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Geopolitics Added

## **Forecasting the world in 2022**

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FT writers share their predictions for the new year, from the possible emergence of an even more infectious strain of coronavirus to the Ukraine stand-off and the NFT bubble

The world on the brink of 2022 seems an especially unpredictable, and unsettling, place. For the first time, two FT forecasts this year ask if Russia and China will invade neighbours (we say no, but that may be wishful thinking). Less optimistically, our forecasters warn a more infectious coronavirus variant than Omicron could yet emerge, inflation will not return to US targets, tighter monetary policy will hit equities, and the next global climate conference will still not achieve enough in limiting warming. A bit playfully, perhaps, John Thornhill forecasts shares of Elon Musk's Tesla will buck the trend and rise nonetheless.

For 2021, 17 of the FT's 20 forecasts proved correct. We were wrong about the US rejoining the Iran nuclear deal, and too pessimistic on Covid vaccinations (about half the total world population has received two doses, suggesting more than half of adults have). Progress on diversity in US boardrooms also beat our benchmark.

Eight FT readers scored 17, too, needing the tiebreaker to split them. Congratulations go to the overall winner, Atul Arya of Newton, MA. Readers are invited once again to try to beat the FT by providing their own answers to the 20 questions plus tiebreaker below, giving their real name and email. We wish everyone a happy and safe new year.  
Neil Buckley

FT readers: submit your predictions for 2022

Will a more infectious variant than Delta and Omicron come to dominate global coronavirus cases?

Yes. Most virologists expected Delta to be succeeded by something more infectious, but few foresaw such a sudden leap upwards in transmissibility and immune escape as Omicron. The virus may infect billions more people in 2022, so it would be surprising if evolution did not produce something that spreads even faster.

Whether the next dominant variant causes more serious illness and deaths will depend on the extent of vaccination and social distancing followed around the world. Clive Cookson

Will inflation be back at the US Federal Reserve's 2 per cent target by year-end?

No. The idea that the inflationary "surprise" of 2021 would be transitory was a mistake. The shortages seen in 2021 may indeed prove temporary. But the shelter

component in the consumer price index seems likely to rise sharply. The labour market is running hot, with low unemployment and high vacancy and quit rates. The surge in inflation has made short-term real interest rates even more negative. The moderate Fed tightening expected in 2022 and the long lags between tightening and its effects make it likely that core inflation, especially wage inflation, will rise, not fall, in 2022. Martin Wolf

Will the Great Resignation end?

Yes — or it will ease, at least. In the US, the Big Quit is already starting to lose steam, and mothers who stopped work while schools were closed are returning. Provided the Omicron wave passes, more workers will return as the virus recedes and savings amassed last year dwindle. But demographic ageing and lower migration mean labour markets will still be tight, with workers in shortage areas better placed to bargain up pay and conditions than before the pandemic. Delphine Strauss

Will national climate plans finally be enough to limit warming to the 1.5C target by COP27 in Egypt?

No. Even with all the new climate pledges made at Glasgow's COP26 summit, analysts say the world would still warm by at least 1.8C from pre-industrial times, and more likely 2.4C.

Keeping to the safer 1.5C that countries claim they want requires much bolder cuts in the biggest emitters' greenhouse gases — especially China, which accounts for 27 per cent of global emissions, more than the US and EU combined. But neither it nor other big economies show any sign of drastically improving their targets in 2022, nor the policies needed to reach them. Pilita Clark

Will the UK's Boris Johnson face a no-confidence vote from his MPs?

Yes, probably. Johnson has been written off many times before and in September seemed untouchable. But a run of errors has hammered the prime minister's authority, as have tax rises and Covid restrictions which many Tories oppose. Bad polls and shocking by-election defeats make MPs fear he has lost his winning touch.

A poor Tory performance in May's local elections is the most likely moment for opponents to strike; only 54 MPs are needed to force a vote. Johnson may prevail in that vote, especially if MPs are unsure who might succeed him. But with economic storms ahead and no sign he has changed his style there may well be enough Tories ready to try their luck. Robert Shrimmsley

Will France elect a far-right president?

No. France's nativist far-right has welcomed a new addition ahead of presidential elections in April: Eric Zemmour. But barring unexpected twists (a lot can

happen in four months), the former columnist is splitting the ultranationalist vote, mostly at the expense of Marine Le Pen, who no longer looks certain to make it to the runoff. In a second round, she or Zemmour would most probably face President Emmanuel Macron, who would rally the mainstream voters against them. The bad news for Macron, however, is that he would probably win by a smaller margin than in 2017. Anne-Sylvaine Chassany

Will Russia invade Ukraine?

No. A large-scale invasion would risk heavy Russian casualties and would run counter to Vladimir Putin's preference for subterfuge and plausible deniability. Putin can achieve many of his aims without it: destabilising Ukraine, deterring Kyiv's allies from providing military aid, intimidating Nato and forcing more concessions in talks to end the fighting in the Donbas. However, Moscow may yet escalate further, stepping up the conflict in the breakaway region, stirring up trouble in other parts of Ukraine or targeted incursions. The ability to escalate is the Kremlin's strongest asset. Ben Hall

Will Democrats lose control of Congress in November?

Yes. Democrats will lose both the House of Representatives and the Senate in a clean Republican sweep. Midterms are normally a setback for the party that controls the White House, but 2022 will look more like the "shellacking" Barack Obama's Democrats received in 2010. On top of President Joe Biden's low approval

ratings, Republicans have been gerrymandering districts in states they run, which will only reinforce liberal disaffection with a system they see increasingly as rigged against them. They have a point. But being right is no defence against losing. Edward Luce

Will the US Supreme Court give states free rein to ban abortion?

Yes. America's highest court is considering a Mississippi law that bans the procedure after the 15th week of pregnancy. Arguments held in December suggested that a majority of the justices no longer want to maintain the constitutional protections set out in the 1973 Roe vs Wade decision. A decision is expected by the end of June. If the justices do over-rule the landmark case, more than 20 states are poised to ban all or most abortions and the issue will move to the centre of the 2022 elections.

Brooke Masters

Will China invade Taiwan?

No, not this year at least. The question is fair given the escalation in military exercises by China near Taiwan, which lies about 161km from the mainland's coast. Lloyd Austin, US defence secretary, said in December that the exercises looked "a lot like rehearsals". But an attack on Taiwan would risk economic suicide for China. The US would almost certainly impose harsh sanctions that could cover the lion's share of \$350bn in semiconductors that

China imports every year. China's economy would buckle without these chips. James Kynge

Will Myanmar's military consolidate its grip?

No. Nearly a year after the coup that toppled Aung San Suu Kyi, Min Aung Hlaing's regime faces mass opposition from an angry population. No foreign partners, including Russia and China, have formally recognised it as Myanmar's government, although Cambodia and India have made diplomatic overtures. Despite a military counter-insurgency campaign in the north-west, guerrilla "people's defence forces" are holding on to swaths of territory. With the economy in freefall and the coup proving a failure, the generals' playbook of rerunning the 2020 election their proxy party lost looks fanciful. John Reed

Can Iran be prevented from developing a nuclear weapon?

Yes. Talks are struggling to salvage the 2015 nuclear deal that Iran signed with world powers but Donald Trump abandoned. Tehran is enriching uranium close to weapons-grade levels. The Biden administration hopes to save the deal, but the odds of an agreement that convinces Iran to return to compliance appear slim. Experts believe Tehran's calculation is that the risks outweigh any security gain, while Iran insists its programme is for civilian use. The key, however, may be whether Israel can be convinced to avoid acts of

aggression that provoke Iran to move to the next dangerous stage. Andrew England

Will African countries manage to vaccinate 70 per cent of their populations?

No. Though some countries, such as Morocco and South Africa, will almost certainly reach the level deemed necessary by the Africa Centres for Disease Control and Prevention, others will not. In 2021, efforts to secure enough vaccines through purchases, donations and the global Covax initiative failed as western countries used their purchasing clout to jump to the front of the queue. The situation will improve in 2022. But new variants, the clamour for booster shots from wealthier countries and logistical problems mean many African countries will continue to lag behind. David Pilling

Will Brazil's president Jair Bolsonaro remain in power?

No. The far-right former army captain may have vowed in September that "only God can take me from the presidency" but despite his bravado, a more prosaic end beckons. High inflation and a stalling economy will conspire against his winning another term in the October presidential election. Former president and icon of the left Luiz Inácio "Lula" da Silva is favoured to win by a wide margin, and neither Brazil's masses nor its democratically-minded armed forces are likely to back any Trump-style bid by Bolsonaro to cling to power after an electoral defeat. Michael Stott



Will the S&P 500 fall by more than 10 per cent?

Yes. It is hard to believe that the US Federal Reserve, essentially the price-setter for global stock markets, can engineer its way out of a period of supercharged monetary stimulus without upsetting equities, particularly given that inflation has proven a much tougher beast to tame than most investors, analysts and policymakers had predicted. The chance that the Fed will need to hit the brakes hard is real, especially given how politicised inflation has become in the States. Whether markets would remain pinned lower is another matter entirely. Katie Martin

Will America's Section 230 be reformed to curb Big Tech?

No. Many on both sides of the political aisle want to reform this loophole that allows technology companies off the legal hook for harmful content on their platforms — but for different reasons; Democrats and Republicans are concerned about different types of content. There are several proposed reform bills up in Congress, and whistleblower revelations about what Facebook (now Meta) knew about how its apps harmed teens have added fuel to the fire. While there's pressure for both sides to be tough on tech in advance of midterms, the lack of an easy fix will make getting to "yes" difficult. Rana Foroohar

Will Tesla shares end the year higher than now?

Yes. By any traditional financial metric, Tesla's shares remain madly overvalued, in spite of heavy falls towards the year end. A price/earnings ratio that has topped 300 in 2021 assumes that everything that can possibly go right at Tesla will keep going right into the indefinite future. But Tesla's shares have become more than a claim on future corporate cash flow. Thanks to the mercurial genius of chief executive Elon Musk, they have become alternative NFTs: non-financial tickets to the future. There remain more buyers than sellers of that particular kind of token. John Thornhill

Will many other countries follow China's crypto clampdown?

No. Three months after China declared all crypto activities "illegal", it is still seen very much as an outlier. Part of it is logistical. Most regulators say a broad crypto ban would be impossible to implement in markets with free and easy internet access. Regulators, especially in the west, are also naturally resistant to outlawing market activity without a very good reason, such as evidence of actual harm being done. In most jurisdictions, the approach is putting up guardrails. The US has started developing legislation which includes banning non-banks from issuing some types of cryptocurrency, and the EU has drawn up draft rules to regulate those who service crypto assets and issue them. One exception to the trend is India, whose government said in November it was considering banning private crypto. Laura Noonan

Will more musicians confront the power of the streaming giants?

Yes. When Adele demanded that Spotify make it harder for users to shuffle the tracks on her album 30, the streaming service unctuously tweeted: “Anything for you.” A recent UK study estimated 80 per cent of streams derive from 1 per cent of artists. Keeping the elite sweet is vital, as with Spotify’s efforts to mend fences when Taylor Swift temporarily pulled her catalogue from it in 2014. But streaming platforms must guard against being valet services for superstars. After Spotify went overboard promoting Drake’s 2018 album Scorpion, irate subscribers demanded refunds. The “anything for you” policy will intensify, but servility carries risks too. Ludovic Hunter-Tilney

Will the bubble in art-related NFTs burst?

No. Since Beeple’s \$69m sale at Christie’s in March, art-related NFTs have proliferated at a rate that has surprised everyone. Galleries and auction houses have created special NFT departments; leading artists — Damien Hirst among them — have jumped in with special projects; a legion of unknown names are launching NFTs each day. The phenomenon has all the hallmarks of a classic bubble, so there will almost certainly be a steep correction at some point. But the number of players entering the field,

their flexibility and their speed of innovation mean that for 2022, at least, this market will continue to surge. Beyond another year, however: caveat emptor. Jan Dalley

Tiebreaker: How many trillion-dollar market value companies will there be at the end of 2022?
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