# The Economic Outlook

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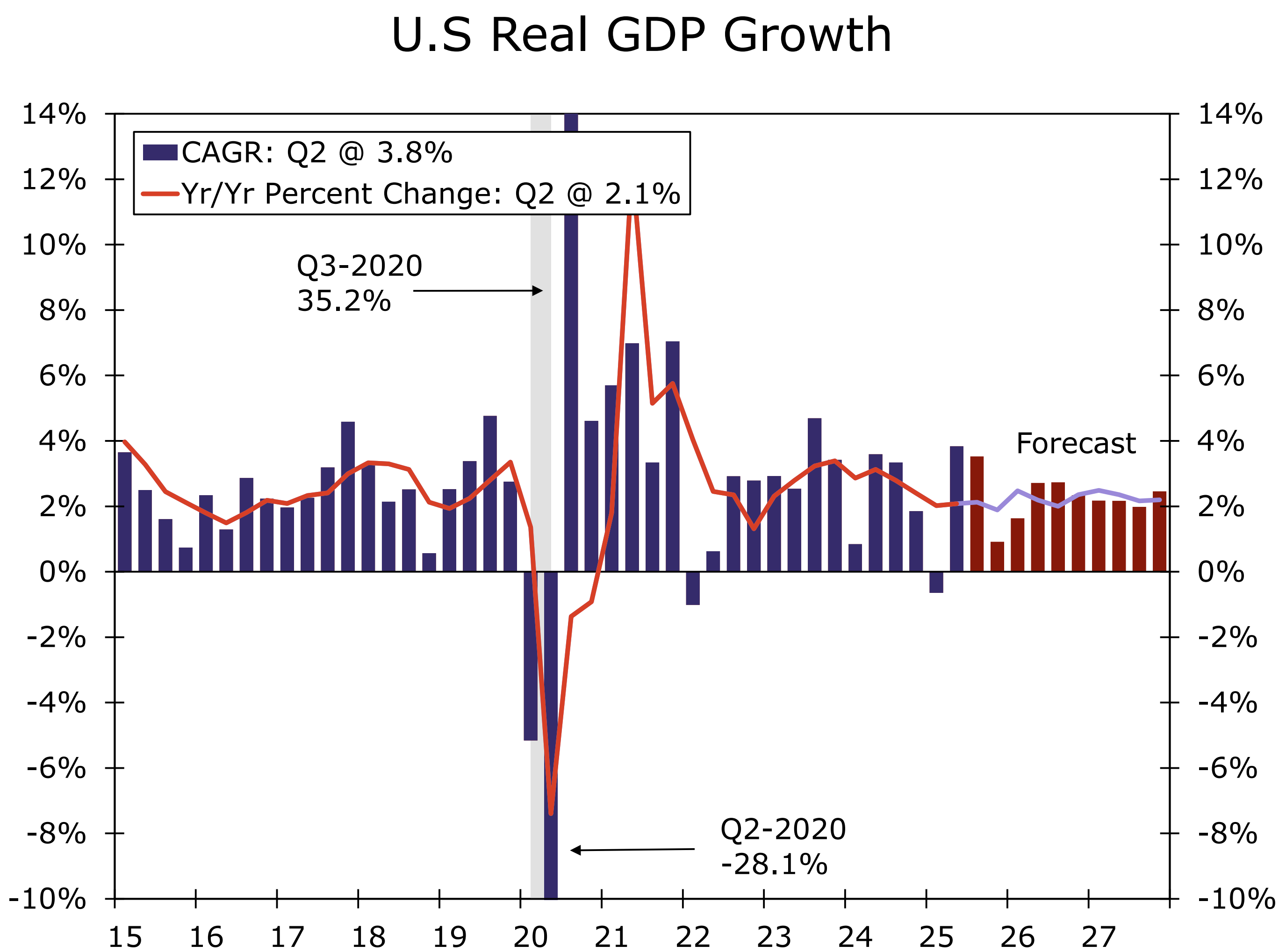
**Jackie Benson**
Vice President & Economist | Wells Fargo Economics
jackie.benson@wellsfargo.com | 704-410-4468

# U.S. Economy

The U.S. economy has shouldered the tariff burden fairly well thus far.

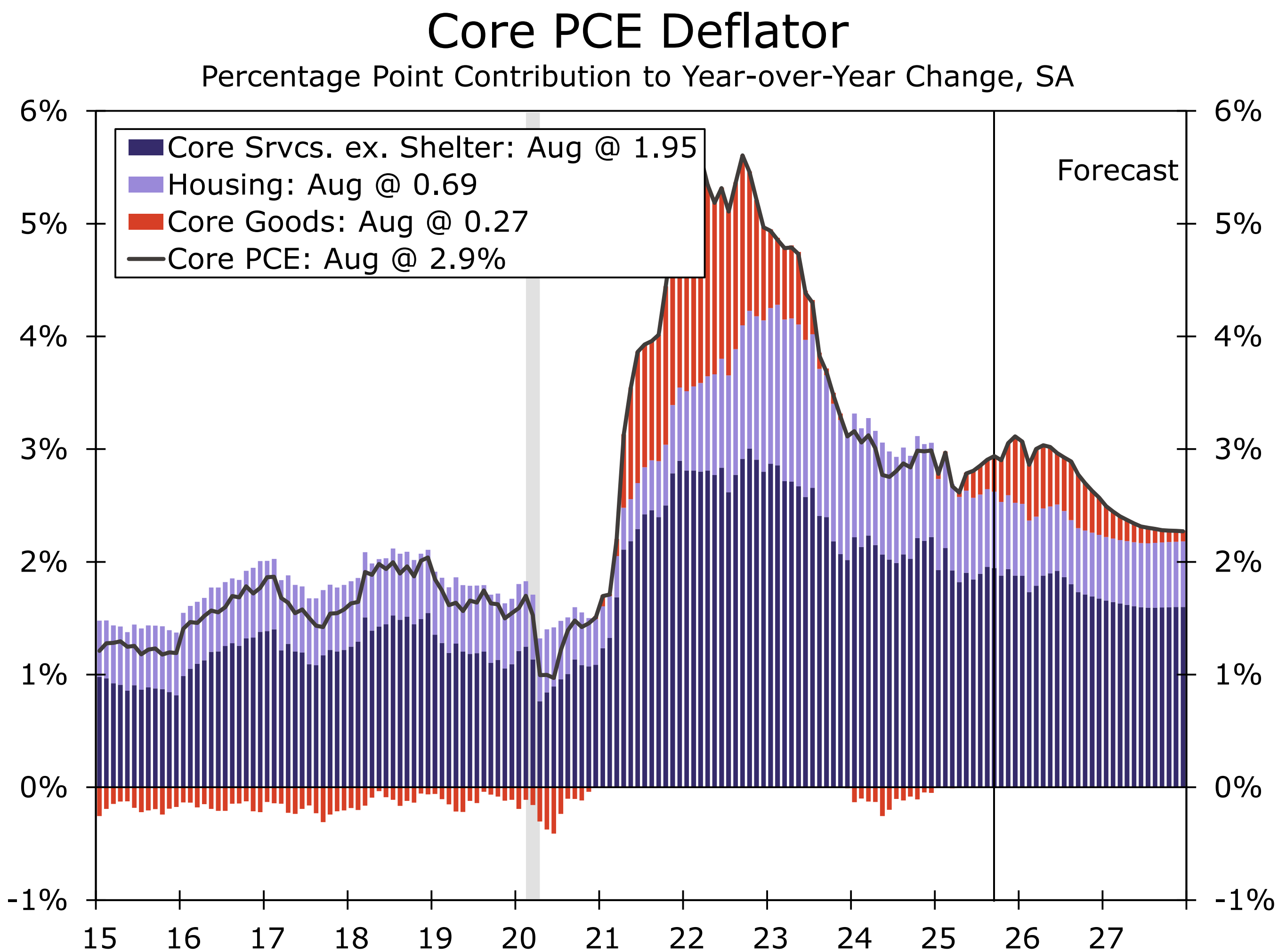
We expect higher costs to reduce economic momentum somewhat in the second half of the year, but look for fiscal stimulus to be supportive of GDP growth in 2026.




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

# Inflation Pressures Mounting

Inflation is likely to pick up further by year end.

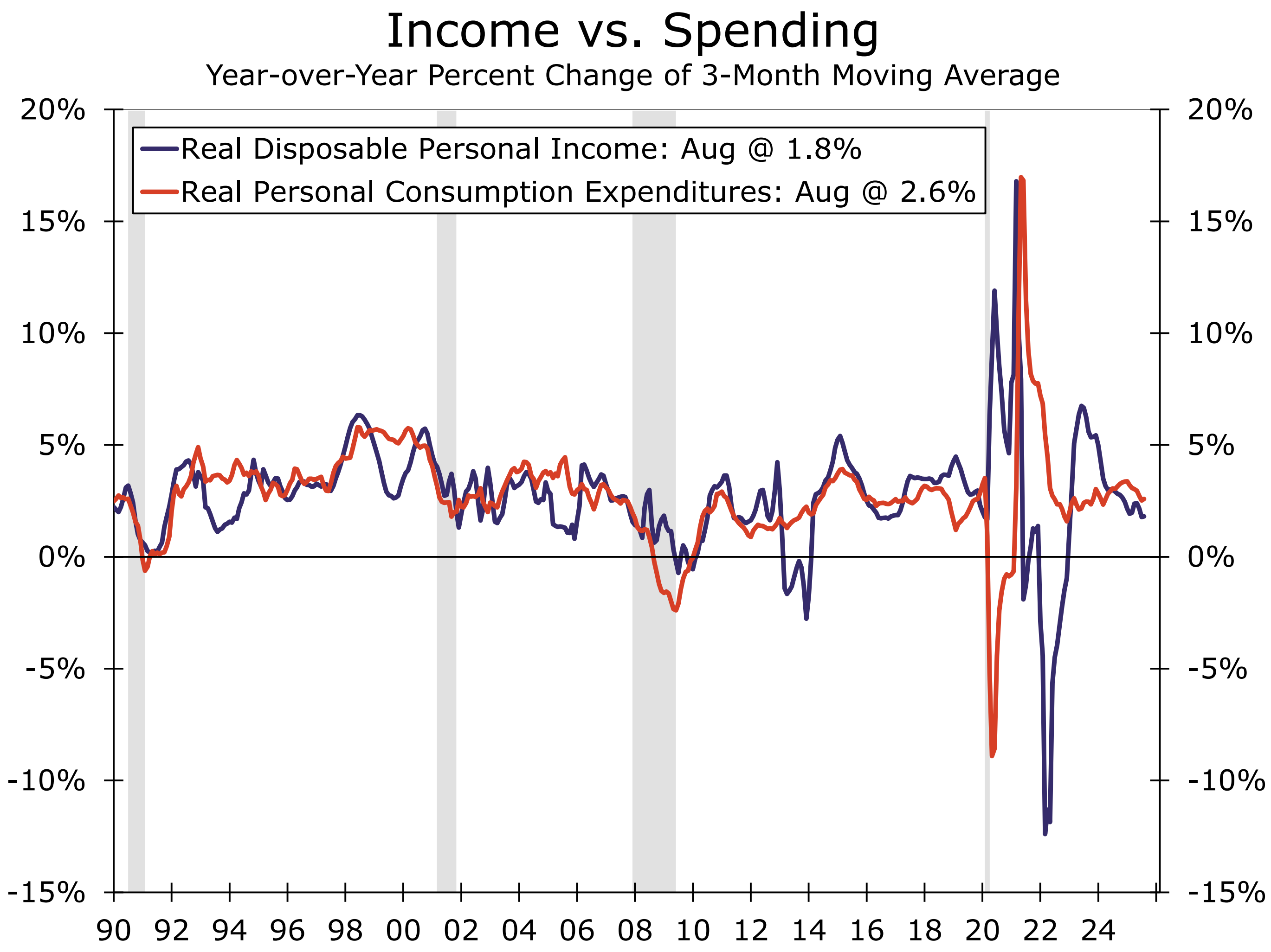



Source: U.S. Department of Commerce and Wells Fargo Economics

# Spending Realigning with Incomes

Income growth remains supportive of spending.

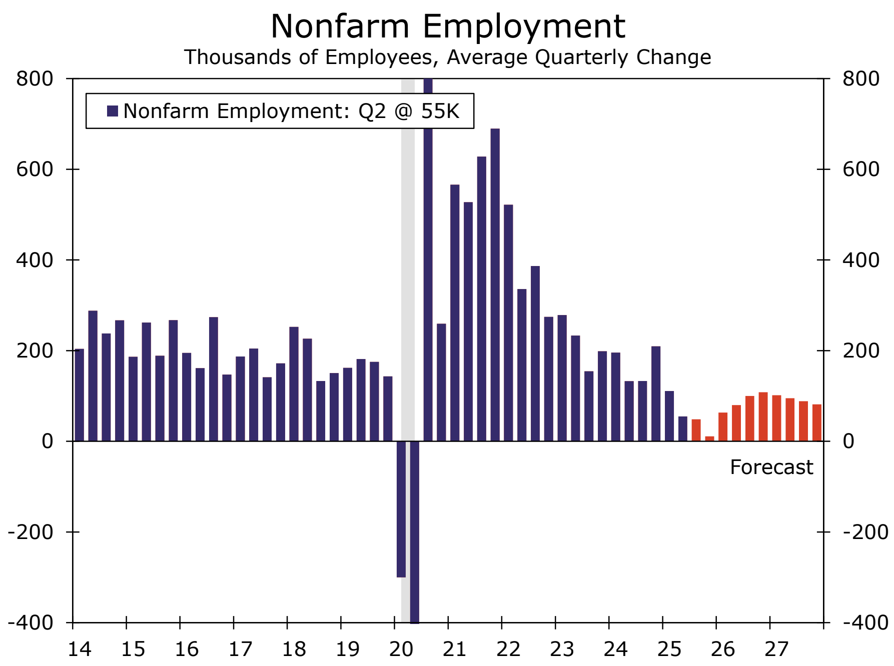
That said, consumers are no longer spending far outside of their means.

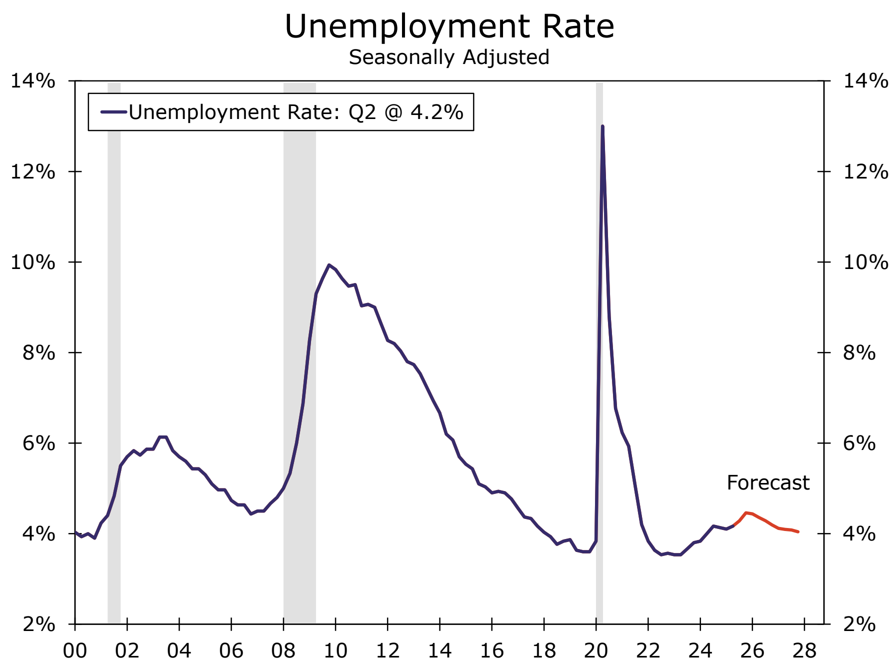



Source: U.S. Department of Commerce and Wells Fargo Economics

# Labor Market Outlook

The pace of hiring seems likely to slow through year-end. The unemployment rate has some scope for increase, but weak labor force growth will prevent a substantial uptick.

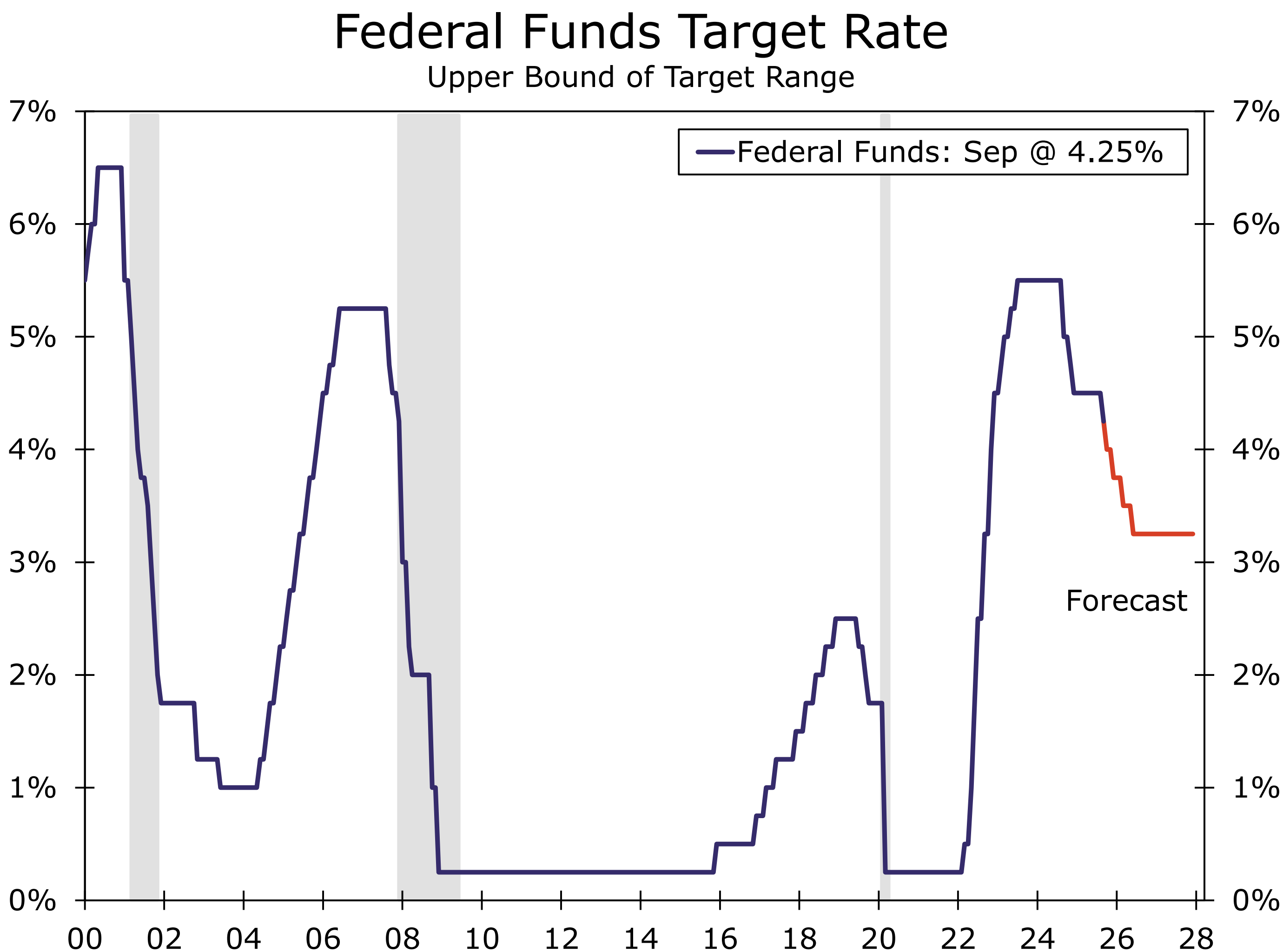



Source: U.S. Department of Labor and Wells Fargo Economics

# Interest Rate Outlook

We expect the Fed will “look through” the inflationary effects of the tariffs and cut interest rates in response to labor market deterioration.

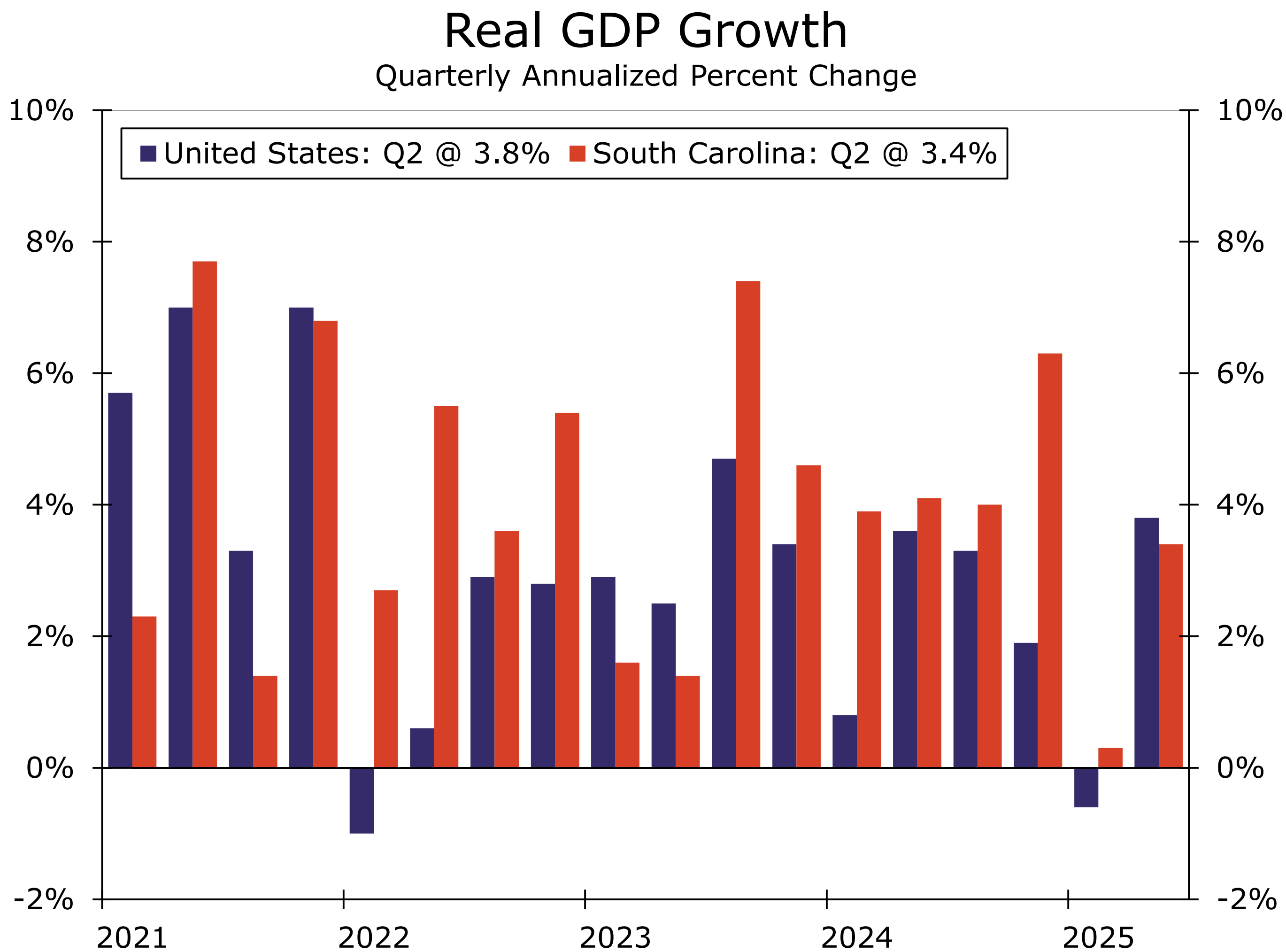



Source: Federal Reserve Board and Wells Fargo Economics

# South Carolina Economy

# Economic Resilience

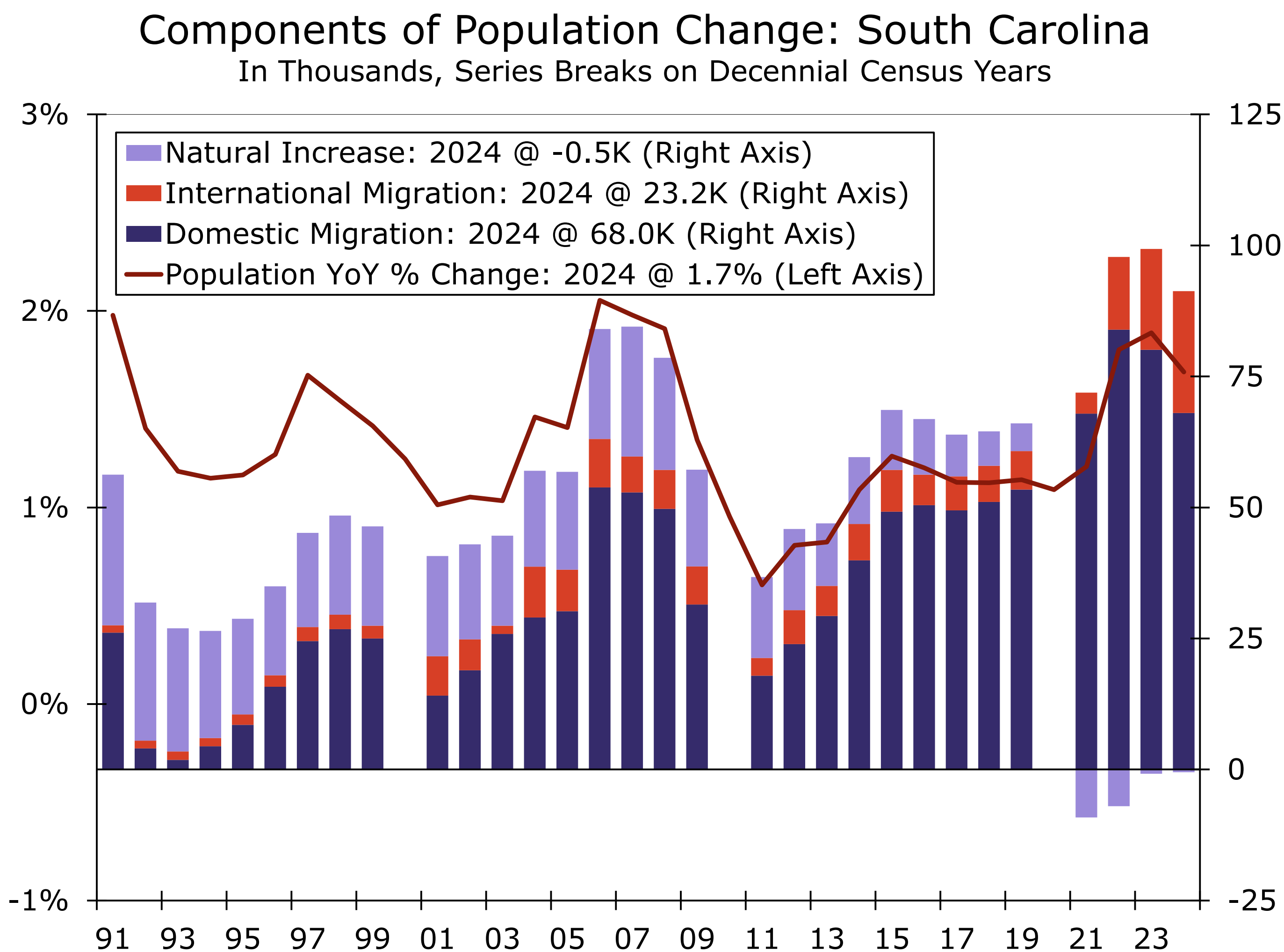
South Carolina's economy tends to expand at a faster rate than the nation.




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

# Population Growth a Tailwind

Rapid population growth is one of South Carolina's greatest strengths.

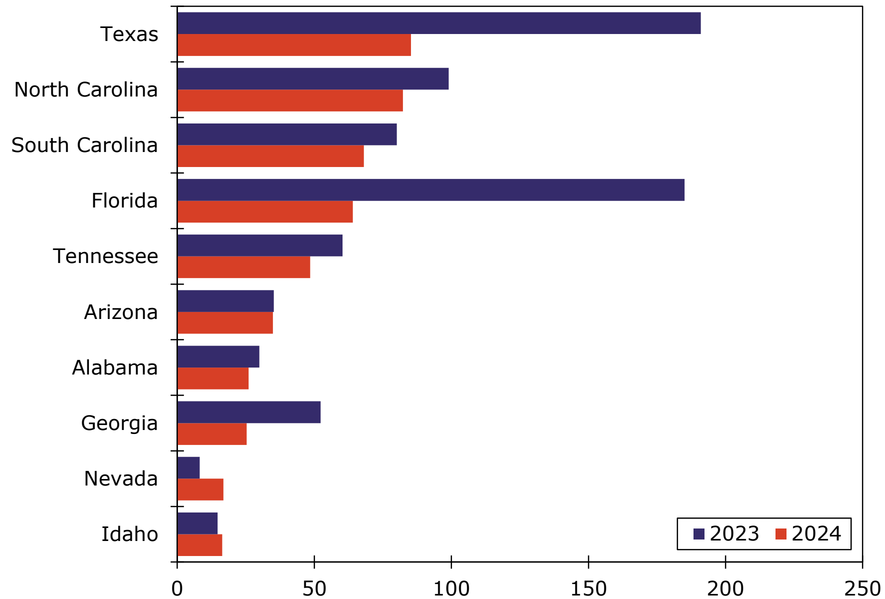



Source: U.S. Department of Commerce and Wells Fargo Economics

# Population Growth in Context

South Carolina ranks third in the nation for net domestic migration. The state is home to two of the top ten fastest growing metros in the country.

Top 10 States for Net Domestic Migration in 2024
In Thousands

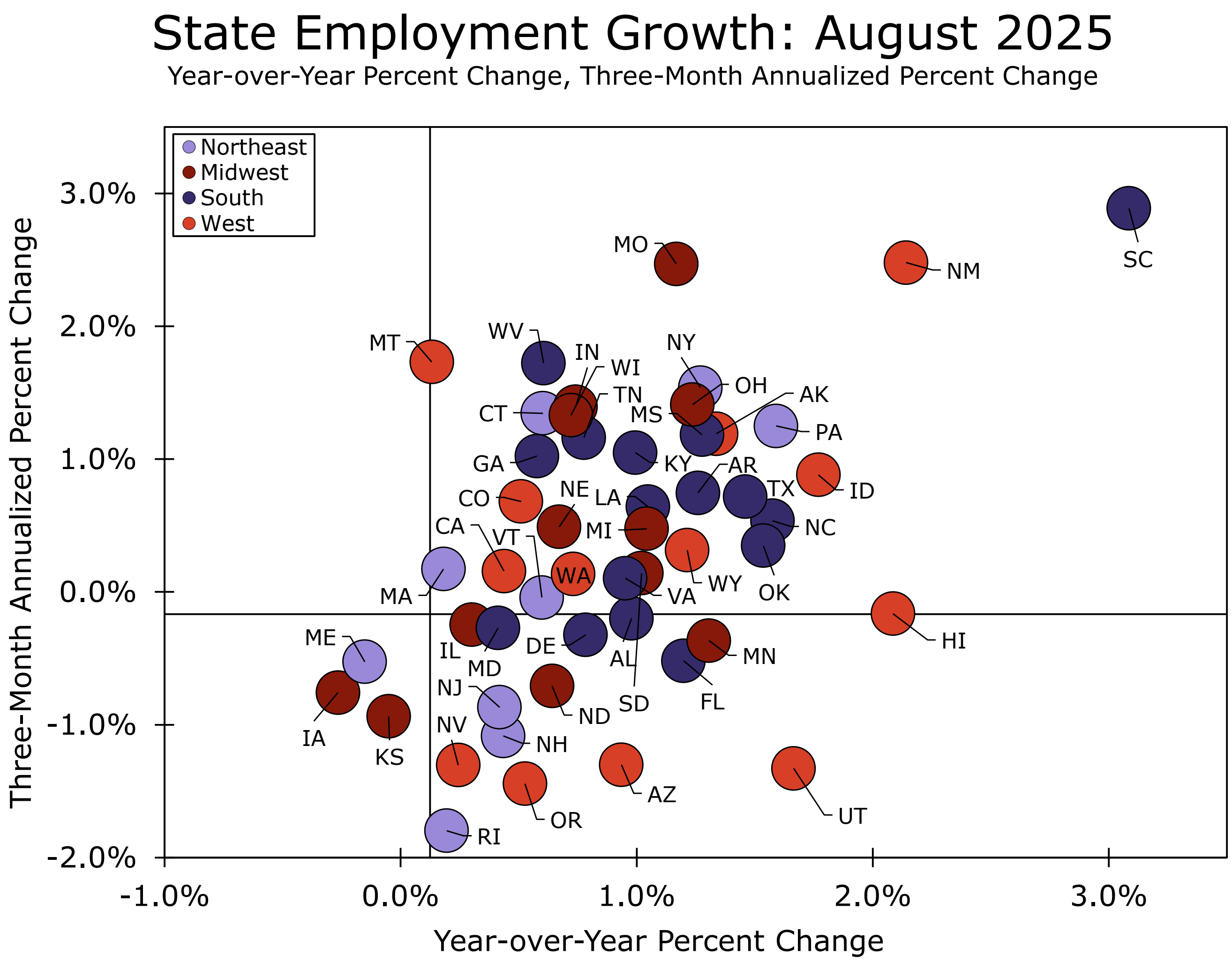



| Top 10 Fastest Growing Metros | |
|---|---|
| ***Metro*** | ***2024 Population Growth*** |
| Ocala, FL | 4.0% |
| Panama City-Panama City Beach, FL | 3.8% |
| Myrtle Beach-Conway-North Myrtle Beach, SC | 3.8% |
| Lakeland-Winter Haven, FL | 3.5% |
| Provo-Orem-Lehi, UT | 3.0% |
| Daphne-Fairhope-Foley, AL | 3.0% |
| Port St. Lucie, FL | 2.9% |
| Midland, TX | 2.8% |
| Odessa, TX | 2.8% |
| Spartanburg, SC | 2.7% |

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

# State Labor Markets

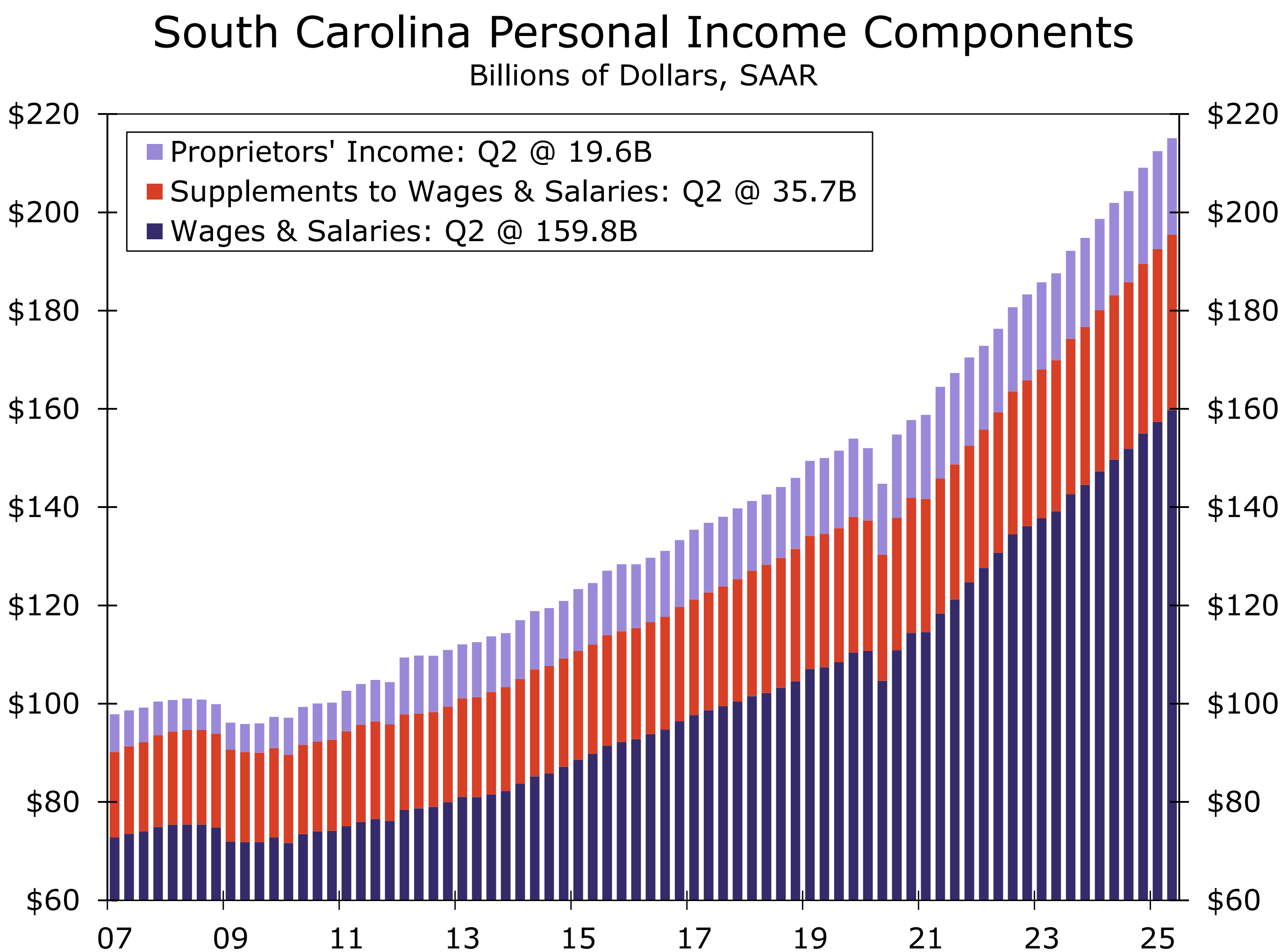
The strength of South Carolina's labor market far exceeds that of other states.




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

# Personal Income

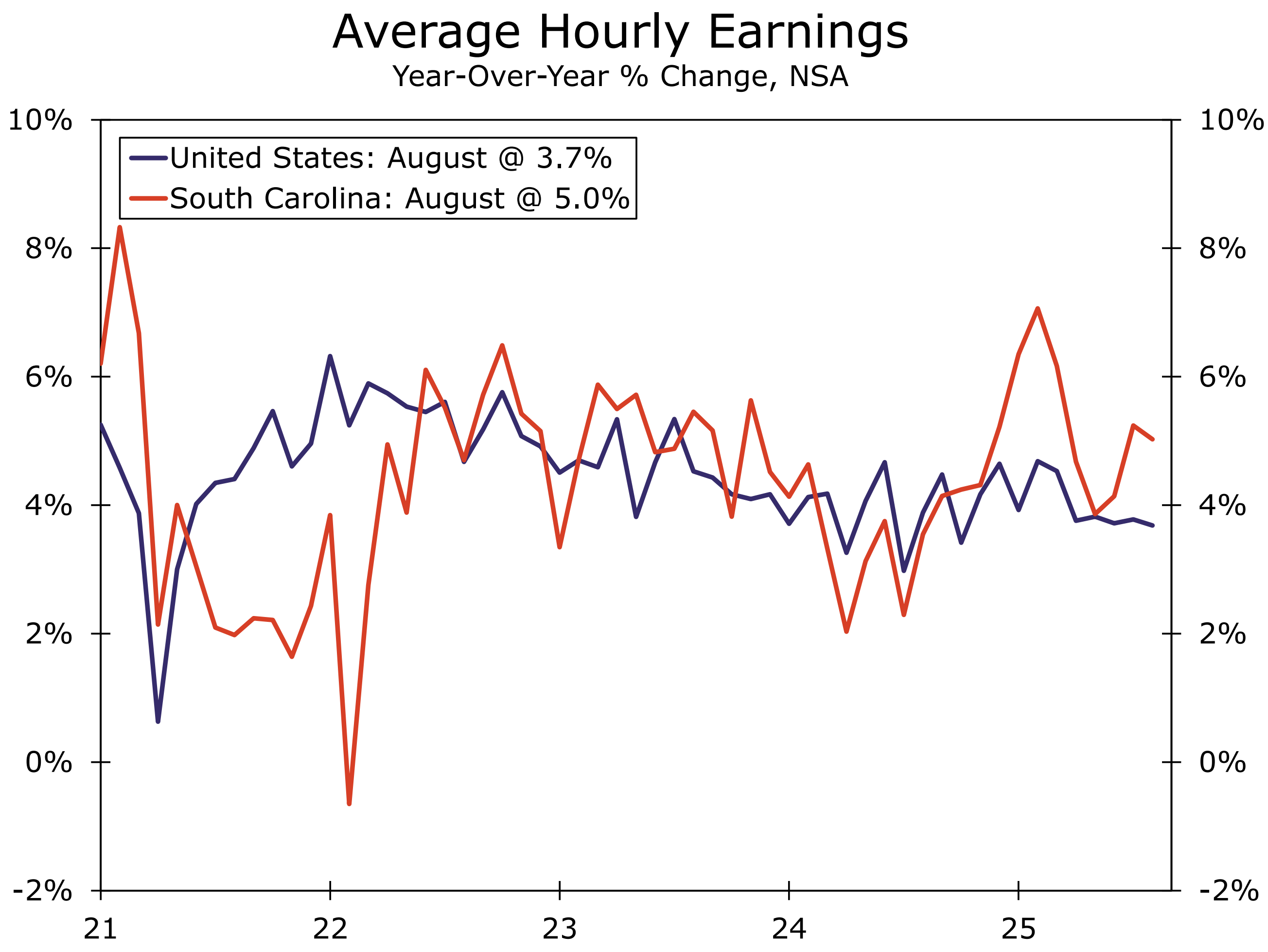
Wages and salaries are a major driver of personal income growth.




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

# Earnings Growth Elevated

Workers in South Carolina enjoy faster wage growth than the national average.

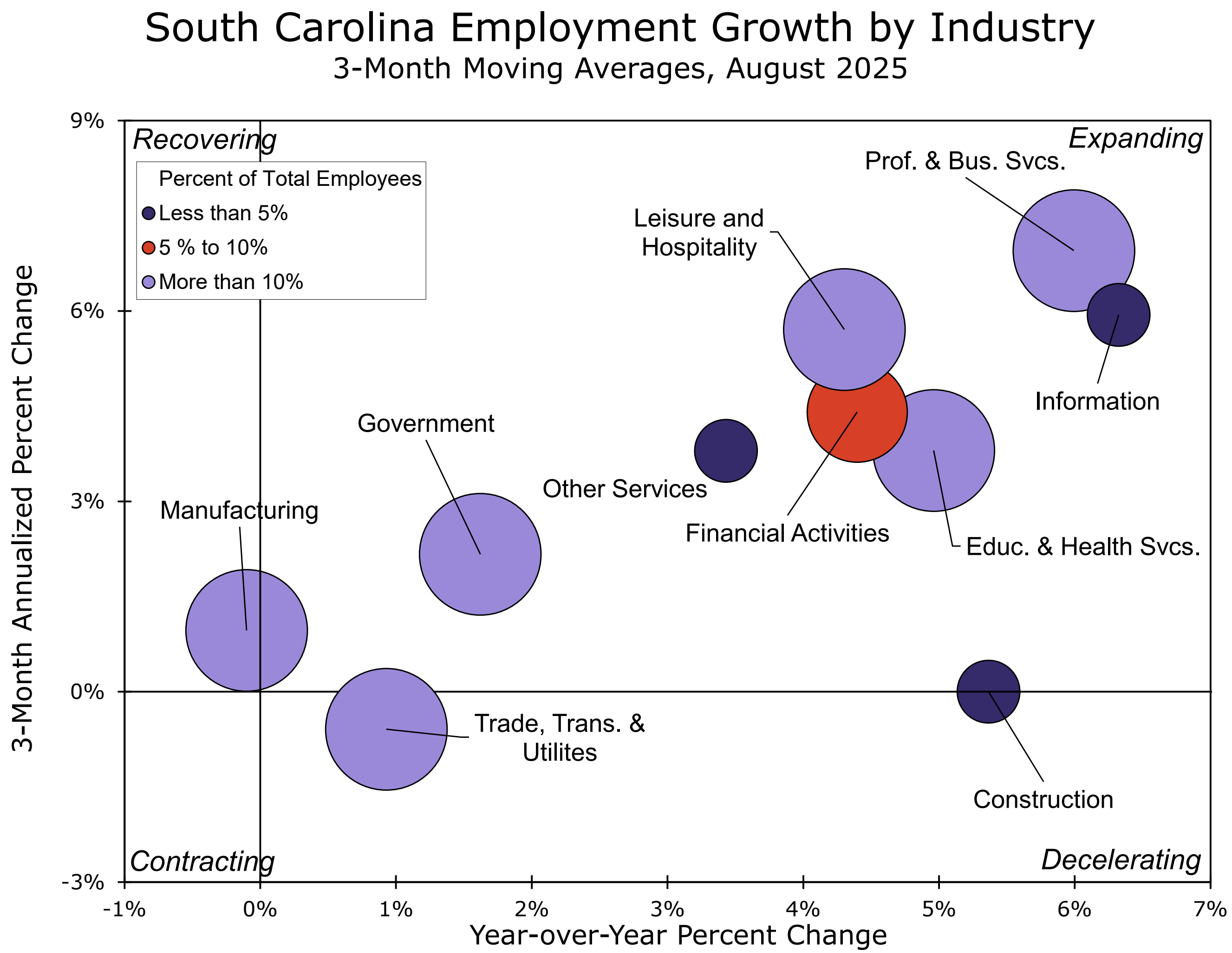



Source: U.S. Department of Labor and Wells Fargo Economics

# Industry Drivers

High-tech sectors have propelled much of South Carolina's recent payroll growth.

Interest rate sensitive industries still lag, however Fed cuts should help to bolster activity.

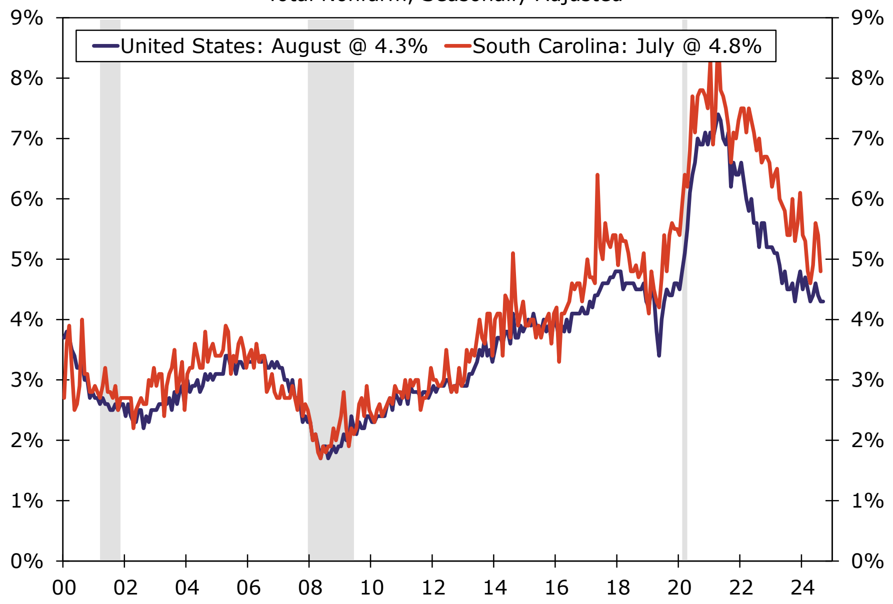



Source: U.S. Department of Labor and Wells Fargo Economics

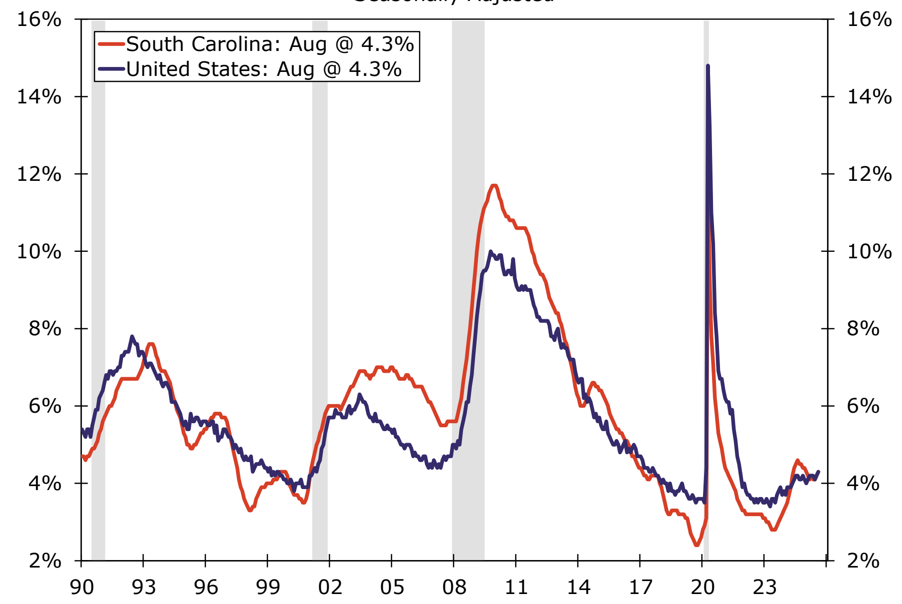
# Labor Market Loosening

Although job growth is still strong, South Carolina is not immune to national labor market headwinds.

U.S. & South Carolina Job Openings Rate
Total Nonfarm, Seasonally Adjusted



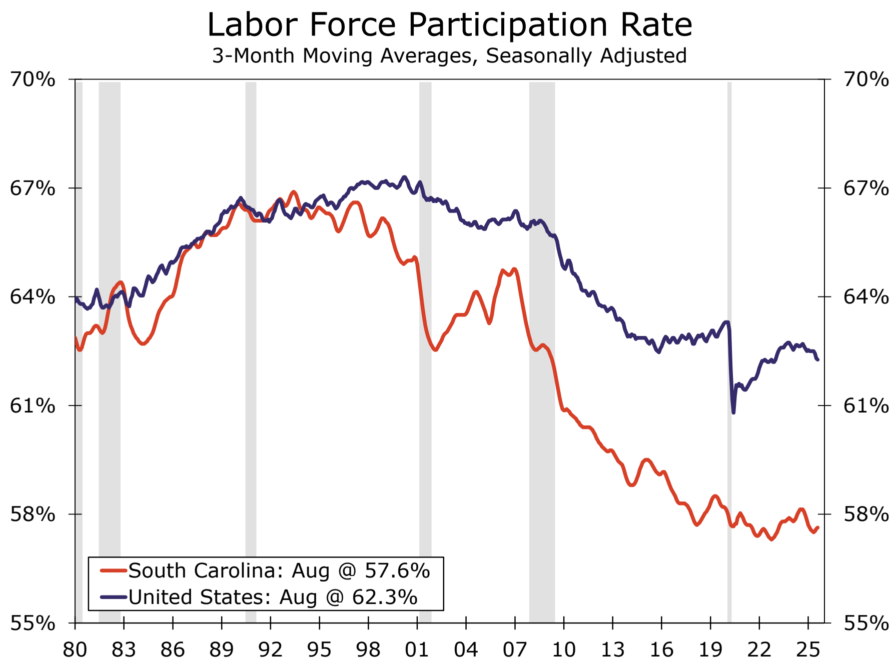

South Carolina vs. U.S. Unemployment Rate
Seasonally Adjusted

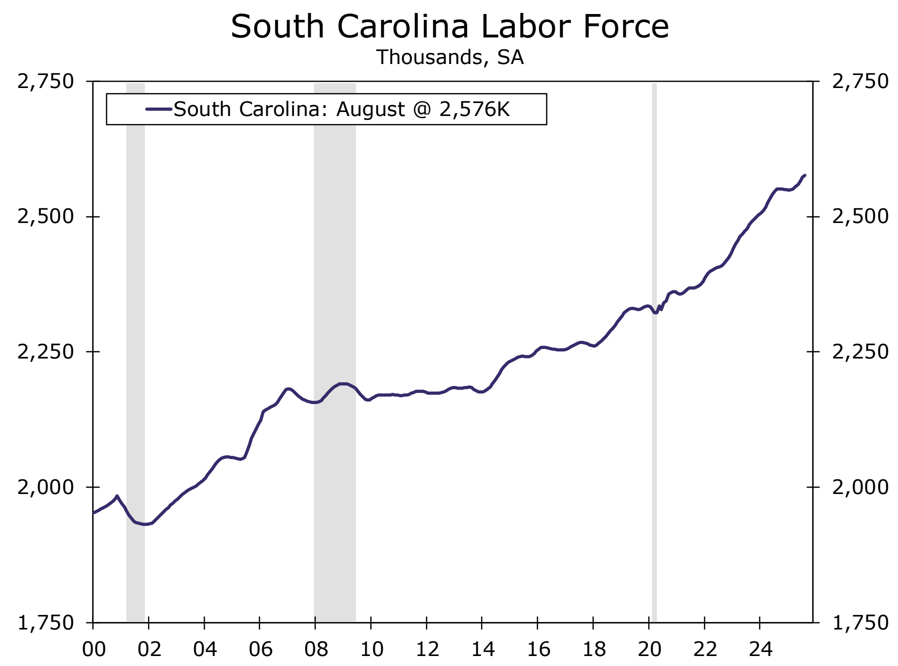



Source: U.S. Department of Labor and Wells Fargo Economics

# Economic Challenges

South Carolina’s aging population may be a longer-term economic drag.



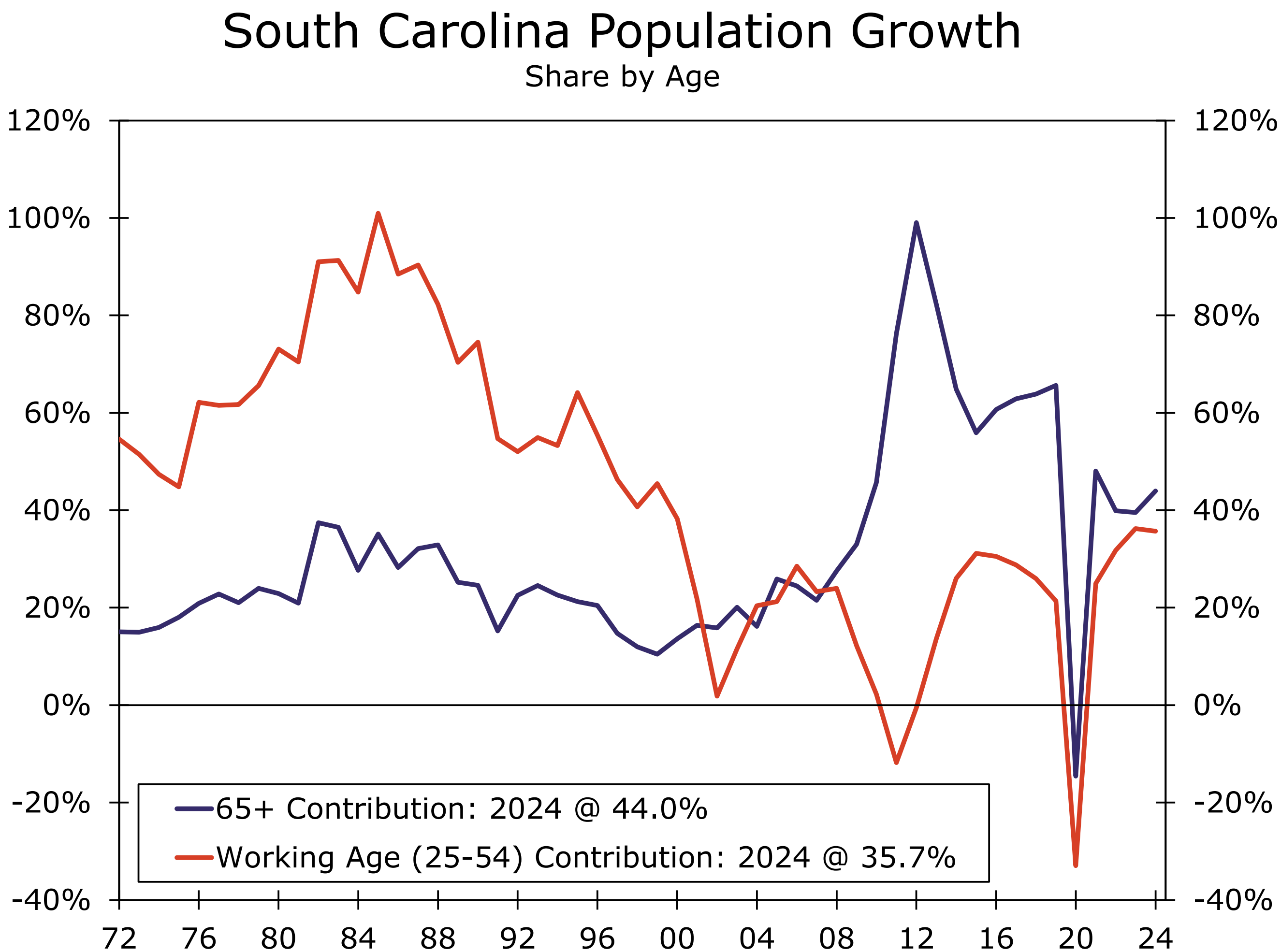




Source: U.S. Department of Labor and Wells Fargo Economics

# Population Break Down

Retirees comprise the bulk of South Carolina's population growth.

That said, working-age individuals make up a higher share than before the pandemic.




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

# U.S. Forecast

## Wells Fargo U.S. Economic Forecast

| | Actual | | Forecast | | | | | | | | | | | | Actual | Forecast | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2026 | | | | 2027 | | | | | | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 2024 | 2025 | 2026 | 2027 |
| Real Gross Domestic Product (a) | -0.6 | 3.8 | 3.5 | 0.9 | 1.6 | 2.7 | 2.7 | 2.3 | 2.2 | 2.2 | 2.0 | 2.5 | | | 2.8 | 2.0 | 2.3 | 2.3 |
| Personal Consumption | 0.6 | 2.5 | 3.0 | 1.1 | 1.9 | 2.6 | 2.4 | 2.2 | 2.1 | 2.4 | 2.1 | 2.4 | | | 2.9 | 2.5 | 2.1 | 2.3 |
| Business Fixed Investment | 9.5 | 7.3 | 3.3 | -2.0 | 2.5 | 5.1 | 3.8 | 3.4 | 3.1 | 3.0 | 3.0 | 3.7 | | | 2.9 | 3.8 | 2.7 | 3.4 |
| Residential Investment | -1.0 | -5.1 | -5.2 | -3.5 | -2.3 | 1.8 | 2.4 | 2.9 | 3.8 | 3.9 | 4.3 | 4.5 | | | 3.2 | -2.0 | -1.4 | 3.5 |
| Government Purchases | -1.0 | -0.1 | 1.5 | -1.4 | 2.6 | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 | | | 3.8 | 1.3 | 1.0 | 1.2 |
| Net Exports (b) | -4.7 | 4.8 | 0.4 | 0.8 | -0.1 | -0.2 | 0.0 | -0.1 | -0.2 | -0.3 | -0.4 | -0.3 | | | -0.5 | -0.4 | 0.5 | -0.2 |
| Inventories (b) | 2.6 | -3.4 | 0.5 | 0.0 | -0.3 | 0.1 | 0.2 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | | | 0.0 | 0.0 | -0.2 | 0.1 |
| Nonfarm Payroll Change (c) | 111 | 55 | 49 | 11 | 63 | 80 | 100 | 108 | 102 | 95 | 88 | 82 | | | 168 | 56 | 88 | 92 |
| Unemployment Rate | 4.1 | 4.2 | 4.3 | 4.5 | 4.4 | 4.4 | 4.3 | 4.2 | 4.1 | 4.1 | 4.1 | 4.0 | | | 4.0 | 4.3 | 4.3 | 4.1 |
| Consumer Price Index (d) | 2.7 | 2.5 | 2.9 | 2.9 | 2.7 | 3.0 | 2.9 | 2.7 | 2.6 | 2.5 | 2.4 | 2.4 | | | 3.0 | 2.8 | 2.8 | 2.5 |
| PCE Deflator | 2.6 | 2.4 | 2.7 | 2.9 | 2.7 | 2.9 | 2.8 | 2.6 | 2.4 | 2.3 | 2.2 | 2.2 | | | 2.6 | 2.7 | 2.7 | 2.3 |
| "Core" PCE Deflator | 2.8 | 2.7 | 2.9 | 3.0 | 3.0 | 3.0 | 2.9 | 2.6 | 2.4 | 2.3 | 2.3 | 2.3 | | | 2.9 | 2.9 | 2.9 | 2.3 |
| Employment Cost Index | 3.6 | 3.6 | 3.6 | 3.5 | 3.5 | 3.4 | 3.5 | 3.5 | 3.6 | 3.6 | 3.6 | 3.7 | | | 4.0 | 3.6 | 3.5 | 3.6 |
| Real Disposable Income (a) | 2.3 | 3.1 | -0.1 | 0.0 | 4.8 | 1.5 | 2.1 | 2.2 | 2.3 | 2.0 | 2.2 | 2.2 | | | 2.9 | 1.8 | 2.1 | 2.1 |
| Quarter-End Interest Rates (e) | | | | | | | | | | | | | | | | | | |
| Federal Funds Target Rate (f) | 4.50 | 4.50 | 4.25 | 3.75 | 3.50 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | | | 5.27 | 4.25 | 3.31 | 3.25 |
| Conventional Mortgage Rate | 6.65 | 6.82 | 6.35 | 6.30 | 6.20 | 6.20 | 6.25 | 6.25 | 6.25 | 6.30 | 6.30 | 6.35 | | | 6.72 | 6.53 | 6.23 | 6.30 |
| 2 Year Note | 3.89 | 3.72 | 3.60 | 3.45 | 3.40 | 3.35 | 3.35 | 3.35 | 3.35 | 3.40 | 3.45 | 3.50 | | | 4.37 | 3.67 | 3.36 | 3.43 |
| 10 Year Note | 4.23 | 4.24 | 4.16 | 4.00 | 3.95 | 4.00 | 4.10 | 4.15 | 4.15 | 4.20 | 4.20 | 4.25 | | | 4.21 | 4.16 | 4.05 | 4.20 |

Forecast as of: October 8, 2025

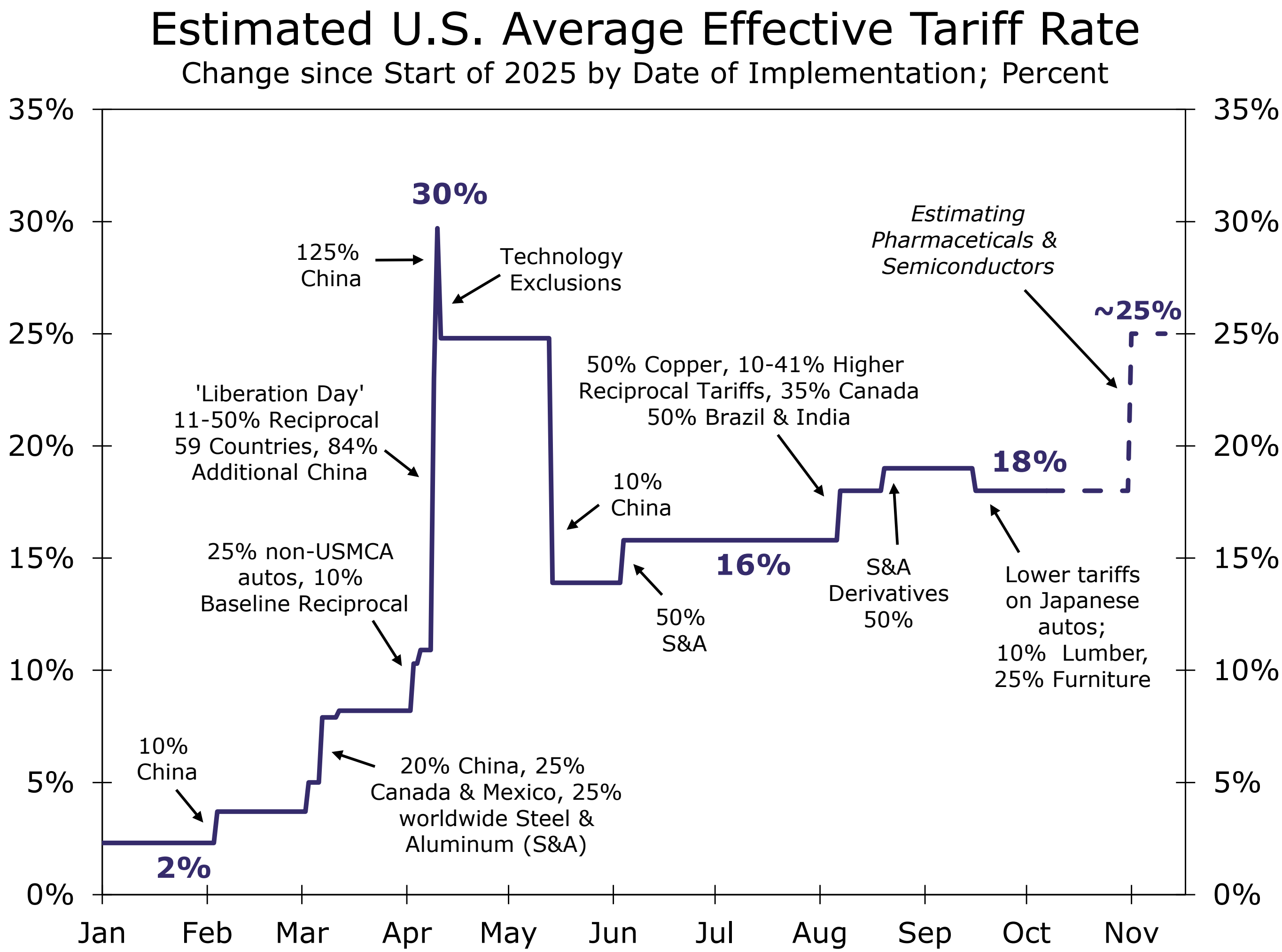
Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter (b) Percentage Point Contribution to GDP (c) Average Monthly Change (d) Year-over-Year Percentage Change (e) Quarterly Data - Period End; Annual Data - Annual Averages (f) Upper Bound of the Federal Funds Target Range

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

# Appendix

# Tariffs in Historical Context

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




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

# Wells Fargo Corporate & Investment Banking Economics Group

## Economics Group


| | | |
|---|---|---|
| Tim Quinlan | Senior Economist | tim.quinlan@wellsfargo.com |
| Sarah House | Senior Economist | sarah.house@wellsfargo.com |
| Charlie Dougherty | Senior Economist | charles.dougherty@wellsfargo.com |
| Michael Pugliese | Senior Economist | michael.d.pugliese@wellsfargo.com |
| Brendan McKenna | International Economist | brendan.mckenna@wellsfargo.com |
| Jackie Benson | Economist | jackie.benson@wellsfargo.com |
| Shannon Grein | Economist | shannon.grein@wellsfargo.com |
| Nicole Cervi | Economist | nicole.cervi@wellsfargo.com |
| Delaney Conner | Economic Analyst | delaney.conner@wellsfargo.com |
| Ali Hajibeigi | Economic Analyst | ali.hajibeigi@wellsfargo.com |
| Azhin Abdulkarim | Economic Analyst | azhin.Abdulkarim@wellsfargo.com |
| Anagha Sridharan | Economic Analyst | anagha.sridharan@wellsfargo.com |
| Andrew Thompson | Economic Analyst | andrew.l.thompson@wellsfargo.com |
| Coren Miller | Administrative Assistant | coren.miller@wellsfargo.com |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