

## MOVING IN THE RIGHT DIRECTION

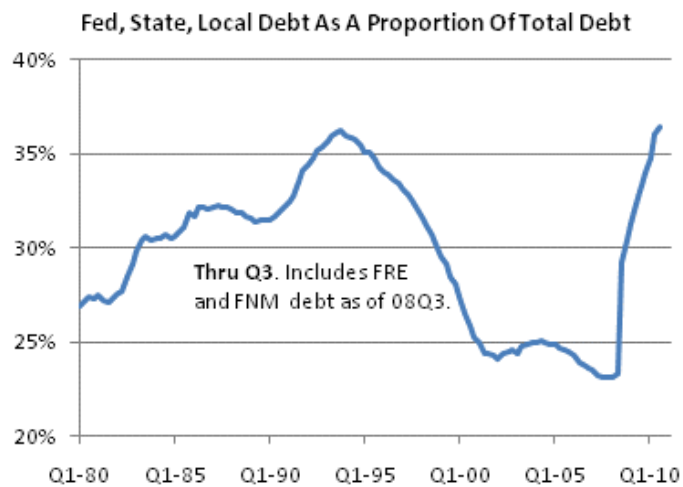
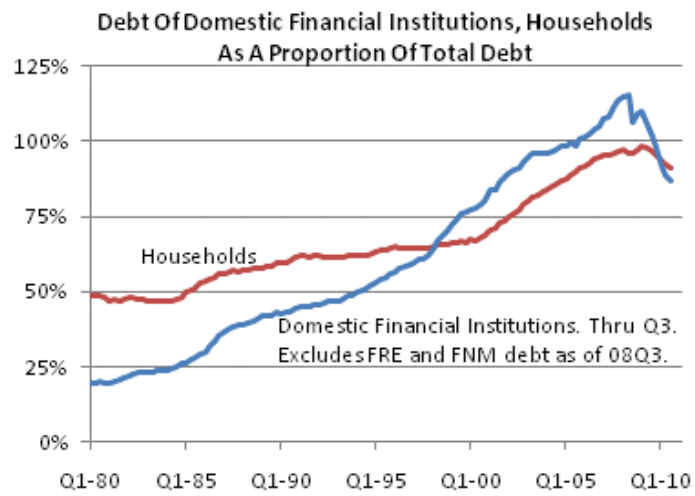
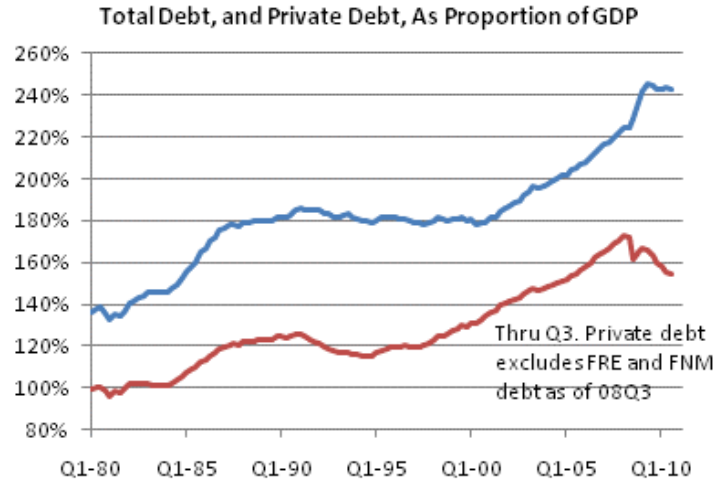
### WEB BUZZ 2010.12.20

Last week the government announced the country's debt levels for the 3<sup>rd</sup> quarter 2010 on an annualized basis. The following are some of the amounts:

	<u>% Increase</u>
Domestic non-financial	+4.2%
Households	-1.7%
Business - Corporations	+1.7%
State and local governments	+5.2%
Federal government	+16.0%
Domestic financial	-4.0%

All sectors are still in a pay down mode except government and larger business corporations. As a subset of business, smaller companies not incorporated reduced their borrowing. Overall, the domestic non-financial increase of +4.2% is 44% less than the average of the prior ten years before 2009. Deleveraging in the non-government area is well underway and will continue for years to come.

Please note the following three charts which break down most sectors, first as a percentage of debt to GDP as well as their size to total debt. Debt remains the overriding problem that faces us as an economy. This headwind will keep GDP from growing at rates we had become accustomed to in the past. Please keep in mind that there are two ways to reduce government spending, which still remains a problem. 1) The politicians get religion or 2) the marketplace will demand it.



Charts Adapted from Safe Haven