

WELLS CAPITAL MANAGEMENT



WELLS
FARGO

WHAT KIND OF RECOVERY FROM THE "GREAT RECESSION" OF 2008-09?

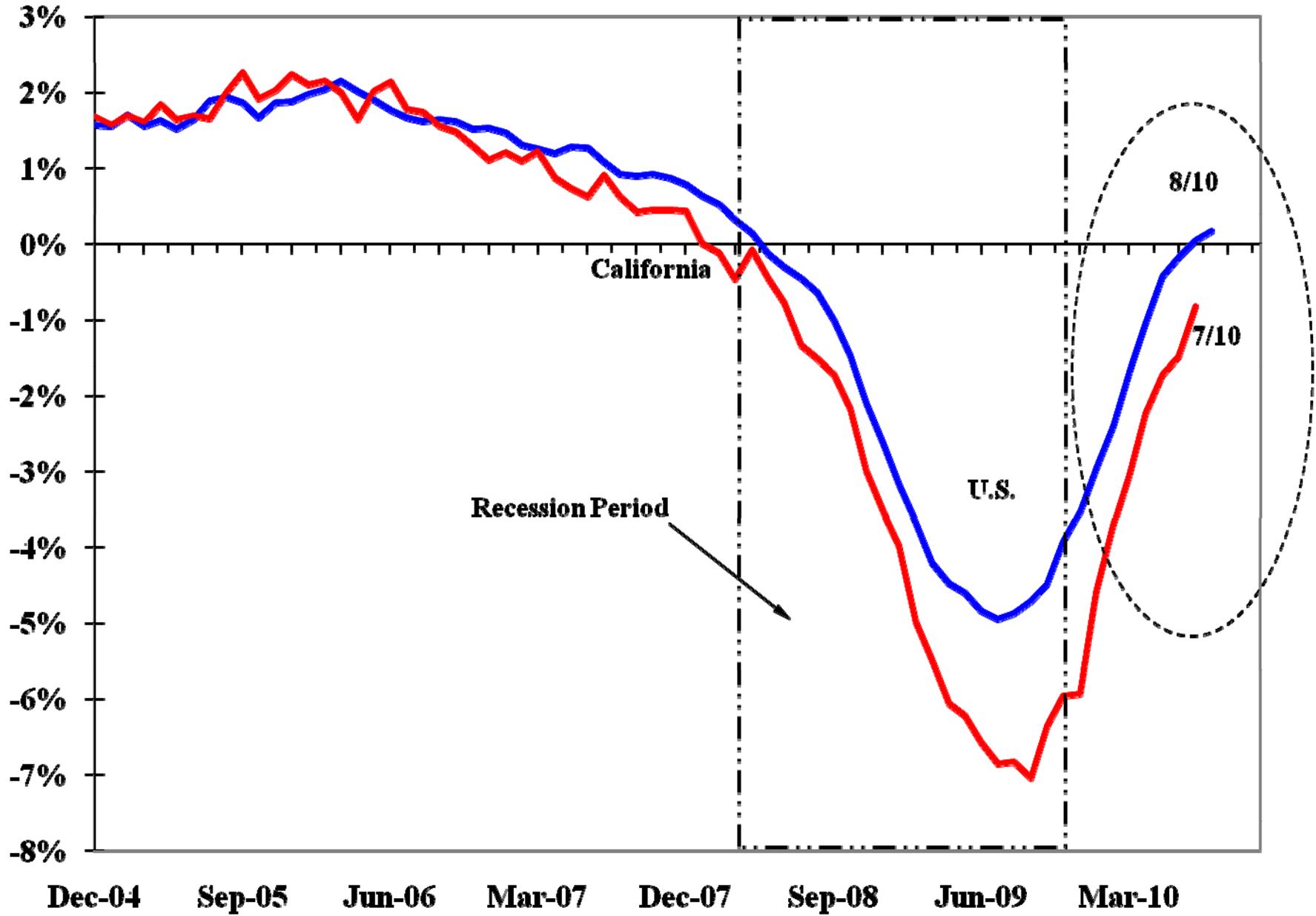
*A Presentation To The California Debt & Advisory
Commission Pre-Conference*

San Francisco, California

October 6, 2010

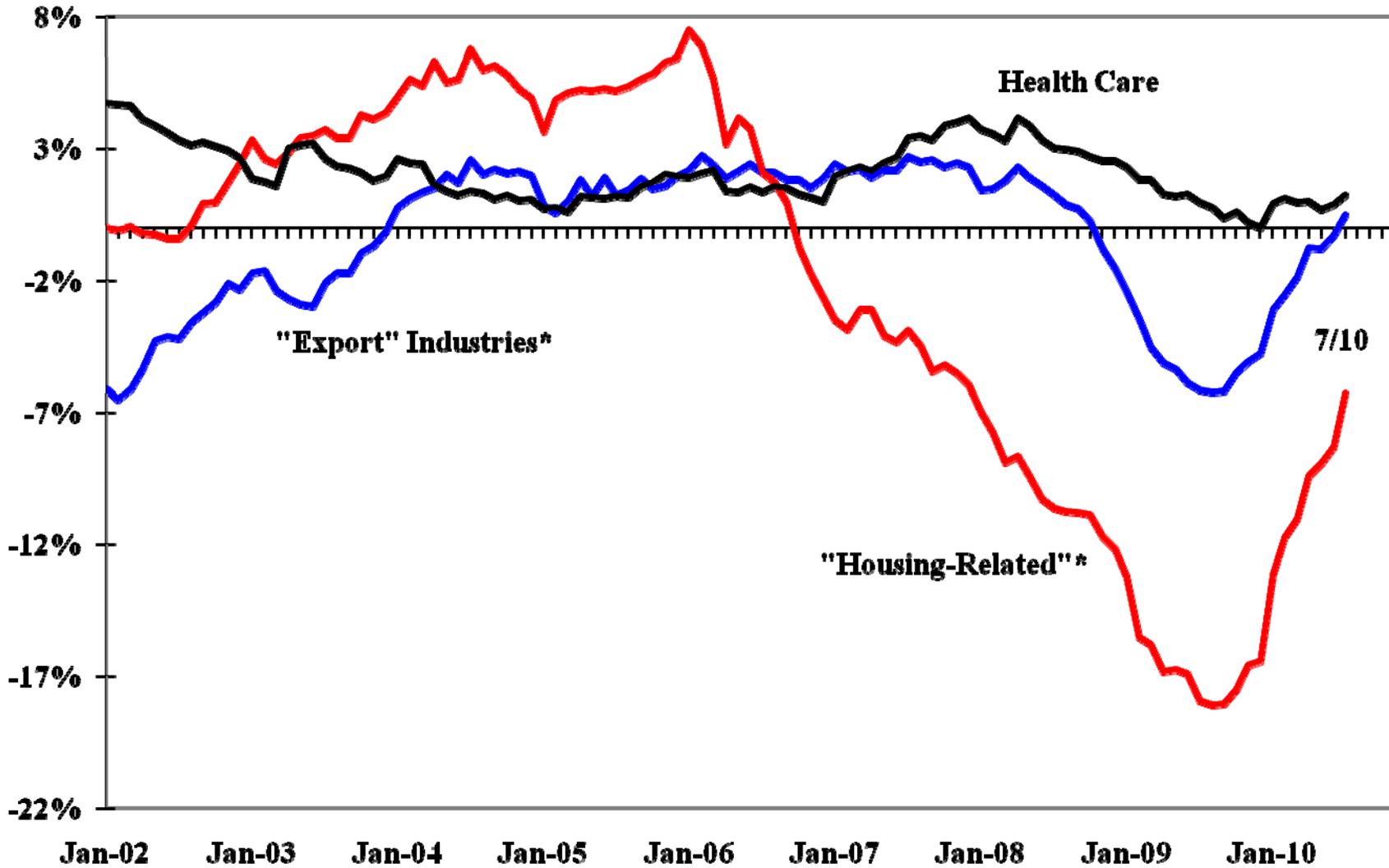
THE CALIFORNIA ECONOMY LAGS THE U.S. RECOVERY FOR A THIRD STRAIGHT TIME

Non-Farm Job Growth; Year-Ago Percent Change, 3-Mo. Moving Avg. Data



Source: U.S. Dep't Of Labor

AN IMPROVING--BUT STILL DISAPPOINTING--PERFORMANCE BY CA'S "EXPORT" INDUSTRIES
Year-Ago Percent Change In Non-Farm Payroll Employment



* "Housing-related" includes residential construction, specialty trade contractors, furniture, home furnishings and building materials retail stores, real estate leasing and finance. "Export industries" include high tech, aerospace, travel and tourism, motion pictures and sound recording.

Source: California Employment Development Department

TOWARD SELF-SUSTAINING ECONOMIC GROWTH

- **Wage & Salary Growth, “Disinflation” Lift “Purchasing Power” To A Fifteen-Month High**
- **The Household Debt Burden At A Ten-Year Low**
- **Double-Digit Growth Of Equipment Orders & Shipments**
- **U.S. Export Growth At A Record High**

HURDLES TO A STRONG ECONOMIC RECOVERY

- **Reduced Economic Stimulus**
- **Housing's Unusually Weak Recovery**
- **The Lending Recovery Slowed By Banking Industry**

De-Leveraging

- **Job, Wage Growth Restrained By Weak Business**
- **“Pricing Power,” Aggressive Cost Cutting**

INTEREST-RATE RISKS SWING TO THE “UPSIDE” IN 2011

- **Economic Growth Begins To Firm**
- **Less Sanguine Inflation Expectations**
- **Interest Rates Unusually “Lean”**
- **A Calmer International Financial Market**
 - ”Reverse Flight” Capital Aggravated By U.S. Budget Deficit Worries?*