WELLS FARGO

Agri-Food Institute

Economic Update

A banking perspective on Forest Products

November 2025

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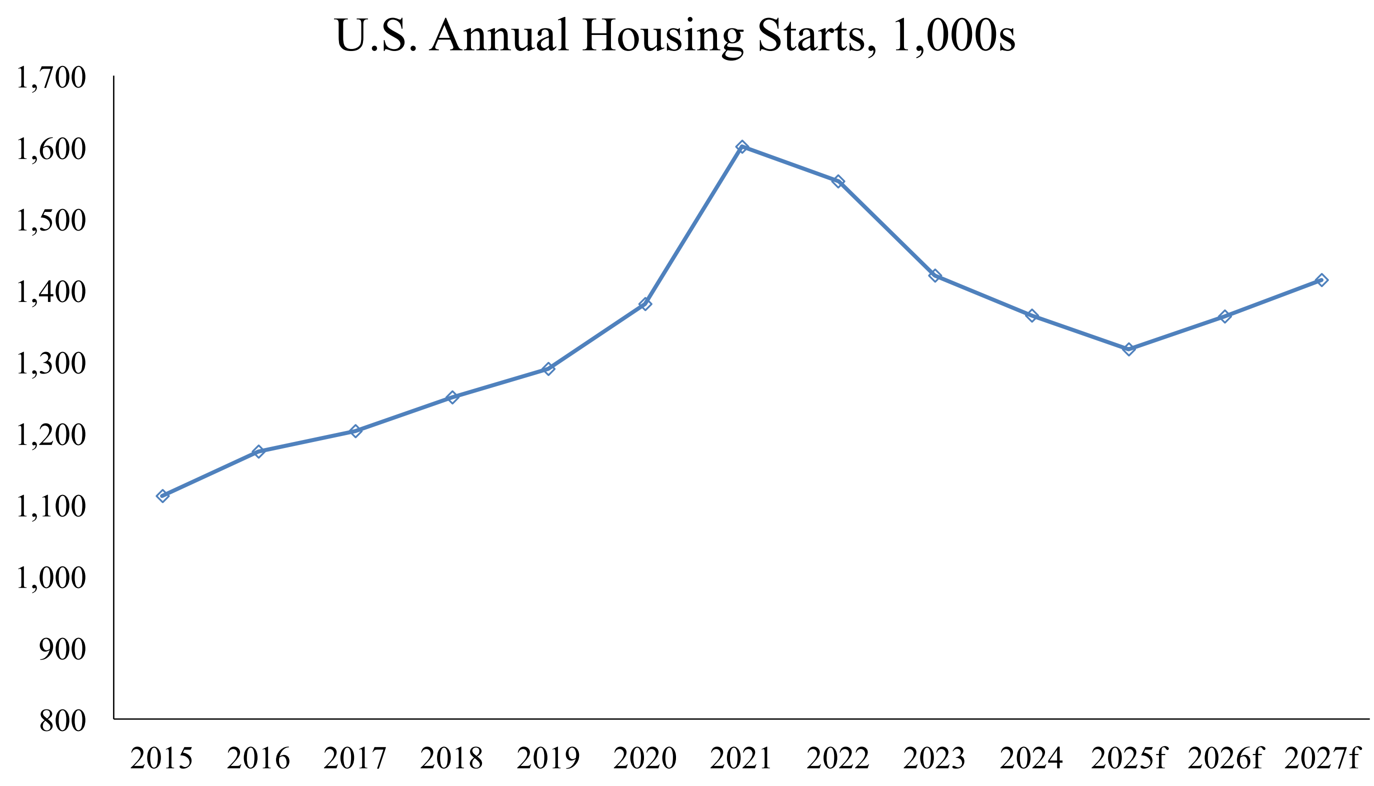
Key economic trends impacting forest products

- Housing starts
  - 2025 still under pressure, 2026 may see a rebound[1]
  - Affordability?
- Repair and remodel demand
  - Expenditures have been resilient and are expected to grow[2]
- Interest rates
  - Expected decline in 30-year conventional mortgage rates[1]
  - Enough to spur demand?
- Lumber prices and production
  - Persistent price trough impacts mills
  - Production declines as mills curtail and/or close
- Other trends
  - Relative financial performance by sub-sector

Sources: [1]Wells Fargo Economics Group, October 15, 2025; [2]Joint Center of Housing Studies (JCHS) Harvard LIRA October 16, 2025

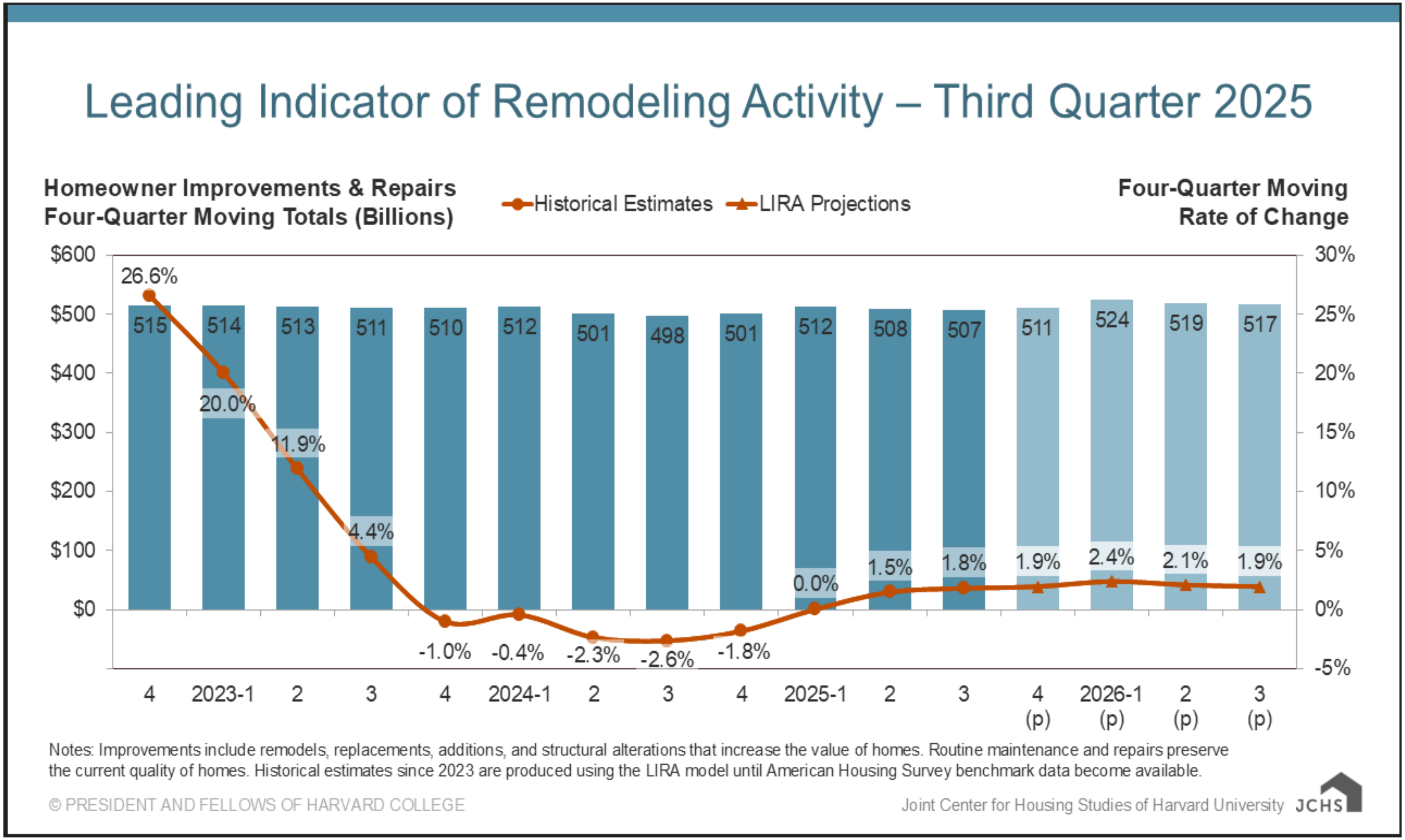
Housing starts forecast to increase after four years of decline

- 1.317 Million in 2025
- 1.363 Million in 2026
- 1.414 Million in 2027



Source: US Dept. of Commerce; Forecast by WF Economics Group, Oct 15, 2025

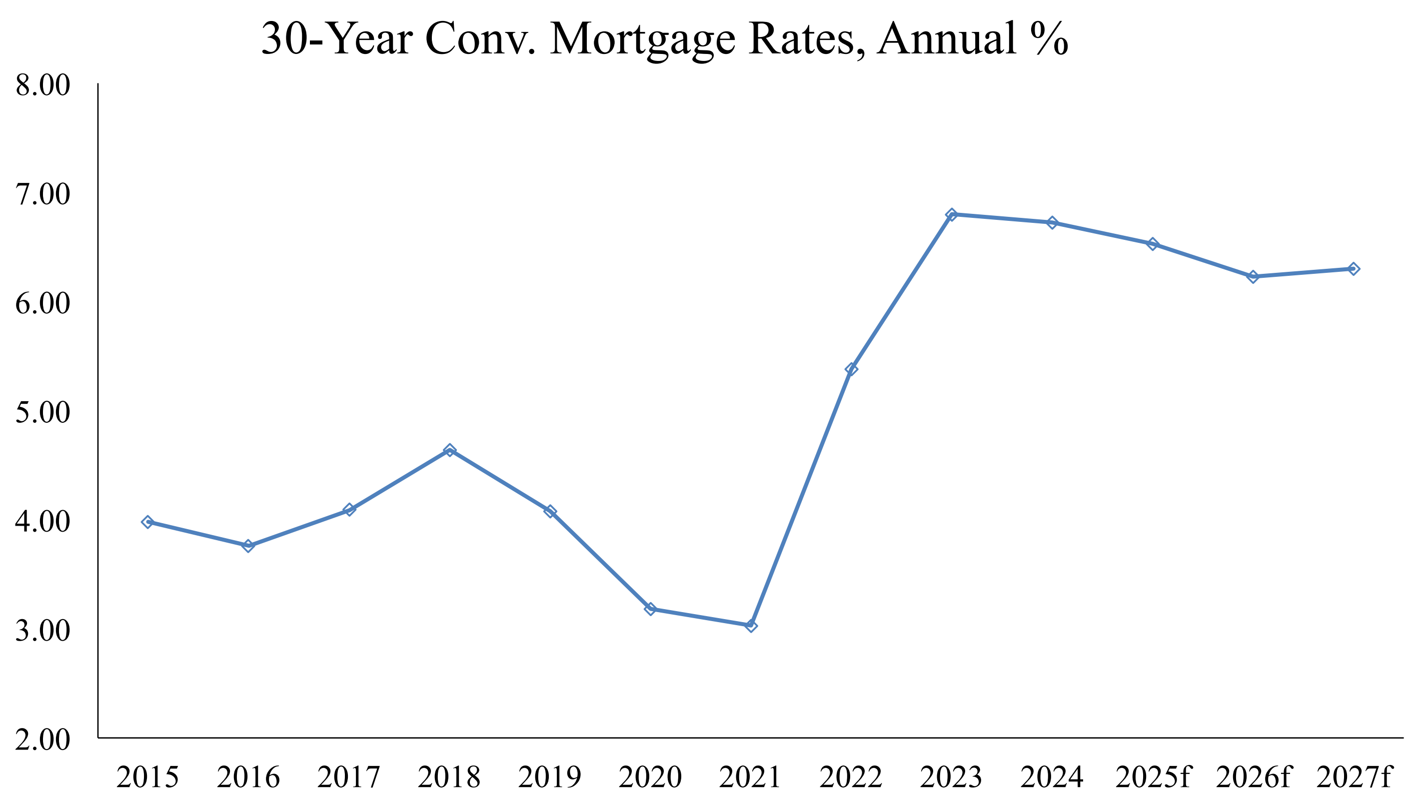
Repair and remodeling forecast to increase in 1Q 2026



Source: Harvard Joint Center for Housing Studies, Leading Indicator of Remodeling Activity, October 16, 2025, www.jchs.harvard.edu

Mortgage rates have been a headwind to housing since 2022 but are forecast to decline again in 2026. Is it enough?

- 6.53% in 2025
- 6.23% in 2026
- 6.30% in 2027



Source: Federal Home Loan Mortgage Corporation (FHLMC); Forecast by WF Economics Group, Oct 15, 2025

U.S. Economic Forecast

Wells Fargo U.S. Economic Forecast

	Actual						Forecast										Actual	Forecast		
	2024				2025				2026				2027							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2024	2025	2026	2027
Real Gross Domestic Product (a)	0.8	3.6	3.3	1.8	-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	1.7	3.9	4.0	3.9	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	1.5	2.5	3.5	-3.7	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
Equipment	0.5	8.9	8.2	-4.3	21.4	8.5	6.3	-6.3	2.3	6.7	5.0	3.8	1.7	1.9	2.1	2.7	3.5	7.7	2.7	3.0
Intellectual Property Products	6.7	0.7	2.6	-0.6	6.5	15.0	5.0	2.8	4.6	5.0	3.3	3.0	4.1	3.7	3.4	4.4	3.5	5.4	4.7	3.7
Structures	-5.0	-3.9	-2.2	-8.1	-3.1	-7.5	-6.9	-4.3	-2.1	1.7	2.4	3.4	3.6	3.9	4.0	4.2	1.1	-5.4	-1.9	3.4
Residential Investment	8.2	-2.0	-4.8	4.3	-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	2.3	3.3	5.4	3.3	-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	-964.1	-1032.2	-1064.9	-1069.0	-1380.7	-1058.0	-1034.9	-986.9	-994.2	-1003.4	-1003.8	-1011.3	-1024.2	-1042.3	-1064.2	-1080.6	-1032.6	-1115.1	-1003.2	-1052.8
Pct. Point Contribution to GDP	-0.4	-1.0	-0.4	-0.1	-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
Inventory Change	12.4	75.1	69.4	17.1	172.0	-18.3	8.6	10.1	-9.3	-5.4	8.6	14.0	21.0	21.8	28.0	36.5	43.5	43.1	1.9	26.8
Pct. Point Contribution to GDP	-0.8	1.2	-0.1	-0.9	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
Nominal GDP (a)	4.0	6.3	5.1	4.3	2.9	6.0	6.6	4.0	4.6	5.5	5.2	4.6	4.5	4.5	4.2	4.7	5.3	4.8	5.1	4.6
Real Final Sales	1.7	2.4	3.5	2.8	-3.2	7.5	3.1	0.9	2.0	2.7	2.5	2.2	2.1	2.2	1.9	2.3	2.8	2.1	2.5	2.2
Retail Sales (b)	1.8	2.5	2.3	3.9	4.5	4.3	4.4	2.8	3.0	3.1	2.2	2.6	2.5	2.3	2.2	2.1	2.6	4.0	2.7	2.3
Inflation Indicators (b)																				
PCE Deflator	2.8	2.7	2.4	2.6	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	3.1	2.8	2.8	3.0	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
Consumer Price Index	3.2	3.2	2.7	2.7	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
"Core" Consumer Price Index	3.8	3.4	3.3	3.3	3.1	2.8	3.1	3.0	3.0	3.2	3.0	2.8	2.6	2.5	2.4	2.4	3.4	3.0	3.0	2.5
Producer Price Index (Final Demand)	1.5	2.6	2.2	3.1	3.5	2.5	2.8	2.5	1.9	2.5	2.1	2.1	2.1	2.0	1.9	1.9	2.4	2.8	2.2	2.0
Employment Cost Index	4.2	4.1	3.9	3.8	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)	4.2	2.4	1.2	2.0	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
Nominal Personal Income (a)	7.6	5.4	3.6	4.9	6.4	5.5	3.1	3.5	4.5	4.2	4.5	4.5	4.6	4.3	4.5	4.4	5.6	4.9	4.2	4.5
Industrial Production (a)	-1.8	2.4	-0.6	-1.2	4.1	1.6	0.2	-2.4	0.1	2.2	1.9	1.4	1.5	1.0	1.1	0.5	-0.3	1.0	0.4	1.4
Capacity Utilization	77.7	78.0	77.6	77.1	77.6	77.6	77.2	76.5	76.6	77.1	77.6	78.0	78.4	78.7	79.0	79.3	77.6	77.2	77.3	78.8
Federal Budget Balance (c)	-555	-209	-544	-711	-596	-30	-413	-553	-729	-246	-472	-581	-766	-257	-495	-620	-1817	-1750	-2000	-2100
Trade Weighted Dollar Index (d)	115.8	117.3	113.3	119.9	117.7	111.4	111.1	108.4	107.7	107.4	107.9	109.6	111.4	112.0	111.4	110.2	116.4	112.2	108.2	111.3
Nonfarm Payroll Change (e)	196	133	133	209	111	55	49	11	63	80	100	108	102	95	88	82	168	56	88	92
Unemployment Rate	3.8	4.0	4.2	4.1	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
Housing Starts (f)	1.42	1.34	1.34	1.39	1.40	1.35	1.31	1.20	1.36	1.36	1.36	1.37	1.41	1.41	1.41	1.41	1.37	1.32	1.36	1.41
Light Vehicle Sales (g)	15.5	15.7	15.7	16.5	16.4	16.1	16.3	15.3	14.9	15.1	15.2	15.5	16.4	16.6	16.7	16.9	15.9	16.0	15.2	16.7
Crude Oil - Brent - Front Contract (h)	81.2	84.4	78.0	73.6	74.3	65.9	67.5	62.8	61.2	63.5	65.5	65.5	65.5	66.2	65.5	65.5	79.3	67.6	63.9	65.7
Quarter-End Interest Rates (i)																				
Federal Funds Target Rate (j)	5.50	5.50	5.00	4.50	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
Secured Overnight Financing Rate	5.34	5.33	4.96	4.49	4.41	4.45	4.24	3.65	3.40	3.15	3.15	3.15	3.15	3.15	3.15	3.15	5.15	4.19	3.21	3.15
Prime Rate	8.50	8.50	8.00	7.50	7.50	7.50	7.25	6.75	6.50	6.25	6.25	6.25	6.25	6.25	6.25	6.25	8.27	7.25	6.31	6.25
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	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
3 Month Bill	5.46	5.48	4.73	4.37	4.32	4.41	4.02	3.60	3.35	3.15	3.15	3.15	3.15	3.15	3.15	3.15	5.18	4.09	3.20	3.15
6 Month Bill	5.38	5.33	4.38	4.24	4.23	4.29	3.83	3.50	3.30	3.20	3.20	3.20	3.20	3.20	3.20	3.25	5.00	3.96	3.23	3.21
1 Year Bill	5.03	5.09	3.98	4.16	4.03	3.96	3.68	3.45	3.35	3.30	3.30	3.30	3.30	3.30	3.35	3.40	4.69	3.78	3.31	3.34
2 Year Note	4.59	4.71	3.66	4.25	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
5 Year Note	4.21	4.33	3.58	4.38	3.96	3.79	3.74	3.55	3.50	3.50	3.55	3.60	3.60	3.65	3.70	3.70	4.13	3.76	3.54	3.66
10 Year Note	4.20	4.36	3.81	4.58	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
30 Year Bond	4.34	4.51	4.14	4.78	4.59	4.78	4.73	4.70	4.70	4.80	4.90	4.95	5.00	5.05	5.05	5.10	4.41	4.70	4.84	5.05

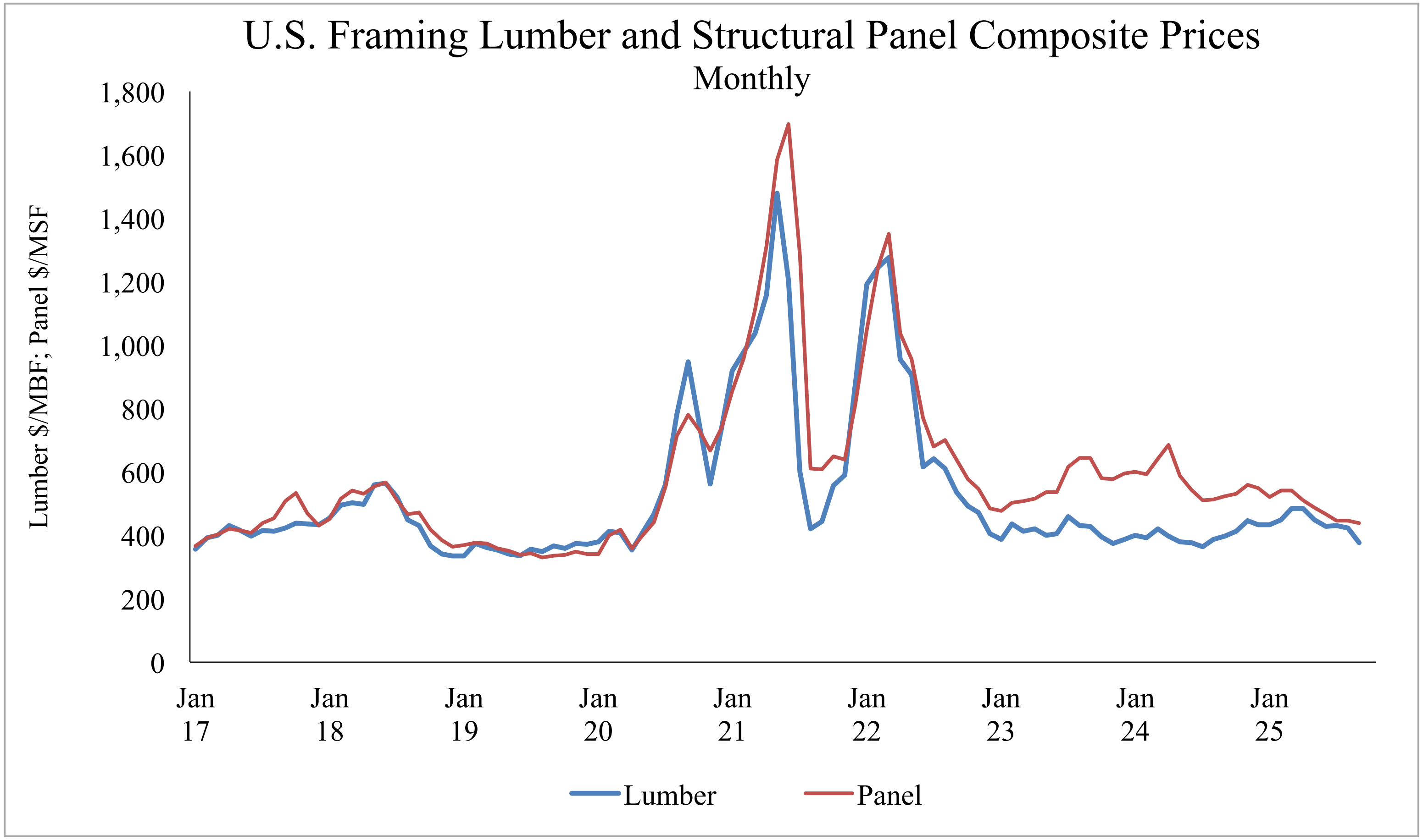
Forecast as of: October 8, 2025

Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter
(b) Year-over-Year Percentage Change
(c) Quarterly Sum - Billions USD; Annual Data Represents FisBZI Year
(d) Federal Reserve Advanced Foreign Economies Index, 2006=100 - Quarter End
(e) Average Monthly Change
(f) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Houses Started
(g) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold
(h) Quarterly Average of Daily Close
(i) Quarterly Data - Period End; Annual Data - Annual Averages
(j) Upper Bound of the Federal Funds Target Range

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

Lumber/panel prices in a 3-year trough

- Oversupply leading to curtailments, closures
- Price recovery likely to be supply-driven

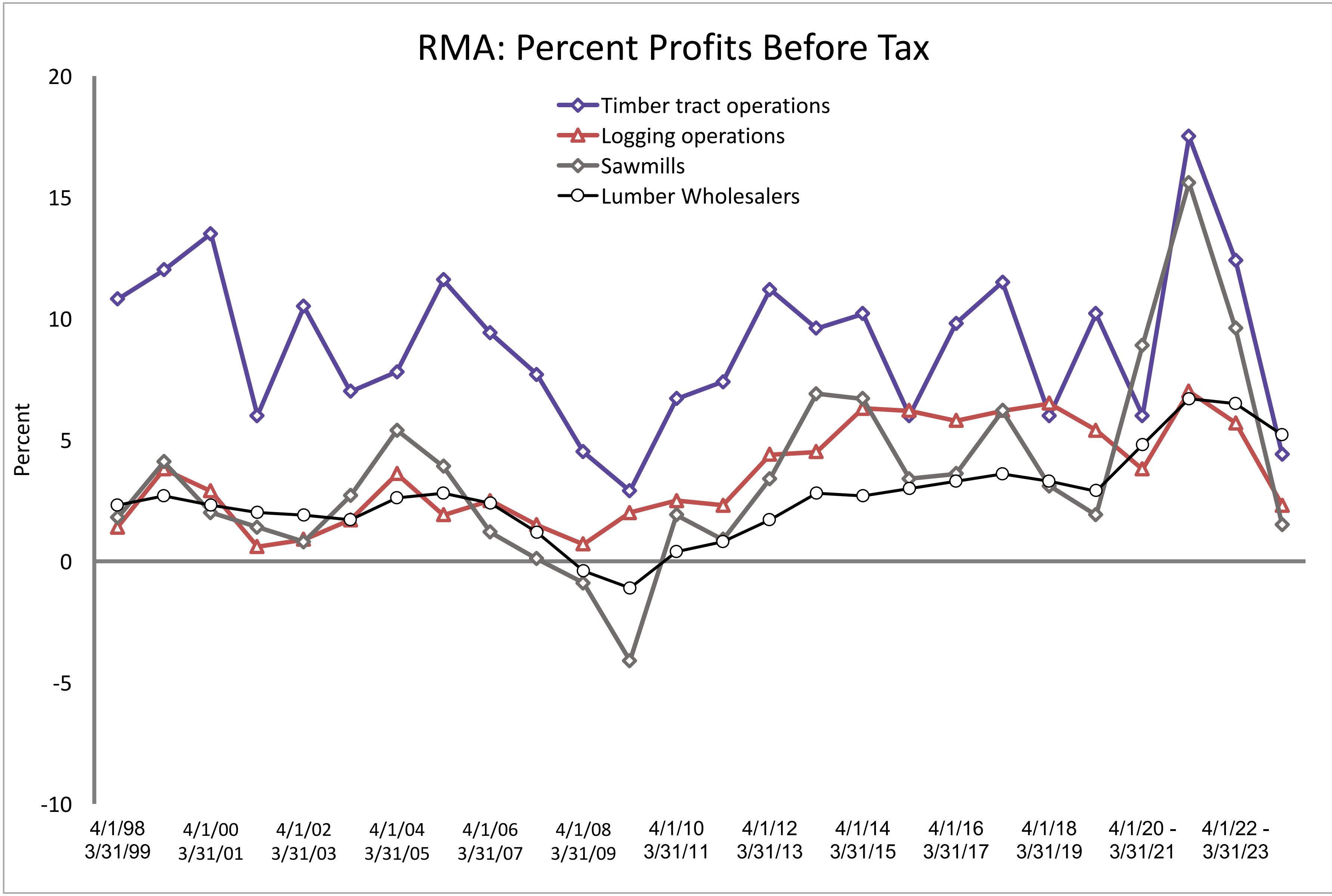


Source: Random Lengths, September 2025

Key financial performance trends through the cycles

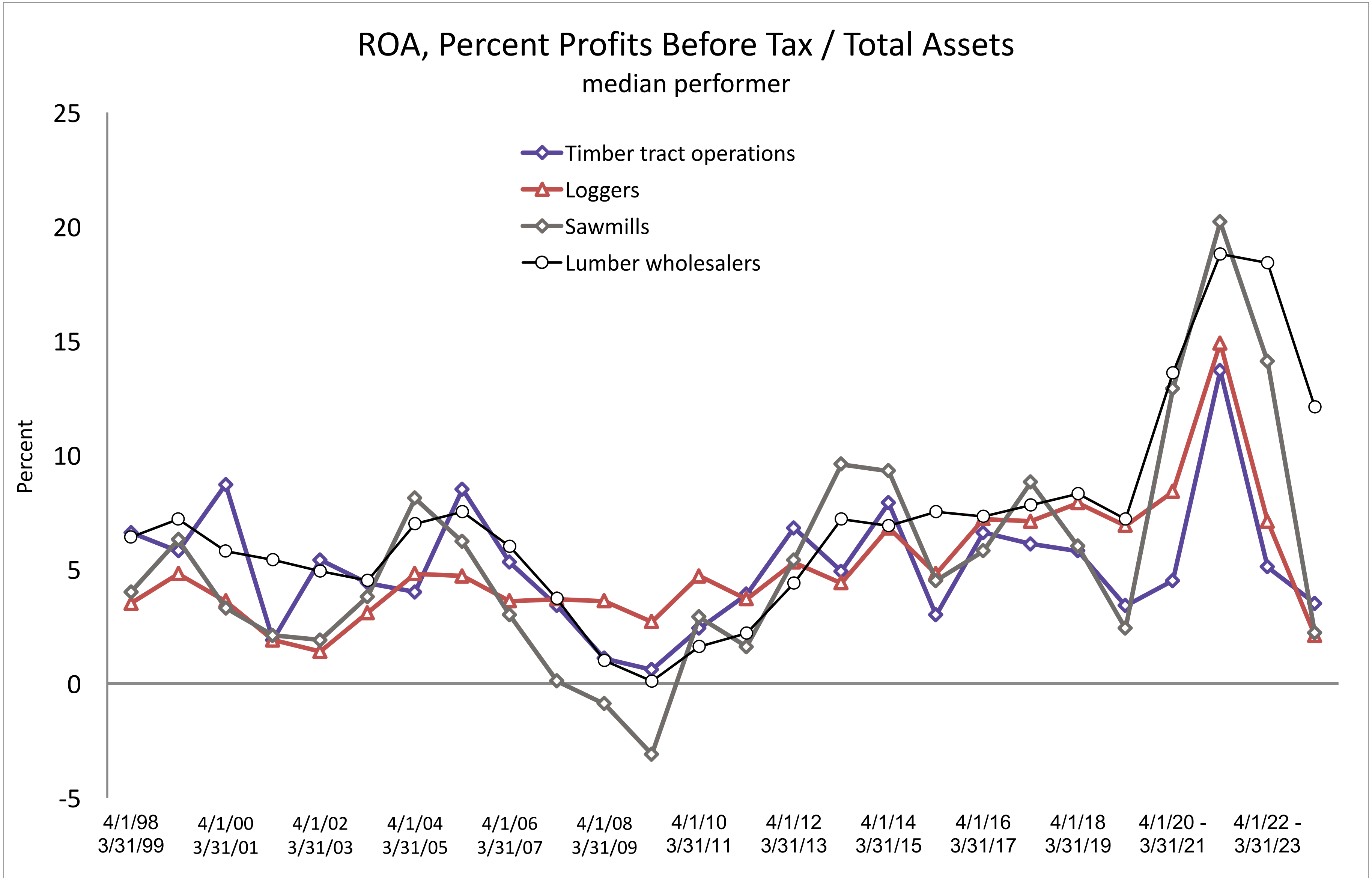
- RMA data (Risk Management Association)
  - Data submitted by financial institutions
  - Compiled and analyzed with anonymous results
- Timber tract operations
  - NAICS 113110
- Logging
  - NAICS 113310
- Sawmills
  - NAICS 321113
- Lumber, plywood, millwork, and wood panel merchant wholesalers
  - NAICS 423310

Does the economy matter to everyone the same?



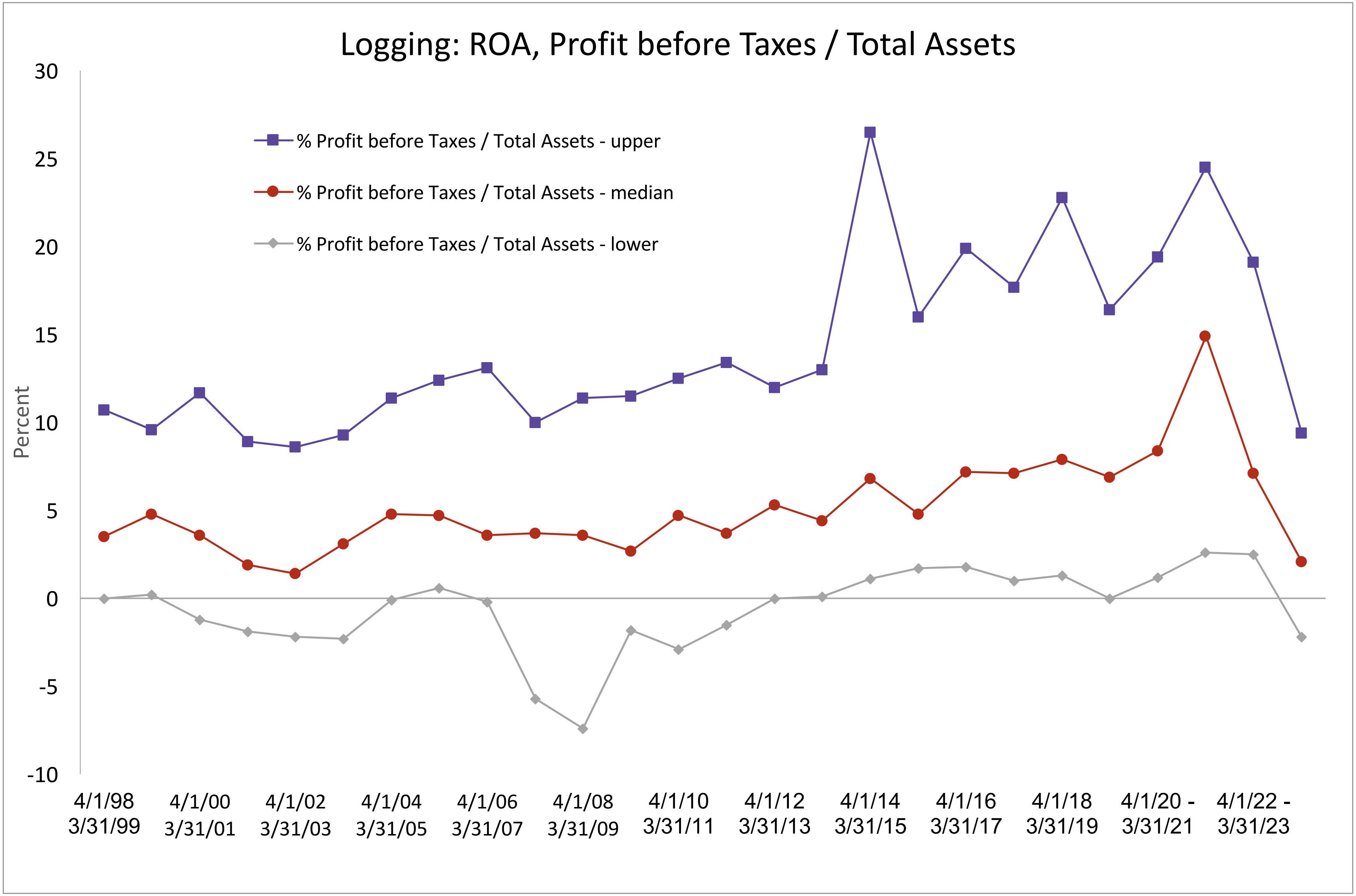
Source: Risk Management Association (RMA)

If a rising tide lifts all boats, what about a big anchor?



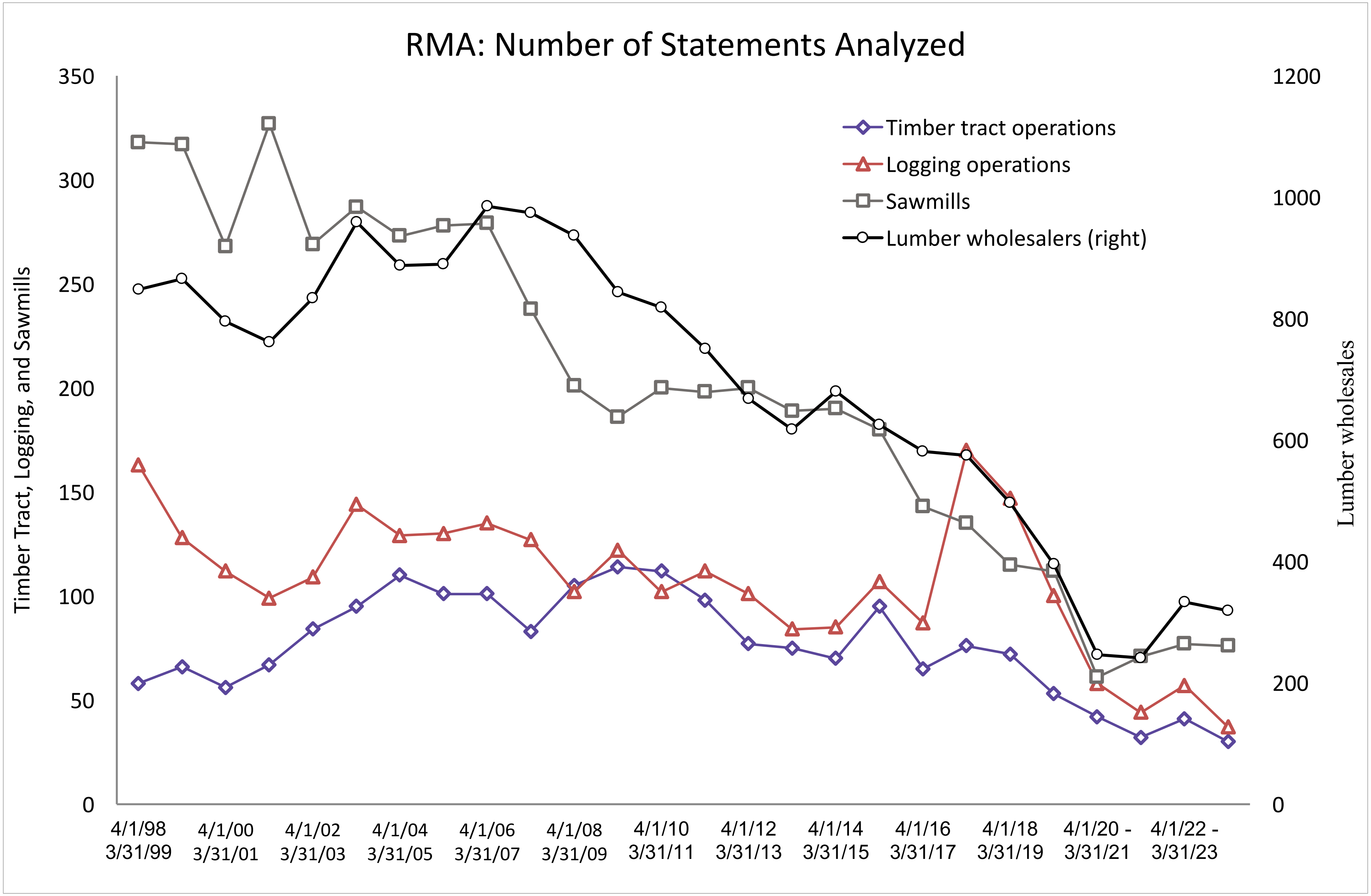
Source: RMA

Can the lowest bidder survive?



Source: RMA

The dataset continues to shrink. Is it still relevant?



Source: RMA

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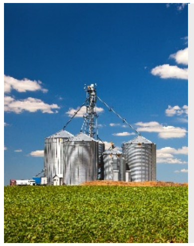

Crop Inputs, Feed & Forage, Peanuts
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Sector Analyst
Sierra Kenney
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Thank you

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