Economics

Weekly — January 10, 2025

Weekly Economic & Financial Commentary

United States: **A Matter of Conditioning and a Matter of Fact**

- This week brought with it a hot print on service-sector prices and a solid job gain for December. When combined with looming tariff-related uncertainly, these developments add more fodder to the case that the Fed will pause interest rate cuts at its upcoming meeting.
- Next week: CPI (Wed.), Retail Sales (Thurs.), Housing Starts (Fri.)

International: **In with the New: Updated Economic Data from Economies Around the Globe**

- A new year has begun, and with it has come a wave of economic data from countries around the world. Eurozone inflation picked up mildly, while Swiss price pressures eased. Developments in Canada made headlines this week, with Prime Minster Justin Trudeau stepping down as leader of the Liberal Party. In Latin America, inflation data from Mexico and Brazil were somewhat mixed.
- Next week: U.K. CPI (Wed.), Australian Employment (Thu.), China GDP (Fri.)

Interest Rate Watch: **Cutting Rates, but Higher Yields**

- When U.S. markets closed on Sept. 17, the 10-year Treasury yield was 3.65%. The next day, the FOMC announced that it was reducing the federal funds rate by 50 bps, the first rate cut by the central bank since 2020. Since then, the FOMC has cut the fed funds rate by an additional 50 bps, but the 10-year Treasury yield is roughly 100 bps higher at 4.65%. What happened?

Credit Market Insights: **Gaps Persist in Household Net Worth Across Wealth Spectrum**

- The Federal Reserve recently released the Q3-2024 Distributional Financial Accounts, providing a more in-depth look at how aggregate gains in household net worth were distributed across the income and wealth spectrum.

Topic of the Week: **Immigration Drove Population Growth in 2024**

- The U.S. population expanded by 1.0% in 2024, marking the fastest pace of population growth in more than two decades. As demographics remained unfavorable, immigration drove most of the increase. Domestic movements within the United States also quieted; however, Americans continued to leave expensive coastal areas for more affordable locations across the Sunbelt and Mountain West.

Wells Fargo U.S. Economic Forecast

	Actual 2024				Forecast 2025				Actual	Forecast		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2023	2024	2025	2026
Real Gross Domestic Product [1]	1.6	3.0	3.1	2.2	2.4	1.5	0.7	1.3	2.9	2.8	2.0	2.2
Personal Consumption	1.9	2.8	3.7	2.6	2.1	2.1	1.8	1.5	2.5	2.7	2.3	2.3
Consumer Price Index [2]	3.2	3.2	2.6	2.7	2.6	2.6	2.9	2.8	4.1	2.9	2.7	2.7
"Core" Consumer Price Index [2]	3.8	3.4	3.2	3.3	3.0	2.9	3.1	3.0	4.8	3.4	3.0	2.9
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.50	5.50	5.00	4.50	4.25	4.00	3.75	3.75	5.23	5.27	3.94	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.45	6.25	6.30	6.80	6.72	6.41	6.34
10 Year Note	4.20	4.36	3.81	4.58	4.20	4.05	3.90	4.00	3.96	4.21	4.04	4.13

Forecast as of: December 12, 2024 [1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages [4] Upper Bound of the Federal Funds Target Range

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

Please see our full U.S. Economic Forecast

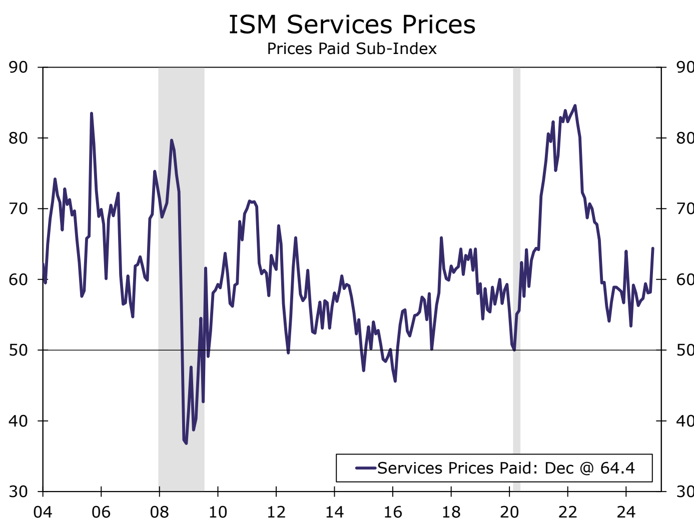
U.S. Review

A Matter of Conditioning and a Matter of Fact

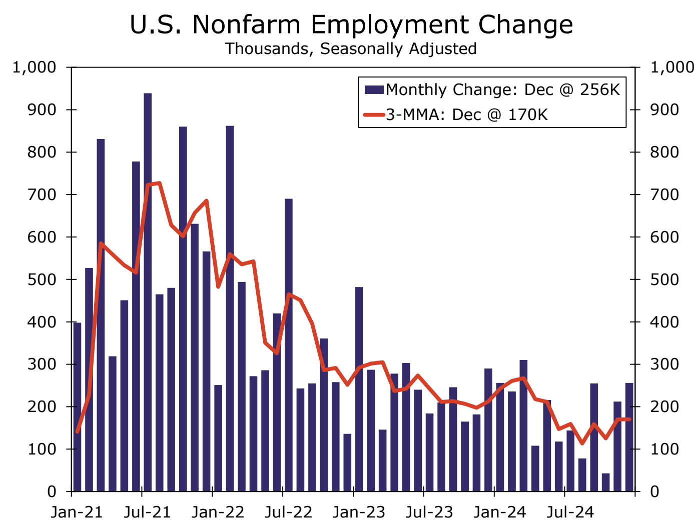
Meetings of the Federal Reserve's Open Markets Committee are about what the Fed is doing; minutes of those meetings tell you something about what policymakers are thinking. Minutes from the December meeting, released on Wednesday, showed policymakers were generally comfortable holding rates steady in the near term after having cut the key lending rate by a full percentage point since September. The minutes offered an interesting conditional statement (our emphasis added) "many participants noted that the Committee could **hold the policy rate at a restrictive level, or ease policy more slowly, if inflation remained elevated**, and several remarked that policy **easing could take place more rapidly if labor market conditions deteriorated**."

Plugging this week's economic data into those conditional statements is a fairly straightforward exercise. First, did inflation remain elevated? In the absence of hard data, the most relevant inflation data this week was survey-based. The ISM prices paid component for the service sector jumped 6.2 points in December to signal the broadest increase in service sector costs since February 2023 (chart), and consumer long-term inflation expectations (5-10 years ahead) broke out of its narrow range rising to the highest level since 2008 in early January. How about labor market conditions; did they deteriorate? On the contrary, the labor market added over a quarter million jobs (chart), the most since March, and the jobless rate fell to 4.1%.

Taking the pulse of policymakers in the context of mixed economic data can sometimes be a delicate exercise, but this is not one of those times. Taking the minutes at their word in the context of this week's data suggests a more compelling case for a pause in interest rate cuts compared to a week ago.



Source: Institute for Supply Management and Wells Fargo Economics



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

Ultimately current economic conditions are not supportive of easing. The Fed is tasked with promoting maximum employment and stable prices. The labor market remains steady. Signs of labor market moderation did not completely go away with the December jobs report, but recent hiring data take some of the sourness out of the summer readings that pointed to a more direct deceleration. It's also hard to imagine businesses are gearing up to let go of a large swath of workers today amid elevated profit margins and resilient service-sector activity. Inflation is also still above target. We'll get fresh inflation data with next week's CPI, but recent hard data suggest progress to the Fed's 2% target has stalled. Through November, the CPI was up at a 2.7% annual rate. The Fed's preferred inflation metric, the PCE deflator, also remains stubbornly above target at 2.4%. While services prices remain the primary driver of inflation today, looming tariff concerns further cloud the trajectory of inflation, encouraging a more cautious approach from Fed officials.

The data suggest activity is holding up and allow the Fed to take its time in stomping out inflation. A "skip" at its upcoming Jan. 29 meeting seems all but assured, and a March rate cut looks increasingly

unlikely as well. It will take a further slowdown in inflation or much weaker labor market data for the FOMC to resume cutting rates over its next few meetings.

(Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
14-Jan	PPI Final Demand (MoM)	Dec	0.3%	0.3%	0.4%
14-Jan	PPI Final Demand (YoY)	Dec	—	3.4%	3.0%
14-Jan	Core PPI (MoM)	Dec	0.2%	0.3%	0.2%
14-Jan	Core PPI (YoY)	Dec	—	3.8%	3.4%
15-Jan	CPI (MoM)	Dec	0.3%	0.4%	0.3%
15-Jan	CPI (YoY)	Dec	2.9%	2.9%	2.7%
15-Jan	Core CPI (MoM)	Dec	0.2%	0.2%	0.3%
15-Jan	Core CPI (YoY)	Dec	3.3%	3.3%	3.3%
15-Jan	CPI Index NSA	Dec	315.591	315.599	315.493
16-Jan	Retail Sales (MoM)	Dec	0.5%	0.4%	0.7%
16-Jan	Retail Sales Ex Auto (MoM)	Dec	0.5%	0.4%	0.2%
16-Jan	Import Price Index (MoM)	Dec	—	-0.3%	0.1%
16-Jan	Import Price Index (YoY)	Dec	—	1.7%	1.3%
16-Jan	Business Inventories (MoM)	Nov	0.1%	0.1%	0.1%
17-Jan	Housing Starts (SAAR)	Dec	1315K	1320K	1289K
17-Jan	Industrial Production (MoM)	Dec	0.3%	0.3%	-0.1%
17-Jan	Capacity Utilization		77.0%	77.0%	76.8%

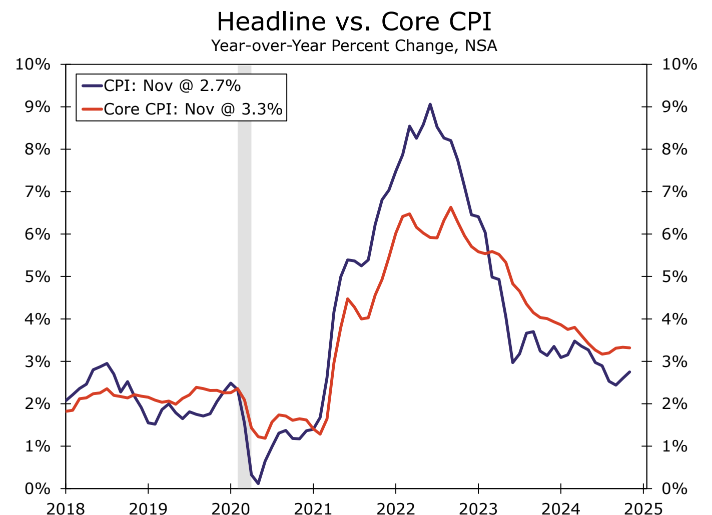
Forecast as of January 10, 2025

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

CPI • Wednesday

We are approaching another speed bump on the road to 2% inflation. Solid increases in energy and food prices at the end of 2024 underpin our forecast of a 0.4% monthly gain in the Consumer Price Index in December. If realized, the annual rate of inflation will tick up to a five-month high of 2.9%. Excluding food and energy, we suspect the core CPI will post a relatively tepid 0.2% monthly increase. A cooling in vehicle price growth and a decline in hotel prices should help to keep core inflation in check. On a year-ago basis, the core CPI is expected to hold steady at 3.3% in December.

While both headline and core inflation are down relative to December 2023, the CPI has largely trended sideways since the summer. The lack of additional progress has tilted the Federal Reserve's focus back toward the price stability side of its mandate. For more detail, please see our latest CPI Preview.

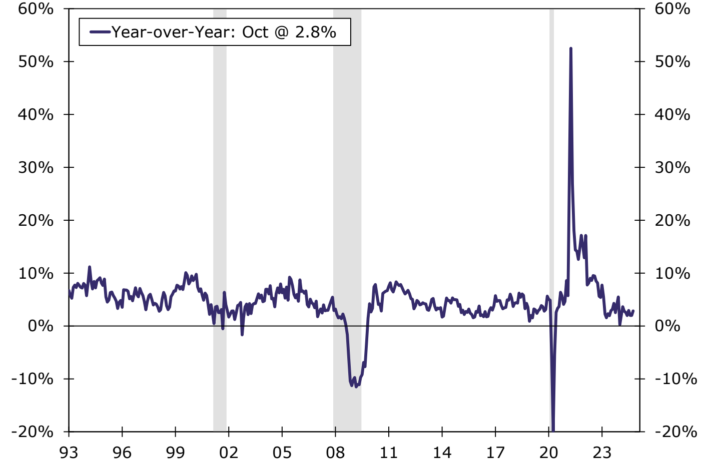


Source: U.S. Department of Labor and Wells Fargo Economics

Retail Sales • Thursday

Betting against the consumer has been a losing strategy. Retail sales have beat forecast expectations for six consecutive months. We anticipate the pace of growth to moderate to a still-solid 0.4% gain in December. If realized, sales will close the year up roughly 3.4%. Separate high-frequency data from Bloomberg point to some upside risk to that forecast, as transactions at non-store retailers and restaurants posted their largest monthly increases since the first half of 2023 in December.

With December's data, we will get a complete look of the holiday shopping season. We define holiday sales as total retail sales that take place in the months of November and December, excluding sales at auto dealers, gasoline stations and restaurants. We projected back in October that holidays sales would increase 3.3% this year, and our forecast for overall sales in December should put us close to that estimate.

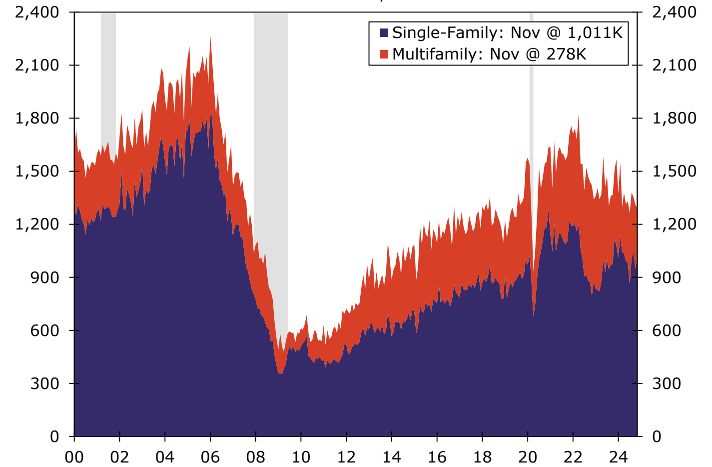


Source: U.S. Department of Commerce and Wells Fargo Economics

Housing Starts • Friday

Residential construction remains lackluster. On a year-to-date basis, single-family housing starts were up 7.2% in November, while multifamily starts were down 27%. Heavy supply of new apartments has underpinned the downturn in multifamily construction. Filings for apartment building permits have fallen off as well, signaling weak activity in the coming months. Conditions are brighter in the single-family market. The National Association of Home Builders' gauge for future sales rose three points to 66 in December, which is the highest since 2022. While mortgage rates continue to trend up, single-family home builders have used price cuts and other incentives to alleviate affordability challenges. We look for total housing starts to increase 2.4% in December to a 1,320K-unit annual pace.

(Return to Summary)



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

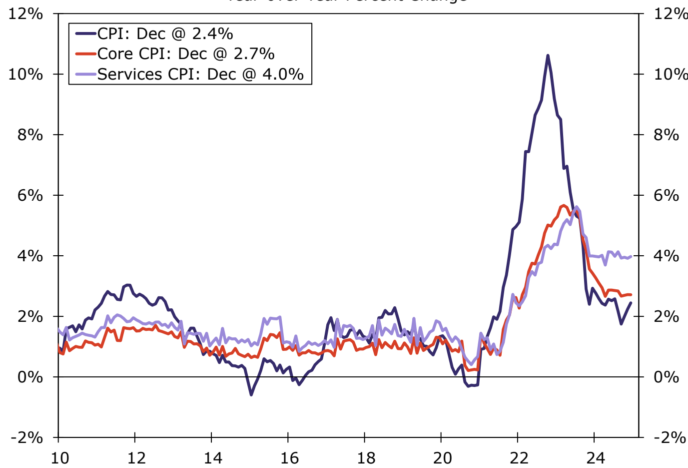
International Review

In with the New: Updated Economic Data from Economies Around the Globe

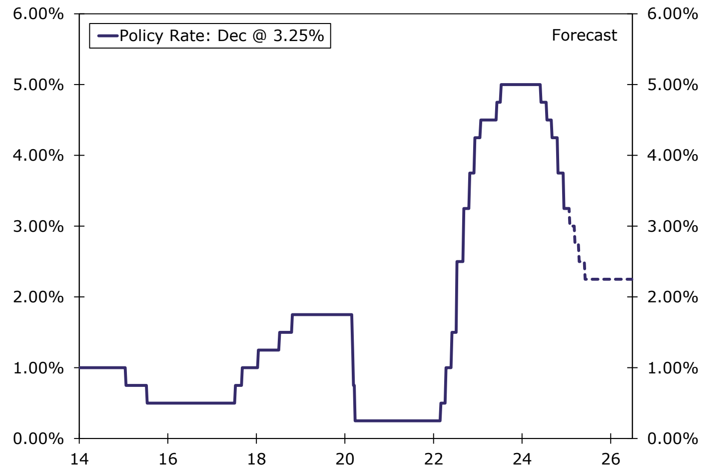
A new year has begun, and with it has come a wave of economic data from countries around the world. Starting off with the Eurozone, CPI inflation data from December came in as expected, with the headline reading picking up to 2.4% year-over-year and core inflation coming in at 2.7%, the latter matching November's pace. Services inflation—a key area of interest for European Central Bank (ECB) policymakers—ticked up to 4.0%. While some of these readings revealed a mild quickening in price growth, we remain comfortable with our forecast for a reasonably steady pace of ECB rate cuts in the new year, given a less-than-stellar growth backdrop for the region and that inflation is still making progress back toward the 2% target, even if there are some bumps along the road. To that point, we forecast 25 bps rate cuts at each meeting through the second quarter and one final 25 bps cut in Q3 to reach a policy rate of 1.75%.

In Switzerland, headline inflation slowed as expected in December to 0.6% year-over-year, while core inflation also continued to slow. Last month, the measure of underlying price pressures eased to 0.7% year-over-year, a touch below the consensus forecast. Given this continued easing in price pressures, we view the Swiss National Bank (SNB) as likely to reduce the policy rate further by 25 bps in March, to 0.25%. While policymakers delivered an outsized 50 bps cut at their December meeting, we believe that policymakers will in the future favor a more mild 25 bps move as the policy rate nears the zero threshold. To that point, while we view the inflation outlook as tilting the risks toward further easing, we maintain our view that SNB officials will preserve a degree of hesitancy toward the possibility of bringing the country's policy rate to zero.

Developments in Canada also made headlines this week, with Prime Minister Justin Trudeau stepping down as leader of the Liberal Party. While he will remain in his role as prime minister for now, he will only hold the position until a replacement—who would take the role of party leader and prime minister—is selected. Discussions around the possibility of a no-confidence vote against the current government have circulated, and adding to the possibility that the Canadian government could see a meaningful shift in its make-up this year is the fact that the main opposition party—the Conservative Party led by Pierre Poilievre—currently holds a sizable lead in opinion polls. Federal elections are scheduled to take place by late October, but given recent developments, the possibility that elections happen earlier appears to be rising. As far as our takeaways from this week's political developments, while we believe it is possible that recent events ultimately lead to a more stable government, uncertainties linger. The question remains as to how effective a new leader would be in dealing with the threat of tariffs from the United States under the incoming Trump administration. Turning to monetary policy in Canada, we have adjusted our forecast to add an additional 25 bps rate cut in the first half of this year due to a combination of sluggish local economic growth, tariff and political uncertainties that could serve as headwinds to growth, and contained wage and price pressures. We forecast the Bank of Canada to lower its policy rate by 25 bps at its January, March, April and June meetings to reach a policy rate of 2.25%. For further detail, please see our recent report.



Source: Datastream and Wells Fargo Economics



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

Some key Latin America economies also released price data this week. In Mexico, December CPI inflation data were somewhat mixed, with headline inflation slowing as expected to 0.38% month-over-month and easing to 4.21% year-over-year, while core inflation picked up slightly more than expected, to 0.51% month-over-month or 3.65% year-over-year. With that being said, while headline inflation seemed to display more progress toward Banxico's 3% inflation target in the December figures, the path of headline inflation has been somewhat more bumpy than that of core inflation. Although core inflation ticked up slightly in December, it has otherwise maintained a steady slowing path over the past two years. Overall, we view this inflation data as consistent with a continued steady series of rate cuts from Banxico. Our forecast looks for the Mexican central bank to lower the policy rate by 25 bps at each meeting through the end of the third quarter of this year, to reach a policy rate of 8.50%. Brazil inflation figures for November came in a hair lower than expected, though price pressures overall remain somewhat elevated. On a year-over-year basis, IPCA inflation slowed mildly to 4.83%, while looking month-to-month, price pressures picked up to 0.52%. Generally stubborn inflation paired with fiscal concerns should, in our view, see the Brazilian Central Bank (BCB) continue its tightening cycle this year. We see the central bank lifting rates to 15.25% by the middle of 2025; for more detail, please see our recent report.

(Return to Summary)

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
15-Jan	U.K. CPI (YoY)	Dec	2.6%	2.7%	2.6%
15-Jan	U.K. GDP (MoM)	Nov	0.2%	—	-0.1%
16-Jan	Australia Employment Change	Dec	15.0K	—	35.6K
17-Jan	China GDP (YoY)	Q4	5.0%	—	4.6%
17-Jan	China Retail Sales (YoY)	Dec	3.5%	—	3.0%
17-Jan	China Industrial Production (YoY)	Dec	5.4%	—	5.4%

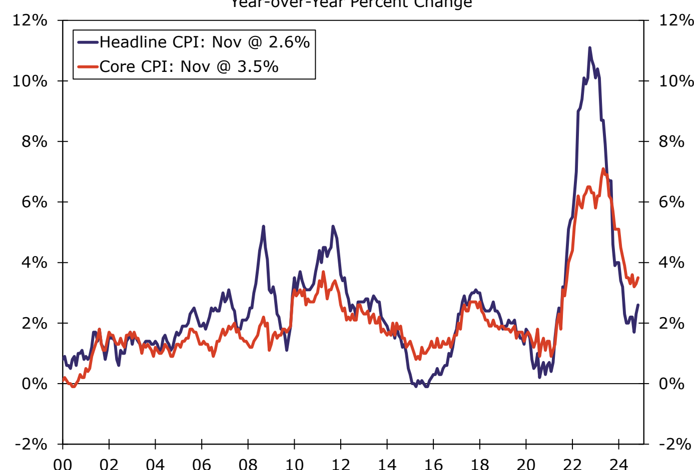
Forecast as of January 10, 2025

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

U.K. CPI • Wednesday

Next week will see the release of December CPI inflation data for the United Kingdom, a key input into the Bank of England's (BoE) monetary policy deliberations.

Amid gradually slowing inflation and somewhat mild economic growth, BoE policymakers initiated a gradual easing cycle in the latter half of 2024. BoE officials have lowered the policy rate by a cumulative 50 bps so far via a once-per-quarter pace of 25 bps rate cuts, and the focus going forward will be whether this gradual pace will continue or the central bank will accelerate its easing efforts. Incoming data on inflation and economic growth will prove instrumental to this end. While there has been significant overall progress on inflation over the past year or so, headline CPI inflation picked up slightly in October and November. Consensus economists expect headline CPI inflation held steady at 2.6% year-over-year and core inflation eased slightly to 3.4% in December. Monthly GDP growth data for November will also be released next week, with consensus economists expecting to see month-over-month growth of 0.2%, which would mark a return to expansion after two modest monthly contractions. Also notable on this subject is that, in their latest monetary policy announcement meeting minutes, BoE officials downwardly revised their forecast for Q4-2024 quarter-over-quarter GDP growth. Overall, we maintain our view for gradual BoE easing via 25 bps rate cuts once per quarter through early 2026. That being said, should inflation surprise to the downside and/or a softer growth outlook be realized, that could tilt the risks toward BoE officials transitioning to a 25-bps-per-meeting pace at some point during 2025.

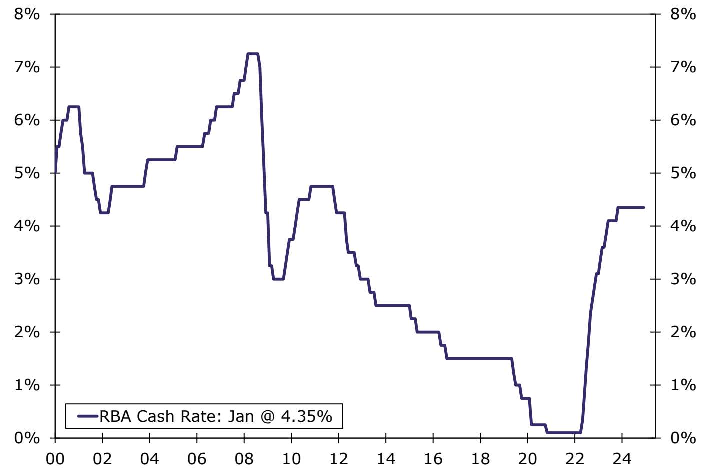


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Australian Employment • Thursday

While most G10 central banks are in the midst of monetary easing cycles, the Reserve Bank of Australia (RBA) is somewhat of a black sheep in that it has kept rates on hold at 4.35% since late 2023. RBA policymakers have generally maintained a hawkish stance in the face of persistent underlying inflation. Officials refrained from cutting rates in 2024, as we and consensus economists had expected, and now market participants have turned their attention to when the RBA's easing cycle may finally kick off.

In forecasting when the RBA will opt to lower its policy rate, economic data on prices, economic growth and labor market developments will be key. Next week will see the release of employment data for December. Consensus economists expect 15.0K jobs were added over the month, down from the ~36K gain seen in November, and that the unemployment rate ticked up to 4.0%. If realized, these forecasts could be seen as consistent with commentary in the RBA's latest monetary policy announcement that pointed to a labor market that is still tight, but gradually easing. In our view, a slight softening in labor market conditions, if paired with a deceleration in underlying price pressures, would be consistent with our forecast for the RBA to initiate an easing cycle in the first half of this year. Our forecast looks for the central bank to lower its policy rate by 25 bps to 4.10% in the second quarter, though if labor market trends were to soften meaningfully, and Q4 and December core inflation were to significantly surprise to the downside, we see some risk of an initial rate cut coming sooner, perhaps in February.

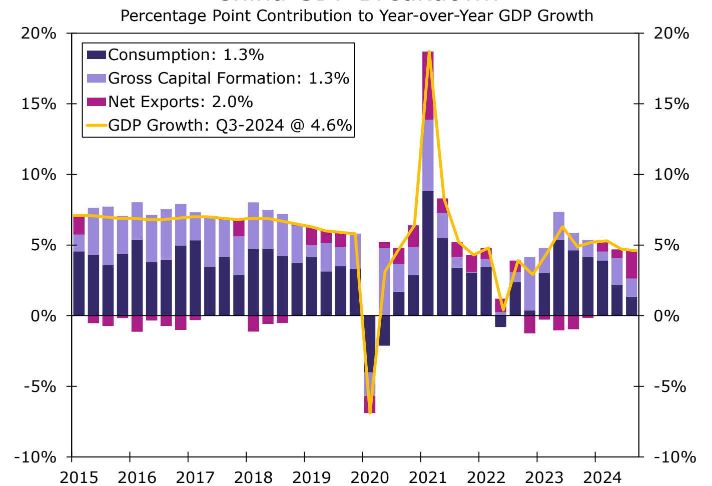


Source: Bloomberg Finance L.P. and Wells Fargo Economics

China GDP • Friday

Next week will bring a slate of Chinese economic activity data releases covering the final quarter of last year. The GDP growth, retail sales and industrial production figures will provide market participants with updated insight into the performance of the country's economy.

Various measures of economic activity in China have shown a lackluster performance through much of 2024, and while consensus economists expect to see some improvement in the data coming out next week, we are not of the view that there is a clear reason for optimism on Chinese growth prospects for 2025. Consensus economists expect GDP growth picked up to 1.6% quarter-over-quarter in Q4-2024, or 5.0% year-over-year. As for industrial production and retail sales, the consensus expectation is somewhat mixed, with economists forecasting industrial production growth of 5.4% year-over-year in December, matching November's pace, whereas retail sales growth is forecasted to have picked up to 3.5%. It is worth noting that if these consensus forecasts are realized, both measures would be considered somewhat unimpressive by historical standards. Overall, economic growth may have been boosted in the fourth quarter in part due to stimulus efforts by Chinese authorities. However, we believe that in the absence of large-scale fiscal stimulus that targets domestic demand and in the face of potentially steep tariffs that the Trump administration may place on China, we are not as optimistic on the prospects for Chinese growth in the near and medium term. To that point, we forecast the Chinese economy to grow 4.0% in 2025, slower from the pace of growth seen last year.



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

(Return to Summary)

Interest Rate Watch

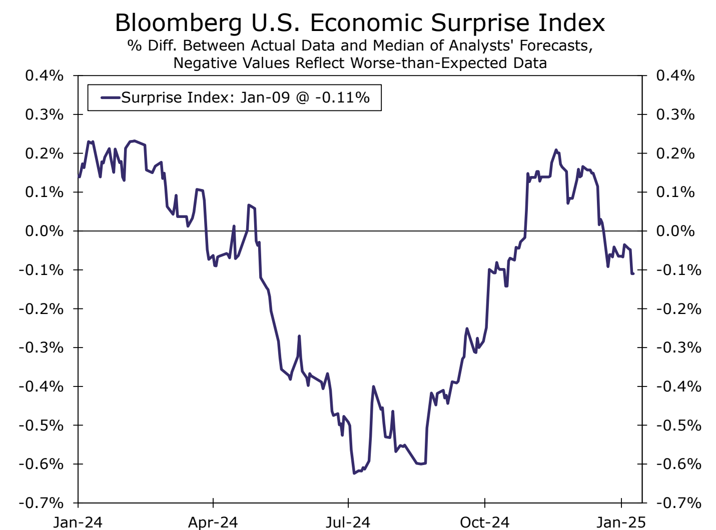
Cutting Rates, but Higher Yields

When U.S. markets closed on Sept. 17, the 10-year Treasury yield was 3.65%. The next day, the FOMC announced that it was reducing the federal funds rate by 50 bps, the first rate cut by the central bank since 2020. Since then, the FOMC has cut the fed funds rate by an additional 50 bps, but the 10-year Treasury yield is roughly 100 bps higher at 4.72%. What happened?

One answer can be found in how markets have come to see the path of policy for 2025. Back in September, fed funds futures pricing implied a federal funds rate below 3% at year-end 2025. Today, markets expect the policy rate to be closer to 4% at year-end. Stronger economic data likely played a role in changing those expectations. A run of weaker-than-expected economic data over the summer that included a concerning rise in the unemployment rate was followed by better-than-expected employment reports and a string of warm inflation readings. The Bloomberg Economic Surprise Index was near the lows of the year in late August but subsequently climbed back to the annual highs by November.

The Fed's willingness to be proactive in the face of deteriorating labor market data also probably played a role in higher long-term interest rates. When the FOMC cut rates by 50 bps, the committee sent a strong signal that it would act to combat a softening labor market even with inflation still a bit above the central bank's target. This in turn may have reassured investors that, with a supportive central bank, the probability of a "hard landing" had been reduced, and rate cuts today would help reduce the risk of even bigger rate cuts down the road.

Finally, the move in the 10-year Treasury yield probably has not been solely a function of the expected path of the federal funds rate. Longer-term interest rates are a function of expectations for short-term rates over time as well as the premium associated with the uncertainty that comes with locking up money for an extended period of time. Most estimates of the term premium have risen in recent months. Given the significant uncertainty about the economic policy outlook over the next few years as the new Congress and administration take office, it makes sense that investors are demanding a bit more yield to be compensated for the murky outlook that is on the horizon.



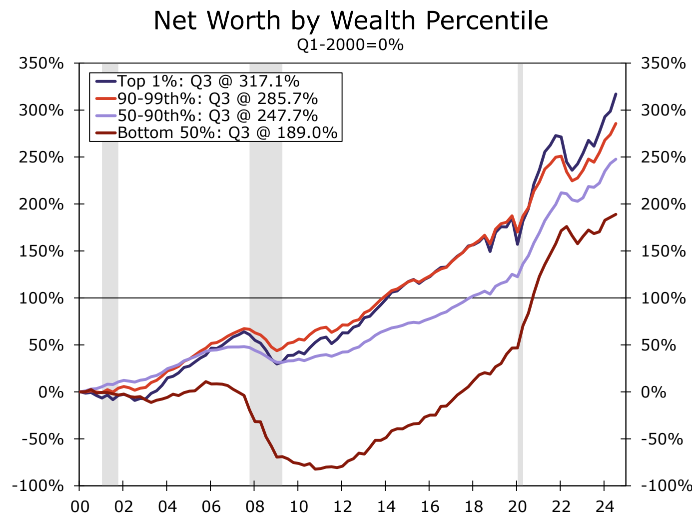
Source: Bloomberg Finance L.P. and Wells Fargo Economics

(Return to Summary)

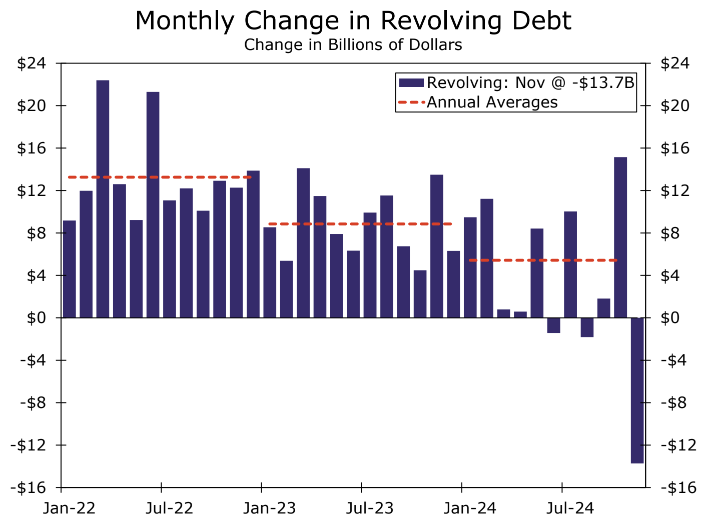
Credit Market Insights

Gaps Persist in Household Net Worth Across Wealth Spectrum

The Federal Reserve recently released the Q3-2024 Distributional Financial Accounts, providing a more in-depth look at how aggregate gains in household net worth were distributed across the income and wealth spectrum. Total household net worth climbed $4.61T over the third quarter. Households in the 90th wealth percentile accounted for roughly 85% of the gain in aggregate net worth—about 78% of this increase was due to corporate equities and mutual fund shares. While net worth has trended upward in recent years for all households, gaps still persist. A deeper look in the Distributional Financial Accounts reveal that households in the bottom of the wealth distribution have mounting vulnerabilities, leading to smaller gains in their aggregate net worth.



Source: Federal Reserve Board and Wells Fargo Economics



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

Much of the gap in net worth lies in differences in asset allocation. For households in the top 10% of the wealth distribution, much of their assets are tied up in corporate equities and mutual fund shares, which have seen sizable boosts over the past few quarters—on a year-over-year basis, the S&P 500 Index is up roughly 27%. In comparison, most assets for the lower 90% of the wealth distribution are tied up in real estate.

All wealth cohorts also saw increases in their outstanding liabilities, with the exception of the top 1%. Most of the increase in liabilities was driven by increases in home mortgages, which rose $100B over the quarter. Consumer credit also saw an uptick, primarily for households in the bottom 50th percentile. Revolving consumer credit—which is primarily composed of credit cards—has grown at a rapid pace this business cycle, but the rate of borrowing has slowed sharply over the past year. In November, revolving debt decreased $13.7B, the most since early in the pandemic. This sudden plunge has downshifted the average monthly increase in revolving debt to $3.7B year-to-date; this measure stood at $9.1B during the same period in 2023.

Though consumers may be borrowing less on level terms, consumer credit remains a significant share of total liabilities, especially for consumers in the bottom 50% of the wealth distribution. In Q3, consumer credit represented 43% of total liabilities for households in this threshold—in comparison, it represented a quarter of total liabilities for the top 0.1%. The Fed began its easing cycle in September, but the average annual interest rate on credit cards remains elevated, reaching a new high of 21.8% in Q3. The high cost of servicing debt weighs heavily on lower-income households, as it takes up a higher percentage of their paychecks.

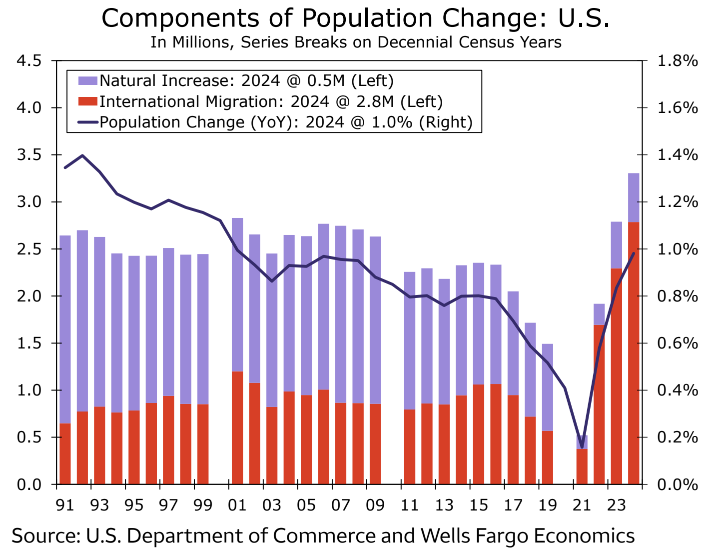
(Return to Summary)

Topic of the Week

Immigration Drove Population Growth in 2024

The U.S. population grew by 1.0% in 2024. Aside from 2020, when population growth was overstated due to it being a decennial Census year, this marked the fastest pace of expansion in over two decades. Population growth estimates were also revised higher for 2022 and 2023, increasing to 0.6% and 0.8%, respectively.

The uptick in population growth was not driven by an improvement in U.S. demographics. The country's natural population increase, i.e., the total number of births minus deaths, improved slightly in 2024 but remained depressed relative to pre-pandemic levels. Furthermore, roughly one third of states (17) registered more deaths than births, led by Pennsylvania, West Virginia and Florida. As is the case with most developed economies, natural population growth is likely to slow further in the years ahead. The Congressional Budget Office projects that the aging population and slowing birth rates will begin to trigger outright declines in the natural population by 2040.



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

Instead, immigration drove the bulk of population growth last year. The United States registered a 2.8 million net increase in international migrants in 2024. Not only was this the highest annual addition in records going back to 1991, it also marked a 221% jump over the average annual increase from 2011 to 2019. The Northeast and South registered the highest international migration rates as more than 50% of all new foreign-born residents moved to just five states: Florida, California, Texas, New York and New Jersey. These data correspond to Department of Labor Statistics showing that foreign-born individuals are responsible for the bulk of labor force growth over the past year. More restrictive immigration policies may prompt a slower pace of labor force growth in the coming years, a likelihood which we have baked into our economic forecast.

Within the United States, Americans continued to leave expensive coastal areas for more affordable locations across the Sunbelt and Mountain West. As was the trend before the pandemic, the South registered the largest overall gain in net domestic migration in 2024. Texas, North Carolina, South Carolina, Florida and Tennessee were the five most popular states for new domestic movers. With the exception of Florida, these states all boast home prices below the national average. Mountain states like Arizona, Nevada and Idaho also continued to draw new residents, especially individuals seeking alternatives to high-priced metros like San Francisco, Los Angeles and Seattle.

Although domestic migration trends have remained fairly consistent over the past few years, the pace of inter-state movements quieted in 2024. The overall number of Americans moving between states fell to 573K, marking the slowest pace of domestic migration since 2013. Dips in outmigration from California and New York were paired with cooler inflows to hotspots like Texas and Florida. We expect to see further normalization in migration flows in the coming years. However, migration patterns stemming from affordability concerns will likely continue to favor Sun Belt and Mountain states.

(Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 1/10/2025	1 Week Ago	1 Year Ago
SOFR	4.30	4.40	5.31
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.31	4.29	5.37
1-Year Treasury	4.22	4.28	4.53
2-Year Treasury	4.37	4.28	4.36
5-Year Treasury	4.56	4.41	3.97
10-Year Treasury	4.75	4.60	4.03
30-Year Treasury	4.95	4.81	4.20
Bond Buyer Index	4.16	4.06	3.31

Foreign Exchange Rates

	Friday 1/10/2025	1 Week Ago	1 Year Ago
Euro ($/€)	1.024	1.031	1.097
British Pound ($/£)	1.221	1.242	1.274
British Pound (£/€)	0.838	0.830	0.861
Japanese Yen (¥/$)	157.690	157.260	145.760
Canadian Dollar (C$/$)	1.444	1.445	1.338
Swiss Franc (CHF/$)	0.917	0.909	0.851
Australian Dollar (US$/A$)	0.615	0.622	0.670
Mexican Peso (MXN/$)	20.718	20.633	16.974
Chinese Yuan (CNY/$)	7.333	7.322	7.173
Indian Rupee (INR/$)	85.974	85.781	83.038
Brazilian Real (BRL/$)	6.114	6.185	4.893
U.S. Dollar Index	109.684	108.952	102.362

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

Foreign Interest Rates

	Friday 1/10/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	2.60	2.46	3.70
3-Month U.K. Govt Bill Yield	4.67	4.71	5.23
3-Month Canadian Govt Bill Yield	3.12	3.12	5.03
3-Month Japanese Govt Bill Yield	0.24	0.22	-0.06
2-Year German Note Yield	2.28	2.16	2.65
2-Year U.K. Note Yield	4.54	4.42	4.24
2-Year Canadian Note Yield	3.06	2.93	4.05
2-Year Japanese Note Yield	0.65	0.61	0.02
10-Year German Bond Yield	2.60	2.43	2.21
10-Year U.K. Bond Yield	4.84	4.59	3.82
10-Year Canadian Bond Yield	3.43	3.23	3.27
10-Year Japanese Bond Yield	1.20	1.10	0.59

Commodity Prices

	Friday 1/10/2025	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	76.23	73.96	71.37
Brent Crude ($/Barrel)	79.27	76.51	76.80
Gold ($/Ounce)	2695.50	2640.22	2024.41
Hot-Rolled Steel ($/S.Ton)	704.00	708.00	1078.00
Copper (¢/Pound)	429.25	407.35	378.10
Soybeans ($/Bushel)	9.98	9.91	12.49
Natural Gas ($/MMBTU)	3.98	3.35	3.04
Nickel ($/Metric Ton)	15,272	14,852	16,050
CRB Spot Inds.	545.67	540.03	538.19

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. (“WFBNA”). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report. All reports published by the Economics Group are disseminated and available to all clients simultaneously through electronic publication to our public website. Clients may also receive our reports via third party vendors. We are not responsible for the redistribution of our reports by third-party aggregators. Any external website links included in this report are not maintained, controlled or operated by WFBNA. WFBNA does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of WFBNA.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report. Neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company.

You are permitted to store, display, analyze, modify, reformat, copy, duplicate and reproduce this report and the information contained within it for your own use and for no other purpose. Without the prior written consent of WFBNA, no part of this report may be copied, duplicated or reproduced in any form by any other means. In addition, this report and its contents may not be redistributed or transmitted to any other party in whole or in part, directly or indirectly, including by means of any AI Technologies (defined below) through which this report or any portion thereof may be accessible by any third-party. “AI Technologies” means any deep learning, machine learning, and other artificial intelligence technologies, including without limitation any and all (a) proprietary algorithms, software, or systems that make use of or employ neural networks, statistical learning algorithms (such as linear and logistic regression, support vector machines, random forests or k-means clustering) or reinforcement learning, or curated data sets accessible by any of the foregoing or (b) proprietary embodied artificial intelligence and related hardware or equipment. In addition, certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by WFBNA, its affiliates or one or more third parties (collectively, “Protected Content”). Protected Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Protected Content included in this report for purposes other than fair use requires permission from WFBNA or, in the case of content attributed to any third party, the third-party copyright owner. You may not alter, obscure, or remove any copyright, trademark or any other notices attached to or contained within this report. All rights not expressly granted herein are reserved by WFBNA or the third-party providers from whom WFBNA has obtained the applicable information. © 2025 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority (“FCA”). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the “Act”), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU (“MiFID2”). The FCA rules made under the Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. (“WFSE”). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in MiFID2. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE