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**Expert Commentary**

## **Stephen Brown, European Economist at Capital Economics, on EU economy**

” ***Even if the Euro zone economy is picking up steam, we certainly do not expect the ECB to start raising interest rates until 2019.***



**Stephen Brown**  
**European Economist**  
**Capital Economics**  
**United Kingdom**

**The ECB kept its monetary policy unchanged. Though, strong economic recovery may encourage policymakers to start tightening monetary conditions. Do you share this point of view?**

At this point, we agree that the Euro zone's economy is strengthening. We have recently revised our forecast for this year, though I think the key point here is that the ECB has not really seen any reasonable signs of an economic recovery. We have seen a little bit stronger inflation earlier in the year due to energy effects; however, inflation is probably going to be lower this year than we thought six months ago. Even if the Euro zone economy is picking up steam, we certainly do not expect the ECB to start raising interest rates until 2019.

**Experts suggest that new banking regulations will not weaken economic growth; however, EU bankers argue against new banking policies ahead of Brexit. In your point of view, what consequences will the EU financial industry face after the UK quits the bloc?**

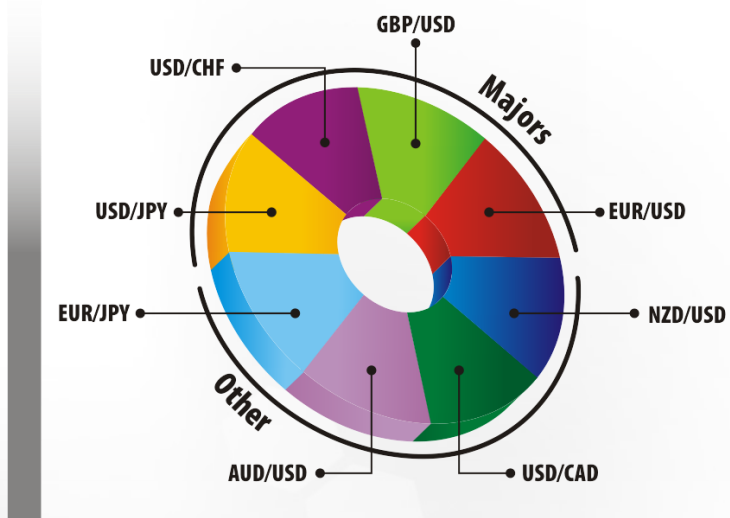
It is difficult to say at the moment, because that is probably a little bit beyond what we look at. Certainly, policymakers will keep an eye on financial conditions, however we do not really see any big dislocations to the financial system in the wake of Brexit, but what we do expect from the EU-divorce negotiation is that the transitional agreement will be reached before the estimated two-year period is up.

**In your point of view, what could be the hurdles for the Euro in the long run?**

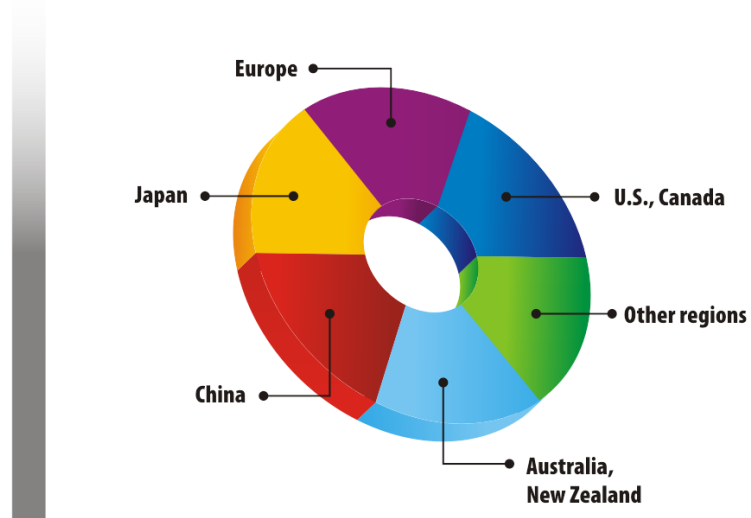
Most of the experts expected the French Presidential Election to be one of the main factors that could hit the Euro badly, though we were not really concerned about the threat of the French Election. Instead, we are more concerned about the Italian Election which is due to take place early in 2018, because one of the parties in Italy has also pledged to hold a referendum on the Euro membership.

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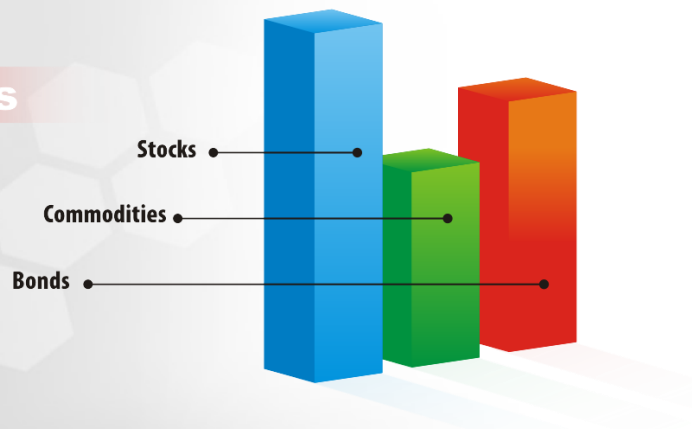
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