



# The Economic Outlook: Roaring Back

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June 8, 2021

**Sarah House**

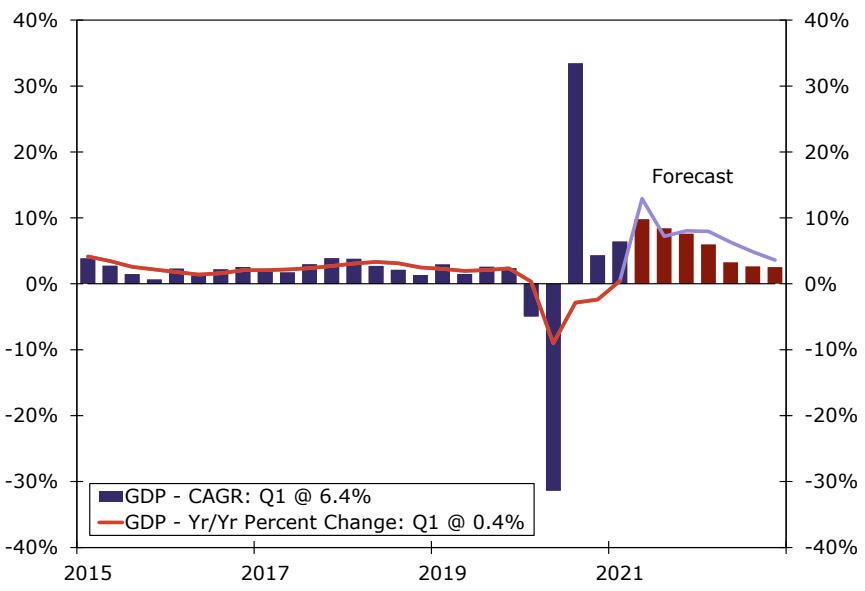
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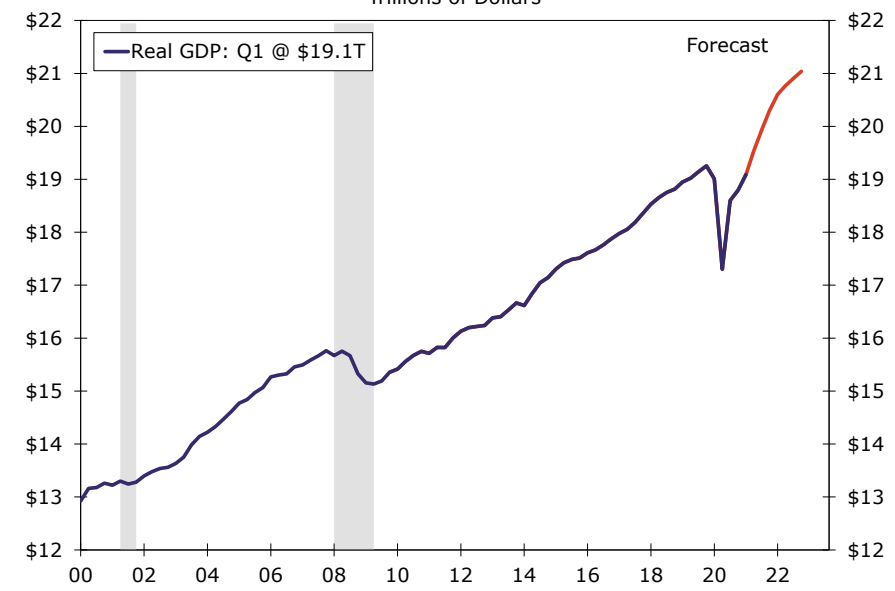
Pronouns: She/Her/Hers

Growth is expected to rise rapidly this year, with output back to pre-COVID levels by mid-year and the output gap closed by the end of the year

### U.S. Real GDP



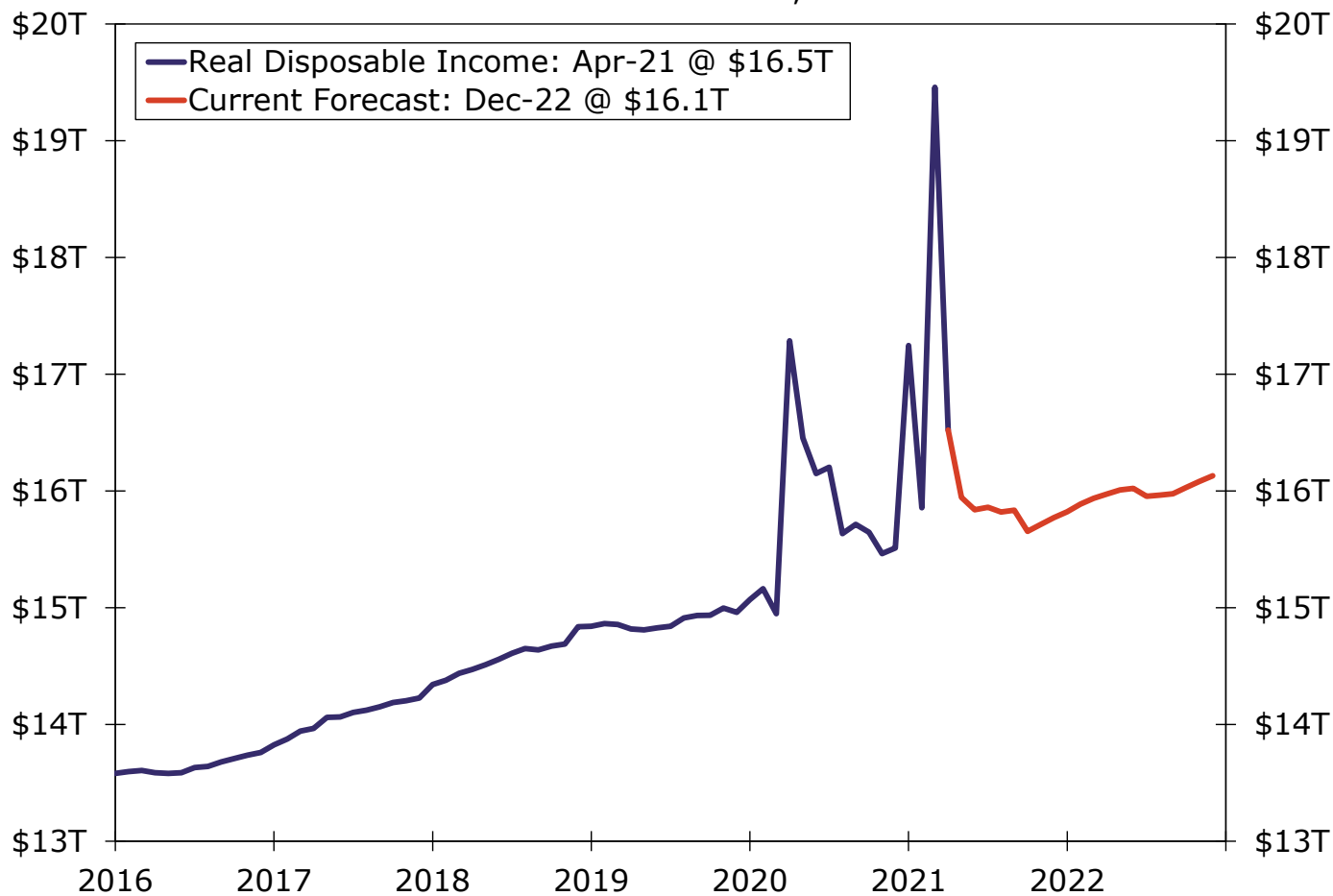
### U.S. Real GDP Trillions of Dollars



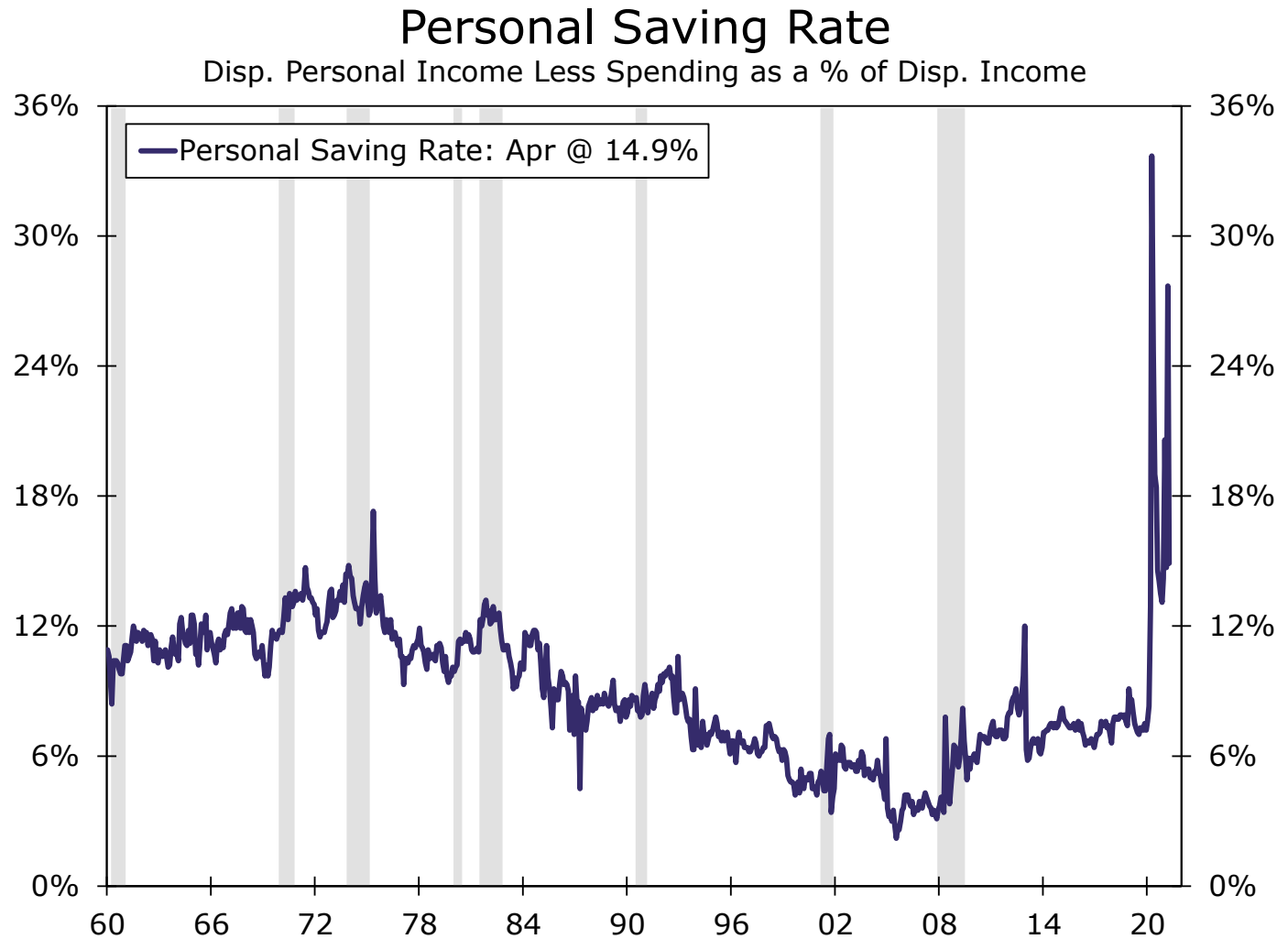
The extent of fiscal support this cycle cannot be overstated

## Real Disposable Personal Income Forecast

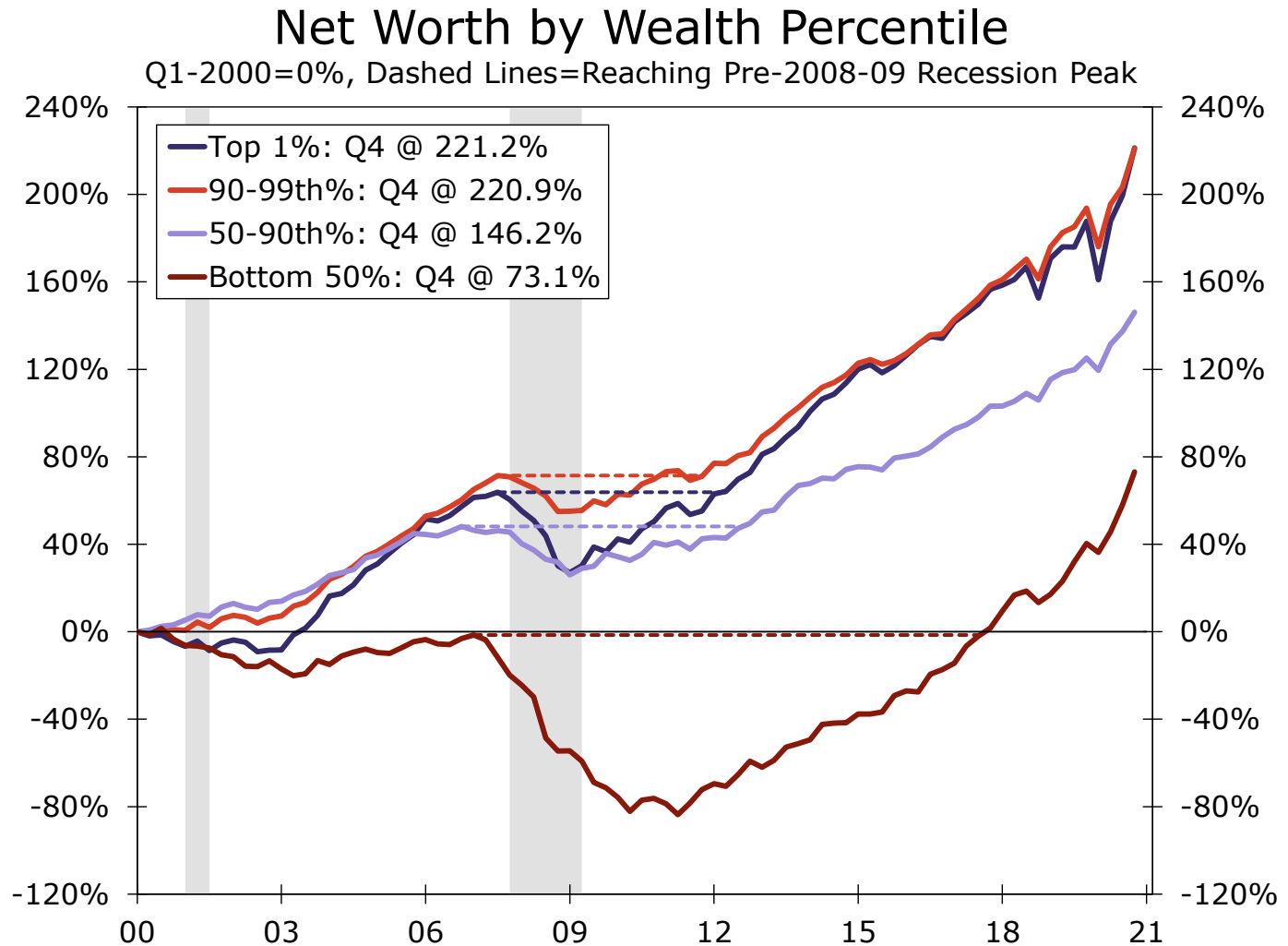
Trillions of 2012 Dollars, SAAR



Fiscal support  
plus forced thrift  
has led to a surge  
in savings



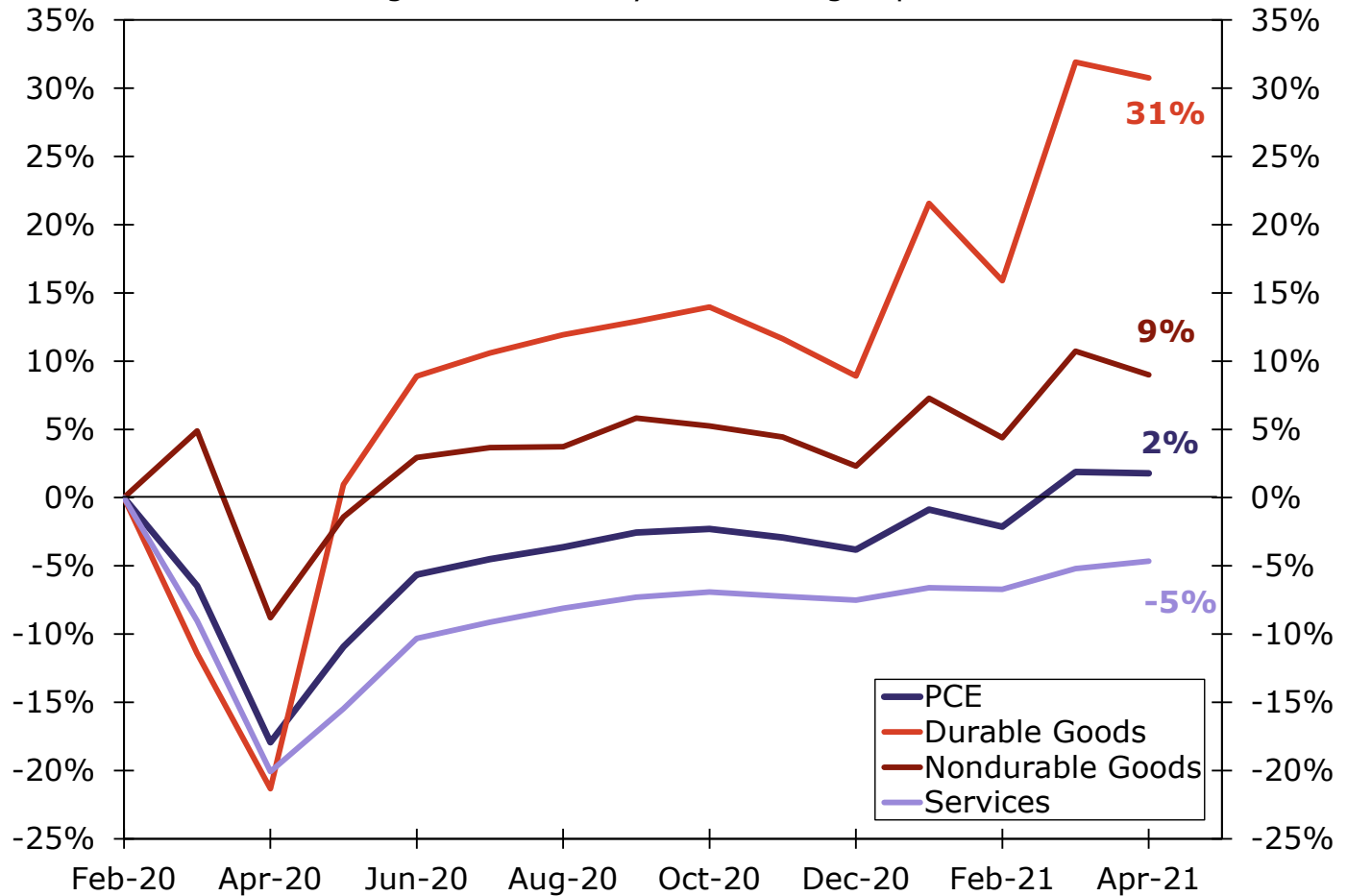
This is not a  
balance sheet  
recession



Services spending has the most upside over the next year

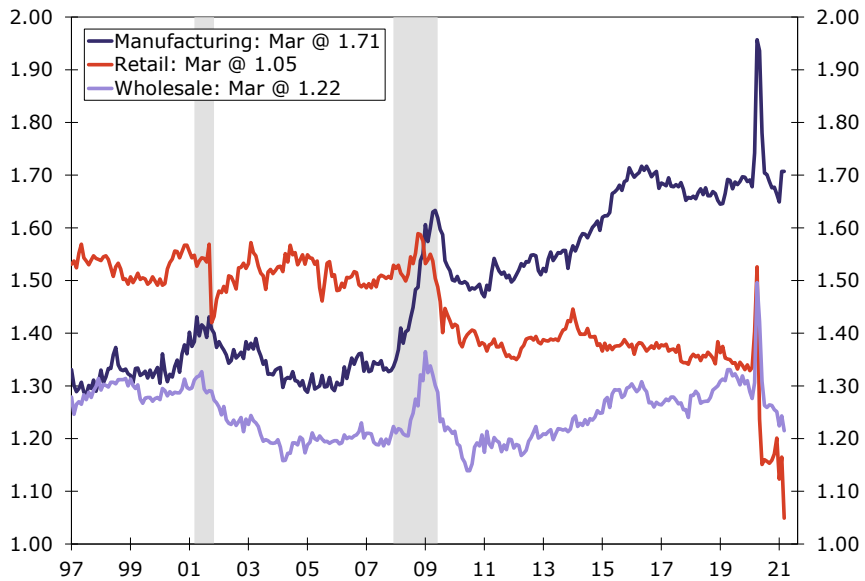
## Real Personal Consumption Expenditures

Change from February 2020 through April 2021

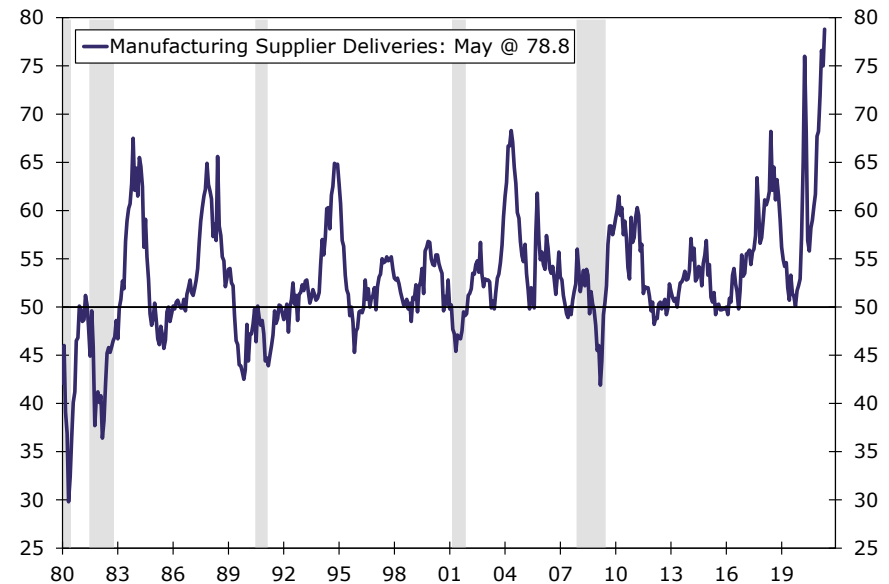


Inventories have been depleted and wait times for inputs have lengthened tremendously

### Real Inventory-to-Sales Ratios

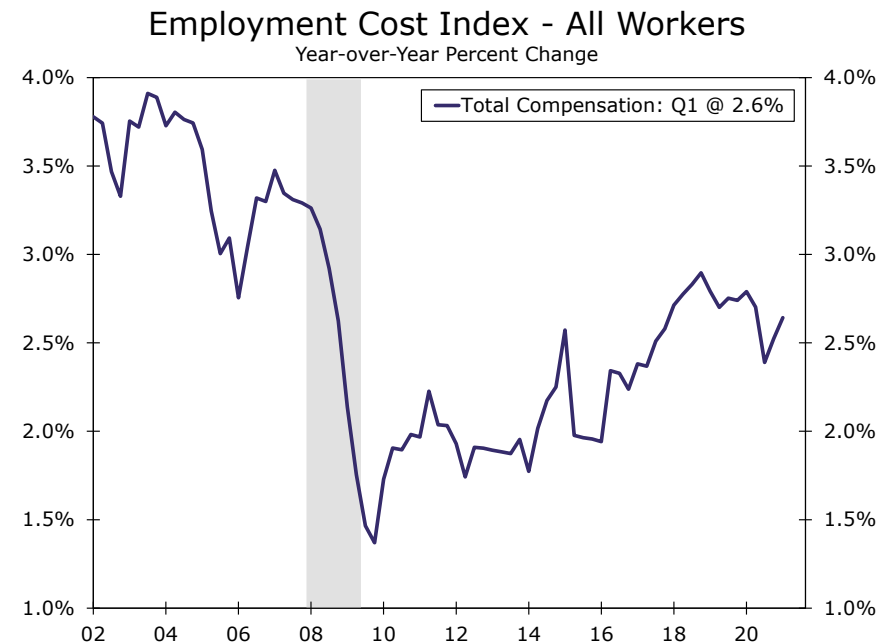
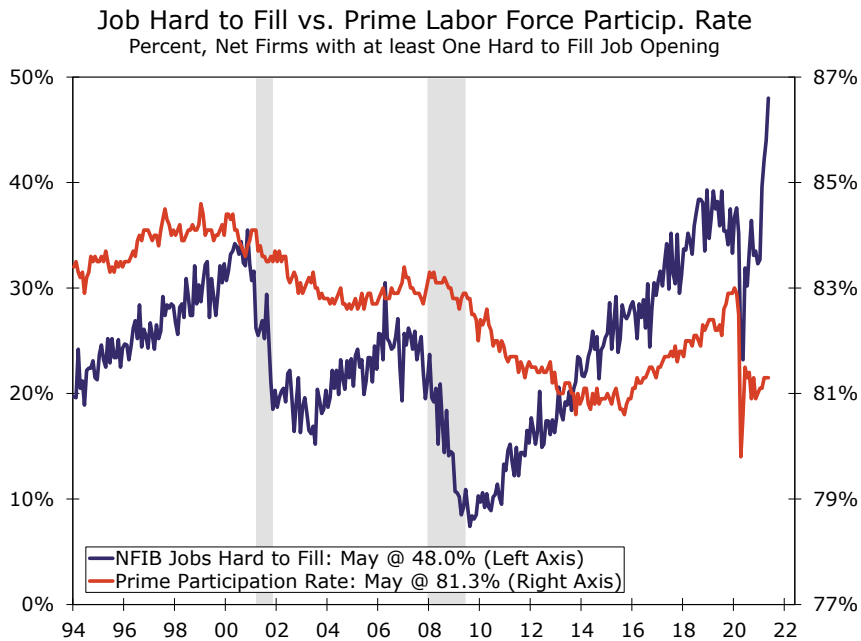


### ISM Manufacturing Supplier Deliveries



# Supply-Side Challenges: Labor

The labor supply has contracted significantly since the pandemic, leading to hiring challenges and wage pressures

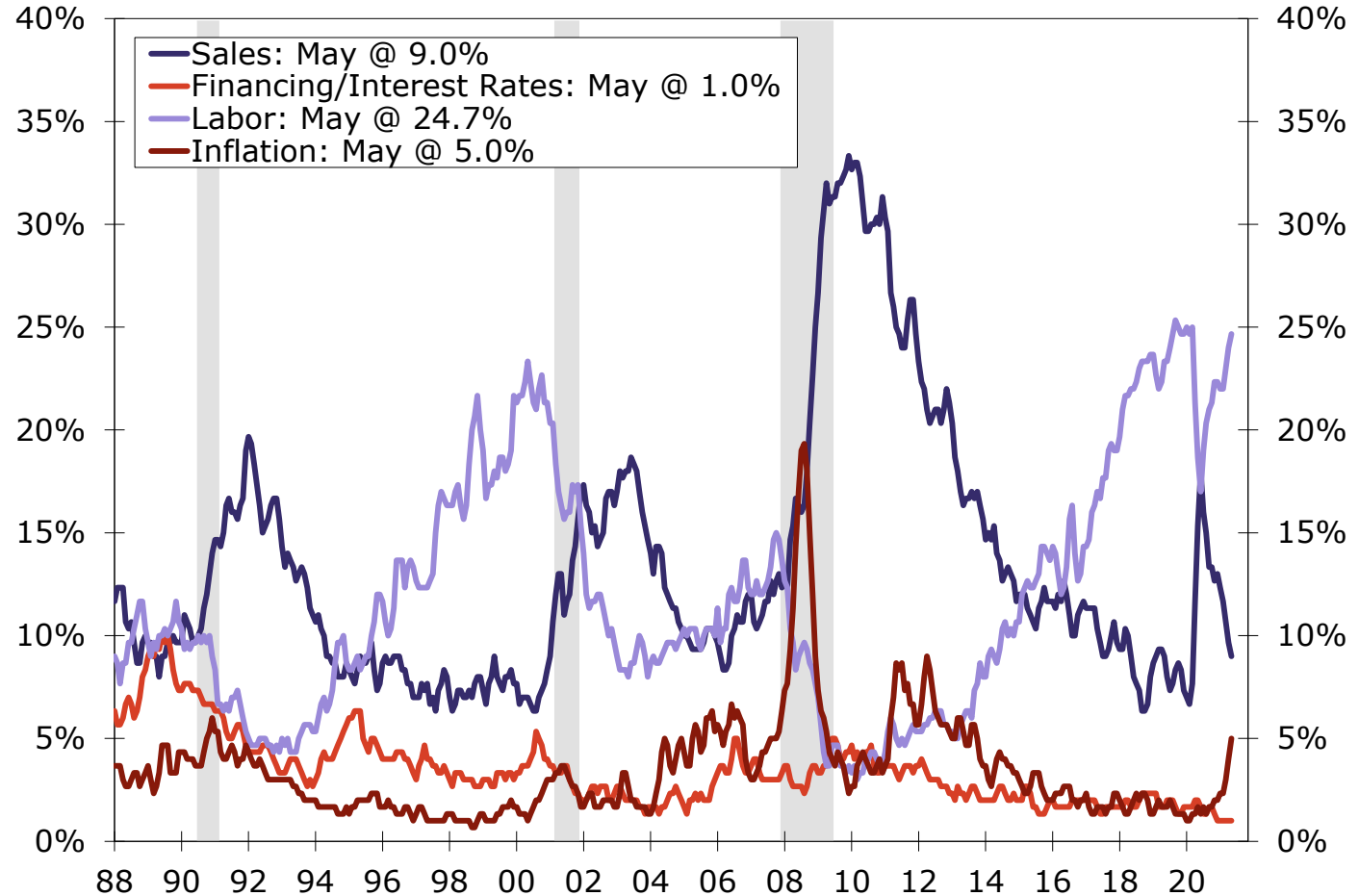




Labor is back on top of the list of small businesses' problems, but inflation concerns are also rising

## Small Business' #1 Problem

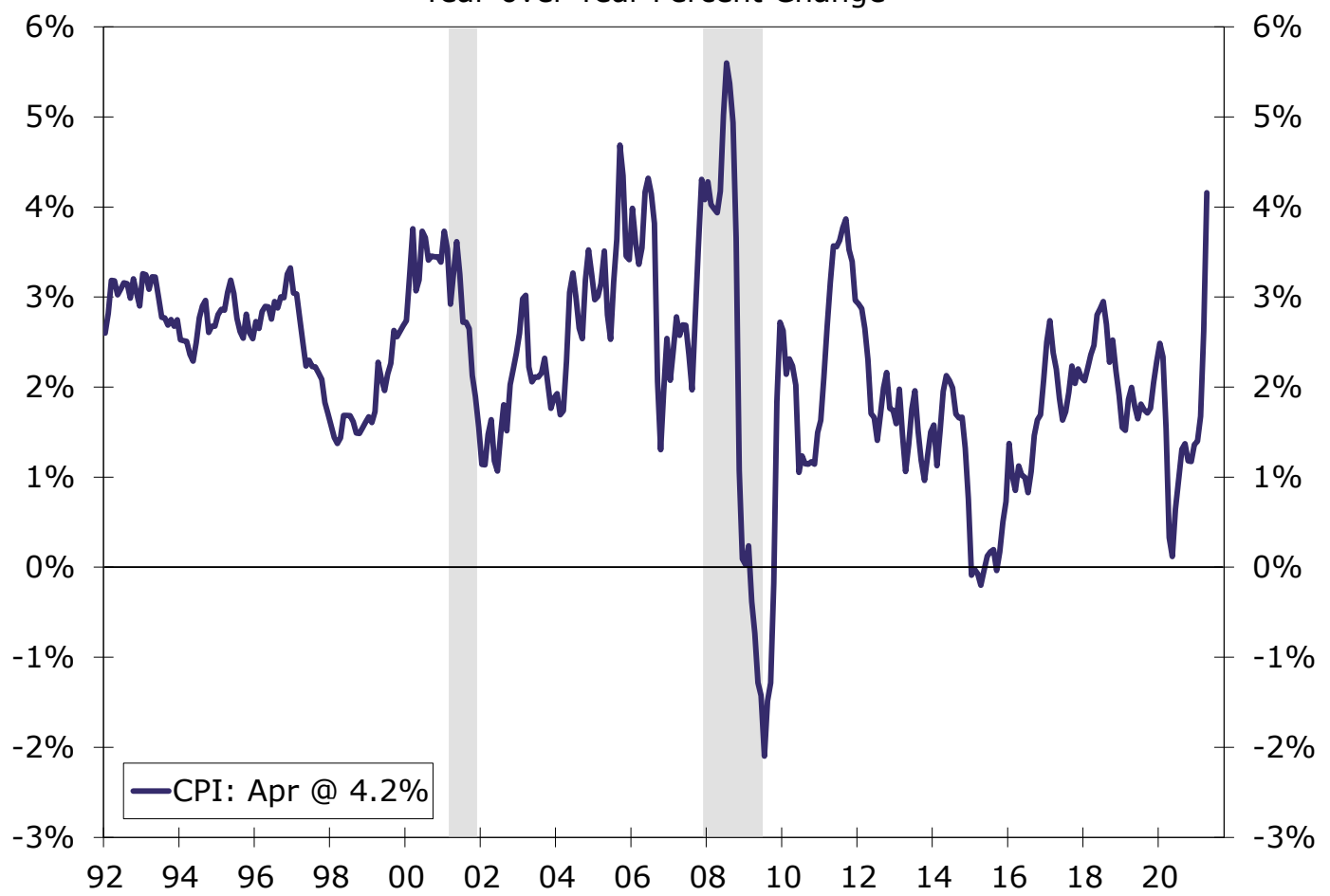
NSA, 3-Month Moving Averages



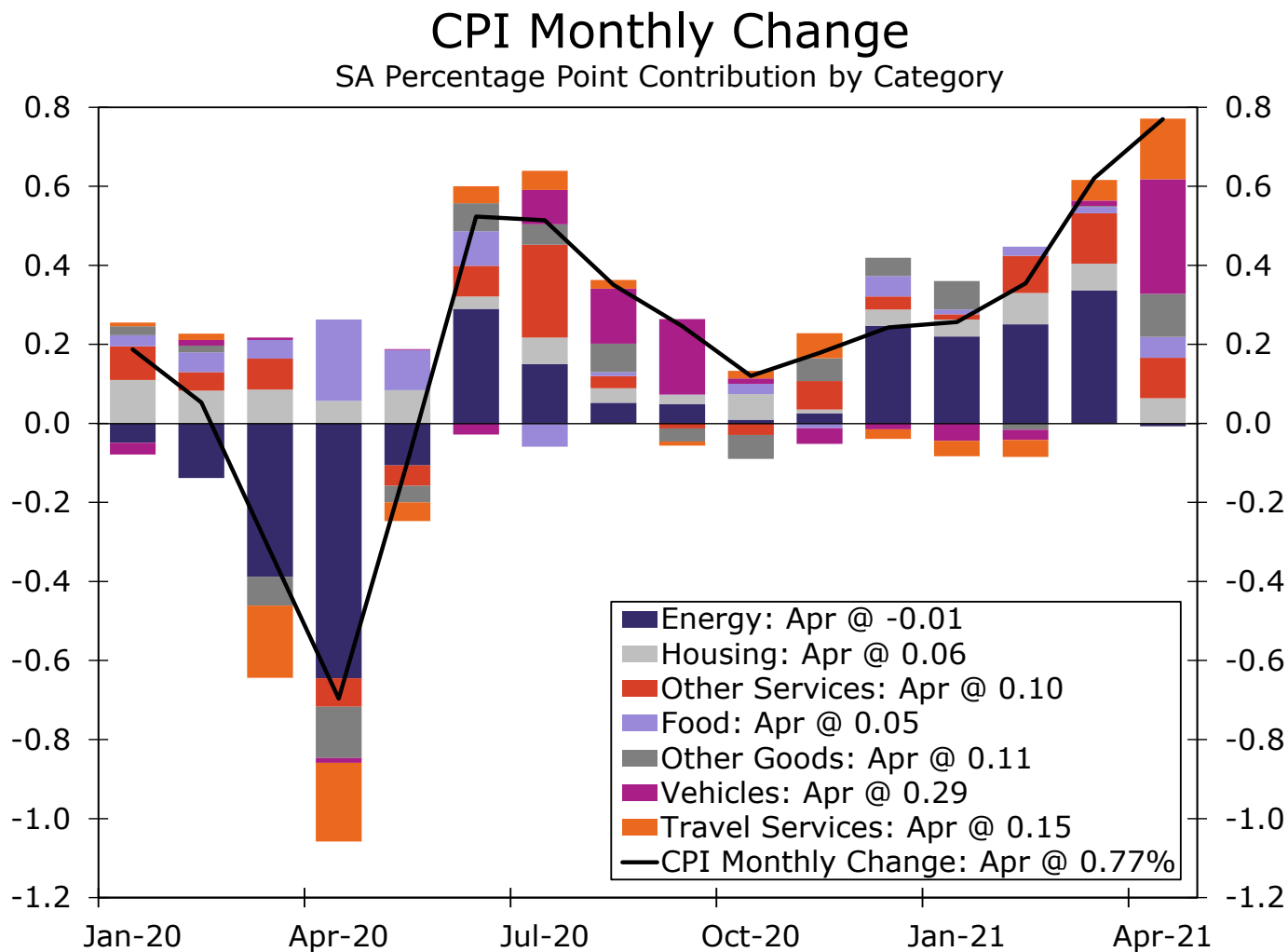
Inflation is rising at the fastest pace in more than a decade

## U.S. Consumer Price Index

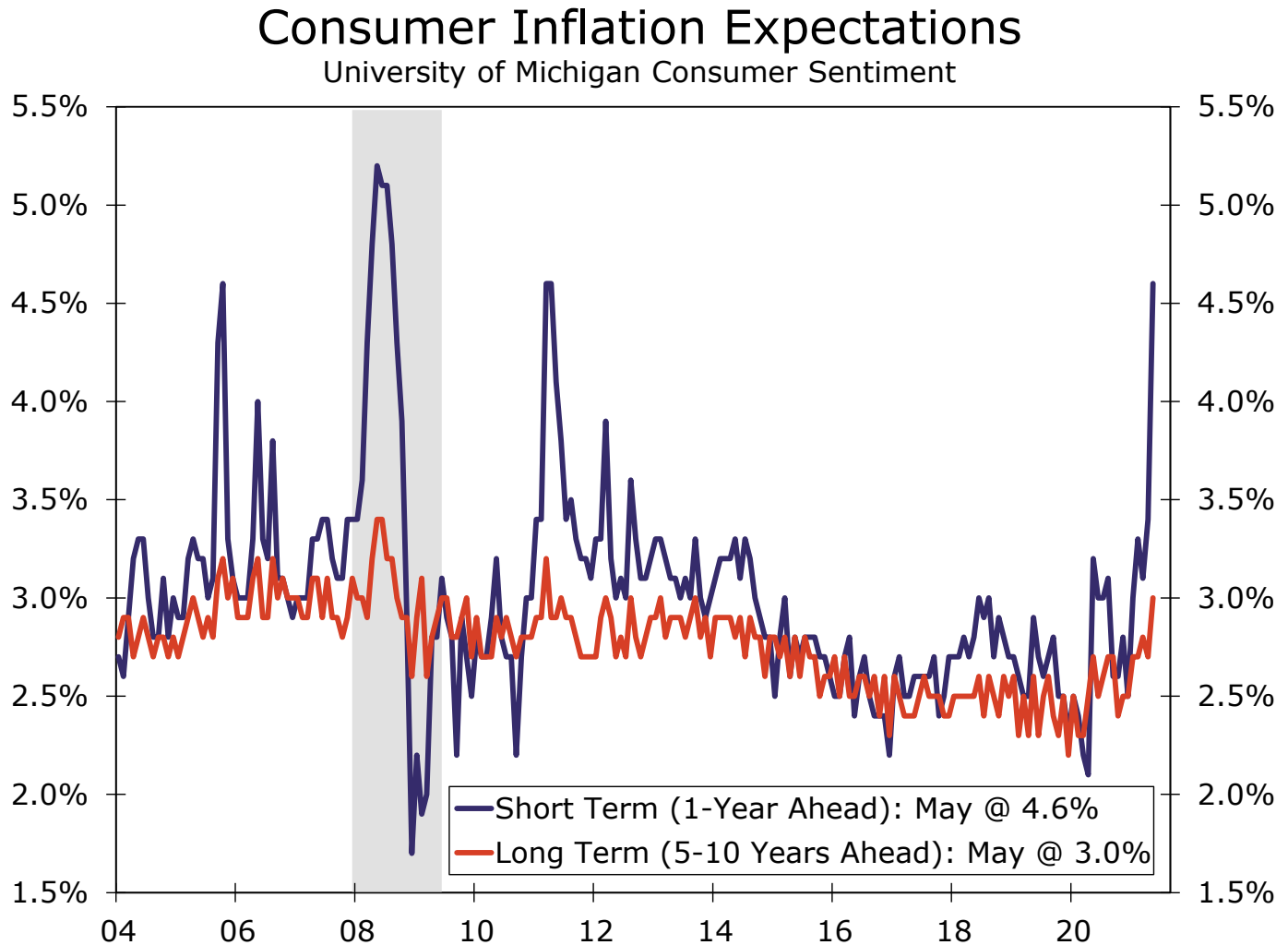
Year-over-Year Percent Change



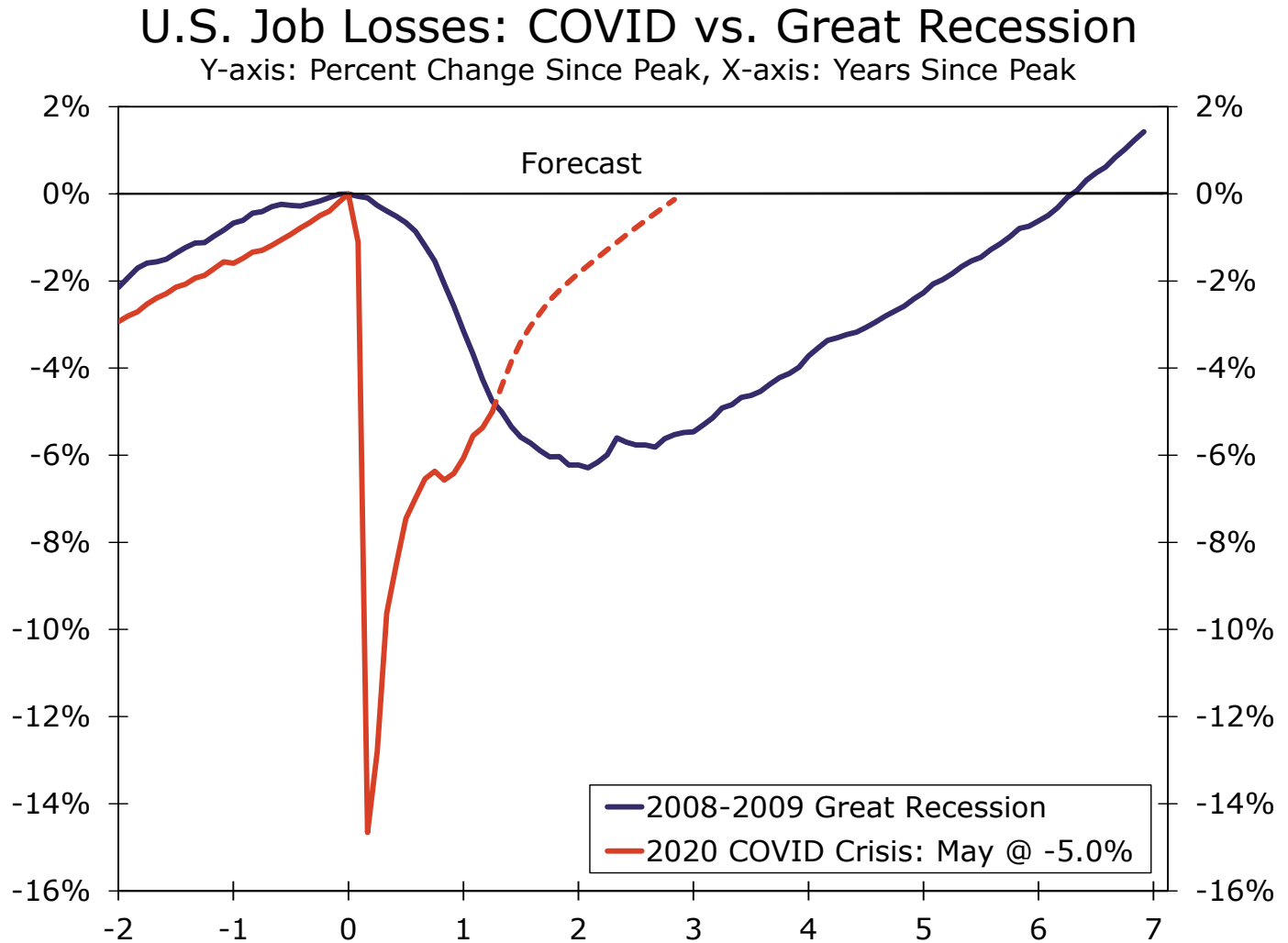
Areas at the center of reopening and supply chain issues have been the major drivers of recent inflation



Inflation expectations have risen in what could become a self-fulfilling prophecy



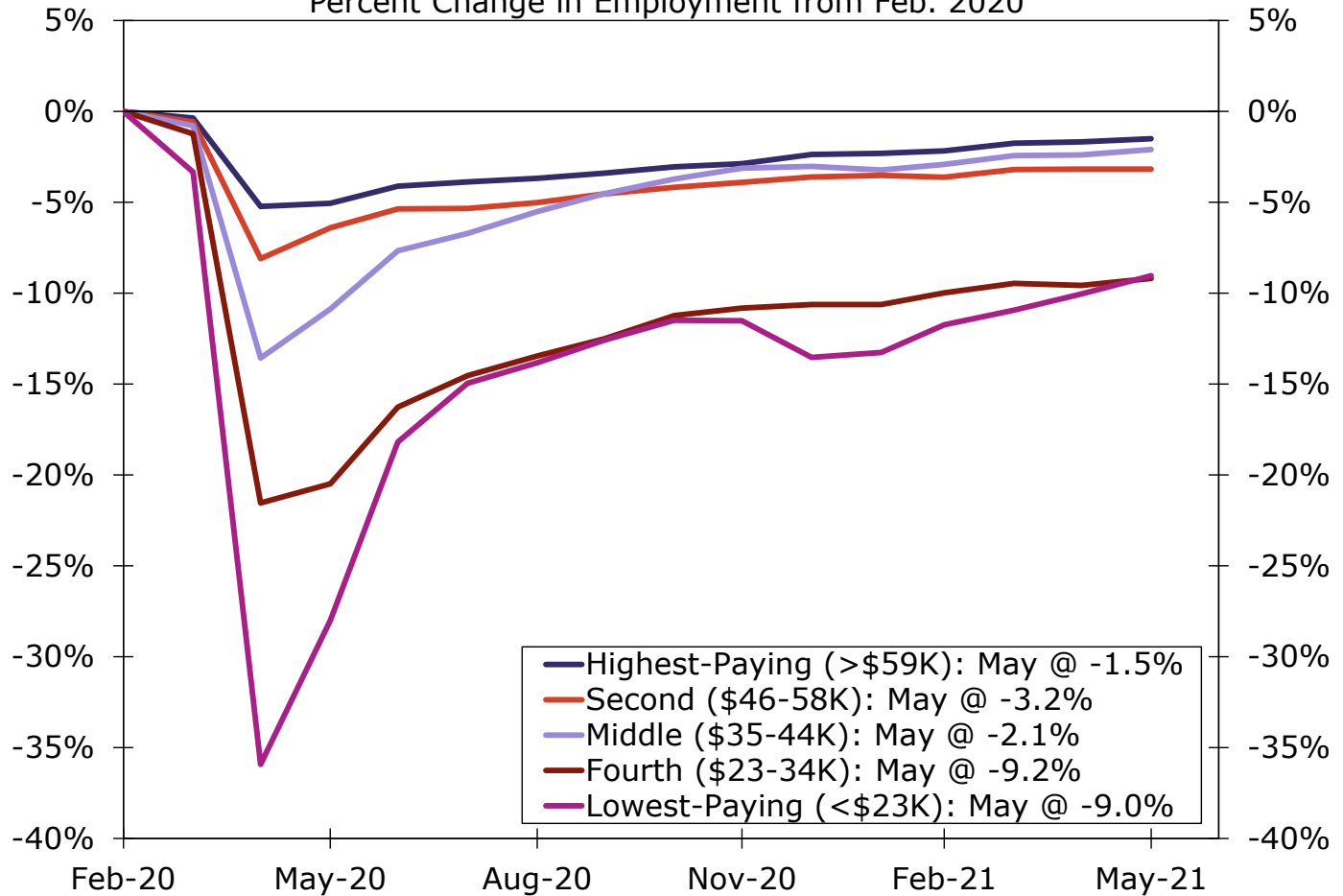
Employment remains depressed, but is expected to improve materially over the next year



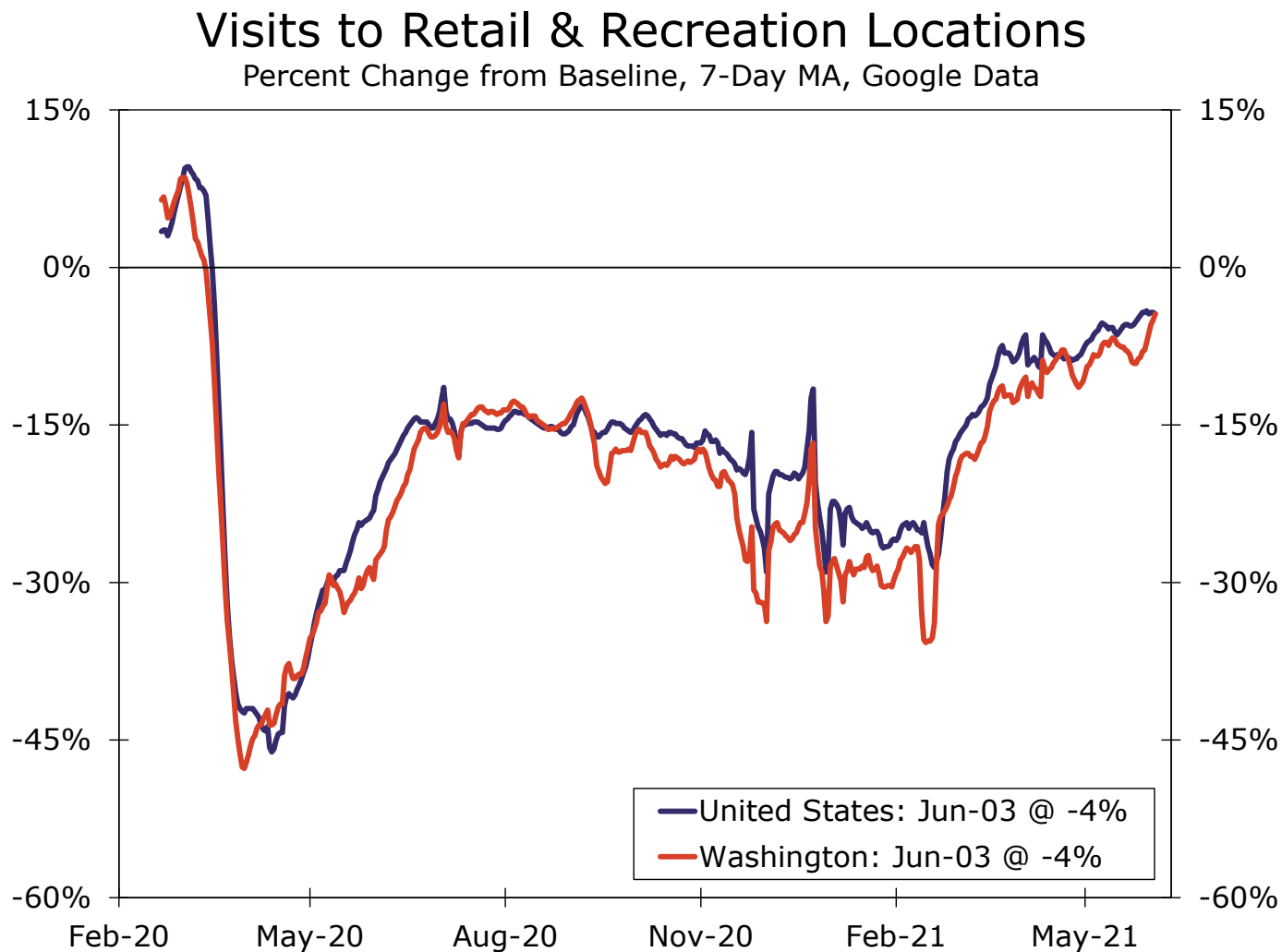
Job losses have been highly uneven across the income spectrum

## Employment Across the Pay Spectrum

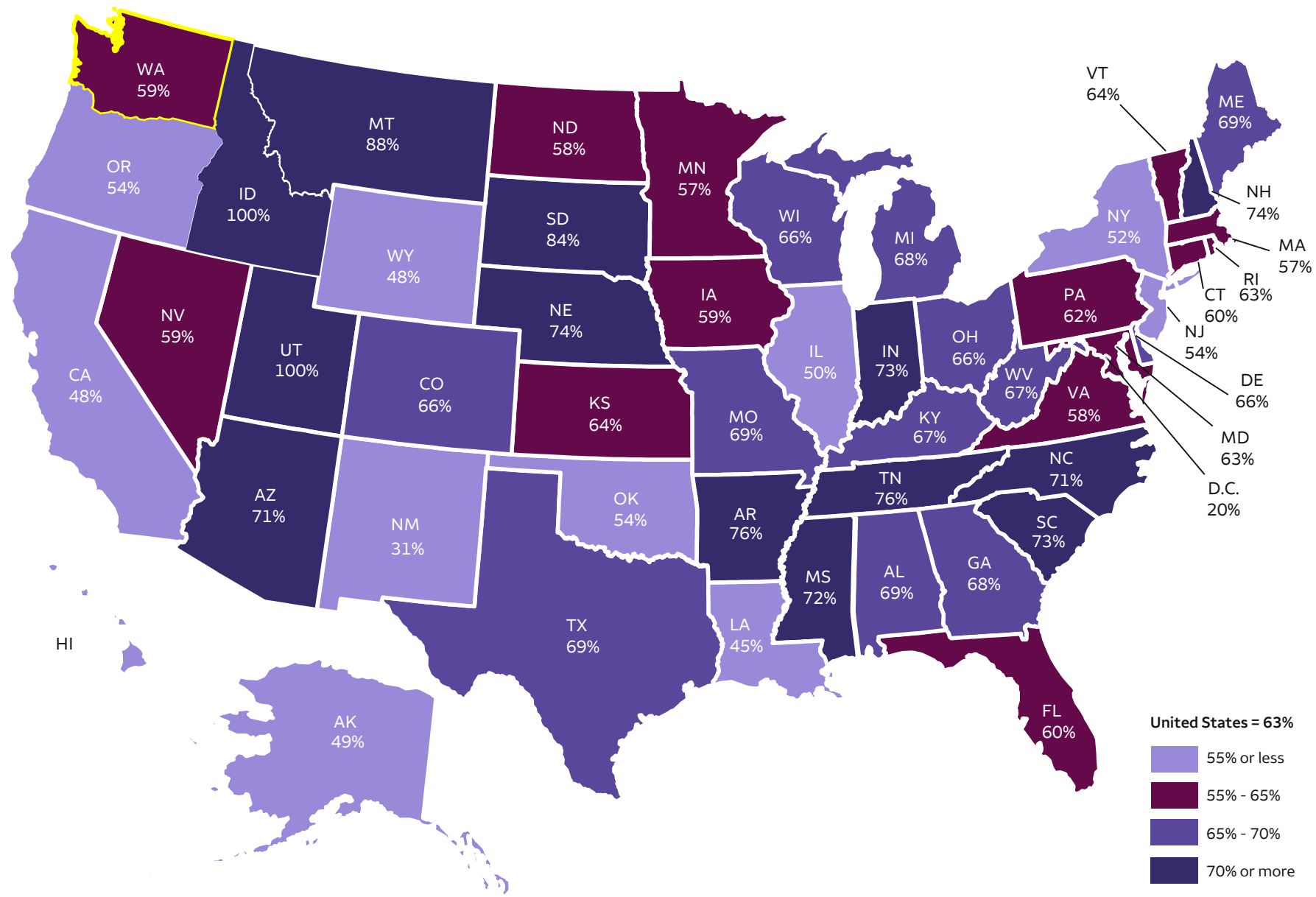
Quintiles of Jobs Ranked by 2019 Average Weekly Earnings, Percent Change in Employment from Feb. 2020



Activity levels continue to recover



# Percent of March & April Job Losses Recovered – April 2021



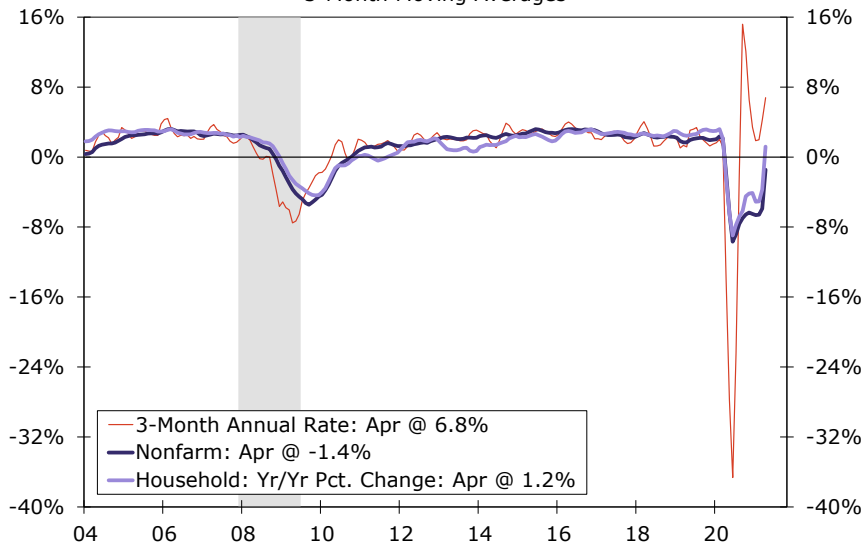
Source: U.S. Department of Labor and Wells Fargo Securities



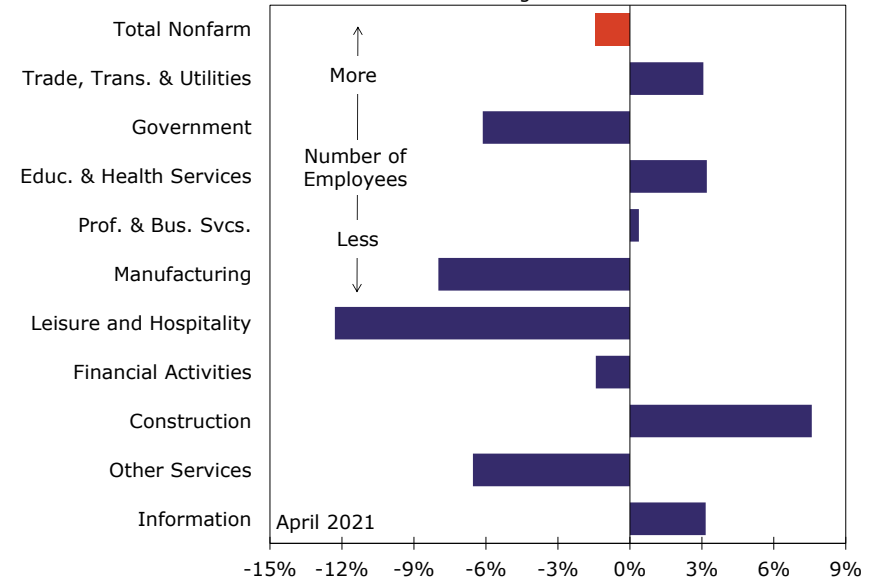
# Employment: Washington

Like much of the country, the hit to the leisure & hospitality sector has weighed heavily on employment in Washington

Washington Nonfarm Employment  
3-Month Moving Averages



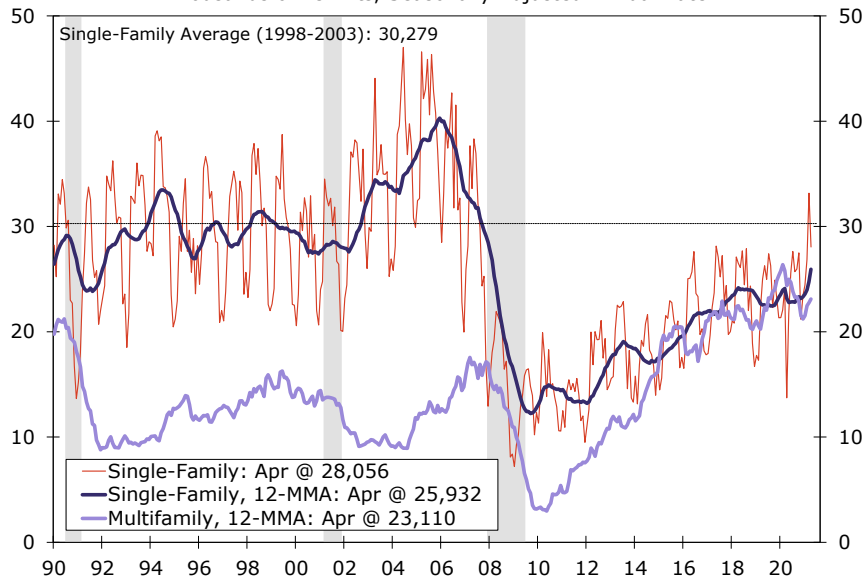
Washington Employment Growth By Industry  
Year-over-Year Percent Change of 3-MMA



New construction has barely turned up, even with soaring home prices

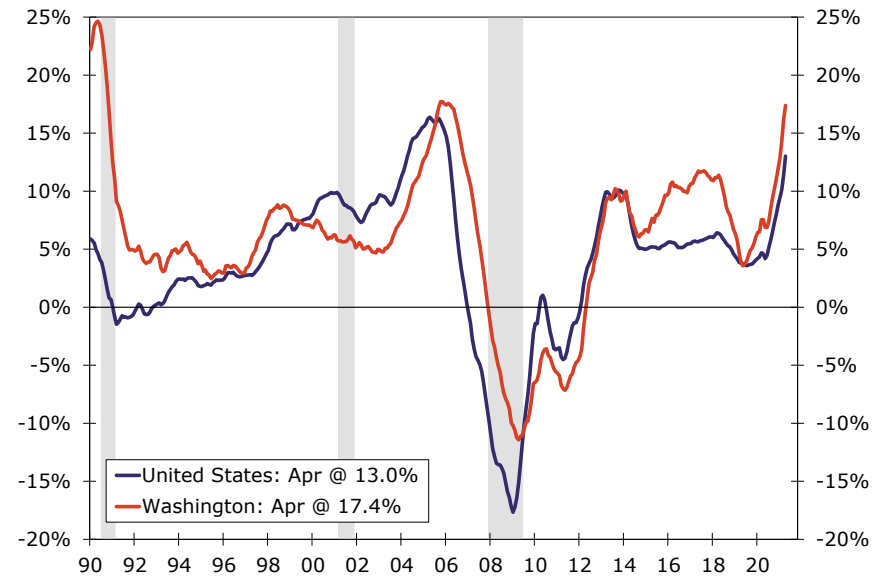
## Washington Housing Permits

Thousands of Permits, Seasonally Adjusted Annual Rate

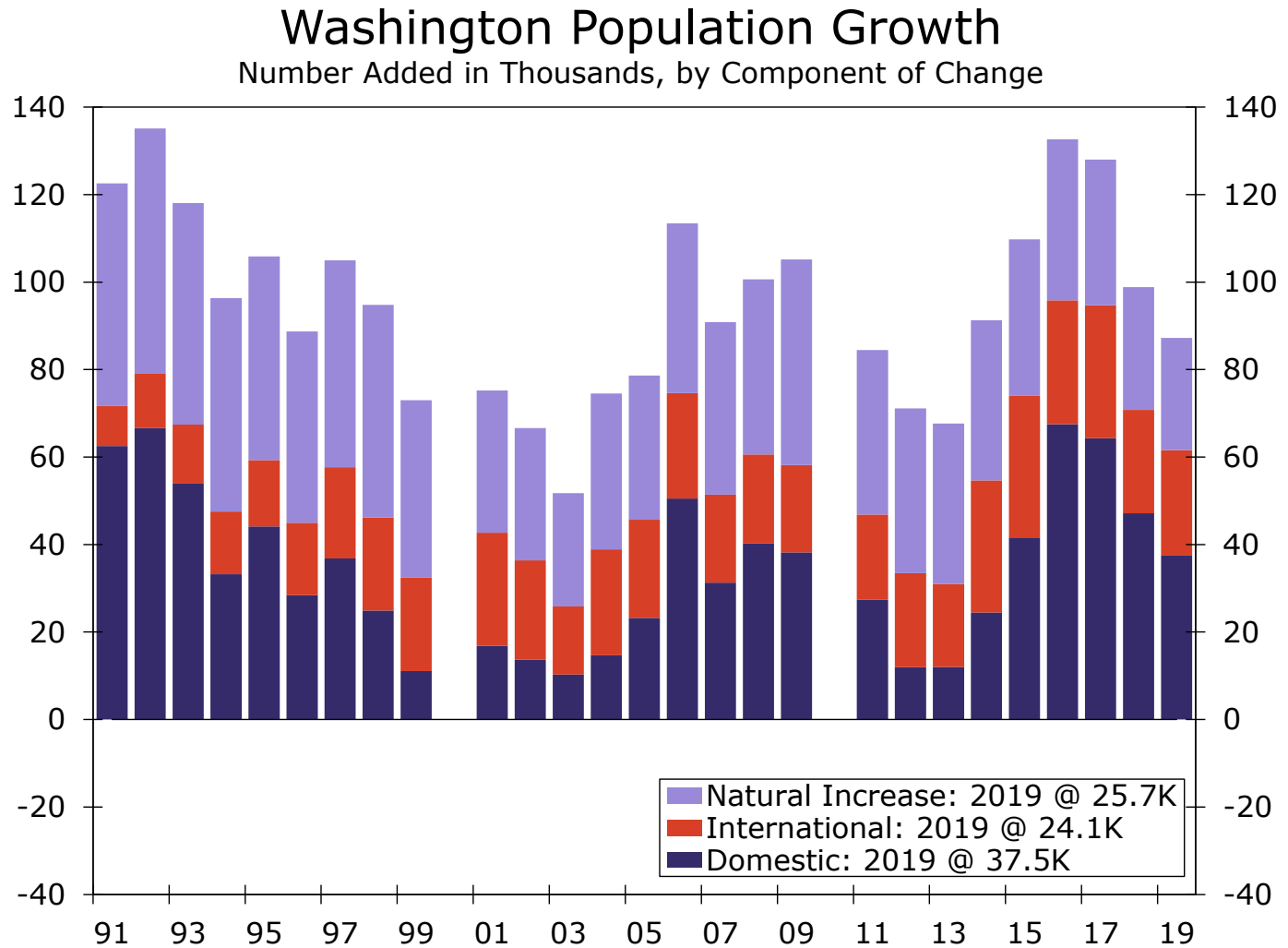


## Core Logic HPI: WA vs. U.S.

Year-over-Year Percent Change



Strong population growth has helped to underpin the state's economic growth, but the slowdown in in-migration is worth watching





Thank You

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## Wells Fargo Securities U.S. Economic Forecast

	Actual																Forecast			
	2019				2020				2021				2022				Actual		Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2019	2020	2021	2022
Real Gross Domestic Product <sup>1</sup>	2.9	1.5	2.6	2.4	-5.0	-31.4	33.4	4.3	6.4	9.8	8.4	7.6	6.0	3.3	2.6	2.5	2.2	-3.5	7.0	5.6
Personal Consumption	1.8	3.7	2.7	1.6	-6.9	-33.2	41.0	2.3	11.3	12.9	8.6	7.5	5.1	2.8	2.4	2.3	2.4	-3.9	8.8	5.5
Business Fixed Investment	4.2	0.0	1.9	-0.3	-6.7	-27.2	22.9	13.1	10.8	13.0	6.9	6.7	6.1	5.4	5.2	4.9	2.9	-4.0	9.2	6.4
Equipment	2.0	-3.8	-1.7	-1.7	-15.2	-35.9	68.2	25.4	13.4	11.7	7.6	8.0	7.3	6.1	5.8	5.2	2.1	-5.0	16.3	7.2
Intellectual Property Products	4.5	4.1	5.3	4.6	2.4	-11.4	8.4	10.5	16.9	9.3	7.5	6.8	6.0	5.6	5.1	4.9	6.4	1.7	7.8	6.3
Structures	8.2	1.6	3.6	-5.3	-3.7	-33.6	-17.4	-6.2	-5.8	3.2	3.3	2.8	2.5	2.8	3.5	3.7	-0.6	-11.0	-6.2	3.0
Residential Investment	-1.7	-2.1	4.6	5.8	19.0	-35.6	63.0	36.6	12.7	4.0	9.0	8.5	8.5	8.5	8.0	7.5	-1.7	6.1	14.9	8.2
Government Purchases	2.5	5.0	2.1	2.4	1.3	2.5	-4.8	-0.8	5.8	1.1	2.6	2.2	2.2	1.8	1.4	1.1	2.3	1.1	1.6	1.9
Net Exports <sup>2</sup>	0.6	-0.8	0.0	1.5	1.1	0.6	-3.2	-1.5	-1.2	-1.3	-0.4	-0.2	0.2	-0.1	-0.2	-0.1	-0.2	-0.1	-1.7	-0.2
Inventories <sup>2</sup>	0.2	-1.0	-0.1	-0.8	-1.3	-3.5	6.6	1.4	-2.8	1.9	0.9	0.8	0.6	0.0	-0.2	-0.2	0.0	-0.6	0.5	0.5
Nonfarm Payroll Change <sup>3</sup>	118	152	203	197	-360	-4333	1342	213	513	755	700	417	292	268	257	243	168	-785	596	265
Unemployment Rate	3.9	3.7	3.6	3.6	3.8	13.1	8.8	6.8	6.2	5.8	5.2	4.7	4.5	4.4	4.3	4.2	3.7	8.1	5.5	4.4
Consumer Price Index <sup>4</sup>	1.6	1.8	1.8	2.0	2.1	0.4	1.3	1.2	1.9	4.0	3.7	3.7	3.3	2.6	2.3	2.3	1.8	1.2	3.3	2.6
Real Disposable Income <sup>4</sup>	3.2	2.1	1.8	1.6	1.4	12.2	6.4	3.9	16.4	-4.2	-0.1	1.8	-8.7	0.4	0.8	2.3	2.2	5.9	3.0	-1.5
Quarter-End Interest Rates <sup>5</sup>																				
Federal Funds Target Rate	2.50	2.50	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	2.25	0.50	0.25	0.25
Conventional Mortgage Rate	4.28	3.80	3.61	3.72	3.45	3.16	2.89	2.69	3.08	3.40	3.50	3.65	3.75	3.80	3.85	3.90	3.94	3.12	3.41	3.83
2 Year Note	2.27	1.75	1.63	1.58	0.23	0.16	0.13	0.13	0.16	0.15	0.20	0.25	0.30	0.40	0.50	0.65	1.97	0.39	0.19	0.46
10 Year Note	2.41	2.00	1.68	1.92	0.70	0.66	0.69	0.93	1.74	1.85	1.95	2.05	2.15	2.20	2.25	2.30	2.14	0.89	1.90	2.23

Forecast as of: May 12, 2021

<sup>1</sup> Compound Annual Growth Rate Quarter-over-Quarter    <sup>2</sup> Percentage Point Contribution to GDP    <sup>3</sup> Average Monthly Change

<sup>4</sup> Year-over-Year Percentage Change

<sup>5</sup> Annual Numbers Represent Averages

## Wells Fargo International Economic Forecast

(Year-over-Year Percent Change)

	GDP				CPI			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Global (PPP Weights)	2.8%	-3.3%	6.3%	4.1%	3.5%	3.2%	3.5%	3.5%
Advanced Economies <sup>1</sup>	1.6%	-4.7%	5.5%	4.8%	1.4%	0.7%	2.5%	2.1%
United States	2.2%	-3.5%	7.0%	5.6%	1.8%	1.2%	3.6%	2.7%
Eurozone	1.3%	-6.6%	3.9%	4.2%	1.2%	0.3%	1.6%	1.3%
United Kingdom	1.4%	-9.9%	7.0%	5.8%	1.8%	0.9%	1.7%	2.0%
Japan	0.3%	-4.8%	2.0%	2.0%	0.5%	0.0%	0.1%	0.5%
Canada	1.9%	-5.4%	6.2%	3.8%	1.9%	0.7%	2.3%	2.2%
Switzerland	1.1%	-3.0%	3.6%	3.0%	0.4%	-0.7%	0.3%	0.4%
Australia	1.9%	-2.4%	4.7%	3.5%	1.6%	0.9%	1.8%	1.8%
New Zealand	2.4%	-3.0%	4.4%	3.6%	1.6%	1.7%	1.6%	1.4%
Sweden	1.4%	-2.8%	3.9%	3.6%	1.6%	0.7%	1.7%	1.4%
Norway	0.9%	-0.8%	3.2%	3.8%	2.2%	1.3%	2.6%	2.0%
Developing Economies <sup>1</sup>	3.6%	-2.2%	6.9%	3.6%	5.1%	5.1%	4.3%	4.6%
China	5.8%	2.3%	9.0%	5.6%	2.9%	2.4%	1.3%	2.2%
India	4.0%	-8.0%	10.7%	4.4%	4.8%	6.2%	4.6%	4.5%
Mexico	-0.1%	-8.2%	5.0%	2.7%	3.6%	3.4%	4.5%	3.8%
Brazil	1.4%	-4.1%	3.2%	2.1%	3.7%	3.2%	5.0%	4.0%

Forecast as of: May 25, 2021

<sup>1</sup>Aggregated Using PPP Weights

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