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FOR IMMEDIATE RELEASE

**LEVY SAYS PROFITS TRENDING DOWN  
“Earnings Recession” to be Followed by Economic Recession**

MOUNT KISCO, NY, Nov. 24 – Economist Srinivas Thiruvadhanthai, writing in the just-published November issue of *The Levy Forecast*<sup>®</sup>, cited broad-based measures of declining U.S. corporate earnings and cautioned clients that the present “*earnings recession*” is likely to be followed by an economic recession.

Thiruvadhanthai, managing director and director of research at the independent Jerome Levy Forecasting Center, LLC ([www.levyforecast.com](http://www.levyforecast.com)), wrote “*Ultimately, profits drive the business cycle, and it is rare for earnings to decline persistently and significantly without triggering a recession.*”

Although many analysts have pointed out that earnings excluding energy companies are still growing, Dr. Thiruvadhanthai said focusing on such earnings in the current environment is “*misleading.*”

*“The primary effect of the energy price decline has been to redistribute profits from one industry to another. While energy companies were hurt by the decline in oil prices, other sectors . . . benefited from lower input costs.”*

Furthermore, when comparing to the few examples of periods in which earnings dropped significantly but the economy avoided a recession -- many analysts cite 1986 and 1998 -- Dr. Thiruvadhanthai noted critical differences today, namely:

1. Less room for Fed rate cuts.
2. More difficulty in releveraging the private sector from elevated debt levels.
3. More tepid growth in the other advanced economies.

The team at the Jerome Levy Forecasting Center also noted that declining profits were likely to undermine domestic investment and weaken labor markets over the next four quarters.

Added Dr. Thiruvadhanthai in the nation’s oldest publication devoted to economic analysis, “*The present earnings decline is much more likely to intensify as the economy enters a recession than to give way to an earnings recovery.*”

### **About The Jerome Levy Forecasting Center**

The Jerome Levy Forecasting Center LLC – the world leader in applying the macroeconomic profits perspective to economic analysis and forecasting – conducts cutting edge economic research and offers consulting services to its clients. The goal of the Levy Forecasting Center is to improve its clients' business and investment performance by providing them with powerful insights into economic risks and opportunities – insights that are difficult or even impossible to achieve with conventional approaches to macroeconomic analysis. Additional information may be found at [www.levyforecast.com](http://www.levyforecast.com).

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