WELLS FARGO

International Commentary — November 21, 2022

International Economic Outlook: November 2022

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Summary

Forecast Changes

- While relative growth and monetary policy trends favor renewed U.S. dollar strength over the near term, they increasingly favor more pronounced U.S. dollar weakness over the longer term. We still forecast renewed strength in the trade-weighted U.S. dollar through until Q1-2023. However, we now expect a more extended period of greenback weakness beyond that. From Q1-2023 through the end of 2024, we expect the trade-weighted U.S. dollar to fall by a cumulative 12.5%.
- We view the yen as particularly sensitive to any swings in growth and monetary policy trends, and see the Japanese currency strengthening over the medium term, targeting a USD/JPY exchange rate of JPY135.00 by Q1-2024. We also forecast less near-term weakness and a stronger medium-term rebound in the euro than previously.
- China's economy continues to face COVID and real estate related challenges, and we have lowered our 2022 and 2023 GDP growth forecasts. That said, we only forecast modest weakness for the renminbi from current levels. For other emerging market currencies, we now see a stronger medium-term outlook for the Mexican peso, South African rand and Korean won.

Key Themes

- Tentative signs are starting to emerge suggesting that a peak in inflation may be close at hand. CPI inflation has eased from highs across the Americas as well as in several emerging economies, though for now, there has been little to no inflation relief across Europe. Importantly however, supply chain disruptions appear to be improving, while commodity prices have also fallen in the past several months. We expect CPI inflation to slow meaningfully to 5.2% in 2023 from 7.2% this year, although the deceleration in core inflation may be more gradual.
- Even as inflation recedes, the after effects of rapid inflation and rising interest rates will probably linger for some time. In the Eurozone and the United Kingdom, which have been particularly affected by high energy prices and inflation, economic recessions likely began in late 2022 and will persist through much of 2023. In the United States, economic trends remain quite resilient and could push the Fed's policy rate above 5.00%, though we ultimately expect the United States to fall into recession by late 2023 as well.
- A peak in inflation and policy interest rates should also coincide with a turn in the U.S. dollar. We expect the trade-weighted U.S. dollar return close to prior highs by around Q1-2023. However, as the U.S economy slows and falls into recession, and the Fed ultimately eases monetary policy, we subsequently forecast an extended period of U.S. dollar weakness. Dollar depreciation should initially be moderate during the latter part of 2023, with more pronounced U.S. dollar depreciation likely in 2024.

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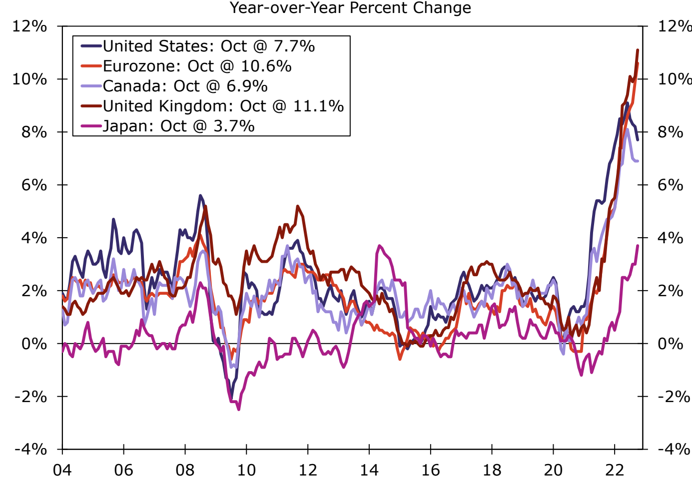
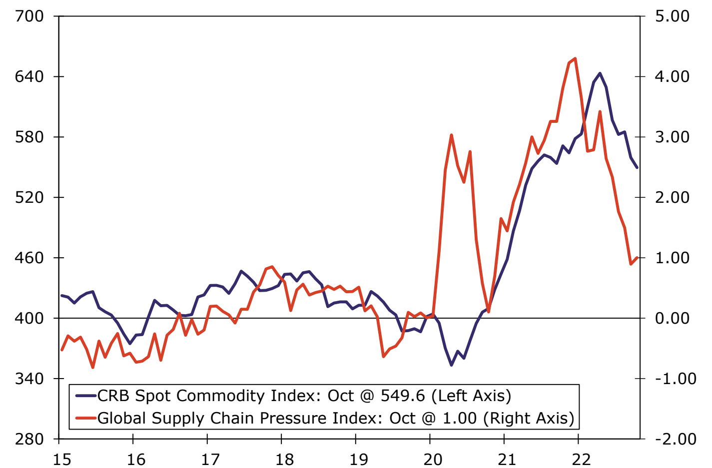
Is The Global Inflation Fever Breaking?

The surge in inflation has been a dominant—if not the dominant—financial market theme of 2022. A combination of substantial monetary and fiscal stimulus, supply chain disruptions, the global reopening following the pandemic, as well energy market disruptions that boosted oil and natural gas prices has seen global CPI inflation accelerate to multi-decade highs. Within the major developed markets, higher energy prices and faster inflation have been especially acute for the Eurozone and United Kingdom, where year-over-year inflation has reached 10.6% and 11.1%, respectively. Higher inflation led to aggressive monetary policy tightening from many of the world's central banks, led by the Federal Reserve. Central bank tightening also contributed to unsettled financial conditions more broadly, and the combination of aggressive Fed tightening and heightened financial market volatility were important factors that led to the sustained strength of the U.S. dollar through much of this year.

As we head into 2023, inflation remains the primary focus, and as market participants continue to monitor evolving inflation dynamics, attention has turned to whether a peak in inflation is close at hand or may have already been reached. As the global monetary policy stance has become less accommodative and the pace of economic growth has eased, we are finally starting to see the first tentative encouraging signs that the worst of the global inflation surge is passing. One favorable development has been an improvement in supply chain dynamics. Supplier delivery times as reflected in the ISM and PMI surveys have shortened substantially over the past several months. The New York Fed's global supply chain pressure index, which also incorporates shipping and transportation costs, has fallen to 1.00 as of October 2022, not quite at pre-pandemic levels, but a significant improvement from the beginning of 2022. In addition to improving supply chain dynamics, the surge in commodity prices has also partly reversed over the past several months. The CRB Commodity Spot Price Index is down around 13% from its May peak, as prices for oil and natural gas have fallen, along with a decline in metal and soft commodities prices. Overall, supply chain dynamics and commodity price declines point to a significant improvement in headline inflation in the months ahead. For full calendar year 2023, we forecast global CPI inflation of 5.2%, down from a projected 7.2% in 2022.



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



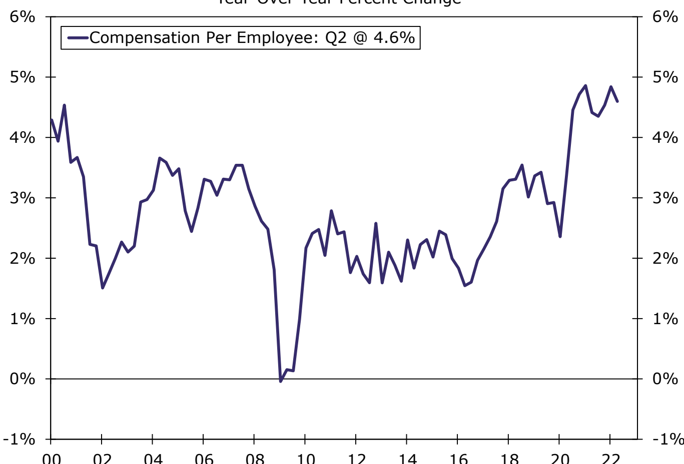
Source: FRBNY, Bloomberg Finance L.P. and Wells Fargo Economics

In contrast to these more favorable developments, there are a couple of areas where the progress on the inflation front may still be more gradual. In particular, there has so far been limited evidence of a meaningful slowing in wage pressures and labor costs, suggesting that underlying inflation pressures may recede more gradually. The OECD's measure of compensation per employee, while slightly dated, offers a useful indication of labor cost pressures across the world's major advanced economies. As of Q2-2022, compensation per employee for the entire OECD region rose 4.6% year-over-year. Not only is that near the fastest past of wage growth of the past two decades, wage growth has remained steady at that elevated pace for the past two years and has shown no clear signs of slowing just yet.

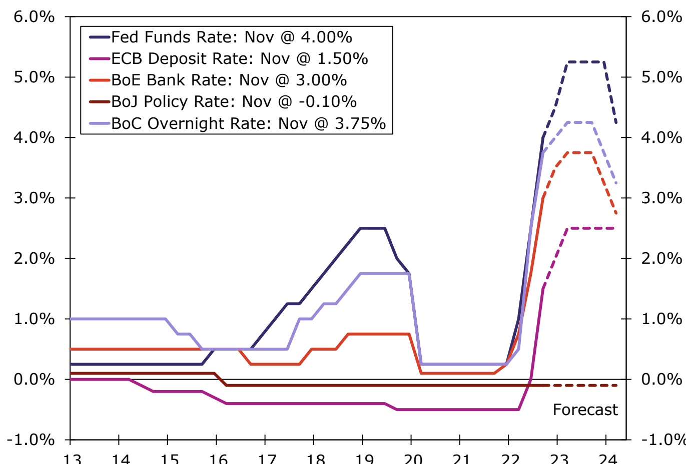
There is also little in more recent indicators that would point to a significant slowing in wage pressures in the near-term. In the United States, the Q3 employment cost index rose 5.0% year-over-year, matching the multi-decade high in Q2, while average hourly earnings from the monthly jobs report

had slowed only modestly to 4.7% year-over-year by October. In Canada, average hourly wages for permanent employees firmed to 5.5% in October, while in the U.K. average weekly earnings rose 6.0% in Q3, still close to recent highs and well above the pace that prevailed prior to the pandemic. In addition, labor market fundamentals do not yet provide a strong argument for a rapid deceleration in wage growth. In September, the unemployment rate for the entire OECD region was 4.9%, which is only slightly above the record-low 4.8% rate that was registered in July this year. The unemployment rate also remains 0.4 percentage points lower than its pre-pandemic level. Altogether, labor market fundamentals and recent indicators point to only a gradual slowing in wage inflation, which will probably translate to only a gradual slowing in core underlying inflation pressures as well. For many central banks, *actual inflation*will also remain above their respective inflation targets for some time, even if *forecast inflation*begins to converge more closely toward those targets.

For policymakers, the takeaways from these evolving inflation dynamics are somewhat nuanced. On the one hand, the fact that inflation remains substantially above target in many countries and that core inflation could slow only gradually suggests that there is more work to be done and that further rate hikes will be forthcoming. At the same time, the tentative encouraging signs of improvement means the end may now be in sight. That said, **against this backdrop we expect further monetary tightening, but expect most central banks rate hike cycles should come to an end in early 2023.**



Source: Datastream and Wells Fargo Economics



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

Economic Growth Challenges Will Likely Persist

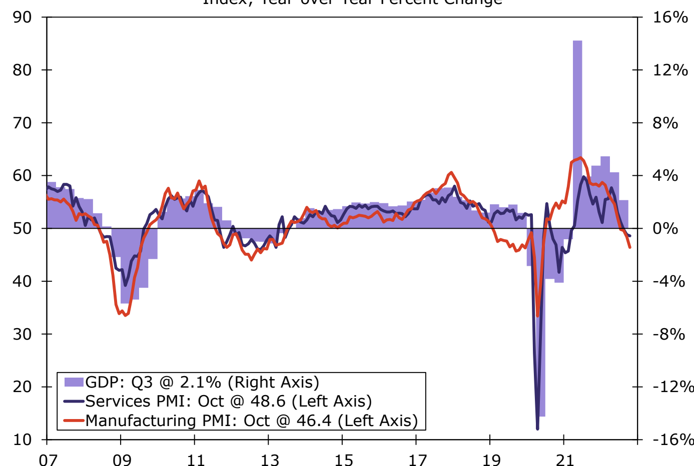
Even if the global inflation fever may be close to breaking, it's possible the after effects on global growth will be felt through much of 2023. With higher prices reducing consumer purchasing power and higher interest rates also restraining economic activity, we forecast global GDP growth of just 1.6% next year. Other than the global pandemic (2020) and the global financial crisis (2009), that would represent the slowest pace of global growth since 1982. However, just as interesting—or perhaps even more interesting—than the overall slowdown in global activity is how we expect that deceleration to evolve across economic regions and across time.

In the United States, high inflation and higher interest rates have led to a more challenging outlook. However, for now the U.S. economy remains remarkably resilient, with payroll growth still averaging 289,000 jobs per month in the three months to October. With job growth expected to persist for a while longer, and as households continue to draw on their accumulated savings, we believe it will be a while longer before consumer spending begins to decline on an outright basis and the broader economy begins contracting. In fact, we now do not expect a U.S. recession to begin until Q3-2023, and forecast that U.S. recession will last three quarters through Q1-2024. Given the resilience of U.S. activity and still-elevated inflation, we expect the Fed to hike rates a further 125 bps through early next year, to a target range of 5.00%-5.25%.

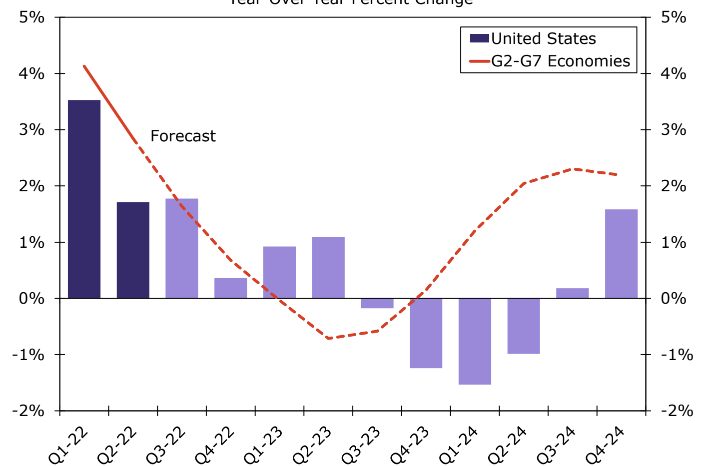
The resilience of the United States is in marked contrast to the United Kingdom and the Eurozone which appear to already be in, or on the cusp of, recession. As we highlighted previously, energy

disruptions have been much more acute across Europe, pushing energy prices higher and overall CPI inflation into double-digits. As a result, the impact on consumers' purchasing power is being keenly felt, with real household disposable incomes showing year-over-year declines in both the United Kingdom and the Eurozone in Q2. For the United Kingdom, this translated into a moderate 0.2% quarter-over-quarter fall in Q3 GDP, a contraction we believe will represent the start of an extended U.K. recession. The budget savings announced by the government in the Autumn Statement could further depress economic activity, and we forecast five quarters of U.K. contraction through Q3-2023. This earlier downturn in the United Kingdom may also be enough to curtail Bank of England rate hikes. We forecast a peak in the U.K. policy rate at 3.75% by early next year, well below the peak of the Federal Reserve's fed funds rate. The Eurozone fared slightly better during the third quarter, managing to eke out a small GDP gain of 0.2% quarter-over-quarter. That said, energy disruptions remain a significant downside risk for the region, purchasing power remains restrained, and confidence surveys still clearly point to an impending recession. As one example, the Eurozone PMI surveys printed in contraction territory in October, with the services PMI at 48.6 and the manufacturing PMI at 46.4. In Germany, the IFO business confidence measure also points to a sharp downturn. Against this backdrop, we still project Eurozone recession beginning in Q4-2022 and running for three quarters through Q2-2023. We also anticipate the European Central Bank to raise its policy interest rate to 2.50% by early next year, again much lower than the expected peak rate of the Federal Reserve.

More generally, this diverging pattern of economic slowdown is clearly apparent in our forecast for the major economies. In terms of year-over-year growth, U.S. GDP remains positive through until Q2 of next year, before turning negative in Q3-2023 and reaching a low point of -1.5% in Q1-2024. In contrast, GDP for the G2 to G7 countries (which includes Japan, United Kingdom, Canada and the largest Eurozone countries) is forecast to slow to zero by Q1-2023 and turn negative in Q2-2023. At the same time, G2-G7 growth is also seen rebounding earlier, turning positive by Q4 next year and reaching a peak of 2.3% in Q3-2024. This earlier growth downturn for other G7 economies is a key reason why we forecast lower policy interest rate peaks internationally than in the U.S. (we forecast a peak policy rate for Canada of 4.25%, also below the United States).



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



Source: Datastream and Wells Fargo Economics

Mixed Policy Signals Leave Markets Attentive to China

Speaking of diverging fortunes for international economies, China's economy continues to struggle amid a myriad of challenges. We have highlighted these challenges (Zero-Covid and the property sector) across our monthly publication as well as standalone reports, and while the main takeaway this month is similar to the conclusions reached in this report (China is a mess), we have received mixed signals over the course of October. As far as real economic data, activity and sentiment indicators continue to prove China's economic deceleration is a force that has not yet relented. October data, retail sales in particular, where underwhelming. On a year-over-year basis, retail sales declined 0.5% against a consensus forecast of a modest rise, while industrial output continued to slow last month. Arguably most concerning, both the official manufacturing and non-manufacturing PMIs are currently in contraction territory for the first time since May, when China locked down large swaths of the

economy to contain a nationwide COVID outbreak. A renewed surge in COVID cases is behind the uninspiring October data as well. As of the latest read, China has recorded a seven-day average of 12,500 new infections, a daily case burden that is approaching levels last seen earlier this year. In response, Chinese authorities have followed their Zero-COVID playbook to a tee. Multiple cities have been placed under lockdown and mobility restrictions, restraining consumer spending opportunities and broader economic activity. Since the conclusion of the 20th National Party Congress in October, authorities have communicated that "Zero-COVID" will remain in place and COVID containment will take precedence going forward.

However, on the other hand, authorities appear to be moving toward easing some of the COVID policies that have continuously upended the local, and at times global, economy. To that point, quarantine requirements for overseas travelers have been eased. In addition, the "circuit breaker" policy that penalized airlines for carrying infected passengers into China has been lifted, a key reversal that could jumpstart inbound tourism into the country. Just since these measures have been enacted, media reports suggest booked travel to China has jumped sharply. At the same time, authorities continued to indicate these policy changes were only adjustments to COVID policies and that China was not moving away from its core procedures to contain the spread of the virus. Confusing, we know. But in our view, we believe Chinese authorities when they say Zero-COVID will persist as policy for the foreseeable future. We say that for a few reasons. The first being that China has an exceptionally low vaccination rate, especially among its older population. China continues to utilize its domestic vaccine, which has been proven to be less effective than other vaccine options, while the Sinovax vaccine also requires three jabs to be considered "fully vaccinated". In our view, China is unlikely to reopen until its vaccination rate rises significantly and older populations become less vulnerable to COVID. This could take time, and with China most proud of its low fatality rate over the past few years, we have our doubts that China would put its population and low fatality rate at risk. The other reason we believe China is not prepared to fully reopen is political in nature. We believe President Xi, now that he received his third term in office, is now focused on his long-term legacy and placing himself on a similar pedestal to Mao. Part of that legacy will be making sure China's broader population is safe, both from a health perspective and a financial perspective. In that sense, while China may be moving to a lighter-touch approach to COVID, Xi will not want to risk part of his legacy at this point, especially with the local vaccination rate as low as it is.

What does this mean for China's economy? In our view, China's growth prospects are likely to remain sluggish for the foreseeable future. In fact, given the underwhelming October activity data, we revised our 2022 annual GDP forecast lower and now project China's economy to expand just 3% this year. With this downward revision, our 2022 forecast is now further below-consensus. Our longer-term view for persistent Zero-COVID policies also underpins our view that China will grow at subdued levels for the next few years. In 2023, we believe China's economy will grow below 5% as virus flare-ups result in broad mobility restrictions over the entire course of 2023. And as the local economy struggles to gather momentum under COVID policy as well as the slumping real estate industry, we believe policies will likely turn more accommodative. This accommodative policy should support the economy modestly, but not enough to return China into the growth powerhouse it once was. Authorities recently announced a large fiscal package to support the real estate sector, while we also have a view that the People's Bank of China (PBoC) will ease monetary policy further in an attempt to offset a portion of the economic slowdown. This view on PBoC monetary policy contributes to our view for a weaker renminbi into early 2023. Diverging paths between Fed-PBoC monetary policy should keep depreciation pressure on the Chinese currency for the next few quarters, or at least until the Fed makes a more explicit pivot toward pausing interest rate hikes or even outright easing monetary policy. In that sense, we believe the renminbi can trend weaker over the coming quarters, and the USD/CNY and USD/CNH exchange rates can reach 7.20 by early 2023, only recovering ground against the dollar during the second half of 2023.

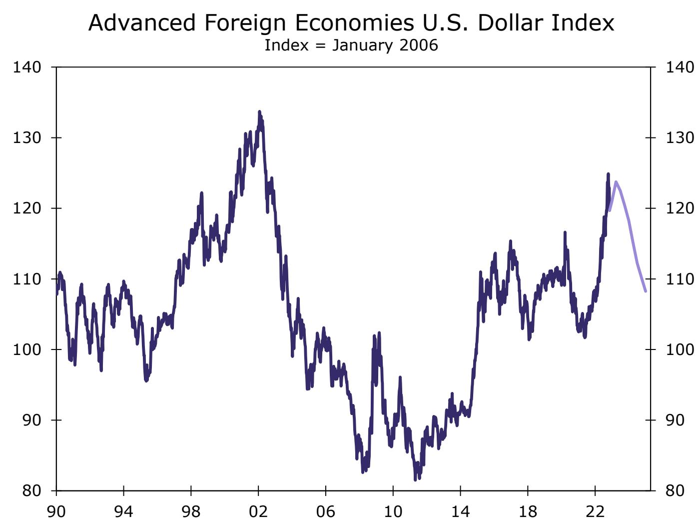
Foreign Exchange Market Approaching a Turning Point

With respect to currency markets, for most of 2022 the over-arching theme has been that of U.S. dollar strength. In fact, even after some moderate softening in recent weeks, the Federal Reserve's trade-weighted dollar index versus advanced foreign economies is still up around 11% so far this year-term. For the near term, we expect this theme of, and outlook for, U.S. dollar strength to remain intact. As we highlighted earlier, U.S. economic trends remain quite resilient in comparison to other major developed economies, while we also see the Federal Reserve pursuing a more aggressive pace of monetary tightening compared to other major central banks. At the same time, given increasing

conviction that an inflation peak is close at hand, we also have increasing conviction that a U.S. dollar peak could quite possibly have already been reached.

With the Fed, in our view, set to end its rate hike cycle by March 2023, and most other central banks seen finishing their tightening cycles at a similar time, we believe the U.S. dollar could gain a further 3.5% over the next three to four months, returning close to its highs from earlier in 2022. The extent of that forecast greenback gain over the next three to four months is not insignificant. However, it is now close enough in our view—both in terms of length of time and magnitude of move—to begin contemplating what we expect will happen after that, an extended period of U.S. dollar depreciation.

An end to U.S. rate hikes and an end to U.S. economic growth are factors that should bring the greenback's renewed gains to an end by early next year and, at least initially, a contraction in U.S. economic activity should be a key factor contributing to U.S. dollar depreciation. In fact to give a sense of swing in growth differentials, over the next three quarters (Q4-2022 to Q2-2023) the U.S. is expected to grow a cumulative 0.5%, while the other G7 economies contract a cumulative 0.8%, representing U.S. growth ***outperformance*** of 1.3 percentage points over that period. But in the following three quarters from Q3-2023 to Q1-2024, we expect the U.S. to contract a cumulative 1.6%, while the other G7 economies grow a cumulative 1.3%, representing U.S. growth ***underperformance*** of 2.9 percentage points over that period. The massive swing in relative growth performance will, we think, be the initial trigger for U.S. dollar depreciation.



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

In 2024, we expect the trend of U.S. dollar depreciation to also be reinforced by aggressive monetary policy easing from the Federal Reserve. We expect Fed rate cuts to begin in the first quarter of that year, and see a total of 250 bps of reduction from the Fed's policy rate peak. Indeed, over our forecast horizon (to end-2024) and drawing on the adage of "the bigger they are, the harder they fall", the rate cuts from the policy peak delivered from the Fed will outpace those delivered by the Bank of England (150 bps), Bank of Canada (125 bps) and European Central Bank (75 bps). U.S. growth underperformance combined with aggressive Fed easing should, in our view, lead to an accelerated pace of dollar depreciation in 2024. Altogether, we forecast moderate weakness in the greenback during 2023 and more pronounced weakness in the U.S. currency during 2024. The length of time (a cumulative seven quarters) and extent (a cumulative 12.5%) of U.S. dollar softness we forecast over the medium term comfortably exceeds the U.S. dollar strength we project in the near term. It is against that backdrop that our focus has begun to shift toward the outlook for a softer U.S. dollar over time and why, before long, corporates and investors may increasingly start preparing and positioning for that potential U.S. dollar depreciation.

High Conviction Views

- **Global inflation is close to peaking.** There are tentative encouraging signs global CPI is reaching a peak. Inflation has slowed across the Americas, as well for several emerging economies, even if price pressures remain elevated across Europe. Fundamentally, higher interest rates and slower economic growth, a lessening in supply chain disruptions, and a drop in commodity prices, are all consistent with an easing in price pressures going forward. We expect global CPI inflation to peak by Q1-2023, if not earlier.
- **The trade-weighted U.S. dollar could have already reached its cyclical high**. With inflation nearing its peak, we also believe the U.S. dollar could quite possibly have already reached its cyclical peak as well. In the near term, the resilience of the U.S. economy (in contrast to recession in Europe) and a still hawkish Fed should see renewed greenback gains. However, over the longer term, growth and interest rate trends should swing sharply against the dollar, as the U.S. falls into recession from the middle of next year, and the Fed cuts rates aggressively in 2024. We see a moderate 3.5% gain in the trade-weighted dollar through early 2023, followed by an extended 12.5% decline thereafter.
- **We expect a strong rebound in the Japanese yen over the medium term.** Although we anticipate U.S. dollar strength to continue into early 2023, we see the Japanese currency strengthening over the medium term, and believe the USD/JPY exchange rate could reach JPY135.00 by Q1-2024. Changes in economic fundamentals should be a more influential currency driver than recent foreign exchange interventions, and we believe the yen will be especially sensitive to changes in monetary policy rates. Given we expect the Federal Reserve to stop raising rates by early 2023, we see solid prospects for a stronger yen past that point.
- **We expect the British pound to be an underperformer.** We forecast a protracted recession in the United Kingdom, reinforced by the government's fiscal consolidation in its Autumn Statement, As a result, we expect Bank of England rate to lag behind the Fed and market participants' expectation, while we also see the U.K. central bank easing monetary policy by late next year. Against this backdrop, we expect the pound to be an underperformer within the G10 currencies, showing renewed weakness through early 2023 and only a modest rebound thereafter.
- **The Swiss National Bank may be surprisingly hawkish**. We hold an above-consensus view on the outlook for Swiss inflation, and given recent hawkish-leaning comments from the SNB, we see the central bank's terminal rate reaching 1.75%, above the consensus forecast. Along with tighter monetary policy providing support for the currency, evidence of recent franc-buying foreign exchange intervention by the SNB should also be positive for the Swiss currency.
- **The Chilean peso is likely to under perform.** As central bank FX intervention dissipates, the economy slips into recession and political risks rebuild, we expect the Chilean peso to trend weaker against the dollar over our forecast horizon. We also believe underlying fundamentals are consistent with a weaker sovereign credit rating, and we believe multiple notches of rating downgrades can materialize in the next 12 months and contribute to peso depreciation.
- **We expect an explicit Argentine peso devaluation by the end of this year.** While a new economy minister is promising for the completion of the IMF program, a more flexible exchange rate will be needed to receive additional fund disbursements. As progress toward IMF targets is made, we believe the central bank will devalue the peso in Q4-2022.

Currency	Forecasted % Change to Q1-23*	
Trade Weighted Dollar (USD)	3.4%	most bullish
Thai Baht (THB)	-0.1%	
Mexican Peso (MXN)	-0.1%	
South Korean Won (KRW)	-0.4%	
Chinese Renminbi (CNH)	-0.4%	
Chinese Renminbi (CNY)	-0.5%	
Indonesian Rupiah (IDR)	-0.6%	
Singapore Dollar (SGD)	-0.6%	
Brazilian Real (BRL)	-0.6%	
Indian Rupee (INR)	-0.8%	
Taiwan Dollar (TWD)	-1.0%	
Philippine Peso (PHP)	-1.1%	
Peruvian Sol (PEN)	-1.3%	
Israeli Shekel (ILS)	-2.2%	
Japanese Yen (JPY)	-2.4%	
Chilean Peso (CLP)	-2.6%	
Canadian Dollar (CAD)	-2.7%	
Swedish Krona (SEK)	-2.9%	
Swiss Franc (CHF)	-3.3%	
South African Rand (ZAR)	-3.6%	
Russian Ruble (RUB)	-3.7%	
Colombian Peso (COP)	-4.2%	
British Pound (GBP)	-4.3%	
Euro (EUR)	-4.4%	
Australian Dollar (AUD)	-4.7%	
New Zealand Dollar (NZD)	-5.1%	
Norweigian Krone (NOK)	-5.2%	
Hungarian Forint (HUF)	-7.2%	
Turkish Lira (TRY)	-7.4%	
Polish Zloty (PLN)	-9.0%	
Czech Koruna (CZK)	-9.5%	
Argentine Peso (ARS)	-10.3%	most bearish

Forecast as of: November 21 , 2022
*Percentage Change Against USD, Q1-23 Vs. Current Spot Rate

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

Wells Fargo International Economic Forecast

	GDP				CPI			
	2021	2022	2023	2024	2021	2022	2023	2024
Global (PPP Weights)	6.0%	2.2%	1.6%	2.6%	4.7%	7.2%	5.2%	3.6%
Advanced Economies[1]	5.2%	2.7%	0.2%	1.2%	3.1%	8.0%	5.2%	2.4%
United States	5.9%	1.9%	0.1%	-0.2%	4.7%	8.1%	4.1%	2.7%
Eurozone	5.2%	3.2%	-0.7%	2.0%	2.6%	8.5%	6.3%	2.1%
United Kingdom	7.4%	4.4%	-1.5%	1.7%	2.6%	9.2%	8.9%	2.5%
Japan	1.7%	1.4%	1.2%	1.5%	-0.2%	2.4%	1.8%	0.8%
Canada	4.5%	3.3%	0.2%	2.4%	3.4%	6.8%	3.4%	1.9%
Switzerland	4.2%	2.0%	0.1%	2.2%	0.6%	3.1%	2.2%	1.5%
Australia	4.9%	3.8%	1.7%	2.4%	2.8%	6.4%	4.3%	2.9%
New Zealand	5.6%	2.2%	1.5%	1.8%	3.9%	7.0%	3.8%	2.0%
Sweden	5.1%	3.2%	0.4%	2.0%	2.7%	8.0%	5.0%	2.2%
Norway	3.9%	0.4%	0.3%	1.0%	3.5%	6.0%	4.1%	2.5%
Developing Economies[1]	6.6%	1.8%	2.8%	3.6%	5.9%	6.6%	5.2%	4.6%
China	8.1%	3.0%	4.9%	4.9%	0.9%	2.1%	2.3%	2.0%
India	8.7%	6.0%	5.6%	6.5%	5.5%	6.8%	4.5%	5.0%
Mexico	4.8%	2.5%	0.9%	2.4%	5.7%	7.9%	5.4%	3.6%
Brazil	4.6%	2.5%	0.6%	2.4%	8.3%	9.0%	5.0%	4.0%

Forecast as of: November 21, 2022

[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	2022		2023				2024
	Current	Q4	Q1	Q2	Q3	Q4	Q1
United States	4.00%	4.50%	5.25%	5.25%	5.25%	5.25%	4.25%
Eurozone[1]	1.50%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
United Kingdom	3.00%	3.50%	3.75%	3.75%	3.75%	3.25%	2.75%
Japan	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Canada	3.75%	4.00%	4.25%	4.25%	4.25%	3.75%	3.25%
Switzerland	0.50%	1.25%	1.75%	1.75%	1.75%	1.75%	1.75%
Australia	2.85%	3.10%	3.35%	3.35%	3.35%	3.35%	3.35%
New Zealand	3.50%	4.25%	4.75%	5.00%	5.00%	4.50%	4.00%
Sweden	1.75%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Norway	2.50%	2.75%	3.25%	3.25%	3.25%	3.25%	3.25%
China[3]	11.25%	10.75%	10.75%	10.75%	10.75%	10.25%	10.25%
India	5.90%	6.40%	6.40%	6.40%	5.90%	5.40%	5.15%
Mexico	10.00%	10.50%	11.25%	11.25%	11.25%	11.25%	10.25%
Brazil	13.75%	13.75%	13.75%	13.25%	12.75%	12.25%	11.75%

2-Year Note	2022		2023				2024
	Current	Q4	Q1	Q2	Q3	Q4	Q1
United States	4.51%	4.65%	4.80%	4.70%	4.30%	3.40%	2.95%
Eurozone[2]	2.09%	2.20%	2.40%	2.40%	2.35%	2.15%	2.05%
United Kingdom	3.22%	3.20%	3.30%	3.30%	2.95%	2.80%	2.65%
Japan	-0.02%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
Canada	3.95%	4.00%	4.10%	4.05%	3.80%	3.40%	3.00%

10-Year Note	2022		2023				2024
	Current	Q4	Q1	Q2	Q3	Q4	Q1
United States	3.82%	4.15%	4.25%	4.20%	4.00%	3.40%	3.05%
Eurozone[2]	2.02%	2.20%	2.40%	2.35%	2.30%	2.15%	2.10%
United Kingdom	3.25%	3.40%	3.45%	3.40%	2.15%	2.95%	2.80%
Japan	0.25%	0.25%	0.25%	0.25%	0.20%	0.20%	0.15%
Canada	3.10%	3.35%	3.40%	3.30%	3.20%	3.00%	2.90%

Forecast as of: November 21, 2022

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

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

Wells Fargo International FX Forecast

Currency Pair*	Current Rate	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024
G10							
EUR/USD	1.0248	1.0100	0.9800	0.9900	1.0100	1.0300	1.0600
USD/JPY	141.67	143.00	145.00	143.00	141.00	138.00	135.00
GBP/USD	1.1805	1.1600	1.1300	1.1400	1.1500	1.1700	1.1900
USD/CHF	0.9583	0.9650	0.9900	0.9750	0.9500	0.9375	0.9150
USD/CAD	1.3432	1.3600	1.3800	1.3700	1.3500	1.3300	1.3000
AUD/USD	0.6611	0.6500	0.6300	0.6400	0.6600	0.6800	0.7000
NZD/USD	0.6113	0.6000	0.5800	0.5900	0.6100	0.6300	0.6500
USD/NOK	10.2338	10.3950	10.7650	10.7075	10.4950	10.2450	9.9050
USD/SEK	10.7132	10.7925	11.0200	10.9100	10.7925	10.6800	10.4725
Asia							
USD/CNY	7.1649	7.1800	7.2000	7.2000	7.1500	7.1000	7.0500
USD/CNH	7.1730	7.1800	7.2000	7.2000	7.1500	7.1000	7.0500
USD/IDR	15713	15700	15800	15700	15600	15500	15400
USD/INR	81.85	82.00	82.50	82.00	81.50	81.00	80.50
USD/KRW	1355.17	1350.00	1360.00	1350.00	1340.00	1330.00	1320.00
USD/PHP	57.35	57.75	58.00	57.75	57.25	56.75	56.25
USD/SGD	1.3818	1.3800	1.3900	1.3800	1.3700	1.3600	1.3500
USD/TWD	31.20	31.50	31.50	31.25	31.00	30.75	30.50
USD/THB	36.22	36.00	36.25	36.00	35.75	35.50	35.25
Latin America							
USD/BRL	5.3166	5.3500	5.3500	5.2500	5.1500	5.0500	4.9500
USD/CLP	945.68	960.00	970.00	980.00	990.00	1000.00	1010.00
USD/MXN	19.4801	19.5000	19.5000	19.2500	19.0000	18.7500	18.5000
USD/COP	4988	5100	5200	5100	5050	5000	4950
USD/ARS	163.16	170.00	180.00	190.00	200.00	210.00	220.00
USD/PEN	3.8293	3.8500	3.8800	3.8500	3.8300	3.8000	3.7700
Eastern Europe/Middle East/Africa							
USD/CZK	23.75	24.75	26.00	25.50	24.75	24.00	23.25
USD/HUF	399.71	406.00	428.50	419.25	406.00	393.25	382.00
USD/PLN	4.5889	4.7525	5.0000	4.9000	4.7525	4.6125	4.4800
USD/RUB	60.75	62.00	63.00	64.00	65.00	66.00	67.00
USD/ILS	3.4735	3.5000	3.5500	3.5000	3.4500	3.4000	3.3500
USD/ZAR	17.3722	17.5000	18.0000	17.5000	17.0000	16.5000	16.0000
USD/TRY	18.6210	19.0000	20.0000	21.0000	22.0000	23.0000	24.0000
Euro Crosses							
EUR/JPY	145.21	144.50	142.00	141.50	142.50	142.00	143.00
EUR/GBP	0.8681	0.8700	0.8675	0.8675	0.8775	0.8800	0.8900
EUR/CHF	0.9821	0.9750	0.9700	0.9650	0.9600	0.9650	0.9700
EUR/NOK	10.4877	10.5000	10.5500	10.6000	10.6000	10.5500	10.5000
EUR/SEK	10.9790	10.9000	10.8000	10.8000	10.9000	11.0000	11.1000
EUR/CZK	24.34	25.00	25.50	25.25	25.00	24.75	24.75
EUR/HUF	409.61	410.00	420.00	415.00	410.00	405.00	405.00
EUR/PLN	4.7028	4.8000	4.9000	4.8500	4.8000	4.7500	4.7500

Forecast as of: November 21, 2022

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

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