MOODY'S ANALYTICS

News

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MOODY'S ANALYTICS AUGUST U.S. MACRO OUTLOOK: ECONOMIC GROWTH BACK IN STRIDE

NEW YORK, August 13, 2014 — Moody's Analytics, a leading provider of economic forecasts, expects U.S. GDP growth to approach 3%, a sign that the recovery has kicked into higher gear, according to the firm's August outlook report, U.S. Macro Outlook: Back in Stride. In the report, Chief Economist Mark Zandi analyzes the factors behind the U.S. economy's recent strength and the Federal Reserve's role in its stabilization.

"The wind-down of fiscal austerity is behind the pickup in GDP. Government spending cuts shaved a full percentage point from real annual GDP growth beginning in late 2010. With the fiscal situation improving, purse strings are slowly opening again, especially among state and local governments," says Zandi.

The report notes that the private economy has also been growing, at close to 3% per year, throughout much of the recovery. Employers are adding well over 200,000 jobs per month and growth is spreading across nearly all industries, regions and pay scales. Small business confidence has also largely recovered from the recession, according to data from the National Federation of Independent Business (NFIB) as well as Moody's Analytics' survey of business sentiment.

"Jobs are being added fast enough to eliminate slack in the labor market, estimated at 1.5% to 2%, by late 2016. This includes people unemployed longer than six months, those who left the labor force discouraged, and part-timers looking to transition to full-time. Wages will also accelerate in occupations and regions where the job market is tightening; labor shortages have already emerged in some parts of the energy, high-tech, manufacturing and transportation industries," says Zandi.

However, the strengthened economy and tightening job market have reignited the debate about the Federal Reserve's bond-buying program. Moody's Analytics expects policymakers will begin raising short-term rates by August 2015, aiming to normalize short-term rates in three to four years, with a federal funds rate at just under 4%.

While Moody's Analytics sees a potential threat to the outlook for growth from the rise in interest rates, Zandi expects that the Federal Reserve will be able to successfully manage this challenge, leading to an economy growing at full stride.

For more information, visit Moody's Analytics Dismal Scientist.

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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 $3.0 billion in 2013, employs approximately 8,500 people worldwide, and has a presence in 31 countries. More information is available at www.moodysanalytics.com.

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