Moody's
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News

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MOODY'S ANALYTICS EXPANDS GLOBAL ECONOMIC SCENARIOS FOR STRESS TESTING

LONDON, August 02, 2012— Moody's Analytics, a leading independent provider of economic forecasting, today announced the global expansion of its Alternative Scenarios economic forecast service, which now covers 49 countries, representing more than 93% of world economic output. The economic forecasts include a baseline, or most likely outcome scenario, and six alternative economic scenarios covering a range of downside and upside risks.

Portfolio managers and risk professionals use scenario analysis to understand and model the impact of various economic outcomes on the performance of their portfolios, and comply with stress testing requirements for market, credit, liquidity and operational risk.

Moody's Analytics Alternative Scenarios provide timely access to the most current economic projections to help financial institutions manage their portfolios amid evolving economic conditions. By testing the impact of shocks and differing economic assumptions on their portfolios they can expose potential vulnerabilities in their business model. The six alternative economic scenarios can be applied across single or multiple countries to help multinationals enhance their understanding of the risks in their global portfolios and business operations.

"Our alternative forecasting methodology is very comprehensive and uses structural models that provide a high degree of accuracy and consistency," said Mark Zandi, Chief Economist of Moody's Analytics. "The economic scenarios account for differences in how global economies respond to a wide range of potential shocks, which is a key factor for regulatory compliance. The models are based on comprehensive historical data that is consistent, and comparable across countries."

The scenarios are updated monthly and consider a range of potential outcomes from a rapid resolution of the European sovereign debt crisis to eventualities such as intensification of the sovereign debt crisis, a disorderly exit of Greece from the European Monetary Union, and increasing pressure on the euro membership of indebted peripheral countries.

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"For example, our baseline assumption - the most likely outcome - currently do not include a Greek exit. However, if we wanted to test the impact of a more severe scenario, such as the impact of a Greek exit on the UK, we would see a 5.1% decline in UK economic output in the third quarter of 2013 and, by early 2014, an unemployment rate of 12.3%.

In our oil price shock alternative scenario, we model the impact of a weak dollar combined with escalating Middle East tension that pushes international oil prices to a peak over $140 per barrel by mid-2013," said Petr Zemcik, Director of European Research for Moody's Analytics.

Each scenario is supported with a narrative describing the underlying assumptions and includes a comprehensive set of economic indicators, covering not just headline numbers, but all macroeconomic concepts relevant for portfolio modelling and stress testing. The projections go out 30 years for the U.S. and 10 years for Canada and the major economies in Europe, Asia, and Americas, and are updated monthly to capture the impact of the latest data and recent economic events.

For more information, visit www.economy.com/scenarios

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 $2.3 billion in 2011, employs approximately 6,500 people worldwide and has a presence in 28 countries. Further information is available at www.moodysanalytics.com.

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