FINANCIAL TIMES

WEDNESDAY 12 OCTOBER 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

Ben & Jerry's row is a lesson in corporate ethics
BIG READ, PAGE 15

Six moves to help fix the global economy
MARTIN WOLF, PAGE 17

Russia visit
UAE reaches out to Putin

Hamad Al-Kaabi/UAE Presidential Court/AFP

Vladimir Putin, right, greets Sheikh Mohamed bin Zayed al-Nahyan, president of the United Arab Emirates, in Saint Petersburg yesterday.

The Russian president said the UAE could play a "significant" role in efforts to reach a resolution in his war with Ukraine. The Gulf nation's ruler, known as MbZ, said he and Putin had agreed on "the importance of engaging in dialogue to reduce tensions and arrive at a diplomatic solution".

The visit comes amid a sudden escalation in the near eight-month invasion as Russia carried out a second day of missile strikes on Ukrainian cities.

The UAE, as well as Saudi Arabia and Turkey, which helped broker a prisoner exchange last month, have put themselves forward as potential interlocutors between the warring parties.

Oil and Russia reports page 2
Martin Wolf page 17

Kishida stands by Bank of Japan's ultra-loose policy despite yen plunge

- Premier firm on need for wage rises
- Plan to help business with costs
- Comments dent currency

ROULA KHALAF, MATTHEW GARRAHAN, KANA INAGAKI AND LEO LEWIS — TOKYO

Fumio Kishida has signalled his support for the Bank of Japan's ultra-loose monetary policy despite the yen's plunge to its lowest level in real terms since the 1970s.

In an interview with the Financial Times, the Japanese prime minister said the central bank needed to maintain its policy until wages rose and urged companies that did increase prices to raise pay as well. Kishida said he would continue to "work closely" with Haruhiko Kuroda, ruling out speculation he would end the BoJ governor's term prematurely or apply political pressure to end negative rates.

"At the moment, I am not thinking of shortening his term," Kishida said, referring to Kuroda's 10-year tenure, which will end next spring. "I will look ahead to the expected economic conditions of April next year in my deliberations on choosing the right person for the job."

In a sign of how starkly Japan's challenges contrast with those of other leading economies, which are wrestling to protect citizens from runaway inflation, Kishida said his country needed wage rises rather than wage restraint.

> 'By passing on rising prices, we hope business will have latitude to raise wages'
> Fumio Kishida

The government will prepare measures to help companies raise salaries even as they pass on increasing input costs, Kishida said. His comments came amid rising public concern about cost of living increases and a sharp fall in the prime minister's popularity.

The yen edged down as much as 0.1 per cent against the dollar to ¥145.83 in the wake of Kishida's comments, close to a low of ¥145.90 touched last month that prompted Tokyo authorities to intervene to strengthen the currency.

"By passing on rising prices, we hope businesses will have some latitude to raise wages," Kishida said. "In the past, wage hikes were viewed as a cost factor, but going forward, companies need to invest in people for the economy and for businesses themselves to grow."

The BoJ's stance, which has helped push the yen to a 24-year low against the dollar, will be offset by government measures to combat inflation and exploit the weak yen to boost exports.

The prime minister's comments followed a volatile period for the yen and mounting speculation that after almost a decade of unwavering commitment to its ultra-loose policy, global turmoil might finally force the BoJ to blink.

Shortly before Kishida spoke to the FT, the yen fell to ¥145.60 against the dollar and to within ¥0.30 of the level at which the Japanese authorities intervened last month. Such efforts to strengthen the yen, which have cost $20bn, will have little effect while the interest rate differential between Japan and the US widens, analysts warned.

Japan has faced the same pressures as the US and Europe from the surge in global energy and food prices. But headline inflation remains low at 3 per cent since there has been almost no transfer from price increases to higher wages.

Companies, in particular the smaller businesses that employ 70 per cent of the workforce, have struggled to transfer higher costs to consumers, resulting in pressures on profits that have made it harder for them to raise wages.

"It's hard to put a figure on what level of inflation is appropriate," Kishida said. "But I strongly feel that we would not be able to maintain a sustainable economy or protect people's livelihoods without seeing a hike in wages that is commensurate with price rises."

Kishida prepares Japan page 3

Briefing

Weak sterling hinders British law firms' US hiring
The currency's woes have compounded UK firms' lack of competitiveness as they struggle to attract and retain staff in the most profitable market.— PAGE 6

Paris to break fuel strike
The French government has said it will force some strikers to resume work as a stand-off over wages escalates and shortages spread.— PAGE 4; LEX, PAGE 18

Biden plan hits gig groups
The White House has proposed a rule making it more likely that gig workers will be classified as employees instead of contractors, hitting the sector's shares.— PAGE 4

Poland upbeat on EU cash
Finance minister Magdalena Rzeczkowska has said negotiators have made significant progress in talks with Brussels on unblocking EU recovery funds.— PAGE 4

Flexjet plans Spac take off
The leading rival to Warren Buffett-backed NetJets has said it will go public in deal led by Todd Boehly, who owns Chelsea FC and the Los Angeles Dodgers.— PAGE 6

Politics cash under wraps
A transparency report has shown that Berkshire Hathaway, Tesla and CME Group are among 35 companies not to reveal political spending information.— PAGE 8

Datawatch

Pay gulf
CEO-to-worker compensation* ratio

*Includes stock awards
Source: Economic Policy Institute

The pay packages of top executives at the biggest US companies have grown far faster than the stock market and the pay of workers. Last year, the ratio of chief executive pay to that of a typical worker was 399-to-1. Back in 1965, it was 20-to-1.

Amazon takes second shot at Prime Day to boost sales
Analysis ▸ PAGE 9

Bank of England intervenes again as pension groups urge extended action

ADAM SAMSON, HARRIET AGNEW AND JOSEPHINE CUMBO — LONDON

The Bank of England has staged its second emergency intervention in as many days, as financial institutions step up calls for the central bank to prolong its bond-buying programme to shore up the British pension system.

The BoE widened its £65bn gilts purchasing programme to include inflation-linked bonds for the first time in its latest attempt to stem "fire sales" by pension funds that have created a "material risk to UK financial stability".

Yesterday's move initially helped steady gilt markets on a day when the IMF reiterated its doubts about the UK's economic prospects. It followed the BoE's increase on Monday of its daily maximum purchase level to £10bn.

But in a sign of persistent strains in the market, the yield on the standard 30-year government bond yesterday rose as much as 0.14 percentage points to 4.83 per cent — its highest since the BoE began emergency interventions in the gilt market last month.

The pension industry has called on the BoE to extend the programme's Friday deadline because of concerns funds do not have sufficient time to shore up portfolios against further shocks.

The Pensions and Lifetime Savings Association, representing schemes with £1.3tn invested, said "many" funds would prefer the scheme was extended at least until finance minister Kwasi Kwarteng unveiled his debt-cutting plan on October 31. "It makes sense that the bank may not be able to fully wind up its support schemes until the markets' concerns have eased," said Paul Dales, chief UK economist at Capital Economics.

The BoE, which said it was prepared to buy up to £5bn a day in index-linked bonds as it warned of "dysfunction" in the gilt market, bought £1.95bn of the bonds on the first day of its new intervention yesterday.

The measures came a day after it unveiled a new short-term funding programme it hoped would act as a pressure release valve for pension schemes caught up in a vicious circle after Kwarteng's September 23 "mini" Budget triggered a historic sell-off in gilts.

"Two interventions in 24 hours is pretty extraordinary," said Sandra Holdsworth, UK head of rates at Aegon Asset Management. The BoE steps showed the problem was "much bigger than anyone thought a week ago".

Call on Bank of England page 10
Megan Greene page 17
Lex page 18

Australia	A$7.00(inc GST)
China	RMB30
Hong Kong	HK$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S$5.80(inc GST)
Taiwan	NT$140
Thailand	Bht140
Vietnam	US$4.50

Subscribe in print and online
www.ft.com/AsiaSubs
Tel: (852) 5803 3388
Fax: (852) 2905 5590
email: subseasia@ft.com

No: 41,143 ★

Printed in London, Liverpool, Glasgow, Dublin, Frankfurt, Milan, Madrid, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul

World Markets

STOCK MARKETS

	Oct 11	Prev	%chg
S&P 500	3618.27	3612.39	0.16
Nasdaq Composite	10536.10	10542.10	-0.06
Dow Jones Ind	29458.86	29202.88	0.88
FTSEurofirst 300	1538.75	1548.09	-0.60
Euro Stoxx 50	3337.47	3356.88	-0.58
FTSE 100	6885.23	6959.31	-1.06
FTSE All-Share	3749.50	3791.94	-1.12
CAC 40	5833.20	5840.55	-0.13
Xetra Dax	12220.25	12272.94	-0.43

CURRENCIES

Pair	Oct 11	Prev	Pair	Oct 11	Prev
$/€	0.971	0.970	€/$	1.030	1.031
$/£	1.109	1.105	£/$	0.902	0.905
£/€	0.876	0.878	€/£	1.142	1.139
¥/$	145.735	145.745	¥/€	141.494	141.409
¥/£	161.562	161.019	£ index	75.824	75.882
SFr/€	0.968	0.970	SFr/£	1.106	1.105

CRYPTO

	Oct 11	Prev	%chg
Bitcoin ($)	19103.78	19130.45	-0.14

GOVERNMENT BONDS

Yield (%)	Oct 11	Prev	Chg
US 2 yr	4.27	4.31	-0.03
US 10 yr	3.90	3.89	0.01
US 30 yr	3.88	3.84	0.04
UK 2 yr	4.20	4.32	-0.13
UK 10 yr	4.43	4.47	-0.04
UK 30 yr	4.78	4.67	0.11
JPN 2 yr	-0.06	-0.07	0.01
JPN 10 yr	0.25	0.25	0.00
JPN 30 yr	1.44	1.38	0.07

Dubai

Nikkei	26401.25	27116.11	-2.64					GER 2 yr	1.82	1.89	-0.06
Hang Seng	16832.36	17216.66	-2.23	Ethereum	1290.33	1289.79	0.04	GER 10 yr	2.29	2.34	-0.05
MSCI World $	2395.61	2417.72	-0.91	COMMODITIES				GER 30 yr	2.29	2.31	-0.03
MSCI EM $	884.81	897.74	-1.44		Oct 11	Prev	%chg				
MSCI ACWI $	557.51	563.00	-0.97	Oil WTI $	89.51	91.13	-1.78				
FT Wilshire 2500	4710.46	4748.55	-0.80	Oil Brent $	94.67	96.19	-1.58				
FT Wilshire 5000	36792.60	37089.80	-0.80	Gold $	1676.55	1696.15	-1.16				

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Oil supply cut

Biden vows to re-evaluate Saudi relations

Lawmakers urge Congress to back stripping cartels of sovereign immunity

JAMES POLITI — WASHINGTON

US president Joe Biden is re-evaluating the US relationship with Saudi Arabia after the Opec+ decision last week to cut oil production, a top White House adviser said yesterday, as tensions between Washington and Riyadh continue to rise.

"I think the president's been very clear that this is a relationship that we need to continue to re-evaluate, that we need to be willing to revisit, and certainly in light of the Opec decision, I think that's where he is," John Kirby, the National Security Council's senior communications adviser, told CNN yesterday.

Kirby's comments come after senior Democrats on Capitol Hill have been calling on the White House and Congress to take a much tougher stance on Saudi Arabia in light of the production cuts, which were announced just four weeks before the US midterm elections, threatening a new surge in oil prices.

Bob Menendez, chair of the Senate foreign relations committee, called for a freeze in co-operation with Saudi Arabia, possibly including a halt to weapons sales to the kingdom.

"I will not greenlight any co-operation with Riyadh until the kingdom reassesses its position with respect to the war in Ukraine. Enough is enough," Menendez said. Other lawmakers, including top Democrats on the Senate judiciary committee, called on Congress to approve "Nopec" legislation, which would empower the justice department to bring price-fixing cases against oil cartels, stripping them of sovereign immunity.

Kirby said Biden was "willing to work with Congress" on punitive steps against Saudi Arabia and that those talks would start immediately. He added: "I don't think this is anything that's going to have to wait, or should wait, quite frankly, for much longer."

Biden had already vowed to recalibrate the US-Saudi relationship early in his White House term after promising to make Riyadh a "pariah" during the 2020 presidential campaign amid anger at the killing of journalist Jamal Khashoggi.

But after petrol prices rose sharply this year, driven by the war in Ukraine, US officials sought to patch up ties with Saudi Arabia. In July, Biden visited the kingdom, greeting Crown Prince Mohammed bin Salman with a fist bump.

Last week's production cuts were seen as a blow to the relationship in Washington, however. Biden branded them "shortsighted" as soon as they were announced, while Janet Yellen, the US Treasury secretary, told the Financial Times they were "unhelpful and unwise", in an interview ahead of this week's IMF and World Bank annual meetings in Washington.

Yesterday, Sheikh Mohammed bin Zayed al-Nahyan, the UAE's president, met Russian president Vladimir Putin in Moscow. Last week's Opec decision is likely to help Moscow financially, further undermining strained relations between Washington and its traditional Gulf allies.

Three people briefed on the UAE's position said Sheikh Mohammed's visit was in line with his intent to engage with all sides in the Ukrainian conflict and was made in the spirit of mediation. The Gulf state privately opposed the cut during the Opec meeting, only to be overruled by other members, they insisted. The UAE, a close US ally, has sought to display a neutral stance over the war in Ukraine.

Additional reporting by Simeon Kerr in Dubai

Military briefing. Population centres

Attacks expose Ukraine air defence weaknesses

Kyiv moved some systems to front line to protect troops, leaving cities more vulnerable

JOHN PAUL RATHBONE AND BEN HALL
LONDON
HENRY FOY — BRUSSELS

Russia's attacks on Ukraine's biggest cities will force Kyiv to choose between deploying its scarce air defence systems to protect civilians or using them to press on with the counteroffensives that have reclaimed huge swaths of territory.

Western and Ukrainian officials, as well as military analysts, have cited a lack of air defences as one of Kyiv's main weaknesses as it seeks to protect itself from Russian attacks, such as the mass missile and drone strikes that hit several cities early on Monday.

Russia fired more than 80 cruise missiles and 24 drones into Ukraine during morning rush hour, which President Vladimir Putin said was retaliation for the explosion over the weekend that collapsed part of the Kerch bridge connecting Russia and occupied Crimea. Air raid sirens again sounded across Ukraine yesterday as Russia resumed missile strikes.

Ukraine's defence ministry said more than half of the projectiles launched on Monday were downed but dozens were able to strike Kyiv and other population centres, killing civilians and damaging civil infrastructure.

Some missiles were fired by Russian navy vessels in the Black Sea but Ukraine president Volodymyr Zelenskyy said Iran-made Shahed-136 drones were also used. The city of Bila Tserkva, near Kyiv, was hit by six of the drones last week, suggesting Russia can deploy them from more than 200km away.

"Air defence is currently the number one priority in our defence co-operation," Zelenskyy said on Twitter after a call with US president Joe Biden.

"President Biden pledged to continue providing Ukraine with the support needed to defend itself, including advanced air defence systems," according to a White House account of the call.

In a statement, Biden condemned the missile strikes, which he said "demonstrate the utter brutality of Mr Putin's illegal war on the Ukrainian people".

Monday's strikes underscore how hard it is for a country as large as Ukraine to protect itself fully against continued Russian air attacks, even though Kyiv has pleaded for more air defence systems and western allies have stepped up their delivery. "The problem isn't so much that Ukraine hasn't got any air defences," said one western defence adviser. "It's that Ukraine has not got enough to defend such a big country, and the missiles can also come from so many directions."

Firing line: anti-aircraft gunners from Ukraine's National Guard prepare their weapon on a combat mission in August
Vyacheslav Madiyevskyy/Future Publishing/Getty Images

As part of the successful counteroffensives in the east and south of the country, Kyiv has moved some of its air defence systems to the front line to give coverage to the troops involved, according to a senior western official, reducing the numbers available to defend civilian areas. "They have limited long-range, high-precision [air defence systems]," the official said. "They need more."

Vadym Prystaiko, Ukraine's ambassador to the UK, told the Financial Times that Kyiv had instructed its diplomats in western capitals to press the case for more air defence equipment.

"That's what we're all talking about" in the wake of Monday's attacks, he said, adding the recent appointment of Sergei Surovikin, a general known for using indiscriminate bombing during Russia's intervention in Syria, to run the Ukraine campaign made it clear Moscow would concentrate on using missile, rocket and drone strikes on civilian areas.

> 'Ukraine has not got enough [air defences] to defend such a big country, and the missiles can come from so many directions'

Ukraine has received a range of air defence systems from US and European allies since Russian forces invaded in February, from portable shoulder-fired short-range missiles to longer, more sophisticated air defence rockets.

But as with its artillery, which is a mash-up of Russian and various western-made howitzers, it has no single overarching air defence system. The US is in the next few months set to deliver the first two of the eight National Advanced Surface-to-Air Missile System (Nasams) that Washington has pledged to supply.

Germany is due to hand over the first of four Iris-T ground-based air defence systems shortly, fulfilling a pledge made by Chancellor Olaf Scholz.

The western technology will add to Ukraine's existing stock of Soviet-made equipment, such as the S-300 long-range surface-to-air missile system designed to take out ballistic and cruise missiles, and which analysts say has been deployed mostly around its cities.

Ukraine also has mid-range systems such as the SA-11 Buk that are designed to shoot down smart bombs and cruise missiles, as well as fixed and rotary wing aircraft, and have been deployed more near front lines. But as Zelenskyy told Biden last month after thanking him for the Nasams, they were still "not nearly enough to cover the civilian infrastructure, schools, hospitals, universities, homes of Ukrainians".

Monday's attacks seemingly proved Zelenskyy's point, and came ahead of a meeting of western countries today to co-ordinate Ukrainian weapon supplies, and a gathering of Nato defence ministers in Brussels tomorrow.

"It's time to give Ukraine all the weapons she needs to fully defend her people, land, sea and sky against the genocidal aggression of Putin's terrorist state," said Gabrielius Landsbergis, Lithuania foreign minister.

Russia's increasing use of the Shahed drones is a further complication. Cheap, relatively small and able to fly long distances, multiple drones can be launched at the same time to create a swarm effect that is harder to combat using sophisticated air defence systems.

But because they are slower and low flying, and often use commercially available technology, they can be jammed electronically and shot down with old-fashioned radar-led anti-aircraft guns or even regular weapons.

Additional reporting by Richard Milne in Oslo, Felicia Schwartz in Washington, Roman Olearchyk in Kyiv and Christopher Miller in London

Orbán view

Hungary premier believes only Trump can end war

GUY CHAZAN — BERLIN
MARTON DUNAI — BUDAPEST

Viktor Orbán, the Hungarian prime minister, said only former US president Donald Trump could end the war in Ukraine, as he called for direct talks between the US and Russia on establishing a ceasefire.

Speaking at a panel discussion in Berlin yesterday, Orbán said US president Joe Biden had gone "too far" in calling Russian president Vladimir Putin a war criminal and saying in March that he "cannot remain in power".

"That would make it very hard for [Biden] to make peace," Orbán said. "This is going to sound brutal, but hope for peace goes by the name of Donald Trump."

Orbán, who won a fourth successive election victory in April, has positioned himself as the leader of an ideology he calls "illiberal democracy". He has repeatedly found himself in conflict with the European Commission over what it sees as Hungary's abuse of the rule of law.

Other EU states, particularly in the Baltic and eastern Europe, have taken exception to Orbán's close relationship with Putin. Though the Hungarian prime minister has voted with the rest of the EU on sanctions, he has refrained from attacking Russia as harshly as other western leaders.

Orbán, who was in Berlin for talks with Olaf Scholz, the German chancellor, described the EU commission's sanctions policy as "disastrous", saying they were being implemented in a way that "harms European interests".

Sanctions against Russian energy had driven up prices for oil and gas, increasing the Kremlin's revenues, he said. "If we had implemented them properly, prices would not be so sky high right now," he said. "In the question of energy, we are dwarfs and the Russians are giants. A dwarf sanctions a giant and we are all amazed when the dwarf dies."

Orbán dismissed suggestions that he was more on Russia's side in the war than on Ukraine's, saying Russia's invasion was an "act of aggression" and a clear breach of international law.

But he said the international community had failed to "isolate" the conflict, as it had succeeded in doing in 2014, when Russia invaded and annexed Crimea, an achievement he attributed to the political skills of former German chancellor Angela Merkel, describing her diplomacy at the time as a "masterstroke".

Asked whether Merkel might have prevented Russia's war with Ukraine if she were still chancellor, he replied, "sure".

Orbán implied that the US had become a party to the war by supplying money and weapons to Kyiv, and the conflict would continue as long as Ukraine continued to receive US support. It could, for that reason, only be stopped through direct negotiations between Russia and the US, rather than between Russia and Ukraine.

"Only the Americans can bring this war to an end," he said.

His praise of Trump is not new. Orbán and his closest advisers have often implied they hope the Republican party will return to power.

FINANCIAL TIMES
6th Floor, Nan Fung Tower
Central, Hong Kong

Japan: Nikkei Tokyo Newspaper Printing Center, Inc., 1-10-5, Shinonome, Koto-Ku, Tokyo 135-0062
Representative: Hiroko Hoshino; ISSN 0915-9460

Invasion setbacks

Russians running out of arms on battlefield, says UK spy chief

JOHN PAUL RATHBONE — LONDON

Vladimir Putin's forces in Ukraine are running out of weapons and ordinary Russians can now see that his invasion is badly misjudged, a senior British spy chief has said.

Sir Jeremy Fleming, head of British cyber intelligence unit GCHQ, called the decision to invade Ukraine a "high-

ing the extent of the dreadful human cost of his [Putin's] war of choice."

According to the Levada Center, the independent Russian polling organisation, almost half of those polled on September 1 are anxious about mobilisation, although support for the Kremlin's military actions remains high.

Fleming's remarks came a day after Russia launched a series of missile

Fleming's comments were part of a speech in which he laid out the technological threat posed by China. It was the latest warning about Beijing from a British spy chief, underscoring security chiefs' anxieties over the long-term threat from China.

Fleming, who has described the security threat posed by Russia as affecting the weather while China's affects the cli-

had learned from the war in Ukraine was that a centralised digital currency could "enable China to partially evade the sort of international sanctions currently being applied to Putin's regime".

The Chinese Communist party, he added, was seeking to use key technologies such as digital currencies and satellite systems to tighten its grip on power at home and spread influence abroad by

Subscriptions and Customer Service
Tel: (852) 5803 3388, subsasia@ft.com

Advertising
Tel: (852) 2868 2863 asiaads@ft.com, www.ftasia.net

Letters to the editor
letters.editor@ft.com

Published by
The Financial Times (HK) Limited, 6th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong
Asia Editor: Robin Harding

Printed by
Australia: Spotpress Pty Ltd, 24-26 Lilian Fowler Place, Marrickville, NSW 2204
Hong Kong: Kin Ming Printing Co Ltd, 15/F BLK A, 18 Ka Yip Street, Ming Pao Industrial Centre, Chai Wan; Representative; Angela Mackay; ISSN 1025-918X

South Korea: Maeil Business Newspaper, 30-1, 1-Ga, Pil-Dong, Jung-Ku, Seoul, 100-728
Singapore: SPH Media Limited, 2 Jurong Port Road, 619088
Representative, Anjali Mahindroo

sia, in people and equipment, are staggering" and the "Russian population has started to understand that".

"We know, and Russian commanders on the ground know, that their supplies and munitions are running out," Fleming told the Royal United Services Institute think-tank in London yesterday. "Russia's forces are exhausted. The use of prisoners to reinforce, and now the mobilisation of tens of thousands of inexperienced conscripts, speaks of a desperate situation."

The GCHQ chief added that the Russian population was "fleeing the draft, realising they can no longer travel. They know their access to modern technologies and external influences will be drastically restricted. And they're feel-

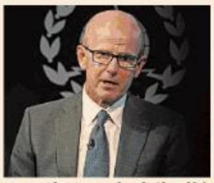
said was retaliation for the explosion over the weekend that collapsed part of the Kerch bridge connecting Russia and the occupied Crimean peninsula.

Asked whether the Russian missile strikes represented an escalatory first step towards Moscow using nuclear weapons, Fleming replied that they were "not an escalation in terms of the types [of] weapons being used or the extent to which those weapons are bounded within that conflict. So in that way, it continues to follow the shape of the conflict so far."

He added: "My view is, for the moment, that Russian doctrine and Putin's approach to this war would see that [the use of tactical nuclear weapons] being hopefully a long way off."

prowess meant western nations faced what he called a "sliding doors moment in history" that "will define our future".

He said that among the lessons Beijing



Jeremy Fleming: spoke of a 'dreadful human cost of Putin's war of choice'

Central bank digital currencies could allow the state to monitor the transactions of its users, both abroad and at home, Fleming pointed out.

The UK spy chief said Beijing had forced Chinese citizens and businesses to adopt the Beidou satellite navigation system, developed as an alternative to the US GPS satellite system and Europe's Galileo. In the event of a conflict, China could deny satellite access by other nations that used its system, he added.

China was seeking to create "client economies and governments" by exporting its technology, Fleming said, and countries that took up Beijing's offer, often packaged into broader commercial deals and aid packages, risked "mortgaging the future".

INTERNATIONAL

Kishida prepares Japan for potential regional conflict

PM examines defensive options as China, North Korea and Russia rattle sabres

'We need to do a thorough examination of whether Japan's defence capability is adequate'

'I believe that the security of Asia is inseparable from that of Europe'

Balancing act: Japanese prime minister Fumio Kishida must weigh economic ties with rising military tension Noriko Hayashi/FT

ROULA KHALAF, MATTHEW GARRAHAN, KANA INAGAKI AND LEO LEWIS — TOKYO

Fumio Kishida is by nature a dovish diplomat but, surrounded by increasingly hostile regimes in China, Russia and North Korea, Japan's prime minister has little choice but to reshape his nation's defences.

For more than 70 years, Japanese prime ministers have entrusted the safety of their people to the security alliance with the US, the economic pragmatism of their neighbours and to a low-key, inexperienced military restrained by a pacifist constitution.

But now, Kishida must urgently answer the question of whether the country is truly able to defend itself and to respond to potential regional conflict.

In an interview with the Financial Times, Kishida said he would carry out an extensive review of Japan's defence capabilities in light of "an increasingly tough security environment in east Asia", including advances in North Korean missile technology, China's growing military presence and Russia's invasion of Ukraine.

"We need to do a thorough examination of whether Japan's defence capability is adequate or not," Kishida said. "We will be fully prepared to respond to any possible scenario in east Asia to protect the lives and livelihoods of our people."

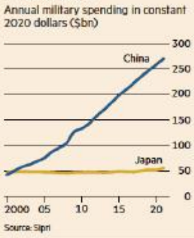
The results of the defence review will be unveiled in December when Japan outlines a new national security strategy for the first time in almost a decade.

Already, the government plans to boost its defence budget by about 11 per cent to more than ¥6tn ($41bn) for the year to March 2024. It is considering developing first-strike capabilities against enemy bases and wants to acquire homegrown cruise missiles that would have a range of more than 1,000km, allowing it to strike targets in North Korea or China.

North Korea last week fired a ballistic missile over Japan, and Tokyo's ties with Russia have all but collapsed following the invasion of Ukraine. The Ukraine war has also forced Tokyo to seriously consider the possibility that China could use force against Taiwan.

Widening gap

Annual military spending in constant 2020 dollars ($bn)



Source: Sipri

Kishida declined to comment on how Japan would respond if China invaded Taiwan but he pointed to the country's response to Russia's invasion of Ukraine as a potential template for how it would address conflict in the Indo-Pacific.

"I believe that the security of Asia is inseparable from that of Europe," he said. "As the only Asian member of the Group of Seven, we are working with the G7 as well as many other countries to impose tough sanctions against Russia and to continue support for Ukraine. I hope that such a response will send a proper message to east Asia, and especially to China."

Kishida highlighted the difficulty Tokyo faced in balancing economic ties and military tensions with Beijing as political debate in Washington and elsewhere focused on possible "decoupling" of the global economy and deepening division between China and the US.

Early evidence of this decoupling process has emerged in Washington policy on semiconductors, which includes measures to restrict the flow of US technology into China and efforts to entice Japanese and South Korean chipmakers to build factories on US soil.

How to deal with Beijing, said Kishida, was becoming "a major strategic challenge" for countries worldwide and particularly for a nation such as Japan, whose companies had invested heavily in China and for which the country was the biggest trading partner.

"Since Japan is a neighbour to China, it is a very important as well as a difficult issue what kind of distance we should maintain with it," Kishida said.

As part of its efforts to strengthen defence, Japan is also reshaping its relationship with the UK.

The two countries are in advanced discussions to jointly develop a new fighter jet. The project faces a number of significant hurdles, including potentially very high cost. But it enjoys strong support in both countries and if it proceeds would be the first time Tokyo has chosen a non-US partner for such a major military programme.

Kishida said he wanted to move forward with talks on the fighter "in parallel" with enhancing the deterrence capability of the Japan-US alliance.

The UK is also hoping to conclude talks on joining the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership — the regional trade bloc created after the US pulled out of an earlier version and of which Japan has been a consistent supporter. Kishida said Japan's support for the UK's membership was unaffected by the political and financial market turmoil that has accompanied the early weeks of the premiership of Liz Truss.

"I believe the UK is a reliable and very important partner for us," Kishida said. "We should advance our bilateral relationship with the UK in co-operation with Prime Minister Truss."

Recession concerns

IMF warns of 'darkest hour' for global economy

CHRIS GILES AND COLBY SMITH — WASHINGTON

The IMF has said there is a growing risk that the global economy will slide into recession next year as households and businesses in most countries face "stormy waters".

China's zero-Covid policy and fragile housing market, the need to raise interest rates to control inflation in advanced economies, and higher energy and food prices following Russia's invasion of Ukraine will lower world economic growth from 3.2 per cent in 2022 to 2.7 per cent next year, it predicted.

The growth forecast for 2023 is the lowest for the year ahead that the IMF has published since 2001, apart from the years of the coronavirus pandemic and following the global financial crisis.

The fund judged there was a greater than even chance the world economy would perform worse than its central forecast and a 25 per cent chance that growth would fall below 2 per cent. That would represent global economic weakness seen only one year in 10 and only in 1973, 1981, 1982, 2009 and 2020 in the past half a century.

Pierre Olivier Gourinchas, the IMF's chief economist, told the Financial Times there was as much as a 15 per cent chance global growth could eventually fall below 1 per cent. This would probably meet the threshold of a recession and be "very, very painful for a lot of people".

He added: "We are not in a crisis yet, but things are really not looking good," and said 2023 would be the "darkest hour" for the global economy.

Financial turmoil, triggered by a shift into dollar assets, threatened to compound the economic threat.

"As the global economy is headed for stormy waters, financial turmoil may well erupt, prompting investors to seek the protection of safe-haven investments, such as US Treasuries, and pushing the dollar even higher," Gourinchas added in a statement with the report.

Although the sharp rises in interest rates around the world were weighing on growth, the IMF said they were necessary to ensure inflation came back under control and restore the global economy to a more stable footing.

The fund forecasts inflation in advanced economies will hit 7.2 per cent this year and 4.4 per cent next year, both more than 1 percentage point higher than its previous April forecasts for 2023. For emerging and developing economies, consumer price growth will peak at an annual pace of almost 10 per cent this year before moderating to 8.1 per cent in 2023.

"On the front lines, you have the central banks. That's their job, that's their mandate [and] their whole reputation is at stake," said Gourinchas. The fund said that monetary authorities must "stay the course" rather than repeat the mistakes of the 1970s when most monetary policymakers did not have the nerve to keep raising interest rates when their economies slowed or stalled.

There was a chance of tightening monetary policy too much, the IMF admitted, but it said the risks of doing too much were not as serious as letting inflation become normalised and ingrained into everyday life.

For the US Federal Reserve in particular, Gourinchas warned it was too soon for it to back off from its aggressive campaign to tighten monetary policy.

"We are far from having won that battle," said the chief economist, adding that any signal that the Fed would not raise rates further could be interpreted by financial markets as a sign policymakers were unwilling "to do what it takes". He said: "Inflation expectations could de-anchor and we could have a more persistent process."

7.2%	93%
Inflation forecast for advanced economies this year	Proportion of countries with downgrades to growth outlook

The IMF expanded on its recent criticism of UK economic policy, advising all countries not to have highly expansionary policies of taxation and public spending, despite the surge in energy and food prices.

There was a need to lower deficits and rebuild fiscal buffers, Gourinchas said. "Doing otherwise will only prolong the fight to bring inflation down, risk de-anchoring inflation expectations, increase funding costs, and stoke further financial instability, complicating the task of fiscal as well as monetary and financial authorities, as recent events illustrated," he said in his statement.

Likening it to two drivers, each with their own steering wheels, Gourinchas told the FT that opposing fiscal and monetary policies prompted financial markets to question, "which way is that car going? Are we really fighting inflation or are we really stimulating economic activity?"

In the revised forecasts, 93 per cent of countries received downgrades to their growth outlook. The 2022 global growth forecast has declined from 4.9 per cent in the fund's report a year ago to 3.2 per cent now. The 2023 growth estimate was cut from 3.6 per cent a year ago to 2.7 per cent, with the downgrades concentrated in advanced economies rather than in the emerging world.

Financial stability

'Disorderly' sell-off in markets feared as borrowing costs rise

COLBY SMITH AND CHRIS GILES — WASHINGTON

Risks to the stability of the global financial system have "materially worsened", the IMF has warned, cautioning that markets are at risk of a "disorderly repricing" that will hit emerging and developing countries most severely.

In its twice-yearly Global Financial Stability Report, the multilateral lender said the surge in global borrowing costs, coupled with poor trading conditions and souring growth prospects, threatened to unmask the financial system's fragility.

"There certainly are many vulnera-

risk-off event — where it's not just the riskier spectrum that sees wider spreads or wider risk premia, but also the safer issuers."

UK financial markets were rocked after the government announced a plan to implement £45bn of debt-funded tax cuts late last month. The resulting sterling crash and surge in borrowing costs forced the Bank of England to step in to avert an even worse financial fallout led by pension funds using liability-driven investing strategies.

While the central bank's interventions helped to soothe the markets initially, the measures, coupled with those from the government, have not fully reas-

Asia. Communist gathering

China property crisis looms over party congress

Officials take cautious approach to tackling overleveraged sector

decline in seven years. "So far, the policy easing has been playing catch-up," said Larry Hu, chief China economist at Macquarie. "It's still behind the curve in the sense that the property sector is still

Meanwhile, the CCP congress could reveal high-level plans to address some of the issues driving the property crisis. Xiangrong Yu, chief China economist at Citigroup, said the government's efforts

which are placed in escrow accounts, are used immediately to finance construction. The lack of checks, Yu said, was partly to blame for the weakness in the market. "A widely expected nationwide overleveraged sector

THOMAS HALE — SHANGHAI

As China's Communist party congress meets this weekend to celebrate its achievements over the past five years, economists will be watching for how Beijing plans to confront its most momentous economic challenge.

A crisis in China's real estate sector has been gaining momentum since Evergrande, a leading property developer and the world's most indebted, failed to make bond payments last year.

The shock wiped out billions of dollars lent to the company and its peers, crippling construction and leaving swaths of unfinished housing across the country, and prompting mortgage boycotts from angry homebuyers.

Chinese policymakers, who have also been grappling with the fallout from President Xi Jinping's strict zero-tolerance approach to coronavirus, are now contending with the weakness in a sector that contributes more than a quarter of economic output but is riddled with excessive borrowing.

In August, house prices fell 1.3 per cent year on year, their fastest pace of

the sense that the property sector is still in deep trouble".

He pointed to a Rmb200bn ($28bn) special loan quota from the central bank to local lenders unveiled in August and the prospect of a further reduction in mortgage rates, which were rising before the crisis erupted. "I do think that it's likely that after the Communist party congress, they will do more to support the property sector," Hu added.

Beijing's response has reflected a cautious approach, given the risk of increasing the property sector's immense debts. It has made incremental reductions to the five-year loan prime rate that underpins mortgage lending, most recently in August from 4.45 to 4.3 per cent. This month, it relaxed the minimum mortgage rate in certain cities and introduced refunds of capital gains tax for some home purchases.

Analysts at research outlet CreditSights said these policies, while underlining the government's "urgency in stabilising sentiment", were unlikely to "significantly improve the liquidity crunch faced by privately owned property developers". The analysts noted: "We do not expect a visible recovery of the housing sector in the medium term."

Citigroup, said the government's efforts had "somewhat underdelivered this year". But he suggested that a new economic team, which is expected to be introduced at the meeting, could lead to better co-ordination between central and local governments.

The latter rely on land sales to developers for income, and have an interest in the boost construction provides to the local economy, but now face a fiscal crisis of their own as activity dries up.

In China, houses are typically sold before they are built. The proceeds,

Bricks and mortar: in China, homes are usually sold before they are built

regulatory framework is still non-existent because local government's interest in local stability could be misaligned with Beijing's goal for the whole market's stability," he said.

Nancy Qian, a professor of economics at Northwestern University, said the presales practice amounted to "essentially borrowing from the consumers".

"The consumers were happy with this because they got a house," she added. "This [system] works really well until you stop growing."

On top of poor growth expectations, policymakers must confront a sharp fall in the renminbi, which last month hit its lowest level in more than a decade.

The drop was part of a global currency weakening against the dollar in light of the US Federal Reserve's interest rate rises to tame inflation. But it could serve to tie Beijing's hands further in its response to the property weakness.

"If US yields continue to climb, then we could be in a situation where this one-sided depreciation expectation materialises again, and in that case, they will not be able to do any easing because it exacerbates [the depreciation]," said Carlos Casanova at Swiss bank UBP.

"There certainly are many vulnerabilities out there," Tobias Adrian, head of monetary and capital markets at the IMF, told the Financial Times. "When interest rates increase very rapidly, these vulnerabilities are exposed."

The report adds to a chorus of warnings that one of the most aggressive campaigns to tighten monetary policy in decades could trigger further volatility and a broad-based sell-off across asset markets.

Signs of financial stress have already begun to crop up globally. Bond and stock prices have fallen sharply as central banks across advanced and emerging economies ratchet up interest rates to combat the worst inflation in decades. The dollar has soared in value against most currencies, forcing investors to pay a larger premium for funding in the US currency.

Adrian said so far global financial markets were still functioning well, but warned that "pockets of disorderly tightening" could morph into something more worrisome.

"We have seen differentiation across the risk spectrum today," he said in an interview. "What I worry about is that there could be a broader base — a

'When interest rates increase very rapidly, these vulnerabilities are exposed'

sured investors, igniting another lurch higher in government bond yields on Monday. The BoE conducted a second consecutive day of emergency intervention yesterday.

Adrian said the IMF, which had criticised the UK plan, "fully endorsed" the steps taken by the BoE and said its efforts to stabilise the financial system did not run counter to its monetary policy goals of returning inflation to the 2 per cent target from its current level of almost five times that amount.

"It's possible to ensure financial stability while tightening monetary policy," he added. "You should be able to target certain segments of the market with financial stability issues, while tightening the overall stance." Flagging their role as lenders of last resort, he said central banks should step in when a shock became a "systemic concern".

Martin Wolf see Opinion

INTERNATIONAL

France

Paris takes on striking energy sector staff

PM says she will force employees back to work as fuel shortages spread

AKILA QUINIO AND SARAH WHITE
PARIS

The French government said it would force some striking energy staff to resume essential services as a two-week stand-off with unions over wages escalates and fuel shortages spread to petrol stations across the country.

Using existing legislation aimed at keeping crucial services running, Prime Minister Élisabeth Borne yesterday told local prefects to "requisition" workers at ExxonMobil storage facilities, which have been at a standstill for two weeks. A similar measure was imposed in 2010 during strikes in refineries but was later found to be in breach of the law because it was applied too broadly.

"All cards are on the table, the goal is to unlock the situation," transport minister Clément Beaune told RMC radio earlier yesterday. Refineries and depots operated by ExxonMobil in France have been hit by stoppages, although some unions agreed to a pay deal with the US group on Monday. French oil major TotalEnergies is also in dispute with the hard-left CGT union over salaries, which has brought several refineries and a major fuel depot to a halt.

The row has become a big problem for the French government as businesses and drivers struggle to fill up their cars, forcing the state to release strategic fuel stocks to supplement deliveries.

In addition, some of the government's efforts to combat an energy crisis with state-subsidised fuel discounts — and after it leaned on Total to slash prices — now risk backfiring, having caused a run on the cheapest gas stations.

French economy minister Bruno Le Maire yesterday told France Info radio that the government would have "no other choice" but to intervene across the energy sector if trade unions did not engage in salary negotiations.

Emmanuel Lépine, who heads the CGT refinery union, told France Info that any government intervention to unblock the depot and requisition workers would trigger a strong backlash. "It would be war," he said.

As well as strikes at refineries, a fuel storage facility in northern France has been blocked since September 27, exacerbating problems in the region where nearly half of all forecourts have run out of some products or had to shut.

"French people cannot be collateral victims of a stand-off between a trade union and a private company," Le Maire said. "This issue needs to be solved in hours and days, not weeks. It has already gone on for far too long."

Energy sector workers have been striking over wages and the rising cost of living, with those at Total calling for a 10 per cent pay rise after the company reported bumper profits on the back of soaring commodities prices.

The CGT has so far rejected overtures from Total, which said on Sunday it had already agreed to an average 3.5 per cent salary rise for 2022 but was ready to bring forward annual 2023 wage talks to this month if the blockages stopped.

Two other unions, the CFE-CGC and CFDT, agreed on Monday to a revised salary package offered by Esso France, the French arm of ExxonMobil.

About a third of all petrol stations across France are experiencing shortages, the energy ministry said.

King Charles

Coronation set for May

King Charles III will be crowned on May 6 next year in what is expected to be a scaled-back coronation ceremony that takes into account the straitened times in which Britain finds itself.

"The coronation will reflect the monarch's role today and look towards the future, while being rooted in longstanding traditions and pageantry," Buckingham Palace said.

King Charles, pictured in Aberdeenshire, Scotland, yesterday to thank residents for their support during the mourning of his mother, Queen Elizabeth II, has made known his intention of slimming down the monarchy. *William Wallis*

Andrew Milligan/AFP/Getty Images

Pandemic response. Future-proofing

Fading political will slows vaccine development

Growing virus apathy also adds to glacial progress in search for next treatments

SARAH NEVILLE — LONDON
JAMIE SMYTH — NEW YORK

A lack of funding and political will is hampering efforts to develop the next generation of vaccines that could protect millions from emerging new pathogens, experts have warned.

The next wave of vaccines is intended to improve on the Covid-19 jabs rolled out in late 2020 by offering longer-lasting or broader protection against several variants and, potentially, other coronaviruses. The focus is on alternative products such as nasal sprays, inhalers and tablets, making them easier to administer, make or distribute.

But the sense of urgency from politicians and policymakers that propelled the swift development of the first Covid-19 vaccines is not being replicated. Critics blame a mixture of public vaccine makers, undermining the chance of breakthroughs at a time when low uptake of booster jabs and waning immunity are raising infection rates.

"The politics of Covid really impacts research all the way from funding availability to access to vaccines [for research purposes] and general public sentiment," said Akiko Iwasaki, professor of immunobiology at Yale School of Medicine. "If you hear enough times that Covid is over, no one's going to want to pursue the next-generation vaccines."

A Yale team led by Iwasaki is developing a Covid-19 booster that is sprayed into the nose. Initial studies in mice produced encouraging results. But the huge cost of clinical trials and regulatory hurdles are slowing progress on such projects, said Iwasaki, who urges government intervention to break the logjam.

In the US, that seems to be a distant prospect. This month, Congress blocked a request by the Biden administration for an extra $22.4bn to fight Covid-19. Biden's chief medical adviser, Dr Anthony Fauci, has warned that failure to approve new funding could delay with industry . . . I can't do that unless I get resources from Congress," Fauci said.

Richard Hatchett, chief executive of the Coalition for Epidemic Preparedness Innovations, said his organisation had allocated about $200mn to support research into more broadly protective vaccines against a range of coronaviruses, while the US's National Institutes of Health had earmarked $36.3mn.

'There's nothing to say that Sars-Cov-2 . . . couldn't mutate further to become more virulent or resistant'

However, he said it was "very surprising and disappointing" that "there isn't a more concerted global effort to support that work. We aren't seeing similarly scaled investments from the UK, the [EU], Japan and others."

While it was "undeniable that most countries have moved into a different phase of their coexistence with the virus", Hackett added that "there's

Some countries such as Japan, as well as the EU, have set up bodies to boost their capacity to respond to future threats, but Hatchett said more urgent action was needed to develop vaccines.

The commission said Horizon Europe, the EU's research and innovation programme, had set aside funding of up to €40mn in 2022 for developing next-generation vaccines. The earlier Horizon 2020 programme is also contributing €100mn to CEPI to support work on vaccines. A portion of this may be allocated to the development of a broadly protective coronavirus vaccine candidate as part of the coalition's $200mn programme.

The UK has sought to position itself at the forefront of vaccine development. In June, the government struck a deal with Moderna to build a UK research and manufacturing centre. A research facility opened by the Health Security Agency in February at Porton Down in Wiltshire has already been "crucial in testing their effectiveness" of vaccines that attack two or more strains of coronavirus, said Dr Bassam Hallis, its deputy

Bingham, who led the UK's Vaccines Task Force (VTF) from May 2020, was appointed by then premier Boris Johnson.

She said: "The sense of urgency and fear in 2020 was completely different. The fact that they were willing to bring in a group from the outside, and allow me to hire a team . . . is quite unlike what government has usually done."

The UK's business department has handed the vaccine development portfolio to the UKHSA, with former VTF executive Philippa Harvey leading the vaccines unit. Bingham suggested the agency "doesn't seem to have any power or money or accountability to engage with innovators". Her team had been "able to go to academics or companies, and say, 'We'd like to work with you and we have the budget to do so'", she added.

The UKHSA said it would continue "to work closely with vaccine developers, experts and academia" on early detection and response initiatives.

In the US, Eric Topol, founder of the Scripps Research Translational Institute, said the Biden administration had failed to confront the Republicans over

Brussels talks

Poland confident of unlocking EU recovery funds

RAPHAEL MINDER — WARSAW
SAM FLEMING — BRUSSELS

Poland is on track to unblock billions of euros of EU recovery funds before the end of the year, its finance minister has said, insisting that negotiators had made significant progress in talks with Brussels in the past month.

The EU has yet to advance the first tranche of cash under Poland's Covid-19 recovery plan, which totals €36bn in grants and loans, after approving the overall programme in June. Poland is seeking to convince Brussels that it has instituted reforms that are sufficient to guarantee the independence of judges, a key demand from the European Commission.

Magdalena Rzeczkowska said Warsaw was "on the way to get this money" and that her government could lodge a first payment request — for €2.85bn in grants and €1.37bn in loans — before December.

"What is in the newspapers is one thing," she said in an interview with the Financial Times, adding that while some members of the European Commission had pushed for Poland to do more to strengthen the rule of law, "as far as I know . . . there is not any official document which states that we didn't do the reform properly".

Brussels insists that to get its cash, Warsaw must demonstrate it has instituted a series of reforms to its system for disciplining judges. The conditions include a requirement that cases against judges are adjudicated by an impartial court, and that judges affected by past disciplinary chamber rulings have the right to a review of those decisions.

The commission declined to comment on the funding talks with Poland but said without fulfilment of rule-of-law milestones related to judicial independence, "no payment is possible".

Opposition groups ahead of elections next autumn have accused the right-wing government of Prime Minister Mateusz Morawiecki of sacrificing EU money in order to keep control over Poland's judiciary.

"Without fulfilling the obligations that Morawiecki himself imposed on his government, including the restoration of the rule of law, the government will not receive money," said MEP Andrzej Halicki, who represents Poland's opposition Civic Platform party and led a delegation from the European Parliament that visited Warsaw last week.

Some EU officials question whether Poland has gone far enough with its reforms, but senior European policymakers are also eager to unlock the funding, as the country has led the welcome of refugees after Russia's full-scale invasion of Ukraine and the push for a tough response to Moscow.

The finance minister said Poland was on a different track to Hungary, which has not won EU backing for its recovery plan in part because of rule-of-law violations in the awarding of public contracts. "Poland is one of the best of the EU, so I don't fear that something will be wrong with our transparency and anti-corruption procedures," she said.

Separately, Rzeczkowska forecast that Poland would avoid a recession in apathy, disputes over funding and the politicisation of the pandemic response.

US president Joe Biden's declaration last month that "the pandemic is over" wiped more than $10bn off the value of

development of several promising vaccines, which would otherwise be ready for large clinical trials within a year.

"If you want to get into larger clinical trials of candidates, when you partner

nothing to say that Sars-Cov-2, which has demonstrated its tremendous evolutionary potential, couldn't mutate further to become more virulent or resistant to the vaccines we have".

director of research and evaluation.

However, officials in the initial vaccine response suggested the political leadership and focus of the first phase may have dissipated. Dame Kate

their failure to approve new funding.

"You've got to pursue all paths to take control of the pandemic, get ahead of it and contain the virus," said Topol. "That is not being done."

2022, despite a 2.3 per cent contraction in gross domestic product in the second quarter. She said production data and other indicators pointed to a return to growth in the third quarter.

Staff status

Uber, Lyft and DoorDash hit by gig work plan

TAYLOR NICOLE ROGERS — NEW YORK
DAVE LEE — SAN FRANCISCO

Shares in the largest gig economy companies in the US tumbled after the Biden administration proposed a new rule making it more likely that gig workers will be classified as employees instead of independent contractors.

Ride-sharing app Uber fell as much as 16.7 per cent, while shares in rival Lyft and food delivery service DoorDash hit record lows during trading in New York yesterday as investors worried the US labour department's proposal would dramatically raise wage costs.

The new proposal would establish a "test" the labour department could use to determine whether workers are employees or independent contractors based on how much control they have over their hours and job responsibilities. It lowers the bar to employee status from the rule written under the Trump administration.

Because these companies, and some others, classify their workers as contractors, they are not legally required to provide some job benefits due to employees, such as a minimum wage, overtime pay and contributions to unemployment insurance and social security. Adding these benefits would "throw the business model upside down", Wedbush Securities analysts Daniel Ives and John Katsingris wrote in a research note.

About 9 per cent of US adults have earned money via an online gig platform in the past 12 months, according to a 2021 Pew Research Center report, and could receive new job benefits under the proposed rule. Cleaners, construction workers and home health workers could also gain employee status.

No change: DoorDash says its workers are properly classified

But the probability of the Biden administration forcing gig companies to reclassify their workers was "low", said RBC analyst Brad Erickson, because it could force ride-sharing companies to shed 3mn to 4mn part-time drivers and raise prices for their services.

Uber said the company's drivers preferred the flexibility of the current arrangement and the proposed rule was "essentially returning us to the Obama era, during which our industry grew exponentially". Lyft said the proposal posed "no immediate or direct impact" on its business as drivers still worked as contractors under a similar Obama-era rule. DoorDash said it believed its workers were already properly classified.

The labour department will give the public 45 days to comment before proceeding with the rulemaking process.

Eastern Mediterranean

Israel and Lebanon agree deal over sea border

JAMES SHOTTER — JERUSALEM
RAYA JALABI — BEIRUT

Israel has reached an agreement with Lebanon over their maritime border, Israel said yesterday, settling the long-running dispute after months of US-brokered talks.

The deal, which follows years of on-off diplomatic talks between the sworn enemies, will pave the way for both countries to develop gasfields beneath the eastern Mediterranean, which have raised tensions in recent months.

Israeli prime minister Yair Lapid said the draft deal met the country's security and economic interests. "This is a historic achievement that will strengthen Israel's security, inject billions into Israel's economy and ensure the stability of our northern border," he said.

Lebanon's leaders, who are due to consult on the draft agreement, have yet to comment, but President Michel Aoun tweeted it was "satisfactory", met Lebanon's demands and "preserves its rights to its natural wealth".

Indirect talks between Lebanon and Israel restarted this year after a vessel operated by London-listed Greek oil and gas explorer Energean arrived at the region's Karish gasfield in June.

Israel has always insisted the gasfield lies in an area recognised by the UN as its exclusive economic zone and that it has a right to develop it. However, Lebanon said the area was disputed, and last month Iran-backed Hizbollah threatened to attack the field if Israel developed it before a border deal was struck.

> 'This will inject billions into Israel's economy and ensure the stability of our northern border'

Hizbollah, whose paramilitary is Lebanon's most powerful and is regarded by Israel as one of its main adversaries, has not officially commented. A media officer said the group "is behind the state on this matter and what is required to preserve and obtain the natural wealth of Lebanon". With Lebanon in financial freefall, its leaders have pitched the deal as a lifeline after being felled by a currency and banking crisis.

Israel and Lebanon's lack of bilateral ties means the deal will take the form of an accord between Israel and the US, and one between Lebanon and the US.

The Karish gasfield will be in Israeli waters, while the neighbouring Qana gasfield will remain in the waters of both countries. A consortium led by French energy group Total will buy out Israel's share of Qana, enabling Lebanon to push ahead with its development.

Total delegates met Lebanon prime minister Najib Mikati and energy minister Walid Fayyad in Beirut yesterday. Fayyad said the consortium would begin exploring in Lebanese waters as soon as the deal was done, and hoped it would grant Lebanon its "right and full share" in the Qana gasfield "without sharing it with anyone", state media said. Israel's security cabinet and government meet today to pass the deal.

House of cards Revenues collapse across US property sector and sharp job cuts loom after Fed's aggressive rate rises PAGE 8

Companies & Markets

UK law firms' transatlantic growth hit by sterling crash

- Magic circle faces staffing test in US
- Low competitiveness compounded

JOE MILLER — NEW YORK
KATE BEIOLEY — LONDON

Britain's largest international law firms are struggling to attract and retain staff in the US as the crash in sterling compounds their lack of competitiveness in the most profitable legal market.

At least one major hire in New York had fallen apart in recent weeks as the pound slumped almost a fifth against the dollar, according to people with knowledge of recruitment attempts.

Existing senior staff, concerned that foreign exchange fluctuations will further erode their salaries, have asked for their pay to be increased or pegged to the dollar.

The group of "magic circle" firms that work on the City of London's biggest deals have struggled to match US rivals on pay owing to lower profitability and more restrictive remuneration models that prevent outsize salaries for stars.

> 'The war for talent was already tough. This will be a catalyst for more moves'
>
> Freddie Lawson, Fox Rodney

Freshfields' equity partners took home more than £2mn each on average for the year ended April 30, the most of the magic circle. But its profitability remains well below that of the top US law firms, where partners' average take-home profits exceed $7mn.

Freshfields, Clifford Chance and Allen & Overy have succeeded in poaching

tended to be paid in dollars, equity partners' remuneration at some firms was at least in part pegged to the pound, they noted. Freshfields used a fixed exchange rate for pound-based pay, which was more favourable to US partners, while Clifford Chance used an average rate, according to a person familiar with the firms.

London-based firms that billed clients in dollars or euros and converted revenues into sterling could stand to benefit from the pound's drop, the person said, which would make up some of the pay deficit for those whose remuneration was tied to overall profits.

Freshfields, Clifford Chance, Linklaters and Allen & Overy declined to comment.

Recruiters said that currency moves were likely to make the London-based firms more vulnerable to exits by partners moving to US firms in the City — a longtime problem for the magic circle.

Kirkland & Ellis, the highest-grossing firm, in September poached two partners from magic circle firms in London in the space of a week. The firm hired finance partner James Boswell from Clifford Chance and Allen & Overy's former global infrastructure co-head Sara Pickersgill.

Tony Williams, principal at Jomati consultants and onetime managing partner of Clifford Chance, said that foreign exchange movements were compounding an existing problem for magic circle firms.

Currency movements are creating recruitment issues at both the senior

Heavy weather Financial struggles of Europe's wind-turbine makers open the door to China

Turbine groups such as Siemens Gamesa, above, have announced job cuts in recent weeks — Paul Ellis/AFP via Getty Images

CAMILLA HODGSON — LONDON

European wind-turbine manufacturers are struggling financially and cutting jobs, putting them at risk of losing market share to Chinese competitors, despite the energy crisis, major industry players have warned.

Turbine makers General Electric Renewables and Siemens Gamesa both announced job cuts in recent weeks, and European manufacturers were "all financially struggling", said Jon Lezamiz Cortázar, global head of public affairs at Siemens.

"Everything is getting much more expensive in an already stretched

this year globally from about 101 gigawatts to 94GW-95GW. This amounts to almost no growth since last year, with 2021 being a peak year for offshore wind installation.

The challenging picture comes even as European leaders hurry to boost domestically produced renewable energy in the context of a global energy crisis fuelled by Russia's invasion of Ukraine. The EU wants to increase its target for renewable energy from 32 per cent of total power production to 45 per cent by 2030.

"Companies are laying people off at a time when the supply chain should be ramping up," said Ben Backwell,

ers to pass on higher costs. Many have started raising prices and renegotiating contracts with customers.

The industry is also grappling with supply-chain delays, already strained by the pandemic and exacerbated by the war in Ukraine. That put companies at risk of having to pay customers compensation payments related to project delays, analysts said.

Vestas Wind global head of marketing and public affairs, Morten Dyrholm, said that the current situation amounted to "a pretty critical period in time for the supply chain".

Shares in Vestas, turbine maker Nordex and offshore wind farm devel-

Chelsea FC owner to take Flexjet public in Spac pact

CLAIRE BUSHEY — CHICAGO
JAMES FONTANELLA-KHAN — LONDON

The leading rival to the Warren Buffett-backed NetJets is planning to go public in a Spac deal led by Todd Boehly, the US financier who owns the Chelsea football and Los Angeles Dodgers baseball clubs.

Flexjet said it would merge with Horizon Acquisition Corporation II to publicly list on the New York Stock Exchange. The Cleveland, Ohio-based company, which offers both fractional ownership of aeroplanes and jet cards, is projected to bring in $2.3bn in revenue this year — more than a third higher than in 2021 — as private aviation booms.

Flexjet chair Kenneth Ricci said the deal, which implies a pro-forma enterprise value for the company of $3.1bn, "will position us to expand market share at an accelerated pace in an opportunistic environment". The transaction is expected to close next year.

Spending by US companies on executives' personal use of such jets rose 35 per cent last year. The market is expected to grow over the next four years at a compound annual rate in the high single digits.

Demand at Flexjet was so hot at one point in 2021 that the company closed its jet card programme — a pre-paid balance of flight hours — to new customers. The company reported net income in fiscal 2021 of just under $53mn on $1.7bn in revenue.

Boehly, who acquired Chelsea in a £4.25bn deal this year, is a serial backer of blank cheque companies. The Los Angeles-based investor used Horizon Acquisition I in 2020 to buy digital ticketing business Vivid Seats, which is trading about 20 per cent below its initial public offering value and earlier this year he withdrew Horizon Acquisition III, which was launched in 2021.

The publicly traded vehicles, which raise cash with the intent to buy a private company, became one of the most popular investment plays in late 2020 and early 2021 but have since plunged as investors have opted to stay away partners from US rivals after loosening old pay structures and spending millions on US expansion. But lawyers said that the widening pound-dollar gulf was further harming London-based firms' ability to hire top partners and could soon trigger defections.

While associates based in the US and junior end, with US law firms paying far greater sums to associates than salaries on offer at UK-based firms.

"The war for talent was already tough for UK firms and [currency moves] are going to make it even harder," said Freddie Lawson, a recruiter at Fox Rodney. "This will be a catalyst for more moves."

wind industry supply chain," he said. If the situation did not improve, "it may happen that the European Green Deal is installed with non-European technology".

The Global Wind Energy Council said that it was likely to downgrade its forecasts for the new capacity added chief executive of the Global Wind Energy Council.

Inflation and the rising cost of key materials, such as steel and copper, have pushed up the cost of making turbines. But long lead times and turbine prices locked in years in advance have made it difficult for manufactur- oper Orsted have all been sliding since their peaks in early 2021.

Morningstar analyst Matthew Donen said that western companies were at risk of losing out to Chinese rivals. "They can match now the western turbine manufacturers, which hadn't been the case in the past."

from riskier businesses. Investors in Spac-backed companies have lost more than $250bn since 2020, according to Spac Research.

Boehly is the co-founder of Eldridge Industries, an investment group that operates across sectors, including insurance, media and real estate.

India hopes iPhone deal will start its rise up the tech value chain

INSIDE BUSINESS
ASIA

John Reed

As a symbol of India's climb up the industrial value chain, it was powerful: Apple recently announced it had begun assembling its iPhone 14 in India, just weeks after its newest model was launched.

Three Taiwanese companies that already work for Apple in India — Foxconn, Pegatron and Wistron — will put the 14 together at their sites in the country's south, two people familiar with the secretive US group's operations said.

Apple gave no specifics on its Indian operations, other than to say it was "excited" to be making the new phone in India. But JPMorgan said in a recent research note that Apple could be making one in four of its iPhones and other devices in India by 2025, as Covid-19 lockdowns and geopolitical friction push it to diversify away from China.

Speaking to the Financial Times a few days later, Ashwini Vaishnaw, India's railways and IT minister, said New Delhi was "actively encouraging and supporting" Apple's investments and efforts to build a supply chain in India. He also confirmed that, at least to start, the iPhone operations in India would largely be assembly — presumably mostly with imported components.

"All industries begin with bringing product assembly," Vaishnaw said. "In the next phase — two to four years — this goes deeper, when components and modules manufacturing begins and then a full-fledged local ecosystem gets created."

If this does in fact happen, it will fulfil a longstanding policy ambition of Narendra Modi's government, which wants to promote Indian manufacturing to the point where it generates 25 per cent of gross domestic product by 2025, up from barely 15 per cent now.

The government's aim, backed by incentives for investors in sectors such as electronics and pharmaceuticals, is to create new jobs, bolster India's exports and reduce tech imports, largely from China, that are helping to fuel its current account deficit.

Vaishnaw and other officials are confident that a golden moment has arrived for India, when multinational manufacturers are hedging their reliance on China. Since the start of his first term in 2014, Modi has been "exercised about the fact that India has not been successful in manufacturing", a person familiar with the prime minister's thinking said.

'The Indian approach to supply chains is that the entire supply chain should be in India and, ideally, run by Indians'

India is not alone in seeking to capture some of China's business: Vietnam, too, is already nabbing investments from Apple and others diversifying their supply bases in what policymakers and consultants call a "China Plus One" push. India's unique selling point is its huge domestic market — even if most of its consumers are still buying cheap Chinese-made Androids rather than Apple's iPhones.

However, getting component suppliers to put down roots will, as Vaishnaw says, be crucial to meeting India's goals — as will ensuring that investors such as Foxconn remain even after the government incentives run out.

Some are already warning that India's ambitions may be constrained by policymakers' protectionist instincts.

"The Indian approach to supply chains is that the entire supply chain should be in India and, ideally, run by Indians," says Mihir Sharma, director of the Observer Research Foundation, a think-tank. "But other China Plus One countries like Vietnam will say, 'let's identify the parts of the supply chain where we have an advantage', and then focus on those."

India's push to develop a viable supply chain for iPhones could also falter, Sharma said, because of the government's tensions with China, which produces many of the components that go into them. Against the backdrop of a high-stakes border dispute and deep distrust of Beijing in New Delhi, Indian authorities have banned Chinese apps and taken regulatory action against the Chinese makers of mobile phones.

"If the aim is to reduce dependence on China, that does not gel well with creating a manufacturing sector here," Sharma said. "You are entering a supply chain that China already dominates."

Indians are asking whether their suppliers will be able to step up. Ashish Dhawan, chief executive of the Convergence Foundation, a non-profit group focused on economic development, says India has a positive precedent in the automotive industry. Early producers such as Maruti Suzuki started out assembling cars from imported parts, then painstakingly built deep supply chains and a large, viable industry with deep roots. "The whole value chain came to India and then became competitive," he says. "But it takes time."

john.reed@ft.com

COMPANIES & MARKETS

Governance

Tesla keeps political spending to itself

Buffett's Berkshire also in S&P 500 minority that do not reveal donations

PATRICK TEMPLE-WEST — NEW YORK

Berkshire Hathaway, Tesla and CME Group are among more than two dozen S&P 500 companies that disclose no information about their political spending, according to an annual transparency report.

The report from the Center for Political Accountability, a non-profit organisation, found that 35 companies did not disclose their political contributions during this year's annual proxy season or publish policies determining how the money is doled out.

However, the report, published ahead of US midterm elections expected to be the most expensive ever, found companies such as Berkshire and Tesla are increasingly outliers. More than 380 S&P 500 companies made full or partial disclosures this year — a record high.

Shareholders have grown increasingly concerned about the reputational risks associated with corporate political spending.

In response to investor pressure, hundreds of companies publish information that is not legally required, including how much they give to non-profit groups, which often have a political motive and do not need to disclose their source of funding or how it is spent.

Shareholders' concerns were magnified by a backlash against Republicans who voted against the certification of Joe Biden's 2020 election victory after Donald Trump's supporters stormed the US Capitol in January 2021.

Many companies suspended donations after the riots but some have resumed donating millions of dollars to "stop the steal" Republicans, according to a report last month from the Citizens for Responsibility and Ethics in Washington, a liberal advocacy group.

"Corporations continue to pour billions of dollars into political coffers around the country, with little transparency, and thus little accountability," said Allison Lee, a former Democratic commissioner at the Securities and Exchange Commission.

Companies and individuals are required to disclose campaign donations to the Federal Election Commission, but Republicans have blocked the SEC from requiring companies to disclose this activity in regulatory reports. Information that companies publish about board oversight of political spending is also voluntary.

Warren Buffett's Berkshire Hathaway in 2017 faced a shareholder petition demanding more disclosures on its political spending, but it won the support of just 11 per cent of investors who voted. A shareholder petition demanding more information about whether Tesla's spending on lobbying aligned with efforts to reduce climate change was supported by 35 per cent of investors.

After the 2021 Capitol attack, the Chicago-based exchange operator CME said it would temporarily suspend political donations. So far this year, the company's political-action committee has donated $611,000, according to the Center for Responsive Politics.

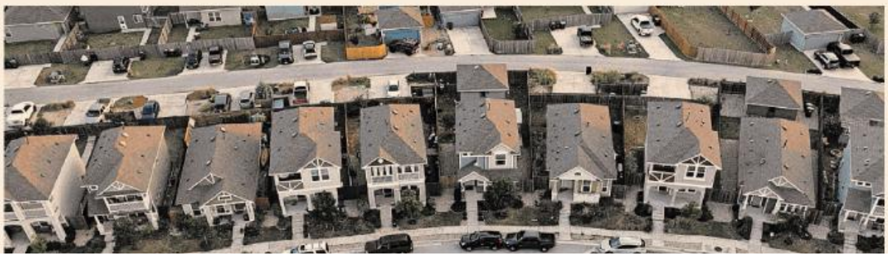
The three companies did not immediately respond to a request for comment.

A handful of S&P 500 companies, including IBM, have prohibited political spending, the CPA report found.

Property. Sector woes

Fed delivers swift and severe blow to US real estate

Aggressive rate rises and recession worries hammer revenue and livelihoods



TAYLOR NICOLE ROGERS — NEW YORK

Estate agents, mortgage brokers and appraisers across the US are braced for job cuts as home sales plummet amid rising interest rates.

For those who work in and around the housing market, the effect of aggressive moves by the Federal Reserve to reduce inflation has been swift and severe.

"It went from feast to famine, from

Oil & gas

Former Yukos investors urge court to restart action over $50bn award

JANE CROFT

Former Yukos shareholders have urged London's High Court to allow them to restart legal action aimed at trying to secure a $50bn award made almost a decade ago over Russia's seizure of what was once the country's largest oil company.

Russia has so far refused to pay any of the $50bn it was ordered to in 2014 by the Court of Arbitration in The Hague, which ruled that the Kremlin had illegally expropriated the company's assets. Mikhail Khodorkovsky, its chief executive and a vocal critic of Vladimir Putin, was arrested in 2003 and sentenced to 10 years in prison.

Following the ruling in The Hague, former Yukos shareholders embarked on legal action in London to seize assets tied to the Russian state in the UK, but the action was put on hold while a parallel case was heard in the Dutch courts.

The group yesterday urged the High Court in London to allow the case to be reactivated as the sanctions imposed on Russia following its invasion of Ukraine raised the "real risk" that the state's assets in the UK would erode in value.

Jonathan Crow KC, for the former shareholders, claimed that sanctions imposed by the UK on Russian individuals and entities meant there was a "real risk of the value of the Russian Federation's UK assets eroding over time", alongside Moscow "taking steps to reduce its UK assets" and of "very substantial creditors seeking to enforce everybody buying to turtle slow," said Linda McCoy, board president of the National Association of Mortgage Brokers.

Estate agents, mortgage brokers, appraisers and construction groups said that they had lost as much as 80 per cent of their revenue since the Fed started raising rates in March. Rates for a 30-year fixed mortgage — at 6.66 per cent — have nearly doubled since and are at their highest since 2008.

Home sales quickly plunged as higher borrowing costs and recession fears discouraged buyers. Nearly 20 per cent fewer homes were sold this August than during the same month last year, according to the National Association of Realtors. For estate agents and mortgage brokers, who mostly work on commission, the changing market has knocked their livelihoods and pushed some out of the field.

"There's going to be a major shakeout," said Ken Johnson, an economist at Florida Atlantic University who is a former broker. "There are roughly 1.5mn realtors, but that number will be down 20 per cent within 24 months.

"And those aren't the only members of the real estate industry that are very dependent on the volume of transactions. There are these tertiary jobs like the appraisers, the mortgage lenders, all the way down to termite inspectors."

Mortgage lenders were among the first to eliminate staff. In April, Wells Fargo, which originates more mortgages than any other US bank, laid off nearly 200 loan processors and their managers, blaming "cyclical changes in the broader home-lending environment". USAA, Citigroup and JPMorgan Chase announced cuts to their home lending workforces.

Other independent lenders, including Sprout Mortgage and First Guaranty Mortgage Corp, have gone out of business.

Some brokers did almost a third of their business refinancing existing mortgages as rates hovered near record lows, but applications for refinancing have fallen 80 per cent over the past year, according to the Mortgage Bankers Association. New mortgage applications have dropped 29 per cent in the same period.

"The way these rates have risen so fast is almost catastrophic to the industry," McCoy said.

A record 1.5mn Americans worked as estate agents during the height of the market last year. Getting a real estate licence is easier than entering other industries with high earning potential, requiring only a high school diploma and three to six months of training leading to an exam.

Thousands of new workers rushed in as home prices accelerated during the pandemic, hoping to take advantage of flexible working hours and sky-high profits. Some 156,000 people joined the National Association of Realtors in 2020 and 2021 alone. That is 60 per cent more than in the two years before.

"That growth was much stronger than the home sales opportunities that were available," said Lawrence Yun, chief economist for the National Association of Realtors. "The reality is that not everyone's going to survive."

In June, Redfin and Compass laid off hundreds of employees. Redfin chief executive Glenn Kelman told staff that he feared "years, not months, of fewer home sales". Compass said its job cuts were "due to the clear signals of slowing economic growth", before eliminating more jobs last month.

Though the rate of job losses tracked by the labour department showed that the number of property staff whose jobs had been eliminated was little changed at 16,000 in August, Johnson said that most agents worked as independent contractors and were not counted in jobs data.

Many would pivot their business models or take on second jobs to supplement their incomes.

Shane Skelly, a real estate agent and home flipper in San Diego, "froze" his business's flipping arm in June as potential buyers disappeared. His company, Left Coast Realtors, is focusing on facilitating renovations for past clients.

Skelly said: "It wasn't extreme to begin with. Over the last couple of months, it's really accelerated. It's a little bit more significant of a correction than I thought it was going to be."

Mike Pappas, chief executive of Florida-based brokerage The Keyes Company, said he was considering scaling back overhead costs on offices and marketing in the hope of avoiding having to dismiss any of his group's 3,300 agents.

"We have to respond dramatically to adjust to the new normal," Pappas said.

But Johnson said that for many, falling home sales could push them out of business.

"Most that are in business today have never sold in a 7 per cent, 30-year-mortgage-rate environment," he said.

"That mortgage rate got too high, and I think a lot of people are looking around saying, 'What's next?'"

Nearly 20% fewer homes were sold this August than during the same month last year
Jordan Vonderhaar/Bloomberg

'It went from feast to famine, everybody buying to turtle slow'
Linda McCoy, brokers' trade association

Result misery
US existing home sales, seasonally adjusted (mn)

Source: National Association of Realtors

ahead of the claimants against that decreasing pool of assets".

He also argued that the London lawsuit should now go ahead as a recent Dutch ruling meant that the risk that the English and Dutch courts would be ruling on the same legal points had "effectively disappeared".

The imprisonment of Khodorkovsky on tax and fraud charges, seen by international observers as politically motivated, and the break-up of Yukos and sale to mostly state-controlled oil companies marked a watershed for Putin's rule. The Kremlin characterised the arrest as part of a crackdown on oligarchs who had become rich by taking control of Russia's natural resources.

The Russian government was not represented by lawyers yesterday after White & Case, which had acted for it, stopped following the war in Ukraine. However, Mr Justice Christopher Butcher allowed yesterday's hearing to proceed after Russia sent its written submissions to the court.

In the submissions, Mikhail Vinogradov, in the prosecutor-general's Office of the Russian Federation, argued that the London lawsuit should remain paused and said attempts to restart it were "misconceived and a transparent attempt to take advantage of a situation in which the defendant is bereft of legal representation in the jurisdiction".

He added that Russia had contacted 11 barristers and four law firms in the UK who have refused to act for it or cited conflict of interest. The government is currently seeking to obtain legal representation, the submissions noted.

Vinogradov also said that the Dutch courts were still considering the case and it was "absurd" to suggest that events since February 2022 "have done anything other than make it more difficulty [sic] for assets to be accessed, never mind dissipated and/ or removed from the English jurisdiction".

The hearing continues.

Healthcare

Eurofins searches for acquisitions in Asia

AKILA QUINIO — PARIS

French diagnostic and testing group Eurofins is scouting for acquisitions in Asia and the field of genetic diagnostics as it seeks new opportunities after a pandemic-related sales boom.

"The most interesting market is Asia," said chief executive Gilles Martin. "Access to tests is not very developed there yet."

Boosted by a worldwide surge in testing, Eurofins entered France's CAC40 index last year. But as the pandemic receded, it was hit by falling demand as governments scrapped health and travel restrictions.

After two years of double-digit growth fuelled largely by the Covid-19 pandemic, analysts expect stagnating annual revenue of about €6.7bn this year, according to Refinitiv data. Shares are down more than 40 per cent this year to about €63, half their peak in September 2021. The company announced last week it would buy back up to 2 per cent of its shares during the next year.

Martin, who founded the company in 1987 but expanded into medical diagnostics seven years ago, plans to build this part of the business further by replicating the acquisition strategy that took Eurofins from a small French laboratory to a leading food, pharmaceutical and environmental testing performer.

Eurofins spent €197mn buying 33 groups in the first half of this year — more than twice that allocated to acquisitions at the same time last year. It bought the Japanese prenatal genetic analysis group Genetic Lab last December and is hunting for similar targets.

Martin, an engineer with a PhD in artificial intelligence, believes genetic analysis and engineering will allow the development of many new tests over the next 20 years. The group is also interested in personalised medicine.

"More and more people see their health as their capital which they want to preserve and learn about [by] documenting themselves," said Martin.

Eurofins said the US was the first big market for genetic diagnostics, such as prenatal tests that detect foetal genetic abnormalities.

Sales of kidney transplant tests, which also use genomics, more than doubled in North America in the first half of the year. But rather than expanding in the US to try to compete with testing giants such as LabCorp and Quest Diagnostics, Eurofins said it wanted to create "new markets through innovation" in Asia.

Although Asia accounts for less than 10 per cent of group revenue, it posted the fastest revenue growth in the first half of this year.

Martin said he wanted Eurofins to expand "everywhere [in Asia] on a big scale except for China where it will be on a small scale". Chinese companies had local advantages over foreign companies, he added.

Banks

JPMorgan's Dimon warns recession 'likely'

JOSHUA FRANKLIN — NEW YORK

JPMorgan Chase chief executive Jamie Dimon predicted the American economy will tip into a recession next year, warning the downturn threatened to spark "panic" in credit markets and wipe an additional 20 per cent from the value of US stocks.

The comments from Dimon, whose economic pronouncements are closely followed by investors, followed similar remarks last month by billionaire investor Ken Griffin and point to a growing consensus among senior figures on Wall Street about the likelihood of a US recession.

In an interview with CNBC, Dimon listed rising interest rates and Russia's invasion of Ukraine as factors stoking the risk of a downturn in 2023.

"These are very, very serious things, which I think are likely to push the US and the world — I mean, Europe is already in recession — and they're likely to put the US in some kind of recession six to nine months from now," Dimon said.

Dimon said early signs of distress were evident in the financial system, pointing to the depressed market for initial public offerings and high-yield debt deals, and said he expected the pain would soon spread into other areas.

"The likely place you're gonna see more of a crack and maybe a little bit more of a panic is in credit markets," he added.

Jamie Dimon cited borrowing costs and Russia's war in Ukraine as risks

In June, Dimon warned of an economic "hurricane", and on Monday he again encouraged investors to be "very, very cautious". He added: "If you need money, go raise it."

Asked where he saw the trough for the S&P 500 index, which is down more than 20 per cent this year, Dimon said the decline may still "have a ways to go" and "could be another easy 20 per cent".

He added: "I think the next 20 per cent will be much more painful than the first. Rates going up another 100 basis points are a lot more painful than the first 100 because people aren't used to it."

JPMorgan, the largest US bank by assets, will report earnings on Friday. Analysts expect JPMorgan and other big banks will collectively set aside more than $4bn to cover potential losses from bad loans, in a sign of growing pessimism about the US economy.

See Lex

COMPANIES & MARKETS

Amazon goes all out to revive ecommerce unit

Extra Prime Day staged in effort to capture holiday spending early after operation suffers two quarters of falling sales

DAVE LEE AND ELAINE MOORE
SAN FRANCISCO

Amazon is holding its second Prime Day shopping event in a year for the first time this week in a bid to boost its flagship ecommerce product and reverse declining sales.

The stakes for the $1.3tn group are high as it seeks to recruit new Prime members in saturated markets while cementing the scheme's worth to existing subscribers — some of whom have seen the price of membership rise more than 40 per cent this year.

Amazon's Online Stores division, on which founder Jeff Bezos built his empire, has seen two quarters of declining sales in 2022 under new chief executive Andy Jassy. This is in contrast to the bumper early pandemic period when demand reached record highs and sales increased about 40 per cent compared with before Covid-19.

The Prime Early Access Sale will take place over 48 hours and began yesterday in the US, Canada and 13 European countries, including Turkey. It comes three months after the year's first Prime Day, an annual discount event launched in 2015.

It gives Amazon a chance to make an early move to capture this year's holiday spending, said Lesley Hensell, a consult-

series ever made. Debuting last month to mixed reviews, the series has cost Amazon a reported $1bn to acquire the rights and put into production.

Amazon has also invested heavily in sport. To become the national broadcaster of the NFL's *Thursday Night Football*, Amazon is spending an estimated $1bn per season, according to Enders Analysis. The company has also added the Champions League and English Premier League to its roster. In all, Enders estimated, Amazon is spending $1.6bn a year on sports rights.

Such is the extent of its spending that the cost of investment in digital content for Prime members, plus investment in AWS, would cancel the $1.5bn saved in fulfilment network cost improvements in the current quarter, chief financial officer Brian Olsavsky said at the time of Amazon's last earnings report. This could mean operating income will once again fall compared with last year.

'There's a broader theme on how you stay relevant in a more competitive subscription landscape'

But it is a long-term strategy. The first ant for Amazon merchants. "Amazon is thinking: 'You know what? Let's get in early and get our share of those consumer dollars.' Before everyone else does their typical Black Friday, Cyber Monday — [Amazon] wants to get a piece of that pie now."

Analysts at Jefferies have estimated the event could add an extra $4.1bn in sales to Amazon's total fourth-quarter earnings, which it otherwise forecasts will be about $158bn, an increase of 14 per cent year on year.

"We are always looking for additional ways to help our members save throughout the year," Amazon said. "And this event delivers just that — early holiday shopping with big savings."

Over the past two years, operating costs soared as the company contended with Covid, the supply chain crunch and inflation. Amazon's share price, down by a third this year, has been saved from falling further thanks to its still strongly performing cloud computing arm, AWS, and a fast-growing advertising business.

But the poor retail performance has seen Amazon backtrack on its aggressive logistics expansion plans. It has closed, or cancelled opening, at least 50 facilities in the US, according to data from logistics analyst Marc Wulfraat. It has eased off the permanent hiring of corporate and frontline staff just months after warning that a shortage of willing and able warehouse workers was one of its biggest challenges.

Amazon is instead prioritising its top line for the rest of the year. In that pursuit, the second Prime Day event of 2022 could provide both a short and long-term boost.

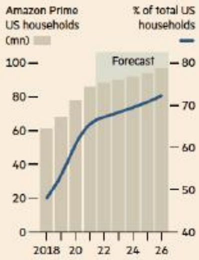
First, the cost of living crisis appears to have consumers looking hard for deals. A Jefferies poll of about 1,000 US Prime subscribers ahead of this week's event said 82 per cent aimed to shop during the sale, with most planning to spend at least $50, compared with 59 per cent who were interested in July's sale.

Primed to deliver: workers sort packages in New York. Amazon is holding an early sale exclusively for its Prime members — Michael M Santiago/Getty

Comedown

Year-on-year sales growth for Amazon's online stores unit (%)

Prime push



Sources: company; Insider Intelligence

Second, having raised prices of membership in several markets, an additional Prime Day is being seen as an effort to further reinforce the plan's value to existing members, while coaxing in some new subscribers.

"There's a broader theme here around how you stay relevant in a more competitive subscription landscape," said Andrew Lipsman, of research group Insider Intelligence.

"Exclusivity is key. Amazon understands the value of having those things that are really high value that customers can't live without."

On average, Americans have two subscription services, according to a survey by research group Kantar. It found a slight decrease in the number used between April and August.

Amazon is tight-lipped about the number of Prime members. The last update the company gave was in April 2021, when Bezos, then chief executive, said it had more than 200mn subscribers. This is lower than the latest tallies for streaming services Disney and Netflix.

Amazon's strength is in its breadth, say analysts. As well as free one or two-day shipping, Amazon has steadily been adding other perks to Prime, such as discounted use of Grubhub, a US food delivery app, and building its entertainment offerings, in particular Prime Video.

Another scheme, Buy With Prime, allows merchants who do not sell their products on Amazon to use the company's warehouses and logistics to deliver their goods to Prime members in the same timeframe of one to two days.

However, efforts to keep Prime subscribers happy have become increasingly expensive. The streaming service's *The Lord of the Rings: The Rings of Power* TV show is hailed as the most expensive

Thursday Night Football broadcast resulted in the "biggest three hours for US Prime sign-ups" in the scheme's history, the company said, with an average of 13mn viewers.

In the US, annual membership growth is predicted to slow from this year to less than 3 per cent, according to Insider Intelligence estimates. By 2025, it is expected that about 70 per cent of all US households will subscribe to Prime, up from 67 per cent this year.

Further expansion means reaching different market segments. Last week, Amazon launched a dedicated hub for heavily discounted products and relaunched "Prime Access", its cut-price Prime membership for customers who qualify for government assistance, such as food stamps.

Energy

Cepsa plans 'green hydrogen corridor' linking southern Spain and Rotterdam

TOM WILSON — LONDON

Spanish oil and gas group Cepsa and the Dutch port of Rotterdam have agreed to establish a "green hydrogen corridor" to bring the zero-carbon fuel from Spain to northern Europe.

Cepsa chief executive Maarten Wetselaar said the deal, which was signed last month, aimed to connect southern Europe's solar potential with northern Europe's energy demand.

Under the REPowerEU scheme to overhaul the bloc's energy sector, the EU forecasts annual consumption of 20mn tonnes of green hydrogen by 2030, half of which it says should be produced within the bloc.

To do that competitively, most of the production would need to take place in southern Europe where renewable electricity, the main input in green hydrogen, was cheapest, said Westelaar.

"The first project to establish the link between a major future production hub of affordable green hydrogen, south Spain, and a major northern European industrial hub, Rotterdam, is iconic for the fast progress the EU is making on its green agenda," he said.

Westelaar joined Cepsa, which is owned by Abu Dhabi sovereign wealth fund Mubadala and US private equity firm Carlyle Group, in January after a 25-year career at Shell.

In April, he pivoted the Spanish group from fossil fuels to greener forms of energy and committed to invest at least €5bn — equivalent to 60 per cent of the group's total capital expenditure — on new low-carbon business by 2030.

Central to that plan is the growth of Andalusia in southern Spain as a source of green hydrogen production. Cepsa already has 1 gigawatt of renewable electricity generation connected to the grid and plans to develop a further 7GW of solar and wind power in the region.

> 'I am absolutely certain that the cheapest green hydrogen in Europe will be in Andalusia'

"I am absolutely certain that the cheapest green hydrogen in Europe will be in Andalusia because 80 per cent of the cost of hydrogen is power and the cheapest power is there," said Westelaar.

Green hydrogen is produced by separating the hydrogen from the oxygen in water through an electrolysis process powered by renewable electricity. The fuel, which releases energy when burnt but emits no carbon, is widely expected to play a key role in transporting renewable power over long distances.

Cepsa plans to transport the green hydrogen to Rotterdam by first converting it into ammonia, with shipments planned to begin in 2027. The hydrogen will either be used in Rotterdam or piped to industrial clusters such as the German region of North Rhine-Westphalia, according to Nico van Dooren, director of new business at the port.

Rotterdam — Europe's main port for imports of crude oil, refined products and coal — intends to play the same role for renewable energy. Shell is building Europe's biggest hydrogen electrolyser in Rotterdam, while Dutch chemicals group OCI is expanding its ammonia import terminal. Companies including BP and energy trader Gunvor have also announced plans to develop green hydrogen infrastructure in the city.

If all Rotterdam's green hydrogen projects succeed, 600,000 tonnes a year will be produced there by 2030 and 4mn tonnes imported, representing roughly 25 per cent of the EU's forecast demand, said van Dooren.

Fixed income. Gilts rout

UK pension funds call on BoE to extend bond purchases

Energy

Westinghouse to be sold for $7.9bn in sign of nuclear power revival

ANTOINE GARA — LONDON
MYLES MCCORMICK — NEW YORK

Westinghouse Electric, a US nuclear power company, is being bought by a private-equity backed consortium in a $7.9bn deal four years after it emerged from bankruptcy as the war in Ukraine spurs fresh interest in an industry that had fallen out of investor favour.

Brookfield Renewable Partners, one of the world's largest clean energy investors, and Cameco, a supplier of uranium fuel, are buying the company in a bet that climate and energy security

concerns will revive the nuclear sector's fortunes.

They will purchase the group, which makes technology used in around half the world's roughly 440 nuclear reactors, from a separate division of Brookfield Asset Management that runs its private equity investments.

"We're witnessing some of the best market fundamentals we've ever seen in the nuclear energy sector," said Tim Gitzel, chief executive of Cameco, which is based in Saskatchewan, Canada. "[Nuclear] energy is becoming increasingly important in a world that prioritises electrification, decarbonisation and energy security."

Western investors and policymakers

'We're witnessing some of the best market fundamentals we've seen in the nuclear energy sector'

had until recently shunned the development of new large scale nuclear plants due to safety concerns and a series of massive cost and schedule overruns.

But the urgency to address climate change has pushed nuclear power back into focus, given that it can provide carbon-free power, 24 hours a day regardless of the weather.

The International Energy Agency has said nuclear generation needs to double by 2050 to hit net zero targets.

Moscow's invasion of Ukraine has shifted it further into the spotlight as countries hurry to find reliable replacements for Russian oil and gas.

Brookfield Renewable Partners will purchase 51 per cent of Westinghouse for $2.3bn while Cameco will purchase 49 per cent of the company for $2.2bn.

When including $3.4bn in existing debt, which is being kept on Westinghouse's balance sheets, the buyers are paying an enterprise value of $7.9bn.

After the sale is complete, a chunk of the company will be owned by Brookfield Transition Fund, led by former Bank of England Governor Mark Carney.

The sale of Westinghouse represents a large windfall for Brookfield's private equity business. It invested $1bn in equity to acquire Westinghouse after Toshiba, its former owner, put it into bankruptcy in 2017 amid large cost overruns at projects in Georgia and South Carolina. It will receive roughly $5.5bn through the sale and dividends.

Industry still faces 'a lot of disorder' from LDI strategies at the centre of the crisis

HARRIET AGNEW, JOSEPHINE CUMBO AND TOMMY STUBBINGTON

The UK pension industry is calling on the Bank of England to extend its emergency bond-buying programme past Friday on concerns that trustees do not have sufficient time to shore up their portfolios against further shocks.

A rout in UK government bonds sparked by Kwasi Kwarteng's "mini" Budget of unfunded tax cuts on September 23 pushed the UK's pension industry into a vicious circle of forced asset sales.

The BoE's intervention five days later stabilised the market — but with its conclusion looming on Friday, industry participants are worried about another "cliff edge".

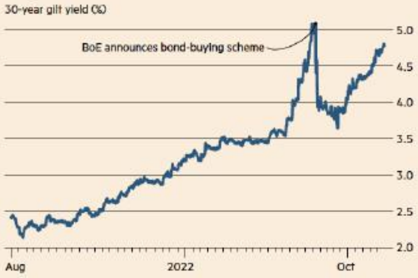
"Giving pension funds a two-week window to get things in order was not a good idea because it made them into forced sellers and didn't give much thought to the nature of pension fund assets and how quickly they can be turned into cash," said Mark Hedges, a professional trustee with Capital Cranfield Pension Trustees Limited.

The Pensions and Lifetime Savings Association, which represents schemes with about 30mn savers with £1.3tn in retirement money invested, said that "many" funds would prefer the BoE's programme to be extended at least until Kwarteng reveals his debt-cutting plans on October 31.

Carolyn Saunders, pensions partner at law firm Pinsent Masons, said that, since "affected schemes and their investment advisers are still working through the actions needed to adapt and rebalance portfolios, there is a real concern that it is too early for the Bank to withdraw its emergency measures".

UK government bonds sell off

30-year gilt yield (%)



Source: Refinitiv

David Fogarty, at professional trustee firm Dalriada, added that there was still "a lot of disorder" in liability-driven investing (LDI) strategies, which are widely used in the £1.45tn defined-benefit pension industry.

These hedging strategies helped funds match up their assets and liabilities during the long period of low interest rates but required huge injections of collateral when Kwarteng's fiscal plan sent gilt yields soaring.

Some funds are still receiving multiple requests to kick in extra cash to keep LDI policies in place, sometimes with same-day deadlines, according to Fogarty.

"Trustee boards are genuinely struggling through a combination of availability and sometimes understanding," he said.

Pension schemes in aggregate will have to come up with as much as £280bn to fully recapitalise their interest rate and inflation hedges with new lower levels of leverage, according to Nikesh Patel, head of client solutions at Van Lanschot Kempen.

This is in addition to the £200bn that schemes have already had to deliver to meet LDI collateral calls.

An executive in liability-driven investing in London said whether pension funds would be prepared for the BoE to call off its bond-buying scheme was the "£1tn question".

Rush hour: the Bank of England calling off its bond-buying scheme has been described as the '£1tn question' in terms of pension fund readiness Chris Ratcliffe/Bloomberg

'Giving pension funds a two-week window to get things in order was not a good idea as it made them into forced sellers'

Asset managers have been working all hours, including through the weekend, in preparation, he said.

"When someone has a three-hour window to either sell an asset or allow a hedge to be reduced it can be a tough call," Fogarty said, adding that managers using LDI strategies sometimes need to reduce the level of their protection against adverse rate moves "because we simply don't have the liquidity and sometimes because we have a preference to retain the assets that we would otherwise have to sell".

Simon Bentley, head of UK solutions client portfolio management at Columbia Threadneedle, said: "Liquidity, liquidity, liquidity. It's been underrated in the industry. There'll be more focus on it going forward."

Bentley said that schemes "still want hedges in place". The London-based executive echoed that view, saying, "almost everyone wants to keep as much of the LDI coverage as possible. People who decide to cut are cutting at the edges."

Schemes, managers and their counterparties are also reviewing operational bottlenecks to ensure smooth transfer of collateral.

Sonja Laud, chief investment officer at Legal & General Investment Management, one of the biggest players in the market, said that a review of LDI "needs to evolve around operational processes: where were the bottlenecks and the pain points. The mismatch was the time to get the collateral — there was the money — you just couldn't get to it."

See Lex

Technology

German fintech N26 says no further funding needed before it breaks even

OLAF STORBECK — FRANKFURT

N26, Germany's highest-valued fintech, does not need new funding in the foreseeable future because it has enough cash until it breaks even, the company said yesterday as it reported a 14 per cent rise in net losses for 2021.

The Berlin-based online bank, which counts Peter Thiel's Valar Ventures and Hong Kong tycoon Li Ka-shing among its backers, last year raised €780mn in a funding round where it was valued at €7.8bn.

"We've bought a lot of freedom with this funding round," said chief financial officer Jan Kemper, adding that the group wanted to reach break-even without having to turn to investors again.

He said the firm was "agnostic" over how long this would take, saying it depended on factors beyond its control. "We are not committing ourselves if this will take 12 months, 24 months or 36 months."

Fintech valuations have crumbled this year as investors grappled with rising interest rates, high inflation and increasing economic uncertainty.

Swedish payments provider Klarna in July raised €800mn at a valuation of €6.7bn, a drop of more than 80 per cent compared with its previous funding round.

Net losses at N26 widened to €172.4mn last year compared with €150.7mn in 2020. While revenue grew 50 per cent to €182.4mn in 2021, administrative costs increased 31 per cent to €269.8mn.

Rising interest rates will buoy the bank's revenue this year but N26 still warned that overall growth would slow

N26 warned that expansion would slow due to a client growth cap

to about 30 per cent due to a draconian client growth cap imposed by German financial watchdog BaFin.

The regulator decreed a year ago that the bank could only have 50,000 to 70,000 new customers a month until it had improved anti-money laundering controls and fixed other flaws.

N26 co-founder and chief executive Valentin Stalf said yesterday that the bank had made "good progress overall".

He added: "As of today, we are compliant with [the] bulk of the regulatory requirements," noting that he was confident "most" of the restrictions would be lifted within 6 to 12 months and "potentially significantly earlier".

The company wanted to become a "poster child" for good regulatory compliance, he said, suggesting that, without the growth cap, N26 could probably grow faster than before as online banking became more popular in Europe.

Plans for an initial public offering have been delayed. "If you look at the current market out there, this is no point in time to talk about IPOs," said Kemper but he added that it continued to work on its "readiness" for a potential listing at some point in the future.

Equities

Local buyers behind buoyant Indian bourse as foreign investors hold back

HUDSON LOCKETT — HONG KONG
CHLOE CORNISH — MUMBAI

Indian stocks are outperforming as investors brace for more interest rate rises from the US Federal Reserve with ravenous demand from local traders offsetting losses from sales by foreign financial institutions.

While both the S&P 500 index and China's CSI 300 have dropped about 24 per cent this year, India's Sensex stock index is down less than 1 per cent in 2022.

Even after adjusting for currency depreciation — the rupee is at a record low of more than Rs82 to the dollar — the stock benchmark has fallen just 10 per cent. In comparison, China's benchmark CSI 300 index is down 33 per cent.

"India has outperformed but foreign investors were sellers," said Zhikai Chen, head of Asian equities at BNP Paribas Asset Management. "What actually worked [to support prices] was the large domestic fund managers that kept buying."

The Association of Mutual Funds in India reported net inflows of $2bn for September — a 17 per cent rise month on month. "Domestic investors have remained very bullish and money is coming in," said R Venkataraman, managing director of brokerage IIFL, who credited the market's outperformance to local stockpickers.

Venkataraman said investors were upbeat about India's growth prospects with the IMF projecting gross domestic product to expand by 7.4 per cent this year. Meanwhile, the US is expected to fall into a recession and China is grappling with a slowdown in the property sector.

'People think next year allocation to India will improve because there is no other place to invest'

"People think next year allocation to India will improve dramatically . . . because there is no other place to invest," Venkataraman said.

Amish Shah, head of India research at Bank of America Securities, said India appeared to be better positioned than other emerging markets after New Delhi held back from launching major stimulus packages during the pandemic and with inflation at about 7 per cent.

"Indian macro is relatively, and I would underline the word relative, well-positioned as compared with the global macro," Shah said.

But despite the broadly positive economic outlook for India, global finance has yet to fully embrace Indian equities in the wake of a broad shift by investors out of higher risk emerging markets securities in favour of US dollar assets.

After an increase in buying from foreign investors during August, inflows stalled in September.

Foreign buying started to pick back up in recent sessions beginning in October, potentially signalling the start of another run of inflows from global investors.

But analysts warn that the domestic inflows that have buoyed Indian markets may not last, as rising rates offer investors a low-risk option to rival stocks.

Goldman Sachs analysts wrote this week that they "continue to see risk of slowdown in domestic flows as domestic deposit rates continue to rise".

COMPANIES & MARKETS

The day in the markets

What you need to know

- Stocks edge higher as investors brace for US earnings season
- Oil prices slide in further sign of slowdown worries
- Benchmark UK gilts attract buyers on latest BoE move

Wall Street stocks rose in choppy trading yesterday as investors awaited a flurry of US earnings reports that will be scrutinised for signs of strain from high inflation and rising interest rates.

The broad S&P 500 index was up 0.6 per cent by the early afternoon in New York trading while the technology-

Wall Street stocks hit lowest level since November 2020

S&P 500 (daily low)

Bonds are getting me excited for first time in years

Karen Ward

Markets Insight

For the first time in well over a decade, I'm starting to get excited about bonds. This marks a significant turnaround

always be able to purchase bonds to prevent episodes of financial volatility.

Investors stopped asking for much risk premium, safe in the knowledge

time-limited and, for the sake of its inflation mandate, it will have to return to its plans to shrink its balance sheet next month heavy Nasdaq Composite gauge added 0.3 per cent.

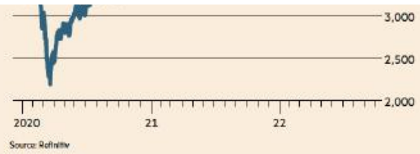
Those moves in US shares followed four straight sessions of declines and marked a reversal from falls earlier yesterday when the S&P hit its lowest intraday level since November 2020.

Equities have come under pressure in recent days after a US labour market report last week pointed to persistently robust jobs growth in the largest economy and ahead of a widely anticipated inflation report due tomorrow.

Employment and price growth data have been monitored closely this year for clues about how aggressively the US Federal Reserve and its peers will tighten monetary policy.

Evidence of a still-hot economy has fuelled concerns that the US central bank will raise interest rates into a recession.

"It's still that combination of a growth slowdown, sticky inflation and central banks being forced to hike into a slowing economy that is very negative for markets in general," said Joost van



Source: Refinitiv

Leenders, senior portfolio manager at Kempen Capital Management.

Investors were also braced at the start of the week for a flurry of third-quarter US earnings reports, which will be monitored closely for signs of tension as companies contend with higher prices and escalating borrowing costs.

In a further sign of slowdown fears stalking markets, oil prices turned lower yesterday with international benchmark Brent crude dropping 1.8 per cent to $94.43 a barrel.

In government debt markets, the yield on the 10-year US Treasury note was flat at 3.87 per cent as trading resumed following a one-day holiday.

The equivalent UK bond yield slipped 6 basis points to 4.41 per cent after the Bank of England widened its emergency bond-buying programme to include inflation-linked gilts in the latest effort to stem "fire sales" by pension funds.

But the 30-year UK gilt yield added 15bp to 4.86 per cent.

In Asian equity markets, Hong Kong's Hang Seng index closed down 2.2 per cent, touching its lowest level since October 2011. **Ian Johnston and William Langley**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3618.27	1538.75	26401.25	6885.23	2979.79	115553.79
% change on day	0.16	-0.60	-2.64	-1.06	0.19	-0.33
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	112.939	0.971	145.735	1.109	7.179	5.217
% change on day	-0.181	0.103	-0.007	0.362	0.510	0.145
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.899	2.293	0.250	4.432	2.745	12.542
Basis point change on day	1.150	-4.700	0.140	-3.800	0.400	9.600
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	366.63	94.67	89.51	1676.55	19.83	3589.90
% change on day	-0.29	-1.58	-1.78	-1.16	-3.88	0.36

Yesterday's close apart from: Currencies – 16:00 GMT; S&P, Bovespa, All World, Oil – 17:00 GMT; Gold, Silver – London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

S&P 500 index

Eurofirst 300 index

FTSE 100 index

Biggest movers

%	US		Eurozone		UK	
Ups	Amgen	6.11	Carlsberg	3.06	Rentokil Initial	1.81
	Micron Technology	4.97	Lufthansa	2.39	Haleon	1.64
	Carnival	4.31	Heineken Holding	2.22	Sainsbury (J)	1.30
	Ford Motor	3.87	Sanofi	2.04	Imperial Brands	1.05
	Walgreens Boots Alliance	3.78	Klepierre	1.92	Unilever	0.91
Downs	Wynn Resorts	-6.36	Brenntag	-8.07	Ocado	-5.32
	Las Vegas Sands	-5.42	Solvay	-5.37	Legal & General	-5.18
	Netflix	-4.65	Aegon	-4.73	Hargreaves Lansdown	-4.94
	Kia	-4.38	Basf	-4.54	Harbour Energy	-4.38
	Synopsys	-3.94	Asml Holding	-3.85	Aviva	-4.17

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

Wall Street

A cut to its guidance pushed **Leggett & Platt** sharply lower.

The group, which manufactures products from bedding components to flooring underlay, said an "increasingly challenged global economic environment and consumer backdrop" had resulted in "lower than previously anticipated sales and earnings".

This led to L&P trimming its annual outlook for earnings per share between $2.30 and $2.45, down from an earlier estimate of $2.65 to $2.80.

Netflix sank after Bank of America reiterated its "underperform" rating for the streaming platform, arguing that the eventual rollout of its advertising-based offering would not be the "catch-all answer" for the group.

BofA added that the success of *Stranger Things* might be skewing the rates being mooted around its prospective advertising tier.

Ride-hailing groups **Lyft** and **Uber** fell after the announcement of a government plan that could increase their hiring costs.

The Department of Labor proposed a new rulemaking it more likely that gig workers would be reclassified as employees instead of independent contractors — a move that, if passed, would mean they could be entitled to such benefits as overtime pay.
Ray Douglas

Europe

Norwegian oil and gas group **Vår Energi** sank following what Jefferies called a "disappointing" third-quarter update.

Total production of 214,000 barrels of oil equivalent a day was 12 per cent below the broker's estimate — a shortfall blamed on "operational issues at both partner-operated and operated fields", said the group.

Vår Energi also lowered its guidance, forecasting production of between 220,000 and 225,000 boe/d for the full year, down from an earlier estimate of 230,000 to 245,000 boe/d.

Switzerland's **Givaudan**, which manufactures flavours and fragrances, slid following a "mixed third quarter", said Citi.

Organic growth came in at 5.8 per cent, which was 20 basis points above the broker's forecast but below the 6.5 per cent consensus. Givaudan's Taste & Wellbeing division weighed on the results, stemming from "a rapid slowdown in North America", noted analysts.

Rumours of a possible merger sent Germany's **Qiagen** rallying.

The Wall Street Journal reported that the diagnostics company was in talks with US peer Bio-Rad Laboratories about a deal worth about $10bn.

Credit Suisse viewed the transaction "positively even though we believe it unlikely". *Ray Douglas*

London

Ukraine-focused miner **Ferrexpo** fell on news that it had "temporarily suspended" its operations after Russia's missile strikes.

"Engineers are currently conducting an assessment of the damage incurred to electrical infrastructure and an estimate of the period of production downtime as repairs are carried out," the group said, adding that it had "sufficient volume of its products . . . to meet its expected sales volumes".

Energy and water efficiency specialist **Eneraqua Technologies** rose sharply after increasing its revenue target by 14 per cent to £80.1mn for the year ended January 2024.

Mitesh Dhanak, chief executive, also revealed the results of "water neutrality pilots" with two local authorities, which had encouraged Eneraqua to launch a direct-to-consumer product aimed at reducing water wastage and improving the performance of hot water systems.

Takeover target **RPS**, which specialises in advising companies on environmental issues, retreated on news that a bidding war over the group was likely over.

Tetra Tech made an offer of 222p last month after a 206p bid by WSP, which yesterday said it would "not be increasing the financial terms of their offer".

Liberum did "not anticipate a counter-offer from any other parties". *Ray Douglas*

in my enthusiasm. For years, I've felt the bond market was horribly mispriced.

Never more so than at the start of this year. Inflation was surging, central banks were still blindly assuming it was transitory and governments had seemingly lost their fear of debt. And yet the 10-year government bond yield stood at 1 per cent in the UK, 1.5 per cent in the US and a staggering minus 0.2 per cent in Germany.

The price of corporate bonds was similarly baffling. Investment grade companies on the whole offered only a fraction of extra yield above the ridiculously low levels in the government bond markets. With yields of about 3 per cent in Europe, the term "high-yield bonds" was, frankly, laughable. Indeed, at one point almost a third of the bonds in the Barclays Global Aggregate Index had a negative yield and the term "fixed income" seemed an oxymoron.

The problem was that investors and central bankers had bought wholeheartedly into the "lower for longer" narrative and the idea that inflation and growth were permanently low for structural reasons.

A consensus formed on the view that growth would always be lacklustre due to poor demographics and productivity, and that inflation would be forever restrained by such forces as globalisation and the internet. It was assumed that central banks would have little choice but to keep rates low in their futile quest for 2 per cent inflation.

The absence of inflation also led to the assumption that central banks would take assets off their hands if times got tough.

This has all been proved wrong. It is now abundantly clear that developed world economies can produce inflation. And not merely because they will be hit by cost shocks; we can generate inflation domestically.

Ben Bernanke, former chair of the US Federal Reserve and newly crowned Nobel Prize winner, has finally had his "helicopter" theory vindicated. This

> Global bond prices are starting to look enticing. Just look at the scale of adjustment we have seen

term was taken from a terrific speech he made in 2002. In this speech, not only did he use the (in my view) underutilised term "willy-nilly" but he also argued "that under a paper-money system, a determined government can always generate higher spending and hence positive inflation". We now know that this is true.

The bond market has undergone a brutal repricing. Markets have had to rethink totally the outlook for policy rates and the risk premium that should exist in a world in which central banks cannot backstop the market.

Some might argue that the Bank of England's recent interventions in the gilt market show that the central bank "put" is still there. But the bank has emphasised that this support is

The new risk premia is still there. The 30-year UK government bond is more than 3 percentage points above where it was at the start of the year.

The correction in global bond markets, while painful, is nearing completion. In all likelihood, we are neither returning to a period of ultra-low growth or inflation, nor entering a sustained period in which inflation is out of control.

In the coming months, led first by the US, inflation is likely to ease in response to weaker activity.

However, I don't expect the economy to collapse, thus proving its ability to withstand modestly higher interest rates than in the past. The 10-year US Treasury yield should be 4 per cent in my view, a level the market breached at the end of last month.

If I'm right, then global bond prices really are starting to look enticing. Just look at the scale of adjustment we have seen. The global government bond benchmark now yields 3 per cent compared with 1 per cent at the start of the year, global investment grade now has a yield of over 5 per cent versus less than 2 per cent and global high-yield is once again worthy of such a title with a yield of almost 10 per cent.

"No pain, no gain" is a saying that is as frustrating when it comes to getting fitter as it is for bonds.

But after the pain of 2022, there is scope for decent gains ahead.

Karen Ward is chief market strategist for Europe, Middle East and Africa at JPMorgan Asset Management

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.16%	-0.06%	0.88%	-1.06%	-0.60%	-2.64%	-2.23%	-0.29%	0.103%	0.362%	-0.007%	-0.228%	-1.24%	-1.16%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

AMERICAS

Sep 12 - - Index All World
S&P 500 New York

Sep 12 - Oct 11 Index All World
S&P/TSX COMP Toronto

EUROPE

Sep 12 - Oct 11 Index All World
FTSE 100 London

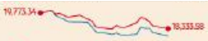
Sep 12 - Oct 11 Index All World
Xetra Dax Frankfurt

ASIA

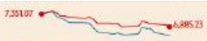
Sep 12 - Oct 11 Index All World
Nikkei 225 Tokyo

Sep 12 - Oct 11 Index All World
Kospi Seoul

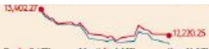
Day -0.16% Month -14.29% Year -18.25%



Day -1.07% Month -8.58% Year -10.27%

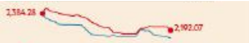


Day -1.06% Month -8.74% Year -0.19%



Day -0.43% Month -6.63% Year NaN%

Day -2.64% Month -8.74% Year -13.44%



Day -1.83% Month -12.06% Year -30.20%

Nasdaq Composite — New York

Day -0.06% Month -16.86% Year -29.79%

IPC — Mexico City

Day 1.22% Month -5.41% Year -10.65%

FTSE Eurofirst 300 — Europe

Day -0.60% Month -10.65% Year -12.04%

Ibex 35 — Madrid

Day -0.78% Month -11.76% Year -16.01%

Hang Seng — Hong Kong

Day -2.23% Month -15.03% Year -32.58%

FTSE Straits Times — Singapore

Day -0.08% Month -4.27% Year 1.19%

Dow Jones Industrial — New York

Day 0.88% Month -12.82% Year -15.05%

Bovespa — São Paulo

Day -0.33% Month 3.59% Year 6.11%

CAC 40 — Paris

Day -0.13% Month -10.20% Year -11.22%

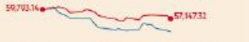
FTSE MIB — Milan

Day -0.87% Month -8.07% Year -19.43%

Shanghai Composite — Shanghai

Day 0.19% Month -8.54% Year -17.55%

BSE Sensex — Mumbai



Day -1.46% Month -4.28% Year -3.26%

Country	Index	Latest	Previous
Argentina	Merval	140230.33	144845.33
Australia	All Ordinaries	6844.30	6872.00
	S&P/ASX 200	6645.00	6667.80
	S&P/ASX 200 Res	5422.80	5456.40
Austria	ATX	2719.15	2747.25
Belgium	BEL 20	3345.31	3363.53
	BEL Mid	8657.15	8720.48
Brazil	Bovespa	115553.79	115940.64
Canada	S&P/TSX 60	1110.66	1122.55
	S&P/TSX Comp	18384.78	18583.13
	S&P/TSX Div Met & Min	1331.04	1344.98
Chile	S&P/CLX IGPA Gen	27066.17	27468.73
China	FTSE A200	10046.55	10016.85
	FTSE B35	9000.71	8988.96
	Shanghai A	3122.76	3116.05
	Shanghai B	285.71	284.08
	Shanghai Comp	2979.79	2974.15
	Shenzhen A	1968.70	1956.66
	Shenzhen B	1119.06	1118.83
Colombia	COLCAP	1281.61	1289.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1133.03	1152.90
Denmark	OMXC Copenhagen 20	1961.53	1958.66
Egypt	EGX 30	9948.53	9041.86
Estonia	OMX Tallinn	1685.65	1700.80
Finland	OMX Helsinki General	9940.18	9938.67
France	CAC 40	5833.20	5840.55
	SBF 120	4484.14	4487.14
Germany	M-DAX	22192.30	22475.26
	TecDAX	2681.14	2696.29
	XETRA Dax	12220.25	12272.94
Greece	Athens Gen	808.06	814.61
	FTSE/ASE 20	1949.15	1968.74
Hong Kong	Hang Seng	16832.36	17216.66
	HS China Enterprise	5729.58	5880.71
	HSCC Red Chip	3328.04	3344.05
Hungary	Bux	38718.68	38091.49
India	BSE Sensex	57147.32	57991.11
	Nifty 500	14731.90	14951.85
Indonesia	Jakarta Comp	6928.15	6984.40
Ireland	ISEQ Overall	6411.75	6487.98
Israel	Tel Aviv 125	1903.10	1878.20
Italy	FTSE Italia All-Share	22541.83	22727.47
	FTSE Italia Mid Cap	34958.97	34866.60
	FTSE MIB	20730.50	20812.96
Japan	2nd Section	7238.27	7238.06
	Nikkei 225	26401.25	27116.11
	S&P Topix 150	1598.43	1630.04
	Topix	1930.17	1935.49
Jordan	Amman SE	2481.59	2482.54
Kenya	NSE 20	1616.27	1677.36
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1075.12	1098.17
Lithuania	OMX Vilnius	889.03	899.56
Luxembourg	LuxX	1271.04	1292.68
Malaysia	FTSE Bursa KLCI	1386.82	1406.30
Mexico	IPC	46013.94	45452.12
Morocco	MASI	11724.44	11738.69
Netherlands	AEX	636.31	641.21
	AEX All Share	867.24	874.34
New Zealand	NZX 50	10956.71	10918.40
Nigeria	SE All Share	47351.43	47280.89
Norway	Oslo All Share	1017.37	1008.80
Pakistan	KSE 100	42155.48	42211.94
Philippines	Manila Comp	5847.37	5832.58
Poland	Wig	46115.38	46086.40
Portugal	PSI 20	5288.80	5313.11
	PSI General	4077.10	4120.86
Romania	BET Index	10864.99	10865.61
Russia	Micex Index	2436.57	2445.30
	RTX	1246.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	11556.45	11757.79
Singapore	FTSE Straits Times	3105.00	3101.47
Slovakia	SAX	345.23	344.95
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	64508.09	64768.20
	FTSE/JSE Res 20	61483.38	61942.85
	FTSE/JSE Top 40	58208.74	58385.40
South Korea	Kospi	2192.07	2232.84
	Kospi 200	284.85	290.41
Spain	IBEX 35	7355.90	7413.50
Sri Lanka	CSE All Share	8744.91	8845.52
Sweden	OMX Stockholm 30	1834.10	1838.81
	OMX Stockholm AS	708.40	708.81
Switzerland	SMI Index	10200.83	10282.52
Taiwan	Weighted Pr	13106.03	13702.28
Thailand	Bangkok SET	1562.68	1570.57
Turkey	BIST 100	3595.60	3582.03
UAE	Abu Dhabi General Index	9222.08	9251.11
UK	FT 30	2208.70	2236.10
	FTSE 100	6885.23	6959.31
	FTSE 4Good UK	6151.38	6211.96
	FTSE All Share	3749.50	3791.94
	FTSE techMARK 100	5820.74	5886.55
USA	DJ Composite	9906.89	9837.11
	DJ Industrial	29458.86	29202.88
	DJ Transport	12907.06	12535.57
	DJ Utilities	868.44	866.36
	Nasdaq 100	10905.60	10925.87
	Nasdaq Cmp	10536.10	10542.10
	NYSE Comp	13716.31	13680.57
	S&P 500	3618.27	3612.39
	Wilshire 5000	36198.40	36176.32
Venezuela	IBC	9094.47	8605.03
Vietnam	VNI	1008.20	1042.48
Cross-Border	DJ Global Titans ($)	380.37	380.06
	Euro Stoxx 50 (Eur)	3337.47	3356.88
	Euronext 100 ID	1119.72	1126.00
	FTSE 4Good Global ($)	8675.81	8670.58
	FTSE All World ($)	386.63	387.71
	FTSE E300	1538.75	1548.03
	FTSE Eurotop 100	3029.91	3045.87
	FTSE Global 100 ($)	2282.28	2281.06
	FTSE Gold Min ($)	1458.15	1485.18
	FTSE Latibex Top (Eur)	4440.09	4432.29
	FTSE Multinationals ($)	2410.56	2477.75
	FTSE World ($)	663.77	665.15
	FTSEurofirst 100 (Eur)	4030.54	4061.65
	FTSEurofirst 80 (Eur)	4571.42	4586.09
	MSCI ACWI Fr ($)	557.51	562.06
	MSCI All World ($)	2385.61	2417.72
	MSCI Europe (Eur)	1577.38	1584.06
	MSCI Pacific ($)	2361.80	2381.97
	S&P Euro (Eur)	1520.11	1528.53
	S&P Europe 350 (Eur)	1570.02	1580.77
	S&P Global 1200 ($)	2937.88	2947.37
	Stoxx 50 (Eur)	3346.88	3380.52

(c) Closed. (u) Unavailable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	85.4	222.04	-0.02
Apple	44.8	140.41	-0.01
Nvidia	35.7	116.85	0.15
Advanced Micro Devices	30.6	57.80	-0.01
Microsoft	28.8	228.11	-1.14
Amazon.com	25.8	113.22	-0.45
Netflix	16.6	219.28	-10.70
[illegible]	[illegible]	[illegible]	[illegible]

LONDON ACTIVE STOCKS	stock traded m's	close price	Day's change
Rentokil Initial	327.3	473.50	8.40
Shell	218.4	2288.00	-41.50
Astrazeneca	184.0	9825.00	-1.00
Bp	145.1	452.60	-9.85
Glencore	142.2	484.20	-9.20
British American Tobacco	111.5	3279.00	-40.00
Unilever	106.7	3945.50	35.50
[illegible]	[illegible]	[illegible]	[illegible]

EURO MARKETS ACTIVE STOCKS	stock traded m's	close price	Day's change
Nestle N	508.5	109.20	-0.25
Novartis N	339.2	78.23	0.19
Asml Holding	270.6	416.00	-15.85
Roche Gs	248.4	333.17	1.76
Unicredit	182.0	10.71	-0.18
Intesa Sanpaolo	173.5	1.70	-0.01
Eni	153.1	11.57	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank	907.7	5451.00	-63.00
Tokyo Electron	742.1	36700.00	-2130.00
Sony	504.7	9486.00	-405.00
Toyota Motor	406.8	1986.50	-19.00
Fast Retailing Co.	467.3	78800.00	-3090.00
Mitsubishi Ufj Fin.	444.9	650.10	-2.80
[illegible]	[illegible]	[illegible]	[illegible]

BIGGEST MOVERS (Ups / Downs): [illegible]

Based on the constituents of the S&P500. Based on the constituents of the FTSE 350 index. Based on the constituents of the FTSEurofirst 300 Eurozone index. Based on the constituents of the Nikkei 225 index.

UK MARKET WINNERS AND LOSERS

FTSE 100	Oct 11 price(p)	%Chg week	%Chg ytd
Winners			
Imperial Brands	2027.00	7.7	24.0
Bae Systems	834.20	2.4	52.9
Gsk	1357.20	2.2	-
Coca-cola Hbc Ag	1853.00	1.4	-24.1
Intl Consolidated Airlines S.a.	102.30	1.2	-
Pearson	807.80	0.7	50.0
[illegible]	[illegible]	[illegible]	[illegible]

FTSE 250	Oct 11 price(p)	%Chg week	%Chg ytd
Winners			
Wetherspoon (J.d.)	471.20	12.3	-
Hilton Food	608.00	7.8	-
Chemring	312.00	6.1	5.8
Intl Distributions Services	208.00	5.3	-
Plus500 Ltd	1750.00	4.1	28.6
Genus	346.00	2.7	30.2
[illegible]	[illegible]	[illegible]	[illegible]

FTSE SmallCap	Oct 11 price(p)	%Chg week	%Chg ytd
Winners			
Halfords	164.30	14.6	-
Hyve	55.00	10.0	-
Kin And Carta	190.00	10.0	-
Severfield	53.20	8.7	-
Petra Diamonds	115.00	8.5	60.8
Superdry	113.40	8.0	-
[illegible]	[illegible]	[illegible]	[illegible]

Industry Sectors	Oct 11 price(p)	%Chg week	%Chg ytd
Winners			
Aerospace & Defense	4274.51	2.3	14.6
Oil & Gas Producers	7839.05	-1.6	38.1
Personal Goods	28869.23	-2.0	-20.0
Industrial Metals	6710.80	-2.6	5.4
Health Care Equip & Services	10647.12	-3.3	29.1
Beverages	21848.57	-3.6	-
[illegible]	[illegible]	[illegible]	[illegible]

Based on last week's performance. †Price at suspension.

CURRENCIES

[illegible]

Rates are derived from WM Reuters Spot Rates and Morningstar (latest rates at time of production). Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.FT.com/marketsdata

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

[illegible]

FT 30 INDEX

[illegible]

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

FTSE SECTORS: LEADERS & LAGGARDS

[illegible]

FTSE 100 SUMMARY

[illegible]

UK STOCK MARKET TRADING DATA

[illegible]

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information. For all queries e-mail ft.reader.enquiries@morningstar.com

Data provided by Morningstar | www.morningstar.co.uk

UK RIGHTS OFFERS

Issue price	Amount paid up	Latest renun. date	High	Low	Stock	Closing Price p	+or-

There are currently no rights offers by any companies listed on the LSE.

UK COMPANY RESULTS

[illegible]

Figures in £m. Earnings shown basic. Figures in light text are for corresponding period year earlier. For more information on dividend payments visit www.ft.com/marketsdata

UK RECENT EQUITY ISSUES

[illegible]

§Placing price. *Introduction. ‡When issued. Annual report/prospectus available at www.ft.com/ir. For a full explanation of all the other symbols please refer to London Stock Service notes.

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

FT 500: BOTTOM 20

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

BOND INDICES

VOLATILITY INDICES

GILTS: UK CASH MARKET

INTEREST RATES: MARKET

BONDS: BENCHMARK GOVERNMENT

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

Data provided by Morningstar | www.morningstar.co.uk

'I want to be the force for change in the UK'

Philanthropist and collector Aarti Lohia is taking a lead role at the National Gallery in London. She talks to Cleo Roberts-Komireddi

After living in five cities around the world, the collector and philanthropist Aarti Lohia is ready to put down roots in London. She has been on the move since the age of 19 when she got engaged to Amit Lohia, now vice-chair of his family's Indorama Ventures, one of the world's largest petrochemical companies. Having built up an art collection that reflects her family's peripatetic trajectory, Lohia is now poised to plant her flag in British cultural life in a particularly high-profile fashion.

The SP Lohia Foundation, which she heads, will later this month become the National Gallery's leading philanthropic supporter for its modern and contemporary art programming for an initial period of a year — a commitment that has customarily been the preserve of corporations. Lohia says she was impressed by the National Gallery's choice to award its first contemporary fellowship, a two-year programme supporting the research, development and exhibition of new works, to the Indian video artist Nalini Malani.

"For me, engagement with the South Asian community in London is of primary importance," Lohia says. "The artist is number two."

Lohia, 44, is spearheading the foundation's involvement with the arts and dashes off ideas she would like to help realise: public sculpture projects, residencies, conferences that reflect her global experience of art. Her most pressing priority, however, is building her collection. This week's Frieze Art Fair, she says keenly, will be her first port of call. Whatever she buys will be "for the sole purpose of loaning . . . to museums. We're still fine-tuning it. With our [business] presence in so many countries, we are considering, how do we represent art from everywhere?"

Lohia's relationship with art has been the triumph, she concedes, of the heart over the head. "I wasn't extensively researching anything or anyone," she says. "I wasn't good enough to say, 'This is what I loved.' But I knew what I didn't like and was able to choose what could never be part of my collection as opposed to what could be part of my collection."

Above: Aarti Lohia, shot for the FT by Tereza Cervenova. Above right: works from her collection include Gabriel Orozco's 'Suisai LI' (2016) and Antony Gormley's sculpture 'Another Time XVIII' (2013)

Lohia, who studied design and multimedia at LaSalle College in Montreal, persists with this approach. She has no adviser and her collection comprises 200 pieces that she chose because they resonated with her family life. Having spent years as a "chess mum", training her 13-year-old son and trailing him around international championships, she recently acquired works in keeping with the theme: a Gabriel Orozco painting with patterning evocative of opening chess moves, and a large Martin Parr photograph of men playing chess in a Hungarian thermal bath. These works add to pieces by Dayanita Singh, Shilpa Gupta and Rithika Merchant — "very unlike anything I own" with its watercolour collage style.

The National Gallery will not be her first patronage. She has also donated and fundraised for Tate, the V&A, the Serpentine and the British Fashion Council, as well MoMA in New York, and these commitments augment her activities in India, her birthplace. There she is deeply involved with the foundation's Indian entity, Indorama Charitable Trust, and supports the Kochi-Muziris Biennale and the India Foundation for the Arts.

Does she believe that the art world, belatedly shaken into action by demands for inclusivity in representation, has genuinely changed? Lohia says she is "optimistic". Then, noticing my scepticism, she illustrates the transformation with her own experience. "In a roomful of heavyweight collectors in New York, who are 20 years older than I am, if I'm speaking they will give me that respect, and pause and listen to what I'm saying, perhaps even write down the names of artists I mention. Would this have happened 10 years ago to me? No!"

It doesn't seem necessarily representative. "I recognise how unique this situation is," she says. But she remains hopeful that "the things I say shake things up a little". "There have been periods when people have spoken about inclusivity, in the 1970s and 1990s, but it dies down," she says. "This time, as a foundation, we want to follow through with more long-term partnerships."

Philanthropy can be scandalous — witness the institutions which have removed the Sackler name from their wings and courtyards. And it is an awkward moment for British cultural institutions who accept money from donors linked with fossil-fuel and petrochemical companies; activists have protested against institutions accepting money from BP.

The foundation, Lohia says, is keenly alert to scrutiny. In consultation with their wider family, which includes the billionaire Mittal branch, the Lohias have decided to act as sole funders of projects in which they are involved. The reason is not "because we want recognition for ourselves", Lohia says. "It's basically to protect ourselves." Though the family and foundation have nothing to hide, Lohia says, "there were some experiences in India where the other party was being investigated."

Being a patron of the arts in the UK is rarely simple. "It's been a bit of a struggle for me to find my feet in London in terms of the foundation," Lohia says. Whereas in the US, she found comparable family trusts willing to open up, "I find everything in London very hush-hush." She wishes "there was a way for me to exchange ideas because it's lonely".

Not that this has deterred her from setting ambitious goals for the foundation. "I want to be the force for change in London and in the UK," she says. "I'm very much on a mission to get the South Asian art scene taken seriously."

nationalgallery.org.uk
splohiafoundation.org

ARTS ONLINE

Celebrating Black History Month
A collection of stories focused on black artists, writers, musicians and performers in Britain

ft.com/arts

The joy of butchering classic tunes

GAMING

Tom Faber

Surely there is only one rational response to hearing a neighbour playing the trombone loudly and badly for hours on end: seethe silently until you can stand it no more, then go over there and give them a piece of your mind. Yet, as I comprehensively murdered Beethoven's Fifth Symphony on rhythm-action game *Trombone Champ*, producing a sound distinguished only by its tuneless flatulence, I was surprised to find myself surrounded by an ever-growing group of admirers. Housemates and visitors poured in. They laughed joyously at my efforts and clamoured to be next to have a go.

There was a time when music games were everywhere. In the late 2000s, many of my friends' living rooms had a corner dedicated to piles of plastic instruments used for *Guitar Hero* and *Rock Band*. We had some good times — there was nothing quite like feeling it was your own deft fingerwork tearing up Slash's solo in "Sweet Child O' Mine" — but the music game market reached saturation by the decade's end and never quite recovered.

Part of the issue was that those games took themselves too seriously. Earlier music releases had shown gaming at its most psychedelic and irreverent, from the hip-hop soap opera of *PaRappa the Rapper* to the neon futurism of *Rez*. Today, indie developers are returning to the genre in droves, reaffirming how joyful and eccentric games can be when music is placed centre stage.

The first case in point is *Trombone Champ*, multiplying opportunities to mess up and emit discordant parps and squeals. The difficulty is deliberate. Developers Holy Wow, who are husband and wife hobbyists, have made a game where failure sounds so funny that it is as enjoyable — if not more so — than success.

The song catalogue offers familiar tunes such as "The Entertainer", "Hava Nagila" and the British national anthem. The real stroke of genius, though, is to offer the humble trombone — an instrument that rivals the didgeridoo and the triangle for inherent comedic potential — the main melody in every song. It will come as little surprise that fans have already built their own custom controllers to play the game, some based on kazoos, others on actual trombones.

> As I murdered Beethoven's Fifth on 'Trombone Champ', I was surrounded by admirers

The second example in the return of the rhythm game could not be more different. *Metal: Hellsinger* is a first-person shooter heavily inspired by modern *Doom* remakes. Its twist is that instead of blasting demons into chunks of viscera at whatever cadence you choose, you do it to the rhythm of a gnarly heavy metal soundtrack. Once you wrap your head around the concept, the genre hybrid works fluidly. I found that blasting demons to a beat got my blood pumping to metal as it never had before.

Indie developers have found ways to insert rhythm gameplay into all manner of genres in recent years. In *Crypt of the Necrodancer* you can upload your own MP3s to battle through dungeons with a custom soundtrack, or you can surf soundwaves in abstract puzzle-platformers such as *Ynglet* and *Onde*. One of the most charming is *Rhythm Doctor*, in which you play a medical intern whose rhythmic defibrillator is the only viable treatment for patients with an array of zany cardiac complaints.

It's thrilling to see how many ways indie creators can twist a genre that once felt stale. All these fresh combinations remind us that deep down every action game is about rhythm, from the dexterous combos of *Street Fighter* to the carefully timed dodges of *Elden Ring*. The perfect synthesis of music, visuals and action can beckon gamers into that heady flow state where their eyes unfocus and they feel connected to some greater pulse beyond themselves — even if it's only for the sake of butchering the "William Tell Overture".

'Trombone Champ' is out now on PC; 'Metal: Hellsinger' is out now on PS5, Xbox One, Xbox Series X/S and PC

'Trombone Champ' has become a viral hit

Champ, which in the past few weeks has gone viral, largely because it prioritises comedy over musical chops. The set-up looks familiar: notes scroll along from the side of the screen for you to hit on time using a standard computer mouse, but instead of buttons, you can slide across the instrument's entire scale,

FT BIG READ. INTERNATIONAL BUSINESS

The ice-cream maker was the star acquisition of the 'purpose-driven' multinational, but its decision to end a franchise deal in Israel has sparked a long legal battle that shows the limits of corporate ethics. *By Judith Evans*

Ben & Jerry's vs Unilever

One day in May last year, hundreds of people marching through the picturesque city of Burlington, Vermont, stopped to shout outside the Ben & Jerry's Scoop Shop. "The only word they were screaming was 'shame'," says Wafic Faour, a veteran campaigner with local group Vermonters for Justice in Palestine.

The rally was to commemorate a distant event: the displacement of hundreds of thousands of Palestinians during the 1948 creation of the state of Israel, known to Palestinians as the Nakba, or "catastrophe". To Faour, the march marked a turning point in a campaign to address one of the world's most long-lasting conflicts via the state of Vermont's most famous company.

Two months later, Ben & Jerry's announced it intended to end its franchise deal in Israel at the end of 2022 as a means of stopping its product being sold in occupied Palestinian territories, which Faour's campaign had argued made the ice-cream maker complicit in an occupation deemed illegal under international law.

But the announcement placed the brand at odds with its parent company, Unilever — and with the government of Israel, which threatened Unilever with "severe consequences". Opponents, including Israel's economics minister, filmed themselves throwing tubs of Ben & Jerry's in the bin. Jewish groups accused Ben & Jerry's and Unilever of singling out Israel for criticism.

More than a year later, the conflict continues to rage. Ben & Jerry's independent board has taken Unilever to court over an attempt to continue Israeli sales. At the end of September, it expanded its legal action to target Unilever in London as well as its US subsidiary. Unilever has until the start of November to respond to the latest accusations in court, while the dispute could taint the tenure of Unilever's next chief executive, after Alan Jope announced he would retire next year.

The fight pitches a multinational that has long emphasised ethics and sustainability against a subsidiary with an even louder voice. It also raises questions about the limits of corporate ethics as companies come under pressure to take stands on sensitive public issues from climate change to Black Lives Matter.

Others to have fallen foul of the increasingly febrile atmosphere include Disney, whose initial decision not to take a stand on Florida's so-called Don't Say Gay bill was reversed after outrage from employees. H&M and Nike faced a backlash in China last year after expressing concern over reports of forced labour in the Xinjiang region.

But Joanne Ciulla, director of the Institute for Ethical Leadership at Rutgers Business School, says this case is unusual in one respect: "You rarely have ethical company against ethical company, disagreeing on what's ethical . . . companies do have to pick their battles and it sounds like this is a battle [Unilever] don't want to fight."

Searching for euphoria

Ben & Jerry's was founded in 1978 in a renovated gas station in Burlington, Vermont, a state with a strong history of liberal activism. Founders Ben Cohen and Jerry Greenfield came of age during the 1960s, part of "a diaspora of baby boomers who converged on Burlington in search of euphoria", according to Brad Edmondson's history of the company, *Ice Cream Social*.

The long-haired pair slept in their scoop shop during their first summer of operation, testing out ice-creams with chunks of candy, nuts, cookies and other foods thrown into the mix. The resulting concoctions were lumpy, eccentric and hugely popular: sales ballooned from less than $1mn in 1982 to more than $58mn seven years later.

Having started out trying to make a positive difference in the Israeli-Palestinian conflict, both Ben & Jerry's and its parent company Unilever found themselves caught in an increasingly heated debate, with protests from both sides targeting the companies. Below, from left, Jerry Greenfield and Ben Cohen, who founded their ice-cream brand in 1978 in a gas station in Vermont and later campaigned on a wide range of social issues

FT montage; AP/Getty Images/Dreamstime; Ted Dully/Boston Globe/Getty Images

you get shown the light in the strangest of places if you look at it right."

Central to his support was a deal to install an independent board to protect the brand's social mission. Despite owning the group and choosing its chief executive, Unilever would select only a minority of directors, with the independent board members nominating their successors. "It's a really unusual agreement. Most companies when they sell out, they sell out in every sense," says marketing consultant Peter Field.

Ben & Jerry's was one of the last Unilever brands to add the group's logo to its packaging. But with access to the consumer goods group's vast global distribution network, the brand expanded fast, becoming one of Unilever's largest. Euromonitor projects it will bring in $2.2bn of sales this year. "We held it up in business school as one of the great acquisitions," says Mark Ritson, a former marketing professor who has taught at the London Business School and MIT's Sloan School of Management.

Ben & Jerry's Israeli presence long predates the sale to Unilever. When Jeff Furman, a board member for four decades, helped negotiate the company's 1987 licence with the Israeli entrepreneur Avi Zinger, he had no suspicion the deal would one day place the brand at the centre of a political storm. "I didn't have any real inkling or understanding of the struggles [of Palestinians] at the time," he says. That changed when, in 2012, he visited Israel and the Palestinian territories. "I would describe this as a life-changing experience . . . what I saw there was just shocking to me," Furman says. "I felt a strong responsibility as a Jewish person."

Profit or purpose

As Ben & Jerry's grew, the climate in

Ben & Jerry's sales have doubled in the past 10 years
Ice-cream retail sales value, worldwide

Source: Euromonitor International

to increase its profits", was going out of fashion — at least in theory.

One of the loudest advocates of the new "purpose-driven" method of managing companies and brands was Paul Polman, chief executive of Unilever from 2009 to 2019. Polman sought not only to ride the wave of corporate do-gooding, but to lead it. Setting ambitious

and Israeli politicians. The campaigners hit on Ben & Jerry's as a target, says Faour, because of the brand's commitment to "racial and social justice".

By 2015, Ben & Jerry's had decided to donate its licensing fees from Israel to groups supporting Palestinians, says Furman, and began sourcing almonds from a Palestinian farmer co-operative.

People close to Ben & Jerry's say the decision to quit the occupied West Bank was a gradual one, made after multiple trips to the Middle East. But by 2021 the pressure was rising. The march in Burlington came as conflict raged between Israel and Hamas, a Palestinian militant group that controls the Gaza Strip. In July 2021, Ben & Jerry's said it would end sales in the occupied Palestinian territories. Anuradha Mittal, who had taken over from Furman as chair of the board of directors in 2018, told the Financial Times: "Our ice-cream was travelling on roads that the Palestinians cannot use. It was very clear that the presence of our product in the occupied Palestinian territory was inconsistent with our values."

The backlash was swift. Israel's then prime minister Naftali Bennett called Jope to accuse his subsidiary of a "clearly anti-Israel step" that would be met with a "strong" response. In the US, Mittal was the target of threats by critics, to the extent she repeatedly moved her family out of her home address.

Zinger, the Israeli licensee, argued that he could not have withdrawn the ice-cream from the settlements under an Israeli anti-discrimination law barring businesses from rejecting customers based on where they lived. In March this year he launched legal action against Unilever, claiming the move not to renew his license violated US laws governing trade boycotts and relations with Israel. Zinger called the pullout

> 'Our ice-cream was travelling on roads that Palestinians cannot use . . . That was inconsistent with our values'

under Jope have not welcomed a bitter public rift with one of its star brands. In January this year, Terry Smith, whose investment firm Fundsmith is a leading investor, said the group had become "obsessed with publicly displaying sustainability credentials at the expense of focusing on the fundamentals of the business". The Ben & Jerry's row was "the most obvious manifestation of this", he added.

The same month it was revealed that the American investor Nelson Peltz's activist Trian fund had taken a stake in Unilever. In May, Peltz joined the board. It was not his first encounter with the company. Peltz, who is chair of the board of governors of the Simon Wiesenthal Center, met Jope at the request of Jewish organisations and Israeli officials to lobby against Ben & Jerry's planned withdrawal last year.

Unilever moved to end Zinger's legal action in June. Giving Ben & Jerry's board four days' notice, according to its own legal papers, it announced it would sell the ice-cream brand's Israeli arm to a company run by Zinger, in a deal that completed two days later. Zinger hailed victory, but the battle was not over. Days later Ben & Jerry's board sued its parent company, seeking to block the sale.

While Unilever claimed the transaction was outside the purview of Ben & Jerry's independent board — as was the decision to bring the lawsuit — both sides used court papers to warn of the perils of a separate division that could follow a different path. Unilever argued "if the state of Texas adopted a measure that conflicted with the board's views on LGBTQ rights, gun rights or the environment, the board's position suggests it could force [Unilever's US arm] to end its decades of operations in Texas".

Ben & Jerry's lawyer warned in a hearing that the Israeli licensee, who will hold rights to the brand in Hebrew and Arabic, could take it in unwelcome directions. "Instead of Peace Pops, he could make 'Tank Pops'," Shahmeer Halepota said.

In an interview with Israeli newspaper Ha'aretz in July, Zinger was asked if, in future, he could rename Chunky Monkey flavour ice-cream to, for example, Ami and Tammi (Hansel and Gretel). He retorted: "Yes, but perhaps 'Judea and Samaria' is preferable," using the Israeli name for the area including the occupied Palestinian territory, the West Bank.

In a sign of how bad tempered the dispute has become, Ben & Jerry's board has said Unilever has ceased paying directors' salaries. Unilever has not denied this claim, though a person briefed on the situation said it was not obliged by the acquisition agreement to pay the independent directors.

At the end of September, investors who were becoming increasingly critical of Jope were granted their wish for a fresh start when he announced he would retire at the end of 2023. His successor will have to chart a path between the imperatives of profit and purpose, analysts say — even as a darkening economic climate tests brands' ethical commitments. The direction of travel seems clear: Jope said in July there was plenty for the brand "to get their teeth into on their social justice mission without straying into geopolitics".

But Field argues that companies seeking to pursue an ethical approach may struggle to draw such limits. "It's very difficult to be ethical in just a narrow area of global issues," he says. "If you're playing to the hearts of consumers who are concerned about the world, those concerns are unlikely to be confined to just one area . . . There is no point in saying that Ben & Jerry's is just about the environment and sustainability."

Meanwhile, the brand and its parent company remain at loggerheads. The dispute could yet harm Unilever's turnround attempt, argues Bernstein ana-

As the company grew, it developed a three-part mission, encompassing ice-cream, sustainable economic growth and social improvements. It campaigned on issues from climate change to bovine growth hormone. In 1988 it began selling "Peace Pops" as part of a bid to divert 1 per cent of the US defence budget to cultural and economic exchanges with the Soviet Union.

In the late 1990s, amid consolidation in the ice-cream sector, and with Ben & Jerry's share price languishing, its board opted to pursue a sale. In 2000, Ben & Jerry's was sold to Unilever for $326mn. At the time Cohen said he would have preferred the brand to remain independent, but quoted the Grateful Dead song *Scarlet Begonias*: "Once in a while

business was also changing. The old orthodoxy, Milton Friedman's idea that "the social responsibility of a business is

green targets for Unilever, he argued that brands and companies with a clear purpose would fare better financially.

After Polman quit Unilever in 2018, his successor, Jope, took up the cause. He set out plans to "dispose of brands that we feel are not able to stand for something more important than just making your hair shiny". Yet in Donald Trump's America, with culture wars raging, companies that had adopted broad and sometimes vague notions of purpose found themselves the target of campaigns with a sharper edge.

The Vermont campaign for Palestinians had joined the Boycott, Divestment, Sanctions (BDS) movement, which pushes companies to pull their business out of Israel and is despised by many US

"misguided, unlawful and immoral". In addition to the political pressure, Ben & Jerry's move had begun to weigh on Unilever's share price. While the ice-cream brand sought to distance itself from the BDS movement, US state pension funds began divesting from the group, citing laws designed to combat BDS, many of which had been passed in recent years.

The Simon Wiesenthal Center, which campaigns against anti-Semitism, took out newspaper ads in the US urging consumers to "tell your local grocery store to stop selling anti-Semitic ice cream!"

The rift

The battle comes at a tough time for Unilever. Shareholders discontented with the group's lacklustre performance

lyst Bruno Monteyne, by damaging its ability to acquire start-ups.

Other companies watching the spat will meanwhile be wary of allowing their own subsidiaries too much independence, he adds. If relations do not improve, Unilever could sell the brand, or even its entire ice-cream division, Monteyne says, though Jope has sought to quell such suggestions.

Field argues that Unilever and Ben & Jerry's need "some sort of compromise solution, a diplomatic way out". But in the present political climate, other companies cannot rely on avoiding such an unwelcome spotlight: "Any brand that sets itself up to be ethical needs to be ahead of the game and work out how to handle the next big issue in the world."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Iran's youthful protests rattle an ageing regime

Unrest is the first major uprising over the hijab since the days of the revolution

For almost a month, young Iranians — working women and men, university students and school pupils — have stood up to the Islamic republic's security forces to keep alive a wave of extraordinary protests triggered by the death of a young woman in police custody. The world has watched in awe as brave women have publicly removed and even burnt their hijabs, knowing full well the possible consequences.

Their defiance has drawn a countrywide wave of support, uniting disparate groups. And a young generation that has only known life under the Islamic republic and grown up in the internet age has displayed a steely determination to actively repudiate the central tenets of the theocracy.

The regime and its ageing, conservative leadership has clearly been rattled by Iran's most vocal protests in years, which have underscored the level of anger many feel towards the oppressive system. However, the regime has a history of surviving crises and is ruthlessly efficient in stamping out dissent. Officially, more than 40 people have been killed in the unrest, although the full death toll is expected to be higher: security forces have used live ammunition, batons and tear gas against protesters.

Men, and even certain religious factions, have voiced support for the protests, which have rippled out across Iran, from Kurdistan to Tehran and beyond. Citizens' frustration has elided into anger in a country where, partly because of western sanctions but also chronic government mismanagement, 30 per cent of people live below the poverty line and inflation officially stands at 42 per cent. The demonstrations are now about more than the death of Mahsa Amini or the imposition of the hijab: protesters are openly calling for a more democratic and secular system.

Amini's death, though, was the match to light a tinderbox. A prospective student visiting Tehran from a traditional family in Kurdistan, Amini, 22, was dressed conservatively when she was taken by the notorious morality police, who enforce a strict dress code. She was not seen again until lying comatose in hospital. Her story resonated with a population who saw in her an everywoman. Even President Ebrahim Raisi, a hardliner, said she felt like his own daughter. The authorities denied that there was any physical violence. But such is the deep distrust many Iranians have for their leaders, the official version of events was widely dismissed.

Iran enjoys a healthy culture of protest, despite authorities' apparatus of repression and control. But the current unrest constitutes the first major mass outcry over the hijab since the early days of the 1979 Islamic revolution; a symbol of a regime that has enforced strict restrictions on women. In recent years women, particularly in Tehran, have felt increasingly comfortable wearing their scarves loosely or even on their shoulders. There has, though, been a fresh crackdown on dress under Raisi as hardliners assert their authority.

> Demonstrations have underlined the deep distrust that exists between the theocracy and many of its people

The Islamic republic has a well-honed instinct for survival, but even if these protests do dissipate, the anger and disillusionment that fuelled the unrest will continue to fester. The unrest has underlined the deep distrust that exists between the theocracy and many of its people, particularly among the young in a country where about half of the population is aged below 40.

The regime must end all violence against protesters. Hardliners, who have taken control of all arms of the state since Raisi's 2021 election, are unlikely to make major concessions. Yet for the sake of the beleaguered nation and its long-suffering population, they ought to heed the anguished voices of brave young Iranians risking their lives and liberty to take to the streets.

Opinion Science

What quantum physics tells us about reality

Andy Carter

Anjana Ahuja

The four-page paper was so famous it became known by the initials of its authors. The EPR paradox, published by Albert Einstein, Boris Podolsky and Nathan Rosen in 1935, argued that quantum physics clashed with reality and was therefore nonsensical or incomplete.

The paper set in train, over many decades, a series of arguments and experiments that culminated in the 2022 Nobel Prize for Physics. It was awarded last week to a trio of experimenters who, against Einstein's instincts, affirmed the bizarre implications of quantum mechanics, the laws that describe the subatomic world. While the work of laureates Alain Aspect, John Clauser and Anton Zeilinger is rightly celebrated for helping to lay the ground for quantum computing and cryptography, their

> The new Nobel laureates proved 'entanglement' is real — and that Einstein's interpretation was wrong

insights also prompt philosophical musing on the peculiar nature of the universe. "What [this Nobel Prize] shows is that any serious philosopher who wants to talk about the nature of

reveals the spin of B, and neither number is pre-determined.

But what if A and B ended up at opposite ends of the universe? Measuring A would instantaneously reveal the spin of B, perhaps trillions of light years away, violating locality. How could a measurement here affect a particle way over there? Einstein himself derided the scenario as "spooky action at a distance", suggesting there may be non-quantum factors, or "hidden variables", at play.

The laureates were able to prove, through a succession of intricate experiments, that this spooky alignment — now called quantum entanglement — between two specially produced particles does indeed exist across vast distances without any recourse to non-quantum factors. The original inspiration for the experiments goes back to a brilliant Northern Irish physicist called John Bell, who mostly worked on accelerator design at Cern but dabbled impressively in quantum theory in his downtime. (Bell, who died in 1990 aged 62, would surely have won a Nobel were he alive today.)

In the 1960s, Bell signposted a way of resolving the EPR paradox, by explaining how to sniff out non-quantum factors. Clauser was the first to pick up these ideas experimentally, demonstrating that linked particles showed a high degree of spooky alignment when observed by detectors; Aspect and Zeilinger went even further, with the latter going on to demonstrate a phenomenon called quantum teleportation. Between them, they proved quantum entanglement is real — and that Einstein's interpretation was wrong.

Letters

Email: letters.editor@ft.com
Include daytime telephone number and full address
Corrections: corrections@ft.com
If you are not satisfied with the FT's response to your complaint, you can appeal to the FT Editorial Complaints Commissioner: complaints.commissioner@ft.com

Britain's pension funds implosion may have a silver lining

Stephen Swift (Letters, October 7) is right to question the rationale for the use of leverage in liability-driven investment strategies. It is clear that such policies distorted markets far more than some of us realised.

Whatever the benefits of LDI in the early years, the strategy became questionable when the Bank of England slashed interest rates and persisted with quantitative easing. Common sense would suggest that funds should have reduced their allocation to gilts as they became less attractive, rather than doubling down.

By last year it was difficult for any long-term investor to justify buying gilts since the BoE was bound to start tightening monetary policy sooner or later.

Meanwhile gilts yielded next to nothing, offered little or no upside, and were exposed to significant capital losses, especially those long duration bonds favoured by pension funds. It beggars belief that trustees and their advisers should think it sensible to continue increasing their exposure through derivative contracts.

There is, however, a silver lining for both the government and investors. There are now many gilts with ultra-low coupons trading at deep discounts to their redemption values across all maturities.

Since straight sterling bonds, including all conventional gilts, have been exempt from capital gains tax for nearly 40 years, the capital uplift to par is free of tax for most of us.

A 45 per cent taxpayer would have to get a 7.25 per cent return on a deposit or other taxed asset to match the 4 per cent net yield on a low-coupon gilt.

For the first time in more than a generation wealthy UK individuals have an alternative to risk assets such as equities and property.

It is not surprising that investment platforms have reported a surge in demand for gilts from their clients. The government may not need to rely entirely on the goodwill of foreigners to fund its borrowing requirement.

Moreover, the cost of higher rates may be less than widely believed. If higher short-term rates achieve the BoE's objective of bringing down inflation, longer maturities should benefit since the expected long-term inflation rate is an important determinant of their value.

John Holder
Betchworth, Surrey, UK

On this measure, the Fed is already in negative equity

"Are central banks going bankrupt?" Robin Wigglesworth asks (FT Alphaville, FT.com, October 10).

He points out that the Federal Reserve has disclosed a $720bn unrealised loss on its investments as of June 30 of this year. By now, this loss is much bigger.

Paul Kupiec and I have estimated it at about $1tn — an especially remarkable number when compared to the Fed's total capital of $42bn.

Moreover, the mark-to-market loss presages cash operating losses on the way, as the Fed will be funding low-yielding fixed rate investments with expensive floating rate liabilities, generating negative net interest income — just like a 1980s savings and loan.

Depending on the path of interest rates, these operating losses could go on for some years. "Central bank negative equity," Wigglesworth writes, "coming to a Fed or BoE or ECB near you soon?"

On a mark-to-market basis, Federal Reserve negative equity in size is already here.

Alex J Pollock
Senior Fellow, Mises Institute
Auburn, AL, US

Kwarteng's Budget would have hit gilts without LDI

Gillian Tett ("Four flashpoints putting financial stability at risk", Opinion, October 7) states that the British gilts drama occurred "because the pension funds mishandled highly leveraged bets".

This is not fair to the funds. The

"AND TRY NOT TO LOOK TOO SPOOKED"

Rent-seeking is big risk for Truss's investment zones

It is unsurprising that the UK Treasury is so concerned about the prime minister's enthusiasm for investment zones (Report, October 8).

It is well aware that this is the latest iteration of the "enterprise zones" idea where research demonstrates that investment is largely displaced, rather than creating new opportunities and businesses.

The risk with the new zones is not simply displacement, but the distortion of land markets, to the advantage of a small number of land owners. As taxes fall sharply in small areas, so over time rents and land values will rise, siphoning increasing amounts of foregone tax into a small number of pockets.

The UK should be doing more to spur innovation

I agree with John Thornhill that Britain is "nifty at innovation" and that Cambridge university and Transport for London's newly opened Elizabeth line are proof of that ("Britain needs a growth strategy for the second machine age", Opinion, October 7).

I would go further and say Britain is excellent at innovation — indeed SCI (Society of Chemical Industry) was founded in 1881 as a global innovation hub, connecting scientists, inventors and entrepreneurs to accelerate innovation out of the lab and into industry for societal benefit.

But the UK should be doing more to ensure we rank higher in the next annual Global Innovation Index. This would do justice to our industrial heritage.

Instead, we have only just filled the science minister vacancy, with Nusrat Ghani's appointment announced at the this month's Conservative party conference, and we have no clear industrial strategy to spur our green growth agenda. We need to do more if we are going to become a "science superpower". Britain should also be supporting the "risk-taking researchers and entrepreneurs" in particular in science, to ensure start-ups can scale and develop in the UK, as too many of these businesses end up overseas.

Sharon Todd
Chief Executive, Society of Chemical Industry, London SW1, UK

Just one snag using eBay's American callback facility

Many readers would have said thank

Germany's current account didn't cause eurozone crisis

In his insightful Weekend Essay ("The price of peace", Life & Arts, September 24) John Plender highlights possible relationships between globalisation and geopolitics.

However, he walks a slippery slope suggesting that before the eurozone debt crisis of 2009-12 the German current account surplus affected the eurozone's peripheral countries by increasing their unemployment and, furthermore, also provoked "investment booms that resulted in serious misallocations of capital".

The consequences of current account surpluses and deficits are, respectively, capital exports and capital imports. That is an economic truism, something that, bookkeeping-wise, always holds.

Surely there are many reasons why a country, like Greece at the time, runs a deficit on its current account by consuming more than it produces.

Singling out the German current account surplus may be politically convenient, but no more than that.

Equally misleading is speaking of investment booms that provoke misallocations of capital. Are investing countries to be held accountable for the uses to which the Greek authorities have put these capital inflows?

Or have we forgotten that in 2009 George Papandreou, the then Greek prime minister, came to an EU Council meeting confessing that corruption was endemic in his country.

Would we likewise be inclined to argue that Britain, which for much of the 19th century exported capital, the counterpart of its current account surpluses, was responsible for reality had better pay close attention to quantum physics," says Vlatko Vedral, a professor of quantum information science at Oxford university.

Einstein and colleagues bristled at quantum theory because it seemingly broke the principle of "locality", which states an event that happens in one place cannot instantaneously affect something very far away. Another way of saying this is that nothing, not even information, can travel faster than the speed of light.

To restate the paradox: picture a pair of linked (or "entangled") particles, A and B, shooting out of a radioactive nucleus at the same moment, moving at the same speed but in opposite directions. Quantum theory dictates that each particle exists in multiple possible observable states simultaneously — until the instant at which it is observed, when it "collapses" into one state with definite properties (such as position). One such property is called spin; and it is possible to produce A and B in such a way that the spin of A is related to the spin of B. The crucial point on entangled particles is this: measuring A's spin automatically

Quantum physics bothered Einstein because it clashed with his intuitive grasp of physical reality. In the quantum realm, nothing can be said to exist until it is measured or observed. That jars with our belief that particles have intrinsic properties: surely a banana is curved and yellow even when we are not looking at it? Vedral explains: "There is no underlying reality of the kind that Einstein imagined. However, quantum physics does not say that there is no reality out there. It just happens to be quantum."

Quantum entanglement takes that discombobulation to new heights. Philip Ball, author of *Beyond Weird*, a well-regarded explainer on quantum physics, offers this description: "Once two particles have become entangled, then . . . they are no longer different objects. They are the same entity that you can't break down."

It feels utterly maddening to live in a world displaying phenomena so at odds with our everyday experience. Still, on another level, quantum reality is neither here nor there.

The writer is a science commentator

trigger, as Lex explains ("Gilts/BoE: don't mention the pensions", October 7), was the "mini" Budget. Chancellor Kwasi Kwarteng would have caused a gilts collapse whether or not the pension funds had taken out derivatives by gearing up their holdings of leverage-driven investments.

The unfunded budget deficit caused a rise so large and so rapid in interest rates, in anticipation of massive government borrowing, that large losses for holders of gilts were inevitable, and those holders are often pension funds. Also to blame was the Bank of England, which it seems failed to warn loudly enough of the risk.

It is clear that, even absent derivatives, those losses in pension funds would have been very consequential.

Most pension funds were however very aware of their exposure to overgearing risk, and it seems only a very few were guilty of the mishandling of which they are accused.

Peter Vos
Pension Fund Trustee, Littlehampton West Sussex, UK

China's "special economic zones", like Shenzhen, spearheaded its economic revival. The focus was on providing infrastructure and cheaper — initially free — land. Later the emphasis shifted to green corridors and environmental policy. Shenzhen owes more to the enlightened planning of the UK's new city of Milton Keynes (one of our fastest-growing local growth economies) than to the deregulated non planning of 19th-century Manchester.

That said, the idea of spatially variable tax incentives to encourage new business growth in the regions is sound. But it must be aimed at innovation, not rentier capitalism, as the late Professor Sir Peter Hall, inventor of enterprise zones, used to argue. It means focusing investment incentives to encourage high-level corporate and business investment in R&D, in partnership with our big city universities: more "thought ports" than "free ports".

Professor Ian Wray
Heseltine Institute for Public Policy, Practice and Place
University of Liverpool, UK

you to Pilita Clark for drawing attention to "The strange death of the company phone number" (Opinion, September 19).

For me, a further twist was added after I sold an item on eBay, sent it from the UK to the US via the company's agents, only to discover it was badly damaged on arrival.

Resorting to the online help pages, I found there was a callback facility. This allows you to send a message using your own phone number, which generates a return call from customer services, thus saving the company from having to give out its phone number.

This did however allow me to speak to a real person, who said he would make inquiries, and ring me back (he didn't). An email to the UK general manager brought the reply that it wasn't the responsibility of the UK side, but all would be resolved if I just used the callback facility on the American website of eBay.

I found there was just one snag with this: it wouldn't take a UK number to call back, only an American one!

Malcolm Holliday
St Albans, Hertfordshire, UK

unemployment and capital misallocations in the rest of the world?

Frank Boll
Rotselaar, Belgium

Who benefits from these mysterious explosions?

What a remarkable coincidence. The two pieces of Russian infrastructure that Ukraine would most like to see destroyed — the Nord Stream pipelines and the Kerch bridge — both severely damaged by mysterious explosions within a fortnight (Report, October 10). I wonder who did it?

Sir Anthony Brenton
Cambridge, UK

OPINION ON FT.COM

A Nobel for an economic model with real world application
Bernanke, Diamond and Dybvig have taught lessons about bank runs that have been absorbed since the financial crisis, writes Martin Sandbu

Lyft seeks a free ride from California's richest
It wants a climate tax to fund new vehicles and bail out its drivers, writes Michael Moritz

www.ft.com/opinion

Opinion

Why Tories and Republicans cannot do populism properly

POLITICS

Janan Ganesh

A photograph by Evan Vucci of the Associated Press has been doing the cruel rounds. In the centre, US president Joe Biden sweet-talks a pair of hurricane-hit Floridians. Slouching into frame, as though recently turned away from a country club, is a hangdog Ron DeSantis. The misgivings some Republicans have about the Florida governor as a presidential candidate centre on his unTrumpian lack of lustre. Here is the visual distillation of their point.

Bear in mind the context, though. Biden, a Democrat showing locals the benign power of the state, is in his element. DeSantis, a small-government man having to take federal aid of a kind he once voted against, is far out of it. This is the stiffness of an ideologue meeting uncooperative reality. UK premier Liz Truss, another laissez-faire zealot in statist times, knows the ordeal.

Six years since populism broke through in the UK and US, it is clear neither Tories nor Republicans will ever be able to do it properly. They can offer the hard cultural edge of Italy's right. They can subvert constitutional norms with the facility of Poland's or Hungary's. What they can't do, at least for long, is the economics. They can't build a paternalistic state and put it in the service of the average worker. The liberal individualism that France calls "Anglo-Saxon" will come through in the end.

Consider the record. Boris Johnson's concern for the depressed regions of England circa 2019 petered out. Trump's rustbelt programme contained more — those tariffs on China — but his main feat of lawmaking was a tax cut that might have come from a generic Republican. It was going to take time for these capitalist parties to recruit thinkers and cadres of a more interventionist bent. But each is if anything moving in the other direction. The US right's unofficial base is now income tax-free hedgie magnet Florida, where the cultural paternalism comes easy (see the curbs on what schools can teach about sex) and the material kind comes not at all.

> These parties will always fail to build a paternalistic state in the service of the average worker

Truss beat Rishi Sunak among Tory grassroots by framing him as statist sell-out. As though to repent for her own doctrinal heresy in subsidising household energy bills, she cut taxes until the bond markets squealed.

The media has to simplify to explain. There is no journalism without generalisation. Still, it has been an analytic travesty all these years to group the Anglo-American right with the likes of Viktor Orbán and Marine Le Pen — who would restore the French wealth tax — in an undifferentiated autocratic blob. (Vladimir Putin, too, was routinely classed as part of it. Even before Johnson and the Republicans became the keenest backers of Ukraine against him, that judgment was laughable.)

A cavalier way with the rules of the political game is all that glues this supposed club together. When it comes to the substance of government — who gets what? — the libertarian Anglos are plainly distinct from the dirigiste continentals. The former can hardly be said to be populist at all.

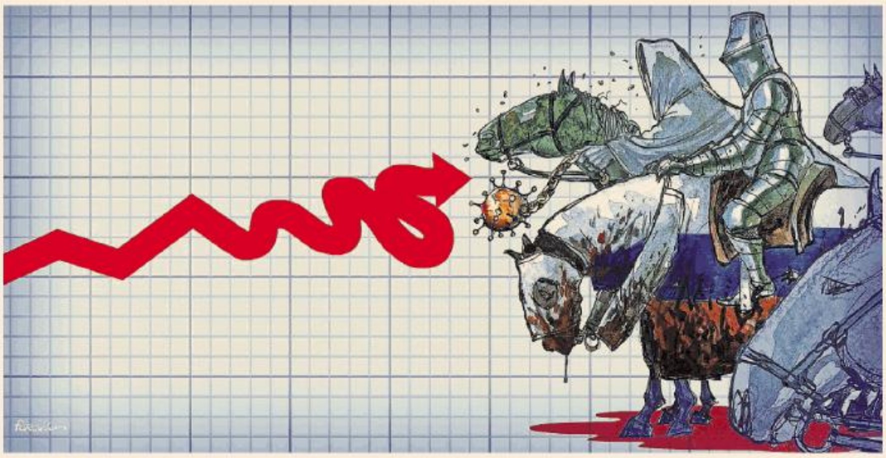
And what a relief that is. Their small-state instincts put a cap on the electoral success of a feral generation of Tories and Republicans. The GOP could do a lot more injury to the constitution if it shuffled a tad left on economics. Declare a truce with Obamacare, tax super-high earners to fund infrastructure and the party could have a realignment outside the bench of the Supreme Court. The politics of Trump and the economics of Eisenhower might be an unanswerable electoral offering.

DeSantis is the problem in miniature. He sends immigrants to Cape Cod and other liberal enclaves. He is tongue-tied on the question of the president's democratic legitimacy. But he can't complete the three-card trick of populism. He can't add economic protection to cultural reaction and constitutional chicanery. It goes against his Freedom Caucus and Club for Growth rearing. Nor, on a lasting basis, and by British standards of public spending, can the Tories. Their equivalents in France wouldn't hesitate. There is something reassuring here about the "stickiness" of national cultures and philosophic traditions.

Since 2016, these two parties have been denying their essential nature. They have savoured their new role as tribunes of the workers: they like the veneer of heartland grit and maybe even the vicarious masculinity. But they can't follow through intellectually. They can't offer the bread element of populism. And voters don't live by circuses. Flattery of the masses but not tangible help for them: the spectacle is enough to conjure Churchill's line about an opponent. "[He] loves the working man," said the old lion. "He loves to see him work."

janan.ganesh@ft.com

Disease and war are shaping our economy



Martin Wolf Economics

As the new IMF report focuses on continuing downside risks, what can and should be done?

It was not familiar economic forces that caused the upheavals of recent years, but Covid and the war in Ukraine. This reminds us that the most destructive forces we know are indifferent nature and wicked humanity. In its latest World Economic Outlook, the IMF stresses the "cost of living crisis" and the economic slowdown in China. Yet the policy response to Covid, the unbalanced recovery from that disease and Putin's war caused the former, while China's response to Covid caused the latter. Disease and war have indeed shaken our world.

These huge surprises have also reminded us it is impossible to forecast the economy. Often more illuminating is examination of how forecasts evolve. In this case, one can summarise the changes from previous forecasts quite simply: "Just about everything that could go wrong has." In "fund-speak", "downside risks" have materialised.

What were those downside risks?

First, inflation has been stronger and far more persistent than previously expected: as the WEO notes, "Global core inflation, measured by excluding food and energy prices, is expected to be 6.6 per cent on a fourth-quarter-over-fourth-quarter basis" this year. As a

Finally, Covid is still able to cause havoc, at least in countries whose policies have not evolved sensibly, such as China, and possibly in Africa too, where vaccination rates are disturbingly low.

An outcome of this combination of events is that the US has at the same time seen a sharp monetary tightening, because inflation has been so strong, and yet is in far better economic shape than Europe or China. This, plus its usual "safe haven" effect in times of trouble, has caused a sharp appreciation of the dollar. That is potentially devastating for borrowers with large dollar-denominated liabilities. There may not be a general debt crisis. But debt crises in vulnerable countries are certain.

The result of all this has been a further downgrade of the forecasts. Neither a fall in global output nor one in global output per head is in the fund's baseline forecast. But a contraction in real gross domestic product lasting for at least two consecutive quarters is expected during 2022–23 in economies accounting for more than one-third of world GDP. The recent shocks will, as a result, inflict further losses in world output relative to pre-2020 forecasts.

Moreover, risks are still on the downside. These include: a worsening of the

Core inflation has soared across much of the world economy
The distribution of core inflation across countries* (%, 25th to 75th percentile range shaded)

* 35 countries representing 81% of world GDP at purchasing power parity
Source: IMF, Haver Analytics

Real interest rates have risen but are still negative
Real short-term interest rates** (%)

** Nominal rate less core inflation one year ahead
Source: IMF

The shocks of 2022 are expected to have long-lasting effects on output
Change in forecast GDP growth*** vs Jan 2022 IMF forecast (% points)

*** Cumulative, since 2021
Source: IMF

mies, causing yet more financial stress; widespread debt crises in emerging and developing economies; and a further breakdown in co-operation among powerful countries. The last would further fragment the world economy and make impossible any joint approach to a wide range of global challenges, from debt through to climate.

Russia's war is beyond the reach of normal policy. Sanctions have been tried, but, predictably, have not changed its course, at least in the short run. China's Covid policy is equally beyond the domain of global action. One assumes it will be changed at some point. When and how remain a mystery.

So, what can and should be done?

First, defeat inflation. As the fund puts it: "Yielding to pressure to slow the pace of tightening will only undermine credibility, allow inflation expectations to rise, and necessitate more aggressive and painful policy actions later. By reversing course, monetary policymakers will deliver only the pain of tightening, with none of the gain." Expectations

macroeconomic policy to be fighting each other.

Third, protect the vulnerable. The "cost of living" crisis is the worst possible time to slash spending on the weakest. The fund opposes price caps on energy. I disagree. But they must be aimed at lopping off extreme price movements and be fiscally bearable.

Fourth, develop a better framework for handling debt distress. Particularly important in this regard is close co-operation between China and the west. Systemic financial crises are another

Finally, there is the biggest one: climate. The fund provides an encouraging analysis of this greatest of collective challenges, pointing out that the economic costs of immediate and decisive action to reduce emissions are small, particularly when set against the benefits. Yet it is already desperately late. What we do (or, more likely, do not do) on emissions in the next decade may determine the future of this planet as a home for our own and other species.

We should not let the urgent prevent action on the important. Nor should we result, monetary policy has been tightened sharply. (See charts.)

Second, the economic impact of Russia's war on Ukraine has been greater than feared even six months ago. This is especially true for Europe, after the dramatic reductions in Russia's gas exports.

impact of the war; a resurgence in Covid or some other pandemic; a monetary policy that is too forceful, causing a deep recession, or one that is too weak, allowing persisting high inflation; a huge property crash in China; bigger policy divergences among high-income econo-

One can summarise the changes from past forecasts as: 'Just about everything that could go wrong has'

have remained anchored because people trust the central banks to do what they are supposed to do. They must.

Second, co-ordinate fiscal and monetary policy. This is perfectly compatible with central bank independence. It makes no sense for these two aspects of

risk: frameworks need to be made comprehensive.

Fifth, recognise that managing the world economy will require co-operation. An obvious example is Putin's war. Is it impossible to persuade China this disaster may threaten its interests, too?

let our differences prevent us from agreeing on what we must do. In the environmental crisis, natural forces combine with human folly. This is a formidable alliance. We must end it.

martin.wolf@ft.com

UK financial turmoil is a harbinger of global events to come

MARKETS

Megan Greene

As the era of cheap money comes to an end amid a global central bank tightening cycle, UK pension funds have been among the first bodies to float to the surface. I am certain they will not be the last. Margin calls sparked by the funds' liability-driven investing (LDI) forced the Bank of England back into quantitative easing. And yesterday the BoE widened its bond-buying programme, warning of a "material risk to UK financial stability". The troubles brought on by Chancellor Kwasi Kwarteng's "mini" Budget are a harbinger of unfortunate events to come across developed markets in the next year. Governments will spend more; investors will be the dominant disciplining force; and central banks will break other things in trying to break the back of inflation.

Even as monetary authorities withdraw liquidity, war and the energy crisis will require developed markets to spend much more in the coming year. At the end of September, Germany, the pillar of fiscal rectitude, announced a €200bn investment package to cap gas prices for industry and consumers into 2024. While finance minister Christian Lindner insisted the extra euros will not be inflationary, German CPI soared to a 70-year high last month and bund yields have followed. Credit default swaps rose to the highest since April 2020 even as Lindner insisted Germany is "expressly not following Britain's path" by committing to a new level of borrowing.

An even bigger potential trigger point is Italy, which is particularly exposed to Russian gas, has little fiscal room and is already under pressure in bond markets despite support from ECB bond reinvestments. The yield on the benchmark

Pension funds have been the first bodies to float to the surface. I am certain they will not be the last

10-year note jumped the most since before the pandemic last week, following a fiscal warning from Moody's Investors Service to the country's likely new centre-right government. Price moves in the next year will be as swift and dramatic as they have been in the UK partly because markets are already highly stressed. The global central bank hiking cycle has tightened financial conditions and sapped liquidity. This is not a bug. It is the point of hiking rates. But as central banks continue hiking, something will probably break.

With the Federal Reserve tightening more aggressively than other major central banks, the US dollar index (DXY index) has risen 17.4 per cent since the beginning of the year. This exports inflation from the US, forcing other countries to tighten more. And as the Fed considers a fourth consecutive 75-basis point hike, the US Treasury's Office of Financial Research's Financial Stress Index is near a two-year high, credit spreads have widened, corporate defaults more than doubled over the course of the summer and Bank of America announced its gauge measuring stress in credit markets was at a "borderline critical level".

What, then, is likely to break? Post-financial crisis, big US banks are much better capitalised. That is not always true in Europe. And on neither continent can regulators be confident about what lurks in the shadow banking sector. Even very liquid assets — such as gilts in the UK — may be a source of trouble. Investment grade corporate debt is an issue for the US. Overall, non-financial corporate debt has reached almost 80 per cent of US gross domestic product. Roughly one-third of this is rated BBB, the bottom rung for investment grade. Downgrades will force debt sales from a number of portfolios, sending prices down and potentially leading to UK-like margin calls.

Another body to float to the surface in this tightening cycle may be alternative assets, including private equity and debt. These have grown rapidly, almost doubling as a percentage of total financial assets since 2006. Their losses this year have been far less than those in public markets. While this may be a case of better investment strategies, it may also portend bigger losses to come.

The UK's experience reminds us that central banks have a very fine line to walk between fighting inflation and supporting financial stability. After years of bailouts, investors seem to be ignoring "this time we mean it" warnings and betting on a pivot. At the same time, governments forced to spend will be working at cross-purposes to the inflation fight. Opec+ has decided to pile on by cutting supply and raising energy prices again. Given oil is largely priced in dollars, the dollar remains the US currency, but the world's problem. Market dislocations alone will not be enough for central banks to U-turn and cut rates. A financial crisis that kicks off a recession would, but that would be the worst possible way to lick inflation.

The writer is an FT contributing editor and global chief economist at Kroll

Lex.

Twitter: @FTLex

Gilts: Kwarteng is the real Mr Cliff Edge

During bearish periods, a travelling circus of crises wends its way through markets. The cavalcade is currently parked outside the Bank of England.

The bank's bond-buying pledge displaced panic selling from fixed-rate gilts to the index-linked variety. That has forced the BoE to extend its pledge to "linkers" too. This has increased fears of financial chaos ensuing after the support ends on Friday. But the real Mr Cliff Edge is Kwasi Kwarteng, not BoE governor Andrew Bailey.

Gilt yields rose sharply because the untried chancellor promised tax cuts of up to £45bn a year. Markets think he cannot fund this without higher borrowing. Stress in pension funds is just a consequential problem. It could easily have emerged elsewhere.

The main cliff edge is therefore Kwarteng's forthcoming budget statement. If this — or prior leaks — do not convince markets he can cover tax promises, further turmoil may result. The Institute for Fiscal Studies says Kwarteng must squeeze the UK budget by some £60bn. The IMF has made its own veiled criticisms. The BoE is caught in the middle between its monetary-tightening programme and the government's loose fiscal plan. It has an obligation to stabilise markets but not — lest we forget — to impose a ceiling on gilts. Rising yields do not in themselves denote failure. Disproportionate jumps may.

The BoE should consider rolling back the end-date for bond-buying support to beyond the chancellor's statement. Pushing back the start of its £80bn annual quantitative tightening programme would follow from that, thinks RBC.

Investors should, meanwhile, wonder where the crisis circus will park up next.

Lenders would be a natural stopover. Soaring interest rates are lifting net interest income. But if long gilt yields near 4.5 per cent keep climbing, so will risks for lenders, thinks Simon French of Panmure Gordon.

Retail banks NatWest and Lloyds have high exposure to mortgages, alongside big common equity tier one ratios of 14-15 per cent. Non-bank lenders also deserve investor scrutiny.

Liz Truss spurns naysayers of her policies as anti-growth. But markets follow one truism, eat what you kill.

Freshly liberated circus bears are circling the chancellor. He and his prime minister must moderate their expansionary chatter.

EDF: Meloni could scotch disposal

EDF should consider lightening its debt load with asset sales after the French government nationalises it.

Edison, its Italian gas and power business, would be an attractive candidate — if French president Emmanuel Macron can only persuade Italy's Giorgia Meloni to play nice.

France is in the process of buying out minorities in the ailing nuclear group. EDF will need to solve production outages and build new reactors. And it must do so with €60bn of year-end net debt and income deeply in the red, according to S&P Global estimates.

Despite denials from EDF, the sale timing would be favourable. Both businesses are doing well this year. The power-generation arm has 6.4GW of capacity, of which almost 70 per cent is gas-fired and the rest renewable. This unit benefits from electricity prices that, in the first half of 2022, were almost four times higher than the year before. At 5.5 times expected 2022 ebitda, the business might fetch €4bn.

Edison's gas unit combines storage capacity and a portfolio of gas contracts for supplies from the likes of Qatar, Libya and Algeria. After a 450 per cent year-on-year jump in Italian gas prices, on 6 times projected — bumper — ebitda for this year, the business might be worth €3.5bn. The combined enterprise value, after corporate costs, would reach €7.2bn. That would take a chunk out of EDF's debt pile. The flipside is that this price tag makes Edison a big mouthful for industrial or private equity buyers.

Moreover, the politics of energy are fraught. Italy's new government, led by the nationalistic Brothers of Italy party, might balk at France auctioning off a business whose initial purchase Italian politicians had resisted.

If EDF did put Edison on the block it would be an interesting test of two propositions. The first is that big-ticket deals are possible amid volatile energy prices and rising debt costs. Also, one wonders whether Italy's prospective prime minister Meloni would observe passively in the event of a sale.

Hong Kong stocks: Russian roulette

The Hong Kong stock exchange is trading near a record low valuation owing to the effects of China's zero Covid policy and weak economic growth. The natural hedge in the Hang Seng index against the mainland's weaknesses no longer works. Short sellers are betting on further market drops.

FT graphic Source: Refinitiv

Source: Hang Seng

Source: Bloomberg

The $520mn superyacht of Russian billionaire Alexei Mordashov is at present moored safely in Hong Kong. The city decided not to seize the assets of the oligarch, who is under US, EU and UK sanctions.

Some Russian companies also see Hong Kong as a haven. That is symptomatic its decline as a financial centre, rather than a solution to it. Gold miner Polymetal is considering switching its domicile from Jersey to Hong Kong. Shares in aluminium group Rusal already trade there.

Other Russian groups have been exploring the possibility of Hong Kong financings. These would be easier to pull off if Hong Kong's market had not just hit an 11-year low, falling below the psychological barrier of 17,000 points. That reflected Beijing's vow to stick to its zero-Covid policy and the imposition of fresh US tech sanctions on China.

For years, the Hang Seng index had an inbuilt hedge against China weakness. This consisted of big Hong Kong-focused companies, such as Swire and MTR, as well as Macau groups including Galaxy and Wynn Macau. Their shares moved out of step with Chinese companies listed in the city.

No longer. Higher borrowing costs — the Hong Kong dollar is pegged to the greenback — and an exodus of foreign companies are weighing on confidence in real estate. Home prices are heading for a five-year low. Offices have reached record-high vacancies. Macau is struggling as gaming revenues tumble. The city's benchmark Hang Seng index has fallen a third in the past year, more than double the decline in the mainland Shanghai Composite index.

Hong Kong's economy shrank 1.4 per cent in the second quarter, following a 3.9 per cent drop in the first quarter. The index now trades below book value.

Hong Kong should beware of becoming an international financial centre of last resort for Russian businesses. Their collective reputation has been sullied by the Ukraine war regardless of individual probity. Superyachts and listings from Russia will prompt fastidious sailors and chief executives to moor up elsewhere.

Frontier markets: countries on the edge

Frontier markets offer investors the promise of higher growth. Of late that has come in the form of debt, not earnings. Financial conditions for emerging economies have tightened dramatically over the past six months, says the IMF's latest Global Financial Stability Report, published yesterday.

The soaring dollar and rising interest rates threaten to push many countries to the brink of sovereign default. The smallest emerging markets, so-called frontier markets, have the worst of it. Many are in Africa and, like Ghana and Zambia, have sold their first foreign bonds only in the past decade or so.

The ratios of debt to GDP and of debt service to government revenues in frontier markets have doubled since 2010. Bond maturity amounts rise steeply from next year, but access to international markets is limited. Less than $4bn in foreign currency bonds comes due this year; that will rise to $10bn next year and about $16bn for the next two years. Without renewed access, the IMF says, they will default.

Mercifully, the coming debt crises should not be systemic, unlike those that raged across the emerging world in the 1990s. Governments of larger economies from Asia to Latin America have built buffers of foreign reserves, developing deep local financial markets; Brazil and India borrow almost exclusively domestically.

But local market conditions are tightening too, partly to fight inflation, partly as foreign investors have taken flight. They have removed $70bn from emerging market bond funds this year, split roughly equally between local and foreign currency bond funds. Even in their own currency, governments cannot borrow ad infinitum. Spending on debt service drains money from productive investment, stymying growth and stoking unrest.

Fixing that problem calls for tough and unpopular fiscal decisions that local politicians have dodged for decades. With financial conditions the tightest since the global financial crisis, this will not change soon.

US banks: loss and found

Jamie Dimon is always happy to offer up predictions about the wider world. The JPMorgan Chase chief executive warned this week that a recession next year could sink the stock market by 20 per cent. He is less enthusiastic about employing his clairvoyance for his own bank's financial statements.

In 2020, big US banks implemented the "current expected credit loss" reporting standard. CECL forces each group to estimate the financial hit from bad lending well before any borrower distress has become probable or has occurred, as per the previous "incurred loss" method. The idea is that when skies darken, banks are already out in front of potential financial hits.

CECL's adoption comes after critics accused financial groups of tardiness in marking down their balance sheets and income statements before the 2008 financial crisis. As banks gear up to report third-quarter results, analysts expect them to add $4bn to their credit provisions, collectively. That figure will be larger because of CECL. For now, credit losses remain muted. The storm has not arrived.

Dimon has repeatedly shared his annoyance. He once said: "We spent a lot of time on these calls describing something which is virtually irrelevant for the bank." He has also noted that the $15bn in loss reserves that CECL forced the bank to take at the outset of the pandemic was eventually reversed. In the interim, the bank's capital ratios were hurt by the paper accruals.

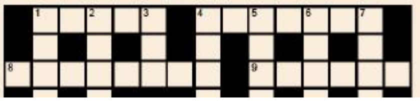
A principle of accounting is conservatism. Dimon contends that CECL figures are both mysterious and not indicative of a bank's underlying lending resources. Economists are busy studying whether the timing of loan loss accruals curtails or encourages lending at the appropriate time of the business cycle.

Next year should prove an intriguing test case. The warnings of economic doom tomorrow are set against a mostly healthy economy today. That's just the kind of fuzzy hypothetical that irritates a big bank boss.

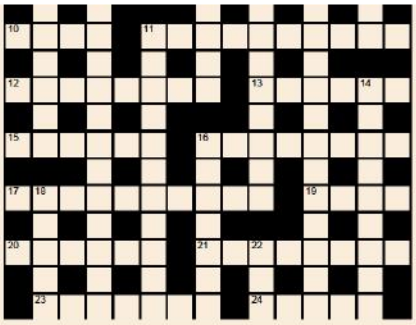
Lex on the web
For notes on today's stories go to www.ft.com/lex

CROSSWORD

No 17,223 Set by MONK



ACROSS
1 Thrash dough (5)
4 Concerning dreams about one being trapped in Clapton? (7)
8 City in Europe to fail in discussions (8)
9 Promptly give out number when recalled (2,4)



10 Leave all but composer (4)
11 Simple organism, I note, small and terribly dull externally (5,5)
12 Go before stake, church adhering to vacuous doctrine (8)
13 Dog almost catching favourite rabbit (6)
15 Indonesian stone transported around island (6)
16 Bird is something seen around island (8)
17 Contained protesters with strange instrument (10)
19 Digging by Truro on vacation (4)
20 *Times* covering trendy revolutionary snack (6)
21 On reflection, yes, getting fine always brings complaint (3,5)
23 Starts shooting in prisons, press going outside (5,2)
24 Viewing problems perhaps caused by 22 on the way (5)

DOWN

1 Utter pillock initially runs against fast cat (9)
2 Opposition to purchase new trainee's classes (5,10)
3 International currency developed by City University (3)
4 Bear grudge and fool English political disciple (7)
5 Self-interest and self-concern, say, not crimes when reviewed (11)
6 Outrageous Oscar is pretty clever, with hindsight (15)
7 Buoyancy aid reached over lake (5)
11 Developing respect without missing royal staff? (11)
14 Heads of army invading Turkey putting lock around betrayer (9)
16 Service vessel with line up above (7)
18 Muse or Queen tattoos regularly seen (5)
22 Ultimately every little helps, of course (3)

JOTTER PAD

Solution 17,222

FT SPECIAL REPORT

Women in Business

Wednesday October 12 2022 www.ft.com/reports

Childcare founders tackle dysfunctional UK system

A mix of private providers and patchy funding creates barriers for parents, writes *Bethan Staton*

June O'Sullivan was a single mother working for the National Health Service in London when she was first confronted with the flaws in the UK's childcare sector.

She was dropping off her son at a new nursery and struggling to help him settle when she was met with abuse from the manager.

"They screamed at me and said, you're an Irish single parent, I could have given this place to a doctor," she recalls. "I thought: there must be a way of doing this that's fair and right."

That was back in the 1980s. But women in the UK continue to struggle with a childcare system that is expensive, dysfunctional, and retains many problems of the "unfair and broken" system she encountered.

Yet women are also on the frontline trying to solve them. In the past 15 years, O'Sullivan has built the London Early Years Foundation into one of the largest childcare social enterprises in the UK.

"Childcare is such a crucial structural issue," she points out. "By down-valuing it, we're putting the country at political risk."

Lack of access is a problem, and its cause is complex, but experts say much of the blame lies with the UK's muddled mix of private providers and patchy government funding.

Private providers supply the bulk of nursery places in England, funded by a combination of government money and fees from parents. All 3- and 4-year-olds are entitled to either 15 or 30 hours of free childcare during term time, and most parents qualify for tax-free childcare beyond that. However, government funding does not go far enough.

According to Coram Family and Childcare, a charity, it costs an average of £19,000 a year to send a child under the age of two to nursery in London on a full-time basis. That represents an increase of 60 per cent between 2010 and 2021.

As a result, many families have to spend large proportions of their income on childcare, while others cannot afford to send their children to nursery at all. According to UK think-tank the Institute for Fiscal Studies, more than half of families with pre-school children did not use paid-for childcare in 2019.

For parents, the lack of childcare coverage for younger children, or for the full year, means eye-watering costs are hard to avoid. For providers, the money the government offers is not enough.

Last year, an investigation by the Early Years Alliance, which represents parts of the sector, found that the government had estimated that adequate nursery places would cost £7.49 per hour per child. But, in 2021, it gave nurseries an average of only £4.89.

Christine Farqurson, a researcher at the IFS, says the funding shortfall makes it difficult for childcare to fulfil either of its purposes: to help parents return to work, and to give children a good-quality education before they start school.

Insufficient funding becomes a drain on family finances and it is more likely to be mothers who cut down their hours or step out of work. Research also shows that nurseries in the most deprived areas are more likely to close than those in wealthier neighbourhoods. To cover costs, providers rely on charging better-off parents for additional hours, or extras, such as nappies and meals.

Many female leaders in the sector feel that politicians fail to recognise the importance of early-years care in educating the next generation, promoting equality, and supporting families to work — in part because it is often seen as a "women's issue".

"Childcare is deeply political but they

Continued on page 3

Core competency Restaurateur Clare Smyth

Clare Smyth, the Gordon Ramsay protégé and founder of three Michelin-starred restaurant Core, tells Natalie Whittle how the upscale west London dining room thrived amid the chaos of the Covid pandemic. **Page 3**

Inside

Corporate abortion policies complicate choices for female staff

OPINION

Brooke Masters

At the start of this century, the standard advice to female workers was to keep their health issues as private as possible. Bosses, most of them male, were thought to be squeamish about mental health and pregnancy, let alone period pain and menopause.

Things have changed. Employers are now more involved in women's health than ever before. The Covid pandemic brought down some barriers, as many managers and human resources departments realised they needed to check regularly on the physical and mental health of employees who were working from home.

Social movements, such as #MeToo and Black Lives Matter also had an impact, albeit indirectly, as they prompted many employers to set up or give more power to affinity groups, including those for women. These, in turn, began asking companies to provide more support for female employees experiencing discomfort or pain due to menopause, menstruation, pregnancy, and IVF treatment.

"It used to be the case that you could be silent on these issues and that was the safest way to go," says Rupal Kantaria, a partner at consultancy Oliver Wyman, who focuses on inclusion efforts. "Now, there is pressure on CEOs to take a stance. It's very important not to see these as isolated issues. It's all about the position of women in the workplace and society."

In the UK, more than 600 employers, including the civil service, drugmaker AstraZeneca, and the BBC, have responded with public pledges to support women during menopause.

And, in the US, the Supreme Court decision in June that overturned constitutional protections for abortion rights has taken corporate involvement up another notch. A wide range of companies — including Amazon, Citigroup and Ikea — have pledged to pay travel expenses for employees who are forced to leave their home states to access abortion services.

Some went even further. Clothing retailer Patagonia, which has a history of taking progressive stands, said it would not only pay for abortion care and out-of-state travel, but would also cover bail for any employee arrested in an abortion rights protest.

We are a long way from my early days in the workplace when many employer healthcare plans did not even cover oral contraceptive pills. But I worry we have not come as far as optimists would have us believe.

Companies seeking to support women through the physical effects of menopause are finding that it is easy to put policies in place but much harder to make the programmes effective. Many managers find it awkward to launch nitty gritty discussions of night sweats and hot flashes, and that can discourage staff from seeking help.

"People are comfortable talking about LGBTQ and race issues even though they are straight and white, but men won't talk about women's health," says Kantaria.

Female employees are also wary of being judged or found wanting if they admit to differences with their male peers — and evidence suggests they may be right to be concerned.

Menopause is at the heart of a growing number of UK employment discrimination claims. And a 2017 study in the Academy of Management Journal found that women and ethnic minorities are penalised in workplace performance ratings when they engage in behaviour that openly values diversity, while white men are not.

> It is easy to put policies in place but much harder to make the programmes effective

Companies that have struggled with this issue around menopause say that one solution is to bring in outside professional help. Drinks group Diageo first issued its global menopause guidelines in early 2021, but Caroline Rhodes, global inclusion and diversity director, says the company is still working out "how do we unlock the taboo conversations . . . so the men don't feel daunted".

In June this year, Diageo made the Balance+ smartphone app available to all employees. This allows them to diagnose and manage the symptoms of menopause, whether or not they feel comfortable talking to their bosses about it. "Don't be afraid to ask for professional support," Rhodes says.

Bringing abortion issues into the workplace will further complicate the choices for female employees. Some people are squeamish about menopause, but others are profoundly uncomfortable with, or actively oppose, abortions. Often coupled with discomfort around female sexuality, such views are bound to affect managers' attitudes towards women who seek abortions.

Abortion coverage is largely being offered through employer-paid health insurance plans rather than directly, but it is not clear just how private these services really are. In addition, a number of the companies now offering these benefits have a history of donating to anti-abortion politicians.

It would be nice to believe that companies have fully emerged from the dark ages when it comes to supporting the health of their female employees. I fear that we may still have a long way to go.

Climate A letter signed by 500 leaders from around the world is calling for a 50:50 male-female split in the COP27 leadership team, writes *Philippa Nuttall*

Young women take their place in the climate debate

Climate campaigner Nina Azzahra at COP26 in Glasgow

"Too male, pale and stale," was how Mary Robinson, former president of Ireland, described last year's international climate negotiations at the Conference of the Parties

COP agenda by taking the floor in Marrakesh and demonstrating to negotiators how well-qualified women had been passed over for top positions. Her intervention led to an agreement to "enhance the participation of women at

> 'Girls are victims [of climate change]. If

(COP) in Glasgow.

"Gender" first appeared in the COP process in the text approved at the end of the seventh annual climate summit, in Marrakesh in 2001. But, 19 conferences later, the goal of "gender balance" — in either the UN bodies working on climate change, or in the delegations that negotiate the agreements aimed at reducing emissions — remains elusive.

Women were far from equally represented at COP26 and the balance is unlikely to shift radically at this year's meeting in Egypt.

Behind the scenes, however, women have laid the groundwork — and a younger generation is coming of age, with an unwillingness to be overshadowed by old boys' networks.

Environmental lawyer and climate activist Farhana Yamin started working on international climate negotiations in 1991 — before the first COP was held in Berlin in 1995. Aside from Angela Merkel, then Germany's environment minister and COP president, the meetings were "totally male dominated", recalls Yamin. "The amount of overt sexism and discrimination was horrendous."

It was Yamin who got gender on to the all levels of decision making related to climate change". It was not until COP18 in Doha in 2012, however, that the goal of "gender balance" in climate negotiations became official. But, since then, progress has been slow.

Annual reports published by the UN Framework Convention on Climate Change highlight a "persistent lack of progress" and the "urgent need" to improve the representation of women to achieve long-term climate goals.

More on FT.com

Would efforts to tackle climate change benefit from more women taking the lead?

Read Cara Wilson's winning entry to the FT's 10th annual essay competition, which answered the above question to win a free executive MBA place.

Visit ft.com/reports/women-in-business

'...they want to say something, they will not be shy'

Women occupied 39 per cent of positions in UN climate bodies in 2022, compared with 34 per cent in 2021, the most recent report shows. Yet, the number of women appointed as heads and deputy heads of national delegations dropped by 1 per cent last year, reversing a more positive trend since 2018.

In total, women made up 37 per cent of national delegations at COP26 but, even when present, female voices were often not heard, with women accounting for only 29 per cent of total speaking time. The chairs of the negotiating groups in Glasgow were also "predominantly men", the report states and, during plenaries, women took up a mere 23.7 per cent of the speaking time.

Bianca Pitt was working in corporate finance in the UK, and pregnant with her first child, when she fully realised the risks climate change posed. After serving on the boards of various charities and, with her husband, creating the first chair of environmental sustainability at Insead business school, Pitt set up an informal women's environmental network in 2020. The group found its calling when members realised that the UK's COP26 team contained not one woman in a top position. The outcome was the She Changes Climate initiative.

In September this year, the campaign sent a letter, signed by 500 leaders from around the world, to the Egyptian presidency calling for a 50-50 split of men and women in the COP27 leadership team. In the longer term, the signatories want the UNFCCC to have a man and a woman as co-president of every climate summit. Until now, there have been only five female COP presidents.

Younger women, though, are already bringing change to the gender balance. At COP26, only in the 16 to 36 age bracket did women speak more than men in plenaries, taking 7.6 per cent of the time compared with 5.8 per cent (excluding chairs). A similar trend can be seen among youth climate activists, whose leaders are often female.

Fifteen-year-old Indonesian climate campaigner Nina Azzahra was one of the young attendees at COP26 in Glasgow. She says that at no stage did she feel at any disadvantage as a girl. "Girls are victims [of climate change]," Azzahra says, adding that girls are often responsible for collecting water in poorer countries and, as mothers, are on the frontline of managing food shortages. "If they want to say something, they will not be shy," she insists.

A more diverse range of voices outside the main negotiations — including those of female climate activists and indigenous women — can create change inside the official processes by focusing public attention on what is happening, argues Nameerah Hameed, a policy specialist, who lives and works between Pakistan and the UK.

More notice should be taken of women from the Global South, such as Sherry Rehman, Pakistan's climate minister, adds Hameed. Rehman has been clear about the link between global warming and the devastating floods suffered by her country.

"When we have a strong voice that understands the COP system and speaks well in the language of the Global North, that can be super powerful," says Hameed.

How did your early work experiences shape your career?

An early casual job or internship gives young people an insight into the world of work. Six women who have made a mark share their experiences with the FT's Maxine Kelly (waitress, fruit & veg sorter) and Harriet Arnold (bed-maker and tomato picker).

Dame Anne Richards, chief executive at Fidelity International (pictured below)

I did a few different jobs in my teenage years but perhaps my favourite was working as an usher in a concert hall.

The basic job was to check tickets and show people to their seats. The incentive, of course, as a teenager, was to get to listen to the concerts for free. One regular concertgoer was notorious for falling asleep part way through performances and he would snore extremely loudly. Whoever was looking after that section of the hall that night had to give him a gentle nudge to wake him up. He was always astonished that anyone imagined he'd fallen asleep!

The most valuable lesson for a pretty gauche teenager was the realisation you could have a major impact on how much people enjoyed their evening, just by how you treated them. The job also taught me commitment — you couldn't not show up just because you were tired. But it was also fun. I worked with a great bunch of people, there was trust, teamwork and camaraderie, and I think those are all things that I've looked for in every job I have done since. **MK**

Dame Vivian Hunt, former senior partner at McKinsey (pictured right)

I joined the Peace Corps for a two- to three-year period after university. I wanted to go to sub-Saharan Africa — somewhere where I could learn French — and I was especially interested in microfinance. Soon enough, I was transferred to midwifery in Senegal. But I took it because, as a young person, if you get three out of four of what you're looking for, you take it. And it really changed my life.

We were based in the infirmary, but most healthy routine births took place at home with a family midwife and no contact with the healthcare system. So, by the time we would see the births, they were already very complicated. It was traumatising; I was a young person who didn't have clinical training, I also had never had a child myself at that point.

I had to collaborate with a wide group of people — clinicians, rural midwives and religious leaders — but I also had to collaborate deeply with the families. Some of the work I do even now, about how to tailor and measure ESG impact and healthcare outcomes, is defined by the stakeholders, not just financial metrics — you can see echoes of that right back in that first experience. **MK**

Michelle Ong, co-founder and creative director of Carnet

My first job was my only job. I was apprenticed to the first diamond importer in Hong Kong. I had just graduated with a degree in sociology from the University of Toronto, but I had always loved jewellery and gemstones, and back in Hong Kong I decided to follow my heart.

It was a small business, so I did a bit of everything: sorting stones, meeting wholesalers, taking the stones to clients. There were very few women in the diamond business at the time and, often, clients would ignore me and only deal with a man, even if he knew less. But it never really bothered me.

I also learnt how to manage a business. The disadvantage was that the importer wasn't at all interested in design. I simply began to design my own jewels and have them made, and my business grew from here. Perhaps the greatest life lesson from that first job is that it taught me that I could do whatever I want. **MK**

Anne-Marie Imafidon, founder and chief executive at Stemettes, and author of *She's in CTRL* (pictured right)

At 16, I did a five-week internship at Deutsche Bank as part of the Windsor Fellowship's "I Have a Dream" programme. I was working in the technology team that supported HR processes, assisting with the rollout of the annual review process.

I was speaking to all manner of folk across corporate levels and departments. The experience made me feel that, with my tech knowledge, I could belong anywhere and it gave me the confidence to talk to anyone, no matter their status.

It also gave me more detail to my ambitions. I knew what the corporate environment looked like and knew what my life could look like if I joined it. There were two managers of our team who had very different approaches. I learnt that you can lead as your whole authentic self without having to hide aspects of yourself — and that the people following you respect the openness more than you pretending to be what you think a manager should be. **MK**

Jackie Henry, managing partner for people and purpose at Deloitte

I started working in my dad's grocery store in North Belfast [from] when I was 15 up until I went to university. Every Saturday, you could find me stacking shelves, on the till, or chatting to customers, along with dad and granddad Herbie.

Working in the shop taught me a huge amount about the fundamentals of running a business, managing customers and to not take myself too seriously. I even got some crisis management experience: one morning I was managing the shop alone when the ceiling fell through!

As managing partner, I can apply the fundamentals I learned from that first job. My strength is connecting and listening to people and hearing their preferences. This has helped me put in place policies at Deloitte that are valuable for our people, such as our flexible working policies.

I returned to my first job a few years ago to help out when dad became unwell — during the week, I was a partner at Deloitte; and, on a Saturday, you could buy a 10 pence sweetie mix off me in the shop! **MK**

Frances O'Grady, general secretary at the TUC

I was a papergirl, a small 12-year-old carrying a big bag of newspapers. Then, I worked in a corner shop, which I hated because I was on my own just sticking prices on groceries. Also, the boss literally counted out every last penny coin of my wages — he never rounded up.

But I loved my next job in a newsagent. I read every newspaper and magazine, and I met lots of people. I was curious about the world. A job gave me money in my pocket.

The newsagent owner was lovely, a warm and strong woman who made her own way. She gave me responsibility, but was also protective and dealt with any creeps who came in. And she was forgiving, such as when I turned off the ice-lolly freezer by mistake. One of the great losses in work today is training and pastoral care — the informal coaching and bringing young people on that used to happen. Apprenticeships still do that, though, and I've also heard of shop stewards being known as "auntie".

I still get my batteries charged by meeting people, and I'm still curious about what happens behind the scenes. **HA**

'A crisis teaches you how adaptable you are'

Interview Clare Smyth, founder of upscale London restaurant Core, tells *Natalie Whittle* how she pivoted the business to survive Covid lockdowns

The hospitality industry was at the sharp end of the economic havoc wreaked by Covid-19 — but one jewel in London's fine-dining crown found some creative ways to improvise for survival.

When Clare Smyth opened her first restaurant in 2017, she wrote the business plan, negotiated the property lease, and shaped the interior design. Not all chefs roll their sleeves up this far to nurture a new business, but Smyth had absorbed a lot about the trade after almost two decades at the Gordon Ramsay Group.

Joining as a kitchen junior, she rose through the ranks to be chef patron at the Royal Hospital Road restaurant. "Even as a sous chef at 25 years old [at Gordon Ramsay Group], I would go to the boardroom and go through the profit and loss," she recalls. "I've always been interested in business."

The result is an upscale dining room, Core by Clare Smyth — a sleek celebration of British produce and artisans, which won three Michelin stars in 2021. Despite luxury signals emitting from every square inch of the restaurant in west London's Notting Hill, it has a reputation as one of the more relaxing high-end options on the capital's food scene.

Core had yet to celebrate its third birthday, however, when Covid-19 forced the restaurant to bolt its doors. "The first three years are really crucial for any business," Smyth says. "And it's

Core competencies: creativity and a loyal following meant founder Clare Smyth could keep staff on full salaries during lockdown — Quezal Maucci for the FT

a following, which proved invaluable to Core's pandemic pivot to dine-at-home kits — a move common among other hospitality operators but executed by Smyth and her team with Michelin-grade flamboyance.

"Our guys delivered it in Core uniforms, we filmed the waiters reading the

ship", Smyth says. The operation behind it was not heavily financed by investment or debt. "We didn't have credit," she explains. "There was a bit of borrowed money from the bank, and some of my own finances, but we didn't have a huge budget."

Grant Heath, her financial consultant

This principle was applied to the customers who had booked Core at Home dinners, who were given priority booking once the dining room reopened. "There is the toughness and stress of the whole thing that was horrible but it teaches you how adaptable you are."

Smyth frequently credits her team of

budgets as available staff negotiate higher wages.

"Globally, there is a staff shortage that goes in waves," Smyth says. "We see salaries inflating astronomically in hospitality, which is unsustainable. I just spoke to someone in Italy and he said [that] from Tokyo to Milan it's the same thing." Her headcount at Core now fluctuates between 50 and 52 people.

The classic tasting menu with wine pairing comes to roughly £330 at Core, before any cocktails or truffles have been considered. Prices head north for the more complex menus, but Smyth insists this still offers good value compared with those charged by her peers in Europe and the US.

Food costs have been rising since 2019, and are now 35 per cent higher than they were then, she says. On top of that, the cost of energy is "huge", which Smyth manages on a quarterly basis, to be able to move with the market. "We're negotiating a new rate for a short term."

The emphasis at Core on British produce has helped protect it against higher import costs. But by far its biggest weapon against economic and geopolitical turbulence is the fact that many of Core's customers are untouched by the cost of living crisis. Demand for the tables is solid: "We open our restaurant book 91 days in advance at midnight and it's filled at midnight," Smyth says. "We are in a bubble; we're lucky at the luxury end of the market and we have a big American following."

Smyth stays on top of things by being at the restaurant every day, unlike many chefs who have their name above the door. Every cost is scrutinised, as is any food thrown in the bin. "You count the money at the end of the day . . . Spending on fresh flowers, for example, is worth it. We are always weighing it up. Getting the margins right."

A sister restaurant, Oncore, opened in Sydney in 2021 to buzzy reviews. But, for now, Smyth is keeping her powder been a rollercoaster, for sure."

As well as facing the pressure of managing a fledgling business as the pandemic took hold, she also worried about the entire sector's chances of survival. "When the lockdowns came, I remember looking in the mirror and asking myself: Are restaurants even going to exist in the future? How am I going to make this work?"

At this juncture, Smyth used a business intangible to keep the cash flow going. She already had a reputation and

menu, we had playlists, flowers, champagne . . . We were also selling truffles and caviar."

The "dine at home" restaurant took about 450 covers each weekend, which exceeded pre-pandemic booking numbers. Packaging, delivery and logistics added costs, but "we were able to break even", Smyth says. "It covered the whole time we were closed. It brought us out on zero. We kept our entire team on full salaries."

Core has always been run as a "tight

husband, is co-director of the business and "checks over the figures", while Rob Rose, restaurant director, and Jonny Bone, head chef, are her "right and left hand".

Smyth has a reserved, warm persona, and part of her business acuity lies in her understanding that restaurants are built on how they make their customers feel. "We try to make sure that every guest wants to come back. It's about being grateful for every customer that walks through the door."

'We see salaries inflating astronomically in hospitality, which is unsustainable'

"brilliant people", many of whom she has worked with for long periods. A tight team is needed for a relatively small restaurant to attain three Michelin stars, and charge commensurate prices that in turn support the payroll.

Turnover for the last tax year was £5.3mn and the forecast for this year is £5.5mn. Profitability, however, may suffer if food and energy costs continue to fluctuate. In addition, the dwindling numbers of hospitality workers post-Brexit could put pressure on payroll

dry. "I feel like I'm sitting tight with everything," she says. "We have been looking at other sites [in London] but I'm not in a rush unless something amazing comes along."

Such prudence, in the end, may be the most potent ingredient of her success. That and a high esteem for the value of a strong team. "The people around me are the best," Smyth says. "They've invested in themselves and they care about what they do. That's the foundation."

Expert witnesses: why are there barely any women?

Law A campaign is under way to widen the pool of women testifying in courtrooms, writes *Jane Croft*

Expert witnesses are used in complex legal disputes to help explain a technical topic to a judge or arbitrator — and can hail from fields as varied as medicine, law, and accountancy.

A chemist, for example, may be called to testify in a complex drug patent dispute; or an accountancy expert to testify about potential losses suffered by a company after a fraud has been discovered. In each case, the expert witness's overriding duty is to the court, and they must provide truthful, impartial and independent opinions.

But a disproportionately small number of these experts are female — which has led to the launch of an initiative to increase the number of women acting as expert witnesses in court cases and arbitrations.

The Equal Representation for Expert Witnesses campaign aims to encourage more women to put themselves forward, and more parties to appoint them, as well as supporting their mentoring. So far, 496 signatories, including more than 70 organisations such as law firms, have signed up to the cause.

"We felt we had to do something about this, as the proportion of appointed expert witnesses [who] are women is really shocking," says Kathryn Britten, a chartered accountant and managing director at global consulting firm AlixPartners. She began the campaign with Isabel Santos Kunsman, a US-based colleague at the firm.

Britten is a senior forensic accountant who has acted as an expert witness in commercial disputes for 30 years. She has provided opinions on matters such as accounting fraud and auditor negligence in several high-profile cases.

"This is really about making that pool of expert witnesses that are available as wide and as broad as possible to ensure

Kathryn Britten, co-founder of the expert witnesses campaign

that the right expert is available to do the job for a particular field," she says.

There are few data sets on the proportion of women acting as expert witnesses. But a 2020 study by professional services firm PwC and Queen Mary University showed that, between 2014 and 2018, just 11 per cent of the 180 awards made in arbitral proceedings administered by the International Chamber of Commerce in Paris and New York used female expert witnesses.

Directories also show a paucity of female experts. Last year, in the Who's Who Legal expert witnesses directory, just 16 per cent of the experts listed were female. Similarly, the membership list of The Expert Witness Institute is only 18 per cent female. Just 12 per cent of its finance experts are women, and just 8 per cent in its medical category (other than nursing). In construction, just 4 per cent of the experts listed are female.

The new campaign complements an existing push to improve the underrepresentation of female arbitrators, which has seen some success.

The Equal Representation in Arbitration campaign was launched in 2015 in recognition of the lack of women on international tribunals. Supporters sign a pledge to seek to increase, on an equal opportunity basis, the number of women appointed to the role.

Sylvia Noury KC, co-chair of the ERA and an arbitrator at law firm Freshfields, helped set up the call to action for the arbitration community.

The pledge has 4,129 individuals and 983 organisations in 143 countries as signatories.

"In the past, it has been clear that qualified women haven't had the same opportunities as qualified men to sit as arbitrators," Noury says.

"Things are changing — particularly at the more junior end of the spectrum," she adds. "[Clients] are now increasingly more willing to appoint a woman arbitrator, with the pool of qualified women becoming more visible."

Clients will even reject a list of potential arbitrators if it does not contain a fair representation of women, often quoting their obligations under the pledge, Noury notes.

According to the latest gender diversity report, published in September by the cross-institutional task force on gender diversity at the International Council for Commercial Arbitration, the proportion of women appointed as arbitrators has nearly doubled in the five years to 2021, from 12.6 per cent in 2015 to 26.1 per cent. More than a third of all appointments by arbitral institutions are now women, increasing from 24.9 per cent in 2015 to 37.9 per cent in 2021.

There are hopes that similar strides can be made in the field of expert witnesses.

Britten points out that many of those who become expert witnesses can use the experience to develop their careers, or even make it their main job.

"It has gone from something that people did as an extra to something that people are doing as a full-time job," says Britten. "One of the benefits of doing it is it's a fantastic career, every day is different, and you are continually challenged intellectually and personally.

Female-led social enterprises tackle dysfunctional UK childcare system

Continued from page 1

see it as 'those little women over there' . . . [and the subject isn't given] the seriousness it deserves," O'Sullivan observes.

Rebecca Swindells founded The Blue Door Nursery, in Seaford, south-east England, after working in primary schools for 15 years. She says the majority of small nursery chain founders are focused on giving children the best start — despite the tight finances of the sector.

"Fundamentally, nurseries are started by education professionals who start businesses to provide childcare and education. This isn't a sector that you go into to make big bucks."

Smaller employers in the sector can sometimes offer workers more support than other businesses, she adds — such as giving staff time off to care for their own children or allowing more time for personal development.

"It's not a profession that people work in for the money," she stresses. "We have to make it attractive in other ways — for example, by offering staff different kinds of motivations, such as flexibility with hours or allowing them to develop their own skills and interests at work."

Other organisations have adopted more radical approaches, such as offering employees a stake in their nurseries, in the face of challenging financial conditions.

Anne-Marie Dunn, who built multi-nursery chain Kidzcare into a 150-employee business with an annual turnover of £3mn, this year sold 100 per cent of her shares to workers via a trust, making it the first fully employee-

In 2019, more than half of families did not pay for pre-school childcare — LEYF

owned childcare company in Scotland.

As well as monetary benefits, Dunne hopes the shift will give employees a greater sense of agency and control over how the business is run, resulting in better outcomes. "They're starting to think, in a small way, this is my money we're spending, this is my service we're delivering," she says. "One of the joys is transforming the lives of people . . . [employees'] salaries and their lives are going to be really different."

The London Early Years Foundation has adopted a social enterprise model that cross-subsidises fees for poorer parents. All profits are redirected to the social business, rather than being paid out in dividends, with the aim of reserving 35 per cent of places for disadvantaged children.

O'Sullivan hopes businesses like hers can contribute to the wellbeing of children, their families and communities — and the longer-term needs of the country's economy, too. "Our way of doing business adds value to the economy — it's not to be down-valued," she says.

More on FT.com

FT readers: Childcare subsidies will help women return to the workplace
Respondents to a global reader survey last month argued, among other things, that policymakers and employers should help shoulder the costs of childcare. What are your thoughts?

View the survey findings at ft.com/reports/women-in-business

Contributors

Bethan Staton
Public policy reporter

Brooke Masters
US investment and industry editor

Philippa Nuttall
Freelance journalist

Natalie Whittle
Freelance journalist

Jane Croft
Law courts correspondent

Maxine Kelly, Harriet Arnold
Commissioning editors

Esan Swan
Picture editor

Neil Way
Designer

For advertising details, contact:
Sophy Pierre, +331 53 76 82 55, sophy.pierre@ft.com, or your usual FT representative.

All editorial content in this report is produced by the FT. Our advertisers have no influence over or prior sight of the articles.

All FT Reports are available at: ft.com/reports