Feeling Good…For Now

DAN WHITE, Director of Fiscal Policy Research

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Pushing the Envelope
Duration of business cycle expansion, months, state fiscal year

Sources: NBER, Moody's Analytics
Lots of Fiscal Stimulus
Federal discretionary fiscal policy as a % of GDP

Source: Moody’s Analytics

MOODY’S ANALYTICS
The Job Market Is As Good As It Gets

Sources: BLS, Moody’s Analytics

MOODY’S ANALYTICS
Job Growth Is (Mostly) Broad-Based

Employment growth by wage cohort, % change yr ago, Aug 2018

Sources: BLS, BEA, Moody’s Analytics

MOODY’S ANALYTICS
Builders Are Still Not Building

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

<table>
<thead>
<tr>
<th>Current Housing Supply</th>
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<tbody>
<tr>
<td>Single-family</td>
<td>1,350,000</td>
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<tr>
<td>Multifamily</td>
<td>800,000</td>
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<tr>
<td>Manufactured Housing</td>
<td>375,000</td>
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<td>75,000</td>
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<th>Trend Housing Demand</th>
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<tr>
<td>Household Formations</td>
<td>1,600,000</td>
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<tr>
<td>Obsolescence</td>
<td>1,200,000</td>
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<tr>
<td>Second Homes</td>
<td>200,000</td>
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<td></td>
<td>200,000</td>
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</tbody>
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Trend vacancy

Sources: Census Bureau, Moody’s Analytics
Yield Curve Sends a Warning

Difference between 10-yr and 3-mo yield, %

Average length of time between inversion and recession is 12 months.

Sources: Federal Reserve, Moody’s Analytics
Global Investors Need to Adjust
Federal funds rate, %

Sources: Federal Reserve, Bloomberg LP, Moody's Analytics
Putting Tariff Threat into Perspective

U.S. average effective tariff rate, %

Assumes full-implementation of President’s announced tariff increases

Sources: World Bank, Moody’s Analytics
Will Debt Sink the Expansion?

Debt to GDP ratio

Sources: Federal Reserve, Moody’s Analytics
Uncharted Territory
Government debt to GDP ratio, first quarter of expansion=100

Source: Moody’s Analytics
Leveraged Firms Leveraging Up

Leveraged loans, $ bil

Sources: IMF, Moody's

Note: 2018 issuance is YTD annualized
Recessions Impact All States Differently
Fiscal shock from moderate recession, % of estimated 2018 revenues

Total sum of states = 11%

Sources: NASBO, Moody’s Analytics
Some Areas More at Risk than Others
Potential state government fiscal drag from next recession, % of GSP

Total sum of states = 0.25%

- Green: No drag
- Blue: < 0.25%
- Orange: 0.25% to 0.5%
- Brown: > 0.5%

Sources: BEA, Moody’s Analytics
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