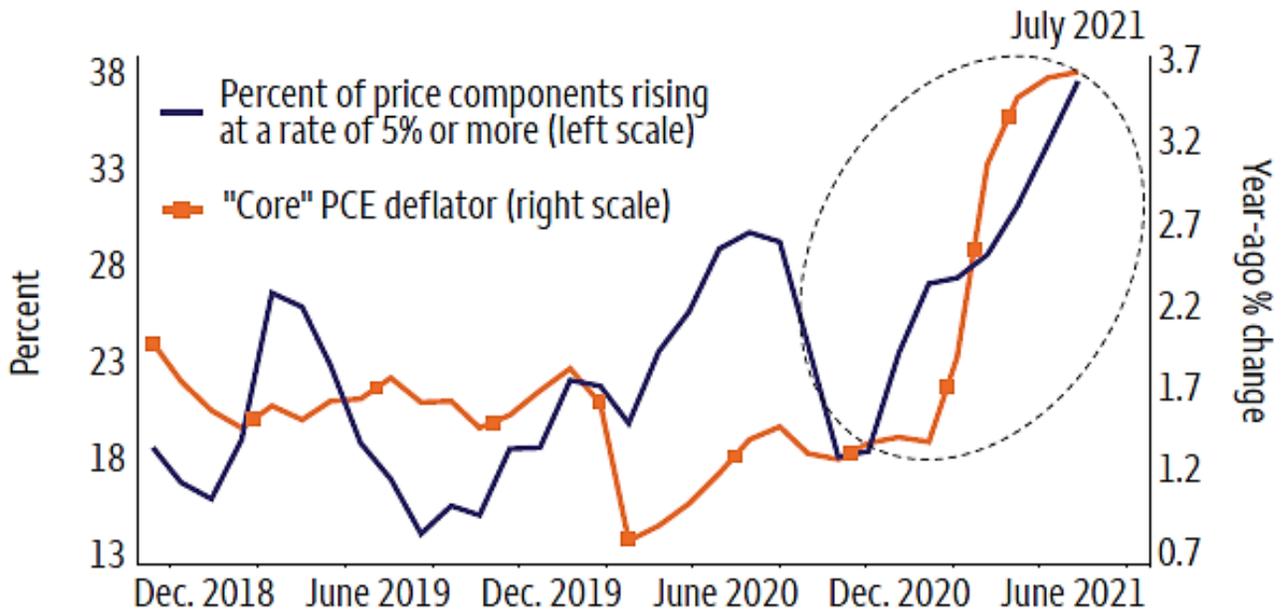


## Inflation spreads its wings



Sources: U.S. Commerce Department, Federal Reserve Bank of Dallas, Wells Fargo Investment Institute, August 27, 2021.

The Federal Reserve's preferred inflation gauge has been on the rise in 2021.

The core PCE (personal consumption expenditures) deflator — a measure of changes in personal consumption, excluding food and energy — is the Federal Reserve's preferred inflation gauge.

The Dallas Federal Reserve estimates that more than a third of price components making up the PCE deflator posted year-over-year increases of 5% or more in May, June, and July. In our view, this spike is the result of dislocations created by a still-powerful, though moderating, economic growth cycle.

### What it may mean for investors

We expect supply-chain disruptions and labor shortages to keep inflation elevated here and abroad into next year. The Consumer Price Index (CPI) is now hovering at a 13-year high of more than 5%, and we expect CPI to average 4.4% in 2021 and 3.5% in 2022. In the long run, we expect inflation to decelerate to a rate at or above the Federal Reserve's 2% target, unlike the great inflation of the 1970s and early 1980s.

**Global Asset Allocation Strategy team**

This chart was excerpted from the Asset Allocation Strategy report dated September 16, 2021

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**Risk Considerations**

Forecasts and targets are based on certain assumptions and on views of market and economic conditions which are subject to change.

**Definitions**

Consumer Price Index (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

An index is unmanaged and not available for direct investment.

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