



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**DAVID LEVY WARNS THAT Q4 SURGE WILL ‘FIZZLE’
AS EUROPE DISASTER, U.S. VULNERABILITIES UNFOLD**

Forecast Says European Debacle Likely to “KO the U.S. Economy”

MOUNT KISCO, NY, Jan. 5 – Economist David Levy warned today that the economy’s spurt in the fourth quarter of 2011 will likely “fizzle” due to “*the disaster unfolding in Europe and the vulnerabilities of the U.S. and world economies.*”

Writing in the just-published December *Levy Forecast*, the economist cautioned that most observers have underestimated the potential negative impact of Europe on the world.

The chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) offered several reasons why Europe’s imminent decline may “KO the U.S. expansion.” Among them:

- The European recession may be worse than many expect. The European economy, said Levy, “*is experiencing a rapidly intensifying credit crunch, which affects the economy with a considerable lag.*” In addition, “*new rounds of fiscal austerity...have yet to do their damage.*”
- “*The recession was not caused by a short-term disruption of demand, but rather is a manifestation of depressionary forces – overextended balance sheets breaking down.*” As a result, he said, “*Once a recession begins, private sector profit sources have little resilience.*”
- “*The United States is far more fragile than generally perceived.*” Levy noted that U.S. “*private sector profit sources have in all probability already peaked at a historically low level relative to GDP.*” The autumn spurt in economic activity

largely reflected temporary trends, and in 2012 the drags from slowing inventory investment, modest fiscal tightening, and slowing consumer spending will increase, said Levy.

- In the United States, *“private balance sheets, in the aggregate, remain oversized, fragile, and sufficiently troubled to keep contracting. Any major jolt to the U.S. economy and markets will aggravate this unstable financial situation and risk triggering a new vicious cycle of financial and economic decline.”*

The *Levy Forecast*, the nation’s oldest newsletter devoted to economic analysis, warned that *“Europe’s crisis will not only reduce its imports, but also spark a global credit crunch, threaten the world’s interbank markets, and reduce global asset prices.”*

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](tel:5168503195).