



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**LEVY FORECAST WARNS THAT U.S. PROFITS WILL FALL
BEFORE END OF 2011**

Europe Probably Headed for Downturn over Next 12 Months

NEW YORK, June 1 – U.S. corporate profits are “*undergoing a peaking process*” that will mean falling profits by the end of 2011, says economist David Levy in the just-published May Levy Forecast.

“*Tightening federal fiscal policy, state and local cutbacks, home prices falling to one new low after another, and growing strains on household budgets from higher food and energy prices all presage downward pressures on profits during the second half and, especially, in 2012,*” Levy wrote in the nation’s oldest newsletter devoted to economic analysis.

Moreover, Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) said, “*the world economy appears increasingly troubled.*” In particular, he foretold, despite conventional economic wisdom that “*Europe will grow at least slowly,*” the fact is Europe is “*a train wreck waiting to happen.*”

Of the U.S. economy, Levy wrote that in the second half of 2011, “*Some key profit sources will decline or lose momentum.*” Among them:

- Soaring inventory investment will diminish
- Capital spending and exports will likely decelerate
- State and local government deficit cuts will deepen as many municipalities start new fiscal years
- The saving rate will also likely rise, cutting into profits

Fiscal policy, said Levy, “*remains the 800-pound gorilla in the outlook.*” He noted that the federal deficit “*single-handedly powered the profits recovery and accounts for virtually all of domestic profits.*” Levy also pointed out that, barring legislative action, “*\$250 billion in spending and tax breaks will expire between now and January 1.*”

The downside of such deficit cutting could be “*a recession in 2012.*”

The outlook for Europe, according to Levy, is worse. “*With festering financial problems, investment still slumping, fiscal policy tightening, and the dramatic, post-recession global inventory swing now history, a European downturn is a real possibility over the next 12 months,*” resulting in “*nightmarish financial problems,*” Levy concluded.

Most analysts have predicted a more benign outcome for U.S. and European economic growth, largely because “*conventional economic analysis argues that economies are programmed to grow unless accumulated cyclical excesses or severe exogenous shocks disrupt them.*” However, conventional analysis is “*oblivious to a number of vital facts,*” said Levy.

Most important, Levy noted, “*Private economies in the United States and Europe have not recovered on their own but on the backs of swelling government deficits.*”

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).