Headwinds Fade…Tailwinds Develop

MARK ZANDI, CHIEF ECONOMIST
Fiscal Headwinds are Near Their Apex…

Source: Moody’s Analytics
...and Fiscal Sustainability is Within Reach

Debt held by the public, % GDP

Sources: CBO, Moody’s Analytics
Banks are Well Capitalized and More Profitable…

Commercial banks

Source: FDIC
...and Households Right the Wrongs

30-90 Day Delinquency Rate, % of $, SA

Sources: Equifax, Moody’s Analytics
Housing Will Soon Be Undersupplied…

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

<table>
<thead>
<tr>
<th>Housing Supply</th>
<th>950,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-family</td>
<td>600,000</td>
</tr>
<tr>
<td>Multifamily</td>
<td>300,000</td>
</tr>
<tr>
<td>Manufactured Housing</td>
<td>50,000</td>
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</table>

<table>
<thead>
<tr>
<th>Housing Demand</th>
<th>1,800,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Formations</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Obsolescence</td>
<td>350,000</td>
</tr>
<tr>
<td>Second Homes</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Sources: Census, Moody’s Analytics
Wealth Effect
Residential Investment
Total

Contribution to real GDP growth, %

Source: Moody’s Analytics
Rising Rates Expose Financial Excesses

Sources: Treasury, BEA, Moody’s Analytics

Federal funds rate

- S&L Crisis
- Orange County
- Mexican Peso
- Tech Bust
- Housing Bubble Busts

'85 '90 '95 '00 '05 '10

Moody’s ANALYTICS