

News

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MOODY'S ANALYTICS U.S. MACRO OUTLOOK: U.S. ECONOMIC GROWTH AT A STANDSTILL

Moody's Analytics Chief Economist Mark Zandi sees high probability of a new recession

MICHAEL ADLER
Vice President
Corporate Communications
212.553.4667
Michael.adler@moodys.com

JESSICA SCHAEFER
Communications Strategist
Corporate Communications
212.553.4494
jessica.schaefer@moodys.com

NEW YORK – September 15, 2011 – Moody's Analytics' Chief Economist Mark Zandi believes the probability of a U.S. recession in the next six to 12 months is at 40 percent. In his report, "[U.S. Macro Outlook: Fears Across the Sea](#)," Zandi cites several indicators suggesting the economy could fall back into recession, including a rising number of corporate layoff announcements and a flattening in retail sales.

"U.S. economic growth has come to a virtual standstill. Real GDP during the first half of the year increased at a nearly 1% annualized rate and job growth decelerated from close to 200,000 per month at the start of the year to barely positive this summer," Zandi writes.

"This is not sustainable. Unless spirits improve soon, businesses will ramp up layoffs, consumers will pull back and the economy will fall into another recession," he adds.

Zandi puts Europe's sovereign debt crisis high among the uncertainties threatening the U.S. economy. The European banking system is under stress given its exposure to sovereign debt. For example, lending by French banks to public and private borrowers in Ireland, Greece, Portugal and Spain equals more than 15% of French GDP. German and British banks have a similar exposure.

Still, while Europe's economy will likely continue to struggle, growth prospects are measurably better in the U.S. "The [U.S.] economy's fundamentals are much healthier: businesses are profitable and their balance sheets' solid, households have paid down significant amounts of debt and banks are much better capitalized," Zandi writes.

Low levels of business and consumer confidence are the largest impediments to a stronger U.S. economic recovery, Zandi concludes. If policymakers act quickly and decisively to restore confidence, the U.S. can avoid a new downturn.

For more information or to view the report, please visit our website: www.economy.com.

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