FINANCIAL TIMES

WEDNESDAY 7 SEPTEMBER 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

Truth hurts: why Biden was right to sound the alarm over democracy in America — JANAN GANESH, PAGE 17

● Cost of living package leads agenda ● Pledge to spearhead growth ● Push for 'aspiration nation'

Truss assumes office with vow to steer Britain out of energy storm

GEORGE PARKER, SEBASTIAN PAYNE AND JASMINE CAMERON-CHILESHE — LONDON

Liz Truss vowed that Britain would "ride out the storm", as the new prime minister began confronting an economic crisis with a package of energy support for families and businesses.

Truss dodged torrential downpours outside Downing Street to tell the country that she would create an "aspiration nation", adding: "As strong as the storm may be, I know that the British people are stronger."

Within minutes of entering Number 10, Truss set about forming a cabinet and finalising an energy relief package that could cost more than £100bn and will set the tone for her premiership.

Earlier, Truss met Queen Elizabeth at Balmoral, Scotland, to formalise the transfer of power from Boris Johnson.

Truss, in front of supporters in Downing Street, said she would take action "this week" to "deal with energy bills and secure this country's energy supply". She also vowed to pursue growth-related policies, including cuts to personal and business taxes, and to address the National Health Service crisis.

Sterling has fallen 8 per cent against the dollar over the past three months, reflecting concerns about the UK economy and broad strength in the US currency. The pound fell earlier this week to as low as $1.1444, just above the trough during the 2020 coronavirus crisis and a level where it has not regularly traded since the mid-1980s. UK sovereign bonds have also sustained intense selling, with the government's 10-year borrowing costs in the gilt market surging to 3.1 per cent yesterday from about 1 per cent at the start of the year.

Overall, UK government and corporate bonds have fallen about 16 per cent in 2022, the steepest drop in at least 22 years, according the Bloomberg Global Aggregate index.

Truss was due to appoint a number of supporters to fill top cabinet posts, but her first major act as prime minister will be to oversee a massive debt-funded state intervention in the energy market.

The self-proclaimed small-state Conservative is drawing up plans for a two-year energy relief package that could cost more than £100bn. The measures are intended to shield households and business from soaring bills

Truss intends to cap household energy bills at about £2,500, compared to the current cap of £1,971, with the estimated cost of about £90bn funded through government borrowing. The cap had previously been scheduled to leap to £3,549 next month with a projected increase to above £6,000 in 2023.

Consumers will receive a previously announced one-off payment of £400 to help offset rises.

A separate energy package to stop businesses going to the wall will add tens of billions to the total, with the taxpayer exposed to the risk of much bigger costs if wholesale gas prices remain high.

Truss will link the energy package, expected to be announced this week, to long-term market reforms and a commitment to raise oil and gas production.

Earlier Boris Johnson made a defiant farewell speech, claiming he had delivered Brexit, a successful Covid-19 vaccine rollout and infrastructure projects — although few have been built.

The outgoing prime minister also dropped a classical hint that he might yet make a comeback. "Like Cincinnatus, I am returning to my plough and will be offering this government nothing but the most fervent support," he said. Historians pointed out that Cincinnatus later returned to Rome as ruler.

The UK energy plans come as the EU also grapples with how to shield consumers and businesses.

The bloc is pushing for its member states to impose windfall taxes on energy companies to counter what European Commission president Ursula von der Leyen described as "astronomic" electricity bills. The planned levies, which will be debated by EU energy ministers on Friday, would target both fossil fuel producers and low-carbon power generators, according to people familiar with the plan.

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Lex page 18

Liz Truss outside 10 Downing Street, after being appointed prime minister by Queen Elizabeth — Adrian Dennis/AFP via Getty Images

Briefing

▸ BlackRock tech crackdown on multiple board roles
The investment group has clamped down on US technology industry directors who sit on too many boards, as chief executive Larry Fink intensifies scrutiny of corporate governance.— PAGE 5

▸ Global distrust in Big Four
A 138-country study has found that most tax officials believe the big accounting firms try to exploit loopholes in laws to help clients at least some of the time.— PAGE 6

▸ UN urges nuclear safe zone
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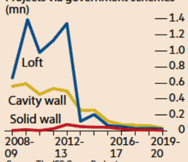
▸ California blackout alert
A blistering heatwave has put record strain on the electricity grid, with residents urged to turn up thermostats and turn off appliances to avoid blackouts.— PAGE 4

▸ VW defends Porsche listing
The German carmaker has sought to reassure investors on the timing and structure of the IPO unveiled on Monday, which will float only a small portion of shares.— PAGE 5

▸ Equinor backs taxes
Chief executive Anders Opedal has said that higher taxation of energy companies is justified if it gives governments the means to ease costs for consumers.— PAGE 5

Datawatch

Insulating the UK
Projects via government schemes (mn)



Source: The IFS Green Budget

The number of loft-insulation projects delivered through government schemes in the UK fell off a cliff after 2013, from 1.3mn per year to fewer than 100,000 as a new scheme limited the numbers of households that were eligible

Bolsonaro's wife works to have husband re-elected

Analysis ▸ PAGE 4

Bank of Japan's low interest rate habit drives yen to 24-year low against dollar

LEO LEWIS — TOKYO

The yen plunged to its lowest level against the dollar since August 1998 yesterday as hedge funds in Europe and the US resumed bets that the Bank of Japan's ultra-loose monetary policy would continue.

Japan's currency dropped as much as 1.7 per cent to a low of ¥142.97 against the dollar in a ferocious sell-off that began late in the Tokyo day and accelerated in the New York trading session.

The BoJ has defied the tightening trend among global central banks, keeping long-term borrowing costs pinned at ultra-low levels even as yields surge in other markets. The widening gulf has severely dented the allure of holding the yen relative to other currencies.

Yen selling gathered steam after a survey showed that activity in the US services sector had picked up unexpectedly in August. The data prompted a jump in US and European bond yields as traders bet the Federal Reserve would continue this month with big rate rises.

Wall Street banks have also said they expect the European Central Bank to lift interest rates this week by the most since 1999, something that could place more pressure on Japan's currency.

The BoJ, unlike its counterparts, is determined to keep a lid on borrowing costs, employing "yield curve control" in which it pledges to buy an unlimited quantity of bonds to keep the 10-year yield from rising above 0.25 per cent. In comparison, the US 10-year yield traded at 3.35 per cent yesterday. Funds often shift into countries whose debt offers higher returns.

Traders said that in August, leveraged funds, which had wagered heavily on the yen's decline, helping drive its long descent since March, began to reduce those positions on concerns that the rising risk of recession would cause central banks to turn more dovish. However, the Fed signalled last month the US rate cycle was not finished and this appears to have revived the flow of speculative money into the "short yen" bet.

JPMorgan analyst Benjamin Shatil said there were no trading barriers for the yen. "We do not rule out an eventual extension in yen toward the 1998 high of around 147, particularly now that the market is comfortable with the idea that 140 is not a line in the sand."

Shunichi Suzuki, Japan's finance minister, said the yen's sharp moves were undesirable and he was watching the plunge with a "great sense of urgency". The remarks closely echoed comments he made last week.

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

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World Markets

STOCK MARKETS

	Sep 6	Prev	%chg
S&P 500	3936.58	3924.26	0.31
Nasdaq Composite	11642.91	11630.86	0.10
Dow Jones Ind	31373.66	31318.44	0.18
FTSEurofirst 300	1635.12	1632.93	0.13
Euro Stoxx 50	3496.77	3490.01	0.19
FTSE 100	7300.44	7287.43	0.18
FTSE All-Share	4005.61	3993.66	0.30
CAC 40	6104.61	6093.22	0.19
Xetra Dax	12871.44	12760.78	0.87

CURRENCIES

Pair	Sep 6	Prev	Pair	Sep 6	Prev
$/€	0.991	0.992	€/$	1.010	1.008
$/£	1.153	1.151	£/$	0.867	0.869
£/€	0.859	0.862	€/£	1.164	1.160
¥/$	142.715	140.545	¥/€	141.352	139.428
¥/£	164.536	161.724	£ index	77.300	77.309
SFr/€	0.975	0.974	SFr/£	1.134	1.129

CRYPTO

	Sep 6	Prev	%chg
Bitcoin ($)	19730.79	19793.39	-0.32

GOVERNMENT BONDS

Yield (%)	Sep 6	Prev	Chg
US 2 yr	3.51	3.40	0.11
US 10 yr	3.34	3.20	0.14
US 30 yr	3.48	3.35	0.14
UK 2 yr	3.24	3.30	-0.06
UK 10 yr	3.10	2.94	0.16
UK 30 yr	3.41	3.20	0.21
JPN 2 yr	-0.09	-0.09	0.00
JPN 10 yr	0.24	0.23	0.01
JPN 30 yr	1.25	1.24	0.01

Dubai

Nikkei	27626.51	27619.61	0.02
Hang Seng	19202.73	19225.70	-0.12
MSCI World $	2596.70	2605.21	-0.33
MSCI EM $	967.80	972.02	-0.43
MSCI ACWI $	604.93	606.98	-0.34
FT Wilshire 2500	5111.53	5164.47	-1.03
FT Wilshire 5000	39931.75	40342.03	-1.02

Ethereum	1657.48	1617.04	2.50
COMMODITIES			
	Sep 6	Prev	%chg
Oil WTI $	87.83	89.24	-1.58
Oil Brent $	93.83	95.74	-1.99
Gold $	1710.95	1712.50	-0.09

GER 2 yr	1.09	1.11	-0.02
GER 10 yr	1.64	1.56	0.08
GER 30 yr	1.75	1.70	0.05

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Electricity costs

EU plans windfall tax over 'astronomic' bills

Energy companies' record profits targeted to help vulnerable households

SAM FLEMING AND ALICE HANCOCK
BRUSSELS

The EU is pushing for national windfall taxes on energy companies' inflated earnings to counter what European Commission president Ursula von der Leyen described as "astronomic" electricity bills.

The planned levies, which will be discussed by EU energy ministers on Friday, would target both fossil fuel producers and low-carbon power generators that have reaped windfall profits thanks to artificially inflated electricity prices, according to people familiar with the plan. They would seek to funnel proceeds to vulnerable consumers and households.

Wholesale electricity prices have skyrocketed because they are linked to the price of gas, whether or not the electric power is produced with gas or other means. Gas prices are about 10 times higher than a year ago.

Von der Leyen said in prepared remarks that the national levies would come alongside measures to reduce electricity use by shifting demand away from peak periods. Brussels would also work with member states to ensure electricity producers had sufficient liquidity, she said.

Officials said the commission's temporary state aid framework could be amended to speed through decisions and that Brussels was talking to governments about state aid requirements.

A number of EU utilities are looking to governments to help them raise collateral as the volatility of energy prices increases. The commission plans come alongside proposals for a price cap on Russian pipeline gas to limit President Vladimir Putin's profits from his "atrocious war against Ukraine", according to von der Leyen's remarks.

'This is a cynical game by Putin and for us a test of unity and solidarity'
Ursula von der Leyen

Russia said on Monday state-owned gas supplier Gazprom would cut supplies via the Nord Stream 1 pipeline until western sanctions were lifted. "This is a cynical game by Putin and for us a test of unity and solidarity," von der Leyen said.

The commission plan seeks to reduce electricity consumption during peak times with measures that include shifting industrial processes to low-usage times such as weekends and nights. This would come on top of a voluntary scheme to curb gas demand by 15 per cent, which member states have agreed to. The national windfall taxes would be applied to the profits racked up by low-carbon energy producers such as wind farms and nuclear power stations.

Alongside this would be national levies on oil and gas producers that have been enjoying record profits.

Von der Leyen called for the EU to help utilities that were grappling with the "volatility of the market manipulated by Putin", adding that Brussels would work closely with member states to ensure liquidity in the sector.

Kristian Ruby, secretary-general of Eurelectric, the trade body for the European electricity industry, said regulators needed "to extend the list of assets that would eligible as collateral" to assets other than cash and extend credit lines to companies in crisis.

Additional reporting by Javier Espinoza in Brussels

See FT Big Read
Anjana Ahuja see The FT View page
Martin Wolf see Opinion

Europe. Politics

Far-right Meloni on cusp of power in Italy

Tough-talking firebrand made her name the hard way but has had to change her tone

AMY KAZMIN AND GIULIANA RICOZZI
ROME

Rome's blue-collar Garbatella district was founded in 1920 for industrial workers, then expanded to house Romans displaced by Benito Mussolini's demolition of their homes to remake the ancient city centre. The district has been a bastion of the hard left ever since.

It was here in 1992 that Giorgia Meloni, then 15, became an activist for the Youth Front of the Italian Social Movement, founded after the 1939-45 war by followers of the fascist dictator.

She entered a world of rivalry between leftwing and rightwing students that at times erupted into brawls.

"She had the courage of a lion and would not let the microphone be snatched out of her hand," said Marco Marsilio, a friend who met her the day she joined the party. "The violence and assaults did not scare her. They became one more reason to stand up."

Meloni, 45, now aims to become Italy's first female prime minister, buoyed by disenchanted voters willing to bet on a tough-talking firebrand with limited administrative experience.

When Italians vote on September 25, Meloni's 10-year-old Brothers of Italy is expected to emerge as the largest party in parliament, propelling its rightwing coalition, which includes Matteo Salvini's League and Silvio Berlusconi's Forza Italia, to a comfortable majority.

Yet on the cusp of power, Meloni is still dogged by concerns about her youthful far-right activism and what she stands for now as crises surrounding energy, the cost of living and Rome's debts dominate the political debate.

Rivals say she is a dangerous, polarising extremist who will roll back civil liberties, embolden the radical right and sour relations with Brussels while allying Italy with Eurosceptic and nationalist powers such as Viktor Orbán's Fidesz in Hungary. The emergence of footage in which a teenage Meloni praises Mussolini added to those concerns. "Everything he did, he did for Italy and there have been no politicians like him for 50 years," she told a French news crew.

Appeal of the unknown: Giorgia Meloni, in Rome last month, kept her party outside Mario Draghi's recently collapsed unity government
Yara Nardi/Reuters

Meloni contends that Italian conservatives "handed fascism over to history" decades ago, and assertions that she was a threat to democracy and international stability were simply leftist slander.

"We can no longer allow the image of Italian conservatives, a bastion of freedom and defence of western values, to continue to be defiled," Meloni said.

What is indisputable is that Meloni's public persona, hard work and novelty value have turned Brothers of Italy from a party that took 4.3 per cent of the vote in 2018 parliamentary elections to one now favoured by about a quarter of the electorate. Meloni also kept her party outside Mario Draghi's recently collapsed unity government, allowing it to monopolise the opposition space.

"She appears to many voters as being the only leader left to be tested," said Lorenzo Pregliasco, founding partner of YouTrend, a polling agency. "It's not so much of an ideological appeal. It's the appeal of the unknown, the outsider — somebody who didn't rule the country and so still has some credibility."

Meloni was born in an affluent area of Rome but after her accountant father abandoned the family, her mother moved with her two young daughters to Garbatella, where Meloni's grandfather had a government flat through his job in the naval ministry.

In her autobiography *I Am Giorgia*, Meloni said she was inspired to join the Youth Front after the 1992 murder of Paolo Borsellino, the anti-mafia judge, and the implosion of Italy's postwar establishment in the Tangentopoli corruption scandal that embroiled thousands of politicians and officials.

'Everything [Mussolini] did, he did for Italy and there have been no politicians like him for 50 years'
Teenage Giorgia Meloni

Long shunned by voters and mainstream parties, the Italian Social Movement was relatively unscathed by the scandal. Its leaders sought to distance it from its fascist origins, dissolving the party to create the arch-conservative National Alliance, which joined Berlusconi's ruling coalition in 1994.

Meloni was elected to parliament in 2006 and two years later, aged 31, was appointed by Berlusconi to run the youth portfolio, becoming the youngest minister in Italian history.

When the tycoon's coalition collapsed in 2011, Meloni teamed up with two older politicians, including Forza Italia's Guido Crosetto, then under-secretary of defence, to create Brothers of Italy as a new pole for Italian conservatism.

Today, Meloni rails at what she sees as threats to national sovereignty and traditional values. Recent targets include "woke ideology destroying the foundations of the natural family" and illegal immigrants "undercutting the salaries of our own workers and in many instances engaging in crimes".

She is president of the European Conservatives and Reformists party, allied with Spain's Vox and Poland's Law and Justice in the European Parliament.

She has changed her tone on some issues. In 2019, she declared Brussels was engineering an "anti-democratic drift". Its bureaucrats were agents of "nihilistic global elites driven by international finance". But with Italy the intended beneficiary of €200bn in EU coronavirus recovery funds, Meloni has expressed staunch support for Ukraine and a wider role in Nato.

Meloni is said to be searching for experienced technocrats to run key ministries and navigate economic and strategic challenges. "She will have to create the strongest and most credible government Italy has ever had if she wants to govern," Crosetto said.

For all its disappointment at the early collapse of Draghi's government, the business community is betting that Meloni will want to prove she can deliver economically, lest she fall from favour, as other populists have before her.

"She will have to govern a complex country like Italy at a complex moment," said Emma Marcegaglia, former president of business association Confindustria. "She understands the difficulty of this moment, and that this is her big chance."

Nuclear facility

Safety level at Ukrainian reactor not sustainable, warns IAEA

ROMAN OLEARCHYK AND JOHN PAUL RATHBONE — KYIV

The UN's nuclear watchdog has called for a security and safety zone around the Zaporizhzhia atomic power station, as it detailed extensive damage its inspectors found during their visit to the plant occupied by Russian forces.

The International Atomic Energy Agency said yesterday it was "gravely concerned" about the situation at the facility, which has been shelled and fought over since it was taken early in the invasion, calling it "not sustainable".

"There is an urgent need for interim measures to prevent a nuclear accident arising from physical damage caused by military means," it said in a report. "This can be achieved by the immediate establishment of a nuclear safety and security protection zone."

But the document, written by IAEA experts who visited Zaporizhzhia last week, stopped short of apportioning blame for the damage. Ukraine and Russia blame each other.

The warning came as Petro Kotin, head of the Ukrainian company that operates Europe's biggest nuclear facility, warned that on a scale of one to 10, the danger level was "between seven and eight, but that is optimistic and anything could happen at any time".

"In one minute, we could be at 10," he said.

Shelling continued around the facility yesterday, a day after it was cut off the Ukrainian grid, leaving it relying on its own power to run safety systems.

Although the reactors are designed to withstand the impact of an aircraft, the fighting has risked the operation of its water cooling systems. "This situation could bring us to nuclear catastrophe," Kotin said.

The report noted how the IAEA mission had "witnessed shelling in the vicinity of the [plant] . . . in particular on September 3 when the team was instructed to evacuate" to the ground floor of a building.

They "observed damage at different locations caused by reported events with some of the damage being close to the reactor buildings", including stores for fresh fuel and radioactive waste.

Zaporizhzhia, near the southern Ukrainian town of Energodar, is run by local staff overseen by Russian troops and representatives from Russian state-owned nuclear company Rosatom.

Kotin said the cooling system was being powered by a back-up turbine that should run for only two hours but had been going all day. Another back-up system of diesel generators had enough fresh fuel for only 10 days. Supplying them with fresh fuel to keep the pumps going was "very difficult as they require 200 tonnes of diesel a day" and "there are no logistics for that", he said. The IAEA report noted similar concerns.

If the coolers stopped, Kotin added, the reactor would melt down in "about 90 minutes", risking an event similar to the 2011 Fukushima disaster in Japan.

He said shelling of the plant began about a month ago, soon after its Russian occupiers presented a detailed 10-page plan to the plant's managers to disconnect it from the Ukrainian grid and feed its power instead to Russian-occupied Crimea.

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Arms supply

Russia to buy millions of rockets and shells from North Korea

FELICIA SCHWARTZ — WASHINGTON
CHRISTIAN DAVIES — SEOUL

Russia is purchasing millions of rockets and artillery shells from North Korea to re-energise its offensive in Ukraine, according to recently declassified US intelligence, as western sanctions begin to choke Moscow's supply of weapons.

The Russian ministry of defence is "in the process of purchasing millions of

as relatively unreliable providers of military equipment. US officials said some of the drones purchased by Russia from Iran had had mechanical failures.

Those officials pointed to Russia's decision to purchase weapons from the two countries as evidence that export controls and sanctions are significantly hindering Moscow's ability to meet its weapons supply needs. Russia is one of the world's top arms manufacturers but it relies on components imported from other countries in order to build them.

Russia's military purchases from North Korea were first reported by The New York Times. Washington believes Russia could try to purchase more equipment from North Korea as the war grinds on.

Pavel Luzin, an independent Russian military analyst, has estimated that if the war continues at its current level of intensity, Russia will face a "tangible shell shortage" by the end of 2022 and will have to reduce artillery use to save munitions. Russia's purchases from North Korea might hamper global efforts to enforce existing UN sanctions on Pyongyang, analysts said.

"Russia's import of weapons from North Korea would be a serious viola-

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Representative, Anjali Mahindroo

the process of purchasing millions of rockets and artillery shells from North Korea for use on the battlefield in Ukraine", a US official said, citing intelligence recently cleared for public dissemination.

"This purchase indicates that the Russian military continues to suffer from severe supply shortages in Ukraine, due in part to export controls and sanctions," the official added.

Moscow's military dealings with North Korea come after recent disclosures that it is also relying on another pariah nation, Iran, to supply its war in Ukraine. Russia received its first shipment of Iranian combat drones last week and is likely to receive more, US officials said.

Iran and North Korea are widely seen

Weapons: Russian Uragan rockets are fired from trucks — Russian Defense Ministry/AP

North Korea would be a serious violation of UN sanctions, which seriously jeopardises the integrity of the sanctions regime," said Aaron Arnold, a counter-proliferation expert who has served in the US government and on a UN panel monitoring North Korean sanctions violations.

"Why should other member states, for example, implement UN sanctions if Russia, a permanent member of the Security Council, fails to do so?" Arnold added. "Russia's actions will also likely hamstring the ability of the UN sanctions committee to conduct its work, as Russia will use its veto to block any meaningful response."

Additional reporting by Max Seddon in Riga

See Lex

INTERNATIONAL

New UK leader on collision course with central bank

Generous energy subsidies to help households risk clash over policy

CHRIS GILES — LONDON

Britain's new prime minister is setting up a policy clash with the Bank of England that economists think will lead to a jump in interest rates before Christmas.

Liz Truss's plans for generous energy subsidies will boost the economy, lowering measured inflation and helping households maintain their spending levels, but this is likely to force the central bank to raise rates faster to keep inflation under control.

Financial markets are betting the central bank's official interest rate will rise from the current level of 1.75 per cent to over 3 per cent in December in a jump designed to shock households and companies.

There are three Monetary Policy Committee meetings before Christmas, the first on September 15. Allan Monks, UK economist at JPMorgan, said: "It looks increasingly likely that the BoE will deliver a 0.75 percentage point rate hike next week."

Allies of Truss have indicated she will announce a plan to address soaring energy costs tomorrow based around a freeze in bills at a level of £2,500 a year, which is larger than economists had expected. The BoE did not factor any new support into its August forecasts.

Freezing energy bills would stop inflation rising far above the 10.1 per cent level it reached in July, but the BoE thinks the economy needs to go into recession to bring it down sustainably.

A large fiscal stimulus would moderate the chances of recession, Monks added, but that "would likely leave the economy and labour market more resilient than the BoE expected in August, and place a greater burden on the bank to bring inflation down by taking rates higher". He said monetary and fiscal policy were likely to "collide".

In a tough speech on Monday, Catherine Mann, an external members of the MPC, said interest rate rises needed to be "fast and forceful" in order to show the BoE was serious about meeting its inflation target. That was better, she said, than relying on economic weakness alone to bring inflation down.

Writing in the Financial Times this week, Kwasi Kwarteng, set to become finance minister, said that "co-ordination across monetary policy and fiscal policy is crucial". But economists think this will be almost impossible to achieve if the government is seeking to boost spending while the BoE is trying to damp demand.

James Searle, European interest rate strategist at Citi, warned that "fiscal and monetary policy in the UK are now set to pull in different directions".

He added the developments were "concerning" because Treasury policy would contradict that of the central bank and "it also suggests a fundamental incongruity in the analytical framework used by the central bank and fiscal authority".

With the BoE having the final word, Searle predicted "the MPC will react with growing degrees of aggression to further fiscal easing".

Jonathan Portes, professor of economics at King's College London, believes this conflict is inevitable. "Trussonomics means more borrowing," he said, cautioning that while increasing government debt was not a problem for the BoE when interest rates were stuck close to zero, that did not apply now. "UK interest rates are well off their floor and are headed up. Inflation, of course, is running at about 10 per cent," he added.

Truss, meanwhile, has become less aggressive towards the BoE as she has come closer to power.

In July, she wanted to review the BoE's mandate and called for ministers to give the bank "a very clear direction of travel on monetary policy". But this week, she has pledged her support for the bank's independence, saying "it is the Bank of England's job to bring inflation down".

Top job: Queen Elizabeth II greets new British prime minister Liz Truss at Balmoral Castle in Scotland yesterday — Jane Barlow/AFP/Getty Images

Trade rules
Truss to step back from early tussle with EU

Liz Truss is to pull back from an early confrontation with the EU over post-Brexit trading rules with Northern Ireland, with Brussels and Dublin hoping for a narrow "opportunity" to reset relations with the new prime minister.

Truss's allies say the new premier will not activate the emergency Article 16 override provisions in the Northern Ireland protocol in the coming weeks, a move EU diplomats say would have been seen as "a provocative act".

The new prime minister's team had considered using Article 16 because the so-called "grace periods" which the EU and UK agreed in 2020 to allow lighter touch controls on trade between Great Britain and Northern Ireland are due to expire on September 15.

But EU officials now expect Truss to request an extension to the grace periods and with both sides agreeing to "muddle through" to buy time and open the door for talks to try to end the bitter stand-off.

One ally of Truss said: "I'd be surprised if we go down the Article 16 route, although we're not ruling anything out."

Truss is committed to passing legislation to rewrite the Northern Ireland Protocol, part of Boris Johnson's Brexit deal, a move which EU diplomats have equated to "putting a loaded gun on the table". Talks have been on hold since February.

Ireland's prime minister, Micheál Martin, said Truss's election opened an "opportunity" to reset relations.

"I hope we can use the period ahead to prioritise EU-UK engagement," he said in a statement.

George Parker and Peter Foster in London, Jude Webber in Dublin and Andy Bounds in Brussels

US climate

California heatwave stirs blackout fears

Electricity grid comes under strain as record power use forecast

MYLES MCCORMICK — NEW YORK
CHRISTOPHER GRIMES — LOS ANGELES
AND JUSTIN JACOBS — HOUSTON

A blistering heatwave in California is putting record strain on its electricity grid, with power managers urging residents to turn up thermostats and turn off appliances to avoid rolling blackouts.

The California Independent System Operator, which co-ordinates the flow of electricity across most of the state, forecast power use of more than 51,000 megawatts at 5.30pm yesterday, a level that would surpass a previous high set in 2006. As of Monday, the agency had identified "supply deficiencies" of up to 3,400MW at the peak hour.

The warning comes days into a heatwave that has baked much of the US west. Temperatures were forecast to reach above 110F (43C) in the interior of the state yesterday, breaking records, before gradually decreasing later in the week, according to the National Weather Service.

California has been able to avoid its second set of rolling blackouts in two years through conservation during the early evening hours, when air conditioning use surges and supply drops as the setting sun reduces output from the state's vast solar power sector.

Caiso, the grid operator, said customers could curtail power use between 4pm and 9pm by adjusting thermostats, turning off lights they do not need, avoiding the use of appliances and refraining from charging electric vehicles. Utilities in adjacent states, such as Berkshire Hathaway-owned NV Energy in Nevada, have made similar requests.

"Over the last several days we have seen a positive impact on lowering demand because of everyone's help, but now we need a reduction in energy use that is two or three times greater than what we've seen so far as this historic heatwave continues to intensify," said Elliot Mainzer, Caiso chief executive.

The situation shows how the increasing frequency of extreme temperatures is affecting even the richest parts of the world. At $3.4tn in 2021, California's economy is the largest in the US and outstrips those of countries including the UK, India and France.

California is also at the forefront of a transition to a lower-carbon energy system that leans heavily on electricity. Last month it enacted rules to phase out sales of new petrol-powered vehicles by 2035. The state legislature also passed a law to extend the life of California's last nuclear plant, the 2,240MW Diablo Canyon, as a steady source of zero-carbon power.

> The heat was forecast to reach above 110F (43C) in the interior of the state yesterday, breaking records

Extreme heat last led to rolling blackouts in the state in August 2020 — the first time in 20 years — after the grid as pushed to the brink by what officials dubbed a "one in 30-year weather event".

A report later blamed those blackouts on a combination of climate change, inadequate planning in the state's transition to intermittent wind and solar power and issues in the energy trading market.

Gavin Newsom, California governor, said that while the state had since taken steps to address the problems, including adding 4,000MW of supply to the grid and developing emergency measures, this year's crisis was exacerbated by drought conditions limiting the availability of hydroelectric power, as well as the length of the heatwave.

Last week he declared a state of emergency in an effort to free up extra power resources during the heatwave.

Africa

Zambia seeks $8bn relief on debts, says IMF

JOSEPH COTTERILL — JOHANNESBURG

Zambia is asking for more than $8bn of relief on its debts to Chinese lenders, private bondholders and other creditors, according to an IMF analysis, in a restructuring widely seen as a test of Beijing's willingness to absorb losses on loans it has extended to developing countries.

After securing an IMF bailout last week, Zambia plans to reduce its debt payments by $8.4bn over the next three years, according to a fund analysis that was published yesterday. Further debt adjustment was likely later on, it added.

President Hakainde Hichilema's government secured the $1.3bn IMF loan two years after Zambia became the first African country to default in the pandemic following what the fund called "years of fiscal profligacy".

The country's debts quadrupled between 2014 and 2019 amid a surge in infrastructure borrowing under Edgar Lungu, the former president, who lost elections last year to Hichilema.

With Lusaka owing about $6bn of its $17bn in external debt to Chinese lenders, China is its biggest creditor. Beijing's handling of Zambia's bailout is seen as a litmus test for how it deals with defaults by other developing economies, such as Sri Lanka and Bangladesh.

The IMF offered the bailout after bilateral creditors, including Chinese lenders, agreed in principle to debt relief. But Zambia must negotiate the details of how to restructure those loans, which include $3bn of dollar eurobonds.

Zambia has to cut down the amount that it spends on servicing debts from nearly two-thirds of revenues to about 14 per cent in 2025, and it should maintain this ratio for most of the next decade, the IMF said.

Lusaka hopes to finish talks with official lenders by the end of the year and will then start talks with private creditors. Zambia will ask creditors to agree to either outright writedowns of debt or to accept an extension of the term of

Bangalore Floods submerge India's Silicon Valley

Intense flooding has submerged parts of Bangalore, India's technology capital, overwhelming multimillion-dollar homes, wrecking slum housing and cutting off transport links to offices.

The downpours in eastern areas of the city in the south-western state of Karnataka follow worse flooding across Pakistan, which has killed at least 1,300 and damaged nearly 1mn homes.

Events in Bangalore highlighted the vulnerability of even relatively prosperous cities in the region to extreme weather, exposing chronic infrastructure deficiencies in a city known as India's Silicon Valley.

Heavy rainfall this week turned a critical ring road that connects the city with nearby business parks into a river. Local media reported power outages and loss of water supplies in some areas. One woman was reportedly killed by electrocution.

Bangalore is India's most important centre for tech talent and hosts big global groups such as Microsoft, Cisco and Visa. "This is the result of bad governance and corruption," Mohandas Pai, a former Infosys executive and chair of venture fund Aarin Capital, said of the flooding.

He said it was "a wake-up call for the city government and state that we have to invest more in infrastructure" and that officials of the state government who had been negligent should be sacked. "The government has to show it cares." Karnataka infrastructure officials did not immediately respond to a request for comment.

Basavaraj S Bommai, the state's chief minister, said the recent rainfall was the worst in "90 years" and said local authorities were working around the clock to help those stranded.

Bangalore usually experiences heavy rainfall at this time of year. But as the city has grown in the past 20 years, property developers have built eastward, encroaching on nearby lakes

Blocked: vehicles struggle to negotiate a flooded road in Bangalore yesterday
Jagadeesh NV/EPA-EFE

Bharatiya Janata party, blamed "totally unplanned administration" of the previous Congress government for unchecked construction.

Several gated communities were submerged, with residents evacuated in tractors and inflatable boats.

Gaurav Munjal, chief executive of education technology start-up Unacademy, tweeted a video of his family and pet dog riding in a rescue tractor. "Things are bad," he wrote. "Please take care."

Residents said Bangalore had been a victim of its own success, with construction needed to cope with a huge influx of migrants transforming a city once famed for its lush greenery.

"There has been unmatched growth in this part of the country in the last 20 years," said Sanjay Swamy, a venture capitalist. "With that comes a combination of greed and shortcuts taken to try to maximise that opportunity at all levels, whether in the

GLOBAL INSIGHT
LATIN AMERICA

Michael Stott

Chile's rejection of populism sets an example for the world

Populism has cast a particularly long shadow in Latin America. Crowd-pleasing orators proclaiming a new utopia pepper its recent history.

General Juan Domingo Perón spawned a movement in the 1940s so powerful it has dominated Argentine politics ever since. More recently, Hugo Chávez's "Bolivarian revolution" in Venezuela and Andrés Manuel López Obrador's "Fourth Transformation" in Mexico have seduced voters with promises that belied the authoritarianism of their respective leaders.

In this unpromising political landscape, Chile's decision in a referendum on Sunday to reject an impossibly utopian constitution stands out as a remarkable example of civic maturity. This is a setback for leftwing president Gabriel Boric, the former student protest leader who had staked much political capital on the now-rejected radical draft.

Voters were promised the earth (the draft would have granted constitutional rights to nature). Attractive-looking carrots abounded among the 388 articles drawn up by a special assembly after a year of sometimes raucous debate.

The draft constitution obliged the state not only to provide health, education and housing but also to ensure the production of healthy food and the promotion of Chilean national cuisine. Bizarrely, in a country where millions still lack broadband internet services, it would have guaranteed a right to "digital disconnection".

Yet Chileans saw through the utopian vision amid an altogether more prosaic reality of rising inflation, a slowing economy and myriad economic challenges. Nearly 86 per cent turned out to vote, and almost 62 per cent of them voted against the new constitution.

> Chileans saw through the utopian vision amid a more prosaic reality

Such electoral maturity is unusual anywhere, let alone in a middle-income country. According to a global study by two American academics, Zachary Elkins and Alexander Hudson, voters have approved 94 per cent of the 179 new constitutions put to them since the French Revolution of 1789.

But Chileans did not abandon a desire to shed the constitution, drawn up under Augusto Pinochet's military dictatorship from 1973-90. Colombia's leftwing president, Gustavo Petro, tweeted after Sunday's result that "Pinochet has come back to life". He could not be more wrong.

"Some thresholds have been crossed and there is no going back," said Andrés Velasco, a Chilean ex-politician, now dean of the School of Public Policy at the London School of Economics. "There will be a new constitution. The representation of women and ethnic minorities is now ensconced in politics, access to abortion will be broadened and gay marriage will remain legal. On values and inclusivity, Chile has moved forward and this will not change."

What is likely to come next is a fresh attempt to rewrite the constitution. This will correct past mistakes by ensuring delegates to a new constituent assembly are more representative of a country that is broadly divided between left and right.

It will still ensure that long-marginalised indigenous communities have representation but ensure that this is proportionate. It will not give single-issue activists an unfair advantage.

Out of that process will probably emerge a new charter that gives stronger individual rights to Chileans and a bigger role to the state in guaranteeing essential public services. In short, something more like a European-style welfare state and less like a Friedmanite free market. It will be an evolution rather than a revolution.

That process promises to be peaceful and democratic. Within hours of the referendum result, Chileans across most of the political spectrum accepted the result as fair, made conciliatory statements and began to build consensus for a more moderate new charter. Even Boric accepted the need for a document "that unites us as a country".

In their desire to reject populism and embrace consensus, expressed peacefully and democratically, Chileans

their loan repayments.
Analysts have said that Beijing is likely to favour lengthening the time.

Indian outsourcing groups Infosys and Tata Consultancy Services as well as

and compromising drainage systems.
Bommai, who belongs to the ruling

private sector or in the government."
Chloe Cornish, Mumbai

have set an example to the world.

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Latin America. **Campaign trail**

Wives of rivals in Brazil's presidential election take centre stage

Bolsonaro's camp focuses on women and evangelicals while Lula's embraces family values

BRYAN HARRIS AND MICHAEL POOLER
SÃO PAULO

At campaign rallies for her president husband, Michelle Bolsonaro paces the stage, invokes the power of God and embraces the crowd with hugs and handshakes.

Jair Bolsonaro's 40-year-old third wife has emerged as an asset in his re-election campaign as he attempts to galvanise evangelicals and appeal to women. The president, who is lagging behind in polls ahead of the first round vote on October 2, was "the one chosen by God", she told a cheering crowd at his campaign launch in Rio de Janeiro. "This man has a pure heart, a clean heart, in addition to being beautiful."

Michelle Bolsonaro is not the only spouse to take an active role ahead of what is expected to be a highly polarised election. Rosângela da Silva, the wife of race frontrunner, former leader Luiz Inácio Lula da Silva, is also increasingly prominent.

"Campaigns were not always like this," said Vera Chaia, a professor of politics at the Pontifical Catholic University of São Paulo. "Today the role of the wives is becoming more prominent." Of Michelle Bolsonaro, she said "she uses a pastor's style".

Born in Brasília, Michelle Bolsonaro met her then lawmaker husband while working as a secretary in Congress and later joined his office. Although she barely appeared in his 2018 presidential campaign, Jair Bolsonaro regularly invoked her father, a bus driver from the north-east of Brazil, to burnish his credentials with voters from the populous and poor region.

This year, he has put her to the fore. "The most important person at this moment is not the president of the republic. It is not the candidate for the presidency. It is Mrs Michelle Bolsonaro," he told supporters last month, the first lady by his side.

Political analysts say her objective in the campaign is to help reduce his rejection rate among women, who dislike his overt machismo and his history of misogynistic language.

Among female voters, Bolsonaro trails Lula by as many as 18 percentage points, compared with a 15-point deficit among all categories of voters, according to a Datafolha poll.

Michelle Bolsonaro with her husband at a rally last month Silvia Izquierdo/AP

Bolsonaro did little to dispel the perception of sexism when he berated a female journalist who posed a question at a recent presidential debate. He also insulted another candidate, Senator Simone Tebet, who asked: "Why so much anger towards women?"

Another goal is to consolidate Bolsonaro's support among evangelical voters, who account for about 30 per cent of the electorate. Although these voters tend to sympathise with the president's rhetoric about traditional family values, Lula is increasingly vying for their support.

Malu Gatto, a professor of Latin American politics at University College London, said: "As an evangelical herself, Michelle speaks the language of evangelicals. She knows how to convey what is at stake in a way that comes across as more genuine than Bolsonaro, who doesn't know how to naturally employ the language used among evangelical circles."

Rosângela da Silva, a 56-year-old sociologist known widely as Janja, has been an activist in Lula's Workers' party for decades. They began dating after the former president was widowed in 2017 and married shortly after Lula launched his election campaign in May.

Lula framed the marriage as a symbol of his commitment to "love", which he wants to restore to Brazil after the years of what he calls the "hate" of Bolsonaro. But political analysts viewed the move as a way to deal with mounting conservative attacks that the former president, who is supportive of LGBT+ rights, does not believe in traditional families.

"[The wedding shows] Lula is also part of a family, he has a traditional marriage. It is to reinforce this idea of Lula as a person who values the family," said Gatto.

Rosângela da Silva is a visible presence on the campaign trail, often singing at events and caring for Lula, who is prone to losing his voice after suffering throat cancer a decade ago. She is also seen as influencing Lula's thinking on the environment and social causes, such as women's rights.

"For me, Janja is the opposite of Michelle. She has another way of looking at the world, at issues like machismo and the patriarchy, which Michelle doesn't have," said Fernanda Barcelos, a 29-year-old artist from São Paulo and supporter of the Workers' party.

"I see Michelle as a pawn and Janja as an activist. For me they are the complete opposites."

Additional reporting by Carolina Ingizza

Fast foodtech Uber founder rapidly expands CloudKitchens start-up, buying and building sites across Latin America ➜ COMPANIES

Companies & Markets

Directors with multiple board seats squeezed by BlackRock

- Rebukes issued in dissenting votes
- Fink steps up governance scrutiny

PATRICK TEMPLE-WEST — NEW YORK

BlackRock is clamping down on company directors in the US technology industry who sit on too many boards, as chief executive Larry Fink intensifies the fund group's scrutiny of corporate governance.

The largest asset manager said in regulatory filings at the end of August that it had voted against the reappointment of Sanford Robertson to the board of Salesforce, where he is chair of the US software company's governance committee.

BlackRock claimed Robertson, who is also a founding partner of Francisco Partners, a technology-focused private equity firm, was "responsible for [a] lack of independence" on Salesforce's board. It was the first time BlackRock voted against Robertson in the past three years.

Robertson was said to be 'responsible for lack of independence' on the board of Salesforce

It also voted against Egon Durban, board director at Twitter, who sat on seven public company boards. Durban, who is co-chief executive at venture investor Silver Lake, lost the vote to stay at Twitter in May, but the company said he could remain on the board if he dropped two of his other positions.

The crackdown on "overboarding" is a part of a broader push under Fink to improve the corporate governance of companies in which BlackRock invests.

However, the company's stance diverges from rival asset manager Vanguard, which voted in favour of Robertson and Durban, underscoring the different approaches investors are taking to board compositions.

Luigi Zingales, a professor at the University of Chicago Booth business school, said BlackRock had positioned itself as "changing the world for the better", whereas Vanguard "has always sold itself as the low-cost guy".

For three consecutive years, BlackRock has voted against Alphabet board member Ann Mather, a former chief financial officer at animation studio Pixar, because she sits on an "excessive" number of boards, the asset manager has said.

Under fire from BlackRock, Alphabet changed its board rules this year to prevent members from serving on more than five boards, including its own. Mather left the board of rental company Airbnb and computer networking company Arista Networks, but BlackRock still opposed her appointment at Alphabet's June annual meeting.

Alphabet declined to comment.

Amazon has come under scrutiny. BlackRock voted against Judith McGrath on Amazon's board, saying she "has not demonstrated [an] ability to effectively represent shareholders' best interests".

It was the first time in three years that BlackRock had opposed McGrath, former chair and chief executive of MTV.

The dissenting votes represented rare rebukes from BlackRock, which supported more than 92 per cent of board members in the Americas from July 2021 to the end of June this year. The fund group has previously said it wants people to serve on no more than four company boards.

BlackRock declined to comment.

Vanguard said it would generally vote against people who served on more than four public company boards, although there could be exceptions.

It said: "We take a case-by-case approach to evaluating potential overboarding situations."

Final touches VW backs Porsche listing amid concern over governance and thin size of IPO

Volkswagen sought to reassure investors wary over the details of Porche's flotation — Sebastian Gollnow/DPA/AFP via Getty Images

JOE MILLER — FRANKFURT

Volkswagen has defended the timing and structure of the long-awaited listing of its Porsche brand, as it seeks to reassure investors with concerns about corporate governance and the gloomy economic environment.

"There's a lot of capital in the market and we think that the Porsche IPO could be an icebreaker . . . and show what's possible," said Porsche chief executive Oliver Blume, who also took over as VW boss this month.

Blume's comments came after VW confirmed late on Monday that it intended to float a small portion of Porsche's shares, with retail investors being offered only non-voting stock.

The group said it aimed to take its most profitable subsidiary public in Frankfurt at the end of this month or at the start of October, barring a significant shift in market conditions.

It prompted VW's shares to finish 3.7 per cent higher yesterday in Frankfurt.

Bankers involved in the transaction said investor interest so far pointed to a valuation close to €80bn, the upper end of analysts' estimates. If achieved, that would value Porsche's initial public offering at about €10bn, just behind Deutsche Telekom's $13bn public debut in 1996 in the list of largest German flotations.

But the thin size of the float, which involves the sale of just 12.5 per cent of the sports-car maker as well as governance fears after the appointment of Blume as VW boss, were not well received by investors, two people familiar with the discussions said.

Porsche had first pitched the partial IPO as a route to "increased corporate independence" for the Stuttgart-based marque and said it would have more autonomy as profits would no longer be handed to VW. Months later, ex-VW chief Herbert Diess was defenestrated by shareholders and unions, leading to the appointment of Blume who will maintain both roles even once the IPO is completed.

"In my role as Volkswagen Group chief executive, I will at the same time work on ensuring that synergies continue to exist in both directions in terms of sales volume, components, technologies or plans," Blume said yesterday. "If conflicts of interests nevertheless arise, we will strictly separate matters," he added, emphasising that while VW and Porsche "have the same interests", the Porsche board would always make "independent decisions".

VW's chief financial officer Arno Antlitz defended the structure of the planned flotation, which will involve only 10 per cent of Porsche shares on offer after VW shareholder Qatar earmarked 2.5 per cent, with almost half of the IPO proceeds paid out as a special dividend.

Equinor chief favours higher taxation for energy sector

TOM WILSON — LONDON

Higher taxation of energy companies is justified if it gives governments the means to ease costs for consumers and other businesses, Equinor's chief executive has said, in a rare message of support from a corporate leader for higher levies.

The Norwegian state-controlled group, the largest supplier of piped gas to Europe after Russia, has been among the biggest beneficiaries of Moscow's decision to choke supply to the continent, which has sent prices rising to records. Pre-tax earnings hit $17.6bn in the second quarter, triple the level of a year earlier.

"We are fully aware that there are people on the other side of the gas bill," Anders Opedal said. "Of course we would like a very stable framework around our business, but we do see the need for government to intervene."

European gas prices hit a record €343 per megawatt hour in August and are trading at about €240 per megawatt hour, more than 20 times higher than two years ago. The rally has supercharged profits for European gas producers, leading to calls on companies such as Equinor, BP and Shell to help ease the cost for customers.

But Opedal argued that governments were better placed than oil and gas companies to take the action needed to support businesses and households through the energy crisis.

"It is much better that government distribute wealth than commercial companies start to do something on their own, which would not be evenly distributed and might not hit the right group of people," he said.

Opedal's message of support for higher taxes comes as Brussels weighs measures to tackle the widening crisis, including possible blocwide levies on fossil fuel producers and electricity generators. The UK imposed an "energy profits levy" on oil and gas producers in the North Sea in May.

Equinor pays a marginal tax rate of 78 per cent in Norway, where it generates the majority of its earnings and which is not a member of the EU. It is possible that Equinor's tax rate will not rise.

Opedal said he viewed Equinor's principal responsibility to be increasing the flow of gas into Europe to ease the supply crunch. Between April and June it increased gas output 18 per cent against the same period a year earlier.

Japan's late 'god of management' offers practical lessons for today

INSIDE BUSINESS
ASIA
Kana Inagaki

As a messy succession crisis unfolded at Apple supplier Nidec, Shigenobu Nagamori, its 78-year-old founder, had a big regret.

Over the past decade, he had poached a number of high-profile executives from carmaker Nissan and electronics maker Sharp as potential heirs. But none of his outside picks met his towering expectations. They left the company, leaving an exasperated Nagamori to last week tap one of Nidec's founding members as a temporary president.

"When Mr Kazuo Inamori was alive, he told me that a company insider is best as president. His warning turned out to be true," Nagamori said, acknowledging with guilt that he had finally realised how talented his employees were.

Inamori, the renowned founder of ceramics company Kyocera and telecoms group KDDI, died at the age of 90 in Kyoto last month. Known in Japan as the "god of management", he was one of the country's great industrialists. Along with Sony's Akio Morita and Soichiro Honda, founder of the carmaker, Inamori helped drive the country's economic miracle in the postwar period. He also helped rebuild Japan Airlines from the ashes of bankruptcy in 2010 without receiving a dime for his role as chair.

Long before stakeholder capitalism and the need to serve employees along with investors became vogue in the west, Inamori's management philosophy had centred on his belief that companies should focus on the livelihood and wellbeing of employees instead of simply pursuing profits.

In his first interview with the Financial Times in 1978, Inamori explained that what tied his company and workers was not simply a financial contract but "a human relationship" based on trust and partnership.

His motivation, he claimed, had nothing to do with accumulating personal wealth. "We have a saying: money has legs and if you try to catch it, it will run away from you," he said. At the same time, he was a ruthless cost-cutter, who had forced the proud employees of JAL to save expenses on everything from lunch boxes to corporate pamphlets.

> Inamori was a warrior and a rebel who resisted meddling as he turned Kyocera and KDDI into global tech participants

The teachings of Inamori were surprisingly simple: don't be greedy or selfish, be honest and, most importantly, do what is right as a human being. His principles resonated beyond Japan to China and attracted 15,000 students to his leadership schools worldwide, including SoftBank founder Masayoshi Son.

How do these teachings resonate today? In his book *A Compass to Fulfilment*, Inamori himself questioned and then quickly rejected the idea that his philosophy was too outdated for the complex modern world. He argued that a sincere attitude and a focus on the universal good as opposed to national interests were needed to settle international trade and history disputes.

In an era where nationalism is on the rise following the supply chain disruptions of Covid-19 and the energy crisis sparked by Russia's invasion of Ukraine, there are practical lessons to take away.

One is the need for entrepreneurial spirit at a time when the start-up scene in Japan is so dormant that the government has promised heavy state investment. Like the Honda founder, Inamori was a warrior and a rebel who resisted meddling from the government and banks as he transformed Kyocera and KDDI into global technology participants.

By setting up KDDI, Japan's second-largest carrier, he brought competition to a market that was controlled by formerly state-owned NTT.

When Japanese manufacturers proved too conservative to try out what is now Kyocera's technology, Inamori ventured into the US, eventually clinching a contract with Texas Instruments to supply electrical resister rods for the Apollo space programme.

Inamori's best-known concept of "amoeba management", which involves dividing up large organisations into small units that draw up their own goals and strategic plans, is also pertinent.

Companies will need independent thinkers to come up with innovative ways to navigate an environment where governments will feel compelled to intervene in the name of ensuring economic security.

His bottom-up management style and his investment in training employees have allowed Kyocera and KDDI to avoid the succession challenge plaguing corporate Japan. Inamori, who decided to retire at the age of 65 to study Buddhism, never clung to his leadership position: "It did not have to be me who founded Kyocera or KDDI. By chance, heaven provided me with that role and I was merely acting it."

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COMPANIES & MARKETS

Financial services

Tax officials show distrust of Big Four

Only a quarter in OECD study believe firms follow spirit of law consistently

MICHAEL O'DWYER
ACCOUNTANCY CORRESPONDENT

A majority of tax officials believe the Big Four accounting firms try to exploit loopholes in laws to help clients at least some of the time, with only a quarter believing they consistently follow the spirit of the law, an OECD study finds.

Tax authority employees also believe Deloitte, EY, KPMG and PwC are more likely than local accounting firms to advise clients to use aggressive tax strategies, underlining a lack of trust between the firms and officials.

The study found a widespread belief in tax bodies that the Big Four promote artificial planning structures. A significant minority of officials said the firms used lobbying power illegitimately.

The Big Four's tax departments, some of which include income from their smaller legal services functions, reported combined revenues of $37bn in their most recent annual results.

Much of the public scrutiny of the Big Four in recent years has focused on oligopoly power and the quality of audits after scandals such as Wirecard, 1MDB and Carillion. But some partners believe their tax advisory and lobbying activities have a far greater impact on the global economy than their audit functions.

The Big Four were generally seen as formally co-operative but the findings suggest a large proportion believe the firms try to exploit loopholes.

The OECD report is based on a survey of more than 1,200 tax officials from 138 countries.

About a quarter of those surveyed said the Big Four followed the spirit of the law in the majority of cases.

In Latin America and the Caribbean, 45 per cent said the firms never did so, or did so in only a few cases. The figures in Africa, Asia and the OECD countries were 40 per cent, 29 per cent and 30 per cent respectively. The number of respondents who said that the firms were transparent in the majority of cases, providing all relevant information when requested, ranged from 18 per cent in Latin America and the Caribbean to 31 per cent in the OECD.

The proportion who believe that the four sometimes or often use power illegitimately to lobby on behalf of clients to influence tax policy and laws varied from 26 per cent in Asia to 37 per cent in Latin America and the Caribbean.

While many of the findings exposed mistrust of the Big Four among public sector employees, in most regions the number of respondents who believed the firms encouraged clients to be less compliant and to pay less tax was heavily outweighed by those who said they encouraged increased compliance.

PwC did not agree with all the views in the report but agreed that "trust is a key component to the effective operation of tax systems". Its code "clearly acknowledges the importance of the public interest in any decisions".

EY welcomed the OECD's work "as well as . . . work to remove misconceptions and strengthen the constructive dialogue between taxpayer and tax authority". It was "committed to complying with all laws and regulations in all jurisdictions; and abides by the highest standards of professional conduct".

Deloitte and KPMG declined to comment.

Financial services

EY chiefs set to give green light on break-up of consulting and audit divisions

MICHAEL O'DWYER
ACCOUNTANCY CORRESPONDENT

EY's global leaders are preparing to give the go-ahead for a plan to break up its audit and consulting businesses, taking partners at the Big Four group closer to multimillion-dollar payouts as part of its most radical overhaul in two decades.

The firm's global executive committee met on Monday to discuss the deal, according to people with knowledge of the arrangements, with a decision to proceed with the split expected this week.

EY said on Monday that discussions were continuing and "no decision has been made on moving to the next phase".

However, planning has begun for an announcement as soon as this week, as well as for calls to brief clients on the next stages of the process once a decision has been confirmed, according to people at the firm.

A decision to proceed with the split would pave the way for the firm to seek approvals at the regional and national level, including country-by-country votes by the roughly 13,000 partners who own and run the business.

Carmine Di Sibio, EY's global chair, had hoped the firm's global leadership would have reached an agreement to proceed with the break-up several weeks ago, saying in July that he hoped to win approval within a "couple of weeks".

> A decision to proceed would pave the way for approvals to be sought at regional and national level

But the timeline slipped repeatedly as partners disagreed over how billions of dollars of liabilities should be split and the firm's advisers struggled to resolve regulatory issues in different jurisdictions, including China.

If approved, the plan would result in EY spinning off, and most likely publicly listing, its advisory business, which offers consultancy, deals advice and managed services.

The move is intended to free the advisory business from conflicts of interest

Media. Sector disruption

Battle breaks out for India's independent news

TV broadcaster Roy – a fierce critic of Modi – fights corporate raid from rival magnate Adani

CHLOE CORNISH — MUMBAI
JOHN REED — NEW DELHI

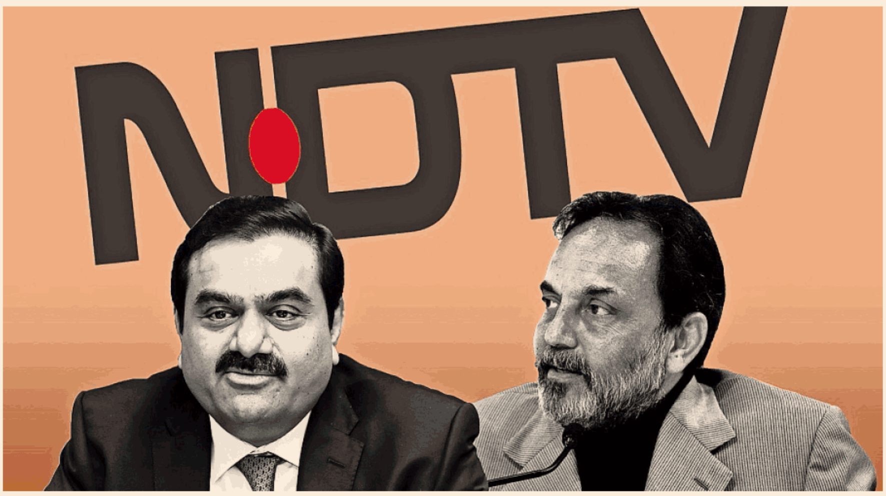
At a private dinner in 2007, a television anchor was not about to let a politician go unchallenged. Prannoy Roy, a broadcaster and co-founder of media group New Delhi Television, confronted then Gujarat chief minister Narendra Modi over rioting in the state five years earlier that led to nearly 2,000 deaths.

Roy's ambush set the tone for combative relations with Modi, prime minister since 2014. At the gathering, Modi stuck by his denials of involvement in riots, but left before food was served, according to investor and Financial Times contributor Ruchir Sharma in his book *Democracy on the Road*.

Now the media mogul is the one being cornered. Gautam Adani, a magnate seen as close to Modi, launched a corporate raid on NDTV last week.

Roy and his wife and co-founder Radhika Roy are fighting Adani, the world's third wealthiest person, for control of a group that supporters say is a bastion of media independence.

Defeat for the Roys would leave India's biggest TV news channels controlled by billionaires, with what some analysts have argued would be pro-



Moguls melee: Gautam Adani, above left, has swooped on New

shell group bought by Adani late last month.

The Roys are known for producing the country's first independent TV news

stakes. NDTV was already facing fierce rivalry for advertising revenue when the financial crisis struck in 2008. The Roys had been determined to buy back

> 'In a noisy democracy, you need

brought down borrowings from Rs632mn to Rs178mn.

RRPR, owned by the Roys, which holds the 29 per cent stake, has refused found implications for media plurality.

Mukesh Ambani, chair of Reliance Industries and India's second-richest man, controls the expansive Network18 media group and is building a new streaming service in collaboration with James Murdoch.

"Between Ambani and Adani, they will now control the two largest networks," said Indrajit Gupta, former editor of Forbes India and co-founder of online platform Founding Fuel.

"In a noisy democracy, you need to listen to a few different voices, but with this you lose diversity."

Adani, like Modi, comes from Gujarat. The first-generation entrepreneur supported the then chief minister when he was criticised over handling of the riots, and his rise since has tracked Modi's. Adani has backed the prime minister's vision for nation-building and is the dominant participant in Indian infrastructure.

Adani has denied any improper relationship to the prime minister.

The Roys opened the way for their loss of control when they borrowed indirectly from Ambani's Reliance Industries over a decade ago.

That loan paid no interest, but came with warrants convertible to ownership of a company set up by the Roys that holds 29 per cent of NDTV's stock — a time bomb that was contained inside a

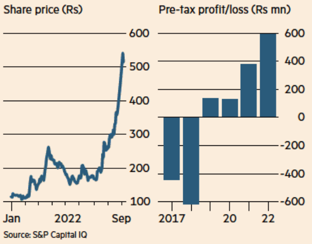
Delhi Television, founded by Prannoy Roy, above right, while Mukesh Ambani, below right, is building a streaming service with James Murdoch
FT montage/epa/Getty

show in 1988. Originally appearing on the state broadcaster, NDTV tied up with Rupert Murdoch's Star network amid economic liberalisation in the 1990s. NDTV later launched channels for news in Hindi and English as well as for business and lifestyle content.

"There is an entire generation of Indian TV journalists who grew up under the NDTV umbrella and owe a huge debt to the Roys," said Rajdeep Sardesai, a news anchor and editor with TV channel India Today, who spent 11 years at NDTV.

The company went public in 2004, although the Roys retained controlling

NDTV



Source: S&P Capital IQ

NDTV stock before the crisis hit, but needed to borrow to do so. Their borrowing eventually led to the ill-fated loan from Ambani, according to a securities regulator tribunal.

Once considered by politicians the go-to station for appearances, NDTV's testy relationship with Modi's Bharatiya Janata party administration has hurt its bottom line.

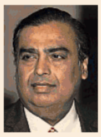
Before the BJP came to power, NDTV in 2013 demonstrated its political connections with a 25th anniversary party in the presidential palace.

But one Indian executive said the Roys were part of the old establishment. "The system has turned, and they have turned victim of the system," the executive said.

Government agencies pulled advertising, while BJP spokespeople did not participate in its programmes. Authorities including the Income Tax Department and Central Bureau of Investigation brought cases against NDTV and the Roys. One such probe prevented their travelling abroad in August 2019. The Roys have always denied wrongdoing.

NDTV's finances have been improving. Revenue from operations for the financial year ending in March was Rs2.3bn ($29mn), up from Rs2bn the previous year. Annual profits rose to Rs600mn from Rs380mn. NDTV

' to listen to a few different voices, but with this you lose diversity'



to transfer the shares to an Adani Group subsidiary without approval from the regulator.

But analysts said the Roys would struggle to fend off the deep-pocketed Adani, who has offered to buy a further 26 per cent of NDTV's stock from shareholders. NDTV's biggest public investor, with a nearly 10 per cent stake, is Mauritius-registered LTS Investment Fund, whose portfolio is 98 per cent invested in Adani Group companies. NDTV's stock began climbing this spring on deal speculation.

Some observers projected that a successful takeover by Adani's media arm would lead to the watering-down of NDTV's editorial independence.

The Adani Group did not respond to a request for comment.

Sanjay Pugalia, chief executive of the group's AMG Media Networks, said the company sought to "empower Indian citizens, consumers and those interested in India with information and knowledge".

Meenakshi Ganguly, south Asia director at Human Rights Watch, said Modi's government had few remaining critics such as NDTV. "This is an administration that largely enjoys a loyal media, whether by choice or fear," she said.

India's information and broadcasting ministry did not respond to a request for comment.

that restrict it from winning work with EY's audit clients.

A split would result in seven-figure cash payments to audit partners and multimillion-dollar share awards for the thousands of partners who would move to the new advisory business.

Job offers made to prospective advisory partners, which were dependent on the new arrivals receiving as much as £7mn-£10mn worth of shares in the newly spun-out business, had been effectively put on hold pending a decision, said a person with knowledge of the process. But external candidates have been given an indication that the break-up was likely to proceed, meaning they would receive their share awards if they joined, the person said.

Ratification by the global executive committee this week would not guarantee that the separation would go ahead. The proposed split would need the approval of partners in each country, with those countries that rejected the split excluded from the separation.

The break-up plan would collapse if partners in a critical jurisdiction, such as the US or UK, were to reject it. Partner votes are expected to take place between November and January, later than initially intended.

"There is a long, long way to go," said one person briefed on the planning. "It's very, very complex."

Technology

Illumina prepares to take on EU over Grail

JAVIER ESPINOZA — BRUSSELS

US biotech giant Illumina is set to appeal against a forthcoming decision from regulators in Brussels blocking its $8bn acquisition of cancer-screening start-up Grail, a ruling that would put the EU at odds with a favourable decision in the US.

Illumina plans to take the EU to court on the grounds that the bloc's regulators have no jurisdiction over a merger that involves two US companies, and in which where the target has no revenues in Europe, two people with direct knowledge of the move said.

An administrative law judge ruled in favour of the deal in the US last week, a blow to the US Federal Trade Commission's attempt to unwind the deal.

It comes as regulators increasingly look to co-ordinate over whether or not they halt a deal. Blocking a transaction in the EU is extremely rare, with less than 5 per cent of scrutinised deals facing a negative outcome.

> The US group will argue that Brussels will prevent the saving of lives by blocking the merger

Brussels was set to block the deal as early as yesterday despite attempts from Illumina to pause the process so that regulators could analyse the judgment in the US. Illumina and the European Commission declined to comment.

As part of its appeal, Illumina will also argue that it does not really have competitors and that the EU will effectively prevent the saving of lives by blocking a deal that aims to bring tests to detect early-stage cancer up to scale.

It will point to the US ruling, which the FTC has appealed against, as evidence that Brussels is making a mistake in opposing the transaction.

Regulators in Brussels are keen to use this merger as an example of the expanding reach of the EU's power. A court in Luxembourg recently ruled the EU had jurisdiction to scrutinise the deal despite opposition from Illumina.

Retail

Bed Bath & Beyond appoints interim CFO

ALEXANDRA WHITE — NEW YORK

Struggling home goods retailer Bed Bath & Beyond named an interim chief financial officer yesterday after Gustavo Arnal, who held the post for two years, fell to his death from a New York City high rise apartment building on Friday.

Laura Crossen, Bed Bath & Beyond's senior vice-president of finance and chief accounting officer, will become interim CFO, the US company said in a filing yesterday.

The latest leadership change follows several tough months for Bed Bath & Beyond, including the departure of its chief executive, declining sales, heightened share price volatility as well as plans to cut jobs and avoid a cash crunch.

The retailer ousted CEO Mark Tritton, a former Target executive who was appointed in 2019 to turn round the company, following dismal first-quarter earnings in June that also revealed a pile-up in excess inventory. Sue Gove, an independent director on the company's board, replaced Tritton as interim CEO.

Bed Bath & Beyond last week laid out plans for a new turnround, promising to cut 20 per cent of its workforce and close about 150 stores. It also announced it had raised more than $500mn in new financing.

Shares of the company have been volatile since reporting first-quarter earnings in June and are down about 50 per cent this year. The stock rallied in the first half of August after it became popular with meme stock investors, but tumbled after activist investor, Ryan Cohen, who owned almost 12 per cent of the company, sold his entire stake.

Cohen and Arnal have been named as defendants in a recent class-action lawsuit that accused the individuals, as well as JPMorgan Securities, of creating a "share-dumping crash".

Arnal sold about 55,000 Bed Bath & Beyond shares on August 16, according to a filing with the SEC, although the disclosure states this was part of a sale plan announced in April.

Additional reporting by Madison Darbyshire

COMPANIES & MARKETS

Growth-hungry Uber founder builds 'dark kitchens' across Latin America

Kalanick pushes food and convenience-goods group amid aim to create global delivery-hub network

DAVE LEE — SAN FRANCISCO
MICHAEL POOLER — SÃO PAULO

Travis Kalanick has quietly built a large food and convenience-goods business across Latin America as he seeks to capitalise on the region's fast-growing ecommerce market.

The Uber founder has rapidly expanded his US-based CloudKitchens start-up, buying and building "dark kitchens" in Latin America over the past three years as part of an effort to build a worldwide network of food-delivery centres, leveraging his Uber Eats experience while chief executive.

Alongside the dark-kitchen business, which buys property to use as space to prepare delivery or pick up takeaway food, he has launched Pik N' Pak.

This stores convenience goods, such as pet foods and medicine, from almost 50 CloudKitchens sites across 11 cities in Brazil, Mexico and Colombia.

As with the kitchen operations, Pik N' Pak goods are sent to customers by delivery-app companies.

The link between Pik N' Pak and CloudKitchens, previously undisclosed, came as part of a push to expand secretively, with entities kept distant from the parent to avoid being linked to Kalanick, according to three former CloudKitchens employees.

"When you have a CEO as impactful and controversial as Travis, he does not want to associate the brand to him," said a former manager who worked on CloudKitchens' Latin America business.

It comes as Kalanick has quickly expanded CloudKitchens since taking over the business in 2018, after being ousted from Uber following scandals in 2017. CloudKitchens was valued at a reported $15bn in November, following a $850mn funding round.

CloudKitchens has more than 4,000 employees, according to two people familiar with the business.

CloudKitchens declined to comment.

The culture reflects Kalanick's

Dark kitchen operations buy property to use as space to prepare delivery or to pick up takeaway food. Travis Kalanick, below, is seeking to capitalise on the region's fast-growing ecommerce
Anindito Mukherjee/

N' Pak says that it offers retailers access to "millions of customers".

Retail brands can rent shelf space and list their goods on Latin American food delivery apps such as Rappi or Cornershop, which handle the customer payment and delivery.

CloudKitchens' growth in the region was spurred by at least two acquisitions. In 2020, the company bought Mexico-based kitchen group Nano for a reported $20mn, according to data from PitchBook.

In 2019, in a deal not previously

> 'He didn't want to attract attention. He wanted to dominate the sector'

due to the odour on his clothes, according to Cris Monteiro, a city councilwoman.

She said that the company had been in contact before the controversy erupted but questioned its willingness to reach a compromise.

She said: "I understand the position of the entrepreneur. They say that they are legally established. For me, this answer doesn't show a desire to co-operate. I don't see them wanting to resolve the problem together with the community."

One former employee for CloudKitchens in Latin America said that the company had become more sensitive to local business practices. But others close to Kalanick warned that old habits might endure.

"The only thing that Travis learnt about his time with Uber is not to trust the press, and not to trust venture capitalists," one ex-figure at the group said.

Banks

Credit Suisse agrees to sell offshore trust businesses

OWEN WALKER
EUROPEAN BANKING CORRESPONDENT

Credit Suisse has agreed to sell its businesses offering offshore trusts to wealthy clients in the first deals announced since new chief executive Ulrich Körner took over with a mandate to strip back the Swiss bank.

The transactions include the disposal of a division at the centre of an $800mn lawsuit the bank is facing in Singapore over its historic relationship with Georgia's former prime minister Bidzina Ivanishvili.

Credit Suisse said it had agreed to sell its trust businesses in Guernsey, Singapore and the Bahamas to the Bermuda-based Bank of NT Butterfield & Son. It also plans to sell its Liechtenstein trust business to local lender Gasser Partner. It did not disclose the values of the deals.

Körner took over from Thomas Gottstein as chief executive of Credit Suisse at the start of August and the lender is devising a strategy to cut back its investment bank.

The trust business is a part of the group's private bank and allows wealthy customers to park their assets in low-tax jurisdictions. European banks have faced political and regulatory criticism for helping rich clients set up offshore trusts to avoid paying tax, prompting some lenders such as HSBC and Deutsche Bank to exit the market.

Credit Suisse's historic role in offering clients tax avoidance schemes was laid bare this year by the leak of documents detailing the accounts of 30,000 ultra-rich customers, known as Suisse Leaks.

The trust businesses Credit Suisse is selling employ about 250 people and no redundancies are expected, according to a person familiar with the matter.

The deal with Butterfield is expected to close in the first half of 2023, while Liechtenstein clients will transfer to Gasser on a rolling basis planned to be completed by the middle of next year.

The culture reflects Kalanick's approach to business following his acrimonious departure from Uber. Employees are forbidden on LinkeIn from mentioning that they work at the company, instead listing "stealth start-up" — a term typically reserved for companies yet to launch.

"It's attached to how he got attacked in the past," one former senior employee at CloudKitchens said. "The Uber situation was not nice to him. He wanted to grow [CloudKitchens in Latin America]. He didn't want to attract too much attention. He wanted to dominate the sector."

But people close to the entrepreneur said that his approach risked hindering the company's growth and that it bore the hallmarks of his time at Uber. Uber principles such as "Always Be Hustlin'" have been codified at CloudKitchens.

Ex-employees said divisions of the company were kept in the dark about related parts of the business, contributing to extremely high tenant turnover.

"For me to grow, I need to understand how operations is growing, or how finance is growing," one person said. "It was very siloed."

CloudKitchens employs about 500 people in Latin America, running approximately 70 sites containing 1,800 individual kitchens across eight countries, according to two ex-employees with direct knowledge of the company's operations.

Pik N' Pak uses surplus space in the company's kitchen facilities — such as in the basement or along corridors — to store convenience goods such as over-the-counter medicines, pet food and sex toys. In promotional material, Pik

Bloomberg

In 2019, in a deal not previously reported, CloudKitchens acquired Colombia-based Cocinas Ocultas, founded a year earlier by Italian entrepreneurs Raffaele Sertorio and Edoardo Dellepiane.

The Cocinas Ocultas team was tasked with developing CloudKitchens' business across the continent. Under the Cocinas Ocultas brand, CloudKitchens operates in Colombia, Peru, Costa Rica, Panama, Chile and Ecuador.

In Mexico, the company trades asVirtualKitchens.

In Brazil, CloudKitchens operates as Kitchen Central and is a market leader, according to Renato Avó, groceries director at consultancy 360 Varejo.

Food-delivery spending in the country rose almost a quarter last year to R$40.5bn ($7.8bn), according to a study by GS&NPD and the Brazilian Foodservice Institute.

"Dark kitchens operations are expected to account for around 15 per cent of this total," Avó said.

But the growth of dark kitchens across Latin America has caused controversy in certain cities. The proliferation in São Paulo, the largest city in the Americas, sparked objections from residents living nearby, with banners against new facilities appearing in well-heeled neighbourhoods.

The town hall has proposed local regulation of dark kitchens, and earlier this year placed a temporary ban on the issue of new licences.

People have complained about noise, smells, smoke and motorcycle drivers — known colloquially as *motoboys* — waiting outside to collect orders.

One unhappy local said his that son had been nicknamed "bacon" and bullied at school

'Travis learnt not to trust the press, and not to trust venture capitalists'

Banks

Citi close to deal for site of new European HQ

JUDE WEBBER — DUBLIN
OWEN WALKER — LONDON

Citigroup is close to signing a €100mn deal to buy a new office site in the heart of Dublin in a boost to the scale of its European headquarters as banks beef up their presence across the EU following Brexit.

The US bank, which this year announced it would hire 300 additional staff in Ireland for roles in risk, audit, finance, technology and operations, has been shopping for a suitable site after it outgrew its current Dublin office and put it up for sale six months ago.

It is in the last stages of finalising the deal for a 300,000 sq ft office space in the Dublin Docklands — home to the headquarters of tech groups including Google, Amazon and Meta — according to several people familiar with the matter. The new office is expected to cost another €200mn on top of the purchase price of the land, real estate sources say.

The deal could close as soon as this month, said the sources. The site is almost a third larger than Citi's current 230,000 sq ft Dublin site. "This process is still ongoing and we have no updates at this time," Citi said in a statement.

Two people with knowledge of the bank's plans for the Irish business said that the need for a larger office in Dublin was due to plans for organic growth of the business, not relocations from London. Ireland's commercial property market is recovering strongly.

Since Brexit, global banks have bolstered their operations in Paris, Frankfurt, Amsterdam and Dublin, shifting hundreds of billions of dollars in assets from London. About 7,000 jobs have been relocated from London to the EU, despite initial predictions of tens of thousands of moves.

However, the longer-term hit to London will be the hires made in locations other than the UK capital.

Citi, which has had a presence in Ireland since 1965, employs more than 2,500 people in the country.

Citi recently narrowed its search to the last big undeveloped Docklands site, jointly owned by Ireland's Ronan Group and Fortress Investment Group of the US. Ronan Group declined to comment.

to high-quality development even amid difficulties will set the stage for steady economic growth in the coming two years, injecting robust momentum into the world economy, they said.

"The Chinese economy has started to recover from the Covid-19-related restrictions," said Wang Qian, Asia-Pacific chief economist for the US investment company Vanguard. "This may be one of the very few bright spots in the global economy right now."

China's economic growth should accelerate to about 4 per cent year-on-year in the second half, Wang said.

The country's full-year economic growth may stand between 3 per cent and 4 per cent, she said, thanks to accelerated infrastructure investment, recovering consumer activity and accommodative macroeconomic policies.

However, China's economic recovery is not without risks amid a global economic slowdown, which could mean weaker demand for the country's manufactured goods exports, she said. The economy also faces the challenges of Covid-19 uncertainties and a real estate downturn.

China's export growth in dollar terms remained buoyant in July at 18 per cent year-on-year, the General Administration of Customs said, demonstrating the resilience of the country's industrial chain.

Nevertheless, the growth could fall to single-digit numbers in the coming months because of a higher comparison basis, souring global demand and fading high export prices, meaning the country should avoid counting exports as the main driver of economic recovery, experts said.

Efforts to boost domestic demand, especially

Consumers choose products at a shopping mall in Yantai, Shandong province, on July 9. Local governments across China have stepped up measures to boost consumption.
TANG KE / FOR CHINA DAILY

9 per cent

year-on-year growth of added value of China's high-tech manufacturing during the January-July period

fixed-asset investment, are likely to bring the advantage of China's vast domestic market into further play and act as the key for the economy to register stable growth amid intensified external uncertainties, they said.

An executive meeting of the State Council said the key role of effective investment in boosting economic recovery will be brought into play.

The State Council has also said it will try to accelerate central government budgetary in-

the use of special bonds and make good use of policy-based and development-oriented financial instruments to support infrastructure projects in several fields, including transportation, energy, logistics, agriculture and rural areas.

China's fixed-asset investment growth stood at 5.7 per cent year-on-year in the first seven months of the year, led by infrastructure investment growth of 7.4 per cent and manufacturing investment growth of 9.9 per cent, the National Bureau of Statistics said.

Zhu Haibin, JPMorgan's chief China economist, said the country's fixed-asset investment may grow by about 6 per cent this year as a key driving force of China's economic growth, which, he said, is expected to come in at 3.2 per cent for the whole year and 3.8 per cent in the second half.

As a strong foothold for growth stabilisation, China's infrastructure investment is likely to register high single-digit growth of between 8 per cent and 10 per cent this year, Zhu said, a notable acceleration from 0.4 per cent last year.

Manufacturing investment may also sustain expansion of about 10 per cent this year, which will combine with buoyed growth in infrastructure investment to offset weak real estate development investment that may shrink over the year.

China's consumption growth is expected to gradually recover in the second half, thanks to reviving services sector activity amid better containment of Covid-19 and policy measures to boost consumer spending, said Hu Yifan, head of macroeconomics for Asia-Pacific at UBS Global Wealth Management.

Local governments in China have recently reinforced measures to boost consumption. A grow-

hai and Shenzhen, Guangdong province, have unveiled shopping events or offered coupons to boost consumption in sectors such as catering and tourism.

The stimulus measures adopted by China are moderate, marked by emphasising economic restructuring that will help consolidate the basis for longer-term growth and high-quality development, experts said.

Notably, high-tech sectors and green industries have acted as an emerging driving force for growth. During the January-July period the added value of high-tech manufacturing rose 9 per cent year-on-year, compared with 3.5 per cent of total industrial output. In July the production of new energy vehicles rose 112.7 per cent year-on-year and of solar cells 33.9 per cent year-on-year, the bureau of statistics said.

David Wang, chief China economist at Credit Suisse, said he expects China to continue making progress towards green transition and technological innovation in the coming years, elevating the country's efficiency of leveraging productive factors to generate economic growth.

China's growth in total factor productivity, or TFP, per year may stand at around 2.2 per cent over the next five years, helping offset the decelerating forces, including shrinking working-age labour, he said.

The TFP is a measure of productive efficiency — it measures how much output can be produced from a certain amount of aggregate inputs, reflecting the driving force of technological progress in economic growth.

Zhuang Qiange and Ouyang Shijia contributed to this story.

one of his favourite movies, was also made in the US.

The number of giant pandas in the wild in China has risen from several hundred 50 years ago to more than 1,800, Qin said, which means the species is no longer endangered, thanks to protection and conservation efforts.

Over 50 years giant pandas have brought US and Chinese scientists and animal care experts together to work on saving the species from extinction.

In April 1972 Nixon's wife Pat said "pandamonium is going to break out right here at the zoo" when the Smithsonian's National Zoo and Conservation Biology Institute received the gifts from China.

In February that year while visiting China with President Nixon, his wife was captured admiring a panda at the Beijing Zoo on a cold winter day.

Seated next to Chinese Premier Zhou Enlai at a dinner, she talked about her trip to the zoo and of her fondness for the pandas, according to a video posted by the White House Historical Association.

Pat Nixon "screamed with joy" when she heard from Zhou that China would send two pandas to the US, according to the book *Mao and Nixon: The Week that Changed the World*, by Margaret MacMillan.

The first pair of giant pandas produced five cubs in the first 20 years, but none survived more than a few days.

Xiao Qi Ji, now the superstar at the Smithsonian Zoo, is the fourth surviving cub born at the zoo over the past 50 years.

The arrival of Mei Xiang and Tian Tian in 2000 ushered in a new era of giant panda breeding at the zoo. Since 2005 Mei Xiang has given birth to four cubs that have survived: Tai Shan, Bao Bao, Bei Bei, and Xiao Qi Ji.

Three of the cubs have left for China to join the larger giant panda breeding programme. Only Xiao Qi Ji lives with his parents at the Zoo.

Under an extension agreement signed between the zoo and the China Wildlife and Conservation Association, the giant panda pair Mei Xiang and Tian Tian and their son Xiao Qi Ji will stay at the zoo until December next year.

"We do know that at the end of that agreement that our pandas are expected to go back to China," said Brandie Smith, director of the National Zoo.

"We have had such an incredibly successful partnership, I'm absolutely committed to 50 more years of giant panda care and success and celebration for all of our visitors, so I look forward to working with our colleagues in China, as we are determined about the future for our giant panda programme."

A visitor to "Pandaversary Night" at China's embassy in Washington, DC, poses for a selfie with the guest of honour on August 24. XINHUA

Power from above benefits rural villages

By ZHOU LIHUA and LIU KUN

Chuanxindian, a village in Hubei province, was the first participant when Zigui county established a new energy project that aims to put solar panels on top of local buildings.

For example, photovoltaic panels "have been installed on the 560-square-metre (6,028 square feet) top of a large cold storage warehouse in the village, with a total installed capacity of 250 kilowatts," said Wang Wei, who is in charge of photovoltaics management at Zigui's rural vitalisation bureau.

Before the project, the villages relied on other means of getting electricity, such as hydropower or power brought in from other areas by State Grid Corp of China. Now the panels provide electricity for the villages, and surplus electricity can be sold to the grid.

By February the county's photovoltaic power system had installed capacity of 52m kW since July 2016, when the first solar power project was put into production.

Huge gains have resulted, said Zhai Bingshan, an official of the city of Yichang's water conservancy bureau.

"Companies used to pay 0.7 yuan (10 US cents) for one kW. Now the electricity price is 0.4 yuan for them, thanks to the local solar energy projects. In other words, the firms can save 30,000 yuan to 40,000 yuan on their electricity bills."

The 49 villages that have photovoltaic power systems also benefit. They sell their surplus electricity from the solar panels for about 50,000 yuan a year. State Grid Corp buys the electricity they generate, integrating it into the power grid for use in other areas of Hubei.

Solar power systems also offer villagers job opportunities, for example as cleaners and maintenance workers. Gardening jobs are also available, because in rural areas some newly built facilities recruit local farmers to prune trees, remove

Workers install photovoltaic panels on a roof in Chuanxindian, a village in Zigui county, Hubei province, last October. MEI XUEFEI / FOR CHINA DAILY

weeds and do landscaping. Such public service jobs are encouraged by the government to create jobs in poverty-stricken areas.

In 2016 State Grid Corp built the first photovoltaic power station in Jiandong, a village in Zigui county, aiming to promote local development.

"When the weather is fine, the village can produce electricity of more than 2,000 kW a day," said Cai Xianmeng, an employee at the Zigui office of State Grid Corp.

Between January 1, 2011 and August 1 this year Zigui had 378 sunny days, more than 2,000 cloudy days and about 1,500 days of rain or snow.

Solar panels are most productive when they absorb direct sunlight, but they still work in cloudy conditions, said Zhang Long of Zigui's bureau of rural vitalisation.

Part of Jiandong is on a low-lying riverbank that is not fertile for growing crops, so the land was long unused. State Grid Corp signed a lease for the riverbank land when it was assigned by the Chinese government to help the poverty-stricken village.

The company had the land filled in and levelled, and then built a photovoltaic power station there. Rows of solar panels were installed, and beneath them villagers grow crops and raise livestock.

From July 2016 to June this year the station generated 3.19m kW of electricity, which has generated profits of more than 3m yuan to the village.

"The villagers are growing morels and other plants such as *Distylium racemosum* (an evergreen shrub or tree)," said Cai, the State Grid Corp employee. "The previous low riverbank has been turned into a 'gold mine'."

From 2013 to 2015 China allocated 24.78bn yuan to extend power grids to areas without electricity, benefitting about 1.55m people. It set up an independent solar photovoltaic power supply project, providing electricity to 1.19m people. By the end of 2015 China had achieved electricity coverage for its entire population.

Poverty alleviation through solar photovoltaic power generation is one of the top 10 targeted poverty alleviation projects in China.

In November 2013, during an inspection tour to Hunan province, President Xi Jinping visited Shibadong, an ethnic Miao village labelled poor at the time.

It was during this visit that he proposed a targeted approach to tackling poverty.

Reviewing the overall situation, Xi determined that China had entered the most difficult stage of relieving poverty, and the root cause of every household's destitution needed to be identified before targeted approaches could be formulated.

"We should seek facts from truth; guidance and development must reflect the local conditions," Xi said. "This is what I mean by targeted poverty alleviation."

Starting in 2014 China's rural poverty alleviation and development shifted to a model of comprehensive, targeted poverty alleviation that was implemented throughout the entire process of identifying the impoverished, arranging targeted programmes, using capital, offering assistance, contacting officials in charge of poverty elimination, and conducting reviews of poverty alleviation.

The government has strengthened power grid building and operation services, and has promoted various photovoltaic poverty alleviation projects, which are funded by the government and implemented by companies.

The photovoltaic power programme has contributed greatly to the country's poverty reduction efforts, said a white paper issued by the State Council Information Office in April last year.

In rural areas with the appropriate resources and suitable conditions, the Chinese government has funded the construction of power stations, which are owned collectively by local villages.

The income created by the power stations is used entirely for poverty alleviation purposes.

As of the end of 2020, 100,000 villages had photovoltaic power stations, generating a total of 18.65m kW of electricity and giving average annual income of 200,000 yuan to each village, the white paper said.

The earnings have been used to create public welfare jobs, fund small public welfare programs and offer small bonuses and subsidies, the paper said.

Consumption, infrastructure gain green tinge

Multinationals formulate plans to invest heavily in low-carbon innovation

By CHENG YU

Given a choice between buying a laptop complete with attractive packaging and buying one that comes in simple packaging made of recycled materials, most consumers may wonder. But not those at the China International Consumer Products Expo held in July in Haikou, Hainan province, where the US technology company Dell Technologies displayed a laptop encased in 100 per cent environmentally friendly packaging materials.

Expo visitors threw curious glances at the novelty, with some even making inquiries. Besides the green laptop, many green and low-carbon consumer goods were displayed at the expo. These included Miners' Tears, said to be the world's first necklace based on environmentally friendly synthetic materials, beer made using an energy-saving process that also cut its carbon emissions, coffee cups made with carbon capture technology, pure plant-based cosmetics and biodegradable pens.

Visitors and those behind these innovations said the dazzling array of green products bears testimony to China's green transformation of products, services and industrial chains. Many businesses from both home and abroad drew a lesson on how to launch environmentally friendly products and services that meet the aspirations of local consumers.

According to a survey by the market consultancy Ernst & Young, despite the weakening in

Livestreamers sell utensils made of bamboo in Congjiang county, Guizhou province, on May 21. LONG MENGQIAN / FOR CHINA DAILY

"...we are delighted to see consumers opting for more frugal alternative brands and alternatives to achieve sustainable behaviour, or looking for a more efficient and sustainable lifestyle."

Zheng Mingju, managing partner of retail and consumer products at EY Greater China

ing, waterless dyeing has the advantages of using no water and saving steam, fuel and auxiliary agents, which can halve energy consumption and chemical emissions.

At the beginning of this year Chinese authorities unveiled a master plan to boost the green transformation of consumption in key areas ranging from food, clothing and housing to transport, tourism and electricity.

"China's green consumption is yet to be stimulated," said Chang Tiewei, an official with the National Development and Reform Commission, at an earlier news conference.

He noted the importance of green consumption in spurring the low-carbon transition on the supply side, improving the attractiveness of China as a super large market, and shoring up high-quality development.

However, Hu Baolin, a former member of the leading Party members group of the Ministry of global consumer confidence, 62 per cent of Chinese consumers believe their lives will be better in three years.

Notably, 38 per cent of Chinese consumers surveyed put "sustainability" at the top of their consumption decisions. In contrast, only 10 per cent of the consumers surveyed gave value cost-effectiveness a top weighting. Globally, cost-effectiveness surpassed caring for the planet and emerged as the factor with the biggest consumer consideration.

Zheng Mingju, managing partner of retail and consumer products at EY Greater China, said: "While inflation and the rising cost of living discourage consumers from paying a premium for sustainable products, we are delighted to see consumers opting for more frugal alternative brands and alternatives to achieve sustainable behaviour, or looking for a more efficient and sustainable lifestyle."

Yu Huanhuan, marketing director of Tmall Global, the global e-commerce arm of Alibaba Group, said an interesting phenomenon is that a brand with an environmentally friendly concept is likely to impress younger consumers, who would like to support eco-friendly products.

An attendee tries zero carbon coffee, produced with an eye to minimising carbon emissions, at the Boao Forum for Asia Annual Conference in Boao, Hainan province, on April 21. YUAN CHEN / FOR CHINA DAILY

In the cosmetics sector, in particular, 70.5 per cent of Chinese consumers said they are willing to buy nature-based beauty products, while as many as 81.1 per cent would like to buy skincare products that emphasise the natural environment, Yu said.

"Notably, young consumers on our platform are willing to pay an extra 10 per cent to 20 per cent for brands that pursue environmentally friendly and sustainable development.

"That's because young consumers in particular have a special view of the future. From caring about themselves to caring about the community with a shared future, from witnessing change to taking part in change, to promoting solutions and changing the status quo, young consumers require a sense of participation."

With such demand, more multinational businesses are formulating plans to make huge investments to promote environmentally friendly infrastructure and technology projects in China.

Dell of the US has committed to recycling an equivalent product for every product customers buy. More than half of the products are made of recycled or renewable materials, and by 2030 all product packaging will be 100 per cent recycled materials or renewable materials, it said.

Bruno Chevot, president of the French beverage company Danone Greater China and Oceania, said: "The company will continuously bring green, high-quality and healthy products from all over the world to Chinese consumers in order to meet the increasingly diversified consumer demands, and a high-quality and beautiful life."

China aims to have its carbon emissions reach a peak by 2030 and achieve carbon neutrality by 2060. From announcing dual carbon goals to advancing its national carbon market, the country has been striving to help energise green development in several sectors, including consumption, motor vehicles and finance.

Brian Yiu, chief executive of Fila China, said: "The dual carbon goals set by the Chinese government have taken China's green economy to a whole new level, and the realisation of this target also requires Fila's full participation. For us, 'sustainable fashion' is not a slogan, but a concrete action."

For instance, compared with traditional dye-

Ecology and Environment, said many challenges remain in driving green consumption.

"Carbon neutrality is relevant for everyone and requires the mobilisation of hundreds of millions of people and stakeholders to work together to change laggard behaviour," Hu said.

"More innovative methods are still needed to stimulate the enthusiasm of society as a whole, to advocate green consumption and establish a green consumption concept, so as to boost green consumption awareness and a simple and low-carbon consumption culture."

He suggested establishing personal carbon accounts through big data in which individual consumers can record their carbon emissions and even open carbon bank accounts.

Hu said technology is also a key to driving the country's green development.

"More efforts must be made to actively drive the research and development of carbon replacement, carbon emission reduction, carbon cycle, carbon recovery, and carbon sequestration technologies, and furthermore put them into applications," he said.

Guian boasts years of success in developing digital economy

By YUAN SHENGGAO

Guian New Area in Southwest China's Guizhou province has achieved fruitful results in developing the digital economy over the past 10 years. It has also made solid achievements in building a "digital valley" for the nation.

Hu Zhongxiong, secretary of the Guiyang committee of the Communist Party of China and Party chief of Guian New Area, shared the results at a news conference on August 16 for introducing the development of the new area from 2012 to 2021.

Guian New Area, located at the junction of the provincial capital of Guiyang and its neighbouring city of Anshun, obtained approval from the State Council in 2014 to be a national-level new area. With a planned area of 1,795 square kilometres (693 square miles), the new area has been known to investors for its outstanding geographical conditions and low operational costs among other cities in Guizhou province, according to Hu.

The new area has become one of the driving forces in developing Guizhou's digital economy, since it identified the big data industry as its core sector when established in 2014.

During the first seven months of this year, the combined business revenue of Guian New Area's software development and information technology service industries reached 22.79bn yuan ($3.33bn), increasing 591 per cent from the same period last year, according to local statistics.

The area has seen more than 10 large-scaled big data centres established by IT companies, including China Mobile, China Telecom, China Unicom, Huawei, Apple, Tencent and Foxconn. These have laid a solid foundation for Guian to become an international data production and distribution hub.

When talking about why China Mobile identified the new area as the venue for its big data unit, Gui Zhibiao, an executive at China Mobile's data centre, said "Guian has a unique natural ecosystem to support industrial development".

According to Gui, the new area has a cool climate in summer, which can help big data centres lower their power consumption by 5 to 8 per cent compared with other regions in China.

"The abundant wind and hydraulic power resources in Guian also help companies lower electricity costs," Gui said.

Guian is a suitable location for enterprises to set up facilities because of its good environment, incentive policies, energy abundance and well-established road network, Gui said.

Guian, adjacent to Guiyang, has a convenient traffic network to connect the area with other parts of country by railway, airport and expressway.

It takes only a half hour for people to travel from Guian to Guiyang Longdongbao International Airport, Anshun Huangguoshu Airport, Guiyang North Railway Station and Guiyang East Railway Station. The high-speed railway network connects Guian with major cities in neighbouring provinces, which allows travels between two and four hours. It is also connected to seaports in neighbouring regions conveniently through expressways and railways.

The new area is also offering more preferential policies to bolster industries such as manufacturing, software and IT services, e-commerce, new materials and new energy vehicles, according to Zhang Mingquan, director of Guian New Area's investment promotion bureau.

Due to its improved business environment, Guian has been favoured by an increasing number of world-class enterprises, Zhang said.

Companies such as battery maker Contemporary Amperex Technology and new energy vehicle and battery producer BYD have established industrial bases in Guian.

The construction of Guian BYD Battery Industrial Park is in full swing and progressing smoothly. The industrial park, with total investment of 2.5bn yuan, is expected to achieve 4bn yuan in annual industrial output value upon its completion.

Xu Jiayi, director of the industrial development office at Guian Industrial Development Group, which is providing support to BYD, said the new area will continue its efforts to lure investors, cultivate businesses and invest in new projects to expand the industrial chain of NEVs. The group also plans to establish an NEV fund to provide financial support to companies.

The construction of Guiyang Big Data Science and Innovation City began in the new area in December last year. The platform is expected to be a hub for enterprises and talents to commercialise their latest digital developments in Guizhou.

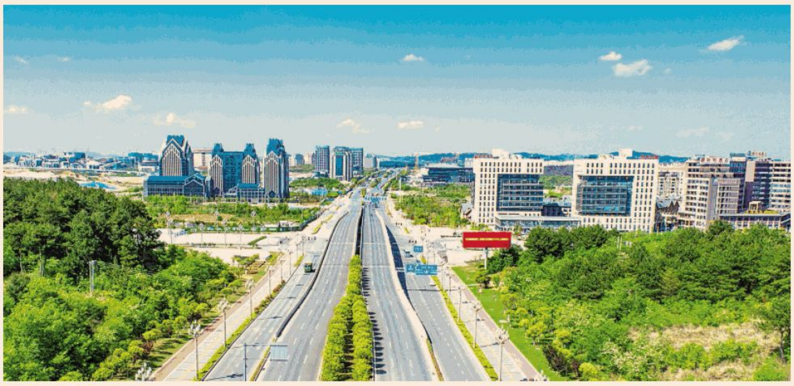
To assist the development of big data and related companies in the science and innovation city, Guian New Area has introduced preferential policies in eight areas including financial and information infrastructure service support. Guian will give subsidies for property purchase and rental to individuals settling there.

Wang Pingfu, a project manager at Guizhou Yunshi Technology, a company specialising in digital map, smart internet network, location data and chips for automobiles, said the company chose to land in Guian because of the region's outstanding geographical location, strong government support and rich talent resources. Yunshi Technology plans to launch two new projects in the science and innovation city, focusing on remote-sensing satellites and autonomous driving in 2023.

To attract and retain enterprises in the science and innovation city, the local government has set up a service centre to provide policy consulting, business registration and property management services.

Mao Yinqiang, deputy director of the administrative committee of Guian New Area, said that the science and innovation city's construction is developing with high standards and efficiency. It is expected to be the core of the new area's big data industry as well as of the entire Guizhou province.

This section is sponsored by the administrative committee of Guian New Area.



Clockwise from top: Guiyang Big Data Science and Innovation City is expected to be the hub of Guian's big data industry. A worker monitors a production line at Yunshang Kunpeng Technology, a computer hardware producer in the new area. A cloud computing information park in Guian New Area. PHOTOS PROVIDED TO CHINA DAILY

COMPANIES & MARKETS

Commodities. Rally reversal

Industrial metal prices melt as global recession fears flare up

Commodities

European energy groups secure state aid packages

SAM JONES — ZURICH
RICHARD MILNE — OSLO
MARK WEMBRIDGE — LONDON

Energy companies across Europe are turning to governments to bolster their liquidity and secure supplies as the gas crisis stoked by Russia's war against Ukraine tests their ability to stay afloat.

Switzerland's largest renewable electricity producer Axpo and Finnish utility Fortum both said yesterday they had secured big new state-backed credit lines.

Power producers across Europe are facing an acute cash crunch as sharply rising energy prices lead to ballooning collateral requirements on the futures

Energy cost worries and China strains raise pressure on copper and iron ore

HARRY DEMPSEY AND EMIKO TERAZONO

A brief summer rally in the prices of industrial metals has sharply reversed as the worsening energy crisis in Europe and signs of a slowdown in manufacturing behemoth China spook traders.

The S&P GSCI index of industrial metals has dropped more than 9 per cent since mid-August, leaving it back near its lows in July when fears of a global recession were swirling across trading desks.

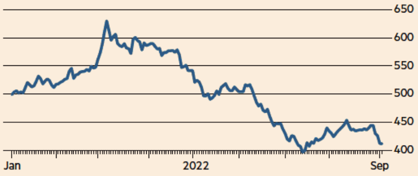
The gauge, which tracks the spot price of metals including copper, nickel and aluminium, is down 17 per cent in 2022, having been up by more than a quarter at its peak in the wake of Russia's full-scale invasion of Ukraine.

The renewed selling in metals that are used to make a wide range of products such as car parts, steel and electric wires highlights how concerns about global demand are again coming to the fore as economists worry that a surge in energy prices will weigh heavily on industry.

"This is all about recession and recession fear," said Clive Burstow, head of natural resources at Barings, an investment management group. "The fear is we are in an energy crisis driving us to a recession. Where we get the tussle in the market is how deep is that recession going to be."

European gas prices jumped 17 per cent on Monday, pushing them back towards the record highs that they reached late last month, after Russia said it would indefinitely suspend flows of gas through a key pipeline to Europe.

Industrial metals back near July lows
S&P Industrial Metals index



Source: Refinitiv

Higher gas prices are sparking fears that both big businesses and consumers will need to cut back on their usage to lower their bills.

"Demand destruction is happening on the consumer side so it's filtering through to metals markets," said Peter Ghilchik, head of multi commodity analysis at consultancy CRU.

Copper, a barometer for global economic health, has fallen about 6 per cent to above $7,650 a tonne in just over a week, snuffing out most of the widely used industrial metal's rebound after it crashed from its record high in March above $10,600 a tonne.

Steelmaking ingredient iron ore has dropped below $100 a tonne, from a high of more than $160 per tonne earlier this year.

Adding to the gloomy outlook has been a string of disappointing economic data out of China as the world's largest consumer of raw materials continues to put areas under Covid-19 lockdowns, extending curbs covering tens of millions of people in Chengdu and Shenzhen.

The closely watched Caixin business survey released last week showed activity in China's vast factory sector slipped into contraction territory in August as new orders fell for the first time in three months.

In the US, the Federal Reserve sent a strong message last month on its determination to tame surging inflation by boosting interest rates, which has helped to power the US dollar to a 20-year-high against a basket of major currencies.

Commodity prices, mostly traded in the US dollar, tend to fall as a strengthening US currency makes them more expensive.

Colin Hamilton, managing director of commodities research at BMO, said a steady weakening of China's renminbi against the dollar had further fuelled the commodity slump since it made raw material imports more expensive for China.

Smoke signals: China is the largest consumer of raw materials, but disappointing economic data have added to the gloomy outlook
Qilai Shen/Bloomberg

> 'Demand destruction is happening on the consumer side so it's filtering through to metals markets'

Concerns over the economy in Europe, the US and China prompted German bank Commerzbank to downgrade prices for the most important base metals for the next two quarters.

Nevertheless, concerns over supplies are helping to limit the falls in industrial metals prices, analysts said. The sector has already been hit by the shutdown in manufacturing facilities due to skyrocketing gas and energy prices in Europe.

At the end of last week, Dutch aluminium producer Aldel announced that it would halt production at one of its plants and ArcelorMittal said it would switch off one of the blast furnaces at a steelworks in Bremen, Germany.

Ghilchik said the bulk of the sell-off for metals was done but he expected a bumpy ride in the weeks ahead as traders gauge the depth of recession against the tightness of supply.

"It looks like prices have hit or are near to a cyclical low and in general commodity prices should remain supported by supply concerns and other factors," he said.

Goldman Sachs said commodities were pricing a recession more than any other asset class.

"Excessive recession fears continue to grip commodity markets," its analysts wrote in a note, adding that "physical fundamentals signal some of the tightest markets in decades".

exchanges where they hedge their supply contracts.

Centrica, owner of British Gas, is in talks with banks to secure billions of pounds in extra credit, the Financial Times reported on Monday.

The Swiss government activated legislation to stabilise the finances of its energy companies at an emergency meeting of the governing federal council on Monday evening, following an urgent appeal by Axpo over the weekend.

Axpo has been granted immediate access to a SFr4bn ($4.1bn) credit line, Bern said, to help it cover trading and collateral costs in the face of soaring prices. Funding will also be available for Switzerland's two other big energy companies, Alpiq and BKW, although neither has yet applied for liquidity.

> 'We want to prevent a wildfire . . . There have never been such high jumps in prices in Europe'

"We cannot afford for a large electricity company to become insolvent and take other companies with it," energy minister Simonetta Somaruga said yesterday. "We want to prevent a wildfire by all means possible . . . There have never been such high jumps in prices in Europe as there are now."

The bailout comes with a high financial cost: the finance ministry said it would charge companies interest of 6-11 per cent on emergency funding — a punitive rate that could wipe out annual profits for the companies should they fully utilise the available funds.

"This credit line ensures that, should the situation intensify further, Axpo is in a position to cover the collateral requirements of long-term power supply contracts concluded with its customers, and continue contributing to Switzerland's security of energy supply," Axpo said. The company has not yet drawn down on the funds.

Fortum, which is majority-owned by the Finnish state, yesterday agreed to a €2.35bn liquidity facility with a state-owned holding company at an annual interest rate of 14.2 per cent.

If Fortum uses the facility — which it described as a "last resort" — it would be unable to raise management salaries or pay bonuses and would have to issue extra shares to the state-holding company, Solidium. However, it would be able to pay dividends.

Chemicals

Solvay declares truce with activist Bluebell over Mediterranean waste

PEGGY HOLLINGER

Solvay and activist investor Bluebell Capital have declared the end of a long-running battle over waste discharged into the Mediterranean after the European chemicals group pledged to radically reduce the limestone residue from a flagship soda ash plant on Italy's Tuscan coast.

Solvay also revealed that it had made a breakthrough in soda ash technology that could eliminate the limestone waste, while also cutting the division's carbon emissions by 50 per cent.

Bluebell co-founder Giuseppe Bivona said the news was proof of what financial investors could achieve if they lobbied management for greater commitment to environmental and social improvements.

"It's a great outcome in the best interests of shareholders because I am convinced that if a business is not sustainable, at some point the business will fail," he said.

Bluebell conducted its campaign after buying just a single Solvay share.

Ilham Kadri, Solvay chief executive, told the Financial Times in an interview that the company had been working on the waste elimination technology long before Bluebell emerged as a shareholder.

After making the breakthrough, which would electrify the soda ash process, the company had been able to share its plans with Bluebell and now more publicly. "We were ready because the science was ready, not me," she said.

Solvay and Bluebell have been engaged in a public battle for almost two years over the environmental impact of the group's plant at Rosignano, a Tuscan tourist destination famous for its white beaches.

Ilham Kadri said Solvay had 'the holy grail' of soda ash processing

However, the beaches owe their colour to the limestone silt, which is a byproduct of soda ash that contains Mercury, lead and other metals.

Soda ash, which accounts for 15 per cent of Solvay annual revenues, is a key component of the glassmaking process.

Solvay has come under public attack by environmental campaigners, as well as Bluebell, for discharging this untreated limestone waste into the sea.

It insists the discharge contains only non-harmful levels of metals and is in line with regulatory and environmental requirements, although the renewal of its permit to operate in January was contentious as environmental activists disputed the claims.

But yesterday Kadri said the group had discovered "the holy grail" of soda ash processing that would result in "zero discharge".

A pilot line to test the process would be launched in France. If successful, the technology would be rolled out across all of Solvay's soda ash production as part of the division's €1bn net zero carbon pledge by 2050.

Equities

Hippo chief says critics are overlooking insurtech sector's potential after sell-off

IAN SMITH
INSURANCE CORRESPONDENT

The head of Hippo has taken aim at sceptics of the home insurer and the sector's fellow start-ups, saying they have "buried their heads in the sand" after a market sell-off fed doubts over the future of the companies.

Insurtechs, as the start-ups are commonly known, have been some of the biggest losers in the broader stock market downturn as their underwriting losses have mounted.

The companies, which listed during the final leg of the bull market, have responded with job cuts and a greater emphasis on minimising claims and achieving profitability.

Last week, Palo Alto-based Hippo said it was making about 70 employees redundant, a tenth of its workforce. That knocked its shares further, leaving them down more than 90 per cent since the group listed in New York last year.

Chief executive Richard McCathron told the Financial Times that the job cuts were a "prudent and responsible" move as Hippo enters a more mature phase of growth and adjusts to "not taking as many bets" on certain product lines.

Hippo, he said, had the insurance expertise, underwriting discipline and strategy to be one of the winners from the shake-out among insurtechs.

"I fear that some of my colleagues in the insurance industry are hopeful that insurtechs will not ultimately be successful and some of them, I fear, have buried their heads in the sand," McCathron added. "Every company in every industry has modernised over time. Those that modernise are successful, those that don't find themselves obsolete."

> 'Some of my colleagues in the insurance industry are hopeful insurtechs will not ultimately be successful'

Analysts have pushed Hippo for an update on its progress towards profit.

At an investor day yesterday, the insurtech revealed new targets, including a plan to generate positive earnings before interest, tax, depreciation and amortisation by the final quarter of 2024.

That is two quarters earlier than it projected when it went public, although revenue expectations have been trimmed since then.

Hippo is expecting adjusted ebitda of $20mn to $30mn in 2025.

At the end of 2024, Hippo expects to have cash and short-term investments of $400mn on its balance sheet, having started to generate positive cash flow.

The cut in its workforce has helped accelerate the shift towards profitability, said McCathron.

Actuarial and risk teams were spared in a broad-based programme of redundancies, he added, given the "considerable strides" they had made to improve its underwriting performance.

The investor day was "not to try to make people feel good about Hippo as an investment vehicle", he said, but to showcase its "next challenge" — doubling down on its proactive approach to home insurance.

Hippo is expanding its repair and maintenance services — including home check-ups — as it seeks to offer a full suite of home protection options.

COMPANIES & MARKETS

The day in the markets

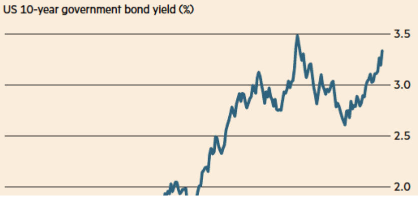
What you need to know

- US Treasuries slide as robust services sector data sharpen Fed rate rise fears
- Sell-off also ricochets into other core government debt
- Japanese yen tumbles to 24-year low on strict yield curve controls

US government bonds dropped yesterday after an upbeat survey on the country's vast services industry fuelled expectations of further big interest rate rises by the Federal Reserve.

The yield on the 10-year Treasury note, seen as a proxy for borrowing costs around the world, added 15 basis points

Treasury yields surge
US 10-year government bond yield (%)



Trading risks lie in wait for aggressive ECB rate increase

Tony Barber

Markets Insight

On the European Central Bank's rate-setting governing council sit six executive board members and the

among those affected. The 10-year Greek government bond yield has risen since late August above 4 per cent compared with about 1.5 per cent for

and Italy, with extremely high levels of public debt.

A second could be a political rupture, such as the expected victory in Italy's around the world, added 15 basis points to 3.34 per cent.

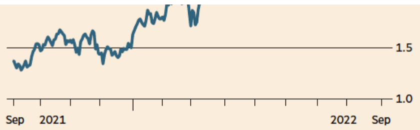
The yield on the two-year note, which is sensitive to changes in interest rate expectations, rose 10bp to 3.49 per cent.

Those moves, which followed a public holiday in the US, became more emphatic after a closely watched Institute for Supply Management survey showed that services activity had outpaced economists' expectations, registering a reading of 56.9 in August compared with forecasts of 55.1 and July's figure of 56.7.

Any figure above 50 signals expansion. Growth in business activity and new orders both accelerated last month, the report said.

The data were released after a robust labour market report for the world's largest economy last week prompted investors to crank up their projections of how far and fast the Fed will lift borrowing costs to tame inflation.

Government bond yields have climbed in recent weeks as hawkish Fed rhetoric and a deepening European energy crisis sent shivers through financial markets.



Source: Refinitiv

Fed chair Jay Powell reiterated last month the US central bank's commitment to curbing rapid price growth, saying they "must keep at it until the job is done".

Wall Street's broad S&P 500 share index was down 0.2 per cent by the late morning while the tech-heavy Nasdaq Composite fell 0.1 per cent as indices struggled for firm direction in New York.

Across the Atlantic, the pan-regional Stoxx Europe 600 share index closed 0.2 per cent higher.

The moves in US government bonds ricocheted into other debt markets. The UK's 10-year benchmark gilt yield added 17bp to 3.1 per cent, having touched 3 per cent on Monday for the first time since 2014, according to Refinitiv data.

Ten-year UK government borrowing costs in the gilt market had soared more than 90bp last month, the biggest rise since at least 1989.

In currencies, Japan's yen tumbled as much as 1.7 per cent to ¥142.97 against the dollar, marking a 24-year low, as Tokyo's strict yield curve controls contrasted with soaring bond yields in other major economies — lessening the appeal of the nation's currency. **Harriet Clarfelt and Ian Johnston**

board members and the 19 governors of the eurozone's national central banks. I would wager that most of them have read George Orwell's allegorical fable *Animal Farm* and its famous line: "All animals are equal but some animals are more equal than others."

At the risk of sounding impertinent, so it is with the ECB. Isabel Schnabel, a board member from Germany, is one of the farm's more influential voices.

Yannis Stournaras, Greece's governor, though one of the council's most experienced members, having held office since 2014, has less sway.

So when Schnabel spoke out last month at a central bankers' get-together in Jackson Hole in favour of forceful action against inflation, markets sat up and listened. They noted similar comments by François Villeroy de Galhau, the powerful French governor. But they attached less weight to a more dovish speech made by Stournaras a few days later at the European Forum Alpbach.

For this reason, the widespread market expectation is that the ECB will raise its main policy rate tomorrow by 0.75 percentage points.

That would equal the highest increase in the ECB's 24-year life and would follow a fairly aggressive 0.5 percentage point hike in July.

Does Stournaras advocate a more cautious way purely because that would be in Greece's national interest? I'm sure he would say no. Like all ECB council members, he is required to look at the eurozone's economic outlook as a whole.

Yet financing conditions are starting to vary across the region and Greece is compared with about 1.5 per cent for benchmark German bonds. The Italian yield is close to 4 per cent.

Neither Greece nor Italy is experiencing funding difficulties. We are far from the moment, if it ever comes, when the ECB council might consider activating its Transmission Protection Instrument, its new anti-crisis bond-buying tool.

Under the TPI, the ECB can potentially buy unlimited quantities of one-year to 10-year debt if it judges that financing conditions are becoming

> Financing conditions are starting to vary across the region and Greece is among those affected

fragmented. From a monetary policy perspective, fragmentation means "a sudden break in the relationship between sovereign yields and fundamentals", Schnabel told a French university audience in June.

Much uncertainty surrounds the legal basis for using TPI as well as the criteria the ECB would apply in deciding whether to act. At a minimum, a country would be eligible for TPI only if it complies with EU fiscal rules, has no severe macroeconomic imbalances and meets conditions attached to the EU's post-pandemic recovery fund.

Yet disruptive market conditions can arise from various sources. One is a perception that aggressive ECB interest rate rises will damage economic growth prospects in countries, such as Greece such as the expected victory in Italy's September 25 elections for a rightwing bloc that is signalling it may try to rewrite the terms of access to the EU recovery fund — a break with the policies of Mario Draghi's national unity government, which collapsed in July.

A third source of possible disruption is that some investors see high-risk, high-return opportunities in taking positions that gain from widening yield spreads between different euro area government bonds.

In an incomplete currency union such as the eurozone, which still lacks a full fiscal, banking and capital markets union, these opportunities exist just as they did when Greece and other nations fell into trouble more than a decade ago.

At the ECB, the prevalent view seems to be that, for the moment, inflation trumps other concerns. The eurozone's headline annual rate rose to 9.1 per cent last month and core inflation hit 4.3 per cent. With central bankers worldwide under fire for misjudging inflation risks, the ECB may feel a need to defend its reputation with vigorous action.

Yet Stournaras made a fair point when he said there is little evidence so far that rising inflation is spurring a wage-price spiral. For the second quarter, the growth of negotiated wage settlements came in at only 2.1 per cent.

In that light, it may be wise for the ECB, if it raises rates by 0.75 percentage points, to make clear this is an unusual front-loading step aimed at lowering the level at which it finally stops increasing rates, presumably next year.

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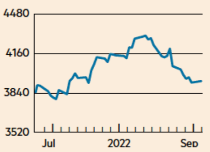
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3936.58	1635.12	27626.51	7300.44	3243.45	109842.45
% change on day	0.31	0.13	0.02	0.18	1.36	-2.10
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	109.951	0.991	142.715	1.153	6.947	5.228
% change on day	0.381	-0.101	1.544	0.174	0.107	1.124
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.338	1.635	0.236	3.095	2.619	12.777
Basis point change on day	14.090	7.500	0.610	15.500	-0.700	20.200
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	399.04	93.83	87.83	1710.95	18.23	3638.10
% change on day	0.04	-1.56	-1.31	-0.09	1.76	0.82

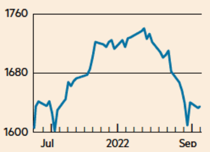
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

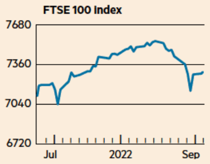
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Rollins	6.11	Volkswagen	5.12	Hargreaves Lansdown	4.64
	Illumina	4.46	Commerzbank	4.07	Centrica	4.17
	Nextera Energy	3.34	Coloplast	3.21	Lloyds Banking	4.10
	S&p Global	3.26	Akzo Nobel	3.12	Rightmove	4.01
	Mettler-toledo Int	2.86	Alstom	2.49	Howden Joinery	3.87
Downs	Nortonlifelock	-3.33	Tenaris	-3.43	Ashtead	-2.44
	Church & Dwight Co	-3.26	Eni	-2.75	Bp	-2.30
	Lkq	-3.14	Galp Energia	-2.48	Bt	-1.73
	Netflix	-3.07	A.p. Moller - Maersk B	-1.96	Shell	-1.68
	Dish Network	-2.35	Rwe	-1.95	Astrazeneca	-1.26

Prices taken at 17:00 GMT

Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

Wall Street

Home furnishing retailer **Bed Bath & Beyond** dived on the first day of trading after Friday's news that Gustavo Arnal, its chief financial officer, had fallen to his death from a New York high rise apartment.

Laura Crossen, BB&B's chief accounting officer, was appointed interim CFO.

Digital World Acquisition, the blank cheque company due to merge with Donald Trump's social network, fell sharply following a report that it had failed to secure enough support for an extension to complete the deal.

Citing people familiar with the matter, Reuters said the special purpose acquisition company was reportedly having problems gaining enough shareholder support for a one-year extension.

ADT jumped on news that insurer State Farm would invest $1.2bn in the security systems maker at $9 per share — a 25 per cent premium on Friday's closing price.

State Farm, the largest insurer of homes in the US, bought 133.3mn shares, which equated to a 15 per cent stake.

Biopharma group **Allena** tumbled after filing for Chapter 11 bankruptcy and terminating the employment of "substantially all of its employees", it said.

Allena said it intended to continue operating at a reduced level as a "debtor-in-possession". *Ray Douglas*

Europe

Belgium's **D'Ieteren** jumped after a solid set of half-year results and a boost to guidance.

The auto distributor posted a 33.5 per cent year-on-year rise in adjusted pre-tax profit of €363mn, which was 14 per cent ahead of KBC Securities' estimate.

Aided by a stronger than expected performance at its auto and parts specialist divisions, pre-tax profit was expected to grow "by at least" 35 per cent this year, up from an earlier 25 per cent forecast.

Another bullish projection buoyed Finland's **Marimekko** with the fashion and home furnishings group expecting annual net sales to grow 15 per cent — above a previous target of 10 per cent.

The upgrade came as the group launched a long-term strategic plan that included a desire to broaden its target audience, particularly in Asia.

German carmaker **Volkswagen** climbed after confirming its intention to float a portion of its Porsche sports car brand at the end of this month or the beginning of October.

Energy group **Fortum** rose as much as 8 per cent, only to close flat after signing a bridge financing arrangement for €2.35bn with the Finnish state.

The facility was intended to provide sufficient liquidity if power prices rose further, said Fortum. *Ray Douglas*

London

A possible injection of liquidity lifted **Centrica**, with the British Gas owner reportedly in discussions with banks to secure billions of pounds in extra credit to address highly volatile energy markets.

People familiar with the talks described Centrica's request as "pre-emptive", a view that chimed with RBC Europe, which said the utility "was in better shape than many with net cash on the balance sheet and meaningful liquidity" already available.

Builders' merchant **Lords Group** rallied after releasing a "strong set" of half-year results, said Berenberg.

Standing out was its merchanting division, which posted record revenue of £105.9mn, up from £61.1mn for the same period a year earlier.

The broker said Lords appeared "to be making progress in taking market share", although its overall margins fell, in part because of cost inflation.

Berkeley climbed following a reassuring trading update in which the housebuilder announced that the value of underlying sales was running ahead of its previous financial year.

An increase to **Aviva's** target price by RBC Europe helped lift the insurer.

The broker said Aviva could return significant sums to shareholders through buybacks while maintaining growth with "strong capital generation". *Ray Douglas*

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.31%	0.10%	0.18%	0.18%	0.13%	0.02%	-0.12%	0.04%	-0.101%	0.174%	1.544%	-0.348%	0.08%	-0.09%

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

AMERICAS

Aug 07 - - Index All World
S&P 500 New York

Aug 07 - Sep 06 Index All World
S&P/TSX COMP Toronto

EUROPE

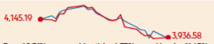
Aug 07 - Sep 06 Index All World
FTSE 100 London

Aug 07 - Sep 06 Index All World
Xetra Dax Frankfurt

ASIA

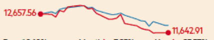
Aug 07 - Sep 06 Index All World
Nikkei 225 Tokyo

Aug 07 - Sep 06 Index All World
Kospi Seoul


4,145.19 → 3,936.58

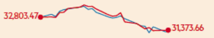
Day ↗0.31% Month ↘-6.73% Year ↘-11.45%

Nasdaq Composite New York

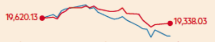

12,657.56 → 11,642.91

Day ↗0.10% Month ↘-7.23% Year ↘-23.37%

Dow Jones Industrial New York

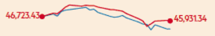

32,803.47 → 31,373.66

Day ↗0.18% Month ↘-5.23% Year ↘-10.21%


19,620.13 → 19,338.03

Day ↘-0.51% Month ↘-9.84% Year ↘-6.47%

IPC Mexico City

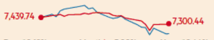

46,723.43 → 45,931.34

Day ↘-0.57% Month ↘-7.31% Year ↘-5.23%

Bovespa São Paulo


108,402.27 → 110,152.00

Day ↘-2.10% Month ↘-11.14% Year ↘-21.26%


7,439.74 → 7,300.44

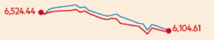
Day ↗0.18% Month ↘-5.00% Year ↗0.44%

FTSE Eurofirst 300 Europe

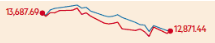

1,724.73 → 1,635.12

Day ↗0.13% Month ↘-6.91% Year ↘-9.00%

CAC 40 Paris


6,524.44 → 6,104.61

Day ↗0.19% Month ↘-9.62% Year ↘-8.86%


13,687.69 → 12,871.44

Day ↗0.87% Month ↘-0.77% Year NaN%

Ibex 35 Madrid

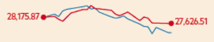

8,272.50 → 7,842.20

Day ↘-0.26% Month ↘-8.45% Year ↘-7.31%

FTSE MIB Milan


22,586.88 → 21,480.61

Day 0.00% Month ↘-13.95% Year ↘-14.96%


28,175.87 → 27,626.51

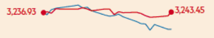
Day ↗0.02% Month ↘-5.14% Year ↘-9.83%

Hang Seng Hong Kong

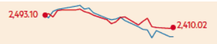

20,045.77 → 19,202.73

Day ↘-0.12% Month ↗5.78% Year ↘-24.49%

Shanghai Composite Shanghai

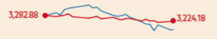

3,236.93 → 3,243.45

Day ↗1.36% Month ↗7.58% Year ↘-5.67%


2,493.10 → 2,410.02

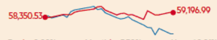
Day ↗0.26% Month ↘-13.64% Year ↘-30.07%

FTSE Straits Times Singapore


3,282.88 → 3,224.18

Day ↗0.27% Month ↘-4.28% Year ↘-0.96%

BSE Sensex Mumbai


58,350.53 → 59,196.99

Day ↘-0.08% Month ↘-5.30% Year ↗0.91%

Country	Index	Latest	Previous
Argentina	Merval	137475.99	138268.03
Australia	All Ordinaries	7055.90	7074.50
	S&P/ASX 200	6826.50	6852.20
	S&P/ASX 200 Res	5277.50	5294.60
Austria	ATX	2844.75	2850.66
Belgium	BEL 20	3572.76	3567.72
	BEL Mid	9455.91	9399.99
Brazil	IBovespa	109842.45	112203.35
Canada	S&P/TSX 60	1158.21	1164.88
	S&P/TSX Comp	19171.74	19270.85
	S&P/TSX Div Met & Min	1301.59	1279.52
Chile	S&P/CLX IGPA Gen	30166.85	30580.59
China	FTSE A200	10820.64	10726.83
	FTSE B35	9000.71	8988.96
	Shanghai A	3398.82	3353.23
	Shanghai B	312.06	309.04
	Shanghai Comp	3243.45	3199.91
	Shenzhen A	2210.77	2184.40
	Shenzhen B	1208.82	1203.31
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1137.91	1136.73
Denmark	OMXC Copenahgen 20	1654.62	1663.71
Egypt	EGX 30	10177.64	9996.74
Estonia	OMX Tallinn	1783.36	1788.09
Finland	OMX Helsinki General	10419.43	10419.99
France	CAC 40	6104.61	6093.22
	SBF 120	4719.93	4711.79
Germany	M-DAX	24885.30	24669.29
	TecDAX	2919.93	2904.18
	XETRA Dax	12871.44	12760.78
Greece	Athens Gen	834.00	829.34
	FTSE/ASE 20	2003.29	1991.67
Hong Kong	Hang Seng	19202.73	19225.70
	HS China Enterprise	6555.80	6577.53
	HSCC Red Chip	3645.80	3638.65
Hungary	Bux	40851.24	41130.96
India	BSE Sensex	59196.99	59245.98
	Nifty 500	15313.05	15294.40
Indonesia	Jakarta Comp	7233.16	7231.88
Ireland	ISEQ Overall	6857.10	6785.80
Israel	Tel Aviv 125	2055.06	2056.78
Italy	FTSE Italia All-Share	23419.49	23440.19
	FTSE Italia Mid Cap	37047.50	37136.82
	FTSE MIB	21480.61	21480.19
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27626.51	27619.61
	S&P Topix 150	1654.63	1656.96
	Topix	1930.17	1935.49
Jordan	Amman SE	2514.00	2528.01
Kenya	NSE 20	1763.40	1758.91
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1105.28	1121.54
Lithuania	OMX Vilnius	913.73	919.34
Luxembourg	LuxX	1380.51	1367.53
Malaysia	FTSE Bursa KLCI	1488.27	1489.80
Mexico	IPC	45762.93	46026.08
Morocco	MASI	12136.29	12127.17
Netherlands	AEX	675.27	674.12
	AEX All Share	923.32	922.69
New Zealand	NZX 50	11599.23	11619.04
Nigeria	SE All Share	50045.83	49889.80
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	41860.36	41859.30
Philippines	Manila Comp	6709.60	6676.04
Poland	Wig	48329.81	49380.47
Portugal	PSI 20	5966.59	6004.36
	PSI General	4636.07	4672.63
Romania	BET Index	12055.22	11993.36
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12099.84	12194.29
Singapore	FTSE Straits Times	3224.18	3215.48
Slovakia	SAX	343.52	345.80
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	67538.77	67399.39
	FTSE/JSE Res 20	60966.05	60781.65
	FTSE/JSE Top 40	60943.44	60843.90
South Korea	Kospi	2410.02	2403.68
	Kospi 200	313.01	312.47
Spain	IBEX 35	7842.20	7862.70
Sri Lanka	CSE All Share	9330.33	9366.39
Sweden	OMX Stockholm 30	1903.25	1898.81
	OMX Stockholm AS	752.15	749.58
Switzerland	SMI Index	10834.18	10819.54
Taiwan	Weighted Pr	14677.20	14661.10
Thailand	Bangkok SET	1633.87	1622.00
Turkey	BIST 100	3418.67	3358.37
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2435.30	2411.20
	FTSE 100	7300.44	7287.43
	FTSE 4Good UK	6585.26	6566.07
	FTSE All Share	4005.61	3993.66
	FTSE techMARK 100	6056.86	6026.39
USA	DJ Composite	10789.22	10753.90
	DJ Industrial	31373.66	31318.44
	DJ Transport	13796.05	13737.61
	DJ Utilities	1021.44	1014.17
	Nasdaq 100	12117.73	12098.44
	Nasdaq Cmp	11642.91	11630.86
	NYSE Comp	14731.04	14689.50
	S&P 500	3936.58	3924.26
	Wilshire 5000	39298.34	39180.41
Venezuela	IBC	9047.30	9253.06
Vietnam	VNI	1277.40	1277.35
Cross-Border	DJ Global Titans ($)	428.01	427.35
	Euro Stoxx 50 (Eur)	3496.77	3490.01
	Euronext 100 ID	1188.38	1191.56
	FTSE 4Good Global ($)	9420.71	9414.19
	FTSE All World ($)	399.04	398.90
	FTSE E300	1635.12	1632.93
	FTSE Eurotop 100	3200.39	3196.99
	FTSE Global 100 ($)	2490.97	2486.43
	FTSE Gold Min ($)	1433.11	1433.53
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2592.61	2602.24
	FTSE World ($)	720.96	720.66
	FTSEurofirst 100 (Eur)	4275.45	4266.46
	FTSEurofirst 80 (Eur)	4822.79	4811.40
	MSCI ACWI Fr ($)	604.93	606.98
	MSCI All World ($)	2596.70	2605.21
	MSCI Europe (Eur)	1658.96	1672.67
	MSCI Pacific ($)	2527.46	2536.74
	S&P Euro (Eur)	1610.54	1606.00
	S&P Europe 350 (Eur)	1678.23	1674.93
	S&P Global 1200 ($)	2867.24	2865.82
	Stoxx 50 (Eur)	3501.69	3501.14

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

STOCK MARKET: BIGGEST MOVERS

AMERICA ACTIVE STOCKS	stock traded m's	close price	Day's change	LONDON ACTIVE STOCKS	stock traded m's	close price	Day's change	EURO MARKETS ACTIVE STOCKS	stock traded m's	close price	Day's change	TOKYO ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	79.6	274.98	4.77	Shell	196.4	2308.50	-38.50	Nestle N	333.8	115.36	-0.60	Nippon Yusen Kabushiki Kaisha	494.9	10230.00	-110.00
Apple	51.2	156.08	0.27	Glencore	182.2	486.85	15.35	Novartis N	267.2	81.24	-0.67	Softbank	443.4	5479.00	-18.00
Nvidia	37.6	137.33	0.86	Bp	143.2	452.70	-10.65	Roche Gs	[illegible]	[illegible]	[illegible]	Mitsui O.s.k.lines	346.2	3495.00	-40.00
Advanced Micro Devices	27.1	80.28	0.04	Astrazeneca	141.6	10514.00	-134.00	Eni	209.5	11.95	-0.34	Fast Retailing Co.	345.0	80670.00	370.00
Amazon.com	26.0	127.07	-0.44	Lloyds Banking	98.0	45.23	1.78	Totalenergies	199.1	51.88	-1.30	Tokyo Electron	327.2	42700.00	130.00
Microsoft	21.5	256.12	0.06	Unilever	97.7	3917.00	37.00	[illegible]	[illegible]	[illegible]	[illegible]	Nintendo Co.,	280.8	57080.00	650.00
Alphabet	10.5	107.46	-0.39	Diageo	87.0	3761.50	24.00	[illegible]	[illegible]	[illegible]	[illegible]	Toyota Motor	275.2	2048.50	11.50
Alphabet	9.9	108.19	-0.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Kawasaki Kisen Kaisha,	240.7	8410.00	-20.00
Netflix	9.1	219.17	-6.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mitsubishi Ufj Fin.	228.9	718.30	0.10
Unitedhealth	8.1	524.95	8.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sony	227.2	10775.00	-90.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups				**Ups**				**Ups**				**Ups**			
Rollins	35.80	2.06	6.11	Network Int Holdings	281.60	32.20	12.91	Volkswagen Ag St O.n.	191.95	9.35	5.12	Unitika	259.00	18.00	7.47
Illumina	204.81	8.74	4.45	Countryside Partnerships	259.20	19.20	8.00	Volkswagen Ag Vzo O.n.	148.18	4.68	3.26	Toho Z Co.	2535.00	102.00	4.19
Nextera Energy	87.95	2.84	3.34	Mitchells & Butlers	164.90	11.30	7.36	Anheuser-busch	49.00	1.12	2.33	Hitachi Zosen	905.00	27.00	3.08
S&p Global	358.98	11.35	3.26	Vistry	810.00	55.00	7.28	Ing Groep N.v.	8.68	0.18	2.13	Mitsui Eng & Shipbuilding Co.,	441.00	13.00	3.04
Mettler-toledo Int	1229.20	34.18	2.86	Greggs	1973.00	131.00	7.11	Philips Kon	17.42	0.34	1.99	Ihi	3820.00	105.00	2.83
Downs				**Downs**				**Downs**				**Downs**			
Nortonlifelock	22.08	-0.76	-3.33	Clarkson	2700.00	-110.00	-3.91	Vestas Wind Systems A/s	23.61	-1.12	-4.53	Tokyo Electric Power ,orporated	505.00	-23.00	-4.36
Church & Dwight Co	81.43	-2.75	-3.26	Energean	1244.00	-48.00	-3.72	Orsted A/s Dk 10	12.60	-0.40	-3.06	Rakuten .	654.00	-19.00	-2.82
Lkq	51.77	-1.68	-3.14	Harbour Energy	468.10	-17.20	-3.54	Eni	11.95	-0.34	-2.75	Bandai Namco Holdings .	9829.00	-170.00	-1.70
Netflix	219.17	-6.94	-3.07	Chrysalis Investments	71.60	-2.50	-3.37	Totalenergies	51.88	-1.30	-2.44	Konami	7060.00	-120.00	-1.67
Dish Network	16.61	-0.40	-2.35	Fidelity China Special Situations	236.50	-8.00	-3.27	A.p. Møller - Mærsk A A/s	2126.03	-47.07	-2.17	Daikin Industries,	24030.00	-365.00	-1.50

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

UK MARKET WINNERS AND LOSERS

FTSE 100	Sep 06 price(p)	%Chg week	%Chg ytd	FTSE 250	Sep 06 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Sep 06 price(p)	%Chg week	%Chg ytd	Industry Sectors	Sep 06 price(p)	%Chg week	%Chg ytd
Losers				**Losers**				**Losers**				**Losers**			
Entain	1211.50	-5.3	-	Pagegroup	386.40	-11.4	-	Fisher (james) & Sons	305.00	-10.6	-	Mining	9705.03	-5.2	-50.7
Flutter Entertainment	10080.00	-4.9	-	Clarkson	2700.00	-10.7	-	Newriver Reit	76.60	-9.6	0.7	Industrial Metals	6664.50	-4.9	-0.6
Intermediate Capital	1299.00	-4.3	-	Helios Towers	113.40	-10.7	-	Harworth	133.00	-9.5	-17.5	Travel & Leisure	5919.35	-4.6	-
Astrazeneca	10514.00	-4.2	23.7	Morgan Advanced Materials	241.50	-10.1	-	Lindsell Train Investment Trust	995.50	-8.9	-	Personal Goods	27967.96	-4.5	-
Segro	924.40	-4.0	-	Liontrust Asset Management	826.00	-9.9	-	Hochschild Mining	59.55	-8.7	-	Beverages	28605.34	-4.0	-
National Grid	1079.00	-4.0	-0.5	Synthomer	182.00	-9.8	-	Abrdn Uk Smaller Companies Growth Trust	443.50	-8.6	-	Software & Computer Services	1885.90	-3.7	-
Gsk	1347.40	-3.8	10.1	Apax Global Alpha	166.20	-9.3	-	Mj Gleeson	440.00	-8.3	-	Real Estate & Investment Servic	2457.81	-3.2	-
Crh	3088.00	-3.6	-	Redde Northgate	316.00	-9.1	-	Tt Electronics	143.00	-8.3	-	Electronic & Electrical Equip.	8137.09	-2.4	-
Berkeley Holdings (the)	3573.00	-3.4	-23.1	Bodycote	513.00	-9.0	-	Sig	31.30	-8.2	-	Food Producers	5741.67	-2.1	-
British Land	417.30	-3.3	-	Londonmetric Property	206.40	-8.4	-	Int Personal Finance	93.10	-7.8	-	Household Goods	10819.48	-1.4	-

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

CURRENCIES

Sep 6	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	140.6245	0.4589	139.2818	0.2301	162.1256	0.8378
Australia	Australian Dollar	1.4818	0.0103	1.4677	0.0078	1.7084	0.0151
Bahrain	Bahrainin Dinar	0.3770	-	0.3734	-0.0006	0.4346	0.0008
Bolivia	Bolivian Boliviano	6.9100	-	6.8440	-0.0111	7.9665	0.0152
Brazil	Brazilian Real	5.2284	0.0581	5.1785	0.0493	6.0279	0.0784
Canada	Canadian Dollar	1.3129	-0.0008	1.3004	-0.0029	1.5136	0.0020
Chile	Chilean Peso	891.2500	18.9500	882.7404	17.3720	1027.5198	23.7684
China	Chinese Yuan	6.9470	0.0074	6.8806	-0.0038	8.0091	0.0238
Colombia	Colombian Peso	4479.2500	-7.7500	4436.4824	-14.8626	5164.1156	0.9465
Costa Rica	Costa Rican Colon	659.9050	-1.9100	653.6043	-2.9517	760.8027	-0.7446
Czech Republic	Czech Koruna	24.8514	0.0704	24.6141	0.0300	28.6511	0.1357
Denmark	Danish Krone	7.5081	0.0120	7.4364	-0.0001	8.6561	0.0303
Egypt	Egyptian Pound	19.2563	0.0538	19.0724	0.0225	22.2005	0.1043
Hong Kong	Hong Kong Dollar	7.8499	0.0007	7.7749	-0.0119	9.0501	0.0181
Hungary	Hungarian Forint	406.5829	-0.4027	402.7009	-1.0507	468.7483	0.4320
India	Indian Rupee	79.8388	-0.0113	79.0765	-0.1390	92.0459	0.1629
Indonesia	Indonesian Rupiah	14887.0000	-15.5000	14744.8695	-39.2163	17163.1980	14.9514
Israel	Israeli Shekel	3.4188	0.0097	3.3862	0.0041	3.9415	0.0187
Japan	Japanese Yen	142.7150	2.1700	141.3524	1.9242	164.5357	2.8113
..One Month		142.7146	2.1693	141.3523	1.9240	164.5354	2.8106
..Three Month		142.7138	2.1676	141.3520	1.9235	164.5346	2.8090
..One Year		142.7091	2.1583	141.3497	1.9188	164.5354	2.8044
Kenya	Kenyan Shilling	120.2500	0.0500	119.1019	-0.1430	138.6359	0.3224
Kuwait	Kuwaiti Dinar	0.3090	0.0004	0.3060	-0.0001	0.3562	0.0011
Malaysia	Malaysian Ringgit	4.5000	0.0078	4.4570	0.0005	5.1880	0.0188
Mexico	Mexican Peso	20.1305	0.1575	19.9383	0.1240	23.2084	0.2256
New Zealand	New Zealand Dollar	1.6530	0.0117	1.6372	0.0089	1.9058	0.0171
Nigeria	Nigerian Naira	428.7500	-	424.6563	-0.6867	494.3047	0.9442
Norway	Norwegian Krone	10.0041	0.0434	9.9085	0.0270	11.5336	0.0719
Pakistan	Pakistani Rupee	221.1000	1.8000	218.9889	1.4316	254.9056	2.5582
Peru	Peruvian Nuevo Sol	3.8793	-0.0048	3.8422	-0.0109	4.4724	0.0031
Philippines	Philippine Peso	56.9900	0.0050	56.4459	-0.0863	65.7036	0.1313
Poland	Polish Zloty	4.7663	0.0084	4.7208	0.0007	5.4951	0.0202
Romania	Romanian Leu	4.8888	0.0224	4.8421	0.0144	5.6363	0.0366
Russia	Russian Ruble	61.4250	0.2900	60.8385	0.1893	70.8167	0.4690
Saudi Arabia	Saudi Riyal	3.7582	-0.0008	3.7223	-0.0069	4.3328	0.0073
Singapore	Singapore Dollar	1.4063	0.0021	1.3929	-0.0002	1.6213	0.0055
South Africa	South African Rand	17.2719	0.0869	17.1070	0.0585	19.9127	0.1380
South Korea	South Korean Won	1371.7000	0.2500	1358.6032	-1.9488	1581.4292	3.3083
Sweden	Swedish Krona	10.7951	-0.0025	10.6920	-0.0198	12.4456	0.0209
Switzerland	Swiss Franc	0.9839	0.0025	0.9746	0.0009	1.1344	0.0050
Taiwan	New Taiwan Dollar	30.7945	0.0475	30.5005	-0.0022	35.5029	0.1225
Thailand	Thai Baht	36.5175	-0.0250	36.1688	-0.0833	42.1009	0.0517
Tunisia	Tunisian Dinar	3.2329	0.0052	3.2020	0.0000	3.7272	0.0132
Turkey	Turkish Lira	18.2228	0.0007	18.0488	-0.0284	21.0090	0.0410
United Arab Emirates	UAE Dirham	3.6731	0.0000	3.6380	-0.0058	4.2346	0.0081
United Kingdom	Pound Sterling	0.8674	-0.0017	0.8591	-0.0030	-	-
..One Month		0.8674	-0.0017	0.8590	-0.0031	-	-
..Three Month		0.8676	-0.0016	0.8587	-0.0030	-	-
..One Year		0.8674	-0.0017	0.8572	-0.0031	-	-
United States	United States Dollar	-	-	0.9905	-0.0016	1.1529	0.0022
..One Month		-	-	0.9902	-0.1603	1.1530	0.0022
..Three Month		-	-	0.9898	-0.1603	1.1531	0.0022
..One Year		-	-	0.9881	-0.1604	1.1529	0.0022
Vietnam	Vietnamese Dong	23530.0000	15.0000	23305.3514	-22.8342	27127.6928	69.0730
European Union	Euro	1.0096	0.0016	-	-	1.1640	0.0041
..One Month		1.0094	0.0016	-	-	1.1639	0.0041
..Three Month		1.0090	0.0016	-	-	1.1636	0.0041
..One Year		1.0073	0.0015	-	-	1.1621	0.0041

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Sep 06	Day's chge%	Euro Index	£ Strlg Sep 05	£ Strlg Sep 02	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7300.44	0.18	6620.32	7287.43	7281.19	7187.18	3.69	1.93	14.05	224.73	7452.36
FTSE 250 (250)	18820.84	1.03	17067.46	18629.68	18853.22	24248.35	2.96	1.36	24.84	397.02	15538.43
FTSE 250 ex Inv Co (176)	19117.60	1.33	17336.57	18866.18	19054.57	25471.91	3.08	1.59	20.40	427.77	16104.93
FTSE 350 (350)	4041.41	0.30	3664.90	4029.14	4033.38	4159.94	3.59	1.86	15.02	118.55	8184.29
FTSE 350 ex Investment Trusts (274)	3975.01	0.31	3604.69	3962.66	3963.70	4052.81	3.65	1.91	14.33	119.35	4160.48
FTSE 350 Higher Yield (129)	3501.77	0.09	3175.54	3498.58	3488.05	3221.07	5.02	1.88	10.61	130.70	7972.21

FT 30 INDEX

	Sep 06	Sep 05	Sep 02	Sep 01	Aug 31	Yr Ago	High	Low
FT 30	2435.30	2411.20	2418.10	2366.40	2437.50	0.00	2880.10	2300.60
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2411.2	2444	2439.4	2579	2579.7	2581.8	2588.4	2436.9	2440.8	2452.4	2408.6

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

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	40.21	NON FINANCIALS Index	-4.06	Equity Invest Instr	-17.48
Oil & Gas	39.57	Telecommunications	-4.19	Consumer Services	-18.48
Tobacco	25.73	Health Care Eq & Srv	-4.68	Household Goods & Ho	-19.01
Aerospace & Defense	10.90	FTSE All{HY-}Share Index	-4.81	FTSE 250 Index	-19.85
Banks	9.20	Beverages	-8.01	Industrials	-20.14
Mining	4.35	Financials	-9.78	Construct & Material	-22.21
Pharmace & Biotech	3.84	Software & Comp Serv	-11.38	Real Est Invest & Tr	-24.08

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1175	14.00	Intertek Group PLC	3945	25.00
Abrdn PLC	151.70	4.20	Jd Sports Fashion PLC	126.50	3.70
Admiral Group PLC	2169	67.00	Kingfisher PLC	246.30	6.70
Airtel Africa PLC	133.20	0.70	Land Securities Group PLC	639.00	6.20
Anglo American PLC	2806.5	37.50	Legal & General Group PLC	258.00	4.50
Antofagasta PLC	1124	3.00	Lloyds Banking Group PLC	45.23	1.78

UK STOCK MARKET TRADING DATA

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

UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Bausch Hlth	8.36	8.49	-0.13	-1.53	1.62	24.0	-17.10
China Vanke	16.22	15.32	0.90	5.87	1.86	13.0	13.14
Swiss Re	79.20	78.74	0.46	0.58	5.00	6.7	-8.54
Bhartiartl	761.25	740.40	20.85	2.82	40.65	5.6	-3.66
MuenchRkv	247.50	244.90	2.60	1.06	13.10	5.6	5.12
JardnMt US$	54.76	53.95	0.81	1.50	2.74	5.3	-10.81
HyundMobis	217000.00	214500.00	2500.00	1.17	10500.00	5.1	-2.18
Ch OSLnd&Inv	22.10	21.35	0.75	3.51	1.05	5.0	7.79
Aviva	436.00	425.30	10.70	2.52	18.80	4.5	-6.58
SBI NewA	537.80	538.90	-1.10	-0.20	22.95	4.5	-1.63
ITC	327.15	328.85	-1.70	-0.52	13.60	4.3	5.69
L&T	1962.30	1968.35	-6.05	-0.31	80.80	4.3	-5.34
Nokia	5.00	5.02	-0.02	-0.38	0.20	4.2	-6.82
Unicred	9.77	9.72	0.05	0.48	0.39	4.2	-16.82
ChStConEng	5.24	5.17	0.07	1.35	0.20	4.0	-0.91
ChShpbldng	3.97	3.85	0.12	3.12	0.15	3.9	1.37
Volkswgn	191.95	182.60	9.35	5.12	6.70	3.6	-3.41
Daqin	6.62	6.60	0.02	0.30	0.23	3.6	-1.49
E.ON	8.88	8.93	-0.05	-0.52	0.30	3.5	-6.22
HsngDevFin	2448.50	2456.25	-7.75	-0.32	82.50	3.5	-6.62

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
MitsuiFud	857.15	859.62	-2.47	-0.29	-1941.35	-69.4	-7.50
MitsubEst	947.87	946.24	1.63	0.17	-918.63	-49.2	-2.28
BHP Group	37.27	37.91	-0.64	-1.69	-4.92	-11.7	-10.82
Cielo	5.16	5.41	-0.25	-4.62	-0.65	-11.2	-1.26
Hew-Pack	27.76	27.64	0.12	0.42	-3.35	-10.8	-21.00
MollerMrsk	16285.00	16610.00	-325.00	-1.96	-1760.00	-9.8	-19.16
SHOP	38.48	39.54	-1.06	-2.68	-3.75	-8.9	-9.35
Advanced Micro	80.28	80.24	0.04	0.05	-6.66	-7.7	-27.22
CNOOC	10.12	10.74	-0.62	-5.77	-0.74	-6.8	-13.50
CanadPcR	96.75	97.32	-0.57	-0.59	-6.82	-6.6	-0.32
Nutrien	122.28	120.82	1.46	1.21	-8.60	-6.6	-14.14
BT	142.15	144.65	-2.50	-1.73	-9.70	-6.4	-1.45
Petrobras	35.85	37.21	-1.36	-3.65	-2.42	-6.3	-6.38
ChUncHK	3.65	3.64	0.01	0.27	-0.23	-5.9	0.00
Boeing	152.79	151.82	0.97	0.64	-9.42	-5.8	7.03
ShenwanHong	0.15	0.15	0.00	-1.33	-0.01	-5.7	19.05
Occid Pet	67.90	68.77	-0.88	-1.27	-4.12	-5.7	-14.17
Suncor En	42.22	41.80	0.42	1.00	-2.51	-5.6	-14.08
BkMontrl	121.89	121.78	0.11	0.09	-6.64	-5.2	-9.92
CanNatRy	152.87	153.76	-0.89	-0.58	-8.12	-5.0	-0.71

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Sep 06	Rate	Current	Since	Last
US	Fed Funds	1.5-1.75	15-06-2022	0.83
US	Prime	4.75	15-06-2022	4.00
US	Discount	1.00	05-05-2022	0.50
Euro	Repo	-0.64	19-05-2022	0.00
UK	Repo	1.75	04-08-2022	1.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

BOND INDICES

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

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

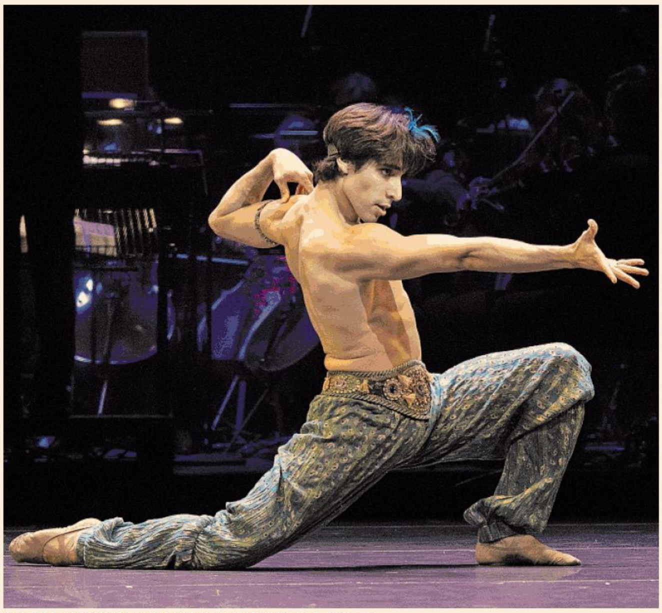
ARTS

In the footsteps of Nureyev

DANCE

Nureyev: Legend and Legacy
Theatre Royal Drury Lane, London
★★★★☆

Louise Levene



Rough edges and raw ego: Cesar Corrales in 'Le Corsaire' — Andrej Uspenski

Most of the male dancers at Monday night's London gala were still in short trousers when Rudolf Nureyev died in 1993, but his influence on ballet — and the male roles in it — is still deeply felt. The two-act programme, chosen and directed by former Royal Ballet principal Nehemiah Kish, offered nine extracts from Nureyev's signature works danced by 20 international artists.

Quality was, frankly, uneven but the material was well selected, production was slick and there were several outstanding performances. The only decor was a slideshow of Nureyev portraits, his wise, witty gaze blazing out at the stalls. Birmingham's Royal Ballet Sinfonia, conducted upstage by David Briskin and led by Robert Gibbs's superb first violin, provided a living backcloth to the dance.

Giselle and his other great roles from *The Sleeping Beauty*, *La Bayadère* and *Le Corsaire* were all in Monday's line-up, together with less familiar works: *Gayane*; *The Flower Festival in Genzano*; *Don Juan*. This flavourful and varied menu was introduced by the actor Ralph Fiennes, whose admiration of Nureyev's "will to challenge himself" inspired his 2019 film biography *The White Crow*, and former director of the Royal Ballet Monica Mason — "He wanted to poison us all with his passion."

The second half was prefaced by a short film in which the gala's stars talked of the Nureyev legacy, not least the work of the Nureyev Foundation, whose support made some of their careers possible.

Things got off to a shaky start with the solo that Nureyev composed to the sublime *entr'acte* from Tchaikovsky's *The Sleeping Beauty*. It was created as a showcase for his gifts — the yearning arabesque, the mercurial shifts of pace and direction — but Guillaume Côté, a last-minute replacement for Paris Opera Ballet's Germain Louvet, looked woefully out of sorts. Spirits revived when Oleg Ivenko, star of *The White Crow*, gave a larky reading of the folky *Gayane* pas de deux. Xander Parish, Royal Ballet spear-carrier turned Mariinsky principal, looked callow and underpowered partnering the neat but antiseptic Iana Salenko in *La Bayadère*.

The fun really started with English National Ballet's Francesco Gabriele Frola on dazzling form in *The Flower Festival in Genzano*. Even Nureyev was challenged by August Bournonville's choreography: the seeming absence of preparation, the way every landing is merely the launch pad for another jump, the sheer stamina required. Frola's throwaway virtuosity was prettily matched by Danish-trained Ida Praetorius.

Natalia Osipova's supersonic *jetés* in the *Laurencia pas de six* revived memories of her glorious Bolshoi *Don Quixote*, but the party atmosphere felt oddly forced. The long, sombre duet from John Neumeier's *Don Juan* was hardly gala fare but it offered a welcome sighting of Alina Cojocaru as the Angel of Death. Vadim Muntagirov, like Nureyev, has only to take up a pose to make you catch your breath. His solos from *The Sleeping Beauty* were easily the most elegant dancing of the night, but the audience prize probably went to Cesar Corrales in *Le Corsaire*: rough edges, raw ego and drill-bit pirouettes. The gala crowd ate it up with a spoon.

Further performances on September 12, lwtheatres.co.uk. Streaming via Marquee TV from September 16

MUSIC

BBC Proms: Glass/Handel
Printworks, London
★★★★☆

Áine Kim Kennedy

A typical Printworks event possesses the tranquillity and decorum of a budget airline check-in desk. When the newspaper presses fell silent, this cavernous space reinvented itself as London's premier rave destination; with redevelopment looming, a Prom with English National Opera proved appropriately pensive.

Interweaving Handel and Philip Glass arias with video installations, haute couture and beatboxing, the "immersive experience" of *Glass/Handel*, led by countertenor Anthony Roth Costanzo, deployed its resources to bizarre and touching effect. The baroque lament of "Lascia ch'io pianga" from Handel's *Rinaldo* echoed over exposed concrete; projected above the audience, leather-harnessed waifs turned on a wheel like doleful rotisserie chickens. Even when its relentless edginess threatened to overshadow the music, ENO's maxi-minimalist spectacle underscored a classic operatic theme: the transience of human excess.

Polite applause as conductor Karen Kamensek took the stage marked the only nod to Proms convention, broken by a burst of metallic gurgling. Having collaborated on ENO's 2015 production of Glass's *Akhnaten*, Costanzo and Kamensek came prepared to maintain tight musical control, while their audience grew increasingly disoriented.

As the gurgles gave way to the stately strains of Handel's *Tolomeo*, Costanzo presented himself, in the flesh and on film, as a conduit between worlds. Drawing on the repetitive, rigid structures common to Handel's baroque forms and Glass's minimalism, the programme deployed grand forces to an introspective end, with Costanzo appearing as both fashion designer Raf Simons's clotheshorse and medieval knight in the timeless spirit of celebrity.

Costanzo's steady, ethereal countertenor hung over three stages and a multilevel auditorium. Justin Peck's choreography was overshadowed by video installations, which veered from Tilda Swinton's spaniels romping on a beach to a CGI hot dog blooming from a crotch. "Nature beatboxer" Jason Singh was deployed to break the lull of Glass's pulsating soundscapes. Gliding around the floor, Costanzo parted the throng with the demeanour of a monarch visiting the lower orders. Whether drawn by the song, the haute couture or the tractor-beam light rods wielded by Costanzo's acolytes, linen-trousered elders and edgy young art-school types drifted after him in silent fascination.

Processing through its roster of fallen heroes, from Handel's *Amadigi* to Glass's settings of *Cymbeline*, *Glass/Handel* conveyed both the technical luxury and the crushing, confusing dislocation of grand pageant. Artist Glenn Brown, painting in silhouette, eventually produced an image of a man in an ostrich-plumed helmet. Perhaps it was a condolence that this recalled an icon of Handel's time: a celebrity castrato named Marchesi, who stipulated that his first appearance on stage had to involve a helmet topped with six-foot-tall plumage and the words "Where am I?" A similar spirit of bombastic chaos governed Costanzo's take on the Proms, with space, music and art bleeding into each other in baffling yet appropriate fashion.

bbc.co.uk/proms

Anthony Roth Costanzo in the Glass/Handel Prom — BBC/Mark Allan

A love letter to cinema history

GAMING

Tom Faber

What happened to Marissa Marcel? The actress starred in three films and seemed on a sure trajectory to success. But none of these were ever released and, after her final picture, she vanished. Decades later, the footage from these cancelled projects has been handed over to you. Sitting in your editing suite, scrolling through the celluloid, you are tasked with solving a mystery where each answer only brings with it more tantalising questions.

Marcel is the star of *Immortality*, the latest release by auteur indie developer Sam Barlow, who specialises in cinematic games in which players spool through filmed footage — all with real actors, not CGI avatars — to piece together a story. But Barlow doesn't like to call his games "interactive movies". "These are very much about filmed performance," he tells me, "but they're not really movies. The magic of movies is in the fact that there's an edit — you're fed images in a specific sequence."

In contrast, his games are defined by non-linear storytelling. Players can uncover clips of footage in any order, following their instinct. In his brilliant breakout game, *Her Story*, this meant assembling filmed police interviews with a murder suspect. The follow-up, *Telling Lies*, asked players to watch video calls between characters to untangle a twisty tale of undercover cops and secret identities. *Immortality* is his most ambitious work to date, a love letter to cinema history which plays like a postmodern detective story — until it lurches boldly into cosmic horror.

Though *Immortality* is a game, you'll exacting period detail from cinematography to sets, costumes to aspect ratio. The acting is brilliant — particularly Manon Gage as Marcel, in a layered performance where she plays a troubled actress in and out of various roles. It is a cinephile's dream, abounding in references to Alfred Hitchcock and David Lynch and even featuring a cameo from Andy Warhol.

The game's interface mimics an old Moviola editing machine, allowing you to scrub back and forth through miles of footage, looking for clues as to what happened to the vanished star. There's also additional material in the archive to help your hunt: behind-the-scenes footage, location scouting, rehearsals and appearances on a late-night talk show.

> 'The audience is extremely smart and hyper-educated about storytelling,' says Barlow

At the game's outset, only a handful of clips are available. It is your job to unlock more using the game's novel "match cut" mechanic. Pause a scene at any moment and click on something — be it an actor's face, jewellery or some furniture in the background — and the game will teleport you to that same feature in another clip. So click the apple on a table in *Ambrosio* and you'll find yourself at a fruit bowl in *Two of Everything*, 20 years later. You'll add this new clip to your expanding repertoire of sources.

"All my games have been about encouraging the player to be obsessive, and giving them a conceit and the tools to encourage that," says Barlow. *Immortality* beckons you down the rabbit hole to follow the rich visual language of cinema, tracing the story of a single actor, background crew member or symbolic object such as a rose, a key or a knife. The experience is technically dazzling and frequently inspires giddy moments of discovery, from shocking twists to an entire hidden mechanism which opens up an alternative storyline that veers into supernatural territory.

With almost 10 hours of footage, *Immortality* is most impressive in its dedication to non-linear narrative. "To me the audience is extremely smart and hyper-educated about storytelling," says Barlow.

It is brave to allow the player to jump through the clips however they like, telling the story in their own fashion. Yet this approach also comes with pitfalls. The game proves at times frustrating and slow, while some themes are laid on a little thick. But it succeeds far more than it fails. Watching these actors playing actors, you might feel held at a distance, which makes it all the more powerful when you catch flashes of genuine human interaction between the scenes, a stray exchange of words between cast and directors which offer a brief, piercing glimpse into their heart and minds.

'Immortality' is out now on Xbox Series X/S, PC, Mac and mobile

be doing a lot of watching, sometimes not touching the controls for minutes at a time. This is easy to enjoy because the footage is so compelling. Marcel's oeuvre includes erotic thriller *Ambrosio*, detective noir *Minsky* and identity thriller *Two of Everything*. Each has a distinct aesthetic, as the game luxuriates in

Manon Gage as Marissa Marcel in 'Immortality' — Half Mermaid

FT BIG READ. ENERGY

At least €50bn of spending on gas and coal infrastructure threatens to put EU emissions targets at risk. Officials call it just a stop-gap measure but analysts fear the bloc will be tied to these projects long term.
By Alice Hancock

The 'unavoidable evil' of fossil fuels

In July last year, EU commissioners set out a range of green policies to put the continent on a path to becoming climate neutral by 2050. "The fossil fuel economy has reached its limits," said Ursula von der Leyen, the commission president.

Little more than a year later, those commissioners are now overseeing tens of billions of euros of spending on fossil fuel infrastructure and supplies, amid severe cuts to gas supplies from Russia and record high prices.

Data analysed by the energy think-tank Ember Climate for the Financial Times suggest European governments will spend at least €50bn this winter on new and expanded fossil fuel infrastructure and supplies, including gas shipped in from overseas and coal to fuel previously mothballed power plants.

The EU, which previously relied on Russia for about 40 per cent of its gas and more than half of its coal, seems to have little choice. Industries from fertiliser manufacturers to zinc smelters have had to close, unable to pay the cost of fuel. Energy bills are pushing consumers to near poverty.

The bloc is now preparing for a bailout to rival the response to the 2008 banking crisis. Figures from the economics think-tank Bruegel suggest EU governments have allocated €280bn between September 2021 and July this year to protect consumers from skyrocketing energy prices, providing cuts to fuel tariffs, paying for shipped gas and giving handouts to vulnerable households.

The situation worsened on Monday, when the Kremlin said gas supplies through the Nord Stream 1 pipeline would be suspended until western sanctions are lifted, pushing Europe another step closer to recession. EU energy ministers are to gather for an emergency meeting in Brussels on Friday to discuss a co-ordinated response.

The EU's reaction to Moscow's "weaponisation" of energy supplies has been to propose a levy on non-gas power generators, including renewables which are benefiting from the high prices, and to ramp up fossil fuel supplies to stop citizens freezing this winter.

Seven floating terminals to process liquefied natural gas from non-Russian sources are due to come online in Germany, the Netherlands and between Estonia and Finland in time for winter at a minimum total cost of €3.7bn between October and March. At least 19 more are planned across the EU with project costs reaching almost €10bn not including outlay for necessary additional infrastructure such as pipelines and jetties. Together these will allow for an additional €30bn in imported gas, based on current estimates.

At the same time, several countries, including Germany and the Netherlands, have permitted the restart of operations at coal power stations that had either gone into disuse or were due to close — allowing the burning of an additional 13mn tonnes of coal costing about €4.5bn, Ember estimates.

Officials in Brussels say these are only stop-gap measures, which will not dent the bloc's ambition to be climate neutral by 2050. Europe's climate targets "are not postponed or cancelled", says Virginijus Sinkevičius, European commissioner for the environment. "It is important to combine use of coal as a last possible alternative with a speeding up of energy efficiency projects and development of renewables."

The EU is making efforts to cut demand, ranging from limits to heating to turning off public lights at night. And the European parliament is due to vote on proposals next week to increase its goal for renewable energy from 40 per cent of power generation to 45 per cent by 2030.

But analysts fear some of the bloc's investments in coal and LNG could yoke it to fossil fuels for longer than planned,

Several countries, including Germany and the Netherlands, have allowed the restart of operations at coal power stations. Below: a floating terminal to process liquefied natural gas from non-Russian sources arrives in the Netherlands
FT montage; Dreamstime

'The challenge for officials is to find a balance to deal with a real short term crisis situation'

that risk and find a balance to deal with a real short-term crisis situation."

Repowering the EU

Brussels may have underestimated how much dirty energy will be needed for more than just the short term.

The European Commission said in its "RePowerEU" proposals in May that €210bn was needed both in public and private financing to wean the EU off Russian energy supplies by 2027, much of it for renewable energy. Only €12bn was earmarked for gas and oil infrastructure and fuel to supply it.

Ember's analysis, however, suggests that more than four times that will be spent this winter.

The unusually hot and dry summer has worsened the energy outlook. Dried-up hydropower resources have resulted in greater demand for gas. In France, nuclear power plants, already under pressure due to widespread maintenance closures, have been forced to lower capacity due to a lack of water to cool the reactors. Plants elsewhere have also been affected.

All the while, Gazprom has continued to reduce natural gas exports to the bloc. According to S&P Global estimates, gas flows from Russia are now around a quarter of what they were in the first half of 2021, meeting only about one-12th of average European demand.

"The perfect storm is an understatement for what is going on," Brown says.

Ember's numbers rely on projections of prices for gas and coal over the winter, which have already risen to record levels, and on estimates of project costs based on publicly available information and lease costs for gas terminals.

Coal was not mentioned in the May announcement. But Germany, the Netherlands, Greece and the Czech Republic have either permitted coal plants to increase production or restarted mining operations.

EPH, the Czech-based energy company that has fired up mothballed coal plants such as Mehrum in Germany, says it was "pleased" to have its plants back up and running to help solve "Germany's difficult energy situation" — until the war, Germany was among the EU countries most reliant on Russian gas — but adds that "it's extremely difficult to make any kind of estimate" for how long they would be needed.

Emmanuel Dubois-Pelerin, head of utilities for Emea at S&P Global, says he had expected more coal power stations to restart given the demand.

The more popular replacement for Russian piped gas has been liquefied natural gas, a compound vapour cooled to -162C and transported in hyper-refrigerated containers on large tanker ships. Between May and July, Brussels announced LNG deals with the US, Qatar, Azerbaijan, Egypt and Israel to increase supplies. The EU agreement on imports of LNG from the US, for example, targeted an extra 15bn cubic metres this year and an increase to at least 50 bcm each year by 2030. In total, Russian natural gas supplies to the EU were about 155 bcm in 2021.

Exporting countries are eager to lock in long term deals, so the EU could be reliant on gas for longer than intended, says Ana Maria Jaller-Makarewicz, Europe energy analyst at the Institute for Energy Economics and Financial Analysis. "We are in a sellers' market right now," she says. "The worry that we see [is] that while the contract will be in place for 20 years, what is going to happen with the demand of gas?"

Ember figures also show that 19 temporary regasification units known as FSRUs, which use seawater to reheat the liquid and convert it back into gas, are planned across Europe — coming online between October and 2028, as well as seven permanent onshore terminals.

Many policymakers and those investing in LNG assets argue that the infrastructure can be adapted to green hydrogen, a way of storing and transporting energy generated through renewables, and there are promising projects testing the possibility such as one run by the German group Eon in North Rhine-Westphalia.

But several analysts and climate

leader has been put under threat. At the UN's COP27 climate summit in Sharm-el-Sheikh, Egypt, in eight weeks, leaders will again debate the question of how rich nations — typically the heaviest polluters — will support developing countries in the climate transition.

A pledge in 2009 for wealthier countries to raise $100bn every year in climate financing for vulnerable countries between 2020 and 2025 has not been met. And the war has complicated matters further for Europe. Since Russia invaded Ukraine, the EU has rubber-stamped more in state aid to support energy intensive industries and power sector players — about €27bn, according to an FT analysis of commission figures — than it paid in climate finance to poorer nations in the whole of 2020.

The optics for Europe have not improved this week. Only two European leaders attended a climate finance

summit in Rotterdam despite seven African presidents making the trip.

Klaus Röhrig, EU climate and energy policy co-ordinator at Climate Action Network Europe, says that while there is positive news that Europe's long term climate goals are still intact and not yet under threat, the war has introduced "elements that could undermine the EU's leadership on climate".

Röhrig points to how the EU waived its "do no significant harm" principle,

'The EU has missed its chance to set a gold standard for sustainable finance. Instead, it has set a dangerous precedent'

parties were especially vexed by the European parliament allowing gas and nuclear, under certain constraints, to be labelled as green in the EU's so-called financial taxonomy, a classification system aimed at directing investment to climate-friendly projects.

Laurence Tubiana, an architect of the Paris climate agreement and chief executive of the European Climate Foundation, says: "With gas in the taxonomy, the EU has missed its chance to set a gold standard for sustainable finance. Instead, it has set a dangerous precedent. Politics and vested interests have won over science."

Turning crisis into opportunity

Yet there is hope amid the smog.

Mohammed Chahim, a Dutch socialist member of the European parliament involved in negotiations on the EU's climate proposals this autumn, says even if burning more coal was an "unavoidable evil" in the short term, in general the crisis had pushed European capitals to increase targets for renewable power production and energy efficiency targets. The politics was now a question of, "We take one step back [but] we want to take two very quick steps forward".

In July, European energy ministers signed a hastily agreed deal to voluntarily cut gas use by 15 per cent between October and March. In France and Spain, rules have been introduced limiting air conditioning in businesses and ordering that advertising signage and shop lights be turned off at night. Germany also enacted a plan, which started last week, that prevents corporate offices being warmed above 19C.

Ember's analysis suggests the decline in emissions resulting from cuts to gas usage should be enough to cancel out the level of increased coal use suggested in RePowerEU.

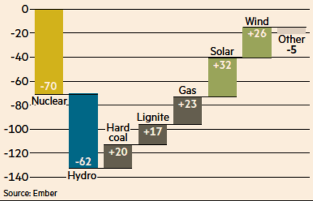
The wake-up call for better domestic energy security has also pushed countries such as Poland, which previously resisted emissions targets, to come on board. Eastern European countries that had opposed elements of the EU's climate goals when they were first preputting future emissions targets at risk.

Sarah Brown, senior energy analyst at Ember, describes the number of LNG terminals coming online as "a knee-jerk reaction that could result in long term lock-in that is expensive and unnecessary", particularly as supplies through existing terminals in the EU could have been increased.

"Once that infrastructure is in place, the companies owning those assets will want to make sure they utilise them as long as possible to make sure they get a return on investment," says Jan Rosenow, director of European Programmes at the Regulatory Assistance Project, a non-governmental organisation focusing on the clean energy transition. "The challenge for policymakers is to manage

Fossil fuels and renewables have both picked up as hydro and nuclear output fall

Year-on-year change in electricity generation in EU countries, by fuel type, Jan-Aug 2022 (TWh)



Source: Ember

experts warn that it is disingenuous to suggest that this is an easy solution. There is not enough renewable capacity to create the levels of green hydrogen required, and it is yet to be proven that gas infrastructure can be easily retrofitted for transport of pure hydrogen, which is highly volatile.

"The story that gas infrastructure can be converted to hydrogen or biomethane later is risky," says Rosenow.

Not easy being green

In the rush to build up fossil fuel resources, climate lobbyists, think-tanks and NGOs fear that the credibility of Europe, the world's third-largest emitter of greenhouse gas emissions behind the US and China, as a climate

which sets out that no investment should harm any of the bloc's core environmental objectives, to allow more funding of fossil fuel projects in its May RePowerEU proposals.

He also notes that to help finance the programme, Brussels plans to sell €20bn of additional carbon permits normally bought by polluting companies to cover the cost of their emissions.

"It would be using climate policy to generate [additional] income, which is a dangerous precedent," Röhrig says.

When the idea to use revenues from the sale of the permits was first reported, the carbon price dropped almost 8 per cent, according to Ember's carbon price tracker.

Environmental groups and green

sented, passed its 2030 targets without opposition at a council in June, one senior EU official notes. "This is where the energy crisis has helped us."

Whether the current energy crisis affects climate targets "all hinges on whether we can unleash the renewable revolution", says the EU official. "If we are talking about burning coal for five to six years it becomes more tricky."

Sinkevičius, the EU commissioner, says that if European policymakers look beyond the current crisis they will realise they have "no choice but to make the green transition".

"EU leaders cannot afford to be complacent about climate change when citizens are being evacuated from their homes due to wildfires and floods."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Kenya shows institutional strength but Ruto must deliver

The next president should prove doubters wrong by focusing on ordinary citizens

The glass-half-full version of Kenya's latest election goes like this: the east African country has just pulled off a largely peaceful process with almost none of the violence that scarred the 2007 presidential contest. Then, hundreds died after a disputed result. This time, as in 2017 when the supreme court made history by annulling the vote, the judiciary settled the matter.

The supreme court confirmed last month's finding of the electoral commission that William Ruto won the presidential contest of August 9. Petitions suggesting foul play were "hot air", it said. Raila Odinga, the veteran politician and establishment candidate, had to grudgingly accept defeat. In a system where winners can — and usually do — take all, the fact that political heavyweights must abide by the ruling of an independent judiciary is something to celebrate.

The glass-half-empty case is no less easy to make. There are many reasons to be nervous about a Ruto presidency. It was only a few years ago that he faced charges at the International Criminal Court in The Hague for his alleged role in orchestrating the violence that followed the 2007 election, charges he denied. The case subsequently collapsed, though not before a number of key witnesses changed their stories.

Nor does Ruto's real story exactly match the "outsider, hustler" image he has so carefully curated. Over his long political career, he has found time to amass a fortune from business. As President Uhuru Kenyatta's deputy for a decade, he was part of an administration that was widely accused of allowing corruption to run rife.

Ruto was also part of a government that spent lavishly on white elephant projects, most notably a $4bn standard gauge railway from Mombasa to Nairobi. The line proved so expensive that a planned extension to the Ugandan border was abandoned. Projected volumes of cargo traffic have never materialised.

Borrowing for that and other flights of fancy has put the government in hock, largely to China. Fiscal room to spend on grassroots services has been reduced. A possible debt crisis looms. Though Kenya is a middle-income country, it has not made as much progress as similarly placed nations, such as Ghana, in eradicating poverty. Too many hard-working Kenyans are looking for work — and even food. A worrying feature of this election was how few young people registered to vote.

Still, Kenya has much going for it. It is one of Africa's most dynamic countries, an early adopter of mobile money and a flourishing hub for start-ups. It has plenty of renewable energy, including deep reserves of geothermal power, and could become a pioneer of green transition if it can set the right incentives. Its

> The country's governing class has never displayed the joined-up thinking that could translate its potential into transformative growth

population is well educated, making it a plausible candidate for industrialisation and economic take-off.

Yet Kenya's governing class has never displayed the joined-up thinking that could translate this potential into transformative growth. Democracy must be more than a modestly transparent contest every five years. It is the scope for participation and accountability between elections that keeps politicians honest and focused on delivering for ordinary people.

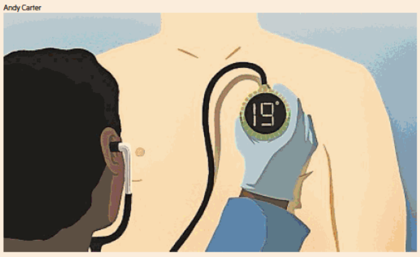
On a continent with popular hunger for democratic government, Kenya is a key standard bearer. There have been some steps forward in Africa, including last year's Zambia election where the incumbent president lost. But there have been more steps backward, notably in west Africa, where generals have seized power in several countries.

Kenya's political system, imperfect though it is, has the chance to demonstrate democracy's upsides. It must deliver — or risk losing legitimacy.

Opinion Energy crisis

A health timebomb for Britain's most vulnerable

Andy Carter



Anjana Ahuja

The constant swirl of cold and damp can make for an early grave. More people expire in the winter than in warmer months due to an increase in heart attacks, stroke, respiratory disease (including Covid), flu, falls and hypothermia.

The approaching change of season coupled with the prospect of soaring energy costs prompted researchers to warn last week of an impending "public health and humanitarian crisis" as people struggle to heat their homes. Sir Michael Marmot, a health equity researcher at University College London, together with paediatricians Ian Sinha and Alice Lee at Alder Hey Children's Hospital in Liverpool, wrote in the British Medical Journal that the health consequences will be felt not just by the elderly but also by the

> Rising costs place extra physical and mental burdens on those least able to cope

young, whose maturing respiratory systems may be impaired for life.

Without immediate political intervention (new prime minister Liz Truss has promised action on energy bills this week) the crisis threatens to escalate into an avoidable health

raising heart rate and blood pressure; changes in the blood itself can increase the risk of clots. The elderly are also more vulnerable to flu. Excess deaths are not restricted to sub-zero snaps: most happen when the outdoor temperature is between 4C and 8C, with risk rising as temperature falls. Guidance from the UK's National Institute of Health and Care Excellence advises heating homes to at least 18C. For people who live in the coldest 10 per cent of homes, it also notes, the death rate rises by about 3 per cent for every degree drop in outdoor temperature; in contrast, for those in the warmest 10 per cent of homes, it is closer to a 1 per cent rise per dropped degree.

While the old show cardiovascular stress, the young respond differently, says Sinha, who co-authored the BMJ article: cold air irritates the airways, causing wheezing and asthma attacks; chilly homes also increase the spread of viral infections that can progress to pneumonia, with repeat infections sometimes inflicting permanent respiratory damage. Worryingly, babies in cold environments use their energy to keep warm at the expense of developing healthy brain tissue, lungs and other organs, he tells me. That setback may not become apparent until later: longitudinal studies suggest that children with compromised lungs and airways are more likely to develop chronic disorders such as bronchitis and emphysema as adults. Allowing infants to shiver during this critical window of development is not only immoral but risks creating a time-bomb of respiratory ill-health.

Rising energy costs also place additional physical and mental health burdens on those least able to shoulder them. Low-income families are

Letters

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Politicians face no easy options trying to contain the gas price

There is widespread support for Professor Thomas Laudal's call for political intervention to set energy prices (Letters, September 1).

In the case of electricity prices, changing a framework where electricity prices in many countries are set by the gas price could result in significant reductions. It is gas prices which present the greatest challenge for governments.

The prospect of widespread suffering for a range of customer groups leads to agreement that "something has to be done". But what? The cost of support via government subsidies, requiring significant additional taxation over a multiyear period, looks to be prohibitive. Windfall taxes are a popular solution but could drive gas and power investments to other parts of the world. Efficiency and renewable energy investments are obvious but longer-term solutions, although the level of any cap should continue to incentivise both.

An EU-imposed cap on the price of gas on the Dutch Title Transfer Facility, a virtual trading point for natural gas in the Netherlands, would need to be matched by a similar cap on the UK's National Balancing Point to prevent flows between markets.

However, a cap on Europe's main gas trading markets would allow Asian buyers to attract supplies of LNG — the main substitute for diminishing Russian gas — away from Europe by offering slightly higher prices. All of this points to the need for diplomacy if there is to be any chance of a unified price position.

A UK-EU agreement looks difficult enough but might pale into insignificance compared with the task of an EU agreement with major Asian LNG importers, especially China.

Professor Laudal talks about putting "the market mechanism to one side temporarily", but gas price controls may need to be in place for a minimum of two and possibly up to five years. When the market rebalances and prices fall to more normal levels, it is not likely that previous market mechanisms can be easily reinstated.

This will not prevent governments from taking action if energy prices threaten their electoral prospects. But such actions will have longer-term consequences and could signal the end of the liberalised and competitive European gas market which took 30 years to create.

Professor Jonathan Stern
Distinguished Research Fellow
Oxford Institute for Energy Studies
Oxford, UK

Those 1930s comparisons may prove too optimistic

Professor David Blanchflower and colleagues suggest that we may be in for a slump like the 1930s (Letters, August 31). Unfortunately, I would disagree. The coming slump could be worse than the 1930s.

Despite the poverty in places like Jarrow, Britain still retained colossal advantages before the war. We had self-sufficiency in energy from coal for steam power and electricity generation, and an empire to tap for food, raw materials and markets. The south of England and parts of the Midlands saw a long construction and economic boom, in the building of "Bypass Britain". The result was that total manufacturing output in the period 1924-37 rose faster than in the Victorian heyday.

To replicate this today we would need to release development in the south through positive planning, using development corporations; move much faster on insulation, green power and tidal energy storage (especially in the north); and restructure and power up the north and Midlands economies, bringing back well funded and organised regional development agencies.

I'm not sure politicians yet appreciate the magnitude of the task, nor the weakness of our present state institutions.

It is one thing to make speeches about the importance of economic growth, quite another to secure it.

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

Swedish PM's Chinatowns quip at odds with the data

If Sweden's prime minister Magdalena Andersson were familiar with crime statistics by immigrant groups, she would not take the view that her country would be better off without its Chinatowns ("Sweden playground shooting shapes voter concerns", Report, September 3).

The Danes have collected (and published) data on criminality by immigrant groups. A 2016 study by the Danish national statistical office shows that first generation Chinese immigrants have criminality rates more than a quarter below the Danish average. Based on patterns for other East Asian immigrant groups and in other geographies, criminality rates will fall to less than half the level for

Another myth-busting fact about share buybacks

Michael Mauboussin has written an admirable piece on the myths that surround share buybacks (Opinion, September 1).

To his list, I would add one more: the myth that, in the US, buybacks were illegal or uncommon before 1982. In fact, while not as common as they are today, they were a frequent occurrence throughout the 1950s, 60s and 70s. They were also a common topic of academic research during that period; a search on Google Scholar for "share repurchase" from 1934-1982 returns hundreds of papers.

Leo Guthart, then a doctoral candidate and faculty member at Harvard Business School, appears to have been the first to notice the growing trend. In 1965, he wrote an article in the Harvard Business Review analysing stock buybacks on the New York Stock Exchange from 1954-1963, noting that buybacks had risen from roughly $300mn in 1954 to $1.3bn in 1963. In 1967, he followed up by reporting that in 1965 repurchases had actually exceeded new issues — the total equity capital of American companies had declined.

Other academic studies followed but much of this was rather dry work on, for example, optimal capital structures and signalling effects. The Wall Street Journal occasionally reported on the trend, while frequently carrying share repurchase announcements. A 1969 article noted that when companies had locked in low borrowing rates, it was better for the shareholders to buy back shares than to repay debts.

The US Securities and Exchange

The Greens go further than Labour or Lib Dems

Camilla Cavendish (Opinion, August 20) continues the FT's leading role in deconstructing the continuing disaster of under-investment, profiteering and financial engineering in England's water companies.

The problem, however, is not just in water, but the entire privatisation model that has seen large sectors of the economy turned into cash cows rather than providers of essential services — as the FT has also been a leader in pointing out in the care home sector.

The Big Five energy companies - British Gas, E.on, EDF, Scottish Power and Ovo — have paid out £23bn in dividends over the past 10 years, and now both Labour and the Liberal Democrats are planning on injecting massive sums into them to keep the energy price cap at current levels.

But that fails to address either the structural problems or the crushing financial problems facing households, businesses and public institutions such as schools and hospitals this winter, even with energy prices at current levels.

That's why the Green party is calling also for nationalisation of the Big Five, and for the price cap to be set back to October 2021 levels. Funding would come in part from ending, as other opposition parties also want, the massive, climate-busting investment relief loophole in the oil and gas profits levy.

Natalie Bennett
Green Party Peer
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When a country aspires to

escalate into an avoidable health emergency that will widen inequality and shorten lives. That would be unforgivable, given this comes on the heels of a pandemic which has already disproportionally hit the most vulnerable.

The association between cold weather and an increased risk of death is captured in the Office for National Statistics' "excess winter mortality" figures. These compare the number of deaths over a winter period, from December to March, with those averaged over the two non-winter periods bookending it. In the 2020-2021 season, excess winter deaths numbered about 63,000 in England and Wales, a record high due to Covid. For the 10 years prior, the figure ranged between about 10,000 and 50,000.

Those may be undercounts: a recent climate analysis linking pre-pandemic death data between 2000 and 2019 to local temperature suggests that, in England and Wales, there was an average annual excess of 800 heat-related deaths and 60,500 linked to cold. Most of these happen in the over-75s. The heart must work harder in the cold, them. Low-income families are already more likely to live in cramped, poorly insulated housing in areas with high pollution. These factors, along with food poverty, collectively chip away at health: the children who attend Alder Hey's respiratory clinic live in some of England's most deprived postcodes. If levelling-up is a true Conservative aim, then the government has a duty to minimise these stresses, rather than compounding them by allowing warmth to become an unaffordable luxury.

The researchers favour a lowered energy price cap, funded by a windfall tax instead of tax cuts. Sinha said he could envisage doctors prescribing extra heating, as has been suggested, "but it would be much better for people to be able to pay their bills."

Despite the scientific evidence that every degree matters, many families are now preparing to turn down the thermostat. If Truss wants to protect the health of the vulnerable, she must turn up her financial response without delay.

The writer is a science commentator

Liverpool, UK

Is it time for a windfall tax on the big banks too?

Helen Thomas makes some points about the asset side of the balance sheets of big banks ("Living standards shock puts lenders to the test", Opinion, September 2). But the liability side also needs to be considered.

The Bank of England's higher interest rates approach to dealing with inflation forces both borrowers and depositors to suffer, yet allows the big banks to increase their margins.

The big banks offer very low deposit rates to individuals and small and medium-sized enterprise customers. Apparently this reflects the liquidity provided as a consequence of quantitative easing.

If the big banks do not need to compete with National Savings and Investments, the state-owned savings bank, should their increasing margins be considered "windfall profits" and taxed accordingly?

Charles Fairhurst
London W8, UK

will fall to less than half the level for the Danish population as a whole, for second generation Chinese immigrants. This phenomenon holds in Sweden as well. Not all immigration is equal.

Kai L Chan
Abu Dhabi, United Arab Emirates

A misreading of Beijing's south-east Asia ambitions

You devote a half page article to the US, China and south-east Asia without once mentioning the issue of China's execution of its claims over the South China Sea, despite most of that sea falling within the internationally acknowledged exclusive economic zones of Vietnam, Indonesia, Malaysia and the Philippines (Report, September 5).

This Chinese expansion, starting in the 1990s, long predates the rise of US-China confrontation over Taiwan.

Your article shows a classic of western media inability to see issues other than through its own current US vs China prism.

Philip Bowring
Hong Kong

The US Securities and Exchange Commission appears to have had few concerns about share repurchases. No one seems to have thought the practice was remotely illegal or manipulative, although there were certainly calls for more disclosure. The SEC did complain, however, when companies were repurchasing shares at the same time as they were issuing shares. For example, in 1966 the SEC sued the pulp and paper company Georgia-Pacific for repurchasing shares at the same time as it was using shares for acquisitions. This was deemed unfair to those selling their companies to Georgia-Pacific.

From a certain perspective, the 1982 introduction of rule 10b-18 was a tightening, enacting a number of restrictions on companies, such as limiting the amount of volume they could buy every day and banning them from trading at the market open.

In no way was the rule change a "legalisation" of stock buybacks, simply because buybacks were never illegal beforehand. They were already an everyday occurrence.

Joseph von Zanten
King's College London, London WC2, UK

When a country aspires to greatness, a rebrand helps

Gideon Rachman considers "how do you define a great country" with reference to Donald Trump's promise to make America great again, Xi Jinping's "great rejuvenation" of China and Vladimir Putin's desire to restore Russian greatness (Opinion, September 6).

Well, they could steal a trick from the marketing profession with a simple rebranding — and not without precedent. Witness Great Britain.

Paul Barrett
London SW4, UK

Yes, we all recall that comic line from 'The Graduate'

A small error needs correcting in Bruce Fein's letter comparing the US and Chilean constitutions (September 2). Gladstone, the great British liberal statesman (1809-98), was never "Lord Gladstone". He remained plain "mister" until his death.

Allen Bass
Cork, Ireland

Opinion

Biden was right to ring the alarm for democracy

POLITICS

Janan Ganesh

Age impairs the body but frees the tongue. Joe Biden proves both points. The man who looks each one of the 80 years that he will clock up in November has acquired the cussed candour of the old.

The beliefs of Donald Trump add up to "semi-fascism", says the US president. Much of the Republican party is a menace to the "foundations of our republic". "Whose side are you on?", asks Biden, with the stark dualism that he used to avoid in favour of cross-partisan bonhomie. Here — say the scandalised, some of whom are liberals — is a president in divisive mood.

No, just a realistic one. True, the mise-en-scène of his Philadelphia speech last week, with its flanking US Marines, was weird. He too often conflated anti-Democrats with anti-democrats. But the speech did not create a divide. It acknowledged one that already exists. The alternative — exhorting national unity — has been tested to destruction. "There is not a liberal America and a conservative America", said Barack Obama in 2004. Yes, there is. "Let us listen to one another," said Biden himself at his inauguration, as though no one had thought of that before. This stuff won't do anymore. A fact of American life since the 1990s is that a large minority of voters struggles to accept the legitimacy of any Democratic president. Appealing to a phoney togetherness while this goes on is untenable.

So is the notion that Biden's own party has an equal and opposite extremism. This was the other line of attack against the Philadelphia speech: its supposed hypocrisy. Well, perhaps one day the Democrats will pose a Trump-sized risk to the US system. Their openness to the cultural hard left is troubling. Nothing in the history of America (or Germany or France) suggests the right has a monopoly on political violence. For now, though, the Democrats are a party with some wild activists and cockamamie ideas. It is not one whose leaders are at odds with the rules of the political game. As such, no equivalence that is drawn between them and the Republicans survives a moment's inspection. There is a point at which even-handedness crosses the line into something more like nihilism.

> Appealing to a phoney togetherness while acknowledging there is a divide is untenable

You can't persuade people by scolding them, commentators have told Biden since Philadelphia. True. But then what *does* persuade them? It is sweet to think, as some do, that if he tacked right or talked up his Catholicism more, deep-Red America would meet him halfway in a "cultural truce". Certainly, he has governed too far to the left for swing voters. But the militant right? Is substance what upsets them? The Capitol siege happened before he was even inaugurated. His legitimacy was questioned before he took a single executive decision. And the president who felt the first modern blast of rightwing rage, Bill Clinton, was a budget-balancing southerner and crime hawk.

People will go to heroic effort to rationalise populism: to establish cause and effect, the better to find a fix. The first winner of this intellectual wild goose chase was the theory of legitimate economic grievances. In the media, circa 2017, it launched a thousand vox pops of patrons in rustbelt diners. (Hadn't they endured enough?) But it could never explain why prosperous counties backed Trump, or why poor whites stuck with him after he blew so much legislative capital on tax cuts for high earners.

The likelier answer is — isn't it? — that a third or more of the electorate is simply unreachable. If so, isn't there value in some presidential frankness about the scale of this problem? The newly truculent Biden sees things more clearly than the damp-eyed backslapper of yesteryear, who held everyone in Washington to be a decent cove and put mawkish trust in the essential oneness of the nation. If his speech in Philadelphia was shocking, it was because it came from a man who was once so complacent.

And still it wasn't stark enough. He exonerated the "majority" of Republicans of anti-democratic impulses. Well, a supermajority of GOP voters believes the 2020 election was a fix. Nor was it a fringe of Republicans in the House of Representatives who voted not to certify it.

What stands out about criticism of the speech is not its vehemence. It is its innocence. The implication is that manners and tone can still save the day: that a more emollient president can avert an acute civic crisis. But if that were true, the US would not be in this state. For decades, well-meaning leaders have appealed to national unity. All the while, the nation has splintered. Biden's crime was to stop pretending.

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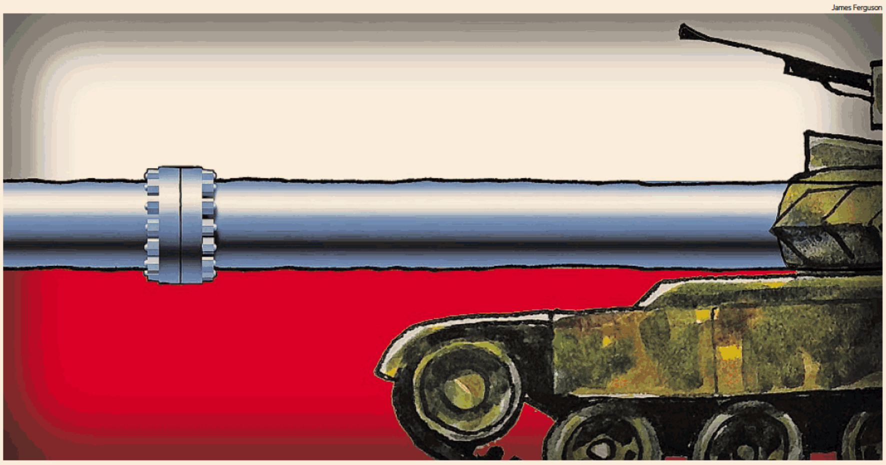
Europe can — and must — win the energy war

Martin Wolf Economics

Victory will be costly, but adjustment and co-operation can free the continent from Russia's chokehold



James Ferguson

Europe will be forged in crisis and will be the sum of the solutions adopted for those crises." These words from the memoirs of Jean Monnet, one of the architects of European integration, echo today, as Russia closes its main gas pipeline. This is surely now a crisis. Whether Monnet's optimistic perspective prevails, we do not know. But Vladimir Putin has assaulted the principles on which postwar Europe was built. He simply has to be resisted.

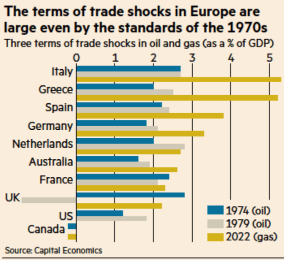
Energy is a vital front in his war. It will be costly to win this battle. Yet Europe can and must free itself from Russia's chokehold. This is not to underestimate the challenge. Capital Economics argues that at today's prices the worsening of the terms of trade would amount to as much as 5.3 per cent of Italy's gross domestic product over a year and 3.3 per cent of Germany's. These losses are bigger than either of the two oil shocks of the 1970s. Moreover, this ignores the disruption to industrial activity and the impact of soaring energy prices on poorer households.

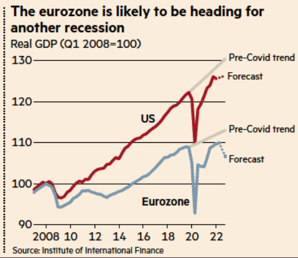
It is inevitable, too, that sharply rising energy prices will lead to high inflation. The experience of the 1970s indicates that the best response is to keep accommodative monetary policy means that a recession is inevitable.

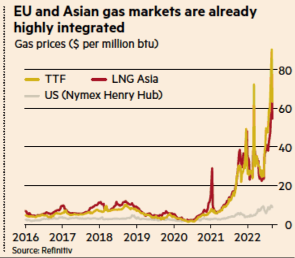
Difficult though the future looks, there is also hope. As Chris Giles has written: "There is virtually no way to escape a Europe-wide recession, but it need be neither deep nor prolonged." The likelihood of a recession has probably risen further since then. But work by IMF staff shows that substantial adjustment is feasible, even in the short run. In the long run, Europe can dispense with Russian gas. Putin will lose if Europe can only hold on.

A recent paper from the IMF points to the potential role of the global liquefied natural gas market in cushioning the shock to Europe. European integration within global LNG markets is imperfect, but substantial. (See charts.)

The paper concludes that a Russian shut-off would lead to a decline in EU gross national expenditure of only about 0.4 per cent a year after the shock, once one takes the global LNG market into account. Without the latter, the decline would be between 1.4 and 2.5 per cent. But the former, while far better for Europe, would also mean higher prices elsewhere, especially in Asia. The estimated fall of 0.4 per cent also ignores demand-side effects and assumes full







cent in 2024. IMF work on individual EU countries also concludes that Germany would not be the worst hit member state. Italy is still more vulnerable. But the worst hit are going to be Hungary, the Slovak Republic and Czechia.

The big lesson of the oil shocks of the 1970s was that by the mid-1980s there was a global glut. Market forces will surely deliver the same outcome in time. The short-term impact will also be manageable. The needed actions are to cushion the shock on the vulnerable and encourage needed adjustments, which might include emergency reopening of gasfields.

Ursula von der Leyen, European Commission president, has asserted that the aim of policy should now be to reduce peak electricity demand, cap the price on pipeline gas, assist vulnerable consumers and businesses with windfall revenue from the energy sector, and help electricity producers facing liquidity challenges caused by market volatility. All this is sensible, so far as it goes.

A crucial aspect of this crisis is that, shared predicament. But it is also true that individual members not only face challenges that differ in severity, but also possess substantially different fiscal capacity. If the eurozone is to get through this challenge successfully, the question of sharing fiscal resources will again arise. It will ultimately be unsustainable to expect the European Central Bank to be the main fiscal backstop in such a crisis. Yet if weaker countries were to be abandoned, the political consequences would be dire.

At least two further big issues arise. Europeans will rightly neither forget nor forgive if she chooses the latter in this hour of need.

The second and far bigger issue is climate change. As Fatih Birol of the International Energy Agency writes, this is not a "clean energy crisis", but the opposite. We need far more clean energy, both because of climate risks and to reduce reliance on unreliable suppliers of fossil fuels. We learnt this lesson in the 1970s. We are learning it again. The case for an energy revolution has become stronger, not weaker.

tion firmly under control, as the Bundesbank then did, rather than allow desperate attempts to prevent the inevitable reductions in real incomes to turn into a continuing wage-price spiral. Yet this combination of large losses in real incomes with less than fully accommo-

integration of global markets. For these and other reasons, the actual impact will surely be far greater.

Another IMF paper suggests that, with uncertainty added, Germany's GDP could be 1.5 per cent below baseline in 2022, 2.7 per cent in 2023 and 0.4 per

If the eurozone is to get through this challenge, the question of sharing fiscal resources will again arise

like Covid, but unlike the financial crisis, almost all European countries are adversely affected, with Norway the big exception. In this case, above all, Germany is among the most vulnerable. This means that the shock, and so also the response, are in common: it is a

The narrower one is the role of the UK under its new prime minister, Liz Truss. She has an immediate choice: to mend the country's fences with its European allies in response to the shared threat of Putin, or to break the treaty her predecessor made to "get Brexit done".

How Europe responds to this crisis will shape its immediate and longer-term future. It must resist Putin's blackmail. It must adjust, co-operate and endure. That is the heart of the matter.

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Ignoring China's disastrous 'three Ds' could be a global risk

MARKETS

Megan Greene

In a world beset by multiple crises, officials may be looking past the biggest threat of all: China. The talk among central bankers at the Jackson Hole Federal Reserve Conference focused on inflation and rising interest rates. Absent was any mention that just 10 days beforehand, the People's Bank of China did exactly the opposite, unexpectedly cutting its key interest rate.

China is beset by three distressing Ds: debt, disease and drought. They belie a slowdown that is not raising sufficient alarm bells among investors and policymakers. China remains heavily integrated into the global supply chain and is a potential driver of global demand as one of the biggest markets for foreign goods and services.

But economic news from China has gone from bad to worse. Manufacturing contracted in July, retail sales, industrial output and investment all slowed and youth unemployment reached nearly 20 per cent. There has been a record outflow of portfolio investments via the Stock and Bond Connects. More than 20 per cent of American multinationals are pessimistic about the five-year business outlook, more than double the percentage last year, according to a US-China Business Council poll. The median 2022 GDP forecast was recently cut to 3.5 per cent, in a country that was growing at 6 per cent two years ago.

The pessimism is warranted. The first D hitting China — debt — is hardly a new phenomenon. But this time it's concentrated in the real estate sector, which contributes roughly 20-30 per cent of GDP and accounts for 70 per cent of household wealth, 60 per cent of local government revenues and 40 per cent of bank lending, TS Lombard has calculated. Home prices have fallen for 11 consecutive months, homebuyers are boycotting mortgage payments for unbuilt properties and more than 30 real estate companies have defaulted on international debt.

Disease, drought and debt belie a slowdown that is not being taken seriously enough by investors

The policy response has been rate cuts and a fiscal stimulus focused on easing liquidity for property developers and boosting funding for infrastructure. This won't do the trick. The money supply expanded but credit slowed sharply in July, suggesting China is stuck in a liquidity trap. Banks are being pushed to lend while demand for loans has plummeted. The fiscal measures to support infrastructure spending are unlikely to offset the property slump.

The central government's balance sheet is relatively clean, with a debt-to-GDP ratio of roughly 20 per cent. It could insist state-backed institutions lend to property developers and then bail them out, reducing the risk of cascading defaults. But that only postpones the reckoning and creates the kind of moral hazard President Xi Jinping wants to avoid. So China must drive growth via consumption, rather than through real estate or investment. This will take time and require reducing national savings by establishing a social safety net with subsidies for healthcare, housing, education and transport. At the same time, the property sector's drag on growth is intertwined with the other two D's: disease and drought. China continues to pursue a zero Covid policy even as exposure to the virus has expanded to all 31 mainland provinces. Morgan Stanley notes that more than 13 per cent of GDP is currently under some form of lockdown, with Shenzhen and Chengdu affected in the latest wave. That has weakened consumer and business confidence, spending and borrowing — which won't be compensated by mildly lower interest rates.

Property developments and infrastructure spending cannot be completed or boosted when a city is shut down. A lack of herd immunity due to less effective Chinese vaccines and relatively low immunisation rates among the elderly mean a much harder transition to living with Covid.

On top of everything, drought has brought the Yangtze River to its lowest level since records began in 1865. Nearly 90 per cent of China's electricity supply requires extensive water resources and blackouts are causing temporary factory closures, further disrupting domestic and global supply chains. Since six of the areas struck by drought accounted for roughly half of China's rice output last year, the impact on food supply will be significant.

The stimulus so far rests on credit expansion, delaying the inevitable adjustment and ultimately making it more painful. Covid is likely to surge this winter. Droughts may continue to reverberate through the economy as climate events become more common. All these factors point to the worrying prospect of a fourth D: China propelling us all into a new global downturn.

The writer is a senior fellow at Brown University and global chief economist at Kroll

Lex.

Twitter: @FTLex

Truss energy plan: hard cap, soft soap

Let us hope that Liz Truss savoured her honeymoon period as the UK's new prime minister; it lasted several seconds at least. Her urgent priority was to sketch out an emergency energy plan. It is intended to cap energy bills at about £2,500 per household for each of the next two years.

This would be expensive — more than £100bn supposedly. Lex estimates the cost at £75bn for one winter alone, in a scenario of persistently high wholesale energy prices. It would be a worse error to underplay the threat to wellbeing from unaffordable household energy costs. Pandemic-era weapons are at hand: big state guarantees whose long-term cost will soften short-term shocks.

The plan dispels calls for windfall taxes with a far more sweeping intervention in energy markets. Capping energy prices requires the government to recompense lost cash flow to energy suppliers that might otherwise collapse. Britain's largest energy distributor, Centrica, has been talking to its banks about billions in pre-emptive financing. Other suppliers in Europe have received state bailouts.

A starting point for estimating the cost of UK state support is the current price cap on domestic electricity and gas. This sets no hard ceiling on household costs as the new cap would. Instead it is set to leap 80 per cent next month to an average of £3,549 a year.

Assume that the floating price cap rose with wholesale energy costs over the next year. It would peak at an average of £6,616 by April then fall to about £5,900 in the next quarter, according to estimates from Cornwall Insight. Weighted by demand each quarter (60 per cent in the winter ones) the cost of the covering energy companies for their losses above the hard cap would reach £75bn.

Residential demand accounts for less than 40 per cent of the total. If our estimate included equivalent price protection for business, it would soar to £188bn for one year. Business is thus likely to receive less state support.

Truss appears set on giving high-income, high-consumption households price protection alongside low-income, low-consumption peers. Political motives are doubtless at play alongside practical ones. Nor has the government mentioned incentives for consumers to save energy. In national budgeting as in government, collective responsibility is generally a poor substitute for the individual kind.

ADT/State Farm: to affinity and beyond

Nine out of 10 satisfied customers sounds like a good business. But success ultimately depends on how much it costs to get them.

US home-security system titan ADT has forged a new partnership with State Farm that it hopes will help.

The homeowner-insurance mainstay will invest $1.2bn in ADT at a modest premium to the current trading price. In exchange it will own 15 per cent of ADT. ADT says State Farm's millions in policyholders will expand its own customer base. This partnership comes just two years after Google made a similar deal, offering its Nest doorbells as another hook to snag new users.

In the intervening 24 months, ADT's stock price has stayed flat. Superficially, home security appears to be a cash machine with monthly revenue producing nominal ebitda margins of more than 50 per cent. But each new customer costs an estimated $1,500 in upfront investment by ADT.

Annual attrition is a shade over 10 per cent — a figure that has dropped from more than 15 per cent a few years ago — implying an average customer life of just under a decade.

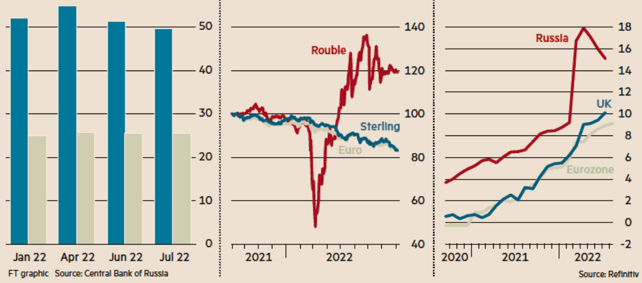
According to ADT's own calculations, the annualised cash internal rate of return of a customer comes out to nearly 30 per cent. But cash flow growth, the true driver of a rising stock price, is elusive. In ADT's most recent quarter, its metric of recurring monthly revenue rose only 5 per cent.

Telecoms business, even Netflix, have far less churn and better net growth prospects. That leaves ADT chasing new customers through blue-chip partners. ADT shares are down a third since their 2018 listing when its controlling shareholder, Apollo Global, brought it to the market. The group's leverage is substantial at more than four times ebitda. Company cash flow has to be spread between debt reduction and capital investments.

Curiously, the State Farm infusion will be used to repurchase shares. ADT's customers are clearly more satisfied than shareholders.

Sanctions: the grin and bear it market

Russian banks expect to return to profit after making large losses in the first half of the year. Corporate-loan books remain smaller as a result of foreign currency writedowns. Inflation is slowing and the rouble has strengthened to five-year highs.



FT graphic Source: Central Bank of Russia

Source: Refinitiv

No financial battle plan survives first contact with enemy economies. That is clear from western sanctions on Russia in the wake of its invasion of Ukraine. Russia this week escalated the arm's-length conflict by threatening to keep Europe's gas switched off until it lifts restrictions.

Russia's latest broadside reflects both the strengths and weaknesses of its position. Sanctions are biting less than western politicians hoped, judging from VTB. Russia's second-largest bank said it had returned to profit in July after record losses in the first half. Its shares, and those of rival Sberbank, are at six-month highs.

Many pundits predicted a banking crisis. It has not materialised. The rouble is near five-year peaks and inflation is reportedly falling. The caveat is that Russian financial data are suspect. A ban on ordinary financial reporting prevents normal analysis. Russian propaganda downplays the impact of sanctions, which evidently have the Kremlin rattled.

However, Liam Peach at Capital Economics, a UK consultancy, says data from independent private providers are consistent with official figures. A GDP contraction of 12 per cent at the onset of war was first revised to a 7 per cent fall. Peach now thinks Russia's economy might be 4 per cent smaller this year.

Sanction exemptions for energy have helped hugely. So has enthusiastic purchasing by the likes of India. Lower European and US imports are buoying Russia to a record trade surplus this year. Liquidity support propped banks up through initial shocks.

But these were hefty. Dmitry Tulin, the central bank's deputy chair, estimated system-wide losses of Rbs1.5tn ($25bn) for the first half of the year, or 12 per cent of total bank capital. Total loans outstanding fell 9 per cent between April and July.

Russia will now be hampered by its lack of access to high-tech capital goods of the sort produced in Germany. This is likely to disrupt energy extraction as the war of economic attrition grinds on.

Russia has shown it can bear the pain of western sanctions. Western Europe must endure reprisals as robustly, or concede a historic defeat.

Renminbi/exporters: manipulation stations

The US denounced China as a currency manipulator in 2019, accusing Beijing of devaluing the renminbi.

These days, a weakening outlook for growth is to blame for the downward trajectory of the Chinese currency. That represents a political challenge as well as a financial one.

The renminbi fell to a two-year low yesterday. Beijing has decreed a stronger than expected exchange-rate fixing for the 10th straight day, at a reference rate at 6.9096 per dollar. That will cut the required amount of foreign currencies banks must hold in reserve — increasing the supply of US dollars against the renminbi.

The Chinese currency does not float freely. But yesterday's levels are still key. The trading price of the currency and its reference rate have crossed the 6.9 threshold. That means that the next barrier is the psychologically crucial level of Rmb7 against the greenback. Previous jumps above that level have triggered further sharp drops.

Exporters must be privately pleased. Every 10 per cent depreciation in the renminbi is estimated to translate into a 5 per cent increase in overseas sales.

Computers and tech components are two of China's biggest exports by sales. Phone-component maker Luxshare Precision Industry, which gets 93 per cent of its operating revenues from overseas and computer maker Lenovo, which makes more than three quarters of sales outside China, will benefit.

Local energy companies, which sell oil in dollars, get a boost too. That more than offsets the higher cost of offshore borrowings and hydrocarbon imports.

A low renminbi is bad news for consumer businesses. Food and retail companies are shouldering rising prices for commodities. But Beijing would resist attempts to pass these on to consumers in full.

President Xi Jinping is preparing for a precedent-breaking third term. He will want to keep Chinese citizens sweet. That points to heavier currency intervention even in these straitened times.

CVS/Signify: fever pitch

M&A fever is burning up the healthcare sector. US drugstore operator CVS is the latest to catch the dealmaking bug. It is splashing out $8bn, including debt, to acquire homecare provider Signify Health.

The move fits in with CVS's efforts to move away from its retail roots. But it is paying a hefty premium to do so.

CVS beat Amazon, among others, in an auction by making a $30.50 a share offer. That shows that for all Amazon's ballyhooed intention to disrupt the high-cost US healthcare industry, incumbents still have plenty of spending power and fight left in them.

The price represents a 106 per cent premium to Signify's undisturbed three-month share price to August 1, when reports of deal talks first emerged. Previous CVS bets in the healthcare sector include pharmacy benefits manager Caremark Rx and insurer Aetna.

These have helped protect the business from the squeeze on brick and mortar retail. Last year, retail sales accounted for just over a third of CVS's revenue. At Walgreens Boots Alliance, the figure is 85 per cent. CVS shares, up 25 per cent over the past five years, have outperformed those of rivals. Walgreens and Rite Aid are off 56 per cent and 86 per cent respectively.

CVS did not quantify the potential cost cuts. It expects savings for Aetna. Treating patients at home is cheaper than hospital stays. If CVS can get more people that its insurance covers to use Signify, which has a network of 10,000 doctors who make home visits, this should in theory help lower the amount it pays out.

Even so, including debt, CVS is paying the equivalent of 36 times Signify's estimated ebitda for this year. The market values CVS at just 9.5 times. After Amazon snatched clinic chain One Medical in July, CVS may feel it has no choice but to stump up.

But it will still need to show a return on this acquisition, regardless of how darkly the shadow of the ecommerce giant falls across its industry.

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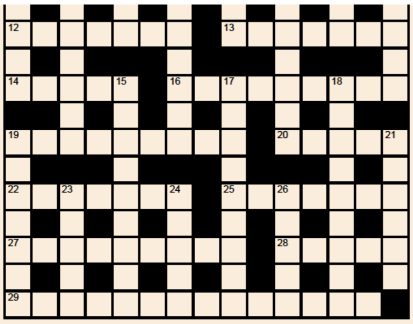
NIKKEI Asia The voice of the Asian century

CROSSWORD

No 17,193 Set by GUY

ACROSS
1 Guitarist running after two men in a boat (6,8)
10 Long poem that sounds like a coffee commercial? (5)
11 Personal authority is about good character (9)



12 French physicist runs out of clubroom in a tizzy (7)
13 Observe what someone pulling pints does when told? (7)
14 Test out of ten given by doctor for vision (5)
16 Sort of characters to spurn dale? (9)
19 Carol meets professional beauty on the rebound, having no partner (9)
20 Music business divided by Simpson's yellow face, perhaps (5)
22 In retreat, some of foe's aeroplanes slow down (4,3)
25 Noisy place for a carnival, as we call it (7)
27 Interior gutted immediately after mad decoration (4,5)
28 Glen's big cheese left dairy unfinished and runny (5)
29 Cold feet while wearing support tights inside out (6,8)

DOWN

2 Massive jar contains shelled peas for foodie (9)
3 A Christian cycling waves (5)
4 U-boat ends manoeuvres on a bearing of 90° (9)
5 A Scot telephoned the FT, seeing no leader (5)
6 Switch behind cooker (9)
7 Get drunk then take drugs (5)
8 Sewers drained Newcastle and fouled Leeds (7)
9 Caught entering booby-trapped ground (6)
15 Spanish chap punched by total monster (9)
17 Sparkling red coral starts to bleach making scientists upset at sea (9)
18 Eg Marx once made funny duck film (9)
19 Type that is wearing glasses (7)
21 Classified as bound by Darwin's ideas (6)
23 Stay in charge having lost power, unmoved (5)
24 Offer to sell stock in empty apartment? (5)
26 Prison camp belonging to prisoner (5)

JOTTER PAD

Solution 17,192