FINANCIAL TIMES

Symbol of rust

Rush to spruce up Eiffel Tower is short-termist — VICTOR MALLET, PAGE 14

Inside Goldman

Has chief Solomon reinvented the



Driving Ms Cheney

Quest for truth fed wrath of Trump's devotees — EDWARD LUCE, PAGE 15

Soaring UK inflation rises above 10% for the first time in 40 years

• Pace outstrips G7 and most of Europe • Peak forecast at 13% • BoE set to raise rates

The UK's inflation rate, the highest among G7 nations, entered double-digit The UK's inflation rate, the highest among G7 nations, entered double-digit territory in July for the first time in more than 40 years on the back of soaring glo-alfood and energy costs.

Consumer prices were 10.1 per cent higher than a year earlier, rising from the June rate of 9.4 per cent and exceeding expectations that inflation would remain in the single digits.

With price rises forecast to peak at more than 13 per cent this year, the toll on living standards is likely to push the UK economy into recession.

The Bank of England is now expected to impose another 0.5 percentage point increase in interest rates next month. While all advanced economies have

While all advanced economies have seen a rise in inflation, it has been stronger in the UK than in other G7 countries and most European nations. That reflects the country's greater use of gas, the underlying strong growth in spending last year and a decline in the employment rate caused by Brexitrelated trade frictions

Unlike the US and Canada, where the inflation rate softened slightly in July, price pressures intensified for most goods and services in the UK.

However, the Federal Reserve is still in the midst of raising rates to calm inflation. In Fed minutes released yesterday, officials discussed the need to keep interest rates at levels that restrict

they can contain soaring inflation. For Liz Truss and Rishi Sunak, who are in a face-off to become the next Brit-ish prime minister within three weeks, resemble the 1970s era, when Britain was regarded as the "sick man of

Fitch, the rating agency, said yester-day that "a challenging mix of high infla-tion and slowing economic growth in the rill constrain policy options for the



12.7% in July,

Nadhim Zahawi, the UK's recently installed chancellor, said: "I understand that times are tough, and people are worried about increases in prices that countries around the world are facing." Economists described the rise in infla-

tion - the UK's highest since February

1982 – as bleak. "Silver linings to this report are few and far between," said Sandra Horsfield of Investec. "The Bank of England will feel the pressure for further monetary

'Silver linings to this report are few and far between'

ng to combat higher prices. Bread, dairy products, meat and vege-tables contributed the most to the increase in inflation. With chaos at air-ports and restricted supply of flights, the price of package holidays also rose

much faster this year than in 2021. Food price inflation hit 12.7 per cent in July, the highest rate in the category for more than 20 years. The core rate of CPI inflation, excluding energy and food prices, also exceeded expectations in July, hitting 6.2 per cent, ahead of economists' expectations of 5.8 per cent.

mists' expectations of 5.8 per cent.
Only in 12 per cent of the categories that make up the UK index were prices rising at an annual rate below the Bank rising at an annual rate below the Bank of England's 2 per cent target. Samuel Tombs, chief UK economist at Pantheon Macroeconomics, said this

reflected "near-term momentum" in price rises rather than falls in prices a

price rises rather than falls in prices a year ago. UK inflation is expected to moderate in the next two months as cheaper pet-rol prices in August feed into the calcu-lations, but the gap with other G7 coun-tries is likely to widen further in October when the latest energy prices are fed into household bills. This will further lower living standards especially among poorer households, leading to a likely poorer households, leading to a likely recession that the central bank expects

to last more than a year. Short-term UK borrowing costs yes-terday soared to their highest since 2008 as investors priced in a rate rise next month. Two-year gilt yields rose

- ▶ Balkan talks aim to calm Kosovo clashes The leaders of Serbia and Kosovo will hold "difficult" talks in Brussels today after weeks of tension resulted in border disturbances, stirring fears of a conflict between the Balkan neighbours. PAGE 2
- ▶ Polish economy takes surprise hit Poland's economy, the largest in eastern Europe, shrunk an unexpected 2.3 per cent in the second quarter as Russia's war in Ukraine looks likely to
- English Premier League to net £6br

is set to rise 10 per cent to £6bn this season as a deal to show top-tier English football on US TV helps it further outscore



- ► Saudi student jailed for retweets A court in Saudi Arabia has sentenced Leeds university student Salma al-Shehab, a Saudi citizen
- Norway fund warns of hard times ahead The head of the largest sovereign wealth investor, Norway's oil fund, warned of hard years ahead after it made a \$174bn first-half loss as monetary stimulus
- ▶ Israel and Turkey renew relations Attempts to strengthen their ties with neighbours across the Middle East will see Turkey and Israel appoint respective ambassadors for the first time since 2018 after years of strained relations. -- PAGE 4
- ► Gas crisis pushes Uniper to €12bn loss German utility Uniper says it has become a pawn in the Ukraine conflict after it reported a €12.3bn loss in the first half as a dramatic drop in Russian gas deliveries pushed it close to insolvency. - PAGE 5



Garland rides political storm over Trump probes

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
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Vietnam	US\$4.50

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Japan's latest advice on alcohol to its younger generation: please drink more

LEO LEWIS AND KANA INAGAKI — TOKYO

While most countries would welcome sobriety among their youth, Japan has veered in the opposite direction: with a campaign encouraging them to drink

more alcohol.

The east-Asian nation's tax agency is requesting ideas on how to tempt younger citizens to pick up a tipple as the finance ministry frets over the fiscal implications of generational change. The unorthodox government-backed "Sake Viva" contest is calling on people aged between 20 and 39 to help devise business ideas to revitables an industry hit by demographic changes, the pandemic and diminishing interests.

The planned intervention follows the failure of Japan's drinks industry, despite its marketing powers, to stem a long-term slide in Japanese alcohol con-

sumption that began well over a decade before the pandemic.

Taxes on alcohol products accounted for 3 per cent of the government's tax revenue in 2011 but had fallen to 2 per cent by 2020, according to the tax agency. Japan's government runs a chronic budget deficit and has total debts equivalent to more than twice the nation's gross domestic product.

A fall in the volume of alcohol consumed in Japan was inevitable once the indigenous population began to shrink over a decade ago and the proportion of citizens aged over 65 rose to more than a quarter of the country eight years ago.

According to the tax agency, Japan's average annual intake of booze per adult has dropped from 100 litres per year in 1995 to 75 litres by 2020.

The World Health Organization in

year in 1995 to 75 litres by 2020. The World Health Organization in 2018 put Japan's annual per capita

UK's 11.4.
Younger Japanese people, in common with many others of their generation elsewhere in the world, drink less heavily than their forebears and increasingly

the word, until the solid plane and increasingly do not drink at all.

"Sake Vival" aims to draw out ideas that acknowledge fundamental shifts in lifestyle— not just those caused by the pandemic but also longer-term factors weighing on Japan's drinking habits.

Organisers hope that entrants will come up with "new products and designs", as well as plans to encourage drinking at home.

Japan's health ministry said it had not co-operated with the tax agency on its contest but was in dose regular contact with it over alcohol and health issues.

World Markets

		CURRENC	IES					GOVERNMENT	BONDS		
Prev	%chg	Pair	Aug 17	Prev	Pair	Aug 17	Prev	Yield (%)	Aug 17	Prev	Chg (b)
4305.20	-1.13	\$/€	1.016	1.018	€/\$	0.984	0.982	US 2 yr	3.35	3.23	0.
13102.55	-1.71	\$/£	1.204	1.209	£/\$	0.830	0.827	US 10 yr	2.91	2.84	0.
34152.01	-0.86	£/€	0.844	0.842	€/£	1.185	1.188	US 30 yr	3.16	3.13	0.
1740.57	-0.82	¥/\$	135.465	134.385	¥/€	137.666	136.797	UK 2 yr	2.51	2.26	0.
3805.22	-1.29	¥/£	163.154	162.525	£ index	79.615	79.396	UK 10 yr	2.29	2.12	0.
7536.06	-0.27	SFr/€	0.969	0.968	SFr/£	1.148	1.150	UK 30 yr	2.62	2.51	0.
4166.38	-0.48	CRYPTO						JPN 2 yr	-0.09	-0.10	0.
6592.58	-0.97	CRIPIO		Aug	17	Prev	%chg	JPN 10 yr	0.18	0.17	0.
13910.12	-2.04	Ditenio (#)		22260		FIEV DED 20	2.05	JPN 30 yr	1.06	1.07	-0.





Nikkei	29222.77	28868.91	1.2
Hang Seng	19922.45	19830.52	0.4
MSCI World \$	2844.42	2842.48	0.0
MSCI EM \$	1014.22	1015.00	-0.0
MSCI ACWI \$	659.44	659.09	0.0
FT Wilshire 2500	5618.88	5608.20	0.1
FT Wilshire 5000	43897.73	43816.85	0.1

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FINANCIAL TIMES Thursday 18 August 2022

INTERNATIONAL

Regional tension

Nato seeks Balkan restraint ahead of talks

EU to mediate between Kosovo and Serbia after border clashes

HENRY FOY — BRUSSELS MARTON DUNAL — BUDAPEST

The leaders of Serbia and Kosovo have warned of difficult negotiations bro-kered by the EU as Serbia's President Aleksandar Vučić accused his opposite number of "lying" about Belgrade's plans to attack its neighbour.

Vučić and Kosovo prime minister Albin Kurti will hold rare direct talks in Brussels today, weeks after disagree-ments between their two countries boiled over into border disturbances and attacks on police officers, sparking Nato have since stepped up pressure on both sides to de-escalate the tension for fear of destabilising the wider Balkan region and south-east Europe, already shaken by almost six months of war ir Ukraine following Russia's full-scale

We are going to have difficult discussions tomorrow. We do not agree almost on anything," Vučić said after talks with on anything. Yucic said after talks with Nato secretary-general Jens Stoltenberg yesterday. Stoltenberg met Kurti sepa-rately afterwards and urged "all sides to show restraint and to avoid violence". Serbia does not recognise the sover-ients of the formers within which

eignty of its former province, which declared independence in 2008. That came nine years after the Kosovo war, which ended after Nato bombed Serbia in response to Belgrade's targeted killing of Kosovan Albanians. Belgrade claims that Pristina discrim-

inates against the Serbian minority liv inly in northern Kos Kurti yesterday reiterated his warn

We are going to have difficult discussions tomorrow. We do not agree almost on anything'

ings that Serbia posed a threat to his country, with the encouragement of its ally, Russian president Vladimir Putin. "Kosovo's institutions and citizens... have reason to be vigilant about the destructive approach of our

and the region in general," he said. Vučić dismissed those warnings as

"political narrative, a political rhetoric" "For 180 days we have been listen-ing... and it didn't happen," he said. "Which means they were lying about it. And there was no rebuking of this narra-

tive from anywhere in the world. Highlighting just how far apart their positions are ahead of the EU-brokered talks, the countries have been unable to implement an agreement reached in June on access to and payment for electricity supplies.

In an interview this month, Kurti said Serbs in the north of Kosovo had not paid for electricity for decades, partly as a political protest, adding that this cost Pristina millions of euros a month.

cause a crisis, and also give a pretext for Serbia to intervene or to link the north with its own power network, but this sit-uation is not sustainable," Kurti said "We have made an agreement in June but it has not been implemented."

Standing next to Stoltenberg at a pres conference at Nato's headquarters yes terday, Vučić said Kosovo and its inter national backers must not "blackmail Serbia, or order Serbia how to act. It

doesn't work like that. When you have been put in the cor ner and have no room to manoeuvre. please do not expect Serbs to say they are enjoying it and having a nice time," he added. "We need a rational approach

Europe. Les Républicains

French centre right struggles for relevance

After poll failure, party is being pulled in different directions

by Macron and Le Pen

LEILA ABBOUD AND VICTOR MALLET

PARIS
Since defeat in France's presidential election and parliamentary elections this year, the shattered centre-right opposition has fretted over how best to rebuild into a credible national force worthy of founder Charles de Gaulle.

Heirs to the conservative parties that produced most of France's postwar presidents, Les Républicains flopped in April's presidential poll, lost nearly half their seats in the national assembly in June and are seeking new leadership.
One consolation, that President Emmanuel Macron's centrist alliance also fared badly and lost its legislative majority, is proving a mixed blessing.

also fared badly and lost its legislative majority, is proving a mixed blessing. While it gives the conservatives leverage as Macron needs their votes to gas laws, it raises the risk that voters will see LR as a junior partner in a de facto coalition with an unpopular president. At the same time, LR faces an embold-need far-right Rassemblement National led by Marine Le Pen, which is now the biggest composition party in the assemblem.

biggest opposition party in the assembly and believes it has a path to power in five

For LR the road back will be difficult. suggests Michel Barnier, an LR elder statesman and the man who led Brexit negotiations for the EU.

negotiations for the EU.

"If we don't succeed in rebuilding a credible centre right, there is a risk that Marine Le Pen will win power," Barnier said. "We have lost ground everywhere, in urban areas, and although we have

in urban areas, and although we have held up in rural areas it's been difficult there too, we have lost the young, we have lost the overseas departements."

The party's left and right wings are being pulled in different directions. Since 2017, Macron has poached supporters and MPs from the former camp, while Le Pen and her hardline policies on immigration and law and order look in the property of the property o increasingly attractive to those on the

right of the party.
Party members sometimes disagree on strategy, tactics and even basic poli cies such as the best approach to public spending. Without a leader ahead of a



Rebuilding: Olivier Marleix, entre front who heads Les Républicains in the national assembly, Below Aurélien Pradié

distraction.

"The French right has not transformed itself, so while it may seem brutal to say this, when we look at similar parties internationally, we no longer resemble any of them," said Pradié, an MP from the south-west. "Maybe ecause we are no longer coherent." By contrast, Eric Ciotti, 56, another

ber, various personalities are jostling for position and exposing divisions. Two of the leadership candidates

symbolise the party's extremes. One is Aurélien Pradié, 36, who advocates the

building of a "popular" party that helps people with their daily economic strug-gles, and says the right's obsession with national identity and immigration is a

leadership contender, wants to take a harder line on immigration and crime. Ciotti, a social conservative, came close to defeating the more moderate Valérie Pécresse when the party chose its presi-dential candidate last year.

At a recent strategy meeting of LR's

top officials, Pradié raised the possibil-ity that the party would break apart. "That's not the outcome I am hoping for

but if I didn't ask the question, then no one else would," he said. Clotti appeared to respond by saying everyone would have a place if he led the party. "Everything must be rebuilt... party. Everything must be rebuilt ...
the ability of our party to bring together different personalities has always been its force," he tweeted.

LR's fate hangs in part on how they

navigate the parliamentary dynamics of Macron's second term. While a minority advocated entering an official coalition with Macron in exchange for a more rightward policy tilt, the party decided to remain in what it termed "constructive opposition" to the government Olivier Marleix, who heads the LR group in the national assembly and has been a vocal Macron critic, said the party would "refuse to be the government's tame opposition"

However, Marleix and his group mand the government on legislation in the past month.

The government courted LR deputies manager two bills aimed at helping the first hinfla-

to support two bills aimed at helping people and businesses cope with infla-tion and rising energy prices. They

adopted some of LR's proposals, such as maintaining universal petrol and diese subsidies and allowing employees to be paid for days off not taken. Both bills passed mainly because of support from LR, but Le Pen's RN also backed one.

Marleix argued that LR "successfully arm-wrestled with the government" to get lower fuel prices for consumers.

Annie Genevard, an MP and the party's acting leader, said LR must still distinguish itself from the government.
"Macron says he is business friendly, but
we have fundamental differences with him on the economy," she said. "He has raised deficits and public debt, while we want to reduce public spending and reo-rient it where it's needed."

Franck Louvrier, the mayor of La Baule who unsuccessfully argued for the LR to join a coalition with Macron, said: "They think that by being in opposition they will build something out of Mac-ron's defeat. But a defeat for Macron, for the LR, would push us further into the abyss and help the far right win." Additional reporting by Sarah White Outlook see Letters page Central Europe

Poland's economy contracts as Ukraine war takes toll

RAPHAEL MINDER — WARSAW MARTON DUNAI — BUDAPEST

Russia's war in Ukraine looks set to trigger a recession in eastern Europe later this year, as energy price increases, disruptions in supply chains, low consumer confidence and austerity measures weigh on output.

The region's largest economy, Poland, surprised analysts by contracting in the second quarter, falling by 2.3 per cent, according to preliminary data from its

second quarter, faling by 2.3 per cent, according to preliminary data from its statistics office.

"We see it as a first step into recession," said Katarzyna Rzentarzewska, chief analyst for Central and eastern Europeat Erste Group Bank.
"The economic growth in Poland is a massive surprise to the downside..."
The economy grew 5.5 per cent between the second quarter of 2021 and the same three months of 2022, also smaller rise than anticipated.
Consumer confidence in Poland is now at its lowest level since the first weeks of the pandemic, while inflation is at a 25-year high of 15.6 per cent, driven by soaring food and energy prices. That has prompted the central bank to raise its benchmark interest rate for six consecutive months, to 6.5 per cent from near-zero in the autumn. While Poles are struggling with the higher cost of living, they are also facing problems with their housing oosts. Last month, the government introduced a moratorium on mortgage payments to helpease the pain.
Poland's economy was likely to contract year on year by late 2022 or early 2023, according to Marcin Kujawski, an economist at the Polish subsidiary of BNP Paribas.
Inflation and slowing industrial activity put "policymakers in a difficult spot" but the Polish subsidiary of but the Polish central bank could still

try put "policymakers in a difficult spot" but the Polish central bank could still raise the benchmark interest rate by another 50 basis points this year, Kuja

ski said. Czech manufacturers are also report-ing a downturn, according to surveys in July, even as domestic demand helped Czech growth stay positive in the second

quarter.
Other economies in the region, such as Hungary and Romania, benefited from the economic momentum that built up before Russia's invasion of Ukraine. Analysts warned, however, that there was little doubt that the realities of an economic downturn would

soon set in.
"The region's exposure to the German
economy, which struggles with its own
problems, will dent growth," said David
Nemeth, a Budapest-based economist
with banking and insurance group KBC.

"Inflation and rising interest rates at the same time will eat into domestic demand. A marked slowdown is definitely coming, and recession is likely as

Hungary's annual growth slowed to 6.5 per cent from 8 per cent in the first quarter, while quarterly growth halved to 1 per cent in the three months to June,

the Central Statistics office said.

Hungary is the only EU country that requested but has not yet been granted an EU post-pandemic recovery subsidy e of rule of law concerns



FINANCIAL TIMES

Covid linked to brain disorders two years after infection

'If we don't

succeed in

rebuilding

a credible

right, there

is a risk that

Marine Le

Pen will win power

centre

Covid-19 significantly increases the risk of developing dementia, psychosis and brain fog two years after infection, according to the first extensive study of according to the first extensive study of the disease's persistent neurological and psychiatric effects.

Long Covid, often defined as symptoms experienced for 12 weeks or more after a

control group. For psychotic disorders, the figures were 0.85 per cent in Covid patients and 0.6 per cent in controls. The most significant increased risk among younger adults aged 18 to 64 was cognitive deficit, sometimes called brain fog. It affected 6.4 per cent of people who had Covid during the previous two years and 5.5 per cent of controls. "The results have important implications for notions and health services."

at three-fold increased risk of psychotic disorder, even though this is rare – 18 in 10,000 in the two years after Covid." But the study also showed the impact of Covid was sometimes shortlived. Excess risks of depression and anxiety after Covid disappear within two to three months, with no overall excess of cases over the two years," faught said. The researchers attempted to distin-

ish between the effects of different guish between the effects of different Sars-Cov-2 variants, although there are inevitably fewer long-term data for strains that emerged more recently, par-ticularly Omicron.

"The emergence of the Delta variant was associated with an increase in risk for several conditions," said Taquet.

"With Omicron as the dominant vari-ant, although we see much milder

symptoms from fatigue and breathless-ness to problems related to the brain, such as a lack of mental clarity. Scien-tists have estimated it could affect more

than 100mn people worldwide. Researchers at Oxford university ana-Researchers at Oxford university analysed the electronic health records of 1.25mn people diagnosed with Covid and a matched control group consisting of an equal number of patients who had other respiratory infections.

The data, covering 14 brain disorders, were provided by the US-based TriNetX global health research network.

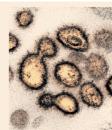
The impact of Covid was most marked in people aged 65 and over, among whom 4.5 per cent developed dementia over the subsequent two years, compared with 3.3 per cent of the

as they suggest that new cases of neuro logical conditions linked to Covid infec tion are likely to occur for a considera ble time after the pandemic has sub-sided," said Paul Harrison, senior author of the study published in The

Lancet Psychiatry.

But he added: "We are not talking about a tsunami of neurological and

about a tsunami of neurological and psychiatricillness."
Max Taquet, who led the analysis, said two findings stood out in the study's 185,000 patients aged under 18. Chil-dren were twice as likely to develop epi-lepsy or seizures, he said – 2.6 per cent developed the condition after Covid against 1.5 per cent after another respi-ratory infection. Second, Taquet added: "Children are



lar rates of neurological and psychiatric diagnoses are observed as with Delta," he added.

Taquet said the findings suggested the

burden on healthcare systems might continue even with variants that were less severe in other respects. Looking into long Covid more broadly, the scientists at Oxford university stressed that a great deal of research was still needed on all aspects of the con-dition, from definition and prevalence to biological causes and possible treat-

ments.
"My sense is that we know much less than we think we know about long Covid," said Harrison.
"There are many more questions than answers," agreed Taquet.

Thursday 18 August 2022 FINANCIAL TIMES

INTERNATIONAL

Garland under pressure after taking on Trump in legal battle

US attorney-general's decision to probe former president is loaded with risks

JAMES POLITI - WASHINGTON

On his first day as US attorney-general last March, Merrick Garland told employees of the justice department that he was inspired by Edward Levi, a Republican who served in the same role under Gerald Ford in the 1970s.

Levi, like Garland, was a Chicago native, but more importantly, he was widely credited with restoring faith in American justice after the scandal-

"The only way we can succeed and retain the trust of the American people is to adhere to the norms that have

is to adhere to the norms than have become part of the DNA of every justice department employee since Edward Levi's stint as the first post-Watergate attorney-general, 'Garlandsaid. "Those norms require that like cases be treated alike. That there not be one rule for Democrats and another for Remublicians: one rule for firends and Republicans; one rule for friends and another for foes," he added.

Garland is trying to apply those principles to Donald Trump, an effort that has suddenly thrust the former federal judge and prosecutor into the political limelight.

imelight.
Until he authorised the unprecedented FBI search of the former president's Mar-a-Lago residence last week, Garland had faced frustration from the left over his perceived hesitancy in investigating Trump, particularly over the January 6 attack on the US Capitol in 2021.
But now, Garland has become a lightning rod for conservative fury, accused by Trump and his allies of spearheading a politically motivated plot to under-

mine his chances to run for a second

mine his chances to run for a second termin 2024. "(Garland) is taking on a former pres-ident of the United States who still has a very large following, filled with conspir-acy theorists. He has had to proceed with great caution," said Elaine Kamarck, senior fellow in the governance studies programme at the Brook

ings Institution. "He's not talking about it. He didn't

"He's not talking about it. He didnt' ask the White House's permission. He just played it very, very straight, which is his reputation," she added. The attorney-general had been aware for months that Trump was withholding documents at Mar-a-Lago from his time at the White House, including some that were highly classified. Garland told sentences are the works of the presentation to personal Trump's. ior prosecutors to persuade Trump's lawyers to release them, first voluntar-

ily, then through a subpoena.

After those efforts failed, Garland authorised the request for a search warrant, but refrained from speaking publicly about the Mar-a-Lago swoop on the day it occurred. He has only done so

day it occurred. He has only done so once since, although without delving into the substance of the probe. "Much of our work is by necessity conducted out of the public eye. We do that to protect the constitutional rights of all Americans and to protect the integrity of our investigations," he said. In recent days, however, court filings by the Department of Justice have shown the gravity of Trump's potential

shown the gravity of Trump's potential violations of the law, invoking provi-sions relating to obstruction of justice and mishandling information critical to national security under the Espionage



Line of fire: Merrick Garland, second left, attends a Senate hearing in April. Below supporters of Donald Trump outside his Florida home

Act. They have also revealed the wide ranging nature of the investigation, which includes more than one witness.

Garland, who helped secure the con victions of Oklahoma City bomber Tim othy McVeigh and domestic terrorist Ted Kaczynski in the 1990s as a US Ted Kaczynski in the 1990s as a US attorney and who served for 24 years on Washington DC's federal appeals court, will want to ensure the case for pursuing a criminal indictment of Trump is iron-clad before he takes the next step, which

would be to seek charges.
"They are likely combing through the evidence, figuring out what [Trump] had exactly . . . and figuring out if they



need to go investigate other angles, other people," said Kel McClanahan, a national security lawyer and a professor at George Washington University. "This is being run like a mob investigation," like an organised crime investigation.

like an organised crime investigation."
The search of Trump's home has made Garland, as well as the DoJ and FBI generally, villains in the eyes of the right, adding to public pressure on the attorney-general and raising safety concerns for the prosecutors, officials and

the huge

political ramifications

and he's a

person'

very careful

agents working on the case.
"Impeach Merrick Garland, gut the
DoJ, defund the corrupt FBI, and Doj, detund the corrupt FBI, and Impeach Biden. Weaponized law en-forcement is communism and has no place in America," Marjorie Taylor Greene, a Republican lawmaker from Georgia and one of Trump's closest allies on the extreme right, tweeted on

Monday.
Other Republicans, including on the
House judiciary committee, have asked
Garland to retain his own documents
related to the search and be ready for a
probe of his actions should they regain
control of the lower chamber of Congress in Navamber.

gress in November.

But Garland, who was nominated to the Supreme Court by Barack Obama but denied a confirmation hearing by

Senate Republicans, has so far appeared to withstand the pressure. "The attor-ney-general is in an extremely, 'He's got an obligation to uphold the extremely difficult position," said Aziz Huq, a constitutional law scholar at the law, but he ersity of Chicago. "I think that what the justice depart obviously understood

ment and what Garland have tried to do . . . is to demonstrate the legalistic bona fides of the justice department at a time in which those bona fides have come under tremendous strain," he

ided. If Garland shies away from indicting Trump, either over the classified docu-ments at Mar-a-Lago or his role in the January 6 riot, his legacy may end up being that of the attorney-general who being that of the attorney-general who blinked while challenging a former president's wrongdoing. But ploughing ahead with a prosecution, even an ulti-mately successful one, is not without its risks in a country as deeply divided as

"He's got an obligation to uphold the law, but he obviously understood the huge political ramifications and he's a very careful person," said Kamarck at the Brookings Institution. "Why would you open a hornet's nest like this unless you had some serious crime in mind? Edward Luce see Opinion





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INTERNATIONAL

Turkey and Israel move to repair relations

Both to reappoint envoys but Ankara vows to defend Palestinian rights

AYLA JEAN YACKLEY — ISTANBU JAMES SHOTTER — NAZARETH

Turkey and Israel are to appoint respective ambassadors for the first time in four years, as both countries seek to bodiest relations with their neighbours across the volatile region.

Ties between the Mediterranean neighbours have been strained for more than a decade.

Recep Tawip Erdoban, Turkey's pressured.

last expelled each other's ambassadors in 2018 over the killing of scores of pro-testers in Gaza by Israeli soldiers on the anniversary of the creation of the Israeli

anniversary or use state.

But Erdoğan is now trying to repair relations across the Middle East after his assertive foreign policy put him at odds with many Arab states, as well as western allies, exacerbating a long-running economic crisis as investors stayed away.

ish economy ahead of an election next year. Erdoğan has also reached out to other foes, including Egypt and Arme-nia, tomend relations. Israel and Turkey began talks on restoring relations this year when Presi-dent Isaac Herzog become the first Israeli head of state to visit Turkey in 14 years.

israen nead of state to visit Turkey In 1974; years.

The Turkish foreign minister, Mevlüt Zavusoğlu, said yesterday that Turkey would announce the name of fits ambasador to Tel Avivsoon.

"Reappointing ambassadors is important for developing bilateral relations. On the other hand, we will continue to defend the rights of Palestine, Jerusalem and Gaza," he told reporters.

this will be directly conveyed at the ambassadorial level in Tel Aviv."

ambassadorial level in Tel Aviv."

A statement from Israell prime minister Yair Lapid said restoring relations with Ankara would promote regional stability and economic growth as he worked to "strengthen Israel's standing inthe world".

Israel has forged diplomatic ties with the UAE, Bahrain and other Arab states in recent years, countries that share an interest in containing Iran.

Saudi Arabia, however, had held out from joining the 2020 Abraham Accords, which focused on improved ties with Israel. The kingdom, which views itself as the custodian of Islam's

holiest sites and a leader of the Muslim world, has insisted that Israel should settle its conflict with the Palestinians before it could normalise relations with

This month, Riyadh opened its air-space to flights to and from Israel for the

space to flights to and from Israel for the First time. Erdoğan has previously said he wants to co-operate with Israel on an undersea pipeline to ship its gas via Turkey to Europe, which is seeking to diversify its energy supply away from Russis follow-ing the invasion of Ukraine. Turkey has been at loggerheads with Israel, Greece, Cyprus and Egypt over the rights to potential natural gas stores in the Mediterranean Sea.

Human rights

Saudi student sentenced to 34 years over 'fake news' tweets

A Saudi court has sentenced a Leeds University student to 34 years in prison for retweeting dissidents and spread-ing "fake news", according to rights

groups.

Saudi citizen Salma al-Shehab, a 34year-old mother of two, had been
detained during a visit to the kingdom
in 2020 over messages she had posted
on her Twitter account.
A court this month sentenced her to
34 years, including time served, said
ALOST, a Saudi rights group, and the
Freedom Initiative, a US human rights
organisation. After that, she faces a 34year travel ban.
The sentence, seen as unusually
harsh, comes amid a crackdown by the
kingdom on dissidents and critics that
has drawn condemnation from western
countries.

has drawn concennation to the countries.

The once-ultra conservative kingdom is undergoing a transformation, with its day-to-day ruler Crown Prince Mohammed bin Salman rolling back decades of

'ALQST is gravely concerned over al-Shehab

. and the extraordinary length of her prison term'

religious strictures while shaking up its oil-reliant economy. The measures have won him support among many Saudis but have been accompanied by repres-

The sentencing, dated August 9 according to ALQST, has only just been made public. It came just weeks after US President Joe Biden visited the kingdom he had pressed the Saudi leader on human rights.

Biden came to office vowing to turn Saudi Arabia into a "pariah" over the 2018 murder of Saudi journalist and dissident Jamal Khashoggi. The CIA had concluded that Prince Mohammed ordered the "capture or kill" mission,

something the prince has denied. However, Biden has since been forced to backtrack and seek Saudi Arabia's help in increasing oil production to tame energy prices after Russia's inva-sion of Ukraine and rampant inflation. ALQST said al-Shehab had been

charged with supporting "those seeking to disrupt the public order", a reference to her retweeting support for jailed dis-sidents, and "publishing false and tendentious rumours on Twitter"

dentious rumours on Twitter,
"ALQST is gravely concerned over alShehab for peaceful activism and the
extraordinary length of her prison term,
which goes well beyond the Saudi
authorities' already excessive harsh
standards of repression, 'the group said.
The sentencing is subject to appeal,
and the government's media centre did
and the government's media centre did

and the government's media centre did not immediately respond to a request

not immediately respond to a request for comment. Prince Mohammed has continued to face scrutiny over the arrests of activ-ists, dissidents and bloggers. A Twitter account said to belong to al-Shehab had retweeted pleas for the release of activ-ists, including Loujain al-Hathoul, who had campaigned for a woman's right to

Brazil. Centrão group

Bolsonaro gives thanks to political kingmakers

Powerful legislators prop up president in exchange for funds from 'secret budget

RDVAN HADDIS — SÃO PAULO

Standing in front of thousands of loyal supporters at his re-election campaign launch last month, Brazilian president Iair Bolsonaro took the microphone and

Jair Bolsonaro took the microphone and singled out a dignitary from the crowded stage.

"We have the outstanding presence of the Speaker of the [House of Representatives], my longtime friend, Arthur Lira. He owns the agenda of the House. If it wasn't for Arthur Lira, we wouldn't have gotten to this point," said the farrisht leader. It was a frank admission of reality. Fo

more than a year, Lira and the political bloc he leads, an amorphous group known as the Centrão, has propped up Bolsonaro's administration, staving off more than 100 impeachment requests and pushing big government spending packages through Congress.

In exchange, Lira and the Centrão, which means "Big Centre", have become immensely powerful and cleaved off big chunks of public funds for discretionary use in what is known as the "secret

While the Bolsonaro administration has lurched from crisis to crisis, includ-ing its handling of the Covid-19 pandemic and corruption claims against the president's family, Lira and the Centrão have become political kingmakers.

'The Centrão rules Brazil, without a doubt," said Ciro Gomes, a leftwing former lawmaker who is challenging the Brazilian leader in the October election. "Bolsonaro sold out to them com-

pletely."

The Centrão today encompasses a handful of political parties and 220 out of the 513 federal lawmakers, known as deputados. It traces its origins to the end of the military dictatorship in the late and the state of the second state of t 1980s when parliamentarians ba

1980s when pariamentarians banded together to support weak, democrati-cally elected presidents.

Since then, it has become embedded in Brazilian politics, offering support to governments of any stripe, left or right, in exchange for plum political posts and the resources to support its electoral machines in home constituency.



Election plea: a a placard saying never again' in São Paulo this Arthur Lira, left, shakes Jair

hand in July

political scientist at the Getulio Vargas Foundation think-tank. "It is a group of parliamentarians who are more con cerned with being close to government resources than to any independent political orientation or ideology."

As a populist outsider on the cam-aign trail in 2018, Bolsonaro railed against the horse-trading and pork barrel politics of the bloc. But when corruption allegations against him and his family surfaced, he quickly forged an ce with the group that arguably



Despite being booed by the crowd at aro's campaign event, Lira has single-handedly prevented impeach-ment proceedings against the president y simply shelving the requests. Elected Speaker with the backing of

Bolsonaro in 2021, the lawmaker from north-eastern Alagoas has also played a crucial role in pushing through several pieces of government legislation, including a huge spending package that increases cash transfers to Brazil's poor-est by 50 per cent ahead of the election. "Lira has the sword of Damocles dan-

gling permanently over Bolsonaro's head," said Filipe Campante, a professor at Johns Hopkins University, referring to the Speaker's control over impeach-ment proceedings. "The Centrão is as strong as they've ever been and that is due to the fact that the executive is as eak as it has ever been." In return for its support, the bloc has

aimed crucial government posts, nota-ly the presidential chief of staff, which currently held by Ciro Nogueira, who as a vocal supporter of consecutive

'Lira has the sword of Damocles dangling permanently

Bolsonaro's

has been growing influence in the allocation of government funds. With support from the government, the leaders of Congress in 2020 created the secret budget, a legal but opaque mechanism to transfer funds from the executive to lawmakers' constituencies

Felipe Rigoni, an opposition law-naker, said the Centrão has "without doubt become more and more powerful

and the secret budget is proof of that".

"There has always been this type of behaviour that today is called the secret budget, which is the allocation of funds in exchange for voting in favour of government projects in Congress. But it was much more timid, with much less money. The secret budget is now worth absurd amounts and this is a risk to the

absurd amounts and the sea research democratic process."

While parliamentarians have always received government cash for public works projects, the budgets were limited in size and there was transparency about who received how much. In the



leftwing administrations before joining the Bolsonaro administration.

Analysts say the Centrão's real prize

have been shrouded in mystery. Lira declined to comment. Additional reporting by Carolina Ingizza

drive in the kingdom before it was allowed in 2018, and who was released in 2021.

Egypt bank chief quits as economy struggles

Egypt's central bank governor has resigned as the Arab state struggles with a foreign currency shortage and the economic repercussions of Russia's invasion of Ukraine, according to state-run media.

President Abdel Fattah al-Sisi had accepted Tarek Amer's resignation and appointed him as a presidential adviser, Egyptian state media reported. There was no announcement on his replacement. The bank is due to hold a monetary policy committee meeting today. Amer had held the post since 2015 and was appointed for a second term four years later. But he came under growing pressure after foreign investors withdrew \$200 him forn local debt markets and global food and energy prices soared after Russia invaded Ukraine. In March, Egypt turned to the IMF for additional financial support and those negotiations are continuing. It is already one of the fund \$5 biggest borrowers, securing a \$120 h loan in 2016 and about \$5 bin in loans during the pandemic.

The government was credited for

the IMF loan in 2016, including allowing the Egyptian pound to devalue, with the currency losing half its value.

for expanding the role of the military across all spheres of the economy, putting off foreign investors and crowding out the private sector.

Economists have also expressed concern about its dependence on foreign investor inflows to help finance its current account, and the central bank determination to keep the pound stable to attract portfolio investors.

"Amer has maintained a stable currency to make sure foreign investors don't make any losses, which has created a massive moral hazard trade where investors can just go in and know they aren't going to make any FX losses," said a banker. "And when things get tough they just withdraw their money, it happened in 2018 and in 2020 during coronavirus and again this year."

Greater exchange rate flexibility is believed to be one of the IMF conditions for a new loan package. The banker added that the central bank had also

imposed new regulations that meant importers had had to use letters of credit. But banks had lacked the capacity to process all the letters of credit, causing a backlog that had created a shortage of some imported raw materials and luxury goods, the banker said. In a note Amer said he resimed "for

In a note, Amer said he resigned "to leave room for new blood to take responsibility and push forward Egypt's

responsibility and push forward Egyptis's successful development process under the leadership of the president', according to state-run Al-Ahram media group. Jason Truvey, an economist at Capital Economics, said Amer's resignation points to a growing tension within policymaking circles on the best way to address the country's external imbalances''. He added: "The fact that talks with the IMF have dragged is probably sign that some officials are reluctant to follow through on the fund's demands and would prefer to rely on support from the oil-flush Gulf economies." Gulf states, including Saulf Arabia

from the oil-flush Gulf economies."
Gulf states, including Saudi Arabia
and the United Arab Emirates, have
pledged billions of dollars of investment
and financial support to their traditional ally.

Four held in Tokyo Olympics bribery inquiry

Japanese prosecutors have made their first arrests after a summer of raids on organisations and individuals sus-pected of giving and receiving bribes during the preparations for the Tokyo 2020 Olympic Games.

auring the preparations for the loxyo 2020 Olympic Games.

The four arrests included the former chair of Japan's largest maker of business suits and a former senior executive of advertising agency and public relations behemoth bentsu.

The arrests mark the first time criminal proceedings have been linked with the Tokyo Olympics, an event that cost almost twice as much as envisaged, which was postponed by a year because of the pandemic and was preceded by a series of scandals and resignations.

Haruyuki Takahashi, a former member of the Tokyo 2020 Olympics board who previously worked at Dentsu and was seen as one of the most influential figures ahead of the Games, was arrested yesterday on suspicion of receiving bribes from former executives of Aoki Holdings. Hironori Aoki, the company's 83-year-old founder, was also arrested.

According to the media, Aoki told investigators he did not consider the payments made to Takahashi as "bribes".
Takahashi could not be reached for comment and left Dentsu in 2009. Dentsu said it was "fully co-operating with this investigation".
Takahashi has repeatedly denied the

Arrests mark the first time criminal proceedings have been linked with the Tokyo Olympics

allegations, telling state broadcaster
NHK he had "never given special treatment to Aoki regarding the Olympics".
Aoki produced the suits worn by the
Japanese Olympic team and was one of
an army of corporate backers including
Toyota, Panasonic and Nomura that
made the Games the most heavily sponsored sporting event in history.
The company said it would continue
to "co- operate fully" with Investigators.
The Tokyo District Public Prosecutors
Office said it suspected a company run

by Takahashi received ¥51mn (\$380,000) in more than 50 payments from an asset management firm linked to the three former Aoki executives

from an asset management firm linked to the three former Aok is executives between October 2017 and March 2022. Prosecutors also alleged that Aoki's ex-chair and its two former executives paid a total of ¥28mn to Takahashi's company via the firm between September of 2019 and March this year. The arrests were made about three weeks after prosecutors raided the offices and homes of Takahashi and Aoki, as well as the headquarters of Dentsu and ADK, an advertising agency. Dentsu was core to Japan's campaign to secure rights to host the Games and to amass the support of big companies. A French investigation into vote-buying allegations around the bidding process for the 2020 Games prompted the resignation in 2019 of the president of the Japan Olympic Committee, Tsunekazu Takeda, who stepped down without providing a clear explanation of his decision. Dentisu has spent nearly six years denying claims It was involved in the corruption under investigation by French prosecutors.

FINANCIAL TIMES

Chips downturn Intel and Micron set to slash capital spending despite passage of US legislation to increase production PAGE 7

Companies & Markets

Norway fund warns of tough times after losing \$174bn

- 'Risk we haven't seen the worst yet'
- Chief worries July rally will unravel

ADMENNE CLASS AND ADMENT AND ADME

'The best way the market could steal your money in July was to rally. so that's what it did'

"I'm more in the several years [of difficult markets] camp. I don't think this is done overnight."

ficult markets) camp. I don't think this is done overnight."
July's market rally had encouraged some investors but was likely to be a false dawn, he said.

"The market has got one function, and that is trying to steal your money every day. The best way the market could steal your money in July was to rally, so that's what it did," Tangen said.

The \$1.21 fund suffered a 14.4 per cent loss, or the equivalent of \$174bn, in the first half of the year, driven by a sell-off across all sectors except energy, it said yesterday. It had gained 14.5 per cent during 2021 as markets soard following the reopening of economies around the world.

"The fund is now so big that the sums."

"The fund is now so big that the sums

term investor so we have to tolerate these kinds of swings," Tangen said. "What was unusual this time is that we lost money both in stocks and bonds."

"What was unusual this time is that we lost money both in stocks and bonds." Norges Bank Investment Management's equity portfolio was hit particularly hard in the first half, losing 17 per cent, while fixed income was down 9.5 per cent. Facebook parent Meta was the single biggest contributor to NBIM's tock market losses in the first half.

The fund's investments in unlisted property delivered a 7.1 per cent gain but they make up only 5 per cent of the overall portfolio. Its renewable energy infrastructure investments fell 13.5 per centin value.

The sovereign wealth fund, which owns the equivalent of about 1.5 per cent of every listed company in the world, had inflows of NKr556bn (\$36.8bn) in the first half of 2022, while currency movements bumped up the fund's value by NKr642bn. The MSCI All-World index of global stocks is down 14 per cent this year. The fund said it had outperformed its own benchmark by 1.14 percentage points.

Tangen had previously warned that Russia's invasion of Ukraine would make inflation problems worse. In an interview with the FT in January, he also described himself as "the tean leader for team permanent" in the debate on how long high inflation night last.

Tangen reiterated this view yesterday. "There is a risk that inflation will be

might last.

Tangen reiterated this view yesterday. "There is a risk that inflation will be tougher to get down than many think he said. "Inflation feeds on itself."

The oil fund was set up in 1996 to invest the proceeds of Norway's oil and gas industry and is housed in its central bank. It is a quasi-index fund, with its overarching investment mandate set by the finance ministry while material changes to how the fund invests must be approved by wa parlament. approved by parliament.

Sales pitch Premier League revenue set to hit £6bn as global TV rights overtake home deal



JOSH NOBLE - LONDON

English football has stretched its financial lead over European rivals, with Premier League revenue set to rise 10 per cent to £6bn this season thanks to the soaring value of inter-national broadcast rights.

The English top flight is expected to earn more from its overseas rights than from its domestic deal for the first time, following a new \$2.7bn six-year deal with Comcast's NBC to show

year deal with Comcast's NBC to show games in the US.

Europe's other top leagues are struggling to keep up, according to Deloitte's annual football finance report released today. Revenue at Spain's La Liga is projected to remain flat at €3.7bn, while Germany's Bundesliga will enjoy a 16 per cent boost to €3.6bn.

Of the two smallest of the continent's Big Five leagues, Italy's Serie A is on track to generate €2.4bn this

season, a slight rise on last year, while income at Ligue 1 in France is estimated to stay at £1.8bn. Revenue at both leagues has yet to return to prepandemic levels.

The widening gap with the Premier League is partly explained by timing: some European leagues are locked in to long-term broadcast deals that are not up for renewal for a number of years. The Bundesliga, for example, is only two years into its six year US deal with ESPN.

Oliver Kahn, chief executive of

Oliver Kahn, chief executive of Bayern Munich, recently told the Financial Times that increasing the Financial Times that increasing the value of German football's US broadcast rights was the priority for those in the game. Bayern was one of a number of big European clubs that toured the US this summer in an effort to create a buzz around football for leagues outside England.

Nevertheless, the latest US rights deal shows how far ahead the Premier

League is in terms of commercialising its overseas appeal.

"There is a real sense [at European leagues] that more can be done internationally. They want to feel as though they can catch the Premier League", said Tim Bridge, lead partner of the sports business group at Deloitte. "But the reality is now that the Premier League is streets ahead of the competition."

Despite the booming income at Pre-

the Premier League is streets ahead of the competition."
Despite the booming income at Premier League clubs, teams in the second tier of English football are under increasing financial pressure. Many clubs in the Championship have spent big sums on players in an effort to gain promotion to the Premier League. The financial gamble has resulted in large debts and high wage bills.
Deloitte described Championship finances as "perilous" and warned that "without sustained and collaborative consideration", the situation was likely to worsen.

Uniper on the brink as it posts €12.3bn first-half loss

German utility Uniper has reported a €12.3bn first-half loss, saying it had become a "pawn" in the Ukraine con-flict, with a dramatic drop in Russian gas deliveries pushing it to the "brink of insolvency".

The loss by Europe's biggest importer of Russian gas is one of the largest by a German company, eclipsing Bayer's €10.5bn in 2020.

E10.5bn in 2020.

Klaus-Dieter Maubach, chief executive, warned yesterday that Europe faced a grim winter and that the gas supply crisis made it "almost impossible" to second half of the year.

"We do assume that Gazprom, if it wanted to, could considerably increase its gas deliveries through Nord Stream 1," he said, adding that gas prices had gone haywire because of "concerns about the reliability of energy supply".

Germany, which before the Ukraine war bought 55 per cent of its gas from Russia, is trying to avoid rationing energy this winter. Despite the shortfall in Russian deliveries, its gas storage facilities have ben filled to 77.5 per cent capacity, in line with Berlin's plans. The government aims to bring the level to 95 per cent by November.

Uniper, majority-owned by Finnish utility Fortum, last month received a C15bn bailout from Berlin, which will take a 30 per cent stake and provide loans to prevent a collapse. Uniper's share price has lost more than 81 per cent this year, bringing its market capitalisation down to 2.8bn.

A drop of up to 80 per cent in Russian deliveries since june has forced Uniper to buy expensive gas on the spot market to meet contractual obligation to supply clients including 100 regional utilities owned by municipalities.

From October, Uniper will be able to pass on 90 per cent of the higher costs to consumers. It warmed it would continue togenerate operating losses for the coming 18 months but hoped it could "return to positive territory" in 2024. Over the past 12 months, gas prices in Germany have risen more than fivefold to 200 per megawath hour. Uniper said it had suffered an average dally loss of 660mn since the supply through Nord Stream 12, the defunct Russian pipeline project, and a 4.9-bn loss on this derivative position.

Subsidy blow to Musk brings orbital broadband back to earth



lon Musk may regret having railed against government subsidies for electric vehicles last year. Last week the US regulator agreed with the principle of his criticism, withdrawing nearly \$900mn in subsidies that had been granted to his satellite operator Stafinik to bring the internet to 642,000 remote, rural locations. Even if \$900mn is a drop in the

remote, rural locations.

Even if \$900mn is a drop in the bucket to a multibillionaire entrepreneur like Musk (Forbes estimates his net worth at around \$270bn), that must have hurt. Certainly \$900mn was key anchor revenue for a new satellite broadband constellation that has to heavily subsidise customer terminals — priced in most markets at \$599 — in

order to expand the service.
But what must have been even more painful is that the Federal Communica tions Commission, in reversing a December 2020 grant, called proposals from Starlink and another subsidy candidate "risky". It also questioned Star-link's ability to deliver a reliable and

affordable ofter.

That decision cast a cloud not only over Starlink, which may still appeal against the decision, but over the many satellite broadband hopefuls that are making a business case out of connecting the world's 2.9bn unconnected.

If any group seems equipped to

deliver high-speed broadband from low earth orbit — where delays in transmitting data are substantially shorter than from satellites at higher altitudes — it is Starlink. The company already claims more than 400,000 users and has launched nearly 3,000 satellites. Its spacecraft can hitch a ride on rockets flown by parent Spacex, which also happens to manufacture the satellites. But the service is still a long way from qualifying for the FCC's largesse. Acknowledging that "Starlink's technology has real promise", FCC darl Jessica Rosenworcel indicated that the agency was not willing to "publicly subsidise its

ogy has real promise", PCC chair Jessica
Rosemworce indicated that the agency
was not willing to "publicly subsidise its
still developing technology".

There have been suggestions that the
FCC's about-face was politically motivated or due to lobbying from the powerful fibre and cable industries — a
charge the agency
denies. There was
no change in direction, said the FCC,
"but rather the
way this process
was designed to
work". The initial
grant had been grant had been provisional on further due diligence.

The U-turn is a timely warning to those such as Amazon, OneWeb, Telesat and others planning LEO broadband services that the industry remains a either for the billions still living offline or those in more populated areas. Once built, the constellations can

deliver connectivity to new areas far quicker than terrestrial providers. But the economics of delivering the service from networks of hundreds or thousands of satellites are not yet consumer-friendly due to the complexity of the systems. And if \$600 for a terminal is too much for consumers in a country

such as the US, how will those in less affluent countries afford it?

Tech is evolving fast and terminal costs and performance will improve. But as LEO networks win new subscribers and average data demands increase, they will also be under pressure to spend billions more on bigger fleets and better satellites to address congestion. "LEO operators are planning for larger next-peneration constellations and those new satellites must incorporate technology advances, all requiring more and more investment," said Carissa Christensen, chief executive of consultancy BryceTech.

Nathan De Ruiter of consultancy BryceTech.

Nathan De Ruiter of consultancy BryceTech.

Purcocansult said: "The challenge that (they) have is that you need to keep money pouring in to keep the network expanding to meet growing customer requirements."

Mega-constellations of satellites are

requirements."

Mega-constellations of satellites are costly to operate and monitor. Roger Rusch, president of consultancy TelAs-Rusch, president of consultancy TelAs-tra, writing in SpaceNews, estimated that the biggest constellations would overrun initial budgets "by a factor of overrun initia budgets o'y a factor of two or more. Any government consid-ering subsidies for LEO broadband pro-viders will have to weigh this trade-off between the cost and sustainability of an unproven business model and rapid internet access for the underserved

It is a tough decision, made more diffi-cult by the fact that terrestrial providers have also often failed to deliver. But in nave also often failed to deriver. But in most emerging technologies, govern-ment support has a key role. Perhaps not in the context of this FCC pro-gramme. But if the dream of bringing broadband to everyone everywhere is to be realised, it is unlikely to be accomplished without accepting that there will be some risk.

peggy.hollinger@ft.com



FINANCIAL TIMES

COMPANIES & MARKETS

Tencent posts fall in quarterly revenue

Slowing China economy and regulatory crackdown leave business shaken

Tencent has reported its first decline in quarterly revenues, with China's most valuable group shaken by the slowing economy and a regulatory crackdown.

The technology business missed analysts' sales expectations after postil quarterly revenue of Rmb134bn (US\$19.7bn) in the three months to June 50, down 3 per cent from the same period last year and below forecasts of Rmb135.6bn. Net profit fell to

Rmb18.6bn, down from Rmb43bn in the second quarter of 2021 and missing analyst estimates of Rmb25bn. The group has slashed staff numbers, saying it had "optimised our workforce" in a cost-cutting drive that had reduced expenses. "During the second quarter, we actively exited non-core businesses, tightened our marketing spending, and trimmed operating expenses," chalf rony Ma said yesterday. "Looking forward, we will focus on enhancing the efficiency of our businesses and launching new revenue initiatives."

The slowing Chinese economy has hurt the company's quarterly advertising revenue, which dropped 18 per cent compared with the year before. Tencent

Fewer big game releases, lower user spending and moves to protect minors are among the challenges

Tencent has been hit with a regulatory clampdown on gaming that began last year, with the government slowing approvals and restricting children to about three hours of play a week.

Regulators paused approvals for new

games in July last year as they sought to align the industry with party values and make games less addictive. While it restarted approvals in April, Beling is yet to publicly sign off on any from Tencent. "The domestic game industry is facing transitional challenges including lewer big game releases, lower user spending, and measures to protect minors," the company said.

As it contemplates obstacles closer to home, Tencent has been looking to expand abroad and has increased its investment in foreign start-ups. But it reported that revenue from its international gaming segment fell 1 per cent in the quarter. "The international games market is experiencing a post-pandemic

Tencent flagged that it was looking for divestment opportunities. James Mitchell, chief strategy officer, said a report that it was in talks to sell down its Meitan stake was "not accurate", without giving details.

Mitchell said the company had a listed portfolio worth more than \$906n and private investments worth \$506n, and Tencent was focused on returning capital to shareholders.

Amid a wave of tech industry redundancies in China this year, the company lost almost 5 per cent of its staff in the quarter, trimming the number of its employees to 110,715.

Financial services

Average pay for partners at PwC in the UK exceeds £1mn

MICHAEL O'DWYER - LONDON

PwC partners in the UK were paid an average of more than £1mn for the first time last year, buoyed by a jump of one-third in the firm's consulting revenues and the disposal of part of its business.

The results kicked off what is expected to be another season of bumper earn-ings for the Big Four accounting firms, which also include Deloitte, EY and

rmG. But PwC warned that inflation and

But PwC warned that inflation and rising wages were likely to reduce partner pay in the current year.

It handed half of its 24,000 UK employees pay rises of at least 9 per cent in July in an effort to attract and retain staff in a hot labour market and respond to relegion lighting.

orising initiation.
"I expect the average partner income ocome down next year in line with that investment," said Kevin Ellis, UK chair ind chief executive.

nand for the firm's services would remain strong because companies would still need advice on adapting to changes in technology and supply chains, Ellis said, warning that he

chains, Ellis said, warning that he expected a rise ininsolvencies. Reflecting on EY's plans to split its audit and advisory businesses, the PwC chief said: "We are committed to [being] a multidisciplinary firm. And I think I'm going to be quite relieved that I've still got a very strong insolvency practice."

The decision to honour all job offers throughout the pandemic was the biggest driver' of the firm's growth

Profits for PwC UK, which includes the firm's Middle East business,

the Irm's Middle East business, increased 19 per cent to £1.4bn in the 12 months to June 30. Profits were more than £1.5bn after accounting for the UK element of the \$2.2bn sale of PwC's global mobility business, the proceeds of which were shared among the locally owned firms that make up PwC's international network.

work.
Distributable profits for PwC's 995 UK
and Middle East partners, who own and
run the business, rose to an average of
£1,025,000, with the top earners being

paid significantly more.

The figure included £920,000 in trading profits, up from £818,000 a year ear

Energy. Renewable power

Obstacle course awaits Biden's climate ambition

Factors such as land-use rules and import controls threaten $to\,impede\,implementation$

MYLES MCCORMICK—NEW YORK
THE US climate, tax and spending law signed by president Joe Biden this week holds the potential to spark an explosion of renewable power projects across the country. Clean-energy executives, climate advocates and scholars have praised it, saving it is the first serious legislative attempt to tackle emissions that fuel adults acrossine.

that fuel global warming.

But a host of obstacles may stand in the way. They range from tariffs and import controls that are driving up the cost of solar panels, to state land-use laws over which the federal government

has no control.

The new law is "absolutely game-changing", said Jos Shaver, chief invest-ment officer at Electron Capital Partment officer at Electron Capital Part-ners, a renewables-focused asset man-ager with \$2.8bn under management. "[But] It's an energy transition, not an energy switch. It's not going to happen overnight and there's going to be a lot of humaniar theread."

overingin and interest soing to be a not of the bumps in the road."

The Inflation Reduction Act will pump a record \$569bn into clean energy. The Biden administration predicted that the law would allow the country to slash greenhouse gas emissions by 40 per cent from 2005 levels by the and of the Jonach mutting in this law would be a simple to the same of the Jonach mutting in this law to the same of the Jonach mutting in this law to the same of the Jonach mutting in this law to the Jonach mutting in the Jonach m



Solar panels in Alexandria, Virginia. Below,

will expand options for financing

projects.

"It really opens the floodgates for us to expand the rollout massively of the pipeline of projects with a planning beginn that given as containts," and

along with supply chain snags drove down solar installations in the last quar-ter to their lowest level since the start of the pandemic, according to Wood Mac-

energy transition.

of a local industry over time. "Wh have critical mass and you need things, it comes naturally," Azagra said. The development of solar and wind farms at a scale that decarbonises the

lot of bumps

in the road'

the end of the decade, putting it within striking distance of its commitment to

striking distance of its commitment to cut emissions by 50-52 per cent by 2050 under the Paris climate accord. Modelling by think-tanks broadly lines up with the administration's esti-mates of emissions impact. For the most part these do not account for external forces that could delay projects, how-

ever.
"The models generally assume that if something is economic, it will get built," said Robbie Orvis at Energy Innovation, a climate policy think-tank. "And we know that in the real world there can be

ome friction in the system." At the heart of the bill are tax credits to spur investment in, and production of, renewable power. While some of the credits are not new, they are long-dated with a 10-year horizon, while previous versions of credits repeatedly expired, requiring extensions at the eleventh

hour.

The 10-year credits will give developers an unprecedented ability to make long-term plans for new projects, while a "transferability" mechanism that allows the credits to be bought and sold

Perrysburg, Ohio

norizon that gives us certainty, said Tom Buttgenbach, chief executive at 8Minute Solar, one of the biggest utility-

Sminute Soiar, one of the biggest unity-scale developers.

Some developers fret that other eff-orts to catalyse a domestic green energy manufacturing industry may slow the torrent. A Department of Commerce report into tariff circumvention by parts makers in south-east Asia, the source of most panels, is due this month. While Biden has said any tariffs would not be enacted for at least two years, a lack of clarity makes it hard to plan ahead.



, a consultancy. ed to know what my supply chain looks like in four to five years," said Buttgenbach. "And the current environ-ment is tariffs this week and investigation next week. It's just a nightn

when you're working on these billion-dollar infrastructure deals."

Another new US law that bars imports linked to forced labour in China, a leading source for solar panels and parts, has also caused confusion as customs agents have impounded some components. Executives in the nascent offshore US

wind power sector are anxiously eyeing a separate piece of legislation that would require them to use only domestic ves-sels and crews when installing turbines.

sels and crews when installing turbines. That is a "real issue now," said Pedro Azagra, chief executive of Avangrid, which owns utilities and one of the biggest US wind developers. "It's something that is not realistic. You do not have them and it will take some time to build them, to train the crews." But most developers support the new climate law, which creates incentives for buying locally rather than forcing the

economy will require construction or vast stretches of land. A Princeton analenergy ysis found that meeting Biden's goal of net zero emissions by 2050 would entail wind farms with a "visual footprint" on switch. It's not going to a land area equal to Illinois and Indiana combined. For solar farms, an area the size of Connecticut would be needed. Already, states such as New York that happen overnight and there's going to be a

have big renewable electricity targets have encountered resistance from some people living near energy projects. In Ohio, lawmakers last year passed a law empowering counties to block solar and wind farms, with one saying that wind turbines "ruin the character" of a place.

A recent study in journal Energy Pol icy found that 53 utility-scale wind, solar and geothermal projects had been delayed or blocked from 2008 to 2021.

Building long-distance transmission lines will be needed to deliver electricity from remote wind and solar farms to urban areas. However, states also have power to block interstate transmission projects. A \$1bn project to deliver Cana-dian hydroelectricity to Massachusetts recently stalled after Maine blocked it. ner, pius an average of £105,000 per partner from the sale of the mobility business, which advises companies on immigration and other matters when

they move their staff internationally

they move their stait internationally.

The rest of the sale proceeds was retained for investment in the business. Revenues reached £5bn for the first time, including £1bn in the Middle East. The rise was helped by a 33 per cent increase in sales by the consulting business, which overtook audit as the big-

The decision to honour all job offers throughout the pandemic was the "biggest driver" of the firm's growth, Ellis said.

"I was able to carry on recruiting people in consulting [which suffered a 6 per cent fall in revenues in the 2021 financial year before rebounding in 2022], because . . . I had an audit business, deals business and other things that were performing," he said, contrasting the model with EY's plans to break itself up.

The surge in the consulting business was driven in part by an incompany.

Sanofi drops breast cancer drug after trial fails

pipeline of new treatments.

The French pharmaceutical group said yesterday that it had stopped all studies of ameenestrant following an analysis of late-stage trial data that showed it did not meet the efficacy threshold.

Its shares closed almost 6 per cent lower, making it the seventh-worst performer on the blue-chip CAC 40 index. "This was a flagship drug in pipeline and important oncology asset," said Jo Walton, a Creft Suisses analyst. Analysts said the setback raised questions about the strength of Sanoffi's pipeline and risked leaving it to dependent on Dupixent, the blockbuster eczema and asthma drug. Strong sales of Dupixon Dupixent, the blockbuster eczema and asthma drug. Strong sales of Dupix-ent prompted the group to raise its annual profit target in late July when it reported second-quarter results.

The failure of amcenestrant compounds the setback Sanofi suffered with tolebrutinib, the experimental multiple sclerosis treatment. The US Food and Drug Administration in July asked the company to pause recruitment of new patients for studies on the drug after reports of side effects affecting the liver. Sanofi had listed amcenestrant and tolebrutinib as priorities for development, as among six "potentially transformative" reastments in its pipeline. David Risinger, analyst from SVB Securities, lowered his price target on Sanofi from €121 to €102 as a result of ending the development of amcenestrant. "We previously expected a 2025 launch for amcenestrant and estimated €1.6bn in annual sales by 2030," he wrote, adding that earnings per share would be up to 7 per cent lower. John Reed, Sanofi's head of research and development, said cancer treatments remain a "priority area" for Sanofi. "While we are disappointed by

this outcome, our research will further the scientific understanding of endocrine therapies in people with breast cancer," headded.

Paul Hudson, chief executive, has made oncology a focus of research efforts as part of his five year turnround plan for the group that began in 2019.

While there have been some successes during Hudson's tenure, including acquisitions in vaccines and immunology, Sanoff's shares have lagged peers since he joined. They are up about 8 per cent since September 2019 compared with a 55 per cent rise for the MSCI World Pharmaceuticals, Biotechnology and Life Sciences Index.

The shares were also hit last week by investor worries about US laswaits relating to Zantac, the heartburn drug that was withdrawn from the market in 2019.

nofi had been one of several compa

China drought hits Toyota and Foxconn plants

Toyota and Apple supplier Foxconn have suspended plant operations in south-west China as the region suffers hydropower shortages caused by droughts and heatwaves.

Sichuan, a province of 84mn people that generates the bulk of its electricity from hydropower, amonunced it would suspend energy supplies to factories in a number of cities as it braced for a week of temperatures forecast to hit highs of more than 40C, according to a government statement.

ment statement.
Toyota said it had suspended opera-tions in the province from Monday until Saturday, in line with the provincial restrictions.

restrictions.
Foxconn, the largest contract electronics manufacturer, also confirmed it had closed its Chengdu plant, which manufactures Apple Watches, iPads and MacBooks. The impact on produc-

tion was "not significant so far", the company added. Chinese media reported that electric vehicle battery maker and Tesla sup-plier CATL closed its Sichuan plant for the same period. CATL did not immedi-tately respond to a request for comment. "Laptop and iPad or tablet makers,

The south-west province is braced for a week of temperatures forecast to hit highs of more than 40C

there is a lot in Sichuan and what we heard was [the eastern province of] Jiangsu was also facing some restric-tions," said Dan Nystedt, vice-president at TriOrient Investments, an Asia-based

private investment company.
Sichuan is a hub for lithium mining roduction of solar panels. wer rationing has led to pro-

duction halts at about 20 steel mills, while energy-intensive aluminium and zinc smelters have curtailed output, according to data provider shanghai Metals Market.

The Yangtze River, China's largest and most important waterway, last week notched its lowest level on record for his time of year, according to a water resources ministry press release.

The ministry said rainfall in the Yangtze basin was 40 per cent lower than it normally was since July and that in some areas there had been more than 20 days without significant rainfall.

some areas there had been more than 20 days without significant rainfall.

China Three Gorges Corporation, operator of the largest power station, declined to comment on how water shortages were affecting its dam. The operator declared on its website that it would seek policy support to mitigate the adverse impact of "the fluctuation of water inflow" on its operations.

operations.

Additional reporting by Harry Dempsey

COMPANIES & MARKETS

US chipmakers stunned by sudden downturn

30 -

10

Intel and Micron set to slash capital spending despite passage of landmark US legislation to increase production

After dealing with booming demand and global shortages since the start of the pandemic, the semiconductor industry is facing asudden downturn. Even for an industry accustomed to frequent cyclical slumps, this one has defied easy analysis and left researchers struggling to predict how it will play out. The sudden out in memory chins PC

The sudden glut in memory chips, PC processors and some other semiconduc-tors has come at a time when manufac-

tors has come at a time when manutac-turers in many automotive and indus-trial markets still lack a reliable supply. It has also forced some of the biggest US chipmakers to slash billions of dol-lars off planned capital spending at the very moment Washington has passed a law to subsidise a huge increase in domestic chin panufacturine canactiv.

domestic chip manufacturing capacity.
The speed of the turn and the conflicting forces at work are unprecedented, said Dan Hutcheson, chief executive of VLSI Research, who has analysed chip cycles since the 1980s. "I've never seen a time when we had excessive inventory and we had shortages," he said.
The immediate cause has been a rapid build-up in inventory since early this year. Compared with February, when there were enough chips on hand to support 1.2 months of production, global inventory levels jumped to 1.4 months in June and then 1.7 months in June, according to VLSI Research.
Tumbling PC sales and weaker smart-phone demand have been the main causes, as consumers retrench. But with fears rising of an economic Slowdown, makers of a wide range of equipment, which had been building inventory to guard against supply pressures, have reversed course. Meanwhlle, it is unclear how much weakening chip sales reflect supply chain problems rather than any fall off in denand.
The suddenness of the turn has ricocheted through the sector since late July, when intel stunned Wall Street with news that revenue in its latest quarter had fallen \$2.60n, or 15 per cent, short of expectations. Pat Gelsinger, chief exec-

ade, atthough intel also admitted to rorros of its own. Nividia, the biggest maker of graphics rorocessing units used in video graphics and machine learning systems, last week pre-announced a bigger revenue miss, as sales of its gaming chips fell 44 per cent on the preceding quarter. And Micron, another large maker of mem-ryy chips, said free cash flow was likely to turn negative in the next three nonths, after averaging \$1bn in recent quarters.

executive of Semiconductor Manufacturing International Corporation of China said demand had slowed from smartphone and other consumer electronics makers, some halting orders altogether. A month before, Taiwan Semiconductor Manufacturing Company said it was expecting an inventory correction lasting until late next year. The slide has left chipmakers in the US trying to manage a decline just as they were preparing to boost output because of the \$52bn in state support provided by this month's Chips Act.

On the same day that Congress passed the law, Intel, which is expected to be the biggest beneficiary of government

grants, sliced \$4bn from its capital spending for the rest of this year but said it was still committed to a "strong and growing dividend" for its shareholders. Micron, which marked the signing of the law last week by saying it planned to invest \$40bn in the US this decade, was forced a day later to say it would cut its capital spending "meaningfully" next year because of the downturn. For now, most supply chain experts predict a relatively shallow downturn, provided the global economy is heading for a soft landing. But the speed of events has left them scrambling to understand the complex dynamics at play.

Gartner, which had expected growth in global sales this year to halve from 2021's 26 per cent, revised its forecast to 7 per cent and is now predicting a 2.5 per cent contraction in 2023 to \$623bn.

700

300

200

100

'I've never seen a

time when we had

excessive inventory and we had shortages

Wall Street has taken events in its stride. The Philadelphia semiconductor index, which comprises the 30 largest US companies involved in the design, manufacture and sale of semiconductors, fell back nearly 40 per cent as the stock market corrected this year after rising three-fold following the early pandemic stock market slump. But since early July, despite mounting evi-dence of the chip slowdown, the index

has rebounded 24 per cent. Nvidia's shares this week climbed back above the level they were trading at before its earnings disappointment, even though it disclosed a savage 17 per cent shortfall in revenue compared with

even though it disclosed a savage 17 per cent shortfall in revenue compared with earlier expectations. But after the severe inventory and supply chain stresses of the past two years, few analysts are confident they can judge how an economic slowdown will feed through the industry. Hopes that the slide would be largely restricted to the PC and smartphone markets have already been dashed.

Nvidia said sales of data centre chips had risen 1 per cent from the preceding quarter compared with Wall Street expectations of closer to 10 per cent. It blamed supply shortages rather than falling demand, though other indictions, including a fall-off at Intel, have fed the suspicion the booming cloud computing market has cooled rapidly. In recent days, the signs of retrenchment have broadened. Mark Murphy, Micron's finance chief, said last week that industrial and automotive customers were the latest to cut chip purchases.

that industrial and automotive customers were the latest to cut chip purchases.
"It's a very recent development," he said, It was too early to tell whether these customers were adjusting after a rapid inventory build-up or responding to falling demand from customers. Either way, said Murphy, the result has been the same: "We're seeing clear signs of weakness to the."

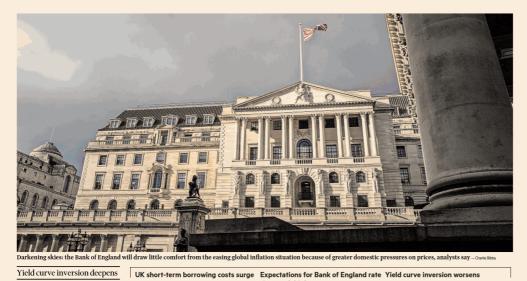




COMPANIES & MARKETS

Fixed income. Borrowing costs

Gilts sell off as hot inflation lifts rate rise expectations



that manages pension plans and insurance programmes in Quebec, said yesterday that the stake in Celsius was vritten off "out of prudence". For us it's clear when we look at all of

Pension fund

CDPQ admits it went into

digital assets 'too soon'

Canada's second-largest pension fund manager has written off its \$150mn investment in crypto lending platform Celsius Network and conceded it went into crypto "too soon".

Charles Emond, chief executive of Caisse de dépôt et placement du Québec, said its investment in Celsius last October marked the end of its foray into the digital asset industry. Celsius became one of the biggest collapse in the price of digital assets in and weeks later filed for Chapter 11 bankruptcy protection in New York, a move that revealed a \$1.2bn hole in the CDPQ, the \$304bn investment firm

SCOTT CHIPOLINA AND JOSEPHINE CUMBO

this, even if the last chapter has not been written, that we went in too soon into a sector that was in transition, with a business that had to manage

any other investment,

Difference in two- and 10-year gilt yields (percentage points)

rises push higher

in sign of growing worries that

BoE may trigger a recession

ADAM SAMSON, IAN JOHNSTON

Short-term UK borrowing costs surged to the highest level since 2008 as blistering inflation data heightened expectations that the Bank of England will need to lift borrowing costs sharply

to slow price growth. Two-year gilt yields, which are sensi tive to monetary policy expectations, soared as much as 0.3 percentage points

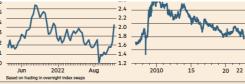
yesterday to 2.45 per cent. Longer-term bonds came under slightly softer selling pressure with the 10-year yield rising as much as 0.19

ercentage points to 2.32 per cent. The moves cascaded to other global

The moves cascaded to Outer gloosa bond markets with German, Italian and US government debt under pressure. The intense selling in short-dated UK debt highlights how many investors increasingly view the Boč as lagging behind in its efforts to fight inflation, which is running at its highest level in more than 4d years. Worriers are also more than 40 years. Worries are also mounting that these efforts will tip the

mounting that these efforts will tip the country into a prolonged recession. Rising two year gift yields are "telling us the market thinks the [Boß] bank rate needs to go higher", said James Athey, investment director at Abrdn. Athey added that the positioning of some investors, who had hoped inflation was near peaking, had "exacerbated" the moves since they were now having to shift to a more hawkish outlook for monetary policy. In currencies, the pound slipped of 4per cent lower against the dollar to \$1.20 and also 0.4 per cent against the euroto €1.18.





Trading activity in fixed income and currency markets tends to slow during August with many market participants on holiday, something that may amplify the scale of price fluctuations.

Yesterday's moves come after fresh data showed the UK's annual inflation rate rose to 10.1 per cent in July — up from 9.4 per cent in June and greater than economists' forecasts of 9.8 per

The Office for National Statistics The Office for National Statistics noted that a "wide range of price rises" had pushed up the inflation rate in July with food leading the way. "The main problem was the breadth of price increases," said Silvia Dall'Angelo, senior economist at Pederated Hermes.

Goldman Sachs economists added that they expected prices "to remain elevated throughout 2022 and 2023 due

that they expected prices "to remain elevated throughout 2022 and 2023 due to supply chain disruptions, strong wage growth and higher energy prices".

The UK data contrasted with the US inflation report this month, which showed consumer price growth in the world's largest economy slowed to 8.5 per cent in July from 9.1 per cent in June. The easing US cost pressures had increased hopes that global inflation

could be at or near peaking. "The encouraging evidence that the upward pressure on underlying inflation from global factors has started to ease will be of little comfort to the Bank of England given the signs that this is being replaced by more persistent domestic inflationary pressures," said Ruth Gregory, senior UK economist at Capita

Trading in money markets sugg that traders are braced for the BoE to raise its main interest rate by 2.05 per-centage points by May 2023 compared

with 1.67 percentage points or Tuesday.
Gregory noted that she expected the
Boß to raise rates by 0.5 percentage
points next month after raising them by
the same margin this month in the
biggest rise in 27 years.
The central bank has already
increased its main interest rate from

increased its main interest rate from 0.1 per cent in November 2021 to 1.75

or per cent this month.

The hawkish pivot in market picing left two-year gilt yields trading around 0.15 percentage points above their 10-year counterparts, the most significant "inversion" of Britain's yield curve since the 2008 global financial crisis. the market thinks the bank rate needs to go higher'

pwards. An inverted curve is a strong signal

the country's economy. The yield curve inversion signals that markets are anticipating a short-term tightening in BoE monetary policy,

Dall'Angelo.

The central bank this month warned that the UK would slump into a 15-month recession later in 2022 with gross domestic product shrinking by more than 2 per cent from peak to trough.

"We're almost getting to the stage that central banks are almost going to have to engineer an unemployment market that slose to the financial crists to bring inflation back under control," said Craig Inches, head of rates and cash at Royal London Asset Management – pointing

Investors typically demand higher borrowing costs for the risk of buying bonds maturing long into the future, meaning yield curves normally slope

that markets are expecting a more aggressive BoE will deal a strong blow to

lowed by a recession and then a "bit easing" from the central bank, said

Our global team gives you market-moving

when we write it off. we are not happy'

The group's comments mark a sharp contrast to October when it said its Celsius investment was a sign of its "conviction" in blockchain technology.

The write-off of its Celsius holdings a small slice of its overall portfolio — came as the fund manager reported a C\$28bn (\$22bn) fall in assets in the six

months to the end of June this year. CDPQ said its portfolio was hit by a "rare and simultaneous" fall in both equity and bond markets, which led to a

7.9 per cent hit on its portfolio. "The first six months of the year were very challenging," said Emond, adding that its portfolio had still performed better than its benchmark, which was

better than its benchmark, which was down 10.5 per cent. Responding publicly for the first time since Celsius's bankruptcy, Emond said: "Whether it is Celsius or any other investment, needless to say that when write it off, we are disappointed with the outcome and not happy." Emond said he was aware there were challenges regarding crypto

Emond said he was aware there were challenges regarding crypted investments, but said "perhaps we underestimated the challenges". Emond said hee fit "al to fempathy" for Celsius investors and that the fund manager was "reserving our comments and exploring our legal options" related to the situation. Asked if he regretted the Celsius investment, Emond, said: "As an investor it is a constant and never ending learning process, you learn and make sure you don't repeat the mistake."

Genesis chief to join departing staff in fallout from Three Arrows collapse

Crypto broker Genesis will cut a fifth of its staff and replace its chief executive as it counts the cost of lending \$2.4bn to hedge fund Three Arrows Capital.

neage unto Timee Arrows Capital.

The departure of Michael Moro after six years is one of the most high-profile casualties so far from the collapse of Three Arrows, which has reverberated through the digital asset sector.

Genesis will also out about 20 per cent of the 260 employees, it said.

The US group was among the companies hardest hit by the failure of Three arrows the Sirmenora creator hades

Arrows, the Singapore crypto hedge fund that filed for bankruptcy in July

fund that filed for bankruptcy in July
when its bets on bitcoin and other
cryptocurrencies soured in the heavy
sell-off of digital assets this year.
Many of the industry's best-known
names, including Voyager Digital,
BlockFi and Derbitk, were also forced to
liquidate some of Three Arrows's
positions when the investment shop
failed to meet margin calls.
Court decuments showed that

Court documents showed that Genesis had lent Three Arrows \$2.4bn

Genesis's parent company, Digital

Currency Group, founded by investor Barry Silbert, has taken over the trading firm's liabilities related to Three Arrows and lodged a \$1.2bn claim in the US bankruptcy case.

Ann touged a same bankruptey case.

Moro said in July that Digital Currency Group had "assumed certain liabilities of Genesis related to [Three Arrows] to ensure we have the capital to operate and scale our business for the

esis said its new leadership would



Michael Moro is a high-profile casualty of the Three Arrows failure

focus on "strengthening the company's overall risk management". It added that the changes would enable the company "to emerge from this period even stronger than before". Chief operating officer Derar Islim, who joined Genesis in 2020 after working for San Francisco venture working 101 Sain Francisco Venture capital firm Hard Yaka and Bank of America, will replace Moro on an interim basis. It has begun the search for

arun-umesuccessor.

Genesis also announced new appointments to senior positions in the firm's governance, compliance and risk

Tom Conheeney, who was the president of Steven Cohen's former hedge fund SAC Capital and its successor Point72 Asset Management, has been appointed as a senior adviser.

appointed as a senior adviser.

"It has been an honour to lead Genesis
for nearly a decade and I look forward to supporting the company's next phase of growth," said Moro in a statement. Other big companies, including Coin-

base, Crypto.com and Gemini, have announced job cuts after being caught out by the sharp drop in cryptocurrency

yields are

'telling us

European banks restart Russian bond trading as clients look to exit positions

European banks have joined Wall Street in allowing clients to trade Russian debt once again after the US Treasury gave the green light last month for investors to wind down their

The global market for Russian sovereign The global market for Russian sovereign and corporate bonds froze in June after US investors were banned from buying Russian securities on the secondary market as part of the west's sanctions against Moscow following its invasion of

But the Treasury's Office of Foreign Assets Control, which enforces sanctions in the US, opened a three-month window on July 22 for banks to help investors who had been left holding Russian bonds to wind down their

European regulators have also made it easier for banks to help clients reduce

their exposure.

UBS, Barclays and Deutsche Bank have all resumed allowing clients to sell their Russian debt holdings, in line with similar moves from JPMorgan, Bank of America, Jefferies and Citigroup, according to people briefed on their decisions. The Wall Street bank moves were first reported by Reuters and Bloomberg.

loomberg.
Other banks, including Credit Suisse
Other banks, including Credit Suisse
Hold Back from
-entering the Russian debt market
ecause of their lower risk tolerance, according to people with knowledge of their activities.

Almost \$40bn of Russian sovereign

This is chiefly for clients who continue to want to unwind. The volumes aren't that remarkable

debt was outstanding when Moscow began its invasion of Ukraine in February with about half held by foreign investors.

The Ofac licence allows banks to facilitate, clear and settle trades made by US citizens to wind down their

Russian exposure, even if that involves buying further securities. While each bank's exposure to Russia is relatively small, the resumption of

debt trading is symbolic as it is one of the few key international markets that has reopened since Moscow was hit by a barrage of western sanctions.

All the banks declined to comment but people briefed on their moves said the decisions were not motivated by trying to profit from the market reopening but were about allowing clients to wind down their exposure in accordance with sanctions rules. "This is, schiefly for clients who

accordance with sanctions rules.

"This is chiefly for clients who continue to want to unwind," said one employee of a bank that has restarted Russian debt trading. "The volumes aren't that remarkable."

Western banks had been helping their

clients cut back their exposure to Russia following the start of the war but bonds

proved hard to shift because of a lack of buyers leading to falling values. Several banks have also been attempting to sell off their operations in

French lender Société Générale took a €3.3bn hit when it agreed to sell its Rosbank subsidiary to oligarch Vladimir Potanin's Interros investment company in April and HSBC has agreed to sell its Russian subsidiary to Expobank.

COMPANIES & MARKETS

The day in the markets

What you need to know

etaller Target misses earnings

Target's shares slid after the US retaile

execurve spoke of a very chailenging environment?

The group's figures were posted just a day after earnings reports from retail beliwether Walmart and do-it-yourself chain Home Depot indicated some resilience in consumer spending.

The technology-heavy Nasdaq Composite gauge lost 17 per cent.

Those moves came as Investors assessed higher-than-feared inflation figures for the UK.



estimates of how high the Bank of England would lift borrowing costs to curb rapid price growth. That selling ricocheted across other countries' debt markets with Germany's two-year Bund yield rising as much as 17 b

less likely to blink in the face of declin growth prospects than the market is priced for." Elsewhere in equity markets, the pa

priced for."
Elsewhere in equity markets, the pan-regional Stoxx 600 Europe slid 0.9 per cent while Frankfurt's Ketra Dax slipped 2 per cent. In Asia, Japan's Topix index gained 1.3 per cent while Hong Kong's Hang Seng rose 0.5 per cent. Investors were due later yesterday to

Beijing is tanking its domestic economy but helping the world

Matthew C Klein

Markets Insight



metals, energy, food and capital goods is alleviating inflationary pressures in the rest of the world. For the first time in decades, the country's enormous trade surplus is a boon for workers elsewhere. The downturn in the housing market began last summer in response to government restrictions on mortgage borrowing and developer leverage. Homebuilders sold an average of 156mm sq m a month of residential floor space from April to June 2021. This year in the same period, Chinese developers have sold just 106mms qm a month. The plunge in demand has flowed through to new building with the

a quarter despite the expected tailwind of additional climate-related green investments in the US and Europe. This has broader ramifications. Residential real estate is also the only asset class broadly available to chinese savers outside of bank deposits, dwarfing the value of chinese stocks and bonds. Until recently, chinese consumers borrowed from banks to buy new homes — which had yet to be built — as investment properties. Now, developers are failing to finish their projects for lack of cash, some would-be homebuyers are refusing to pay their mortgages and some local banks are stiffing depositors.

In the past, the imbalance between China's exports and imports was a drag on the global economy

Covid-related restrictions. Chinese consumer spending in the first half of 2022 was barely higher than in the first half of 2021 and the accounting for inflation and is now running more than 10 per cent below the pre-pandemic trend. Chinese oil refiners have been processing 10 per cent less crude oil since April compared with last spring thanks to the plunge in petrol demand. Electricity consumption, which had been expanding by about 7 per cent a year before the pandemic, is now rising just 2 per cent. China's weakness has been a potent counterweight to the strain on global energy supplies caused by Russia's invasion of Ukraine. China's domestic weakness is crushing demand for goods from the rest of the world. In dollar terms, spending on imports has been flat since the end of last year. Factor in rising prices and China's real import demand is down about 8 per cent since the lockdowns began, according to estimates from

amount of "residential floor space started" in April to June 2022 down by nearly half compared with last year. The pace of homebuilding has not been this clear street 2000.

The UK figures sparked a rout in the country's short-dated debt, which is sensitive to changes in interest rate expectations, as investors raised their

Markets update

scrutinise the minutes of the US Federal Reserve's latest monetary policy meeting for any further clues about the central banks strategy for tackling inflation.

•		*2	*	
Japan	UK	China	Brazil	
Nikkei 225	FTSE100	Shanghai Comp	Bovespa	
29222.77	7515.75	3292.53	113466.32	
1.23	-0.27	0.45	-0.04	
Yen per \$	\$ per £	Rmb per \$	Real per \$	
135.465	1.204	6.776	5.170	
0.804	-0.414	-0.235	0.392	
10-year JGB	10-year Gilt	10-year bond	10-year bond	
0.181	2.285	2.631	12.544	1
1.560	16.200	-0.200	5.100	

London

Worrying investors was the group's response to ensure balance sheet strength, which may include a





Wall Street

Retailer **Target** sank after a big earnings miss blamed on efforts to whittle down its

Earnings per share come in at 39 cents in the second quarter, sharply below the 72 cents Wall Street had estimated. Brian Cornell, chief executive, said Target had been "rightsizing" inventory goals, which was placing "significant

yoan, writch was piacing' significant pressure on our near-term profitability. Better than expected results sent Aglient Technologies railying. The lab instrument manufacturer posted a 22 per cent year-on-year rise in quarterly earnings of \$1.34 per share, topping the Refinitiv-compiled estimate by 14 cents.

topping the Refinitiv-compiled estimate by 14 cents. Agilent also raised its full-year guidance, forecasting revenue in the range of \$6.75 hn 16 \$6.75 hn 16 \$7.75 hn 16 \$7.75

Europe

Forecast-beating results alongside an upgrade to its outlook lifted Switzerlands Focan, the provider of lab instruments. Sales grew almost 30 per cent to SFI584mn (\$615mn) in the first half of the year, comfortably beating the UBS estimate of SFI542mn.

Underscoring this revenue growth was strong demand for automation solutions

strong demand for automation solutions for non-Covid applications and "significant price increases for products and services", it said.

Tecan said its full-year revenue would now grow within the mid- to high-teens range, up from the "mid-teens" forecast stated in March.

Finland's Martmekko fell sharply after its second-quarter results falled to deliver the large beats of its more recent updates.

the large beats of its more recent updates.

Operating profit climbed 17 per cent year-on-year to 6:5.7mn, which was 3.6 per cent ahead of what analysts had expected, but was not as impressive as the 4.7 and 27 per cent beats achieved in the previous two quarters, respectively. Higher than expected costs weighed on Danish pharma group Lundbeck, which reported ore operating profit of DK:189m (\$121mm) against DK:199m (JEImm) against DK:

pace of homebuilding has not been this slow since 2009.

The result is extra supply for the rest of the world. Iron ore, metallurgical coal and copper are essential materials for making construction steel, household appliances and electrical wiring.

Before the recent downturn, china consumed about two-thirds of the world's iron ore and metallurgical coal and about 40 per cent of the copper.

Lower demand means lower prices. Compared with the recent peak in July 2021, iron ore futures are down by half while chinese metallurgical coal prices are down by about a third. Global cooper prices have dropped by

Global copper prices have dropped by

on top of that, China's provincial and local governments had relied on revenues from land sales to cover about a third of their spending. That money is no longer coming in. According to China's ministry of finance, local government revenues from land sales so far this year were 31 per cent lower than the first six months of 2021. While local government bond issuance is soaring, this mostly reflects cash flow shortfalls rather than new investment spending. Desperation is leading some local governments to raise money at about 9 per cent yields from household savers even though the central government issues 10-year bonds at yields below 3 per cent.

The impact of China's housing crash is being compounded by the government's

the Netherlands Bureau for Economic

the Netherlands Bureau for Economic Policy Analysis.

But China's exports continue to rise, providing foreign consumers and businesses with the goods they need.

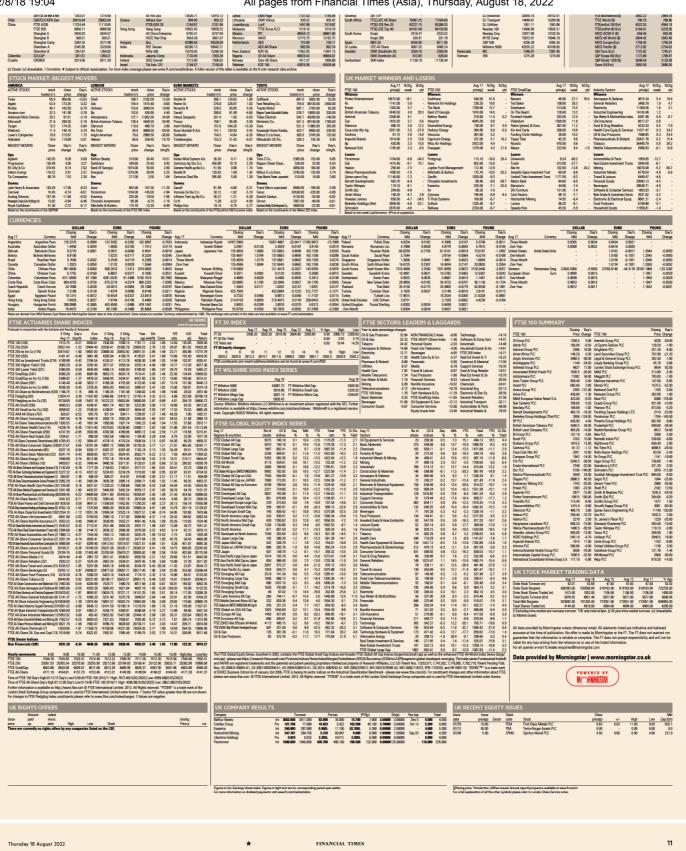
In the past, the massive imbalance between China's healthy exports and weak imports was a drag on the global economy, depriving workers elsewhere of the incomes they would have earned selling goods and services to Chinese customers. But now that inflation and commodity shortages are bigger concerns than underemployment, China's troubles may be just what the rest of the world needs.

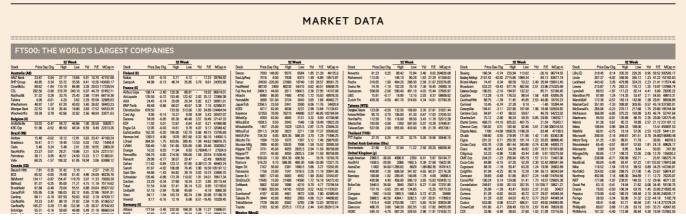
Matthew C Klein is the founder of The Overshoot and the co-author of Trade Wars Are Class Wars

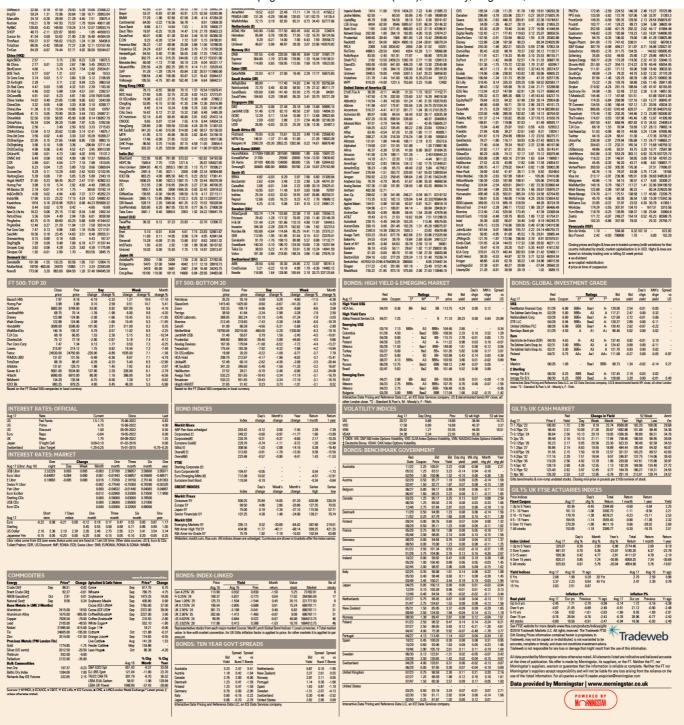


FINANCIAL TIMES Thursday 18 August 2022

MARKET DATA WORLD MARKETS AT A GLANCE FTSE Eurofirst 300 FTSE All World \$ £per€ Oil Brent \$ Sep -1.13% -0.86% -0.27% -0.82% -0.92% -0.4149 -0.02% Stock Market m ents over last 30 days, World in the same curre AMERICAS **EUROPE** Tokyo Day 4-2.04% Day #1.23% Nasdaq Composite New York FTSE Eurofirst 300 * Hang Seng FTSE Straits Times Mexico City Europe lbex 35 Madrid Hong Kong 3,262.76 Month 4 -7.23% Year 4-23.37% Day 3 -0.51% Year > -5.23% Year 4-9.00% Year 4-7.319 Year 4-24.49% Dow Jones Industrial New York ◆ Bo São Paulo CAC 40 Paris FTSE MIB Milan BSE Se Mumbai Previous 124787.34 7361.90 7105.40 5442.20 3101.68 3858.62 10169.28 113512.38 1225.74 471.95 3805.22 1276.53 10386.09 434.61 1740.57 3391.01 2742.83 1607.16 4432.20 Country Cyprus Czech Republic Denmark Egypt Estonia Finland France 6850.64 56217.76 6235.43 4894.53 12648.65 2445.30 Philippine Poland Portugal 15420.57 1629.95 2913.30 9251.11 2620.20 7536.06 6868.91 4166.38 6212.88 Wig PSI 20 Romania Russia







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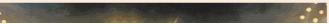


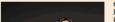
12 ★ FINANCIAL TIMES Thursday 18 August 2022

ARTS

All-singing, all-swimming Edinburgh Fringe

Despite setbacks and obstacles, this year's Festival





Jessica Lazar's direction is urgent and pacy, while Clark's central performance Fringe is staging a wealth of theatrical experiences. writes Alice Saville

his year's Edinburgh Fringe has an embattled but cau tiously hopeful atmos-phere. It began with storms: the Fringe Society sparked anger with its decision to scrap the Half Price Hut and the official Fringe App, both valuable ways for performers to sell tickets. Train strikes and soaring accommodation costs piled on the pres-sure for artists and audiences. But still, the streets filled up with unexpected sunshine, face-painted flyer distribu-tors and thick crowds of tourists, in a welcome, if fragile, return to form. Here are some highlights from its teeming

Truth's a Dog Must to Kennel According to acclaimed theatremaker Tim Crouch, continuing to love theatre after all the havoc of the past two years is "like fucking a corpse". His solo performance is an affectionate but despairing dialogue with the art form he has made his career in. Its central trick is a good one. While he pretends to decry this moribund medium, he actu-ally shows its power, by using the audi-ence's imagination to paint the contours of a pricey West End theatre where King Lear is playing, or to flesh out an obscene reality TV scenario whose details he cloaks with a coy "you know". It's an emotive, filthy love letter to the almost-lost art of being in a room, together.

Lyceum Studio to August 28

FT LIVE



directing and making funny, astute shows about the results. But could her whole career just be a symptom a way of coping with undiagnosed ADHD? After getting her diagnosis, ADHD? After getting her diagnosis, she turns scientist, exploring why performers seem disproportionately likely to have ADHD. Her hypothesis is that the risk-taking involved in stand-up comedy delivers dopamine hits that it's hard to get elsewhere. What follows is daffy and dark in equal measure. Melody dives into her investigation with a charisma that defies scientific classification.

★★★☆
Pleasance Courtyard to August 28

Most fringe venues smell of swear and damp. But Jean-Daniel Broussé's show is full of the delicious aroma of baking bread, thanks to an onstage baking bread, thanks to an onstage oven, which he uses to recreate the atmosphere of the rural French bakery where he grew up. As a three-year-old, he sat on a bag of flour to watch his dad at work, mesmerised. Now, he's queer, gluten-intolerant and longing to make a life on stage. (le) Pain is full of the ache that comes from being forced to part ways with longheld traditions. But it's also full of wit and life: in sequinned baker's garb, he tumbles over a flour-dusted countertop with a joy that won't be pummelled

Brown Boys Swim School's nearly over and Kash and Mohsen can't wait to make a splash at Mohsen can't wait to make a splash at the end-of-term pool party. Just one snag: they can't swim. Karim Khan's moving, witty play explores the pains of doating away from their white classmates. Kash (Varun Raj) is all bravado, launching himself into joydlu bhangra dance routines and swimwear shopping with equal abandon. But Mohsen (Anish Roy) is warier, seeing the way that security guards eye up the pair, and worried about the quiet sacrifices that come with fitting in. The story is given be a special considerable of the sacrifices that come with fitting in. The story is given the special considerable of the sacrifices that come with fitting in. The story is given the special considerable of the sacrifices that come with fitting in. The story is given the special considerable of the sacrifices that come with fitting in. The story is given the special considerable of the sacrifices that come with fitting in. The story is given the special considerable of the sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given the special considerable of the sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given that sacrifices that come with fitting in. The story is given that sacrifices that come with the sacrifices that come with the sacrifices that come with the sacrifices that the sacrifices that the sacrifices that come with the sacrifices that the sacrifice

Kathy & Stella Soive a Murder
Paines Plough's Roundabout venue is
having a very, very good year, serving up
some of the Fringe's best shows. Among
them is this offbeat gem of a musical
about Kathy and Stella, two true-crime
obsessives with a failing podcast who
(plot twist!) find they've got a real-life
murder to solve. Writers Jon Brittain
and Matthew Floyd Jones fill this show
with catchy songs and witty, perceptive

nes, sketching the ironic contrasts between the language of feminism and the horribleness of the murders this pair are building their careers around. "I can't see any danger in linking all my self-esteem to the approval of stran-gers," announces Kathy as their podcast finally takes off online. Of course, things many takes on online. Or Ourse, image take a dark turn. Of ourse, there are bonkers, gory plot twists. But what's less expected is the warmth this musical shows towards its weird, nerdy, wonderful heroines as they mess up their investigation—but build their friendship into something that's bloody marvellous.

★★★☆ Roundabout to August 28

Sap Rafaella Marcus's play is a thriller in miniature, gathering strength from the complex web of ideas it touches on over complex web of ideas it touches on over its 70-minute span. It subty reveals the stigma attached to bisexuality as Daphne (Jessica Clark) is forced to core call her past from her new griffriend. It modernises Ovid's Metamorphoses, turning anymph's transformation into a tree into a linguistically rich metaphor or the paralysing shame that comes with sexual assault. And it builds to an agonisingly tense pursuit through soulless apartment blocks, showing how ancient power dynamics can rip melts poignantly from naive confidence to abject terror. An unsettling hour or so, but a worthwhile one.

ndabout to August 28

Age is a Feeling
The Fringe is a place that makes you acutely aware of the passing of time each day divided into precious one-hour segments, and, for regular attendees, each familiar location overlaid with memories. In her wonderfully ambitious solo show, Haley McGee wrestles time and fate to the ground. She sits on a high umpire's chair to see into her own future, with almost unbearably poignant results — imagining heartbreak, infertility, the arrival of the first grey uble. Her nimble storytelling skills turn pube. Her nimble storytelling skills turn a performance that could feel mawkish into something strange and agile, full of an awareness of the impossibility of encompassing a life. It's a welcome moment of pause and reflection in a hectic, speeding fringe.

Summerhall to August 28

We Were Promised Honey! There's more time travel on offer in Sam Ward's performance: with the energy of an eerily charismatic alien, he sends us soaring into an apocalyptic future. This is climate change theatre, without the hand-wringing and papier-mâché sculptures of doomed rainforest animals. Instead, Ward points to the power of choice. The audience must decide at each point whether to carry on with the doomed narrative of a man who steals a plant the crashes it. each pinch purpose. doomed narrative of a man who steals a plane, then crashes it –echoing humanity's own disastrous hijacking of the Earth. Strangers are called on stage to declare their love for each other, deep in a bunker under the Earth's superheated surface. It's an apocalyptic, strange hour of theatre that makes you feel grateful to be alive, grateful to be part of a commal gathering of people, even as it erodes the very ground you're standing on.

★★★★ Roundabout to August 28



Anish Roy, left, and Varun Raj in 'Brown Boys Swim'

Between perfection and purgatory

CLASSICAL MUSIC

Ruhrtriennale Jahrhunderthalle, Bochun

Shirley Apthorp

The sound sets your teeth on edge. Gérard Grisey's music calls for microtonal deviations from standard pitch. The musicians of Klangforum Wien play them with such delicious precision that you squirm in your seat. The human ear is seldom capable of discerning microtones exactly — even a quarter-tone pushes our limits — so when the Viennese ensemble applies itself to finer deviations, vou feel rather itself to finer deviations, you feel rather than hear them

than hear them.

It is this perfectionism in impossible demands and unplayable scores that makes Klangforum Wien such a thrilling ensemble to hear. They, along with the similarly obsessive vocal ensemble Chorwerk Ruhr, form the core of *Ich geh* unter lauter Schatten (I Walk Beneath Many Shadows), which opened this year's Ruhrtriennale. The Ruhr festival's "creations" call

or multimedia experiments in vast industrial spaces. This is no exception: set designer Hermann Feuchter has devised an extraordinary set in Bochum's vast Jahrhunderthalle, with five sloping steel ramps reaching across each other from the floor to the unper calleries.

across each other from the noor to the upper galleries. Stage director Elisabeth Stöppler and conductor Peter Rundel have assembled an evening of music by Grisey, Giacinto Scelsi, Jannis Xenakis and Claude Vivier around the cheerful theme of death.

Grisey's Quatre chants pour franchir de seuil (Four Songs to Cross the Threshold) form the centrepiece, interleaved with other works. Stöppler and her team have dressed the choir and orchestra in rough grey overalls, ghosts of the hall's former workers, functionaries of the afterworld, with the four female soloists and an actor moving through the twilit space in their final journeys.

It is hard to imagine a more lavish treatment for this music. Ulrich Schneitreatment for this music. Ulrich Schneider's light and Thomas Wegner's sound design are artworks in themselves, weaving a sensual, all-enveloping magic in the cavernous space.

From the visceral first notes of Scelsi's

Okanagon, we are captivated. But as the evening's hour and 40 minutes unfold, a purgatorial feeling encroaches. There is no real narrative, and the directorial team's series of disjoined events fail to replace one. Characters dress and

replace one. Characters dress and undress, the chorus strews paper across the floor, a singer circles the performance space on roller skates and the audience sits in the sauma-like heat, growing weary. The final applause is polite, but there is no spark of passion.

This is a pity, because the musical performances are extraordinarily good. The four songs are divided between four sopranos, and Sophia Burgos, Kerstin Avemo, Kristina Stanek and Caroline Melzer deserve special mention for their unearthly, polished performances. All the evening really misses is a sense of momentum, but that is a major omision. Our collective journey from life to sion. Our collective journey from life to death becomes bogged down in the mid-dle. Perhaps they should sell indulgences at the door.

To August 21, ruhrtriennale.de



Ruhrtriennale's 'Ich geh Unter lauter Schatten'



Thursday 18 August 2022 FINANCIAL TIMES 13 After almost four years as chief executive of Goldman Sachs, David Solomon's grand plan to diversify and open up the bank to outside investors has not been as transformative as many had hoped. By Joshua Franklin

ot long after becoming the chief executive of Goldman Sachs in 2018, David Solo-mon asked for a private plane.

mon asked for a private plane.

It was a controversial request. Goldman bankers traditionally eschewed ostentation and when the chief executives used private aircraft they rented them from Netjets. Solomon reckoned that his lost time from flight delays cost the bank money and the Goldman tam conducting a cost-benefit analysis ended up seeing things his way. The bank wound up ordering two Gulf-stream jets. Solomon even had a hand in choosing the decor, says one person familiar with the matter.

Goldman's new boss was sending a signal. He wanted to do things differently and in his own way. The company that Solomon inherited was still among the crème de la crème of investment banking and trading, but it needed to be more. Its stock market valuation lagged behind peers such as Morgan Stanley that earned a greater portion of their revenue from steadier, fee-generating businesses like fund management.

Solomon's mission was to develop new income streams and "drive more durable revenue" in the process, making it easier for outside investors to understand a still enigmatic bank that had been structured as a nivate parti-

ing it easier to dustate investors to understand a still enigmatic bank that had been structured as a private part-nership until its nittal public offering in 1999. Yet despite Solomon ploughing billions of dollars into businesses such binions of donas into obscinesses such as consumer banking, asset manage-ment and transaction services, little has changed in Goldman's revenue mix since the days of his predecessor, Lloyd Blankfein. Trading and investment banking still make up the lion's share. Goldman's challenges are particularly pronounced in retail finance. Six years

after setting up its own online consumer bank, called Marcus, Goldman has yet to say when the operation will turn a profit and people familiar with the matter say management is currently conducting a review of the division's spending plans.
A growing number of Wall Street ana-

lysts wonder whether the only way for Solomon to really change Goldman is through acquisition — perhaps by fol-lowing the lead of Morgan Stanley, which shifted its business mix after the 2008 financial crisis with the purchases of wealth manager Smith Barney, online trading platform ETrade and asset manager Eaton Vance. "True transformation will be hard

organically," says Christian Bolu, bank-ing analyst at Autonomous Research. "And we know that from looking at Morgan Stanley, you don't have to go that far."

Morgan Stanley, you don't have to go that far."
So far, Solomon has nibbled on the acquisition front, with deals including paying \$2.20 hor Atlanta-based consumer finance company GreenSky and L.Soh for the investment management arm of Dutch insurer NN Group.
Bigger deals would be harder to bring off. Goldman has an idiosyncratic culture and — despite its history as an adviser on big deals— little record of making major acquisitions itself. When Goldman recently surveyed investors, some of whom owned its stock and others who did not, about what its hould do with excess capital, they rated acquisitions as the lowest priority, behinderinvesting in its business, dividends and share buybacks, according to a person with knowledge of the survey.
By most measures, Solomon's tenures far looks like a success Goldman has delivered record profits and seen its share price hit a record high last year. But these milestones were largely on the back of the bank's legacy trading and investment banking businesses putting up stellar numbers.
On one of the key measures by which

investment banking businesses putting up stellar numbers. On one of the key measures by which Wall Street keeps score — its price to book ratio, a metric which compares a company's stock price against the value of its assets to give a sense of its true valuation — the bank's performance remains stubbornly static and well behind its major US rivals. If Solomon's strategic goal is to convince outside investors that Goldman is a steady bet, he still has some work left to do. After almost four years in charge, his new Goldman still looks a lot like the old one.

The song of Solomon

Solomon, 60, made his name in lever aged finance and came into the top job with a reputation as a cost-cutter and a

He was an unlikely figure to take charge of Goldman. Solomon and the bank's president, John Waldron, 55, both came to the company more than two decades ago from Bear Stearns, a less prestigious investment banking

Despite the passage of time, some members of Goldman's fabled alumni network still refer to him and Waldron as "the guys from Bear". Solomon's

Solomon's character typified by his well-publicised

festival DJ - is an incongruous fit to lead a bank once known for its inscrutability weit-punnicsed stints as a music festival DJ and appearances on the TV show Billions and in Jennifer Lopez's recent Netflix documentary — is also an incongruous fit to lead a bank once known for its inscrutability.

At the bank's first investor day in the party and one of the party of the party and the party January 2020, Solomon and Waldron outlined the new diversification strat-egy. While building up legacy busi-nesses, he outlined a focus on four growth areas: consumer banking, trans-action services, asset management (raising funds from investors and man-aging them for a fee) and wealth man-agement (advising well-heeled clients on their investments). Solomon has also cut \$1bin in costs and promoted more internal collaboration under the "Grosses" much

flamboyant character - typified by his

well-publicised stints as a music festival

cut \$1bn in costs and promoted more internal collaboration under the "OneGs" mantra. The expectations for change at Goldman are particularly high in asset and wealth management, where it has about \$2.5tn in assets under supervision, including money managed by Goldman as well as other client assets. Goldman hopes to boost its amustal fees in those areas to more than \$10bn by 2024, up from about \$6bn in 2019. Solomon's strategy has been to build on Goldman's historical strengths. In asset management, Goldman has long made big money with its own equity investments in areas like private quity. To smooth out the resulting earnings volatility, Solomon is scaling back private investments using the bank's capital and prioritising managing third-party funds, which promise more stable fee income.

ntransaction banking — the business elving companies move their money

tee income.

In transaction banking — the business of helping companies move their money around — Goldman is hoping to tap into its vast corporate contact book to grow. Although its revenue larget of \$750mm by 2024 is meagre, transaction banking promises stable returns and does not require Goldman to hold large quantities of capital.

"You've got to give [Solomon] five stars for the vision and the outlook on what he wants to do and how he wants to change the bank," says Gerard Cassidy, a banking analyst at RBC Capital Markets. "But we valways maintained with any bank, not just Goldman, to really incorporate that kind of change, it's impossible to do it organically."

The weakest link in Goldman's diversification strategy is consumer banking,

the only one of its four growth pillars that remains unprofitable. Goldman launched the consumer business in 2016, naming it Marcus after the bank's founder, Marcus Goldman.

Marcus has cycled through a series of leaders. Harit Talwar, the first head of the consumer division and the former US cards boss at Discover, was replaced in 2021 by his longtime deputy Omer Ismail, but he abruptly departed Gold-man for a Walmart-backed fintech. who joined Goldman last year, having previously worked at Uber and Ama zon. Under Solomon, Tucker York and Stephanie Cohen serve as co-heads of consumer and wealth management, tions and York spending more time on

The consumer business has at least succeeded in amassing more than \$100bn in deposits, giving Goldman low-cost funding that the bank estimates saves it tens of millions of dollars a year. In 2021, sources including savings accounts, retail loans and

a year. In 2021, sources including savings accounts, retail loans and credit card partnerships with Apple and General Motors brought in \$1.50 nt revenues, a figure the bank hopes could top \$4 bm by 2024.

But Goldman was smubbed by Apple and only given a minimal role in the text of the property of the property of the property of the iPhone mader since 2019, providing the credit underwriting and much of the financial infrastructure behind Apples redit card.

The bank is still in talks with Apple to play a role in possible expansion of the latter's buy now, pay later offering, according to one person familiar with the matter. Unlike Apple Pay Later, which is interest free, consumers would be charged interest for longer-term BNPL loans funded by Goldman if the expansion takes place.

Goldman remains unsure when its consumer operations will move into the black, leading to the current review of spending plans, according to people familiar with the matter. This has included cost review meetings between Cohen and the bank's president. "Waldron has been holding Stephanie's feet to the fire," one source says.

Dealer's choice

Dealer's choice

Incater's Choice

The emphasis on change has not made much of a difference in terms of how the business makes its money. The year solomon took over, Goldman earned 62 per cent of its revenues from investment banking and global markets. In 2022, analysts forecast that those two divisions will provide almost 69 per cent of revenues, dropping back down to about 62 per cent in 2023.

on trading and investment banking Share of full-year revenue Asset management Consumer & wealth management Investment banking Global markets

2017 18 19 20 21 22 23 Numbers for 2022 and 2023 are estimates

To some extent, Goldman suffers from an embarrassment of riches: the past two years have played to its hist-orical strengths. Rock-bottom interest rates, market volatility and the rush of pandemic dealmaking helped push Goldman's profits and share price to record highs in 2021.

to give

Solomon

five stars for

the vision

outlook on

wants to do,

and how he wants to

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record highs in 2021.

Goldman veterans who cut their teeth when the bank was a partnership question whether its reliance on its tradition whether its relatice on its tradi-tional areas of strength is really a prob-lem. They argue that fee-based bus-inesses such as asset management can be volatile in downturns, and maintain that Goldman's trading operations can churn out massive profits regardless of

the environment.

Their point was underscored last quarter when the trading division produced more revenues than Goldman's three other units combined. In the second quarter, Goldman earned more money from investment banking and reported a bigger jump in trading revenues than any rival.

Investors disagree. Analysts note

reported a bigger jump in trading revenues than any rival.

Investors disagree. Analysts note that running a giant trading business requires Goldman to set aside huge amounts of capital, making it harder for the bank to boost tis return on average tangible common equity, a key measure of profitability. Goldman's current Rote target lags behind competitors Morgan stanley and JPMorgan chase.

It is also the case that Goldman stockholders have hat to deal with their fair share of nasty surprises from its wheeling and dealing. In 2010, Goldman paid a \$550mn line to settle US regulators' allegations that it misled investors in a complex mortgage-backed security called Abacus. In 2020, it agreed a \$2.95m global settlement with regulators over its role in the IMDB money-laundering scandal in Malaysia.

Making so much of its revenue from unpredictable activities such as trading in financial markets and advising companies on deals has not impressed investors, judging by Goldman's price-

investors, judging by Goldman's price to-book ratio.

to-book ratio.

Goldman now trades at about 1.1 times book value, slightly ahead of its average multiple over the past five years of 1.06. Morgan Stanley, by comparison, trades at about 1.7 times book, ahead of its five average of 1.3.

A millstone around Solomon's neck since he assumed command, the price-to-book ratio also presents a hurdle to Goldman using its stock as an acquisi-tion currency to buy any company with a higher valuation.

"The traditional capital markets busi nesses are perceived to be very cyclical in terms of those revenues. The cyclical-ity of revenues tends to get a pretty healthy discount in the market Devin Ryan, banking analyst at JMF

Part of Solomon's task has also been to odernise Goldman's culture and move on from the bank's macho "masters of the universe" reputation. It has made 'You've got more diverse promotions to its coveted partner ranks, for example, and introduced a more relaxed dress code. However, the new outward-facing

corporate image to accompany its push into consumer banking are not to every-one's taste at Goldman — and nor is Solo-mon's own flashy personal style.

Once the quintessential behind-the-scenes firm, Goldman is now sponsoring McLaren's Formula 1 team as part of a McLaren's Formula I team as part of a branding effort by Fiona Carter, the bank's chief marketing officer whom Solomon recruited in 2020. Spending money on the partnership has displeased some at the bank in a year when it has warned of potential job cuts.

it has warned of potential job cuts. "Doing the McLaren partnership to tuts." "Doing the McLaren partnership to dead," says one Goldman Sachs banker. Managing the bank's talent — a job some at Goldman liken to serving as a Hollywood producer — has proved challenging for Solomon. Although Goldman has long boasted of its deep bench, it has been hit by several significant departures — including senior bankers Gregg Lemkau, Stephen Scherr and Eric Lane. Complaints have also been made to Solomon about his return-to-work policies, with the company looking to get many of its bankers back to the office five days a week, according to people familiar with the complaints. The guy from Bear

The guy from Bear

The guy from Bear

Solomon's estentatious style has grated on some at Goldman. His DI career—a passion he developed while working on a financing deal for a Las Vegas hotel in 2008—has attracted scrutiny from the board of directors, according to people familiar with he matter.

Some members of Goldman's board, which Solomon chairs, told him they were uneasy about his decision in 2019 perform at Tromorrowland, a Belgian music festival, one of the people says. Board members noted an article in the New York Post that described the event as being known for its "throngs of naked, sweaty, drug-fuelled revellers". Solomon also apologised to Goldman's board diret Djing at a 2020 event in the Hamptons resort area of New York that was criticised for flouting social distancing rules during the Covid-19 pandemic, another person familiar with the matter says. But the attention hasn't slowed him down. This summer, Solomon, who

down. This summer, Solomon, who has promised to donate earnings from has promised to donate earnings from his D efforts to charity, hit the road to perform at Lollapalooza, a four-day nusic festival in Chicago attended by thousands of people. Goldman declined to comment on whether Solo-mon took the company jet to Chicago. Solomon hit the stage in Grant Park

on July 29 after holding a town hall with Goldman's Chicago staff and meeting some clients. Clad in a black T-shirt, Solomon was joined by OneRepublic singer Ryan Tedder to perform a 2021 collaboration. The track's title: *Learn*



transformation

will be hard

The FT View



FINANCIAL TIMES

Morrison's ministerial grab holds lessons beyond Australia

Viailance is needed in shoring up processes and institutions of democracies

"That's not my job" was uttered so often by Scott Morrison in his final months as Australia's prime minister that the phrase became a running joke. As it turns out, he had far more jobs than vot-ers, parliament, or indeed some of his own Cabinet realised. While in power, Morrison quietly appointed himself to ers, parliament, or indeed some of his som Cabinet realised. While in power, Morrison quietly appointed himself to five other ministries during the pandemic — in some cases without the knowledge of relevant ministers seatenship to ensure continuity of government should ministers become ill or even die of Covid-19. The revelations this week have ignited a firestorm, raising questions of accountability, transparency and the concentration of power. They are questions not just for Morrison but also for Australia and other democracies around the world. The pandemic provided the perfect fig leaf for strongmen in more authori-tarian systems to amass power. Hun-gary's Viktor Orbán wasted no time during the pandemic to gain the right to rule by decree, with no time limit. China's Xi Jinping has relentlessly tightened his

Jipping has relentlessly tightened his grip after overseeing some of the strict-est and widespread controls on move-ment the world has ever seen. Even established democracies have not been limmune to power grabs over the past two years, most flagrantly that of Donald Trump. The Morrison affair may seem tame in comparison, but it is a reminder of the need for vigilance in shoring un the processes and institushoring up the processes and institu-tions of a democracies.

It is right that extraordinary times require extraordinary measures. Faced with what was their biggest crisis outwith what was their biggest crisis out-side wartime, many countries adopted emergency measures during the pan-demic that greatly expanded state pow-ers. But it is imperative that democratic checks and balances agree and define those powers before they are exercised. The fact that some of Morrison's own ministers were unaware that he held

ministers were unaware that he held parallel powers to them beggars belief. Anthony Albanese, Morrison's suc-cessor, has indicated he is open to a royal commission to investigate the matter. An inquiry is merited. Albanese has accused Morrison of undermining democracy, convention, and Australia's "Westminster" parliamentary system, modelled on that of the UK and its cabi-

modelled on that of the UK and its cabi-net system of government. (Outgoing UK premier Boris Johnson, too, has played fast and loose with convention.) It is unclear if Morrison broke any laws in taking on the health, home fafiars, resources, finance and Treasury briefs in 2020-21. David Hurley, the gov-ernor general — who acts as Queen Eliz-abeth's representative in Australia — signed off on the shadow appointments; a spokesman said they were consistent with section 64 of the constitution. But if it is right that a head of government can secretly amass portfolios legally

and constitutionally, that presents a thornier question for Australia. Arguments that Morrison mostly did perfect fig leaf

for strongmen

authoritarian

Arguments that Morrison mostly did not exercise his acquired powers are not particularly helpful. What happens if a future prime minister, even more heavy-handed and accountability-averse than Morrison, follows his exam-ple? And Morrison did once use his

ple? And Morrison did once use his extra powers to over-rule his resources minister, blocking a controversial gas exploration project — a matter completely unrelated to the pandemic.

Australia's constitution is hard to amend. But simple steps could help prevent another secret sweep of portfolios, including a public register of ministerial appointments that would have to be undated by the government. Jessons appointments that would have to be updated by the government. Lessons also need to be learned. Convention matters, even for countries with written constitutions; complacency over flut-ing convention is insidious – a message that should reverberate in democracies half a world away from Canberra, including in the original Westminster.

Opinion Society

Beware of patronising the marginalised







ow would you feel if you were told, by someone who knew very little about you or your upbringing, that because of one of your immutable physical

of one of your immutable physical characteristics you must have been the victim of oppression? For Jane Bradbury — who identifies herself as "Latino", though she doesn't actually know her ethnicity as she was brought up by white adoptive parents— being told, by a white colleague, words to the effect that she must have here subjected to compression simply. been subjected to oppression simply because of the colour of her skin left her feeling "very upset" and "dis-tressed". An employment tribunal recently awarded the former Sky Television engineer £14,000 in comp tion on the grounds that this assump tion was "a form of stereotyping" and amounted to racial discrimination.

Is automatically amplifying the voices of those deemed 'oppressed' a good idea?

Bradbury told her manager after the conversation that "I have never felt oppressed in my life". And she didn't appreciate her colleague – who, like her, was a designated "inclusion advocate" — assuming she had, "without even knowing anything of my background athuict to gustarious designations and the statement of the statement

even knowing anything of my back-ground ethnicity or upbringing."
In a world preoccupied with victim-hood in which we are encouraged to be active "allies" to those who don't share the privilege that we have — though the advantages conferred by class are often ignored — we appear to be removing what was once considered a transgression, being patronising (treating someone in "a way that is apparently kind or helpful but that betrays a feeling of superiority", as the Oxfor Dictionary has it), from the moral sin bin.

moral sin bin. You can see this shift in the number of times the word "patronising" is used in newspapers. According to Factiva's database — an archive of more than 2bn articles from the 1940s to the present day — its use, spelt in both the

Meanwhile, the use of "allyship"—
the practice of advocating and
"actively working" for groups considered marginalised — has soared, and
was Dictionary.com's "word of the
year" for 2021. Is this new virtue compatible with an outlook in which patronising is regarded as a vice, or are
the two ideas mutually exclusive?
After all, one of the core tenets of being
an ally, repeated widely, is to "amplify
voices of the oppressed before your
own". Who gets to decide who is and
isn'toppressed?
Furthermore, is automatically
amplifying the voices of those deemed
"oppressed" agood idea, eventif someone sees themself that way? Glenn
Loury, an African-American econmist at Brown University and a promi-

mist at Brown University and a promi nent public intellectual, doesn't think so. He has been vocal in his criticism of "the soft bigotry of low expectations", particularly in education, arguing that changing admission standards in order to improve racial diversity is not only counter-productive, but also "reeks of racism".

Loury distinguishes between what he calls "titular equality", which he says is simply "a formal kind of beancounting equality", and "substantive equality", which he describes as an "equality of respect, an equality of standing and dignity". We spend too much time focusing on the former, and not enough on the latter.

As Loury says, treating those who As Loury says, reading timose who are marginalised — whether that be because of their skin colour, gender, sexuality or disability — as victims takes away their agency, and obscures individual differences within those groups. "Being the subject of such defenses each the minestria freezal". deference as the minority is [means] all the moral agency in that situation goes to the powerful...observer, who either can or cannot elect to be

While I have not experienced being "othered" or patronised on the basis of my skin colour, I have felt quite disen-powered when well-meaning men have jumped in to accuse other men criticising me on public forms (usu-ally in the theatre of Twitter) of sex-ism. I've also felt quite disheartened in the past when recruiters — who I thought had approached me for a role on the basis of my own merits — have told me they specifically wanted to hire a woman.

Letters

Why falling birth rates are not a cause for economic concern

lan Goldin ("Demography is not destiny", Opinion, August 9) rightly notes that today's ageing populations are created by the combination of longer lives and smaller families. The former undoubtedly increases the need for the working-age population to dedicate some of the fruits of their labour to the members of society who are unable to provide for themselves. The latter has the reverse effect — that there are far fewer dependent children.

Indeed the slow increase in the total dependency ratios, which includes both the old and the young, suggests much less cause for economic concern than Professor Goldin seems to think is

than trottessor Gominiscent to tall dependency ratio of Japan in 2020, the highest of any developed economy, was only slightly higher than the 66 per cent ratio of the US in 1960, according to World Bank data. The UK ratio is still below its peak in the early 1970s.

Considering the vast increases in the productivity of labour over the past five decades, there is certainly enough to go around as total dependency ratios rise towards the current levels in sub-Saharan Africa.

Nigeria's ratio, for example, was 86 per cent in 2020.

Problems only arise in developed economies because they use very different systems to share incomes.

Basically, parents pay for their children and the community pays for its elders.

It is fair to worry about the political willingness of employed people to share their incomes with a growing number of unrelated unemployed old

number of unrelated underspeople.

It is also fair to wonder why people are so reluctant to have children, but this unexpected cultural developmen should not be confused with what is basically an economic non-problem.

Edward Hadas
Research Fellow, Blackfriars Hall
University of Oxford, Oxford, UK

US climate bill aids private equity but not EV owners

Thanks to Senator Kyrsten Sinema ("Democratic senator defends stance on private equity tax perk." Report, August 8; and "is political donation hedge fund 'deal of the century'?", Letters, August 12) there will be no change to carried interest rules for America's uber rich.

America's uber rich.
Yet I and others apparently stand to
lose the \$7,500 EV tax credit because
my pre-ordered 2023 vehicle carries an
inflated price above the powerhead. nflated price above the new threshold.
Pity that the senator had not ordered

one herself. Nigel Jacques Las Vegas, NV, US

Tory leadership race has Gilbert & Sullivan echoes

The comic opera that is the state of UK politics currently was beautifully captured in the excellent letter by Penelope Visman ("Tory leadership race has ingredients of comic opera", August 12) when she referenced Gilbert and Sullivan's Iolanthe

In similar vein, WS Gilbert's lyrics in HMS Pinafore, which I heard at Holland



HOW ARE WE SUPPOSED TO REFILL THE RIVERS?"

Park Opera last week, struck a chord. The First Lord at one point sings: "I grew so rich that I was sent/By a pocket borough into parliament./I always voted at my party's call/And I never thought of thinking for myself at all.' nic opera or tragicomedy?

Rushdie attack exposes the weakness in UK law

Your leading article ("Attack on Rushdie underlines threats to fre Rushdie underlines threats to free speech", FT View, August 17) rightly claims that Britain must protect freedom of expression at all cost. However, Britain cannot fully protect freedom of expression unless it chooses to protect freedom to offend too, just as the UE First August Parts.

to protect freedom to offend too, just a the US First Amendment does. Britain's current laws protect freedom of expression, but they place severe restrictions on freedom to offend, and it is this legal dichotomy which has empowered extremists in minority communities to ask for bar on allegedly controversial plays and

Freedom of expression and freedom to offend are closely related. Any compromise on the right to offend will compromise on the right to oftend will inexorably lead to compromise on the right to free expression, culminating eventually — as the demand for the banning of the film *The Lady of Heaven* last month and the play *Behzti* in 2004 amply demonstrated — in regulation of ons and hence censorship.

Court rulings on elections bolster trust in democracy

Andres Schipani writes about the Kenya presidential election dispute Andres scripain whice about une Kenya presidential election dispute and candidate Raila Odinga's announcement that he would challeng the results in court ("Kenya's political hustler faces tough in-tray as new president", Report, August 17). Austria, Switzerland, Slovenia,

Iceland, Kenya and Malawi are just some countries where courts have recently invalidated national election

or referendums.

To accept election results, voters often need to see that the candidate and the authorities follow the law.

The courts' involvement hugely benefits democracy. It can re voters' doubts, remedy violations, increase trust and, when needed, invalidate flawed elections and defend the integrity of the electoral process

politicians and opinion leaders ask voters to remain calm and let the courts do their job. Jurij Toplak

Visiting Professor, Fordham University New York, NY, US

outlook

PARIS

France's magnificent rusting giant

t has been a target for destruction by terrorists with hijacked planes since before 9/11. It hosts an annual summer concert and extravagant fireworks sleplay on the French national day. President Emmanuel Macron celebrated there on the night of his re-election in April. And it is being doiled up with fresh paint for the 2024 Paris Olympics. The Elifel Tower remains the pre-eminent symbol of Paris and of France. But it's rusting.

On the face of it, the corrosion is not a surprise. Like any structure made of from or steel – it is composed of 18,058 pieces of "puddled iron" held together with 2.5mm trues — the two with 1.5mm trues — the twee built in 1889 for the World Exhibition is prone with 2.5mm trues — the twee the Forth bridge, a steel rail bridge built at the same time in Scotland that needed constant repainting and became a byword for a labour without end.

No one knew this better than the engineer Gustave Elifel who designed it, and who wrote in his book La Tour de 300 mètres (The 1,000-ft tower): "One cannot emphasise enough that paint is the essential element to preserve a metal structure and the care taken with the painting is the only guarantee that it will last . . . What's most important is to

la Tour Eiffel (Sete), embarked three years ago on the 20th repainting job since it was built.

The painters, attached to a skein of

ng ropes for safety, can be seen

The painters, attached to a skein climbing ropes for safety, can be seen clambering about the lower reaches stathering on the luminous yellow-brown colour favoured by Eiffel. But in June, the French magazine Marianne sounded the alarm about the state of the tower, citing consultants, engineers and former employees who said that rust was eroding the structure and that the new paint job would be cosmetic and mostly useless because only the decorative arch facing the Champ de Mars would be first properly cleaned of rust and old paint. "In some places, a coat of paint is simply brushed in a hurry on to the existing layers which are flaking off and detaching," one anonymous whistleblower told the magazine. "It's heresy,"

heresy."
Patrick Branco Ruivo, Sete's
managing director, insisted that the
tower had 'never been so well
preserved' and 'will continue to stand
with this flawless iron' — a response
to Marianne's alarming headline that
asked, "Will the Eiffel Tower fall?" He
said some of the old paint and rust
was being stripped for the first time

I can confirm that the views acros Paris and beyond are magnificent, and Paris and beyond are magnificent, and that the rust is real. In some places, it's bursting out from behind the paint, leaving brown streaks down the metal beams. In others, the paint has fallen off completely, exposing the bare metal. Anyone can see this from close-up by walking down the stairs from the top. Asked about the nature of the job, one of the painters confirmed

the top.

Asked about the nature of the job, one of the painters confirmed cheerily. "In a few places we scrape away, but mostly we just paint over."

The original plan was to scrape away much more old paint — 30 per cent of the tower's surface instead of the 5 per cent being treated now — but the danger posed to the public by the lead used in earlier coats and the necessary safety measures made that difficult and expensive. Already the cost of this repainting has risen from €50mn to more than €90mn. "We want a clear assessment of the situation to tell us exactly where we are," says [ean Laussucq, a Paris councillor from the 7th arrondissement where the tower is located. "If you want to de-rust the tower, you have to take off all the lead paint . . . But the constraint is 2024 — the city must be absolutely ready for the Olympic Games."



British way and the American Brusin way and the American "patronizing", peaked in 2015, and has fallen quite markedly since Google's handy "Ngram viewer", which charts the frequency with which words or phrases are used in digitalised books between 1800 and 2019, shows a similar pattern.

allowances should be made. But to assume others feel oppressed and need special treatment, without finding out how they feel first, is, well, patronising. Far from giving them power, that takes it away.

jemima.kelly@ft.com



by Victor Mallet

stop the rust before it starts."
Eiffel made sure that every part of his tower, then the world's tallest building, was accessible so it could be repainted. To prepare for the 2024 Olympics, the Paris city company that runs it, the Société d'Exploitation de

and that the puddled iron underneath was in perfect condition. Who to believe? I went to look for myself, shrugging off the persona of the cynical Parisian and joining the 25,000 tourists a day who visit France's most famous attraction.

restlessly in his grave, the tower will have to wait until the 2030s for a full round of maintenance to eliminate the rust and secure its future.

FINANCIAL TIMES

Opinion

Climate is a supply chain problem that cannot be ignored

Helen Thomas



heat, it was possible to take a stroll on the parched bed of the Loire river. Low water levels in the nube have forced countries in eastern

Danube have forced countries in eastern Europe to start dredging to keep barges moving along the critical waterway. The Rhine, at a key choke point, has fallen below levels that make it uneconomical for many vessels to operate. In terms of the looming challenges, this may simply be the warmup. be the warm up.

The Intergovernmental Panel on Cli-

mate Change is clear that extreme weather events, like drought, flooding or powerful storms, will become more common and more severe as the climate changes. The implications for the pro-duction, manufacture and distribution of food and goods around the world are almost bafflingly wide-ranging and complex. Companies' first concern might be which of their plants, or their suppliers', are exposed to the rising risks. Governments are focused on the threats to food supply. But this year's drought highlights the danger that the waterborne infrastructure of global trade itself will dry out or shut down as climate change intensifies.

Framplies abound, most of Armen-

trade itself will dry out or shut down as climate change intensifies. Examples abound: most of Argen tina's crop exports pass along the Parana river, where water levels have dwindled over several years, disrupting the han dling of soyabeans, of which the country is the world's third largest exporter Flooding in Malaysia last year damaged. the Port Klang, upending supplies of Taiwan-made advanced semiconductors, many of which are packaged there before being shipped globally. Trade on the Rhine, last year also threatened by too much water, is suffering from the second serious drought in five years. In 2018, cargo stopped, knocking 0.4 per-centage points off Germany's fourth-

Despite this, says Mark van Konings

veld, professor of ports and waterways at Delft University of Technology, "There has been a lot more attention on the impact of shipping on the climate than on the impact of the climate on shipping."

About 80 per cent of global trade is carried at some point by ships, with seborne trade up nearly threefold in the 50 years to 2020. Changes, climate

There's a danger that the waterborne infrastructure of global trade itself will dry out or shut down

aside, have made the system more susceptible to disruption. Vessels have become progressively larger, and more difficult and costly to rescue when

There is also no easy alternative when drought strikes. One inland shipping vessel is the equivalent of about 100 to 150 trucks, so road or rail simply can't take up the strain. The typical response

is partial loading of vessels, or running more journeys with smaller ships.

Not only does this mean a vicious emissions cycle, especially as low water levels mean more resistance and more fuel — it also has effects in cost and congestion terms around the waterways and port system. Plus, it doesn't always work well: despite best efforts, total cargo volumes dropped about 60 per cent at the peak of the 2018 drought, according to van Komingveld.

The trouble is that "the risk fron climate is so distributed across fall aspects

The trouble is that "the risk from climate is so distributed across all aspects of the system, it's hard for specific entities to have the incentive to try to addressit," says austin Becker, at 8 hode Island university, who studies the impact of climate change on the world's 5,800 coastal ports. Most immediately, a third are in locations prone to tropical storms, where small changes in average storm intensity can translate in the large increases in port downtime. Individual adaptation, such as German chemicals group BASF's work to develop barges that can handle lower water levels, is likely to thi limits of tech-

water levels, is likely to hit limits of technical or cost feasibility, say experts,

given the scale of the problem. More generally, these weather events tend to be treated as discrete emergencies, rather than as part of a worsening sys-temic problem. That creates what the UN's office for disaster risk reduction calls a cycle of disaster response-recov-ery-repeat. The same may be true in the corporate world, already under pres-sure to insulate supply chains from pan-sure to insulate supply chains from panery-repeat. The same may be true in the corporate world, already under pressure to insulate supply chains from pandemic-style disruption and overhaul them in the face of rising geopolitical risk. But calls for simpler supply chains could concentrate climate risk. Resilience may come at the expense of efficiency through dual-sourcing, geographic diversity and higher inventory and require investment in disaster-proofed assets. That beats "delay and pay", says Patrick Verkooijen, head of the Global Center on Adaptation, who argues that spending on climate resilience. argues that spending on climate resil-ience stacks up financially at the national and corporate level.

For governments and companies, climate is another supply chain risk that must now be factored in.

helen.thomas@ft.com

Good leaders don't worry about unity



ehave reached the stage in the Conservative leadership contest where, with everyone confident Liz Truss will defeat Rishi Sunak, handy advice is being dispensed among the political class.

being dispensed among the political class.

First came the warnings "not to underestimate Liz Truss". Well, of course, You will not get close to Number 10 without gulle, talent, determination and political stamina. While we should not misjudge Truss, nor should anyone underestimate the scale of the challenges she faces — many of them driven by factors beyond her control. The next prime minister will have no money, an energy price shock, high inflation, rising interest rates, a tax-cutting agenda and struggling publics ervices.

A more accurate way to phrase the argument is that we should not overestimate Labour. Keir Starmer has yet to show the strategic clarity needed to seal the deal with voters. This remains the new premier's main hope.

It leads to the second wise saw. After an intermedne leadership contest, runs the argument, Truss must move to unify her party. This means trimming on the

pledges made to rightwingers and making room in her cabinet for people who did not support her, her defeated rival, his allies and moderate Conservatives.

This is a terrible idea. While Truss should not seek disharmony, she cannot buy unity. And what purpose is served by putting Sunak in her cabine? He disagrees with her economic strategy and were he to take a job it would be only because he sees another shot at the leadership in two years' time. Truss must look beyond her own camp but her ministers must commit to her policies.

This is not an argument against pragmatism. But the skittish and rebellious Tory party does not respect weakness or token efforts to find consensus. Johnson's dishonesty was his undoing but his underlying flaw was making unforced errors and constant U-turns which led MPs to doubt his ability to lead. The odd retreat is sensible but you cannot give the impression that you can be pushed around.

Parties are united only by clear lead-

the impression that you can be pushed around.

Parties are united only by clear leadership and electoral momentum, the first is the midwife to the second. The most effective recent leaders did not pander to defeated rivals or ideas. Thatcher, Blair and initially Johnson, succeeded by setting a course and pursuing it. Ministers had to sign up to the strategic goals. Critics were purged as soon as practical.

The prospect of success at election time is all that will unify the Torles And since the economic situation is deteriorating, Truss's only hope is that MPs see voters responding to what looks like



A prevailing economic orthodoxy isn't smashed as Truss insists is necessary by being halfhearted

Office is one of the most demanding and politically dangerous wings of government. Loyalty matters but strong leaders need effective ministers.

Truss is, in any case, a prisoner of the campaign she fought. Having made mainstream thinking her avowed enemy she has little room to revert. There is no choice but to double-down on her core beliefs; that Brexit offers economic opportunities; that lower taxes will rapidly deliver growth; that the size of the state can be reduced.

This is not an argument for being stubborn. Truss should remember that Thatcher matched her conviction with calculated caution. One early test will be her own legislation as foreign secretary giving the UK unilateral powers to ten up large parts of the Northern Ireland protocol. She dare not resile from this but, given the trade risks of a new Brexit confrontation, she could hold off using those powers. The one area where she must move swiftly and dramatically is on a significant package of support for household energy bills, aimed at the least well off. Since this nettle has to be

grasped she may as well be immediately bold. Misjudgment here will doom either prime minister. Voters recognise that the pandemic and Ukraine crisis have derailed the government. Truss does not have longe nough to change the fundamentals of her unwelcome inheritance but, against uncomvincing opposition, someone who projects confidence may persuade voters that she should be given more time to complete the task.

projects confidence may persuade voir-ers that she should be given more time to complete the task.

But the next prime minister has few happy options. Even before one consid-ers whether her ideas are viable, the economic problems may simply be too overwhelming for any leader.

But given her argument that Britain is sinking in a mire of unmet challenges and economic orthodoxy, the best and only hope for the next Tory leader is to drive forward her plans with total con-viction. There is no room for compro-mise in the name of an illusory party unity. It may not be enough but, as they say in poker, she is all in.

Serbia and Kosovo must dial down Balkan tensions

Misha Glenny

t's hardly a secret that there's not much chemistry between President Aleksandar Vučić of Serbia and Albin Kurti, Kosovo's prime minister. But each was expected to receive the same tough message from Nato and the EU on a two-day trip to Brussels starting yesterday: "Get over to Brussels starting yesterday: "Get over it, tone down the rhetoric and, for

negotiate!"
The pair were due to have separate meetings with Jens Stoltenberg, Nato's secretary-general, before joint discus-sions today with Josep Borrell, the EU foreign policy chief. Both Nato, which has 4,000 troops stationed in Kosovo, and the EU have shown signs of losing patience with the two Balkan leaders. But behind the irritation lurks a real

At the start of August, the govern ment in Pristina said members of the Serbian minority in northern Kosovo must swap their Republic of Serbia vehi-cle registration plates for Kosovo ones. This was in line with agreements reached in 2013 and 2015. But Kurti decided without warning to bring the ruling forward by a month. In response, Serbs in northern Kosovo put up road-blocks and brandished firearms, leading

to a rapid rise in tensions.

Belgrade and Pristina traded insults and dark hints of war. Vučić accuses the Kosovo government of blocking the formation of an Association of Serbian Municipalities in Kosovo, which was part of the normalisation accords. Kurti counters by calling Vučić a "little Putin", bent on invading Kosovo just as the

The longer the dispute festers, the greater the risk of a destabilisation of south-eastern Europe

Russian leader invaded Ukraine. Belgrade often stands accused of fostering close ties with Moscow, influenced by the historical friendship between Serbs and Russians. The history is more complicated. Vučić has resisted EU and US pressure to join sanctions on Russia. But at the UN, Belgrade condemned Russis's invasion. It took combined pressure from the EU, US and UK to defuse the flare-up in northern Kosovo. But alarm bells were set off at Nato and EU headquarters. The backdrop is a growing disaffection in parts of the western Balkans caused by the EU's fallure to live up to its promise, first made 20 years ago, to integrate the region into the 27-nation bloc.

This disaffection has not gone umoticed in Moscow, which for years has gently stoked divisions within and between Bosnia and Herzegovina, Montenegro, Serbia, Kosovo, North Macedonia and Albania. In an unhelpful development, Croatia and Bulgaria have leveraged their status as EU members to apply unwarranted pressure on Bosnia and North Macedonia, respectively.

All these processes have intensified since the war in Ukraine, which is testing European resilience and unity. The EU is hosting millions of Ukrainian refugees. It faces a winter energy crunch. Wildfires rage across Europe. Inflation is soaring, Brussels needs instability in the Balkans like a hole in the head.

It might look as though Serbia and Kosovo will never overcome their differences. Yet on important issues, including the integration of Kosovo Serbis into

ences. Yet on important issues, includ-ing the integration of Kosovo Serbs into the country's legal system, real progress has been made. Both sides have shown a quiet willingness to compromise. Nei-ther has flagged up these successes for fear of a backlash from nationalists in

Western diplomats worry that the



The truth that set Cheney free



sion can become a platform for rebirth. It is worth recalling that in spite of their attempts to ingratiate, Dukakis and Kerry each lost their presidential con-tests to a Bush. That was the end of their White House hopes; there is no return from panderings that fail. Cheney, on the other hand, has laid down a marker the other hand, has laid down a marker that could define the fate of US conserv-atism. If Republicanism is Trump and only" as they are pejoratively called - as any of her colleagues.
Cheney's defenestration thus begs the question: what defines today's Republi-

can party? Its grassroots is driven by two passions: who it loves and who it hates. passions: who it loves and who it hates. The party's base idolises Trump. Every-one in Washington knows the same is not true of many if not most elected Republicans. Figures such as Florida's

Conventional parties manage their extremes. In the case of today's Republi-cans, however, the extreme sets the nar-rative. In another time, Marjorie Taylor rative. In another time, Marjorie Taylor Greene, the congresswoman from Geor-gia, would be dismissed as a political freak. Greene openly avows the QAnon theory that America's establishment is run by paedophiles. The more offensive her stances, the more money she raises.

urban America. The more ignorant you sound, the more contemptuous the cultural elites, which is worth its weight in electoral gold. n eiectorai goid. It is unclear how a Cheney could break

through this morbid dialectic. Cheney believes she stands for timeless Republican values like integrity, character and courage. She is amply endowed with all three. But none of these qualities seem Dukakis in 1988 doing a photo-op up in a tank or John Kerry in 2004 dressed in goose-shooting camouflage, US democracy is rich with pandering moments. It is less generous with examples of politicians alienating voters on principle. When Liz Cheney, who was ejected from her Liz Cheney, who was ejected from her Wyoming district on Tuesday night, opposed her party leadership in early 2021 she quoted at them from \$I John's gospel: "The truth shall set you free." Her fixation on bringing about Donald Trump's demise – possibly in the form of a jail sentence – has turned cheney into America's most celebrated electoral exitérie.

Unlike the real thing, the political ver-

Trump is Republicanism, the party and the country are heading for a reckoning. "We stand at the edge of an abyss," Ch heney recently said. What does her defeat tell us about the

that does not detect that about the future of US democracy? The clearest message is that the Republican party has become an authoritarian cult. Cheney is among the most conservative lawmakers in the US. She voted 93 per cent of the time with Trump during his term in office. She is for every tax cut, against every abortion, and in favour of every new weapons system on offer. Much like her father, Dick Cheney, the former vice-president, Liz Cheney, is as close as a politician gets to personifying the Stars and Stripes. She is as far from being moderate — "Republican in name Marco Rubio and Texas's Ted Cruz were

Much like her father, she is as close as a politician gets to personifying the Stars and Stripes

speaking their minds in 2016 when they depicted Trump as a low life con artist. Harriet Hageman, the Trump-endorsed Republican who unseated Cheney, was probably sincere in 2016 when she called Trump a "racist and xenopho-bic". Ambition, and fear of the mob, have turned all these figures into hollow mini-Trumps.

Last week she got rousing applause at a party event when she said she opposed solar panels because they only work when the sun is out. "I want to stay up later at night," she said. "I don't want to have to go to bed when the sun sets."

Today's Republican party belongs to Greene not Cheney. It is even more strongly motivated by what it hates than by admiration of Trump. I have no idea whether Greene is as stupid as she sounds. She could also be highly savvy. The key to success in today's conserva tive movement is to provoke those who look down on it. It guarantees media notoriety that can be monetised. Trump devised the model. But he is not the last word on it. The key is to enrage the overeducated moralisers in bicoastal to count for much among her tellow Republicans today. It is possible that she is planning to play the spoiler against Trump in the 2024 Republican primaries. She could again sacrifice herself for a larger cause. A loftier bet is that in 2025 or beyond she will be ready to pick up the pieces of a party suffering from post-Trump sterse disorder. But this may be to overstate the degree to which the pathology is solely about Trump. "There will come a day when Donald Trump is gone, but your dishonour will remain," Cheney told fellow Republicans. This is an uplifting thought but also a truism. The pressing question is what happens between now and then.

edward.luce@ft.com

sirens of nationalist populism may be seducing some members of both gov-ernments and that the Serbian minority in Kosovo is becoming restless, believ-ing Belgrade has already conceded too much to Pristina.

Kurti and Vučić need to overcome their personal and political differences Equally, the EU must revitalise its strategy of absorbing the western Balkans. The longer the Kosovo dispute festers and the region's states remain outside the EU, the greater the danger of a cata-strophic destabilisation of south-eastern Europe. That's in nobody's interests. Except Moscow's.

The writer is rector of the Institute for

FINANCIAL TIMES

sted Ally shares: Loan loss provisi



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Yangtze/climate change: river weak, emissions high

Water levels in the Yangtze hit a record low this week. Southern China is battling a drought with temperatures

battling a drought with temperatures around the river exceeding 40c since last month. That spells trouble for Chinese hydropower and a tilt towards coal that will raise carbon emissions. The world's great rivers have been arteries for commerce and culture for millennia. Some of them are in trouble Water levels in the Rhine, Danube, Po and Colorado are unusually low. The effects range from supply route

millennia. Some of them are in trouble. Water levels in the Rhine, Danube, Po and Colorado are unusually low. The effects range from supply route disruption to crop failures. In parts of China, energy supplies are threatened as water used by hydropower plants dwindles. Water available from the main Three Gorges reservoir is already at half average levels.

Japanese carmaker Toyota, Taiwan's Foxconn and Chinese battery maker Contemporary Amperex Technology are among businesses that have closed factories this week due to the resulting power crisis. Important provinces such as Sichuan, China's third-largest, made the switch to hydropower as a key energy source more than seven years ago. At that time, Beijing was pushing aggressively for more renewables. Friendly policies and fat subsidies helped utilities such as China Yangtze Power to increase market share rapidly. Operating margins have exceeded 50 per cent for more than a decade. China Three Gorges Renewables, which also has China Three Gorges Renewables are down 15 per cent this year and trade at 20 times forward earnings, half the level of a year ago. Strict policy mandates to cut cal usage and increase renewable power capacity are weakening.

Severe droughts are occurring more frequently in China. Last summer, the hydropower thus of Yunnan province

frequently in China. Last summer, the hydropower hub of Yunnan province was hit, causing power cuts that disrupted factories for months. The current heatwave in Southern

China is forecast to last another two weeks, the longest since records beg Beijing is prioritising the fight to support economic growth over the push for renewables. Average daily consumption at coal-fired power stations was 15 per cent higher than a year ago in the first two weeks of August at 8.16mn tonnes. Persistent droughts would damage the status of hydropower as a reliable source of energy. In a painful irony, they would also increase China's already substanti contribution to climate change.

Meme stocks: the fundamental things apply

Are meme stocks still a thing? Very much so, if the 400 per cent surge in the stock of US home goods retailer Bed Bath & Beyond over the past month is anything to go by. Conventional wisdom dismisses these as detached from fundamentals. A more accurate view is they are detached from the induamentals but not from those of the market. Reddit's WallstreetBets crowd laid low during the worst of this year's rout. A sustained rally on Wall Street since June, fuelled by a stronger than-expected corporate earnings season, has lured them back. Meme stocks, like bitcoin, are useful

An a lured them back.

Meme stocks, like bitcoin, are useful gauges of animal spirits that depend on evidence of decent, old-fashioned earnings somewhere else in the financial system. Bed Bath & Beyond was the third most bought stock by retail investors on Tuesday, according to Vanda Research. Trading volume hit nearly 400mm compared with an average of less than 12mm. The stock was only behind Tesla for bullish call options traded among retail investors. Gamestop, the video game retailer.

was only behind Tesla for bullish call options traded among retail investors. GameStop, the video game retailer that became the original meme stock last year, has almost doubled in value since May. Movie theatre operator AMC, another Reddit favourite, has gained 40 per cent over the past month. This week's buying frenzy in Bed Bath & Beyond appeared to have been triggered by news that the vehicle of investment influencer Ryan Cohen had bought call outtons bettire the had bought call options betting the stock can rise as high as \$80 a share.

None of that justifies the stock's valuation of 70 times forward earnings — not given the retailer's shrinking cash not given the recailer's smirking cas-position and struggle to revive sales growth. Second-quarter profits among S&P 500 groups are expected to have risen 10 per cent from a year earlier, according to Refinitiv data. This is unlikely to last given high inflation and shifting consumer habits. Reappear-ance of meme stock traders should hint

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Ally Financial to previous le 200-

2014 15 16 17 18 19 20 21 22 2021 2022 2018 2019 2020 It does not have quite the same lustre as the Golden Age of Athens. But 2020-21 will be remembered as halcyon days by US used car merchants, if no one else. Warren Buffett does not think the good times are quite over. Filings show Berkshire Hathaway tripled its stake in Ally Financial, an auto lending mainstay, to \$1bn during the second quarter. The world's most famous investor evidently believes lending margins will remain robust and default rates low in consumer credit. In the two pandemic years, shares in Ally rallied 57 per cent. The stock was buoyed by consumers flush with cash flocking to buy used vehicles. Auto manufacturers were unable

Ally/Warren Buffett: shifting out of neutral The pandemic boom in used car prices lifted shares in consumer lending group Ally Financial. Lower deman and tighter financial conditions have led to a retreat in both since. A return to pre-pandemic provisioning or

was forced to accrue credit loss provisions so big that pre-tax income fell 40 per cent year on year. The company insists those provisions are simply a natural reversion to ordinary levels.

Ally's internal models forecast used car prices falling 30 per cent over the next couple of years. Still, lower prices are not a death knell and could lead to even steeper volumes of sales to buyers sidelined by elevated prices, according to Ally.

The company's share price has fallen fare nough to trade at near book value. This must have grabbed Berkshire's attention.

Buffett's bet is a vote of confidence in consumer banking broadly as well as auto loans.

to meet demand for new cars. Ally shares have fallen by a quarter so far in 2022. Wall Street is worried about the finances of the US consumer as well as a normalisation in the auto market. Ally says those worries remain overstated, a view that now has the implicit endorsement of a legendary investor.

: US co

investor.

Between the end of the 2019 and the start of 2022, the Manheim Used Vehicle Value index increased by a vertiginous 70 per cent.

Higher used car prices supported bigger loans at a time when there were virtually no concerns about immediate credit losses.

Not interest.

credit losses. Net interest revenue increased substantially in the current quarter compared with 2021. However, Ally

to the Fed that inflationary pressures are still ballooning — which means expected rate rises may be too low.

Housebuilders/windfall taxes: Wimpeying out

Politicians are imposing, or at least proposing, windfall taxes on energy groups. One justification is that profits are "too high". But politicos weaken their argument by declining to follow it to its conclusion, that any mature business with fat profits should pay extra taxes. Consider Persimmon.

The housebuilder posted first-half results yesterday. Profit margins, as defined by ebita, were 26 per cent, according to S&P Capital IQ, against a figure for BP of 24 per cent over the period. Persimmon and three other housebuilders — Taylor Wimpey, Barratt and Berkeley — have all made fatter profits on this measure than BP and Shell over the past 12 months. You could argue that the case for windfall taxes is stronger. UK housebuilders have received heavy indirect owerment support via

indirect government support via subsidies for homebuyers. New housing supply is artificially constrained by a restrictive planning system. Both factors keep prices and margins high. Persimmon has returned margins high. Persimmon has retu £3bn in dividends in the past five years, more than three times as much as in the preceding five-year period. This year's payment is expected to match last year's record £750mn. There are several reasons UK

housebuilders evade calls for excess profit taxes. It would mean indirectly taxing new homebuyers, some receiving subsidies, for example. But energy groups are candidates for special punishment for cognitive as much as practical reasons. The sting of much as practical reasons. The higher energy bills is felt by all consumers, even as energy groups' profits rise. In contrast, paying steep prices for new homes afflicts a minority intermittently. Subsequent house price gains mollify the victims. In both cases, the case against windfall taxes is the same: they stifle investment, cut supply and lift prices. There is an argument that

persistently high profits are a symptom of market failure. The solution would be reform. But many will prefer lashing out selectively at business.

Endo/opioids: emerald wiles

So much for the luck of the Irish. Endo, a maker of speciality drugs officially headquartered in Dublin, has filed for bankruptcy protection, citing an unsustainable debt load of \$8bn.

headquartered in Dublin, has filed for bankruptcy protection, citing an unsustainable debt load of \$8hn. Endo's Irish roots are shallower than those of many other US visitors. The group landed in Ireland a decade ago through a tax inversion merger. Its longstanding home is in Pennsylvania. It prospered for a while. In 2015, Its market cap exceeded \$15hn. But Its fortunes eroded. Top drug Vasostrict unexpectedly lost patent protection. Endo's projected 2022 belifat is set to be half its level last year, leaving its debt to cash flow ratio at 10 times. Endo previously sold opioid painkillers which are the subject of lawsuits by alleged victims as well as governments. Bankruptcy courts will seek to resolve brose claims efficiently. The chapter 11 process has been widely used by overleveraged companies. Increasingly, it is the place to resolve product liability fights, too. The group says it has a deal in which senior creditors would exchange \$6bn in claims for assets of the company. At the same time, a trust would be created with \$550mn of cash to compensate opioid sufferers over the next decade. This deal is only an opening bid. Other investors may offer to buy the remaining assets. Numerous claimants will have to agree to what they think is an actionable payout.

Like peers Purdue and Mallinckrodt, Endo believes the power of the bankruptcy process to funnel opioid litigation into a single, binding forum is the cleanest way to resolve its liability. This point its controversial among lawyers of plaintiffs, Some critics think Chapter II is used as a sanctuary for

Chapter 11 is used as a sanctuary for unethical businesses pursued by legitimate claims. But, for now, there is no obviously better alternative

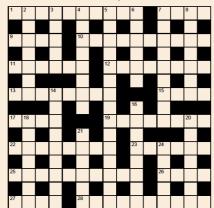
Endo's creditors include hedge funds and others who hope a tidy resolution will snap investments back into the money. This will take a bigger helping of luck than the purchase of an Irish company registration affords.

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- CROSS

 I Keep quiet about little Italian restaurant by river steps at Aviemore? (10)

 7 Wrong ... or, in time, ultimately right (4)

 9 Notice loss of resistance in circuit (4)

 0 Condition restricting movement is secured by finance provider following discharge

- Refuse to join woman out with teacher on the rebound (6)
 Look at Bottom unconstrained, asinine,
- the rebound (6)
 Look at Bottom unconstrained, asinine, and beginning to heehaw. Would a fairy call for this? (3,5)
 European once in prison needs exceptionally large place for business (8)
 Rustic claims he's the unidentified horned
- 13
- It's not good of the French to take on very
- loadly (3)

 10 Serve the lot right to Impose silence (8)

 22 Unfortunately, corn here's run short
 around 1st April Cone must keep stock (8)

 23 Drink first couple of beers after author's
 declaration of personal imparilatify (6)

 25 They establish connections and maintain
 them without revealing the point (6x)

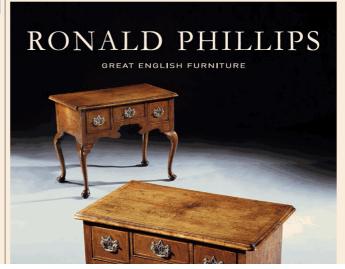
 26 Supply eats? (4)

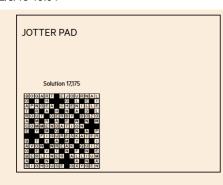
 25 Junent line finally adopted by
 Livingstone? (4)

 28 Electronic dat gathered about people
 going west. In these? (6,6)

 DOWN

 21 One of Xual's letters describes clever
 dramatic effect (7)





3 Perhaps bend Hamlet's ear every now and then (5)

- 3 Perhaps bend Hamler's aer every now and then (S)
 4 Insensitive promotion in marketing firm leads to some embarrassingly lengthy lingation (A,O)
 5 One such as Betjeman recollected patriots in verse (S)
 6 One such as Betjeman recollected patriots in verse (S)
 7 Inca by profession's a needlewoman? (9)
 7 Inca by profession's a needlewoman? (9)
 8 Prize pupils bored by mindless repetition?
 On the contrary (7)
 8 Actor's base offence in play involves son in real life (S-6)
 8 Potential guide for TES production line found in loft? (S,S)
 10 Potential guide for TES production line found in loft? (S,S)
 10 Potential guide for TES production line found in loft? (S,S)
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