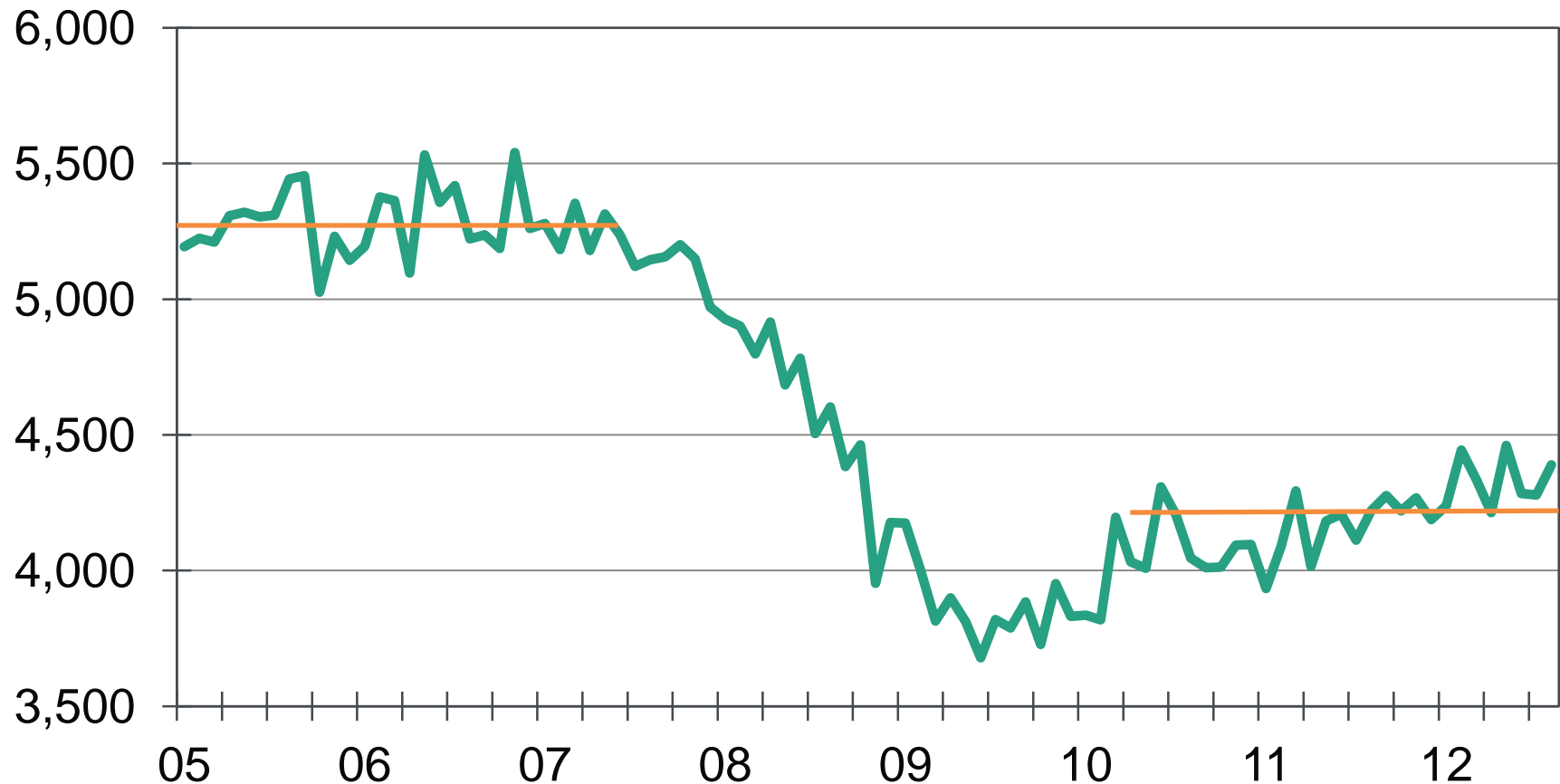


Searching for the Missing Link

MARISA DI NATALE, DIRECTOR

The Missing Link

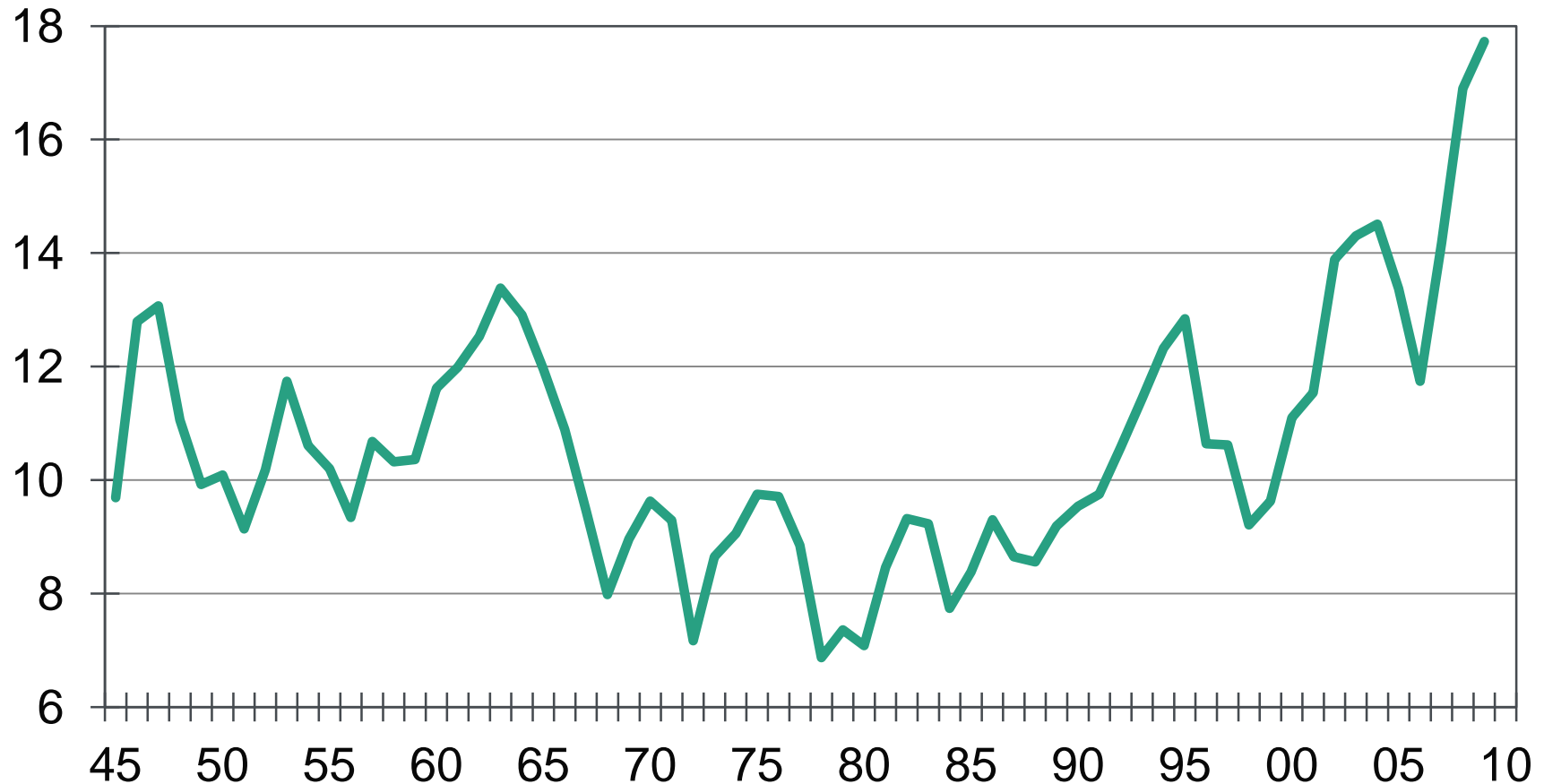
Number of monthly hires, ths



Sources: BLS, Moody's Analytics

Businesses Have Never Been as Profitable...

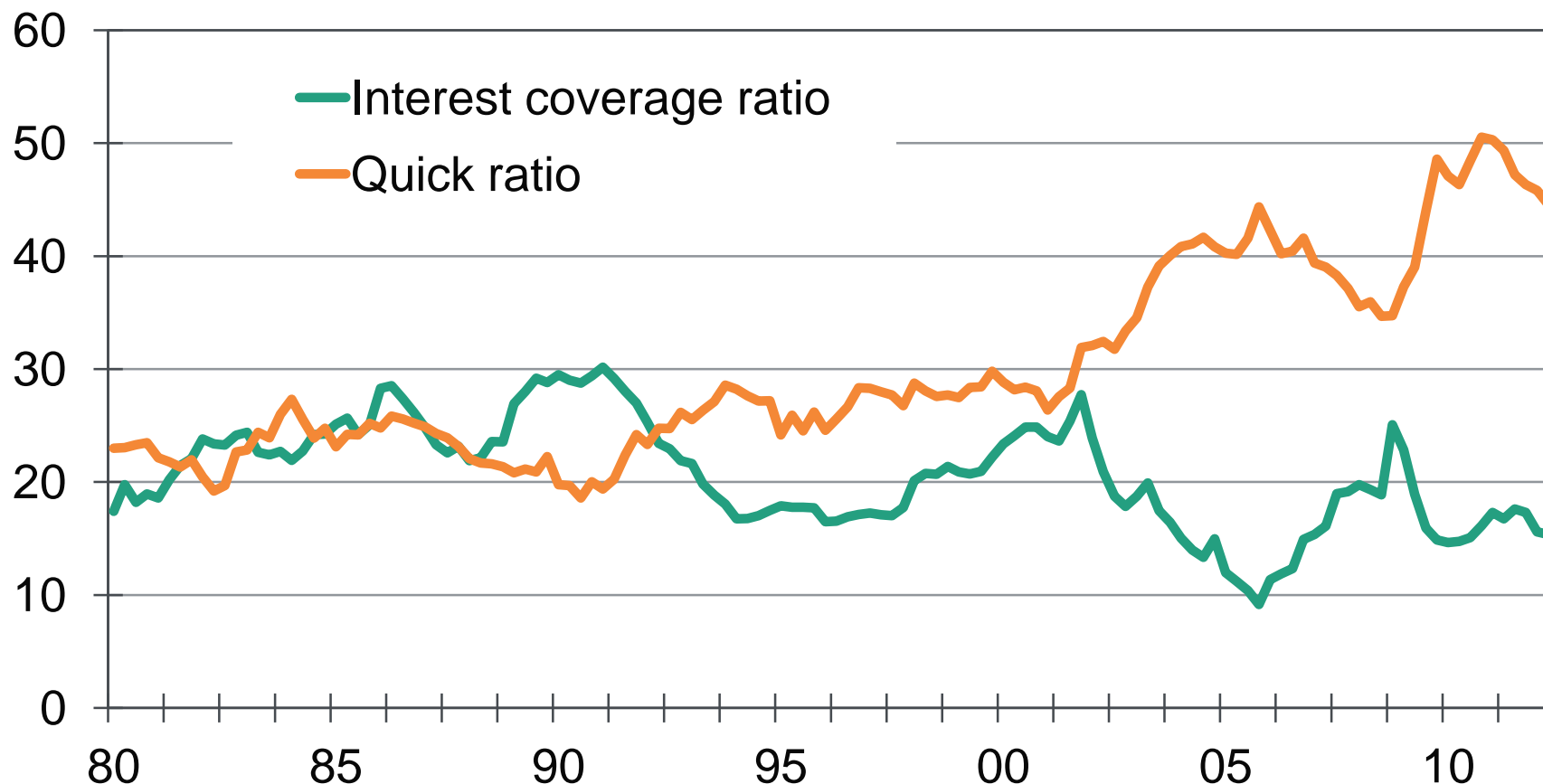
After-tax corporate profit margin, %



Sources: BEA, Moody's Analytics

...And Balance Sheets Rarely as Strong

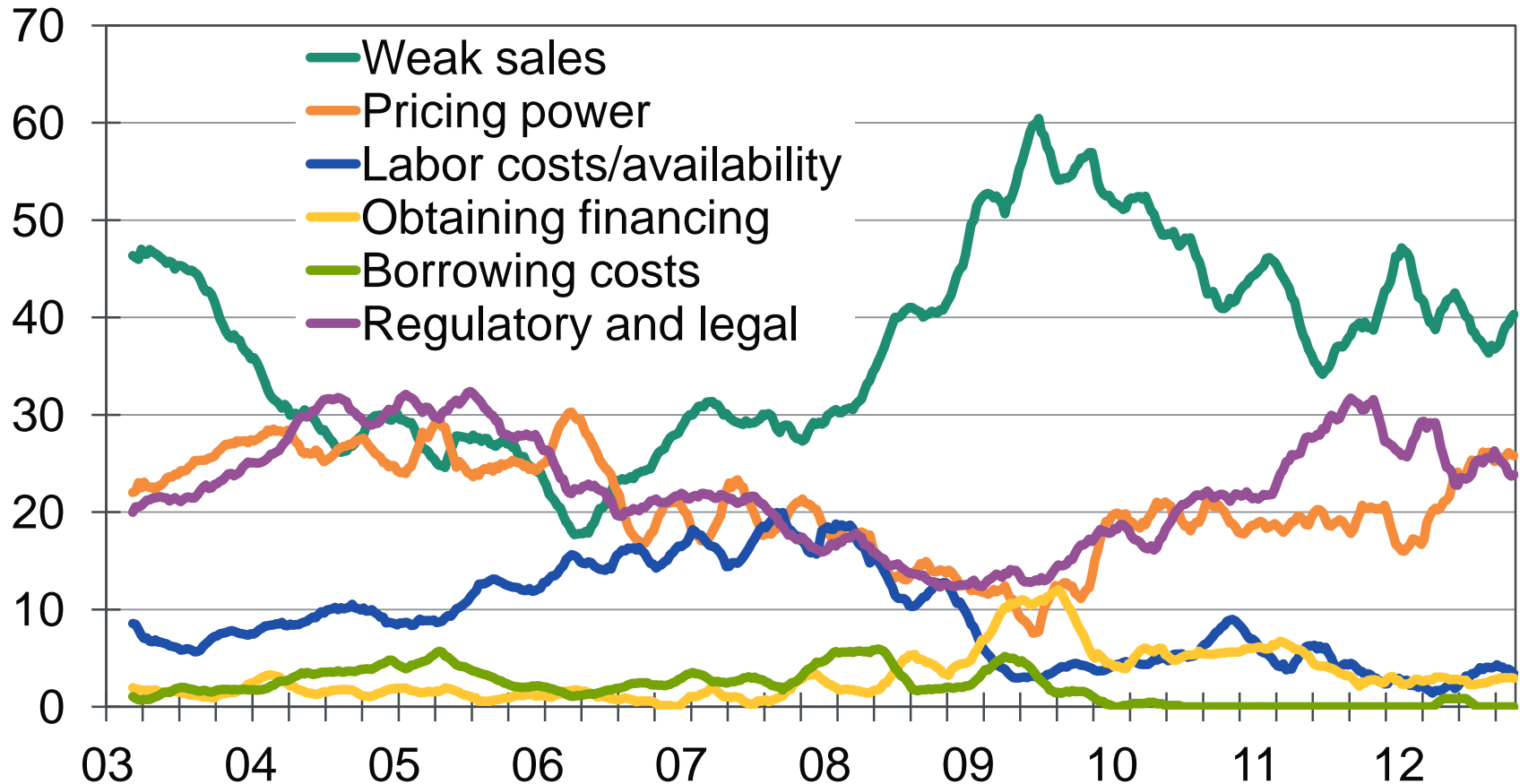
Nonfinancial corporate businesses



Sources: Federal Reserve, Moody's Analytics

Weak Sales Remain a Worry

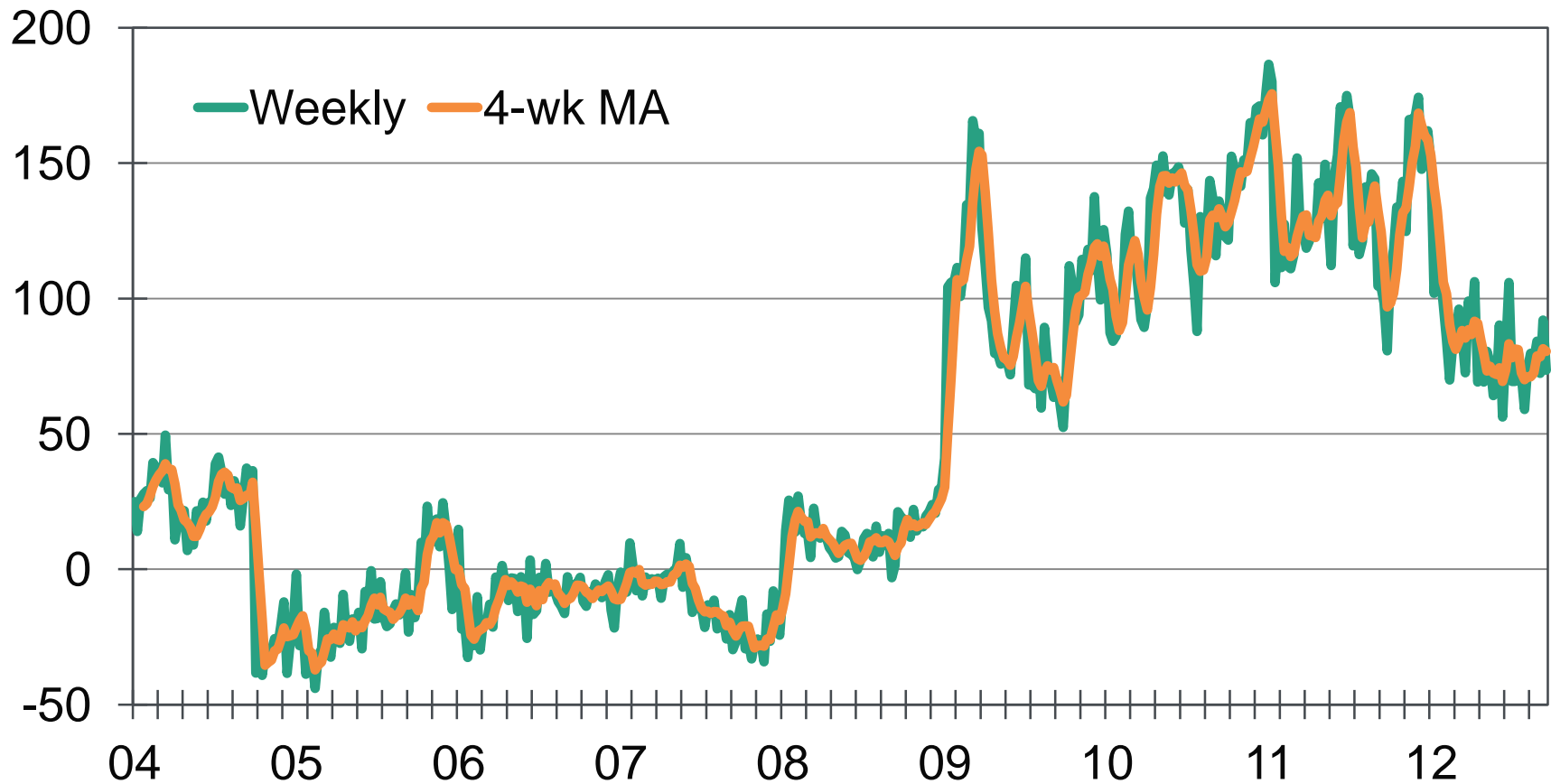
Largest problem facing businesses, net %, 3-mo MA



Source: Moody's Analytics

High Policy Anxiety

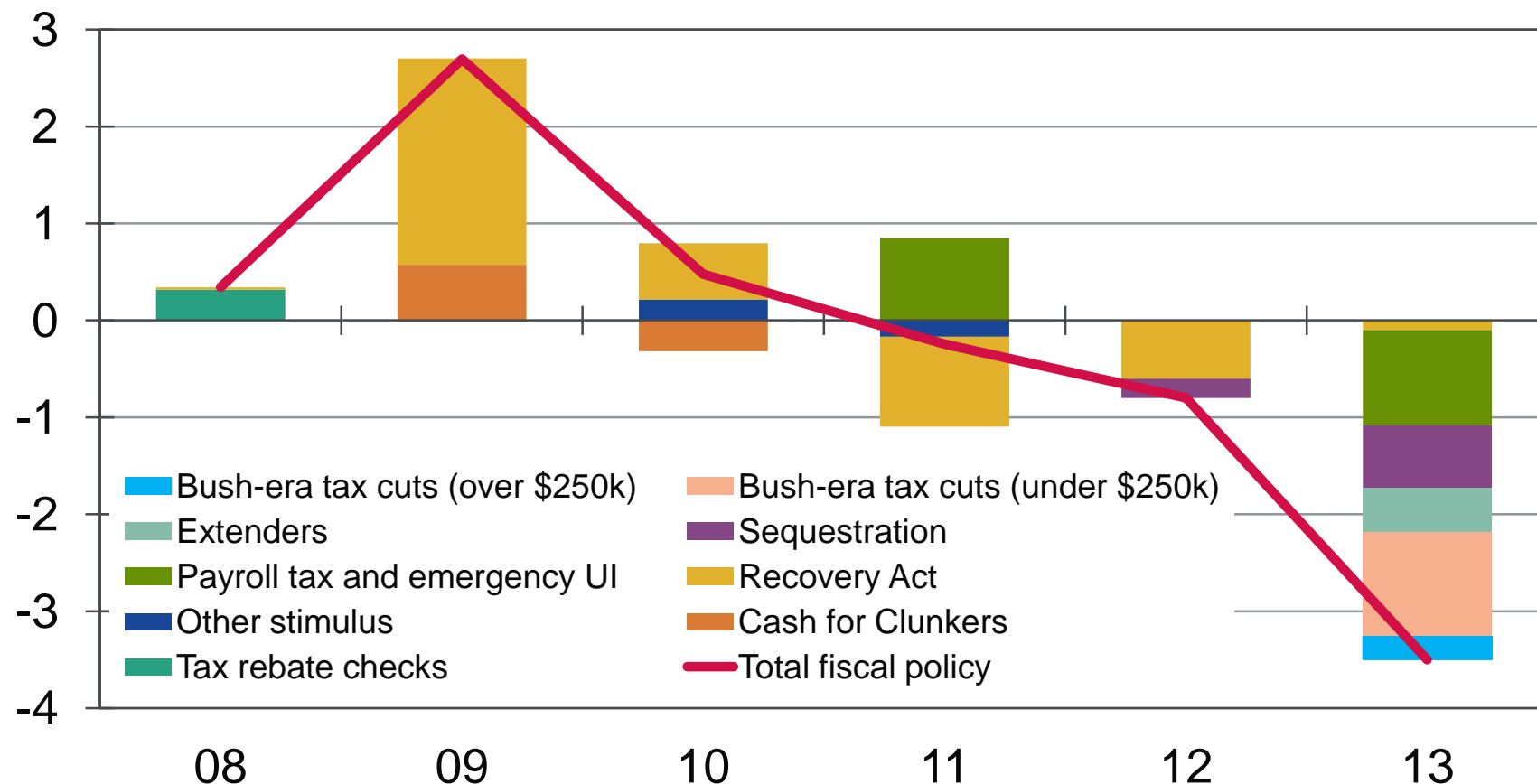
Policy Uncertainty Index, 2004-2005=0



Source: Moody's Analytics

From Fiscal Stimulus to Fiscal Cliff

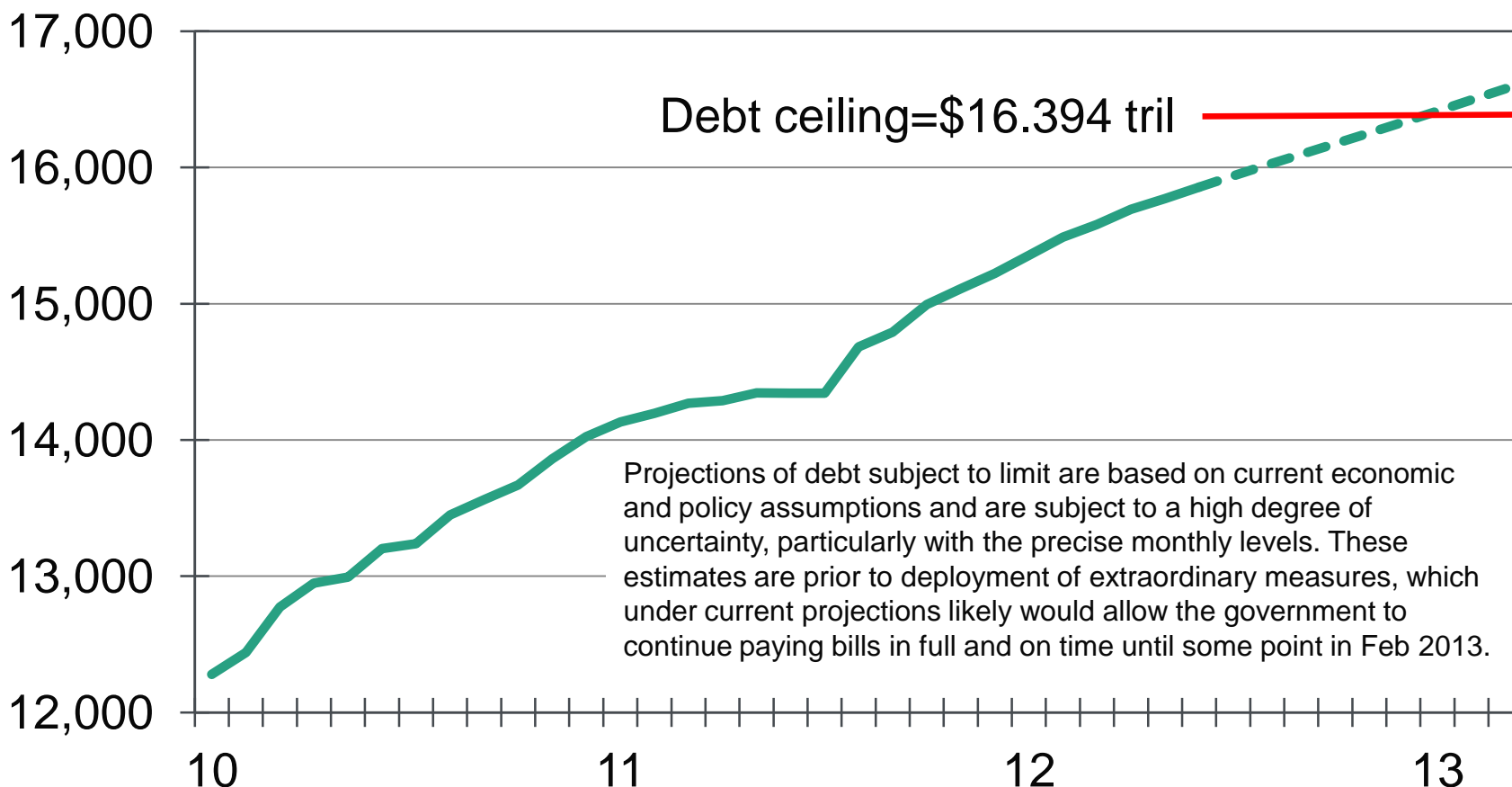
Fiscal policy contribution to real GDP growth under current law, %



Source: Moody's Analytics

The Debt Ceiling Is Fast Approaching

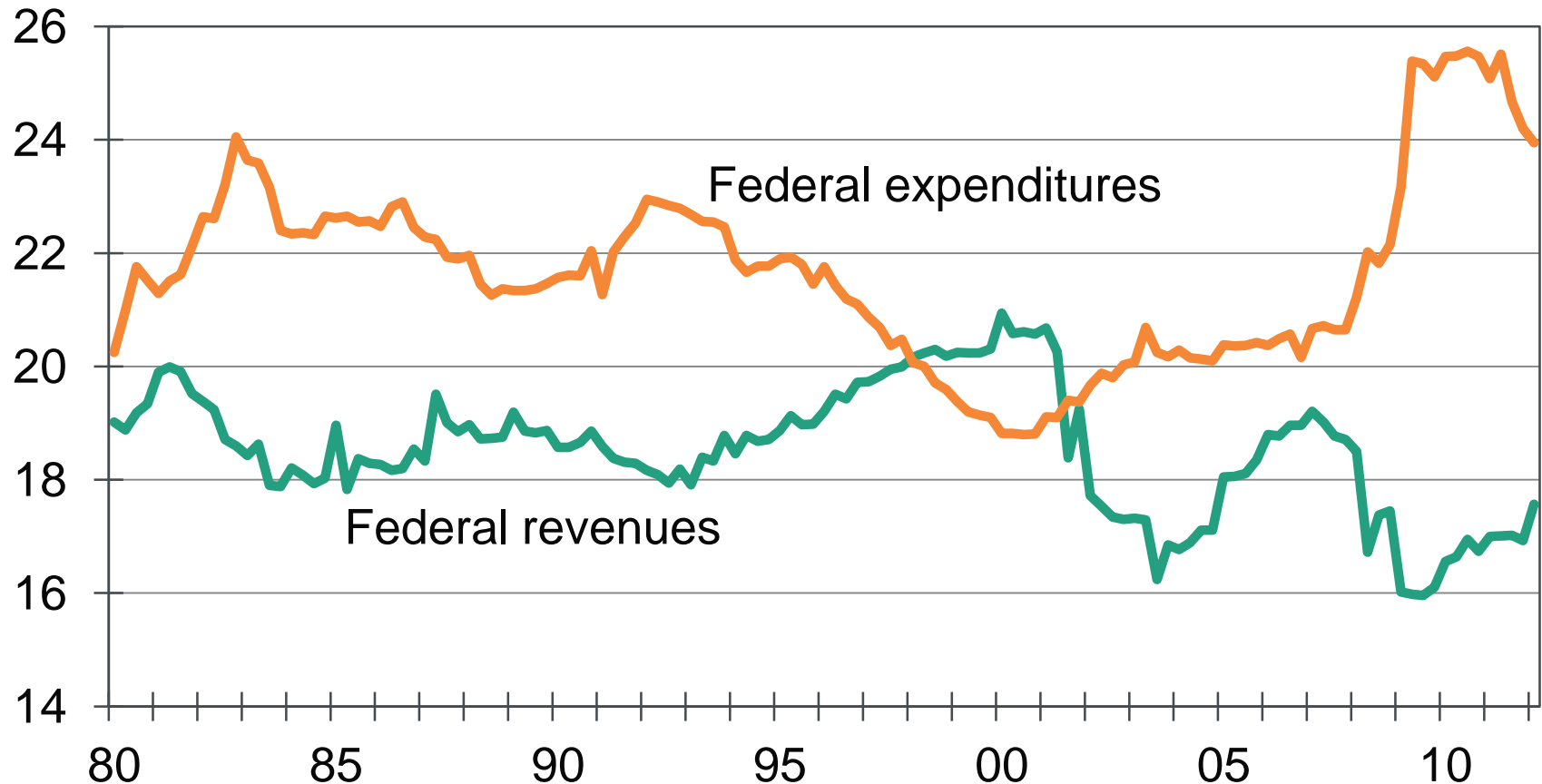
Treasury debt outstanding, \$ bil



Sources: U.S. Treasury, Moody's Analytics

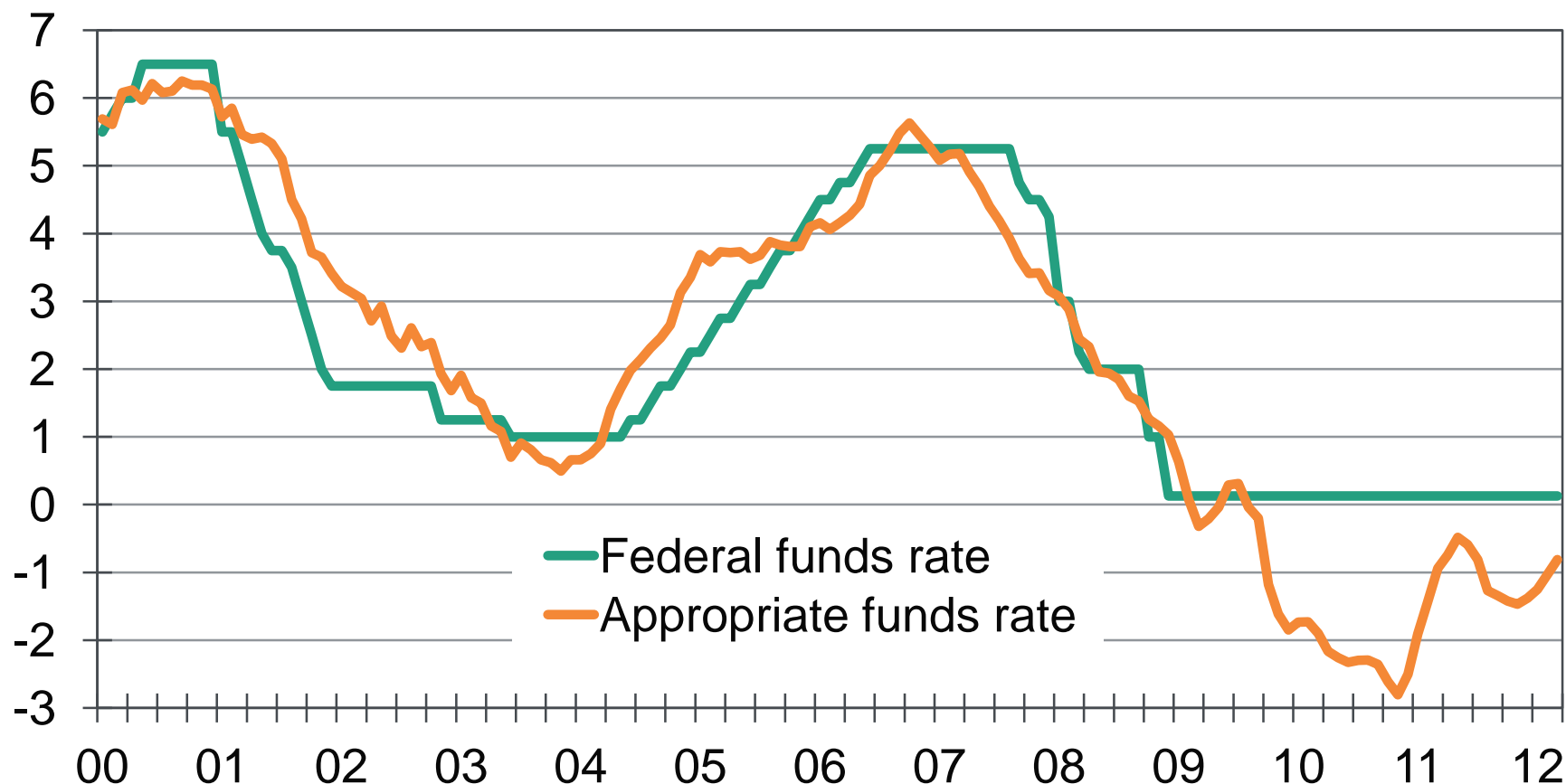
Fiscal Sustainability Requires Compromise

Expenditures and revenues as a % of GDP



Sources: BEA, Moody's Analytics

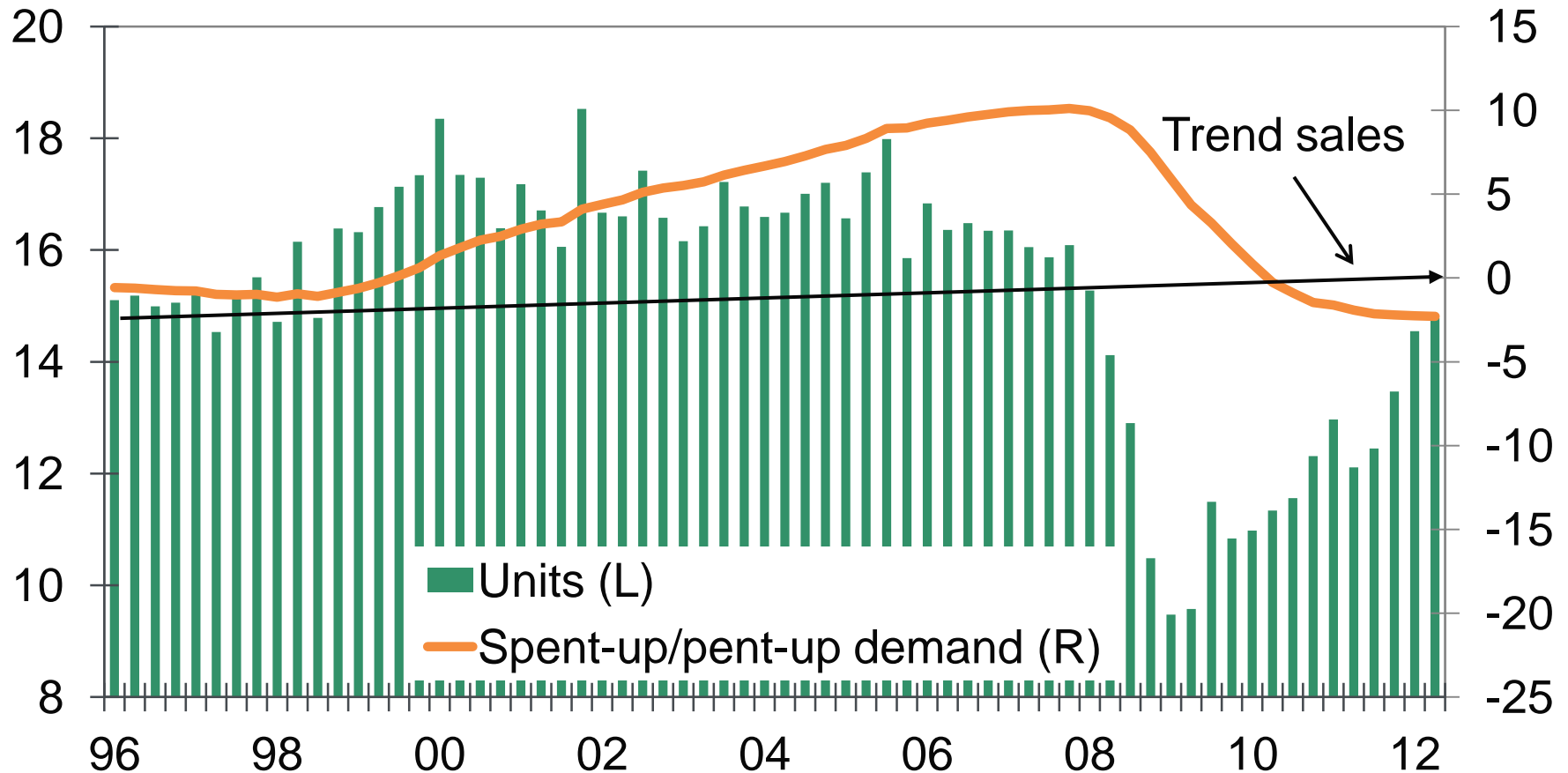
The Federal Reserve Will Do What Is Necessary



Sources: Federal Reserve, Moody's Analytics

Spent-Up Demand Gives Way to Pent-Up Demand...

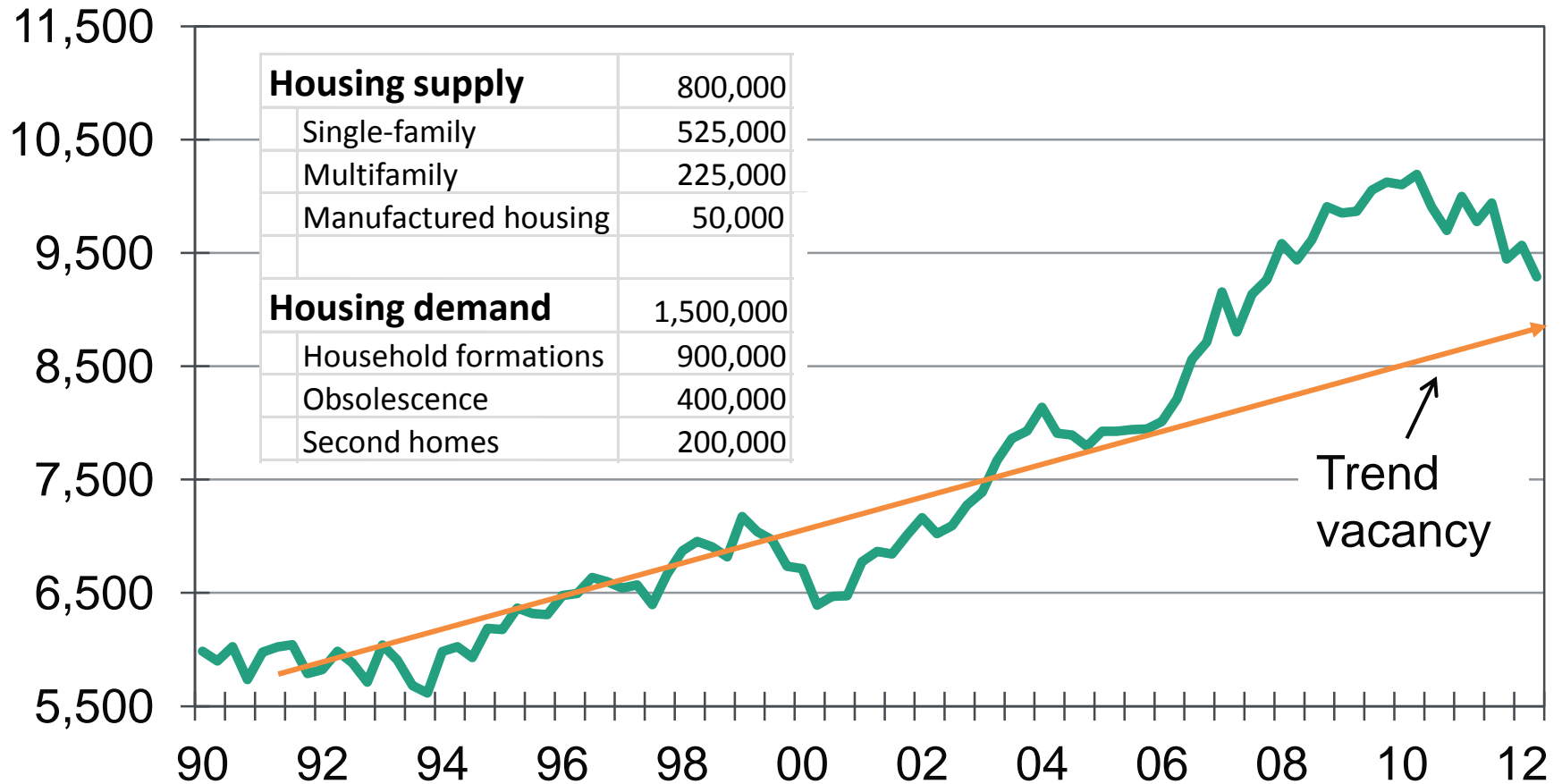
Light-vehicle sales, mil



Sources: BEA, Moody's Analytics

...Housing Inventories Are Worked Down...

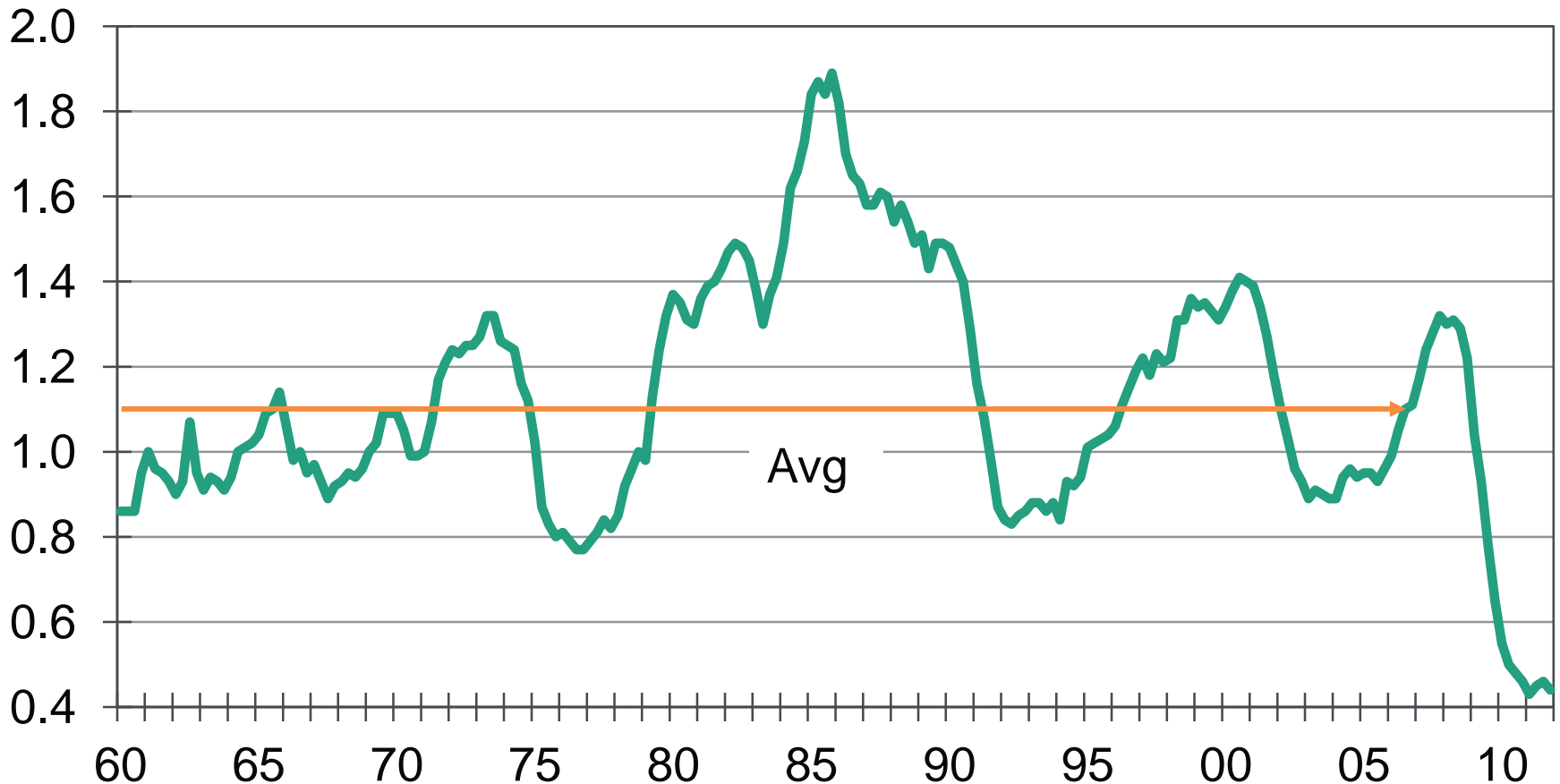
Vacant homes for sale, for rent, and held off market, the



Sources: Census Bureau, Moody's Analytics

...And Commercial Construction Is at Bottom

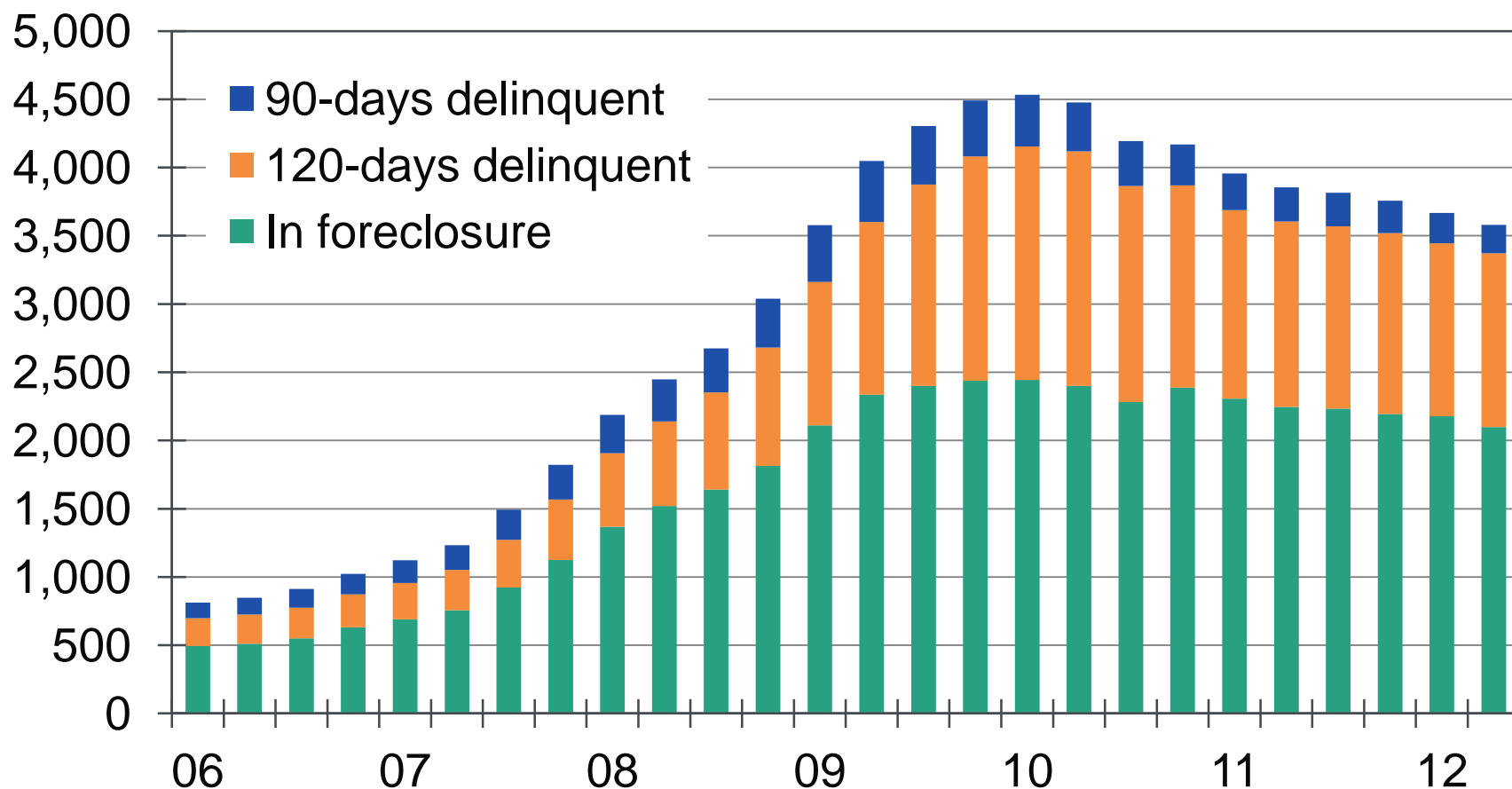
Investment in commercial structures as a % of GDP



Sources: BEA, Moody's Analytics

A Mountain of Distressed Property...

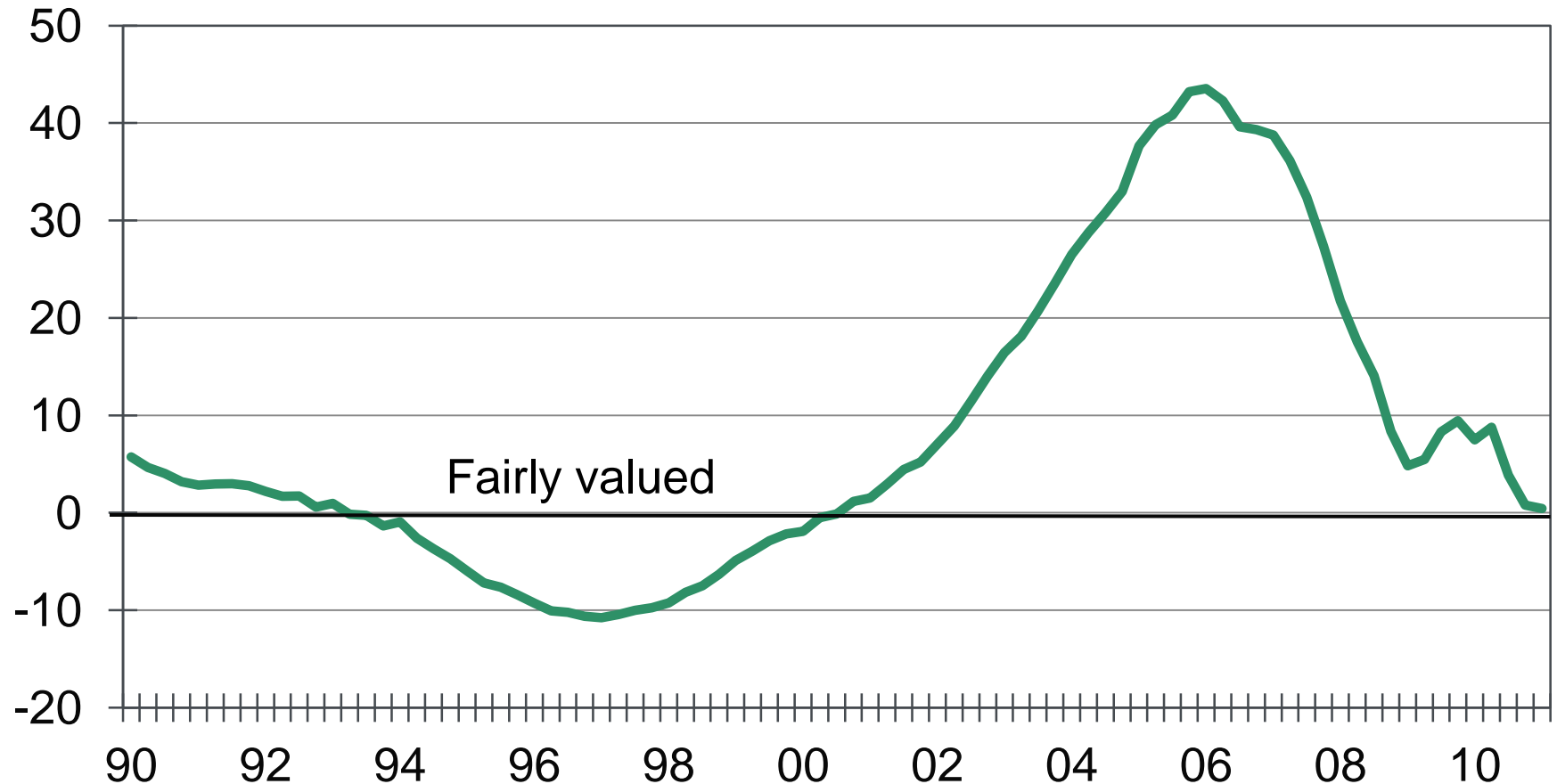
First mortgage loans, the



Sources: Equifax, Moody's Analytics

...But Investor Demand Is Strong

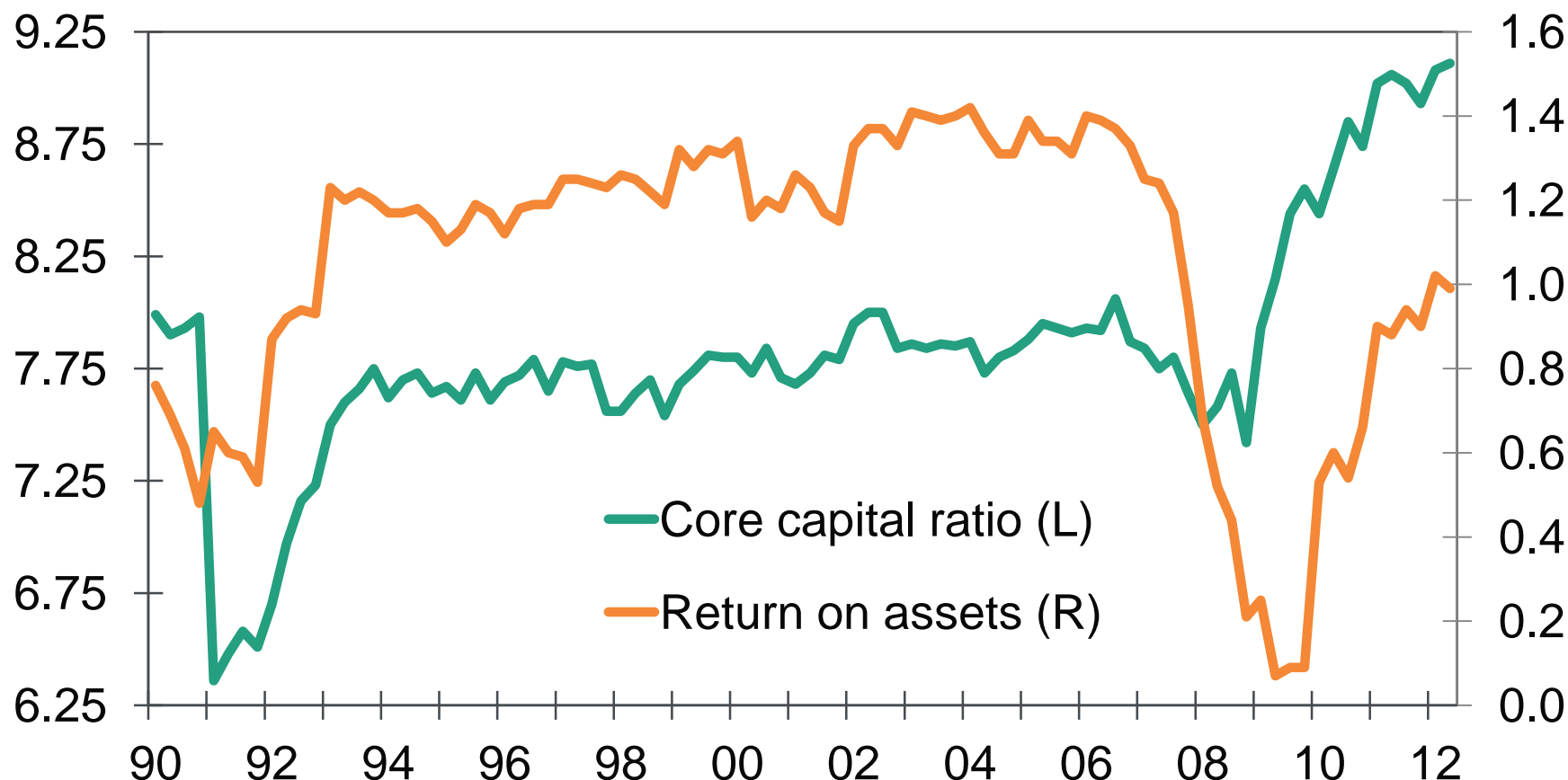
% over- or undervalued



Sources: Property Portfolio Research, BEA, Census Bureau, Fiserv, Moody's Analytics

Banks Are Well Capitalized and More Profitable...

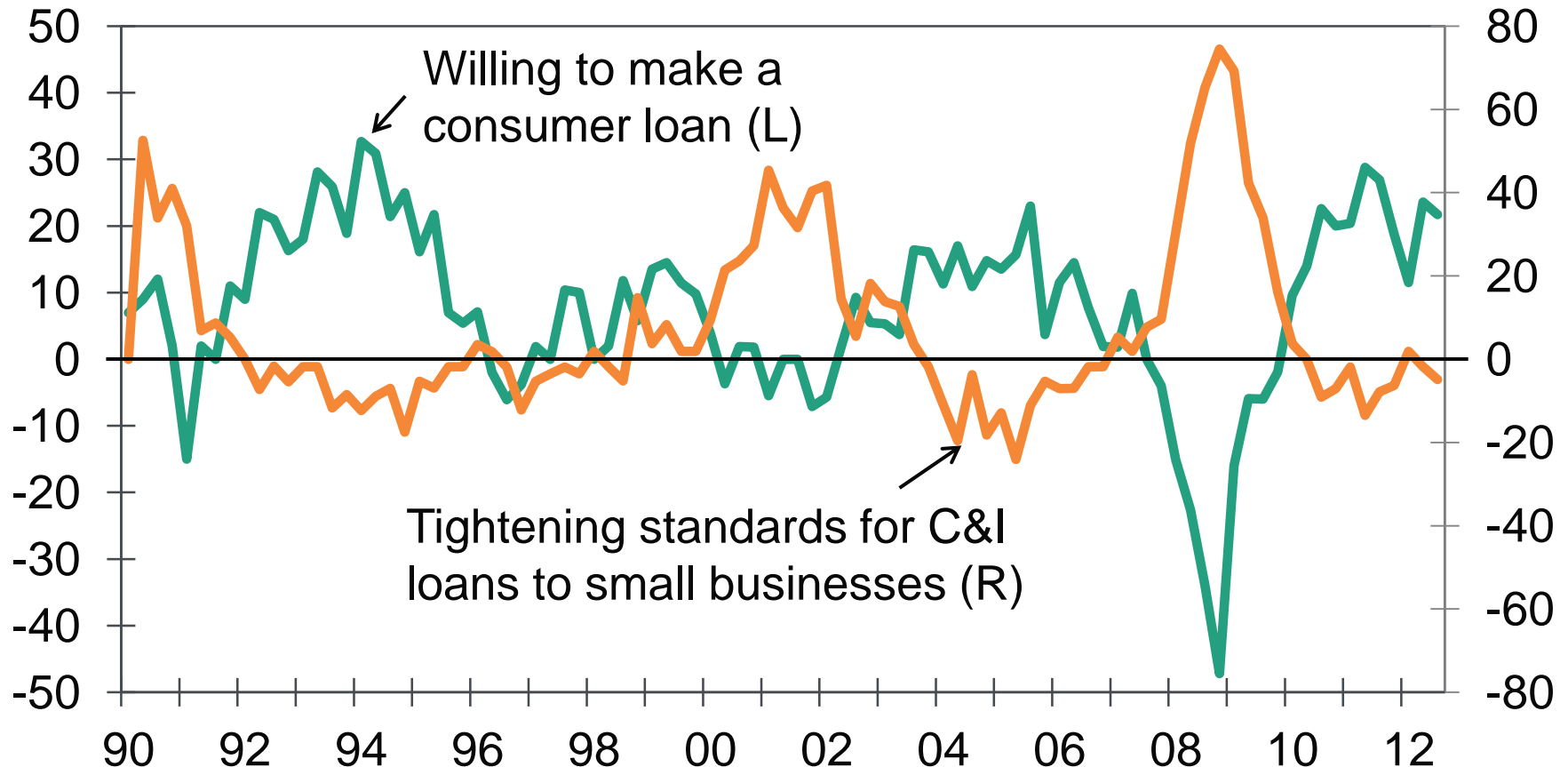
Commercial banks



Sources: FDIC, Moody's Analytics

...And Thus Opening the Credit Spigot

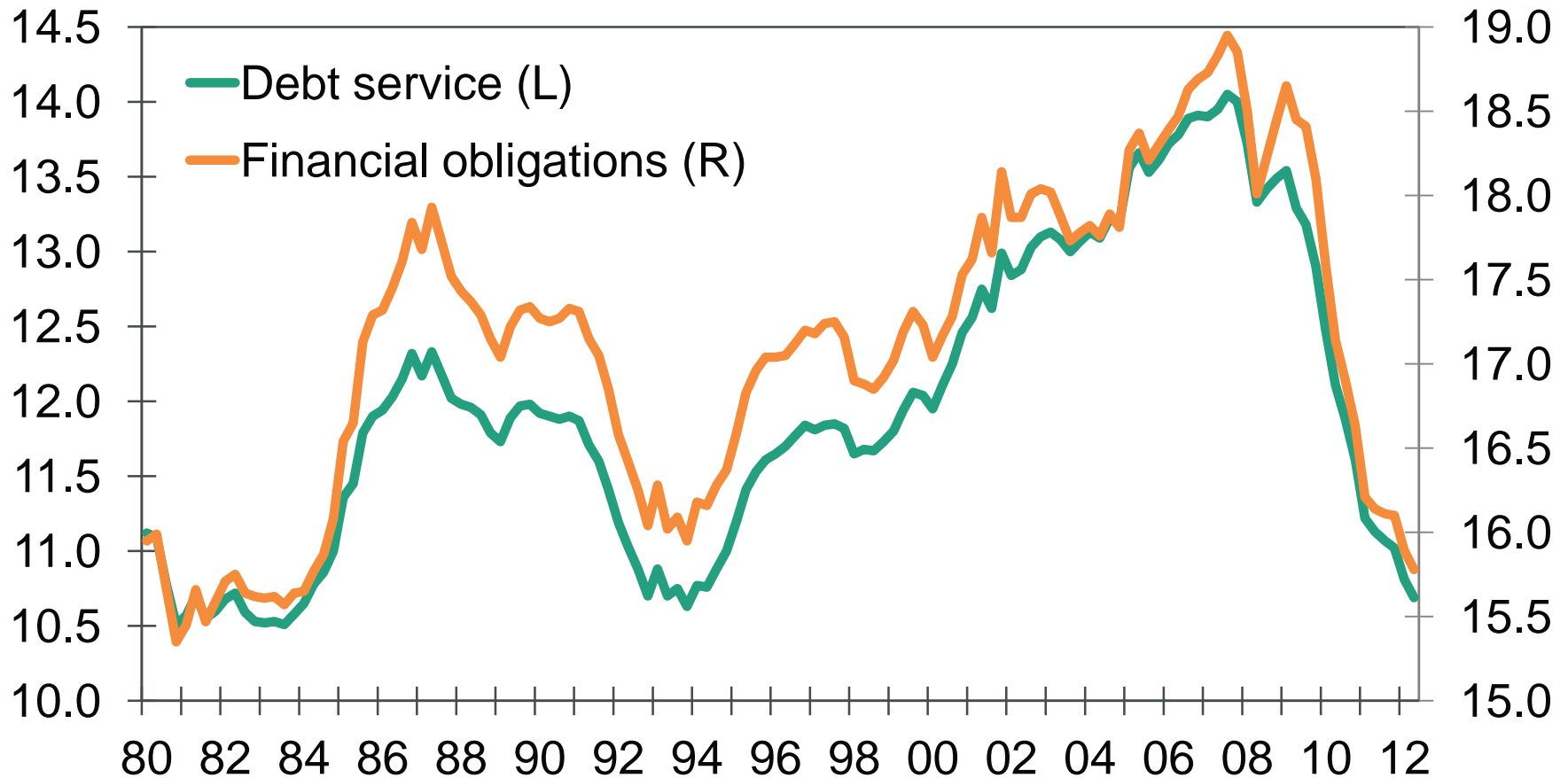
Net % of senior loan officers...



Sources: Federal Reserve, Moody's Analytics

Households Rapidly Deleverage...

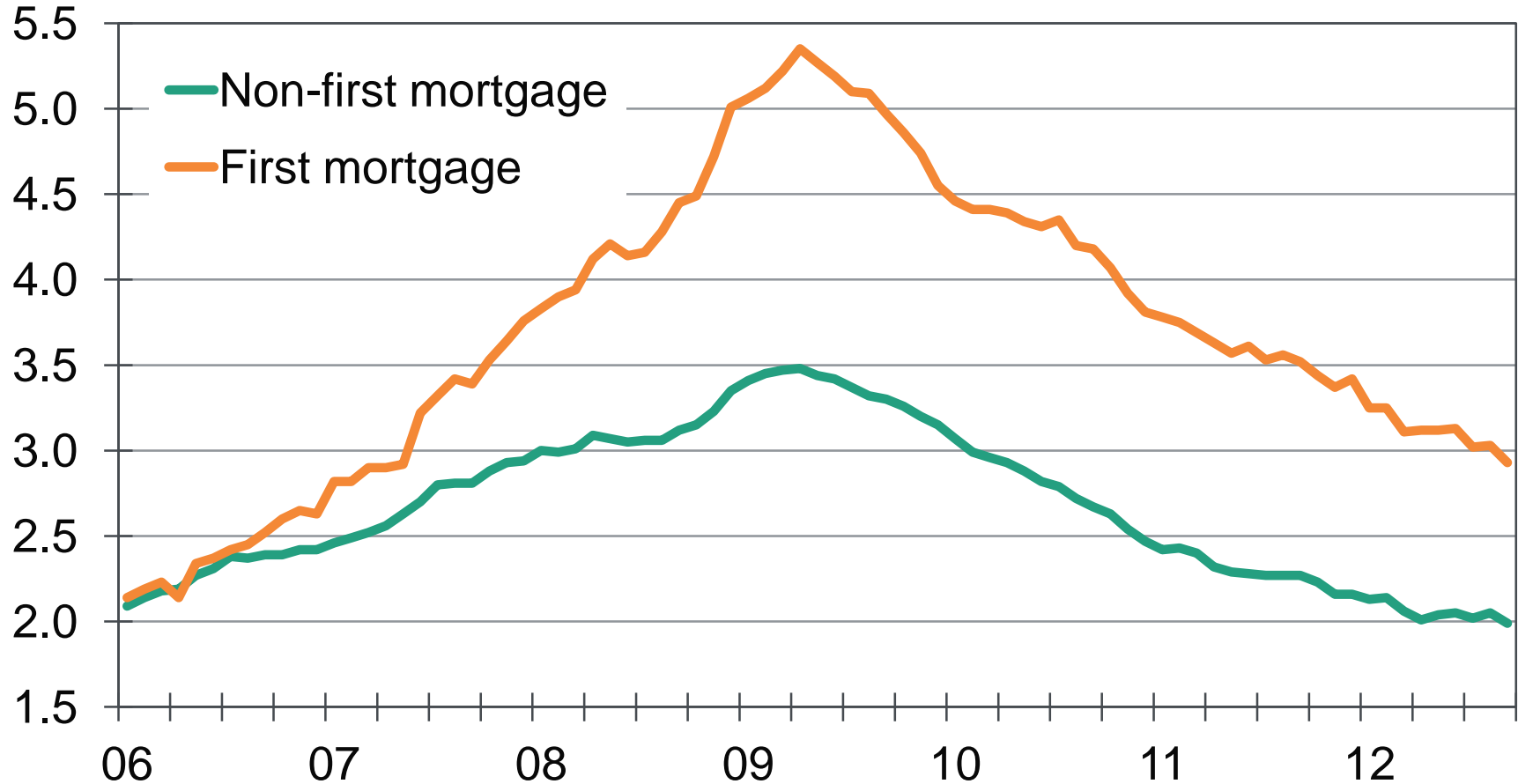
% of disposable income



Sources: Federal Reserve, BEA, Moody's Analytics

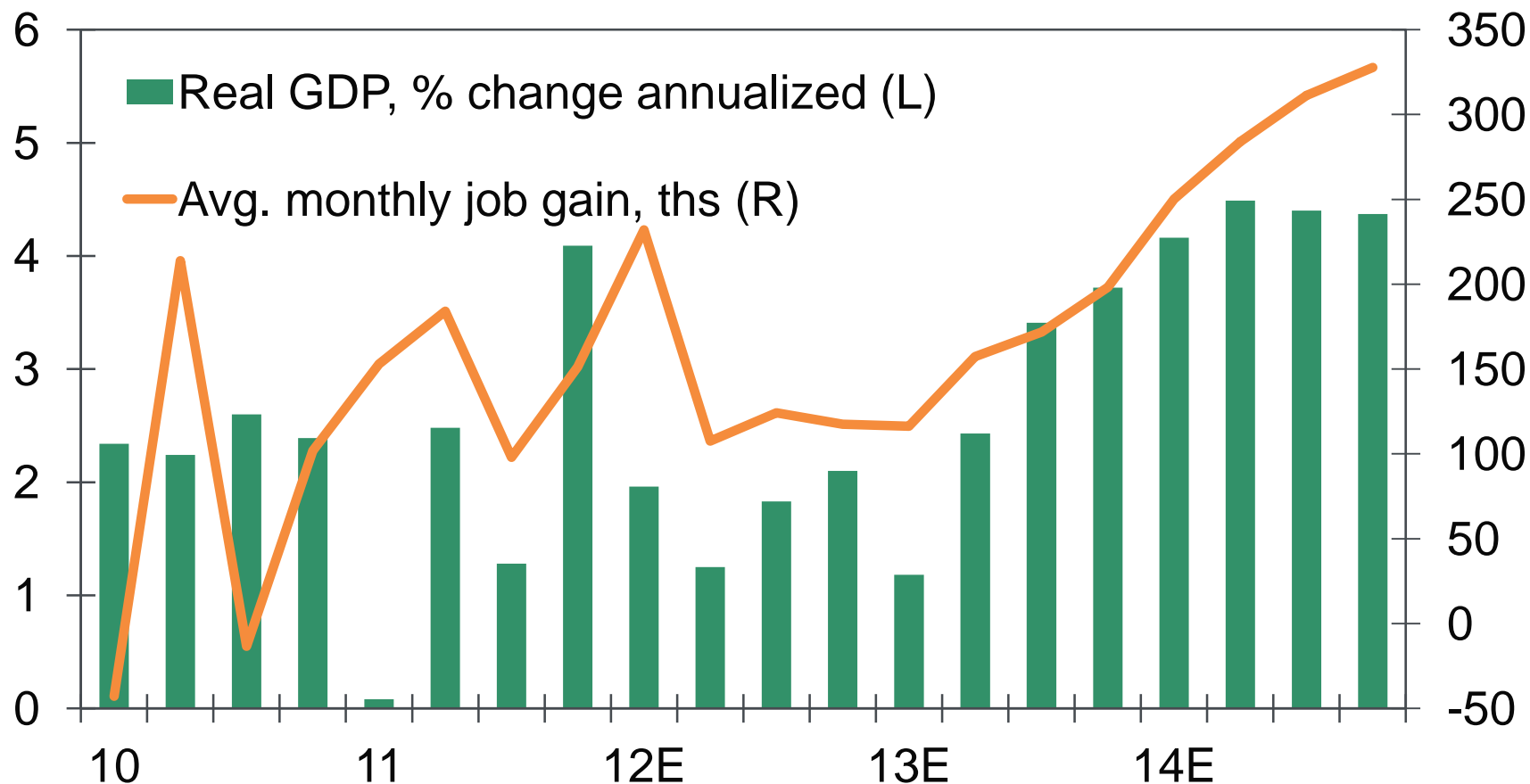
...Which Is Evident in Improving Credit Quality

30- to 90-day delinquency rate, % of \$, SA



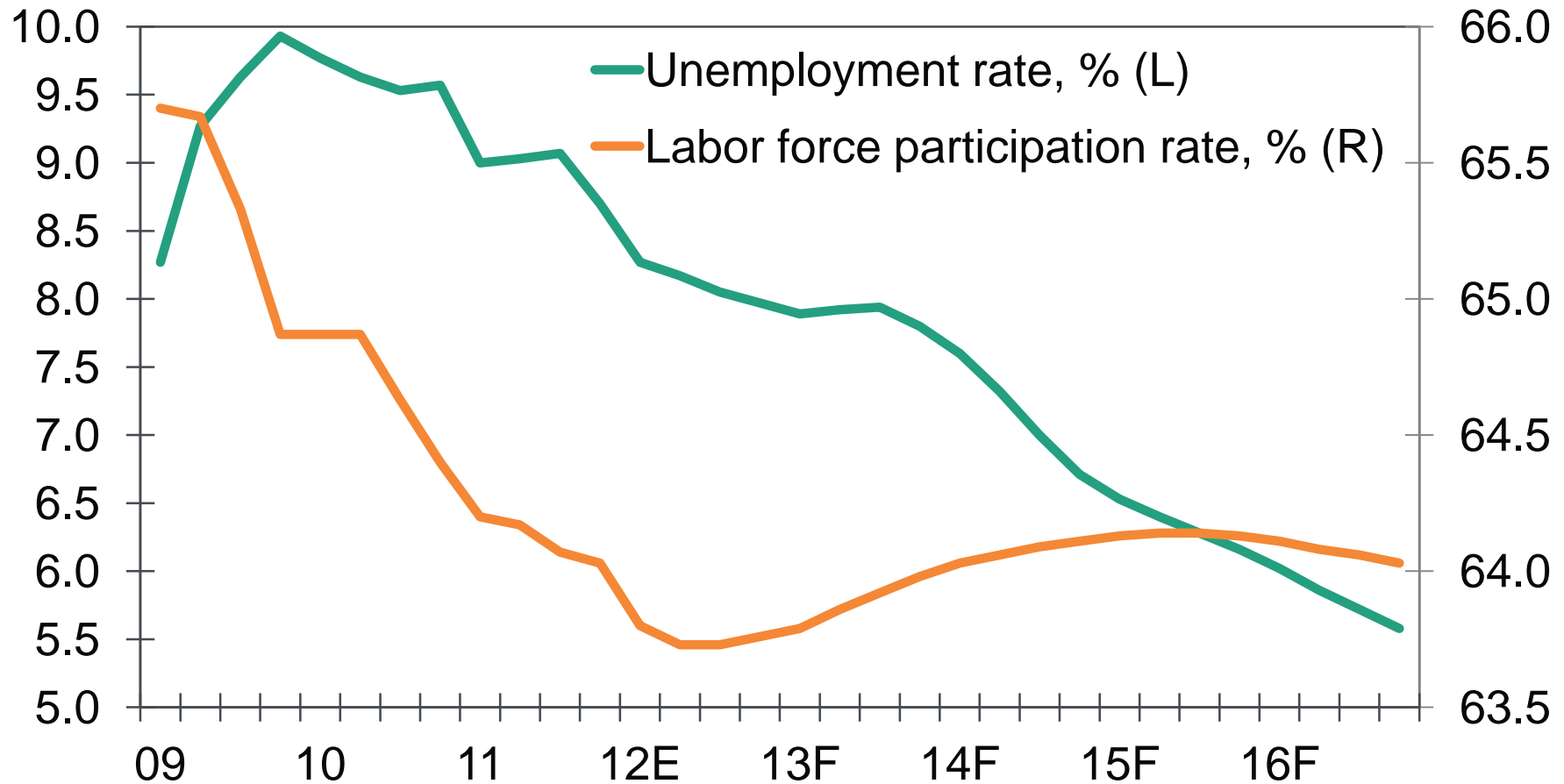
Sources: Equifax, Moody's Analytics

Another Year of Slow Growth...



Sources: BEA, BLS, Moody's Analytics

...And Unemployment Will Take Years to Recover



Sources: BLS, Moody's Analytics



New York

Payroll Employment—Northeast States

1-yr vs. 3-mo performance (3-mo. MA)

Feb 2012

Improving

- Middle Atlantic
- New England
- South Atlantic

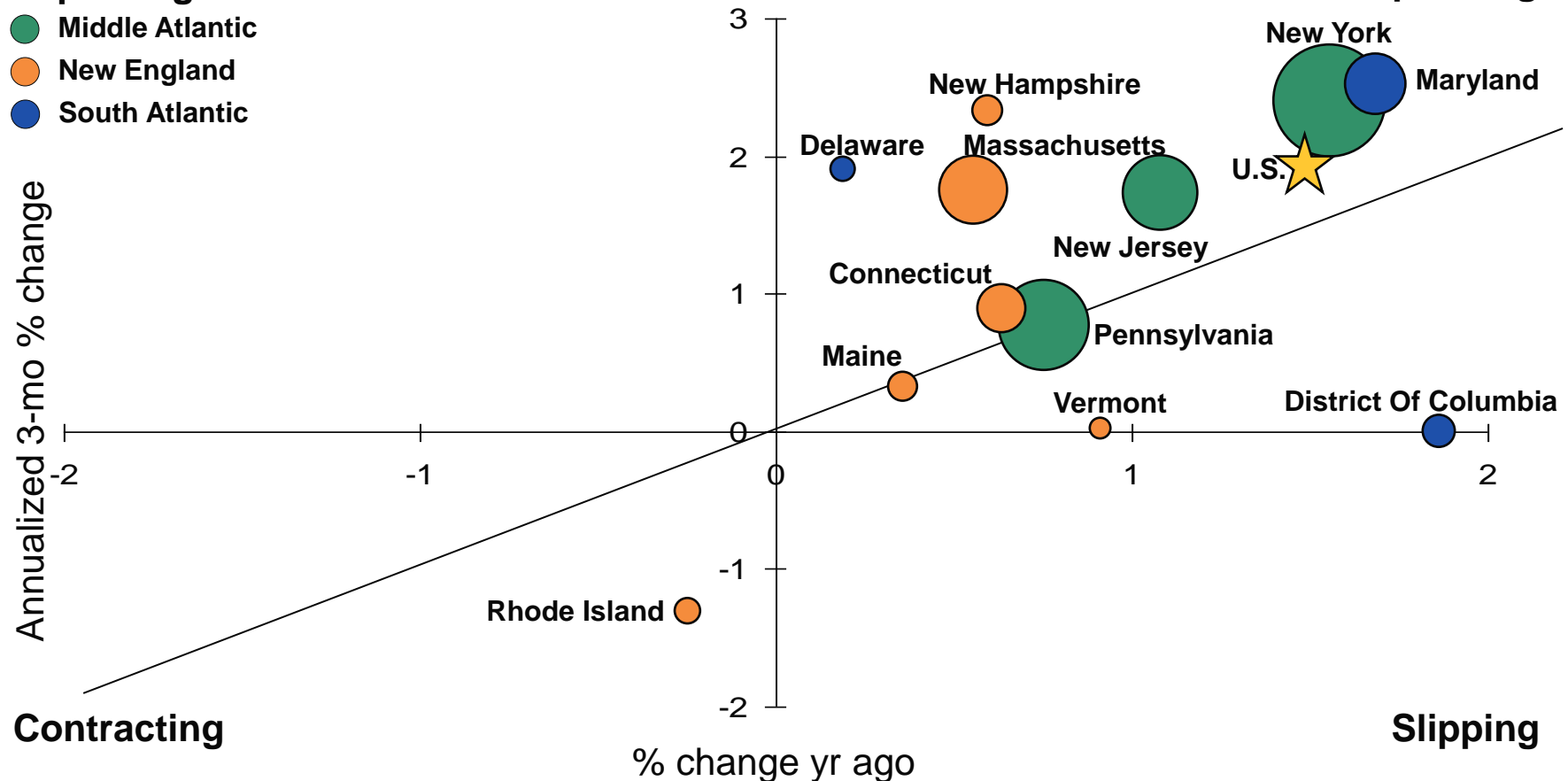
Expanding

Annualized 3-mo % change

Contracting

% change yr ago

Slipping



Note: Size reflects relative total employment

Payroll Employment—Northeast States

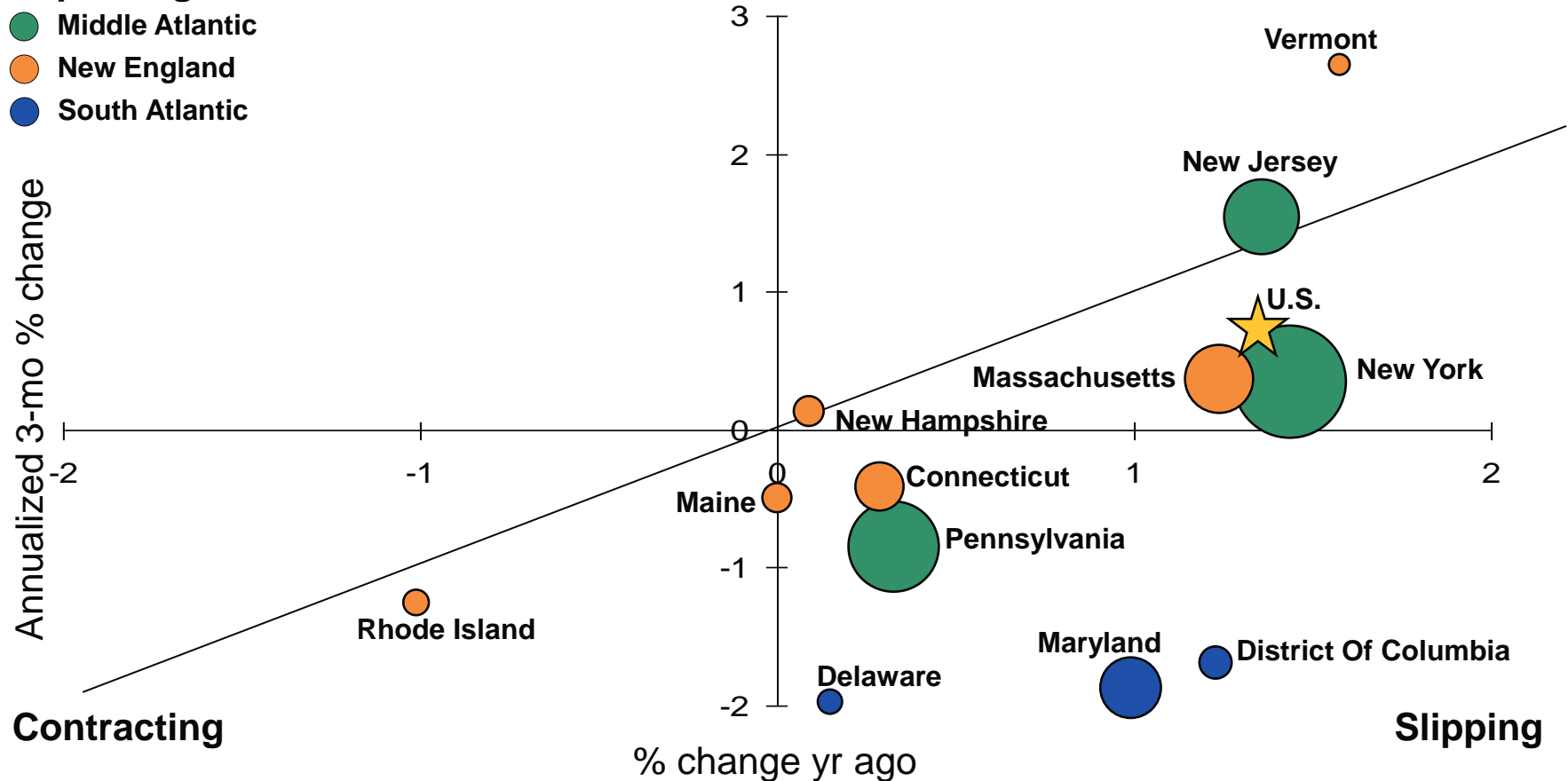
1-yr vs. 3-mo performance (3-mo. MA)

Aug 2012

Improving

- Middle Atlantic
- New England
- South Atlantic

Expanding



Note: Size reflects relative total employment

Payroll Employment—Northeast MSAs

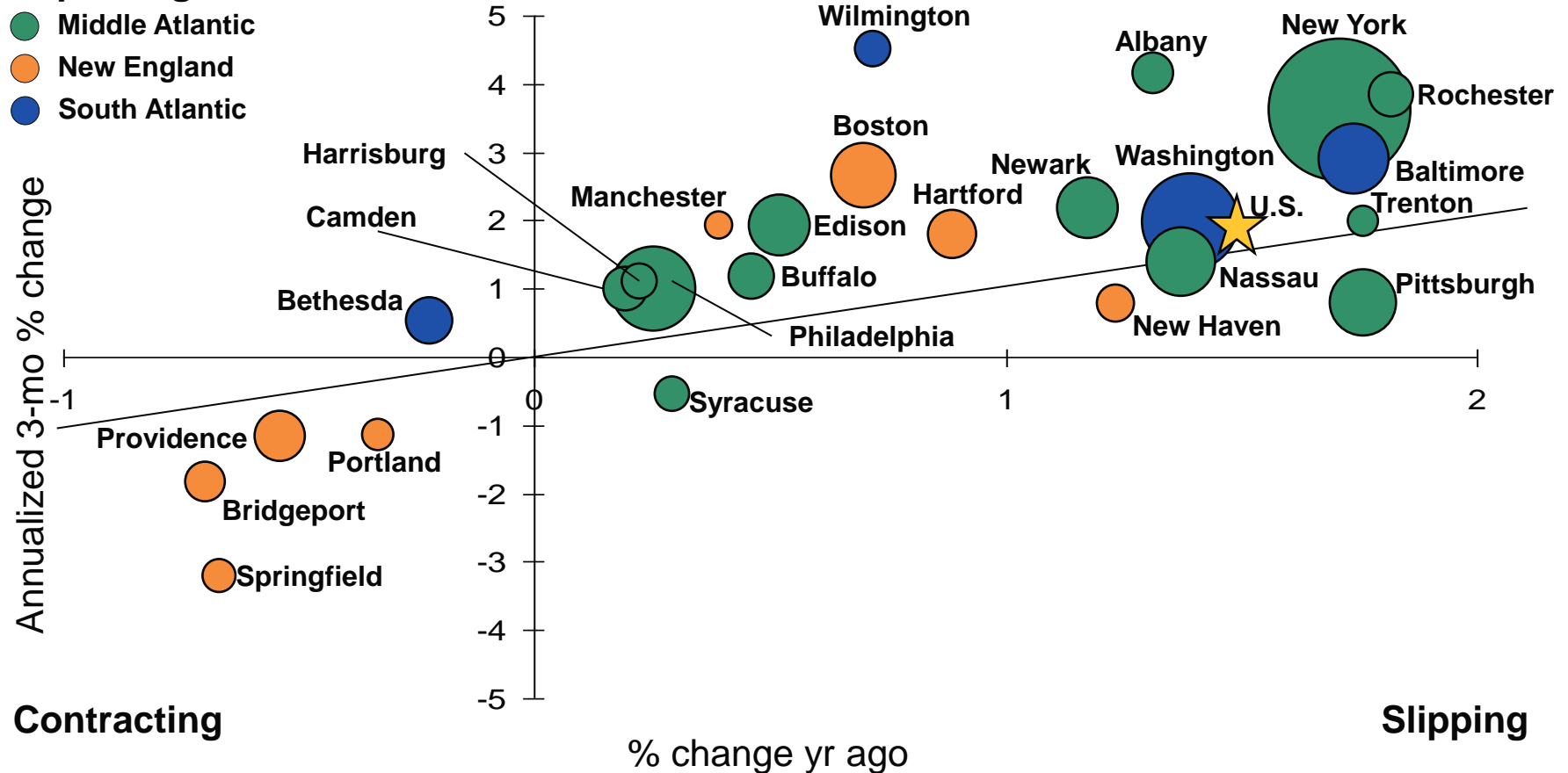
1-yr vs. 3-mo performance (3-mo. MA)

Feb 2012

Improving

- Middle Atlantic
- New England
- South Atlantic

Expanding



Note: Size reflects relative total employment

Payroll Employment—Northeast MSAs

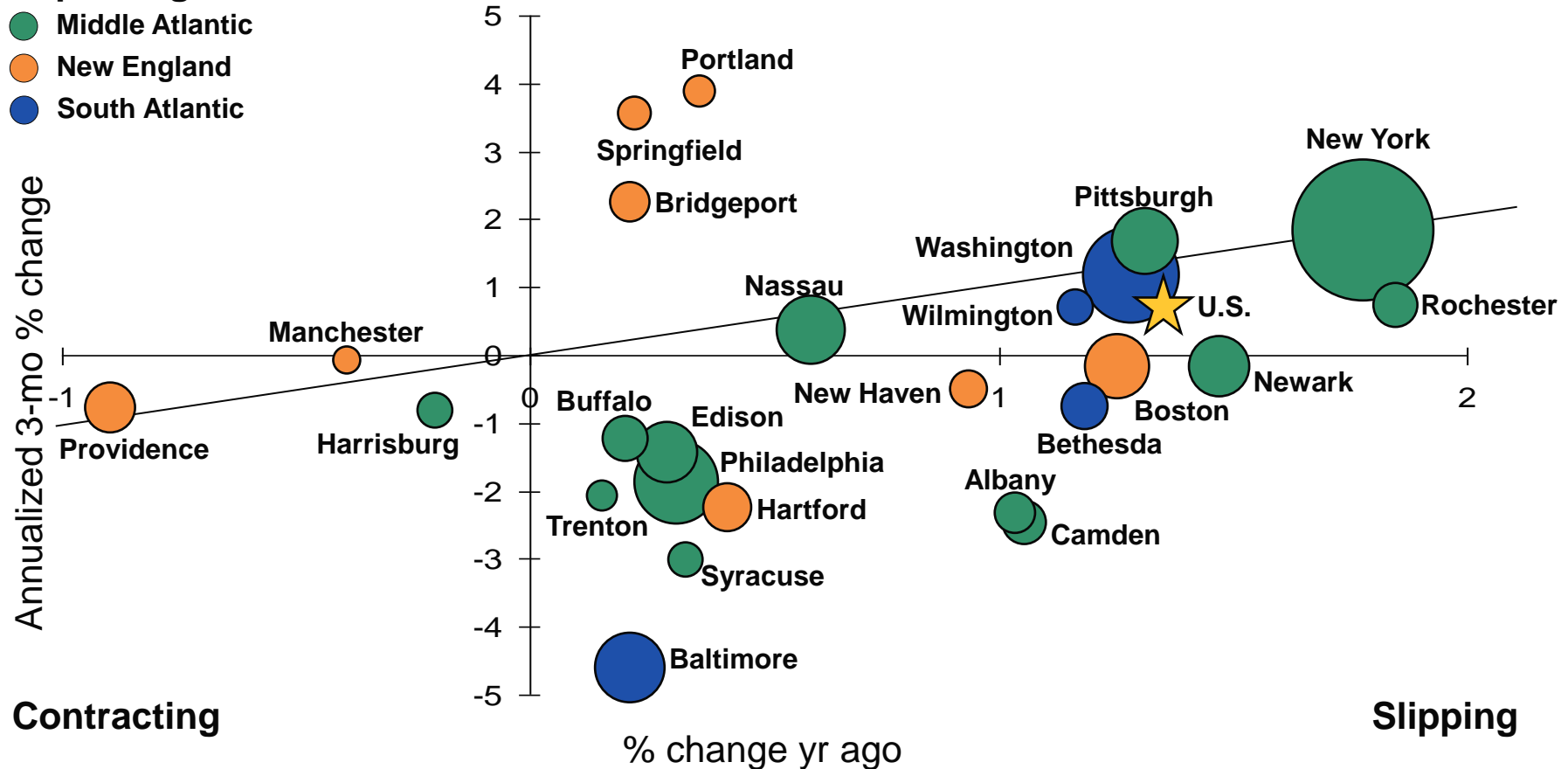
1-yr vs. 3-mo performance (3-mo. MA)

Aug 2012

Improving

Expanding

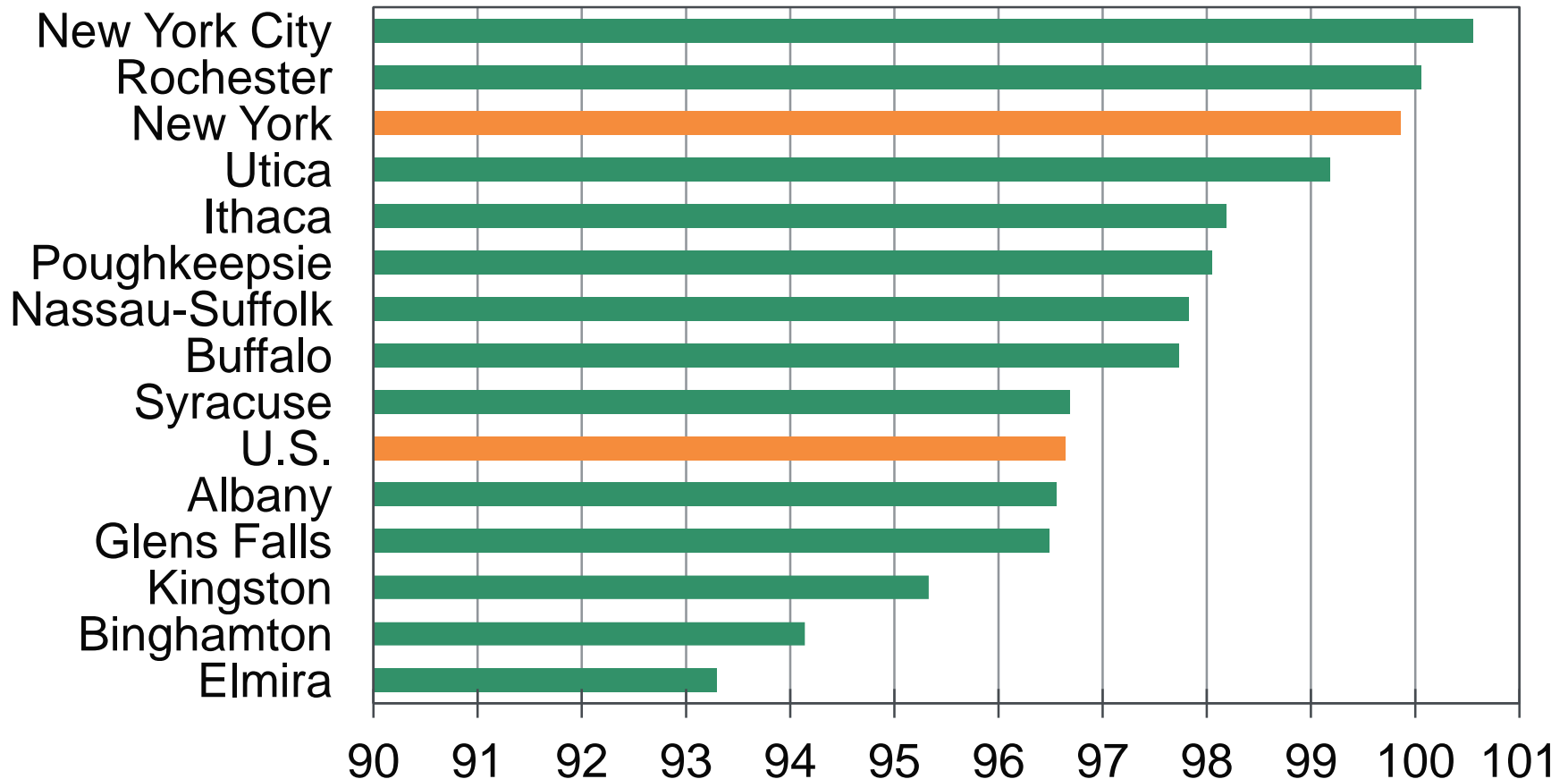
- Middle Atlantic
- New England
- South Atlantic



Note: Size reflects relative total employment

New York City, Rochester Lead the State

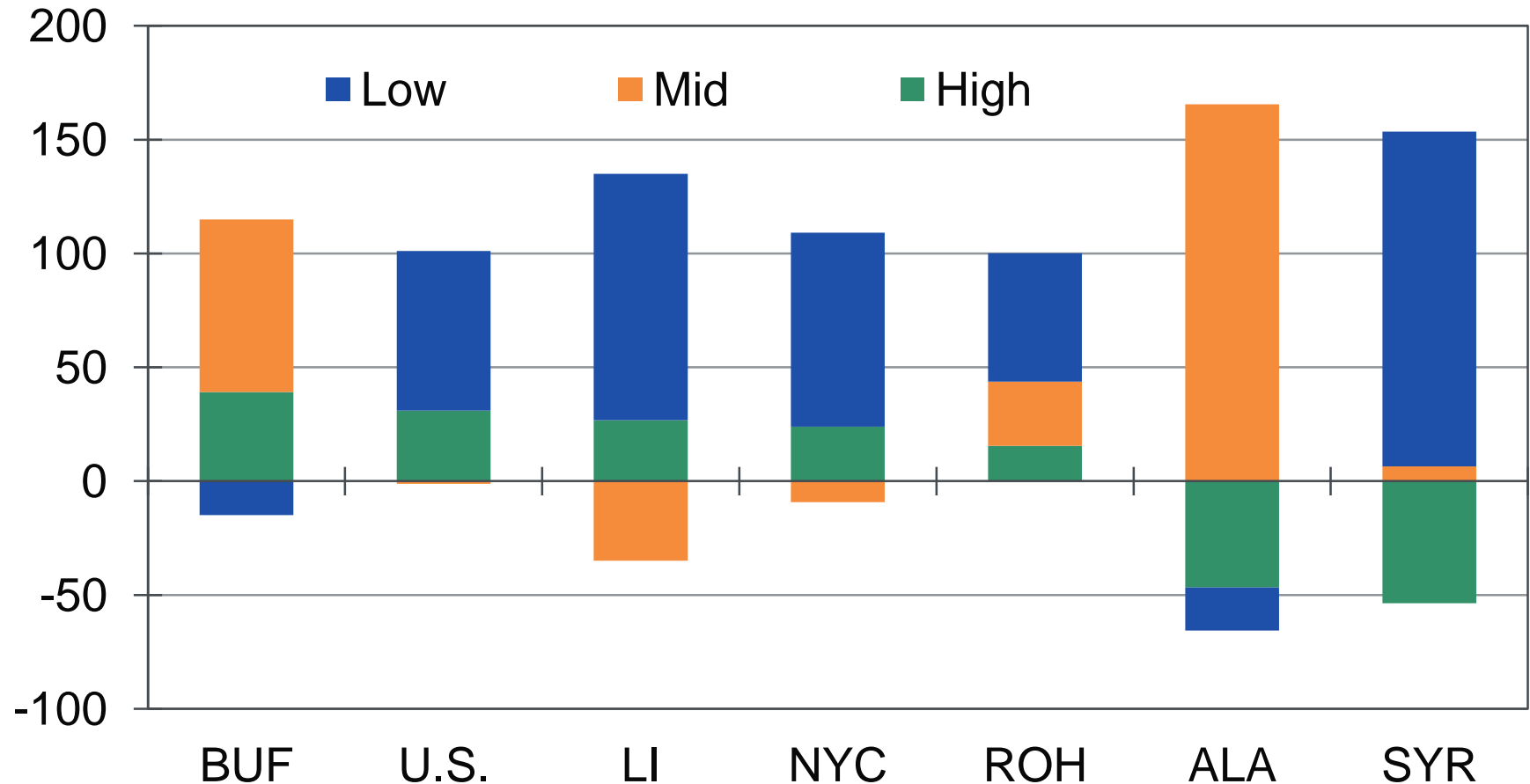
Employment, August 2012 as % of prerecession peak level



Sources: BLS, Moody's Analytics

Diverse Mix of Job Quality Across the State

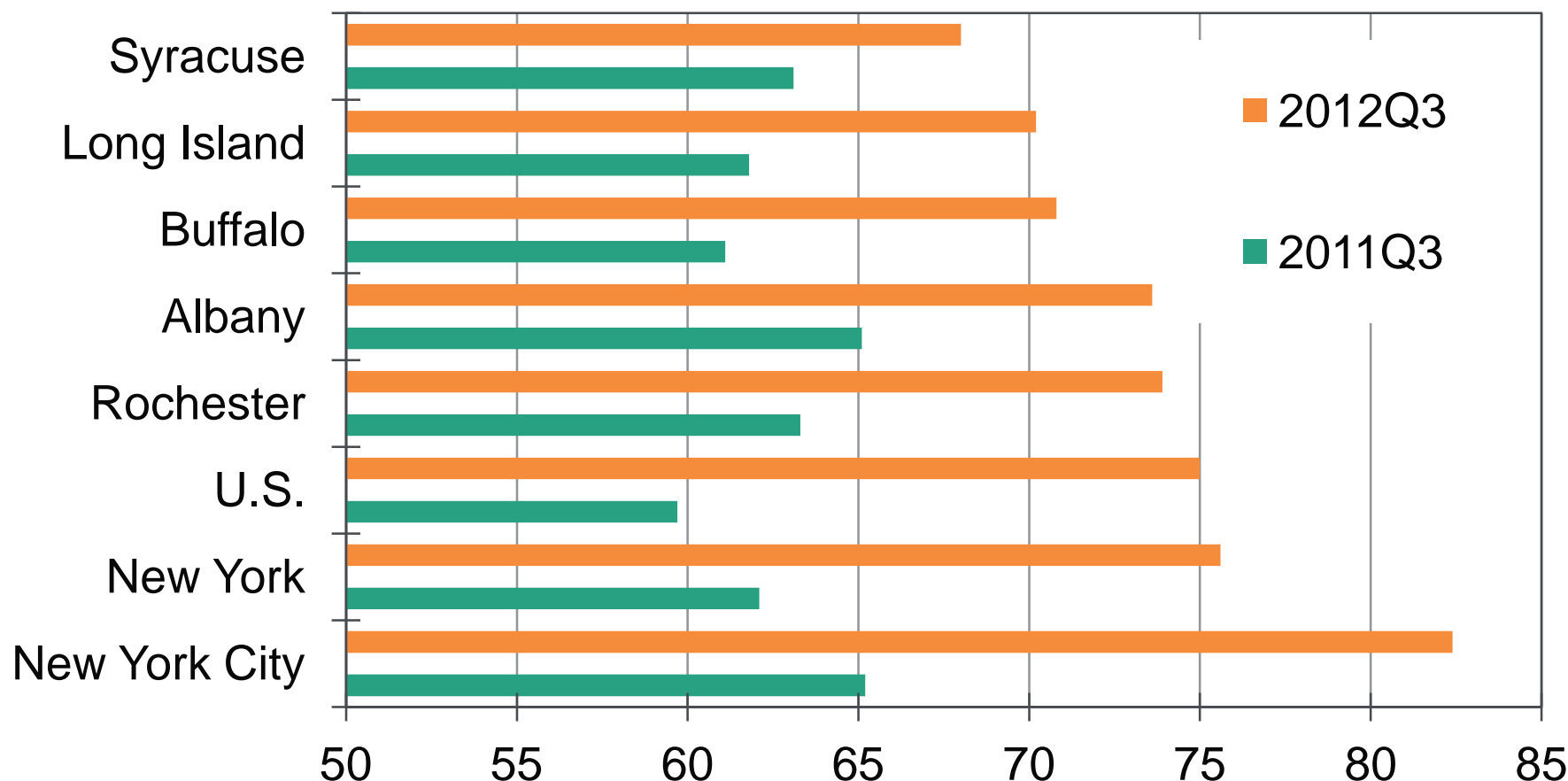
Job change by wage tier as % of total from Jun 2009 to Aug 2012



Sources: BLS, Moody's Analytics

Confidence Improving Along with Job Market

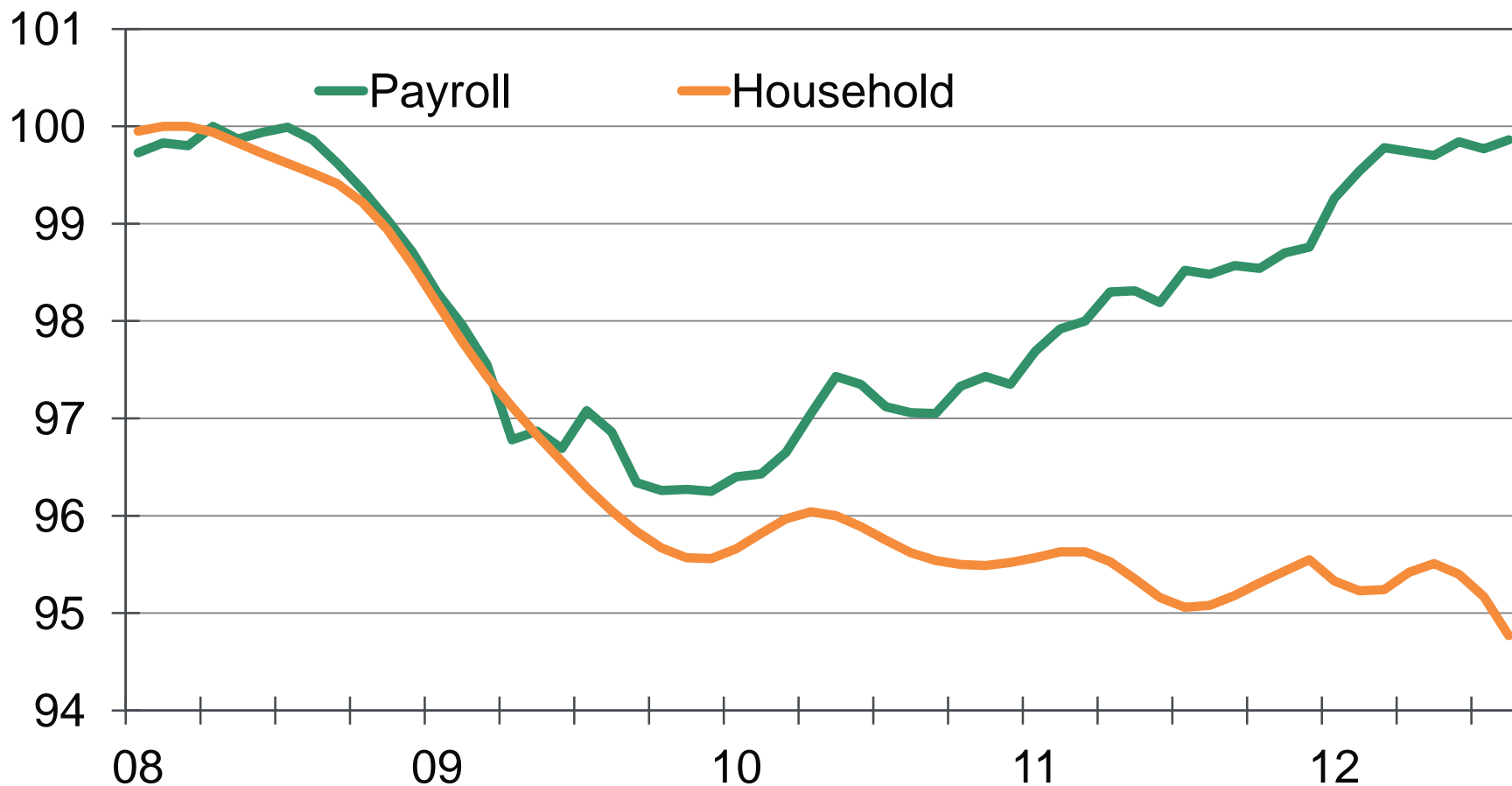
Consumer confidence, 2012Q3, 1966Q1=100



Sources: Siena College, Univ. of Michigan, Moody's Analytics

The Big Controversy

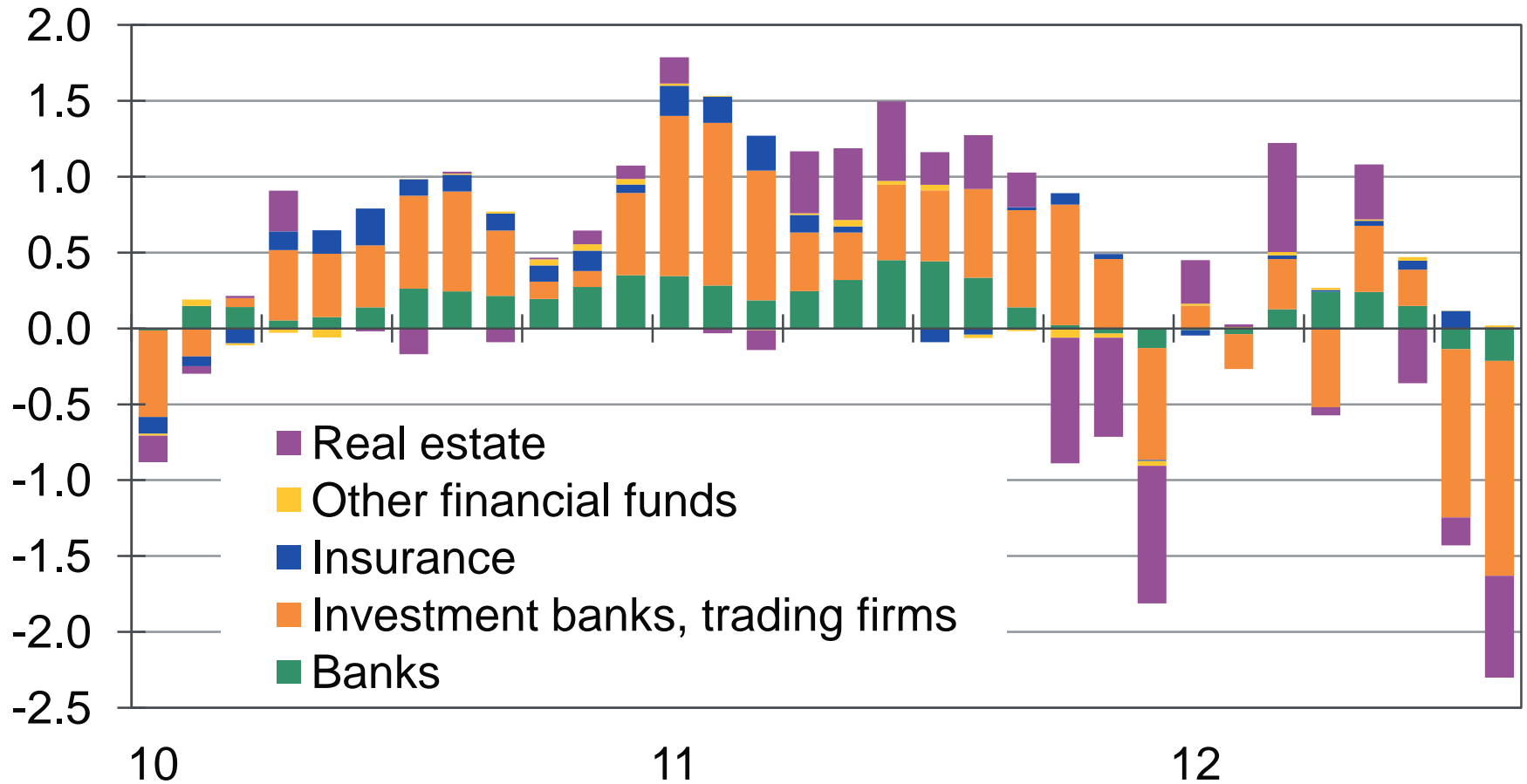
Employment, prerecession peak=100



Sources: BLS, Moody's Analytics

Sharp Declines on Wall Street Kicking in

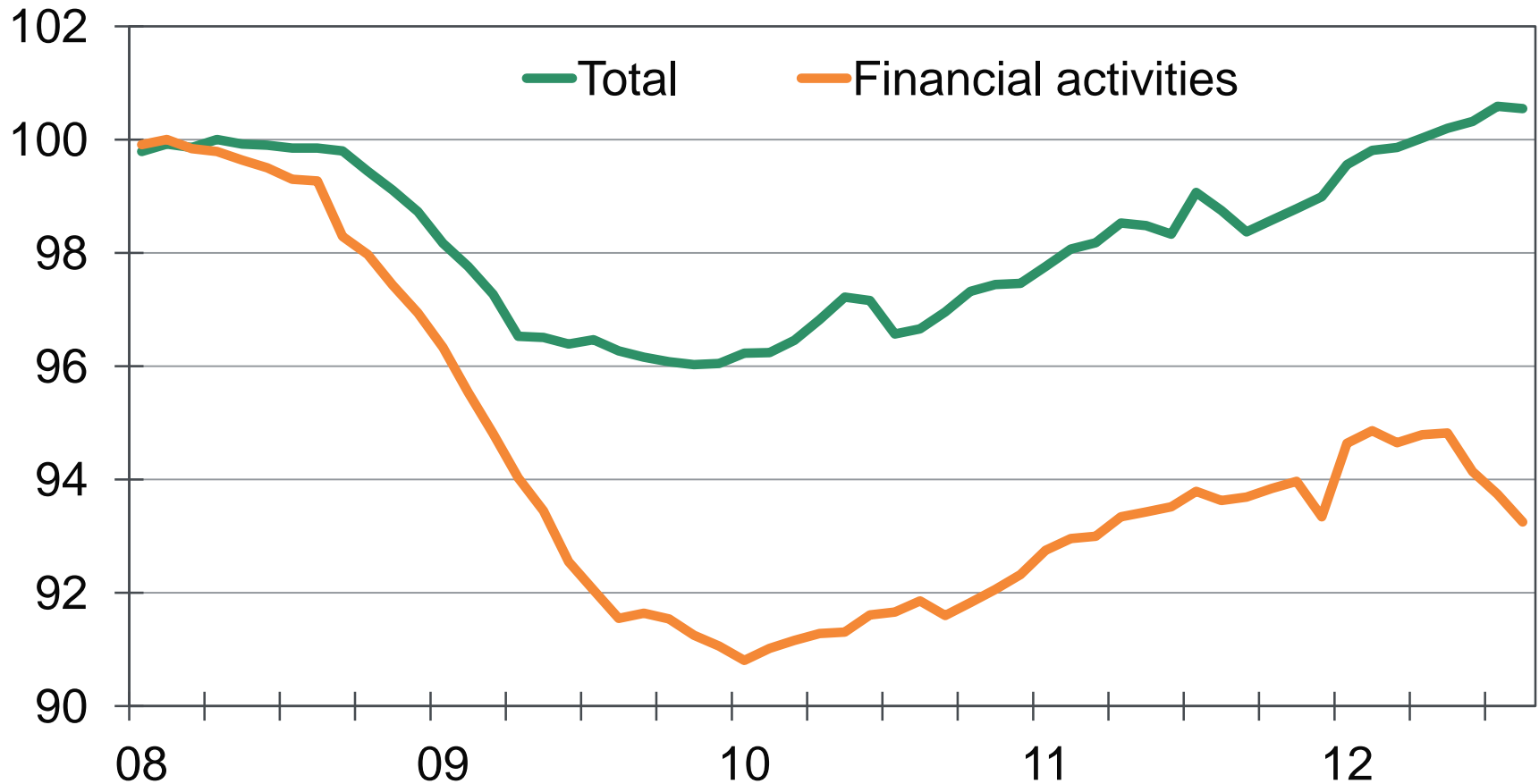
Employment change, ths, New York City (5 boroughs), 3-mo MA



Sources: BLS, Moody's Analytics

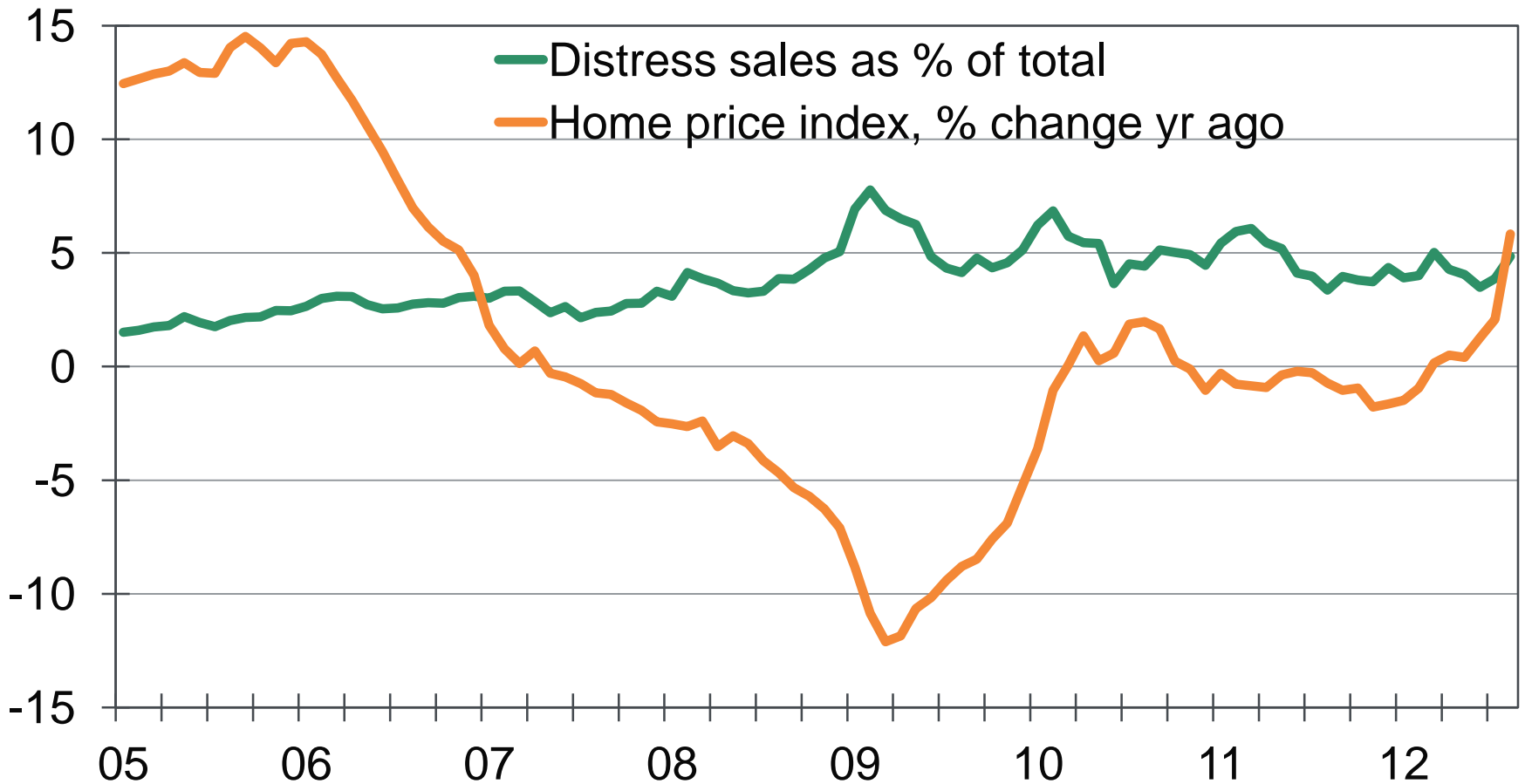
New York City Recovers Despite Wall Street

Employment, prerecession peak=100



Sources: BLS, Moody's Analytics

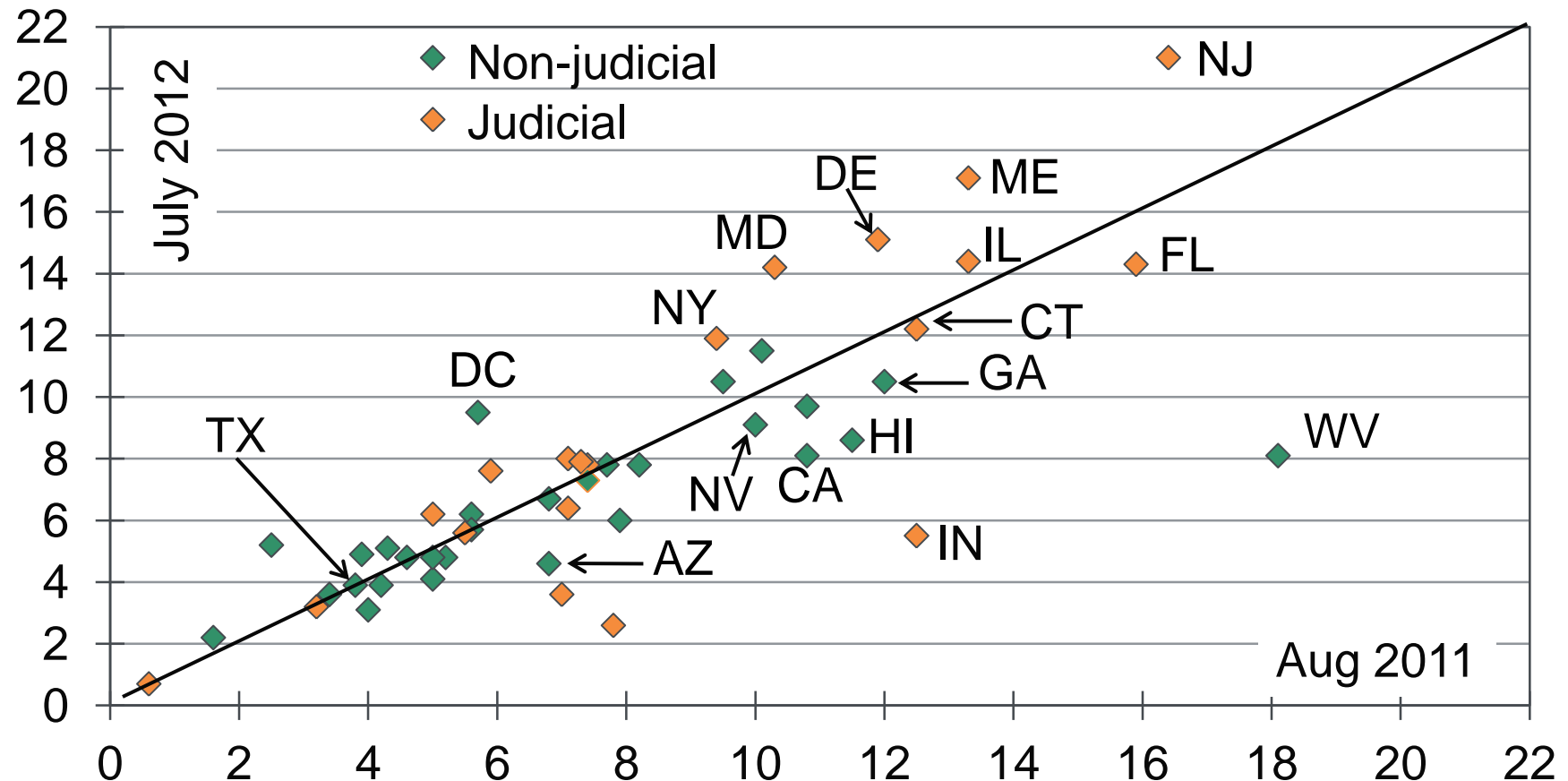
Low Foreclosures Allow Prices to Recover



Sources: CoreLogic, Moody's Analytics

Clearance of Foreclosure Pipeline Has Varied

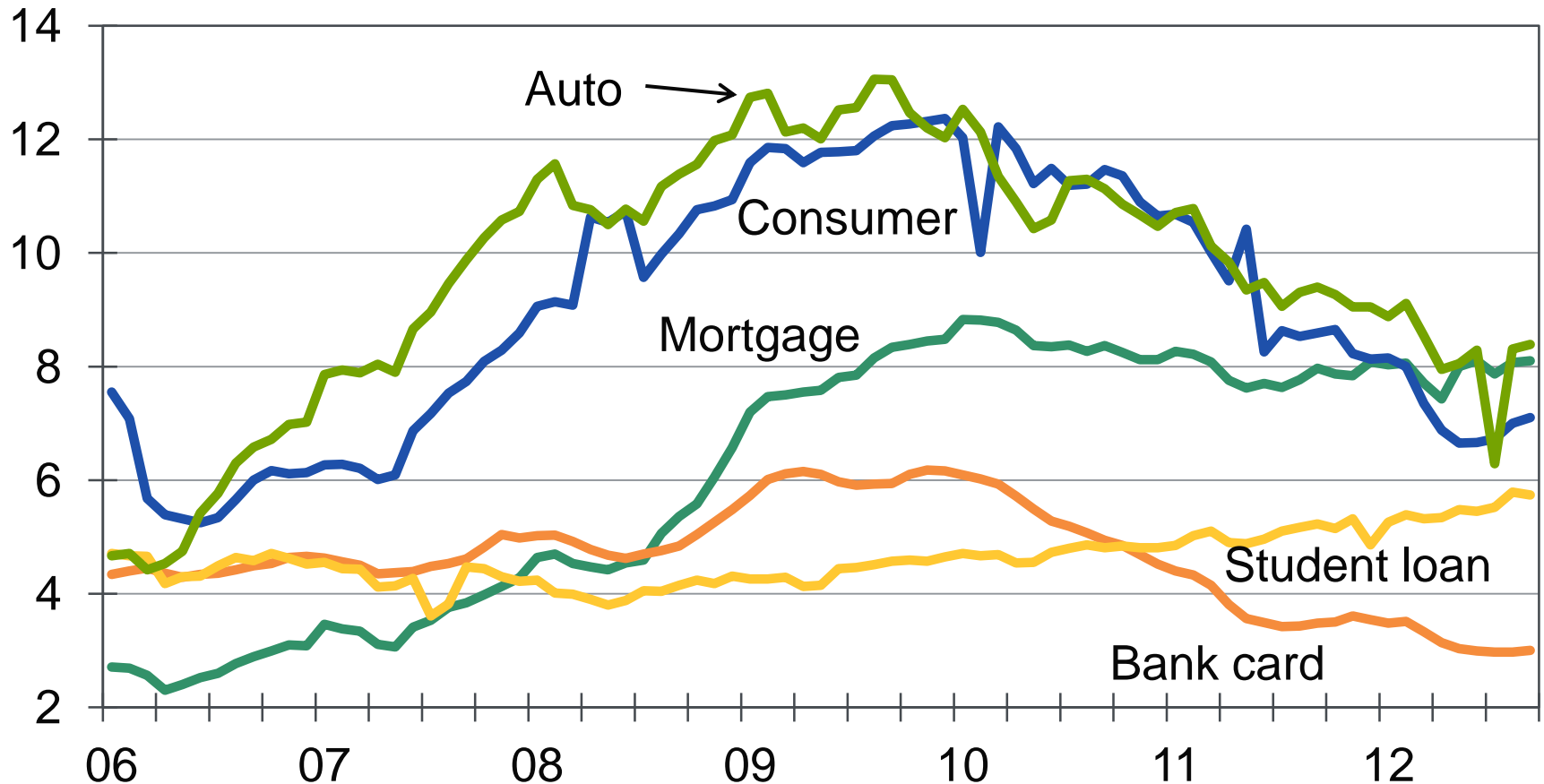
Distressed homes, month's supply of sales by state



Sources: CoreLogic, Moody's Analytics

Low Delinquency, but Improvement Has Stopped

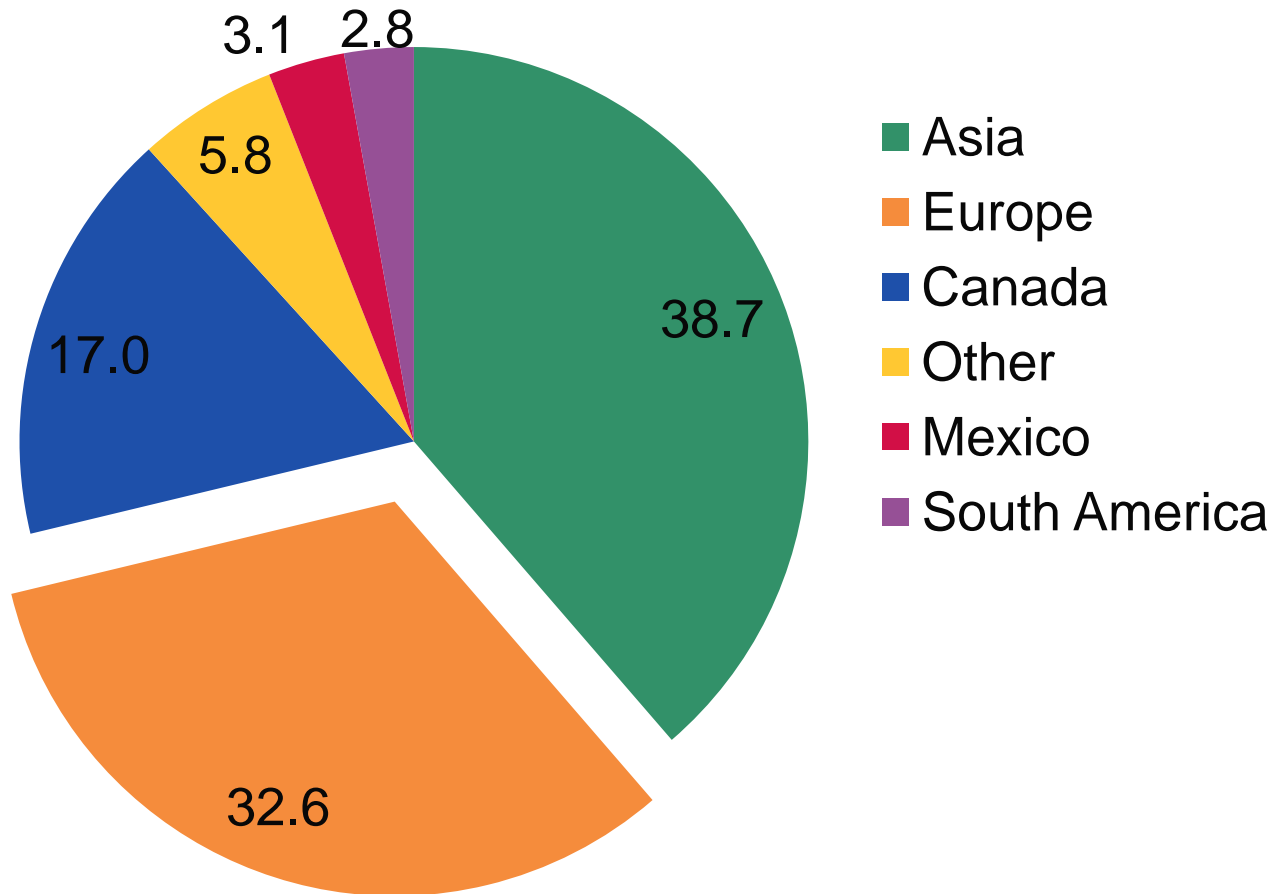
Consumer credit delinquency rates, % of \$ volume



Sources: Fiserv, Moody's Analytics

New York's European Exposure Starting to Hurt

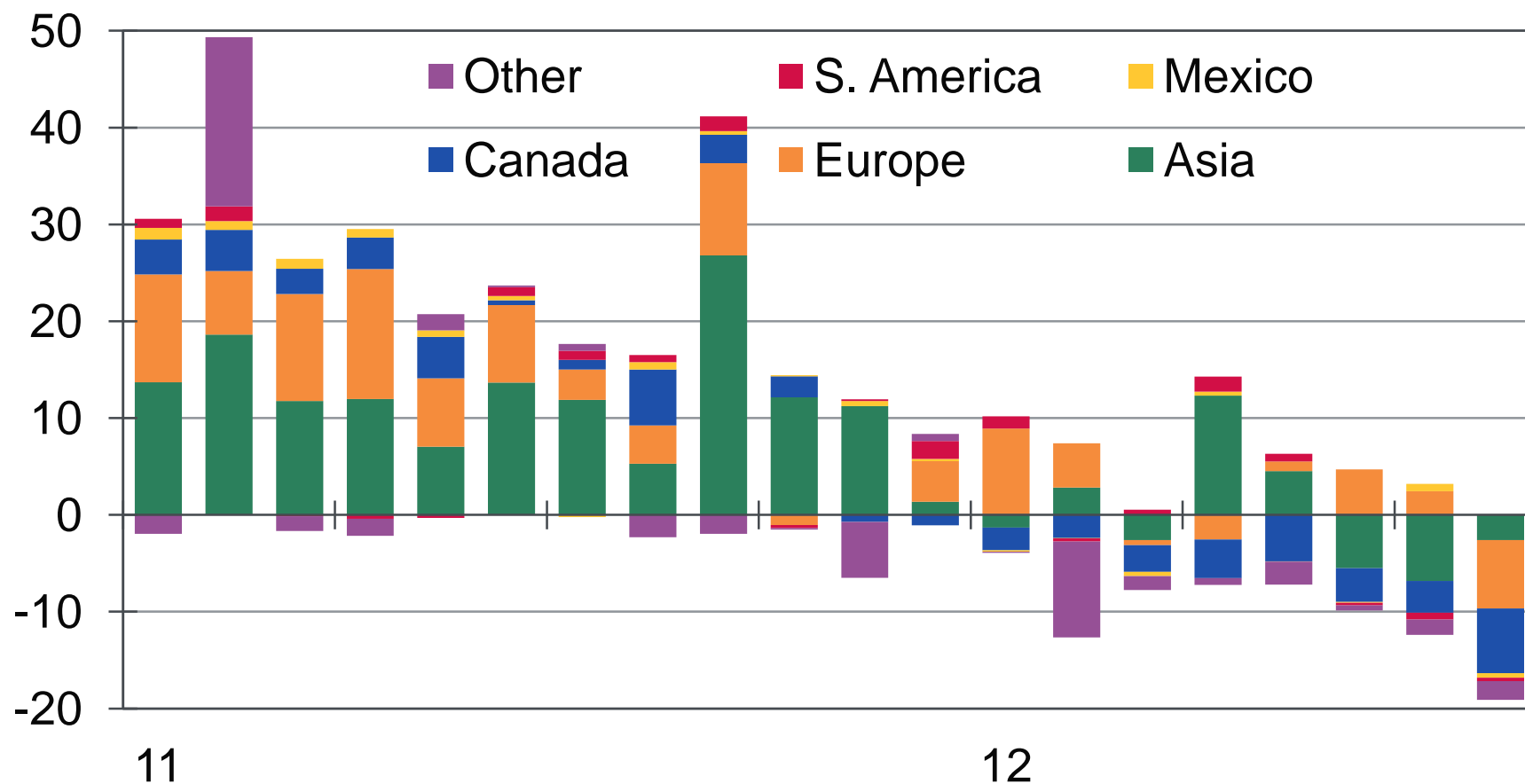
New York exports by destination, % of total, 2011



Sources: Census Bureau, Moody's Analytics

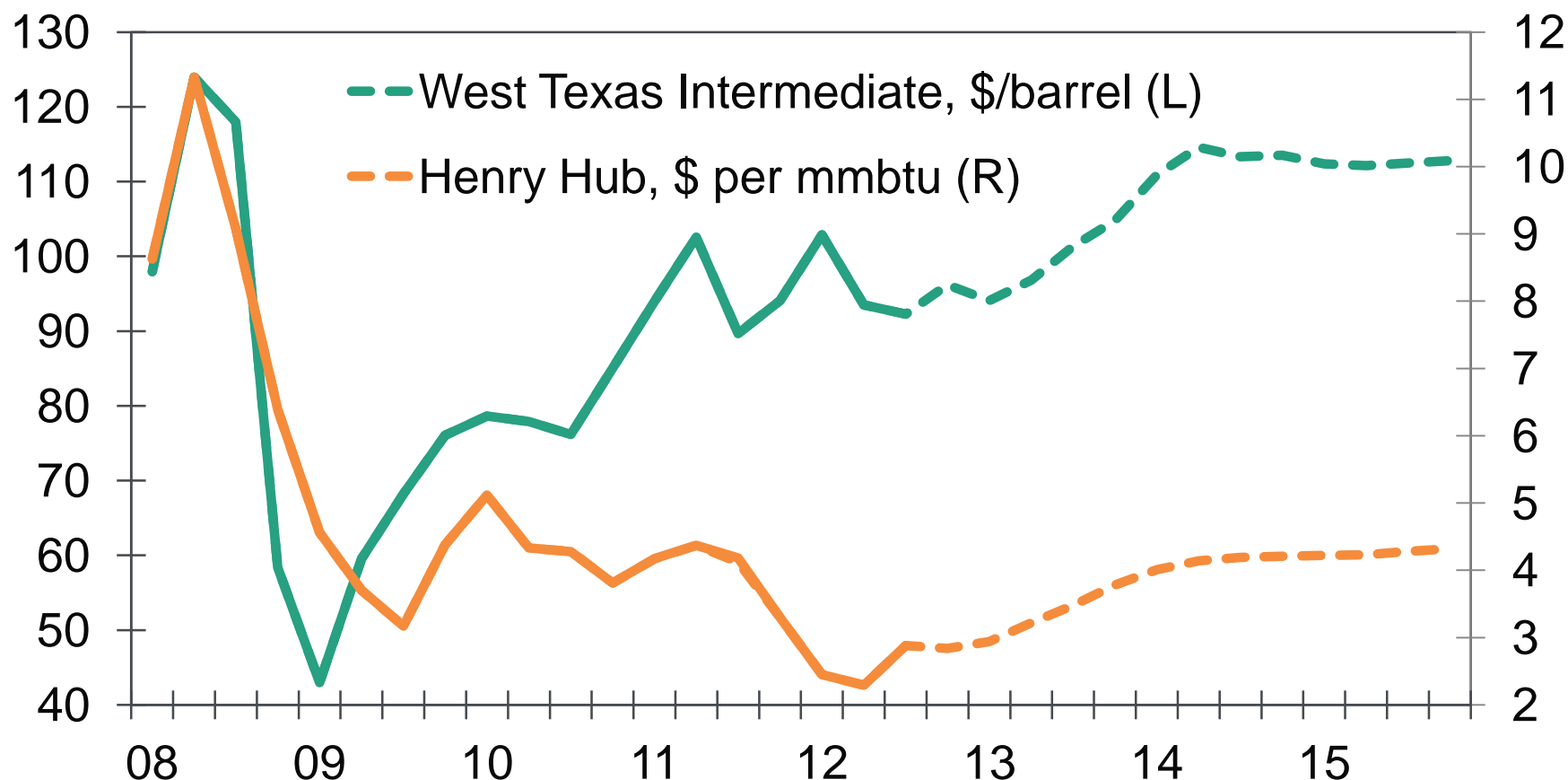
Asia, Canada Also Slowing

Ppt. contribution to yr ago % change in total New York exports



Sources: Census Bureau, Moody's Analytics

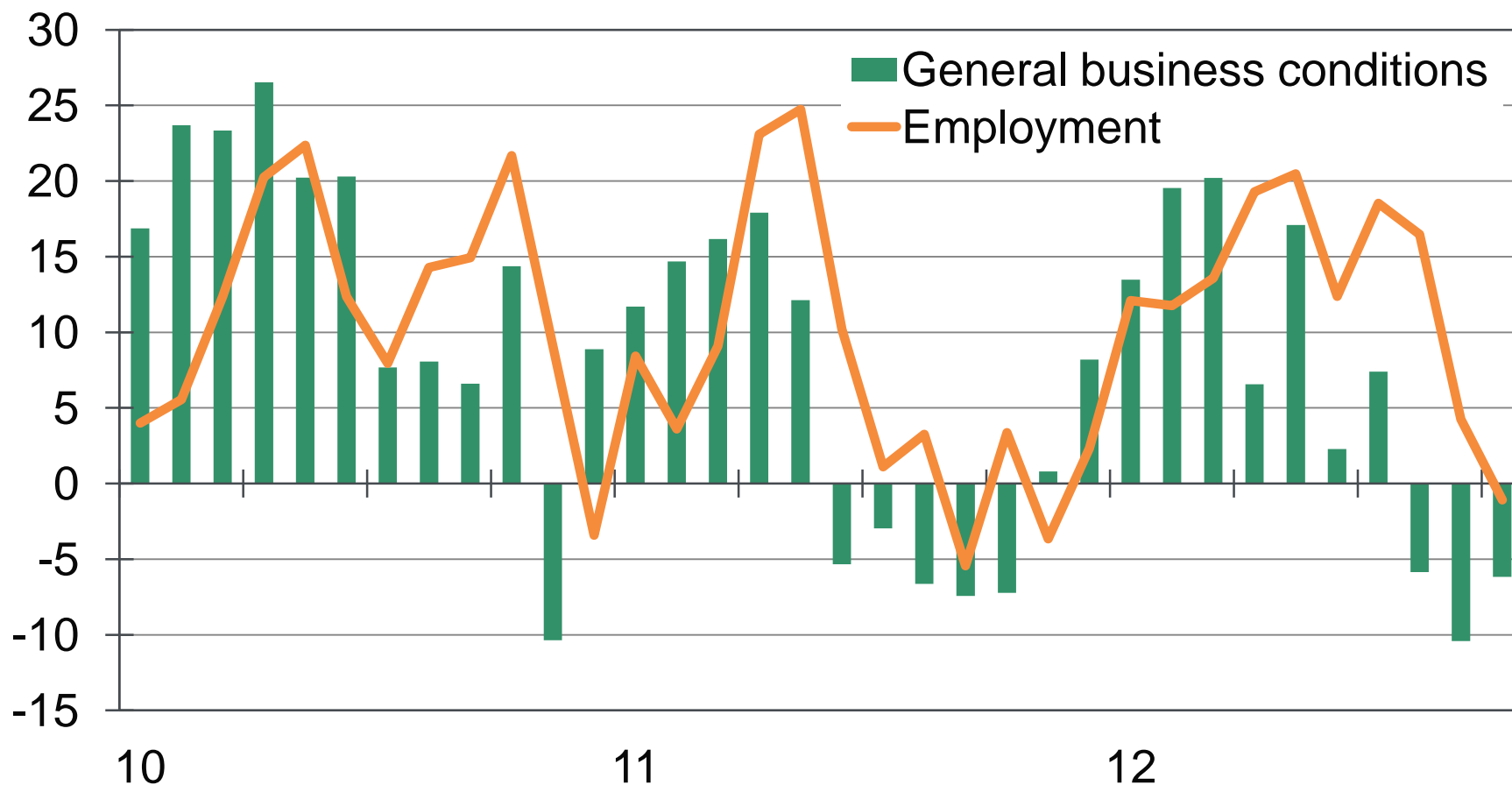
Elevated Energy Prices Will Keep Costs High



Sources: The Wall Street Journal, Moody's Analytics

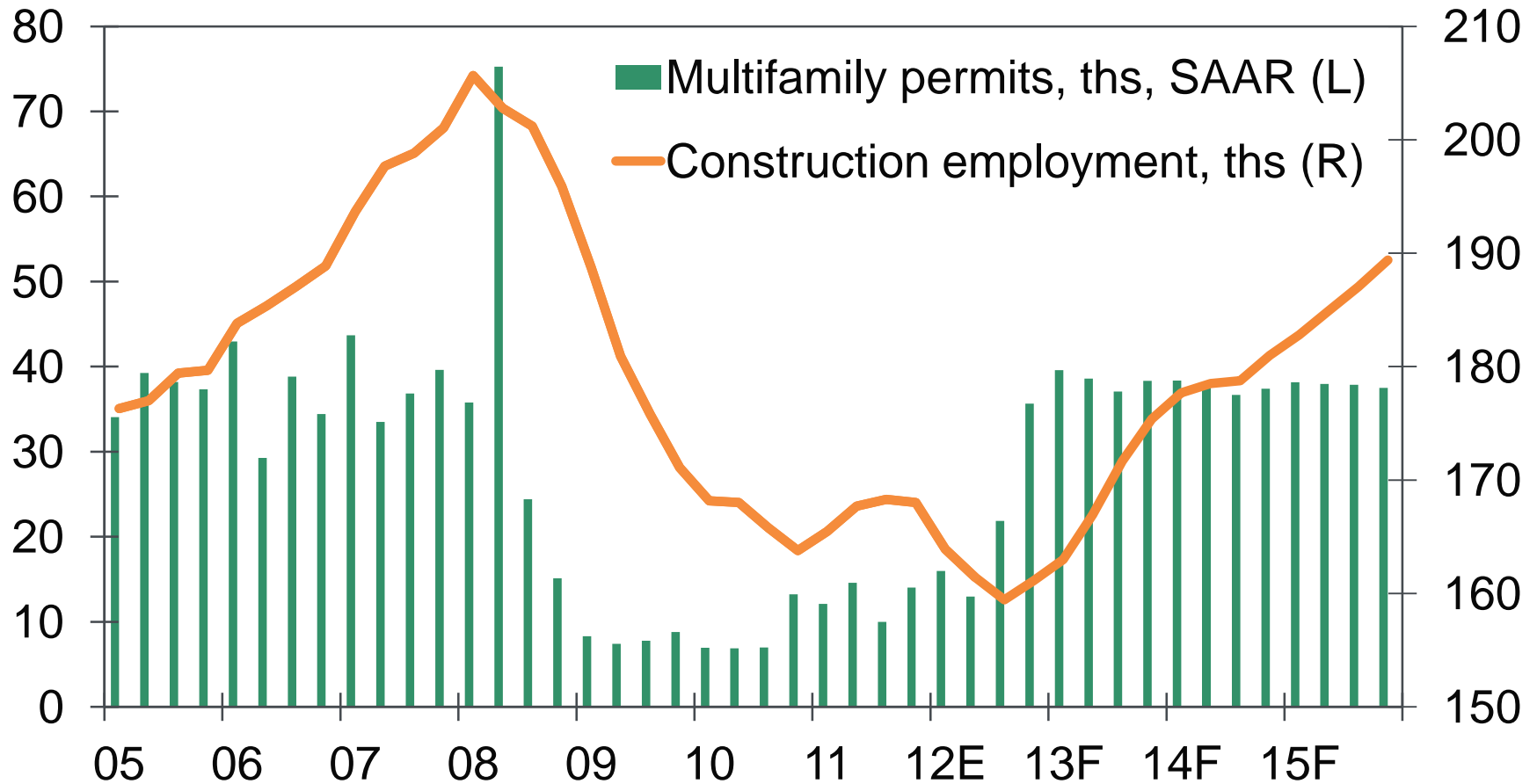
Slowdown in Production Extends to New York

Empire State Manufacturing Survey diffusion index, >0=expansion



Sources: NY Fed, Moody's Analytics

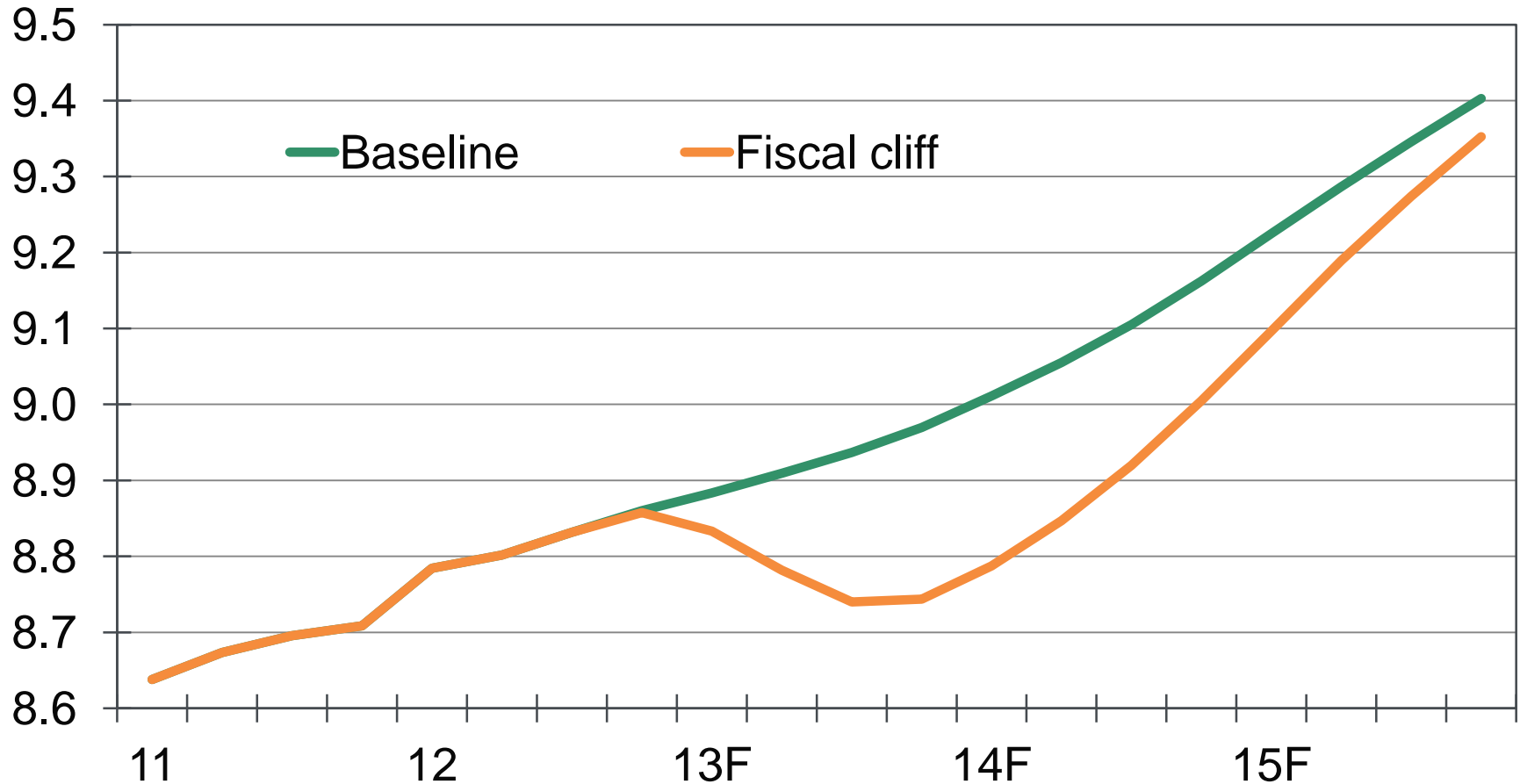
Construction Will Drive NYC Job Growth



Sources: BLS, Census Bureau, Moody's Analytics

Fiscal Cliff Would Cause Significant Recession...

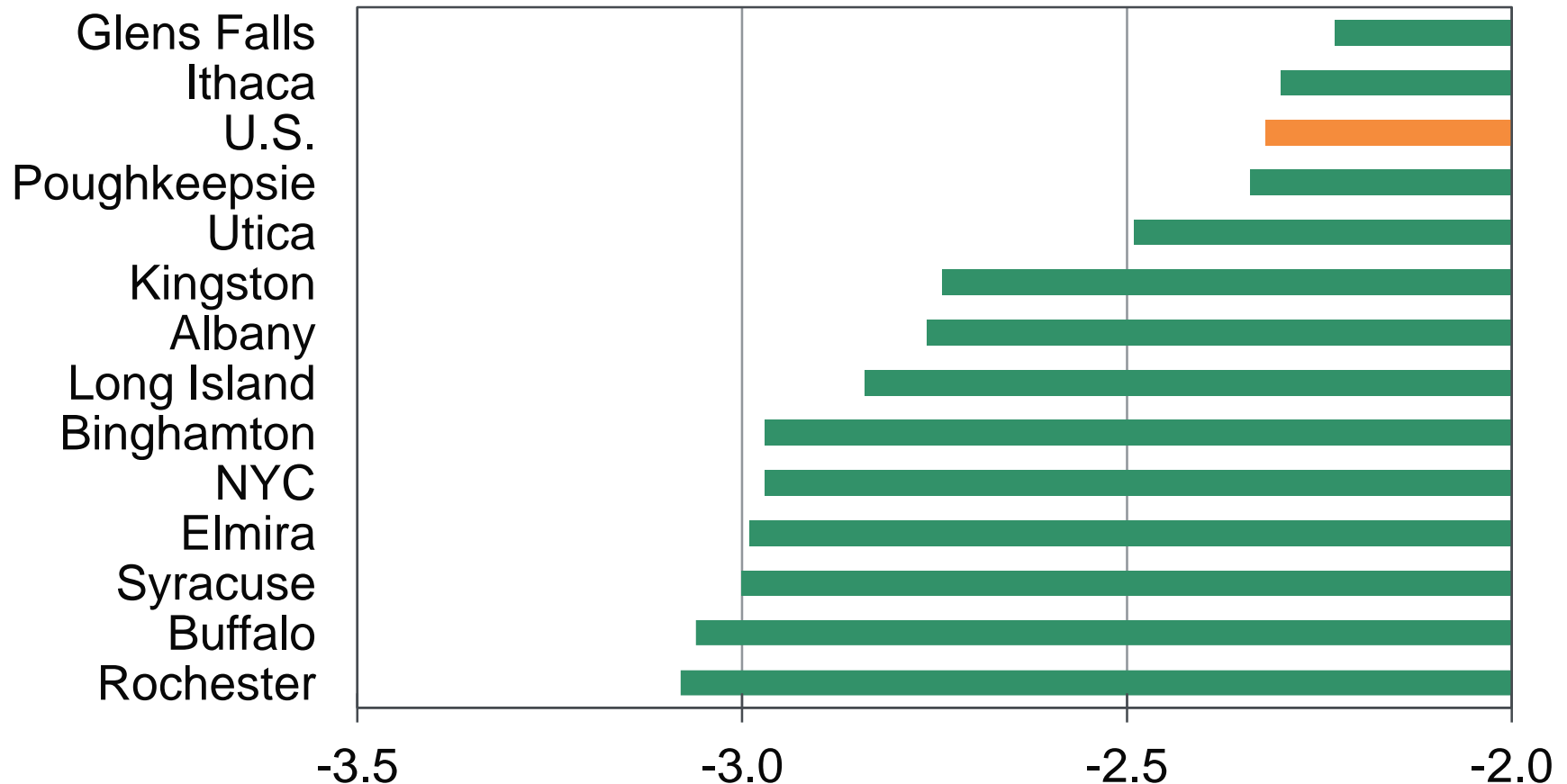
New York payroll employment, ths



Sources: BLS, Moody's Analytics

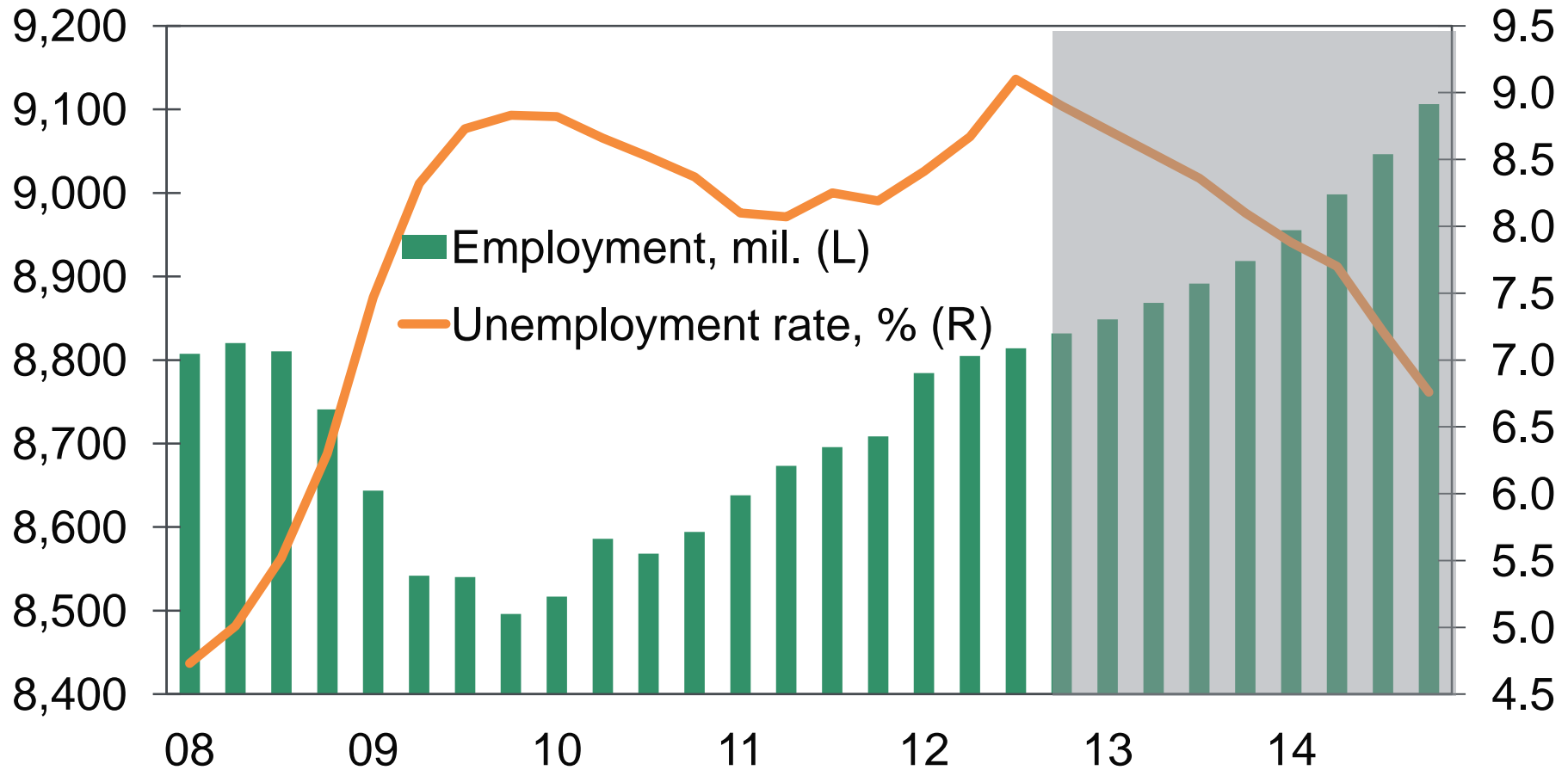
...And New York Would Be Hit Harder

Employment, % change from baseline under cliff scenario, 2013Q4



Source: Moody's Analytics

State's Recovery Swifter Than National Recovery



Sources: BLS, Moody's Analytics

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