FINANCIAL TIMES

FRIDAY 26 AUGUST 2022 — INTERNATIONAL NEWSPAPER OF THE YEAR — ASIA

Cocaine problem
Latin America is failing in its war on drugs — MICHAEL STOTT, PAGE 4

Off the silver screen
Have streamers really reached their peak TV moment? — ANALYSIS, PAGE 7

Take note, Fed
Bank needs to send a clear message at Jackson Hole — GILLIAN TETT, PAGE 15

Myanmar pain
Arrests tighten regime's hold

Monirul Alam/EPA-EFE/Shutterstock

A Rohingya refugee at Cox's Bazar in Bangladesh yesterday, where the minority ethnic group are holding a series of protests to mark five years since their forced exodus from Myanmar.

The rally followed the arrest of former UK ambassador to Myanmar, Vicky Bowman, on Wednesday. Bowman is the director of a non-governmental organisation that advocates transparent business practices. She was detained alongside her husband, former political prisoner Htein Lin, over alleged violations of an immigration law.

Myanmar's junta has carried out a series of political arrests since returning to power last year, often on security and immigration grounds.

British ex-ambassador detained page 2

Short sellers place €39bn bet on Italy's debt crisis growing worse

- Biggest wager since 2008 ● Political turmoil fans anxiety ● Russia gas embargo feared

LAURENCE FLETCHER AND NIKOU ASGARI
LONDON

Hedge funds have lined up the biggest bet against Italian government bonds since the global financial crisis, acting on rising concerns over political turmoil in Rome and the country's dependence on Russian gas imports.

The total value of Italy's bonds borrowed by investors to wager on a fall in prices hit its highest level since January 2008 this month, at more than €39bn, according to data from S&P Global Market Intelligence.

The rush to bet against Italy comes as it faces economic headwinds from soaring natural gas prices prompted by Russia's supply cuts and a fraught political climate with elections next month.

"It's the most exposed [country] in terms of what happens to gas prices, and the politics is challenging," said Mark Dowding, chief investment officer at BlueBay Asset Management, which runs about $106bn in assets. He is shorting Italian 10-year bonds.

The IMF warned last month that a Russian gas embargo would spur an economic contraction of more than 5 per cent in Italy and three other countries, unless other nations shared supplies.

Italy is also considered among the countries most vulnerable to the European Central Bank's decision to unwind its stimulus programmes by raising interest rates and halting bond purchases that have propped up the country's vast debt market.

A period of relative political calm ushered in by Mario Draghi's appointment as prime minister in February 2021 was shattered in July when the former ECB chief resigned and his national unity coalition unravelled.

Nationalist leader Giorgia Meloni is considered favourite to become prime minister. Draghi this week called on parties in the elections to make good on Italy's financial reform commitments.

Eurosceptic parties within the right-wing coalition, which might secure up to half of the vote on September 25, according to polls, have signalled they could review the details of Italy's €200bn EU-funded recovery plan and other reforms such as a new competition law associated with it.

"Domestic credibility goes hand in hand with international credibility," Draghi said.

Former prime minister Mario Draghi has urged whoever forms the next government to stick by Italy's financial reform commitments

Italian bonds had already sold off in recent weeks as investors responded to rising uncertainty. The yield on Italy's 10-year debt has risen to 3.7 per cent, pushing the gap, or "spread", with Germany's debt — a risk barometer — to 2.3 percentage points from 1.37 percentage points at the start of the year.

One large investor in hedge funds said Italy "seems like it's going to be the most vulnerable" country to worsening economic conditions, adding that such bets were "widespread".

Michael Hintze, founder of hedge fund CQS, has been among those profiting from bets against Italy's bonds this year, according to documents seen by the Financial Times. CQS declined to comment.

ECB's fears page 2

Briefing

▸ Citigroup to shut Russia businesses
The US bank said it would wind down its businesses in Russia after failing to find a buyer following the invasion of Ukraine. The move is expected to cost $170mn over the next 18 months.— PAGE 5

▸ China unleashes $44bn stimulus
Beijing has announced that it will spend $44bn on measures to revive the country's economy, which has been hard hit by a crisis in the property sector and repeated Covid-19 lockdowns.— PAGE 4

▸ End date for California's petrol car sales
The US state is to outlaw sales of new petrol vehicles in the state by 2035, imposing a target described by a motor industry group as 'extremely challenging'.— PAGE 3

▸ Ethiopia ceasefire breaks down
Fresh fighting has broken out in northern Ethiopia, ending a ceasefire and wrecking hopes for peace talks between the government and the Tigray People's Liberation Front.— PAGE 2

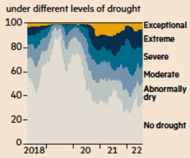
▸ Pyongyang admits fresh Covid cases
Authorities in North Korea have found four suspected Covid-19 cases near the Chinese border, two weeks after leader Kim Jong Un declared a 'miraculous' victory over the disease.— PAGE 4

▸ Windhorst in €500mn H20 debt pledge
German financier Lars Windhorst has promised to pay more than €500mn to H2O Asset Management within weeks, clearing a chunk of his more than €1bn debt with the investment firm.— PAGE 6

▸ The Amazon doctor won't see you now
Amazon is to close its US telehealth service, Amazon Care, which promised doctors on demand, but is continuing investment in the sector after buying primary healthcare group One Medical.— PAGE 6

Datawatch

Drought severity
% share of the continental US area under different levels of drought



Source: US Drought Monitor

The US has been experiencing unusually hot and dry weather, with water levels at historic lows. As of August 16, droughts of different levels of severity were affecting more than 66 per cent of the area of the continental US.

Biden's student debt relief plan stirs inflation fears

Inflationary fire ▸ PAGE 3

'Synthetic' mouse embryos raise hope for future of lab-grown human organs

CLIVE COOKSON — LONDON

Scientists have created "synthetic" mouse embryos with growing brains, beating hearts and the precursors for all other organs in place — without using sperm or eggs.

The researchers at Cambridge university and the California Institute of Technology said theirs were the most complete mammalian embryos made so far from stem cells. Details were published in Nature yesterday.

The team is working to extend its findings to human development — a field in which other labs around the world are already active, although no synthetic human embryos have been created with organs as well developed as their mouse counterparts.

Experimental embryology is advancing rapidly, as scientists learn new methods of manipulating stem cells. One motivation for the research was to help understand why some pregnancies failed and others succeeded, said Magdalena Zernicka-Goetz, the Cambridge-Caltech project leader.

"The stem cell embryo model is important because it gives us accessibility to the developing structure at a stage that is normally hidden from us, due to the implantation of the tiny embryo into the mother's womb," she said. "This allows us to manipulate genes to understand their developmental roles in a model experimental system."

The synthetic mouse embryos grown by the Cambridge-Caltech team — and in a similar project at Israel's Weizmann Institute — have reached a stage equivalent to a natural embryo at eight-and-a-half days gestation, or almost half the normal pregnancy time in mice.

"The embryos struggle to grow beyond that point because they require a placenta which we cannot reproduce *in vitro*," said Gianluca Amadei, first author of the study. If scientists can grow similar embryos from human stem cells, a long-term goal might be to direct the development of specific organs for transplantation.

"The knowledge could be used to grow correct synthetic human organs to save lives that are currently lost," said Zernicka-Goetz. "It should also be possible to affect and heal adult organs by using the knowledge we have on how they are made."

Lluis Montoliu, deputy director of Spain's National Biotechnology Centre, said: "We are undoubtedly facing a new technological revolution — a revolution that naturally also raises new ethical dilemmas."

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

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World Markets

STOCK MARKETS

	Aug 25	Prev	%chg
S&P 500	4166.76	4140.77	0.63
Nasdaq Composite	12537.96	12431.53	0.86
Dow Jones Ind	33015.74	32969.23	0.14
FTSEurofirst 300	1710.52	1704.63	0.35
Euro Stoxx 50	3674.02	3667.46	0.18
FTSE 100	7479.74	7471.51	0.11
FTSE All-Share	4103.35	4100.82	0.06
CAC 40	6381.56	6386.76	-0.08
Xetra Dax	13271.96	13220.06	0.39

CURRENCIES

Pair	Aug 25	Prev	Pair	Aug 25	Prev
$/€	0.998	0.999	€/$	1.002	1.001
$/£	1.183	1.182	£/$	0.846	0.846
£/€	0.844	0.845	€/£	1.185	1.183
¥/$	136.695	136.765	¥/€	136.443	136.656
¥/£	161.641	161.670	£ index	78.820	79.010
SFr/€	0.962	0.965	SFr/£	1.140	1.141

CRYPTO

	Aug 25	Prev	%chg
Bitcoin ($)	21540.40	21364.31	0.82

GOVERNMENT BONDS

Yield (%)	Aug 25	Prev	Chg
US 2 yr	3.37	3.37	0.00
US 10 yr	3.08	3.11	-0.03
US 30 yr	3.27	3.29	-0.03
UK 2 yr	2.92	3.06	-0.14
UK 10 yr	2.61	2.70	-0.08
UK 30 yr	2.89	2.93	-0.04
JPN 2 yr	-0.09	-0.09	0.00
JPN 10 yr	0.23	0.22	0.01
JPN 30 yr	1.15	1.14	0.01

Dubai

Nikkei	28479.01	28313.47	0.58
Hang Seng	19968.38	19268.74	3.63
MSCI World $	2736.01	2730.35	0.21
MSCI EM $	985.13	989.54	-0.45
MSCI ACWI $	634.97	634.11	0.14
FT Wilshire 2500	5400.16	5380.57	0.36
FT Wilshire 5000	42192.46	42036.43	0.37

Ethereum	1699.99	1656.37	2.63

COMMODITIES

	Aug 25	Prev	%chg
Oil WTI $	94.40	94.89	-0.52
Oil Brent $	101.09	101.22	-0.13
Gold $	1745.65	1746.55	-0.05

GER 2 yr	0.86	0.92	-0.07
GER 10 yr	1.31	1.37	-0.05
GER 30 yr	1.50	1.50	0.00

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Central bank

ECB fears weak euro will spur price rises

Energy supply crisis adds to inflation concerns, July meeting minutes reveal

MARTIN ARNOLD — FRANKFURT

European Central Bank rate-setters expressed mounting concern that the weak euro would feed higher inflation when they decided last month to raise interest rates for the first time in more than a decade, minutes published yesterday from their meeting revealed.

Concerns about soaring inflation, which some feared might not be tamed even if the energy supply crisis intensified, appeared to outweigh worries about a weakening growth outlook during the deliberations of the ECB governing council in July. Policymakers at the meeting raised the ECB's deposit rate by a greater than expected half-percentage point to zero and signalled more increases to come.

"Members widely noted that the depreciation of the euro constituted an important change in the external environment and implied greater inflationary pressures for the euro area, in particular through higher costs of energy imports invoiced in US dollars," said the ECB.

Some policymakers argued it should stick to its earlier plan for a 25 basis-point rate rise in July, rather than the 50-basis point rise it ultimately decided on.

But most of them agreed their decision to launch a new bond-buying programme to tackle unjustified divergence in borrowing costs between eurozone member states, dubbed the transmission protection instrument, enabled them to take a bolder approach.

Rate-setters identified a growing number of upside risks to inflation, which hit a record for the eurozone of

'Depreciation of the euro constituted an important change . . . and implied greater inflationary pressure'

8.9 per cent in July. As well as the weaker euro, these included "a durable worsening of the production capacity of the euro area economy, persistently high energy and food prices, inflation expectations rising above [the 2 per cent] target and higher than anticipated wage rises".

"It was argued that even a recession would not necessarily diminish upside risks, especially if it was related to a gas cut-off or another supply shock implying a further increase in inflation," the ECB said. However, other council members argued low growth would "itself take care of low inflation".

Since last month's meeting economists have raised their forecasts for eurozone inflation over the next two years, reflecting a rise in European wholesale gas and electricity prices to record levels in response to fears of a potential shortfall caused by Russia making further cuts to supplies.

This has prompted investors to bet the ECB will raise rates by a further half percentage point at next month's meeting to cool price growth, even though many economists fear the eurozone could fall into recession this winter.

The hawkish mood is likely to be reflected in this week's meeting of central bankers at Jackson Hole, Wyoming. Federal Reserve chair Jay Powell is today expected to underscore the US central bank's commitment to do what is needed to combat inflation.

Policymakers said the eurozone economy had "demonstrated considerable strength and resilience in the face of multiple crises".

This was underlined yesterday when Germany revised its estimate of second-quarter gross domestic product up from its initial estimate of stagnation to growth of 0.1 per cent.

Political dispute. Security services

Greek wiretap turns up heat on premier

Surveillance of opposition party leader puts pressure on Mitsotakis's government

ELENI VARVITSIOTI — ATHENS

Nikos Androulakis wants answers. Since Greece's secret service admitted this month that it tapped his phone, the leader of the opposition Pasok party has insisted that one man, Prime Minister Kyriakos Mitsotakis, clear his own role in the affair.

"Who requested and for what reason the wiretapping of a Greek MEP and candidate for the presidency of the third-largest party at the time, in violation of the laws and constitution?" said Androulakis in an interview. "If it isn't the prime minister who has direct political responsibility, who controls the operation of the country's secret services?"

The surveillance of Androulakis, who also sits in the European Parliament, is becoming a hot potato for Mitsotakis and his three-year-old government. Opposition MPs are trying to force increased scrutiny in parliament via a debate and an inquiry starting this week, hoping to dent the popularity of the centre-right prime minister.

"After successfully weathering a number of highly demanding crises, from migration to Covid, to Greek-Turkish relations, to the energy crisis, [Mitsotakis] is facing the one with the greatest potential for political destabilisation," said George Pagoulatos, head of Athens think-tank the Hellenic Foundation for European and Foreign Policy.

Mitsotakis denied this month that the wiretapping had been illegal but said it had been a mistake. "I did not know about it, and obviously, I would have never allowed it," he said, blaming "dark forces" for trying to destabilise the country.

A person close to Mitsotakis said this was an allusion to Russia after Greece's opposition to the invasion of Ukraine. "It cannot be a mere coincidence that in the past few months we have seen attempts to destabilise a series of European countries . . . in direct and indirect ways," the person said.

Androulakis also discovered this year via checks done in his capacity as an MEP that his phone had been targeted with Predator spyware, which can access encrypted messages such as WhatsApp and activate a device's camera and microphone when the target clicks on a link.

Going public: Pasok's Nikos Androulakis tells the Athens media of his anger. Below, Kyriakos Mitsotakis
STR/Eurokinissi/AFP/Getty Images

While the Greek government denies purchasing or using Predator, the intelligence service, known as the EYP, started following Androulakis via his mobile phone provider at about the same time that an attempt to bug his phone with the software failed, according to Canada-based Citizen Lab, which specialises in monitoring spyware.

"How can one explain that five days after EYP started my wiretapping, an attempt to install the Predator spyware on my phone also took place?" said Androulakis.

Thanasis Koukakis, a journalist and Financial Times contributor, also said he fell victim to Predator after he filed a complaint with the telecoms watchdog, ADAE, about his phone being monitored by EYP. Both men are taking legal action against the Greek state.

The scandal has intensified scrutiny of the workings of the EYP, which Mitsotakis put directly under his control shortly after he became prime minister.

He also raised eyebrows by appointing Panagiotis Kontoleon, head of a private security company with no apparent experience in national security matters, to run the agency.

His appointment was approved by parliament after the law outlining the qualifications for the position changed. Kontoleon resigned this month following the revelations.

Mitsotakis's nephew, Grigoris Dimitriadis, has also resigned as the premier's general secretary, which gave him political oversight of the EYP. He has also denied any wrongdoing or any involvement in the wiretappings.

The intelligence service has been steadily increasing the number of legal surveillance orders, which reached 15,000 last year, more than 30 per cent higher than 2018, according to ADAE. By contrast in 2004, when Greece was hosting the Olympics and considered at risk of a terror attack, the number of surveillance orders was less than 500.

'How can one explain that five days after EYP started wiretapping, an attempt to install the Predator spyware on my phone also took place?'

Before Mitsotakis took office surveillance also increased greatly in 2018 after the then leftist Syriza government cut the number of prosecutors required to approve a surveillance order from two to one. Critics say it undermined the procedure's independence and validity.

Pavlos Apostolidis, head of the EYP from 1999-2005, said the number of orders was surprising: "I cannot justify the substantial increase over the years."

Dimitris Papadimitriou, professor of political science at the UK University of Manchester, said the scandal could "dent the narrative that [Mitsotakis] has been carefully building in the past years [of] a politician with liberal views on the economy and social issues".

The government rejects the idea that surveillance has increased excessively. A person under surveillance might have several phones and one phone number may be subject to various renewed orders, said George Gerapetritis, minister of state in the prime minister's office.

ADAE previously had to provide confirmation if a person suspected they had been under surveillance and if the secret service no longer deemed that person a national security threat. But after Koukakis's complaint last year, the law was changed so the watchdog was no longer required to provide such confirmation.

The change was implemented despite opposition from ADAE's chair, who said it might not be compatible with the constitution and the European Charter of Fundamental Rights.

Gerapetritis pointed out that Greece had been "under great pressure" because of poor relations with Turkey and a number of spying cases. He added that many other European countries do not reveal the names of those being monitored for national security reasons.

This week, Mitsotakis's nomination for a new EYP chief was approved by a parliamentary committee, but all opposition parties abstained. Mitsotakis is also expected to try to widen the scope of the expected inquiry into wiretapping so it also scrutinises the surveillance activities of previous governments.

Apostolidis said the EYP debate must "not result in undermining the service but . . . be an opportunity to improve".

Military crackdown

Myanmar junta arrests UK's former ambassador and husband

JOHN REED — NEW DELHI
ELI MEIXLER — HONG KONG

Myanmar's military regime has arrested a former UK ambassador to the country and her artist husband, according to two people familiar with the situation.

News of the arrests emerged yesterday, the fifth anniversary of Myanmar's violent crackdown on the Muslim Rohingya minority, a campaign that has drawn accusations of genocide.

Vicky Bowman, the UK's envoy to Myanmar from 2002 to 2006, and her husband, artist and former political prisoner Htein Lin, were arrested on Wednesday by the regime, which seized power in a coup against Aung San Suu Kyi's government in February last year.

They were taken to Yangon's Insein prison, said the people. Independent news website Myanmar Now said both were charged with violating the Immigration Act and faced potential prison sentences of six months to five years.

"We are concerned by the arrest of a British woman in Myanmar. We are in contact with the local authorities and are providing consular assistance," said the UK's Foreign, Commonwealth and Development Office.

The Foreign Office announced that the UK would "intervene" in a case filed by Gambia at the International Court of Justice in The Hague in 2019 accusing the Myanmar military of genocidal acts against the Rohingya.

The UK also unveiled sanctions against military-linked companies, including one controlled by a son of coup leader General Min Aung Hlaing.

Bowman is the director of the Myanmar Centre for Responsible Business, a non-governmental organisation that advises local enterprises on anti-corruption, social and environmental practices.

She also previously worked with miner Rio Tinto on transparency and sustainability issues.

The UK's current envoy to Myanmar, Pete Vowles, was expelled from the country last month. Vowles, who was appointed ambassador last year but had declined to present his credentials to the junta, had downgraded his title to chargé d'affaires ad interim.

Myanmar's military, known as the Tatmadaw, launched a violent crackdown in 2017 against the Muslim Rohingya minority in the western Rakhine state.

At least 10,000 Rohingya were killed and 730,000 displaced into neighbouring Bangladesh, according to a UN fact-finding mission that concluded the Tatmadaw's months-long assault amounted to "both war crimes and crimes against humanity".

The Foreign Office said: "The UK has been clear that what happened to the Rohingya was ethnic cleansing and remains committed to taking action to stop the brutality of the Myanmar armed forces and hold them to account."

Burma Campaign UK, an advocacy group, said the UK's involvement in the ICJ case would "bring vital additional resources and expertise, as well as sending an important political message".

Last month the ICJ ruled that the case could proceed, quashing Myanmar's objections over its jurisdiction.

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Tigray conflict

Ethiopia civil war ceasefire ends as fighting erupts in north

ANDRES SCHIPANI — NAIROBI

Fighting has erupted in northern Ethiopia, ending a months-long ceasefire and dashing hopes for peace in a conflict that has already cost thousands of lives and displaced millions.

The fighting deals a blow to tentative plans for peace talks between the government of Prime Minister Abiy Ahmed and the Tigray People's Liberation

Nobel Peace Prize winner Abiy, who sent troops north to crush the TPLF after, he said, their fighters had attacked a garrison in Tigray's capital, Mekelle.

The civil war has also cost Ethiopia, one of the biggest economies in east Africa, billions in donor support and duty-free access to the US. Since the beginning of the year, the conflict had eased, spurring hopes for peace.

"The government has nothing to gain

between Amhara and Tigray, and the investigation of atrocities allegedly committed by all sides remained.

The government said on Wednesday that last week it "unveiled its proposal for peace which includes plans for a ceasefire and restoration of services to the region", but accused the TPLF of "a strong desire to continue fighting".

Tigray's military command said the Ethiopian forces and fighters from

US secretary of state Antony Blinken warned that "a return to active conflict would result in widespread suffering, human rights abuses and further economic hardships". UN secretary-general António Guterres called for peace talks to resume, as did the African Union, which is trying to broker talks.

In an open letter on Tuesday, the TPLF leader, Debretsion Gebremichael, said that his side stood ready to "negoti-

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Representative, Anjali Mahindroo

Front, the party that controls Tigray and ran Ethiopia for three decades.

Both sides denied firing the first shot and each blamed the other for restarting hostilities. Fighting had been reported in parts of southern Tigray and an area bordering the Amhara region, the government and TPLF said.

"Ignoring all of the peace alternatives presented by the government, the terrorist group TPLF continued its recent provocations and launched an attack," the government said. "They officially violated the ceasefire."

The TPLF blamed the regime for the offensive. "We will have to defend," Kindeya Gebrehiwot, said for the TPLF.

The war, which began in November 2020, has sullied western support for

by starting another round of conflict, it would be a significant reversal of everything we have been trying for the past six months to get the economy right, not to mention the tragic loss of young lives," said a senior Ethiopian official.

In January, Addis Ababa released opposition leaders from prison and signalled its willingness to talk to its opponents. In late March it declared a "unilateral truce" to allow food aid to get to the blockaded northernmost region. In late April, Tigrayan forces fully withdrew from the Afar region, paving the way for back-channel talks between officials from Addis Ababa and Mekelle.

But bones of contention, including the withdrawal of Eritrean and Amhara forces, the resolution of a land dispute

Amhara began "an extensive offensive" on Wednesday in a "flagrant violation of the cessation of hostilities agreement" that had been in place for months.

Destroyed: a tank in north Ethiopia, where fighting has restarted

ate in good faith" but the peace process "envisaged" by the AU was being "set up to fail". He demanded the federal government restore essential services in Tigray, unfettered humanitarian access, accountability for "war crimes", withdrawal of all foreign forces and the return of western Tigray, which is now under Amhara control.

Redwan Hussien, national security adviser to Abiy, said about a month ago that talks should start without preconditions, adding that there had been no limit on the number of flights and trucks carrying aid into the region.

With more than 5mn in need of food, international agencies said aid had been going into Tigray since a humanitarian truce was declared in late March.

INTERNATIONAL

Biden accused of fuelling 'inflationary fire' with move to cancel student debt

Loan forgiveness scheme delights progressives but opponents fear it will stoke consumer demand

KIRAN STACEY — WASHINGTON

Joe Biden's historic cancellation of billions of dollars in student loan debt, a move long-awaited by progressives, has come at a precarious moment for the US economy.

"This means people are going to start to finally crawl out from under that mountain of debt . . . to finally think about buying a home or starting a family or starting a business," the US president said on Wednesday. "And by the way, when this happens, the whole economy is better off."

While that delighted those waiting for Biden to fulfil his campaign pledge to help borrowers hit by student debt, they also worried some economists who believe that with consumer price inflation at a 40-year high, this is the worst time to give it further fuel.

"This is going to worsen inflation and it is going to eat up all the deflationary impact of the Inflation Reduction Act," said Marc Goldwein, senior policy director at the hawkish Committee for a Responsible Federal Budget (CRFB).

Republicans were similarly scathing, with Mitch McConnell, the party's leader in the Senate, calling the move "student loan socialism".

Even some on the left worry that putting thousands of dollars into the pockets of millions of Americans will further stoke demand and help push prices even higher. "Pouring roughly half [a] trillion dollars of gasoline on the inflationary fire that is already burning is reckless," Jason Furman, who was chair of Barack Obama's council of economic advisers, said in a tweet.

Wednesday's announcement follows months of pressure on Biden to do something about the country's soaring levels of student debt. Since 1980, the cost of a four-year university degree has nearly tripled in real terms, according to the College Board.

Donald Trump first instituted a freeze on payments for federal student loans at the start of the coronavirus pandemic, which has since been extended multiple times. Biden said on Wednesday that repayments would be paused for an extra four months and that when they restarted, everyone earning less than $125,000 would be forgiven $10,000.

Recipients of Pell grants, which are given to those in particular financial need, will get an extra $10,000 in debt forgiveness. Borrowers with original loan balances of $12,000 or less will have the outstanding amount completely cancelled after 10 years, rather than 20.

After repayments resume, they will be capped at 5 per cent of income, and no one earning 225 per cent of the poverty level — roughly equivalent to earning the minimum wage — will have to make repayments.

The White House says 43mn borrowers will have payments cut and 20mn of those will have their balance wiped out entirely. US consumers hold about $1.6tn in outstanding student debt, with black households typically bearing more debt and facing higher repayments. Roughly 16 per cent of borrowers are in default, while two-thirds of black borrowers owed more in 2016 than in 2004, according to a study by the leftwing Center for American Progress.

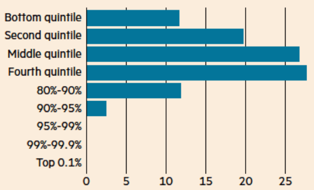
Good times: New York University graduates celebrate in May. Joe Biden has been under pressure to tackle soaring levels of student debt
Seth Wenig/AP

"The Biden administration's policy is going to be transformative for the lives of borrowers," said Charlie Eaton, associate professor of sociology at the University of California Merced.

Cancelling debt is not wholly progressive, given that the poorest members of society are less likely to have gone to university. An analysis by the Penn Wharton Budget Model found that cancelling $10,000 of debt for those earning under $125,000 a year would help the top 60 per cent of earners more than the bottom 40 per cent, and those in the middle the most. But the additional actions, such as increasing the amount of forgiveness for Pell grant holders and capping repayments, will help tilt the benefit back towards lower earners.

Middle earners gain most from debt forgiveness

How much each income group benefits if $10,000 is cancelled for anyone earning less than $125,000 (%)



This excludes the impact of additional measures such as giving extra forgiveness to those on Pell Grants
Source: Wharton Business School, University of Pennsylvania

Susan Rice, director of Biden's domestic policy council, said: "Targeting this relief to those who need it the most means that 90 per cent of the relief dollars will go to those individuals earning less than $75,000 a year, and no individual or couple in the top 5 per cent of incomes in the United States will receive a penny of relief."

Others point out that it is more progressive in terms of wealth and race. A paper by Eaton for the Roosevelt Institute found that the people in the second-poorest quintile were helped most by student debt cancellation when calculated by assets rather than income. It particularly helps black borrowers, many of whom have to pay higher interest rates because they had fewer assets to borrow against in the first place.

Goldwein calculated that the package could end up costing $500bn. And he pointed out that forgiving student debt could make university tuition more expensive in the long run. "If colleges know that debt has been forgiven in the past and might be again in the future, they will be under less pressure to bring down tuition fees," he said.

> 'People are going to start to finally crawl out from under that mountain of debt'
> Joe Biden

The administration's supporters believe any short-term inflationary fallout will be minimal, given that the effect for most borrowers will be spread out over years' worth of reduced payments, rather than all at once.

Some progressives want Biden to do even more, with Bernie Sanders, the liberal senator from Vermont, leading calls to eliminate fees altogether for low- and middle-income households.

"Pausing repayments until the end of the year will have a fiscal impact of $20bn-$40bn, and the future impact of forgiveness will be less than that," said Kent Smetters, professor of public policy at Penn Wharton. "Compared to the size of the economy, that would not even show up."

Eaton said: "When debts are cancelled people are able to do things that were not previously possible. They are able to save, they are able to get loans, they are able to buy homes and build wealth in ways that the previous generation has not been able to do."

See The FT View
Gillian Tett see Opinion

Emissions control

California to push on with banning sale of new petrol cars by 2035

CLAIRE BUSHEY — CHICAGO
CHRISTOPHER GRIMES — LOS ANGELES

California is to enact rules that halt sales of new petrol-powered vehicles by 2035, as the US state that has been a bellwether on environmental policy takes aim at its largest source of carbon emissions.

A carmaker trade group described the target as "extremely challenging". Even as California leads the nation in electric vehicle sales, they still account for less than a fifth of the market there.

The rule, set to be passed yesterday by the California Air Resources Board, would mandate that starting in 2026, 35 per cent of the new vehicles sold in California must not emit tailpipe pollution. The target rises each year, hitting 68 per cent in 2030 and 100 per cent in 2035, with a small share allowed to be plug-in hybrid electric vehicles.

"This is a really critical step forward and reaffirms California's leadership role in reducing vehicle emissions," said Alice Henderson, director of transportation and clean air policy at the Environmental Defense Fund.

The regulation formalises an executive order California governor Gavin Newsom issued nearly two years ago calling for the phased elimination of sales of new cars and trucks powered by petrol. By 2045, the state has separately committed itself to eliminating emissions from the power grid, the main source of energy for electric vehicles.

California has long been seen as a trailblazer on US environmental regulation, dating back to rules it introduced in the 1960s that limited motor vehicle exhaust emissions. More than a dozen states follow its regulatory lead on air quality.

"This is a big deal," said Howard Learner, executive director of the Chicago-based Environmental Law & Policy Center. "California's clean car policies help drive the national, and to some degree, the global auto market."

The state also represents about 12 per cent of the US market, with 1.9mn cars sold in 2021. Given its size, the push on zero-emission cars will press manufacturers to electrify their line-ups faster.

Carmakers are already investing billions to build out their EV offerings, taking advantage of consumer demand and federal incentives such as those expanded in a climate and tax bill passed by Congress this month.

However, John Bozzella, chief executive of carmaker trade group Alliance for Automotive Innovation, called the California regulation "very aggressive". Achieving the EV sales targets is linked to factors including inflation, charging and fuel infrastructure, supply chains, labour, critical mineral availability and pricing, and the semiconductor shortage, he said. "These are complex, intertwined and global issues well beyond the control of either [the California Air Resources Board] or the auto industry," Bozzella said.

Ford and General Motors say they are committed to a zero-emissions future.

Inquiry. Power grab

Australia rocked by 'mini constitutional crisis'

Former PM under fire after covertly appointing himself

power and has tainted Morrison's tenure as prime minister.

Anthony Albanese, Morrison's successor, has launched an independent

Yet his pandemic defence was undermined by the one intervention he made when he overruled his resources minister to block an offshore gas project, a

level of transparency one would expect from a government."

Albanese said the inquiry would also consider the legality of a number of

Reproductive rights

District judge prevents Idaho from outlawing all abortions

KIRAN STACEY — WASHINGTON

task of attempting to simultaneously comply with both federal and state law," the judge wrote.

NIC FILDES — SYDNEY

Scott Morrison took to the stage at the Victory Life Centre, a Pentecostal church in Perth, last month and told the congregation "we don't trust in governments".

The former prime minister is a devout Christian and his sermon was delivered two months after he lost a federal election that ended his three-year stint as the country's leader.

"As someone who's been in it [government], if you are putting your faith in those things as I put my faith in the Lord, you're making a mistake," he said.

Morrison's arguments are being seen in a different light after it was revealed that he covertly appointed himself to run five ministries — including health, resources, home affairs, finance and the treasury — without telling most of the ministers involved.

The case has shocked Australia's political establishment. The flouting of convention has drawn comparisons with authoritarian governments around the world that used the pretext of the pandemic to strengthen their grip on

from Stephen Donaghue, Australia's solicitor-general, who said on Tuesday that the former leader's actions were neither illegal nor unconstitutional but had "fundamentally undermined" the principles of responsible government.

"Plainly enough, it is impossible for the parliament to hold ministers to account for the administration of departments if it does not know which ministers are responsible for which departments," Donaghue said.

The scandal has led to calls for Morrison to resign as an MP, including from some within his own Liberal party, and he has been derided in the Australian press as "the minister for everything" who engaged in a cabinet "me-shuffle".

Morrison said he would assist with "any genuine process" following the announcement of the inquiry after defending his actions in a press conference last week, when he argued that he had taken on the ministerial responsibilities during the pandemic as "emergency powers" that he never had to use.

"I was steering the ship during the tempest," he said, adding that he had not told all ministers because it would have distracted them from their jobs.

had nothing to do with the health crisis.

Luke Beck, a professor of constitutional law at Monash University, said Morrison's own views on not trusting governments had been laid bare by his

Scott Morrison: says he did not tell ministers because it would have distracted them from their job

actions. "That statement demonstrates his rank hypocrisy," he said. "He himself wilfully and deliberately undertook a scheme to breach convention and misled his own government ministers, parliament and the public."

Anne Twomey, a professor of constitutional law at the University of Sydney, said Morrison might not have broken the law but he clearly broke with convention.

Ministers were often sworn in to administer other departments if there was an overlap in duties but the mechanism had been "exploited" by Morrison. "Nobody knew he was there. He was like a ghost minister no one could see," she said. "It is conduct that is contrary to the

ment, including the deportation of tennis player Novak Djokovic over his decision not to be vaccinated against Covid-19, the spending of vaccine stimulus funds and an A$800mn (US$550mn) manufacturing fund over which Morrison had the final say.

The controversy has also highlighted the role of David Hurley, the governor-general who acts as the Queen's representative in Australia, who signed off the secret appointments.

The solicitor-general and constitutional experts said Hurley did nothing wrong in approving Morrison's ministerial grab, adding that he was not required to publicise the decisions.

But Matt Thistlethwaite, the minister for the republic, who is leading a debate about the political system ahead of a potential referendum on ditching the Queen as head of state, said the controversy represented a "mini constitutional crisis" that undermined the monarchist argument that the current structure works. "If we had an Australian head of state swearing an allegiance to the Australian people, then it would be inconceivable that they would not have told the public about this," he said.

tory in its battle to protect women's reproductive rights as a judge in Idaho stopped the state from implementing a ban on abortions in cases in which the mother's life is at risk.

B Lynn Winmill, a federal district judge, on Wednesday blocked the state from enacting part of a law that would have prohibited emergency doctors from performing an abortion to prevent serious harm to the patient or to save her life. The injunction, which was enacted a day before the rule was due to take effect, will remain in place while the state and federal governments argue their cases in court.

The ruling marks the first significant legal success for the Joe Biden administration in its quest to protect abortion rights since the Supreme Court overturned Roe vs Wade, the decades-old ruling that guaranteed constitutional protection for the procedure, in June.

Winmill said the Idaho rule would have violated a federal law that requires doctors in hospitals receiving public Medicare funds — the vast majority — to stabilise patients who arrive with emergency conditions. "The physician may well find herself facing the impossible

called upon to address . . . whether Idaho's criminal abortion statute conflicts with a small but important corner of federal legislation. It does."

As a result, he said, the state would be prevented from implementing the law while the case continues.

The decision to overturn Roe vs Wade meant many states automatically enacted so-called trigger bans on abortion — laws meant to snap into place if Roe was overturned.

Idaho's rule was one of the most conservative of these trigger laws, in effect banning all abortions. But it threatened to contradict not only a decades-old federal law on emergency care but also more recent guidance put out by the White House ordering hospitals receiving Medicare funds to perform abortions in medical emergencies.

Winmill's ruling runs counter to a decision a day earlier from a judge in Texas, who ruled that the federal guidance should not over-rule that state's abortion restrictions.

With conflicting rulings beginning to proliferate in the lower courts, some lawyers predict the matter will end up back in the hands of the Supreme Court.

INTERNATIONAL

Stuttering growth

China unveils $44bn stimulus plans

Xi refuses to change course on prioritising zero Covid over economy

EDWARD WHITE — SEOUL

Beijing has announced tens of billions of dollars in stimulus measures in a bid to shore up confidence as China's economy is battered by a snowballing property sector downturn and President Xi Jinping's stifling zero-Covid policies.

The State Council, China's cabinet, added Rmb300bn ($44bn) in credit support by its policy banks, the state-controlled institutions used by Beijing to spur economic growth, according to an announcement late on Wednesday.

"This will expand effective investment, boost consumption and help keep economic activities on a steady course," said Chinese premier Li Keqiang, who has overall responsibility for the world's second-biggest economy.

The latest efforts highlighted the tightrope Beijing is trying to walk as it seeks to use central government stimulus and looser monetary policy to arrest slowing growth while avoiding saddling the country with more debt.

But the measures, which analysts viewed as incremental rather than transformational, also reaffirmed Xi's directive to prioritise combating the health risks posed by the pandemic over the economy.

The State Council statement noted that while "the foundation of economic recovery is not solid", China would avoid "resorting to massive stimulus or compromising longer-term interests".

Still, Li urged China's local governments to ratchet up their use of the more than Rmb500bn in funds that have already been made available via increased bond issuance. Beijing also promised Rmb200bn of bond issuance by state-owned electricity groups. The State Council said detailed implementation plans should be prepared before October.

"We should expedite the delivery of policy measures. The central government will provide facilitation, and subnational authorities [will be] tasked with policy implementation," Li said.

Many analysts remained concerned over the deep structural risks posed by a meltdown of the Chinese property sector, which accounts for nearly a third of gross domestic product. Fears over hordes of cash-strapped property developers, including Evergrande, which has liabilities of more than $300bn, have stunted the economy's recovery from the initial shock of the pandemic.

Xi's refusal to budge from his controversial zero-Covid policies, which involve instituting strict lockdowns and mass testing wherever outbreaks of the virus are discovered, has sapped consumer confidence and damped the more productive services sectors.

'Barring major policy easing measures, we think overall growth will remain sluggish this year'
Goldman Sachs

Some investors and economists have called for a more aggressive stimulus drive as well as longer-term structural reforms to address China's slowing growth trajectory. Beijing set its lowest growth target in three decades of about 5.5 per cent this year.

Goldman Sachs did not alter its forecast of "sluggish" GDP growth this year of 3 per cent. The bank's analysts said the stimulus "could help offset the sharp contraction in government revenue and support infrastructure investment growth to some degree in coming months". But they added: "With a very weak property sector and headwinds to activity growth from local Covid outbreaks and related control measures, barring major policy easing measures, we think overall growth will remain sluggish during the rest of this year."

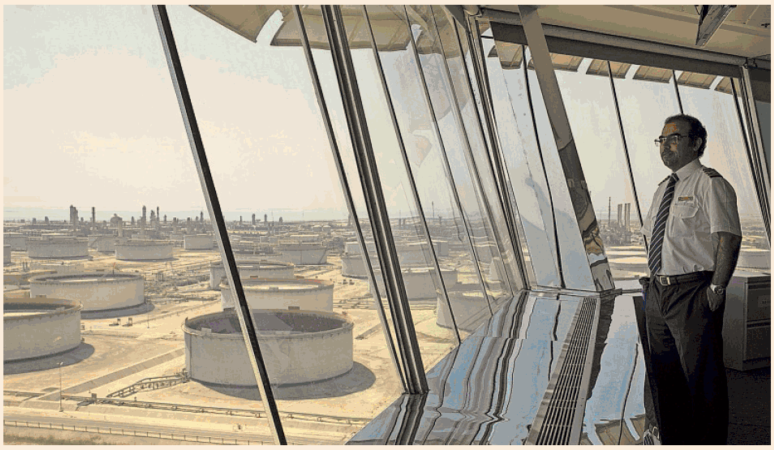
Distressed debt see Companies

Energy. Nuclear pact talks

Saudi oil warning reflects fear of Iran deal

Riyadh signals displeasure to Biden over possible return of Islamic republic crude supplies

DAVID SHEPPARD — LONDON
DEREK BROWER — NEW YORK
SAMER AL-ATRUSH — RIYADH



Oversight: an employee looks out over an oil refinery in Ras Tanura, Saudi Arabia
Simon Dawson/Bloomberg

Saudi Arabia this week warned that it could lead Opec+ in cutting oil production, a message apparently aimed at skittish oil traders. But the kingdom also had another audience in mind: the US as it prepares to revive a nuclear deal with Iran.

Prince Abdulaziz bin Salman, the Saudi energy minister, was careful not to mention Iran, its regional rival, focusing instead on "volatility" in a market where prices had slid by $25 a barrel since early June.

People familiar with the kingdom's thinking, say Riyadh's sudden intervention, which boosted oil prices back above $100 a barrel, was motivated in part by a desire to make clear to the US the consequences of allowing Iranian oil back on to global markets.

President Joe Biden has pushed Saudi Arabia to raise oil output following Russia's invasion of Ukraine. That culminated in a trip to Jeddah in July, which the kingdom hoped would lead to an improved relationship between the two countries following the murder of journalist Jamal Khashoggi four years ago.

But little over a month on, the potential revival of the Iran nuclear deal — and with it the return of Iranian oil to the market — has Saudi Arabia worried about both further drops in the oil price as well as implications for its security. The US said on Tuesday "gaps remain" between Washington and Tehran over a draft nuclear agreement. Iran has received the US response to its proposals and is due to answer soon.

"Earlier this year, I think it is fair to say Saudi Arabia and other regional actors were reasonably confident the Iran deal wasn't going to happen in the near future," said Helima Croft, a former CIA analyst and Opec specialist

revived, I think they will be focused on both the oil market and the wider security implications of this deal potentially getting over the finish line."

Saudi Arabia has long opposed a US rapprochement with Iran and in 2017 threw its weight behind US president Donald Trump as he unwound the nuclear deal. Analysts suggested Saudi Arabia wanted to ensure new Iranian supplies did not hit oil prices, undoing more than two years of steady market management by the Opec cartel to prop up the market.

A new nuclear deal could pave the way for Iran to export as much as 1.3mn barrels a day of oil — equivalent to about 5 per cent of Opec's supply — easing traders' fears of shortages as Europe tightens sanctions on Russian crude. While it would take time for Iran to raise output, the country has a large volume of crude stored on tankers at sea.

The Saudi signal was also one for Russia, said analysts. While Riyadh is keen to reaffirm its security alliance with the US, it is also trying to preserve an oil pact with Moscow that has bolstered oil revenues.

"The potential return of Iranian barrels is a destabilising element for the Saudi-Russian duopoly in Opec+, particularly if Iranian barrels hit the market at the onset of winter," said Roger Diwan, a vice-president at IHS Markit.

The Saudi intervention could be awkward for the Biden administration, which has worked to drive down domestic petrol prices ahead of midterm elections in November.

"From the Biden administration's point of view, it has to be an unwelcome signal from the Saudis at this time," said Gary Ross, a veteran Opec watcher and former head of energy consultancy Pira.

"The Saudis are clearly signalling they want $100 a barrel to be the floor for the oil price and so far Prince Abdulaziz has

Energy Aspects has warned the full return of Iran to the market might send crude prices below $80 or even $70 a barrel, without Opec+ lowering output.

Prince Abdulaziz has argued that the oil industry needs more investment, a hint that he believes a higher price is necessary.

But people close to the prince say he is also concerned about meeting demand later this year when sanctions against Russian oil tighten. Saudi Arabia has repeatedly warned that it has limited spare production capacity, having already raised output close to 11mn b/d, with maximum capacity at about 12mn b/d.

Having seen the surge in European gas prices since Russia cut production, they are also wary of the consequences of an uncontrolled oil price rise, which could accelerate a shift away from oil.

"Saudi Arabia does not want to lose control of prices," said Amrita Sen at

GLOBAL INSIGHT
DRUG TRAFFICKING

Michael Stott

Cocaine trade's spread taints quieter corners of Latin America

An explosion that blew the front off two modest houses, killing at least five people. Two bodies left hanging from a bridge over a busy road. At least 187 inmates murdered, some decapitated, in two prison massacres.

This trail of blood would not be unusual in Mexico or Colombia, scarred by drug violence for decades. Yet it was unleashed over the past year in Guayaquil, the biggest city of once-tranquil Ecuador.

In Uruguay, often described as the "Switzerland of Latin America", 14 bodies appeared over a 10-day period this year. Three had been burnt and one dismembered. The Caribbean honeymoon of Paraguay's chief anti-drug prosecutor ended in May with two bullets as a gunman executed him on the beach in front of his pregnant wife.

Behind this alarming spread of violent crime into Latin America's smaller and formerly more peaceful countries lies the booming cocaine trade. Ever hungry to expand, cartel bosses are devising new routes to reach new markets. "What we're seeing now is the culmination of the globalisation of the drugs trade," said Jimena Blanco, head of Americas political research at Verisk Maplecroft. "This is a trend which began five to 10 years ago but has been accelerating in the past couple of years."

Antwerp seized more cocaine than any other European port last year, almost 90 tonnes. Belgian customs said the three main source countries were Ecuador, Paraguay and Panama, none large producers of the drug.

Most Europe-bound cocaine is smuggled in shipping containers, and "when the seizure rates hit 20 to 25 per cent, the drug traffickers tend to switch routes", said Jeremy McDermott, executive director of Insight Crime. Along with the Brazilian port of Santos and Costa Rica's Limón facility, Guayaquil is one of what McDermott terms a "second wave of ports" used for cocaine shipment in recent years. Paraguay, Uruguay and Chile are newer additions.

'What we're seeing now is the culmination of the globalisation of the drugs trade'

Things are so bad that all but three of Latin America's 21 mainland nations are now "main countries of source or transit" for cocaine, according to the UN Office on Drugs and Crime. (The exceptions are the tiny nations of Guyana, Belize and El Salvador.)

The drug cartels have not just expanded their routes. They have also grown the total size of the cocaine business and diversified into adjacent criminal enterprises.

After five decades of the US-led war on drugs and billions of dollars spent on interdiction and the pursuit of cartel bosses, the trade has never been larger. Total cocaine production hit a record 1,982 tonnes in 2020, according to the UNODC, more than twice as much as in 2014.

Cocaine in Europe has never been more plentiful or cheaper in real terms, and the traffickers are growing lucrative markets in Russia, China and parts of Asia where the drug fetches two or three times more. As McDermott put it, "cocaine's popping up everywhere".

Major cartels have moved well beyond trafficking drugs. They now smuggle refugees, extort from businesses, kidnap the wealthy, and trade illegal Amazon timber or gold. Chilean organised crime has dipped into illicit fishing, while the latest business for Mexican gangs, according to Blanco, is smuggling abortion pills into the US.

The litany of depressing statistics from the failed drug war and its ghastly human toll have prompted an increasing number of politicians in Latin America to call for the legalisation of cocaine.

Yet, as Shannon O'Neil, vice-president at the Council on Foreign Relations in New York, points out: "These are no longer really drug cartels. They have organised crime groups. Even if you get rid of the drugs, you still have extortion, robberies, human trafficking, gold smuggling.

"The focus should be: How do you instil the rule of law?"

In a region notorious for corruption, weak enforcement and high murder rates, that is a tall order — but a vital one.

at RBC Capital Markets.
"Now that the negotiations have been

sia, one of the countries involved in the Iran deal and Saudi Arabia's Opec+ ally,

been successful in changing the psychology of the market."

Energy Aspects. "Either to the downside or the upside."

michael.stott@ft.com

East Asia

North Korea detects Covid after victory claim

CHRISTIAN DAVIES — SEOUL

North Korea has identified four suspected coronavirus cases in a border region with China, two weeks after leader Kim Jong Un declared "victory" over Covid-19.

The people were taken ill with fever symptoms in the northern Ryanggang province, according to the country's state Korean Central News Agency.

The individuals were being tested to confirm if they were infected by the "malignant epidemic", a North Korean euphemism for Covid-19. KCNA said "talented epidemiological, virology and test experts" were dispatched to the areas where the cases were detected.

Kim has hailed North Korea's official death toll of just 74 people as a "miracle" and praised the country's "all-for-one and one-for-all collectivist spirit".

The country of 25mn people has reported about 4.8mn cases of what it also describes as the "malignant virus". But a death toll of 74 people would give it the lowest Covid-19 death rate in the world, a claim treated with extreme scepticism by health experts.

A new outbreak would deal a fresh blow to the North Korean economy, which is already toiling under the effect of international sanctions and border closures imposed in response to the pandemic more than two years ago.

North Korea's agricultural sector has struggled to cope with the consequences of a series of droughts and floods, contributing to a severe food shortage.

Kim Jong Un: leader hailed North Korea's official Covid death toll of just 74 as a 'miracle'

Trade with China reached its highest level last month since Pyongyang admitted to the presence of Covid-19 within its borders at the end of April.

North Korea imported $59.7mn worth of goods from China, up from $19.3mn in June, according to China's General Administration of Customs. Exports to China rose from just over $2mn to $12mn over the same period.

Peter Ward, a Seoul-based North Korea expert at the University of Vienna, said that a recent crash in North Korea's currency against the dollar probably reflected expectations among trading groups that cross-border commerce would increase. The North Korean won cannot be freely converted on the foreign exchange market.

"These enterprises are usually owned and controlled directly or indirectly by the Central Committee of the ruling party, so they are likely to have a good idea of what trade volumes are going to be like going forward, how much they are going to be allowed to import, what quarantine regulations are going to be like," said Ward.

"So what we may have seen are these firms buying up foreign currencies in preparation to purchase more goods."

The exchange rate of the won against the dollar rose from 4,700 in mid-December to 8,350 this week.

North Korean demand for foreign currency was probably also being driven by tightening US monetary policy and a "food crisis" that had been acknowledged by the regime, Ward added. "We are seeing signs of hunger at the margins, for example among the urban poor, but we do not appear to be in the midst of a famine."

Middle East

US forces kill Tehran-backed fighters in Syria

RAYA JALABI — BEIRUT
FELICIA SCHWARTZ — WASHINGTON
NAJMEH BOZORGMEHR — TEHRAN

US forces killed four suspected fighters from Iran-backed militias in Syria late on Wednesday in response to an attack earlier that day on two military bases, which injured three US service members, US Central Command said.

The tit-for-tat attacks on the second consecutive day of violence between US and Iran-backed forces in Syria came as the Islamic republic and the US attempted to resurrect the 2015 nuclear deal. A senior administration official said the US "does not seek escalation but we remain prepared to respond to any ongoing threat".

"Whether or not there is a deal, the president's commitment to protect US personnel and confront Iran's activities that jeopardise our people or our friends in the region is unwavering. The nuclear deal has nothing to do with our readiness and ability to defend our people and our interests," the official said.

US president Joe Biden had on Tuesday ordered air strikes in the Syrian city of Deir Ezzor on a weapons depot and other installations used by groups affiliated with Iran's Revolutionary Guard.

Diplomats and analysts have said efforts to revive the nuclear accord have made progress after the EU-brokered indirect talks between Washington and Tehran in Vienna this month, where they discussed what mediators called a "final draft" of the agreement on the

> 'The nuclear deal has nothing to do with our readiness to defend our people and our interests'

nuclear deal. Iran has received the US response to its proposals and is due to answer soon. Neither Tehran nor the US has officially linked the attacks in Syria to the nuclear negotiations.

However, Mohammad Marandi, an adviser to Iran's nuclear negotiating team, on Wednesday wrote on Twitter that "this particular US terror attack was simply carried out to help sell the nuclear deal" in Washington.

The US maintains a small number of troops in Iraq and Syria, leading an international coalition that supports efforts to combat the remnants of the Isis group. Following the defeat of Isis, US forces have faced attacks by groups linked to Iran's Revolutionary Guard.

Washington has accused Iran-backed Shia militants of launching attacks against US personnel and assets in Iraq, where US troops number roughly 2,500. About 900 troops remain in Syria.

These attacks spiked in 2020 after a US drone strike in Baghdad killed Qassem Soleimani, the head of Iran's Revolutionary Guard's overseas forces. The strike was ordered by Donald Trump, then US president. Hardliners in Tehran and hawks in Washington are against the revival of the nuclear deal. Trump abandoned the deal in 2018 and reimposed tough sanctions on Iran.

The Kayhan newspaper, a mouthpiece for Iran's hardliners, yesterday said the nuclear agreement was a "disastrous agreement and pure loss" and criticised negotiators for dropping their demand to have the Revolutionary Guard removed from the US's terrorist list. This "can help the US justify its latest attack under the pretext of attacking a terrorist group" in Syria, it added.

Standing by China's distressed asset managers are not increasing their exposure to the ailing property sector ● MARKETS

Companies & Markets

Citigroup axes consumer and commercial units in Russia

- Bank fails to find buyer for businesses
- Exit will cost $170mn over 18 months

STEPHEN MORRIS — LONDON
IMANI MOISE — NEW YORK

Citigroup has decided to wind down its consumer and local commercial banking operations in Russia after failing to find a buyer for the businesses, with most potential suitors under sanctions after Moscow's invasion of Ukraine.

The US bank announced the exit yesterday after spending more than a year trying to sell the divisions as western reprisals against Russia made it all but impossible to continue operating in the country. The lender added that it "continues to actively pursue sales of certain Russian consumer banking portfolios".

Citi said its exposure to Russia had declined to $8.4bn from $9.8bn at the end of last year. About $1bn is related to

> 'We continue to serve institutional clients in Russia, primarily multinationals'

the retail and local commercial banking operations being wound down.

The exit will affect 2,300 staff and 15 local branches. The lender estimates that it will cost $170mn over the next 18 months because of a mix of restructuring and vendor and contract termination fees. But it will take two years or more to fully wind down its stock of deposits, mortgages, credit cards and small-business loans.

The bank is not closing its investment banking and transaction services in the country, but is reducing its exposure and not taking on new customers.

"We continue to serve institutional clients in Russia, primarily multinationals, many of whom are undertaking the complex task of unwinding their own operations in the country," it said.

Citi first announced its intention to exit Russian retail in April 2021 as part of chief executive Jane Fraser's global retreat from consumer banking, spanning 14 countries across Asia, Europe, the Middle East and Africa. It is also seeking a buyer for its lender in Mexico.

Citi had been in negotiations with privately owned Russian companies including Expobank and insurer Reso-Garantia over the fate of its consumer and commercial businesses, the Financial Times reported early last month.

Rosbank, a top-10 lender and Société Générale's former Russian subsidiary, had also expressed interest in buying Citi's local operations, but the prospect of any deal dimmed when the UK imposed sanctions on its new owner, oligarch Vladimir Potanin, later in July.

"We have explored multiple strategic options to sell these businesses over the past several months. It's clear that the wind-down path makes the most sense given the many complicating factors," said Titi Cole, head of legacy franchises at Citi.

All major banks with a significant presence remaining in Russia are trying to sell their operations, but face a limited pool of buyers and huge potential losses to write off their investments.

This month Russian president Vladimir Putin banned foreign entities from "unfriendly" countries that have sanctioned Moscow from selling their stakes in Russian banks until the end of this year. French lender SocGen took a €3.1bn hit on selling Rosbank to Potanin. HSBC, Austria's Raiffeisen and Italy's UniCredit and Intesa Sanpaolo are holding out for better deals, according to people familiar with their plans.

A senior executive at UniCredit told the FT that SocGen's disposal was essentially a "donation" or "gift" to Potanin and that the Italian bank was seeking fair value for its assets in the country.

Additional reporting by Max Seddon

Next level Weak yen and inflation force Sony into unprecedented price rise for PlayStation

Price battle: Sony's PS5, home to games such as 'Horizon Forbidden West', is up against rising costs — Guerrilla Games

LEO LEWIS AND ERI SUGIURA — TOKYO

Sony has raised the price of its PlayStation 5 console in Europe, the UK, Japan, China and other key markets by as much as 10 per cent, as surging inflation and the plunging yen force the company to break with years of marketing strategy.

While the price of a standard PS5 in the core US market will remain the same at $499, the increases for the flagship disc-edition PS5 model range from between 6 to 10 per cent. In a blog post announcing the increases, Jim Ryan, head of Sony Interactive Entertainment, said the move was "a necessity, given the current global economic environment".

At a similar stage of previous console cycles, a price cut would have been the most likely marketing move by Sony, as it prepared for Christmas sales, a prolonged battle with rival consoles and the start of the machine's third year on the shelves. In addition to rising global costs and a semiconductor shortage that has held production levels far below demand, the PS5 has been a victim of currency volatility. The PS5 was launched in November 2020 when the yen traded at around Y105 against the US dollar. Since June this year, the currency has been below Y130 to the dollar, dramatically increasing the PS5's production cost in yen terms.

"The unprecedented increase is driven really by forex, given costs are in US dollars. It's how they hit their forecasts this year and if they can hit the volumes they say, then it will have upside," said David Gibson, an analyst at MST Financial Services. But the price rise "doesn't make it easier for consumers to get one", he added.

The price rises are the first post-launch increase since Sony launched the original PlayStation in 1993, and deepen the company's battle to maintain global console market dominance over Microsoft's Xbox Series X machine. Since its launch, Sony said it had shipped 21.7mn units as of June this year. Independent analysis shows that the Xbox Series X sold around 15mn units over the same period.

In Sony's home market of Japan, machines have been in such short supply that units sell in the second-hand market at a premium of about 70 per cent over the official (pre-price rise) retail price. In May, Sony sold just 2,693 PS5 units in Japan — a number that reflected the exceptionally tight supply.

In June, Sony analyst Pelham Smithers calculated that rising material costs, high energy prices and the yen's drop to a 20-year low could have meant that Sony was losing as much as Y15,000 ($110) on each PS5 unit it sold in Japan. Globally, the average loss per machine was likely to be around $50, Smithers said at the time.

Novartis to spin off generic drugs unit Sandoz

DONATO PAOLO MANCINI — LONDON
OLIVER TELLING — SINGAPORE

Swiss pharma group Novartis plans to spin off its generic drugs business after a lengthy review of the division, which drew interest from private equity firms and even calls from politicians for it to be nationalised.

Spinning off its Sandoz division would create the largest generic drugs company in Europe by sales, Novartis said yesterday, as it set out one of its most significant moves to focus on faster growing and higher margin drugs.

The move is one of the boldest steps yet by chief executive Vas Narasimhan to focus Novartis on more lucrative drugs that include those targeting cancer and rare diseases. In 2019, the group spun off its Alcon eye-care unit.

Narasimhan said it was "better to separate them [Sandoz and Novartis] in a clean and efficient way".

Although private equity firms had shown interest in the business, no compelling bids were made, according to people familiar with the matter. Narasimhan, who has led the group since 2018, said the company had not received any formal offers.

Citi analysts said that, given the Alcon spin-off, deteriorating conditions in financial markets and the intensifying pricing pressures on generic drugs, "a spin has looked the only viable route to separate Sandoz for some time".

Founded by the Sandoz family, the business merged with Ciba-Geigy to create Novartis in 1996. Drugs manufactured by Sandoz, which employs about 20,000 people and generates almost $10bn in annual sales, are a staple of medicine cabinets in Germany, Austria and Switzerland.

Novartis had already attempted to shed parts of Sandoz to India's Aurobindo in 2020, but competition concerns from US regulators scuppered the nearly $1bn deal in 2020.

Narasimhan said the generics sector was "a highly attractive market".

"We will see, as now we have the full carve-out financials available, how any of the external firms might view the business," he said. "I continue to expect that many external parties will be highly interested in this business."

Novartis said it anticipated the transaction to be completed in the second half of next year, and added that it would be "generally tax neutral" and require approval from shareholders.

Intel seeks to regain its edge as new business model takes shape

INSIDE BUSINESS
TECHNOLOGY
Richard Waters

The capital and technology demands of remaining a world leader in the semiconductor business are becoming extreme. Just how extreme was evident from two announcements at Intel this week. They show how profoundly the company is adapting its traditional way of doing business as it tries to regain its lost technology edge and ensure that the US is home to at least one world-leading chip manufacturer.

The first announcement was that it is selling a 49 per cent stake in two new manufacturing plants under development in Arizona to private equity firm Brookfield. This is an entirely new way to fund chip fabrication plants (fabs) as the cost of building the most advanced facilities soars. The Brookfield deal covers the first $30bn invested in Arizona, while Intel has put the long-term investment in its new fabs such as the one it is building in Germany at more than $100bn each.

The deal is a byproduct of Intel's decision to double down on chip manufacturing, even as it struggles to regain the lead it has lost to TSMC and Samsung in the latest process technology.

Most other chipmakers have chosen a different route. Rival AMD threw in the towel a decade ago, quitting manufacturing to focus on design. That decision to specialise, while outsourcing manufacturing, has started to pay off, as AMD's latest designs have eaten into Intel's dominance in the market for the x86 chips used in most PCs and servers.

The vast scale at which the latest chip fabs operate is likely to exceed the needs generated by Intel's in-house chip design business. That has meant entering the foundry market — making chips for other companies — in order to soak up the extra capacity.

The capital intensity this leads to is mind-boggling. Over the past decade, Intel's capital spending averaged around 20 per cent of its revenue each year. In the future, it predicts that will rise to 25 per cent, and that is before adding in new sources of money such as government grants and co-investment arrangements such as the Brookfield deal. All in, Intel indicated this could push its capital expenditure up to more than 35 per cent of annual sales.

> The company is trying to pull off this transformation in the face of eroding market share and a downturn in chip demand

Exactly how the risks and rewards in the new financing arrangement are shared has not been disclosed. But Intel hinted at protections it has offered, such as guaranteeing Brookfield a certain level of output at its new fabs, and said that the investment firm would earn a relatively fixed return on its 49 per cent stake, with some variability. In return for a financing cost that is higher than a straight borrowing arrangement, Intel believes it will keep most of the upside if the plant outperforms, meaning it will also retain most of the risk if it does not.

The second sign of how drastically Intel's business model is shifting came a day earlier, when chief executive Pat Gelsinger showed off several new chip designs. Rather than being based on a single piece of silicon, these are part of the company's move to chips that combine several components, or "chiplets", into a single semiconductor.

One advantage of so-called "disaggregated" chip designs like this is that Intel does not need to produce all of the parts itself. So if it fails to get back to the leading edge of manufacturing technology, it could turn to other companies to buy components it cannot make itself. Producing the other parts would provide a way to keep its new fabs humming.

This might hurt profit margins, since Intel would not be producing the most advanced components in its own fabs. On the other hand, designing and integrating these new processors might provide some margin protection, and would put a premium on the chip packaging technology it has developed.

Whatever the outcome, this week's developments point to a complex and technologically challenging new business model that is likely to take years to play out, as new fabs come online and new generations of chips are developed.

It will also require a cultural transformation, as a company that was famous for its highly insular culture learns how to open up to technologies from other companies, while also trying to develop the new service mentality required to run a successful foundry business.

Making matters worse, Intel is trying to pull off this transformation in the face of eroding market share and a downturn in chip demand. Its shares have halved after the brief honeymoon period that followed Gelsinger's appointment, and its stock market value was eclipsed by AMD last month.

A new Intel may be starting to take shape, but there is a long slog ahead.

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COMPANIES & MARKETS

Healthcare

Amazon to close US telehealth service

Tech group shifts strategy towards goal of disrupting $4tn healthcare market

DAVE LEE — SAN FRANCISCO
JAMES FONTANELLA-KHAN — LONDON

Amazon is closing its telehealth service, Amazon Care, ending an ambitious plan to roll out its homegrown platform to "millions" of patients around the country, part of a long-stated goal of disrupting the US healthcare industry.

A memo seen by the Financial Times that was sent to Amazon Care staff by Neil Lindsay, head of Amazon Health Services, said the service — which promised a doctor, nurse or other health practitioner on demand, 24 hours a day — was not the right "long-term solution" for the external companies to which it had hoped to sell the service. "This decision wasn't made lightly and only became clear after many months of careful consideration," Lindsay wrote in the memo. "Although our enrolled members have loved many aspects of Amazon Care, it is not a complete enough offering for the large enterprise customers we have been targeting."

Analysts said Amazon Care's closure, which will come at the end of the year, should not be seen as a retreat on its efforts to gain a foothold in the $4tn US healthcare sector.

"This is not a sign of failure by any means," said Natalie Schibell at Forrester Research. "It's a strategic move."

Amazon's decision comes after its recent agreement to acquire One Medical, a large network of primary care providers, for $3.9bn — its largest deal in the healthcare space.

That takeover, if approved by regulators, would provide Amazon with much of the access to corporate employees it had been seeking with Amazon Care, said Christina Farr, health-tech investor at Omers Ventures, making the in-house platform redundant. Companies such as Google offer One Medical to employees.

> 'It is not a complete enough offering for the large enterprise customers we have been targeting'

"One Medical already has all these contracts, and does telemedicine," Farr said. "It made sense for Amazon to acquire an existing network. Physician recruitment is really hard, building insurance contracts is really hard, building employer relationships is really hard. All of those things take a long time and One Medical was available to purchase."

With a workforce in excess of 1.5mn, more than 200mn Prime subscribers globally, and expansive logistics and cloud computing infrastructure, Amazon has long been considered ideally positioned to take on some of the healthcare industry's incumbents — the share prices of which fall, albeit briefly, whenever Amazon announces deals.

The technology group's ambitions in healthcare have been years in the making, and are set to intensify under the leadership of Andy Jassy, who replaced Jeff Bezos as chief executive last year.

Amazon is also among the bidders for Signify Health, a home healthcare provider, which is courting several offers.

The decision to explore a deal, which would be Amazon's fourth big healthcare sector transaction in recent years, highlights the company's will to test antitrust regulators' appetite to curtail its M&A strategy. Amazon and Signify declined to comment.

"They are calling [Lina] Khan's bluff," said a seasoned investor who is following the Signify bidding, referring to the chair of the Federal Trade Commission and a critic of Amazon's market power.

A person who has worked with Amazon said that it is prepared to handle political and media backlash, but it was confident that a transaction to buy Signify would win regulatory approval.

"They are happy to go to court," the person said. "They know they can win so they are not letting the antitrust rhetoric in [Washington] DC stop them from considering buying an asset."

Pharmaceuticals

Pfizer races to beat rivals for slice of $10bn respiratory jab market

JAMIE SMYTH — NEW YORK

Pfizer has said it will seek approval for a vaccine targeting respiratory syncytial virus in older adults after reporting positive trial data as rival groups race to develop a jab for a market that analysts estimate will generate up to $10bn of annual sales.

The US company yesterday said a late-stage trial in adults aged 60 years and older demonstrated that its vaccine was safe and effective at preventing serious disease from the virus.

An application for regulatory approval will be submitted in the autumn, Pfizer said, as it hunts for new ways to boost revenues as sales of Covid-19 vaccines begin to moderate.

RSV is a contagious disease that can cause severe respiratory illness, particularly in older people and infants. Each year about 336,000 older people are admitted to hospital worldwide with RSV with 14,000 deaths a year in the US.

The virus is one of the few major infectious diseases without a vaccine, although recent scientific advances have encouraged Pfizer, GSK, Johnson & Johnson and Moderna, the pharmaceutical companies, to undertake late-stage trials of potential jabs.

GSK said in June it would apply for regulatory approval of its RSV vaccine for older adults following trial results that it said showed "statistically significant and clinically meaningful efficacy".

> 'Scientists have worked to develop RSV vaccines with little success for over half a century'

J&J expects to publish late-stage clinical data for its vaccine in months as does Moderna, which is aiming to develop a single "multivalent" jab to protect against RSV, influenza and Covid-19.

SVB Leerink last year forecast the market for an RSV vaccine could eventually be worth up to $10bn a year.

Pfizer said its trial of 37,000 older adults demonstrated its vaccine was 85.7 per cent effective at preventing severe disease from lower respiratory tract RSV infection. The jab was well tolerated with no safety concerns, it said.

Pfizer is also studying whether its shot

Airlines

Qantas marks travel revival with share buyback

NIC FILDES — SYDNEY

Qantas has reported a loss of more than A$1bn (US$693mn) for the third consecutive year but said a rebound in leisure and business travel has been stronger than expected, as it launched a A$400mn share buyback.

The Australian airline, which was 11 weeks from collapse at the height of the Covid-19 pandemic, said cumulative losses in the past three years hit almost A$7bn, while lost revenue is said to have been A$25bn.

Alan Joyce, chief executive, said: "To put that in perspective, on a statutory basis, Covid cost us more money in the past three years than we made in the five years before that. The fact we've been able to steer through this is remarkable."

Qantas, which cut thousands of staff during the pandemic, has suffered a hit to its reputation this year as an unexpectedly strong rebound in travel has combined with staff shortages to cause chaos at Australian airports and on its international routes. Cancellations, delays and lost luggage have made Joyce

EV mission Hyundai plea

The chair of Hyundai Motor has gone on an urgent trade mission to Washington this week after the Korean car giant's electric vehicles were

are immediately out of US tax incentive . . . and it could have a huge impact on EV exports from Korea," said the Korea Automotive Industry

processing and recycling in order to qualify for a further $3,750 credit, or $7,500 in total.

"For Hyundai, it's a call to action:

the focal point for public anger.

"It simply wasn't good enough, and for that we have apologised," Joyce said. He cited improvement in customer service, including the ratio of "on time" flights rising from a low of 52 per cent to 66 per cent, compared with 80 per cent before the pandemic.

The airline known as the "flying kangaroo", reported a stronger financial performance as cost savings of A$1bn helped it cut debt to less than A$4bn, from A$6.4bn at its peak during the pandemic. That enabled the company to announce the A$400mn buyback. Shares in Qantas closed more than 7 per cent higher at A$4.86 yesterday.

Anthony Moulder, an analyst with Jefferies, said the combination of strong travel demand, easing operational issues and cost savings would return Qantas to profit in the 2023 financial year, despite fuel costs rising to A$5bn.

Meanwhile, Air New Zealand yesterday said its full-year pre-tax loss widened by 95 per cent to NZ$810mn (US$503mn) despite a 9 per cent rise in revenue after the country reopened its international borders this year.

to US over tax breaks

excluded from generous consumer tax credits contained in a landmark US climate, tax and spending law.

Chung Eui-sun, the billionaire scion of Hyundai's founding family, is expected to raise his company's concerns with US officials, as Korean car industry representatives express consternation at what they describe as "discrimination" against EVs produced in Korea.

The Inflation Reduction Act, signed into law by US president Joe Biden this month, envisages tax credits of up to $7,500 for EVs assembled in North America. Hyundai and Kia, its affiliate, have the second-highest share of the US electric vehicle market by sales volume, but they do not produce any EVs in the US, Canada or Mexico.

A planned $5.5bn EV plant in the US state of Georgia, announced during Biden's visit to South Korea in May, is not scheduled to begin production until 2025 — making it ineligible for the subsidies until then.

"Upon the enforcement of the Inflation Reduction Act, Korean EVs

Alliance, which represents companies including Hyundai.

The trade group wants EVs produced in South Korea to receive the "same incentives" as those produced in the US, Canada and Mexico.

Lee Chang-yang, Korea's minister for trade, industry and energy, said this week: "The act is highly likely to violate WTO regulations as well as the Korea-US free trade agreement.

"We are actively reviewing whether to bring the case to the WTO. We are conveying our concerns to the US via various channels and will send a senior trade executive to the country next week to confirm the intent of the US."

The Inflation Reduction Act is designed to eliminate from the US supply chain battery components coming from a "foreign entity of concern" — most notably China.

From 2024, in order for a vehicle to qualify for a $3,750 tax credit, no battery component can come from a foreign entity of concern. The restriction will be extended from 2025 to critical mineral extraction,

if you want to qualify for government subsidy, then bring forward your capacity in the US and do it now," said Tim Bush, an analyst at UBS in Seoul. He added that Hyundai was probably looking for a "waiver" of the rules.

Bush said the larger picture was that South Korea was "no doubt the biggest beneficiary" of the legislation because of the demand it would generate for the country's leading battery makers, as Chinese rivals were phased out of the US supply chain. Last month, SK On launched a $7.8bn joint venture with Ford to build three battery plants in the US, while LG Energy Solution and GM announced a $2.6bn investment to build a third plant as part of a joint venture in Michigan.

"I think they are aware that they are the biggest beneficiaries — maybe not Hyundai, but everybody else," said Bush. "They just got their biggest competitors basically eliminated from the market."

Christian Davies in Seoul

can prevent RSV infection in infants from birth up to six months of age by vaccinating pregnant women.

Annaliesa Anderson, Pfizer's chief scientific officer of vaccine research, said the company would work with the US Food and Drug Administration and other regulators to secure approvals.

"Scientists and researchers have worked to develop RSV vaccines with little success for over half a century. These findings are an important step in our effort to help protect against RSV disease," she said.

A previous attempt to develop an RSV vaccine ended in tragedy in the 1960s when two infants who took part in trials died from lung inflammatory response that developed during their first natural infection after vaccination.

Scientists say the current vaccines would not provoke a similar inflammatory response as all older adults would have already been exposed to RSV. "We know once you are infected with RSV you can no longer prime for that exacerbated response with a vaccine," said Jason McLellan, professor of molecular biosciences at the University of Texas.

Chris Jung/NurPhoto/Getty Images

Financials

Windhorst promises repayment of €550mn to H2O asset manager within weeks

ROBERT SMITH AND CYNTHIA O'MURCHU
LONDON

Lars Windhorst has pledged to hand over more than €500mn to H2O Asset Management in a matter of weeks, which would clear a significant chunk of the financier's debts with the investment firm.

The German entrepreneur with a chequered business record is late repaying more than €1bn to H2O, an erstwhile star of the European asset management industry being probed by multiple regulators over its entanglements with the financier.

Windhorst said his investment firm Tennor would soon repay hundreds of millions of euros after an upswing in the fortunes of its eclectic portfolio of businesses, which range from a lossmaking lingerie maker to an African farming company.

"Our diverse set of businesses across sectors and geographies have performed strongly in the first half 2022 and, as a result of that, we managed to increase liquid assets to over €500mn across the various group entities," he said.

"As the reduction of debt remains a priority, we will make payments of not less than €550mn in cash to H2O Asset Management in the coming weeks," he said.

If the repayment clears on schedule, it would pave the way for H2O to provide a first distribution to those with money trapped in its funds, which range from retail investors in France to South Korean asset managers.

Once a well respected money manager that oversaw €30bn of assets, H2O has lurched from crisis to crisis since the Financial Times exposed the scale of its outsized bet on Windhorst in 2019. The following year, the investment firm was forced to halt redemptions on its core funds temporarily after the French markets regulator raised concerns about its links to the financier. Two years later, investors' money is still stuck in the so-called side pockets H2O set up to house €1.6bn of these hard-to-sell assets.

In a letter to investors last month, H2O revealed that Tennor had missed a January deadline to repay more than €1.1bn.

In lieu of any cash, H2O also disclosed that Windhorst handed over $106mn worth of convertible bonds linked to Gett, a taxi app start-up that was due to list via a special purpose acquisition company. The planned listing fell apart shortly afterwards because of the company's exposure to Russia, meaning H2O's investors have so far received nothing from the arrangement.

Debt burden: Lars Windhorst cited an upswing in the fortunes of his Tennor investment firm's portfolio
Charlie Bibby/FT

Despite the setbacks, H2O told investors it was "committed to enabling" their first reimbursements this year. When asked why it thought this was the case, it said: "We have understood loud and clear that it is of the utmost importance to our investors to secure repayment on some of the assets held in the side pockets in 2022.

"This is not a guarantee but a strong and active commitment from H2O," the asset manager said.

It is not the first time Windhorst has publicly pledged swift repayment.

A year ago, he said he expected to "pay down a major part of the H2O debt" by the end of 2021. Instead, H2O ended up writing down the value of its Windhorst-linked investments after a Dutch court briefly deemed Tennor to be insolvent.

Earlier, at the height of the pandemic, the financier struck a deal to buy back these hard-to-sell assets from H2O at a discount. But the agreement fell apart amid regulatory scrutiny, which led to Germany's financial watchdog BaFin filing a criminal complaint. Windhorst later claimed the issue had been settled.

H2O is under investigation by France's market regulator and the UK Financial Conduct Authority. In recently filed 2021 accounts, the firm revealed it booked an £890,000 provision last year in relation to one of its regulatory probes.

The firm's auditor Mazars warned there was "material uncertainty" around the size of the charge, however, while H2O said it had yet to book a provision in relation to an FCA probe for "alleged non-compliance" with several of the regulator's principles.

H2O said it was "not in a position at this stage to predict the investigations' consequences", but expected to continue as a going concern "based on current cash balance and reserves, the business forecast and the capital resources adequacy forecast".

COMPANIES & MARKETS

Big-budget shows land amid 'peak TV' fears

Audiences to be presented with blockbuster, expensively made programmes from Amazon and HBO Max served up at subsidised prices

ALEX BARKER IN LONDON
CHRISTOPHER GRIMES — LOS ANGELES

Since 2016 the veteran US television executive John Landgraf has been predicting the arrival of "peak TV", the moment when the number of new scripted shows reaches an all-time high.

The streaming boom has proved him wrong every time but he gamely made the prediction again this month, telling guests at the Television Critics Association press tour that 2022 would mark "the peak of the peak TV era".

Landgraf, chair of Disney's FX network, conceded that he could be wrong this time, too. But there is little doubt that this autumn will present audiences with a flood of some of the most expensive television ever produced.

On September 2, Amazon Prime will release its adaptation of *The Lord of the Rings*, with an estimated budget of $465mn for the first season, almost enough to make recent hit film *Top Gun: Maverick* three times over.

HBO Max's *House of the Dragon*, the prequel to *Game of Thrones*, is reported to have cost $200mn for the season's 10 episodes. At Disney Plus, *Star Wars: Andor* will lead a large slate of new programmes that include a *Pinocchio* remake, *She Hulk*, and a spin-off of the *Cars* cartoon franchise.

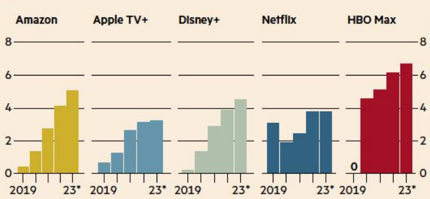
These shows are being served up at subsidised prices by streaming platforms making record losses. The only profitable exception is Netflix, but the industry pioneer's market value has fallen almost $200bn over the past year because of slowing subscriber growth. Its share price is at a four-year low.

The imminent crop of new programming was given the green light during a headier time, when Wall Street cheered as streaming services committed lavish sums to compete. But faith in the streaming business model and investor tolerance for profligate spending has waned as Netflix's once-blistering subscription growth has gone into reverse.

On top of that are concerns that inflation will bite into discretionary spending, not least on streaming services.

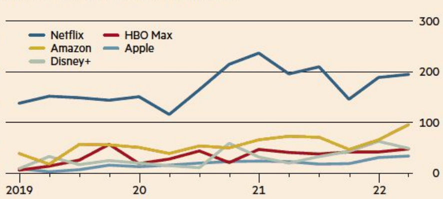
"Everyone [in Hollywood] is throwing big dollars after big things," said Niels Juul, an executive producer of

Spending on original content
$bn



* Estimate
Source: Ampere Analysis

Are we getting close to 'peak TV'?
Number of new titles announced by streamers



studios have to cut budgets, it will be on the shows that have smaller budgets — the quirky, smaller shows that have enriched the streaming experience."

The second quarter of 2022 had the highest number of total commissions of any quarter since the start of the streaming wars in 2019, with 415 projects given the green light, according to Ampere.

But the growth is principally driven by Apple and Amazon, deep-pocketed technology groups that are only dabbling in the media business. The rate of commissions at Netflix and Disney has fallen from previous highs.

Premiums for producers are also coming down. Where a project might have once secured a 20 or 30 per cent fee on top of costs, that is now more likely to be closer to 10 per cent.

Tom Ara, an entertainment lawyer at DLA Piper, said: "There has definitely been some pullback. There's a lot more scrutiny on budgets and more careful consideration is given to greenlighting projects. People are rethinking what the model is and considering all models, old and new."

Producers expect future spending by the streamers to lean towards international markets with more growth potential than the more mature US, where Disney and Netflix are in effect fighting to stand still. That is likely to continue the steady growth of non-English language shows aimed at catching the eye of audiences in South America, Asia and parts of Europe.

This may also see a shift towards more unscripted shows, which are often cheaper and faster to make than high-end drama. Netflix has begun to explore options for live streaming unscripted formats. Amazon Prime, meanwhile, has been buoyed in southern Europe by shows such as *LOL*, which involves 10 comedians being trapped in a room with instructions not to laugh. It beat all viewing records for Amazon in Italy.

If the unscripted trend continues, then Landgraf, who counts only scripted programmes in his measure of peak TV, may finally prove to be correct.

Martin Scorsese's Netflix film *The Irishman*. "But [subscribers] are inundated now to the point where they are looking at their monthly bills and saying, 'Something's got to go — I've got $140 worth of subscriptions here'."

Even so, Tom Harrington at Enders Analysis said consumers were still getting a better deal than the streaming companies themselves. "People get through $100mn of TV in a day and say: 'What's next?' From a consumer point of view that is great. But for a video operator it's clearly unsustainable."

This year's wave is due in part to the bottleneck of Covid-19-delayed productions finally easing up. Yet it is unlikely that it will result in the kind of breakneck subscriber gains that streamers experienced during the pandemic — at least not in North America or the UK. Netflix and Disney, the leading streamers, have had little growth in those markets this year.

Analysts at Morgan Stanley forecast that annual global subscriber growth will slow from 160mn in 2020, when housebound consumers turned to streaming in droves, to just 60mn in 2025. For Warner Bros Discovery and Disney the conditions could hardly be less forgiving as both battle for their platforms to break even by 2024.

The priority is not just expanding audiences but maximising the money extracted from them.

Disney and Netflix are introducing advertising-funded tiers in addition to subscriptions, as well as raising prices for existing subscribers this year. Warner, meanwhile, has embarked on aggressive cuts and other "course-correction measures" to squeeze out at least $3bn in annual savings by 2024, a target it described as "conservative".

Through greater efficiency and more demanding pricing, Warner's aim is to drive the HBO Max streaming service towards a long-term profit margin of more than 20 per cent. David Zaslav, Warner's chief executive, has even demonstrated a willingness to wield the axe himself on content he finds lacking. This month he sent a chill through Hollywood by shelving *Batgirl*, a $90mn movie that the studio had already started marketing, and taking a tax write-off instead. Yet it is unlikely that any amount of cost-cutting will bring the streaming business's profits close to levels Zaslav enjoyed in Discovery's US cable operation, where margins sometimes topped 50 per cent.

Amazon Prime's adaptation of "The Lord of the Rings", with a budget of about $465mn, is due for release in September. Below, Steve Toussaint appears in HBO Max's "House of the Dragon" Amazon Studios

Reed Hastings, Netflix's co-founder, still spoke of his "bullish" confidence in the model, even as he unveiled a second straight quarter of subscriber losses. "Looking forward, streaming is working everywhere. Everyone is pouring in. It's definitely the end of linear TV over the next five, 10 years," he told investors.

But for all the C-suite bluster, producers working with the streamers say a greater wariness and timidity is obvious at operational levels, with senior managers displaying a caution that is not shared with the executives above them.

"You sense it a lot," said an executive at a big independent producer of content for streamers. "The middle management, the people taking the day-to-day decisions, they're being incredibly cautious. They want approval from every possible level."

The shift in strategy will take some time to filter through to consumers. All the big media operators are putting the brakes on spending growth, a reflection of both the economic slowdown and the ebbing confidence in the profit potential of the streaming business model.

Outlay on original productions is still expected to increase next year, albeit at a much slower pace of growth than the explosive early days of the streaming wars. Ampere Analysis estimates more than $23bn will be spent on originals by Apple, Amazon, Disney Plus, HBO Max and Netflix in 2023. That is more than twice the spending of 2019 but only a 10 per cent increase on 2022, a level that barely keeps pace with the soaring costs of productions.

Juul, whose producer credits also include *Ferrari* and *Silence*, says it will be difficult for the traditional studios to pull back on their budgets and remain competitive in the race for subscribers.

"If they want to compete with Apple and Amazon, who have an unlimited amount of money, then the retreat on budgets gets very tricky," he said. "You can't attract the big talent any more because you can't pay the big pay cheques."

Juul added: "What are they going to retreat to — independent movies with budgets of $12mn? Sorry, that train has gone."

If the studios cut budgets, it likely will be the smaller shows that get the chop, said Robert Thompson, a professor of television and popular culture at Syracuse University.

"Blockbusters are the best way to keep your subscribers," he said. "If the

'Streaming is working everywhere. Everyone is pouring in. It's definitely the end of linear TV over the next five, 10 years'

'The people taking the day-to-day decisions, they're being incredibly cautious. They want approval from every possible level'

COMPANIES & MARKETS

Asset management. Distressed debt

Chinese funds struggle to profit in property rout

Groups reluctant to invest when there is still no bottom

have accurate pricing and you have a structural downturn that could go on for another decade, then there is no way

"active" even though they are supposed to thrive in a recession.

Local authorities want the asset man-

The slowdown in China came after efforts to

lions of renminbi from their market value.

"We don't know when the worst days

Cross asset

Traders bet on doubling of UK interest rates to 4%

CHRIS GILES AND NIKOU ASGARI
LONDON

Financial markets are betting that the Bank of England will more than double interest rates by May next year, as concern mounts about further rises in UK inflation.

The shift in expectations in the swap market, which anticipates interest rates of 4 per cent in May compared with 1.75 per cent today, are among the biggest swings in recent years.

The shift in expectations, fuelled by increases in forecast inflation and soaring energy prices, has been reflected in other markets. In the UK gilt market the cost of two-year borrowing for the government has risen more than 1 percentage point this month in the biggest rise on Bloomberg records since 1992.

The market moves will be reflected in the cost of corporate borrowing and fixed-rate mortgage deals, affecting companies and households even before the BoE decides on interest rates.

Higher borrowing costs will be a further drag on economic activity and household and corporate finances already hit by high energy, fuel and food prices — although City of London economists expect less of a jump in rates.

Traders in the overnight index swap market, which sets prices based on expectations of future official interest

'I just don't see a situation in the short term where

in sight for real estate market

SUN YU — BEIJING

Distressed asset managers in China's private sector are struggling to profit from the slowing economy, with no bottom in sight for its collapsing property sector and lenders reluctant to write off bad loans.

Almost a dozen distressed investment funds told the Financial Times they had not increased their exposure to residential and commercial properties, usually the most popular form of collateral in Chinese debt restructurings, despite soaring defaults in the real estate sector.

"A lot of us are standing by not knowing where to spend our money," said an executive at Qingdao Huba Asset Management Co, which specialises in trading bad loans.

China is suffering one of its worst economic slowdowns in decades after government efforts to reduce debt in the property sector, which accounts for about one-third of economic output, led to a collapse in real estate prices.

This has combined with the negative impact of the government's strict zero-Covid policy and a regulatory blitz against high-flying technology companies to depress domestic demand.

Although Beijing has announced interest rate cuts and some bailout initiatives for the property sector, it has failed to arrest the meltdown: house prices fell for 11 months consecutively up to July.

"[Distressed asset management] only works when you think there is going to be mark-to-market pricing and a cyclical improvement," said Andrew Collier, managing director of Orient Capital Partners in Hong Kong. "But if you don't you can sell your assets."

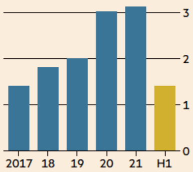
Banks are offloading existing bad debt but are mostly transferring it to large state-run asset managers such as China Huarong Asset Management and Great Wall Asset Management. Official data show the banking system disposed of Rmb1.4tn ($204bn) in non-performing loans in the first half of this year, up 18 per cent from a year before.

But rather than profiting from the disposals, many private sector distressed asset managers have been making losses. Shanghai Greencourt Investment Group, once an industry leader, reported an 86 per cent drop in profits in the first quarter of this year from a year earlier before being delisted in May. Its rival GI Technologies Group lost Rmb113mn in the first quarter of this year, following steeper losses in 2021.

The consultancy PwC said in a report this month that China's "bad banks", as its distressed asset management companies are known, are becoming less

Bad loan disposal is set to reach previous highs

Disposal of non-performing loans by Chinese banks (Rmb tn)



Source: China Banking and Insurance Regulatory Commission

agement companies to bail out hundreds of unfinished residential projects left by cash-strapped developers, particularly in smaller "under-developed" cities.

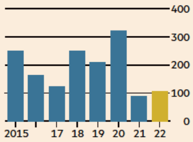
But James Li, owner of a Beijing-based bad bank, said it was taking at least twice as long as normal to sell foreclosed apartments in under-developed cities, such as Zhengzhou in central Henan province where there are many unfinished projects.

Official data show the number of foreclosed homes in Zhengzhou almost doubled in the six months to the end of March. The situation had shown little sign of easing in recent months, said local officials. Meanwhile, the city's housing sales dropped more than a third in the first seven months of this year from a year earlier.

Jackie Wang, a Shenzhen-based distressed asset manager, said large tech groups were scaling down following a regulatory crackdown on education and internet platforms that has wiped bil-

Banks are adding fewer new non-performing loans than during previous years when the economy was stronger

New non-performing loans to the end of June each year (Rmb bn)



Totals do not include bad loans disposed
Source: China Banking and Insurance Regulatory Commission

cut property sector debt led to a collapse in real estate prices — Bloomberg

> 'We don't know when the worst days for technology platforms will be over'

for technology platforms will be over," said Wang. "That means their demand for office space, a main driver of the market, will continue to weaken."

The problem is exacerbated by the slow pace of bad debt write-offs among Chinese lenders despite a rise in defaults. Official data show the country's banking system added Rmb107bn new non-performing loans in the first half of this year — slightly more than the same period of 2021 but much lower than the previous six years when the economy was strong.

A government adviser said the regulator, led by the China Banking and Insurance Regulatory Commission, had relaxed bad debt ratio requirements for lenders so they could support the economy. "You won't get punished for covering up a few billion yuan NPLs as long as you provide liquidity for cash-strapped small businesses," said the adviser.

As a result, many lenders put off writing down bad debt even though their asset quality deteriorated rapidly along with the broader economy, said officials at two state-owned banks.

Creditors' avoidance of write-offs meant there were fewer bankruptcy proceedings, which distressed asset managers need to price toxic loans. Shanghai-based bad bank 01 Asset Management Co estimated that fewer than 10 per cent of distressed real estate developers had gone through bankruptcy restructuring because that would require lenders to write off their loans.

For distressed asset managers, the upshot is they will probably have to wait until the government finds the political will to launch a full bailout of the property sector, said industry operators.

the inflation pressures are going to get any easier'

rates, now bet that interest rates will rise to 2.75 per cent by the BoE's November meeting before hitting 4 per cent in May.

Separately, the yield on two-year government bonds — indicating the average interest rate over the next 24 months — is trading at 2.94 per cent, compared with 1.83 per cent just a month ago.

"It's been one-way traffic since the beginning of August," said Matthew Russell, fixed income fund manager at M&G Investments, about the gilt moves. "The moves have been outsize."

Traders have become concerned as UK inflation has exceeded expectations almost every month this year, rising to 10.1 per cent in July. Russell said Citigroup's forecast that UK inflation would hit 18.6 per cent next year "drew quite a lot of attention to the [short duration] gilt market and that combined with the situation in the energy markets in Europe, plus thin summer liquidity in the markets, has accounted for the sharp rise in gilt [yields]".

The new retail gas and electricity price cap for October to December will be announced today. Analysts expect Ofgem, the regulator, to raise the annual cost of energy for an average household from £1,971 to more than £3,500.

Traders in government bond and interest rate futures markets pushed the expectations of interest rates higher on each piece of bad news on inflation.

Craig Inches, head of rates and cash at Royal London Asset Management, said the forecast that the BoE would raise rates to 4 per cent was reasonable. "I just don't see a situation in the short term where the inflation pressures are going to get any easier," he said.

Equities. Trading

Nasdaq caught in dilemma over core listing unit and expanding ESG business

Stock exchange fighting US regulator's climate proposals despite risk to growing arm

PATRICK TEMPLE-WEST AND NICHOLAS MEGAW — NEW YORK

On Nasdaq's most recent earnings call, chief executive Adena Friedman trumpeted the success of the stock exchange's efforts to make money out of the clamour for companies to be greener, fairer to workers and more socially responsible.

"It's definitely the highest-growth part of the business," said Friedman, referring to the revenues Nasdaq makes in its ESG unit, which advises companies on their environmental, social and corporate governance policies while helping them meet disclosure requirements.

Friedman said that the consultancy side of the business still generated the most demand, but that the bigger opportunity was selling software and data tools to help companies comply with reporting requirements demanded by rating agencies, investors and regulators.

"That's going to be the long-term growth driver for us," she said.

Yet one of the biggest threats to Nasdaq's ESG business comes from an unlikely source: Nasdaq itself.

The company is engaged in a battle to dilute the US Securities and Exchange Commission's unprecedented climate change disclosure proposal, which would force companies to reveal their direct greenhouse gas emissions and have them verified by a third party.

If enacted, the proposal would undoubtedly boost subscriptions to Nasdaq's Metrio and OneReport platforms, which are intended to help companies measure and disclose ESG data.

One of dozens of public companies to criticise the SEC proposal, the stock exchange is worried the rules could hurt its core listings business. Nasdaq last year beat arch-rival NYSE as the venue that landed the most initial public offerings.

The exchange has asked the SEC to rewrite the proposed rules, a move that would water down and delay the initiative. In a June letter to the regulator, Nasdaq encouraged the SEC to shift from mandatory reporting and institute a "comply or explain" system instead.

Nasdaq said the climate proposal "could deter many companies from going public" because of higher compliance costs and an increased risk of facing litigation from investors.

Upbeat: Adena Friedman says ESG is the highest-growth part of Nasdaq's business Christopher Goodney/Bloomberg

Michael Miller, an analyst at Morningstar, said moving from voluntary reporting to "having people forced to do it" would push companies towards the kinds of tool being sold by Nasdaq and its rivals, which include the Big Four accountancy groups and several start-ups.

"Nasdaq's position on the climate rule can be seen as running contrary to the interests of their ESG business, which would be a likely beneficiary of expanded reporting requirements," he said.

Simon Clinch, an analyst at Atlantic Equities in London, said the US regulator's proposal was a "big deal" for Nasdaq's ESG business. "The US is just the next leg of growth and the SEC's climate disclosure rule is definitely a tailwind," he said.

"If there is zero need to comply, then maybe that slows the growth a little," Clinch said, although there would still be a "longer-term secular opportunity" for the stock exchange's ESG business even in the absence of tough US disclosure rules.

Nasdaq's apparently conflicted stance makes financial sense. Its ESG business, while growing at a rapid pace, generates a fraction of the revenues pulled in by its core listings business.

Although the company does not detail its ESG revenues, its investor relations and ESG segment generated $122mn of revenue in the first six months of this year, from $112mn in the same period of 2021. Revenues at its listings business were $214mn.

"Listing is one of the most important businesses for Nasdaq so they will try to protect this business," said Owen Lau, an analyst at Oppenheimer & Co.

Nasdaq is not alone in fighting the SEC's climate proposals. The biggest US corporate lobbying groups are against it, including the Business Roundtable, which has described the suggested rules as "unworkable".

But the exchange's opposition to a key plank of the ESG agenda is even so an uncomfortable position for a company that has burnished its socially responsible credentials to lure investors. Starting this month, it required companies listing on Nasdaq have at least two diverse directors or explain why not.

And some of the companies that are backing the SEC in its climate push are groups such as Microsoft and Salesforce, the kinds of tech businesses that Nasdaq is known to attract.

Nasdaq said: "As a market operator, we frame our positions with a view to improving the overall functioning of the market to the benefit of all participants."

COMPANIES & MARKETS

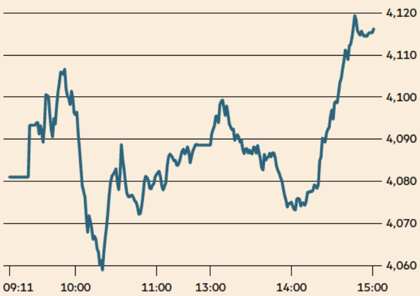
The day in the markets

What you need to know

- Stoxx 600 closes session 0.3 per cent higher
- Yield on benchmark 10-year US Treasury note slips 0.03 per cent
- Euro briefly rises above parity with the dollar

Chinese shares rise on stimulus announcement

CSI 300 index



Shanghai time
Source: Refinitiv

US stocks rose yesterday as investors braced themselves for a deluge of headlines from the Jackson Hole central bankers' summit.

The S&P 500 index was up 0.6 per cent by early afternoon in New York, while the technology-heavy Nasdaq Composite added 0.9 per cent. In Europe, the regional Stoxx 600 closed the session 0.3 per cent higher.

Those moves came on the first day of the Jackson Hole annual conference in Wyoming, where central bankers including US Federal Reserve chair Jay Powell have gathered to discuss the challenges ahead for the global economy.

The event, hosted by the Kansas City arm of the Fed, is closely watched by investors for signals on the future direction and pace of monetary policy.

Market pricing indicates that investors are expecting the Fed to lift borrowing costs to 3.7 per cent by February 2023, up from expectations of 3.3 per cent at the start of August. The central bank's current target range stands at 2.25 per cent to 2.50 per cent.

European bond markets recouped losses ahead of central bankers' speeches

The yield on UK two-year debt, which is sensitive to changes in interest rate expectations, fell by 0.13 percentage points to 2.81 per cent and Italian two-year debt yields lost 0.17 percentage points to trade at 1.75 per cent. Bond yields fall when prices rise. This came after the short-dated instruments sold off on Wednesday, as investors grew concerned about the BoE and ECB raising

Hong Kong's Hang Seng closing up 3.6 per cent and mainland China's CSI 300 gauge rising 0.8 per cent after China announced a stimulus package.

China's state council, its cabinet, on Wednesday announced the addition of Rmb300bn ($44bn) in credit support by its policy banks, the state-controlled institutions used by Beijing to spur economic growth.

Germany needs its very own Marshall Plan

Katharine Neiss

Markets Insight

When someone always gives the same answer, no matter what the question, there is reason to be suspicious. Take German fiscal policy, for example. The answer after the global financial crisis? Austerity. The European sovereign debt crisis? Austerity. Russia's invasion of Ukraine? Once again, the German finance minister's answer seems to be: austerity.

But unlike other countries in the EU, Germany's problem was not one of overinvestment or capital overhang. That's why austerity just magnified the country's under-investment and made its economy less resilient to the latest energy shock. Giving the same answer repeatedly does not just betray a lack of creativity — for Germany today, more austerity is also the wrong path.

Successive episodes of turbulence since the 2008 global financial crisis had already blown German gross domestic

require bold action and a rethink of the country's economic model.

Internationally, German austerity risks worsening trade imbalances and straining transatlantic unity. Tensions between the west and China — a key export market for German products — had put the brakes on Germany's export-led economy. China's push for self-sufficiency alongside global supply chain fragmentation will further challenge Germany's business model.

That is why Germany must embrace the fact that trade with the EU is seven times larger than with China, and recognise that it needs to invest at home and

> Investment in energy infrastructure would enhance its security and generate innovation

Some will want renewables to take centre stage, but complementary sources will be needed if Germany wants to have secure and consistent supplies. Investing in fossil fuels and nuclear energy domestically is likely to be part of that picture. The conclusion is clear: existing domestic supply will not be able to plug Germany's demand gap.

Instead, it could invest in public infrastructure, on a scale reminiscent of the Marshall Plan. In particular, investment in energy infrastructure, such as the Next Generation EU plan that Germany supported during the pandemic, would enhance the country's security, accelerate its green transition and generate positive innovation spillovers.

More fiscal spending across Europe could also provide further impetus for common eurobonds. German public opinion would be less reluctant to embrace such an initiative because some of the funds would be spent at home. It would also be a step towards on monetary policy, with Bank of England governor Andrew Bailey and European Central Bank executive board member Isabel Schnabel also set to speak at Jackson Hole.

interest rates more aggressively.

The yield on the benchmark 10-year US Treasury note slipped 0.03 per cent to trade at 3.08 per cent.

Asian equity markets made gains, with

In currency markets, the dollar traded flat against a basket of six currencies. The euro briefly rose above parity before slipping back to $0.995, down 0.1 per cent.

Ian Johnston

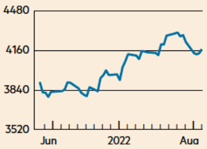
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4166.76	1710.52	28479.01	7479.74	3246.25	113163.72
% change on day	0.63	0.35	0.58	0.11	0.97	0.24
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	108.434	0.998	136.695	1.183	6.851	5.103
% change on day	-0.224	-0.100	-0.051	0.085	-0.218	0.009
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.079	1.314	0.225	2.614	2.659	12.830
Basis point change on day	-2.970	-5.300	0.590	-8.300	2.300	11.600
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	421.39	101.09	94.40	1745.65	19.00	3836.00
% change on day	0.69	1.57	1.18	-0.05	0.05	-0.68

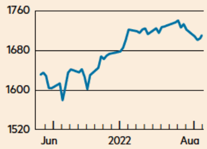
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

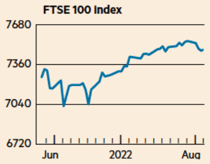
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Netapp	7.07	Oci	5.13	Crh	3.37
	Royal Caribbean	4.75	Eni	2.06	Pershing Square Holdings Ltd	2.18
	Advanced Micro Devices	4.38	Bayer	2.04	Rentokil Initial	2.17
	Carnival	4.33	Arcelormittal	2.01	Antofagasta	1.74
	Western Digital	4.14	Infineon Tech	2.00	Informa	1.71
Downs	Dollar Tree	-9.96	Saipem	-4.63	Phoenix Holdings	-4.11
	Salesforce	-6.24	Heineken Holding	-3.33	Coca-cola Hbc Ag	-3.92
	Adobe	-2.25	Erste Bank	-2.03	Persimmon	-3.82
	Kroger Co (the)	-1.98	Inditex	-1.95	Mondi	-3.77
	Bristol-myers Squibb Co	-1.21	Carlsberg	-1.90	B&m Eur Value Retail S.a.	-3.60

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

Discount store chain **Dollar Tree** sank even though its earnings per share increased 30 per cent to a second-quarter record of $1.60.

What spooked investors was a cut to Dollar Tree's outlook, with EPS expected the land between $7.10 and $7.40 for the full year, down from a forecast of $7.80 to $8.20 stated in May.

The lowered guidance was down to "investment in pricing" at the Family Dollar chain, which was expected to put pressure on gross margins in the back half of the year, it said.

A large earnings miss sent **Peloton** tumbling, the fitness bikes and treadmills group posting a 28 per cent fall in revenue for its fiscal fourth quarter.

In a letter to shareholders Barry McCarthy, chief executive, said: "The naysayers will look at our Q4 financial performance and see a melting pot of declining revenue, negative gross margin, and deeper operating losses.

"But what I see is significant progress driving our comeback," he said, pointing to "renegotiated supply contracts and significantly reduced cash outflow".

Telehealth stocks rallied on news that retail behemoth Amazon was set to close its healthcare service. Virtual healthcare provider **Teladoc** climbed as did peers **American Well** and **Accolade**.

Ray Douglas

Europe

The Netherlands' **Alfen** rose sharply on announcing a leap in first-half revenue, driven by "exceptional" electric vehicle charging growth, said Marco Roeleveld, chief executive.

The provider of electric grid equipment posted quarterly revenue and core profits 13 per cent and 25 per cent ahead of consensus, respectively, noted Jefferies.

Roeleveld said Alfen was benefiting from "a surge in [EV] projects at retail locations and workplaces after Covid measures were released".

The group also lifted its full-year guidance, forecasting revenue of between €410mn and €470mn from an earlier outlook of €350mn to €420mn.

Weak orders weighed on Sweden's **Elekta**. The group, which specialises in products for cancer and brain disorders, reported an 11 per cent year-on-year drop in orders for its fiscal first quarter after a "slowdown" in the Americas.

Operating profit of SKr117mn ($11.1mn), fell well short of the Refinitiv-compiled estimate of SKr342mn, as "headwinds from supply chain challenges, component shortages . . . and increased inflation led to high cost levels and continued pressure on margins", said Elekta.

Airline **Norwegian Air Shuttle** slid after warning that high fuel prices were expected to have a "partly negative impact" on results this year. *Ray Douglas*

London

An upbeat trading update buoyed **Hunting**, the oil and gas group, which swung to a half-year core profit of $20.6mn against a loss of $3.6mn for the same period a year earlier.

Jim Johnson, chief executive, was bullish about the rest of 2022, expecting further improvement in earnings, which was "supported by our forward sales order book that now exceeded the position seen in 2019".

Hunting's Asia Pacific unit this month won an "oil country tubular goods" contract for an offshore project in China estimated to be worth up to $86mn.

The company also declared an interim dividend of 4.5 cents per share, up from 4 cents a year earlier.

Another oil and gas company, **Harbour Energy**, rallied on announcing it would be returning more money to investors.

The group said it would be increasing its share buyback by $100mn to $300mn after generating $1.4bn of free cash flow.

The UK-listed shares of **CRH** climbed after its first-half earnings rose 13 per cent off the back of chunky price increases.

AJ Bell said this performance owed much to the building materials group's exposure to big infrastructure projects, which provided it with "some insulation against any economic downturn".

Ray Douglas

product growth off course. To this day, the economy still hasn't regained its pre-crisis trend. Even before Russia's invasion of Ukraine in February, the pandemic exposed the vulnerabilities arising from Germany's under-investment. Together with an ageing population, this shortfall contributed to weak growth.

Russia's invasion is the latest shock to German supply and demand. The Bundesbank and finance ministry seem to feel this blow to the economy should simply be accepted. But the tighter fiscal and monetary policies they advocate would further suppress demand.

Moreover, there are signs that Germany's trend growth continues to decline. Halting this "death by a thousand cuts", where multiple crises add up to a disturbing larger picture, will in its key trading partners first. The EU is the world's largest and most open trading bloc. But the full benefit of the union will remain unexploited unless Germany steps up to a leadership role.

Instead of austerity, to offset actively the damage to supply and mitigate the impact of inflation from the war in Ukraine, German policymakers should engineer a positive shock.

German industry relies on cheap fossil fuels from Russia. In a worst-case scenario of a sudden stop in Russian energy flows to Germany, we estimate that the cumulative impact of inadequate policies pursued since the great financial crisis could approach a staggering 15 per cent of German GDP.

Such a shock requires a complete overhaul of the country's energy supply. fiscal union in the euro area.

Higher spending at home would boost the entire EU. In turn, the country's deep integration with the EU economy would see those economic benefits flow back to Germany itself.

Germany has the talent and resources needed for the investment we propose. Its leaders should set out a confident vision of its future and trust that investing in their country will deliver a good return. Yes, higher spending means more debt, but future generations stand to inherit the assets that that debt builds. Not investing will lead to a permanent loss of GDP — cold comfort to any generation.

Katharine Neiss is chief European economist at PGIM Fixed Income

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 $
0.63%	0.86%	0.14%	0.11%	0.35%	0.58%	3.63%	0.69%	-0.100%	0.085%	-0.051%	-0.118%	0.07%	-0.05%

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

AMERICAS

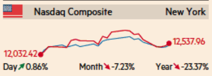
Jul 26 - - — Index — All World

S&P 500 — New York

4,023.61 · 4,166.76

Day 0.63% Month -6.73% Year -11.45%

Nasdaq Composite — New York



12,032.42 · 12,537.96

Day 0.86% Month -7.23% Year -23.37%

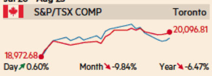
Dow Jones Industrial — New York

32,197.59 · 33,015.74

Day 0.14% Month -5.23% Year -10.21%

Jul 26 - Aug 25 — Index — All World

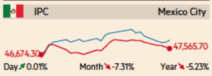
S&P/TSX COMP — Toronto



18,972.68 · 20,096.81

Day 0.60% Month -9.84% Year -6.47%

IPC — Mexico City



46,674.30 · 47,565.70

Day 0.01% Month -7.31% Year -5.23%

Bovespa — São Paulo

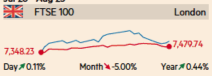
101,437.96 · 113,630.75

Day 0.24% Month -11.14% Year -21.26%

EUROPE

Jul 26 - Aug 25 — Index — All World

FTSE 100 — London



7,348.23 · 7,479.74

Day 0.11% Month -5.00% Year 0.44%

FTSE Eurofirst 300 — Europe

1,685.58 · 1,710.52

Day 0.35% Month -6.91% Year -9.00%

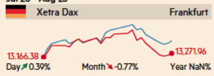
CAC 40 — Paris

6,257.94 · 6,381.56

Day -0.08% Month -9.62% Year -8.86%

Jul 26 - Aug 25 — Index — All World

Xetra Dax — Frankfurt



13,166.38 · 13,271.96

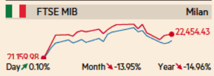
Day 0.39% Month -0.77% Year NaN%

Ibex 35 — Madrid

8,124.40 · 8,187.50

Day -0.15% Month -8.45% Year -7.31%

FTSE MIB — Milan



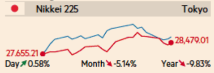
21,159.98 · 22,454.43

Day 0.10% Month -13.95% Year -14.96%

ASIA

Jul 26 - Aug 25 — Index — All World

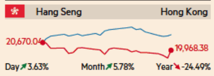
Nikkei 225 — Tokyo



27,655.21 · 28,479.01

Day 0.58% Month -5.14% Year -9.83%

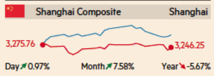
Hang Seng — Hong Kong



20,670.04 · 19,968.38

Day 3.63% Month 5.78% Year -24.49%

Shanghai Composite — Shanghai

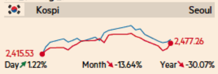


3,275.76 · 3,246.25

Day 0.97% Month 7.58% Year -5.67%

Jul 26 - Aug 25 — Index — All World

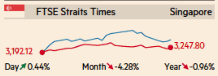
Kospi — Seoul



2,415.53 · 2,477.26

Day 1.22% Month -13.64% Year -30.07%

FTSE Straits Times — Singapore



3,192.12 · 3,247.80

Day 0.44% Month -4.28% Year -0.96%

BSE Sensex — Mumbai

55,766.22 · 58,774.72

Day -0.53% Month -5.30% Year 0.91%

Country	Index	Latest	Previous
Argentina	Merval	141277.18	140246.05
Australia	All Ordinaries	7291.90	7242.30
	S&P/ASX 200	7048.10	6998.10
	S&P/ASX 200 Res	5648.00	5599.50
Austria	ATX	2989.54	3000.56
Belgium	BEL 20	3732.03	3732.37
	BEL Mid	9818.29	9808.29
Brazil	IBovespa	113163.72	112897.84
Canada	S&P/TSX 60	1215.21	1207.99
	S&P/TSX Comp	20140.97	20021.38

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1182.13	1184.16
Denmark	OMXC Copenahgen 20	1760.13	1746.34
Egypt	EGX 30	10105.24	10137.89
Estonia	OMX Tallinn	1818.32	1821.00
Finland	OMX Helsinki General	10924.70	10875.45
France	CAC 40	6381.56	6386.76
	SBF 120	4932.00	4932.84
Germany	M-DAX	26070.64	26057.51
	TecDAX	3057.78	3035.15

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	24539.26	24513.76
	FTSE Italia Mid Cap	39427.10	39471.65
	FTSE MIB	22454.43	22431.47
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	28479.01	28313.47
	S&P Topix 150	1697.30	1689.35
	Topix	1976.60	1967.18
Jordan	Amman SE	2562.25	2560.27
Kenya	NSE 20	1753.61	1770.46
Kuwait	KSX Market Index	6633.44	6603.51

Country	Index	Latest	Previous
Philippines	Manila Comp	6706.43	6643.45
Poland	Wig	53097.06	52711.92
Portugal	PSI 20	6244.32	6251.18
	PSI General	4931.68	4927.64
Romania	BET Index	12297.24	12306.58
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12443.77	12420.77
Singapore	FTSE Straits Times	3247.80	3233.48
Slovakia	SAX	357.92	357.92

Country	Index	Latest	Previous
Taiwan	Weighted Pr	15200.04	15069.19
Thailand	Bangkok SET	1643.52	1631.55
Turkey	BIST 100	3128.60	3060.30
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2486.80	2498.50
	FTSE 100	7479.74	7471.51
	FTSE 4Good UK	6758.42	6759.12
	FTSE All Share	4103.35	4100.82
	FTSE techMARK 100	6020.90	6027.70
USA	DJ Composite	11360.21	11322.30

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	454.52	452.17
	Euro Stoxx 50 (Eur)	3674.02	3667.46
	Euronext 100 ID	1254.12	1251.04
	FTSE 4Good Global ($)	10033.29	9985.58
	FTSE All World ($)	421.39	418.51
	FTSE E300	1710.52	1704.63
	FTSE Eurotop 100	3348.79	3335.85
	FTSE Global 100 ($)	2653.02	2637.58
	FTSE Gold Min ($)	1560.62	1552.27
	FTSE Latibex Top (Eur)	4440.00	4432.20

[illegible]

(c) Closed. (u) Unavaliable. † 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	LONDON ACTIVE STOCKS	stock traded m's	close price	Day's change	EURO MARKETS ACTIVE STOCKS	stock traded m's	close price	Day's change	TOKYO ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	96.6	294.25	-2.84	Shell	223.9	2320.50	28.00	Novartis N	316.7	83.36	-0.63	Tokyo Electric Power ,orporated	565.7	550.00	-2.00
Nvidia	81.7	176.61	4.39	Bp	129.2	459.45	6.50	Intesa Sanpaolo	268.6	1.74	-0.03	Mitsubishi Heavy Industries,	446.3	5239.00	30.00
Apple	39.0	169.04	1.51	Glencore	115.0	505.00	7.30	Nestle N	254.1	121.44	0.58	Softbank .	441.9	5638.00	22.00
Advanced Micro Devices	35.7	96.79	4.06	Astrazeneca	103.8	11422.00	72.00	Eni	214.0	12.51	0.25	Tokyo Electron	354.2	44870.00	540.00
Amazon.com	25.2	136.27	2.47	Diageo	103.1	3853.00	-40.50	Novo Nordisk B A/s	186.6	110.47	0.86	Fast Retailing Co.,	297.8	84000.00	-220.00
Salesforce	22.6	168.78	-11.24	Unilever	70.6	3967.00	-24.00	Roche Gs	178.4	332.03	1.87	Nippon Yusen Kabushiki Kaisha	289.8	10800.00	90.00
Microsoft	19.3	275.76	-0.03	Gsk	61.5	1390.40	-8.60	Asml Holding	165.7	532.00	1.20	Sony	254.2	11395.00	20.00
3m	15.7	141.60	0.56	Hsbc Holdings	52.2	522.50	1.30	Totalenergies	154.8	54.37	0.73	Mitsubishi Ufj Fin,.	248.5	731.50	3.40
Dollar Tree	10.4	149.45	-16.53	Darktrace	51.8	512.00	-2.60	Unicredit	153.8	9.33	-0.15	Mitsui O.s.k.lines,	240.2	3750.00	25.00
Occidental Petroleum	9.3	74.64	-0.27	Rio Tinto	51.3	4951.00	19.50	Stellantis	143.2	14.09	-0.10	Toyota Motor	225.9	2109.00	9.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups				**Ups**				**Ups**				**Ups**			
Netapp	77.97	5.15	7.07	Harbour Energy	473.60	43.10	10.01	Prosus	67.24	4.53	7.22	Thb Japan Steel Works,	3200.00	185.00	6.14
Royal Caribbean	43.93	1.99	4.75	Ibstock	199.90	8.80	4.60	Orsted A/s Dk 10	14.25	0.52	3.78	Unitika	248.00	12.00	5.08
Advanced Micro Devices	96.79	4.06	4.38	Crh	3236.50	105.50	3.37	Vestas Wind Systems A/s	25.94	0.55	2.16	Daiichi Sankyo ,	4163.00	183.00	4.60
Carnival	10.49	0.44	4.33	Carnival	768.80	24.00	3.22	Eni	12.51	0.25	2.06	Fujitsu	17095.00	475.00	2.86
Western Digital	48.13	1.92	4.14	Abrdn Private Equity Opportunities Trust	430.00	13.00	3.12	Bayer Ag Na O.n.	54.56	1.09	2.04	Toto	4920.00	135.00	2.82
Downs				**Downs**				**Downs**				**Downs**			
Dollar Tree	149.45	-16.53	-9.96	Wood (john)	135.25	-7.90	-5.52	Heineken	91.64	-3.02	-3.19	Toho Z Co.,	2459.00	-70.00	-2.77
Salesforce	168.78	-11.24	-6.24	Rhi Magnesita N.v.	1802.00	-85.00	-4.50	Inditex	23.14	-0.46	-1.95	Tokyo Gas Co.,	2587.00	-68.00	-2.56
Adobe	396.51	-9.15	-2.25	Marks And Spencer	121.60	-5.65	-4.44	Schneider Electric	127.12	-2.30	-1.78	Dai Nippon Printing Co.,	2911.00	-73.00	-2.45
Kroger Co (the)	48.68	-0.99	-1.98	888 Holdings	132.70	-6.10	-4.39	Philips Kon	17.62	-0.31	-1.74	Osaka Gas Co.,	2346.00	-56.00	-2.33
Bristol-myers Squibb Co	71.55	-0.88	-1.21	Phoenix Holdings	602.60	-25.80	-4.11	Unicredit	9.33	-0.15	-1.59	Toppan Printing Co.,	2192.00	-38.00	-1.70

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	Aug 25 price(p)	%Chg week	%Chg ytd	FTSE 250	Aug 25 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Aug 25 price(p)	%Chg week	%Chg ytd	Industry Sectors	Aug 25	%Chg week	%Chg ytd
Winners				**Winners**				**Winners**				**Winners**			
[illegible]															
Losers				**Losers**				**Losers**				**Losers**			
[illegible]															
Howden Joinery	588.00	-10.7	-34.5	Aston Martin Lagonda Global Holdings	434.10	-15.0	-	Halfords	127.80	-20.8	-	Mining	10385.06	-5.2	-50.7
B&m Eur Value Retail S.a.	375.30	-9.8	-	Wood (john)	135.25	-13.5	-	Esken	5.20	-17.5	-	Industrial Metals	6884.46	-4.9	-0.6
Hargreaves Lansdown	870.00	-9.7	-	Xp Power	1998.00	-13.1	-46.9	Made.com	8.26	-16.6	-	Travel & Leisure	6212.84	-4.6	-
Taylor Wimpey	109.85	-9.4	-	Countryside Partnerships	240.20	-12.9	-	Trustpilot	69.75	-16.3	-	Personal Goods	28740.16	-4.5	-
Land Securities	656.20	-9.2	-	Wizz Air Holdings	2140.00	-12.9	-	Marston's	37.50	-14.6	-	Beverages	29276.95	-4.0	-
Phoenix Holdings	602.60	-9.1	-9.8	888 Holdings	132.70	-12.8	-	Funding Circle Holdings	38.00	-14.0	-	Software & Computer Services	1862.48	-3.7	-
Barratt Developments	430.10	-8.7	-	Dunelm	702.00	-12.7	-	Restaurant	40.96	-13.8	-	Real Estate & Investment Servic	2507.04	-3.2	-
British Land	433.00	-8.6	-	Ti Fluid Systems	148.40	-12.7	-	Luceco	84.90	-13.7	-	Electronic & Electrical Equip.	8439.83	-2.4	-
Jd Sports Fashion	113.90	-8.6	-	Greencore	87.95	-12.1	-	Saga	151.40	-12.7	-	Food Producers	5897.24	-2.1	-
Int Consolidated Airlines S.a.	108.90	-8.2	-	Genuit	367.00	-12.0	-	Hollywood Bowl	182.80	-12.5	-9.9	Household Goods	10952.91	-1.4	-

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

CURRENCIES

Aug 25	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	137.4054	0.2445	137.1516	0.1004	162.4811	0.3428
Australia	Australian Dollar	1.4351	-0.0113	1.4325	-0.0128	1.6970	-0.0128
Bahrain	Bahrainin Dinar	0.3770	-	0.3763	-0.0004	0.4458	0.0001
Bolivia	Bolivian Boliviano	6.9100	-	6.8972	-0.0072	8.1710	0.0027
Brazil	Brazilian Real	5.1028	0.0004	5.0934	-0.0049	6.0340	0.0025
Canada	Canadian Dollar	1.2927	-0.0048	1.2903	-0.0062	1.5286	-0.0052
Chile	Chilean Peso	907.8500	-6.5500	906.1736	-7.4955	1073.5275	-7.3875
China	Chinese Yuan	6.8505	-0.0150	6.8379	-0.0222	8.1007	-0.0151
Colombia	Colombian Peso	4398.0250	34.4350	4389.9043	29.8017	5200.6407	42.4280
Costa Rica	Costa Rican Colon	636.1550	-6.1000	634.9803	-6.7613	752.2497	-6.9619
Czech Republic	Czech Koruna	24.6972	0.0085	24.6516	-0.0174	29.2043	0.0197
Denmark	Danish Krone	7.4514	0.0085	7.4376	0.0006	8.8112	0.0129
Egypt	Egyptian Pound	19.1949	0.0185	19.1595	-0.0016	22.6979	0.0294
Hong Kong	Hong Kong Dollar	7.8462	-0.0007	7.8317	-0.0089	9.2781	0.0023
Hungary	Hungarian Forint	412.1124	2.4097	411.3514	1.9762	487.3206	3.0098
India	Indian Rupee	79.8844	0.0669	79.7369	-0.0168	94.4629	0.1103
Indonesia	Indonesian Rupiah	14822.5000	-25.0000	14795.1318	-40.5189	17527.5314	-23.7491
Israel	Israeli Shekel	3.2700	-0.0016	3.2640	-0.0050	3.8668	-0.0006
Japan	Japanese Yen	136.6950	-0.0700	136.4426	-0.2131	161.6411	-0.0292
..One Month		136.6947	-0.0706	136.4425	-0.2132	161.6408	-0.0298
..Three Month		136.6939	-0.0723	136.4423	-0.2136	161.6400	-0.0314
..One Year		136.6895	-0.0810	136.4405	-0.2173	161.6408	-0.0358
Kenya	Kenyan Shilling	119.9000	0.0500	119.6786	-0.0756	141.7811	0.1060
Kuwait	Kuwaiti Dinar	0.3078	0.0001	0.3072	-0.0003	0.3640	0.0002
Malaysia	Malaysian Ringgit	4.4720	-0.0135	4.4637	-0.0182	5.2881	-0.0142
Mexico	Mexican Peso	19.9210	0.0130	19.8842	-0.0079	23.5565	0.0232
New Zealand	New Zealand Dollar	1.6073	-0.0057	1.6044	-0.0074	1.9007	-0.0061
Nigeria	Nigerian Naira	425.7500	-	424.9638	-0.4459	503.4470	0.1666
Norway	Norwegian Krone	9.6766	0.0226	9.6588	0.0125	11.4426	0.0306
Pakistan	Pakistani Rupee	219.5000	0.1250	219.0947	-0.1050	259.5575	0.2337
Peru	Peruvian Nuevo Sol	3.8556	-0.0068	3.8485	-0.0108	4.5592	-0.0065
Philippines	Philippine Peso	56.0300	-0.0450	55.9265	-0.1036	66.2552	-0.0313
Poland	Polish Zloty	4.7575	-0.0115	4.7488	-0.0165	5.6258	-0.0117
Romania	Romanian Leu	4.8779	-0.0006	4.8688	-0.0057	5.7680	0.0013
Russia	Russian Ruble	60.3750	0.0750	60.2635	0.0117	71.3931	0.1123
Saudi Arabia	Saudi Riyal	3.7570	-0.0018	3.7501	-0.0057	4.4426	-0.0006
Singapore	Singapore Dollar	1.3894	-0.0034	1.3868	-0.0048	1.6429	-0.0034
South Africa	South African Rand	16.7675	-0.1712	16.7365	-0.1887	19.8275	-0.1959
South Korea	South Korean Won	1335.1500	-6.9000	1332.6846	-8.2927	1578.8074	-7.6340
Sweden	Swedish Krona	10.5641	-0.0202	10.5445	-0.0312	12.4919	-0.0197
Switzerland	Swiss Franc	0.9639	-0.0015	0.9621	-0.0025	1.1398	-0.0014
Taiwan	New Taiwan Dollar	30.2080	-0.0705	30.1522	-0.1021	35.7208	-0.0715
Thailand	Thai Baht	35.8250	-0.2325	35.7588	-0.2698	42.3629	-0.2608
Tunisia	Tunisian Dinar	3.2128	0.0161	3.2069	0.0127	3.7991	0.0202
Turkey	Turkish Lira	18.1675	0.0130	18.1340	-0.0060	21.4830	0.0225
United Arab Emirates	UAE Dirham	3.6731	0.0000	3.6663	-0.0038	4.3434	0.0015
United Kingdom	Pound Sterling	0.8457	-0.0003	0.8441	-0.0012	-	-
..One Month		0.8457	-0.0003	0.8440	-0.0012	-	-
..Three Month		0.8459	-0.0003	0.8437	-0.0012	-	-
..One Year		0.8459	-0.0002	0.8421	-0.0011	-	-
United States	United States Dollar	-	-	0.9982	-0.0010	1.1825	0.0004
..One Month		-	-	0.9980	-0.1840	1.1826	0.0004
..Three Month		-	-	0.9975	-0.1839	1.1827	0.0004
..One Year		-	-	0.9956	-0.1840	1.1827	0.0004
Vietnam	Vietnamese Dong	23428.0000	-42.0000	23384.7564	-66.5212	27703.5170	-40.5056
European Union	Euro	1.0019	0.0011	-	-	1.1847	0.0016
..One Month		1.0017	0.0010	-	-	1.1846	0.0016
..Three Month		1.0012	0.0011	-	-	1.1843	0.0016
..One Year		0.9993	0.0010	-	-	1.1827	0.0017

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

	£ Strlg Aug 25	Day's chge%	Euro Index	£ Strlg Aug 24	£ Strlg Aug 23	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7479.74	0.11	6910.73	7471.51	7488.11	7150.12	3.56	1.95	14.43	218.14	7628.48
FTSE 250 (250)	19257.87	-0.25	17792.85	19305.23	19306.89	23986.37	2.89	1.32	26.11	381.37	15886.18
FTSE 250 ex Inv Co (176)	19527.63	-0.46	18042.10	19616.96	19641.87	25213.74	3.02	1.54	21.55	412.73	16437.55
FTSE 350 (350)	4139.86	0.06	3824.93	4137.50	4145.38	4134.18	3.46	1.87	15.46	114.95	8376.19
FTSE 350 ex Investment Trusts (274)	4070.95	0.04	3761.25	4069.23	4078.72	4029.59	3.52	1.93	14.75	115.78	4257.06
FTSE 350 Higher Yield (129)	3543.01	0.05	3273.48	3541.40	3567.20	3222.96	4.97	1.87	10.73	129.66	8063.69
FTSE 350 Lower Yield (221)	4320.02	0.07	3991.38	4317.05	4301.45	4824.60	1.91	1.86	28.16	76.46	5299.35
[illegible]											

FT 30 INDEX

	Aug 25	Aug 24	Aug 23	Aug 22	Aug 19	Yr Ago	High	Low
FT 30	2486.80	2498.50	2504.10	2533.40	2572.60	0.00	2880.10	2300.60
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2498.5	2507.2	2504.8	2579	2579.7	2581.8	2588.4	2492.9	2495.7	2511.2	2483.9

FT30 constituents and recent additions/deletions can be found at www.ft.com/ft30

FT WILSHIRE 5000 INDEX SERIES

	Aug 24
[illegible]	5628.98
[illegible]	5132.62
[illegible]	5162.96

[illegible] ...the SEC. Further ...registered service [illegible]

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	41.56	Consumer Goods	-1.75	Life Insurance	-16.30
Oil & Gas	40.94	Personal Goods	-1.84	Consumer Services	-16.30
Tobacco	24.14	FTSE All{HY-}Share Index	-2.49	Industrials	-17.08
Aerospace & Defense	14.30	Beverages	-5.85	Household Goods & Ho	-17.35
Electricity	11.81	Fixed Line Telecomms	-6.94	FTSE 250 Index	-17.98
Pharmace & Biotech	11.22	Health Care Eq & Srv	-7.70	Construct & Material	-18.80
Health Care	9.95	Media	-8.72	Real Est Invest & Tr	-20.83
Mining	7.87	Financials	-8.96	Support Services	-20.97
Banks	7.13	Travel & Leisure	-9.79	Leisure Goods	-22.19
Utilities	6.16	Financial Services	-11.44	Real Est Invest & Se	-23.42
Gas Water & Multi	4.26	Food Producers	-12.30	Food & Drug Retailer	-25.27
Mobile Telecomms	2.60	Nonlife Insurance	-12.65	Chemicals	-26.88
Basic Materials	1.49	Oil Equipment & Serv	-13.51	Industrial Eng	-28.04
FTSE 100 Index	1.29	Tech Hardware & Eq	-13.85	Electronic & Elec Eq	-30.60
Beverages	31.66	Software & Comp Serv	-13.87	General Retailers	-33.62
Telecommunications	-0.11	Technology	-13.90	Industrial Transport	-35.36
NON FINANCIALS Index	-1.18	FTSE SmallCap Index	-13.96	Automobiles & Parts	-55.65
		Equity Invest Instr	-15.16	Industrial Metals &	-79.79

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

Aug 25 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil Equipment & Services	23	281.01	0.9	8.0	20.1	515.62	23.6	4.2
Basic Materials	373	583.63	-0.1	6.1	-13.2	1062.00	-10.6	5.0
Chemicals	182	806.63	0.3	4.1	-16.7	1416.75	-15.0	2.9
Forestry & Paper	20	267.47	-0.7	5.0	-12.4	537.28	-10.0	3.6
Industrial Metals & Mining	94	456.92	-0.7	7.5	-17.4	865.66	-14.0	8.8
Mining	77	891.77	-0.2	8.8	-4.2	1701.49	-0.5	6.4
Industrials	780	493.34	0.1	3.8	-17.9	783.16	-16.7	2.0
Construction & Materials	146	559.37	-0.2	0.7	-24.3	938.17	-23.0	2.3
Aerospace & Defense	34	833.32	0.7	3.4	3.7	1295.54	4.8	1.5
General Industrials	72	229.66	0.1	3.5	-17.2	403.30	-15.7	2.5
Electronic & Electrical Equipment	158	610.52	-0.1	2.2	-24.1	874.35	-23.2	1.5
Industrial Engineering	150	927.82	0.2	4.2	-19.8	1468.00	-18.6	2.0
Industrial Transportation	129	987.04	-0.1	4.3	-11.1	1593.28	-9.1	2.9
Support Services	91	554.83	0.4	6.3	-21.9	821.88	-21.2	1.3
Consumer Goods	562	587.40	0.2	1.8	-14.8	982.54	-13.5	2.3
Automobiles & Parts	132	619.03	0.0	3.2	-19.9	998.06	-18.9	2.0
Beverages	71	778.37	0.4	3.0	-3.4	1313.18	-2.2	2.2
Food Producers	134	736.62	0.3	2.3	-6.2	1264.92	-4.5	2.4
[illegible]								
FTSE Global Large Cap	1867	637.45	0.1	2.5	-16.0	1047.50	-14.7	2.2

The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World index Series (large/mid cap) - please see https://research.ftserussell.com/Products/indices/Home/indexfiltergeis?indexName=GEISAC&currency=USD&rtn=CAP&segment=global-developed–emerging. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual property of Research Affiliates, LLC (US Patent Nos. 7,620,577; 7,747,502; 7,778,905; 7,792,719; Patent Pending Publ. Nos. US-2006-0149645-A1, US-2007-0055598-A1, US-2008-0288416-A1, US-2010- 0063942-A1, WO 2005/076812, WO 2007/078399 A2, WO 2008/118372, EPN 1733352, and HK1099110). "EDHEC™" is a trade mark of EDHEC Business School As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com. © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1224	1.50	Intertek Group PLC	4118	-40.00
Abrdn PLC	149.35	-0.80	Jd Sports Fashion PLC	113.90	-2.75
Admiral Group PLC	2218	-26.00	Kingfisher PLC	232.90	-1.20
Airtel Africa PLC	136.40	-0.40	Land Securities Group PLC	656.20	-9.80
Anglo American PLC	2919.5	40.50	Legal & General Group PLC	258.40	-1.00
Antofagasta PLC	1167	20.00	Lloyds Banking Group PLC	44.32	0.20
Ashtead Group PLC	4359	7.00	London Stock Exchange Group PLC	8410	10.00
Associated British Foods PLC	1548.5	-6.50	M&G PLC	198.00	-0.75
Astrazeneca PLC	11422	72.00	Meggitt PLC	792.00	0.20
Auto Trader Group PLC	663.20	-3.00	Melrose Industries PLC	140.90	-0.90
Avast PLC	696.20	-3.40	Mondi PLC	1454.5	-57.00
Aveva Group PLC	2769	-12.00	National Grid PLC	1136	-11.00
Aviva PLC	425.00	-0.20	Natwest Group PLC	252.90	-3.90
B&M European Value Retail S.A.	375.30	-14.00	Next PLC	5890	-64.00
Bae Systems PLC	809.80	2.60	Ocado Group PLC	763.80	-22.40
Barclays PLC	164.16	1.54	Pearson PLC	872.40	7.20
Barratt Developments PLC	430.10	-5.60	Pershing Square Holdings LTD	2810	60.00
Berkeley Group Holdings (The) PLC	3740	-51.00	Persimmon PLC	1485	-59.00
BP PLC	459.45	6.50	Phoenix Group Holdings PLC	602.60	-25.80
British American Tobacco PLC	3446	-6.00	Prudential PLC	916.40	-13.60
British Land Company PLC	433.00	-2.90	Reckitt Benckiser Group PLC	6620	-46.00
Bt Group PLC	152.70	-1.00	Relx PLC	2384	9.00
Bunzl PLC	3136	3.00	Rentokil Initial PLC	546.20	11.60
Burberry Group PLC	1776.5	6.00	Rightmove PLC	615.20	-1.40
Centrica PLC	81.44	-0.66	Rio Tinto PLC	4951	19.50
Coca-Cola Hbc AG	1975.5	-80.50	Rolls-Royce Holdings PLC	80.53	0.22
Compass Group PLC	1909.5	-5.00	Rs Group PLC	1129	14.00
Crh PLC	3236.5	105.50	Sage Group PLC	726.00	4.80
Croda International PLC	7018	16.00	Sainsbury (J) PLC	208.50	-1.30
Dcc PLC	5140	24.00	Schroders PLC	2788	-10.00
Dechra Pharmaceuticals PLC	3506	8.00	Scottish Mortgage Investment Trust PLC	829.80	2.20
Diageo PLC	3853	-40.50	Segro PLC	980.60	0.20
Endeavour Mining PLC	1809	-8.00	Severn Trent PLC	2881	-49.00
Entain PLC	1281	-13.50	Shell PLC	2320.5	28.00
Experian PLC	2775	-23.00	Smith & Nephew PLC	1019.5	3.50
Flutter Entertainment PLC	10940	-10.00	Smith (Ds) PLC	266.80	-3.50
Fresnillo PLC	732.00	4.40	Smiths Group PLC	1529	7.50
Glaxosmithkline PLC	1390.4	-8.60	Smurfit Kappa Group PLC	2863	-35.00
Glencore PLC	505.00	7.30	Spirax-Sarco Engineering PLC	10860	70.00
Haleon PLC	263.60	-5.20	Sse PLC	1822.5	-11.00
Halma PLC	2161	-24.00	St. James's Place PLC	1147	-10.50
Hargreaves Lansdown PLC	870.00	-17.20	Standard Chartered PLC	592.00	7.20
Hikma Pharmaceuticals PLC	1354	-16.50	Taylor Wimpey PLC	109.85	-1.10
Howden Joinery Group PLC	588.00	-8.80	Tesco PLC	256.50	-2.90
HSBC Holdings PLC	522.50	1.30	Unilever PLC	3967	-24.00
Imperial Brands PLC	1878.5	-2.00	Unite Group PLC	1076	-6.00
Informa PLC	560.00	9.40	United Utilities Group PLC	1091	-19.50
Intercontinental Hotels Group PLC	4966	18.00	Vodafone Group PLC	116.56	0.28
Intermediate Capital Group PLC	1416	1.50	Whitbread PLC	2554	7.00
International Consolidated Airlines Group S.A.	108.90	0.48	Wpp PLC	760.80	-3.20

UK STOCK MARKET TRADING DATA

	Aug 25	Aug 24	Aug 23	Aug 22	Aug 19	Yr Ago
Order Book Turnover (m)	83.14	49.70	44.92	68.43	68.43	68.43
Order Book Bargains	585611.00	679921.00	654984.00	622095.00	622095.00	622095.00
Order Book Shares Traded (m)	1224.00	1431.00	1471.00	1681.00	1681.00	1681.00
Total Equity Turnover (£m)	5542.20	5408.81	3491.92	5755.74	5755.74	5755.74
Total Mkt Bargains	753003.00	842002.00	831446.00	795320.00	795320.00	795320.00
Total Shares Traded (m)	4257.00	3748.00	4057.00	4310.00	4310.00	4310.00

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover. (u) Unavaliable. (c) Market closed.

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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

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Amigo Holdings	1st	**0.100**	0.000	**2.200**	15.000	**0.500**	3.400	**0.00000**	0.00000	-	**0.000**	0.000
Anglo Pacific Group	Int	**93.171**	22.222	**130.021**	11.817	**0.441**	0.038	**2.12300**	2.42200	Feb 15	**4.500**	32.900L
Anglo-Eastern Plantations	Int	**249.229**	197.678	**89.534**	60.232	**1.439**	0.967	**0.00000**	0.00000	-	**5.500**	1.000
Argo Blockchain	Int	**26.700**	31.086	**36.890L**	10.698	**6.500L**	1.900	**0.00000**	0.00000	-	**0.000**	0.000
Benchmark Holdings	3rd	**115.519**	87.801	**16.382L**	5.934L	**3.240L**	1.010L	**0.00000**	0.00000	-	**0.000**	0.000
DeepMatter Group	Int	**0.678**	0.649	**1.851L**	1.458L	**0.050L**	0.150L	**0.00000**	0.00000	-	**0.000**	0.000
Hambro Perks Acquisition Co Ltd	Int	**0.422**	-	**2.889**	-	**72.000**	-	**0.00000**	-	-	**0.000**	-
Harbour Energy	Int	**2659.400**	1377.000	**1489.800**	120.200	**1.064**	0.106	**11.00000**	0.00000	Oct 19	**22.400**	11.500
Hays	Pre	**6588.900**	5648.400	**204.300**	88.100	**9.220**	3.670	**1.90000**	1.22000	Nov 11	**2.850**	1.220
Hunting	Int	**336.100**	244.400	**0.500L**	28.600L	**0.024L**	0.189L	**4.50000**	4.05600	Oct 28	**8.800**	8.000
IOG	Int	**30.218**	0.000	**11.411**	0.209	**2.200**	0.000	**0.00000**	0.00000	-	**0.000**	0.000
Macfarlane Group	Int	**139.209**	122.144	**8.857**	8.585	**4.360**	3.830	**0.90000**	0.87000	Oct 13	**3.230**	2.720
Morses Club	Pre	**109.411**	97.874	**42.856L**	0.456	**25.030L**	0.170	**0.00000**	2.00000	-	**1.000**	3.000
PowerHouse Energy Group	Int	**0.353**	0.373	**0.899L**	1.098L	**0.020L**	0.030L	**0.00000**	0.00000	-	**0.000**	0.000

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

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
07/29	10.00		FCM	First Class Metals PLC	9.63	-0.34	11.00	9.00	632.1

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

Friday 26 August 2022 ★ FINANCIAL TIMES 11

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

[illegible]

FT 500: TOP 20

[illegible]

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

[illegible]

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

[illegible]

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

BONDS: GLOBAL INVESTMENT GRADE

[illegible]

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

INTEREST RATES: OFFICIAL

[illegible]

INTEREST RATES: MARKET

[illegible]

Libor rates come from ICE (see www.theice.com) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: Tullett Prebon; SDR, US Discount: IMF; EONIA: ECB; Swiss Libor: SNB; EURONIA, RONIA & SONIA: WMBA.

BOND INDICES

[illegible]

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names.

VOLATILITY INDICES

[illegible]

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

[illegible]

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

GILTS: UK CASH MARKET

[illegible]

Gilts benchmarks & non-rump undated stocks. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

[illegible]

See FTSE website for more details www.ftse.com/products/indices/gilts

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COMMODITIES

[illegible]

Sources: † NYMEX, ‡ ECX/ICE, ♦ CBOT, ♣ ICE Liffe, ♥ ICE Futures, ♠ CME, ♠ LME/London Metal Exchange.* Latest prices, $ unless otherwise stated.

BONDS: INDEX-LINKED

[illegible]

Representative stocks from each major market Source: Merrill Lynch Global Bond Indices † Local currencies. ‡ Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

BONDS: TEN YEAR GOVT SPREADS

[illegible]

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

Closing prices and highs & lows are in traded currency (with variations for that country indicated by stock), market capitalisation is in USD. Highs & lows are based on intraday trading over a rolling 52 week period.
♦ ex-dividend
■ ex-capital redistribution
price at time of suspension

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ARTS

When monumental acting egos collide

This week's new film releases reviewed by Leslie Felperin

Official Competition
Mariano Cohn & Gastón Duprat
★★★★☆

Above, from left: Antonio Banderas, Penélope Cruz and Oscar Martínez in 'Official Competition'. Left: Freida Pinto and Sope Dirisu in 'Mr Malcolm's List'

Beast
Baltasar Kormákur
★★★☆☆

Akilla's Escape
Charles Officer
★★★☆☆

Mr Malcolm's List
Emma Holly Jones
★★☆☆☆

Here's a conundrum: laughing at pretentious people is fun, and the film industry is full of pretension. And yet, satirical looks at the industry are seldom funny — or even fun. There are some exceptions, of course, such as François Truffaut's *Day for Night* and the Coen brothers' *Barton Fink*. But there is also a lot of only mildly amusing spoofery, like the Coens' other Hollywood-set satire, *Hail, Caesar!*, or works thought to be thrillingly acidic when they came out, such as Robert Altman's *The Player*, that haven't aged well.

We will have to wait to see how **Official Competition** weathers, but it looks good from the vantage point of this week, thanks to the low bar set by its competitors and the fact that it's irresistibly silly. Honestly, what's not to love about a film that adds half a metre of height on to Penélope Cruz with a curly red wig possibly inspired by Sideshow Bob from *The Simpsons*? Cruz doesn't play a psychopathic clown, but she's the next best thing: a film director keen on power games, big glasses and long rehearsal periods.

Her Lola Cuevas, who may or may not be modelled on some of the many auteurs Cruz has worked with over the years, has been hired by dilettante squillionaire Humberto Suárez (José Luis Gómez) to film an adaptation of a novel about two rivalrous brothers. Humberto is upfront about his desire to burnish his legacy, so the choice was: either build a suspension bridge or produce an award-winning film.

Lola's motivations are more abstract, but she likes the idea of casting two actors for the lead roles from opposite ends of the spectrum. High-minded, classically trained Argentine import Iván Torres (Oscar Martínez) will take time out from crushing the dreams of his acting students to play one brother. Swaggering Spaniard Félix Rivero (Antonio Banderas), a huge movie star spoiled by the luxurious contract riders and flattery from underlings, will play the other in a bid to up his credibility.

As they rehearse endlessly in a cavernous, marble-walled building owned by Humberto, the two men soon grow to loathe one another. Maybe that's just what Lola wants to get them into character, or maybe she just likes to make them suffer (she also insists they read lines dozens of times with fractionally different intonations). Co-directors Mariano Cohn and Gastón Duprat adeptly keep the comedy deadpan and timed with enough precision to prevent the film feeling like a long sketch from a TV variety show.

With the tiny cast of characters, who are often arranged in space at some distance from each other, it's no surprise to learn that *Official Competition* was shot in 2020 during the first Covid-19 lockdown. But that somehow enhances the humour, making this feel like an old-school screwball comedy, albeit one with very dark edges. It helps that all three of the main players have both the comic and dramatic skill to handle the film's quicksilver transitions in tone. All three deserves plaudits, as does that wig of Cruz's, which is a star in its own right.
In UK cinemas now

A veterinarian once told me, in tones of admiration and awe, that it's pretty hard to kill a cat. Perfected by natural selection about a million years ago, their basic design (unlike, say, dogs) hasn't changed much since then, apart from a bit of tinkering engineered by breeders. That may explain the indestructibility of the male lion at the heart of **Beast**. This big cat, sadly unnamed in the film but let's call him Beast, gets shot at dozens of times by sharp shooters, jabbed in the bum with a tranquilliser dart by a feisty American girl (Leah Jeffries, the movie's most valuable player), even set on fire — and yet keeps going. He must have not nine lives but 90.

The secret may be that Beast is made not from sinew, muscle, teeth and claws but pixels. The CGI lion has been hired to take on roughly the same role that Bruce the shark played in Jaws, but in a South African wildlife park setting. American A&E doctor Nate Samuels (Idris Elba) arrives in this fragile paradise with his two daughters in tow, Norah, the aforementioned younger one, and teenager Mere (Iyana Halley), hoping to pay respects to the girls' recently deceased mother, who was from the region.

The couple's friend Martin (Sharlto Copley), a keeper who protects the park's lions, takes them on safari, only to discover Beast out there wreaking bloody havoc, having "gone rogue" after poachers killed his entire pride. Now he's exclusively hunting humans for revenge, although uncharacteristically he's not stopping to eat any of them, just mauling and moving on, which seems a bit wasteful. My Norwegian Forest Cat Tango eats everything he catches, even squirrels and rabbits, but then he's motivated by gluttony, not vengeance.

It's easy to take the mickey out of this movie, but the makers and everyone in it clearly know that, which makes watching it an absolute gigglefest, albeit one filled with blood and jump scares. Icelandic director Baltasar Kormákur finesses the tone expertly, delivering a thrill ride that still has warmly likeable characters. It helps that Elba is this generation's dad we all wish was our own — manly but also vulnerable, funny but a bit of a nerd.

He and his kids are the kind of humans you really want to see survive, even if he does make extremely stupid decisions like taking on a 600lb bitey lion armed only with a steak knife. Why do heroes like this never just stay in the safe house and wait for help? Humans, unlike cats, still have some evolving to do.
In UK and US cinemas now

Set mostly in Toronto, just after the legalisation of marijuana shook up the criminal supply chain, the bloody gangland drama **Akilla's Escape** offers a moreish mix of familiar genre tropes and stylish excess. Some might find writer-director Charles Officer's film too overwrought, its tragic trajectory as straight as a gun barrel, but, like its flawed hero, played as an adult by actor-poet-polymath Saul Williams, there's more good than bad here.

Weed distributor Akilla has been thinking about retiring from the business (always a mistake for any fictional character) when the newly legal dispensary that sells his product in collaboration with the local mafia gets robbed by some street kids. The invaders kill one of Akilla's crew and leave behind a kid, Sheppard (the gifted Thamela Mpumlwana), a child soldier turned mute by a combination of PTSD and epilepsy. Thanks to an arty sleight of casting, Mpumlwana plays both Sheppard *and* the younger Akilla in flashbacks — underscoring how much Akilla sees himself in the boy. Like Sheppard, Akilla was pressured into a life of crime at a vulnerable age, in his case by his own abusive father (Ronnie Rowe).

That's a lot of plot, which makes the dialogue dense even before we get to the scenes in which child prodigy Akilla quotes great chunks of Homer's Iliad to demonstrate his intellectual prowess.

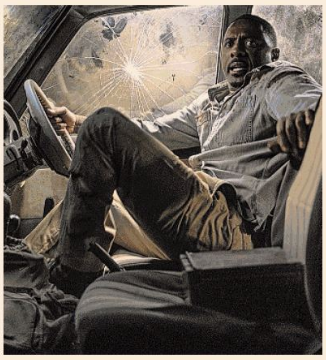
Meanwhile, the evocative, jazz-and-hip-hop-infused soundtrack by 3D (aka Massive Attack's Robert Del Naja) and Williams features the latter reeling off some of his own cosmic poetry, which doesn't have that much to do with the story but still sounds great.

The editing and cinematography are heavily stylised, which can make the film feel like a flighty distended music video at times, but Williams and Mpumlwana's alert, compelling performances keep things grounded in grit.
In UK cinemas now

Much like hit Netflix series *Bridgerton*, **Mr Malcolm's List** unfolds in a world that resembles Regency England, with Empire-waisted gowns and much Jane Austen-inspired ado about who marries whom, but with an ethnically diverse ensemble. As with the colour-blind casting seen often in theatre, the guiding concern seems to have been who would be best for the part, regardless of their appearance. So Naoko Mori, an actor of Japanese descent, plays the mother of Zawe Ashton, an actor of English and Ugandan descent. And no, it's not just a *Bridgerton* rip-off — the short film this is based on (which was made to raise funds for the feature) came out before the Netflix show.

The casting inclusivity means that *Mr Malcolm's List* can assemble an impressive team of much buzzed-about young performers that includes not just Ashton but Sope Dirisu (*His House*), Freida Pinto (*Slumdog Millionaire*) and Theo James (TV's *The Time Traveler's Wife*) to play the other three corners of a love quadrangle. What a shame the script, adapted by Suzanne Allain from her own novel, is such a pallid reshuffle of Austenian conceits. There's the high-born man and lower-upper-middle-class lady romance troubled by misunderstanding that occupies Dirisu's eponymous Mr Malcolm and Pinto's Selina, while Ashton is an *Emma*-like meddlesome heiress, hoisted by her own petard of vanity and vengeance.

Sadly, Allain and director Emma Holly Jones can't channel Austen's wit or her granular attention to social mores and morals. Also, if a period drama has no real understanding of the period it's set in, isn't it just playing around with pretty costumes and nice sets? At least it has macaron-hued frocks and neoclassical architecture in enough abundance to distract from niggling concerns about how colonialism and industrialisation really fit into this world.
In UK cinemas now



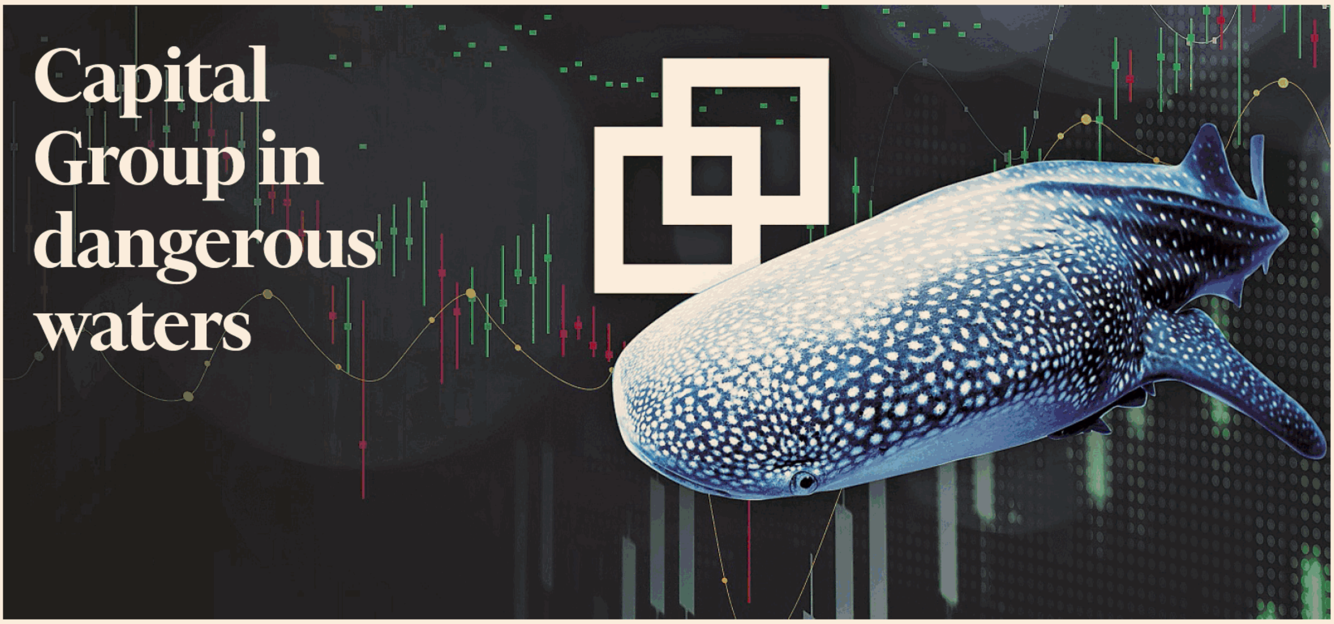
Left: Idris Elba comes under attack in 'Beast'. Below: from left, Thamela Mpumlwana, Saul Williams and Vic Mensa in 'Akilla's Escape'
Amanda Matlovich

FT BIG READ. ASSET MANAGEMENT

The world's largest active fund manager is a slow-moving giant with an idiosyncratic culture that has brought it decades of success. But it faces the threat of being left behind by its rivals.

By Brooke Masters

Capital Group in dangerous waters



In a sea full of predators, Capital is like a whale shark: friendly and enormous

FT montage: NOAA/Dreamstime

Earlier this year, with markets in turmoil, Capital Group, one of the world's largest money managers, arranged for two guests to speak to its investment professionals.

Both were retired portfolio managers. One was known for his ability to "look around corners", spotting long-term winners others overlooked. The other was contrarian and cyclical. He loaded up on volatile airline and steel stocks, resulting in a white-knuckle ride, with poor years followed by great ones. But, as he told the March gathering in California, he had an iron stomach.

What the managers had in common, says Jody Jonsson, a 32-year veteran of Capital and a management committee member, was a "belief that you must have the conviction to wait out a market that doesn't favour your investing style. It takes incredible courage . . . We brought them both in to help our next generation of investors understand how we manage money and why we respect and need their individual approaches."

Her comments reflect an unusual philosophy that has turned Capital into the world's largest active fund manager, with $2.1tn under management as of the end of June. Its funds are run by multiple people but, instead of reaching agreement, each is encouraged to stake out a different position. That means one part of Capital is often selling shares in a company even as another is buying — and some managers in the same fund may be bearish while others are bullish.

For decades, the long-term results have been excellent. All but one of its 18 equity mutual funds have beaten their benchmark since inception by an average of 150 basis points annually, even after fees are deducted. The company controls about 8 per cent of US mutual and exchange traded fund assets.

In a sea full of predators, Capital is like a whale shark: slow-moving, friendly and enormous. Its collaborative culture, low fees and dedication to active stock picking make it a well-respected outlier in the increasingly cut-throat world of asset management. But on the cusp of its second century, the group is facing a profound challenge. Retiring clients are drawing down savings and its flagship product — equity mutual funds — are falling out of favour. Net equity inflows have been negative every year since 2016, bar 2018 when they were flat.

Buoyant markets may have kept its assets under management rising until this year, but 2022's volatility hit hard: AUM slumped by 19 per cent and several flagship funds are having bad years. Competitors such as Vanguard and BlackRock, which offer exchange traded funds and ultra-cheap passive products that track indices, have grown much faster.

Capital's leaders may scorn "asset gathering" for its own sake, but they cannot ignore the dangers of refusing to move with the times. Without change, shifting investor preferences could leave a company — even one as large as this — irrelevant.

For executives like Matt O'Connor, a management committee member who joined in 2008, that risk means offering new products to attract a new generation of investors. "We always need to evolve," he says. "Today, we have the right strategies and a history of consistently strong investment results," he adds. "Now it's about . . . the way we offer those results — ensuring we have the right products in the right places to appeal to more clients."

To that end, the group launched its first ETFs in February, making its active investment strategies available to a new group of investors. It boosted offerings of bond and "solutions" funds, which are popular for retirement and education savings. It has also embarked on a hiring spree to support the new products, as well as a serious push into European and Asian markets.

Capital culture

Founded in 1931 by Jonathan Bell Lovelace, Capital has shunned the limelight for almost that long. Its best known products, called the American Funds, without reference to the company name, are sold through brokers and advisers rather than marketed directly.

The corporate culture frowns on self-aggrandisement: top staff almost never appear in the financial media and the company name doesn't appear on the outside of its Los Angeles headquarters. Capital also refuses to comment on investing decisions, even when they are so big that they move share prices, as happened earlier this year with the sale of €7bn of European bank stocks.

That has left the company shrouded in mystery even as its funds amassed an investing record that few rivals can match. Morningstar, the investment research group, gives 65 per cent of its funds four or five stars out of five. "They are the Microsoft of asset managers. They will not be the first movers but they will go to where there is demand," says Tom Nations, the Morningstar analyst who follows Capital. "They have a very competitive line up."

> 'They are the Microsoft of asset managers. They will not be the first movers but they will go to where there is demand . . . We're not talking about the most nimble organisation in the world'
>
> Tom Nations, Morningstar

The atmosphere can feel friendly to the point of cultish. Employees are known as "associates" and, since the 1940s, everyone has been referred to by a unique combination of capital letters rather than a name. Early hires simply used their initials but duplication problems led to the assignment of a string of four letters bearing some resemblance to the name of each new individual.

Under Jon Lovelace, the founder's son, the family spread the ownership to 400 top employees, known as partners, and the company aims to be in the top quartile for pay for all roles. Every associate also gets two bonuses and an annual company top up of their individual retirement equivalent to 15 per cent of salary. "Everybody who joins Capital has this moment where they go, 'I can't believe someone was just so nice to me,'" says Guy Henriques, or "GMQH", as he became known when he joined from UK asset manager Schroders in 2019 to lead the company's overseas expansion. "If I had made that mistake at X, Y, Z, I would have been pummelled but, at Capital Group, someone put an arm around me and said, 'Let's work out how we do better next time'."

Annual employee turnover is roughly 6 per cent, less than half the 15 per cent norm for financial services. The average tenure of associates is 10.2 years and for portfolio managers, it is 21.8. Women account for 36 per cent of senior managers globally and under-represented minorities are 10.9 per cent of US top executives. The comparable US industry numbers are 25 per cent women and 6 per cent minorities, according to the Investment Company Institute.

But this culture could be threatened as the group staffs up for a plunge into new products and markets. Roughly 2,200 of Capital's nearly 9,000 employees have joined since the start of 2020, and the firm is seeking to hire another 2,000 in the next 18 months.

$2.1tn	20%
Assets under management at Capital Group as of the end of June	Share of last year's $38bn of net new inflows that came from overseas

Morningstar's Nations says it makes sense for Capital to look abroad as traditional US fund markets are "saturated". But he warns that "increased focus and execution are two different things. We're not talking about the most nimble organisation in the world."

Extreme collaboration

Nowhere is the focus on collaboration more intense than among Capital's 450-plus investment professionals. Since the early 1960s, the firm has assigned multiple independent managers to each fund. The $115bn New Perspective Fund, for example, has nine named portfolio managers. Younger managers, who are not named publicly, and research analysts also run smaller pots of money.

"The beauty of our system is that each person can focus on what they do well," says Jonsson (JFJ), who serves as the fund's overall co-ordinator. "I'm terrible at energy and commodities . . . But I make sure that there's someone else in the fund who is good at it."

Since the 2000s, the company has also broken the equity group into three teams working separately, although their investment choices are co-mingled in all of the funds. Six members of the 10-person management committee personally run money, highlighting the power of the investment team.

> 'Each person can focus on what they do well. I'm terrible at energy and commodities but I make sure that there's someone else in the fund who is good at it'
>
> Jody Jonsson

Insiders argue this structure is what has allowed Capital funds to grow larger than competitors with a single star manager or traditional committee. With more people running money, the funds track a broader range of companies. Decisions to buy and sell are less likely to disrupt the market than if the whole fund shifted its position. Bonuses are based on long-term investment results without regard to assets managed.

"It takes a lot of the 'it's mine' ego tripping and a lot of the tension out and allows you to focus on the long term," says Charley Ellis, an expert on the asset management industry and author of a book on Capital Group.

The model has seen the firm through good times and bad. Capital saw massive retail inflows after the 2003 mutual fund scandal tarnished rivals, but it endured a grim period after the 2008 financial crisis when overall assets slumped and staff had to be cut. Since 2011, actively managed products like those Capital offers have fallen from 79 to 57 per cent of the total US investment market, according to the ICI.

Now, EU regulatory changes have forced investment advisers to offer independent funds as well as in-house products, creating an opening for outsiders such as Capital. Extreme market volatility has underscored the attraction of steady long-term returns.

The firm, which first tried to crack Europe in the 1960s, has been steadily building its non-US staff for years. Overseas headcount has more than doubled in the past decade. More than 20 per cent of last year's $38bn in net new inflows came from overseas, even though 97 per cent of AUMH is from North America. "I'm hoping that we're the overnight success of 60 years of planning and testing," quips vice-chair Rob Lovelace (RWL), a grandson of the founder. "We know we need to grow. That's important for hiring and for health. But it's about growing well."

Late to the party?

Capital Group was years, if not decades, late to the ETF party. It has also been cautious about plunging into offerings that explicitly promise to invest based on environmental, social and governance factors — although the group has been using ESG metrics to inform its ordinary funds.

> 'We know we need to grow. That's important for hiring and for health. But it's about growing well'
>
> Rob Lovelace

It eschews alternative investments, even as rivals have expanded into private equity and credit in search of profits. Lovelace points out that Capital has dabbled in the area: venture giant Sequoia was founded under its aegis in the 1970s. It has also stuck to selling through intermediaries, even as retail investors have flocked to online brokers and DIY platforms. Salespeople have had a smartphone app since 2017, but a version for retail investors was only made available in 2020.

These strategies have left the group vulnerable to complaints that it is old fashioned and failing to keep up with investor demands. Chief executive Tim Armour (TDA), who joined the firm as a trainee 39 years ago and has served as CEO since 2015, has been pushing for less dependence on equity mutual funds. A 2020 strategic plan prioritised finding ways to bring Capital's investing prowess to a wider range of customers.

"We made a clear commitment to being a global asset manager. We're clear on that being a north star," says Heather Lord (HRTL), who heads strategy and innovation.

Rebalancing required strengthening bond products that had underperformed in the financial crisis. Capital has doubled the size of its fixed income team since 2015 and redrew its bonus curves to make sure that portfolio managers are not motivated to take outsized risks. It also tweaked its methods to reflect differences between equity and credit investing. Bond portfolio managers still follow their convictions but must stay within parameters set by a leadership group.

Fixed-income assets under management have doubled to $470bn since 2015, putting Capital among the top global active bond managers.

Capital's slow move into ETFs is also starting to pay off; it gives investors a way to put money in directly and has attracted more than $2bn in assets since the February launch. Nearly one-quarter of the firm's assets are now in something other than a traditional US mutual fund, up from less than 5 per cent in 2015; $163bn of net fixed-income inflows over the period have helped it keep growing — albeit more slowly than some of its competitors. Total AUM have risen 62 per cent since 2015; Fidelity and Vanguard more than doubled.

The group remains committed to its giant army of salespeople, crediting the high-contact model with driving a 50 per cent increase in the number of advisers who put client money in Capital products since 2012. "We are doing something different and it's not simple. We've got to explain it over and over again," Lovelace says.

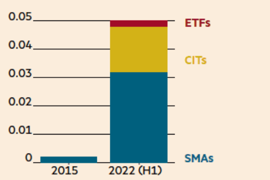
But the group has also had to rethink hiring. Historically staff were brought in after gaining experience elsewhere, but that has made it hard to meet diversity commitments because the sector remains so white and male. "We used to say we weren't an early career shop. We have had to flip that," says Andrea Gill (AJNG), co-head of human resources.

The overseas expansion brings other strains. Those offerings are smaller scale, which drags on profitability and makes it harder to compete on fees. The multi-manager system works best in large, highly liquid markets, which means the firm has had to turn down requests for narrowly tailored products such as those that exclude specific countries and sectors.

For now, the quandary for executives is much like the one faced by some of its portfolio managers: should they wait out a market that doesn't appreciate them? Or must they change with the times? "The way we manage our business is the way we invest," says Armour. "Sometimes it may seem a little boring or staid, but it's like the tortoise and the hare. If you keep doing what you can do well over a long period of time, the compounding really works."

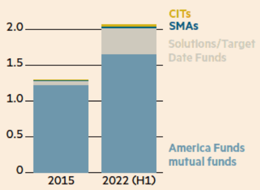
Capital Group's new investment products have been growing rapidly since 2015...

Assets in separately managed accounts, collective investment trusts and exchange traded funds, $tn



...but they are still tiny compared to its core American Funds mutual funds

Total AUM, $tn



Source: Source: Capital Group

The FT View

FINANCIAL TIMES
'Without fear and without favour'
ft.com/opinion

Trump now owns the Republicans as midterms loom

They may pay an electoral price for their submission to the former president

Nine months ago, there was still some doubt whether the US Republicans were Donald Trump's personal possession. Glenn Youngkin had just won the Virginia governorship while keeping some distance from the twice-impeached former president. Here was, if not a brave soul, then an electoral model for non-populist conservatives to follow.

How naive that doubt now seems. Trump-endorsed candidates are thriving in the primaries for the midterm elections. Those who take a stand against him are not. The rout of the Republican lawmaker Liz Cheney in Wyoming this month was retribution for her role in the probe into last year's siege of the US Capitol. About three-quarters of Republican voters deny that Joe Biden is the legitimately elected US president. Subscribers to the Big Lie include people attaining positions in the election bureaucracy of Arizona and other important states. Trump, if he runs again in 2024, will count on their chicanery.

The decay of the GOP is existential for the republic. A two-party system cannot afford one of those parties to turn feral. Even apolitical institutions — federal law enforcement, the Internal Revenue Service — are having to fight for their legitimacy among the populist right.

There is no consolation to be found here. What there might be, for Republicans, is an electoral cost. There is no reason to believe the marginal voter is any better disposed to Trump than in 2018, when the GOP lost Congress, or 2020, when it lost the White House. His was always a populism of limited popularity. And that was before the events of January 6 2021. A party that hitches itself to him is more likely to please its base over the pragmatic few who decide elections.

Biden is unpopular, it is true. But his approval rating has stabilised somewhat over the summer. More remarkably, polls have the Democrats ahead of the Republicans on a generic Congressional ballot. (Bill Clinton, Barack Obama and Trump all lost their first midterms badly.) Some primaries and special elections across the nation suggest a party running ahead of where it "should" be. Hopes of at least keeping the Senate in Democratic hands are growing.

Establishing cause and effect is difficult here. The slowing of inflation has naturally helped the incumbents. So has the fading of the pandemic and some legislative wins for the administration.

It would be odd, though, if the Republicans' voyage to the extremes were not part of the mix. As November nears, Trumpist candidates are ever more visible in all their stridency. The judicial strike-down of Roe vs Wade, a right to abortion that most Americans supported, has incurred a backlash too. Midterms usually punish the governing party for policy over-reach. Republicans find themselves in an odd place: the most radical policy of the past two years was taken by the opposition party.

> A party that hitches itself to him is more likely to please its base over the pragmatic few who decide elections

A Biden landslide was on the cards for much of 2020. He ended up with a modest win and bare control of the Senate. Democrats should not expect the irresponsibility of their opponents to deliver them a bounty, then. America's core problem is that not enough voters mind the Republicans' direction of travel to make the party reconsider. The likelihood is still a GOP House of Representatives after November, with all that implies for the Capitol siege hearings.

Then, unless his personal health or the criminal law intervenes, Trump will probably seek and win the Republican nomination for president in 2024. The FBI raid on his Florida home of Mar-a-Lago will join election "theft" as a motivating grievance. Even more than when he was in office, this is Trump's party now. The grassroots love the fact. American democracy relies on swing voters being less impressed.

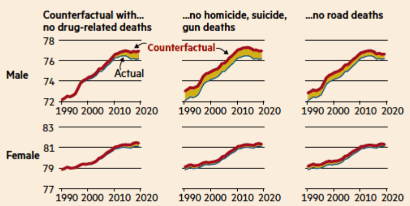
Opinion Data Points

How life expectancy fell off a cliff with US opioid crisis

John Burn-Murdoch

US life expectancy would not have fallen in the absence of the opioid crisis

Period life expectancy at birth, actual vs counterfactuals



Sources: FT analysis data from IHME Global Burden of Disease 2019; US CDC Wonder; National Records Scotland; ONS FT graphic: John Burn-Murdoch / @jburnmurdoch

Two decades ago, people in the US enjoyed reasonably long lives, comparable to most peer countries. An American girl born in 1990 could expect to live almost 79 years if mortality rates remained as they were then, giving her the best part of a year longer than her contemporaries born in England and Wales, Germany and Denmark.

While the picture was slightly less rosy for her brother, he would live to 72 on average, roughly neck-and-neck with the same cohort in western Europe. In the two decades since then, something — or some things, to be more precise — have gone very wrong.

As recently as 10 years ago, you might have struggled to pick the US out of the pack on a chart of life expectancy, but today that task could scarcely be easier. If we put aside the grim mortality shock of the past two years for a moment, the pattern is stark: a flock of developed countries streaks up and to the right, and then one solitary line slows, falters, and begins falling back to earth.

A yawning gulf has since opened up. On the eve of the pandemic, the average US baby boy was expected to live almost four years fewer than the average child born in similarly wealthy countries. Even its crisis-wracked cousin across the Atlantic puts it to shame. The life expectancy at birth for a male child born in the US in 2019 was 76.1 years, the same as a boy born in England in 2001.

Dig beneath the surface, and the driving factors are clear. By stripping out deaths from specific causes in all countries, I have created a series of counterfactuals for how life expectancy would have evolved, both in the US and elsewhere, if certain factors were absent.

Some influence the level — if we equalise rates of obesity in all countries, the US deficit by 2019 shrinks from 3.6 years to 2.2 — but the shape remains unchanged, with male life expectancy still arcing downwards. There is only one factor on which the blame can be pinned for the recent reversal: deaths from drug overdoses.

By my calculations, the opioid epidemic has thus far wiped off the best part of a year from US male life expectancy at birth, and the vertiginous climb in new drug-related deaths during the pandemic will only have accelerated this trend.

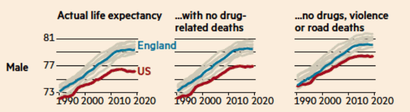
There are several other areas that, if addressed, could also narrow the gap between the US and the rest — gun deaths (both homicide and suicide) and elevated rates of road accidents account for an additional 9 and 6 lost months respectively, relative to peer countries. But these gaps have remained stubbornly large for decades now.

Governments and businesses threw their biggest brains and untold billions at battling the pandemic over the past two years. Those efforts saved countless lives and should continue to provide downward pressure on the toll Covid exacts. The lack of imagination and resources being shown in facing up to the rapid emergence of a huge new drag on mortality is alarming.

john.burn-murdoch@ft.com

US life expectancy would be tracking peer countries more closely were it not for opioid deaths, gun violence and poor diet

Period life expectancy at birth, actual vs counterfactuals for developed countries



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Jackson Hole is a chance to prepare for a financial shock

Age may or may not bring wisdom. But those of us who were active during the geopolitical nightmare of the 1970s can perhaps use this experience to help today's central bankers "get a grip", as you suggest ("A pivotal moment for the world's central banks", FT View, August 23).

Two points seem particularly critical at this juncture. One is that they need to be more cautious in identifying the role they can play. It would be marvellous if monetary policy could indeed determine the course of the global economy. But experience suggests this is impossible in reality. It would therefore be sensible for them to downplay their own role in future, and instead leave the "heavy lifting" to fiscal policy and governments.

Second, they would be wise to highlight their specific impotence in the face of President Vladimir Putin's decision to weaponise natural gas. This is likely to have an even bigger impact than the twin oil price shocks of the 1970s. Gas not only impacts energy costs, but also food prices and availability via its critical role in the production of ammonia and hence fertiliser. As Our World in Data have reported, half of the world's population depend on nitrogen fertilisers for their food supply.

It therefore seems clear that the global economy is now at a critical point. The problems began with the supply chain crisis caused by the pandemic.

Russia's war in Ukraine then created a further challenge. And now we face the risk of famine as fertiliser costs become unaffordable.

Central bankers at their annual Jackson Hole get-together should therefore focus on preparing for the arrival of a potential Fourth Horseman of the Apocalypse, in the shape of a major financial crisis.

Paul Hodges
Chairman, New Normal Consulting
Staefa, Switzerland

What happens when trust in central banks erodes

In your timely editorial "A pivotal moment for the world's central banks" (FT View, August 23) you note that "to blame monetary policymakers wholly for the cost of living crisis would be unfair. A lot has been outside their control, and shrouded in uncertainty."

True perhaps, but surely it is also fair to claim the reverse — that to congratulate monetary policymakers for the low inflation from the late 1990s would be unfair, as much of the low inflation from that time related to the entry of China into the World Trade Organization.

Your editorial also states that "history offers ample proof that politicians cannot be trusted with deciding monetary policy". Maybe. Yet I remember it was politicians who raised base rates in the early 1980s to about 16 per cent in an effort to control inflation of about 16 per cent. At great cost, inflation was brought down — I lost my job as a result of politicians "deciding monetary policy", so am acutely aware of those times.

Meanwhile one could fairly claim that central bankers cannot be trusted because it is they who helped stoke asset price inflation, a massive build-up of debt and thus laid the ground for the 2008 financial crisis.

In all, we can go round in circles blaming and pointing the finger but let us not forget: central bank independence was granted because politicians were viewed as being unreliable in controlling inflation. One wonders then, where does that leave us when central banks lose our trust in their ability to preserve the value of money?

Martin Hewes
Founder, Hewes & Associates
Haslemere, Surrey, UK

FT editorial sits at odds with the Fed's mistakes

Your editorial ("A pivotal moment for the world's central banks", FT View, August 23) suggesting that central banks' mistakes look obvious only in hindsight sits oddly with the fact that the Federal Reserve allowed the broad money supply to balloon by some 40 per cent over two years.

It also sits oddly with the fact that the Fed kept its policy interest rate at its zero-lower bound in 2021 even when the US economy was recovering strongly and was receiving its largest peacetime budget stimulus on record.

Compounding its mistakes, throughout most of 2021 the Fed kept flooding the market with liquidity by growth to slow abruptly, by aggressively raising interest rates even when the US economy is showing clear signs of weakening, and by withdrawing market liquidity by contracting its balance sheet by $95bn a month even when both the equity and housing markets are now on the back foot.

Desmond Lachman
American Enterprise Institute
Washington, DC, US

Let's be realistic about hitting inflation targets

Your editorial "A pivotal moment for the world's central banks" (FT View, August 23) is correct to note that by viewing rising inflation as only "ephemeral", central banks have been slow to raise interest rates.

This has allowed politicians, including Liz Truss to blame monetary policymakers for UK inflation currently standing some five times above the 2 per cent inflation target. Yet there is a common misconception about inflation and how close this can remain to the 2 per cent target. Indeed, the existing inflation target does not mean that inflation will be held at this rate constantly. That would be neither possible nor desirable.

To the extent that monetary policy operates with a time lag of up to two years, the Bank of England (or any other central bank) cannot raise interest rates today and lower inflation tomorrow. But even if we wanted to hit the 2 per cent inflation target all the time, interest rates would need to be changing all the time, and possibly by large amounts.

Such monetary policy action would cause unnecessary economic uncertainty. So although it makes sense

Russia is a black comedy — but with nuclear weapons

We are perhaps about to skate closer to the thermonuclear threshold than at any time since 1962 and the Cuban missile crisis.

If Vladimir Putin was a keystone in Russia's mafia-constructed bridge, and if his role in the 2000s was to introduce structure and rules into that mafia, then last week's assassination of Daria Dugina, daughter of the prominent Russian ideologue and Putin supporter Alexander Dugin, shows the cement under the keystone is eroding (Opinion, August 23).

Maybe the west hopes that something liberal will arise in Putin's place. But without the keystone, perhaps we are also about to re-enter the days of *Zhmurki*, the crime comedy film set in the chaotic and unstable Russia of the 1990s: except this time, those playing Dead Man's Bluff might have tactical nuclear weapons with which to gamble, rather than a stolen Tokarev.

Khrushchev and Kennedy came close to the brink. They were educated men. In contrast, mafia don't think: they just keep going until they win or they're dead. What happens to those around them? No matter. Policymakers in Ukraine and the west must imagine themselves amid a nuclear holocaust. They must act today such that, if those circumstances arise in the near future, they can say with confidence: "We should have done nothing differently, negotiated no differently, and we took only acceptable risks."

Richard Owen
Kyiv, Ukraine

Can NDTV's brave owners save Indian press freedom?

Your news story on Gautam Adani's hostile bid for the Indian broadcaster NDTV (Report, August 24) reports on the fears expressed by local media executives about the threat posed to freedom of the press in India.

You quote N Ram of the Indian daily "The Hindu" as saying "this is a very bad development for the independent media, and not just for news television". This is absolutely correct because NDTV is the only national news channel in India that has had the courage to constructively criticise the policies of the governments in power both at the federal as well as state levels.

NDTV was critical of many of the policies of Manmohan Singh's Congress-led coalition before prime minister Narendra Modi came to power in 2014. I believe the hostile attempts

Be wary of those using whisky investment ruses

Lukanyo Mnyanda's recent article about the boom in Scottish whisky (Report, August 13) is great news, not just for the industry but also for the local economy. However, this heightened interest has also unfortunately led to an increase in certain individuals looking to cash in on this wave, often by taking advantage of customers in the growing whisky investment sector.

While there are plenty of legitimate avenues for whisky investment, there has been a rise in unscrupulous practices with certain businesses deploying dishonest tactics to entice investors with misleading information. This includes promising certain returns on investment, often vastly exaggerated, and pricing the casks so high that there is no viable exit from the investment.

Suggesting entirely unrealistic 30- or 40-year investment horizons simply serves to delay the inevitable. Some businesses go so far as double-selling casks, selling casks they do not hold or that do not exist as well as mis-selling on the volume of the whisky, the type of wood used in the barrel and where the barrel actually is located.

I would warn anyone being offered "must buy now" deals with guaranteed, too good to be true ROIs (returns on investment) to tread carefully.

This is an unregulated industry, so there is little that can be done when individuals realise they have overpaid for a cask — or worse, that the cask doesn't exist.

I have fallen foul of this. In fact it's what led me to start my company.

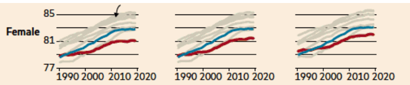
Simon Aron
Managing Director, Cask Trade
London W1, UK

Banx's denim take needs a bit of invisible mending

A quick fix of Banx first thing sets me up for the day, but he's behind the curve with his Winter Collection catwalk show (Cartoon, August 24). Has he not noticed that young and not-so-young people have been buying and wearing shredded jeans for several years? And some higher-end brands sell garments that are unhemmed and frayed.

I often wonder what the makers, probably mostly working in unsafe conditions for a few dollars a day, make of this strange western taste.

Judith Martin
Winchester, Hampshire, UK



Sources: FT analysis data from IHME Global Burden of Disease 2019; US CDC Wonder; National Records Scotland; ONS

FT graphic: John Burn-Murdoch / @jburnmurdoch

buying $120bn a month in bonds, including mortgage-backed securities, even when both the US equity and housing markets were on fire.

Failing to own up to these errors, the Fed now risks making these same mistakes but in reverse. It seems to be doing so by allowing money supply

to be open minded about the possibility of reviewing the BoE's mandate, we should also be realistic about the challenges of keeping inflation at the official target.

Professor Costas Milas
Management School
University of Liverpool, Liverpool, UK

of the Adani group, which is very close to the present government, to take control of India's most independent news channel may be foiled by NDTV's brave owners, Prannoy Roy and his family.

Mahesh Natani
Madhya Pradesh, India.

OPINION ON FT.COM

What's the story, hunky Tory?
Matt Hancock, the former Conservative health secretary, 'is launching into the Metaverse' this summer to talk about Web 3.0 and becoming the first British MP to have a personalised avatar — and it is quite some likeness, writes **Jemima Kelly**
www.ft.com/Alphaville

Opinion

Democracies can use AI to defend open societies

TECHNOLOGY

John Thornhill

The world would have been a far darker place had Nazi Germany beaten the US to build the world's first atomic bomb. Mercifully, the self-defeating hatred of Adolf Hitler's regime sabotaged its own efforts. A 1933 law sacking "civil servants of non-Aryan descent" stripped one quarter of Germany's physicists of their university posts. As the historian Richard Rhodes noted, 11 of those 1,600 scholars had already earned, or would go on to earn, the Nobel Prize. Scientific refugees from Nazi Europe were later central to the Manhattan atomic bomb project in the US.

The agonising soul-searching of scientists over building nuclear weapons resonate strongly today as researchers develop artificial intelligence systems that are increasingly adopted by the military. Excited though they are about the peaceful uses of AI, researchers know it is a dual-use general purpose technology that can have highly destructive applications. The Stop Killer Robots coalition, with more than 180 non-governmental member organisations from 66 countries, is campaigning hard to outlaw so-called lethal autonomous weapons systems, powered by AI.

War in Ukraine has increased the urgency of the debate. Earlier this month, Russia announced that it had created a special department to develop AI-enabled weapons. It added that its experience in Ukraine would help make its weapons "more efficient and smarter." Russian forces have already deployed the Uran-6 autonomous mine-clearing robot as well as the KUB-BLA unmanned suicide drone, which its manufacturer says uses AI to identify targets (although these claims are disputed by experts).

Russia's president Vladimir Putin has spoken about AI's "colossal opportunities." "Whoever becomes the leader in this sphere will become the ruler of the world," he has said. However, the Kremlin's efforts to develop AI-enabled weapons will surely be hampered by the recent exodus of 300,000 Russians, many from the tech sector, and the poor performance of its conventional forces.

The Russian initiative followed the Pentagon's announcement last year that it was intensifying efforts to achieve AI superiority. The US Department of Defense was "working to create a competitive military advantage by embracing and leveraging AI," said Kathleen Hicks, the deputy defence secretary. China, too, has been developing AI for both economic and military uses with the clear aim of overtaking the US, in what has been called the AI arms race.

> It is hard to be morally pure when awful real-world choices have to be made

While much of the debate about the use of nuclear weapons has been relatively clear-cut and confined for decades, no matter how terrifying, the discussion about AI is far more confused and kaleidoscopic. To date, only nine nation states have developed nuclear weapons. Only two atomic bombs have ever been used in modern warfare, at Hiroshima and Nagasaki in 1945. Their appalling destructive power has made them weapons of last resort.

AI, on the other hand, is less visible, more diffuse and more unpredictable because of its lower threshold for use, as the veteran strategist Henry Kissinger has written. It is perhaps best seen as a force multiplier that can be used to enhance the capabilities of drones, cyber weapons, anti-aircraft batteries or fighting troops. Some strategists fear that western democracies might be at a disadvantage against authoritarian regimes because of heightened ethical constraints. In 2018, more than 3,000 Google employees signed a letter saying the company should "not be in the business of war" and calling (successfully) for its withdrawal from the Pentagon's Project Maven, designed to apply AI to the battlefield. The Pentagon now stresses the importance of developing "responsible" AI systems, governed by democratic values, controls and laws. The war in Ukraine may also be swaying public opinion, especially in Europe. "Young people care about climate change. And now they care about living in open societies," Torsten Reil, the co-founder of Helsing, a German start-up that uses AI to integrate battlefield data, tells me. "If we want to live in an open society we have to be able to deter and defend and do that credibly."

To some, this may smack of a cynical rebranding of the death industry. But as physicists learnt during the second world war, it is hard to be morally pure when awful real-world choices have to be made.

To their great credit, many AI researchers are today pressing for meaningful international conventions to constrain otherwise uncontrollable killer robots. But it would be reckless to forsake the responsible use of AI technology to defend democratic societies.

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Why it is right to worry about ministerial ethics

POLITICS

Sebastian Payne

Once they reach Downing Street, prime ministers rarely stop to ponder, "Who will guard the guards?" The ultimate check on a British leader's power comes either at the ballot box or in a party leadership challenge. But the constraints on their day-to-day conduct are far weaker.

Since 2006, Whitehall has sought to monitor the conduct of the government through the independent adviser on ministerial interests. The holders of this post have tended to be retired senior mandarins who take on the part-time duty to ensure the ministerial ethics code is observed.

Ministers can refer themselves to the adviser, or are referred by the prime minister, and if their conduct is found wanting, resignation is expected. Until the era of Boris Johnson that is. When his former standards adviser Sir Alex Allan resigned — he concluded that the home secretary Priti Patel had bullied officials, Johnson disagreed and he quit.

Lord Christopher Geidt, Allan's successor, endured an even more turbulent stint trying to maintain ministerial standards. He was forced to investigate the prime minister personally over "wallpapergate" — a scandal about who funded the refurbishment of his Downing Street flat — and clashed with Johnson over the "partygate" controversy over breaches of Covid regulations in Downing Street. Geidt also resigned, after feeling he could no longer carry out the role. Since June, there has been no adviser and no effort to find one.

> With a new prime minister due to take office in less than two weeks, replacing Geidt has to be a priority

With a new prime minister due to take office in less than two weeks, replacing Geidt should be a priority. Not so. Liz Truss, who is almost certain to win the Tory leadership race, has refused to say whether she thinks the role should even exist. The foreign secretary claimed "numerous advisers and independent bodies" were one of the country's problems. Instead, she stressed her personal integrity. "For me, it's about understanding the difference between right and wrong," Truss said.

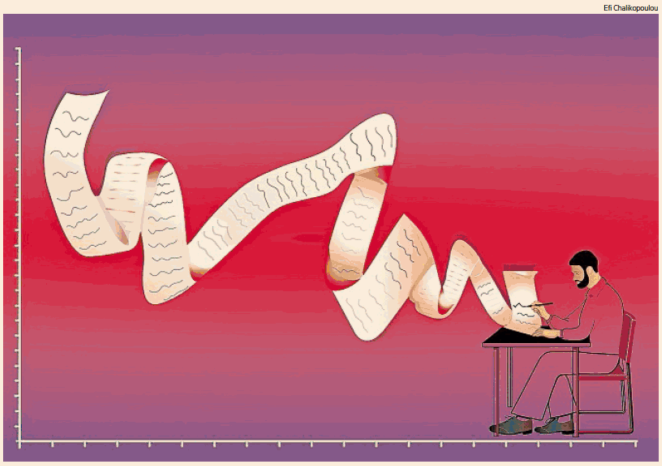
There are some fair criticisms to be made of having a ministerial standards adviser. An unelected official should not wield the power to force a minister out, though he or she should be able to hold them accountable. There should also be punishments short of enforced resignation. One of Geidt's problems was the absence of any mechanism to challenge the prime minister in the event of disagreement.

A solution may be to add a recourse mechanism through parliament. If the standards adviser is at odds with the prime minister, or uncertain of the right sanction, their findings should be put to the respective standards and privileges committee of the Commons or Lords. The committees sit above partisan politics and are formed with the agreement of chief whips.

Truss's position reflects the so-called "good chap" theory of government, according to which we do not need codified structures to protect Britain's unwritten constitution because the people of unimpeachable moral character will always do the right thing. One lesson from the Johnson era is that the theory is stone dead.

The prime minister's fall began with the botched attempt to save disgraced former minister Owen Paterson in Octo-

The Fed should recognise power of a good story



Efi Chalikopoulou

FINANCE

Gillian Tett

This week, Jay Powell, Federal Reserve chair, is in the spotlight — and pulpit. A year ago, he delivered a speech at that gigantic economic tribal gathering known as the US Federal Reserve's Jackson Hole conference, pledging that inflation pressures would only be "transitory."

On Friday morning he speaks again — and it is now clear that this "transitory" message was totally wrong. It remains uncertain if he will apologise, or admit the mistake. But what is clear is that any numbers Powell cites will prompt investors to reappraise their macroeconomic models and forecasts.

Fair enough. However amid this frenzy of number-crunching, investors should also take note of some intriguing research floating around the edge of the Jackson Hole meeting about the importance of storytelling in monetary policy.

A couple of decades ago, this was a topic that garnered little attention at the Fed. For while anthropologists such as Douglas Holmes have long studied how central bank language and rituals influence the economy, economists used to assume this was less important than mechanistic models.

However, after the 2008 financial crisis, Robert Shiller, the Nobel Prize-winning economist, urged his colleagues to study how "narratives" shape sentiment and thus economic trends. And one encouraging post-crisis development in economics is that a swelling number of young behavioural finance economists have heeded Shiller's call.

Last year a team spearheaded by Peter Andre surveyed 10,000 households and 100 economists and concluded that whereas economic "experts" attribute price jumps to cyclical demand swings, consumers blame supply issues such as government mismanagement. That perception, which is heavily influenced by media, causes consumers to project higher inflation for longer.

This year another group led by Yongmiao Hong used machine learning tools to analyse inflation narratives in 880,000 Wall Street Journal articles. They concluded that "narrative-based forecasts perform better in the long-run forecasting" than numerical models, seemingly because the latter miss subtle economic signals and shifts.

And this month Chad Kendall and Constantin Charles released research about extensive psychological experiments into how humans create explanatory frameworks to frame economic data. This shows that people almost always seek to fit new information into pre-existing narratives.

But what is most interesting is that the shape of our storytelling matters, since "narratives with a particular structure may affect people's actions by influencing the subjective beliefs they form from the data they observe". More specifically, the experiments suggest that "lever" narratives, which present linear causality frames (A leads to B leads to C, and so on) have the strongest grip on people's minds. So-called threat narratives, which describe how offsetting forces both avoid and cause particular outcomes, are less potent. The research also notes that people love "to share their homegrown narratives with other subjects, who are then persuaded by them".

All of this has practical implications for Powell, given that the Fed faces an increasingly bitter fight over inflation. Some Fed critics, such as former US Treasury secretary Lawrence Summers, are currently promoting one causality narrative — that this year's spiralling inflation arose because of lax monetary policy. This implies that interest rates must rise to stop inflation.

> This has implications for Powell, given the central bank faces an increasingly bitter fight over inflation

Fed officials, however, prefer another causal story according to which prices have jumped because of high energy prices and supply side shocks. This suggests that prices will fall if (or when) the initial shock of the war in Ukraine subsides, and/or economic activity slows down.

There is a political tussle too: Republicans blame the Biden administration for inflation; Democrats blame it on external events. One consequence is that Pew research suggests that 84 per cent of Republicans think inflation is "a big problem", but only 57 per cent of Democrats agree. This is a striking demonstration of why narrative causality matters.

Of course, an intellectually honest economist might note that all these simplistic causal stories are essentially fictions, given that economic phenomena arise from complex interactions in the economy. The causality narrative being presented by the White House around its Inflation Reduction Act is also somewhat fictitious. While some measures in the legislation are sensible, they are unlikely in themselves to influence short-term price trends much, if at all.

But Powell's problem is that if he does not present a convincing causality narrative at Jackson Hole, others will offer one in its place. Simply describing what has happened in the past year, or proffering complex and competing explanations, is unlikely to pack much of a punch — or shape sentiment in the way that the Fed needs.

So if I were his speechwriter, I would take a leaf from Paul Volcker's book and argue that inflation will fall when rates go up, and promise to keep raising those rates until price growth is at a sensible level. That will not be politically popular ahead of a crucial midterm election. But it is at least a crystal clear message — or it would be if the Fed actually does it.

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Europe must become a global political actor

Laurence Boone

Russia's war of aggression in Ukraine is shaking up the EU, accelerating its evolution

Russian invasion of Ukraine, beyond the speedy implementation of sanctions against Moscow, the EU has been taking concrete actions in four areas.

First, "defence Europe". The EU is acquiring a new dimension in defence. Following on from the Versailles summit in March, the EU has been reinforcing, enhancing and coordinating national and European investments

This will begin to make energy union a tangible reality. But it is only the start. The accelerated energy transition strategy, adopted in June, will be key to ensuring that European energy sovereignty is being established on a sustainable footing.

Furthermore, thanks in part to Next Generation EU, the €750bn funding programme launched in the wake of the

Third, the "Europe of democracy". The EU will continue to affirm its identity as a democratic power strongly anchored in the rule of law. There is not, and nor will there ever be, any compromise with or indulgence shown to those, both within Europe and outside, who seek to obstruct the freedom and integrity of our electoral processes, our independent and impartial justice systems

belong geographically, historically and culturally.

We are not naive: we know that the EU must reform to be able to operate efficiently and effectively in a wider Europe. This concerns institutional governance, as well as decision making, such as reconsidering the unanimity rule and qualified majority voting in certain areas of common European into a fully fledged sovereign political power, complementing its existing economic strength.

The EU has grown more powerful through several crises. "Economic Europe" has evolved into a strong and stable single currency, making the devaluations of the era of flexible exchange rate systems a distant memory. And since the eurozone sovereign debt crisis, the bloc has also strengthened its financial system and monetary tools.

More recently, in response to the Covid-19 pandemic, the EU has developed converging economic structures and a common budgetary capacity. It also pooled the purchase of vaccines and laid the groundwork for a "Europe of health". And now, in response to the Covid crisis, Europe-wide programmes are also building up strong capabilities in the areas of digital technology, health, hydrogen and semiconductors.

in defence capabilities. It has also established common financing initiatives such as the European Defence Fund and a new organisational structure to respond to cyber risks. The referendum vote in June in favour of Denmark joining the European defence policy is a sign of this accelerating dynamic.

Second, the "Europe of industrial sovereignty", focused on the energy, digital technology and industrial sectors. In the coming months, Europe will continue to drastically reduce its energy dependence on Russia through co-ordinated energy savings, as approved by the EU Council at the end of July, diversification of supplies and solidarity mechanisms based on the energy needs of each member state.

The EU needs to turn into an anchor of stability for the continent as a whole

To help support the large-scale investments needed in these defence and industry plans, EU fiscal rules need to evolve, as prime minister Mario Draghi of Italy and French president Emmanuel Macron argued in December.

or the fight against corruption.

Finally, there is "Europe as a geopolitical power". The EU must become an anchor of stability for the European continent as a whole. There can be no half-measures in the midst of the hybrid war being waged by Russia: its imperialist war in Ukraine and its use of energy and food as weapons to destabilise the whole world.

It is within this context that we ought to understand the historic step of granting candidate status to Ukraine and Moldova, recognising the European perspective in Georgia, as well as the opening of accession negotiations with North Macedonia and Albania. The EU must anchor the western Balkans in the European family, to which they

security policy, or in tax matters.

This is the aim of the European Political Community proposed by Macron: to consolidate European stability through co-operation on matters of foreign policy and security, and interconnections in trade, research and education.

Jean Monnet, one of the original architects of European integration, famously said: "Europe will be forged in crises, and will be the sum of the solutions adopted for those crises." Russia's assault on Ukraine and European values has made the transformation of Europe into a global political power an urgent collective priority for us all.

The writer is France's minister of state for Europe

ber. His standing fell further with partygate. His premiership was effectively ended by the mishandling of sexual harassment allegations regarding the former deputy chief whip Chris Pincher. Johnson's demise had nothing to do with policy. It was about competence and morality.

Truss's challenges go beyond government: one Tory MP is in prison on sexual assault charges and another resigned, prompting a by-election. Every profession has rules and arbiters and Westminster should be no different. Restoring standards is vital — to the fortunes of the Conservative party and the reputation of politics itself.

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BoE/banks: post-QE stealth tax

Banks have waited years for higher interest rates to revive their fortunes. But in the UK, where markets predict interest rates will hit 4 per cent by May, taxpayers could end up contributing via the Bank of England.

This would play badly with voters during a cost of living crisis. The government and the BoE might therefore stop paying interest to banks on the so-called reserves created during quantitative easing.

QE converted long-term government liabilities into overnight borrowing. The BoE bought £847bn of gilts, financed with the new "interest-paying reserves". The interest paid by the central bank has been at a lower rate than the coupon payments it receives on the gilts. That has allowed it to hand the Treasury a cumulative profit of £123bn to the end of April. But once interest rates rise above 2 per cent, that cash flow will turn negative. The left-of-centre think-tank New Economics Foundation has put the UK bill at up to £57bn over the next three years.

The UK is in a tight spot because its vast amount of index-linked debt, nearly a quarter of the whole, is forecast to more than triple debt interest spending to £83bn in the two years to next April. A further sustained 1 percentage point increase in interest rates and inflation would cost an additional £18.6bn the following year. Going back to paying no interest on reserves would help ease the pain.

The dire state of public finances will make it tempting for the government to rewrite the rules so that the reserves — or at least a big part of them — carry no interest.

Advocates point out that paying no interest on reserves was the norm before the financial crisis. Even so, the rule change would be equivalent to imposing a higher tax on banks.

The obscure nature of the implicit levy will appeal to politicians who like to find ways to pluck feathers from geese with minimal hissing. It is a subtler way of transferring money from banks to the government than Spain's €1.5bn annual windfall tax. Hungary has imposed a similar levy.

Politicians would not care that saddling commercial banks with a non-interest-bearing asset would make them even less attractive to investors. But they should weigh up the totality of disadvantages. Making commercial banks less competitive would increase flows to shadow banks. That would create new risks to financial stability.

US housebuilders: foundation miffs

US house prices continue to go through the roof. Across America, home prices — as measured by one closely watched benchmark, the S&P Corelogic Case-Shiller index — rose nearly a fifth in May from a year ago.

Yet that has done little for homebuilding stocks. The S&P Homebuilders Select Industry index is down 25 per cent so far this year, outpacing losses on the S&P 500 index. Shares in big builders — DR Horton, Lennar, NVR, PulteGroup and Toll Brothers — have pulled back to trade at or just slightly above book value.

Higher house prices mean little when affordability has been crimped by mortgage rates that have jumped 200 basis points since the start of the year.

As would-be buyers flee the market, construction groups are warning of a slowdown. Toll Brothers, which operates at the higher end of the market, is among them.

The company this week reported a 60 per cent year-on-year drop in purchase contracts during the July quarter. The cancellation rate of 13 per cent was up from 3.1 per cent just a year ago. It now expects to deliver 10,000 to 10,300 homes in its full financial year, down from a previous estimate of 11,000 to 11,500 homes.

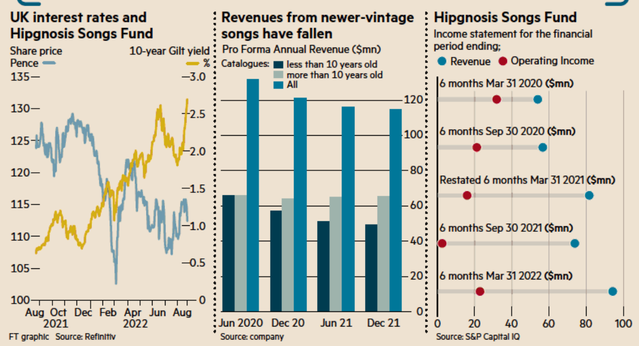
Recent readings on construction starts and mortgage applications provide little solace. New home sales in July fell 13 per cent month on month and were 30 per cent lower compared with last year. The National Association of Home Builders' index of builder sentiment fell in August for the eighth consecutive month.

Housebuilders will have to offer discounts and other incentives to avoid an inventory pile-up. That will weigh on margins and profits near term.

For investors that take the long view, the investment case for homebuilders remains intact. America has a structural shortage of homes — estimated at 3.8mn units. The rock-hard foundation of the US housing market is suffering some cracks but an outright collapse is nowhere in sight.

Hipgnosis/Pink Floyd: uncomfortably glum

Shares in the music royalty investment trust have fallen as interest rates have risen. Lockdowns have had an impact on revenues and operating profits, as the popularity of new songs is sustained by promotional tours. The income from catalogues under 10 years old has declined nearly a quarter over two years.



FT graphic Source: Refinitiv; Source: company; Source: S&P Capital IQ

"Grab that cash with both hands and make a stash."

Almost 50 years on from the 1973 hit "Money", Pink Floyd are still living up to their lyrics. US private equity group Blackstone is vying to buy the UK band's back catalogue in a deal that could be worth almost half a billion dollars.

The deal would put the spotlight on Blackstone and majority-controlled business Hipgnosis Song Management, run by Merck Mercuriadis, a music industry executive and former manager of artists such as Elton John, Guns N' Roses and Beyoncé. But UK-listed investment trust Hipgnosis Songs Fund, set up by Mercuriadis in 2018, might not even participate.

The trust's debt was 25.4 per cent of net asset value (NAV) at the end of March, not far below the 30 per cent cap. And it can hardly repeat last summer's cash call, when it raised £150mn.

That is because a yawning discount has opened up. The shares have fallen 9 per cent since June 2021, while the NAV has risen 30 per cent to 154.76p per share in the 13 months to July. This is partly explained by the weakness of sterling, down almost a fifth against the dollar. It was also driven by a 9.5 per cent uplift in the value of the portfolio to $2.7bn for the year to March.

But the extent of the discount suggests scepticism about the NAV. It is unclear why the portfolio should be valued at 23 times revenues, compared with 19 times for its peer Round Hill, using Stifel numbers.

The company says one positive factor is the number of newer-vintage song catalogues reaching the end of their "decay cycle" ahead of expectations. Investors, though, may be unwilling to cheer a drop-off in revenues from newish songs of almost a quarter over two years.

Adding to the unease is an independent valuer's insistence that an 8.5 per cent discount rate does not need to be increased as interest rates go up.

Hipgnosis set out to rewrite the rules of the song business. But taking an unorthodox approach to valuation will make it harder to establish music rights as an asset class.

Tech IPOs: liquidity non-event

Fading fears of runaway inflation have given US stocks a leg-up. Equity investors are growing more hopeful that the Federal Reserve will slow the pace of interest rate rises and reignite demand for risk. The S&P 500 is up 13 per cent from its June low. The Nasdaq Composite index, which has a higher proportion of technology stocks, is up 17 per cent. But do not expect a corresponding rise in initial public offerings.

Last year set a record for global listings, with more than 3,000 companies joining public markets, according to data compiled by law firm White & Case. The US was the biggest market, responsible for a third of the total. Electric vehicle maker Rivian alone raised close to $14bn.

This year the market is dry. The second quarter was the slowest for US IPOs in more than a decade, reports research company Renaissance Capital. The lack of listings means a growing pile of private, venture capital-backed companies worth $1bn or more. Crunchbase counts 1,395, up from 1,000 a year ago. Payments company Stripe and social media platform Reddit are two of the largest expected debuts that remain private.

These companies must decide between big down rounds or holding out for more welcoming market conditions. Online grocer Instacart has reduced its valuation nearly 40 per cent to $24bn. It may have to go further. Expect other start-ups to seek out venture debt to avoid lower equity valuations while they wait.

Long-term investors looking for an exit and employees keen to cash in their options can expect to sit on their hands until 2023. Even after its recent climb, the Nasdaq remains a fifth lower than last year's high. The next meeting on interest rates is in late September. The jobs market may be strong but the Fed is going to remain focused on slowing inflation. Equity investors should look across to bond markets. US 10-year Treasury yields above 3 per cent predict a set of rate rises to come.

Bitcoin Depot: cash withdrawal

The special purpose acquisition companies boom has fizzled. The cryptocurrency bubble has burst. Leave it to Wall Street to find a way to merge these out-of-favour asset classes.

Bitcoin Depot is a bitcoin ATM operator that allows users to buy bitcoin or other digital currencies with cash at more than 7,000 kiosks across North America. It is going public by merging with blank cheque company GSR II Meteora Acquisition at a $755mn enterprise value.

Higher interest rates, a weaker stock market and heightened regulatory scrutiny have dulled investor appetite for Spacs. Only 72 such investment vehicles have listed in the US so far this year, raising $11.9bn, according to data from the London Stock Exchange Group. That is a fraction of the $116.8bn raised during the same period last year. Among this year's newly listed Spacs just three have found a company to merge with. None has yet closed.

Yet Bitcoin Depot has managed to negotiate a rich valuation. The deal values its equity at 147.5 times net income reported for 12 months to June. A year ago, the company might have justified this lofty multiple with even loftier projections. But US regulators are clamping down on the practice. Bitcoin Depot has chosen not to provide any forward guidance.

Instead, the Atlanta-based company points to transaction volume growth — which it claims is decoupled from crypto prices. Revenue for the first six months of this year rose 30 per cent to $322mn, while bitcoin prices fell to a third of their November 2021 peak.

It is hard to see how growth can be sustained. Bitcoin Depot's fees are high. It takes a 20 per cent commission on the value of the transaction plus a $3 handling fee. In addition, the FBI has sounded the alarm over a rise in bitcoin ATM scams.

Spac merger deals are falling apart at a rapid pace. It is an awkward time to go through with a transaction like this.

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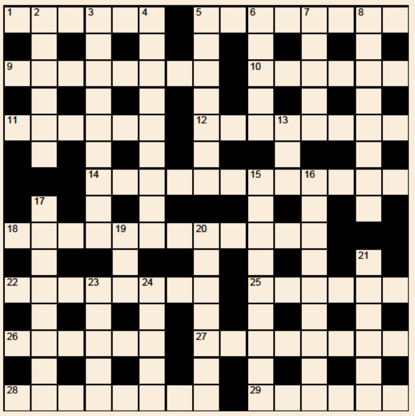
CROSSWORD

No 17,183 Set by LEONIDAS



ACROSS
1 Dish of peeled eggs in spinach regularly repulsed (6)
5 Aristocratic lady boozers collecting jokes (8)
9 Cold author and swimmer sharing small undergarment (8)
10 Spot of fortune inspiring politician (6)
11 Island dog picked up satellite that fell to earth (6)
12 Not looking forward to daughter attending recital (8)
14 Lovers of altitude climb huge hill mostly drunk (4-4,4)
18 Outcry in support of extremely tame channel (12)
22 Fellow wounded officer gets a dance (8)
25 Show's drummer echoed beat in centre of stage (6)
26 It might be Scotch that's covering the engine (6)
27 Coin with old VP next to Trump's head (8)
28 Winds stopping fish going west? It's baffling (8)
29 The Spanish fair being a prime example (6)

DOWN
2 One of fifty that might be baked (6)
3 Bird's cunning circling large cat in ascent (9)

4 Gets bigger and bigger drinks (9)
5 Funds covering half of this spread (7)
6 Bit in Delhi game originally played early evening (5)
7 Migrant relative overwhelmed by positive gesture (5)
8 Periodically 34 emus line up (8)
13 Remains of Hindu retreat after stuff stolen (3)
15 Fly solo in gale too high (2,2,5)
16 1,200 inches of creepy-crawly? (9)
17 Poet struggling to accept turn as novelist (8)
19 25 in wood reported (3)
20 One of twelve staff drenched in beer (7)
21 Clumsy cowboy finally replaced by European (6)
23 Organisation that assesses unoccupied Iraq? (5)
24 Compound somewhat disconcerting after revolution (5)

JOTTER PAD

Solution 17,182

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FT SPECIAL REPORT

African Development

Friday August 26 2022 www.ft.com/reports

Continent's search for a lasting route out of poverty

Africa remains the world's poorest continent by almost any measure — Luis Tato/Bloomberg

Despite limited gains, global crises are further slowing long-term development, says *David Pilling*

When KY Amoako was growing up in 1950s Ghana, he hung on every word of Kwame Nkrumah, the liberation leader and, later, the country's first prime minister and president. Amoako, who spent a lifetime working in "development", remembers the heady feelings that Nkrumah inspired in a young man whose country and continent were on the verge of throwing off colonial oppression.

"Africa was going to be prosperous, strong, united, and respected," he wrote of Nkrumah's project to "raise up the lives of our people" in what would become 54 independent nations.

Amoako built a career at the World Bank in the 1970s and became head of the UN Economic Commission for Africa — two institutions he believed could help realise Nkrumah's vision. Writing in his memoir some five decades later, he was clearly disappointed: "So why is Africa still poor?" he asked.

The answer to that question is complex and disputed. Much research points to factors such as poor leadership, weak institutions, corruption, and lack of infrastructure. But these proximate causes fail to explain why those elements are present or lacking — and why similar obstacles have been at least partially overcome elsewhere, particularly in Asia.

The depredations of the transatlantic slave trade and the short, brutal history of European colonialism go some way to explaining subsequent disappointments. New countries with random borders struggled to build modern nation states and to break free of the extractive economic models they had inherited.

Yet such analysis goes only so far. As Stefan Dercon, professor in development economics at Oxford university and author of *Gambling on Development*, says: "The only lesson here is: get a better history." The key to breaking free, he argues, is what he calls an "elite bargain" in which those who control the levers (and wealth) of their new states agree to roll the dice in favour of development and expanding economic opportunity.

In Dercon's view, development is primarily a matter for countries themselves. Outside assistance in the form of overseas development aid, loans, or technical transfer can only play a peripheral role, he says, bolstering nation-building projects that are already under way. In some cases, he argues, overseas assistance can warp incentives and actually do damage.

> One view is that outside help can only play a marginal role, by helping nation building along

Whatever the reasons, Africa remains the world's poorest continent by almost any measure — a picture that did not seem inevitable when leaders like Nkrumah were fighting for independence.

According to the World Bank, in purchasing power parity (PPP) terms, which adjusts for local costs, oil-rich Equatorial Guinea, at $18,000, has the highest per capita income of any continental African country, though highly unequal distribution renders that figure near meaningless. The poorest country is the Central African Republic which, along with others such as South Sudan, Niger and the Democratic Republic of Congo, barely clear income levels of $1,000 per capita.

To take another measure, the average gross domestic product per capita in sub-Saharan Africa, again in PPP terms, is $4,120. But that compares with south Asia's $7,000, east Asia's $20,300, and a world average of $18,700. Nkrumah's Ghana, though a relative African success story, is often contrasted unfavourably with South Korea — which was equally poor at independence but now has a per capita income of $47,000, making it nearly eight times richer.

"From that point of view, African development has been disappointing," says Akihiko Tanaka, president of the Japan International Cooperation Agency, which administers Tokyo's overseas development budget. "But, since the beginning of the 21st century, many sub-Saharan countries have registered quite significant economic growth, with a 5-6 per cent growth rate

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Japan Critics say Tokyo must focus on effective delivery of assistance, writes *Kana Inagaki*

Picking up: Toyotas on the production line in Durban, South Africa. Toyota Africa's revenues exceeded ¥1tn ($7.5bn) in its last fiscal year
Waldo Swiegers/Bloomberg

On the day of Shinzo Abe's assassination in early July, Akinwumi Adesina, the president of African Development Bank, mourned the death of Japan's longest-serving prime minister by calling him "a great friend of Africa".

"He drove Ticad [the Tokyo International Conference on African Development] for a very strong Japan-Africa partnership," Adesina said in a condolence message posted on social media, referring to the investment conference held every three years to discuss African development.

Abe had stood out among a long series of Japanese prime ministers who had come and gone without an apparent concrete interest in Africa. When he returned for a second term as premier in 2012, he revamped the country's policy on Africa in a bid to show why Japan remained relevant, despite China's overwhelming presence in terms of both manpower and financing capability.

As part of that effort, Abe reshaped Ticad to focus more on attracting private-sector capital following a contraction in Japanese official development assistance. With promises of a boost in corporate investment, Japan sought to reposition itself as a business partner for Africa, instead of simply a donor, according to Keiichi Shirato, a former journalist and expert on Africa at Ritsumeikan University.

Abe also brought his vision of a "free and open Indo-Pacific" to the continent, trying to distinguish Tokyo from Beijing by pushing for the rule of law, human rights, freedom and democracy. "Instead of having an isolated foreign policy on Africa, former prime minister Abe applied in Africa the same principles promoted in the Indo-Pacific and Asia," Shirato says.

But, as the eighth Ticad takes place in Tunisia this weekend, Japan's investment record in Africa is once again under scrutiny. Originally drawn to Africa to win UN votes, Tokyo now has a much more urgent need to engage with the continent, given the global hunt for rare metals and other commodities.

For companies wrestling with shrinking populations at home, chief executives in Japan are also attracted to the potential for expansion in one of the world's fastest-growing regions.

A few businesses, including Toyota Tsusho, which has 22,000 employees in Africa, have been successful through a mix of organic growth and aggressive acquisition of local companies. On the back of accelerating vehicle sales, revenues at the Toyota Africa unit exceeded ¥1tn ($7.5bn) in its last fiscal year — a first for a Japanese company.

"Africa has about 20 or 30 vehicles per 1,000 people, compared with an average of 500 to 600 in developed countries," says Toshimitsu Imai, executive vice-president at Toyota Tsusho. "Even if that grows to 100, that would be five times the number of vehicles now, so there is nowhere else in the world with this much growth potential."

For many other Japanese businesses, however, Africa remains a challenging and alien market, and Abe leaves a mixed legacy on his repeated pledges to boost investment by Japanese companies to $20bn over three years.

According to the finance ministry, Japan's foreign direct investment (FDI) to Africa fell from $12bn at the end of 2013 to $5.8bn last year. That was even as FDI flows to Africa reached a record $83bn in 2021. Among the top 10 investors in the continent, the UK accounted for $65bn of foreign assets in Africa, while the US held $48bn in FDI stocks, and China held $43bn, according to the United Nations Conference on Trade and Development.

"There are only about 8,000 Japanese people in Africa, while there are an estimated 1mn people from China — the level . . . is far too different," says Ryuichi Kato, vice-president of Japan International Cooperation Agency (JICA), which funds international development. "Japan is also a relative newcomer, while China has a longer history in Africa."

After three decades, Ticad, which in recent years has drawn as many as 11,000 participants and an entourage of senior Japanese leaders, is also struggling to redefine itself. Prime minister Fumio Kishida, who will attend virtually after testing positive for Covid-19, plans to strengthen Japan's investment pledge with a focus on start-ups and green technology. With a hybrid live and online format due to Covid, numbers attending in person are expected to be down.

Critics say Japan needs to move beyond the unrealistic ambitions for private-sector investment and focus more on where it can actually deliver to promote African development.

For Kato, that means going back to Ticad's roots of encouraging self-sufficient growth in African countries and long-term partnerships in projects for sustainable infrastructure, such as roads and water systems, as well as food-supply chains and green energy.

> Abe leaves a mixed legacy on his repeated pledges to boost investment by Japanese companies

Those efforts will be even more important in light of Russia's invasion of Ukraine, which has pushed up the costs of food, energy and other daily goods — adding to the pressure on Africa's already fragile economies.

For Kishida, the success of Ticad will also be measured by whether he can convince the African governments to deliver a unified message of condemnation against Moscow. So far, the response of African nations has been mixed, with 17 of the 54 countries on the continent having abstained from the UN vote to condemn the invasion, while eight simply did not vote at all.

"The invasion of Ukraine has threatened food and energy supplies, and the international community must show solidarity with Africa," Kato says.

"This is now the timing for us to deliver action and, in that sense, Ticad is very important."

Abuja and Accra's health systems stand in contrast

Health

deliveries with untrained personnel and

Pandemic sets continent's sights on vaccine independence

Healthcare

Covid exposed Africa's dependence on overseas production but local initiatives show potential.

excellence — including the Pasteur Institute in Dakar, which produces the yellow fever jab, and Aspen Pharmacare, a South African drug manufacturer that has a licence to produce hundreds of millions of doses of Johnson & Johnson's one-shot Covid jab.

develop jabs for other diseases. The partnership with the NIH includes developing potential vaccine candidates against HIV, tuberculosis, malaria, influenza and other diseases prevalent in Africa.

Professor Trudie Lang, head of the Global Health Network at the University

Despite similar income levels, Ghana has delivered better outcomes than Nigeria, writes *Aanu Adeoye*

When Covid-19 hit Nigeria in early 2020, there were fears its chronically understaffed healthcare system would be overwhelmed. Frustrated by the pay and conditions, many of its most qualified workers had left for better opportunities abroad.

Yet, while Nigeria ended up avoiding the worst predictions for the pandemic — thanks to a young population with a median age of 18 — the country still has some of the worst health outcomes in the world.

Life expectancy in Nigeria is just 55, the fourth lowest in the world. The country has the highest mortality rate among under-fives and is the most dangerous place for pregnant women: Nigeria accounts for 20 per cent of all deaths related to pregnancy and childbirth worldwide, according to the World Health Organization, despite having 2.6 per cent of the global population.

The Nigerian government says it has already implemented some of the reforms highlighted in a recent report in The Lancet health journal and "will carefully consider" other recommendations as it seeks to improve health outcomes for its 206mn people. The WHO says the absence of affordable treatment and delays in accessing adequate healthcare are the principal reasons for Nigeria's high maternal mortality rate.

Childbirth is perilous in the country's rural areas, where poverty and poor health infrastructure exacerbate an already risky environment for pregnant women, says Abiodun Adereni, founder of HelpMum, a health start-up working to reduce maternal mortality in Nigeria.

Adereni says pregnant women should be encouraged to seek help from qualified healthcare workers in their communities. "Mothers should not be having that's why it's important for them to understand that, if they go to quack workers, they're putting their health in danger," he says.

In Nigeria, 917 women die per 100,000 live births and 72 babies die per 1,000 live births. That compares with 308 and 33 respectively in Ghana, where people on average live nine years longer than in Nigeria.

Ghana has a much smaller population than Nigeria, but a similar gross domestic product per capita at about $2,400. However, its government has been able to deliver better healthcare because it has a more holistic approach to provision, says Ibrahim Abubakar, a professor of infectious diseases epidemiology at University College London and chair of the commission that produced the Lancet report.

"Quality healthcare is the whole package," he says. "Quality of staff in the health centres, medicines, supply chains to provide authentic medicines, recording of information, data systems, and training of healthcare workers."

Ghana provides subsidised primary healthcare via a national service, launched in 2003, which gives roughly 40 per cent of its citizens access to routine treatments — such as antimalarial drugs.

Peter Hawkins, the Unicef representative in Nigeria, says government funding at all levels must increase to enable primary healthcare to keep up with the growing population, especially in rural areas, where health services are sometimes non-existent.

> 'The investment is disproportionate to the impact'

"Eighty per cent of [health] issues could be resolved or prevented at the primary healthcare system but many people go straight to secondary or tertiary hospitals," Hawkins says. "The investment is disproportionate to the impact. That needs to be addressed."

Nurses with supplies sent by drone

Only a handful of African countries meet the WHO-recommended ratio of 10 doctors per 10,000 people. For Nigeria and Ghana, the figures are 3.8 and 1.7 respectively. Both countries committed 15 per cent of national budgets to healthcare spending as part of the African Union's Abuja declaration in 2001. But Nigeria earmarked only 5 per cent for health in its most recent budget while Ghana allocated 7.6 per cent of its 2022 budget to health spending.

Almost 70 per cent of the population in Ghana have some form of health insurance, either through the national health programme or private schemes that can be afforded by the country's middle class. That compares with only about 20 per cent in Nigeria who have health cover to defray treatment costs. A 2012 study found that Ghana's national insurance scheme increased access to the formal healthcare sector.

And, for 1.5mn of its poorest citizens, Ghana provides direct monthly cash transfers worth about $20 to cover healthcare costs. Nigeria has a similar project covering 8mn people that equates to $12 a month but, crucially, Ghana provides insurance in addition to the cash transfer. This ensures that far fewer Ghanaians have to pay for primary healthcare costs themselves.

Nigeria's government must boost healthcare spending at all levels and provide a national insurance programme for its poorest citizens, argues Abubakar — while also ensuring there is accountability for the money already being spent.

"It's in the interest of health and other sectors that fiscal spending increases and is used responsibly," he says.

writes *David Pilling*

It was John Nkengasong who first saw the opportunity presented by the Covid-19 crisis. In early 2021, the then director of the Africa Centres for Disease Control and Prevention was boiling over with frustration that, as vaccines were being rolled out across the world, African nations found themselves at the back of the queue.

"We consume 25 per cent of the world's vaccines," he says, referring to the shots for diseases ranging from measles and whooping cough to tuberculosis and rotavirus, a cause of potentially life-threatening diarrhoea. "Yet only 1 per cent of vaccines are manufactured on this continent."

He could see how that made African healthcare systems painfully dependent on overseas entities. Drug companies such as Pfizer and Moderna, operating on a largely commercial basis, were shipping most of their jabs to the US and Europe. Covax, the World Health Organization-backed facility for low- and middle-income countries, was heavily reliant on a single supplier, the Serum Institute of India, which was producing the AstraZeneca vaccine.

When, in March 2021, Serum announced that it was halting exports following a dramatic upsurge of Covid cases in India, Nkengasong warned: "The vaccine landscape is extremely challenging for our continent." It was, in effect, restricting the choice of medical tools that African health authorities could deploy amid the pandemic — and when. "Basically, we have to go to war with what we have," he said at the time.

Nkengasong's proposal — one that has rapidly gained political traction — was that Africans should sharply increase the amount of vaccines produced on the continent. "We need to develop a road map and a framework for Africa's vaccine manufacturing," he says now, adding that the continent ought to be meeting 60 per cent of its own needs by 2040.

There are already some centres of

Salim Abdool Karim, a South African infectious disease expert, says these examples disprove the common assumption that Africa lacks the physical infrastructure or scientific base to produce existing or even new vaccines. In his own field of HIV research, he says, laboratories in Africa have made several breakthroughs. "Let's just explode those myths — Africa is highly capable of doing laboratory science," he says.

Paul Kagame, president of Rwanda, has backed the plan, persuading BioNTech, the German biotech company that co-developed the first mRNA vaccine against Covid-19, to build a plant in Kigali. The company broke ground in the Rwandan capital in June and is planning another facility in Senegal.

Moderna, which also developed an mRNA jab against Covid, is investing $500mn in a plant in Kenya to manufacture vaccines based on the same technology. And, last month, South African biotech company Afrigen announced a collaboration with the US National Institutes of Health, whose technology underpinned the mRNA vaccines, to


A healthcare worker prepares the first dose of the AstraZeneca vaccine in Lagos, Nigeria, in March 2021

of Oxford, says the beauty of the new generation of vaccines is that they can be easily adapted to other diseases. So called "plug and play" technology — in which the genetic code of a virus is used to teach the body to fight an infection — means that, in theory, the vaccine platform can be quickly applied to new infections, she explains.

Stavros Nicolaou, head of strategic trade at Aspen Pharmacare, welcomes the manufacturing initiative but says it will not be easy. If vaccines cannot be produced at scale, he warns, they will be more expensive. Buyers, including governments and international organisations such as the vaccine alliance Gavi, will need to commit to buying African-produced medicines in bulk, he argues.

However, even in the middle of the Covid pandemic, which set back health campaigns badly as resources were diverted, the power of vaccines was demonstrated.

Last year, the WHO backed the widespread use of Mosquirix, a malaria vaccine produced by GSK that helps prevent a disease that killed more than 400,000 people, two-thirds of them under five, in 2019 alone. Several others, including BioNTech and Oxford university, are working on malaria vaccines that may prove even more effective and easier to administer.

In a further vaccine breakthrough, the WHO announced last year that wild polio, which can cause crippling paralysis, had been eradicated in Nigeria, and thus in the continent as a whole. Tedros Adhanom Ghebreyesus, director-general of the WHO, called it "one of the greatest public health achievements of our time" — although there has since been a small recurrence of the disease in Malawi.

OB Sisay, a senior adviser to the Tony Blair Institute for Global Change, says Africa has no choice but to develop greater self-sufficiency following the experience of the pandemic.

Despite all the fine words and good intentions, he says, "the way the world has handled Covid has not been strategic, it has not shown foresight, and it has not been collaborative."

support for African industrial development. Müller explained, meanwhile, that UNIDO's Investment and Technology Promotion Office, Tokyo, has been instrumental in channeling Japanese investment and technology to developing nations in Africa and elsewhere. That has included, he offered, health and hygiene technology for addressing the Covid-19 pandemic in 10 African nations. Müller cast Africa's population growth in the context of growing needs for employment, for access to clean energy, for food and water. And he cast those needs in the context of business opportunities.

at the TICAD8 preview symposium. A month before the preview event, Iwata represented the Japanese government at the Investing in African Mining Indaba conference in Cape Town. The TICAD8 preview symposium, he remarked, had served as gratifying reconfirmation of the dynamism that he had sensed in South Africa. He expressed fervent hope for contributions to sustainable African development through Japanese products and technologies adapted to African needs and concluded with a call for everyone concerned to help make the most of TICAD8.

Moderator: **Yuko Yasunaga**, Director, Head, UNIDO Investment and Technology Promotion Office in Tokyo

spoilage. Sato described how Ajinomoto has won over West African consumers with a powdered daddawa product that retains the flavor of the original and is odor free, hygienic, and storable.

KEYNOTE

A Medical and Agricultural Response to Africa's Crisis

Junichi Yamada, Executive Senior Vice President, Japan International Cooperation Agency (JICA)

African nations face a composite crisis, observed Yamada, in the socioeconomic effects of the Covid-19 pandemic and diminished access to grain and fertilizer on account of Russia's invasion of Ukraine. He introduced JICA initiatives in the medical and agricultural realms for alleviating the crisis.

JICA's medical activity in Africa, Yamada related, includes support for building a network of centers for combating infectious disease. That support is helping strengthen laboratories across the continent and train personnel for preventing and treating disease. With the African Export-Import Bank, JICA is supporting the localization of production capacity for pharmaceuticals, including vaccines.

Yamada also introduced a successful JICA initiative in the agricultural realm, the Coalition for African Rice Development (CARD). JICA launched CARD with the Alliance for a Green Revolution in Africa in 2008. CARD's phase one goal was to double rice production in sub-Saharan Africa to 28 million tons by 2018, and it exceeded that target by more than 3 million tons. The CARD participants have established a phase two goal of increasing production to 56 million tons by 2030. Their measures for tackling that goal include coping with climate change with improved strains of rice and irrigation.

For a Rejuvenated African Relationship

Osamu Kubota, Deputy Director-General for Trade, Economic Cooperation and Export of Agriculture, Forestry and Fishery Products, METI

We focus," said METI Deputy Director-General Osamu Kubota, "on four priorities: innovation, support for industrialization, realistic measures for promoting 'green growth,' and financial backing for African investment by Japanese corporations." METI and JETRO, Kubota reported, extended their Japan Innovation Bridge (J-Bridge) program to Africa in April 2022. That program introduces participating Japanese corporations to promising start-ups.

Kubota also discussed a METI program for supporting feasibility studies for deploying digital technology in prospective business initiatives in Africa. Further government support is available, he continued, for Japanese companies that develop products and services for Africa with local partners. That support, Kubota explained, is through the J-Partnership program and is for products and services that address environmental and other transcendent issues.

A special emphasis in Kubota's talk was METI's Africa-Japan Industrial Human Resource Development Initiative for the Future (AfIF). Activity in that initiative includes mobilizing Japanese companies to offer training curricula through schools and factories in Africa. METI's target is to provide training for 5,000 individuals in the three years to 2024.

SESSION 3

Expansion through Equity Investments

Toshimitsu Imai, Executive Vice President, Toyota Tsusho

Toyota Tsusho operates in all 54 nations of Africa. It has experienced two turning points there. The first was in 2001, when it acquired Toyota distributorships in Kenya, Angola, and three other nations from a UK company. It subsequently acquired sales outlets in other nations and established a business foundation in East and southern Africa. The second turning point was in 2012. That was when Toyota Tsusho took an equity stake in the French trading company CFAO, which specialized in African business. The CFAO investment secured a presence for Toyota Tsusho in West Africa.

Signifying Africa's rising profile, the first TICAD gathering held there took place in Kenya, and Toyota Tsusho strengthened its African operations by making CFAO a wholly owned subsidiary in 2016 and integrating the two companies' organizations. Toyota Tsusho's African operations employ some 22,000 employees of more than 50 nationalities, who operate as a unified team under the banner "With Africa, For Africa."

Corporate acquisitions are fueling Toyota Tsusho's growth momentum in Africa. The company also invests in promising start-ups and in greenfield projects. Africa is certain to achieve continuing growth, but it also contends with numerous social issues. Toyota Tsusho is committed to tackling those issues in the spirit of ensuring a bright future for the children of Africa and alleviating the issues that face humankind.

NEC is another Japanese company that has sped African growth through an acquisition. Its **Kentaro Maekawa** recounted the 2018 purchase of a majority stake in the South African system integrator XON, which transformed NEC into a solutions provider from an export-driven manufacturer. Ohara Pharmaceutical president and CEO **Seiji Ohara** sketched his company's equity investments in the Nigerian pharmaceuticals manufacturer Fidson Healthcare, the Nigerian provider of digital information management systems for hospitals Helium Health, and the Kenyan manufacturer of single-use disposable syringes Revital Healthcare. UAE-based Toppan Gravity, a Toppan Group company, is a global leader in security solutions. Toppan Gravity managing director **Jean-Pierre Ting** recapped his company's 2021 acquisition of South Africa's Face Technologies and how it helped Toppan gain immediate references and experience in the region. Moderating the discussion was ZENMONDO founder and CEO **Mina Arai-Ito.**

Panelists (from left): **Kentaro Maekawa**, Senior Director, Global Relations Department, NEC; **Seiji Ohara**, President and CEO, Ohara Pharmaceutical; **Jean-Pierre Ting**, Managing Director, Toppan Gravity; *Moderator:* **Mina Arai-Ito**, Founder and CEO, ZENMONDO, Special Advisor, Baker McKenzie

SESSION 4

Sustainability

Measures for fighting infectious diseases were the subject of remarks by Sumitomo Chemical's **Yoshihisa Takasaki.** He introduced, for example, a long-lasting insecticidal net for preventing the transmission of malaria. The net is effective for up to three years in protecting people from mosquito bites. Sumitomo Chemical has provided the technology for free since 2003 to a Tanzanian manufacturer, which has produced more than 300 million nets. The nets have contributed greatly not only to reducing the incidence of malaria in Africa and in other regions but also to creating jobs through the provision of manufacturing technology.

Shohei Hara, the director general of JICA's Private Sector Partnership and Finance Department, discussed the agency's support for companies that address developmental issues in developing nations. He then moderated a dialogue between two entrepreneurs whose companies are active in Africa, VIVIA JAPAN CEO **Chiharu Oyama** and DG Takano CEO **Masaaki Takano.**

Yoshihisa Takasaki, Manager, Sustainability Department, Sumitomo Chemical

VIVIA JAPAN markets skincare and food products produced from moringa trees grown in Ghana. A bout with cancer awakened Oyama to moringa's effectiveness in preventing the recurrence and spread of malignancies. Having verified the medical effectiveness of the "miracle tree" in restoring her wellbeing, she established VIVIA JAPAN to propagate that effectiveness commercially.

DG Takano has developed a line of water nozzles that inject air into the waterflow and thereby reduce water consumption more than 90% in washing dishes, hands, and other items. The company has begun supplying the nozzles in Africa, starting with restaurants in parched Botswana, and they have won acclaim for their effectiveness in conserving water.

Panelists (from left): **Chiharu Oyama**, CEO, VIVIA JAPAN; **Masaaki Takano**, CEO, DG Takano; *Moderator:* **Shohei Hara**, Director General, Private Sector Partnership and Finance Department, JICA

All official titles cited in this text are as of the date of the symposium.

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Politics Frustration over poverty and lack of jobs threatens return to 'one-man rule', says *Heba Saleh*

How arrested development dented faith in Tunisian democracy

Shutdown: protesters have twice halted production of oil and gas at the Kamour plant
Fathi Nasri/AFP via Getty

Protests over job shortages have been frequent in Tunisia since the uprising that overthrew dictator Zein al-Abidine Ben Ali, in 2011. Rising unemployment and falling living standards have fuelled disillusionment with the country's democratic experiment among many Tunisians.

This, analysts say, explains the welcome received by Kais Saied, the populist president elected in 2019, who has since taken steps to increase his power through a new constitution voted in last month. Despite opposition warnings that it represented the final unravelling of Tunisia's democracy, the charter was adopted by referendum on a turnout of 30 per cent amid widespread apathy.

"The absence of development has everything to do with this moment [Saied's restoration of one-man rule]," says Monica Marks, Tunisia specialist and assistant professor at New York University Abu Dhabi. "It is not the whole story, but it is the biggest part of it."

services and economic prospects, that Tunisians expected under a new democratic era. People in long-neglected inland provinces and the poorer neighbourhoods of coastal cities remain marginalised, facing high unemployment.

"Our demands have all been related to jobs and development," says Khalifa Bouhawash, an unemployed university graduate and one of the leaders of the Kamour movement, which halted oil and gas production in 2017 and 2020 at the crucial Kamour plant in Tataouine, southern Tunisia, as part of a campaign for jobs.

This month, Tunisia hosts the Tokyo International Conference on African Development, led by the government of Japan and co-hosted by the World Bank and African Union Commission. But Bouhawash notes: "Development here is very limited and the state of hospitals remains poor. Unemployment has grown and young men are migrating to Europe, leaving behind women, children and the old."

pandemic. Unemployment is averaging at 16.8 per cent, rising to 38.5 per cent among the under-25s. The value of the dinar has halved against the dollar since 2011 and inflation is at its highest for more than 20 years.

Although the country is already heavily indebted, the government, which subsidises bread and fuel for Tunisia's population of 12mn, has said it needs an extra $7bn of financing this year.

Until Saied seized power, Tunisia had been seen as the only example of a successful democratic transition among the Arab countries that rose up against dictatorship in 2011.

Olfa Lamloum, Tunisia director of International Alert, a non-governmental peace-building organisation, says little has changed there in the past 10 years.

"The province of Kasserine, for instance, still has the three poorest districts in the country where the poverty rate is above 50 per cent," she says. "In Kasserine, Tataouine and Kairouan provinces, when the Covid crisis started,

is at 40 per cent among youths between 18 and 34."

Bouhawash points out that the closest well-equipped hospital for anyone needing serious medical care in Tataouine is 250km away. "We produce 40 per cent of the country's oil production, but there is no decent public hospital and, if you need an MRI, you have to travel to another province," he says.

Protesters halted production at Kamour for four months in 2020, only ending the blockade when the government agreed to provide work for 4,000 people, and loans to 120 others to buy livestock. Most of the jobs, however, are temporary, in areas such as cleaning, security and gardening for public-sector companies.

Lamloum says such "precarious" low-paid work was also common under Ben Ali's regime. "There was no break with the past," she says. "These are structural problems that relate to social and regional inequalities and that require new development strategies.

'Democracy is only real if it extends to social and economic areas [not just]

solve any problem" and are just aimed at soothing public anger. "Democracy is only real if it extends to social and economic areas," she argues. "It's not just about having elections every five years."

Marks and others are sceptical that Saied will be able to tackle the entrenched social and economic problems. He is seeking a loan from the IMF that will require austerity measures, which are likely to run into popular resistance.

Meeting expectations for jobs and development will be his "Achilles heel", says Lamloum, pointing to the protests of the past decade.

Bouhawash, who was handed a two-year sentence by a military court for his role in the Kamour protests, says he aims to leave Tunisia once he has successfully appealed against the ruling.

"I know governing a country in these economic conditions is very difficult, but going back to one-man rule is even more dangerous," he says. "To muzzle the press and every free voice will not be

Since 2011, a succession of weak coalition governments has failed to deliver the jobs, or the improvements to state

Economic growth averaged just 1.8 per cent between 2011 and 2020, when it shrank 9.3 per cent because of the

there wasn't a single intensive-care bed or intensive-care specialist. In some parts of Kasserine town, unemployment

new public policies and a real redistribution of wealth."

She says the temporary jobs "do not

elections'

accepted by young people and the educated. They won't accept it from their own fathers, let alone the state."

Global capital and young workers could power transition in Africa

OPINION

Paul Collier

Africa has a huge and rapidly expanding young workforce. And those young workers need productive jobs.

We know what is needed to generate these jobs: enterprise. Not informal microenterprises, such as smallholder farms. It is organisations with enough formal structure to raise finance for investment, and sufficient managerial competence to reap the productivity gains from scale and specialisation.

Yet Africa is desperately short of such organisations. They exist in Europe, North America and China, where workforces are ageing and shrinking. Meanwhile, the young workers with the energy and appetite for adapting to new technologies are in Africa.

For decades, African leaders kept their countries trapped in the slow lane, building networks around patronage. Many businesses that entered Africa in these conditions bribed their way into local monopolies and contrived to take the resulting high profits out of the continent. Once expectations become anchored around patronage and privilege, they become self-fulfilling.

Breaking free of these expectations is challenging. But, recently, a few governments have done so. There are influential models of successful transitions, such as the transformation of Singapore under its long-serving first prime minister Lee Kuan Yew, who jailed corrupt colleagues to make change credible.

But Africa today is different to Singapore of the 1960s.

The government of landlocked Rwanda, for example, crafted an ingenious pathway around tourism: high-quality short holidays piggybacked on attending conferences. Rwanda is now the third-most popular destination in Africa for conferences — and tourism is job-intensive. An equivalent pathway for Ghana, coastal and resource-rich, will exploit different opportunities.

These transitions offer huge long-term potential for international business. Their success is also existentially important for the west to deflect African governments from alternative options.

But transitions are precarious. Once Covid-19 hit, Rwanda closed its borders. It contained the spread of the virus and ensured that more than 60 per cent of its population of 13mn are vaccinated — on a par with European levels. The country has since reopened and aims to double tourism receipts to $800mn by 2024. However, the shock illustrates that transitions need underpinning.

Rwanda's airline, hotels, game parks and other businesses faced the same financial stresses as those in advanced economies. Affluent governments provided huge fiscal support for their businesses. Now, as Covid recedes, the patterns of demand and costs have so changed that some companies will close. But, having preserved the organisational capacity of business, other enterprises will be well-positioned to grow, helping to offset job losses.

'We know what is needed to generate jobs: enterprise,' says economist Prof Paul Collier

Transitions in Africa required fiscal support from the international community to enable governments to provide similar assistance. The need for such support remains acute: they are short of private sector organisational capital and can ill-afford Covid-inflicted bankruptcies. Yet, during the pandemic, this capital was not sufficiently forthcoming.

In the wake of Covid disruption, business opportunities are becoming apparent around the world: some businesses should be allowed to close, but many should be financed to survive, and others marked for rapid expansion.

Providing similar assistance for African transitions is a massive global public good: they need support to enable them to become the role models that will inspire other countries.

Fortunately, there is a way of linking the fiscal resources of affluent governments with many of those businesses in Africa which, in the global public interest, they should be financing. The money involved would be trivial both absolutely and relative to the likely pay-off.

Between them, the governments of affluent countries own about 40 development finance institutions, most doing business with African enterprises. If they pooled information, they could rapidly estimate the total cost of the necessary support and report it publicly to the G20, the international financial institutions, and the African Union. A coalition of willing states could commit to share the modest sums involved.

This would set a precedent: African transitions would be safeguarded against derailments beyond domestic control. This would make the continent more appealing to global investors and help prime it for growth.

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Africa's Push for Human Security

Provocative reports issued in February and March 2022 by the United Nations Development Programme (UNDP) and the Japan International Cooperation Agency (JICA) have cast new light on the issue of human security. The UNDP administrator and the JICA president, along with other prominent speakers, discussed that issue at a Nikkei conference in Tokyo on July 13. Their discussions focused on Africa in view of the upcoming Eighth Tokyo International Conference on African Development (TICAD8), which will convene in Tunis on August 27 and 28.

Opening Remarks

Time for a Redoubled Commitment

Keizo Takemi
Member, House of Councilors (Japan); Co-Chair, High-level Advisory Panel for Special Report on Human Security, UNDP

Takemi co-chairs with former Costa Rican president Laura Chinchilla the UNDP's High-level Advisory Panel for the special report on human security. He offered background to the report, which the UNDP administrator Achim Steiner covered in detail in his keynote address.

"The universal values of freedom, democracy, human rights, and rule of law and the international order epitomized by the United Nations," observed Takemi, "have underlain peace and prosperity for the global com- the disruptions caused by Russia's invasion of Ukraine]. Those very challenges mandate a redoubled commitment to human security based on a forward-looking spirit of pacifism."

Takemi identified two currents in world affairs: One, the traditional preoccupation with national security for sovereign states in the context of an international balance of power, and two, a growing openness to international cooperation in tackling transcendent issues for humankind. Healthcare has been a central emphasis for Takemi in his career, and he devoted special attention in his remarks to the healthcare-related content of the UNDP

Keynote

Human Security as an SDGs Benchmark

Achim Steiner
Administrator, UNDP

"Human security is declining," intoned UNDP administrator Achim Steiner. "We face unprecedented pressures on our planet from climate change and biodiversity loss that could dismantle the foundation of our world. Multiple countries remain plunged in war, on the edge of famine and plagued by disease. In 2022, up to 323 million people could face acute hunger. The number of people on the brink of starvation in Africa's Sahel region has sky-

Steiner characterized human security as a crucial benchmark for pursuing the UN SDGs. And he emphasized that deploying that benchmark needs to begin with grasping what makes people feel insecure.

"Even before Covid-19, and well before the war in Ukraine, a staggering six out of seven people felt insecure worldwide," Steiner reported, "despite remarkable average progress in economic growth and human development. To a large part this is because our feeling insecure for combinations of reasons: fear of finding enough food to eat, giving their children a good education, or accessing medicine, for example."

Steiner followed his overview of the factors that engender insecurity with a prescription for addressing those factors. "Doubling down on solidarity is the way forward. . . . This is solidarity not in the sense of charity but in the sense of recognizing that in a world where climate change and viruses pay munity. But they face severe challenges [in

report.

rocketed 10-fold since 2019."

Steiner summarized the UNDP report issued in February 2022, *New Threats to Human Security in the Anthropocene: Demanding Greater Solidarity*. He described the crises detailed in the report and the solutions that the report proposes.

development trajectory has set people and planet on a collision course.

"That [six people in seven] figure is based on a new, experimental index we developed for this report, using data that covers over 80% of the world's population. People reported

no heed to borders or boundaries, we need to pay more attention to the security of our neighbors if we are to tackle the interconnected threats we now face. . . . At this perilous moment for people and planet, going alone is simply no longer an option."

2022: A Critical Year for Human Security

Yoshimasa Hayashi
Minister for Foreign Affairs (Japan); Member, House of Representatives

"The UNDP and JICA reports on human security signify a watershed in tackling that issue," declared Japanese foreign minister Yoshimasa Hayashi. "Human security is an especially pressing concern in Africa, which contends with severe poverty, is vulnerable to natural disasters, and contends with conflicts and rampant disease. Japan has worked with African counterparts through the TICAD process to help ensure human security there."

Hayashi chaired a virtual TICAD ministerial meeting in March with counterparts from 50 African nations. He reported that he reaffirmed at that meeting Japanese support for achieving the UN Sustainable Development Goals (SDGs) in Africa. Hayashi noted that the UNDP has cosponsored TICAD since the inaugural gathering in 1993. TICAD8 in Tunis, he explained, "will devote special emphasis to investment in people—to strengthening individuals' capabilities in African nations, to encouraging proactive approaches to social development and nation building, to supporting Africans as they take their destiny into their own hands. We will work to fulfill that emphasis in cooperation with the UNDP and through hands-on fieldwork by JICA."

Closing Remarks

Broadened Solidarity

Tetsuo Kondo
Director, Representation Office in Tokyo, UNDP

The director of the UNDP Representation Office in Tokyo, Tetsuo Kondo, invoked the principle of freedom from fear and want. Kondo noted the enshrinement of that principle in the preamble to the Japanese constitution and in the UN Universal Declaration of Human Rights. He suggested that the UNDP, JICA, and the Japanese government were honoring the principle through their solidarity in propagating human security.

"Japan bucked the 'aid fatigue' that was taking hold in developed nations in the wake of the Cold War and hosted the first TICAD gathering in 1993. . . . As the world reverts to geopolitical polarization, the resultant strains take their greatest toll on developing nations in Africa and elsewhere. . . . TICAD operates as a 'development conference' in a world buffeted by a new crisis for human security. Fulfilling that role requires broadened solidarity with players in business, civil society, and academia. I am grateful to the speakers at today's gathering for providing valuable hints for TICAD8."

Keynote

International Solidarity through TICAD8

Akihiko Tanaka
President, JICA

JICA president Akihiko Tanaka opened his keynote address with a brief eulogy to the late Shinzo Abe. He recalled that Abe, a former prime minister assassinated five days before the Nikkei conference, participated in three TICAD gatherings—the fifth, sixth, and seventh; visited more African nations than any other Japanese prime minister; and made a huge contribution to building ties of trust between Africa and Japan.

Tanaka presented a wide-ranging overview of the challenge of ensuring human security. He urged a holistic perspective on the mechanisms through which threats occur: the physical system, such as natural disasters; the living system, such as infectious diseases; and the social system, such as armed conflict and structural poverty. Those systems, he noted, fall under the purview of different academic disciplines and require for effective elucidation careful attention to their interaction, especially the interaction of the social system with the other two systems.

"Human security," stressed Tanaka, "is fundamental to the SDGs. The SDGs regimen is explicit about leaving no one behind. That is an expression of commitment to human security. Strengthening human and social resilience is part of the agenda for each of the SDGs. Human security demands an approach, however, that spans all the SDG agendas. We need to adopt an overall perspective in prioritizing objectives and policy."

Tanaka seconded Hayashi's appraisal of the UNDP and JICA reports on human security as a watershed in tackling that issue, and he introduced the salient emphases of the JICA report *Human Security Today*. That report is the inaugural flagship report from the JICA Ogata Sadako Research Institute for Peace and Development. It sheds light on the significance of both research and practice in diverse fields, with human security as a core. Calls appear early in the report for tackling the challenge of ensuring human security through three transformations: creating shared values, promoting digitization, and upgrading global governance.

In closing, Tanaka emphasized that TICAD8 will be an opportunity to foster international solidarity in support of African efforts to build back better from multiple crises and progress towards achieving the SDGs. And he called for cooperation among business, civil society, and government in advancing the cause of human security in Africa and worldwide.

Panel Discussion

What Needs to Happen to Ensure Human Security and What Benefits Can Accrue

Opening Talk

At the Intersection of Anthropocene Reality and Inequalities

Pedro Conceição
Director, Human Development Report Office, UNDP

"Our motivation for preparing the special report on human security," explained the UNDP's Pedro Conceição, "emerged from our analytical findings. Those findings suggested that people were living in a context of unsettledness, that they were anxious. We felt that the concept of human security would be a useful lens for interpreting what was going on."

The report, related Conceição, quantifies the perceptions of anxiousness about the future. That included the finding, mentioned by Steiner, that six of seven people worldwide are feeling insecure. Accompanying that finding was an incongruous discovery: that feelings of insecurity are highest in places that rank high in conventional measures of standard of living.

"Our report," Conceição summarized, "attributes insecurity to the intersection of Anthropocene reality—adverse results of human activity, such as climate change, an increasing incidence of animal disease communicable to humans, and biodiversity loss—and inequalities. By 'inequalities,' we mean that people who have contributed the least to the Anthropocene problems frequently suffer the most from those problems. We estimate, for example, that climate change could cause 40 million deaths this century, the vast majority in Africa. The intersection of the Anthropocene reality and inequalities plays out in several dimensions, including food insecurity, violent conflicts, and the displacement of people."

Conceição's talk segued into a prerecorded video address by Abdoulaye Mar Dieye, the UN secretary-general's special coordinator for development in the Sahel, on empowerment, protection, and solidarity. Dieye called the UNDP special report "a godsend." He lauded it for transcending the traditional preoccupation with territorial and military security and calling for basing human security on the triangle of empowerment, protection, and solidarity. "What is even more powerful in the report," Dieye continued, "is the way it positions the principle of personal agency at the heart of that triangle." Agency, he explained, is a matter of people acting on their own rather than as mere beneficiaries.

Panelists (from left): **Toshiya Hoshino**, Professor, Osaka School of International Public Policy, Osaka University / **Akio Takahara**, Executive Director, JICA Ogata Sadako Research Institute for Peace and Development / **Asako Okai**, Assistant Secretary-General, United Nations, Director, UNDP Crisis Bureau / **Ken Shibusawa,** CEO, Shibusawa and Company, Steering Group Member, UNDP SDG Impact
Moderator: **Yuka Kaino**

A panel discussion followed the presentations by Conceição and Dieye. The first round of questions from moderator Yuka Kaino focused on defining the task of ensuring human security. Kicking off the discussion was Osaka University's Toshiya Hoshino. He traced the evolution of the concept of human security since its debut in the UNDP's *Human Development Report* of 1994.

Next up was the executive director of the JICA Ogata Sadako Research Institute for Peace and Development, Akio Takahara. He offered insights into the challenge of promoting human rights and human dignity in the face of escalating assaults. Takahara cautioned that blindly pursuing development for the sake of development can undermine human dignity. "Only when development evinces respect for cultural diversity," he insisted, "will it advance the cause of human dignity, as well as raising standards of living."

UNDP Crisis Bureau director Asako Okai discussed the need for cross-sectoral, integrated responses to the compounding crisis posed by Covid-19, climate change, conflict, and cost-of-living surges. She lamented the international community's tendency to remain fragmented in responses and the insufficient investment made in prevention.

Ken Shibusawa fielded a question about the positioning of human security in the "new capitalism" propounded by Japanese prime minister Fumio Kishida. He is a great-great-grandson of the iconic Japanese industrialist of the late-19th and early-20th centuries, Eiichi Shibusawa, and is a proponent of the ethical capitalism that his ancestor exemplified.

Kaino's next round of questions shifted the discussion's focus to the benefits that can accrue from nurturing human security. She started by asking Hoshino how human security can serve as a policy guideline for sustainable development. In response, Hoshino suggested that the composite crisis confronting the world spans three categories: Earth's limitations, national and social divisions, and the abuse of scientific innovation. He advocated a sense of urgency in addressing issues in all three categories and praised the UNDP for underlining that urgency with the imaginative "Don't Choose Extinction" campaign (https://dontchooseextinction.com/en/).

Takahara cited the importance of endogenous nature in achieving human security and the need for collaboration among various players to enhance social resilience. Okai touched on ways that the UNDP can encourage sustainable and equitable approaches to tapping Africa's resources.

Shibusawa, a vice chairman of the Africa Project Team at the Japan Association of Corporate Executives, responded to a question about an African initiative proposed by the team. "Our Africa Project Team issued a proposal in autumn 2021 for a public-private impact investment fund for Africa. The fund will make investments with the intent of achieving positive environmental and social impact. For the impacts to be sustainable, the investments will require reasonable prospects for sound return."

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