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THURSDAY 15 FEBRUARY 2024

USA $2.50

Is Berlin's defence promise too hard to keep?
BIG READ, PAGE 15

How AI will shake out asset management
MOHAMED EL-ERIAN, PAGE 11

Jakarta party
Widodo ally claims victory

Prabowo Subianto celebrates with supporters in Jakarta after claiming victory in Indonesia's presidential election yesterday.

Projections by polling groups put the defence minister and former general on track to win 60 per cent of the vote and to succeed Joko Widodo as leader of south-east Asia's biggest economy. Prabowo had pledged to continue the policies of the popular incumbent.

"This is a very convincing win. [Widodo's] influence as a kingmaker in this election has been very consequential," said one analyst.

But the prospect of a Prabowo administration has raised concerns for Indonesia's young democracy because of his links to Widodo, whose son was Prabowo's running mate, and his alleged involvement in human rights abuses during his time in the army.

Report & analysis page 3

Kim Kyung-Hoon/Reuters

Luxury cars held at US ports after VW discovers banned Chinese part

● Porsche, Bentley and Audi ● Thousands of vehicles seized ● Component breaches forced labour law

PETER CAMPBELL — LONDON
DEMETRI SEVASTOPULO — WASHINGTON
PATRICIA NILSSON — FRANKFURT

Thousands of Porsche, Bentley and Audi cars have been impounded in US ports after a supplier to parent group Volkswagen found a Chinese component in the vehicles that breached anti-forced labour laws.

According to two people with knowledge of the matter, the carmaker has delayed delivery of the vehicles until as late as the end of March as it replaces an electronic component found to have come from "western China".

The people stressed that VW was not aware of the origin of the part, which was sourced by an indirect supplier further down its supply chain, until the supplier alerted it to the issue.

They added that VW notified US authorities as soon as it was made aware of the part's origin.

US-China relations remain mired in their worst state since the countries established diplomatic ties in 1979. But Washington and Beijing have been trying to stabilise their relationship, with President Joe Biden meeting his Chinese counterpart Xi Jinping at a summit in San Francisco in November.

The US prohibits the import of products made with forced labour in the western Xinjiang region and other areas in China under the Uyghur Forced Labor Prevention Act of 2021.

> A VW letter to waiting customers blamed 'a small electronic component' but did not specify its origin

The people would not confirm whether or not the part in question was produced in Xinjiang itself.

The issue affects about 1,000 Porsche sports cars and SUVs, several hundred Bentleys and several thousand Audis, say people briefed on the details.

VW said it took "allegations of infringements of human rights very seriously, both within the company and in the supply chain", including "any allegations of forced labour".

"We will clarify the facts and then take appropriate steps. These may also include the termination of a supplier relationship if our investigations confirm serious violations," it added.

Questions of forced labour found within its Chinese supply chain are particularly sensitive for VW, which has come under mounting pressure from human rights groups and investors alike over a facility it jointly owns in Xinjiang's capital, Urumqi.

The German car company said it would discuss "the future direction of business" in Xinjiang with its Chinese joint venture partner SAIC, following the publication in German media of fresh allegations of forced labour.

Chinese officials have defended work programmes in the region as helping employment but the UN's human rights body has said China's actions might constitute "crimes against humanity".

VW is balancing falling sales in China with a desire to increase its presence in the US at a time of growing political tension between the two countries.

The delay to US deliveries came after the company discovered in mid-January that some luxury cars bound for North America contained a part that was not compliant with customs rules, two people with knowledge of the matter said.

A letter from VW to waiting customers blamed "a small electronic component" that is a part of a larger control unit, which will be replaced". It did not specify the origin of the part.

The company has begun fixing cars, two people said. The backlog is unlikely to be cleared until at least next month.

Additional reporting by Edward White in Shanghai

VW in Xinjiang talks page 8

Briefing

▸ Uber joins Silicon Valley rush to reward investors
The ride hailing app has unveiled an inaugural $7bn share buyback programme, days after reporting its first full-year of profit. Meta announced its debut dividend this month, while Airbnb added $6bn to its buyback scheme.— PAGE 6

▸ Russian warship sunk
A large landing ship with a crew of 90 has been destroyed off Alupka on Crimea's south coast, Ukraine's military has said, dealing another blow to the Kremlin's Black Sea navy.— REPORT & ANALYSIS, PAGE 2

▸ Bezos sells $4bn of shares
Amazon's billionaire founder Jeff Bezos has sold another $2bn worth of the online retail giant's stock, bringing the total value of shares he has offloaded in the past week to $4bn.— PAGE 6

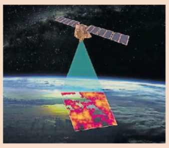
▸ LNG demand to rise 50%
Global liquefied natural gas demand is forecast to surge 50 per cent by 2040 as the world switches to cleaner fuel, energy major Shell has said in its latest annual LNG outlook.— PAGE 9

▸ Biden berates Trump
The US president has rebuked his predecessor for saying he would encourage Russia to attack Nato allies that failed to reach their targets for defence spending.
— PAGE 2; EDWARD LUCE, PAGE 17

▸ Turbulent ride for Lyft
The ride-hailing company's shares have soared more than 60 per cent and then fallen back sharply after an error in its earnings release overstated the outlook for margin growth.— PAGE 10; LEX, PAGE 18

▸ Splits in India opposition
A broad but fragile opposition coalition is breaking down over internal rivalries, defections and arrests, sapping the best chance of challenging Narendra Modi in this year's national elections.— PAGE 3

▸ Issa brothers add to loans
Mohsin and Zuber Issa, billionaire British co-owners of supermarket Asda, have borrowed £7mn more from their petrol station company EG Group to repay debt taken on to buy two private jets.— PAGE 8



Eye in space to pinpoint hidden methane menace

Methane is blamed for almost a third of the emissions-induced rise in global temperatures since the industrial era began, with the oil and gas sector a chief source. An AI-equipped satellite for tracking methane leaks is now set for launch. Costing $88mn, and primed to detect invisible releases that other systems cannot, MethaneSAT will help to crack down on leaky infrastructure while chasing the goal of a 30 per cent cut in methane emissions by 2030.
Satellite mission ▸PAGE 2

Fantasy 'phenomenon' Maas breathes fire into Potter publisher Bloomsbury

DARIA MOSOLOVA — LONDON

The UK publisher that tapped into the magic of JK Rowling's *Harry Potter* series yesterday hailed another "publishing phenomenon", as sales of Sarah J. Maas's fantasy novels boosted profits.

Shares in Bloomsbury Publishing hit a record as it raised its profit outlook for the second time in three months on soaring demand for fantasy novels, led by those written by Maas, forecasting annual earnings "significantly ahead" of market expectations.

Bloomsbury said the consensus market expectation for the year ending February 29 was for revenue of about £291mn, and for profit before tax and highlighted items to be £37.2mn. The group will report results in May.

"Sarah J. Maas is a publishing phenomenon," said chief executive Nigel Newton. "We are very fortunate to have signed her up with her first book 13 years ago."

Maas's most recent novel, *House of Flame and Shadow*, which was published last month, has topped the charts across the UK, US and Australia, while boosting demand for the previous 15 books in her series, the publisher said.

Bloomsbury said it had signed up the bestselling author for six more books, expecting her audience to grow further on the back of "word-of-mouth recommendations", particularly by TikTok and Instagram book bloggers.

BookTok — the TikTok content subgenre for book reviews — is shaping the publishing industry "more than you could imagine", said Newton.

"It plays a huge role in the genres of publishing that its users are interested in," he said. "It is not driving sales of thousand-page-long works of history but it's an absolute phenomenon in fiction".

The group, which also publishes Women's Prize for Fiction winner Susanna Clarke and popular comic book writer Alan Moore, said it was investing further into the fantasy genre, which has grown ever more popular in recent years.

Bloomsbury's shares were up almost 9 per cent following the trading update, hitting a high of 535p. Their value has risen more than 130 per cent in the past five years.

Analysts at Investec said the business was "fundamentally undervalued", given the "resilient, accelerating growth [it] can deliver over time". They now expect profit before tax for the year to be 31 per cent higher, at £48.1mn, with forecast revenue at £329.3mn.

World Markets

STOCK MARKETS

	Feb 14	Prev	%chg
S&P 500	4965.50	4953.17	0.25
Nasdaq Composite	15716.02	15655.60	0.39
Dow Jones Ind	38253.16	38272.75	-0.05
FTSEurofirst 300	1921.15	1911.92	0.48
Euro Stoxx 50	4709.46	4689.28	0.43
FTSE 100	7568.40	7512.28	0.75
FTSE All-Share	4132.87	4104.81	0.68
CAC 40	7677.35	7625.31	0.68
Xetra Dax	16945.48	16880.83	0.38
Nikkei	37703.32	37963.97	-0.69
Hang Seng	15879.38	15746.58	0.84
MSCI World $	3240.26	3281.01	-1.24
MSCI EM $	996.78	996.06	0.07
MSCI ACWI $	739.58	747.89	-1.11
FT Wilshire 2500	6397.40	6496.76	-1.53
FT Wilshire 5000	49805.70	50600.00	-1.57

CURRENCIES

Pair	Feb 14	Prev	Pair	Feb 14	Prev
$/€	1.072	1.072	€/$	0.933	0.933
$/£	1.255	1.260	£/$	0.797	0.794
£/€	0.854	0.851	€/£	1.171	1.176
¥/$	150.625	150.595	¥/€	161.485	161.401
¥/£	189.028	189.771	£ index	82.604	82.377
SFr/€	0.950	0.950	SFr/£	1.112	1.117

CRYPTO

	Feb 14	Prev	%chg
Bitcoin ($)	51468.28	49773.00	3.41
Ethereum	2741.57	2643.20	3.72

COMMODITIES

	Feb 14	Prev	%chg
Oil WTI $	77.51	77.87	-0.46
Oil Brent $	82.34	82.77	-0.52
Gold $	1996.10	2015.20	-0.95

GOVERNMENT BONDS

Yield (%)	Feb 14	Prev	Chg
US 2 yr	4.56	4.61	-0.05
US 10 yr	4.26	4.27	-0.02
US 30 yr	4.44	4.44	-0.01
UK 2 yr	4.54	4.67	-0.13
UK 10 yr	4.22	4.32	-0.10
UK 30 yr	4.58	4.65	-0.08
JPN 2 yr	0.14	0.12	0.01
JPN 10 yr	0.76	0.72	0.03
JPN 30 yr	1.81	1.79	0.01
GER 2 yr	2.71	2.75	-0.04
GER 10 yr	2.34	2.39	-0.05
GER 30 yr	2.51	2.56	-0.05

Prices are latest for edition
Data provided by Morningstar

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Ukraine

Kyiv claims sinking of Russian landing ship

Naval vessel goes down off southern Crimea in marine drone operation

BEN HALL — LONDON

Ukraine's military said yesterday it had destroyed a Russian landing ship in another severe blow to Russia's navy in the Black Sea.

The Cesar Kunikov, a Ropucha-class landing vessel with a crew of 90, was struck off Alupka on the southern coast of Crimea, which has been occupied by Russian forces since 2014, the Ukrainian navy confirmed in a statement.

Local social media channels reported that people in the Crimean peninsula had heard explosions and seen a vessel on fire off the coast.

Ukraine's military intelligence released a video it said showed the 113-metre Cesar Kunikov under attack. It added that the ship had been struck by Ukrainian-built Magura V5 sea attack drones, had been holed on the port side and had begun to sink.

Russia's military said it had shot down a number of Ukrainian aerial drones over the Black Sea overnight on Tuesday, but made no mention of maritime drones.

Dmitry Peskov, Kremlin spokesman, declined to comment on the Ukrainian claim it had sunk the ship.

The destruction of the Cesar Kunikov is the latest in a series of Ukrainian drone and missile strikes against Russian ships and naval facilities that have helped break Moscow's blockade of the Black Sea.

Russian navy commanders have ordered the removal of ships from Crimean waters periodically in an effort to protect them from Ukrainian attack.

> The destruction is the latest in a series of Ukrainian drone and missile strikes against Russian ships

Ukrainian exports have resumed largely unimpeded from Odesa and other southern ports, although port facilities have been damaged in Russian drone raids.

Ukraine's long-range strike campaign against Russian military assets in Crimea and the Black Sea has been a big success for Kyiv at a time when the grinding land war in the east and south of the country has reached a relative stalemate.

The peninsula was a Russian military stronghold and launching zone for attacks on mainland Ukraine, but has become increasingly vulnerable to Ukrainian fire.

In September, Ukrainian forces struck the headquarters of Russia's Black Sea fleet in Sevastopol, Crimea, using cruise missiles which had been supplied by western allies Britain and France.

That attack was made possible after Ukrainian forces eliminated one of Russia's modern S-400 air defence systems which was protecting the Kremlin's forces in and around the peninsula.

In November, a Ukrainian strike badly damaged the Askold, a Russian missile ship. Russia has also lost the cruiser Moskva, flagship of the Black Sea fleet, a submarine and smaller vessels since the invasion began.

The Cesar Kunikov was previously damaged while it was berthed in Russian-occupied Berdyansk in March 2022 in a Ukrainian missile strike that destroyed the Saratov, another Russian ship.

The vessel attacked yesterday was named after Cesar Kunikov, a Soviet naval infantry officer who was killed in a battle during the second world war, on February 14 1943.

Capitol Hill. Security legislation

House Speaker central to $60bn aid for Ukraine

Kyiv's funding from US may hinge on whether Trump ally allows bill to be put to vote

LAUREN FEDOR — WASHINGTON

President Joe Biden has urged the Republican leadership in the House of Representatives to bring a sweeping $95bn national security bill that includes some $60bn of military aid for Ukraine to a vote "immediately".

The bill passed the Senate on Tuesday. But the measure, which also includes billions in aid for Israel and Taiwan and humanitarian aid for Gaza, faces an uncertain future in the House.

What is at stake for Kyiv?

US support has been critical in supplying the Ukrainian military to reclaim land captured by Russian forces. But Kyiv is running low on critical munitions and poised to run out of artillery shells essential to the conflict unless Congress authorises more aid, which is partly used to buy US-made weapons.

But Republican opposition to the package has delayed it for months, raising fears in Ukraine and among allies in Europe. One US military official warned that the delay risked creating an "air bubble" or "gap in the hose" of supplies.

Biden on Tuesday warned of "Ukrainian soldiers [running] out of artillery shells, Ukrainian units rationing rounds of ammunition to defend themselves". Passing the bill would send a message to the world that "America can be trusted, America can be relied upon, and America stands up for freedom", he added.

Ukraine President Volodymyr Zelenskyy also urged House Republicans to make an "equally strong moral choice".

Why does the Speaker matter?

The voting schedule on the House floor is tightly controlled by its Speaker, Louisiana Republican Mike Johnson, who has said he will not be rushed into bringing the Senate-passed bill up for a vote.

Johnson, an ally of Donald Trump, has criticised the Senate version as it does not include provisions to tighten security at the US-Mexico border. Ironically, a previous bipartisan compromise that did include controls and funding for Ukraine failed after it was trashed by Trump, who has more to gain during the election year from the border problem.

In the limelight: House Speaker Mike Johnson is surrounded by the media yesterday in Washington
Chip Somodevilla/Getty Images

Trump has yet to weigh in on the new Senate-passed bill. But Johnson has said the Senate "should have gone back to the drawing board to amend the current bill to include real border security".

Why does Johnson balk at Kyiv aid?

Republicans on Capitol Hill are deeply divided on aid for Kyiv, reflecting the influence of media personalities such as Tucker Carlson who has lambasted Zelenskyy and recently interviewed Russia President Vladimir Putin in Moscow.

Republican Ukraine sceptics, who claim without evidence that US aid is being misspent, have been emboldened by Trump, the party's likely presidential candidate, who claims he could end the war "in a day" and whose isolationism has become mainstream in his party.

Trump sent shockwaves across the Atlantic when he told supporters over the weekend he would encourage Russia to do "whatever the hell they want" if Nato allies failed to meet defence spending targets.

Not all Republicans share such views, including the 22 who voted for the bill in the Senate. Leader Mitch McConnell has urged Johnson to allow a House vote.

McConnell told Politico: "I hope the Speaker will find a way to allow the House to work its will on the issue of Ukraine aid and the other parts of the bill as well."

On Tuesday, Republican Andy Biggs, a member of the hardline House Freedom Caucus who opposes more aid for Ukraine, acknowledged that the bill would win a majority in the chamber.

"If it were to get to the floor, it would pass," Biggs said.

Johnson will face pressure from defence hawks within his party, moderates in swing districts, and Republican allies in the business community to put the bill up for a vote. Yet it could risk a backlash from Trump, and even a move by the party's right flank to oust him.

Is there any way to bypass Johnson?

Washington has been buzzing over the possible use of a so-called discharge petition, a tool that would allow Democrats to force a vote. If at least four House Republicans signed on to the petition, it would override Johnson.

> 'Republicans must stand up to pro-Putin extremists in the House who apparently want Russia to win'

Hakeem Jeffries, the Democrats' leader in the House, in a letter sent to colleagues on Tuesday vowed to use "every available legislative tool" to get the bill over the line. "Republicans must . . . stand up to pro-Putin extremists in the House who apparently want Russia to win," he wrote.

Johnson on Tuesday insisted national security "begins with our own border".

Can Biden push it through?

Biden cannot force Congress, but he has a bully pulpit, and he is using it.

"I call on the Speaker to let the full House speak its mind and not let a minority of the most extreme voices . . . to block this bill," he said on Tuesday. "Failure to support Ukraine at this critical moment will never be forgotten."

Biden can draw down US stockpiles, but those weapons are running short.

National security adviser Jake Sullivan said last week that the Biden administration was not focused on finding ways to circumvent Congress.

Military alliance

Biden rebukes Trump for 'un-American' outburst on Nato allies

JAMES POLITI — WASHINGTON
HENRY FOY — BRUSSELS

Joe Biden sharply rebuked Donald Trump for saying he would encourage Russia to attack Nato allies that did not spend enough on defence, as the US president pleaded for Republicans in Congress to pass a $95bn funding bill including aid for Ukraine.

Speaking at the White House on Tuesday after the Senate approved the national security legislation with bipartisan support, Biden issued his most strident criticism yet of comments made by Trump last Saturday at a rally in South Carolina.

"Just a few days ago, Trump gave an invitation to [Russian President Vladimir] Putin to invade some of our allies, Nato allies," Biden said. "No other president in our history has ever bowed down to a Russian dictator. Let me say this as clearly as I can: I never will."

Biden added: "For God's sake, it's dumb, it's shameful, it's dangerous, it's un-American."

Trump's comments last weekend have reverberated across the transatlantic alliance, triggering deep concern and outrage across Europe. At the campaign event, Trump recalled telling Nato allies he would not "protect" countries that were "delinquent" on their defence spending, and would encourage Russia "to do whatever the hell they want" to those that failed to "pay" up.

Nato secretary-general Jens Stoltenberg confirmed yesterday that 18 of its 31 members will meet the target of spending 2 per cent of gross domestic product on defence this year. That includes Germany, Europe's biggest economy, for the first time.

The total amount equates to Nato's European members spending a combined $380bn on defence, a record. "We are making real progress . . . European allies are spending more," he said.

That number is likely to rise as budgets are adjusted, according to three alliance diplomats. "Nato expects about two-thirds of allies to hit 2 per cent in 2024," an alliance official pointed out.

In 2016, only five countries met the 2 per cent target.

"We have to listen and take note of the following: the criticism that we hear [from Trump] is not primarily about Nato. It is about Nato allies not spending enough," said Stoltenberg yesterday. "And that is a valid point . . . that European allies and Canada have to spend more."

Biden's camp has seized on Trump's comments to highlight the extreme foreign policy position of his likely rival in November's presidential election.

"Our adversaries have long sought to create cracks in the alliance; the greatest hope of all those who wish America harm is for Nato to fall apart," Biden said. "For as long as I'm president, if Putin attacks a Nato ally, the US will defend every inch of Nato territory."

Biden's remarks came after the White House cheered the Senate's passage of a spending bill including $60bn to support Ukraine in its defence against Russia, along with security aid for Israel and Taiwan and humanitarian assistance for Gaza. The bill must pass the House of Representatives.

Edward Luce See Opinion

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Global warming

Google AI enhances satellite mission to track methane leaks

JAMIE SMYTH — NEW YORK
KENZA BRYAN — LONDON

A satellite mission to track planet-warming emissions of methane gas is finally set to launch, now aided with artificial intelligence technology to help build a global map of oil and gas infrastructure and study it for leaks.

The MethaneSAT satellite was announced by the Environmental Defense Fund, the US advocacy group, six years ago to monitor releases of the invisible gas that researchers estimate is responsible for almost a third of the emissions-induced increase in global temperatures since the start of the industrial era.

The satellite is now scheduled to blast into space in March aboard a rocket operated by Elon Musk's SpaceX. Yesterday, Google said it would provide the AI computing capabilities required to crunch vast amounts of data produced by the orbiting methane monitor.

MethaneSAT is the latest example of how satellites are used to detect emissions from oil and gas facilities of methane, which is more than 80 times more potent than carbon dioxide at trapping heat in the atmosphere over a 20-year timescale. Experts say reducing methane emissions is one of the most powerful short-term actions needed to address global warming.

The International Energy Agency this year found the global energy industry was responsible for 135mn tonnes of methane emissions in 2022, only slightly below record high levels of 2019. Existing satellites have detected more than 500 "super-emitting" events in 2022 from oil and gas operations, the IEA said, with a further 100 such events at coal mines, which can release methane during or after operations.

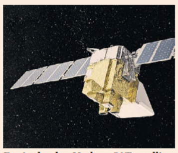
"We think this is a moonshot," said Yael Maguire, vice-president of Geo Sustainability at Google. "We have a lot of optimism that we can help all of the scientists, researchers, public sector institutions, and the oil and gas industry build the cleaner future we all want."

MethaneSAT, which cost $88mn, is designed to measure emissions other satellites cannot and spot problems other detection systems cannot. It can calculate total emissions, where they come from and how they change, providing a tool to regulators rolling out penalties for leaky infrastructure.

Patrick Barker, an analyst at Wood Mackenzie, said other satellites typically offer very high sensitivity to emissions at fine spatial resolution or wide spatial coverage that allow the entire globe to be observed within a short time.

"MethaneSAT is the first satellite of its kind to offer the 'best of both worlds' in both spatial coverage and sensitivity to emissions," he said.

The project, delayed by the pandemic and supply chain snags, can detect emissions as low as 500kg per hour from areas as small as 1 sq km, while scanning a field of view 200km wide.



Eye in the sky: MethaneSAT satellite will use Google AI to build database

Awareness about methane's role in global warming has increased in the past decade. More than 100 countries led by the US and Europe signed up in 2021 to a global pledge to cut emissions 30 per cent by 2030.

China, the world's largest emitter of the gas, pledged last year to track and reduce such emissions but remains outside the pact, as do Russia and India, also among the world's top emitters.

The fund said the tie-up with Google would enable the MethaneSAT team to use Google Cloud, AI, mapping and satellite imagery to provide the first map showing how different types of machinery contribute to methane leaks.

"By the end of 2025 we should have a very clear picture on a global scale from major oil and gas basins," said Steven Hamburg, chief scientist at the fund.

The oil and gas sector has begun taking steps to tackle methane emissions, as the US and others move to implement penalties. At the COP28 climate conference in December, companies representing about a third of global output pledged to stop routine flaring of excess methane and to eliminate nearly all gas leaks by the end of the decade.

INTERNATIONAL

Indonesians vote for continuity as Widodo ally set to win presidency

Prabowo vows to work for all amid fears over human rights and nation's hard-won democracy

A ANANTHA LAKSHMI — JAKARTA

Prabowo Subianto has won a decisive victory in Indonesia's presidential election, according to early projections by polling groups, putting the controversial former general on track to succeed Joko Widodo at the helm of south-east Asia's biggest economy.

The 72-year-old former special forces commander had pledged to maintain the policies of the hugely popular Widodo, known as Jokowi. He has over the past 10 years overhauled Indonesia's economy, putting it firmly on the radar of foreign investors and positioning it as an important player in the global energy transition.

But the prospect of a Prabowo administration has raised concerns among some political analysts for Indonesia's young democracy because of the ex-general's links to the outgoing Widodo, whose son was picked as Prabowo's running mate, and alleged involvement in past human rights abuses.

Prabowo, who is at present Indonesia's defence minister, won close to 60 per cent of the vote yesterday, according to sample ballot results — known as quick counts — released by multiple private pollsters, including Indikator Politik Indonesia and Lembaga Survei Indonesia. That was a stronger showing than pre-election polls that put his support closer to 50 per cent.

"This is a very convincing win. Jokowi's influence as a kingmaker in this election has been very consequential for Prabowo," said Kennedy Muslim, an analyst at Indikator Politik Indonesia.

Former Jakarta governor Anies Baswedan was second with about 25 per cent, followed by former Central Java governor Ganjar Pranowo with less than 20 per cent, according to the unofficial projections. The two defeated camps alleged fraud and violations in the election process.

Prabowo said he and his running mate, Gibran Rakabuming Raka, 36, were "grateful" for the quick count results predicting victory. "Prabowo-Gibran and our coalition will embrace all elements . . . We will lead, protect and defend all Indonesians regardless of ethnicities, religions, social backgrounds," he told thousands of supporters in a Jakarta stadium.

Celebration: a supporter applauds Prabowo Subianto as he addresses a crowd in Jakarta yesterday after the polls closed

Bay Ismoyo/AFP/Getty Images

Prabowo is expected to avoid a run-off in June that would have been triggered if he had received less than half the vote. Quick counts have in the past been reliable and in line with official results, to be announced in March. The new president will take over in October.

The preliminary result capped a remarkable turnaround for Prabowo, who previously ran for president in 2014 and 2019 and has tried to soften his image by appealing to Indonesia's younger voters and campaigning heavily on social media. He also promised continuity with Widodo.

"Prabowo was propelled to victory by the unofficial but clear backing of the popular Jokowi and a successful, social media-driven rebranding," said Peter Mumford, south-east Asia head at the consultancy Eurasia Group. "Prabowo's first-round victory removes the immediate political uncertainty."

The outgoing president spent heavily on infrastructure, pursued investor-friendly reforms and leveraged Indonesia's vast nickel reserves to build an electric-vehicle ecosystem, part of his ambition to transform Indonesia into a top four global economy by 2045.

He is constitutionally barred from running for a third term but enjoys approval ratings of 80 per cent, a public mandate he lent to Prabowo's campaign.

"Jokowi has been very good for the economy and we should continue that. I would vote for him again if I could," said 27-year-old Muhammad, who declined to give his full name. "Prabowo has promised to maintain [Widodo's] policies; that's why he is my choice."

> 'Prabowo has promised to maintain [Widodo's] policies; that's why he is my choice'

But political analysts have warned that Prabowo could test Indonesia's hard-won democracy, which was established in 1998 after bloody unrest that unseated autocrat Suharto, his former father-in-law.

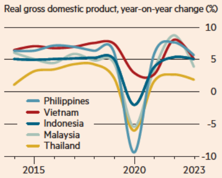
Prabowo was discharged from the military the same year after being accused of ordering the kidnapping of more than two dozen pro-democracy activists, many of whom are feared dead. He has denied the allegations.

Widodo has faced criticism from activists and allies for engineering the nomination of his son as Prabowo's running mate, drawing accusations that the outgoing president was trying to establish a political dynasty.

Additional reporting by Diana Mariska in Jakarta

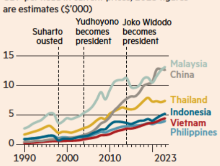
Indonesia's economy maintained about 5% growth except during the pandemic

Real gross domestic product, year-on-year change (%)



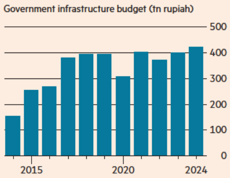
GDP per head expected to surpass $5,000 in 2024

GDP per head in current prices, 2023 figures are estimates ($'000)



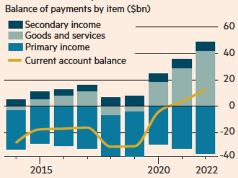
Infrastructure spending has climbed under Joko Widodo

Government infrastructure budget (tn rupiah)



Strong exports pushed Indonesia's current account into surplus in 2021

Balance of payments by item ($bn)



Sources: IMF; Bloomberg; Indonesia's Ministry of Finance; DataIndonesia.id

Investment

Nickel critical to Jakarta's reinvention of economy

A ANANTHA LAKSHMI — JAKARTA
ANDY LIN — HONG KONG

Over the past decade, Joko Widodo reinvented Indonesia's economy to make it one of the world's most attractive investment markets.

Indonesia's president, who took office in 2014, wielded the country's nickel deposits — the largest in the world — to upgrade a domestic mineral processing industry and bring in foreign investments, while shifting a long-standing current account deficit into surplus.

The transformation is not yet complete: the furniture maker turned politician has set an ambitious target for Indonesia to become one of the world's five biggest economies by 2045.

Under Widodo, who is popularly known as Jokowi, Indonesia's economy has grown about 5 per cent every year, except during the coronavirus pandemic years of 2020 and 2021.

While growth on average has been slower under Widodo's tenure than the previous decade — in part because of lower commodity prices — economists said the stability had bolstered investor and consumer confidence.

Gross domestic product per capita has also climbed and is approaching a sweet spot of $5,000, which would bolster the middle class and trigger a wave of discretionary spending, said Henry Wibowo, head of Indonesia research and country strategist at JPMorgan. "It's an important growth driver and it's going to create a lot of new sectors."

But some economists cautioned that Indonesia should be growing at a faster rate to meet its goals.

Chatib Basri, a former finance minister and a senior lecturer at the University of Indonesia, said the economy needed to expand at a rate of 6 to 7 per cent until 2050 to avoid getting stuck in the tiers of middle-income countries.

One critical driver of growth has been Indonesia's reserves of nickel, an important element of electric vehicle batteries. Widodo banned exports of nickel ore in 2019, part of a strategy to cultivate a domestic EV supply chain.

The move invigorated the metals and mining industry by forcing refiners and battery makers to set up onshore.

Foreign direct investment has poured in, with companies such as Ford, Hyundai, Tsingshan Holdings and BYD committing billions of dollars.

In 2023, investment grew 3.7 per cent to hit a record $47.3bn, after jumping 46.6 per cent in 2022. About a third of FDI, predominantly from China, went into the metals and mining industries.

Widodo's implementation of a job creation law has also fuelled investment, introducing reforms to cut red tape and opening up sectors previously closed to foreign funds.

His administration has spent more on infrastructure than predecessors, building roads, railways, dams and ports across the archipelago of 17,500 islands.

National polls

India opposition alliance fractures as support for Modi soars

JOHN REED AND JYOTSNA SINGH
NEW DELHI

India's best chance of challenging Narendra Modi is disintegrating months before national elections, as a broad but fragile opposition coalition breaks down over internal rivalries, defections and arrests and intimidation by law enforcement.

The alliance of centre-left and regional parties, unveiled last July under the banner of the Indian National Developmental Inclusive Alliance, or INDIA, presented itself as a unity front to prevent India's powerful prime minister and his majoritarian Hindu Bharatiya Janata party from coasting to a third term in power.

But seven months later, talks among INDIA's more than two dozen parties on seat-sharing — tactical agreements to avoid competing in some constituencies — have made little headway, while Modi has enjoyed a surge of support after he inaugurated a sprawling Hindu temple complex at Ayodhya in the north-east.

The opposition has also suffered the desertion of two critical figureheads. Mamata Banerjee, head of the All India Trinamool Congress, said last month that her party would independently field candidates, and Nitish Kumar, the chief minister of Bihar, India's third most populous state, jumped ship to ally with the BJP.

Elsewhere, officials have been targeted by raids, arrests and corruption probes that the opposition says are politically motivated.

"The INDIA alliance is collapsing very rapidly," said Neerja Chowdhury, a political analyst and contributing editor with the Indian Express newspaper. "The BJP have a formidable election machinery unlike any in the world, a popular leader who has been 10 years in power, and most importantly, they have a hunger for power."

India does not publish reliable opinion polls and its electoral commission has not set a date for the election, expected to take place in April and May.

But the weakened opposition appears to be heading for a third election loss to an emboldened BJP and its powerful leader, who has built a mass following on religious nationalism.

Modi last week told parliament that his party and its allies were aiming for 400 seats in the forthcoming election — a "supermajority" that would give the BJP a historic opportunity to shape Indian politics and life — and that the ruling party alone would target at least 370 seats, up from 290 now.

"The INDIA alliance is over, it's obliterated, it's finished," said Rajiv Pratap Rudy, the BJP's national spokesperson.

Rahul Gandhi, standard bearer for the Indian National Congress, the largest opposition group, has drawn crowds on a cross-India walk, his second, suggesting the opposition is no spent force.

But most analysts share the ruling party's prognosis. The BJP was "coming back to power", Chowdhury said, pointing to Modi's consecration last month of the Ram Mandir temple, built at Ayodhya on the site of a mosque that was razed in 1992, which was widely celebrated among India's majority Hindus.

Opposition figures argue that their travails are due to a repressive government bent on debilitating its political rivals, often with the use of the state's powerful enforcement agencies.

Several senior members of the Trinamool Congress have been summoned by police or subject to raids by the Enforcement Directorate, according to party officials. The Aam Aadmi party, which controls governments in Delhi's national capital region and the northern Punjab state, is also in disarray, its leaders jailed over accusations of receiving kickbacks and offering special favours to companies awarded lucrative liquor licences, which they deny.

Arvind Kejriwal, the AAP's head, said this week that the party planned to contest all 13 of Punjab's lower house seats alone, in effect ruling out a poll alliance with his INDIA partners in the state.

"Over the past 10 years, the Modi government has unleashed federal agencies, especially the ED, on opposition leaders using a draconian money-laundering law," said Saket Gokhale, an MP with Banerjee's party. Its activity has "only gotten more active in the last two months", he added.

Narendra Modi has built a mass following on religious nationalism

In India's eastern Jharkhand state, former chief minister Hemant Soren, whose party leads the local government in coalition with Congress, was jailed late last month in connection with multiple corruption probes, including allegations of illegally acquiring land while in office.

Modi's party denies using law enforcement to target the opposition, maintaining the agencies' independence. "Corruption is corruption, whether it is a chief minister or a common person," said the BJP's Rudy. But veteran observers of Indian politics said that weaponising the legal system by the party in power was a recurring theme. Under Congress governments, its opponents, including Modi, referred to India's Central Bureau of Investigation as the "Congress Bureau of Investigation".

"There is a well-documented history of ruling parties, including Congress during its time, of using all levers in their power to tilt the playing field in their favour," said Milan Vaishnav, director of the Carnegie Endowment's South Asia programme. "It is a tried and true tactic."

Gokhale said: "A third term for Modi will finish off whatever semblance of democracy is left in India. These elections are existential, not only for opposition parties, but also for Indian democracy itself."

Diplomacy

Republican hawk on China leads US trip to Taiwan

DEMETRI SEVASTOPULO — WASHINGTON
AND KATHRIN HILLE — TAIPEI

Mike Gallagher, head of the US House China committee, will visit Taipei next week with other lawmakers to support Lai Ching-te ahead of his May inauguration as Taiwan's president.

The hawkish Wisconsin Republican would arrive in Taiwan on February 21, said three people familiar with his plan, including two Taiwanese officials who expect him to lead a delegation of seven US lawmakers.

The visit comes a month after the election victory by Lai, the Taiwanese vice-president who Beijing denounces as a "dangerous separatist".

Washington has warned China not to engage in aggressive activity towards Taiwan in the run-up to the inauguration, when Lai will succeed Tsai Ing-wen. China in turn has repeated that the US should not meddle in Taiwan, over which it claims sovereignty.

China cut communications between the US and Chinese militaries in 2022 after Nancy Pelosi, then House Speaker, visited Taiwan. Beijing agreed to reopen channels after President Joe Biden and Chinese President Xi Jinping held a summit in San Francisco in November.

Gallagher's delegation is expected to meet Lai in addition to Han Kuo-yu, the newly elected legislative Speaker from the opposition Kuomintang, a party Beijing is more comfortable with as it views Taiwan as part of a Chinese nation.

Gallagher's office did not comment, but he confirmed in a recent podcast that he planned the visit this spring following a report in the Financial Times about his intended trip to Taipei.

Gallagher and his committee, which was formed a year ago to intensify the focus on threats from China, have been vocal in supporting Taiwan, particularly as the Chinese military has maintained its assertive stance around the island. Beijing is likely to oppose the visit.

Last week, Gallagher announced he would not seek re-election, in a move welcomed by some US companies increasingly anxious about becoming a committee target. The China panel has in recent months stepped up scrutiny of US financial groups and other entities with operations or interests in China.

After the election, Mike Johnson, the US Republican Speaker, said he would ask the Republican chairs of several congressional committees to visit Taiwan and underscore US commitment to Taiwanese "security and democracy".

The Chinese embassy in Washington said Beijing "firmly opposes the US having any form of official interaction with Taiwan and interfering in Taiwan affairs in any way or under any pretext".

Liu Pengyu, the embassy spokesman, said: "The US needs to exercise extreme prudence in handling Taiwan-related issues, and must not obscure and hollow out the one-China principle in any form or send any wrong signal to 'Taiwan independence' separatist forces".

Conflict

Four die in tit-for-tat fire at Lebanese border

Latest clash between IDF and Hizbollah claims lives of soldier and civilians

RAYA JALABI — BEIRUT
MEHUL SRIVASTAVA — LONDON

Three Lebanese civilians were killed yesterday as Israel retaliated with air strikes for a suspected Hizbollah rocket barrage that killed an Israeli soldier and injured several civilians.

A woman and her two children were killed when shelling struck her home in the village of al-Sawaneh, Lebanon's National News Agency said. More than 10 people were also hurt in the strikes, according to local authorities who said the damage was "immense".

Hizbollah, the powerful Lebanese militant group, said a strike on another town also killed one of its fighters.

The Israeli military identified a 20-year-old female staff sergeant as having been killed in the rocket attack. At least eight others, said by Israeli media to be soldiers, were wounded. An Israel Defense Forces spokesperson did not reply to messages seeking confirmation. The Hizbollah barrage also targeted a military base in Safed, about 20km from the border, the deepest any of its rockets has penetrated into Israeli territory in recent weeks.

The incidents came amid an uptick in crossfire between Israel's military and Hizbollah, which have engaged in tit-for-tat attacks since the war between Hamas and Israel erupted on October 7.

Herzi Halevi, Israel's military chief of staff, told mayors of towns close to the Lebanon border that "this is not the point to stop. There is still a long way to go." He added: "The next campaign will have a very strong offensive and we will use all our tools and capabilities."

The almost daily clashes, and targeted assassinations by Israel of senior figures in Hamas and Hizbollah, have fuelled concerns of a broader regional conflagration, and led to the mass evacuation of civilians on both sides of the frontier.

Those fears grew in recent weeks as assaults on both sides have become more brazen. Over the weekend, an Israeli strike hit the town of Jadra, 30km south of the Lebanese capital Beirut.

The fighting has killed more than 200 people in Lebanon, the majority of them Hizbollah fighters, as well as several Israeli troops and some Israeli civilians.

Israel's military said yesterday it had identified "numerous launches" over the border, including strikes on a military base, without identifying which one. Safed, one of the towns that was struck, is home to Israel's northern command. A senior Hizbollah figure said Israel's attacks "cannot pass without a response".

In Gaza, the Israeli military has ordered thousands of people taking refuge in the strip's last big medical facility to leave after weeks of fighting around Nasser hospital brought Israeli troops to its gates.

Hundreds of displaced Palestinians yesterday began leaving the hospital at the southern edge of Khan Younis, carrying their few belongings. The Israel Defense Forces said the evacuation order did not apply to patients or staff.

Nasser is the last remaining large hospital in the Gaza Strip after the IDF besieged, then raided, al-Shifa hospital in central Gaza, underneath which the Israeli military claimed to have found evidence of a tunnel complex used by Hamas militants.

Middle East. Humanitarian crisis

Israel 'chokes off' Gaza supplies as famine looms

Inspections and diversions slow deliveries to Palestinians also facing destitution and attack

FT REPORTERS

The aid shipment that could have fed 1mn starving Palestinians for a month languished at the Israeli port of Ashdod for weeks. Then Israeli authorities said the supplies could not be released.

The shipment of rice, flour, chickpeas, sugar and cooking oil, donated by Turkey, was one of many held up outside the Gaza Strip even as UN agencies warned that at least a quarter of its besieged people face famine.

Gazans are "staring death in the face. They have little to eat, hardly any access to medical care, nowhere to sleep, nowhere safe to go," Martin Griffiths, UN humanitarian chief, said on Tuesday. "No amount of dedication and goodwill is enough to keep millions of people alive, fed and protected while bombs are falling and aid is choked off."

Israel's four-month war on Hamas has brought devastation to the enclave, where basic supplies are running out and the health system is near collapse.

Israel, which controls access to Gaza and imposes a strict inspections regime, is under mounting global pressure to allow more supplies through, but UN officials and western diplomats say the flow is still far below Gaza's needs.

Before the war began in October, 500 trucks crossed into Gaza daily, but since then the average is just over 100, the UN said. Israeli authorities have this month allowed in small loads of fuel to enable water supplies. Daily truck traffic has occasionally topped 200 but queues kilometres long still form outside Gaza.

Shortages of food, clean water and medical supplies are contributing to a brutal winter. In Rafah, the southern city crowded with 1.5mn displaced people and facing Israeli attack, Ibrahim Bakr, who lives in a tent, said his seven children cry at night from hunger.

"The UN gives us something different each time," Bakr said. "Last week it was six cans of beans. Today it is just two cans of chickpeas. It is not enough for one person, let alone a family."

Most aid trucks enter through the Kerem Shalom crossing with Israel, but others that use the Rafah crossing with Egypt have to divert into Israel, unload for inspection, then return to Egypt.

At the border, goods are reloaded on to Palestinian trucks. "It is a long and complicated process which delays the delivery of aid," said Nebal Farsakh of the Palestinian Red Crescent Society.

Truck stop: Israeli forces at the Kerem Shalom crossing guard aid supplies bound for the Gaza Strip last week
Menahem Kahana / AFP

Under US pressure, Israel opened the Kerem Shalom crossing in December to increase aid deliveries, but rightwing protesters have in recent weeks sought to block them, arguing aid should be withheld from Gaza until Hamas releases hostages still held.

Israel says its inspections are intended to deny Hamas certain goods but humanitarian officials say its long list of banned items and inspection regime act as a bottleneck. If inspectors reject one item, say aid officials, the entire process must start again.

The World Food Programme said rejected items deemed to be "dual use" — with potential military applications — had included generators, crutches, field hospital kits, water tanks, wooden boxes of toys and oxygen tanks.

Cogat, the Israeli military body responsible for humanitarian affairs in Gaza, says aid agencies are the barrier.

"Even if the amount of aid doubled they wouldn't be able to receive, store, and distribute it all," Colonel Elad Goren of Cogat said last month, calling for better logistics. "There is no starvation in Gaza. Period," he added.

Yet once aid has crossed the border, the challenges are just beginning. UN agencies acknowledge their capacity to deliver aid in Gaza has been limited. There are not enough trucks to distribute aid, while convoys have been shelled even after routes were co-ordinated with Israeli forces, said aid officials, and the Israeli military often blocked access.

The UN Office for the Coordination of Humanitarian Affairs said in January that Israel had facilitated 10 of 61 planned aid missions to north Gaza; 34 were denied access. More convoys reached central and southern Gaza. Some were cleared to travel but the routes were impassable, it said.

Hamas fighters and looters target loads along roads often littered with debris and unexploded ordnance, while relief workers try to co-ordinate deliveries amid communications blackouts. Israeli curbs on satellite equipment compound the problem. "You cannot send a driver to the field in the middle of a war where trucks take hits without comms," an official said.

'We give the children all the food we get, and I eat just enough to have the strength to stand up'

At a shelter in Rafah, Om Alaa said she did not produce enough milk to feed her infant because she did not have enough to eat. "We give the children all the food we get, and I eat just enough to have the strength to stand up," she said.

The broader picture across Gaza is one of devastation. Israel's offensive has killed more than 28,000 people, say Palestinian authorities; more than 85 per cent of the population is displaced, many of their homes are destroyed.

There is little evidence of change in the two weeks since the International Court of Justice ordered Israel to take "immediate and effective measures to enable the provision of urgently needed basic services and humanitarian assistance . . . in the Gaza Strip".

Israel saw requests for increased aid mainly through the prism of possible diversion to Hamas, one diplomat said.

"We've seen marginal changes. We've seen goods that were refused now allowed in, but compared to the list of goods that are not allowed in, there's not a lot of progress."

Heba Saleh in Cairo, Neri Zilber in Tel Aviv, James Shotter in Jerusalem, Mai Khaled in Rafah and Andrew England in London

Tax income

West Bank threatened by revenue seizures, say Palestinians

JAMES SHOTTER — RAMALLAH

The Palestinian Authority will be forced to "stop and reconsider everything" it does in as little as two to three weeks if Israel continues to withhold its revenues, the Palestinian finance minister has warned.

Under the Oslo Accords — interim peace agreements signed in the 1990s — Israel collects various taxes on behalf of the Palestinians and transfers them each month to the PA, which exercises limited self-governance in the occupied West Bank.

But since the war with Hamas erupted in October, Israel has sharply increased the amounts it deducts from those transfers, crippling the PA's finances and prompting warnings from diplomats that it is undermining the stability of the West Bank.

"Israel has distorted this arrangement into yet another tool of occupation of equal importance and value to them as the Israel Defense Forces," Shoukry Bishara, the finance minister, said in an interview. "I do not want to be a prophet of doom — but unless there is a major breakthrough, then we will have to stop and reconsider everything . . . I would say the time horizon is the next two to three weeks."

Shoukry said that in November and December Israel had deducted Sh600mn ($164mn) a month of the Sh750mn in revenues to be transferred, after hardliners in Benjamin Netanyahu's far-right government demanded Israel stop transferring the portion of the money that would have paid salaries and pensions to PA officials in Gaza.

The total deductions in 2023, he added, amounted to 25 per cent of the PA's revenues. "I do not know of a single entity that is a non-petrodollar entity that can survive with this sort and magnitude of abusive deductions," he said. "We are talking about approximately $1.5bn of cash siphoned away from the Palestinian economy [in total in 2023]."

Western and Arab officials have also criticised the Israeli deductions, which comes as countries including the US have been looking for ways to bolster the PA so that it can play a role in the postwar governance of Gaza as well as the West Bank.

Diplomats also see strengthening the PA as crucial to containing unrest in the West Bank. Last year was the deadliest in the territory since the UN began collecting data in 2005. The instability was compounded by a spike in attacks on Palestinians by Jewish settlers.

Antony Blinken, US secretary of state, said last year that the PA was "doing everything it can to keep security and stability in the West Bank", but that its lack of resources was "another aspect of the problem".

In recent weeks, diplomats have been attempting to find a way to break the deadlock, such as by transferring the money to Norway, but the negotiations have so far failed to bear fruit.

Bishara said that if Israel continued to withhold the funds, the PA would be forced to reduce the salaries it pays to roughly 144,000 people. In December, it paid just 60 per cent of salaries. The International Labour Organization estimated in December that the West Bank suffered economic losses of $500mn a month in October and November.

South America

Guyana accuses Venezuela of troop build-up along border

JOE DANIELS — BOGOTÁ

Guyana has accused Venezuela of violating international law in a dispute over oil-rich territory by expanding its military presence on their border despite pledging not to use force.

"This is not the first time Venezuela has adopted a military posture that appears to be threatening," said Hugh Todd, the Guyanese foreign minister.

Venezuela recently beefed up its military presence on the border of the Essequibo region, which makes up about two-thirds of Guyana's territory but has long been claimed by Caracas.

The move followed a December referendum in Venezuela in which voters backed making the region a Venezuelan state, a development regarded by Guyana as a prelude to annexation.

Irfaan Ali, Guyana's president, and Nicolás Maduro, his Venezuelan counterpart, subsequently signed a declaration agreeing not to use force to settle the dispute. But satellite images published last week by the Center for Strategic and International Studies, a Washington think-tank, appeared to show a deployment of light tanks and armed patrol boats at Anacoco Island on the border of the Essequibo region, where Venezuela is expanding a military base to house up to 300 troops. The country's armed forces have also posted videos of military exercises on Anacoco.

The International Court of Justice, the UN's top court, is reviewing the dispute and in November told Venezuela not to take action that would alter the status quo, though a final ruling is years away.

"We are following the rule of international law, Venezuela is violating it," Todd said, adding that Maduro was trying to compel Guyana to settle the dispute rather than going through the ICJ.

He accused Maduro of "double standards" and of seeking to impress voters ahead of elections, expected later this year, at a time when Venezuela remains mired in a humanitarian and economic crises. "[Venezuela has] argued it is committed to the region remaining a zone of peace and that it will not use force against Guyana. However, we've seen time and time again that back home the military posture does not conform with the diplomatic stance," he said.

Caracas has long disputed an international arbitration tribunal decision in 1899 to award Essequibo, an area roughly the size of England and home to 125,000 people, to the then colonial British Guiana. It has escalated its claims since ExxonMobil of the US made large oil discoveries off the region's coast in 2015.

'We are following the rule of international law, Venezuela is violating it'
Hugh Todd, foreign minister

The finds in the offshore Stabroek block are transforming Guyana's economy. Gross domestic product expanded by 63 per cent in 2022 and 38 per cent last year, according to the IMF. It is expected to grow 20 per cent a year on average from 2024-28.

Venezuela's foreign ministry said Guyana and ExxonMobil, which plans to drill in waters off the disputed area, were in breach of international law and "seeking to destabilise the region".

Todd said Venezuela's stance would not affect Guyana's energy sector, adding: "We have assured the multinational companies operating in Guyana that we're on the right side of international law, and we're working on exploiting our true economic potential."

ExxonMobil has pledged to continue its expansion in Guyana. Alistair Routledge, president of the company's operations in the country, said last week: "We're getting on with development and activity within acreage that is clearly Guyana's territory. Where there's controversy over the borders, that's for the governments to resolve."

However, Lloyd's Market Association, which represents global insurers, last December placed Guyanese waters on the same risk level as the Red Sea, where Houthi rebels have attacked shipping.

If conflict were to break out, Guyana's armed forces, with 4,070 active personnel and reserves, would face Venezuela's 351,000-strong military. Todd said Guyana was "not building any capacity to fight Venezuela" and its defence strategy continued to be based on co-operation with allies including the US and UK.

Debt crisis

Ghana sacks finance minister who secured $3bn IMF bailout

AANU ADEOYE — LAGOS

Ghana has removed its finance minister who led IMF bailout talks and was in negotiations to restructure the country's debts with commercial creditors.

Ken Ofori-Atta, who had been in office since 2017, was replaced yesterday as part of a cabinet reshuffle that analysts linked to elections at the end of the year.

The former investment banker is synonymous in Ghana with the $3bn deal struck with the IMF in December 2022 and the country's decision the same month to default on its foreign debt.

Ofori-Atta has been leading efforts to clean up Ghana's finances, negotiating a domestic debt exchange scheme and the agreement reached last month with bilateral creditors, including the Paris Club of lenders and China, to restructure $5.4bn of external debt.

The final plank of the debt restructuring was a reworking of $13bn in eurobonds owed to creditors that Ofori-Atta had hoped to conclude by March.

The IMF last month disbursed the second tranche of $600mn to Ghana, praising progress on debt restructuring.

However, Ofori-Atta had been accused of inept handling of the economy. Analysts said his removal was an attempt by President Nana Akufo-Addo to draw a line under the debacle amid concerns the economic turmoil would damage his party's chances in the general election set for December.

Bright Simons, vice-president of think-tank Imani, said Ofori-Atta had been "aloof" about his party's election chances and was "more concerned about redeeming his professional reputation after the worst economic crisis in a generation on his watch".

Ofori-Atta has been replaced by Mohammed Amin Adam, the second-in-command at the finance ministry. Simons said: "It is widely suspected that he will be less insulated from ruling party pressure and will thus be less likely to hold the line in sustaining the IMF fiscal consolidation programme."

ADVERTISEMENT

Nikkei SDGs Forum Symposium

The Winter 2023 Nikkei SDGs Forum Symposium was held in Tokyo on December 5 and 6. Presenters and panellists offered a range of perspectives on the actions required right now to achieve the UN's Sustainable Development Goals (SDGs) by the target year of 2030.

SUSTAINABLE DEVELOPMENT GOALS

TALK SESSION Rise to the challenge: Turning adversity into action


Megumi Matsumoto, Representative Director, Star Compass; Director, Matsumoto Kosan


Natsuki Suganuma, CEO, bacterico


<Moderator> **Norichika Kanie,** Professor, Graduate School of Media and Governance, Keio University

Japan leads the world in SDG awareness, but trails Europe in SDG action. How can Japan's leadership foster the S-curve of transformative change the country now needs?

Breaking down barriers to participation can help. By prioritising employee wellbeing and adopting a contemporary tone on social media, Matsumoto Kosan has cultivated a workforce that is 50% female and significantly younger than the industry average. Biotech company bacterico offers a flexible work environment to women with scientific and medical expertise who had to change jobs or leave the workforce due to life stage changes.

Both panellists agreed that the SDGs were a powerful common, even global, language. However, SMEs struggle to sustain SDG efforts as they are seldom a profit centre. Integrative governmental policies and support could improve this situation.

TALK SESSION SDGs, lifestyle, and wellbeing


Yuki Takahashi, Executive Vice President, CVO, and CLO, Bears


Saori Shinoda, COO, CoCooking


<Moderator> **Mariko Ushikubo,** President and CEO, Meridian Promotion

Wellbeing is an often-overlooked factor in SDG efforts. As panellist Yuki Takahashi noted, people are reluctant to commit to the cause if their own needs are going unmet.

Takahashi founded housekeeping service Bears to realize a wellbeing society in which both workers and clients are happy by providing a new infrastructure for life in Japan, proposing new ways of living, and creating new employment. Shinoda's company, CoCooking, connects restaurants and consumers to tackle food waste as a structural issue rather than a moral failing. This aligns with the growing tendency toward interpreting consumer choices as "votes" that should take perceived social contribution into account.

For both panellists, the goal is to create a culture where people think differently and recognise wellbeing not only as a good in itself but as a necessity for achieving the SDGs.

PRIVATE SECTOR

Serving society through urban design


Takashi Ueda, President and CEO, Mitsui Fudosan

Resolving social issues through urban development is Mitsui Fudosan's goal as a "platformer" or "industry developer." Its Nihonbashi redevelopment project is one example. Nihonbashi has been a pharmaceutical hub for centuries, and today is home to countless life sciences companies. However, local subdivisions have hindered communications between fields. Mitsui Fudosan worked with academia and industry to launch the Life Sciences Innovation Network Japan (LINK-J). The company also runs programs to support and unite people in the field and offers laboratory and office space for rent. By providing community, space, and funding, Mitsui Fudosan is fostering a local life sciences ecosystem.

Building a renewable energy business to reduce carbon emissions


Hiroshi Sato, Deputy President, Director and Executive Officer, Tokyo Century

Renewable energy is a growing business for Tokyo Century. The company's solar power assets already have an installed capacity of over 750 megawatts, and if capacity from projects currently under construction is included, that figure reaches around 1 gigawatt. Tokyo Century has plans to expand this business in many directions, from large-scale battery technology that will help renewables to play a larger role in the grid to specialist asset management offerings for partners with their own facilities. Not only will this help Tokyo Century achieve its goal of reducing its own effective carbon emissions to zero by 2040, it will also aid the global transition toward renewable energy.

The future of forestry and green innovation


Kazuhiko Kamada, Director of the Board and Senior Executive Officer, Oji Holdings

Healthy forests are essential to Oji Holdings as a global paper and pulp producer. The company views forests from three perspectives: sustainability, profitability, and green innovation. On the sustainability front, Oji Holdings supports conservation and education in local communities across Japan and around the world, including projects to protect specific endangered species. Its approach to profitability seeks to maximise the multifaceted value of forests as both resources and sites of biodiversity and cultural activity. Finally, Oji Holdings' green innovation efforts are exploring new uses for sustainable forest-derived materials such as hemicellulose, which has medical applications in everything from anticoagulants to animal anti-inflammatories.

Achieving true sustainability through growth investment


Takashi Kurobe, Managing Executive Officer, CFO, and Director Responsible for Global GRC Division, Toppan Holdings

Toppan seeks to create the innovation needed to achieve the SDGs by actively pursuing growth investment in the spirit of venture capital. Between 2023 and 2025, Toppan will invest more than ¥400 billion in growth investments centred around digital transformation, sustainable transformation, and promising new business areas such as healthcare, sensor technology, carbon neutrality, and the metaverse. As a result, funds equivalent to 52% of operating profits, rather than the current 19%, will be invested in growth areas. These efforts, pursued alongside intensive development and nurturing of the company's human capital, will allow Toppan to build a business portfolio supporting true sustainability.

Hopes for the future: Celebrating the joys of life


Junko Ishizaki, Head of Human Resources Department, Human Resources and Interpersonal Relationships Development Department and Well-being Promotion Department

Daiwa House founder Nobuo Ishibashi spoke of the importance of dreams as hopes for the future. Today, Daiwa House has an ambitious plan to realise a future where all can celebrate the joys of life by the company's centenary year of 2055. This means both establishing a culture of wellbeing within and finding like-minded partners to maximise social and business value. One example is the Livness Town Project, in which Daiwa House revitalises the "neopolises" built in the post-war decades in consultation with residents and other stakeholders. Through these and other initiatives, Daiwa House is working to make its hopes for the future reality.

Enriching the world with the power of "Sho-Sho-Sei"


Yasunori Ogawa, Global President, Epson; CEO, Seiko Epson Corporation

Since its founding on the shores of Lake Suwa in 1942, Epson has created new value and changed everyday life with the power of "Sho-Sho-Sei"—efficient, compact, and precise technology. This ideal also drives the company's sustainability efforts, which combine business innovation with social problem-solving. Epson's original inkjet technology reduces the environmental footprint of printing, while co-creation projects with a wide variety of partners bring the benefits of inkjet to a diverse range of applications. At the same time, other partnerships are exploring the potential of fibrous materials that could replace plastic and sensors that can detect issues with dams to prevent flooding. Meanwhile, as part of its efforts to achieve decarbonisation, Epson transitioned to 100% renewable electricity across its global operations in 2023.

Nature-positive initiatives built on the power to connect


Nanae Saishoji, Managing Executive Officer and CFO, KDDI Corporation

KDDI's nature-positive initiatives support its mission of connecting people's lives, hearts, and minds. The company's approach is balanced between addressing risks and seizing opportunities. On the risk side, for example, KDDI takes care when laying undersea cable to route around coral reefs and avoid construction during sea turtle spawning season. Turning to opportunities, the company pursues a variety of joint initiatives in areas such as IoT-based smart farming, where sensors visualise the condition of crops, preserving the surrounding ecosystem. KDDI's power to connect and collaborate with partners is where it makes its greatest contribution to nature-positive change.

Integrating sustainability into management to boost business and social impact


Atsushi Katsuki, President and CEO, Asahi Group Holdings

Asahi's approach to sustainability is based on maximising positive impacts and minimising any negatives. This requires quantification of those impacts and their origins. As an example, Asahi Group company Asahi Biocycle has developed a new agricultural material from beer yeast cell walls, which were formerly discarded after brewing. The material helps farmers grow crops in adverse conditions, reducing water usage and greenhouse gas emissions. It can even help with turf management on baseball fields and golf course. By quantifying and visualising the positive impacts of this and many other sustainability initiatives, Asahi can more securely integrate sustainability into its management and operations.

Responding to demand for urban housing


Kotaro Wakatabi, Senior Managing Director and CFO, Open House Group

Freestanding house construction is the Open House Group's primary business, and the Group's comprehensive solutions in this field—from purchasing land to designing, building, selling, and managing houses—support its mission of "leaving a Japan for the next generation where working people can afford houses in urban areas." A sustainable society is essential for Open House's own development, and Open House contributes to sustainability in areas such as regional revitalization, renewable energy, and diversity. As the Tokyo metropolitan population continues to rise, Open House helps to address many social issues via innovative solutions, from wooden construction for lower environmental impact to earthquake- and fire-resistant renovations that increase resiliency.

The role of asset management in cultivating human capital


Hiroyasu Koike, Representative Director, President, and CEO, Nomura Asset Management

Employee wellbeing is linked to corporate success. This makes effective human capital management essential, as evinced by new disclosure requirements focusing on employee wellbeing. But "decent work," as SDG No. 8 puts it, is only part of the equation. Surveys have found that a solid majority of working people are uneasy about their financial future, undermining job commitment and engagement. In response, Nomura Asset Management is working with a range of partners to raise awareness and understanding of investment options that can provide financial security and peace of mind for working people, ensuring that the investment chain supporting a prosperous society contin- ues to function.

A comprehensive nature-positive green strategy


Takayuki Furuya, Senior Managing Executive Officer, Member of the Board, CFO, Chief Sustainable Development Officer (CSDO), Marubeni Corporation

Marubeni aims to be a forerunner in green business. To this end, it deploys its expertise and global partner network to strengthen its green businesses and promote "greening" across all of its business domains. Notable recent projects include an offshore wind farm project in Akita Prefecture with an installed capacity of 140 MW and a reforestation initiative in the Philippines built on collaboration between industry, academia, and government to restore biodiversity, sequester carbon, and create local employment. Nature-positive initiatives like this can leverage Marubeni's strengths as a Global crossvalue platform to help regreen the world while creating sustainable prosperity for all.

Engineering a more sustainable world


Masakazu Sakakida, Chairman of the Board, President, and CEO, Chiyoda Corporation

Since its founding, Chiyoda Corporation has used engineering to meet society's needs in energy and other areas. Now, with an eye to 2030, it has begun an ambitious project to transform its business portfolio and create new engineering value in four business domains: low carbon and carbon recycling technology, hydrogen and ammonia, energy management, and life sciences. Concrete contributions already made by the company in these areas include projects like a "cleaner LNG" plant in Qatar and a battery storage system in Toyotomi, Hokkaido. By combining engineering expertise with DX in all four domains, Chiyoda Corporation will continue contributing to global progress toward the SDGs.

Aligning sustainability with business growth


Akira Oyama, President and CEO, Ricoh

Ricoh regards sustainability and business growth as two fundamentally aligned rather than disparate goals. ESG initiatives are positioned as investments in future growth. The company's focus on resolving social issues through business has allowed it to develop innovative solutions such as IT services that help small and medium enterprises embrace digital transformation and thrive even as Japan's labour pool shrinks, and the new A3 Colour MFP Series, designed to deliver high environmental performance over its usage lifetime and made of 50% recycled materials. Ricoh continues to find new ways to support customers through its Mission and Vision "Fulfilment through Work" in this era of rapidly changing working environments and employee attitudes across the world.

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Companies & Markets

Uber rewards investors with plan for $7bn share buyback

- Capital returns follow first profits
- Tech group unveils growth strategy

CAMILLA HODGSON — SAN FRANCISCO
AND TIM BRADSHAW — LONDON

Uber unveiled an inaugural $7bn share buyback programme yesterday, days after reporting its first full year of operating profit, making it the latest Silicon Valley company to step up its returns to shareholders.

The move by the San Francisco-based group comes after Facebook parent Meta announced its debut dividend earlier this month, triggering a record leap in its stock price, while home rental site Airbnb expanded its buyback programme by $6bn on Tuesday.

Uber revealed its plans to repurchase up to $7bn shares as part of a closely watched investor update that also outlined important details about its growth strategy and financial goals over the next three years.

> [The buyback is] a vote of confidence in the company's strong financial momentum'

Uber's shares were up over 11 per cent at noon in New York yesterday. The stock has more than doubled over the past year, pushing the company's market capitalisation to more than $150bn.

The buyback represented a "vote of confidence in the company's strong financial momentum", said Prashanth Mahendra-Rajah, Uber's finance chief.

The capital return announcement coincided with a wave of planned strikes by delivery workers in North America and the UK yesterday, as couriers for services including Uber, Just Eat Takeaway, Deliveroo and DoorDash push for higher pay and more transparency.

Tech companies such as Uber, which had been notorious for profligate spending to grab market share during the 2010s, have been forced to refocus on profitability over the past two years as interest rates rose and it became harder to raise capital. Many cut thousands of jobs in order to streamline.

As well as returning a portion of those newfound profits to investors, buybacks allow tech companies to counterbalance the issue of new shares to employees as stock awards vest. Equity incentives remain a vital component of staff remuneration and talent retention in Silicon Valley.

"We will be thoughtful as it relates to the pace of our buyback, beginning with actions that partially offset stock-based compensation, and working towards a consistent reduction in share count," said Mahendra-Rajah.

Uber last week hailed 2023 as an "inflection point" in its history and signalled that it could return capital to shareholders. It had come under pressure from investors about whether it could deliver sustainable profits after racking up more than $30bn in losses since it was founded in 2009.

Over the next three years, Uber said it expected gross bookings growth — which accelerated to 22 per cent in the final quarter of 2023 — to be in the mid to high teens, while growth in adjusted earnings before interest, tax, depreciation and amortisation would range from the "high 30s to 40 per cent".

"A majority of our top markets are profitable, and have increased profitability in the last two years," said Uber.

The use of generative artificial intelligence would help boost margins, by making some areas such as customer support more efficient, Uber said.

Uber, like rival Lyft, has worked to cut costs, drive efficiencies and bolster margins. It has pushed into businesses beyond its core ride-sharing and restaurant delivery segments, including grocery delivery and advertising, which has boosted margins.

See Markets and Lex

Buoyant Car carrier Wallenius Wilhelmsen in record profits amid China EV export surge

The Torrens, a WW vessel, at Bremerhaven. Net profit for the Norwegian business increased 22% — Alex Kraus/Bloomberg

ROBERT WRIGHT — LONDON

Wallenius Wilhelmsen, the biggest operator of car-carrying ships, has reported record annual profits as growing exports of Chinese electric vehicles helped drive demand.

The Norwegian company is the biggest participant in a corner of the shipping industry with different dynamics from container lines, which have excess capacity.

After scrapping vessels during the pandemic, car-carrier operators are expected to receive few new ships until next year.

With Scandinavian rival Höegh Autoliners and Japanese groups NYK Line, MOL and K Line, WW dominates an industry that transports cars built in Japan, South Korea and China to markets in Europe and North America.

WW said yesterday that its net profits rose 22 per cent to a record $967mn last year as revenues climbed 2 per cent to $5.15bn.

Lasse Kristoffersen, chief executive, said the results for its core shipping services segment were "very much" driven by China.

"That's Chinese exports increasing generally, of which electric vehicles are the strongest growing element," he said.

Faced with slowing domestic demand, Chinese carmakers have set their sights on expanding in Europe and the US. China's car exports in the final quarter of last year were up 17.7 per cent on the same period in 2022, a jump WW said was driven by sales of battery-electric vehicles. Overall demand to move vehicles by sea was up 11.8 per cent in the quarter.

Rising exports from China come as car-carrier operators face a lack of capacity after scrapping a significant number of vessels during the pandemic. There are no significant ship deliveries due before 2025. WW operates 125 vessels, of a worldwide car-carrier fleet of 767 ships.

Oslo-based WW predicted that its results for 2024 would be "somewhat stronger" than those for 2023, despite what it described as "uncertainties" over the Red Sea trading route after attacks on ships by Yemen's Houthis.

Since December, WW has been diverting ships that would normally sail via the Suez Canal via the Cape. The diversion adds about a week to Asia to Europe journey times.

While WW reported record profits for last year, its earnings before interest, tax, depreciation and amortisation for the shipping services segment for the fourth quarter were down 8 per cent from a year earlier to $392mn, while revenues slipped 9 per cent to $961mn.

The company blamed port congestion, the Cape diversions, and the end of one ship's lease for the declines.

Bezos sells $4bn worth of Amazon stock in one week

CAMILLA HODGSON — SAN FRANCISCO

Amazon's billionaire founder Jeff Bezos has sold another $2bn worth of the company's stock, bringing the total value of shares he has offloaded in the past week to $4bn, according to regulatory filings.

An Amazon filing showed that Bezos, who stepped down as the Seattle-based company's chief executive in 2021 but remains executive chair, sold 12mn shares for about $2bn between Friday and Monday.

That follows earlier sales of about 12mn shares, also totalling about $2bn, last week, filings show.

Amazon said in February that Bezos — who is among the world's richest people with a net worth of $190bn, according to Forbes — planned to sell up to 50mn Amazon shares via broker Morgan Stanley by the end of January 2025.

Bezos remains Amazon's largest shareholder, with a stake of about 9 per cent even after the recent sales, data from S&P Capital IQ indicates.

Shares in Amazon, which were largely unchanged yesterday afternoon, have soared more than 50 per cent over the past 12 months. The rally has sent Amazon's share price close to its all-time high, and pushed the company's market capitalisation to $1.75tn.

Amazon declined to comment.

Bezos, who founded Amazon in 1994, has taken a step back from running the company to pursue other ventures, including his space group Blue Origin.

"Blue Origin needs to be much faster. And it's one of the reasons that I left my role as the CEO of Amazon a couple of years ago," he told researcher and podcast host Lex Fridman in December.

Blue Origin has trailed behind Elon Musk's SpaceX. In 2022, a Blue Origin rocket not carrying passengers failed shortly after its launch, after which the company suspended launches.

Last year, Blue Origin announced that Amazon's outgoing head of devices, Dave Limp, would take over as chief executive, and the company completed a successful space mission in December.

Bezos, who also owns the Washington Post newspaper and runs the Bezos Earth Fund philanthropic group, has also recently drawn attention for reportedly relocating from Seattle to Miami, and for a lifestyle of yachts and private jets that contrasts with the more frugal profile he maintained while overseeing Amazon's rapid expansion.

Start-ups fear Brussels is denying access to Big Tech's deep pockets

INSIDE BUSINESS
EUROPE
Javier Espinoza

Brussels has stepped up its fight against any anti-competitive behaviour by Big Tech giants but the response from some in the European start-up community might not be what regulators have been expecting.

Last month, Amazon abandoned its ambitions to buy Roomba maker iRobot for $1.45bn after it was facing a veto on the deal in Europe and a likely similar fate in the US.

Amazon executives were quick to point out that their ditching of the deal would be bad for consumers and innovation. David Zapolsky, Amazon's senior vice-president, warned: "This outcome will deny consumers faster innovation and more competitive prices."

But there was also criticism from the start-up community. Some entrepreneurs are concerned that if Amazon cannot buy a maker of vacuum cleaners, it sends a signal that it will be difficult for Big Tech to buy anything at all — and that might be a blow for their exit strategies and for innovation as a whole.

Stefan Moritz, secretary-general of lobbying group European Entrepreneurs, which represents 2.4mn companies employing more than 20mn people across all EU member states, is worried.

"It's a bad sign if the EU intervenes so heavily," he said, referring to the iRobot deal. "In the long run nobody will want to be an entrepreneur, many companies will shut down or be bought if they have any remaining valuable assets."

European start-ups have traditionally looked at Big Tech's deep pockets as a way to maximise their growth plans.

Examples include Microsoft's acquisition of Luxembourg-based video chat app Skype for $8.5bn in 2011 and Apple's purchase of UK-based music recognition app Shazam for $400mn in 2018.

Still regulators have been seen to increase their scrutiny on seemingly small tech deals because of concerns that they have waved through acquisitions in the past that perhaps they should not have, such as Facebook's takeover of Instagram and WhatsApp and Google's purchase of online ads network DoubleClick — deals that expanded the market power of some companies more than expected.

> Some entrepreneurs are concerned that . . . it sends a signal that it will be difficult for Big Tech to buy anything at all

Olivier Guersent, director-general of the EU's competition unit, said the concerns in Brussels about iRobot rested on worries that Amazon would favour Roomba sales on its platform over competing products. "We think we had a very good case for this," Guersent said at a trade conference in Brussels. "A lot of evidence. And we actually think that this is why Amazon decided to drop the case rather than take a negative decision or challenge it in court."

Amazon's deal is not the only one to have taken a hit. Last year, the EU blocked US online travel site Booking Holding's €1.63bn acquisition of Etraveli Group on competition concerns. And last month Adobe abandoned its proposed $20bn acquisition of software company Figma as the deal faced a veto.

Margrethe Vestager, the bloc's competition commissioner, insists the market should not jump to the conclusion the EU will start vetoing a flurry of tech deals. "Every case is specific," she said a recent press conference. Vestager pointed to Google's $2.1bn acquisition of fitness tracker Fitbit as a deal that was cleared but with commitments made by the search giant to allow other wearable devices to access Google's ecosystem.

"So I think you'll see all those three situations: some [deals] where we don't have concerns, some where we have deep concerns that may lead to a prohibition and some where things can actually be remedied."

But some believe the signals sent by Brussels will inevitably mean fewer mergers and acquisitions. "European start-ups being bought by Big Tech companies just became a less viable path," said a seasoned adviser to Big Tech groups in Brussels.

Andreas Schwab, the parliamentarian who steered the debate on the bloc's flagship tech rules, also sees the risks to innovation when it comes to big players but thinks there is a silver lining for European entrepreneurs. He said: "It's good for the economy that start-ups should not rely on a few Big Tech players but that we push innovative companies with new products to penetrate the market by themselves, thereby diversifying institutional channels."

But if not Big Tech, then who should invest in the technology leaders of the future, critics of the actions by Brussels wonder. One option discussed by regulators is to look at how to encourage investment groups to increase funding of the bloc's start-ups. Given the dominance of venture capital by US groups, this might increase investments of these mostly large American institutions — possibly not what the EU wants.

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Automobiles

VW in talks over fate of Xinjiang site

Meetings with Chinese JV partner SAIC after forced labour claims in media

PATRICIA NILSSON — FRANKFURT

Volkswagen has responded to fresh allegations of having benefited from forced labour in Xinjiang by announcing talks with its Chinese joint venture partner over "the future direction of business" in the region.

The statement came after newspaper Handelsblatt published claims that VW's joint venture with Beijing-owned SAIC used forced labour when building a test track in the region in 2019.

In December, VW said a long-awaited audit into its factory in Xinjiang had cleared it from allegations of forced labour, despite the majority of staff at Löning, the Berlin-based firm that headed the audit, publicly distancing themselves from the results. The audit helped the carmaker to lose its "red flag" environmental, social and governance rating by index provider MSCI.

Yesterday VW said that "various scenarios [were] currently being intensively examined" with its joint venture partner SAIC, with which it conducts about half its business in China.

The company declined to say whether a withdrawal from the region, where Beijing has been accused of severely repressing the Uyghur population and other ethnic minorities, was on the table.

Company insiders have previously said that cutting ties with the region will not be possible until contracts expire in 2029 because of the risk of harming VW's relationship with SAIC.

Citing a study by a researcher on Xinjiang issues, Adrian Zenz, Handelsblatt yesterday reported that pictures of the track being built had shown Uyghur workers in military uniforms.

This was a sign that the people had been part of forced labour programmes, it alleged.

It referred to a report by the state-owned company that built the track, which noted that some workers had their irises scanned and the information sent to police in order to "strengthen ideological consciousness".

VW told Handelsblatt that it had not encountered evidence of rights abuses during the building of the test track, but it would review the new claims.

VW last year announced €5bn worth of investments in China.

It has come under pressure to halt its falling market share amid growing competition from China EV start-ups. The Wolfsburg-based group was one of the first western companies to enter China and makes about half of its profits in the country.

German companies have been facing increasing pressure to cease operating in the region.

Last week, German chemicals maker BASF announced that it would sell stakes in its two Xinjiang joint ventures following reports that employees at its JV partner had participated in state-sanctioned home visits to the local population with the aim of identifying and exposing individuals deemed not loyal to the Chinese government.

BASF's situation differs from that of VW because it has no business outside Xinjiang with its joint venture partner in the region, but also because its chemicals are more vital to the functioning of the Chinese economy than the cars that VW makes.

Technology. China ecommerce

Alibaba loses out to rivals on Jack Ma Boulevard

Merchants in platform's heartland say doing business on other sites is new norm

RYAN MCMORROW AND NIAN LIU — SHAJI

In Shaji in eastern China, factories on Ali Road and Jack Ma Boulevard churn out cabinets and coffee tables. The streets were named in honour of Alibaba founder Jack Ma after his company helped to transform the farming town into a community of online merchants over the past two decades.

But now the factory owners say Ma's platforms do not guarantee sales. They are beginning to put their wares on rival online stores, including Pinduoduo, JD.com and ByteDance's Douyin, to stay afloat.

"The market forced me to turn to Pinduoduo, otherwise we would have been eliminated," said Zuo Jian, who runs five factories in Shaji. "Merchants are leaving Alibaba and so are customers."

More than half a dozen merchants said Chinese shoppers' behaviour had changed, with buying across platforms the new norm, forcing them to follow suit and open online stores elsewhere.

The diversification of online sales underlines the problems facing Alibaba, which is attempting an ambitious restructuring while also trying to resurrect its main ecommerce business.

Factories selling on multiple platforms are a far cry from Shaji's early years, when Alibaba's sites were the only option for merchants. Shaji, with Dongfeng village at its centre, became famous as China's model "Taobao village", a term Alibaba popularised to refer to a new blueprint for rural development.

There are 7,780 Taobao villages, according to the company. Many, such as Shaji, started with a few merchants and grew as their success spurred neighbours and relatives to join in, gradually turning fields into factories.

Online sellers are the lifeblood of any ecommerce platform. For Alibaba, merchants bidding to get their goods displayed prominently on its Taobao and Tmall sites, and the commissions that sellers pay on each sale, drive the vast majority of the company's profit.

But Alibaba's accounts show that last year these revenues were 4 per cent below their 2021 peak. Analysts at research group Bernstein estimate that the group's share of China's ecommerce pie has shrunk from 68 per cent in 2019 to 42 per cent in 2023.

"Initiatives they've carried out so far have yet to halt the market share slide," noted Bernstein's Robin Zhu.

Eddie Wu, Alibaba's new chief executive, took direct control of Taobao and Tmall in December. Last week, he told investors that the group was focused on revamping the ecommerce business to improve the user experience and expand the number of products sold directly by factories.

Wu is also orchestrating Alibaba's wider restructuring as he works to fend off rivals. Pinduoduo, owned by PDD Holdings, in November last year briefly eclipsed Alibaba as China's largest ecommerce platform by market value for the first time.

In Zuo's office, a computer screen cycles through a live video feed of his workshops in Shaji. He said about 60 per cent of his sales now came from Pinduoduo, with Alibaba and JD.com, and to a lesser extent Douyin, splitting the rest. After starting to sell on Alibaba in 2015, he joined Pinduoduo's marketplace three years ago. Staff at the company brought him to its Shanghai headquarters for strategy sessions and still occasionally advise on which product types need greater supplies.

The direct support contrasts with Alibaba's hands-off approach. "Ali people didn't care about us at all," he said. "Now they've started coming here, but what can they bring us? They don't have any shoppers."

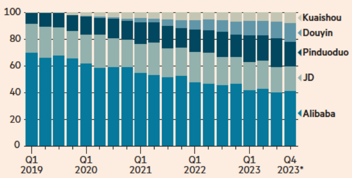
Still, Zuo said he only viewed Pinduoduo volumes as sufficient to keep his factories humming, while his profits came from selling higher-margin goods on Taobao and JD.com. "We can't count on any single platform, we need to be diversified," he said.

Supply chains: an employee packages goods at a warehouse of Cainiao Network, the logistics arm of Alibaba Group, in Yiwu, Zhejiang province — Wang Gang/China News Service via Getty Images

'The market forced me to turn to Pinduoduo. Merchants are leaving Alibaba and so are customers'

Ecommerce market share

Per cent



Source: Bernstein Research • * Estimate

Pinduoduo, known for its cut-rate prices, has in particular picked up speed as China's economy stalls. Factories in Shaji said that users on the platform focused only on low prices and that an attempted Alibaba copycat app unveiled in 2020 called Taobao Deals never caught on.

"Pinduoduo has lots of traffic so we don't need to buy so many adverts," said a factory owner who makes coffee tables and dressers. Her sales are now roughly split between Pinduoduo and Alibaba, she said, declining to give her name.

In response to a Financial Times request for comment, Taobao and Tmall said the two combined were China's largest ecommerce service by gross merchandise value and that the platforms had increased their merchant count, transacting shoppers and order volumes over the past year, without providing details.

Luo Zhendong, a professor at Nanjing University who has written a book on Taobao villages, said the term was no longer accurate. "A large number of Taobao villages are no longer primarily using Taobao," he said. "They are actually ecommerce villages now.

"After the pandemic, everyone's spending power fell," he added. "It's normal for Pinduoduo to do well."

Still, some factory owners in Shaji said they were resisting selling on Pinduoduo. Li Su makes higher-quality made-to-order aluminium cabinets and said Pinduoduo shoppers were too thrifty to buy his products.

"Traffic is declining on Taobao and Tmall, that's true, but that is still where the best customers are," he said. At Alibaba's peak, about 30 per cent of the traffic to his online stores was free, he said. Now it was 15 per cent at most, and he paid for the rest by buying adverts.

A young factory owner, who was overseeing about 60 workers assembling mirrors, said he gave up selling on Pinduoduo last year when he was unable to do it profitably.

"Alibaba traffic is definitely declining," he said, noting he would focus on increasing sales on JD.com and overseas this coming year. "You can't count on any one platform, they are all unreliable," he said, declining to give his name.

Zeng Yiwu, an associate professor at Hangzhou Normal University, said Alibaba's rural market had been hit hard by the rise of other ecommerce platforms.

"Shoppers and sellers in small cities and rural areas are no longer limited to Alibaba's platforms as they were a decade ago," he said.

"Alibaba needs to come up with a really good strategy to deal with the fierce competition among major platforms."

Retail

Asda tycoons turned to EG for repayment of aircraft debt

KAYE WIGGINS — HONG KONG

The British co-owners of supermarket Asda borrowed millions more from their petrol station company EG Group to repay debt they took on to buy two private jets.

EG lent Mohsin and Zuber Issa's personal private jet companies $7mn in 2022, corporate filings show, on top of the €39mn in unsecured loans it gave them to buy the planes in 2018.

Of the extra debt, $5mn went to the company through which the brothers own a Bombardier Global 6000, a model advertised as being ideal for transporting heads of state. The remaining $2mn went to the company through which they own a smaller Bombardier Challenger 350.

The payments are a sign of how closely the brothers' personal and professional lives are intertwined at the petrol station group.

The Issas have built a retail empire from scratch with the backing of private equity group TDR Capital, with which they co-own both EG and Asda.

Together with TDR, they used debt-fuelled acquisitions to expand EG into a business with more than 6,000 petrol stations spanning the US, Europe and Australia.

Then, in 2020, the Issas and TDR agreed to buy Asda in a £6.8bn deal that marked the UK's biggest leveraged buyout for a decade.

'Money is being taken through a very complicated set of business structures to offshore companies'

The brothers, who put in just £100mn in cash to buy Asda, have faced increasing scrutiny over their acquisitions and their companies' finances.

In July, Mohsin appeared before a parliamentary business and trade committee, at which its chair Darren Jones said his behaviour was "not in order".

He said: "What we have heard today is that prices are up at Asda, tax is down, pay is down, money is being taken through a very complicated set of business structures to offshore companies, and you've not answered any of our questions."

The brothers own the planes through two Isle of Man-registered entities. In 2018, EG handed the companies €39mn in unsecured, interest-free loans which they used to buy the jets, the Financial Times reported in 2022.

The Isle of Man companies also borrowed from Bank of America, which charges interest and has security over the jets.

At the time of the FT's report, people close to the matter said the EG loan's generous terms had been flagged in an audit, and the brothers would start being charged backdated interest as a result.

EG has not disclosed what interest rate has been applied.

The $7mn of new loans made in 2022 would be enough to cover all but $1mn of the amount EG reported it received in interest repayments from the two Isle of Man companies that year.

However, a person with knowledge of the matter said the money was actually used to pay interest and principal on external debt owed to third parties. They said the fresh loans are due to be repaid in full in November.

"As previously disclosed to the Financial Times in 2022, loans to the [Isle of Man] companies are fully disclosed in the EG Group accounts and continue to be so," said EG Group.

The brothers declined to comment.

Automobiles

Toyota division investor blames 'broken' governance of group for scandals

DAVID KEOHANE — TOKYO

A long-standing US investor in one of Toyota's largest subsidiaries has blamed the sprawling car group's structure for recent data scandals and called for an urgent governance overhaul, as well as the unwinding of "corrosive" cross-shareholdings.

GMO, which has $60bn in assets under management, has held shares for 13 years in Toyota Industries (TIC), the world's largest manufacturer of forklift trucks and also a producer of cars, textiles and electronics.

TIC has admitted to falsifying engine data and GMO sent a letter last week urging changes to its leadership, capital structure and a "submissive culture" that it said was "unable to oppose demands by the Toyota Group".

GMO's head of Japan equities Drew Edwards said in the letter, seen by the Financial Times, that recent scandals were "just one symptom of a larger problem of broken corporate governance and culture at TIC and Toyota Group as a whole".

He added that the scandals put "not only TIC's management and board but also [Toyota Motor's] management and board on notice that Toyota Group is no longer exempt from following guidelines designed to make Japan's corporate governance work to the benefit of all stakeholders".

TIC had followed Hino Motors and Daihatsu in becoming the third Toyota company to disclose widespread problems with testing data, specifically for its car and forklift truck engines.

After the revelations, Toyota chair Akio Toyoda said he took "full responsibility" and promised action, adding that he would be attending each of the group companies' annual meetings to see what measures they had decided to put in place.

Under the hood: Toyota divisions have been rocked by data scandals

On Tuesday, Toyota announced an overhaul of wholly owned Daihatsu's top management following a crash-testing data scandal.

GMO's Edwards, whose team manages about $2bn in Japanese equities, said that one cause of the scandal at TIC was that management "lacked the independence and courage to push back against" Toyota Motors' demands — going further than advisable in order to meet deadlines for the larger company.

Calling for TIC to put in place "urgently" an independent leadership team and board of directors that could overhaul its culture and admit its mistakes, GMO also pushed for the group to "unwind its tangled cross-shareholdings with the Toyota Group".

The pressure from GMO, which owns less than 1 per cent of TIC, mirrors concerns from other shareholders over the causes of the data scandal and how cross-shareholdings might unfairly protect management from criticism. It also comes as regulators are calling for Japanese companies to address low valuations and improve governance.

Toyota has already unwound some of its cross-shareholdings to mobilise resources for the massive investments needed in battery-electric vehicles and technology.

TIC currently owns about 7.3 per cent of Toyota Motor, while the much larger company owns 23.5 per cent of TIC, according to LSEG data. Other Toyota subsidiaries also own stakes and analysts have long speculated about how the group structure might evolve.

CLSA's John Seagrim suggested in a recent note to clients that "in theory, Toyota could launch a 31.5 per cent premium bid in Toyota shares . . . for [TIC] and it could pay for the entire acquisition in its own Toyota shares it would reacquire as a result of the acquisition".

GMO's Edwards said that Toyota Group had "shown little inclination to follow the consensus on corporate governance with respect to listed subsidiaries and cross-shareholdings" and its recent moves had been "too little, too late".

However, one other Toyota investor, speaking on condition of anonymity, said that the group's long, successful history meant it "deserves the benefit of the doubt about its group structure".

GMO, TIC and Toyota Motor all declined to comment.

Wave of Permian Basin deals heralds next phase in the shale oil revolution

Diamondback's $26bn move on Endeavor is part of consolidation that will drive costs down further

MYLES MCCORMICK — HOUSTON

Maturing: the Permian Basin began with a rush of smaller companies but consolidation is paring the number of operators
Jim West/Alamy

The shale revolution that began about 15 years ago saw a proliferation of thousands of small-time drillers turn the global energy order on its head and restored the US to the status of world's biggest producer.

Today, as a multibillion-dollar wave of consolidation washes over the Permian Basin — the engine room of America's oil industry — that landscape has been transformed. A handful of heavy hitters is now firmly in control.

Diamondback Energy's $26bn deal for rival Endeavor Energy this week brought to almost $180bn the value of an oil and gas dealmaking spree that has reverberated across the US shale patch since the beginning of last year as big, publicly listed players swallowed rivals.

Just 10 companies will now control more than 6.4mn barrels of oil equivalent a day of the Permian's 12.1mn boe/d of overall output, according to Wood Mackenzie, a consultancy. Six companies will each produce more than 700,000 boe/d — more than some Opec member countries.

Half of the sought-after Midland sub-basin, which makes up the eastern part of the Permian, will be controlled by just two companies: ExxonMobil and Diamondback.

"It's now a story of bigger companies — not smaller companies," said Dan Pickering, founder of Pickering Energy Partners, a consulting and investment group. "And that just has a much different cadence and tenor to it."

In the past four months alone, Exxon has announced a $60bn deal for Pioneer Natural Resources, the biggest producer in the Permian; Occidental has agreed to snap up CrownRock for $12bn; and Diamondback announced its purchase of privately held Endeavor. (Another pending $53bn deal by Chevron for Hess gives the supermajor shale assets in the vast Bakken oilfield of North Dakota.)

The action pushes the Permian into a new era where drilling focused on growth at all costs, which made it the country's most prolific oilfield, has come to an end.

"It does feel like another turning of the page where shale has gone from an exploratory expansionary phase to a not declining but managed phase," said Andrew Dittmar, senior vice-president at consultancy Enverus.

Over the past five years, under pressure from Wall Street, publicly owned companies have pulled back from the costly pursuit of volumes and sought to channel cash back to shareholders.

Private operators — less constrained by market demands — drove much of the Permian basin's growth, responding to higher prices by rapidly raising production. Now, as those companies are absorbed by larger public rivals, the potential for surges has faded again.

Diamondback said it would remove drilling rigs from the field after its acquisition, while insisting it could keep gradually growing output regardless.

"There is no way the US rig count grows after the recent wave of consolidation by Exxon, Chevron, Diamondback and Occidental," said Conrad Gibbins, co-head of the upstream Americas business at Jefferies. "That points to one thing, which is we're headed towards higher oil prices. It's not a question of if, it's a question of when."

That adherence to strict exploration plans suggests the US shale energy industry will shift further away from its role as a swing supplier, able to quickly turn up the production dial to douse price rises as it did early in the boom.

"If Exxon, Chevron, Oxy, Diamondback, etc, are going to have a programme that they just plough through and execute on, they are less likely to accelerate when prices are high, they are less likely to slow when prices are low — and that translates to Opec being more important," said Pickering, referring to the oil cartel led by Saudi Arabia.

Consolidation will, however, enable producers in the Permian to remain profitable even during commodity slumps. Wood Mackenzie believes operators can shave about $5 a barrel off the break-even costs of drilling, which sit at about $30-$35 a barrel in the basin. West Texas Intermediate crude settled at $78 a barrel on Tuesday.

One way of driving down costs is by joining together nearby acreage, enabling companies to operate across large swaths rather than piecemeal parcels. They can extend the length of horizontal oil wells they drill and centralise their infrastructure above ground.

Midland, Texas-based Diamondback said it had about 100,000 acres that touch Endeavor's. It believes it can extend up to 175 lateral wells to overlap the two companies' positions, while achieving $550mn in annual cost savings. "In every deal we've ever done, we check our egos at the door, we get in the room with the other side and figure out what's the best mousetrap on how to drill and complete wells in the space," said Kaes Van't Hof, Diamondback's chief financial officer.

Autry Stephens, who grew Endeavor from a single rig operation almost half a century ago, had held off on selling the company for years. But people close to the deal said he had eventually agreed to sell to Diamondback in part because it would keep the company in Midland, where it also has its headquarters.

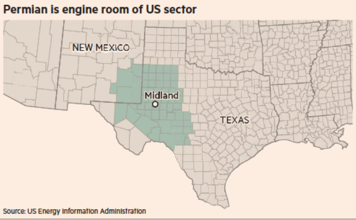
> 'We're headed towards higher oil prices. It's not a question of if, it's a question of when'

Exxon has said it will be able to drive $2bn in annual synergies over the next decade through the Pioneer acquisition — largely by using technology to increase oil recovery but also with longer wells.

"I feel like we had reached a point maybe a year or two ago, before this wave kicked off, where it felt like this is as good as the Permian is going to get in terms of cost and supply break-even," said Alex Beeker, research director at Wood Mackenzie. "But all these deals have validated that there's still a lot of efficiency improvements to go."

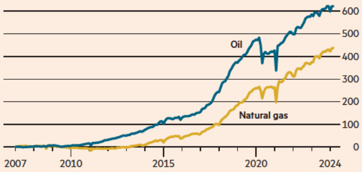
For now, companies are focused on getting their transactions over the line. Exxon, Chevron and Occidental's deals are being studied by US competition regulators. Analysts do not expect the Federal Trade Commission to block any of the deals. But at some point, said Beeker, the continued concentration of control of America's oil heartlands could "raise red flags".

Permian is engine room of US sector



Source: US Energy Information Administration

Output in basin has risen sharply
% change since 2007



Oil & gas

Shell projects a rise in LNG demand of 50% by 2040

SHOTARO TANI — LONDON

Global liquefied natural gas demand is forecast to rise 50 per cent by 2040 as the world switches to cleaner fuel, Shell has said in its latest annual LNG outlook.

Demand for natural gas globally will then peak after 2040, although appetite for LNG will continue growing as China and developing Asian nations switch from dirtier coal to the comparatively cleaner fuel.

The growth forecast is slightly lower than predictions last year but energy majors still expect a strong rise in LNG demand as economies target net zero carbon emissions by 2050.

LNG has grown in importance since Russia's invasion of Ukraine in 2022 as the Kremlin slashed its pipeline gas supplies to Europe, prompting the region to secure the supercooled fuel to replace the lost volumes.

> Appetite is expected to continue growing as China and other Asian nations switch to the cleaner fuel

"The global LNG market will continue growing into the 2040s, mostly driven by China's industrial decarbonisation and strengthening demand in other Asian countries," Shell said yesterday.

The oil major added that demand for natural gas "has peaked in some regions and globally is set to peak after 2040".

LNG is natural gas liquefied by cooling it to minus 162C. Like many other energy majors, Shell, the largest private LNG trader, is keen to position natural gas as a transition fuel as the world aims to decarbonise.

Although natural gas is cleaner than other fossil fuel alternatives, it still releases substantial amounts of carbon dioxide when burnt. Natural gas is also mostly composed of methane, which generates more warming than carbon dioxide but is shorter-lived.

Cutting methane emissions is regarded by scientists as among the cheapest and quickest ways to tackle global climate change.

Shell said LNG demand was expected to reach 625mn to 685mn tonnes in 2040, from 404mn tonnes in 2023. This is lower than its forecast a year ago, when it predicted LNG demand to reach 650mn to 700mn tonnes.

China was likely to dominate LNG demand growth this decade, while over the following decade, south Asia and south-east Asia would drive sales as they increasingly needed fuel to power their gas-fired power plants, Shell added.

The company went on to point out that LNG continued to play a "vital role" in Europe's energy security last year, with imports remaining at similar levels to the record highs in 2022 following Russia's invasion of Ukraine, despite an overall decline for gas demand in the region.

The global gas market remained structurally tight, owing to the lack of Russian pipeline gas supply to Europe, Shell said.

Interview. Ilkka Paananen

Clash of Clans maker seeks next billion-dollar hit

Chief at Supercell ready for further risk-taking to repeat successes despite revenue fall

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Supercell, the Finnish mobile gaming group, will take more risks and explore new genres in an attempt to beat the multibillion-dollar successes of *Clash of Clans* and *Hay Day*, according to its chief executive.

Ilkka Paananen told the Financial Times that there was pressure on the Tencent-owned group after *Clash of Clans* brought in more than $10bn in revenues in the past decade, akin to a band creating a "massive hit" and finding "everything you do is compared to the previous one".

Speaking in a rare interview, he said: "We want to create something better and bigger than *Clash of Clans*. That won't happen unless we take even more risk . . . All kinds of risks. We shouldn't be stuck in previous genres, we should try new genres and invent new ones."

Supercell, founded in Finland in 2010, is one of the most successful mobile gaming groups and was valued at $10bn when it was bought by China's Tencent in 2016.

But its most successful games are more than a decade old and it has released only five in total, each of which has earned at least $1bn in revenues.

It faces a competitive mobile gaming market where global tech groups such as Microsoft, through its $75bn acquisition of developer King's owner Activision Blizzard, are investing heavily to try to stay on top.

However, the market is in decline for the first time since the smartphone era. Gaming data company Newzoo said global sales from mobile games fell in 2023 to $92.2bn, down 7.3 per cent from a year earlier.

The last game Supercell released worldwide was *Brawl Stars* in 2018 while *Clash Mini* is still in beta testing despite being available in some countries since 2021. The company became famous for using "cells" of only about 10 workers on each game and celebrating killing off games that did not meet its high quality standards.

Paananen said that despite the new game drought he had "never been as excited as I am right now". He restructured the company last year, splitting the creation of new games, where the cells are still kept small, from the further development of existing titles, where *Clash of Clans* now has a workforce of 100.

"Would I have liked to have seen a new game go out in 2020? Yes. Am I proud that our teams kept the bar high? I'm really proud," he said.

He added that the one thing that defined Supercell was that it only put out games that met its high quality standards.

"What is the price we are willing to pay for a value?" said Paananen. "Somebody told me a value is not a value unless it hurts sometimes. Quality at Supercell means we kill games that many companies would launch. It absolutely hurts and it's sad."

He said he had spoken openly within the company: "It really comes down to the question, are the best days behind or ahead of us? I absolutely believe they are ahead. I want to build something like Nintendo that lasts 100 years. We are still early in the journey."

The long game: Ilkka Paananen wants to build a business that lasts 100 years
Juuso Westerlund

His comments came as Supercell reported a 4 per cent decline in revenues last year to €1.7bn, and an 8 per cent fall in earnings before interest, tax, depreciation and amortisation to €580mn. Both figures were below the record levels of €2.1bn and €917mn in 2016. It hired 156 people last year, taking its total to 540 workers.

Paananen said the mobile gaming industry should not make excuses for its lack of growth in recent years as there had not been any big innovative releases. "I don't subscribe to the idea that there's a glass ceiling and the best days are behind us," he said, adding that Supercell had seen "good momentum" with revenues increasing in each quarter last year.

Asked about Tencent's ownership, the Supercell chief said it had sought a guarantee of complete operational independence from its previous owner, Japan's SoftBank, and that continued with the Chinese group. "It is the number one thing we cared about . . . through them we get a lot of help in China," he added.

Derivatives. Climbdown

Brussels scales back ambitions for post-Brexit land grab in clearing

Backlash from financial groups and Franco-German tensions undermine the initial plans

NIKOU ASGARI — LONDON
PAOLA TAMMA — BRUSSELS

EU plans to funnel derivatives trades through its own markets are unlikely to wrest a significant slice of the lucrative clearing business away from the City of London after a climbdown by the bloc's lawmakers, according to analysts and people involved in the negotiations.

The business of validating financial transactions has become a political battleground since the UK's 2016 vote to leave the EU as the bloc seeks to chip away at London's overwhelming dominance in euro-denominated derivatives clearing and bolster the resilience of its own financial markets.

But rules agreed last week, following years of wrangling, are widely seen as Brussels backing down from earlier ambitions for a more substantial land grab after being undermined by Franco-German tensions and a backlash from the finance industry.

The deal "is relatively soft and is not going to lead to a significant shift in activity" out of London, said William Wright, founder of think-tank New Financial.

In terms of addressing financial stability concerns, the EU "can just about claim that this achieves that", he added.

Clearing houses are a low-profile but vital piece of financial market plumbing. By standing between a buyer and seller in a trade, they are designed to cut risk by stopping defaults cascading through the system.

London — Europe's pre-eminent financial centre — has long dominated the business with its large clearing house, London Stock Exchange Group's LCH, able to enjoy economies of scale, which helps attract customers.

Even in euro-denominated derivatives, a market totalling €172tn last year, according to Clarus Financial Technology, LCH handles more than 90 per cent of trades. LCH estimates that about 30 per cent of its business in this market comes from the EU.

Under the new rules, EU-based banks and other financial institutions must open so-called active accounts at a clearing house in the bloc, which will handle categories of derivatives that regulators consider systemic.

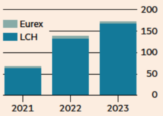
The minimum threshold of trades that must be cleared through the EU will be set at five trades for each relevant category of derivative and also depend on the value of deals done, which could result in as many as 900 trades a year, according to officials.

Firms trading more than €100bn annually will have to fulfil that quota every six months while firms trading €6bn to €100bn must do so every month, the people said.

Those pushing for more clearing to be done in the EU had hoped for more trades to be routed through the bloc.

London dominates euro derivatives clearing

Annual notional volume cleared in euro interest rate swaps and overnight index short-term rate swaps (€tn)



Source: Clarus Financial Technology

"It's a bit of a disappointment, really," said one person involved in the negotiations of the agreed levels. "The expectation is not really that high that this could actually make a difference."

Previous proposals had included percentage thresholds of trades that should be cleared through the EU but such measures were dropped.

The agreement is "not as ambitious as we wanted, that's very clear", said a senior EU official.

Ambitions for a land grab in clearing date back to the Brexit referendum. Just days after the 2016 vote, then French president François Hollande said the City of London should no longer be able to clear euro-denominated trades.

However, the French position has changed markedly, creating tensions with Germany. That follows pressure from French banks and asset managers while some believe another factor was the likelihood that Germany's Deutsche Börse, which owns the Eurex clearing house, would be the main winner of clearing business moving to the bloc.

Markus Ferber, a German member of the European parliament, accused France of torpedoing a more far-reaching deal by serving the interests of its banking lobby, which worried about the potential higher costs of shifting clearing away from London.

"I'm really disappointed," he said, adding that the deal "is a missed opportunity to strengthen our clearing houses, strengthen our systems. The French government in particular has once again not thought in the European interest but has shown itself to be the best ally of the major US banks."

One person involved in the discussions said France was "more interested in avoiding" a shift in clearing activity to Frankfurt than in bringing it to the EU.

Sitting pretty: the City of London has long dominated the business of clearing as Europe's pre-eminent financial centre Hollie Adams/Bloomberg

'We've landed in as good a place as we could expect, given that this was so much a political decision'

The French finance ministry did not respond to a request for comment.

Clearing is the only area where the EU has granted London temporary regulatory "equivalence" since Brexit, lasting until June 2025, allowing the City's clearing powerhouse to continue handling euro-denominated derivatives trades.

EU financial services commissioner Mairead McGuinness has pledged not to extend access after then but market participants believe access will continue to be granted.

"It's very unlikely" that equivalence will not be extended, said a person close to Europe's clearing houses, adding that "it'd be extremely expensive" for banks to move their trades to the bloc.

Banks, asset managers and brokers had fervently objected to forcing clearing away from London, arguing that separation would raise their costs and make them less competitive, but have welcomed the new rules, which are less onerous than they feared.

"We're really quite happy," said Susan Yavari, senior regulatory policy adviser at the European Fund and Asset Management Association, whose members were worried by plans for higher volumes to be sent to EU clearing houses.

She added: "We've landed in as good a place as we could expect given that this was so much a political decision ultimately."

LSEG welcomed the proposals but added that EU firms were still concerned about the need to open accounts in the bloc.

Ian White, analyst at Autonomous Research, said the EU had "stopped short" of forcing trades through the bloc, adding: "This might be quite a good win for London and maybe starts to present some stability for market participants who like using London."

Equities

Lyft shares go on wild ride after earnings release error

TABBY KINDER — SAN FRANCISCO

Shares of Lyft soared more than 60 per cent late on Tuesday before falling back sharply after an error in the ride-hailing company's quarterly earnings release exaggerated the outlook for margin growth in 2024 by 10 times.

The company reported that it would improve adjusted earnings margins by 500 basis points, or 5 percentage points, in 2024 compared with the previous year.

Lyft stock surged in the minutes after the announcement to just over $20, their highest since August 2022.

The shares then retreated to a gain of about 15 per cent after chief financial officer Erin Brewer said on a call with investors and analysts that the increase would in fact be 50bp, or 0.5 percentage points.

"This is actually a correction from the press release," Brewer said. In mid-morning trading yesterday, Lyft shares were up about 31 per cent.

The mistake adds to years of woes for Lyft's shares, which have lost about 80 per cent of their value since its initial public offering in 2019.

The erroneously strong prediction was taken as a sign by investors that the company's efforts to challenge much-larger rival Uber under chief executive David Risher, who took over less than a year ago, had started to pay off. The company has invested millions of dollars to attract new drivers to its platform but has failed to significantly narrow the gap with Uber on the number of users.

'In 2024, we will prove that Lyft's customer obsession will drive profitable growth'

Lyft's gross bookings increased 17 per cent to $3.7bn in the quarter compared with a year earlier, according to its latest earnings.

It reported adjusted earnings of 18 cents a share in the quarter, more than the 8 cents a share analysts had forecast. Revenue of $1.2bn aligned with analysts' expectations. Net losses narrowed to $26.3mn.

For the first quarter of 2024, Lyft forecast gross bookings in the range of $3.5bn to $3.6bn and adjusted earnings before interest, taxes, depreciation and amortisation of $50mn-$55mn.

Lyft said it expected to generate full-year positive free cash flow for the first time in 2024.

Risher said: "In 2023, the Lyft team set ambitious goals and the results speak for themselves. We reached the highest level of annual riders in our history, delivered over 700mn rides, and helped drivers take home over $8bn . . . In 2024, we'll prove that Lyft's customer obsession will drive profitable growth."

Uber last week cheered investors after reporting its first annual profit.

It said gross bookings in the final quarter of 2023 had increased 22 per cent to $37.6bn compared with the previous year.

See Lex

Regulation

EU open to telecoms mergers for investment boost

JAVIER ESPINOZA — BRUSSELS
YASEMIN CRAGGS MERSINOGLU
LONDON

Brussels has signalled that it is open to European telecoms mergers to help fund the rollout of 5G and update ageing networks — in what is likely to be seen as a softening of approach after regulators quashed several potential deals in recent years.

Europe's biggest telecoms groups have been calling on the European Commission to help them invest billions in the rollout of 5G and full-fibre networks, including through in-market consolidation and demanding that Big Tech groups pay a "fair" contribution for using their networks.

According to a draft white paper seen by the Financial Times, the commission found that "fragmentation [of the sector] could impact the ability of operators to reach the scale needed to invest in the networks of the future, in particular in view of cross-border services".

The regulator said it recognised that, while a competitive telecoms market was a benefit to consumers, "industrial competitiveness and economic security" should be taken into account when looking at sector consolidation.

The highly anticipated report on digital infrastructure, which will set out Brussels' thinking on how to build resilient digital networks, is expected to be published next week and is under review by the EU executive.

While its recommendations will not be legally binding, telecoms operators said Brussels' comments signalled it was willing to consider more mergers in the sector to bridge a funding gap.

It comes after the commission said last year that it had been told by telecoms groups they would need to spend up to 50 per cent of their annual revenues over the next five years to invest in areas such as infrastructure.

Brussels says it wants to encourage cross-border telecoms consolidation

"Creating a true single market for telecommunications services requires a reflection on encouraging cross-border consolidation," Thierry Breton, the EU's commissioner responsible for the single market, told the FT.

"Scale is key to deliver on the massive investments needed to build the cutting-edge digital infrastructure Europe needs for its competitiveness. Too many regulatory barriers to a true telecoms single market still exist," he added.

People with knowledge of the EU's thinking said the paper would reignite the debate about telecoms consolidation after years of concern about tie-ups leading to rising prices for consumers.

Brussels has previously blocked big deals, including CK Hutchison's £10.5bn attempt to buy O2 in 2016.

The commission is preparing to announce as early as next week its decision on whether the proposed €18.6bn Orange and MasMovil joint venture in Spain can go ahead.

The ruling has been closely followed by the industry as a test case for further consolidation in the bloc.

Europe's biggest telecoms groups have also called on the EU to compel Big Tech to pay a "fair" contribution for using their networks.

The chief executives of 20 companies including BT and Deutsche Telekom last year signed a letter to be sent to the commission and members of the European parliament about the initiative.

In the draft paper, Brussels said it might need to act to ensure that all players, including large technology companies, paid for the use of the infrastructure they use, "to ensure a regulatory level playing field and equivalent rights and obligations for all actors".

Submarine connectivity and cables also posed a "challenge to EU resilience", the commission said in the draft paper.

It added that incidents such as in the Baltic Sea — appearing to reference a leak in a gas pipeline and a break in a data cable between Finland and Estonia last year — demonstrated the bloc's vulnerability.

From October, a new directive will require member states to adopt policies related to the cyber security of infrastructure such as submarine cables and to ensure the protection of "vital security interests" from sabotage and espionage, according to the draft.

The "NIS 2" directive is also set to apply to other entities that may operate submarine cables, such as cloud or data centre services providers.

Equities

Heineken says higher prices hit demand for its brands

MADELEINE SPEED — LONDON

Heineken, the world's second-biggest brewer, has tempered expectations for annual profit growth, saying higher prices hit demand last year.

In its latest results published yesterday, the Amsterdam-listed group said it expected operating profit growth of between low and high single-digits in 2024. Analysts had forecast a figure of 9.9 per cent.

Shares in the company, which owns brands including Amstel, Birra Moretti and Red Stripe, dropped 7 per cent by the close of trading.

Volumes fell 4.7 per cent last year, more than analysts had expected, after Heineken increased prices 10.2 per cent on average.

It made an operating profit of €3.2bn in 2023, down from €4.3bn in 2022.

Chief executive Dolf van den Brink told the Financial Times that Heineken had added the low single-digit to the range because of uncertainty about the economic and geopolitical outlook.

"It's still a broad range that includes mid to high single-digits," he said, adding that he was "cautiously optimistic".

Heineken said price rises to offset "very high input and energy cost inflation and volatile macroeconomic conditions in some key markets affected our volume momentum".

The forecast was "disappointing", said RBC Capital Markets analyst James Edwardes Jones, adding that investors had expected falling commodity costs would boost margins.

Many companies have continued to increase prices despite declining commodity costs.

In Asia, Heineken recorded a 10.6 per cent drop in beer sales volumes, primarily because of an economic slowdown and stricter drink-driving rules in Vietnam, which accounts for just under 10 per cent of group profits, according to Bernstein.

European sales volumes fell 5.4 per cent in the year but recovered slightly to a 3.4 per cent drop in the final quarter.

Volumes in the country's Africa, Middle East and eastern Europe region retreated 6.3 per cent, mainly because of Heineken's exit from Russia and losses in Nigeria, where inflation and economic reforms have dented consumer spending.

The day in the markets

What you need to know

- Lower than expected UK inflation boosts gilts and FTSE 100
- Treasuries reverse part of steep sell-off in previous trading session
- Europe's stocks and benchmark debt also attract buyers

UK government bonds bounce back
10-year gilt yield (%)

Source: Bloomberg

Global stocks and bonds rose yesterday as lower than expected UK inflation helped soothe recent concerns over persistent global price pressures.

Wall Street's benchmark S&P 500 was up 0.4 per cent by early afternoon in New York, led higher by industrial stocks, while the tech-heavy Nasdaq Composite added 0.5 per cent.

Yields on two-year Treasuries, which are particularly sensitive to interest rates, fell 8 basis points to 4.58 per cent while those on benchmark 10-year Treasury bonds were down 5bp to 4.27 per cent as investors bought the debt.

The moves reversed part of a steep sell-off in the previous trading session that came after surprisingly hot inflation figures from the US prompted investors to push back their bets on interest rate cuts.

The rebound was particularly strong in the UK. Consumer price inflation data prompted traders to bring forward bets on rate cuts from the Bank of England.

The UK's annual rate of inflation was unchanged month on month at 4 per cent in January, below economists' expectations of 4.2 per cent.

"This will be taken as good news by those looking for rate cuts sooner rather than later," said Neil Birrell, chief investment officer at Premier Miton Investors.

London's FTSE 100 gained 0.8 per cent. Yields on rate-sensitive two-year gilts slipped 12bp to 2.56 per cent while those on benchmark 10-year bonds fell 10bp to 4.05 per cent, reflecting higher prices.

The pound edged 0.4 per cent lower against the euro to €1.17.

The region-wide Stoxx Europe 600 equities index added 0.5 per cent, Paris's CAC 40 rose 0.7 per cent and Frankfurt's Xetra Dax gained 0.4 per cent.

Yields on 10-year German Bunds — the benchmark for the eurozone — fell 5bp to 2.34 per cent.

Markets were largely unmoved by comments from European Central Bank vice-president Luis de Guindos, who insisted the central bank needed more time before it could start cutting rates.

"Wage pressures remain high and we do not yet have sufficient data to confirm they are starting to ease," de Guindos said in a speech in Split, Croatia.

He warned that "profit margins could also prove more resilient than anticipated", while "heightened geopolitical tensions, especially in the Middle East, could raise energy prices and disrupt global trade".

In Asia, Hong Kong's Hang Seng index gained 0.8 per cent on the first day of trading following an extended break for the lunar new year holidays but markets in mainland China remained closed.

Tokyo's Topix and Seoul's Kospi both retreated 1.1 per cent. **Stephanie Stacey**

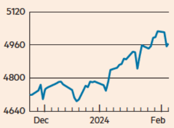
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4965.50	1921.15	37703.32	7568.40	2865.90	127046.86
% change on day	0.25	0.48	-0.69	0.75	1.28	-0.76
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	104.839	1.072	150.625	1.255	7.194	4.966
% change on day	-0.115	0.000	0.020	-0.397	0.000	0.231
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.256	2.339	0.755	4.222	2.482	10.373
Basis point change on day	-1.560	-5.300	3.040	-10.000	0.000	-0.500
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	488.77	82.34	77.51	1996.10	22.87	3595.70
% change on day	0.25	-0.52	-0.46	-0.95	-0.20	0.25

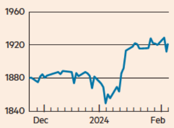
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

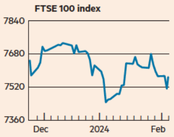
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Uber	11.39	Vopak	10.04	Coca-cola Hbc Ag	7.98
	Charles River Laboratories Int	8.37	Cap Gemini	6.80	Persimmon	3.08
	Davita	8.18	Fresen.med.care	4.50	Frasers	2.85
	Iqvia Holdings	8.03	Schindler	4.12	Rentokil Initial	2.83
	Welltower	6.19	Thales	3.93	Jd Sports Fashion	2.66
Downs	Mgm Resorts Int	-7.88	Thyssenkrupp	-9.45	Entain	-4.15
	Akamai	-7.27	Heineken Holding	-6.51	Fresnillo	-1.12
	Invesco Ltd	-6.17	Mapfre	-5.74	Endeavour Mining	-1.01
	Kraft Heinz (the)	-6.02	Ab Inbev	-2.31	Centrica	-0.85
	Airbnb	-3.81	Casino Guichard	-2.20	Bp	-0.68

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

Gen AI is set to shake up asset management

Mohamed El-Erian
Markets Insight

There is little doubt that generative AI is a massively disruptive innovation that will bring both job destruction and enhancement. The balance between the two is now a hot topic where asset management increasingly finds itself, albeit unwittingly, serving as a "natural experiment".

How the generative AI revolution, or Gen AI, is being deployed in the industry shines a spotlight not only on the job debate but also on broader organisational and regulatory issues that will impact the rest of finance, health and well beyond.

One of the most striking aspects of the Gen AI revolution is that it is just getting started. Its main drivers — computing power, data, talent and funding — are compounding at a scale and speed that will accentuate its disruptive forces. No wonder it has risen to the top of the agenda of CEOs in an ever-increasing number of companies and sectors.

Asset management is one of the sectors where Gen AI offers great promise, pointing to a series of changes on how the industry operates and is organised.

Already, it is being used by the most agile companies to improve operational efficiency and communications and better protect against cyber attacks. And this is just the start.

Investment and client-facing teams can now prepare presentations with incredible ease to convey capabilities and justify new trade ideas.

The communication of returns and performance attribution to clients, a critical and time-consuming obligation, is done more quickly and accurately. And the tech teams have more tools at their disposal to combat the growing number of hacking attempts.

In every one of these cases, Gen AI is labour-enhancing. It augments what employees can do, helping them move up the value-added curve.

While there will be job losses among routine-based, low-skill tasks, the overall impact on labour is positive, especially as more engineers are hired. Knowing how to talk to AI engines becomes an essential skill for both new and much of the existing staff.

Now look forward. It is not difficult to envisage a world where Gen AI engines are an integral part of all the higher-skill tasks of asset allocation, model portfolios, security selection and risk mitigation. These engines will be trained on the enormous data sets that reside in the sector that are grossly under-exploited.

> Mid-sized managers and the Gen AI-lagging firms will be pressured to consolidate or atrophy

Given advances elsewhere in tech, it is also not difficult to imagine Gen AI tools helping to create and structure new asset classes, trained in this case by a combination of actual and virtual data.

With time, the most dynamic and successful parts of the asset management will combine Gen AI-enabled tools with new capabilities that, importantly, are Gen AI native. With that comes the ability to personalise in a much more refined manner individual investment accounts to meet clients' risk tolerance and behavioural inclinations.

Yet the road ahead will also be bumpy. Existing capabilities are far from flawless and talent is not evenly distributed.

Their application is subject to biases. There are still no good answers as to who will internally police the AI and what broader set of domestic and, potentially, international regulations will govern it.

And the increasing fragmentation of the technology stack between China and the US, a phenomenon that will only deepen, is making those living in the in-between particularly uncomfortable.

This is also a road that will see major disruptions to the structure of the industry. Those lagging in understanding the disruptive power of AI and its potential applications — particularly on account of talent, management agility and data organisation — will find it increasingly hard to catch up.

The gap will only grow if they fail to take advantage of the leapfrogging opportunities that are only likely to be available early on.

Put together, this dynamic will further push the industry trends towards a structure of a handful of very big firms and a larger number of much smaller niche players. Mid-sized managers, those with $100bn to $500bn of assets under management, and the Gen AI-lagging firms will be pressured to consolidate or simply atrophy. This is where the job destruction occurs.

What asset management faces will be repeated in different ways elsewhere, including the rest of finance and health.

It is a phenomenon that firms can ignore only at their peril. It is also one that will pressure those regulators who, having focused too much on banks, are already behind in their understanding and supervision of non-banks.

Mohamed El-Erian is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy

Equities

Thyssenkrupp's shares retreat 10% on cut to sales and profit guidance

PATRICIA NILSSON — FRANKFURT

German industrial conglomerate Thyssenkrupp has cut its full-year sales and profit guidance and written down the value of its steel business for the second time in three months amid weak demand from European carmakers.

Thyssenkrupp said yesterday that it expected sales of €37.5bn in 2024, roughly the same as last year. It had previously forecast a slight increase.

Thyssenkrupp shares fell about 10 per cent and have lost more than a quarter of their value in the past six months.

The company also cut its previous guidance of net income "in the low to mid three-digit million euro range", saying it now expects to break even.

It wrote down its steel business — Germany's largest — by a further €200mn, adding to the €2.1bn writedown that it booked in November because of high prices for gas and other raw materials.

Chief financial officer Klaus Keysberg said demand for steel from European carmakers had not yet recovered from the pandemic. "Compared with [before the pandemic], we still see a gap and this is where we are," he added.

In 2022, just under 3.5mn passenger cars were produced in Germany, according to the most recent data published by industry group VDA, compared with 5.7mn in 2017.

> 'Compared with before the pandemic, we still see a gap in demand and this is where we are'

Aside from the pandemic, car production in Germany has not fallen below 3.5mn since the energy crisis in the 1970s.

Thyssenkrupp has been struggling for more than a decade to reduce its reliance on steel and switch to other industrial products.

It has also been under pressure to reduce debts that it amassed partly because of a 2005 investment in a Brazilian steelmaking business that cost the company €8bn in losses.

In 2019, shareholders pushed the company into selling its lucrative lifts and escalators business to private equity groups for €17bn.

It has since closed or sold several other smaller units, including its mining equipment division.

Chief executive Miguel López joined the company last year after his predecessor, Martina Merz, was pushed out by the board because of slow progress in the company's efforts to spin out its steel and submarine businesses.

Thyssenkrupp also said there was no update on ongoing negotiations to sell half its steel business to Czech energy tycoon Daniel Křetínský.

See Lex

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.25%	0.39%	-0.05%	0.75%	0.48%	-0.69%	0.84%	0.25%	No change	-0.397%	0.020%	0.353%	0.40%	-0.95%

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

AMERICAS
Jan 15 - - Index — All World

Index	City	Jan 15	Feb 14	Day	Month	Year
S&P 500	New York	4,765.98	4,965.50	0.25%	3.82%	20.08%
Nasdaq Composite	New York	14,944.35	15,716.02	0.39%	4.99%	31.43%
Dow Jones Industrial	New York	37,361.12	38,253.16	-0.05%	1.77%	12.23%
S&P/TSX COMP	Toronto	20,948.09	20,707.97	0.97%	1.02%	0.35%
IPC	Mexico City	55,607.07	57,175.90	0.16%	2.50%	8.23%
Bovespa	São Paulo	131,520.91	128,025.70	-0.76%	-3.01%	17.80%

EUROPE
Jan 15 - Feb 14

Index	City	Jan 15	Feb 14	Day	Month	Year
FTSE 100	London	7,558.34	7,568.40	0.75%	-0.86%	-4.96%
FTSE Eurofirst 300	Europe	1,869.10	1,921.15	0.48%	2.02%	5.28%
CAC 40	Paris	7,398.00	7,677.35	0.68%	2.84%	6.50%
Xetra Dax	Frankfurt	16,571.68	16,951.08	0.38%	-0.52%	NaN%
Ibex 35	Madrid	9,994.10	9,916.60	-0.09%	-1.77%	7.67%
FTSE MIB	Milan	30,337.62	31,329.38	0.63%	2.82%	14.18%

ASIA
Jan 15 - Feb 14

Index	City	Jan 15	Feb 14	Day	Month	Year
Nikkei 225	Tokyo	35,901.79	37,703.32	-0.69%	6.09%	37.61%
Hang Seng	Hong Kong	15,865.92	15,879.38	0.84%	-2.19%	-24.93%
Shanghai Composite	Shanghai	2,877.70	2,865.90	1.28%	-2.16%	-11.77%
Kospi	Seoul	2,497.59	2,620.42	-1.10%	3.78%	6.84%
FTSE Straits Times	Singapore	3,199.42	3,139.07	-0.09%	-1.62%	-5.55%
BSE Sensex	Mumbai	72,568.45	71,822.83	0.37%	-1.01%	18.87%

Country	Index	Latest	Previous
Argentina	Merval	1111208.97	1128510.81
Australia	All Ordinaries	7790.50	7847.80
	S&P/ASX 200	7547.70	7603.60
	S&P/ASX 200 Res	5875.30	5927.60
Austria	ATX	3366.27	3368.35
Belgium	BEL 20	3665.30	3675.52
	BEL Mid	10594.19	10535.46
Brazil	IBovespa	127046.86	128025.70
Canada	S&P/TSX 60	1254.12	1242.10
	S&P/TSX Comp	20784.95	20584.97
	S&P/TSX Div Met & Min	1555.65	1569.59
Chile	S&P/CLX IGPA Gen	30608.18	30493.85
China	FTSE A200	8931.98	8891.09
	FTSE B35	9000.71	8988.96
	Shanghai A	3004.27	2966.34
	Shanghai B	249.38	246.70
	Shanghai Comp	2865.90	2829.70
	Shenzhen A	1649.79	1599.09
	Shenzhen B	1016.72	1005.47
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1479.23	1470.99
Denmark	OMXC Copenhgn 20	2581.08	2546.86
Egypt	EGX 30	28874.99	28604.54
Estonia	OMX Tallinn	1765.48	1768.92
Finland	OMX Helsinki General	9688.81	9683.07
France	CAC 40	7677.35	7625.31
	SBF 120	5812.43	5775.41
Germany	M-DAX	26050.07	25724.51
	TecDAX	3386.91	3369.56
	XETRA Dax	16945.48	16880.83
Greece	Athens Gen	1405.38	1385.47
	FTSE/ASE 20	3424.64	3369.90
Hong Kong	Hang Seng	15879.38	15746.58
	HS China Enterprise	5386.31	5306.79
	HSCC Red Chip	3189.56	3196.95
Hungary	Bux	64999.45	64756.50
India	BSE Sensex	71822.83	71555.19
	Nifty 500	19922.30	19782.90
Indonesia	Jakarta Comp	7209.74	7297.67
Ireland	ISEQ Overall	9371.60	9284.70
Israel	Tel Aviv 125	1887.19	1875.56

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	33462.01	33257.64
	FTSE Italia Mid Cap	45300.00	45102.05
	FTSE MIB	31329.38	31134.17
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	37703.32	37963.97
	S&P Topix 150	2288.70	2313.08
	Topix	2584.59	2612.03
Jordan	Amman SE	2408.69	2397.75
Kenya	NSE 20	1511.79	1518.22
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1330.29	1316.11
Lithuania	OMX Vilnius	963.50	965.11
Luxembourg	LuxX	1528.85	1521.84
Malaysia	FTSE Bursa KLCI	1529.33	1531.37
Mexico	IPC	57000.68	56906.99
Morocco	MASI	12753.91	12698.28
Netherlands	AEX	843.67	842.62
	AEX All Share	1147.28	1148.18
New Zealand	NZX 50	11661.32	11739.68
Nigeria	SE All Share	101707.70	102042.32
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	62153.84	61226.93

Country	Index	Latest	Previous
Philippines	Manila Comp	6854.53	6827.92
Poland	Wig	79342.34	78038.67
Portugal	PSI 20	6100.10	6134.12
	PSI General	4253.31	4279.40
Romania	BET Index	15693.33	15675.54
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12438.77	12404.59
Singapore	FTSE Straits Times	3139.07	3141.87
Slovakia	SAX	313.08	313.08
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	73009.74	73062.59
	FTSE/JSE Res 20	49476.71	49772.68
	FTSE/JSE Top 40	66420.90	66490.08
South Korea	Kospi	2620.42	2649.64
	Kospi 200	352.69	357.38
Spain	IBEX 35	9916.60	9925.40
Sri Lanka	CSE All Share	10531.48	10557.28
Sweden	OMX Stockholm 30	2362.07	2352.77
	OMX Stockholm AS	894.18	890.56
Switzerland	SMI Index	11213.64	11142.79

Country	Index	Latest	Previous
Taiwan	Weighted Pr	16915.54	16942.30
Thailand	Bangkok SET	1385.11	1391.73
Turkey	BIST 100	9072.08	9072.08
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2680.80	2652.10
	FTSE 100	7568.40	7512.28
	FTSE 4Good UK	6827.09	6772.57
	FTSE All Share	4132.87	4104.81
	FTSE techMARK 100	6876.43	6816.94
USA	DJ Composite	12263.30	12259.71
	DJ Industrial	38253.16	38272.75
	DJ Transport	15809.11	15785.77
	DJ Utilities	830.96	829.38
	Nasdaq 100	17656.17	17600.42
	Nasdaq Cmp	15716.02	15655.60
	NYSE Comp	17147.34	17068.54
	S&P 500	4965.50	4953.17
	Wilshire 5000	42053.18	41446.59
Venezuela	IBC	53320.11	52839.06
Vietnam	VNI	1198.53	1188.48

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	589.03	588.13
	Euro Stoxx 50 (Eur)	4709.46	4689.28
	Euronext 100 ID	1432.11	1427.38
	FTSE 4Good Global ($)	12723.76	12706.89
	FTSE All World ($)	488.77	487.54
	FTSE E300	1921.15	1911.92
	FTSE Eurotop 100	3842.52	3825.85
	FTSE Global 100 ($)	3424.44	3417.07
	FTSE Gold Min ($)	1540.45	1611.94
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	3441.48	3483.83
	FTSE World ($)	898.38	896.39
	FTSEurofirst 100 (Eur)	5169.69	5154.86
	FTSEurofirst 80 (Eur)	6316.52	6291.45
	MSCI ACWI Fr ($)	739.58	747.89
	MSCI All World ($)	3240.26	3281.01
	MSCI Europe (Eur)	1934.47	1950.81
	MSCI Pacific ($)	2972.91	2950.55
	S&P Euro (Eur)	2045.25	2037.17
	S&P Europe 350 (Eur)	1971.92	1962.86
	S&P Global 1200 ($)	3563.47	3553.37
	Stoxx 50 (Eur)	4214.37	4198.67

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

STOCK MARKET: BIGGEST MOVERS

AMERICA | LONDON | EURO MARKETS | TOKYO — ACTIVE STOCKS, UPS [illegible]

AMERICA Downs	Close price	Day's change	Day's chng%	LONDON Downs	Close price	Day's change	Day's chng%	EURO MARKETS Downs	Close price	Day's change	Day's chng%	TOKYO Downs	Close price	Day's change	Day's chng%
Mgm Resorts Int	42.06	-3.60	-7.88	Tui Ag	542.00	-36.50	-6.31	Heineken	87.20	-5.92	-6.36	Mercari	2120.50	-315.00	-12.93
Akamai	115.96	-9.09	-7.27	Entain	933.40	-40.40	-4.15	Ab Inbev	58.03	-1.37	-2.31	Yamaha	3313.00	-205.00	-5.83
Invesco Ltd	15.36	-1.01	-6.17	Ferrexpo	83.95	-3.05	-3.51	Volkswagen Ag Vzo O.n.	117.32	-1.30	-1.10	Dowa Holdings Co.,	5198.00	-317.00	-5.75
Kraft Heinz (the)	33.96	-2.18	-6.02	Spirent Communications	113.80	-4.10	-3.48	Bbva	9.19	-0.09	-0.95	Pacific Metals Co.,	1317.00	-69.00	-4.98
Airbnb	145.07	-5.75	-3.81	Dowlais	86.70	-2.36	-2.65	Prosus	29.15	-0.26	-0.88	Shiseido ,	4072.00	-200.00	-4.68

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

UK MARKET WINNERS AND LOSERS

FTSE 100	Feb 14 price(p)	%Chg week	%Chg ytd	FTSE 250	Feb 14 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Feb 14 price(p)	%Chg week	%Chg ytd	Industry Sectors	Feb 14 price(p)	%Chg week	%Chg ytd
Winners				**Winners**				**Winners**				**Winners**			
Smith (ds)	319.10	13.5	4.2	Babcock Int	465.60	9.8	10.9	Cab Payments Holdings	107.40	27.4	31.0	Tobacco	27390.42	2.8	4.4
Smurfit Kappa	3182.00	7.1	4.3	Watches Of Switzerland	414.40	8.5	-38.7	Riverstone Energy	924.00	15.5	11.1	Nonlife Insurance	3306.12	2.5	-1.4
Coca-cola Hbc Ag	2382.00	6.4	2.9	Auction Technology	578.00	8.4	15.1	Xaar	130.50	15.5	14.0	General Industrials	6575.08	2.1	-3.4
Frasers	829.00	3.5	-6.4	Sdcl Energy Efficiency Income Trust	57.50	7.9	-11.5	Motorpoint	111.75	10.6	1.6	Personal Goods	18384.25	2.0	-15.3
British American Tobacco	2399.00	3.4	2.9	Future	712.00	7.1	-8.6	Vanquis Banking	128.80	10.5	2.1	General Retailers	3834.82	1.7	1.9
Beazley	575.00	3.4	9.3	Dr. Martens	89.90	6.7	1.8	Molten Ventures	236.60	9.1	-12.7	Mobile Telecommunications	1727.67	1.7	-9.1
Vodafone	65.37	2.8	-6.3	Jupiter Fund Management	83.20	6.0	-8.0	Asos	399.90	9.1	0.9	Media	11699.38	1.4	4.9
Bae Systems	1230.00	2.6	10.2	Me Int	136.40	5.7	9.8	Bloomsbury Publishing	518.00	9.1	10.6	Oil & Gas Producers	8451.93	0.7	-1.6
[illegible]															
Losers				**Losers**				**Losers**				**Losers**			
[illegible]															
Sse	1570.00	-5.0	-14.6	Octopus Renewables Infrastructure Trust	74.60	-7.0	-16.5	Superdry	34.85	-15.0	3.7	Household Goods	12882.74	-3.1	-1.5
Prudential	790.40	-4.8	-7.7	Target Healthcare Reit	77.50	-6.9	-10.8	Gore Street Energy Storage Fund	62.60	-12.2	-28.5	Life Insurance	5777.41	-3.1	-7.5
Airtel Africa	100.70	-4.4	-22.4	Pz Cussons	100.00	-6.5	-32.9	Regional Reit	20.15	-11.6	-42.3	Real Estate Investment Trusts	2188.38	-3.0	-8.8
Entain	933.40	-4.0	-5.3	Genuit	393.00	-5.4	-1.9	Life Science Reit	49.20	-10.9	-23.1	Gas Water & Multiutilities index	5824.24	-2.8	-5.1
Haleon	316.20	-3.9	-2.5	Wizz Air Holdings	2068.00	-5.1	-6.7	Abrdn Property Income Trust	48.70	-8.5	-7.2	Industrial Metals	5994.68	-1.9	-12.3
Land Securities	635.00	-3.8	-10.4	Baltic Classifieds	231.50	-4.7	-4.3	Vh Global Sustainable Energy Opportunities	59.80	-8.3	-22.9	Real Estate & Investment Servic	2197.09	-1.9	-4.7
Natwest	209.00	-3.8	-5.1	Hilton Food	767.00	-4.7	-0.8	Vpc Specialty Lending Investments	55.00	-7.4	-17.2	Beverages	22647.34	-1.8	0.8
Legal & General	235.20	-3.6	-5.4	Inchcape	648.50	-4.6	-10.1	Foresight Sustainable Forestry	72.00	-6.7	14.1	Industrial Transportation	3782.47	-1.8	-5.3
Segro	814.80	-3.6	-7.0	Aberforth Smaller Companies Trust	1280.00	-4.6	-6.3	Triple Point Social Housing Reit	55.00	-6.6	-13.8	Banks	3473.77	-1.5	-5.8

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

CURRENCIES

Feb 14	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	833.9480	2.6480	894.0745	3.1254	1046.5690	-0.9889
Australia	Australian Dollar	1.5418	-0.0061	1.6529	-0.0060	1.9349	-0.0157
Bahrain	Bahrainin Dinar	0.3770	0.0001	0.4042	0.0002	0.4731	-0.0019
Bolivia	Bolivian Boliviano	6.9100	-	7.4082	0.0024	8.6718	-0.0358
Brazil	Brazilian Real	4.9658	0.0115	5.3238	0.0140	6.2318	-0.0113
Canada	Canadian Dollar	1.3556	0.0002	1.4533	0.0007	1.7012	-0.0068
Chile	Chilean Peso	957.7900	-13.5750	1026.8454	-14.2188	1201.9853	-22.0747
China	Chinese Yuan	7.1937	-	7.7124	0.0025	9.0278	-0.0373
Colombia	Colombian Peso	3915.1500	-22.8400	4197.4286	-23.1293	4913.3458	-49.0911
Costa Rica	Costa Rican Colon	517.7450	0.1100	555.0737	0.2964	649.7478	-2.5470
Czech Republic	Czech Koruna	23.7203	0.0580	25.4304	0.0703	29.7679	-0.0500
Denmark	Danish Krone	6.9525	-0.0022	7.4537	0.0000	8.7250	-0.0389
Egypt	Egyptian Pound	30.8931	0.0148	33.1205	0.0265	38.7695	-0.1416
Hong Kong	Hong Kong Dollar	7.8184	-0.0010	8.3821	0.0016	9.8118	-0.0418
Hungary	Hungarian Forint	362.8859	1.4210	389.0495	1.6481	455.4062	-0.0917
India	Indian Rupee	83.0288	0.0175	89.0150	0.0474	104.1975	-0.4086

Feb 14	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Indonesia	Indonesian Rupiah	15594.5000	-	16718.8574	5.3651	19570.4291	-80.9167
Israel	Israeli Shekel	3.6559	-0.0179	3.9194	-0.0179	4.5879	-0.0415
Japan	Japanese Yen	150.6250	0.0300	161.4849	0.0841	189.0279	-0.7435
..One Month		150.6243	0.0286	161.4843	0.0830	189.0270	-0.7452
..Three Month		150.6229	0.0258	161.4832	0.0808	189.0254	-0.7486
..One Year		150.6172	0.0144	161.4791	0.0726	189.0270	-0.7541
Kenya	Kenyan Shilling	150.5000	-5.5000	161.3508	-5.8428	188.8710	-7.7114
Kuwait	Kuwaiti Dinar	0.3084	0.0003	0.3306	0.0004	0.3870	-0.0013
Malaysia	Malaysian Ringgit	4.7859	0.0199	5.1310	0.0230	6.0061	0.0003
Mexico	Mexican Peso	17.1050	-0.0980	18.3382	-0.0991	21.4660	-0.2122
New Zealand	New Zealand Dollar	1.6441	-0.0054	1.7626	-0.0052	2.0632	-0.0154
Nigeria	Nigerian Naira	1490.5000	-22.0000	1597.9630	-23.0649	1870.5137	-35.4546
Norway	Norwegian Krone	10.5893	-0.0699	11.3527	-0.0713	13.2891	-0.1431
Pakistan	Pakistani Rupee	278.8850	-0.3650	298.9922	-0.2951	349.9887	-1.9065
Peru	Peruvian Nuevo Sol	3.8744	-0.0089	4.1538	-0.0082	4.8623	-0.0313
Philippines	Philippine Peso	56.1220	0.1615	60.1683	0.1924	70.4307	-0.0876

Feb 14	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Poland	Polish Zloty	4.0505	0.0001	4.3425	0.0015	5.0832	-0.0209
Romania	Romanian Leu	4.6416	-0.0014	4.9762	0.0000	5.8249	-0.0259
Russia	Russian Ruble	91.7000	0.2000	98.3114	0.2460	115.0796	-0.2236
Saudi Arabia	Saudi Riyal	3.7504	0.0002	4.0208	0.0015	4.7066	-0.0192
Singapore	Singapore Dollar	1.3490	-0.0016	1.4462	-0.0013	1.6929	-0.0091
South Africa	South African Rand	19.0575	-0.0575	20.4315	-0.0551	23.9163	-0.1713
South Korea	South Korean Won	1335.3500	7.2000	1431.6269	8.1769	1675.8071	2.1465
Sweden	Swedish Krona	10.5354	-0.0442	11.2950	-0.0438	13.2215	-0.1104
Switzerland	Swiss Franc	0.8863	-0.0001	0.9503	0.0002	1.1123	-0.0047
Taiwan	New Taiwan Dollar	31.3585	-	33.6194	0.0108	39.3536	-0.1627
Thailand	Thai Baht	36.1300	0.4150	38.7349	0.4572	45.3416	0.3356
Tunisia	Tunisian Dinar	3.1430	0.0009	3.3696	0.0020	3.9443	-0.0152
Turkey	Turkish Lira	30.7575	0.0325	32.9751	0.0454	38.5993	-0.1186
United Arab Emirates	UAE Dirham	3.6729	0.0001	3.9377	0.0013	4.6093	-0.0190
United Kingdom	Pound Sterling	0.7968	0.0033	0.8543	0.0038	-	-
..One Month		0.7969	0.0033	0.8542	0.0038	-	-

Feb 14	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
..Three Month		0.7969	0.0033	0.8540	0.0038	-	-
..One Year		0.7970	0.0034	0.8528	0.0037	-	-
United States	United States Dollar	-	-	1.0721	0.0003	1.2550	-0.0052
..One Month		-	-	1.0720	-0.1881	1.2550	-0.0052
..Three Month		-	-	1.0717	-0.1880	1.2550	-0.0052
..One Year		-	-	1.0703	-0.1880	1.2551	-0.0051
Vietnam	Vietnamese Dong	24405.0000	-	26164.5857	8.4177	30627.3085	-126.5926
European Union	Euro	0.9328	-0.0003	-	-	1.1706	-0.0052
..One Month		0.9326	-0.0003	-	-	1.1705	-0.0052
..Three Month		0.9323	-0.0003	-	-	1.1703	-0.0052
..One Year		0.9309	-0.0003	-	-	1.1691	-0.0053

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Feb 14	Day's chge%	Euro Index	£ Strlg Feb 13	£ Strlg Feb 12	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7568.40	0.75	6901.50	7512.28	7573.69	7953.85	3.95	2.40	10.56	4.44	8093.47
FTSE 250 (250)	19003.89	0.42	17329.34	18923.83	19203.93	20018.23	3.50	1.16	24.56	41.24	16410.05
FTSE 250 ex Inv Co (167)	19714.75	0.46	17977.56	19624.28	19951.03	20724.86	3.65	0.82	33.41	42.30	17390.08
[illegible]											

FT 30 INDEX

	Feb 14	Feb 13	Feb 12	Feb 09	Feb 08	Yr Ago	High	Low
FT 30	2680.80	2652.10	2694.30	2679.20	2692.80	0.00	2780.90	2639.70
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes [illegible]

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	8.04	Construct & Material	-1.27	Financials	-4.68
Tobacco	4.56	Nonlife Insurance	-1.43	Gas Water & Multi	-4.96
Media	4.53	Oil & Gas Producers	-1.54	Real Est Invest & Se	-5.14
Industrial Transport	4.42	Health Care	-1.59	Banks	-5.67
[illegible]					

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	2388	12.00	Jd Sports Fashion PLC	108.25	2.80
Admiral Group PLC	2548	14.00	Kingfisher PLC	218.50	2.70
Airtel Africa PLC	100.70	2.00	Land Securities Group PLC	635.00	4.20
[illegible]					

UK STOCK MARKET TRADING DATA

[illegible]

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

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

UK RIGHTS OFFERS

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

UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
[illegible]							
New Ch Life Ins	14.12	-0.04	25.00	12.60	8.50	4.95	1867.6
PetroChina	5.61	-0.03	6.05	4.02	8.27	6.29	15139.3
PingAnIns	33.45	0.50	61.70	29.55	8.28	7.00	31863.49
PngAnBnk	9.67	0.06	14.44	8.96	3.00	4.03	26076.98
Pwr Cons Corp	4.96	0.02	8.15	4.45	2.46	7.45	9009.81
SaicMtr	14.58	0.17	15.65	12.92	2.35	11.08	23452.83
ShenwanHong	0.07	0.00	0.15	0.06	-	4.61	74.92
ShgPdgBk	6.96	0.02	8.22	6.36	4.68	6.45	28389.43
Sinopec Corp	4.08	-0.04	5.47	3.64	9.60	7.98	12721.28
Sinopec Oil	1.84	-	2.39	1.60	-	62.41	3469.69
Denmark (kr)							
DanskeBk	194.35	-1.75	201.40	131.45	3.66	8.47	24101.66
MollerMrsk	10815	-40.00	17265	9800	18.58	1.60	11606.68
NovoB	846.90	14.60	848.20	476.05	0.74	56.58	418443.83
[illegible]							
Tata Cons	4100.1	-49.40	4184.75	3070.25	[illegible]	[illegible]	[illegible]
Israel (ILS)							
TevaPha	46.79	-0.13	47.67	26.37	[illegible]	[illegible]	[illegible]
Italy (€)							
Enel	5.91	0.03	6.82	5.14	[illegible]	[illegible]	[illegible]
ENI	14.50	0.03	15.83	11.69	[illegible]	[illegible]	[illegible]
Generali	20.54	-0.01	20.78	16.67	[illegible]	[illegible]	[illegible]
IntSPaolo	2.82	0.01	2.96	2.08	[illegible]	[illegible]	[illegible]
Unicred	29.77	0.38	30.01	14.82	[illegible]	[illegible]	[illegible]
Japan (¥)							
AstellasPh	1666	11.00	2360.5	1591	[illegible]	[illegible]	[illegible]
Bridgestne	6437	-50.00	6517	4841	[illegible]	[illegible]	[illegible]
Canon	4102	-13.00	4143	2790.5	[illegible]	[illegible]	[illegible]
CntJpRwy	3710	-43.00	3926	2984	[illegible]	[illegible]	[illegible]
[illegible]							

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Softbank	8207.00	8492.00	-285.00	-3.36	1674.00	24.0	27.56
SBI NewA	743.40	713.45	29.95	4.20	63.20	14.3	17.33
KBC Grp	63.22	62.82	0.40	0.64	6.24	11.7	8.11
Disney	110.12	110.46	-0.34	-0.31	11.32	11.1	21.91
Walt Disney	110.12	110.46	-0.34	-0.31	11.32	11.1	21.91
VF Cp	16.84	16.44	0.40	2.40	1.13	10.0	3.82
Applied Materi.	185.22	180.31	4.91	2.72	9.41	8.4	22.50
SK Hynix	148700.00	150000.00	-1300.00	-0.87	12000.00	7.8	11.86
Fresenius Med	39.45	37.75	1.70	4.50	0.93	7.1	7.28
KLA Corp	652.28	641.07	11.21	1.75	32.17	7.1	16.41
Ecolab	216.52	221.18	-4.66	-2.11	18.18	6.7	8.87
TokioMarine	4125.00	4277.00	-152.00	-3.55	399.00	6.4	11.11
Intcntl Exch	135.78	134.41	1.37	1.02	6.33	6.0	6.95
Fuji Hvy Ind	3277.00	3348.00	-71.00	-2.12	253.00	5.9	15.07
CME Grp	216.88	207.43	9.45	4.56	1.97	5.6	9.80
Hermes Intl	2150.50	2131.50	19.00	0.89	93.50	5.5	17.08
MitsubishiEle	2124.50	2170.50	-46.00	-2.12	155.50	5.4	-0.63
NXP	233.19	232.07	1.12	0.48	10.70	5.3	11.48
GenElectric	145.62	141.77	3.85	2.72	3.27	5.1	12.18
FastRetail	40650.00	40160.00	490.00	1.22	1410.00	4.9	4.60

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
BOE Tech	[illegible]						
MollerMrsk	[illegible]						
Bradesco	[illegible]						
Nissan Mt	[illegible]						
S&P Global	[illegible]						
Heineken	[illegible]						
Biogen	[illegible]						
AstraZen	[illegible]						
Zoetis	[illegible]						
Equinor	[illegible]						
CSL	[illegible]						
Kraft Heinz	[illegible]						
Cred Agr	[illegible]						
GtWesLif	[illegible]						
BCE	[illegible]						
Citic Secs	[illegible]						
Prudential	[illegible]						
LOreal	[illegible]						
ITC	[illegible]						
MondelezInt	71.20	71.98	-0.78	-1.08	-2.84	-4.6	-2.59

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Feb 14	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
[illegible]										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

BONDS: GLOBAL INVESTMENT GRADE

Feb 14	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
[illegible]										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-

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

INTEREST RATES: OFFICIAL

Feb 14	Rate	Current	Since	Last
US	Fed Funds	5.25-5.50	26-07-2023	5.00-5.25
US	Prime	8.50	26-01-2023	8.25
US	Discount	5.50	01-08-2023	5.25
Euro	Repo	4.0	14-09-2023	3.438
UK	Repo	5.25	03-08-2023	5.00
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

Feb 14 (Libor: Feb 13)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	[illegible]							6.04143
Euro Libor	[illegible]							-0.48571
£ Libor	[illegible]							0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.06005	-0.02617	0.07165	0.04867
Euro Euribor				-0.020	3.86200	3.90100	3.88200	3.65500
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.000	5.37000	5.39000	5.34000	
Euro CDs				0.000	3.92000	3.86000	3.76000	

Feb 14	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	3.45	3.75	3.59	3.89	3.77	4.07	3.71	4.01	3.61	3.91	3.28	3.58
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	5.00	5.20	5.10	5.30	5.27	5.47	5.29	5.49	5.24	5.44	5.07	5.27
Japanese Yen	-0.30	-0.10	-0.30	-0.10	-0.25	0.05	-0.15	0.05	-0.05	0.15	0.00	0.20

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	210.86	-0.02	-0.09	-2.08	-0.62	1.14
Corporates(£)	346.98	-0.32	-1.24	-2.12	-0.68	3.47
Corporates(€)	222.05	-0.12	-1.09	-1.00	-0.39	4.84
Eurozone Sov(€)	218.05	-0.07	-1.39	-1.94	-1.12	2.92
Gilts(£)	267.12	-0.39	-2.14	-4.37	-2.13	-2.69
Overall(£)	281.42	-0.37	-1.88	-3.75	-1.76	-1.15
Overall(€)	215.24	-0.09	-1.27	-1.66	-0.91	3.39
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	814.76	-0.60	-	-	7.59	12.04
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	317.31	-4.29	-12.82	-11.27	475.45	309.29
Europe 5Y	57.56	-0.71	-2.68	-3.17	90.18	57.33
Japan 5Y	57.78	0.78	-0.47	0.71	80.75	55.19
Senior Financials 5Y	68.15	-0.32	-3.53	-2.99	103.71	66.53
Markit CDX						
Emerging Markets 5Y	183.74	5.07	5.37	4.37	245.20	165.79
Nth Amer High Yld 5Y	354.32	9.46	-2.44	-6.28	447.71	344.86
Nth Amer Inv Grade 5Y	55.11	1.62	-0.59	-0.85	81.85	53.49

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

VOLATILITY INDICES

	Feb 14	Day Chng	Prev	52 wk high	52 wk low
VIX	14.95	-0.90	15.85	30.81	11.81
VXD	11.44	0.00	11.44	31.86	3.10
VXN	18.81	-0.68	19.49	32.60	11.20
VDAX	13.77	-0.42	14.19	93.30	-

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

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	-	-	-	-	-	-	-	-
	05/32	1.25	80.12	4.11	0.01	0.04	0.09	0.36
	02/50	1.00	96.87	1.94	0.02	0.02	0.14	0.26
Austria	02/29	0.50	89.68	2.73	0.04	0.13	0.24	-0.09
	02/47	1.50	73.15	3.16	-0.01	0.03	0.11	0.15
Belgium	06/27	0.80	93.93	2.72	0.06	0.16	0.33	0.04
	06/47	1.60	71.60	3.38	-0.01	0.02	0.15	0.14
Canada	03/25	1.25	96.42	4.82	0.10	0.22	0.49	0.82
	06/30	1.25	86.40	3.69	0.10	0.25	0.48	0.57
	12/48	2.75	87.34	3.52	0.05	0.15	0.30	0.36
Denmark	11/29	0.50	89.90	2.40	0.02	0.06	0.19	-0.13
	11/52	0.25	52.97	2.59	-0.01	0.02	0.10	0.22
Finland	09/24	0.00	97.86	3.79	0.08	0.13	0.41	0.96
	09/29	0.50	88.54	2.74	0.04	0.11	0.28	-0.05
France	05/28	0.75	92.26	2.69	0.06	0.15	0.30	-0.01
	05/48	2.00	78.23	3.32	-0.01	0.03	0.16	0.20
Germany	08/29	0.00	88.19	2.31	0.04	0.13	0.28	-0.03
	08/50	0.00	51.58	2.53	0.00	0.04	0.16	0.27
Greece	-	-	-	-	-	-	-	-
	01/28	3.75	103.12	2.90	0.03	0.05	0.25	-0.60
Ireland	-	-	-	-	-	-	-	-
	05/26	1.00	96.13	2.80	0.07	0.19	0.32	0.13
	02/45	2.00	83.47	3.08	-0.01	0.05	0.08	-0.09
Italy	02/25	0.35	97.04	3.51	0.04	0.11	0.21	0.31
	05/30	0.40	92.66	1.64	0.02	0.11	0.13	-0.08
	03/48	3.45	87.07	4.32	0.00	0.02	0.14	0.09
Japan	04/25	0.05	99.94	0.10	0.01	0.01	0.07	0.08
	12/29	0.10	98.56	0.35	0.01	0.02	0.12	-0.05
	12/49	0.40	73.08	1.69	0.01	0.00	0.14	0.21
Netherlands	07/27	0.75	94.03	2.60	0.05	0.16	0.32	0.03
	01/47	2.75	99.26	2.79	-0.01	0.05	0.16	0.21
New Zealand	05/31	1.50	80.09	4.78	-0.02	0.22	0.34	0.53
	09/40	2.50	116.84	3.07	-0.07	0.11	0.26	0.68
Norway	08/30	1.38	86.80	3.69	0.04	0.08	0.25	0.55
Poland	-	-	-	-	-	-	-	-
	07/27	2.50	91.97	5.10	0.03	0.11	0.27	-1.07
	04/47	4.00	82.50	5.33	-0.08	-0.04	0.09	-0.41
Portugal	04/27	4.13	104.36	2.67	0.04	0.14	0.25	-0.20
Spain	-	-	-	-	-	-	-	-
	10/29	0.60	87.58	3.00	0.03	0.13	0.25	-0.06
	10/46	2.90	86.22	3.82	-0.01	0.04	0.15	0.19
Sweden	06/30	0.13	115.01	1.13	0.04	0.18	0.39	0.59
	03/39	3.50	110.98	2.61	0.03	0.17	0.31	0.21
Switzerland	04/28	4.00	112.59	0.89	-0.08	-0.04	0.02	-0.37
	06/29	0.00	95.42	0.88	-0.07	-0.04	0.06	-0.41
United Kingdom	-	-	-	-	-	-	-	-
	07/27	1.25	90.70	4.18	0.12	0.25	0.54	0.82
	07/47	1.50	55.56	4.63	0.04	0.10	0.21	0.74
United States	-	-	-	-	-	-	-	-
	03/25	0.50	95.16	4.97	0.17	0.22	0.47	0.52
	02/30	1.50	85.14	4.34	0.17	0.26	0.45	0.58
	02/50	0.25	61.12	2.23	0.06	0.13	0.23	0.65

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GILTS: UK CASH MARKET

Feb 14	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tr 1pc '24	99.26	5.07	-0.78	2.22	-1.55	32.03	100.00	96.48	35.64
Tr 2pc '25	96.26	4.51	-2.17	2.73	10.27	29.23	96.99	92.80	39.93
Tr 0.125pc '26	92.30	4.27	-2.29	3.14	11.20	24.49	93.02	87.71	35.32
Tr 1.25pc '27	91.08	4.06	-2.64	3.05	11.85	16.33	92.93	86.03	40.99
Tr 0.5pc '29	84.48	3.98	-2.21	3.11	9.94	15.03	87.00	78.59	28.92
Tr 1pc '32	79.65	4.01	-1.96	2.56	7.51	14.25	106.17	74.53	35.96
Tr 4.25pc '36	100.16	4.23	-1.86	1.93	6.02	12.80	108.87	94.63	31.68
Tr 4.5pc '42	99.74	4.52	-1.31	1.35	4.15	15.01	111.36	92.93	28.35
Tr 3.75pc '52	86.97	4.57	-1.30	0.88	3.63	17.48	100.69	79.70	25.11
Tr 4pc '60	90.96	4.51	-1.10	0.89	3.44	19.95	108.51	83.11	25.13

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

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Feb 14	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	82.34	0.25	2417.12	-0.54	2.82	4.18
2 5 - 10 Years	145.78	0.58	3185.87	-1.63	0.92	4.00
3 10 - 15 Years	152.61	0.79	3631.05	-1.79	-0.83	4.29
4 5 - 15 Years	146.40	0.66	3291.40	-1.69	0.44	4.14
5 Over 15 Years	194.37	0.92	3495.39	-2.09	-6.52	4.51
7 All stocks	130.99	0.58	3015.97	-1.37	-1.08	4.37

Index Linked	Feb 14	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	333.83	0.14	-0.41	3.44	2859.43	-0.40	4.46
2 Over 5 years	501.68	0.97	-1.04	-8.28	3852.46	-0.99	-7.69
3 5-15 years	452.67	0.60	-1.35	-0.14	3705.08	-1.24	0.83
4 Over 15 years	534.41	1.23	-0.81	-13.53	3971.67	-0.80	-13.17
5 All stocks	485.32	0.79	-0.90	-6.20	3805.57	-0.86	-5.53

Yield Indices	Feb 14	Feb 13	Yr ago		Feb 14	Feb 13	Yr ago
5 Yrs	3.95	4.05	3.43	20 Yrs	4.52	4.58	3.92
10 Yrs	4.13	4.21	3.63	45 Yrs	4.40	4.45	3.69
15 Yrs	4.39	4.46	3.84				

Real yield	inflation 0% Feb 14	Dur yrs	Previous	Yr ago	inflation 5% Feb 14	Dur yrs	Previous	Yr ago
Up to 5 yrs	0.69	2.17	0.84	0.40	0.27	2.19	0.56	0.09
Over 5 yrs	1.15	18.46	1.22	0.43	1.11	18.53	1.20	0.41
5-15 yrs	0.72	9.12	0.82	0.23	0.60	9.14	0.74	0.16
Over 15 yrs	1.26	24.53	1.32	0.48	1.24	24.55	1.32	0.47
All stocks	1.14	14.98	1.21	0.43	1.08	15.08	1.18	0.40

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

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COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Mar	78.18	0.31	Corn♦	Mar	428.00	-2.75
Brent Crude Oil‡		82.34	-0.43	Wheat♦	Mar	583.50	-14.00
RBOB Gasoline†	Mar	2.40	0.00	Soybeans♦	Mar	1182.75	-3.50
Natural Gas†	Mar	1.67	-0.02	Soybeans Meal♦	Mar	344.30	-0.50
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Mar	4824.00	-28.00
Aluminium		2242.50	25.50	Cocoa (ICE US)♥	Mar	5907.00	-94.00
Aluminium Alloy		1600.00	20.00	Coffee(Robusta)⊕	Mar	3186.00	-98.00
Copper		8230.00	21.00	Coffee (Arabica)♥	Mar	189.40	-3.60
Lead		2025.00	29.00	White Sugar⊕		645.50	3.60
Nickel		16510.00	210.00	Sugar 11♥		23.04	-0.26
Tin		27510.00	45.00	Cotton♥	Mar	92.15	0.63
Zinc		2322.50	14.00	Orange Juice♥	Mar	356.50	4.90
Precious Metals (PM London Fix)				Live Cattle♣	Mar	183.80	-0.45
Gold		1996.10	-19.10	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2287.00	-4.50	Lean Hogs♣	Apr	81.08	-0.05
Platinum		882.00	-4.00				
Palladium		876.00	-21.00		Feb 13	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		129.02	0.15	S&P GSCI Spt	555.62	3.21	-7.03
Baltic Dry Index		1582.00	-3.00	DJ UBS Spot	95.71	-2.30	-12.00
Richards Bay ICE Futures		92.00	-0.25	TR/CC CRB TR	314.04	3.76	5.51
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BONDS: INDEX-LINKED

	Price Feb 13	Yield Feb 13	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	106.40	1.883	1.782	-0.88	5.25	68170.89	8
Fr 0.10%' 25	98.80	1.264	1.241	-0.19	12.79	256172.04	18
Swe 1.00%' 25	128.68	2.408	2.378	-0.13	35.93	234472.53	7
UK 0.125%' 26	98.35	0.957	0.910	-0.73	13.45	506721.19	31
-	-	-	-	-	-	-	-
UK 2.00%' 35	239.98	0.891	0.862	-2.53	9.08	506721.19	31
US 0.625%' 26	96.76	2.361	2.278	-0.39	42.42	1588931.42	47
US 3.625%' 28	105.87	2.144	2.012	-1.35	16.78	1588931.42	47

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	4.11	1.80	-0.23	Netherlands	2.60	0.29	-1.74
Austria	2.73	0.42	-1.61	New Zealand	4.78	2.47	0.45
Canada	3.69	1.38	-0.65	Norway	3.69	1.38	-0.65
Denmark	2.40	0.09	-1.94	Portugal	2.67	0.35	-1.67
Finland	2.74	0.43	-1.59	Spain	3.00	0.69	-1.34
Germany	2.31	0.00	-2.02	Sweden	1.13	-1.19	-3.21
Italy	1.64	-0.67	-2.70	Switzerland	0.88	-1.43	-3.46
Japan	0.35	-1.96	-3.99	United States	4.34	2.02	0.00

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

ARTS

When a chorus called for change

Just for One Day
Old Vic, London
★★★☆☆

Metamorphosis
Lyric Hammersmith, London
★★★☆☆

The Frogs
Kiln Theatre, London
★★☆☆☆

THEATRE
Sarah Hemming

This takes gig theatre to a whole new level. **Just for One Day** celebrates the Live Aid concert of 1985, that extraordinary, mammoth event which raised £150mn towards famine relief for Ethiopia. Even now it is hard to fathom that it happened: a star-studded line-up pulled together in little over a month; a concert that played out for 16 hours across two continents and that was watched, worldwide, by an estimated 1.9bn people.

That it worked was thanks to the galvanising drive and sheer bloody-mindedness of pop star Bob Geldof, but also to the countless backstage crew and even greater number of members of the public who gave and raised money. And it is them that this heartfelt, though flawed, musical from Luke Sheppard (direction), John O'Farrell (book) and Matthew Brind (musical arrangements) seeks to remember. It is staged like a gig with the band upstage and a terrific young ensemble delivering an Eighties playlist stuffed with bangers.

We meet some of the main players, such as Craige Els' enjoyable, irascible Geldof, Jack Shalloo's milder Midge Ure and Joel Montague's sceptical Harvey Goldsmith. But time goes too to Suzanne, who we see both as a teenage schoolgirl (Hope Kenna) caught up in the fervour and as the older woman (Jack Clune) guiding us through events.

It's a show that looks back partly to look forward and to pose the question: in the face of overwhelming problems what can ordinary people do? The message is voiced in "Heroes", the David Bowie song that opens the show and which gives it its title: "We can be heroes, just for one day."

That title also contains difficult questions raised in the piece. How can one day prompt deeper, more lasting change? Might big charity events ease the conscience when what is needed is a fundamental rebalancing of the world? What role does celebrity play? These are urgent issues and the show feels timely: a blast of positivity for audiences confronted daily by grim news and divisive public discourse. (Ten per cent from the ticket sales will go directly to The Band Aid Charitable Trust.)

But as drama it struggles, weighed down by trying to outline the history

'Just for One Day' celebrates the Live Aid concert which raised £150mn for famine relief

and emphasise its current relevance. It's important to bring in the shocking 1984 BBC report from Ethiopia and the Band Aid single "Do They Know It's Christmas?". But the script is often awkward and heavy with explanation, spelling out points that should just emerge from the story and saddling characters with lines like "It's time to step up again" or "But how did it really begin?". Meanwhile, both individuals and issues have little time to acquire any depth or subtlety.

What's not in doubt is the energy of Sheppard's staging and Ebony Molina's choreography, nor the skill of Brind's musical arrangements, with familiar songs often gorgeously recalibrated to work with the story. The Cars' "Drive" works as a desolate response to accounts of the famine; The Police's "Message in a Bottle" turns into an expression of the impotence felt by many in face of disasters.

There's a standout musical performance from Abiona Omonua as Amara, the aid worker in Ethiopia, and it is moving to see a brilliant young ensemble deliver much-loved songs afresh. Handing on the baton, musically and politically, is what this show is about.
To March 30, oldvictheatre.com

Top: Jack Shalloo as Midge Ure in 'Just for One Day'. Above: Hannah Sinclair Robinson and Felipe Pacheco in 'Metamorphosis'
Manuel Harlan; Tristram Kenton

It's not only Gregor Samsa who has metamorphosed in Lemn Sissay's adaptation of Kafka's famous novella, **Metamorphosis**; the story itself has undergone something of a transformation.

The original opens with young Gregor waking one morning to find himself changed into a gigantic insect: a horrific situation that will trap him and alienate others. Here, however, that shift doesn't occur until nearly halfway through the show. Prior to that we see the soul-destroying routine that might have prompted Gregor's metamorphosis: the dehumanising effect of a relentless job; the pressures of being the breadwinner for his family. And change is something that affects the whole household in Sissay's version.

It's a thoughtful response, expanding Kafka's story. Gregor's breakdown can be understood by anyone who has felt trapped or alienated and, with an additional revelation about Gregor's parentage, Sissay brings to the tale his personal experience of adoption. The show also speaks to the rise in mental health problems and the paucity of care available.

But these innovations come at a price. The potency of Kafka's original lies partly in its concision, partly in its ambivalence: the mysterious nature of Gregor's disturbing transformation has allowed for multiple interpretations. By expanding the narrative, this version loses that potency, while some of the ambiguity disappears. The repeated sequences begin to drag on the drama, and some points are hammered home.

That said, director Scott Graham and the Frantic Assembly company bring their customary physical eloquence to the piece. Felipe Pacheco's Gregor is a marvel, his precise body language first expressing his growing unease and then skilfully suggesting both physical transformation and emotional distress. He hangs upside down from the lightshade, clings to the picture rail, lies with his feet scrabbling in the air — a beetle on its back; a man struggling to find a foothold.

Around him, there are rich, physically expressive performances from Louise Mai Newberry as the fretful Mrs Samsa, Troy Glasgow as the tightly clenched Mr Samsa and Hannah Sinclair Robinson as Gregor's sister Grete, caught up in her own metamorphosis into a young woman. Even so, this is all feels rather heavy-handed.
To March 2, lyric.co.uk

From bugs to frogs and another revered physical theatre company. Spymonkey, maestros of the absurd, now sadly reduced to two original members following the death of Stephan Kreiss and the departure of Petra Massey, embark on a contemporary response to Aristophanes' **The Frogs**. The ancient Greek comedy follows — broadly — the travails of the god Dionysus and his servant Xanthias as they journey to the underworld to retrieve deceased playwright Euripides with the intent of saving Greek drama which, in Dionysus's view, has gone to the dogs.

Today, 2,500 years on, the in-jokes have aged somewhat, so the challenge for Toby Park (Dionysus) and Aitor Basauri (Xanthias), along with new cast member Jacoba Williams, is to channel the metatheatrical playfulness of the original into a contemporary version. In Carl Grose's adaptation, they pick up the gauntlet by introducing another layer of complexity where they're also playing themselves measuring up to this sizeable task and wondering aloud whether this ancient satire can still be funny.

That's tricky, as the results here are best described as mixed. Park and Basauri have funny bones and a lovely rapport with the audience, and their chaotic road trip through the underworld is punctuated by absurd encounters with singing frogs in fluorescent rain capes and multitentacled monsters. Park staggers around in ridiculous wigs and a pair of authentic but impractical shoes; Basauri tapdances and launches into a scene from *A Streetcar Named Desire*; Williams appears in an eye-wateringly accurate naked male bodysuit as Heracles (Lucy Bradridge's costumes are great).

Some of this is funny, some less so, and as the structure becomes increasingly complex, it all begins to feel rather effortful. Meanwhile the serious point of the piece — the company's deep grief over Kreiss and soul-searching about continuing — gets lost in the melee. They're not the first to come a bit unstuck in the underworld; I hope they'll be back.
To March 2, kilntheatre.com

Toby Park and Jacoba Williams in Spymonkey's 'The Frogs'

On a mission to rule the waves

GAMING

Skull and Bones
PC, PlayStation 5 and Xbox Series X/S
★★☆☆☆

Chris Allnutt

Imagine, for a moment, the perfect pirate game: picking a crew of rogues, deftly manipulating the complexities of sail and ship's wheel, grappling your way on to brigantines, swashbuckling with whoever gets in your way and scouring the hold for treasure before you make your dramatic escape into the wind. Now hold that thought, because almost none of this features in *Skull and Bones*, Ubisoft's long-awaited, all-action pirate adventure released this week.

Things are rather more formulaic in this stretch of the 17th-century Indian Ocean: blow boats up from a distance until their cargoes emerge gleaming and intact amid the waves, sell them to the highest bidder, buy bigger cannon, rinse and repeat. Such is the life of your aspiring pirate after a British attack leaves them with shark-infested waters to navigate and an even longer slog to the top of the freebooting food chain.

This rather thin plot perhaps betrays the equally tortuous journey of the game's development: originally envisaged as an expansion for *Assassin's Creed IV: Black Flag* back in 2013, *Skull and Bones* became its own project with gameplay shown off as long ago as 2017.

Since then, however, its release date has been pushed back at least six times and its budgets, according to video game website Kotaku, have struggled to hold water. Even questions as fundamental as "Do you play as a pirate or do you play as a boat?" apparently long remained unanswered.

Clearly no one could agree because the answer appears to be both. There's a rudimentary character creation screen, the results of which you'll see in third person when staggering rather imprecisely around camps and settlements on land. But you're also the collective crew of your vessel: its armaments for fighting, its crow's nest for scouting, its galley to ensure everyone has the energy to keep going — running your ship is all down to you, rather than sharing jobs with friends like in 2018's *Sea of Thieves*.

There's no avoiding *Skull and Bones*' multiplayer elements: at any given time you're sharing the (admittedly expansive) world with half a dozen others. But this leaves your personal goal to rule the seas a little confused: rather than conjuring an air of competition, it reminds you that you're only a drop in the ocean, fighting the same enemies and doing the same quests as everyone else.

Meanwhile, none of the supporting characters possesses a great deal of personality beyond feisty pirate clichés. When it comes to your end of the conversation, you're left with lines such as "I want to be an infamous pirate" and "There is no room for shame in piracy" — which make you feel less like a bloodthirsty buccaneer and more like you found some prompts in a pocket of your fancy-dress costume. The usual trappings of modern, always-online titles — an in-game store, a premium currency, seasonal paid-for content — don't help with immersion either.

Other details speak to a vision of what could have been: your crew on deck in the twilight, singing shanties as you cast off into the gloom; the gradual recognition of locals as your infamy increases; the heft with which your ship is slammed from wave to wave in a storm. But it's hard not to see *Skull and Bones* as a tempest-tossed vessel of its own, pulled in too many directions and ultimately exploring none of them in any real depth.

'Skull and Bones', Ubisoft's long-awaited pirate adventure

FT BIG READ. DEFENCE

A €100bn fund is the centrepiece of Berlin's new muscular approach to national security as it hopes to build Europe's largest army. But concerns are growing over what happens when the money runs out.

By Guy Chazan and Sam Jones

Germany's unfinished military upheaval

Days after the full-scale invasion of Ukraine, Chancellor Olaf Scholz pledged to boost funding for Germany's depleted armed forces. Below: Lieutenant Colonel Sascha Bleibohm and Colonel Christian Guntsch at Holzdorf military base

FT montage/Getty/Jan Zappner

Holzdorf military base was once the pride of Communist East Germany, a strategic linchpin for the Warsaw Pact countries who opposed Nato. Now it is being remade as one of the west's biggest bulwarks against Russia.

The base's runway is being expanded, so that any plane in the Nato arsenal can land there. Soon it will take possession of 60 new Chinook heavy-lift helicopters and the Arrow air-defence system from Israel, capable of shooting down intercontinental ballistic missiles before they enter the Earth's atmosphere.

"Over €500mn will be spent on new infrastructure here — hangars, maintenance bays and new flight operations areas," says Colonel Christian Guntsch, the German military staff officer in charge of the expansion plan.

But the arrival of the Chinooks will be the "crowning glory" of the transformation, he says. They will replace Germany's lumbering Sikorsky CH-53 choppers that have been in use since 1972, and are so old that the army has struggled to find spare parts when they break down.

The Chinooks and Arrow interceptors are being paid for out of a new €100bn debt-financed fund for the Bundeswehr, the German armed forces, that has become the centrepiece of Berlin's new, more muscular approach to national security.

The investment fund highlights Germany's goal of becoming Europe's biggest military spender and providing its largest conventional army — a power capable of deploying huge resources at short notice to fight a potentially brutal land war on its doorstep.

Chancellor Olaf Scholz unveiled the cash injection just three days after Russia embarked on its full-scale invasion of Ukraine, in a speech to the Bundestag that described the war as a "*Zeitenwende*" — a watershed moment — in Germany's modern history.

The commitment allowed Scholz to fulfil one of his key pledges: that Germany would dedicate 2 per cent of its gross domestic product to defence, a Nato goal it signed up to in 2014 and had, until this year, never achieved.

Germany will spend nearly €72bn on defence this year, more than it has ever done in the history of the Bundeswehr. Some €52bn will come from the regular budget and €19.8bn from the investment fund.

"The transformation we've seen since January 2022 has been revolutionary, compared to the policies Germany pursued in the past," says Claudia Major, a defence analyst at the German Institute for International and Security Affairs.

But concern is growing about what will happen after 2027, when the fund has dried up.

Experts believe the country will then have to stump up an additional €25bn-€30bn a year out of the general budget to meet the 2 per cent goal — an eye-watering sum that could require swingeing cuts in welfare spending if the country is to balance the books.

"We need a broader discussion about where the additional €30bn are going to come from," says Christoph Heusgen, the longtime foreign policy adviser to former chancellor Angela Merkel and now head of the Munich Security Conference, the "Davos of defence", which opens this week.

"There is going to have to be a big debate about resources, and how they're allocated," he says. "And my impression is that the government is scared to have this discussion, and is just delaying it."

There is one person in the government who has openly addressed the problem — Boris Pistorius, the popular defence minister.

He has argued that the absence of a long-term perspective makes it next to impossible for the Bundeswehr — and the arms manufacturers that supply it — to plan for the future.

Speaking to the Bundestag in late January, he said that defence required "a reliable, sustainable, and yes, a rising [military] budget".

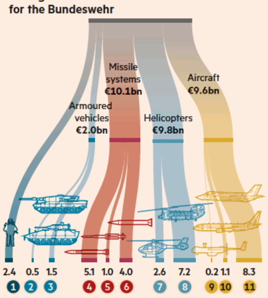
"The €100bn fund was an important first step," he told MPs. "But we must start thinking today about how we want to adequately equip the Bundeswehr even after the fund has been fully spent."

The appeals for more money have been backed up by an escalation in rhetoric that Pistorius himself admits is designed to "shake the Germans awake". He said last month, for example, that Putin could attack a Nato member state "within five to eight years". "We have a threat level in Europe the likes of which we haven't seen in 30 years," he told the newspaper Tagesspiegel.

Such fears are now being compounded by the spectre of a second Donald Trump presidency — and a new era of American isolationism that could presage. Last Saturday, Trump declared that his administration would "encourage" Russia to attack any Nato member that failed to spend enough on defence — a comment widely condemned in Germany. Scholz said any attack on Nato's principle of collective defence was "irresponsible and dangerous and solely in Russia's interests".

In the past few years, Europe has committed to taking on a greater share of the burden of collective defence. But that commitment is predicated on German military spending remaining at its current record levels — and that might be a pious hope.

Big ticket procurements made possible through the €100bn investment fund for the Bundeswehr



1 New PPE for Bundeswehr troops
2 Leopard 2A8 tanks (18)
3 Puma infantry fighting vehicles (50)
4 Patriot guided missiles (up to 1,000)
5 Iris-T SLM surface-to-air air defence (6)
6 Arrow 3 missile defence
7 Airbus H145M light utility helicopters (up to 82)
8 Chinook CH-47F helicopters (60)
9 Heron TP drone
10 Poseidon P-8A maritime patrol aircraft (3)
11 F-35 fighter jets (35)

Sources: German defence ministry; FT research

MPs from the three parties in Scholz's coalition government dismiss the growing fears about the army's long-term financing. They quote finance minister Christian Lindner, who assured the Bundestag's defence committee in late January that the 2 per cent goal was safe.

"He said the finance ministry is starting to prepare for this in its medium-term financial planning," says Marie-Agnes Strack-Zimmermann, chair of the Bundestag's defence committee.

Anyway, she adds, all three parties in the government, as well as the opposition Christian Democrats (CDU) and its Bavarian sister party, the CSU, were committed to the 2 per cent goal.

"The chancellor stands by it, as do the finance, foreign and defence ministers . . . and the CDU/CSU tell us they do too," she says. "So regardless of who's in power after the next election, everyone should feel responsible for implementing it."

But privately, no one in power seems to know how the target can be reached — especially considering the tight constraints on the German budget. Germany is one of the few countries to have a curb on new borrowing inscribed in its constitution, the so-called debt brake.

With such a straitjacket, plugging the Bundeswehr's funding gap could prove difficult. "Will we have to cut the welfare budget? Abolish the debt brake? Raise taxes?" asks one minister. "We're putting off the decision — but something is going to have to give. The sums just don't add up."

Scholz's *Zeitenwende* speech finally recognised a truth that had long been evident to Germany's generals — that the country's military capabilities were dangerously depleted.

At the end of the cold war, the Bundeswehr had half a million troops, making it one of Europe's most formidable fighting forces. But between 1990 and 2019, manpower fell by 60 per cent.

The army became a kind of orphaned child, starved of funds. Military hardware was either mothballed, sold off or scrapped. One study by the German Economic Institute (IW) found the army had been underfunded relative to Nato standards by at least €394bn between 1990 and the early 2020s.

Scholz called time on this era of parsimony. In late 2022, he boasted that Germany would soon have "the biggest conventional army" of all the European member states in Nato.

Pistorius has gone even further, saying in an interview last November that Germany must become "*kriegstüchtig*" — a word that means "ready to wage war and capable of doing so". It drew howls of protest from the pacifist wing of his Social Democratic party.

The shift in rhetoric has been astonishing to some. "Five years ago, people would have called Pistorius crazy for using that word," says Heusgen. "Now he's Germany's most popular politician."

But some are still disappointed. "It's the tragedy of the *Zeitenwende* transformation," says Major, the defence analyst. "Despite all our efforts, it's just not enough."

'We have to be honest: in terms of materiel and personnel, Germany is lagging behind'

Part of the problem is that despite all the new money, the Bundeswehr is in many ways even less well equipped than it was before the Russian invasion of Ukraine. Germany has given a lot of its best kit to Kyiv. And it is still not clear how and when the gaps will be filled again.

For example, Germany donated 14 armoured howitzer 2000s, one of the most advanced systems of its kind in the world. But, under current contracts, only 10 of them will be replaced. A defence ministry spokesman said there was an option to buy 18 more for the army — "funding permitting".

Meanwhile, plans to swap the five Mars II rocket artillery systems supplied to Ukraine for five Israeli-made "Puls" multiple rocket launchers are moving at a snail's pace, with the Bundestag still to approve the purchase. It could also take years before the Bundeswehr gets replacements for the 18 Leopard 2 A6 battle tanks it gave to Kyiv.

A potentially larger problem, though, is the long-term funding issue. "We are starting a lot of procurement projects that won't be completed by the time the €100bn has been used up," says Johann Wadephul, the CDU's spokesman on defence and foreign policy. "We'll have paid for part of the F-35 fighter jets, part of the infantry fighting vehicles, part of the new ships, but not all. That's why the financing must be continued."

'Will we have to cut the welfare budget? Raise taxes? The sums just don't add up'

The lack of clarity on financing is a big drawback for arms manufacturers, who are reluctant to invest in new production capacity without an assurance of future orders. "Industry needs to know it has buyers — say a five or 10-year plan with guaranteed offtake," says Strack-Zimmermann.

"That's especially important for the Mittelstand [small and medium-sized enterprises] who need certainty when they're hiring more people or increasing capacity," she adds. "But right now there's no long-term offtake capacity in the system."

Military procurement also remains a problem. Scholz's government has pushed through new measures to speed up and simplify procedures, for example by restricting the right of losing bidders to legally challenge the results of tenders. Pistorius boasts that 55 orders for military equipment priced at €25mn and above — a record number — were presented to the Bundestag defence committee last year. This year, he predicts, it will be even more.

"We're really stepping on the gas," he told German TV last month.

But critics say the system is still too slow. "Don't forget that a year after the *Zeitenwende* [speech], industry was saying that virtually no additional contracts had been signed," says Ulrike Franke, senior policy fellow at the European Council on Foreign Relations. "Somehow we are still caught in this bureaucratic procurement nightmare."

Meanwhile, Pistorius — who so far has the strong backing of the chancellor — is still encountering resistance in the system. "Sometimes it seems like he's tilting at windmills," says Franke. "He asked for €10bn extra for the 2024 defence budget and got €1.7bn. The reality does not match the rhetoric."

There is also a question mark over one of Germany's most ambitious plans — the stationing of a 5,000-man brigade in Lithuania that will be the country's first permanent foreign deployment since the second world war.

Experts say it is still unclear how it will be formed. Potential recruits have no sense yet of where their families will be accommodated, where their children will go to school or where their partners can work.

"You can't fulfil your promise of sending an operational armoured brigade . . . to Lithuania without additional personnel and material," Markus Grübel, a CDU MP, told Pistorius in a parliamentary debate last month. "The brigade is so far not backed up with sufficient money. This promise, too, risks being broken."

That goes to the heart of one of Pistorius's biggest challenges — personnel. Germany's defence ministry plans to expand the army from 183,000 active servicemen and women to 203,000 by 2031. But that will be a gargantuan task, especially considering Germany's ageing population and deepening shortage of skilled workers.

Even now, 20,000 vacancies must be filled every year as professional soldiers and voluntary conscripts leave the service or long-serving officers retire. Statistics show the number of applicants for jobs in the armed forces is declining.

Yet calls on the Bundeswehr are only expected to grow. Last year, Germany offered to provide Nato with 30,000 troops and 85 aircraft and naval vessels within 30 days of any large conflict, under the alliance's New Force Model. But finding enough people to fulfil that pledge will, according to Wadephul, be "extraordinarily difficult". Meanwhile, Russia has shown throughout the Ukraine war that it can draw on vast — though not infinite — resources of manpower.

"We have to be honest: in terms of materiel and personnel, we are lagging behind," he says.

Holzdorf provides a striking visual metaphor of the personnel shortage, and the scale of the task facing Germany's military. At one end of the 2.5km airstrip, a single construction worker, clad in bright orange overalls that mark him out against the dark-grey Brandenburg sky, toils with a shovel shifting hard earth into a pile.

Holzdorf's commandant, Lieutenant Colonel Sascha Bleibohm, has no illusions about the challenges the federal government faces in reshaping Germany's armed forces. But he is confident Berlin will stay the course.

"We see from the political side how much will there is to make this a success, I have to say," he says. "That's one thing the troops also all recognise."

For Col Guntsch, the *Zeitenwende* means that "we are finally being put in a position to fulfil our mission — now but also in the future". But his optimism is tinged with a warning: "Security does not come for free."

Data visualisation by Ian Bott

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

A flawed vote in Pakistan

The shocking poll result is a repudiation of military control

With Imran Khan in prison and his party barred from contesting, Pakistan's powerful military thought it had orchestrated last week's election in its favour. It was wrong. On Friday, Khan — the populist former prime minister and national cricket captain — used an AI-generated video to deliver a victory speech from his cell. Independent candidates loyal to his Pakistan Tehreek-e-Insaf party won just over a third of the 265 seats, in the deeply flawed vote. Although rival parties have now agreed to form a coalition, PTI's success against the odds sends an emphatic message from Pakistani citizens: they are tired of being led by self-serving political elites and the military's arbitration.

The shock result comes as Pakistan is mired in an economic crisis. Last month, annual inflation hit 28 per cent. The country's debt burden has risen rapidly, and it narrowly avoided a default last year thanks to a $3bn bailout from the IMF. The country of 240mn needs structural reforms to reap its economic potential, with close to 40 per cent of its population living in poverty. But inept, corrupt and unstable leadership has hindered that. The meddling military has in part meant no Pakistani prime minister has yet served a full five-year term. Terrorist attacks have made it even more difficult to govern.

Pakistanis voted against this ongoing economic and political malaise. The number of seats won by Khan's loyalists, despite the impediments they faced, is a measure of the people's disgruntlement. Khan's imprisonment since last August — on charges ranging from leaking state secrets to marrying illegally — was part of a crackdown by the military, judiciary and other political parties on the PTI, in which its staff and supporters were roundly detained and harassed.

The election itself was marred by irregularities including a delay in publishing a final tally and mobile service blackouts. PTI says it would have otherwise won a majority. The US and EU are right to call for an investigation into claims of interference.

Khan is no purist. His rise to the premiership in 2018 was aided by the army. He also demonstrated a demagogic bent while in office, using corruption claims to jail and harass rivals. His flip-flopping on economic policy — such as backtracking on cutting energy subsidies — has also exacerbated the country's pain.

Yet, with alternatives including the Pakistan Muslim League-N party, led by three-time former leader Nawaz Sharif, and the Pakistan People's party, whose president is Bilawal Bhutto Zardari, son of slain premier Benazir Bhutto, Khan's loyalists remained the vote for change. Indeed, the PML-N and PPP have proved more pliable to the military.

The PML-N and PPP are set to form a government with Sharif nominating his brother, and former premier, Shehbaz Sharif to be prime minister. The PTI has shown no interest in creating a coalition itself, and instead vowed to contest the results, prove its majority and overturn the charges facing Khan.

Although rival parties have agreed to form a coalition, PTI's success against the odds sends an emphatic message from citizens

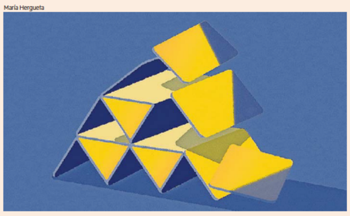
The election's outcome ultimately makes the country even less governable. The coalition will struggle for legitimacy. That is especially problematic as Pakistan is likely to need new IMF loans when its support expires in April, which would warrant painful and unpopular reforms if it is to avoid flirting with default yet again. Protests over the botched election will not go away either.

There are no easy fixes for Pakistan's long-standing economic and security troubles, regardless of who is in power. But empowering voters to hold leaders accountable through truly free and fair elections — without the military's stranglehold — would be a start. With this stunning election result, a long-term reckoning over how Pakistan ought to be governed has begun.

Opinion Politics

Elections threaten to upset the EU's centrist apple cart

María Hergueta



Tony Barber

Since 1979, the year of the first direct elections to the European parliament, supporters of closer EU integration have demanded more powers for the assembly to improve the bloc's effectiveness and democratic accountability. Successive reforms, culminating in the 2009 Lisbon treaty, granted the parliament a bigger role in EU policymaking. It lacks the all-round powers of national legislatures in democracies around the world, but it enjoys considerable sway over virtually all EU activities.

Now, with the 10th elections to the assembly four months away, it looks as if the parliament could turn for the first time into a hindrance to the EU's ambitions rather than a vehicle for advancing them. At a time when Europe is grappling with Russian hostility, tensions with China and the possibility of Donald Trump's return to the White House, the EU elections are set to deliver a result with damaging implications for Europe's cohesion, influence and standing in the world.

The hard right could be in a position to impede or change policies in areas crucial to the bloc's future

Across the 27-nation bloc, hard-right parties are expected to gain enough seats to alter the balance of power in the parliament in ways never seen since the EU's founding Treaty of Rome in 1957. For decades, centre-right, liberal and centre-left party groups have dominated the assembly, allowing it to push forward integrationist policies that have often gone farther than many national governments wanted.

After the June elections, this centrist majority will probably shrink. According to some predictions, the hard right will come first in as many as nine countries and second or third in another nine. The hard right will then be in a position to impede or change policies in areas central to Europe's future and the EU's sense of mission.

The chief examples are migration and asylum, the rule of law, climate change, international trade, the EU budget and the bloc's proposed enlargement into eastern and south-eastern Europe. In such cases, the hard right will seek to alter the content or direction of EU policies by joining forces with centre-right parties, which have increasingly borrowed hard-right themes of national identity and sovereignty in an attempt to shore up their electoral support.

Co-operation between the hard and more moderate right will not amount to a formal alliance. But it is likely to coincide with a more prominent representation of the hard right in the EU's two other major decision-making bodies: the executive European Commission and the European Council, which groups national governments.

The larger the hard right's gains in the EU elections, the stronger its claim will be to several portfolios in the new commission, which will be appointed after the vote. In the council, hard-right parties are already a force in or behind governments in Hungary, Italy and Sweden, with the Netherlands soon to follow and probably Austria, too, after its elections later this year.

The EU has drifted towards tougher migration and asylum policies since the refugee and migrant crisis of 2015-2016, but this trend will surely be amplified after the June elections. On the rule of law, it may be harder to find a majority in the EU assembly for a forceful line against a government perceived as a democratic backslider such as Viktor Orbán's Hungary.

Climate change, on which the EU likes to portray itself as a world leader, will also become a hotly contested area. Laws adopted over the past five years under the EU's Green Deal are unlikely to be reversed, but the expected shift to the right in the EU legislature may delay or derail the next steps needed to reach the bloc's net zero goals. In a sign of the way the wind is blowing, Brussels made concessions this month to protesting farmers on pesticide use, nature conservation and targets for cutting agricultural emissions.

Another area to watch is trade, where a long-planned deal with the South American bloc Mercosur, already in trouble, may be paralysed by a more rightwing EU legislature. It will be no easier to make progress on the far-reaching institutional and budgetary reforms required to make a reality of EU enlargement to the east. Hard-right politicians dislike a Franco-German initiative to curb unanimity voting in foreign policy and the budget as it would reduce national veto powers.

From the eurozone debt and migration crises to the Covid pandemic and Russia's invasion of Ukraine, the EU has fought hard and with some success in the past 15 years against a tide of events that threatened to overwhelm it. The difference this time is that, after June, the centrist, integrationist consensus that underpinned the EU's efforts to meet these challenges will be much weakened.

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Europe's antitrust record is a matter of embarrassment, not pride

Rana Foroohar makes the point that there is an ideological disagreement between European competition enforcers and those in the US ("The great US-Europe antitrust divide", Opinion, February 5).

In Europe, enforcers mostly think they've done a fine job. The director-general of the Directorate General for Competition, Olivier Guersent, argued in a follow-up letter (February 7) that no "radical revolution" was necessary in Europe, because in "digital and tech we are by some distance the antitrust enforcer that has been acting for the longest, and doing the most. The Digital Markets Act is the latest example."

But the EU's long track record of enforcement with few actual accomplishments should be a point of embarrassment, not pride. That failure is why the EU enacted the Digital Markets Act. US enforcement since the early 2000s has been weak. But in the US, enforcers are changing their philosophy; Donald Trump initiated antitrust suits against Google and Facebook. Senator Elizabeth Warren proposed the break-up of Big Tech, and agencies under President Joe Biden, as well as private litigants and Republican state officials, are trying to do just that.

EU enforcers "explicitly" reject this new approach. In 2019, Margrethe Vestager, the EU antitrust chief, expressed shock at the idea of breaking up Big Tech, saying that "to break up private property, would be very far-reaching". Similarly, the chief economist for the competition agency in Europe, Pierre Régibeau, dismissed Federal Trade Commission chair Lina Khan as a "Don Quixote" style radical doomed to failure.

Unfortunately, the Digital Markets Act may not change much. Régibeau acknowledged enforcers would be short-handed for the first few years of its implementation. Already Apple has complied in a manner that maintains its ironclad lock on its app store.

You can't change anything if you don't learn from your mistakes. In the US, we're trying to learn, European competition thinkers less so. And that's too bad.

Matt Stoller
Director of Research, American Economic Liberties Project, Washington, DC, US

Brussels and Washington ad idem fighting Big Tech

Contrary to the opinion expressed by Rana Foroohar (Opinion, February 5), the US and the EU are both working to tackle the excess power of large companies in tech and other sectors.

For many decades, the EU has used regulation to great effect to tackle market failures and protect consumer interests in such areas as telecoms and card payment charges. The EU has led the world in terms of tackling the excess power of big tech companies with its groundbreaking General Data Protection Regulation, Digital Markets Act and Digital Services Act, soon to be followed by the Artificial Intelligence Act. In antitrust policy, the EU and its member states, free of the restrictive US focus on consumer prices, have adopted trailblazing decisions against the likes of Google, Amazon, Meta and Apple, which are now the subject of actions by other jurisdictions.

The EU's guiding principle across the board has been to uphold a competition enforcement standard based on broader values including consumer choice, innovation and quality rather than simply price. While greater focus should continue to be placed on effective enforcement of the laws we have, it is encouraging that the US and the EU are now moving in the same direction to make markets work for all of us and address the big societal and economic questions that are affecting consumers and citizens on both sides of the Atlantic.

Monique Goyens
Director General, The European Consumer Organisation (BEUC), Brussels, Belgium

"WE COULD CUT DOWN A BIT ON OUR SHOPLIFTING"

Could Nato bar President Trump as a security risk?

In view of Donald Trump's statement, warning Nato allies that he would encourage Russia to do "whatever the hell they want" if alliance members failed to meet defence spending targets, might Nato member states not be justified in barring him, if he is elected president, from entering their countries — as a security risk?

Not only might this further their own security, it might also send a useful message to US voters who still have their eyes tightly shut and their fingers jammed into their ears. Thus, come November, this might help staunch the damage to global security already created by Trump's comments.

Richard Wolfram
Old Greenwich, CT, US

Environmentalists and farmers both need a say

Your leader on agriculture and climate change "The rise of agricultural populism" (FT View, February 6) appropriately addresses the role of the far right in stoking recent protests but doesn't look at the role of the Green movement in creating the conditions for protests in the first place.

The headlong push for sustainability has focused on the environment, while little or no attention has been given to those who pay the price. For too long the challenges and solutions have been defined as "us vs them" or "urban vs rural".

Sustainability in agriculture should be built on three pillars — the environment, food supply and rural communities. EU politicians must balance the demands of the environmentalists with the needs of farming communities. Only then can governments build a united front to tackle the challenges of climate change.

Robert McLeod
Principal, McLeod Consult
Brussels, Belgium

OUTLOOK

ASIA

Why Hong Kong's cinema has gone quiet

by Chan Ho-him

The mere fact that the most discussed television show about Hong Kong this year is a US production starring Nicole Kidman speaks volumes. Amazon Prime's *Expats*, which contains scenes recreating the financial hub's 2014 pro-democracy protests, is not even available to viewers living in the Chinese territory, sparking censorship concerns.

And *Blossoms Shanghai*, the newly released series from the Hong Kong filmmaker Wong Kar-wai, who made his mark with *Chungking Express* and *In the Mood for Love*, is largely a mainland Chinese production that premiered on state TV.

What happened to the days of iconic Hong Kong films and pop culture influence, when the likes of Chow Yun-fat and Leslie Cheung appeared on local and international screens? There have been some decent domestic films in recent months. I enjoyed *The Goldfinger*, a thriller loosely based on one of the financial hub's largest corporate scandals set in the glitzy 1980s. Yet, the buzz it generated is far from that of many of its Hollywood counterparts.

Cantopop — a music genre sung in Cantonese originating from Hong Kong — has also struggled to expand its audience recently. Spotify's Top 200 charts for Hong Kong users saw the proportion of Cantopop songs dip from almost 80 per cent in mid-2022 to about half by the end of 2023 — though still higher than before 2019.

Meanwhile, the rapidly expanding Asian film, TV and pop culture markets in South Korea, Japan and Thailand have outshone Hong Kong, and mainland China has been fostering its own new generation of superstars.

There's debate over Hong Kong becoming less international as it grows more dependent on Beijing, and Xi Jinping's political clampdown in the wake of the 2019 protests hardly helps its global cultural influence. "Where is the uniqueness that we can hold our heads high and offer to the world?" Tenky Tin, a veteran film producer and actor, asked me this month.

The golden era of Hong Kong films and Cantopop was in the 1980s and 1990s, when directors such as Wong Kar-wai and actors like Tony Leung and Jackie Chan took to western theatres while superstars such as Leslie Cheung and Anita Mui led the region's pop culture.

Last year, the Christmas holiday slump for Hong Kong films sent a worrying signal, with a 20-year box office low. One reason is a surge in Hongkongers travelling again after three years of Covid. Border reopening also means more choices for pop concerts outside the city.

But with the sweeping national security law imposed by Beijing in 2020 that cracked down on civic freedoms and silenced dissent and another new security law in the brewing, the long shadow on Hong Kong's creativity remains. Domestic films have been barred from public screening locally under a 2021 film censorship law. Over the past months, two of Hong Kong's most prominent lyricists have moved abroad. And earlier this month, a leading performing arts academy in Hong Kong abruptly cancelled a scheduled drama performance of the Nobel literature prizewinner Dario Fo's *Accidental Death of an Anarchist*, citing "legal risks".

Even Amazon's *Expats* was attacked by Beijing loyalists over the support it received from the Hong Kong government during its filming in the city. Officials defended their decision of allowing Kidman to skirt the city's tough Covid quarantine rules in 2021. But Dominic Lee, a pro-Beijing lawmaker, said, "There is no way that this reflects on Hong Kong positively," referring to scenes of the 2014 pro-democracy movement recreated in the series.

In comments that almost conjure up a parallel universe, top Hong Kong officials repeatedly rejected concerns that censorship has restricted creative freedom. Meanwhile, young filmmakers and the domestic creative industry were striving to "keep their momentum", said Kenny Ng, a film academic at Hong Kong Baptist University. A new code is needed for Hong Kong's emerging generation of filmmakers and pop stars. But uncertainties lingering over the city's future cast doubt on what that code should and can be.

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Opinion

The grip of America's geriatrics

POLITICS

Edward Luce

Here is one measure of America's democratic pickle. The third-party candidates lining up to challenge the creaking two-party stranglehold are almost the same age as the incumbents.

Joe Biden is 81. Donald Trump turns 78 in June. Their potential rivals are all 70 or above. Robert F Kennedy Jr, 70, Joe Manchin, 76, Jill Stein, 73, Marianne Williamson, 71, and Cornel West, 70, are each thinking about entering the fray as independents in one form or other. The old ways have failed America, these boomers are saying. Here are some alternative old ways that you should consider.

Or take Capitol Hill. The median age in the US Senate is 65, which is the birthday at which American airline pilots must retire. The Senate majority leader, Chuck Schumer, is 73. Its minority leader, Mitch McConnell, is 81. McConnell's most senior colleague, Chuck Grassley, who is 90, recently put his name down to run again in 2028. That means he is keeping the option open of going on until he is 101.

People are still stunned, meanwhile, that Mitt Romney, 76, has chosen to retire in the prime of his career. The Senate standard-bearer of the US left remains Bernie Sanders, who is 82. His former rival, and sometime ally, is Elizabeth Warren, who is 74. Who says Biden is an outlier?

At 58, the House of Representatives' median age is slightly closer to America's population as a whole. But it is still badly out of whack. Just 7 per cent of members of the US Congress are below the age of 40. America's median age is 38.9, which means that half its people are younger than that.

There are questions — as there ought to be — about the poor representation of US minorities in America's most powerful bodies. Nothing is quite so glaring, however, as the age mismatch between America's leaders and its voters.

It is as though America went to sleep and suddenly awoke in Leonid Brezhnev's Soviet Union. The former Soviet leader was 75 when he died.

What explains the grip of the old on a nation that is so young at heart? Part of it is the comfort of incumbency. There are French civil servants with less job security than US legislators. Because of gerrymandering and ideological sorting, Capitol Hill has a shrinking share of seats that are open to contest. In most cases, the only way of ejecting incumbents is by a challenge from within their party.

> Telling old and experienced legislators that their time is up takes gumption

The more venerable the figure, the bigger the reputational risk to the aspiring Brutus. That is why no one dared take on the ailing Dianne Feinstein, the Democratic senator from California, who died in office last September aged 90. She was a political legend. It would have seemed cruel to point out her memory lapses in the twilight of her life.

Telling the old and experienced that their time is up takes gumption. Still, there are millions of liberals who wished they were a little more insistent that Ruth Bader Ginsburg, the Supreme Court justice, had retired after she was diagnosed with cancer. Had she bowed out when Barack Obama was still president, the Supreme Court tilt would now be 5:4 against liberals, rather than 6:3. She died at 87 with just a few weeks left of Trump's presidency.

Should Biden lose to Trump a fortnight shy of his 82nd birthday in November, he will turn into the ultra-Ginsburg of American history. It is hard to think of a parallel of an ageing politician wagering his vigour on such huge stakes.

To be sure, Trump is also old and mentally less sharp. If the choice is between two old men, one of whom supports democracy while the other openly threatens it, then it is no choice at all. But there are larger forces at work here. It is no accident that the age cohorts most sceptical of democracy are the youngest. Millennials and generation Z are the least pro-democratic generations in US history, according to the polls.

This is not typical of the young in previous eras, who agitated for more democracy, not less. Gen Z and younger millennials are far likelier to question America's global military role, yet far more comfortable with globalisation. They are much more worried about climate change and far more welcoming of diversity. They are also least likely to believe in US exceptionalism. It is fashionable to joke about the young's technology-addled attention spans. The observation may be fair. But it is no joke. They have something to say. Their minds urgently need to be engaged.

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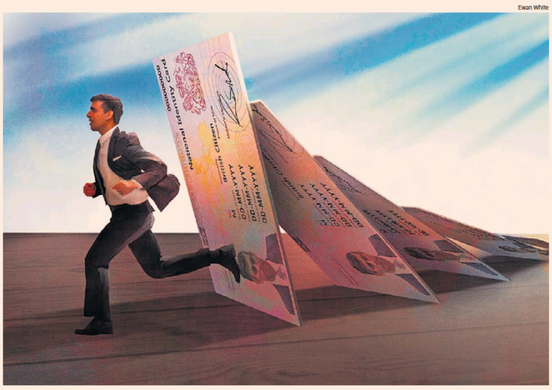
Tories have been servants to statism

Ewan White



BRITAIN

Robert Shrimsley

Britain's Conservatives have always had a complex relationship with civil liberties. On the one hand they talk loudly about individual freedom and rail against the nanny state. On the other, they cheerfully wave through intrusive or illiberal policies.

Thus the party of personal freedom has in recent years introduced sweeping restrictions on the right to protest and a progressive ban on adult smoking.

In part this reflects a deeper divide between what was once described as traditional liberalism and the more paternalistic or authoritarian Toryism. A happy compromise has tended to be that Conservatives are comfortable banning or regulating activities that are unlikely to involve them but take a dim view of bureaucrats intruding into their own lives. They do not mind curbs on eco-protests they are unlikely to attend but do not wish to be ordered to lose weight or buy an electric car.

For many critics, the Covid lockdowns destroyed any Tory reputation on civil liberties. But regardless of whether one shares that critique of the response to an exceptional crisis, the pandemic cast a long shadow on the balance between the individual and the state nudging the dial towards those who look to government to tackle social problems. This has reinforced those figures on both sides of the political divide, such as Tony Blair and Michael Gove, who talk about the need for a strategic or active state. One example is the way the pandemic is used to justify greater NHS harvesting of patient data. Other former ministers demand action to tackle obesity.

The coalition of Brexit Tories assembled by Boris Johnson was not built on the promises of a smaller state, for all the free-market dreams of a Singapore-on-Thames. Johnson's core promises were to spend more on policing, hospitals and schools and on a regional policy to foster growth in the north. More recently, some Tories have called for action to boost the birth rate. Liberal Tories have watched the party slip its moorings and often unwittingly play handmaiden to statism.

Nowhere are the tensions and contradictions more perfectly highlighted than in the issue of national identity cards, which many Tories viscerally oppose on civil liberties grounds.

Public backing for ID cards has fluctuated, but supporters are encouraged by blithe acceptance of the tech companies' harvesting of personal data, as well as by potential practical benefits such as those shown by the Covid vaccine app. Blair, a long advocate of such cards, now calls (with a former Tory leader, William Hague) for a digital ID instead, which could be accessed via your phone and link you to a range of public services while also allowing the government better use of data.

Yet whatever the arguments for or against, what is striking is just how much a government that is publicly and definitively opposed to a national ID card scheme has done to ease the country towards its introduction.

Recent Tory measures have included compulsory voter ID at polling stations and immigration laws that demand employers complete onerous checks on entitlement to work, a requirement which would be instantly eased by a national ID scheme. The plan by Prime Minister Rishi Sunak to progressively ban smoking means even middle-aged adults will eventually need to prove their age when buying cigarettes. More rigorous age verification for online sites looms. Throw in the desire to clamp down on illegal migrants and the argument becomes stronger.

> For good or ill, the party has let the pendulum swing away from the freedom caucus

The pros and cons of these plans can be debated. The point, however, is that the Conservatives are steadily and unintentionally eroding their own arguments against a single recognised form of ID available to all.

Whether by physical card or digital format, a national ID scheme seems increasingly inevitable. Labour's Yvette Cooper has previously ruled out an ID card as part of the party's immigration policy, but more recently the party has been non-committal.

Similarly on health, if a Tory leader can ban adults from smoking it is not hard to see Labour pushing forward with sugar taxes or bans on special deals on junk food.

Such erosion of small-state ideals is one reason why the otherwise comical launch of Liz Truss's Popular Conservatism group matters more than might appear. We are watching the real-time realignment of the Tory party as economic liberals try to find common ground with the resurgent interventionist, protectionist and socially conservative forces in their party. This is the high priestess of economic growth seeking a deal with her own party's anti-growth coalition. Truss's unifying umbrella is immigration crackdowns and resistance to big government liberals pushing "woke" social attitudes, net zero and nanny-state health policies.

That her agenda is seen as inimical to the Tory leadership is indicative of how policy has shifted. The upshot is that for good or ill and from ID cards to health policy, law and order and even spending, Tories have let the pendulum swing away from the freedom caucus.

Conservatives may still dream of rolling back the frontiers of the state and cutting public spending, but their direction of travel has been steadily in the opposite direction. So when in the next parliament they find themselves railing against the overweening "strategic" state, someone should remind them of their part in building it.

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Wiping out bad data will not solve China's economic woes

Eswar Prasad

China's economy remains in a rough patch, with deflation becoming entrenched, the stock market cratering and capital flowing out of the country. Deteriorating animal spirits are making things worse and the government seems to have decided it needs to control them — by eliminating data that paint a bad picture and by squelching negative commentary and analysis.

At a time when the biggest problem facing the economy is lack of confidence in the government, such actions are likely to backfire and make things worse. Unrealistically positive rhetoric, which is at odds with the realities that Chinese households and businesses are experiencing, is hardly the solution to China's economic difficulties.

At the end of 2023, President Xi Jinping gave a speech explicitly acknowledging the difficulties that enterprises and households were facing. He indicated that the government would take resolute measures to revive growth and ensure economic and financial stability. This speech generated hope that the government understood the seriousness of the challenges the economy faced and would take strong actions to stem the rot.

But then the drumbeat of bad economic news continued amid a tepid policy response. Worse yet for China, this was all happening at a time when the US economy keeps firing on all cylinders.

By the time Premier Li Qiang gave his speech at Davos last month, the government seems to have decided that only positivity was acceptable. His speech extolled the virtues of the economy. The only cryptic reference to any short-term challenges was to advise the audience that understanding the Chinese economy required a panoramic view "to see the whole picture in an objective and comprehensive manner and truly grasp where it is now and where it is going."

China's government clearly wanted to send a message that the economy's growth momentum had stabilised, any risks were manageable and the country remained welcoming to foreign businesses and investors. These words have done little to improve sentiment, either in China or outside it.

This comes on the heels of measures to suppress data that convey bad news. When fertility rates started falling a few years ago, raising concerns about a shrinking labour force, the government stopped releasing that data. When youth unemployment rates surged last year, the government discontinued those data as well. Now it is publishing unemployment data with supposed "improvements" that show lower youth unemployment rates but that are seen as less credible. Data about consumer confidence and financial markets have also been subject to blackouts.

> When the biggest problem is lack of confidence in the government, such actions are likely to backfire

Of course, every government tries to spin economic data in a positive light. Still, wiping out bad data, along with censorship and repression of any negative sentiments about the economy, is hardly likely to inspire confidence. This approach even engenders doubts about ostensible good news. When Li Qiang announced at Davos that China's economy had exceeded the 5 per cent growth target for 2023, it was met with scepticism.

The government's attempts to send a positive message while simultaneously taking heavy-handed measures to limit the downward economic and financial spiral are further hurting confidence. Curbing short selling in stock markets, restricting capital outflows, and sacking officials hardly address the fundamental problems responsible for the economic malaise and might only exacerbate panic.

To turn things around, China would do well to revive a playbook it has used in the past — announcing a reform framework and then acting on it. Some of these frameworks, including making the renminbi a major international currency and the common prosperity initiative, have been derided as ambitious but empty slogans.

But they did encompass measures that were positive for China's economy and pointed to a clear direction for policies, something that has been missing of late. Given how far confidence in the government has slumped, a lot more will be needed now — not just a clear articulation of the government's intentions but also concrete actions such as fiscal support for the economy, especially directed towards households, and a downpayment in the form of immediate policy changes bolstering private enterprises.

Stifling bad news and trumpeting only positive rhetoric is no substitute for action in solving China's problems. It is time for the government to acknowledge the difficult realities and respond with a clear policy agenda backed by forceful actions.

The writer is a professor at Cornell University and senior fellow at Brookings

There is no need for the Fed to delay cutting interest rates

Claudia Sahm

Consumer prices in the US rose more than expected in January, largely owing to shelter costs. And while the Federal Reserve's preferred inflation metric should be more benign, this was a reminder that the path back to low inflation remains a bumpy one.

But creating bigger bumps in the rest of the economy and financial markets would be a mistake that the Fed must avoid this year.

The good news is inflation has cooled over the past months and is moving rapidly towards the Fed's 2 per cent target, the last month notwithstanding. So, the question is when and how much the Fed will cut its policy interest rate.

As is often the case, the central bank has been intentionally vague. In an interview, Fed chair Jay Powell said his team needed to see "more good data . . . It doesn't need to be better than what we've seen, or even as good." But how good is good enough? Powell implied that May was the earliest that the Fed would even consider a rate cut. We can expect them to want several more months of good inflation data, then, on top of several months of good inflation data. Clearly, the bar is high.

The Fed is weighing rate cuts against the backdrop of a strong economy. Inflation-adjusted gross domestic product rose 3 per cent in the fourth quarter of 2023 relative to a year earlier, far above the Fed's forecast this time last year of basically no growth. The unemployment rate has been below 4 per cent for the longest stretch since the 1960s. And all with substantial disinflation.

> Keeping them high until the labour market cracks is not acceptable

Some think this strong growth means the Fed should not cut. But that relies on the dubious Phillips curve that says to get inflation down, unemployment must rise. The economy in 2023 showed that was wrong; instead, high inflation was largely due to Covid-related disruptions that are unwinding. Plus, 2019 had similar growth and unemployment along with less than 2 per cent inflation. Finally, the Fed has a dual mandate of low inflation *and* low unemployment. Keeping rates high until the labour market cracks is not acceptable.

At the end of last year, the Fed disavowed the need for below-trend growth to get inflation down. Now, the central bank views that strength as giving it the "luxury of time" to build confidence in inflation. The logic is different but risks a recession, which is what pro-Phillips curve commentators think we need.

The risks are real. The federal funds rate is up 5.25 percentage points within two years, and that has put pressure on the housing market. In fact, the Fed is pushing *up* home prices, because the people who have low, fixed-rate mortgages are unwilling to sell. So new homebuyers are grappling with higher mortgage rates, high home prices and a lack of homes to buy. So far, the rest of the economy has been able to keep the weakness in housing from spreading, but that is not guaranteed to continue.

Another risk is financial markets. The Fed's rapid, large and unexpected rate rises since 2022 have strained credit markets and banks. So far, borrowers and lenders have navigated them. But, as the dramatic failure of Silicon Valley Bank shows, this environment punishes bad or even unlucky business decisions. It's hard to say where the pockets of weakness are now, but the longer rates stay high, the more the Fed risks seriously damaging the economy.

Several officials have said the "worst possible outcome" would be for the Fed to start cutting and then have to raise rates if inflation picks back up. It's an odd, albeit unsurprising, worry, since the Fed has a history of "policy adjustments". The world changes and so does policy. But the world has changed with notable disinflation, and the Fed is not changing its policy.

From its start, this cycle has had little to do with the Fed. We are so close to unwinding the final Covid disruptions. Now it is not the time for the central bank to drag its feet on rate cuts. It is the time for the Fed to get out of the way.

The writer is a former Federal Reserve economist

Lex.

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Standard Chartered: drastic action needed

In Hong Kong, Standard Chartered's headquarters is squashed next to HSBC's. That reflects the bank's smaller stature against a rival 7.5 times its size in terms of market value.

The London-listed lender has long targeted Asia's fast-growing economies — and long failed to live up to that high-growth potential. Its shares have trailed far behind those of other Asian banks. Since chief executive Bill Winters took over in June 2015, the stock is down 43 per cent.

The bank's 4.6 times price to forward earnings multiple reflects doubts about the bank's future profitability and, perhaps, its current structure.

Next week's earnings is the obvious moment for new chief financial officer Diego Di Giorgi to announce more drastic action. Something is sorely needed to unlock the latent value of a bank trading at half its net asset value.

Management changes are already afoot. The bank has begun a search to replace chair José Viñals in 2025. The Financial Times has reported possible candidates. Some — such as Charles Roxburgh, former UK Treasury mandarin and McKinsey partner — still reflect the bank's need to play nicely with regulators. Five years ago, the bank agreed to pay US and UK authorities $1.1bn for clearing illegal transactions for Iran-based clients.

But the next chair needs much more than diplomatic polish. Viñals already has plenty of that as an ex-IMF man. His replacement will need to put far more focus on reviving shareholder returns. StanChart's cost of equity is in the mid-teens but even optimists expect only low double-digit returns on its tangible equity. Repairing this profitability should be a priority.

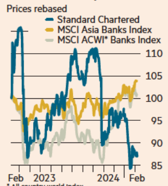
Talk of restructuring its institutional banking division, to separate the financial trading unit from commercial banking, may yield some savings but won't obviously achieve much more.

The ventures division, a questionable effort to back new business models such as digital bank Mox, seems ripe for attention. Simply breaking even could add more than $400mn to StanChart's full-year pre-tax profit, pointed out Jason Napier at UBS. But the unit isn't forecast to wash its face until 2027, according to Visible Alpha.

Higher dividends — the bank yields less than 3 per cent — and more share buybacks would help. But with current common equity tier one capital ratio in the middle of its targeted range of 13 to 14 per cent, there is little excess capital to hand back to shareholders. Keeping regulators sweet still matters. But those most in need of sugar are the bank's return-hungry shareholders.

StanChart trails peers

Prices rebased



* All country world index
Source: Bloomberg

Lyft: small margin rise still counts as progress

A mere 50 basis points can be a pretty decent outcome, too. Shares of rideshare company Lyft jumped more than 30 per cent yesterday. The rise came after an embarrassing gaffe the previous evening, when a press release detailing fourth-quarter earnings shared 2024 guidance that originally included a forecast of its ebitda margin soaring by "500 basis points".

In after-market trading, Lyft shares quickly jumped more than 60 per cent. The company then backtracked, correcting the margin uplift to just 50bp, or a half percentage point.

Administrative controls aside, Lyft may still be turning a corner. It has been badly outpaced by rival Uber, whose market cap has reached $140bn (Uber yesterday announced a $7bn buyback scheme, a figure exceeding the overall equity value of Lyft).

Lyft says that in 2024 it will reach a full year of positive free cash flow for the first time. If all goes according to plan, embarrassment should give way to some sense of triumph.

Careful observers might have clocked that the original 5 percentage point ebitda margin increase was entirely preposterous. Lyft's current ebitda margin, as measured against total booking volume, is just 1.8 per cent. Even Uber's is just 3.4 per cent. These thin margins — a $10 fare only results in 20 or 30 cents of company operating profit — demonstrate that the companies require a massive volume of rides to be profitable.

Moreover, Lyft for now can only aspire to turn half of accounting-based ebitda into actual free flow. A smarter AI in the future will presumably tell algorithmic traders that if a press release looks erroneous, it probably is.

For 2023, Lyft had gross rideshare volume of $14bn while Uber hit 10 times that. But just under half Uber's figure comes from food delivery.

Lyft's stock price is, even after yesterday's bump, still off 80 per cent from the high around its 2019 listing. Given its modest cash generation, that valuation may still be elevated. Some of yesterday's rally is likely to be driven by hedge fund short-covering.

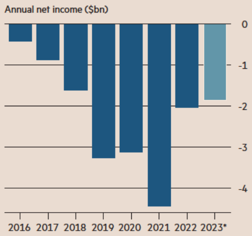
Consumers have felt the pinch as rideshare services no longer have venture capital dollars to subsidise trip fares. Instead, public shareholders have demanded efficiency and at least modest profits. Lyft's survival ensures sustained competition for Uber. In the meantime, Lyft would be wise to invest in its financial communications staff.

WeWork: Neumann's grand vision

Work-from-home policies have reduced demand for office space, leaving WeWork struggling with high costs and emptier offices. Last year, it filed for bankruptcy. Rival IWG has also reported losses but claims rising demand for flexible workspace. The London-listed company says it has taken over some WeWork sites.

WeWork losses

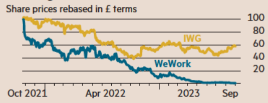
Annual net income ($bn)



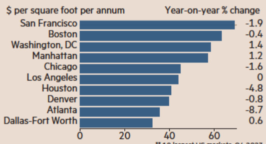
*12 months to September 30

Differing fortunes of similar businesses

Share prices rebased in £ terms



Rents in selected US cities**



** 10 largest US markets, Q4 2023

FT graphic Sources: Capital IQ/company; LSEG via markets.ft.com; CBRE

When office rental company WeWork filed for bankruptcy last year, founder Adam Neumann described its collapse as "hard to watch from the sidelines". He did not stay there for long. Neumann has plans to regain control of the company.

The poor state of the commercial property market does not inspire much hope for a turnaround.

A recap: Neumann founded WeWork in 2010 and turned it into a global brand with a $47bn valuation. He was ousted in 2019 after a disastrous listing document that said the company would elevate world consciousness while revealing annual losses of $1.9bn and future lease obligations of more than $47bn.

Since then, Neumann's fortunes have eclipsed WeWork's. He departed with an exit package of about $1bn and created residential letting start-up Flow with backing from VC firm Andreesen Horowitz. WeWork went public via a Spac, reported ballooning losses, and filed for Chapter 11. Its equity is near worthless, and it is trying to wipe out over $4bn of debt and jettison or renegotiate nearly all of its leases.

Founders who leave under a cloud can go on to win investor and market backing. Still, Neumann is an unusual case. He has a poor relationship with WeWork investor SoftBank, the company's biggest creditor. Sourcing investors for another shot at running the company will be difficult. The model for co-working has not yet been proved. Plus, remote working has curbed demand for office space.

The IMF has warned that in the US, the largest commercial property market, prices are down 11 per cent since interest rates started to rise in March 2022.

IWG, which also has a shared office brand called Spaces, has not reported positive net income for the past four years, though its shares have performed much better of late.

Cheaper refits and limited shared space might help WeWork break even post-bankruptcy. Lending the company's brand name and sharing rental income with landlords instead of leasing space — a capital-light structure — is another possibility.

But WeWork made its name with eye-catching city-centre offices, rapid expansion, and a goal of changing the way the world works. The prospect of a modest, slim WeWork is unlikely to sit well with Neumann's grand vision for himself or the company.

Hydrogen: starting to navigate the hype cycle

The hype cycle posits that a new technology will generate excitement and high expectations, which tend to end in bitter disappointment. From that disillusionment, a more realistic way forward may emerge.

Hydrogen, the energy source that has produced more hype than heat in recent years, is starting along that path. Electrolyser maker Thyssenkrupp Nucera sketches out the way of things to come. The €2bn group was listed in July 2023 by Germany's Thyssenkrupp and Italy's De Nora, which still own three-quarters of the shares between them. Something of an oddity in an industry beset by teething problems and shrinking forecasts, it does what it says on the tin.

Its first quarter, ended in December, showed deliveries on track, a growing order book, and an increase in the number of projects it hopes to capture. Not that it is making money yet. Thin margins and rising ramp-up costs contributed to operating losses, but these were widely flagged. Indeed, its results were a lone bright spot in Thyssenkrupp's challenging quarter.

What makes Nucera different? The first point is that — unlike smaller, flexible electrolysers — its hulking alkaline machines are designed for industrial applications such as refining and steelmaking. In its order intake, Nucera won contracts from Swedish producer H2 Green Steel, and from a Shell project in the Netherlands.

That is helpful. Green hydrogen's suitability for many applications is increasingly questioned. Yet in the industrial space — whether to replace existing hydrogen production or to provide feedstock for processes — its role is more secure.

Nucera's second advantage, in a nascent industry, is that it is emphatically not a start-up. While its alkaline electrolyser technology is new, it is rooted in the older, chlor-alkali chemical process, which still makes up almost 40 per cent of revenues.

Similarly, while the group is newly listed, it has a pre-existing global manufacturing capacity of 1GW, out of about 8GW existing. That enabled it to secure the biggest hydrogen project in the world, Saudi Arabia's green Neom city, which accounts for more than 80 per cent of current revenues, according to Martin Wilkie at Citigroup.

Nucera's progress has been cold comfort for investors. The stock is down by a third since the IPO as excitement drained from the wider sector. Stricter conditions to access subsidies in the US, unveiled at the end of last year, have not helped.

However, in an industry likely to be buffeted for some time to come, Nucera is at least showing what might be left once the hydrogen hype subsides.

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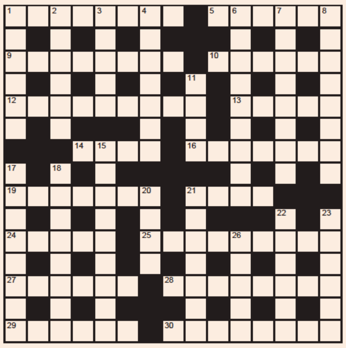


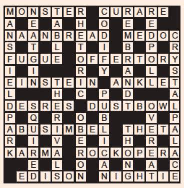
ACROSS

1 Animal quaffing fine bubbly (8)
5 One's clasped children briefly in front of church (6)
9 Fair friend crosses Polish river (8)
10 Standing in street, a long tooth filed down (6)
12 Alcoholic mixture is taken: be prepared! (9)
13 Love concealed by evil speaker (5)
14 Champion here again (4)
16 Tackle starter of coronation chicken — here? (7)
19 Metric measure in the race put right (7)
21 Kind, a little generous or thoughtful (4)
24 Money earned, a third gained (5)
25 Splash in sea, toward waves (4,5)
27 Rodin's initial, one etched into decorative curio (6)
28 Lean meat cat originally buried in other gardens (5,3)
29 Thingummyjig that's old and black swallowed by fish (6)
30 With fire, tyre and wheel ultimately exploding (8)

DOWN

1 Food cut by three-quarters, Christian pacifists starve (6)
2 Worn-out skin on largish toad, mottled (3,3)
3 Hack perhaps impressed by author, seemingly (5)
4 Egg and cream for carp (7)
6 Earth-breaking machine that may go up and down? (9)
7 Total dismissed, one side (8)
8 Group of losers is on vegetarian diet, by the sound of it? (3-5)
11 Drink part of bottle (4)
15 Shade of white, as one browning chicken? (9)
17 Peppered steak's surface we found covered in house wine (8)
18 Setting sun's first air, once hazy (8)
20 Ultimately where China is, point — this way (4)
21 Cider, as fermented for cocktail (7)
22 Confirm where bowler might be seen? (6)
23 Dirty colour primarily, red (6)
26 Blubber by the sound of it — that's what this has! (5)*

Solution 17,655



JOTTER PAD

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