Moody's ANALYTICS

News

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MOODY'S ANALYTICS ADDS US FISCAL CLIFF SCENARIOS TO ITS FORECAST DATABASE

NEW YORK, September 18, 2012 - Moody's Analytics today announced the addition of two US Fiscal Cliff Scenarios: Fiscal Cliff ("Cliff") Scenario and No Fiscal Cliff ("No Cliff") Scenario to its forecasting tools to help firms analyze the economic impact of different fiscal outcomes on their business. Given the uncertainty of what US policymakers will decide to do about the US fiscal cliff -- the substantial tax increases and government spending cuts scheduled to hit next year under current law -- financial institutions need to take proactive risk management measures to protect their positions in the markets.

"Our US Fiscal Cliff Scenarios are based on our latest economic projections, to help financial institutions to better model and manage their portfolios amid evolving economic conditions," said Mark Zandi, Chief Economist of Moody's Analytics.

"For example, in our "Cliff" scenario, which we believe has a 15% probability, policymakers would decide to stick to the current law and let the nation go over the fiscal cliff. This would cause real GDP to fall 2.8 percentage points below what it would be if current policies were extended in 2013 and lead to a new recession, pushing unemployment up to 9.2% by year's end," Zandi added.

Alternatively in Moody's Analytics "No Cliff" scenario, which has a 30% probability, policymakers would avoid the fiscal cliff by extending current policy so that there would be no changes to taxes and spending in 2013. While the U.S. economy would improve next year, under this scenario, there would be no progress toward long-term fiscal sustainability.

Moody's Analytics baseline scenario, which is the most likely scenario with a 55% probability, states that policymakers will agree to a middle ground between the "Cliff" and "No Cliff" scenarios.

The US Fiscal Cliff scenarios are available for the US, all states and metropolitan areas through subscription to the US Macro/Financial Forecast Database or Regional Alternative Forecast Service, complementing Moody's Analytics baseline forecast, six standard alternative scenarios, and Federal Reserve CCAR scenarios.

Moody's Analytics produces baseline forecasts and alternative scenarios for the U.S. and 49 of the world's largest countries, as well as U.S. states and metropolitan areas. Business decision makers and risk managers use Moody's Analytics alternative scenarios to assess outcomes under a range of assumptions about economic conditions. Moody's Analytics updates the alternative scenarios every month, using the latest economic data with a forecast horizon extending 30 years for the United States and 10 years for other nations.

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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