



CONGIUNTURA *flash*

Short-term economic prospect

March 2017

The **global recovery** that started in the 2H-16 is in line with positive expectations. The ongoing trend could result in 2017 being the first year since 2011 in which economic **forecasts** to be revised up. The strength of the recovery derives from its diffusion: for the first time in many years the economic momentum rises in both advanced economies (not only the US, but also the Eurozone and Japan) and emerging ones (China, India, Russia and even Brazil). The recovery stems from the generalized boost in **manufacturing**, helped by the strong expansion of **foreign trade** and **investments**, which are trade-intensive. The analysis conducted by the Economic Research Department of Confindustria (CSC) suggests that a new investment cycle of machinery and plants has started worldwide, mainly due to more optimistic expectations on the demand side, very favorable financial conditions (low capital cost for both debt and equity, with record-low interest rates and Stock Exchange prices at the peak) and the saturation of existent productive capacity. However, after Brexit and the US Presidential elections, there are **risks** connected to the rise of protectionism (confirmed by the G-20 result), spreading adoption of new populist measures and political uncertainty. The macro-economic fundamentals have changed since the CSC Economic Outlook published three months ago, due to falling **oil** and **commodity prices** and the weakening of the **US dollar**. The former should not have the same negative effects of two years ago while the latter has been limited so far. The **FED** is proceeding in the monetary policy normalization while the **ECB** has started to mention it (unofficially). In **Italy** there are reasons both for satisfaction and worry. On the one hand **exports** grow more than demand (gaining market share) and **investments** are brilliant (+7,6% those in machinery and transport equipment in 2016), following government stimulus. On the other hand, economic growth remains low, political future is uncertain and bank credit is still non-supportive.