



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**LEVY SAYS EUROPE SQUEAKING THROUGH 2012
WITH ONLY MILD RECESSION IS POSSIBLE...MAYBE**

**Backing off of Most Destructive Policies Could Salvage This Year, but
“At Serious Long-term Costs,” According to Levy Forecast**

MOUNT KISCO, NY, Jan. 31 – Economist David Levy warned today that the recent bullish trends in international financial markets “*are not prescient indicators of economic and financial developments in 2012.*”

Writing in the just-published January Levy Forecast, the chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) cautioned that the default scenario for Europe is “*much more stress and distress.*” The nature of Europe’s situation is such that it faces a snowballing recession that could “*cause growing financial stresses that ultimately erupt in a systemic crisis.*”

In the nation’s oldest newsletter devoted to economic analysis, Levy acknowledged that “*there are important new issues surrounding the European outlook that raise new possibilities and warrant serious consideration.*” But the scenario in which “*the European Union might squeak through 2012 with only a mild further decline in the economy and without too severe a financial scare,*” would require a host of conditions to be satisfied, including:

1. Abandonment of government budget deficit cutting,
2. Backing off bank supervisory enforcement of any meaningful capital standards and “*allowing essentially insolvent banks to keep functioning,*”
3. ECB liquidity provisions to banks remaining broadly available, “*so that those insolvent banks can keep functioning,*” and

4. Financial markets accepting all this without excessively violent reactions.

“European policy,” Levy emphasized, “still appears to be pushing further budget cuts and holding banks to meaningful capital standards. The situation bears continuous watching, but so far the region remains on a collision course with a much bigger crisis.”

Meanwhile, the rest of the world’s economic prospects for the new year *“remain seriously troubling.”* Levy suggested a far less bullish outlook than the consensus for 2012, with emerging market economies decelerating and the U.S. economy generating *“markedly less impressive performance in the early months of 2012,”* compared to late 2011.

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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