



# The Economic Outlook

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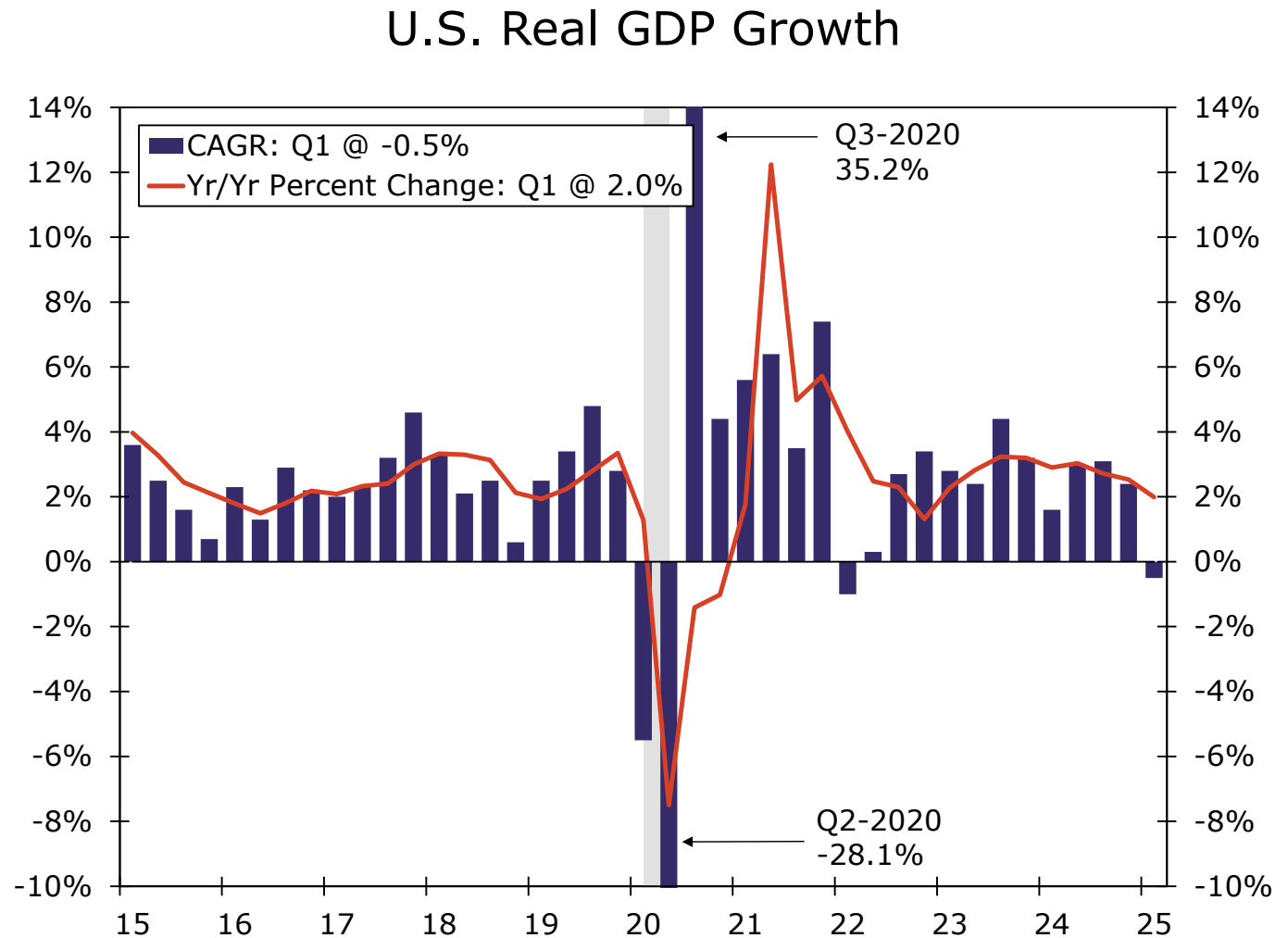
July 2025

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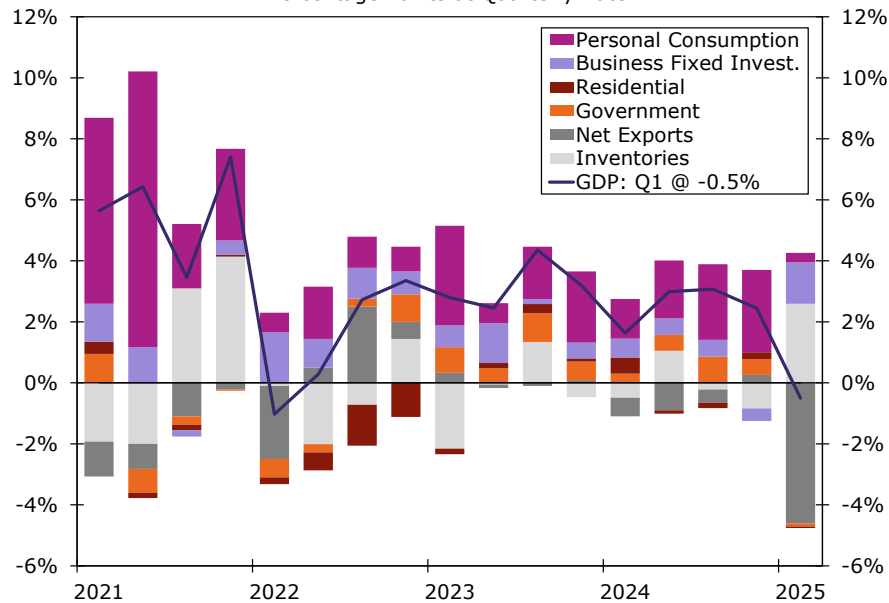
The U.S. economy is showing some signs of strain.



Volatile swings in trade and inventories explain most of Q1's GDP contraction. A slowdown in consumer spending raises some caution, however.

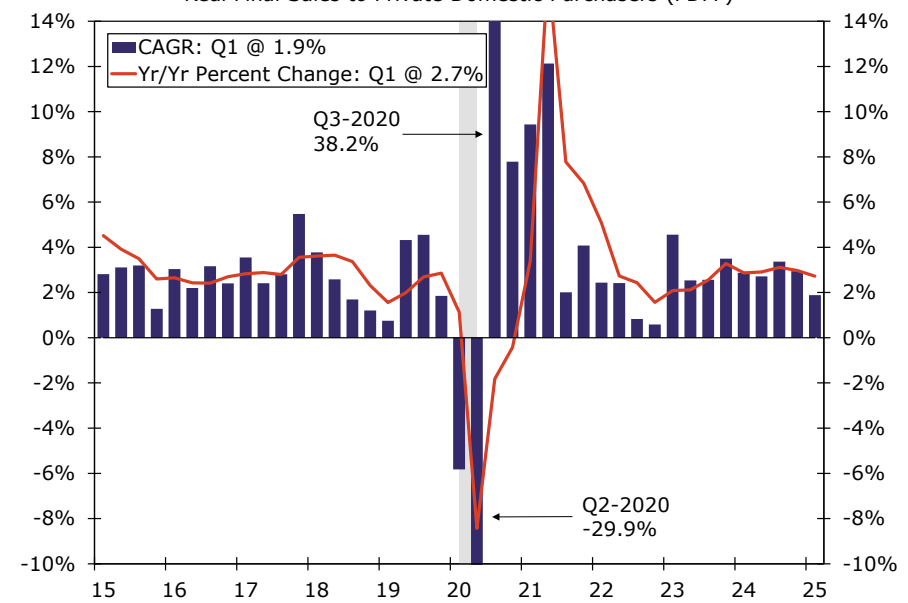
## Contributions to U.S. Real GDP

Percentage Points at Quarterly Rate



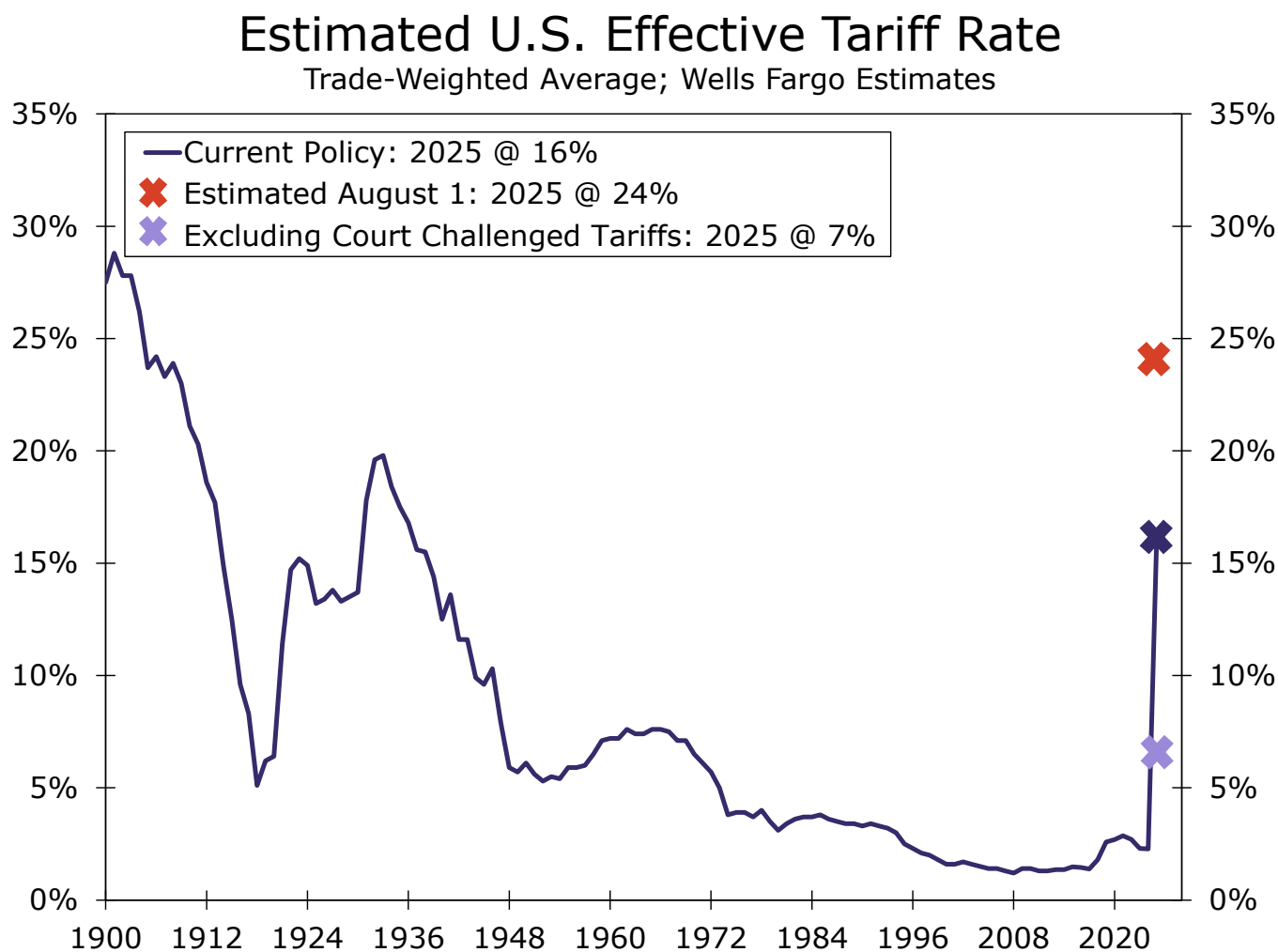
## U.S. Real PDFP Growth

Real Final Sales to Private Domestic Purchasers (PDFP)

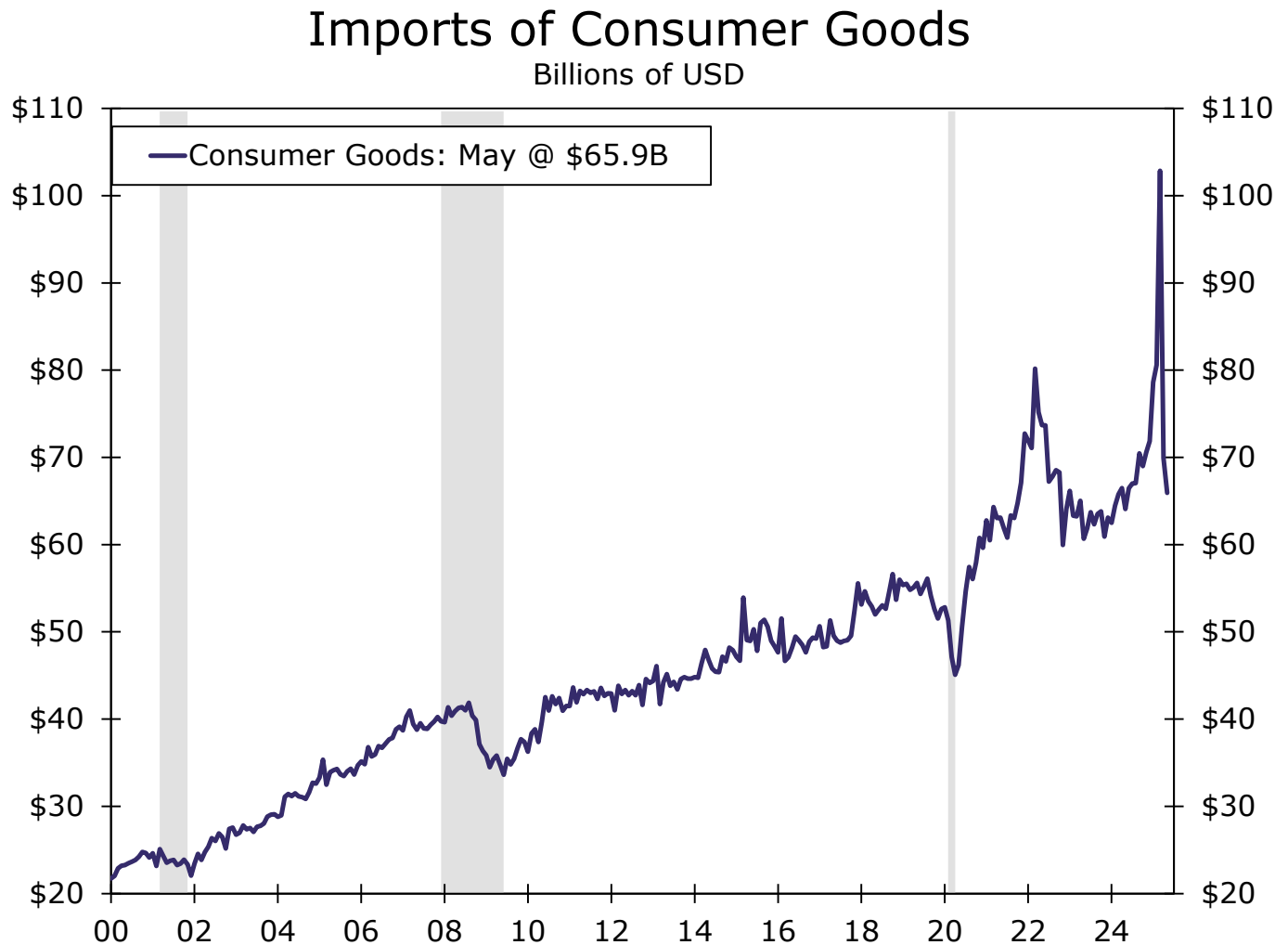


# Tariffs in Historical Context

U.S. tariff policy is in flux. That said, tariffs remain elevated above recent norms.



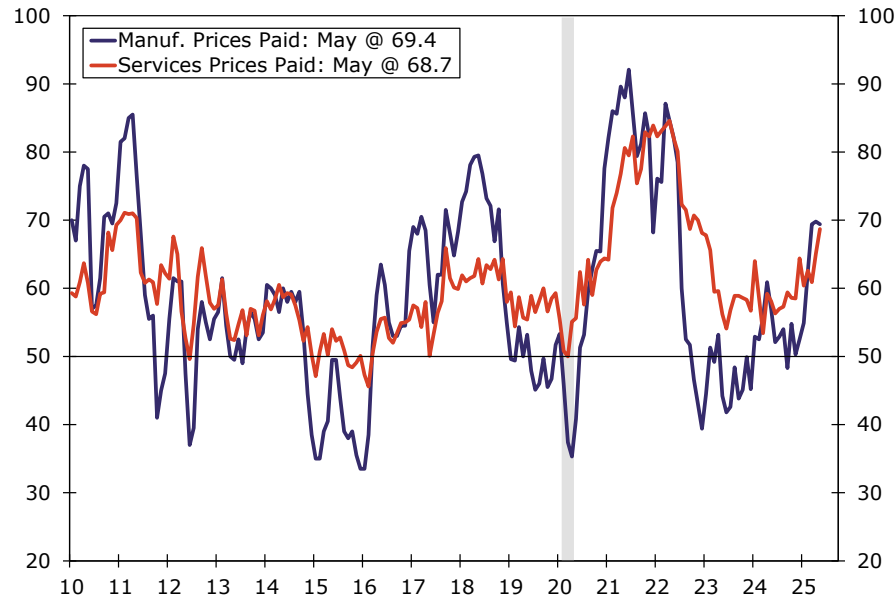
Tariff frontloading likely delays some of the tariff impact on prices.



Early signs of cost pressure are emerging.

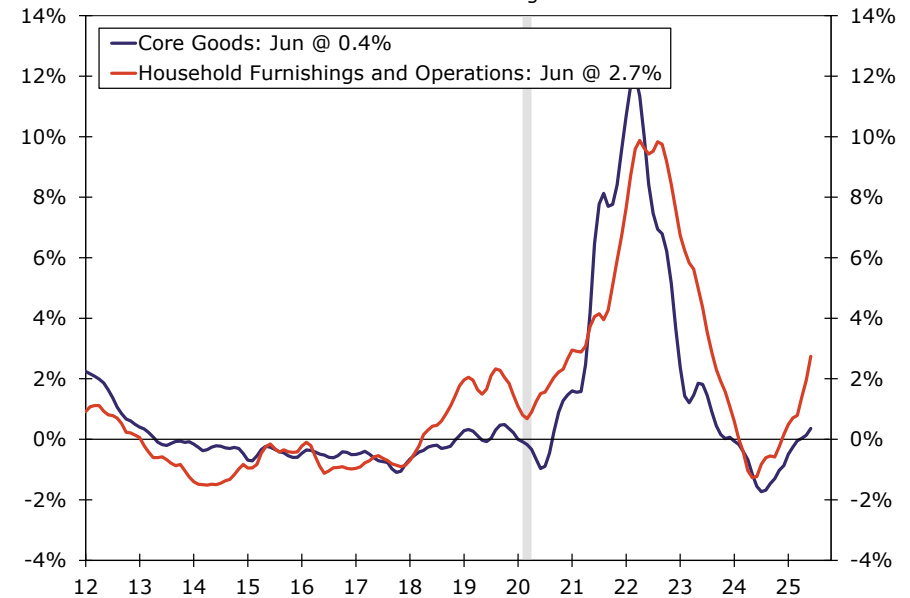
## ISM Manuf. and Services Prices Paid

Diffusion Index



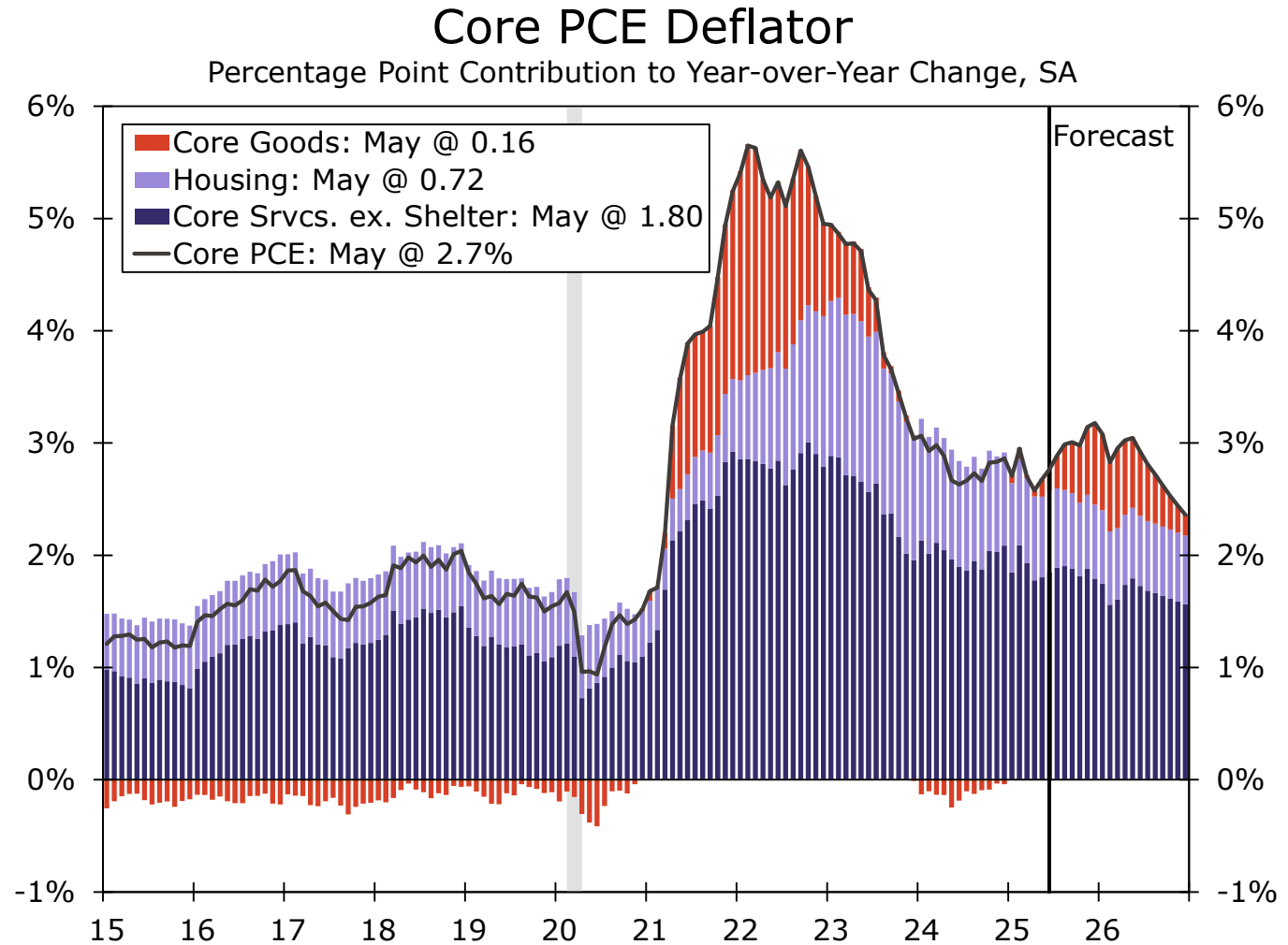
## Household Furnishings vs. Core CPI Goods

Year-over-Year Percent Change of a 3-MMA



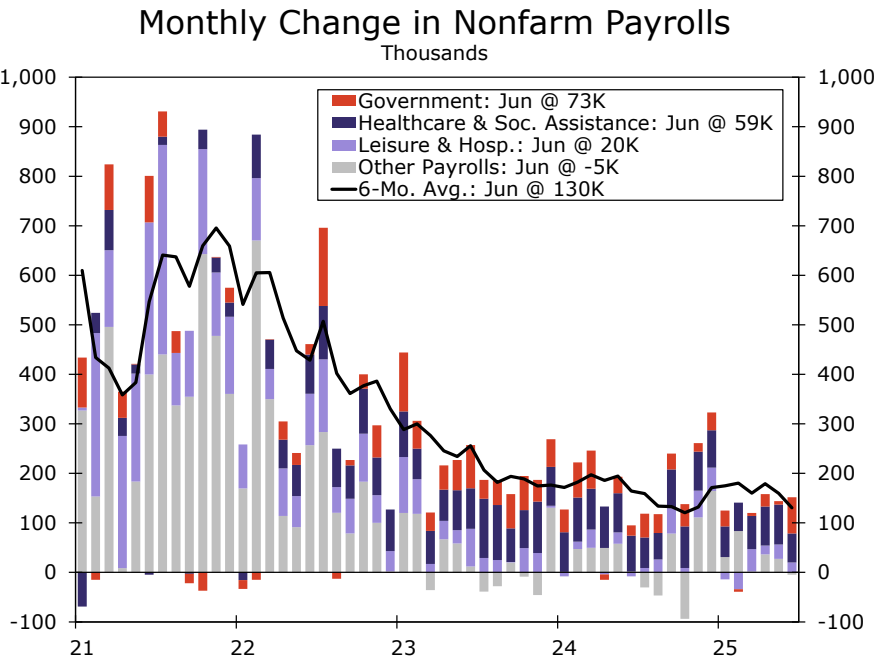
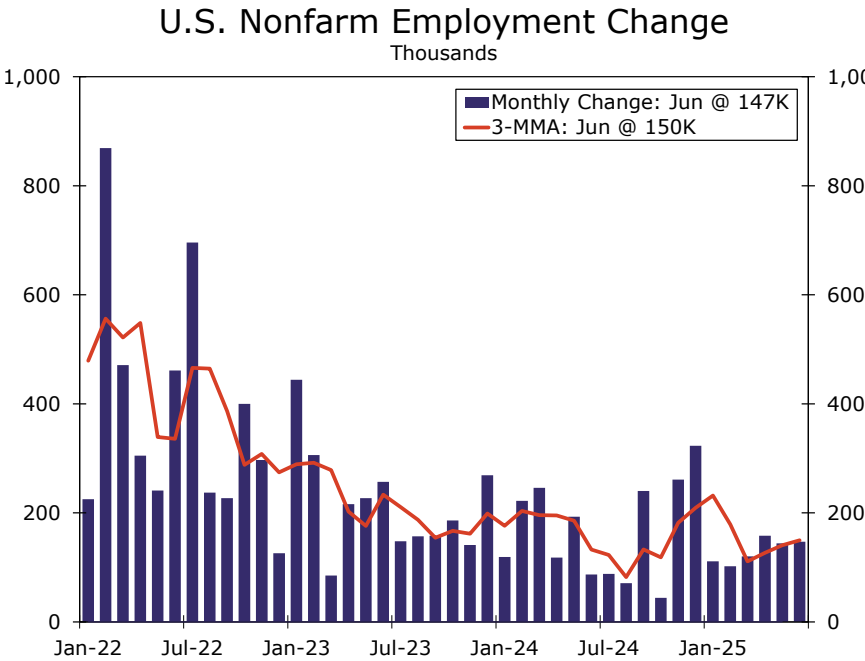
# Inflation Pressures Mounting

We expect price growth to pick up in earnest later this year.



# Labor Market Cracks

The pace of hiring is stable, but weaker than meets the eye.

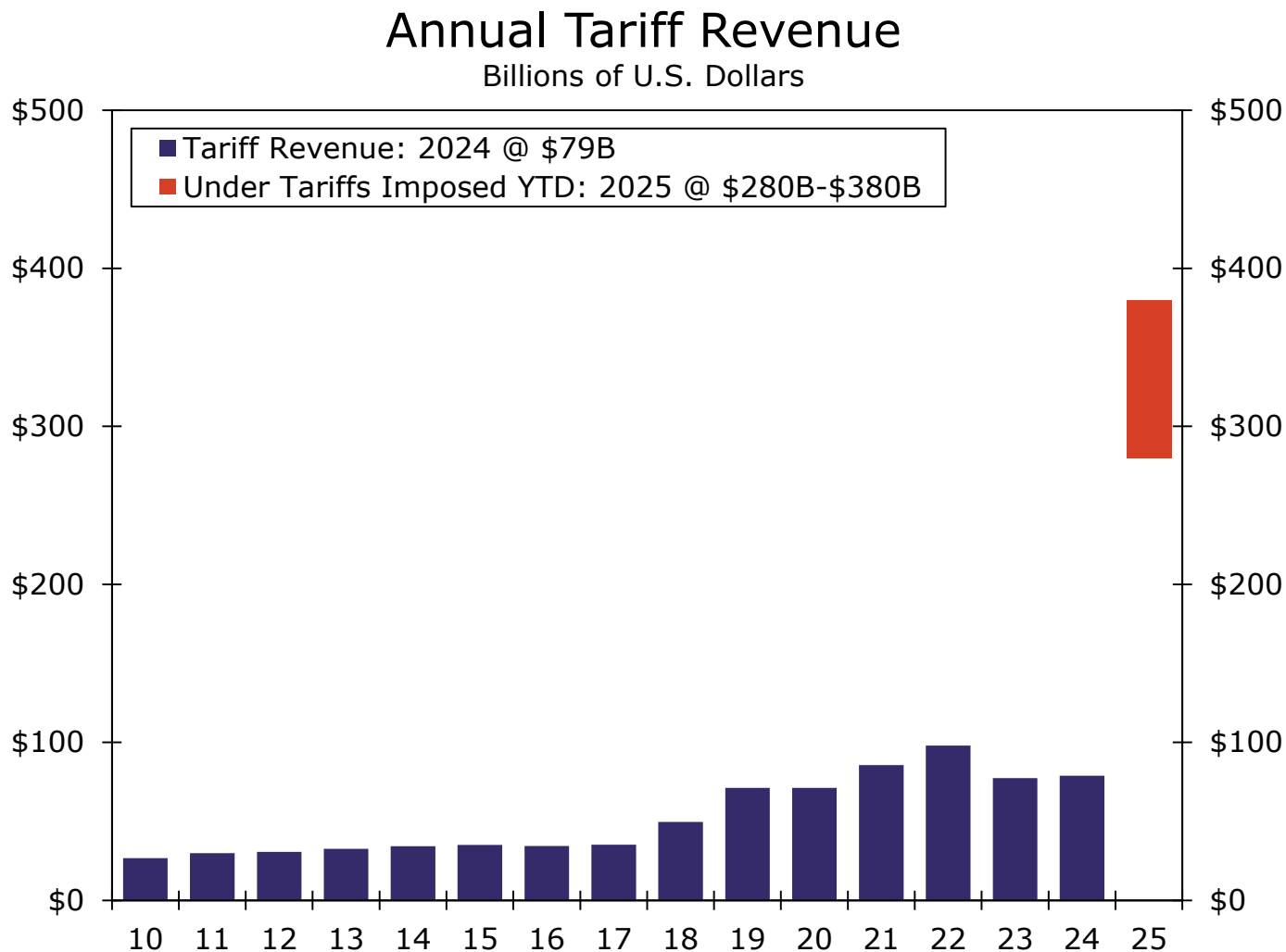


Source: U.S. Department of Labor and Wells Fargo Economics

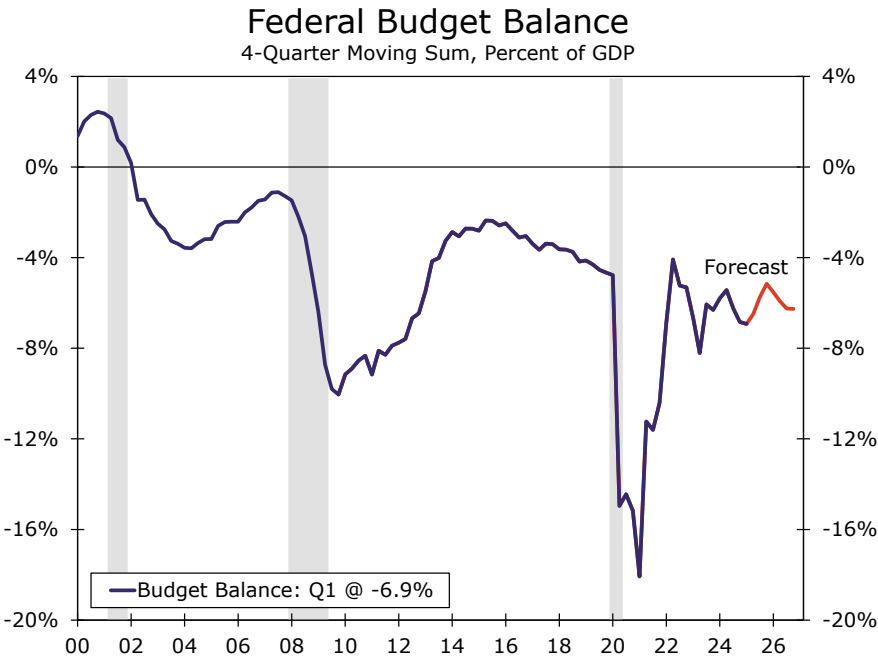
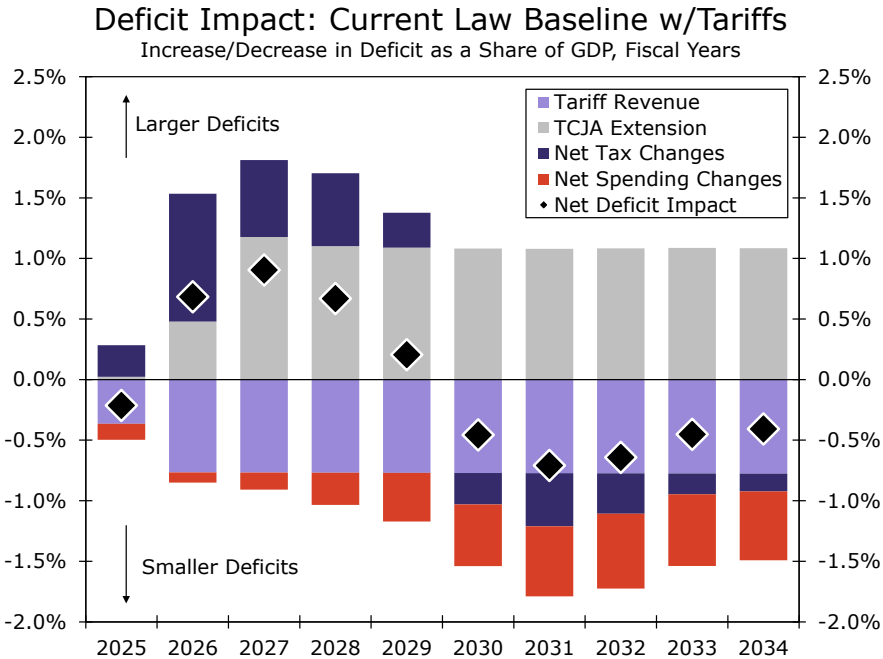


# Tariff Revenue

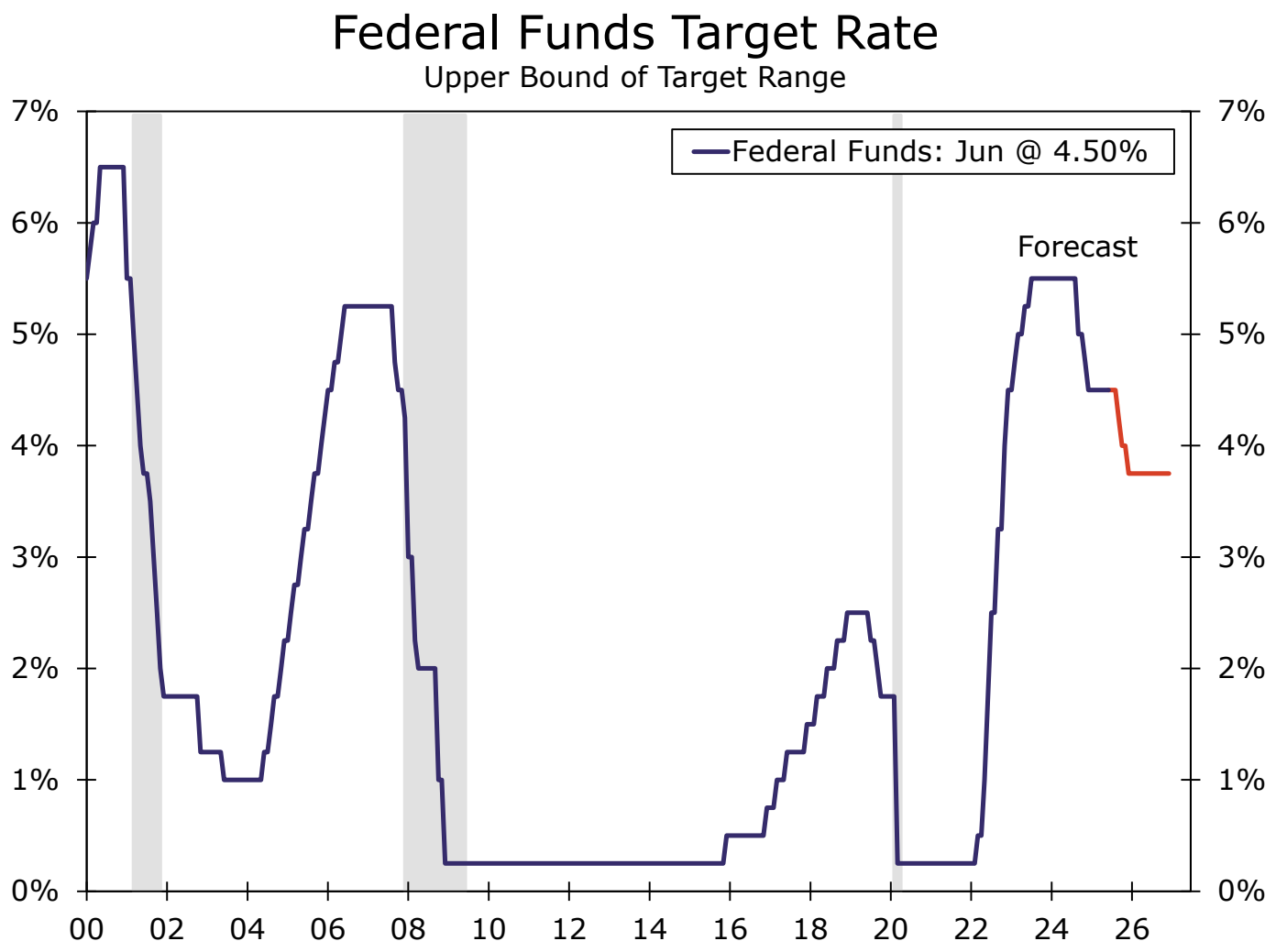
Tariffs could raise a few hundred billion dollars of new tax revenue annually.



Greater tariff revenue would roughly offset the near-term fiscal costs of the reconciliation bill.

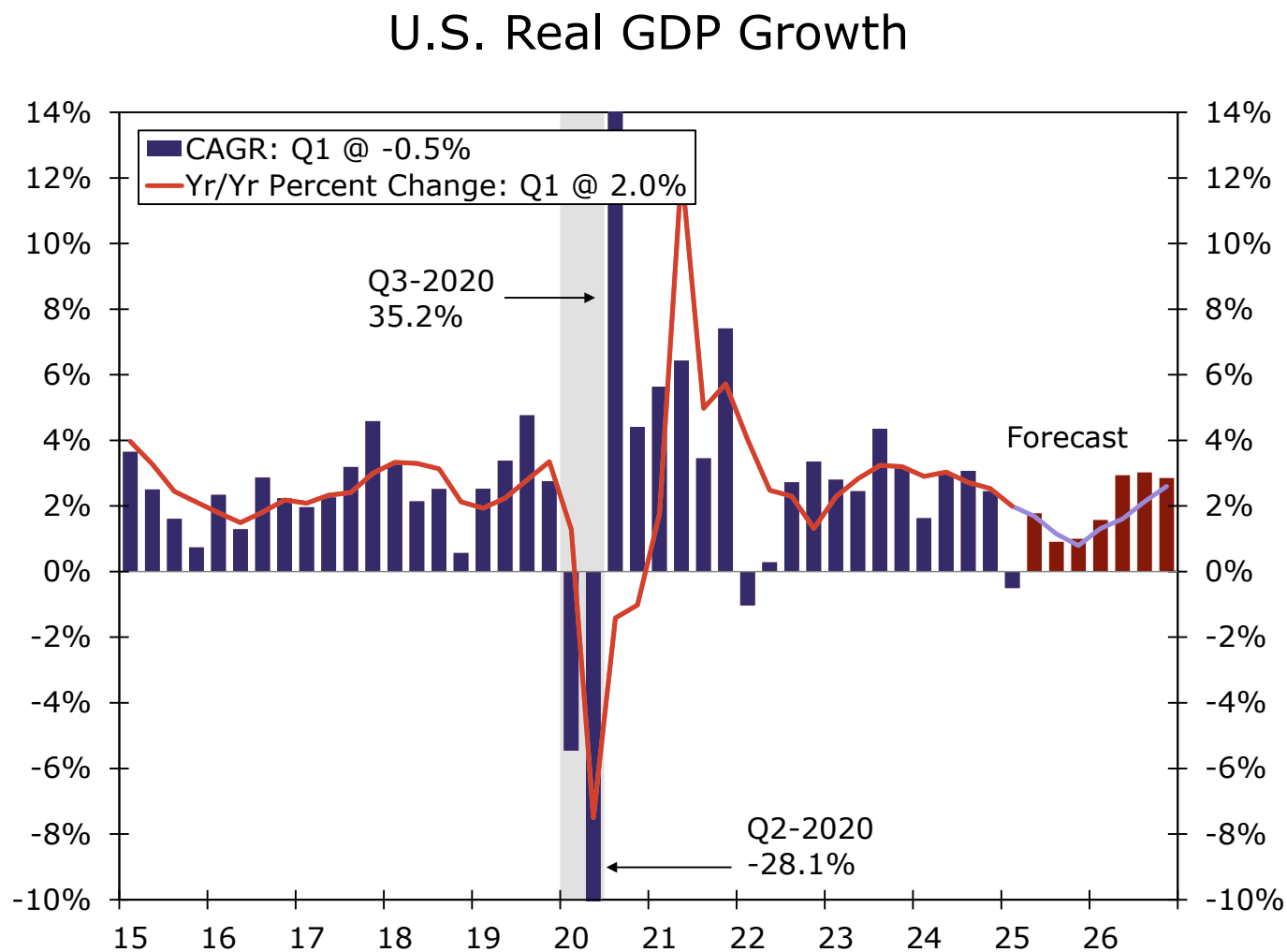


We expect the Fed will “look through” the inflationary effects of the tariffs and cut rates in response to weaker economic growth.



# Where is the Economy Headed?

Tariffs are likely to weigh on the economy this year. We expect fiscal stimulus to be supportive of economic activity in 2026.

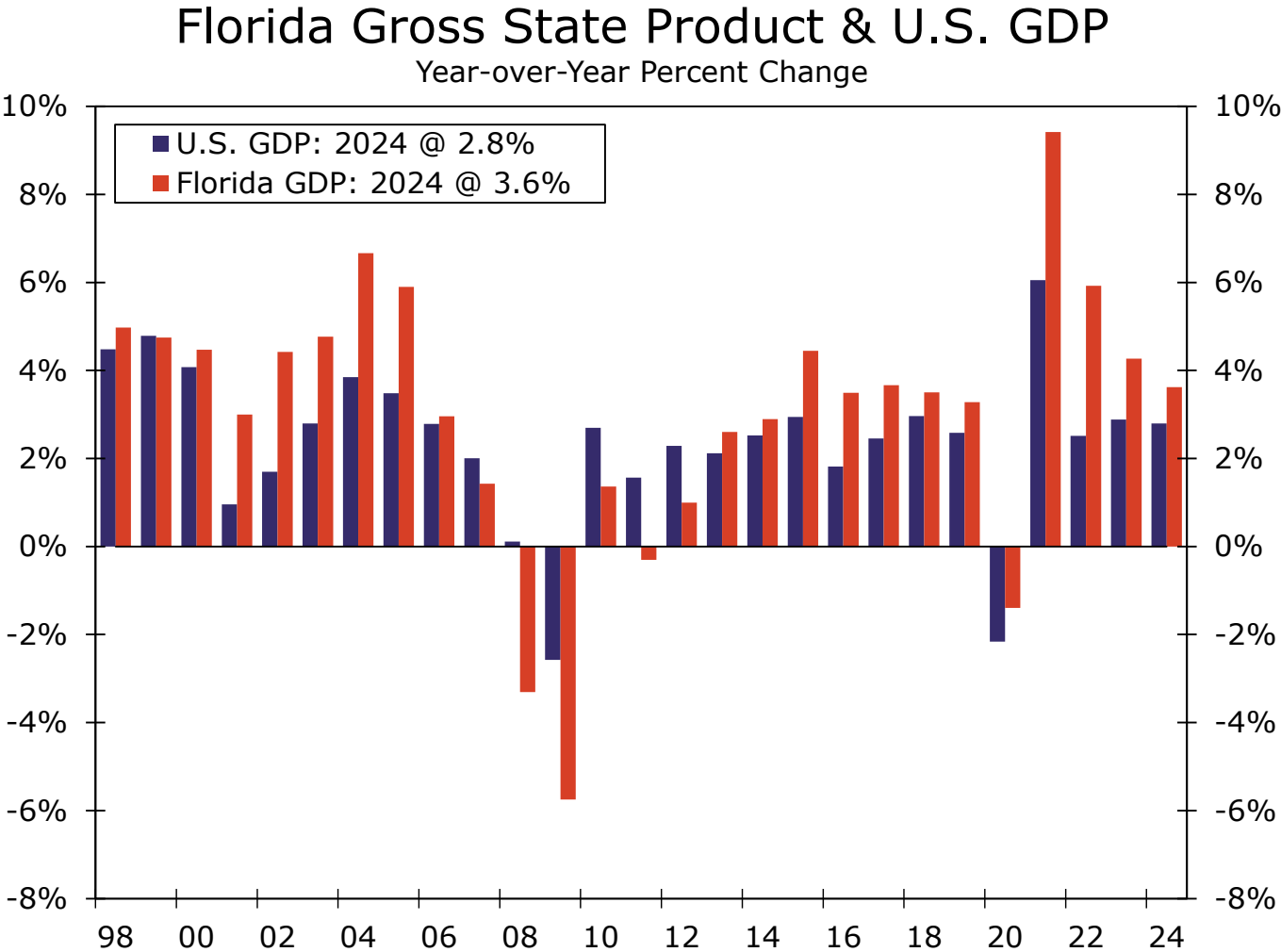


# Florida Economy

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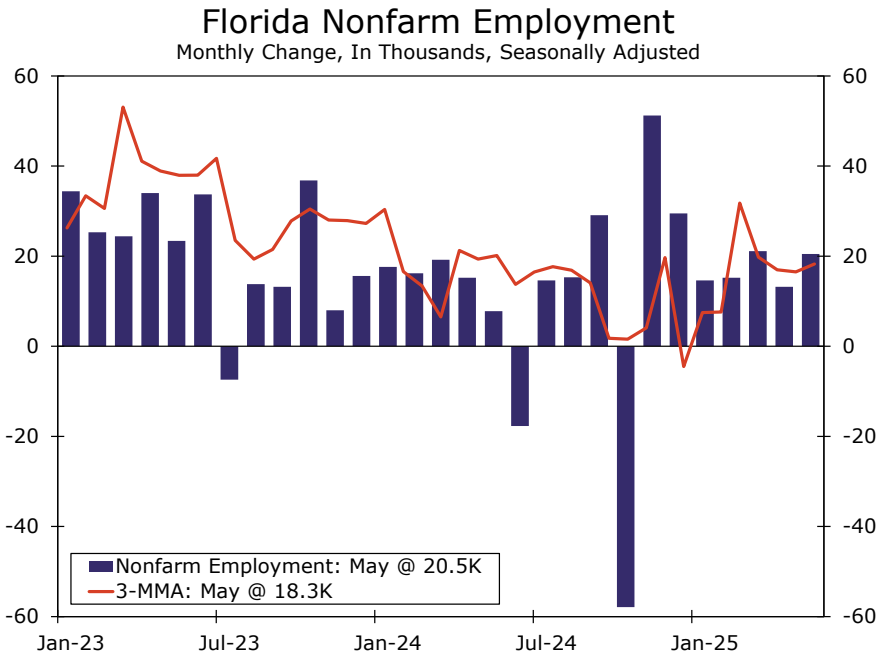
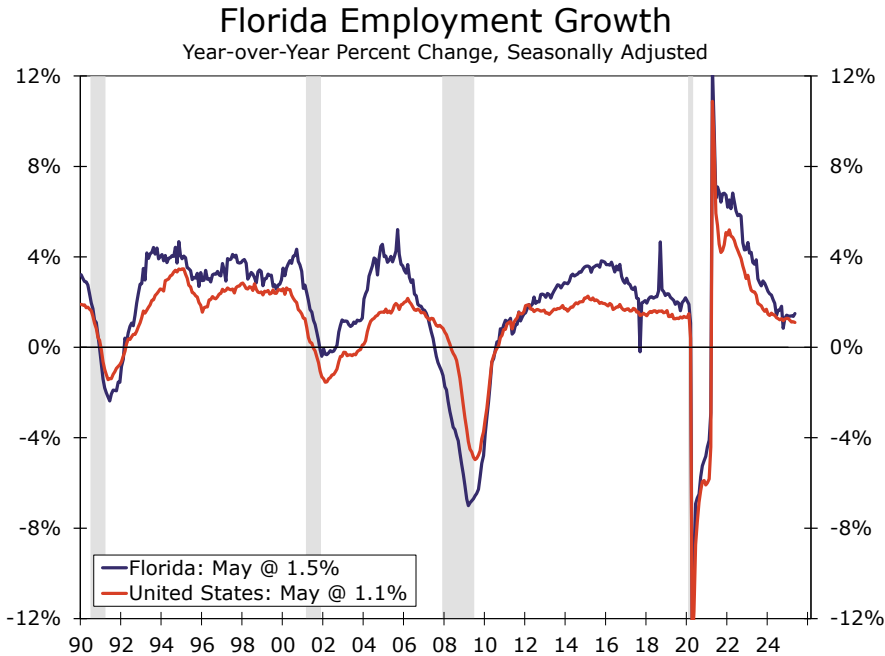
# Florida Economy Resilient

The Florida economy has a history of economic outperformance.

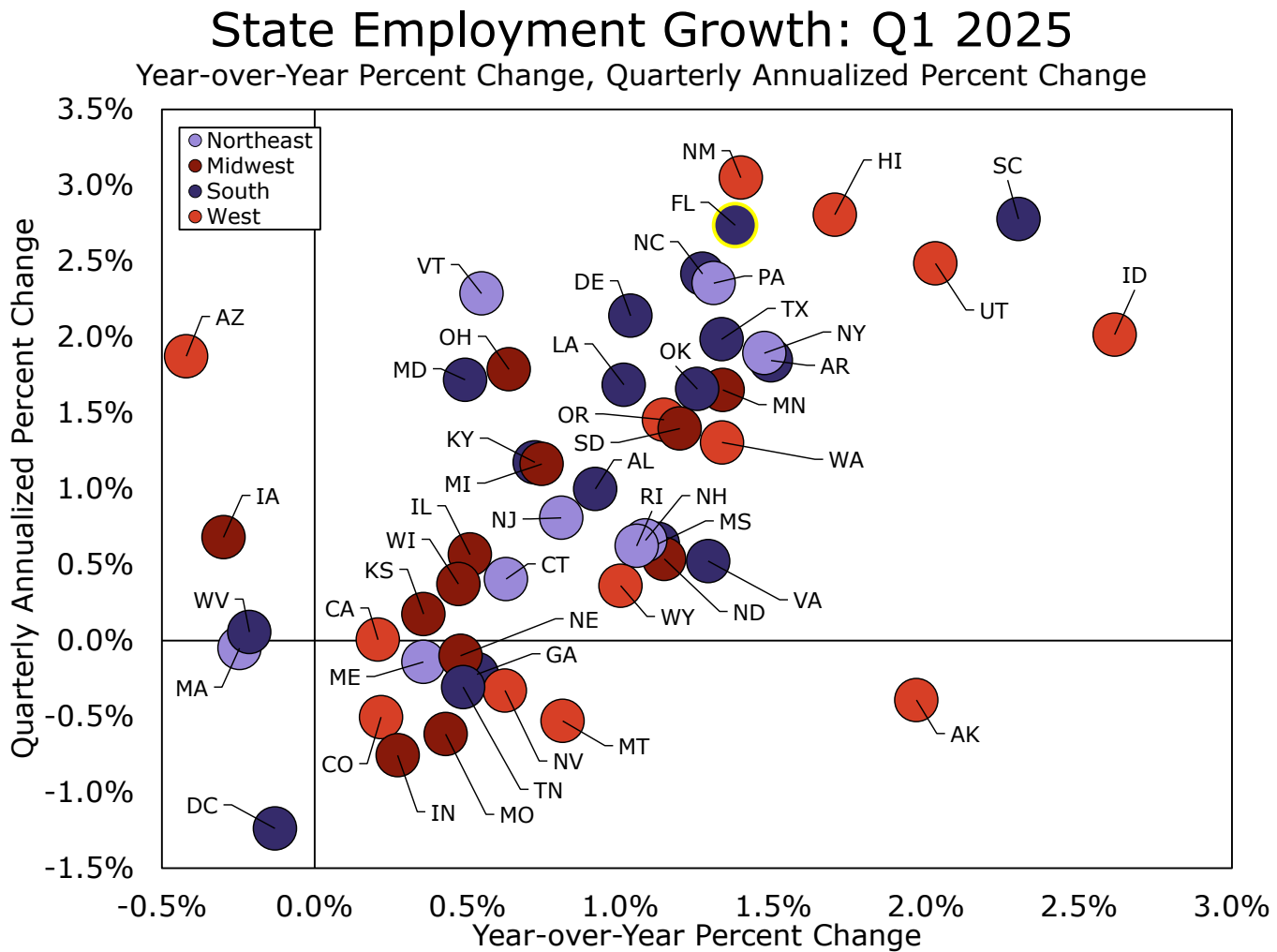


Source: U.S. Department of Commerce and Wells Fargo Economics

Job growth has softened but remains healthy.



Florida's labor market is one of the strongest in the nation.



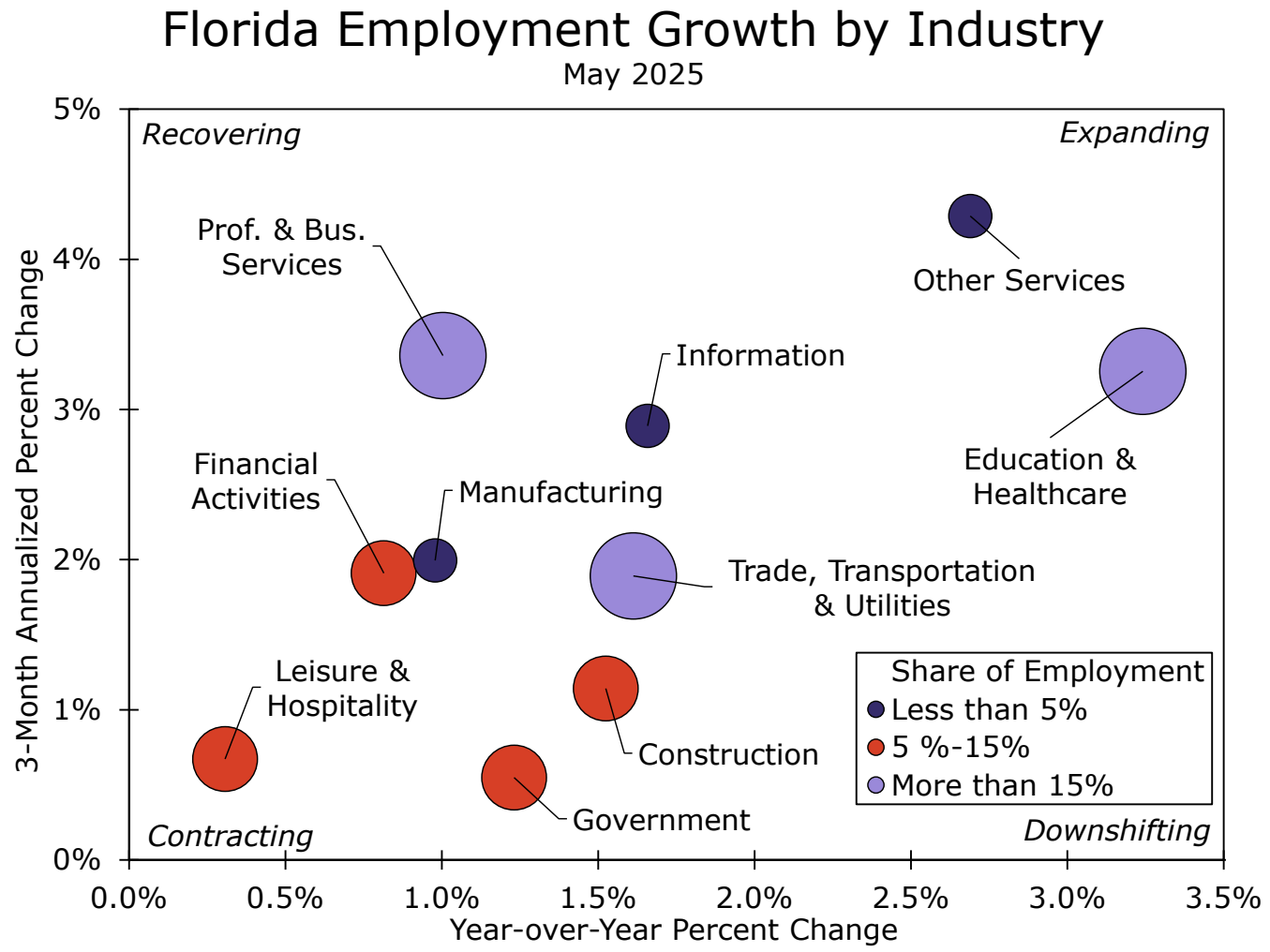
Source: U.S. Department of Labor and Wells Fargo Economics



# Industry Drivers

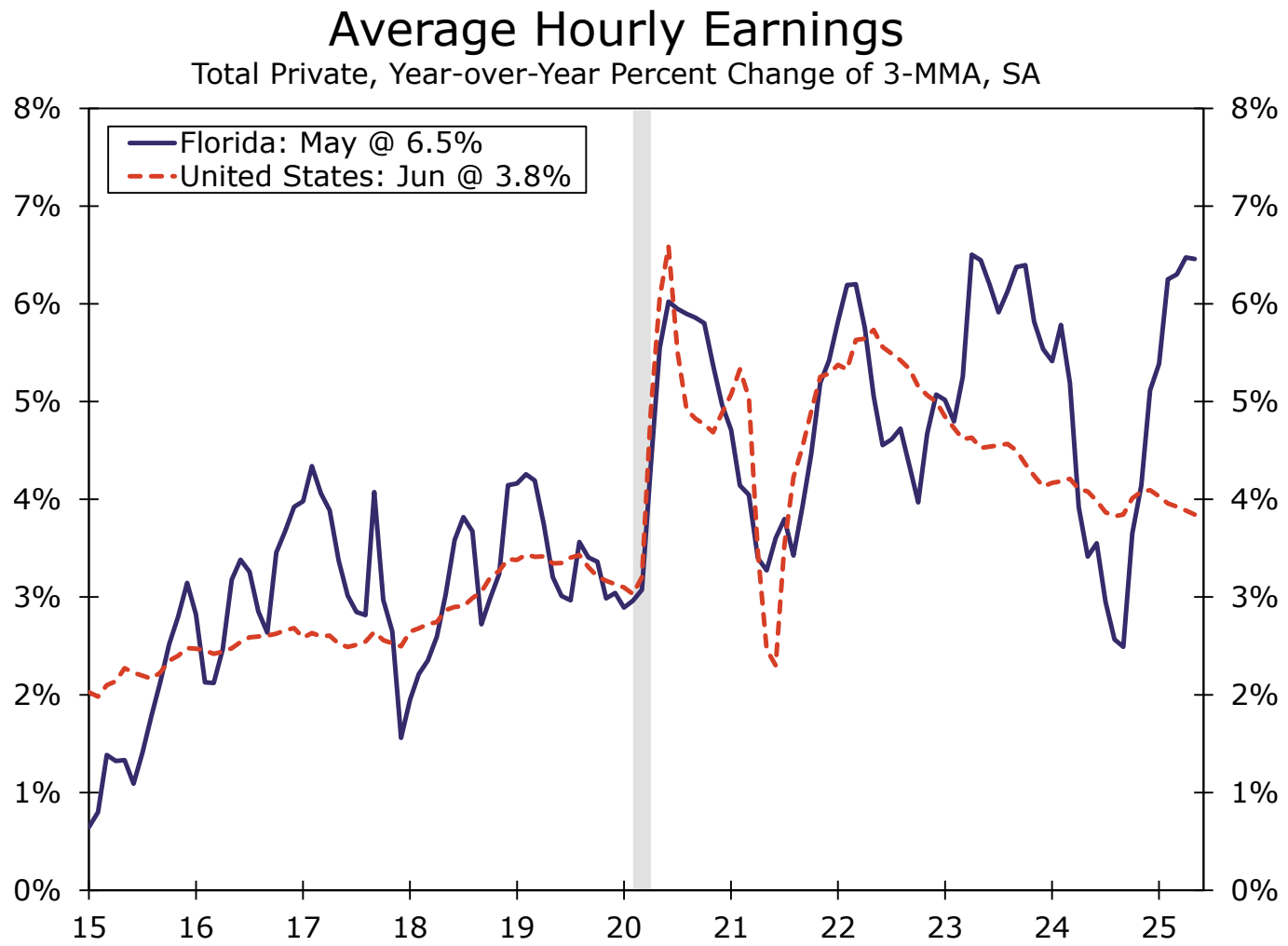
Every industry is adding headcounts.

Health care is a main driver. Technology & professional consulting payrolls are also growing at a rapid rate.



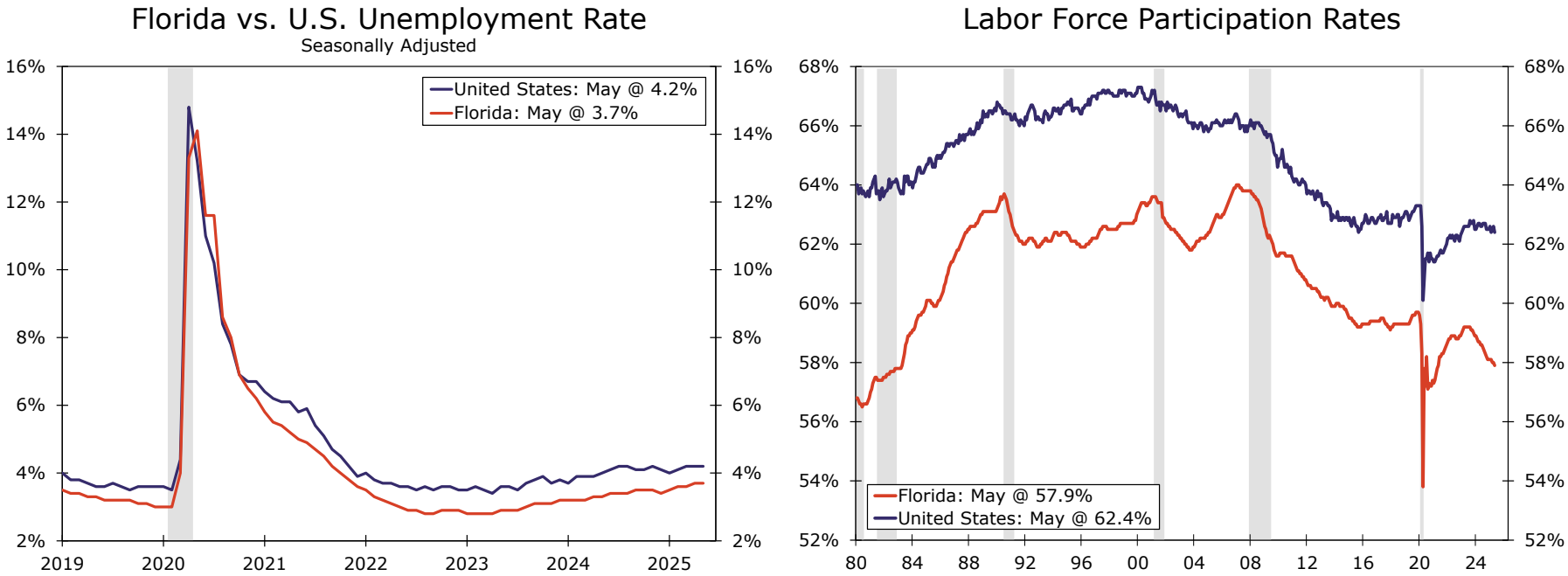
Source: U.S. Department of Labor and Wells Fargo Economics

Resilient labor demand is underpinning sturdy income growth.



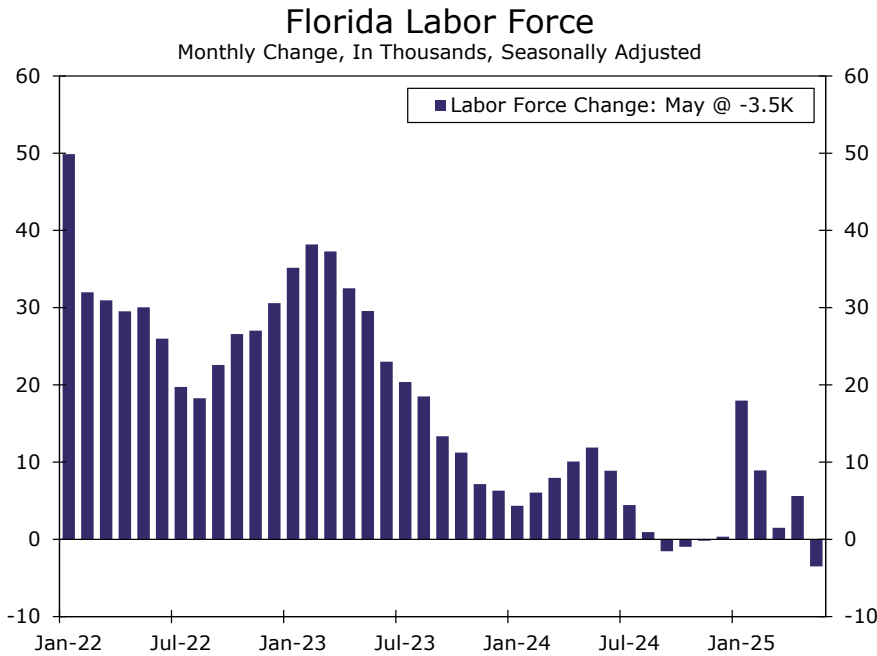
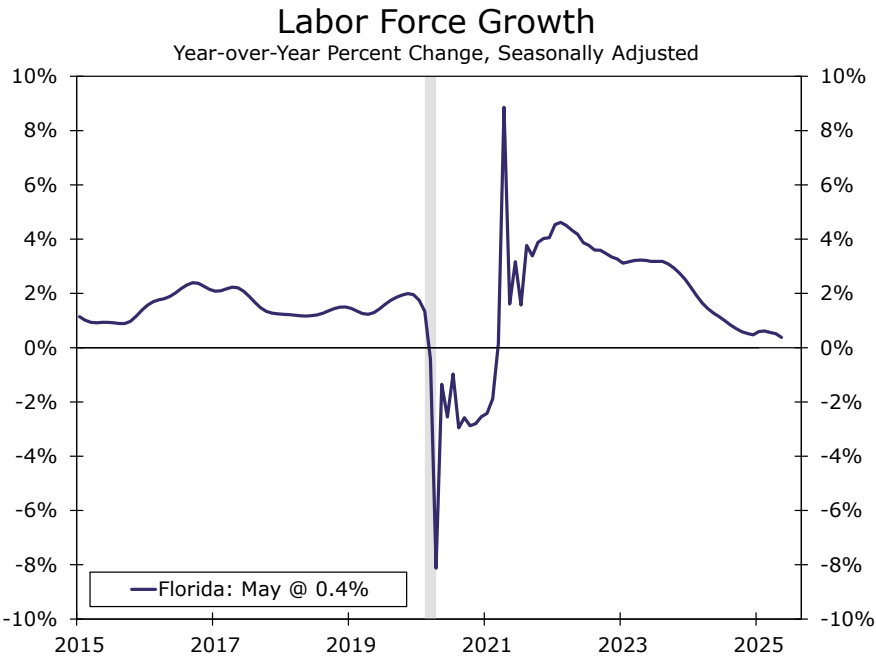
Source: U.S. Department of Labor and Wells Fargo Economics

Florida’s unemployment rate is comfortably below the national average, although demographic challenges are mounting.



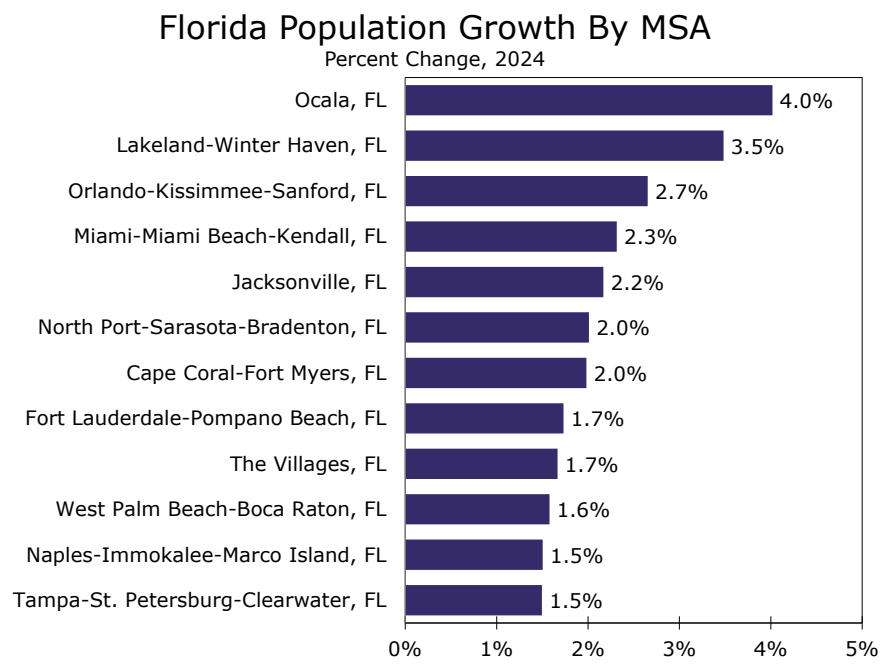
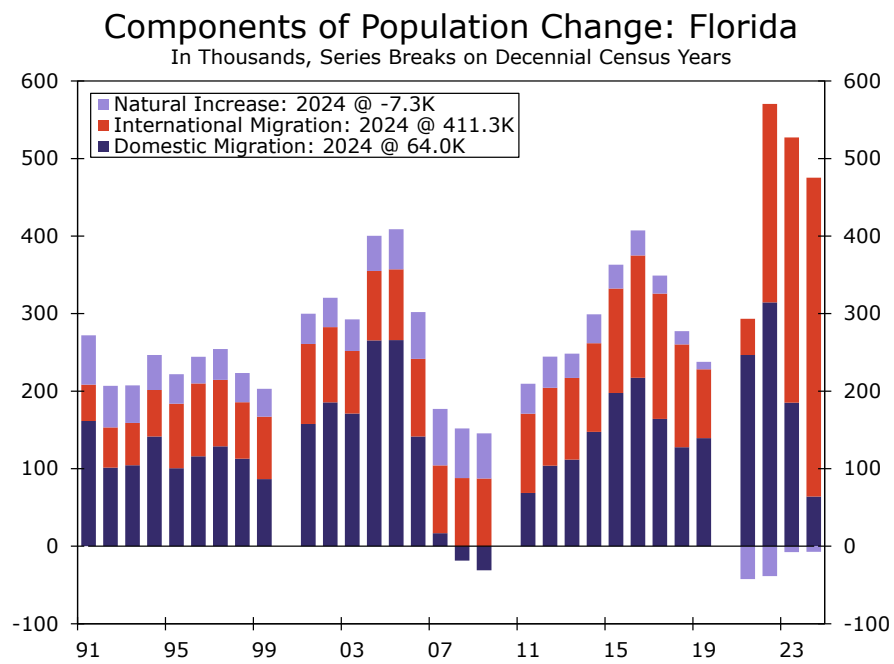
# Labor Force Growth Slowing

Slowing labor force growth is a potential headwind.



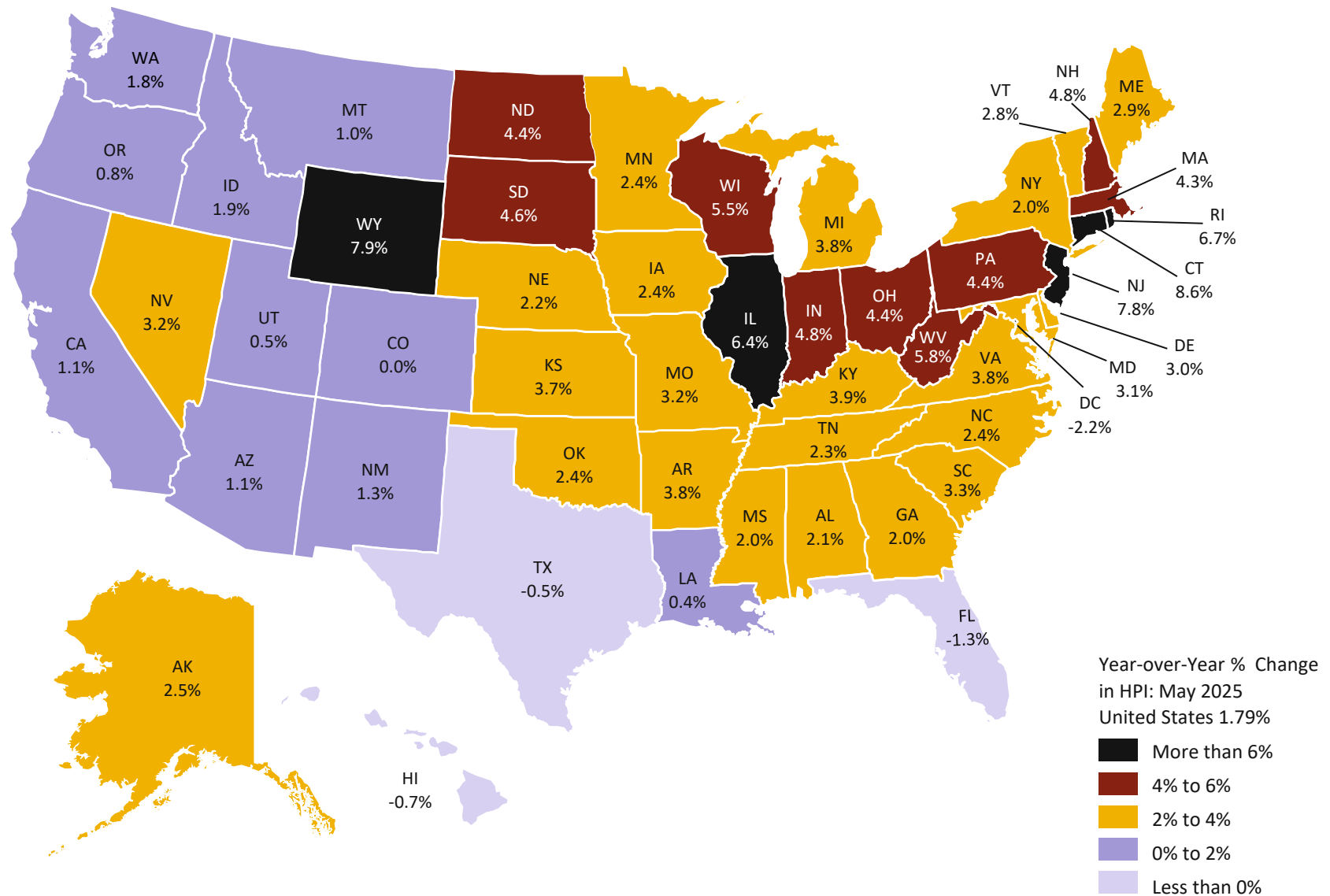
# Population Growth a Key Economic Driver

Florida leads the nation in population growth. Last year, a surge in immigration offset a slowdown in net domestic migration.

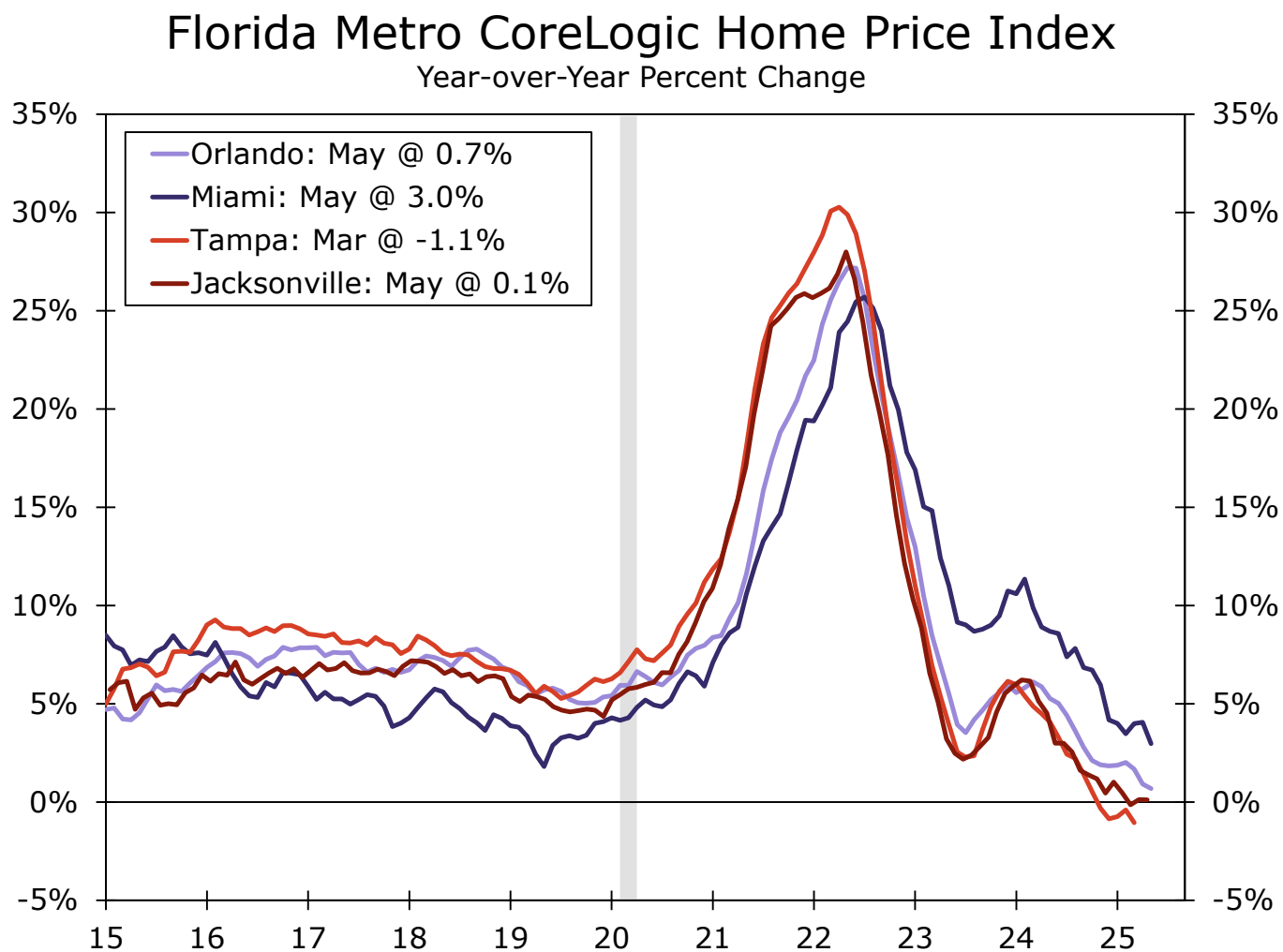


Source: U.S. Department of Commerce and Wells Fargo Economics

# Regional Home Prices

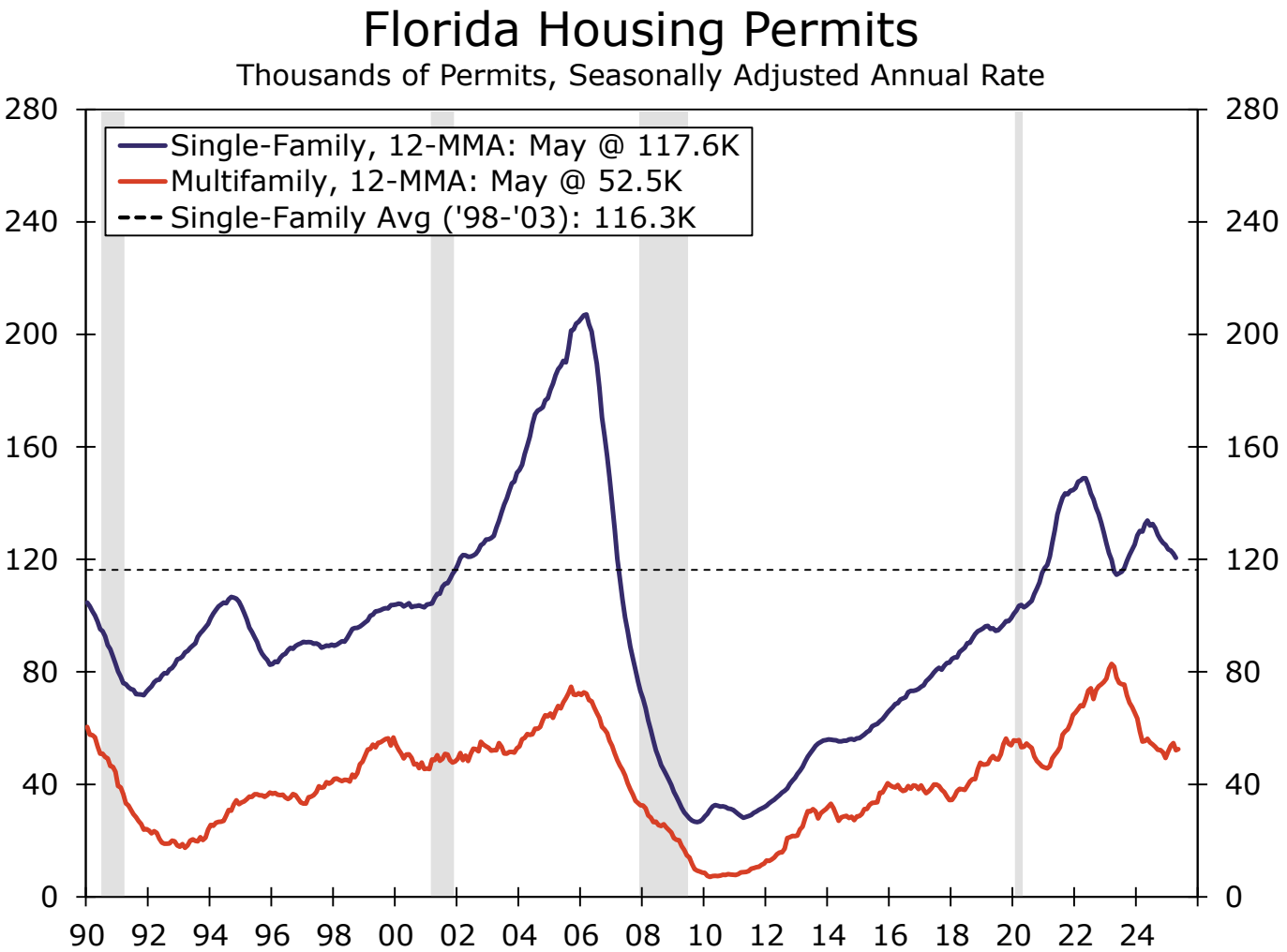


Price appreciation has softened substantially in Florida's major metros.



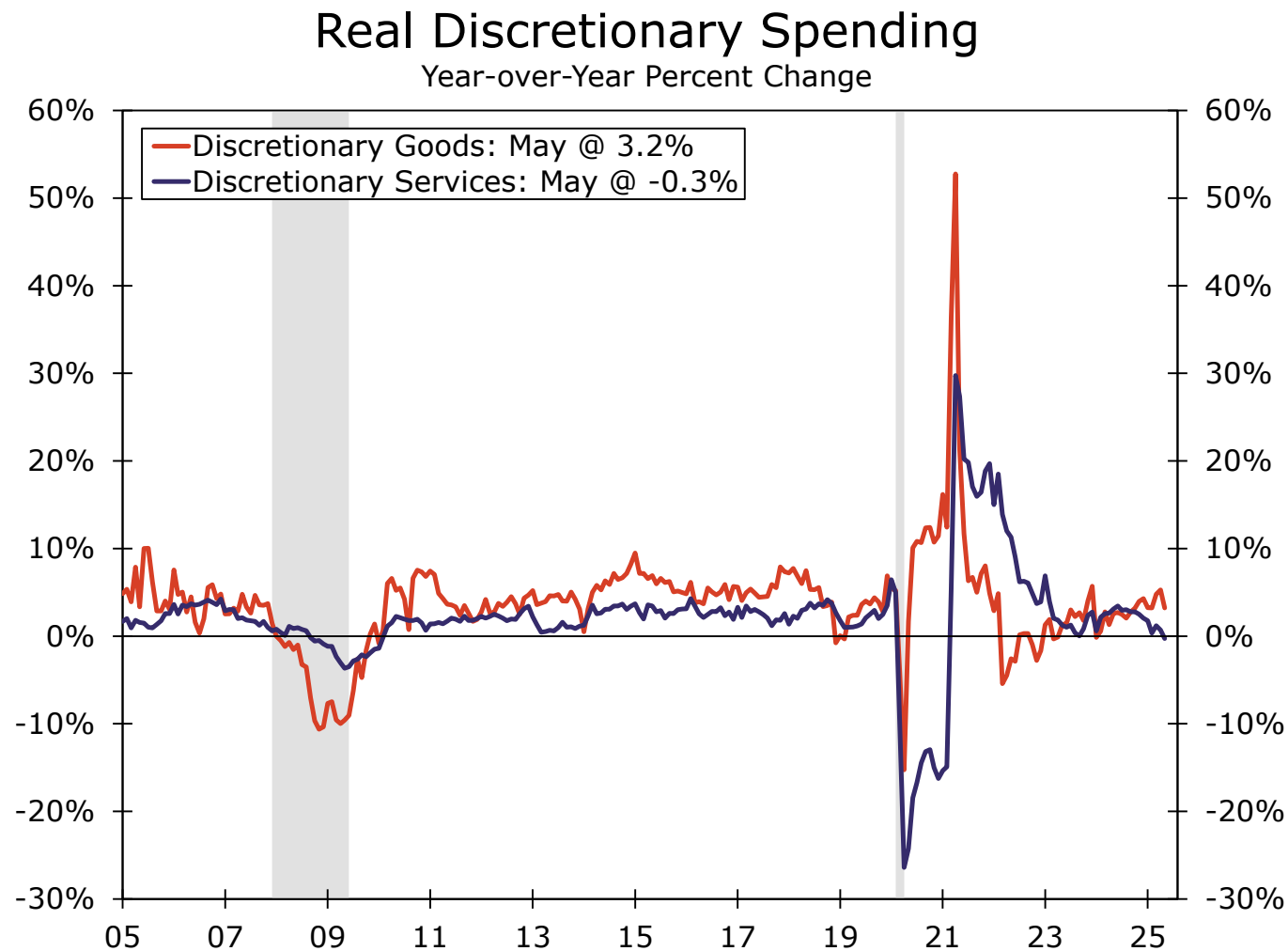
Single-family construction is likely to soften amid elevated inventory levels.

Firming apartment demand may support a modest improvement in multifamily development.





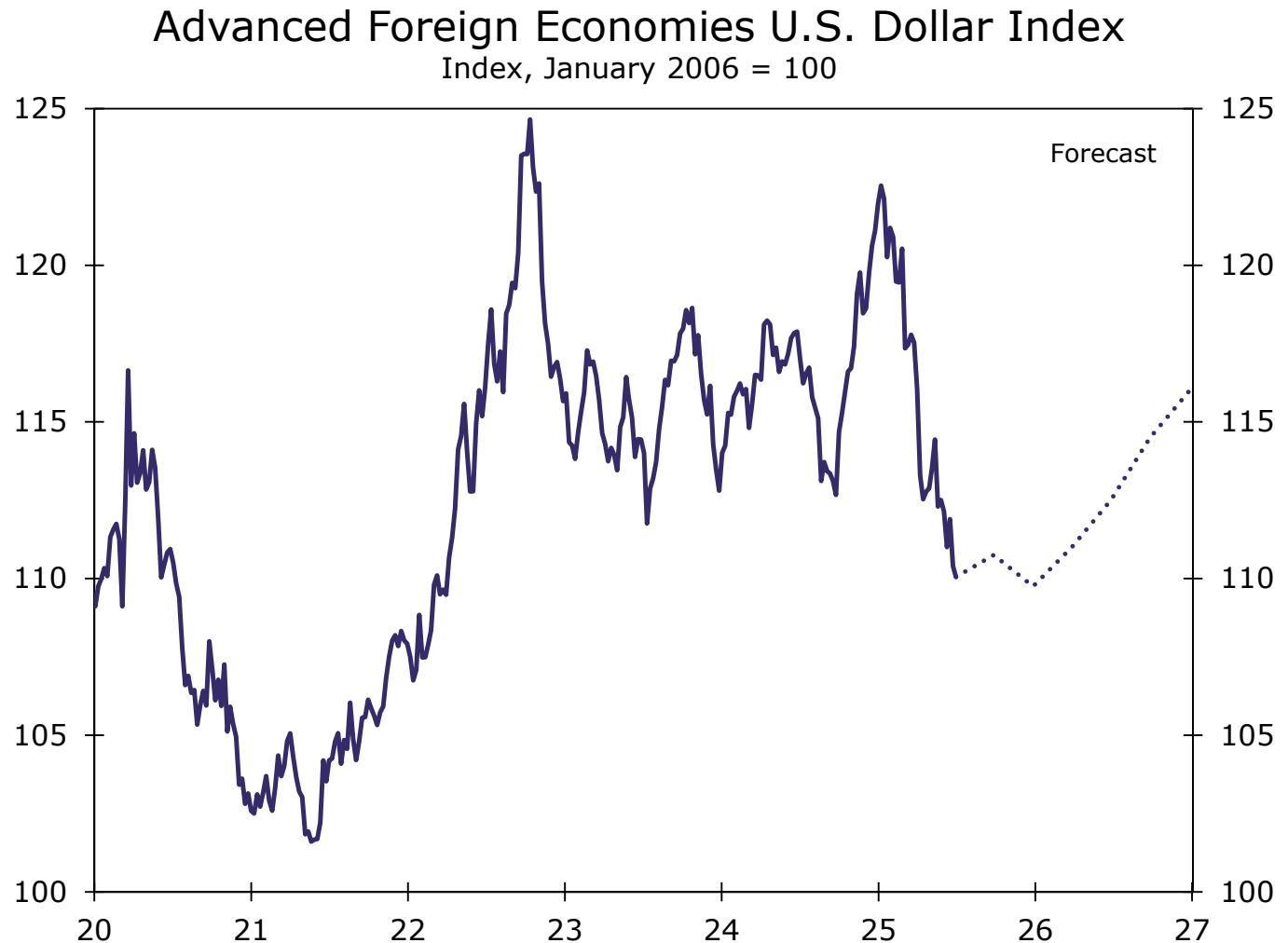
A pullback in discretionary outlays on travel could weigh on Florida's tourism industry.



# Dollar Depreciation, not De-dollarization

A slower growth environment and Fed cuts are likely to put downward pressure on the dollar in the second half of the year.

We remain confident of the dollar's reserve status, however.



## Wells Fargo U.S. Economic Forecast

	Actual								Forecast							
	2024				2025				2026				Actual		Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2023	2024	2025	2026
Real Gross Domestic Product <sup>1</sup>	1.6	3.0	3.1	2.4	-0.5	1.8	0.9	1.0	1.6	2.9	3.0	2.9	2.9	2.8	1.4	1.9
Personal Consumption	1.9	2.8	3.7	4.0	0.5	1.3	0.6	0.4	2.0	2.7	2.6	2.7	2.5	2.8	1.8	1.7
Business Fixed Investment	4.5	3.9	4.0	-2.9	10.3	-0.6	-7.1	-1.9	3.6	5.2	3.8	4.1	6.0	3.6	1.5	1.2
Equipment	0.3	9.8	10.8	-8.7	23.7	-1.5	-16.3	-4.0	5.2	6.9	5.0	5.2	3.5	3.4	2.8	0.3
Intellectual Property Products	7.5	0.7	3.1	-0.5	6.0	2.0	0.4	0.6	4.5	5.1	3.4	3.4	5.8	3.9	2.3	3.0
Structures	6.3	0.2	-5.0	2.9	-2.4	-4.5	-3.8	-3.5	-1.7	1.9	2.6	3.5	10.8	3.5	-2.2	-1.0
Residential Investment	13.7	-2.8	-4.3	5.5	-1.3	-4.9	-3.4	-3.4	-2.0	1.9	2.5	3.6	-8.3	4.2	-1.6	-1.0
Government Purchases	1.8	3.1	5.1	3.1	-0.6	0.5	1.7	1.5	1.6	1.6	1.6	1.7	3.9	3.4	1.6	1.5
Net Exports <sup>2</sup>	-0.6	-0.9	-0.4	0.3	-4.6	4.3	1.0	0.6	-0.1	-0.1	0.0	-0.1	0.5	-0.4	-0.4	0.4
Inventories <sup>2</sup>	-0.5	1.1	-0.2	-0.8	2.6	-3.1	0.4	0.3	-0.4	0.1	0.3	0.1	-0.4	0.0	0.0	-0.1
Nonfarm Payroll Change <sup>3</sup>	196	133	133	209	111	150	68	27	62	87	115	123	216	168	89	97
Unemployment Rate	3.8	4.0	4.2	4.1	4.1	4.2	4.3	4.4	4.4	4.3	4.2	4.1	3.6	4.0	4.2	4.3
Consumer Price Index <sup>4</sup>	3.2	3.2	2.7	2.7	2.7	2.4	2.8	2.9	2.7	3.0	2.8	2.6	4.1	3.0	2.7	2.8
Real Disposable Income <sup>1</sup>	5.6	1.0	0.2	2.5	2.5	2.9	-1.9	-0.6	5.2	1.6	2.0	2.5	5.1	2.7	1.4	1.8
Quarter-End Interest Rates <sup>5</sup>																
Federal Funds Target Rate <sup>6</sup>	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.75	5.23	5.27	4.25	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.82	6.65	6.55	6.50	6.50	6.50	6.55	6.80	6.72	6.67	6.51
2 Year Note	4.59	4.71	3.66	4.25	3.89	3.72	3.75	3.70	3.70	3.70	3.75	3.80	4.58	4.37	3.77	3.74
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.24	4.30	4.25	4.25	4.30	4.35	4.40	3.96	4.21	4.26	4.33

Forecast as of: July 10, 2025

<sup>1</sup> Compound Annual Growth Rate Quarter-over-Quarter

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

<sup>2</sup> Percentage Point Contribution to GDP

<sup>5</sup> Quarterly Data - Period End; Annual Data - Annual Averages

<sup>3</sup> Average Monthly Change

<sup>6</sup> Upper Bound of the Federal Funds Target Range

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