

A good year, with lots of doubts

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The year 2017 started with plenty of uncertainty for the global economy. President Trump had just been elected, the emerging economies were not doing particularly well and Europe was facing a difficult electoral cycle, with the memory of the Brexit referendum still fresh. And while the lovers of Trump's Twitter account may not have been disappointed, it is true that his plans for more protectionist measures around the world have either not yet materialised (e.g. NAFTA) or will have their effects felt more over the long term. In domestic policy, and without taking into account his anti-immigration measures, the legislative activity in economic matters is only now being shaped, almost a year after Trump's appointment, in the form of a tax reform with doubtful effects on growth in the long term and only vaguely positive effects in the short term.

In Europe, the results of the various elections have led to fewer swings towards extremist parties than expected, resulting in less economic uncertainty and bolstering consumer and business confidence. The Eurozone has provided the positive surprise of the year, with growth of around 2.5%, which was shared among the larger countries, not just Germany and Spain.

Beyond the advanced economies, the Chinese economy has gone another year without receiving any of the dreaded surprises linked to its debt, and has even provided good news by approving an economic strategy more focused on structural reforms and less on growth targets, which may help to reduce the accumulated imbalances. The country has again grown by around 7%, which, together with the recovery in raw materials prices that is supporting the improvement of many emerging countries, will contribute to an overall growth of 3.5% this year. This is quite a decent rate, moving forward during the year and more synchronised among the different global areas.

But many question marks remain. Financial markets remain unusually quiet, but central banks in the US and Europe are beginning to normalise their monetary policies. For them to do so without generating noise as they have until now will depend a lot on their expertise and on inflation, which will be the key variable to look out for during 2018, only going back up gradually. Political risks have not disappeared in many areas of the world, geopolitical risks are also high and widely dispersed and the level of international cooperation is being reduced in different areas. Even without apparent risks in the short term and with an economy in clear improvement, the potential sources of destabilisation for 2018 are myriad.

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