Monthly — June 11, 2026

# U.S. Economic Outlook: June 2026

## The Warsh Era Starts with a Great Debate

### Key Themes

- **Warsh is starting his tenure at the Fed during a transition of sorts.** Given the prior FOMC statement and the countless Fed speakers we've heard from since then, it seems Fed officials are in the midst of shifting toward a more neutral policy stance. And who can blame them? Headline and core PCE inflation are comfortably above the FOMC's target at 3.8% and 3.3% year over year, respectively. This is not an environment in which the Fed is in any hurry to continue easing monetary policy. And on balance, we have some sympathy for that. Sitting on the sidelines for now strikes us as prudent.
- **The case for rate *hikes* does not appear compelling to us.** A pivot away from cuts does not mean the FOMC is ready to hike either. Yes, the labor market has found firmer footing, but it is not overheating. The unemployment rate is near most estimates of full employment, wage growth is benign at ~3.5%, and leading indicators of labor demand such as job postings remain range bound. On the inflation side of the mandate, much of the excess inflation has been driven by supply side factors (tariffs, energy shock) that cannot be easily resolved by tighter monetary policy. This combination of factors is poised to put the FOMC on hold for an extended period.
- **What would it take to get hikes? A hotter labor market and/or a worse inflation outlook.** One of the most frequent questions we have fielded in recent weeks has been what would it take to get the Fed into a tightening cycle. We think they would need to see proof that the labor market is starting to overheat, not just that supply and demand have reached a healthy balance after last year's mini labor market swoon. A numeric example of what this might look like: the unemployment rate has been between 4.2% and 4.5% every month but one since February 2025. A sustained break below that range would be a clear sign of labor market tightening. Higher inflation also could push the FOMC toward hikes, especially if the inflation were broadly based or started to trigger a de-anchoring in inflation expectations. But, our current inflation forecast (3.2% Q4/Q4 on the core PCE index for 2026) is probably not hot enough to get them there alone.
- **We will wait to hear from Chair Warsh before revising our fed funds forecast.** At this point the cuts we have in our official forecast this year are simply a placeholder. We want to hear what Warsh has to say before officially yanking them. But as we have been flagging, we think the right move for the Fed is to sit on the sidelines. If a very dovish Warsh shows up, that may breathe some life into the utterly deflated prospects for a cut. Unfortunately for Warsh (assuming he actually does have dovish leanings), the economic reality is recent data and our sense of the FOMC's reaction function argue there is a high hurdle to cut at this juncture. But let's see what he has to say.
- **Will the positive growth momentum be sustained in the second half of the year?** Despite the conflict in the Middle East, it has been a solid first half of the year for economic growth. Ditto for the labor market. However, some of the positive tailwinds for the economy are starting to fade (e.g., the tax cuts), while others are in limbo (e.g., tariff refunds/relief, rate cuts). We are not economic bears by any means, but we will need to see this recent run of positive data sustained before we alter our forecast for trend-like growth and stable labor market conditions in the months ahead.

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# U.S. Forecast Table

**Wells Fargo U.S. Economic Forecast**

| | Actual | | | | | | | | Forecast | | | | | | | | Actual | | Forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2025 | | | | 2026 | | | | 2027 | | | | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 2024 | 2025 | 2026 | 2027 |
| Real Gross Domestic Product (a) | 0.8 | 3.6 | 3.3 | 1.8 | -0.6 | 3.8 | 4.4 | 0.5 | 1.6 | 2.5 | 1.5 | 2.4 | 2.2 | 2.5 | 2.4 | 2.4 | 2.8 | 2.1 | 2.1 | 2.3 |
| Personal Consumption | 1.7 | 3.9 | 4.0 | 3.9 | 0.6 | 2.5 | 3.5 | 1.9 | 1.4 | 2.1 | 2.0 | 2.3 | 1.8 | 2.2 | 2.3 | 2.0 | 2.9 | 2.6 | 2.1 | 2.1 |
| Business Fixed Investment | 1.5 | 2.5 | 3.5 | -3.7 | 9.5 | 7.3 | 3.2 | 2.4 | 10.1 | 9.3 | 4.4 | 4.3 | 5.2 | 6.2 | 4.7 | 5.2 | 2.9 | 4.1 | 6.4 | 5.3 |
| Equipment | 0.5 | 8.9 | 8.2 | -4.3 | 21.4 | 8.5 | 5.3 | 4.3 | 17.2 | 15.1 | 5.9 | 5.0 | 4.5 | 6.0 | 5.0 | 4.0 | 3.5 | 8.3 | 10.1 | 5.7 |
| Intellectual Property Products | 6.7 | 0.7 | 2.6 | -0.6 | 6.5 | 15.0 | 5.6 | 5.4 | 11.6 | 8.0 | 5.1 | 4.5 | 6.4 | 7.1 | 4.5 | 6.5 | 3.5 | 5.6 | 7.9 | 5.9 |
| Structures | -5.0 | -3.9 | -2.2 | -8.1 | -3.1 | -7.5 | -5.0 | -6.5 | -5.4 | -3.3 | -1.1 | 2.2 | 3.3 | 4.2 | 4.3 | 4.7 | 1.1 | -5.3 | -4.3 | 2.5 |
| Residential Investment | 8.2 | -2.0 | -4.8 | 4.3 | -1.0 | -5.1 | -7.1 | -1.7 | -6.2 | -5.1 | -2.1 | 2.8 | 3.5 | 4.1 | 4.5 | 4.8 | 3.2 | -2.2 | -4.2 | 2.4 |
| Government Purchases | 2.3 | 3.3 | 5.4 | 3.3 | -1.0 | -0.1 | 2.2 | -5.6 | 4.4 | 2.7 | 0.4 | 0.8 | 1.2 | 1.0 | 1.1 | 1.1 | 3.8 | 1.1 | 0.8 | 1.1 |
| Net Exports | -964.1 | -1032.2 | -1064.9 | -1069.0 | -1380.7 | -1058.0 | -955.5 | -968.7 | -1063.8 | -1109.1 | -1126.0 | -1150.6 | -1171.1 | -1191.0 | -1211.0 | -1227.4 | -1032.6 | -1090.7 | -1112.4 | -1200.1 |
| Pct. Point Contribution to GDP | -0.4 | -1.0 | -0.4 | -0.1 | -4.7 | 4.8 | 1.6 | -0.2 | -1.3 | -0.7 | -0.3 | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 | -0.5 | -0.2 | -0.1 | -0.4 |
| Inventory Change | 12.4 | 75.1 | 69.4 | 17.1 | 172.0 | -18.3 | -23.9 | -15.6 | -25.7 | 8.4 | -11.0 | 8.4 | 17.5 | 18.2 | 23.4 | 30.5 | 43.5 | 28.5 | -5.0 | 22.4 |
| Pct. Point Contribution to GDP | -0.8 | 1.2 | -0.1 | -0.9 | 2.6 | -3.4 | -0.1 | 0.1 | 0.1 | 0.6 | -0.3 | 0.3 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | -0.1 | -0.1 | 0.1 |
| Nominal GDP (a) | 4.0 | 6.3 | 5.1 | 4.3 | 2.9 | 6.0 | 8.3 | 4.2 | 5.1 | 8.1 | 4.1 | 4.9 | 4.6 | 4.5 | 4.6 | 4.8 | 5.3 | 5.0 | 5.8 | 4.8 |
| Real Final Sales | 1.7 | 2.4 | 3.5 | 2.8 | -3.2 | 7.5 | 4.5 | 0.3 | 1.5 | 2.0 | 1.8 | 2.1 | 2.0 | 2.5 | 2.3 | 2.3 | 2.8 | 2.2 | 2.3 | 2.2 |
| Retail Sales (b) | 1.8 | 2.5 | 2.3 | 3.9 | 4.5 | 4.3 | 4.4 | 3.0 | 3.9 | 5.6 | 5.0 | 5.2 | 4.3 | 2.3 | 1.9 | 1.7 | 2.6 | 4.0 | 4.9 | 2.5 |
| Inflation Indicators (b) | | | | | | | | | | | | | | | | | | | | |
| PCE Deflator | 2.8 | 2.7 | 2.4 | 2.6 | 2.6 | 2.4 | 2.7 | 2.8 | 3.1 | 3.9 | 3.8 | 3.7 | 3.2 | 2.3 | 2.2 | 2.2 | 2.6 | 2.6 | 3.6 | 2.5 |
| "Core" PCE Deflator | 3.1 | 2.8 | 2.8 | 3.0 | 2.8 | 2.7 | 2.9 | 2.9 | 3.1 | 3.4 | 3.4 | 3.2 | 2.8 | 2.5 | 2.4 | 2.4 | 2.9 | 2.8 | 3.3 | 2.5 |
| Consumer Price Index | 3.2 | 3.2 | 2.7 | 2.7 | 2.7 | 2.5 | 2.9 | 2.7 | 2.7 | 3.9 | 3.7 | 3.8 | 3.4 | 2.1 | 2.0 | 1.9 | 3.0 | 2.7 | 3.5 | 2.3 |
| "Core" Consumer Price Index | 3.8 | 3.4 | 3.3 | 3.3 | 3.1 | 2.8 | 3.1 | 2.6 | 2.5 | 2.8 | 2.6 | 2.7 | 2.6 | 2.3 | 2.2 | 2.2 | 3.4 | 2.9 | 2.7 | 2.3 |
| Producer Price Index (Final Demand) | 1.5 | 2.6 | 2.2 | 3.1 | 3.4 | 2.5 | 3.0 | 3.0 | 3.6 | 6.2 | 5.9 | 5.4 | 4.7 | 2.8 | 2.5 | 2.6 | 2.4 | 3.0 | 5.3 | 3.1 |
| Employment Cost Index | 4.2 | 4.1 | 3.9 | 3.8 | 3.6 | 3.6 | 3.5 | 3.4 | 3.4 | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.5 | 4.0 | 3.5 | 3.4 | 3.4 |
| Real Disposable Income (a) | 4.2 | 2.4 | 1.2 | 2.0 | 2.3 | 1.8 | 1.0 | -0.9 | 0.8 | -2.7 | 1.9 | 2.3 | 4.5 | 2.1 | 1.9 | 2.2 | 2.9 | 1.7 | 0.1 | 2.4 |
| Nominal Personal Income (a) | 7.6 | 5.4 | 3.6 | 4.9 | 6.4 | 4.3 | 4.4 | 2.4 | 3.3 | 2.8 | 4.5 | 4.8 | 5.0 | 4.1 | 4.0 | 4.5 | 5.6 | 4.8 | 3.5 | 4.5 |
| Industrial Production (a) | -2.6 | 2.7 | -2.3 | -1.5 | 4.2 | 1.8 | 2.1 | -1.8 | 2.1 | 3.9 | 3.6 | 2.7 | 1.7 | 1.0 | 1.1 | 0.5 | -0.7 | 1.1 | 1.9 | 2.0 |
| Capacity Utilization | 76.3 | 76.6 | 76.0 | 75.5 | 76.0 | 76.1 | 76.2 | 75.6 | 75.7 | 76.4 | 77.1 | 77.8 | 78.2 | 78.5 | 78.8 | 79.0 | 76.1 | 75.9 | 76.7 | 78.6 |
| Federal Budget Balance (c) | -555 | -209 | -544 | -711 | -596 | -30 | -438 | -602 | -566 | -220 | -562 | -647 | -701 | -176 | -476 | -649 | -1817 | -1775 | -1950 | -2000 |
| Nonfarm Payroll Change (d) | 203 | 76 | 72 | 135 | 20 | 34 | 23 | -39 | 73 | 151 | 73 | 89 | 77 | 64 | 62 | 58 | 122 | 10 | 96 | 66 |
| Unemployment Rate | 3.8 | 4.0 | 4.2 | 4.1 | 4.1 | 4.2 | 4.3 | 4.5 | 4.3 | 4.3 | 4.3 | 4.3 | 4.2 | 4.2 | 4.2 | 4.2 | 4.0 | 4.3 | 4.3 | 4.2 |
| Light Vehicle Sales (g) | 15.5 | 15.7 | 15.7 | 16.4 | 16.4 | 16.2 | 16.6 | 15.7 | 15.4 | 16.0 | 15.8 | 15.8 | 16.4 | 16.6 | 16.7 | 16.9 | 15.9 | 16.2 | 15.7 | 16.7 |
| Crude Oil - Brent - Front Contract (h) | 81.2 | 84.4 | 78.0 | 73.6 | 74.3 | 65.9 | 67.5 | 62.7 | 76.3 | 101.1 | 94.7 | 89.0 | 84.0 | 82.0 | 80.5 | 78.7 | 79.3 | 67.6 | 90.3 | 81.3 |
| Housing Starts (e) | 1.4 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 | 1.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.3 | 1.4 |
| New Home Sales, Single-Family (f) | 672.3 | 686.3 | 711.3 | 667.7 | 654.0 | 662.7 | 686.7 | 710.7 | 626.7 | 663.0 | 676.9 | 687.1 | 694.6 | 709.2 | 720.6 | 734.3 | 684.4 | 678.5 | 663.4 | 714.7 |
| Total Existing Home Sales (e) | 4.1 | 4.0 | 4.0 | 4.1 | 4.1 | 4.0 | 4.0 | 4.2 | 4.1 | 4.1 | 4.2 | 4.3 | 4.3 | 4.3 | 4.4 | 4.4 | 4.1 | 4.1 | 4.2 | 4.3 |
| S&P Case-Shiller National Home Price Index (b) | 6.4 | 6.0 | 4.4 | 3.8 | 3.9 | 2.4 | 1.5 | 1.2 | 0.8 | 0.5 | 0.8 | 0.7 | 0.7 | 0.9 | 1.1 | 1.2 | 5.1 | 2.2 | 1.9 | 3.3 |
| Quarter-End Interest Rates (i) | | | | | | | | | | | | | | | | | | | | |
| Federal Funds Target Rate (j) | 5.50 | 5.50 | 5.00 | 4.50 | 4.50 | 4.50 | 4.25 | 3.75 | 3.75 | 3.75 | 3.75 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 5.27 | 4.33 | 3.63 | 3.25 |
| Secured Overnight Financing Rate | 5.34 | 5.33 | 4.96 | 4.49 | 4.41 | 4.45 | 4.24 | 3.87 | 3.68 | 3.65 | 3.65 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 5.15 | 4.24 | 3.53 | 3.15 |
| Prime Rate | 8.50 | 8.50 | 8.00 | 7.50 | 7.50 | 7.50 | 7.25 | 6.75 | 6.75 | 6.75 | 6.75 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 8.27 | 7.33 | 6.63 | 6.25 |
| Conventional Mortgage Rate | 6.82 | 6.92 | 6.18 | 6.72 | 6.65 | 6.82 | 6.35 | 6.20 | 6.18 | 6.45 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.72 | 6.60 | 6.26 | 6.20 |
| 3 Month Bill | 5.46 | 5.48 | 4.73 | 4.37 | 4.32 | 4.41 | 4.02 | 3.67 | 3.70 | 3.65 | 3.50 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 5.18 | 4.21 | 3.50 | 3.15 |
| 6 Month Bill | 5.38 | 5.33 | 4.38 | 4.24 | 4.23 | 4.29 | 3.83 | 3.59 | 3.72 | 3.70 | 3.40 | 3.20 | 3.20 | 3.20 | 3.20 | 3.25 | 5.00 | 4.09 | 3.51 | 3.21 |
| 1 Year Bill | 5.03 | 5.09 | 3.98 | 4.16 | 4.03 | 3.96 | 3.68 | 3.48 | 3.68 | 3.65 | 3.40 | 3.30 | 3.30 | 3.30 | 3.35 | 3.40 | 4.69 | 3.91 | 3.51 | 3.34 |
| 2 Year Note | 4.59 | 4.71 | 3.66 | 4.25 | 3.89 | 3.72 | 3.60 | 3.47 | 3.79 | 3.90 | 3.50 | 3.40 | 3.40 | 3.45 | 3.50 | 3.55 | 4.37 | 3.81 | 3.65 | 3.48 |
| 5 Year Note | 4.21 | 4.33 | 3.58 | 4.38 | 3.96 | 3.79 | 3.74 | 3.73 | 3.92 | 4.00 | 3.70 | 3.65 | 3.70 | 3.75 | 3.80 | 3.80 | 4.13 | 3.92 | 3.82 | 3.76 |
| 10 Year Note | 4.20 | 4.36 | 3.81 | 4.58 | 4.23 | 4.24 | 4.16 | 4.18 | 4.30 | 4.40 | 4.20 | 4.25 | 4.25 | 4.30 | 4.30 | 4.30 | 4.21 | 4.29 | 4.29 | 4.29 |
| 30 Year Bond | 4.34 | 4.51 | 4.14 | 4.78 | 4.59 | 4.78 | 4.73 | 4.84 | 4.88 | 4.95 | 4.85 | 4.90 | 4.95 | 5.00 | 5.00 | 5.00 | 4.41 | 4.78 | 4.90 | 4.99 |

Forecast as of: June 11, 2026

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) Average Monthly Change, Thousands
(e) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Annual Total, Millions
(f) Quarterly Data - Average Monthly SAAR, Thousands; Annual Data - Actual Annual Total, Thousands
(g) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Total Vehicles Sold, Millions
(h) Quarterly Average of Daily Close, USD
(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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2025 | | | | 2026 | | | | 2027 | | | | 2024 | 2025 | 2026 | 2027 |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Real Gross Domestic Product (a) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.52 | -0.34 | 0.04 | 0.00 | 0.00 | -0.01 | -0.01 | 0.00 | 0.00 | 0.06 | 0.00 |
| Personal Consumption | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.09 | 0.03 |
| Business Fixed Investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.13 | -0.58 | 0.65 | 0.03 | 0.01 | -0.01 | -0.02 | 0.00 | 0.00 | 0.36 | 0.18 |
| Equipment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4.87 | 0.14 | 2.00 | -0.02 | 0.00 | 0.04 | 0.00 | 0.00 | 0.00 | 1.05 | 0.67 |
| Intellectual Property Products | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.08 | 0.01 | 0.01 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.21 | 0.07 |
| Structures | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -1.20 | -3.90 | -1.00 | 0.20 | 0.00 | -0.20 | -0.10 | 0.00 | 0.00 | -0.75 | -0.75 |
| Residential Investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.80 | -0.30 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.18 | -0.07 |
| Government Purchases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.18 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.03 | -0.01 |
| Net Exports | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -14.88 | -19.88 | -23.70 | -24.12 | -24.58 | -25.04 | -25.42 | 0.00 | 0.00 | -14.62 | -24.79 |
| Pct. Point Contribution to GDP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.25 | -0.08 | -0.06 | -0.01 | -0.01 | -0.01 | -0.01 | 0.00 | 0.00 | -0.06 | -0.04 |
| Inventory Change | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.74 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.43 | 0.00 |
| Pct. Point Contribution to GDP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.16 | -0.16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | -0.01 |
| Nominal GDP (a) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.79 | -0.08 | 0.59 | 0.32 | -0.24 | 0.03 | 0.24 | 0.00 | 0.00 | 0.17 | 0.20 |
| Real Final Sales | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.36 | -0.18 | 0.04 | 0.00 | 0.00 | -0.01 | -0.01 | 0.00 | 0.00 | 0.05 | 0.01 |
| Retail Sales (b) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inflation Indicators (b) | | | | | | | | | | | | | | | | | | | | |
| PCE Deflator | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.12 | 0.26 | 0.34 | 0.22 | 0.16 | 0.09 | 0.00 | 0.00 | 0.11 | 0.20 |
| "Core" PCE Deflator | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.17 | 0.26 | 0.35 | 0.37 | 0.29 | 0.26 | 0.00 | 0.00 | 0.12 | 0.32 |
| Consumer Price Index | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.10 | -0.21 | 0.04 | 0.15 | 0.09 | 0.18 | 0.02 | 0.00 | 0.00 | -0.07 | 0.11 |
| "Core" Consumer Price Index | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.04 | -0.05 | -0.04 | -0.02 | 0.04 | 0.06 | 0.06 | 0.00 | 0.00 | -0.03 | 0.03 |
| Producer Price Index (Final Demand) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 | 0.47 | 0.46 | 0.47 | 0.26 | 0.00 | 0.00 | 0.00 | 0.00 | 0.28 | 0.18 |
| Employment Cost Index | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.03 | 0.03 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.01 |
| Real Disposable Income (a) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.11 | -0.44 | -0.02 | 0.23 | -0.03 | -0.24 | 0.00 | 0.00 | -0.04 | -0.08 |
| Nominal Personal Income (a) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.12 | 0.10 | 0.10 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.04 | 0.04 |
| Industrial Production (a) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 1.72 | 1.34 | 0.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.31 | 0.52 |
| Capacity Utilization | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 | 0.60 | 0.86 | 0.90 | 0.91 | 0.91 | 0.91 | 0.00 | 0.00 | 0.41 | 0.91 |
| Federal Budget Balance (c) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36.24 | 30.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Nonfarm Payroll Change (e) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.67 | 81.00 | 23.00 | 27.00 | 13.33 | 4.00 | 3.67 | 4.33 | 0.00 | 0.00 | 35.17 | 6.33 |
| Unemployment Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.04 | -0.08 | -0.10 | -0.10 | -0.10 | -0.10 | -0.09 | 0.00 | 0.00 | -0.06 | -0.10 |
| Light Vehicle Sales (g) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.65 | 0.60 | 0.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.39 | 0.00 |
| Crude Oil - Brent - Front Contract (h) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -4.43 | -8.33 | -4.67 | -2.00 | 1.03 | 2.50 | 2.00 | 0.00 | 0.00 | -4.36 | 0.88 |
| Housing Starts (e) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.04 | -0.05 | -0.05 | -0.02 | -0.02 | -0.02 | -0.02 | 0.00 | 0.00 | -0.01 | -0.02 |
| New Home Sales, Single-Family (f) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | 0.00 | 0.00 | | |
| Total Existing Home Sales (e) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | 0.00 | 0.00 | | |
| S&P Case-Shiller National Home Price Index (b) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | 0.00 | 0.00 | | |
| Quarter-End Interest Rates (i) | | | | | | | | | | | | | | | | | | | | |
| Federal Funds Target Rate (j) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Secured Overnight Financing Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prime Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Conventional Mortgage Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.00 |
| 3 Month Bill | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 Month Bill | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 |
| 1 Year Bill | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.00 |
| 2 Year Note | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 | 0.00 |
| 5 Year Note | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.04 | 0.00 |
| 10 Year Note | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 |
| 30 Year Bond | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 |

Forecast as of: June 11, 2026

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) Average Monthly Change, Thousands
(e) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Annual Total, Millions
(f) Quarterly Data - Average Monthly SAAR, Thousands; Annual Data - Actual Annual Total, Thousands
(g) Quarterly Data - Average Monthly SAAR, Millions; Annual Data - Actual Total Vehicles Sold, Millions
(h) Quarterly Average of Daily Close, USD
(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

## Sector Analysis

### Personal Consumption Expenditures (PCE)

- Consumer spending is holding up in nominal terms, but after price adjustment, momentum is fading as real income growth weakens and households dip further into savings.

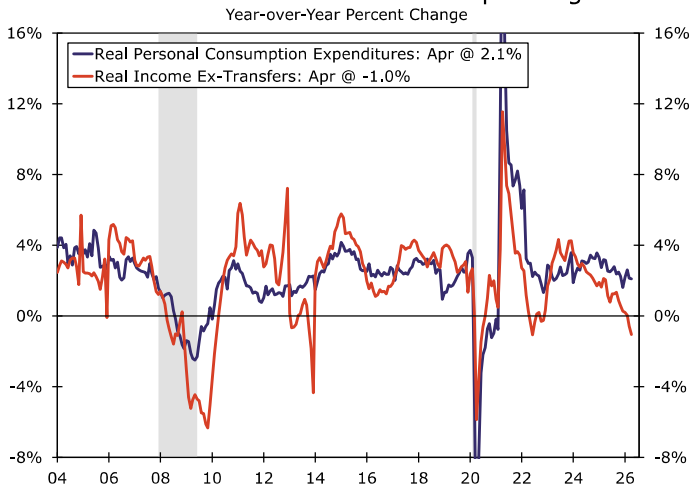
In terms of goods spending, retail sales rose a solid 0.5% in April, with core sales tracking at a roughly 5% annualized pace for Q2. But much of the strength reflects higher gasoline prices and continued gains in e-commerce, while discretionary categories are softening. On the income side, the picture is deteriorating: real disposable income fell 0.5% in April, and real spending rose just 0.1%. With the saving rate dropping to 2.6% and purchasing power under pressure, recent resilience looks increasingly unsustainable. We expect real consumer spending to come in at roughly 2.0% in Q2 and sustain that 2.0% pace this year, with downside risk if income growth fails to stabilize.

### Investment: Equipment, Intellectual Property Products, and Inventories

- Business investment remains led by high-tech spending, but signs of a broader capex recovery are continuing to emerge.

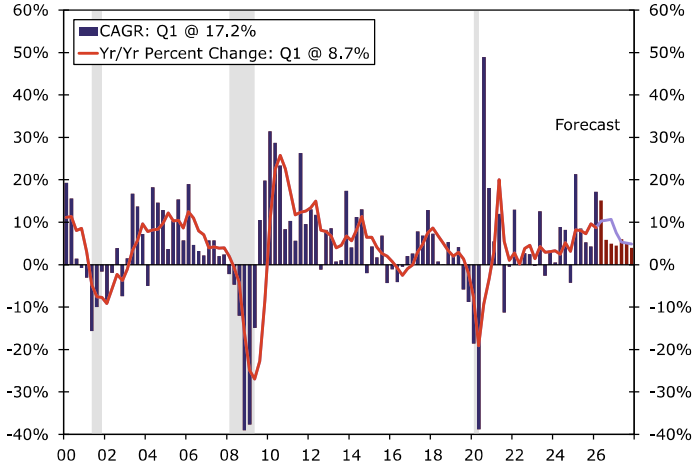
Spending on software and information processing equipment surged in Q1, delivering an outsized contribution to overall GDP growth as firms continue to lean into the AI-driven buildout. While that remains the core story, activity is continuing to broaden across manufacturing, with the ISM manufacturing index touching a 4-year high and durable goods orders firming across most industries. Higher energy costs add uncertainty at the margin, but momentum in equipment spending remains intact. We expect another double-digit gain in equipment investment in Q2, with upside risk if the incipient manufacturing recovery continues to take hold.

Real Household Income vs. Spending




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

Real Equipment Investment




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

### Investment: Residential

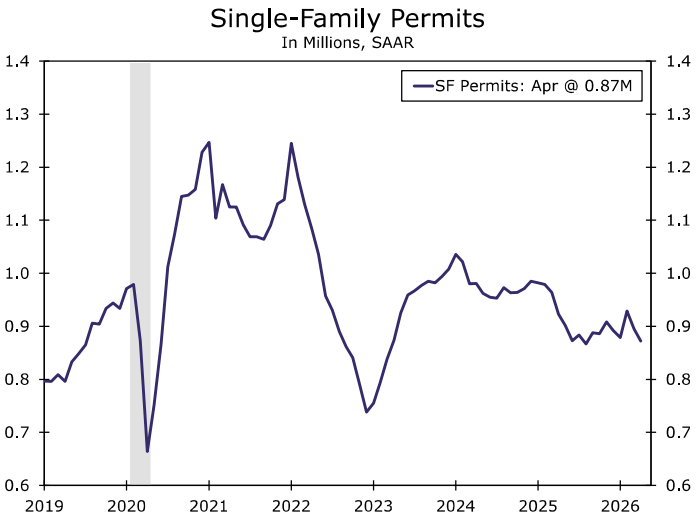
- We have not made any major changes to our forecast for residential investment and maintain our view that housing activity will remain sluggish in the near term.

Housing affordability remains a significant constraint for residential investment. On balance, both new and existing home sales declined in the first three months of the year, largely reflecting elevated mortgage rates. In recent weeks, geopolitical events have exerted additional upward pressure on mortgage rates, a development that is likely to keep homebuying subdued in the near term. Against this backdrop, single-family construction should continue to ease as builders contend with elevated inventories and rising material costs. Buyer demand has not completely evaporated, and we anticipate that structurally low supply and stabilizing labor market fundamentals will support a modest degree of home price appreciation this year and next.

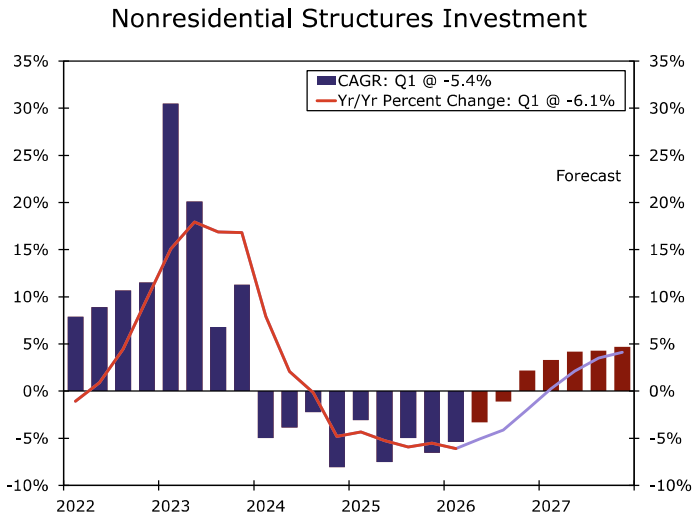
## Investment: Nonresidential Structures

- Our outlook for nonresidential structures investment is essentially unchanged from our last monthly update. Except for a few pockets of growth, the elevated cost environment is likely to continue to weigh on nonresidential activity.

Nonresidential construction appears set for further near-term weakness as elevated interest rates and rising building material costs limit activity. Accelerating AI-related structures spending (mainly data center and power projects) is providing some offset; however, new commercial project starts continue to run at a reduced speed, mostly reflecting slower office, retail, lodging, and warehouse construction. Recent gains in the rig count indicate a modest rise in energy-related investment over the next several quarters. That said, a meaningful break out in drilling seems unlikely given expectations for oil prices to normalize in the medium term.




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




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

## Net Exports & Trade

- Trade flows remain volatile, but recent data point to a wider deficit in the near term as import demand stays firm and tariff dynamics continue to distort underlying trends.

Imports remained strong into Q2 following a robust Q1, but export growth has held up reasonably well, keeping the trade balance only incrementally larger in April than it was in January. Ongoing tariff uncertainty and the high-tech investment cycle continue to drive choppy month-to-month swings, with firms pulling forward activity where possible. With the current tariff regime being reconfigured, policy uncertainty will remain elevated. The conflict in Iran plays a role here too; keep an eye on crude oil exports, which gave an outsized boost to exports in April. We expect the trade deficit to widen modestly in Q2 and over the balance of the year, with volatility persisting. Net exports are apt to remain at least a modest headwind to overall growth this year.

## Labor Market

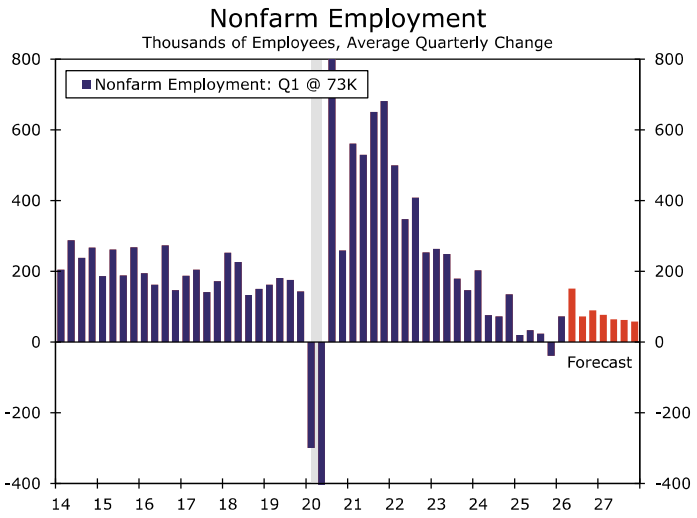
- We modestly raised our nonfarm payroll forecast and now look for job growth to average a ~95K monthly pace throughout 2026. Weak labor supply growth should keep the unemployment rate steady at 4.3% for the remainder of the year.

Payroll gains look solid on the surface, but hiring remains narrowly concentrated in healthcare and leisure & hospitality. The limited breadth points to remaining slack in the labor market, which is also evident in the ongoing moderation in wage growth. Several measures of job openings continue to move sideways, indicating little change in labor demand. Against this backdrop, we expect payroll growth to ease modestly in the months ahead and look for nonfarm payroll growth to average roughly 80K per month in the second half of 2026. Even with slower hiring, weak labor supply growth should keep a lid on the unemployment rate. We expect it to hold at 4.3% through year-end, leaving labor market conditions broadly aligned with Fed officials' estimates of full employment.

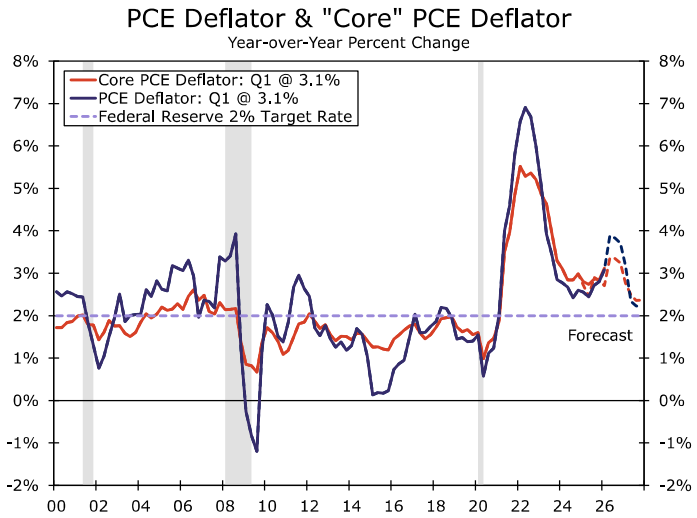
## Inflation

- We bumped up our core PCE forecast to 3.2% in Q4, up from 3.0% previously, as the offset from shelter diminishes while energy-related pressures gradually build.

Despite a firm headline gain in the May CPI, there are few signs of prices overheating outside of energy and energy-adjacent categories. Core goods inflation continues to cool as tariff-related price increases fade. Core services inflation also remains relatively tame outside of airfares. Taken together, the recent run of inflation data suggest the pass-through from higher transportation and materials costs has yet to meaningfully show up in retail prices. Looking ahead, the disinflationary tailwind from moderating shelter costs appears to be nearing its end, which would provide less offset to gradually building energy-related pressures in food and other goods. We have therefore nudged up our core PCE forecast and expect it to close out 2026 at 3.2% on a Q4/Q4 basis.




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




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

## Fiscal Policy

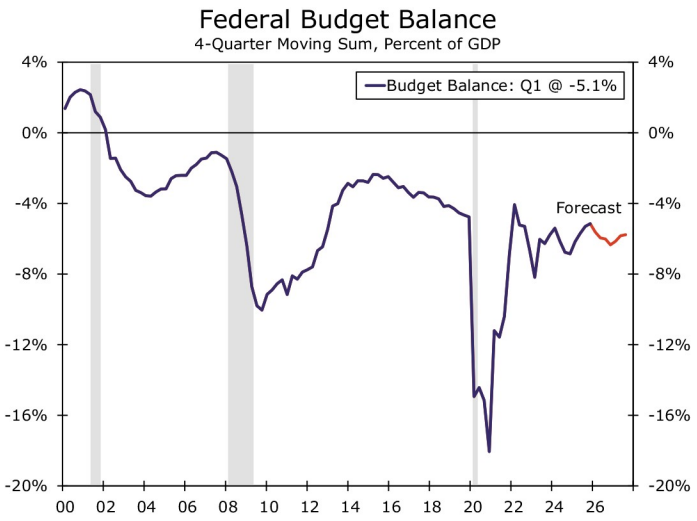
- Our federal budget deficit forecast remains unchanged at $1.95 trillion for FY 2026 and $2.00 trillion for FY 2027.

There have been no new developments in Congress that would point to meaningful new fiscal stimulus on the horizon. A proposed burst of new defense spending does not seem to have gained much traction in Congress, and neither has a "reconciliation 3.0" that could unlock new tax cuts or spending changes. Congress is on recess for much of the August-October period, so if no new fiscal legislation unfolds over the next couple of months, then tax and spend policy is unlikely to change between now and the midterm elections. The biggest swing factor in our budget deficit forecast remains the outlook for tariff rates and tariff refunds, with the refund process currently on hold pending litigation and the expiration of the Section 122 tariffs looming large next month.

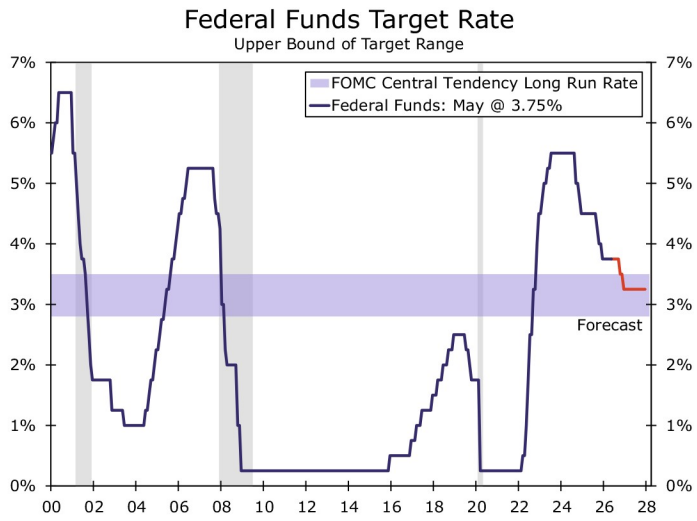
## Monetary Policy & Interest Rates

- We remain skeptical that rate hikes are coming anytime soon given that the labor market shows few signs of overheating and much of the excess inflation is supply-driven (tariffs, energy prices).

For now, we have left the two 25 bps rate cuts in Q4-2026 in our forecast as a placeholder, but we acknowledge that the risks are heavily skewed toward less/later easing. We want to hear what Warsh has to say before officially yanking them. Accordingly, the risks are also tilted toward higher rates and a flatter curve in our Treasury yield forecast. As we discussed in the lead bullets, we think the bar to rate *hikes* is quite high, and it will take a tighter labor market or hotter inflation than we are forecasting to get the FOMC to shift into a tightening cycle.




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




Source: Federal Reserve Board and Wells Fargo Economics

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