



## THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**LEVY CAUTIONS THAT 2014 OUTLOOK HOLDS  
“SERIOUS DOWNSIDE POTENTIAL”**

**Forecast Cites Global Risks from Europe and China**

MOUNT KISCO, NY, June 18 – Economist David A. Levy, writing in the just-published June Levy Forecast, said that government policies around the world remain critical and that barring domestic or international policy mistakes, slow economic expansion will likely continue through the end of the year, but he warned that *“the 2014 outlook is much less certain, with some upside and serious downside potential.”*

The Levy Forecast, the nation's oldest newsletter devoted to economic analysis, reaffirmed the conviction that *“inflation is a phantom risk, but deflation a real one.”*

Levy, chairman of the independent Jerome Levy Forecasting Center ([www.levyforecast.com](http://www.levyforecast.com)) sees QE (quantitative easing) tapering as having little impact beyond short-term moves in market sentiment and states that *“what largely determine yields are expectations about the domestic and global economies and financial stability, not the volume of Fed bond purchases.”*

Regarding the recent emergence of “European green shoots”, Levy questioned whether these were “emerging trees or doomed seedlings”. Levy discounted the wishful thinking that Europe is headed for a second-half recovery, concluding, *“There is little reason to expect a sustained expansion, even a slow one under present policies and conditions.”* He cited *“the lack of any likely source of growing profits and demand...beyond fleeting equipment and inventory adjustments.”*

Levy pointed to the continent’s:

- Steadily deteriorating retail sales
- Depressed home building
- Falling nonresidential construction
- Capital spending that is unlikely to establish a lasting uptrend until well after a major economic improvement
- European policymakers who -- despite much rhetoric -- have not backed off much on the pace of fiscal deficit cutting

*“To add to the problem, the European banking system is largely populated by zombie institutions – banks encumbered by nonperforming loans (many carried at full value) and unwilling to lend much except to governments,” he said.*

Finally, Levy questioned the capacity of the new Chinese government to deal with the complex task of presiding over an economy widely predicted to suffer a growth slowdown, asking *“What is the Chinese economy’s stall speed, and do its leaders know?”*

*“An economy growing as fast as the Chinese economy did for years – at double-digit real rates – cannot shift to a much slower, sustained growth rate without facing much greater risks than one might think.*

*“It is far from certain that China will be able to make the adjustments to slower growth without crashing.”*

**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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