Goldman Sachs

2018
THE WORLD CUP AND ECONOMICS

For a list of authors, please see inside

The Goldman Sachs Group, Inc.

THE WORLD CUP 2018 DREAM TEAM

(as selected by you!)

Keeper:

David de Gea (ESP):
The Manchester United keeper has dethroned Manuel Neuer between the sticks in the latest edition of the Dream Team with 45% of the votes, 15% more than the German.

Defence:

Joshua Kimmich (GER):
The promising Bayern Munich defender replaces Dani Alves at right-back: time to make way for the young!

Sergio Ramos (ESP):
The only defender to keep his slot from the 2014 team. The experienced Spaniard was the top pick in defence with more than 60% of the votes.

Mats Hummels (GER):
The German made the team only by a thin margin over his Bayern Munich teammate Boateng.

Marcelo (BRA):
With nearly 60% of the votes, nobody came close to matching the claim for Marcelo at left-back.

Midfield:

Kevin De Bruyne (BEL):
The Belgian was by far the top pick in midfield with more than 50% of the votes after his brilliant club season.

David de Gea (ESP)
Manchester United

Joshua Kimmich (GER) Bayern Munich

Sergio Ramos (ESP) Real Madrid

Mats Hummels (GER) Bayern Munich

Marcelo (BRA) Real Madrid

Kevin De Bruyne (BEL) Manchester City

Philippe Coutinho (BRA) Barcelona

Toni Kroos (GER) Real Madrid

Lionel Messi (ARG) Barcelona

Cristiano Ronaldo (POR) Real Madrid

Neymar (BRA) Paris Saint-Germain

MANAGER Joachim Low (GER)

Toni Kroos (GER):
The German outperformed his club teammate Luka Modric by only 25 votes and N'Golo Kante by 35 votes and will act as holding midfielder for the team.

Philippe Coutinho (BRA):
Thanks to a strong season, first at Liverpool and then Barcelona, the Brazilian squeaks into the Dream Team ahead of Paul Pogba of France.

Attack:

Lionel Messi (ARG):
As in 2010 and 2014, the Argentinian is again the top pick among clients. Will this be the time he brings the cup back to the Albiceleste?

Cristiano Ronaldo (POR):
The Portuguese star closely follows Messi in the votes, and will try to lead Portugal to victory after their 2016 Euro Cup success.

Neymar (BRA):
Along with Messi, Ronaldo and Sergio Ramos, the Brazilian was also in the 2014 Dream Team and was selected by almost 40% of clients.

Coach:

Joachim Löw (GER): With 60% of the votes, the experienced head coach of Germany was an easy choice for our clients after leading his team to the 2014 trophy.

Here is our 2018 Dream Team, selected by you, the client. Once again the team is organised in a 4-3-3 formation, but with this year's edition we introduced the possibility to pick the head coach. Congratulations to Mr. Joachim Löw for being the first to win this coveted award, and to Lionel Messi for being – as in 2014 – the top pick with 75% of the votes. And consolations to Messrs Courtois, Varane, Iniesta, Salah and Deschamps, who narrowly missed out – up to them to prove, over the next weeks, that they deserved to be in the Dream Team!

The World Cup and Economics 2018

It is that time. Summer is in the air, the greatest competition in the world is about to begin, and we have published the sixth edition of our book on the World Cup and Economics. This traditionally eccentric mix of economic insight, tenuous correlations and footballing views remains one of our most popular publications, and we invite you to use it as a guide and companion through the upcoming competition.

We have turned again to a famous guest contributor to provide an expert perspective on the competition. Carlo Ancelotti, famous Italian player and legendary manager, shares his thoughts on what it takes to win the World Cup; his top tips – Brazil and Spain; and how the competition in Russia could be different. As Clemens Grafe describes, a World Cup tournament in Russia is long overdue, but football in Russia has some shortcomings in common with the economy, and the preparation going into the opening game has been less than ideal.

Our economists from across the world have a page on the 31 other participating countries. The economic analysis is thoughtful, the footballing assessment is balanced, but the conviction level on their respective country performance is overly strong. If only they had the same strongly held beliefs about their regular views.

The core of the publication is the forecasting model – where this year, Adam, Manav and Nicholas augment the typical team level data with player level characteristics. After hours of number crunching, 200,000 probability trees, and 1 million simulations, some of the results are strikingly intuitive: England meets Germany in the quarters, where Germany wins; and Germany meets Brazil in the final, and Brazil prevails. For the doubters out there, this final result was cross-checked in excruciating detail by our (German) Chief Economist Jan Hatzius! The match-by-match probabilities – which we will update throughout the competition – produce some genuinely interesting results. While Germany is more likely to get to the final, France has a marginally higher overall chance of winning the tournament, and along with Brazil, Germany, and France, Portugal squeaks into the semis, ahead of Argentina.

We also include a pull-out calendar and the World Cup dream team, selected by you, our clients from across the world. Based on the several hundreds of votes submitted, we have narrowed the list down to a final 11 playing in a 4-3-3 formation. As in previous editions, Lorenzo Incoronato has highlighted some key macro trends in World Cups, and taken the 'dodgy correlations' featured in 2014 to new heights, showing how the ability of strikers to score from the spot is not unrelated to the ability of central bankers to hit their inflation targets.

We hope you enjoy the publication and the World Cup, and it provides some break from these difficult markets.

Good luck to all the teams and our clients.

Kamakshya Trivedi and Sven Jari Stehn

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and the
Global Macro Research Team

Contents

A Statistical Model of the 2018 World Cup

When Lionel Messi observed that "in football…talent and elegance mean nothing without rigor and precision", he was clearly thinking as much about the econometrics behind forecasting the score as the tactics behind winning the match. But while selecting the best starting eleven requires human judgment and experience, choosing the best variables to predict the outcome of a game is better left to a statistical model. Or more precisely, 200,000 models: harnessing recent developments in "machine learning," we mine data on team characteristics and individual players to work out which factors help to predict match scores. This gives us a large number of forecasts, which are combined to produce an overall projection. We then simulate 1,000,000 possible evolutions of the tournament to gauge the probability of each team progressing through the rounds.
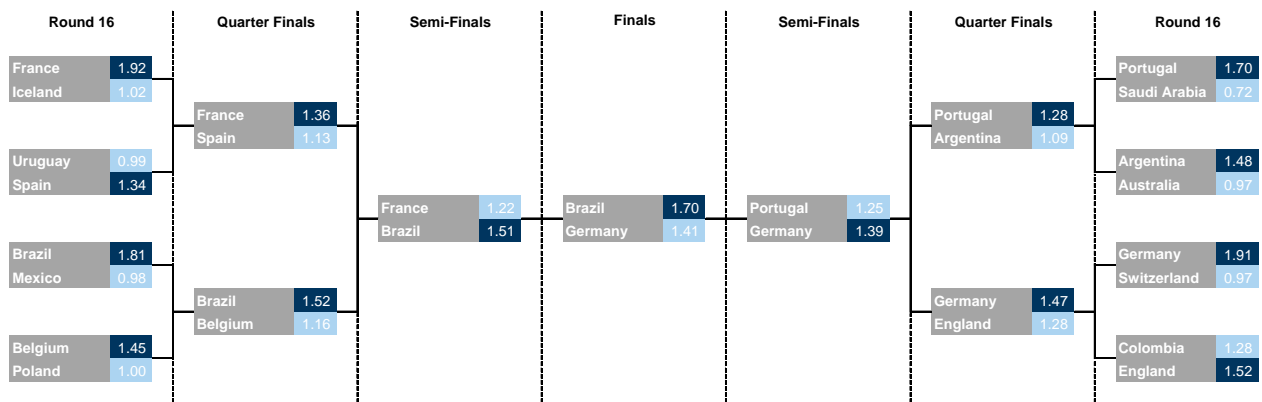
Our key predictions are:

- Brazil will win its sixth World Cup title—defeating Germany in the final on July 15th (Exhibit 1).

- France has a higher probability than Germany of winning the World Cup (Exhibit 2). But its (bad) luck in the draw sees it meeting Brazil at the semi-final stage, and the team may not be strong enough to make it past *Seleção*.

- Those looking for a repudiation of Gary Lineker's observation that "football is a simple game; 22 men chase a ball for 90 minutes and, at the end, the Germans win" will be disappointed: Germany is forecast to defeat England in the quarter finals on July 7th.

- Spain and Argentina are expected to underperform, losing to France and Portugal in the quarter finals, respectively.

- Despite the traditional boost that comes with hosting the competition, Russia just fails to make it through the group stage (Exhibit 3).

Football and Machine Learning: From Nottingham Forest to Random Forest

We are drawn to machine learning models because they can sift through a large number of possible explanatory variables to produce more accurate forecasts than conventional alternatives.[1] More specifically, we feed data on team characteristics, individual players and recent team performance into four different types of machine learning models to analyze the number of goals scored in each match.[2] The models then learn the relationship between these characteristics and goals scored, using the scores of competitive World Cup and European Cup matches since 2005.[3] By cycling through alternative combinations of variables, we get a sense of which characteristics matter for success and which stay on the bench. We then use the model to predict the number of goals scored in each possible encounter of the tournament and use the unrounded score to determine the winner. For example, Germany narrowly beats England in the quarterfinals with 1.47 vs 1.28 goals.

Exhibit 4 provides some intuition for how our framework works, showing how the variables considered contribute to the overall explanatory power of the model. We group together several team-level and player-level variables for ease of exposition. Four characteristics stand out. Team-level results are the most important driver of success. Recent team performance—measured with the "Elo" rankings—accounts for about 40% of overall explanatory power.[4] But even after taking team performance into account, individual players make a difference. We find that player-level characteristics—including the average player rating on the team, as well as attacking and defending abilities—add another 25% of explanatory power. Recent momentum—as measured by the ratio of wins to losses over the past ten matches—matters. Similarly, the number of goals scored in recent games and the number of goals conceded by the opponent team help gauge success in the next game.

Exhibit 1: Brazil to win

Round 16	Quarter Finals	Semi-Finals	Finals	Semi-Finals	Quarter Finals	Round 16

France	1.92
Iceland	1.02
France	1.36
Spain	1.13
Uruguay	0.99
Spain	1.34
France	1.22
Brazil	1.51
Brazil	1.70
Germany	1.41
Brazil	1.81
Mexico	0.98
Brazil	1.52
Belgium	1.16
Belgium	1.45
Poland	1.00
Portugal	1.28
Argentina	1.09
Portugal	1.70
Saudi Arabia	0.72
Argentina	1.48
Australia	0.97
Portugal	1.25
Germany	1.39
Germany	1.47
England	1.28
Germany	1.91
Switzerland	0.97
Colombia	1.28
England	1.52

Source: Goldman Sachs Global Investment Research.

Exhibit 2: A Close Race Between Germany and France, Behind Brazil

World Cup Probabilities					
	Round 16	Quarters	Semis	Finals	Champion
Brazil	87.5	60.8	42.0	27.9	18.5
France	81.4	58.4	36.6	19.9	11.3
Germany	80.5	49.5	30.5	18.8	10.7
Portugal	75.2	52.8	32.2	17.3	9.4
Belgium	78.5	51.1	27.7	15.8	8.2
England	72.3	50.1	28.8	15.4	7.8
Argentina	73.1	46.6	24.4	13.4	6.5
Spain	79.7	44.2	24.1	11.8	5.7
Colombia	74.9	37.3	17.0	8.5	3.7
Uruguay	74.4	34.6	17.2	7.2	3.2
Poland	68.5	30.5	12.8	5.8	2.3
Mexico	47.8	26.3	12.4	5.2	2.0
Denmark	52.0	23.2	10.5	4.9	1.9
Sweden	45.9	19.4	8.3	3.7	1.3
Iran	35.4	18.1	7.2	2.6	0.8
Peru	37.3	17.2	6.8	2.5	0.8
Russia	33.5	15.4	6.3	2.3	0.7
Switzerland	47.9	16.3	6.0	2.0	0.7
Australia	49.8	16.9	6.3	2.1	0.6
Croatia	42.8	15.9	6.1	2.0	0.6
Iceland	45.2	15.1	5.6	1.8	0.5
Costa Rica	36.8	13.3	4.7	1.6	0.5
Tunisia	32.9	12.1	4.5	1.5	0.5
Saudi Arabia	36.5	12.8	3.8	1.3	0.4
Serbia	43.4	12.7	4.2	1.3	0.4
Japan	35.2	13.3	4.1	1.3	0.4
Egypt	34.4	8.7	2.5	0.7	0.2
Morocco	21.6	5.9	1.7	0.5	0.2
Nigeria	17.1	6.8	1.8	0.5	0.1
Senegal	25.2	6.5	1.7	0.4	<0.1
Korea Republic	20.1	4.9	1.2	0.3	<0.1
Panama	13.2	3.3	0.5	0.1	<0.1

Source: Goldman Sachs Global Investment Research

Exhibit 3: Saudi Arabia Ahead of Russia in Group Stage

Group A	W	D	L	GF	GA	GD*	Pts
Uruguay	2	1	0	5	3.00	1.8	7
Saudi Arabia	0	3	0	3	3.00	-0.6	3
Russia	0	2	1	3	4.00	-0.1	2
Egypt	0	2	1	3	4.00	-1.2	2

Group B	W	D	L	GF	GA	GD*	Pts
Portugal	2	1	0	5	3.00	1.9	7
Spain	1	2	0	4	3.00	1.5	5
Iran	0	2	1	3	4.00	-0.8	2
Morocco	0	1	2	3	5.00	-2.6	1

Group C	W	D	L	GF	GA	GD*	Pts
France	3	0	0	6	3.00	2.6	9
Denmark	0	2	1	3	4.00	0.0	2
Peru	0	2	1	3	4.00	-1.1	2
Australia	0	2	1	3	4.00	-1.4	2

Group D	W	D	L	GF	GA	GD*	Pts
Argentina	3	0	0	6	3.00	2.2	9
Croatia	0	2	1	3	4.00	-0.1	2
Iceland	0	2	1	3	4.00	-0.4	2
Nigeria	0	2	1	3	4.00	-1.7	2

Group E	W	D	L	GF	GA	GD*	Pts
Brazil	3	0	0	6	3.00	3.2	9
Switzerland	0	2	1	3	4.00	-0.8	2
Serbia	0	2	1	3	4.00	-1.1	2
Costa Rica	0	2	1	3	4.00	-1.2	2

Group F	W	D	L	GF	GA	GD*	Pts
Germany	3	0	0	6	3.00	2.3	9
Mexico	0	2	1	3	4.00	0.1	2
Sweden	0	2	1	3	4.00	-0.3	2
South Korea	0	0	0	0	0.00	0.0	0

Group G	W	D	L	GF	GA	GD*	Pts
Belgium	2	1	0	5	3.00	2.4	7
England	2	1	0	5	3.00	1.9	7
Tunisia	0	1	2	3	5.00	-1.1	1
Panama	0	1	2	3	5.00	-3.2	1

Group H	W	D	L	GF	GA	GD*	Pts
Colombia	2	1	0	5	3.00	1.7	7
Poland	2	1	0	5	3.00	1.3	7
Japan	0	1	2	3	5.00	-0.8	1
Senegal	0	1	2	3	5.00	-2.2	1

*Goal difference uses the unrounded goal predictions from the model

Source: Goldman Sachs Global Investment Research.

Brazil is clearly the strongest team across these metrics, with the highest Elo rating (Exhibit 5), talented individual players (Exhibit 6) and a good win/lose ratio in recent games (Exhibit 7). We also see why France and Germany run neck and neck for second: Germany has a higher Elo rating than France, but France has performed better in recent games. And France appears to have a more unfavorable draw than Germany: if France and Germany started in each other's respective group, the most likely result would be a Brazil-France final (although the winner would remain Brazil). Spain's chances are likewise diminished by a tough draw, facing Portugal in the group, and needing to get past France and Brazil in the knock-out stages. Finally, Argentina ranks higher on Elo than Portugal, but loses to Portugal in the quarter finals due to poor performance in recent games.

How Confident Can We Be?

It is difficult to assess how much faith one should have in these predictions. We capture the stochastic nature of the tournament carefully using state-of-the-art statistical methods and we consider a lot of information in doing so (including player-level data). But the forecasts remain highly uncertain, even with the fanciest statistical techniques, simply because football is quite an unpredictable game. This is, of course, precisely why the World Cup will be so exciting to watch.

Manav Chaudhary, Nicholas Fawcett, and Sven Jari Stehn

We would particularly like to thank Adam Atkins of GSAM for building the models and running all of the simulations.

1. Judging by explanatory power, our revamped models were five times more accurate than our earlier Poisson-based regression.
2. The models include a random forest, Bayesian ridge regression, Lasso regression, and a gradient boosted machine.
3. We use data from all World Cup and European cup tournaments and qualifying matches. Interestingly, when we include friendlies, we find that our models become less accurate—perhaps because managers see a chance to experiment with new playing formations, or simply field a weaker team.
4. The Elo system was originally devised to rank chess players. It is a composite measure of national football team success that evolves depending on a team's results and the strength of its opponents.

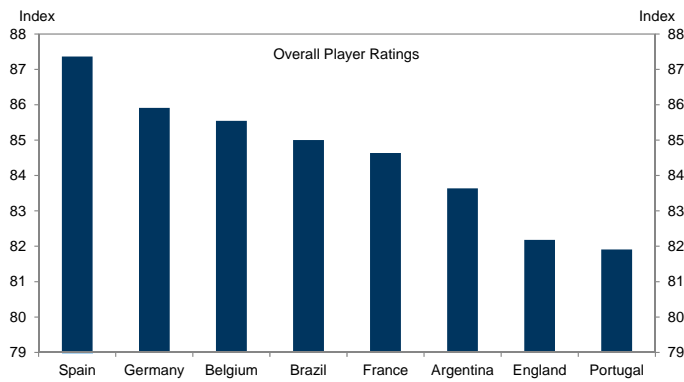**Exhibit 4: The Importance of Teams vs Players**

Note: We use 53 seperate variables in our analysis
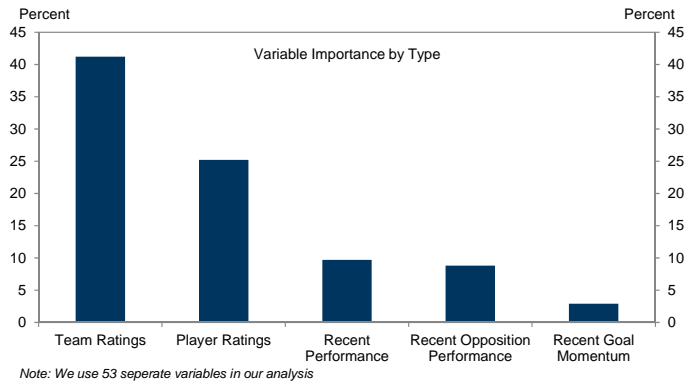
Source: Goldman Sachs Global Investment Research.
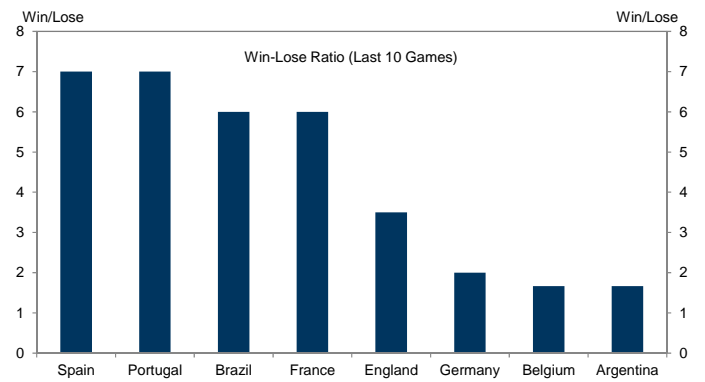
Exhibit 5: Brazil is Ranked First
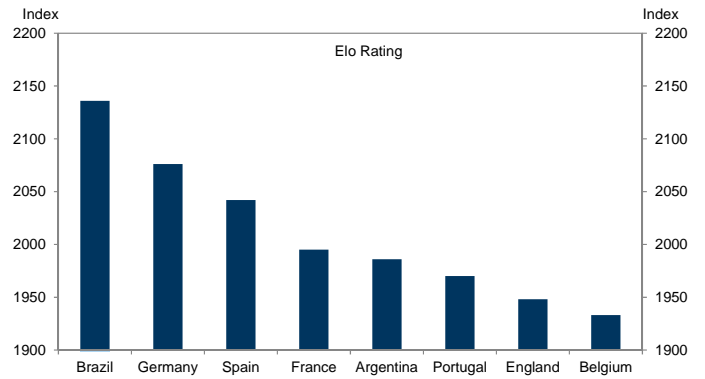
Source: Elo ratings, FIFA, Goldman Sachs Global Investment Research.

Exhibit 6: The Strength of Individual Players

Source: FIFA, Goldman Sachs Global Investment Research.

Exhibit 7: Argentina Has Negative Momentum

Source: FIFA, Goldman Sachs Global Investment Research.

Interview with Carlo Ancelotti

Carlo Ancelotti is a former Italian professional footballer and one of the most pre-eminent coaches in football globally. As a player, he appeared in two World Cup competitions with Italy, and is now one of only three managers to have won the UEFA Champions League three times. He will manage the Napoli football club for the 2018-19 season.

The views stated herein are those of the interviewee and do not necessarily reflect those of Goldman Sachs.

Q. You have had a very glittering career playing in two World Cups and managing teams to several titles, nationally and internationally. What has been your experience of the World Cup?

Carlo Ancelotti (CA): I was involved in three World Cups – in 1986 and 1990 as a player, and in 1994 as an assistant manager and it was a fantastic experience, one of the best in my life. There is a really strong motivation to be part of the national team and to play for your country. And in the same way, all the players that are involved will be really strongly motivated because it's a fantastic moment in their career.

Q. Who will be the four semi-finalists in your opinion at the 2018 World Cup and who do you think will go on to win it?

CA: I think there are two teams that can possibly win the World Cup: Brazil and Spain. There is then a group of teams behind them such as France and Germany that have a lot of experience in this competition, and Argentina, as it has one of the best players at the moment, Messi.

Q. And if you had to pick one winner, who would you go for?

CA: I think Brazil has more chances as the new manager has built a really strong defence over the recent period. Hence, considering that they also have fantastic offensive quality, they have, in my opinion, a good balance to be the favourites for the World Cup.

Q. What do you think this World Cup will be remembered for?

CA: The most interesting fact may be that it won't be as hot as it would usually be when the World Cup is held in June. I think that the cooler temperature in Russia can help teams to play with more intensity and we may see more entertaining football for the supporters.

Q. Which teams are most underrated and can surprise people?

CA: I think there are two teams that maybe are underrated. Belgium has a lot of players that are playing in Premier League for example. Croatia also has many players with experience and skills. They could be a surprise in this World Cup.

Q. You mentioned Messi who will be a key player for Argentina. Any other players that everybody will be talking about after the World Cup?

CA: Apart from Messi, there is Ronaldo and Neymar, and I think you also have to look at Griezmann and Mbappe from France.

Q. Do you think it has become harder to win the World Cup now relative to the past?

CA: It's always difficult to win the World Cup because you have to be in good physical condition with the right mentality. It's always difficult. But at the World Cup, differently from the European Cup for the national teams, there are typically fewer surprises. At the European Championship it can sometimes happen that Greece wins the title or for example Portugal in the last edition. At the World Cup the winner is typically from the same group of countries, such as Brazil, Argentina, Germany or Spain. Unfortunately, Italy cannot hope to win this competition this year, but there will not be a big surprise for the winner.

Q. Do you think we will see a country from outside Europe or Latin America win the World Cup in our lifetimes?

CA: The geography of football is changing and countries like China and USA are trying to improve their knowledge about football. But I am not sure I will be able to see in my lifetime a team like China or USA winning the World Cup. It is very difficult, but you never know in football.

Q. What are the main differences between managing a club versus a national team at the World Cup?

CA: I think there is a big difference. A club manager has the time to build a good playing style, a good philosophy, and good tactics. By contrast, the manager of the national team doesn't have the time to do this because he cannot train the team every day. So, you have to be really focused for one month to prepare for this kind of competition, and sometimes more than the technical and tactical aspects, the psychological aspect is important, in order to motivate the players for this short period.

Q. You are going on to a new adventure to manage the Napoli football club. What are your expectations for this new adventure?

CA: I expect to do my best as always. I know really well the atmosphere and the passionate supporters of Napoli because I was an opponent at the time when Maradona was in Napoli. Napoli did really well in the past couple of years, and I want to build on that

Russia: The 2018 World Cup Host

The 2018 World Cup

Russia beat joint bids by Spain and Portugal, The Netherlands and Belgium, and by England, to host the Football World Cup 2018. Russia (and the former Soviet Union) is the only European country with a population larger than 10mn that has never hosted either a European Championship or a World Cup. Hence, hosting this tournament is overdue.

As the host nation, Russia did not have to qualify but the team's preparations have arguably not gone well. Russia now ranks 66th in the FIFA ranking, the lowest position it has ever held and a sharp deterioration from the 13th place it held in 2010 when it won the contest to host the Cup.

Russia has been drawn together with Saudi Arabia, Uruguay and Egypt in a group populated by emerging market economies. Though Uruguay is the smallest, it is the clear favourite in the group according to its FIFA ranking at position 17, compared with Egypt at 46 and Saudi Arabia at 67.
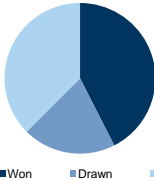
Stanislav Cherchesov was appointed to coach the team after its disastrous Euro 2016 campaign. He is a former top class goalkeeper and, after coaching success in Austria and in the domestic league, had led Legia Warszawa to the Polish Double in 2015/16. Unlike previous Russian teams, which typically were well organised in defence but found it difficult to score, the current team's strength is arguably in attack. Though the team has generally played its recent friendlies against strong opposition, it scored 25 goals in 18 fixtures in the last two years, putting three goals past reigning European champion Spain in November. However, the team also conceded three goals in each of its last three friendlies.

Injuries sustained by some key defenders are part of the reason for this. Three long-standing defenders retired in 2016 and coach Cherchesov has tried a double-digit number of players as centre-back since. With two of the most promising ones missing the tournament due to injuries, the Russian defence – apart from stalwart goalkeeper Igor Akinfeev – remains work in progress.

Russia's bad luck with injuries has not been restricted to its defence. Key forward Alexander Kokorin from Zenit St Petersburg is injured as well, increasing the pressure on Krasnodar striker Fyodor Smolov to perform well. Fyodor has been one of the top two strikers in the Russian league in each of the last three years. Russia's mid-field will likely include two wing-backs given that Cherchesov prefers a formation with three defenders at the back. But who will fill these positions is not yet settled, although one is likely to go to Alexandr Samedov, who often also takes the set pieces.

In central mid-field many commentators thought that Cherchesov should have relied on Igor Denisov from Lokomotiv Moscow, but the coach hasn't called on him since they were in the same team at club level in 2015. Instead, Alexander Golovin, Roman Zobnin, Daler Kuzyaev and Alan Dzagoev are likely to compete for the three central mid-field positions, while Alexey Miranchuk is tipped to start as an attacking mid-fielder behind Smolov, possibly supported by his brother Anton, though veteran Yuriy Zhirkov might also still play his role and add the necessary experience.

Statistics for Russia

Odds: 40/1	World Ranking: 66		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
14-Jun	Luzhniki Stadium	Saudi Arabia	18:00
19-Jun	Saint Petersburg Stadium	Egypt	21:00
25-Jun	Samara Arena	Uruguay	18:00
Previous Appearances: 10 (3 as Russia, 7 as USSR)			
Host	**Year**		**Outcome**
Sweden	1958		Quarter-finals
Chile	1962		Quarter-finals
England	1966		Fourth place
Mexico	1970		Quarter-finals
Spain	1982		Round of 16
Mexico	1986		Round of 16
Italy	1990		Round 1
USA	1994		Round 1
Korea/Japan	2002		Round 1
Brazil	2014		Round 1

Previous World Cup Results

Games Played	40
Won	17
Drawn	8
Lost	15
Goals Scored	66
Goals Against	47
Yellow Cards	38
Red Cards	3

■ Won   ■ Drawn   ■ Lost

Source: Ladbrokes.com, FIFA Public Website

Football in Russia

Russia, and previously the Soviet Union, has a long tradition of participating in World Cups. After the Soviet Union started to compete for the World Cup in 1958, it only failed to qualify twice out of 11 tournaments until 1990. One World Cup that it did not qualify for was the one held in Germany in 1974, when the Soviet Union refused to play the qualifying match in Chile following the coup that had taken place there two months earlier. FIFA still held that match without the visiting team being present and Chile scored into an empty goal. Despite being one of the more frequent qualifiers, the Soviet Union never managed to proceed past the Semi-finals, which it lost to Western Germany in 1966. Russia, with a population that is only half as large as that of the Soviet Union, has been less successful, qualifying for 3 out of the 6 possible tournaments since 1994 but never getting past the group stage.

Russian football is arguably suffering from the same shortcomings as the economy: Dutch disease, an excessive role of the state, limited foreign integration and lack of competition. Arguably, these factors have held back progress in recent years and are partially to blame for Russia's slide in the FIFA rankings. The Russian team is the only one, apart from England, where almost all of the players compete in the local league. The English football league boasts the highest revenues and gate receipts per club of any of the major leagues, and hence clubs can afford to pay the highest wages and local players have little reason to move abroad. In Russia, wages are high even though gate receipts are among the lowest, while

clubs instead are disproportionately financed by sponsorship deals, often provided by Russia's natural resource companies.

Not surprisingly given the high wages, the English league also has the highest share of foreign-born players (c65%), keeping competition for local players high. Instead, the Russian league has one of the lowest shares of foreign-born players (c43%): the number of players per team not born in Russia is restricted, keeping competition for local players limited.

Just like in the economy, the role of Russia's state in football is very large. Of the 36 teams in the first two divisions, 31 are run either by local governments or by state-run corporations. With average match attendance below 12,000 in the Russian Premier League and TV rights making up just 10% of the league's profits, public investment gives the state unprecedented control over clubs.

With foreign competition restricted and established players staying at home, Russia's best hope is to attract new entry internally and build out its youth system. There has been a concerted effort since 2015 to do so, and applying best international practice there already appears to have been some progress – although this World Cup may come too early for some of the Russian protégés like Zobnin, Golovin, Anton and Aleksei Miranchuk, who are all younger than 25 years old.

The economy

Russia's economy emerged from a two-year-long recession last year, a downturn that was triggered by the sharp fall in oil prices and the imposition of international sanctions in 2014. Cumulatively, output fell by 3.7% in the recession and the recovery has been slow. After growing by 1.5% in 2017, output remains below the pre-recession level and we estimate that Russia has the second-largest output gap among the countries we cover globally. The recession was arguably deepened as a result of deliberate structural policy choices that, in our view, continue to hold growth below the 2.5-3% rate that we consider to be Russia's current potential.

Russia's Central Bank (CBR) used the sharp sell-off in the Ruble in 2014 to successfully garner political support to finally float the currency and correct Russia's almost decade long inconsistent policy set-up of having one of the most open capital accounts in EM while not having a flexible currency. The CBR re-anchored the Ruble by transitioning to inflation targeting, keeping real interest rates very high to bring inflation down to target. As a result, inflation is running well below the 4% target and, with real interest rates still close to 5%, we do not expect inflation to reach the target before 2020 at the earliest.

While the recent rise in oil prices could be expected to add to demand and compensate for high rates, Russia has transitioned to an oil stabilisation framework that saves 75-80% of the marginal export revenue from oil prices above US$40.8 per barrel in an oil

fund managed by the CBR as part of Russia's FX reserves. Indeed, in our assessment, the cap on oil production that Russia agreed with OPEC has likely reduced growth by 0.4% directly, without much of a boost to demand from prices. With inflation well below target, the budget and the current account in healthy surpluses and the private sector deleveraging, we think the authorities will loosen the constraints somehow over the coming quarters and growth should accelerate towards the 2.5-3% trend level.

We expect most of this loosening to be delivered by rate cuts of 175bp and we forecast rates to fall to 5.5%. However, there is a risk that the government will instead use fiscal policy to boost growth through infrastructure spending, in particular. While Russia's fiscal position comfortably allows for such expansionary policy, it would increase the size and influence of the public sector even further, and risk a stronger Ruble in real terms.

The state of the nation

President Vladimir Putin was re-elected in April and is restricted by the constitution from running again in 6 years' time. Prime Minister Dmitri Medvedev was reappointed by the President, as were most ministers. Recent speeches and decrees signed by the President suggest that he believes that Russia has now achieved a solid foundation both economically and in terms of national security. The budget is back in surplus, inflation is at 2.4%, and state debt is the lowest in the G20. Hence, fiscal policy does not need to be tightened further, interest rates can decline and spending on the military can be reduced unless the President perceives there to be new threats.

The government has now been charged to develop by October national projects that should help Russia to become one of the five largest economies in the world. Policies should support both the development of human and physical capital as well as productivity. Russia's population has been fairly stable, helped by a rise in life expectancy of 7 years since the trough at 65 years in 2003. However, the working age population has in recent years fallen by slightly more than 1% a year, constraining growth. Although the rate of decline is now diminishing as the fertility rate troughed in 2000 and has increased steadily since, one area of focus for the next 6 years will be to improve both the quantity and quality of the labour supply.

The government is also reported to be developing a programme to invest in infrastructure to support the economy and reduce unnecessary regulation that is holding back private investment. That said, the success of these steps will depend on the response of the private sector and so far that has been lacking. New sanctions imposed by the US in April have, in our view, lowered confidence among local and foreign investors even further, and the risk is that ultimately the economy and investment process will become even more dependent on the state, while technology transfer is undermined by sanctions.

Clemens Grafe

Argentina

The 2018 World Cup

Argentina is currently in fifth place in the FIFA World Ranking, and is again seen as one of the favourites to lift the World Cup, given the recognised grit and world-class talent of its key players. Argentina struggled to qualify: the team played under three different managers and won only 7 of the 18 qualifying matches. Overall, it finished third in the CONMEBOL tournament, behind archrivals Brazil and Uruguay, managing to qualify only in the last match. Argentina is drawn with Croatia, Iceland and Nigeria in Group D, which is viewed as a somewhat easier than average group.

The *alviceleste*, as the national team is known, is coached by Jorge Sampaoli. The main strength of the team is the vast international experience of its individual players, unmatched energy on the pitch, deep talent in every position, particularly in attack, and the top form of its strikers. The main challenge for coach Sampaoli will be to integrate individual talent into a consistent and harmonious performing squad and to organise the team and flow of play around its #10 superstar captain: 30-year-old Lionel *La Pulga* (the Flea) Messi, the country's all-time leading goal scorer.

The team is hoping that Messi will repeat his dazzling performances in the Spanish *La Liga* over the last few years, to lead them to the ultimate soccer glory. At Barcelona he has won everything: nine *La Liga* titles, four UEFA Champions League titles, and six *Copas del Rey*. For his superb performance on the pitch, he has been awarded five *Ballon d'Or* awards, and five European Golden Shoes. Messi is a 2005 FIFA U-20 World Cup Champion and 2008 Olympic Football Tournament Gold Medal winner, and is now seeking to avenge the painful 2014 loss in the finals to Germany by finally bringing the Cup home. But Messi is not alone, as he can count on a strong supporting cast of other gifted young and veteran players, such as Angel Di Maria, Gonzalo Higuaín, Sergio Agüero, Paulo Dybala and Javier Mascherano, to name just a few, to overcome opposing defenders and goalies without the need of a helping 'Hand of God'.

The state of the economy

The outlook for the national team in the 2018 World Cup seems brighter than that for the economy. Argentina experienced a shock to its (external) funding conditions, with the USD gaining more than 40% against the ARS between early December 2017 and late May 2018. The authorities' firm policy response (emergency rate hikes, tighter fiscal targets and request for IMF assistance) and the rebuild of risk premia across Argentine assets helped reduce the pressure on financial assets, but sentiment remains fragile, and the financial and economic picture as complex and vulnerable as before. The policy measures adopted so far and the politically sensitive decision to seek official IMF financial assistance may have helped to calm markets, but did not solve the underlying fundamental problem: a large fiscal deficit amid limited domestic funding alternatives. Ultimately, macroeconomic rebalancing and the reduction of external risks demand a steadfast reduction of the fiscal deficit.

The recent developments have eroded consumer and business sentiment, and domestic and external financial conditions have tightened. Given the challenging domestic and external environment and sticky inflationary pressures, we expect monetary policy to remain tight for a while. We also anticipate a faster pace of

Statistics for Argentina

Odds: 9/1	World Ranking: 5		
1st Round Match Schedule			
Date	Venue	Against	Local Time
16-Jun	Spartak Stadium	Iceland	16:00
21-Jun	Nizhny Novgorod Stadium	Croatia	21:00
26-Jun	Saint Petersburg Stadium	Nigeria	21:00
Previous Appearances: 16			
Host	Year	Outcome	
Uruguay	1930	Runners-up	
Italy	1934	Round 1	
Sweden	1958	Round 1	
Chile	1962	Round 1	
England	1966	Quarter-finals	
Germany	1974	Round of 16	
Argentina	1978	Winners	
Spain	1982	Round of 16	
Mexico	1986	Winners	
Italy	1990	Runners-up	
USA	1994	Round of 16	
France	1998	Quarter-finals	
Korea/Japan	2002	Round 1	
Germany	2006	Quarter-finals	
South Africa	2010	Quarter-finals	
Brazil	2014	Runners-up	

Previous World Cup Results

Games Played	77
Won	42
Drawn	14
Lost	21
Goals Scored	131
Goals Against	84
Yellow Cards	111
Red Cards	9

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

fiscal consolidation (lower fiscal impulse to demand) to reduce large external funding needs. The expected acceleration of inflation should help the government to deliver a better fiscal result (as it collects the inflation tax) but it will dampen demand by reducing the real purchasing power of wages.

The state of the nation

President Mauricio Macri has embraced an overall orthodox and investment-friendly policy mix but currently faces the biggest economic and financial challenge of his tenure in office. The recent episode of severe market distress and tightening of financial conditions will likely force the economy into a short-term equilibrium with less growth, more inflation, a weaker currency and potentially rising political friction.

A key risk is that a weaker macroeconomic backdrop and the decision to seek IMF financial assistance could deteriorate the social and political backdrop and undermine governability conditions, which could impair the ability of the Macri administration to deliver and implement the IMF programme, whose negotiation is expected to be concluded while the World Cup is underway. Against a testy economic backdrop, nothing would lift the national spirit more than seeing the Messi-led squad bring home the World Cup from Russia.

Alberto M Ramos

Australia

A record-long qualification campaign. Now for the easy part…

Over 29 months, a record 22 games and more than 250,000 kilometres travelled (6 laps of the globe!) – as far afield as Kyrgyzstan, Jordan and Honduras – Australia's qualification campaign for the 2018 World Cup was a gruelling one. And in the end, the pressure took its toll. Six days after successfully guiding the 'Socceroos' to Russia, Coach Ange Postecoglou dramatically quit – surprising players, fans and administrators alike. If not unprecedented, it is certainly highly unusual for a coach to voluntarily forfeit an opportunity to take his team to the greatest football stage of all.

Lost in the drama of Postecoglou's surprise resignation is that the Socceroos arrive in Russia as both Asian Champions and one of only 12 teams to have qualified for each of the past four consecutive World Cups. This is no small feat in the context of a sole prior appearance in 1974 (with 'mullets' on full display) and the current squad's lack of genuine 'world class' players – with only three (Mooy, Ryan and Leckie) starting regularly in the top flight of the four major European leagues.

This relatively weak pool of top-league talent has come into particularly sharp focus ahead of the Socceroos' first game against Group C favourites France. Putting aside France's chosen squad of 23, the estimated market value of the next 11 French players omitted from this selection (~A$500m) is more than six times that of the entire 26-man Australian squad. This mismatch in quality, the 6-0 drubbing France dished out at the last meeting in 2013, and the fact that Australia has not won away from home in 10 games, all underscore the enormity of the challenge at hand.

A roadmap to World Cup glory

For Socceroos fans, perhaps a little Dutch courage is in order? Enter stage left: Australia's new international super-coach Bert van Marwijk. With just a few pre-tournament practice games to work with, the Dutchman promptly observed that "maybe we don't have the best players…. but we can have the best team". The best team? Strewth! You beauty! Socceroos fans will certainly settle for that.

Australia looks great value to win the World Cup in Russia, at odds of 500/1. Along the way, that scenario would almost certainly involve Australia's 38-year-old talisman striker Tim Cahill scoring in a fourth consecutive World Cup – and becoming only the fourth player to do so. A triumph in Russia would also surely see younger stars unearthed – including the 19-year-old Daniel Arzani, who is poised to become the youngest Socceroo to play at a World Cup. And, if Australia is to raise the World Cup trophy in Moscow, it will be in large part because the team continues to display the fighting spirit for which it is renowned and much loved at home. (More than a little luck and a few forfeits along the way would also help.)

World (economic expansion) Champions

While the Socceroos' defence has at times leaked goals with the predictability of a hedge fund looking to 'short' an Australian bank, the broader economy has proven far more resolute. Now

Statistics for Australia

Odds: 500/1	World Ranking: 40		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
16-Jun	Kazan Arena	France	13:00
21-Jun	Samara Arena	Denmark	16:00
26-Jun	Fisht Stadium	Peru	17:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
Germany	1974	Round 1	
Germany	2006	Round of 16	
South Africa	2010	Round 1	
Brazil	2014	Round 1	
Previous World Cup Results			

Games Played	13
Won	2
Drawn	3
Lost	8
Goals Scored	11
Goals Against	26
Yellow Cards	24
Red Cards	4

■Won   ■Drawn   ■Lost

Source: Ladbrokes.com, FIFA Public Website

approaching 27 years without a technical recession, if there was a World Cup for the longevity of economic expansions Australia would be reigning Champions. Successfully navigating both the

Asian and Global Financial Crises was impressive, but arguably Australia's greatest achievement has been the relatively orderly adjustment over recent years as the mining super-cycle unwound.

Australia's economic resilience reflects many factors – including effective monetary/fiscal policy and earlier reforms to remove trade barriers and ensure flexibility in labour, capital and foreign exchange markets. Strong population growth and leverage to China's economic resurgence has also helped enormously, and there has been a good dose of luck along the way.

Can Australia's record economic run continue? The current cyclical backdrop is reassuring – with surveyed business conditions at record highs, robust jobs growth, easy financial conditions and improving public finances. Even so, subdued wage inflation contrasts somewhat with the experience of those French football stars, economic reform has stalled and Australian households are also 'World Champions' when it comes to levels of indebtedness. Overall, these challenges are material but they appear more manageable than those overcome in recent years. Ahead, we see more 'upside down-under', even if it may be wishful thinking for this economic outperformance to translate to the football pitch in Russia.

Andrew Boak

Belgium

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Crunch time for the 'golden' generation

It is crunch time for Belgium's 'golden' soccer generation. In a very easy campaign, Belgium became the first European country to qualify for the 2018 World Cup and climbed to third position in the FIFA ranking. With many of its star players reaching peak age, it is now time to reap the rewards.

The talent of the current squad is remarkable for a country with a population of roughly 11.5 million, judging by the players' market values. The team has quality in every department, starting with Chelsea 'goalie' Thibaut Courtois. The defence is led by Manchester City's three-time Premier League winning captain Vincent Kompany in the centre, and Tottenham's Jan Vertonghen and Tobias Alderweireld as experienced backs. The mid-field has plenty of attacking potential, with dribble wonders Eden Hazard and Moussa Dembele and assist king Kevin De Bruyne. Finally, the team can count on Manchester United's Romelu Lukaku and Napoli's Dries Mertens as prolific strikers.

So far, the performance of the 'golden' generation in the big tournaments has been well below potential. Both at the 2014 World Cup and the 2016 Euro Cup, Belgium lost in the quarterfinals, against Argentina and Wales respectively. The 2014 and 2016 losses were largely blamed on tactical weakness, defenders' injuries and fragility in the defensive mid-field. It is now time for the Red Devils to show progress on these three fronts. While new Spanish coach Roberto Martínez and his assistant Thierry Henry are arguably more able tacticians than their predecessor Marc Wilmots, Martínez remains untested in official games against major soccer nations. And while the charismatic leader Vincent Kompany and Barcelona's Thomas Vermaelen are likely to start the tournament fit, injuries remain a key risk for these 'Men of Glass'. Finally, the defensive mid-field remains the weakest spot. In not selecting Roma mid-fielder Radja Nainggolan, Martínez triggered a wave of national protest. The omission of the only Belgian from the Champions League semi-finals is a mystery from a pure soccer perspective.[1] Martínez may want to prioritise the team culture, although many analysts see the omission as a vote of confidence in the coach's preferred defensive midfielder Axel Witsel, who lacks Radja's speed of ball circulation and who snubbed a Juventus move for a lucrative transfer to China.

Belgium's improving footballing performance since 2014 has echoed similar trends in the economy. As a small open economy (exporting almost ¾ of its production abroad), Belgium has benefited from the gradual global recovery and an undervalued Euro. Its close link to the German economy has also helped maintain robust above-trend growth rates amid reduced volatility in this recent period. The IMF forecasts 2.1%yoy real GDP growth in 2018, implying that the economy is now operating at full capacity.

In economy policy as in football, Belgium has demonstrated an ability to manage diversity appropriately. The current centre-right coalition government (since 2014) includes the Flemish separatist party, the largest in the country. For now, the party has put aside its main policy goal of independence to agree with its coalition partners on a reformist agenda focused on the labour market, immigration, tax reform and, more recently, the pension system.

Statistics for Belgium

Odds: 10/1	World Ranking: 3		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
18-Jun	Fisht Stadium	Panama	18:00
23-Jun	Spartak Stadium	Tunisia	15:00
28-Jun	Kaliningrad Stadium	England	20:00
Previous Appearances: 12			
Host	**Year**	**Outcome**	
Uruguay	1930	Round 1	
Italy	1934	Round 1	
France	1938	Round 1	
Switzerland	1954	Round 1	
Mexico	1970	Round 1	
Spain	1982	Round of 16	
Mexico	1986	Fourth place	
Italy	1990	Round of 16	
USA	1994	Round of 16	
France	1998	Round 1	
Korea/Japan	2002	Round of 16	
Brazil	2014	Quarter-finals	

Previous World Cup Results
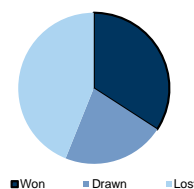
Games Played	41
Won	14
Drawn	9
Lost	18
Goals Scored	52
Goals Against	66
Yellow Cards	36
Red Cards	3

■Won   ■Drawn   ■Lost

Source: Ladbrokes.com, FIFA Public Website

In principle, Belgium should top Group G—which includes England, Panama and Tunisia—but the rejuvenated English squad is also highly talented and knows many of the Belgian players from the Premier League. If Belgium survives the Group stage, it will face the winner or runner-up from Group H (Poland, Senegal, Colombia and Japan) in the Round of 16. Belgium's biggest hurdle may well be the Quarter-finals, where it would likely face Germany or Brazil. In our view, the Red Devils' prospects therefore look quite bimodal. While the base case is a third consecutive loss for the 'golden' generation in the Quarter-finals, a victory in the last 8 could well lead to Belgium's first World Cup tournament win.

As is the case in economics, short-term euphoria after an outstanding performance could pose the risk of complacency. Tensions between the North and South have not really gone away, while the longer-run fiscal outlook remains challenging, with a debt-to-GDP ratio around 100% and large unfunded pension liabilities.

Although a Belgian victory would temporarily support national unity, there is a risk that the economic and political challenges would regain the upper hand fairly quickly.

Alain Durré and Daan Struyven

[1]Technically, Liverpool's second goalkeeper, Simon Mignolet, also reached the Champions League final and some supporters wondered how the final against Real Madrid would have turned out with Mignolet in goal.

Brazil

The 2018 World Cup

Brazil qualified easily for the 2018 World Cup and is currently in 2nd place in the FIFA World Ranking. The world-class talent and depth of its roster puts Brazil among the favourites to win the Cup (for a record 6th time). Brazil is drawn with Switzerland, Costa Rica and Serbia in Group E, which is perceived to be a relatively unchallenging group. It will begin its World Cup campaign on June 17 against the highest-ranking team in the group, Switzerland (currently #6 in the FIFA World Ranking) and the entire country expects nothing less than a convincing victory from the national team to set the tone for the tournament.

The team is managed by 'Tite', who led the team to an impressive 9 victories and 2 ties in the 11 games he coached during the South America qualifying round, easily topped by Brazil. Under Tite the team has displayed a fast and entertaining attack-minded game showing a good balance between youth and experience. The young forward line is led by 'Super-star' striker Neymar who is expected to dazzle with his skillful dribbling and pinpoint passing accuracy, supported by a cast of other top-form internationally experienced players such as Philippe Coutinho, Roberto Firmino and Gabriel Jesus. At the back, the team is likely to be anchored by veterans Miranda, Marcelo and Thiago Silva. Overall, this is a well-balanced collectively strong team that is not as overly dependent on Neymar as in 2014. Brazil's fans will be hoping the team's performance will help dull the memory of the 2014 tournament, which saw a semi-final 7-1 home loss to Germany and fourth-place overall finish.

Football in Brazil

Perhaps no two other single words are as closely associated in the sporting world as 'football' and 'Brazil'. Alongside carnival, football is deeply imbedded in the culture and is the ultimate national passion. Brazil is the most successful football team in the history of the World Cup, and its top footballers – Pelé (the 'King'; considered by many experts and fans as the best player of all time), Zico, Rivelino, Cafu, Garrincha and Ronaldo, to name just a few – are national legends and revered icons. Brazil is also the only national team to have participated in all 21 World Cups (including 2018) and the Seleção Canarinha ('little canaries') has lifted the trophy in three different continents. The team has won the World Cup a record five times (Sweden 1958, Chile 1962, Mexico 1970, USA 1994 and Korea/Japan 2002), finished in second place twice (1950 and 1998) and took the last spot on the podium on another two occasions (1938 and 1978). It has also won the FIFA U-20 World Cup five times, the FIFA U-17 World Cup three times and the FIFA Confederations Cup four times. In 2016 Brazil finally added the only major international title that had eluded its illustrious soccer history: a men's gold medal in the Summer Olympics.

The state of the economy and the nation

The economy is in much better shape than during the 2014 when Brazil hosted the tournament. Inflation and the policy rate are tracking at historically low levels and the current account imbalance has mostly been corrected, but growth has been uninspiring and the unemployment rate remains in double digits. A deep, permanent, structural fiscal adjustment remains front-and-centre on the policy agenda. Failure to deliver tangible and credible measures

Statistics for Brazil

Odds: 9/2	World Ranking: 2		
1st Round Match Schedule			
Date	Venue	Against	Local Time
17-Jun	Rostov Arena	Switzerland	21:00
22-Jun	Saint Petersburg Stadium	Costa Rica	15:00
27-Jun	Spartak Stadium	Brazil	21:00
Previous Appearances: 20			
Host	Year	Outcome	
Uruguay	1930	Round 1	
Italy	1934	Round 1	
France	1938	Third place	
Brazil	1950	Second place	
Switzerland	1954	Quarter-finals	
Sweden	1958	Winners	
Chile	1962	Winners	
England	1966	Round 1	
Mexico	1970	Winners	
Germany	1974	Fourth place	
Argentina	1978	Third place	
Spain	1982	Round of 16	
Mexico	1986	Quarter-finals	
Italy	1990	Round of 16	
USA	1994	Winners	
France	1998	Runners-up	
Korea/Japan	2002	Winners	
Germany	2006	Quarter-finals	
South Africa	2010	Quarter-finals	
Brazil	2014	Fourth place	

Previous World Cup Results
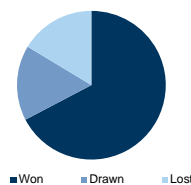
Games Played		104
Won		70
Drawn		17
Lost		17
Goals Scored		221
Goals Against		102
Yellow Cards		97
Red Cards		11

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

to reduce the fiscal deficit and stabilise the debt dynamics could jeopardise macroeconomic rebalancing, and put the recovery at risk.

Brazilians will go to the polls soon after the World Cup ends. Presidential and General Elections will be held on October 7, 2018. These have limited the authorities' capacity to pursue a more assertive fiscal consolidation strategy.

The new administration will need to address a number of remaining domestic macro imbalances (a weak fiscal picture at the flow and stock levels), and embrace investment- and savings-friendly, pro-growth policies. Some of the issues that continue to handicap economic performance are structural rather than cyclical (e.g., low investment, even lower domestic savings and low productivity and, hence, low potential growth). Therefore, beyond strengthening the policy mix, Brazil would benefit from a deep structural reform drive (e.g., fiscal spending, tax system, social security, opening to foreign trade, etc.) to raise domestic savings and investment rates, boost overall productivity and elevate potential GDP.

Alberto M Ramos

Colombia

Football in Colombia

The country returns to the World Cup after their best performance ever, having reached the Quarter-finals at Brazil 2014 in their first appearance after a 16-year drought. In that historic campaign, *Los Cafeteros* ('The Coffee Growers') comfortably advanced through the Group stage, winning all three matches, then proceeding to beat Uruguay in the Round of 16, only to be stopped by the host nation in a close 1-2 loss.

Colombians had to wait until the last round of the CONMEBOL qualifiers to celebrate their 6th ticket to the World Cup after surprisingly blowing a lead against Paraguay in the previous game, suffering two goals in the last four minutes. The subsequent 1-1 tie against Peru with a goal by star player James Rodríguez guaranteed a spot for Colombia. Rodríguez came into prominence after a dazzling display in Brazil 2014. The then-22-year-old midfielder led the World Cup with 6 goals, earning him the Golden Boot and the Puskás Award for the best goal of 2014, and was elected to the Cup's All Star Team. After a lacklustre third season with Real Madrid, Rodríguez seems to have rediscovered his top form at Bayern Munich.

Besides Rodríguez, coach José Pekerman will count on the skills of Radamel 'El Tigre' Falcao, Juan Cuadrado and veteran goalkeeper David Ospina. Falcao's debut at the World Cup comes after a serious knee injury prevented the striker from representing his country in 2014 at the peak of his career, being considered at the time one of the best players in the world. An experienced midfielder playing in Europe for the past nine seasons, Cuadrado is known for his speed and dribbling skills, having stood out with the most assists in Brazil 2014.

Building on the successful 2014 campaign, Colombia is a favourite to advance through Group H. Although Poland is the top-ranked nation in the group (ranked 10th in the FIFA World Ranking), Russia 2018 marks the first appearance in 12 years for the Baltic country, which last survived the Group stage in 1986. Japan currently ranks at a lowly 60th place, its worst position in 25 years, and is the clear underdog. Finally, Senegal (ranked 28th) is performing in only its second World Cup, though observers note that the African nation reached the Quarter-finals in its 2002 debut and should not be underestimated.

The state of the economy

Over the past years, the economy has dealt with the adverse effects of a severe terms of trade shock, comprised of high current account and fiscal deficits, above-target inflation and subdued economic growth. But that did not seem to alarm foreign investors, who increasingly sought Colombian assets, doubling their share in local government debt since the 2014 World Cup and overtaking local pension funds as the largest debt holders.

More recently, the macro picture has improved on the back of higher oil prices and moderating inflation, which allowed the central bank to ease monetary policy considerably and support domestic demand. The latest data suggest the business cycle has reached a

Statistics for Colombia

Odds: 33/1	World Ranking: 16		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
19-Jun	Mordovia Arena	Japan	15:00
24-Jun	Kazan Arena	Poland	21:00
28-Jun	Samara Arena	Senegal	18:00
Previous Appearances: 5			
Host	**Year**	**Outcome**	
Chile	1962	Round 1	
Italy	1990	Round of 16	
USA	1994	Round 1	
France	1998	Round 1	
Brazil	2014	Quarter-finals	

Previous World Cup Results

■ Won ■ Drawn ■ Lost

Games Played	18
Won	7
Drawn	2
Lost	9
Goals Scored	26
Goals Against	27
Yellow Cards	22
Red Cards	0

Source: Ladbrokes.com, FIFA Public Website

turning point, though we expect the economic recovery to be very gradual, with real GDP growth likely to reach 2.7% in 2018, up from a disappointing 1.8% in the previous year.

The state of the nation

Colombians headed to the polls on May 27 for the first round of the presidential election, which has been marked by the country's social and political division exposed by the 2016 referendum on a peace agreement with the FARC guerrilla movement. The election result was broadly in line with what the latest intention polls suggested, with modest opposing surprises.

On the one hand, centre-right candidate Iván Duque (*Centro Democrático*), who defends the revision of some controversial aspects of the peace process, secured a better-than-expected 14-point lead over leftist Gustavo Petro (*Movimiento Progresista*). On the other hand, left and centre-left parties combined exceeded the votes obtained by centre-right candidates, suggesting Mr. Petro could perform better than anticipated in the second round on June 17. However, centre-left candidate Sergio Fajardo (*Coalición Colombia*), who narrowly missed a spot in the second round, declared he would not support any candidate, which favours Mr. Duque in his bid for the presidency.

Paulo Mateus

Costa Rica

The 2018 World Cup

Costa Rica is becoming somewhat of a regular representative of the CONCACAF region in the World Cup. This year marks its fourth appearance in the last five cups, and fifth overall. Mexico and the United States are the other CONCACAF usuals but, notably, with the USA failing to qualify this year, the Costa Ricans will be joined by fellow Central Americans, Panama, their neighbours to the south. The Ticos (colloquial term in Central America for a native of Costa Rica), who rarely make it out of the Group stage, will be looking to improve on their 2014 'Cinderella' Quarter-final appearance, where they lost a heartbreaker to the Netherlands in a penalty shootout (4 – 3). In order to do so, they face an uphill battle. The Ticos will have to face juggernaut Brazil in the Group stage, as well as solid contenders Serbia and Switzerland. Most pundits pick Brazil to come out 1 and Serbia to come out 2 from Group E. Should luck favour the Costa Rican squad and they manage to get out of the Group stage, they would very likely face the highly ranked German squad in the Round of 16. Suffice it to say, the Ticos have their work cut out for them.

On the field, the team will be captained by Bryan Ruiz, a seasoned playmaker and forward with experience in multiple European leagues, including the EPL. The team is anchored by their star goalkeeper, Keylor Navas, the current starting keeper for Real Madrid, who was in goal during their 2014 World Cup run to the Quarter-finals. During that tournament, he ceded only two goals in 510 minutes of play across five contests. The other players to watch will be strikers Joel Campbell and Marco Ureña, who play for Arsenal and Los Angeles FC, respectively, and were leaders on the team four years ago. The Costa Rican defence will have its hands full facing such top quality forwards as Neymar (Brazil) and Shaqiri (Switzerland). The Ticos' most likely path to escape the Group stage would be a win over Switzerland, a draw with Serbia and a loss to Brazil, and then hope to advance based on goal differential. Currently, our model has Cost Rica finishing last in group E.

Economics and politics

Costa Rica boasts a fairly well-diversified economy centred around agricultural products such as coffee, bananas, pineapple and sugar, as well as eco-tourism, high-value-added manufacturing and IT services. Costa Rica is one of the few countries in the world that does not have a standing army, allowing it to spend more on education per capita than many other developing nations. More than 300 global companies have set up shop in Costa Rica, including several large multinationals, including Intel, Amazon and IBM. Costa Rica is by far one of the most stable and prosperous of the Central American nations, boasting a per capita GDP of $17,200 compared with its neighbours to the north, Nicaragua and Honduras, with per capita GDP of just $5,800 and $5,500, respectively.

Statistics for Costa Rica

Odds: 250/1	World Ranking: 25		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
17-Jun	Samara Arena	Serbia	16:00
22-Jun	Saint Petersburg Stadium	Brazil	15:00
27-Jun	Nizhny Novgorod Stadium	Switzerland	21:00
Previous Appearances: 4			
Host	**Year**		**Outcome**
Italy	1990		Round of 16
Korea/Japan	2002		Round 1
Germany	2006		Round 1
Brazil	2014		Quarter-finals
Previous World Cup Results			

■ Won   ■ Drawn   ■ Lost

Games Played	15
Won	5
Drawn	4
Lost	6
Goals Scored	17
Goals Against	23
Yellow Cards	30
Red Cards	1

Source: Ladbrokes.com, FIFA Public Website

In April 2018 Carlos Alvarado Quesada of the centre-left Citizen Action Party (PAC) won the presidential election, taking over from his predecessor of the same party. This continuation of rule by the PAC should assure a continuation of policies that have led to average real GDP growth of 4.1% from 2010 to 2017. President Quesada, 38, is a former Minister of Labour whose main challenge and priority will be reducing the fiscal deficit, which climbed above 6% of GDP in 2017. In August of last year the government faced somewhat of a liquidity crisis to meet its debt obligations and earlier this year Fitch put the country's debt, which is already rated in HY territory, on Outlook Negative. Mr. Quesada has proposed raising VAT as well as making sure taxes are collected from companies in the sharing economy, such as Uber and Airbnb, as ways to close the deficit.

Spencer Rogers

Croatia

After difficulties qualifying, it only gets harder from here

Croatia has never been able to equal the success of their first World Cup campaign, when the 'Golden Generation' took the team to third place in the 1998 World Cup. After coming third in the Group stage in Brazil, and failing to qualify for the 2010 tournament, in Russia the team will be hoping to capitalise on the potential implied by their players.

The road to the World Cup was not straightforward for Croatia. While they got off to a good start in 2016, winning 3 out of 4 of their qualifying games, they lost to Iceland away in June 2017. Following another defeat to Finland, their head coach Ante Cacic was replaced by under-21s coach Zlatko Dalic (mirroring their previous World Cup run – which does not bode well). After a must-win victory against Ukraine, they once again found themselves in the play-offs but were able to capitalise on their home fixture, comfortably beating Greece 4-1 on aggregate.

At the final itself, things will only get more difficult, as Croatia find themselves against Argentina, Iceland and Nigeria in Group D. Their opening game will be against a challenging Nigerian team in Kaliningrad on June 16, followed by a difficult fixture in Nizhny Novgorod against Argentina on June 21, and finally playing Iceland in Rostov-on-Don on June 26. Argentina will, of course, be favourites to qualify in first place in the group. Nigeria and Iceland will also be difficult fixtures. Nigeria has reached the Round of 16 in the tournament on three occasions, most notably in Brazil where they finished the Group stage in second place behind Argentina. And, despite this being Iceland's first World Cup, perhaps this team represent an even larger threat – they are in form, qualifying in first place for the World Cup ahead of Croatia themselves, and finishing above eventual winners Portugal in the Group stage of Euro 2016.

The current generation's lack of success is surprising – at least on paper – as their squad features a number of world-class players. In particular, 'El Clásico' rivals Ivan Rakitic and captain Luka Modric form the core of the team in mid-field, with Internazionale and Juventus stars Ivan Perisic and Mario Mandzukic their main goal-scoring threats. Dejan Lovren will be propping up the defence without the help of Vedran Corluka, who is injured with a torn Achilles. The largest hurdle to overcome will be the pressure of the team's own expectations – most of their starting 11 are over the age of 29, and will view this year as their last realistic chance of success. This will be exacerbated by distractions off the pitch, as there are ongoing difficulties between the national football association, the Croatian media, the players and its fans (Croatia played a number of its qualifying games behind closed doors as a punishment for fan behaviour at previous games).

Qualifying second in Group D implies Croatia would likely face France in the Round of 16. The path to the final 8 will not be smooth.

Recovery, finally, for the Croatian economy

As was the case for much of Central and Eastern Europe pre-2008, Croatia was overly reliant on external financing, with a high concentration of foreign-owned banks and a large stock of hard-currency debt liabilities.

Statistics for Croatia

Odds: 33/1	World Ranking: 18		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
16-Jun	Kaliningrad Stadium	Nigeria	21:00
21-Jun	Nizhny Novgorod Stadium	Argentina	21:00
26-Jun	Rostov Arena	Iceland	21:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
France	1998	Third place	
Korea/Japan	2002	Round 1	
Germany	2006	Round 1	
Brazil	2014	Round 1	

Previous World Cup Results

Games Played	16
Won	7
Drawn	2
Lost	7
Goals Scored	21
Goals Against	17
Yellow Cards	33
Red Cards	4

■Won ■Drawn ■Lost

Source: Ladbrokes.com, FIFA Public Website

The global financial crisis (GFC) precipitated a severe recession in Croatia, and subsequent private sector deleveraging, as well as significant fiscal consolidation, prolonged the process of recovery. In 2013 Croatia joined the EU, and it has since been benefited from both structural funds and the Euro area's own recovery in growth.

While the football team has proved inconsistent over the past three years, the economy appears to have taken a decisive positive step in the past couple of years. Following 6 years of recession after the GFC, the economy has recorded positive growth for three successive years (expanding by +2.8%yoy in 2017). The IMF expects growth to remain at a similar level this year, before slowly declining in the outer years of its forecast. In real terms, this would imply Croatia returns to its pre-crisis output level in 2019.

Like in much of Europe, inflation has remained relatively subdued in Croatia and monetary policy accommodative after the crisis. In keeping with its medium-term objective under the EU's stability and growth pact, the government has been tightening fiscal policy. The budget is now close to balanced and the high public debt is beginning to be paid off. However, the road to sustained growth will be dependent on structural reform, in particular labour market reforms. Labour force participation in Croatia is one of the lowest within the EU, and structural unemployment remains high.

The challenge for the Croatian economy will be to transform current momentum into sustainable medium- and long-term growth. The challenge for Dalic and his team will be to make it out of the Group stage.

Loughlan O'Doherty* and Kevin Daly

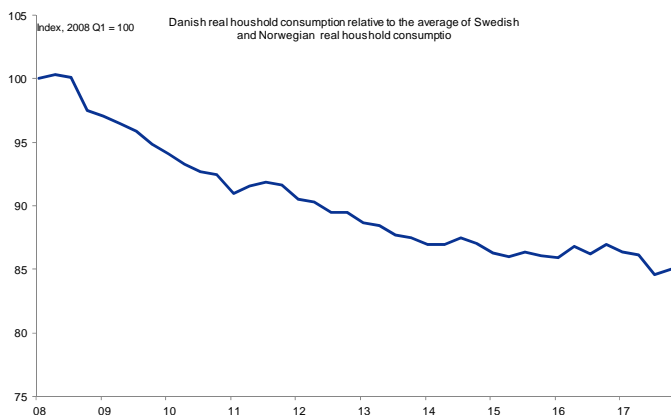**Loughlan is an intern with the CEEMEA Economics team.*

Denmark

Return to 'Danish Dynamite' or damp squib?

Denmark made its first appearance in the World Cup in 1986, where it won all its Group stage matches, including beating finalist Germany, impressing the world of football with its display of 'Danish Dynamite'. Since then, Denmark has been a semi-regular World Cup team, qualifying roughly every other time. Its best performance was to reach the Quarter-finals in France in 1998, when it lost to finalist Brazil. The team failed to move beyond the Group stage in its latest World Cup appearance in 2010 – its worst World Cup result. Denmark's best result was to win the European Championship in 1992.

Denmark's football reputation is one of fast-paced attacking football, from the explosive 1986 team to the Dutch-inspired passing game under legendary coach (and player) Morten Olsen from 2000 to 2015. Denmark's game has turned more direct and adaptive under new coach Åge Hareide. Following an uneven start to the qualifying campaign for the 2018 World Cup, losing to Poland and Montenegro, the Danish team found its style, scoring an average of 2.4 goals in the last 7 games, including beating group winners Poland 4-0. Placed second in its qualifying group, Denmark faced Ireland in the two-match play-off for a spot in the World Cup. Displaying superb attacking play, Denmark beat Ireland 5-1 in Dublin to qualify.

Household consumption has underperformed Scandi peers

Danish real household consumption relative to the average of Swedish and Norwegian real household consumptio

Index, 2008 Q1 = 100

Source: Statistics Denmark, Statistics Sweden and Statistics Norway

Denmark faces initial Group stage matches against France, Australia and Peru in the 2018 World Cup. The team's form is good and it is undefeated since the initial missteps of the early qualifying campaign in 2016. The key player is Christian Eriksen from Tottenham Hotspurs. From a position on the attacking mid-field, Eriksen has become the key player under Hareide, scoring 12 goals in 18 matches (after only 6 goals in 57 matches under Coach Olsen) and directing the Danish offensive play. Denmark's prospects crucially depend on Eriksen's form. Denmark's chances of finishing second after France in the initial Group stage should be good. In the knock-out competition, anything can happen: an Eriksen in form and a return of 'Danish Dynamite' could bring the team to the Quarter-finals (matching its performance from 1998) or even

Statistics for Denmark

Odds: 80/1	World Ranking: 12		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
16-Jun	Mordovia Arena	Peru	19:00
21-Jun	Samara Arena	Australia	16:00
26-Jun	Luzhniki Stadium	France	17:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
Mexico	1986	Round of 16	
France	1998	Quarter-finals	
Korea/Japan	2002	Round of 16	
South Africa	2010	Round 1	
Previous World Cup Results			

Games Played	16
Won	8
Drawn	2
Lost	6
Goals Scored	27
Goals Against	24
Yellow Cards	31
Red Cards	3

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

beyond. But with high reliance on a single key player, the risks are high. Denmark's 2018 World Cup campaign could end up a damp squib.

The economy – the drag from a weak housing market

Like its football performance, the Danish economy suffered from 2008 until recently. The dry spell of Danish football between 2008 and 2016 occurred alongside a dismal GDP performance. Economic activity fell sharply during the financial crisis and the recovery was very weak. GDP returned to its pre-crisis level only in late 2014. Relative to its Scandinavian peers, the Danish economy clearly underperformed.

The root cause of the weakness in Danish GDP was the sharp correction in house prices following the financial crisis. Real house prices fell close to 30% between late 2007 and early 2012, and are still around 20% below their 2007 peak. The drop in the value of housing led households to deleverage, and real household consumption fell 5%-6% in 2008 and was flat for half a decade. Relative to its Scandinavian peers, Danish household consumption has underperformed since 2008 by around 15%.

The improving performance of Danish football has been echoed in the economy, even if the economic rebound has been slower, less impressive and non-explosive. On the back of improving private consumption, investments and exports, Danish GDP growth has returned to around 2%. We expect similar growth in the next couple of years.

Lasse Holboell W. Nielsen

Egypt

Egypt is the most successful national football team in Africa, having won the Africa Cup of Nations a record seven times. But it has found it surprisingly difficult to qualify for the FIFA World Cup. Egypt will be making only its third appearance at the World Cup in 2018 and its first in 28 years.

Salah's shoulder

Qualification was a nerve-jangling affair for the *Pharaohs* in 2017 as well, finally requiring an injury-time penalty against Congo, scored by star-striker and talisman Mohamed Salah. And therein lies Egypt's greatest strength, as well as its biggest weakness. The squad is coached by the former Valencia coach, Argentine Hector Cuper, and endowed with a number of experienced professionals, starting with 45-year-old goalkeeper Essam El Hadary, who could become the oldest player ever at the World Cup, Aston Villa's consistent wingback El Mohamady, and a capable mid-field of Arsenal's Mohamed El Neny and Stoke City's Ramadan Sobhi. But without question, the team's fortunes have been heavily reliant on the goal-scoring prowess of Liverpool forward, Mohamed Salah.

Salah has enjoyed a prolific 2017-2018 season with Liverpool, with his 44-goal haul in all competitions (never bettered in a single Premier League season) eliciting justifiable comparisons with Cristiano Ronaldo and especially fellow left-footed forward Lionel Messi. So his shoulder injury, early in the showpiece Champions League final between Liverpool and Real Madrid in late May was all the more pivotal. From here, 'Salah's shoulder' is to Egypt what 'Beckham's metatarsal' was to England ahead of the 2002 World Cup, when everyone from the sage at the local mosque to the President will have strong views on shoulder injuries, recovery times and his ability to star in Russia.

While Salah himself is optimistic about his prospects, without his goals, the team will need the solidity of the Aswan Dam at the back and the cunning of a cat further forward to get out of a tough but not impossible Group A, which includes the hosts Russia, Saudi Arabia and Uruguay.

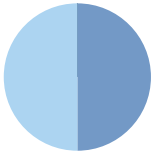## An economic recovery to match a footballing renaissance

Both Egyptian football and its economy are recovering after the period between 2011 and 2016: the political uncertainty that

Football's coming home, tourists are coming back
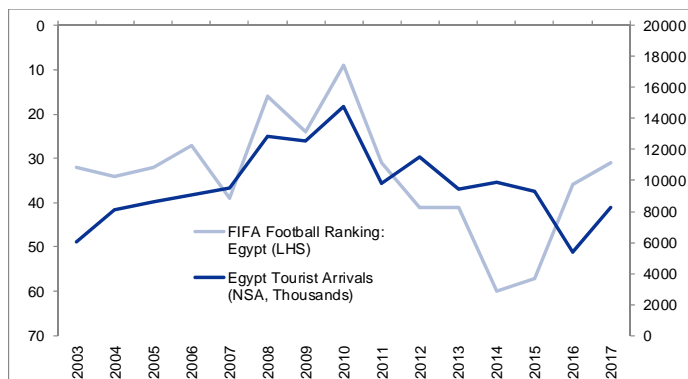
Source: Haver, FIFA Public Website

Statistics for Egypt

Odds: 150/1	World Ranking: 46		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
15-Jun	Ekaterinburg Arena	Uruguay	17:00
19-Jun	Saint Petersburg Stadium	Russia	21:00
25-Jun	Volgograd Arena	Saudi Arabia	17:00
Previous Appearances: 2			
Host	**Year**		**Outcome**
Italy	1934		Round 1
Italy	1990		Round 1
Previous World Cup Results			

Games Played	4
Won	0
Drawn	2
Lost	2
Goals Scored	3
Goals Against	6
Yellow Cards	4
Red Cards	0

Source: Ladbrokes.com, FIFA Public Website

followed the 2011 revolution took a heavy toll on Egypt's economy and its football. After a riot at a football game between clubs Al Ahly and Al Masry in February 2012, the domestic league was suspended for a couple of years. Over that period, the national team failed to qualify for three successive editions of the Africa Cup of Nations, finally making it back to the competition in 2017, when it reached the finals only to lose against Cameroon.

Political tensions also brought to light the underlying fragility of Egypt's economy. Following a period of declining growth, falling tourism receipts and a widening current account deficit, in November 2016 the Egyptian authorities took a number of decisive steps to address the economic crisis. The currency regime was liberalised, with a deep devaluation of the official exchange rate; a three-year fiscal consolidation programme was launched to reduce high budget deficits; monetary policy was tightened to contain inflation pressures; and reforms were launched to improve the business environment.

While there are still significant risks of delivery, so far the programme has been surprisingly successful: the current account deficit is gradually correcting alongside inflation and business, and investor confidence has been restored. Indeed, one of the key risks is that Egypt may be a victim of its own success. The combination of high Treasury bill yields and an undervalued exchange rate has attracted plenty of foreign investors into the local bill market. There is a risk that if the recent market volatility extends, Egypt could be hard hit simply because that is where a lot of the investment is.

On the plus side, the upturn in the fortunes of Egypt's football suggests that there is more room for the economic revival to extend. The exhibit, which is clearer than your average hieroglyphic script, suggests that the peak in tourist arrivals coincided with Egypt's best recent football ranking in 2010, and the recent recovery may therefore be a good omen.

Kamakshya Trivedi

England

Taking back control

Of the 17.4mn 'Leave' votes cast in the UK's referendum on EU membership in 2016, 15.2mn were cast in England. If the Brexit vote harked back to an era when Britannia ruled the waves, it pales in comparison with England's collective sense of nostalgia for the Jules Rimet. The question of Europe has brought 30 years of internal conflict in the Conservative Party. But that seems trivial compared with 50 years of national mourning over football's fall from grace. A PM's combative speech in Bruges in 1988 cautioned that the EU would erode "national pride in one's own country". Sport has often proven the antidote. Readers of a national newspaper recently ranked England's 1966 World Cup victory second only to VE Day among the "top ten dates in modern British history".

If Brexit means Brexit, football means everything. It is little wonder, then, that the median English voter can name more Premier League strikers than sitting MEPs. Net inward migration from the Continent played a role in the Brexit debate, but not even UKIP argued that stricter EU immigration rules should extend to the FA Cup. After all, the impact assessments are definitive. Were it not for freedom of movement, half-a-dozen former Highbury heroes – Nicolas Anelka and Cesc Fàbregas among them – would have failed to qualify for a work permit. For the typical football fan, Dele Alli's flair is irresistible, while a politician's swagger is irreconcilable. For the typical school-leaver, the three lions do not evoke images of ministers lunching at Chequers. Footballers reign supreme.

Red lines

If Gareth Southgate's 'Barmy Army' is to avoid the fate of Theresa May's Brexit Sub-Committee this summer, three red lines must be enforced as England negotiates the rounds in Russia.

First, strong and stable leadership is a pre-requisite. More than half of the current England squad were not yet born when the Maastricht Treaty was signed. Like the current Prime Minister, the current England manager knows that the task is demanding.

Second, no result is better than a bad result. Uruguay won the 1950 World Cup having notched up only one convincing victory *en route*. In the group stages, eking out an early draw has often proven more profitable than a gamble that ends in ruin.

Third, one cannot have one's cake and eat it too. Harry Kane is a prodigious talent, with a striker's typical reputation for selfishness. He must harness his individual ability to serve the common good – if only to show politicians that to lead can sometimes be to pass.
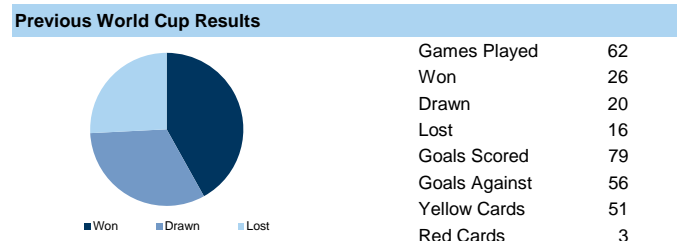
England expects

When it comes to England's passage through international competitions, history suggests that transition is never smooth. A disorderly exit would risk financial stability at a time when consumer credit is growing at double digit rates and saving ratios have reached all-time lows. A snag at the June summit would hit consumer confidence at a time when Sterling's post-referendum depreciation has squeezed households' disposable income.

Insufficient progress over the summer would dent productivity at a time when output per worker has had its worst decade for more than 150 years. Taking back control on the world stage would help

Statistics for England

Odds: 14/1	World Ranking: 13		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
18-Jun	Volgograd Arena	Tunisia	21:00
24-Jun	Nizhny Novgorod Stadium	Panama	15:00
28-Jun	Kaliningrad Stadium	Belgium	20:00
Previous Appearances: 14			
Host	**Year**	**Outcome**	
Brazil	1950	Round 1	
Switzerland	1954	Quarter-finals	
Sweden	1958	Round 1	
Chile	1962	Quarter-finals	
England	1966	Winners	
Mexico	1970	Quarter-finals	
Spain	1982	Round of 16	
Mexico	1986	Quarter-finals	
Italy	1990	Fourth place	
France	1998	Round of 16	
Korea/Japan	2002	Quarter-finals	
Germany	2006	Quarter-finals	
South Africa	2010	Round of 16	
Brazil	2014	Round 1	

Previous World Cup Results

■ Won   ■ Drawn   ■ Lost

Games Played	62
Won	26
Drawn	20
Lost	16
Goals Scored	79
Goals Against	56
Yellow Cards	51
Red Cards	3

Source: Ladbrokes.com, FIFA Public Website

restore some semblance of momentum at a time when growth has tumbled from the top of the G7 league table to the bottom. Ambitious managed divergence between England (scrappy underdogs) and Germany (firm favourites) would facilitate cross-border trade at a time when international relations are already feeling the strain.

In the early stages, stamina is paramount: nothing is agreed until everything is agreed. When it comes to the crunch, composure is essential: a cliff-edge exit would constitute a severe hit to potential growth, with intergenerational ramifications. In truth, things are likely to be less glorious than the idealists would have you believe. This team lacks experience. It may be out of its depth. Things will look better in 2022. The sunlit uplands are some way away. England expects. But the rest of the world expects more.

Adrian Paul

France

En Marche to renewed success

After a stunning sporting feat in the late 1990s (winning 3-0 against Brazil in the 1998 World Cup final, and 2-1 against Italy in the final of the 2000 Euro Cup), and notwithstanding a number of *coups d'éclat* since (e.g., against the odds, France advanced to the World Cup final in 2006), the French national football team has gone through a long period of subdued performance. However, France has enjoyed renewed success over the past few years.

Likewise, the French economy entered the new millennium in a relatively strong cyclical economic position, at least relative to its main European competitor, Germany, which was undergoing important structural changes. Yet, in the subsequent years, the performance of the French economy has been hamstrung by a too slow convergence of national labour and product market standards towards those established in the more competitive northern Euro area countries.

Since the last 2014 World Cup, there has been a turning point in both economics and the national football team.

On the economics front, the Socialist government of President Hollande initiated a number of reforms, which paved the way in particular for the pro-reformist agenda currently adopted by the new government. With the election of President Macron last year, France's image in the international arena is more positive, and the perception of the business environment in France has improved substantially. Benefiting largely from robust global economic growth, the French economy has recorded more robust growth rates since last year, converging progressively towards the Euro area growth average. After a softening of activity in the first quarter amid bad weather and strikes, we remain confident about the resilience of the French economy in the remainder of the year and next. We continue to forecast above-trend growth in 2018, with real GDP growth of around 2.0%yoy.

This French ability to rebound – usually just as people are becoming despondent – is equally applicable to the French soccer team, '*Les Bleus'*, currently managed by Didier Deschamps (formerly team captain at the 1998 World Cup). As with the economy, a return of optimism is reflected in this young and dynamic French soccer team, with many of its players having performed well in the Premier League. The team has improved its quality in key departments, starting with Tottenham's goalkeeper Hugo Lloris. Also, there is plenty of attacking potential with the improved coordination between Atlético Madrid's Antoine Griezmann, PSG's Kylian Mbappé, Chelsea's Olivier Giroud and FC Barcelona's Ousmane Dembélé. Other key players, such as Manchester United's Paul Pogba in midfield, also look promising.

Statistics for France

Odds: 6/1	World Ranking: 7		
1st Round Match Schedule			
Date	Venue	Against	Local Time
16-Jun	Kazan Arena	Australia	13:00
21-Jun	Ekaterinburg Arena	Peru	20:00
26-Jun	Luzhniki Stadium	Denmark	17:00
Previous Appearances: 14			
Host	Year	Outcome	
Uruguay	1930	Round 1	
Italy	1934	Round 1	
France	1938	Quarter-finals	
Switzerland	1954	Round 1	
Sweden	1958	Third place	
England	1966	Round 1	
Argentina	1978	Round 1	
Spain	1982	Fourth place	
Mexico	1986	Third place	
France	1998	Winners	
Korea/Japan	2002	Round 1	
Germany	2006	Runners-up	
South Africa	2010	Round 1	
Brazil	2014	Quarter-finals	

Previous World Cup Results
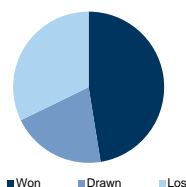
Games Played	59
Won	28
Drawn	12
Lost	19
Goals Scored	106
Goals Against	71
Yellow Cards	56
Red Cards	6

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

On paper, France should top Group C—which is shares with Australia, Denmark and Peru—and then qualify for next stage. If it does, France will face the winner or runner-up of Group D (Argentina, Croatia, Iceland and Nigeria) in the Round of 16. Although France's biggest hurdle may well be to face Germany or Brazil in the run-up to the final, we think it has good chance of reaching the Semi-finals at least. And why not *Onwards! to victory* (to paraphrase the political movement initiated by Emmanuel Macron ahead of the Presidential election).

A repeat of the 1998 performance would no doubt be met with euphoria and would be a significant boost for French households. But in economics as in football, the risk exists that short-term success overlooks long-term challenges. In our view, it is essential that France pursue the pro-reformist agenda initiated by the government of President Macron. And maybe an outstanding performance by the French soccer team would help reduce current opposition to reforms through increased social cohesion behind '*Les Bleus'*. So, "*Allez 'Les Bleus'!"*

Alain Durré and Pierre Vernet

Germany

In the form of champions

Germany cruised to the 2018 World Cup finals, winning all ten of their qualifying matches. In the process, Germany scored 43 goals, while conceding only 4. Notwithstanding their loss to Brazil in March – the first defeat for *Die Nationalmannschaft* since losing to hosts France at the semi-final stage of the European championships back in 2016 – Germany is showing the form of a champion, fittingly so as the holders of the World Cup following their triumph in Brazil four years ago.

The German economy is in similar excellent form. After a few hiccoughs in the first quarter as bad weather, an outbreak of 'flu and strikes in the metalworking and public sectors weighed on economic activity, the fundamental strength of the German economy is set to reassert itself in the remainder of the year. We forecast real GDP growth of 2.1%yoy in 2018. For a mature European economy operating at full capacity, that represents the performance of a champion.

Sustained performance, strong foundations

Over the four years since the last World Cup, Germany has demonstrated robust, above-trend growth on a consistent basis, helping to bring unemployment down to very low levels (3.5% on the internationally comparable ILO measure, below what we see in the US or UK). Yet despite such low unemployment, inflation remains stubbornly below the ECB's 2%pa target, with wage growth showing only tentative signs of acceleration at this stage.

We attribute the combination of sustained German growth and weak inflation to two factors: (1) structural reforms implemented in the early 2000s; and (2) the competitive pressures stemming from Germany's exposure to globalisation. The Hartz IV reforms increased the flexibility and efficiency of the labour market, while the threat of manufacturing shifting offshore and/or competition from immigrant workers (especially from central and Eastern Europe) has disciplined German wage and price setters.

Germany's recent footballing success has been built on similar foundations. After ignominiously failing to qualify from the group stage of the 2000 European championships (coming bottom of a pool containing Portugal, Romania and England), the German football authorities undertook a root-and-branch reform of their coaching, academies and training schemes in the early 2000s. In parallel (and reflecting wider developments in German society), the ethnic background of the German team broadened. More leading German players moved abroad (to play in the Spanish and English leagues), while foreign players brought new skills and greater competition to the German Bundesliga. Germany's hosting of the 2006 World Cup marked a sea-change, with an improved performance reflecting these innovations ultimately paving the way to winning the 2014 World Cup in Brazil.

Statistics for Germany

Odds: 9/2		World Ranking: 1	
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
17-Jun	Luzhniki Stadium	Mexico	18:00
23-Jun	Fisht Stadium	Sweden	21:00
27-Jun	Kazan Arena	Korea Republic	17:00
Previous Appearances: 18			
Host	**Year**	**Outcome**	
Italy	1934	Third place	
France	1938	Round 1	
Switzerland	1954	Winners	
Sweden	1958	Fourth place	
Chile	1962	Quarter-finals	
England	1966	Runners-up	
Mexico	1970	Third place	
Germany	1974	Winners	
Argentina	1978	Quarter-finals	
Spain	1982	Runners-up	
Mexico	1986	Runners-up	
Italy	1990	Winners	
USA	1994	Quarter-finals	
France	1998	Quarter-finals	
Korea/Japan	2002	Runners-up	
Germany	2006	Third place	
South Africa	2010	Third place	
Brazil	2014	Winners	

Previous World Cup Results
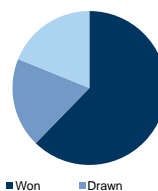
Games Played	106
Won	66
Drawn	20
Lost	20
Goals Scored	224
Goals Against	121
Yellow Cards	110
Red Cards	7

■ Won　■ Drawn　■ Lost

Source: Ladbrokes.com, FIFA Public Website

In economics as in football, the risk exists that sustained success breeds complacency. With trade tensions rising and greater economic nationalism on the other side of the Atlantic, the external environment facing the German economy is becoming more challenging. And, after an extended period of stability, populism threatens the political status quo at home. Heading off the populist threat may entail unwinding some of the reforms upon which German economic outperformance rests.

That said, we remain upbeat on Germany's economic prospects in the coming few years. And history tells us it would be unwise to bet against Germany on the football field. Four World Cups are testament to both German talent and German organisation.

Huw Pill

Iceland

The 2018 World Cup

After having been frozen out of the FIFA World Cup since its inception, the tiny island nation of Iceland will make its first appearance in the tournament this year, entering a challenging Group D. For Iceland's national team, making it this far was no small feat: with a population of just 335,000 or so, it will be the smallest nation ever to compete at football's highest level. To put these numbers in perspective, almost one-third of the nation's population could fit comfortably in Barcelona's Camp Nou stadium—or, in economic terms, US nonfarm payroll employment increases by about one Iceland every two months.

But there's nothing fishy about Iceland's climb to number 22 on FIFA's national team rankings. Both the men's and women's squads have performed at top-tier levels for several years, and the men's team famously knocked out England in Euro 2016—ultimately ending Roy Hodgson's four-year run as England's manager. Leading goal-scorer Gylfi Sigurðsson plays attacking mid-fielder for Everton—ranked eighth in the Premier League—and has 18 goals in 55 appearances in international competition. He will be supported on the attack by Alfreð Finnbogason (Augsburg), Birkir Bjarnason (Aston Villa), and Jóhann Guðmundsso (Burnley); Hannes Halldórsson (Randers) will start in goal. Most importantly, the Iceland side's secret weapon—the now famous 'Thunderclap'—will be no doubt be headed to Russia as well.

The state of the economy

Economic activity in Iceland recovered at a glacial pace after the nation's recession and financial crisis in 2008-09. Real GDP fell approximately 13% from peak to trough during the downturn, and took until Q2 2015 to regain its pre-recession highs. Similarly, the unemployment rate jumped from just 1% in 2007 to a high of about 9% in 2009-10, and only fell back to historical norms of about 3% by 2015. As in a number of small countries hard-hit by the global financial crisis, emigration played a role in Iceland's macro adjustment: the population declined outright by 0.5% in 2010, and also increased at a below-trend rate for a period thereafter. Real house prices—which were at the centre of the economic downturn—fell by almost 40% peak-to-trough, and only returned to 2007 levels in mid-2017.

Statistics for Iceland

Odds: 150/1	World Ranking: 22		
1st Round Match Schedule			
Date	Venue	Against	Local Time
16-Jun	Spartak Stadium	Argentina	16:00
22-Jun	Volgograd Arena	Nigeria	18:00
26-Jun	Rostov Arena	Croatia	21:00
Previous Appearances: 0			

Source: Ladbrokes.com, FIFA Public Website

More recently, Iceland's economy has grown at a brisker pace, and legacies of the financial crisis have faded. Growth averaged an annualised rate of almost 6% over the last two years, helped by solid gains in private consumption and business fixed investment—both supported in part by a tourism boom. Prior to the crisis, the current account deficit ranged from about 15% to 25% of GDP, but the country has run a comfortable surplus of about 5% of GDP over the last five years. Debt levels for nonfinancial corporations have declined from a high of about 650% of GDP to 230% (as of 2016, the latest available year), and debt levels for the household sector have declined from about 120% of GDP to 80%.

Monetary policy has also normalized gradually over time. At the height of the financial crisis the central bank raised interest rates in order to stem capital outflows and its assets ballooned due to emergency lending to financial institutions (and eventually creditor claims on those banks after they were nationalised). The central bank eventually let the currency go – the real effective exchange rate.

Lastly, capital markets have recovered—although not to the heady days before 2008. In 2008 Iceland imposed capital controls to prevent funds from leaving the country, froze Krona-denominated assets abroad and borrowed from the IMF. As economic conditions improved policymakers gradually unwound these measures. The government re-entered international capital markets in 2012 with a USD-denominated bond issue, and issued EUR-denominated debt in 2014 (the country's foreign currency debt is rated single-A). It then repaid the IMF loan in 2015 and lifted capital controls in 2017. The currency floats, with occasional central bank intervention.

Zach Pandl

Iran

While Iran's economic and football fortunes have tended to wax and wane together over the long run (see Exhibit), recently these fortunes have diverged. On the one hand, its football prospects have improved steadily in the post-crisis era, with a FIFA World Ranking that has risen from around 60 after the financial crisis to 36 currently. Iran's chances of winning the 2018 World Cup, while modest at around 500-1, are a roughly fivefold improvement over its odds in 2014. On the other hand, Iran's economic outlook is significantly clouded by the prospect of new US sanctions.

Over the long run, Iran's GDP growth and its football fortunes have waxed and waned together

Source: Goldman Sachs Global Investment Research; FIFA Public Website; World Bank

On the pitch, much of the ascendance of 'Team Melli' (roughly, 'National Team' in Persian) is attributable to former Real Madrid coach Carlos Queiroz, who has held the reins since 2011. While he has announced that he will decline to extend his Iranian Football Federation contract after this World Cup, his strategy of recruiting talented foreign-born players to the Iranian squad has led to a significant skill upgrade for the 'Iranian Lions'.

They will need all of this skill to notch a victory in a loaded Group B, which includes behemoths Portugal and Spain. Against these heavyweights, Coach Queiroz is likely to employ a defensive approach meant to neutralise talented strikers. To its credit, this approach has nearly worked on the biggest of stages: in the 2014 World Cup, the 'Persian Stars' held Argentina scoreless for more than 90 minutes before Lionel Messi finally broke through. If their defence can hold, 24-year-old standout striker Alireza Jahanbakhsh holds the key for Iran's counterattack.

In the past, football has played a legitimately important role in calming tensions between Iran and the rest of the world. Before one of the most politically charged games in World Cup history, against the US in 1998, Iranian and US players exchanged flowers and souvenir pins, and posed for a now iconic, conciliatory group photo. After Iran's victory that day (its lone World Cup win), US defender Jeff Agoos famously suggested that "we did more in 90 minutes than the politicians did in 20 years".

Statistics for Iran

Odds: 500/1 World Ranking: 36			
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
15-Jun	Saint Petersburg Stadium	Morocco	18:00
20-Jun	Kazan Arena	Spain	21:00
25-Jun	Mordovia Arena	Portugal	21:00
Previous Appearances: 4		**round 1**	
Host	**Year**	**Outcome**	
Argentina	1978	Round 1	
France	1998	Round 1	
Germany	2006	Round 1	
Brazil	2014	round 1	
Previous World Cup Results			

	Games Played	12
	Won	1
	Drawn	3
	Lost	8
	Goals Scored	7
	Goals Against	22
	Yellow Cards	18
	Red Cards	0

■Won ■Drawn ■Lost

Source: Ladbrokes.com, FIFA Public Website

Two decades later, tensions between the US and Iran have re-emerged. In early May, President Trump announced that the US would withdraw from a long-standing nuclear deal with Iran; as a result, US sanctions are, at present, scheduled for a staggered re-implementation beginning in Q3. Although the impact of US sanctions on the global oil supply is unclear given that various parties may be able to increase supply to offset decreases in oil supplied by Iran, a re-imposition of US sanctions could have a chilling effect on the Iranian economy.

For Iran, these short-term uncertainties are especially unwelcome given a global macroeconomic backdrop that, overall, appears to have become friendlier for oil exporters. We have long argued that Iran, which features both large oil reserves and a well-educated population, has the potential to eventually become a major economic player on the global stage. Robust global oil demand and an increasingly strong case for commodities over the next year would, in the absence of renewed political uncertainties, be a tailwind for this long-run outlook. Now, as the World Cup approaches, Iran may hope to find, once again, that football can be a useful tool for easing political tensions.

Ian Tomb

THE WORLD CUP 2018 CALENDAR

GROUP STAGE

Goldman Sachs

UK time shown

14 JUNE
RUS v KSA
16:00
Moscow
Group A

15 JUNE
EGY v URU
13:00
Ekaterinburg
Group A

MAR v IRN
16:00
St. Petersburg
Group B

POR v ESP
19:00
Sochi
Group B

16 JUNE
FRA v AUS
11:00
Kazan
Group C

ARG v ISL
14:00
Moscow
Group D

PER v DEN
17:00
Saransk
Group C

CRO v NGA
20:00
Kaliningrad
Group D

17 JUNE
CRC v SRB
13:00
Samara
Group E

GER v MEX
16:00
Moscow
Group F

BRA v SUI
19:00
Rostov-on-Don
Group E

18 JUNE
SWE v KOR
13:00
Nizhny Novgorod
Group F

BEL v PAN
16:00
Sochi
Group G

TUN v ENG
19:00
Volgograd
Group G

19 JUNE
COL v JPN
13:00
Saransk
Group H

POL v SEN
16:00
Moscow
Group H

RUS v EGY
19:00
St. Petersburg
Group A

20 JUNE
POR v MAR
13:00
Moscow
Group B

URU v KSA
16:00
Rostov-on-Don
Group A

IRN v ESP
19:00
Kazan
Group B

21 JUNE
DEN v AUS
13:00
Samara
Group C

FRA v PER
16:00
Ekaterinburg
Group C

ARG v CRO
19:00
Nizhny Novgorod
Group D

22 JUNE
BRA v CRC
13:00
St. Petersburg
Group E

NGA v ISL
16:00
Volgograd
Group D

SRB v SUI
19:00
Kaliningrad
Group E

23 JUNE
BEL v TUN
13:00
Moscow
Group G

KOR v MEX
16:00
Rostov-on-Don
Group F

GER v SWE
19:00
Sochi
Group F

24 JUNE
ENG v PAN
13:00
Nizhny Novgorod
Group G

JPN v SEN
16:00
Ekaterinburg
Group H

POL v COL
19:00
Kazan
Group H

25 JUNE
URU v RUS
15:00
Samara
Group A

KSA v EGY
15:00
Volgograd
Group A

ESP v MAR
19:00
Kaliningrad
Group B

IRN v POR
19:00
Saransk
Group B

26 JUNE
AUS v PER
15:00
Sochi
Group C

DEN v FRA
15:00
Moscow
Group C

NGA v ARG
19:00
St. Petersburg
Group D

ISL v CRO
19:00
Rostov-On-Don
Group D

27 JUNE
KOR v GER
15:00
Kazan
Group F

MEX v SWE
15:00
Ekaterinburg
Group F

SBR v BRA
19:00
Moscow
Group E

SUI v CRC
19:00
Nizhny Novgorod
Group E

28 JUNE
JPN v POL
15:00
Volgograd
Group H

SEN v COL
15:00
Samara
Group H

PAN v TUN
19:00
Saransk
Group G

ENG v BEL
19:00
Kaliningrad
Group G

ROUND OF 16   QUARTER-FINALS   SEMI-FINALS   3RD/4TH   FINAL

30 JUNE
PQ1
1C
v
2D
15:00
Kazan

30 JUNE
PQ2
1A
v
2B
19:00
Sochi

1 JULY
PQ3
1B
v
2A
15:00
Moscow

1 JULY
PQ4
1D
v
2C
19:00
Nizhny Novgorod

2 JULY
PQ5
1E
v
2F
15:00
Samara

2 JULY
PQ6
1G
v
2H
19:00
Rostov-on-Don

3 JULY
PQ7
1F
v
2E
15:00
St. Petersburg

3 JULY
PQ8
1H
v
2G
19:00
Moscow

6 JULY
Q1
W PQ1
v
W PQ2
15:00
Nizhny Novgorod

6 JULY
Q2
W PQ5
v
W PQ6
19:00
Kazan

7 JULY
Q3
W PQ7
v
W PQ8
15:00
Samara

7 JULY
Q4
W PQ3
v
W PQ4
19:00
Sochi

10 JULY
S1
W Q1
v
W Q2
19:00
St. Petersburg

11 JULY
S2
W Q3
v
W Q4
19:00
Moscow

14 JULY
L S1
v
L S2
15:00
St. Petersburg

15 JULY
W S1
v
W S2
16:00
Moscow

Source: FIFA

THE WORLD CUP 2018 GROUPS

GROUP A
- Russia
- Saudi Arabia
- Egypt
- Uruguay

GROUP B
- Portugal
- Spain
- Morocco
- Iran

GROUP C
- France
- Australia
- Peru
- Denmark

GROUP D
- Argentina
- Iceland
- Croatia
- Nigeria

GROUP E
- Brazil
- Switzerland
- Costa Rica
- Serbia

GROUP F
- Germany
- Mexico
- Sweden
- Korea Republic

GROUP G
- Belgium
- Panama
- Tunisia
- England

GROUP H
- Poland
- Senegal
- Colombia
- Japan

Source: FIFA

THE WORLD CUP 2018 VENUES - RUSSIA

■ Venue capacity

ST. PETERSBURG
St.Petersburg Stadium
67,000

EKATERINBURG
Ekaterinburg Arena
35,000

NIZHNY NOVGOROD
Nizhny Novgorod Stadium
45,000

MOSCOW
Luzhniki Stadium
80,000
Spartak Stadium
45,000

KAZAN
Kazan Arena
45,000

SARANSK
Mordovia Arena
44,000

SAMARA
Samara Arena
45,000

KALININGRAD
Kaliningrad Stadium
35,000

VOLGOGRAD
Volgograd Arena
45,000

ROSTOV-ON-DON
Rostov Arena
45,000

SOCHI
Fisht Stadium
48,000

Source: FIFA

Japan

The stock market and Japan's World Cup performance

In our 2014 World Cup and Economics, we noted the loose negative correlation between Japan's FIFA ranking and its stock market. Four years on, we find the correlation holds. The Nikkei, which fell below 10,000 in 2011, is now back above 22,000, a level last seen in 1991. Meanwhile, Japan's FIFA ranking, a lofty #13 in 2011, is now close to an all-time low of #60. Based on our simple regression model using FIFA rankings and the Nikkei, the current Nikkei level indicates the FIFA ranking should be #49, so we see scope for a positive surprise in the team's performance in Russia.

Nikkei at post-bubble high, FIFA ranking near all-time low
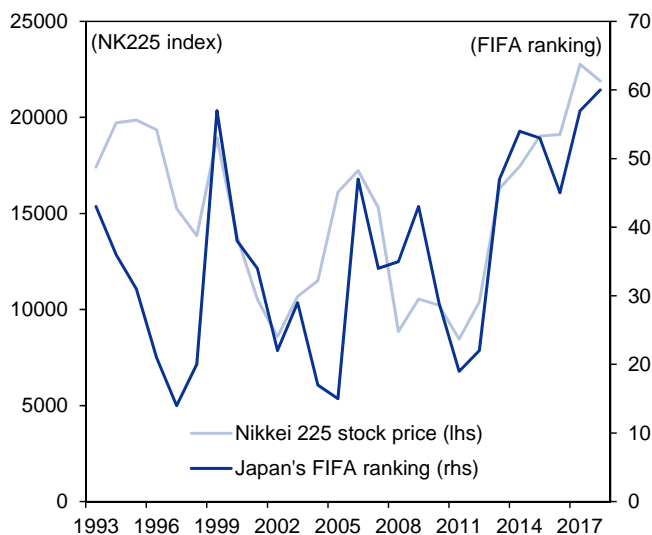
Source: Datastream, FIFA

Football growing as fast as the mobile phone industry

Regardless of Japan's slippage in the FIFA rankings since 2011, the population continues to support the sport wholeheartedly. J-League attendance was 9.7mn in 2017, up 33.5% from 2011 (when attendances dipped following the earthquake in March of that year), while professional baseball attendance rose just 16.5% and real GDP climbed +8.1%. Remarkably, since 2011 football attendance in Japan has followed the same trajectory as the fast-growing mobile communication industry.

Opening the door to foreign workers?

Faced with a labour shortage, the Japanese government is slowly but surely opening the door to foreign workers. There are around 1.3mn foreign workers (data as of 2017) in Japan, including students and trainees, accounting for 2% of employment. The J-League restricts foreign players to five per squad, and three of the 18 match-day team members, equivalent to a 16.7% ratio, much higher than the Japanese labour market average. Recently, J-League club Vissel Kobe announced the signing of Andrés Iniesta, the super-star footballer who recently left Barcelona. However, with this addition, the squad will exceed the five-foreigner quota and will need to let go of another foreign player under current rules. This has prompted the team and the J-League to consider abolishing the quota, which could become the new rule as early as next season.

Statistics for Japan

Odds: 150/1	World Ranking: 60		
1st Round Match Schedule			
Date	Venue	Against	Local Time
19-Jun	Mordovia Arena	Colombia	15:00
24-Jun	Ekaterinburg Arena	Senegal	20:00
28-Jun	Volgograd Arena	Poland	17:00
Previous Appearances: 5			
Host	Year	Outcome	
France	1998	Round 1	
Korea/Japan	2002	Round of 16	
Germany	2006	Round 1	
South Africa	2010	Round of 16	
Brazil	2014	Round 1	
Previous World Cup Results			
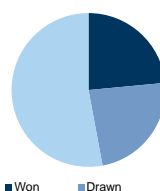
Games Played	17
Won	4
Drawn	4
Lost	9
Goals Scored	14
Goals Against	22
Yellow Cards	31
Red Cards	0

Source: Ladbrokes.com, FIFA Public Website

J-League growing as fast as mobile communication
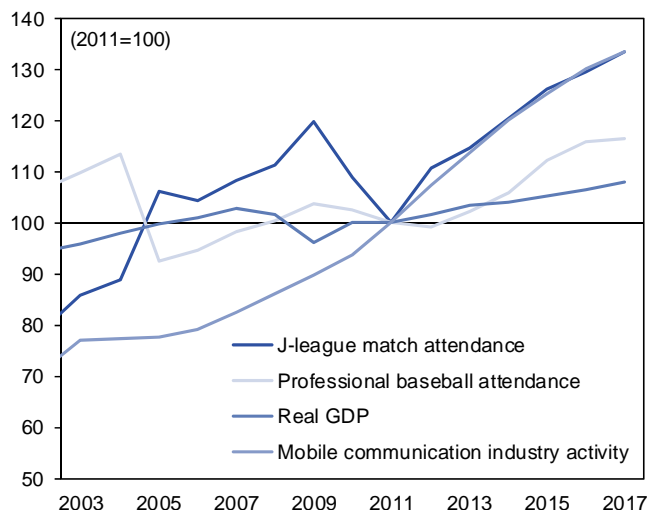
Source: J-League, NPB, Cabinet Office, METI

The 2018 World Cup

2018 will be the 6th consecutive World Cup for Japan since it made its debut in 1998. The team has a track record of alternating between knockout at the Group stage and the Round of 16. At the 2014 World Cup, Japan left Brazil without winning a single game, so if the historical pattern were to persist, then the 'Samurai Blue' would make it to the Round of 16 in Russia. Half of the national team took part in the 2014 World Cup, including Shinji Okazaki (who plays for Leicester City), Shinji Kagawa (Borussia Dortmund) and Makoto Hasebe (Eintracht Frankfurt). Regardless of the results, we hope Japan will maintain the proud tradition of having received no red cards in World Cup games.
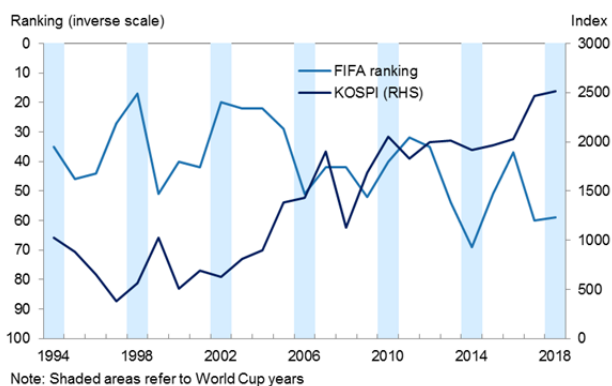
Yuriko Tanaka

Korea Republic

The 2018 World Cup

South Korea's national team, the *Taeguk Warriors,* are setting their sights on advancing to the Round of 16 once again in the 2018 World Cup. Since taking fourth place in the 2002 World Cup, which Korea co-hosted with Japan, the national team has only once advanced to the Round of 16 – in the South Africa 2010 World Cup. Korea boasts a passionate and broad fan base (*Red Devils*), which organises unique 'street-cheering' events: close to a quarter of the entire Seoul population participated in 'street cheering' during the 2002 World Cup games. While team Korea admittedly faces a steep uphill battle in the first round of the tournament in a tough group that includes Germany, Mexico and Sweden, the national team can count on the unflagging support of the *Red Devils*.

The state of football

Team Korea has been one of the strongest teams in Asia, as the first country to represent Asia in the World Cup (1954), and the first and only Asian team to reach the Semi-finals (2002). That said, the country's FIFA ranking has suffered recently, dropping 23 spots amid a transition period for the new team coach in 2017. As of May 2018, Korea is placed 61st in world rankings, the lowest in Group F: Germany (1st), Mexico (15th) and Sweden (23rd). Past national team match records against its competitors are not favourable either: Germany (1 won, 0 drawn, 2 lost), Mexico (4 won, 2 drawn, 6 lost) and Sweden (2 drawn, 2 lost). While faced with a difficult first round, team captain Ki Sung-yeung and star player Son Heung-min remain hopeful of an upset from the underdogs. Coach Shin Tae-yong will be laser-focused on winning the first match with Sweden, as the national team's entire tournament performance has often depended on the result of the first match.

Statistics for Korea Republic

Odds: 250/1	World Ranking: 61		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
18-Jun	Nizhny Novgorod Stadium	Sweden	15:00
23-Jun	Rostov Arena	Mexico	18:00
27-Jun	Kazan Arena	Germany	17:00
Previous Appearances: 9			
Host	**Year**	**Outcome**	
Switzerland	1954	Round 1	
Mexico	1986	Round 1	
Italy	1990	Round 1	
USA	1994	Round 1	
France	1998	Round 1	
Korea/Japan	2002	Fourth place	
Germany	2006	Round 1	
South Africa	2010	Round of 16	
Brazil	2014	Round 1	

Previous World Cup Results

Games Played	31
Won	5
Drawn	9
Lost	17
Goals Scored	31
Goals Against	67
Yellow Cards	61
Red Cards	2

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

Stronger markets but lower football ranking in Korea

Note: Shaded areas refer to World Cup years

Source: Bloomberg, FIFA Public Website

The state of the economy

South Korea's economy, on the other hand, has benefited from a broad-based global recovery in 2017. Exports gained 15.8%, after a long-sustained period of stagnation since 2012 (-2.2% growth in the previous five years), driven by commodity reflation and a strong

semiconductor cycle that together accounted for three-quarters of the export growth in 2017. KOSPI, which tends to move along with exports, has also broken out from the range of around 2,000 in 2012-2016, and reached almost 2,500 by end-2017. In the past, Korea's football performance measured by FIFA rankings has often moved in the opposite direction to economic performance, unlike in the case of Japan, for example. In 2018-2019, we continue to think that Korea will be able to sustain growth at around potential, albeit with uncertainties surrounding geopolitical risks, trade tensions and DM monetary policy.

The state of the nation

Since early 2018, geopolitical issues have frequently dominated news headlines amid signs of thawing inter-Korean relations ahead of the PyeongChang Winter Olympics. President Moon Jae-in, in his second year of office, met North Korea's leader Kim Jong-un on April 27, 2018 and signed a joint declaration that promised a commitment to peace, prosperity and unification in the Korean peninsula. The geopolitical landscape remains fairly volatile, but a complete normalisation in inter-Korea relations, if it happens, could have long-lasting implications for the Korean economy and potentially the region.

Irene Choi/Goohoon Kwon

Mexico

The 2018 World Cup

Mexico has a rich tradition in football, the nation's most popular sport, having qualified for 16 World Cups in total, including the last six – one of only six nations to do so. Its national team currently ranks 15th in the FIFA World Ranking, and reached the 2018 World Cup with a convincing performance, finishing in first place in the CONCACAF qualifiers. The squad, led by Colombian coach Juan Carlos Osorio, is looking to finally crack the Round of 16 this time around, where it has been eliminated in the past 6 World Cups.

However, the national team – popularly known as *El Tri* after the tricolour Mexican national flag – did not have much luck in the group draw and has a tough path ahead to the Quarter-finals. It will face defending champions Germany in the Group stage, likely battling for second place with Sweden and South Korea, the other two teams in Group F. If Mexico makes it through, Brazil could be its first opponent in the knockout stage.

Mexico's chance of progressing in Russia will depend to a large extent on its mid-field and offence: 22-year-old mid-fielder Hirving 'Chucky' Lozano comes to the Cup from a successful debut season for PSV Eindhoven, scoring 17 goals in 29 matches, as does Carlos Vela, who plays for Los Angeles FC. Up front, the squad will be helped by star player Javier 'Chicharito' Hernández, who, despite being benched at West Ham United this season, can always be counted on to deliver for *El Tri* as its all-time leading goal-scorer. In defence, Mexican fans will hope that renowned veteran goalkeeper 'Memo' Ochoa repeats his performance from the 2014 World Cup, with notable saves against Brazil and the Netherlands. Despite the odds, *El Tri* has the necessary talent to surprise. As Mexicans like to chant every four years: *¡Sí se puede! (Yes, we can.)*

The state of the economy

The current macroeconomic backdrop is far from dismal, yet provides little to celebrate. The macro picture remains complex, with modest growth, sharply declining oil production, high interest rates, binding restrictions on fiscal spending, a testy relationship with the dominant trading partner, and lingering rule of law (security) and corruption issues. Largely, the near-term macro-financial outlook is uninspiring and the economy faces significant domestic and external challenges. On the external side, we highlight the uncertain outlook for the renegotiation of the NAFTA treaty and Fed policy and balance sheet normalisation, and on the domestic side, a presidential election in July that could potentially foreshadow a shift towards a more unconventional interventionist policy mix.

Notwithstanding the domestic and external risks and challenges, we think the economy continues to be well-managed, the policy approach market-friendly and, on all counts, we see no signs of major deep-seated domestic or external macro imbalances. Indeed, in the calibration of monetary, FX and fiscal policy the authorities have been steadfast in responding proactively to the evolving challenges in the quest to strengthen domestic macro fundamentals. Furthermore, the currency is trading at a competitive level and foreign sponsorship of local bond duration has been firm despite the recent bouts of volatility and gyrations in international financial markets.

Statistics for Mexico

Odds: 80/1	World Ranking: 15		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
17-Jun	Luzhniki Stadium	Germany	18:00
23-Jun	Rostov Arena	Korea Republic	18:00
27-Jun	Ekaterinburg Arena	Sweden	19:00
Previous Appearances: 15			
Host	**Year**	**Outcome**	
Uruguay	1930	Round 1	
Brazil	1950	Round 1	
Switzerland	1954	Round 1	
Sweden	1958	Round 1	
Chile	1962	Round 1	
England	1966	Round 1	
Mexico	1970	Quarter-finals	
Argentina	1978	Round 1	
Mexico	1986	Quarter-finals	
USA	1994	Round of 16	
France	1998	Round of 16	
Korea/Japan	2002	Round of 16	
Germany	2006	Round of 16	
South Africa	2010	Round of 16	
Brazil	2014	Round of 16	

Previous World Cup Results
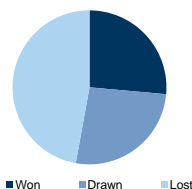
Games Played	53
Won	14
Drawn	14
Lost	25
Goals Scored	57
Goals Against	92
Yellow Cards	68
Red Cards	6

■ Won   ■ Drawn   ■ Lost

Source: Ladbrokes.com, FIFA Public Website

The state of the nation

On July 1, with the World Cup well into the Round of 16 knockout stage, 88 million registered Mexican voters will participate in the largest general elections in their history. Presidential, legislative and a number of local elections will take place simultaneously. Voters will elect a new President and Congress (500 Lower House representatives and 128 Senators). Andrés Manuel López Obrador (AMLO)—the leftist nationalist candidate running for the Morena-PT-PES coalition—has been enjoying a solid and steady double-digit lead in the polls. Recent polls suggest that the outcome and policy implications of the July 1 elections could be far from 'business as usual', as they will likely change the overall balance of political power and could also herald a shift from the hitherto investment-friendly and conventional policy mix towards a potentially more inward-looking, heterodox/interventionist platform.

Alberto Ramos and Gabriel Fritsch

Morocco

Tough group for a talented squad

Luck was not on Morocco's side for the World Cup draw last December, as the 'Lions of the Atlas' landed in a group with Spain, Portugal and Iran. With most already penciling in the Iberian giants for the top two spots of the group, the quality of the Moroccan side may have gone overlooked. Managed by the highly regarded Hervé Renard, Morocco qualified for the World Cup without conceding a goal in the qualifying campaign. Neither Spain nor Portugal made it out of the Group stage four years ago, and the Atlas Lions will fancy their chances of advancing should the Iberians struggle again in Russia.

Defence, obviously, is Morocco's greatest strength. Renard has constructed an airtight backline anchored by Juventus centre-back Medhi Benatia. While some have wondered where the goals are in this side, Khalid Boutaib stepped up during qualification, scoring four times in six matches. Perhaps the most exciting player in this Moroccan team, however, is Ajax mid-fielder Hakim Ziyech, who produced an inspired performance in a 6-0 rout of Mali during qualifying. Age is somewhat of a concern, with half a dozen key players over 30, including Benatia and Boutaib, so it remains to be seen how this side will hold up for ninety minutes against the depth of Spain and Portugal.

Morocco is no stranger to stunning upsets on football's biggest stage. In 1986, they became the first African team to advance to the knockout stages of the World Cup. Even more impressively, they did so by winning a group including Portugal, Poland and England. They narrowly lost 1-0 that year to eventual runners-up West Germany. The last time Morocco competed at the World Cup, in 1998, they were on the brink of advancing to the second round once again until Norway scored a last-minute winner against Brazil to seal second place in the group. Twenty years on, this Moroccan side will believe they have the talent to return to the knockout rounds.

State of the nation and the economy: a strong economy that has left some behind

To many observers, Morocco's development has been striking. The economy has expanded thanks to a growing manufacturing sector, investment by European and Chinese firms, and stronger links with sub-Saharan Africa. Real GDP per capita has increased 70% since 2000. Tax benefits have drawn an influx of foreign investors, including high-tech firms, and the country has become an African hub of innovation. Tourism, one of its primary industries, is booming, and Morocco was Africa's top tourist destination last year. Overall, the economy is growing at around 4%, the budget deficit has fallen to 3.5% of GDP and inflation remains well-contained below 2%.

## Statistics for Morocco

Odds: 250/1	World Ranking: 42		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
15-Jun	Saint Petersburg Stadium	Iran	18:00
20-Jun	Luzhniki Stadium	Portugal	15:00
25-Jun	Kaliningrad Stadium	Spain	20:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
Mexico	1970	Round 1	
Mexico	1986	Round of 16	
USA	1994	Round 1	
France	1998	Round 1	
Previous World Cup Results			
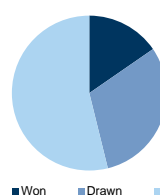
Games Played	13
Won	2
Drawn	4
Lost	7
Goals Scored	12
Goals Against	18
Yellow Cards	19
Red Cards	0

■Won ■Drawn ■Lost

Source: Ladbrokes.com, FIFA Public Website

This high-level perspective, however, masks some social discontent. Even as the country has modernised and poverty has decreased over the past decade, many Moroccans feel left behind. In parts of the north, for example, the youth unemployment rate is 40%, over twice the national average.

The frustrations of many Moroccans have become evident in a series of highly effective boycotts this year. The boycotts, which started on social media and have spread across the country, have targeted basic consumer goods sold by large Moroccan multinational corporations in an attempt to force the companies to lower their prices. The current government has also come under acute pressure for its out-of-touch response to these protests. 2018 has shown signs that, while Morocco boasts a robust economy on many metrics, there is still significant scope for liberalisation for the benefit of the Moroccan people.

Lotfi Karoui and James Weldon

Nigeria

A dynamic team, with good chances of emerging from the Group stage

Nigeria has qualified for five out of seven World Cup contests going back to the 1990s, moving beyond the Group stage in three out of those five, but only once since the 1990s (in Brazil in 2014). This arguably makes Nigeria Sub-Saharan Africa's pre-eminent football team. For this tournament, Nigeria has recently had a strong run, but it nonetheless finds itself in a group that is difficult and perhaps also one of the tournament's most exciting, along with Argentina, Croatia and Iceland.

Argentina – despite being the group's obvious favourite to qualify – barely scraped through qualifiers and also lost to Nigeria in a friendly game in Krasnodar in November 2017. Nigeria and Argentina have recently had a somewhat tightly knit football history, whereby Nigeria has in some senses had the upper hand. They have been in the same World Cup group four times going back to 1994, in which Nigeria has lost every single match; that said, Nigeria managed to qualify for the Round of 16 in 1994, edging out Argentina, and then subsequently defeated Argentina 3-2 in the dramatic Olympic football final in 1996. Meanwhile, Iceland's team is strong but untested on World Cup turf, given that this is the small country's first time competing in the tournament. Croatia's team is experienced and fierce, but historically its performance has been quite volatile. This mix leaves Nigeria with reasonably good chances of emerging from the Group stage.

Like the country, Nigeria's football team has huge potential in its raw material. Its star player is likely Ahmed Musa, a forward at CSKA Moscow and scorer of two out of three of Nigeria's World Cup goals in Brazil (both, incidentally, against Argentina). In the midfield, the team sports right-winger Victor Moses (of Chelsea fame) and team captain John Obi Mikel (a Chelsea veteran, now playing for Tianjin TEDA). One of the lesser known but exciting players is Nigerian-Russian defender and St Petersburg native Brian Idowu, who made his debut scoring one of the goals that led Nigeria to victory in the 2017 friendly against Argentina. Although slightly raw, the team's players are young, dynamic, full of potential and equipped with what is widely-recognised as the best kit of this World Cup tournament, inspired by that worn by the successful Nigerian team at the 1996 Olympics. Moreover, with FIFA's decision to advance prize money to the Nigerian Football Federation, bonus and pay rows are less likely to distract players from their focus on the pitch this time around.

Improving economic prospects, following several difficult years

After several challenging years following the 2014-15 oil price shock, Nigeria's economy has now turned the corner and enjoys improving prospects. GDP growth slowed sharply in 2015 and output contracted by 1.6% in 2016 in response to the supply shock, before recovering modestly to 0.8% in 2017. We expect that the

Statistics for Nigeria

Odds: 150/1	World Ranking: 47		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
16-Jun	Kaliningrad Stadium	Croatia	21:00
22-Jun	Volgograd Arena	Iceland	18:00
26-Jun	Saint Petersburg Stadium	Argentina	21:00
Previous Appearances: 5			
Host	**Year**	**Outcome**	
USA	1994	Round of 16	
France	1998	Round of 16	
Korea/Japan	2002	Round 1	
South Africa	2010	Round 1	
Brazil	2014	Round of 16	
Previous World Cup Results			

Games Played	18
Won	5
Drawn	3
Lost	10
Goals Scored	20
Goals Against	26
Yellow Cards	27
Red Cards	1

Source: Ladbrokes.com, FIFA Public Website

economic recovery will gain pace in 2018 with growth for the year likely to come in at 2.5%. While still significantly weaker than the growth recorded prior to the oil shock, the Nigerian economy is still adjusting to the new environment: FX policy has mostly normalised, but inflation remains elevated and monetary policy remains constrained and in a relatively tight policy stance, holding back growth.

As the inflation and exchange rate settings allow monetary policy to normalise further, and as oil prices remain supportive, however, we see space for a more sustained economic recovery in the years to come. Nonetheless, significant structural constraints remain in play: fiscal revenue as a share of GDP is very low, FX and monetary policies lack some credibility, and domestic security and political risks remain real (with presidential elections scheduled for early next year). As with Nigeria's football team, the economy has very large potential, which greater policy discipline and consistency would go a long way to help to unleash.

Andrew Matheny

Panama

The 2018 World Cup

Panama will make its first-ever World Cup appearance in 2018. A controversial victory over Costa Rica and a surprise loss by the United States to Trinidad and Tobago during the CONCACAF qualifiers earned *La Marea Roja* (Red Tide) a ticket to Russia and crushed the hopes of dozens of US fans from Portland to Brooklyn. Although football is not as popular as baseball in Panama, the country's first success in 11 World Cup qualification efforts led to a night of celebration and the declaration of a national holiday by President Juan Carlos Valera.

Since qualifying for the World Cup, Panama has had mixed results in international play, including a narrow 1-0 defeat to Denmark, as well as a more lopsided 6-0 defeat to Switzerland in March, and a 1-0 victory over Trinidad and Tobago in April.

Panama has a challenging path ahead. Up against Group G competitors Belgium, England and Tunisia, Panama faces among the longest bookmakers' odds of any team in Russia.

The Panamanian team is known for a determined and physical style of play. Coach Hernán Dario Gómez, a World Cup veteran from his days coaching first his native Colombia and later Ecuador, is likely to take a defensive approach, fielding only one striker against the most challenging opponents.

Despite the Panamanian team's lack of World Cup experience, the squad includes many veterans with international experience—in fact, Panama will field the oldest team in this year's Cup. Many of the Panamanian players are known to international football fans from their years playing in leagues in South America, Europe and the US. Among the team's top players are captain Román Torres of Major League Soccer's Seattle Sounders, goalkeeper Jaime Penedo of Dinamo Bucharest, striker Luis Tejada of Sport Boys, and midfielders Aníbal Godoy of the San José Earthquakes, Gabriel Gómez of Atlético Bucaramanga, and Alberto Quintero of Universitario.

The economy

With real GDP growth of nearly 6% annualised over the last 25 years and per capita growth of almost 4%, Panama has emerged as one of the wealthiest countries in Latin America. In 2018 the economy will mark 30 years without negative year-on-year growth, surpassing even Australia's record of avoiding recession.

The economy's recent performance has been solid. Panama weathered the global financial crisis fairly well and has kept unemployment at or below 6% since 2011, an impressive improvement over the double-digit unemployment rates seen in the 1980s, 1990s and early 2000s. Inflation rose during the crisis years, but has remained below 2% over the past few years.

Statistics for Panama

Odds: 1000/1	World Ranking: 55		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
18-Jun	Fisht Stadium	Belgium	18:00
24-Jun	Nizhny Novgorod Stadium	England	15:00
28-Jun	Mordovia Arena	Tunisia	21:00
Previous Appearances: 0			

Source: Ladbrokes.com, FIFA

Despite a population of less than four million, Panama has established itself as a commercial services hub in Latin America. Key service industries include logistics, finance, flagship registry, health care, tourism and, of course, transportation. The country's most important development project in recent years was the extension of the Panama Canal from 2007 to 2016, which doubled the canal's capacity and allowed it to accommodate much larger ships. Other major infrastructure projects, including an expansion of the metro system in Panama City and an urban renewal project in Colón, should also provide long-term benefits.

Panama's role as a business services hub has also attracted unwelcome attention over the last couple of years as a result of the so-called 'Panama Papers', a collection of 11.5 million leaked documents from Panamanian law firm Mossack Fonseca. The papers provided detailed records of offshore shell corporations held by clients around the world, and in some cases revealed tax evasion and other financial crimes.

The bad press appears to have done little to reduce Panama's global appeal. The country has continued to receive strong inflows of foreign direct investment and more recently of foreign workers, as Venezuelan emigrants have made Panama one of their top destinations. Inbound investment continues to finance a current account deficit that remains sizeable but has been shrinking.

A unique feature of the Panamanian economy is that it has been dollarised for over a century. Panama does not have a central bank, giving up an independent monetary policy in favour of using the US Dollar. While reliance on a foreign currency has caused problems elsewhere, Panama has fared well so far.

Despite the country's overall success, the economy continues to be marked by one of the highest levels of inequality in Latin America and a large rural-urban gap. While Panama City has boomed, roughly a quarter of the rural population still lives in poverty. The country's indigenous territories remain especially poor, often lacking adequate water, sanitation and health services.

David Mericle

Peru

The 2018 World Cup

Peru ended the regular South America qualifier season in fifth place, leading them to fight for the last berth to the World Cup against New Zealand in a two-match playoff. After a 0-0 tie in the first match, *La Blanquirroja* ('The White-and-Red') scored a dramatic 2-0 victory to end the country's 36-year drought from the World Cup. Although there were doubts about Peru's chances of securing a ticket to soccer's biggest stage, there was never a question about the nation's passion for soccer. Case in point, the government declared a national holiday in celebration of its first World Cup appearance in a generation.

During the interim between the qualifiers and the World Cup, Peru was dealt a severe blow when FIFA announced that the squad's captain, 34-year-old striker Paolo Guerrero, considered by some commentators to be the nation's greatest player of all time, would miss the Cup after the Court of Arbitration for Sport extended his drug ban. Guerrero is the national team's record goalscorer with 32 goals in 86 caps. He is also a two-time winner of the Copa América Golden Boot and led the team through the qualifiers with five goals, including the one against Colombia for a 1-1 tie that allowed Peru a chance for the last spot in the World Cup. Amid widespread calls for FIFA to lift the ban, ranging from the country's President to the captains of Peru's Group C opponents, Switzerland's Supreme Court finally granted a last resort appeal clearing Guerrero to play.

Besides his star striker, coach Ricardo Gareca will draw on the talent from less known but also central players, such as Edison Flores and Jefferson Farfán. The lefty mid-fielder Flores joined the national team in 2013 at just 19 years old and matched Guerrero's five goals during the South America qualifiers. Farfán, a veteran who has played in the national team for a remarkable 15 years, scored decisive goals in the qualifying campaign on the 1-0 win over Paraguay and the opener against New Zealand.

Mr. Gareca, an Argentine-born former player, has done a notable job since taking the helm of Peru's national team in 2015. He led the team to a third place at the 2015 Copa América, the quarter-finals at the Copa América Centenario in 2016, and conquered the prized spot at Russia 2018, taking the nation from a modest 53rd place to an enviable 11th place in the FIFA World Ranking, the team's best position in a quarter-century.

Still, Gareca will face a difficult challenge in leading his team through the Group stage. He would benefit greatly from winning his first game against Denmark, currently ranked just one spot behind Peru in the FIFA World Ranking. A victory in their opening game would allow Peru some comfort against France (ranked 7th by FIFA), their toughest opponent, though the match against underdogs Australia (ranked 40th) should be a must-win.

Statistics for Peru

Odds: 150/1	World Ranking: 11		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
16-Jun	Mordovia Arena	Denmark	19:00
21-Jun	Ekaterinburg Arena	France	20:00
26-Jun	Fisht Stadium	Australia	17:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
Uruguay	1930	Round 1	
Mexico	1970	Quarter-finals	
Argentina	1978	Round of 16	
Spain	1982	Round 1	
Previous World Cup Results			

Games Played	15
Won	4
Drawn	3
Lost	8
Goals Scored	19
Goals Against	31
Yellow Cards	9
Red Cards	1

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

Economics and politics

The economy has started to recover from a disappointing year in 2017, marked by a severe weather shock that disrupted production in the first calendar months and a growing corruption scandal that culminated in the resignation of President Pedro Pablo Kuczynski.

On March 23, 2018, first vice-president Martín Vizcarra took office and calmed tensions between Congress and the government, reducing political and policy uncertainty and setting the stage for a return of much-needed public and private investment.

Although the 2.5% real GDP growth in 2017 was second only to Argentina among the major Latin American economies, it was far from the country's post-crisis average of 5.2%. However, a considerable monetary easing over the past year has helped revitalise domestic demand and rising metal prices have supported net exports. As a result, we expect growth to accelerate to 3.8% in 2018 owing mainly to a better performance of the manufacturing, construction and commerce sectors.

Paulo Mateus

Poland

Poland has the momentum, but do they have the ability?

Poland finished third at the 1982 World Cup – losing 2-0 in the semi-final to eventual winners Italy – but has failed to produce a team that can consistently deliver on the international stage in the years since then. Poland hasn't made it out of the Group stage at the World Cup since 1986 and didn't qualify for the past two World Cups. Moreover, as co-host of the 2012 Euro Championship, the team faced the ignominy of coming last in their group, despite having home advantage in all their games.

However, the period since the 2014 World Cup has marked something of a turning point for Poland. Under the stewardship of Adam Nawalka – a member of the 1982 team – the team reached the quarter-finals of the 2016 Euros, losing in a penalty shootout to eventual winners Portugal. And, in their qualifying matches for Russia 2018, they won 8 out of 10 games, driving them into the top 10 of the FIFA world football ranking (reaching a high of 6th in the world in May 2018). Their success has been spearheaded by their captain and striker, Bayern Munich's Robert Lewandowski, who scored a record-breaking 16 goals in the qualification stage, scoring in 9 out of 10 games and collecting three hat-tricks.

Poland's fans will be hoping that the team can capitalise on recent momentum and deliver results worthy of their ranking. Having been drawn in the *relatively* easy Group H, the prospect of them moving beyond the Group stage looks promising. Poland will first face Senegal in Moscow on June 19, then Colombia in Kazan on June 24, and finally play Japan in Volgograd on June 28. Depending on the result of their game against the – also highly ranked – Colombia, they may even top the group.
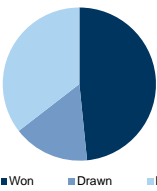
There are still challenges for the team to overcome. They are arguably over-reliant on Robert Lewandowski and, were he to become injured or under-perform, their attack will be severely hampered. Furthermore, while Monaco's Kamil Glik and Dortmund's Lukasz Piszczek are both strong defenders, the back four is nonetheless leaky; of the 18 European teams to finish in the top two of their qualifying groups, Poland conceded the most goals. Strong goalkeepers, such as Lukasz Fabianski and Wojciech Szczesny, do not seem to have improved Poland's ability to keep a clean sheet either. It seems that watching Poland may be one for the neutrals – exciting games, with lots of goals at either end.

If Poland makes it through the Group stage, they can expect to face Belgium or England in the Round of 16. This would undoubtedly be a challenge for a team that hasn't played a big European team since Euro 2016 – and, moreover, hasn't won against one since beating Germany in 2014. But Lewandowski is capable of feats of genius, nonetheless – with a player who can score 5 goals in 9 minutes (as he once did in the Bundesliga), anything is possible.

The Polish economy, like the Polish team, is moving from strength to strength

The Polish economy finds itself in a strong position, with robust growth yet inflation remaining subdued. Polish GDP grew by +4.7%yoy in 2017 and we forecast that this strength will persist throughout 2018. We expect growth to be supported by the combination of four factors: robust external demand, easy financial

Statistics for Poland

Odds: 40/1	World Ranking: 10		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
19-Jun	Spartak Stadium	Senegal	18:00
24-Jun	Kazan Arena	Colombia	21:00
28-Jun	Volgograd Arena	Japan	17:00
Previous Appearances: 7			
Host	**Year**	**Outcome**	
France	1938	Round 1	
Germany	1974	Third	
Argentina	1978	Round of 16	
Spain	1982	Third	
Mexico	1986	Round of 16	
Korea/Japan	2002	Round 1	
Germany	2006	Round 1	

Previous World Cup Results

■ Won ■ Drawn ■ Lost	Games Played	31
	Won	15
	Drawn	5
	Lost	11
	Goals Scored	44
	Goals Against	40
	Yellow Cards	40
	Red Cards	1

Source: Ladbrokes.com, FIFA Public Website

conditions, healthy household balance sheets and an increased inflow of EU funds.

Wage growth in Poland has picked up in the past year, driven by the combination of strong output growth, low unemployment and an increasingly positive output gap. However, in common with other CEE economies, the link between wage growth and inflation appears to have weakened and consumer price dynamics remain soft. We expect headline inflation to average +1.8%yoy in 2018 and +2.1%yoy in 2019, and do not expect inflation to return to the National Bank of Poland's 2.5%yoy target on a sustainable basis until late 2019. Poland's external balances are the healthiest they have ever been, recording a small current account surplus in 2017 and the government deficit also remains healthy; after introducing measures to clamp down on tax evasion the budget deficit in 2017 was the lowest it had been in 20 years, at 1.7% of GDP.

The favourable growth/inflation mix is accompanied by accommodative monetary policy. Over the past 18 months – and the last 9 months in particular – the NBP's monetary policy guidance has become increasingly dovish in tone. On account of our expectation that Polish inflation will return to target only slowly, as well as our forecast that the ECB will delay raising rates until 2019H2, we expect the NBP to maintain its policy rate at +1.50% until 2019Q4.

Poland's economy – much like its football team – is in the strongest position it has been in for years.

Loughlan O'Doherty* and Kevin Daly

*Loughlan is an intern on the CEEMEA Economics team.

Portugal

Success through 'specialisation' is easier for an economy than for a football team

Portugal's performance in the 2018 World Cup may well depend on how well it leverages one player's skills – those of Cristiano Ronaldo – for the benefit of the team. Yet, leveraging excellence in one area for the broader benefit comes more naturally to an economy than for a football team.

Specialisation versus broad-based success

There are good reasons why economies specialise in one activity or sector, perhaps building on some natural endowment or accumulated 'know-how'. For example, the Portuguese economy continues to benefit from a strong export performance in food and beverages, and in footwear and clothing.

But standard explanations for why economies specialise in this way suggest that doing likewise in football is difficult.

David Ricardo's idea of 'comparative advantage' suggests economies build success around a small number of activities. Ricardo's original description of comparative advantage accounted for patterns of trade between Portugal and England. Portugal produced both wine and cloth more cheaply than England. But it specialised in producing wine and imported cloth from the north of England because Portugal's relative efficiency – or comparative advantage – was greater in the production of wine than in cloth.

All economies have a comparative advantage in something. When trade is feasible economies specialise and build some degree of economic success around a narrow range of activities.

Performance in football is different. There are few examples where success has been built around one or two players' abilities. One notable example is Diego Maradona's success with Napoli, an otherwise unremarkable football team which won the Italian league title in 1986/87 and 1989/90, as well as the UEFA Cup in 1989. Such rare examples seem to apply at the club level rather more than national level.

Again, Ricardo's comparative advantage may help explain why. Trade needs to be feasible to facilitate an economy or team specialising successfully. In football, this is more plausible at club level – where foreign players can be imported into a team to complement one or two star players – than it is for national teams, where nationality constrains such trade.

Relying on leveraging one star player's excellence also leaves a team vulnerable to shocks. A robust economy has a certain dynamism and good institutions which lend a capacity to adapt at low cost to such unexpected events.

It may be easier for an economy to be robust to shocks than a football team. If a shock strikes one sector, e.g. if tariffs on imports from Portugal are increased, resources can be reallocated to other sectors, especially if the economy is flexible and the shock is not too big.

The importance of being able to reallocate resources across sectors to adjust more easily to economic shocks is a lesson that the Portuguese economy learned first-hand during its IMF/EC/ECB adjustment programme and led to the introduction to a series of structural reforms to improve such adaptability to shocks.

Statistics for Portugal

Odds: 25/1	World Ranking: 4		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
15-Jun	Fisht Stadium	Spain	21:00
20-Jun	Luzhniki Stadium	Morocco	15:00
25-Jun	Mordovia Arena	Iran	21:00
Previous Appearances: 6			
Host	**Year**	**Outcome**	
England	1966	Third place	
Mexico	1986	Round 1	
Korea/Japan	2002	Round 1	
Germany	2006	Fourth place	
South Africa	2010	Round of 16	
Brazil	2014	Round 1	

Previous World Cup Results

Games Played	26
Won	13
Drawn	4
Lost	9
Goals Scored	43
Goals Against	29
Yellow Cards	40
Red Cards	6

■Won ■Drawn ■Lost

Source: Ladbrokes.com, FIFA Public Website

Portugal's economy has been in a recovery phase for the past three years, and growth in real GDP was 2.7% last year – its strongest year of growth since 2000. While this marks the fourth year of rising output, GDP remains more than 1% below its 2008 peak.

In football, risk of injury is an ongoing potential source of shock affecting all players and teams. This adds to the sense that leveraging 'narrow' excellence in football is often likely to be a less robust strategy than it is for an economy.

Looks like 'team spirit'

Yet, surely, Portugal's success in winning the 2016 European Championship suggests the opposite? Perhaps as reigning European Champions, Portugal has shown that it should be among the favourites for success – having upset the odds in winning the 2016 European Championships. We believe otherwise.

Portugal's success in 2016 involved the team compensating for Ronaldo's absence, after he left the final early in the first half, being forced to play as a team without its star player. As one newspaper reported: "So the one-man team has become European champions, defeating the host nation without the one man they apparently could not win without".

That experience suggests that ultimately footballing success is based around playing as a team, rather than specialising in one part of the field of play. If Portugal succeeds at the 2018 World Cup it will be because, like any other team, it has managed to work as a team rather than because it has leveraged the performance of its one world class asset.

Andrew Benito

Saudi Arabia

Flight of *The Falcons*

This is the fifth occasion in which Saudi Arabia, or *Al-Suqour* (*The Falcons*), have qualified for the FIFA World Cup – not bad for a team that entered the competition for the first time in 1978 and qualified for the first time in 1994.

Saudi Arabia are the lowest-ranked team in Russia 2018 and betting markets point to them being eliminated in the first round (their opponents in Group A are Russia, Egypt and Uruguay). But *The Falcons* are used to being viewed as underdogs and it hasn't prevented them from springing surprises in the past. In the 1994 World Cup, Saudi Arabia beat both Belgium and Morocco in the Group stage before being defeated by Sweden in the Round of 16; and it could be this spirit that is somehow captured by our statistical forecast model, which has them finishing second in their group (though then losing to Portugal in the next round).

In Russia 2018, the Saudis will face the hosts in the opening game of the tournament. All of the pressure is likely to be on Russia and the outcome of the first match has often been surprising in the past. If *The Falcons* can take something from this game, who knows where it will lead?

Oil price recovery brings relief

The Saudi economy's prospects are, of course, highly exposed to oil prices. When oil prices surged between 2009 and 2011, real GDP growth rose to more than +10% and the current account surplus reached more than 20% of GDP. However, as prices declined in 2014 and 2015, growth fell sharply and the economy's current account balance swung into deficit.

The (partial) recovery in oil prices in the past year has brought more positive news for the Saudi economy. While real GDP is still declining – on account of Saudi Arabia's commitment to reduce oil supply under the OPEC+ agreement – income levels are improving and the current account balance has moved back into surplus.

Looking ahead, the Saudi Arabian authorities are attempting to reduce the economy's reliance on oil and diversify the economy through the implementation of the 'Vision 2030' reforms. This is a wide-ranging policy plan, affecting all parts of the Saudi economy and society, including structural reforms, the sale of publicly owned assets and significant investment in public infrastructure.

Football and oil – The secret link
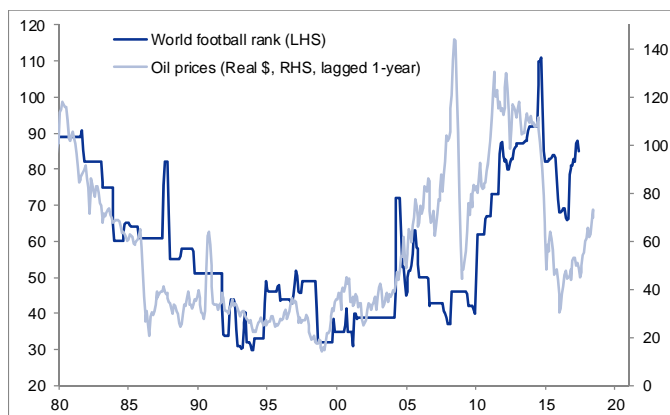
Statistics for Saudi Arabia

Odds: 1000/1	World Ranking: 67		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
14-Jun	Luzhniki Stadium	Russia	18:00
20-Jun	Rostov Arena	Uruguay	18:00
25-Jun	Volgograd Arena	Egypt	17:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
USA	1994	Round of 16	
France	1998	Round 1	
Korea/Japan	2002	Round 1	
Germany	2006	Round 1	

Previous World Cup Results

Games Played	13
Won	2
Drawn	2
Lost	9
Goals Scored	9
Goals Against	32
Yellow Cards	22
Red Cards	1

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

Source: Goldman Sachs Global Investment Research.

Is there a causal link between the performance of the Saudi Arabian football team and oil prices? Almost certainly not. However, we didn't let this mere fact stand in the way of us conducting an in-depth econometric study of the relationship.

Our 'detailed and rigorous' analysis suggests that there is a remarkably strong (and statistically significant) negative relationship between oil prices and the fortunes of Saudi Arabia's football team – the more oil prices fall, the better the football team does (see exhibit). Whether the causation flows from oil prices to football or from football to oil prices is beyond the scope of our analysis. Either way, the good news for the Saudi football team is that, given the current level of oil prices, our results suggest that the team *should* be performing better than their current ranking implies.

Perhaps *The Falcons* are ready to surpass expectations in Russia 2018.

Kevin Daly and Loughlan O'Doherty*

*Loughlan is an intern on the CEEMEA Economics team.

Senegal

Can *the Lions of Teranga* repeat the success of 2002?

Senegal has appeared at the World Cup finals only once before – in Japan/Korea in 2002. After defeating reigning champions France in their first-ever World Cup game and driven by 9 goals in the tournament by a young El-Hadji Diouf (who won the tournament's silver boot in the process), the Senegalese team became only the second African team ever to progress as far as the Quarter-finals. On a rainy evening in Osaka, the *Lions of Teranga* found themselves fighting for a golden goal against Turkey. With a well-timed cross and a deft flick of the boot from substitute Ilhan Mansız, Turkey ended Senegal's run of glory.

The current generation of *The Lions* will be hoping to match (or even surpass) the feats of the 2002 squad. Their results, so far, bode well. While their qualification was not without controversy – the referee in their first match against South Africa awarded a contentious handball against Senegal – the team qualified for the tournament comfortably. After a rematch versus South Africa, they remained undefeated, winning 4 out of 6 games.

The road to the Quarter-finals will not be easy – while Group H is lacking any of the tournament's traditional big-hitters, Poland and Colombia are both currently ranked in the world's top ten on most metrics, and all three games are likely to present a challenge. Their first match, facing group favourites Poland in Moscow on June 19, will probably be their most difficult. In their second match, they will play Japan in Ekaterinburg on June 24, and finally face Colombia on June 28 in Samara. Finishing the group in first place will be a tall order, and second place would still be difficult. That said, President Macky Sall recently announced he will be spending 12 days away from the office, cheering on the team: with such dedicated away fans, they might just be able to get over the line.

Their ability to progress in the tournament is likely to depend on the form of their main goal-scoring threat, Sadio Mané. Having recently scored 10 goals in the UEFA Champions League for Liverpool, making him the tournament's joint highest scorer, as well as scoring in the final, a lot will rest on Mané's first appearance at the World Cup. While teams without strength in depth rarely outperform, rising star Keita Baldé Diao (a recent £30m signing for Monaco) will hope to make his mark on the tournament – and the squad is filled with a smattering of other familiar names.

Without the usual suspects of Côte D'Ivoire, Ghana or Cameroon in this year's tournament, Nigeria and Senegal are the only sub-Saharan teams to make it to Russia. If Senegal is able to proceed past the Group stage and qualify in second place, they would likely then face either Belgium or England in the Round of 16.

The economy is a stand-out in the region, but still has a long way to go

Since the turn of the millennium, Senegal has experienced a remarkable period of high growth and relatively low inflation. Between 2000 and 2017 growth has averaged 4% – with a positive growth rate in every year, even during the years of the Global Financial Crisis – and inflation has averaged just +1.6%yoy. In 2017, Senegal achieved their highest growth rate since 1982, at 7.1%yoy.

Statistics for Senegal

Odds: 125/1	World Ranking: 28		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
19-Jun	Spartak Stadium	Poland	18:00
24-Jun	Ekaterinburg Arena	Japan	20:00
28-Jun	Samara Arena	Colombia	18:00
Previous Appearances: 1			
Host	**Year**	**Outcome**	
Korea/Japan	2002	Quarter-finals	
Previous World Cup Results			

Games Played	5
Won	2
Drawn	2
Lost	1
Goals Scored	7
Goals Against	6
Yellow Cards	14
Red Cards	1

■ Won   ■ Drawn   ■ Lost

Source: Ladbrokes.com, FIFA Public Website

According to IMF estimates, Senegal is expected to grow at a similar pace in 2018, and continue growing at 6%-7%yoy over the forecast horizon. This sustained period of strong growth follows the implementation of the *Plan Sénégal Emergent* (PSE) by the government, a policy framework focusing on structural reform, the promotion of human capital and the improvement of governance and rule of law. The aim of the programme is to drive the country into the World Bank's upper-middle-income bracket, an objective that is likely to require growth to stay in the 7%-8% range over the next 15-20 years. Compared with its Sub-Saharan peers, Senegal has a relatively high credit rating and relatively strong economic institutions.

Senegal has, however, been running twin deficits since 2005. In 2017 it ran a budget deficit of -4.5% of GDP, and the public debt stock has risen from around 20% of GDP in 2005 to 61% of GDP, while the current account deficit also remains wide at -9% of GDP. The latest World Economic Forum Global Competitiveness Index places Senegal at 106 out of 137 in the world. As with many less developed economies, its lack of competitiveness is a structural issue. The World Bank's Ease of Business Index places Senegal at 140 out of 190 countries. In particular, Senegal scores poorly on its ease of paying taxes, access to electricity and poor transport infrastructure. The most recent IMF Article IV consultation highlights the need to improve export quality as well if the trade balance is to improve.

These developments pose threats to the long-term outlook. However, the short-term outlook for the economy remains positive. Momentum is strong and recently discovered oil is expected to go on line in 2020-21.

Loughlan O'Doherty* and Kevin Daly

*Loughlan is an intern on the CEEMEA Economics team.

Serbia

A tough group, but Serbia could be a wildcard

With its deep historical, cultural and political ties to the host of this year's tournament, Serbia might come closest to enjoying 'home advantage' at the 2018 World Cup, and is likely to benefit from considerable support from the local Russian fan base. Given the group that it finds itself in – along with Brazil, Costa Rica and Switzerland – Serbia may need these off-the-pitch factors to work in its favour in order to raise its chances of breaking into the Round of 16. Meanwhile, Brazil is close to being a favourite to win the tournament, Costa Rica routinely punches above its weight, and Switzerland has made it to the knockout stages at two of the last three World Cups.

That said, similarly to Russia, Serbia – and before that its Yugoslavia and Serbia and Montenegro predecessor teams – has a storied football past, with a tradition of extremely skilful players, strong team cohesion and technically adept dribblers and passers. One could even argue that the old Yugoslav teams were a cradle for some of the greatest individuals ever to play the game. This year's tournament will be the team's eleventh appearance at the World Cup, including those of its predecessor teams. Most recently, Serbia contested with Montenegro in 2006 in Germany, and then on its own in 2010 in South Africa. While it didn't break out of the Group stage in 2010, it triumphantly defeated Germany in a 1-0 victory on the back of an impressive goal by mid-fielder Milan Jovanic – a clear high point in recent Serbian football and World Cup history.

This year, the team has a mix of old and new. Branislav Ivanovic, now playing for Zenit Saint Petersburg, is the main holdover from the 2010 generation that competed in South Africa, along with fellow defender Aleksandar Kolarov. They are notably joined by the young and up-and-coming Sergej Milinkovic-Savic in mid-field and Aleksandar Mitrovic up front. The team has promising players and could be a wildcard for breaking out of the group stage, but player chemistry, rocky recent results and recent managerial changes – with manager Mladen Krstajic only having signed on in the autumn of 2017 – introduce many uncertainties.

Stronger recent economic performance, bolstered by structural reforms

Like many other countries in Central and Eastern Europe, Serbia emerged from the Global Financial Crisis and from the Euro area debt crises bruised and exposed, with macroeconomic imbalances including a household credit bubble, weak public finances and significant financial sector vulnerabilities (in particular given large Greek participation in Serbia's banking system). Growth outcomes were very weak from 2009-14, foreign investment was meagre and public institutions and policy were slow to respond to the economic challenges. In the face of these adverse macroeconomic conditions, the Serbian authorities embarked on a precautionary IMF Stand-By Arrangement in 2015-18, which they completed earlier this year with flying colours (and are due to renew some form of cooperation with the IMF in the coming months). In the context of this IMF programme, Serbia has restored sustainability to public finances, with primary surpluses implying that government debt is now on a

Statistics for Serbia

Odds: 150/1	World Ranking: 35		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
17-Jun	Samara Arena	Costa Rica	16:00
22-Jun	Kaliningrad Stadium	Switzerland	20:00
27-Jun	Spartak Stadium	Brazil	21:00
Previous Appearances: 11			
Host	**Year**		**Outcome**
Uruguay	1930		Fourth
Brazil	1950		Round 1
Switzerland	1954		Quarter-finals
Sweden	1958		Quarter-finals
Chile	1962		Fourth
Germany	1974		Round of 16
Spain	1982		Round 1
Italy	1990		Quarter-finals
France	1998		Round of 16
Germany	2006		Round 1
South Africa	2010		Round 1

Previous World Cup Results		

Games Played	43
Won	17
Drawn	8
Lost	18
Goals Scored	64
Goals Against	59
Yellow Cards	46
Red Cards	5

■ Won ■ Drawn ■ Lost
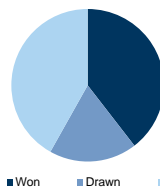
Source: Ladbrokes.com, FIFA Public Website

declining trajectory, and with an ambitious reform of its state-owned enterprises as well as regulatory overhaul designed to improve its business climate in progress.

Despite lagging CEE peers in its economic recovery, Serbia's reform efforts have recently borne fruit. Growth has returned to a 2-3% range, inflation has fallen sharply enabling monetary policy easing and creating an attractive local-currency fixed income story, and the current account deficit has narrowed sharply. These efforts have also earned Serbia credit rating upgrades to BB (across all three major rating agencies) and have led to significant FDI inflows, boosting fixed investment sharply as well as export growth. Moreover, given that the economic recovery is still in a relatively early stage and with more reforms underway, Serbia has yet to realise its economic potential and it arguably remains one of the most under-appreciated and positive reform stories among emerging market countries. With prospects of an investment grade credit rating and hopes of EU membership down the line (it is currently a candidate country, with a target 2025 accession date), the political and economic outlook for Serbia remains bright.

Andrew Matheny

Spain

Spain's real GDP has grown faster than that of any other Euro area country since 2015, making it 'the tiger of Europe', and one that is likely to roar loudly at the 2018 World Cup. The *Red Fury* debuts against Portugal on June 15. The two countries share Group B with Iran and Morocco, but should be able to dominate the top two qualifying slots comfortably.

The new team coach, Julen Lopetegui, was a surprising appointment back in 2016, as surprising as the strength and persistence of Spanish economic performance over the past few years. Success in soccer came first: Spain won the Euros in 2008, the World Cup in 2010 and the Euros again in 2012, achievements that boosted confidence in Spain at a time of crisis. The economic recovery came later, when an extensive liberalisation process finally bore fruit. With real unit labour costs now only slightly above those of Germany, Spanish international competitiveness has improved dramatically since 2008 and Spain has increased its share in international goods markets.

Lopetegui has revolutionised the playing style of Spain's national team. He prefers a more vertical game over the renowned 'Tiki-Taka' introduced by Pep Guardiola and later used by Vicente del Bosque to conquer two international titles in as many years. Lopetegui is spoiled for choice for the required 23 players, so much so that strong candidates such as Álvaro Morata, Cesc Fábregas, and Marcos Alonso have been left out of the roster. Instead, Lopetegui will count on a solid team of experienced players such as team captain Iniesta to guide the talented rising stars towards victory. Mid-fielders Marco Asensio and 'Suso' belong to the latter camp; their dynamism mirrors the new business environment of young, productive firms that have been created at a faster rate than in Germany.

The *Red Fury* is set to debut with a 4-2-3-1 formation. The goal will be well guarded by David De Gea, recently named the best goalkeeper in the world, while the defence is fortified by world champions Gerard Piqué and Sergio Ramos, idols of F.C. Barcelona and Real Madrid respectively. In the mid-field, well-known faces such as those of Sergio 'The Invisible' Busquets, David 'Merlin' Silva, and Andrés 'The Brain' Iniesta, who are likely playing their last World Cup, will be joined by the fresh faces of Thiago Alcántara and Saul Ñíguez. Finally, Lopetegui will rely on striker Diego Costa to lead the offensive.

The 2018 World Cup will unite all Spaniards under one flag and one team, hopefully helping to clear some clouds between the central government and disgruntled regions such as Catalonia. Even the rivalry between F.C. Barcelona and Real Madrid will be forgotten over the next month as players from both teams such as Isco, Vázquez, Asensio, Iniesta and Piqué play side by side. In parallel, the newly appointed Socialist Prime Minister Pedro Sánchez has shown signs of seeking a political truce as he intends to re-open dialogue with politicians in Catalonia.

Statistics for Spain

Odds: 6/1	World Ranking: 8		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
15-Jun	Fisht Stadium	Portugal	21:00
20-Jun	Kazan Arena	Iran	21:00
25-Jun	Kaliningrad Stadium	Morocco	20:00
Previous Appearances: 14			
Host	**Year**	**Outcome**	
Italy	1934	Quarter-finals	
Brazil	1950	Fourth place	
Chile	1962	Round 1	
England	1966	Round 1	
Argentina	1978	Round 1	
Spain	1982	Round of 16	
Mexico	1986	Quarter-finals	
Italy	1990	Round of 16	
USA	1994	Quarter-finals	
France	1998	Round 1	
Korea/Japan	2002	Quarter-finals	
Germany	2006	Round of 16	
South Africa	2010	Winners	
Brazil	2014	Round 1	

Previous World Cup Results		
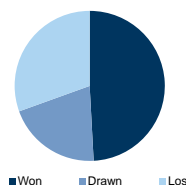
Games Played		59
Won		29
Drawn		12
Lost		18
Goals Scored		92
Goals Against		66
Yellow Cards		64
Red Cards		1

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

Spanish progress at the World Cup looks as good a bet as anticipating a further sovereign upgrade. After falling down the ratings agencies ladder, S&P, Moody's and Fitch have acknowledged that the government scored important goals by reforming the banking system, making the labour market more competitive, and reducing large government and current account deficits. That said, graduating to the French and German level requires a few more steps, such as the new Socialist government maintaining the reform momentum and fiscal austerity.

Bonos-Bunds spreads have tightened fast this year, perhaps as fast as Isco runs. Whether spreads will tighten further or not will depend not only on Spain, but also on its 'competitors' playing by the rules. Unlike in Italy, which failed to qualify for the World Cup, and where Eurosceptics are putting Italy first, in Spain a new, liberal and pro-European party Ciudadanos, is leading in the polls. Still, in Russia on the football pitch, it will be Spain first!

Silvia Ardagna & Isabel Di Tella*

*Isabel is an intern on the Europe Economics team

Sweden

After Zlatan

Despite superstar Zlatan Ibrahimovic's exodus from the national football team in 2016, rumours of his potential return surfaced around six months ago. But in April it was announced that Zlatan would not be returning for the World Cup. Where does this leave the Swedish team? Does the Scandinavian spirit of cooperation and teamwork make up for the loss of star appeal?

The 4-4-2 system and tactics under manager Jan Andersson hark back to the relatively successful period during the tenure of Lars Lagerback in the first decade of the 2000s. But whereas back then players came from clubs such as Arsenal, Juventus and Barcelona, they now tend to come from lesser-known clubs from countries like Denmark, Greece, Russia, Scotland and the UAE. No single name in the current team comes close to matching the star status of Zlatan.

But Sweden's qualification to the World Cup was undoubtedly an accomplishment: it finished second in a group containing heavyweights France and the Netherlands. This led to a play-off with three-times World Cup winners Italy. With a performance that displayed impressive teamwork, Sweden beat Italy (1-0, 0-0) to secure its place in the World Cup.

Sweden is currently placed in 23rd place in FIFA's rankings, behind fellow Nordic neighbours Denmark and Iceland, and making it something of an underperformer among its peers. At the Group stage, Sweden faces stiff competition from Germany, Mexico and South Korea. We think Sweden has a good chance of progressing beyond the Group stage by securing the second spot after Germany. Sweden's past glories at the World Cup include reaching the final in 1958, when it lost to Brazil fielding a young Pelé. Sweden's most recent success includes reaching the Semi-finals in 1994. Matching this performance and progressing much beyond the first knock-out match seems unlikely for Sweden at this World Cup: for this, it would need both the teamwork and star quality of the likes of Zlatan.

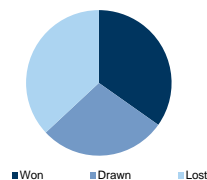## The economy – a robust recovery but risks remain

The Swedish economy has displayed Zlatan-like quality when rebounding from crises: Swedish GDP grew close to +6% in 2010 following the global financial crisis, and averaged close to +3½% per year over past three years as echoes of the Euro area debt crisis faded.

As a small open economy, Swedish growth is highly dependent on European and global growth. Domestic conditions have also been good, with private consumption and investment proving strong on the back of rising employment, low interest rates and wealth gains.

Asset prices have risen, including for houses, and reached very high levels last year. That said, house prices starting falling last year, and are down around 10%. While we expect the strong economic growth and high employment to keep house prices from falling

Statistics for Sweden

Odds: 80/1	World Ranking: 23		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
18-Jun	Nizhny Novgorod Stadium	Korea Republic	15:00
23-Jun	Fisht Stadium	Germany	21:00
27-Jun	Ekaterinburg Arena	Mexico	19:00
Previous Appearances: 11			
Host	**Year**	**Outcome**	
Italy	1934	Quarter-finals	
France	1938	Fourth place	
Brazil	1950	Third place	
Sweden	1958	Runners-Up	
Mexico	1970	Round 1	
Germany	1974	Round of 16	
Argentina	1978	Round 1	
Italy	1990	Round 1	
USA	1994	Third place	
Korea/Japan	2002	Round of 16	
Germany	2006	Round of 16	

Previous World Cup Results		

Games Played	46
Won	16
Drawn	13
Lost	17
Goals Scored	74
Goals Against	69
Yellow Cards	38
Red Cards	3

■ Won　■ Drawn　■ Lost

Source: Ladbrokes.com, FIFA Public Website

much further – and price developments so far this year provide some reassurance on this – risks of a sharper housing correction remain. High household debt and high house prices have left Sweden vulnerable to corrections. A global recession could hit Sweden hard. Further house price declines could severely exacerbate the bite of a recession. In our base case of continued robust global growth, we expect the Swedish economy to do well, even if growth is gradually losing pace on the back of falls in housing activity and little remaining slack in the economy.

Inflation has been low in Sweden in recent years, but headline inflation averaged its target last year of 2%. Part of this reflects energy prices and underlying inflation remains somewhat lower. With continued declines in labour market slack, we expect gradual gains in inflation. Yet low inflation abroad – including subdued wage and price pressures from Germany – implies inflation will likely rise only slowly. While still some time away from its first hike since 2011, the Riksbank is moving closer to raising rates again. That said, future rate increases are likely to be slow and gradual compared with past hiking cycles.

Lasse Holboell W. Nielsen & Erik Meyersson

Switzerland

Easy policy, easy winning

Switzerland's performance at past FIFA World Cup finals has often been said to mirror national cultural stereotypes. *Die Schweizer Nati's* performances have been defined by meticulously planned, but stolidly defensive, displays which have prioritised conservatism over flair. The results have been reliably good for a small European country, but never spectacular.

Switzerland have qualified for 11 of the 21 World Cup finals held to date (including four of the past seven), but have failed to make their way past the Round of 16 since 1954. In the 2010 World Cup, which typifies the Swiss character, the team achieved the unlikely feat of escaping the Group stage while scoring only a single goal. Unlike other small European footballing nations, such as Belgium or Sweden, Switzerland has not cultivated any footballing superstars.

The approach of the Swiss Football Association mirrors that of other key national institutions, such as the Swiss National Bank. While other financial centres have produced central bankers with international profiles that rival those of sporting superstars, Swiss central bankers have preferred to defend their anonymity. Gradualism and reliability have tended to reap greater rewards in economic policy than in football. The policymakers have outperformed the footballers by some distance. Inflation has averaged a healthy 1.8%yoy since Switzerland's first World Cup in 1934, and Switzerland has the third-highest living standards in the world, according to the UN.

An institutional culture that produces a reliably robust economy and reliably boring football has, until recently, been an acceptable trade-off for the sensible Swiss populace. But this is changing. Global events have forced the old monetary policy model to adapt after the global and European crises. The result has been a series of uncharacteristically bold monetary policy moves, and the injection of a certain level of flair. The SNB has expanded its balance sheet by 600% since 2008, and runs the world's lowest negative interest rates. The removal of the CHF floor in 2015 was one the most significant events in recent financial history.

While this new paradigm may make Swiss finance less predictable, it has boosted *die Nati*. In all games relating to the World Cup or Euros, Switzerland has improved its win ratio markedly, from a

FX regimes and goal ratio
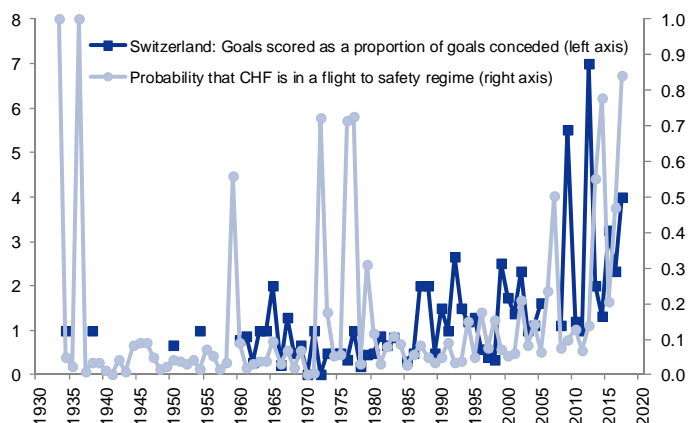
Source: Bloomberg, Goldman Sachs Global Investment Research

Statistics for Switzerland

Odds: 100/1	World Ranking: 6		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
17-Jun	Rostov Arena	Brazil	21:00
22-Jun	Kaliningrad Stadium	Serbia	20:00
27-Jun	Nizhny Novgorod Stadium	Costa Rica	21:00
Previous Appearances: 10			
Host	**Year**	**Outcome**	
Italy	1934	Quarter-finals	
France	1938	Quarter-finals	
Brazil	1950	Round 1	
Switzerland	1954	Quarter-finals	
Chile	1962	Round 1	
England	1966	Round 1	
USA	1994	Round of 16	
Germany	2006	Round of 16	
South Africa	2010	Round 1	
Brazil	2014	Round of 16	

Previous World Cup Results
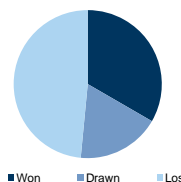
Games Played	33
Won	11
Drawn	6
Lost	16
Goals Scored	45
Goals Against	59
Yellow Cards	31
Red Cards	1

Source: Ladbrokes.com, FIFA Public Website

historical average of 30%, to 70% over the past four years. In 2017, Switzerland were undefeated, and ascended to their highest ever FIFA ranking (6th). Easy policy has delivered easy wins. On our forecasts, this trend will continue to June.

If the institutional analysis is not convincing, the data don't lie. The exhibit shows a *(very)* rough and *(extremely)* dirty Markov-switching model characterisation of flight-to-safety regimes, defined as periods in which CHF appreciates and displays heightened volatility. Historically, there has been no correlation between demand for the Franc and the performance of the national team. However, in recent years, we have seen a remarkably rapid coupling of flight to safety regimes with the ratio of goals scored vs goals conceded by Switzerland. This suggests the football team is synching up with the economy, rather than with the (slow-moving) national culture. The recent flight-to-safety event triggered by Italian political uncertainty was well-timed for the World Cup.

Moreover, there is a robust correlation between Swiss watch exports and the nation's win ratio in football. While the long-term outlook for the Swiss watch industry is threatened by the growth of the smart devices industry, short-run prospects remain bright, and we can expect the wins to keep on rolling.

As the old market chestnut goes, one correlation is a fluke, two are a trade. This World Cup, 'buy' Switzerland.*

*Disclaimer: Past performance is not a reliable indicator of future performance. The value of an investment linked to the performance of the Swiss National Team can go down as well as up.

Dylan Smith

Tunisia

Will injuries clip the Eagles' wings?

The Eagles of Carthage face a daunting task in Russia. Drawn into a difficult group, the Eagles open their campaign against England and Belgium before meeting Panama in their final match of the Group stage. Tunisia's task became even more daunting this spring when their talisman and primary goal scorer Youssef Msakni tore a cruciate ligament in a club match, ruling him out for Russia. The Eagles' manager, Nabil Maaloul, had previously said that Tunisia entering the World Cup without Msakni would be akin to Argentina without Messi, but little did he know his great fear would come true. The team's injury-related woes were compounded last month when a muscle problem kept their secondary goal threat, Taha Yassine Khenissi, out of the World Cup squad.

In Msakni's absence, Tunisia will likely rely on their resolute midfield. Their dynamic trio of Ferjani Sassi, Mohamed Amine Ben Amor and Ghaylen Chaaleli will look to frustrate their English and Belgian counterparts in the centre of the park with their industry and energy. The Eagles' comeback from two goals down to draw against Portugal in a recent friendly demonstrated their fighting qualities and proved that they pose an attacking threat even without Msakni and Khenissi. Given their already depleted squad, Tunisia will hope that lingering fitness concerns don't deprive them of any more key members of their World Cup squad.

While they undoubtedly enter their 2018 group as an underdog, the Eagles have a history of big performances on the international stage. In 1978, Tunisia became the first African side to win a World Cup match when they came from behind to beat Mexico 3–1 (while also holding defending champions West Germany to a goalless draw in the same tournament). During a sustained period of international success, they qualified for three consecutive World Cups between 1998 and 2006, and won the 2004 Africa Cup of Nations. After a slump that saw them miss the last two World Cups, the national team has seen a resurgence in recent years, and Tunisia will travel to Russia ranked 14th by FIFA, their highest-ever world ranking.

State of the nation and the economy: encouraging signs in tough times

Tunisia became a symbol of hope as the seat of the Arab Spring in 2011, but the intervening years have yet to bring prosperity for the Tunisian people. The Tunisian economy has deteriorated in recent years as the nation struggles with the transition towards democracy and turmoil in neighbouring Libya, one of Tunisia's primary trading partners. Public expenditures and the civil service wage bill have roughly doubled since 2011, while economic growth is stalled below 2%. Tourism, one of the nation's largest industries, has suffered due to political instability and terrorism, and the World Bank reports that more than 35% of Tunisians aged 15 to 24 are unemployed.

Statistics for Tunisia

Odds: 500/1	World Ranking: 14		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
18-Jun	Volgograd Arena	England	21:00
23-Jun	Spartak Stadium	Belgium	15:00
28-Jun	Mordovia Arena	Panama	21:00
Previous Appearances: 4			
Host	**Year**	**Outcome**	
Argentina	1978	Round 1	
France	1998	Round 1	
Korea/Japan	2002	Round 1	
Germany	2006	Round 1	

Previous World Cup Results

Games Played	12
Won	1
Drawn	4
Lost	7
Goals Scored	8
Goals Against	17
Yellow Cards	28
Red Cards	1

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

Attempts at economic reform haven't helped. In the past few years Tunisia has sought to increase international competitiveness by devaluing the Dinar. This currency devaluation, however, has only widened Tunisia's trade deficit, creating a vicious cycle of Dinar devaluation. The IMF estimates that Tunisia's current account exceeded 10% of GDP in 2017. Moreover, the 2018 government budget included tax increases and a public sector hiring freeze in an attempt to rein in public finances, but these austerity measures have hurt incomes and raised unemployment. The budget also imposed price increases, which have sparked inflation concerns with the rate of inflation in Tunisia expected to reach the low double digits in 2018.

Recent developments point to some encouraging signs, however. The Tunisia government has shown a commitment to fighting terrorism, which should help the struggling tourism industry, and the weak Tunisian Dinar offers a comparative advantage in attracting foreign investment. Moreover, earlier this year, the government dismissed the governor of the Tunisian central bank and installed the widely respected economist Marouane El Abassi, a promising apolitical appointment. El Abassi, along with his former colleagues at the World Bank, published a recent report on the key challenges facing the country that many hope will represent an economic turning point as the country progresses towards a stable democracy.

James Weldon and Lotfi Karoui

Uruguay

Small country, big winner

Despite being a small country with a population of just 3.4 million (as of 2016), Uruguay has a successful and proud football heritage, as one of only eight nations ever to win the World Cup. *La Celeste* – the national team's moniker (after the sky blue color of the flag and team shirt) – won the world title in 1930 and 1950, as well as several other international titles, including the Olympics and the Copa América. In fact, with 20 trophies, Uruguay holds the world record for the most international football titles held by any country.

This history of success has had its ups and downs. After 1970, the team's dominance and quality declined significantly, reaching an all-time low 76th place in the FIFA World Ranking, and it failed to classify for several World Cups (1978, 1982, 1994, 1998 and 2006). However, a new generation of players rose to prominence in the late 2000s – namely strikers Diego Forlán, Luis Suárez and Edinson Cavani, among others. Coupled with the leadership of Oscar "El Maestro" Tabárez, who returned as head coach of *La Celeste* in 2006, these players formed a team widely considered the best in the past several decades, finishing in fourth place at the 2010 World Cup and winning the 2011 Copa América.

In Russia 2018, the Uruguayan squad will include many of these star players and will be looking to improve on its performance in Brazil 2014, where the team was eliminated in the Round of 16. After a solid campaign in the South American qualifiers, where Uruguay was placed 2nd behind Brazil, El Maestro Tabárez is aiming to steer *La Celeste* into the latter stages of the competition with the help of the team's confidence and focus – the famous *garra charrúa* (tenacity of the Charrúas, the indigenous people who fiercely resisted the Spanish in the 1500s). Facing a group that includes Russia, Saudi Arabia and Egypt, based on past form *La Celeste* should easily qualify to the knockout stages with the help of the defensive prowess of veteran captain Diego Godín, a youthful and energetic midfield, and one of the world's best offensive duos in Suárez and Cavani. If the plan is to win the World Cup, however, Uruguayans should hope that Luis Suárez doesn't repeat his red-card suspensions from 2010 and 2014, and is available as its leading goal-scorer to lead his nation to victory.

Stability in an unstable region

The recent renaissance of Uruguayan football pales in comparison to the economic rebound experienced since the 2002 crisis, with the economy expanding for 15 consecutive years. After a decade-long period of sustained economic growth based on sound macro policies and successful institutional reforms, Uruguay earned the investment grade 'triple crown' from the three largest credit rating agencies in 2012. It also enjoys broad political stability and a robust democracy in a region where democratic institutions are often tested by economic mismanagement, corruption and public security issues. Indeed, it is the only Latin American country to rank as a "full democracy" according to The Economist's Democracy Index.

Uruguay enjoyed a cyclical recovery in 2017, with GDP growing by a solid 3.1%, up from 1.5% in 2016 and 0.4% in 2015. Growth is expected to remain robust in 2018 at 3.0%, according to the Bloomberg consensus forecast. While the labor market remains weak, unemployment has been declining and a tighter monetary

Statistics for Uruguay

Odds: 25/1	World Ranking: 17		
1st Round Match Schedule			
Date	**Venue**	**Against**	**Local Time**
15-Jun	Ekaterinburg Arena	Egypt	17:00
20-Jun	Rostov Arena	Saudi Arabia	18:00
25-Jun	Samara Arena	Russia	18:00
Previous Appearances: 12			
Host	**Year**	**Outcome**	
Uruguay	1930	Winners	
Brazil	1950	Winners	
Switzerland	1954	Fourth place	
Chile	1962	Round 1	
England	1966	Quarter-finals	
Mexico	1970	Fourth place	
Germany	1974	Round 1	
Mexico	1986	Round of 16	
Italy	1990	Round of 16	
Korea/Japan	2002	Round 1	
South Africa	2010	Fourth place	
Brazil	2014	Round of 16	

Previous World Cup Results
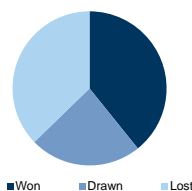
Games Played	51
Won	20
Drawn	12
Lost	19
Goals Scored	80
Goals Against	71
Yellow Cards	60
Red Cards	9

■ Won ■ Drawn ■ Lost

Source: Ladbrokes.com, FIFA Public Website

policy stance coupled with an appreciating exchange rate in 2017 and early 2018 brought inflation down into the target range of 3%-7% for the first time in seven years. The government is also delivering on a needed fiscal adjustment, and committed to meet the challenging fiscal deficit target of 2.5% of GDP in 2019.

If the football rivalry with its two big neighbors – Argentina and Brazil – were extended to the recent growth performance, Uruguay would win against both. But, off the field, its fate is largely linked to the performance of its two largest economic partners, and the slow recovery in Brazil and correction of external imbalances in Argentina pose a risk to Uruguay's outlook. That said, the Uruguayan economy is less vulnerable to international volatility than it has been in the past, as it enjoys a current account surplus, a comfortable international reserves position equivalent to 30% of GDP, and lower levels of dollarisation.

Gabriel Fritsch

World Cup trends viewed through a (light-hearted) economic lens

## W ill the recent uptick in global rates mean more goals in the World Cup final?

Teams have become more risk-averse in the World Cup final over time. The number of goals scored in the match used to be 4-5 during the 1970s and the 1980s, but has declined to 1-2 over the past decade. This 'safety-first' attitude has been mirrored by the preference for safe assets such as US government bonds and the long decline in UST yields over the same period. Will the recent uptick in global rates and the narrative of a bond bear market mean we see more goals in the 2018 Final?
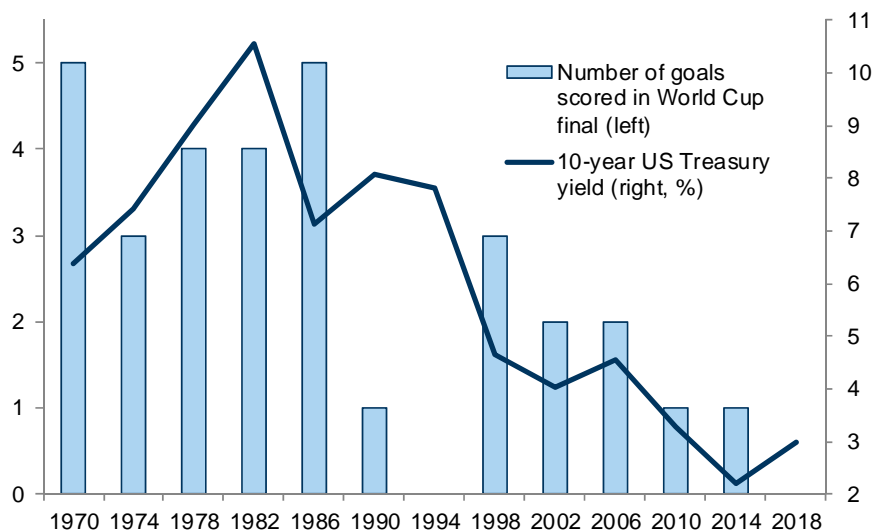
Source: FIFA, Haver Analytics, Goldman Sachs Global Investment Research.

A more diverse backdrop, in football and in the economy

As the composition of global GDP has become increasingly diversified, so has the World Cup tournament included a rising number of teams from non-American/European regions. While more than 30% of the participants now come from Asia and Africa, only Latin American and Western European teams have managed to lift the trophy so far.
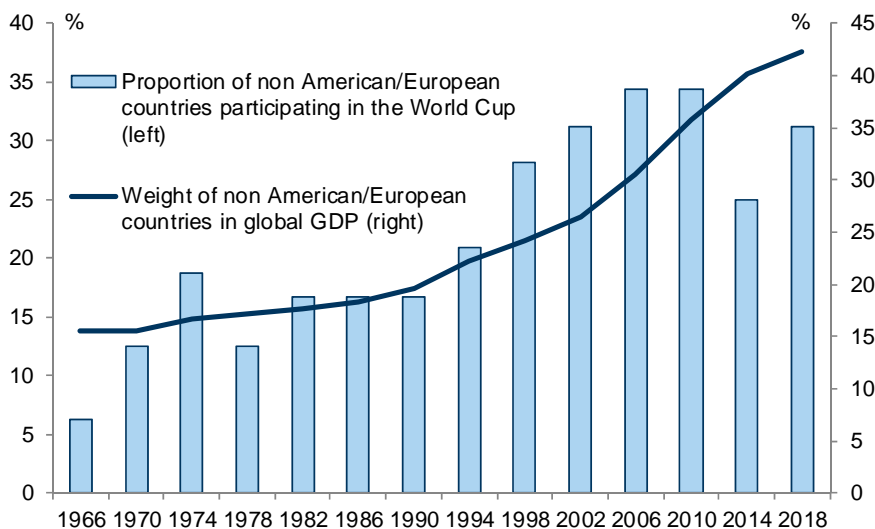
Source: FIFA, Haver Analytics, Goldman Sachs Global Investment Research.

# E fficiency matters: more productive countries tend to perform better

Is the concept of 'productivity' applicable to football? And if so, does it relate to productivity in the overall economy? The answer to both questions appears to be 'yes'. We find a positive relation between output per worker in a given country and the proportion of matches won in all World Cup editions for the respective national squad. The conspicuous exception is Brazil, where despite the relatively low level of economic productivity, World Cup productivity is the highest in the sample (almost 70%).
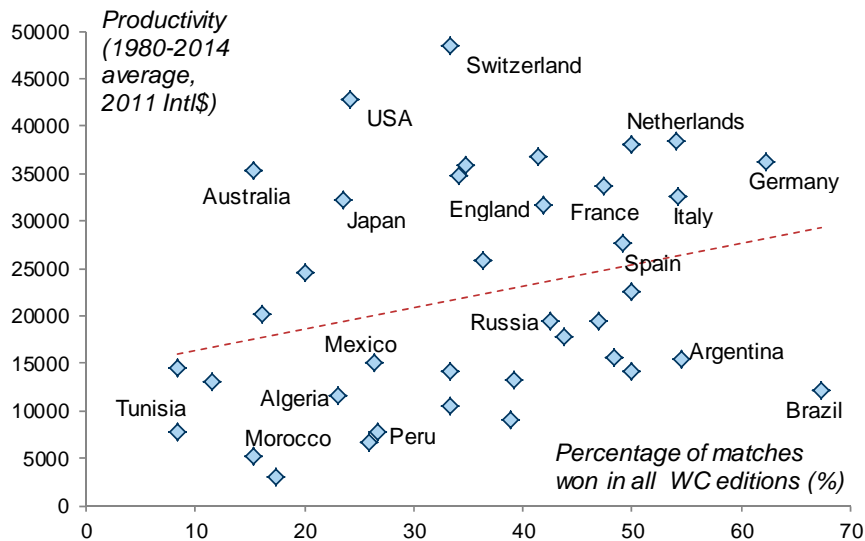
Source: FIFA, Haver Analytics, Goldman Sachs Global Investment Research.

G oing it alone: more offside calls where mutual trust is lower

Facing an organised defence is certainly the easiest way for a striker to get caught offside. But ending up 'beyond the enemy lines' more frequently as a strike force may suggest there is an impulse to 'go it alone' rather than attack as a mutually reinforcing group. Indeed, the number of offside calls per attacking action for each team in the 2014 World Cup was closely correlated with the level of mutual trust reported by the World Value Survey for the respective country.
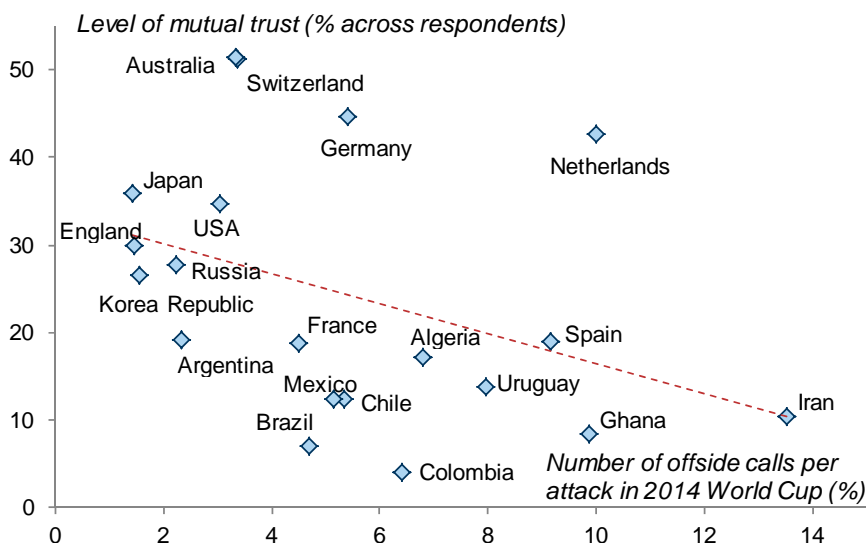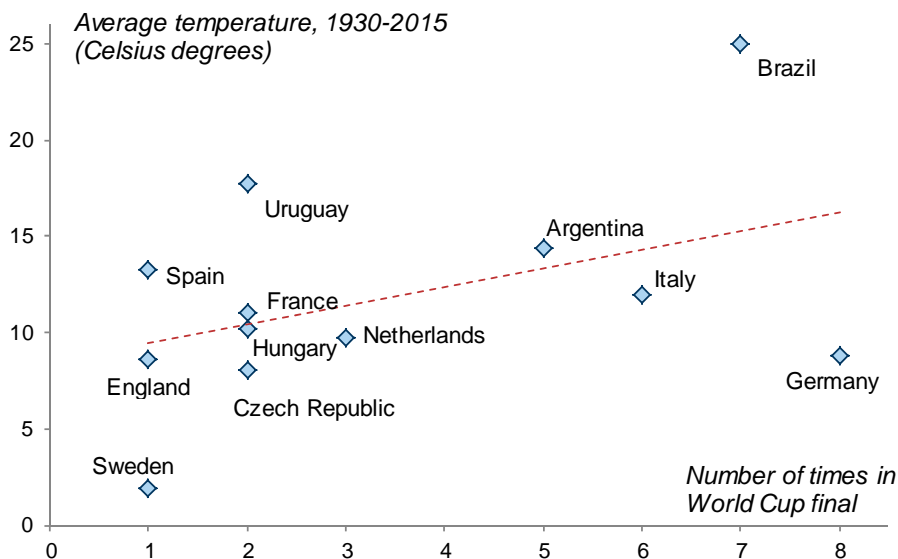

Source: FIFA, World Value Survey, Goldman Sachs Global Investment Research

Note: Mutual trust measured as percentage of positive answers to question – "Would you say that most people can be trusted?" in 2014 World Value Survey

F ootball (almost) always requires a sunny climate

Back in 2014 we showed how the availability of land may be a key determinant of countries' performance in the World Cup. This year we focus again on the role of geographic factors and show that temperature may also play a crucial role when it comes to making it to the Final. This time Germany is the noticeable exception, with a record 8 World Cup finals but an average temperature of less than 9 degrees.

Average temperature, 1930-2015 (Celsius degrees) vs **Number of times in World Cup final**

Brazil, Uruguay, Spain, France, Argentina, Italy, Hungary, Netherlands, England, Czech Republic, Germany, Sweden

Source: FIFA, World Bank, Goldman Sachs Global Investment Research

I t's all about accuracy: where central banks and penalty shooters don't miss the "target"

Conducting monetary policy and kicking a penalty are clearly different endeavours, yet both require cold blood and hard training. Indeed, we find a strong correlation between the 'success rate' of penalty shooters and central bankers across countries. Achieving an inflation target and scoring a World Cup penalty both seem to be largely a matter of accuracy.

Penalty shoot-out success rate in World Cup history (%) vs **Absolute deviation from inflation target (%)**

Belgium, South Korea, Paraguay, Germany, Sweden, France, Spain, Japan, Greece, Brazil, Italy, Ireland, Netherlands, Portugal, England, Ghana, Chile, Mexico

Source: Planet World Cup, Haver Analytics, Goldman Sachs Global Investment Research

Lorenzo Incoronato

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Reg AC

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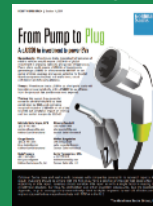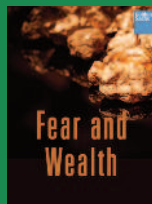
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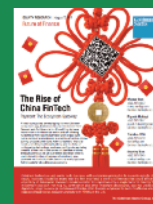### Gold Primer
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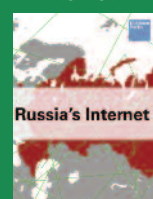
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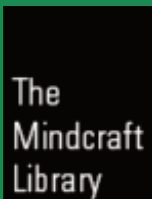### Russia's Internet
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