.9	5.7	5.2	-0.2	0.2	4.1
Intellectual Property Products	11.4	8.7	7.1	6.1	3.8	2.7	1.8	2.0	0.9	0.8	-2.3	-1.0	3.8	5.6	6.9	7.6	9.1	4.3	0.8	2.9
Structures	-1.2	-0.5	-1.3	6.5	30.3	16.1	11.2	3.5	1.5	-3.2	-3.9	-2.8	-1.3	2.9	3.9	4.8	-2.1	12.7	2.0	-0.3
Residential Investment	-1.8	-14.1	-26.4	-24.9	-5.3	-2.2	6.7	0.5	1.1	1.5	2.1	2.4	4.1	4.9	5.5	5.9	-9.0	-10.7	1.7	3.8
Government Purchases	-2.9	-1.9	2.9	5.3	4.8	3.3	5.8	2.4	2.3	1.8	1.3	1.2	1.1	1.0	0.8	0.8	-0.9	3.9	2.5	1.1
Net Exports	-1141.1	-1116.2	-981.2	-965.6	-935.1	-928.2	-930.7	-920.3	-912.6	-899.9	-886.6	-878.9	-881.9	-896.5	-910.5	-923.6	-1051.0	-928.6	-894.5	-903.1
Pct. Point Contribution to GDP	-2.6	0.6	2.6	0.3	0.6	0.0	0.0	0.2	0.1	0.2	0.2	0.1	-0.1	-0.3	-0.2	-0.2	-0.5	0.6	0.2	0.0
Inventory Change	197.0	92.7	70.7	151.9	27.2	14.9	77.8	39.8	39.8	49.7	39.8	34.8	39.8	44.7	49.7	56.6	128.1	39.9	41.0	47.7
Pct. Point Contribution to GDP	-0.1	-2.1	-0.7	1.6	-2.2	0.0	1.3	-0.7	0.0	0.2	-0.2	-0.1	0.1	0.1	0.1	0.1	0.5	-0.4	0.0	0.0
Nominal GDP (a)	6.2	8.5	7.2	6.5	6.3	3.8	8.3	3.6	3.4	3.1	2.2	3.0	4.1	4.3	4.8	4.9	9.1	6.2	3.8	3.8
Real Final Sales	-1.9	1.5	3.4	0.9	4.6	2.1	3.6	2.4	1.4	0.9	0.7	1.1	1.7	2.1	2.6	2.6	1.3	2.9	1.9	1.7
Retail Sales (b)	13.0	9.4	9.8	7.0	4.9	1.6	3.2	3.8	2.9	2.4	0.0	-0.9	-0.8	0.1	1.2	1.8	9.7	3.4	1.1	0.6
Inflation Indicators (b)																				
PCE Deflator	6.6	6.8	6.6	5.9	5.0	3.9	3.3	2.8	2.2	2.1	1.9	1.9	2.0	2.0	2.1	2.1	6.5	3.7	2.0	2.1
"Core" PCE Deflator	5.5	5.2	5.2	5.1	4.8	4.6	3.8	3.2	2.6	2.3	2.3	2.3	2.1	2.1	2.1	2.2	5.2	4.1	2.4	2.1
Consumer Price Index	8.0	8.6	8.3	7.1	5.8	4.1	3.6	3.2	2.9	2.8	2.4	2.3	2.3	2.3	2.4	2.4	8.0	4.1	2.6	2.3
"Core" Consumer Price Index	6.3	6.0	6.3	6.0	5.6	5.2	4.4	4.0	3.6	3.2	3.0	2.7	2.5	2.3	2.4	2.4	6.1	4.8	3.1	2.4
Producer Price Index (Final Demand)	10.8	11.0	8.9	7.3	4.4	1.3	1.7	1.2	1.5	2.3	1.7	2.1	2.1	2.2	2.2	2.1	9.5	2.1	1.9	2.1
Employment Cost Index	4.5	5.1	5.0	5.1	4.8	4.5	4.3	4.3	4.1	4.0	3.7	3.6	3.5	3.4	3.3	3.2	4.9	4.5	3.8	3.3
Real Disposable Income (a)	-9.8	-1.4	3.6	2.2	10.8	3.3	0.3	2.2	2.3	1.3	1.3	2.2	2.4	2.0	2.2	2.2	-6.0	4.2	1.8	2.1
Nominal Personal Income (a)	2.4	4.7	6.8	4.7	6.8	4.0	3.5	4.0	4.3	3.3	3.1	4.3	4.7	4.2	4.3	4.4	2.0	5.2	3.8	4.2
Industrial Production (a)	3.7	4.1	2.1	-2.5	-0.3	0.8	1.8	-2.6	1.0	-0.8	-0.1	1.9	2.7	1.9	2.7	4.2	3.4	0.2	0.0	1.9
Capacity Utilization	80.0	80.6	80.8	79.9	79.6	79.4	79.5	78.8	79.0	78.9	78.8	79.2	79.6	79.7	80.0	80.6	80.3	79.3	79.0	80.0
Corporate Profits Before Taxes (b)	10.0	9.1	11.5	8.6	4.6	-2.7	-0.6	-2.5	-1.0	0.0	-1.0	3.0	5.0	6.0	4.0	5.0	9.8	-0.4	0.2	5.0
Corporate Profits After Taxes	4.0	4.5	7.9	7.1	3.6	-4.1	-2.1	-3.4	-0.5	0.4	-1.3	2.9	5.1	6.0	3.9	5.0	5.9	-1.6	0.4	5.0
Federal Budget Balance (c)	-291	153	-860	-421	-680	-292	-302	-464	-705	-226	-455	-545	-705	-205	-444	-562	-1375	-1695	-1850	-1900
Trade Weighted Dollar Index (d)	109.6	114.7	121.4	116.5	116.2	114.7	117.0	114.6	116.3	115.5	113.8	112.8	111.8	110.8	110.3	110.3	115.1	115.4	114.6	110.8
Nonfarm Payroll Change (e)	561	329	423	284	312	201	221	165	127	67	50	62	89	105	120	128	399	225	76	111
Unemployment Rate	3.8	3.6	3.5	3.6	3.5	3.6	3.7	3.7	3.8	4.0	4.1	4.2	4.1	3.9	3.9	3.8	3.6	3.6	4.0	3.9
Housing Starts (f)	1.72	1.64	1.45	1.41	1.39	1.45	1.37	1.47	1.41	1.36	1.43	1.44	1.43	1.44	1.46	1.47	1.55	1.42	1.41	1.45
Light Vehicle Sales (g)	13.9	13.4	13.6	14.2	15.0	15.8	15.7	15.5	15.5	15.4	15.3	15.4	15.9	16.4	16.7	17.2	13.8	15.5	15.4	16.6
Crude Oil - Brent - Front Contract (h)	95.7	109.8	95.5	87.9	81.9	77.6	85.3	82.3	77.0	80.7	80.3	78.3	77.7	79.3	78.3	76.7	97.2	81.8	79.1	78.0
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate (j)	0.50	1.75	3.25	4.50	5.00	5.25	5.50	5.50	5.50	5.00	4.50	4.25	4.00	3.75	3.50	3.25	2.02	5.23	4.81	3.63
Secured Overnight Financing Rate	0.29	1.50	2.98	4.30	4.87	5.09	5.31	5.38	5.35	4.85	4.40	4.15	3.90	3.65	3.40	3.15	1.64	5.01	4.69	3.53
Prime Rate	3.50	4.75	6.25	7.50	8.00	8.25	8.50	8.50	8.50	8.00	7.50	7.25	7.00	6.75	6.50	6.25	5.02	8.23	7.81	6.63
Conventional Mortgage Rate	4.27	5.58	6.01	6.36	6.54	6.71	7.20	6.82	6.80	6.60	6.35	6.05	5.90	5.75	5.70	5.70	5.38	6.80	6.45	5.76
3 Month Bill	0.52	1.72	3.33	4.42	4.85	5.43	5.55	5.40	5.20	4.60	4.35	4.10	3.85	3.60	3.35	3.15	2.09	5.28	4.56	3.49
6 Month Bill	1.06	2.51	3.92	4.76	4.94	5.47	5.53	5.26	5.00	4.50	4.20	3.95	3.70	3.45	3.25	3.15	2.51	5.28	4.41	3.39
1 Year Bill	1.63	2.80	4.05	4.73	4.64	5.40	5.46	4.79	4.60	4.25	3.95	3.70	3.55	3.40	3.30	3.20	2.80	5.08	4.13	3.36
2 Year Note	2.28	2.92	4.22	4.41	4.06	4.87	5.03	4.23	4.30	3.90	3.65	3.50	3.40	3.30	3.25	3.25	2.99	4.58	3.84	3.30
5 Year Note	2.42	3.01	4.06	3.99	3.60	4.13	4.60	3.84	3.95	3.75	3.60	3.50	3.40	3.35	3.35	3.35	3.00	4.06	3.70	3.36
10 Year Note	2.32	2.98	3.83	3.88	3.48	3.81	4.59	3.88	4.00	3.85	3.70	3.60	3.55	3.50	3.50	3.50	2.95	3.96	3.79	3.51
30 Year Bond	2.44	3.14	3.79	3.97	3.67	3.85	4.73	4.03	4.15	4.05	3.95	3.90	3.85	3.80	3.80	3.80	3.11	4.09	4.01	3.81

Forecast as of: January 12, 2024

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 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		
	2022				2023				2024				2025				2022	2023	2024	2025
	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	-0.29	0.89	0.33	1.41	1.96	0.62	-0.12	-0.96	-0.22	0.07	0.00	0.02	0.77	0.23
Personal Consumption	0.00	0.00	0.00	0.00	0.00	0.00	-0.49	0.21	0.15	0.46	2.03	1.66	-0.07	-0.09	0.38	0.43	0.00	-0.05	0.47	0.64
Business Fixed Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.17	1.33	1.23	3.38	4.03	0.32	-1.86	-0.38	-1.54	-0.80	0.00	0.11	1.76	0.06
Equipment	0.00	0.00	0.00	0.00	0.00	0.00	-0.87	2.46	0.62	7.74	9.52	0.00	-2.92	-0.91	-4.04	-1.92	0.00	0.04	3.20	0.35
Intellectual Property Products	0.00	0.00	0.00	0.00	0.00	0.00	-0.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.12	-0.12	0.00
Structures	0.00	0.00	0.00	0.00	0.00	0.00	4.25	2.00	5.10	2.20	2.30	1.60	-4.10	-0.20	-0.30	-0.30	0.00	0.70	2.97	-0.34
Residential Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.49	3.00	3.90	5.00	0.60	-0.20	0.00	-0.40	-0.60	-0.50	0.00	0.22	2.63	0.18
Government Purchases	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.00	0.00	0.31	0.00	0.15	0.00	0.06	0.00	0.15	0.00	0.03	0.10	0.07
Net Exports	0.0	0.0	0.0	0.0	0.0	0.0	4.8	24.2	19.8	-8.6	-51.1	-59.1	-53.8	-46.0	-45.9	-48.2	0.0	7.3	-24.8	-48.5
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.35	-0.08	-0.50	-0.76	-0.14	0.10	0.14	0.00	-0.04	0.00	0.03	-0.14	-0.10
Inventory Change	0.0	0.0	0.0	0.0	0.0	0.0	-6.1	0.0	0.0	49.7	89.5	64.6	69.6	14.9	-0.1	-5.0	0.0	-1.5	50.9	19.8
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	-0.13	0.11	0.00	0.88	0.70	-0.44	0.09	-0.97	-0.26	-0.09	0.00	-0.01	0.23	-0.14
Nominal GDP	0.00	0.00	0.00	0.00	0.00	0.00	-0.54	0.83	0.09	1.79	2.12	0.40	-0.41	-0.99	-0.20	0.08	0.00	-0.01	0.75	0.15
Real Final Sales	0.00	0.00	0.00	0.00	0.00	0.00	-0.17	0.79	0.33	0.53	1.26	1.06	-0.20	0.01	0.04	0.16	0.00	0.03	0.54	0.37
Retail Sales (b)	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.15	0.59	1.09	1.68	2.22	2.07	1.62	1.04	0.27	0.00	0.03	1.40	1.27
Inflation Indicators (b)																				
PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.08	-0.14	-0.05	0.04	0.00	-0.01	-0.10	-0.13	-0.07	0.00	-0.03	-0.04	-0.08
"Core" PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	-0.07	-0.09	-0.09	-0.07	0.01	0.04	0.05	0.04	0.03	0.02	0.00	-0.04	-0.02	0.03
Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.06	0.09	0.15	0.06	0.03	-0.11	-0.15	-0.07	0.00	0.00	0.06	-0.07
"Core" Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.05	0.07	0.09	0.10	0.08	0.07	0.06	0.00	0.00	0.05	0.08
Producer Price Index (Final Demand)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.07	0.13	0.32	0.37	0.28	0.16	-0.08	-0.17	0.00	0.01	0.23	0.05
Employment Cost Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.05	0.08	0.10	0.07	0.06	0.05	0.03	0.02	0.00	0.01	0.08	0.04
Real Disposable Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.21	0.40	0.70	0.58	2.11	1.01	0.39	0.08	0.04	0.02	0.00	0.05	0.71	0.61
Nominal Personal Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	-0.40	0.06	0.32	0.95	2.26	0.79	0.11	0.08	0.07	0.03	0.00	-0.05	0.56	0.54
Industrial Production (a)	0.00	0.00	0.00	0.00	0.00	0.00	-0.20	-0.28	0.32	1.18	2.90	-0.54	-3.52	-1.02	-2.12	0.01	0.00	-0.04	0.56	-0.96
Capacity Utilization	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.68	-0.86	-0.62	-0.05	-0.16	-0.98	-1.42	-2.07	-2.33	0.00	-0.18	-0.42	-1.70
Corporate Profits Before Taxes (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.50	1.01	4.01	1.01	1.99	0.00	-2.00	0.00	-1.00	0.00	0.15	2.00	-0.73
Corporate Profits After Taxes	0.00	0.00	0.00	0.00	0.00	0.00	-0.40	0.50	1.02	4.01	1.00	2.02	0.00	-2.00	0.00	-1.00	0.00	0.02	2.01	-0.73
Federal Budget Balance (c)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	-0.18	0.17	-0.03	-0.25	-0.65	0.87	0.03	-0.27	0.00	0.00	0.00	0.00
Trade Weighted Dollar Index (d)	-0.01	-0.05	-0.03	-0.04	-0.04	-0.08	-0.09	-1.64	-1.00	-1.00	-1.50	-0.75	-0.25	-0.25	-0.25	-0.25	-0.03	-0.69	-1.06	-0.25
Nonfarm Payroll Change (e)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.67	16.67	83.33	258.33	111.67	22.67	-11.67	-15.00	-15.00	0.00	0.42	117.50	-4.75
Unemployment Rate	0.00	0.03	-0.03	-0.03	0.00	0.00	0.00	-0.08	-0.10	-0.12	-0.31	-0.32	-0.37	-0.31	-0.25	-0.25	-0.01	-0.02	-0.21	-0.30
Housing Starts (f)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.00	0.02	0.04	0.03
Light Vehicle Sales (g)	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.16	0.18	0.28	0.42	1.07	1.87	1.80	1.37	1.13	0.00	0.05	0.48	1.54
Crude Oil - Brent - Front Contract (h)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.21	1.33	4.33	8.00	1.00	-4.33	-6.00	-4.33	-5.33	0.00	0.05	3.67	-5.00
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	-0.25	0.25	0.75	0.75	0.50	0.25	0.00	0.00	-0.08	0.19	0.38
Secured Overnight Financing Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	-0.25	0.25	0.75	0.75	0.50	0.25	0.00	0.00	-0.15	0.19	0.38
Prime Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.25	0.25	0.75	0.75	0.50	0.25	0.00	0.00	-0.08	0.19	0.38
Conventional Mortgage Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.34	-0.05	0.00	0.05	0.05	0.05	-0.05	-0.05	-0.05	0.00	-0.11	0.01	-0.02
3 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.10	-0.10	0.60	0.95	0.75	0.45	0.20	0.00	0.00	-0.03	0.34	0.35
6 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.14	0.00	0.30	0.75	0.90	0.65	0.30	0.10	0.00	0.00	-0.05	0.49	0.26
1 Year Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.36	0.10	0.50	0.60	0.65	0.50	0.20	0.10	0.00	0.00	-0.08	0.46	0.20
2 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.52	0.00	0.25	0.30	0.35	0.30	0.05	0.00	0.00	0.00	-0.09	0.23	0.09
5 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.41	0.00	0.10	0.15	0.20	0.15	0.00	0.00	0.00	0.00	-0.09	0.11	0.04
10 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.37	0.00	0.05	0.10	0.10	0.10	0.00	0.00	0.00	0.00	-0.07	0.06	0.03
30 Year Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.32	0.00	0.05	0.05	0.10	0.10	0.00	0.00	0.00	0.00	-0.06	0.05	0.03

Forecast as of: January 12, 2024

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 Range

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

Personal Consumption Expenditures

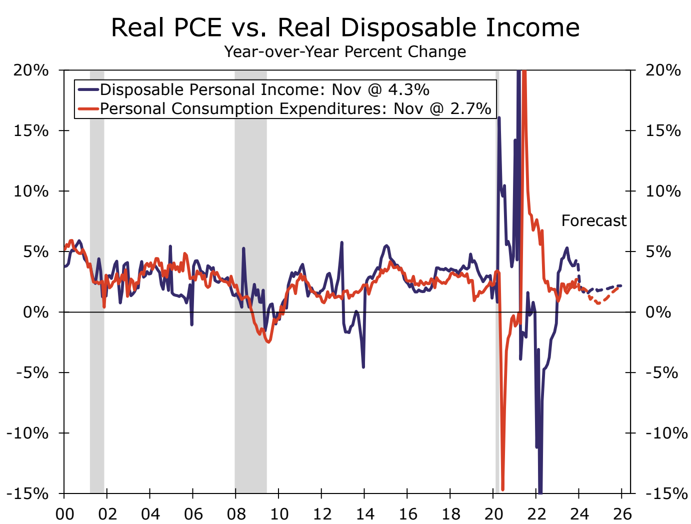
- We've brought our Q4 real personal consumption expenditure (PCE) forecast up by two-tenths amid stronger-than-expected spending in November.
- Consumers continue to spend amid a still-strong labor market and continued household borrowing. But as the ability to borrow fades and the labor market moderates further, we anticipate a slowdown in consumer spending to take hold this year.

Real personal spending advanced 0.3% in November amid a pickup in goods purchases and a steady gain in services, which suggests stronger consumption growth to end last year. While there are increasing signs of labor market moderation, households are benefiting from real wage gains as inflation slows, which should help support consumption. Households also continue to rely on credit to spend, exhibited by the jump in revolving credit in November. Increased credit reliance can help support spending, but vulnerabilities are starting to surface amid elevated rates, which suggests this is a less sustainable source of purchasing power ahead. Although spending may avoid contraction this year, we still anticipate a slow consumption environment amid a moderating labor market.

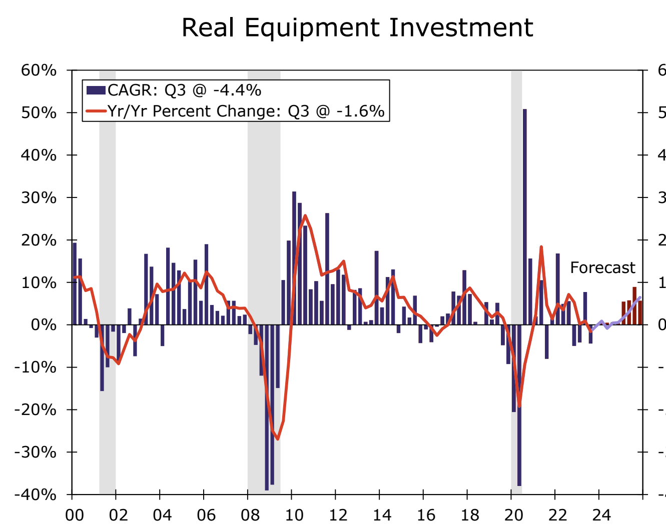
Investment: Equipment, Intellectual Property Products and Inventories

- Our equipment spending forecast is modestly higher for the fourth quarter and for 2024. Q4 data have come in better than expected, and while equipment investment may hold up better this year as the economy skirts recession, we're not looking for a blow-out year in terms of capex spending. Even as the Fed begins to cut rates, conditions likely won't warrant an investment surge.

Equipment spending is shaping up to be better than we previously anticipated for the fourth quarter, but a flat growth rate is far from inspiring. Revisions to our forecast are tied to the 0.5% gain in nondefense capital goods shipments in November and strong growth in vehicle sales in Q4. But the capex environment remains weak. The ISM manufacturing index has been in contraction for 14 straight months and borrowing costs are elevated. As the Fed begins to ease rates this year, we anticipate a recovery in investment. Firms have been wise not to overproduce over the past year, which should position them well to recover as borrowing conditions begin to ease. But still-elevated yields and a slow pace of growth will limit the pace of recovery. A medium- to longer-term tailwind supporting industrial activity is coming from the rapid construction of manufacturing facilities, which once operational will support output and job growth in the space.



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



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

Investment: Residential

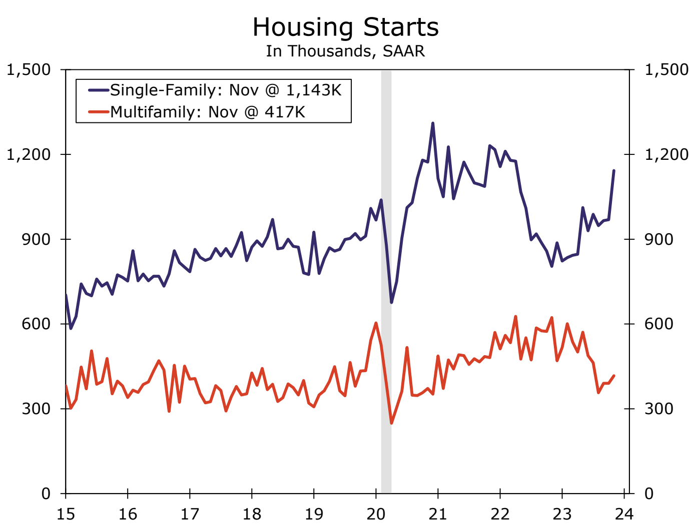
- We have boosted our outlook for residential investment. In addition to lower interest rates, a relatively sturdy labor market and positive economic growth trajectory should help bolster housing activity.

The residential sector looks to be improving as mortgage rates march lower. Since reaching nearly 7.8% in October, the average 30-year mortgage rate dropped to 6.6% in the first week of January. On balance, mortgage purchase applications have been trending modestly higher over the past several months, which suggests that lower financing costs are pulling home buyers back off the sidelines. Although we anticipate mortgage rates to gradually decline over the forecast horizon, debt costs are likely to remain elevated relative to recent norms, which should keep the pace of home sales subdued. That said, a sturdy macroeconomic backdrop should serve to boost buyer demand. A stronger pace of sales should help keep single-family construction on an upward climb over the next several years. On the other hand, the elevated pipeline of multifamily projects currently under construction should lead to a downshift in apartment development in the near term.

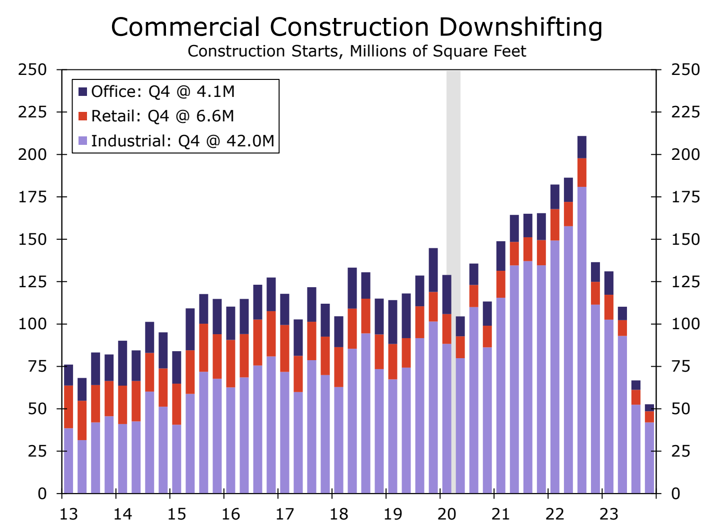
Investment: Nonresidential Structures

- We have modestly raised our forecast for structures investment, given our more positive outlook on overall economic growth next year. That noted, a recent downshift in new commercial project starts suggests some weakening in total outlays is ahead, even as manufacturing project spending is likely to continue to boost overall private nonresidential spending.

Nonresidential structures investment appears set to downshift in the year ahead as the lagged impacts of tighter monetary policy and reduced credit access weigh on construction activity. We continue to expect commercial construction to be the largest drag on overall outlays. Notably, new starts for office, warehouses, retail and hotels have declined considerably in recent months, which indicates a decline in overall project spending is likely to be forthcoming. That noted, we are now a bit more positive on the outlook, given our more optimistic economic growth projection, which should lift demand and help back-fill the project pipeline. Furthermore, the sustained rise in manufacturing construction, which is being fueled by public incentives for domestic production, will likely continue to be a bright spot.



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



Source: CoStar Inc. and Wells Fargo Economics

Labor Market

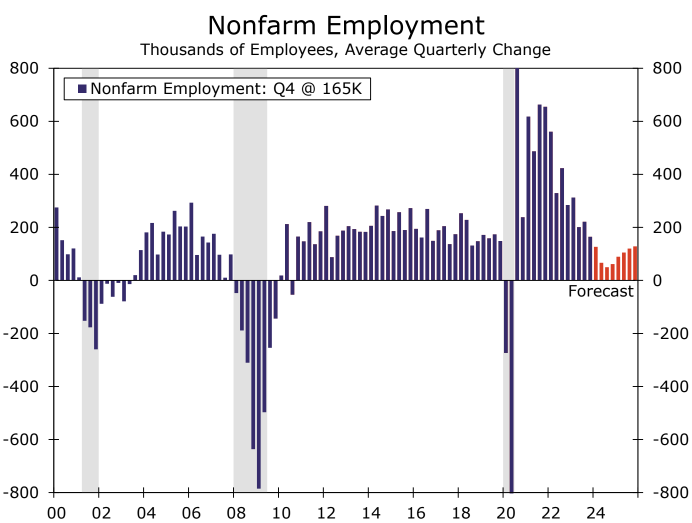
- The labor market remains strong, but momentum is weakening. Nonfarm payrolls expanded at an average monthly pace of 165K in Q4-2023, and the unemployment rate ended the year at 3.7%.
- We have upgraded our payroll forecast and now expect payrolls to continue to expand through 2024, but we still see the pace of gains slowing markedly to a sub-100K monthly rate by spring. As such, we expect the unemployment rate to rise only to 4.2% by Q4-2024 (versus 4.5% previously).

The durability of the jobs market over the past year is one of the key contributors to optimism that the economy may narrowly avoid a recession. Layoffs remain low and employment continues to grow at a steady pace. While we think demand for labor will hold up enough to keep payrolls out of the red, the jobs market is clearly softening. Just a few industries are currently driving payroll growth. Rising ranks of permanent job losers and continuing unemployment insurance claims point to displaced workers taking longer to find new employment. Part-time is outpacing full-time employment growth, and gauges of *under*employment have turned up. Furthermore, we expect labor force growth to be slower ahead after the past year's rebound in participation. Nevertheless, we believe the deterioration in the jobs market is indicative of normalization after an extraordinary period, rather than a definitive harbinger of recession.

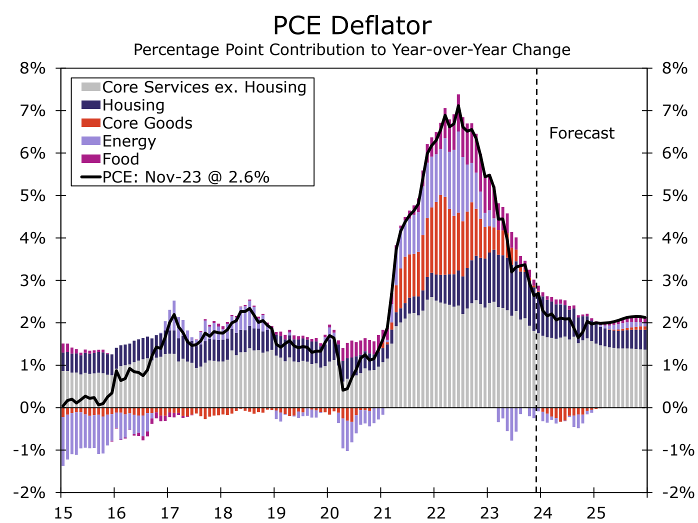
Inflation

- Since our previous forecast, inflation has continued its downward trend. In December, core CPI year-over-year price growth registered below 4% for the first time in two and a half years. On a six-month annualized basis, core PCE inflation began 2023 at 5.2% and ended in November at just 1.9%. While wage growth continues at a pace too hot to be consistent with the Fed's 2% target, it has fallen over 2023.
- Progress in reducing inflation is likely to be slower going in 2024 than what materialized over the past year. We look for core PCE inflation to be up 2.3% on a year-over-year basis in Q4-2024, which is a tick higher than our previous forecast.

Inflation should continue to downshift over 2024; however, we expect the headway to be more moderate compared to 2023. We suspect the first few months of 2024 will benefit from still-smoother supply chains but that disinflationary pressure from these dynamics will fade over the year (chart). Among services, the monthly trend in shelter inflation should continue to ease, albeit slowly, until early fall. While core services ex-housing prices—and the wage growth that contributes to them—remain elevated compared to the 2010s, we see few omens of re-acceleration. Altogether, we expect inflation to persist at a rate slightly higher than the Fed's target through the end of 2024. Accordingly, we expect monetary policymakers to remain uneasy about whether inflation can reach 2% on a sustained basis, and the concern is likely to linger if the U.S. economy sidesteps a recession.



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



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

Fiscal Policy

- Another continuing resolution seems likely as Congress attempts to stave off a government shutdown.
- Our federal budget deficit forecasts for FY 2024 and 2025 are unchanged at $1.85 trillion and $1.90 trillion, respectively.

Government employment finished 2023 on a high note, rising by 52K in December. Public sector employment rose at an average monthly pace of 56K in 2023, more than double the average pace in 2022. We published a recent special report discussing the drivers of this trend, which can be found here. In the near term, we believe the solid growth in government hiring and output will persist.

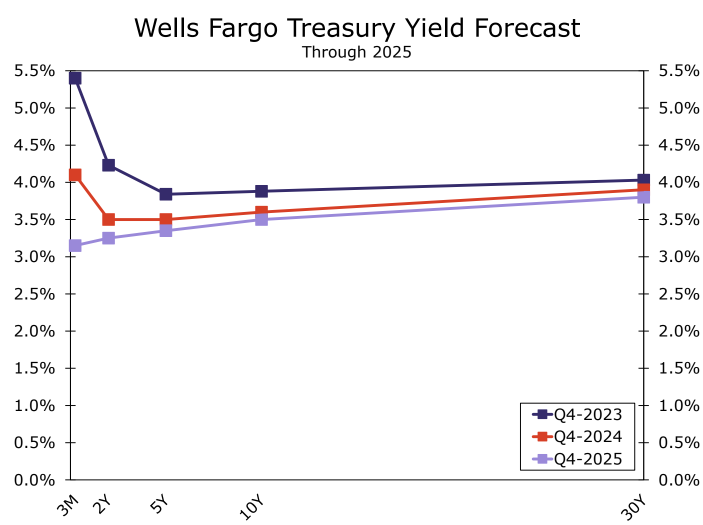
Congress faces two looming dates by which it must act to avert a government shutdown. On January 19, funding will lapse for four of the 12 annual appropriation bills. The deadline for action on the remaining eight bills is February 2. A top-line spending deal has been reached between Speaker Johnson and Senate Majority Leader Schumer, but it will take appropriators time to complete the process of allocating those totals to the numerous government agencies and spending programs. A continuing resolution that extends existing funding until March seems like the most likely outcome, with a FY 2024 budget finally enacted sometime in the next two months.

Monetary Policy & Interest Rates

- We look for the FOMC to cut its target range by 125 bps by the end of this year and by a total of 225 bps by the end of 2025. We think the first rate cut of the easing cycle will occur at the May 1 FOMC meeting.
- For the Fed's balance sheet, we expect the FOMC to announce a plan to slow quantitative tightening (QT) at the June meeting. Specifically, we expect the runoff caps for Treasury securities to be reduced to $30 billion, while MBS caps are dropped to $20 billion.
- We anticipate this slower pace of QT running until year-end 2024. Starting in 2025, balance sheet growth resumes to accommodate organic growth in liabilities, e.g., paper currency and bank reserves.
- Our forecast for the 10-year Treasury yield at year-end 2024 is 3.60%.

We expect 2024 to be a year in which the FOMC begins to normalize monetary policy via fed funds rate cuts and a slower pace of QT. We expect Treasury yields to fall across the board, with the biggest declines occurring at the front end of the yield curve. If realized, this would lead the yield curve to become less inverted and eventually upward sloping, albeit gradually.

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



Source: Federal Reserve Board and Wells Fargo Economics

Net Exports

- We've revised our trade forecast higher for Q4-2023 and look for net exports to add around two-tenths to fourth quarter GDP growth. For 2024 as a whole, we now expect slightly less narrowing in the trade deficit.

International trade flows were weak in November, but a larger drop in imports caused a modest narrowing in the U.S. trade deficit and positions net exports to be a modestly positive source of U.S. growth in Q4. Beyond the fourth quarter, we've marked our import forecast higher this year amid stronger domestic growth as the U.S. avoids recession. That said, we still anticipate a weak domestic demand environment over the course of the year. A depreciating dollar should still offer some support to export growth amid demand for U.S. product, but here too, growth will likely be constrained by a slowing global economy.

International Developments & The U.S. Dollar

- A softer landing for the U.S. economy also suggests a more resilient outlook for some key international economies. We have revised our 2024 growth forecasts higher for the Eurozone, United Kingdom, Canada and Mexico, and now anticipate global GDP growth of 2.6% in 2024 compared to our previous forecast of 2.4%.
- Firmer global growth will likely also translate into a more gradual pace of monetary easing for some key central banks. Among the forecast changes we have made this month, we now envisage later or more gradual rate cuts from the European Central Bank, Bank of England, Bank of Canada and Bank of Mexico.
- We still expect some depreciation in the U.S. dollar as 2024 progresses, although a softer U.S. landing and more gradual pace of Fed easing could mean the greenback softens by less than we previously envisaged.
- For further reading on the global economy, please see our most recent International Economic Outlook.

The outlook for a softer U.S. economic landing also has important implications for our 2024 global growth outlook. After an estimated 2.9% advance in 2023, we still anticipate growth will moderate this year; however, a soft landing in the U.S. should lead to a more mild growth slowdown. We now forecast global GDP growth of 2.6% in 2024, stronger growth relative to our previous forecast of a 2.4% increase. With respect to individual countries or regions, we expect economic weakness in the Eurozone and the United Kingdom to persist for the time being and indeed still anticipate those economies experienced mild technical recessions during the second half of 2023. However, with a more resilient U.S. economy helping to underpin global demand to some extent, we believe the Eurozone and the United Kingdom can recover a bit more quickly in 2024. While still far from robust, we have upgraded our 2024 GDP growth forecast modestly to 0.6% for the Eurozone and 0.5% for the United Kingdom. For Canada and Mexico, both economies have very significant trade linkages with the United States. The U.S. represents the end destination for 70% or more of overall merchandise exports from both countries. As a result, a firmer outlook for the U.S. should also mean better growth prospects in Canada and Mexico, prompting us to lift our 2024 GDP growth forecasts for Canada and Mexico to 1.0% and 2.0%, respectively.

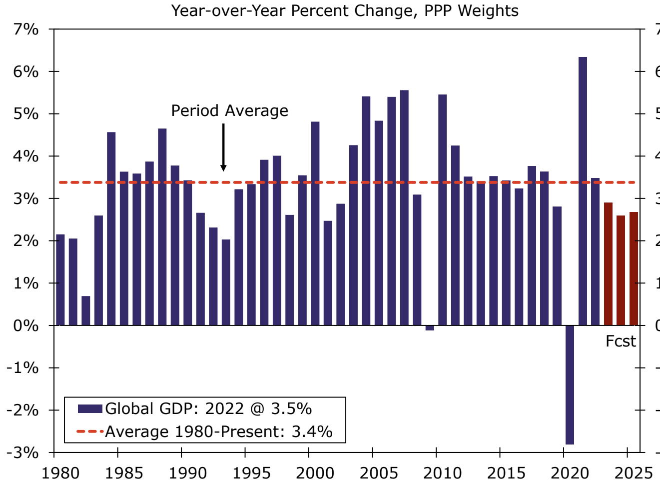
Amid a backdrop of somewhat firmer growth prospects for 2024, we also believe select central banks will adopt a more gradual approach to lowering interest rates. For the European Central Bank (ECB), we still suspect soft growth and an improving inflation outlook will see the ECB deliver an initial rate cut in April and proceed at a 25 bps per meeting clip. As Eurozone growth recovers, however, we expect the ECB to downshift to a 25 bps-per-quarter pace from Q4-2024 and reach a terminal policy rate of 2.00% in the second half of 2025. For the United Kingdom, with inflation still elevated, we forecast Bank of England (BoE) rate cuts to begin slightly later than the ECB. To that point, we believe the BoE will initiate an easing cycle at its June meeting. Given a moderately stronger U.K. growth outlook, we no longer see an accelerated pace of BoE rate cuts, but rather anticipate rate cuts continuing at a steady 25 bps per meeting clip until well into 2025. Given this backdrop, we do not see the BoE's policy rate reaching 3.00% until the second half of next year. Turning to Canada, given the progress to date in reducing inflation, we forecast the Bank of Canada (BoC) to deliver an initial rate cut in April and proceed at a 25 bps-per-meeting pace thereafter. However, with our expectations for steadier Canadian growth than we previously forecast, we see the BoC slowing to 25 bps per quarter from

Q4-2024, and not reaching a terminal policy rate of 3.00% until the second half of 2025. Last, we still forecast the first Bank of Mexico rate cut in March, but expect Mexico's central bank to proceed only in 25 bps rate cut increments thereafter. In our view, Banxico will not reach a policy rate of 8.25% until the second half of next year as well.

Finally, we still anticipate depreciation in the U.S. dollar in 2024 as the Federal Reserve lowers interest rates and as a relatively more optimistic global growth outlook potentially leads to some loss of "safe-haven" support for the greenback. Still, given a somewhat firmer outlook for U.S. economic growth and a slower pace of Fed easing than previously envisaged, the extent of U.S. dollar depreciation could be less than we previously expected.

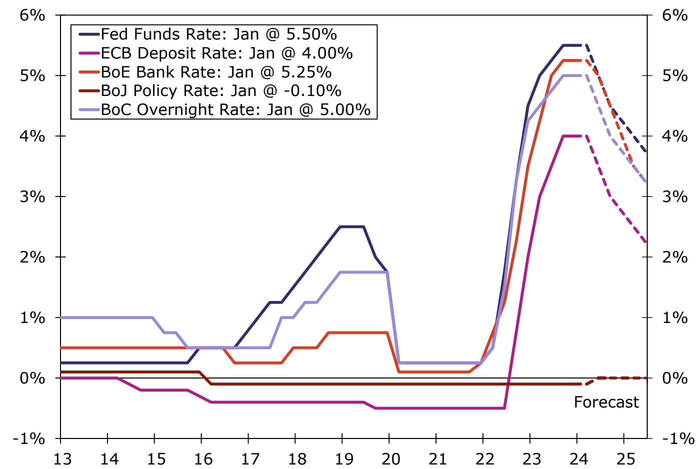
Real Global GDP Growth

Year-over-Year Percent Change, PPP Weights



Source: International Monetary Fund and Wells Fargo Economics

Major Central Bank Policy Rates



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

Wells Fargo International Economic Forecast

	GDP				CPI			
	2022	2023	2024	2025	2022	2023	2024	2025
Global (PPP Weights)	3.5%	2.9%	2.6%	2.7%	8.7%	4.5%	3.7%	3.5%
Advanced Economies[1]	2.6%	1.8%	1.4%	1.9%	7.3%	5.0%	2.6%	2.3%
United States	1.9%	2.4%	1.7%	1.7%	8.0%	4.1%	2.6%	2.3%
Eurozone	3.3%	0.5%	0.6%	1.7%	8.4%	5.4%	2.3%	2.1%
United Kingdom	4.1%	0.3%	0.5%	1.8%	9.1%	7.3%	2.7%	2.2%
Japan	1.0%	2.0%	1.0%	1.2%	2.5%	3.3%	2.3%	1.7%
Canada	3.4%	1.1%	1.0%	2.0%	6.8%	3.9%	2.5%	2.0%
Switzerland	2.7%	0.8%	1.3%	1.6%	2.8%	2.2%	1.6%	1.5%
Australia	3.7%	2.0%	1.5%	2.1%	6.6%	5.7%	3.5%	2.8%
New Zealand	2.7%	0.8%	1.4%	2.3%	7.2%	5.7%	3.1%	2.2%
Sweden	2.8%	-0.2%	0.6%	1.8%	8.1%	8.4%	3.0%	1.9%
Norway	3.3%	1.1%	0.9%	1.6%	5.8%	5.6%	3.4%	2.6%
Developing Economies[1]	4.1%	3.7%	3.5%	3.2%	9.8%	4.2%	4.4%	4.3%
China	3.0%	5.2%	4.5%	4.3%	2.0%	0.4%	1.5%	1.8%
India	7.2%	7.0%	7.0%	6.2%	6.7%	5.6%	4.8%	4.5%
Mexico	3.9%	3.3%	2.0%	2.3%	7.9%	5.5%	4.0%	3.8%
Brazil	2.9%	3.1%	1.3%	2.0%	9.3%	4.8%	4.1%	3.8%

Forecast as of: January 12, 2024

[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		2024				2025	
	Current	Q1	Q2	Q3	Q4	Q1	Q2
United States	5.50%	5.50%	5.00%	4.50%	4.25%	4.00%	3.75%
Eurozone[1]	4.00%	4.00%	3.50%	3.00%	2.75%	2.50%	2.25%
United Kingdom	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.25%
Japan	-0.10%	-0.10%	0.00%	0.00%	0.00%	0.00%	0.00%
Canada	5.00%	5.00%	4.50%	4.00%	3.75%	3.50%	3.25%
Switzerland	1.75%	1.75%	1.50%	1.25%	1.00%	1.00%	1.00%
Australia	4.35%	4.35%	4.35%	4.10%	3.85%	3.50%	3.35%
New Zealand	5.50%	5.50%	5.25%	4.75%	4.50%	4.25%	4.00%
Sweden	4.00%	4.00%	3.75%	3.50%	3.25%	3.00%	2.75%
Norway	4.50%	4.50%	4.50%	4.00%	3.50%	3.25%	3.25%
China[3]	10.50%	10.25%	10.25%	10.00%	10.00%	9.75%	9.75%
India	6.50%	6.50%	6.25%	6.00%	5.50%	5.25%	5.25%
Mexico	11.25%	11.00%	10.50%	10.00%	9.50%	9.00%	8.50%
Brazil	11.75%	10.75%	9.75%	8.75%	7.75%	7.25%	6.75%
Chile	8.25%	7.50%	7.00%	6.50%	6.00%	5.75%	5.50%
Colombia	13.00%	12.50%	11.50%	10.50%	9.50%	8.50%	7.50%

2-Year Note		2024				2025	
	Current	Q1	Q2	Q3	Q4	Q1	Q2
United States	4.33%	4.30%	3.90%	3.65%	3.50%	3.40%	3.30%
Eurozone[2]	2.63%	2.60%	2.45%	2.30%	2.20%	2.15%	2.10%
United Kingdom	4.26%	4.30%	4.05%	3.80%	3.60%	3.40%	3.30%
Japan	0.02%	0.00%	0.00%	0.05%	0.05%	0.10%	0.10%
Canada	4.05%	4.00%	3.75%	3.50%	3.35%	3.20%	3.10%

10-Year Note		2024				2025	
	Current	Q1	Q2	Q3	Q4	Q1	Q2
United States	4.05%	4.00%	3.85%	3.70%	3.60%	3.55%	3.50%
Eurozone[2]	2.24%	2.20%	2.15%	2.10%	2.10%	2.05%	2.05%
United Kingdom	3.84%	3.80%	3.75%	3.65%	3.55%	3.50%	3.50%
Japan	0.60%	0.65%	0.70%	0.70%	0.65%	0.60%	0.55%
Canada	3.30%	3.25%	3.15%	3.10%	3.05%	3.00%	3.00%

Forecast as of: January 12, 2024

[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
January 8	**9**	**10**	**11**	**12**
       Bostic* Speaks (Atlanta)	**Trade Balance** Nov -$64.9B ***Barr* Speaks (Governor)***	 ***Williams* Speaks (New York)***	**CPI (MoM)** Dec 0.3% **Core CPI (MoM)** Dec 0.2% **China CPI (YoY)** Nov -0.5%	**PPI Final Demand (MoM)** Nov 0.0% ***Kashkari Speaks (Minneapolis)***
15	**16**	**17**	**18**	**19**
Martin Luther King Jr. Day [U.S. Markets Closed]	**China GDP (SA QoQ)** Q3 1.3% ***Waller* Speaks (Governor)***	**Retail Sales (MoM)** Nov 0.3% **Industrial Production (MoM)** Nov 0.2% **Import Price Index (MoM)** Nov -0.4% ***Fed Beige Book*** ***Williams* Speaks (New York)***	**Housing Starts (SAAR)** Nov 1,560K **Japan CPI (YoY)** Nov 2.8% ***Bostic* Speaks (Atlanta)***	**Existing Home Sales (SAAR)** Nov 3.82M ***Daly* Speaks (San Francisco)***
22	**23**	**24**	**25**	**26**
Bank of Japan Policy Balance Rate Decision Previous -0.100%		**Bank of Canada Rate Decision** Previous 5.00%	**GDP (Annualized, QoQ)** Q3 4.9% **Durable Goods (MoM)** Nov 5.4% **New Home Sales (SAAR)** Nov 590K **European Central Bank Deposit Rate Decision** Previous 4.00%	**Personal Income & Spending (MoM)** Nov 0.4%; 0.2% (Income; Spending)
29	**30**	**31**	**February 1**	**2**
	Consumer Confidence Dec 110.7 **JOLTS Job Openings** Nov 8,790K **Eurozone GDP (SA, QoQ)** Q3 -0.1%	**Employment Cost Index** 3Q 1.1% **FOMC Rate Decision (Upper Bound)** Previous 5.50% **Central Bank of Brazil Selic Rate Decision** Previous 11.75% ***Powell Speaks (Chair)***	**Construction Spending (MoM)** Nov 0.4% **ISM Manufacturing** Dec 47.4 **Bank of England Bank Rate Decision** Previous 5.25%	**Nonfarm Payrolls** Dec 216K

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

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