

**WELLS  
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**SECURITIES**

# The U.S. Economic Outlook

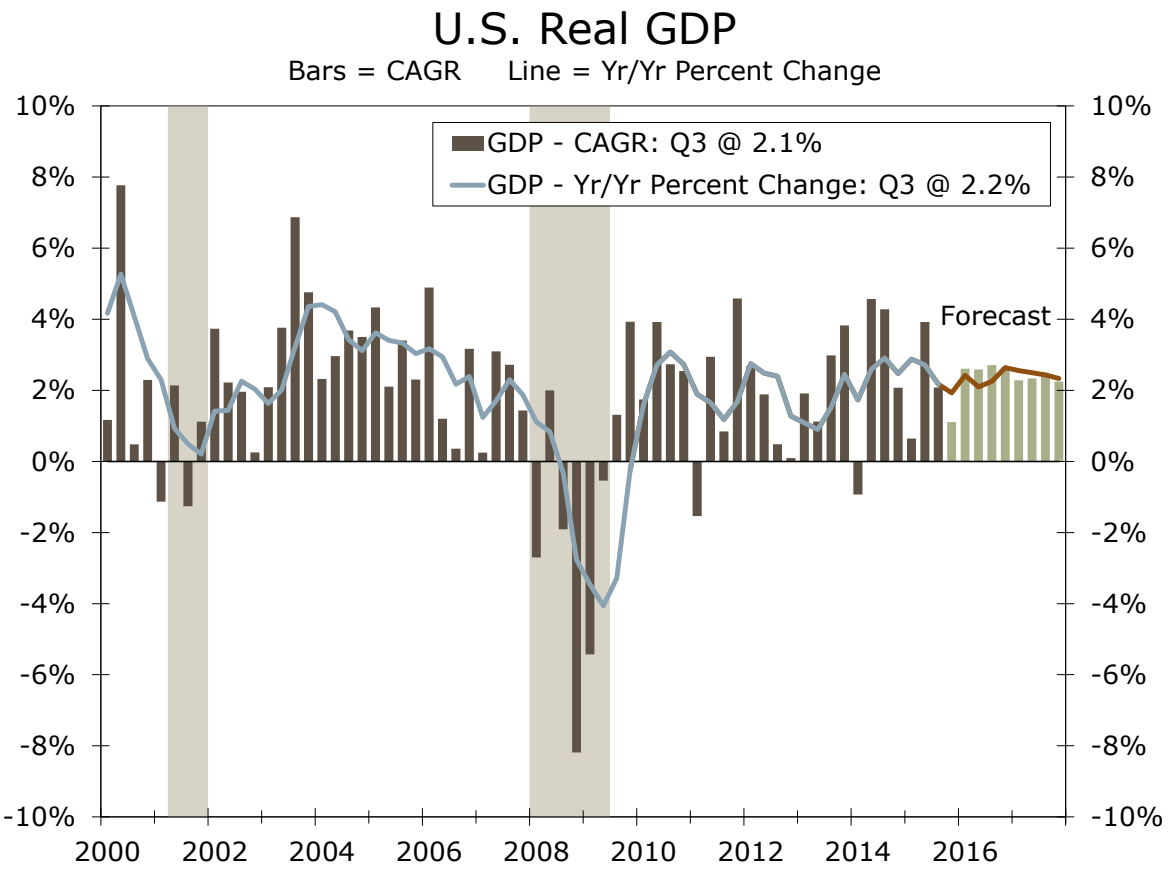
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Jay H. Bryson, Managing Director and Global Economist  
January 7, 2016

**Together we'll go far**



Our forecast looks for real GDP growth to remain generally solid in coming quarters

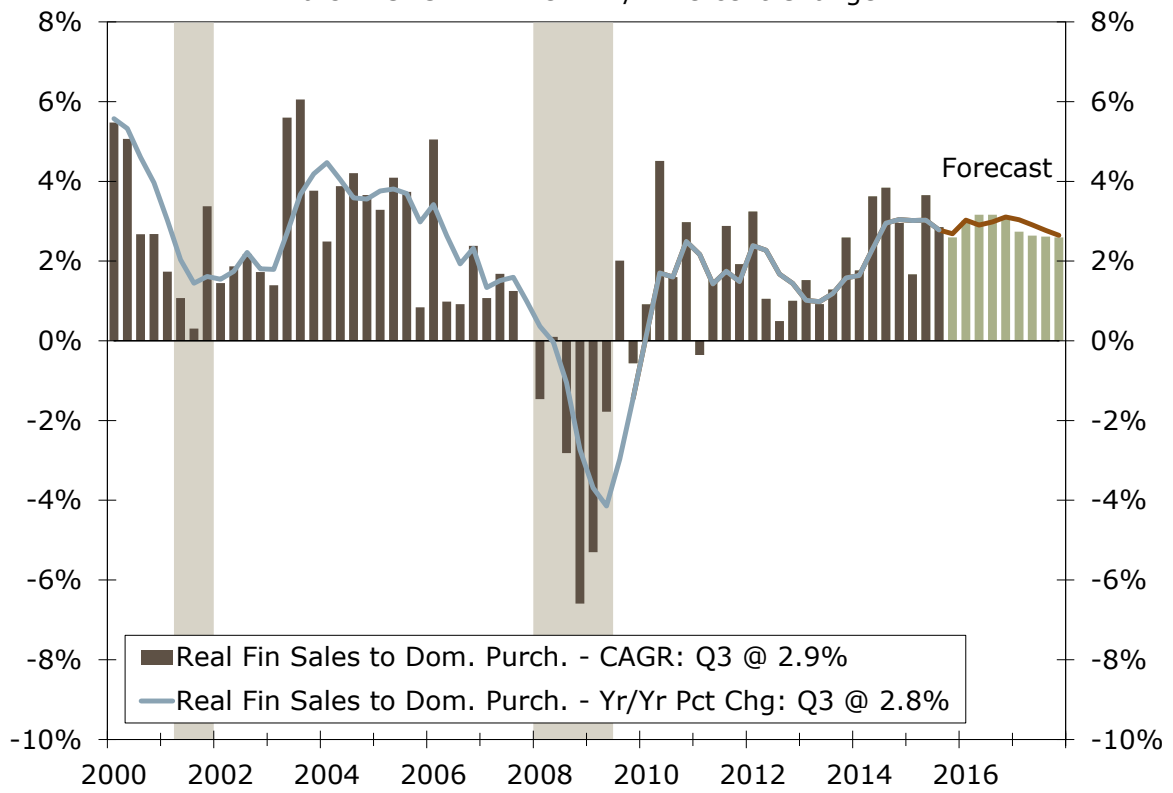


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Growth in domestic spending clearly has strengthened

### Real Final Sales to Domestic Purchasers

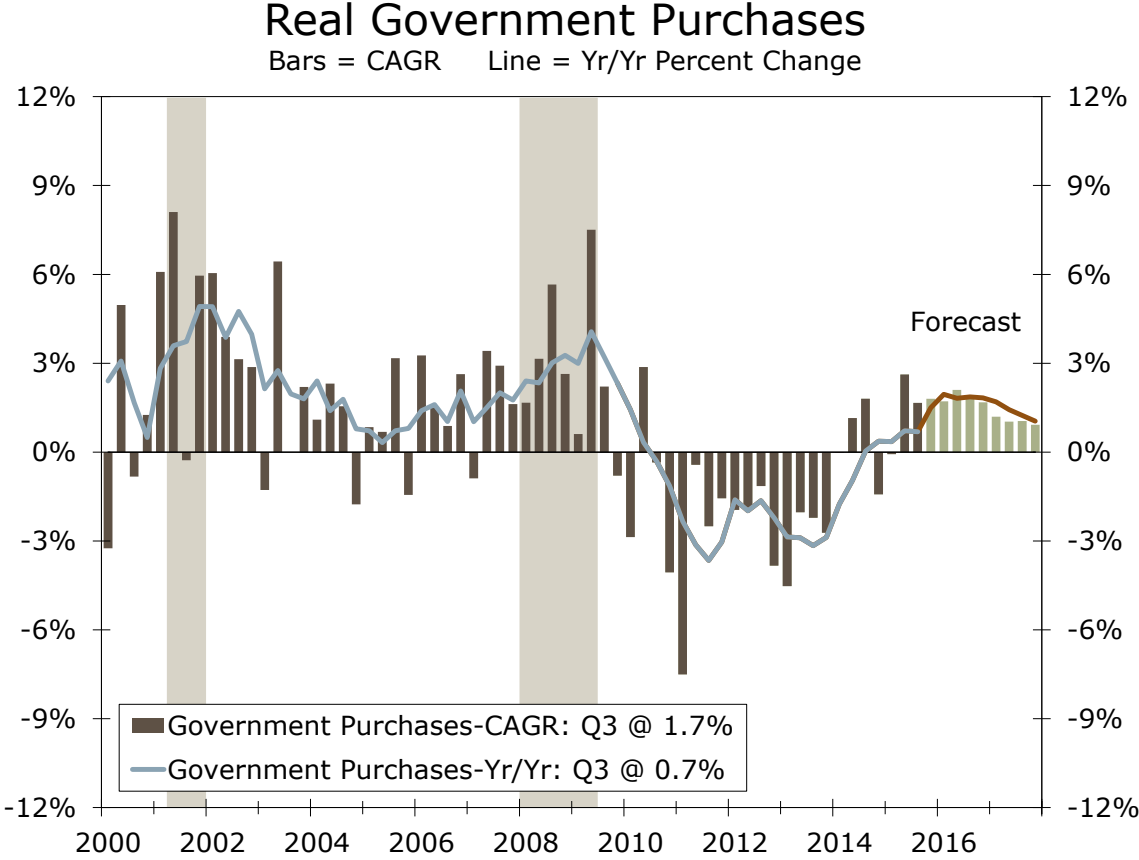
Bars = CAGR    Line = Yr/Yr Percent Change



■ Real Fin Sales to Dom. Purch. - CAGR: Q3 @ 2.9%  
 — Real Fin Sales to Dom. Purch. - Yr/Yr Pct Chg: Q3 @ 2.8%

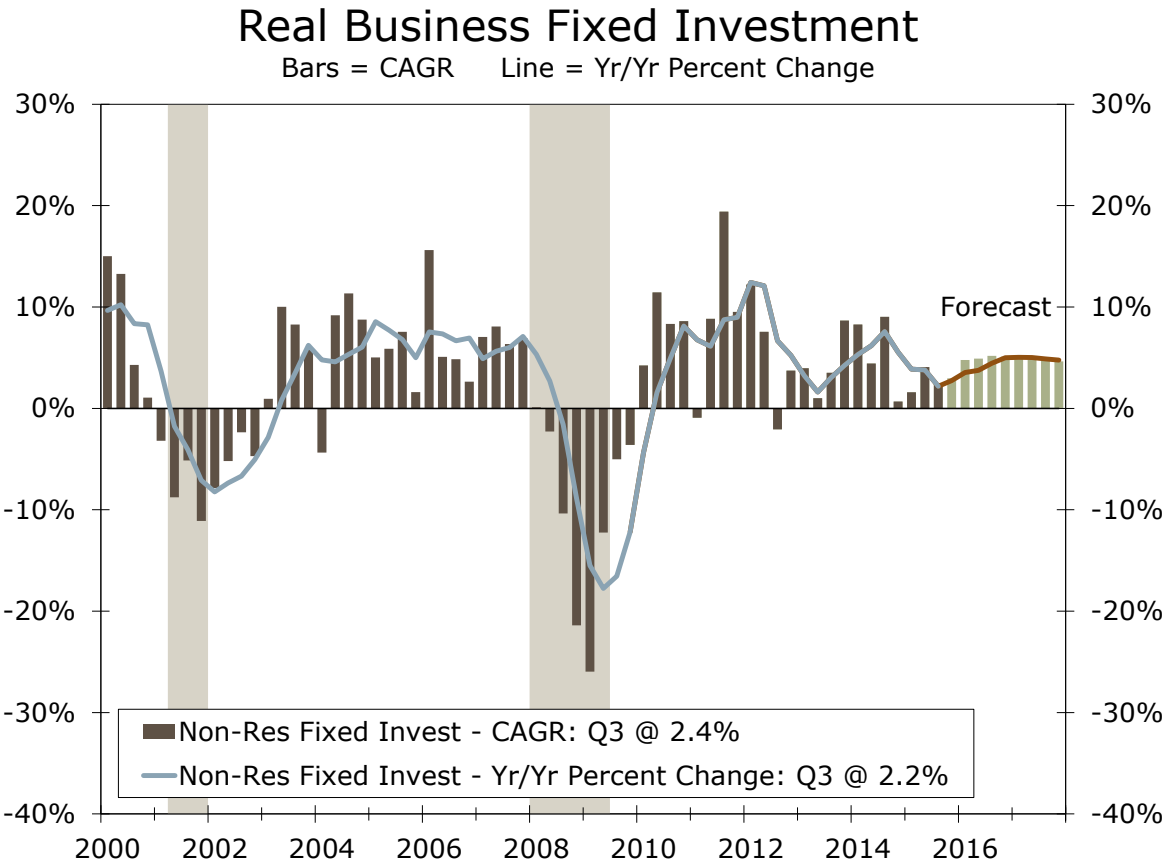
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The headwinds on growth from government spending have largely dissipated



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Business fixed investment spending should continue to grow at a solid pace, as it usually does at this point in the cycle

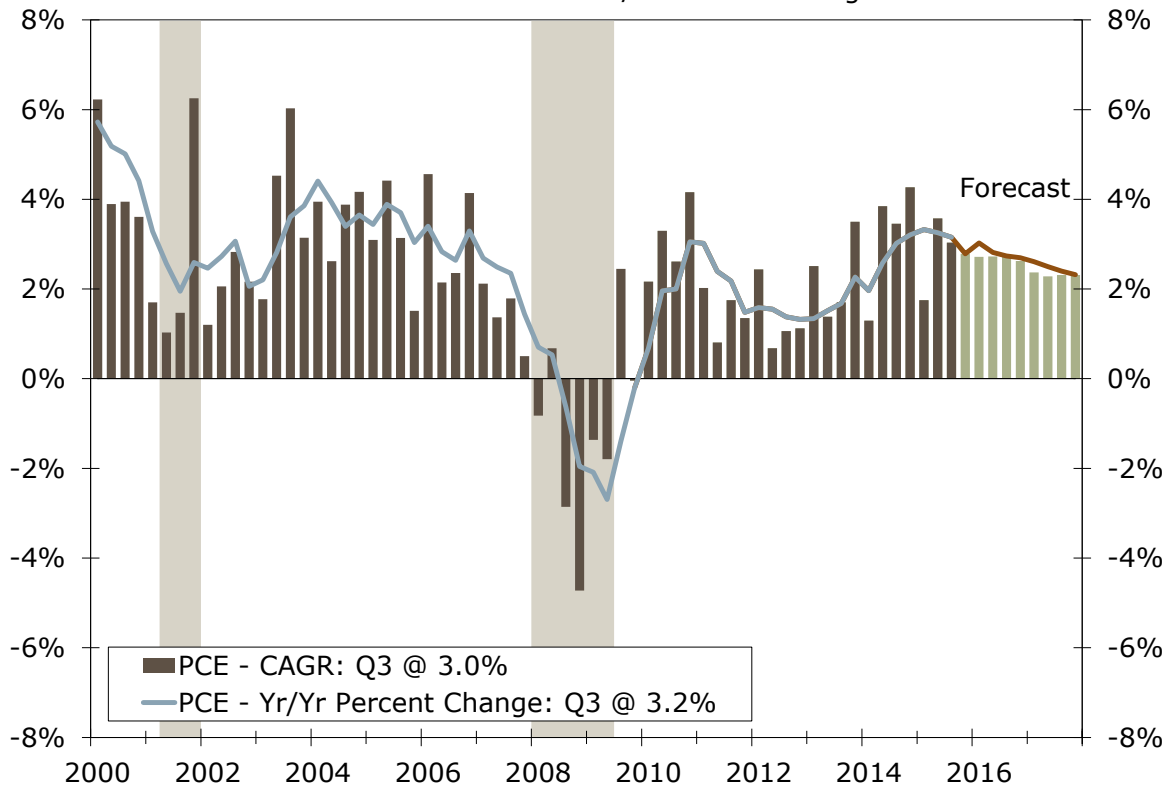


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Growth in consumer spending has ramped up in recent quarters

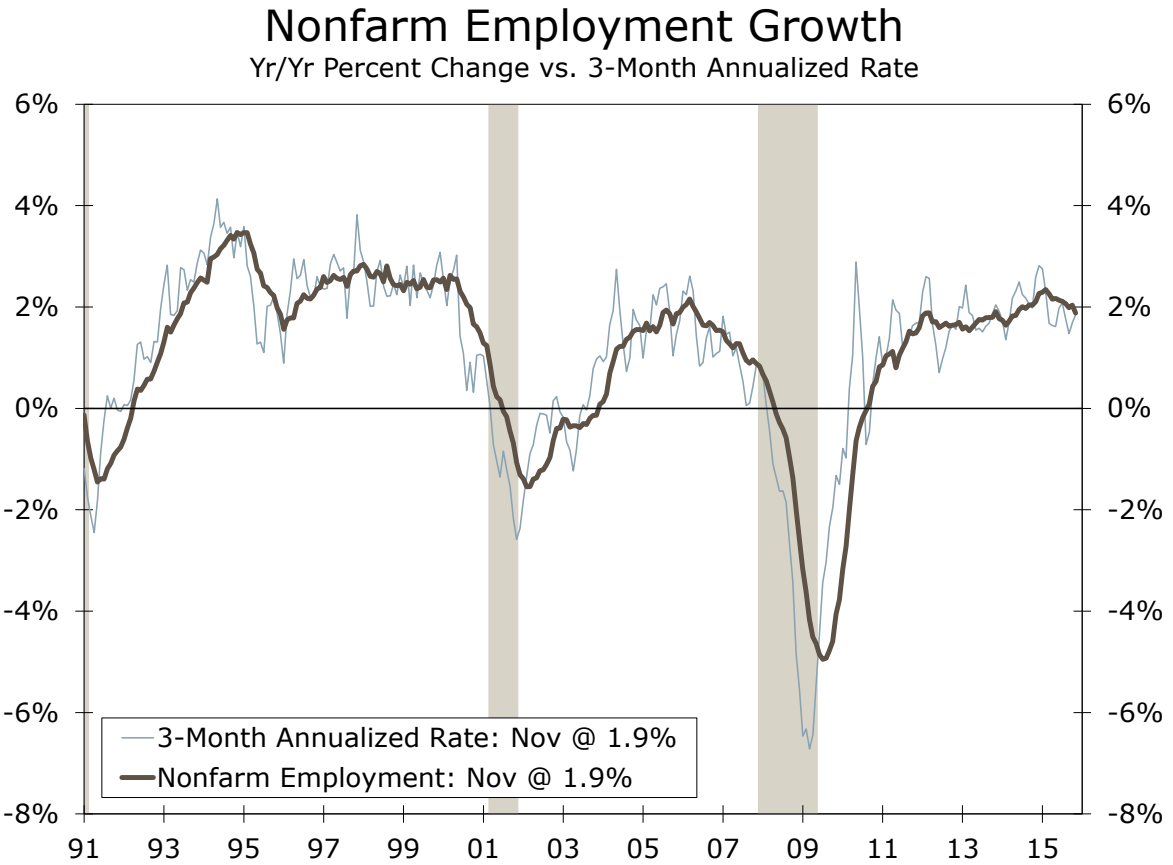
### Real Personal Consumption Expenditures

Bars = CAGR Line = Yr/Yr Percent Change



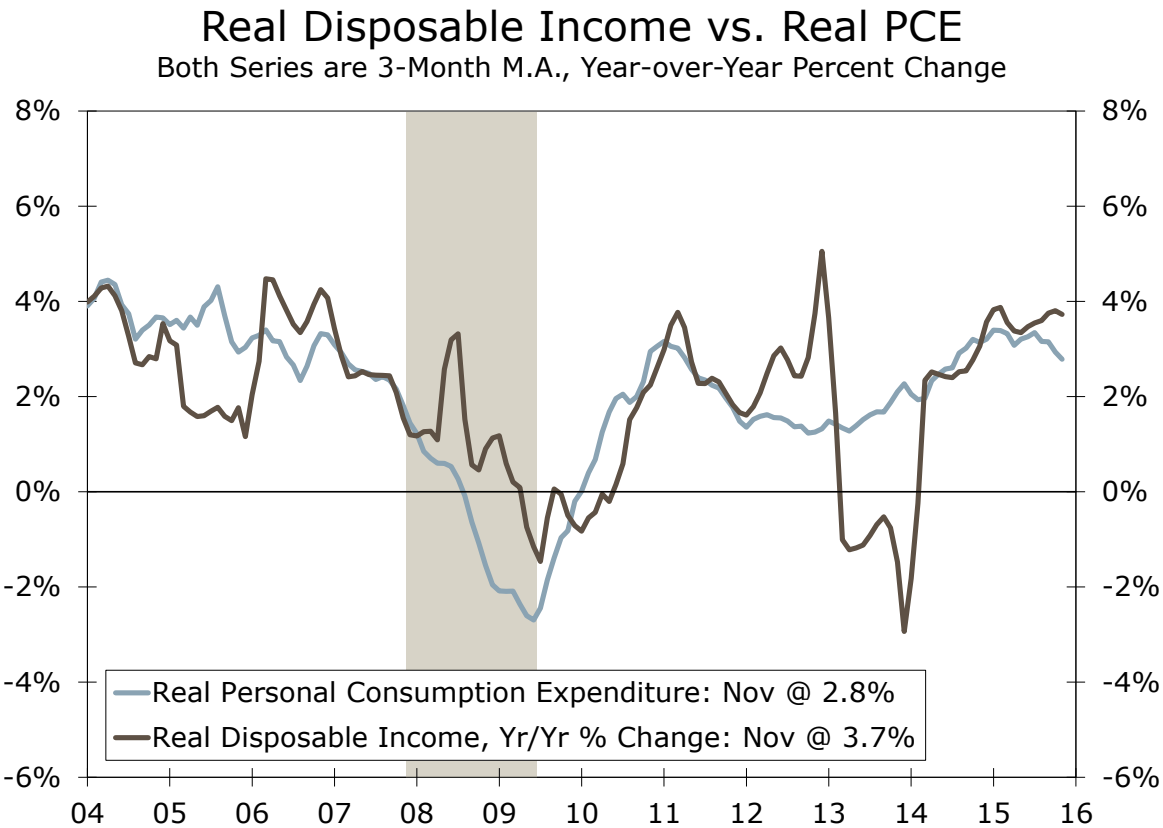
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Robust employment growth is helping to lift income growth



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Strong growth in disposable income is helping to support growth in consumer spending



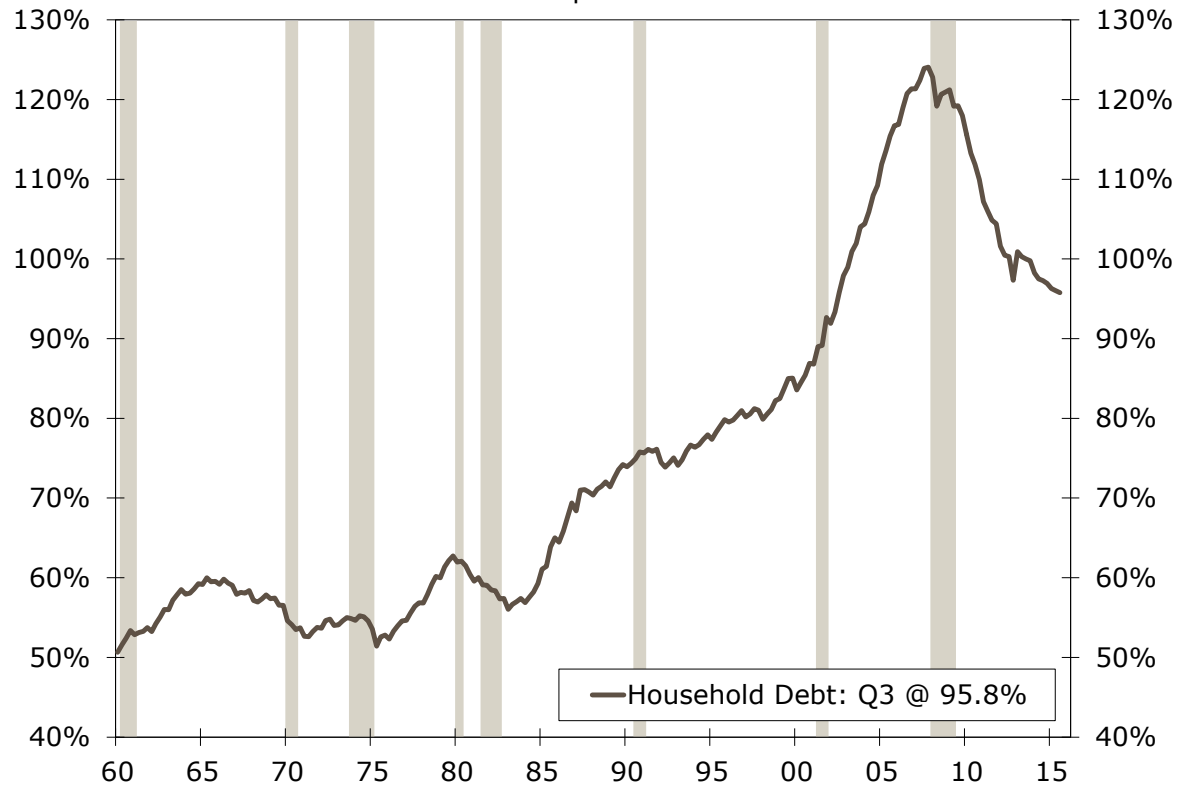
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC



Consumer de-leveraging may be nearing its final stages

### Household Debt - Consumer & Mortgage

As a Percent of Disposable Personal Income

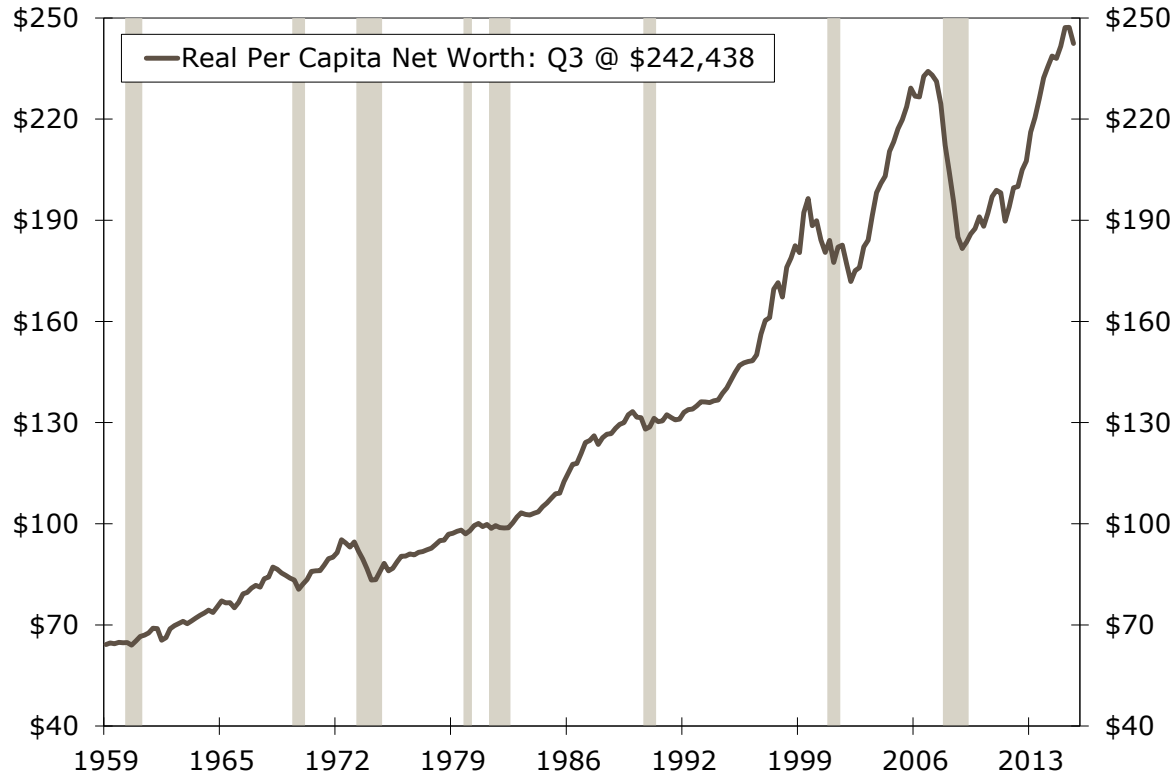


Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Securities, LLC

Real per capita net worth has returned to its previous high. Will the savings rate continue to trend lower?

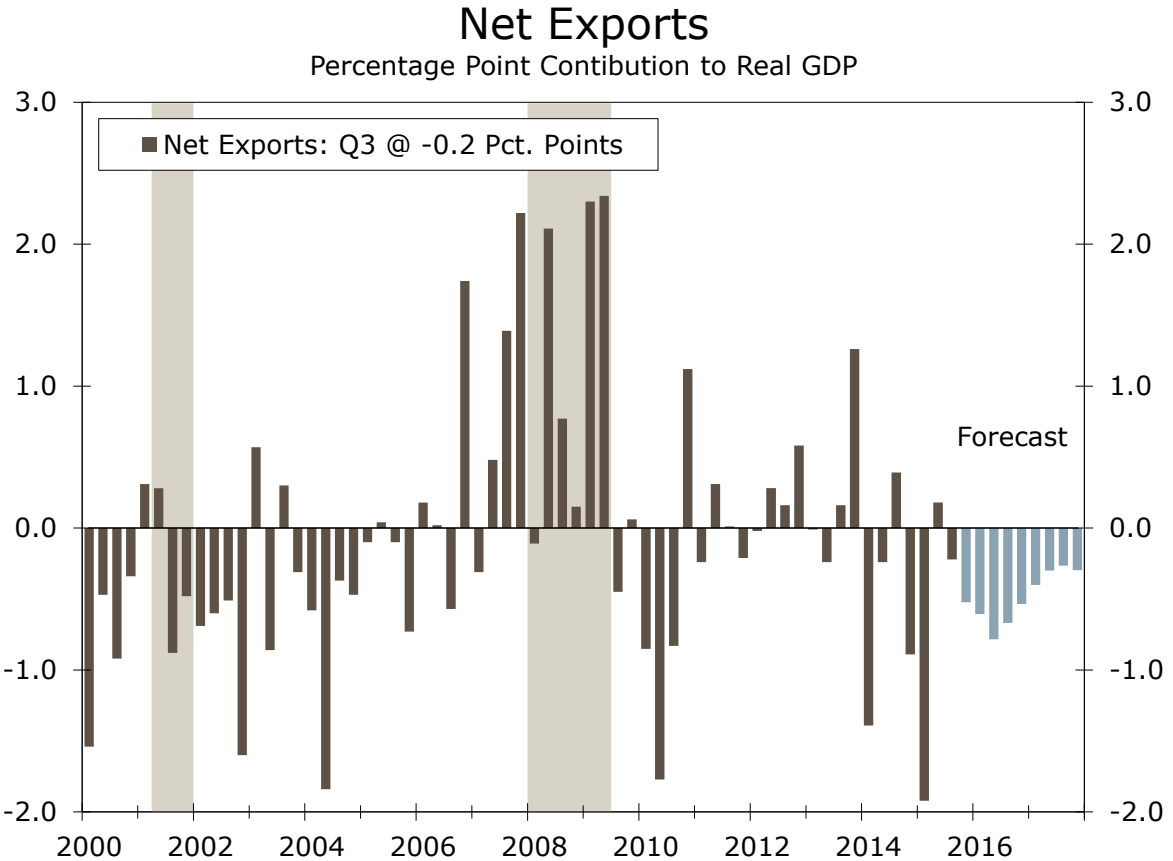
### Real Per Capita Household Net Worth

Thousands of 2009 Dollars



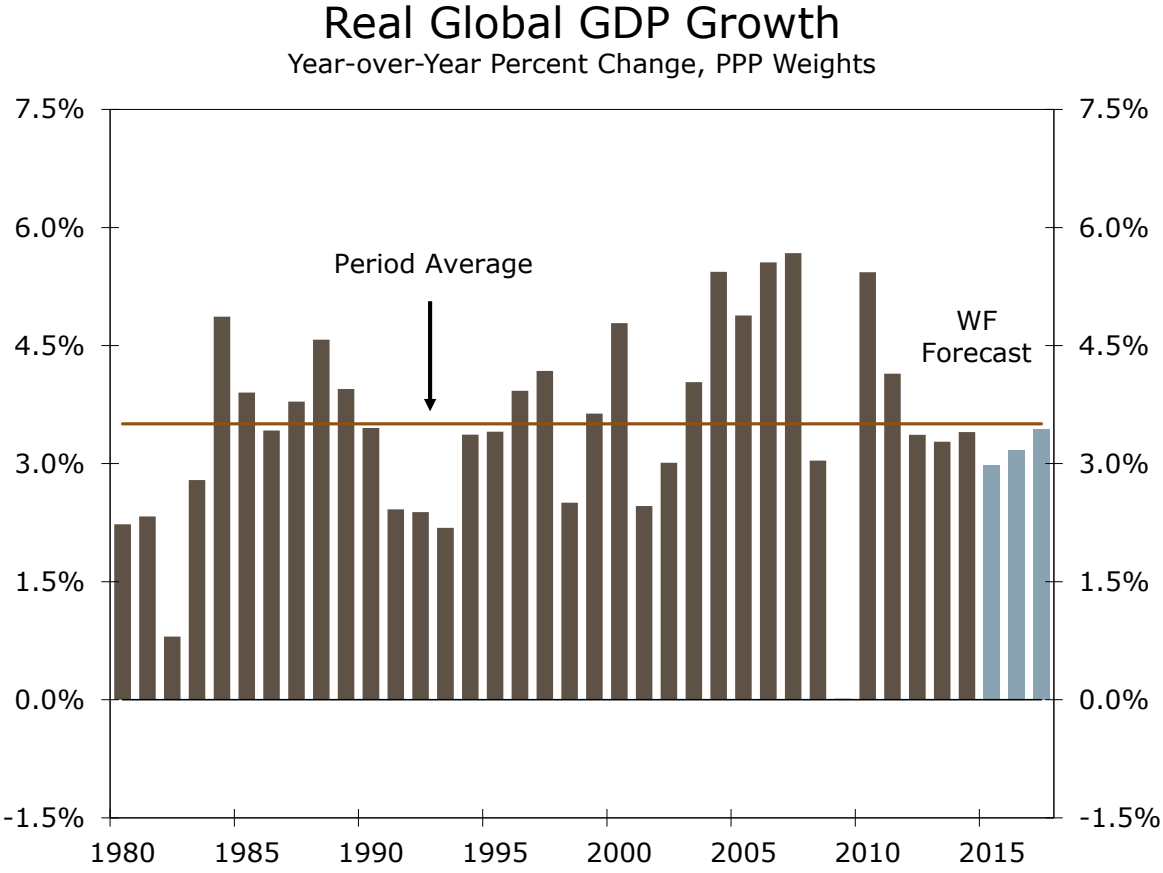
Source: Federal Reserve Board and Wells Fargo Securities, LLC

Net exports likely will exert a modest drag on growth going forward



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

We forecast that global GDP growth will remain below its long-run average in 2016



Source: International Monetary Fund and Wells Fargo Securities, LLC

It would take a sharp downturn in the rest of the world to have a meaningful effect on U.S. economic growth

### Global Economic Indicators

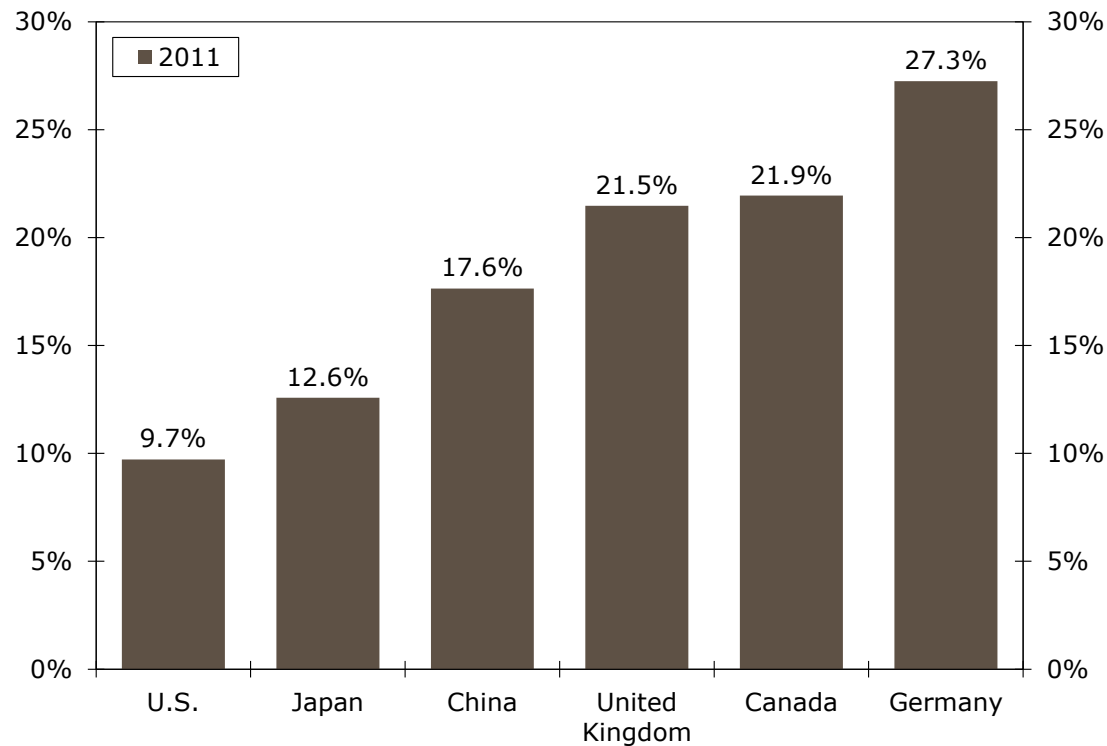
Year-over-Year Percent Change



Source: IHS Global Insight and Wells Fargo Securities, LLC

The United States derives only 10 percent of its value added from final spending in the rest of the world

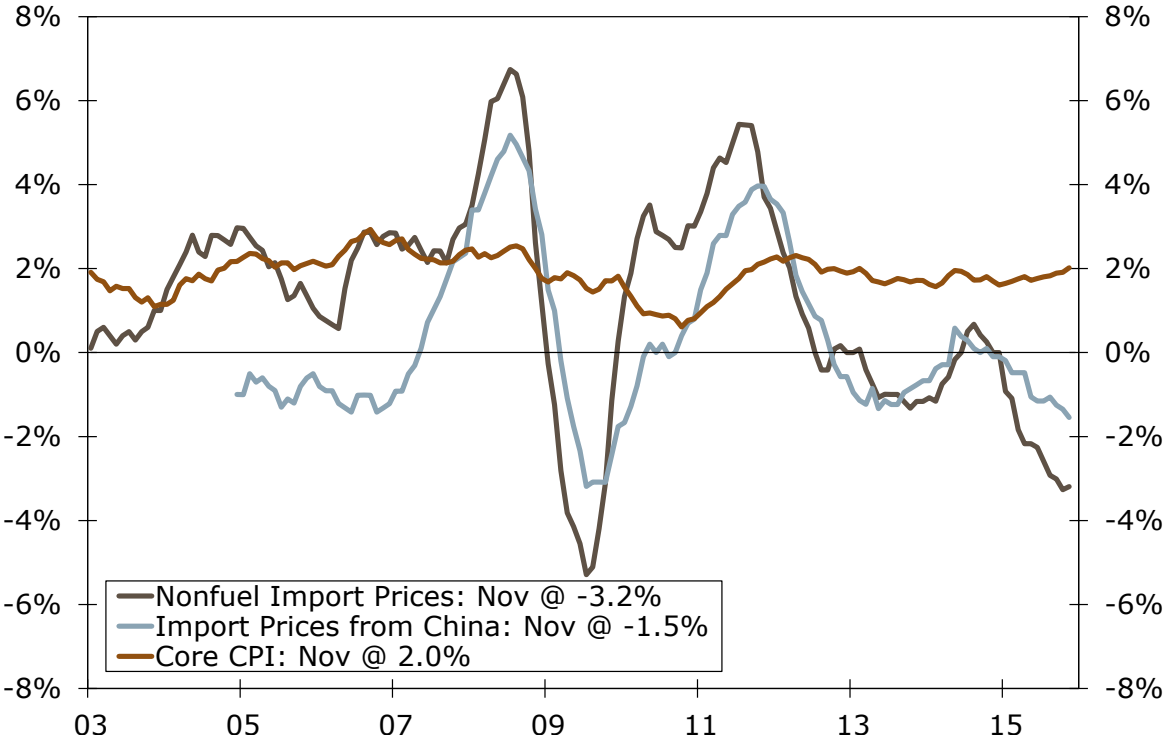
Value-Added Embodied in Foreign FDD  
Percent of Total Value-Added



Source: Organisation for Economic Cooperation and Development and Wells Fargo Securities, LLC

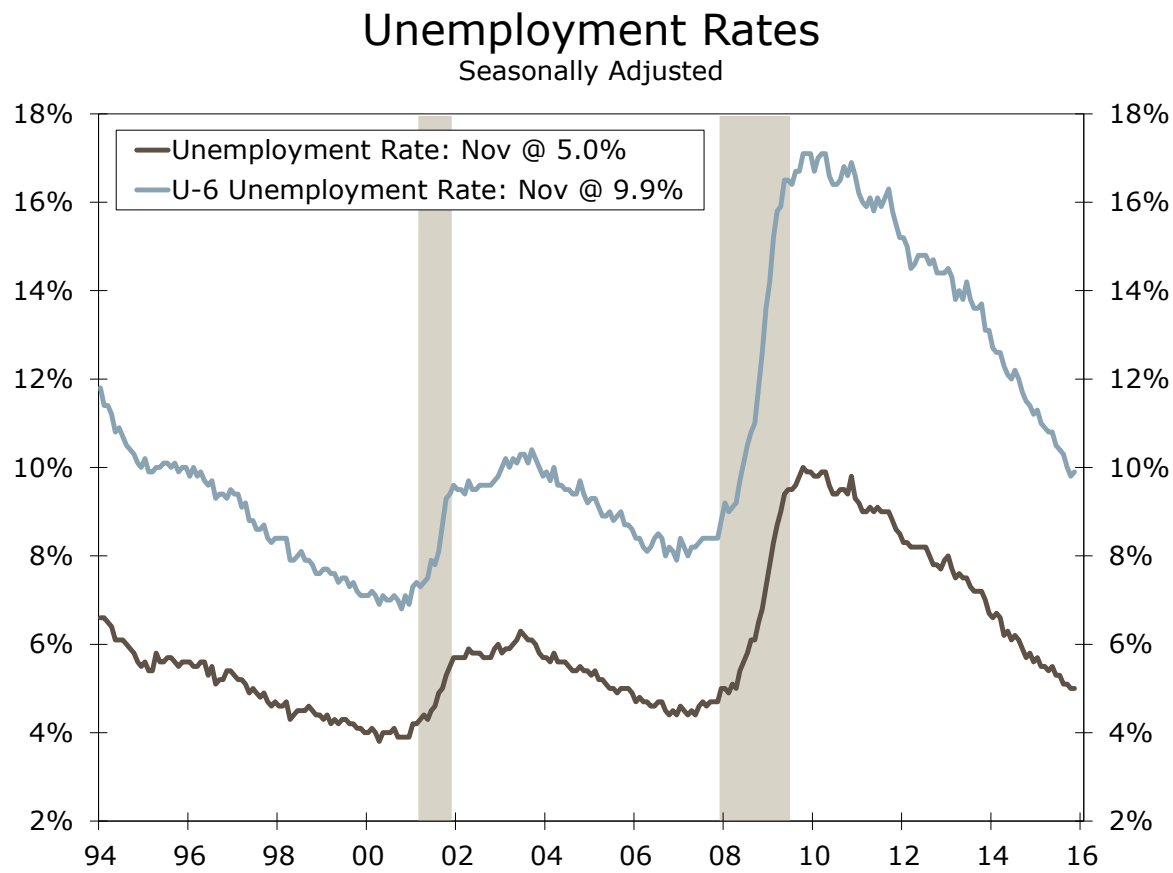
CPI inflation is not highly correlated with changes in prices of imports from China

U.S. Inflation Indicators  
Year-over-Year Percent Change



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

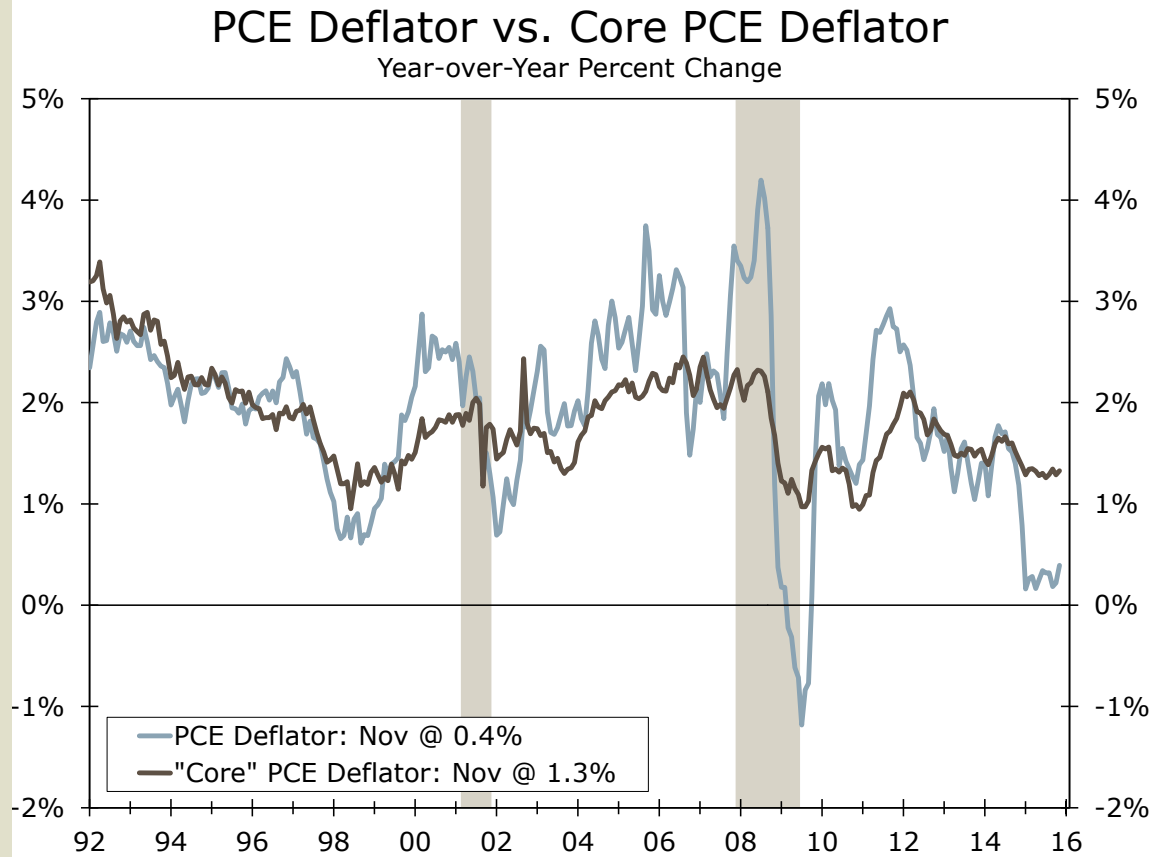
There is less slack in the labor market today



Source: U.S. Department of Labor and Wells Fargo Securities, LLC



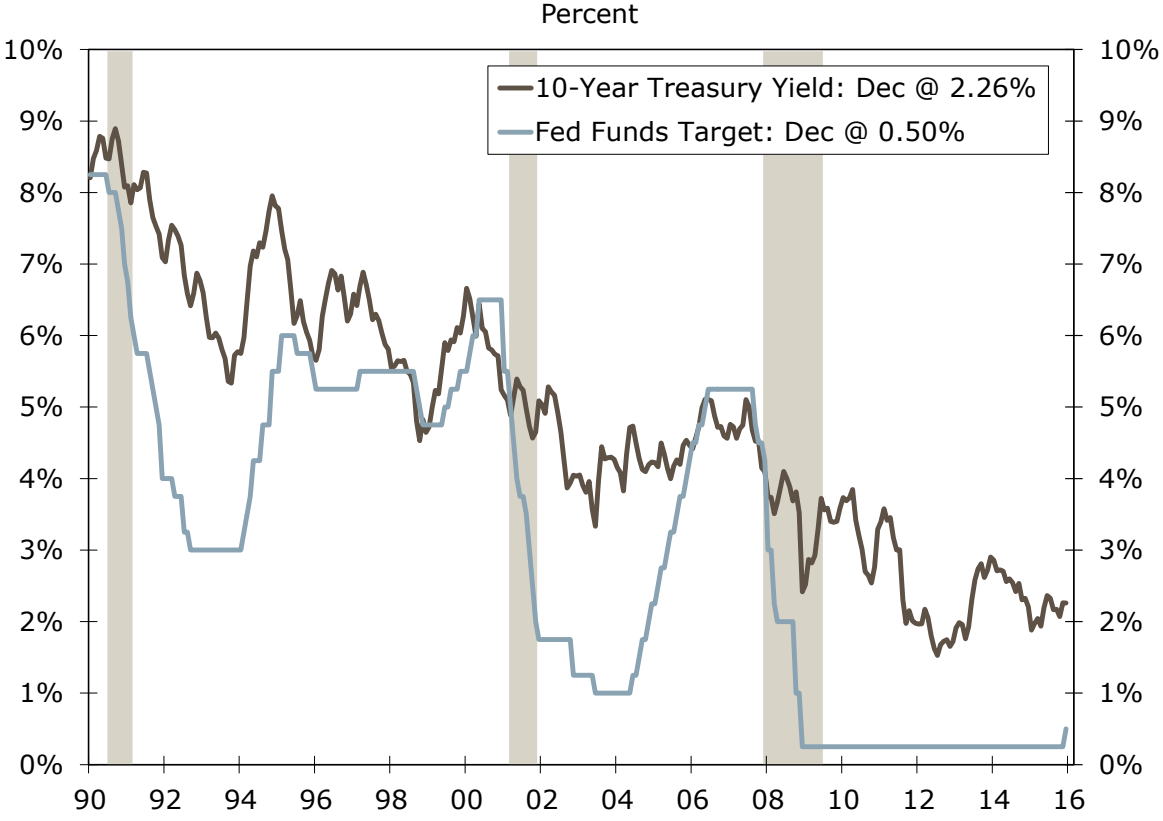
The drop in oil prices should cause the overall rate of inflation to recede, but “core” inflation likely will remain steady



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

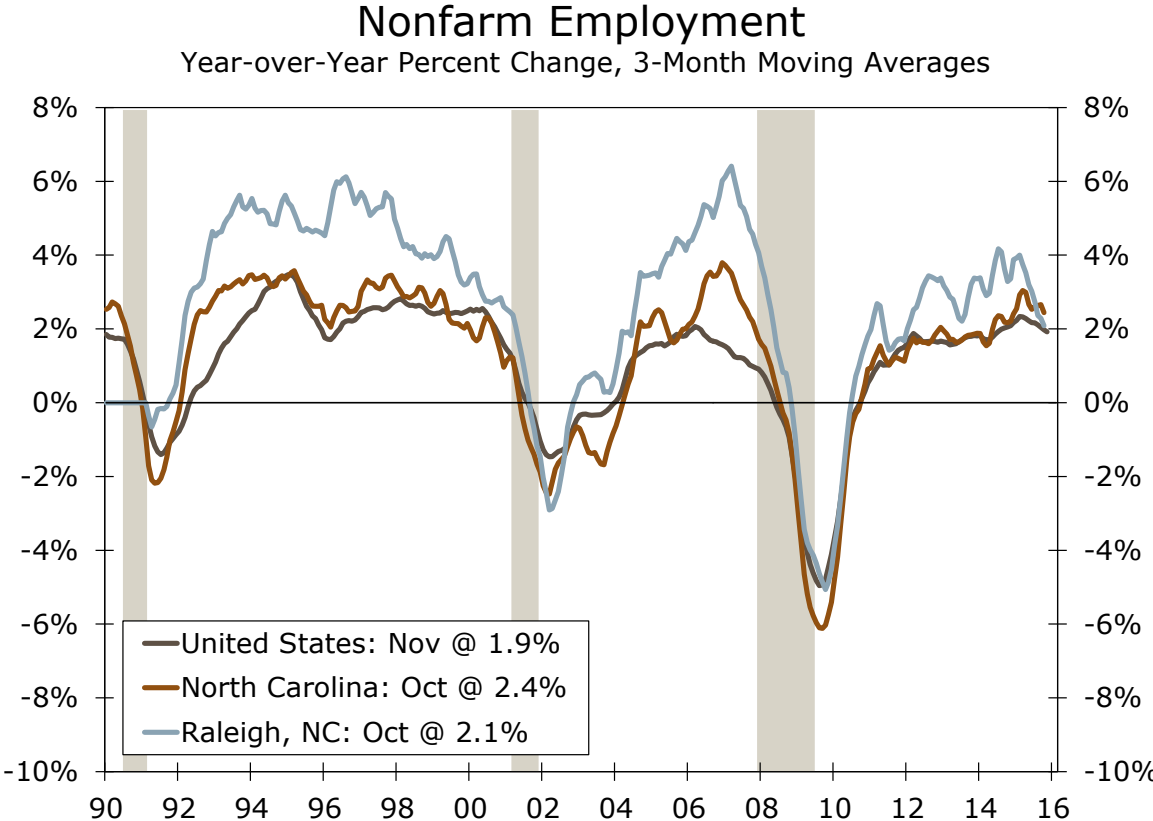
Short-term interest rates are headed higher, albeit at a slow pace

10-Yr Treasury and Federal Funds Target Rate



Source: IHS Global Insight and Wells Fargo Securities, LLC

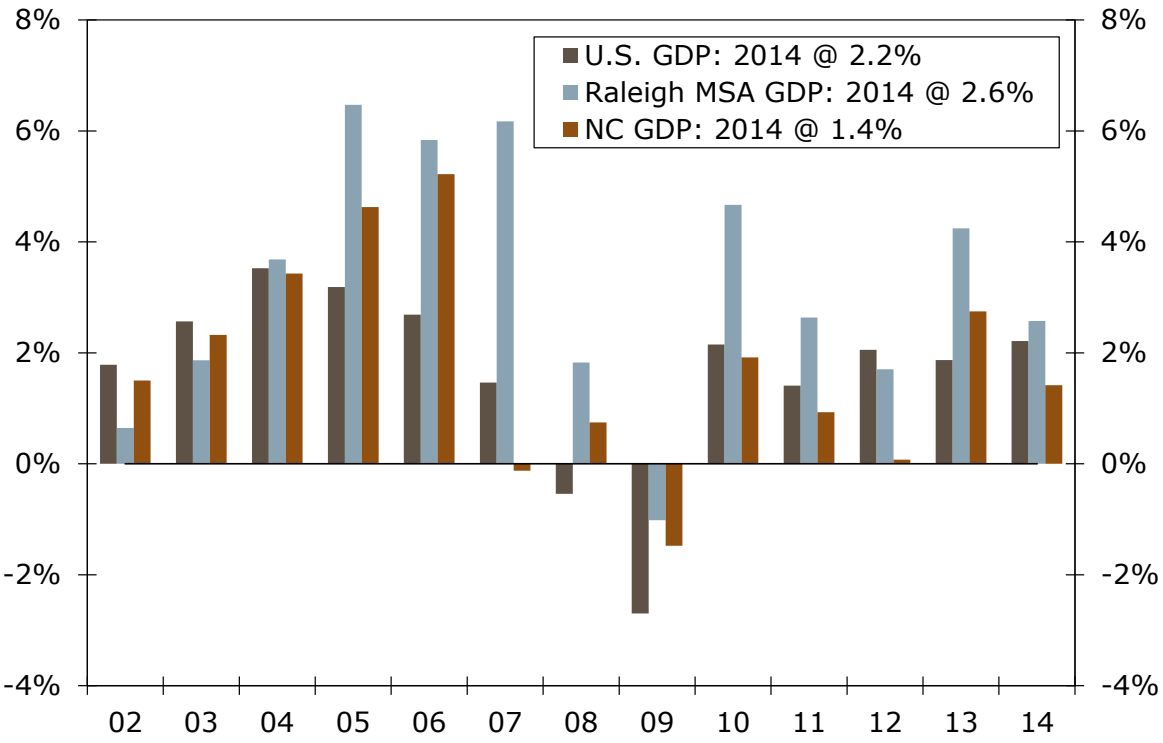
Employment in North Carolina is growing in line with the national rate, although the Triangle has been outpacing it



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The Triangle has generally grown faster than the national economy over the past decade

Regional GDP Growth  
Year-over-Year Percent Change

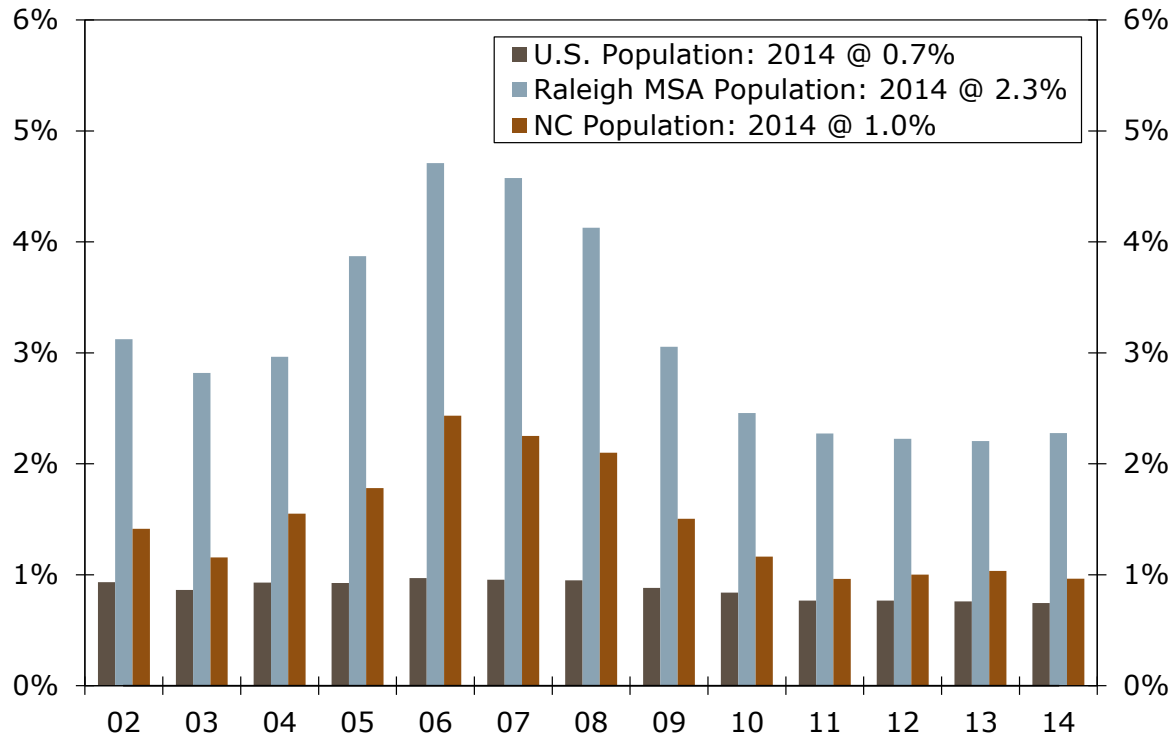


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Strong population growth has been a boon to the region

## Regional Population Growth

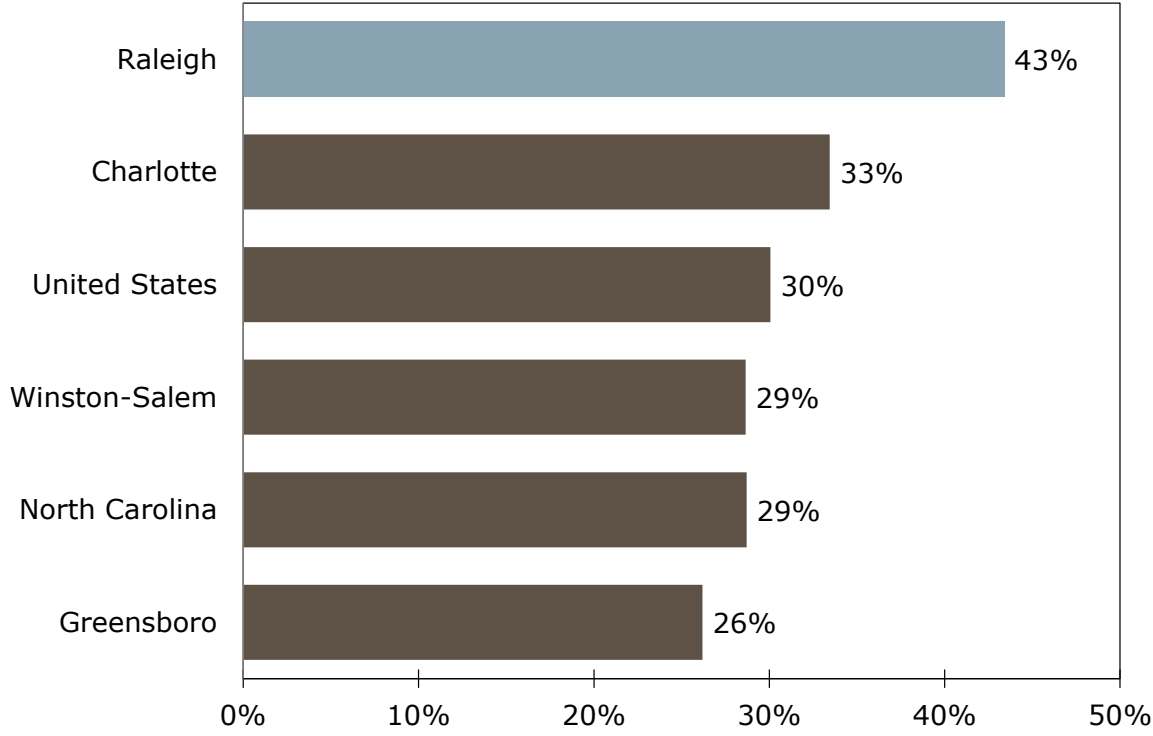
Year-over-Year Percent Change



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

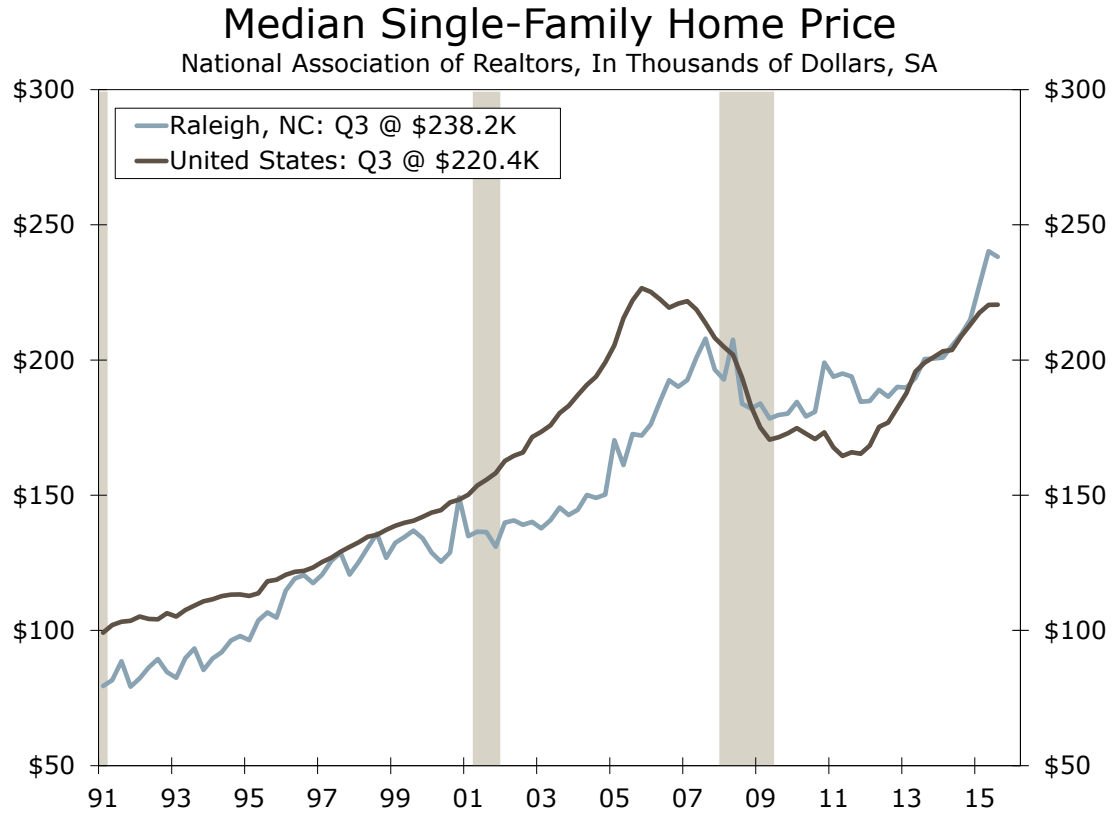
The level of educational attainment in the Triangle is significantly higher than in the nation as a whole

Educational Attainment  
Percent of Population with a Bachelor's Degree or Higher, 2012



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

House prices in the Triangle generally remain affordable



Source: National Association of Realtors and Wells Fargo Securities, LLC

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