



The U.S. Economic Outlook

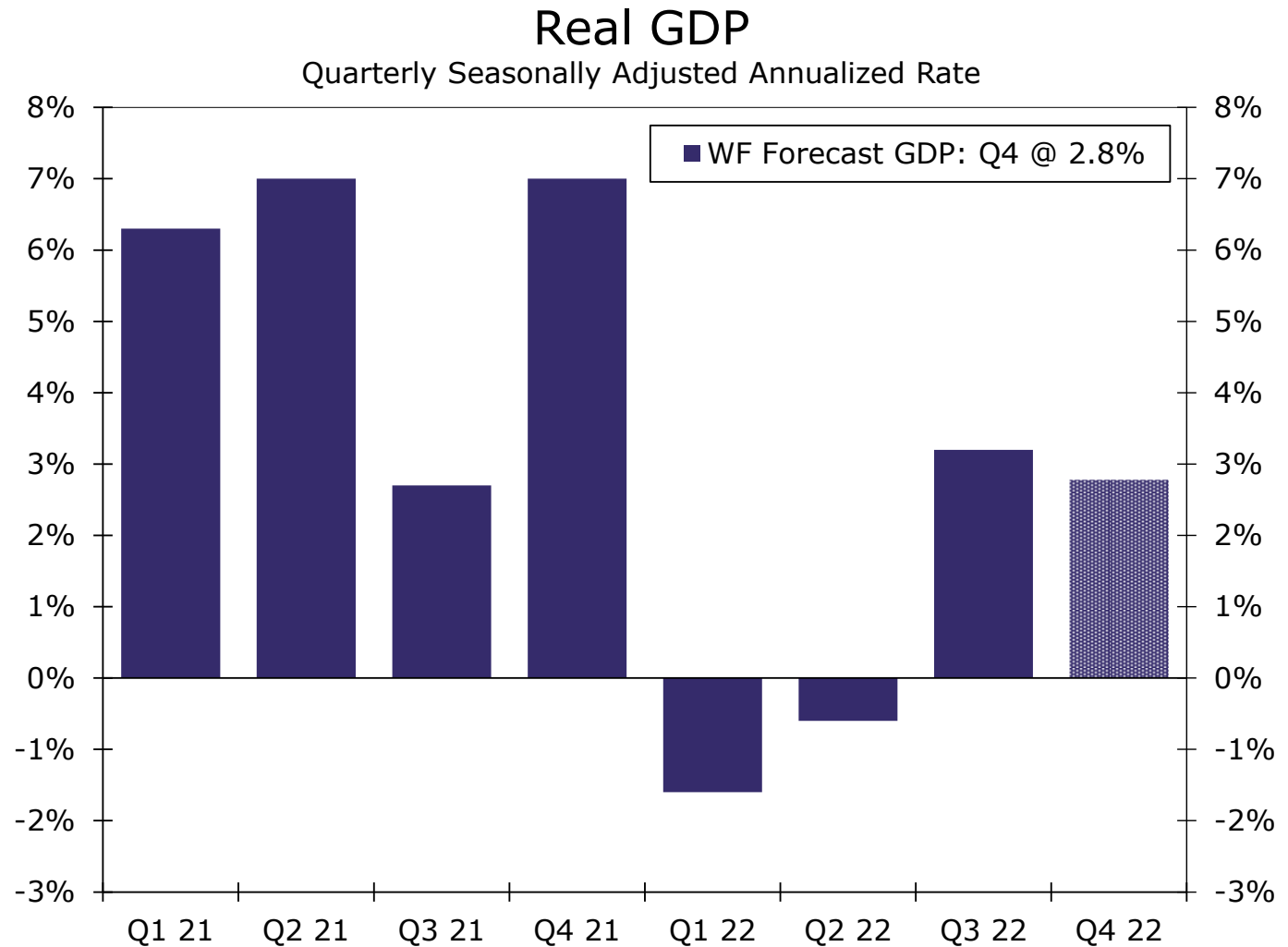
January 24, 2023

Jay Bryson, Ph.D.

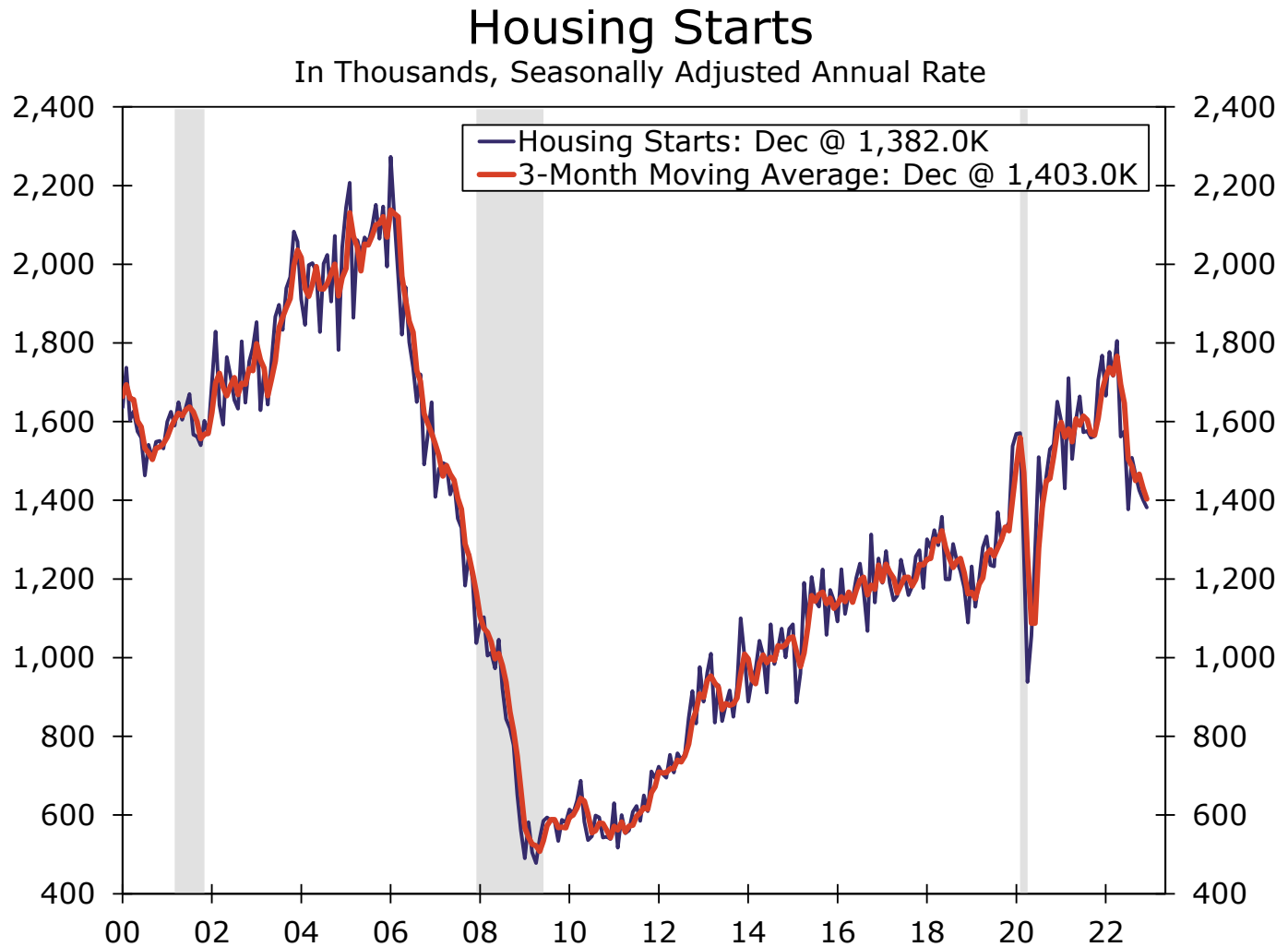
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Real GDP likely grew at a solid rate in Q4-22, but the quarter ended with a loss of momentum



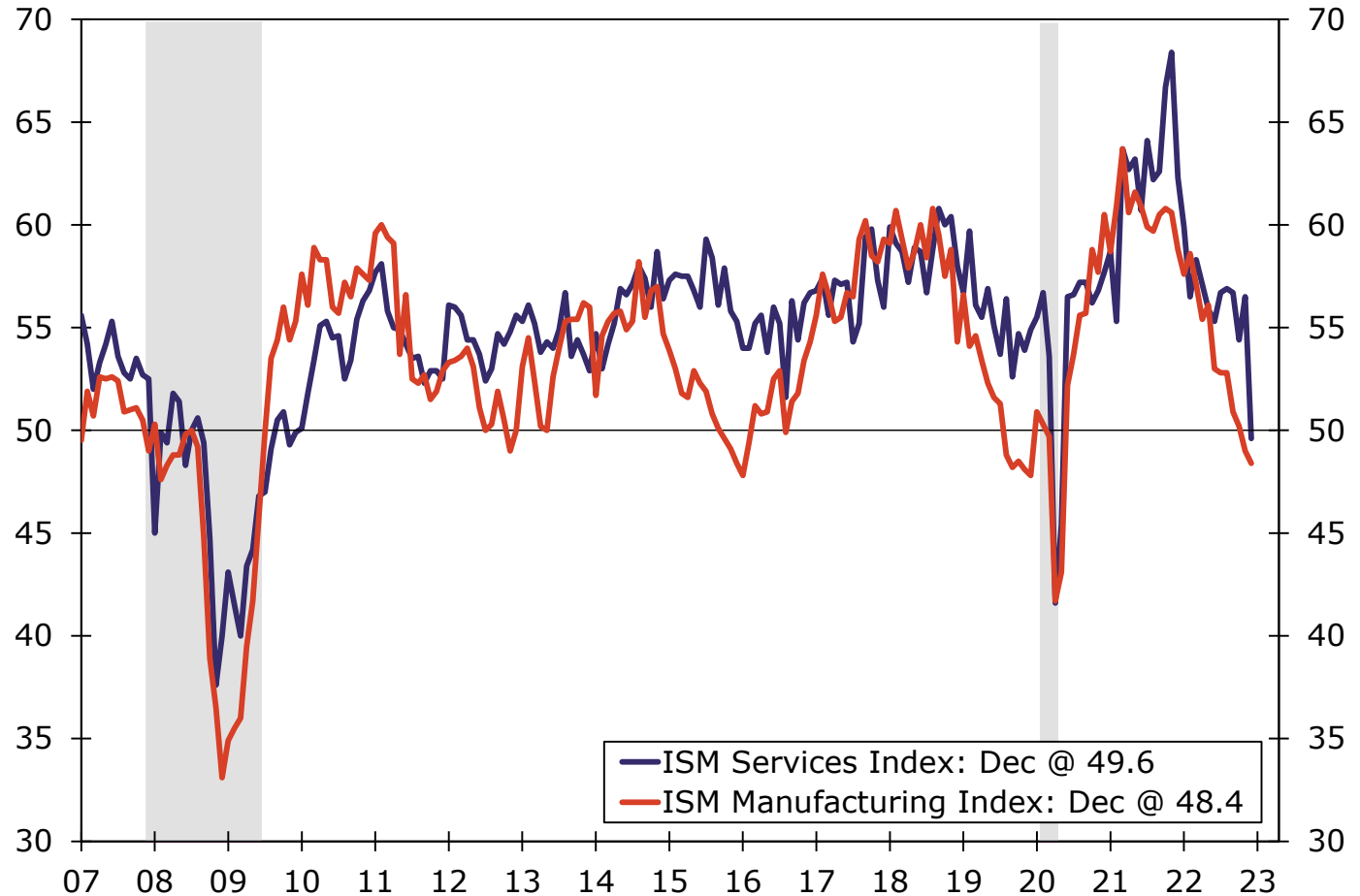
The housing market is slowing considerably



ISM Purchasing Managers' Indices

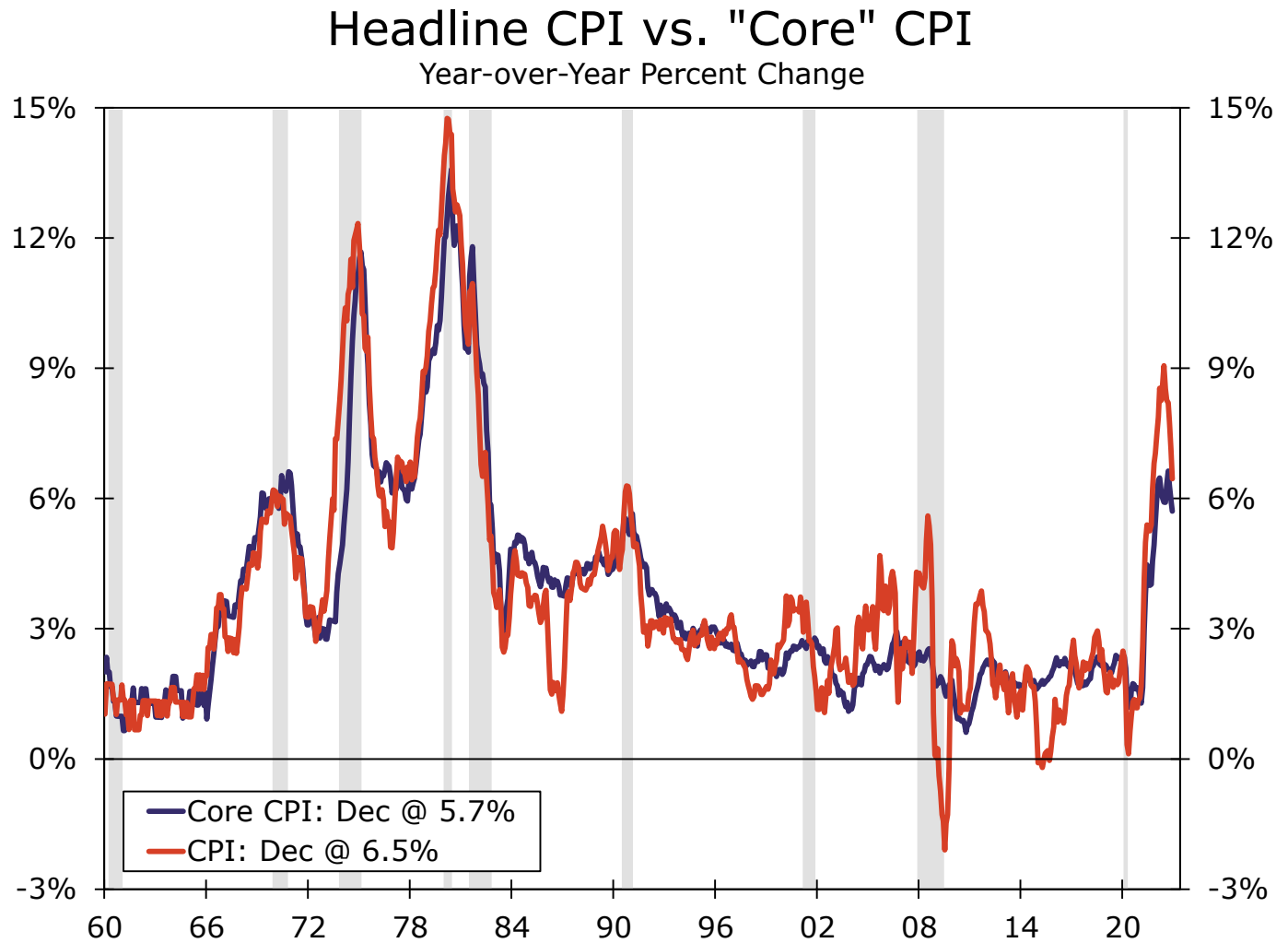
Activity in the service sector appears to have downshifted markedly in December

ISM Manufacturing & Services Diffusion Index



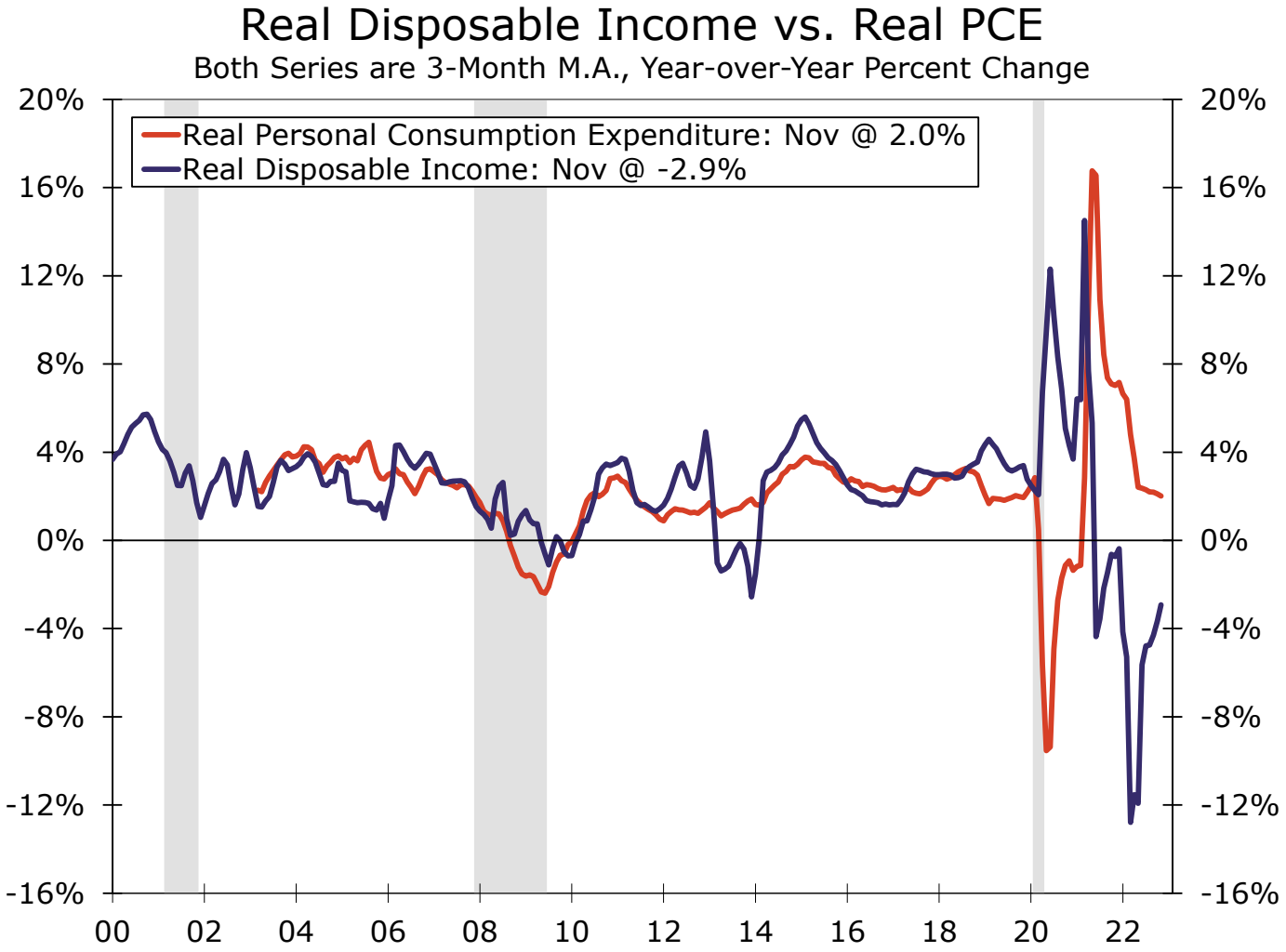
Consumer Price Inflation

The core rate of inflation remains elevated



Real Income and Real Spending

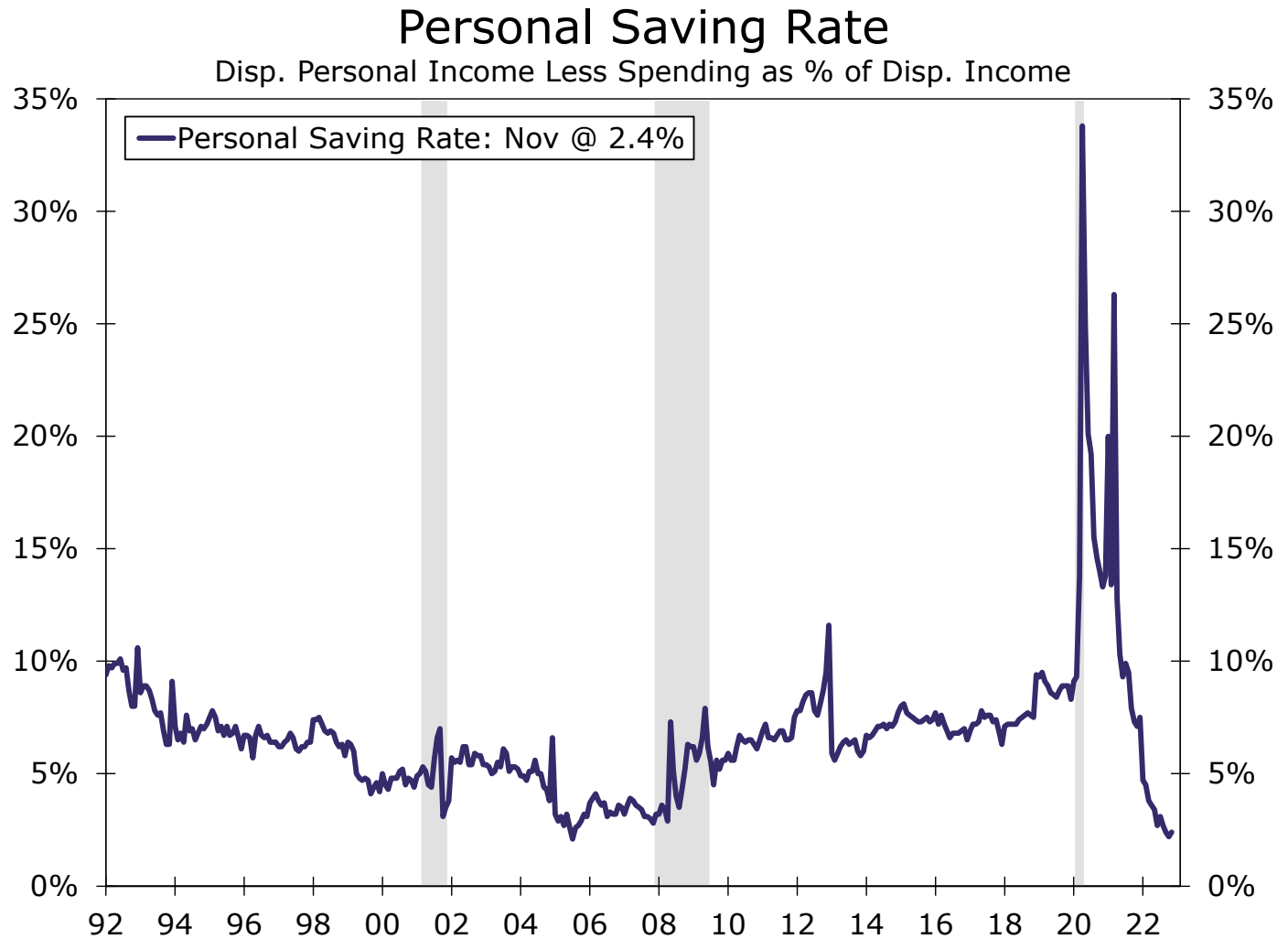
Rising inflation is eroding real disposable income



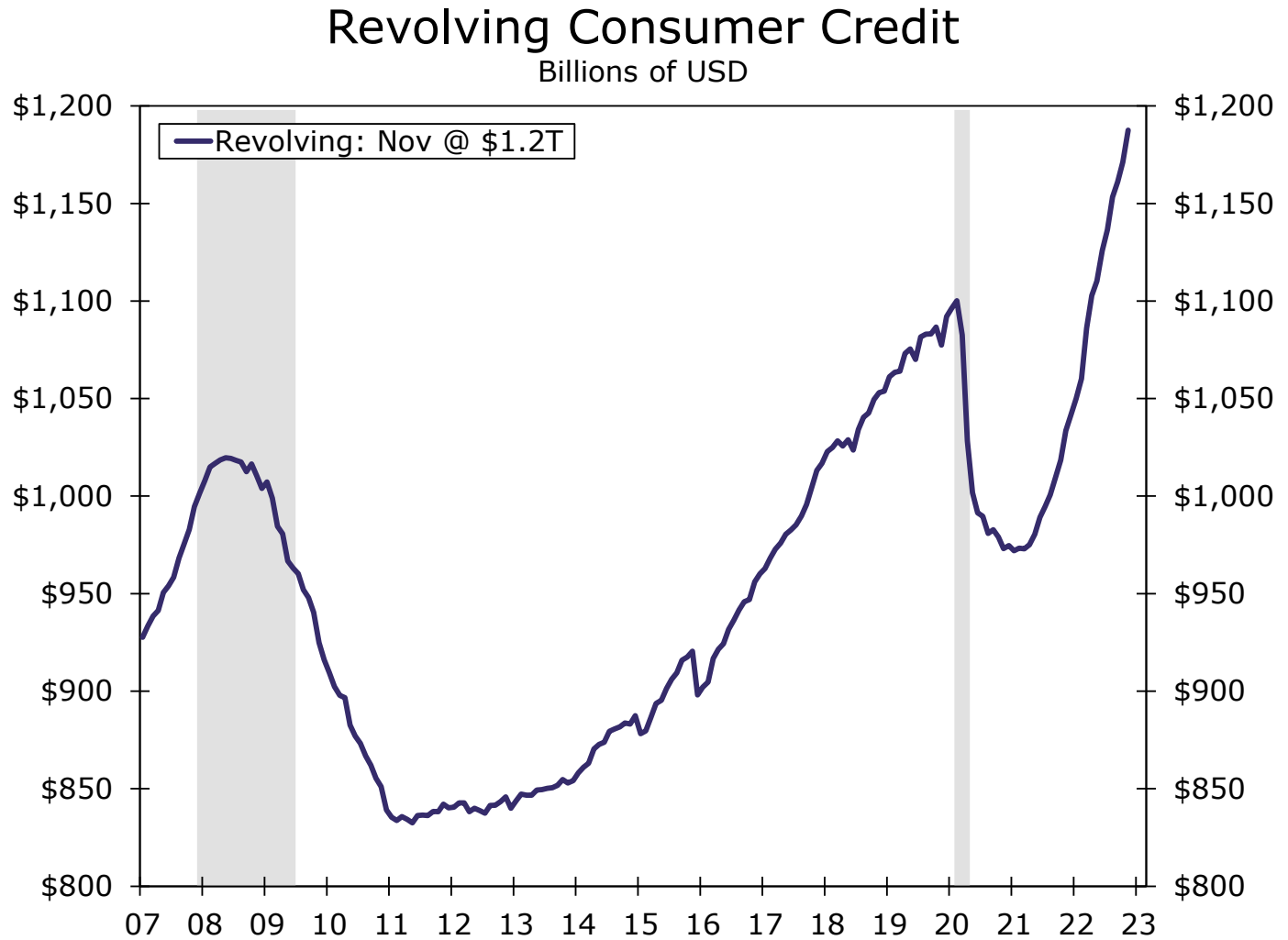
Source: U.S. Department of Commerce and Wells Fargo Economics, January 2023

Household Savings Rate

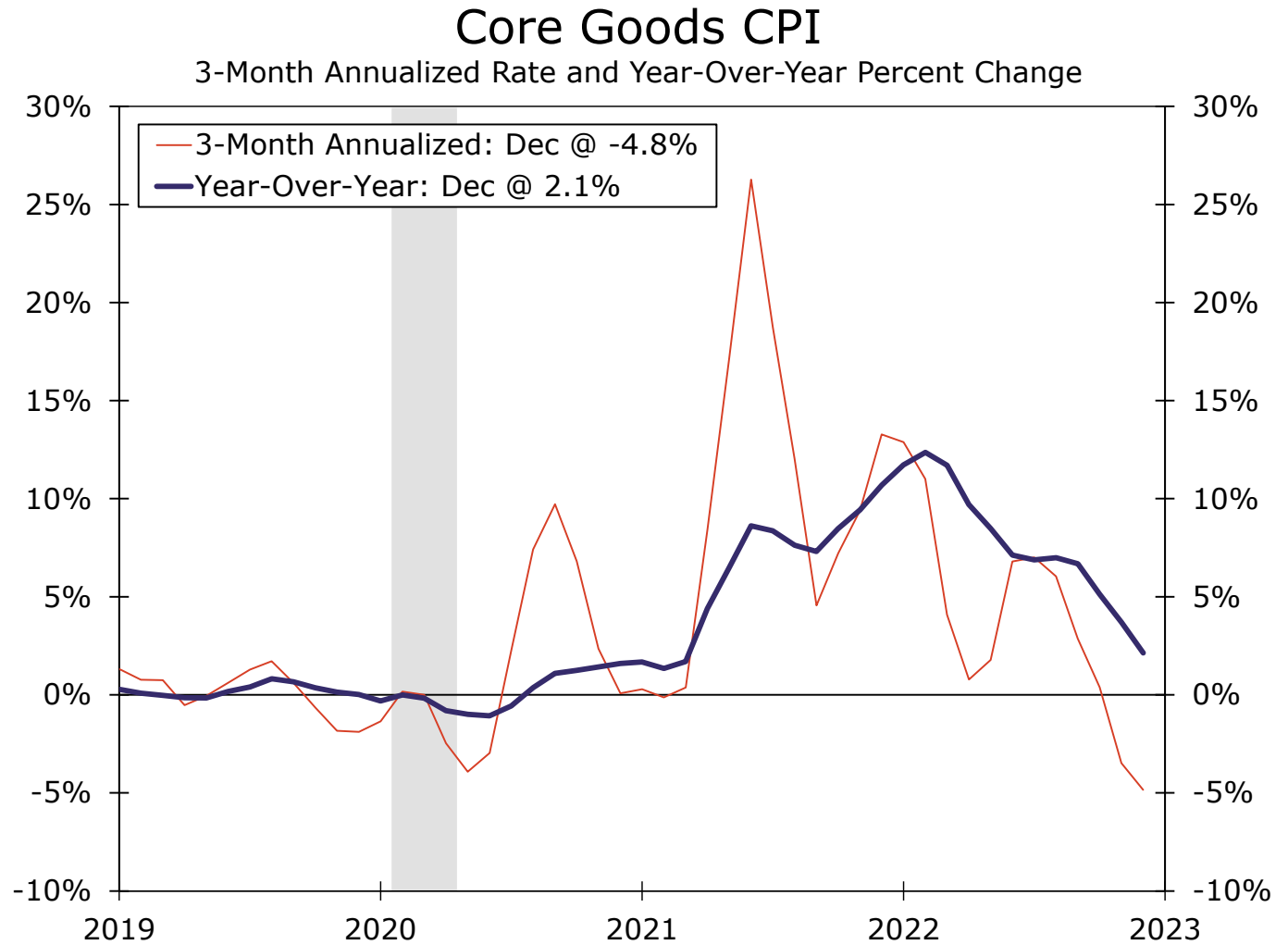
The household savings rate is close to an all-time low



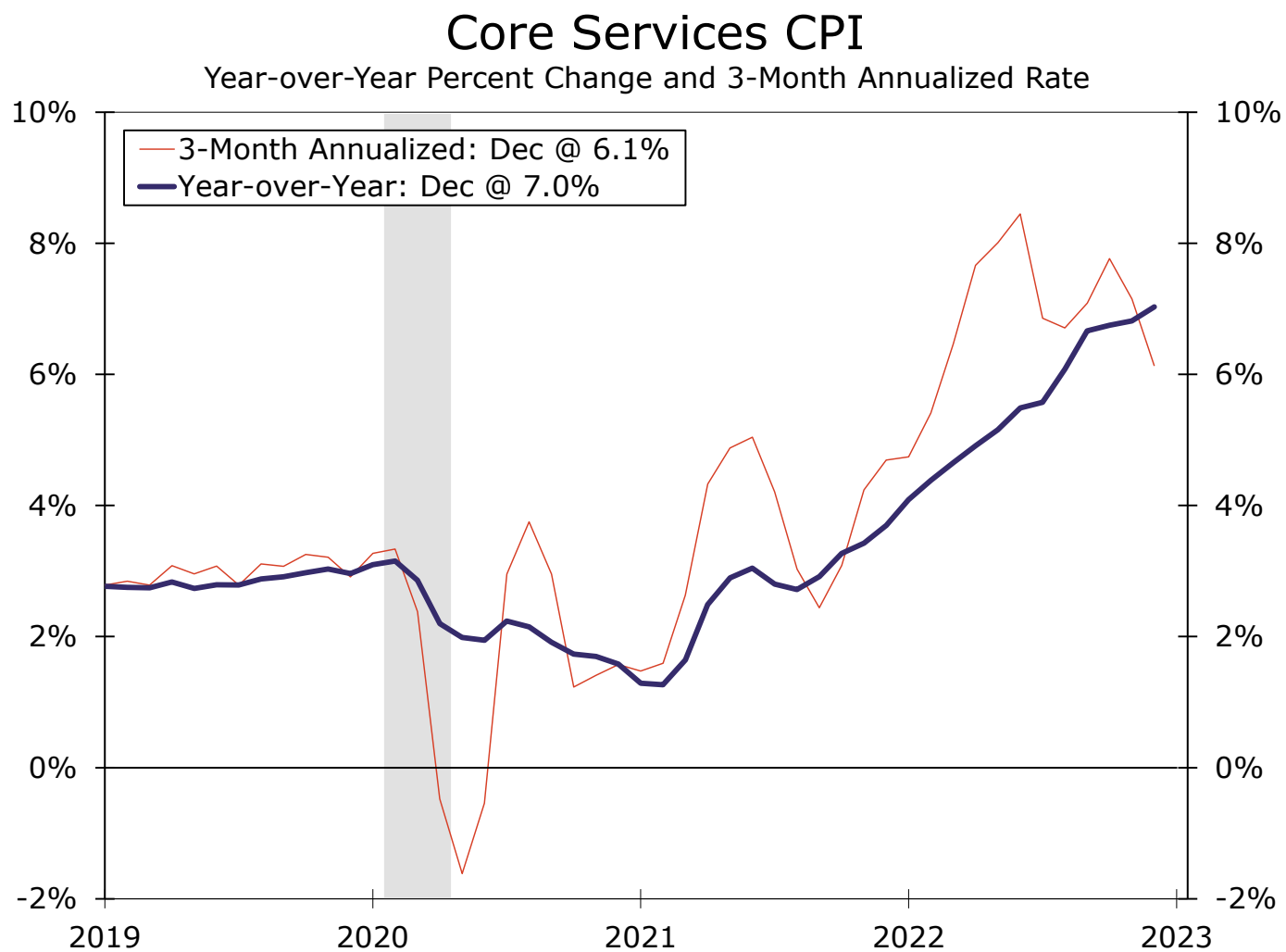
Credit card debt is rising sharply



Core goods prices have declined on balance over the past three months



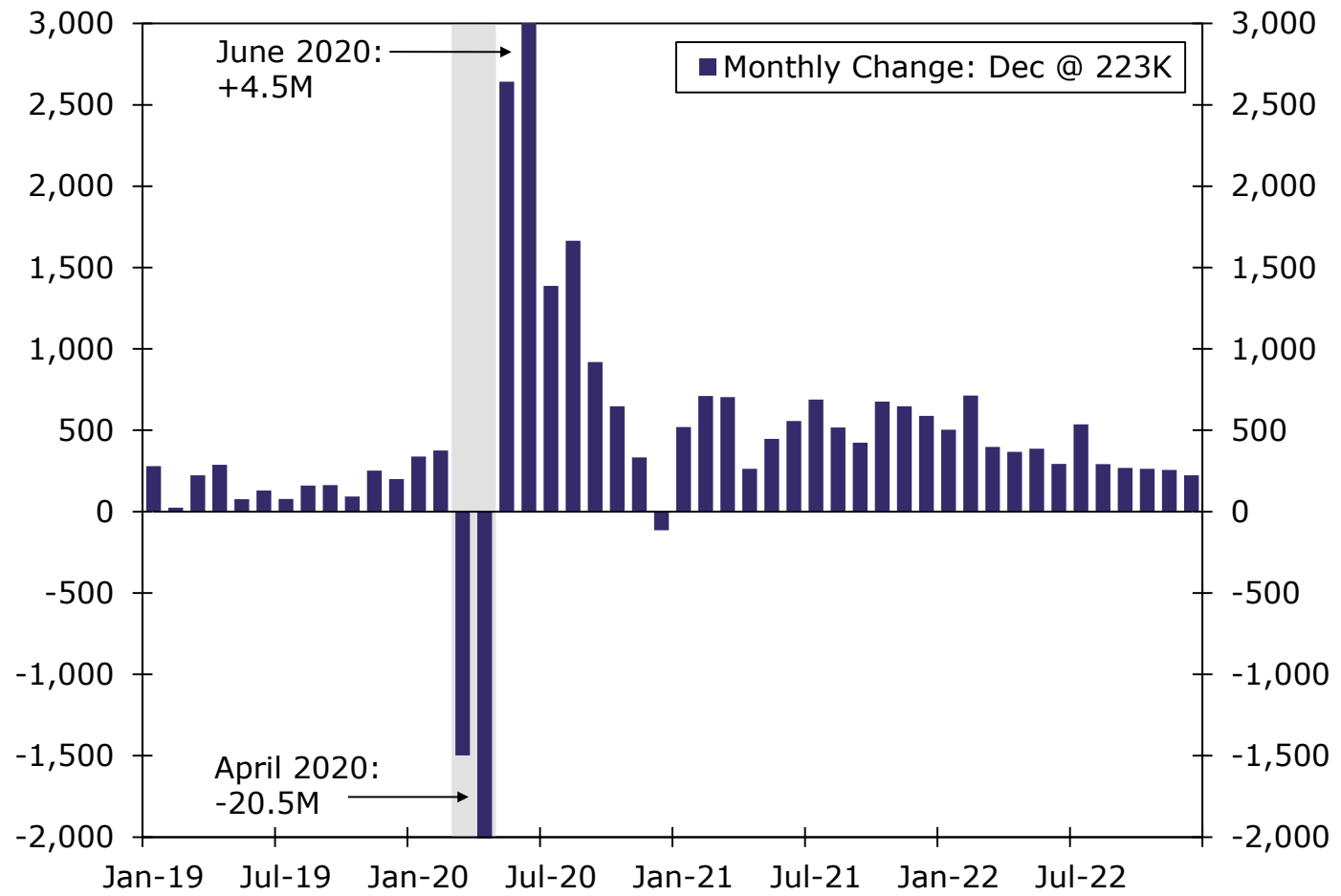
Core service prices continue to rise at a strong rate



Job growth is still strong

U.S. Nonfarm Employment Change

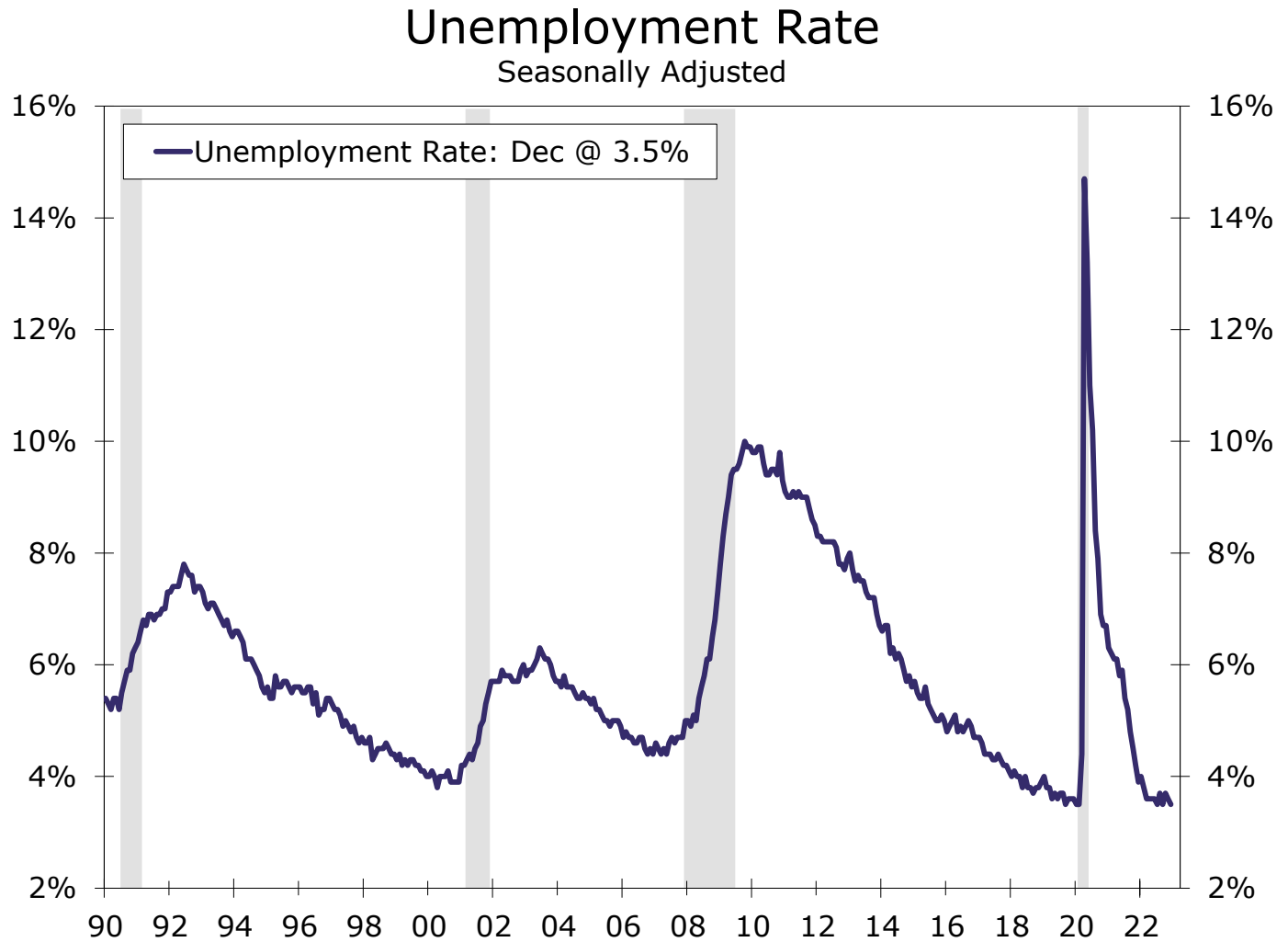
Thousands



Source: U.S. Department of Labor and Wells Fargo Economics, January 2023

Unemployment

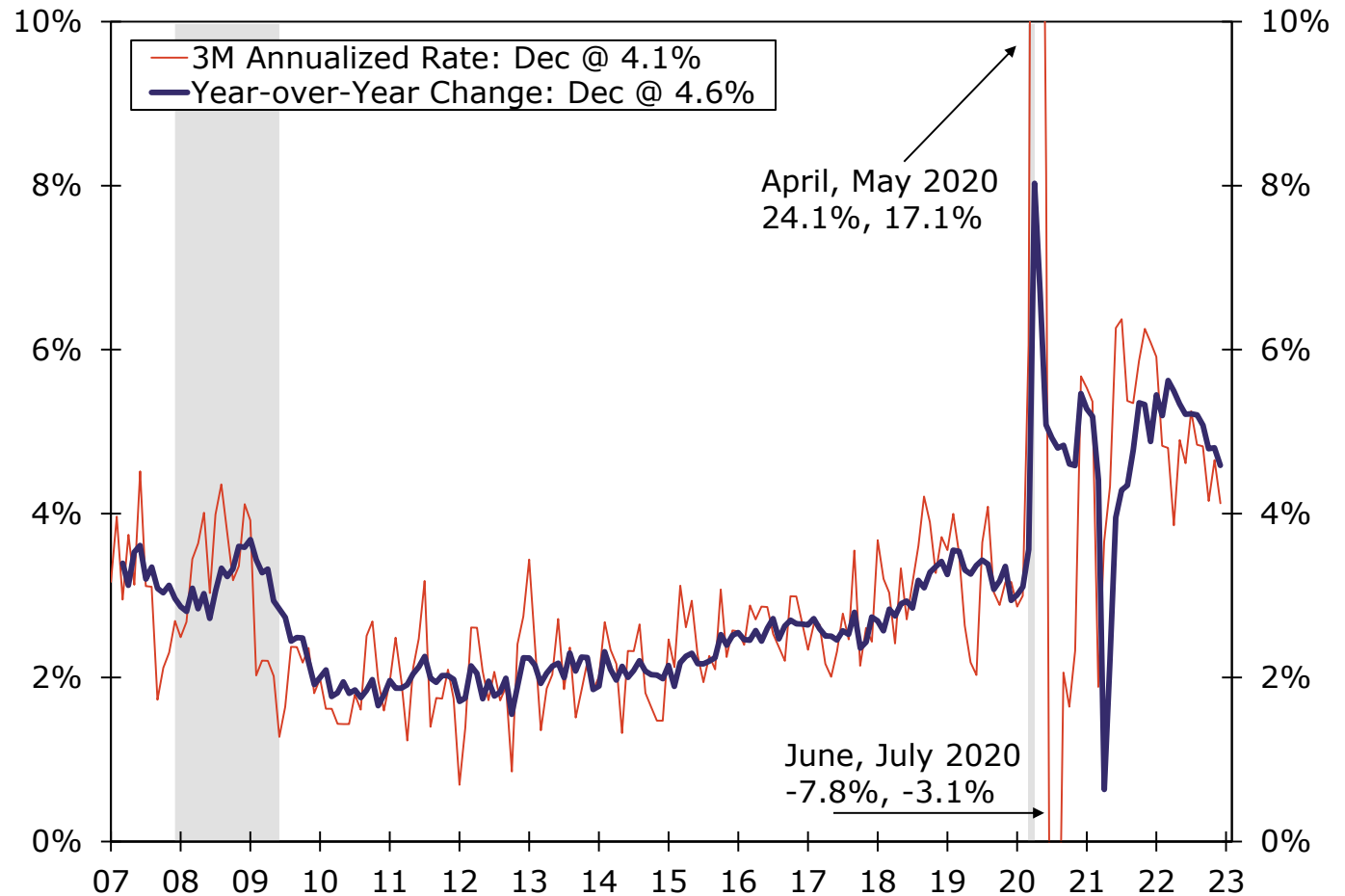
The low unemployment rate shows the labor market remains tight



Wage growth has cooled, but it continues to run at a strong pace

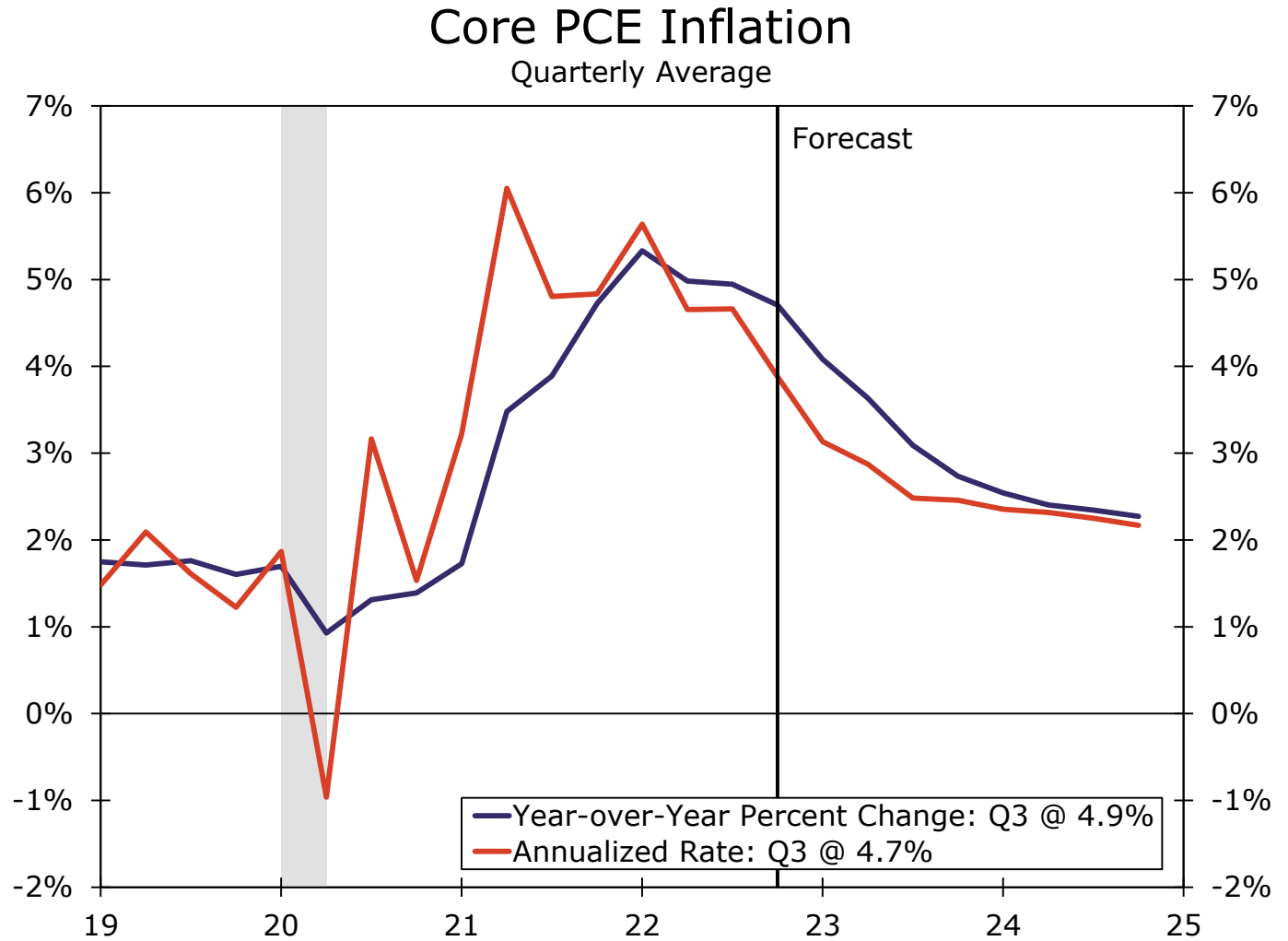
U.S. Average Hourly Wages

Total Private

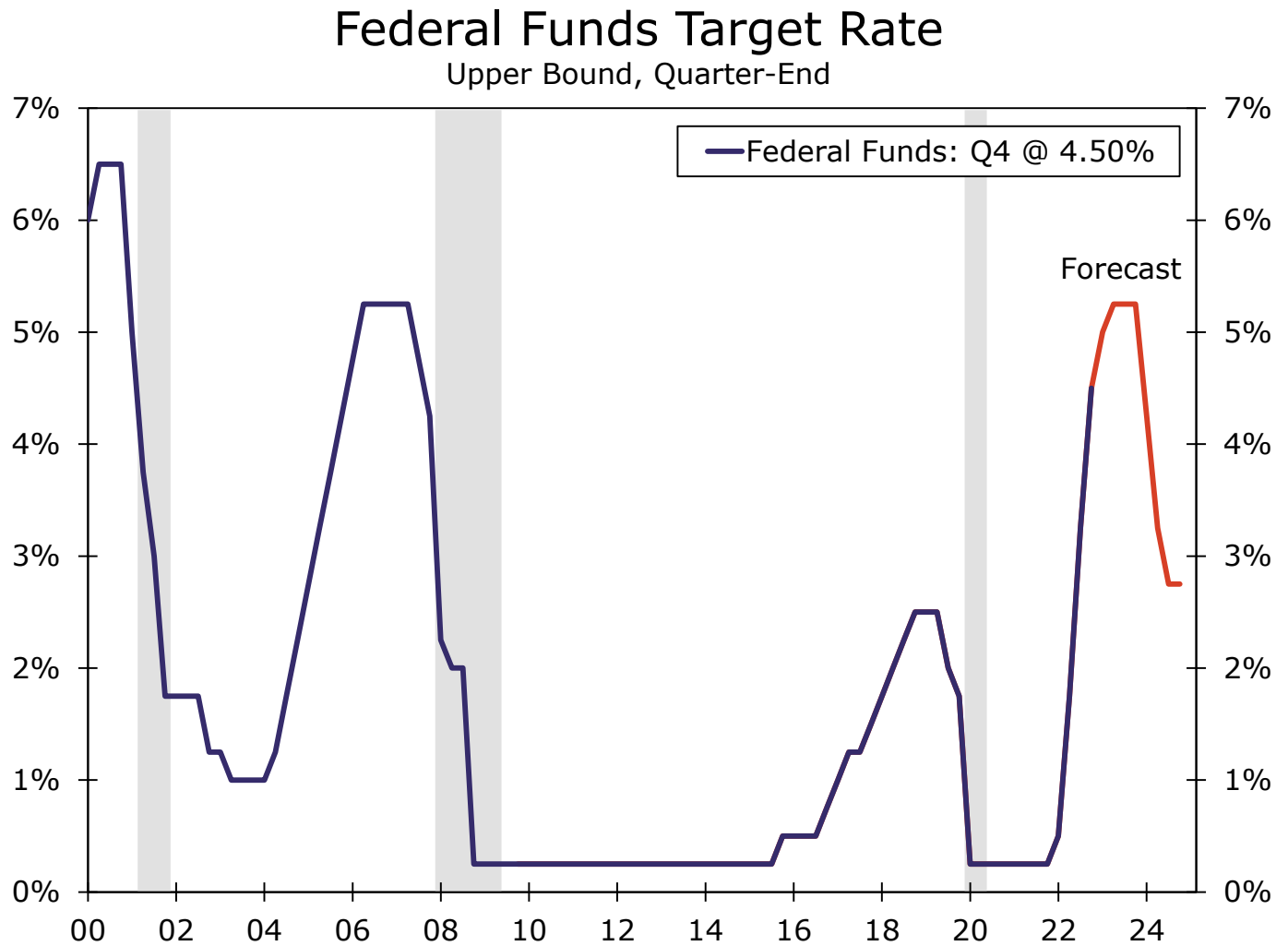


Core Inflation

We look for the core rate of PCE inflation to recede in coming quarters, but to remain above 2%

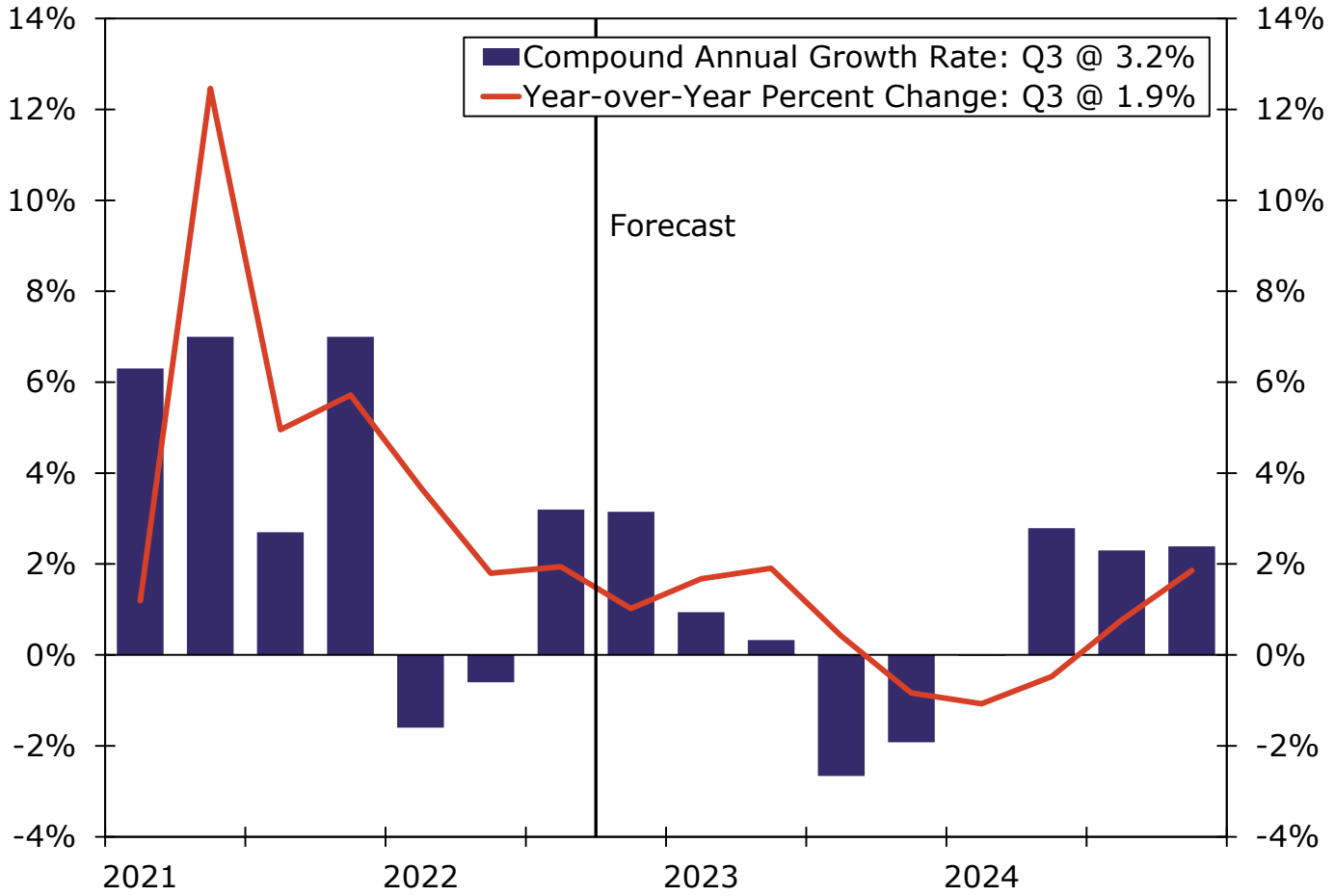


More Fed tightening
likely lies ahead



We expect a mild contraction in economic output in 2023

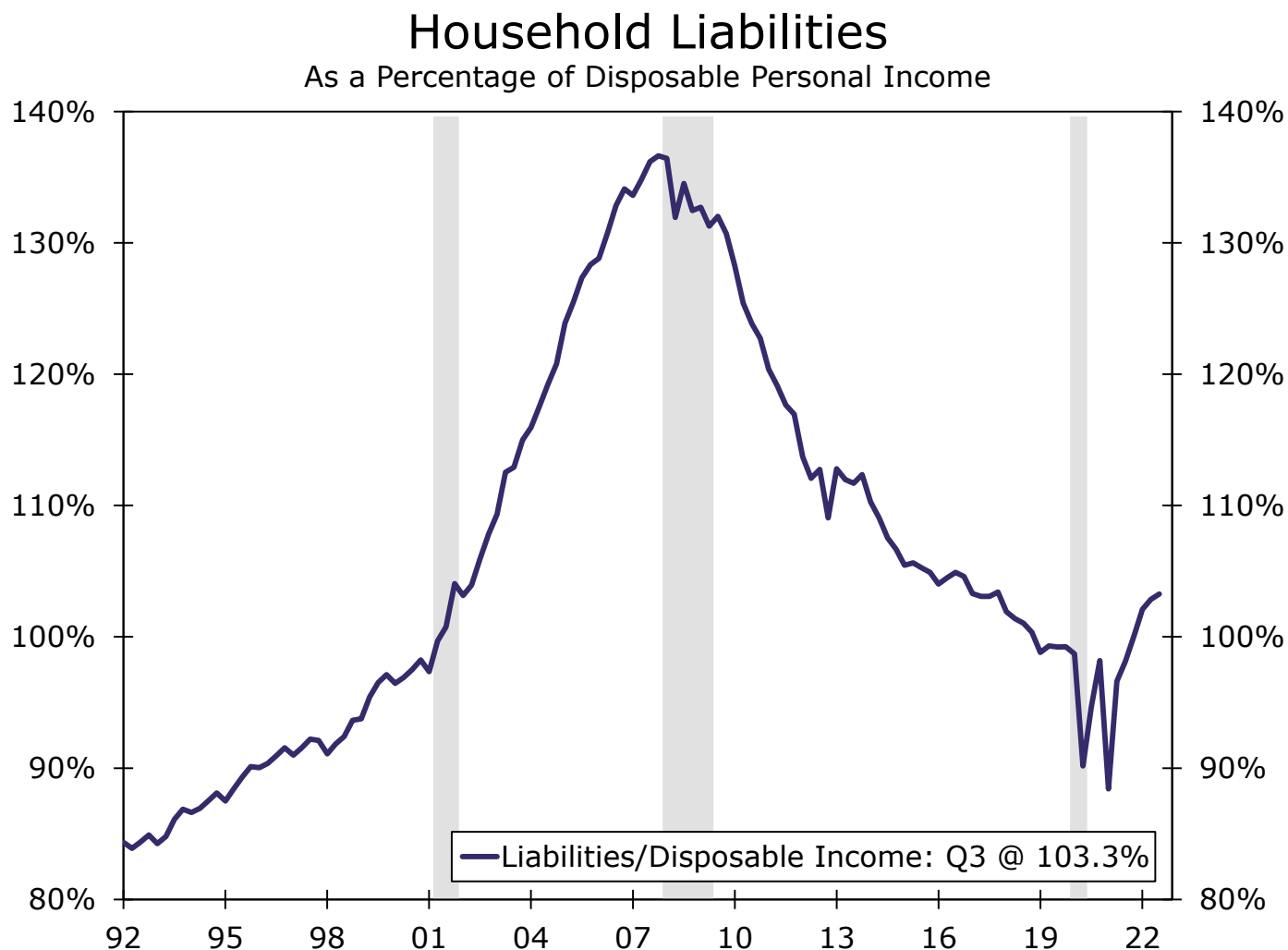
U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics, January 2023

Household Debt-to-Income

The household sector de-levered significantly over the past decade



Wells Fargo Economics Group

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