



CONGIUNTURA *flash*

Short-term economic prospect

July 2017

The **expansion** of global economic activity and trade stays on track. Growth rates remain the highest since the beginning of the crisis, thanks to **synchronized contribution** of both advanced and emerging economies. **Eurozone** dynamics is particularly high. The improving momentum of **new orders**, especially in the manufacturing sector, is a leading indicator of a worldwide strong increase in industrial production during the summer. However, **risks** and high uncertainty are still present, feeding doubts about the strength and length of current trends. Particularly, the enduring **political uncertainty** weighs on the economic policy agenda. Firstly, in the **US** it impacts on multiple issues: from foreign trade rules (despite a more pragmatic approach) to budget measures (Republican Congress majority reveals divisions). Moreover, in **China** financial regulations have been announced to become tighter, and that causes new fears of a hard landing. Lastly **Europe**, with a focus on the Brexit outcome on the one hand (negotiations have just started, giving a hint of how hard they will be), and on the other hand there is the need to step up Eurozone governance, taking also into consideration the fact that after the end of the **electoral cycle** fiscal policy stance will become negative in many countries. Furthermore, we are at the start of a new phase of **monetary policy**: central banks move in the direction of reducing the hyper-expansionism stance, conscious to walk in unexplored lands and determined to avoid any destabilizing market volatility. The high volatility of long-term **interest rates** and exchange rates mirrors all that; but there are trends: upwards for the former and towards a weaker **dollar** for the latter. **Italian economy** is staying well anchored to the world recovery, albeit as a follower; in order to reach the leading growing countries it has to enact a **Budget Law** focused on boosting investment and **youth** employment. In fact, Italian growth potential has been reduced by low employment and emigration of **young people**.