



CONGIUNTURA *flash*

Short-term economic prospect

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The **world economic outlook** is still remarkably positive and kept on improving beyond the summer. Soft data on **confidence** of economic operators and **orders** point to a strong increase both in demand and supply in Autumn. Due to the high degree of integration within the global economy, the expansion of **trade** makes positive impulses to spillover across countries, which implies a self-strengthening pattern of growth. Among the advanced economies, the **US** keep on growing at moderate pace (with 100 months in a row, this is one of the most long lasting cyclical expansionary phase since the end of the 2nd World War), the **Eurozone** accelerates and **Japan** proceeds much faster than the pre-crisis average. In the emerging markets, all the data are pointing upwards, in particular in the **BRICs**. Nonetheless, **downward risks** are still there: interest rates of Central banks remain extraordinarily low, even though ECB and FED are slowing normalizing them; and both **public and private debt** are quite high and keep growing. Overall, we confirm the general **economic outlook** presented by CSC in September. As regards **Italy**, we underline yet upward risk for GDP growth. **Industrial production** has been increasing more than expected since last Spring and the gap between soft and hard data is closing upwardly. Also **employment** is growing well beyond expectations and it supports consumption, through enhancing optimism and real income. **Conditions for investment** have improved a lot and the orders of instrumental goods are at the highest level since the beginning of the crisis. **Bank loans** to firms have stop falling but not enough to sustain the recovery. The constantly exacerbating tightening of the **regulatory framework**, especially in relation to NPLs, has negative impact. The **2018 Budget Law** will be expansionary, instead of giving a negative contribution as expected, thanks to its composition and size. **Election outcomes** in Germany, Austria and the Czech Republic recall that populism is still strong and could affect policy-making in response to the deep social unrest and fears about the future that are spread in large part of the populations. In Europe there is wide spreading anecdotic evidence that the **single market is crumbling**. The **Italian political vote** in 2018 will be a decisive test.