

## PRESS RELEASE

### THE EUROPEAN FORECASTING NETWORK PUBLISHES ITS WINTER REPORT 2016 ONLINE: [ECONOMIC OUTLOOK FOR THE EURO AREA IN 2017 AND 2018](#)

The European Forecasting Network (EFN) is a research group of European institutions, founded under the auspices of the European Commission, and currently partly financially supported by the European University Institute (EUI, based in Florence, Italy), which is coordinating the report under the responsibility of Prof. Massimiliano Marcellino.

The report provides updated forecasts and analyses of the macroeconomic situation for the Euro area.

#### The Highlights of this Report are:

- Global economic activity has revived since autumn, and equity markets have rallied at the end of the year. Apparently, some of the measures proposed during the US election campaign by the president elect, such as financial market deregulation, economic stimulus, tax cuts and infrastructure are expected to support the economy in the US and beyond. However, this stimulus bears considerable risks already for the near future: other economies could face considerable problems due to a further appreciation of the dollar, rising financing costs and the withdrawal of capital towards the US.
- In the euro area, as monetary policy continues its expansive course, financing costs will stay very low in 2017, and fiscal policy will be mildly expansive, although a bit less so than in 2016. Confidence of firms and private households has strengthened in recent months, as has the mood on financial markets. We expect that the recovery will continue at about the pace of 2016. GDP will, according to our forecast, increase by 1.6% in 2017 and by 1.7% in 2018.
- However, the crisis in the Italian banking sector has intensified. It might also trigger another crisis of confidence in European institutional arrangements: according to the Bank Recovery and Resolution Directive, banks may only be saved with public money if owners and creditors of these banks have contributed to the rescue. At present it seems doubtful whether it would be politically feasible to respect this rule.
- Regarding inflation, our forecast for 2017 is 1.2%. Although energy prices have risen significantly, price pressures are still low.

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A copy of the report is freely downloadable from the EFN website:

<http://www.eui.eu/Projects/EFN/Home.aspx>.

The European Forecasting Network is a research group of European institutions, founded in 2001. The participating institutions are:

- RSCAS, European University Institute (EUI), Italy

- Centre d'Etudes Prospectives et d'Informations Internationales (CEPII), France
- University of Birmingham, Department of Economics
- The Halle Institute for Economic Research (IWH), Germany
- The Department of Economics, European University Institute (EUI), Italy
- Anàlisi Quantitativa Regional (AQR), Universidad de Barcelona
- Instituto Flores de Lemus (IFL), Universidad Carlos III, Madrid, Spain
- Faculty of Economics, University of Cambridge, UK

For further information, please see the EFN website: <http://www.eui.eu/Projects/EFN/Home.aspx>, or contact Professor Massimiliano Marcellino ([massimiliano.marcellino@eui.eu](mailto:massimiliano.marcellino@eui.eu)).

Comments and suggestions are welcome.

Communications Service  
**European University Institute**

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