



Will Exxon be Guyana's partner or plunderer?

BIG READ, PAGE 19

France threatens to trigger a new euro crisis

GIDEON RACHMAN, PAGE 21

Battery blaze Fire kills 22 in South Korea

Firefighters take a break as rescue work continues after a deadly fire at a lithium battery factory owned by Aricell in Hwaseong, South Korea, yesterday.

At least 22 people were killed, according to local officials, after battery cells exploded at the plant in an industrial city 45km south of Seoul.

Most of the dead were foreigners, including 18 Chinese nationals and one person from Laos. About 70 people were working at the plant at the time of the explosion.

South Korea, which is heavily dependent on manufacturing, has made efforts to improve its labour environment but accidents are frequent.

It has one of the highest industrial death rates in the developed world despite heavy investment to improve safety. There were nearly 600 work-related fatalities reported last year.

[Factory fire page 5](#)



Kim Hong-ji/Reuters

Briefing

► Prudential \$2bn buyback announcement lifts shares

The insurance group's flagging share price has been boosted by Sunday's announcement of a buyback, completed "no later than mid-2026". Shares rose 7 per cent yesterday; they had fallen 11 per cent this year. — [PAGE 10](#)

► Edinburgh-Taiwan blow

The Scottish capital's council has put on hold a proposed friendship agreement with a city in Taiwan after businesses expressed concerns about a backlash from the Chinese government. — [PAGE 2](#)

► Barclays cuts loan rates

The bank has cut rates on several mortgages, as brokers predict competition among high street lenders offering lower prices ahead of an expected interest rate cut this summer. — [PAGE 2](#)

► EIB former chief probed

European Investment Bank former president Werner Hoyer is being investigated for corruption, misappropriation of EU cash and abuse of influence, claims that he described as "absurd". — [PAGE 4](#)

► Brussels targets Apple

The European Commission has accused the iPhone maker of stifling competition on its App Store, the first time EU regulators have brought charges under the new Digital Markets Act. — [PAGE 7](#)

► \$4bn US plant injection

Danish pharmaceutical company Novo Nordisk has announced a plan to expand US manufacturing and boost production of its blockbuster weight-loss drugs to meet surging demand. — [PAGE 9](#)

► EU fix for Kyiv arms deal

Brussels has devised a legal workaround to swerve Hungary's veto on buying arms for Ukraine using profits from Russia's frozen assets. The move could allow the G7 to pay \$50bn to Kyiv. — [PAGE 4](#)

► Banker quits after punch

Moelis investment banker Jonathan Kaye, who was filmed in a widely shared clip punching someone at a New York City Pride event this month, has resigned from the Wall Street firm. — [PAGE 7](#)

Tory and Labour pledges to improve public services 'essentially unfunded'

◆ Scathing think-tank verdict ◆ IFS says tough choices 'ducked' ◆ 'Tax lock arms race' damaging

DELPHINE STRAUSS
ECONOMICS CORRESPONDENT

The two main parties have set out plans to improve public services that are "essentially unfunded", the Institute for Fiscal Studies said yesterday.

In a scathing verdict on the Labour and Conservative manifestos, the think-tank said they had "hidden and ducked" the hard economic choices ahead, despite claiming their tax and public spending plans were "fully costed".

IFS director Paul Johnson said whichever party took office after July 4 faced "a stark choice", unless "they got lucky".

He added they would have to raise tax "by more than they have told us in their manifesto. Or implement cuts to some areas of spending. Or borrow more and be content for debt to rise for longer."

The damning account of the economic dilemma facing both parties comes as the election campaign enters its final stretch. Labour is expected to win next week, while the Tory party's struggling campaign has been dealt a further blow by a betting scandal.

The IFS said both had pledged debt would fall in five years, while entering a "tax lock arms race", competing with each other to rule out many of the ways in which they might raise extra revenue.

"These manifestos appear to imply all this can be delivered for free. It can't"

Paul Johnson, IFS director

"These tax locks are a mistake", Johnson said. "They will constrain policy if a future government decides that it does in fact want to raise more money to fund public services. They also put serious constraints on tax reform."

Helen Miller, IFS deputy director, said that if a Labour government wanted to raise "big money" in the areas where it had not yet ruled out changes, it would need to make politically difficult reforms to capital gains tax, which could discourage investment.

Labour said: "While we're under no illusions about the scale of the challenge we'd inherit if elected, we don't accept that the economy can't be better than it is now under the Tories."

It added that the party's manifesto was "a fully funded plan to change the

country and offer economic stability". Labour's campaign has focused heavily on its plan to bolster the public finances through reforms to raise economic growth, a claim the IFS called into question.

The body estimated the government could avoid £30bn of spending cuts if the Office for Budget Responsibility upgraded its forecast for GDP growth by 0.5 percentage points. But it added that the OBR's forecast was already more optimistic than most, and luck could easily turn against the new government.

The IFS described Labour's manifesto commitments to new public service spending — such as teacher recruitment and school breakfast clubs — as "trivial".

But it added that the party's biggest pledge, to boost green investment by

£5bn a year, would still leave public sector net investment falling.

The IFS said that both parties promised to expand the NHS workforce and build more hospitals, as well as tackle crime, without allocating new money.

"These 'fully costed' manifestos appear to imply all this can be delivered for free. It can't," Johnson said.

Both parties also want to increase defence and childcare spending, implying steep cuts to unprotected areas such as courts, prisons and local government — equivalent to £9bn a year by 2028 under Labour's plans and £18bn a year under Conservative plans, the IFS said.

[Election reports pages 2 & 3](#)

[FT View & Stephen Bush page 20](#)
[Andy Haldane & Jonathan Portes page 21](#)



Farm sector setbacks put Tory rural vote in jeopardy

Farmers, traditionally Tory-leaning, are thinking twice before casting their votes next week, with polls predicting steep losses in rural Conservative strongholds. The sector's economic woes have worsened since Brexit and the subsequent transition to new trade policies. While 46 per cent of voters in rural communities in England voted Conservative in 2019, a more recent poll showed that the predicted Tory vote share was 34 per cent in February.

[Angered by Tories page 3](#)

Shein closer to blockbuster London listing after filing with City regulator

JAMES FONTANELLA-KHAN — NEW YORK
IVAN LEVINGSTON, LAURA ONITA AND
MICHAEL O'DWYER — LONDON

Online fast-fashion group Shein has filed confidential paperwork for an initial public offering with the markets regulator, according to two people familiar with the matter.

The move takes Shein a step closer towards a blockbuster London listing, following its decision to ditch a planned IPO in New York. The Chinese-founded group could reach a market valuation of about £50bn.

Shein, which grew in popularity during the pandemic when millions of people switched to online shopping, submitted the pre-listing documentation with the Financial Conduct Authority this month, said one of the people.

The filing is a precursor to the Singa-

pore-domiciled company's releasing its IPO prospectus, which the UK regulator would have to approve before a listing.

Shein, with most staff and manufacturing located in China, has yet to receive approval from China's authorities to list in London. The company could still decide to float elsewhere if it faced regulatory hurdles, the people briefed about the matter cautioned.

A Hong Kong listing is another option under consideration, they added.

Shein, which is working with Goldman Sachs, JPMorgan and Morgan Stanley on its IPO plans, had planned to go public in New York but veered towards London after getting caught up in tensions between the US and China.

Donald Tang, Shein's executive chair, told the Financial Times last month that the company had made "progress" on changing the perception that Beijing

controlled it "but not enough" to win over US lawmakers.

A London IPO would be a much-needed boost for the stock market. Senior politicians have met the company in recent months.

Labour, which leads in polls for the July 4 general election, has argued London should welcome Shein because it would impose higher regulatory standards than elsewhere. Shein has faced allegations of forced labour in its supply chain, which it denies, saying it "has a zero-tolerance policy for forced labour".

Business secretary Kemi Badenoch said there were issues that would need examining, citing potential "lost" taxes because of Shein's business model and forced-labour fears.

Shein and the FCA declined to comment. Reuters was first to report the confidential filing.

World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS						
	Jun 24	Prev	%chg	Pair	Jun 24	Prev	Pair	Jun 24	Prev	Chg	Yield (%)			
S&P 500	5483.17	5454.62	0.34	\$/€	1.073	1.068	€/\$	0.932	0.936		US 2 yr	4.74	4.74	0.00
Nasdaq Composite	17658.60	17689.36	-0.17	\$/£	1.269	1.263	£/\$	0.788	0.792		US 10 yr	4.27	4.27	0.00
Dow Jones Ind	39498.15	39150.33	0.89	€/£	0.846	0.846	€/€	1.182	1.182		US 30 yr	4.40	4.41	-0.01
FTSEurofirst 300	2059.66	2044.59	0.74	¥/\$	159.720	159.585	¥/€	171.379	170.470		UK 2 yr	4.18	4.17	0.01
Euro Stoxx 50	4654.43	4607.30	0.96	¥/£	202.644	201.517	£ index	83.298	83.495		UK 10 yr	4.19	4.15	0.00
FTSE 100	8281.55	8237.72	0.53	\$/¥	0.959	0.954	\$/¥	1.134	1.128		UK 30 yr	4.57	4.58	-0.01
FTSE All-Share	4514.76	4490.92	0.53	CRYPTO							JPN 2 yr	0.30	0.30	0.00
CAC 40	7706.89	7628.57	1.03		Jun 24	Prev	%chg				JPN 10 yr	0.99	0.97	0.01
Xetra Dax	18325.58	18153.52	0.89	Bitcoin (\$)	60000.00	62096.00	-3.32				JPN 30 yr	2.17	2.15	0.03
Nikkei	38804.65	38596.47	0.54	Ethereum	3276.70	3404.80	-3.76				GER 2 yr	2.82	2.79	0.03
Hang Seng	18027.71	18028.52	0.00	COMMODITIES							GER 10 yr	2.42	2.41	0.01
MSCI World \$	3607.81	3519.68	-0.34		Jun 24	Prev	%chg				GER 30 yr	2.61	2.59	0.02
MSCI EM \$	1086.93	1095.76	-0.81	Oil WTI \$	81.53	80.73	0.99							
MSCI ACWI \$	801.25	804.35	-0.39	Oil Brent \$	85.94	85.24	0.82							
FT Wilshire 2500	7001.30	7009.55	-0.12	Gold \$	2335.05	2351.60	-0.70							
FT Wilshire 5000	54432.50	54493.90	-0.11											

Prices are latest for edition
Data provided by Morningstar

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NATIONAL

Chinese influence

Edinburgh stalls Taiwan friendship link

Businesses fear that city-to-city deal would lead to Beijing backlash

SIMEON KERR — EDINBURGH
JAMES KYNGE — LONDON

Edinburgh city council has put on hold a proposed friendship agreement with a city in Taiwan after businesses expressed concerns about a backlash from the Chinese government.

The council had been considering the deal with Kaohsiung. The proposal, however, elicited the attention of diplomats from China, which claims sovereignty over Taiwan.

"Having taken on board the views of

the business community and other partners, we've decided that more discussion is required before taking this agreement forward," said Cammy Day, the council leader.

The incident exposes the extent of Chinese pressure, real or imagined, on even modest engagement with Taiwan as well as the growing dependence on China among Scottish businesses and universities.

Such city-to-city friendship agreements seek to bolster economic, educational and cultural exchange. The council had put the agreement out for consultation with businesses and institutions in the city that have significant international exposure, such as the University of Edinburgh, the chamber of

commerce, the airport and other tourism-related groups.

They were collectively concerned about a detrimental impact on Chinese trade, tourists and students if the agreement were completed without a detailed look at the risks of riling Beijing. "We've spent years building up the relationship with China," said one person briefed on the discussions. "It just isn't worth jeopardising it all over a friendship agreement."

Some of these business groups had also been contacted by Chinese diplomats in Edinburgh. "They were none too pleased about the agreement," the person said.

Edinburgh airport said the council's own report on the agreement had iden-

tified risks, such as the loss of the benefits of the current relationship with China. "We felt it would be wise for all of us to better understand the potential extent of the risks involved to allow all of us to make a fully informed decision," said the airport.

The Chinese embassy did not respond to requests for comment.

A third person briefed on the agreement said it was a "city-to-city exchange without any political sensitivities".

"British cities increasingly run the risk of having their policies and their decision-making dictated by China," said Mark Sabah, director of the Committee for Freedom in Hong Kong Foundation.

The Kaohsiung agreement could have

yielded financial, educational and technological relationships that had now been "halted" by the Chinese Communist party, he added. "The fact that local businesses have called the local council to withdraw shows just how fearful British companies are."

In 2023, the Chinese accounted for 1 per cent of overseas visits to Scotland and 3 per cent of international spending in the country. Of the roughly 150,000 Chinese students in the UK in 2021-22, about 21,000 studied in Scotland, with Glasgow university having about 9,000 and Edinburgh university about 6,850, according to the latest data.

Edinburgh university said it was "contributing to discussions" about the friendship agreement with Kaohsiung.

Mortgages

Barclays cuts rates with other lenders set to follow

JOSHUA OLIVER AND AKILA QUINIO

Barclays has cut several of its mortgage rates, as brokers anticipate increased competition among high street banks offering lower prices before an expected interest rate cut this summer.

The high-street bank said yesterday it would reduce rates on some of its two-year and five-year mortgage fixed-rate deals, including cutting its two-year 60 per cent loan-to-value rate from 5.1 per cent to 4.9 per cent.

Nicholas Mendes, mortgage technical manager at broker John Charcol, said more banks were likely to improve their offers in an effort to stay competitive, adding that "lenders certainly have room to lower" their rates – particularly on five-year deals.

A fall in borrowing costs on the eve of the July 4 general election is likely to be claimed as a win by the Conservatives in the final days of the campaign and evidence that Prime Minister Rishi Sunak's economic plan is working.

Barclays told brokers that from today it would be changing its rates on a selection of products across its residential purchase range.

After Barclays made its announcement, the lender MPowered said it was making similar cuts, dropping the rate of its two-year 60 per cent loan-to-value rate to 4.76 per cent, from 4.87 per cent.

Prospective homeowners have been hoping for mortgage costs to fall after

Mortgage rates could be 'trickling down' rather than up over the next few weeks'

they rose sharply over the past two years, hitting household finances and making it more difficult for people to buy homes.

The average rate on two-year fixed contracts has risen from 3.25 per cent in June 2022 to its current 5.96 per cent, according to Moneyfacts.

The Labour party has blamed Liz Truss's Conservative government for causing mortgage rates to spike following the autumn 2022 "mini-Budget".

The Bank of England held its interest rate at a 16-year high of 5.25 per cent last week, with traders pricing in an August rate cut announcement.

But mortgage lenders are likely to move before the decision, taking advantage of a fall in swap rates that underpin mortgage pricing.

The five-year Sonia swap rate, used by lenders to price loans, has dipped to 3.82 per cent from 3.93 per cent a month ago. Matt Smith, mortgage expert at online property portal Rightmove, said the most recent BoE decision to keep the base rate steady in line with expectations had brought "certainty" to the market.

He added that this could lead to mortgage rates "trickling down rather than up over the next few weeks, which is really what home-movers are after".

Lenders are under pressure to remain competitive as they fight for a pool of borrowers whose budgets have been squeezed by rising living and borrowing costs.

Hina Bhudia, partner at broker Knight Frank Finance, said Barclays' cut reflected "growing competition for purchasing activity that has fallen short of expectations so far".

Northern Ireland. Fermanagh and South Tyrone

Most marginal seat braced for another 'dogfight'

Sinn Féin has held area for 21 of the past 23 years and won in 2019 by a mere 57 votes

JUDE WEBBER — ENNISKILLEN

More than anywhere in Northern Ireland, Fermanagh and South Tyrone has been the hardest fought battleground between nationalists in favour of reunifying Ireland and pro-UK unionists.

Dessie McKenzie, who runs the last thatched pub in Fermanagh, says locals are once again braced for a very tight race in the UK's most marginal constituency. "For the foreseeable future, this constituency will remain a dogfight," said McKenzie. "This one is going to be as close as any other."

Fermanagh and South Tyrone returns one of Northern Ireland's 18 MPs to Westminster. Sinn Féin, which this year appointed the first nationalist head of government in Northern Ireland's history, has held the seat for 21 of the past 23 years – including by just 57 votes in the 2019 election and only four in 2010.

With former nursing union boss Pat Cullen as its candidate, Sinn Féin is hoping to keep the seat as it bids to overtake the main unionist party to become the region's largest at Westminster.

Northern Ireland is somewhat disconnected from the UK general election: Labour fields no candidates because it is a sister party of the region's small Social Democratic and Labour party, which has two MPs. The Conservatives are a fringe party in Northern Ireland, winning less than 1 per cent in 2019.

"This is an area where we're pretty good at community relations – we have no peace walls or ghettos and largely people get on, they have common problems," said Denzil McDaniel, a political commentator and editor of Fermanagh's Impartial Reporter newspaper from 1987 to 2013. "But when it comes to it on July 4... people will vote tribally – for or against the union – and that tends to dominate all the issues."

The House of Commons feels far away from Fermanagh, a scenic, rural county bordering the Irish Republic. The constituency is the most westerly in the UK and many key issues for voters – including the health service and infrastructure – are managed by the region's Stormont assembly and power-sharing executive with funding from London.

The constituency is also "west of the Bann" river – a part of Northern Ireland



Seeking support: Sinn Féin's Pat Cullen, right, knocks on doors in Enniskillen, County Fermanagh. Below, loyalist Mervyn Byers

Paul McElrath/FT



that has historically received less investment – although it has delivered high UK election turnouts with a record 93.7 per cent casting votes in 1951.

"We don't have a say [in British politics]," said Aisling, 39, who lives in Northern Ireland's first purpose-built cross-community housing estate in Enniskillen, designed to blaze a trail in a region where housing – like schooling – often remains segregated. "I don't think it matters who we vote for because they

decide everything for us [financially] in England."

Enniskillen is notorious for one of the most brutal atrocities of the Northern Ireland conflict: a bomb by Republican IRA paramilitaries at a Remembrance Day service in 1987 that killed 12.

That attack followed the election of IRA hunger striker Bobby Sands as an MP in 1981, a month before his death in the Maze prison – a vote that ushered in Sinn Féin's "Armalite and ballot box" strategy of contesting elections while the IRA continued its fight to end British rule. The party has seven MPs but, under its policy of abstentionism, they do not take up their seats.

Diana Armstrong of the Ulster Unionist party, the daughter of Sands' rival in 1981, is pitching for the unionist vote. Unlike in some other key seats, the larger Democratic Unionist party (DUP) is standing aside in the hope of maximising the unionist showing. The DUP, which won eight seats in 2019, faces big tests in several seats including the Lagan Valley seat of its former leader, Sir Jeffrey Donaldson, who is due in court on July 3 on historic rape

'People will vote tribally – for the union or against the union – and that tends to dominate all the issues'

and sex abuse charges, which he denies.

Sinn Féin is running Cullen, the former Royal College of Nursing boss who led UK nurses on their first ever strike action, in a bid to tap into voter concern at Northern Ireland's hospital waiting lists – the longest by far in the UK – and the future of services at Fermanagh's local hospital.

But Mervyn Byers, Fermanagh county grandmaster of the Orange Order, a loyalist group, said Cullen's failure to condemn the Enniskillen bombing in a BBC interview "went down badly" with unionists. Even though Armstrong, a local councillor, "isn't well enough known, we're hoping everyone gets behind her", he said.

A poll this month by Lucid Talk put Sinn Féin ahead in Northern Ireland on 24 per cent, 3 points clear of the DUP. The Alliance party, with no position on the region's constitutional future and with one MP, hit 17 per cent. The UUP has no MPs. New constituency boundaries and changing demographics were likely to favour Sinn Féin, said McDaniel. For unionists, Byers said: "Our problem is getting people out to vote."

Party donor

City financier Hosking boosts Reform coffers by £125,000

RAFE UDDIN — POLITICAL REPORTER

One of Reform UK's largest financial backers at the 2019 election has donated £125,000 to Nigel Farage's party as it aims to try and unseat dozens of Conservative MPs.

Jeremy Hosking, a City of London financier who partly bankrolled the Brexit campaign, said he had given the money to the populist party last week.

His donation will help strengthen the party's finances, which Farage has admitted are a "weakness" as it fields candidates in almost every seat in England, Scotland and Wales.

Farage, who is standing in Clacton, said the party needed to raise "a lot of money very, very quickly" after it was caught off guard by Prime Minister Rishi Sunak's decision to call a snap election last month.

Hosking, a former Tory backer who has since donated more than £2.2m to Reform, had said this month he would no longer support the party financially because he wanted to focus instead on "culture war" issues. But he has changed

his mind, telling the Financial Times: "In despair I have given £125,000 to Reform in support of their embrace of the cultural crisis in Britain. I feel sure lots of Tory sympathisers are feeling the same way."

Reform declined to comment, while a representative for Hosking confirmed the £125,000 donation's size.

The rightwing party has accepted hundreds of thousands of pounds from new donors since the beginning of the campaign, including former pop star

Holly Valance and Zia Yusuf, founder of concierge service Velocity Black.

Before Hosking resumed donations to Reform, he had offered £5,000 to Tory candidates if they would sign up to a "four-point commitment to culture".

The commitments are: axing the hiring of diversity and inclusion officers in Whitehall, revoking plans to crack down on big tech, ending the BBC's licence fee model and leaving the European Court of Human Rights. Reform has signed up to some of these pledges.

Switching sides: Jeremy Hosking, a former Tory backer, has donated more than £2.2m to Reform UK

Jack Taylor/Getty Images



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NATIONAL

Hard-pressed farmers angered by Tories but think twice over voting

Traditional Conservatives resent failure to replace EU subsidies while not being swayed by Labour

MADELINE SPEED — CUMBRIA

On the fell above Richard Pedley's farmhouse on the Cumbria-Lancashire border, the number of grazing sheep has plummeted from around 2,500 in the 1990s when he left school, to just 350 today.

An upland sheep and cow farmer, Pedley believes the government has hastened the decline of livestock numbers in rural counties such as Northumberland, Derbyshire, Shropshire and Cumbria by failing to replace the subsidies they received when the UK was part of the EU.

"I feel like we've been ignored by ministers," Pedley said. The payments he receives today are a third of what they were before the EU scheme started to be phased out in 2021, he added.

Part of the problem is that his farm is not eligible for much of the support offered through the new Environmental Land Management scheme, set up to replace lost EU funds.

A traditionally Conservative-voting group, farmers around England are thinking twice before they cast their vote at the general election next week, with polls predicting steep losses in rural Tory strongholds.

The farming sector has long faced tough economic challenges. Small- and mid-sized farms tend to make low margins and most receive government subsidies in return for delivering affordable food for the country.

But the situation for farmers such as Pedley has deteriorated further since Brexit and the subsequent transition to new agricultural and trade policies.



Tough times: farmer Richard Pedley near Barbon Low Fell in the Yorkshire Dales; below, the view from Devil's Bridge, Kirkby Lonsdale
Jon Super/FT

"Because they've traditionally supported Conservatives, they [farmers] feel betrayed," Farron said, adding that this was because of the "botched" transition to the new subsidy scheme and post-Brexit trade deals. Farmers are furious about trade deals with Australia and New Zealand that they fear will undercut them on price. "We are a country with high animal welfare and environmental standards and we are going to disadvantage ourselves with lower

standards. That is morally wrong and an economic hit," said Farron.

"As a traditional Conservative voter, I really do not quite know which way to turn," said Jo Filditch, a farmer in North Herefordshire. "This government is doing little but I can't see that the other parties will do anything more."

In England, the payment scheme available to farmers under the EU's Common Agricultural Policy is being phased out, ending completely in 2027. It will be replaced by three schemes intended to incentivise farmers to adopt environment-friendly practices.

But the rollout has seen delays and IT issues, with farmers such as Pedley, who relied on the EU payments to make their business viable, having the rug pulled out from under them before the new scheme was in place.

Steve Reed, Labour's shadow secretary of state for the environment, said his party was committed to delivering the ELM schemes but that the system needed to be simplified.

"Labour will cut through the Tory bureaucracy that has blocked farmers from receiving funding for work that will strengthen our domestic food security and protect nature and wildlife hab-

'This isn't just money for farmers. It's the funding which helps the sector transition away from the old EU system'

itats on their land," he said. The party has not specified how it will do this.

NFU president Tom Bradshaw said it was "deeply disappointing" there was no mention of an agriculture budget – the "single most vital element" – in the Labour manifesto. "This isn't just 'money for farmers'," he said. "It's the funding which helps the sector transition away from the old EU system."

Not all farmers are convinced Labour has the solution, with some concerned that under Sir Keir Starmer, environmental policy will take even greater precedence. Jim Campbell, an upland tenant farmer in north Cumbria, said the farming vote was likely to be split between Liberal Democrat and Reform.

"I don't think many of them will be voting Labour," he said, pointing to protests against policies in Labour-led Wales that require farmers to commit 20 per cent of their land to tree planting and rewilding.

Pedley said that in spite of his frustrations, he was still deciding between voting Conservative, to prevent a landslide Labour victory, or Liberal Democrat, his preferred party, and "live in hope".

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8,000
Number of farm businesses that have closed since 2019

25%
Fall in the Tory share of voters in rural communities

These challenges have been exacerbated by the impact of the Covid-19 pandemic, price pressures and climate change. Since 2019, 8,000 farming businesses have closed, representing a more than 5 per cent drop to 141,000, according to official statistics.

Farmers' dissatisfaction over their economic situation has hit the Conservatives hard. In the 2019 general election, 46 per cent of voters in rural communities in England voted Conservative, according to a Survation poll for the Country Land and Business Association released in April 2022.

But results of a more recent CLA poll showed the predicted Tory vote share had fallen a quarter, to 34 per cent in February. Labour had climbed to 37 per cent, up 17 points from the last election.

"There's a real sense that farmers have been thrown under the bus," said former Liberal Democrat leader Tim Farron, who has long championed upland farmers. He is defending his Cumbrian seat of Westmorland and Lonsdale, a Lib Dem stronghold.

In Cumbria, Labour is seizing the chance to win back seats it lost in the 2017 and 2019 elections, such as Workington and Copeland.



Economic forecasts

Labour deemed too optimistic on growth

SAM FLEMING — ECONOMICS EDITOR

Labour's claims that higher growth will boost government revenue and bolster the public finances have been called into question by economists who warn that the budgetary outlook is already founded on overly optimistic forecasts.

GDP growth rates would need to be about 2 per cent a year for much of the next parliament to generate enough extra tax revenue to avoid steep real-terms cuts to the budgets of unprotected government departments, according to estimates by Capital Economics.

That would exceed the Office for Budget Responsibility's projections at a time when many analysts say the watchdog is already too optimistic about potential growth.

"The OBR would clearly need to make a big upward revision to its view on labour market participation or productivity growth in the medium term to deliver this kind of potential growth and the related uplift to the public finances," said Ruth Gregory, deputy chief UK economist at Capital Economics.

Cara Pacitti, senior economist at the Resolution Foundation, said a downgrade to the OBR's outlook for productivity growth – a critical driver of the economy – appeared more likely.

The Institute for Fiscal Studies has

accused the main political parties of engaging in a "conspiracy of silence" on the harsh budgetary choices the next government will face. Absent higher tax revenues or borrowing, the Treasury would have to push through tough real-terms spending cuts that many analysts see as unrealistically steep given the existing pressures on public services.

Rachel Reeves, shadow chancellor,

'We think a downgrade to OBR productivity growth estimates looks more likely'

has brushed aside suggestions that Labour will need big tax increases if it wins power, claiming the country's budgetary prospects will be boosted by stronger growth. "I'm going to put my energy and political capital into growing the economy," she told the Financial Times this month.

While it is possible growth will surprise on the upside, making the fiscal arithmetic easier, that would imply a sharp break from the recent sluggish trend. GDP in the first quarter was only 0.2 per cent higher than the same time a year earlier.

The OBR in March predicted that the

economy would expand 1.2 per cent in real terms in the fiscal year 2024-25, followed by growth of 1.9 per cent the following year and 2 per cent in 2026-27, before growth fell back to 1.8 per cent and then 1.7 per cent.

Capital Economics said that if the OBR upgraded its 2024-25 GDP forecast to 1.4 per cent, and then predicted growth rates of 2 per cent until the end of the forecast period, it would generate more than £12bn of extra capacity in the budget. Added to the existing budgetary headroom of about £9bn, that would be enough firepower to avoid the need for the spending cuts to unprotected departments, said Gregory.

But those growth rates would be more optimistic than those of the IMF, which sees growth peaking at 1.7 per cent over the same period. The outlook would entail an increase to the OBR's estimate of potential growth – the rate at which the economy can expand on a sustainable basis – at a time when the watchdog is already more optimistic than the Bank of England and IMF.

"If you compare the OBR's productivity forecast to the average growth achieved since the financial crisis, it looks much more optimistic," said Pacitti. "We think a downgrade to OBR productivity growth estimates looks more likely."

Debt-laden utility

Reynolds wary of nationalising Thames Water

MICHAEL O'DWYER AND GILL PLIMMER

Labour does not want Thames Water to fall into public ownership, according to shadow business secretary Jonathan Reynolds, as the biggest water supplier teeters on the brink of collapse.

Reynolds, who would play a leading role in Labour's relations with business if the party won the July 4 general election, said he "would not want to see a nationalisation" of Thames Water.

"I think there should be a solution that involves [something] short of that," he said at an event in the City of London, without specifying the approach he would take.

The utility company, which provides water and sewage services to about 16mn households, is struggling under the weight of its £18bn debt. The government has drawn up contingency plans for it to be placed into its special administration regime – a form of temporary nationalisation.

Labour has identified a potential Thames Water collapse as one of six risks with which leader Sir Keir Starmer might have to grapple immediately if the party returns to power for the first time since 2010.

Reynolds declined to discuss the matter in detail because of the company's

sensitive position but said: "On any issue, investment can involve losing as well as gaining money and people should not expect the state to bail out bad investments."

He also refused to say whether Labour had spoken to any potential buyer of Thames Water after its shareholders, which include the Canadian pension fund Omers and a number of sovereign wealth funds, described the company as "uninvestable" in the context of the current regulatory regime for the sector. Omers has already written down the value of its stake to zero.

The prospect of attracting private investment, and avoiding a special



Heavy load: Thames Water is weighed down by a debt of £18bn

Election wagers

PM defends handling of poll betting scandal

ANNA GROSS, LUCY FISHER AND ERI SUGIURA

Rishi Sunak yesterday defended his handling of the escalating election betting scandal, even as a Conservative candidate likened the party to a "shower of shit" on the eve of the final full week of campaigning.

The prime minister insisted that he would "not hesitate to act" against party figures if they were found to have cheated by placing bets on the timing of the election. However, he defended the decision not to suspend two Tory candidates being investigated, arguing that he did not wish to compromise the integrity of an independent inquiry by the Gambling Commission.

Its investigation into bets on the date of the July 4 general election placed before Sunak announced the timing has further damaged an already struggling Tory election campaign.

Sunak's intervention at an event hosted by The Sun came after former Olympic rower James Cracknell, who is standing as a Tory candidate in Colchester, heaped criticism on the party's campaign in an effort to distance himself from it.

In a Facebook video over the weekend, Cracknell said that, if he was rowing against a team as poor as the Tories, he "would be saying they are a shower of shit". In an oblique allusion to the betting scandal, he added that if one of his teammates was caught cheating, "they'd be dead to me", adding: "That abuse of trust is unforgivable."

The prime minister has come under growing pressure, including from within the Tory party, to suspend two candidates caught up in the betting scandal.

Four Conservatives are known to be under investigation: Craig Williams, Sunak's closest parliamentary aide; Laura Saunders, a party staffer; her husband, Tory campaign director Tony Lee; and Nick Mason, the Tories' chief data officer. Williams and Saunders are candidates in the election.

Former Tory minister Tobias Ellwood told the BBC yesterday that Sunak should have suspended Williams and Saunders as candidates, noting "the potential for the story to continue to eclipse . . . the election".

Former justice secretary Robert Buckland said on LBC that he was "deeply hurt" by the scandal and that Sunak should suspend those involved while the inquiry continued.

The Gambling Commission investigation includes hundreds of wagers placed in political gambling markets in May, according to people briefed on the inquiry. The regulator is examining wagers in which individuals stood to gain more than £199 to identify any potential connections to the Conservative party, they added.

The Financial Times has reported on an unusual surge in bets before Sunak's announcement on May 22 of the snap general election.

Williams has said he made a "huge error of judgment". Saunders said she was co-operating with the investigation and accused the media of breaching her privacy. Lee declined to comment. Mason denied any wrongdoing.

INTERNATIONAL

Military aid

EU sidesteps Hungary veto on arms for Kyiv

Workaround releases up to €1.4bn in profits from frozen Russian assets

HENRY FOY — LUXEMBOURG

The EU has devised a legal workaround to sidestep Hungary's veto on buying weapons for Ukraine with the profits generated by Russia's frozen assets this year, in a move that could also clear the way for the G7 to pay \$50bn to Kyiv.

EU chief diplomat Josep Borrell said that since Hungary abstained from an earlier agreement to set aside the proceeds from Russia's frozen assets, it "should not be part of the decision to use this money". He added that the workaround, which yesterday released up to €1.4bn to purchase military equipment for Kyiv, was "as sophisticated as every legal decision, but it flies".

Bypassing Budapest this way could also remove a hurdle that could complicate G7 efforts to raise a \$50bn loan for Kyiv by December — the result of a decision taken by leaders at a summit in Italy this month.

Assets worth about €210bn are immobilised in the EU, the bulk of which is in Belgium — and the bloc earlier this year agreed to use the profits generated as of February to buy arms for Ukraine.

Hungary, the EU's most pro-Russian member state, has long argued against the bloc providing military support to Ukraine. Budapest is also blocking seven other decisions related to arming Kyiv, worth about €6.6bn.

The legal workaround was not challenged by EU foreign ministers at a meeting in Luxembourg yesterday. It could also be crucial for the G7 deal to work and for the \$50bn loan to be issued by the end of the year. Under the G7

plan, the profits generated by Russia's frozen assets from next year will be spent on paying off the loan.

Hungary's foreign minister Péter Szijjártó did not strongly object when the details of the legal workaround were presented at the meeting, according to

'The pro war hysteria continues . . . Instead of arms shipments, we are advocating a ceasefire'

two people briefed on the private talks. That has raised hopes among other ministers that Budapest would not consider its own legal options to block it, the people added.

But some capitals were concerned about the legal basis used for the loophole, officials said, and the potential

precedent it could set for other issues where Brussels could circumvent potential vetoes.

Szjártó said: "The pro-war hysteria continues . . . Many governments are preparing for a long war, and the commandments 'we must act faster for Ukraine, we must do more for Ukraine' have been constant."

On blocking seven other decisions related to arming Kyiv, worth about €6.6bn, he said: "Instead of arms shipments, we are advocating a ceasefire."

Concerns from the US and other G7 partners over Hungary blocking an EU decision to keep the Russian assets immobilised indefinitely caused significant delays in the negotiation over the \$50bn loan. The legal workaround for the EU use of proceeds is likely to suffice in guaranteeing the payout of the loan, according to officials.

However, Hungary could still block

EU sanctions under which Russian assets are blocked, a decision that needed to be renewed unanimously every six months by the EU's 27 countries, officials said.

Borrell said Brussels had offered Hungary a similar deal to the one Nato struck with Prime Minister Viktor Orbán last week — giving Budapest an opt-out from activities supporting Ukraine in exchange for not vetoing other allies assisting Kyiv under the alliance umbrella — but it had been rejected.

"We have offered Hungary: your money will not be used to support Ukraine in any means. Not just lethal, but on anything. Take your money. Put your money out of the box. I don't want to use your money," Borrell said.

But Hungary had said no, he added. The Hungarian government declined to comment.

Europe

Former head of investment bank faces corruption investigation

ALICE HANCOCK, PAOLA TAMMA AND LAURA DUBOIS — BRUSSELS

Werner Hoyer, the European Investment Bank's former president, is under investigation for corruption, abuse of influence and misappropriation of EU funds, allegations he described as "absurd and unfounded".

The investigation relating to Hoyer, who led the world's largest multilateral lender for a dozen years, is being led by the European Public Prosecutor's Office, which polices the misuse of EU funds.

Hoyer, 72, was succeeded last December at the helm of the EIB, which as the EU's lending arm has more than €500bn at its disposal, by Nadia Calviño, a former Spanish deputy prime minister.

"The allegations against me are downright absurd and unfounded," Hoyer said in response to questions from the Financial Times. "I now expect them to be fully investigated and clarified."

The German economist and former junior minister added that he was "cooperating fully" with the prosecutor's office and asked the EIB to do likewise.

Three people with knowledge of the investigation said it centred around a

'The allegations against me are downright absurd and unfounded. I expect them to be fully clarified'

compensation payment to a departing EIB member of staff. Hoyer's lawyer, Nikolaos Gazeas, said the former EIB president had signed off on the payment.

Two of the people added that Hoyer's house was searched last month in conjunction with the investigation.

The EIB and the EPPO are based in Luxembourg and the investigation is one of the most high-profile cases undertaken by the prosecutor's office since it started operations in 2021.

However, Gazeas described "the legal requirements for starting a criminal investigation by the EPPO" as "very low".

He added: "It is therefore not unusual in legal terms for the signatory of an agreement to also become a subject in an investigation. My client was never involved in the negotiations surrounding the employee's departure."

EU officials are granted immunity from legal proceedings unless it is waived by their institution.

The prosecutor's office said yesterday the EIB had lifted two former employees' immunity so they could be investigated for suspected corruption, abuse of influence and misappropriation of EU funds. Gazeas said Hoyer had "expressly requested that his immunity . . . be waived".

The second person whose immunity has been lifted is the former EIB employee to whom the payment was made — who has yet to be interviewed by the prosecutor's office, according to a person involved in the investigation.

The EIB declined to comment on whether Hoyer was one of the people under investigation, adding that it would "co-operate fully" with the EPPO.

The EIB would also allow the prosecutor to search its premises and archives in Luxembourg, the EPPO said.

Snap election. Rassemblement National

France's far right promises budget discipline

PM candidate Bardella says his party would repair public finances 'degraded' by Macron

LEILA ABOUD — PARIS

France's far-right chief Jordan Bardella has pledged to stick to "reasonable" spending plans if he wins a parliamentary majority and becomes prime minister in snap elections, which take place this weekend and next.

With markets jittery since President Emmanuel Macron called the election two weeks ago, Bardella's Rassemblement National party confirmed that it would aim to bring France's deficit back to 3 per cent of gross domestic product by 2027, which is the level set out by EU rules.

"We intend to bring the country back to reasonable budgets," said Bardella at a press conference yesterday, where he outlined the RN's programme on the economy, foreign policy and migration. He said he aimed to repair the country's "degraded public finances", which he blamed on the Macron administration.

The EU recently placed France in a so-called excessive deficit procedure after Paris overshot its target last year with a deficit of 5.5 per cent. Some credit rating agencies have downgraded the country's debt.

Macron's handling of the economy has turned into a liability for his centrist alliance during the campaign.

Bardella said he would act prudently if he became prime minister by carrying out an audit of public finances before deciding which measures to move ahead with in the autumn, in the preparation for the 2025 budget.

He rejected the idea that he had in recent days watered down the party's economic plans, which were last laid out before the 2022 presidential election. At that time, they were estimated by the Institut Montaigne think-tank to cost about €100bn and included lowering the retirement age, eliminating income tax for those under 30, and lowering the value added tax on energy, petrol and essential household goods.

Some 2022 policies have been put on hold, notably plans to slash VAT for



Speaking out: Jordan Bardella on the campaign trail. An Ipsos poll shows the RN and its allies ahead with about 35% of voting intentions for Sunday's first round of elections

Guillaume Souvanti/AFIP/Getty Images

household goods. Bardella said his party had identified measures to make up the budget shortfall created by the reduction in VAT on fuel and energy: raising €1.2bn from closing a tax loophole on maritime shipping companies; cutting France's contribution to the EU budget by €2bn; and raising €3bn from taxing the windfall profits of energy companies.

The RN would also, "in principle", repeal Macron's landmark pension reform adopted last year, which raises the retirement age from 62 to 64.

In promises that resembled Macron's, he mentioned measures to strengthen the industrial base, boost employment and cut red tape. "We need to make France a country of production again," he said.

The economic pitch came as an Ipsos poll showed the RN and its allies ahead with about 35 per cent of voting inten-

tions for Sunday's first round of elections for the National Assembly. The Nouveau Front Populaire (NFP) leftwing alliance is second with roughly 30 per cent, followed by Macron's centrist alliance at just under 20 per cent. The run-off vote will take place on July 7.

Yet Bardella repeated that he would not accept becoming prime minister unless voters gave the RN an outright majority of at least 289 seats in the 577-strong assembly.

A hung parliament is the most likely outcome of the vote, polls show, with the RN and its allies just short of a majority.

Bardella's efforts to display economic acumen appear to be paying off with the public despite the RN giving away few policy details and having little governing experience.

An Ipsos poll for the Financial Times carried out on June 19-20 found that 25 per cent of respondents had the most

'We need to make France a country of production again'

Jordan Bardella

confidence in the RN to take the correct decisions on economic issues.

The poll showed 22 per cent support for the NFP on the economy, and just 20 per cent for Macron's alliance.

Bardella also sought to reassure voters that an RN government would not be soft on Russia, despite Le Pen previously cosying up to President Vladimir Putin and the RN relying on a Russian bank for a campaign loan. It has since been paid back. "I see Russia as a multi-dimensional threat both for France and Europe," Bardella said.

On aid to Ukraine, Bardella signalled he would have "red lines" that differed from Macron's approach. He ruled out sending any French troops to Ukraine and providing long-range missiles or other military equipment capable of hitting targets within Russia.

See Markets
Gideon Rachman see Opinion

Finance bill

Kenya engulfed by protests over plan to raise \$2.3bn in tax

ANDRES SCHIPANI — NAIROBI

Kenya is braced for large-scale protests this week amid public anger over the government's plans to raise more than \$2bn in new taxes.

The rallies are expected today as lawmakers hold a final vote on President William Ruto's finance bill, which seeks to tax a range of items from bread to sanitary pads.

The move, which follows a number of other levies in the previous budget, has particularly angered young Kenyans who are organising on social media.

East Africa's most advanced economy has been hit by a wave of protests over the past week — spearheaded by young people, many of them jobless. Two demonstrators were killed by security forces, according to human rights groups, with hundreds injured.

The proposed tax increases are aimed at bringing in an additional \$2.3bn of revenue in the fiscal year that begins next week.

Ruto wants to reduce the budget deficit from 5.7 per cent of GDP in the current financial year to 3.3 per cent of GDP in the next as he tries to improve

Kenya's fiscal position, partly to comply with an IMF programme that requires Nairobi to increase revenues.

Thousands of protesters poured on to the streets last week, holding placards bearing anti-IMF slogans and livestreaming the demonstrations on their phones.

The police responded with a crackdown that included use of tear gas and live rounds, according to the Kenyan Human Rights Commission.

The organisation also said security forces had "abducted" prominent critics of the tax proposals, seizing many from their homes under cover of darkness.

Treasury secretary Njuguna Ndung'u has warned that failing to push through the tax increases in the bill risked creating a \$1.5bn hole in the budget.

The government has proposed to cut spending, including slashing government support to a school feeding programme and the loss-making flag carrier Kenya Airways if the bill fails.

Ruto, a self-styled "hustler" with a rags-to-riches story, took office in 2022 vowing to ease the financial burden on Kenyans. But he has faced mass protests after removing fuel subsidies and levy-

ing new taxes, earning him the moniker "Zakayo" — the Swahili name for the biblical tax collector Zacchaeus.

After protests first broke out last Tuesday, when the bill was tabled in parliament for debate, the government yielded to public pressure, promising to withdraw planned taxes on bread, cooking oil, locally made nappies and other products. But by Thursday the protests had spread to almost half of Kenya's 47 counties.

"With a brief respite before the next round of protests, the country stands at a crossroads," said Irungu Houghton,

executive director at Amnesty Kenya.

As lawmakers prepare for Tuesday's vote, protesters are planning an "occupy parliament" campaign, calling for a "total shutdown" of the country and demanding that Ruto completely drops the finance bill, saying it will make it even harder for Kenyans to make ends meet.

"I am protesting against the finance bill because it is going to hurt the common *mwananchi* [Swahili for citizen]," said Malaika Agunda, a 21-year-old nursing student who said she "hustles" to survive on campus.

"Now the cost of living is high but if this bill passes it will be even higher and life therefore very hard," she added.

Kenya has been grappling with liquidity challenges. The protests came last week as it paid off the remaining portion of its \$2bn Eurobond, which was due this month after an initial buyback in February, allaying investors' fears that it might follow defaults by Ethiopia, Ghana and Zambia.

In January, the IMF said it gave Kenya an additional \$941m loan, part of a \$3.9bn bailout that started in 2021, when Ruto was deputy president.



Anger: a demonstration against tax increases in Nairobi last week

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INTERNATIONAL

Sinai powerbroker keeps lucrative grip on trade and security at Gaza's border

Entrepreneur's construction-to-healthcare business empire flourishes under Egypt's military regime

ANDREW ENGLAND
MIDDLE EAST EDITOR

Ibrahim al-Orгани was languishing in an Egyptian prison 14 years ago, one of a number of Bedouin detained in a government crackdown in the restive Sinai during a period of tribal protests.

Today he is one of the Egyptian regime's favoured entrepreneurs, overseeing a construction-to-healthcare business empire that has flourished as a trusted affiliate of President Abdel Fattah al-Sisi's regime.

The connections to Egypt's military and security elites have given Orгани a special influence in the Sinai and the neighbouring Gaza Strip. For years, anybody wanting to get goods into the enclave through the Egyptian border has faced one main option: working with Orгани's companies.

It is a role he cultivated over a decade that went largely unnoticed. But since Hamas's October 7 attack on Israel, Orгани's interests have come under the spotlight, not least because of the vast sums his company, Hala, has earned helping desperate Gazans flee.

"Millions and millions they collect from us to get out of Gaza and . . . they charge a large fee to secure and transport into Gaza," said a Gazan businessman. "He's the big guy."

Self-styled as a "tourism" company that facilitates travel between Egypt and Gaza, Hala offered a vital escape route for Palestinians. But safe passage through the Rafah crossing came at a high price: \$5,000 per adult and \$2,500 for a child aged under 16, according to Palestinians.

Other companies in the Orгани Group have over the past decade built a near monopoly delivering goods into the blockaded strip through Rafah, which until last month was the only Gazan border out of Israel's control.

Israel's offensive on Rafah has shuttered the crossing, stifling shipments and dealing a blow to Orгани's business interests. More significantly, it has infuriated the Sisi regime, diminishing its influence in Gaza just as it frets about the war spilling across the border.

In a sign of Cairo's concerns, Orгани, a leader of the Tarabin, Sinai's largest tribe, last month announced the formation of a "Union of Arab Tribes" to "work side by side with the Egyptian state" on security.

Experts viewed the move as a sign of an anxious government seeking the support of the Bedouin — once nomadic tribes that inhabit the Sinai — amid concerns that Israel's offensive could eventually drive Palestinians into Egypt.

"It is with one eye towards Rafah and long-standing fears about displacement [of Gazans]," said Michael Hanna, an expert at Crisis Group.

Sisi's military-dominated government in effect turned to a trusted tribal leader. "He's risen to become a broker of the state — an affiliate to state power in Sinai," Hanna said.

Orгани's role in the Sinai and Gaza offers a glimpse into the power dynamics under Sisi, a former military chief who allows no dissent, distrusts the private sector and has deepened the role of the army in the state and the economy. Analysts said it would be impossible for Hala to operate in Gaza — as well as Orгани's myriad activities in the Sinai — without the regime's blessing.

"As they say in Sinai, no one can breathe or fart without taking military



Border control: companies run by Ibrahim al-Orгани are connected to the Egyptian military regime and are in charge of the movement of people and goods between Sinai and Gaza

FT montage; AFP/Getty Images

permission," said Mohannad Sabry, a UK-based Egyptian journalist and analyst on the region's politics and security.

Timothy Kaldas, deputy director of the Tahrir Institute for Middle East Policy, said "almost nobody can be a big player in business without co-ordination and some kind of dependence on the regime. In the Sinai, it's all the more so, given its importance to the security apparatus."

Human Rights Watch cited two sources in 2022 saying Hala had strong links with Egypt's security establishment and was staffed largely by former Egyptian military officers, enabling the company to reduce processing times and delays at checkpoints.

Orгани Group did not respond to a request for comment.

Before October 7, wealthier Gazans could pay about \$700 per person to use Hala's fast-track service to exit the strip through Rafah, according to Palestinians. But the fees soared after Israel began its offensive on Gaza.

When Egyptian foreign minister Sameh Shoukry was asked in March whether the government condoned Hala charging \$5,000 for Palestinians to leave Gaza, he said: "Absolutely not."

Yet weeks later Hala was still providing the service.

Little personal information is public about Orгани. But his rise traces its roots to Sisi seizing power in a popularly backed coup in 2013 and the near-simultaneous expansion of an Islamist extremist insurgency in the Bedouin's backyard — the north Sinai.

After assuming the presidency, Sisi vowed to restore security, and the Sinai, rife with smugglers and banditry, was a prime concern. The Islamist insurgency, which began amid the chaos triggered by the 2011 popular uprising that ousted President Hosni Mubarak, was escalating, particularly in north Sinai as militants targeted police and soldiers.

In 2014 the militants swore allegiance to Isis, the jihadi network, and Sisi turned to the Bedouin for support, with Orгани leading a tribal militia dubbed the Union of Sinai Tribes.

Orгани told Egyptian television that year: "These people will wake up to find our shoes on their heads. We will not leave them, until the very last one. Everything [we do] in Sinai is under the supervision of the armed forces."

It was during this period that Orгани began ferrying goods into Gaza. He told state media in December 2014 that his company had delivered hundreds of tonnes of bitumen and thousands of litres of fuel through Rafah. That was four months after Israel and Hamas had fought a six-week war and Gaza was in need of materials for reconstruction.

"After the 2014 war [in Gaza] . . . a new map was settled, and within this new map was the Orгани that we know today; the man who organised and financed the militias under the control of the military; the man who is the number one businessman for anything happening in Sinai," Sabry said.

It was not just the Gaza trade that was expanding. An Orгани Group advert on YouTube provides a glimpse of the sprawling Egyptian part of the network.

'Millions and millions they collect from us to get out of Gaza. [Orгани] is the big guy'

Gazan businessman

'As they say in Sinai, no one can breathe without taking military permission'

Mohannad Sabry, UK based Egyptian journalist and analyst

It lists a security company that employs 25,000 and boasts 17 hospitals, hotels, a car dealership, construction, manufacturing and a charitable foundation.

"Whatever is said, nothing will stop us," the advert says. "Our target is in front of us and together we will reach it. The Orгани Group, the biggest economic entity in the New Republic [Egypt]."

Orгани's links to the state have deepened through business. In 2014 he was quoted in the press as saying that the military — which has become a dominant force in the economy under Sisi's rule — would own 51 per cent of Misr Sinai, one of Orгани Group's entities, which mines marble.

Two years ago Sisi appointed him to the board of the state's Sinai Development Authority. It is dominated by the military and is in charge of development projects in the peninsula, where the government says it has spent at least E.£600bn (\$12.4bn) since Sisi took power.

It is not clear what Orгани's latest role as head of the newly established tribal alliance will entail. But it suggests he will continue to be involved on the Egyptian side of the Gaza border, even if the Rafah crossing remains closed.

Sabry said he saw no signs that militias were being re-established, but added that the military was likely to be "trying to organise a locally grown, broad network of spies and informants" to monitor events on the Sinai side of Gaza's border.

Mostafa Bakry, spokesman for the union, has said the alliance would not be armed, adding that weapons were collected from the previous tribal union three years ago.

But he told a Saudi television channel that the alliance "comes at a very important moment", adding: "We are surrounded by a ring of fire. We are facing a displacement plot and the president has been very clear from the start. We will not allow displacement [of Gazans]."



Slow-release tablets

Boost for ketamine in treatment of depression

MICHAEL PEEL — LONDON

The growing use of ketamine to ease depression has been boosted by research that found giving the drug in slow-release tablet form reduced side-effects from taking it via the nose or blood.

Patients who received an oral formulation of the medication largely avoided problems such as sedation, raised blood pressure and dissociation, an international group of scientists concluded.

Ketamine, long used medically as an anaesthetic and recreationally by clubbers, has attracted increasing interest from mental health professionals and employers as a therapy for depression that is hard to alleviate by other means.

The new research suggests a tablet could be a much simpler way for patients to use the drug, said Professor Paul Glue, a co-author of the paper, published in Nature Medicine yesterday.

"Injectable or intranasal ketamine has to be given in clinics, requiring patients to remain there for two hours or so to recover from side-effects, and to

allow safety monitoring," said Glue, an expert in psychological medicine at New Zealand's Otago university. "Potentially, extended-release ketamine tablets could permit patients to dose themselves at home, have less time in clinic and experience few or no side-effects."

The scientists analysed a new keta-

Ketamine could be delivered in a 'much more convenient and acceptable form'

mine tablet called R-107 developed by New Zealand's Douglas Pharmaceuticals. Its slower release of the drug means less ketamine makes it into the bloodstream because it is mostly broken down in the liver, but the treatment still works because the breakdown products have an antidepressant effect.

The scientists found that 43 per cent of 168 depression patients who received R-107 twice weekly relapsed after 13 weeks, compared with 71 per cent in the

placebo group. The ketamine tablet group experienced no changes of blood pressure and only minimal reports of sedation and dissociation, according to Glue and his fellow researchers from Australia, New Zealand, Singapore, Taiwan and the UK.

The study may help resolve a financial deterrent to the take-up of ketamine as an alternative to other ways of dealing with medication-resistant depression, such as electroconvulsive therapy. Both nasal treatment and the clinical set-up needed to administer the drug intravenously are expensive.

The research underlines the "impressive antidepressant effect of ketamine" and suggested it could be delivered in a "much more convenient and acceptable form", said Dr Paul Keedwell, a consultant psychiatrist and fellow of the UK's Royal College of Psychiatrists.

"Their results suggest that many will continue to do well with longer-term treatment, provided higher doses are used, but more research is needed with higher numbers of patients," said Keedwell, who was not involved in the study.

Factory blaze

S Korea fatal fire breaks out after battery blast

SONG JUNG-A — SEOUL

A fire at a lithium battery factory in South Korea has killed at least 22 people, including 19 foreign nationals, local officials have said.

The blaze broke out yesterday after battery cells exploded at the Aricell plant in Hwaseong, an industrial city about 45km south of Seoul, the capital.

The blast occurred as workers were packing batteries at a two-story warehouse containing about 35,000 units, local fire official Kim Jin-young told a televised briefing. The cause of the explosion remained unclear, he added.

Most of the dead were foreigners, including 18 Chinese nationals and one person from Laos, according to officials. About 70 people were working at the plant at the time of the explosion. Eight were injured in the fire and one remained missing, the officials said.

President Yoon Suk Yeol visited the scene and told local authorities to mobilise all possible resources in the search and rescue effort, his office said in a statement.

Aricell, which was established in 2020, makes lithium batteries for sensors and radio communication devices, according to its regulatory filing. The company reported Won4.8bn (\$3.5mm) in sales last year.

Shares in S-Connect, which owns the



Taking stock: firefighters in Hwaseong at the scene of the blaze, which started after an explosion

majority of Aricell, fell 23 per cent yesterday after news of the fire emerged.

An investigation would be launched into whether the company took sufficient measures to ensure workers' safety, the labour ministry said.

South Korea, which is heavily dependent on manufacturing, has made efforts to improve its labour environment but industrial accidents remain frequent.

The country has one of the highest industrial death rates in the developed world despite heavy investment by

Presidential poll

Carter Center steps up US election watch as voter trust dwindles

ANDREW JACK — NEW YORK

A programme created by former president Jimmy Carter to support elections in fragile democracies is increasing poll monitoring in the US as political polarisation and voter distrust grow ahead of November's presidential contest.

The Carter Center's Democracy Programme, which has recently worked in countries including the Democratic Republic of Congo, Venezuela and Sierra Leone, will support non-partisan election observation missions in up to five US states.

The pledge comes as Donald Trump and his base continue to question the integrity of US ballots following the ex-president's claim that he lost the 2020 election because it was rigged.

"We have taken our international election observation expertise and have needed to turn it inward to the United States," Jason Carter, chair of the Carter Center and grandson of the 39th US president, told the Financial Times.

"We've done a variety of cross-partisan initiatives to help bring our expertise to bear on the troubling aspects of our American democracy."

The Carter Center began supporting election observers in the US in 2020.

In 2022 it bolstered its domestic programme, saying it would "strengthen trust in the US electoral process by providing information to voters, encouraging the US to meet international election standards, promoting non-partisan citizen observation and working to mitigate possible electoral violence".

Sixteen US states do not have legislation recognising non-partisan observers, although almost all recognise the partisan "poll watchers" that represent political parties, candidates or groups that have become increasingly active in raising concerns around voting that goes against their own interests.

"Partisan efforts are more widespread than in the past," said the programme's director, David Carroll. "They have a partisan interest, which is fine in the US context. What our group is doing in the US is similar to what we do internationally: non-partisan observation. We have no stake in the outcome."

This year the Carter Center partnered with local organisations in New Mexico and Montana, releasing a report on Missoula County's primaries. It will build on this work for the election and launch further operations in three swing states — Michigan, Arizona and Georgia, where the Carter Center is based and which is reviewing state election laws.

In a joint report in February with the Baker Institute think-tank, the Carter Centre warned: "Our nation is going through a tumultuous period of domestic unrest, one of the most polarised in American history . . . Too often, those on the opposite sides of the political divide seek to manipulate the outcome of elections in their favour through the laws and regulations that govern how our elections are conducted."

The Stockholm-based International Institute for Democracy and Electoral Assistance rates the US as "a high-performing democracy". But it says there have been "significant declines" over the past five years on a number of measures, including the effectiveness of its legislative oversight of the executive branch of government.

INTERNATIONAL

Power-sharing

South Africa coalition cabinet talks falter

Haggling over posts and dispute over how to run government hit process

ROB ROSE — JOHANNESBURG

Negotiations to form a coalition cabinet in South Africa have stalled as the African National Congress and the largest opposition party, the Democratic Alliance, struggle to reach agreement on how to share power.

Cyril Ramaphosa, who was inaugurated as president for a second term 10 days ago, was expected to announce a cabinet on Sunday, but haggling over positions and a dispute over how the

national unity government should be run have obstructed the process.

DA chair Helen Zille said her party should receive 12 of the 30 cabinet positions available, based on its vote share in last month's watershed election when the ANC lost its majority for the first time since the end of apartheid. In a letter sent to ANC secretary-general Fikile Mbalula, she also pushed for a DA lawmaker to become deputy president, "as is standard practice" in coalition governments, and deputy finance minister.

Yesterday the ANC described these demands as "outlandish and outrageous", while senior ANC officials have accused the DA of overplaying its hand given that it won only 21.8 per cent of

the vote compared with the ANC's 40.2 per cent. The ANC said cabinet positions were Ramaphosa's prerogative and the unity government could not "be held to ransom" by a single party.

Ramaphosa met DA leader John Steenhuisen yesterday in an effort to reach a compromise. People close to the talks said the ANC had increased its offer to six cabinet positions, while the DA had lowered its stipulation to eight. The DA's initial demands included high-profile ministries including minerals and energy, trade and industry, higher education, justice and international relations.

Peter Attard Montalto, managing director of consultancy Krutham, said

the stand-off in recent days had raised the possibility of the DA pulling out entirely, but he thought the unity government would remain intact.

"The DA has been playing hardball in the balance of number and seniority of slots in cabinet it wants, while the ANC has also been unreasonable in not wanting to give up cabinet seats proportionately," he said, adding that "a compromise would not be an awful outcome".

South Africa's currency and equity markets lost ground as the reality of the horse-trading hit home for investors. The rand, which climbed more than 1 per cent to R17.87 to the dollar last week, yesterday slipped back to R18.16. Attard Montalto said "the market has

perhaps got ahead of itself" in expecting the DA to receive so many cabinet posts.

Negotiations were not deadlocked, Zille insisted yesterday. "There are negotiations and, in most countries with stable coalitions, this can go on for many months. It takes time to reach a sensible compromise," she said.

Zille refused to say which ministries the DA had sought to occupy. Both parties signed a statement of intent stipulating that cabinet appointments would be made "in consultation with the leaders of the respective parties" before Ramaphosa was elected president by parliament.

Since then, the unity government has expanded to 10 parties.

Russia

At least 19 die in attacks on churches and synagogues in Dagestan

MAX SEDDON — RIGA

At least 15 police officers and four civilians, including an Orthodox priest, have died in Russia's southern region of Dagestan after gunmen attacked churches and synagogues in two cities, officials said.

Russian authorities described the shootings as terrorist attacks and said yesterday that the situation was under control. They said six of the assailants were killed.

Dagestan is a mostly Muslim region in the north Caucasus that has struggled with a long-running Islamist insurgency. The shootings in the regional capital Makhachkala and in Derbent on Sunday evening were the worst terrorist incident in Russia since militants killed 145 people and injured a further 180 at a concert hall in Moscow in March.

The shootings appeared to be part of a recent increase in Islamist violence in Russia. State news wire Tass cited Russian law enforcement sources who said the attackers were "adherents of an international terrorist organisation".

Kremlin spokesman Dmitry Peskov said President Vladimir Putin offered his "deepest condolences" to the victims' families, according to Interfax.

Peskov claimed there was no chance of Russia returning to the chaos during Putin's first presidential term in the 2000s when such attacks were commonplace. "Russia is different now. Society is completely together. And criminal terrorist incidents like this do not have support in society. Not in Russia, nor in Dagestan," he said.

In a video message on social media app Telegram, local governor Sergei Melikov claimed that the attacks had partially been directed "from abroad" and said the authorities would continue to hunt down "all members of sleeper cells" active in the region.

Tass said the attackers included two sons and the nephew of Magomed Omarov, a local official who was subsequently arrested and expelled from Putin's United Russia party.

The attackers threw Molotov cocktails into a synagogue and Russian Orthodox Christian church in Derbent, then attacked police officers guarding the religious sites, according to Baza, a news outlet on Telegram close to law enforcement officials. Melikov said the victims included an Orthodox priest.

Half an hour later, another group of attackers opened fire on police officers guarding a church in Makhachkala, threw a Molotov cocktail at a nearby synagogue and attacked traffic police.

Melikov declared three days of mourning in Dagestan and visited the synagogue and church in Derbent yesterday.

Russia blamed Ukraine for the attack on the concert hall in March and accused unnamed western countries of helping the militants, even while admitting the US had given security services prior warning of the attack. Isis-K, an Afghanistan-based affiliate of Isis, claimed responsibility for the attack.

Some security experts have said that Putin's full-scale invasion of Ukraine and a crackdown on civil liberties have misplaced the security services' priorities and deprived them of resources, leaving Russia more vulnerable to Islamist attacks.

Israel. Military operations

Netanyahu lays out plans for summer of conflict

Prime minister unyielding on war with Hamas and threatens escalation against Hizbollah

NERI ZILBER — TEL AVIV

Benjamin Netanyahu's first Hebrew-language interview since October 7 laid out his vision for a long, hot summer in the Middle East: continued fighting in Gaza, no permanent ceasefire to secure the return of hostages and potential escalation with Hizbollah in Lebanon.

The Israeli premier's unyielding outlook, delivered on Sunday in conversation with the supportive rightwing television station Channel 14, was cheered by the sympathetic live studio audience.

But his stance — the first detailed elaboration of Netanyahu's plans since last month's dissolution of a unity wartime cabinet — will unnerve Israel's allies and neighbours in the region, who are pushing for a diplomatic breakthrough to end the war in Gaza and contain regional hostilities.

"Netanyahu isn't promising the public 'total victory' any more, but he is promising endless war," said Amos Harel, the veteran defence analyst for Haaretz. "Everything is left vague and shrouded in uncertainty — except about the hostage deal."

Families of those 120 remaining hostages condemned Netanyahu for his remarks and accused him of "abandoning" their loved ones and violating "the state's moral duty towards its citizens".

Netanyahu's comments potentially undercut months of efforts by the US, Qatar and Egypt to broker a ceasefire-for-hostage deal between Israel and Hamas that, in its initial phases, deliberately sought to keep the potential end of the conflict ambiguous.

The Israeli leader said he was open to a "partial deal" to return some hostages but was unwilling to stop the war with "Hamas intact". He said: "We are committed to continuing the war after a pause in order to complete the objective of destroying Hamas. On this I'm not willing to relent."

Netanyahu did allow that Israel was "very close" to finishing the "intensive phase" of its military campaign in Gaza, likely in the coming weeks after the completion of the offensive in the southern city of Rafah. After that, he added, lower intensity military operations would continue indefinitely.

Yet any postwar governance plans for



Destruction: Khan Younis in the Gaza Strip, where Israeli Prime Minister Benjamin Netanyahu, below, has said he is unwilling to stop the war with 'Hamas intact'
Abed Rahim Khattib/Anadolu/Getty Images

the shattered enclave remain inchoate, with Netanyahu again insisting that unnamed local Palestinians working in tandem with neighbouring Arab governments would be tasked with building a new "civil administration" for Gaza.

Many are sceptical such a scheme is feasible, especially with Hamas still able to muster significant resistance. "Who [from the outside] will be willing to go into Gaza and do this? And Hamas will never allow it, turning their own people against them," said one person familiar with Israeli postwar thinking.

The Israeli leader rejected once more any role in Gaza for the moderate Palestinian Authority, which exerts limited self-rule in parts of the occupied West Bank. But in a nod to international sensibilities, Netanyahu also dismissed calls by his far-right coalition allies to re-establish Jewish settlements inside Gaza, saying it was "not realistic".

Netanyahu said that once the high-intensity phase of the Gaza war was finished, Israeli forces would redeploy to the northern border with Lebanon, where Israel and the Iran-backed Hizbollah movement have been exchanging daily fire for nearly nine months.

He said the purpose of the future redeployment was initially "defensive", but that the ultimate goal was to allow the 60,000 residents of northern Israel evacuated since the start of the war "to return home", adding: "If we can do this diplomatically, great. If not, we will do it another way. But we will bring everyone back home."

US President Joe Biden's administration has been attempting to broker a deal between Israel and Hizbollah that would forestall a war which analysts warn could engulf the entire region.

'Netanyahu isn't promising the public "total victory" any more, but he is promising endless war'

According to diplomats briefed on the talks, a potential deal would involve Hizbollah withdrawing its forces from the border, Israel ending reconnaissance flights over Lebanon, and the resolution of a series of territorial disputes between the two sides.

Yet such an agreement hinges on an end to the fighting in Gaza, those diplomats added, with Hizbollah making clear that it would stand in "solidarity" with Hamas.

Netanyahu said he hoped a full-blown war with Hizbollah, considered the world's most heavily armed non-state actor, could be averted. But he said Israel would "meet this challenge" of fighting on multiple fronts if needed.

Despite the rising tensions, Netanyahu made clear that he would still be flying to Washington for a July 24 address to a joint session of the US Congress. "This is a great honour" and "an extraordinary opportunity" to present Israel's position to the world.

"I will bring the word of our nation at a decisive moment in its history, in the battle for our existence," he said.

Additional reporting by Andrew England in London



Global warming

Climate alliance calls for bolder measures

ATTRACTA MOONEY — LONDON

Governments are being urged to set ambitious climate plans by a group including Ikea and Unilever as concerns rise that politicians are weakening measures to tackle global warming amid a growing "greenlash".

A coalition of businesses, mayors, governors and investors calling themselves Mission 2025 has formed in support of robust climate action and is backed by former UN diplomat Christiana Figueres.

Figueres, who oversaw the UN's climate change arm at the time of the landmark 2015 Paris agreement to tackle rising global temperatures, told the Financial Times that Mission 2025 aimed to rebut the view that moving faster on tackling the climate crisis was "too difficult, too unpopular or too expensive".

Several companies have rolled back on net zero and other environmental measures, with some critics arguing that businesses are responding to mixed messages from governments.

In December, governments agreed at the COP28 climate summit to transition

from fossil fuel, but there are also signs that countries are slowing or rolling back on climate action. Germany last year watered down a proposal on greener boilers after a backlash from homeowners, while the EU this year scrapped a target on agricultural emissions after protests from farmers.

The Mission 2025 group is calling for

Germany watered down a proposal on greener boilers after a backlash from homeowners

governments to ensure that new national climate plans for the next decade — known as nationally determined contributions (NDCs) — are strong enough to limit global temperature rises to 1.5C above pre-industrial levels. Under the Paris agreement, countries have to submit fresh plans every five years, starting from 2020.

Last year the UN said the world was on course for a temperature rise of up to 2.9C under existing government

pledges, a rise that would have a catastrophic impact.

Research published this month by the Energy Transitions Commission, a think-tank, argued that the rapidly falling costs of clean technologies and other solutions meant countries could feasibly put the world on a 2C pathway — the upper threshold of the Paris agreement.

Lord Adair Turner, chair of the Energy Transitions Commission, said the NDCs should set out plans and policies for all sectors and greenhouse gases, as well as outlining what type of financing will be required.

Bold NDCs were "totally possible and deliverable", Figueres said, arguing that businesses needed clear policy from governments in order to make investment decisions, and that voters also wanted politicians to take action.

Hein Schumacher, chief executive of Unilever, said ambitious national climate plans would enable governments to "mobilise their economy to decarbonise whilst unleashing new opportunities for growth".

Additional reporting by Paola Tamma in Luxembourg

Pilgrimage

Saudi heat blamed for 1,300 deaths at hajj

AHMED AL OMRAN
HOFUF, SAUDI ARABIA

Extreme temperatures in the Muslim holy city of Mecca led to 1,301 people dying during this year's hajj pilgrimage, a senior Saudi official said.

Health minister Fahad al-Jalajel said on Sunday that 83 per cent of the dead were unauthorised pilgrims who had walked long distances under direct sunlight without shelter or rest, including elderly people and some with chronic illnesses.

Saudi authorities issued multiple warnings against attempting to perform the hajj without authorisation in the weeks leading up to the pilgrimage earlier this month. They also advised pilgrims to take precautions against the expected hot weather at the holy sites.

However, many people managed to evade checkpoints around Mecca and reach the city, including hundreds from Egypt. Without authorisation, those people had no access to basic services or proper accommodation to deal with the heat as temperatures rose to nearly 50C.

"We consider pilgrims as pilgrims the moment they dress for hajj, regardless

of the status of their authorisation, colour, gender or nationality. They receive full [healthcare] services," the health minister told state television on Sunday. He said a quarter of those services had been deployed to help unauthorised pilgrims.

Egyptian Prime Minister Mostafa Madbouly said last Friday that travel companies that facilitated journeys for unregistered pilgrims who died would be investigated. "Investigations will be launched into any company which organised the travel of the pilgrims who



A man affected by the scorching heat is helped by another hajj pilgrim

died outside of regular frameworks . . . and did not provide them with logistical support," he said, threatening "strong decisions and the severest punishment" to avoid a repetition.

Around 1.8mn people went on the hajj this year, Saudi authorities said. With many of them elderly or having pre-existing health conditions, deaths are not uncommon. But this year's figures were seen as high compared with previous years free of major incidents such as stampedes or fires.

Pilgrims need a specific visa to access Mecca during the hajj. The documentation is allocated to countries on a quota system based on the size of their Muslim populations. High costs of pilgrimage and long waiting lists in some countries lead many to travel outside the system.

The timing of the hajj is determined by the Islamic Hijri calendar. The hajj shifts forward by around 11 days each year on the Gregorian calendar used in the west. Pilgrims can expect to be able to perform the rituals in milder weather conditions for several years after 2030 as the hajj season then falls in the winter.

Additional reporting by Heba Saleh in Cairo

Companies & Markets

Apple accused of breaking EU rules on fair competition

- ◆ Allegations of 'gatekeeper' abuse
- ◆ Potential fine in tens of billions

JAVIER ESPINOZA — AMSTERDAM

Brussels has accused Apple of stifling competition on its App Store, marking the first time EU regulators have brought charges against a Big Tech group under new digital rules.

The European Commission has been gearing up for years to unleash the full authority of its new Digital Markets Act against Big Tech. The rules were designed to help start-ups by forcing powerful "online gatekeepers" — most of whom are US companies — to open up their businesses to competition.

Tech groups had to comply with the law starting from March this year.

In preliminary findings issued yesterday, regulators in Brussels said they

'The DMA is not an excessive ask. [It] is plain vanilla to ask for a fair, open . . . marketplace'

were concerned about restrictions Apple is imposing on developers' ability to "freely steer their customers" by directing them to promotions outside the App Store.

Thierry Breton, the EU internal market commissioner, said: "Apple's new slogan should be 'act different'. Today we take further steps to ensure Apple complies with the DMA rules."

If found guilty, the iPhone maker faces a penalty of up to 10 per cent of its global annual revenue — a fine could run into tens of billions of dollars. The fines can rise to 20 per cent in the event the offence is repeated, the EU said. Apple said it was "confident" in its compliance.

Margrethe Vestager, the EU's executive vice-president in charge of digital policy, said: "We are dealing with the biggest and most valuable companies on

the planet. The DMA is not an excessive ask. [It] is plain vanilla to ask for a fair, open and contestable marketplace."

She added: "I find that it is surprising that some of the most valuable, respected big companies on this planet do not take compliance as a badge of honour."

The commission's preliminary findings have to be finalised within one year from the start of its official investigation in March. The move against Apple was first reported by the Financial Times this month.

The commission also announced yesterday that it was investigating whether Apple's developer fees breached the EU's rules. The fees include a charge of 50 cents per download that companies have to pay if their app is used by more than 1mn people. Brussels said it was looking at whether Apple was imposing too many restrictions for users to download and install alternative app stores.

Apple said it had "made a number of changes to comply with the DMA in response to feedback from developers and the European Commission".

"We are confident our plan complies with the law, and estimate more than 99 per cent of developers would pay the same or less in fees to Apple under the new business terms we created," the company said.

In January, Apple introduced changes to its iOS mobile software, app store and Safari web browser in the EU to appease competition concerns. Last Friday the tech giant said it was delaying the introduction of AI-enabled features on iPhones in the EU because of the uncertainty brought about by new tech rules.

"If the commission indeed finds that Apple infringes the letter or the spirit of the DMA, it has to impose fines that really hurt — that is the only language Big Tech understands," said Markus Ferber, a German MEP.

Dealmaking pop Pringles packaging producer buys Eviosys for \$4bn in rare buyout windfall



The sale to Sonoco will generate a \$1.8bn gain for KPS and its investors — Dirk Waern/Beiga News Agency/Alamy

ANTOINE GARA AND MARIA HEETER
NEW YORK

A US private equity group has sold a large industrial business for nearly \$4bn, marking one of the first big private equity windfalls from a wave of dealmaking seen in 2021, when interest rates were near zero and valuations high.

KPS Capital Partners has agreed to sell its Eviosys packaging business to manufacturer Sonoco Products nearly three years after it acquired the provider of aluminium containers for aerosols and foodstuffs such as cat food, tuna and sardines.

Sonoco, a century-old South Carolina company that first made paper textile cones for the garments industry but now sells containers for brands like Pringles crisps, will pay \$3.9bn for Eviosys. The deal, announced yesterday, will generate a windfall of nearly \$2bn for KPS.

In 2021, KPS carved Eviosys out of Crown Holdings, a larger rival selling cans to food and beverage giants, for \$2.7bn in an acquisition that came amid a record wave of \$1.1tn in private equity buyouts. However, a swift increase in interest rates from early 2022 quickly cooled off buyout activity, which has fallen by more than half from those levels.

The heavy private equity investment of 2021 has caused a cash crunch among many investors such as pensions and endowments because rising interest rates have punished corporate valuations and made it hard for dealmakers to exit a growing stockpile of ageing investments.

The sector entered 2024 sitting on a record \$3.2tn in unsold deals that are a "towering backlog" that PE firms must now exit, according to consultancy Bain & Co.

Buyout funds raised between 2019 and 2021 have collectively returned

less than 20 per cent of investors' commitments, falling "drastically behind" similar funds raised in earlier years, according to a recent report from Goldman Sachs.

KPS, however, was able to earn a swift and large windfall for Eviosys by increasing its profitability by about 50 per cent, according to a source briefed on the matter, and by identifying a corporate buyer that would find value in its specialised packaging operations.

Howard Coker, chief executive of Sonoco, has in recent years divested business lines focused on recycling and industrial foam to simplify its operations.

The acquisition will generate a \$1.8bn gain for KPS and its investors, or about 3.2-times their initial equity investment because they used debt to finance the deal, according to the source. KPS declined to comment on its returns.

Moelis banker recorded in punching clip leaves firm

JOSHUA FRANKLIN — NEW YORK

The Moelis investment banker who was filmed punching someone during a New York City Pride event earlier this month has resigned from the Wall Street firm.

Moelis confirmed the departure of the banker, Jonathan Kaye, in a statement yesterday.

Kaye, who ran Moelis's global business services franchise, was placed on leave two weeks ago after a short clip circulated on social media platform X showing him hitting a person in the face at a street corner.

A representative for Kaye did not respond to a request for comment.

The exit caps a turbulent few weeks for Kaye, who until this event was one of Moelis' most senior bankers, having spent two decades on Wall Street.

The incident caught on film occurred late on Saturday June 8 in Brooklyn as he passed an event in the New York City borough celebrating the start of LGBTQIA+ Pride month.

The short clip, which was widely shared online, showed Kaye throwing a punch and then walking away.

The Financial Times has previously reported that the altercation took place after Kaye, who is Jewish, approached four individuals with a Palestinian flag and told them they were "on the wrong side".

The individuals are then alleged to have thrown liquids on Kaye and a scuffle ensued.

The incident lit up industry message boards such as Wall Street Oasis, with some commentators coming to Kaye's defence and others condemning his behaviour.

Kaye joined Moelis in 2013 from Citigroup as a managing director. He is a graduate of Tufts University and Duke University School of Law.

Moelis had previously praised Kaye's leadership at the bank, saying that the unit he led had "become a recognised global leader having advised on over 100 transactions across the sector".

The boutique investment bank was founded by former UBS banker Ken Moelis in 2007, one of a number of independent advisory firms that have grown in prominence in recent years along with the likes of Centerview and Evercore.

Moelis went public in 2014 and has a market capitalisation of about \$4bn.

A pro-growth Labour must eschew whipping-boy bank policies

INSIDE BUSINESS

FINANCE

Patrick Jenkins



a commercially appropriate return on money deposited with the central bank would be tantamount to a 100 per cent tax bill on that earned interest. In a different context — individuals' savings account interest, for example — even the most radical socialist would blanch at such a seizure.

There is another moral argument against eliminating interest on reserves: to do so would be to move the goalposts halfway through the game. Until a couple of years ago, banks in many parts of the world had been through a long cycle of subdued profit margins thanks to ultra-loose monetary policies — especially in Europe, where interest rates were nudged, or fell below, zero for many years as policymakers tried to spark growth. When interest rates are low, the margin between deposit interest and loan interest tends to be compressed.

Lower margins meant lower profits and subdued stock market valuations. Allowing banks to benefit from today's symmetrically higher rates is only right.

The related central banking arguments against abolition are powerful, too. As BoE governor Andrew Bailey has reiterated in recent speeches, the current system is a key way of transmitting monetary policy to the economy. That in turn feeds through to benefits for customers — reserve interest pegged to base rates underpins higher deposit rates and lower lending rates. Financial stability is also enhanced: remunerated reserves incentivise banks to keep high levels of liquid funds at the BoE.

In truth, even reformist policymakers are not advocating the kind of extreme

interest seizure that Farage has suggested. Economists that Farage claims as backers of his plan have in fact argued for a far subtler change — creating a relatively small tier of reserves that would go unremunerated while the remainder would still attract interest.

Such a system already applies in the Eurozone, where the European Central Bank last year imposed a 0 per cent tier of compulsory reserves equivalent to 1 per cent of banks' deposits, with interest paid on surplus reserves. It is too early to chart the impact, but bankers suspect that the transmission speed of rate changes may be impaired. In exchange, Eurozone central banks are saving about €6bn in interest payments.

An incoming Labour government in the UK, now universally predicted by the polls, should not countenance even this kind of minor change. And not only because the monetary gain would be small. Imposing yet another de facto tax on banks would undermine all the pro-business, pro-growth, pro-investment policy preparations that Sir Keir Starmer's party has made over the past year or two. Quixotic windfall taxes imposed by European governments have compounded shrunken profit margins and spooked foreign investors, keeping the region's bank valuations way below those of US rivals.

It is encouraging that chancellor-in-waiting Rachel Reeves has professed no intention of pressing Bailey (her former boss at the central bank back in the early 2000s) to make such a backdoor change to bank taxation. Nor should she be swayed into raising the front-door supertax or levy. The growth agenda that is central to Labour's electoral pitch cannot be effectively fuelled with a whipping-boy banking sector.

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Imposing yet another de facto tax on banks would undermine all of Starmer's pro-investment policy preparations

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HPS raises \$21bn in flagship private credit fund

Cash-raising success comes as firm debates a possible listing or merger

ERIC PLATT — NEW YORK

HPS Investment Partners has raised one of the largest private credit funds on record, confirming its spot as one of the industry's leaders as the firm debates a possible public listing or merger.

HPS amassed \$21.1bn for its flagship Specialty Loan Fund VI, its largest fundraising since the firm was founded in 2007. The fund received \$14.3bn of

commitments from investors, one of the largest sums raised by a traditional direct lending fund, according to data provider Preqin. The \$21.1bn figure also includes billions of dollars of bank loans, increasing its ability to invest.

The fundraising, after a string of large hauls last year, comes as HPS considers options that could see it go public or merge with a rival private investment group, according to people briefed on the matter. It manages \$114bn, more than double its size at the start of 2020.

"Performance attracts capital," Michael Patterson, a governing partner of HPS, said. "You then have to put that

capital to work [while] maintaining that performance. This is a big, very public demonstration that's what is happening at HPS."

The firm and several of its rivals have become some of the most important players on Wall Street

The firm and several of its rivals have over the past four years become some of the most important players on Wall Street, leading to a growing list of blue-

chip companies, buying loan books that banks are keen to shed and taking on risks that traditional lenders have retreated from.

Their ascent has been driven by strong performance and a fundraising prowess that has helped the industry accumulate hundreds of billions of dollars in recent years, boosting managers such as Ares, Apollo, KKR, Blackstone and Sixth Street. Many have become go-to portfolio managers for insurance companies — including insurers they own themselves — replacing traditional corporate bond and loan investors.

Patterson said HPS saw "significant"

areas to grow, including in the area of private investment grade and asset-backed debt. The areas have been a focus for competitors who are now financing aircraft leases, music royalty streams and even semiconductor manufacturing plants.

HPS was formed in 2007 by Scott Kapnick, Scot French and Patterson, before the financial crisis and resulting regulation prompted many banks to scale back the types of lending they were doing. All three had worked at Goldman Sachs before starting the new firm, which they built within JPMorgan Chase's asset management business.

But as post-crisis regulation bit and JPMorgan's commitment to the unit wavered, they moved to exit the bank. Top executives bought the business in 2016, separating HPS from JPMorgan with new investors Dyal Capital and Guardian Life buying stakes in the firm.

The firm is now debating its next steps. It has filed documents with securities regulators in preparation for a potential initial public offering, according to people briefed on the matter. The firm could also merge with a rival private investment group. Insiders caution that no decision has been made. HPS declined to comment.

Media. Cooling relationship

Bezos' love affair with Washington hits a rocky patch

Several of tech billionaire and newspaper owner's DC bets have been derailed or blocked

MARTHA MUIR — WASHINGTON
ANNA NICOLAOU — NEW YORK

Three years after Jeff Bezos bought The Washington Post for \$250mn, the Amazon billionaire made another Washington acquisition that was arguably just as significant to the Georgetown social set: a mansion in the capital's upscale Kalorama Heights neighbourhood for \$23mn.

His 2016 purchase of a former textile museum that would become the city's largest private residence was celebrated locally as a sign the tech titan and his then wife, MacKenzie, were shifting their lives from Seattle — where they had a love/hate relationship with city grandees — to "the other Washington".

Bezos did little to discourage the speculation. Just as he set out on a \$12mn renovation of the house in 2018, Amazon announced it was building a second headquarters in the Washington suburb of Crystal City. Then it became known that he wanted to acquire the city's National Football League team, which would soon change its name from the Redskins to the Commanders.

The capital embraced its new arrival. "What he's going to do is revive the legacy of Kay Graham and her great socialising," Jean Case, a Bezos friend and wife of AOL co-founder Steve Case, predicted in a reference to Katharine Graham, the late, legendary Post proprietor and Georgetown hostess.

When Bezos threw his first big party at the Kalorama property in January 2020, the guests included Mitt Romney and Ivanka Trump. The Post, where digital subscriptions and staffing were surging, looked like a rare news industry growth story. Soon afterwards, its proprietor began building his \$10bn Bezos Earth Fund philanthropy organisation in Washington too.

But over the past 18 months, several of Bezos's big Washington bets have been derailed or overtaken by events — culminating in the upheaval at the Post, where his handpicked chief executive, Sir Will Lewis, is facing a newsroom revolt triggered by his radical attempts to stem losses which last year hit \$77mn.

Robert Winnett, the British former colleague Lewis picked as editor, withdrew from taking the job last week, after stories appeared in rival outlets and the Post itself questioning both men's ethics in previous roles.

The series of setbacks has raised a question in the nation's capital: is Bezos



Newsroom drama: Jeff Bezos was compared to legendary Washington Post publisher Katharine Graham, below, when he moved to DC. Some suspect the city's allure may be fading for the tech billionaire

FT montage/Getty Images; Robert R McElroy/Getty Images



still as enamoured with Washington — and the Post — as he was when he acquired the struggling newspaper a decade ago?

People who have spoken to Bezos insist he is still committed to the Post for the long term, a sentiment he reiterated in a memo to top editors last week in which he signalled he would "lead this great institution into the future".

"In my experience, Jeff is a tough guy and I don't think he cares that much what people think," said a person who has worked closely with him in the past. "Will he tolerate losing \$100mn every year? Absolutely not. Is he willing to give Will a chance to enact his strategy? I'm confident he will, barring new negative revelations." Still, a review of Bezos's

recent activities tells a slightly different story about the priorities of the tech billionaire and his new partner, TV personality Lauren Sánchez, one in which other hubs are vying with Washington for their business and social pursuits.

Flight logs provided by JetSpy for three private jets associated with Bezos do not capture all of the couple's recent trips to Washington, where they hosted an awards gala in March and attended a state dinner at the White House in April. But they suggest that the city has ranked below Seattle, California, Florida and Texas on their list of destinations since early 2021.

When the Post was celebrating its three Pulitzer Prizes in May, the couple were attending the glittering Met Gala in Manhattan. Bezos arrived there following a similarly celebrity-heavy Formula One Grand Prix party in Miami. And, as last week's leadership crisis convulsed the Post, they were photographed on holiday in Mykonos.

Days after Lewis shocked Post journalists this month by announcing the resignation of editor Sally Buzbee, Bezos paid \$87mn for a third waterfront property in Miami, a 10,000 sq ft mansion on two acres with seven bedrooms, a pool and boat dock.

His move to south Florida followed an announcement by Amazon last year

that it was pausing construction on the second phase of HQ2 — a significant portion of its Crystal City headquarters, which included three office buildings and a 354ft glass tower.

Holly Sullivan, Amazon's vice-president for worldwide economic development, insisted that "our long-term commitment remains unchanged" but acknowledged there was no update on when construction would resume.

Amazon had promised to create 25,000 jobs at the site, which sits next to Washington's Reagan National Airport and just across the Potomac river from the capital's monuments and museums.

But data from Virginia's state development authority shows the number of Amazon employees in the region fell from 8,430 last year to 7,791. The Post was the first to report the drop. Amazon, which like other big tech groups has grappled with how much post-pandemic office space it needs, told the Financial Times approximately 8,000 employees were assigned to the new site and more than 1,000 roles were open.

Of all Bezos's thwarted Washington initiatives, however, the one that may hit closest to home is his failed pursuit of the Commanders. A life-long NFL fan, Bezos had repeatedly signalled his wish to enter the elite club of football team owners. Bezos went so far as to put an

'Jeff is a tough guy and I don't think he cares that much what people think'

ownership group together with rapper and music mogul Jay-Z to acquire the Commanders, but was outbid by fellow billionaire Josh Harris, co-founder of private equity firm Apollo.

At the time, some US media outlets reported that the team's then owner, Dan Snyder, blocked Bezos's bid because of his ownership of the Post — which almost single-handedly forced Snyder to sell, after it revealed the team allegedly tolerated pervasive sexual harassment and employee abuse.

But people briefed on the process insist Bezos was just outbid by Harris, who acquired the team for \$6bn. "I don't think Snyder would have not sold to them if Jeff came in with a bid of \$7bn," said a person involved in the process.

There are few signs that Bezos is souring on the Post, the original pillar of his Washington empire, or Lewis, the leader he chose to transform it.

When the group searched for a new chief executive and publisher last year, Bezos relied heavily on longtime friend and Amazon board member Patty Stonesifer, who served as the Post's interim chief, to sift through the candidates. The Post hired the Sucherman advisory firm to help with the process and did a "thorough background check" on Lewis and his past, according to people briefed on the matter. But Bezos himself is reported to have made the final decision to hire Lewis over a meal with the British media executive.

People familiar with the matter say Bezos and Lewis have had — at least until now — a good relationship, and that Bezos has endorsed Lewis's turnaround plan for the Post, which has lost nearly half of its audience since 2020.

Bezos had moved in "lockstep" with the actions taken by Lewis so far, according to a person familiar with their relationship, who said that the Amazon founder approved his new CEO's decisions before they were announced. This included the plan for a "three-newsroom" structure, they added, which led to Buzbee's departure.

But Bezos has been unemotional in separating from executives whom he has cooled on in the past. In 2014, when he fired Katharine Weymouth as publisher of the Post, he moved quickly. Less than a year after buying the newspaper, he ousted the heiress to the Graham family, which had controlled the paper for eight decades, in a meeting that lasted less than five minutes.

"I was struck by the abrupt and icy dismissal," Martin Baron, executive editor at the time, wrote in a recent book. Weymouth later said: "I just was expecting to at least finish this year."

Additional reporting by Daniel Thomas and James Fontanella-Khan

Aerospace & defence

Czechoslovak Group lifts Kinetic bid to \$2bn

RAPHAEL MINDER — WARSAW

Czechoslovak Group (CSG) has raised its bid for Kinetic, one of the largest US makers of small arms ammunition, as it hopes to fend off a rival bidder in a politically charged takeover battle.

Vista Outdoor, Kinetic's parent company, said yesterday that privately held CSG had raised its offer by \$40mn to \$2bn. Vista, whose board had previously recommended the deal, said in a statement that it remained fully committed to CSG.

Vista has also received an offer from Dallas-based investment firm MNC Capital Partners, which wants to take over the whole of Vista, including its outdoor sports equipment business, for \$3bn.

Another recent offer for Kinetic, which owns the Remington ammunition brand, backed by former president Donald Trump donor Jeffery Hildebrand, was withdrawn last week.

Vista noted that CSG's latest bid for Kinetic, which mostly supplies ammunition for guns and rifles used by hunters and law enforcement, also raised the cash payment to Vista shareholders by 12.5 per cent from its previous offer.

Since it was announced last October, CSG's offer has triggered a political backlash in Washington, led by Republican politicians who are trying to prevent regulatory approval of the Czech company's bid on the basis that foreign ownership could threaten domestic security.

Prague-based CSG is central Europe's largest ammunition maker, and owns two munition factories in the US that it bought as part of its 2022 takeover of Fiochi, an Italian group.

Critics of the deal have also raised concerns about the potential impact of the global ammunition shortage on availability in America.

CSG is among the arms groups helping the Czech government-led western

initiative to buy ammunition for Ukraine. The Czech group has pledged that Kinetic's products will be sold in the US market.

Vista said yesterday: "CSG brings a strong commitment to US manufacturing and our American workforce and deep expertise in supply chain excellence, ammunition manufacturing and support for Nato and allied nations."

CSG said it would not comment further after raising its offer for Kinetic. Its bid must still be approved by the US Committee on Foreign Investment.

The regulatory review is due to close this week, which would then allow Vista's shareholders to meet and vote on the Kinetic takeover on July 2.

The company's chair and owner, Michal Strnad, wants to complete the largest-ever Czech purchase in the US to counterbalance CSG's reliance on government arms contracts with civilian demand in America, where about one-third of adults owns a gun.

Chemicals

Adnoc closes on €14.4bn Covestro takeover

MALCOLM MOORE, ARJUN NEIL ALIM AND IVAN LEVINGSTON — LONDON

The Abu Dhabi National Oil Company is nearing a €14.4bn agreement to take over the German chemicals group Covestro, setting up the Gulf state-owned energy producer to expand its overseas holdings.

Covestro has agreed to enter "concrete negotiations" after the UAE's Adnoc boosted its proposal from €60 to €62 per share. The news sent Covestro's shares up 6 per cent to €54.52 yesterday in Frankfurt in what would be the largest acquisition in Europe this year and the biggest all-cash deal in the chemicals sector.

The deal would also represent the first successful takeover of a German Dax 40 company by a Gulf state-owned group. The two sides have agreed to conduct confirmatory due diligence, and Covestro said that it would cancel its capital markets day scheduled for Thursday.

The two sides have been in talks since the Gulf sovereign wealth fund made an informal offer in September 2023.

Covestro at first rejected offers below €60 a share and then debated whether its sustainability drive would be undermined by Adnoc.

Covestro said a price of €62 per share was the 'starting point for negotiations'

The chemicals company said a price of €62 per share was the "starting point for negotiations", giving the company an enterprise valuation of about €14.4bn, which includes debt. "We have made good progress in our discussions with Adnoc," said Markus Steilemann, chief executive of Covestro. But the company warned there was still "no certainty" that the talks would lead to a sale.

Adnoc, which wants to pump 5mn barrels of oil a day by 2027, nearly three times the current output of Shell, is on a global acquisition hunt to diversify into gas, chemicals and renewable energy.

In November 2022, a board meeting chaired by UAE president Mohamed bin Zayed approved a five-year spending plan of \$150bn to transform the group from a traditional state oil firm into an international energy company.

Covestro, which was spun out of the pharmaceuticals giant Bayer in 2015, makes the chemicals used by factories to produce everything from building insulation to refrigerators to smartphone cases to credit cards. In the European football championships this summer, the outer coating of the balls is printed with paint made by Covestro.

Its biggest customers are the automotive, construction and furniture sectors and its main competitors are China's Wanhua Chemicals, BASF, Dow Chemical and Saudi Arabia's SABIC.

COMPANIES & MARKETS

US grocery stores seek to win back shoppers hit by runaway inflation

Retailers and producers are offering discounts in a bid to revive sales as consumers cut back on non-essential items

GREGORY MEYER, RHEA BASARKAR AND OLIVER ROEDER — NEW YORK

From the bakery aisle to the dairy case, and the meat counter to the ice cream freezer, surging inflation for groceries has led to an unexpected reality: Americans are buying less food at the store.

Shoppers have put billions fewer items in their grocery carts in the past few years compared with pre-pandemic levels, resorting instead to a combination of online purchases, bulk buying — and simply consuming less, especially in lower-income households. It's an inevitable response to runaway prices for food as well as other essentials such as housing and insurance.

Producers of consumer packaged goods were able to boost revenue by raising prices during the run of high inflation in recent years. But now, even as prices have moderated, retailers and producers are rushing to reinvigorate sales with markdowns and promotions.

"Increased prices mean smaller basket sizes and more consumers seeking to eliminate products they deem non-essential," research firm NielsenIQ said in an analysis of perishable goods sales.

Customers were well aware of food inflation at a Key Foods grocery in Brooklyn, New York, visited by the Financial Times in the past week. Shelves of products, including tomato sauce, pasta and frozen shrimp, bore labels advertising price deals.

"It's more expensive than it used to be," said Mezjine Dorvil, a shopper at the store. The US discards as much as 40 per cent of its food supply each year, more than any other country, said Feeding America, a nationwide food bank network. The purchase of fewer items — two bags of tortilla chips instead of three, one pint of ice cream instead of two — could help reduce that waste.

Adjusted for inflation, Americans on average spent 3.1 per cent less on food at home in 2023 than in 2022, according to Wilson Sinclair, an economist at the US Department of Agriculture.

Checkout terminals at US stores scanned 248bn items in the past year, down 3bn from the previous year and 20bn fewer than the year leading up to June 2020, according to NielsenIQ data.

The declines have put pressure on



Shopping fall: US checkout terminals scanned 248bn items in the past 12 months, down 3bn from the previous year — Justin Sullivan/Getty Images

retailers and their vendors to offer discounts. While customers are visiting stores more often, they are purchasing fewer items per trip, analysts say.

Target, with nearly 2,000 US stores, announced price cuts on 5,000 items in June, including groceries such as milk, meat, bread, coffee and fruits and vegetables. Christina Henington, Target's chief growth officer, told analysts on an earnings call last month that the company was cutting prices to get shoppers back in the stores and drive sales volumes back up.

Kroger, the largest US supermarket operator by revenue, last week said its staff aimed to return to unit volume sales growth.

Suppliers were offering more money for in-store promotions and discounts than in the past, chief executive Rodney McMullen told analysts after the company reported weak same-store sales growth of 0.5 per cent.

Walmart has said it is offering so-called rollbacks on prices for about 7,000 products, 50 per cent more than a year ago in the grocery category.

"We think that we're appropriately investing in this area of our business to help drive unit volume," John Rainey, chief financial officer, said at an industry conference this month.

A government price index for food eaten at home was 1 per cent higher in May from a year before, less than a third of the headline inflation rate of 3.3 per cent. But in 2022, food prices were galloping ahead at an average annual rate of more than 10 per cent, while the news was full of stories of "shrinkflation": smaller packages sold at the same or higher prices.

The surge in food inflation early in President Joe Biden's term has been attacked by rival Donald Trump in this year's election campaign. Last week, Biden's Council of Economic Advisers published a blog post saying that while prices were higher, consumer purchasing power had also increased.

"Because wage growth has outpaced grocery price growth, it takes slightly less work to purchase a bag of groceries relative to a year ago," the council said. Though some food purchases have

'Increased prices mean smaller basket sizes and more consumers seeking to eliminate products'

NielsenIQ

shifted to other venues, they do not fully account for the decline in food sales at stores. Spending at restaurants is at the lowest level in seven months, and customer visits have been declining for 13 consecutive months, according to the National Restaurant Association.

Though online grocers and discount stores have made gains, they were outweighed by the volume declines at traditional food stores, McKinsey found. The

consultancy also concluded the boom in weight-loss pharmaceuticals has had limited impact on food retailers.

More than three-quarters of consumers cited prices as the top reason they were purchasing fewer grocery items, according to a McKinsey survey published earlier this year.

"You can't keep raising prices... and not expect an impact," said Nick Fereday, a food analyst at Rabobank.

Pharmaceuticals

Novo Nordisk invests \$4bn in weight loss drug factory

OLIVER BARNES IN NEW YORK

Novo Nordisk is investing \$4.1bn to expand its US manufacturing and boost production of its blockbuster weight loss drugs to meet surging demand.

The Danish pharma company said yesterday that the investment would fund a new 1.4mn sq ft manufacturing plant on a site near Raleigh, North Carolina, doubling its size. The extra capacity would come online between 2027 and 2029.

The investment comes as Novo Nordisk competes with rival Eli Lilly for a larger share of the market for a new class of diabetes and weight loss drugs, known as GLP-1s, which is already set to generate \$42bn in sales this year and is projected to reach as much as \$130bn by 2030.

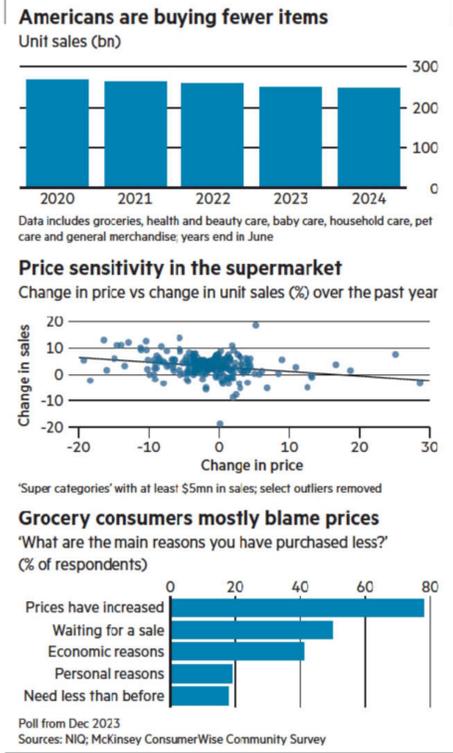
Novo Nordisk's Wegovy weight loss drug and its Ozempic diabetes treatment, as well as Eli Lilly's rival Zepbound and Mounjaro medicines, have been hit by shortages in recent months, according to the US Food and Drug Administration.

The companies have spent billions of dollars to increase production of their drugs, which are self administered with an injection pen. Novo Nordisk earlier this year agreed to pay \$11bn for three "fill and finish" sites owned by Catalent, as part of a deal between the US contract drug manufacturer and Novo Nordisk's parent company Novo Holdings.

As part of the "fill and finish" process, drugs are formulated before being filtered into syringes.

Including the latest investment, Novo Nordisk has committed \$6.8bn this year to boost its own in-house production capacity.

Last year, it announced plans to spend \$6.5bn on a new Danish manufacturing site to increase production of semaglutide, the active ingredient used in its weight loss drugs.



Retail & consumer

Australia targets supermarket price gouging

NIC FILDES — SYDNEY

The Australian government is tightening regulation of supermarkets, with the threat of potentially billions of dollars in fines if they squeeze farmers and other suppliers on price.

The government said it would push through legislation to enforce a mandatory code of conduct on large food retailers, including Woolworths and Coles Group, which control about 65 per cent of the market. Breaches would result in fines ranging from A\$10mn (US\$6.6mn) to up to 10 per cent of a year's turnover.

Michael Simotas, an analyst with bank Jefferies, said the penalties for bad behaviour could be as much as A\$5bn for Woolworths and A\$4bn for Coles. He expected the companies would remain

"front and centre of media and political commentary".

Jim Chalmers, Australia's treasurer, said: "We're cracking down on anti-competitive behaviour in the supermarkets sector so people get fairer prices at the checkout."

The move comes as a cost of living crisis and persistent inflation have put many household budgets under strain.

It follows a review conducted by former cabinet minister Craig Emerson, with the retail sector finding itself in the spotlight over alleged price gouging for products, including fresh fruit and vegetables, over the past two years. Those price increases have not been passed on to farmers and other suppliers.

The proposed legislation would apply to companies with annual sales of more than A\$5bn, including Aldi and smaller

player Metcash. Companies including Costco and Amazon could be covered by the code in the future.

Allegations of price gouging and the poor treatment of suppliers have led to increased scrutiny of supermarkets, with calls growing to break up the largest companies. But the government has stopped short of proposing a break-up.

Woolworths said it would support a mandatory code of conduct. On ideas such as a price register to improve transparency over fresh fruit and vegetable prices, it said it would study the proposals in detail. "While there is broad support for greater price transparency in the sector, there isn't yet consensus on how to deliver it," it said.

Coles said in a statement: "We remain committed to supporting a healthy and sustainable grocery sector."

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Insurance

Prudential to launch \$2bn buyback

Larger-than-expected return of capital boosts 'disappointing' share price

IAN SMITH — LONDON
WILLIAM SANDLUND — HONG KONG

Prudential has announced a \$2bn share buyback, exceeding some analysts' expectations and providing a boost to its flagging share price.

Shares in the insurance group closed up more than 7 per cent in London yesterday, against a flat wider market, as investors greeted the announcement on

Sunday of the buyback, to be completed by "no later than mid-2026".

"Progress towards our financial objectives will increase the potential for further cash returns to shareholders," said chief executive Anil Wadhvani.

But the group would "continue to prioritise investment in organic new business at attractive returns", he said, and would pursue partnerships to accelerate growth in its key markets.

The company's London-listed shares have fallen more than 11 per cent this year despite recovering mainland Chinese customers purchasing insurance policies in Hong Kong. Its chair

described the stock price performance as "frustrating and disappointing" at its annual meeting in May.

This has fed growing anticipation over whether Prudential would announce extra shareholder returns in the short term, and to what degree, against deploying that capital to expand.

'Progress towards our financial objectives will increase the potential for further cash returns'

The group said sales trends in the second quarter were similar to the first, but that the sales surge after the reopening of the Hong Kong-mainland China border had made for a strong historical comparator in the first half of the previous year.

Growth in its core Asia markets, and its smaller operations in Africa, have become crucial to the group since a significant restructuring saw Prudential shed its European and US operations. It retains a UK domicile and joint primary listing in London and Hong Kong.

It was then hit hard by Covid-19 restrictions in its core market. Wad-

hvani has also pointed to Africa as a longer-term area of growth.

Analysts at Citi, who had forecast a \$1bn buyback, said it expected the announcement to be "taken well" by investors given the "very weak" sentiment on the stock. Jefferies analysts said it was double what they had factored in, but flagged that the buyback was to be spread over two years.

Prudential said its dividend policy remained unchanged, with this year's payout expected to grow by about 7 to 9 per cent, but also provided further guidance over how it would share surplus capital in future, above a newly set ratio.

Legal dispute

Motorola sues Home Office over unpaid emergency network bill

YASEMIN CRAGGS MERSINOGLU AND ALISTAIR GRAY — LONDON

Motorola Solutions is suing the UK government as part of a dispute over a programme to modernise communications for the country's emergency services that has cost billions of pounds but is yet to be rolled out.

An arm of Motorola, Airwave Solutions, filed a lawsuit in the High Court in London last month seeking £14.5mn, which covers outstanding invoices and interest.

The revamp of the communications system is designed to allow ambulance workers, firefighters and police officers to access and share images, information and other data when responding to emergencies.

Work started on the new service, called the Emergency Services Network, in 2015. It was originally scheduled to replace the existing Airwave service, which was due to end in 2019.

Motorola has accused the Home Office of being in "breach of contract" over money it is owed relating to the Airwave service. It is seeking £13.5mn from the government plus interest, which at the end of May stood at almost £1mn.

In a statement, Motorola said the "contract is clear that the core charge for this service increases with inflation,

'The core charge for this service increases with inflation, and Airwave has billed . . . accordingly'

and Airwave has billed the Home Office accordingly".

The Home Office declined to comment.

The lawsuit from Motorola is the latest salvo in the long-running dispute over the planned upgrade.

In 2022, the Competition and Markets Authority provisionally concluded that Motorola had acted as a monopoly in its role as a service provider, making about £160mn a year in excess profits from the lucrative contract.

The CMA proposed restricting the amount Motorola was allowed to charge for the radio network, forecasting that it stood to gain £1.1bn in excess profit between 2020 and 2026.

Motorola said at the time it rejected the "unfounded and incorrect calculation" of excess profits. However, it agreed to end its involvement in ESN in 2022, and the following year the CMA imposed a cap on how much Motorola could charge the emergency services to use the Airwave network.

The US company aims to appeal against the CMA's ruling at the England & Wales Court of Appeal in London.

Last year, the public accounts committee warned that the Home Office appeared "complacent" in its confidence that it could reduce the risks to ESN and found "significant" costs were being created for emergency services owing to continued delays.

According to a report last year from the National Audit Office, the Home Office acknowledged the cost of the delays in introducing the new system. The department forecast that by March 2023 it would have spent £2bn developing ESN and a further £2.9bn maintaining Airwave, the report said.

Retail & consumer

THG signs deals with Sports Direct owner Frasers

LAURA ONITA AND OLIVER RALPH

UK-based ecommerce group THG has agreed to sell its luxury goods websites to Sports Direct owner Frasers as part of a new tie-up as it seeks to streamline its portfolio.

The companies said yesterday that Frasers' credit and loyalty scheme, Frasers Plus, would be integrated into THG's Ingenuity ecommerce platform and made available to THG customers as part of the agreement.

Frasers will also buy THG's luxury goods websites such as Coggles, which generate £43mn in annual sales, and sell a range of THG protein products in Sports Direct stores. The companies did not give a value for the deals.

THG's Ingenuity arm helps brands such as Coca-Cola and Elemis sell online. The company's other major divisions include beauty, through websites such as Lookfantastic, and nutrition, centring around its Myprotein brand.

The company, previously known as The Hut Group, has had a difficult time since it listed on the London stock market at a £5.4bn valuation in 2020 with its shares falling 91 per cent since then.

THG shares rose 1.5 per cent by the close of trading yesterday.

Matthew Moulding, THG's chief executive and co-founder, has blamed the company's woes on a broader wariness from investors towards London-listed companies as well as negative coverage from the media. Its luxury division is largely made up of fashion brand Coggles, which THG bought from administration in 2013 for a nominal sum.

Frasers chief executive Michael Murray said he had ambitions to integrate Frasers Plus "across additional third-party platforms" while Moulding said he was delighted with the tie-up and that Ingenuity would continue to power Coggles.

Jefferies analyst Andrew Wade said the arrangement was "a very sensible value-adding partnership that opens up clear revenue opportunities . . . and tidies up the brand portfolio".

Peel Hunt analysts said such tie-ups would "move THG towards stable, sustainable [free cash flow] generation, one of the keys to unlock the share price".

THG was due to hold its annual meeting later yesterday.

See [Lex](#)



London snub

Tunnel group set to list in Amsterdam

The tunnels were used as offices for the civil service during the second world war and are thought to be the inspiration for 'Q Branch' in the James Bond books — Artist's impression/The London Tunnels

A company that is planning to transform former second world war tunnels in London into a tourist attraction is pursuing a listing in Amsterdam, six months after announcing a planned initial public offering in the UK.

The London Tunnels, which intends to develop the Kingsway Exchange Tunnels under Chancery Lane, said yesterday it had applied for a listing on Euronext Amsterdam, and expected its shares to start trading on Thursday. The group said it hoped to raise £30mn from the IPO, giving it a market capitalisation of about £130mn.

The update comes after chief executive Angus Murray said in January that the "unique" set of tunnels was "owned by a British company, built by the British government, for the defence of Britain" and as a result "should be listed in London".

Announcing the new plan to list in Amsterdam, he said: "The London Tunnels can now take advantage of the size and scale of both the equity capital markets and debt capital markets of

Europe." The company did not further outline why it chose to abandon a London listing.

The Kingsway Exchange Tunnels were built in the 1940s under Chancery Lane Tube station and were originally intended to provide bomb shelters for 8,000 people during the second world war.

They were used as offices for the civil service during the war, and are thought

Tunnels were intended to provide bomb shelters for 8,000 people during the second world war

to be the inspiration for the "Q Branch" in the James Bond books.

The tunnels were also used by the Post Office in 1949, and in 1956 were the termination point for the first transatlantic telephone cable.

The group said it would require between £20mn and £30mn in investment over one to two years, and would need a further £120mn in debt

and equity to get the attraction up and running.

London Tunnels posted a loss of just under £270,000 for the year to March 31 2023, according to its most recent accounts filed with Companies House.

That compares with a loss of £91,702 recorded in the year to December 31 2021.

The company is planning to launch the tunnels as a "historical and cultural attraction" in 2027.

Peter Curtin, the company's chair, said the listing on the leading pan-European market would give investors the opportunity to acquire shares in "what is likely to be the last major historical and heritage attraction that can be reopened in central London".

The City of London Corporation approved London Tunnels' plans this month.

The London Borough of Camden is scheduled to decide on the application in "the near future", the company said.

Sally Hickey

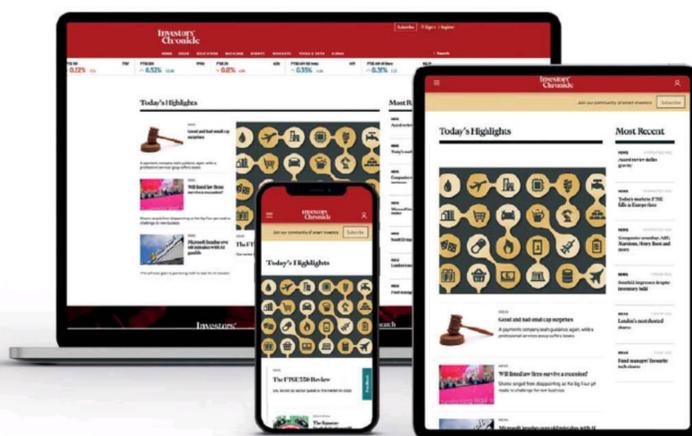
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COMPANIES & MARKETS

Equities. Political fears

Business must calm down about French election, says Euronext



Exchange chief argues both far-right party and left alliance would struggle to achieve plans

NIKOU ASGARI — LONDON
IAN JOHNSTON — PARIS

The French chief executive of Europe's biggest stock exchange group has appealed for business leaders to stay "calm" ahead of the country's looming snap elections, saying that neither the far-right party or a new leftwing alliance would be able to enact their policy pledges.

Stéphane Boujnah, head of Paris-based Euronext, told the Financial Times that the plans of both Marine Le Pen's far-right Rassemblement National (RN) party — which polls suggest will win the first round vote next week — and the leftwing Nouveau Front Populaire (NFP) were "a concern for the future of the French economy".

But he added: "I suggest that everyone keep calm and wait until July 7 or July 8 to analyse the results."

Boujnah noted: "I can hardly imagine that, in the event one of these two forces get into the office that they will be able to implement everything they promise because of the combination of rating agencies, unions", pressure from the EU and the president's power, which would "mitigate the impact of any outlier or [inexperienced] party" doing what they want.

His comments come as investors fret over the potential impact of the RN or the NFP if they were to come to power since both promise a break with

President Emmanuel Macron's pro-business policies.

France's Cac 40 benchmark equities index has fallen about 5 per cent while the gap between French and German benchmark borrowing costs — a market barometer for French political risks — has soared since Macron's announcement earlier this month.

French executives are privately seeking to court the RN, which is yet to issue a formal economic programme but has said it wants to cut value added tax on energy and potentially lower the retirement age.

Both moves would add to France's already heavy public debt.

Meanwhile the leftist NFP, currently second in the polls, has put forward a radical tax-and-spend agenda, which includes raising wealth and inheritance taxes and increasing income tax for top earners.

The NFP is a group that includes the far-left party known as La France Insou-

mise (LFI), centre-left Socialists, Greens and Communists.

Boujnah, who has led Euronext since 2015 and previously worked as a banker at Santander and Deutsche Bank, said the key question for both the NFP and the RN "is how long will it take for them to water down explicitly their ambition".

It was one thing "to propose things that sound [and] smell extreme to be voted; another one . . . to run a country and be confronted with complexity", he said.

"The risk of a Liz Truss 'mini' Budget forex crisis does not exist because of the euro," Boujnah added, referring to the gilt market chaos triggered by the former UK Prime Minister in 2022.

France's finance minister last week warned the country could face a similar crisis if the RN won the election.

The European Central Bank's chief economist last week dismissed the idea that intervention would be required in

Facing right: French business executives are privately seeking to court Marine Le Pen's Rassemblement National party

Sarah Meyszorniec/Reuters

France's government debt market after the sell-off.

Boujnah, whose group runs trading and listing venues in cities including Paris, Amsterdam and Lisbon, said either outcome would be "definitely less good than with the incumbent Macron, because Macron is definitely one of the most pro-Europe, pro-business presidents that France ever had and I believe that it will be different".

He added: "There are two unknowns: how much time it would take both of them to work down their programmes when they face reality and, second, whether they mean what they say."

At a press conference in Paris on Friday, the NFP outlined plans to increase spending by €25bn this year and then take the total to €150bn by 2027, which is the end of Macron's term.

The spending will go to boost spending power for households, fight climate change and invest in public services.

"Our spending will be covered by our revenue," said LFI's Éric Coquerel, referring to planned tax increases. He pledged they would not raise France's budget deficit.

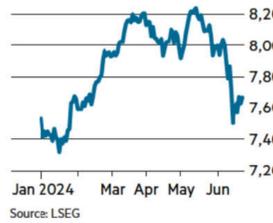
The RN has not costed its policies but party chief Jordan Bardella, its potential prime minister, said on Thursday that immediate measures to lower VAT on fuel and electricity from 20 per cent to 5.5 per cent would cost €12bn.

Proposals by both parties to repeal Macron's pension reform and reduce the age of retirement from 64 to 62 for most citizens would cost €13bn based on expected savings from Macron's reform.

See Markets Insight

French stocks rattled by prospect of far-right government

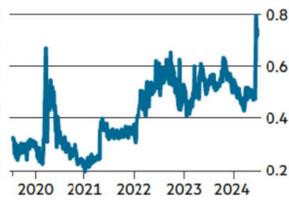
Cac 40 index



Source: LSEG

Risk premium on French government bonds soars

Gap between French and German 10-year bond yields (percentage points)



"The key question is how long will it take for them to water down explicitly their ambition"

Equities

Alnylam's shares jump after positive trial results for heart disease drug Vutrisiran

OLIVER BARNES — NEW YORK

Shares in Alnylam Pharmaceuticals jumped after the company said a drug to treat a rare form of heart disease met its goals in a late-stage trial, opening up the possibility of billions of dollars in additional sales for one of the most valuable US biotechs.

The company said its quarterly Vutrisiran injection cut the risk of mortality and adverse cardiovascular events by at least 28 per cent in a phase-three trial.

It also improved capacity for physical exertion among patients with a rare protein disorder that affects heart function.

The disease, called transthyretin-mediated amyloidosis cardiomyopathy, or ATTR-CM, affects around 100,000 patients in the US and up to 500,000 globally, most of whom are men aged 60 and over. However, many of the cases go undiagnosed.

Vutrisiran is already approved to treat a more rare but related condition under the brand name, Amvuttra.

But Alnylam now expects that the US Food and Drug Administration could greenlight a wider rollout of the drug early next year.

The approval would be a huge boon for Alnylam, which specialises in a treatment method called RNA interference, or RNAi, that works by silencing genetic mutations affecting patients with rare diseases.

Shares in Alnylam, which has long been considered a takeover target for big pharmaceutical groups, were up 28 per cent in early trading on Wall Street yesterday, giving the biotech a market value of more than \$26bn.

Vutrisiran boosted the health outcomes of trial participants already using Tafamidis, a rival drug sold by Pfizer



Alnylam boss Yvonne Greenstreet: 'multibillion-dollar opportunity'

under the brand Vyndamax, which is currently the most common treatment option for ATTR-CM patients.

Analysts have said Vutrisiran's efficacy among this subgroup of patients would be key to justifying its use as a first-line therapy.

"There really is the potential that Vutrisiran will become the new standard of care for [ATTR-CM patients]," said Yvonne Greenstreet, Alnylam's chief executive. "We have in our hands a multibillion-dollar opportunity and what this will do to us is accelerate our transition to becoming a leading biotech company."

Greenstreet compared the positive trial data to having "finally reached the top of mountain" after the stock dropped 8 per cent in a single day earlier this year when investors responded negatively to the biotech's decision to change the way in which it was assessing its closely watched late-stage trial.

"I think this is the moment that will stand out as an inflection point in the company's history and really allow us to take the power of RNAi and point it to so many more unmet medical needs," added Greenstreet.

Fixed Income

Ghana strikes deal with bondholders to end nearly two years of debt default

JOSEPH COTTERILL — LONDON

Ghana has agreed a deal that will wipe nearly 40 per cent off the value of \$13bn in international bonds, putting the west African nation on a path to end almost two years in default on its debt.

Bondholders including Abrdn, Neuberger Berman, Greylock Capital Management and Amundi will give up \$4.7bn of their original claim, Ghana's government and a committee representing the foreign creditors said in statements yesterday.

The deal is the latest sovereign debt restructuring launched under a G20-approved "common framework" to limp to the finishing line after the process was beset by delays.

Bondholders also finally voted to approve a restructuring by Zambia last month under the framework, almost four years after the southern African nation defaulted.

Ghana's deal "entails important concessions from bondholders while providing the required debt relief to the government", the government said.

It is expected to comply with IMF-set

debt targets, it added. Ghana has also been in talks with official lenders who are expected to assess whether the terms offered to private bondholders match the scale of relief they are negotiating.

Most of the bonds will lose 37 per cent of their face value as they are restructured into debts with longer maturities that pay interest of 5 per cent over the

The debt clauses 'are part of the package of measures to normalise relations with investors'

next four years. Up to \$1.6bn of the new bonds will not be subject to a reduction in face value but will carry lower interest rates of 1.5 per cent.

The international bondholder committee owns about 40 per cent of the debt while a regional bondholder committee owns another 15 per cent.

The agreement, which the government said could be consummated within weeks, sets Ghana on a course to leave default by the time of elections in

Equities

Mubadala injects \$250mn into Getir as shareholders agree break-up

IVAN LEVINGSTON — LONDON

Food delivery start-up Getir has agreed a restructuring that will see Abu Dhabi's wealth fund Mubadala Investment Company lead a \$250mn funding injection and acquire majority control of its Turkish grocery operations.

Shareholders in the Istanbul-based group approved a break-up on Sunday that will leave it with a food delivery business in Turkey, controlled by existing investor Mubadala, and a separate standalone business comprising its other assets.

Founded in 2015, Getir was a pioneer among a group of start-ups that raised billions of dollars during the Covid-19 pandemic to deliver groceries and other essentials to customers within minutes.

However, rising interest rates in the subsequent years and falling technology stock prices damped investor appetite to fund their heavy losses.

Getir was valued at nearly \$12bn in 2022 but a slowdown in venture capital markets forced it to cut back and it was valued at less than a quarter of that sum when it raised \$500mn last year.

Most of the company's rapid grocery rivals have been sold or shut down as consumer demand shifted after lockdowns eased.

Meanwhile, online food delivery groups in Europe and the US have

'This capital injection reflects our confidence in the future of Getir's core business in Turkey'

recorded more than \$20bn in combined operating losses since going public and are battling for market share.

Getir's Turkish delivery business will be led by its longtime manager, Batuhan Gultakan.

The company's founder, Nazim Salur, will remain involved as a minority investor and board member, according to a statement yesterday.

Salur and Getir's co-founders will hold the controlling stake in the standalone group, comprising businesses outside the Turkish grocery operations, including in e-commerce and taxi hailing, as well as the FreshDirect grocery service in New York.

Getir previously had operations in the US and Europe including in the UK, Germany and the Netherlands. It scaled back those businesses this year to focus on its core delivery operations in the Turkish market.

The company has also in the past received significant backing from venture capital group G Squared and prominent investor Michael Moritz, who was previously at the Silicon Valley investor, Sequoia Capital, for almost 40 years.

"This capital injection reflects our strong confidence in the promising future of the company's core business in Turkey," Hani Barhoush, a Getir board member and chief executive of Mubadala's diversified investments platform, said in a statement.

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COMPANIES & MARKETS

Investors face real risks after rise of Europe's far right

Silvia Merler

Markets Insight



As the success of far-right politics threatening the European economy and its appeal to international investors seem to be asking in the wake of a landslide European election victory for Marine Le Pen's far-right Rassemblement National.

French President Emmanuel Macron then made a surprise call for a snap election, followed by shock news of an alliance between parties of the French left.

The Cac 40 index plunged to its worst week in two years after the election was called, erasing much of the equities gains for 2024, and bond yields jumped.

The spread between French and German bond yields has widened to levels not seen in the past seven years. Meanwhile, the French finance minister warned that France was headed for a financial crisis.

It would be extreme to conclude that France is on the cusp of an economic disaster and wrong to assume severe ripple effects across the continent. Yet there are risks at both a national and EU level that could have longer-term consequences for companies and markets.

France has experienced a knee-jerk reaction. In the immediate aftermath of the surprise political decision, investors switched to risk-off mode while they digested the ramifications.

If the election shows a strong performance for the left, we will probably see more selling of French assets. The far-right and far-left platforms both call for undoing Macron's reforms and contain populist promises that are hard to reconcile with EU fiscal rules.

A strong left would also signal an especially concerning anti-business and anti-growth Eurosceptic shift. This is where the real risks lie for France.

Since the results of the European elections, many have drawn parallels between France and Italy under Prime Minister Giorgia Meloni, arguing that her right-wing party has not been overly negative for business and the economy. Yet this isn't the most apt comparison.

The situation is more analogous to Italy in 2018 when elections delivered an unlikely coalition of two populist parties. The 2018 Italian government was held together by mutual dislike of Brussels and it collapsed after barely one year.

But it lived long enough to open a spat with the European Commission on the

Financial markets are effective at being judge, jury and executioner of reckless spending plans

national budget, which led to a rise in the spread on Italian government debt.

Financial markets are effective at being the judge, jury and executioner of governments with reckless spending plans and can apply the brakes.

The UK under Prime Minister Liz Truss was another great example and market moves over the past week suggest investors may be starting to price the risk of a similar scenario in France.

At the EU level, the risk of a Eurosceptic France is compounded by that of a weak Germany. Chancellor Olaf Scholz's dismal electoral result will weaken his government for the rest of its term, at home and on the European stage.

The powerful "Franco-German engine" of integration could therefore lose steam, leaving space for the right to

set the agenda. While the right has abandoned calls for exiting the bloc after Brexit, its idea of Europe is different.

Europe-wide polling indicates that the climate policies are not priorities for rightwing voters, who favour more focus on defence.

An emboldened European right could seize the opportunity of the revision clauses in the Green Deal to delay or water down some provisions. Aside from being obviously bad for the planet, this could make Europe less attractive as a destination for green investments.

From an investor perspective, the key fights to watch in the short term will be those on the next EU budget, including the rollover of the "Next Generation" EU spending plan and on the EU's own resources. Given this uncertainty, global investors may be less inclined to take on European risk.

In a recent speech, Macron warned that Europe is mortal and its survival depends on our choices. His choice so far has put France under pressure.

I do not think the rise of populism necessarily represents a lethal economic threat either to the EU or to France, though history suggests that it does promise volatility and could discourage investment.

The risk for Europe is more subtle. The European elections have revived the narrative of a fractured Europe where socio-economic views seem to be shifting against the EU's stated policy priorities.

It is the choices that Europe will make to reconcile this deeper fracture and address the root cause of the far-right's success that will really shape its future.

Silvia Merler is head of policy research at Algebris Investments

The day in the markets

What you need to know

- Nvidia's slide erases about \$500bn in its market capitalisation
- Chipmaker's shares decline 15% since last Thursday
- Retreat has ended brief stint as world's most valuable company

Shares in Nvidia slumped more than 5 per cent yesterday, extending a slide that began after the chipmaker briefly became the world's most valuable company and has wiped around half a trillion dollars from its market value.

Nvidia, whose gains alone are responsible for roughly one-third of the increase in the S&P 500 in 2024, fell 5.9 per cent in late-morning trade in New York to \$118.89, down 15.1 per cent from its intraday high of \$140.76 struck last Thursday.

Nvidia's market value yesterday fell to \$296bn, down by about \$500bn from Thursday's peak.

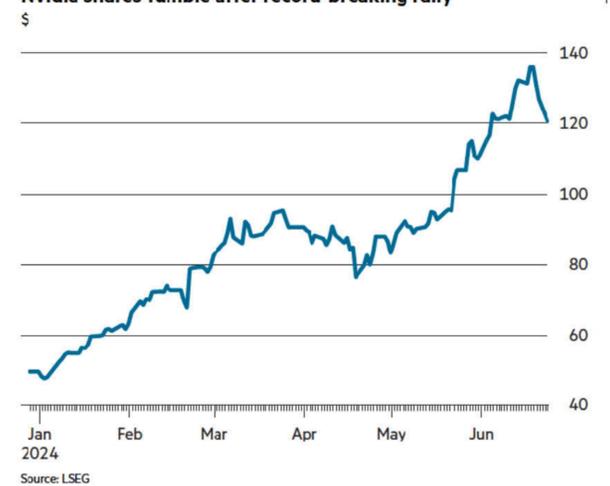
Earlier last week, the company had leapfrogged Microsoft and Apple to become the most valuable publicly listed company in the world, though it has since fallen back to third place.

Concerns about Nvidia's grip on the broader index — it has climbed 140 per cent so far in 2024 — have intensified in recent weeks with some analysts warning that a large enough sell-off for the group could spark a broader market slump.

"If Nvidia corrects pretty hard in the coming months, it becomes very difficult for the [S&P 500] to keep rising," said Barry Bannister, chief equity strategist at Stifel.

Yesterday's slide followed disclosures on Friday that the chipmaker's chief

Nvidia shares tumble after record-breaking rally



executive and co-founder, Jensen Huang, sold almost \$95m worth of shares in the days shortly before and after it became the world's most valuable company.

The trades were part of a previously scheduled "rule 10b5-1" sale plan, which was set up in March, filings show. Nvidia declined to comment on the sales.

The stock's rapid ascent has prompted some sceptical observers to draw comparisons with Cisco, the networking equipment maker that briefly became the world's most valuable company at the peak of the dotcom boom in March 2000. Cisco lost about 80 per cent of its value

in the following year as the bubble burst and telecom groups slashed spending.

The reversal for Nvidia has weighed on the broader chipmaking sector with the PHLX Semiconductor Index down 6 per cent since Thursday. The tech-dominated Nasdaq Composite was 0.3 per cent lower in midday trading in New York yesterday.

The broader stock market shrugged off Nvidia's decline with the blue-chip S&P 500 gaining 0.3 per cent and the small-cap Russell 2000 index, which has massively underperformed large-cap indices in recent months, up 0.8 per cent. **George Steer and Tim Bradshaw**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	5483.17	2059.66	38804.65	8281.55	2963.10	122625.50
% change on day	0.34	0.74	0.54	0.53	-1.17	1.06
Currency	\$ Index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	105.555	1.073	159.720	1.269	7.262	5.392
% change on day	-0.228	0.468	0.085	0.475	0.007	-0.965
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.266	2.418	0.986	4.185	2.275	11.542
Basis point change on day	-0.340	1.100	1.380	-0.200	-1.000	-23.600
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LME)
Level	529.30	85.94	81.53	2335.05	30.44	4171.90
% change on day	0.42	0.82	0.99	-0.70	0.68	-1.35

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



Biggest movers

	US	Eurozone	UK
Ups	Schlumberger 3.52	Solvay 5.36	Prudential 7.32
Baker Hughes 3.31	Casino Guichard 3.92	Frasers 3.85	
Packaging 3.27	Unicredit 3.85	Burberry 3.35	
Ford Motor 3.25	Bnp Paribas 3.44	Antofagasta 3.06	
Cummins 3.21	Sanofi 3.42	Jd Sports Fashion 3.05	
Downs	Resmed -10.99	Snam -3.93	Berkley Holdings (the) -2.07
Super Micro Computer -7.02	Terna -2.26	Sage -1.34	
Nvidia -4.45	Asml Holding -1.88	National Grid -1.11	
Dexcom -3.78	Alstom -1.61	Smurfit Kappa -1.04	
Qualcomm -3.55	Ucb -0.79	Auto Trader -0.91	

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar, unless otherwise noted.

Equities

Eurofins shares retreat 23% after short seller Muddy Waters discloses position

MARI NOVIK AND DAN MCCRUM LONDON

Shares in French diagnostic and testing group Eurofins tumbled as much as 23 per cent yesterday after hedge fund Muddy Waters revealed a bet against the company, alleging that it was "optimised for malfeasance".

The New York-based short seller warned in a report that Eurofins' accounts "could contain material overstatements of profits, cash balances, and other asset values". Luxembourg-based Eurofins, which is listed on the Paris stock market, is a testing specialist that Gilles Martin, its chair and largest shareholder, has built through hundreds of laboratory and corporate acquisitions since its inception in 1987.

The company declined to comment. Shares of the group have dropped 28.5 per cent this year. They were trading at €44.22 in Paris by the close yesterday — down 16.1 per cent on the session — giving it a market value of about €8bn.

Eurofins has become a large food, pharmaceutical and environmental testing conglomerate after expanding into medical diagnostics nine years ago.

It completed 40 acquisitions for €158m last year after conducting 59 purchases the previous year. Eurofins reported revenues of €6.5bn and net profit of €308m for 2023.

Muddy Waters' report alleged that it

A report alleged it was a company 'of oddities and contradictions' and its accounting prone to errors

was a company "of oddities and contradictions", claiming its accounting seemed prone to errors and much of its internal financial reporting seemed prone to manipulation.

Eurofins had also started to make smaller acquisitions that did not meet the threshold for disclosure, according to the report.

However, the New York hedge fund stopped short of disclosing evidence of wrongdoing.

For two decades following its 1997 initial public offering, Eurofins was one of the best-performing stocks in Europe.

In recent years, the company has attracted the attention of short sellers because of questions about its governance, accounting and structure.

In October 2019, London hedge fund Shadowfall published a report on the company titled "Too much cash or too much confusion?!" that critiqued the group's reporting and predicted a liquidity crisis.

At the time, Eurofins said the report contained "inaccurate, incomplete, irrelevant or misleading declarations" and subsequently raised €568m from shareholders in 2020 as the pandemic boosted its medical testing arm.

Buoyed by the Covid-19 pandemic, Eurofins' share price reached a September 2021 high of more than €125 per share.

Additional reporting by Ian Johnston

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CAF DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN

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INFRASTRUCTURE INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN

Identifying opportunities for investors and asset managers

September 4, 2024 | 08:00 - 14:00 EDT

In-Person and Online | Convene 237 Park Avenue, New York

The Financial Times, in partnership with CAF (the Development Bank of Latin America and the Caribbean) and CAF AM, is bringing together investors, asset managers, regulators and leaders from think tanks to discuss how policies can be deployed to attract investment that can create quality jobs and improve sustainable development in the region.

Join us in person in New York or online as we explore the funding models for crucial areas of infrastructure development and discuss the growing opportunities for asset managers in the region.

Speakers include:



Sergio Díaz-Granados
Executive President
CAF



Alfonso García Mora
Regional Vice President,
Europe, Latin America and
the Caribbean
IFC



Hector E Morales
Managing Director
and Chairman of
Infrastructure &
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MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



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

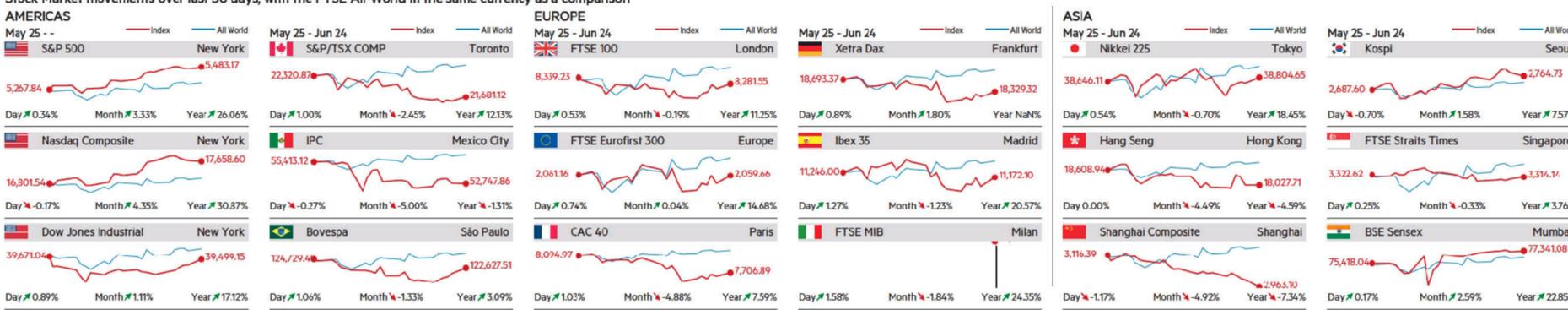


Table with columns: Country, Index, Latest, Previous. Lists various global indices and their current values and previous values.

(c) Unavailable. 1 Direction. 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

Table with columns: AMERICA, EURO MARKETS, TOKYO. Lists top movers in each region with columns for stock, close, and day's change.

Table with columns: BIGGEST MOVERS, LOSERS. Lists top losers in each region with columns for stock, close, and day's change.

CURRENCIES

Table with columns: DOLLAR, EURO, POUND. Shows currency exchange rates for various countries and currencies.

FTSE ACTUARIES SHARE INDICES

Table with columns: FTSE 100, FTSE 250, FTSE 350, FTSE 500, FTSE 1000. Lists various FTSE indices and their performance metrics.

FTSE 100 INDEX

Table with columns: FTSE 100, FTSE 250, FTSE 350, FTSE 500, FTSE 1000. Lists various FTSE indices and their performance metrics.

FTSE GLOBAL EQUITY INDEX SERIES

Table with columns: FTSE Global All Cap, FTSE Global Mid Cap, FTSE Global Small Cap. Lists various global equity indices and their performance metrics.

FTSE SECTORS: LEADERS & LAGGARDS

Table with columns: Aerospace & Defense, Industrial Metals & 3D Printing, Software & IT Services, etc. Lists various industry sectors and their performance.

UK STOCK MARKET TRADING DATA

Table with columns: Order Book Turnover, Order Book Imbalance, Order Book Spread, etc. Lists various UK stock market trading data points.

UK RIGHTS OFFERS

Table with columns: Company, Amount, Latest, Closing, etc. Lists various UK rights offers and their details.

Further information is available on www.ft.com. All rights reserved. "FTSE" is a trademark of the London Stock Exchange Group companies and is used by FTSE International Limited, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table with multiple columns for various countries (Australia, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Korea, Mexico, Netherlands, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, USA, Vietnam) and rows for individual companies with their stock prices and financial metrics.

FT 500: TOP 20

Table listing the top 20 FT 500 companies with columns for company name, price, change, and market cap.

FT 500: BOTTOM 20

Table listing the bottom 20 FT 500 companies with columns for company name, price, change, and market cap.

BONDS: HIGH YIELD & EMERGING MARKET

Table showing bond yields for high yield and emerging market categories, including issuer names and yields.

BONDS: GLOBAL INVESTMENT GRADE

Table showing global investment grade bond yields across various countries and currencies.

INTEREST RATES: OFFICIAL

Table of official interest rates for major economies like the US, UK, Eurozone, and Japan.

INTEREST RATES: MARKET

Table of market interest rates for various maturities and currencies.

BOND INDICES

Table of bond indices for different regions and asset classes.

VOLATILITY INDEXES

Table of volatility indices such as VIX and other market risk indicators.

GLT: US FTSE ACTUARIES INDICES

Table of US FTSE Actuarial Indices showing various risk metrics.

COMMODITIES

Table of commodity prices for energy, metals, and agricultural products.

BONDS: INDEX-LINKED

Table of index-linked bonds with their respective yields and maturities.

BONDS: BENCHMARK GOVERNMENT

Table of benchmark government bond yields across different countries.

GLT: UK FTSE ACTUARIES INDICES

Table of UK FTSE Actuarial Indices showing various risk metrics.

BONDS: TEN YEAR GOVT SPREADS

Table of ten-year government bond spreads for various countries.

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GLT: UK FTSE ACTUARIES INDICES

Table of UK FTSE Actuarial Indices showing various risk metrics.

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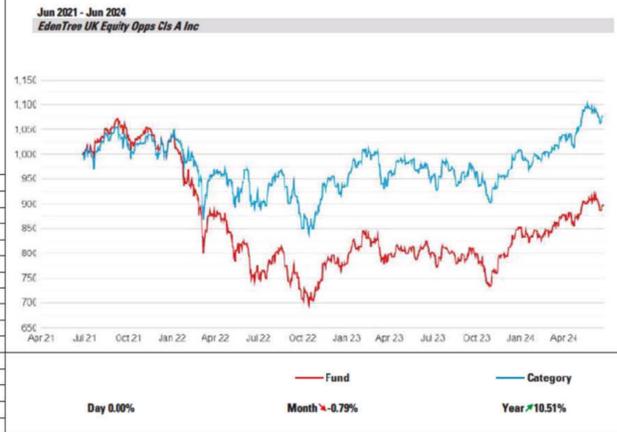
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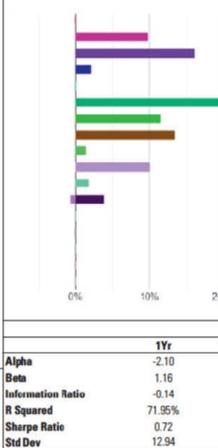


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Performance



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WS Ruffer Equity & General C Inc 544.89 - -0.05 1.28 6.99 2.11
WS Ruffer Gold C Acc 303.84 - -2.64 0.34 22.65 2.04
WS Ruffer Gold C Inc 183.12 - -1.60 0.33 22.67 2.04
WS Ruffer Total Return C Acc 538.03 - -3.25 1.98 -0.09 -1.05
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Tosca Mid Cap GBP £117.80 - -0.64 0.00 -29.93 -21.59
Tosca Opportunity D USD \$252.01 - -15.03 0.00 -29.95 -19.96
Pegasus Fund Ltd A-1 GBP £ 27.03 - -0.23 0.00 -32.66 -22.42

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emv@milltrust.com, +44(0)20 8123 8316, www.milltrust.com
Regulated
Milltrust Alaska Brazil Fund SP A \$ 79.79 - -1.37 0.00 -21.69 -3.31
Milltrust Laurium Africa Fund SP A \$105.96 - -1.56 0.00 4.12 3.07
Milltrust Marcellus India Fund SP \$154.74 - -0.64 0.00 18.56 5.02
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Regulated
Rubric Emerging Metals Fund Income UCITS Fund \$141.36 - -0.03 0.00 0.53 0.11
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ARTS



Burning up the stage: Green Day's Billie Joe Armstrong
Myles Wright/Shutterstock

Punk-pop of fiery intensity

POP

Green Day
Emirates Old Trafford, Manchester
★★★★★

Ian Gittins

When they formed in California in the late 1980s, Green Day appeared unlikely candidates for longevity. The spirited trio were widely dismissed as cartoon punk revivalists; teenage singer-guitarist Billie Joe Armstrong and bassist Mike Dirnt's onstage party piece was spitting as high in the air as they could and catching the saliva in their mouths.

How unwise that dismissal appears now. Thirty-five years and more than 75m record sales down the line, the band's latest world mega-tour last weekend found them entertaining 50,000 people at the Emirates Old Trafford cricket ground in Lancashire, revisiting two albums that both went multi-platinum in the pre-streaming days.

Green Day have always baulked at being described as "punk-pop", which is unfortunate, because punk-pop is exactly what they are. Their 1994 breakthrough album, *Dookie*, played in full here, welded the fervour and attitudinal edge of punk to taut, sweet melodies and pop hooks you could hang your hat on.

Dookie was a restless quest for teenage kicks, and Green Day's bid to recapture them in middle age is aided by the fact that they are ageing remarkably well. Armstrong, 52, looks absurdly youthful under a peroxide thatch. Drummer Tré Cool is more weather-worn but sports a decidedly fetching turquoise quiff.

Firing through that album of adolescent angst, the trio reinhabited its ache and yearning with a frenzy of urgency in perpetual motion. Riffs were short-arm jabs to the solar plexus. Armstrong's wrist was, fittingly, a blur on "Longview", a paean to frantic pubescent masturbation: "Some say quit or I'll go blind/But it's just a myth."

Green Day's early appeal was largely

predicated on their self-effacing humour – and they remain happy to goof. Cool emerged from behind his drums to don a leopard-skin robe and draw the *Dookie* hidden track "All By Myself", looking like a demented *Batman* villain.

Yet the second half of the evening possessed rather more gravitas. After a flurry of songs from this year's UK number-one album, *Saviors*, the trio revisited their career-high 2004 record, *American Idiot*. An audacious concept album and rock opera indebted to The Who's *Tommy*, it won them a Grammy and spawned its own Broadway musical.

A salutary reminder that punk was founded in rage at societal dysfunction, *American Idiot* gave Green Day a way to grow up. In stark contrast to the fun flippancy of their early years, the album looked to convey what its title track called the "new kind of tension" of George W Bush's America, post-9/11 and the invasion of Iraq.

Like *Dookie*, it has aged well. Armstrong's ire sounded intact and authentic here as he spat out insurrectionary words in "Jesus of Suburbia" and "Letterbomb". "Wake Me Up When September Ends", a tribute to his father, who died when he was 10, also remained hauntingly affecting.

Their two-hour set maintained an impressive level of intensity. In Green Day's traditional show-closer, "Good Riddance", Armstrong crooned, "I hope you had the time of your life." Fifty thousand raised voices indicated that that had, indeed, been the case.

greenday.com

Beethoven shines in New York catacombs

CLASSICAL

Ulysses Quartet
Green-Wood Cemetery, New York
★★★★★

George Grella

The Angel's Share concerts in the catacombs of Green-Wood Cemetery in Brooklyn made a brief three-night appearance to bring in the summer before performances return in September.

It was a simple and succinct programme, the Ulysses Quartet playing Beethoven's final string quartet, Op 132 in A-minor, without any of the imaginative staging that is often part of this series. But it was the finest realisation of its concept and purpose I have experienced there.

This first day of summer was hot, the air dense, and the cool chamber of the catacombs seemed like a different universe. A single piece might have felt too little but, surrounded by remnants of past lives, Beethoven's spirit awoke – apt for a work containing a movement entitled "Holy song of thanksgiving", offered after the composer recovered from an illness so serious he thought it would kill him.

At 15 minutes-plus, this long central movement is an arch that begins in resignation and resolves in a glow of recovery. It sits inside the larger arch of this five-movement work; what was so impressive about the Ulysses' performance is how they played the entire piece with a clear, expressive unity and purpose.

Violinists Christina Bouey and Rhiannon Banerdt, violist Peter Dudek and cellist Grace Ho had a robust, grainy old-world sound.

All the fidelity to the score was there and their technique was excellent, even holding together intonation in the humidity of the catacombs. This instrumental skill made transparent the often thrilling details of their thinking and expression.

The violins' vibrant dialogue had a commanding stature, Dudek showed an enticing, dusky sound and Ho's solo passages were full and singing. They bound the spiritual and intellectual expanse of the music with the geography and physical space of the catacombs.

Everything was sculpted shapes and forward motion. The first movement grew to a palpable sense of urgency and pressure. In the shift between minuet and trio in the second, the quartet smoothly etched each of the changing pulses.

The hymn was plain-spoken, the quartet's playing declarative. It also offered a subtle and powerful larger perspective, with gradual changes in tone colour all pointing to a shining sweetness at the end. This was so subtle that one felt it long before realising it was happening.

That expressive technique also showed through changes in instrumental and emotional tone from the first two movements to the final two. There was a complete transformation in character after the hymn. The little march was stately, and the return of ambiguous, agitated feelings in the final movement had an intellectual bite. The Ulysses recalled the urgency of the opening, but managed to move it from the heart to the mind. The piece felt like the thoughts of a person who still has much to do and is eager to do it.

deathofclassical.com



To die for: the Ulysses Quartet at Green-Wood Cemetery — Steven Pisarc

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Extreme feats in unfathomable darkness

DANCE

Wayne McGregor
Saburo Teshigawara
Montpellier Danse

Laura Cappelle

An obscure species of jellyfish lends its name to Wayne McGregor's latest production, *Deepstaria* – and that seems fitting. The British choreographer has spent many years turning dancers into boneless-looking creatures who push and pull their spines and limbs into ever more acrobatic shapes on stage.

The trouble is, even extreme physical feats can get repetitive. McGregor is a prolific movement-making machine, but his works rarely feel honed to their fullest potential. Much of *Deepstaria*, which had its world premiere at the Montpellier Danse festival, is standard fare for his company, all the way down to the minimalist underwear worn as costumes. Nine excellent dancers ripple through forceful sequences, wrap themselves around each other, occasionally pause mid-hyperextension.

McGregor is a tech enthusiast, and so *Deepstaria* involves something called Vantablack Vision, used to create "unfathomable darkness" on stage, though this effect was negated by bright exit signs on both sides of the Corum auditorium.

Meanwhile, the score is credited to sound designer Nicolas Becker and music producer LEXX, but was "recomposed" live by the AI technology Bronze, which sounds like a 21st-century spin on choreographer Merce Cunningham's chance protocols.

There are some genuinely lovely scenes, including a duet for two men in white that brings tender focus to the partnering between them. Near the end, McGregor nods more overtly to his deep-sea inspiration, with gossamer tunics, floaty arms and hands darting in rays of light. However, the choreography rarely dives under the surface to reveal its human impetus. ★★★★★

By contrast, the same night, Saburo Teshigawara found arresting humanity and purpose in the smallest of gestures. The 70-year-old Japanese master still performs live, and it feels as if he has poured decades of experience into *Voice of Desert*, the new work he presented in Montpellier's open-air Agora.

Teshigawara cuts a deliberately frail figure on stage at the start, turning back and forth, his hands reaching timidly, as

if lost in space. He crosses paths with a woman, longtime collaborator Rihoko Sato, yet keeps missing her. Then, classical music brings bursts of sudden virtuosity from both, like layers of physical memory returning to the surface, Sato tracing spellbinding curves in space.

Another woman, Kei Miyata, lurks in the background, and two younger figures waltz on and off the stage like ghosts. *Voice of Desert* reads like a meditation on ageing, at times even a farewell. It also celebrates the quiet mastery and power of highly experienced performers. As Montpellier Danse prepares for a farewell of its own – that of director Jean-Paul Montanari, after a 41-year tenure – Teshigawara met the moment. ★★★★★

Festival continues to July 6,
montpellierdanse.com



The red and the black:
Wayne McGregor's
'Deepstaria'
Ravi Deepres

FT BIG READ. SOUTH AMERICA

Critics fear a massive oil discovery will turn the small country into a victim of the 'resources curse', where extraction inflates the local currency, hollows out domestic industry and breeds societal division.

By Jamie Smyth and Joe Daniels

Guyana: the world's last petrostate?

Inside a drab six-storey office block in a residential street in Guyana's capital Georgetown, a team of ExxonMobil executives are working out how to expand one of the largest offshore oil developments in history.

The US energy giant and its partners, Hess and Chinese group Cnooc, have already discovered about 11bn barrels of oil in the Stabroek Block, a vast oil reservoir about 120 miles off the coast of the South American country.

Over \$55bn of investment has been sanctioned to extract just under half of those reserves. "The way in which we've been able to progress so quickly from discovery to development and production, that is of huge value to Guyana," says Alistair Routledge, ExxonMobil's Guyana president. "It could deliver well over \$100bn to the country."

One of the smallest countries in South America, Guyana had no hydrocarbon industry prior to the Stabroek discovery but the promised windfall could create one of the last petrostates before the world shifts away from fossil fuels.

Field development is already generating rapid growth in a poor country; Guyana's economy expanded 33 per cent even after inflation last year, and the IMF forecasts a similar rise this year.

Environmentalists have labelled the project a "climate bomb" and point to studies suggesting that global warming and rising sea levels could submerge low-lying Georgetown by 2030. There are concerns among civil and human rights groups, trade unions and politicians that the wealth generated will bypass the general public and cause more harm than good.

Political scientists call this the resource curse: the extraction of newly discovered minerals inflates the local currency, hollows out domestic industry and breeds division and corruption.

Critics say the production sharing agreement signed by the previous government in 2016 is unduly generous to the companies, a view shared by the IMF. There are also concerns Exxon is too close to the current administration, led by President Irfaan Ali, and riding roughshod over environmental laws.

The boom is pushing up local prices, piling pressure on households in a country where almost half of the 800,000 population still live on less than \$5.50 a day, the World Bank definition of poverty for a country like Guyana.

There are disturbing precedents for the resource curse. Mobil, which Exxon later acquired, discovered oil off Equatorial Guinea in 1995; the three-decade boom that followed enriched the African country's ruling family but most of its population remained in poverty.

Decades of oil production in Guyana's western neighbour, Venezuela, gave way to economic mismanagement, corruption and authoritarianism. The country's president, Nicolás Maduro, is reviving a historic claim to a Guyanese province that includes part of Stabroek.

Schreiner Parker, a Latin America expert at research group Rystad Energy, says Guyana is "the test case for the resources curse in the 21st century".

Since production began in late 2019 a construction boom has gathered pace in Georgetown, a city known for its tree-lined streets, network of irrigation canals and colonial architecture.

Several luxury hotels are taking shape, western-style shopping centres featuring Starbucks and a Hard Rock Cafe are popping up and Exxon is building a \$160mn corporate headquarters.

The US supermajor has become a household name in Guyana, where it sponsors the Guyana Amazon Warriors cricket team, donates cash to a range of local initiatives and pays for billboard campaigns celebrating its role in boosting the economy.

Building an oil industry from scratch has created local jobs, the company says, with 6,200 Guyanese supporting the activities of ExxonMobil Guyana and its contractors by the end of last year. The company has spent \$313bn (\$1.49bn) with Guyana-based suppliers since 2015, helped in part by local content laws passed in 2021.

One of them is Robin Muneshwer, executive director of a prominent local conglomerate and majority owner of Guyana Shore Base Inc, which won a tender to supply the offshore oil platforms and now employs more than 900 people to operate gigantic cranes, ships and other equipment.

"We are the poster boy for local content," says Muneshwer, adding that the Shore Base partners recently won an 11-year extension to its contract. He says



'Our economy is no longer an economy for the local people. We are in survival mode'

the government is aware of risks of the resource curse and is using oil money wisely to diversify the economy.

The real danger is ensuring that sections of the population are not left behind and the resources sector does not squeeze out other parts of the local economy, he adds.

Academics say Guyana's authorities are in a race against time to show that oil revenues will be shared fairly with the public and not misused by politicians.

"When countries get big oil windfalls their governments tend to become more corrupt, less accountable and it becomes rarer and rarer to have free and fair elections," says Michael Ross, a professor of political science at UCLA. He points out that the government must negotiate with a corporation whose cash flow last year was more than three times Guyana's GDP.

"Exxon is not your friend," says Ross. "They want you to think they are, but they're not. They are a business partner in it for themselves with enormous advantages at the bargaining table."

The risks to Guyana's 32-year-old democracy were highlighted at the last election in 2020, when incumbent president David Granger refused to stand down after narrowly losing the vote.

The next election is due in 2025 and the opposition parties are already putting oil revenues, the consortium's compliance with Guyanese law and concerns about the resources curse at the heart of their campaigns.

"We need to get more out of these oil resources," says Aubrey Norton, leader of the official opposition in Guyana. "Within the first 100 days, we will pursue and engage with Exxon to ensure the people of Guyana benefit."

A High Court ruling last year required the consortium to provide an "unlim-

ited" financial guarantee to cover the cost of any oil spills, according to Norton. Exxon has since agreed a \$2bn guarantee pending an appeal.

Melinda Janki, a former BP lawyer who has lobbied for changes to parts of Guyana's constitution dealing with the environment, is litigating the insurance case and several others. She claims environmental regulators and the government are refusing to hold Exxon to account, risking an environmental and financial disaster for the country.

"These [drilling rigs] are very dangerous operations. They're producing oil above the limits that were set out in the environmental impact assessments," says Janki. She warns a spill similar to Deepwater Horizon in 2010 would devastate Guyana and other Caribbean waterways. The disaster killed 11 workers, leaked 4mn barrels of oil into the Gulf of Mexico and cost BP \$69bn.

Exxon denies Janki's claims, saying it would never jeopardise safety and that its offshore facilities can operate "above design capacity" and achieve additional production safely following re-evaluations or de-bottlenecking studies.

But the Guyana-born lawyer has vowed to continue fighting, arguing the deal struck between the parties "sold our patrimony".

Wall Street analysts consider the production sharing agreement signed in 2016 as one of the best oil deals in modern history due to both the scale of the resource and the terms. Consultants at Wood Mackenzie forecast Exxon and its partners will generate \$135bn in profits between 2024 and 2040. Guyana will receive \$150bn, a staggering amount for a country that had a national budget of \$3.75bn last year.

The consortium can collect up to three-quarters of revenue from the project until its costs are recouped. The remainder is split 50:50 with the government, which also takes a 2 per cent royalty on production from the field – below the level in most offshore oil projects. It has also agreed to pay the companies' income and corporation taxes from its share of the profits.

The agreement is so lucrative that in March it sparked a corporate battle between Exxon and US rival Chevron, which wants to buy Hess in a \$53bn deal. Exxon argues it has first refusal over any sale of Hess's stake in the Guyana find and could torpedo the Chevron deal.

"The oil agreement we have is a legalised form of highway banditry," says Glenn Lall, publisher of Kaieteur News, a newspaper in Guyana that has criticised both the government and opposition for mismanaging the relationship with the oil companies and argued that the Guyanese are getting "chicken feed". Lall says Exxon, the oil industry and

the government are increasingly acting in concert to stymie criticism, including by hiring several of his journalists.

Exxon's Routledge dismisses Lall as a constant critic with political ambitions and "an axe to grind", adding that "this is a competitive contract that is bringing investment into the country".

President Ali acknowledges the deal is "skewed in favour" of Exxon but has not tried to renegotiate. "The size of Exxon, in terms of the economy, tells you that you just couldn't change the contract," he tells the Financial Times. "It would have legal implications and the entire sector would have been held up."

Any new deals with oil companies would not be so "lopsided", Ali says, adding that he is passing reforms to bring more transparency to Guyana's oil sector, diversify its economy and invest in infrastructure, health and education.

In 2021 his government passed laws to increase oversight over Guyana's natural resources fund, in line with the principles set out by the International Forum of Sovereign Wealth Funds.

However, in January it proposed lifting some restrictions on the amount of money it can take out of the fund.

More recently, US authorities imposed sanctions on a senior Guyanese official and several prominent businessmen allegedly involved in a \$50mn tax scam. Mae Thomas, permanent secretary of Guyana's Ministry for Labour, provided benefits to Nazar and Azrudin Mohamed in exchange for cash and gifts, according to the US Treasury.

Critics say these episodes highlight the need for proper scrutiny and oversight. The government says it placed Thomas on leave and defended its record on rooting out corruption.

Foreign journalists should not hold a biased mentality about Guyana, says Ali, adding there is "tremendous corruption [elsewhere] in the developed world".

Ali must also ensure a sceptical public begins to see benefits from an inward investment bonanza that is already helping to push rents and food prices up sharply.

Inflation hit an estimated 6.6 per cent in 2023, according to the US state department, but food prices have risen much more quickly over recent years.

"Since that gas came, things just got a little harder to survive," says Olivia, a stallholder selling peanuts and other foodstuffs near the Marriott hotel, where rooms cost as much as \$600 a night. "It's just getting complicated because you aren't getting the benefit of the oil money. People don't want to pay [us] that money," she says. Discontent is already bubbling.

ExxonMobil and its partners have discovered about 11bn barrels of oil in the Stabroek Block, a vast oil reservoir about 120 miles off the coast of the South American country

FT montage/Reuters/Getty

Teachers affiliated to the biggest union have been on strike for more than 60 days, demanding a 20 per cent pay rise. The Guyana Public Service Union, representing other public sector workers, has also threatened strikes over what it has called "starvation wages."

"Our economy is now an oil economy, it's no longer an economy for the local people. We are in survival mode," says Mehalai McAlmont, who teaches at Tutorial Academy secondary school in New Amsterdam. She says food prices have surged since the oil began to flow in 2019 [official statistics suggest the rise is about a third] while teachers' salaries have stagnated.

Exxon's discovery of oil in Guyana risks another characteristic of the resources curse: conflict with a neighbour. Ross, at UCLA, warns there are worrying parallels between the first Gulf war in 1990, when Iraq invaded its oil-rich neighbour Kuwait, and Venezuela's threat to invade Guyana.

Venezuela has long claimed the Essequibo region, which makes up about two-thirds of Guyanese territory and includes part of the Stabroek Block off its coastline.

In December, Venezuelan president Maduro held a referendum in which he claimed voters approved the creation of the new Venezuelan Essequibo province. He has also ordered state-owned companies to grant licences for exploration and production there. "ExxonMobil is not entering this sea... they should know that," Maduro said in televised remarks in February, after Routledge revealed plans for two exploration wells off the Essequibo coast.

A small but steady military build-up has been documented by researchers on the disputed border. The US, which has significantly increased co-operation with Guyana since Exxon's oil find, has carried out military drills with the Guyana Defence Force.

Exxon says Maduro's threats are "making no difference" to its investment plans and plays down the risk of Guyana falling victim to the resources curse. "Our reputation is very strongly tied to making sure that everything happens as well as it can do," says Routledge, while Ali stressed his nation's "massively expanding military partnership with the US".

But analysts say the rising tensions highlight how the sudden discovery of oil riches increases the risks of conflict, both internally and with neighbouring countries.

Ross, the UCLA academic, points to the many examples of countries that have succumbed to the resources curse and says Guyana faces "a gargantuan task" if it is to avoid joining them.

Cartography by Steven Bernard

Guyana has become a key contributor to global oil supply growth



Sources: Venezuela's National Organisation for Maritime Safety; Art, a carbon crediting programme

The FT View



FINANCIAL TIMES

'Without fear and without favour'

ft.com/opinion

The trust deficit in Britain's damaged politics

A scandal over election betting has raised new questions over ethics

As Britain's Conservatives fight to avoid an electoral catastrophe, for many wavering voters the escalating scandal over election betting will be a final straw. Four Conservatives including aides to Prime Minister Rishi Sunak – two of them election candidates – are known to be under investigation by the Gambling Commission over allegedly placing bets on the timing of the general election. The regulator is reportedly looking into more. Many members of the public will see this as yet another example of the erosion of trust in political ethics under successive UK governments – especially those of recent years.

Days before the betting affair erupted, a survey found public trust in government at a record low. The National Centre for Social Research found 45 per

cent of people would “almost never” trust administrations of any hue to put the nation's interest before their party's. Some 58 per cent would “almost never” trust politicians to tell the truth in a tight corner.

Some caveats are needed. Many of those who go into politics today are still motivated by a commitment to service, and UK politics remains much less corrupt than that of many peer countries – which are also experiencing sharp declines in trust in political “elites”. Despite recent impressions, moreover, questions over ethics stretch back decades, and are not confined either to the Conservatives or to Westminster.

“Sleaze” dogged the final days of the last extended Tory government in the 1990s. Labour's Tony Blair in 2006 became the first prime minister to be questioned by police in office, over a “cash for peerages” scandal, though no charges were brought. And after the widespread misuse of expenses by MPs was exposed in 2009, the percentage of

Britons doubting politicians' truthfulness was even higher than today.

In Scotland, the governing Scottish National party's finances have been probed by police, and its former chief executive charged in connection with alleged embezzlement of funds. The first minister of Wales, Labour's Vaughan Gething, has been embroiled in controversy over accepting a donation from a business whose owner was convicted of waste dumping.

Yet the erosion of trust in political ethics has been compounded by several factors under Tory governments since 2016. The Brexit campaign is seen by many as the moment truth-bending in UK politics morphed into the use of outright falsehoods, typified by the claim on Boris Johnson's bus that leaving the EU would save “£350m a week” to fund the NHS. In this election, Sunak weaponised a bogus claim that Labour would raise taxes on families by £2,000.

A second was a tendency after Johnson became prime minister in 2019 to

Restoring stable and effective government could start to repair the damage, but concerted efforts will be needed

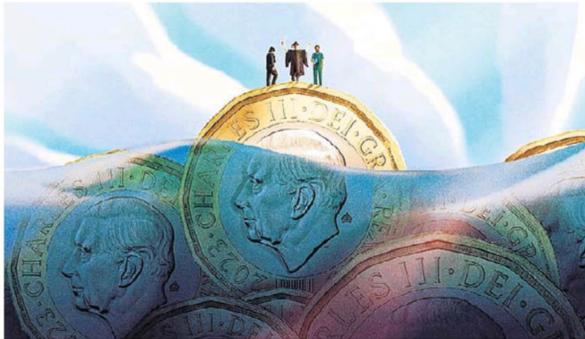
treat rules as only applying to others – including the readiness to trample on domestic or international law in the messy efforts to agree an EU withdrawal deal. The revelation of Downing Street parties held during Covid lockdown left voters feeling disrespected by government – and ultimately ended Johnson's premiership. A third factor has been a sense of declining competence of government and the political system to deliver on voters' priorities.

Restoring stable and effective government could start to rebuild trust. But concerted efforts will be needed, for example, to make party funding, and the system of granting political honours and seats in the House of Lords, more transparent. Tighter controls are still required on MPs' second jobs, and their business and lobbying activities after they leave parliament. If Labour wins the election, repairing what the NCSR called Britain's “broken politics” will be among the hardest – but most important – of all the tasks it will face.

Opinion Politics

The eternal lure of the tax-like policy

Ewan White



In the 1998 episode of *The Simpsons*, “Trash of the Titans”, Homer Simpson is elected to the vital role of sanitation commissioner on a startlingly popular slogan: “Can't someone else do it?”

The result is disaster: in the end, Simpson is forced from office and the whole city has to relocate five miles away to escape the uncontrollable mounds of trash that his ill-starred administration has left behind.

The episode is often hailed as an allegory for populist politics: a prediction of the political style of Donald Trump ahead of the fact. But “can't someone else do it?” is also a message that appeals to mainstream politicians, particularly when it comes to increasing taxes.

In the UK, when New Labour chancellor Gordon Brown partially reversed the country's transformation

advantages: in healthcare, social insurance models tend to have higher productivity, the money in them goes further, and it makes their funding less subject to changing political winds. There is also a policy dividend to be had in hiving off most healthcare funding decisions away from arguments within government about what to fund. Since, unsurprisingly, healthcare is really important to most voters, health spending will outcompete other spending priorities.

The UK is a good example of that: over the past 14 years, the only spending departments not to experience real terms cuts have been health and the Home Office. But the result has not produced good healthcare outcomes or a politically content population. Tuition fees have also produced a degree of politically useful ringfencing because they mean that universities have not had to compete against other, more widely used parts of the education system, like schools.

But tax-like policies also come with downsides and risks. Shunting off the politically difficult challenge of actually raising money via water rates means that central government avoids being on the hook for rate rises and for infrastructure decisions. But it can also encourage the government to fall asleep at the wheel when it comes to its own contribution: in the UK, privatising the water companies and cutting local government out of the picture has resulted in governments not building enough to maintain water supplies or regulating the companies that are tasked with providing clean water reliably.

Raising tuition fees overnight has made it as politically difficult to increase them in line with inflation as it is to raise taxes. And while tuition fees have not changed how students behave, they may well have contributed to unwelcome changes in how universities operate – acting like businesses, investing in fancy buildings, prioritising the demands of their customer base over staff research, and generally recreating the least attractive features of capitalism in an academic setting. Social insurance models on the whole are better at providing healthcare, but introducing them still requires a government that is brave enough to make voters bear upfront costs.

The real risk of tax-like policies is that governments see them as a way out of the tricky obligations that come with proper taxes – a ruse that means they don't need to worry about maintaining the water system, funding education or having tough conversations with the electorate about how better public services need to be paid for.

Tax-like policies have plenty of

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Letters

Public service broadcasters join forces on streaming platform

These are big weeks as we come together for shared national moments – political and sporting. People from all corners of the UK will turn to their trusted public service broadcasters for reliable news.

As leaders of the country's main PSBs, we are acutely aware of our role in the provision of such information and the trust our audiences place in us (“The '24 election won't be won by a tweet, but here's some data anyway”, FT Alphaville, FT.com, June 20).

That trust is based in our duty to be providers of accurate, impartial and

fact-checked news, but also our broader duties to the UK. Our industry is changing fast. While people watch more television than ever, they do so in different ways and on different digital streaming platforms.

As more and more viewers turn to the internet for their information and entertainment, we are conscious of the need to preserve the social good television does, particularly at moments of national importance.

To adapt our role and continue in our duty, we – who are normally competitors – have co-operated to

produce a new streaming platform called Freely. We believe Freely will help ensure that in the increasing number of homes that get their television only through the internet, British audiences will still have the easiest possible access to free, relevant and homegrown programmes.

It will ensure that live programming and on-demand services are freely and easily available in digital-only homes.

In an internet world dominated by global players, Freely will put British content at the heart of free-to-air TV for the streaming age. UK PSBs will

continue to play a vital social role in providing programmes that reflect Britain as it is, that stimulate our unmatched creative economy and that serve all our people rather than just those who can afford it.

Tim Davie
Director-General, BBC

Carolyn McCall
Chief Executive Officer, ITV

Alex Mahon
Chief Executive Officer, Channel 4

Sarah Rose
President, Channel 5 and UK Regional Lead, Paramount

Presidential debate is a high-risk gamble for Biden

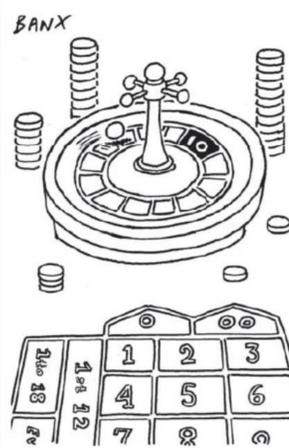
Perhaps unlike Edward Luce (Opinion, June 20), I am old enough to remember the Carter-Reagan debate of 1980.

Jimmy Carter was widely understood to be a nearly certain loser despite deceptive public polling. Indeed, Carter campaign strategists agreed to debate only because they were desperate. The debate may have converted a likely loss into a landslide but it did not change the outcome. Similarly, the Biden campaign would not have given Donald Trump a prime time nationwide platform for his election lies unless they were in serious danger of losing otherwise. Joe Biden's position may be less dire than Carter's but this debate remains a high-risk gamble.

Robert Denham
Oakland, CA, US

Here's the first question moderators should ask

With the first US presidential debate on Thursday, we can only dream of how amusing it would be if the opening



question was simply, “Sir, who do you believe won the 2020 presidential election?” A one word answer from Joe Biden and who knows what from Donald Trump?
Bernard Kerrison
Boca Grande, FL, US

Positives of having a lower birth rate are rarely cited

As early as 1982 German novelist Günter Grass in *Headbirths*, or, *the Germans are Dying Out* pointed out that the developed world – ie the countries most able to care for children – was experiencing declining fertility rates compared with the developing world (“Rich countries' birth rates fall to record low”, Report, June 21).

Since then concerns have been regularly raised over declining tax revenues, the funding of pensions, the costs of caring for the elderly, manning the armed forces, maintaining education systems, and the slower growth in our gross domestic product.

Rarely, if ever, are the positives cited, namely the environmental benefits of a smaller population, the lower pressure on infrastructure and the affordability of housing, particularly for the young.

A Japan of 100m inhabitants will emit less carbon, have fewer traffic jams, have bigger apartments – the Japan Self-Defense Forces will use more robots and more artificial intelligence and, who knows, maybe

even achieve a higher GDP per capita. What's not to like?
Edward Plumby
Northaw, Hertfordshire, UK

Are there no limits to Farage's chutzpah?

Is Reform UK leader Nigel Farage's chutzpah a bottomless pit? He claims EU expansion emboldened Russia's Vladimir Putin to invade Ukraine. In fact, it was in part the EU's contraction, thanks to Farage's beloved Brexit.

Putin knows that when we are divided, we are weak.
Andrew M Rosemarie
International Law Chambers
Salford, Greater Manchester, UK

OPINION ON FT.COM

UK listing reform is too important to be stalled by small stakeholders
Corporate governance bodies and pension funds are mounting a co-ordinated, last-ditch bid to thwart changes to dual-class share structures, writes **Craig Cohen**
www.ft.com/alphaville

OUTLOOK
MIDWEST

Building blocks are laid for Detroit's architectural renaissance



by Patti Waldmeir

Some buildings are more than just marble and masonry. That's certainly true in Detroit, a city brought to its knees by rust-belt decline, which is resurrecting two of its most important architectural landmarks to build on the ashes of its former glory.

Detroit's two most powerful automakers, Ford and General Motors, will anchor the iconic new properties: the meticulously renovated 18-storey Beaux Arts Michigan Central Station, and Hudson's Detroit, on the site of what was once the world's tallest department store.

GM will move its global headquarters next year to Hudson's, a 12-storey office building next to a 45-floor hotel and residential skyscraper on the demolition site of the elegant emporium I used to visit with my grandmother in the 1960s.

And by 2028, Ford will move 2,500 employees to a 30-acre innovation campus centred on the station, where my late father worked as a baggage handler in the 1940s. It was built in 1913 and designed by the architects of New York's Grand Central Station. Buying the abandoned building in 2018, renovating it and developing the campus has cost Ford \$950m.

For decades after it closed in 1988, Michigan Central Station was a post-apocalyptic symbol of urban decline, a magnet for “ruin porn” tourists. Bill Ford, the company's executive chair and great-grandson of the founder,

called it the “place where hope left”.

Fel3000ft, an artist who grew up painting graffiti in the gutted station, remembers saplings growing out of the floor. “It was like life after people, the light was perfect because all the windows were blown out,” he told me.

Ford pumped 3.5m gallons of water out of the basement and reopened a decades-closed quarry to obtain the right shade of limestone for the restoration. The result is an elegant, ornate monument to Detroit's glory days – and may eventually have a restored rail service. But Ford also tried to preserve some of “the scars that tell us where we've been”, including a bullet hole in one pillar and some of the graffiti, Ford's Dan Austin, a local architectural historian, told me during a tour.

Urban planning and real estate experts ask whether post-pandemic Detroit can fill the two new landmarks. Perhaps ominously, the top five floors of Michigan Central were never completed even during Detroit's heyday, Josh Sirefman, Michigan Central chief executive, tells me. Ironically, Ford's last big bid to revive Detroit, the futuristic 1976 Renaissance Centre, is the same building now being vacated by GM. GM bought it in 1996. No one knows what will happen to it now.

Detroit is facing a post-pandemic work-from-home crisis: in May, daily downtown workers averaged only 33,464, half the 66,589 in February 2020, says the Downtown Detroit Partnership. On a recent Friday, I was

able to jaywalk at every red light due to lack of traffic. Pavements were empty and free parking was ample.

But Mary Culler, chair of Ford's Michigan Central Station project, tells me it is “not a traditional real estate development, it's a much bigger vision”. Bill Ford hopes it will be a “talent magnet”. Ford aims to attract 2,500 outside jobs as well, to make the 30-acre campus an innovation hub for new mobility and other technologies.

Kofi Bonner, CEO of Bedrock, the Hudson's developer, believes the tide has begun to turn for Detroit, telling me that “for the first time in recent history Detroit has gained population downtown”, with a year-on-year gain in July 2023, the first since 1957. Hudson's and Michigan Central are helping rebrand Detroit, he says. Buildings create civic pride and make people want to live there.

This has been a good year for Detroit: its football team nearly won a championship spot; then it broke attendance records for hosting the National Football League draft. But those aren't things Detroiters can point to out of their window. Nothing beats a glittering skyscraper, or a Beaux Arts gem, to drive by every day. Will Hudson's and Michigan Central catalyse a wider Detroit recovery? It's too soon to say. But both have been brought back from the dead. This Detroit never thought I'd live long enough to see that happen.

The writer is a contributing columnist, based in Chicago

Opinion

The electoral battle for the supply side

ECONOMICS

Andy Haldane



Obscured from view by political sloganeering, an ideological war is quietly being waged on both sides of the Atlantic. This is a conflict about how best to design and execute policies to boost medium-term economic growth. Welcome to the battle of the supply-siders.

For most of the past half-century, the supply-side agenda of economic policy has been owned by the political right in the UK and US. The intellectual seeds of this revolution were sown in the early 1970s by free-market economists-cum-philosophers such as Friedrich Hayek and Milton Friedman. They were watered by the Great Inflation of the 1970s which laid bare the shortcomings of demand-oriented Keynesian policy

in the face of adverse supply shocks. Indeed, the work of Friedman and others suggested that supply-side stimulus was the only sustainable, non-inflationary, recipe for medium-term growth.

This policy revolution then swept all before it under Margaret Thatcher and Ronald Reagan. Its twin pillars were tight money (to keep a lid on demand and inflation) and low taxes (to unlock incentives to invest and work). Courtesy of the Laffer curve, some believed tax cuts might even pay for themselves.

The pendulum has swung decisively during the 21st century. Unprecedented state intervention followed the global financial crisis, pandemic and cost of living crisis, causing taxes to rise. Nonetheless, as elections have neared and a second great inflation has befallen us, a tax-cutting, supply-side agenda has re-emerged on the political right.

In the UK, recent budgets by the Conservative party have seen rises in tax allowances to encourage business investment and cuts to national insurance rates to encourage people into work. The party's recent manifesto centred on a carrot-and-stick combination

of large-scale cuts to both benefits and taxes to reinforce work incentives.

There is little doubt that the current growth malaise is rooted in supply-side problems – a slowing in both productivity and workforce growth, caused by ageing populations, years of underinvestment and fractured global supply chains. What does not follow is that

Well-targeted industrial strategies have been successful in revitalising more and more countries

the earlier tax-cutting prescription is appropriate now.

There is another way, which the political left in a number of countries is pursuing with vigour. In the US, Janet Yellen's "modern" supply-side agenda has resulted in blockbuster industrial strategy programmes. On most economic criteria, these have been an astonishing success. Many millions of new US jobs have been created since

2019, economic growth has exceeded the G7 average and productivity growth has bucked international trends.

This modern supply-side agenda is now the centrepiece of the UK Labour party's manifesto. Industrial strategy is its foundation stone, supported by an array of new institutions and quangos – Great British Energy, Skills England, the National Infrastructure and Service Transformation Authority and a National Wealth Fund.

The contrast with 1970s-style supply-side policies could scarcely be starker. Then, the measures were narrow and fiscal. Now, they are broad and structural. The strength of the evidence base is incomparable. There is not a scintilla of proof that tax cuts, by themselves, would be sufficient to shift work and investment incentives. The many other barriers to people working (such as poor skills) and businesses investing (such as weak infrastructure) are now more important. As for the Laffer curve, evidence is flimsier than the napkin on which it was first sketched.

Effective modern supply-side policies focus on lifting those barriers to work

and investing at source. The popularity of industrial strategies in doing so has exploded. These measures are no quick fix. Nor do they guarantee success – there are as many bad as good examples and a quangocracy does not a growth plan make. But the body of international evidence suggests well-targeted industrial strategies have had success in revitalising the supply side in a growing number of countries. In some, such as South Korea and Singapore, they have generated something approaching a supply-side miracle.

It would be naive to think this year's elections in Britain and the US will be a battle of economic ideas won, 1970s-style, by the party whose policies boast the greatest conceptual coherence and empirical support. But dare to dream. For if the scales of electoral justice were to be tipped decisively by economic evidence, we would witness a centre-left landslide on both sides of the Atlantic.

The writer, an FT contributing editor, is chief executive of the Royal Society of Arts and former chief economist at the Bank of England

Low migration risks an economic doom loop for the UK

Jonathan Portes

Depending on which of the main parties' manifestos you read, immigration to the UK is either too high or much too high and the next government will cut it. Unlike many other manifesto promises, this one will almost certainly be kept. Visa applications for work and study are down 30 per cent this year already, while emigration is rising. Applications for work visas in the health and care sector have fallen by an astonishing 75 per cent.

Good news for a Labour government? Only in a very narrow sense. The impact of the pandemic and its aftermath on the UK's labour force, in particular the rise in the number of people out of work because of sickness and disability, has been well publicised. Less obvious has been the extent to which this has been offset by migration, with recent arrivals both much younger and more likely to work than the resident population. There are well over a million more people born outside the EU working in the UK than before the pandemic.

A sharp fall in migration will therefore be a drag on both growth and the public finances. The Office for Budget Responsibility estimates a "low migration" scenario would push up the deficit by £13bn at the end of the next parliament, even after taking account of the reduced need for spending on public services. That's twice as much as Labour's modest tax increases would raise. And it does not take into account the implications for the NHS and care sector workforce.

But leaving aside narrow fiscal arithmetic,

A sharp fall will be a drag on growth and public finances, with implications for the NHS and care sector

France could trigger the next euro crisis

GLOBAL AFFAIRS

Gideon Rachman



Our Europe is mortal, it can die," warned Emmanuel Macron in late April. Who knew that just a few weeks later France's president would set about proving his point, by calling a snap election that threatens to plunge the entire EU into a potentially mortal crisis?

At present, global attention is focused on the immediate political dramas in France. The first round of voting will take place on June 30. The far-right Rassemblement National currently leads in the polls, with the New Popular Front, a coalition dominated by the far left, in second place.

At best, a parliament dominated by the political extremes would plunge France into a period of prolonged instability. At worst, it would lead to the adoption of spendthrift and nationalistic policies that would swiftly provoke an economic and social crisis in France.

A French meltdown would rapidly become the EU's problem. There would be two main transmission mechanisms. The first is fiscal. The second is diplomatic.

France is in a financial mess. Public debt is 110 per cent of GDP and the

current government ran a budget deficit of 5.5 per cent last year. Both the far right and the far left are committed to big spending increases and tax cuts that would inflate the debt and deficit, while violating EU rules.

Bruno Le Maire, France's finance minister, has warned that victory for either of the extremes could lead to a debt crisis in France, and supervision of the country's finances by the IMF or the European Commission. Le Maire has pointed to the reaction to the Truss government's "mini" Budget in Britain, to underline how quickly markets can turn against a reckless government.

In reality, a French fiscal crisis could be worse than Britain's tryst with Liz Truss. In the UK, there was a mechanism to sack Truss quickly and to restore rational government. That task would be much more difficult in France, where the far right and the far left have well-established leaderships and do not have more cautious, reality-based politicians on the sidelines.

The second major complication is that France is one of the 20 countries that use the European single currency.

What would happen if the risk premium on French bonds soared? The EU now has mechanisms to step in and intervene with bond purchases. But would Brussels or Berlin be willing to agree to such a move, if the crisis had been provoked by unfunded French spending pledges? The German government is currently struggling to find savings of billions of dollars in its own national budget. Why would it counte-



nance a bailout for a spendthrift France?

The French far right and far left are also deeply Eurosceptic – and are already railing about diktats from Brussels and expressing hostility to Germany. The RN's electoral platform talks of a "profound and irreconcilable divergence" between the world views of France and Germany. Jordan Bardella, who is likely to be the RN's candidate for prime minister, recently threatened to cut France's contribution to the EU budget by €2-€3bn a year.

During the Greek debt crisis, which lasted for the best part of a decade, defiance of the EU from Athens was ultimately overridden by the threat to expel Greece from the euro – a move that would have destroyed the value of Greek savings. But expelling France

The far right and far left are railing about diktats from Brussels and showing hostility to Berlin

from the euro – or the EU itself – is all but inconceivable. The entire European project has been built around the Franco-German couple since the 1950s.

It is much more likely that France would stay in the EU and single currency, but act as a spoiler. That would wreck European cohesion and stability, at a time when the EU is struggling to pull together in the face of the threat from Russia.

Unless Macron resigns, he will continue to represent France at international summits and EU meetings. But, barring a last-minute swing in the polls, the French president is likely to emerge from these elections as a diminished figure. Some of Macron's European colleagues might quietly enjoy the spectacle of "Jupiter" being humbled. But the overall impact on Europe of a diminished and angry France would be grim.

The initial instincts of the RN would be to confront Brussels in the name of French sovereignty. But the far right's leaders have shown some awareness in recent years that hardline Euroscepticism can scare and alienate the voters

and the markets. After losing the 2017 presidential election, the RN quietly dropped its talk of leaving the euro.

An economic crisis – combined with a confrontation with Brussels and Berlin – might lead the RN to fall back on its nationalistic and confrontational instincts. Alternatively, the realities of governing might force it towards accommodation with the EU.

Those with long memories can point to the economic crisis in France in the early 1980s, when a Socialist government attempted to implement a radical, leftwing agenda. That crisis ultimately led to the rise of Jacques Delors, first as French finance minister and then as president of the European Commission. In Brussels, Delors pushed forward dramatic advances in European integration and the launch of the single currency.

History is unlikely to repeat itself in quite the same way. But decades of experience suggest that it is a mistake to bet against the EU's ability to overcome mortal-looking threats.

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Petrol prices may still pose problems for Biden

Daniel Yergin

The coming US presidential election is one in which prices matter a lot. The inflation rate has dropped dramatically in these past two years of the Biden administration; yet it and the economy still rank as the top issues for voters. And the price that now matters the most is that political perennial – the one at the petrol pump. It is where presidential politics collides with the global oil market.

Just two months ago, in mid-April, the prospect of direct conflict between Israel and Iran led to world oil prices spiking to over \$90 a barrel, with fears of worse to come. But the geopolitical premium quickly receded, and there was no major disruption of supply. The market adapted to the remapping of Russian oil trade under western sanctions resulting from the war in Ukraine,

as well as the rerouting of tankers owing to Houthi attacks in the Red Sea.

Meanwhile, demand has not been as strong as anticipated and high interest rates have been weighing on consumption. On the supply side, the surge of oil from the western hemisphere – led by 13.2mn barrels a day of US production – continues to flow into the market.

By the beginning of this month, oil exporters were looking at Brent prices that had started to fall into the high \$70s, with the prospect of going lower. In response, on June 2 OPEC+ decided to roll over its almost 6mn barrels a day of agreed and "voluntary" cuts, with a gradual increase scheduled to begin in October.

In the weeks since, oil prices have rebounded, to the mid-\$80s. And they could certainly go higher with the summer increase in demand, as motorists take to the road, and the risk grows of an Israel-Hizbollah war that could draw in Iran. On top of that, the onset of hurricane season adds the danger of a major storm disrupting the huge oil complex in the Gulf of Mexico and along the Gulf coast.

Political incumbents get blamed for higher petrol prices, even if their influence is limited; and they try to do something about it. In September 2000, with vice-president Al Gore and Texas governor George W Bush locked in a close race and oil prices at a ten-year high, the Clinton administration released oil from the Strategic Petroleum Reserve.

Political incumbents take the blame for higher fuel costs, even if their influence is limited

During the 2012 election year, when prices at the pump hit \$4 a gallon, President Barack Obama travelled to Oklahoma where he, in effect, dedicated the southern part of the Keystone pipeline system, making sure to add: "My administration has approved dozens of new oil and gas pipelines."

But the Biden White House has made far more use of the Strategic Petroleum Reserve than any previous adminis-

tration. It began releasing oil in November 2021, three months before Russia's full-scale invasion of Ukraine, when prices were rising quickly with the post-Covid rebound in demand. The purpose, said the president, was to help solve what he called the "problem of high gas prices". The administration subsequently released much more when the war in Ukraine created an upheaval in global oil markets. Altogether it has drawn down over 40 per cent of the total supply that was held in the reserve when the administration began. It has, however, recently been gradually adding back some supply.

What tools does the administration have to respond to rising prices in the global oil market? The most obvious is further releases from the SPR. Another option is to reach out to Saudi Arabia to put more oil back into the market. Riyadh may want to avoid undermining the OPEC+ framework that it has built. But it has also emphasised being responsive to changing market conditions, and it is clearly keen to advance the potential US-Saudi strategic partnership that is under discussion.

A further option would be to allow more flexibility in the production and distribution of the different summer grades of petrol. Some in Congress will inevitably urge banning petrol exports, as they have before, but that would be deeply damaging to the credibility of the US as a reliable energy supplier.

The most recent national petrol price is around \$3.45 a gallon, which a top Biden adviser recently called "too high for many Americans". It is when prices begin to approach \$4 a gallon that the political heat really begins to rise. And they could well get there over the summer and into early autumn if crude oil prices go up. Any president running for election would be striving to damp down the cost of petrol in an election year.

But at a time when prices in general are at the top of voter concerns, it will certainly be a key priority for the Biden administration to prevent prices at the pump from flowing into the ballot box.

The writer is vice-chair of S&P Global and author of 'The New Map: Energy, Climate, and the Clash of Nations'

metic, the bigger risk for Labour is a political and economic doom loop. Tighter migration policy makes it harder to finance and staff public services. There is convincing evidence that when centrist governments impose austerity in response to such constraints it in turn drives support for populist and far-right parties, which blame the impacts of austerity on both immigrants and the "elites" in power.

Meanwhile, restrictions on legal migration can also lead to an increase in the demand for migrants without authorisation to work. Visible increases in "uncontrolled" migration further undermine the government's credibility on migration issues.

We've seen versions of this across continental Europe for a decade, where neither marginalising the populist right nor co-opting them or their policies have so far been successful for mainstream political parties. The vacillation and appeasement demonstrated by much of the current Conservative party leadership towards Nigel Farage and Reform UK doesn't give much confidence that we will do better.

So the challenge for mainstream politicians, and indeed economists, is to break the doom loop. That means not ignoring the immigration issue nor offering watered-down versions of populist "solutions". There is a window of opportunity here. In the past decade, the UK public's attitudes to migration and especially its economic impacts has become more positive. The idea that the vast majority of the British public is hostile to immigration and that there is nothing that can be done to change that is false.

Meanwhile, Labour has been commendably clear that growth, if not the answer to all the UK's economic problems, is a necessary precondition for reversing them and that there are no easy answers or short-cuts. One essential part of long-term growth strategy – alongside education and skills policy, planning and infrastructure and much more – is a managed but also open and flexible migration policy.

What does that mean in practice? Uncertainty resulting from frequent policy change over the past few years has undermined business confidence and investment in the UK. Labour needs to explain – and soon – that immigration is not the problem, but one part of the solution.

The writer is a senior fellow of the think-tank UK in a Changing Europe and professor of economics and public policy at King's College London



Patrick Jenkins

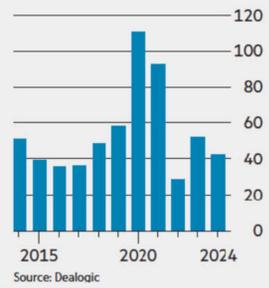
A pro-growth Labour party must eschew whipping-boy bank policies

INSIDE BUSINESS

Peloton's financing tells the tale of a bike ride gone awry



US convertible bond issuance has picked up



A convertible bond issuance in 2021 was supposed to be rocket fuel for the exercise bike maker Peloton. Another such issuance last month looks more like a life raft. In the three years between these deals, Peloton's prospects have faded while interest rates have jumped.

The appetite for these instruments that combine a fixed income security with an equity option has picked up again, thanks to the specialist hedge funds that go long and short in the various components to capture pricing inefficiencies and lock in riskless profits.

Chinese groups including Alibaba and JD.com have found huge demand for convertible bonds among US investors this year, raising billions of dollars. MicroStrategy, the software company turned cryptocurrency speculator, has sold more than \$1bn in convertibles to buy more bitcoin. But Peloton itself may present the most intriguing opportunity.

The terms of the two Peloton convertibles tell the tale of the company and the change in market conditions. In 2021, Peloton shares were trading near an all-time high.

The company raised \$1bn in cash by selling just a potential 1.4 per cent of the company shares at a 60 per

cent premium to its already inflated stock price. Peloton had so much negotiating clout that the bond component paid no interest to holders, nor was it issued with any original issue discount. The company's prospects plummeted in 2022 and the share price never came close to ever putting the equity option in the money.

The latest convertible could not be more different. To raise \$350mn, Peloton had to pay an annual cash interest rate of 5.5 per cent. The equity option becomes exercisable if the stock trades at just \$4.58. The 2021 convertible went in the money at \$239 a share. The shares underlying the latest convertible then represent a staggering 17 per cent of Peloton's total share count.

In other words, Peloton was desperate for cash and if there is even a modest turnaround, the new convertible holders will be in line for a windfall. And if not, they will at the very least clip a decent coupon.

A regular leveraged loan or junk bond offering would prove too costly for Peloton. A convertible allows it to at least sell dilutive equity at a decent premium to current market prices.

Three years ago feels like ancient history. But Peloton hopes that some clever financing can forestall its final chapter.

A debt market boom is delaying Europe's real estate bust

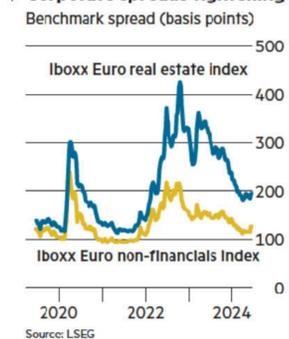
Distress in US real estate markets sent shares in Deutsche Pfandbriefbank (PBB) to a record low this year. Its reaction is both more and less lending into struggling property markets. The specialist lender has been selling assets to cope with rising loan to value ratios. But, hoping to make up for a shortfall in new lending, it is also talking to investors about raising up to €500mn for an inaugural private credit fund.

As banks rein in their commercial real estate exposure, borrowers are turning elsewhere. PBB thinks it can help plug the financing gap by funneling pension and insurance capital into senior real estate debt. Meanwhile, sales of real estate bonds have boomed this year. The result is that even distressed borrowers are managing to raise funds from private lenders at the right price.

Debt capital market volumes in European real estate have rebounded to €15bn in the year to date, says Dealogic, about double what they were for the same period last year. That is in spite of the gloom hanging over northern European property markets, where excessive leverage and falling valuations are biting.

Take PBB: its lending volumes fell by a third in the first three months of the year. Loan to value ratios continued to rise, especially in the US: its average LTV ticked up 4 percentage points to 68 per cent for its performing portfolio of mostly east coast office buildings.

Corporate spreads tightening



Average LTVs for PBB's performing book also rose to 54 per cent.

Bond markets seem more than happy to plug holes left by banks' retreat, with rents and occupancy solid for many owners. Two-year notes issued in May are currently trading at a spread over government bonds of 220bp.

Compare that with refinancings for Swedish social housing and healthcare owner SBB, where loan-to-value ratios remain elevated even after a period of deleveraging. A private debt deal struck in May with Castlake was priced at a benchmark spread of 375bp, which compares favourably with a similar deal in February priced at 500bp.

Investor appetite to lend at higher rates has pushed down spreads this year. In turn, that is helping Europe extend and pretend its way out of a more testing real estate bust.

It seems inevitable the UK high street will fall into ever fewer hands

Luxury goods groups such as LVMH have long built empires by collecting high-end brands. On UK high streets and online, a small group of mid-market houses are gaining ever more dominance by different means.

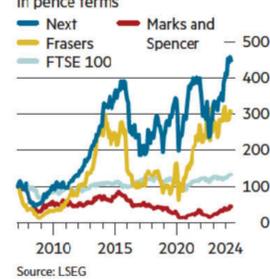
Sports Direct-owner Frasers and Next have been scooping up mid-market brands such as Joules and Jack Wills in recent years. Brands that struggled as independent businesses as costs soared can survive as part of a wider group with warehousing, distribution and ecommerce capabilities. Both Frasers and Next have also taken equity stakes in retailers such as Currys and Reiss with which they see tie-up opportunities. Even Marks and Spencer now has a third-party retail strategy.

Frasers yesterday added to its brand empire by acquiring ecommerce group THG's higher-end goods websites, including Coggles. The deal is part of a wider partnership that will allow Frasers to offer its "buy now, pay later" and loyalty platform — Frasers Plus — to THG's customers.

This makes sense on several levels. Financial services make up only a

High street consolidators outperform wider market

Share prices and index rebased in price terms



fraction of Frasers' revenues but it hopes other retailers will follow THG in adopting Frasers Plus. Finance accounted for 18 per cent of rival Next's trading profits after funding costs in its last financial year, highlighting the potential that BNPL could have for Frasers even if it is a crowded market. Frasers will also benefit from THG's logistics and distribution capabilities in markets such as Australia.

Frasers' founder and majority shareholder Mike Ashley was well known for buying up slightly outmoded sports brands such as Everlast and Karrimor. His son-in-law Michael Murray, who took over as chief executive in 2022, has continued that tradition but enhanced the company's management of brands.

There have been some misses: Frasers put the online luxury retailer Matches into administration earlier this year barely three months after acquiring it. Its sometimes sporadic stakebuilding has also confused investors, particularly when it comes to fast-fashion retailers such as Boohoo. That is partly why Frasers, which trades on a forward price earnings multiple of 9 times, looks cheap compared with its peers. Next, the sector darling, trades on almost 15 times. Frasers has also been trying to address legacy governance concerns.

Other Frasers investments have done rather better: shares in electrical retailer Currys have gained more than 40 per cent since Frasers revealed its holding in June last year. High street consolidators have outperformed the wider market in the past year. Expect their shopping to continue.

Dutch investor Prosus is earning its billing as the other SoftBank

Critics have long complained Prosus is a one-hit wonder. Just a couple years ago, the value of the Dutch technology investor's stake in Chinese internet giant Tencent was worth more than \$130bn, overshadowing the rest of its portfolio. Now it has the numbers to prove it has other tricks up its sleeve.

Prosus' core earnings rose 84 per cent to \$5bn in the year to March. But more impressive was its ecommerce business, which excludes the stake in Tencent, reported a full-year trading profit of \$38mn for the first time ever.

This business includes a portfolio of companies from delivery business iFood in Brazil to digital payments fintech PayU in India.

Prosus is controlled by Naspers, South Africa's answer to Japanese tech investor SoftBank. Like SoftBank's success with its early investment in Alibaba, Naspers has also built its reputation as a stockpicker after taking a stake in Tencent in 2001 for \$32mn.

Two years ago, however, this comparison came with mainly negative connotations. Other investments Prosus held looked weak compared with Tencent. Its glaring discount to net asset value, which swelled to as much as around 50 per cent as the value of Tencent soared, was something SoftBank also shared.

Since then, while a discount remains, Prosus has been narrowing the gap through an open-ended share buyback programme. It has sold down its stake in Tencent from 26.2 per cent to 25 per cent to fund the share repurchases.

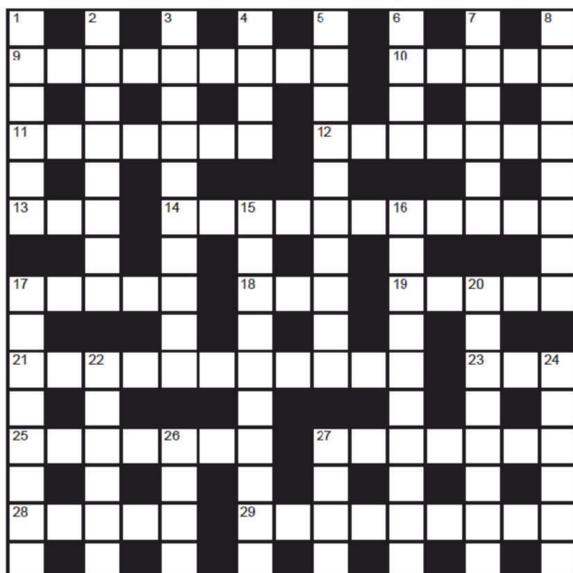
Its portfolio is also growing. It has more than 80 investments in food delivery, fintech and edtech in fast-growing markets such as in Europe, India and Brazil. Group free cash flow tripled to \$524mn. Prosus' shares are up about a third in the past six months with Naspers up 22 per cent as their portfolio companies improved.

Meanwhile, Tencent's performance remains strong. A 34 per cent rally in its shares in the past six months means yet more capital that could be used towards more share buybacks.

That could even leave space for Prosus to join SoftBank in the frenzy to find winners in artificial intelligence.

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Thirteen solutions are 14 Across and all 14 of them lack their definition

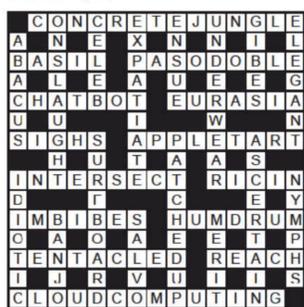
ACROSS

- Race course? (9)
- Age-related exams with time (5)
- Land tortoise quietly left (7)
- Music from the sphere and nothing more (7)
- Three from three (3)
- Python star by airfields (11)
- Chaps left terraced flats (5)
- From the West (3)
- Emergency call included leading lifeboat officer (5)
- Examiner can be seen in small warship (11)
- Row outside actors' room, for starters (3)
- 20 in darts — snooker success (3,4)
- Went against holding international (7)
- Being penniless, went to pieces (5)
- So the umpire has product of mine (9)

DOWN

- Parisian is accepted by fixed band of players (6)
- Female to inform furniture designer (8)
- Tip-top bean stew. Enjoy it! (3,7)
- Nobody fails to finish (4)
- Not those to disturb a Byrd's nest! (10)
- In the heart of Hardy country (4)
- A clergyman in mother's embrace (6)
- Recommends online marriage partners (8)
- Late risers do so, say, to rest in Westminster Abbey (3,2,5)
- Used the riddle again, showing reserve (10)
- Match on TV — it's experimental (4,4)
- Visit the gents with relatives about (4,2,2)
- Sort of parrot? Unlikely! (6)
- Small ruminant out East (6)
- Exercise on record (4)
- Pressmen putting their heads together (4)

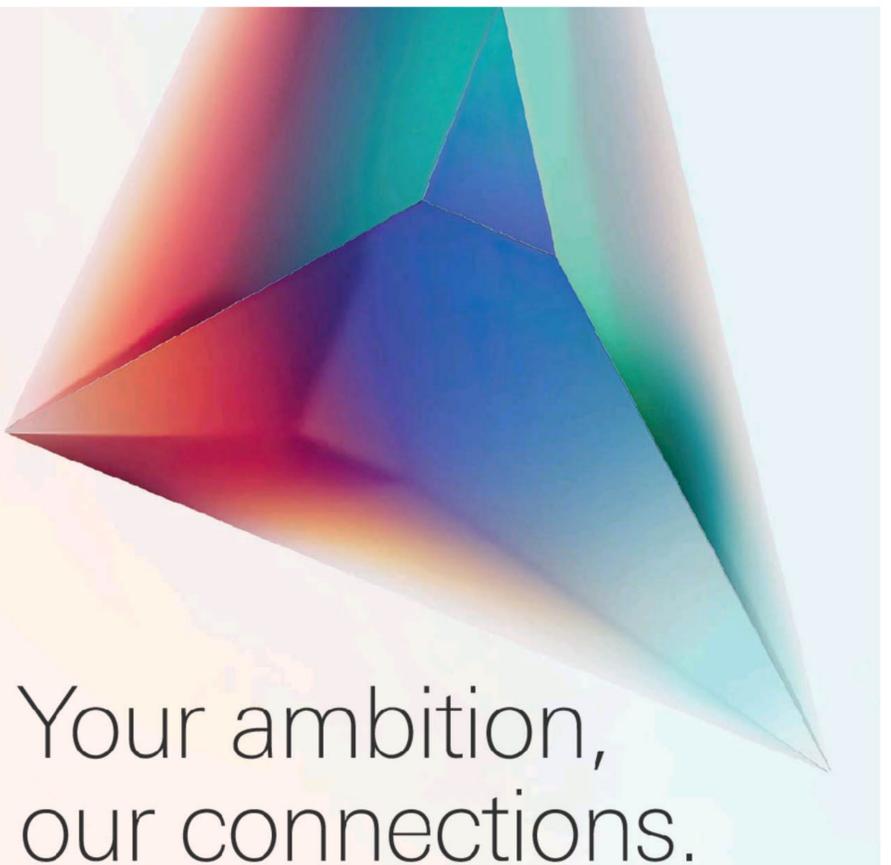
Solution 17,770



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