



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**DAVID LEVY WARNS THAT DESPITE POSITIVE SURPRISES
U.S., EUROPE, WORLD ECONOMIC OUTLOOK REMAINS GRIM**

Forecast Says Rumored Fixes for European Crisis Won't Be Enough

MOUNT KISCO, NY, Oct. 25 – Recent rumors of policymakers' plans for fixing the European crisis and positive surprises in U.S. economic statistics haven't altered the view that "the economic outlook for 2012 in the U.S., Europe and around the world is no better than it was a month ago," says economist David Levy in the just-published October Levy Forecast.

In particular, Levy wrote in the nation's oldest newsletter devoted to economic analysis that the likelihood of a "grand plan" emerging that will successfully rescue the Eurozone is "little more than a pipe dream." Indeed, said Levy, "The one major aspect of our 2012 U.S. outlook that changed over the past few months was the fading of our hope of avoiding a severe shock from Europe."

"European crisis will seriously damage U.S. profits through exports, financial markets, banking conditions, and their impacts on U.S. consumers and businesses," said the chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com).

Adding to the disappointing U.S. outlook is the fact that corporate profits are "poised to slide next year, as unsustainable inventory investment declines, capital spending flattens, the personal saving rate likely rises, and the current account deficit widens," said Levy.

The conclusion, said Levy: "Profits are at the starting gate of a recessionary decline."

Even if European policymakers agree to a rescue plan along the lines of the more ambitious of the rumored programs, it would not end the crisis, for three main reasons.

- Such a plan “addresses only some of the symptoms and fails to cope with the underlying problem, which is continuing private balance sheet contraction.”
- Any plan will trigger political obstacles and “ongoing and likely building resistance to its implementation (and even more resistance to the next plan when this one proves inadequate).”

- “An agreement will almost inevitably bring more government austerity moves that further aggravate the economy and, in turn, the stability of the banking sector and the tax revenues of all the continent’s governments.”

The only viable solution to Europe’s problems, Levy wrote, is a “unified fiscal authority of some form, with one government bond issuer of unquestioned borrowing and money-creating power.”

The unlikely prospect of such an entity emerging any time soon suggests that “the Eurozone nations and Europe as a whole move on toward a far great crisis,” Levy concluded.

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.

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Note: The full Levy Forecast is available to the press in PDF format by contacting Andrew Edson & Associates – Andrew@edsonpr.com or 516 850 3195.