

Weekly — March 11, 2022

Weekly Economic & Financial Commentary

United States: **Intensifying War Pours Some Gas on Price Growth**

- Russia's invasion of Ukraine continues to loom large as the war has intensified. Most data released this week, however, do not capture the market volatility felt since the invasion has taken center stage. The U.S. trade deficit widened to a record \$89.7B in January, while job openings remained elevated and consumer prices continued their string of white-hot gains in February.
- Next week: Retail Sales (Thu), Industrial Production (Thu), Existing Home Sales (Fri)

International: **European Central Bank Signals a Faster Tapering of Bond Purchases**

- The European Central Bank (ECB) sprung something of a surprise at this week's monetary policy announcement, announcing an accelerated tapering of its bond purchases despite uncertainty surrounding the Ukraine conflict. While the ECB took a more hawkish stance on tapering, it did not make significant changes regarding the timing of interest rate increases, in our view. We still believe the ECB is on pace to lift its Deposit Rate 25 bps at its December 2022 meeting.
- Next week: China Activity (Wed), Australia Employment (Thu), BoE Policy Announcement (Thu)

Interest Rate Watch: **Let the Tightening Cycle Commence**

- Despite the uncertainty arising from the Russian invasion of Ukraine, we expect the FOMC to commence monetary tightening with a 25-bp rate hike at next week's meeting. We expect to see a total of 225 bps of tightening between now and the end of 2023.

Credit Market Insights: **Households Are Wealthy, But Drop in Revolving Credit is an Enigma**

- Data this week showed household net worth climbed above \$150T for the first time in Q4 due to attractive opportunities in the stock market and real estate in the pandemic era. In a separate release, January's drop in revolving credit led to a lower-than-expected increase in consumer credit, despite strong spending that month.

Topic of the Week: **Childcare Issues Impact Working Women**

- In celebration of International Women's Day, March 8th, we examined the industry most central to working women: childcare. Childcare is not only the most female-dominated industry but also the one keeping parents with young children, particularly women, out of the workforce.

Wells Fargo U.S. Economic Forecast

	Actual 2021				Forecast 2022				Actual 2020 2021		Forecast 2022 2023	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	6.3	6.7	2.3	7.0	0.8	1.5	2.9	2.7	-3.4	5.7	3.0	2.4
Personal Consumption	11.4	12.0	2.0	3.1	2.5	0.8	1.7	1.7	-3.8	7.9	2.6	1.7
Consumer Price Index ²	1.9	4.8	5.3	6.7	8.0	8.2	7.5	6.3	1.2	4.7	7.5	2.6
"Core" Consumer Price Index ²	1.4	3.7	4.1	5.0	6.3	5.8	5.7	5.2	1.7	3.6	5.8	3.2
Quarter-End Interest Rates ³												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.00	1.50	1.75	0.50	0.25	1.19	2.31
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.80	3.95	4.00	4.05	3.12	2.95	3.95	4.18
10 Year Note	1.74	1.45	1.52	1.52	1.95	2.10	2.20	2.25	0.89	1.45	2.13	2.38

Forecast as of: March 11, 2022

¹ Compound Annual Growth Rate Quarter-over-Quarter² Year-over-Year Percentage Change³ Annual Numbers Represent Average

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](#) and our updated [Consumer Dashboard](#) and [Pressure Gauge](#).

U.S. Review

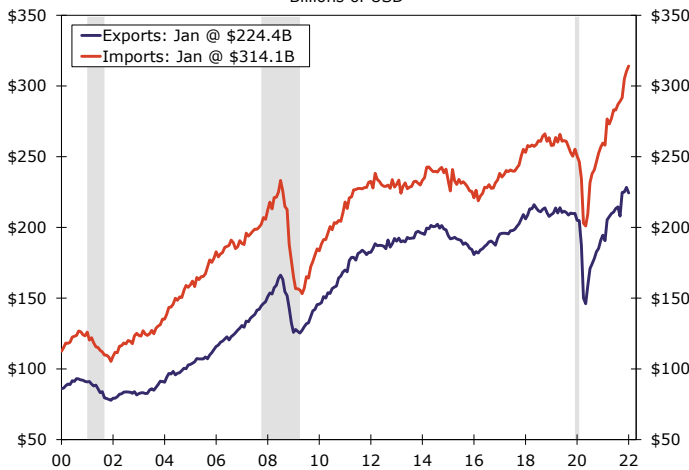
Intensifying War Pours Some Gas on Price Growth

Russia's invasion of Ukraine continues to loom large as the war has intensified. Since last week, Western countries have added further sanctions on Russia, including a U.S. ban on Russian oil and energy imports. The full degree to which the war will affect the broader U.S. economy remains to be seen, and it is difficult to foresee how the crisis on the ground will evolve in the coming weeks. Please see our recently published [U.S. Economic Outlook](#) for a detailed breakdown of our expectations for economic growth with the war in mind.

As for this week's economic releases, most of the data do not capture the market volatility felt since the invasion has taken center stage. Kicking off the week, we got a fresh look at U.S. trade flows. The trade deficit widened to a record-breaking \$89.7 billion in January, as exports came in weaker than imports at the start of the year. The general strength in imports over the past year reflects the relative outperformance of the U.S. economy during the pandemic era, as domestic consumer demand has largely been resilient even in the face of quickly rising prices. On the export side, the Omicron wave and ongoing supply chain disruptions weighed on manufacturing output in January and likely weakened export demand from abroad. The indirect effects from the war on European economies will likely weigh on overall export growth this year, suggesting we're still some time away from seeing any normalization in exports that steadies the trade gap.

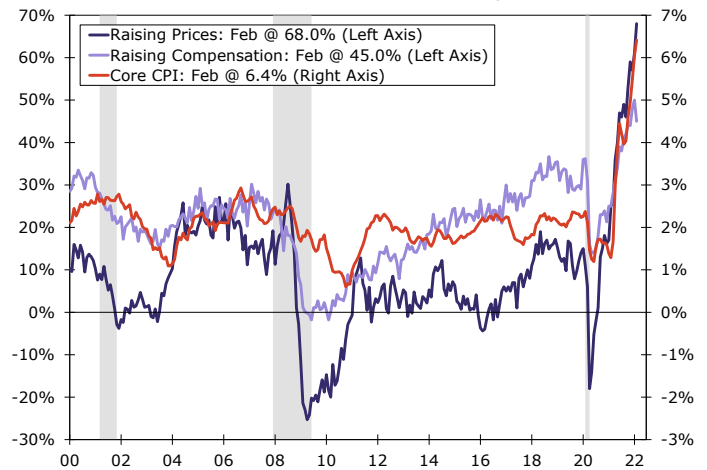
Domestically, the January JOLTS report showed the labor market remains exceptionally tight. Job openings fell slightly to 11.3 million during the month (after factoring in upward revisions to previous months' data), and the quits rate receded to 2.8%. While job openings have steadied in recent months, their elevated level suggests that labor demand is quite robust, which squares with the solid rate of employment growth seen since the start of the year. That said, the hiring process has remained a struggle for many businesses. In a separate release from the National Federation of Independent Businesses, 48% of small business owners reported having at least one job opening they could not fill in February, just a few points off last September's record high of 51%. We expect labor supply to improve further in the coming months, but not quick enough to quell elevated wage growth.

U.S. Exports & Imports
Billions of USD



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

Firms Raising Prices & Compensation vs. Core CPI
Core CPI: Year-over-Year Percent Change



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

Firms have largely been able to pass on higher labor and input costs by raising their prices. The share of small business owners raising average selling prices rose seven points to 68% in February, a 48-year record high. The jump mirrors the white-hot 0.8% monthly gain in February's CPI, which brought the year-over-year rate of consumer prices to 7.9%—the highest in 40 years. The drivers of the headline gain came in as expected, with food, energy and core services prices picking up, while core goods prices moderated. All eyes are on gasoline prices, which increased 6.6% over the month, as the war in Ukraine has sent the price of oil skyrocketing. Consumers are not just feeling pain at the pump. Grocery prices advanced 1.4% over the month, while higher home prices and rents supported a solid gain in shelter

inflation. Ultimately, we expect energy prices to continue their sharp ascent in the coming weeks and believe that inflation's peak is heavily dependent on the path of oil.

With hotter inflation and higher interest rates on the horizon, real consumer spending is set to moderate this year. We do not, however, believe that spending will completely crater as household balance sheets are generally in good shape. Recent data from the Federal Reserve Board show that the household debt-to-income ratio was 100.8% in Q4-2021, which is manageable relative to the past cycle. Furthermore, the household savings rate, which dropped to 6.4% in January, down from a pandemic peak of 33.8% in April 2020, has scope to recede further in the coming months to help support spending amid higher prices and slowing real income growth. All this being said, consumers are really feeling the pressure. Consumer sentiment as tracked by the University of Michigan fell 3.1 points to 59.7 in March—the lowest since mid-2011. Deteriorating assessments of future conditions amid rising inflation expectations drove most of the decline. Looking ahead, we expect consumption to pull back in the coming quarters amid weaker economic growth. ([Return to Summary](#))

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
15-Mar	PPI Final Demand (MoM)	Feb	0.9%	0.9%	1.0%
15-Mar	PPI Final Demand (YoY)	Feb	10.0%	10.0%	9.7%
16-Mar	Retail Sales (MoM)	Feb	0.4%	0.4%	3.8%
16-Mar	FOMC Rate Decision (Upper Bound)	17-Mar	0.50%	0.50%	0.25%
17-Mar	Housing Starts (SAAR)	Feb	1,699K	1,718K	1,638K
17-Mar	Industrial Production (MoM)	Feb	0.5%	0.5%	1.4%
18-Mar	Existing Home Sales (SAAR)	Feb	6.18M	6.17M	6.50M
18-Mar	Leading Index (MoM)	Feb	0.3%	0.3%	-0.3%

Forecast as of March 11, 2022

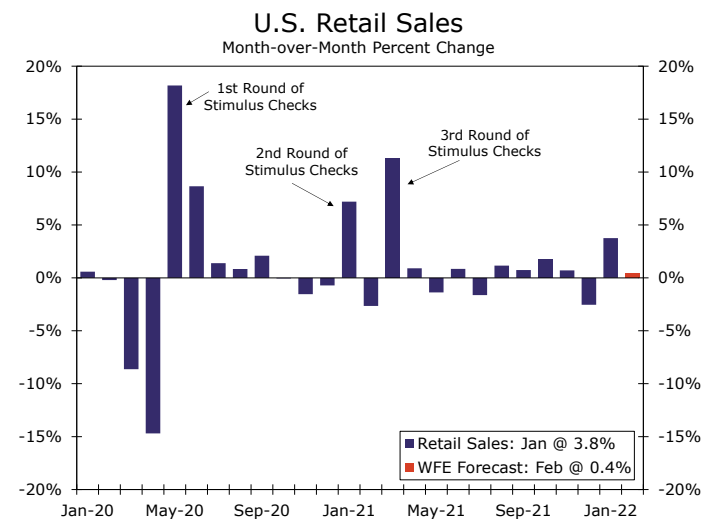
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Retail Sales • Wednesday

Retail sales handily beat expectations at the start of the year, with retailers seeing their best month of sales in January since stimulus payments went out in March of last year. The same likely won't be said for February.

We forecast retail sales rose just 0.4% last month, and worse, that gain will likely be entirely due to higher prices. While the BEA only reports sales in nominal dollars, after adjusting for higher consumer prices during the month, this suggests *real* spending at retailers was negative. Consumer prices rose 0.8% last month, according to the consumer price index, with goods prices up 1.3%. Admittedly, higher food and energy provided much of the lift to goods prices, with core goods prices up "only" 0.4%. Still, higher prices for food and gas means fewer dollars left to be spent at other retailers.

The underlying details of the retail sales report should be pretty grim when data is released Wednesday. The highest inflation in 40 years has been a risk on our radar for spending and will likely be exacerbated in coming months as oil and food prices remain sky-high due to the invasion of Ukraine. Given recent developments, we've [downwardly revised](#) our expectations for consumer spending this year.



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

Industrial Production • Thursday

Producers continue to have trouble finding the adequate amount of labor and material needed to produce product and meet demand. This is clear from the February ISM report on manufacturing, [high-frequency data](#) on supply chains and anecdotal comments from business owners and clients. Bottlenecks have improved somewhat as goods demand has cooled and suppliers have been able to catch their breath, but Russia's invasion of Ukraine threatens to throw a new wrench in the works of that progress.

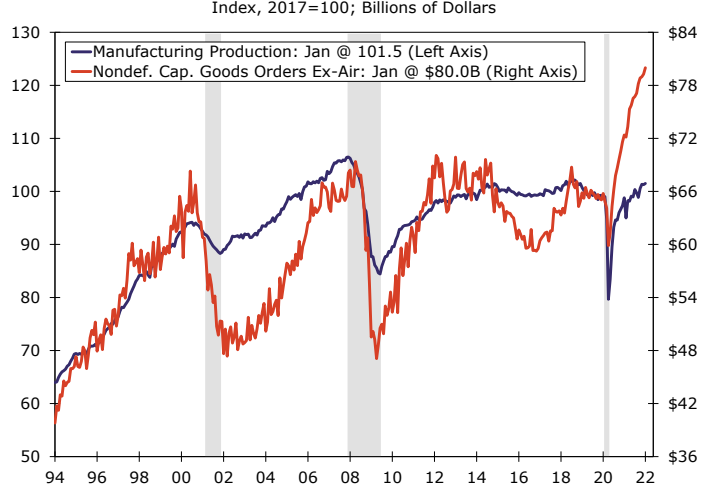
Overall, we expect industrial production continued to improve in February, rising 0.5% during the month. Unlike January, where overall production was boosted by a nearly 10% jump in utilities output, we expect the drivers of production were more balanced last month. Colder-than-average weather across the middle of the country in February may have remained supportive of utilities output, but we expect manufacturing activity, which represents a larger portion of total production, also improved. The ISM manufacturing report for February showed an improvement in the pace of production, signaling increased ability to produce despite ongoing issues with supply. Manufacturers should continue to experience solid demand that is partly transitioning from being driven by demand from the end-consumer to businesses needing to replenish low levels of inventory. Furthermore, elevated levels of unfilled orders are keeping the production pipeline full and will keep manufacturers busy as they obtain supply.

Existing Home Sales • Friday

The housing market remains red-hot, perhaps best exhibited by the mere 19 days the average home remained on the market in January. This is due to both rapid demand for homes from individuals and investors and the little amount of inventory of existing homes available for sale. At the current sales pace through January, there was just a 1.6-month supply of existing homes available for sale, which marks a record low. Given the low availability, it's of no surprise that home prices remain quite elevated.

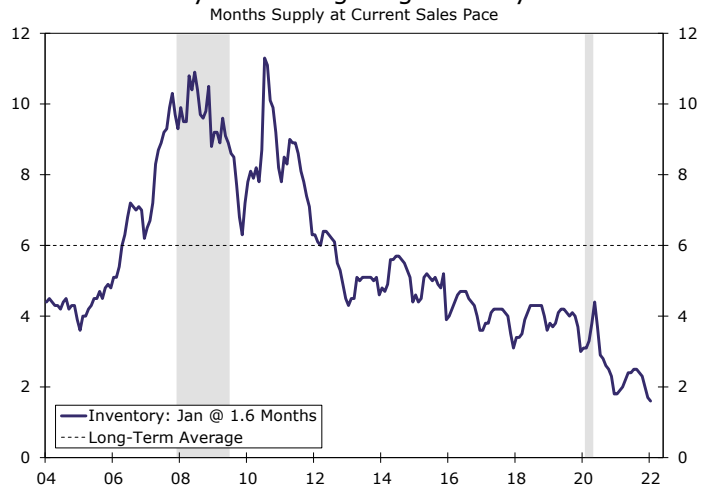
We expect existing home sales slid modestly in February and forecast a 6.17M-unit pace, down from 6.50M in January. The same dynamics of low supply and high demand will likely be evident in the report. The sales price of existing homes likely continued to march higher last month and affordability concerns are being amplified by the upward move in mortgage rates since the start of the year. In January, we saw buyers rush to close sales on homes ahead of rising mortgage rates, and perhaps similar dynamics will be evident in the February data. But even with rising costs associated with homeownership, demographics remain quite favorable for the housing market, which should remain supportive of demand this year. ([Return to Summary](#))

Manufacturing Production vs. Core Capital Spending



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

Inventory of Existing Single-Family Homes



Source: NAR and Wells Fargo Economics

International Review

European Central Bank Signals a Faster Tapering of Bond Purchases

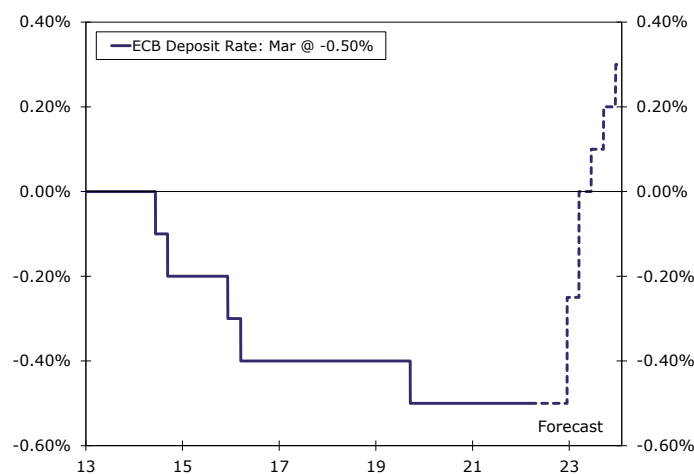
The European Central Bank (ECB) sprung something of a surprise at this week's monetary policy announcement, in announcing an accelerated tapering of its bond purchases despite uncertainty surrounding the Ukraine conflict. Among the key aspects of the announcement, the ECB:

- kept its benchmark interest rates unchanged, including maintaining its Deposit Rate at -0.50%.
- confirmed it would complete its Pandemic Emergency Purchase Programme this month.
- **most significantly, indicated an accelerated pace of tapering under its Asset Purchase Programme (APP). The ECB signaled net APP purchases of €40 billion for April, €30 billion for May, and €20 billion for June.** The ECB also indicated it stands ready to revise its schedule for purchases, in what we interpret as an acknowledgement of Ukraine-related uncertainty.
- adjusted its interest rate guidance in what we perceive as a combination of a less dovish and more flexible direction. The central bank removed a pledge to maintain its policy interest rates at present or lower levels. However, the ECB also said adjustments to key ECB interest rates will occur *some time* after the end of net asset purchases, and will be gradual, in contrast to its prior pledge to begin raising interest rates *shortly* after it ends the asset purchase programme. That guidance arguably gives the ECB more flexibility regarding the timing of interest rate increases.

The ECB also made some significant changes to its economic projections. The central bank raised its 2022 CPI inflation forecast to 5.1% (from 3.2% previously) and raised its core CPI forecast for this year to 2.6%. While inflation is expected to recede in 2023 and 2024, those forecasts also edged higher, and CPI is expected to drop toward 2% over time. ECB President Lagarde also said the Ukraine conflict is a substantial upside risk to the inflation outlook. Meanwhile, the ECB's GDP growth projection for 2022 was lowered to 3.7% from 4.2% previously, with the growth outlook for 2023 and 2024 little changed.

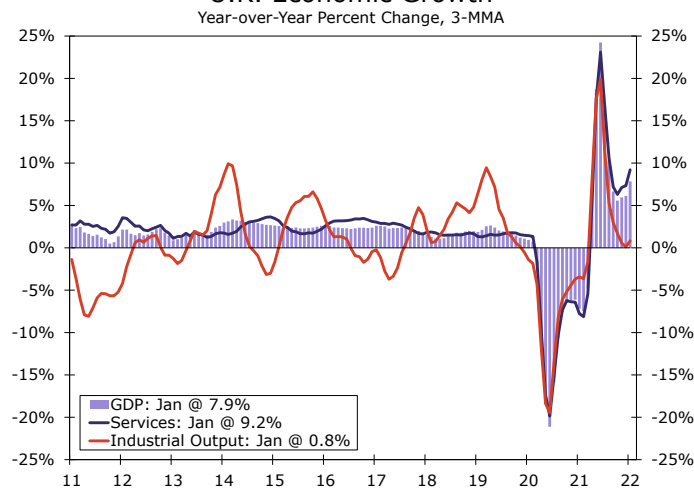
We had expected the ECB to announce an accelerated tapering at this week's announcement, although the wind down of its bond purchases was more aggressive than we had expected. Altogether, **the decision leaves our ECB monetary policy outlook very much on course.** We expect the ECB to end its asset purchases during or by the end of Q3, something ECB President Lagarde indicated in the post-meeting press conference. And the contours of the ECB's monetary policy approach leaves the **central bank on course, in our view, to deliver an initial 25-bp Deposit Rate hike at its December 2022 monetary policy meeting.**

ECB Deposit Rate



Source: Datastream and Wells Fargo Economics

U.K. Economic Growth



Source: Datastream and Wells Fargo Economics

Sturdy Showing From the U.K. Economy in Early 2022

U.K. January GDP figures showed the economy starting this year on a sturdy footing. GDP jumped 0.8% month-over-month, much more than expected and more than reversing the 0.2% decline seen in December. The increase puts the size of the U.K. economy back above pre-pandemic levels. Service sector activity rose 0.8%, including gains in wholesale and retail activity of 2.5%, and accommodation and food services activity of 3.0%. Elsewhere, industrial output rose 0.7%. More recent figures, including a gain in the February services PMI to 60.5, suggest U.K. activity could remain quite strong for the immediate period ahead. That said, the U.K. economic outlook remains somewhat uncertain, with higher energy prices likely to weigh on consumer purchasing power going forward, and also with uncertainties surrounding the Russia/Ukraine conflict.

In Latin America, CPI figures for February pointed to persistent inflation pressures. Mexico's February CPI quickened to 7.28% year-over-year, while the core CPI quickened to 6.59%, with larger increases for food, good and services prices all contributing to the acceleration. Given the more recent rise in oil prices, CPI inflation appears likely to quicken further in March. Against this backdrop, we expect another 50-bp policy rate increase from Mexico's central bank, to 6.50%, at the March monetary policy meeting. In Brazil, the February CPI also firmed, albeit slightly to 10.54% year-over-year. We expect Brazil's central bank to raise its Selic Rate by 100 bps to 11.75% at next week's monetary policy announcement, a smaller increase than at its prior meeting, while we also see the pace of monetary tightening slowing even more as 2022 progresses. [\(Return to Summary\)](#)

International Outlook

Weekly International Indicator Forecasts					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
14-Mar	China Retail Sales YTD YoY	Feb	3.0%	--	--
14-Mar	China Industrial Production YTD YoY	Feb	4.0%	--	--
16-Mar	Australia Employment Change	Feb	40.0K	--	12.9K
16-Mar	Australia Unemployment Rate	Feb	4.1%	--	4.2%
17-Mar	Bank of England Bank Rate Decision	17-Mar	0.75%	0.75%	0.50%

Forecast as of March 11, 2022

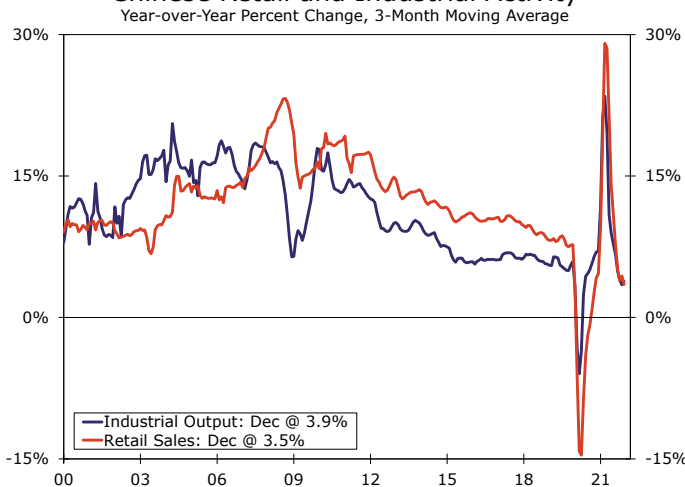
Source: Bloomberg Finance L.P. and Wells Fargo Economics

China Retail Sales and Industrial Output • Wednesday

China releases retail sales and industrial output figures covering the January-February period next week, which will be the first significant hard activity data to offer insight to how the economy is performing in 2022. Chinese authorities continue to pursue a COVID-zero policy with stringent restrictions amid a renewed outbreak of cases early this year, which will likely restrain activity to some extent. The challenges faced by China early this year have been clearly reflected in China's services PMI, which fell to 51.1 in January before showing improvement to 51.6 in February. To the extent China's economy is enjoying any improvement in 2022, for now we expect that to remain a relatively gradual and uneven process.

The consensus forecast is for that trend of gradual improvement to also be reflected in retail sales and industrial output data. For the January-February period, retail sales are expected to rise 3.0% year-over-year, which would be a stronger gain than December but below the growth rates that generally prevailed late last year. Industrial output should be somewhat firmer, with the forecast 4.0% gain broadly in line with the pace of growth during the latter part of 2021.

Chinese Retail and Industrial Activity

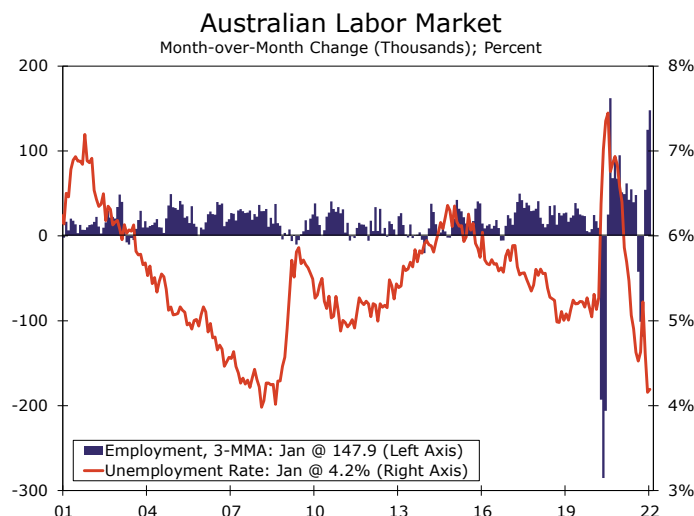


Source: Datastream and Wells Fargo Economics

Australia Employment • Thursday

Australia's economy has rebounded solidly since late 2021, even with a brief stutter surrounding a renewed surge in COVID cases from the Omicron variant. Q4 GDP rose 3.4% quarter-over-quarter; whereas in more recent data, February business sentiment and the February PMIs both strengthened.

This consensus forecast is for this trend of solid improvement to also be reflected in February employment report. In January, the Australian employment report rose by 12,900, still a decent gain considering the large increases seen in prior months. For February, economists expect a larger 40,000 gain in employment. Within the details, we expect a rise in both full-time employment and part-time employment during the month. The consensus forecast is also for the unemployment rate to tick lower to 4.1%. If the Australian economy continues to show steady gains, we expect the Reserve Bank of Australia to eventually respond to those improving trends, and forecast an initial policy rate increase in November this year.

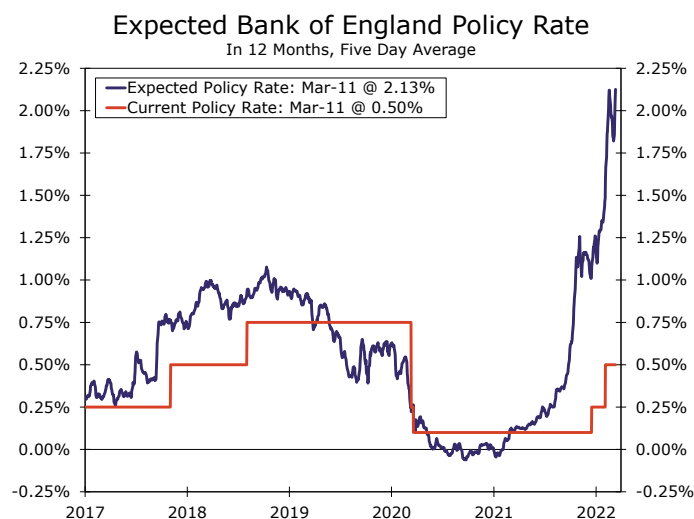


Source: Datastream and Wells Fargo Economics

Bank of England Policy Announcement • Thursday

The Bank of England heads into next week's monetary policy announcement against a backdrop of elevated—and accelerating—inflation, as well as improving economic growth trends, though the outlook is still uncertain. The U.K. January CPI quickened to 5.5% year-over-year and, given looming electricity price increases and a subsequent rise in oil prices likely to accelerate significantly further in the months ahead. With respect to economic growth, data from early 2022 also show improvement in the February services PMI and January GDP, though higher energy prices could weigh on consumer purchasing power and spending in the months ahead.

Still, faced with a dilemma of uncomfortably high inflation and uncertain growth, central banks (including the Bank of England) have generally remained focused on inflation concerns in 2022. We, along with the consensus, believe that will be the case again next week and forecast another 25-bp policy rate increase, to 0.75%. Beyond that, we see another 25-bp rate hike in May, before the pace of tightening slows with 25-bp increases also anticipated for the August and November meetings, which would see the Bank of England's policy rate finish 2022 at 1.50%. ([Return to Summary](#))



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

Interest Rate Watch Let the Tightening Cycle Commence

The fallout from Russia's invasion of Ukraine has added additional uncertainty to the U.S. economy's outlook. However, we still look for the FOMC to raise the fed funds rate 25 bps at the conclusion of its March meeting on Wednesday.

The economic ramifications of the conflict put the Fed in an even tougher position when it comes to driving inflation lower without tipping an already slowing economy into a recession. As we discuss in our March [U.S. Economic Outlook](#), we expect inflation to rise further from here, with the headline PCE deflator averaging 6.6% in Q2. The steep rise in commodity prices piles on to what is already a challenging price environment for consumers and businesses, and is set to crimp real spending in the months ahead. At the beginning of February, we forecasted GDP was on track to grow around 3.4% this year, but the negative impact on activity is expected to be manageable. In contrast, both headline and core inflation look increasingly difficult to rein in.

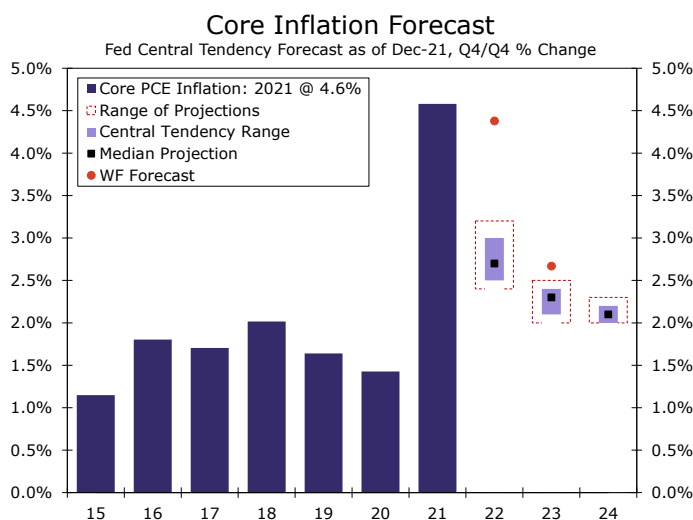
With growth set to slow more quickly, the prospect of a 50-bp hike seems less likely, particularly at the upcoming March meeting. It is equally unlikely, in our view, that the FOMC holds off on tightening altogether next week. Chair Powell in testimony to Congress after Russia invaded Ukraine noted he was inclined to raise the fed funds rate 25 bps at the March meeting. Since then, inflation has continued to come in strong, with the CPI rising 0.8% in February, but the magnitude and drivers were more or less in line with expectations.

New economic projections from FOMC members will be released following the meeting and will help shed light on how the Committee expects to balance current pressures on growth, inflation and a labor market recovery that continues to surpass expectations. We expect to see expectations for GDP growth revised down but still indicate above-trend growth. Revisions to unemployment rate projections should be minimal.

Inflation estimates among FOMC participants, however, are likely to be substantially higher ([see chart](#)). The Fed's typical playbook for a commodity shock, which is to look through the impact to food and energy on headline inflation and instead focus on the core, still applies. But that leaves the Fed nevertheless staring at inflation well above target, and inflation expectations at greater risk of becoming unanchored, given the influence of energy and food prices on consumers' views of future price growth.

With core inflation expected to be further above the FOMC's target, and the labor market and growth outlook far from weak, we suspect the dot plot will show the median number of 25-bp rate hikes in 2022 rising from three to at least four, and even more likely in our view, five 25-bp hikes. For 2023, we expect the dot plot to show four additional hikes, for a total of 225 bps of tightening between now and the end of next year—more than the roughly 175 bps markets currently have priced in.

FOMC members have signaled they would like to get a few rate hikes under their belt before reducing the balance sheet, so we do not expect any changes to the balance sheet policy at this meeting. But with inflation elevated and the yield curve flattening, we would not be surprised for the FOMC announce plans to reduce its balance sheet as early as its June 14-15 meeting. ([Return to Summary](#))



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



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

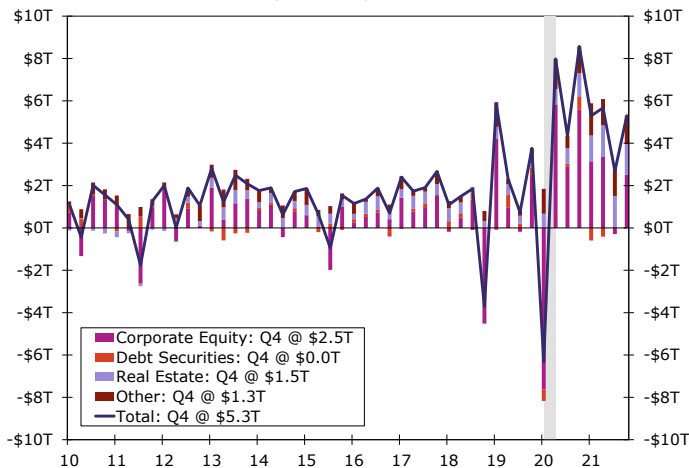
Credit Market Insights

Households Are Wealthy, But Drop in Revolving Credit is an Enigma

Data from the Federal Reserve this week showed household net worth climbed above \$150T for the first time as it increased \$5.3T in Q4-2021. Throughout the pandemic, households have seen their wealth blossom due to attractive opportunities in the stock market as well as real estate, both of which were the primary drivers in Q4 (see chart). Since Q4-2019, net worth has risen \$33.5T, and corporate equities are responsible for almost half of that increase, while real estate makes up a little over a fourth. The accumulation in net worth was also accompanied by a rise in debt. For the nonfinancial sector, the federal government debt led the increase, expanding \$665B over the quarter, while household debt was the second-highest contributor, rising a little over half of that at \$49B. Household debt can be broken into three main categories: home mortgages, consumer credit and other. While home mortgages was mainly responsible for the uptick and makes up around two-thirds of total household debt, consumer credit rose to \$4.4T, marking a \$337B increase from the low hit in Q2-2020. In Q4, it grew at a 6.9% annualized pace.

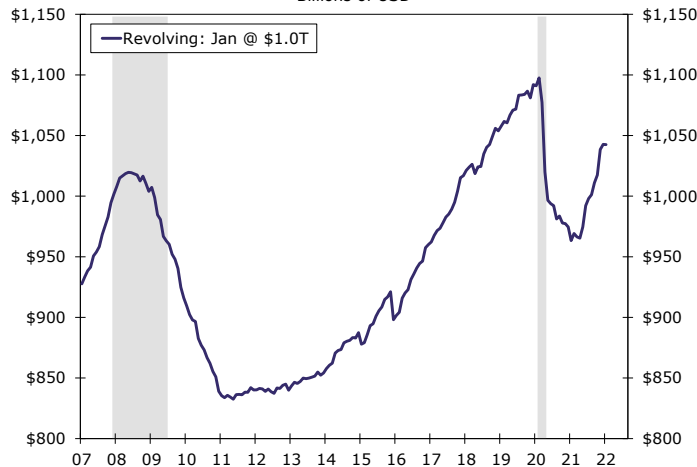
The strong expansion of consumer credit in the last quarter of 2021 was not incredibly surprising, given consumer credit has recently been driven by a comeback in revolving credit, which is mostly linked to credit card spending (see chart). This has occurred both out of necessity, as consumers have had to begin to take on debt again with the end of fiscal stimulus as well as opportunity as the services' economy continues to recover. However, in other news this week, we learned that consumer credit in January surprised to the downside, only rising \$6.8B, while the consensus was preparing for an \$24.3B increase. The pullback came as revolving credit experienced its first decline since April 2021 and dropped \$0.2B. While revolving credit for December was revised up to a \$4.3B increase, more than twice its original estimate, this development stands out as a question mark considering the strong consumer spending in January. Retail sales rose 3.8% in January, while personal spending rose 2.1% over the month. With these measures in sync that spending was robust, and personal income flat in the first month of 2022, it is no question that consensus estimates were so off. This is especially true given that consumers are faced with the highest inflation in four decades. Perhaps consumers are still just "feeling richer" based on the aforementioned rise in wealth over the past two years, or are escaping taking on credit due to stashed away excess savings. Regardless, this enigma of consumers spending full throttle despite declining disposable income is worth watching in the near term. ([Return to Summary](#))

Changes in Net Worth: Households & Nonprofit Orgs.
Changes in Unadjusted Level



Source: Federal Reserve Board and Wells Fargo Economics

Revolving Consumer Credit
Billions of USD



Source: Federal Reserve Board and Wells Fargo Economics

Topic of the Week

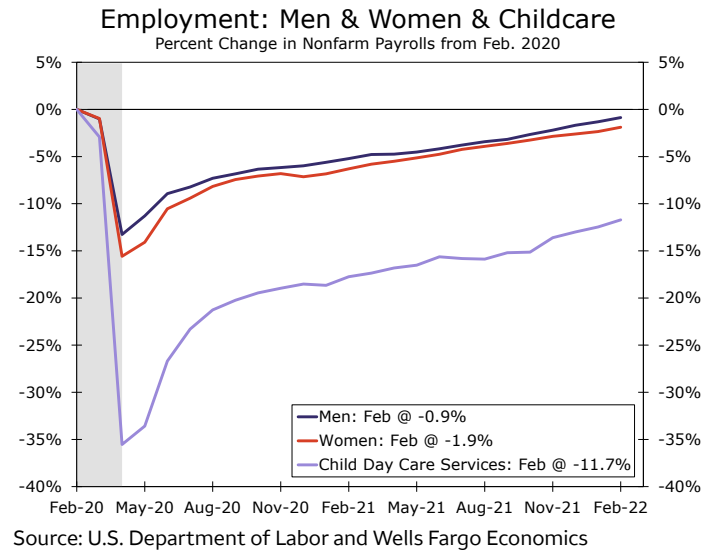
Childcare Issues Impact Working Women

Tuesday, March 8th was International Women's Day. In celebration of women in the workplace, we examined the industry most central to working women: childcare. Women account for 96% of employment at daycares, making it the most female-dominated industry overall. The childcare industry is pivotal in supporting women's labor force participation more broadly. The struggles currently going on in the childcare industry are making hiring more difficult and expensive for all industries, and the structural issues around childcare will continue to impact women in the workplace for the foreseeable future.

The childcare industry was hit particularly hard at the onset of the COVID-19 pandemic, as total employment in the sector declined more than twice the degree as total employment at the trough in April 2020. While this decline makes sense in the context of workplace closures and concerns about COVID in such close quarters, the recovery has been stunted even as businesses open up again and people return to work. The slower return of jobs in the daycare industry has a multiplicative effect; each additional childcare worker could take anywhere from four infants to 10 pre-kindergarteners under their care. These missing workers could contribute to close to half-a-million families without childcare spots at traditional daycare centers or homes.

Strict caregiver ratios make childcare labor-intensive with limited ways to boost productivity. As a result, the cost of childcare is crippling for working parents, while caregivers in the industry are typically low paid. For a working couple with two children, or a single working mother, the average cost of daycare equates to about a quarter of household income, equivalent to taking on a second mortgage. On the other hand, at an annual average salary of \$25,060, childcare workers make less than half the annual average wage and face competition from higher paying jobs in elementary education, and increasingly retail and transportation and warehousing.

Labor shortages lead to longer waiting lists at daycares, which translates to more parents, predominantly women, leaving the labor force for lack of viable childcare options. If mothers of children under 6 were able to participate in the labor force at the same rate of mothers of school-age children, approximately one million more women would be in the labor force. For more information, please see our [special report](#) on childcare. ([Return to Summary](#))



Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 3/11/2022	1 Week Ago	1 Year Ago
SOFR	0.05	0.05	0.02
3-Month LIBOR	0.75	0.52	0.18
3-Month T-Bill	0.38	0.31	0.03
1-Year Treasury	1.23	1.15	0.05
2-Year Treasury	1.74	1.48	0.14
5-Year Treasury	1.95	1.64	0.79
10-Year Treasury	2.02	1.73	1.54
30-Year Treasury	2.39	2.16	2.29
Bond Buyer Index	2.33	2.53	2.35

Foreign Exchange Rates

	Friday 3/11/2022	1 Week Ago	1 Year Ago
Euro (\$/€)	1.102	1.093	1.199
British Pound (\$/£)	1.311	1.323	1.399
British Pound (£/€)	0.841	0.826	0.857
Japanese Yen (¥/\$)	116.940	114.820	108.510
Canadian Dollar (C\$/)\$)	1.276	1.273	1.253
Swiss Franc (CHF/\$)	0.931	0.917	0.924
Australian Dollar (US\$/A\$)	0.733	0.737	0.779
Mexican Peso (MXN/\$)	20.895	20.950	20.605
Chinese Yuan (CNY/\$)	6.334	6.320	6.494
Indian Rupee (INR/\$)	76.594	76.168	72.915
Brazilian Real (BRL/\$)	4.989	5.065	5.540
U.S. Dollar Index	98.428	98.648	91.420

Foreign Interest Rates

	Friday 3/11/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	1.00	0.87	0.08
3-Month Canada Banker's Acceptance	1.04	1.00	0.44
3-Month Yen LIBOR	-0.01	-0.01	-0.09
2-Year German	-0.35	-0.73	-0.69
2-Year U.K.	1.38	1.06	0.08
2-Year Canadian	1.57	1.38	0.25
2-Year Japanese	-0.03	-0.03	-0.11
10-Year German	0.31	-0.07	-0.33
10-Year U.K.	1.55	1.21	0.74
10-Year Canadian	1.95	1.67	1.44
10-Year Japanese	0.19	0.16	0.10

Commodity Prices

	Friday 3/11/2022	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	107.70	115.68	66.02
Brent Crude (\$/Barrel)	111.19	118.11	69.63
Gold (\$/Ounce)	1971.39	1970.70	1722.60
Hot-Rolled Steel (\$/S.Ton)	1540.00	1400.00	1324.00
Copper (¢/Pound)	466.50	493.30	414.25
Soybeans (\$/Bushel)	16.91	16.66	14.12
Natural Gas (\$/MMBTU)	4.69	5.02	2.67
Nickel (\$/Metric Ton)	48,241	27,582	16,000
CRB Spot Inds.	670.82	660.71	562.29

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

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