



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**LEVY SAYS ECB ACTIONS A BIG HELP, BUT DANGER REMAINS
AS WORLD ECONOMY CONTINUES SLOWING**

ECB's Measures Mitigate Near-Term Threat of European Financial System Crash

MOUNT KISCO, NY, Sept. 13 – Economist David Levy, writing in the just-published September Levy Forecast, said that recent steps by the European Central Bank (ECB) to address the sovereign funding crisis have suppressed the threat of a European financial system crash. Still, the ongoing weakening of the global economy is a reason for investors to remain cautious, he said.

"The immediate threats to the world economy are for now more related to deteriorating profits and weakening investment than to systemic financial instability," Levy wrote in the nation's oldest newsletter devoted to economic analysis.

Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) credited the ECB with "taking on a growing role as lender of last resort for the currency union." While the ECB's actions are "*enormously important,*" Levy cautioned that "*the ECB is by no means fixing the eurozone economy. Its actions are not ending the recession.*"

Nor, said Levy, is ECB action "*removing the likelihood that the worst of Europe's 'contained depression' lies ahead.*" He said that even though the ECB action will likely stave off a major systemic breakdown, the world's financial imbalances still threaten the global outlook.

"Private balance sheet excesses remain huge around the globe," Levy wrote. He said while private balance sheets in the United States have improved gradually, "*private debt ratios*

are virtually undiminished in Europe and are high and rising in a number of other countries ranging from China to Canada.”

Indeed, said Levy, *“the economy of every inhabited continent is slowing, if not declining.”* He said the slowing was especially notable in Asia and also prevalent in South America, Eastern Europe and Australia.

Levy highlighted the economic slowing in China and the threats facing that country. In particular, massive Chinese fixed investment, which has helped fuel its historic growth in recent years, demands rapid growth in output and revenue to justify all the capacity.

“The slowing of the Chinese economy – and in particular sectors such as export manufacturing – relative to long-term expectations is accentuating the overcapacity problem and likely leading to major declines in new investment,” Levy wrote.

The rise in the U.S. stock market despite weakening earnings is likely attributable to investor relief over the ECB’s recent actions, Levy said. However, he warned that *“while this ‘risk-on’ phenomenon may endure in equities and some other markets for a while, it will continue to encounter resistance from worsening economic news from most parts of the world, including the home front.”*

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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