

**Why America retains its cultural supremacy**  
 JANAN GANESH, PAGE 23

**AI safety fears mask deeper questions**  
 JAMIE SUSSKIND, PAGE 22

**FT PERSON OF THE YEAR 2023**

## Anti-obesity drug pioneer Jørgensen

Lars Fruergaard Jørgensen, chief of Novo Nordisk, has been chosen as the Financial Times Person of the Year.

The Danish drugs group, which overtook LVMH this year as Europe's most valuable company, is behind the game-changing obesity treatments Wegovy and Ozempic.

Fuelled in part by slimming celebrities, they are the first safe and readily available treatments for a disease estimated to affect 1bn people by 2030.

In his low-key way, Jørgensen is pioneering an innovation that could have a profound impact not just on healthcare but on societies, public finances and our relationship with food.

Big Read page 21

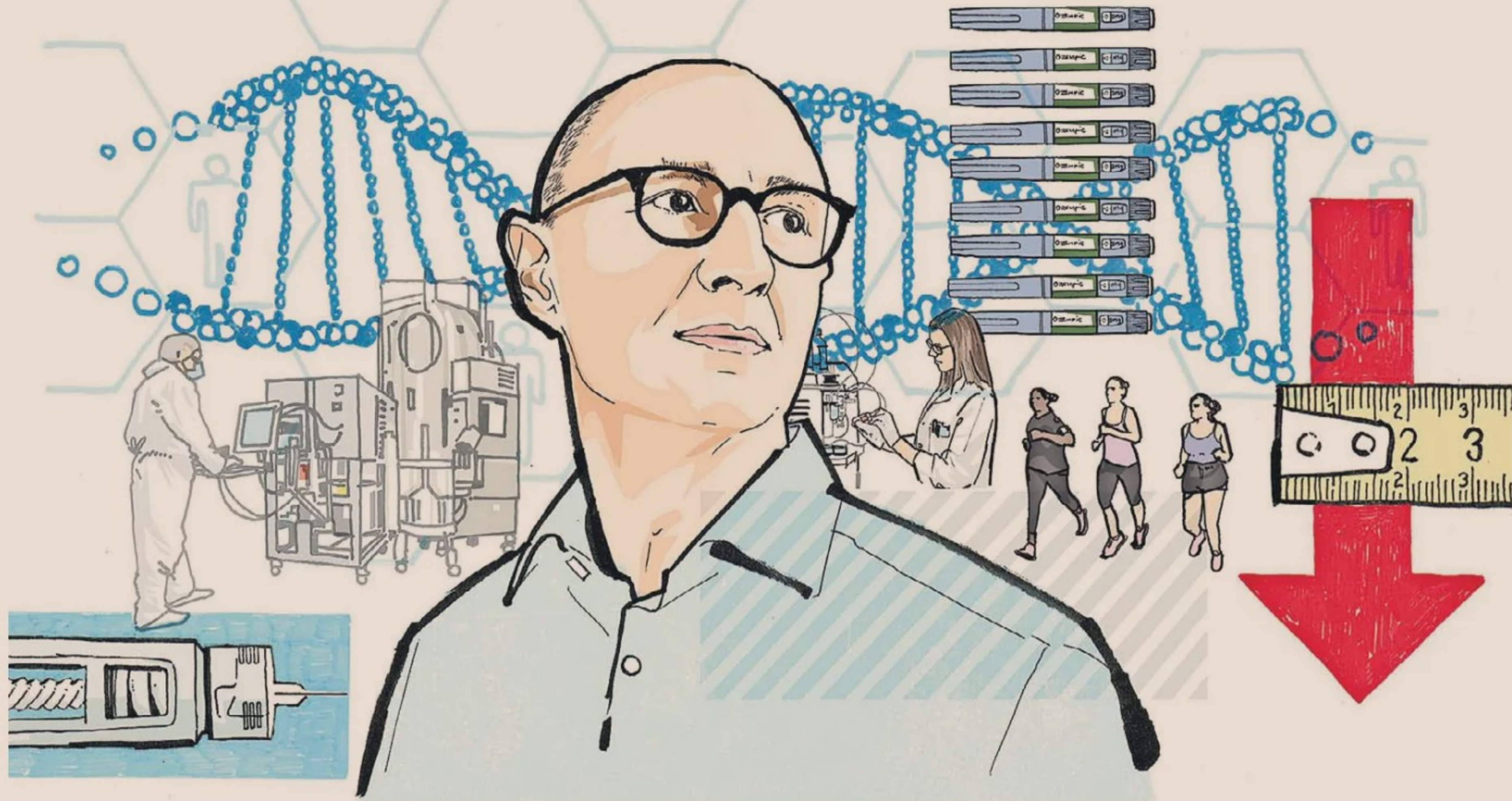


Illustration: Lyndon Hayes

# Activist Cevian bets €1.2bn on UBS doubling its valuation in three years

◆ Tenth of portfolio committed ◆ Big punt on wealth management ◆ No plan to push for board seat

STEPHEN MORRIS, OWEN WALKER AND HARRIET AGNEW — LONDON

Activist investor Cevian Capital has taken a €1.2bn stake in UBS, betting that the Swiss bank can double its valuation over the next three to five years.

Cevian, Europe's largest activist investor, has committed just under a tenth of its total portfolio to UBS since the Swiss bank rescued its rival Credit Suisse in March, according to people with knowledge of the approach. Cevian is now a top-10 investor in UBS.

"This is the biggest opportunity in global financials," Lars Förberg, Cevian's co-founder, told the Financial Times. "UBS is valued like an average European bank, not as a leading global wealth manager." He pointed out that if the valuation gap with Morgan Stanley were to

close, UBS's shares would be worth more than double their current price.

Unlike more aggressive US rivals, Cevian works behind the scenes with its portfolio companies, which it aims to hold for three to five years. People familiar with its strategy said Cevian was not seeking a board seat at UBS and did support chair Colm Kelleher and chief executive Sergio Ermotti.

Shares in UBS are up just over 50 per

cent since it agreed to take over Credit Suisse. They climbed a further 3.3 per cent to close at SFR26.18 after the FT's report was published online yesterday.

While UBS is one of Europe's most valuable banks, it still heavily trails Wall Street peers. The Swiss lender trades at about 1.2 times tangible book value, compared with about two times for Morgan Stanley; both banks have large wealth management operations.

Previous activist campaigns at European banks include Edward Bramson's Sherborne Investors failing to convince Barclays' other shareholders of his plan to shrink its investment bank, which ended in 2021. When Knight Vinke called for UBS to split its wealth arm from its investment bank a decade ago, it also struggled to persuade others.

Cevian has form in the sector, with previous investments in Danske Bank and Swedbank and a position in Nordea, the largest retail and corporate bank in the Nordics, where it has a board seat.

People with knowledge of Cevian's view of UBS said the investor had tracked the bank for about 15 years. It had come close to taking an activist position in Credit Suisse before it collapsed, they added, but considered the investment too risky.

The activist believes UBS can be more profitable by increasing its focus on wealth management, especially in the US where it lags behind Morgan Stanley, according to people.

Morgan Stanley has shrunk its investment bank since the financial crisis and concentrated on building its wealth

management business, which generates steadier profits.

"From an earnings and valuation point of view, UBS should really be seen as a wealth manager with a banking licence, not a bank with a wealth management business," said Förberg. "The notion that large companies can't be changed is not right. There are many levers you can pull . . . We believe that UBS can become significantly more profitable over time."

Other long-term investment groups have also increased their holdings in UBS this year. US asset managers Fidelity and Capital Group between them raised their stakes more than SFR1.5bn and are now top-10 independent shareholders, according to S&P Capital IQ. UBS declined to comment.

**Lex.** In UBS's defence, under-promising and over-delivering is a decent plan. It must now squeeze more profits from its US wealth arm and raise its value

Page 14

**Briefing**

► **Pimco fears economy is heading for hard landing**

The risk of a serious economic downturn next year is high, one of the biggest active bond fund managers has warned, as it runs larger than usual bets on UK bonds relative to those from the US in anticipation of the economic strain.— PAGE 11; PAY DEALS, PAGE 3

► **Israel 'ready' for truce**

President Isaac Herzog has said Israel is open to a new temporary truce with Hamas to secure the release of 129 hostages still being held by Palestinian armed groups in Gaza.— PAGE 7; MAERSK AVOIDS SUEZ, PAGE 9; DANA EL KURD, PAGE 23

► **Brexit costs hit exporters**

Businesses that export to the EU are facing mounting costs three years after Brexit as the result of emerging regulatory challenges, the British Chambers of Commerce has warned.— PAGE 2

► **Kyiv call-up for long war**

Ukraine's military chiefs have asked Volodymyr Zelenskyy to mobilise up to 500,000 people as the country gears up for a protracted war of attrition against Russian forces next year.— PAGE 4

► **Businesses warned on AI**

Most companies are not primed to deploy generative artificial intelligence at scale because they lack strong data infrastructure or the controls to ensure it is used safely, Accenture has said.— PAGE 8

► **Hipgnosis numbers stuck**

Trevor Milton, the electric and hydrogen-powered truckmaker's founder, has been sentenced to four years in prison for lying about his start-up's technologies in order to boost its share price.— PAGE 10

► **Nikola boss gets jail term**

Trevor Milton, the electric and hydrogen-powered truckmaker's founder, has been sentenced to four years in prison for lying about his start-up's technologies in order to boost its share price.— PAGE 10

► **Crossword and Lex**

The Lex column and the FT crossword can be found today on Page 14.



**British Museum accused over £50mn deal with BP**

The British Museum has struck a £50mn sponsorship deal with oil and gas group BP, triggering outrage from green campaigners who said they would take legal advice on blocking it. The extension of a partnership dating back to 1996 will provide cash for a £1bn modernisation of one of the UK's most loved institutions. Greenpeace hit out at 'brazen greenwashing'. Culture Unstained said the deal was in breach of the museum's climate commitments. **Culture war** ► PAGE 2

## Scotland's 45% income tax band widens gap with high earners elsewhere in UK

RAFE UDDIN

The Scottish government has raised income tax rates for higher earners, widening the gap between what better-off Scots and their counterparts in the rest of the UK pay.

Shona Robison, the Scottish National party's finance secretary, used tax-raising powers handed to the Holyrood government in 2016 to announce a new 45 per cent income tax band next year for people earning between £75,000 and £125,140 a year.

The top rate of tax paid by those earning above £125,140 will also rise from 47 per cent to 48 per cent from April. A 42 per cent rate will remain for those earning between £43,633 and £75,000, and the £43,633 threshold will be frozen.

In the rest of the UK, a higher rate of 40 per cent currently applies on income

between £50,271 and £125,140, with earnings above that taxed at 45 per cent.

The Scottish Fiscal Commission spending watchdog said that the full package of policy announcements in Robison's 2024-25 budget would raise an additional £82mn in income tax receipts next year.

The SNP said the tax increases were needed to help fund health service spending and to compensate for a freeze in local council taxes it had imposed. It blamed the Conservative government in Westminster for a real-terms cut in funding from the UK government.

As a result, residents in Scotland earning above £26,561 will pay more in income tax than those in the rest of the UK, according to the SFC. The watchdog said tax changes since 2017 meant those earning £100,000 a year in Scotland would now pay £3,346 more in income

tax than those elsewhere. Earners on £50,000 would pay £1,542 more.

Robison said there would be no change to the tax rates for low and middle income earners, and the government would widen the current tax band for starter, basic and intermediate earners in line with inflation. Scotland will have six income tax bands, compared with three for the rest of the UK.

She told MSPs that chancellor Jeremy Hunt's Autumn Statement last month had represented a "worst-case scenario" for Scotland. She said the block grant — transferred to Scotland each year to fund public services — had fallen 1.2 per cent in real terms since 2022-23.

The Fraser of Allander Institute, a think-tank, has previously estimated the Scotland would face a £1.5bn shortfall next year because of "increased spending pressures".

**World Markets**

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS			
	Dec 19	Prev	%chg	Pair	Dec 19	Prev	%chg	Yield (%)	Dec 19	Prev	Chg
S&P 500	4758.44	4740.56	0.38	\$/£	1.099	1.092	0.63	US 2 yr	4.43	4.45	-0.02
Nasdaq Composite	14959.61	14904.81	0.37	\$/€	1.274	1.264	0.785	US 10 yr	3.91	3.96	-0.05
Dow Jones Ind	37491.61	37306.02	0.50	€/£	0.862	0.863	1.160	US 30 yr	4.01	4.07	-0.06
FTSEurofirst 300	1881.96	1875.11	0.37	¥/\$	143.815	143.110	0.49	UK 2 yr	4.27	4.30	-0.03
Euro Stoxx 50	4536.77	4521.13	0.35	W/£	183.206	180.934	1.26	UK 10 yr	3.82	3.87	-0.05
FTSE 100	7638.03	7614.48	0.31	SFr/€	0.945	0.947	1.095	UK 30 yr	4.15	4.17	-0.02
FTSE All-Share	4175.13	4161.02	0.34					JPN 2 yr	0.05	0.07	-0.02
CAC 40	7574.67	7568.86	0.08					JPN 10 yr	0.63	0.66	-0.04
Xetra Dax	16744.41	16650.55	0.56					JPN 30 yr	1.55	1.60	-0.06
Nikkei	33219.39	32758.98	1.41					GER 2 yr	2.51	2.55	-0.04
Hang Seng	16505.00	16629.23	-0.75					GER 10 yr	2.02	2.08	-0.06
MSCI World \$	3131.35	3126.14	0.17					GER 30 yr	2.21	2.28	-0.07
MSCI EM \$	997.91	1000.89	-0.30								
MSCI ACWI \$	717.30	716.45	0.12								
FT Wilshire 2500	6153.66	6128.62	0.41								
FT Wilshire 5000	47932.40	47743.40	0.40								

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## NATIONAL

## Business lobby

## Exporters to EU face increasing costs

Trade body calls for further post-Brexit agreements to reduce burden of red tape

PETER FOSTER

British businesses that export to the EU are facing mounting costs three years after Brexit as a result of emerging regulatory challenges, including new carbon taxes, VAT changes and new border controls, the British Chambers of Commerce has warned.

In an assessment of trading conditions with the bloc three years after the EU-UK Trade and Cooperation Agreement came into force, the trade body warned that businesses were becoming mired in so much red tape from new EU rules that it was easier for many to trade with more distant countries.

BCC director-general Shevaun Haviland warned that coming rule changes would have “big repercussions” for business that the government must not ignore if it wanted to deliver growth.

“If we want to get businesses growing then we need to boost our exports, and the EU is our number one market,” she said. “That’s a reality that should not be ignored by our political parties.”

The worst hit sectors are agrifood, chemicals and advanced manufacturing that, having already adopted post-Brexit customs changes, are now facing reporting rules on supply chains, carbon emissions and plastic packaging usage.

The EU move to phase in a carbon border tax regime from October 2023 was already hitting businesses, which must provide data on carbon usage to EU importers, with taxes being imposed from January 2026, the report noted.

UK companies were having to adopt “processes for weekly, and in some cases daily, monitoring of gas usage”, to provide the information related to the reporting requirements, it added.

The BCC, which represents 50,000

**‘If we want to get businesses growing we need to boost our exports, and the EU is our number one market’**

mostly smaller UK businesses, urged the government to seek simplifications to the reporting process and legally merge the EU and UK carbon pricing schemes to avoid such border bureaucracy. It cited a July 2023 membership survey that found almost two-thirds of UK exporters said trading with the EU

was more difficult than a year ago, compared with only one-fifth of exporters to the rest of the world.

In the agrifood sector, the UK continues to have worse access to the EU than countries such as New Zealand, with the BCC backing a plan by the Labour party for Brussels and the UK to come to a veterinary agreement to remove barriers to trade.

Mark Fane, chief executive of Crocus, an online garden retailer that employs 250 with a turnover of £30mn, said the business had recently been forced to give up a £10,000 order to Ireland after falling foul of EU rules on soil types. “It’s death by a thousand cuts,” he said.

Fane added that the business was now focused on the UK market, but was still supplying non-EU clients. “It has to be a bit ridiculous that we can supply the Middle East but not southern Ireland.”

The BCC listed a range of other measures to improve trade, including seeking simplified VAT arrangements for small businesses, closer regulatory alignment in sectors such as chemicals and improved mobility arrangements for service professionals.

The Department for Business and Trade said the UK exported more than £360bn worth of goods and services to the EU in the year to June, an increase of 17.1 per cent in current prices on the previous 12 months.

But the department acknowledged that there were “some issues”. It went on to point out that it was “working closely with the EU on solutions, including changes to the Border Operating Model and the introduction of a Single Trade Window, that will make it easier for UK businesses to trade”.

The FT View page 22

## Statistics Authority

## Watchdog rejects Sunak claim that debt is falling

GEORGE PARKER AND LUCY FISHER

Rishi Sunak has been reprimanded by the statistics watchdog for claiming that “debt is falling”, a boast intended to suggest he is meeting one of his self-imposed “five tests” for 2023.

Sir Robert Chote, chair of the UK Statistics Authority, noted that national debt is not already falling and said the claim “may have undermined trust in the government’s use of statistics”.

Sunak said “debt is falling” in a video posted on social media following the King’s Speech on November 7 and that “we have indeed reduced debt” at prime minister’s questions on November 22.

Chote said in a letter to Liberal Democrat Treasury spokesperson Sarah Olney “the average person in the street” would “likely have assumed that he was claiming that debt was already falling or that the government’s policy decisions had lowered it at fiscal events – neither of which is the case”.

He added that Downing Street had explained Sunak’s claims by saying the prime minister was referring to the Office for Budget Responsibility’s forecast that debt would be falling as a share of gross domestic product in the final year of its five-year forecast, in line with the government’s fiscal rule.

The OBR said in its November forecasts that underlying public sector net debt was due to rise from 84.9 per cent of GDP last year to a 93.2 per cent peak in 2026-27.

Sunak told the cabinet yesterday that inflation had halved since January, meeting one of his five tests, but that other tests, including the debt-cutting promise, have been harder to achieve.

The government said: “The OBR is crystal clear; thanks to the long-term decisions we have taken, we are on track to get debt falling.”

Olney said: “Rishi Sunak knows he has no good story to tell on the UK economy, so has resorted to making one up.”



## Culture war

### Museum’s BP deal prompts court threat

**Structural support: the British Museum’s partnership with BP dates back to 1996 but has drawn increasing criticism from climate activists who say the link smacks of greenwashing** — Charlie Bibby/FT

The British Museum has struck a £50mn sponsorship deal with BP despite vocal opposition to the partnership from environmental campaigners.

The agreement announced yesterday will help fund a £1bn modernisation of one of the UK’s most popular cultural institutions over the next decade and extends a partnership with the oil and gas group dating to 1996.

Sir Charlie Mayfield, former chair of the John Lewis Partnership and a trustee of the British Museum, said he was grateful for BP’s support, adding that the extensive modernisation was “essential” for the institution’s future.

The work will involve replacing the mechanical, electrical and plumbing systems in the 170-year-old museum, and refurbishing public galleries.

The museum’s decision to renew its partnership with BP was criticised by environmental campaign groups and

activists. Culture Unstained, which has held protests over the museum’s ties with BP for nearly a decade, said the decision was “indefensible”.

Chris Garrard, co-director of Culture Unstained, said: “We believe this decision is illegitimate and in breach of

**‘We will be seeking legal advice to mount a formal challenge to [the BP sponsorship]’**

the museum’s own climate commitments and sector-wide codes and will be seeking legal advice to mount a formal challenge to it.”

Greenpeace said that the deal was “brazen greenwashing” and should be terminated. “No cultural establishment that has a responsibility to educate and inform should be allowing fossil fuel

companies to pay them to clean their image, not least the British Museum,” said Doug Parr, Greenpeace UK’s policy director.

The modernisation includes an architectural competition to redevelop about 7,500 square metres of gallery space to showcase its extensive collection of ancient Egyptian, Greek and Roman artefacts.

Louise Kingham, senior vice-president at BP, said: “We are proud to be a long-term partner to this important British institution and play our part in its future transformation.”

BP previously funded a lecture theatre as part of a redevelopment project at the turn of the millennium. It has also sponsored several special exhibitions, most recently in 2020.

Rafe Uddin

## Northern Ireland

## Minister makes ‘final’ £3.3bn funding offer for Stormont

JUDE WEBBER — DUBLIN

The government made a “final” £3.3bn offer for Northern Ireland yesterday and told the biggest unionist party that “now is the time” to decide on returning to the Stormont executive.

The emergency finance package was almost a third higher than the £2.5bn presented last week, which was rejected by all parties in the region as too low.

Northern Ireland secretary Chris Heaton-Harris said the cash would be available to the incoming executive when Stormont returned but set no deadline after the Democratic Unionist party scuppered London’s hopes of a pre-Christmas deal.

“Now is the time for decisions to be made,” he said after meeting the region’s main parties at Hillsborough Castle at the end of several days of tough talks.

Stormont has been paralysed for almost two years after the DUP pulled out of the power-sharing executive in a dispute over Brexit trade rules that it says harm Northern Ireland’s place in the UK and ability to trade with Britain. Heaton-Harris insisted that after eight

months of bilateral talks with the DUP, those concerns had also been addressed. “From our perspective, those talks on all the issues of substance have reached a conclusion,” he said.

DUP leader Sir Jeffrey Donaldson disagreed. “We are very clear there is not yet agreement finalised on the issues of substance,” he said.

The fresh financial package includes a new calculation of how much Northern Ireland needs in financing, a write-off of previous overspends and extra cash to cut health service waiting lists.

Donaldson insisted it was not enough. “There is not yet a basis within that financial offer to deliver the financial stability that Northern Ireland needs in the years ahead,” he said.

He urged Heaton-Harris to release £584mn earmarked in it for public sector pay rises without waiting for Stormont’s return. A dozen unions have backed plans for a day of strikes on January 18 to demand the money for public sector pay be released immediately.

Donaldson said he was also waiting for legislation from London to ease his party’s Brexit concerns.

## Pay dispute

## NHS routine care hit as junior doctors begin latest walkout

LAURA HUGHES

Junior doctors in England will walk out for three days from today in a significant escalation of their battle for a 35 per cent pay rise as the health service grapples with one of its toughest winters on record.

The NHS said the latest round of industrial action would affect “almost all routine care”, with consultants being asked to step in for their junior colleagues.

The strike will end at 7am on Saturday, leaving the health service to prioritise urgent and emergency care for 72 hours. Gloucestershire Hospitals NHS Foundation Trust said it had temporarily closed the accident and emergency department at Cheltenham hospital as a result of the action.

Health leaders have expressed concern about the effect of another stoppage on the service as it responds to additional strain brought on by winter.

The wave of strikes that started in December last year has compounded pressures on the NHS, with about 1.2mn operations and appointments cancelled since it began. After five weeks of talks

## Planning reform

## Housing goals have not been ‘abandoned’ insists Gove

JOSHUA OLIVER

Michael Gove yesterday insisted he had not “abandoned” housing targets following criticism of new planning policies that would give local authorities latitude to build fewer homes than official calculations suggest are needed.

In a speech, the housing secretary said the fresh approach would focus on ensuring local governments had plans in place to guide development and put pressure on councils to swiftly process building applications.

Gove said housing targets based on calculations of local needs would “remain the basis” of the system but confirmed these would be “advisory”. He added the approach would be a “sensitive adjustment in meeting targets, not their abandonment”.

The government has been under pressure over its failure to reach its goal of building 300,000 homes a year to tackle the acute housing shortage, but has been forced to compromise with Conservative MPs who have pressed for housing targets to be watered down.

Gove said opposition to development was “not unreasonable”. The policy had to cater to concerns over the environment, services and the aesthetics of new structures to “[win] back support”.

Housing and property industry groups said the changes would mean fewer houses being built. Ian Fletcher, policy director at the British Property Federation, said: “The government is watering down its own national targets and creating more obstacles and delays to housing delivery.”

Kate Henderson, head of the National Housing Federation, which represents associations that provide affordable housing, said: “These changes, which effectively relax local housing targets, will result in fewer homes; and measures to get councils building and approving applications, whilst positive, won’t be enough to offset this risk.”

In an interview with the Times yesterday, Gove said local authorities in England would have three months to put in place plans to meet their housing needs, with those that did not potentially losing their planning powers indefinitely to independent planning inspectors.

In his speech, he said councils would need to provide “rigorous evidence” to justify building fewer homes and that the government would publish “league tables” tracking the speed of planning approvals and delivery of targets.

Opposition leader Sir Keir Starmer has pledged to bring back the local targets, as he tries to position Labour as “the party of home ownership”.

The speech came as the government published long-awaited changes to the National Planning Policy Framework (NPPF), which sets out planning and land-use policies for England. The changes confirmed concessions Gove made last year after pressure from backbench Tory MPs that the calculations of each area’s minimum housing needs would be an “advisory starting point”. The revised NPPF also says councils will not have to review greenbelt boundaries or allow building “significantly out of character” to meet housing needs.

Research for the Home Builders Federation (HBF), the body for housebuilders, found changes to the NPPF could mean 77,000 fewer homes built a year.

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NATIONAL

# Big pay deals likely to keep rates higher for longer

Two studies point to continuing largesse and significant increases for younger employees

DELPHINE STRAUSS

Pay deals are running at levels that will incline the Bank of England to keep interest rates high for longer than its peers as employers prepare for a big rise in the wage floor in the new year.

Two sets of data released today show no change in the generosity of recent pay awards by large employers as the main wage bargaining season nears. Meanwhile they expect to make only slightly lower awards in 2024.

Figures from the research group XpertHR showed the median basic pay award remained at 6 per cent in the three months to November, a level not sustained for more than 30 years.

A second research group, IDR, published the findings of a poll showing that a quarter of large, private sector employers expect their main pay rise for staff in 2024 will be at least 5 per cent, with almost half planning to award pay increases between 4 and 4.99 per cent.

Younger workers are set to benefit from a big rise in the minimum wage.

Wage growth is 'several percentage points' above the level consistent with 2 per cent inflation

The main hourly rate for adults is set to rise 9.8 per cent next April but analysis by the Resolution Foundation think-tank, published today, highlights the large numbers who will receive a 15 per cent rise for 18-20-year-olds and 21 per cent for 16-17-year-olds.

The figures show the extent to which pay pressures are enduring even as inflation starts to fall and stagnating output makes bosses less eager to hire.

This is the main reason BoE rate setters took a more hawkish line than their European and US peers last week, making clear they needed more evidence of inflationary pressures easing before they could consider cutting rates from their 16-year high of 5.25 per cent.

Ben Broadbent, a BoE deputy governor, said on Monday that while wage growth had fallen from a summer peak of 8.5 per cent on official measures, contradictory data meant the BoE would want to see a "more protracted and clearer decline" before concluding things were on a downward path.

Sarah Breedon, the newest member of the MPC, said that on most measures wage growth was "several percentage points" above the level consistent with 2 per cent inflation, given the weakness in

UK productivity growth. Official data points to a sharp recent slowdown in private sector pay growth, offset by bumper pay awards in the public sector. Breedon said she would be alert to any signs "that the loosening in the labour market is accelerating, and wage growth is falling more sharply than expected".

But there was little sign of that in the figures published today.

Sheila Attwood, content manager at XpertHR, said that despite a deteriorating economy and loosening labour market, employers had "indicated that there may only be a small drop-off" in awards in 2024, with the "going rate" likely to edge down to about 5 per cent.

Zoe Woolacott, senior researcher at IDR, said: "Although the coming trend in pay awards is likely to be down on the past year... they are likely to remain higher than they were prior to 2023."

While affordability was employers' main concern when setting pay, four-fifths told IDR that pressure to offer competitive salaries was a key factor, with a significant minority affected by the rising minimum wage.

The surveys are important because official pay data has been unusually volatile in recent months and alternatives, such as the Recruitment & Employment Confederation's monthly survey, reflect the salaries offered to new hires rather than basic pay awards for people staying in their jobs.

Some of the biggest recent pay awards have been in the public sector – including a 6.5 per cent increase for schoolteachers and a 7 per cent rise for police officers. Continuing strike action by junior doctors, and the threat of strikes elsewhere, could boost pay further in coming months.

Jennifer McKeown, chief global economist at consultancy Capital Economics, said unions had recently secured double-digit pay deals in many advanced economies – benefiting US actors and car workers, Italian metal workers, German public sector workers and Canadian port workers.

But in most cases, these wage increases would be spread over several years, with the biggest gains coming upfront, and smaller increases pencilled in for the future.

However, "the UK is possibly an exception," McKeown said. She noted that pay deals were not only still "worryingly high" but were also negotiated for one year only.

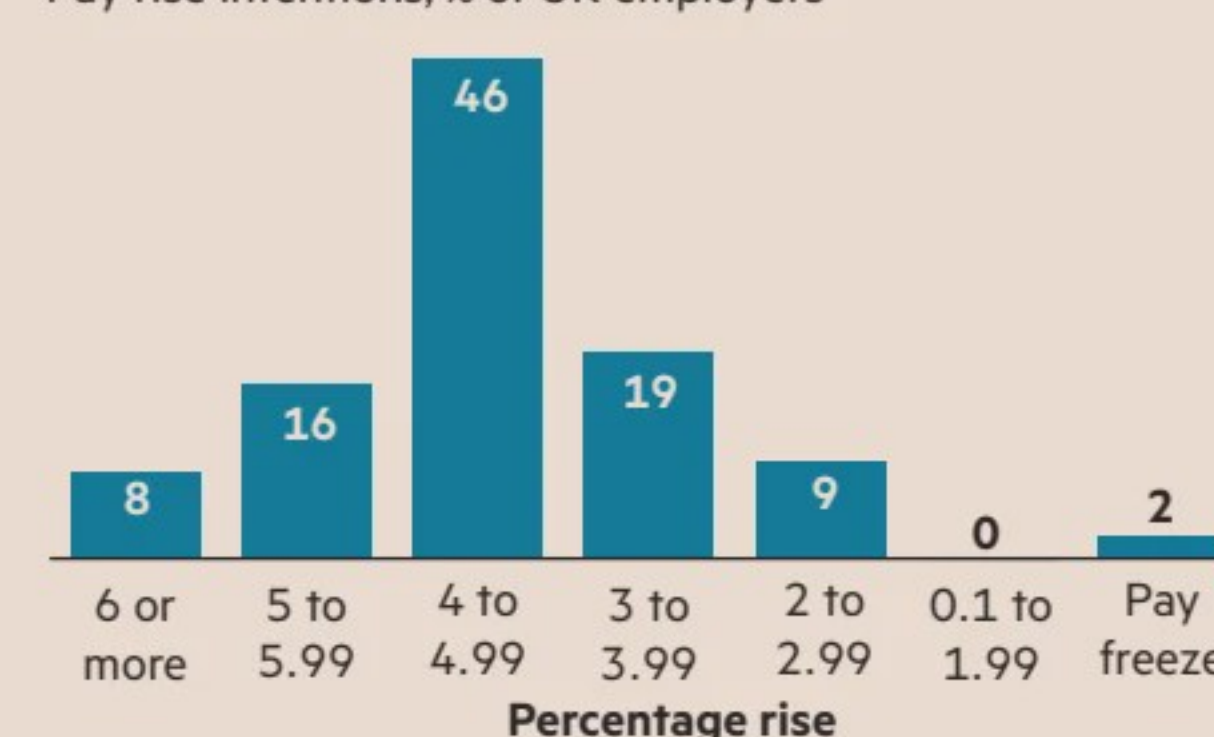
Because of this, she added, "we cannot draw the same comfort about the future pace of pay growth that we can for several other advanced economies".



The pace of pay deals has put the BoE out of step with overseas counterparts — Hollie Adams/Bloomberg

Almost half of employers plan to award a pay increase of between 4% and 5% in 2024

Pay rise intentions, % of UK employers\*



\* Poll of 158 mostly large private sector organisations

Four-fifths of employers feel pressure to offer competitive pay

Crucial factors influencing pay decisions in 2024, % of UK employers\*\*



\*\* Poll of 158 mostly large private sector organisations. Other includes factors such as trade union activity and sales targets. Source: IDR



## CRATEFULL



Over 700,000 vulnerable London children are living in poverty, many facing illness, isolation, and crises this winter.

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London stocks

## FCA says listing rules changes needed despite risk of failures

MICHAEL O'DWYER

The financial regulator has set out plans to press ahead with an overhaul of its stock market listings rule book in the latest stage of a drive to encourage companies to float shares in London.

In comments echoing those of ministers, the Financial Conduct Authority suggested the changes could lead to more UK-listed groups collapsing but argued that this was justified in pursuit of more economic activity.

"The proposals could entail an increased possibility of failures, but the changes would better reflect the risk appetite the economy needs to achieve growth," the FCA said yesterday.

The plans, which include abolishing the distinction between London's premium and standard listing segments and removing a requirement for shareholders to approve some large transactions or those with "related parties", are aimed at boosting the UK's attractiveness to international companies.

The proposals come against a backdrop of companies dropping their London listings and a dearth of new companies joining the stock exchange amid a fall in initial public offerings globally.

Tui, Europe's tour operator, this month became the latest high-profile company to consider dropping its UK

listing, saying it may shift to a single listing in Frankfurt.

Dublin-based packaging group Smurfit Kappa, building materials group CRH, plumbing supplier Ferguson and miner BHP are among the companies that have decided to leave the FTSE 100 for primary listings in the US or Australia over the past two years.

The changes, trailed in May and open for consultation until March 2024, are aimed at simplifying London's listing regime and making it easier for UK companies to compete as bidders for international businesses. Current requirements for advance shareholder approval for large transactions left the UK's premium listed companies at a disadvantage when bidding for assets in competitive sales processes, the FCA said.

The situation "means UK premium listed companies believe they have to pay a premium, agree to high break fees or lose out on competitive opportunities," the watchdog added.

Fund managers and investor groups have expressed concern that diluting their voting rights would leave them exposed to more risk. But the FCA said its proposed "disclosure-based regime" would give investors enough information and enable them to "influence company behaviour and decide how they want to invest".

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## INTERNATIONAL

## European support

## Reconstruction bank to double Kyiv loans

Shareholders agree on capital increase to boost economic revival plans

BEN HALL — LONDON

European Bank for Reconstruction and Development shareholders have agreed a €4bn capital increase that will allow it to double lending to Ukraine, boosting the country's economic revival plans.

The EBRD is already the largest institutional lender to Ukraine's corporate sector and has issued about €3.7bn in loans since Russia's invasion started in February last year, already double from annual prewar levels of €1bn.

Much of it has been allocated to emergency funding to help prop up Ukraine's

infrastructure, including the energy grid, which has been pounded by Russian missiles and drones, and to build rail hubs to facilitate exports to the EU.

The capital increase, announced by the EBRD yesterday, would enable it to raise annual lending to Kyiv to €3bn once reconstruction was fully under way, EBRD president Odile Renaud-Basso told the Financial Times. Ukraine would at that point account for a fifth of the bank's lending portfolio.

"This is a critical time for Ukraine. The Russian authorities are betting that support for it from the international community is running out of steam. But our capital increase, massively backed by our shareholders, is a sign that this support will not waver," she said.

With no end to the war in sight,

Ukraine's allies had turned their attention away from long-term reconstruction to sustaining its economy, said Renaud-Basso. "Everybody's focusing on what needs to be done now in the short and medium terms."

**'The cost of not supporting [Ukraine] is going to be higher than supporting it'**

Odile Renaud-Basso

The EBRD, whose shareholders include EU states, the UK and US, does not provide budgetary support to governments so the capital increase will not help plug Ukraine's shortfall stemming from the failure of the US Congress and

the EU to approve aid packages of \$60bn and €50bn respectively.

But Renaud-Basso said it was essential that there was "regularity and predictability" in foreign aid payments to Ukraine so that it could pay wages and pensions, enabling it to maintain domestic demand. "The cost of not supporting [Ukraine] is going to be higher than supporting it," she added.

IMF managing director Kristalina Georgieva told the FT last week that Ukraine had only a few months before it would be forced to make a drastic "adjustment" in its management of the economy.

The EBRD finances state-owned enterprises such as Ukraine's electricity grid operator Ukrrenergo and the national railway Ukrzaliznytsia, which

would require funding from the government otherwise.

It also supports Ukrainian business through risk-sharing schemes with banks and funding for small and medium-sized companies. Sustaining economic growth would boost Kyiv's tax revenues and ultimately make it less dependent on foreign aid, which, said Renaud-Basso, was a "weakness".

Renaud-Basso hailed the "amazing" resilience of Ukraine's private sector. After falling almost a third in 2022, the economy is set to expand 4.5 per cent despite Russian attacks on the power network and logistics. She said the EBRD's focus on the "real economy" complemented the "budget support received by Ukraine provided by IMF and in the EU and hopefully the US".

## Military call-up

## Ukraine army chiefs press Zelenskyy for 500,000 more troops

ROMAN OLEARCHYK — KYIV  
BEN HALL — LONDON

Ukraine's army chiefs have asked Volodymyr Zelenskyy to mobilise up to 500,000 people as the country gears up for a protracted war of attrition against Russia next year.

Speaking at a year-end press conference in Kyiv yesterday, the Ukrainian president said his commanders had asked to mobilise 450,000 to 500,000 men and women, including through conscription.

But he said that he had not yet made a decision on what was a "very sensitive issue".

After a failed summer counteroffensive, and with western financial and military support faltering, Zelenskyy is enduring the toughest period since the early days of Russia's invasion.

Russia has cranked up military production and Ukraine will need to draw deeper on its own resources — including manpower — to hold its lines next year, according to analysts and western officials.

Zelenskyy said he had instructed his military chiefs to develop a detailed plan explaining why so many extra troops were needed, as well as how current and past fighters could be given time to rest or possibly delist from service.

"I need specifics," he said. "What will happen to the million-strong army of Ukraine . . . what will happen to those who have been protecting our country for two years?"

Ukraine has about 1mn men and women in its armed forces. It has taken heavy casualties, especially among experienced troops and junior officers, but the numbers of dead and injured are kept secret.

The Ukrainian president has come under pressure from military officers in recent weeks to expand conscription to make up for casualties and allow more rotations for frontline troops.

In a rare public intervention on the matter, General Kyrylo Budanov, head of military intelligence, said on Sunday that Ukraine had recruited all the volunteers it could find and now needed to use more compulsion.

"This is a fact and it needs to be understood and recognised. With such volumes, no recruitment will cover our needs without mobilisation," Budanov said.

Some western officials and analysts have said Ukrainians serving at the frontline are often too old to cope with the rigours of fighting and there are too few to allow for proper rest, let alone training.

But until now, Zelenskyy has been reluctant to resort to more extensive conscription, fearing it could stoke social tensions.

Zelenskyy said yesterday that "if it is needed" he would sign legislation being debated in parliament that would reduce from 27 to 25 the age at which men could be compelled to join the military.

In the first months after Russia's full-scale invasion last year, Ukraine mostly relied on voluntary recruits, but since then it has conscripted men from the age of 27 to 60 and has banned adult men from leaving the country.

Hot and cold  
Volcano vents in Iceland

A spectacular, large-scale volcanic eruption began in south-western Iceland yesterday, spewing lava out of a 4km-long fissure, after weeks of heightened seismic activity.

The fissure opened north of the coastal town of Grindavik on the Reykjanes peninsula, close to the Blue Lagoon tourist attraction.

Iceland has been on high alert since last month, when thousands of earthquakes began near Grindavik, 19km from Keflavik international airport.

The meteorological office said that after four hours of activity the intensity of the eruption was decreasing as it reached a "state of equilibrium". *Richard Milne, Nordic and Baltic correspondent*



Icelandic Coast Guard/AFP/Getty Images

## Balkans. Opposition protests

## EU ties Serbian election reform to membership talks

Thousands take to the streets after ruling party's Vučić secures majority in parliament

CAMILLA BELL-DAVIES — BELGRADE  
MARTON DUNAI — BUDAPEST

The EU has told the Serbian government to tighten its election procedures or risk jeopardising talks to join the bloc after the ruling party won parliamentary and local ballots on Sunday amid widespread reports of vote-rigging.

International observers denounced the conduct of the elections, in which the SNS party of President Aleksandar Vučić secured an outright majority in parliament and held on to the post of Belgrade mayor.

Tens of thousands of Serbs took to the streets of the capital on Monday to protest against voter fraud and more demonstrations are planned.

Vučić's party was accused of busing unregistered voters on a massive scale

into Belgrade from Serb areas of neighbouring Bosnia and of harassing opposition supporters.

European commissioners Josep Borrell and Olivér Várhelyi demanded that "credible reports of irregularities are followed up in a transparent manner" by the Serbian authorities.

"We conclude with concern that the electoral process requires tangible improvement and further reform, as the proper functioning of Serbia's democratic institutions is at the core of Serbia's EU accession process."

The SNS party said reports of voter fraud were "fake news".

"We are very happy how the election day went," Miloš Vučević, SNS party leader, said on pro-government television channel Prva yesterday. "It can set an example for many other countries."

However, election observers for the Organisation for Security and Co-operation in Europe also identified widespread irregularities and concluded that the elections at the weekend were held amid "unjust conditions".

The Parliamentary Assembly of the Council of Europe, which also took part in election monitoring, said the volume and seriousness of the complaints discredited the entire election.

"This was a stolen victory . . . and unfair result," Pace mission chief Stefan Schennach said. "[Vučić] is supposed to

**'The proper functioning of Serbia's democratic institutions is at the core of [its] EU accession process'**

be neutral but was the whole engine of this campaign . . . The pressure was well organised. One of our teams had a car following them all the time."

He recounted a story he said showed people were illegally registered to vote in areas where they were not resident.

"A lady came to a polling station in Belgrade, holding about 15 white slips that had been posted through her apartment door, apparently all people that

lived in her flat," he said. "All of them had been to the polling station earlier that day and voted already."

Opposition supporters say the governing party brought as many as 40,000 pretend residents, many from Bosnia, to the Belgrade Arena, a sporting venue, from where they were dispatched to voting precincts across the capital.

Stefan Jančić, a lawyer, said he witnessed the busing-in process.

"A security guard at the arena told us to show them ID and they will get us into vans and cars and they will drive us to where we have to vote," he said. "There are stands in the arena which tell you which municipalities you have to go to."

"On the way in we met a family from Rogatica, [Bosnia] who had never visited Belgrade . . . They received a Belgrade ID last month."

Opposition supporters said the votes brought in would have been enough to secure victory for Aleksandar Šapić, the incumbent Belgrade mayor.

"This is illegal . . . Belgrade elections were rigged," said former deputy

speaker Borko Stefanović, from the Freedom and Justice party, part of the main opposition Serbia Against Violence coalition.

He said opposition protesters had barricaded themselves inside the offices of the electoral commission and would stay there until the Belgrade elections were "annulled and new ones held".

He said international monitoring reports were largely ineffectual as the government could ignore them.

"The OSCE reports are a piece of paper that nobody pays attention to," he said. "For Vučić it's just a box he has to tick but there's no change in his autocratic behaviour. The threat of being denied access to the EU path means nothing, he doesn't care."

Democracy watchdog CRTA, which sent monitoring teams nationwide, also said it had reasons to dispute the results.

"Considering the scope and diversity of electoral abuses . . . the results of the Belgrade elections do not reflect the freely expressed will of voters," the watchdog said.

## Germany

## Berlin to rerun federal election two years after chaos-hit vote

SAM JONES — BERLIN

First Berlin had to rerun its city election after a polling-day debacle rendered the results unsound. Now it must do the same again for its federal election, though only partially, Germany's top court has ruled.

Berliners went to the polls on September 26 2021 to find a democratic system in chaos. Waiting times of an hour or more were common.

Some polling stations closed early and some stayed open late. Cast ballots went missing and some ballot papers never arrived.

In February this year — with foreign election observers in attendance — Berlin reran the vote for the city's powerful municipal government, with a result that lost the Social Democrats the mayoralty after the party scored its worst result in a century.

Meanwhile, German politicians have been squabbling for months about the validity of the federal vote, held on the same day in 2021.

That vote must now be held again, after more than two years, in 455 of Berlin's 2,256 electoral districts, judges at

Germany's constitutional court in Karlsruhe declared yesterday in the final word on the matter.

Berlin's returning officer, Stephan Bröckler, said the vote would be scheduled for February 11.

While the ruling supersedes an earlier decision by the German parliament that a smaller number of districts should be contested again, it is also sufficiently limited to mean that little is likely to change in the results.

For the 38 MPs elected on the leftwing Die Linke ticket, that comes as a huge relief.

As a result of the electoral thresholds in German law, if the election of just one of the three Berlin-elected MPs from their number had been ruled invalid, then all 38 of them would have been at risk of being kicked out of parliament.

That would have also ejected the newly formed, and much hyped, leftist political party of Saha Wagenknecht from parliament, because she and colleagues entered as Die Linke representatives.

Germany's opposition conservative Christian Democrats had said in Karlsruhe that at least half of Berlin's voters

needed a chance to vote again in the federal election.

Meanwhile, the hard-right Alternative für Deutschland had petitioned the court for the entire federal election in the city to be rerun.

In its judgment, the court said it mostly agreed with the Bundestag's original findings on a limited repeat of the process, even though it identified a number of worrying further electoral



Last word: the constitutional court has ended the political squabbling

anomalies that cast wider doubt on how the day had been run.

For example, postal votes appeared to have been counted in the wrong districts in some instances, meaning that results from those districts also now had to be invalidated.

"The decision of the German Bundestag [was] based on an insufficient clarification of the electoral process, as it neither evaluated the minutes of the individual electoral districts itself, nor arranged for them to be evaluated in any other way," the court said.

Had the Bundestag scrutinised the minutes, which were made in real time by officials at polling stations on the election day, then it would have identified further errors, it said.

At the time, city officials blamed the debacle on disruption caused by the Berlin marathon, which was held on the same day as the vote, leading to problems with the delivery of ballots and counting.

For critics, including the main opposition parties, it was more symptomatic of how badly governed the capital had become after years of Social Democratic party rule.

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## INTERNATIONAL

## Monetary policy

## Yen weakens after BoJ holds negative rate

Governor says no rush to change stance before US Fed decides next year

KANA INAGAKI — TOKYO  
HUDSON LOCKETT — HONG KONG

The Bank of Japan has held off lifting negative interest rates, sending the yen lower as its governor said it was in no rush to change its policy before the US Federal Reserve considers cutting rates next year.

At a news conference after the BoJ's final meeting of the year, governor Kazuo Ueda acknowledged that the prospect of achieving its inflation target

had improved but cautioned that the Japanese central bank was not ready yet to map out an exit from its ultra-loose monetary policy.

The BoJ's decision yesterday came after the Fed surprised markets last week by signalling it would cut interest rates next year. That prompted warnings from the European Central Bank and the Bank of England that it was too soon for them to let down their guard against high inflation.

The BoJ, which wants to ensure a lasting end to Japan's decades of deflation, is the only leading central bank to maintain interest rates below zero.

"It is inappropriate to think that we will rush to change our policy because

the Fed is likely to move within the next three to six months," Ueda said, adding that he wanted to assess more data and consult companies to confirm the virtuous cycle between wages and prices.

The BoJ kept overnight interest rates at minus 0.1 per cent and made no change to its yield curve controls, after it revised the policy in October to allow yields on 10-year government bonds to rise above 1 per cent.

While some investors had expected the BoJ to change its forward guidance on rates or offer an indication of an imminent policy change, the central bank stuck to its dovish tone, pledging to stick with its easing measures "as long as it is necessary".

"For now, it is difficult to lay out with high certainty what kind of measures we will take during an exit," Ueda said, adding that the BoJ would communicate its stance to investors once there was more clarity.

The yen weakened 1.3 per cent to ¥144.67 against the dollar.

An unwinding of the BoJ's ultra-loose monetary policy could have significant ramifications for international bond and currency markets, especially following the recent volatility in the yen. The currency is still down 9.5 per cent this year against the dollar, but has pulled back from a historic low of about ¥151 over the past month on expectations of policy tightening.

"The move today [in the yen] is just a short-term reversal; this isn't the start of a trend," said Takashi Miwa, chief Japan economist at Nomura. He added that the Japanese currency would get a boost in the first half of next year when Nomura expects the BoJ to end its yield curve controls, "most likely in March or April", he suggested.

Most economists had predicted that the BoJ would not make policy changes this week and would wait until there was more evidence of a persistent trend of wage rises.

Japan's core inflation has exceeded the BoJ's 2 per cent target since April 2022, but prices are expected to come down next year.

## Eurozone

## ECB warns banks against complacency over funding challenges

LAURA NOONAN — LONDON

Eurozone banks must prepare for the risk of funding sources becoming "more volatile" next year, with the region's banking supervisor warning lenders against complacency amid rising geopolitical and economic risks.

The European Central Bank, which has been supervising the eurozone's banks since November 2014, said lenders weathered the high interest rates, market turmoil and economic strains of 2023 well and ended the year with "solid" capital and liquidity positions, but that big challenges remained.

"The resilience we are seeing should not lead to complacency, as there are still significant uncertainties and downside risks," Andrea Enria, the ECB's outgoing head of supervision, said in his final press conference yesterday before he is replaced next month by German economist Claudia Buch.

Enria said the ECB had pressed two banks to boost their liquidity positions so they could survive for longer without needing exceptional support, including asking one to create a currency-specific liquidity buffer, as supervisors looked at funding vulnerabilities following turmoil in banking and markets in March.

The ECB has also placed extra capital demands on eight banks because of their exposure to leveraged finance, up from three a year earlier, reflecting growing supervisory concerns that banks have not done enough to address potential losses from their most indebted borrowers. The ECB did not name them.

In its outlook, the ECB noted "high uncertainty" about the region's growth prospects, as well as "tighter financing conditions and heightened geopolitical tensions", the risk of higher food and fuel prices and "higher for longer" interest rates, which "may result in renewed turbulences in financial markets".

The report comes a week after data from the European Banking Authority showed rising profits and higher shareholder returns from big European lenders, which have persistently traded at valuations far lower than their US rivals.

"While rising interest rates have had a positive impact on profitability so far, banks must be prepared to cope with more volatile funding sources, higher funding costs, a potential fall in asset quality and a further repricing in financial markets in the short and medium term," the ECB cautioned.

ECB policymakers held interest rates at 4 per cent in December but cut expectations for headline inflation for 2023 and 2024, in a sign that economic pressures might be waning. Still, the Israel-Hamas war and continued clashes in Ukraine cloud the outlook for next year.

Economic uncertainty and higher interest rates can make it harder for banks to fund their activities. Funding stresses contributed to the failures of some US banks in March and Credit Suisse's acquisition by UBS a few weeks later.

The ECB said it wanted banks to address "shortcomings" in their asset and liability frameworks, which are designed to ensure that their funding needs are met. Its remedies include making sure banks' funding sources are diverse so they are not overly reliant on deposits, short-term markets or any other kind of funding, and drafting contingency plans for how they would deal with short-term market stresses.

## Southern Africa. By-elections

## Zimbabwe opposition cries foul after poll defeat

Ruling Zanu-PF accused of election chicanery in effort to keep Mnangagwa in power

KUDZANAI MUSENGI — BULAWAYO  
JOSEPH COTTERILL — JOHANNESBURG

Bongani Mabanga shunned the ruling party of President Emmerson Mnangagwa when he cast his ballot for the main opposition in this year's Zimbabwe national elections.

But just four months later, the 35-year-old was asked to vote for a different representative after his first choice, the winning candidate from Nelson Chamisa's Citizens Coalition for Change, was thrown out of parliament and a by-election was called.

This time, there was no chance to back the CCC as its candidate was not even on the ballot paper.

The by-election this month was one of several called in contentious circumstances, which Chamisa supporters say is the latest attempt to weaken their support in parliament as Mnangagwa's Zanu-PF seeks to tighten its grip on power. Zanu-PF was declared the winner of August's disputed general election but fell short of an overwhelming majority.

"All progressive Zimbabweans want change and would have voted for the same candidates they voted for in August," said Mabanga, who lives in the city of Bulawayo. "The system knows this and that's why it made sure the names of our candidates were removed from the ballot. But nothing lasts forever and change is inevitable."

The chicanery began when Sengezo Tshabangu, a hitherto obscure member of the CCC, declared himself its interim secretary-general, a post the party said did not exist. Tshabangu then won backing from parliament's Zanu-PF Speaker to remove a group of CCC lawmakers and trigger the by-elections.

Courts then backed his candidates over those wanted by CCC lawmakers. The Tshabangu picks contested five by-elections: winning two and losing three to Zanu-PF.

Mabanga boycotted the vote in his seat, disgusted at what he called the "Zanu-PF regime's machinations" that analysts say exploited infighting in Chamisa's party. Critics accuse Zanu-PF of manipulating an internal CCC dispute to further undermine the democratic process.

The opposition believes it is part of a drive by Mnangagwa to ensure he can



**Campaign trail:** Zanu-PF and Citizens Coalition for Change posters vie for attention in Harare last week. Below, Emmerson Mnangagwa

Aaron Ufemel/EPA-EFE/Shutterstock/Zinyange Auntony/AFP/Getty Images



remain in office indefinitely. The 81-year-old served as spy chief under Robert Mugabe before overthrowing his mentor in a 2017 coup and winning the first of two disputed elections.

But staying in power would require an amendment to Zimbabwe's constitution to abolish the two-term limit. Zanu-PF needs about 10 more parliamentary votes to give it the two-thirds majority required for constitutional changes, having won 177 of the 280 seats in the August general election.

"We know there are some in Zanu-PF who... want him to stay on, so they want a two-thirds majority," said Arthur Chikerema, a senior lecturer at Zimbabwe's Midlands State University. "This is why we're seeing all this."

Nine initial by-elections were called after the recalls by Tshabangu, who has said he is fighting the imposition of parliamentary candidates by Chamisa and those close to him. But critics accuse him of being a Zanu-PF proxy.

Tshabangu is "being used to try and cause havoc within the opposition, while also diverting people's attention from various national crises, including [Mnangagwa's] disputed legitimacy", said Gift Siziva, the CCC's deputy spokesman. More by-elections are set for next year.

Any move to abolish the president's two-term limit would damage already flagging hopes for political reform as Mnangagwa makes another bid to restructure \$14bn in longstanding international debts to the World Bank, the African Development Bank and other creditors that would restore financing for a regime grappling with triple-digit inflation and the collapse of the revived Zimbabwe dollar. Talks between the

**Tshabangu is 'being used to cause havoc within the opposition, while also diverting attention from national crises'**

government, development banks and lenders are due to resume in the coming months. Creditors will assess commitments to reform based on pillars that cover governance, the economy and land ownership.

An economic recovery in the past two years has boosted Mnangagwa's regime. But money-printing has stoked hyperinflation.

The by-elections have also been marred by violence and intimidation. Tapfumaneyi Masaya, a member of the CCC, was found dead in Harare, the capital, last month after being abducted while campaigning. Police are still investigating. The CCC has said other members faced arbitrary detentions and threats since the national election.

"During the day, the regime actors vehemently deny [disappearances], but during the night they do those very things. This is now the standard modus operandi," said Eldred Masunungure, director of Mass Public Opinion Institute, a Zimbabwean pollster. "There are too many vested interests that fear losing out in the event of a coalition government. And yet the hard reality is that there is no other viable solution out of the protracted quagmire."

## Manufacturing

## White House hits at Republican attack on IRA

MYLES MCCORMICK — HOUSTON

The White House yesterday warned against Republican efforts to derail a manufacturing boom triggered by Joe Biden's signature climate legislation that has already brought "tremendous" benefits to the US economy.

Investors have pledged \$628bn of investments into clean energy and manufacturing since the president entered the White House in 2021, most driven by the Inflation Reduction Act, senior officials said. More than 200,000 jobs

had been added since IRA was enacted last year.

John Podesta, Biden's senior adviser in charge of the IRA's implementation, warned that Republicans efforts to roll back the bill — which provides huge tax breaks for investors and producers of clean energy over the next 10 years — would undermine investor confidence.

He also accused Republicans of hypocrisy for welcoming the investment spurred by the IRA, even as they promised to scrap the bill.

"The people who are out there at the ribbon cuttings have continued to try to repeal the provisions that are really producing this tremendous story for the US economy," he said.

A Financial Times analysis in August found that more than 80 per cent of investment in large-scale clean energy and manufacturing pledged since the IRA and Chips and Science Act were passed was destined for Republican congressional districts.

"Members seem to be very happy to applaud those investments... while

they're simultaneously ignoring the fact that the companies themselves are crediting the IRA with the reason for those investments," said Podesta.

The Biden administration has made a renaissance in US manufacturing central to the president's re-election effort, touting job creation and a rejuvenation of rust-belt regions as core elements of "Bidenomics".

But there is little sign that the message is landing among voters, with the president still facing weak approval numbers just as the 2024 election campaign begins to gear up. A recent FT-Michigan Ross poll showed that just 17 per cent of voters thought they were better off under Biden.

The muted popular support for the president's economic agenda comes even as officials say the IRA and manufacturing investments have brought measurable boosts to the US.

The manufacturing boom has spurred economic growth, accounting for an unprecedented 10 per cent of the GDP expansion this year, officials said.

## Natural disaster

## Quake claims 118 lives in north-west China

EDWARD WHITE — SHANGHAI

President Xi Jinping has pressed officials to undertake an "all-out" search and rescue effort after an earthquake in China's north-west killed more than 118 people and injured hundreds more.

State media reported that 105 people were killed in Gansu province and 13 in neighbouring Qinghai after a quake struck in the mountainous regions just before midnight on Monday.

Rescuers were "racing against time" to find survivors, according to Xinhua, the state news agency.

As rescue and recovery operations continued in sub-zero conditions yesterday, Xi urged the swift delivery of relief supplies, infrastructure repairs and emergency accommodation.

Xinhua said the People's Liberation Army and police have been called on to support local officials in rescue and disaster relief. The state council, China's cabinet, dispatched a working group to help guide the recovery effort.

While the full extent of the damage in

Gansu was still emerging, state television showed rubble-filled streets and rescuers pulling survivors from collapsed buildings. The earthquake, which had a magnitude of 6.2, damaged water, power, transport and communication infrastructure, state media said.

Natural disasters in China have in the past become political lightning rods, despite the Chinese Communist party's tight control over speech and media.

The Sichuan earthquake in 2008,



The earthquake struck towns such as Dahejia just before midnight

which killed 80,000 people, sparked public outrage over shoddy construction of buildings that contributed to the deaths of thousands, including children killed after schools collapsed.

Immediately after Monday's quake social media posts reflected mostly concern for victims, praise for officials' response and advice for survival.

Lai Ching-te, Taiwan's vice-president, offered support for the recovery via social media platform X. "Our thoughts are with the impacted communities, and we extend our prayers for a speedy recovery. Taiwan is prepared to provide support in the ongoing disaster response efforts," he said.

In Beijing, the Ministry of Emergency Management and Ministry of Finance said nearly \$30m had been allocated for disaster relief in Gansu and Qinghai.

Gansu has a border with Mongolia and a population of about 26m. Long one of China's poorest areas, it is attracting solar and wind energy projects.

Additional reporting by Eleanor Olcott in Hong Kong and Wang Xueqiao in Shanghai

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## INTERNATIONAL

# Fear and anger stalk Israeli communities on Gaza frontier

But border residents insist army must 'finish the job' in war against Hamas

JAMES SHOTTER AND NERI ZILBER  
NETIV HAASARA

It is more than two months since Israeli forces regained control of the towns overrun by Hamas during its October 7 attack. But on Hilla Fenlon's seed farm in Netiv HaAsara, a tiny community on Israel's border with Gaza, life has not even begun returning to normal.

Outhouses hit by rockets are still crumpled and charred, while machines to cultivate pepper and courgette seeds are riddled with shrapnel. Ear-splitting blasts from an Israeli artillery position nearby continually punctuate the air.

"We don't know how [the war] is going to be finished. But I will come back to stay here with my kids only if there are no Palestinians," said Irit, a local who has been evacuated to Tel Aviv and returns to the farm with Fenlon.

Before the war, "the army told me it's safe to be here. And I believed everything," she added. "And [then Hamas] just came . . . and killed all my friends."

A mix of fear and anger exists across Israel, still consumed by the trauma of an attack in which Hamas killed 1,200 people and took 240 hostages.

As Israel's retaliatory offensive has advanced inside Gaza, international pressure for a ceasefire is mounting. The onslaught has killed more than 18,000 in the enclave, claim Palestinian officials, displaced more than 1.8mn of its

2.3mn population, and rendered huge stretches of the territory uninhabitable.

But spurred on by public backing for the war, Benjamin Netanyahu's government remains adamant it will not stop until it has achieved its goals: eradicating Hamas and rescuing the 130 or so hostages still held in Gaza.

"I've been asked if we have the legitimacy to continue fighting; we don't have the legitimacy to stop," Israel's defence minister, Yoav Gallant, said this month.

The number of Israelis who have signed up to fight has surged. "My son wasn't initially called up as a reservist and he was stalking around the house," said Karo Yehuda, a veteran of Israel's 1982 war with Lebanon.

"He just wanted to fight, alongside his friends. So he called up his former commander and now he's fighting in Gaza."

There has also been a huge civil mobilisation. At Gilat Junction, a highway intersection half an hour's drive from the Gaza border, volunteers cook thousands of burgers each day to feed the Israeli army, while private donors have also paid for showers and massages.

Fenlon was donated a car by a stranger who wanted to help people who lost vehicles on October 7. "If there's a bright thing in this darkness, it's that we have come together in society," she said.

"Every day I have volunteers coming who [are helping] my farm to do this



season as I don't have workers . . . some I know, some are complete strangers."

Israeli media is giving little airtime to the destruction in Gaza, with most of the population believing the air and land assault is justified after October 7.

Instead, television channels and newspapers are filled with accounts from survivors and the relatives of those killed or taken hostage. Some of those released last month during a temporary truce are now speaking about the abuse they endured inside Gaza.

Eulogies for fallen soldiers are aired nightly on bulletins. The funeral of the 25-year-old son of Gadi Eisenkot, a member of Israel's war cabinet, went out on all channels.

There is near-total consensus that the war cannot end without the safe return of the hostages. Reminders of their plight are everywhere and relatives organise weekly demonstrations.

In the Israeli towns bordering Gaza, however, many say the war also cannot be allowed to stop until Hamas no longer has the ability to threaten the Jewish state, including by rocket fire.

Over the past two decades, the launches have become a constant threat in southern Israel, where reinforced concrete shelters dot the countryside. But few are willing to countenance a return to that world once the war is over.

"The first question is the hostages . . . after that the main goal is that

Helping hands: volunteers, above, on a farm near Israel's border with Gaza, where the army presence has been stepped up since October 7 — Evelyn Hockstein/Reuters; Menahem Kahana/AFP/Getty Images

there will be no need for shelters, and that there will be no [Hamas] army against us," said Tsur Hadar, a dairy farmer on the Nirim kibbutz, where workers have 10 seconds to find shelter once the sirens start.

About 250,000 Israelis have left their homes since the start of the war, around Gaza and on the northern border, where Israeli forces and the Lebanese militants Hizbollah have traded almost daily fire. Businesses in both regions have been hit hard. Officials say a situation in which the populations of these areas cannot return would be untenable.

Among those hit is Tzadok Baruch, a farmer in Mivtahim, about 5km from Gaza. Since the war began, the output from his tomato crop has dropped 40

"The first question is the hostages . . . after that the main goal is that there will be no . . . [Hamas] army against us"

per cent, and he has had to rely on volunteers as most of the Thais who worked for him before the war have left.

In his opinion, the war should not end until Israel's control of Gaza is comparable to its control of the occupied West Bank. Pressure from abroad to wind down the offensive before then, he says, is a case of double standards.

"I don't think [US President Joe] Biden would stop [the war] if they had just had the worst terror attack ever. He wouldn't approve one truck of humanitarian aid," he said. "We will finish the job, for if we don't, no one will live here."

Additional reporting by John Paul Rathbone in Tel Aviv

Maersk diverts vessels see Companies  
Gaza leadership vaccum see Opinion



## Ceasefire hopes

# Herzog suggests new 'humanitarian pause' as talks to free remaining hostages gain urgency

MEHUL SRIVASTAVA — TEL AVIV  
JAMES SHOTTER — JERUSALEM  
ANDREW ENGLAND — LONDON

Israel's President Isaac Herzog said yesterday that his country was open to another temporary truce with Hamas to secure the release of hostages held by the Palestinian militants in Gaza.

"Israel is ready for another humanitarian pause and additional humanitarian aid [into Gaza] in order to enable the release of hostages," he said.

Herzog's comments were made as talks led by Qatar on a deal to free the remaining captives gained urgency after Israel's military mistakenly killed three of its citizens held in Gaza last week.

Israel is also facing mounting international pressure to agree a ceasefire after the number killed in the besieged enclave rose past 19,000, according to Palestinian health officials, as the offensive against Hamas continued.

Israel's spy chief David Barnea held talks with Qatari prime minister Sheikh Mohammed bin Abdulrahman and CIA boss Bill Burns in Warsaw on Monday to discuss the hostages. They were the first between all three parties since the collapse of the previous agreement in which 86 Israeli women and children were swapped for 240 Palestinian prisoners under cover of a week-long truce.

Hamas also released another 24 foreigners, mostly Thai workers kidnapped from Israeli farms close to Gaza. Each side blamed the other for the breakdown of the truce on December 2.

Hamas and other militants seized about 240 hostages during the October 7 attack on southern Israel that killed at least 1,200 people, according to Israeli officials, and triggered the war.

Herzog, who has no executive powers, said the responsibility for an agreement

"lies fully with [Hamas leader Yahya] Sinwar and the leadership of Hamas".

Talks between Sheikh Mohammed, Burns and Barnea were "positive", said a person familiar with the discussions, while adding a deal was not imminent.

Qatar hosts Hamas's political office and has been mediating the talks.

Hamas is seeking a longer truce than the previous pact. It has said it wants all Palestinians held in Israeli prisons — a number that has swelled past 10,000 — to be freed before it releases the 129 hostages, mostly soldiers and reservists, it is believed still to be holding.

"Negotiators don't see a deal happening imminently, but they are trying to explore different options," the person

'Negotiators don't see a deal happening imminently, but they are trying to explore different options'

familiar with the talks said. "The good thing is talks are happening, and that they have been discussing different proposals."

Barnea had been expected to travel to Doha last week, but Israeli Prime Minister Benjamin Netanyahu vetoed the trip, the person said. The spy chief then met Sheikh Mohammed in a bilateral meeting in Europe on Friday — the day Israeli troops mistakenly killed the three hostages in Gaza, who were shirtless and waving a white flag.

A critical issue was the price Israel would be willing to pay for hostages that Hamas classified as soldiers, an Israeli official said. Some women are still held because the militants considers them reservists, as are some elderly men.

Under the original deal, the hostilities

paused for a week during which Hamas released women and children held in Gaza in batches. In return, Israel halted its offensive, allowed more aid into the besieged strip and freed Palestinian women and children held in its prisons.

On Monday night, Hamas released a video of three men — Chaim Peri, 79, Yoram Metzger, 80, and Amiram Cooper, 80 — saying in Hebrew that they were from the generation that founded the state of Israel and its military.

Peri, a peace activist, had campaigned for the end of Israel's occupation of the Palestinian territories for decades before being kidnapped from his home in Kibbutz Nir Oz.

Metzger's son Rani told Israeli Army Radio yesterday that he was encouraged to see his father alive, but worried about his health. "Dad is skinny. Dad looks tired. Dad looks extinguished," he said. "They're living in a really bad situation."

The Israeli official briefed on the talks said the country would continue its military campaign until the negotiations were successful. Netanyahu argues that weakening Hamas strengthens Israel's hand in the hostage talks.

Hamas appears convinced that it can extract a high price for the Israeli soldiers, including the release of Palestinian convicted of murder in military courts. Israel has in the past freed a large number of prisoners to secure the release of its soldiers, including more than 1,100 for a single soldier kidnapped in 2006.

International pressure for Israel to agree to a sustained ceasefire continues to build. A UN Security Council vote was expected later yesterday, with diplomats hoping that the US — which has not yet called for anything longer than humanitarian pauses, including those allowing hostage swaps — will abstain.

Elegance is an attitude

JENNIFER LAWRENCE

LONGINES

MINI DOLCEVITA



Supply squeeze Copper is on track to be the year's best-performing industrial metal after production disruptions → PAGE 12

# Companies & Markets

## Accenture says businesses are not yet ready to deploy AI

- ◆ Data and safety holding back rollout
- ◆ Adoption over five years expected

STEPHEN FOLEY — NEW YORK

Most companies are not ready to deploy generative artificial intelligence at scale because they lack strong data infrastructure or the controls needed to make sure the technology is used safely, according to the chief executive of the consultancy Accenture.

The most hyped technology of 2023 is in an experimental phase at most companies and macroeconomic uncertainty is holding back IT spending generally, Julie Sweet told the Financial Times in an interview ahead of the company publishing quarterly results yesterday.

Accenture reported another big jump in revenues from generative AI projects in the three months to November 30,

**“The good news is that people are not trying to leap over the gap. They are being careful in the rollout”**

with \$450mn in bookings compared with \$300mn over the previous six months. But they remain small relative to group sales of \$64bn annually.

Corporate executives are keen to deploy the technology to understand data across their organisation better or to automate more customer service, Sweet said. “The thing that is going to hold it back, though, is... most companies do not have mature data capabilities and if you can't use your data, you can't use AI.

“That said, in three to five years we expect this to be a big part of our business.”

Accenture and other consulting groups have boasted of multibillion-dollar investments in generative AI in the hope of a windfall from deploying the technology to clients across the world.

Sweet said executives were being “prudent” in rolling out the technology, amid concerns over how to protect proprietary information and customer data and questions about the accuracy of outputs from generative AI models.

“We are still at the stage where most CEOs, asked if there is someone in their organisation who can tell them where AI is being used, what the risks are and how they're being mitigated, the answer is still ‘no’.

“There is a gap between saying you're committed to responsible AI and having the programmes that allow it to be real on the ground. The good news is that people are not trying to leap over the gap. They are being careful in the rollout.”

Sweet said this corporate prudence should assuage fears that the development of AI is running ahead of human abilities to control it — a concern that is being debated among technologists, not least at OpenAI, developer of the large language model behind ChatGPT.

OpenAI's non-profit board ousted founder Sam Altman last month after an internal row, only to reinstate him under pressure from staff. The debacle raised questions about its governance.

Accenture offers generative AI tools based on OpenAI through a partnership with Microsoft and can help clients customise the models to incorporate their own data. “It is not my responsibility to figure out whether OpenAI has got the right governance,” Sweet told the FT. She said she was comfortable with the level of transparency around how the models worked.

Areas where the deployment of generative AI was most advanced include corporate knowledge management, such as using internal data for fraud detection at a bank, Sweet said. Clients are also increasingly using the technology for customer service helplines or chatbots.

Russian exit AB InBev offloads stake in \$1.3bn joint venture to Turkish partner Anadolu Efes



Bud brewer AB InBev is forfeiting ‘all financial benefit’ from the joint venture launched in 2018 — Alexander Blinov/Alamy

ADAM SAMSON — ANKARA  
MADELEINE SPEED — LONDON

Turkish brewer Anadolu Efes has agreed to acquire AB InBev's stake in a \$1.3bn Russian joint venture in a sign of Turkey's continued close corporate ties to Russia, as western companies struggle to offload their assets in the country.

Anadolu Efes will become the sole owner of a group it formed with AB InBev in 2018 to sell beer in Russia and Ukraine, according to a regulatory filing yesterday.

No cash will change hands as part of the pact, but Anadolu Efes will make future payments based on the joint venture's performance, the filing to Turkey's Capital Markets Board said.

In April last year the brewer of Budweiser and Stella Artois announced it was in talks to sell its stake in AB InBev Efes, the Russian joint venture, as many western companies looking

to exit Russia scrambled to find buyers for their subsidiaries following Moscow's invasion of Ukraine.

The regulatory filing yesterday said KPMG assessed the Russian joint venture to be worth \$1.1bn-\$1.3bn.

AB InBev still owns just under a quarter of the broader Anadolu Efes group. In addition to marketing alcoholic beverages, Istanbul-listed Anadolu Efes also controls a large soft-drinks business that bottles Coca-Cola products in Turkey.

After announcing its intention to leave Russia, AB InBev said it was forfeiting “all financial benefit” from the venture and reported a \$1.1bn impairment in its first-quarter earnings.

Anadolu Efes's purchase of AB InBev's stake highlights how Turkish companies have retained strong links with Russia even as Ankara's western allies have sought to cut off Moscow's access to international capital.

Arçelik, one of Turkey's leading

industrial companies, for example purchased US-based Whirlpool's Russian business for around €260mn last year.

The US and EU, in particular, have grown more frustrated with Turkey's decision not to sign up for western sanctions and have alleged that Moscow is using the country to dodge export controls.

In a statement, AB InBev said any payments it would receive after completion of the Russian deal “are expected to be not material”.

Selling assets in Russia has become difficult following the Kremlin's introduction of punitive legislation. This allows Russian entities to acquire the assets of “naughty” western companies at knockdown prices.

Companies have to jump through complex regulatory hoops to have their applications considered, and even if they do find a buyer, will have little chance of extracting proceeds.

## Finma calls for more powers after Credit Suisse collapse

OWEN WALKER  
EUROPEAN BANKING CORRESPONDENT

Switzerland's financial regulator has called for tougher powers to oversee banks after claiming it did everything it could to prevent the collapse of Credit Suisse this year.

Finma yesterday published a report into the failure of Credit Suisse. It found the 167-year-old bank's downfall was the result of “inadequate implementation of its strategic focus areas, repeated scandals and management errors”.

Thomas Hirschi, head of Finma's crisis unit and banks division, said the regulator identified problems at Credit Suisse early and “used its full range of tools” to try to stabilise the bank.

“Although its actions had an effect, they were unable to overcome the causes of the loss of confidence, such as shortcomings in strategy implementation and in risk management,” he said.

The Swiss financial regulatory system has long been criticised for lacking the authority of its global peers and allowing banks to operate with the threat of minimal punishments for misdeeds.

In the report, Finma said to improve its oversight, it would need to be able to fine companies. It also called for the introduction of a senior managers' regime, similar to the system in the UK, where there is much greater personal accountability for executives.

The calls echo those made last month by Sergio Ermotti, chief executive of UBS, which agreed to rescue Credit Suisse in March. Ermotti was endorsing a package of reforms to Swiss banking rules presented by a government-appointed panel of financial experts in September. Among the main findings of the parliamentary group was that Finma was too weak to handle banking crises.

As part of its report yesterday, Finma said since 2012 it had conducted 43 preliminary investigations into Credit Suisse for potential enforcement proceedings, issued nine reprimands, filed 16 criminal charges and completed 11 enforcement proceedings against the bank as well as three against individuals.

It said between 2018 and 2022, Finma conducted 108 on-site supervisory reviews at the bank and recorded 382 points requiring action — 113 of which were classed as high or critical risk. “These figures and measures illustrate that Finma exhausted its options and legal powers,” the regulator said.

## High-bandwidth memory will help chipmakers drive the AI wave

INSIDE BUSINESS

TECHNOLOGY

June Yoon



Some of you will remember the days when downloading a movie meant a wait of more than an hour. Today, the latest chips can transfer data equivalent to more than 160 full-HD movies in less than one second.

The artificial intelligence chip industry has developed a newfound appreciation for high-bandwidth memory, or HBM, the technology behind such lightning-fast data transfers. Analysts had deemed it unlikely to become commercially viable when it launched in 2013.

But US chip designers Nvidia and AMD are breathing new life into the advanced technology that has become a critical component in all AI chips. The most pressing issue for AI chipmakers is the ever-growing demand for more processing power and bandwidth requirements as companies rush to expand data centres and develop AI systems such as large language models.

Meanwhile, data-heavy generative AI applications are pushing the limits of what conventional memory chips can offer. Faster data processing speeds and transfer rates require a larger number of chips that take up more physical space and consume more power.

Until now, the traditional set-up has been the placing of chips side by side on a flat surface which are then connected with wiring and fuses. More chips mean

slower communication through them and higher power consumption.

HBM upends decades of chip industry convention by stacking multiple layers of chips on top of each other and uses cutting edge components, including a tiny circuit board thinner than a piece of paper, to pack chips much closer together in a three-dimensional shape.

This improvement is critical to AI chipmakers as proximity between chips uses less energy — HBM uses about three-quarters less than traditional structures. Research has also shown HBM also provides as much as five times higher bandwidth and takes up less space — less than half the size of current offerings.

While the technology is advanced, it is not new. AMD and South Korean chipmaker SK Hynix started working on HBM 15 years ago, when high performance chips were mostly used in the gaming sector. Critics at the time were sceptical that the performance boost would be worth the added costs.

HBM uses more components, many of which are intricate and difficult to manufacture, compared with traditional chips. By 2015, two years into the launch, analysts expected HBM to be relegated to a tiny niche. Costs seemed too high for mass market use.

They still cost at least five times more than standard memory chips. The difference is that the AI chips that they go into fetch a steep price too. And the tech giants have much larger budgets to spend on advanced chips than gamers did a decade ago.

For now, just one company, SK Hynix, is able to mass produce the latest gener-

ation HBM3 products, the ones used in today's AI chips. It has 50 per cent of the global market, while the rest of the market is held by two rivals, according to data from consultancy TrendForce. Samsung and Micron produce older generation HBMs and are set to release their latest versions in the coming months. They stand to gain a windfall from the high-margin product alongside rapidly rising demand. In June, TrendForce forecast global demand for HBM would rise 60 per cent this year.

The AI chip war is about to turbocharge that growth even further next year. AMD has just launched a new product with hopes to take on Nvidia. A global shortage coupled with strong demand for a more affordable alternative to Nvidia's offerings means a lucrative opportunity for rivals able to offer chips with comparable specifications. But shaking Nvidia's dominance, the key to which lies not just in the physical chip itself but its software ecosystem, which includes popular developer tools and programming models, is another story. Replicating that will take years.

That is why hardware — and the number of HBMs squeezed into each new chip — will now become yet more important for contenders that want to take on Nvidia. Boosting memory capacity through the use of upgraded HBMs is one of the few ways to gain competitiveness in the short term. For example, AMD's latest MI300 accelerator uses eight HBMs, more than the five or six in Nvidia's products.

Chips have historically been a cyclical industry prone to dramatic booms and busts. On its present course, a lasting increase in demand for new products should make future downturns less turbulent than in the past.

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## COMPANIES &amp; MARKETS

## Shipping

## Maersk diverts its vessels around Africa

Reroute via Cape of Good Hope follows similar decisions by rival groups

AMY BELL, HARRY DEMPSEY AND SHOTARO TANI

AP Møller-Maersk has said vessels due to sail through the Red Sea will be rerouted around Africa via the Cape of Good Hope because of the threat of attacks by Yemeni rebels, adding to the potential disruption of vital trade through the Suez Canal.

Yesterday, Maersk, which operates the world's second-largest container shipping fleet, said its vessels would be diverted because of the "highly escalated security situation". The company

had paused all vessels due to pass through the Bab-el-Mandeb strait last Friday because of security concerns.

"The attacks we have seen on commercial vessels in the area are alarming and pose a significant threat to the safety and security of seafarers," the company said.

Iran-backed Houthi rebels have intensified their campaign against ships passing through the Red Sea, which leads to the Suez Canal, following the outbreak of the Israel-Hamas war, with more than 10 attacks on ships in the area since then.

Most of the attacks have been on vessels with ties to Israel, including several with ownership links to the Ofer family, who are among the world's most powerful shipping dynasties, according to

maritime intelligence reviewed by the Financial Times.

Maersk's decision coincides with similar moves by other shipping groups. Taiwan-based Evergreen Marine said this week it had "decided to temporarily stop accepting Israeli cargo with immediate effect", and instructed its container ships to "suspend navigation through the Red Sea until further notice".

German company Hapag-Lloyd diverted all ships on Monday to go via the Cape of Good Hope, MSC decided on Friday to reroute some of its services and Marseille-based CMA CGM is taking similar action.

CMA CGM said it had rerouted some vessels at present sailing to and from the US, North Europe and Asia or the Indian

subcontinent to travel via the southern tip of Africa, and instructed others to reach safe areas and pause their journeys until further notice.

The attacks in the area risk disrupting global supply chains that depend on the Red Sea and the Suez Canal. The waterway accounts for 30 per cent of all container ship traffic and is a vital conduit for crude oil shipments.

Michael Aldwell, executive vice-president of Swiss logistics group Kuehne+Nagel, said about 19,000 ships navigated through the Suez Canal each year, typically taking 30 to 40 days to complete an Asia-Europe voyage. "Choosing this alternative route from Asia to Europe may extend the journey by three to four weeks," he added.

Maersk said that, as of Monday, it had

about 20 vessels paused, half of which were waiting east of the Gulf of Aden and the rest waiting south or north of the Suez Canal. BP became the first oil major to pause all shipments through the area on Monday.

The decision to divert ships comes as US defence secretary Lloyd Austin yesterday announced an expanded international task force to protect ships passing through the Red Sea, which would include the UK, Bahrain, Canada, France, Italy, Netherlands, Norway, Seychelles and Spain. The group will conduct joint patrols in the southern Red Sea and the Gulf of Aden.

"This is an international challenge that demands collective action," he said. *Additional reporting by Sarah White in Paris and Chan Ho-him in Hong Kong*

## Energy

## Equinor and German state supplier SEFE agree €50bn gas contract

ALICE HANCOCK — BRUSSELS

Norway's Equinor signed its biggest long-term gas contract in nearly 40 years yesterday in a €50bn deal with German state energy group SEFE.

It comes as EU countries seek stable supplies to compensate for the loss of piped gas from Russia.

The deal would supply Germany with 129bn cubic metres of gas up to 2039, enough to cover a third of the country's industrial demand, said Anders Opedal, chief executive of state-owned Equinor.

It ensured energy security for Europe's industrial hub and showed "close collaboration" between Germany and Norway after Moscow cut gas supplies in retaliation for sanctions over its full-scale invasion of Ukraine, he added.

The agreement would reflect market prices, which at current value would make the deal worth about €50bn, according to people with knowledge of the contract.

The sudden depletion of cheap Russian gas last year left EU countries rushing to find supplies and secure contracts with friendly countries. The European Commission has signed memorandums of understanding with several gas producing nations such as Qatar and the US in order to guarantee stable flows.

EU energy ministers were due to dis-

'We are signing contracts now that are longer and for larger volumes'

Anders Opedal, Equinor CEO

cuss the level of gas supplies this winter and agree on the extension of emergency measures introduced last year, such as cuts to gas demand, at a meeting yesterday.

Opedal said Equinor's deal with SEFE was part of increasing appetite for long-term gas contracts as EU governments locked in supplies despite ambitious decarbonisation targets. The bloc aims to reach net zero emissions by 2050.

"We are signing contracts now that are longer and for larger volumes," Opedal said, adding that between 2021 and 2023 the total number of contracts agreed by Equinor had more than doubled, with a notable increase in long-term deals.

He added that the trend had also been driven by the realisation that renewable energy would not come online quickly enough to replace fossil fuel demand. "It takes time to develop a new energy system and we will need gas," he said.

Gas when burnt produces fewer emissions than coal or oil.

The gas will be delivered through pipes from Norway to hubs in the UK, Netherlands and Germany.

SEFE, previously named Gazprom Germania and owned by the Russian energy group Gazprom, was nationalised by Berlin in November 2022 and recapitalised for €6.3bn in December after incurring big losses.

Norway has replaced Russia as the EU's largest gas supplier, providing half of the bloc's piped gas.

The Equinor deal also includes a non-binding letter of intent for SEFE to buy hydrogen produced by the Norwegian group using gas but with carbon capture technologies. Hydrogen is seen as a crucial fuel for decarbonising heavy industries such as fertiliser and steel but low carbon hydrogen has yet to be produced at any significant scale.

## Financials. Short seller

## Chanos turns bullish on 'bad' US gamblers

Hedge fund manager rethinks pessimistic outlook on sector after boom in online wagers

HARRIET AGNEW AND OLIVER BARNES

Hedge fund manager Jim Chanos has switched to a bullish stance on the US gambling industry after assessing that Americans lured by novel wagers are surprisingly "bad bettors".

The comments mark a change of tune for the short seller who last month told investors he was shutting his main short-focused hedge funds after more than three decades in business and who previously had a high-profile bet against online bookmaker DraftKings.

Chanos began shorting DraftKings in May 2021, arguing publicly that its business model was flawed because of its massive spending on marketing and uncertain path to profitability.

But in July last year Chanos & Co exited the short position, which accounted for only about 2 per cent of the fund, booking a \$10mn profit.

Best known for betting against energy group Enron before its bankruptcy in 2001, Chanos said he had reassessed his pessimism about online sports betting, which has boomed since a Supreme Court verdict liberalised the industry five years ago.

"The betting numbers have continued to be strong in the US, stronger than we thought they'd be," he said. "The thing that we underestimated — that I think is going to be a benefit for all these companies for a while anyway — is what bad bettors the US gamblers are."

Chanos closed his short after witnessing the growth in riskier forms of betting through which operators are able to boost margins because the odds are less transparent. These include in-game bets, proposition bets where gamblers wager on certain events happening and multi-string, accumulator bets.

During the 2022-23 National Football League season, Chanos realised that gamblers were rapidly switching from pre-game wagers, where competition to attract those who shop around for the best odds forces sports gambling groups to keep their margins at about 5 per cent, to these new types of bets.

Such wagers have "really bad-odds bets for [gamblers] . . . so it's become a better business than we thought it would be and we saw that during last year's football season and that's why we covered our short", Chanos said.



**Sporting chance:** new types of bets on the NFL encouraged Jim Chanos, below, to rethink his stance on the gambling sector

Jeremy Reper/USA Today Sports, Victor J. Blue/Bloomberg

In-game bets typically command a margin of about 8 per cent, and proposition and accumulator bets boost margins above 10 per cent, according to Chad Beynon, an analyst at Macquarie Group.

The gross margin or "hold", the percentage of money that sports gambling groups keep for every dollar wagered, has grown significantly since the regulated industry was created in 2018 as the new betting products have proliferated.

This year it is on track to hit about 9 per cent, up from just 6.7 per cent five years ago, according to data compiled by Macquarie.

Alun Bowden, an analyst at gambling consultancy Eilers & Krejcik Gaming, said growth had been driven in part by the rising number of in-match events on which gamblers could bet. But the growth had mostly come from new forms of betting offered by US betting apps that "disguise the margin", such as accumulator bets, particularly those on a single event known as same-game parlays.

"The traditional way of betting is two-way markets where the margins are clear to players, but same-game parlays massively increase the margin but in a way that is much less obvious to the consumer," said Bowden.

About a quarter of all bets are in-game wagers, according to sports wager group BetVision, but this is expected eventually to rise to 70-80 per cent, in line with more mature markets.

'Betting numbers have continued to be strong in the US, stronger than we thought they'd be'

The two biggest betting operators reported their first profits this year, with Dublin-based Flutter making \$62.5mn in the first half and DraftKings turning profitable in the second quarter and expected to post a full-year profit in 2024.

DraftKings' share price has more than tripled this year to \$35.19 as of the end of Monday. Chanos, who took his short position when the stock was trading at more than \$45 a share, said the US betting sector was "turning into a duopoly" with FanDuel and DraftKings controlling the vast majority of the market.

"We covered our DraftKings [short] at mid-teens, so that one worked out well for us," he added.

Chanos & Co is returning the bulk of the funds to investors by year-end, with the firm's assets having dropped from between \$6bn and \$7bn at the end of 2008 to less than \$200mn. He will continue to offer bespoke advice on fundamental short ideas as well as some macro insights.



## Property

## Signa plans to put half of New York's Chrysler Building up for sale in urgent effort to raise cash

SAM JONES — BERLIN  
JOSHUA CHAFFIN — NEW YORK

Signa Holding is in negotiations to sell half of New York's Chrysler Building in an urgent attempt to raise cash, the collapsed European property company's administrator has said, as he warned of a protracted and financially painful wind-down ahead.

Creditors of the Austrian company, founded by swashbuckling developer René Benko, met in Vienna yesterday to hear administrator Christof Stapf give his first assessment of its finances since insolvency proceedings began last month. Stapf told them that he and other outside advisers were still struggling to understand — or gain control over — Signa Holding's sprawling network of subsidiaries and assets.

The holding company urgently needed cash to pay for its own wind-down, Stapf stressed, but had relatively little that it could immediately put on

the market. "The sale of Signa Holding's Cessna Citation XLS private jet is under way . . . [and] discussions are also being held regarding the investment in Signa RFR US Selection AG, whose US real estate projects include the Chrysler Building in New York," he said.

Signa Holding owes just over €5bn to creditors. So far €1.1bn of claims have been filed ahead of a mid-January deadline.

Analysts at JPMorgan estimated the broader Signa Group, which Signa Holding sits at the centre of, owes €13bn. But that figure is based on limited publicly available data and restructuring advisers working with Signa say the true figure may be much higher.

"The issue is we do not know really at all about the scale of the borrowing. And even though we are relatively early in this process, that's not normal. None of this is very normal at all," said a lawyer working with one Signa creditor.

The art deco Chrysler Building, com-

pleted in 1930, was briefly New York's tallest tower before being overtaken by the Empire State Building.

It is half owned by Aby Rosen, the developer whose group, RFR, is also the managing partner. RFR and Signa paid \$151mn for the property in 2019, a fraction of the \$800mn the Abu Dhabi Investment Council spent in 2008.

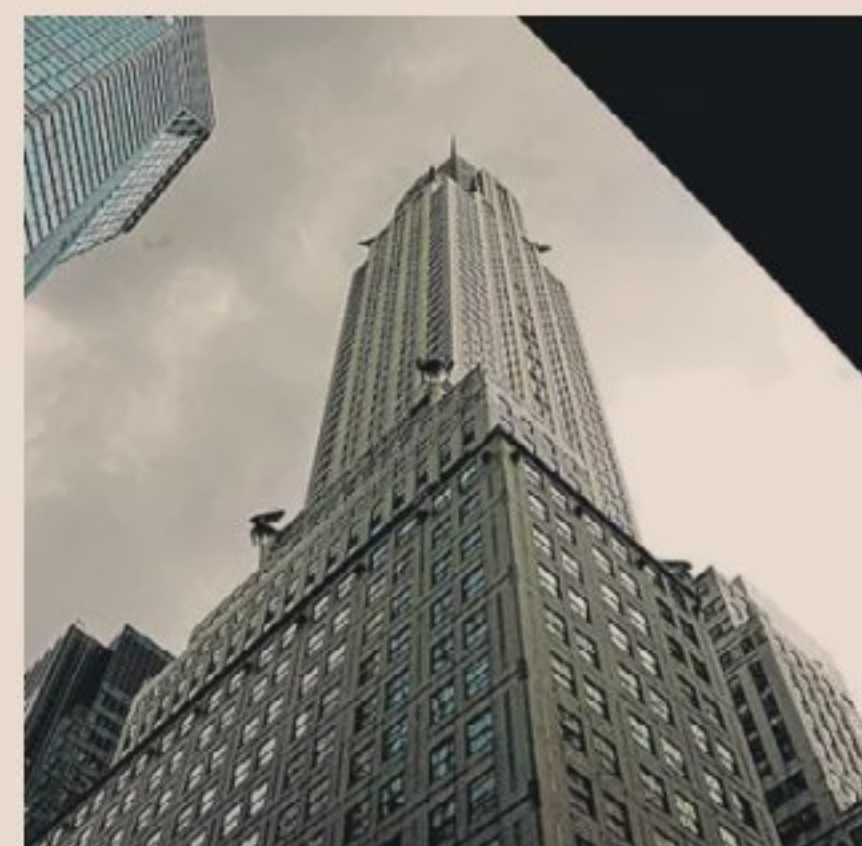
Rosen has described the Chrysler Building as "an American icon", but, for all its cachet, the building has long been hobbled by a ground lease that requires the owners to pay escalating annual rents to the Cooper Union private college. Those rents swelled from \$7.5mn in 2018 to \$32.5mn in 2019 and are due to reach \$41mn in 2028.

Rosen has been locked in talks with Cooper Union's board to restructure the lease. Making it less onerous would, in theory, allow him to invest in upgrading the property's retail offerings.

In the meantime, the Chrysler Building has performed relatively well even

as other older Manhattan office buildings are shedding tenants and seeing their rents plummet in an era of remote working. The building's 1.2mn square feet were more than 90 per cent leased, according to recent CoStar data.

Stapf's task is greatly complicated by the way in which Benko, 46, set up his



The art deco Chrysler Building has been described as 'an American icon'

property empire. Although he exerted almost complete control, and was its biggest shareholder, he has held no formal managerial role since 2013 and ensured accounts across its dozens of subsidiaries and their sub-entities were never consolidated.

"The holding company alone has 53 direct investments in companies and indirect investments in several hundred other companies," Stapf said.

He asked for creditors and shareholders from across the group to unite under a single "group-wide steering committee" as the only viable way to unwind its operations fairly. "The preliminary organisational chart of the group as of September 30 comprises a total of 46 pages in A3 format," he added, pointing out that hardly anyone within the company seemed to know how it was run.

Of the 42 employees of Signa Holding, 34 worked in hospitality functions, including a huntsman and staff for Benko's private jet. Stapf laid them off in

early December. "There is a lack of management capacity with overarching knowledge. . . the holding company has recently only partially fulfilled its control function," Stapf told creditors.

Faced with a crippling debt burden, and troubled by Benko's apparent sangfroid in the face of mounting problems, Signa's minority shareholders — which include some of the wealthiest families in Europe — rebelled against the businessman shortly before the company went into administration.

Many of those owed money by Signa are now scrutinising the way Benko ran the businesses, raising questions about excessive expenses charged to obscure entities and complex intra-company loans that shuffled billions of euros around the group in the months before its collapse.

Benko, who was convicted of bribery in 2013, is currently a suspect in an investigation into corruption and abuse of office in Austria.



## COMPANIES &amp; MARKETS

# India's curbs on unsecured loans pose threat to Paytm and rivals

## Fintechs race to adapt after central bank introduces tougher capital rules to prevent delinquencies

BENJAMIN PARKIN — NEW DELHI

India's central bank has moved to curb rising stress in the burgeoning market for unsecured consumer loans, hitting fintech lenders such as Paytm which had been increasingly relying on riskier borrowing for growth.

The Reserve Bank of India announced in November that lenders had to increase the risk weight, the minimum amount of capital they must hold in relation to the asset, for personal loans from 100 per cent to 125 per cent after data showed the share of delayed payments was rising.

The measure is designed to avert soaring consumer debt and delinquencies by pushing up the cost of capital and slowing growth for companies that have in recent years poured into higher-risk credit card or retail lending for fatter margins. RBI Governor Shaktikanta Das warned banks to avoid "all forms of exuberance" after imposing the curbs.

Since then, the shares of Paytm, one of India's biggest fintech groups with a market capitalisation of Rs384bn (\$4.6bn), have fallen more than 30 per cent, with Warren Buffett's Berkshire Hathaway selling its 2.5 per cent stake in the company shortly after the RBI's order. Last week, SoftBank-backed Paytm announced it would cut back on small-ticket loans below Rs50,000.

Smaller fintech lenders face an uncertain future. Another group, ZestMoney, which offered unsecured personal loans and was already struggling before the RBI's announcement, is shutting down, according to media reports and a person familiar with the matter. ZestMoney did not respond to a request for comment.

"There were a lot of players who had mushroomed trying to do lending in the Indian digital market," said Peeyush Dalmia, a senior partner at McKinsey, warning that the regulation would force some companies to collapse. "The more serious folks who were very focused on profitability, very focused on risk, they'll start to benefit."

Unsecured loans have emerged as a big growth area for businesses in India, the most populous country with 1.4bn people, thanks to robust economic growth following the pandemic. Sophisticated digital infrastructure and loose regulation led to a boom in online lenders offering loans with interest rates starting in low double-digits.

Fintech and non-bank financial lenders sprung up to cater to the millions of Indians joining the credit-hungry middle class — many of whom have traditionally had limited access to the financial system — and looking to buy everything from refrigerators to holidays.

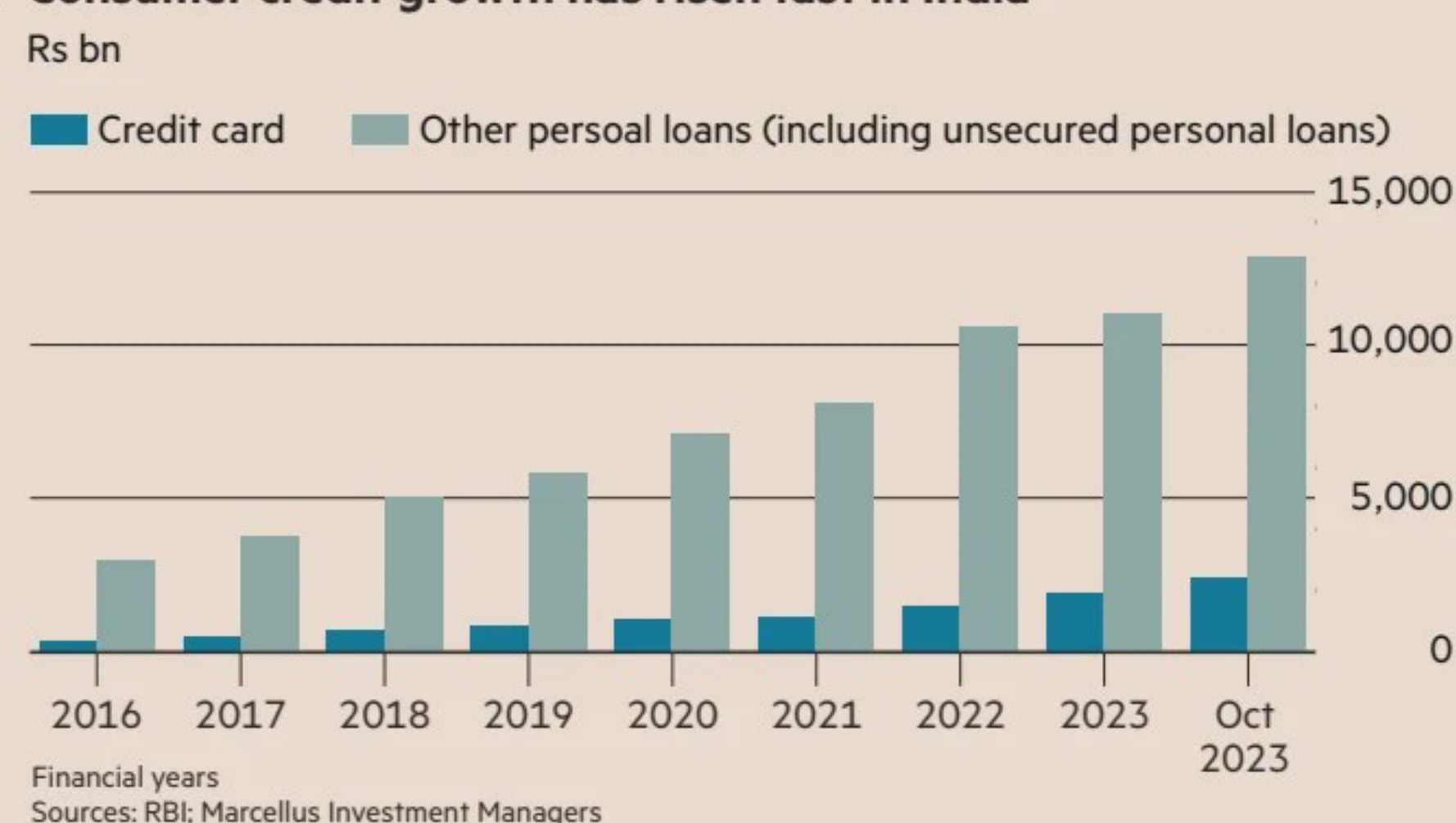
Banks have also expanded into personal lending. Unsecured credit card loans from banks grew nearly 30 per cent year on year between April and September, according to Fitch Ratings, compared with overall loan growth of 20 per cent.

This competition has forced lenders into ever riskier areas, such as rural microfinance, according to Fitch director Siddharth Goel. "Everybody was trying to get on the bandwagon and trying to lend and lend and lend," he said. "There was a lot of equity chasing because everybody thought this was the space to be."

But early signs that credit quality was starting to deteriorate among consumers prompted the RBI to intervene. The



Consumer credit growth has risen fast in India



Paytm is among digital lenders that have flocked to serve credit-hungry consumers whose access to small loans has traditionally been limited

Punit Paranjpe/AFP

rate of personal loans overdue by at least a day, which has risen steadily in recent years, hit 10.4 per cent in July this year, up from 8.9 per cent in March 2019, according to Marcellus Investment Managers in Mumbai.

Bajaj Finance, one of India's largest non-bank financial companies, said in October that it had cut small-ticket lending over signs that consumer borrowing had become "more imprudent".

The RBI's regulations will now require lenders to set aside a larger chunk of capital for the consumer and credit card loans they give out, limiting the amount of funds available to lend and increasing competition for loans.

"India is a credit-starved country, we're a consumption driven country," said Shailesh Dixit, co-founder of Gromor Finance, which offers business loans. Lenders "have to look at this much more judiciously... the cost of capital will go up".

Hardika Shah, the founder of Kinara Capital, a non-bank financial company that provides unsecured business loans, said that while the RBI's measure did not directly affect them as business lenders, it was likely to push up costs across the industry.

"The effect could be a liquidity crunch because people are rethinking," she said. The RBI's announcement "was a hammer coming down immediately. So obviously they must feel that the risk is large enough for them to take this kind of action this quickly."

Analysts said that digital lenders, who often served as conduits between financial institutions and consumers, were particularly exposed. Companies such as Paytm, one of India's oldest fintech groups, have built user bases of hundreds of millions of customers through the rapid growth of cheap digital payments but have struggled to monetise their platforms.

Regulators have reacted to rising personal loan delinquencies



"The more sustainable model is obviously banking. They've been doing this for ages. Banks will win"

Paytm, which expanded into personal and merchant lending more than three years ago, announced last week that it would now prioritise higher-value loans. The company said that personal loans below Rs50,000 had become "very, very negligible" at 5 per cent of its lending portfolio or less, compared with nearly 10 per cent earlier.

But Tej Shah, a portfolio manager at Marcellus, warned that the RBI's announcement and the slowdown in consumer lending would make it more difficult for many fintech companies.

"They have some customers but they don't really have a business model or know how to monetise that," he said, adding that banks were best-placed to raise more capital.

"The more sustainable model is obviously the banking model. They've been doing this for ages, the way it should be done under the regulatory lens. The banks will win."

### Automobiles

## Milton given four-year jail term for lying about Nikola

JOE MILLER — NEW YORK  
CLAIRE BUSHEY — CHICAGO

Trevor Milton, the founder of electric and hydrogen-powered truckmaker Nikola, was sentenced to four years in prison for lying to investors about the readiness of his start-up's technologies in order to boost its share price.

The 41-year-old serial entrepreneur was found guilty on three counts last year, and faced a maximum sentence of almost 34 years. He broke down during the sentencing hearing late on Monday, pleading with the judge to take his "unusually tender heart" into consideration, and that he was not a "very seasoned CEO", and spare him prison time.

But Judge Edgardo Ramos said Milton had used his "considerable social media talents to tout the company in ways that were materially false" and that "real people were hurt by [his] actions".

The sentence included a \$1m fine and three years of supervised release, as well as the forfeiture of a Utah ranch, yet fell far short of the 11 years sought by the government. Prosecutors had compared Milton's crimes with those of Theranos founder Elizabeth Holmes, who was sentenced to more than 11 years in prison after being convicted for fraud.

Ramos said he believed that while Holmes's fake blood diagnostics company "resulted in very real life harm... that is not what Milton did".

Milton's lawyers indicated they would appeal against the guilty verdict and the sentence. He will remain free on bail while the appeal is pending.

Damian Williams, US attorney for the Southern District of New York, whose office brought the case, said the sentence "should be a warning to start-up founders and corporate executives everywhere, 'Fake it till you make it' is not an excuse for fraud, and if you mislead your investors, you will pay a stiff price."

Milton's sentencing caps a precipitous fall for Nikola, which went public via a special purpose acquisition company, or Spac. It briefly boasted a higher market valuation than Ford before short seller Hindenburg Research called the company "an intricate fraud", alleging it had exaggerated its tech and faked product launches.

That report, which came just two days after General Motors announced a \$2bn deal with the start-up in 2020, also claimed it faked a product video in 2018 by rolling its Nikola One truck along a downhill stretch of road to disguise that it had no working propulsion system.

Milton's lawyers had described him during his trial as a gifted entrepreneur and claimed he had been made a scapegoat by other executives who sought to blame him for Nikola's problems.

Marc Mukasey, a lawyer for Milton, said on Monday that while his client might have occasionally been "impulsive" and "undisciplined", he had a "decent and pure heart" and never intended to harm anyone.

In his own appeal to the judge, Milton, who is of Mormon faith, cited several Bible verses and characterised himself as someone who would "die on the cross for the truth". He said it was "impossible" for him to "purposely hurt others".

Ramos said "the law does not grant a pass for good intentions" and that it was of "no moment" whether Milton believed what he said at the time.

Milton faces several civil lawsuits, including one brought by the Securities and Exchange Commission.

### Technology. US lawsuit

## Google to pay \$700mn in antitrust settlement over its Android app store

Silicon Valley group agrees to alternative billing methods as part of 'unprecedented' case

MICHAEL ACTON — SAN FRANCISCO

Google will pay \$700mn to settle a lawsuit brought by a group of US states accusing it of quashing competition to its Play Store on Android devices, according to court filings.

The announcement of the terms of the settlement, which was reached in September, comes after Epic Games, the maker of popular online game *Fortnite*, won a related case against the tech company last week.

Google agreed to pay \$630mn into a settlement fund for consumers, with another \$70mn going to a fund for the states, the court document showed. Under the settlement, filed late on Monday, Google also agreed to make changes to the way the Android system works in the US, such as allowing developers to

implement an alternative billing method for in-app purchases.

At issue in the case were Google's contracts with smartphone makers, network operators and game developers, which the US states alleged shut down competitors to the Play Store.

Google collected excessive fees on digital purchases on its Play Store by preventing alternative payment methods that could offer lower fees, the states argued.

It began a pilot programme in November last year called user choice billing, in partnership with Spotify, which gave users the choice between using Google Play's billing system or paying Spotify directly to purchase items or subscriptions. Google said the pilot programme would test options for alternative payment methods and gather insights from developers on how it might evolve.

The company has now committed to rolling that option out across the Play Store. Google will also allow developers to steer consumers outside its store to other payment methods.

"The settlement requires Google to give all developers, including game developers, the option to add alternative in-app billing systems for at least five years," the filings said.

All 50 US states, plus the District of Columbia, Puerto Rico and the US Virgin Islands, signed on to the agreement with Google. The states said Google's acquiescence was "unprecedented" in antitrust regulation of Big Tech companies in the US.

"The negotiated terms will offer significant, meaningful, long-lasting relief for consumers throughout the country," they said in the filings. "No other US antitrust enforcer has yet been able to secure remedies of this magnitude from Google, or, for that matter, from any of the other major digital platforms."



Google was accused of collecting excessive digital purchase fees — Omar Marques/SOPA

The settlement requires approval from the California federal judge overseeing the states' lawsuit, which was filed in 2021.

The same judge, James Donato, is also tasked with deciding what penalties Google should face after a jury found it guilty of breaking antitrust law in the Epic Games trial.

The terms of the settlement with the US states were kept under wraps while the weeks-long trial was under way.

In addition to the \$700mn payment and the commitment to allow alternative billing options, Google said it would make it easier to download apps on Android devices from sources other than its Play Store, a practice known as "sideloading."

This will include "updating the language that informs users about these potential risks of downloading apps directly from the web for the first time", the company's vice-president for government affairs and public policy, Wilson White, said in a blog post.

Critics say such warnings deter

consumers from going elsewhere.

White said Google was pleased with the resolution of the case. "This settlement builds on Android's choice and flexibility, maintains strong security protections, and retains Google's ability to compete" with other operating systems, as well as invest in the Android ecosystem, he said.

Epic Games criticised the settlement, saying that consumers would continue to overpay for digital goods. Corie Wright, Epic's vice-president of public policy, said Google would impose "junk fees" on developers who opted for alternative billing methods to avoid Google's automatic fee on digital payments.

"In the next phase of the case, Epic will seek meaningful remedies to truly open up the Android ecosystem so consumers and developers will genuinely benefit from the competition that US antitrust laws were designed to promote."

Epic also took Apple to court over its App Store in 2020, in a case it is seeking to appeal to the US Supreme Court.



UK COMPANIES

# Impact investors see opportunity in education

Patrick Temple-West



The UN's 2015 Sustainable Development Goals with 17 key targets is aimed at ending poverty and hunger and prompting all sorts of aspirations from governments and the private sector alike. But making any progress on these goals has been a slog. Earlier this year, the UN published a status report that said the SDGs "are in peril". Only about 12 per cent of targets are on track and more than half are moderately or severely off track. One of those 17 goals is quality education for children. Even before the Covid-19 pandemic, education systems were struggling to improve. The UN's status report said global learning levels

"showed no progress between 2015 and 2019". And more than 80 per cent of countries have been stung by learning losses thanks to Covid-related school closures, the UN said. Into this crisis step impact investors. Green and climate impact funds targeting private companies are common. But impact funds dedicated to education are not. One of the few is New York-based Achieve Partners, which has just closed an investment round for its latest fund. This \$167m fund will be focused on primary, secondary and university education to improve learning outcomes. It will give academic researchers full access to its portfolio so that they can independently check student outcomes. Daniel Pianko, a managing director at Achieve, said: "The traditional critique of edtech is 'does this stuff work?' We think we are the only fund that has made that commitment [to independent academic scrutiny] and we think that is really important." The fund has already made a handful of investments, including in Mas-

teryPrep, a Louisiana-based business that offers standardised test preparation services aimed at lower-income families. US state colleges required minimum test scores for college applicants, Pianko said. Students with good grades but lousy standardised test scores can be shut out. But MasteryPrep offers online test help that can be a fraction of the cost of expensive tutors. Other big impact investors have been interested in the market. Last week, private equity firm TPG's Rise Fund took a majority stake in Outcomes First Group, a UK-based business that provides education, residential and therapeutic services for people with special needs. "We see a growing number of opportunities in vocational and upskilling solutions, affordable higher education in developing markets and education technology leveraging generative artificial intelligence," said Steve Ellis, co-managing partner of the Rise funds. Big trends in US education are also making this sector a lucrative investment opportunity. States are increas-

ingly offering school vouchers — government payments that parents can use to pay for their children's schools. The US spent \$870bn on public elementary and secondary schools in the 2019-20 school year, according to the Department of Education. That's an average of \$17,013 per public school pupil. College spending totals about \$450bn, the DoE says. "When the cost of education goes up, the demand for a better return goes up too," Pianko said, so parents were raising their standards for the schools. Parents wanted their dollars — or the government's money — to be spent more efficiently, he added. But like all investments, the edtech space comes with risks and has seen

some debacles. In June, the auditor of Indian education group Byju's resigned amid accounts concerns. The company is looking to sell assets to stay afloat. US for-profit universities came under scrutiny during the Obama administration for raking in government funds while graduating few qualified students. Several of these businesses closed. But for the most part, education impact investing "is very boring", Pianko said. And sound long-term investing is usually boring, too. For impact investors, the climate and other environmental issues demand more funding. But the education SDG should not be overlooked. It remains to be seen how education will evolve as artificial intelligence and chatbots become a part of our daily lives. But ensuring that students are not left behind amid these trends could arrest the "perils" facing the SDGs.

*A version of this article first appeared in the Moral Money newsletter. Sign up at FT.com/newsletters*

Financials

## Odey Asset Management says FCA 'will not be taking any action'

HARRIET AGNEW AND ANTONIA CUNDY

The Financial Conduct Authority has closed its investigation into Odey Asset Management and "will not be taking any action," said the firm yesterday.

Odey Asset Management announced in October it was shutting, five months after allegations of sexual assault and harassment against its founder, Crispin Odey, plunged one of London's oldest hedge fund groups into crisis.

A Financial Times investigation in June reported claims from 13 women against Crispin Odey over alleged sexual misconduct carried out over decades. The financier, who strenuously denies the allegations, was ejected from the partnership. Banking partners, including Morgan Stanley and JPMorgan, cut ties and within a week, the firm announced it was breaking up.

In July, the FCA issued its first confirmation of its probe into Odey Asset Management, as well as its founder.

At the time, Nikhil Rathi, chief executive of the UK financial regulator, wrote in a response to the Treasury select committee that the investigation into Crispin Odey was focused on "allegations that he dismissed OAM's executive committee for an improper purpose" and whether he was a "fit and proper person" to work in financial services.

The regulator also said it was looking at whether he had "failed to comply" with conduct rules on integrity, due skill, care and diligence.

Crispin Odey fired the hedge fund's executive committee in 2021 after they

## After the FT published its investigation, seven further women came forward with allegations

tried to bring disciplinary proceedings against him for violating a final written warning over his conduct towards female employees.

The FT's previous reporting, which exposed a culture of complicity at the firm, revealed the firm had settled misconduct allegations against its founder as far back as 2004 and had other complaints against him on file from 2005 and 2020. By 2021, the firm was aware of five women who made complaints to human resources about sexual assault or harassment by the financier.

After the FT published its investigation in June, seven further women came forward with similar allegations of assault or harassment against Crispin Odey.

The financier did not respond to a request for comment regarding the first six of these later complaints. In response to the last, regarding an incident in 2005, he admitted he did "grab" his female employee's breasts but said it was due to the after effects of anaesthetics. Of the 20 women in total who brought allegations against the financier, 13 were employees of the firm.

The FCA has now closed its investigation into OAM, Rathi wrote to the Treasury committee this month.

Rathi told the select committee last week that the investigation into Crispin Odey himself "remains ongoing".

Crispin Odey did not respond to a request for comment. *Additional reporting by Laura Noonan*

Financials

# Pimco warns of 'hard landing' for British economy

Bond fund heavyweight runs larger than usual bets on UK government debt

KATE DUGUID — NEW YORK  
KATIE MARTIN — LONDON

The UK is at high risk of a serious economic downturn next year, one of the world's biggest active bond fund managers has warned.

Daniel Ivascyn, chief investment officer at Pimco, told the Financial Times that he had been running larger than usual bets on UK government bonds relative to those from the US in anticipation that the UK would suffer greater economic strain.

"In the case of the UK — a smaller,

'In the case of the UK, you have a higher probability of more significant economic deterioration'

open economy with a consumer that's feeling the brunt of central bank policy far more than their US counterparts — you just have a higher probability of more significant economic deterioration," he said. "We do think there's potentially more hard landing risks."

The UK economy unexpectedly contracted 0.3 per cent in October after a 0.2 per cent expansion in the previous month, according to data last week.

Last week, the Bank of England trimmed its fourth-quarter economic growth forecast back down to flat from 0.1 per cent previously — in part due to weaker household spending.

UK government bond yields, which move inversely to prices, have fallen sharply since late October with benchmark 10-year yields sinking by a full percentage point to about 3.7 per cent.

The move has been driven by investors betting on a faster pace of interest rate cuts next year and has been led by the US bond market, which exerts a strong influence around the world.

A weaker UK economic outlook would typically be expected to pull those yields down further, generating strong returns for bondholders.

Ivascyn also highlighted the eurozone as being susceptible to a deeper economic downturn in the year ahead.

His large investments in UK and European bonds relative to the US had "worked out very, very well", he said.

"The risk of harder landing scenarios [in the eurozone and the UK] or the susceptibility of those economies to additional unanticipated growth shocks are much more significant," he added.

The US economy had proved surprisingly resilient in 2023 but the UK and Europe risked "a more significant deterioration".

Last week, the European Central Bank revised down expectations for euro area growth in 2023 and 2024, forecasting that gross domestic product growth this year will be 0.6 per cent.

The BoE and the ECB pushed back last week against expectations for interest rate cuts early in 2024, just hours after the US Federal Reserve suggested that it may cut interest rates three times next year.

BoE governor Andrew Bailey said there was "still some way to go" before inflation sank back to the target while ECB president Christine Lagarde said there was "work to be done".

The downbeat outlooks for the UK and eurozone economies are in stark contrast to the US, where growth has remained strong.

The broad consensus now among investors is that the Fed will manage to deliver a soft landing — bringing inflation down to target without cracking the economy.



## Results delay Hipgnosis grapples with asset values

Sharon Van Etten is among artists to feature in Hipgnosis Songs Fund's music rights portfolio

Robin Little/Redferns

Hipgnosis Songs Fund has delayed the release of its first-half results after the music rights owner expressed concern over the value of its assets.

The London-listed group said yesterday that a valuation it had received from an independent provider was "materially higher" than that implied by recent deals in the industry.

After consulting Hipgnosis Song Management, which helps manage the listed music fund, it decided to push back the publication of its first-half results. It now expects to publish its results by the end of December.

Hipgnosis Songs Fund was founded in 2018 by former band manager Merck Mercuriadis, who sought to turn rights into a mainstream asset class. However, higher rates have pushed up the "discount rate" that is used to calculate asset values into the

future, cutting song right valuations.

The decision to delay the results is the latest blow to Hipgnosis, whose shares have fallen a fifth this year.

It already faces doubts over its future after investors rejected its attempt to secure a further five-year mandate in October.

In a statement yesterday, Hipgnosis Songs Fund highlighted a proposed \$417.5m transaction to sell a portfolio of its music rights to a fund owned by Blackstone, representing a discount of 24 per cent to the portfolio's valuation at the end of March. That deal was blocked by investors in October.

Hipgnosis has been searching for a new auditor after PwC refused to reapply for the job. *Oliver Ralph, Simon Foy and John Aglionby See Lex*

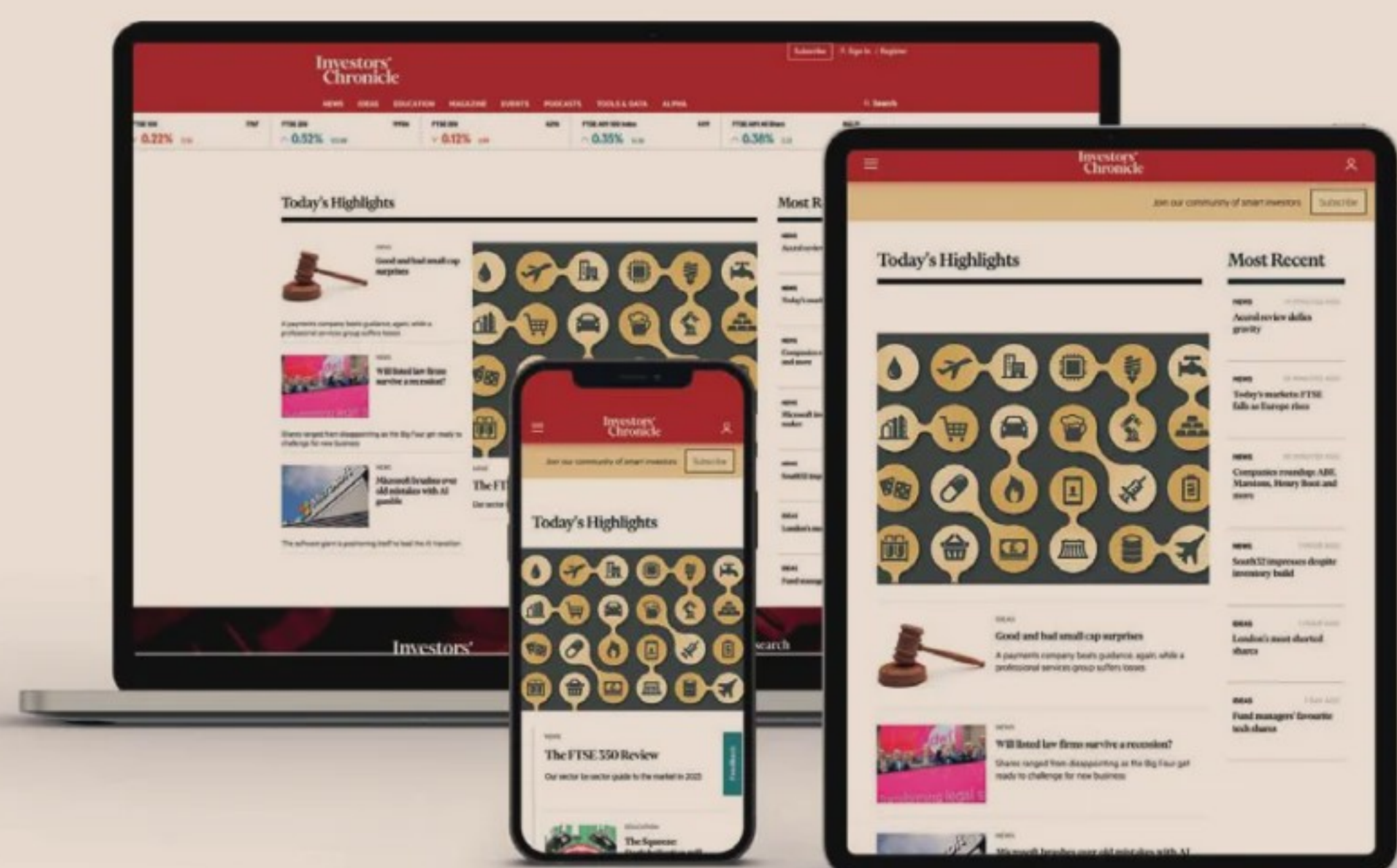
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## COMPANIES &amp; MARKETS

Commodities. Production disruption

# Supply squeeze helps copper buck tough year for metals



Renowned economic indicator is set to be the top-performing industrial mineral this year

HARRY DEMPSEY

Copper is set to finish the year as the top-performing industrial metal as production disruptions squeeze the supply of a commodity used in power lines, cars and household appliances.

A recent price surge following mine supply problems in Latin America – coupled with signs of improvement in the Chinese economy – have put the red metal up 2.5 per cent this year at \$8,600 a tonne.

The closure of a giant mine in Panama and a severe downgrade in Anglo American's forecast copper production in recent weeks have contributed to removing 750,000 tonnes or 3 per cent of global supply next year compared with previous estimates, according to Bank of Montreal.

Vale and Rio Tinto also recently gave production forecasts that fell short of some analysts' expectations.

Traders had been betting on increasing supply at copper mines in the Democratic Republic of Congo, Peru and Chile to outstrip demand next year but they now see the market being tightly balanced.

"Only two months ago, expectations for 2024's copper market were decidedly downbeat," said Colin Hamilton, managing director of commodities research at BMO. "The prospect of a bad year for copper has now disappeared."

Copper's comeback in 2023 has taken place against a challenging backdrop for metals during one of the most aggressive campaigns of interest rate rises in

the US Federal Reserve's history and as the Chinese economy failed to rebound strongly from Covid-19 lockdowns.

High interest rates pushed up the dollar, in which metals are priced, with the US Dollar index up more than 3 per cent year to date by early October – making commodities more expensive for importers.

Higher borrowing cost have also led to a pullback on capital-intensive investment and elevated financing costs to hold metal stocks, which prompted manufacturers to reduce inventories.

Those bearish factors also helped to exert downward pressure on aluminium, lead and zinc – putting base metals on track to be the worst-performing commodity sector for a second year running.

Tin was the only other of the six major industrial metals besides copper to rise this year after the suspension of mining in a key region of Myanmar, the world's third-largest producer, outweighed the hit to demand.

Nickel, however, had a tough year due to surging supply out of Indonesia and the increasing conversion of low-grade

**Copper and tin hold their own as base metals suffer**



Source: LSEG

nickel products into a high-quality metal that can be delivered to London Metal Exchange warehouses.

The key ingredient for steelmaking and electric car batteries fell 45 per cent to \$16,750 per tonne.

Copper has long had the nickname "Dr Copper" because its wide-ranging use in construction and manufacturing make it a leading indicator on the health of the global economy.

However, supply issues and strong growth for green energy sectors such as renewable power, grid upgrades and electric cars – all of which are heavy users of copper because of its ability to conduct electricity – have called that into question.

In China, electric vehicles, plug-in hybrids and solar panels production surged roughly 35 per cent year on year in November, helping to prop up demand for copper despite the country's struggling manufacturing and property sectors, according to the National Bureau of Statistics.

"The Chinese economy is not doing badly, although everyone seems to be talking about it as though it is in recession," said Daniel Smith at AMT, a London-based metals broker.

Smith reckoned that hidden stashes of copper – not declared in official inventories but available on the market – help explain why the rebound in prices has not been stronger.

Copper has only gained 8 per cent since mid-October, despite the sweeping supply cuts announced.

Copper's supply problems going into next year reflect broader concerns about the mining industry's ability to keep up with a boom in demand as the world turns to green energy, even as the quality of deposits declines, making extraction harder.

Seeing red: the metal has long had the nickname 'Dr Copper' because its use in building and manufacturing provides signals for the health of business activity

Oliver Bunic/Bloomberg

That trend has been starkly on show at Chilean state-owned Codelco, the world's number one copper producer, where output is set to be the lowest in a quarter of a century once again this year.

Goldman Sachs predicts a copper price of \$10,000 a tonne in 12 months, helped by the supply forecast downgrades and the Fed's dovish pivot last week.

"The supply cuts reinforce our view that the copper market is entering a period of much clearer tightening, underpinned also by a strong trend of metal pulled into China given its now fully destocked state," analysts wrote in a note to clients.

Speculative activity has also helped drive copper's rebound.

Positions on copper across the three key exchanges have shifted from the widest net short – bets on lower prices – this year in late October to the largest net long in three months as futures traders bet on higher prices.

"Copper has separated itself from the rest of the base metal suite over the last month driven by a softening in macro headwinds and strengthening fundamentals, which in turn, have caught investors' attention," said Natalie Scott-Gray, senior metals analyst at StoneX, a broker.

Looking forward to 2024, analysts said industrial metals were likely to remain caught in a tug of war between China's economy and the rest of the world.

"The major determinant of price performance should come back to the extent to which ex-China growth, and hence demand, slows further," wrote Macquarie analysts, "versus the extent to which China's growth can re-accelerate".

'The copper market is entering a period of much clearer tightening'

## Asset management

## Tennessee sues BlackRock in latest anti-ESG salvo by Republican states

WILL SCHMITT — NEW YORK

BlackRock has been sued by the US state of Tennessee, which accused the \$9.1tn New York-based asset manager of violating consumer protection laws by misusing environmental, social and governance factors in its investment strategy.

The lawsuit filed in state court by Tennessee attorney-general Jonathan Skrmetti on Monday alleged that BlackRock had been inconsistent in stating whether it focused exclusively on investment returns or whether it gave preference to ESG considerations.

"For years... BlackRock has misled consumers about the scope and effects of its widespread ESG activity," the complaint said.

The lawsuit goes on to claim that "BlackRock has downplayed the extent to which ESG considerations drive its investment strategies across all holdings, even in non-ESG funds" and "overstated the extent to which ESG considerations can affect companies' financial performance and outlook".

It is the latest salvo in a campaign waged by Republican state financial

officers against ESG investing generally and against BlackRock specifically.

It follows BlackRock's waning support for ESG-focused shareholder proposals and chief executive Larry Fink's decision to stop using the term ESG on the grounds that it had been "weaponised" by conservative and liberal politicians.

"Ultimately, I want to make certain that corporations, no matter their size, treat Tennessee consumers fairly and honestly," Skrmetti, a Republican, said.

BlackRock said: "We reject the attorney-general's claims and will vigorously



BlackRock bosses fear the term ESG has been 'weaponised' by politicians

contest any accusations that BlackRock violated Tennessee's consumer protection laws. Contrary to the attorney-general's claims, BlackRock fully and accurately discloses our investment practices and our approach to proxy voting."

Officials in Texas, Florida, South Carolina and other Republican states previously pulled assets from BlackRock and have targeted the firm for divestment after concluding that its use of ESG considerations amount to a boycott of fossil fuels.

BlackRock has repeatedly pushed back on that contention. In late 2022, after it was placed on a list of financial firms boycotting fossil fuel companies in Texas, BlackRock said it had invested more than \$100bn in Texas energy companies, notably ExxonMobil.

BlackRock also has been the target of pressure from the left. New York City comptroller Brad Lander has accused it of giving in to a "misinformed" anti-ESG pressure campaign.

Tennessee's lawsuit noted the firm "appears to have settled on a strategy of telling both sides what they wanted to hear, in an effort to keep everyone's business".

## Industrials

## India's Tata hungers for food and drink acquisitions with international flavour

MADELINE SPEED

India's Tata conglomerate is on the hunt for food and drink acquisitions that it can grow internationally as the Tetley tea owner sets out to grow its consumer goods portfolio.

Sunil D'Souza, chief executive of Tata Consumer Products, told the Financial Times that the company was in discussions with several people about possible acquisitions but ideally wanted to buy a brand with global reach.

The company, which generated \$1.7bn in revenues last year and whose brands also include Teapigs tea bags, Eight O'Clock coffee and Souffull cereals, was formed in 2020 following the merger of Tata Group's beverages business and the consumer division of its chemicals company.

D'Souza said that when he was appointed chief executive of the consumer group, "we were literally given a blank sheet of paper" to take the business in the direction of his choosing.

The consumer group has made three large acquisitions in an attempt to grow beyond its beverages business, which makes up 70 per cent of revenues.

Rumours of potential buyouts by the group have swirled this year, including reports that Tata was in talks to buy a majority stake in Indian snack giant Haldiram but was not prepared to shell out for the \$10bn price tag.

D'Souza neither confirmed nor denied the reports but said the group had clearly identified places that it wanted to expand, adding that the com-

'You can become collateral damage when giants are fighting. I don't think we can play the potato game'

pany was holding \$300mn in cash on its balance sheet. "We're carrying it because we want to keep our powder dry."

He said: "We know some of the categories we can do organically but we also know that there are certain places where we will have to go inorganic," noting that the company was in discussion with several people "on a constant basis" about potential acquisitions.

Tata consumer products are sold in about 4mn retail outlets in India, now

## Commodities

## Rinehart and Chile's SQM to buy lithium miner Azure

NIC FILDES — SYDNEY  
HARRY DEMPSEY — LONDON

Gina Rinehart and Chile's SQM have agreed to jointly acquire Western Australian lithium prospect Azure Minerals for A\$1.7bn (\$1.1bn) after the Australian billionaire disrupted an earlier bid for the business in October.

Rinehart's Hancock Prospecting and SQM control almost 38 per cent of shares in Azure, which is mining for lithium in the Pilbara region.

Shareholders controlling a further 23 per cent of the stock said they would support the new offer.

The deal marks how Australia's lithium industry is reshaping with local billionaires looking to gain a foothold in a market dominated by Chinese groups.

The wave of dealmaking in the global lithium sector this year has come after a 80 per cent collapse in prices for the electric-car battery ingredient helped reduce valuations of producers.

Australia, which supplies about half of the world's raw product, has been a focus as it is seen as one of the most reliable sources of supply to meet future demand and is a US free trade partner.

SQM, the world's second-largest lithium producer, tried to buy Azure two months ago but Rinehart built a strategic stake that threatened to derail the deal. A similar move by the billionaire

'This offer continues Mrs Rinehart's substantial support for the West Australian mining industry'

led to the collapse of industry leader Albemarle's A\$6.6bn takeover of Liontown Resources.

The move to partner with Rinehart combines the Australian company's mining experience in iron ore with SQM's expertise in processing lithium to battery-grade material.

Shares in SQM have fallen by more than a quarter this year due to the pressure on lithium prices and the threat of the Chilean state taking greater control of the country's lithium industry.

The Azure deal is complex with the company controlled by a few large investors including Chris Ellison, the billionaire behind Mineral Resources, who has also been investing in early-stage lithium projects in the region.

Shareholders in Azure will be required to vote on whether to allow SQM and Hancock to jointly bid for the company before voting on whether to accept the offer, which was pitched at A\$3.70 a share in March.

"With Hancock reviewing a number of early-stage lithium prospects, this offer continues Mrs Rinehart's substantial support for the West Australian mining industry," said Garry Korte, chief executive of Hancock.

If successful, SQM and Hancock will each control 50 per cent of Azure. If the offer fails, then the bidders will revert to an on-market takeover offer of A\$3.65 a share that would allow other shareholders including Ellison to retain his minority 13.5 per cent stake.

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ft.com/markets

considered the world's most populous country. The company could as a result rapidly roll out any new acquisition domestically, said D'Souza, but ideally it would be a brand he could "plug into international markets".

He added: "Internationally, tea or coffee is the entry point because that's the strongest category. Once you build distribution and relationships, then you can play in various categories."

Revenues from outside India, mainly from the UK, US and Canada, account for up a third of Tata Consumer's total business but have fallen from 33 per cent in 2020 to 29 per cent in the last financial year.

The 155-year-old Tata Group consists of dozens of companies spanning airlines, cars, steelworks and IT services. The company has decided to steer clear of acquisitions in sectors where there is too much concentration.

"If there's concentration, then you can become collateral damage when giants are fighting," D'Souza said. For example, the group will not look to enter the crisps and processed snacks market. "I don't think we can play the potato game like the large multinationals do."



COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street's S&P 500 moves within a whisker of January 2022 record high
- Bank of Japan persistence on negative interest rates weighs on yen
- Oil prices climb despite US pledge to protect vessels in Red Sea

Global stock markets rose yesterday as investors stuck to their belief that interest rates are set to fall in the first half of next year.

Wall Street's benchmark S&P 500 index rose 0.4 per cent by midday in New York, taking the index to within a whisker of the record high hit in January 2022.

The Nasdaq Composite also added 0.4 per cent while the Nasdaq 100, which tracks the biggest companies on the technology-heavy exchange, touched a new all-time high. It has risen 53 per cent this year, passing a previous intraday peak set in November 2021.

Across the Atlantic, the region-wide Stoxx Europe 600 similarly rose 0.4 per cent, Frankfurt's Xetra Dax added 0.6 per cent, Paris's CAC 40 edged up 0.1 per cent and London's FTSE 100 rose 0.3 per cent.

The moves came after San Francisco Fed president Mary Daly late on Monday acknowledged the US Federal Reserve's "progress" on inflation and appeared to throw her weight behind three rate cuts next year.

A market rally triggered by the Fed's revised economic projections last week has left global fund managers the most upbeat in 23 months, according to Bank of America's monthly survey.

"At this stage in the rally, fundamental questions about why it happened and why it continues are besides the point,"

Biggest tech stocks touch fresh all-time high

Nasdaq 100 index



said Mike Zigmont, head of trading at Harvest Volatility Management. "The bullish phenomenon is in effect and all we can do is observe how much longer it runs."

BofA's survey found that more than 70 per cent of the 254 investors quizzed in the week to December 14 — a day after the Fed hinted at rate cuts next year — were confident US inflation was set to cool without triggering a sharp jump in unemployment or a recession.

Fund managers are also switching out of cash and into stocks as they grow increasingly confident that major central

banks, led by the Fed, will begin cutting rates next year.

The Bank of Japan by contrast is locked in a battle to end decades of deflation and opted yesterday to persist with its negative interest rate policy. The decision left the yen 0.7 per cent lower at ¥143.78 against the dollar and sparked a rally in Japanese government bonds.

Oil prices climbed even after the US said a naval task force would be deployed to the Red Sea to protect vessels from Houthi attacks. Brent crude, the international oil benchmark, rose 1.6 per cent to \$79.21 a barrel. **George Steer**

Asia will play a standout role in disorderly decade

Mansoor Mohi-uddin

Markets Insight



The 2020s are proving to be a disorderly decade for investors. Frequent shocks are shortening fund managers' horizons. But the crises are also giving rise to new longer term trends. Successful asset allocation, including diversification to Asia, is therefore likely to be markedly different from the 2000s and 2010s.

Investors have spent the past few years dealing with the pandemic, Russia's invasion of Ukraine, a violent attempt to overturn the US elections and now war in the Middle East.

In contrast, the first two decades of the century were also startling but the most significant events — the attacks of September 11 2001, the Iraq war, the global financial crisis, the eurozone debt crisis and China's currency devaluation in 2015 — were more staggered.

Portfolio managers have thus been firefighting one shock after another. But the pandemic, war and populism are set to drive a few clear trends for the rest of the decade.

First, inflation and interest rates are likely to stay significantly higher over the 2020s. Fiscal spending is increasing sharply on healthcare, defence, energy security and climate change and to counter inequality. Companies are reshaping global supply chains, further fuelling inflationary pressures.

Second, the shocks of recent years are forcing geopolitical rivals to search for security in sectors as diverse as tech, healthcare, food, energy and metals.

Long-term asset allocation in the 2020s is likely to differ substantially from the past two decades. Higher interest rates will favour the equities and bonds of companies with superior balance sheets. Fears over security and

inflation will benefit commodities as well as tech groups. The uncertainty will require globally diversified portfolios.

In this new emerging environment, Asia will play a standout role for investors. Strong companies, strategic resources and less synchronised economies are likely to induce contrarians to increase exposure rather than retreat because of tense US-China relations.

At the start of the century, fund managers looked at the region through a lens of "Asia ex Japan" as the world's second-largest economy succumbed to deflation. Two decades later, similar concerns and geopolitical tensions are mak-

In the absence of outright military conflict, China's markets will remain important for investors

ing fund managers consider strategies for "Asia ex China". In the absence of outright military conflict, however, China's markets will remain important for unconstrained global investors.

China's GDP growth is set to fall from current levels of 5 per cent a year to nearer 4 per cent by the end of the 2020s as debt, demographics and disputes with the US slow trend rates down.

But a decade of annual growth exceeding 4 per cent would still increase the size of China's economy by half. The renminbi is trading at its lowest levels against the dollar since the 2008 financial crisis and valuations for domestic assets are undemanding.

That means fund managers seeking quality companies, exposure to sectors deemed key for long-term security and

global diversification will still look to maintain significant China allocations.

In contrast, investors concerned about geopolitical risks may reduce or even eliminate their holdings in Asia's largest economy. But cautious fund managers will still be able to build diversified portfolios by raising allocations to regional economies closely linked to China's — including Japan, South Korea, Singapore, Indonesia and Australia.

This year, Japan's equities have reached three-decade highs as inflation finally returns, the Bank of Japan stays dovish and corporate governance improves. Strong trading links with China, close political relations with the US and the weakness of the yen have also attracted global investors.

But fund managers seeking alternatives to China will consider other Asian economies. South Korea has world-class tech companies, Singapore high-quality real estate investment trusts, and Indonesia and Australia energy and metals including nickel, copper and lithium.

Last, investors seeking to limit exposure to China and achieve lower correlations with global markets will raise their allocations to India. The world's fastest growing large economy is expanding at about 6-7 per cent a year due to favourable demographics and gathering reforms. Its relatively closed markets are less vulnerable to external shocks.

Asia is thus likely to feature prominently — despite geopolitical fears. The region's strong companies, strategic sectors and diverse economies will enable investors to exploit the longer-term trends emerging from the shocks at the start of the decade.

Mansoor Mohi-uddin is chief economist at Bank of Singapore

Markets update

	US	Eurozone	Japan	UK	China	Brazil
<b>Stocks</b>	<b>S&amp;P 500</b>	<b>Eurofirst 300</b>	<b>Nikkei 225</b>	<b>FTSE100</b>	<b>Shanghai Comp</b>	<b>Bovespa</b>
Level	4758.44	1881.96	33219.39	7638.03	2932.39	131421.66
% change on day	0.38	0.37	1.41	0.31	0.05	0.26
<b>Currency</b>	<b>\$ index (DXY)</b>	<b>\$ per €</b>	<b>Yen per \$</b>	<b>\$ per £</b>	<b>Rmb per \$</b>	<b>Real per \$</b>
Level	102.320	1.099	143.815	1.274	7.144	4.859
% change on day	-0.235	0.641	0.493	0.791	0.166	-1.585
<b>Govt. bonds</b>	<b>10-year Treasury</b>	<b>10-year Bund</b>	<b>10-year JGB</b>	<b>10-year Gilt</b>	<b>10-year bond</b>	<b>10-year bond</b>
Yield	3.908	2.015	0.629	3.822	2.645	10.349
Basis point change on day	-5.250	-6.100	-3.530	-4.800	0.600	-4.700
<b>World index, Commods</b>	<b>FTSE All-World</b>	<b>Oil - Brent</b>	<b>Oil - WTI</b>	<b>Gold</b>	<b>Silver</b>	<b>Metals (LMEX)</b>
Level	475.26	79.39	74.20	2023.95	23.94	3691.90
% change on day	0.51	1.85	1.90	-0.41	-1.05	-0.53

Main equity markets



Biggest movers

	US	Eurozone	UK
<b>Ups</b>	<b>Enphase Energy</b> 5.30	<b>Solvay</b> 4.21	<b>Ocado</b> 5.33
	<b>Illumina</b> 4.49	<b>Grifols</b> 3.97	<b>Fresnillo</b> 3.93
	<b>Catalent</b> 4.30	<b>Philips</b> 3.76	<b>Anglo American</b> 3.85
	<b>Estee Lauder Companies (the)</b> 4.24	<b>Oci</b> 3.41	<b>Entain</b> 3.56
	<b>First Solar</b> 4.11	<b>Ucb</b> 3.10	<b>Flutter Entertainment</b> 3.53
<b>Downs</b>	<b>Nvidia</b> -1.85	<b>Casino Guichard</b> -11.88	<b>Burberry</b> -2.05
	<b>Eq1</b> -1.80	<b>A.p. Moller - Maersk B</b> -3.53	<b>Beazley</b> -1.31
	<b>Kroger Co (the)</b> -1.52	<b>Coloplast</b> -2.69	<b>St. James's Place</b> -1.03
	<b>Camden Property Trust</b> -1.30	<b>Legrand</b> -1.75	<b>Bt</b> -0.88
	<b>Tyler</b> -1.29	<b>Porsche</b> -1.39	<b>Imperial Brands</b> -0.80

Equities

Hargreaves' Blue Whale Capital hit by rough 2022 for technology stocks

EMMA DUNKLEY

Blue Whale Capital, the fund group co-founded by billionaire investor Peter Hargreaves, has reported a drop in revenue and profit following the steep sell-off in tech stocks last year.

The London-based firm manages €950mn on behalf of customers in the Blue Whale Growth fund strategy, which invests in US tech businesses and other fast-growing companies.

But the fund's performance was hit last year as tech stocks suffered bruising losses.

Higher inflation and rising interest rates weighed on the likes of chipmaker Nvidia and Microsoft — two of Blue Whale's largest holdings — and other companies whose value is tied to future earnings.

According to documents seen by the Financial Times, Blue Whale Capital posted revenue of £7.4mn in the year to the end of March, down from £8.8mn the previous year. Profit also dropped from £5.6mn to £3.9mn.

Despite a difficult year for Blue Whale, fund manager Stephen Yiu said the outlook for inflation, interest rates and the growth of artificial intelligence had already helped some of the fund's biggest stocks to bounce back.

"We had a very good recovery in 2023, performance has completely reversed," said Yiu. "If you look at Nvidia, last year the shares went down by more than 50

'If you look at Nvidia, last year the shares went down by over 50% but this year have gone up over 200%'

per cent but this year have gone up over 200 per cent."

The value of the Blue Whale fund fell 28 per cent in 2022, before rebounding by the same amount this year, he said.

Nvidia, the fund's largest holding, has contributed to a third of the fund's performance this year. Blue Whale's other top holdings include Mastercard and

Visa. Shares in the two payment companies are up more than 20 per cent since the start of January.

The fund ditched other tech stocks last year, selling out of so-called Faang companies — Facebook (now Meta), Amazon, Apple, Netflix and Google (Alphabet).

But together with Nvidia, Microsoft and Tesla, four of those stocks — Alphabet, Amazon, Apple and Meta — were responsible for driving the gains in the US stock market for much of this year as part of a group of stocks dubbed the "Magnificent Seven".

Blue Whale was seeded by Hargreaves, who founded the FTSE 100 investment supermarket Hargreaves Lansdown in 1981.

Hargreaves told the FT that Blue Whale was his biggest personal investment with more than £150mn of his family's wealth tied up in the fund.

He said his next biggest investment was India, noting that it has a compelling economic growth story with a "young, highly motivated workforce".

FT LIVE

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## UBS/Cevian: boot champs

Scaling mountains requires determination, skill and luck. UBS began its ascent in March, aiming to integrate its acquisition of local rival Credit Suisse. Investors had doubts it would succeed. Some of those concerns have dissipated like high clouds.

UBS's shares have soared 44 per cent since June to their highest level in more than 15 years. Yet its valuation at 1.2 times its tangible book value has not surpassed recent peaks.

Sweden-based activist Cevian Capital, which has built a €1.2bn exposure, believes UBS may be able to do better. Apparently, UBS lacks ambition on its profitability targets.

That may surprise chair Colm Kelleher and chief executive Sergio Ermotti. Both will feel they have sweated through a route march to get this far unscathed. UBS has promised a return on tangible equity (Rote) target of some 14 per cent by the end of 2026, well above its cost of equity.

UBS has advantages lacked by some rivals in wealth management, notably Morgan Stanley. The division produces the bulk of UBS's revenues. It has a truly international footprint. More than half of its wealth assets under management are outside the Americas.

But the US remains a huge part of the unit's income and costs. It has the highest cost/income ratio among peers, at 89 per cent as of September.

Morgan Stanley generates nearly half of its earnings from wealth management, almost entirely in the US. It has targeted a 20 per cent Rote.

JPMorgan derives a smaller proportion of group income from wealth (and asset) management — under 15 per cent — yet has more US wealth assets under management than UBS, says Cevian. JPMorgan also vows a higher 17 per cent group Rote.

In UBS's defence, under-promising and over-delivering is not a bad plan. Markets think differently, it seems. Some European banks, such as Barclays and Deutsche Bank, may have lacked ambition on their Rote targets. Both have proffered vague "above 10 per cent" goals for coming years. With costs of equity near 20 per cent, both trade under their tangible book values.

Given the lower earnings volatility anticipated from wealth management's

recurring fee income, UBS should be on the right track. It has already halved its revenue weighting from more cyclical investment banking to one-fifth since 2010. It has to prove that it can squeeze more profits from its US wealth unit.

## Adobe/Figma: design fail

Regulator scrutiny is making tech mergers and acquisitions more onerous. Antitrust probes in the UK and EU have put a stop to Adobe's \$20bn deal to buy Figma. Amazon's purchase of iRobot is under threat. With initial public offering markets still quiet, investor exits are hard to come by.

Adobe hoped to buy innovation via design software company Figma. Figma's cloud-based collaboration tools let creative professionals work together in real time. But regulators pointed to an overlap in products and Adobe's dominant position in design software.

Where Europe leads, the US is following. The deal collapse coincides with the release of new guidelines from the US Justice Department and Federal Trade Commission that take a tougher stance on M&A. Smaller acquisitions may soon receive more inspection.

Regulators hope this will lead to greater market competition. It is possible, however, that curbing M&A will reduce incentives for investors to back early-stage companies, handing a greater advantage to incumbents.

On the plus side, regulator meddling can sometimes save companies from unpopular deals. Adobe's share price rose 2.5 per cent after the Figma deal was called off. This is despite the fact that it must pay a \$1bn termination fee.

The payment will help Figma if it opts to list on markets. Still, it may not find a \$20bn valuation. If valued on a similar sales multiple to Adobe it would be below \$9bn.

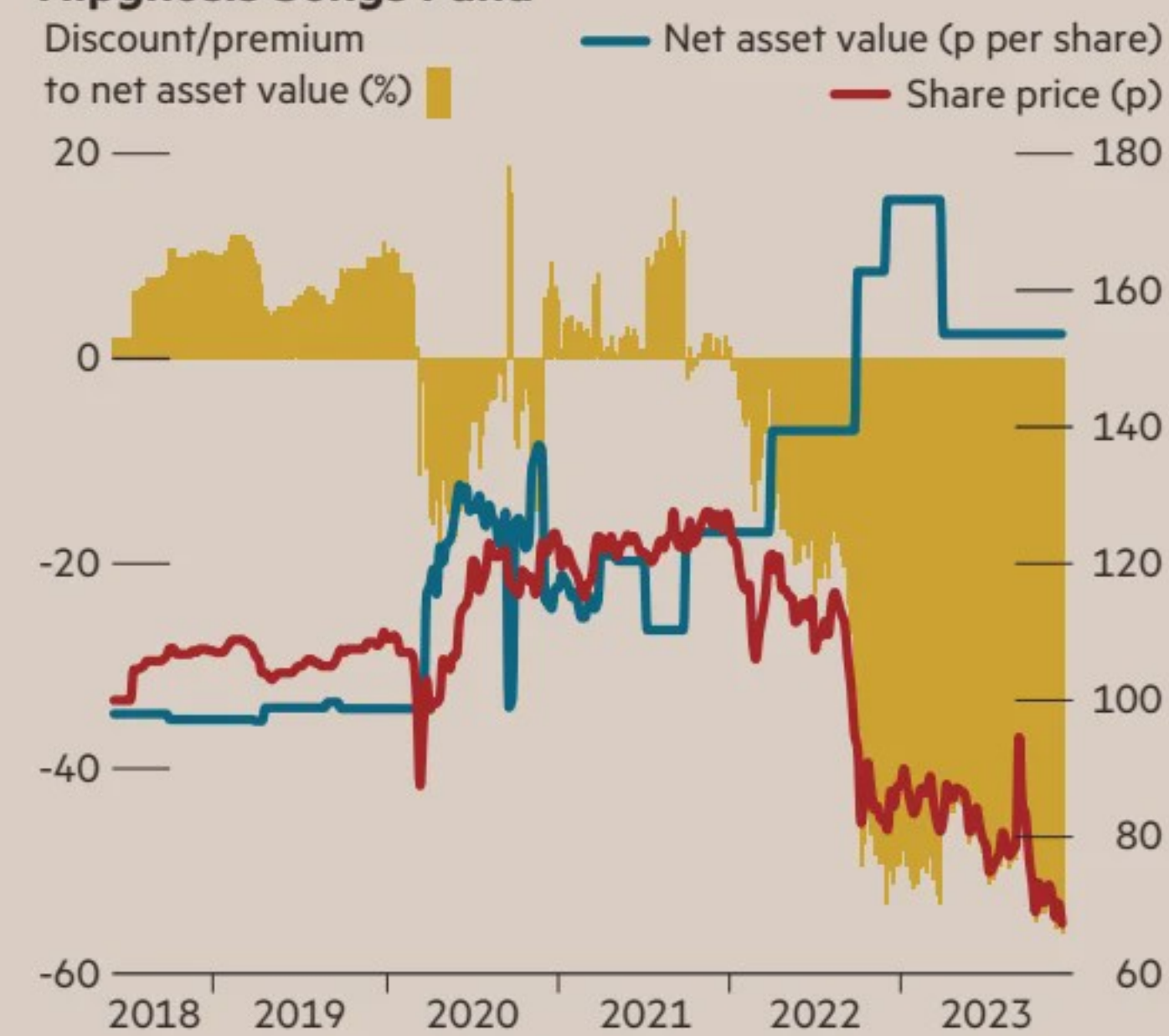
Adobe was willing to value Figma at 50 times forward revenue — five times more than peers. The high price set a record just as stocks were falling. Desperation is off-putting. Adobe's own share price fell by more than a fifth in response — a market cap loss that exceeded Figma's sticker price.

Adobe stock has recovered. This had little to do with Figma. Investors are more interested in the possible market

## Hipgnosis: swan song

Recent deals for song rights highlight that valuations are falling. Shares in London-listed Hipgnosis Songs Fund have adjusted accordingly. Yet the group's independent valuation and net asset value have continued to rise. Hipgnosis is also burdened with too much debt.

### Hipgnosis Songs Fund



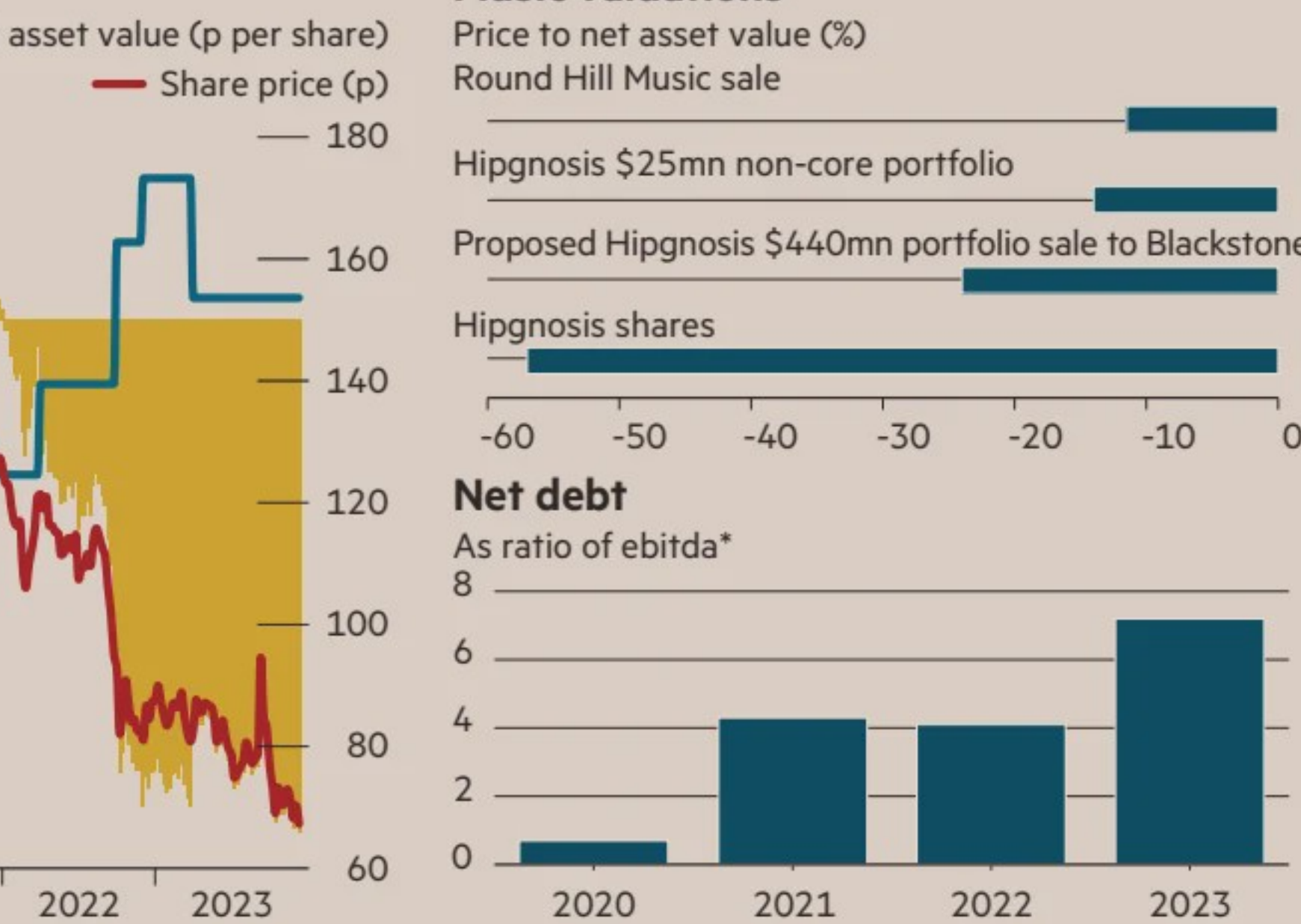
FT graphic Sources: LSEG; FT research; S&P Capital IQ

"It seemed like the real thing, but I was so blind." Blondie's *Heart of Glass* captures the sentiments that many investors in music rights investor Hipgnosis must be feeling.

The UK investment trust once bought rights with all the abandon of a rock band spending its advance on high living. The resulting calamities now include the board postponing results because it lacks confidence in a valuation of company assets.

Hipgnosis's core claim was that music rights of the kind it purchased from artists such as Debbie Harry were critically undervalued. In a business lacking transparent market pricing, shareholders had to make do with valuations from Citrin Cooperman, a small specialist

### Music valuations



\* Earnings before interest, taxes and amortisation

consultancy. The dangers of this were signalled years ago by this column and FT Alphaville.

A revamped board led by Robert Naylor, the former chair of rival Round Hill Music, is leading a review of the company's options. It says Citrin's valuation of Hipgnosis's assets was "materially higher" than implied by recent music industry transactions.

The board also took a shot at the fund's investment adviser, Hipgnosis Song Management, which is 51 per cent owned by Blackstone.

Song values have been falling as discount rates have been pulled higher by rising interest rates. Hipgnosis's share price reflects this, down 45 per cent since the start of 2022. Its net asset value, meanwhile, has gone up by

about 23 per cent. The discount to NAV of 55 per cent is at a record.

Rights investor Alchemy bought Roundhill in September at an 11 per cent discount. Hipgnosis offloaded a non-core portfolio at a 14 per cent discount to its September valuation. HSM tried to sell a larger portfolio to a separate fund owned by Blackstone at a 24 per cent discount, but the deal was blocked by shareholders.

Hipgnosis has too much debt. Covenants stipulate its borrowings have to be less than 30 per cent of the NAV.

To meet that, Hipgnosis may have to begin selling its catalogue. Once it starts, it may have to keep going. The complete wind-up of the fund appears increasingly inevitable.

for generative artificial intelligence product Firefly. Expect money saved on Figma to be committed to AI.

## Foxconn: rocket science

From Apple to SpaceX, Foxconn has a talent for spotting early what hot companies are up to.

The Taiwanese group, best known for assembling iPhones, has developed two experimental satellites with Taiwan's National Central University, which were launched on a SpaceX rocket last month.

The venture comes at the right time. Widening the scope of its contract manufacturing business beyond its

core consumer electronics activities will help margins.

Foxconn has been one of Apple's largest contract manufacturers since it started assembling iMacs in 2000 and iPhones have been a key revenue contributor: Foxconn manufactures 70 per cent of iPhones globally. But as global smartphone sales slow and rivals from Taiwan and China start chipping away at its market share, finding its next big thing is proving challenging.

The urgency is growing. It runs on razor-thin margins. Following a decline in operating margins to 2.4 per cent in 2011, it has struggled to recover the healthier levels of the early 2000s.

Foxconn has made a big bet on becoming the go-to contract electric-vehicle maker for auto groups. But this has coincided with surging competition

from China. It will need a full pipeline of contracts to appease investors.

Foxconn can, though, use its investments in EV manufacturing to enter other compatible industries.

Satellite connectivity and positioning data, for example, is crucial for autonomous driving in remote areas where connections are unreliable.

Motors, power and network technologies may be repurposed for communications satellite uses. Securing government clients for its emerging satellite business would help provide a stable revenue stream.

Its shares are down 15 per cent from a September high and trade at 11 times forward earnings — a third of Chinese rival Luxshare. Adding new industries to its client list will help Foxconn hedge against revenue volatility.

## US discount airlines: edge of your seat

Southwest Airlines is still paying off expenses from Christmas 2022.

This week, the US Department of Transportation announced it was hitting the airline with a \$140mn penalty over last December's meltdown. Poor weather and operational failures led to nearly 17,000 flight cancellations. The ordeal has already cost the company \$800mn in lost revenue and passenger compensation. The regulatory action related to violations of consumer protections laws.

Southwest has since been mostly exemplary in managing take-offs and landings. Still, shareholders are grumbling. Southwest's stock price is down more than a tenth in an otherwise ebullient market. It is struggling to manage cost efficiency amid mixed market signals on how much capacity to offer. The new year is a chance to get that balance right.

In the first nine months of the year, Southwest's "available seat miles" jumped more than a tenth. Carriers have been quick to add capacity to return to pre-pandemic levels.

However, the added capacity has come at the cost of fares. Southwest projects in the fourth quarter that revenue per available seat mile will be down a tenth. That coincides with operating costs per mile inching up this year — though they are expected to fall in the last quarter of the year.

Southwest is considered a discount carrier, though it is not in the same ultra low-fare category as Spirit or Frontier. Those carriers have seen their share prices fall sharply. Spirit is seeking to combine with JetBlue, despite the objections of regulators.

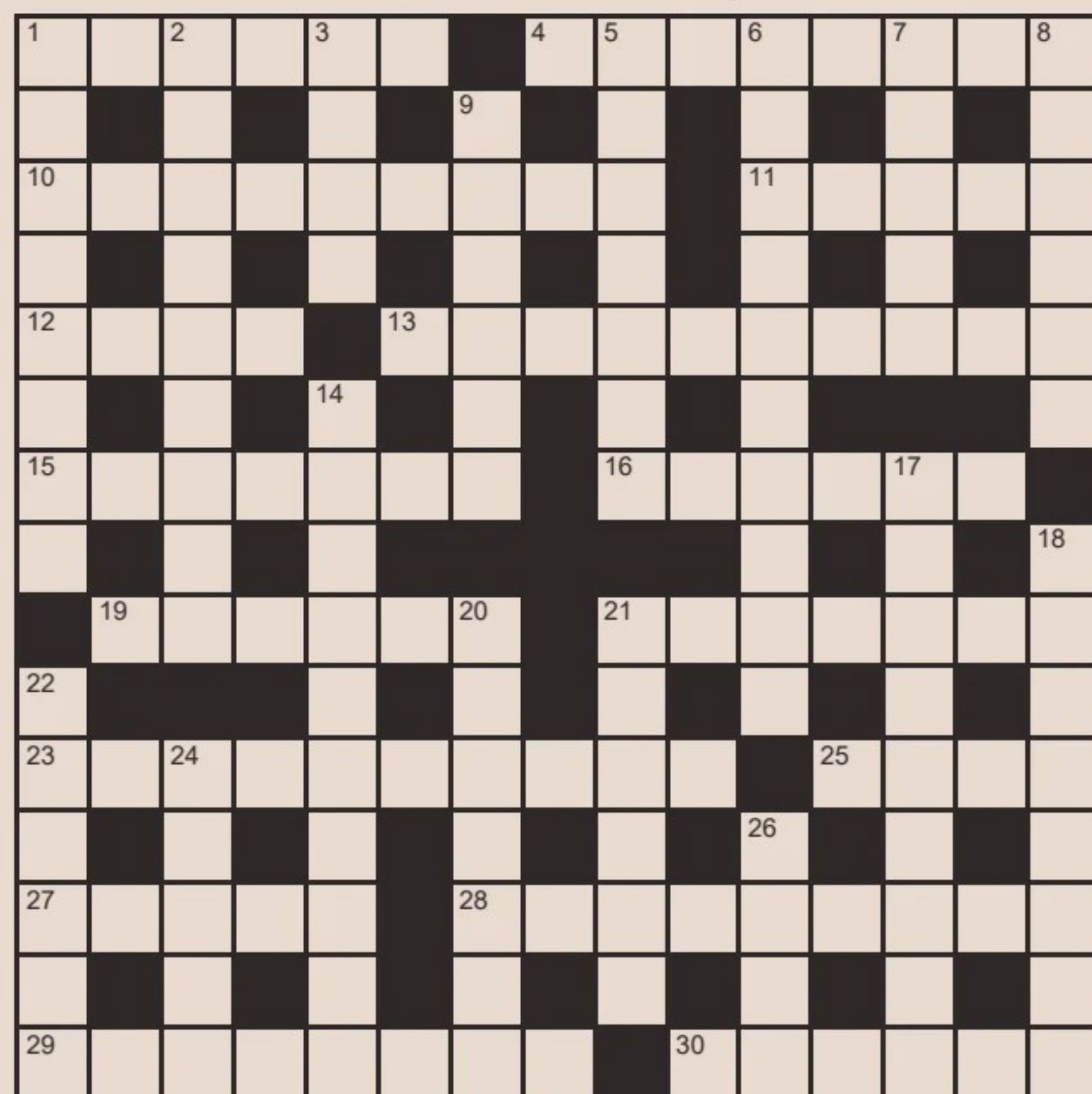
Alaska Airlines has just announced a deal to acquire the smaller Hawaiian Airlines. Meanwhile, legacy airlines such as Delta have benefited from a boom in international travel. Their stock prices have jumped sharply.

Southwest has a plan in mind. It says it will soon curtail capacity growth to maximise return on capital. That is the holiday gift shareholders want.

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Solution 17,604

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Y H O K S R U  
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O M E C  
W E A T H E R F O R E C A S T  
E O B T C  
R U T L A N D S T R E T C H  
A R A T E O C  
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### JOTTER PAD

#### ACROSS

- Struggle results in chaos after eliminating resistance (6)
- Is limiting church power what may chill the spirit? (3,5)
- Make new plan to raise limits (9)
- Live piece got underway (5)
- Adult established routine on vacation (4)
- Agreed rent around East Sussex town in times gone by (10)
- Alcoholic's emphatic admission in elementary form? (7)
- Petrochemical agent launched primarily during conflict? (6)
- Sequence of DNA (to microbiologists) connected with fundamental building blocks (6)
- Nag poor writer about money (7)
- Male prison could be lacking in human qualities (10)
- Kind figure's behaviour (4)
- Place to store stone and wood (5)
- Outgoing message circulated about gypsies? (9)
- Public accepts County Antrim's leader in Ulster? (8)
- Pound stolen from Scrooge-like killjoy (6)

#### DOWN

- Animal beginning to populate country hedges (8)
- Drift aimlessly south, mainly nursing sickly sailor (4,5)
- What was necessary for those who settled in Rome? (4)
- Deceive with concealed ardour? (5,2)
- Secrecy leads to privacy breaches affecting compromised virtual environment (10)
- Truck that is south of Slough (5)
- Guard transported by railway (6)
- Partners holding hands caught moderate symptom of disease (6)
- Fly associated with mythical musician representing people as animals (10)
- American writer and author reported great article in circulation (6,3)
- State guaranteeing "no changes" following revolution? (8)
- Affliction of god brought low in hymn tune (7)
- Tory prime minister making case for Liberal constitution (6)
- Formula One racetrack having no time for failure (6)
- Stage in development is subjected to boring instructive exercises (5)
- Company provided guards around areas of greatest activity (4)

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MARKET DATA

WORLD MARKETS AT A GLANCE FT.COM/MARKETSDATA

Change during previous day's trading (%)

Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)	Index	Change (%)								
S&P 500	0.38%	Nasdaq Composite	0.37%	Dow Jones Ind	0.50%	FTSE 100	0.31%	FTSE Eurofirst 300	0.37%	Nikkei	1.41%	Hang Seng	-0.75%	FTSE All World \$	0.51%	per €	0.641%	per £	0.791%	per ¥	0.493%	per €	-0.116%	Oil Brent \$ Sep	0.08%	Gold \$	-0.41%

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



Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
Argentina	Merval	922854.60	921876.84	Cyprus	CSE M&P Gen	68.46	68.88	Italy	FTSE Italia All-Share	32453.44	32283.98	Philippines	Manila Comp	6521.27	6475.50	Taiwan	TSE 200	16915.54	16942.30

(c) Closed, (d) Unavailable, 1 Correction, 2 Subject to official verification. 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	close	price	Day's change	LONDON	ACTIVE STOCKS	stock	close	price	Day's change	EURO MARKETS	ACTIVE STOCKS	stock	close	price	Day's change	TOKYO	ACTIVE STOCKS	stock	close	price	Day's change	UK MARKET WINNERS AND LOSERS	FTSE 100	Dec 19	%Chg	FTSE 250	Dec 19	%Chg	FTSE SmallCap	Dec 19	%Chg		
Testa	1463	256.43	1.25	Shell	422.4	242.19	5.40	Nestle N	424.1	241.2	-1.60	Lactavis	424.1	241.2	-1.60	Asahi	424.1	241.2	-1.60	Wynn Resorts	424.1	241.2	-1.60	Wynn Resorts	424.1	241.2	-1.60	Wynn Resorts	424.1	241.2	-1.60	Wynn Resorts	424.1	241.2	-1.60

CURRENCIES

Dec 19	DOLLAR	EURO	POUND	Dec 19	DOLLAR	EURO	POUND	Dec 19	DOLLAR	EURO	POUND	Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01	Indonesia	15500.00	15.00	17024.5663	15.745	19191.9789	142.5342	1.00	Poland	3.9486	-0.0272	4.3337

FTSE ACTUARIES SHARE INDICES

Dec 19	DOLLAR	EURO	POUND	Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01	Indonesia	15500.00	15.00	17024.5663

FT 30 INDEX

Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01

FTSE GLOBAL EQUITY INDEX SERIES

Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01

FTSE SECTORS: LEADERS & LAGGARDS

Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01

FTSE 100 SUMMARY

Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01

UK STOCK MARKET TRADING DATA

Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01

UK RECENT EQUITY ISSUES

Dec 19	DOLLAR	EURO	POUND
Argentina	16.12	0.03	0.01

Hourly movements, FTSE Sector Indices, UK Rights Offers, UK Company Results, UK Recent Equity Issues, Data provided by Morningstar | www.morningstar.co.uk



MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table with 10 columns: Stock, Price, Day, Chg, High, Low, Yld, P/E, MCap m. Includes sections for Australia (ASX), Brazil (B3), Canada (TSX), China (SSE), Denmark (CSE), France (Euronext), Germany (Xetra), Hong Kong (HKEX), India (NSE), Israel (TLV), Italy (Borsa), Japan (TSE), Mexico (BMV), Netherlands (Euronext), Norway (OSEX), Saudi Arabia (TADAWUL), South Korea (KRX), South Africa (JSE), Spain (BME), Sweden (OMX), Switzerland (SIX), Taiwan (TWSE), Thailand (SET), United Arab Emirates (DFM), United Kingdom (LSE), USA (NYSE), and Venezuela (BVX).

FT 500: TOP 20

Table with 5 columns: Stock, Price, Prev price, Day change, Week change, Month change. Lists top 20 companies by market cap.

FT 500: BOTTOM 20

Table with 5 columns: Stock, Price, Prev price, Day change, Week change, Month change. Lists bottom 20 companies by market cap.

BONDS: HIGH YIELD & EMERGING MARKET

Table with 10 columns: Dec 19, Red date, Coupon, Ratings, Bid price, Bid yield, Day's chge, Mth's spread vs US, Prev yield, Spread vs US. Lists high yield and emerging market bonds.

BONDS: GLOBAL INVESTMENT GRADE

Table with 10 columns: Dec 19, Red date, Coupon, Ratings, Bid price, Bid yield, Day's chge, Mth's spread vs US, Prev yield, Spread vs US. Lists global investment grade bonds.

FT 500: TOP 20

Table with 10 columns: Dec 19, Rate, Prev, Current, Change, Since, Last. Lists interest rates for various currencies and instruments.

BOND INDICES

Table with 10 columns: Index, Day's change, Month's change, Year, Return, Return 1 year. Lists various bond indices.

BONDS: BENCHMARK GOVERNMENT

Table with 10 columns: Red date, Coupon, Bid, Bid yield, Day's chge, Wk chge, Mth yield, Prev yield, Yld chge. Lists benchmark government bonds.

GILTS: UK CASH MARKET

Table with 10 columns: Dec 19, Price, Yield, Change in Yield, 52 Week High, 52 Week Low, Armt. Lists UK gilt yields.

INTEREST RATES: MARKET

Table with 10 columns: Dec 19, Over, Change, One, Three, Six, 12 months. Lists market interest rates.

BONDS: INDEX-LINKED

Table with 10 columns: Price, Yield, Prev, Month, Value, No of stocks. Lists index-linked bonds.

BONDS: TEN YEAR GOV SPREADS

Table with 10 columns: Bid, Spread, Bid vs 10Y, Yield, Bid, Yield, Bid vs 10Y. Lists ten-year government spreads.

GILTS: UK FTSE ACTUARIES INDICES

Table with 10 columns: Dec 19, Price, Yield, Day's chge, Month's chge, Year's chge, Total Return, Return 1 year, Return 3 year. Lists UK FTSE actuaries indices.

COMMODITIES

Table with 10 columns: Energy, Metals, Precious Metals, Grains, Soft Commodities. Lists various commodity prices.

BONDS: INDEX-LINKED

Table with 10 columns: Price, Yield, Prev, Month, Value, No of stocks. Lists index-linked bonds.

BONDS: TEN YEAR GOV SPREADS

Table with 10 columns: Bid, Spread, Bid vs 10Y, Yield, Bid, Yield, Bid vs 10Y. Lists ten-year government spreads.

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Table with 10 columns: Dec 19, Price, Yield, Day's chge, Month's chge, Year's chge, Total Return, Return 1 year, Return 3 year. Lists UK FTSE actuaries indices.

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Table with 10 columns: Bid, Spread, Bid vs 10Y, Yield, Bid, Yield, Bid vs 10Y. Lists ten-year government spreads.

GILTS: UK FTSE ACTUARIES INDICES

Table with 10 columns: Dec 19, Price, Yield, Day's chge, Month's chge, Year's chge, Total Return, Return 1 year, Return 3 year. Lists UK FTSE actuaries indices.





FINANCIAL TIMES SHARE SERVICE

Main Market

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Aerospace & Defence, Automobiles & Parts, Banks, Chemicals, Construction & Materials, Electronic & Electrical Equip, Financial General, AIM.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Health Care Equip & Services, House, Leisure & Peps Goods, Food & Beverages, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Industrial Engineering, Industrial Transportation, Health Care Equip & Services, House, Leisure & Peps Goods, Food & Beverages, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Media, Mining, Oil & Gas, Pharmaceuticals & Biotech, Chemicals, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Real Estate, Retailers, Support Services, Tech - Software & Services, Travel & Leisure, Utilities.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Tech - Hardware, Tech - Software & Services, Travel & Leisure, Utilities.

AIM

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Aerospace & Defence, Banks, Basic Resource (Ex Mining), Chemicals, Construction & Materials, Electronic & Electrical Equip, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Financial General, Food & Beverages, Health Care Equip & Services, House, Leisure & Peps Goods, Industrial Engineering, Pharmaceuticals & Biotech.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Health Care Equip & Services, House, Leisure & Peps Goods, Industrial Engineering, Pharmaceuticals & Biotech, Chemicals, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Media, Mining, Oil & Gas, Pharmaceuticals & Biotech, Chemicals, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Real Estate, Retailers, Support Services, Tech - Software & Services, Travel & Leisure, Utilities.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, P/E, 000s. Includes Tech - Software & Services, Travel & Leisure, Utilities.

Investment Companies

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, NAV, or P/B. Includes Conventional (Ex Private Equity), AIM.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, NAV, or P/B. Includes Financial General, Food & Beverages, Health Care Equip & Services, House, Leisure & Peps Goods, Industrial Engineering, Pharmaceuticals & Biotech.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, NAV, or P/B. Includes Health Care Equip & Services, House, Leisure & Peps Goods, Industrial Engineering, Pharmaceuticals & Biotech, Chemicals, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, NAV, or P/B. Includes Media, Mining, Oil & Gas, Pharmaceuticals & Biotech, Chemicals, Financial General.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, NAV, or P/B. Includes Real Estate, Retailers, Support Services, Tech - Software & Services, Travel & Leisure, Utilities.

Table with columns: Price, +/-Chg, 52 Week High, Low, Yld, NAV, or P/B. Includes Tech - Software & Services, Travel & Leisure, Utilities.

FT Weekend advertisement featuring a large 'FT Weekend' logo and a collage of various news articles and images.

FT Weekend advertisement with the headline 'Start your weekend thinking' and 'Read things differently with the weekend's clearest view on the world, plus uncover the new and noteworthy in art, culture, style and travel.' It includes a large image of a man holding a dog and a collage of various news articles.

Guide to FT Share Service advertisement explaining the service and providing contact information.

Data provided by Morningstar advertisement featuring the Morningstar logo and website information.



MANAGED FUNDS SERVICE

SUMMARY

FT.COM/FUNDS

Table with 4 main sections: Winners - EAA Fund Europe Large-Cap Blend Equity, Losers - EAA Fund Europe Large-Cap Blend Equity, Morningstar Star Ratings, and Global Broad Category Group - Allocation. Each section lists fund names, returns, and ratings.

Advertising Feature for Prusik. Includes a line chart showing performance from Dec 2020 to Dec 2023, a bar chart of weightings as of 31/08/2023, and a table of top 10 holdings as of 31/08/2023. Also includes firm details and a table of bid/offer prices.

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Table listing various funds with columns for Fund, Bid, Offer, +/-, Yield, 1Yr, 3Yr. Includes funds like Global Sustainable Total Return Bond, US Equity Growth Fund, etc.

LGT Wealth Management (CI) Limited (JER) logo and details. Includes a table of bid/offer prices for various funds like Bridge Fund, Global Equity Fund, etc.

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## ARTS

# Dark secrets and dysfunction

THEATRE

**Appropriate**Hayes Theater, New York  
★★★★☆

Nicolas Rapold

Set in a former plantation house in Arkansas, Branden Jacobs-Jenkins' *Appropriate* is partly about secrets that are not really secrets. The rambunctious family drama comes to Broadway for the first time since its award-winning 2013 premiere, and Lila Neugebauer's production at the Hayes Theater alternately roars along and leaves one braced for another shoe to drop.

The three adult children of the Lafayette clan converge on their deceased father's hoard homestead to sort out the inheritance. Per theatrical convention, they rub salt into old wounds instead. Toni (Sarah Paulson), presiding as executor, grumbles about her New York brother Bo (Corey Stoll), who has his wife and kids in tow, and casts suspicion on her estranged other brother Franz (Michael Esper), who sneaks in through the window with his fiancée, River (Elle Fanning).

The grudges and ego battles of siblinghood are one thing, but the creaky house also contains a horrendous artefact: a photo album of black lynching victims. It's discovered like an unexploded bomb amid their lawyer-father's clutter; suddenly they are reckoning not just with the seemingly distant history of slavery, but with the ways that legacy of racism has continued or not, and how even to talk about it.

The house is already at near boiling point from the start, thanks largely to Toni, a fearlessly blunt critic of the family's assorted messes who is divorced with one son. Jacobs-Jenkins constructed the play with a freight-train of a first act, and Paulson lets loose with Toni's years of pent-up, incendiary frustration. (The actress has cited TV show *The Real Housewives of Salt Lake City* as one inspiration.) River comes in for special browbeating for her self-help



Alyssa Emily Marvin and Elle Fanning in the family drama 'Appropriate'  
Joan Marcus

pieties and sheltered background.

As Bo and his wife Rachael (Natalie Gold) belatedly realise, the family seems to have a radioactivity that makes any civil discourse shortlived. Living in New York does not mean escaping the past, and indeed Jacobs-Jenkins' play exists in an America that is now both more primed to the dangers of papering over the past and seemingly less able to overcome its dysfunctional elements. The album, and the graveyard of slaves next to the house, are whopping symbols, but they are also indicative of a historical reality that

doesn't need a photo album to bring it to light.

Not that the play reaches for pronouncements on behalf of an entire nation; the best moments come over as intensely personal reckonings that underline how managing one's own emotional turmoil can be overwhelming enough. The play has been described as a reworking of *August: Osage County*, *Buried Child* and their ilk by leaning into archetypes and scheduled explosions (a pregnancy revelation, another awful family secret). But there is a confident velocity to this prickly production, which places a slanting staircase front and centre that looms with new unholy prospects.

Stoll manages the tricky role of Bo, a seemingly banal businessman who, once he learns the potential monetary value of the photo album, stands in for a particular kind of complicity. There's also a thorny look at the next generation of Lafayettes: Bo's freethinking daughter Cassidy (Mia Sinclair Jenness); Toni's sulky son Rhys (Maxim Chlumecky, an absolute standout for his lived-in naturalism, in his Broadway debut).

"What am I supposed to do with this information?" is Bo's reaction to one of the play's revelations. It's a question that hangs over the entire play. *Appropriate* confronts the ways people respond — and don't — to what is staring them in the face.

To March 3, 2st.com

# Queen conquers with the power of her voice

OPERA

**Mary, Queen of Scots**Oper Leipzig  
★★★★☆

Shirley Apherop

As a 16th-century girl boss, Mary, Queen of Scots had a rough time of it. Caught in a web of Machiavelian intrigues, she had little opportunity simply to rule.

Thea Musgrave's 1977 opera, *Mary, Queen of Scots*, focuses on her journey to self-determination and its disastrous outcome. Her score, with its blend of Renaissance and folk references and late-Romantic harmonies, has taken it around the world since its Edinburgh premiere, with runs from San Francisco to Bielefeld.

For Leipzig's new production, another girl boss, Ilaria Lanzino, is responsible for the staging. At Saturday's premiere, she also jumped into the breach for a gender-bending acting job as Bothwell, with tenor Eberhard Francesco Lorenz singing the role from the wings; Sven Hjörleifsson, cast to sing the role, had fallen ill.

Dirk Becker's sets and Annette Braun's costumes are part of Leipzig Opera's new push to present environmentally sustainable theatre: almost all of them are recycled from the house's storerooms. Lanzino's production boasts a neogothic steampunk vibe, with all the men in black kilts and stringy wigs. They slouch around the sets, clutching daggers, waiting for the chance to knife each other in the back. Only the poet Riccio and lover-boy Darnley wear civilian clothes, while the four Marys, her ladies-in-waiting, morph from backpackers to wenches as the

evening progresses. To claim her power, Queen Mary ultimately dons the same outfit as the men. This does not save her.

Nicole Chevalier makes the title role her own, with singing of extraordinary power, agility and stamina; she is formidable. All of the men are well-cast, from Franz Xaver Schlecht's wily James Stewart and Rupert Charlesworth's feckless Darnley to Sejong Chang's likeable Riccio. The chorus, too, is impressive.

Under Matthias Foremny's capable direction, the Gewandhausorchester tackles the score as though it were core Germanic repertoire, with a lush, full string sound, a keen focus, and plenty of force where necessary.

It is a brutal tale, and Lanzino tells it unsparingly. Since the men are dressed identically, they tend to blur into one drinking, murderous, lecherous whole, with a wearying propensity to dry-hump the women without bothering to undress. The women, bemusingly, seem to want it — whether through a tangled misreading of third-wave feminism or for want of a better idea.

Lanzino claims in a programme note that she sought to introduce ambivalence to Musgrave's victimised heroine, but by making Mary ape the men, she somehow misses Musgrave's point about female power.

Which leaves us with a gloomy tale about men. It seems a stretch to suggest that women in the 1500s had the liberty to choose self-objectification. Surely, if there was a way to be a woman without playing either a wench or a man, Mary embodied it. Not here. What a lost opportunity.

oper-leipzig.de



Nicole Chevalier and Franz Xaver Schlecht — Tom Schulze

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# Pirate romp has moments to treasure

DANCE

**Pirates!**The Place, London  
★★★★☆

Louise Levene

A fair chunk of the audience was armed. Many were missing teeth. It was threatening to turn ugly as a size-two Start-Rite bootie began rhythmically kicking me in the back while its owner waited for his Christmas treat to begin: *Pirates!* by Scottish Dance Theatre, playing twice daily at The Place until Christmas.

Fights between cowboys and Native Americans have long ceased to be acceptable subjects for playground role-play, but armed robbery on the high seas comes free of vexatious cultural baggage: pirates, like fairies, wizards and dinosaurs, are an early-years rite of passage. The outfit — striped top, torn-off trousers, eyepatch — isn't too much of a stretch, and the whole game is also usefully unisex thanks to a handful of genuine female pirates (Mary Read, Anne Bonny) and several fictional ones (Keira Knightley and the late, great Maureen O'Hara).

*Pirates!* taps into the craze but *Le Corsaire* it ain't. Director Joan Clevillé ditches the classic pirate plot — betrayal, kidnapping, marooning, pieces of eight — in favour of a worthy morality fable on the importance of imagination. We begin in a suburban shopping mall where the nerdy, feckless Tom (an endearing Dylan Reid) spends his working hours penning pirate fantasy fiction. After a pep talk from his boss, Daisy (Kassichana Okene-Jameson), he vows to bin all of his stories only to have his

fictional creations spring to life and take the two shopworkers on a rollicking high-seas adventure.

Clevillé makes good use of his talented cast, repurposing their contemporary dance skills in acrobatic routines including plenty of pratfalls to keep the tots entertained — the plank-walking number was a particular favourite. The versatile multinational troupe take multiple roles (salesmen, sea monsters, zombies, fish), deliver their lines with verve and sing very sweetly. Jessie Roberts-Smith brings natural charisma and a Gentleman Jack swagger to our hero, Captain Sandy Rogers.

At two solid hours (one short break), *Pirates!* is nearly as long as a *Nutcracker*, and concentration was definitely flagging during the overlong second half at Saturday morning's matinee as the preschool element came down from its interval sugar rush. The smart director

knows how to channel their fidgets into audience participation, but although *Pirates!* does occasionally remember to involve the crowd — the treasure hunt through the stalls was fun — lots of jolly "he's behind you!" moments are missed. This could surely be put right.

Luke Sutherland's larky, shanty-fied soundtrack offers numerous pretexts for clapping along, and the sports store's motivational meeting with its rhythmic physical jerks could easily be extended to the whole house. The late shower of ping-pong balls looked promising but the ensuing fight wasn't a patch on the fluffy snowball battle in *Snowed In*, The Place's last Christmas show, which could usefully be copied. Table-tennis balls are too small for butterfingering little hands, and most ended up lost under seats — more tears before lunchtime.

To December 24, theplace.org.uk



The versatile troupe take on multiple roles in 'Pirates!' — Henry Curtis



FT BIG READ. PERSON OF THE YEAR

As CEO of Novo Nordisk, Lars Fruergaard Jørgensen has helped to develop the first truly effective drugs for obesity. They could have an enormous impact on healthcare, societies and our relationship with food.

By Hannah Kuchler

# A transformational innovation



Illustration by Lyndon Hayes

Everything about Lars Fruergaard Jørgensen is understated. The chief executive of Danish drugs group Novo Nordisk grew up on a pig farm in Jutland and from an early age was expected to muck out the animals.

While most of his rivals take private jets to their appointments, he waits for commercial connections. Tall, thin and thoughtful, Jørgensen is far from the conventional image of a swashbuckling, dealmaking CEO: he started his career as an economist in the healthcare and planning department.

But in his low-key way, Jørgensen is pioneering an innovation that could have a profound impact not just on healthcare, but on societies, public finances and our relationship with food.

Novo Nordisk is the company behind the first game-changing treatments that are used for obesity: Wegovy and Ozempic. Before these drugs, the only truly effective treatment was bariatric surgery, which is expensive and sometimes risky. Now there is a simple injection.

A safe and readily available treatment for obesity could have a huge impact on human health, while also generating savings on treating other diseases. Obesity will affect an estimated 1bn people by 2030 – with all the associated impact that has on rates of diabetes, heart disease and mobility. In the US alone, the economy loses up to \$30bn a year in sick days due to the condition, according to research from Cornell University.

And it is not just obesity: there is now good evidence to suggest the company's drugs could also help prevent heart attacks and there is even some hope they could be used to treat Alzheimer's by reducing inflammation in the brain.

The Novo Nordisk drugs have been several decades in the works and Wegovy was first approved in the US in 2021. But this is the year that the momentum behind them has become unstoppable, when it became clear that they are more than just a celebrity fad.

Barclays forecasts sales of Wegovy, used for obesity, to hit \$4.2bn this year and \$7.3bn next; Ozempic, designed for diabetes but often prescribed off-label for obesity, is predicted to hit \$13.3bn in 2023 and \$16.5bn in 2024. The success has turbocharged Novo Nordisk: with little fanfare, it has become the most valuable company in Europe, overtaking luxury group LVMH, maker of Louis Vuitton and Moët & Chandon.

For his role conducting this model of patient, persistent but transformational innovation, the Financial Times has chosen Jørgensen as Person of the Year.

Jørgensen, who drives himself to work in an electric car and goes kayaking on the lake near his house to reflect, would never be as brash as to claim his product can be a panacea for society's ills – in the style of some Silicon Valley executives. But in his typically earnest way, he insists that the company and the industry can have a "huge chance of impact-

ing the world". "I feel a great sense of responsibility for actually succeeding together with society," he tells the FT, "because I think as an industry and as a company, we have part of the key to solving some of the huge societal problems, ageing populations, chronic diseases."

Novo Nordisk also faces a number of potential obstacles that could still hamper its expected growth. The surge of popularity in the drugs – fuelled in part by slimming celebrities – has caused a supply shortage and created a booming black market. Concerns rumble about side effects. Rival Eli Lilly has won approval for its own obesity drug, which could be more effective and currently has a lower list price.

Most of all, Jørgensen still needs to convince many governments and cash-strapped health systems that it makes sense to pay for the drug now in order to save money later. And that in part requires a shift in mindset so obesity is considered a disease that can be treated with medicine – like, say, high blood pressure – and not as a personal failing.

The company insists that for all the growing success, it is not getting ahead

Propelled by its obesity drugs, the Danish company has quietly become the most valuable in Europe

of itself. According to Kasim Kutay, chief executive of Novo Holdings, which controls the company, and who is a Novo Nordisk board member, Jørgensen reacted with a sense of "immense responsibility" when the company became the largest in Europe.

"It's not something that is talked about or boasted about as... a feat in itself," he says. "It's about how do we use our scale and size to deliver on our responsibility to patients?"

### Taking the long view

The drugs began life at Novo Nordisk 32 years ago – by coincidence, when Jørgensen joined the company. Wegovy and Ozempic are both made from semaglutide, a version of an appetite-reducing hormone called GLP-1. But in the body, the hormone only lasts for minutes, so Novo spent years making it stable enough to use as a medicine.

Jørgensen's time at the company has coincided with a long-term bet on the potential of this new science. The first real breakthrough came 14 years ago, when the drugmaker got its first approval for a GLP-1 drug for diabetes in 2009. Another version followed in 2015, targeting weight loss. But it only helped patients lose about 5 per cent of their body weight. It would take six more years until Wegovy was approved, after showing 15 per cent weight loss.

Bent Dalager, an old friend of Jørgensen, describes how his childhood

on the farm made him a patient leader. "The thing about growing is throwing out these seeds, and they will become something later," he says. "That's actually a fairly good frame of mind to have if you work in the pharma industry."

Novo Nordisk could invest for the very long term partly because of its unusual ownership structure. Initially called Nordisk Insulinlaboratorium, the company was founded in 1923 by the Danish Nobel laureate August Krogh, pharmacist August Kongsted and scientist Hans Christian Hagedorn. The Canadian scientists who discovered insulin granted the pair permission to produce it in Scandinavia, with a caveat: the proceeds from its sale should be reinvested in research.

So they set up the Novo Nordisk Foundation, which thanks to the company's growth is now the world's largest philanthropic foundation by assets. Novo Holdings, which manages the foundation's wealth, has 77 per cent of the voting rights of Novo Nordisk.

Martin Jes Iversen, an associate professor of strategy and innovation at Copenhagen Business School, says the structure kept the company committed to its broader purpose and ensured Novo Nordisk was not for sale. "So not even Elon Musk in a wild night could take over or attempt to take over Novo Nordisk," he says.

Starting at the company in 1991, Jørgensen has worked in the US, Japan and the Netherlands, where he was one of few foreign executives to learn Dutch during his posting.

Marcus Schindler, Novo Nordisk's chief scientific officer, says Jørgensen is committed to Novo's "ethical guardrails" and is "uncompromising" about serving patients, for example, insisting the company will never stop producing insulin, even though it is less profitable than other drugs.

Shortly after Jørgensen joined the company's development committee but before he became chief executive, Novo needed to decide whether to invest more in trials for an earlier obesity drug. Jørgensen says it was a "big decision" because of the potential risks to Novo's reputation. Most other pharmaceutical companies avoided weight-loss drugs because previous attempts had been dogged by dangerous side effects.

"When you look at the field of obesity medicine, most of them were considered as either not very efficacious, or potentially also with an unattractive safety profile," he recalls.

This year, Jørgensen says his most important decisions have been about saying no. While the organisation is full of ideas of how to invest its windfall, Jørgensen is committed to doubling down on developing products for obesity, diabetes and cardiometabolic diseases. "If there's an unmet need, if it's something that's a core capability, I feel very, very comfortable in taking huge risks," he explains.

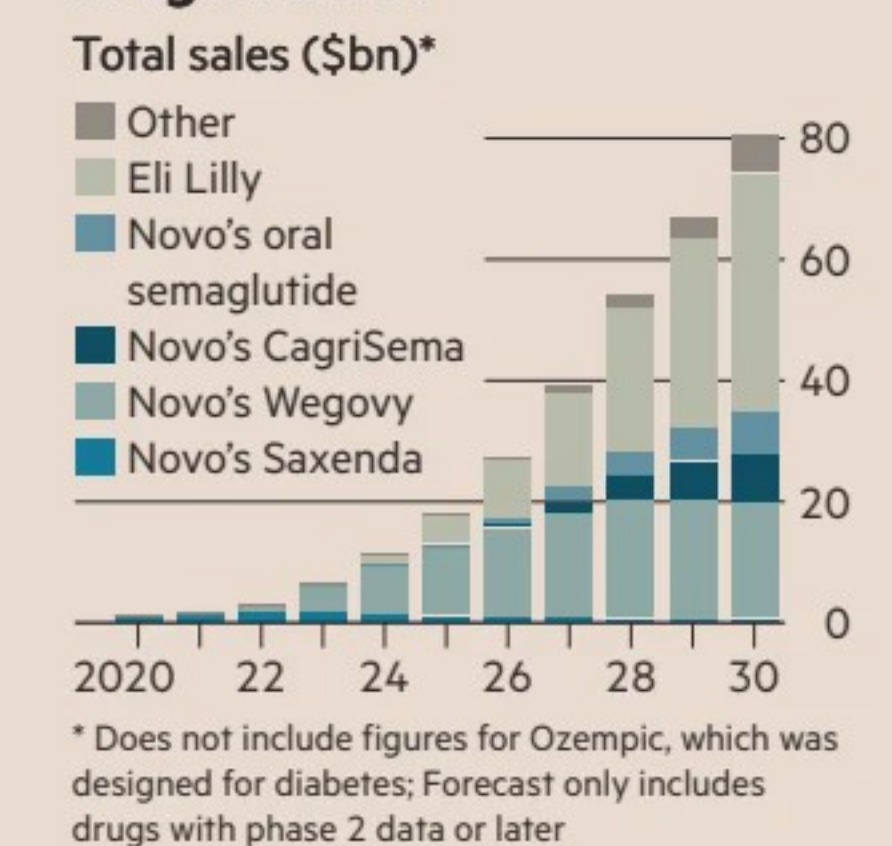
"If there's an unmet need, if it's something that's a core capability, I feel very, very comfortable in taking huge risks"

Lars Fruergaard Jørgensen

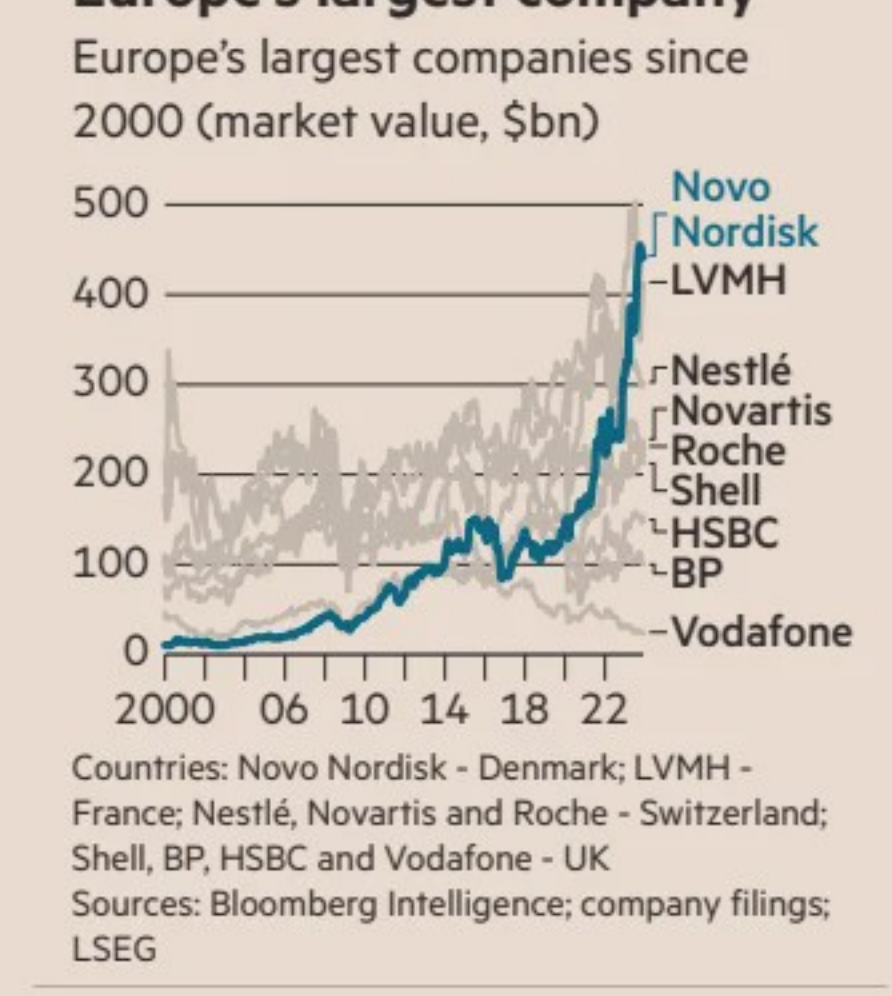
"[Results about reduced risk of heart attacks] just woke up so many people to the whole story. It was such a game-changer"

Emily Field, Barclays analyst

### Novo Nordisk pioneers an expected \$80bn obesity drugs market



### Novo Nordisk takes over as Europe's largest company



Unsurprisingly, Jørgensen is not on TikTok, where #Ozempic has clocked up 1.3bn mentions. He confesses the company was "late" to understanding the cultural impact of its drugs: it looked for feedback from the clinicians who the industry calls "key opinion leaders" rather than Hollywood influencers.

When Kim Kardashian wore Marilyn Monroe's dress to the Met Gala last year, she set off rumours about a diabetes drug helping celebrities slim down dramatically. Lauren Sherman, a fashion correspondent at digital media company Puck, remembers it looked like she had lost a lot of weight in the previous two weeks.

By the Met Gala this year, Sherman says the drug had become so prevalent it was an "accessory", even for some of the thinnest famous people. "I do think that it is causing people to think, 'If it is accessible and I don't do it, am I going to look like an idiot?'" she says. Yet most celebrities, including Kardashian, deny using drugs. Sherman says this is partly because being thin is still associated with signalling that you are a "disciplined" person, who does not "overeat".

Their use of Ozempic highlights an inequality: the wealthy can get doctors to prescribe the drug, even if they don't have diabetes, while some real patients have struggled to get hold of it.

Celebrities' unofficial promotion has helped create a rush for the drugs, with regulators warning about fake injection pens, and reports that online pharmacies will prescribe it to people so thin they could be suffering from eating disorders. The surge in demand has exacerbated supply shortages partly caused by manufacturing problems.

Now, the executive management team gets updates on how the drugs are trending on social media every week. Jørgensen wants to shift from a social media debate to a medical discussion with doctors about the benefits. "It creates a sense of urgency in the company to make sure that we communicate in the right way," he says.

### A broad impact

The drugs have jolted financial markets as well as parties for the rich and famous. Emily Field, an analyst at Barclays, jumped out of her chair when she saw the initial data from Novo Nordisk's cardiac outcomes trial in August. Wegovy had shown it could cut the risk of serious cardiac events such as heart attacks by 20 per cent in overweight or obese patients with cardiovascular disease. It was the first solid evidence that the drug was not just a slimming jab, but a powerful preventive tool.

"It just woke up so many people to the whole story," says Field. "It was such a game-changer." Field says the drugs are now rightly seen as a technology with widespread impact, like artificial intelligence. Suddenly, consumer analysts were worrying about how the drug could damp appetite for products such

as Krispy Kreme doughnuts, while medical technology investors worried it could be the end of bariatric surgery.

The clinical trial was one of the first big decisions Jørgensen made after taking over as CEO in 2017. The move carried substantial risk: it can cost hundreds of millions of dollars to test a drug on 17,000 people and there was no guarantee that the results would demonstrate broad health benefits. Now the bet has paid off, Jørgensen hopes to use the data to convince health systems that the drug will save lives and cut costs.

Fatima Cody Stanford, an expert in obesity medicine at Harvard Medical School, says the drugs may lead to a decline in the need for treatment for conditions such as hypertension, kidney disease, fatty liver disease, diabetes and sleep apnoea. Novo Nordisk is running a late-stage trial to see if semaglutide could treat the widespread neurodegenerative disease Alzheimer's, and external researchers are also intrigued about the potential for the drugs to be used to treat alcohol addiction.

But there are still problems to solve. Many patients struggle with side effects of nausea, diarrhoea and constipation, especially in the early stages, clinicians are worried about muscle loss, and the European regulator is investigating if there's a link between taking the drugs and suicidal thoughts.

Mark Sculpher, director of the centre for health economics at the University of York, says the jury is still out on the long-term effects of the drugs, which could affect their true value. Like most drugs, they were approved on a few years of data. "Pharmaceutical companies are forever promising hugely transformational, innovative products," he says. "And sometimes they are. But very often they are not."

Next year, the company will complete a late-stage trial of its next generation drug CagriSema, which analysts expect to show even more significant weight loss, and report data on an early study of a promising obesity pill. In the long run, he dreams of "vaccine-type interventions" for chronic diseases and is investing in discovering how to prevent obesity in the first place.

Schindler, the chief scientific officer, believes Jørgensen is probably "to some degree, embarrassed" to be chosen as the Person of the Year. "I think Lars would feel [the recognition] stands for many other people, it stands for an organisation, it stands for a team."

Jørgensen says the company has long believed in the importance of the obesity drugs but that the world is only just waking up to their potential impact.

"I have many times over the years said that I believe this has the potential to be one of the most meaningful medical interventions in terms of what it does to individual patients," Jørgensen says, "but also the contribution it [can make] to healthcare systems."

Data visualisation by Keith Fray



# The FT View



FINANCIAL TIMES

"Without fear and without favour"

ft.com/opinion

## The UK's harsh new rules on family visas

**Planned increase in salary threshold has left thousands in limbo**

The holiday period is a time for families to come together. But thousands of people in the UK have been thrust into uncertainty this festive season about whether they will be able to bring foreign-born partners or spouses into the country – or even remain if they are already here. The Conservative government plans next spring to more than double, from £18,600 to £58,700, the minimum income a British citizen must earn to sponsor a visa for a non-UK partner. Since 70 per cent of Britons earn less than the new threshold, settling down in the UK with a foreign-born citizen will suddenly become an option only for the better-off.

The new family visa rules are among a package of measures announced this month to reduce net "legal" migration

from last year's record 745,000. Though the surge was partly due to one-off factors, this level is politically unsustainable. But several levers the government is trying to pull are questionable.

Businesses warn that raising the minimum salary for foreign skilled workers from £26,200 also to £58,700 may prevent them from hiring people they need. Care homes say barring dependants of overseas care workers could make it hard for them, too, to fill vacancies.

Yet doubling the minimum income for family visas manages to be both callous and of limited effectiveness. Unpublished Home Office estimates suggest it will reduce net migration only by the "low tens of thousands".

The government says the rules allow exceptions to avoid "harsh consequences"; savings can also be taken into account, and incomes of partners already working in the UK. But countless wedding plans will be called off by those suddenly left below the threshold; many couples will have to

decide whether to leave the country to be together. Thousands more couples and families already living in the UK are going through agonies as the government says it is still establishing the specifics of the policy – including "how it will apply to those renewing visas", not just first applications. To force families to leave because they dip below a raised income threshold would be an outrage.

Today's £18,600 minimum was introduced in 2012. After legal challenges, the Supreme Court ruled it lawful in 2016, since independent advisers had established it as the level where someone could support a partner without needing benefits. It has never been adjusted for inflation. But more than doubling the threshold takes it far away from its original goal – and almost triples the proportion of the population who fall below it, from only a quarter today. Women, young people and ethnic minorities will be disproportionately affected.

Immigration lawyers are gearing up

**To force couples to leave the country because they dip below a raised income bracket would be an outrage**

for legal battles over whether the new threshold is compatible with the 2016 ruling and human rights law, which may ultimately force the government to change tack. But that is of little reassurance to those in limbo today. And the UK will for now pull far ahead of most other countries that have income or savings requirements, such as the Netherlands, Ireland, Spain and Sweden – as well as the US and Norway whose thresholds today are nominally slightly higher than Britain's.

Potentially more effective ways to reduce UK net immigration might be to raise salaries for health and care workers (though this would need to be funded), and to open short-term youth mobility schemes with the EU. The government must ensure family visas are not abused. Yet even as countries everywhere face pressure to tighten restrictions on incomers, the right to find happiness with a partner from a foreign land is surely not one that ought to be priced out of existence.

### Opinion Society

## There is more to AI regulation than safety

Andy Carter



Jamie Susskind

Last month's boardroom carnage at OpenAI – in which the chief executive, Sam Altman, was toppled and reinstated in less than a week – showed the company to be riven by the same question that is set to dominate politics in 2024: to what extent should increasingly capable AI systems be curtailed by government regulation?

This is ultimately a question for politicians rather than corporations. And the UK government has recently found its answer: safety first. The regulatory landmarks of 2023 were the Online Safety Act and the AI Safety Summit. "Safety" was the top priority for both. The act followed the suicide of 14-year-old Molly Russell, who had been served a torrent of online content related to self-harm. It aimed to make Britain "the safest place in the

**Technology laws are also about the kind of civilisation we wish to create for ourselves**

world to be online". The summit got the regulatory ball rolling in a similar direction for AI. The Bletchley Declaration contained seven references to "safety", and the UK's AI Safety Institute is now actively recruiting.

It makes sense for the government to play the role of safety monitor. Powerful technologies pose risks, and these must be managed collectively rather than leaving people to fend for themselves. Just as we aren't asked to inspect the wiring of an aeroplane before we board, we shouldn't be invited to "consent" to dazzling technologies whose workings we scarcely understand.

But the safety paradigm will only take us so far. In the future, regulation will not be as simple as promoting the good and mitigating the bad bits of new technologies. That's because it will be hard to agree about what is good or bad in the first place.

Take, for example, the dispute that recently rocked the US movie industry. Screenwriters and actors went on strike, partly to secure assurances that AI would not replace them. Their concerns were well-founded. AI systems can increasingly generate prose that rivals the most talented humans, and AI-generated effects will increasingly be able to supplant human actors.

Below the surface, however, this was

more than an industrial dispute. It revealed a deeper disagreement about the nature of film itself. Is the point of cinematic art to provide a living for people in the film industry? Or is it to provide stimulation and joy for consumers? When these aims collide, which matters more?

Imagine a future in which families can simply command their TV to generate a Hollywood-quality film. They could choose the genre and optimise for comedy, violence or sex.

Some future connoisseurs might still prefer human-made productions, just as some today prefer the films of the 1960s to contemporary CGI. But many others would see this as a revolutionary democratisation of cinema. Instead of having to order from Hollywood's menu, people could summon forth their own aesthetic universes. Our grandchildren may well marvel that, in 2023, films were still handcrafted by humans; just as we find it eccentric that, in the past, every wheel was made bespoke by a wheelwright.

A similar debate is playing out in the world of literature. Margaret Atwood and Stephen King are concerned that their works are being used to train AI systems, which can (in Atwood's term) "glurp forth" prose on command. Their frustration is understandable, particularly when they receive no royalties.

But from humanity's perspective, would it not be remarkable to be able to generate new novels in the prose of Atwood, masterpieces in the style of Mozart, or films in the manner of Hitchcock – or perhaps new artworks combining the talents of all three – long after those geniuses have departed the Earth? Is art's purpose merely to venerate and compensate artists, or to provoke aesthetic stimulation and cultural advance?

These aren't easy questions – and that's the point. I rather doubt the board of OpenAI has the answers to them. And they can't simply be answered by reference to "safety" either. These debates are about values. They ask us to choose, in Amos Oz's words, between "right and right".

As AI improves, no field of human activity will be untouched by this kind of controversy. We will disagree about the use of non-human "voices" in political debate. We will fret about machines that form emotional or erotic bonds with their users. In law, medicine, education and war, new ethical problems will erupt and demand resolution.

Regulating technology is about safety, but it is also about the kind of civilisation we wish to create for ourselves. We can't leave these big moral questions for AI companies to decide.

The writer is a barrister and the author of *'The Digital Republic: Taking Back Control of Technology'*

## Letters

### India's steel city is a model foreigners can copy

Regarding the article "India bets on worker dormitories as businesses pivot from China" (Report, December 12), it's true that Apple and Foxconn should appreciate that every country has its "cultural norms". These should be respected.

One is that working women in southern India like to go home in the evening. There is an important reason for this. They go home to cook dinner for the family.

As a director of one of India's largest garment-manufacturing businesses, I observed that women in southern India

are not interested in working overtime to earn extra money. So, while dormitories may work for single, young girls, the moment they get married, they will want to return home in the evenings to cook dinner and manage the children.

Foreign companies, which need workers for sustained periods, should build small housing complexes or what Indian urban planning calls townships, close to the factory. This will provide workers, whether men or women, a family life, in addition to the job. In India, when the Tatas started

manufacturing steel in Jamshedpur around 1907, they gradually built and developed the town itself. The original town was known as Sakchi. It was renamed Jamshedpur in 1919, to honour the memory of the visionary founder, Jamssetji Nusservanji Tata.

The town is considered India's first planned industrial city. It wins awards for being the country's cleanest city. Jamshedpur is the model to emulate, for foreign companies planning to employ thousands of workers.

**Rajendra Aneja**  
Mumbai, India

### Carbon pricing is a key tool, but not the only one

COP28 agreed to "transition away from fossil fuels", but the agreement says little about how the aspiration to "accelerate the shift" might be achieved (Big Read, December 16). No progress was made on the carbon pricing as an important driver of change. This is yet again a missed opportunity.

At a Vatican-convened workshop in June 2019, chief executives of the 10 largest US and European oil and gas companies met in person with major long-term investors, and signed a declaration calling on governments to establish "reliable and economically meaningful carbon-pricing regimes, whether based on tax, trading mechanisms or other market-based measures... at a level that incentivises business practices, consumer behaviour, research and investment to significantly advance the energy transition while minimising the costs to vulnerable communities and supporting economic growth."

Why has there been so little progress? All sides share the blame. We in business have not explained carbon markets well and have not built trust – COP28 showed that. Many activist groups focus on reducing production while paying little attention to the demand side. When I have asked demonstrators why they do not support measures that incentivise alternatives and raise the price of fossil fuels without increasing the profits of producers, the answer is often the same – "That's just a distraction."

Governments are concerned about any increase in consumer costs, although the alternatives are often cheaper and the costs of inaction potentially large.

Existing taxation and trading schemes highlight the need for common approaches. We need an independently chaired gathering of industry leaders, major investors, civil society organisations, with an appropriate UN presence.

A more inclusive version of the 2019 Vatican meeting might serve. Collaborative support across society is needed.

Carbon pricing is certainly not the only tool to speed the transition, but it is an important one.

**Mark Moody-Stuart**  
Hassocks, East Sussex, UK

### FAO's take on comparative advantage theory?

It was a surprise to many of us working in the field to see the UN Food and Agriculture Organization's chief economist advocating for countries like the Netherlands and New Zealand to boost their already intensive meat and dairy production as the solution to global hunger and malnutrition (Report, FT.com, December 10).



This is a misguided application of the comparative advantage theory to assume that additional New Zealand dairy or Dutch meat production would trickle down to those most lacking nutrients – though no doubt the livestock industry would like to believe so. This wasn't even an accurate representation of the FAO's new 1.5C road map to combat global hunger amid climate crisis – which suggests some sensible measures to reduce greenhouse gas emissions from the food system, such as improving feeding practices and animal health, restoring degraded pasture, and changing livestock populations to match environmental constraints.

Indeed, two countries that happen to be leading on the latter are the Netherlands and New Zealand, due to deleterious impacts of intensive livestock production on local environments and the climate. These important initiatives should be encouraged by the FAO, not undermined by a prescription of further intensification.

There are some undernourished populations who indeed lack essential nutrition that may be provided by accessing more eggs, dairy and meat – but food should be produced locally where it's needed, not from unsustainable factory farms far across the sea.

Instead of trying to appease the livestock industry, the FAO should redouble its ambition and turn the 1.5C road map into a genuine plan to get us off the high pollution, high fossil fuel, high hunger track we're on – in consultation with those most affected by today's unjust and unsustainable food systems.

**Emile Frison**  
Member, International Panel of Experts on Sustainable Food Systems  
Orvieto, Italy

**Professor Jennifer Clapp**  
Member, International Panel of Experts on Sustainable Food Systems,  
University of Waterloo, ON, Canada

### Spotify subscription fee rise is music to my ears

In "Reality bites as Spotify finally moves to trim its runaway costs" (Inside Business, December 16), Anna Nicolaou suggests "the coming years at Spotify might resemble more of an autopilot mode: cutting costs, raising prices and perhaps even retreating from countries where they are losing money".

I would argue the gradual increase in subscription price is a thoughtful decision rather than an automatic one.

The recorded music industry has shrunk significantly since the emergence of Napster in 1999. More precisely, the industry falls tens of billions of dollars short of historic levels.

Thus, the revitalisation of this sector to a pre-Napster scale calls for a steady increase in subscription prices.

In video streaming, we've seen price increases for several years. Netflix, for example, implemented a \$2 increase as far back as 2014. Other entertainment companies have been raising prices for quite some time now.

I urge readers to consider what music means to society.

As I attempt to answer this question, Taylor Swift comes to mind. Music means a generation of last-minute planners start saving months ahead to buy a coveted ticket.

It means \$50m in bonuses go to a hard-working road crew. It means 72,000 fans are captivated by each show. It means people are united across more than 100 countries.

Should access to a service that can take you back to your most meaningful musical experience, be it a Taylor Swift concert or not, an infinite number of times over a month, cost the same as a couple of coffees?

**Leyla Khosrowshahi**  
New York, NY, US

### Parliamentary railway timetable explainer

In your picture story "All change: Liverpool St takes busiest station crown" (Report, December 15) you write that Denton, Greater Manchester, was the least-used station open throughout the year, with 34 entries and exits.

To explain, Denton Station is served by Northern Railway's Stockport – Stalybridge service. Thirty years ago this was a regular daily service. Then it was downgraded to a "parliamentary railway" of one train a week to avoid official procedures required to withdraw a service completely.

This parliamentary railway has now seen eight prime ministers and countless transport secretaries.

Other parliamentary railways are available.

**Peter Thwaite**  
Wardle, Lancashire, UK

### Small families and savings growth – Africa lacks both

Ruchir Sharma is right to note the boom-like benefits from population growth, but the "double" demographic dividend explains why this has been good for Asia and not for Africa ("The world economy's biggest problem is Africa", Opinion, December 18).

The share of the working-age population remains around 50 per cent in Africa and high fertility rates keep it there. In Asia, it's closer to 70 per cent thanks to sub-3 fertility rates. Small families means savings grow, so Asia can self-finance growth at low interest rates and this is the "double" part of the story.

Good African leadership has produced an Asian-style double demographic in Mauritius, and Morocco is following. Kenya will join them in the 2030s.

But for now, much of sub-Saharan Africa looks like the Philippines in the late 20th century or Europe in the 19th – too much labour, not enough domestic capital, and the result is emigration so Africa's educated workers can seek higher paid work abroad.

**Charlie Robertson**  
Author, *'The Time-Travelling Economist'*  
Head of Macro Strategy, FIM Partners UK  
London W1, UK

### Ofgem's nudge economics

An article in FT Weekend reports on a consultation being launched by Ofgem, the energy regulator. This is to help power suppliers offset their higher debt, caused by customers not paying their bills, by charging those who do pay an extra £16 per year (Report, December 16).

Has anyone in Ofgem considered the behavioural consequences of such a proposal? Why should anyone pay a power bill when Ofgem may decide to charge others for it?

**Denis Mulhall**  
London KT3, UK

### Unshakeable faith

If the European Central Bank did indeed not discuss rate cuts at its meeting last week (Report, FT.com, December 14), then one can only conclude that Christine Lagarde and colleagues are hell bent on making the mistakes of the past in continuing to fiddle while all economic indicators point to the need for rate cuts. The bond market clearly indicates such a course of action is required and it is rarely, if ever, wrong.

**John Turner**  
Dublin, Ireland

### Corrections

● The On Wall Street column on December 16 wrongly referred to some \$70bn of gains made by Michael Dell and Silver Lake from acquiring VMware and relisting it. The number includes gains from that deal combined with previously taking Dell Technologies private.

● Based on a series of American financial asset returns dating back to 1871, stocks' median outperformance of bonds over a 10-year holding period has been 3.7 percentage points a year, rising to 4.6 percentage points per annum over 50-year holding periods, not 2.3 and 4 percentage points, respectively, as wrongly stated in a Markets Insight column on December 14. The incidence of equity underperformance more than tripled over 15-year holding periods under the new data set, not over 20-year holding periods.

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## Opinion

## America's cultural supremacy and geopolitical weakness

## POLITICS

Janan Ganesh



When the top two teams in the Premier League go at each other this weekend, America can't lose. Arsenal and Liverpool, like AC Milan, Roma, Marseille, Lyon, Chelsea and (for now) Manchester United, are both US-owned. In 1994, when the nation last hosted the World Cup, it didn't even have a domestic league. When it next does so in 2026, it should have a proprietorial role in at least three European ones. The planet's favourite game is being steered to a considerable extent from US boardrooms.

Perhaps your test of cultural influence is higher-minded than that. Well, consider that US universities continue to dominate world rankings. Or that America accounts for 45 per cent of art sales by value, according to UBS, which is more than Britain and China, the next two markets, combined. To attend the Venice Biennale now is to enter a new Jazz Age in which experts from all over the world vie to advise American patrons on how to spend the spoils of their economic boom.

Even this doesn't quite capture America's ongoing grip on the global imagination, which shows up most in the culture wars. Although some of the root philosophical ideas are French, the movement known as "woke" was a gift from the US to other advanced democracies. (With, dismayingly, no receipt included.)

This is a personal impression, and therefore unquantifiable, but I suggest

that America has more cultural reach now than it did in its supposed unipolar moment of the 1990s. The police killing of George Floyd in Minneapolis three years ago set off protests in London, Paris and beyond. The beating of Rodney King in 1991 had no such international echo. Back then, Britain's *bien pensants* didn't follow US political media

**What is happening to the US in the 21st century is too complex to be captured in that blunt word 'decline'**

as though it were domestic fare, or tell each other to stop "gaslighting" and "do better", much less couch all this second-hand argot in Upspeak. To adapt what Jefferson said about France, everyone, or at least everyone educated and lib-

eral, seems to have two countries now: their own and America.

All the while, the geopolitical clout of the US wanes. Recent months have been a tutorial in Washington's limited purchase on the Middle East. The once-uncontested superpower has also failed to persuade much of the world to participate in sanctions against Russia. It has little to show for 20 years in Afghanistan. The Bretton Woods institutions are fighting for relevance. The proliferation of armed conflicts, set out in a recent report from the International Institute for Strategic Studies, suggests that Pax Americana is giving way, if not to Pax Sinica then to no kind of Pax at all. As during the cold war, the US struggles to corral the "global south", which was called the "third world" at the time, and will be called something else soon, when liberal protocol moves on in all its clockwork-fickleness.

What is happening to the US in the

21st century is too complex to be captured in that blunt word "decline". As the nation's share of world output has dropped, its influence on world culture — on the tastes, idioms and habits of foreigners — is as vast as ever. Whether your concerns are high brow (where should I do a postgraduate degree?), middling (what show will I stream tonight?) or popular (who owns Declan Rice?) or America is inescapable. We are now a couple of decades into its relative loss of ground to China in traditional power terms. The knock-on effect for US prestige in other domains should be registering now. It is staggeringly negligible.

Is this good for Americans? You can see how it might be. One thing that helped postwar Britain absorb the loss of empire was the knowledge that its language was ascendant in the world, its pop music all-conquering and its national broadcaster a universal refer-

ence point. (Another was the pig-ignorant but soothing belief that the usurper, America, was composed of ethnic "cousins".) No other decolonising European state was cushioned like this.

At the same time, all that cultural lustre blinded the British to the extent of their demotion from the geopolitical high table. There were some dire miscalculations as a result, such as abstention from the embryonic European project. Comparisons between British and American decline are mostly useless. For one thing, with 330mn people, the US can't fall as low. But I wonder if it will have the same trouble as Britain in recognising its diminished geopolitical status, and adapting its statecraft to compensate. To retain immense cultural reach is a wonderful cushion for a post-peak superpower. The trick is to not fall asleep on it.

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# Poor countries' debt is fuelling destitution

Martin Wolf Economics

The rate at which extreme poverty is falling has slowed alarmingly and the rich world needs to act



It is just under four years since the world became aware of Covid-19. This triggered a huge decline in economic activity, followed by a swift overall recovery, the Russia-Ukraine and now Gaza wars, soaring prices (especially of food and energy) and rapidly rising interest rates. In the background, climate change is becoming increasingly evident. What does all this mean for the world's poorest? The answer is that past progress in eliminating extreme poverty has slowed sharply. In the countries that contain most of the world's poorest people, it has simply stalled. If this is to improve, these countries will need more generous assistance from official donors.

The much-maligned age of globalisation helped bring about huge reductions in the proportion of the world's population living in extreme destitution. Currently, the World Bank defines that as an income of less than \$2.15 a day at 2017 prices. The numbers in extreme poverty, so defined, fell from 1,870mn (31 per cent of the world population) in 1998 to a forecast of 690mn (9 per cent of global population) in 2023. Unfortunately, the rate of decline has slowed sharply: from 2013 to 2023, the global poverty rate will fall by a forecast of a little over 3 percentage points. In contrast, it fell by 14 percentage points in the decade prior to 2013. (See charts.)

Why has this slowdown in the rate of fall in extreme poverty happened? The answer is that it has slowed in the world's poorest countries — those eligi-

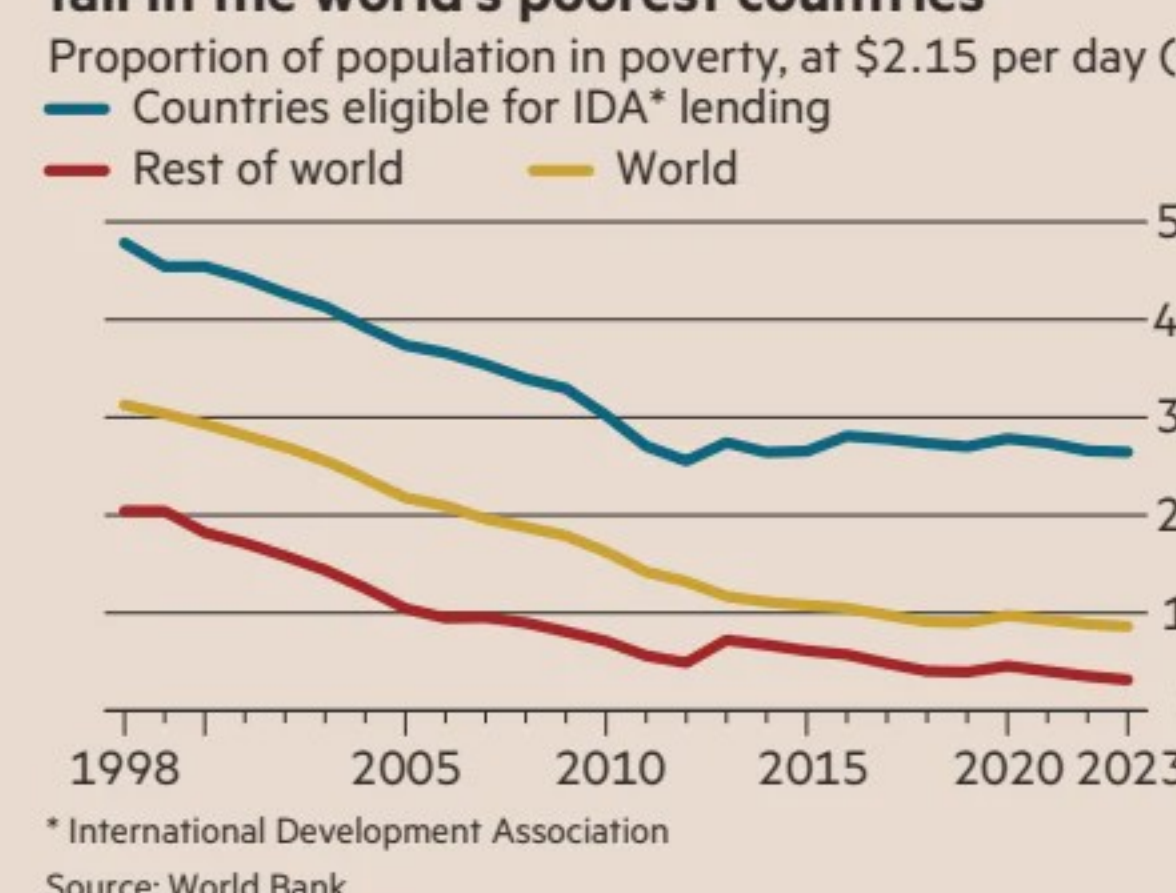
ble for lending by the International Development Association, the World Bank's soft-lending arm. The proportion of the population in extreme poverty in the rest of the world fell from 20 per cent in 1998 to a forecast of just 3 per cent in 2023. It fell by an estimated 4 percentage points just between 2013 and 2023. Meanwhile, in the IDA-eligible countries the proportion in extreme poverty also fell, from 48 per cent in 1998 to a (still high) forecast of 26 per cent in 2023. But the reduction was a mere percentage point between 2013 and 2023, while it had been 14 percentage points in the preceding decade.

It is not that extreme poverty has disappeared altogether in better off countries. There are still forecast to be some 193mn in that condition in countries ineligible for IDA today. But the number in IDA-eligible countries is 497mn, 72 per cent of the global total of 691mn. Moreover, with the proportion of extremely poor in the rest of the world just 3 per cent, it is reasonable to assume that, with modest overall growth, this will be mostly eliminated by 2030. It is clear, then, that the goal of eliminating extreme poverty from our world will only be achieved by focusing attention and resources on the world's poorest countries, where the bulk of the extreme poverty is concentrated and where it is also most entrenched.

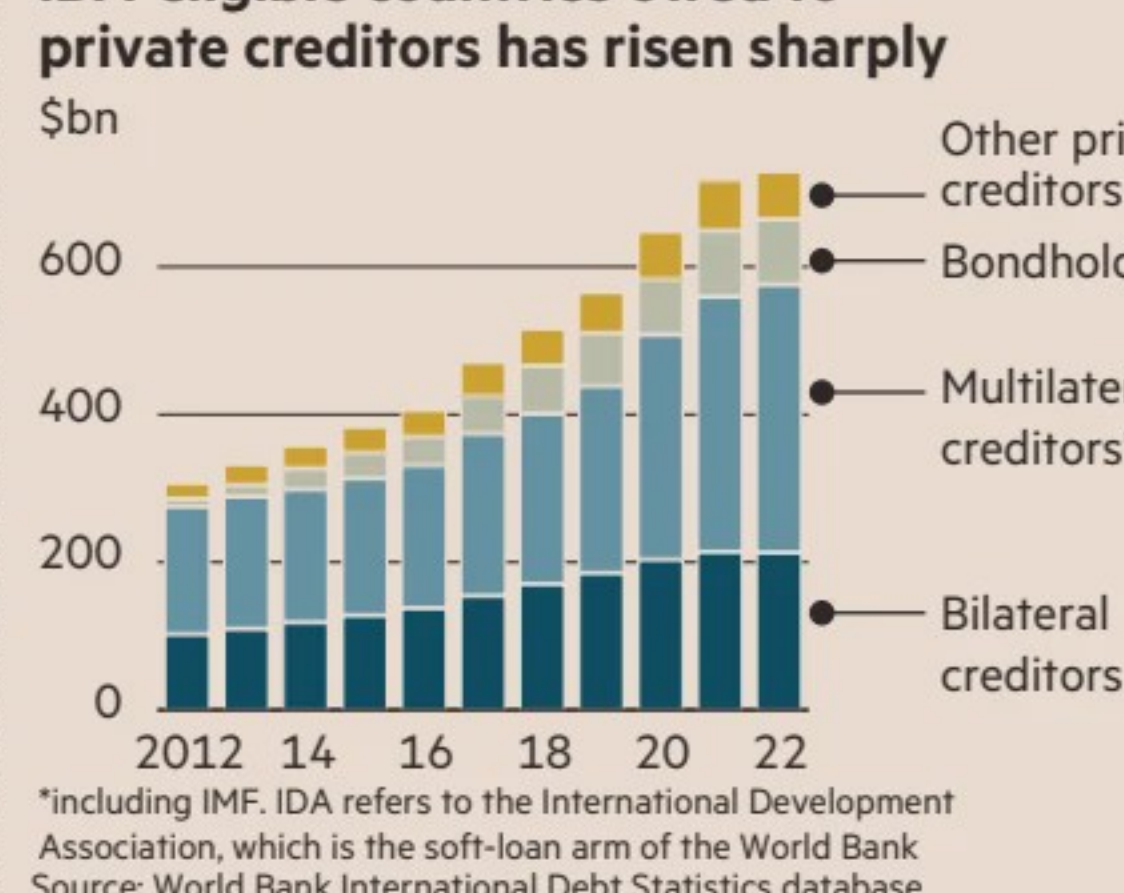
Seventy-five countries are poor enough to be eligible for IDA resources. Of the 75, 39 are in Africa. Some of them are also eligible for borrowing on the



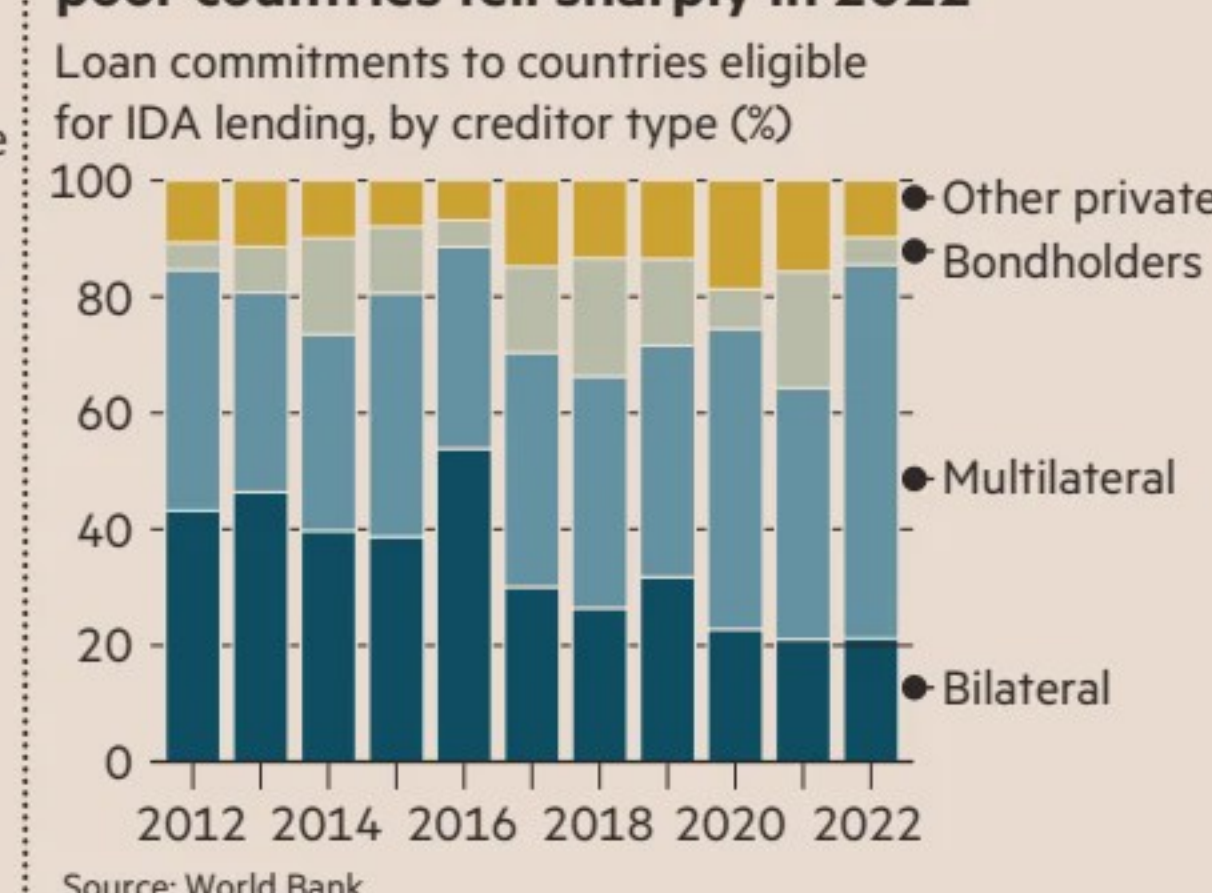
## The poverty rate has ceased to fall in the world's poorest countries



## The share of the external debt of IDA-eligible countries owed to private creditors has risen sharply



## The private share of funding of poor countries fell sharply in 2022



more expensive terms of the International Bank for Reconstruction and Development as well. These include Bangladesh, Nigeria and Pakistan.

There is little doubt that IDA-eligible countries include many of the worst managed ones in the world. But they are also fragile in multiple ways and so are caught in poverty traps, from which it is desperately hard to escape, especially when buffeted by shocks, as they have been. Moreover, they need not be "bottomless pits". IDA was created more

**Commercial borrowing by these nations is unsafe. Some of their loans will need to be written off**

than half a century ago in large part to help India. Indeed, IDA was sometimes even labelled the "India Development Association". Yet India has now successfully graduated and is a donor. Indeed, IDA has a long list of graduates, China also among them.

IDA is now using its 20th replenishment, from July 2022 to June 2025. Given the urgency of accelerating growth, reducing extreme poverty and tackling challenges posed by climate change in impoverished countries, the next replenishment will need to be far bigger, as Ajay Banga, World Bank president, argued at its midterm review.

The World Bank's latest International Debt Report, out last week, reveals another powerful reason why more IDA resources are needed: these countries have become too reliant on more unreli-

able and expensive sources of funding. Thus, the report states that "For the poorest countries, debt has become a nearly paralysing burden: 28 countries eligible to borrow from [IDA] are now at high risk of debt distress. Eleven are in distress." The debt problem is more general. But it is particularly significant in countries with such high concentrations of desperately poor people.

These debt problems are not that surprising. Between 2012 and 2021, the proportion of external debt of IDA-eligible owed to private creditors jumped from 11.2 to 28.0 per cent. Partly as a result, debt service of IDA-eligible countries jumped from \$26bn in 2012 to \$89bn in 2022, with interest payments alone jumping from \$6.4bn in 2012 to \$23.6bn in 2022. Above all, the share of bondholders and other private lenders

in total commitments collapsed from a high of 37 per cent in 2021 to a mere 14 per cent in 2022. This is classic creditor behaviour in dealing with marginal borrowers: head home when the Federal Reserve tightens monetary policy. In all, the share of IDA-eligible countries at risk of debt distress reached 56 per cent in 2023, says the report.

Commercial borrowing by these countries is simply unsafe. Some of their outstanding debt will need to be written off. More important, they will need far more concessional finance. It is not just the rich countries' duty, but in their interest to provide the resources they need to escape the poverty trap. Billions of people have done so. Now let us finish the job.

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## Peace is impossible without resolving the leadership vacuum in Israel and Gaza

Dana El Kurd

The war in Gaza has now dragged on for more than two months, bringing some of the worst rates of violence in the 21st century. Israel's bombardment and ground invasion has led to severe damage to homes and infrastructure, the displacement of over 90 per cent of its population and, above all, a catastrophic civilian death toll — including the number of children killed, which surpasses the global total of the last three years combined — points to a severe catastrophe. And the end result of all this remains an open question.

A number of arrangements have been

floated: direct re-engagement of Israeli forces on the ground in Gaza, the creation of a multinational force including Arab states, or the re-installment of the Palestinian Authority. The first, most likely, arrangement has been opposed by the US at least rhetorically. The second and third have been met with caution by Arab states and the PA, respectively, while Israel rejects both.

Recent reporting suggests the PA would be willing to take on the role with various provisos, including that Hamas political leaders play a junior role as well. The PA is attempting to make this a condition, in order not to be seen as arriving "on an Israeli tank" — a definite way to ensure public backlash. This reflects an awareness that they have little to no credibility with the Palestinian public, as polls repeatedly show overwhelming disapproval of the PA.

In spite of these realities, the PA's reinstatement is seen as the most viable

path forward. This highlights an enduring issue that policymakers refuse to contend with: the complete lack of input from Palestinians. Indeed, a key reason the PA is seen as so illegitimate is because it has remained unaccountable

**A number of initiatives have demonstrated that Palestinians are able to organise**

to the public, largely dependent on US backing and support, for the past 17 years. Hamas has also remained insulated from Palestinian public sentiment.

The result is a political vacuum in which external actors intervene, or attempt to position their preferred leader based on their own interests. This

is simply non-viable, whether short or long-term. In this scenario, any compromise under discussion will have little public support. Whatever leadership is propped up cannot be sustained without public buy-in.

This is not to suggest that Palestinians are unable to put forward alternatives. A number of initiatives have demonstrated that Palestinians are able to organise, and that alternative leaders are out there. They have simply been blocked, time and again, from making a dent in the status quo — whether through cancelled elections, political repression, or violence.

On the Israeli side, there is no shortage of leaders, and people like Benny Gantz and Yair Lapid have been floated as alternatives to Prime Minister Benjamin Netanyahu. However, none of the political actors deemed acceptable to the Israeli public espouse anything very different to Netanyahu on the question

of Palestine. As Israeli analysts have outlined, the mainstream political approach to the Israeli-Palestinian conflict is a coercive status quo. And in the aftermath of the brutal attacks on October 7, attitudes among leadership have hardened further. Thus we have a vacuum, among those with power, of anyone with an interest in peace.

The latest escalation of violence in Gaza highlights the biggest predicament moving forward: the question of missing leadership. Since the international community assume Palestinian society does not have to be consulted, the choices are very limited. And on the Israeli side, no leader has an incentive to move forward with a political, rather than a military, solution. As the actor with the most leverage in this conflict, the US has been unwilling to push for anything more.

But this vacuum is not inevitable. The international community, and the US first and foremost, can restrain power-

ful actors, changing the calculations of Israeli political leadership so that a policy of the status quo becomes unsustainable. Moreover, the global community can ensure the incorporation of Palestinian society in possible ways forward, guaranteeing that whatever leadership emerges is chosen by the public, and accountable to them.

There are lessons to be learned from other conflicts here, such as Northern Ireland, where the public was allowed to vote on various aspects of the peace process, or South Africa, where citizens participated in truth and reconciliation hearings.

Whatever form it takes, resolving leadership vacuums on both sides is crucial to moving forward in a way that minimises violence. The alternative is only prolonged bloodshed.

The writer is senior non-resident fellow at the Arab Center Washington DC