

WELLS
FARGO

SECURITIES

Wells Fargo Economics The Road Ahead

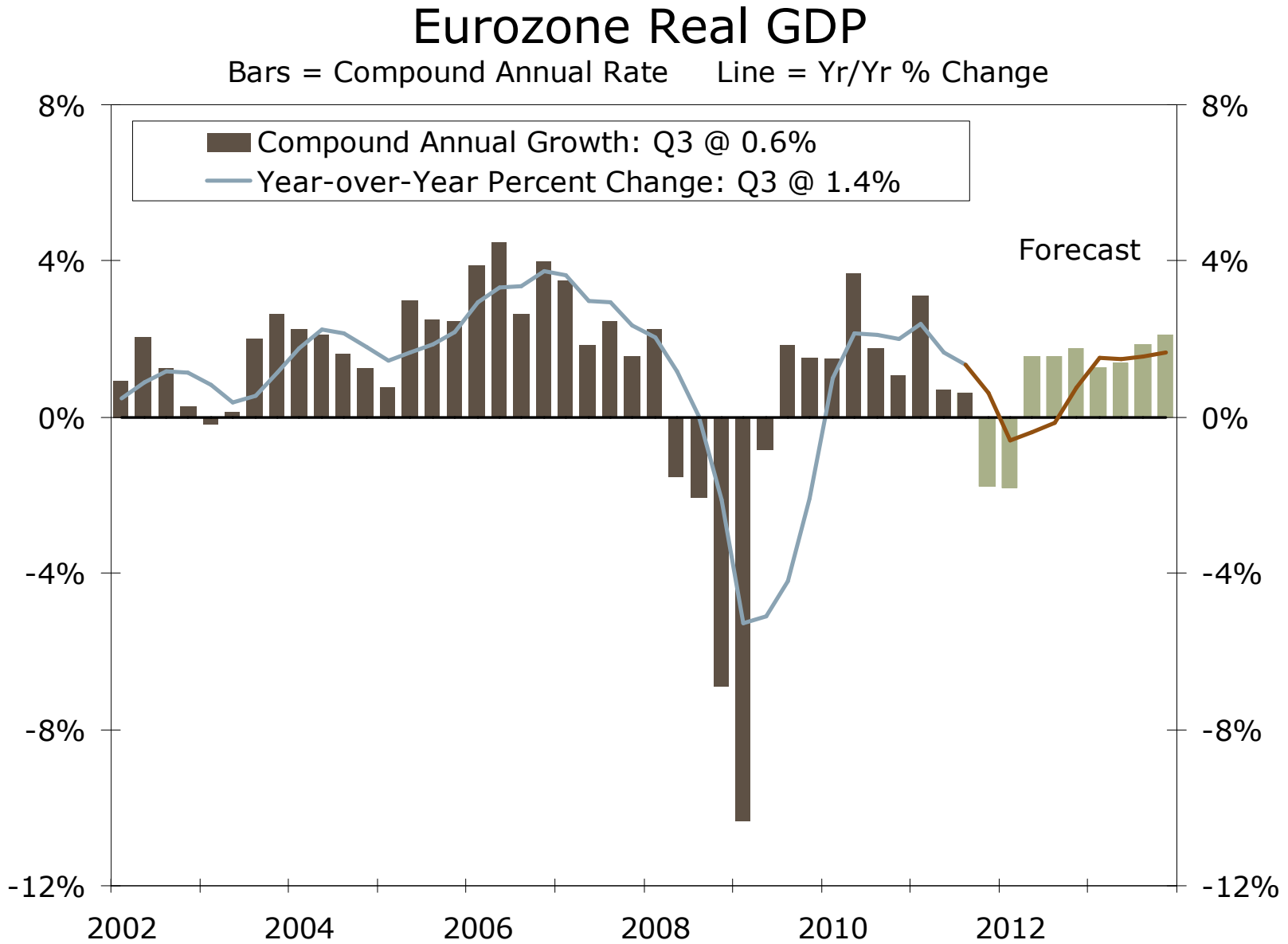
Scott A. Anderson, Ph.D.
Director/Senior Economist
January 17, 2012

Together we'll go far



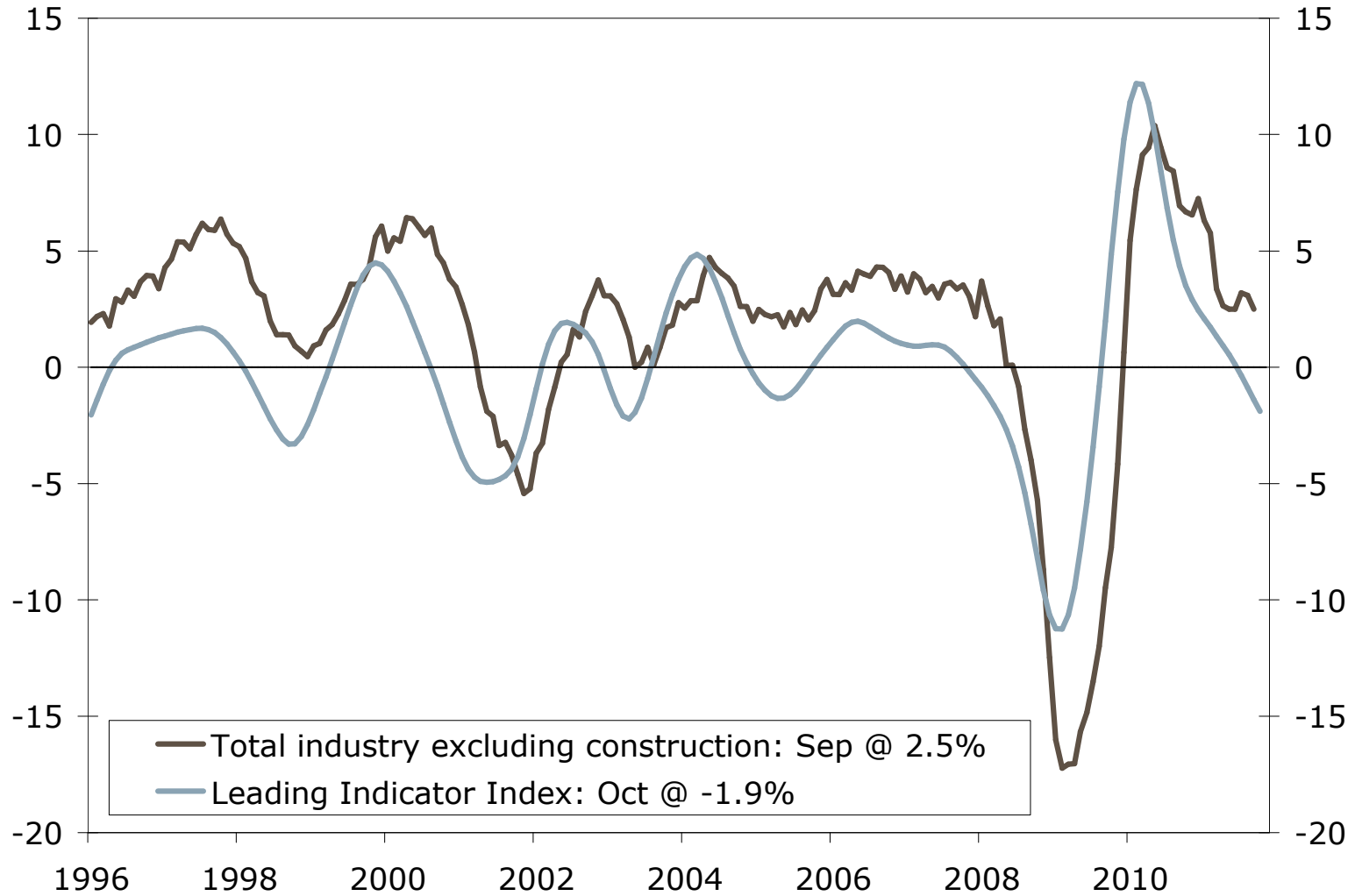
Recession Risks Remain in 2012 and 2013

A Eurozone Recession Baked Into The Cake



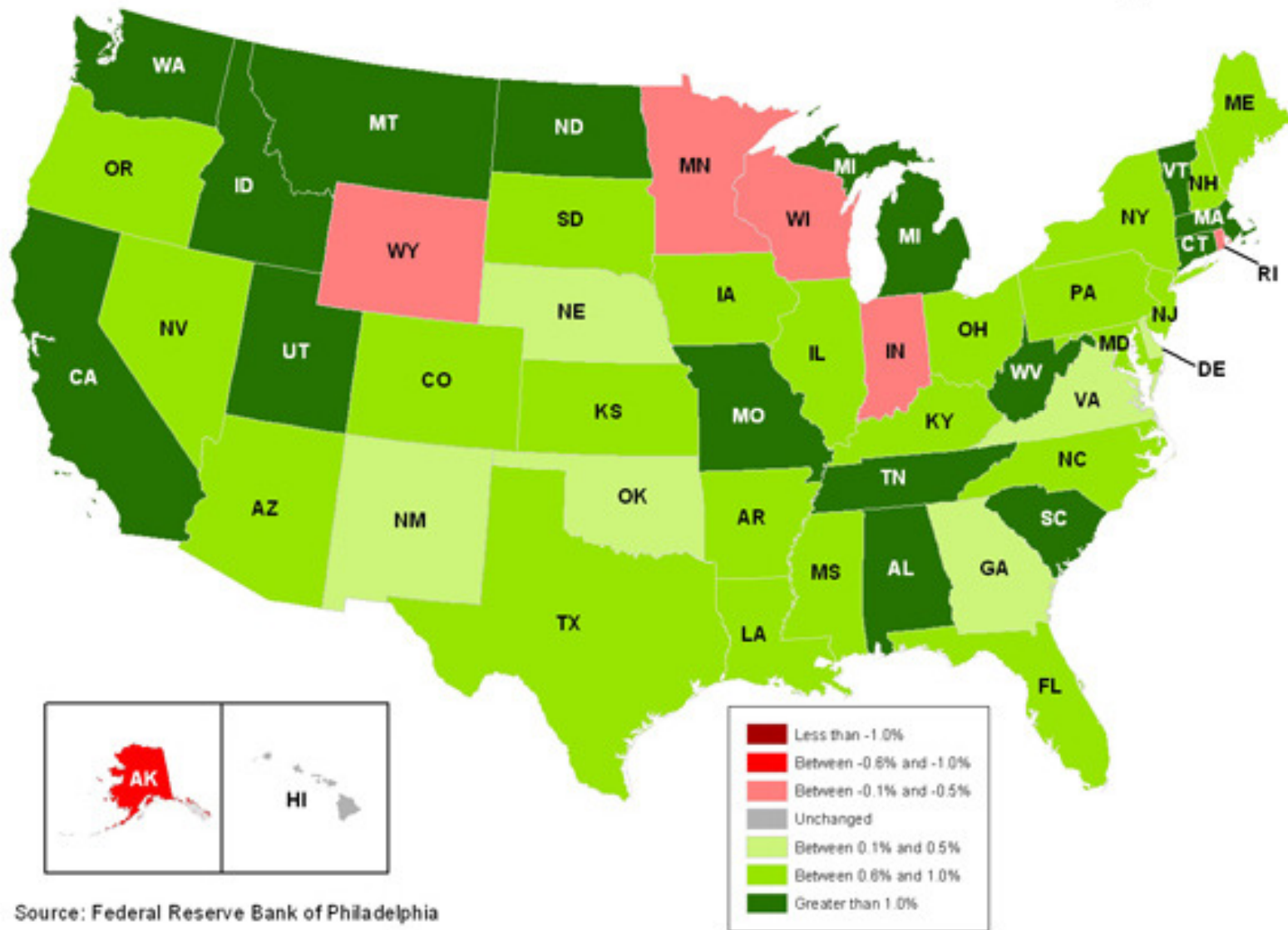
Economic Problems Becoming Pandemic

OECD Industrial Production vs. Leading Index
Year-over-Year Percent Change



State Data Signal Uneven Growth

November 2011 State Coincident Indexes: Three-Month Change

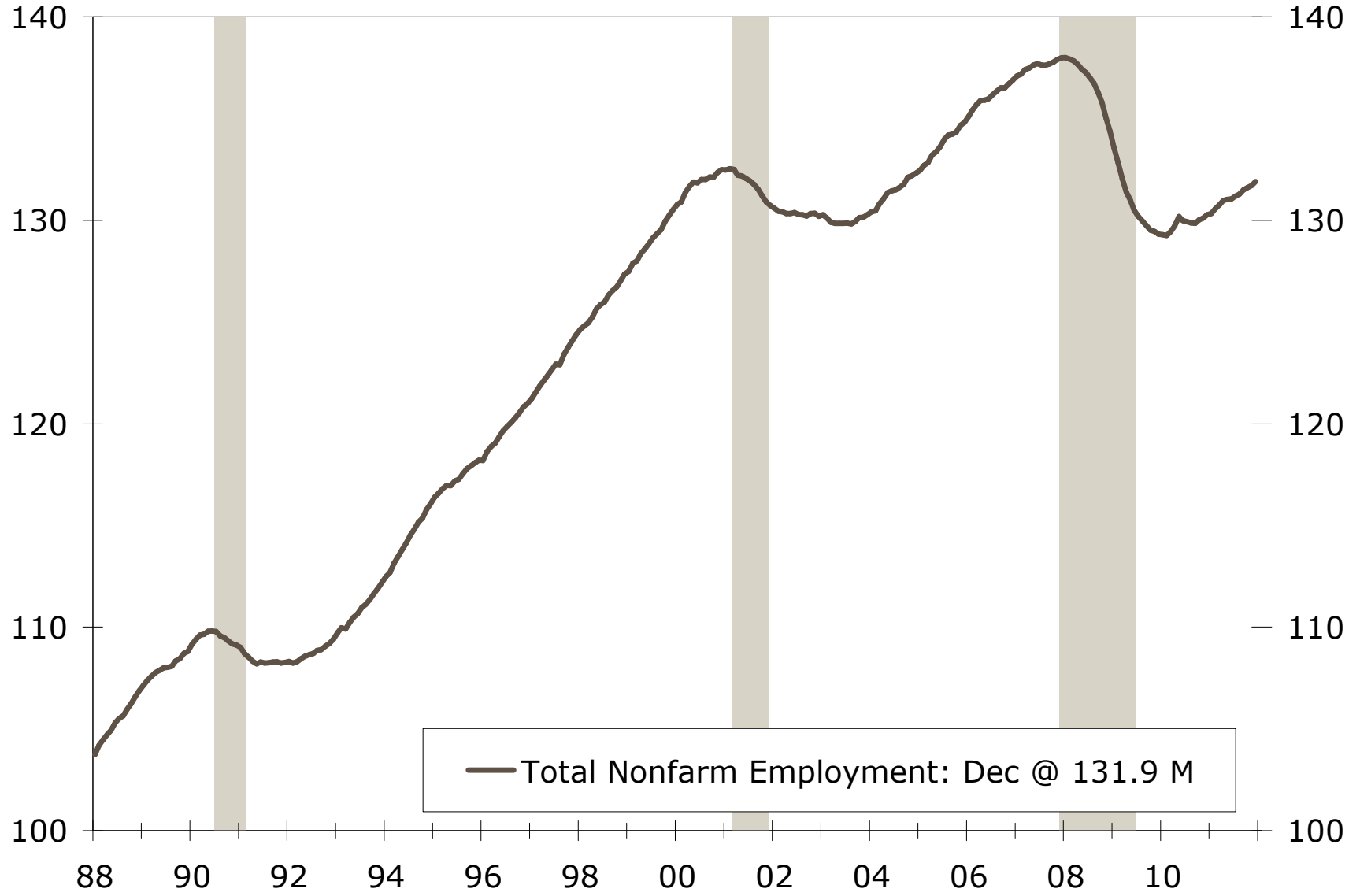


Source: Federal Reserve Bank of Philadelphia

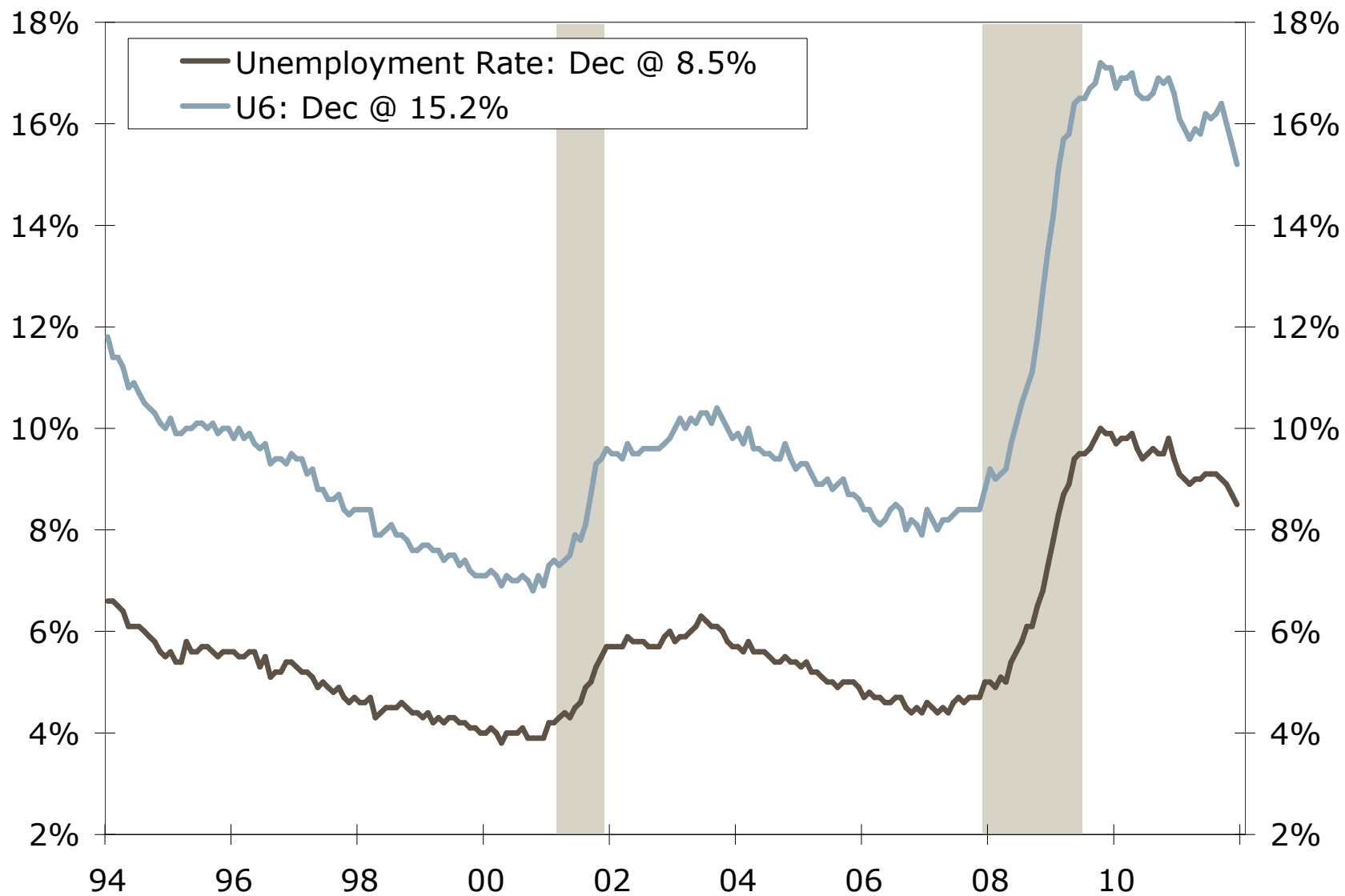
Jobs Recovery Remains Disappointing

Total Nonfarm Employment

Millions

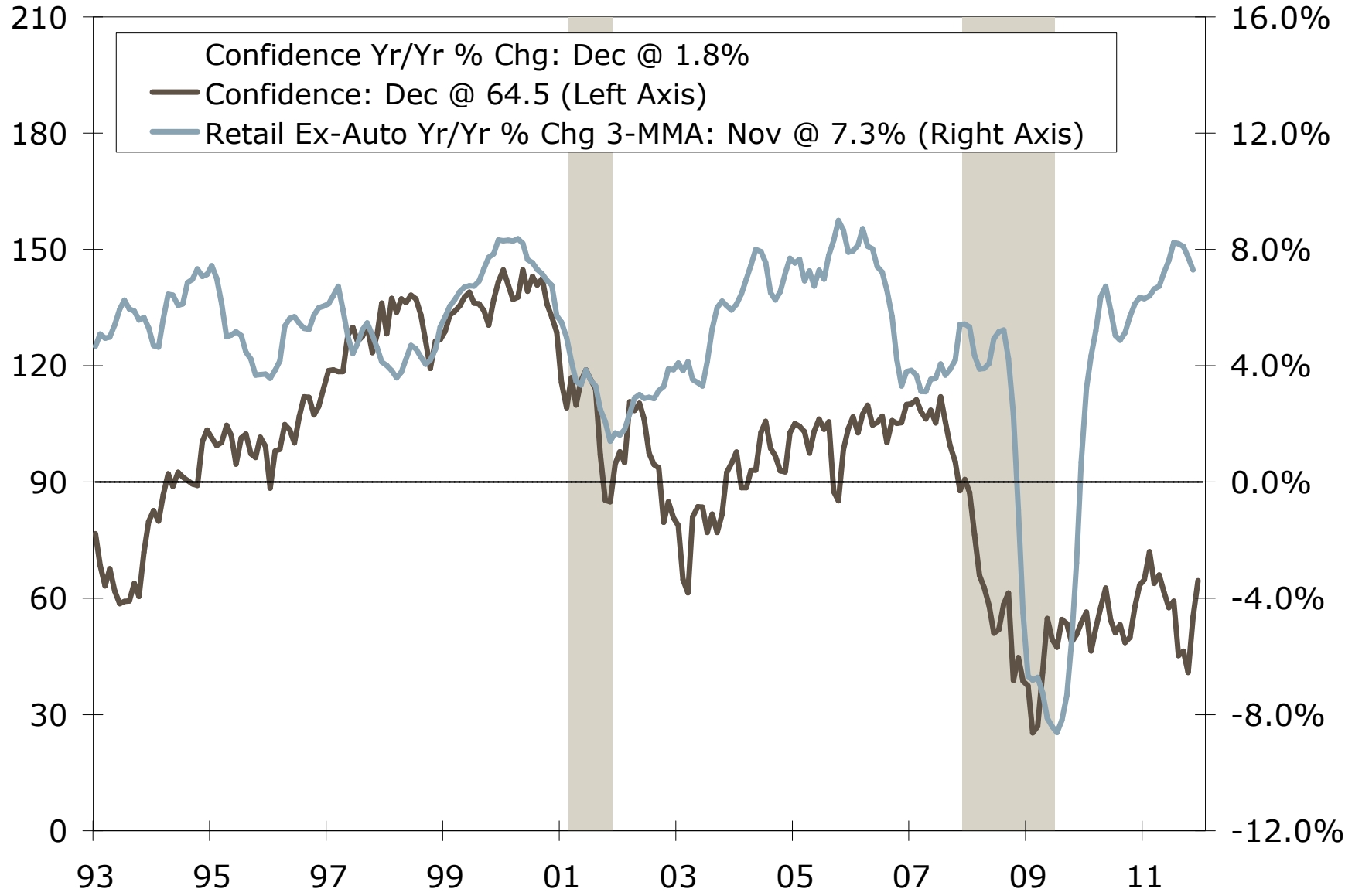


Unemployment Measures



Confidence vs. Retail Sales

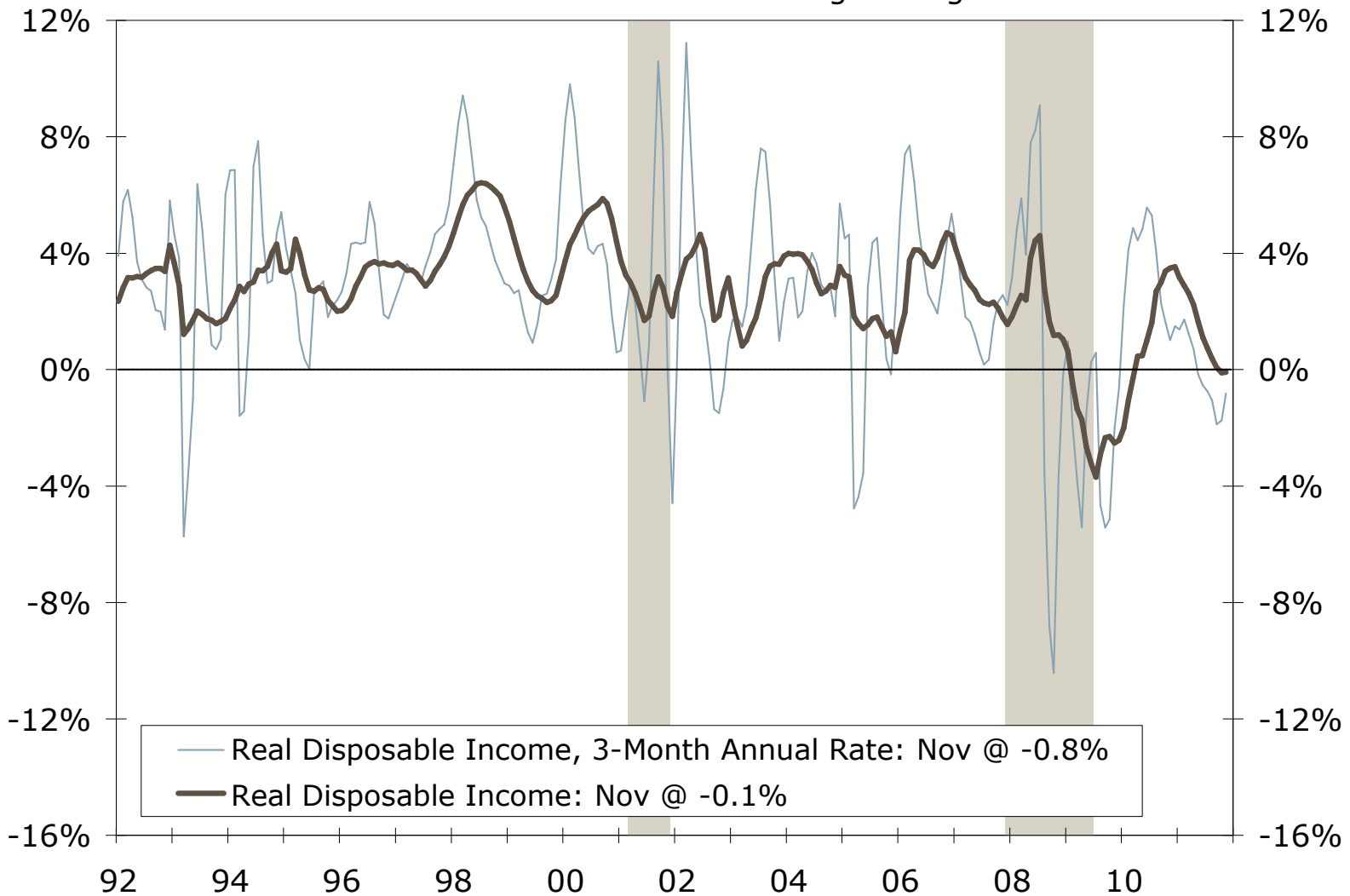
Conference Board Consumer Confidence, Retail Sales ex. Autos



Income Growth Is A Problem

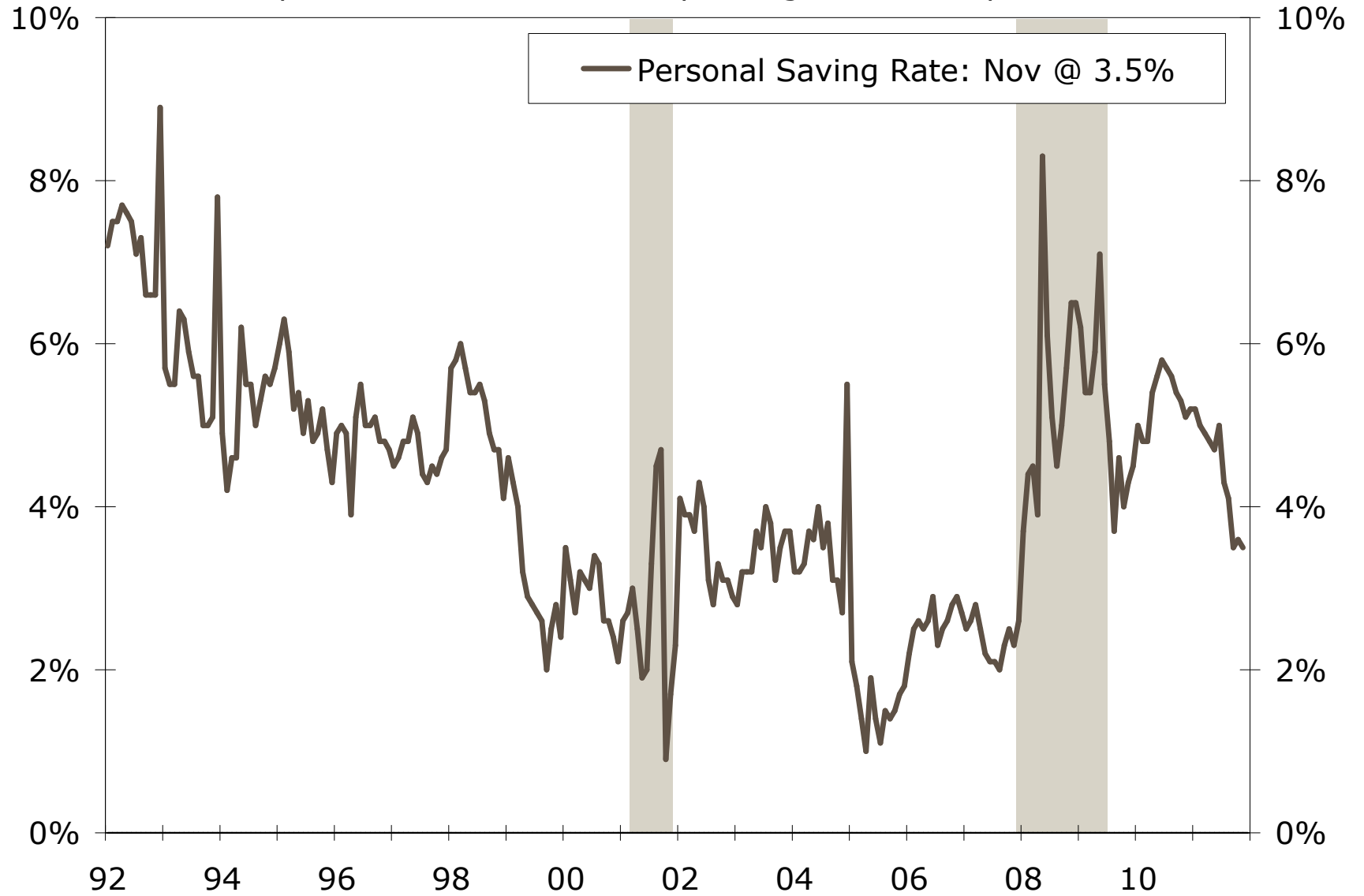
Real Disposable Income

Both Series are 3-Month Moving Averages



Personal Saving Rate

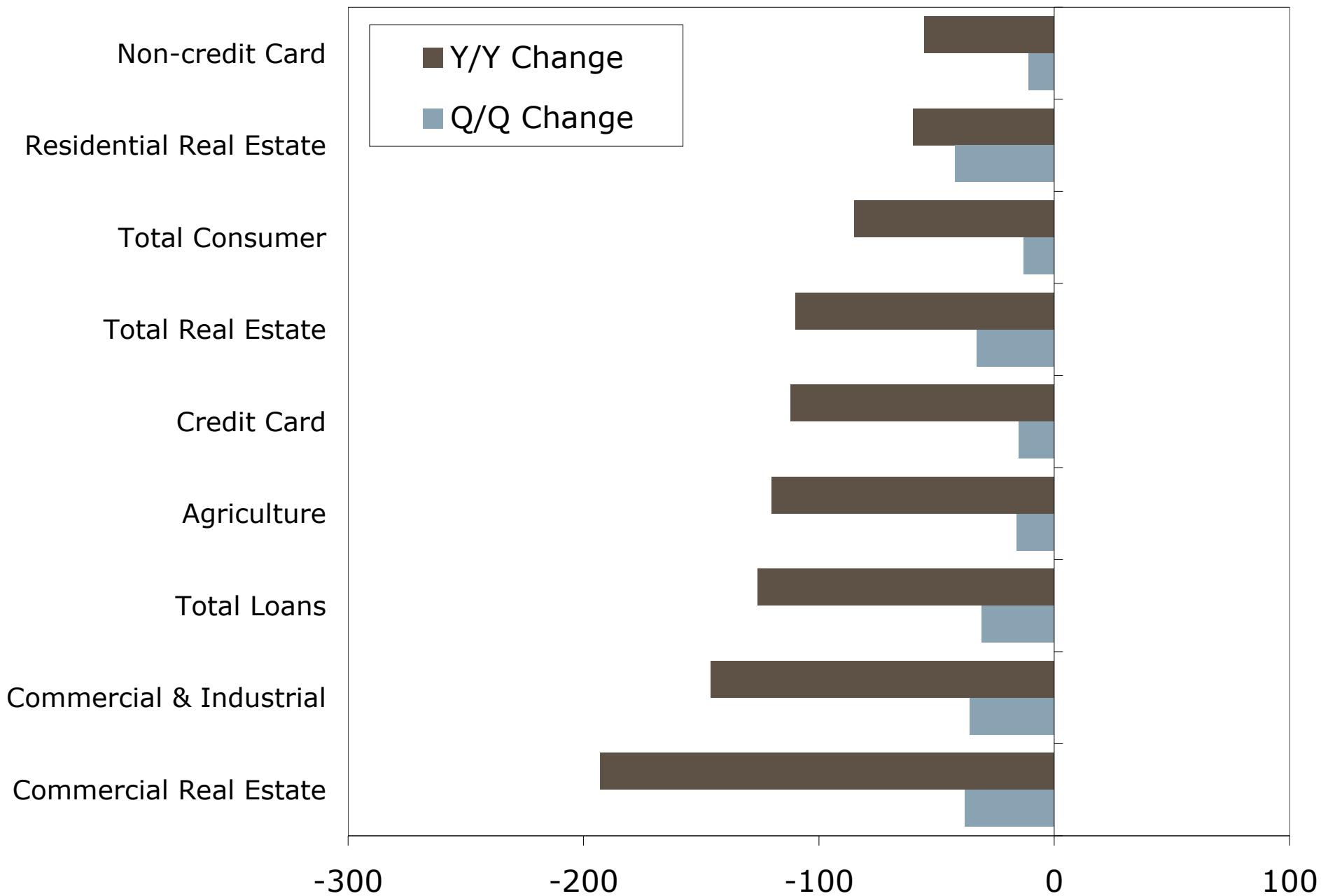
Disp. Personal Income Less Spending as % of Disp. Income



Bank Credit Crisis: Progress, But Is It Slowing?

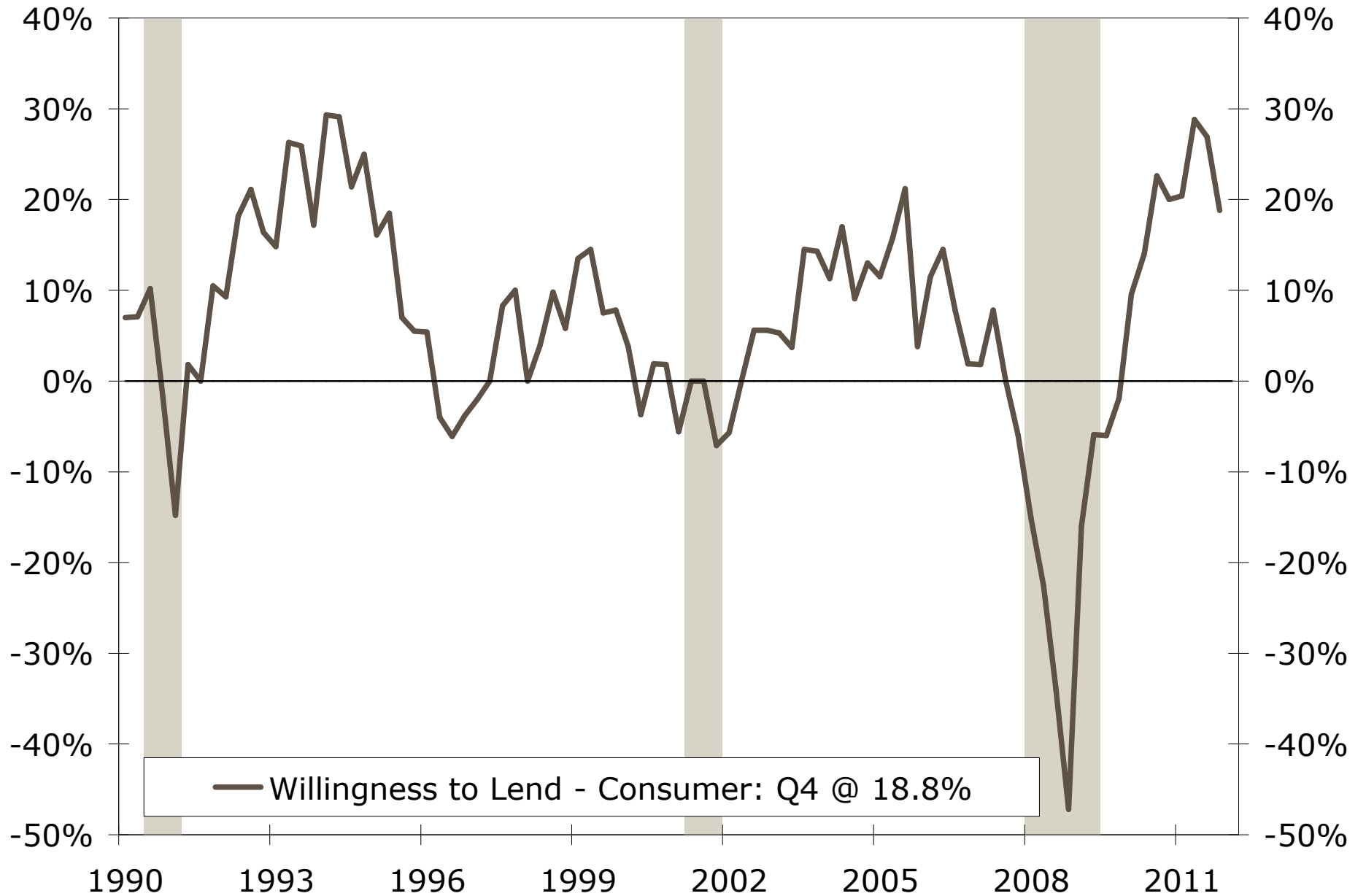
Loan Delinquency Rates

Basis Point Change, Q3 2011, SA



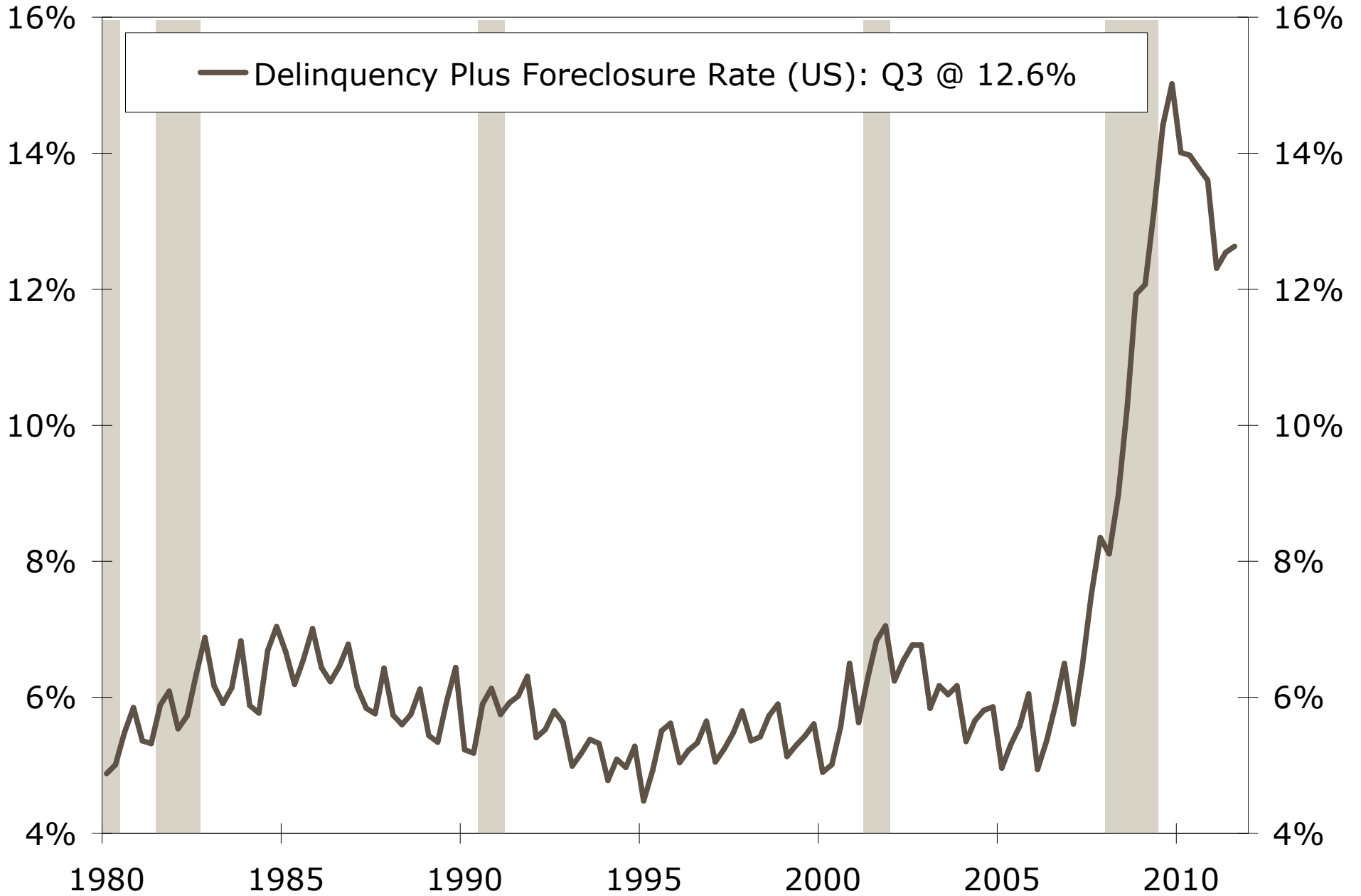
Banks' Willingness to Make Loans

Consumer Installment



Delinquency Plus Foreclosure Rate

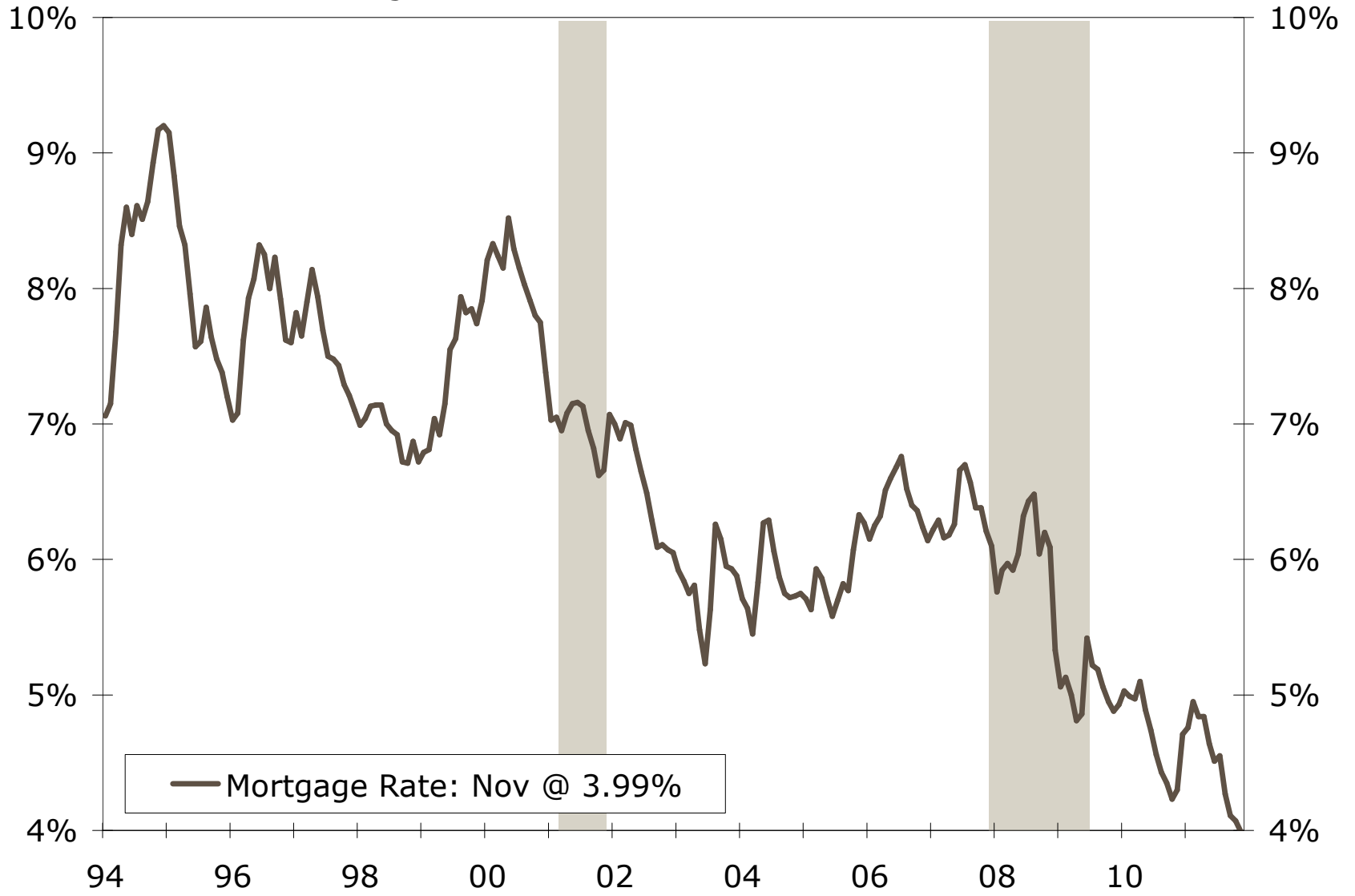
Percent of All Mortgage Loans Delinquent or in Foreclosure, NSA



Housing Market Hangover Continues

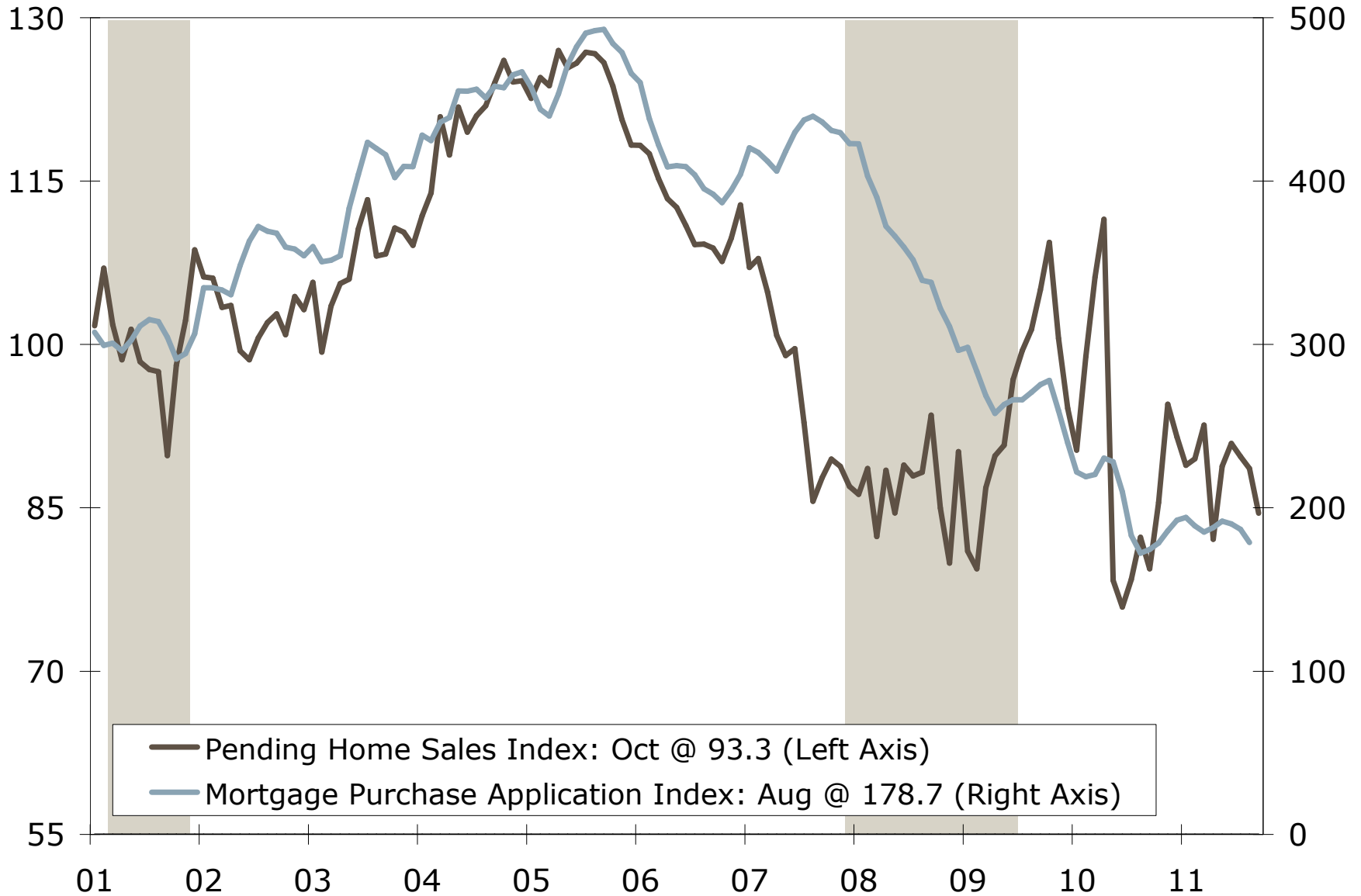
Mortgage Rate

Average Conventional 30-Year Commitment Rate



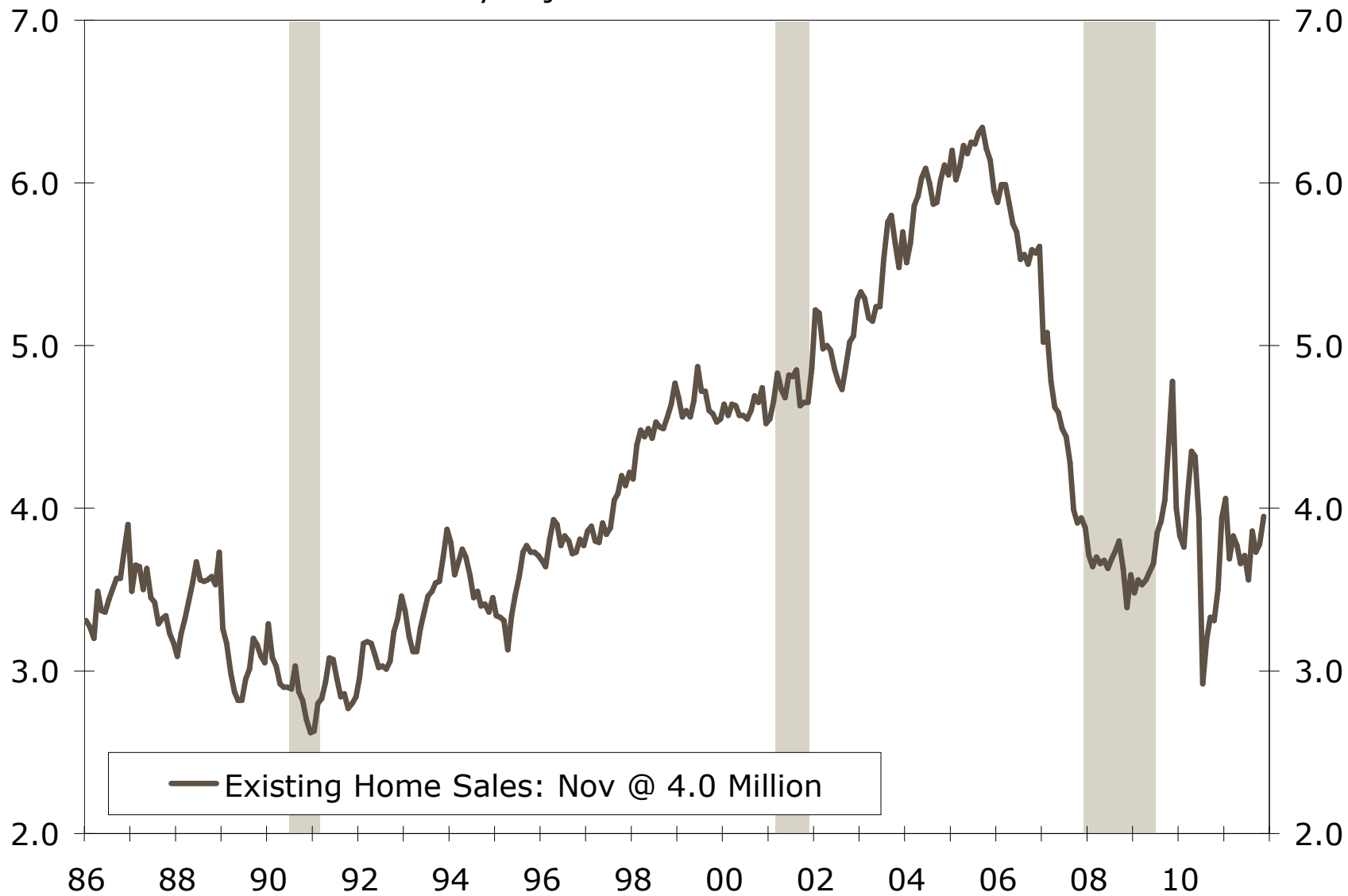
Pending Home Sales vs. Mortgage Purchases

Index 2001=100 vs. Index 1990=100; 3-M Moving Averages, SA



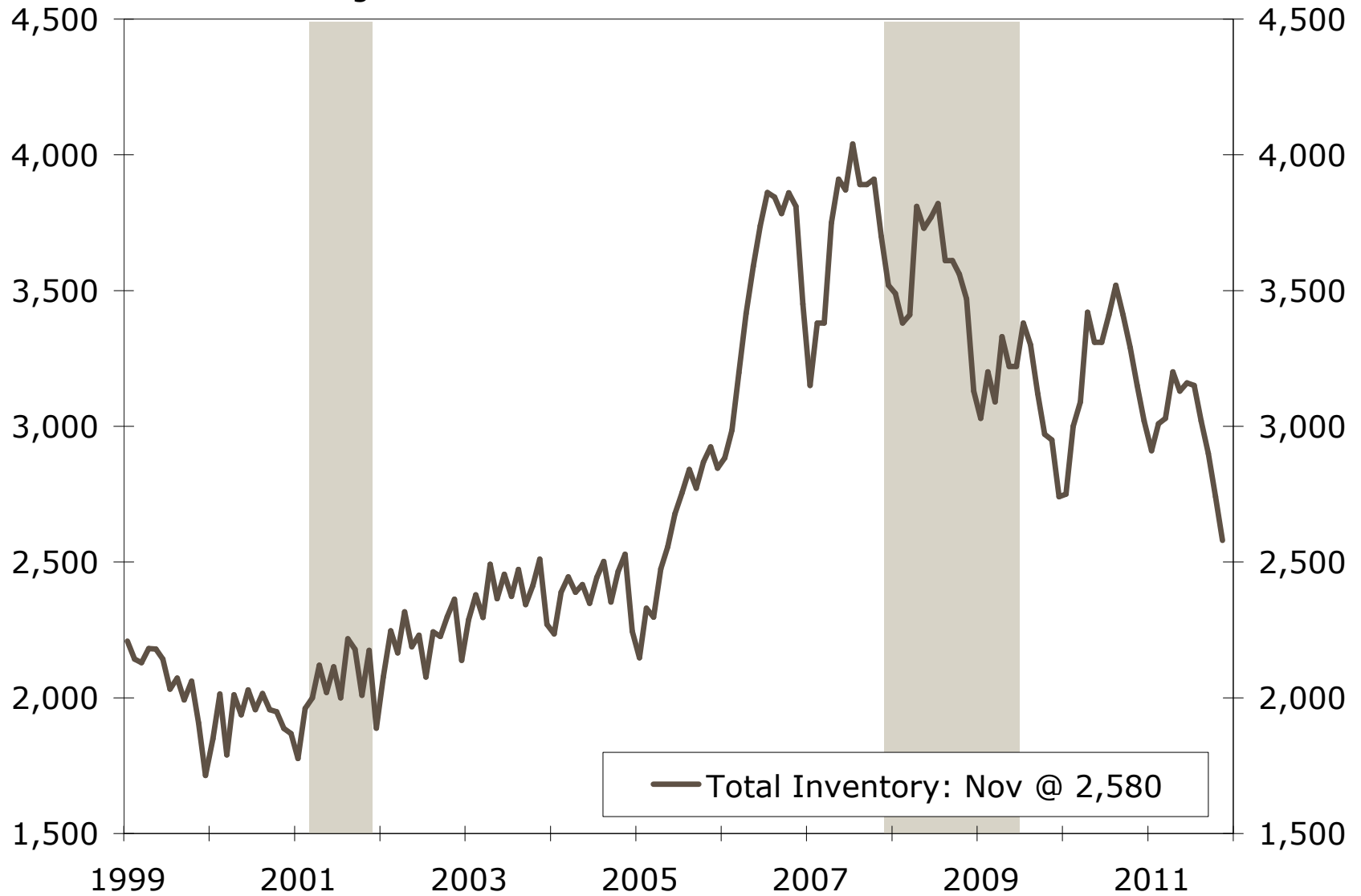
Existing Single-Family Home Resales

Seasonally Adjusted Annual Rate - In Millions



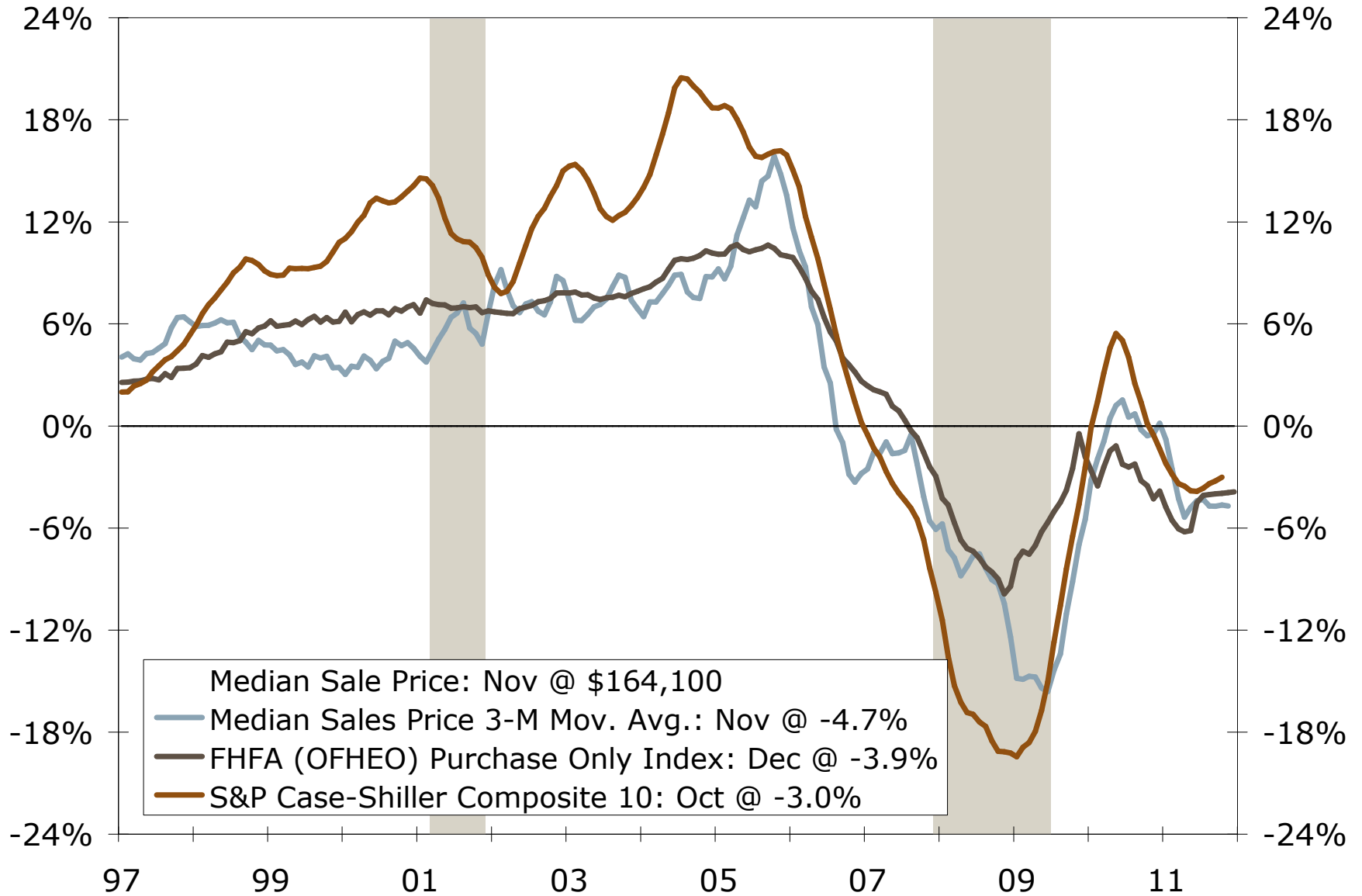
Inventory of Existing Homes for Sale

Existing Homes for Sale at End of Month - In Thousands



Home Prices

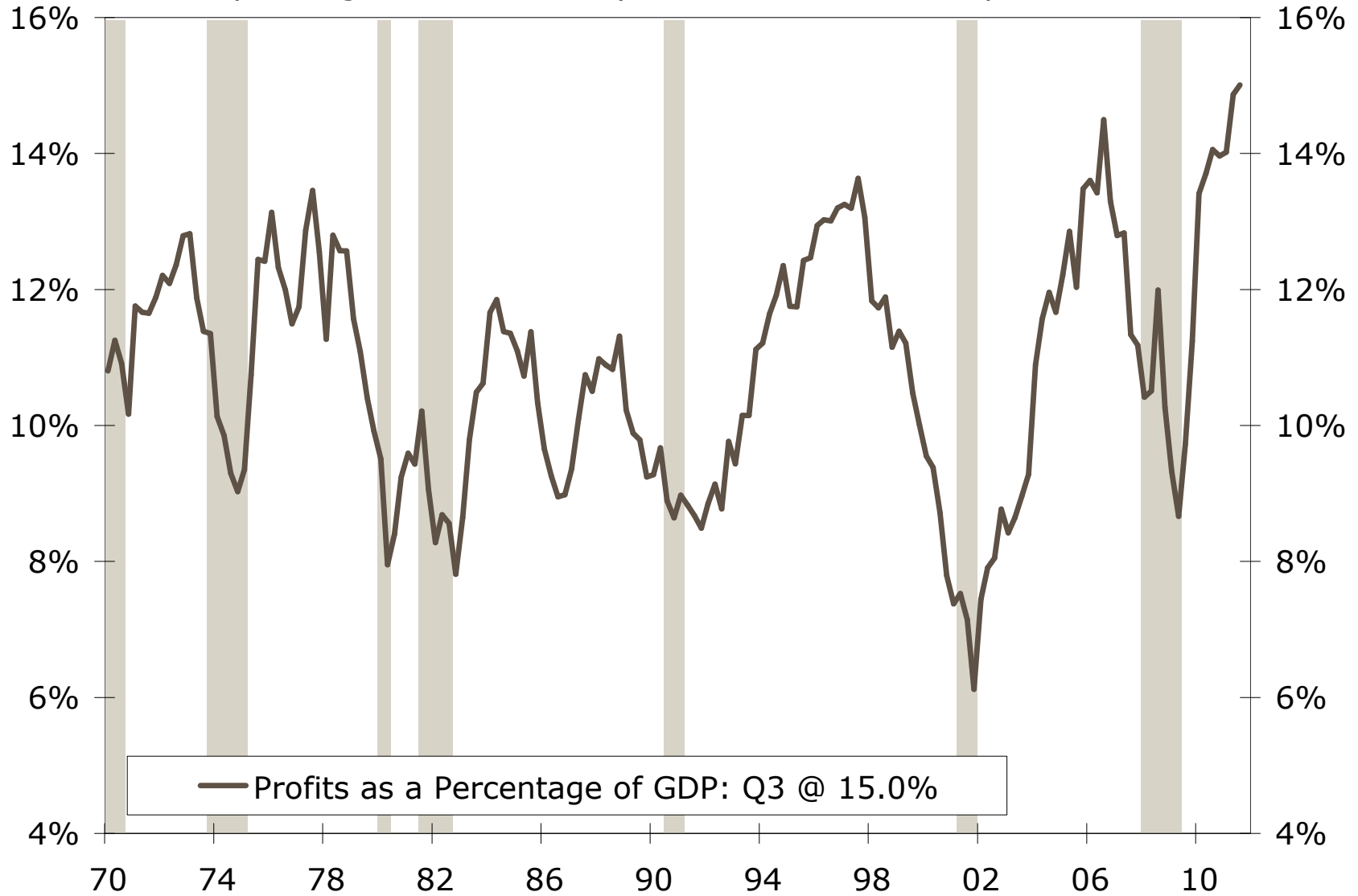
Year-over-Year Percentage Change



Making The Case For Continued Moderate Economic Growth

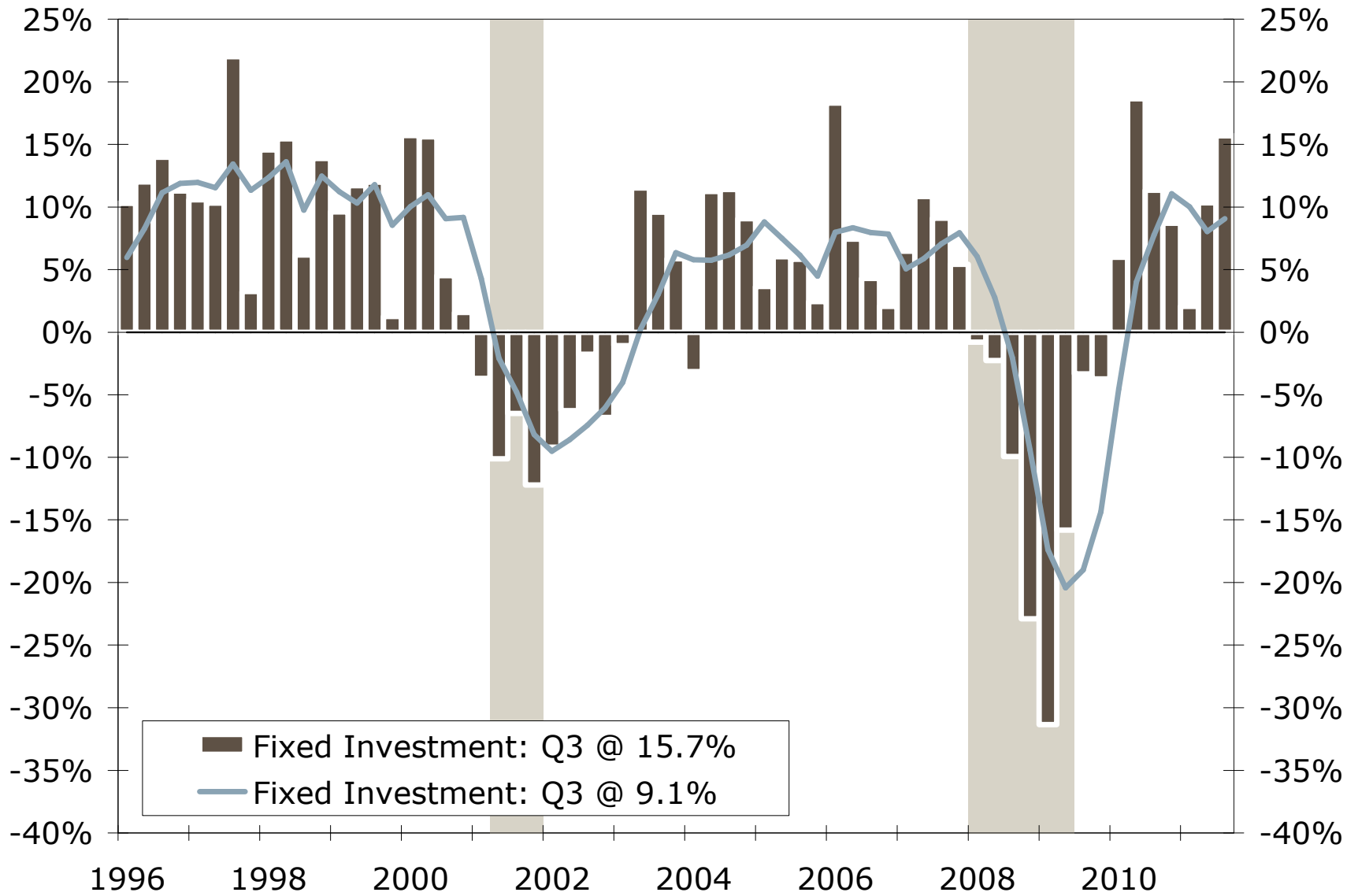
Profits as a Percentage of GDP

Operating Profits divided by Product of Non-fin Corp Business



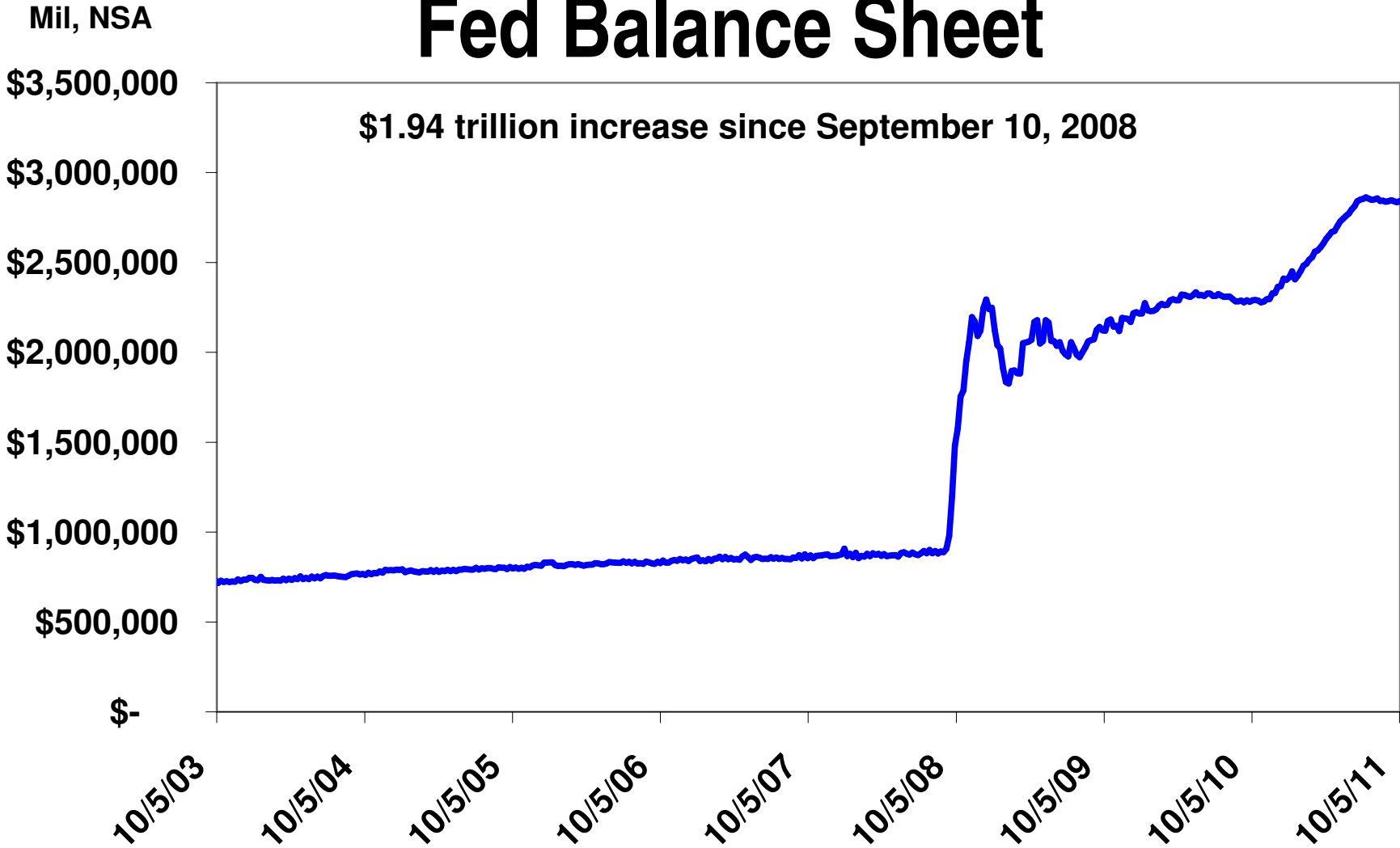
Real NonRes Business Fixed Investment

Bars = CAGR Line = Yr/Yr % Change



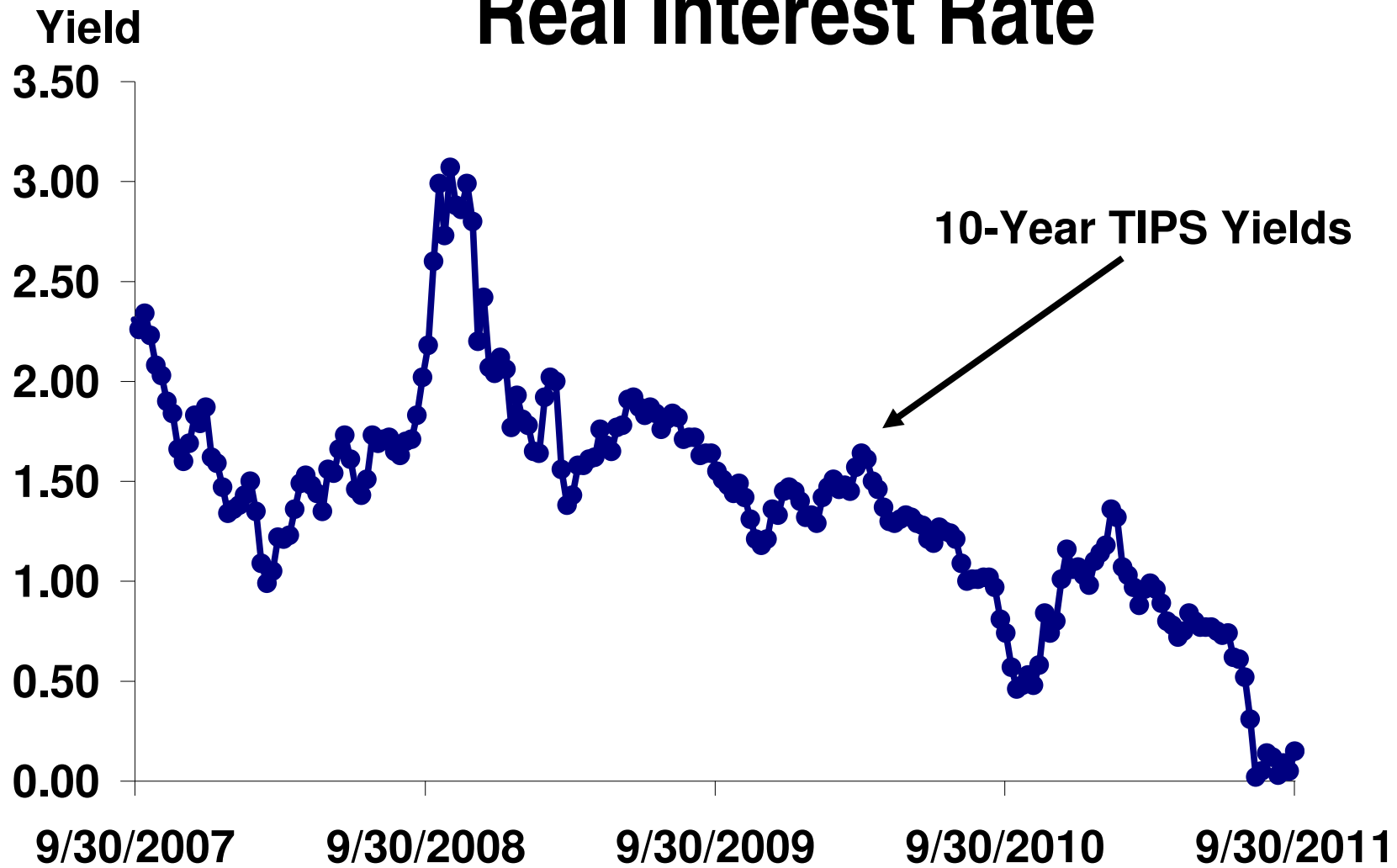
The Fed Launches Operation Twist

Fed Balance Sheet



Source: Federal Reserve

Real Interest Rate

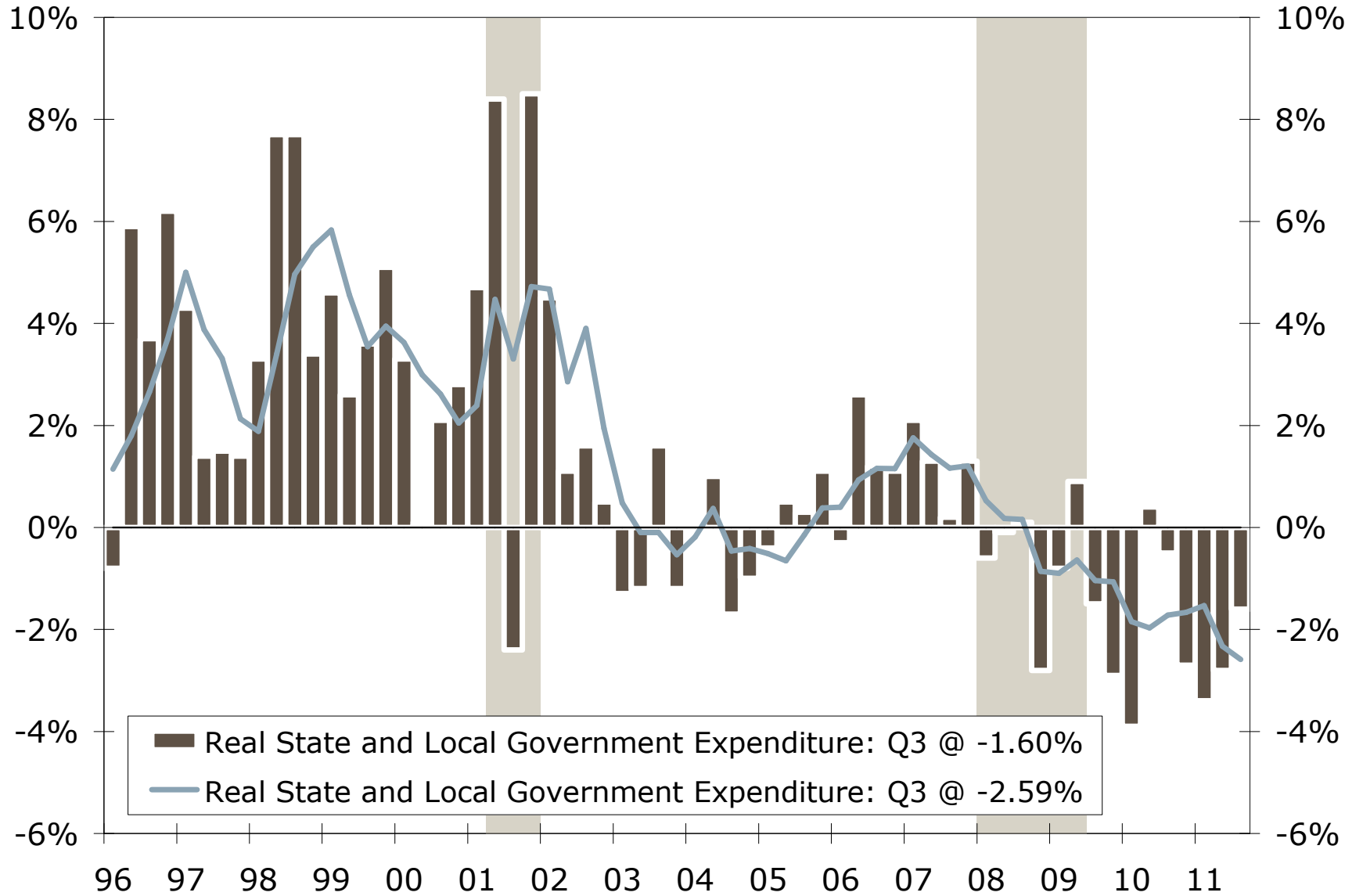


Source: Federal Reserve; Wells Fargo Economics

Deficit Reduction
vs.
More Stimulus Spending

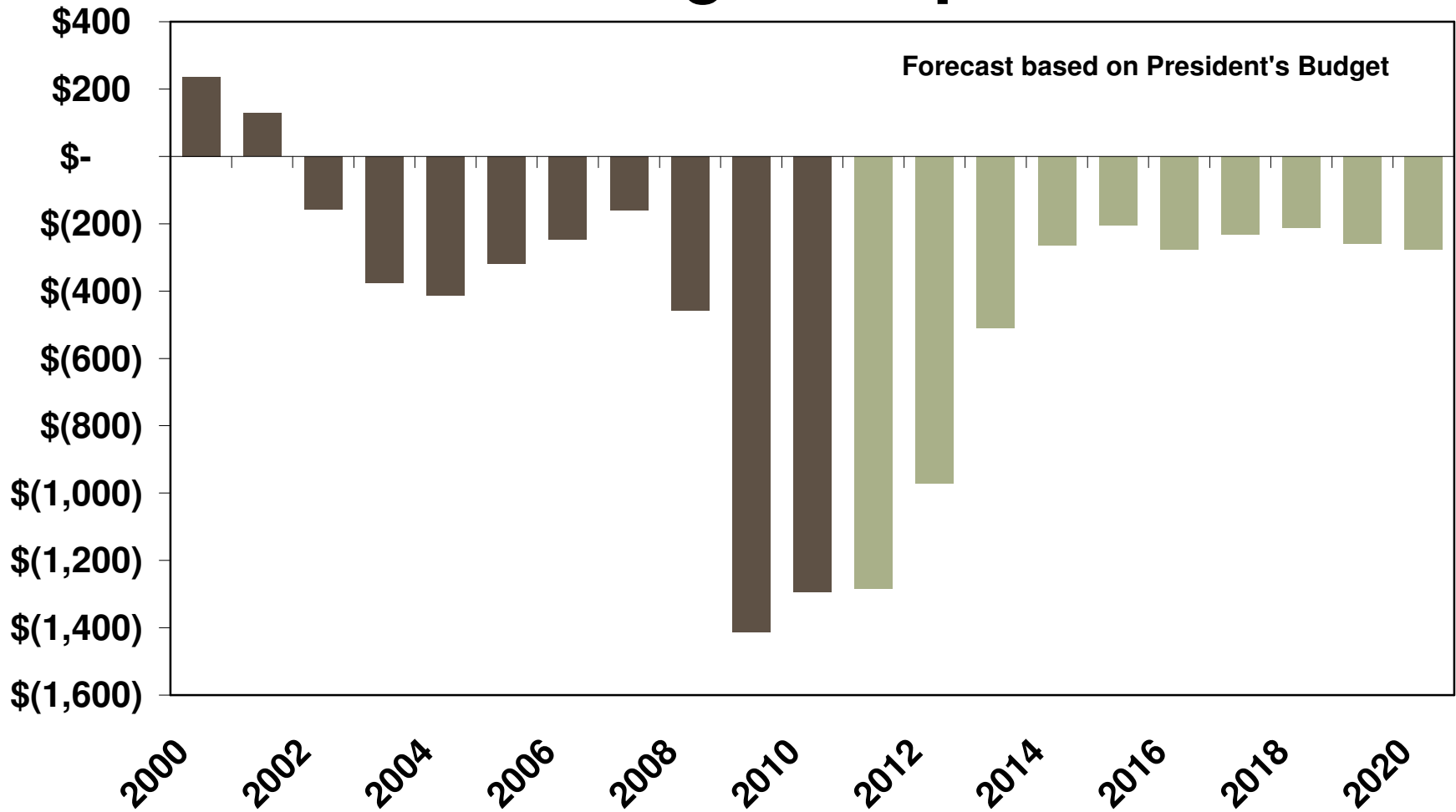
Real State & Local Government Expenditure

Bars = Compound Annual Rate Line = Yr/Yr % Change



Federal Budget Surplus/Deficit

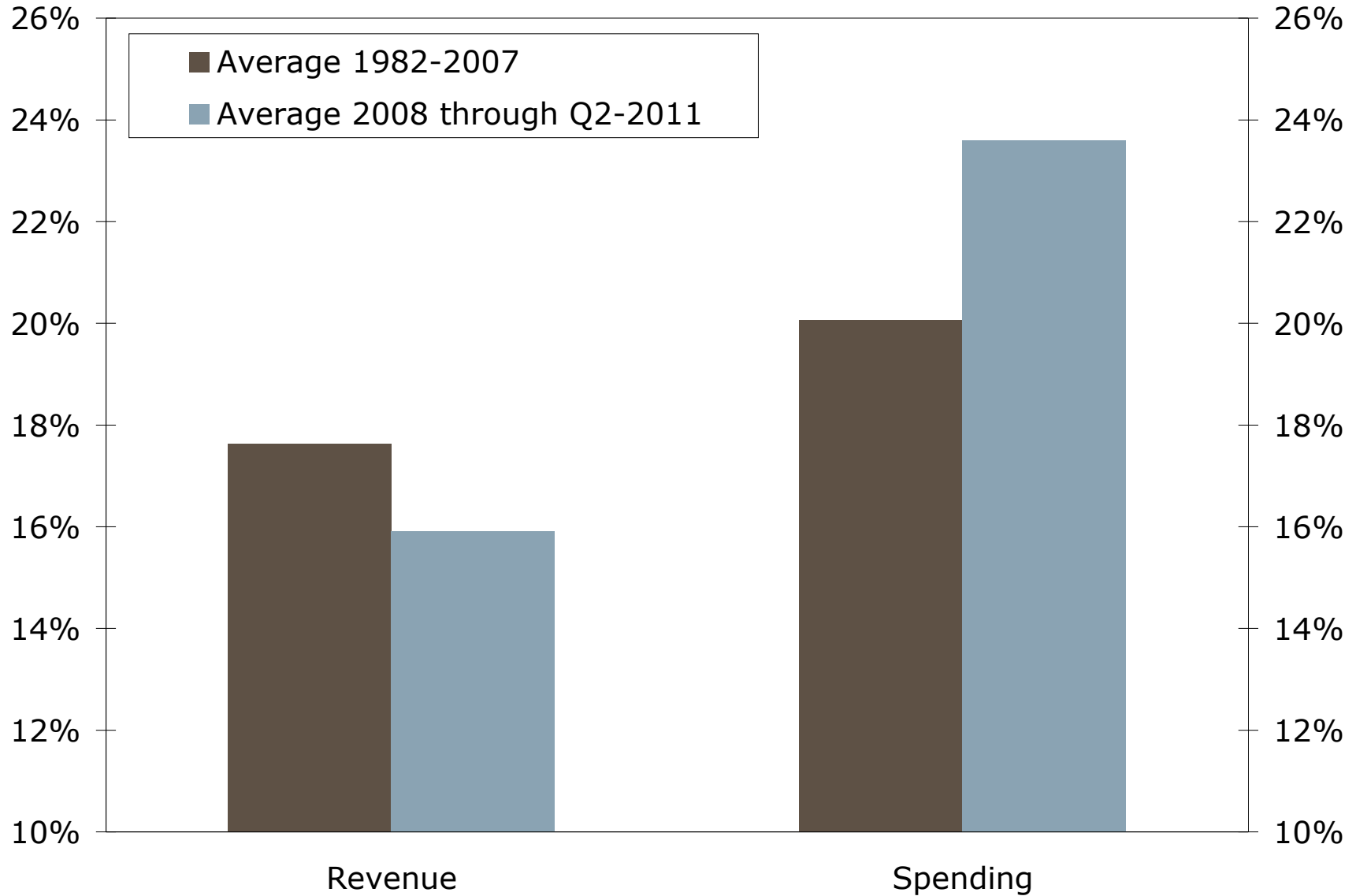
Billions



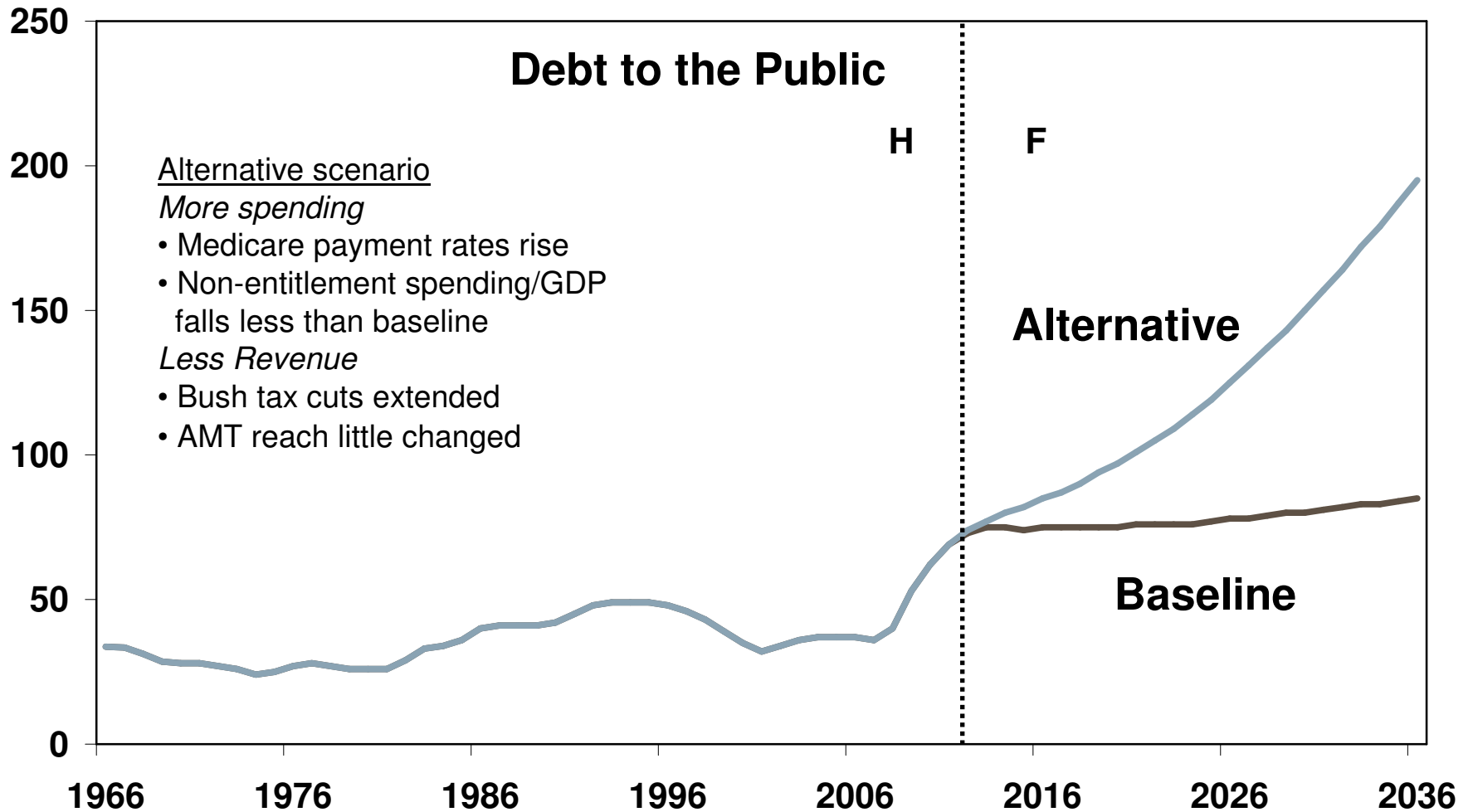
Source: CBO

Federal Spending vs. Revenue

As a Percent of GDP



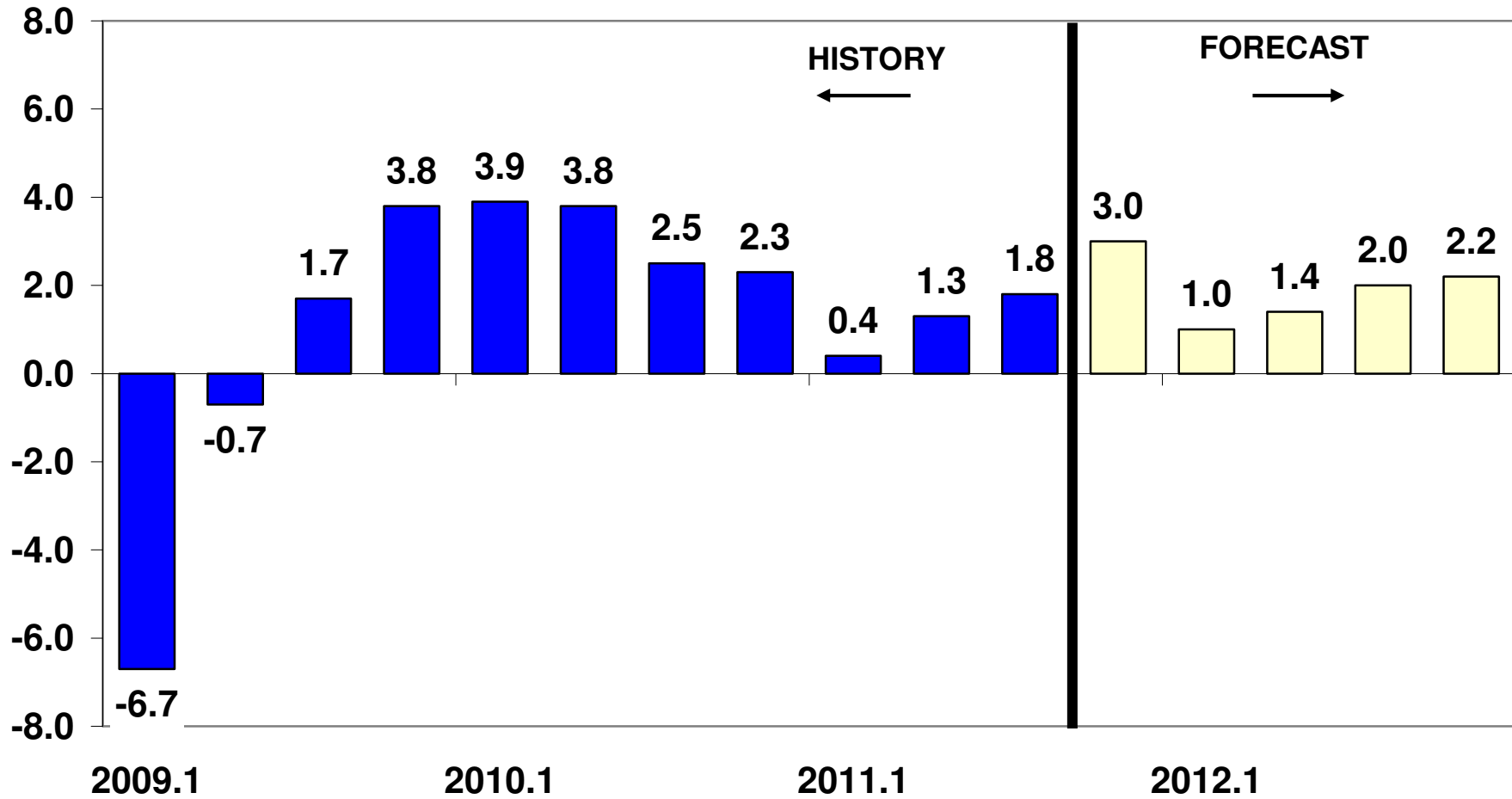
Federal Debt (% of GDP)



Source: CBO; Economic Report of the President

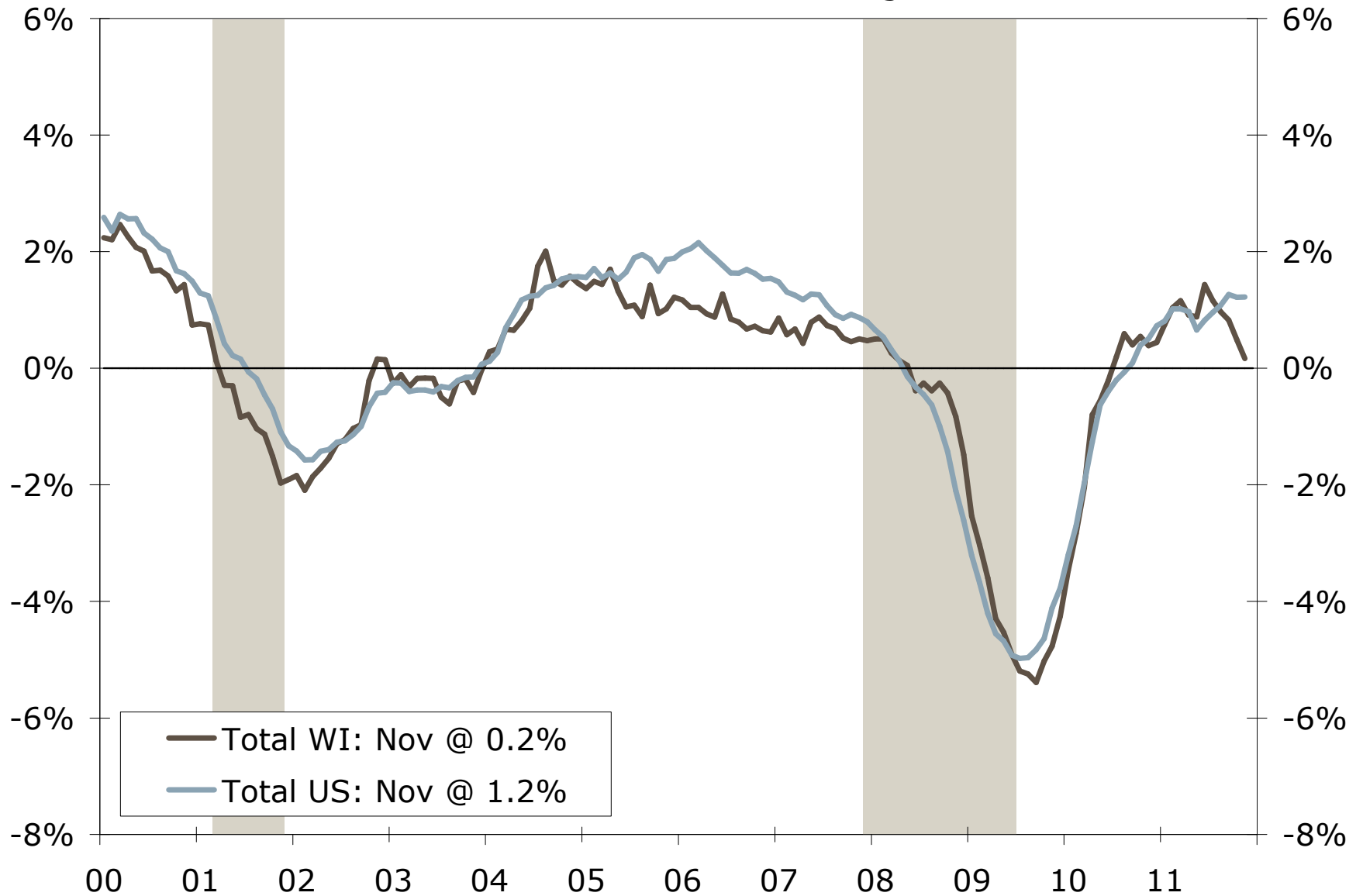
Q/Q%
Change
Real GDP
Annualized

GDP Growth



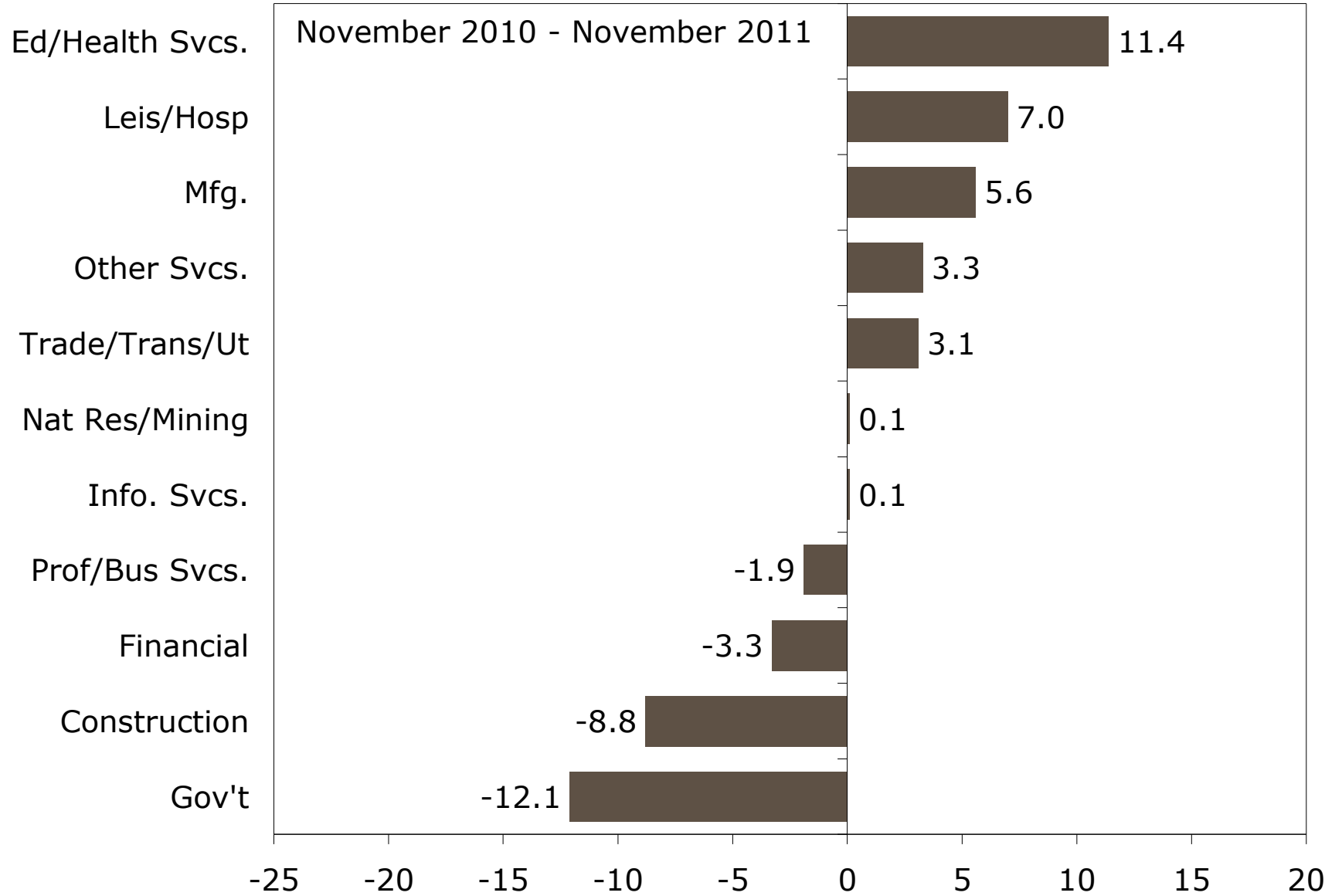
Wisconsin Nonfarm Employment

Year-over-Year Percent Change



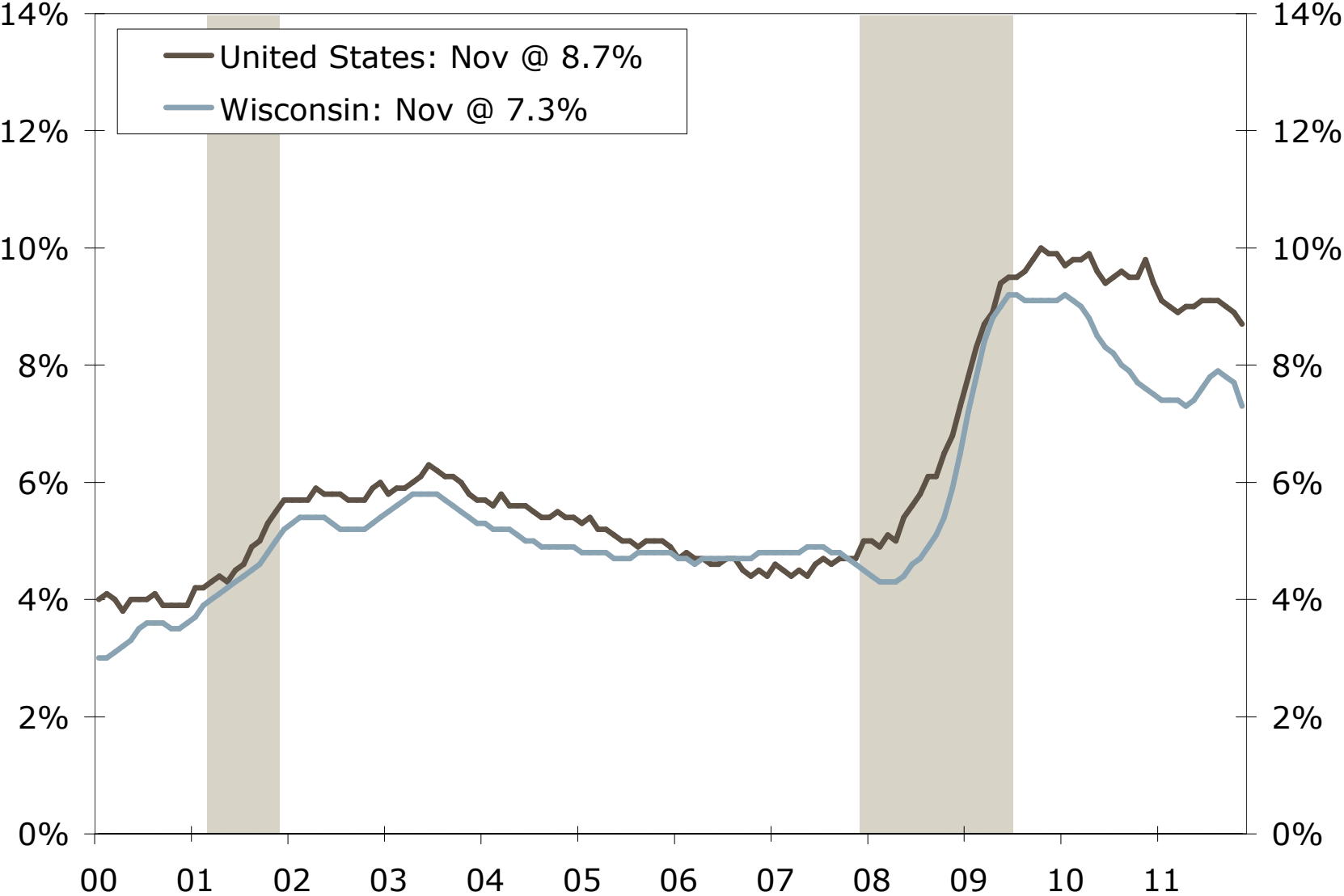
Wisconsin Job Growth by Industry

Thousands of Jobs, Year-over-Year Change



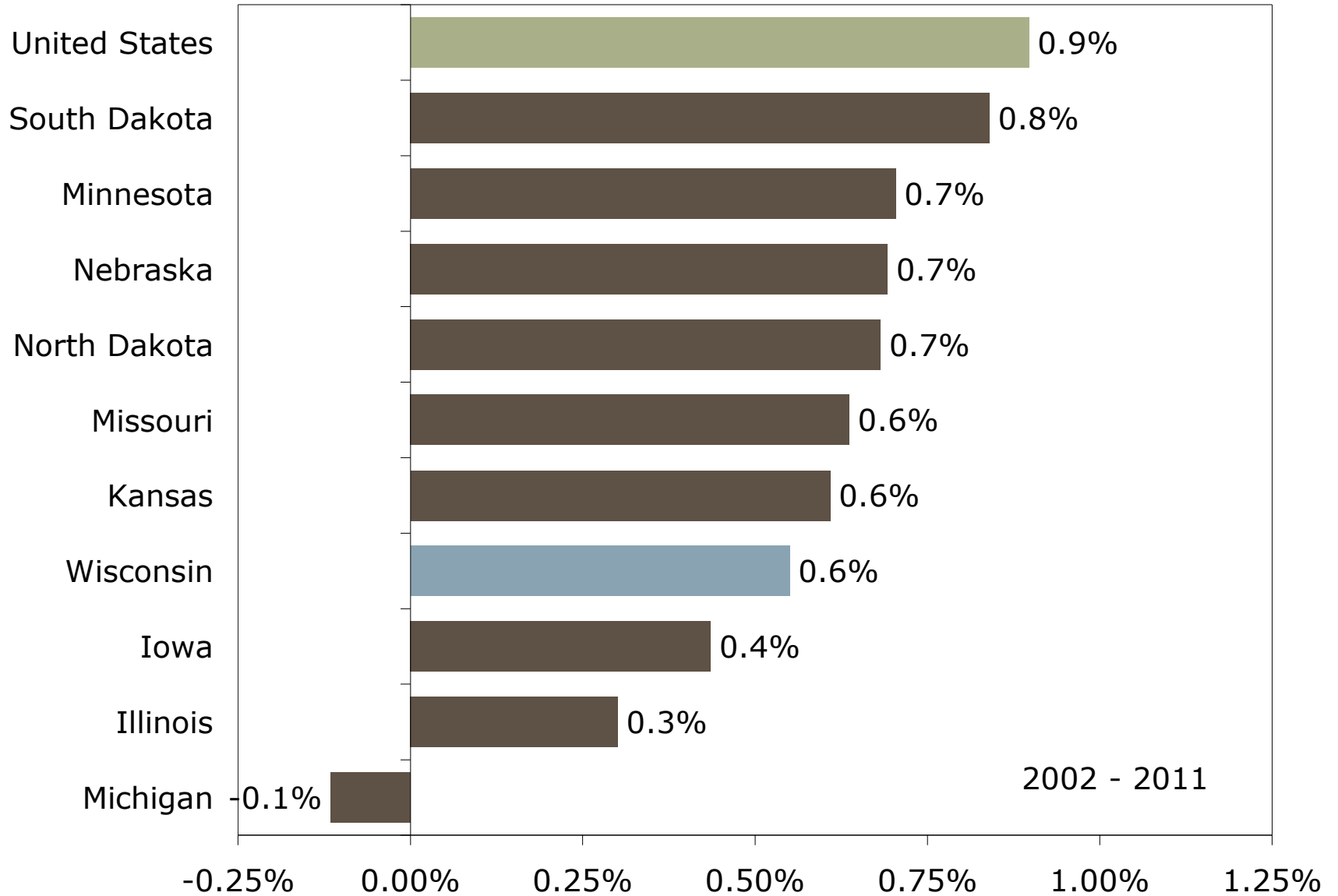
Unemployment Rates

Percent



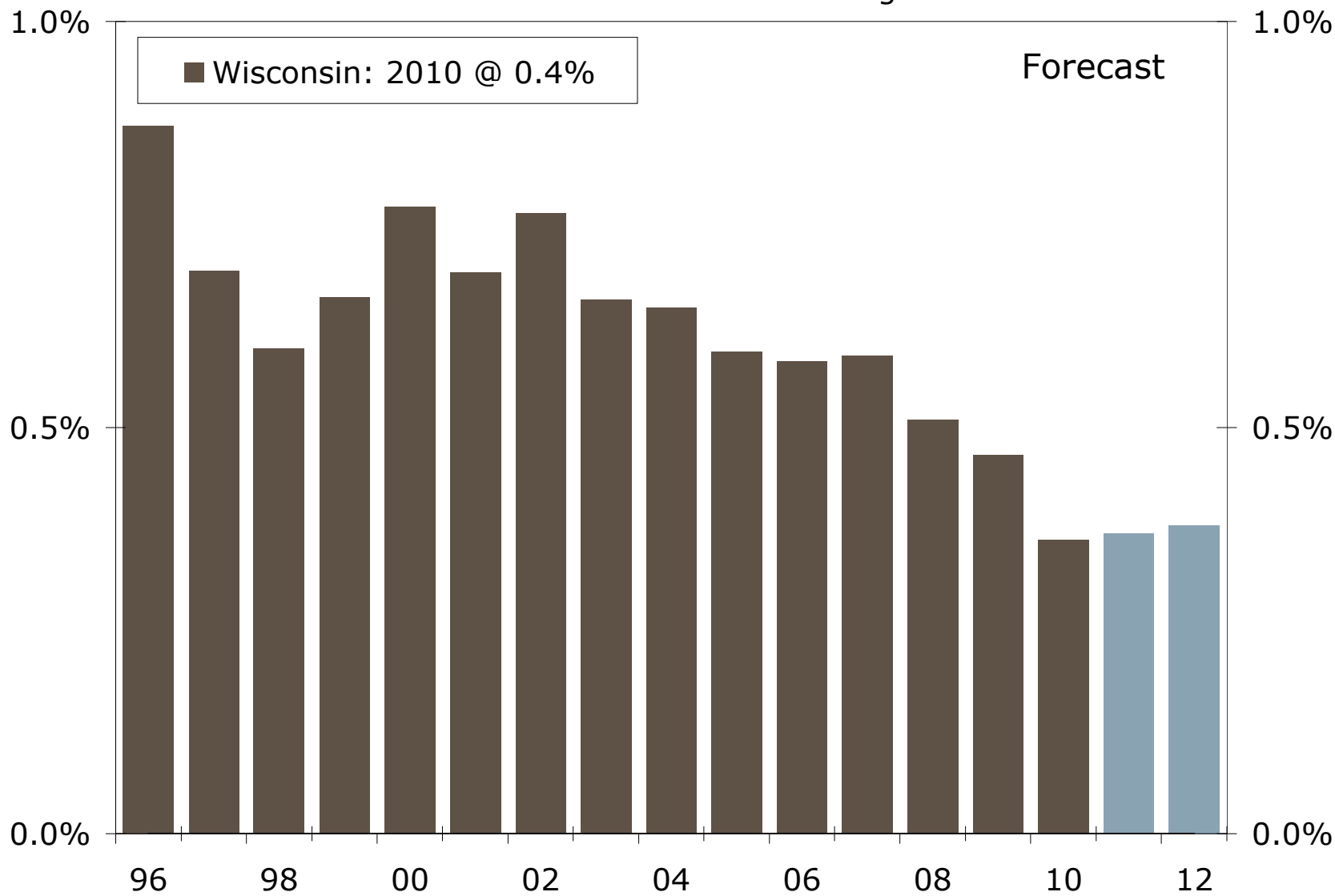
Regional Population Growth

Year-over-Year Percent Change, 10-Year Average



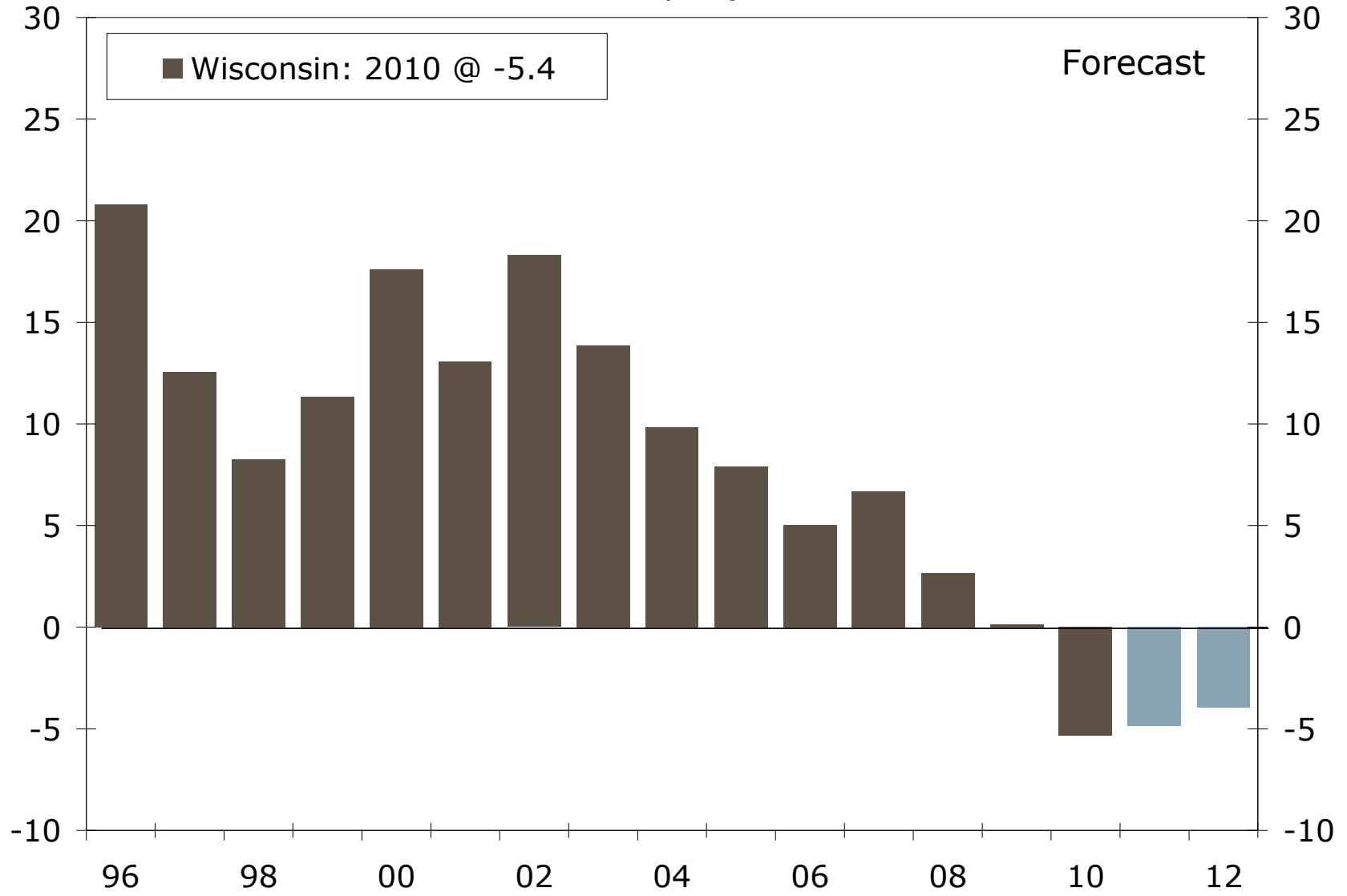
Wisconsin Population Growth

Year-over-Year Percent Change



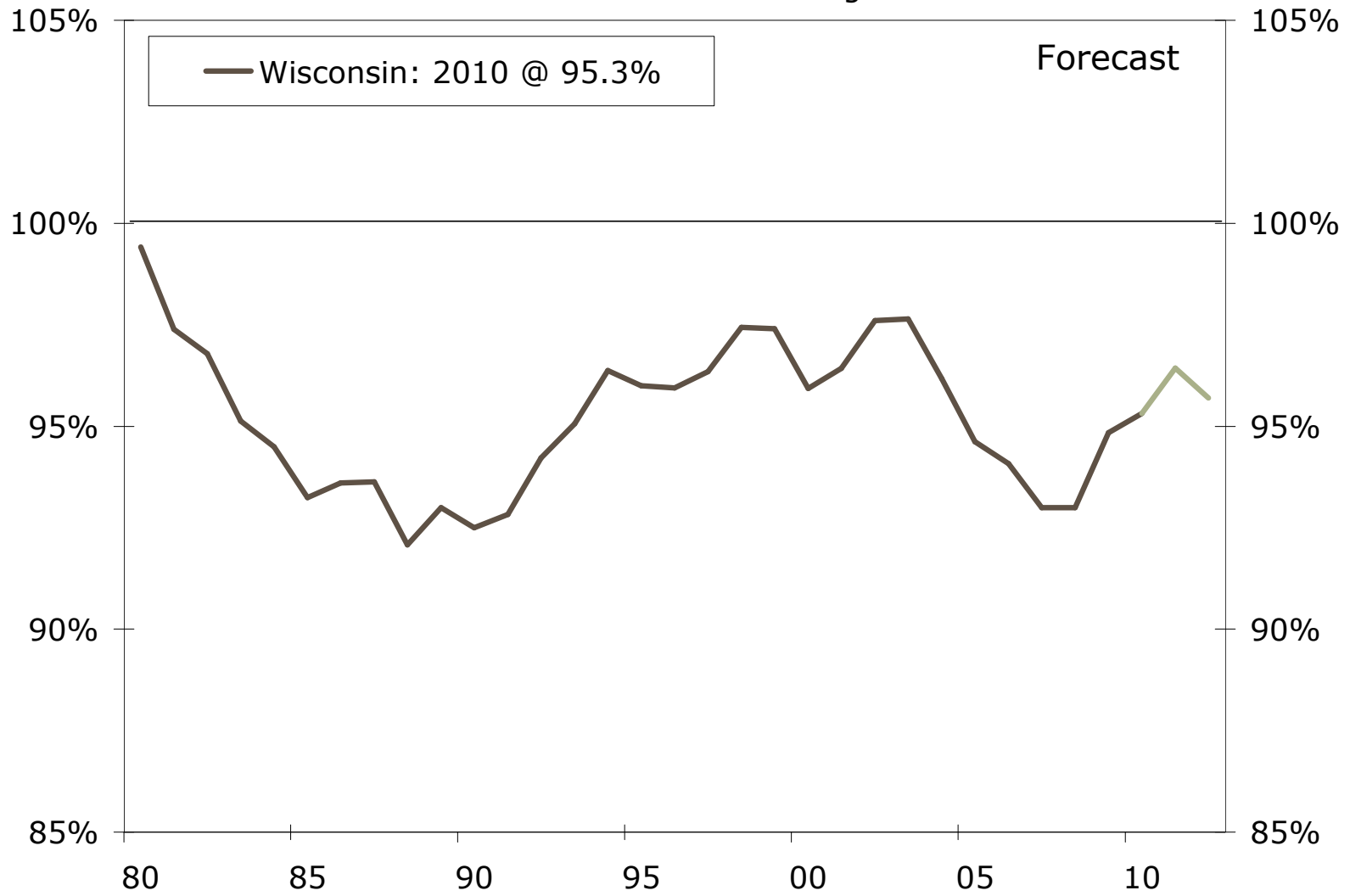
Wisconsin Net Migration

Thousands, Seasonally Adjusted Annual Rate



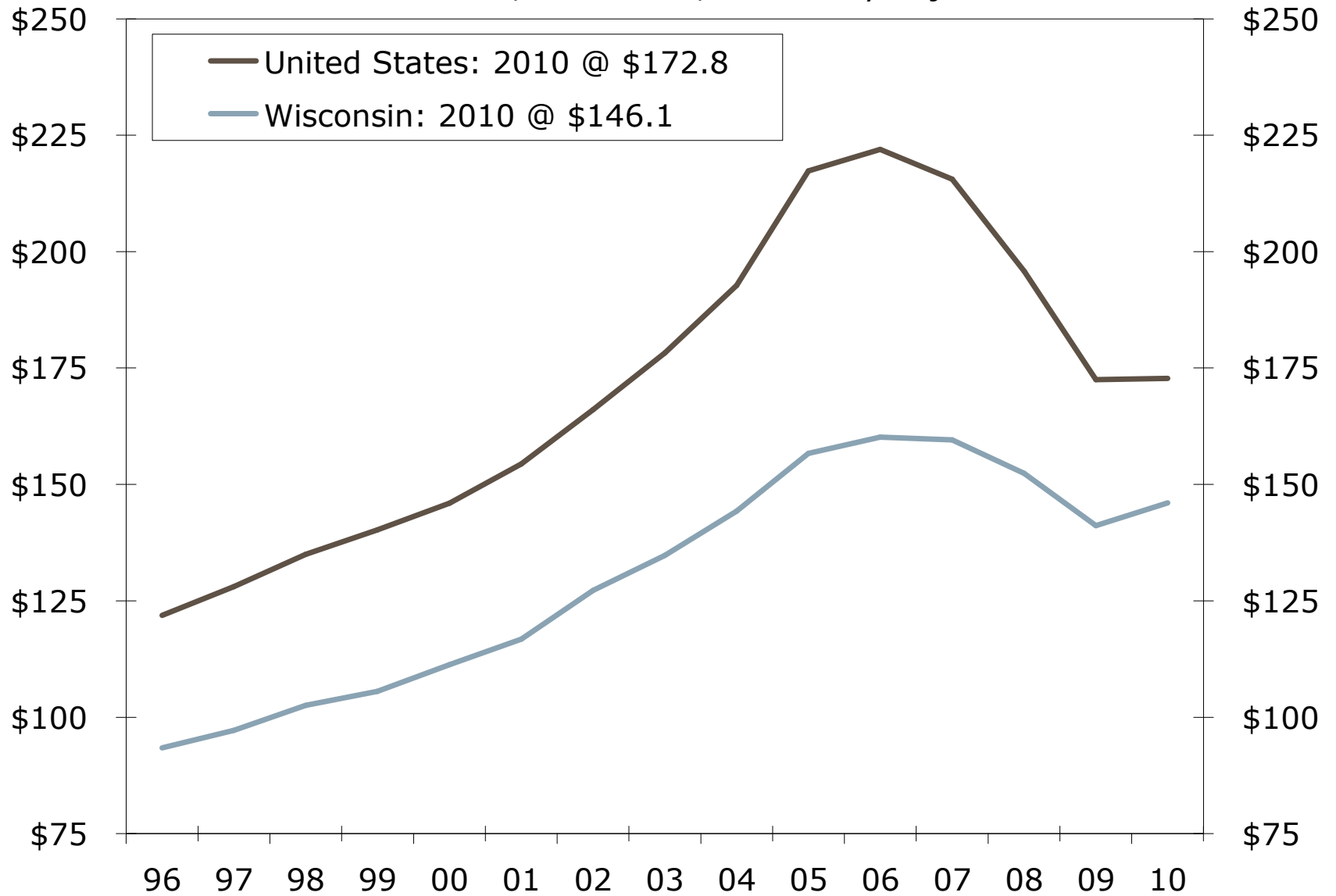
Wisconsin Per-Capita Income

As Percent of U.S. Average



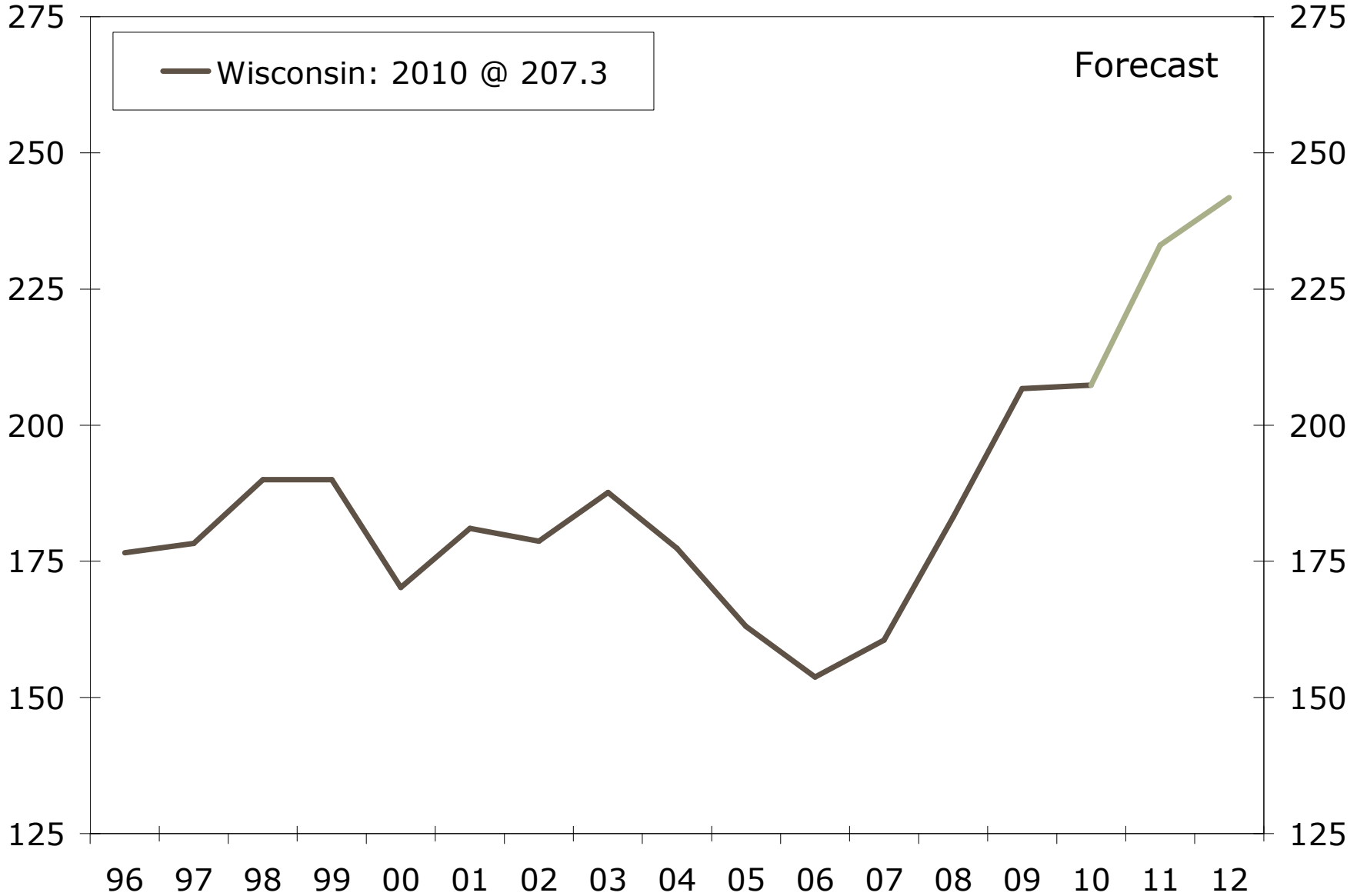
Existing Single-Family Home Prices

Median Prices, Thousands, Seasonally Adjusted



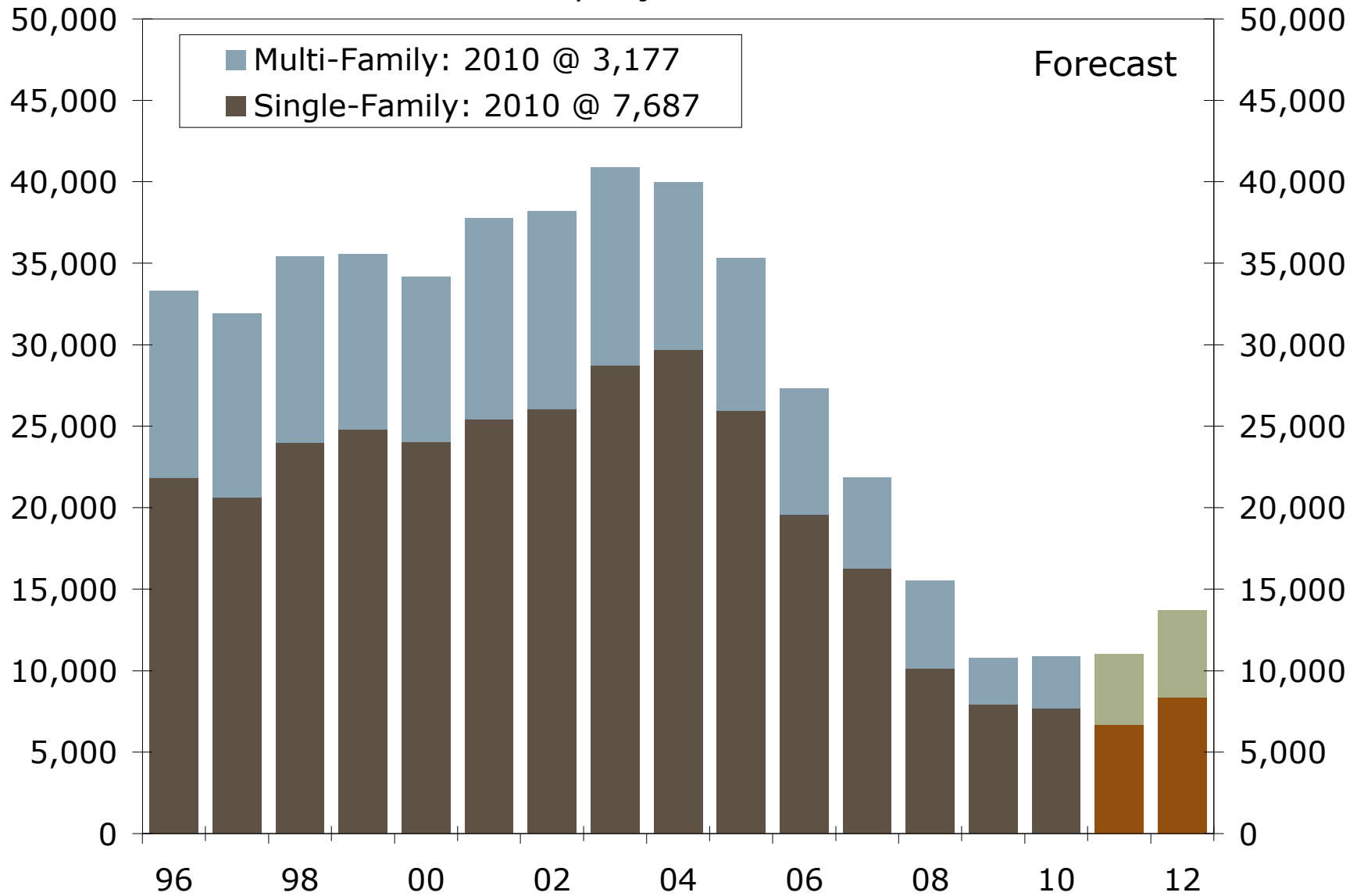
Wisconsin Housing Affordability Index

Percent of Median Priced Home Affordable on Median Income



Wisconsin Housing Permits

Seasonally Adjusted Annual Rate



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