THE JEROME LEVY FORECASTING CENTER

DATE: February 22, 2012

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FOR IMMEDIATE RELEASE

LEVY FORECAST SAYS RECENT EUROZONE STABILIZATION EFFORTS REDUCE, BUT DON'T ELIMINATE, RISK OF U.S RECESSION IN 2012

U.S. Economic Growth to Soften Even if European Recession Remains Relatively Mild

MOUNT KISCO, NY, Feb. 22 – The United States economy has firmed and the immediate threat of a bank-centered European meltdown has subsided, says economist David Levy. Still, *"Europe still faces serious obstacles to keeping its recession pace moderate and the United States is in all probability headed for a marked slowdown."*

Writing in the just-published February Levy Forecast, the chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) cautioned that in spite of recent positive developments, the U.S. *"still faces a significant, albeit reduced risk of recession in 2012."*

Levy noted that Eurozone and EU policymakers, until recently, have *"been following a policy recipe for a downward spiral of contraction and financial crisis."* Specifically, *"policies of tightening fiscal policy, pressing banks to improve capital ratios, and questionable commitment to a lender of last resort promised disaster."* What is uncertain now is "*how much European leaders are moving away from this toxic recipe,"* Levy wrote in the nation's oldest newsletter devoted to economic analysis.

Europe's fate has a large bearing on the U.S. economy. If the recession remains slow in Europe, Levy said, "*the U.S. expansion will probably slow markedly but last through year-end*." On the other hand, he opined that a severe European recession puts a probability of 75% on a U.S. recession.

Levy said that beyond Europe and the U.S., most of the rest of the world economy is "clearly weakening." Among the reasons, he cited such factors as weakening global inventory investment, high oil prices, and tightening bank credit.

Whether the U.S. economy merely slows or does indeed enter a recession in 2012, Levy believes that markets will likely be disappointed by economic performance and that wage and price inflation will continue to soften. In light of this, the Levy Forecast suggested that many "risk-on" investments such as equities, industrial commodities, and most currencies beyond the dollar "*generally reflect overly optimistic assumptions, and if things go badly in Europe, they will react dramatically.*"

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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