THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

LEVY SAYS U.S. ECONOMY ENTERING PERIOD OF "SHORT-TERM ENCOURAGEMENT"

1Q strength will give way to more disappointing overall performance in 2013

MOUNT KISCO, NY, March 20 – Economist David Levy, writing in the just-published March Levy Forecast, said that the economy will probably exceed expectations in the first quarter of 2013, while "*the outlook for the balance of the year continues to look like it will fail to match the fast start and will be disappointing overall."*

Factors contributing to the strength early in the year include a large but unsustainable jump in inventory building and some catch-up capital spending, said the chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com).

For the full year, Levy maintained his view that "*at best, the economy will moderately top last year's performance with steady profit margins but earnings well below Wall Street projections; and at worst, profits will sag significantly late in the year….slowing the economy to near the verge of recession."*

In terms of market implications, Levy stated that the U.S. economy has been producing news that "*largely supports the bullish case for equities, and more of the same is likely"*in the near term. But, he warned that over the next few months, leading and coincident economic indicators"will in all likelihood become gradually less supportive and ultimately unsupportive."

The Levy Forecast, the nation's oldest newsletter devoted to economic analysis, pointed to two bright spots in the U.S. economy:

- Rising domestic petroleum production and the improving competitiveness at many U.S. manufacturers have "prevented the typical rapid widening of the trade gap that hascharacterized every economic expansion since 1975."
- For several reasons, inventory building is "tending to be stronger for a given pace of economicgrowth than during the business cycle expansions of recentdecades."

Levy noted that private nonfinancial sector debt expanded meaningfully in the fourth quarter for the first time since the recession. However, Levy said that several quarters of private debt expansion well into an expansion doesn't necessarily imply a new period of dangerous releveraging. He reiterated his expectation that private debt ratios are still in a secular decline.

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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