

WELLS
FARGO

SECURITIES

Economic Outlook Carolinas Food Industry Council

July 23, 2010

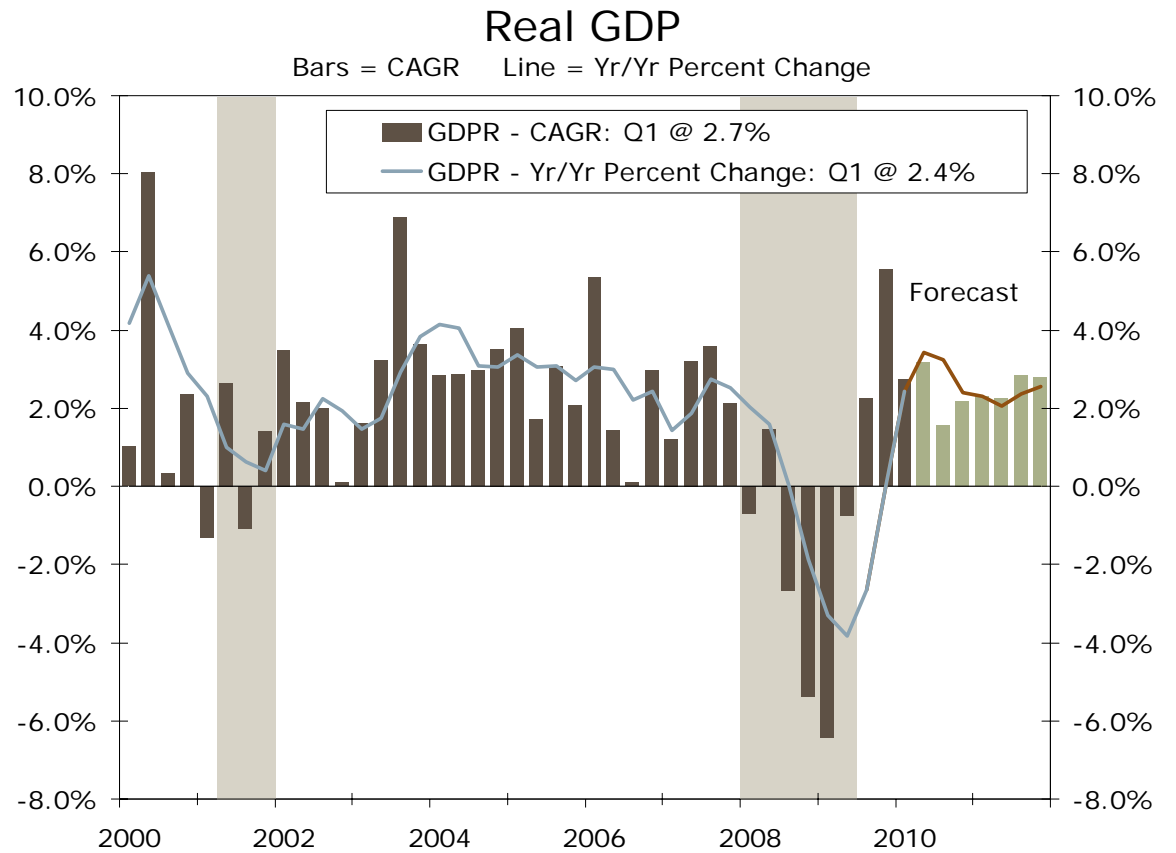


Together we'll go far



Economic Growth

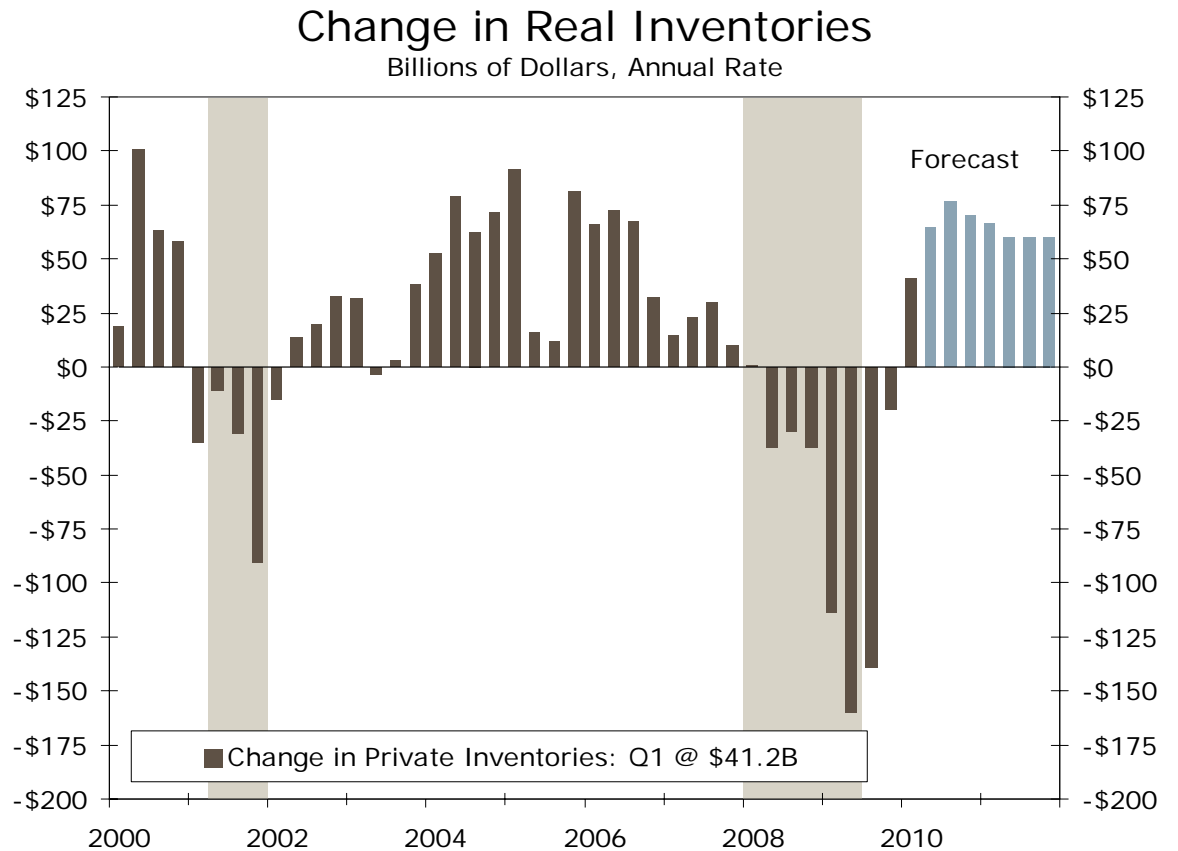
Real GDP received a boost from fiscal and monetary stimulus and the winding down of inventory liquidations



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Inventories

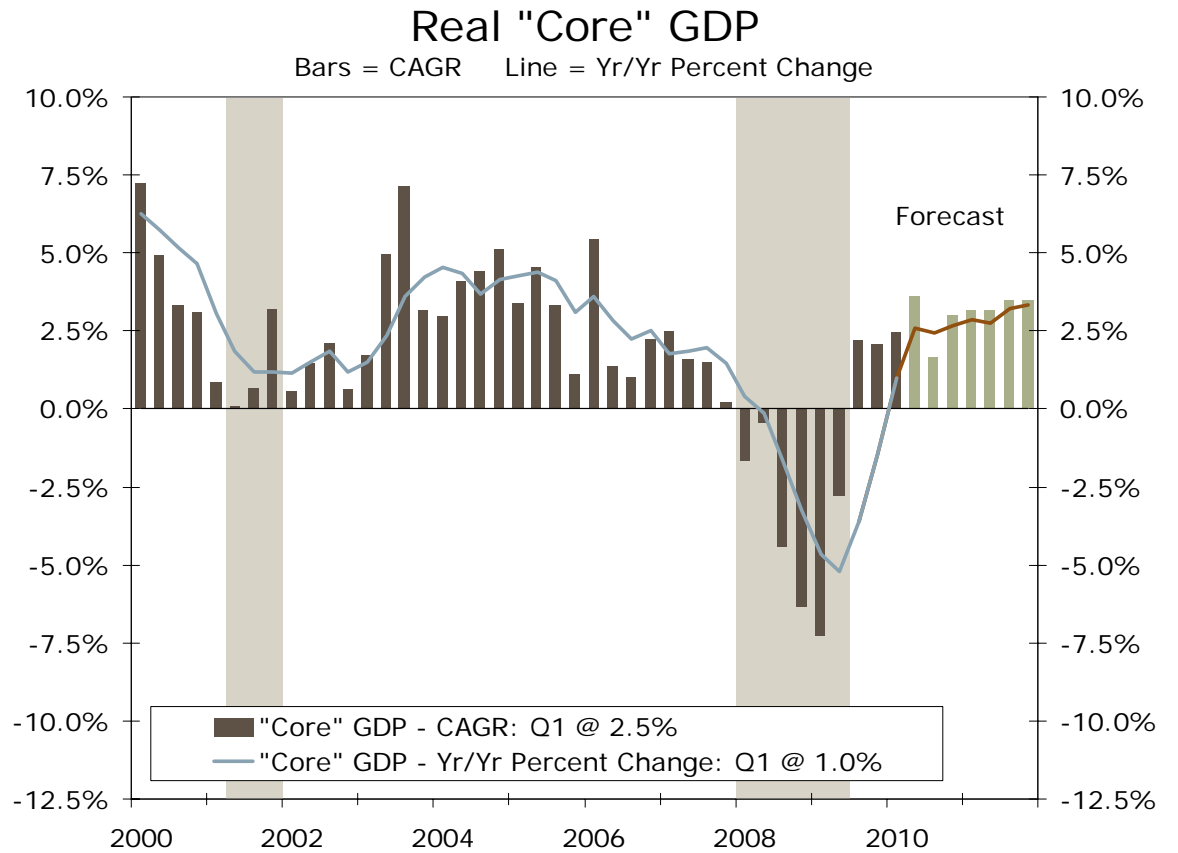
Businesses are finally bringing inventories back in line with underlying demand



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Domestic Demand

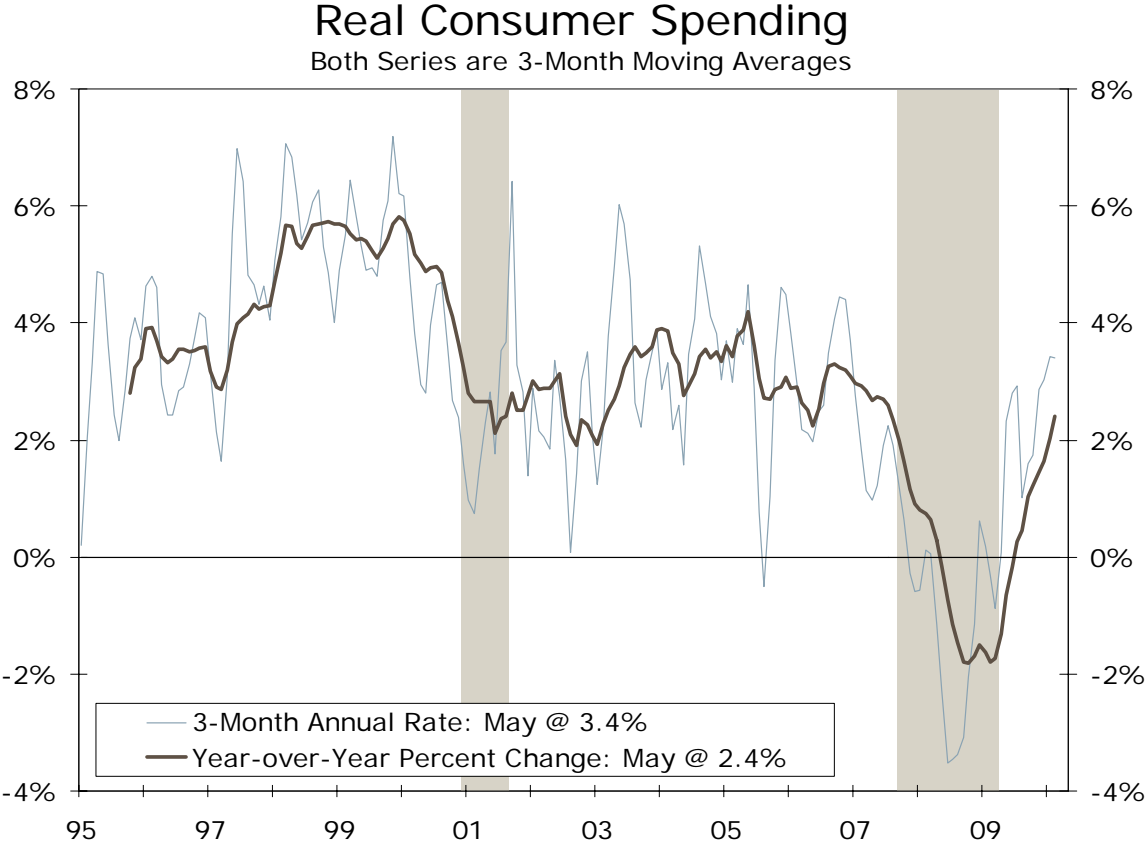
Stimulus dollars have helped boost private demand



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Real Consumer Spending

Spending has improved in recent months but remains subdued

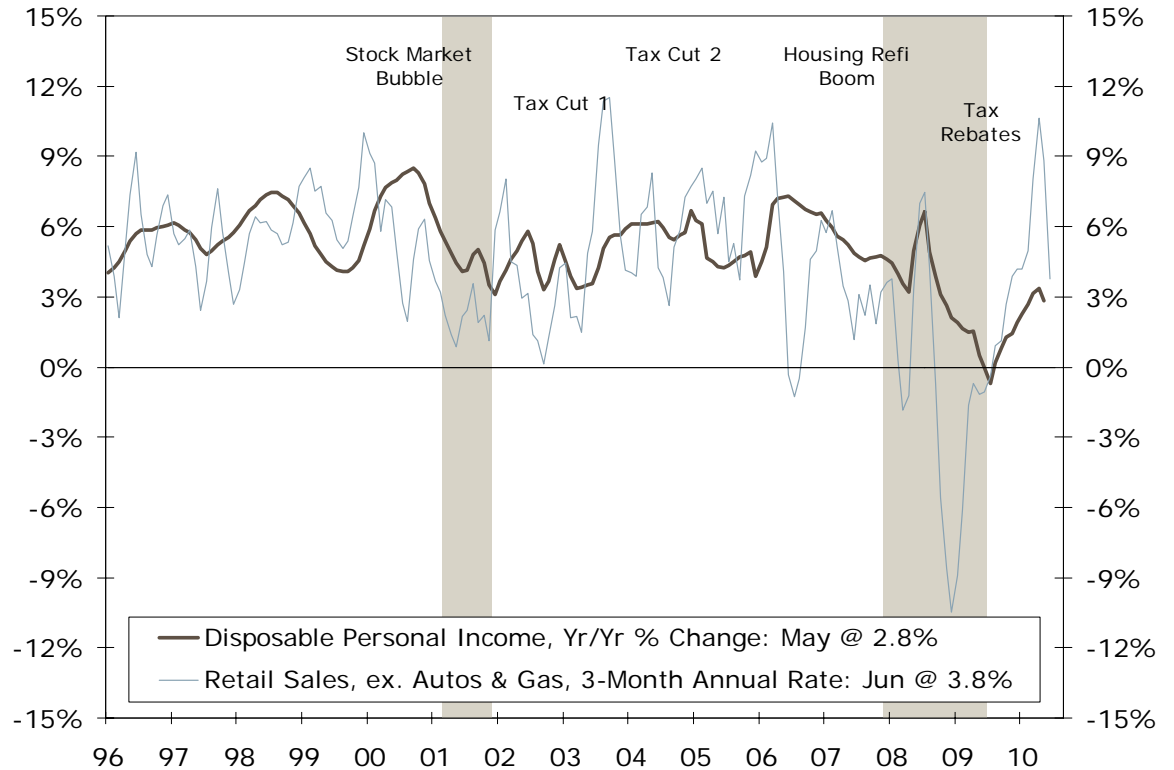


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Consumer Spending

Core retail sales are rising faster than after-tax income - tax refunds may be providing an added boost to spending

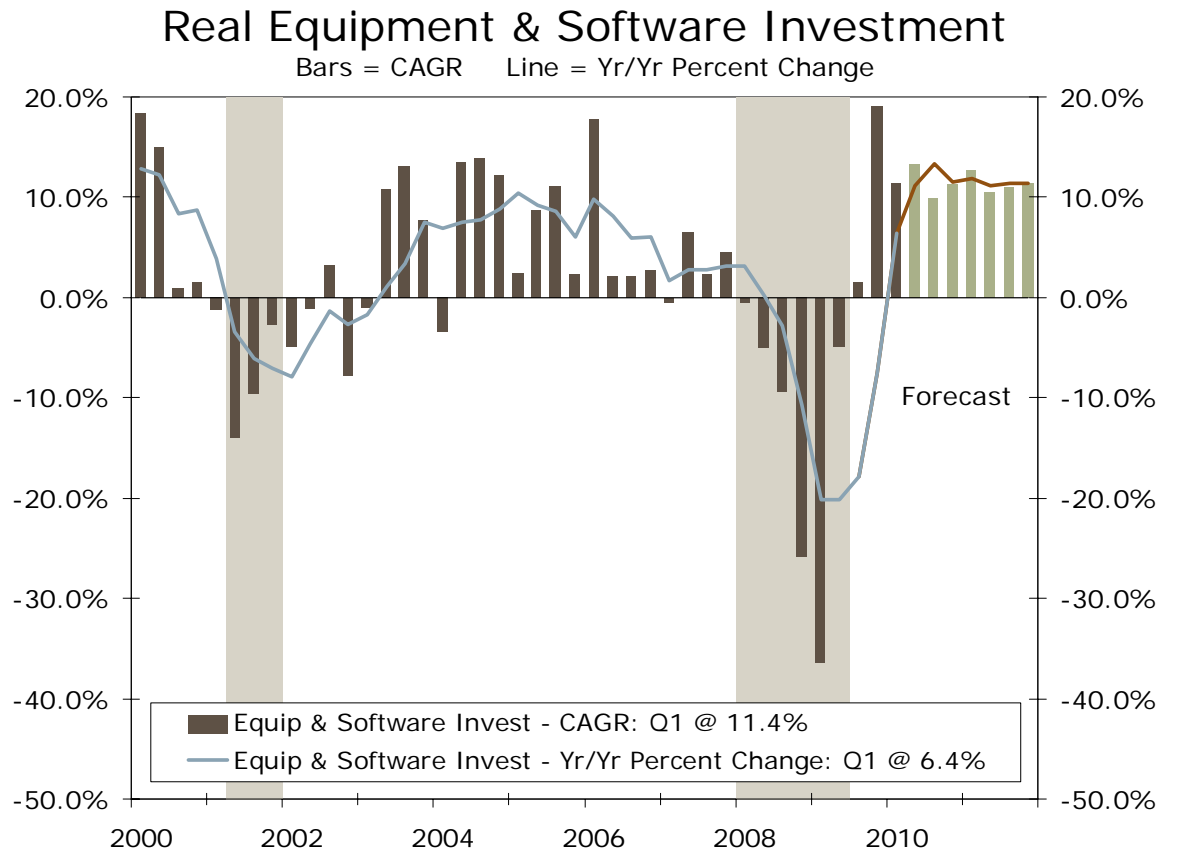
Retail Sales Ex. Auto & Gas Stations vs. Income 3-Month Moving Average



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

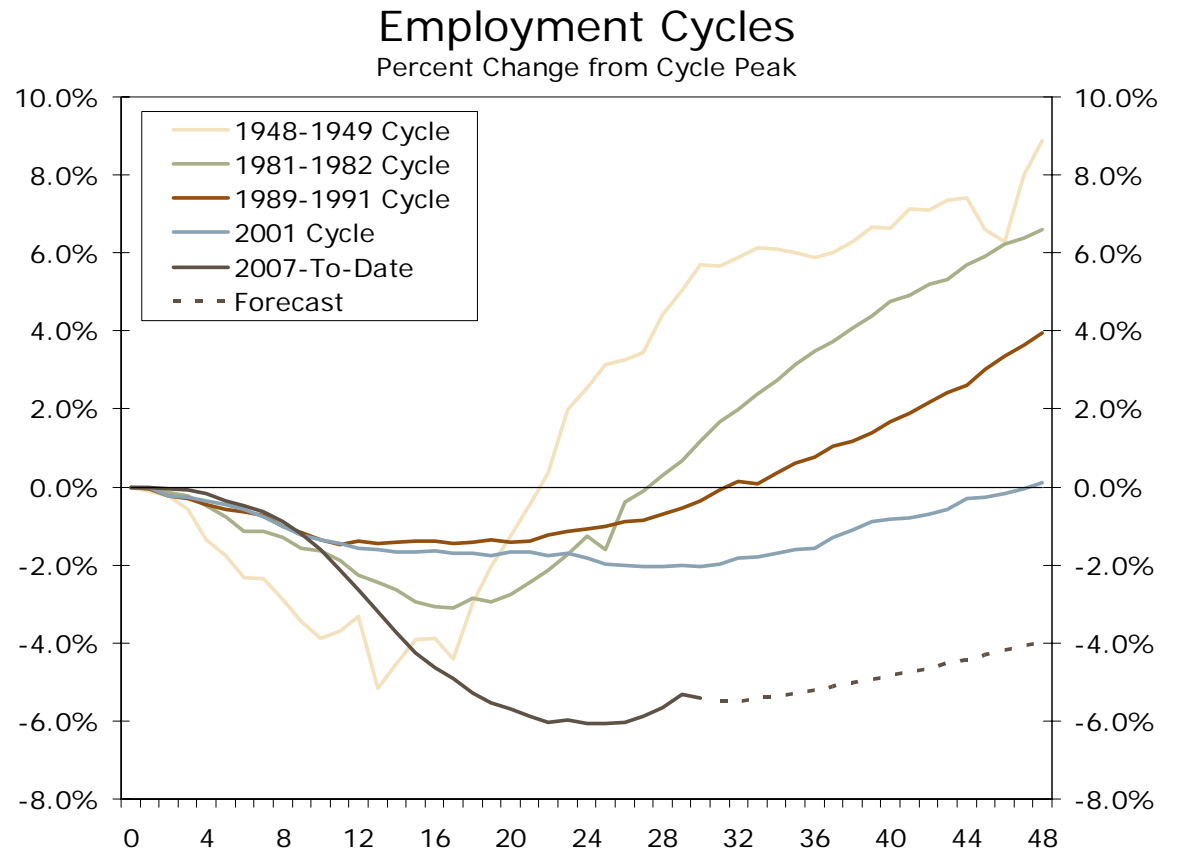
Equipment & Software Investment

Demand for equipment and software will contribute significantly to economic growth this cycle



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The labor market remains the primary concern as job losses have exceeded every post-World War II downturn

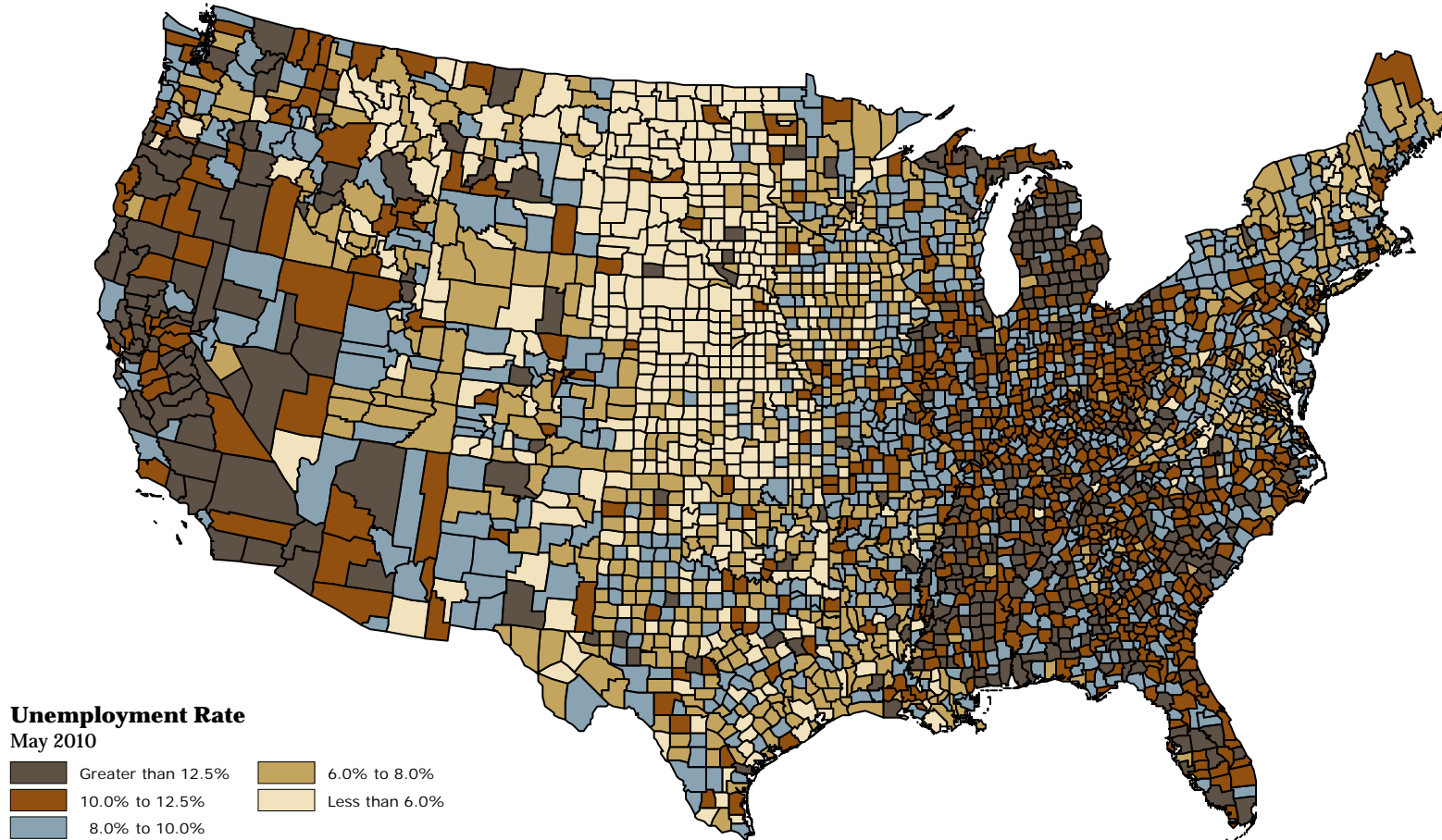


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Unemployment by County

Large Portions of the United States Continue to Face Serious Unemployment Issues

Unemployment Rate



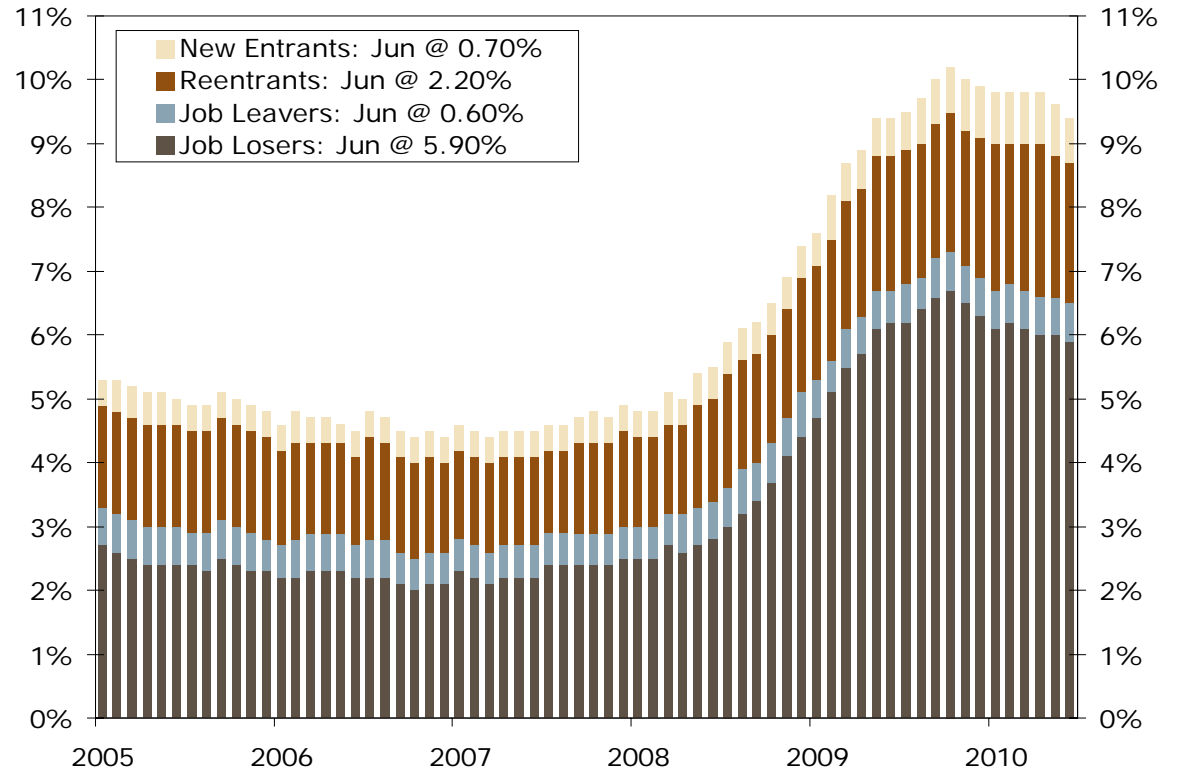
Source: US Department of Labor and Wells Fargo Securities, LLC

Reason for Unemployment

Reentrants and new entrants will likely account for a larger share of the unemployment rate

Unemployed by Reason for Unemployment

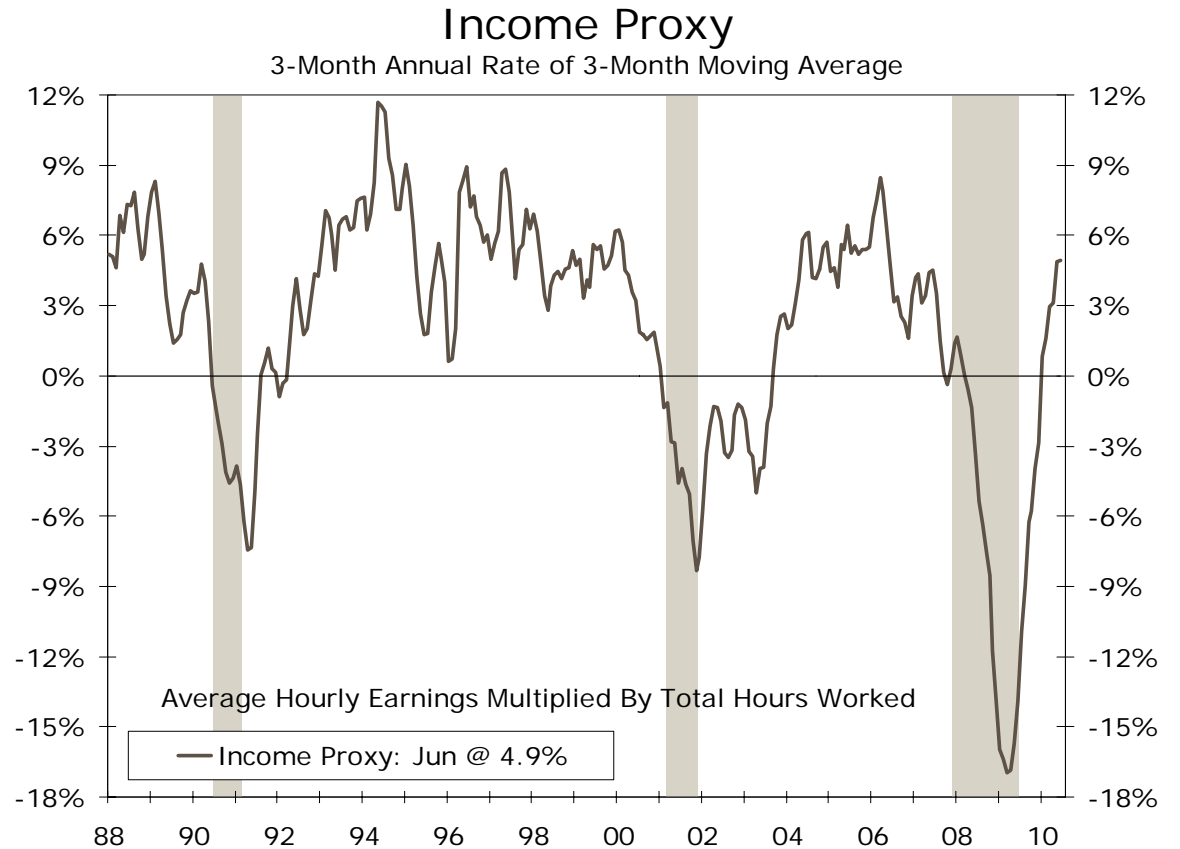
As a Percent of the Civilian Labor Force



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Income Proxy

Incomes are gradually making up the steep losses recorded during recession

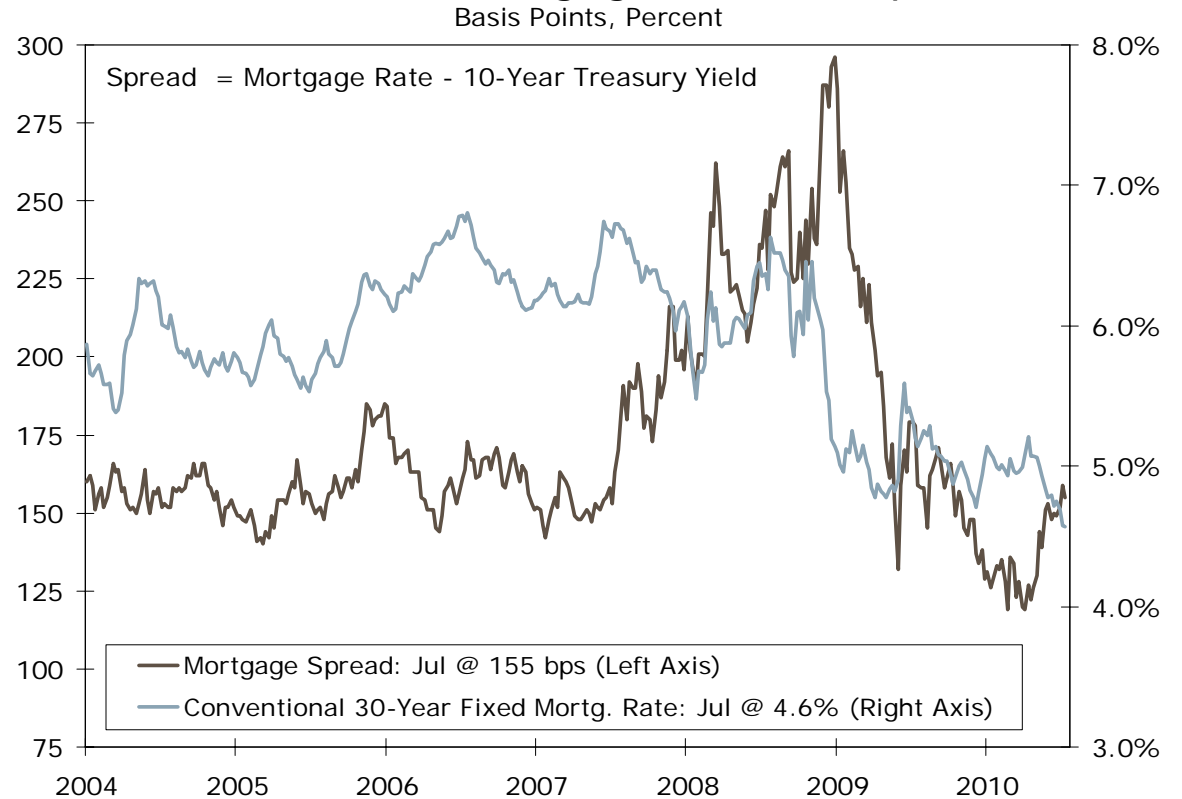


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Mortgage Rates

Mortgage rates were pushed lower by the Fed's intervention in the MBS market, which has since ended

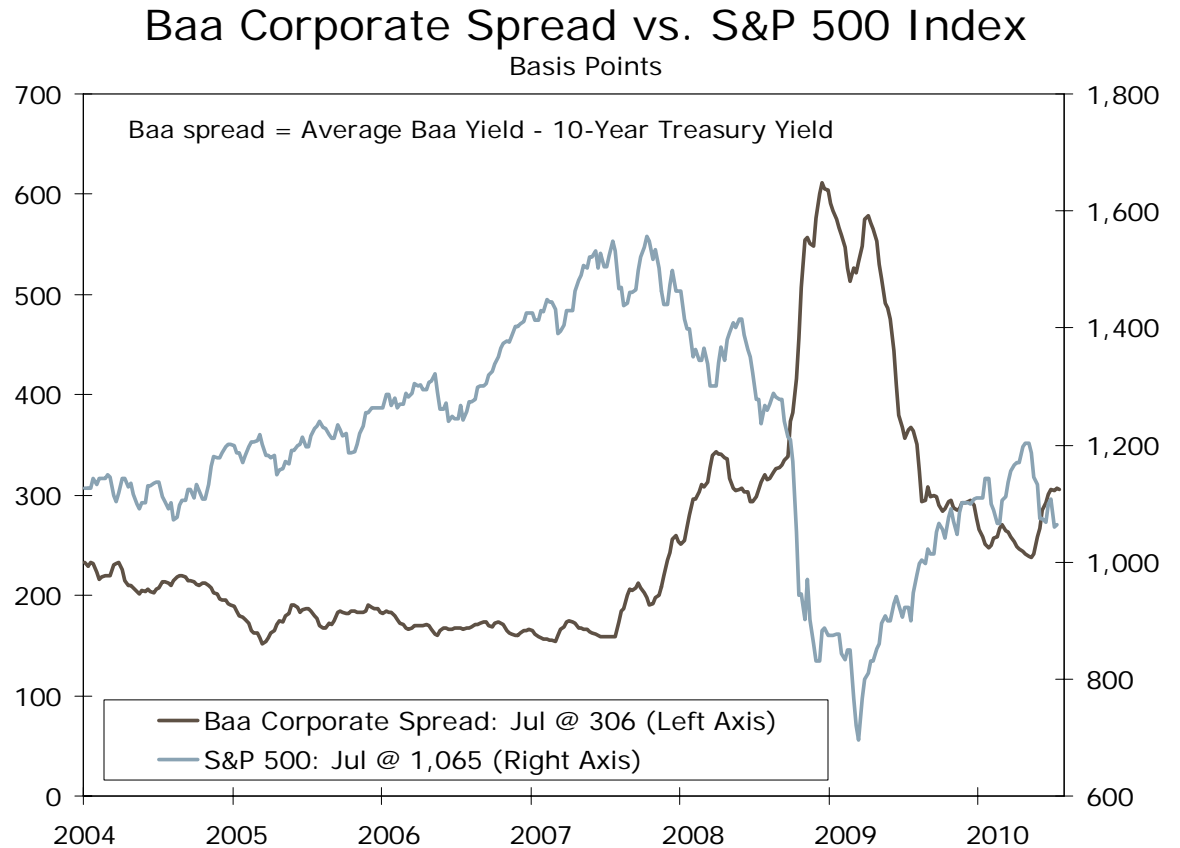
Conventional Mortgage Rate vs. Spread



Source: Freddie Mac, Federal Reserve Board and Wells Fargo Securities, LLC

Corporate Bond Spread

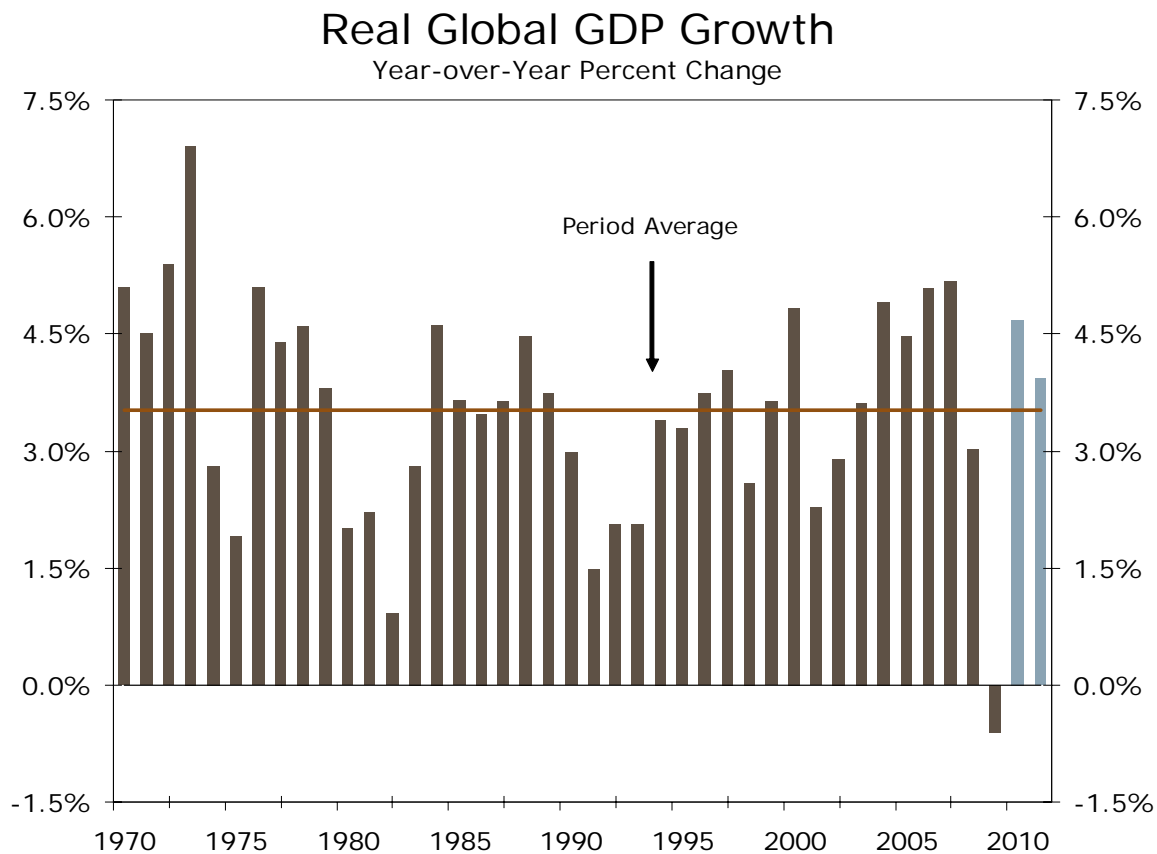
Spreads have come down substantially since the Fed began its quantitative easing policy and the stock market has rallied



Source: Federal Reserve Board, Moody's, S&P Corp. and Wells Fargo Securities, LLC

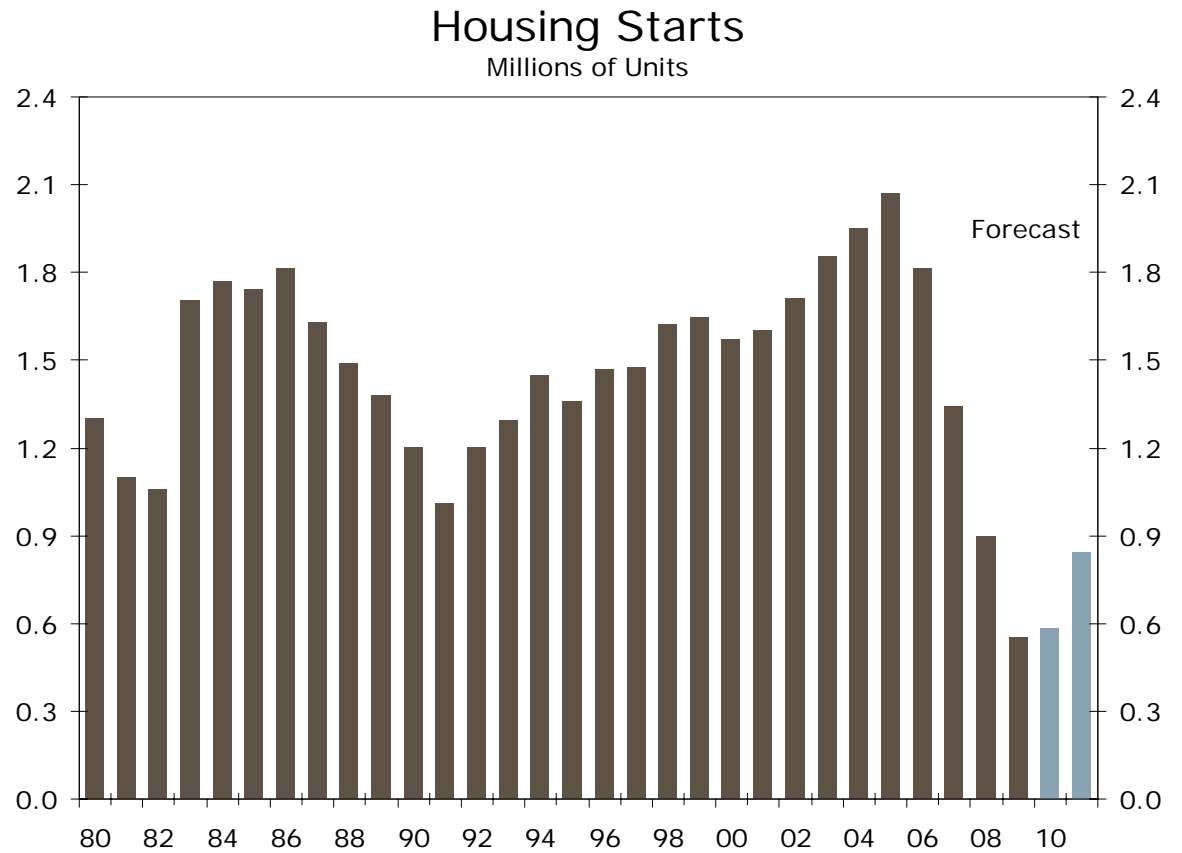
The Global Recession

The global economy contracted for the first time in 2009, but is expected to rebound solidly this year



Source: International Monetary Fund and Wells Fargo Securities, LLC

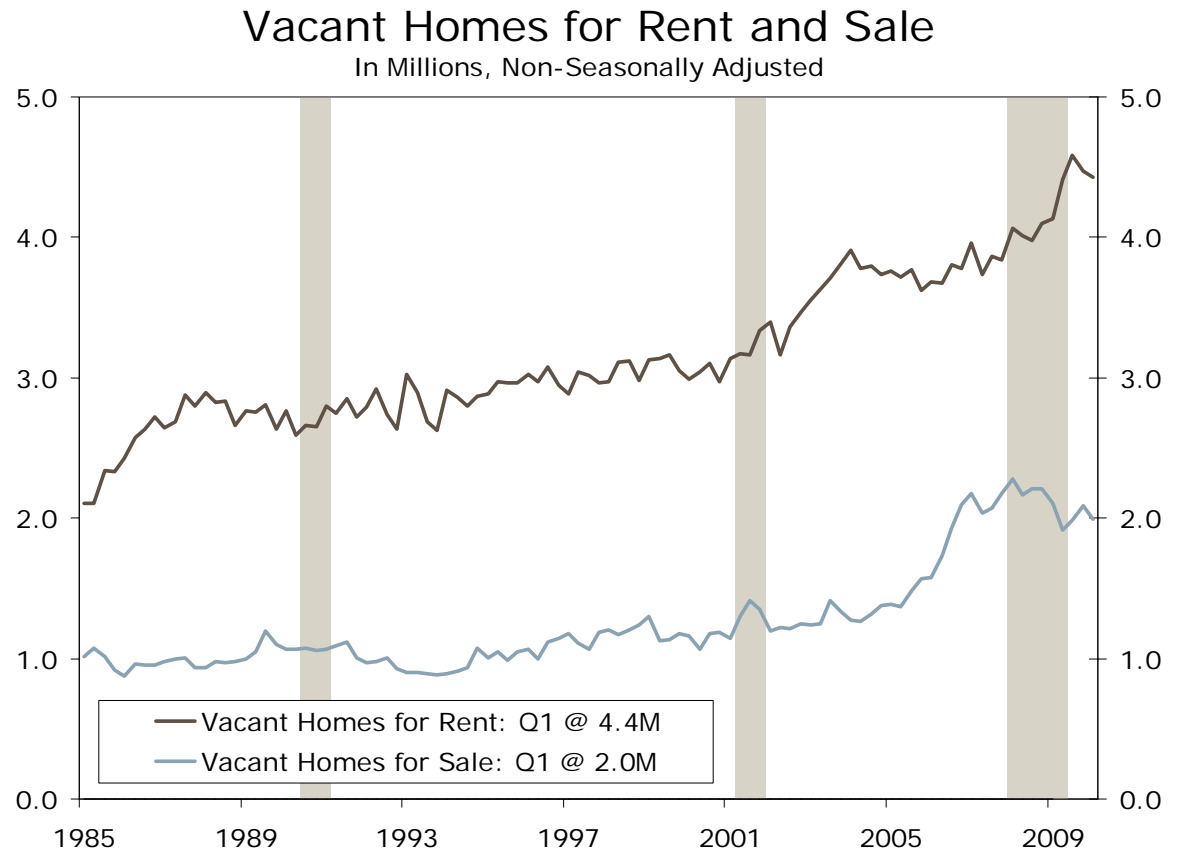
Housing starts bottomed about a year ago and are set to rise modestly over the next few years



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Vacant Homes for Rent and Sale

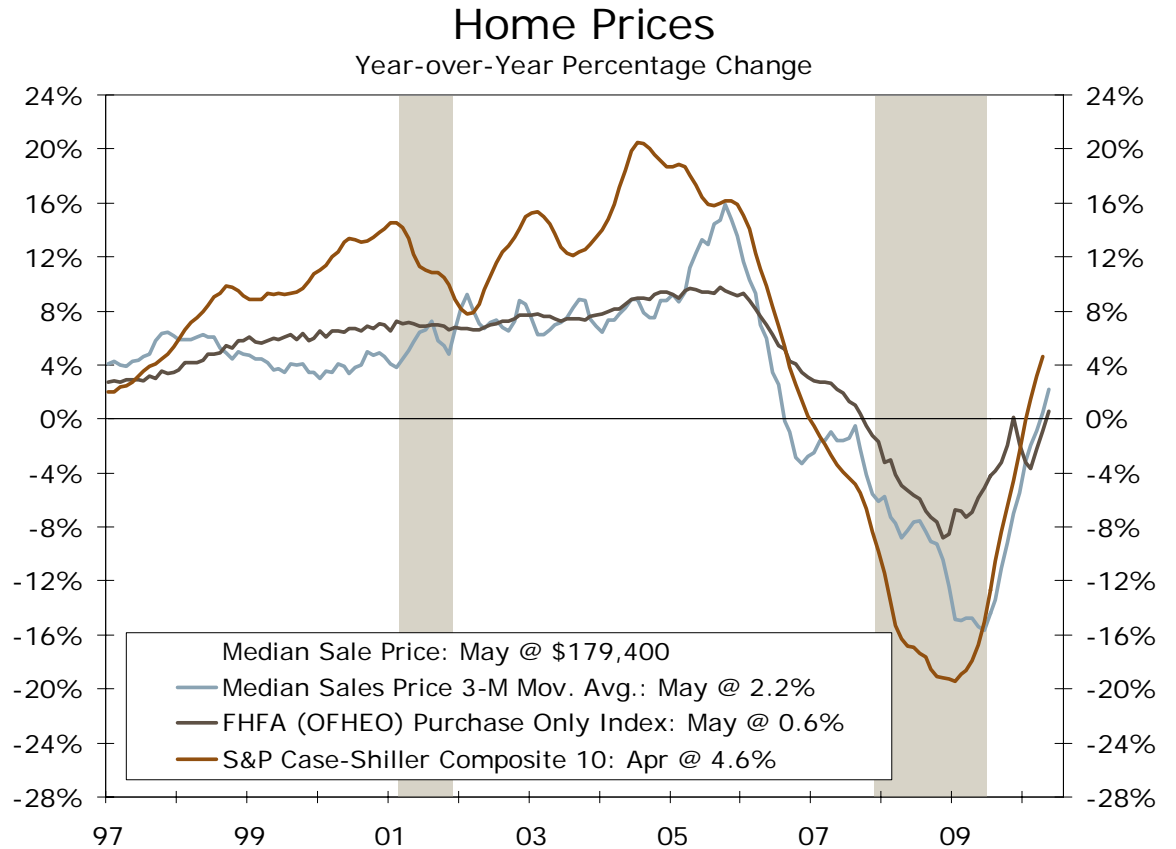
On net the number of vacant homes has increased



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

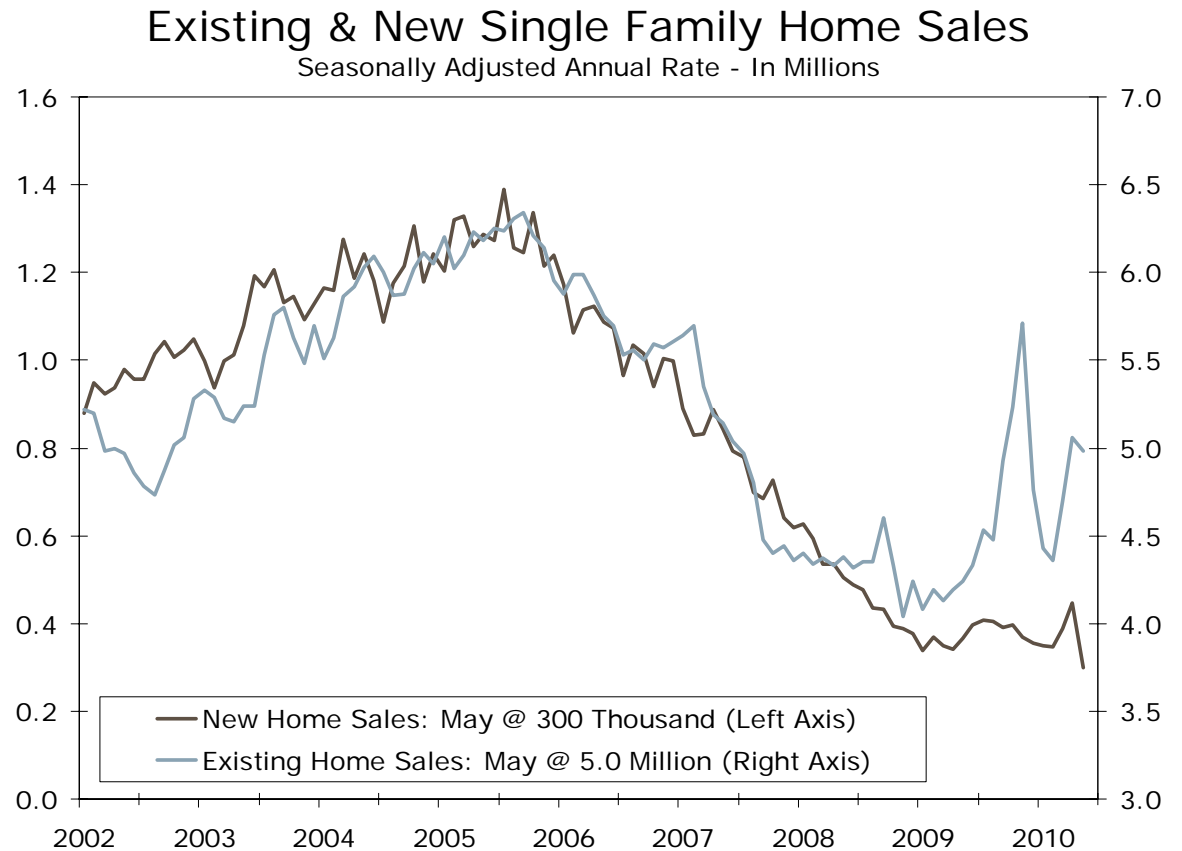
Home Prices

Most regions are seeing modest price gains, though various mortgage moratoriums and stimulus programs could be supporting prices



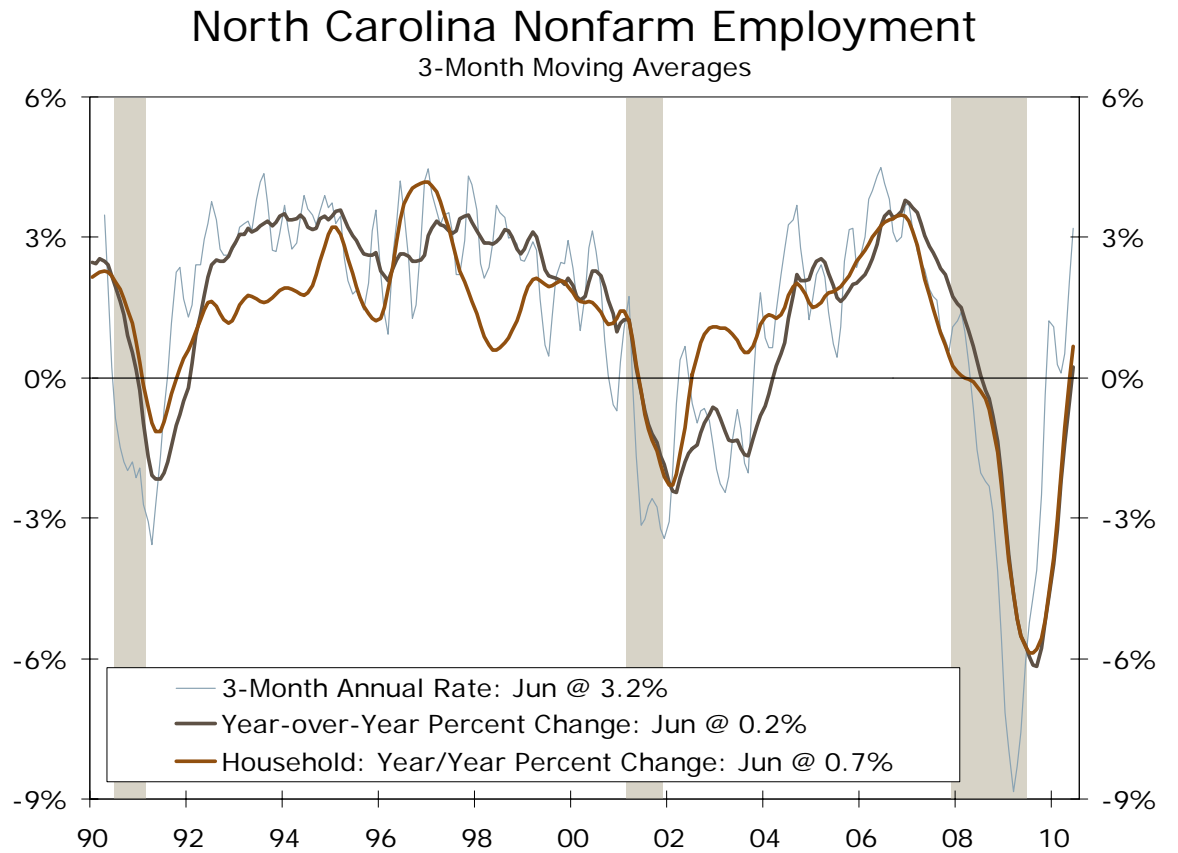
Source: Federal Housing Finance Agency, National Association of Realtors, S&P Corp. and Wells Fargo Securities, LLC

Incentives for first-time homebuyers helped drive up home sales last year; a large portion of existing sales, however, are distressed



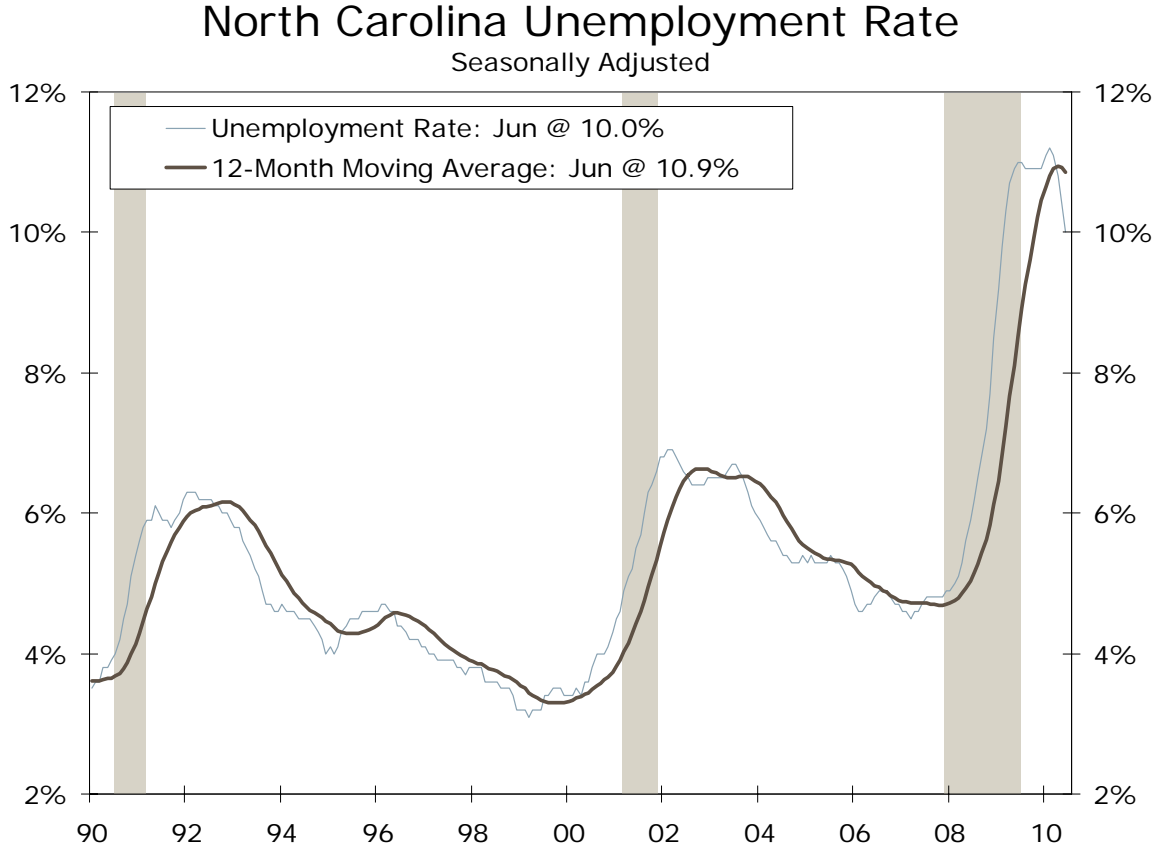
Source: National Association of Realtors, U.S. Department of Commerce and Wells Fargo Securities, LLC

Data show a modest improvement in employment



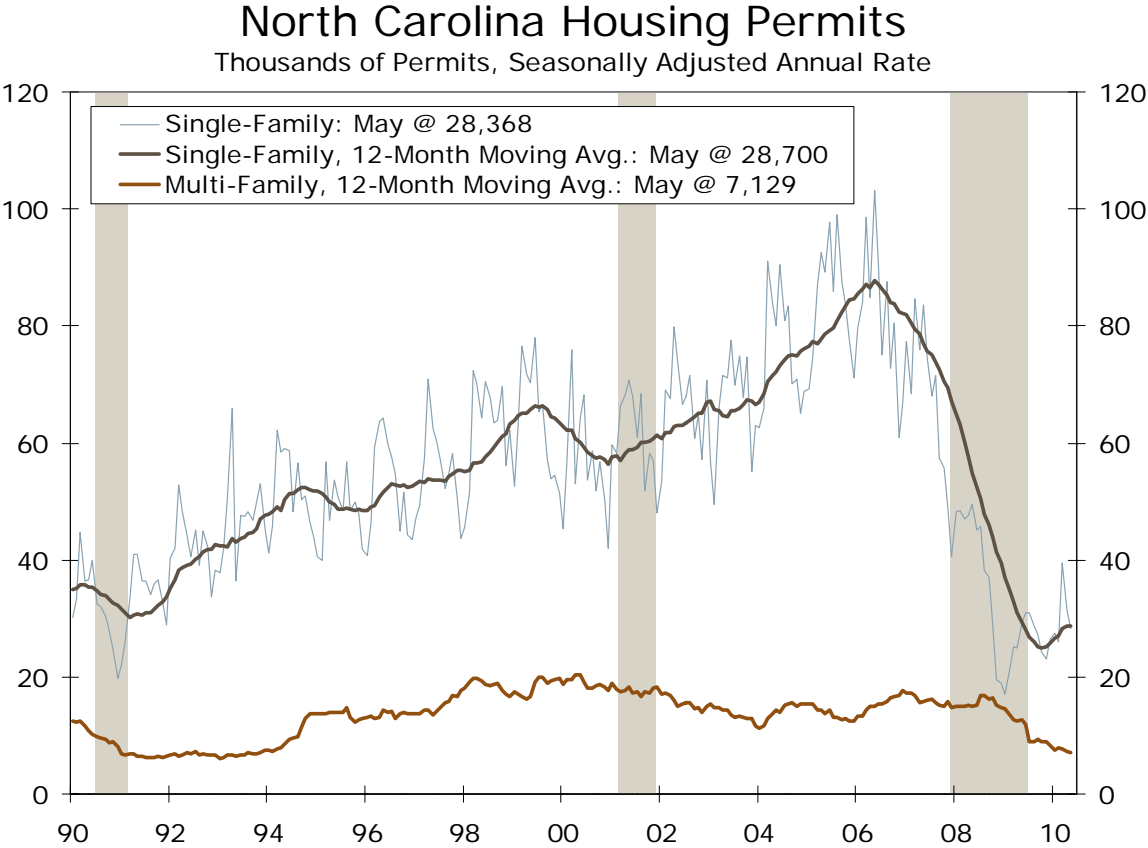
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The unemployment rate hit a new high in February, and has likely topped out



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Building activity will remain slow for the foreseeable future

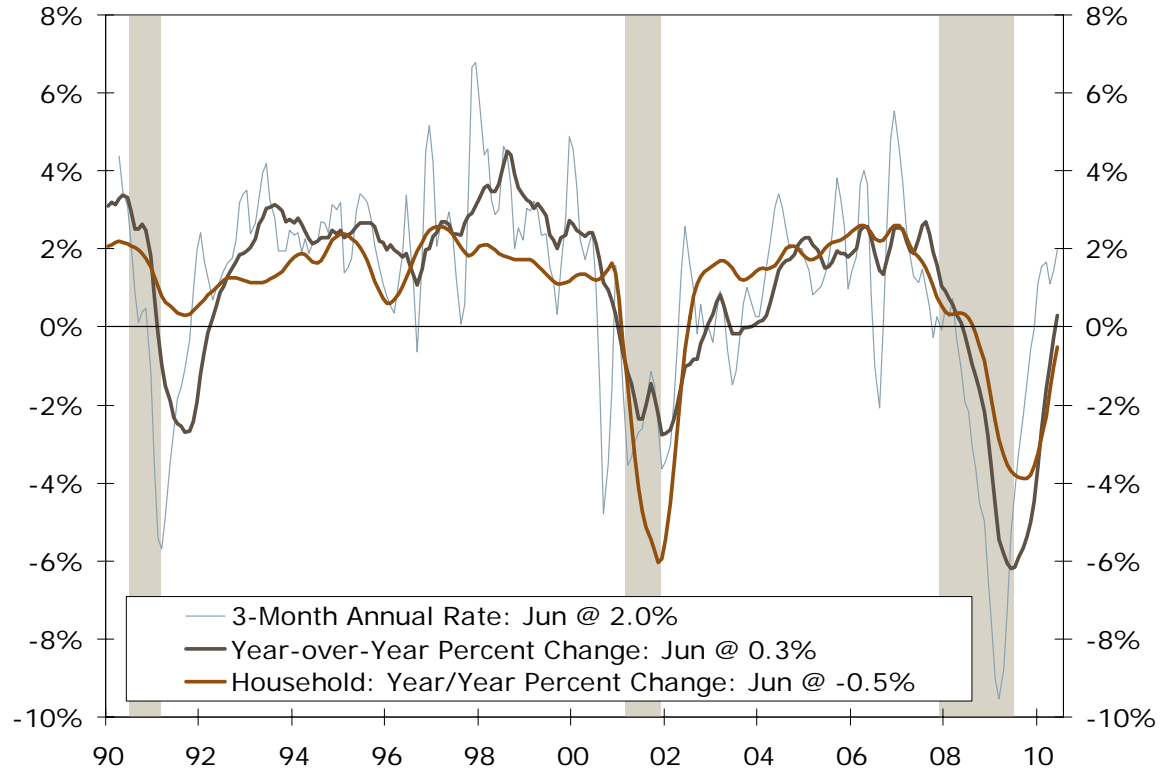


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Employment conditions have improved in recent months

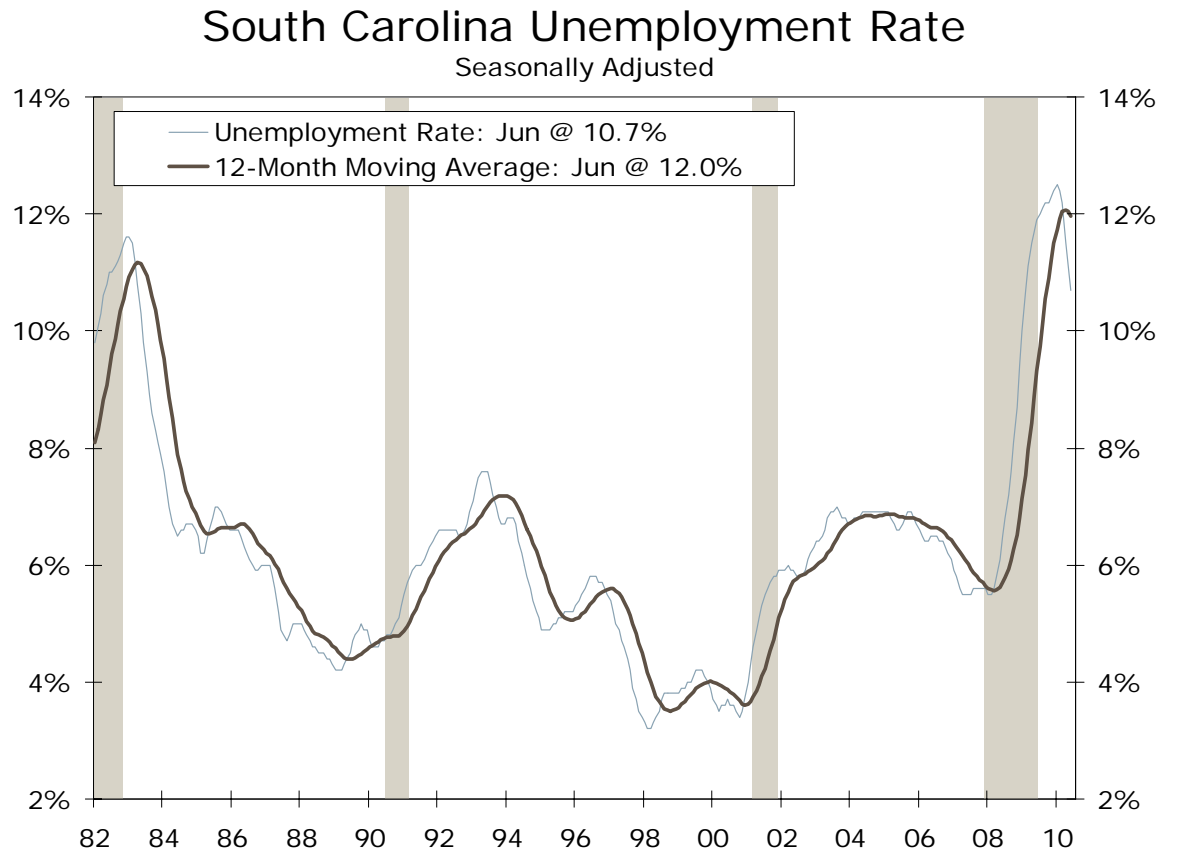
South Carolina Nonfarm Employment

3-Month Moving Averages



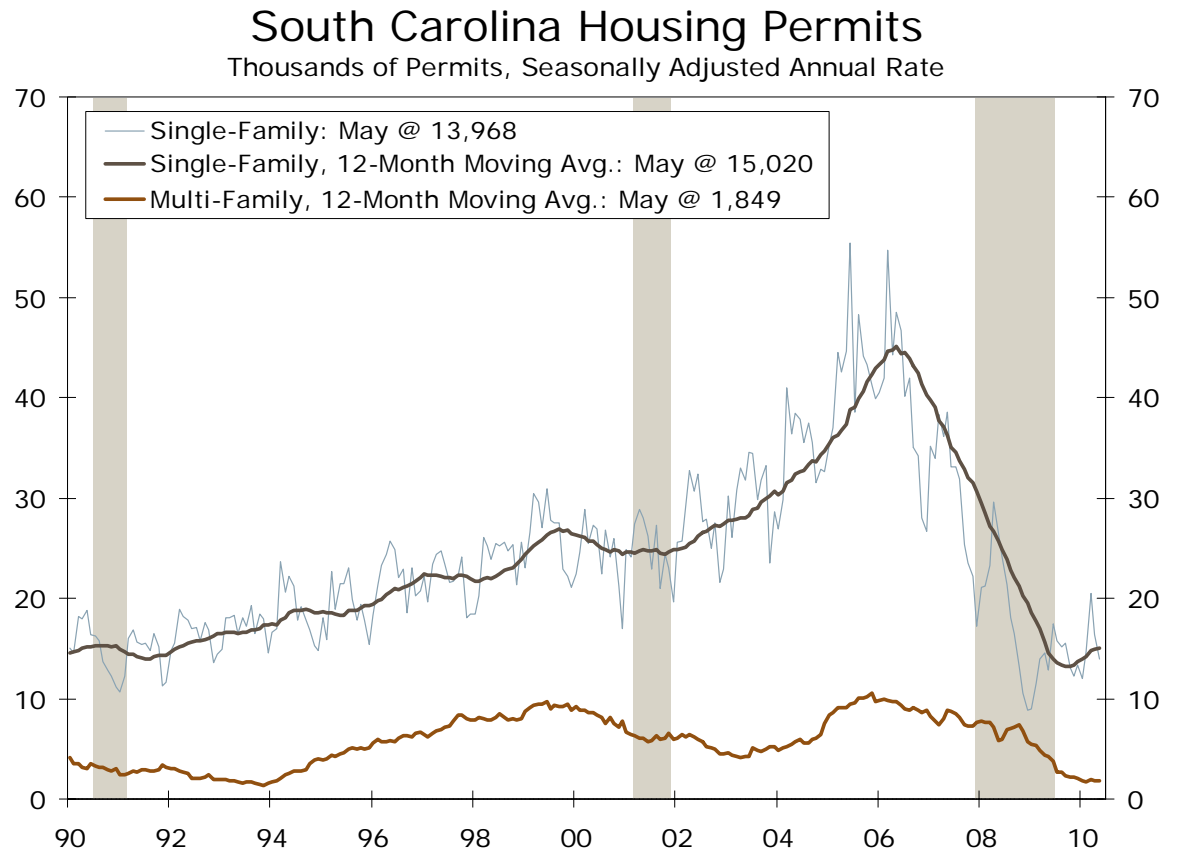
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The unemployment rate has likely peaked



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Housing construction remains
in the doldrums



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Appendix

A Sampling of Our Recent Special, Regional & Industry Commentary

To view any of our past research
please visit:
[http://www.wellsfargo.com/
economics](http://www.wellsfargo.com/economics)

To join any of our research
distribution lists please visit:
[http://www.wellsfargo.com/
economicsemail](http://www.wellsfargo.com/economicsemail)

Recent Special Commentary		
Date	Title	Authors
July-15	Global Chartbook: July 2010	
July-15	New Jersey Economic Outlook: July 2010	Vitner & Khan
July-12	California Economic Outlook: July 2010	Anderson
July-09	Housing Chartbook: July 2010	Vitner & Khan
July-09	What Really Drives Growth in the Industrial Sector?	Bryson & Quinlan
July-02	Florida Economic Outlook: July 2010	Vitner & Kamaruddin
July-02	A Long Recovery for the Arizona Economy	Aleman
June-28	Character of Recovery III: Midyear Assessment	Silvia & Iqbal
June-24	U.K. Announces Major Deficit Reduction Plan	Bryson
June-21	China Reintroduces Currency Flexibility	Bryson
June-08	Credit Quality Monitor: June 2010	Anderson & Kashmarek
June-02	Will Europe Pull Down Asia?	Bryson & Kamaruddin
May-27	Housing Data Wrap-Up: May 2010	Vitner
May-25	Commercial Real Estate Chartbook: Quarter 1	Vitner, Khan & Kamar.
May-21	Mexican GDP Rebounds in First Quarter	Aleman
May-10	European Union Moves to Put Out Greek Fire	Bryson
April-28	North Carolina Outlook	Silvia, York & Whelan
April-20	Character of Recovery II: Differences Persist	Silvia & Iqbal
April-14	Housing Chartbook: April 2010	Vitner & York
April-06	Does Another Debt Crisis Await Argentina?	Aleman
March-23	A Few Brief Comments on Healthcare Reform	Silvia & Vitner
March-16	Reflections on 25 Years Following the U.S. Economy	Vitner
March-10	Treasury Outlook: A Closer Look	Silvia, York & Whelan
March-08	State Finances Poised to Face a Tough Road Ahead	Vitner, Khan & Kamar.

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg Global Head of Research & Economics

- diane.schumaker@wellsfargo.com

John E. Silvia, Ph.D. Chief Economist

- john.silvia@wellsfargo.com

Mark Vitner Senior Economist

- mark.vitner@wellsfargo.com
 - U.S. Macro Economy
 - Real Estate

Jay H. Bryson, Ph.D. Global Economist

- jay.bryson@wellsfargo.com
 - Global Economies

Scott Anderson, Ph.D. Senior Economist

- scott.a.anderson@wellsfargo.com
 - U.S. Macro Economy

Eugenio Aleman, Ph.D. Senior Economist

- eugenio.j.aleman@wellsfargo.com
 - U.S. Macro Economy

Sam Bullard Senior Economist

- sam.bullard@wellsfargo.com
 - U.S. Macro Economy
 - Financial Services

Anika Khan Economist

- anika.khan@wellsfargo.com
 - U.S. Macro Economy
 - Real Estate

Azhar Iqbal Econometrician

- azhar.iqbal@wellsfargo.com
 - Quantitative Macro-Economic Modeling

Ed Kashmarek Economist

- ed.kashmarek@wellsfargo.com
 - U.S. Macro Economy

Tim Quinlan Economist

- tim.quinlan@wellsfargo.com
 - Global Economies
 - Consumer

Kim Whelan Economic Analyst

- kim.whelan@wellsfargo.com
 - U.S. Macro Economy
 - Business Investment

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A, Wells Fargo Advisors, LLC, and Wells Fargo Securities International Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2010 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE