MOODY’S ANALYTICS US MACRO OUTLOOK: ECONOMY EXPERIENCES STURDY GROWTH

NEW YORK – April 4, 2012 – Moody’s Analytics, a leading independent provider of economic forecasting, has today released Chief Economist Mark Zandi’s latest U.S. monthly economic outlook. According to “U.S. Macro Outlook: Gathering Pace,” Zandi expects the U.S. economy to grow at 2.5% through mid-2013, before accelerating to a stronger 4% by mid-2014. Full employment, defined as an unemployment rate just under 6%, should be achieved by late 2015.

While relatively optimistic, the monthly outlook forecasts sturdy economic growth, citing real GDP expansion as a key factor generating new jobs and cutting into unemployment. The jobless rate appears set to fall below 8% by year’s end. In the coming months, however, economic data will turn a bit soft, as the effects of the warm winter fade, and surging gasoline prices have the potential to take a toll on consumer sentiment.

“The U.S. economy is performing better, but it can’t achieve strong economic growth until it attains fiscal stability,” said Zandi.

“We expect lawmakers to make significant policy changes after the presidential election: most likely they will again extend the Bush-era tax cuts for middle and lower income taxpayers, delay spending cuts, and allow the payroll tax and emergency UI programs to expire. We thus expect the fiscal drag next year to be closer to 1.5 of a percentage point of GDP,” Zandi added.

According to the report, other factors may affect the baseline outlook: A rise in oil and gasoline prices, a rekindled European debt crisis, a deeper housing crash, more federal fiscal drag, and a harder landing in China and other emerging-market economies, although these scenarios seem less likely than they did a few months ago.

The most significant change to Moody’s Analytics U.S. economic outlook involves unemployment, which the forecasting firm now expects will fall more quickly this year and next. The jobless rate should end 2013 just above 7%, the result of both stronger job growth and weaker labor force growth.

For more information, visit Moody’s Analytics Dismal Scientist.

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Moody’s Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research
and financial risk management. By providing leading-edge software, advisory services and research, including the proprietary analysis of Moody’s Investors Service, Moody’s Analytics integrates and customizes its offerings to address specific business challenges. Moody’s Analytics is a subsidiary of Moody’s Corporation (NYSE: MCO), which reported revenue of $2.3 billion in 2011, employs approximately 6,100 people worldwide and maintains a presence in 28 countries. Further information is available at www.moodysanalytics.com.

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