Monthly — August 7, 2024

U.S. Economic Outlook: August 2024

Table of Contents

Implications of Less Restrictive Monetary Policy

- Our August forecast update shows the economic expansion that has been in place since mid-2020 will continue. That said, the lackluster pace of hiring in July, combined with other labor market indicators continuing to weaken, implies weaker income growth which will eventually weigh on consumer spending.
- In light of these adverse developments, we now look for the FOMC to cut rates by 50 bps at its meeting on September 18 with another 50 bps rate cut on November 7. We forecast the Committee will reduce its target range for the federal funds rate to 3.25%–3.50% by the middle of next year.
- We have adjusted our consumer forecast and now look for real PCE to slow materially at the end of this year and start of next year before rebounding in the second half of next year amid less restrictive monetary policy.
- Another area poised to eventually benefit from lower interest rates is housing, and we have taken up our residential forecast coinciding with recent declines in the mortgage rate and expectations for further rate softening next year.
- We now look for the monthly pace of nonfarm payroll gains to average 116K over the next 12 months compared to 209K the past 12 months. The unemployment rate is likely to edge up to 4.5% in Q4, before less restrictive monetary policy and slower labor force growth helps turn the current upward trend around.
- We have made no significant changes to our inflation outlook over the past month. The core PCE price index still looks set to increase 2.6% on a year-over-year basis in Q4-2024.

Implications of Less Restrictive Monetary Policy

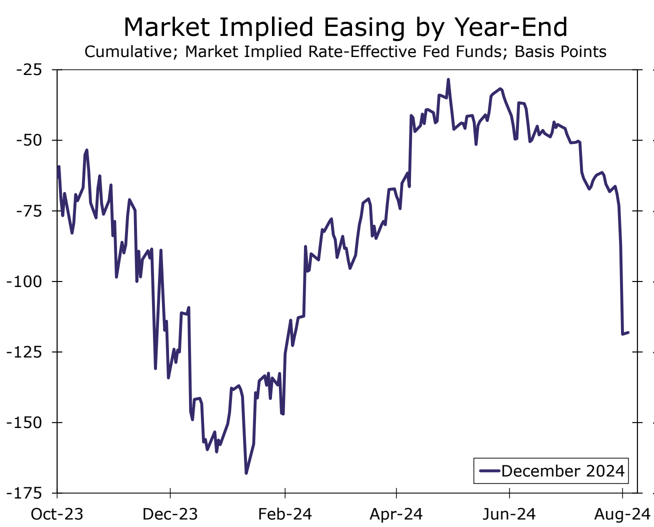
At the start of this year, a soft landing for the U.S. economy looked like a difficult task for the Federal Reserve to achieve. A Bloomberg survey of 45 economic shops at the start of the year put the odds of recession at 50%. The most recent version of the same survey put those odds at just 30% in July. Until very recently, financial markets appeared to have moved from "soft landing" to "no landing at all." Then the July jobs report shook up the snow globe and reset expectations for the rest of the year and beyond. It is an unusual state of affairs for one report to meaningfully disrupt financial markets and reframe economic expectations. We explore what has changed, what hasn't and what to watch at this pivotal point in monetary policy.

Long-Simmering Jobs Market Troubles Finally Boiled Over

It is the normal state of things for financial markets to parse economic data for clues about everything from corporate profits to the health of the consumer, but 2024 has been characterized by a fascination with inflation data as though it were the only lens through which to view Fed policy. At the start of the year, with a tight labor market and inflation trending lower, financial market participants wagered steep rate cuts were in store by year-end (Figure 1). But those hopes were dashed by inflation data that came in too-hot-to-handle for the first several months of the year before giving way to a more orderly slowing in price growth recently. In the subsequent months, every piece of economic data was strip-mined for clues about inflation with little regard for data about other aspects of economic health. This preoccupation with the "low and stable prices" side of the Fed's dual mandate felt reasonable, even safe, with the unemployment rate building on a record stretch of months below 4% as it was at the start of the year.

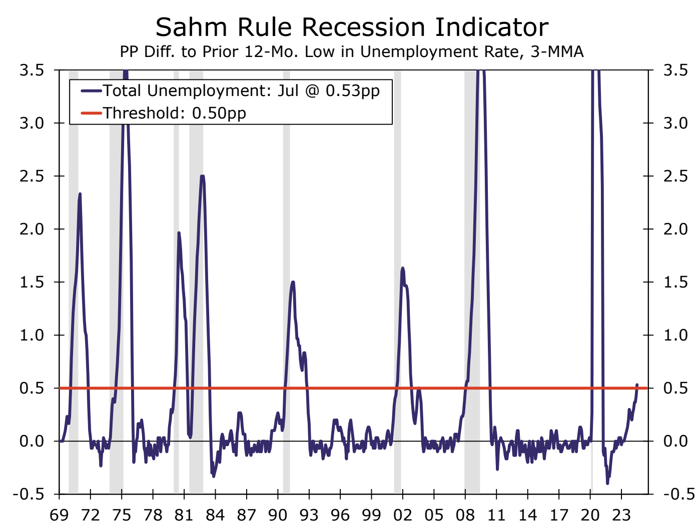
We have chronicled the deterioration in the labor market evident in indicators other than the monthly jobs report throughout the course of the year. But observations about fewer job openings, a lower quits rate and a shrinking share of consumers saying that jobs are plentiful tend to be discounted when the monthly jobs number keeps coming in above expectations. Suffice to say, in the wake of July's disappointing jobs report and the seismic reaction from global financial markets, everyone is awake to the risk of a slowing U.S. jobs market and the "maximum employment" side of the Fed's mandate is back in focus.

Figure 1



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

Figure 2



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

Hemingway wrote about how one of his characters went broke "Two ways. Gradually, then suddenly." The jobs market has been deteriorating all year yet has somehow all-at-once become more urgent. Payroll growth has slowed markedly, and unemployment is rising faster than expected. Recession risks have risen as a result of the newfound weakening in the jobs market. Specifically, the jump in the unemployment rate triggered the Sahm Rule threshold historically associated with an economy in recession (Figure 2). Our work identifies an outsized share of new labor force entrants over the past year which suggests the current increase may not be the sure-fire sign of a downturn it has been in the past. However, the significant rise in job losers over the past year underscores genuine weakening in labor market conditions that are quickly raising the risk of recession.

These developments follow the Federal Reserve's decision last week not to cut interest rates, which risks maintaining a policy stance too restrictive for the current environment. This is especially the case in light of falling inflation, which means the real fed funds rate has become more restrictive even as the Fed has kept the target range on the fed funds rate steady. We now look for the FOMC to cut rates by 50 bps at its meeting on September 18 with another 50 bps rate cut on November 7. We forecast the Committee will reduce its target range for the federal funds rate to 3.25%–3.50% by the middle of next year, which is in the vicinity of what many observers, including us and numerous members of the FOMC, consider to be neutral (Figure 3).

We have been forecasting for most of the year that the economic expansion that has been in place since mid-2020 will continue, and that still is our view today. Ultimately, our forecast adjustment reflects our assessment that we see Fed easing as the best way to sustain this expansion. The weakening in the labor market was not caused by an outside shock or imbalance. So to the extent that tight monetary policy played a role, a decisive pivot to a less restrictive policy environment can return the economy to maximum employment in line with the Fed's dual mandate.

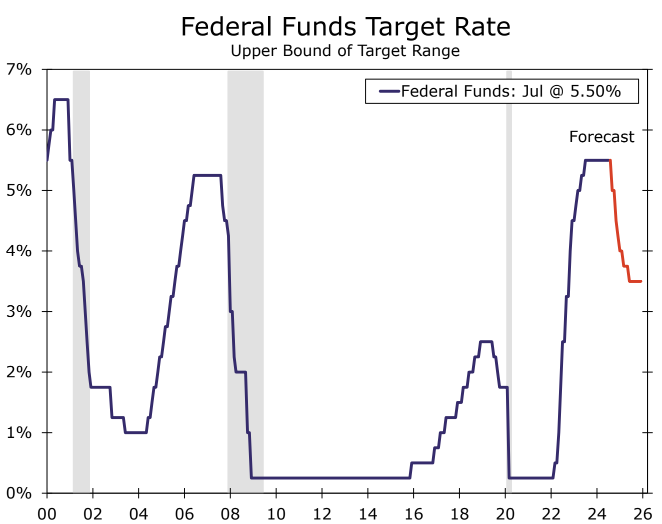
In a Forecast With Sharp Rate Cuts, Why is Near-Term PCE Getting a Boost?

Even though we have brought down our forecast for the fed funds rate and acknowledge that risk of recession has increased over the past month, the annual averages for real GDP growth are now *higher* in our forecast than they were in our July update. That is because while we have brought down our near-term growth forecast reflecting the deteriorating labor market, those changes are partially offset by upward revisions in the second half of next year amid more accommodative policy.

While somewhat counter-intuitive, it is an undeniable fact that relative to expectations, recent *consumer spending numbers have come in stronger even as labor market indicators have come in weaker*. Real PCE surprised to the upside, rising at a 2.3% annualized rate in Q2 amid a jump in durable goods purchases and steady services spending. Recent spending momentum and decent auto sales in July position spending for a solid third quarter. So we have upwardly revised our estimate and now look for real PCE to advance north of 2% for the second straight quarter.

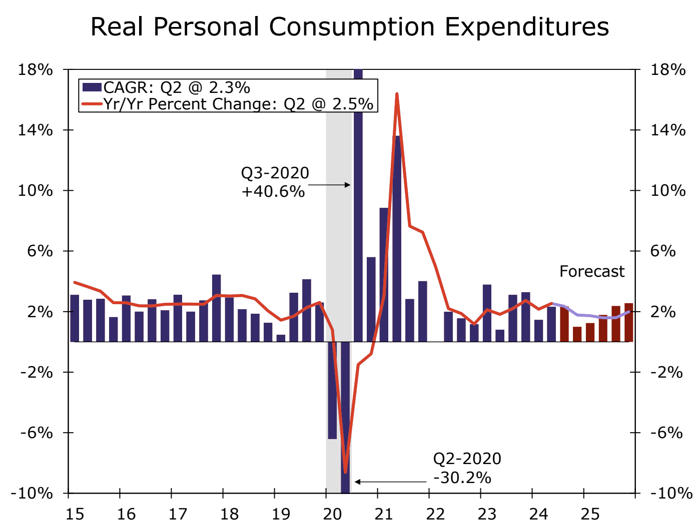
Yet under the surface, we expect to see a consumer that gradually loses momentum into year-end reflected in weaker Q4-2024 and Q1-2025 growth rates for real spending (Figure 4). We've long stressed that household spending has grown more dependent on continued growth in income, which is now losing momentum. As we anticipate the labor market to moderate more significantly over the remainder of the year, we expect real disposable income growth to soften further.

Figure 3



Source: Federal Reserve Board and Wells Fargo Economics

Figure 4



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

While growth in consumer spending is set to slow, we still expect to see it stay positive for a few key reasons. First, a drastic change to spending behavior is unlikely unless there is a shock or material weakening in the labor market consistent with broad layoffs. Next, even as lower income and younger consumer groups have grown more vulnerable, upper income households continue to spend and account for a majority of discretionary spending in the United States. Half of consumption is also tied to non-discretionary categories that are less disrupted from diminished purchasing power. Healthcare and housing services alone make up a third of overall spending. These categories provide a steady offset to a pullback in discretionary components even in the worst of times. Finally, the more aggressive easing cycle we now anticipate from the Fed should provide some reprieve to consumer borrowing costs and translate to lower rates on everything from a credit card to a new mortgage, which will stimulate spending into next year.

More aggressive Fed easing will also provide support to capex and residential investment, although with a lag and some near-term caveats. In terms of capex, increased uncertainty around the degree and timing of Fed easing as well as the outcome of the 2024 U.S. presidential elections are holding back investment. We therefore expect investment plans to get worse before they get better, and we've downwardly revised our near-term BFI forecast (Q4-2024 to Q2-2025) but have notched higher our H2-2025 quarterly figures, which all shakes out as fairly neutral adjustments.

Looser policy will likely show up quickest in mortgage rates, which have already trended lower in recent weeks, breaking below 7% for the first time since February and briefly touching lows not seen since the middle part of last year amid the anticipation of lower rates. Although some giveback may be in store in the near-term amid a weak labor market and still-limited inventory, Fed easing should exert further downward pressure on the mortgage rate, sparking improvements in buyer demand, builder confidence and residential investment.

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	3.4	1.4	2.8	2.1	1.3	1.2	2.1	2.8	3.0	1.9	2.5	2.6	1.9
Personal Consumption	0.0	2.0	1.6	1.2	3.8	0.8	3.1	3.3	1.5	2.3	2.3	1.0	1.2	1.8	2.4	2.6	2.5	2.2	2.2	1.7
Business Fixed Investment	10.7	5.3	4.7	1.7	5.7	7.4	1.4	3.7	4.4	5.2	1.7	0.7	2.9	5.2	7.4	7.5	5.2	4.5	3.7	3.8
Equipment	16.8	4.9	5.6	-5.0	-4.1	7.7	-4.4	-1.1	1.6	11.6	2.0	0.4	3.5	6.0	9.3	7.2	5.2	-0.3	2.5	4.6
Intellectual Property Products	11.4	8.7	7.1	6.1	3.8	2.7	1.8	4.3	7.7	4.5	4.0	2.5	4.0	5.6	7.4	8.7	9.1	4.5	4.6	4.8
Structures	-1.2	-0.5	-1.3	6.5	30.3	16.1	11.2	10.9	3.4	-3.3	-3.8	-2.6	-1.1	3.1	3.9	5.1	-2.1	13.2	3.8	-0.1
Residential Investment	-1.8	-14.1	-26.4	-24.9	-5.3	-2.2	6.7	2.8	16.0	-1.4	-0.9	2.6	3.3	4.1	4.5	5.1	-9.0	-10.6	4.8	2.8
Government Purchases	-2.9	-1.9	2.9	5.3	4.8	3.3	5.8	4.6	1.8	3.1	2.0	1.7	1.5	1.2	1.2	1.0	-0.9	4.1	3.2	1.6
Net Exports	-1141.1	-1116.2	-981.2	-965.6	-935.1	-928.2	-930.7	-918.5	-960.3	-1007.0	-998.8	-998.7	-1010.3	-1032.3	-1050.8	-1068.4	-1051.0	-928.1	-991.2	-1040.4
Pct. Point Contribution to GDP	-2.6	0.6	2.6	0.3	0.6	0.0	0.0	0.3	-0.7	-0.7	0.1	0.0	-0.2	-0.4	-0.3	-0.3	-0.5	0.6	-0.3	-0.2
Inventory Change	197.0	92.7	70.7	151.9	27.2	14.9	77.8	54.9	28.6	71.3	61.2	66.2	51.4	59.3	61.2	65.2	128.1	43.7	56.8	59.3
Pct. Point Contribution to GDP	-0.1	-2.1	-0.7	1.6	-2.2	0.0	1.3	-0.5	-0.4	0.8	-0.2	0.1	-0.3	0.1	0.0	0.1	0.5	-0.4	0.1	0.0
Nominal GDP (a)	6.2	8.5	7.2	6.5	6.3	3.8	8.3	5.1	4.5	5.2	3.6	3.2	3.6	4.4	5.0	5.1	9.1	6.3	5.0	4.1
Real Final Sales	-1.9	1.5	3.4	0.9	4.6	2.1	3.6	3.9	1.8	2.0	2.3	1.2	1.4	2.0	2.8	2.9	1.3	2.9	2.6	2.0
Retail Sales (b)	12.4	8.6	9.2	6.4	5.1	1.9	3.4	4.0	2.0	2.5	1.4	0.5	1.0	0.9	1.3	2.2	9.1	3.6	1.6	1.4
Inflation Indicators (b)																				
PCE Deflator	6.6	6.8	6.6	5.9	5.0	3.9	3.3	2.8	2.6	2.6	2.3	2.3	2.1	2.0	2.2	2.2	6.5	3.7	2.5	2.1
"Core" PCE Deflator	5.5	5.2	5.2	5.1	4.8	4.6	3.8	3.2	2.9	2.7	2.6	2.6	2.3	2.2	2.3	2.3	5.2	4.1	2.7	2.3
Consumer Price Index	8.0	8.6	8.3	7.1	5.7	4.0	3.6	3.2	3.2	3.2	2.7	2.5	2.2	2.1	2.4	2.4	8.0	4.1	2.9	2.3
"Core" Consumer Price Index	6.3	6.0	6.3	6.0	5.5	5.2	4.4	4.0	3.8	3.4	3.2	3.0	2.5	2.4	2.5	2.5	6.2	4.8	3.3	2.5
Producer Price Index (Final Demand)	10.8	11.0	8.9	7.3	4.4	1.3	1.6	1.0	1.5	2.4	1.9	2.4	2.3	2.1	2.1	2.1	9.5	2.0	2.0	2.1
Employment Cost Index	4.5	5.1	5.0	5.1	4.8	4.5	4.3	4.2	4.2	4.1	4.0	3.9	3.7	3.6	3.6	3.6	4.9	4.5	4.0	3.6
Real Disposable Income (a)	-9.8	-1.4	3.6	2.2	10.8	3.3	0.5	0.9	1.3	1.0	1.6	1.7	2.2	2.1	2.2	2.7	-6.0	4.1	1.3	2.0
Nominal Personal Income (a)	2.4	4.7	6.8	4.7	6.8	4.0	3.9	2.8	7.0	4.1	3.2	3.6	4.7	4.4	4.4	4.9	2.0	5.1	4.4	4.2
Industrial Production (a)	3.9	3.9	1.4	-1.8	0.0	0.3	1.2	-1.8	-2.1	4.3	3.3	0.7	0.3	1.2	3.6	5.5	3.4	0.2	0.6	1.9
Capacity Utilization	80.4	81.1	81.0	80.2	79.6	79.1	78.9	78.3	77.6	78.3	78.8	79.0	78.9	78.9	79.3	80.1	80.7	79.0	78.4	79.3
Corporate Profits Before Taxes (b)	10.0	9.1	11.5	8.6	4.6	-2.7	-0.6	5.1	6.4	4.3	2.5	0.0	2.0	4.5	4.0	3.0	9.8	1.5	3.2	3.4
Corporate Profits After Taxes	4.0	4.5	7.9	7.1	3.6	-4.1	-2.1	3.8	5.3	4.1	2.0	-0.4	2.6	4.4	3.9	3.0	5.9	0.2	2.7	3.5
Federal Budget Balance (c)	-291	153	-860	-421	-680	-292	-302	-510	-555	-204	-582	-534	-740	-255	-421	-560	-1375	-1695	-1850	-1950
Trade Weighted Dollar Index (d)	109.6	114.7	121.4	116.5	116.2	114.7	117.0	114.6	115.8	117.3	117.5	116.5	115.5	114.8	114.3	113.8	115.1	115.4	116.8	114.6
Nonfarm Payroll Change (e)	536	326	396	252	305	274	213	212	267	168	118	105	112	125	132	140	377	251	165	127
Unemployment Rate	3.8	3.6	3.5	3.6	3.5	3.6	3.7	3.7	3.8	4.0	4.3	4.5	4.4	4.3	4.3	4.2	3.6	3.6	4.1	4.3
Housing Starts (f)	1.71	1.64	1.46	1.40	1.37	1.46	1.38	1.48	1.41	1.35	1.46	1.47	1.48	1.49	1.49	1.51	1.55	1.42	1.42	1.49
Light Vehicle Sales (g)	13.9	13.4	13.6	14.2	15.0	15.8	15.7	15.7	15.3	15.7	15.6	15.5	15.9	16.2	16.7	17.0	13.8	15.5	15.5	16.4
Crude Oil - Brent - Front Contract (h)	95.7	109.8	95.5	87.9	81.9	77.6	85.3	82.3	81.2	84.4	79.9	73.2	75.2	79.2	80.5	78.5	97.2	81.8	79.6	78.3
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	5.50	5.00	4.25	3.75	3.50	3.50	3.50	2.02	5.23	5.06	3.56
Secured Overnight Financing Rate	0.29	1.50	2.98	4.30	4.87	5.09	5.31	5.38	5.34	5.33	4.85	4.10	3.60	3.35	3.35	3.35	1.64	5.01	4.91	3.41
Prime Rate	3.50	4.75	6.25	7.50	8.00	8.25	8.50	8.50	8.50	8.50	8.00	7.25	6.75	6.50	6.50	6.50	5.02	8.23	8.06	6.56
Conventional Mortgage Rate	4.27	5.58	6.01	6.36	6.54	6.71	7.20	6.82	6.82	6.92	6.40	6.25	6.10	5.95	5.85	5.80	5.38	6.80	6.60	5.93
3 Month Bill	0.52	1.72	3.33	4.42	4.85	5.43	5.55	5.40	5.46	5.48	4.55	3.95	3.60	3.35	3.35	3.35	2.09	5.28	4.86	3.41
6 Month Bill	1.06	2.51	3.92	4.76	4.94	5.47	5.53	5.26	5.38	5.33	4.25	3.75	3.50	3.35	3.35	3.35	2.51	5.28	4.68	3.39
1 Year Bill	1.63	2.80	4.05	4.73	4.64	5.40	5.46	4.79	5.03	5.09	3.95	3.65	3.45	3.35	3.35	3.35	2.80	5.08	4.43	3.38
2 Year Note	2.28	2.92	4.22	4.41	4.06	4.87	5.03	4.23	4.59	4.71	3.80	3.60	3.50	3.40	3.40	3.40	2.99	4.58	4.18	3.43
5 Year Note	2.42	3.01	4.06	3.99	3.60	4.13	4.60	3.84	4.21	4.33	3.65	3.55	3.50	3.45	3.45	3.50	3.00	4.06	3.94	3.48
10 Year Note	2.32	2.98	3.83	3.88	3.48	3.81	4.59	3.88	4.20	4.36	3.80	3.70	3.65	3.60	3.60	3.65	2.95	3.96	4.02	3.63
30 Year Bond	2.44	3.14	3.79	3.97	3.67	3.85	4.73	4.03	4.34	4.51	4.05	4.00	3.95	3.90	3.90	3.95	3.11	4.09	4.23	3.93

Forecast as of: August 07, 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							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2022	2023	2024	2025
Real Gross Domestic Product (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.39	0.50	-0.28	-0.57	-0.01	0.38	0.63	0.00	0.00	0.31	0.03
Personal Consumption	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.71	0.45	-0.65	-0.49	-0.13	0.21	0.28	0.00	0.00	0.15	-0.12
Business Fixed Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.39	0.41	-0.87	-0.10	0.25	0.52	1.15	0.00	0.00	0.07	0.06
Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.31	0.00	-2.31	-0.79	0.31	0.42	1.54	0.00	0.00	0.43	-0.25
Intellectual Property Products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.51	0.97	0.00	0.24	0.00	0.52	1.05	0.00	0.00	-0.16	0.22
Structures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.76	0.00	0.00	0.50	0.70	0.70	0.60	0.00	0.00	0.15	0.43
Residential Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.94	1.60	1.20	0.20	0.30	0.40	0.30	0.00	0.00	0.88	0.80
Government Purchases	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.87	0.15	0.15	0.15	0.15	0.15	0.15	0.00	0.00	0.19	0.20
Net Exports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.2	31.1	29.4	29.7	30.0	36.9	50.3	0.0	0.0	22.4	36.7
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.61	0.03	-0.03	0.01	0.01	0.12	0.23	0.00	0.00	0.10	0.06
Inventory Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.3	15.0	0.2	0.3	0.3	0.3	0.0	0.0	3.7	0.3
Pct. Point Contribution to GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.01	0.26	-0.26	0.00	0.00	0.00	0.00	0.00	0.02	-0.02
Nominal GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.19	0.44	-0.56	-0.52	0.15	0.55	0.64	0.00	0.00	0.24	0.03
Real Final Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.32	0.48	-0.54	-0.32	-0.01	0.38	0.63	0.00	0.00	0.23	0.11
Retail Sales (b)	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.09	0.18	0.01	-0.02	-0.16	-0.07	0.37	0.00	0.01	0.07	0.03
Inflation Indicators (b)																				
PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.01	-0.06	-0.04	-0.04	0.03	0.09	0.00	0.00	0.00	0.01
"Core" PCE Deflator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.05	0.01	0.00	-0.06	-0.07	-0.03	0.00	0.00	0.02	-0.04
Consumer Price Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	-0.19	-0.21	-0.17	-0.05	0.03	0.00	0.00	-0.07	-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	-0.05	-0.12	-0.19	-0.25	-0.24	-0.21	0.00	0.00	-0.04	-0.22
Producer Price Index (Final Demand)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.16	0.33	0.30	0.30	0.13	-0.05	-0.01	0.00	0.00	0.20	0.09
Employment Cost Index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.09	-0.10	-0.08	-0.06	-0.04	0.00	0.00	0.00	-0.06	-0.04
Real Disposable Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.85	-0.87	-0.95	-0.74	-0.07	-0.08	0.11	0.00	0.00	-0.33	-0.54
Nominal Personal Income (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.53	-0.88	-1.25	-0.69	0.09	0.08	0.11	0.00	0.00	-0.29	-0.51
Industrial Production (a)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.60	2.09	1.07	-2.03	-2.87	-1.00	0.74	1.28	0.00	0.00	0.23	-0.86
Capacity Utilization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.12	0.25	0.42	0.03	-0.51	-0.71	-0.57	-0.33	0.00	0.00	0.15	-0.53
Corporate Profits Before Taxes (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.20	-0.50	-1.00	0.00	0.50	0.00	0.50	0.00	0.00	-0.44	0.25
Corporate Profits After Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.20	-0.50	-0.99	0.00	0.50	0.00	0.50	0.00	0.00	-0.43	0.25
Federal Budget Balance (c)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	49.83	-49.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade Weighted Dollar Index (d)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.25	-1.50	-1.25	-1.00	-0.50	0.00	0.00	0.00	-0.69	-0.69
Nonfarm Payroll Change (e)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-9.67	-42.00	-25.00	-13.33	3.33	0.00	5.00	0.00	0.00	-19.17	-1.25
Unemployment Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.39	0.27	0.18	0.23	0.30	0.00	0.00	0.16	0.24
Housing Starts (f)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.03	0.05	0.05	0.05	0.05	0.00	0.00	0.02	0.05
Light Vehicle Sales (g)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.11	-0.10	-0.03	0.03	0.17	0.13	0.00	0.00	0.00	0.07
Crude Oil - Brent - Front Contract (h)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-4.11	-7.00	-6.00	-2.67	-0.33	0.00	0.00	0.00	-2.78	-2.25
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.25	-0.75	-1.00	-1.00	-0.75	-0.50	0.00	0.00	-0.25	-0.81
Secured Overnight Financing Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.30	-0.80	-1.05	-1.05	-0.80	-0.55	0.00	0.00	-0.28	-0.86
Prime Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.25	-0.75	-1.00	-1.00	-0.75	-0.50	0.00	0.00	-0.25	-0.81
Conventional Mortgage Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.35	-0.25	-0.20	-0.20	-0.15	-0.10	0.00	0.00	-0.15	-0.16
3 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.55	-0.90	-1.00	-1.00	-0.75	-0.50	0.00	0.00	-0.36	-0.81
6 Month Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.70	-0.95	-0.95	-0.85	-0.60	-0.35	0.00	0.00	-0.41	-0.69
1 Year Bill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.75	-0.80	-0.75	-0.60	-0.35	-0.15	0.00	0.00	-0.39	-0.46
2 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.55	-0.45	-0.35	-0.30	-0.15	-0.05	0.00	0.00	-0.25	-0.21
5 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.45	-0.35	-0.30	-0.25	-0.20	-0.10	0.00	0.00	-0.20	-0.21
10 Year Note	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.35	-0.30	-0.25	-0.25	-0.20	-0.10	0.00	0.00	-0.16	-0.20
30 Year Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.30	-0.25	-0.20	-0.20	-0.15	-0.05	0.00	0.00	-0.14	-0.15

Forecast as of: August 07, 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

- Consumer spending remains intact, but a moderation is likely from here. Our preliminary read is that real personal consumption expenditures (PCE) will advance at a 2.3% annualized clip in Q3. This is higher than our previous estimate of 1.9% due to recent momentum and decent auto sales in July, and somewhat masks a softening happening under the surface.
- Consumption growth is set to moderate over the remainder of the year amid weaker income growth, yet consumer fundamentals coupled with aggressive Fed easing should keep spending growth positive. We have adjusted our longer-term forecast as a result and now look for real PCE growth to slow materially at the end of this year and start of next before rebounding in the second half of next year amid more accommodative policy.

Consumer spending remained resilient through the second quarter. Real PCE surprised to the upside, rising at a 2.3% annualized rate in Q2 amid a jump in durable goods purchases and steady services spending. We do not yet have any hard spending data for the third quarter, but our initial read is that consumption will remain solid. Most of the Q2 growth was toward the back half of the quarter, which sets us up for some pretty decent growth in Q3. Further, wholesale auto sales data suggest a rebound in July after a pullback in June, which should provide some early support to Q3 spending. As such, we've upwardly revised our estimate and now look for real PCE to advance north of 2% for the second straight quarter.

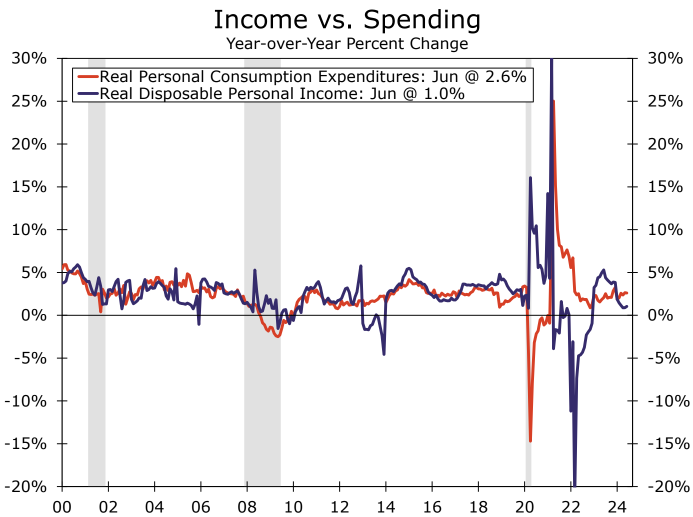
Yet under the surface, we expect to see a consumer that gradually loses momentum into year-end reflected in weaker Q4-2024 and Q1-2025 growth rates for real spending. We have long stressed that household spending has grown more dependent on continued growth in income, which is now losing momentum. As we anticipate the labor market to moderate more significantly over the remainder of the year, we expect real disposable income growth to soften further.

Investment: Equipment, Intellectual Property Products and Inventories

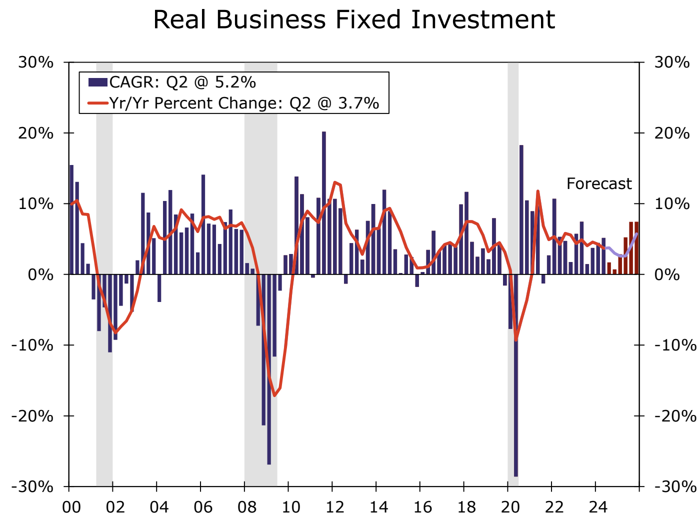
- Capex spending was solid in the first half of the year amid some pick up in areas of equipment spending and steady intellectual property investment. In some ways we expect growth to soften before it gets better. Aggressive Fed easing is supportive of renewed growth in capex, but increased uncertainty is tainting the near-term outlook.
- Our estimates for Q3 BFI have not materially changed, but we've lowered our forecast for Q4 growth and H1-2025 before a more meaningful recovery takes hold in the second half of next year.

Business fixed investment (BFI) spending surprised to the upside in Q2, rising at a 5.2% annualized rate amid a jump in transportation equipment which rebounded in Q3 after contracting for the prior three-straight quarters. Information processing equipment also saw decent growth and spending on intellectual property products remained steady. When we think of capex growth this cycle, firms have been prioritizing software over hardware. While equipment investment is now about 5% above pre-pandemic levels, spending on intellectual property is up north of 30%.

We have adjusted our BFI outlook across our forecast horizon and look for near-term strength to continue to come from intellectual property spending. More aggressive easing from the Fed should provide some support to capex spending generally, although with a lag. Increased uncertainty around both the degree of Fed easing and the outcome of the 2024 U.S. presidential election are the biggest factors holding back capex today. We have downwardly revised our near-term BFI forecast (Q4-2024 to Q2-2025), but have notched higher our H2-2025 quarterly figures, which all shakes out as neutral adjustments to the annual averages. A rebound in capex is coming as the Fed cuts, but the uncertainty smoke has to clear and the dust settle for it to fully materialize.



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



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

Investment: Residential

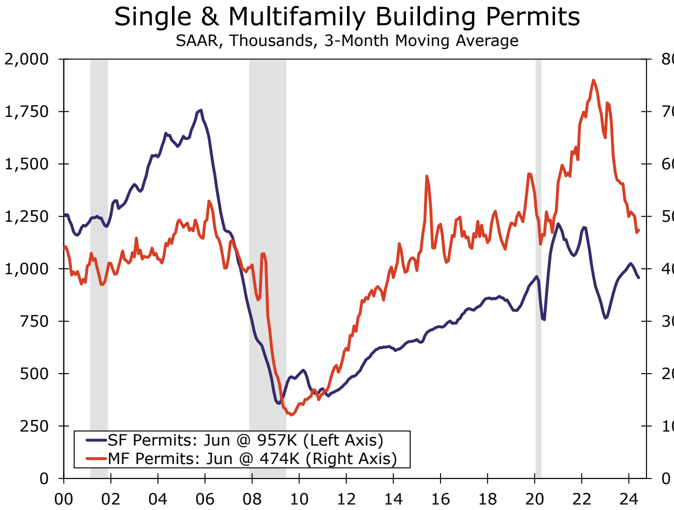
- We have taken up our residential investment forecast coinciding with recent declines in mortgage rates and expectations for further rate softening next year. We still expect residential investment will drag on headline growth in the near-term, however.

Mortgage rates dropped sharply in recent days as market participants collectively priced in a greater chance of aggressive Fed easing by year-end. The highest frequency data from Mortgage News Daily suggest that the average 30-year fixed mortgage dropped nearly 40 bps over the past two weeks. Although some giveback may be in store, our expectations for 200 bps of Fed easing through mid-2025 would exert further downward pressure on mortgage rates, sparking improvements in buyer demand, builder confidence and residential investment. That said, the weaker growth environment for the economy and labor market will likely limit the scope for a rebound. Additional near-term weakness also appears unavoidable. Single-family builders have scaled back construction alongside a slower pace of new home sales and rising inventory levels, prompting a five-month downdraft in single-family permits. Multifamily investment should also continue to ease following a year-long trend decline in multifamily permits.

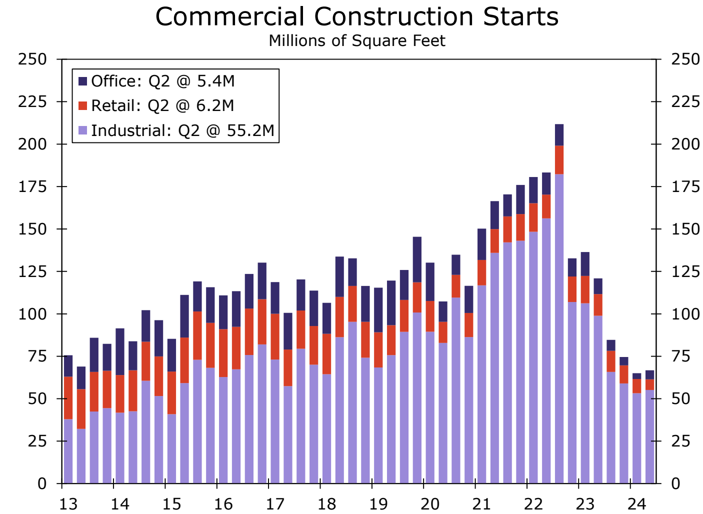
Investment: Nonresidential Structures

- We have revised our nonresidential structures forecast slightly higher in response to lower rate expectations over the forecast horizon. Nonresidential construction continues to battle significant headwinds, however, which is likely to depress structures spending this year.

Private nonresidential construction outlays have slipped in four of the last five months. While there is no shortage of green shoots supporting manufacturing and data center construction, the environment for commercial real estate (CRE) remains especially challenging. On top of tighter lending standards, CRE developers are contending with high financing costs and a tepid demand environment. Our outlook for Federal Reserve easing should help lower barriers to development, however much of the weakness in our forecast related to nonresidential construction is already baked. Builders have significantly pulled back on commercial construction starts, setting the stage for more modest nonresidential investment. Architecture firms have also reported a downdraft in billings activity for eleven straight months, an indicator that tends to lead nonresidential construction spending by about a year. Looking to 2025, lower financing costs should brighten the CRE demand environment and reduce barriers to nonresidential investment.



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



Source: Costar Inc. and Wells Fargo Economics

Labor Market

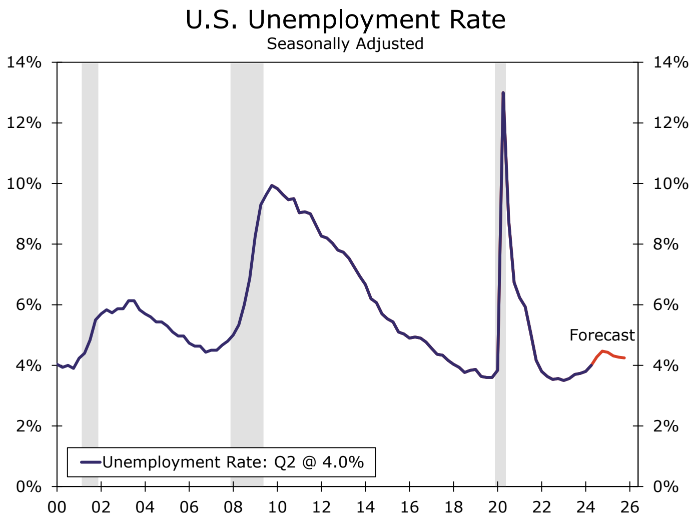
- Widespread softening in the jobs market has led us to reduce our estimates for payroll growth in the coming quarters. We now look for the monthly pace of nonfarm payrolls gains to average 116K over the next 12 months compared to 209K in the past 12 months.
- The unemployment rate is likely to edge up further, reaching 4.5% in Q4, before less restrictive monetary policy and slower labor force growth helps turn the current upward trend around.

July's jobs report gave another signal that "normalization" in the labor market is complete and that further softening would put the current expansion in jeopardy. Payroll growth slowed sharply in July, increasing by 114K. While the monthly pace of hiring can bounce around, the deceleration and narrow breadth of payroll gains in recent months has been accompanied by broad-based weakening in other labor market indicators. Staffing of temporary help workers, the rate of gross hiring and quits, small business hiring plans, and workers' perception of job availability have all fallen below pre-pandemic levels. While layoffs remain historically low, job cut announcements and continuing claims for unemployment have moved up. The unemployment rate has also continued to rise, with the increase over the past year now surpassing the Sahm Rule threshold historically associated with a recession. Although a meaningful share of the increase is attributable to more workers joining the labor force, a significant rise in job losers highlights the growing risk that the softening jobs market could set off a negative feedback loop between income, spending and hiring.

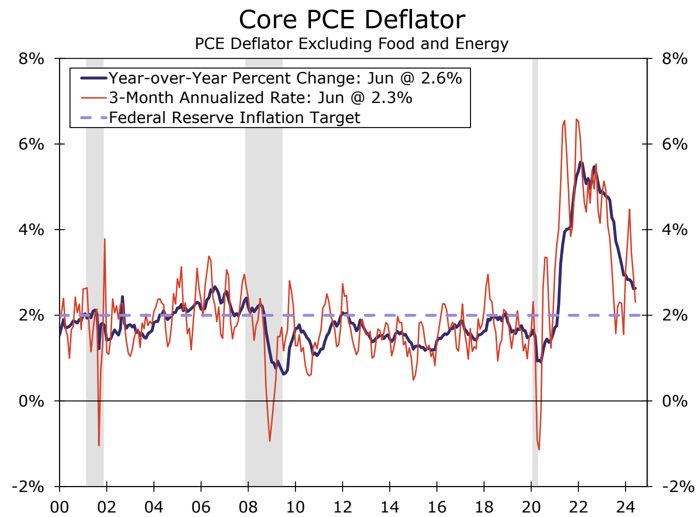
Inflation

- Upward pressure on prices continues to ease as input cost growth, including labor, has cooled and weakening demand is making it harder for businesses to raise prices.
- We have made no significant changes to our inflation outlook over the past month. The core PCE price index still looks set to increase 2.6% on a Q4/Q4 basis this year, as May's upwardly revised data and June's slightly stronger-than-expected outturn offset modest downward revisions to our expectations for price growth in the second half of this year.

The jump in inflation during the first few months of the year looks increasingly to have been more noise than signal about inflation's near-term path. The core PCE deflator slowed to a 2.3% three-month annualized pace in June, about half its clip in March, while the 12-month change in the core PCE deflator has continued to grind lower. We expect inflation to cool further and advance at an annualized rate of 2.0% in the six-months through December. While that would mark a similar pace to the second half of 2023, the drivers of disinflation should be more evenly balanced between goods and services categories. Goods *de*flation shows signs of slowing as supply chain pressures have returned to a more neutral posture, while a further moderation in shelter inflation should drive core services inflation lower. Meantime, slower growth in labor costs and increased difficulty passing on prices as consumers have grown more price-sensitive should help reduce inflationary pressure for goods and services alike.



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



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

Fiscal Policy

- No major changes to our outlook for U.S. federal fiscal policy.

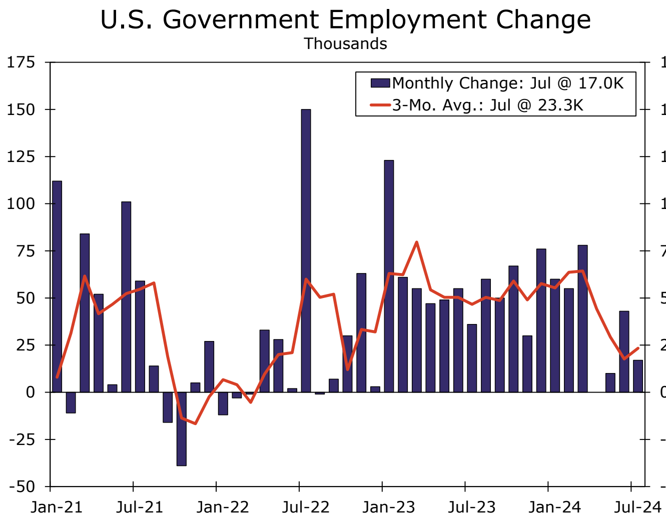
We have not made any material changes to our outlook for U.S. fiscal policy. Government hiring has been a key contributor to nonfarm payroll growth over the past 18 months, but there are signs that this tailwind is starting to fade. The trend in government job growth is still positive, but the pace has downshifted in recent months (chart). In the near-term, there may be a bit of a bounce back, but on trend, we believe that the government hiring boom of the past year-and-a-half is in the rearview mirror as slowing economic growth and diminishing COVID aid bring public sector hiring growth back closer to its pre-pandemic pace.

Congress is currently on its August recess and is not scheduled to come back into session until after the Labor Day holiday. The 2024 Democratic National Convention is scheduled to be held from August 19 through August 22, and the formal nomination of Vice President Kamala Harris as the Democratic presidential candidate will clear the way for the 11-week sprint to Election Day. As the calendar turns to September, the polling data for the new matchup should start to show a clearer picture of the state of the race.

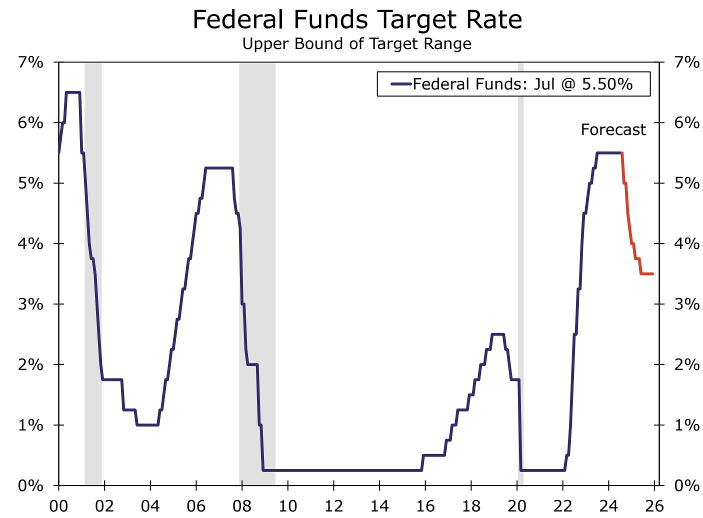
Monetary Policy & Interest Rates

- We expect the FOMC to cut the federal funds rate by 50 bps in September, 50 bps in November and 25 bps in December. We look for another 75 bps of easing in the first half of 2025 followed by a pause as the FOMC assesses the impact of previous rate cuts and feels its way to the neutral rate.
- Our 2024 and 2025 year-end forecasts for the 10-year Treasury yield are 3.70% and 3.65%, respectively.

As we discussed in the lead article, the weakening in the U.S. labor market and the increasingly docile inflation outlook have led us to update our forecast for the federal funds rate. We think the FOMC will cut rates faster and by more than we anticipated in our previous forecast update. Given that financial market pricing for rate cuts is roughly in line with our own, and given that we do not currently have a recession in our baseline forecast, we do not expect intermediate and longer-term Treasury yields to decline precipitously from current levels. That said, it is important to note that the 200 bps of rate cuts we expect over the next year or so would bring the policy rate in line with most estimates, including ours, of the neutral rate. A recession is not our base case, but if one does materialize, we would likely add even more policy easing in order to push the federal funds rate into accommodative territory.



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



Source: Federal Reserve Board and Wells Fargo Economics

Net Exports

- We've made no material changes to our outlook for trade in the coming quarters.

Net exports sliced more than half-a-percentage-point off of real GDP growth in the first and second quarters of 2024. The negative contributions were driven by a robust run-rate of imports, supported by a strong U.S. dollar, overtaking a relatively modest pace of export growth. We look for the strength in imports to wane in the coming months as domestic demand cools amid a softening in consumer spending and business investment. Meantime, the recent pickup in domestic industrial production and gradual upswing in European economic growth are supportive of continued export growth. Taken together, these dynamics will help trade turn back into a neutral factor on overall real GDP growth in the remainder of the year.

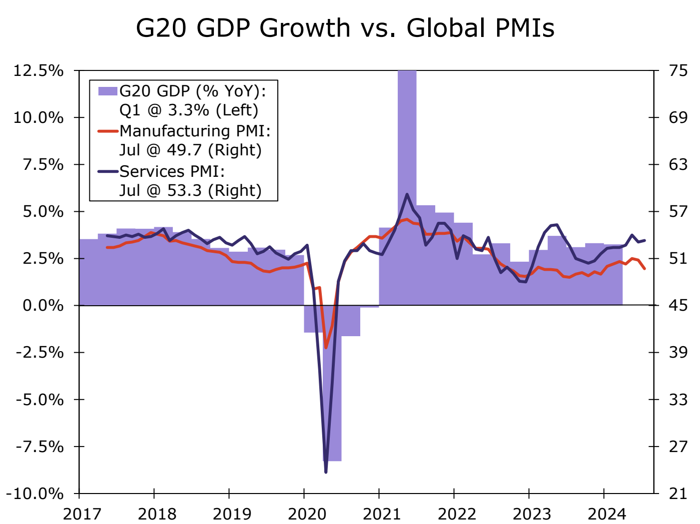
International Developments & The U.S. Dollar

- We have lowered our global 2024 GDP growth forecast slightly to 2.9% (from 3.0% a month ago), with weaker growth in China and Mexico contributing to the softer outlook. We expect global GDP growth to ease further in 2025, to 2.7%.
- In contrast to our revised outlook that envisages faster Fed easing, we have made few changes to our outlook for foreign central bank monetary policy. We forecast a slightly faster pace of Bank of Canada rate cuts compared to a month ago, while we forecast the Bank of Japan will eventually tighten monetary policy further.
- Our outlook for the U.S. dollar is little changed, for now. An anticipated decline in the greenback could be front-loaded to some extent given faster Fed rate cuts, although potential safe-haven support for the U.S dollar means we still see only moderate weakness for 2025 overall.
- For further reading on the global economy, please see our most recent International Economic Outlook.

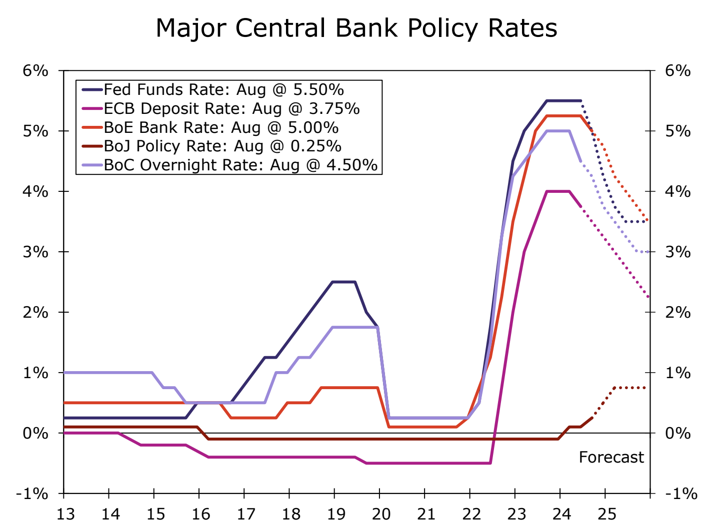
Our outlook for global GDP growth has softened modestly, and we now forecast growth of 2.9% compared to 3.0% a month ago. In particular, China's economy slowed meaningfully in the second quarter, with consumer spending a noticeable area of underperformance. Continued disinflation pressures, a real estate sector that remains in correction and the trend toward China becoming a less integral part of the global supply chain are all factors that could weigh on Chinese activity. In the absence of large scale fiscal stimulus we forecast a further moderation in Chinese growth, to 4.8% in 2024 and 4.5% in 2025. While our U.S. outlook has seen only modest revisions, we do expect growth to slow over time, and we also forecast softer economic growth in Mexico. The United Kingdom is an exception to the softer global trend. Improving real income trends along with firming activity and sentiment data have prompted us to lift our 2024 U.K. GDP growth forecast to 1.0%. From a global perspective, while our outlook remains for reasonably resilient growth in activity, downside risks appear to be growing.

In contrast to our outlook for more aggressive Fed easing, we have made few changes to our outlook for foreign central bank monetary policy. Given still-elevated wages and lingering inflation concerns in many regions—including among others the Eurozone, United Kingdom, Australia and New Zealand—we continue to expect relatively gradual easing from those central banks. That said, Canada is the one major central bank where we do expect faster easing than previously. We anticipate 25 bps rate cuts at the remaining three meetings this year, which would see the policy rate end 2024 at 3.75%. This faster easing stems from contained Canadian inflation trends, as well as the country's economic linkages to the United States. On the flip side, the Bank of Japan raised its policy rate to around 0.25% at its late July meeting, as it seeks to normalize monetary policy amid firming wage growth while inflation stays elevated. We forecast further Bank of Japan rate hikes in October and January, although whether that Bank of Japan tightening transpires could depend on the extent of U.S. economic slowdown and how aggressive the Federal Reserve is in lowering interest rates.

Finally, we are making only modest changes to our U.S. dollar outlook for the time being. While a faster pace of Fed easing should weigh on the greenback to some extent, should that occur against a backdrop of slowing global growth and unsettled financial markets, there would likely also be some safe-haven support for the U.S. currency. Our view remains for gradual overall U.S. dollar depreciation through the end of 2025, but perhaps with a slightly faster pace of decline over the first half of our forecast horizon, and a slower pace of decline over the second half of that horizon.



Source: Datastream and Wells Fargo Economics



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%	3.3%	2.9%	2.7%	8.7%	6.7%	3.6%	3.5%
Advanced Economies[1]	2.6%	1.7%	1.8%	2.0%	7.3%	4.6%	2.9%	2.4%
United States	1.9%	2.5%	2.6%	1.9%	8.0%	4.1%	2.9%	2.3%
Eurozone	3.4%	0.5%	0.8%	1.6%	8.4%	5.4%	2.6%	2.4%
United Kingdom	4.3%	0.1%	1.0%	1.5%	9.1%	7.3%	2.7%	2.3%
Japan	1.0%	1.8%	-0.3%	1.4%	2.5%	3.3%	2.5%	2.0%
Canada	3.8%	1.2%	0.8%	1.8%	6.8%	3.9%	2.5%	2.1%
Switzerland	2.7%	0.7%	1.3%	1.5%	2.8%	2.1%	1.4%	1.2%
Australia	3.9%	2.0%	1.2%	2.1%	6.6%	5.6%	3.4%	2.7%
New Zealand	2.4%	0.6%	0.7%	2.3%	7.2%	5.7%	3.3%	2.2%
Sweden	2.7%	0.1%	1.1%	1.7%	8.1%	5.9%	2.9%	1.9%
Norway	3.0%	1.1%	0.7%	1.5%	5.8%	5.5%	3.4%	2.5%
Developing Economies[1]	4.1%	4.4%	3.7%	3.3%	9.8%	8.3%	4.1%	4.2%
China	3.0%	5.2%	4.8%	4.5%	2.0%	0.2%	0.7%	1.6%
India	6.5%	7.7%	7.3%	6.1%	6.7%	5.4%	4.9%	4.5%
Mexico	3.7%	3.2%	1.4%	1.9%	7.9%	5.5%	4.7%	4.1%
Brazil	3.0%	2.9%	1.8%	2.0%	9.3%	4.6%	4.0%	3.6%

Forecast as of: August 7, 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	Q3	Q4	Q1	Q2	Q3	Q4
United States	5.50%	5.00%	4.25%	3.75%	3.50%	3.50%	3.50%
Eurozone[1]	3.75%	3.50%	3.25%	3.00%	2.75%	2.50%	2.25%
United Kingdom	5.00%	5.00%	4.75%	4.25%	4.00%	3.75%	3.50%
Japan	0.25%	0.25%	0.50%	0.75%	0.75%	0.75%	0.75%
Canada	4.50%	4.25%	3.75%	3.50%	3.25%	3.00%	3.00%
Switzerland	1.25%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Australia	4.35%	4.35%	4.35%	4.10%	3.85%	3.60%	3.35%
New Zealand	5.50%	5.50%	5.25%	5.00%	4.75%	4.50%	4.25%
Sweden	3.75%	3.50%	3.00%	2.75%	2.50%	2.25%	2.25%
Norway	4.50%	4.50%	4.25%	4.00%	3.75%	3.50%	3.25%
China[3]	10.00%	9.50%	9.50%	9.00%	9.00%	8.50%	8.50%
India	6.50%	6.50%	6.00%	5.75%	5.75%	5.75%	5.75%
Mexico	11.00%	11.00%	10.75%	10.25%	9.75%	9.25%	8.75%
Brazil	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Chile	5.75%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%
Colombia	10.75%	10.25%	9.25%	8.75%	8.25%	8.00%	8.00%

	2-Year Note						
	2024			2025			
	Current	Q3	Q4	Q1	Q2	Q3	Q4
United States	4.00%	3.80%	3.60%	3.50%	3.40%	3.40%	3.40%
Eurozone[2]	2.39%	2.75%	2.70%	2.60%	2.50%	2.40%	2.30%
United Kingdom	3.67%	4.00%	3.90%	3.80%	3.70%	3.60%	3.50%
Japan	0.30%	0.35%	0.40%	0.45%	0.50%	0.55%	0.55%
Canada	3.27%	3.65%	3.50%	3.35%	3.25%	3.15%	3.05%

	10-Year Note						
	2024			2025			
	Current	Q3	Q4	Q1	Q2	Q3	Q4
United States	3.89%	3.80%	3.70%	3.65%	3.60%	3.60%	3.65%
Eurozone[2]	2.20%	2.45%	2.45%	2.40%	2.35%	2.30%	2.25%
United Kingdom	3.92%	4.10%	4.00%	3.85%	3.80%	3.75%	3.70%
Japan	0.90%	1.10%	1.10%	1.15%	1.20%	1.20%	1.15%
Canada	3.10%	3.35%	3.25%	3.20%	3.15%	3.10%	3.10%

Forecast as of: August 7, 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
August 5	**6**	**7**	**8**	**9**
ISM Services July 51.4 _Goolsbee and Daly* speak_	**Trade Balance** June -$73.1 **RBA Rate Decision** Prior 4.35%	**Consumer Credit** May $11.4B	**Banxico Rate Decision** Prior 11.00% **Reserve Bank of India Rate Decision** Prior 6.50% _Barkin* speaks_	
12	**13**	**14**	**15**	**16**
	PPI (MoM) June 0.2% **NFIB** June 91.5 **Reserve Bank of New Zealand Rate Decision** Prior 5.50% _Bostic* speaks_	**CPI (MoM)** June -0.1% **Eurozone GDP (QoQ)** Q1 0.3% **United Kingdom CPI (MoM)** July 0.1% **Japan GDP (QoQ)** Q1 -2.9%	**Retail Sales (MoM)** June 0.0% **Industrial Production (MoM)** June 0.6% **United Kingdom GDP (QoQ)** Q1 0.7% _Musalem and Harker speak_	**Housing Starts (SAAR)** June 1,353K _Goolsbee speaks_
19	**20**	**21**	**22**	**23**
LEI (MoM) July -0.2%	**Canada CPI (YoY)** June -0.1%	_FOMC Minutes_	**Existing Home Sales (SAAR)** June 3.89M **Japan CPI (YoY)** June 2.8%	**New Home Sales (SAAR)** June 617K
26	**27**	**28**	**29**	**30**
Durable Goods(MoM) June -6.7%	**Consumer Confidence** July 100.3		**Pending Home Sales (MoM)** June 4.8%	**Personal Income & Spending (MoM)** June 0.2%; 0.3%
September 2	**3**	**4**	**5**	**6**
	ISM Manufacturing July 46.8	**JOLTS Jobs Openings** June 8,184K **Bank of Canada Rate Decision** Prior 4.50% _Federal Reserve releases Beige Book_		**Employment** July 114K

Note: * = voting FOMC member in 2024, 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 Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey George	Economic Analyst	704-410-2911	Aubrey.B.George@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

Required Disclosures