

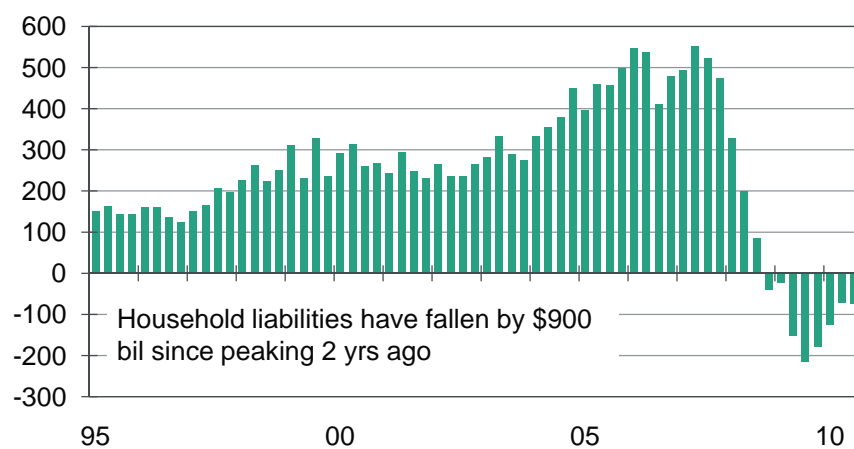
**Moody's**  
ANALYTICS

## Economic Outlook for the U.S. and North Dakota

STEVE COCHRANE, MANAGING DIRECTOR

### Households and Businesses Deleverage...

Change in household and nonfinancial corporate debt, \$ bil

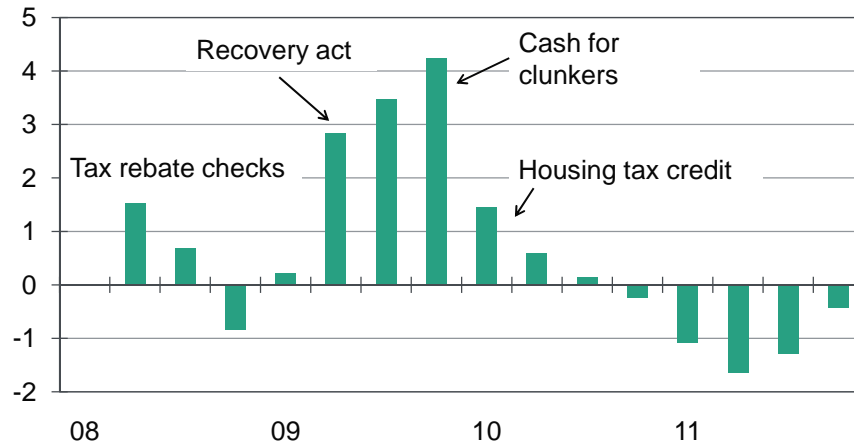


Sources: Federal Reserve Board, Moody's Analytics

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## The Boost From Fiscal Stimulus Fades...

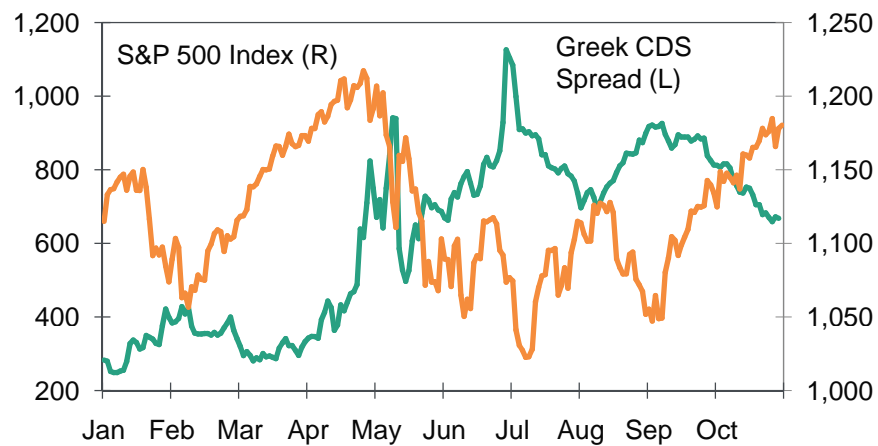
Contribution to real GDP growth, %



Source: Moody's Analytics

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## ...And the European Debt Crisis Slams Confidence



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

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## Hiring Is Dormant...

Number of monthly hires ex Census, ths, SA

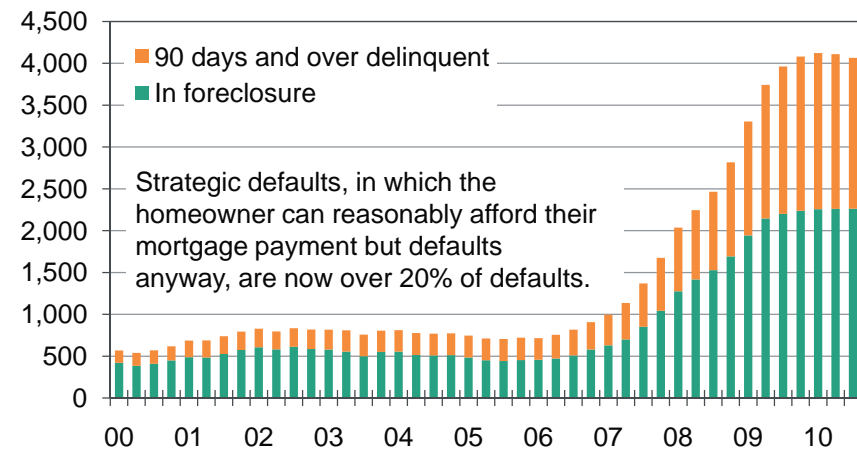


Source: Bureau of Labor Statistics

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## ...The Foreclosure Crisis Continues on...

First mortgage loans, ths

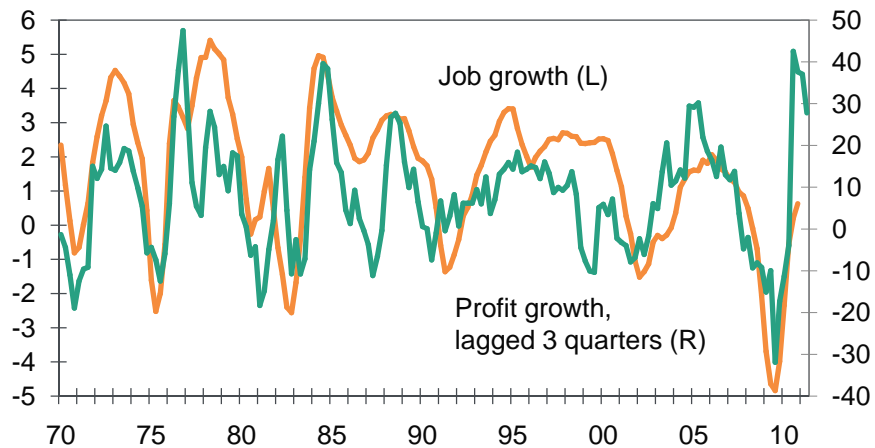


Sources: Equifax, Moody's Analytics

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## Profits Surge and Jobs Should Follow...

% change yr ago

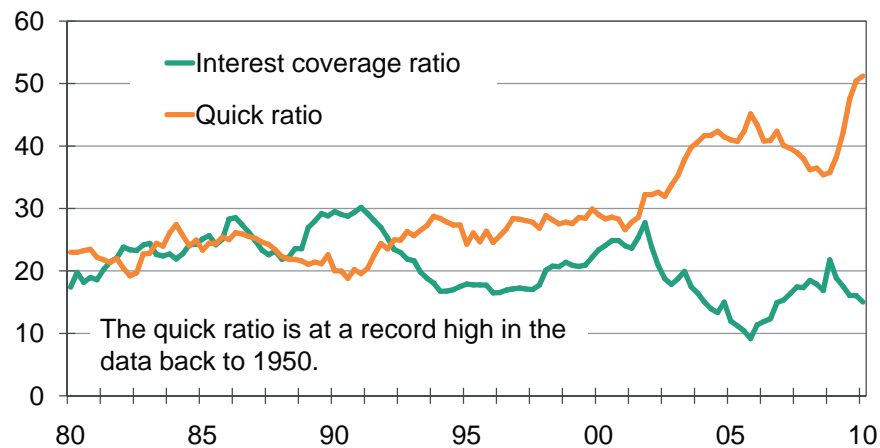


Sources: BLS, BEA

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## ...Given Solid Business Balance Sheets

Nonfinancial corporate businesses

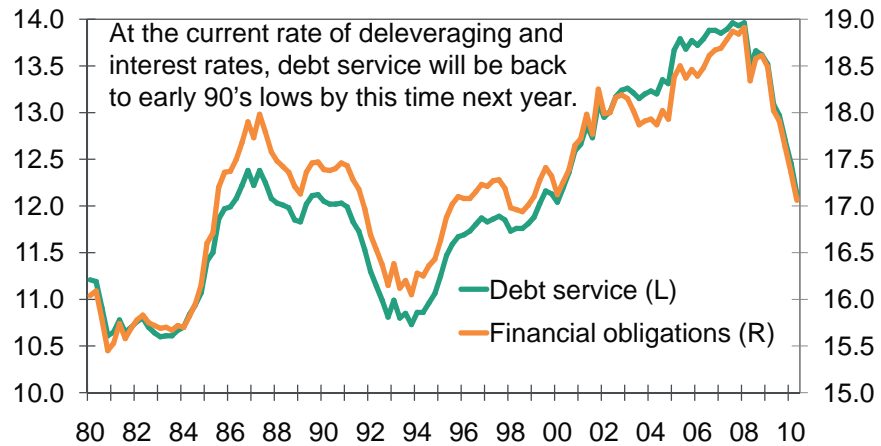


Sources: Federal Reserve, Moody's Analytics

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## Household Debt Burdens are Falling Fast...

% of disposable income

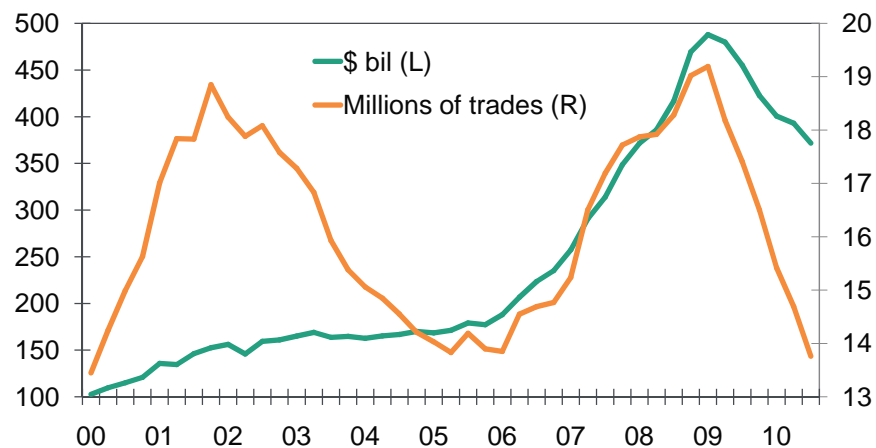


Sources: Federal Reserve, BEA, Moody's Analytics

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## ...And Credit Quality Improve

Household liabilities 30-90 days delinquent, SA

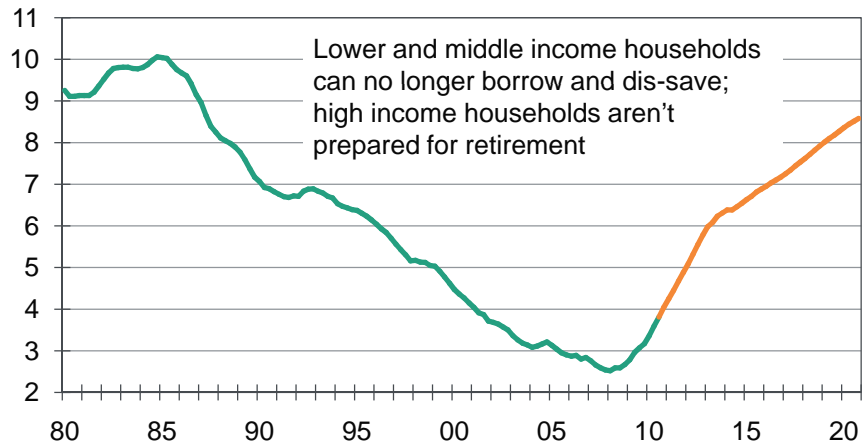


Sources: Equifax, Moody's Analytics

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## Consumers Will No Longer Lead the Way...

Personal saving rate, 5-yr MA

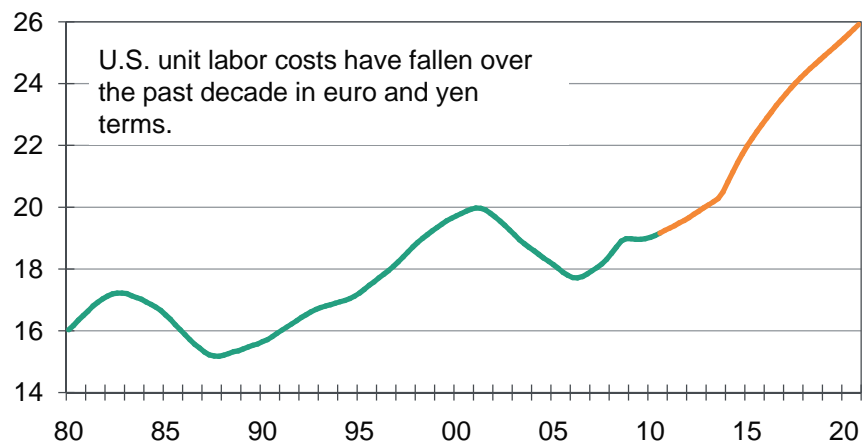


Sources: BEA, Moody's Analytics

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## ...But Exports and Investment Will Fill the Void

Export & Investment share of GDP, 5-yr MA

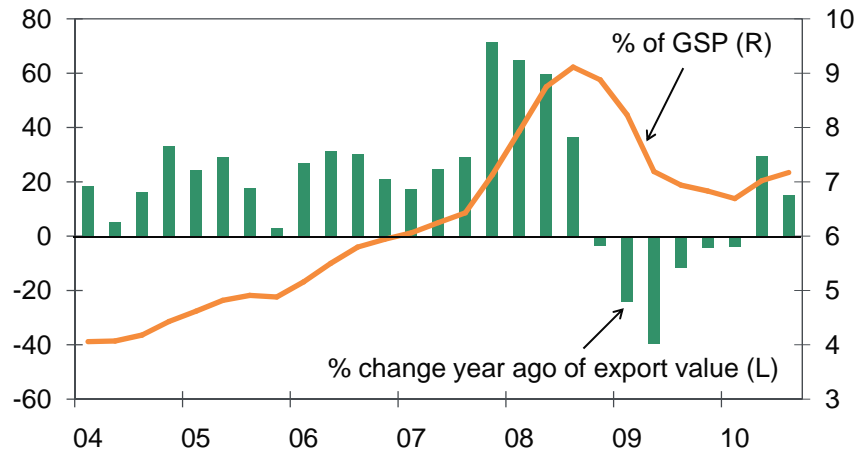


Sources: BEA, Moody's Analytics

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## Exports Increasingly Important for North Dakota

Exports of commodities and goods by origin of movement

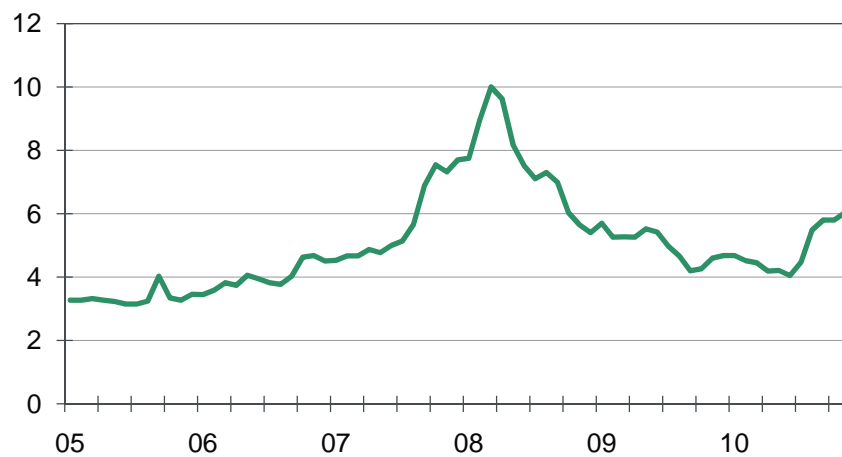


Source: Census, BEA, Moody's Economy.com

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## Wheat Prices Remain Elevated

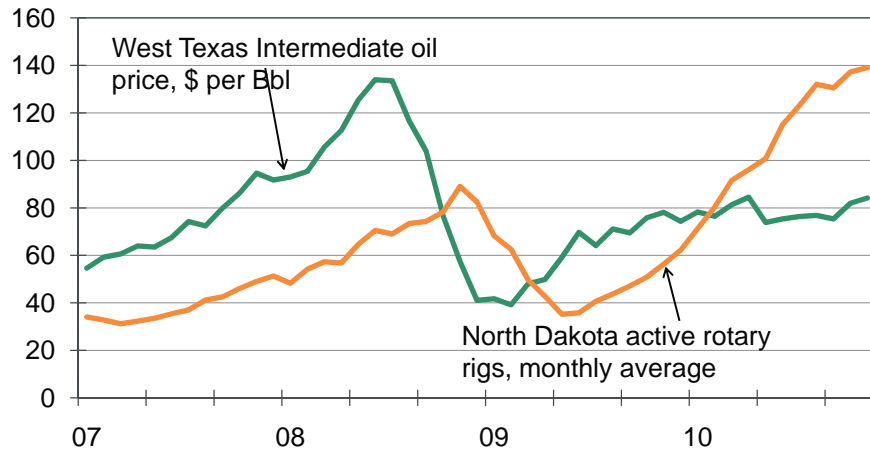
Winter wheat, \$ per bushel



Source: Agriculture Statistics Board

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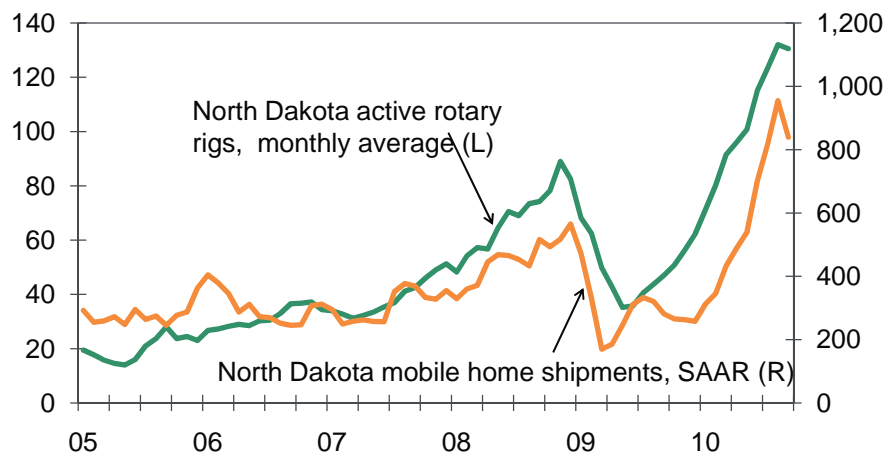
## Drilling Activity is Soaring



Sources: Baker Hughes, St. Louis Fed

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## Mobile Home Shipments Spiking With Rigs



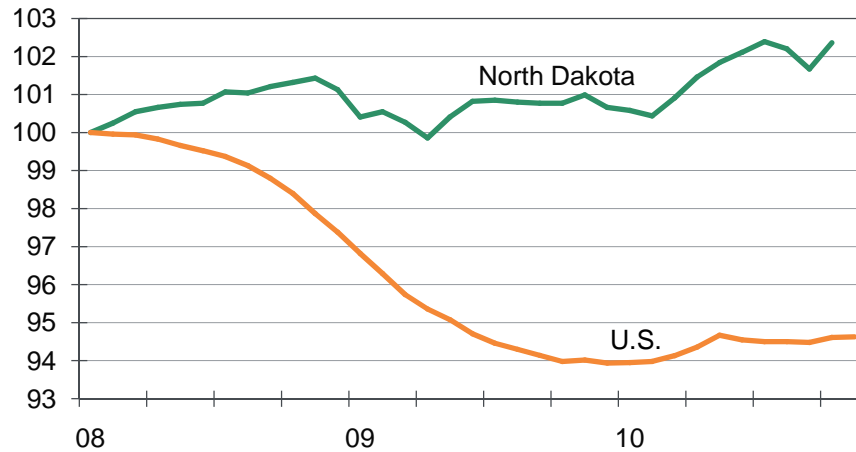
Sources: U.S. Energy Information Administration, IBTS

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## Very Stable Labor Market in North Dakota

Total non-farm employment, index: January 2008=100

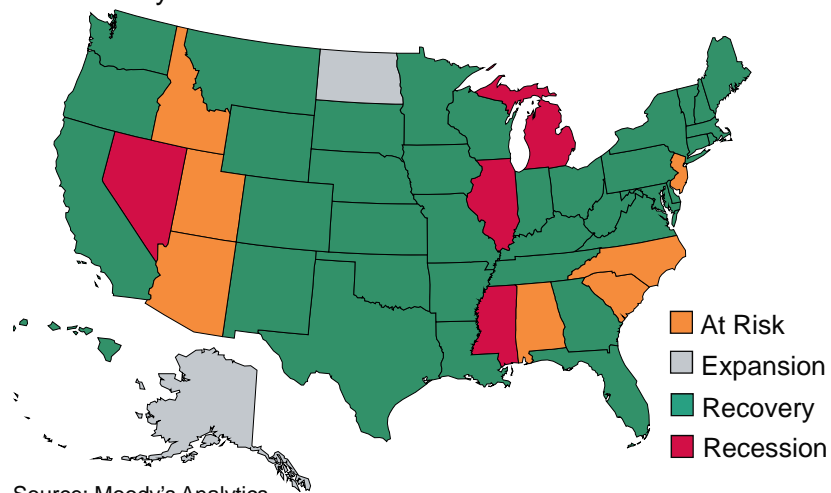


Source: BLS, Moody's Analytics

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## North Dakota Economy Leads The Turnaround

Business cycle indicator as of October 2010

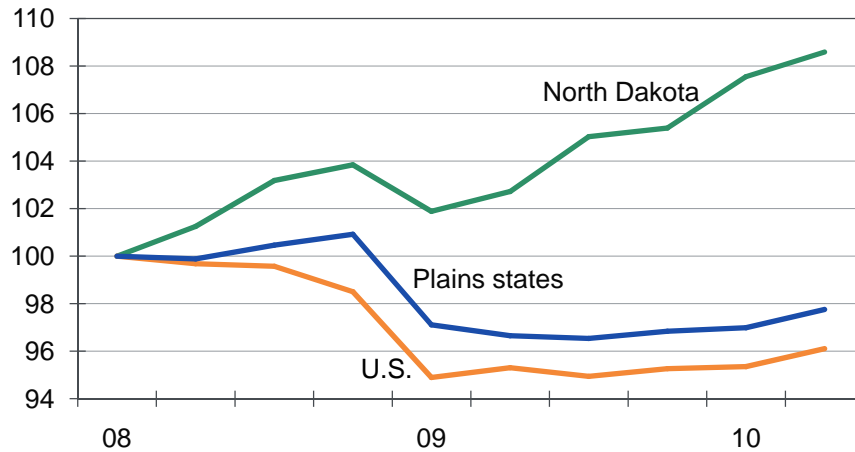


Source: Moody's Analytics

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## Strong Wage and Salary Income in ND

Wage and salary income, index: 2008Q1=100

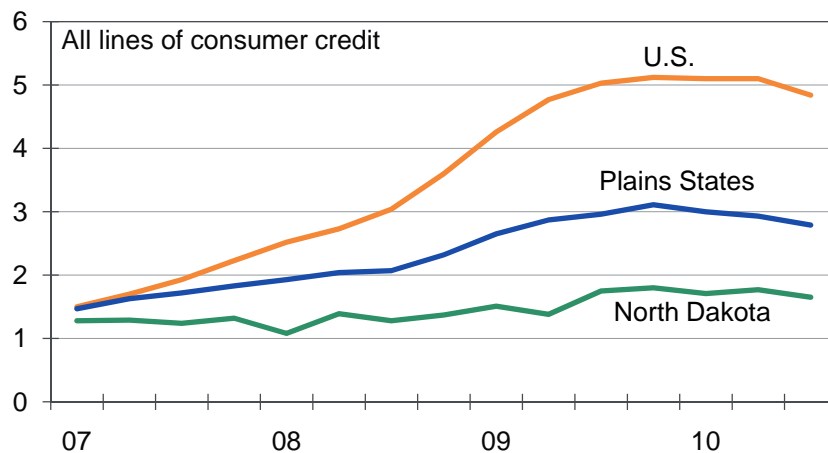


Source: BEA

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## Household Finances in North Dakota Are Fine

Delinquency rate, % of dollar value, 60, 90 & 120 days delinquent

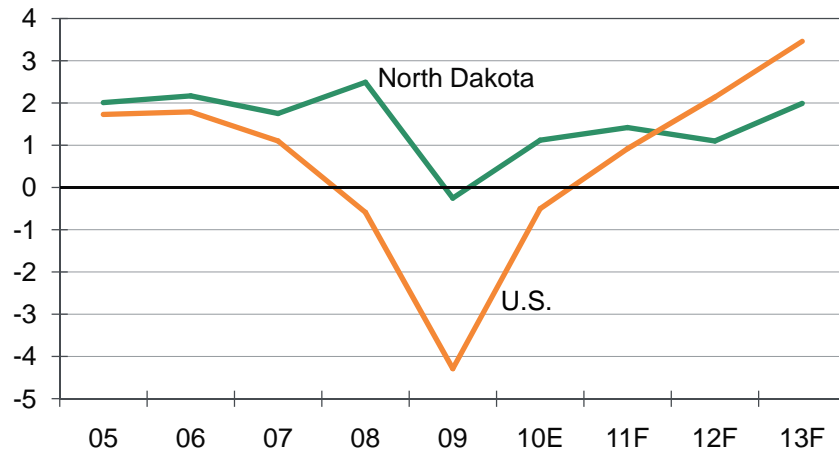


Source: Equifax, Moody's Analytics

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## Less Pent-Up Demand; Milder Jobs Rebound

Total non-farm employment, % change

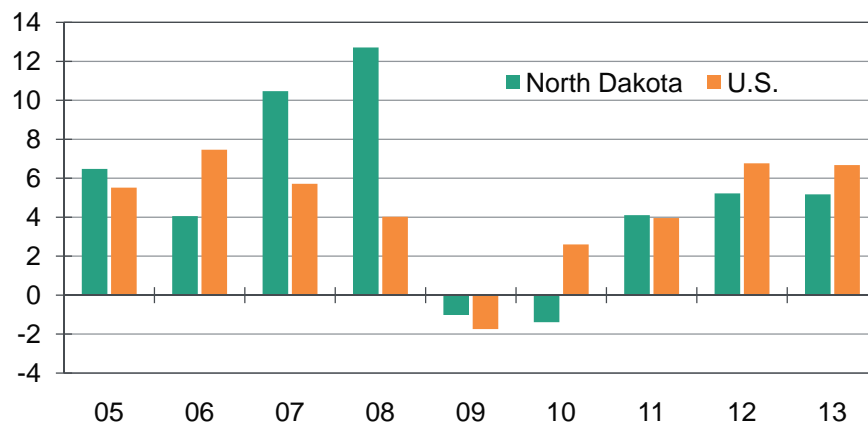


Source: BLS, Moody's Analytics

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## Income Outlook

Total personal income, % change



Source: BEA, Moody's Analytics

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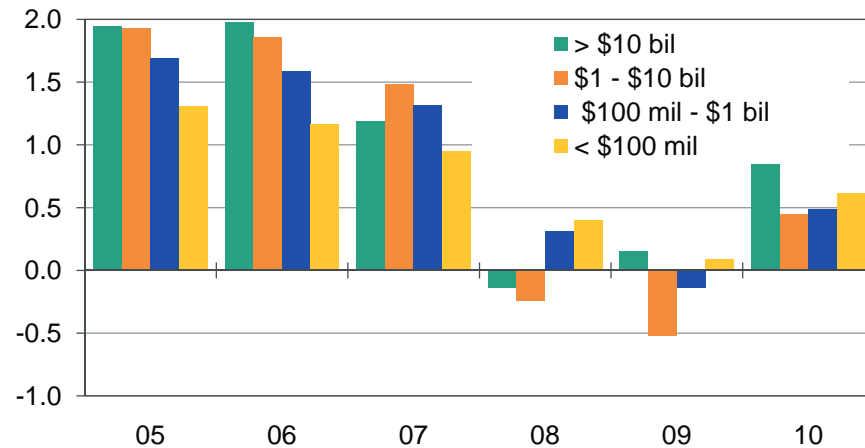


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## Banks Are Profitable Again

Return on assets

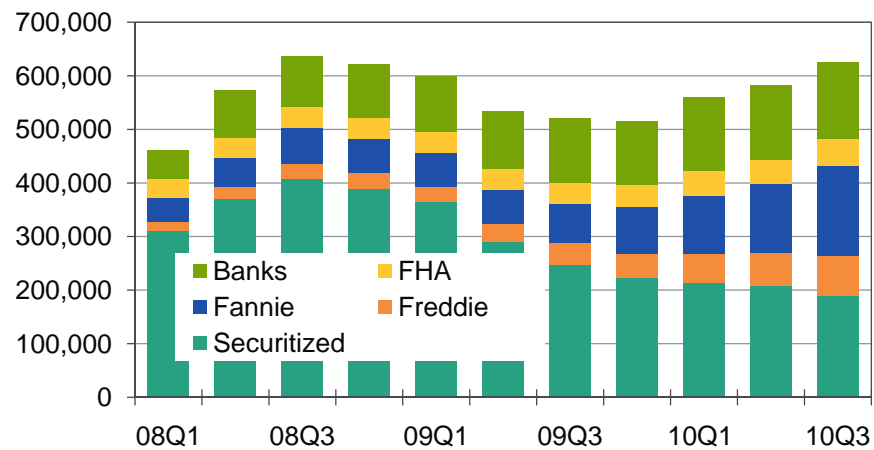


Source: FDIC

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## ...REO Inventory Is Building Again...

REO Inventory

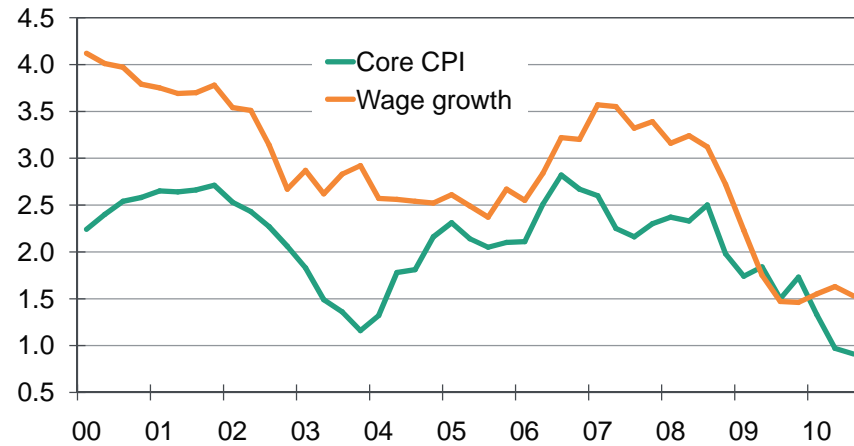


Sources: Fannie, Freddie, FHA, Moody's

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## Deflationary Forces Overwhelm U.S. Economy

% change yr ago

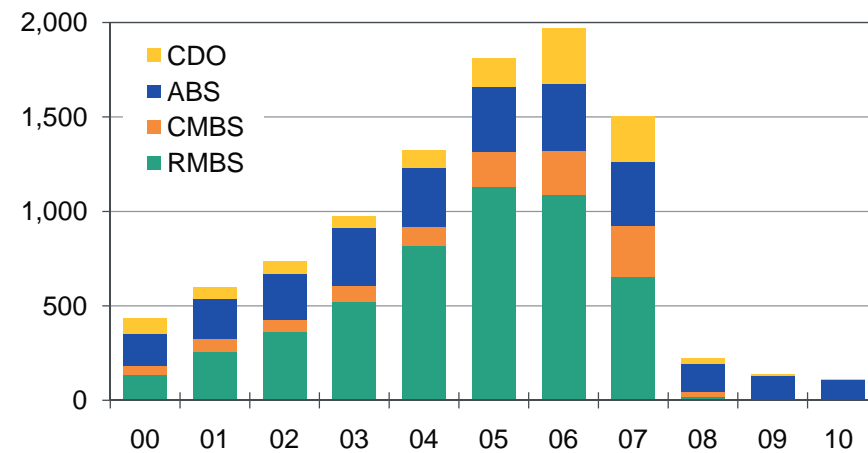


Sources: BLS, Moody's Analytics

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## Structured Finance Market Is Dormant

Bond issuance, \$ bil, annualized

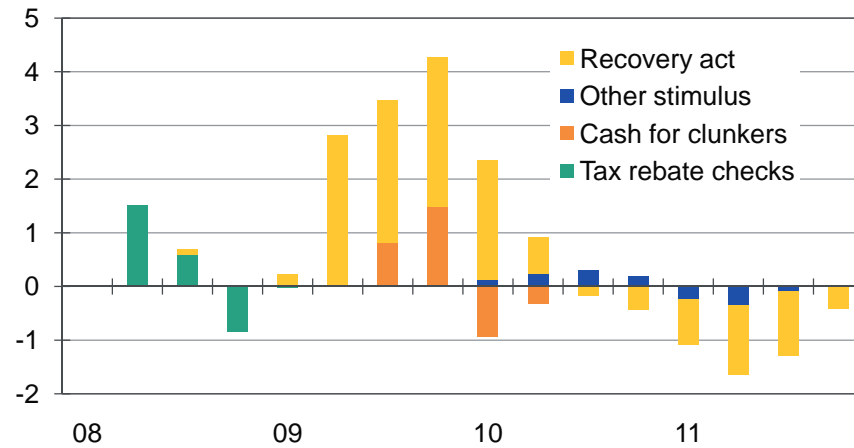


Source: Dealogic

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## Fiscal Stimulus Fades

Contribution to real GDP growth, %

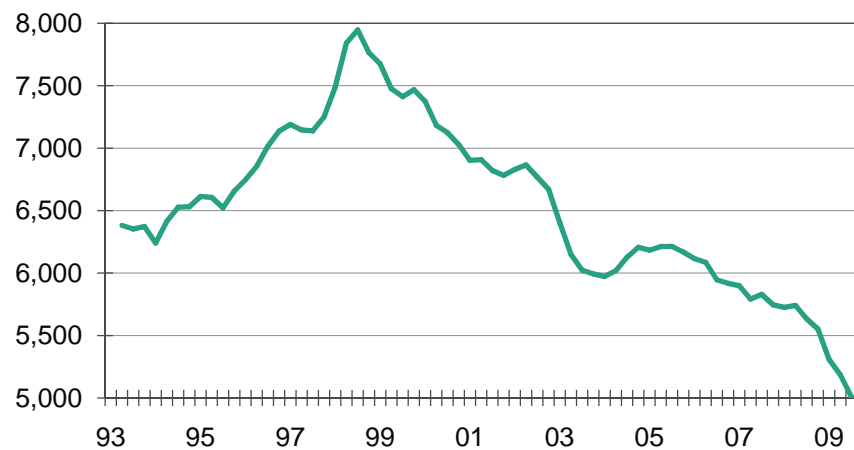


Source: Moody's Analytics

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## Where Are the Entrepreneurs?

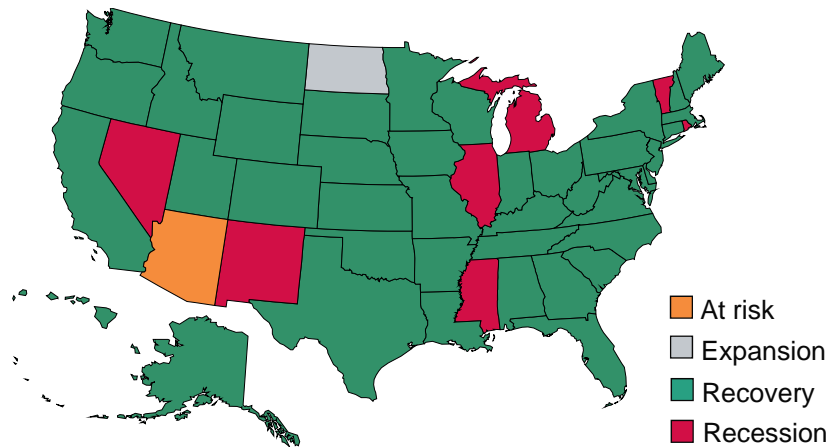
Gross job gains at opening establishments, ths 4-qrt moving sum



Source: Bureau of Labor Statistics BED

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## States in Recession

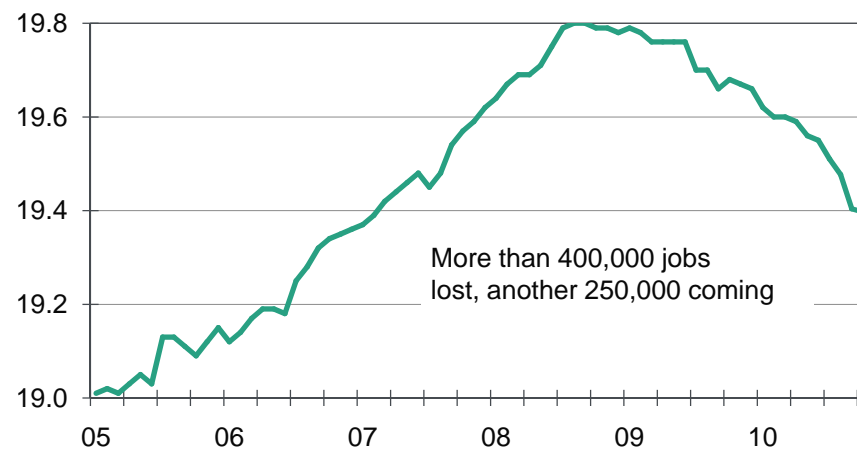


Source: Moody's Analytics

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## S&L Governments Retrench...

S&L government employment, Millions



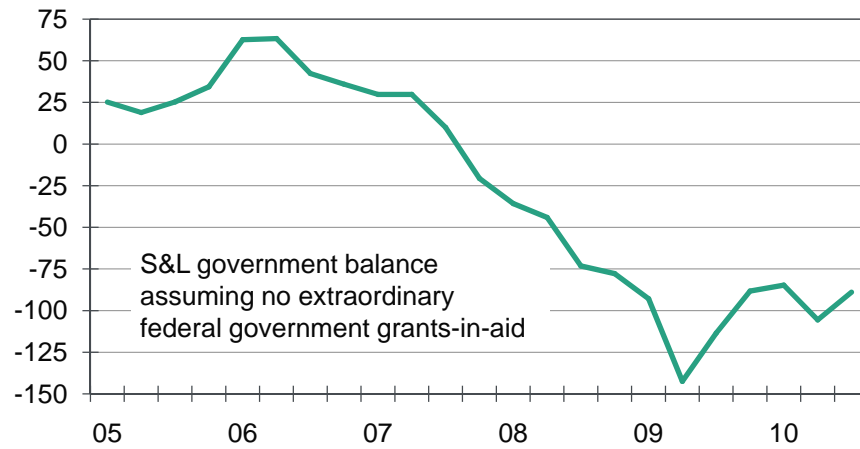
Source: Bureau of Labor Statistics

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## ...As the Budget Shortfall Remains Large

\$ bil

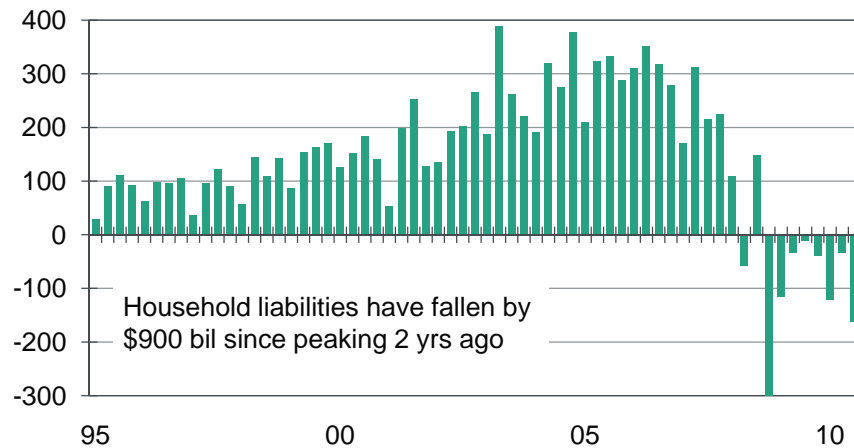


Sources: BEA, Moody's Analytics

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## Households Rapidly Deleverage

Change in household liabilities, \$ bil

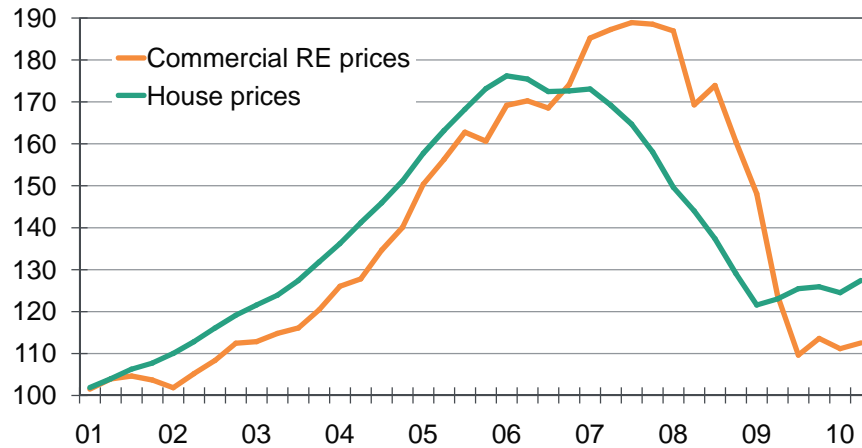


Sources: Federal Reserve Board, Moody's Analytics

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## The Real Estate Bust Is Near a Bottom

Repeat-sales indices: 2000Q4=100

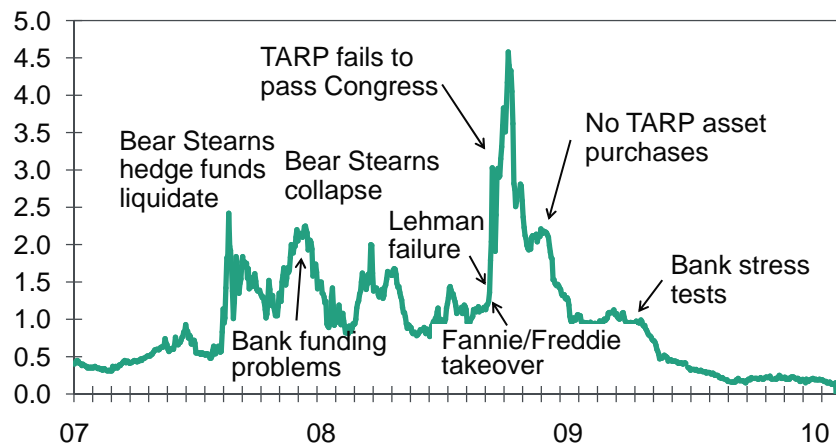


Sources: Moody's Investor Service, REAL, Fiserv, Moody's Analytics

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## Policymakers Stabilize the Banking System...

Difference between 3-mo Libor and Treasury bill yields



Sources: Federal Reserve Board, Moody's Analytics

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## Aggressive Policymaking Jump-Started Recovery

Top 10 most effective policy steps

- » Federal Reserve – Special Liquidity Provisions
- » TARP – Capital Purchase Program
- » Treasury - Stress Tests of 19 Bank Holding Companies
- » Federal Reserve - Zero Interest Rate Policy & Credit Easing
- » Recovery Act – Unemployment Benefits & State Government Aid
- » FDIC – Higher Deposit Insurance Limit & Bank Debt Guarantees
- » Recovery Act – Tax Cuts: Making Work Pay, NOL, Accelerated Dep.
- » TARP – Auto Bailout
- » Recovery Act – Housing Tax Credit; Cash for Clunkers
- » TARP - HAMP Foreclosure Mitigation

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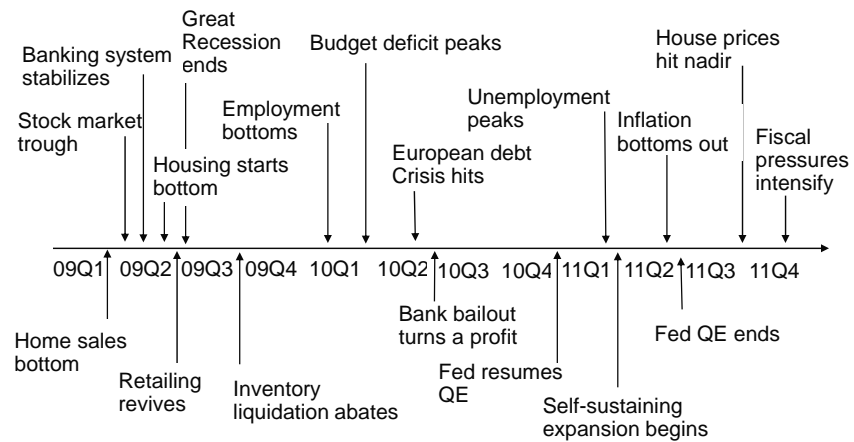
## Global Economic Threats

Top 10 threats based on expected value of global economic loss

- » European Sovereign Debt and Banking Crisis
- » Deflationary Trap in U.S.
- » Chinese Hard Landing
- » Global Protectionism and Currency Wars
- » Crashing Commodity Price Bubble
- » Runaway Global Inflation
- » Terrorist Attack – Airplane Bombs
- » Iranian Nuclear Bomb
- » U.S. Sovereign Debt Crisis and \$ Crash
- » Iraq-Afghanistan-Pakistan Collapse

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## Economic Timeline



Source: Moody's Analytics