

The Economic Outlook

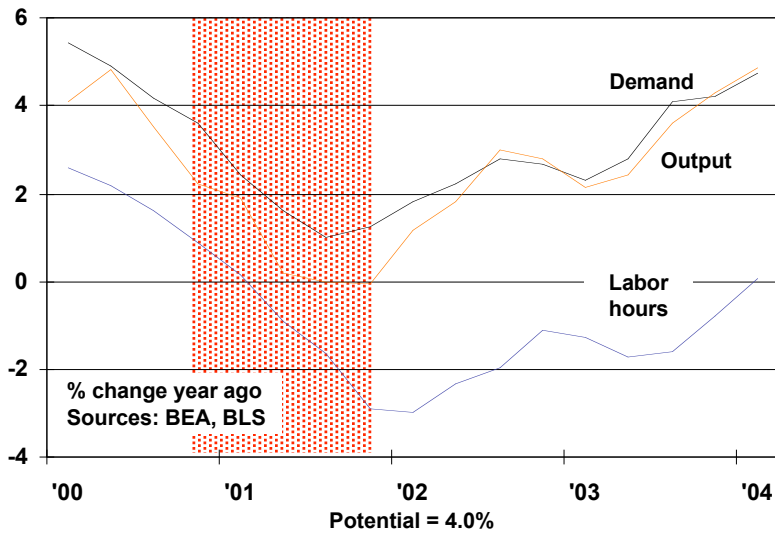
Presented by
Mark Zandi
Chief Economist



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Slide 1

An Improving U.S. Economy

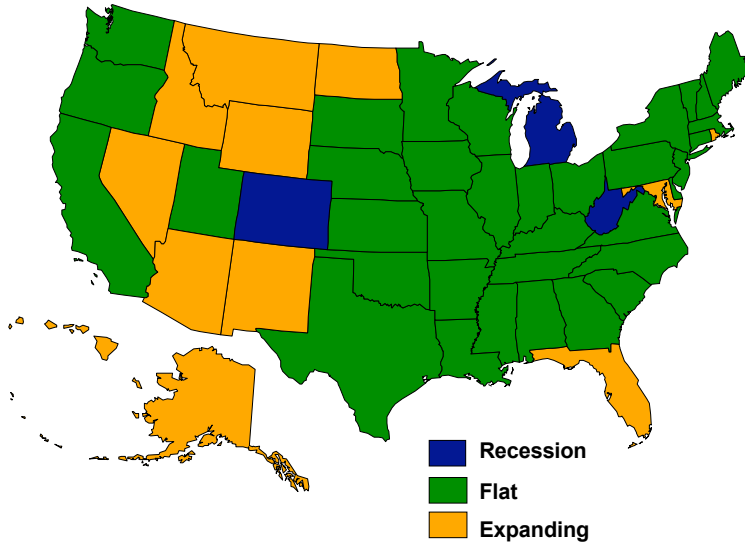


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Few States Still in Recession

Based on data as of April 2004

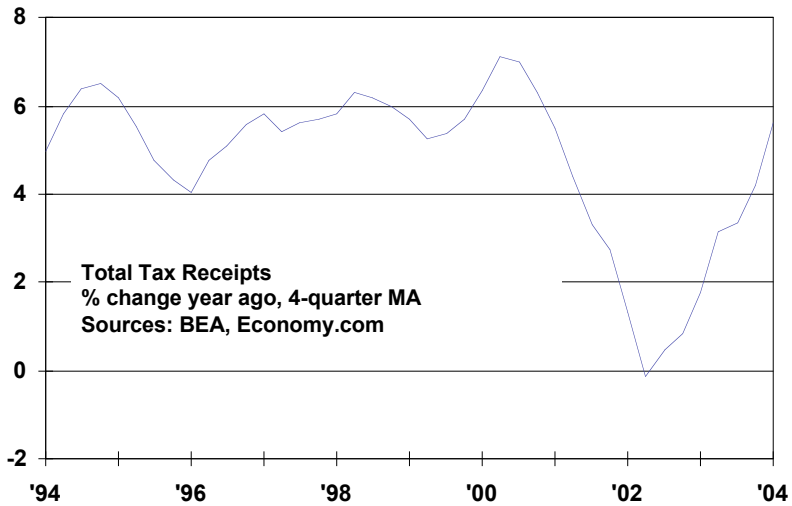


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State and Local Government Tax Revenues Recover

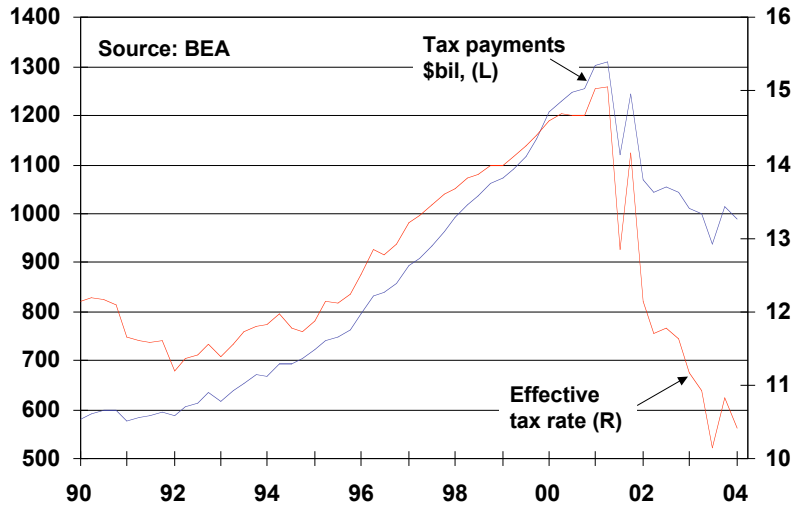


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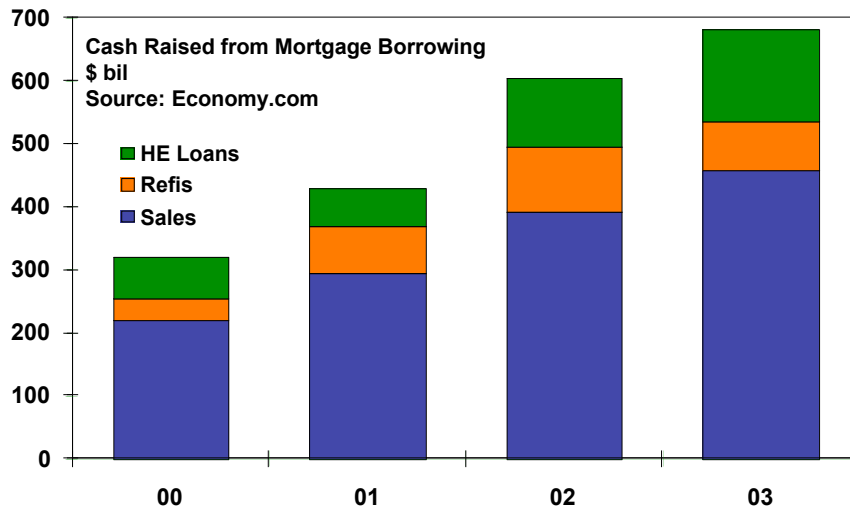
Plunging Tax Payments



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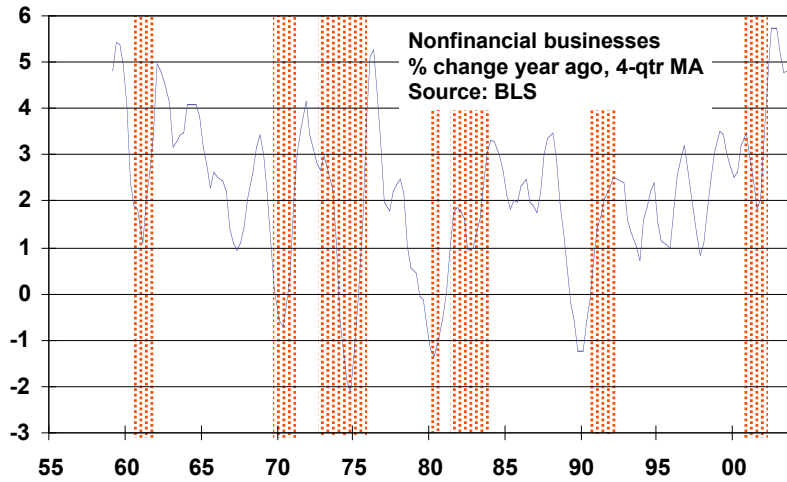
Soaring Mortgage Borrowing



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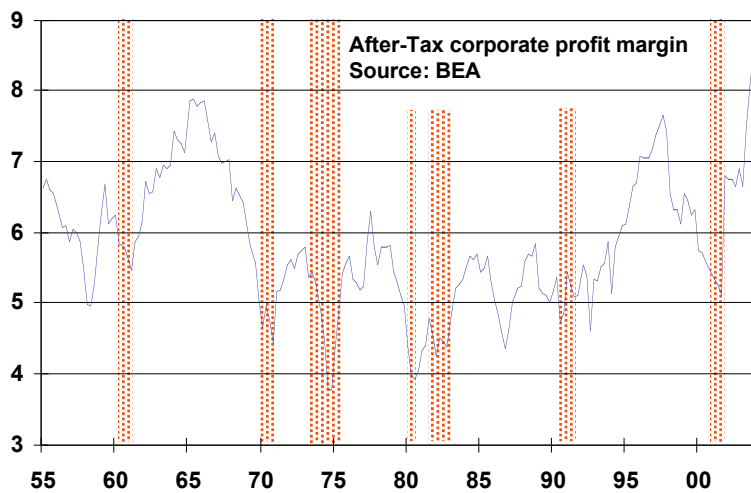
Amazing Productivity Growth...



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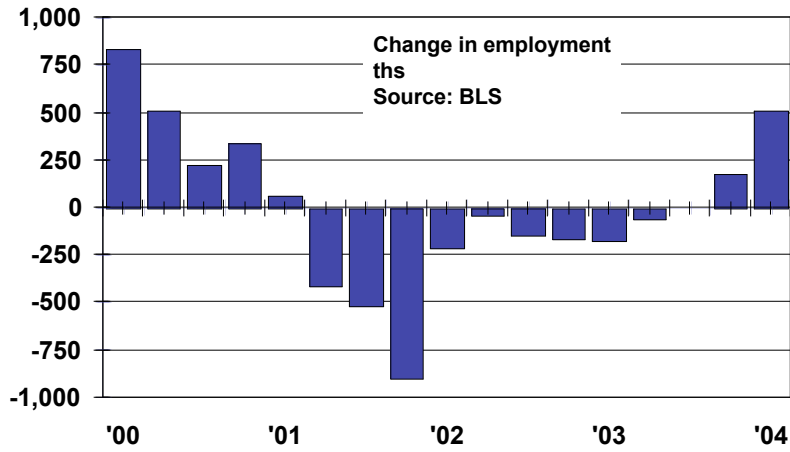
...Lifts Margins and Profitability...



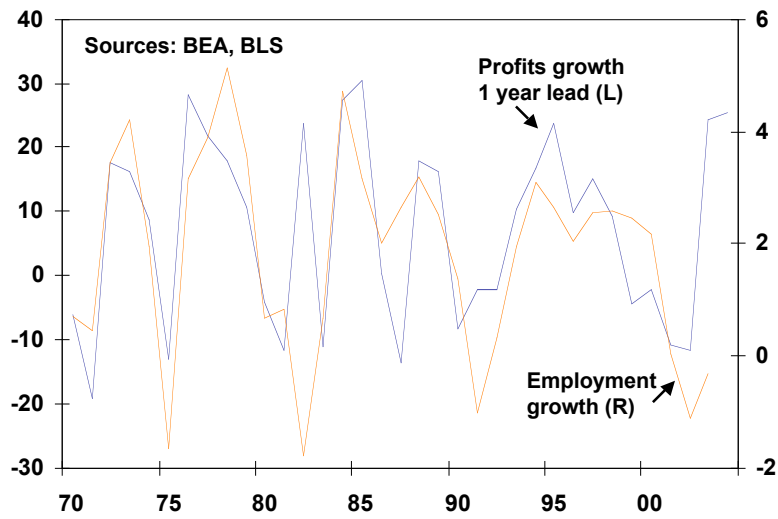
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Finally Some Jobs...

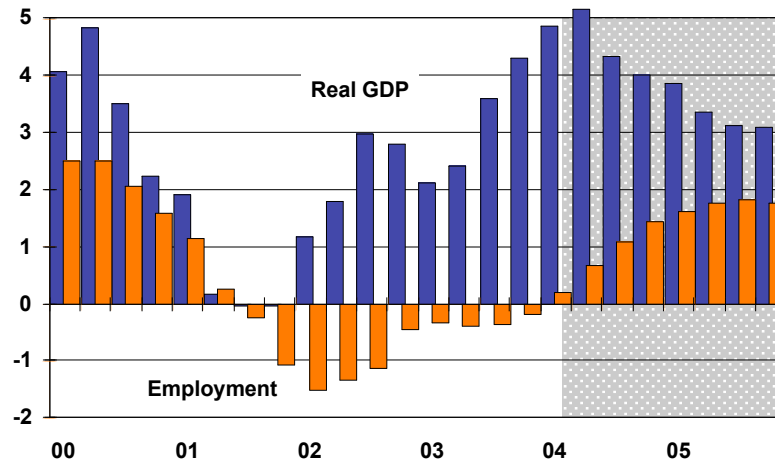


...And More Coming



Near-Term Outlook

% change year ago

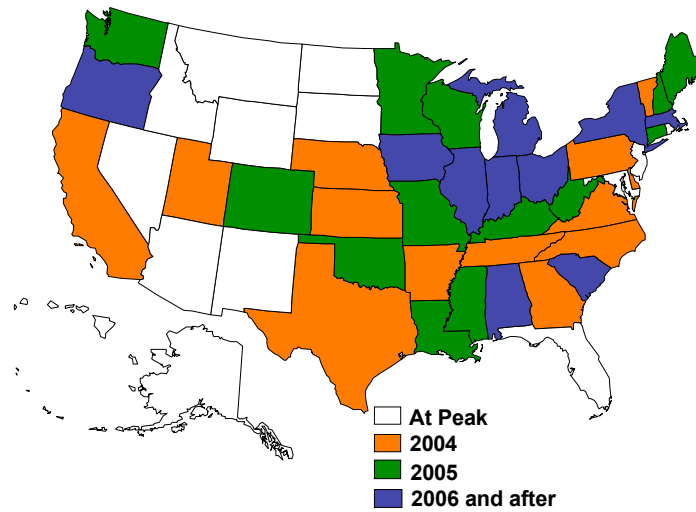


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West and South Recover First, Midwest and Northeast Last

Year when new employment peak is projected

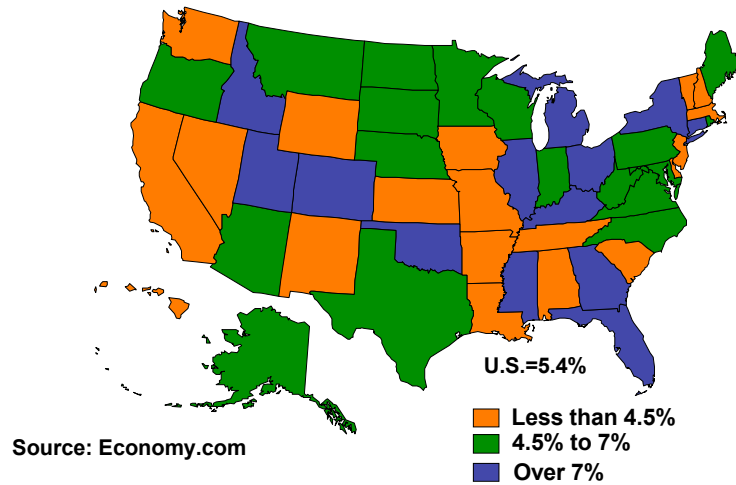


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Outlook for Revenue Growth Across States

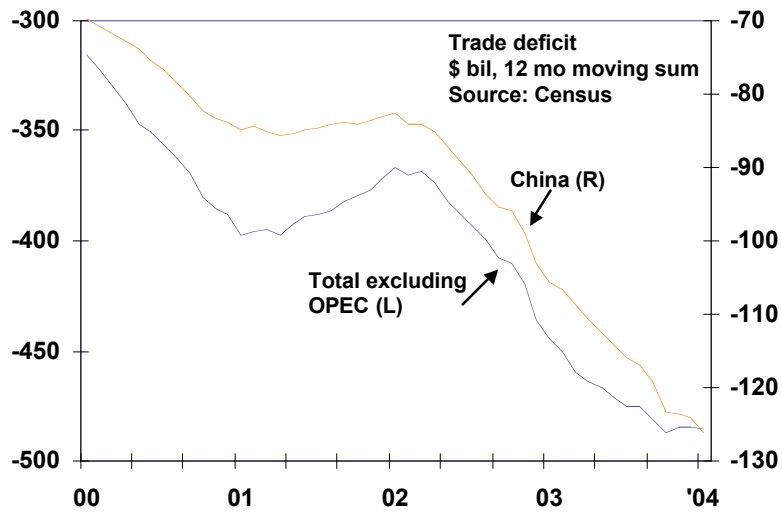
General fund taxes, % change year ago, FY 2005



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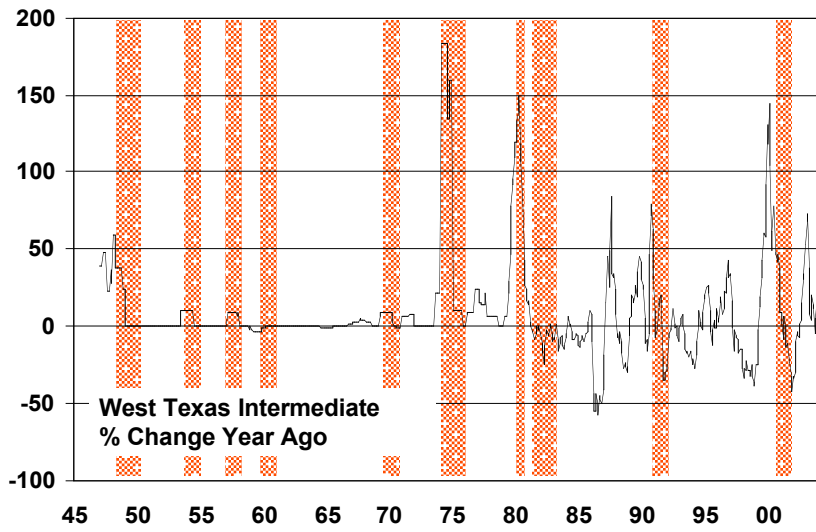
Withering Global Competition



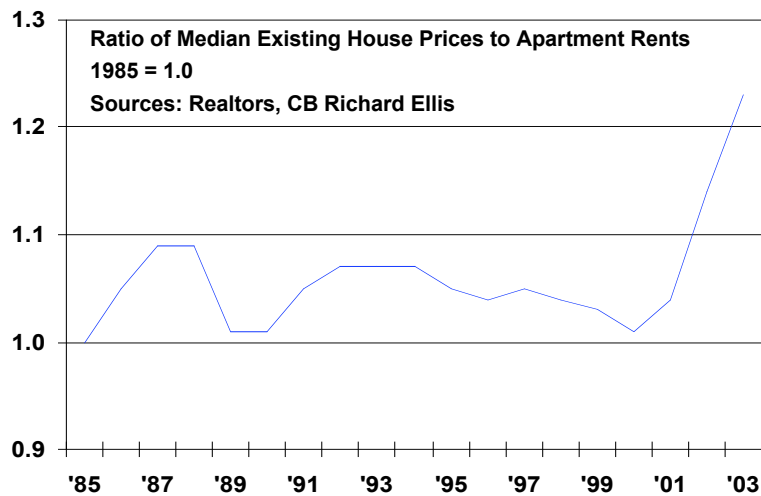
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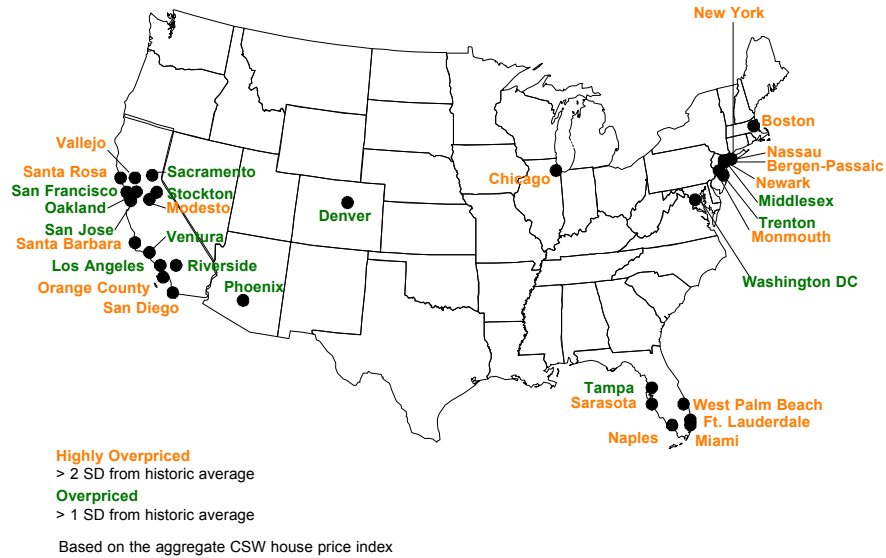
Spiking Energy Prices Precipitate Recessions



Growing Gap Between House Prices and Rents...



Overpriced Metro Areas

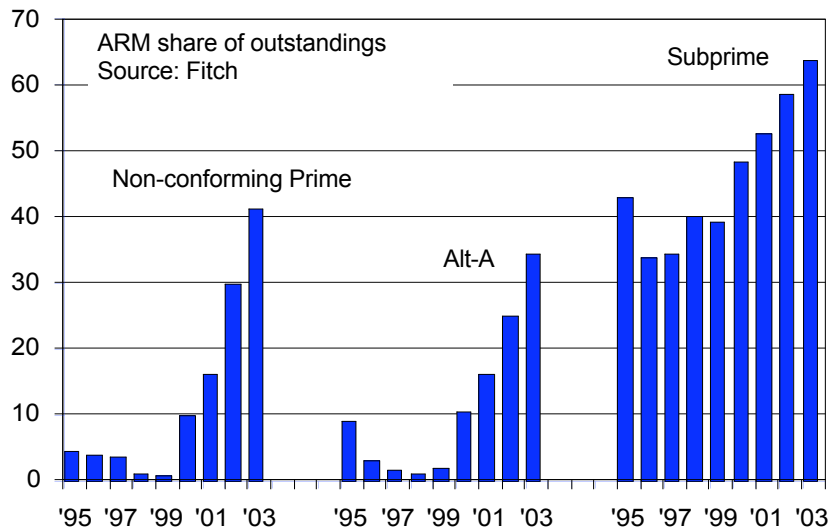


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ARM Share on the Rise in Non-conforming Market

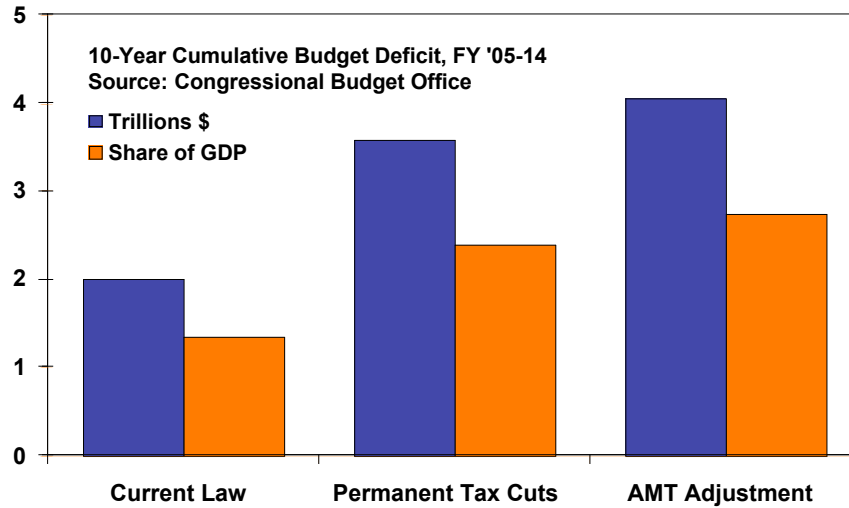


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Darkening Fiscal Outlook



Outlook Summary

- The economy is performing increasingly well.
- Supporting growth are massive fiscal and monetary stimulus, a replacement cycle, and robust productivity growth.
- Job growth is rebounding in earnest.
- Near-term threats to this sanguine outlook include continued fierce global competition and rising interest rates. Even modestly higher rates will be hard on vehicles and housing.
- High household leverage and ballooning federal budget and current account deficits are longer-term threats.