

News

FOR IMMEDIATE RELEASE

JESSICA SCHAEFER
AVP, Communications Strategist
Moody's Analytics
212.553.4494
jessica.schaefer@moodys.com

MOODY'S ANALYTICS 2014 U.S. MACRO OUTLOOK: A BREAKOUT YEAR?

NEW YORK, December 12, 2013 — Moody's Analytics, a leading independent provider of economic forecasting, today released Chief Economist Mark Zandi's 2014 U.S. economic outlook. According to "[U.S. Macro Outlook 2014: A Breakout Year?](#)" preconditions are in place for much stronger economic growth in 2014, though significant challenges still remain.

Payroll employment growth has accelerated to around 200,000 net new jobs per month, and the gains are increasingly broad-based across industries and pay levels. The economy is on track to reach full employment—estimated as a 5.75% jobless rate and 64% labor force participation—in three years, notes the report.

"Though the coming year could see another false start, the greater likelihood is that the U.S. recovery will evolve into a self-sustaining expansion. The fundamentals are as good as they have been for decades, and it is increasingly difficult to envisage shocks that could undermine them," said Zandi.

Households have significantly reduced their debt burdens, Moody's Analytics says. The average share of after-tax income that households must devote to servicing debt is as low as it has been since at least 1980. Households are also locking in extraordinarily low interest rates: Only a fifth of liabilities are tied to rates that adjust from year to year.

Another positive, notes Moody's Analytics, is the well-capitalized and highly liquid banking system. Banks are holding high-quality tier-1 capital equal to more than 9% of their assets. This compares with an average capital-to-asset ratio of just over 7% since the FDIC was established in the 1930s.

Businesses also appear to be regaining confidence. The Moody's Analytics weekly survey finds business confidence breaking out to the upside. In early December, positive responses to the survey's questions outweighed negative responses by more than at any time since the housing bubble's peak in early 2005.

Moody's Analytics U.S. outlook hinges on how Congress handles the current round of budget negotiations. Policymakers appear to be on track to reach a deal that will keep the government open and avoid another debate over the debt limit, the report notes. The economic drag from fiscal policy will thus fade, from close to 1.5 percentage points of GDP in 2013 to 0.4 percentage point or less in 2104. The principal weight on growth next year will be the expiration of the emergency unemployment insurance program, which is expected to slow GDP growth by 0.15 percentage point.

For more information, 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, 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 7,200 people worldwide and has a presence in 29 countries. Further information is available at www.moodyanalytics.com.

#