

News

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MOODY'S ANALYTICS U.S. MACRO OUTLOOK: FISCAL HEADWINDS DRAG ON U.S. REAL GDP GROWTH

NEW YORK, November 7, 2013 — Moody's Analytics, a leading independent provider of economic forecasting, today released Chief Economist Mark Zandi's US economic outlook for November 2013. According to "[US Macro Outlook: First, Do No Harm](#)," the US economy faces severe fiscal headwinds as the most intense economic austerity since World War II drags on growth, while recent budget battles have taken a toll on confidence, entrepreneurship and job creation.

Real GDP growth is barely maintaining the lackluster 2% pace that has prevailed since the recovery began more than four years ago, and job growth has recently slowed, the report notes. Payrolls have increased by no more than 150,000 per month since the summer, well below the 200,000-plus gains experienced at the start of the year.

The nascent housing recovery stalled this summer as investor demand cooled and interest rates rose, even though a housing recovery is key to improving growth, notes Moody's Analytics.

"Repeated budget battles in Washington have taken a real toll on confidence, and lawmakers must do no harm during the next round of budget negotiations for growth to accelerate as anticipated next year," said Zandi. "Additionally, the Federal Reserve will need to successfully manage long-term rates higher as the job market improves," says Zandi.

The recent budget crisis that led to a Washington standoff and closed the government likely chastened lawmakers enough to ensure that they avoid a similar fiasco early in 2014, says Moody's Analytics, increasing the likelihood that both sides will reach a durable agreement on taxes and spending.

The key to next year's growth will be the housing market, says Zandi. Home sales and construction have sputtered in recent months, and price growth has moderated, in part because investor demand has fallen. For the housing market to regain its momentum, first-time and trade-up homebuyers must fill the void left by investors, says Moody's Analytics.

For more information, visit Moody's Analytics [Dismal Scientist](#).

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