

## News

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### MOODY'S ANALYTICS US MACRO OUTLOOK: THE FISCAL COUNTDOWN BEGINS

NEW YORK, November 12, 2012 — Moody's Analytics, a leading independent provider of economic forecasting, today released Chief Economist Mark Zandi's US economic outlook for November. According to "U.S. Macro Outlook: The Fiscal Countdown Begins," unless the Obama administration and House Republicans can agree on federal fiscal policy, the economy will be in recession by the spring of 2013.

Moody's Analytics baseline outlook assumes that negotiations may have to extend into 2013, which will raise uncertainty and cause growth to nearly stall out in the first quarter of 2013. Once something has been agreed upon, real GDP growth of about 2% in 2013, will nearly double in 2014, and stay near 4% in 2015. Job growth will accelerate from approximately 2 million jobs per year today to nearly 3 million, and unemployment will fall definitively as job creation picks up.

"Going over the fiscal cliff or breaking the debt ceiling would have a widespread impact on the economy, nearly all of it negative. Given the suffering that would occur if policymakers don't act, therefore, the most plausible outcome is that they will," said Zandi.

According to the report, adding to the economic threat of the fiscal cliff is the approaching Treasury debt ceiling, which the law currently caps at \$16.394 trillion. Based on recent government expenditures and receipts, the Treasury will come close to that limit late this year, a situation that the Obama administration will have to address by early March.

The report concludes that lawmakers are most likely to extend the Bush-era tax rates for the 97.5% of U.S. households making less than \$250,000 a year; eliminate most of the spending cuts scheduled under the 2011 sequestration agreement; and repeat the annual extension of "temporary" rules such as the inflation adjustment to the alternative minimum tax and Medicare's reimbursement schedule for doctors and hospitals.

For more information, listen to Zandi's presentation "[After the Election, What's Next?](#)" which he presented at Moody's Analytics Annual Economic Outlook Conference or visit Moody's Analytics [Dismal Scientist](#).

#### About Moody's Analytics

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,

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including proprietary analyses from 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 6,700 people worldwide and has a presence in 28 countries. Further information is available at [www.moodyanalytics.com](http://www.moodyanalytics.com).

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