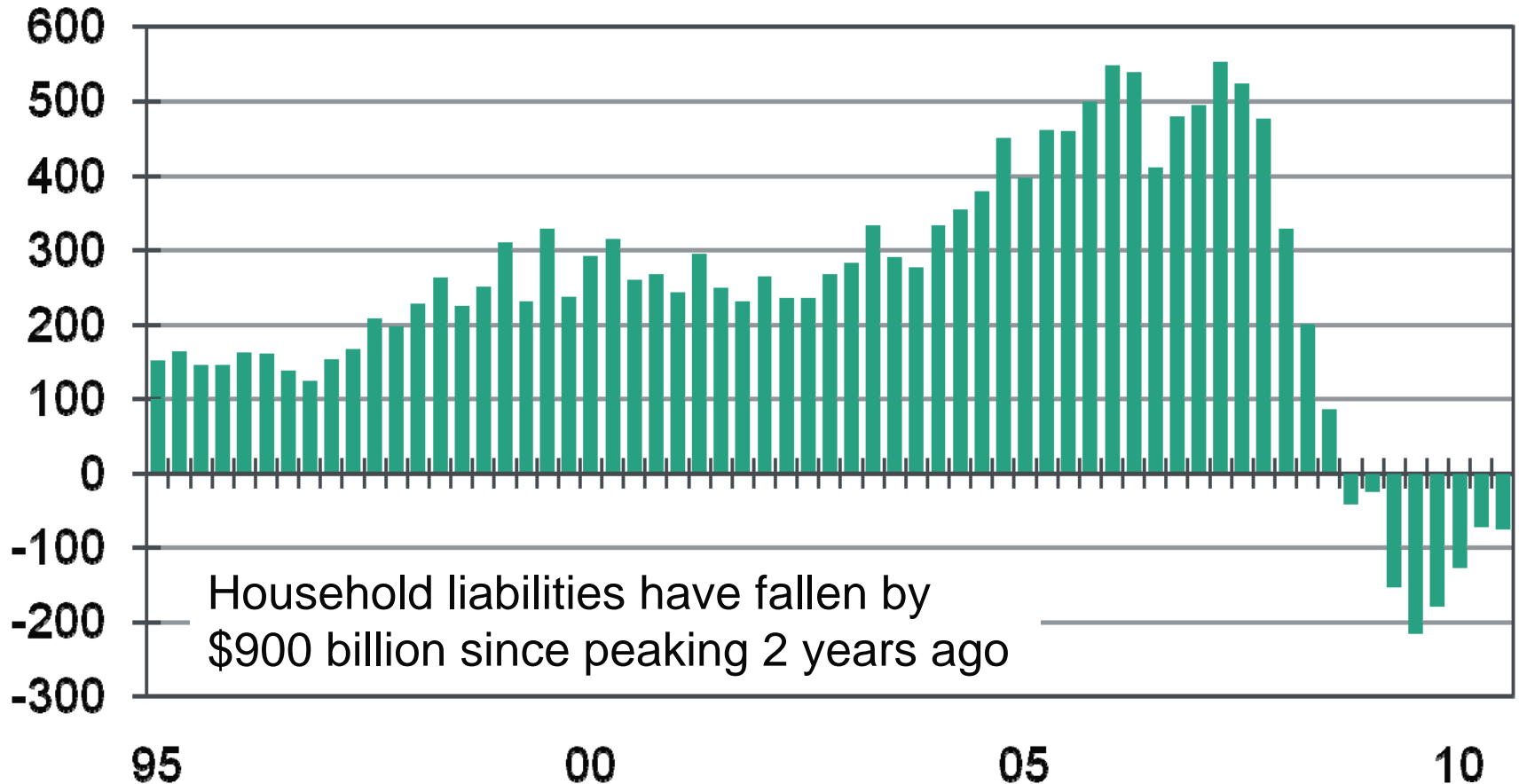


Struggling to Hit Escape Velocity

MARISA DI NATALE, DIRECTOR

Households and Businesses Deleverage...

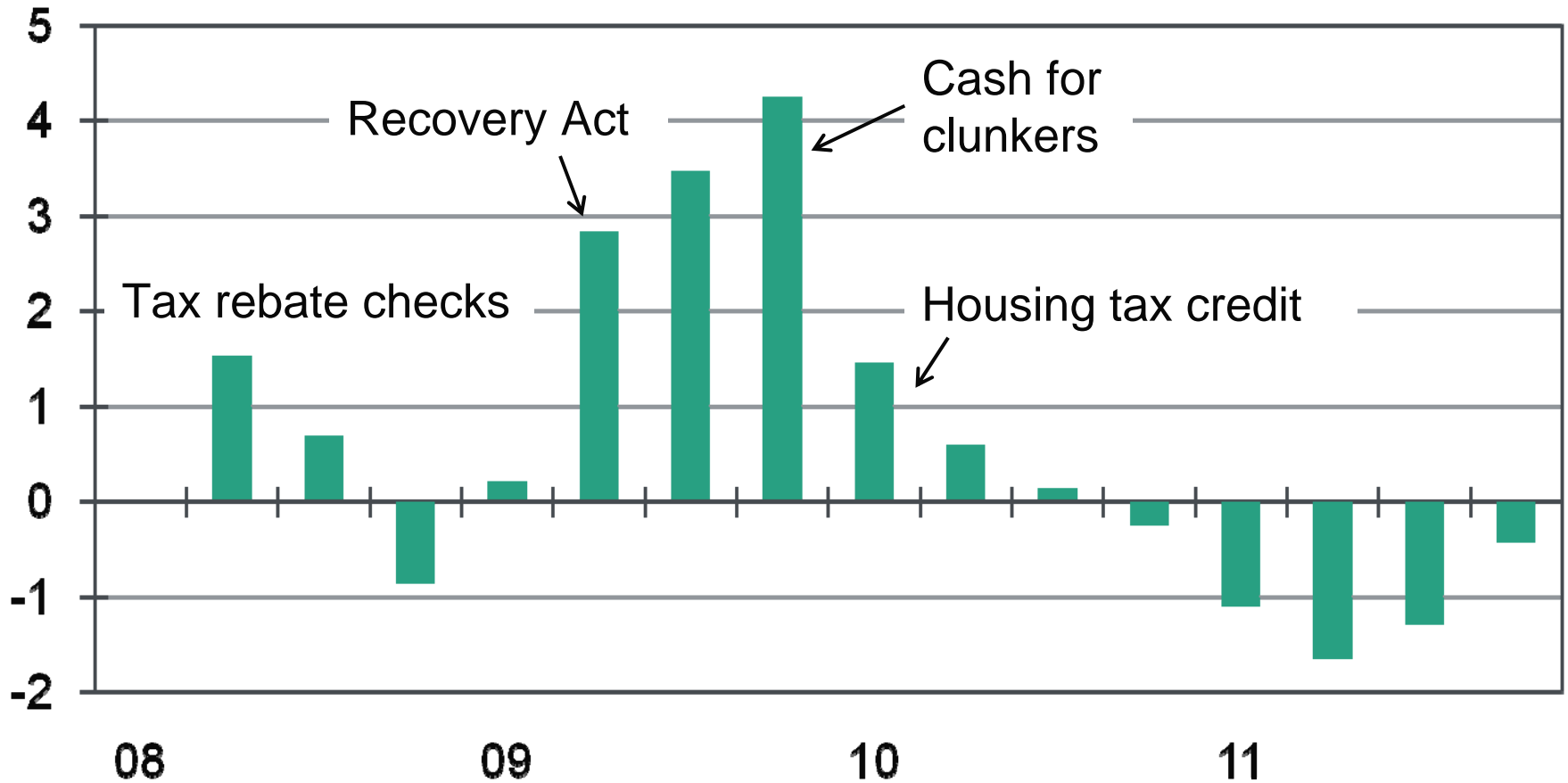
Change in household and nonfinancial corporate debt, \$ bil



Sources: Federal Reserve Board, Moody's Analytics

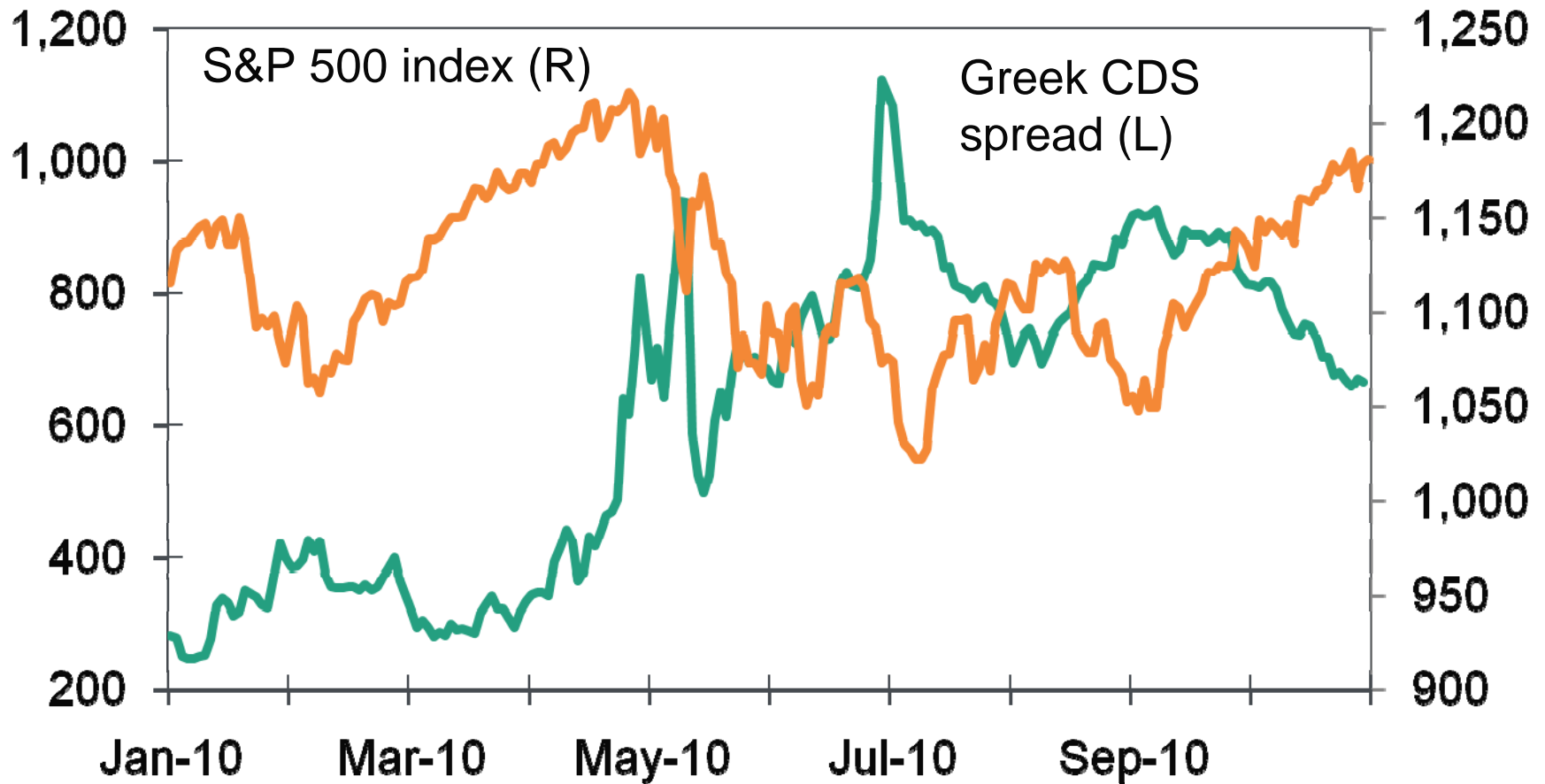
...And the Boost of the Fiscal Stimulus Fades

Contribution to real GDP growth, %



Source: Moody's Analytics

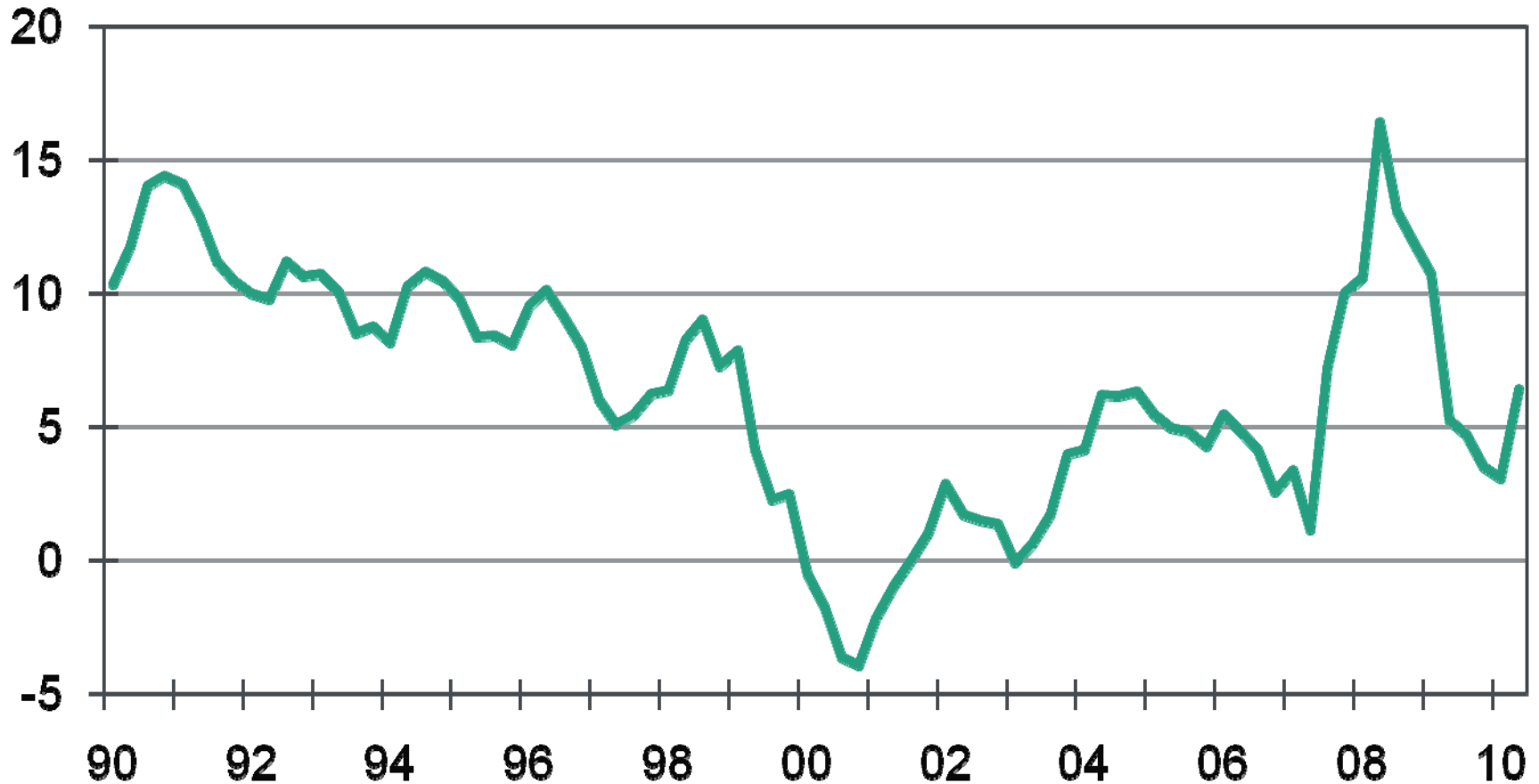
European Debt Crisis Slams Confidence...



Sources: Bloomberg, S&P, Moody's Analytics

...Especially of Nervous High-Income Households

Personal saving rate for families in top fifth of income distribution



Sources: Federal Reserve, Moody's Analytics

Hiring Is Dormant...

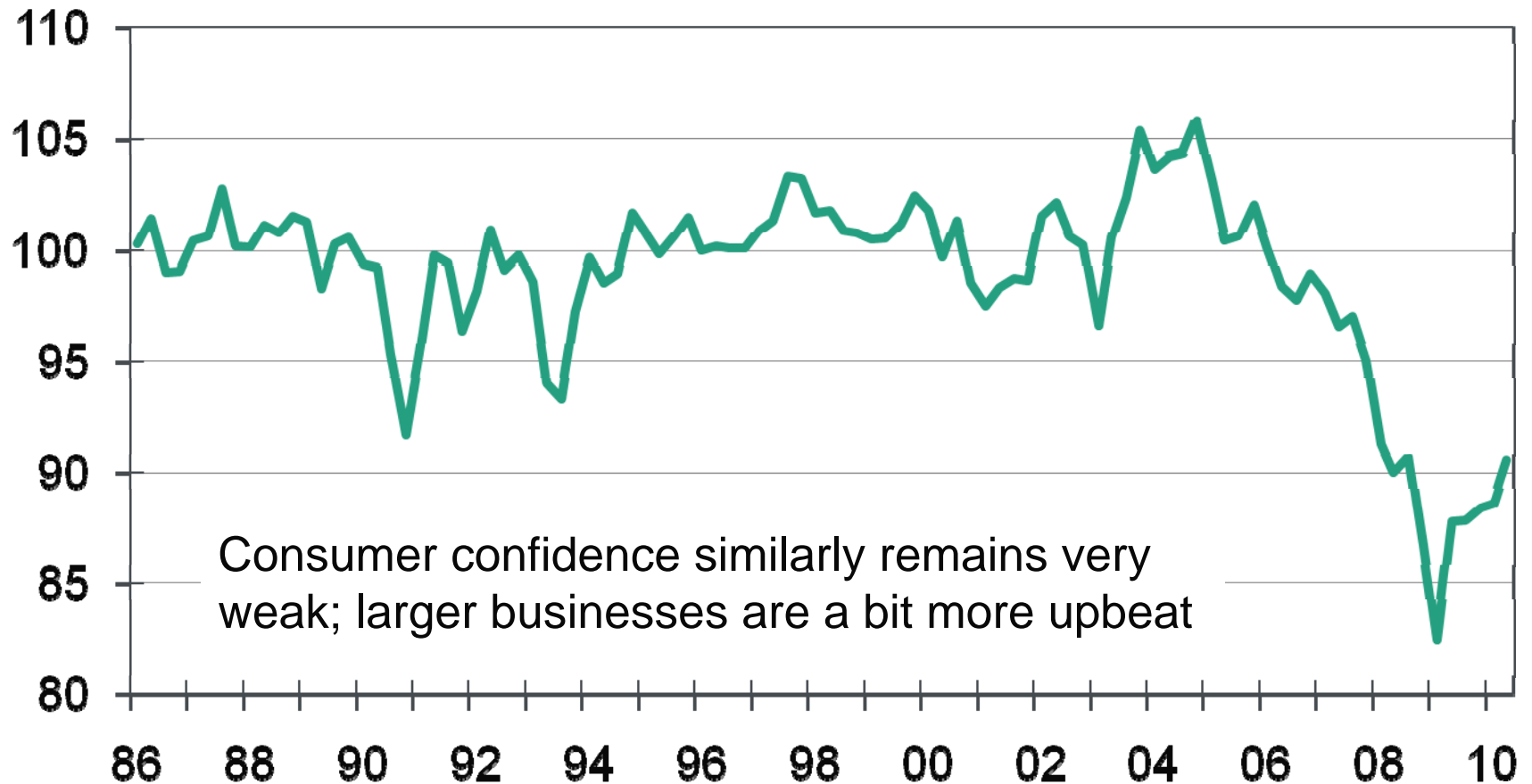
Number of monthly hires ex Census, ths, SA



Source: Bureau of Labor Statistics

...As Businesses Remain Exceptionally Anxious

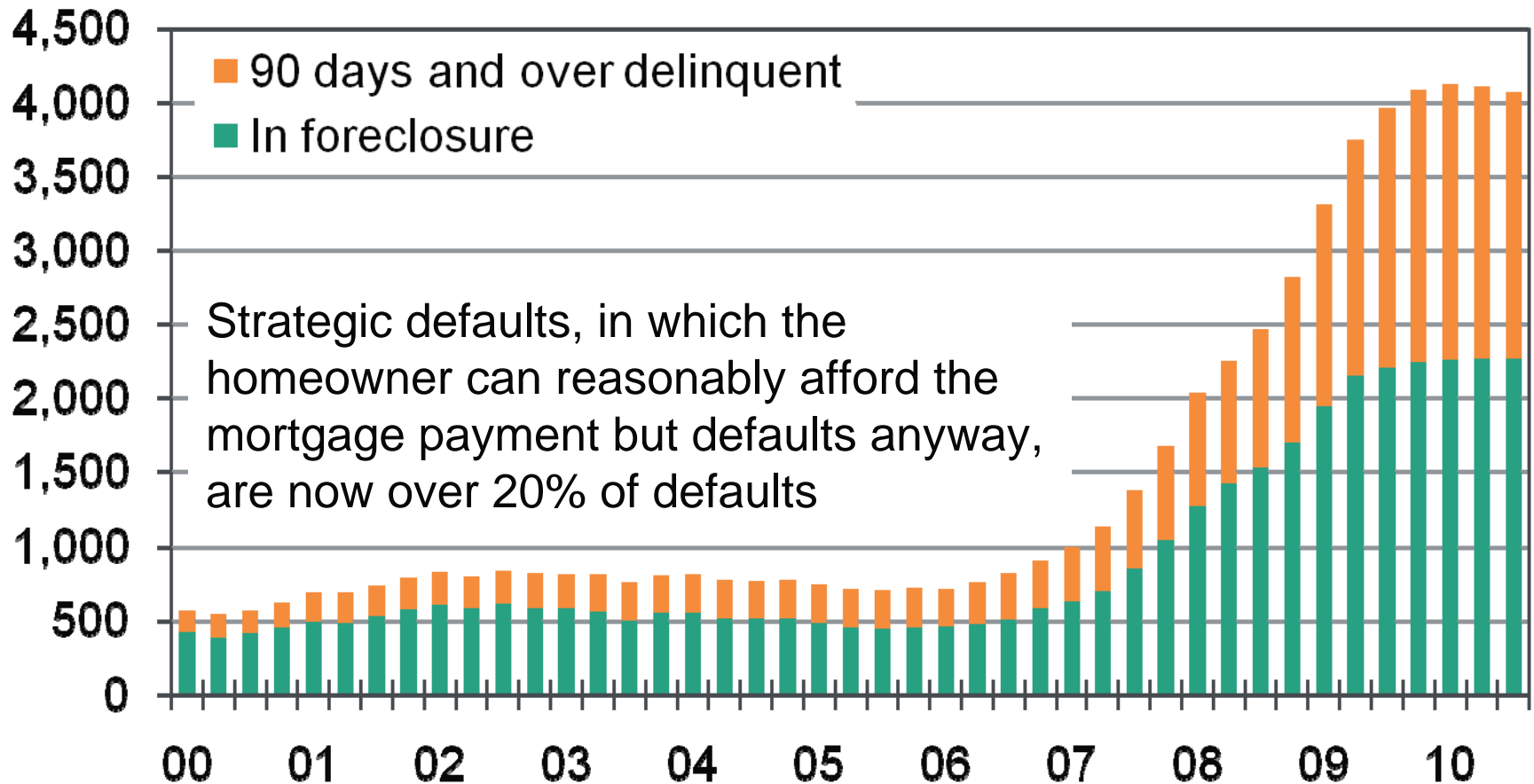
Small business confidence index, 1986=100



Source: NFIB

The Foreclosure Crisis Continues on...

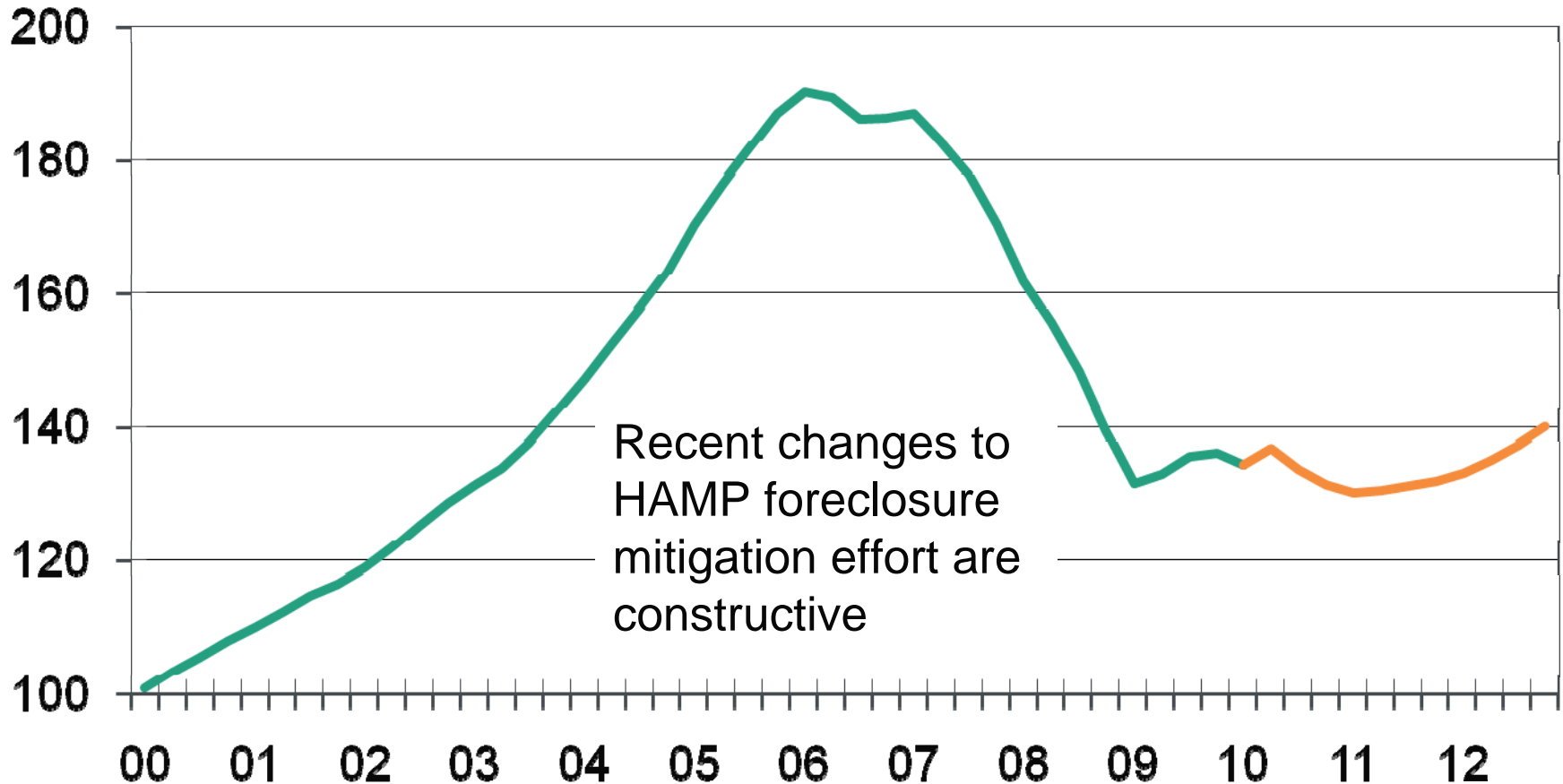
First mortgage loans, ths



Sources: Equifax, Moody's Analytics

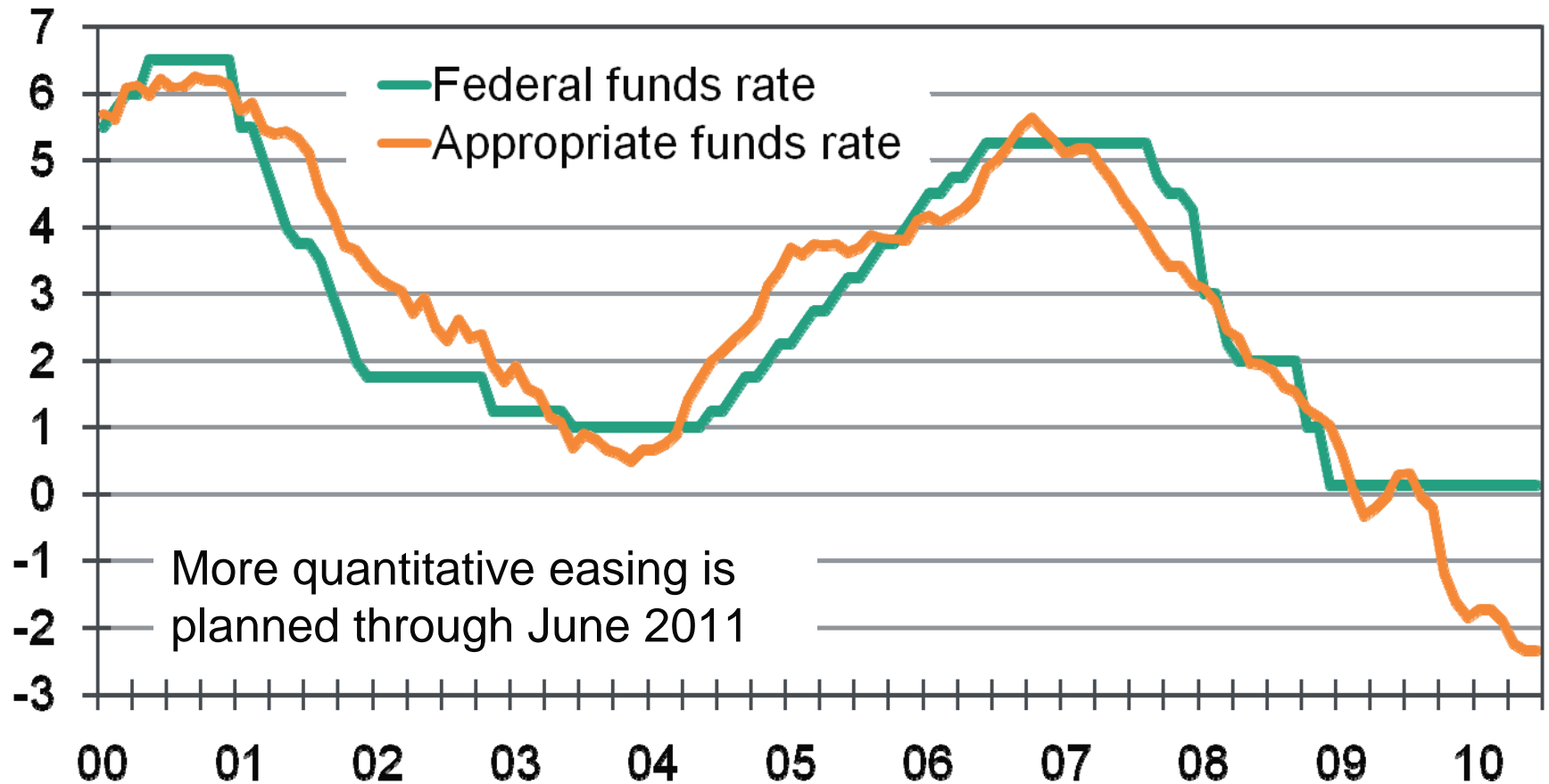
...And More House Price Declines Are Coming

Case-Shiller[®] Home Price Index, 2000Q1=100



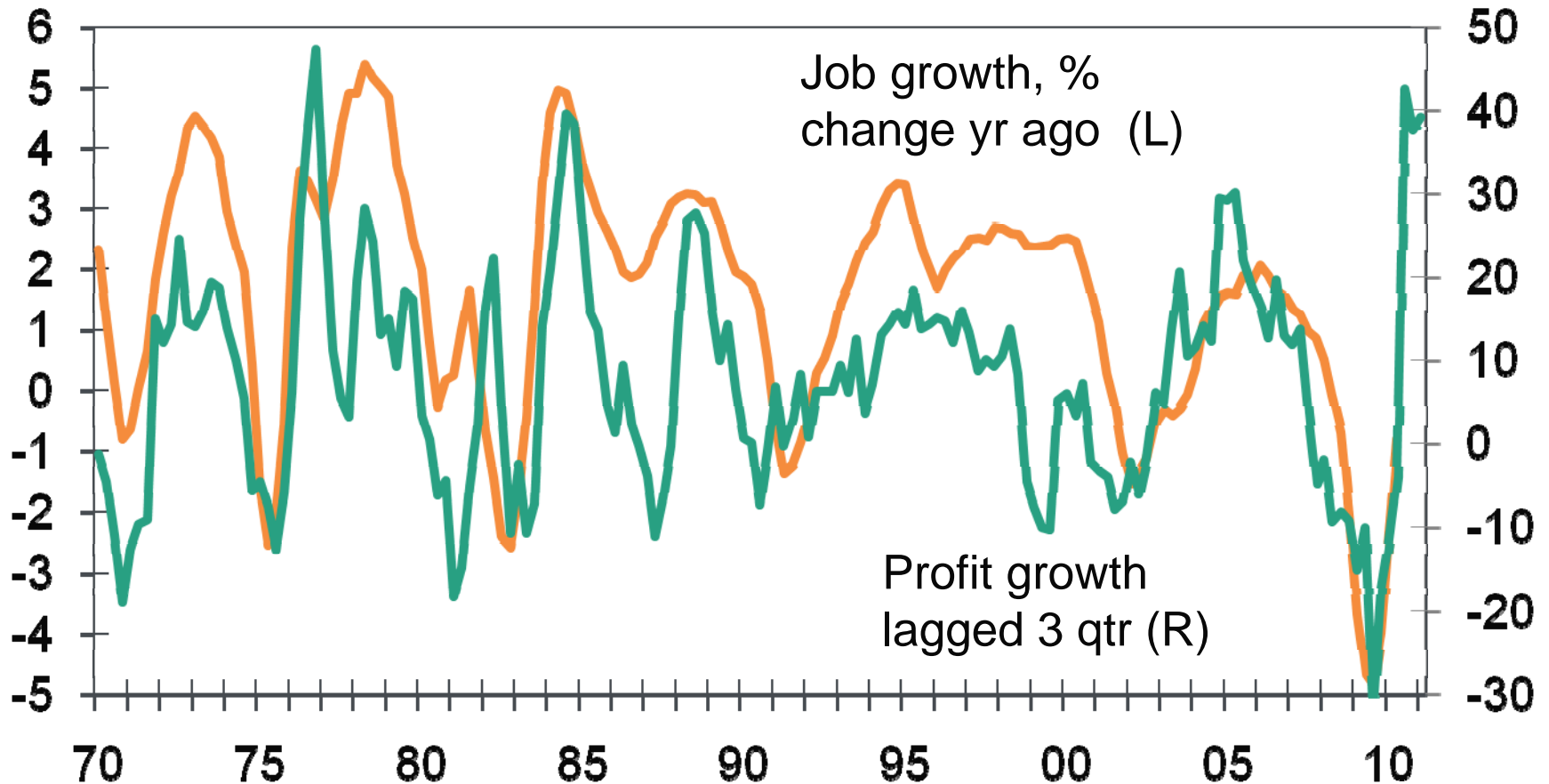
Sources: Fiserv, Moody's Analytics

The Federal Reserve Will Remain Aggressive



Sources: Federal Reserve, Moody's Analytics

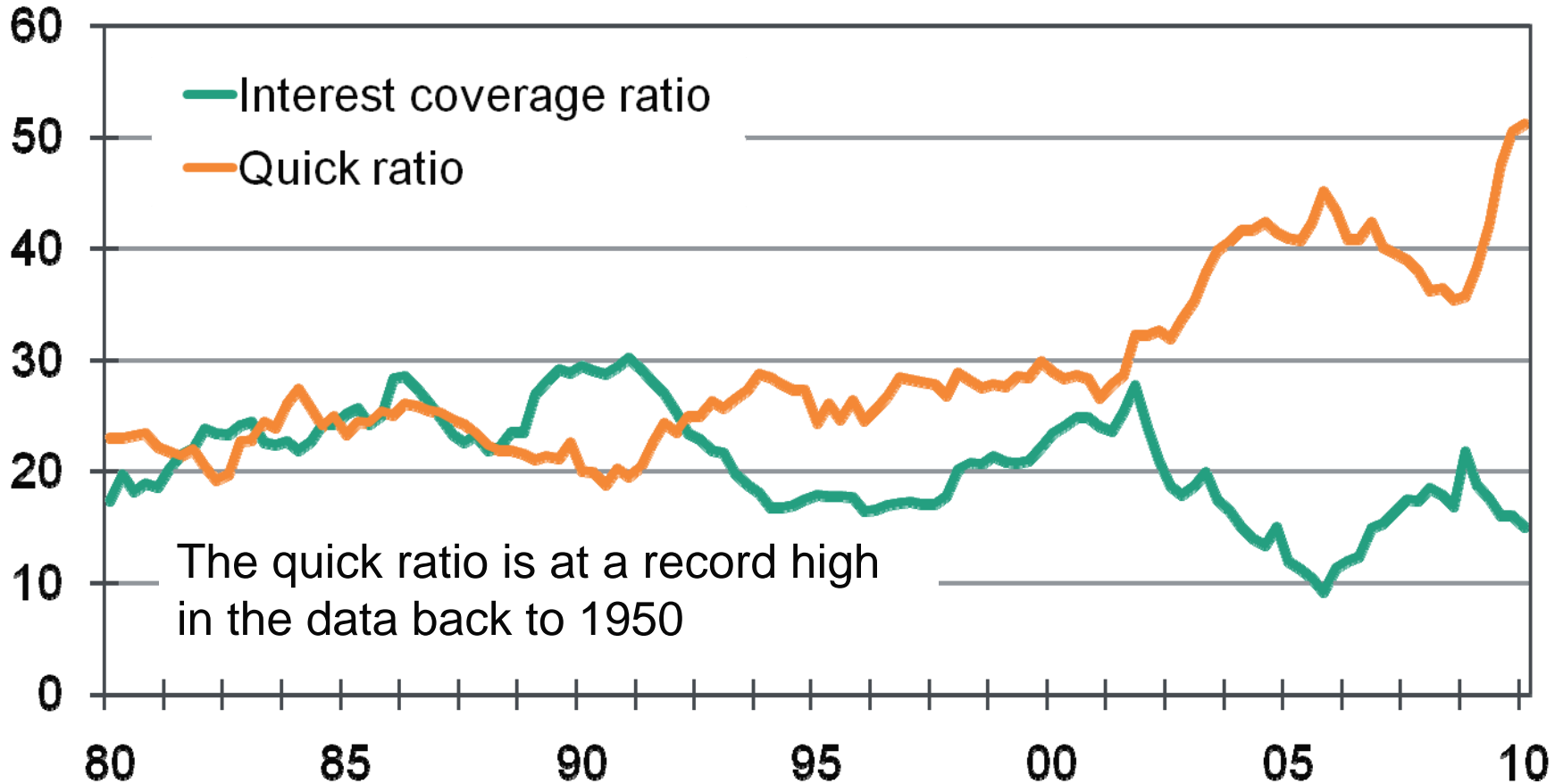
Profits Surge and Jobs Should Follow...



Sources: BLS, BEA

...Given Solid Business Balance Sheets

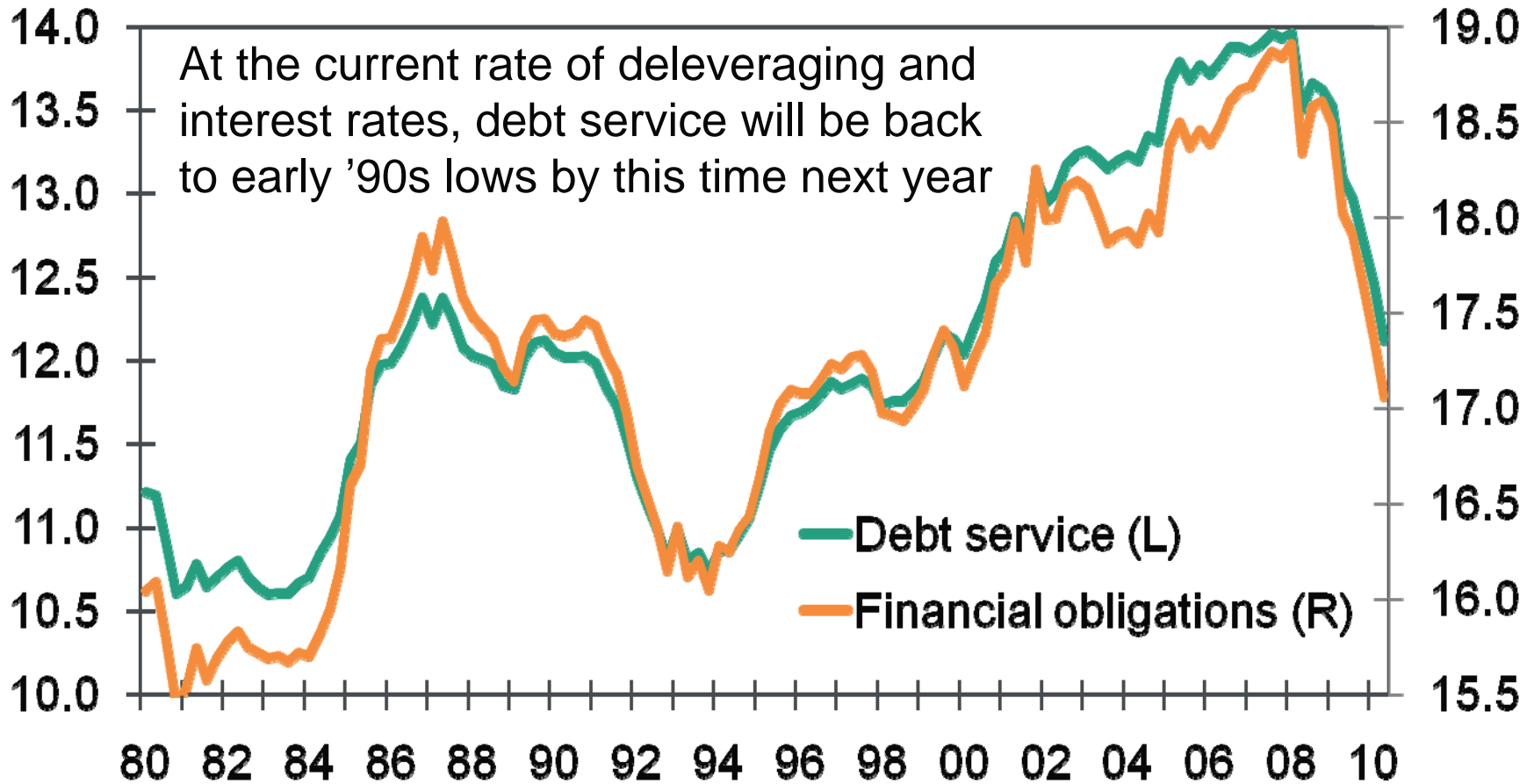
Nonfinancial corporate businesses



Sources: Federal Reserve, Moody's Analytics

Household Debt Burdens Are Falling Fast...

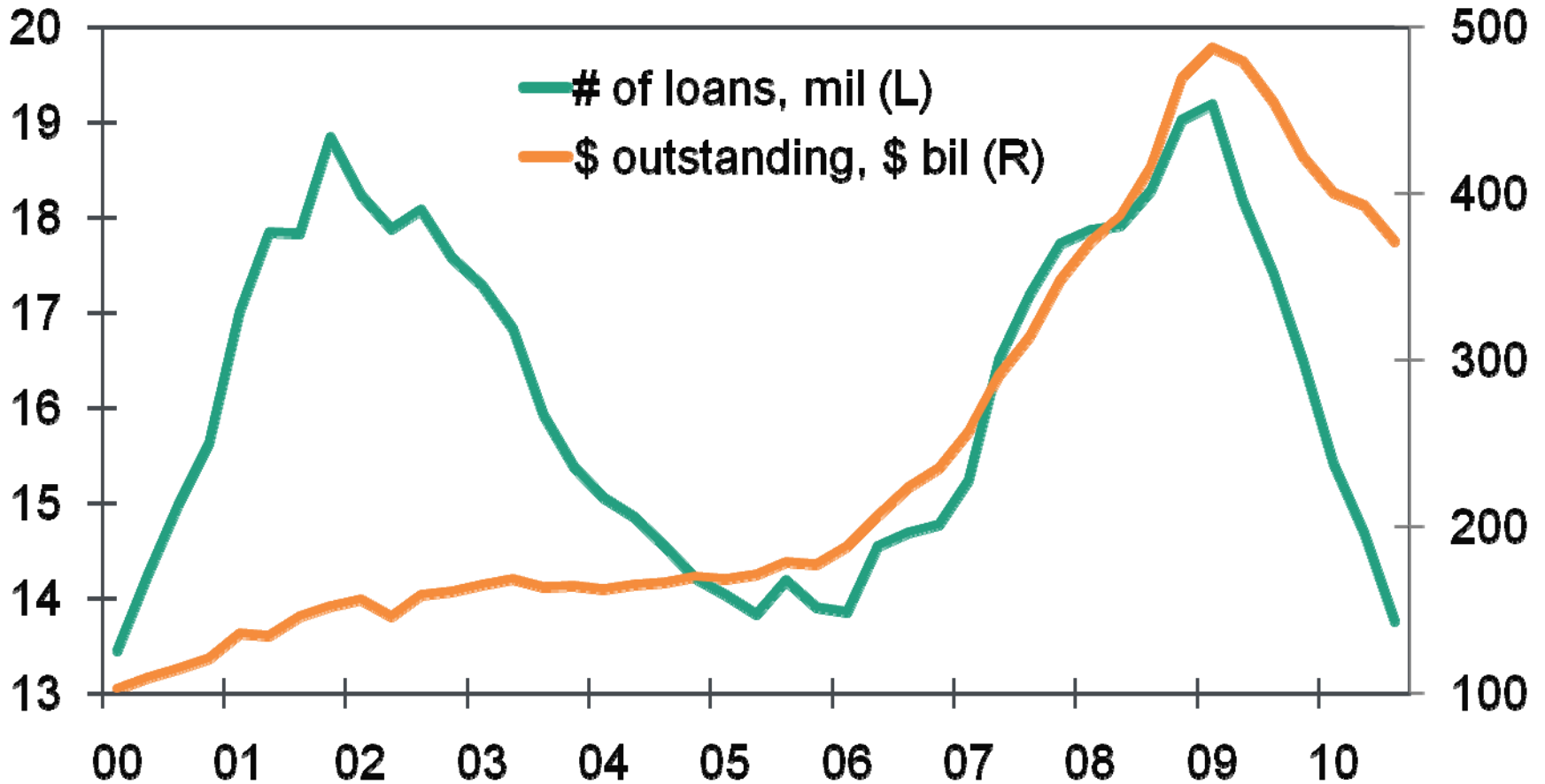
% of disposable income



Sources: Federal Reserve, BEA, Moody's Analytics

...And Credit Conditions Improve

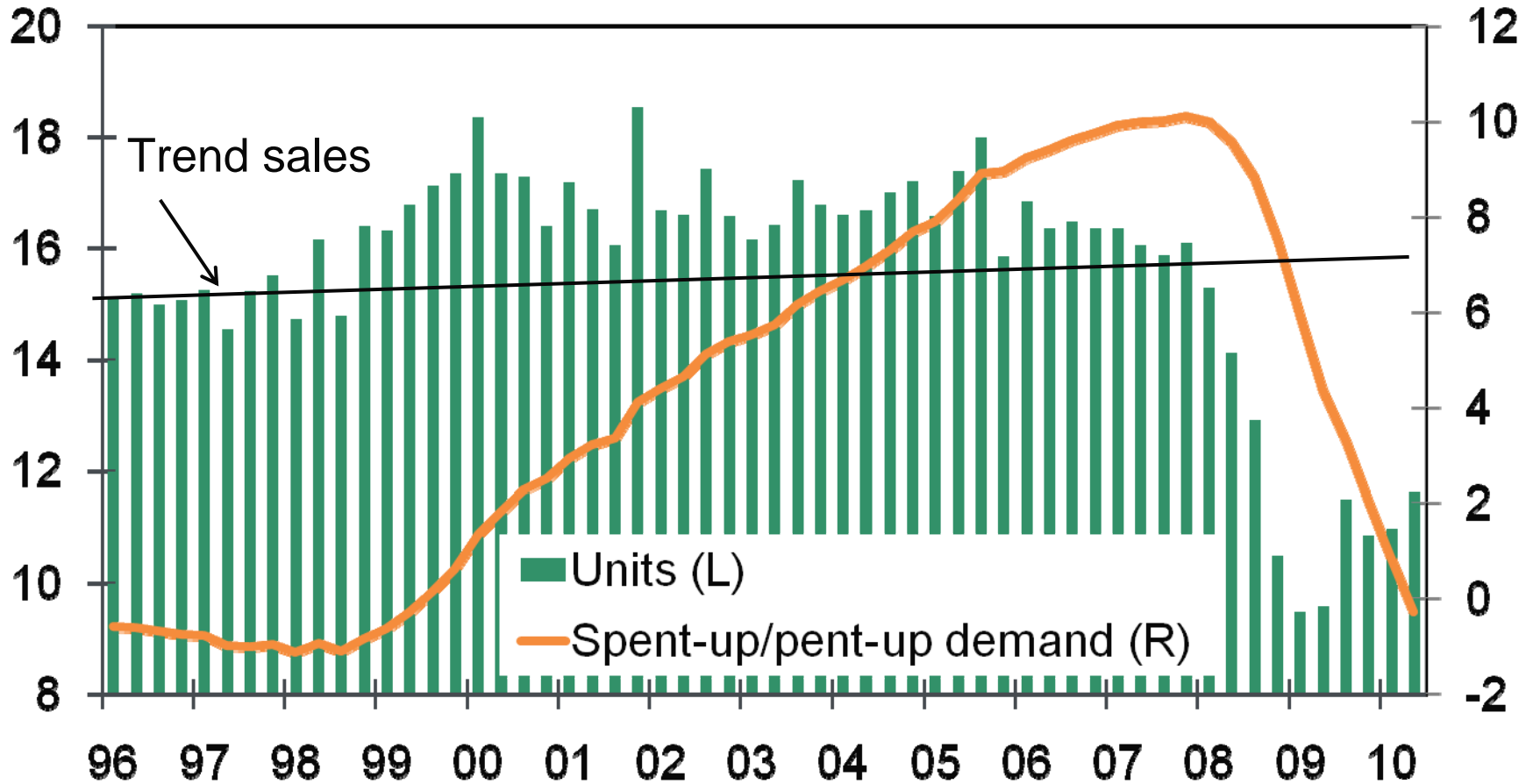
30-90 days delinquent, all household liabilities, SA



Sources: Equifax, Moody's Analytics

Pent-Up Demand Is Developing...

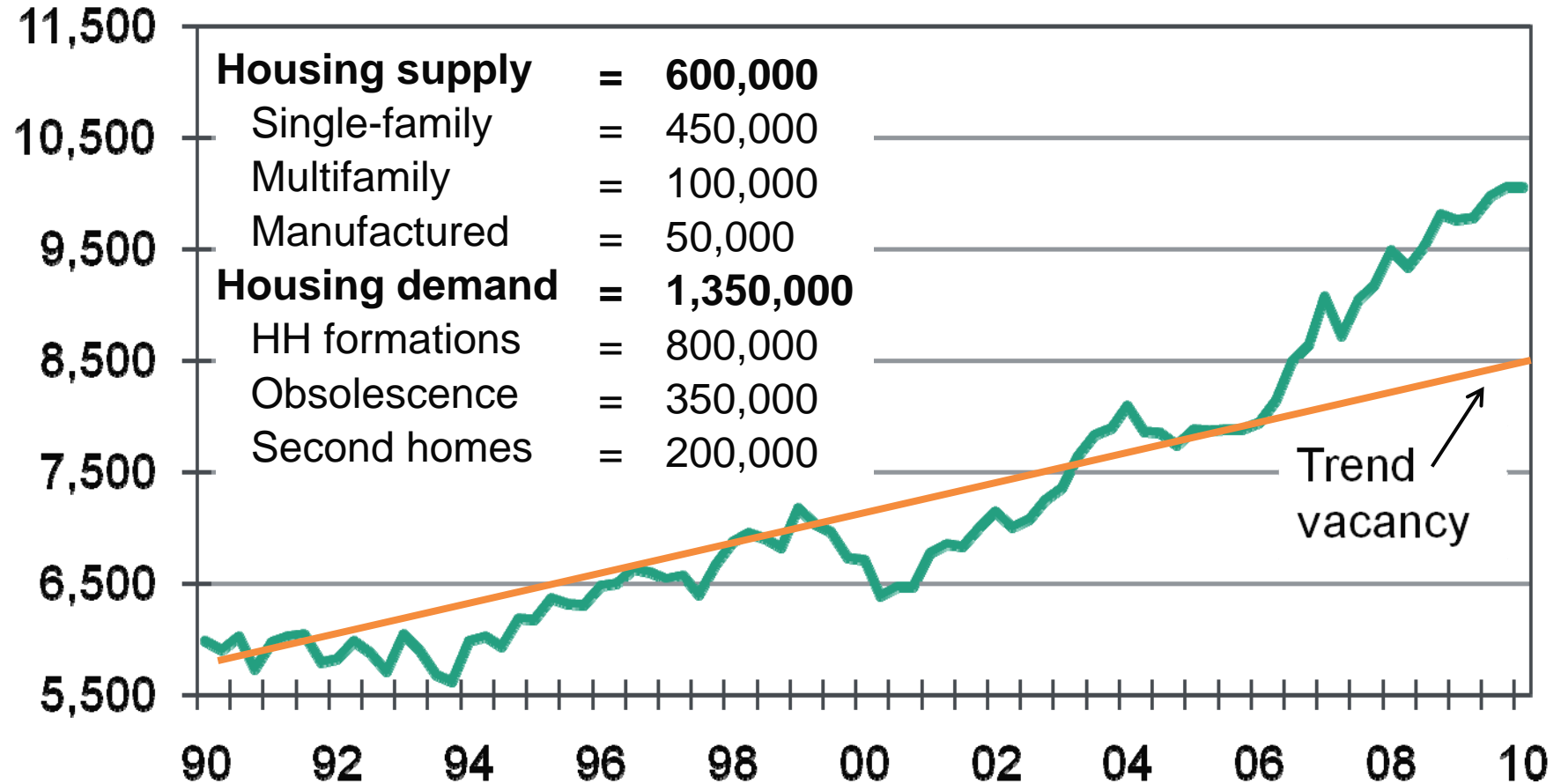
Light vehicle sales, mil



Sources: BEA, Moody's Analytics

...And Housing Inventories Are Peaking

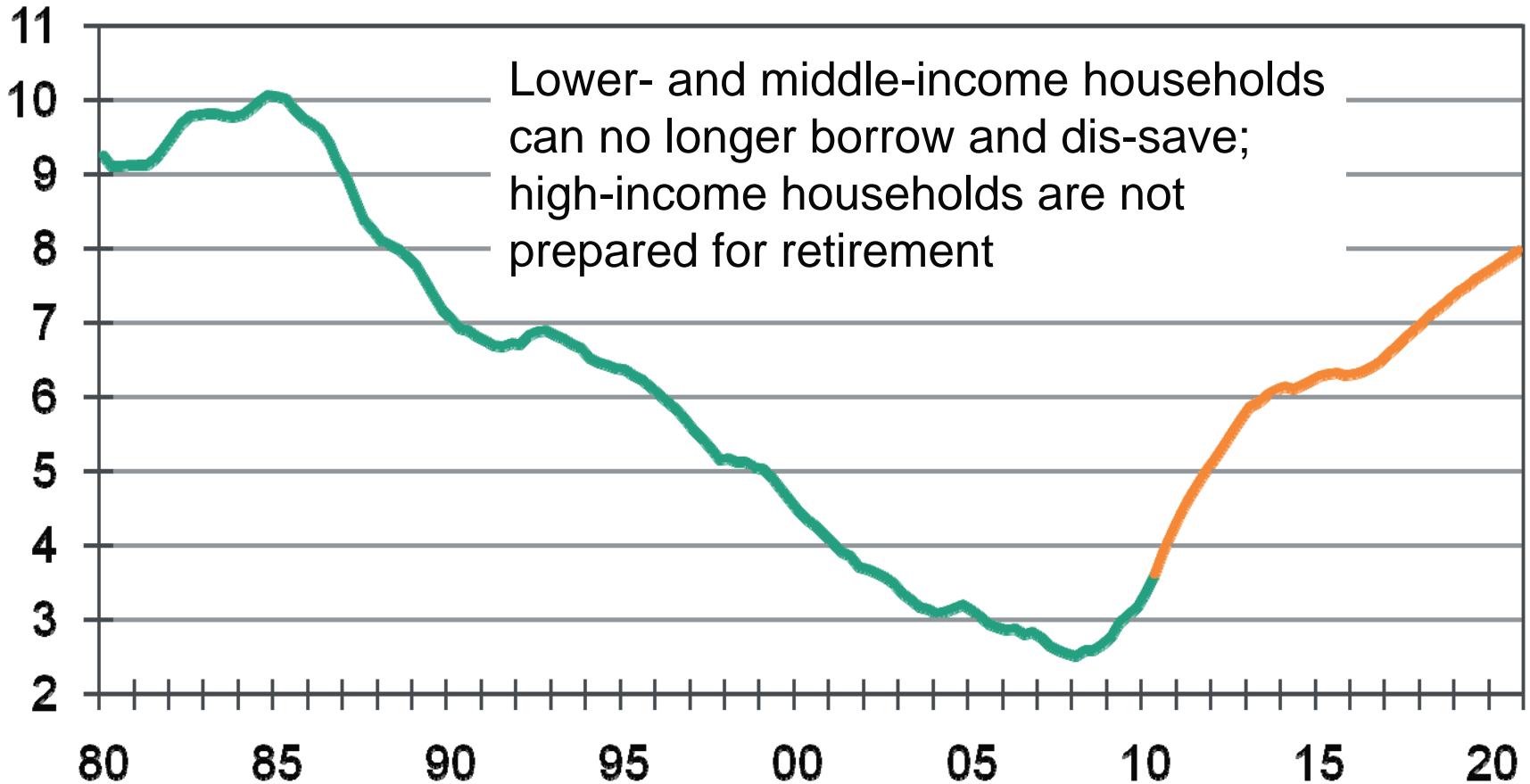
Vacant homes for sale, for rent, and held off market, the



Sources: Census, Moody's Analytics

Consumers Will No Longer Lead the Way...

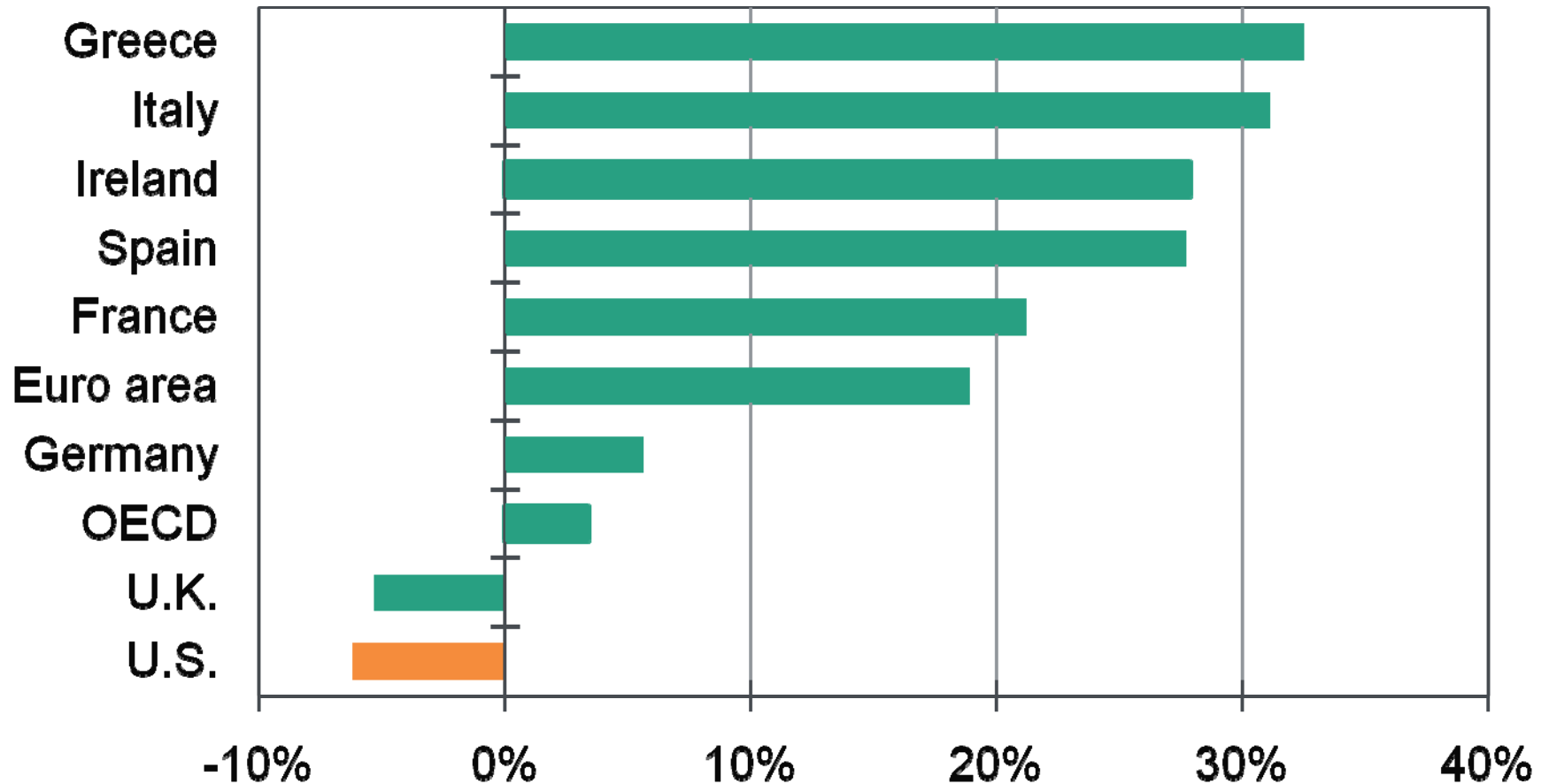
Personal saving rate, 5-yr MA



Sources: BEA, Moody's Analytics

...But Exports Will Pick Up the Slack

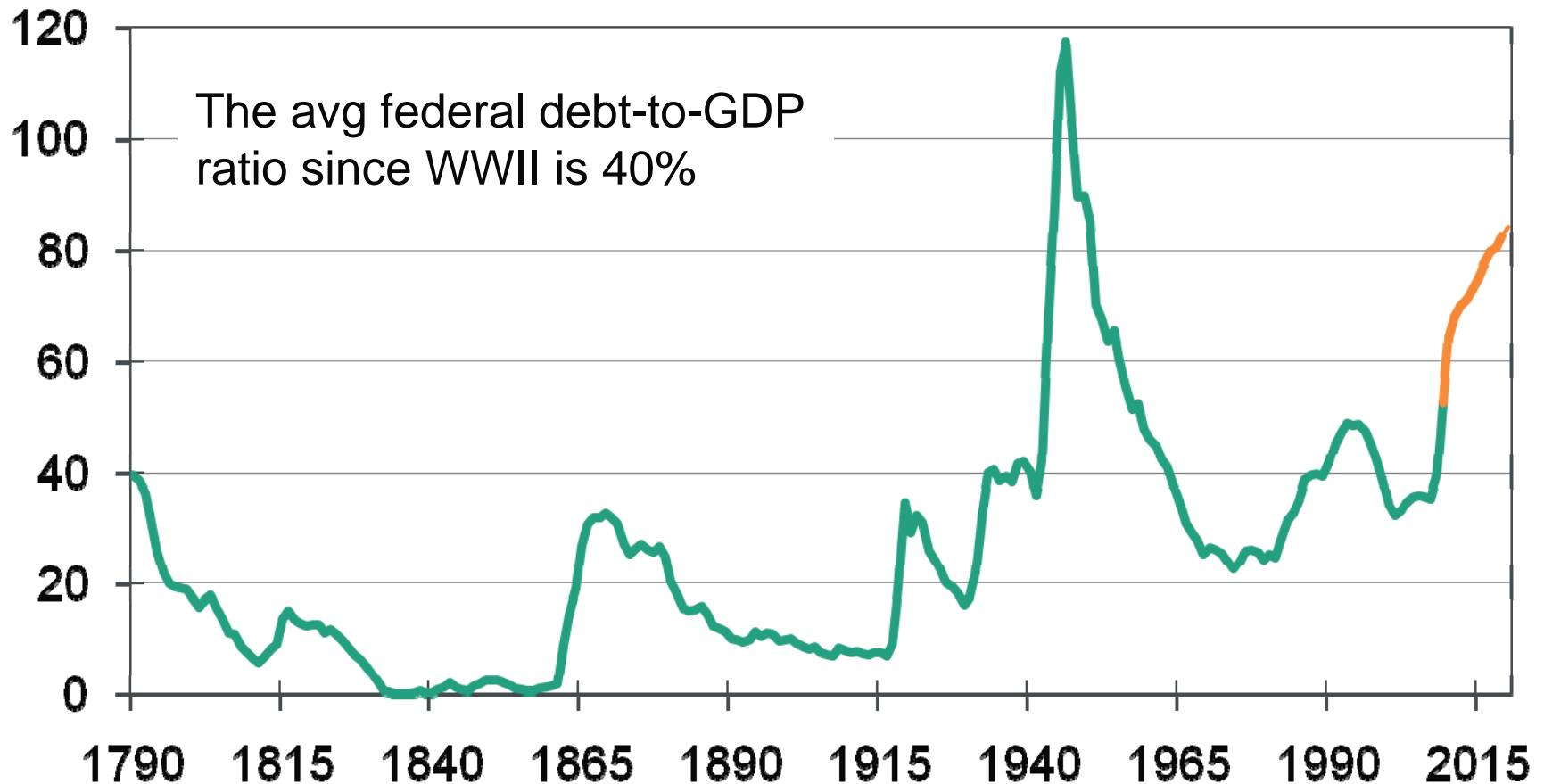
Unit labor costs in euros, % change, past decade



Sources: OECD, Moody's Analytics

Policymakers Must Change This Outlook

Federal debt-to-GDP ratio



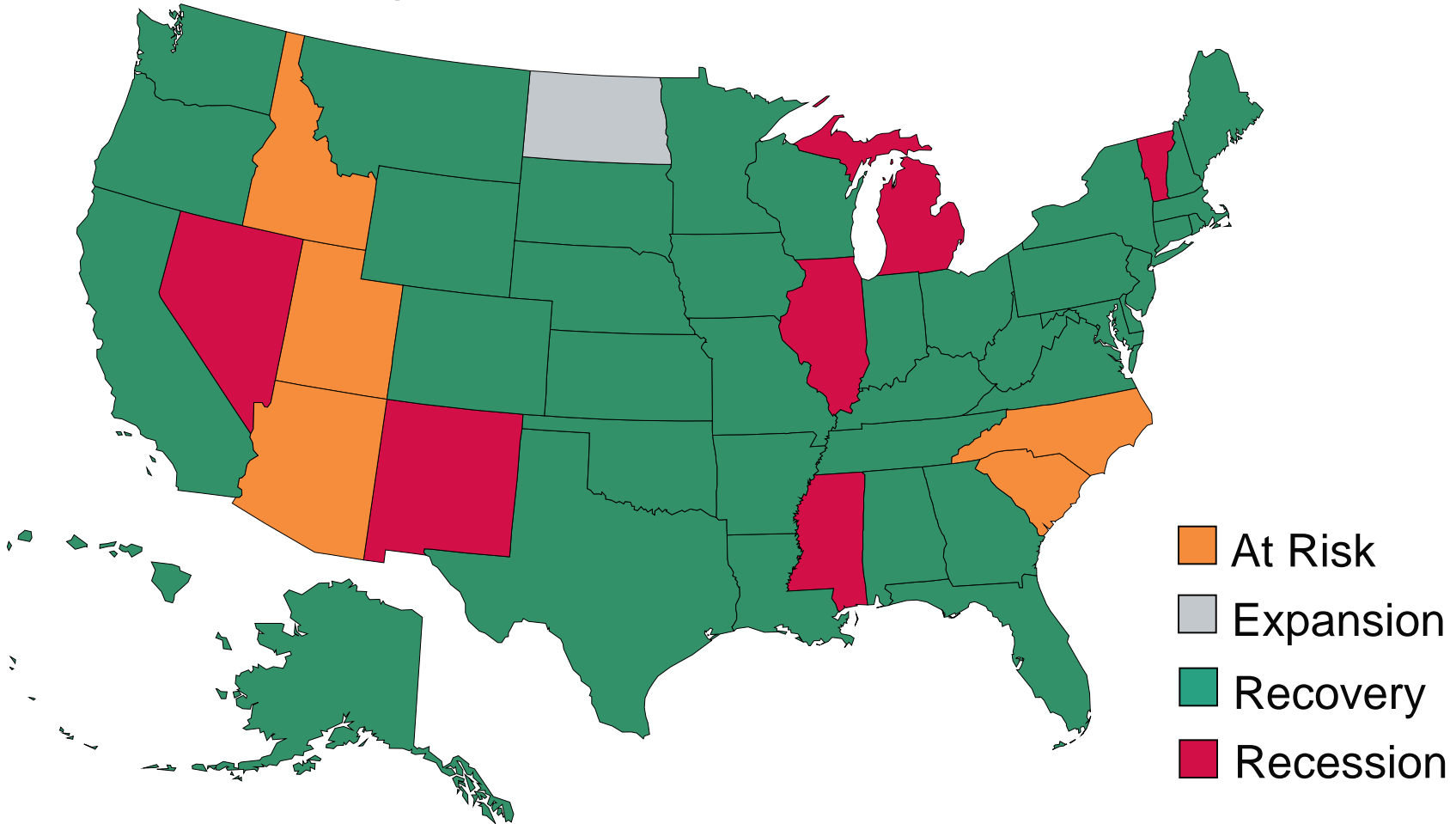
Sources: Treasury, Moody's Analytics

2

The New York Outlook

States in Recession

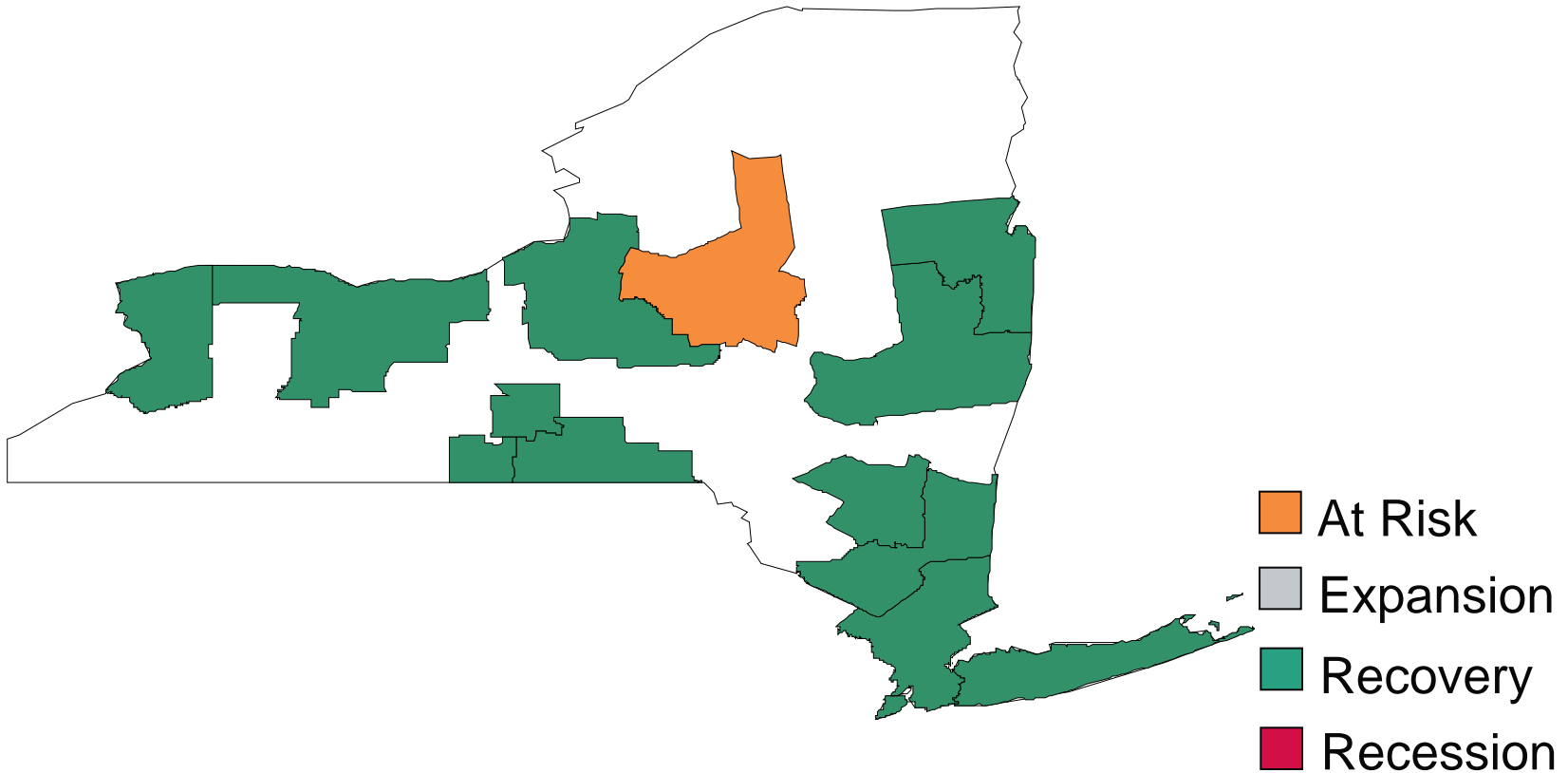
Status as of September 2010 data



Source: Moody's Analytics

Metro Areas in Recession

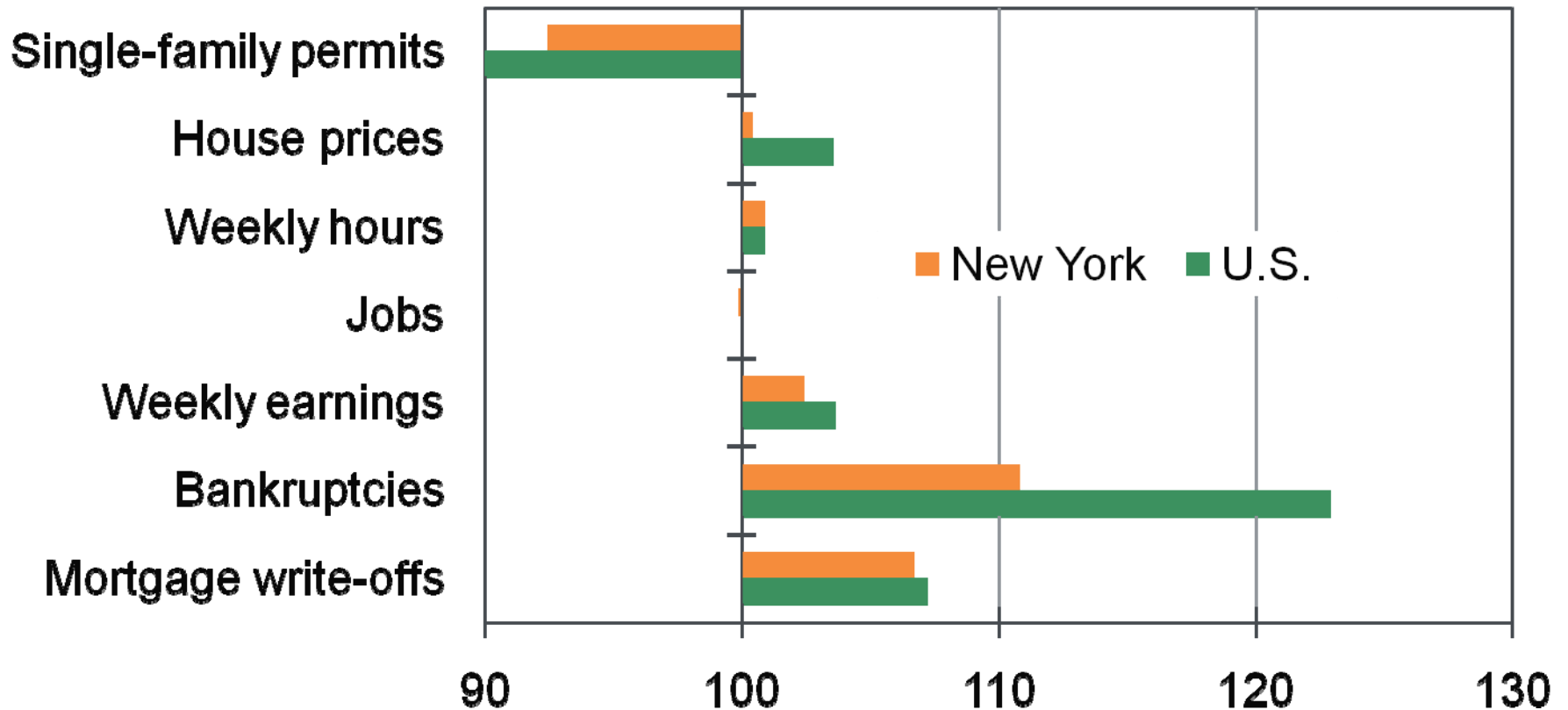
Status as of September 2010 data



Source: Moody's Analytics

New York's Recovery Is About Average

% change since end of U.S. recession in June 2009



Sources: Census Bureau, Fiserv, BLS, U.S. District Courts, Equifax

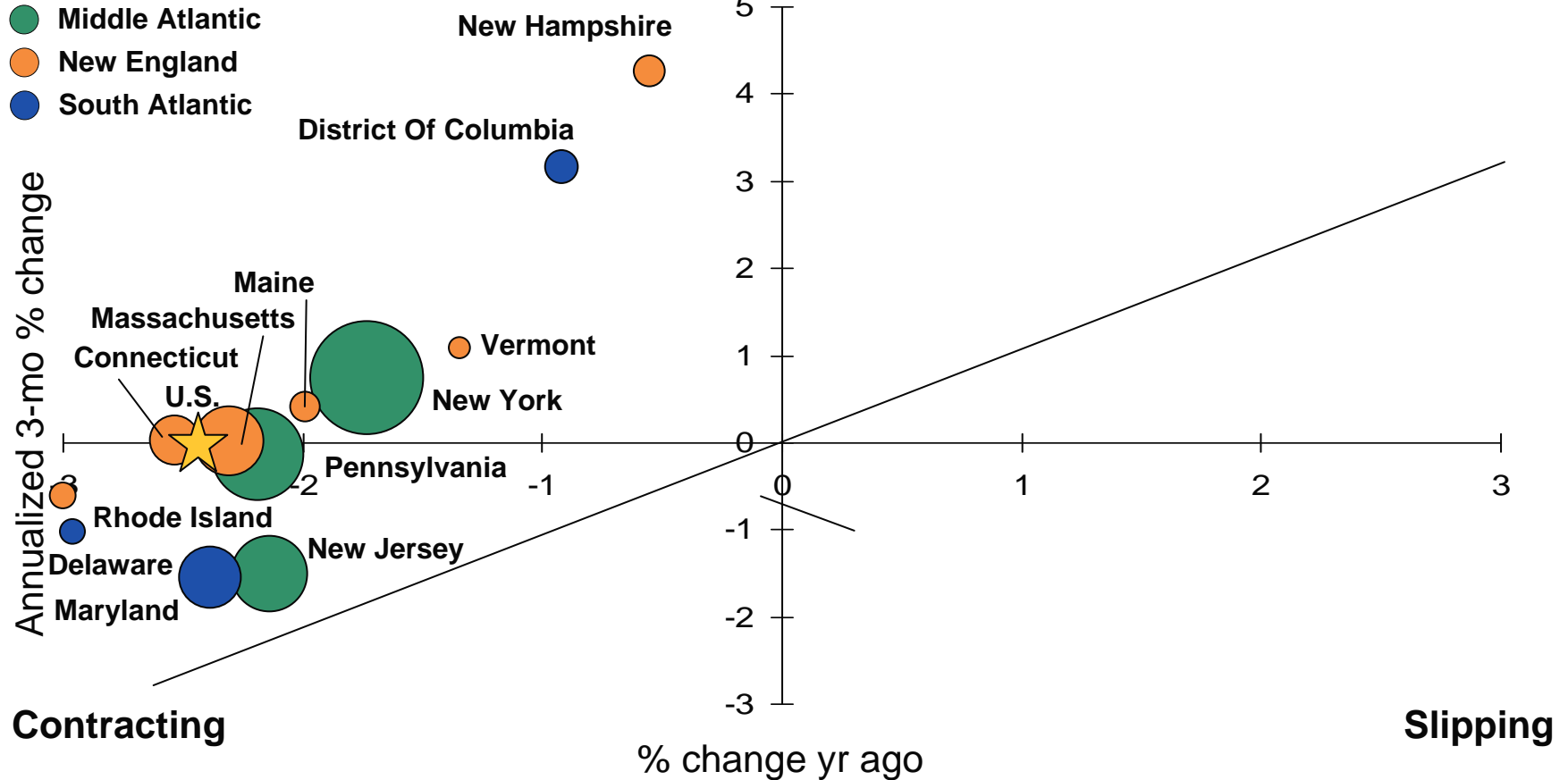
Employment Ex Federal Gov.—Northeast States

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

September 2010
March 2010

Improving

Expanding



Note: Size reflects relative total employment

Employment Ex Federal Gov.—Northeast States

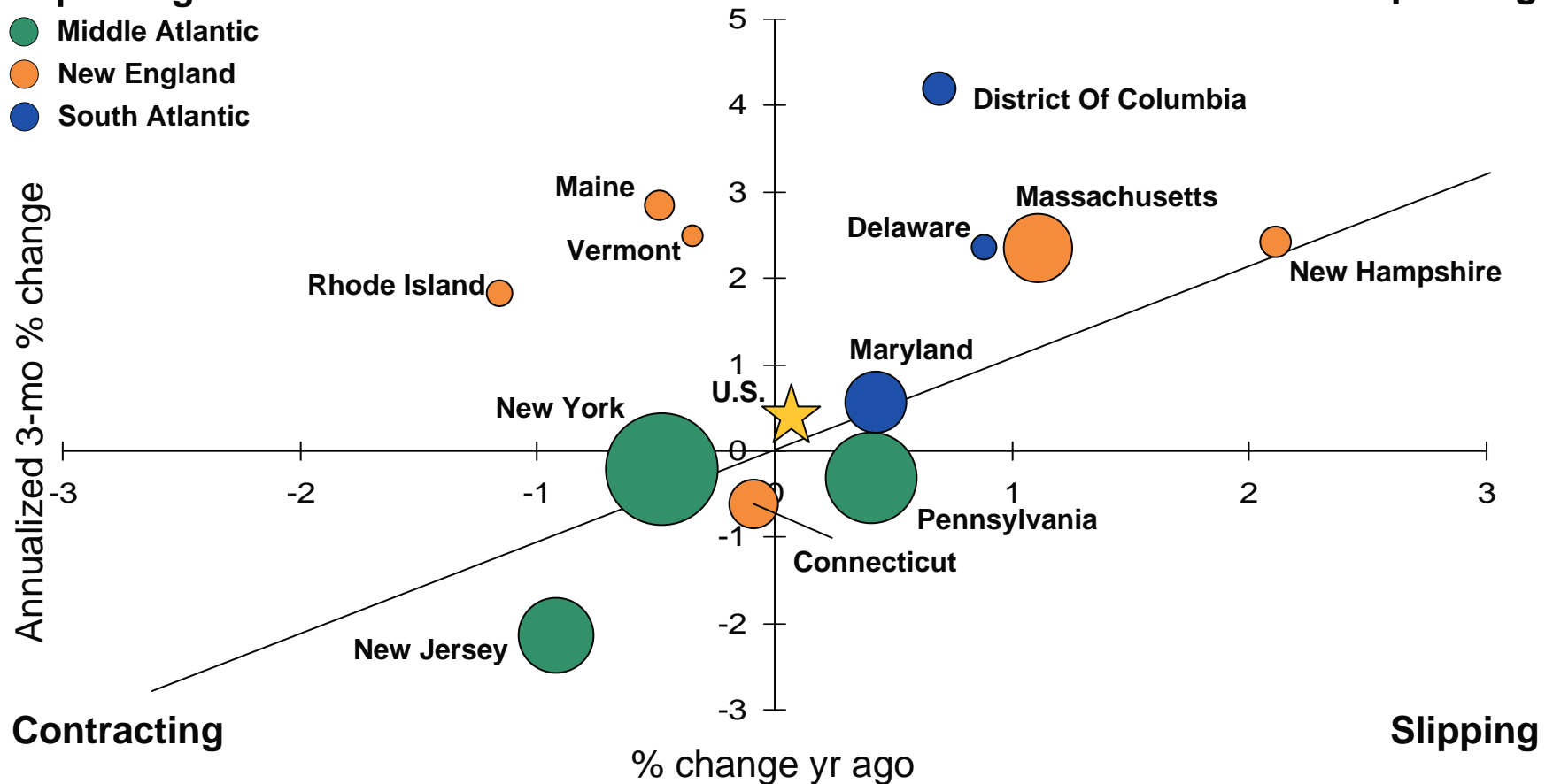
1-yr vs. 3-mo performance (3-mo. MA)

September 2010

Improving

Expanding

- Middle Atlantic
- New England
- South Atlantic

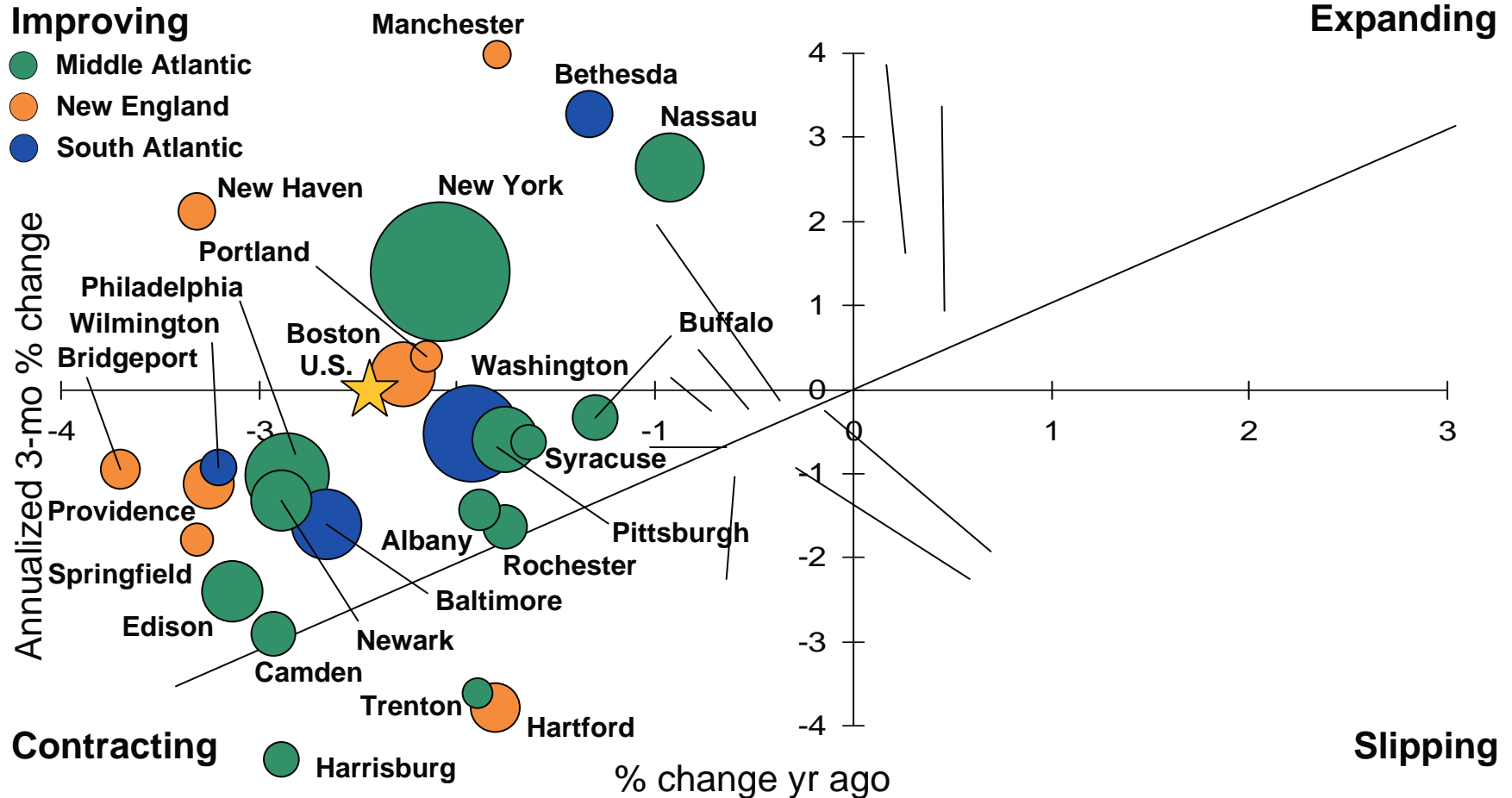


Note: Size reflects relative total employment

Employment ex Federal Gov.—Northeast MSAs

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

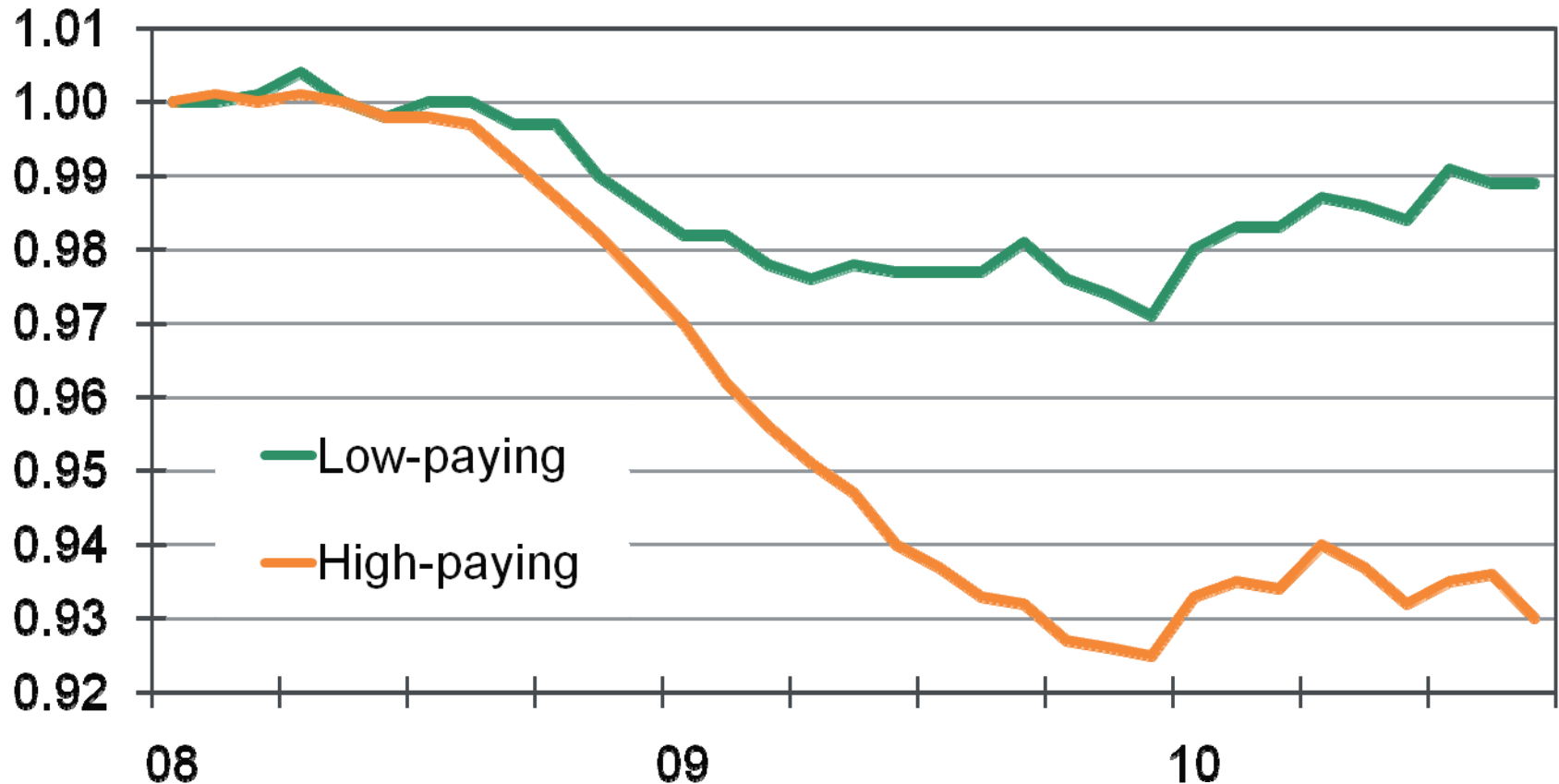
September 2010
March 2010



Note: Size reflects relative total employment

Low-Paying Services Driving Recovery...

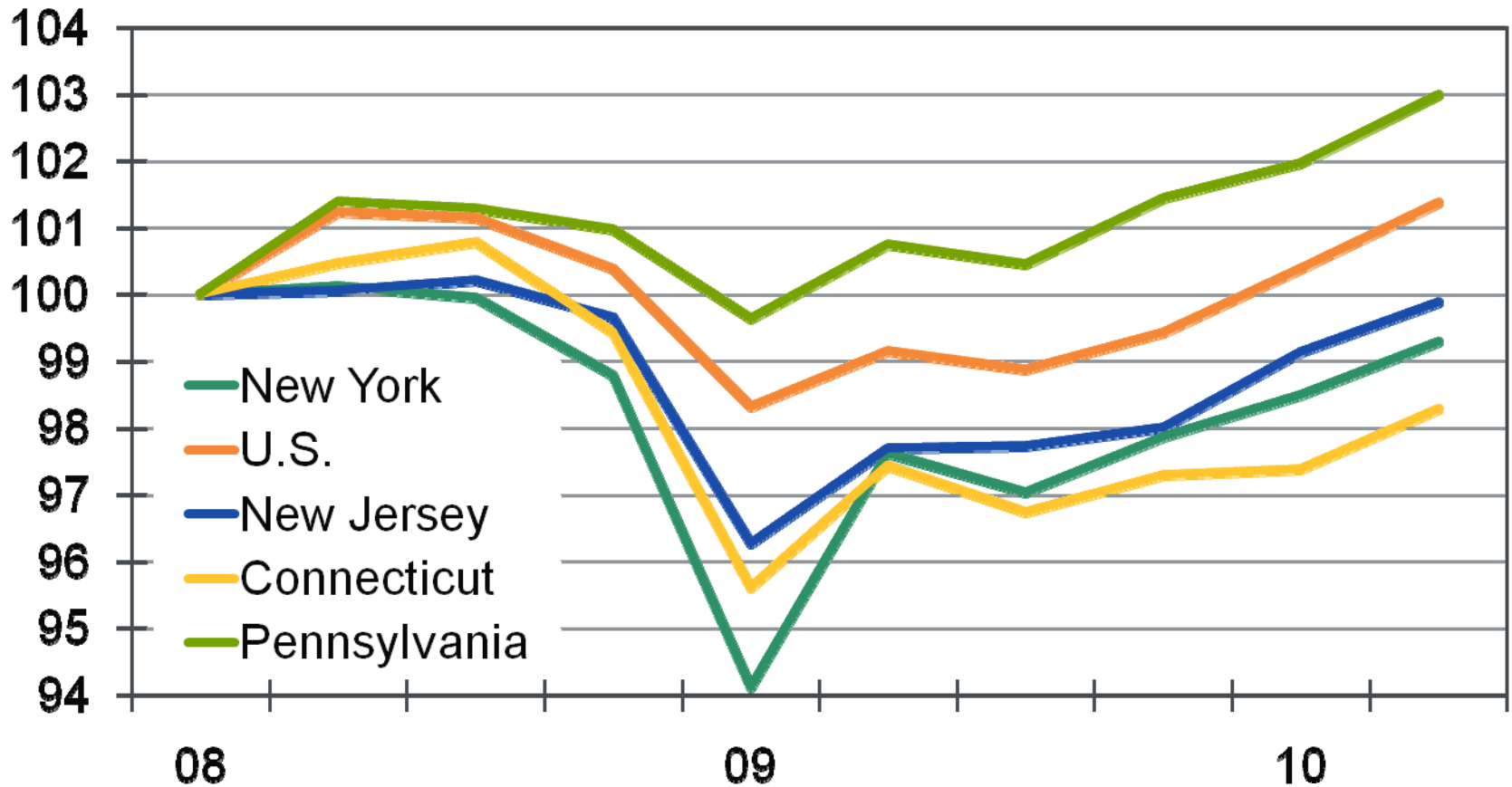
Employment, index, Jan08=100



Source: BLS

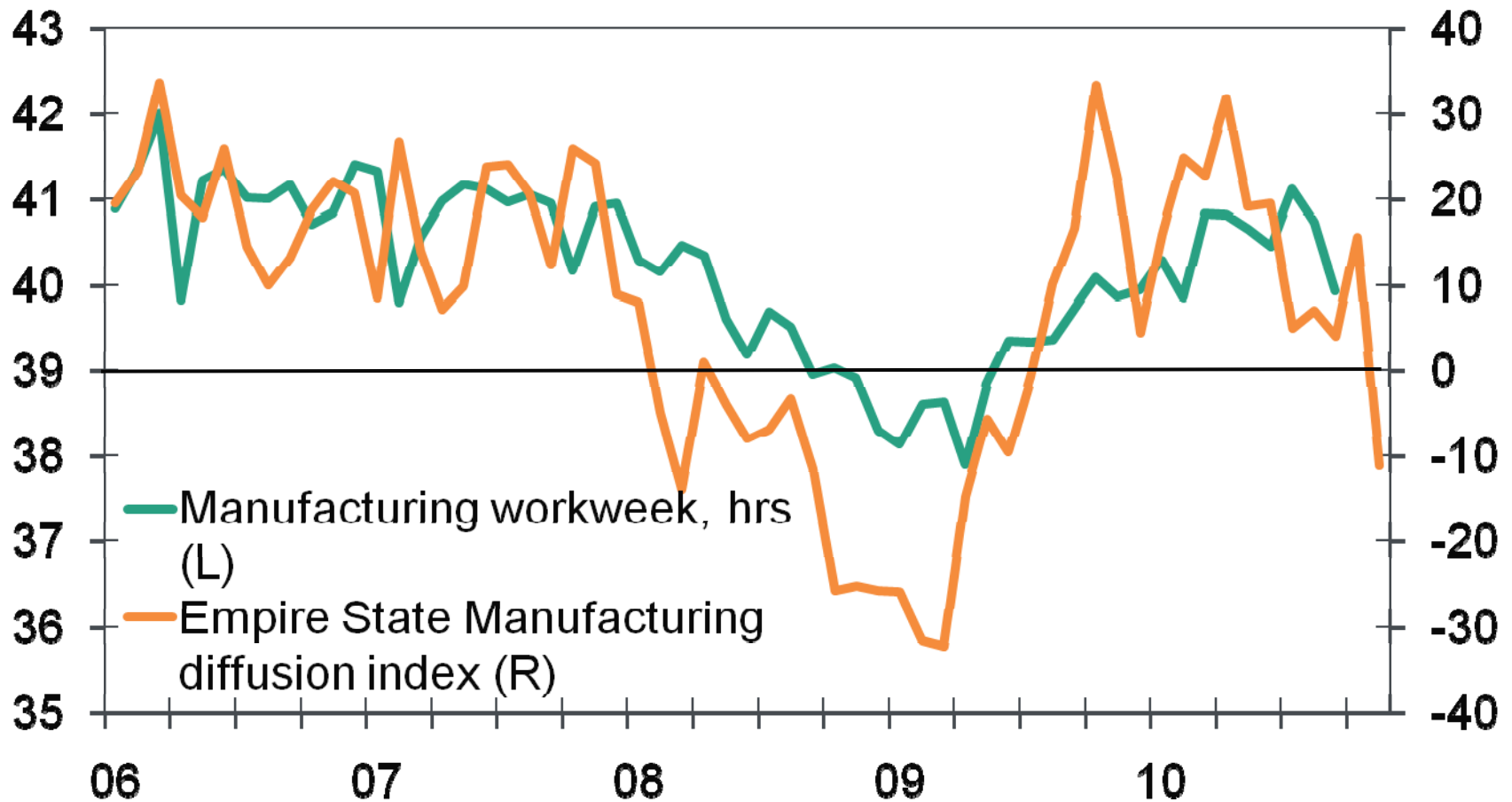
...Stymieing Income Recovery

Personal income index, 2008Q1=100



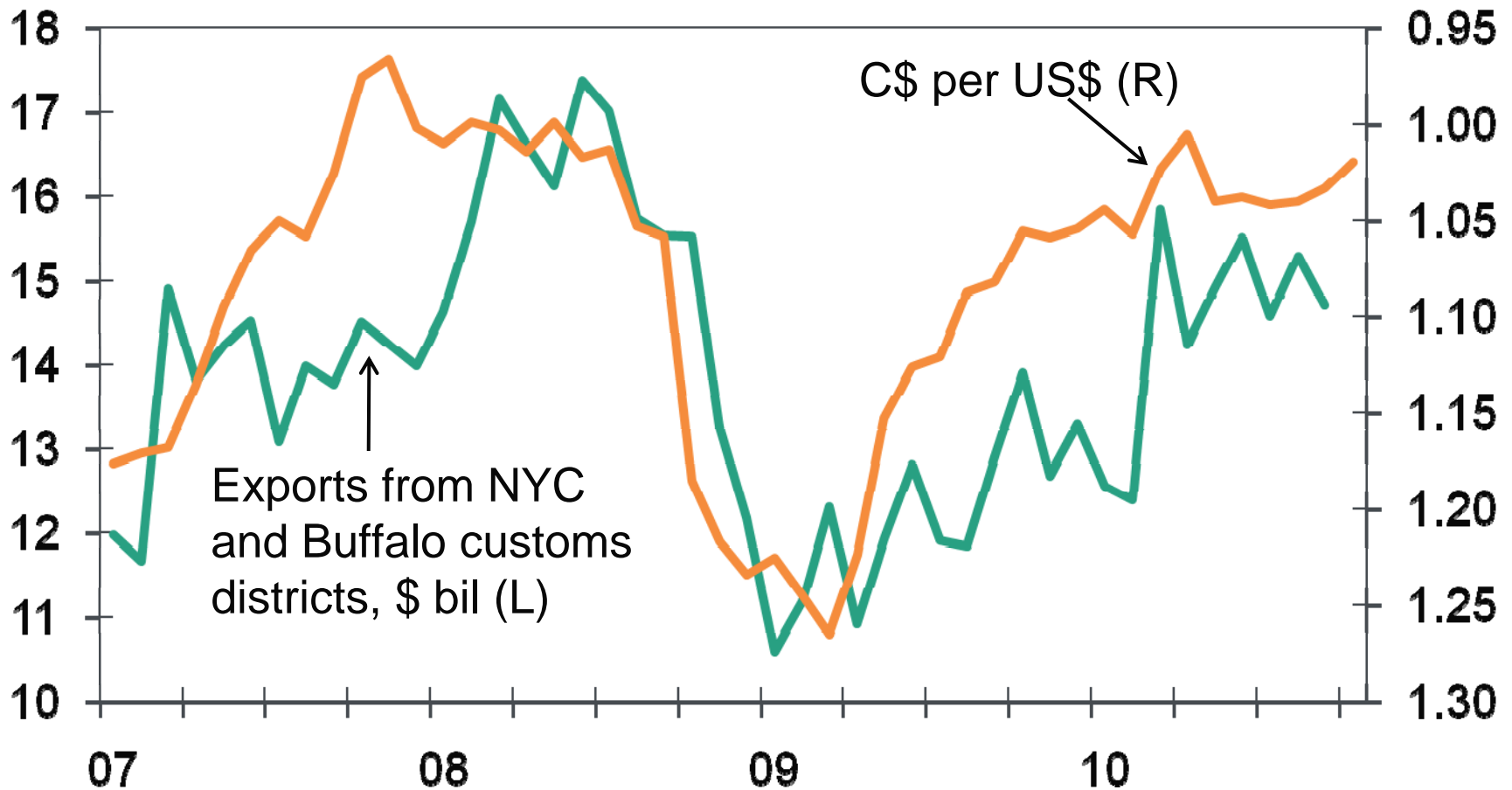
Source: BEA

Manufacturing Support Is Waning...



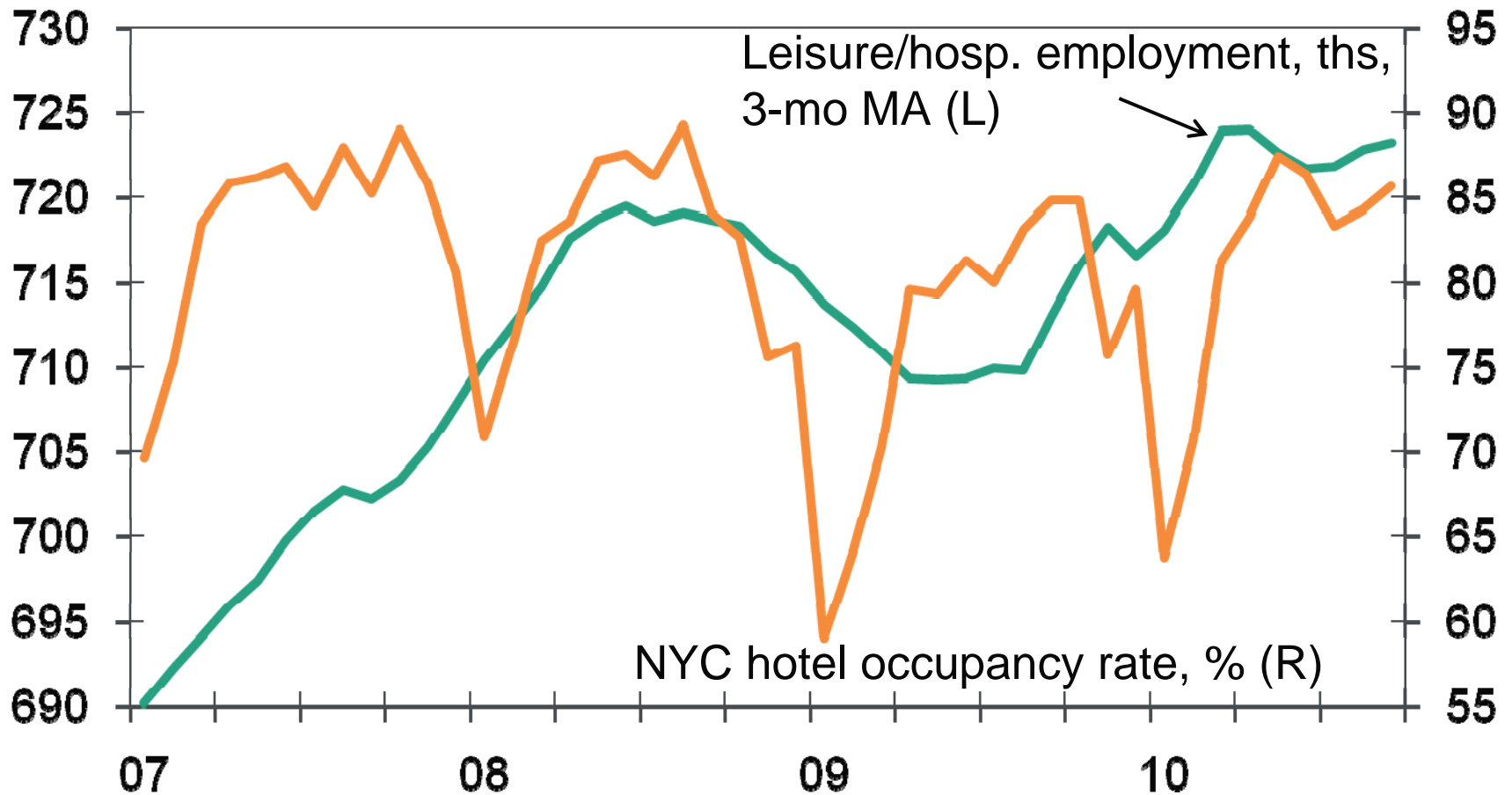
Sources: BLS, NY Federal Reserve

...But Stronger Canadian Dollar Boosts Exports...



Sources: Census Bureau, Federal Reserve

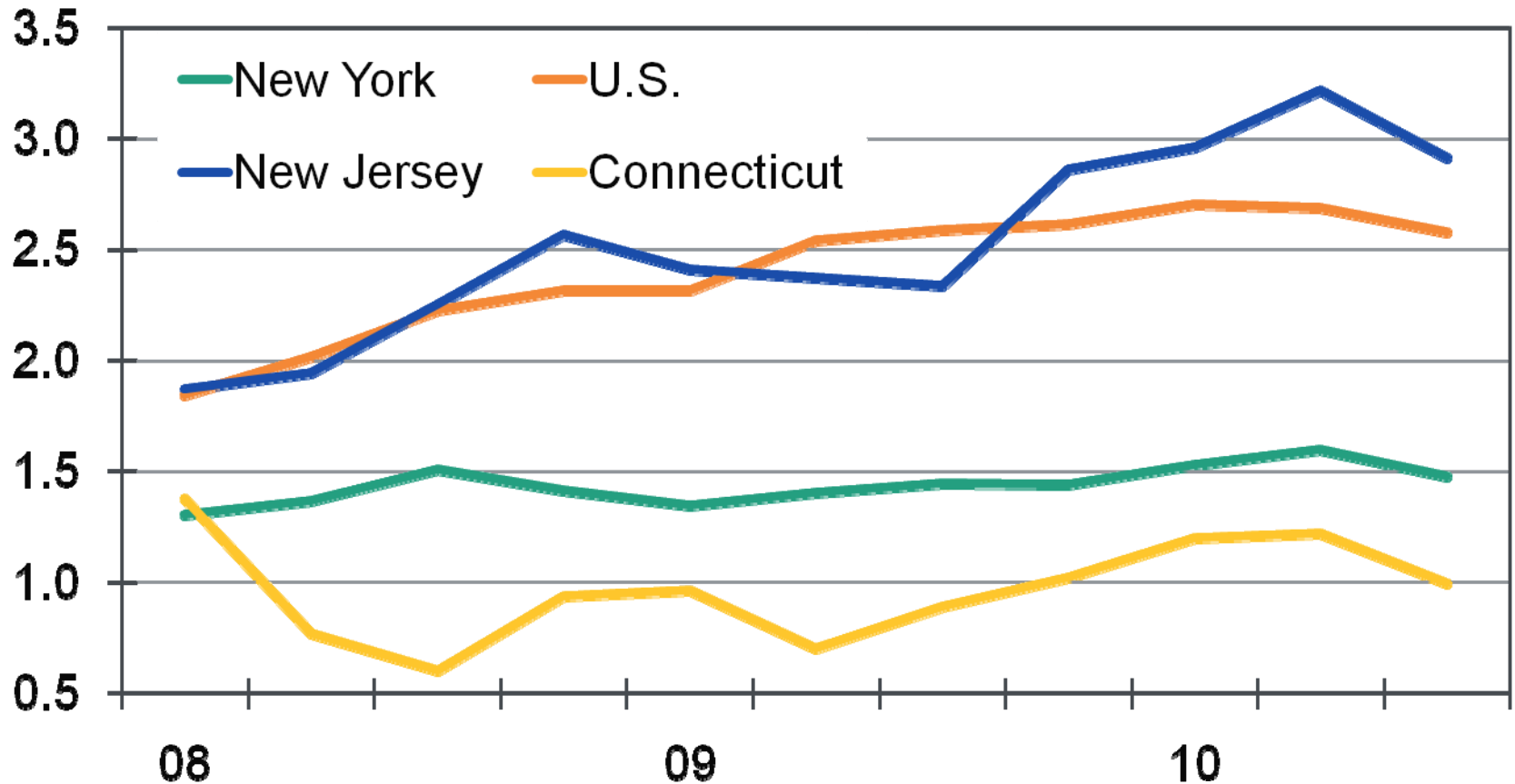
...And Tourism Too



Sources: Smith Travel, BLS

New York's Foreclosure Inventory Is Low...

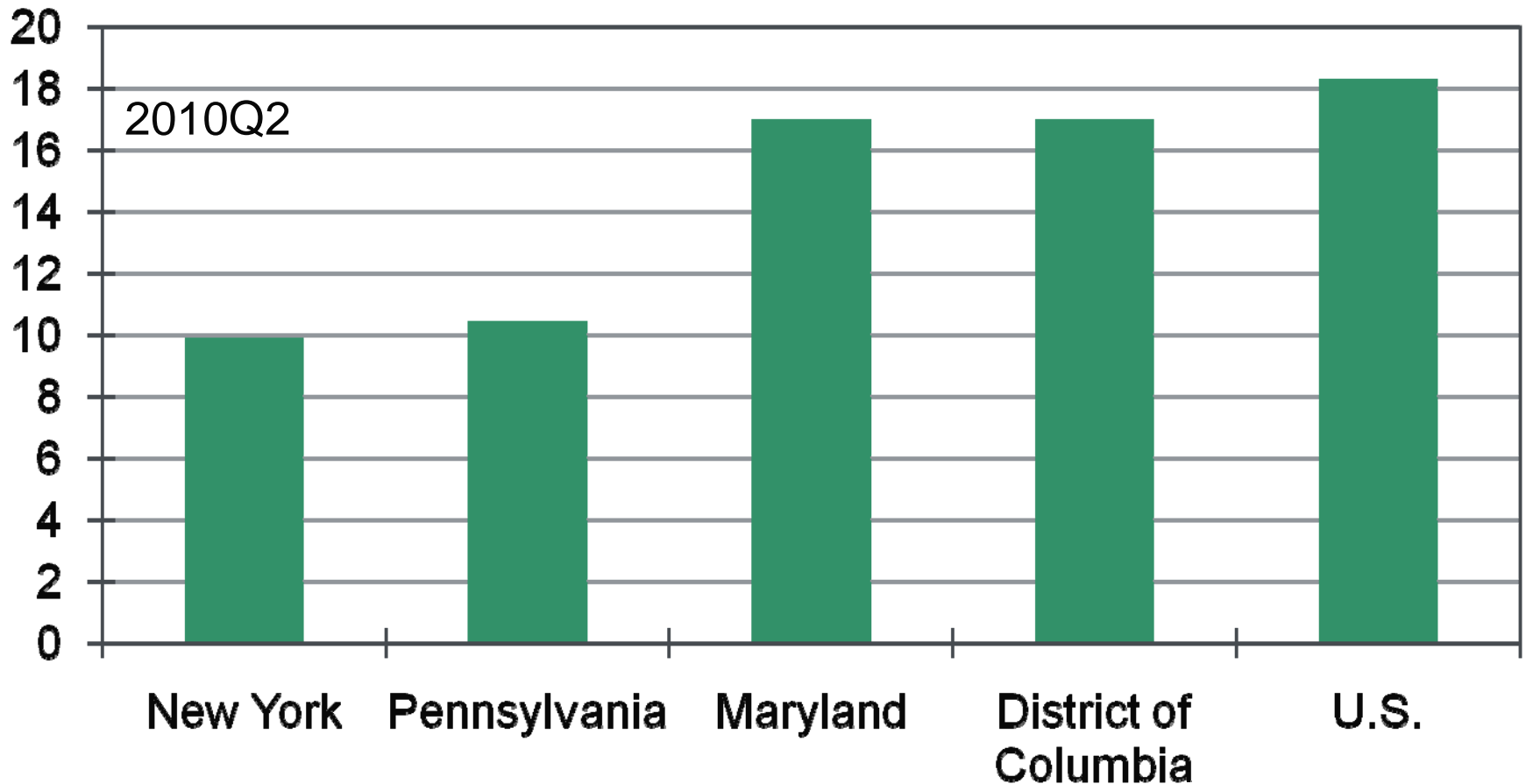
Homes in foreclosure, % of owner-occupied housing stock



Sources: RealtyTrac, Moody's Analytics, Census Bureau

...And Fewer Negative Equity Positions...

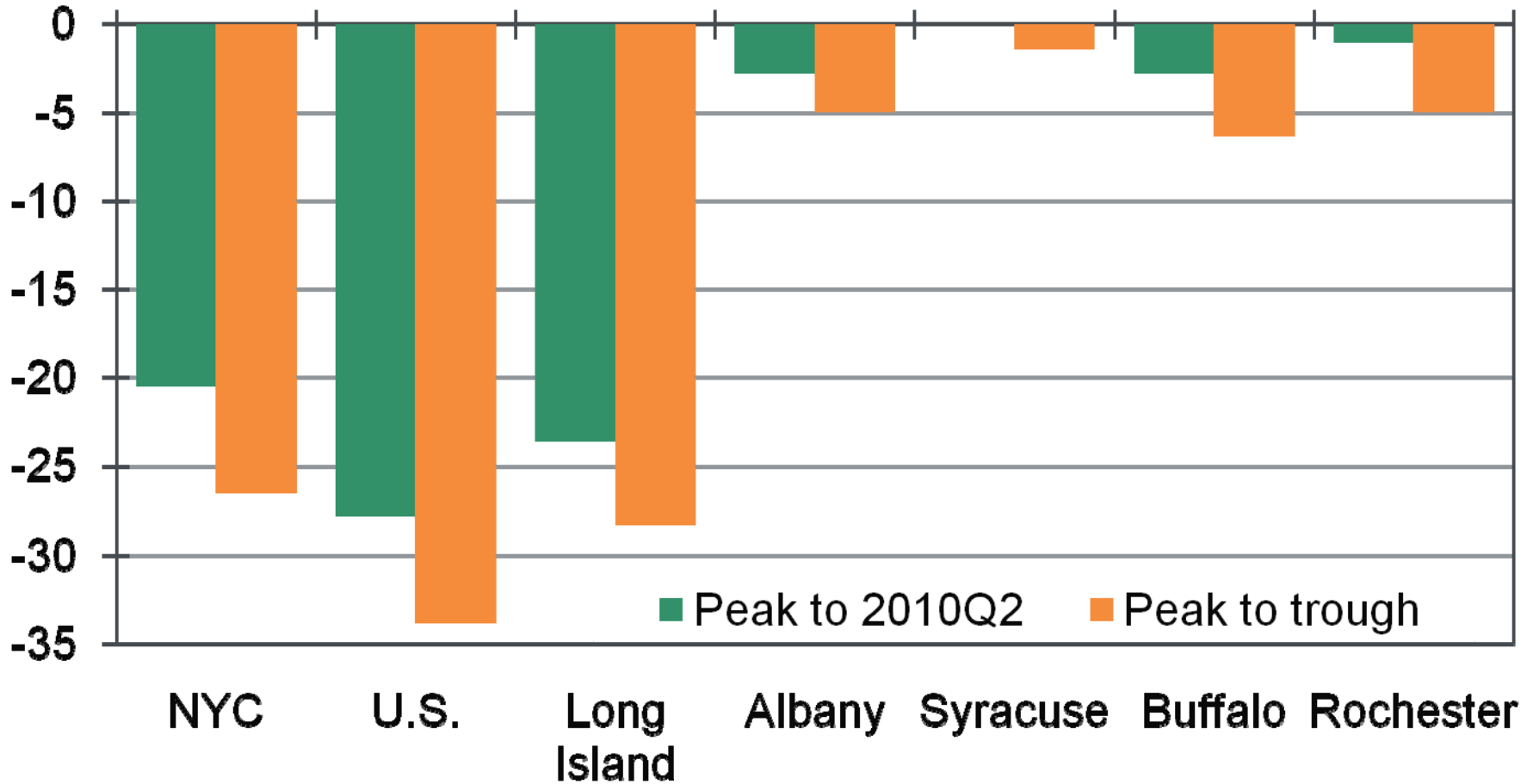
Underwater homeowners as % of owner-occupied households



Sources: FDIC, Equifax, Moody's Analytics

...Will Provide Some Stability to House Prices

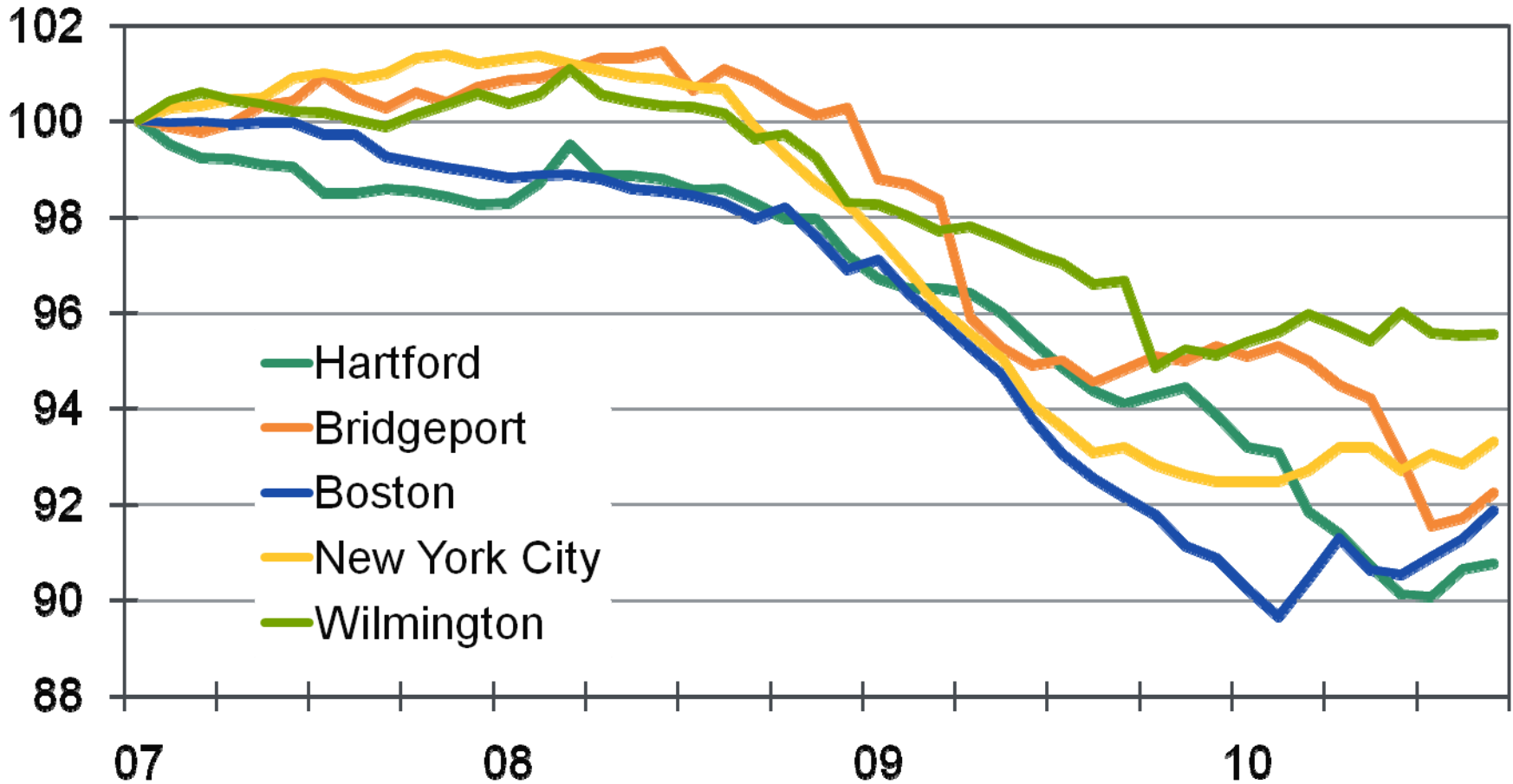
Case-Shiller® Home Price Index, % decline...



Sources: Fiserv, Moody's Analytics

Finance Growing in Boston, Not New York...

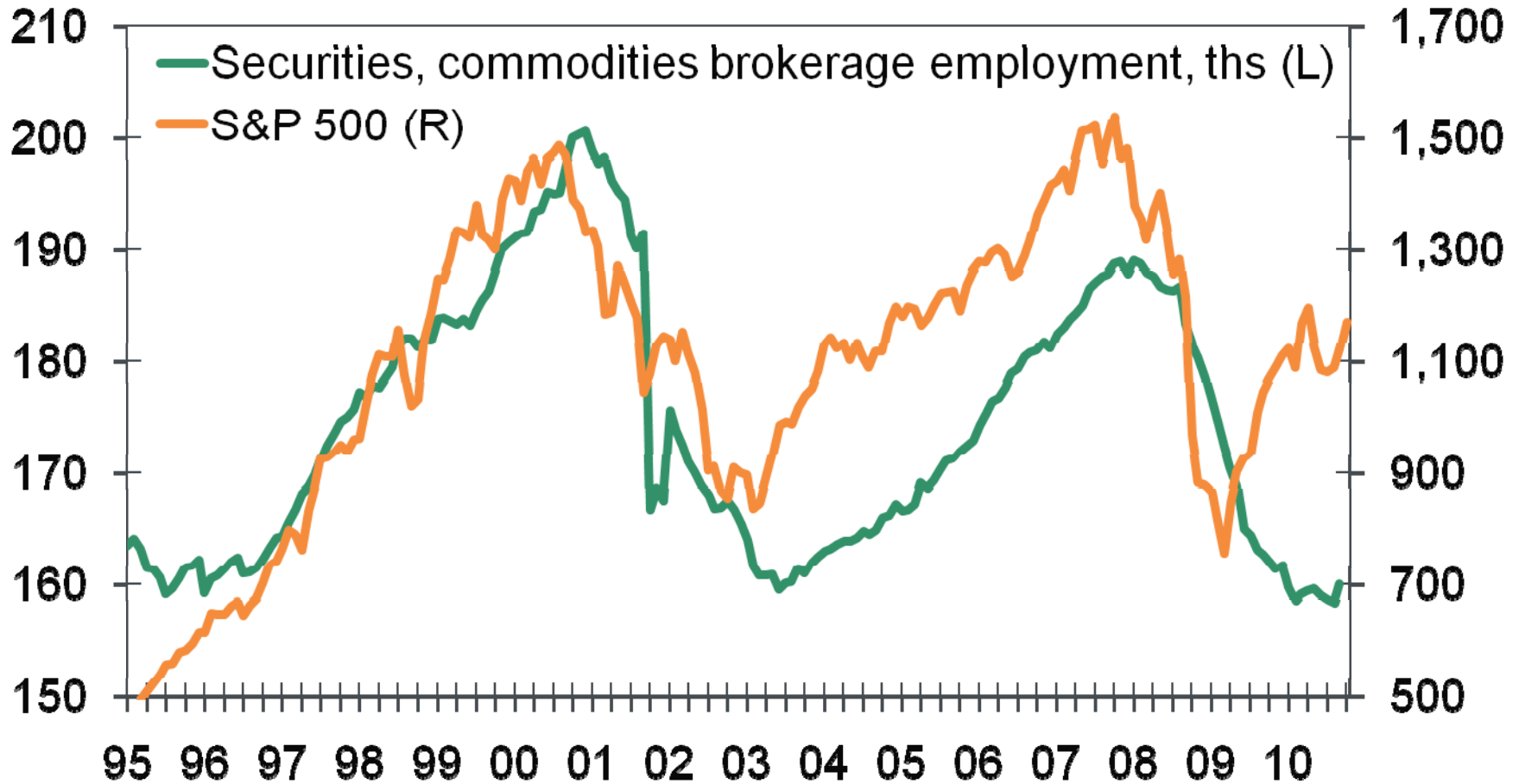
Financial activities employment index, Jan 2007=100



Source: BLS

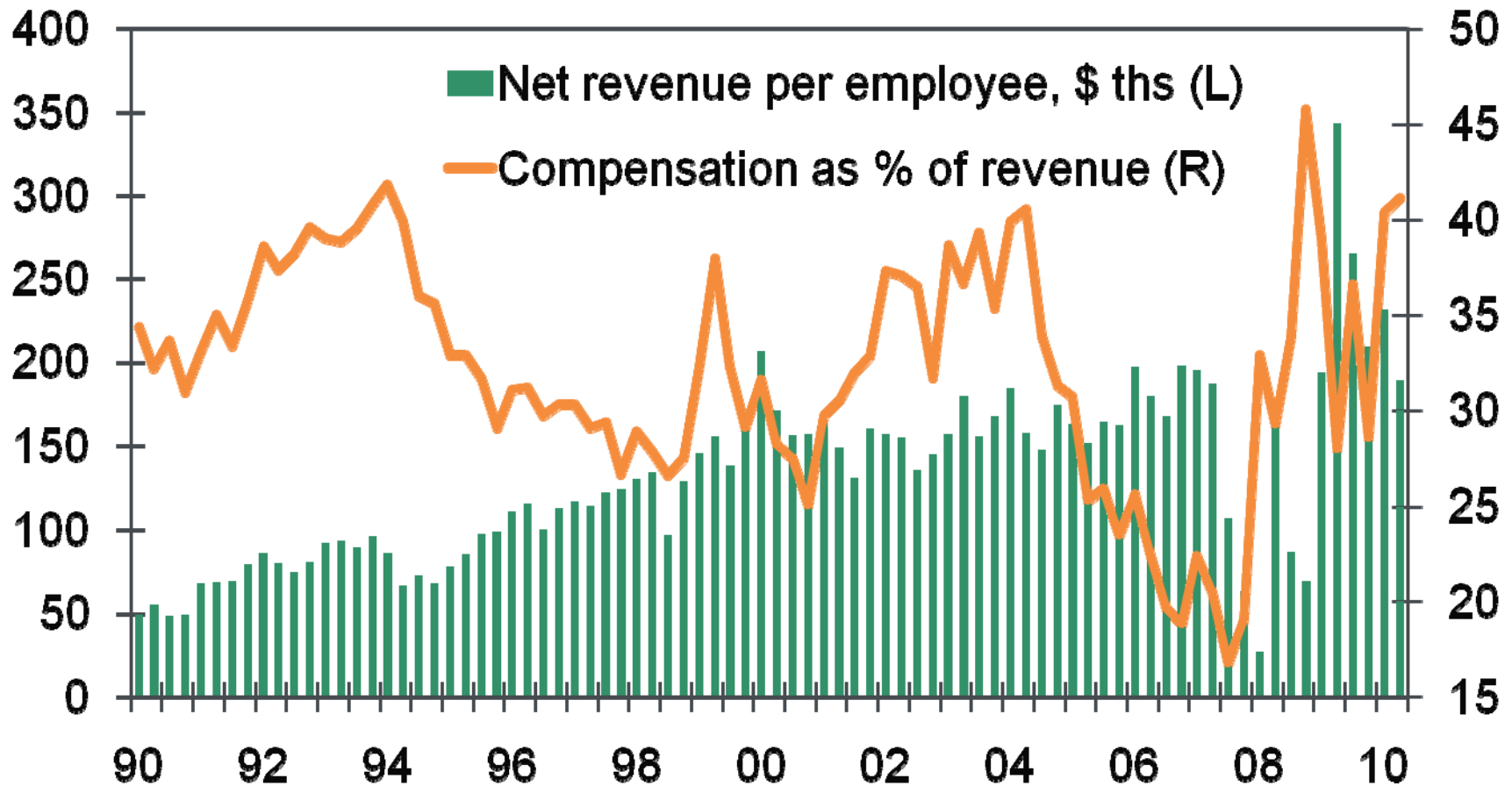
...Despite Upturn in Equities Markets

New York City (5 boroughs)



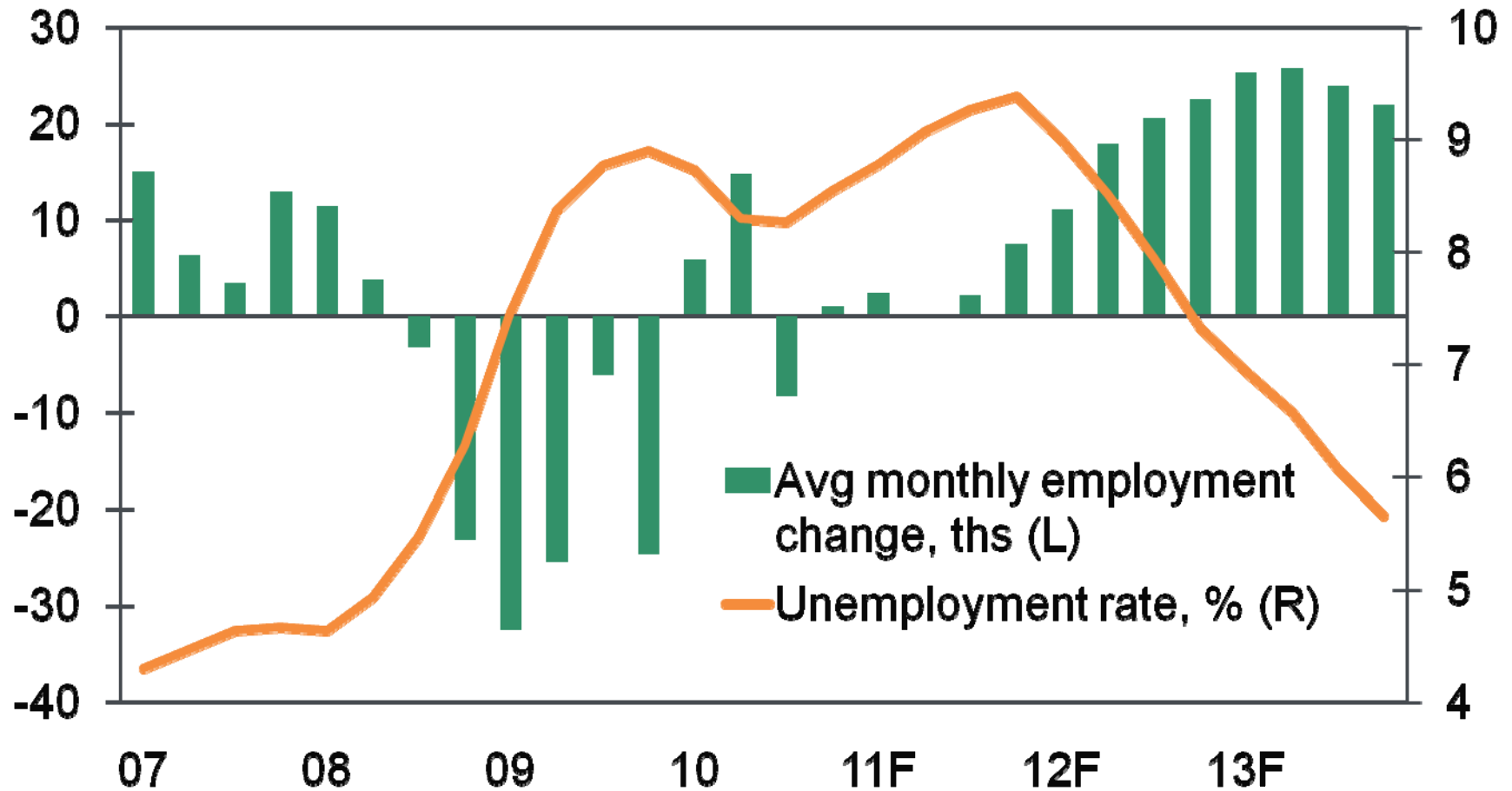
Sources: S&P, BLS, Moody's Analytics

Wall Street Pay and Employment New Normals?



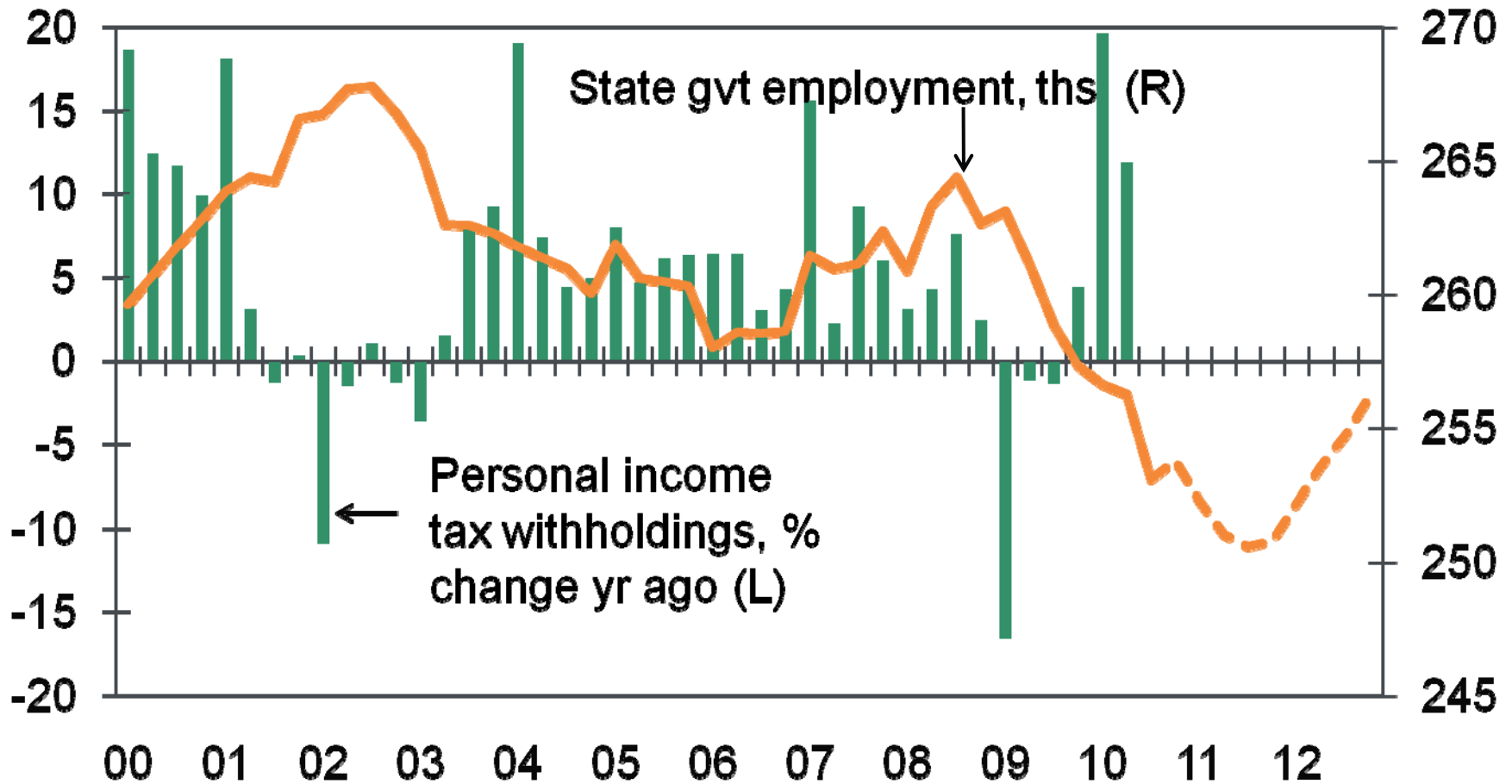
Sources: BLS, Securities Industry & Financial Markets Assoc., Moody's Analytics

Strong Outlook for 2012-2013



Sources: BLS, Moody's Analytics

State Government Is Biggest Risk to the Outlook



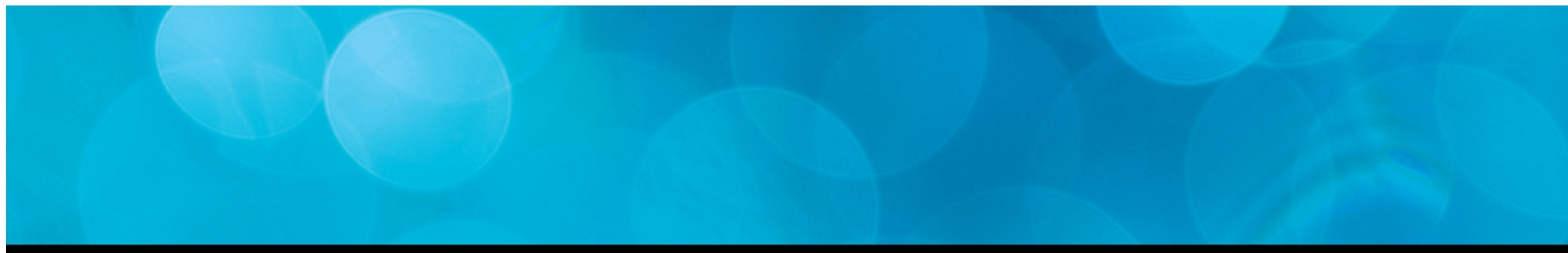
Sources: BLS, Rockefeller Institute of Government

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121 North Walnut Street
Suite 500
West Chester, PA 19380
610.235.5299

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