MOODY'S ANALYTICS

News

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MOODY'S ANALYTICS US MACRO OUTLOOK 2012: DIMINISHED EXPECTATIONS

NEW YORK – December 15, 2011 – Moody's Analytics' Chief Economist Mark Zandi has lowered his expectations for the growth of the US economy into 2012. According to his report, "U.S. Macro Outlook 2012: Diminished Expectations," US GDP will grow 2.6% next year and unemployment will likely remain high.

"We expect the US economy to perform a bit better in 2012, but this will depend on policy decisions coming out of Europe and Washington," says Mark Zandi, Chief Economist for Moody's Analytics.

"The Europeans are fighting to keep the euro area together, while US policymakers are struggling to find an appropriate degree of fiscal austerity. While we believe these issues will be resolved in a reasonable way, there is a significant degree of uncertainty associated with this assumption," Zandi adds.

According to the report, how the US economy performs will depend on what Congress and the administration do about the reduced payroll tax rate and unemployment insurance benefits. Unless policymakers act, federal fiscal policy will shave 1.7 percentage points from 2012 real GDP growth as a number of tax and spending measures expire.

The US also faces the prospects of significant repercussions from the European debt crisis. Despite unnerving price swings, US stock prices have not really moved forward since Europe's problems emerged. And extreme pressure on financial systems as a result of the crisis also threatens the availability of credit on both sides of the Atlantic.

"Besides real GDP growth of 2.6%, we also expect stubbornly high unemployment, which will lead to low inflation and interest rates," says Zandi.

Moody's Analytics expects core consumer price inflation to stay well below the Federal Reserve's implicit 2% target. Long-term interest rates will move higher by the end of 2012, but if they rise too quickly, the Fed could launch another round of quantitative easing.

For more information, visit 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, 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 billion in 2010, employs approximately 4,700 people worldwide and maintains a presence in 27 countries. Further information is available at www.moodysanalytics.com.

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