

COMMENT

Forecasting the world in 2016

By FT writers

As a new year arrives, FT writers indulge in a feast of predictions - from the price of oil to Vladimir Putin's next moves

A new year beckons and the Financial Times once more indulges in the ritual of forecasting the 12 months ahead. Our experts and commentators set caution to one side and predict what will happen in everything from the US presidential election to the Euro 2016 football tournament.

A quick judgment on how they did last year. Ed Crooks correctly forecast that the oil price had further to fall, a brave claim at the end of a year in which it had already halved. Martin Wolf said the ECB would adopt full quantitative easing, which it did. Clive Cookson rightly opined that Ebola would be eliminated in west Africa by the close of 2015. Gideon Rachman said Vladimir Putin would annexe no further territory in Ukraine and Europe. Not many at the end of 2014 were saying that.

We got one wrong. Jonathan Ford was among many who assumed the British general election would end in a hung parliament (he went so far as to predict a national government). Otherwise, the fault last year lay not with the answers we gave but the questions we failed to ask. We did not foresee a surge of Isis-sponsored

terrorism in France; that Russia would take military action in Syria; and that the migrant crisis would become a grave threat to the EU. In 2016 too, events will happen that are as yet beyond our imagination. (James Blitz)

WILL HILLARY CLINTON WIN THE US PRESIDENTIAL ELECTION?

Yes. It will be a rollercoaster election - and the nastiest in memory. Mrs Clinton will be pilloried by her Republican opponent, Ted Cruz, for her character flaws and weaknesses in the face of America's enemies. A large chunk of the electorate will hold up the Clinton name as an emblem of all that is wrong - and corrupt - about today's America. But elections are still won in the centre, or what is left of it, and Mr Cruz will be too far to the right of the median voter to make it to the White House. Despite uncomfortably close polls, Mrs Clinton will win the electoral college by a landslide. Democrats will take back the Senate. But she will start her term in a very polarised Washington. There will be no honeymoon. (Edward Luce)

WILL BRITAIN LEAVE THE EU IN THE REFERENDUM EXPECTED IN 2016?

No. Britain will vote to stay in the European Union. Not



Hillary Clinton

with any sense of enthusiasm or excitement but because the innate common sense of British voters ultimately will prevail. Forget the technical arguments about whether David Cameron manages to secure a good deal in his renegotiation or whether the UK gets back its contribution to Brussels in increased investment and trade. Consider instead the protagonists on both sides. In

the end voters will choose between the calm logic of former prime minister John Major and the populism of Ukip's Nigel Farage. My money is on Mr Major. If I am wrong, Britain faces truly turbulent times. (Philip Stephens)

WILL BASHAR AL-ASSAD STILL BE IN POWER 12 MONTHS FROM NOW?

Yes. Assad will remain nominally president of Syria in 2016, even if in reality he has already been reduced to the status of the biggest warlord rather than the ruler of a state. Militarily, he has been bolstered by the Russian military intervention that has targeted his rebel enemies. Politically, a US-Russian plan agreed in recent weeks envisages an 18-month transition and is fraught with risks. Even in the event that a peace process gains traction, Mr Assad will do his best to stall and hold on to his seat of power in Damascus. (Roula Khalaf)

WILL THE BANK OF ENGLAND FINALLY RAISE INTEREST RATES NEXT YEAR?

No. The Bank of England

will flirt with rate rises through much of 2016, it will tease, but in the end it will not put its money where its mouth is. It has good reasons to avoid a decision. Inflation will lift off from zero very slowly, wage growth is weak; oil prices are weaker; and deficit reduction will prevent a boom. The BoE is keen to try its new powers to limit credit first before thinking about interest rates. The consequences of a spell of higher than target inflation are also limited. Later in the year, the BoE might decide to act, but even if it did, it would not make much difference. As far as interest rates are concerned, Britain is in what governor Mark Carney says is a "low for long" world for some time longer than 2016. (Chris Giles)

WILL AT LEAST ONE MEMBER OF THE GROUP OF 20 LEADING ECONOMIES REQUEST AN IMF ASSISTANCE PROGRAM IN 2016?

Yes. Within the G20, no developed member will need a rescue. The only conceivable candidate is Italy, given its high public debt. But the European Central Bank's support,

including quantitative easing, protects it.

The G20 also contains 10 emerging economies. Some are being buffeted by sharp falls in commodity prices (Argentina, Russia and Saudi Arabia are prime examples). Some run significant current account deficits (Saudi Arabia again springs to mind, along with Brazil and South Africa). Both India and South Africa have fairly large fiscal deficits. Others, such as Brazil, have a smaller deficit but a sizeable burden of public debt. The countries that tick all the boxes for instability are Argentina, South Africa and Brazil. Under stress, those countries have recently changed finance ministers. Argentina has a new government that promises a new approach. The IMF stands ready. Will at least one of these countries call upon it? It seems likely. (Martin Wolf)

WILL ANGELA MERKEL STILL BE GERMAN CHANCELLOR AT THE END OF THE YEAR?

No. Although 2015 ended with Ms Merkel receiving a standing ovation at the conference of her ruling Chris-



An airstrike on an automobile column transporting oil products in Aleppo province, Syria



Forecasting the world in 2016 (continued)

tian Democratic Party (CDU), 2016 is likely to see the end of her long reign as chancellor. That ovation looked like conclusive proof that her job is safe - despite the pressures caused by the arrival of about 1m refugees in Germany in 2015. But Ms Merkel has now promised to reduce refugee flows next year. This is likely to prove undeliverable as desperate migrants, aided by people smugglers, continue to flow in.

Admiration for the chancellor's courage and moral leadership will give way to uncertainty and discontent. The cracking point could be a revolt from local governments, who pronounce themselves unable to cope with the numbers. That, in turn, would finally provoke a challenge to the chancellor from within the CDU, making her position untenable. (Gideon Rachman)

WHO WILL WIN THE EURO 2016 FOOTBALL TOURNAMENT?

Belgium, the best team in the world, according to recent Fifa rankings. That arcane coefficient overstates Belgium's quality, but not by an exorbitant margin. Through an advanced system of scouting and coaching - and a liberal naturalisation policy for immigrants - this small nation under a rickety state has produced a torrent of elite players. Belgium can field an attacking trio of Eden Hazard, Kevin de Bruyne and Romelu Lukaku, Premier League stars whose combined market value would touch £150m. The German squad is more seasoned, Spain's more cohesive, but Belgium lacks little in sheer technical quality. With France playing host, there is also something akin to home advantage. (Janan Ganesh)

WILL BRAZIL'S DILMA ROUSSEFF BE IMPEACHED BEFORE THE OLYMPIC GAMES BEGIN IN RIO?

No. But it will be a close-run



Renminbi notes

thing. For now, Ms Rousseff probably has enough support in Congress to stop the process. But the more time passes, the worse the country's recession and the weaker her political support becomes. Impeachment proceedings, even if the House of Representatives votes for them to go ahead, will probably only begin on February 10. Assuming the process's complex sequencing then takes its full 180 days, Ms Rousseff could be impeached in mid-August. That would be after the Olympics officially starts on August 5 - phew - but, still in time for the high-jump final on August 16. (John Paul Rathbone)

WILL CHINA DEVALUE THE RENMINBI SIGNIFICANTLY NEXT YEAR?

Yes. China has good reasons to want to keep the renminbi stable against the US dollar in 2016 - a strong merchandise trade surplus, massive foreign exchange reserves and a de-

sire to show the world that the "redback" is a worthy reserve currency. But the renminbi is still likely to depreciate to about Rmb7 to the US dollar, down from about Rmb6.48 currently. The flagging Chinese economy is likely to need at least two interest rate cuts next year while the US dollar is supported by continued Fed tightening. That should keep capital outflows from China at a high level, putting downward pressure on the currency. The renminbi's trajectory is unlikely to be smooth. This may well be the most volatile year ever for the Chinese currency. (James Kynge)

WILL JEREMY CORBYN STILL LEAD BRITAIN'S LABOUR PARTY A YEAR FROM NOW?

Yes, and for several reasons. The first is that a majority of the party, if not its MPs, want him to. Despite Labour's weak showing in the opinion polls, the rank-and-file seem

happy with the direction the party is taking. Then, there is the congenial loyalty of Labour MPs. Unlike the Tories, the party has never excelled at assassinations. And in any case if, as now seems likely, Mr Corbyn tweaks the party's unclear leadership election rules to ensure that the incumbent is on the ballot come what may, any challenge would be quixotic at best. It took the full rhetorical force of Ernest Bevin to hound Labour's last pacifist leader, George Lansbury, into retirement in 1935 when the then union boss persuaded the party to stand up to fascism. Today's Labour is still waiting for its Bevin. They seem unlikely to show up next year. (Jonathan Ford)

WILL ABENOMICS FAIL IN 2016?

No. The record of Abenomics is mixed, but on balance, it has done Japan's economy more good than harm. That will continue in 2016. True, the central goal - to get inflation to 2 per cent - has been missed. Because of the oil price collapse, inflation, as normally measured, is still hovering around zero. Shinzo Abe's government compounded the problem by prematurely raising consumption tax, taking money out of people's pockets just when it wanted them to spend. Yet the broader reflationary goals of Abenomics are working. Stripped of energy prices, inflation is about 1 per cent. Public debt has stopped rising as a percentage of nominal output. Japan's companies are making record profits. Mr Abe's problem is that he has pledged to raise the consumption tax again in 2017. That is when the crunch

could come. (David Pilling)

WILL RUSSIAN ATHLETES COMPETE IN THE 2016 OLYMPICS?

Yes. There is no political will to punish Russia for resurrecting the mass doping of the Soviet era. Last month, it became the first country in history to be suspended indefinitely from athletic competition until it can prove it is clean. But Moscow and the west are keen to minimise the embarrassment of an independent report that listed some of the worst abuses the sport has seen. To compete in Rio, Russia will have to fire any officials that have been part of doping programmes, resolve all pending disciplinary cases, investigate its doping culture and demonstrate that it has changed its ways. The Russians say this will take three months. (Malcolm Moore)

WILL SALES OF CARS WITH DIESEL ENGINES FALL IN EUROPE IN 2016?

Yes. European car buyers were already growing less enamoured with diesel engines, and the autumn revelation that Volkswagen had installed software to cheat on emissions tests in 11m diesel vehicles worldwide will exacerbate the decline. Diesel's penetration among new European cars peaked at 55 per cent in 2010 and has been dropping fast in France, where subsidies have been reduced and scepticism about the environmental impact has risen. VW is a particularly big maker of diesel engines and its sales dropped more than 20 per cent in key markets in November after the scandal. In 2016, diesel's share will shrink so fast that it will outweigh the growth in the

overall car market. (Brooke Masters)

WILL BRENT CRUDE END THE YEAR OVER \$50?

Yes. The oil market in 2015 was brutal for anyone trusting in a rapid rebound from the previous year's crash. The tenacity of the US shale industry and surges in output from Iraq and Saudi Arabia meant the world was awash with crude. Next year, the lifting of sanctions on Iran could bring yet more oil to the market. Still, the financial torments of oil producers worldwide are forcing them to cancel projects and cut drilling programmes, curbing future supplies, and the impact will become apparent. Brent crude below \$50 a barrel is too low for the industry to make the investments needed to meet growing global demand. Providing the world economy does not skid into recession, this looks like being the year that the oil price heads back to more sustainable levels. (Ed Crooks)

WILL GEORGE OSBORNE SCRAP TAX RELIEF FOR PENSIONS IN HIS MARCH BUDGET?

Yes. The UK chancellor put off making a decision on the matter at November's Autumn Statement. But he sent a strong signal that far reaching change is coming. Upfront tax relief on pension contributions currently costs the exchequer nearly £50bn a year. A mooted "Pensions Isa" would slash this bill as workers would accumulate savings out of their taxed income instead, with the guarantee of withdrawing it tax-free upon retirement. The change would take years to implement. Taxpayers could prepare by making maximum contributions into pensions before the end of the tax year in April. (Claer Barrett)

WILL 2016 BE THE YEAR VIRTUAL REALITY FINALLY TAKES OFF?

No. But it will be the year in which many experience for the first time what may one day be the most transformative of all technologies. The first view through a VR headset - the chunky goggles used to view alternative 3D versions of reality - is, for most, unforgettable. But great demos don't make an industry. While VR games are starting to appear, there is a shortage of content for the devices. And the applications that will push it into the mainstream - like visiting a doctor or holding an office meeting in virtual space - are more dream than reality. Still, the technology is set to captivate the public imagination. Physical reality will never seem the same again. (Richard Waters)



Brazil's President Dilma Rousseff smiles

By Aliaksandr Kudrytski

Central bankers lead revamp as crises sweep ex-Soviet states

LENDERS of last resort are becoming agents of change for economies across the former Soviet Union. Their governments paralyzed by collapsing revenue, central banks sprang into action when the crisis hit last year, allowing more flexible currencies to take root from Belarus to Azerbaijan. Policy makers in Ukraine slimmed down the bloated bureaucracy and used competitive salaries to lure top executives from local banks, while their counterparts in Russia shut down the most lenders in more than a decade as part of a campaign to clamp down on dubious transactions and improve lending practices.

“These central banks are leading policy reform and economic innovation,” said Oleg Kouzmin, a former central bank adviser in Russia who’s now an economist at Renaissance Capital in Moscow. “In CIS countries, the central banks are the most efficient institutions when it comes to policy making, communication, development.”

Usually the last line of defense during financial meltdowns, central banks in an area from the Caspian to the Pacific have tried to do more than make sure their economies live to fight another day, breathing new life into the reform agenda stalled by crises. The devaluations in the region, while stoking inflation and devastating incomes, may also pave the way for a faster economic rebound. The International Monetary Fund predicts that gross domestic product will expand next year in the Commonwealth of Independent States, a loose grouping of former Soviet countries, growing 0.5 percent after a 2.7 percent contraction in 2015.

Changes in currency management and bank oversight still fall short of an overhaul needed for economies that remain riddled with corruption and vulnerable to swings in commodity prices. Bank of Russia Governor Elvira Nabiullina said in an October interview that the pace of structural reforms worried her more than a prolonged drop in oil prices. “Neither monetary nor budget policy can create stable economic growth,” she said.

The performance of currencies in former Soviet republics shows the scale of their adjustment to a regional crisis that began with the standoff over Ukraine in early 2014 and intensified after sanctions against Russia and the largest commodity collapse in a generation.

Azerbaijan’s manat and Kazakhstan’s tenge are the world’s worst performers against the dollar this year and Ukrai-



St. Sophia Square is illuminated to mark the upcoming New Year and Orthodox Christmas celebrations in Kiev, Ukraine

■ The devaluations in the region, while stoking inflation and devastating incomes, may also pave the way for a faster economic rebound

ne’s hryvnia and the Russian ruble were the biggest losers globally in 2014.

Russia’s central bank moved to a free float ahead of schedule in November 2014 to safeguard reserves. While the shift to inflation targeting has been on the regulator’s agenda for a decade, the crisis lent new urgency to the plans. Kazakhstan, Azerbaijan and Belarus soon loosened control over

their currencies as well.

Under the stewardship of Pavel Kallaur, the Belarusian central bank is moving ahead with the country’s biggest currency re-denomination and keeping policy tight. It’s also unveiled a plan to allow all citizens access to financial services at any bank next year via a universal login to increase competition among lenders.

“If the central bank continued with the same policy as before, the country would be back into a prolonged crisis,” said Alexander Chubrik, director at the IPM Research Center in the capital, Minsk, and a member of the central bank’s advisory board.

Among the former Soviet central bankers who’ve seized the mantle of reform, none have been put to a bigger test than Valeriya Gontareva, who took over the National Bank of Ukraine at the height of the separatist insurgency raging in the country’s east in the summer of 2014. Speaking to reporters in Kiev on Tuesday, she described the situation the central bank faced early this

year as a “perfect storm.”

Lacking central banking experience after almost two decades in finance, Gontareva was handed an economy on the brink of bankruptcy. Gontareva revamped the central bank’s operations and moved to contain a financial crisis with a program of stress tests and restructuring for lenders. The regulator has also made price growth, the world’s second-fastest, its focus after embarking on a transition to inflation targeting.

“A political, military and economic crisis isn’t a reason not to conduct reforms,” Gontareva said. “We took a risk, took responsibility.”

The central bank’s reorganization, including its reduction of personnel by more than half, is projected to save 7.3 billion hryvnia (USD303 million) in 2014-2016, according to Gontareva. Annual savings on operational expenditures are estimated at more than 1 billion hryvnia from 2017, she said.

“The reforms instigated at the National Bank of Ukrai-

ne have been revolutionary,” said Timothy Ash, a credit strategist at Nomura International Plc. in London. “If it can do all this, against entrenched vested interests, then such reforms can be rolled out and succeed elsewhere in Ukraine.”

While designed to combat the fallout of the crisis engulfing the former Soviet Union, the changes will probably long outlive the current downturn.

Even so, central bankers will still have to contend with authoritarian rulers who often have the final say in all matters of economic policy. There’s a 50 percent chance Kazakhstan will abandon its free float in the next 12 months, according to a November survey of economists by Bloomberg.

“The central banks should be independent to a bigger extent than now, while in all these countries they help the government to achieve some macro goals and act under pressure,” said Dmitry Polevoy, chief economist for Russia and the CIS at ING in Moscow. “This needs to be changed.” **Bloomberg**

Italy confirms higher cancer, death rates from mob dumping

By Nicole Winfield in Rome

AN Italian parliament-mandated health survey has confirmed higher-than-normal incidents of death and cancer among residents in and around Naples, thanks to decades of toxic waste dumping by the local Camorra mob.

The report by the National Institute of Health said it was "critical" to address the rates of babies in the provinces of Naples and Caserta who are being hospitalized in the first year of life for "excessive" instances of tumors, especially brain tumors.

The report, which updated an initial one in 2014, blamed the higher-than-usual rates on "ascertained or suspected exposure to a combination of environmental contaminants that can be emitted or released from illegal hazardous waste dump sites and/or the uncontrolled burning of both urban and hazardous waste."

Residents have long complained about adverse health effects from the dumping, which has poisoned the underground wells that irrigate the farmland which provides vegetables for much of Italy's center and south. Over the years, police have sequestered dozens of fields



Rubbish is piled on the edge of cultivated land near Caivano, in the surroundings of Naples

because their irrigation wells contained high levels of lead, arsenic and the industrial solvent tetrachloride.

Authorities say the contamination is due to the Camorra's multibillion-dollar racket in disposing of toxic waste, mainly from industries in Italy's wealthy north that ask no questions about where the garbage goes as long as it's taken off their hands — for a fraction of the cost of legal disposal. In recent years, Camorra turncoats have revealed how the mafia racket works, directing police to specific sites where toxic garbage was dumped.

In 2014, parliament passed a law mandating the National

Institute of Health, a public institution under the Health Ministry, to report on the rates of death, hospitalization and cancer in the 55 municipalities in the so-called "Land of Fires."

The new report, released on Dec. 30 with little fanfare, confirmed what residents have long known, an area priest, the Rev. Maurizio Patriciello, wrote on Saturday in *Avvenire*, the newspaper of the Italian bishops' conference which has long advocated on behalf of the area's residents.

"Can we claim victory? Absolutely not," he wrote. "In this shameful, sad and painful story, we have lost everything. The government above all." **AP**

African Penguins face threat from pet dogs

By Christopher Torchia in Johannesburg

AFRICAN Penguins struggle to find food at sea, contributing to a sharp drop in numbers over the years. The endangered animals also face a shore-based threat in South Africa — pet dogs.

More than 40 penguins were killed this year by one or more dogs and authorities recently increased patrols in a penguin nesting area where people often take their dogs for a walk, the city of Cape Town said last week.

Protective measures along Burgher's Walk in Simon's Town, which include requiring leashes for all dogs in the area, have been effective and full-time patrols will continue until the end of January, Cape Town officials said.

Authorities will try to find the right balance between protecting penguins in the urban district while at the same time "not over-regulating human recreation in the area," city councilor Johan van der Merwe said in a statement.

The decline of the African Penguin increased around 2004 with a southern shift in anchovies and sardines away from the hub of penguin co-

lonies along South Africa's Atlantic coast, reducing the penguins' ability to get food, according to experts. Scientists are unsure why the fish moved, considering climate change and overfishing as some of the possible causes. Namibia also hosts the endangered species.

In 2010, the International Union for Conservation of Nature declared the African Penguin endangered. Based on data around that period, it estimated the total number of African Penguins at about 80,000, amounting to a 60 percent drop in the population over 30 years. **AP**



ASK THE VET

by Dr Ruan Du Toit Bester



BASSET HOUND EYE PROBLEMS

THE basset hound breed is a scent dog belonging to the hound family. Basset hounds have short legs, a dewlap and trailing ears that help them trap scents. The dewlap is the loose skin that hangs beneath the neck and forms wrinkles. This in Macau seems to contribute to skin problems due to the yeast that builds up in between these wrinkles. A breed standard of basset hounds is their slightly sunken eyes with sagging lower eyelids. This characteristic makes the basset hound susceptible to numerous eye problems that include:

- Entropion or ectropion
- Primary glaucoma
- Dermoid cysts
- Ulcerative keratitis
- Nictitans gland protrusion

ENTROPIAN AND ECTROPIAN OF THE EYELIDS

Entropion, also known as "diamond eye", is a rolling inward of the eyelids. This may allow the eyelashes or hair around the eyes to rub against the cornea, causing discomfort and constant tearing. Entropion can result in eye damage and loss of vision due to scarring of the cornea. Very

young basset hounds with entropion may require a procedure called 'tacking' in which the eyelids are turned out with sutures. The sutures are kept in for up to 3 weeks to allow the eyelids to grow away from contact with the eyeball. An adult basset hound that develops entropion will require surgery to roll the lid outward into correct placement.

Ectropion is an eversion, or turning out of the eyelids. Eversion of the eyelid exposes the sensitive inner lining to foreign particles that can irritate or damage the eye. Irritants in the eye can also cause excessive tearing, known as epiphora. Although tears are made to flush the foreign particles when the dog blinks, the ectropion still prevents adequate dispersal of tears throughout the eye. A good veterinarian may determine that surgical correction of the ectropion is necessary to prevent permanent damage to the eye.

PRIMARY GLAUCOMA

Basset hounds are predisposed to primary glaucoma. Glaucoma is an increased internal pressure of the eye due to a blockage of eye fluid. Eyeball enlargement



can lead to permanent damage of the retina and loss of vision. The eye may appear bloodshot with a dilated pupil and cloudy cornea. Medications may be prescribed to temporarily alleviate pain and reduce the pressure within the eye. Most cases will eventually require hospitalization and medical treatment to prevent blindness. If one eye develops primary glaucoma, it is likely that the other eye will develop the same condition.

CONGENITAL DERMOID CYSTS

Dermoid cysts are congenital defects that occur on the eyeball and resemble skin. Dermoids do not usually grow very large but can grow hair that irritates the eye. Most dermoids do not require surgical removal unless the irritation is severe or vision is obstructed.

ULCERATIVE KERATITIS

Also known as corneal ulcers, ulcerative

keratitis may penetrate one or all layers of cornea, causing inflammation and deterioration of the cornea. Corneal ulcers can be very painful and cause sensitivity to visual stimuli and light. Treatment requires prescription pain relief and possible surgery or artificial lenses.

NICTITANS GLAND PROTRUSION

Cherry eye, or nictitans gland protrusion, is a protrusion of the gland inside the third eyelid. The third eyelid is between the eyeball and the outer eyelid. It protects and lubricates the eyeball. If the gland within the third eyelid protrudes and is exposed, it becomes irritated and inflamed, resembling a cherry. Medication may be prescribed to alleviate discomfort. Most cases of cherry eye require surgical correction.

Hope this info helps our Basset Hound owners
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