



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

LEVY FORECASTING CENTER WARNS THAT EUROPE'S "ECONOMIC TRAIN WRECK" FORESHADOWS 2012 RECESSION IN U.S.

Levy Forecast Suggests U.S. Unemployment Rate Could Rise into the Teens

MOUNT KISCO, NY, Sept. 30– The worsening European economy is probably heading for “*a severe systemic financial crisis and a brutal recession,*” which “*implies recession and another major wave of financial crises in the United States in 2012,*” says economist David Levy in the just-published September Levy Forecast.

“The multifaceted blow from Europe – affecting the U.S. financial markets, banking system, exports to Europe, and ultimately exports to the rest of the world – will be too much for the fragile U.S. recovery to withstand,” Levy wrote in the nation’s oldest newsletter devoted to economic analysis.

The team of economists at the independent Jerome Levy Forecasting Center (www.levyforecast.com) argues that barring “extraordinary changes” in European events, “*the main question for the United States is whether domestic government policy will lessen or aggravate the domestic recession.*”

The Levy Center economists reiterated their prediction that U.S. corporate earnings will trend downward in the second half, a view they have held all year. Additionally, they argue that Treasury bonds remain an attractive investment; they are among the few economists who have consistently argued that the 10-year Treasury bond yield would fall well below 2%.

Levy also noted that *“in the past two years, soaring profits and nearly stagnant employment broke a long-standing pattern of profits and employment rising together.”* He argues that the dominant reason for the unusually poor hiring is macroeconomic and said, *“When the six-decade expansion of private sector balance sheets reversed course in 2008, it destroyed old business cycle patterns and drastically altered hiring needs, risks, and incentives,”* resulting in a *“brand new game”* for employers.

He warned that without further federal deficit expansion to provide *“households with additional disposable income and firms with additional revenue”* and with the pace of investment cooling, *“the employment weakness is about to take a turn for the worse.”*

“The unemployment rate will rise, possibly into the teens with vast, uncertain social and political implications,” Levy concluded.

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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