

# Could the US Dip Back Into Recession?

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NEW YORK (AP) — Just as the U.S. economy is strengthening, other countries are threatening to drag it down.

Employers in the U.S. are creating jobs at the fastest pace since the late 1990s and the economy finally looks ready to expand at a healthy rate. But sluggish growth in France, Italy, Russia, Brazil and China suggests that the old truism, "When the U.S. sneezes, the rest of the world catches a cold," may need to be flipped.

Maybe the rest of the world will sneeze this time, and the U.S. will get sick.

That's the view of David Levy, who oversees the Levy Forecast, a newsletter analyzing the economy that his family started in 1949 and one with an enviable record. Nearly a decade ago, the now 59-year-old economist warned that U.S. housing was a bubble set to burst, and that the damage would push the country into a recession so severe the Federal Reserve would have no choice but to slash short-term borrowing rates to their lowest levels ever to stimulate the economy. That's exactly what happened. Now, Levy says the United States is likely to fall into a recession next year triggered by downturns in other countries, the first time in modern history.

"The recession for the rest of the world ... will be worse than the last one," says Levy, whose grandfather called the 1929 stock crash and whose father won praise over decades for anticipating turns in the business cycle, often against conventional wisdom.

Levy's forecast for a global recession is an extreme one, but worth considering given so much is riding on the dominant view that economies are healing. Investors have pushed U.S. stocks to record highs, and Fed estimates have the U.S. growing at an annual pace of at least 3 percent for the rest of the year and all of 2015. Investors have also poured hundreds of millions of dollars into emerging market stock funds recently on hopes economic growth in those countries will pick up, not stall.

Worrisome signs are already out there. Unlike their U.S. counterparts, European banks are still stuck with too many bad loans from the financial crisis. Household and business debt there is too high. And confidence is fleeting, as investors saw earlier this month when stocks sold off on worries over the stability of Portugal's largest bank.

In China and other emerging markets, the old problem of relying on indebted Americans to buy more of their goods each year and not selling enough to their own people means a glut of underused factories.

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"The world hopes to ride on the coattails of the U.S. consumer," says Eswar Prasad, an economist at Cornell University, "but the U.S. consumer isn't in a position to take on the burden."

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