



THE JEROME LEVY FORECASTING CENTER

DATE: February 26, 2014

FROM:

Andrew Edson & Associates, Inc.
89 Bounty Lane
Jericho, NY 11753
Andrew Edson, 516 850 3195
Andrew@edsonpr.com
www.edsonpr.com

FOR:

The Jerome Levy Forecasting Center
69 South Moger Avenue – Suite 202
Mount Kisco, NY 10549
Robert King, [914 666 0641](tel:9146660641)
rking@levyforecast.com
www.levyforecast.com

FOR IMMEDIATE RELEASE

LEVY RANKS GLOBAL VULNERABILITIES

U.S. Expansion Should be Solid through 2014 if Global Economy Remains Stable

MOUNT KISCO, NY, Feb.26 – Economist David Levy, writing in the just-published February Levy Forecast, said that absent global interruption, “*the domestic profit sources have enough going for them so that it is unlikely that U.S. profits will decline significantly before yearend.*” But with global risks elevated and the U.S. economy more exposed to those risks than ever, the condition of the rest of the world “*may foretell more about the U.S. economy in the second half [of 2014] than anything happening at home.*”

In assessing international vulnerabilities, Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com), considered three relevant issues: (i) the current cyclical situation, (ii) the soundness of the financial structure and (iii) the degree to which the government is empowered to stabilize the economy and financial system during a crisis. Based on these yardsticks, the Levy Forecast, the nation’s oldest newsletter devoted to economic analysis, ranked the following major foreign economies in terms of potential for instability and recession.

- **#1 most vulnerable foreign economy in 2014 – emerging markets (EMs), excluding China**

According to Levy, “*the downside risk is generally underestimated*” in EM economies, where “*their current account balances have been unevenly deteriorating, their fixed investment growth is stalling, and they are beset by growing financial strains.*”

Although these economies are in the aggregate still expanding, Levy said, their ability to tolerate any further blows to their profit sources is limited: “*Most of these countries’*

governments lack the financial independence to use fiscal stimulus and monetary easing without risking even more international rejection of their currencies, equities and securities.”

- **#2 most vulnerable foreign economy in 2014 –euro area**

The profit source improvements powering the fledgling euro area recovery “*are not terribly promising,*” according to Levy, and “*the euro area recovery may well slow in one to three quarters.*”

Beyond 2014, the euro area still faces years of painful adjustments ahead, as “*the European financial system is crippled,*” and balance sheets in the private sector need to contract relative to the size of the economy.

- **#3 most vulnerable foreign economy in 2014 – China**

China, Levy wrote, “*is the hardest to classify,*” having “*a ridiculously flawed and inadequate banking system, [but also] a government that backstops it.*”

In 2014, “*The gravest immediate threat to China’s economy may be that policymakers underestimate the dangers and will be caught off-guard if a crisis unfolds.*”

- **least vulnerable foreign economy in 2014 –Japan**

As opposed to these global vulnerabilities, the Levy Forecast credited Japan as “*the only major developed economy whose nonfinancial private sector has largely completed its balance sheet contraction and, as a result, has a secular resurgence of fixed investment developing.*” Consequently, Levy predicted that although Japan “*could be pulled into a recession by a severe global contraction, it would probably withstand it relatively well.*”

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.

###