

China debt load reaches record high as risk to economy mounts

By Gabriel Wildau and Don Weinland

China's total debt rose to a record 237 per cent of gross domestic product in the first quarter, far above emerging-market counterparts, raising the risk of a financial crisis or a prolonged slowdown in growth, economists warn.

Beijing has turned to massive lending to boost economic growth, bringing total net debt to Rmb163tn (USD25tn) at the end of March, including both domestic and foreign borrowing, according to Financial Times calculations.

Such levels of debt are much higher as a proportion of national income than in other developing economies, although they are comparable to levels in the US and the eurozone.

While the absolute size of China's debt load is a concern, more worrying is the speed at which it has accumulated - Chinese debt was only 148 per cent of GDP at the end of 2007.

"Every major country with a rapid increase in debt has experienced either a financial crisis or a prolonged slowdown in GDP growth," Ha Jiming, Goldman Sachs chief investment strategist, wrote in a report this year.

The country's present level of debt, and its increasing links to global financial markets, partly informed the International Monetary Fund's recent warning that China poses a growing risk to advanced economies.

Economists say it is difficult for any economy to deploy productively such a large amount of capital within a short period, given the limited number of profitable projects available at any given time. With returns spiralling downwards, more loans are at risk of turning sour.

According to data from the Bank for International Settlements for the third

AP PHOTO



A Chinese national flag flutters against the office buildings at the Shanghai Bund. World finance officials who meet in Washington last week confronted a bleak picture: Eight years after the financial crisis erupted, the global economy remains fragile and at risk of another recession

quarter last year, emerging markets as a group have much lower levels of debt, at 175 per cent of GDP.

The BIS data, which is based on similar methodology to the FT, put Chinese debt at 249 per cent of GDP, which was broadly comparable with the eurozone's figure of 270 per cent and the US level of 248 per cent.

Beijing is juggling spend-

ing to support short-term growth and deleveraging to ward off long-term financial risk. Recently, however, as fears of a hard landing have intensified, it has shifted decisively towards stimulus.

New borrowing increased by Rmb6.2tn in the first three months of 2016, the biggest three-month surge on record and more than 50 per cent ahead of

last year's pace, according to central bank data and FT calculations.

Economists widely agree that the health of the country's economy is at risk. Where opinion is divided is on how this will play out.

At one end of the spectrum is acute financial crisis - a "Lehman moment" reminiscent of the US in 2008, when banks failed and paralysed credit markets. Other economists predict a chronic, Japan-style malaise in which growth slows for years or even decades.

Jonathan Anderson, principal at Emerging Advisors Group, belongs to the first camp.

He warns that banks driving the huge credit expansion since 2008 rely increasingly on volatile short-term funding through sales of high-yielding

wealth management products, rather than stable deposits. As Lehman and Bear Stearns proved in 2008, this kind of funding can quickly evaporate when defaults rise and nerves fray.

"At the current rate of expansion, it is only a matter of time before some banks find themselves unable to fund all their assets safely," Mr Anderson wrote last month. "And at that point, a financial crisis is likely."

Others believe the People's Bank of China will retain its ability to ward off crisis. By flooding the banking system with cash, the PBoC can ensure that banks remain liquid, even if non-performing loans rise sharply. The greater risk from excess debt, they argue, is the Japan scenario: a "lost decade" of slow

growth and deflation.

Michael Pettis, professor at Peking University's Guanghua School of Management, says rising debt inflicts "financial distress costs" on borrowers, which lead to reduced growth long before actual default.

"It is wrong to assume that 'too much debt' is bad only if it causes a crisis, and this is a typical assumption made by almost every economist," Prof Pettis wrote in a draft of an forthcoming paper shared with the Financial Times.

"The most obvious example is Japan after 1990. It had too much debt, all of which was domestic, and as a consequence its growth collapsed."

Distress costs include increased labour churn as employees migrate to financially stronger companies; higher financing costs to compensate for increased default risk; demands for immediate payment from jittery suppliers; and loss of customers who worry a company may not survive to provide aftersales service.

Many are now concerned that China's debt could lead to a so-called balance-sheet recession - a term coined by Richard Koo of Nomura to describe Japan's stagnation in the 1990s and 2000s. When corporate debt reaches very high levels, he observed, conventional monetary policy loses its effectiveness because companies focus on paying down debt and refuse to borrow even at rock-bottom interest rates.

"A financial crisis is by no means preordained but in our view, if losses don't manifest on financial institution balance sheets, they will do so via slowing growth and deflation, à la Japan, a path China arguably already is on," Charlene Chu, senior partner at Autonomous Research Asia, wrote recently.

“ Every major country with a rapid increase in debt has experienced either a financial crisis or a prolonged slowdown in GDP growth.

HA JIMING
INVESTMENT STRATEGIST

ANALYSIS

New revolutionaries generate much heat but little action



Democratic presidential candidate, Sen. Bernie Sanders, speaks on stage at a rally in Baltimore, on Saturday

By Simon Schama

At a low point in their romance, Alvy Singer (aka Woody Allen) says to Annie Hall: “A relationship, I think, is like a shark. You know? It has to constantly move forward or it dies. And I think what we got on our hands is a dead shark.” Has that happened to Bernie Sanders’ “political revolution”? Popular mobilisations are sustained by a communion of excitement; the infectious feeling that a political party can turn into the other kind of party: ideologically unbuttoned; a festival of togetherness; high on the vision of a new world; not knowing where it will end up, perhaps at an “Un-Convention”?

When Mr Sanders is asked (and it has not happened very often) how his more starry-eyed proposals, like the replacement of Obamacare by a single payer-health system (akin to the NHS), could be enacted in the teeth of a Congress not controlled by Democrats, he goes to the default mantra of “political revolution” as if mere utterance will make it so.

But if Mr Sanders were

elected, how would that work? Let’s imagine. Frustrated by opposition in the Republican-dominated House of Representatives, the president invokes his mandate, lights the touch paper and stands back, calling for marches on Washington. Bernie buses converge on DC; tents go

It turns out that many voters on the Democratic side do want practical change and it should not be surprising that a fair number of those are women

up on The Mall. Students orate down to dusk, there is torture by “Kumbaya”. The occasional sympathetic professor addresses the assembly, urging it to stay the course before heading off to dinner at a fusion eatery.

The House of Representatives is unmoved; shockjocks of the right declare the beginning of Soviet Socialist America. Backlash begins. The po-

lice get antsy; bullhorns boom ultimatums, scuffles are tweeted; suburban parents go glassy eyed when they see Josh and Caitlin bundled into a paddy wagon. Calls go out on social media and reinforcements arrive from Berkeley and Boston. The confrontations turn ugly: a whiff of tear

gas; powerhose-downs. The president is upset. The police back off. Visitors complain on camera that family vacations have been ruined.

But with the onset of bitter winter, numbers thin out. Public sympathy dwindles to the point where the coup de grâce can be nocturnally administered.

The president addresses the nation saying it could

not go on indefinitely but he hears the young people, he surely does; now is the time to unite, blah blah. He is denounced in colleges as a Bern-Out: “We might as well have had Hillary,” they say.

Part of the ebbing of Mr Sanders’ support among the over-40s is precisely the suspicion that he is more about the venting of grievances than figuring out how to set them to rights. It was the very un-Sanderian figure of Otto von Bismarck who compared law-making to sausage-making and advised that it was better not to see either process up close. Revolutionaries are not sausage-makers, but without the beef they are just so much heat and grilling.

To the assertion that effective politics must be the art of the possible, they will call the truism cynical, a cover for perpetuating the status quo. But health-care for 17m previously uninsured is not the status quo; the Paris climate accord is not the status quo; a full employment economy was not the status quo as bequeathed by the last Republican administration.

Mirabile dictu, it turns out that many voters on the Democratic side do want practical change and it should not be surprising that a fair number of those are women, who in any household, once the men have stopped hollering, get stuck with the messy details of getting things done.

Does this mean that popular protest politics isn’t worth the candle? Looking at the past five years, ashen with the burnt-out hopes of peaceful revolutions, it might look that way. Tahrir Square and the Arab Spring brought Mubarak the Sequel in the guise of Abdel Fattah el-Sisi; Taksim Square and Gezi Park in 2013 barely interrupted Recep Tayyip Erdogan’s march to a Sultanate. The Umbrella Revolution in Hong Kong in 2014 may have accelerated a new authoritarianism in China.

But it has not been all fruitless. The “Indignados” demonstrations and occupations in austerity-ravaged Spain in 2011 gave birth to Podemos, now the third-largest party in the parliament.

And in a time when the

rewards of economic recovery from a crash engineered by the worst excesses of casino capitalism are being distributed with outrageous indifference to equity, you can expect other flowers of fury to burst into bloom.

Over the past few weeks, Place de la République has been occupied by “Nuit Debout” (Up All Night) crowds protesting François Hollande’s labour law reforms, which give employers more latitude on how to lay off employees. Inevitably the mood has turned to bringing about a whole new political world in France and just as inevitably, this being Paris, Nuit Debout already has its own poetry committee.

All this is a sign of political vitality, not sickness; an appetite for engagement without which democratic politics, especially in the US, is just management and money. Tapping into the passion, without surrendering to its utopianism, is the next great challenge for the all-but-certain Democratic nominee.

By Jeff Baenen, Kevin Burbach,
Minneapolis

'Most beloved' of Prince family, friends bid farewell

FAMILY and friends of Prince said a "loving goodbye" to the music icon on Saturday in a small private ceremony after his remains had been cremated.

His publicist Yvette Noel-Schure said the celebration of his life included his "most beloved" family, friends and musicians. She said a musical celebration will be held at a future date.

The list of people who attended was not announced, but Prince's sister Tyka Nelson and brother-in-law Maurice Phillips were seen on the grounds of Prince's estate Paisley Park, as well as friends such as percussionist Sheila E. and bassist Larry Graham.

Some of the hundreds of fans who congregated at Paisley Park Saturday got a memento of Prince. People emerged from the estate and handed out round purple boxes containing a color photo of Prince and a black T-shirt with "3121" printed on it in white — the numbers were the title of a Prince album.

Prince was found unresponsive in an elevator Thursday at Paisley Park, and an autopsy was done Friday. But authorities have not released a cause of death and have said results could take days or weeks.

The publicist's brief statement repeated that the cause of Prince's death was unknown and said autopsy results wouldn't be received for at least four weeks.

The statement said the "final storage" of Prince's remains

AP PHOTO



In this May 2, 1990 photo Prince performs a benefit concert for the family of Charles Huntsberry in Minneapolis

would be private.

"We ask for your blessings and prayers of comfort for his family and close friends at this time," the statement said.

Prince was last seen alive by an acquaintance who dropped him off at Paisley Park at 8 p.m. Wednesday, according to Carver County Sheriff Jim Olson.

The "Purple Rain" star, born Prince Rogers Nelson, was found by staff members who went to the compound in Chanhassen, about 20 miles outside

Minneapolis, the next morning when they couldn't reach him by phone.

Emergency crews who answered the 911 call could not revive Prince, the sheriff said.

Prince's death came two weeks after he canceled concerts in Atlanta, saying he wasn't feeling well. He played a pair of makeup shows April 14 in that city, apologizing to the crowd shortly after coming on stage.

Early in the first show, he briefly disappeared from the stage without explanation. After about a minute he returned and apologized, saying he didn't realize how emotional the songs could be. He played the rest of the show without incident and performed three encores.

In the later show, he coughed a few times, though the show was again energetic.

Prince was slated to perform two shows earlier this week at the Fox Theatre in St. Louis but canceled last week because of health concerns.

Sheila E. has told the AP that Prince had physical issues from performing, citing hip and knee problems that she said came from years of jumping off risers and stage speakers in heels. But she said she hadn't talked directly with him in several months. **AP**

Music star stayed home in Minnesota

BOB Dylan left Minnesota, but Prince never did.

When the music superstar died at age 57, it was in the same suburban Minneapolis studio compound where he had lived for years. He could have opted for the glamour of either coast but stayed home, where fans occasionally saw him in local nightclubs, a record store, or just bicycling near Paisley Park.

"He was everything here," said Mark Anderson, 43, a longtime fan who estimated he saw at least 30 Prince shows and would bring his teenage son from nearby Eagan to see Prince's occasional late-night jams at Paisley Park. "He was more than a musician. He was family."

"I think a lot of fans feel that way."

In the wake of his death, fans here have recalled how the Oscar and seven-time Grammy winner put the sleek "Minneapolis Sound" of the 1980s on the national music map.

"When you think of Minneapolis, you automatically think of Prince," said Jen Boyles, 37, a longtime Twin

AP PHOTO



Artist Rock Martinez continues work on a mural he is painting of musician Prince in Minneapolis, on Saturday

Cities music journalist.

St. Paul Mayor Chris Coleman was among thousands that turned up Thursday night outside of First Avenue, the downtown Minneapolis nightclub Prince made famous with his hit

1984 movie "Purple Rain" and where part of the movie was set and filmed.

"Think about what Prince has meant to so many people across the globe, not to mention folks in the Twin Cities," Coleman told the Star Tribune. "Prince made us cool. Prince really made his mark from here."

Minnesota is a rich musical state that has produced Bob Dylan, Judy Garland, Eddie Cochran and the Andrews Sisters. But they all moved away.

Besides opening his 65,000-square-foot Paisley Park recording complex in 1987 in Chanhassen, a town of nearly 23,000 people about 20 miles southwest of Minneapolis, Prince also owned a lot of undeveloped land in the suburb, Mayor Denny Laufenburger said.

"Maybe to a certain extent he considered this a little bit of peaceful repose," Laufenburger said.

Heather McElhatton of Minneapolis, who worked as a set decorator for Prince video shoots at Paisley Park from 1988 to 1998, said Prince had his pick of locating his USD10 million studio but chose to remain in the Twin Cities.

"He could have put Paisley Park anywhere. He could have put it on the moon and musicians would have rocketed up to record with him," McElhatton said. "He never lost touch with who he was or his roots." **MDT/AP**

Legend set example for today's artists

MUSIC Legend Prince left as big a mark behind the scenes of the recording industry as he did on his millions of fans.

The artist waged a relentless campaign for control over his music empire as the Internet era dawned. His crusade left a playbook for stars like Taylor Swift and Adele, who now have the power to dictate how and where their songs get played.

It cost him plenty. Spats with record labels kept the legendary performer's music from reaching the widest possible audience. At one point, he dropped his name for an ankh-like symbol, making it tough to advertise his recordings.

Whoever gains control of the full catalog, valued at \$100 million or more, will have to decide whether to make the rocker's songs available for commercial ditties, a source of revenue that Prince himself shunned.

"He just never wanted to be taken advantage of," said L. Lee Phillips, a lawyer who represented Prince for about 12 years. "Certainly, he is going to leave somewhat of a legacy, artists standing up for themselves - but not as strong as his legacy performing and playing."

After leaving Warner, Prince formed his own label, funding and started recording his own work. He signed a series of one-off deals with groups including Sony Corp.'s Columbia, retaining ownership over his master recordings. **MDT/Bloomberg**



Solar Impulse 2 flies over San Francisco

Solar plane's crossing of Pacific going smoothly

■ The aircraft started its around-the-world journey in March 2015 from Abu Dhabi

A solar-powered airplane on an around-the-world journey had traveled 80 percent of the way from Hawaii to California by Saturday morning.

The project's website says the Solar Impulse 2 aircraft is 48 hours into a three-day flight over the Pacific.

The aircraft's destination on this leg of the journey is Mountain View, California, at the southern end of San Francisco Bay.

The aircraft started its around-the-world journey in March 2015 from Abu Dhabi, the capi-

tal of the United Arab Emirates, and made stops in Oman, Myanmar, China and Japan. It's on the ninth leg of its circumnavigation.

In a live video feed on the website documenting the journey, pilot Bertrand Piccard and engineers on the ground discussed plans to fly over the Golden Gate Bridge before heading to Mountain View, where the plane is expected to land late Saturday.

"I don't know how many airplanes can hear that they still have 17 hours to go," Piccard

said after being told he is expected to land about midnight. "It's good to have no fuel."

On Friday, he exchanged pleasantries with UN Secretary-General Ban Ki-moon, who hailed Piccard's pioneering spirit as "inspirational," telling him he was making history.

Piccard responded that Ban, too, was making history by having just presided over the signing of a climate agreement supported by representatives of 175 nations.

"What you are doing today in New York, signing the Paris agreement, is more than pro-

tecting the environment, it is the launch of the clean technology revolution," Piccard said.

The trans-Pacific leg of his journey is the riskiest part of the solar plane's global travels because of the lack of emergency landing sites.

After uncertainty about winds, the plane took off from Hawaii on Thursday morning. The crew that helped it take off was clearing out of its Hawaiian hangar and headed for the mainland for the weekend arrival.

At one point passengers on a Hawaiian Air jet caught a glimpse of the Solar Impulse 2 before the airliner sped past the slow-moving aircraft.

The Solar Impulse 2 landed in Hawaii in July and was forced to stay in the islands after the plane's battery system sustained heat damage on its trip from Japan.

Piccard, said the destination in the heart of Silicon Valley is fitting, as the plane will land

"in the middle of the pioneering spirit." Piccard's co-pilot Andre Borschberg flew the leg from Japan to Hawaii.

The team was delayed in Asia, as well. When first attempting to fly from Nanjing, China, to Hawaii, the crew had to divert to Japan because of unfavorable weather and a damaged wing.

A month later, when weather conditions were right, the plane departed from Nagoya in central Japan for Hawaii.

The plane's ideal flight speed is about 45 kph, or 28 mph, though that can double during the day when the sun's rays are strongest. The carbon-fiber aircraft weighs more than 5,000 pounds, or about as much as a midsize truck.

The wings of Solar Impulse 2, which stretch wider than those of a Boeing 747, are equipped with 17,000 solar cells that power propellers and charge batteries. The plane runs on stored energy at night. **AP**

ASK THE VET

by Dr Ruan Du Toit Bester



10 BREEDS MORE PRONE TO CANINE HYPOTHYROIDISM

THE last 2 years we have been diagnosing and treating hypothyroidism in almost all our cases in Macau. It seems to be a condition overlooked by most vets here and its time to address the problem. There are two main types of canine hypothyroidism, primary and secondary. There also some rarer forms of this condition. The neoplastic and congenital forms of hypothyroidism are frequently breed-specific. Primary hypothyroidism accounts for over 95 percent of all cases and usually occurs between the ages of four and six.

Located on either side of the windpipe in the dog's throat area, the thyroid gland produces hormones responsible for metabolic function. When this gland is not functioning properly, hormone production is disrupted.

SYMPTOMS OF HYPOTHYROIDISM

- Skin abnormalities, such as dark patches or dry skin
- Hair loss or poor hair coat
- Lethargy, excess sleep
- Weight gain
- Chills, poor cold tolerance
- Slow heart rate
- Constipation
- Infertility

CANINE BREEDS MOST PRONE TO HYPOTHYROIDISM

Any dog-including mixed breeds-can suffer from primary hypothyroidism, but the

10 breeds most susceptible include:

- Golden Retrievers
- Labrador Retrievers
- Dachshunds
- Boxers
- Cocker Spaniels
- Greyhounds
- English Bulldogs
- Great Danes
- Doberman Pinschers

Other breeds notably at risk of hypothyroidism include:

- Mastiff
- American Staffordshire Terrier
- Rottweiler
- Siberian Husky
- Border Collie
- Maltese
- Weimaraner
- Chinese Shar-Pei
- Dalmatian
- Bernese Mountain Dog

TYPES OF HYPOTHYROIDISM

• Secondary hypothyroidism is caused by a tumor encroaching upon the thyroid gland. Fortunately, this form of dog cancer is a somewhat rare condition, but Beagles, Golden Retrievers and Boxers are more likely to develop tumours of this type.

• Neoplastic hypothyroidism causes an abnormal growth or destruction of thyroid tissue and is caused by iodine deficiency. This condition is seen in giant schnauzers and boxers.

- Congenital or juvenile onset hypo-



thyroidism is an inherited condition that is seen in Giant Schnauzers and German Shepherd Dogs. Toy Fox Terriers also carry a gene for congenital hypothyroidism.

CANINE HYPOTHYROID DIAGNOSIS AND TREATMENT

Most forms of hypothyroidism are diagnosed with a blood test we do in house. Samples are taken and tested for thyroid hormone concentrations in the blood. There are several tests available and the test results can be somewhat inconclusive. Some vets may want to perform more than one test to obtain an accurate diagnosis.

Primary hypothyroidism is successfully treated with daily medications. Ongoing blood tests will be done to monitor hormone levels. As treatment progresses, the hormone dosages may change.

Treatment of secondary hypothyroidism is also treated with daily medications,

combined with treatment of the underlying illness.

The most common form of thyroid hormone replacement is L-thyroxine. Depending upon the manufacturer, it is available in liquid, tablet or chewable form. Most dogs will show improvement within the first week of beginning hormone replacement therapy.

Hope this info helps
Till next week
Dr Ruan

Ask the Vet:
Royal Veterinary Centre
Tel: +853 28501099, +853 28523678
Fax: +853 28508001
Email: info@rvcmacau.com
www.facebook.com/rvcmacau
www.royalveterinarycenter.com