# EU projects weak economy, not considering Coronavirus impact

Real economy in distress. Financial markets (supported by liquidity from central banks and the search for high returns) are buying shares, bonds and various securities despite low or no returns. It may sound bizarre and risky that the Stock Markets should toast to a sluggish and languishing European economy, as confirmed by leading independent forecasting agencies.

> All the more so in Italy, whose growth is stalled by weak domestic consumption and declining exports to Germany and now also to China.

The economic impact of the coronavirus has not been fully assessed and is not reflected in the forecasts released by the EU Commission - in the awareness that they may prove far too optimistic should the epidemic spread, increasing the number of victims and blocking many international economic activities. The forecasts will be updated in April with more accurate figures. Hence, setting aside the impact of the virus, the European Commission projects that euro area gross domestic product (GDP) growth will remain stable at 1.2% in 2020 and 2021 (it was 1.2% in 2019 and 1.9% in 2018). Inflation has been raised slightly to +1.3% in 2020 and 1.4% in 2021. Forecasts for Italy are +0.3% in 2020 e 0.6% in 2021. Far too little to initiate significant employment growth, resulting from a virtuous economic recovery that may ultimately bring greater investment potential and more taxes from corporate profits.

> If an unfavourable economic situation were to be accompanied by a government crisis ( the subject of debate at the moment), economic uncertainty would extend globally: throughout Europe and at national level.

The figures represent stories of people afraid of losing their jobs, of unemployed people in search of a job, of people who rely on their savings, entrepreneurs and small businesses with employees and fixed costs. Two more years of asphyxiated economy will change the behaviour and hopes of the youngest generation. This is not the best context to have a family (as the birth rates suggest) or to take out a loan for a home and education. The EU Commission would seem to rely on the Green Deal's major public investment plan, the Italian Government on the resilience of national spending and the decreasing need for interest payments for the large government debt. It’s a bonus granted by the spread - between 10-year Italian and German government bonds- that has decreased significantly, providing a much-needed source of oxygen. Some previously stalled large construction projects will restart with the major contribution of government funds. There is some room for recovery in domestic consumption due to the flow of citizenship income and the reduction of the tax wedge. It’s all well and good, but it’s not much.

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