

NATIONAL

Policy pledge

Sunak suffers NHS waiting list blow

Minister admits 18-month target for treatment in hospital has been missed

LUCY FISHER AND SARAH NEVILLE

Rishi Sunak's plan to double down on his five policy priorities after the Tories' dismal local election results suffered a setback yesterday as the government acknowledged it had missed a target on cutting NHS waiting lists.

Health secretary Steve Barclay made clear some patients in England had been unable to secure hospital treatment within 18 months, despite the government having a target of no one waiting that long by April this year.

Sunak's five policy pledges, outlined in January, are to cut NHS waiting lists,

halve inflation, expand the economy, reduce public debt and "stop the boats" – a reference to efforts to curb the number of migrants coming to the UK in small boats.

Barclay told MPs yesterday that "18-month waits [for hospital treatment] have decreased by over 90 per cent since their peak in September 2021".

The comment represented a tacit admission that the government had failed to meet a significant milestone in its plan to cut NHS waiting lists. In February 2022, as part of a blueprint to clear post-Covid hospital treatment backlogs, NHS England said it would "aim to eliminate waits of over 18 months by April 2023".

Wes Streeting, Labour's health spokesperson, seized on Barclay's comments to declare "the second broken

promise of the day" after ministers had earlier appeared to confirm a breach of a Tory 2019 election manifesto commitment to recruit 6,000 GPs by 2025.

NHS leaders have sought to place the blame for the missed waiting list goal on strikes by health workers, which have

Some backbench
Conservatives are pressing for policies to appeal to voters, such as tax cuts

led to about 300,000 cancelled operations and appointments in England.

The most recent NHS England performance data showed that at the end of February the number of patients waiting 18 months for hospital treatment

had fallen by almost a third to just under 30,000.

Downing Street officials said Sunak was determined to stick to his five-priority blueprint despite pressure to change direction from jittery Tory MPs whose alarm level has rocketed after the party lost about 1,000 councillors in England last week.

Some backbench Conservatives are pressing for policies to appeal to voters, such as tax cuts, while others want faster progress on Sunak's core pledges, notably to curb migrants crossing the English Channel in small boats. Mark Jenkinson, Tory MP for Workington, said tackling the small boats was "a big issue among constituents".

Labour leader Sir Keir Starmer yesterday refused to rule out a coalition government with the Liberal Democrats if his party fails to win a House of Commons majority at the next general election, apparently jettisoning his vow last year not to enter into an accord with another political party.

Last week's local council polls in England suggested Labour was on track to be the biggest party after the general election, but might not get a majority.

Modelling by academics Colin Rallings and Michael Thrasher for The Sunday Times predicted Labour would win 298 seats, falling 28 short of a majority, based on the local council polls.

Starmer reiterated his opposition to any coalition with the pro-independence Scottish National party. But he repeatedly refused to rule out a deal with the Lib Dems, saying he was "aiming for a Labour majority" and did not want to answer "hypotheticals".

Local authorities

Gove to bring forward ban on Israel boycotts

GEORGE PARKER — POLITICAL EDITOR

Michael Gove is poised to bring forward legislation to stop councils and other public bodies boycotting Israel.

The communities secretary wants to stop public bodies adopting "their own foreign policy" and is concerned at the way councils are using their financial power to try to exert influence in the Middle East, say people close to him.

Ministers are set to approve the bill, promised in the Conservative party's 2019 manifesto, that would stop public bodies in England, Scotland, Wales and Northern Ireland bringing in boycott, divestment and sanctions (BDS) policies against foreign regimes.

The policy is in its final "write round" stage, where Gove's cabinet colleagues can express a view. But one senior government official said: "We're expecting the green light very soon." Another said: "It's full steam ahead."

According to officials, Gove and Oliver Dowden, deputy prime minister, are determined to enact the measure before the next election.

The communities department said: "We are firmly opposed to local boycotts, which can damage integration and community cohesion, hinder exports and harm our economic security."

"The government remains committed to our manifesto pledge to ban public bodies from imposing their own boycotts, divestment or sanctions campaigns. We will legislate as soon as parliamentary time allows."

Gove said last year: "The BDS campaign is designed for only one purpose: to attack and delegitimise the state of Israel and the idea that there should be a Jewish state at all." The Union of Jewish Students this year passed a conference motion opposing the bill, arguing: "The bill, in the name of 'community cohesion' and purportedly the Jewish community, seeks to impose a sweeping ban on public bodies making investment decisions based on considerations such as human rights."

In the Queen's Speech last year, ministers said the Boycotts, Divestment and Sanctions bill would prevent public bodies from engaging in boycotts "that undermine community cohesion", leaving sanctions policy to the government.

The government claimed boycotts "may legitimise and drive antisemitism as these types of campaigns overwhelmingly target Israel" and unduly politicise public institutions.

Ministers cited motions by Lancaster city council in support of such campaigns in 2021, and Leicester city council to boycott goods from Israeli settlements in occupied territory in 2014.

Lisa Nandy, shadow communities secretary, has said while Labour opposed Israeli settlements, she did not support the BDS campaign because it "pushes people away instead of bringing people together". Party leader Sir Keir Starmer has made driving out vestiges of antisemitism a priority, after the Equality and Human Rights Commission found it had carried out "unlawful acts of harassment and discrimination" under former leader Jeremy Corbyn.

Last year, 22 Labour MPs defied the party whip to vote against a ban on boycotts of Israel by public sector pension funds. John McDonnell, former shadow chancellor, said he had on "moral grounds" argued against his own pension fund in investing in Saudi Arabia and China as well as Israel.

Militants killed in air strikes page 4

Asylum plan

Giant barge set to house 500 migrants

The Bibby Stockholm arrives in Falmouth, Cornwall, yesterday where the barge will undergo an assessment and refurbishment.

The vessel is expected to house about 500 migrants and is due to be moved into position at Portland Port, Dorset, in a few weeks.

The barge is part of a series of schemes from the government aimed at moving asylum seekers away from costly hotel accommodation, which it says costs the public £6mn a day. However, Dorset's police and crime commissioner has voiced concerns about the port's decision to allow the barge to dock. David Sidwick last week called for funding talks with home secretary Suella Braverman for the extra policing that will be required when the vessel arrives.



Matt Keeble/PA Wire

Public Order Act

London mayor demands review of Met police coronation arrests

WILLIAM WALLIS AND ROBERT WRIGHT

Sadiq Khan has called for an urgent review by the Metropolitan Police of the circumstances around the arrest and detention of dozens of protesters during the coronation of King Charles.

The mayor of London's demand in a letter to Met police commissioner Sir Mark Rowley was backed in parliament by Joanna Cherry, Scottish National party head of the Commons human rights committee, and other opposition MPs.

The arrests of six members of the anti-monarchy campaign group Republic, and three night safety volunteers with Westminster council, on Saturday have caused uproar among opposition politicians and human rights groups.

They expressed concern that the Public Order Act, which came into force only on May 3, had been used to stifle free speech and crack down on the right to protest.

"It is clear that some of the arrests made have given rise to concerns and, in my oversight role as mayor, I am seeking assurance from you that the issues related to these will be subject to a review and lessons learned," Khan wrote to the commissioner.

Khan demanded to know why officers appeared not to know Republic had informed the police ahead of their protest. He also asked why the issue had not been resolved more quickly – Graham Smith, Republic's chief executive, was detained for 16 hours.

In the Commons, Cherry pointed out that police forces were under an obligation to protect the right to peaceful protest.

"What does a group need to do now to clear a protest in advance?" she asked policing minister Chris Philp.

Philp insisted the Public Order Act was not intended to restrict non-violent activism and that a substantial number

of people had been able to protest during the coronation.

"The fact that hundreds of people were able to protest is testament to the right to peaceful protest," he said.

Philp stressed that Met officers had been extremely concerned about the prospect of disorder on the day, including the use of rape alarms to scare mil-



Held: an anti-monarchy protester is arrested in London on Saturday

tary horses, potentially causing them to stampede.

"This was the context – a once in a generation national moment facing specific intelligence threats about plans to disrupt it," Philp said.

Rishi Sunak, prime minister, defended the new legislation: "It wouldn't be right for me to interfere with their operational decisions but it is right for the government to give the police the powers to tackle serious disruption," he told broadcasters.

A record 11,500 officers were on duty on Saturday as hundreds of thousands of people flocked to London to attend the coronation.

The Met on Monday apologised for the arrest of Smith and other Republic members and said no further action would be taken against them.

But Rowley defended the force's decisions, writing in the Evening Standard that officers had become "extremely

concerned" by a "rapidly developing intelligence picture" in the run-up to the event.

As well as the rape alarm plans, he said there had been plans to throw paint over participants in the coronation procession.

"Clearly, this would not only have been unlawful but also extremely dangerous," Rowley wrote of the potential for protesters to start a stampede among military horses.

The commissioner wrote that among the total of 64 arrests, people were detained for a range of offences, including sex offences, possession of illegal drugs and violence.

Dame Diana Johnson, Labour MP for Kingston upon Hull North, told parliament that the home affairs committee, which she chairs, would probably initiate an inquiry into the policing of the coronation and address some of the issues raised.

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Commons report

Defra IT equipment branded 'outmoded and disconnected'

PETER FOSTER
PUBLIC POLICY EDITOR

The agriculture department is a digital backwater that is struggling to upgrade ageing computer systems essential for the protection of public health and the environment, MPs have warned.

The House of Commons public accounts committee today calls for a "complete overhaul" of the Department for Environment, Food and Rural Affairs after issuing a damning report into IT systems at the department, which is responsible for monitoring food safety, air and water quality.

The committee heard that Defra and its agencies still used paper forms to handle about 14mn transactions a year. It highlighted that, until recently, systems for uploading test results of tuberculosis in cattle were so outdated that vets had to buy old laptops to run the government software.

The committee also found that Defra was struggling to recruit enough IT technicians and obtain sufficient funds for a £726mn modernisation

programme that is due to be completed by 2025. Sir Geoffrey Clifton-Brown, deputy chair of the committee, said Defra's equipment was "outmoded and disconnected" and that its upgrade programme was "disjointed".

"We are facing down rapidly spreading animal diseases, maybe the next pandemic, with systems that may rely on moving paper forms around. This cannot continue," he said. "It's time for a complete overhaul at Defra."

The report also found that the depart-

ment was struggling to take a strategic approach to upgrading its applications partly because it had focused on more urgent areas, "such as implementing the IT systems needed for EU exit".

Defra has long been one of Whitehall's weakest departments, according to senior government officials, and has a significant extra workload as a result of Brexit, which has taken the UK out of the EU's regulatory umbrella for food and chemical standards.

Officials and lobby groups recently



Clear-up:
a National Trust ranger with birds killed by bird flu at Staple Island, off Northumberland, last July. MPs fear Defra IT systems are not good enough to tackle, among other things, animal diseases

Owen Humphreys/PA

told the Financial Times that the department was becoming "increasingly dysfunctional".

A report published last month by the National Audit Office, parliament's spending watchdog, found "serious weaknesses" in Defra's administration, particularly due to a backlog of 65 reviews of existing green regulations.

The committee said that while Defra argued that fully transforming its digital systems could save up to £25mn a year, the department had received only 58 per cent of the funding it bid for in the 2021 spending review.

Ruth Chambers, of the Greener UK coalition, which represents 10 of the largest conservation groups such as the National Trust, said the government would struggle to deliver on key projects, such as farming reform, without adequate IT in place.

Defra said it had made significant progress on investing in its digital services, delivering improvements in flood warnings, farming and countryside schemes and the processing of food imports and exports.

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NATIONAL

Haulage industry trains an army of homegrown drivers to resolve crisis

Sector has addressed acute post-Brexit staff shortages through higher wages and skills 'boot camps'

PETER FOSTER — SPALDING
DELPHINE STRAUSS — LONDON

He is only 25 but Lewis Judd looks a natural at the wheel of a 40-tonne truck, performing a tricky reversing manoeuvre in the training yard of the East Midlands haulage company where he soon hopes to have a full-time job.

Under the watchful eye of his instructor, Judd successfully backs up the cab of his lorry, bringing tractor and trailer together with a satisfying click. If all goes to plan, in a month's time he will be driving solo for Lincolnshire-based company FreshLinc.

"My dad was a lorry driver so it's probably in the blood," said Judd, who until a few weeks ago was a window cleaner making £10.50 an hour on a zero-hours contract. He can now expect to earn a steady £30,000 a year after he qualifies, rising to £40,000 if he is prepared to do weekends and overnight trips.

Judd will be joining a new post-Brexit army of homegrown truck drivers that the haulage industry has been forced to train since an acute driver shortage closed petrol forecourts and emptied supermarket shelves in 2021.

Two years on from that crisis, industry leaders and logistics trade bodies report that the crisis has triggered a restructuring of the driver industry leading to higher costs and wage increases of 20 per cent to 30 per cent above pre-pandemic levels, but also a steadier pipeline of younger British drivers.

"I'm not sure it's exactly a Brexit 'success story,'" said Lee Juniper, FreshLinc's boss, who has trained nearly 200 drivers since opening his own on-site driver school 18 months ago. "We've solved the problem but we've had to pay through the nose for it."

Juniper added that despite higher costs the results of the upheaval were not all bad, with the company reducing its reliance on often unreliable temporary agency drivers, leading to easier staff rota management and less damage to his truck fleet as a result of better driving.

Although higher wages for drivers will have added to the pressures on consumer prices, hauliers also faced similar or bigger cost pressures in other areas: repairs, tyres, petrol and the soaring price of the AdBlue exhaust fluid required for diesel engines.

Paul Day, managing director of Turners Soham, a Cambridgeshire trucking company with 2,500 lorries who has also trained many of his own drivers having previously relied heavily on drivers from the EU, said driver supply had stabilised – but with side effects.

"The cost implications of huge pay increases have spilled over into maintenance engineers," he said, adding many mechanics already held heavy goods vehicle (HGV) licences for moving trucks round the yard, so went back on the road when wages surged in 2021.

The 2021 crisis was triggered by the triple whammy of the economy roaring back into life after pandemic lockdowns as about 15,000 EU drivers left the UK because of Brexit and Covid, alongside changes to self-employment tax laws that caused some older drivers to quit.

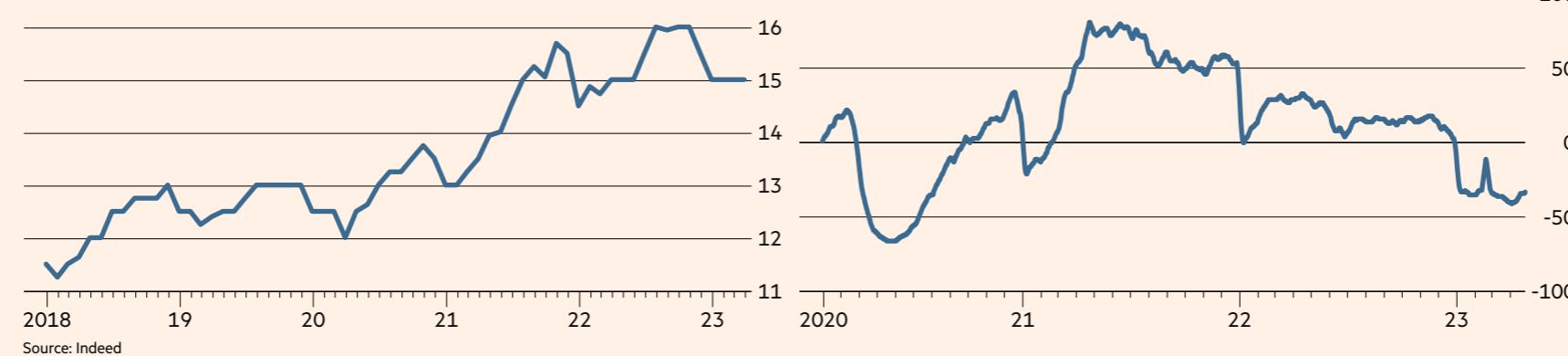
Businesses responded by raising wages, with companies such as FreshLinc and Turners training more of their own drivers.

The industry was also aided by government intervention, including a £34mn skills "boot camp" scheme that was renewed for another year in March.



Wages offered in online job ads for HGV drivers have eased from peaks

Median hourly wage (£)



At the wheel:
trainee driver
Lewis Judd is put
through his
paces at
FreshLinc in
Spalding. Below,
Lee Juniper

Charlie Bibby/FT

Driving test availability has also improved, with the Driver and Vehicle Standards Agency conducting an average of 9,500 Large Goods Vehicle driving tests a month, compared with an average of around 6,000 a month in 2019, according to the Department for Transport.

With HGV training costing between £3,500 and £5,000 a driver, the skills boot camp programme has been valuable in encouraging young people into the trade, according to James Clifford, chief executive of HGVC, a training provider that has delivered some of the scheme.

Boot camp funds are also available for businesses to partially subsidise in-

house training, Clifford said, encouraging companies that were reluctant to invest in training because they feared new drivers would be poached by rivals.

Although the Road Haulage Association and Logistics UK, the trade lobby, say there remained a theoretical shortfall of 50,000 lorry drivers, the driver pool has stabilised at around 275,000, enough to meet current needs. This is partly because the haulage industry is no longer racing to keep up with demand. In the UK, as elsewhere, consumers are buying less as inflation bites.

Tighter supply chains have also caused many retailers to rationalise the number of product lines they are displaying, reducing shipping needs, according to Kieran Smith, chief executive of Driver Require, a recruitment agency.

Day estimated that volumes were down by 6-8 per cent this year, while Logistics UK found that 64 per cent of its members reported they had reduced their fleet size when renewing their memberships this year. Day predicted 2023 would be a "tough year" for the sector.

Truck driver wage rises and job vacancies have also softened markedly, according to Jack Kennedy, economist at Indeed, the recruitment website. Job postings for HGV drivers peaked at 80 per cent above pre-pandemic levels in

'I'm not sure it's exactly a Brexit "success story". We've solved the problem but we've had to pay through the nose for it'

Lee Juniper,
FreshLinc

2021, but were now 34 per cent below this pre-pandemic baseline.

Looking to the future, the industry has mixed views about how resilient it will be when demand picks up, but few expect a repeat of the 2021 crisis.

Industry leaders say they still face medium-term vulnerabilities owing to unsociable hours and inadequate roadside facilities putting off recruits, as well as Brexit, which has removed access to a flexible pool of EU drivers that previously provided a buffer at peak periods such as Christmas.

"The industry is certainly not bullet-proof. There's still a significant shortage of drivers in the UK," said James Russell, managing director of AF Blakemore wholesale distributors, which has invested heavily in training. "If there was some sort of renewed pressure, less well-prepared parts of the industry could still come under strain pretty quickly."

But Day said a full-blown crisis was unlikely, partly because recent experience had taught big companies that they needed to be more flexible in their demands.

"If demand came back by 6-8 per cent suddenly, then we'd be squeezed again and drivers would be scarce," he said. "But we can probably cope with that upsurge in demand if it only comes through the economic cycle."



Ofcom ruling

GB News rapped over Wolf Covid claims

DANIEL THOMAS

GB News breached broadcasting rules last year during a programme in which US author Naomi Wolf compared the rollout of the Covid-19 vaccine to "mass murder", the media regulator ruled yesterday.

Ofcom said an interview between presenter Mark Steyn and Wolf constituted a "significant breach" of its rules – the second time the network has been found to have broken guidelines. The watchdog said it had called GB News in "to discuss its approach to compliance".

The channel has carved out a niche in hiring right-leaning politicians and commentators – including Nigel Farage, former Brexit party leader, and ex-Conservative cabinet minister Jacob Rees-Mogg – as presenters. Other programme hosts and guests have also previously voiced scepticism about pandemic lockdowns and the vaccine.

Veteran journalist Andrew Neil, who stepped down as chair of the network in

September 2021, said at the launch that it would challenge news broadcasting orthodoxy, but also promised that it would not be home to "fake news, lies, disinformation, distortion of the facts and conspiracy theories".

Ofcom found that in the interview, which was broadcast on October 4 2022,

Wolf "made serious claims about the Covid-19 vaccine", including that its rollout amounted to a premeditated crime and was comparable to the actions of "doctors in pre-Nazi Germany".

The regulator said it had received 422 complaints alleging her comments were "dangerous" and included "misinformation" that went "unopposed".

Steyn last appeared on the channel five months ago, it said.

US author Naomi Wolf said the Covid vaccine rollout was akin to the actions of 'doctors in pre-Nazi Germany'

Its probe concluded that GB News "fell short" of a requirement that viewers be adequately protected from content that has the potential to be harmful by "allowing . . . Wolf to promote a serious conspiracy theory without challenge or context".

Ofcom said the fact that the network presented Wolf "as a figure of authority, with particular knowledge and expertise in the safety of the Covid-19 vaccines . . . would have lent credibility to her unchallenged claims".

"Of particular concern was her significant and alarming claim that 'mass murder' was taking place through the rollout of the Covid-19 vaccinations, which she repeated three times," it added.

GB News said it accepted that "former presenter Mark Steyn and his guest, Naomi Wolf, breached the Ofcom code in their broadcast about Covid vaccines last October".

Steyn last appeared on the channel five months ago, it said.

Labour market

Hiring of permanent workers drops sharply

DELPHINE STRAUSS
ECONOMICS CORRESPONDENT

London's labour market cooled faster than anywhere else in the UK last month, according to a survey showing the steepest decline in the hiring of permanent staff since the height of the Covid-19 pandemic.

The jobs report by advisory firm KPMG and the Recruitment & Employment Confederation, a trade body, pointed to the seventh consecutive monthly decline in people placed in permanent roles in April.

Permanent hiring activity fell at the fastest pace since January 2021, when the UK was in a Covid lockdown, and for a third consecutive month it was weaker in the capital than in any other region.

Claire Warnes, partner at KPMG UK, said economic uncertainty had made businesses "cautious about committing to permanent hires", with many announcing recruitment freezes or delaying decisions, even as others strug-

ged to find candidates with the right skills. The report noted a pick-up in recruitment of temporary workers, which rose at the fastest pace for three months. The strongest demand was seen for nursing, medical and care roles.

REC chief executive Neil Carberry said the increase in demand for temps

showed there was "still plenty of opportunity out there", even though sectors such as logistics, driving and food had been "heavily affected by changing consumer behaviour" amid the cost of living crisis.

The survey showed demand for permanent staff had weakened across all areas of the economy. However, the public sector was more resilient than

Equipment faults

Water groups face penalties for failure to monitor sewage spills

GILL PLIMMER
INFRASTRUCTURE CORRESPONDENT

Privatised water and sewage companies will face increased penalties from 2025 for using faulty or broken equipment to measure pollution from storm overflow pipes, the industry regulator said yesterday.

Ofwat, the industry watchdog, also said it would set binding targets for the first time to force water companies to reduce their sewage spills from storm overflow pipes, which release a mix of rain water and sewage into public waterways.

Ofwat can already penalise companies for spills from storm overflow pipes but the new fines will apply to all discharges that breach targets.

The measures come as water companies struggle to react to public pressure after being accused of providing high dividends and pay packages while presiding over serious pollution failures.

The chief executives of Yorkshire Water, Thames Water and South West Water all agreed yesterday to waive their bonuses this year amid widespread criticism of utilities' failure to curb sewage dumping and invest in critical infrastructure.

Water companies have been responsible for monitoring their pollution discharges since 2009. However, since 2015 they have been required to install event duration monitors on overflow pipes, which record the frequency and timespan of spills.

About 90 per cent of storm overflow pipes have EDMs installed with the remainder due by the end of this year.

However, data from the Environment Agency, the pollution watchdog, last year showed many monitors were not working. Ofwat said yesterday that about one in six devices worked less than 90 per cent of the time in 2022.

In cases when monitors were not working, Ofwat said it would assume spills from the site were twice as bad as the current average and penalise companies accordingly.

The proposals are out for consultation and would come into effect in 2025 along with other measures aimed at improving the performance of water groups.

Nick Measham, chief executive of campaign group Wildfish, called the measures a "step in the right direction" but questioned why they had taken more than 30 years to deliver since the privatisation of the water industry in 1989. "All these announcements are great but they are worthless unless the government and the regulators enforce existing legislation," he added.

Aileen Armstrong, senior director at Ofwat, said: "Companies need to reduce the use of storm overflows. We want to introduce measures to hold them to account for this and to ensure companies are in effect monitoring their use of storm overflows."

"We will continue to use all the powers we have to drive companies to get to grips with this issue."

Water UK, which represents the water industry, said: "By the end of 2023 every single storm overflow in England will be monitored."

"By this time next year, every water company will make this data available online so that the nation's swimmers, canoeists, tourists and anglers will all be able to see exactly what's happening, as it's happening, across every river and beach."

the private sector, where recruiters registered the sharpest slowdown in the IT and retail industries, and in hotels and catering.

Recruiters also said they were finally finding it easier to attract candidates after two years of severe staff shortages, with more people looking for work because they had been made redundant, while others were searching for a better-paid role. Again, this increase in candidate availability was more noticeable in London than in any other region.

Weaker hiring and higher numbers of jobseekers have yet to take the heat out of wage growth, which the Bank of England increasingly sees as a threat to its efforts to return inflation, at 10.1 per cent, to its 2 per cent target.

The REC's measure of pay pressures suggested the rate of increase in starting salaries, while below recent averages, had picked up in April, because employers were competing for skilled staff and because they were having to pay more to reflect the rising cost of living.

Dual-use goods

Beijing warns EU over proposed sanctions

Vow of retaliation if bloc punishes companies for helping Russia war effort

GUY CHAZAN — BERLIN

Beijing's foreign minister has condemned EU proposals to impose sanctions on Chinese companies for supporting Russia's war machine, vowing to react "strictly and firmly" to defend its businesses.

Qin Gang was speaking after meeting Annalena Baerbock, his German counterpart, in Berlin to prepare for joint German-Chinese government consultations taking place next month.

Eight Chinese businesses accused of selling equipment to Russia that could be used in weapons have been listed in a new package of sanctions, seen by the Financial Times, which will be discussed by EU member states this week.

Brussels has until now avoided targeting China, arguing that there was as yet no evidence that it was providing weapons to Moscow.

The punitive measures are just proposals, subject to the unanimous approval of the EU's member states.

Qin said China did not deliver any weapons into crisis regions and had laws regulating the export of dual-use goods.

"There is a normal exchange and co-operation between Chinese and Russian

companies . . . [This] must not be disrupted," Qin said. "We are against states introducing extraterritorial or one-sided sanctions on China or any other country according to their own domestic laws.

"And if that were to happen, we would react strictly and firmly. We will defend the legitimate interests of our country and our companies."

3HC Semiconductors and King-Pai Technology, two mainland Chinese companies on the EU's list to be placed under sanctions, are on the US sanctions list.

Hong Kong-based Sinno Electronics and Sigma Technology, two other companies that are on the EU's proposed list are also on the US list.

King-Pai provides microelectronics to Russia that "have defence applications that include cruise missile guidance systems", the US Treasury has said.

Baerbock declined to comment on the sanctions-hit companies. But she said it was "important" that the sanctions the EU had imposed on Russia were "not subverted in indirect ways".

"It is particularly critical when Russian arms companies gain access to war-related products," Baerbock said. For that reason, she added, the EU was considering "pinpointed" measures to ensure that sanctions-hit "dual-use goods don't end up in the wrong hands".

"That is not aimed against any specific country but against these sanc-

tions," she said, adding: "We expect from all countries, including China, that they exert influence on their companies with this in mind."

Addressing China's recent peace initiative for Ukraine, Qin said Beijing would remain in contact with all relevant countries and "play a constructive role" in resolving the conflict.

He said Xi Jinping, Chinese president, in a recent phone conversation with Ukrainian president Volodymyr Zelenskyy, had stressed that "dialogue and talks are the only way out of this crisis".

"China will not pour oil on to the fire and will not try to derive its own benefit from this crisis."

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Turkey

Erdogan doles out pay rise in latest pre-poll giveaway

ADAM SAMSON — ANKARA

Recep Tayyip Erdogan has handed a bumper pay rise to 700,000 Turkish public sector workers just days before the presidential election, the latest in a series of handouts aimed at convincing voters to back him on Sunday.

The Turkish leader announced yesterday that lower-paid government workers would receive a pay boost of 45 per cent, saying he would "not let anyone be crushed by inflation".

Erdogan faces Kemal Kilicdaroglu, who represents a six-party opposition alliance, in a poll that analysts say is one of the most important since the president came to power two decades ago. Erdogan's popularity has fallen as the purchasing power of many Turks has tumbled because of soaring inflation and a lira that is trading at record lows against the US dollar.

Polls show Kilicdaroglu has a narrow lead, but analysts say it is likely neither politician will clinch the 50 per cent share of the vote required for victory, since other candidates are also running for president. If neither Erdogan nor Kilicdaroglu hits the mark, there will be an unprecedented run-off on May 28.

The ruling Justice and Development party has sought to reassure voters that it will improve economic conditions, with officials at the grassroots level often indicating that only Erdogan has what it takes to boost prosperity in the country of 85mn people.

However, economists say Erdogan's unorthodox approach, including cutting interest rates, is one of the main reasons why inflation has soared and investors have fled from Turkey's markets.

Erdogan has revealed a steady stream of public handouts in recent weeks. The flashiest of the announcements have included a free month of natural gas for consumers and lower electricity prices, along with increases in the minimum wage and pensions for public workers.

Kilicdaroglu has promised that his coalition, known as the "table of six", will reform the country's economic management and attempt to win back foreign capital.

Additional reporting by Funja Guler

See Markets and FT Big Read



Parade speech Putin claims west wants to destroy Russia

Vladimir Putin vowed to continue pursuing his war in Ukraine yesterday, accusing western nations of seeking to dismember Russia as the president's forces launched more missile attacks on Kyiv.

Speaking at a scaled-back military parade in Moscow's Red Square to celebrate the Soviet Union's victory in the second world war, Putin claimed that "a real war has once again been unleashed against our motherland". The goal of this, he said, was to "achieve the disintegration and destruction of our country".

The modest festivities took place amid security concerns following a string of drone attacks deep inside Russia. Ahead of the parade, Russia launched air strikes against Kyiv and other cities in Ukraine, which were described by Volodymyr Zelenskyy, president, as an attempt by Moscow to show some military successes in its faltering invasion.

"Russia . . . needs to sell something to their society," Zelenskyy said during a news conference with Ursula von der Leyen, European Commission president. "They were not able to sell Bakhmut to their society because they were not able to capture Bakhmut," he added, referring to the bombed-out city in eastern Ukraine that Russia's

forces have unsuccessfully tried to capture for about nine months.

Russia fired 25 cruise missiles at Ukraine yesterday, most of which were intercepted. Explosions also rocked Kyiv on Monday as Russia sent its largest swarm of attack drones to target the capital. With many predicting that a counteroffensive would focus on Russian-occupied territories in Ukraine's south-east, Moscow last week began a partial evacuation of civilians from some frontline areas in the region.

Ukrainian officials said 23 of the missiles were shot down. The country has recently benefited from Nato-grade anti-missile defences, with the US yesterday announcing additional assistance, including more air defence systems and ammunition.

Von der Leyen, who arrived in Kyiv after the strikes, described Ukraine as "the beating heart of today's European values", adding that "in Russia, Putin and his regime have destroyed these values, and now they are attempting to destroy them here in Ukraine".

"But the aggressor has already dramatically failed. Ukraine has resisted the attack and is fighting back successfully."

Von der Leyen said it was "very fitting" to celebrate Europe Day in

Kyiv, particularly since Ukraine had changed its holiday to celebrate Europe Day on May 9, in line with other EU countries.

Emmanuel Macron, French president, also signalled support for Kyiv, writing on Twitter that "today, with our help, Ukraine continues to resist and, on the strength of its own courage, will emerge victorious".

In his brief speech, Putin continued to describe the invasion of Ukraine as a "special military operation", a term intended to create the sense that the battle would be swift and limited in scope. But he also, for the first time, referred to the conflict as the "people's war".

The Moscow parade was notably shorter than in previous years, analysts said. "Most of the equipment they typically roll through the square was not on display," said Michael Kofman, director of the Russia studies programme at the Center for Naval Analyses, a Washington think-tank.

"I think they cut most of the parade short to avoid the risk, and the time during which leadership would be exposed."

Additional reporting by Felicia Schwartz in Washington

Talking tough: Vladimir Putin addresses a slimmed-down Victory Day parade in Moscow's Red Square yesterday
Gavril Grigorov/Sputnik/AFP/Getty Images

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Palestinian Islamic Jihad

Israel kills three militant commanders in Gaza air strikes

JAMES SHOTTER — JERUSALEM

Israel was braced for retaliation after its forces killed at least 15 people in air strikes in the Gaza Strip yesterday that targeted commanders from the militant group Palestinian Islamic Jihad.

Palestinian officials in the blockaded strip said in addition to the fatalities, eight of whom were women and children, 22 people had been injured.

"We are in the midst of a campaign and we are prepared for all possibilities," Israeli prime minister Benjamin Netanyahu said at the start of a security cabinet after the strikes.

The air strikes are the latest burst of violence in a year of rising Israeli-Palestinian tensions, which has included several exchanges of rocket fire in Gaza, as well as near-nightly Israeli raids in the occupied West Bank in response to a series of attacks by Palestinians.

Israel's military said the strikes were a response to a bout of rocket fire from Gaza last week, when Islamic Jihad militants fired more than 100 projectiles at Israel after the death of one of their members, Khader Adnan, on the 87th day of a hunger strike in Israeli custody.

Israeli and Palestinian officials named the commanders killed in yesterday's strikes as Khalil al-Bahitini, head of Islamic Jihad's operations in the northern Gaza Strip; Tariq Ezzi el-Din, who coordinated the group's activities in the West Bank; and Jihad al-Ghanim, secretary of its military council.

Israel said the militants were involved in last week's rocket fire and also were planning "future activity". An official said Israel had targeted only military targets and "regretted" any civilian casualties.

In anticipation of retaliation, Yoav

Gallant, Israel defence minister, approved the call-up of reserves, and authorities ordered Israelis living in the vicinity of the coastal enclave to stay close to bomb shelters.

Islamic Jihad and Hamas, the larger militant group that controls the Gaza Strip, condemned the air strikes. Islamic Jihad vowed revenge, while Hamas said Israel would "pay the price for its crimes and aggression" but did not specify what action it would take.

Analysts said the stance of Hamas — it has far greater military capabilities than Islamic Jihad and most recently fought



Palestinians mourn those killed in the air strikes yesterday — Mohammed Saber/EPA-EFE

Trade

Chinese investment in Europe hits decade low

JAMES KYNGE — LONDON

Chinese investment in Europe fell to its lowest level in almost a decade last year as European countries tightened rules to stymie a lot of acquisitions.

The 22 per cent decline in investment in 2022, charted in a study by Rhodium Group, a research company, and Merics, a Berlin think-tank, reflects Europe's recent moves to police the sale of assets to China after years of enthusiastically courting investment from Beijing.

The researchers found that at least 10 of 16 investment deals pursued in 2022 by Chinese entities could not be completed in the technology and infrastructure sectors, principally because of objections raised by authorities in the UK, Germany, Italy and Denmark.

Several of the aborted deals, such as proposed semiconductor acquisitions in Germany and the UK, were blocked after reviews into the specific technology targeted by the Chinese investor. In other cases, deals already agreed were annulled or collapsed after the imposition of regulatory stipulations, the report added.

"Increased scrutiny of inbound investment will likely continue in coming years," said the report by Agatha Kratz and Mark Witzke at Rhodium Group and Max Zenglein and Gregor Sebastian at Merics. The authors noted that their study of 16 investment deals was by no means exhaustive because government reviews of transactions were often not made public.

The overall level of Chinese investment into the EU and UK declined 22 per cent to €7.9bn in 2022, the report said. The level of investment was a fraction of the €47.4bn recorded in 2016 and the lowest total recorded since 2013. The totals include investment into new operations as well as mergers and acquisitions.

Some of the deals blocked by European regulators included Germany's ban on Sai MicroElectronics' proposed acquisition of the automotive chip assets of Elmos Semiconductor, the UK's stopping Hong Kong's Super Orange from buying electronic design company Pulsic and Italy's annulment of the sale of a military drones group, Alpi Aviation, to Chinese state-backed companies.

The authors highlighted that more EU countries were tightening their oversight of Chinese investments, including with powers to revisit regulatory approval for past deals.

"In 2023, review mechanisms will come into effect in Belgium, Estonia and Ireland, in the latter also with retroactive effect," said the report.

"The Netherlands is planning to launch a broader review system that will allow for reviews of sensitive technologies and energies, also with retroactive effect."

Increased European scrutiny of deals follows a similar trend in the US, where the Committee on Foreign Investment in the US has become more active in vetting proposed Chinese acquisitions of American tech assets.

Other factors weighing on investment flows included the coronavirus pandemic, which severely limited travel to Europe by Chinese businesspeople, and domestic Chinese controls on outbound capital.

an 11-day war with Israel in 2021 — would be the main determinant of whether the confrontation escalated.

"[If Hamas decides] to join, it could lead to rocket fire from the northern front and a significant prolongation of the operation," Tamir Hayman, former head of Israeli military intelligence, wrote on Twitter.

Forty Israeli aircraft were involved in yesterday's air strikes, which the military said also targeted 10 weapons manufacturing sites and military compounds linked to Islamic Jihad.

More than 100 Palestinians and 19 Israelis have been killed this year. The violence is a serious challenge for the government of Netanyahu, which came to power promising a hardline stance against Palestinian militants.

Since the rocket fire last week, members of the extreme-right Jewish Power party, a junior group in the coalition, had refused to attend cabinet meetings in protest against what they branded as the government's "feeble" response.

But members of Jewish Power backed the air strikes yesterday, with one, Almog Cohen, saying that they had "our full [support]."



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INTERNATIONAL

Europe struggles to revive health services after pandemic crisis

Fears voiced on capacity as burnt-out staff quit and populations grow older

SARAH NEVILLE — LONDON
GIULIANA RICOZZI — ROME

Staff burnout and demographic changes threaten a permanent contraction in the European health workforce, with the sector's leaders warning they may never restore the capacity to treat patients to pre-pandemic levels.

Across the continent, clinicians are confronting a damaging mismatch between demand and resources, with public spending cuts forcing them to look at different ways to treat patients.

"Covid-19, an ageing society and people who feel really overworked... might add up to a long-term reduction in the capacity of the healthcare system," said Heyo Kroemer, chief executive of the Charité hospital in Berlin, one of Europe's biggest teaching hospitals. "I'm not really sure whether in Germany we will ever come back to the 2019 capacity."

Chronic shortages have been aggravated by a struggle to replace workers who have left public health services. Kroemer's concerns are shared across Europe. Elie Azoulay, professor of critical care medicine at Saint-Louis Hospital in Paris and president of the European Society of Intensive Care Medicine, said 15-25 per cent of hospital beds across the EU were out of commission because of a lack of personnel.

Staff must still cope with a big backlog of treatment even after the World Health Organization declared an end to the Covid emergency on Friday. Stefano Fagioli, a gastroenterologist at Bergamo Hospital in northern Italy, said he

and his colleagues were "working at a rhythm more than 100 per cent higher than in 2019, but staffing levels have not increased proportionally". He added: "Plus, we have three years of fatigue and psychological pressure behind us."

The trends hit some EU nations harder than others, said Azzouz, whose organisation represents more than 10,000 intensive care staff. Central Europe was "very much affected", with nurses from Romania and the Czech Republic leaving to help fill shortages in wealthier countries such as Germany.

Giuseppe Bonsignore, a radiologist, from the Villa Sofia-Cervello hospital in the Sicilian city of Palermo, said six emergency room doctors had left in recent weeks, two of them moving to northern Italy to undertake less intense on-call work. His own department was now short of 10 doctors, he noted, following recent departures and retirements. "This means doing more shifts, less holidays," he added. In Bergamo, Fagioli said a few of his colleagues had left his unit for less-pressured work in the private sector or at other hospitals.

Psychologist Laurence Erdur, who was transferred to Charité's ICU to support both staff and patients at the start of the pandemic, said some colleagues had struggled then to make sense of the large numbers of young people dying.

While everyone had received the same professional care, the need to treat people who had opted not to be vaccinated had intensified the sense of frustration and helplessness. "When people consider that their work doesn't make



Sharp end:
the intensive care unit at University Hospital Leipzig.
Germany is one of several EU countries where health workers have taken industrial action over working conditions and a lack of resources

Jens Schlueter/Getty Images

sense, that's a crucial point where [they] quit the job," she added.

Reflecting the pressures, health workers in France, Ireland, Germany and other countries have turned to industrial action over the past year to protest against working conditions and a lack of resources. Demographic shifts are leaving health systems with far more elderly people to care for and far fewer workers to undertake that care.

"If you compare the birth year 1960 with the birth year 1975, in Germany you have a decrease in birth rates of more than 30 per cent. So a third of the population will be lacking within the next 10 years," Kroemer said. International recruitment would only partly make up for this shortfall, he added.

Kroemer said traditional approaches to hiring workers "will be of limited value because you cannot recruit people who are simply not there".

Some European countries are bucking the trend. In Sweden, Karolinska University Hospital has increased its workforce since the start of the pan-

demic. Its chief executive, Björn Zoëga, attributed this to the extent of psychological support the hospital offered staff and to Stockholm's decision to avoid lockdowns, which spared his workforce from the stresses of home-schooling.

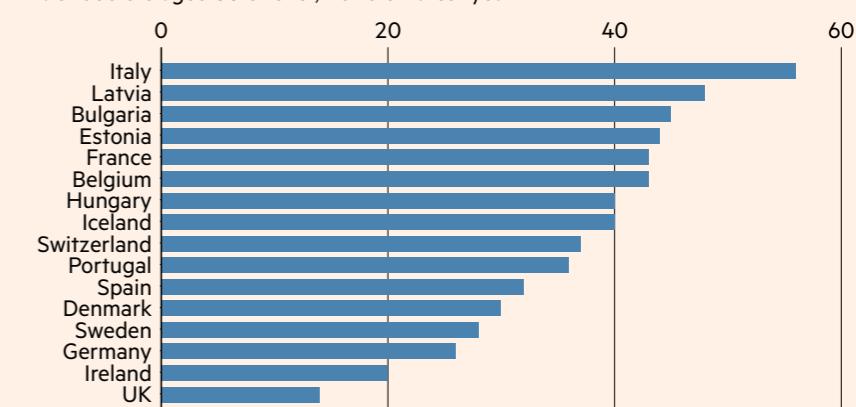
"Of course, we lost some staff but we gained some staff," he said. In March, Karolinska's nursing staff numbers were the same compared with December 2019 but the number of assistant nurses had increased 4 per cent and doctors 9 per cent. But about 6 per cent of the workforce in the Stockholm area was employed in healthcare, he said, but if the population continued to age at the current rate, that would need to rise to 36 per cent in 10 years and "that is never going to happen".

The contraction in Europe's health workforce had begun long before Covid because of years of "chronic under-investment", said Hans Kluge, the WHO's director for Europe. The UN body estimates the global shortfall in healthcare workers will reach 10mn by 2030.

Healthcare spending needed to be

Ageing healthcare workforce will exacerbate staffing shortages

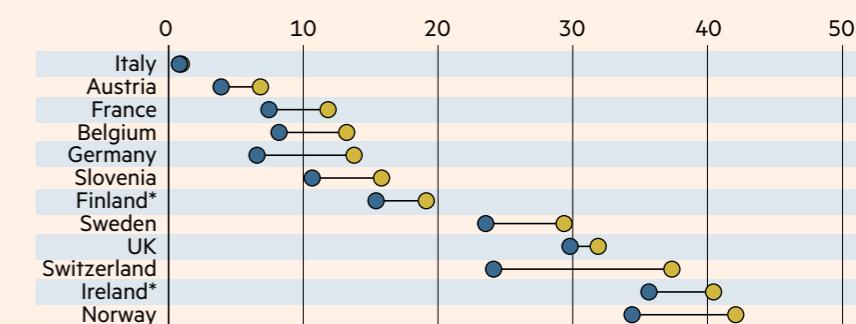
% of doctors aged 55 or over, 2020 or latest year



Foreign-trained doctors make up a rising percentage of Europe's healthcare workforce

% of doctors that are trained abroad

● 2010 ● 2021 or latest available



* Earliest data is 2011

Sources: WHO; Eurostat

redefined as an investment rather than simply a sunk cost, he said, with politicians often believing that such expenditure disappeared into "a black hole".

Covid's key lesson, according to Kluge, is that there should not be a "false dichotomy" between health and economic development. Kroemer said using digital technologies more effectively to communicate with and assess patients would help a broader shift in focus to preventing, rather than simply treating, disease – an approach he said Germany had been slow to adopt.

"You have to reduce the number of people who get sick... to cope with this [demographic shift]," he said.

Kluge agreed that better use of digital tools was vital, allied with the more flexible deployment of staff. "Nurses and midwives are the biggest health workforce in the region and we could make far better use of that in many countries," he said. "You'll never hear me saying that health is everything, but without health there is nothing."

Janan Ganesh see Opinion

HELPING FINANCE GO GLOBAL WE OFFER STABILITY IN A VOLATILE WORLD

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Opposition leader

Khan arrest spurs fresh protests in Pakistan

Supporters call for release after former premier held on corruption charges

FARHAN BOKHARI — ISLAMABAD

CHLOE CORNISH — MUMBAI

Imran Khan, Pakistan's former prime minister, was arrested by the country's anti-corruption force yesterday, sparking fresh protests by his supporters in an already volatile political climate.

The opposition figure was detained by the National Accountability Bureau out-

side a court in Islamabad where he was due to face graft charges. Video posted by his party showed the former cricket star being dragged into an armoured vehicle by a crowd of government agents, many carrying riot shields.

"Imran Khan has been arrested because he was being sought in a graft case," Rana Sanaullah, Pakistan's interior minister, said. The allegations relate to the purchase of land by a charitable trust controlled by Khan and his wife Bushra Bibi, he said.

The arrest of the country's most popular politician follows months of protests

by his supporters. The former premier was ousted by lawmakers in a no-confidence vote last April.

Khan's Pakistan Tehreek-e-Insaf party demanded his immediate release, and encouraged his supporters to go out and protest.

Police in the central city of Lahore were put on a high alert as thousands of people took to the streets, the Associated Press reported, while crowds also gathered in other large cities.

The PTI said in a tweet that paramilitary "rangers [had] abducted" Khan. Shireen Mazari, a PTI leader, ques-

tioned the legitimacy of the arrest. "In the specific matter of this land case, Imran Khan was not issued with any notice ahead of his arrest. He was suddenly picked up after being attacked viciously," she said.

Arrest threats against Khan this year had sparked protests in the capital, Islamabad, and police clashed with Khan's supporters outside his residence in Lahore in March.

"Things are already very bad and this will only aggravate Pakistan's situation," said Ayaz Amir, a former member of parliament. "The manner in which

Khan was arrested will not leave a good impression on anyone."

Khan lost the vote of no confidence last year after failing to solve the country's economic problems. But a further deterioration of the economy since then has revived support for him, at the expense of his successor Shehbaz Sharif.

Khan was shot while taking part in a protest convoy in Wazirabad in November, suffering a leg injury.

National elections are due to be held in October but Khan faces a barrage of legal challenges that could disqualify him from running, including allegations

that he unlawfully sold gifts he received while serving as prime minister.

The arrest came the day after the army criticised Khan for accusing a senior general of backing the failed assassination attempt against him. "These fabricated and malicious allegations [by Khan] are extremely unfortunate, deplorable and unacceptable," the army said. "This has been a consistent pattern for [the] last one year, wherein military and intelligence agencies officials are targeted with insinuations and sensational propaganda for the furtherance of political objectives," it said.

Education. Political pressure

Florida law stokes fears of academic intimidation

Governor DeSantis set to approve act that outlaws state funding for 'woke' activities

ANDREW JACK — NEW YORK

Academics and free-speech advocates have warned of a new era of intellectual intimidation in Florida after lawmakers voted to impose some of the country's toughest restrictions on the independence of its universities.

Florida's Republican-dominated state legislature last week approved a bill that weakens academic tenure, outlaws state funding for campus activities that advocate diversity, equality and inclusion, and requires "the western canon" to be taught, while banning content on identity politics or systemic racism.

The law, set to come into force on July 1 after it is signed by governor Ron DeSantis, marks the latest intensification of pressure by conservative politicians on the management of schools,

universities and libraries across the country, including through book bans and restrictions on curriculums.

"We are living in a culture of fear and nervous about repercussions. What comes across is that we should be careful in what we teach," said Alexandra Cornelius, director of women's studies at Florida International University.

The latest moves follow recent actions and threats that have already spurred academics across Florida's publicly funded universities to censor courses, seek jobs elsewhere and switch communication to personal emails to circumvent orders not to talk to the media.

Andrew Gothard, president of United Faculty of Florida, an education union, said: "It's hard to overstate how harmful this is going to be. We are already hearing across the state of faculty searches failing and faculty retiring in droves or seeking jobs in other states to get away from all this nonsense and propaganda."

DeSantis signed a "Stop Woke Act" in 2022 to restrict teaching on race and gender and has sought to ban discussion



Tallahassee: demonstrators protest in February against plans by Ron DeSantis, below, regarding Florida's 'Stop Woke Act'

Joshua Lott/The Washington Post/Getty Images

on LGBT+ topics in schools, prevent academics testifying on policy, and required universities to compile lists of diversity programmes with the intention of axing their funding.

He also changed the leadership at New College, a small liberal arts university, appointing as a trustee a conservative activist who attacks critical race theory. Since then a librarian has been fired and some faculty members have retired early or quit.

Matthew Lepinski, associate professor of computer science, resigned in protest last month after New College denied tenure to five academics — four from under-represented groups — despite strong references from their peers and praise from students.

"I'm very concerned about what Florida higher education will look like in a few years," he said. "The applicant pools are now shrinking and untenured faculty have been censoring themselves in a wide variety of courses they teach because they didn't want to take risks."

Joe Cohn, legislative and policy director at the Foundation for Individual Rights and Expression, which is appealing against last year's law, said the new bill "doubles down on the Stop Woke Act, which is wildly unconstitutional. People on all parts of the political

spectrum should understand why we don't let whoever has more power decide what ideas can be discussed."

DeSantis is a potential Republican candidate for US president in 2024. His agenda resonated with "a subset of Republican primary voters who feel strongly about the issues DeSantis is highlighting. Not a majority, but the base that is key to getting elected in the Republican primaries," said Ronald Cox, a professor of politics and international relations at Florida International University, citing polling data.

Some academics have criticised the way racism and diversity are being taught within universities, including Musa al-Gharbi, a sociologist at Columbia University, who said he was "pushing back against some of the more ridiculous and unhelpful ways these theoretical frameworks are regularly applied".

But he added: "I have far more faith that my colleagues can course-correct in the face of critiques like mine and eventually strike a better balance on these issues than I have that non-academic political appointees with an axe to grind will somehow do a better job."

Responding to criticism of efforts to clamp down on diversity programmes, Jeremy Redfern, a spokesman for DeSantis, said: "These bureaucracies

'People on all parts of the political spectrum should understand why we don't let whoever has more power decide what ideas can be discussed'



are more interested in protecting their status quo and furthering their agenda rather than delivering a quality education to Florida's students."

New College did not reply to requests for comment.

Jonathan Becker, executive vice-president at Bard College, which has offered New College students online access to Open Society University Network summer courses on topics at risk of censorship, said: "It's frightful. They are purposefully modelling it on what Viktor Orbán has done to university education in Hungary."

The bill passed last week strengthens the power of university presidents on hiring, and requires a review of academics' tenure every five years. It bars state spending on "programmes or campus activities that advocate for diversity, equity and inclusion, or promote or engage in political or social activism".

Marybeth Gasman, chair of education at Rutgers University, New Jersey's state university, said: "Everyone in our nation knows that we have a history steeped in racism due to our long-term commitment to slavery, destruction of Native American nations, and so many other atrocities. We need to recognise these horrors and ensure that we don't let them happen again."

Trade data

Big fall in Chinese imports points to slower recovery

THOMAS HALE — SHANGHAI
HUDSON LOCKETT — HONG KONG

Chinese imports suffered their biggest contraction in a year last month, while exports expanded at a slower pace than expected, casting doubt over the pace of the economic recovery after three years of pandemic restrictions.

Imports fell 7.9 per cent year on year in April, a far deeper decline than the 0.2 per cent contraction analysts expected, according to a Bloomberg poll.

Exports in the month rose 8.5 per cent compared with a year earlier, following an unexpected jump in March, benefiting from a low base last year.

The mixed trade data released yesterday was closely watched across markets for clues on the state of China's economy, which has thrown up conflicting signals as it emerges from three years of closure under anti-coronavirus rules.

Gross domestic product expanded 4.5 per cent in the first quarter of the year and exports expanded after months of weakness, while tourism over a recent national holiday surpassed pre-pandemic levels for the first time.

But factory activity figures released last week showed signs of sluggishness and authorities have warned of an incomplete recovery as global demand for goods waned.

The renminbi fell 0.2 per cent against the dollar yesterday to Rmb6.9254. In Hong Kong, the Hang Seng China Enterprises index was down 2.1 per cent.

Hao Zhou, chief economist at Guotai Junan International, said the trade figures and the import data, in particular, were "somewhat downbeat" and suggested they pointed to slowing growth momentum in the second quarter.

Beijing has set a cautious growth target of 5 per cent for the full year, its lowest in decades, after missing a 5.5 per cent target in 2022 when economic growth came in at just 3 per cent.

In March, exports unexpectedly surged 15 per cent after several consecutive months of declines, while imports contracted 1.4 per cent.

Capital Economics estimated that after adjusting for price changes and seasonality, export volumes fell 4.4 per cent in April compared with March.

"This suggests that global demand for Chinese goods remains weak," it said.

THOMAS HALE — SHANGHAI

China has demanded that a senior Canadian diplomat leave the country in retaliation for the expulsion of one of its diplomats in Toronto.

China's foreign ministry yesterday gave Jennifer Lynn Lalonde, consul of the Shanghai consulate, until Saturday to leave the country. It confirmed that the decision was a "reciprocal counter-measure" after Canada's expulsion of diplomat Zhao Wei — the first of its kind in decades — just hours earlier.

The Canadian embassy did not respond to a request for comment.

The expulsions were the latest sign of increasingly fraught relations between China and western countries.

US politicians have been increasingly critical of the Chinese Communist party and imposed sweeping measures to curb China's development of advanced semiconductor technology, while Canada has stepped up accusations of surveillance and electoral interference.

Foreign businesses operating in China have sought to keep a low profile to avoid the impact of the tensions but Beijing has recently authorised raids of

consultancies, including this week on Capvison.

It also unveiled an anti-espionage law that stands to further chill the domestic environment for foreigners.

It has responded to US measures to cut off access to semiconductor technology with an investigation into US group Micron on national security grounds.

Zhao, who was posted to the Chinese consulate in Toronto, was given five days to leave Canada late on Monday. His expulsion followed a Canadian Security Intelligence Service report that he targeted lawmaker Michael Chong, who sponsored a 2021 resolution accusing Beijing of genocide in the north-western province of Xinjiang.

China's foreign ministry said it "strongly condemns and firmly opposes" Zhao's expulsion and had lodged a "strong protest to Canada".

Explaining Zhao's expulsion, Mélanie Joly, Canada's foreign minister, said Ottawa "will not tolerate any form of foreign interference in our internal affairs" adding: "Diplomats in Canada have been warned that if they engage in this kind of behaviour, they will be sent home."

Contracts & Tenders

Piaggio Aero Industries S.p.A. in extraordinary receivership proceedings

Piaggio Aviation S.p.A. in extraordinary receivership proceedings

CALL FOR EXPRESSIONS OF INTEREST**IN RELATION TO THE PURCHASE OF THE BUSINESS COMPLEXES CARRIED OUT BY PIAGGIO AERO INDUSTRIES AND PIAGGIO AVIATION**

The Extraordinary Commissioners (*Commissari Straordinari*) of Piaggio Aero Industries S.p.A. in extraordinary receivership proceedings ("Piaggio Aero") and Piaggio Aviation S.p.A. in extraordinary receivership proceedings ("Piaggio Aviation") hereby call expressions of interest in relation to the purchase of the business complexes carried out by Piaggio Aero and Piaggio Aviation described below:

- a) business complexes carried out by Piaggio Aero at the Villanova d'Albenga (SV), Genoa, Pratica di Mare (RM), Trapani, Ciampino (RM) and Viterbo plants/sites, essentially consisting of:
 - (i) property located in Villanova d'Albenga (SV) built on State land;
 - (ii) plants, machinery and equipment relating to all of the production lines/business units (civil and military aviation BU, including customer service, engine BU);
 - (iii) inventory (consisting mainly of raw materials and work in progress);
 - (iv) certifications, authorizations, permits and such like;
 - (v) employment contracts (with, to date, 825 employees) and other contracts;
 - (vi) intellectual property rights, know-how, trademarks and patents;
 - (vii) historical archive;
- b) business complex carried out by Piaggio Aviation at the Villanova d'Albenga (SV) plant, essentially consisting of:
 - (i) certifications, authorizations, permits and such like;
 - (ii) employment contracts (with, to date, 16 employees) and other contracts;
 - (iii) intellectual property rights.

Expressions of interest must be written in Italian or English and must be delivered to the Extraordinary Commissioners, Mr. Carmelo Cosentino, Mr. Vincenzo Nicastro and Mr. Giampaolo Davide Rossetti, by 6pm CEST of 12 June 2023 by certified e-mail to the address piaggioaeroamministrastraordinaria2@pec.piaggioaero.it with the following subject line: "Expression of interest in the purchase of the business complexes of Piaggio Aero Industries S.p.A. in a.s. and Piaggio Aviation S.p.A. in a.s.". In case of expressions of interest drawn up in English, they must be accompanied by a sworn translation into Italian signed by the bidder and contain the express provision that, in case of discrepancies between the two versions, the Italian version will prevail.

The above-mentioned expressions of interest shall:

- indicate (i) the subject matter of interest (business complexes or individual business units); (ii) at least in general terms, the recovery/development programs planned for such business complexes/units; and (iii) the name, telephone number, e-mail address of the representative of the legal entity expressing interest; and
- be accompanied by a set of documents (a list of which is available at <https://www.piaggioaero.it/comunicazioni/>) aimed at providing the Extraordinary Receivership Proceedings with a series of preliminary information about the legal entity expressing interest.

Expressions of interest on behalf of a person to be designated (*per persona da nominare*) or submitted by legal entities other than limited companies (*società di capitali*), will not be taken into consideration.

The Extraordinary Commissioners expressly reserve the right to assess whether to admit those who have expressed an interest to the next stage of the sale procedure.

This notice constitutes a call for expressions of interest and not an invitation to offer, nor an offer to the public. The publication of this notice and the receipt of the expression of interest do not imply any obligation to admit to the sale procedure and/or to start negotiations for the sale and/or sale to those legal entities who have expressed an interest in the purchase, nor any right of the latter towards the Extraordinary Commissioners, Piaggio Aero and/or Piaggio Aviation for any reason whatsoever.

Any final determination with regard to the sale shall in any case be subject to the authorization of the Italian Ministry of Enterprises and Made in Italy, after hearing the opinion of the Surveillance Committee and, as far as applicable, in compliance with the provisions of Law Decree No. 21 of 15 March 2012, as converted, with amendments, into Law No. 56 of 11 May 2012, as amended and supplemented.

Villanova d'Albenga, May 10, 2023

The Extraordinary Commissioners
Carmelo Cosentino, Vincenzo Nicastro, Giampaolo Davide Rossetti

Chinese puzzle A flagging VW must find a way of engaging tech-savvy local rivals in the world's biggest car market ➡ PAGE 11

Companies & Markets

Spotify ejects thousands of AI-generated music tracks

- Boomy platform's songs pared down
- Push to stop bots posing as listeners

ANNA NICOLAOU — NEW YORK

Spotify has removed tens of thousands of songs from artificial intelligence music start-up Boomy, ramping up policing of its platform amid complaints of fraud and clutter across streaming services.

In recent months the music industry has been confronting the rise of AI-generated songs and, more broadly, the growing number of tracks inundating streaming platforms daily.

Spotify, the largest audio streaming business, recently took down about 7 per cent of the tracks that had been uploaded by Boomy, the equivalent of "tens of thousands" of songs, according to a person familiar with the matter.

'Boomy is categorically against any type of artificial streaming [to inflate audience numbers]'

Recording giant Universal Music had flagged to all the main streaming platforms that it saw suspicious streaming activity on Boomy tracks, according to another person close to the situation.

The Boomy songs were removed because of suspected "artificial streaming" — online bots posing as human listeners to inflate the audience numbers for certain songs.

AI has made this type of activity easier because it allows someone to instantly generate many music tracks, which can then be uploaded online.

Boomy allows users to pick descriptors, such as "rap beats", to create a machine-generated track. Users can release the music to streaming services, where they will generate royalty payments. California-based Boomy says its users have created 14mn songs.

Spotify confirmed it had removed some Boomy content. "Artificial streaming is a longstanding, industry-wide issue that Spotify is working to stamp out across our service," it said.

"We are always encouraged when we see our partners exercise vigilance around the monitoring or activity on their platforms," said Michael Nash, Universal's chief digital officer.

The crackdown comes as music industry power broker Lucian Grainge has spent months speaking out about the proliferation of songs on platforms such as Spotify, where 100,000 new tracks are being added each day, and growing manipulation of the system.

Grainge, Universal's chief executive, told investors last week that "the recent explosive development in generative AI will, if left unchecked, both increase the flood of unwanted content on platforms and create rights issues with respect to existing copyright law".

The issue has escalated to the forefront of concerns in the music industry in the past few months. The streaming boom has given rise to an array of services offering artists the chance to buy success. A Google search for "buy Spotify streams" yields millions of results, with sites such as "spotistar.com" offering 1,000 Spotify plays for \$6.

The Financial Times reported last month that Universal had asked streaming services to crack down on the use of generative AI on their platforms. That same week, a song that used AI to mimic Drake and The Weeknd's voices went viral on streaming platforms.

Boomy at the weekend resumed submitting new tracks to Spotify. The two sides are negotiating over reinstating the rest of Boomy's catalogue. The company said: "Boomy is categorically against any type of manipulation or artificial streaming. We are working with industry partners to address this issue."

Rap battle Big investor presses Adidas to publish probe into Kanye West allegations



Running low: Adidas said ending the Yeezy brand would cost it €500mn in operating profit this year — DedMityay/Alamy

OLAF STORBECK — FRANKFURT

Adidas is facing demands from a leading investor to disclose findings of a probe into its handling of misconduct allegations against Kanye West as shareholder ire over its ill-fated tie-up with its former business partner continues to mount.

Former employees in November accused Adidas of having turned a blind eye to alleged inappropriate behaviour by West, also known as Ye, who was dropped by the German group last year over his antisemitic remarks. The sudden end of the Yeezy brand would wipe out €1.2bn in sales and €500mn in operating profit this year, Adidas warned in February. It said it could post its first net loss in three decades.

Union Investment, Germany's third-largest asset manager and a top-20 investor in Adidas, will call on the company to reveal the results of

its internal investigation at its annual meeting tomorrow, according to a draft speech seen by the Financial Times.

Janne Werning, head of ESG at Union Investment, will urge Adidas to disclose the results of the investigation "here and now", stressing that shareholders were entitled to know. He will also demand the company "transparently clean up the scandal".

Union Investment, alongside Germany's second-largest investor Deka, has already said it would not support confidence votes over the performance of the executive board and the supervisory board. Shareholder proxy service Glass Lewis recommended that investors not support the supervisory board.

West, a US rapper and fashion designer, allegedly played pornography to staff in meetings and showed an intimate picture of his ex-wife Kim Kardashian in job interviews. Rolling

Stone magazine reported in November that former employees claimed in a letter that senior managers knew of West's "problematic behaviour" and tolerated "years of verbal abuse, vulgar tirades, and bullying attacks".

Union Investment wrote in November to Adidas demanding to know when executives and supervisory board members first learnt about the misconduct allegations against West. Adidas at the time said it had launched an independent investigation into the allegations.

The group is facing a class-action lawsuit in the US over its handling of the Yeezy scandal. In a lawsuit filed last month, shareholders alleged that it had long been aware of West's offensive remarks and harmful behaviour but neither disclosed the risks nor prepared for them.

Adidas declined to comment, but said it would address Union Investment's questions at the meeting.

Rise of Australian women chiefs belies wider gender imbalance

INSIDE BUSINESS

ASIA-PACIFIC

Nic Fildes



When Qantas appointed its next chief executive, Vanessa Hudson — who will be its first female leader in a century since the airline was founded — it marked a turning point in the promotion of women to the top of Australia's largest companies. Hudson's internal competitor for the job was also a woman, Olivia Wirth, while the most likely outside candidate, Jayne Hrdlicka, now leads the carrier's rival, Virgin Australia.

In 2020, only 5 per cent of the ASX's 20 largest listed companies were run by women. The advocacy group Chief Executive Women warned last year that it would take 100 years for corporate Australia to achieve a gender balance of 40 per cent.

Yet the ratio has now jumped to 30 per cent of the ASX20 as some of Australia's largest telecoms, mining and retail companies appointed female leaders — such as Sherry Duhe, interim chief executive of Newcrest Mining, which is the target of a \$19bn bid.

The rise of the Australian female chief executive was evident at Macquarie's annual business leaders conference, held in Sydney last week, when fund managers may have watched five consecutive sessions chaired by women leaders covering rare earths, iron ore, oil and gas exploration, telecoms and out-

door advertising. Macquarie itself appointed its first female chief executive in 2018 when it promoted Shemara Wikramanayake to the top job. From next year it will have twice as many women on its board as men.

Wikramanayake, who has previously described the struggle of attracting women to jobs in the financial services industry, welcomed the greater gender representation, which, she said, was "more reflective of the community".

The ASX — which appointed a female chief executive in 2022 — suddenly looks in better shape than the FTSE 100, which only counts one female CEO, GSK's Emma Walmsley, in its top 20 largest businesses. The recent promotion of Vodafone's Margherita Della Valle to permanent chief executive takes the number of female leaders in the overall FTSE 100 to only eight.

The rise of the new generation of women leaders reflects Australia's move to broaden the gender base of its political and corporate make-up in recent years. The Labor party set a quota for the number of female candidates pre-selected in winnable parliamentary seats in the 1990s, and has consistently raised those quotas to close to 50 per cent today.

The elevation of executives such as Hudson and Telstra's Vicki Brady has been widely celebrated but with the caveat that the toxic culture of misogyny in parliament and sections of the Australian business establishment cannot be easily swept away. The reckoning in the country's mining industry — which has been hit by reports of horrendous assaults on female miners — shows that some sectors have a long way to go.

The toxic culture of misogyny in parliament and parts of the business establishment cannot be easily swept away

CEW warns that there are still too few women in chief executive feeder roles with profit and loss responsibilities outside the top companies. "Women are typically under-represented in these roles, with women holding just over one in 10 line management roles in the ASX300 in our most recent census," a spokeswoman said.

Eliza Littleton, a senior economist at the Australia Institute's Centre for Future Work, said that while the spate of female chief executive appointments was heartening, this progress was not yet reflected in the country's broader labour market. With a gender pay gap of more than 13 per cent, women still earn far less on average than their male counterparts. "We won't see the gender pay gap close until 2053. That's really slow progress. Those at the high end tend to be exceptions to the rule," Littleton said.

The votes of professional women played a big role in the election of a Labor government that has promised to address workplace inequality. This week's budget will set out Labor's policy plan to improve conditions for women in the labour market in areas such as childcare subsidies, paid parental leave and increased pay for care workers. The government has already established a task force on women's economic equality.

Hudson hopes the rise of a new generation of female leaders will continue — but the full impact of her elevation was felt far closer to home. She described telling her two daughters that she had won the competition to take on one of Australia's most challenging leadership roles. "I've always been a mother who wants to lead by example and to listen to their reflections last night was incredibly meaningful to me," she said.

nic.fildes@ft.com

Fox defends Dominion settlement despite loss

ANNA NICOLAOU — NEW YORK

Fox chief executive Lachlan Murdoch yesterday defended his decision to settle litigation over the network's role in airing conspiracy theories about election fraud, telling investors it "in no way alters Fox's commitment to the highest journalistic standards".

Fox last month agreed to a last-minute deal to pay nearly \$800mn to settle a lawsuit from voting technology company Dominion, one of the biggest defamation awards in US history.

That decision weighed on Fox's earnings, pushing the company to a \$50mn net loss in the first three months of the year.

In a call with analysts after the company's results, Murdoch framed the settlement as a "business decision" to "avoid the acrimony of a divisive trial" while blaming a Delaware court for restricting Fox's defence.

"We have been and remain confident in the merits of our position, that the first amendment protects a news organisation's reporting on newsworthy events," Murdoch said.

The Delaware judge had in effect rejected that position, ruling in March that the US Constitution's first amendment offered no free-speech protection to those deliberately broadcasting lies.

"The Delaware court severely limited our defence in the trial in pre-trial rulings," Murdoch said.

The move to settle was "clearly in the best interest of the company and its shareholders" to avoid a six-week trial and appeals process that could have lasted two or three years, he said. "We're proud of our Fox News team."

The cost of the settlement pushed Fox to a loss despite an 18 per cent year-on-year rise in its first-quarter revenue to more than \$4bn.

Advertising revenue rose more than 40 per cent to \$1.9bn in the quarter, boosted by the Super Bowl and other NFL games. On an adjusted basis, the company reported earnings of 94 cents a share, above estimates of analysts polled by Refinitiv of 87 cents.

It has been a tumultuous year for Fox Corp, with anchor Tucker Carlson abruptly exiting the network last month, only days after the Dominion settlement.

On a call with analysts, Murdoch dodged a question about Carlson, saying: "As always, we are adjusting our programming and our line-up."



COMPAGNIE DE SAINT-GOBAIN

A French société anonyme with a share capital of €2,063,073,228

Registered Office at Tour Saint-Gobain, 12, place de l'Iris, 92400 Courbevoie (France)

542 039 532 R.C.S. Nanterre

NOTICE OF MEETING

Participating stocks April 1984 of €1,000 each

The holders of participating stocks (*titres participatifs*) issued by Compagnie de Saint-Gobain (the "Company") in April 1984 are convened to the General meeting to be held on Wednesday, May 31, 2023 at 9:30 a.m. (Paris time) at the registered head office of the Company, Tour Saint-Gobain, 12, place de l'Iris, 92400 Courbevoie Cedex (France), and in case of lack of a quorum on this occasion, on Thursday, June 29, 2023 at 12 p.m. (Paris time) at the same place, for the purpose of considering the following agenda:

Agenda

1. Board of Directors report on the Company's operations for fiscal year 2022;
2. Auditors' report on the financial statements for fiscal year 2022 and elements for determining the remuneration of the participating stocks;
3. Renewal of the term of office of the holders' representative; determination of his/her powers and annual remuneration;
4. Powers to carry out formalities.

To attend or to be represented at this Meeting:

- The holders of registered participating stocks must be registered in the account kept by the Company no later than the date of the General Meeting.

- The holders of bearer participating stocks must prove within the same deadlines to the financial intermediary responsible for managing their securities accounts, that their participating stocks are registered by means of a certificate (*attestation de participation*) issued by said intermediary.

The holders of participating stocks may request a proxy or postal voting form from Uptevia — CTO Assemblées — Grands Moulins de Pantin, 9 rue du Débarcadère - 93761 Pantin Cedex (France).

The shareholding certificate (*attestation de participation*) and proxy or postal voting form must be returned and received by Uptevia at the address indicated in the previous paragraph no later than Tuesday, May 30, 2023 at 3:00 p.m. (Paris time).

In accordance with Articles R. 22-10-24 and R. 225-79 of the French Commercial Code, notification of designation and revocation of a proxy, may also be done by e-mail (in addition to by mail), as follows:

- **For the holders of registered participating stocks:** by sending an e-mail with an electronic signature obtained by them from an authorized third party certifier to the following e-mail address: Paris_France_CTS_mandats@uptevia.pro.fr. This e-mail must contain the following information: name of the Company, date of the Meeting, last name, first name and address of the holder of participating stocks, as well as last name, first name and, if possible, address of the designated or revoked proxy. Then, they will have to ask their financial intermediary managing their securities account to send a written confirmation to Uptevia — CTO Assemblées — Grands Moulins de Pantin, 9 rue du Débarcadère — 93761 Pantin Cedex (France) or an e-mail to: Paris_France_CTS_mandats@uptevia.pro.fr.
- **For the holders of registered participating stocks held through an intermediary and for the holders of bearer participating stocks:** by sending an e-mail with an electronic signature obtained by them from an authorized third party certifier to the following e-mail address: Paris_France_CTS_mandats@uptevia.pro.fr. This e-mail must contain the following information: name of the Company, date of the Meeting, last name, first name and full bank account details of the holders of participating stocks, as well as last name, first name and, if possible, address of the designated or revoked proxy. Then, they will have to ask their financial intermediary managing their securities account to send a written confirmation to Uptevia — CTO Assemblées — Grands Moulins de Pantin, 9 rue du Débarcadère — 93761 Pantin Cedex (France) or an e-mail to: Paris_France_CTS_mandats@uptevia.pro.fr.

For the due process of electronic designations or revocations of proxies, confirmation will have to be received by Uptevia at the latest on Tuesday, May 30, 2023 at 3:00 p.m. (Paris time). Designations or revocations of proxies processed by paper will have to be received by Uptevia at the latest on Tuesday, May 30, 2023 at 3:00 p.m. (Paris time).

The Board of Directors.

Banks

Goldman settles gender bias suit for \$215mn

Nearly 3,000 women claimed unfair treatment on pay and promotion

JOSHUA FRANKLIN AND JOE MILLER
NEW YORK

Goldman Sachs has agreed to pay \$215mn to settle a longstanding gender discrimination lawsuit brought by former female employees who said they were consistently underpaid and undervalued by male colleagues.

The settlement concludes a long-running legal case surrounding Goldman, which had underscored the struggle on Wall Street to diversify the finance industry's workforce.

The two sides agreed the settlement and will forgo a trial that had been scheduled for next month in a New York federal court, lawyers for the women confirmed.

The funds will be shared among about 2,800 associates and vice-presidents who participated in the class-action suit, primarily in the investment banking and securities divisions.

In a court filing, plaintiffs' lawyers described the settlement as "one of the most significant employment discrimination class-action settlements". The sum is one of the largest payouts of its kind, eclipsing the \$150mn settlement in the "Boom Boom Room" case at Smith Barney in the 1990s involving nearly 2,000 women.

The average payout for individual claimants will be just under \$50,000, with a third of the proceeds – about \$71.7mn – going towards fees for the plaintiffs' lawyers.

As part of the agreement, plaintiffs' lawyers said Goldman had also undertaken to hire an independent expert "to conduct an additional analysis on performance evaluation processes" at the bank, as well as conduct "pay equity studies".

The original claimants, including former Goldman employees Cristina Chen-Oster and Shanna Orlich, first sued in 2010 and won the right to lead a class-action lawsuit over sex discrimination in 2018.

They accused Goldman of company-

wide policies and practices that led to better pay and promotion prospects for male employees and alleged the bank's review process allowed managers, mostly men, to nominate people who contributed to appraisals of staff, leading to a "tap on the shoulder system".

"My goal in this case has always been to support strong women on Wall Street," Allison Gamba, one of the plaintiffs, said following the settlement. "I am proud that the result we achieved here will advance gender equity."

Adam Klein, a lawyer at Outten & Golden who represented the women, said the settlement "offers meaningful relief to our clients".

Jacqueline Arthur, global head of human capital management at Gold-

man, said the bank was "proud of its long record of promoting and advancing women and remains committed to ensuring a diverse and inclusive workplace for all our people".

Goldman chief executive David Solomon has talked publicly about trying to diversify the bank's workforce and published a set of hiring targets in 2019. In the group's biennial selection process for its elite partner status last year, 29 per cent of the employees selected were women, a record high.

Last year, another former Goldman employee, Jamie Fiore Higgins, published a memoir of her 17 years at the bank in which she alleged she suffered bullying, discrimination and manipulation.

Airlines

Ryanair to buy up to \$40bn of Boeing aircraft and create 10,000 jobs

SYLVIA PFEIFER AND PHILIP GEORGIADIS

Irish low-cost carrier Ryanair has struck a multibillion-dollar deal to buy up to 300 Boeing aircraft, signalling a big expansion of its fleet in the latest sign of the travel industry's revival.

The agreement for the 737 Max-10 aircraft, including 150 options, is valued at more than \$40bn at current list prices, although airlines typically secure significant discounts on large orders.

It comes after discussions collapsed more than 18 months ago over a disagreement on price.

The aircraft will be delivered between 2027 and 2033.

The order is an endorsement of the largest variant of Boeing's 737 Max and underlines the appetite of airlines to splash out on new aircraft as travel has rebounded in the wake of the pandemic.

The boom in demand has led to industry-wide supply chain problems and left Boeing and rival Airbus struggling to deliver jets to big customers.

Boeing warned last month that a production issue on the Max would hamper deliveries in the short term, which Ryanair said would lead to a small number of flight cancellations this summer.

Ryanair yesterday said that the substantial new order would allow it to increase traffic by 80 per cent over the

The carrier says the order will allow it to increase traffic by 80% over the next decade

next decade, and forecast passenger numbers to increase from 168mn passengers at the end of March this year to 300mn by March 2034.

Some 150 of the new aircraft will be used to replace Ryanair's older Boeing 737NG planes.

The airline said the agreement would create more than 10,000 new jobs for pilots, cabin crew and engineers.

Ryanair chief executive Michael O'Leary had spent much of the past 18 months criticising Boeing and its leadership over its prices, and the production problems that have led to delays and setbacks in the delivery of its aircraft in the past two years.

But O'Leary said the talks on the order, which restarted earlier this year, had accelerated faster than expected.

"We have been pleasantly surprised by the meeting of minds" between the two companies, he said, adding that the rebound in the industry was another factor driving the deal. "If we didn't move quickly, there was a danger we would have been looking at later deliveries in 2028 or 2029."

The deal will also allow Ryanair to offer lower fares in Europe, O'Leary said. The airline selected the largest version of the Max, which he said will have 21 per cent more seats but burn 20 per cent less fuel than the airline's current 737NGs.

Ryanair chief financial officer Neil Sorahan said the new aircraft would cut costs by 10 per cent excluding fuel, compared with the older 737NGs which are still in service.

He said this would allow the airline to cement its cost advantage over rivals and fuel further growth, estimating that Ryanair would carry 30 per cent of all European short-passenger flights if it hits the target of 300mn passengers in the 2030s.

Nygård staged campaign to destroy hedge fund manager personally and professionally

ANDREW EDGECLIFFE-JOHNSON
NEW YORK

It started, as so many disputes between neighbours do, with a shared driveway.

To reach Peter Nygård's six-acre property in the Bahamas, with its smoking volcanoes, Mayan temple, and pools where a glass barrier once reputedly separated swimmers from sharks, guests needed to take a road owned by the man next door, hedge fund manager Louis Bacon.

They came for events that Nygård called "pamper parties", nights of "karaoke and dancing and massaging", in the Finnish-Canadian clothing mogul's words, where the decibel count and the lines of parked cars would drive Bacon to distraction.

The gated-community feud began more than a decade ago with Nygård alleging that Bacon's repaving of the road had created foul-smelling puddles on his Lyford Cay property. It culminated last week in a \$203mn damages award against Nygård that was as striking for its details as for its size.

Layn Phillips, the judge appointed to referee Bacon's defamation case against Nygård, concluded that the evidence against the 81-year-old from incendiary messages, tapes, whistleblowers, and "insiders to [his] scheme" was "stunning".

Nygård had spent \$15mn on a relentless smear campaign to destroy personally and professionally the founder of Moore Capital Management, Phillips ruled, as he handed down the largest damages award ever seen in a New York state court.

The man accused of giving "global and multimedia distribution" to a barrage of defamatory statements made no comment after the ruling.

Nygård is in a jail cell in Toronto, where he faces charges of sexual assault and forcible confinement that are echoed in another case in Quebec. He is due to face trial in Toronto in September and is awaiting extradition to the US, where he has been charged with racketeering, sex trafficking, and related crimes involving "at least dozens" of women and minor-aged girls.

At his parties in the Bahamas and at sex clubs from Miami to Winnipeg, Nygård pressured victims to engage in sexual activity to which they had not consented, the Department of Justice



A closed New York outlet of the chain run by Peter Nygård, below, who has been ordered to pay Louis Bacon, right, \$203mn after spreading false rumours about the Moore Capital founder
Brendan McDermid/Reuters

alleged in 2020. He has maintained his innocence in those cases and in the defamation lawsuit.

The pile-up of allegations has brought an end to the affordable-clothing empire whose Times Square flagship once featured his name in seven storey-high letters.

With Nygård's businesses in bankruptcy and the possibility of an appeal, it is uncertain whether Bacon will see a dollar of the damages he has won.

The New York court did not touch on the claims in the Canadian and DOJ cases. Nor did it revisit the two men's early quarrel over an assertion that

Nygård had illegally doubled his property's acreage by pumping sand from the surrounding seabed.

It focused on "malicious falsehoods" that went far beyond issues such as Nygård's allegations about loudspeakers that Bacon had supposedly pointed at his 150,000 sq ft mansion. (Police raided Bacon's home but concluded that the speakers did not constitute "ultra-sonic weaponry".)

Some of the defamatory statements painted Bacon as a white supremacist, the court said, highlighting rallies in Nassau in which Nygård allegedly paid hundreds of protesters to wear T-shirts and carry signs painting Bacon as a Ku Klux Klan member.

Nygård also spread false rumours about Bacon's business ethics, the court found. Bacon's lawyers alleged that Nygård had urged the editor of one Bahamas publication to run a doctored version of a Financial Times headline linking him to insider trading.

Other smears implicated the hedge fund manager in arson, after a destructive 2009 fire on Nygård's property, and even in murder, following the death in 2010 of Bacon's house manager.

Bacon's lawyers told the court that an

Protesters allegedly were paid to carry signs and wear T-shirts portraying Louis Bacon, below, as a Klansman



Banks

Credit Suisse chief Körner to join UBS board

OWEN WALKER — LONDON
WILLIAM LANGLEY — HONG KONG

UBS has said Credit Suisse chief executive Ulrich Körner will join its executive board to help steer the integration of the bank, as rivals attempt to capitalise on what is likely to be a fraught process.

Körner, who was drafted in as CEO last year to help revive the lender's fortunes, will help the execution of the most significant banking takeover since the financial crisis. The Swiss-German, who previously worked at UBS, would be "responsible for ensuring Credit Suisse's operational continuity and client focus", UBS said yesterday.

The installation of Körner on the board comes as the \$5.25bn takeover of Credit Suisse, a deal orchestrated by Swiss regulators in March, is set to be completed within a matter of weeks.

UBS chief Sergio Ermotti warned staff yesterday to expect "tense and difficult moments ahead".

respective UBS executive board members, UBS said. The new appointments will come into effect when the transaction closes.

Beatriz Martin Jimenez, head of the UK for UBS and group treasurer, will be head of non-core and legacy – responsible for overseeing parts of the business that are being wound down – as well as head of Europe, the Middle East and Africa. She will retain her UK role, but a successor as group treasurer will be named in due course. UBS has also installed Stefan Seiler as head of human resources and corporate services.

After the deal is completed, the two businesses will initially operate as separate entities, with each serving their own clients and dealing with counterparties.

UBS said Credit Suisse would continue to use its governance and risk control frameworks, though UBS would implement new policies to boost its oversight of the business.

Media

Global task force to tackle online sports piracy

DANIEL THOMAS

Live sports streaming service DAZN and broadcaster beIN are backing a new global task force to crack down on sports piracy that is costing the industry tens of billions of dollars a year.

The new group will aim to identify and target sports piracy operations and will work with police and organisations such as Interpol and Europol to pursue enforcement actions to close them.

According to a study by Synamedia, tackling global sports piracy could lead to an additional \$28bn of annual revenue for the industry.

Many major sports events are heavily pirated on illegal streams. The problem is growing as more international online services find ways around local rules on broadcasting.

There is often a cost even to use illegal broadcasts. The industry study found more than half of sports fans watching pirate streams were paying for at least

some of their illegal access, and many were willing to pay to switch to legitimate providers.

The task force will be run by the Alliance for Creativity and Entertainment, a Los Angeles-based anti-piracy coalition. It will co-ordinate Ace's efforts to target sports piracy operations and work with police and other partners.

Working with beIN, Ace has already targeted several sports piracy rings in the past year, including the shutdown of



Boxing clever: the industry aims to win back a potential \$28bn in sales

a Morocco-based operation days before the Fifa World Cup in Qatar last year.

"Intellectual property theft of live sports content is an industry issue, negatively impacting all sports and sports fans, and needs a global concerted effort to meaningfully tackle it," said Shay Segev, DAZN's chief executive.

Ed McCarthy, DAZN chief operations officer, said the task force would work with broadcasters and rights holders to pursue "criminal gangs who are damaging sport at all levels, often using fans' credit cards and data for illegal purposes". It would also seek to challenge governments, regulators and blue-chip companies that facilitate the theft of content, he added.

According to the Global Innovation Policy Center, overall content piracy could cost as much as \$71bn a year in lost revenues. One-third of pirate sites also target consumers with malware, according to a report by the Digital Citizens Alliance.

COMPANIES & MARKETS

VW fights to recapture lost glory in China

German carmaker shifts strategy as tech-savvy homegrown rivals widen their lead over once-prized foreign brands

EDWARD WHITE — SEOUL
PATRICIA NILSSON — FRANKFURT

In 1978, a Chinese delegation dressed in Mao suits travelled to Wolfsburg with a stunning message for the men running Volkswagen: Deng Xiaoping's China was open for business.

Now, after four decades building the world's biggest car market from scratch and profiting from the rise of an economic superpower, the automaker has suddenly found itself fighting for its position in China.

While the German group, which includes Porsche and Audi, sells more cars in China than any other company, its flagship VW brand was recently dethroned as the country's best-selling car by BYD, the Shenzhen-based conglomerate backed by Warren Buffett.

The German company is falling behind in the fast-growing electric car segment, where the VW brand sits in ninth place with a market share of just 2 per cent. BYD, which holds the top spot, has nearly 40 per cent and Elon Musk's Tesla, in second place, has more than 10 per cent.

Chinese makers of electric vehicles, which include plug-in hybrid and battery-powered cars, dominate in their own market and are also expanding aggressively overseas. China overtook Germany in auto exports in 2022 and is set to eclipse Japan as the world's biggest car exporter this year.

VW, one of Germany's largest and most prestigious companies, depends on China for at least half of its annual profits, which last year reached €22bn. Its position in the race for EV market share is placing the future security of those earnings in jeopardy.

Despite this backdrop, VW executives still did not appreciate the threat they faced in China, a Shanghai-based consultant to the German group said.

"A lot of people in Volkswagen have been working there their entire lives; I don't think they can imagine Volkswagen not being in existence. That is actually what is at stake at the moment," the person added.

VW said profitability mattered more to the company than volume. "Quality of business takes precedence over quantity," it said.

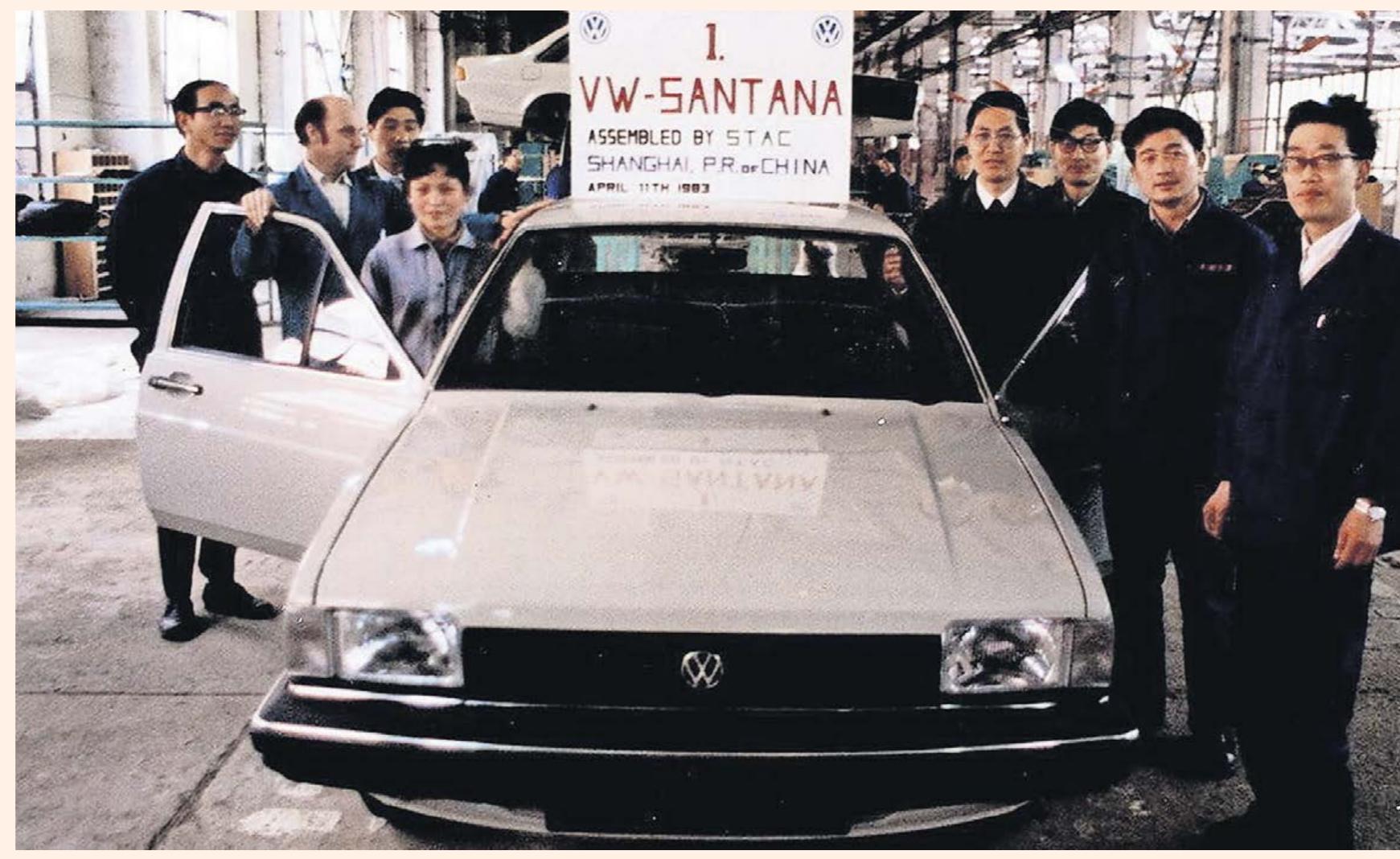
The company last week reported better than expected sales for the first quarter, boosted by Europe and North America. But in China, deliveries fell 15 per cent. VW said it was confident its new model range and "China-specific technology" would help sales pick up in the latter part of the year.

Geopolitics further complicates the outlook for the company. Germany, which was forced to grapple with its reliance on Russian gas following Russia's full-scale invasion of Ukraine, is worried about its economic dependence on China under President Xi Jinping.

Annalena Baerbock, Germany's foreign minister, said after a brief visit to Beijing in April that China was becoming a "systemic rival".

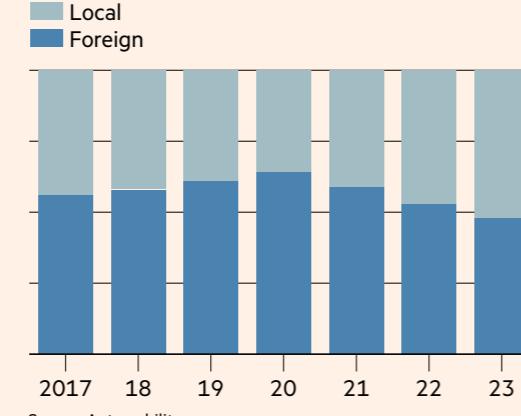
At the same time, VW risks angering Beijing by responding to growing western pressure over human rights abuses in Xinjiang, the site of one of its smallest factories.

This has not slowed VW down: in the past year alone it has announced investments in China worth almost €4bn. The



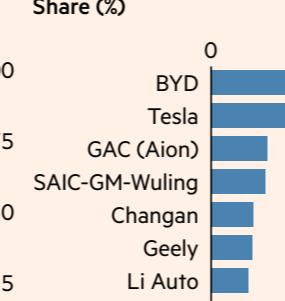
China's passenger vehicle sales ...

By brand origin (% of total)

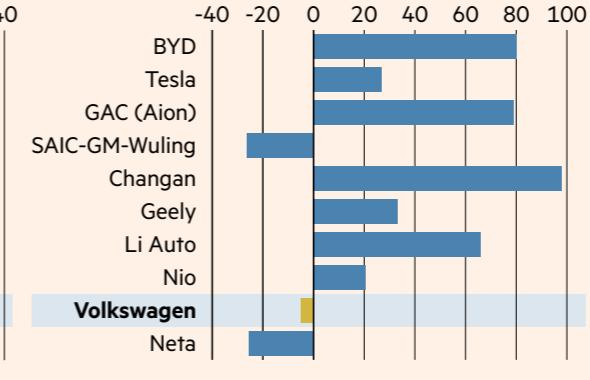


... and its EV market

2023 year-to-date sales



Year-on-year change (%)



Proud moment: the first VW Santana to be produced in China is unveiled in 1983. Below, a Porsche 911 Carrera S on display in Shanghai — Zhe Ji / Getty Images

company last year moved Ralf Brandstätter, its board member responsible for China, to Beijing to work in "close collaboration" with its three main joint venture partners, Chinese state-owned auto companies FAW, SAIC and JAC.

VW's new strategy is touted as "in China, for China", a plan to localise production in the country as a way to insulate against supply chain shocks and deepening divisions between the west and China.

When Brandstätter took the stage at the Shanghai auto show last month, he did not address the worsening geopolitical climate but instead sought to answer how the company plans to win back customers.

A new €1bn innovation centre would build on the €2.4bn investment in Horizon Robotics, a Chinese chip design company, announced late last year, Brandstätter said. VW's software arm Cariad would also double its engineers in China to 1,200.

The multibillion-dollar spending plan would slash the time spent developing products by almost a third and give more autonomy for local decision making, he added.

"The needs of Chinese customers and requirements are different to other regions of the world," said VW's chief executive Oliver Blume, standing beside Brandstätter at the auto show wearing starch-white trainers. "It is very important for all of our developments to be very close to the customers."

But among industry consultants, analysts and former VW staff, there is scepticism over the carmaker's China plan.

Decisions over design and engineering problems get stalled between Wolfsburg and the group's numerous Chinese offices and factories. VW cars are developed in Germany for European customers before models are tweaked to become China-made for Chinese consumers.

For years this set-up posed few problems. US and Japanese rivals did the same and Chinese consumers placed a premium on all things foreign. Yet today it has left staff feeling hamstrung and disempowered as their Chinese rivals unveil smart driving technologies and new EV models.

According to one former VW executive, who left the company in recent years to join a top Chinese EV maker, the company was paying the price for being conservative on EVs as other groups "tested the waters".

Now, as it tried to pivot to electric models, VW remained "highly dependent" on major suppliers that made parts for internal combustion engines, the former executive said. This meant it had fallen behind not only Chinese rivals but also Tesla, which was becoming deeply

'I don't think [staff] can imagine Volkswagen not being in existence. That is actually what is at stake at the moment'

enmeshed in the local EV supply chain, they added.

"Volkswagen is a giant of fuel vehicles ... It is like asking an elephant to turn around," the former executive said.

The Shanghai-based consultant to VW said its China team was also suffering from an outdated software platform for new vehicles.

"They can offer beautiful cars also with an electric battery, that is no problem at all, but the software is just so outdated, it is just embarrassing," he said.

"Maybe for Europe it is good enough for a few more years. For China very quickly that will run into a dead end. If they cannot solve that they will have a 'hole' in new product launches for maybe one or two years — that can really kill a company," he added. In a sign of deepening trouble for VW, the company on Monday removed almost all of the executives at its software arm.

VW's joint venture commitments in China pose another issue.

Spurred by Tesla's commitment to build EVs in Shanghai, Beijing in 2018 lifted restrictions on foreign ownership of auto manufacturers. But analysts said VW and other foreign groups were afraid to upset their longstanding JV partners and the lucrative business they generated.

"They will continue to milk the cow, but the cow isn't going to survive much longer," said Bill Russo, the former head of Chrysler in China and founder of Shanghai-based consultancy Automobility.

Fears over angering Chinese partners and officials also complicate the future of the company's plant in Xinjiang, the western region where the state has been accused of committing widespread human rights abuses against Uyghur and other Muslim groups.

VW has ruled out closing down the factory. It has ducked pressure from politicians, human rights activists and its own union, arguing that it must honour its contract with partner SAIC despite having already abandoned plans to use the plant for the production of a new model.

In an internal memo in February, Brandstätter told employees he had made his first visit to the Xinjiang factory, citing "deep concern" over reports of human rights violations.

While the memo did not address human rights abuse allegations at the plant, Brandstätter said the factory was "of a high standard overall". He described a separate canteen exclusively for halal dishes and a "learning island" where workers can study the Uyghur language.

Just as VW's China operations come under pressure, fast-growing Chinese companies such as Li Auto, Xpeng and Nio are pushing their mass-market cars ever closer to autonomous driving functionality.

The former VW executive in China said the company had been too "slow to grasp" just how technology-focused Chinese consumers had become, which had resulted in a wide gap between the services and features offered by China's homegrown EV makers and those available in the German group's cars.

"It is like comparing iPhones with Nokias 10 years ago."

Additional reporting by Nian Liu in Beijing



Technology

Glencore plans Europe's biggest battery recycling plant

HARRY DEMPSEY

Glencore has plans to build Europe's largest battery recycling plant as it seeks to grow its natural resources business on the back of the switch to electric cars.

The Switzerland-based company, one of the world's largest diversified natural resources groups with commodity trading and mining arms, is launching a joint study with Canada's Li-Cycle into building the facility in Italy by 2027.

The London-listed company, which has a 10 per cent stake in Li-Cycle, aims to repurpose its zinc and lead smelter in Sardinia to produce lithium, nickel and cobalt, key metals used to make batteries for electric cars.

Converting the 94-year-old site would extend Glencore's control over the supply of critical raw materials needed by carmakers.

It would also give the company a leading role in battery recycling, while bolstering its portfolio of copper, nickel and cobalt mines. It has already established itself as one of the world's largest metal recyclers.

Glencore's chief executive Gary Nagle has said that recycling already contributes \$200mn to \$250mn of the company's earnings before interest, taxes, depreciation and amortisation, which was \$34.1bn in total in 2022.

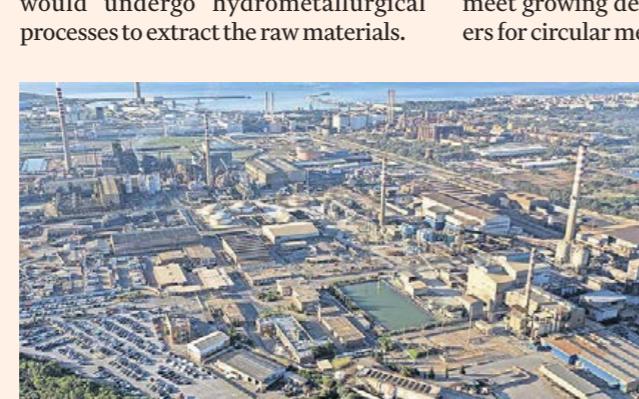
He added that the unit's growth was expected to be "exponential" because tens of millions of electric vehicles worldwide would be due for recycling in anywhere between eight and 15 years' time.

Tim Johnston, co-founder and chair of Li-Cycle, said: "This is a landmark project for Europe's battery recycling industry." He added: "These assets are needed soon."

The plans at the Sardinia site involve recycling disused portable electronics, scrap from battery manufacturing and old EV batteries to create lithium, nickel and cobalt supplies.

The plant will be capable of processing up to 50,000 to 70,000 tonnes of black mass — shredded batteries that would undergo hydrometallurgical processes to extract the raw materials.

The facility planned for Glencore's Sardinia site will recycle disused portable electronics, scrap from battery making and old EV batteries



That would be enough to recycle batteries from 600,000 used electric cars.

Recycling is set to play an important role in easing the demand for primary raw materials from mines, especially given Europe's lack of domestic mining supply.

Li-Cycle predicts that 10 per cent of Europe's lithium demand will be satisfied by recycled supply by 2030.

EU legislators have proposed that batteries in EVs must contain above a certain threshold of recycled raw materials from 2030, rising to 20 per cent for cobalt, 10 per cent for lithium and 12 per cent for nickel five years later, as well as setting recycling recovery rate targets.

In North America, Li-Cycle has built a large black mass processing hub in Rochester near New York. The site is half the size of the planned facility in Sardinia and cost \$485mn.

While the cost of the Sardinia plant is yet to be fixed, the two companies said it was less capital-intensive than Rochester because they could use existing infrastructure in Italy to help keep prices down.

The site marks a key expansion in Europe for Li-Cycle. It has a shredding site in Germany set to open in mid-2023 with further sites to follow in Norway and France.

Under an expected 50-50 joint venture agreement, Glencore would provide low-cost capital to Li-Cycle, which would take the lead on the engineering of the plant and repay its Swiss partner through the asset's cash flows.

The feasibility study is due for completion in mid-2024 with operations set to begin at the end of 2026 or early 2027, if a final investment decision is made.

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All corrigenda, addenda, amendments, time extensions, etc. to the RFP will be hosted on our websites www.recpcdl.in & www.recindia.nic.in. Bidders should regularly visit our websites to keep themselves updated.

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UK COMPANIES

England's water companies face day of reckoning

Nathalie Thomas



As politicians take aim at the water utilities, some of the industry's cannier executives are forgoing bonuses as the spotlight turns to companies' opaque business models and the dividends paid while sewage has been flowing.

The chief executive and chief financial officer of Thames Water, plus the heads of South West Water and Yorkshire Water, have all in the past 24 hours decided to – in the words of the latter – do “the right thing”.

Other executives, including those below chief level, would be wise to follow. But other more stringent actions, including rethinking medium-term sewage reduction targets, will be needed for anger to subside.

Charities and campaign groups that have for years diligently monitored sewage spills – without which the level of the crisis would not now be known – are riding a wave. One such group, Surfers Against Sewage, is planning further nationwide protests on May 20.

Shortly before the announcements on bonus payments, the Financial Times published an analysis showing that

private sewage and water companies paid out £1.4bn in dividends last year, up from £540mn in 2021, despite an outcry over the sewage crisis. Other criticisms surrounding the industry include lax regulation and high levels of water leakages.

Where is the government in this? It's true that ministers haven't been sitting on their hands. Environment secretary Thérèse Coffey has pledged to enshrine in law a 2050 sewage reduction target, first published last year.

Unfortunately, say campaigners, that target is backed by weak interim goals. They also worry that it shifts responsibility to the government rather than the water companies. The phased targets meant that the pace of reduction would be “pretty slow” in reaching higher levels, said Richard Benwell of the Wildlife and Countryside Link. He worried that the targets would add “another 20 years” of some degree of sewage outflow into sensitive wildlife sites unless they were tightened.

Labour plans to target weak regulation. It is drawing up plans for a new regu-

lator for England and Wales as the issue looks set to become a battleground ahead of the next election. Scotland's water system is already in state hands.

The regulator, Ofwat, came in for fierce criticism from a House of Lords committee in March. It was accused of failing to ensure companies invested sufficiently in necessary infrastructure.

A poll has suggested that the sector is high among industries Britons would like to see in public hands

The Environment Agency has also found itself under an uncomfortable spotlight.

Ofwat has been trying to prove it is not deaf to the clamour. It has announced several measures, including powers to penalise water companies that pay out dividends regardless of environmental performance. It has proposed to accelerate £1.6bn of water company investment, which is tightly

controlled under five-year regulatory cycles, to 2023-25 from 2025-30. Just over £1bn of that is aimed at reducing the number of annual average spills from storm overflows by 10,000.

The problem for both of the leading parties and companies alike is that renationalisation remains popular. Labour has dropped the plan of Jeremy Corbyn to bring back into state ownership several industries, including water and energy, yet renationalisation of water is favoured by unions and several campaign groups. A YouGov poll in October suggested the sector was also high among the industries Britons would like to see in public hands.

Water groups say they have invested more than £190bn since privatisation and are taking voluntary actions to reduce overflow spills. They are yet to win round critics. They and ministers must up the ante if they want to avoid fuelling the renationalisation debate.

This is a flood that will not easily drain away.

nathalie.thomas@ft.com

Technology

Activision taps barrister Pannick for Microsoft deal block battle

TIM BRADSHAW AND JANE CROFT

Activision Blizzard has hired legal heavyweight Lord David Pannick KC, whose cases include former UK prime minister Boris Johnson's “partygate” probe, to lead its fight against the British competition regulator's decision to block its \$75bn deal with Microsoft.

Pannick, of Blackstone Chambers, described by a legal guide as an “undisputed leader at the bar”, will represent the creator of the hit video game *Call of Duty* in its legal challenge at the Competition Appeal Tribunal, according to people familiar with the hiring.

The move comes two weeks after the Competition and Markets Authority delivered a potentially fatal blow to the blockbuster takeover by concluding that it would hand Microsoft an unfair advantage in the nascent cloud gaming market.

Bobby Kotick, chief executive of California-based Activision, last month vowed to fight to conclude the deal, calling the CMA's decision a sign that the UK was “clearly closed for business”. Microsoft president Brad Smith warned that the move “discourages technology innovation and investment” in the country.

Activision's decision to bring in Pannick, widely seen as one of the top barristers of his generation with former clients including Queen Elizabeth II, is a sign of how seriously it is taking the threat that the UK's intervention could kill its hopes of completing the games industry's biggest deal.

Pannick represented businesswoman

The decision to bring in Pannick is a sign of how seriously the business is taking the intervention

Gina Miller in her two Brexit-related victories against the UK government, notably in 2019 when the Supreme Court declared that Johnson's prorogation of parliament was unlawful.

The barrister, who has been a cross-bench peer since 2008, went on to advise Johnson last year over partygate, when the House of Commons privileges committee investigated illegal parties held at Downing Street during Covid-19 pandemic lockdowns.

In a career spanning more than four decades, Pannick has also represented clients as varied as the Kingdom of Saudi Arabia, businessman Roland “Tiny” Rowland, former Formula 1 boss Max Mosley, pornography distributors Shepton Mallet, and Diana, Princess of Wales.

In 2003, he acted for Queen Elizabeth, winning an injunction against the Daily Mirror newspaper after a reporter posed as a Buckingham Palace footman.

Educated at Hertford College, Oxford, before qualifying as a barrister in 1979, Pannick is recognised for his handling of high-level cases in UK and international law. The latest Chambers UK legal guide describes him as an “outstanding public law silk”, known for handling the “most significant high-profile human rights cases before domestic, European and international courts” over the past 20 years.

Blackstone Chambers did not immediately respond to a request for comment.



Deloitte probe Watchdog checks quality of Joules audit

Deloitte is under investigation by the UK accounting regulator over its auditing of clothing retailer Joules, which fell into administration last year.

The Financial Reporting Council said yesterday that its probe would cover the audit of Joules' accounts for the financial year ended May 2021.

If Deloitte's audit is found to have failed to meet the required standards, the firm could face a significant fine. The regulator can also force auditors to take action to avoid a repeat of problems, including providing training to staff or improving their processes.

Deloitte, which was paid an audit fee of £225,000 for the 2021 financial year, had audited Joules since it floated on London's Aim in 2016.

The retailer, which listed Catherine, Princess of Wales, and singer Taylor Swift among its customers, hit trouble

last year as higher freight rates and rising wages contributed to the collapse of the 132-shop business.

Next bought most of the company out of administration for £34mn in December in a deal that allowed founder Tom Joule to take a 26 per cent stake.

The Deloitte investigation is the latest by the FRC into the audit of a company which has fallen into administration. It is already looking into EY's auditing of retailer Made.com, PwC's audits of property group Intu, Mazars' work at Studio Retail Group and BDO's auditing of construction group NMCN.

Deloitte said it would “co-operate fully” with the investigation and was “committed to the highest standards of audit quality”.

Michael O'Dwyer and Laura Onita

Christopher Furlong/Getty Images

Retail

Law firm for CBI in war of words with Tesco chair

Fox Williams denies it chose not to probe claims about business leader

LAURA ONITA AND PETER FOSTER

A war of words has erupted between John Allan, the Tesco chair, and a law firm instructed by the CBI in the latest embarrassment to hit the scandal-hit lobby group.

Fox Williams disputed yesterday Allan's assertion that it had chosen not to investigate allegations of inappropriate conduct made against Allan, a former CBI president, which were reported by the Guardian newspaper.

Allan in turn challenged the law firm's version of events, calling it “incorrect”.

Allan has denied three separate allegations of inappropriate behaviour towards women, saying they are “simply untrue”. He told the Guardian that he had requested law firm Fox Williams to investigate the allegations but the firm had “decided not to”.

The CBI had previously instructed Fox Williams to investigate allegations of sexual harassment, bullying and other workplace misconduct after more than a dozen women made complaints about a toxic culture at the organisation.

However, Fox Williams denied Allan's version of events. “It is not correct that Fox Williams decided not to investigate the allegations made against Mr Allan by the Guardian,” the firm said.

It added that the scope of its probe at the CBI had been limited to whether or not senior managers knew of workplace misconduct claims before they appeared in the press, and by an ongoing police investigation into two rape allegations at the CBI.

It added that Allan had declined to provide further information to the CBI. “Mr Allan was provided with the oppor-

tunity to give an account to the CBI via Fox Williams which, as far as we are aware, he has chosen not to do,” it said.

Yesterday evening, however, a spokesperson for Allan said that his lawyers had confirmed on April 4 that he wished for Fox Williams to investigate the allegations against him, and followed up on April 21, but the law firm chose not to meet him.

“Instead, on April 23 2023, Fox Williams offered to forward a statement from Mr Allan to the CBI although confirmed that their investigation had already concluded,” they added.

Fox Williams confirmed that Allan's lawyers contacted it but that the firm was “not permitted to speak to all individuals involved in the allegations made by the Guardian. Mr Allan was made aware of this.”

The CBI did not respond to a request for comment.

The three allegations denied by Allan include two separate alleged incidents of touching a woman's bottom at a CBI dinner in May 2019, and during Tesco's annual shareholder meeting in June last year. Allan has also denied a claim that in 2021 he made comments about a woman's bottom.

A fourth allegation in which Allan admitted to telling a female CBI employee that her dress “suited her figure” in November 2019 was resolved to the satisfaction of both sides. Allan has previously said that he had been “mortified” by the comment and “immediately apologised”.

Tesco said the 74-year-old had never been the subject of a complaint since becoming chair in 2015, and that it did not receive complaints or concerns about his conduct at the annual meeting in June 2022. Tesco added that it took all concerns or complaints about conduct “very seriously” and investigated them thoroughly.

Pharmaceuticals

Ascend raises \$130mn to buy biotech labs

HANNAH KUCHLER

A UK biotech group has raised \$130mn to buy manufacturing facilities and expert teams from cash-strapped cell and gene therapy start-ups, capitalising on the sell-off in the sector.

Ascend is trying to address a capacity bottleneck that slows the treatments getting to patients, providing expertise to manufacture the tricky-to-make products and help with increased regulatory scrutiny of the therapies.

The company, founded by specialist venture capital firm Monograph Capital at the start of last year, has already bought a Potters Bar site from Cancer Research UK, the German manufacturing business of Freeline Therapeutics, and a design team in San Francisco.

After a glut of early-stage companies went public in 2020 and 2021, biotech markets have slumped, with the S&P XBI index of smaller biotech companies down 50 per cent since February 2021.

Smaller biotech groups are looking for ways to stretch their funds until they can raise more, signing partnerships

with Big Pharma and royalty licensing deals. But they are also cutting staff and looking for ways to make money from their existing assets.

With the public markets shut to loss-making biotechs, Ascend will offer funds to the makers of complex drugs by purchasing their facilities.

Fred Cohen, chair of Ascend, said cap-

‘Four years ago, no one was worried about spending \$35mn to get into the [manufacturing] business’

ital expenditure was a real issue for these companies. “When money was free four years ago, no one was worried about spending \$35mn to get into the [manufacturing] business, but now they are no longer in money heaven.”

Other companies, including Oxford BioMedica, which helped manufacture the Oxford/AstraZeneca Covid-19 vaccine, the large contract manufacturer Catalent and Fujifilm Diosynth Biotech-

nologies are expanding their production of cell and gene therapies in the UK.

Bali Muralidhar, chief investment officer of Abingworth, a venture capital group that co-led the funding round, said European companies without their own manufacturing tended to face longer waits than US counterparts.

Muralidhar said the Potters Bar site, at the centre of the so-called Golden Triangle for life sciences between Oxford, Cambridge and London, could bolster the UK's cell and gene therapy industry.

Ascend hopes that by specialising in manufacturing these therapies the company can bring down production costs.

Ascend raised early stage funding in a round co-led by Abingworth and Petrichor in New York, and also included funds from 4Bio Capital and DCVC Bio.

The company recently hired a new chief executive to lead the acquisition spree to build a specialist maker of the innovative treatments. Mike Stella was the former chief business officer of Cognate BioServices, which Charles River Laboratories bought in an \$875mn deal in 2021.

Insurance

Direct Line warns of inflation hit to earnings

IAN SMITH

Direct Line said the rising costs of repairing damaged motor vehicles could hit its earnings this year, the latest warning from the insurer that rising inflation was harming its business.

Rising claims costs were expected to “put pressure” on earnings this year, including the level of reserves it could release from prior-year claims, the insurer said in an update yesterday. Its shares fell 7.6 per cent in London.

After a lull in claims during the pandemic, motor insurers have suffered as the price of second-hand cars, car parts and labour have surged. Insurers have struggled to keep their prices rising fast enough to cope with the acceleration in the cost of repairing or replacing cars.

Direct Line chief executive Penny James stepped down in January, just weeks after the company issued its latest profit warning and scrapped its final dividend. The group has since admitted it had been guilty of “over-optimism” about the threat from inflation.

Hopes had risen in recent weeks that

prices were catching up across the sector. The latest quarterly index, from price comparison website Confused.com and broker Willis Towers Watson, said the cost of car insurance had risen by a fifth in the past 12 months to its highest since 2011. That put the average policy in the UK at £657.

Acting chief executive Jon Greenwood called Direct Line's earnings outlook

“challenging” but stressed that it continued to “take the actions required to drive business performance”, including on margins.

The group's motor renewal premiums were up 19 per cent year on year as it pushed up prices to try to counter the effects of inflation.

It expects claims inflation in motor and home insurance to run at a high

single-digit percentage. The group had “made good progress towards target margins”, it said, but this focus on lifting prices meant a 2.5 per cent fall in overall in-force policies across the quarter.

There was better news on severe weather-related claims, which were “modest” in the first quarter and “well within” expectations, which project an £80mn hit across the year.

In home insurance, a smaller business line for the group, Direct Line said it had “observed significant price increases across the market”.

The group's solvency level was “broadly unchanged” since the year-end, and it reiterated its expectations that it had several “tailwinds” to its capital level, including accounting changes.

Analysts at RBC Capital Markets said the fresh numbers meant there was a higher risk to Direct Line's dividend outlook “in the absence of tangible signs of recovery to both capital and earnings”. The warning on rising claims costs “cements our expectations of a dividend reset this year”, they added.

See Lex

Direct Line has suffered along with other insurers from the rising price of car parts and labour



COMPANIES & MARKETS

Currencies. Lira pressure

Investors warn of 'tough period' ahead for Turkish economy



Managers say winning back credibility will be 'grotesquely difficult', regardless of election

ADAM SAMSON — ANKARA

Fund managers warn it will be a "grotesquely difficult" task to rebuild Turkey's economy and regain credibility among foreign investors — regardless of which party wins this month's hotly contested election.

Kemal Kilicdaroglu, who is leading a coalition of six opposition parties, has vowed to undertake sweeping reforms to lure back foreign capital that has fled over the past decade if he unseats longtime leader Recep Tayyip Erdogan in the presidential election on May 14.

But while fund managers say change is needed, some warn that, even if the opposition wins, investors will sit on the sidelines until the coalition shows it can bring about durable change.

Turkey has "a whole bunch of variables that are in the wrong place and getting them in the right place will be grotesquely difficult", said Paul McNamara, an emerging markets-focused investment director at fund manager GAM in London.

"Is the money out there? Absolutely, yes. Will people be in a huge hurry to put it in? I don't think so," he added.

The cautious sentiment comes as Erdogan fights his toughest re-election campaign after two decades in power.

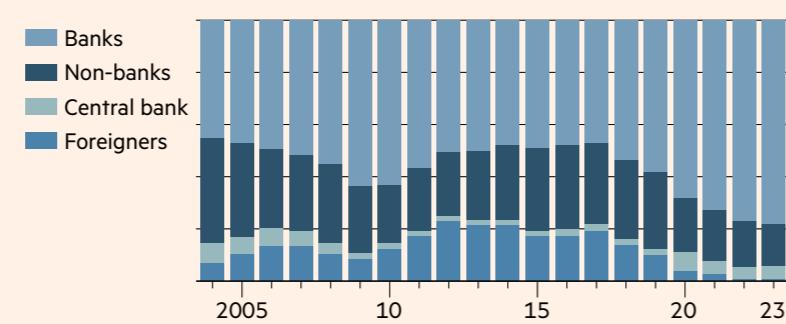
Polls show Kilicdaroglu and Erdogan are locked in a tight battle just days before the election, with voters pointing to the economy as central.

Erdogan's unconventional economic policies, including a longstanding objection to raising interest rates, helped send inflation soaring above 85 per cent in October while the lira has tumbled almost 60 per cent over the past two years to a record low against the dollar.

Concerns over Turkey's economic

Foreign investors 'abandon' Turkey's bond market

Share of domestic central government bonds held by group (%)



trajectory and an ever-rising number of measures to relieve pressure on the lira have caused investors to flee.

"This is a market that is almost completely abandoned by foreigners," said Emre Akcakmak, a senior consultant at East Capital, a specialist emerging markets fund manager.

Less than 1 per cent of Turkey's domestic government debt is owned by foreigners, down from about a quarter a decade ago. The banking system, including domestic banks and Turkish affiliates of foreign lenders, owns nearly 80 per cent of the local sovereign debt stock from less than 50 per cent in 2013, data from the finance ministry showed.

A similar trend has taken hold in the Turkish equities market where international investors have yanked \$7.3bn over the past decade, according to Goldman Sachs.

"Investors' allocations to Turkey have rarely been lower," said Kieran Curtis, head of emerging market local currency debt at UK-based asset manager Abrdn. Akcakmak said Turkey is nearing a "breaking point" under current policies, particularly since the central bank's foreign currency reserves have been "nearly depleted".

The central bank has burnt through reserves as policymakers have tried to prop up the lira, economists said. Net foreign assets, a proxy for the size of Turkey's foreign currency war chest, are minus \$10bn even after accounting for more than \$30bn in funds borrowed from local banks through short-term borrowing known as "swaps", data from Turkey's central bank and Goldman Sachs shows.

Some analysts expect Erdogan could shift towards a more conventional economic policy if he wins.

This speculation has been bolstered by the president's recent courting of Mehmet Simsek, a former deputy prime minister who was well regarded by foreign investors but exited government in 2018 when Erdogan installed his son-in-law as finance minister.

"If [Erdogan] was to change his view and adopt a more conventional policy, it will be very well received," said a senior EM-focused capital markets banker at a big Wall Street bank, adding that, if Erdogan wins, he might "realise now is the time he can pivot and re-attract foreign funds".

Curtis added that "to the market, it doesn't matter a lot who is doing the policy, it's a matter of them doing the policy".

Kilicdaroglu told the Financial Times last month that one of his priorities

writing on the wall: the election battle between President Recep Tayyip Erdogan and Kemal Kilicdaroglu is set against a background of fears over Turkey's economic trajectory and attempts to rescue the lira

Ozan Kose/AFP/Getty

would be turning round Turkey's economy, including establishing an independent central bank rather than the current system in which Erdogan in effect controls interest rate policy.

"Whatever happens, it's going to be a tough period for Turkey," Curtis said.

Investors worry that a big policy adjustment, while important in the long run, will be painful in the short term.

Curtis said many investors expect Turkey's benchmark interest rate will need to be boosted over time from 8.5 per cent today to as high as 40 per cent to show that the country is making a credible effort to tame inflation.

A rise in rates of that magnitude would spark a big sell-off in Turkey's domestic bond market, Curtis said, which would be "pretty terrible for overseas investment" in the short run. "You have to be patient," he said.

The Erdogan administration has also increasingly relied on other tools to stabilise the lira, including introducing special savings accounts in 2021 that reimburse depositors if the lira weakens against foreign currencies.

These accounts have been instrumental in keeping local residents from buying dollars and many analysts said this was a big reason why the lira had been broadly stable in recent months.

These accounts hold \$102bn, according to the Turkish bank regulator, and economists say they could pose a big risk to the government's budget if the lira depreciates rapidly, since depositors would be reimbursed if the currency were to fail.

Similarly, unwinding these accounts could prove difficult because holders could choose to purchase dollars and euros en masse, which would send the lira plummeting.

"All the steps the opposition [would] pursue [to repair the economy] are going to create bumps on the road," said Akcakmak.

See FT Big Read

Fixed income

Commercial property is 'next shoe to drop' for US lenders

ORTENCA ALIAJ, ANTOINE GARA, HARRIET AGNEW AND ERIC PLATT

Fund managers are warning of growing problems in the \$5.6tn US commercial real estate industry that could prove painful for lenders already shaken by turmoil in the banking sector.

Rising interest rates, falling prices and waning demand for office space after the pandemic had strained the commercial property market.

But these troubles intensified after this year's failures of Silicon Valley Bank, Signature Bank and First Republic raised worries about other regional banks that account for the bulk of commercial real estate loans.

"The private market hasn't started to heavily mark down real estate," Apollo Global Management co-president Scott Kleinman told the Financial Times. "The equity will be first. That's the next shoe to drop in the US. Like everything else, it has been priced so tightly and there hasn't been a commercial real estate crisis in the US since the '90s."

Anne Walsh, Guggenheim Partners chief investment officer, said the pain would be concentrated in certain regions of the US, including large urban centres such as San Francisco and New

'We're likely going into a real estate recession but not across the entire market. Lenders will be choosy'

York as well as in second-class office buildings that are in need of repair.

"We're likely going into a real estate recession but not across the entire real estate market," Walsh said. "Lenders will be very choosy about what loans they are willing to make."

She noted that some lenders were requiring personal guarantees from property owners — in which borrowers pledge their own assets to secure a mortgage — a signal of the tightening lending standards and the fact that banks were pulling back.

In a Federal Reserve survey released on Monday, a majority of US banks said they tightened credit standards for loans secured by non-residential properties in the first quarter while none eased standards.

A wall of debt is also scheduled for repayment in the coming years. "There's a maturity cliff for a lot of this real estate in the next few years, a significant portion of which is funded by regional banks," said the chief executive of a large US bank. "Commercial real estate is leverage on leverage on leverage . . . if people are forced to quickly unwind that leverage, it can pop up in other places."

Mathieu Chabran, co-founder of \$43bn alternative asset manager Tikehau Capital, said: "We see a perfect storm of rising interest rates forcing assets to reprice down, combined with a structural decline in occupation rates and ageing assets."

Additional reporting by George Hammond

Equities

Saudi Aramco pledges dividends linked to performance despite drop in profits

SAMER AL-ATRUSH — DUBAI

First-quarter profits at oil group Saudi Aramco dropped almost a fifth after oil prices fell, the company said yesterday, although its share price jumped after it promised to introduce performance-linked dividends.

The company reported \$31.9bn in net income for the period, 19 per cent lower than the same period last year.

However, it also said it planned to introduce performance-linked dividends in addition to base dividends with a target payout of 50 to 70 per cent of annual free cash flow. The shares rose almost 4 per cent on the news.

Increasing dividends would boost revenues for the Saudi government, which owns more than 90 per cent of Saudi Aramco shares.

The first-quarter results slightly exceeded analysts' expectations. The fall in profits year on year was driven by the decline in oil and gas prices compared with 2022.

Results from European oil majors, including Shell, showed that they had been able to offset more of that decline through their larger trading operations,

which had a very strong first quarter. Saudi Aramco made record profits of \$161bn in 2022 and increased its quarterly payout to shareholders to almost \$20bn as oil prices soared after Russia's full-scale invasion of Ukraine.

The company said it remained well positioned despite the decline in prices.

"Global crude oil prices declined in the first quarter of 2023 mainly driven by macroeconomic events contributing to market volatility. Aramco believes it



Saudi Aramco said it was moving forward with capacity expansion

is well positioned to withstand fluctuating commodity prices through its low-cost upstream production and strategically integrated downstream operations," it said in a statement.

The company said it would move forward with capacity expansion and downstream investments to meet anticipated demand for petrochemicals.

Unlike international peers that pledged to gradually cut oil output to reduce emissions, Saudi Aramco is increasing its maximum crude oil production capacity from 12mn barrels a day to 13mn b/d while investing in lower carbon energy.

"We are also moving forward with our capacity expansion and our long-term outlook remains unchanged as we believe oil and gas will remain critical components of the global energy mix for the foreseeable future," chief executive Amin Nasser said in the statement.

He added: "Our intention is to continue to be a reliable energy supplier with the ability to provide more sustainable energy solutions, supporting efforts to achieve an orderly energy transition."

Additional reporting by David Sheppard in London

Asset management

Ireland set to create sovereign wealth fund for bumper budget surpluses

JUDE WEBBER — DUBLIN

Ireland plans to set up a sovereign wealth fund next year, modelled on successful ventures in other countries, to channel its bumper budget surpluses into tackling long-term cost pressures such as pensions and infrastructure spending.

Finance minister Michael McGrath presented a "scoping paper" on a future fund to a cabinet meeting yesterday as government finances are awash in corporate tax receipts from US tech and pharma firms based in Ireland.

Ireland expects to net €65bn in budget surpluses between now and 2025 and is seeking to future-proof its finances in case its corporate tax bonanza runs out just as it faces spiralling pension costs.

The paper examined similar plans in Norway, Japan and Australia and set out criteria for the fund, which is to be managed by the National Treasury Management Agency, the finance ministry said.

The fund would be intended to be drawn down over time as age-related and other structural expenditure pressures grow, officials said.

It was not yet clear whether the NTMA would contract an asset management fund or exactly what assets the new sovereign wealth fund would invest in.

The government has long warned that it cannot rely on huge but volatile corporate tax receipts — more than half of which comes from just 10 US corporations — for day-to-day spending. The Irish government is forecasting a

These are the largest in the euro area. The government has important choices to make'

general government surplus for this year of €10bn, rising to €16.2bn next year, compared with €8bn in 2022. Corporation tax is expected to raise €24.3bn this year, up 7 per cent on 2023.

But the government estimates that half of this year's projected corporate tax revenues could be potential one-offs. By 2030, it expects to have to find €7bn to €8bn more a year for pensions than at the start of the decade.

It has already begun stashing some of its windfall tax profits away for a rainy day and has a €6bn National Reserve Fund, invested in low-risk government bonds. Unlike that fund, the new vehicle will pursue a diversified investment strategy, the government said.

Ireland is torn between the government's desire to manage what Dermot O'Leary, chief economist at stockbroker Goodbody, calls an "embarrassment of riches" in a prudent fashion and calls to plough the surplus cash into tackling a chronic housing crisis that even the central bank warned is a potential constraint on the economy.

Bumper receipts from tech titans such as Google and Meta that have large operations or European headquarters in Ireland have so skewed national economic data that the country uses a modified measure of economic output to try to paint a more accurate picture.

Even so, the government expects a budget surplus of 3.4 per cent of gross national income this year, swelling to 5.4 per cent next year.

"These are the largest in the euro area," O'Leary said. "The government has important choices to make."

COMPANIES & MARKETS

More must be done to avoid further bank woe

Mohamed El-Erian
Markets Insight



The US banking tremors are evolving. The first phase of the turmoil, when sudden and vast deposit outflows from poorly managed and inadequately supervised banks caused spectacular failures, has been stabilised.

The current phase, which focuses on funding cost and balance sheet issues of less problematic banks that happen to operate in a highly unsettled neighbourhood, can also be stabilised. Indeed, it must if we are to avoid a third phase entailing considerably more financial and economic damage.

matches between their short-term liabilities and longer-term assets. Their balance sheets are further encumbered by dodgy commercial real estate loans.

Moreover, they are subject to a regulatory regime that has not ensured adequate capital coverage – a lapse that is amplified by the patchy supervision that was detailed in the Fed's own assessment of SVB's failure. They also remain vulnerable to the Fed's mishandled interest rate raising cycle. And all this is likely to damp the banking system's enthusiasm to extend credit even if moral hazard is greater.

Fortunately, these banks do not have

We are unlikely to see the sort of big institutional collapse experienced by Silicon Valley Bank

as many immediate structural weaknesses as those that failed. Consider, for example, PacWest, which found itself on the ropes last week as its share price plummeted. Its 25 per cent of uninsured deposits pales in comparison with what SVB and First Republic had. Also, its clients base is far more diversified. It will, however, have to resolve balance sheet issues and navigate higher funding costs at a time of very jittery markets.

The market mood is not surprising. So far this year, banks with more than \$530bn in assets have failed, already exceeding the 2008 total during the global financial crisis after adjusting for inflation.

The manner in which First Republic failed is also playing a role. The theoretical alignment of incentives among the main actors proved insuffi-

cient to ensure a timely resolution. Shareholders saw their holdings lose more than 95 per cent of their value before the bank was acquired by JPMorgan. Markets now punish the stocks of banks, especially those that talk about weighing "strategic options". This leaves the door open to vicious cycles.

This second phase can also be contained. First, banks must exercise more care in what they say and have responsive communication with investors – a lesson already internalised by a few institutions. Second, the Fed must strengthen its supervision regime. Third, public-private resolutions for banks need to be made to work to a tighter timeline if needed. Fourth, the public sector needs to assure markets that, rather than the ad hoc approaches so far, it will work to revamp both the deposit insurance system and the regulation of banks erroneously deemed to involve no systemic threat.

Doing so is necessary if the US is to avoid a third, and significantly more damaging, phase of the banking turmoil. Should less problematic banks fail in the next few weeks, the impact on the financial system and the economy would be a lot more consequential.

Notwithstanding an impressively resilient labour market, the US would soon find itself tipped into an otherwise avoidable recession with limited fiscal and monetary policy options. The likelihood of further policy mistakes would be material. And all this just as the slower-moving stress in the non-bank financial sector becomes more evident.

*Mohamed El-Erian is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy
Sheila Bair see Opinion*

cient. This good news is due to two main factors. First, through practice rather than through legal change, the authorities have signalled that the \$250,000 ceiling on the state guarantee of individual deposits has been replaced by unlimited coverage. The trick is simple. The Federal Reserve just declares a systemic risk exception. Second, the Fed opened a funding window that allows banks for one year to exchange at par securities that are worth significantly less in the marketplace. This reduces the risk of banks having to sell at a loss to meet deposit outflows and provides them with subsidised funding.

This important stabilisation has been far from perfect as it only addressed part of the banking system stress while inflicting collateral damage and unintended consequences. Quite a few US regional banks still operate with mis-

The day in the markets

What you need to know

- Global stocks retreat ahead of crucial US inflation data
- Swedish real estate sector rattled by SBB credit downgrade
- Treasuries sell off but dollar attracts buyers

Wall Street stocks fell yesterday as traders awaited crucial data on US inflation while a sharp sell-off in Sweden's real estate sector overshadowed markets in Europe.

The benchmark S&P 500 dipped 0.5 per cent by midday trading in New York while the tech-heavy Nasdaq Composite retreated 0.7 per cent.

Across the Atlantic, the region-wide Stoxx Europe 600 fell 0.3 per cent as investors grew nervous about the outlook for real estate companies following a year of aggressive interest rate rises.

The Stoxx Europe 600 real estate sector lost 2.9 per cent after Swedish landlord SBB said it would halve dividend payments and scrap a planned rights issue on Monday to preserve capital.

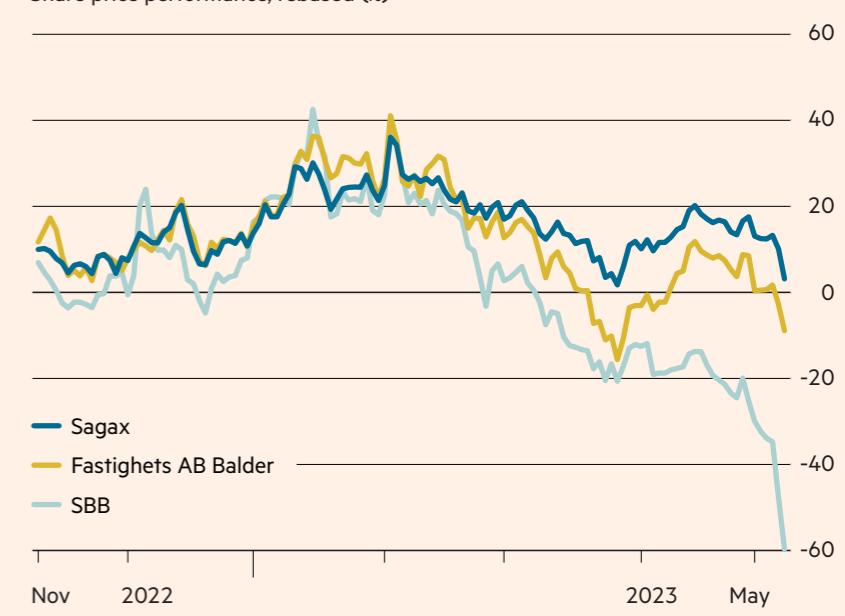
The real estate sector shakeout was led by "the view that weakness in Sweden's property sector is foreshadowing what is set to come in mainland Europe", said Simon Harvey, head of FX analysis at Monex Europe.

In the US, traders awaited the data release today, expected to show headline consumer price inflation at an annual rate of 5 per cent in April, unchanged from the previous month, according to economists surveyed by Bloomberg.

This is likely to influence the US Federal Reserve's path for monetary policy after it raised interest rates last

Shares of Sweden's real estate companies plunge

Share price performance, rebased (%)



week to a range of 5 per cent to 5.25 per cent, marking the 10th increase in 14 months.

US regional bank stocks continued their decline in the wake of First Republic's collapse at the start of this month and lingering worries over the health of the industry.

"Uncertainty in the banking sector continues to tighten credit conditions and lending standards [which] could potentially push inflation much closer to target by December as unemployment rises," said Jamie Dutta, market analyst at Vantage.

US government bond prices fell, with the yield on interest rate-sensitive two-year Treasuries up 3 basis points to 4.04 per cent following a sell-off on Friday.

The US Dollar index rose 0.3 per cent against a basket of six other currencies. London's FTSE 100 fell 0.2 per cent as traders awaited the Bank of England's next policy meeting tomorrow when the central bank is expected to raise interest rates by 0.25 percentage points to 4.5 per cent, their highest level since 2008.

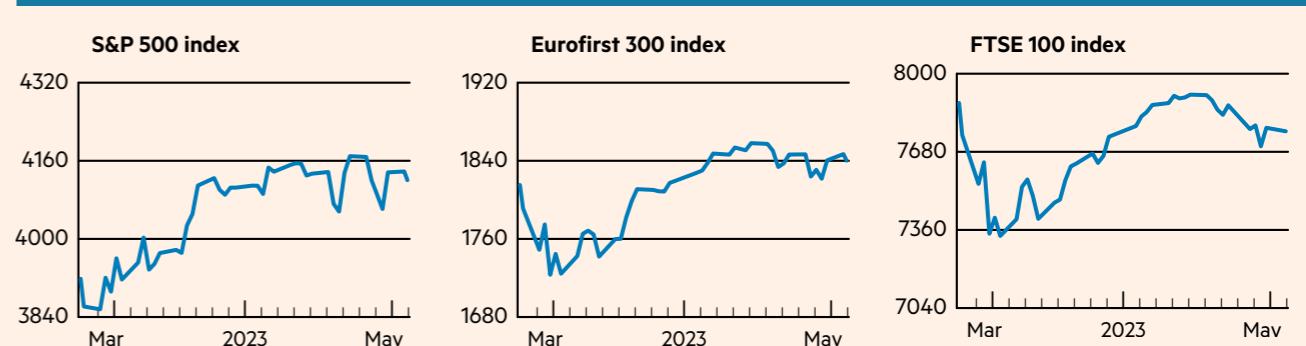
Brent crude, the international oil benchmark, fell 1.4 per cent to \$75.88 a barrel. **Daria Mosolova and Kate Duguid**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	4120.22	1840.13	29242.82	7764.09	3357.67	107663.53
% change on day	-0.43	-0.37	1.01	-0.18	-1.10	1.53
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	101.680	1.096	135.055	1.262	6.927	5.006
% change on day	0.299	-0.454	0.130	-0.079	0.155	0.969
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	3.513	2.348	0.420	3.972	2.775	11.895
Basis point change on day	1.810	2.300	1.210	6.900	-0.600	3.300
World index, Commodity	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	430.04	75.47	71.79	2000.95	25.84	3894.20
% change on day	-0.41	-2.00	-1.87	-2.14	0.84	1.37

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	Davita 13.41	Grifols 9.36	Int Consolidated Airlines S.a. 3.52
Mckesson 6.52	Fresenius 8.53	Flutter Entertainment 2.26	
Albemarle 4.57	Reed Elsevier 2.88	Relx 1.85	
Transdigm 3.48	Talanx 1.62	Beazley 1.55	
Hologic 3.24	Amadeus It 1.40	Intercontinental Hotels 1.48	
Downs	Paypal Holdings -11.42	Kbc -4.57	Unite -4.52
Int Flavors & Fragrances -8.28	Casino Guichard -3.83	Ocado -4.14	
Dish Network -7.08	Danone -2.99	Land Securities -3.18	
Waters -6.98	Kering -2.60	Dcc -3.10	
Baxter Int -6.79	Oci -2.51	British Land -2.86	

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

All data provided by Morningstar unless otherwise noted.

Wall Street

Heading the S&P 500 index was healthcare group **DaVita**, which lifted its full-year guidance, forecasting annual earnings of between \$6.20 and \$7.30 per share against a previous estimate of \$5.45 to \$6.95 per share.

The provider of kidney care services said it was boosted by an "improving macro environment" with earnings of \$1.25 per share in the first quarter, more than 9 per cent ahead of Wall Street estimates.

At the opposite end of the blue-chip benchmark was **PayPal**, the online payments platform, which expected an operating margin of 100 basis points this year, down from a 125bp estimate stated in February.

This reflected a "greater contribution of unbranded processing volume", said UBS, referring to the payment processing for other companies without the PayPal checkout button.

The news overshadowed an upgrade to PayPal's earning growth target from 18 per cent to 20 per cent for 2023.

Manchester United rallied following a report that Qatari Sheikh Jassim bin Hamad al-Thani was the preferred bidder for the English football club.

The Express newspaper said the Premier League team's owner, the Glazer family, was leaning towards the Qatari offer over the proposal from British billionaire Sir Jim Ratcliffe. **Ray Douglas**

Europe

Swedish real estate group **SBB** fell sharply for the second consecutive session after stating that it would delay its dividend payment and not carry out a previously announced SKr2.63bn (\$260mn) rights issue.

A day earlier, S&P Global Ratings downgraded the landlord's credit rating.

The news rippled across Sweden's real estate sector, pushing **Fastighets AB Balder**, **Wallenstam**, **Wihlborgs Fastigheter**, **Fabege** and **Sagax** lower.

Finland's **Outokumpu** jumped on the back of a "strong set of results", said Citi, which highlighted the steelmaker's adjusted core profits of €204mn in the first quarter — 38 per cent ahead of analyst expectations.

Heikki Malinen, chief executive, said that, despite heavy distributor destocking in the Americas and Europe, stainless steel deliveries increased 12 per cent quarter on quarter.

Better than expected results buoyed Spain's **Grifols**, prompting the pharmaceutical group to forecast an adjusted core profit margin of 22 to 24 per cent for the year, up from a previous estimate of 21 to 23 per cent.

The Express newspaper said the Premier League team's owner, the Glazer family, was leaning towards the Qatari offer over the proposal from British billionaire Sir Jim Ratcliffe. **Ray Douglas**

London

Hybrid estate agent **Purplebricks** plummeted after admitting that it was "unlikely" it would generate cash for its current fiscal year.

The company's cash position had been hit by fourth-quarter instructions not rising "as previously anticipated" and the group's payment processor exercising its right to withhold a portion of remittances.

Purplebricks, which put itself up for sale in February, also warned that the "transactions being contemplated, if concluded, would be expected to deliver returns to shareholders materially below" its stock price.

Near the bottom of the FTSE 250 index was **Marshalls**, the landscape products provider, which said it expected to deliver 2023 results "lower than its original expectations".

The downgrade came as the group reported a 14 per cent slide in like-for-like sales this year.

Also in the lower half of the mid-cap index was insurer **Direct Line**, which said its 2023 earnings would be under pressure because of "further adverse claims development" in its motor division.

Matt Britzman, equity analyst at Hargreaves Lansdown, said that, with claims inflation still running at "high single-digit levels", the outlook for insurance profitability remained a "little murky". **Ray Douglas**

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Chief Content Officer,
Marketing AI Institute

Andrew Hill
Senior Business Writer,
Financial Times

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Global Economic Indicators & Sector Performance Analysis																																
Market Overview								Geopolitical & Economic Events																								
Equity Markets				Fixed Income				Commodities				Forex & Currencies																				
Stock	Price	Day Chg	High	Low	Yld	P/E	MCap m	Stock	Price	Day Chg	High	Low	Yld	P/E	MCap m																	
Australia (AS)								Finland (€)																								
ANZ Bank	24.00	0.17	26.08	20.78	6.30	10.03	48701.27	Nokia	3.76	-0.01	5.20	3.66	-	13.41	23204.11	Denso	8207	139.00	8330	6389	1.86	21.09	47881.71	Richemont	148.35	-2.25	152.55	90.28	1.20	36.90	86877.99	
BHP Group	44.47	-0.25	50.09	35.83	9.26	10.42	15220.05	EastJpRwy	7892	-5.00	8280	6510	1.38	-7.43	22084.65	Roche	283.60	-0.50	356.55	250.05	2.83	19.82	22353.72	Swiss Re	91.16	1.34	99.68	68.16	5.11	22.97	32471.03	
CmwbkAu	97.34	-0.22	111.38	86.98	3.60	18.28	110910.49	FastRetail	30870	-100.00	33220	18566.67	1.86	13.93	72736.89	HondaMtr	2256	49.50	2684	1909	2.71	24.30	12486.55	Fuji Hvy Ind	7897	85.00	7946	5983	1.59	10.85	54852.03	
CSL	299.82	-1.45	314.21	254.30	1.01	42.81	97714.93	Hitachi	3658	47.00	3755	2900.5	3.85	7.26	49063.01	Cadence Design	205.78	0.22	217.67	132.32	-	88.37	56112.91	Swisscom	605.20	3.20	619.40	443.40	3.31	18.78	35171.97	
NatUsBk	27.36	0.26	32.83	25.43	3.29	14.53	50820.54	UBS	17.45	-0.03	20.85	13.73	2.03	8.35	60413.43	Zurich Fin	432.50	0.60	461.20	384.70	4.22	15.03	73006.14	Linde	2656.53	17.05	2731.75	1616.85	-	101.25	98115.35	
Telstra	4.33	-	4.40	3.62	2.31	35.13	33803.17	Finlnd (€)								Bristol-Myers	68.03	-0.38	81.44	65.28	2.75	23.41	241292.63	Lockheed	44.30	0.34	508.10	373.67	2.29	20.80	114292.88	
Wesfarmers	51.35	-0.15	52.79	40.03	3.47	26.33	39343.35	General	205.78	-0.22	217.67	132.32	-	88.37	56112.91	Broadcom	620.61	-8.45	648.50	415.07	2.26	37.63	25874.77	Swiss Re	91.16	1.34	99.68	68.16	5.11	22.97	32471.03	
Westpac	21.77	0.03	24.65	18.80	4.09	15.79	51614.52	Unicredit	19.06	-0.08	20.85	13.73	2.03	8.35	60413.43	Cadence Design	205.78	0.22	217.67	132.32	-	88.37	56112.91	Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	
Woolworths	38.55	-0.09	39.88	31.67	2.81	43.85	31742.6	Denso	8207	139.00	8330	6389	1.86	21.09	47881.71	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	Richemont	148.35	-2.25	152.55	90.28	1.20	36.90	86877.99	
Belgium (€)								Finlnd (€)								Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	23674.76								
AnBshnBv	58.20	-0.58	62.01	45.56	0.89	30.02	110765.84	Finlnd (€)								Marsh&M	180.77	0.57	182.43	143.33	1.38	29.85	89430.78	Bristol-Myers	68.03	-0.38	81.44	65.28	2.75	23.41	241292.63	
KB Grp	61.18	-2.74	72.46	45.53	5.44	10.29	27961.2	Finlnd (€)								Lowes	205.21	1.16	221.42	170.12	1.37	18.13	122378.27	General	205.78	-0.22	217.67	132.32	-	88.37	56112.91	
Brazil (R\$)								Finlnd (€)								Cadence Design	205.78	0.22	217.67	132.32	-	88.37	56112.91	Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	
Ambev	14.50	-0.01	16.88	12.60	3.93	21.68	45628.62	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
Bradesco	13.35	0.22	17.71	11.15	6.28	6.12	14214	Finlnd (€)								Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	23674.76								
Cielo	5.78	0.15	6.22	3.00	2.54	19.36	3136.7	Finlnd (€)								Marsh&M	180.77	0.57	182.43	143.33	1.38	29.85	89430.78	Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	
ItauHdFm	22.77	0.50	26.04	18.86	3.43	8.92	22551.64	Finlnd (€)								Lowes	205.21	1.16	221.42	170.12	1.37	18.13	122378.27	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
Petrobras	27.49	0.26	42.08	23.61	17.62	3.88	40867.11	Finlnd (€)								Cadence Design	205.78	0.22	217.67	132.32	-	88.37	56112.91	Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	
Vale	70.63	0.66	94.48	61.90	18.57	3.12	64037.32	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
Canada (C\$)								Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	
Baus Hlth	7.88	-0.12	20.56	5.10	-	-2.39	2128.71	Finlnd (€)								Marsh&M	180.77	0.57	182.43	143.33	1.38	29.85	89430.78	Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	
BCE	64.27	0.01	70.48	55.66	5.38	21.76	43764.98	Finlnd (€)								Lowes	205.21	1.16	221.42	170.12	1.37	18.13	122378.27	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
BkMontr	116.83	-1.16	138.85	113.47	3.82	9.05	62202.5	Finlnd (€)								Cadence Design	205.78	0.22	217.67	132.32	-	88.37	56112.91	Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	
BK NvAs	65.52	-1.76	86.22	63.19	5.59	8.29	58291.77	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
Brookfield	58.88	1.29	63.88	41.28	1.09	19.91	69498.82	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	
CanadPcr	108.23	-0.13	111.43	86.42	0.69	26.21	52526.8	Finlnd (€)								Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	23674.76	Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76
CanImlp	54.96	-0.65	71.10	53.58	10.79	3.85	37438.29	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
CanNats	57.99	-0.44	87.92	58.75	2.60	11.91	62278.36	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	
CanNatr	160.82	-0.89	175.39	137.26	1.51	23.63	97875.41	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
Enbridge	53.32	0.26	59.69	48.88	6.19	18.81	80601	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	Marathon Ptl	110.05	1.34	138.83	77.62	2.29	1.98	54.69	
GtWesLif	38.95	0.28	39.12	27.99	4.90	11.07	27091.89	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	CapOne	88.73	-0.35	128.95	83.93	2.10	3.53	33756.75	
ImpOil	62.60	0.03	79.83	52.67	1.63	18.21	27298.69	Finlnd (€)								Lyondell	91.23	-0.52	117.22	71.46	4.53	5.84	23674.76	Marathon Ptl	110.05	1.34	138.83	77.62	2.2			

SHOP	83.95	86.13	-2.18	-2.53	22.09	31.1	37.51	Bausch Hlth	7.96	8.00	-0.04	-0.50	-2.18	-21.8	-19.94
ChiMinsheng	3.40	3.48	-0.08	-2.30	0.60	18.1	26.87	Metlife	52.81	53.69	-0.88	-1.64	-5.74	-11.1	-10.57
Carnival	10.65	10.61	0.04	0.38	1.16	12.7	9.40	SandsCh	25.10	26.10	-1.00	-3.83	-1.75	-9.9	-13.02
HaitongSecs	5.79	5.81	-0.02	-0.34	0.61	11.3	15.86	Baxter	42.52	45.61	-3.10	-6.79	-1.40	-9.6	0.50
In&CmBkCh	4.61	4.67	-0.06	-1.28	0.45	9.2	11.08	Nutrien	85.72	86.25	-0.53	-0.61	-8.38	-9.4	-6.51
ChShenEgy	28.35	27.80	0.55	1.98	1.80	9.0	16.39	ThmReut	162.98	162.25	0.73	0.45	-16.82	-9.0	-7.60
McKesson	392.60	368.56	24.04	6.52	7.56	8.8	5.94	Aptiv	92.97	93.97	-1.01	-1.07	-7.26	-8.2	-9.79
ChinaMBank	40.80	41.55	-0.75	-1.81	3.90	8.4	4.73	Qualcomm	106.66	108.31	-1.65	-1.52	-7.80	-8.1	-13.39
BkOfComm	5.48	5.59	-0.11	-1.97	0.53	8.3	10.08	ImpOil	62.57	62.57	0.00	0.00	-5.31	-7.8	-13.40
Unicred	19.06	18.98	0.08	0.43	1.35	8.1	4.52	Perigo	34.87	36.00	-1.13	-3.14	-1.62	-7.3	-5.10
Bk Chna	3.37	3.42	-0.05	-1.46	0.29	7.7	10.56	ShewanHong	0.12	0.13	-0.01	-8.46	0.00	-7.0	29.17
ChinaPldns	25.10	25.85	-0.75	-2.90	2.50	7.5	16.55	Starbucks	106.73	107.17	-0.44	-0.41	-7.29	-6.8	1.93
ChMrchSecs	14.98	15.18	-0.20	-1.32	1.21	7.2	5.49	CanNatRs	76.14	76.43	-0.29	-0.38	-5.17	-6.7	-3.55
ChUncHk	6.42	6.41	0.01	0.16	0.41	7.0	7.00	Adobe	344.22	344.06	0.16	0.05	-24.60	-6.6	-9.55
ChinaCitic	4.53	4.61	-0.08	-1.74	0.37	6.8	13.53	Walgreen	31.30	31.66	-0.37	-1.15	-1.84	-6.6	-12.58
BMW	108.28	108.92	-0.64	-0.59	7.48	6.7	6.78	Corteva	56.70	57.59	-0.89	-1.55	-3.05	-6.5	-5.17
ChShpbldng	4.91	5.25	-0.34	-6.48	0.65	6.7	25.90	Corteva	56.70	57.59	-0.89	-1.55	-3.05	-6.5	-5.17
New Ch Life Ins	23.90	24.65	-0.75	-3.04	2.25	6.7	25.79	NatAusBk	27.36	27.10	0.26	0.96	-2.09	-6.3	-1.87
Citic Secs	17.56	17.32	0.24	1.39	0.86	6.7	3.78	Marathon Ptl	110.05	108.71	1.34	1.23	-8.26	-5.9	-14.45
Npn Stl	3094.00	2937.00	157.00	5.35	35.50	6.6	5.21	Regen Pharm	752.84	752.12	0.72	0.10	-46.33	-5.7	-9.15

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FINANCIAL TIMES SHARE SERVICE

Main Market

52 Week										
Price	+/-Chg	High	Low	Yld	P/E	Vol	000s			
Aerospace & Defence										
Avon Protection	944.00	1.00	1274	732.00	3.10	-15.93	15.8			
BAE Sys	991.80	1.60	1037	702.20	2.44	18.13	1644.4			
Chesnix	277.50	-0.50	363.50	256.62	1.51	19.27	353.7			
Automobiles & Parts										
FordMtr \$	11.80	-0.23	16.68	10.61	0.79	2.85	16487.4			
Banks										
ANZ Asx	24.00	0.17	26.08	20.78	6.30	10.03	8994.3			
BosSant	25.00	-1.00	343.50	193.42	2.34	6.56	1469.3			
BrkGeorgia	3090.50	55.00	3090	1138.18	-	9.57	197.5			
Bankre Grp €	9.55	0.63	11.03	5.20	-	10.83	171.6			
BkNvAs C\$	65.52	-1.76	86.22	63.19	5.59	8.29	1631.6			
Barclays										
153.58	0.34	198.65	128.12	19.15	3.73	5.85	5382.7			
CarImp C\$	54.99	-0.65	101.00	43.44	2.70	13.00	269.7			
UlvBrg	16.13	-0.32	54.33	38.51	5.57	1.41	3857.723			
NWGr										
26.10	-2.50	308.65	274.00	2.70	13.00	269.7				
PerTTB	2.35	-0.04	2.50	1.88	1.18	-27.36	65.9			
RvBrc C\$	107.85	-1.00	114.50	79.40	5.60	13.56	4675.9			
TntDom C\$	81.25	-1.05	97.13	76.40	3.97	10.29	1661.4			
Westpc A\$	21.77	0.03	24.65	18.80	4.09	15.79	13320.5			
Chemicals										
Elmentis	122.60	-1.60	130.00	85.10	-	41.59	385.0			
Johns Mthw	90.95	-34.00	2394	22.00	3.67	4.03	231.8			
Vtctex	1504	-1.00	1504	1953	1482	3.96	17.90	569.1		
Construction & Materials										
BoothH	24.00	-1.00	34.00	215.00	2.29	12.83	53.9			
CRH	3910	-2.50	4677.96	276.5	2.19	16.25	764.7			
GaffrD	175.00	-2.40	187.80	142.80	2.69	38.89	152.5			
MorgSd	178.00	-18.00	2145	133.00	3.93	8.72	561.1			
Tymar	252.50	0.50	306.50	182.40	3.17	9.98	133.0			
TT Elect	171.60	-1.20	210.23	185.00	3.79	23.83	596.6			
Xp Power	2260	-5.00	3470	140.42	4.07	12.07	10.2			
Financial General										
3i	177.05	-2.50	1903.96	1042	2.17	6.13	1460.9			
abrdn	205.10	-2.30	237.00	131.03	7.12	4.46	2774.9			

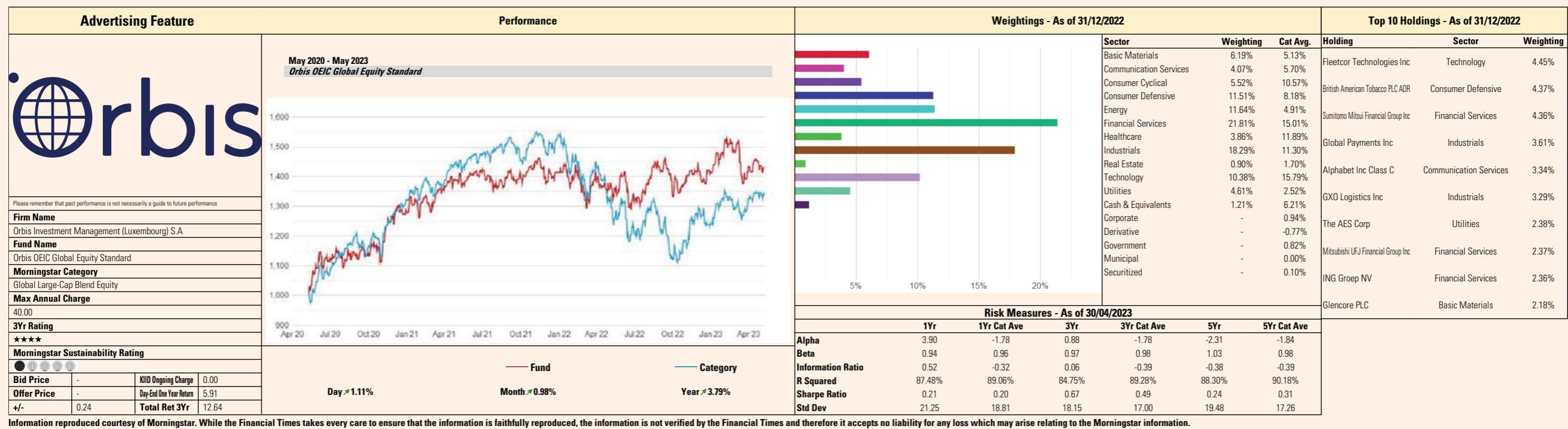
52 Week									
Price	+/-Chg	High	Low	Yld	P/E	Vol	000s		
Aerospace & Defence									
Cohort	481.50	21.50	570.00	384.00	2.31	42.80	54.7		
Velocity Composites P.C.	20.00	-0.00	68.55	13.65	-	-12.83	313.6		
Banks									
Caribbean Inv	26.50	-	45.40	24.03	-	3.05	138.6		
Basic Resource (Ex Mining)									
CopperJ	725.00	-35.00	1199	560.00	-	22.10	2.3		
Chemicals									
Direta Plus PLC	71.50	-3.00	119.00	66.25	-	-16.66	22.1		
Versaner PLC	1.00	-0.12	25.81	-0.29	5896.2				
Construction & Materials									
AccsysTch	65.40	-0.10	147.25	54.40	-	-38.43	83.0		
Electronic & Electrical Equip									
Chekit	27.00	-1.00	37.84	13.74	-	-3.29	148.8		

MANAGED FUNDS SERVICE

SUMMARY

FT.COM/FUNDS

Winners - EAA Fund Europe Large-Cap Blend Equity							Losers - EAA Fund Europe Large-Cap Blend Equity							Morningstar Star Ratings						Global Broad Category Group - Allocation					
Fund Name	1yr Return GBP	3yr Return GBP	5yr Return GBP	3yr Sharpe Ratio	3yr Std Dev	Fund Name	1yr Return GBP	3yr Return GBP	5yr Return GBP	3yr Sharpe Ratio	3yr Std Dev	Fund Name	Base Currency	Morningstar Rating 3 Yr	Morningstar Rating 5 Yr	Morningstar Rating 10 Yr	Morningstar Category	Base Currency	Total Ret 1Yr GBP	Total Ret 3Yr GBP	Total Ret 5Yr GBP				
VVA - Aktien Euro Länder	19.04	16.06	6.03	0.95	20.05	Falcon Europe Momentum	-0.18	0.34	0.00	0.28	14.14	UK Smaller Cos B Inc (HEAR) F	★★★★	★★★	★★★	Moderately Aggressive Allocation	Hong Kong Dollar	-18.97	17.66	10.44					
VPV-Spezial Armut	14.64	13.99	6.79	1.00	15.81	Sanlam Pan-Europe Fund	1.44	0.53	0.48	0.80	15.04	High Yield Fixed Interest	★★★★	★★★★	★★★	Euro Aggressive Balanced PP	Euro	11.77	14.77	-					
JPMorgan Funds - Europe Equity Fund	10.56	13.87	5.35	0.98	16.43	Aktie-Ansvar Europa	1.09	0.84	0.25	0.57	17.03	The Equity Ixos Tracker Fd Inc	★★★	★★	★★	Aggressive Allocation	Yen	1.21	13.62	5.40					
JPMorgan Funds - Europe Sustainable Equity Fund	11.37	13.40	6.75	0.91	16.99	Handelsbanken Europa Index Criteria	1.42	1.17	0.62	0.83	16.28	UK Income B Inc (HEAR) F	★★	★★	★★★	ZAR/NAD Aggressive Allocation	Rand	12.36	12.74	7.94					
Religion Management Fund Ireland - Strategic Equities Fund	10.76	13.11	7.29	1.05	14.96	Swedbank Robur Access Europa	1.57	1.18	0.60	0.85	16.22	Oasis Crescent Gbl Property Esty	US Dollar	★	★	★★	Vietnam Aggressive Allocation	US Dollar	-21.31	12.55	2.40				



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Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							

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Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							
Edentree Global Impact Bond	85.75	-	-0.30	3.14	-2.04	-	Edentree Green Future B Net Inc	99.30	-	0.78	0.48	5.20	-	Edentree Managed Income A Inc	122.80	-	0.30	4.87	-0.65	8.54	Edentree Managed Income B Inc	131.30	-	0.30	4.87	-0.14	9.11							

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MANAGED FUNDS SERVICE

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	
McInroy & Wood Portfolios Limited (UK) <small>Authorised Inv Funds</small>	6042.50	-	-27.20	1.40	4.76	8.27	Omnia Fund Ltd (Other International Funds)	Estimated NAV	\$941.41	-	0.53	0.00	20.53	23.64	Global Total Fd PCG B	382.72	-	6.88	0.00	6.18	11.94	Toscafund Asset Management LLP (www.toscafund.com)	\$436.24	-	-35.71	0.00	3.96	19.14
Balanced Fund Personal Class Units	2870.50	-	-5.90	2.40	1.73	7.36	Global Total Fd PCG INT	375.26	-	6.74	0.00	5.92	11.66	Tosca Mid Cap GBP	£150.51	-	-17.62	0.00	-34.81	-0.02	Tosca Opportunity B USD	\$252.81	-	-15.03	0.00	-29.95	-19.96	
Income Fund Personal Class Units	2213.10	-	-12.50	1.48	3.98	6.44	Smaller Companies Fund Personal Class Units	6194.80	-	22.80	1.30	1.73	6.26	Pegasus Fund Ltd A-1 GBP	£35.91	-	-4.23	0.00	-34.63	-0.24								
Emerging Markets Fund Personal Class Units																												
Smaller Companies Fund Personal Class Units																												

McInroy & Wood Portfolios Limited (UK) Authorised Inv Funds
Easter Alderston, Haddington, EH41 3SF 01620 825867
Balanced Fund Personal Class Units 6042.50 - **-27.20** 1.40 4.76 8.27
Income Fund Personal Class Units 2870.50 - **-5.90** 2.40 1.73 7.36
Emerging Markets Fund Personal Class Units 2213.10 - **-12.50** 1.48 3.98 6.44
Smaller Companies Fund Personal Class Units 6194.80 - **22.80** 1.30 1.73 6.26

Omnia Fund Ltd (Other International Funds)
Estimated NAV \$941.41 - **0.53** 0.00 20.53 23.64

Purisima Investment Fds (CI) Ltd (Regulated) (JER)
PCG B ♦ 296.50 - **-3.02** 0.00 -0.62 11.53
PCG C ♦ 288.21 - **-2.93** 0.00 -0.83 11.29

Slater Investments (UK)

Toscafund Asset Management LLP (www.toscafund.com)
Tosca A USD \$436.24 - **-35.71** 0.00 3.96 19.14
Tosca Mid Cap GBP £150.51 - **-17.62** 0.00 -34.81 -0.02
Tosca Opportunity B USD \$252.81 - **-15.03** 0.00 -29.95 -19.96
Pegasus Fund Ltd A-1 GBP £35.91 - **-4.23** 0.00 -34.63 -0.24

Orbis Investments (U.K.) Limited (GBR) Regulated
28 Dorset Square, London, NW1 6OG
www.orbis.com 0800 358 2030
Orbis OEIC Global Cautious Standard £ 12.02 - 0.00 0.00 1.40 7.96
Orbis OEIC Global Balanced Standard £ 19.66 - 0.08 - 3.76 14.65
Orbis OEIC Global Equity Standard £ 21.78 - 0.24 2.55 3.79 12.64
Orbis OEIC UK Equity Standard £ 12.35 - 0.11 2.94 16.33 25.33

ram^{ai}

Slater Investments Ltd (UK)
www.slaterinvestments.com; Tel: 0207 220 9460
FCA Recognised
Slater Growth A Acc 631.08 631.08 **-0.69** 0.00 -12.76 8.43
Slater Income A Inc 139.30 139.30 0.00 5.22 -0.01 12.56
Slater Recovery A Acc 327.96 327.96 **0.31** 0.00 -10.41 11.24
Slater Arutorus 282.34 282.34 **3.86** 0.54 -19.96 11.40

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Guide to Data

ARTS

Quest to spread a poet's words

The Onassis Foundation is celebrating CP Cavafy with events in Greece and beyond. Peter Aspden reports from one in New York

I am talking to Laurie Anderson, sprite-turned-grand dame of New York's contemporary arts scene, about her previous night's performance in the imposing gothic surroundings of Saint Thomas Church on Fifth Avenue. It nearly didn't happen, she says disarmingly. "I had this headache all day before the show. I didn't know what it was." A doctor located the source of the trouble: a tiny piece of an earbud which had somehow remained inside her head.

Fortunately for a capacity audience, relief was instantaneous, and allowed Anderson to give her enthralling rendition: a setting to music of one of the most famous poems by the Alexandrian Greek poet CP Cavafy, the brooding "Waiting for the Barbarians". The text describes a community which has suspended its normal business, preening and procrastinating, in anticipation of the impending arrival of the "barbarians", only to find out that they will not be coming after all.

A heavy choir-and-backbeat combination supported Anderson's matter-of-fact delivery of her lines. And then she delivered Cavafy's bombshell of a final couplet: "And now, what will become of us without barbarians? Those people were some sort of a solution." The backbeat continued, however, and Anderson added her own line to the poem, repeated three times: "Unless we ourselves are the barbarians..."

It was, she tells me the following morning, a moment of "last-minute improv". Anderson (for the record: still sprite-like, and not in the least bit grand) says she chose the poem for its political implications. "I wanted it to be about January 6 [date of the 2021 attack

on the US Capitol], but didn't want to do it overtly." Hence the embellishment at the end. "I didn't know until the last second that I was going to do it. We put it together very, very quickly."

Anderson was joined for the evening ("a sprawling, one-night-only exploration of love, loss, lust and longing") by more New York favourites — singer-songwriter Rufus Wainwright, composer Nico Muhly — offering freshly commissioned versions of Cavafy's poetry as part of "Archive of Desire", a week-long festival celebrating his work,

'Cavafy was living in a city where times coexist. He knew he was walking with pharaohs and kings and slaves'

on the 160th anniversary of his birth, and the 90th of his death.

It was, by the standards of commemorations of foreign poets who have been dead for nearly a century, a major affair: more than 80 artists, working in multiple art forms across 10 venues, paying homage to a figure of whom many admit they had scarcely heard. (Like many of her generation, Anderson's encounter with Cavafy was through Leonard Cohen's song "Alexandra Leaving".)

But that is neither a surprise, nor a disappointment, to the Onassis Foundation, which conceived and sponsored the festival. Spreading the word on one of modern Greece's cultural giants is an end in itself, says its cultural director Afroditi Panagiotakou. "We are not so megalomaniac as to think that if we



crash in 1973 at the age of 25. Onassis himself died two years later.

"He was a smart man, with a very strong personality," says Panagiotakou. "He knew how to combine things that other people thought could not be combined. If you look at the library in his yacht, 'Christina', you will see Céline, you will see Winston Churchill's dedication to him, in his book about the second world war. These were the people that were around him."

"And then, back in Greece, he would go to the bouzouki [clubs] with [Greek popular singer] Stamatis Kokotas and Maria Callas. He was a man of *this* and *that*." She flips her hand from side to side. "That made him a much more interesting persona. It wasn't the money, it was him. And then, you get to the sunglasses and the hair. There was also that."

The mingling of New York's contemporary artists with the epigrammatic texts of Cavafy's poetry, sometimes stern, sometimes sensual, makes for striking results. On the wall of the National Sawdust arts centre in Brooklyn, a large mural by artists Nick Cave and Bob Faust uses a line from "Hidden Things" as forward-looking agitprop: "Later, in a more perfect society, someone else made just like me is certain to appear and act freely."

"We live in an age where there are quotations everywhere — in social media, out in the world," says Panagiotakou of the foundation's eclectic approach to culture. "When you create an open event, with a pop aspect, about poetry, you also create better quotes for Instagram." In "Ekphrasis", at ONX Studio, come more renditions of "Waiting for the Barbarians", this time its text fed into an AI machine which produces images from the lines. Artists Matthew Niederhauser and Marc Da Costa describe the piece as an "interrogation" of the visual languages of today's machine-learning tools.

It seems a long way from Cavafy's Alexandria. "But he was living in a city where times coexist," explains Panagiotakou. "He knew he was walking with pharaohs and kings and slaves. There are cities in the world which you don't measure in terms of square metres. You look at their depth."

Highlights of Archive of Desire will be available online this autumn, onassis.org



Clockwise, from above: image from 'Ekphrasis' at ONX Studio, an AI-created response to Cavafy's poetry; Laurie Anderson performs 'Waiting for the Barbarians' in New York; Alexandrian Greek poet CP Cavafy
Beowulf Sheehan; Zachary Schulman

bring Cavafy to New York, everyone will be talking about him the next day," she says. "It is more important to raise some sense of curiosity. If 5,000 people come, and each one talks to someone else about it, that is enough."

The foundation has become a major force in promoting contemporary Greek culture in its home country, but increasingly it is active on the international stage too. It plans to open a Cavafy Archive space in Athens later this year, and is restoring the poet's Alexandria apartment. Its existing contemporary culture venue in the heart of Athens, Onassis Stegi, has established itself as a showcase for "restless, daring Greek artists" since its opening in 2010, and is committed to running a programme that is both idealistic and experimental.

That has been enabled by the foundation's unusual funding model: it does not have an endowment, but is split between business and public benefit sections, with 40 per cent of the profits made from the business section earmarked for its activities in culture, health and education.

"That gives us an immense amount of



Mural by artists Nick Cave and Bob Faust uses lines from Cavafy

Bombarded with riffs and shrieks

POP

Måneskin
O2 Arena, London
★★★★★

Aine Kim Kennedy

Genre-hopping foursome Måneskin are more easily defined in terms of what they are not. They're not just Eurovision winners, not just the newly anointed "saviours of rock and roll"; not, even after an infamous green room moment caught on camera, fiends for the naughty salt.

Between such claims and the manic pace of their career — from Italian *X Factor* to *Saturday Night Live* and opening for The Rolling Stones, all in less than five years — it's hard to identify what they actually are, beneath the TikTok-friendly hooks, leather chaps and hard-drilled musical talent. One clue emerged about halfway through their sold-out show at London's O2 Arena. "Any Italians here?" asked frontman Damiano David to ear-splitting shrieks of assent. "This was a trick question. If you don't sing, you're the worst piece-of-shit Italians I've ever seen in my life. OK, now we can start."

Dripping with concupiscent camp, the baby-faced Roman superstars chivvied the crowd through a walloping set that touched the highs and lows of arena rock. In moments when the barrage of snappy riffs started to recall a protracted Subaru ad, the band's trademark blend of impish bombast and winsome sincerity kept the show on the road. But as David took a pause from prowling the stage like a tattooed-up house cat, reappearing in the pit for a husky acoustic version of "Vent'anni", it was clear that Måneskin thrive when they embrace their Italian roots.

The band churned out around 50 rough cuts for their new album, *Rush!*, with the help of Scandi pop mogul Max Martin (producer of hits including "Baby One More Time" and "Shake It Off"). The result is a mostly English-language grab-bag of styles and influences, in the "new wine, old bottles" spirit of their viral hit "Beggin'", a cover of a 1967 song by The Four Seasons.

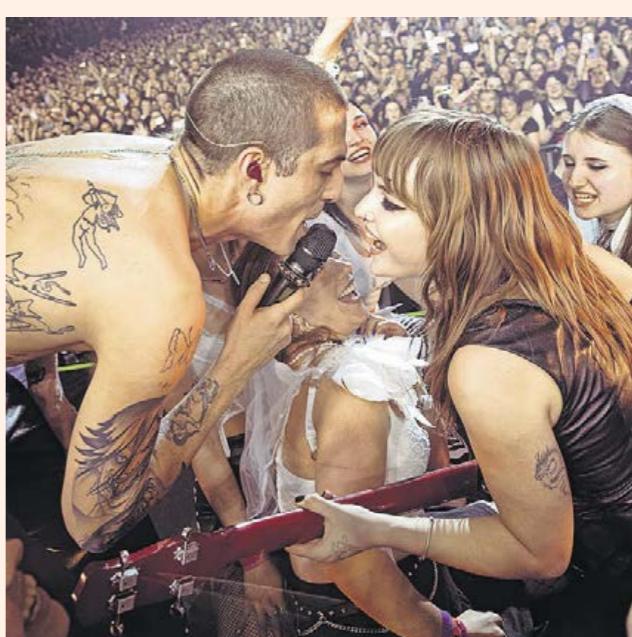
Opening number "Don't Wanna Sleep" set the tone, a sullen earworm that recalled a rowdy, hungover Billie Eilish, with Aerosmith-adjacent lyrics and stuttering, sexed-up declamation reminiscent of Fergie's "Fergalicious". Even this more generic material was invigorated by Måneskin's multi-pronged jolt of personality, from bassist Victoria De Angelis swaying across the stage like a druidic rocking-stone, to guitarist Thomas Raggi unleashing solos with stony-faced aplomb.

Ahead of next weekend's Eurovision, their 2021-winning youth protest

anthem "Zitti e buoni" had the audience in transports of ecstasy, with a group of tweens throwing up a friendship-braceleted sign of the horns as drummer Ethan Torchio thrashed away under the strobes. "Bla Bla Bla" was bla by name and bla by nature but the band reached saturnalian heights with "I Wanna Be Your Slave", a position clearly shared by the smitten masses finishing every line.

Despite the zeal of the crowd, and the band's ebullience, the jumbled nature of the songs bled into David's onstage patter: cries of "Drop your beautiful ass, London" or the tried-and-tested "Let's go" were delivered with only vague enthusiasm. With some time to focus their blazing talents and energy on a more coherent message — as glimpsed in lovelorn ballads "Timezone" and "The Loneliest" — these puckish prodigies will probably add more depth to their thrills and spills.

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Transports of ecstasy: Måneskin's singer Damiano David and bassist Victoria De Angelis at the O2 Arena
Fabio Germinario

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FT BIG READ. TURKISH POLITICS

After 21 years in power, the president is in a tight contest with a united opposition determined to change the course of the nation. A stark choice looms for voters over how they want their democracy to evolve.

By Andrew England and Adam Samson

There was a moment when Turkey's election debate came down to an onion and a warship.

It began when Kemal Kılıçdaroğlu, the man leading the charge to break President Recep Tayyip Erdogan's grip over Turkish politics, sat at his kitchen table last month, his shirt collar open, and held up an onion.

The point the opposition leader wanted to hammer home to voters was that runaway inflation under Erdogan's watch has hurt every household. The price of a kilo of onions, vital for Turkish cuisine, has increased about fivefold in the capital city of Ankara over the past 18 months.

"The real agenda of the citizens is this. They know that when I come into power, democracy will come, money will flow, investments will flow, the currency will appreciate, prosperity will come," said Kılıçdaroğlu, almost smiling at his campaign prop. "But if he [Erdogan] stays, this onion in my hands will be 100 lira. It's even 30 lira now."

A day later, Erdogan projected an altogether different image as he stood statesmanlike at a naval base for the inauguration of a new warship, an event he used to boast of Turkey's strength and influence under his stewardship. The vessel, he said, was a symbol "that will strengthen our position as a leader in the 'Turkish century' and a nation that has a voice in the world".

The contrasting images epitomise the stark choice voters face at elections on May 14: a charismatic strongman who has towered over the country's politics for two decades, or a softly spoken, retired bureaucrat who is betting that years of creeping authoritarianism and soaring living costs will finally convince voters of the need for change.

The stakes have rarely been higher as the republic marks its centenary. Erdogan is battling for his political survival as he faces his biggest challenge at the ballot box since coming to power in 2003, with Kılıçdaroğlu leading a six-party alliance united in the fight to topple the president.

An opposition victory, particularly by a narrow margin, would test Erdogan's commitment to democracy, as well as the allegiances of a judiciary, police and military that he has spent two decades striving to bring under his control. If Erdogan, who displays an increasing intolerance for dissent, secures another term, his critics fear he will steer Turkey deeper into authoritarianism.

"At the heart of it, it's a choice about how Turkish democracy will evolve," says Can Selçuki, general manager of Istanbul Economics Research. "If he wins, it's the continuation of this imbalanced system whereby democracy is reduced to elections every five years, with no balances."

The outcome could also determine the direction the \$900bn economy takes. The nation urgently needs to attract foreign investment to manage a current account deficit that is near its widest level since records began and replenish diminishing foreign reserves.

It is a crisis that has dented Erdogan's popularity as he has pursued an unorthodox monetary policy, opposing interest rate rises even as inflation has soared and dismissing three central bank governors in less than four years. Yet his supporters insist he is the only man capable of fixing the mess.

In the opposing corner, Kılıçdaroğlu is pledging to clean house at the state's financial institutions and lure back wary foreign investors.

He wants to repair the Nato member's often testy relations with Europe — a potentially significant shift for the west while it is preoccupied with Russia's war in Ukraine — and would be a far less pugnacious figure on the international stage. He would not have the kind of close, yet complex, relationship Erdogan has forged with Russian president Vladimir Putin, but would maintain economic relations with Russia, one of Turkey's most important trading partners.

Kılıçdaroğlu has also promised to do away with Erdogan's prized powerful executive presidency, adopted after a contentious 2017 constitutional referendum, and return to a parliamentary democracy.

"We handed over the Republic of Turkey to one person [Erdogan]. Such a mentality cannot exist," Kılıçdaroğlu tells the Financial Times. "We will win and fix Turkey."

Most polls suggest Kılıçdaroğlu, leader of the Republican People's party (CHP), enjoys a slim lead over the incumbent, with his chances buoyed by the fact the traditionally fractious opposition is at its most unified in its years-long quest to unseat the president.

But opposition optimism is tempered by the scale of the task ahead. Erdogan is a shrewd and ruthless operator who has consistently outmanoeuvred opponents to mastermind multiple election

'Despite everything, Turkey has enough democratic history and institutions to prevent a power grab'

Voters will choose between Kemal Kılıçdaroğlu, top left, and President Recep Tayyip Erdogan on May 14.

Above: supporters of Kılıçdaroğlu at a rally in Istanbul this month. **Below:** a local official walks down the debris-strewn streets of Antakya, which suffered some of the worst damage from the devastating earthquakes in February

FT montage/EPA-EFE/Shutterstock/AFP/Getty Images; Umit Bektas/Reuters



On a knife edge

It is not the first time pollsters and opposition figures have predicted that Erdogan's hold on power may be slipping. In June 2015, the president's Islamist-rooted Justice and Development party (AKP) lost its parliamentary majority for the first time in 13 years. Erdogan doubled down and called a snap election for November that year. The AKP then defied polls predicting a hung parliament to restore its majority.

Three years later, the opposition confidently bet that double-digit inflation and a fall in the lira would help bring Erdogan down. Instead, he won with 53 per cent of the vote, securing him the executive presidency.

Today the economic malaise is far deeper. The lira, which had fallen to about TL4.5 to the dollar when voters went to the polls in 2018, is today trading above TL19. In October, inflation peaked at a 24-year high as consumer price growth exceeded 80 per cent.

The situation has been exacerbated by the earthquake that devastated southern Turkey in February, killing more than 50,000 people and displacing another 3mn, with many criticising the government's initial response. And Erdogan, 69, lacks the energy he once had — his campaign was briefly interrupted by a stomach bug that caused him to fall ill live on TV.

"No incumbent has entered a campaign with so many structural limitations and deficiencies," says Berk Esen, an assistant professor of political science at Istanbul's Sabanci University and a CHP member.

He is, however, only "cautiously optimistic" the opposition will prevail. Like other analysts, Esen predicts the presidential contest will go to a second round, with no candidate garnering more than 50 per cent of the ballots. Analysts also forecast a hung parliament, with the possibility of the AKP bloc securing most seats — underscoring the knife-edged nature of the contest.

"My sense is that both the opposition and the ruling party are confident of victory, and that's not a good sign in an authoritarian state, because yes authoritarian regimes do miscalculate, but they also tend to have a lot of resources at their disposal," Esen says.

Analysts and opposition figures have long complained that voting takes place on an unlevel playing field. Erdogan

unashamedly uses the state's machinery to back his cause, and much of the media has fallen under government control.

His campaign has been characterised by a combination of pre-election giveaways — from free gas for a month to a pay rise for 700,000 public sector workers, announced yesterday — plus the inauguration of state projects.

In speeches, Erdogan has sought to project his experience and the strength of the state, while accusing Kılıçdaroğlu of preparing to "beg" from western donors and "loan sharks" and surrendering to the IMF.

But Erdogan's supporters know he is in a fight. A person with insights into the campaign says: "There's no panic, but they aren't comfortable."

Bilge Yilmaz, a senior member of the İYİ party and a Wharton business school professor touted as a possible economy tsar if the opposition wins, is circumspect when discussing Kılıçdaroğlu, saying "it is what it is right now".

His concern is the "tricks" Erdogan might deploy. "It's going to be hard," Yilmaz says. "These 'autocratic' leaders

purge of the security services and the civil service, while imposing a state of emergency that remained in place when elections were held two years later.

Sunday's vote will take place with Selahattin Demirtas, HDP's former leader, spending his seventh year in jail on charges of supporting terrorism and with İmamoğlu facing a possible ban from politics after a court convicted him in December of "insulting" electoral officials.

Despite this, analysts and opposition officials say that while they do not expect a fair election, they hope the voting process will be relatively free, believing that only a small percentage of votes could be manipulated.

But Yilmaz worries about how Erdogan might react if the parliament is gridlocked and the president is forced into a run-off that would be held two weeks after Sunday's vote. "There will be some rigging for sure, but there are more things that I'm worried about," Yilmaz says. "He may feel at some point that a sense of instability might make him a more forceful candidate ... he might [create] some tensions."

As campaigning intensified last month, interior minister Süleyman Soylu portrayed the election as a western "political coup attempt".

Still, Yilmaz and others appear confident that Erdogan would accept defeat, particularly if Kılıçdaroğlu secures a clear victory. "I don't think he's going to get into a path that is destructive for himself and the country," says Yilmaz.

"Despite everything, Turkey has enough democratic history and institutions to prevent a power grab," says Selçuki at Istanbul Economics Research. "Second, I think the security institutions will side with the victor. Ruin the judiciary, ruin the institutions, but when it comes to the ballot box, don't mess with that — the Turkish public reacts every time."

The outcome on Sunday is likely to be determined by "restless conservatives" who traditionally vote for Erdogan but no longer believe he is delivering; an estimated 5.3mn new young voters; and Kurds, who make up about 18 per cent of the 85mn population, analysts say.

But even if Erdogan loses, few will rush to write his political obituary, particularly as there will be questions about how the opposition holds together if confronted with the huge challenges facing Turkey. Opposition officials defend the coalition, arguing that it was more than a year in the making, adding that the parties have agreed to some 2,300 policy points.

Whatever the outcome, with a shaky economic outlook and a politically divided population, Turkey faces a tough road ahead. "This is going to be the hardest situation for the republic in its history, I call this the century of disaster," Yilmaz says. "And rightly so."

Additional reporting by Funja Güler

Erdogan faces his greatest challenge yet



victories for parliament, the presidency and referendums.

Critics also acknowledge that in a nation deeply polarised between those for or against Erdogan, he is still arguably Turkey's most popular politician, with a strong support base among religious conservatives who see their prospects tied to the president's.

"After 20 years, of course we still have some doubts," says a member of Kılıçdaroğlu's campaign team.

On a knife edge

It is not the first time pollsters and opposition figures have predicted that Erdogan's hold on power may be slipping. In June 2015, the president's Islamist-rooted Justice and Development party (AKP) lost its parliamentary majority for the first time in 13 years. Erdogan doubled down and called a snap election for November that year. The AKP then defied polls predicting a hung parliament to restore its majority.

Three years later, the opposition confidently bet that double-digit inflation and a fall in the lira would help bring Erdogan down. Instead, he won with 53 per cent of the vote, securing him the executive presidency.

Today the economic malaise is far deeper. The lira, which had fallen to about TL4.5 to the dollar when voters went to the polls in 2018, is today trading above TL19. In October, inflation peaked at a 24-year high as consumer price growth exceeded 80 per cent.

The situation has been exacerbated by the earthquake that devastated southern Turkey in February, killing more than 50,000 people and displacing another 3mn, with many criticising the government's initial response. And Erdogan, 69, lacks the energy he once had — his campaign was briefly interrupted by a stomach bug that caused him to fall ill live on TV.

"No incumbent has entered a campaign with so many structural limitations and deficiencies," says Berk Esen, an assistant professor of political science at Istanbul's Sabanci University and a CHP member.

He is, however, only "cautiously optimistic" the opposition will prevail. Like other analysts, Esen predicts the presidential contest will go to a second round, with no candidate garnering more than 50 per cent of the ballots. Analysts also forecast a hung parliament, with the possibility of the AKP bloc securing most seats — underscoring the knife-edged nature of the contest.

"My sense is that both the opposition and the ruling party are confident of victory, and that's not a good sign in an authoritarian state, because yes authoritarian regimes do miscalculate, but they also tend to have a lot of resources at their disposal," Esen says.

Analysts and opposition figures have long complained that voting takes place on an unlevel playing field. Erdogan

cannot lose, cannot afford to lose ... so they will try hard, undoubtedly."

Erdogan's supporters insist he will win fair and square as the most popular candidate. But concerns about election irregularities and the independence of the High Election Council, the main electoral body, have risen in tandem with Erdogan's authoritarianism.

Analysts typically divide Erdogan's years in power into two halves. During his first decade, he oversaw widespread development, implemented myriad infrastructure projects, improved the lot of pious conservatives previously marginalised by secular politicians and attracted foreign investment.

The tide began to turn, however, after the months-long Gezi park protests in 2013 over a planned urban development in Istanbul. Erdogan responded with a violent crackdown. The slide towards authoritarianism gathered pace after a 2016 coup attempt, following which he launched a sweeping

A decade of decline in the Turkish lira

Turkish lira per \$



Source: Refinitiv

The FT View



FINANCIAL TIMES

'Without fear and without favour'

ft.com/opinion

China's raids on foreign firms hurt its own interests

Western multinationals have been leading advocates for engagement with Beijing

Recent raids by Chinese security forces on US consultancies in China strike right at the heart of the west's ties with the world's second-largest economy. Such consultancies provide essential market research and due diligence work to western multinationals that have invested hundreds of billions of US dollars in China over the past decade. It is these multinationals, in turn, that form the leading constituency in western nations for continued engagement with China in the face of intensifying domestic political opposition. Thus, it is little exaggeration to say the future of economic globalisation is at risk.

The multiple raids in recent weeks on US companies Capvision, Bain & Company and Mintz – all of which have considerable operations in China – signal a

sea change in Beijing's attitudes to US business. Yet what makes the environment particularly poisonous is the nature of the allegations being levelled by Chinese authorities. Chinese media reported that consulting groups had tapped personnel in "our party and government organs and other clandestine units" to provide sensitive information to clients abroad.

CCTV, the Chinese state broadcaster, said in a report focused primarily on Capvision that the group had set up interviews with experts in areas such as government policy, national defence and technology. It claimed a few of these had revealed sensitive and secret information during the consultations.

Such allegations come against a backdrop of Beijing's increased vigilance against espionage. Anti-espionage laws were broadened last month from covering state secrets and intelligence to any "documents, data, materials or items related to national security and interests", without setting specific para-

meters for how these terms are defined. This means, in effect, that anything the Chinese Communist party deems suspect can be defined as potential espionage, triggering the search and seizure powers of authorities as well as the incarceration of individuals.

Beijing has also displayed a willingness to act. The detention in 2018 of Michael Spavor and Michael Kovrig – Canadian executives imprisoned for more than 1,000 days and charged with spying – sent fear through western business communities in China.

The US Chamber of Commerce warned last month that mounting scrutiny of American companies had "dramatically" raised the risk premium attached to doing business in China. The powerful US business lobby group, led by chief executive Suzanne Clark, said in a statement it was "closely monitoring" China's scrutiny of US professional services and due diligence firms.

It may be that Beijing feels that as its homegrown companies climb the tech-

ology ladder and expand overseas, it no longer needs the investment of western multinationals it once courted so assiduously. Certainly, the ability of Chinese car companies to win market share from western rivals such as Volkswagen seems to reinforce such a view.

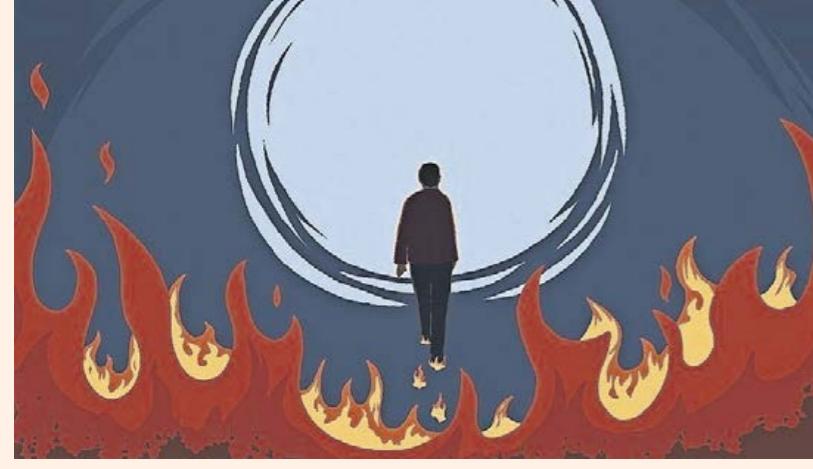
Yet much more is at stake. More than one-third of the \$3.3tn in goods that China exported in 2021 were supplied by foreign companies operating in the mainland. Multinationals have also been a prime source of technology transferred to local partners over the past four decades, as well as management expertise and advice on how to break into US and European markets.

It would be in its own self-interest, then, for Beijing to act to assuage foreign investors' concerns. It ought to define more clearly what constitutes espionage and what is seen as legitimate industry intelligence. If not, the result could be a fundamental breach between China and the multinationals that have long been its biggest supporters in the west.

Opinion Science

Tech luminaries' beliefs need further examination

Andy Carter



Anjana Ahuja



20th century". An all-purpose, undefined AGI, the authors add, cannot be properly safety-tested and therefore should not be built.

Gebru and Torres go on to explore the intellectual motives of the pro-AGI crowd. "At the heart of this [Tescreal] bundle," Torres elaborates in an email to me, "is a techno-utopian vision of the future in which we become radically 'enhanced', immortal 'posthumans', colonise the universe, re-engineer entire galaxies [and] create virtual-reality worlds in which trillions of 'digital people' exist".

Tech luminaries certainly overlap in their interests. Elon Musk, who wants to colonise Mars, has expressed sympathy for longtermist thinking and owns Neuralink, essentially a transhumanist company. Peter Thiel, the PayPal co-founder, has backed anti-ageing technologies and has bankrolled a rival to Neuralink. Both Musk and Thiel invested in OpenAI, the creator of ChatGPT. Like Thiel, Ray Kurzweil, the messiah of singularity, now employed by Google, wants to be cryogenically frozen and revived in a scientifically advanced future.

Another influential figure is philosopher Nick Bostrom, a longtermist thinker. He directs Oxford university's Future of Humanity Institute, whose funders include Musk. (Bostrom recently apologised for a historical racist email.) The institute works closely with the Centre for Effective Altruism, an Oxford-based charity. Some effective altruists have identified careers in AI safety as a smart gambit. There is, after all, no more effective way of doing good than saving our species from a robopocalypse.

Gebru, along with others, has described such talk as fear-mongering and marketing hype. Many will be tempted to dismiss her views – she was sacked from Google after raising concerns over energy use and social harms linked to large language models – as sour grapes, or an ideological rant. But that glosses over the motivations of those running the AI show, a dazzling corporate spectacle with a plotline that very few are able to confidently follow, let alone regulate.

Repeated talk of a possible technocalypse not only sets up these tech glitterati as guardians of humanity, it also implies an inevitability in the path we are taking. And it distracts from the real harms racking up today, identified by academics such as Ruha Benjamin and Safiya Noble. Decision-making algorithms using biased data are deprioritising black patients for certain medical procedures, while generative AI is stealing human labour, propagating misinformation and putting jobs at risk.

Perhaps those are the plot twists we were not meant to notice.

The writer is a science commentator

People who are very rich or very clever, or both, sometimes believe weird things. Some of these beliefs are captured in the acronym Tescreal. The letters represent overlapping futuristic philosophies – bookended by transhumanism and longtermism – favoured by many of AI's wealthiest and most prominent supporters.

The label, coined by a former Google ethicist and a philosopher, is beginning to circulate online and usefully explains why some tech figures would like to see the public gaze trained on fuzzy future problems such as existential risk, rather than on current liabilities such as algorithmic bias. A fraternity ultimately committed to nurturing AI for a posthuman future may care little for the social injustices committed by their errant infant today.

A group set on nurturing a posthuman future may care little for injustices committed today

As well as transhumanism, which advocates for the technological and biological enhancement of humans, Tescreal encompasses extropianism, a belief that science and technology will bring about indefinite lifespan; singularitarianism, the idea that an artificial superintelligence will eventually surpass human intelligence; cosmism, a manifesto for curing death and spreading outwards into the cosmos; rationalism, the conviction that reason should be the supreme guiding principle for humanity; effective altruism, a social movement that calculates how to maximally benefit others; and longtermism, a radical form of utilitarianism which argues that we have moral responsibilities towards the people who are yet to exist, even at the expense of those who currently do.

The acronym can be traced back to an unpublished paper by Timnit Gebru, the former co-lead for Google on AI ethics, and Émile Torres, a PhD student in philosophy at Leibniz University. An early draft of the paper, yet to be submitted to a journal, contends that the unexamined race towards AGI (artificial general intelligence) has produced "systems that harm marginalised groups and centralise power, while using the language of social justice and 'benefiting humanity', similar to the eugenics of the

Letters

Banknotes have characteristics a digital euro can never acquire

Eswar Prasad argues that the advent of central bank digital currencies are inevitable ("Central banks bow to the inevitability of digital currencies", Opinion, May 4). The reason given is cash is less used in daily transactions.

But cash is not disappearing; actually it is booming almost everywhere. In the 21 years of the single currency's existence, euro banknotes in circulation have increased sevenfold and currently stand at close to €1.6tn, growing at a compound rate of around 10 per cent. The comparable figure for

the US dollar is 6.5 per cent, and the British pound 5.2 per cent. Euro coins show, in proportion, a similar profile. Criminals and tax evaders are unlikely to make extensive use of coins.

CBDCs would primarily replace bank deposits, not paper currency.

Banknotes have unique characteristics that the digital euro will never have.

The CBDCs launched by China and the Bahamas have been flops. Prasad recognises this but reverses the argument: if there is no demand, he says, let's see what central banks can

do to make it attractive. But that's a strange way of proposing public intervention to correct a market failure that does not exist. Besides, this would be a lost battle. Central banks cannot be as innovative as market providers. Combining this with a central bank's role in payment oversight would also create conflicts of interest.

European legislators may be tempted to make acceptance and distribution of CBDCs mandatory. But not even such a dirigiste approach would guarantee success. Surveys show that people do

not appreciate the difference between a CBDC and a bank deposit (insured in the EU up to €100,000).

CBDCs could be needed in extreme scenarios. But such remote contingencies are an argument for being prepared, not for launching the instrument without due consideration.

Ingnazio Angeloni,

European University Institute, Florence

SAFE, Goethe University Frankfurt,

Germany

Daniel Gros

Bocconi University, Milan, Italy



Cryptocurrency critique can do with more context

Jemima Kelly plausibly argues that cryptocurrencies are primarily used for speculation and illicit activity, albeit with the former orders of magnitude greater than the latter (Opinion, April 27).

Yet in claiming that crime is a crypto "industry feature", Kelly should really present the evidence in the context of total illicit financial activity. More concerning is her decision to pin the blame for such illicit activity on the fact that cryptocurrencies are what she calls "censorship resistant payment mechanism[s]".

On the first point, Kelly cites an estimate of approximately \$40bn per year of illicit crypto transactions and money laundering. Yet there is approximately \$110bn per year of illicit finance through the regulated banking sector. As for money laundering, a 2011 report from the UN Office on Drugs and Crime put the scale of the problem at \$2.4tn per annum. What Kelly also overlooks is that it has been typical for new financial technologies – which ultimately prove highly beneficial – to experience corrupt practices. One need only look at the history of the US stock market.

As to the second point, I find it extraordinary that Kelly views a technology that enables privacy to be *prima facie* suspect. One of the crucial differences between free and totalitarian societies is that individual autonomy is protected in the former and disregarded in the latter.

To be sure, there is a need for consideration and debate over the competing claims regarding the individual's right to privacy and the state's duty to enforce the law in confronting illicit activity in cryptocurrencies. However, to ignore the moral and historic claims of privacy would be a mistake with consequences that may extend far beyond the matter of crypto regulation.

Daniel Aronoff

Research Scientist, MIT
Cambridge, MA, US

Brexit was bid to escape empire – the EU empire

Linda Colley ("Britain needs more than a streamlined coronation", Opinion, May 5) misunderstands the point of Brexit.

It is not to rebuild the British empire; it is to escape the undemocratic new European empire and try to be a self-governing nation again.

Philip Hoskins

Bournemouth, Dorset, UK

European issuers can have the best of both worlds

Katie Martin and Nikou Asgari's Big Read on the competitiveness of Europe's exchanges versus those in the

US ("How Europe failed to challenge the US", April 26) fails to acknowledge the prohibitive costs of pursuing a secondary listing in the US. The extensive regulatory, legal and compliance risks and requirements the process entails, and the time it takes, are significant barriers for most companies of all sizes. The average cost of \$1.5mn to \$3mn a year for a secondary listing – and exposure to potential US litigation and regulatory oversight – regularly outweighs the upside of increased liquidity and capital such a listing affords.

The trend of European companies looking to North America will not stop. Some now feel they have only one option: to leave their domestic stock market entirely. When European companies opt for New York over their home market, however, domestic stock exchanges suffer disproportionately.

But there is another way. Five hundred global companies – including Roche, Heineken and Adidas – from 50 recognised global exchanges all access the much sought after liquidity the US capital markets provide, but without needing to leave their domestic markets.

By delivering this via cross-trading on a market like OTCQX, companies achieve US access at far lower cost and without needing to deviate from their home market's regulatory rules. This path creates added liquidity for the domestic exchange, builds a more robust secondary market, bridges the valuation gap, and allows companies to remain national champions.

Domestic exchanges need national champions more than ever before, and so does the underlying investor. It's time issuers avoid the distraction of the "European dream" of building exchanges to rival the US and recognise they can have the best of both worlds, but at a fraction of the cost. Equity investors take note.

Jason L Paltrowitz

Director & Executive Vice President
OTC Markets Group, & OTC Markets
Group International, New York, NY, US

What remuneration committees should say

Your front-page story (Report, May 4) reports the claim of Julia Hoggett, head of the London Stock Exchange, that "executives should be paid more if the UK wants to retain talent and deter companies from moving overseas".

Even in addressing the issue of technology companies such as Arm Holdings preferring to list in the US rather than the UK, Lex astutely observes on your back page ("UK listing rules: City lites", Lex, May 4) that this "looks a red herring". As Lex explains, the "huge tech ecosystem" and "more liquid equity market", leading to higher valuations, are the basis for this relative US advantage. This will not be addressed by tweaking the listing rules, nor pushing executive pay levels up beyond the current FTSE 100 chief executive average remuneration of over £4mn. But I

would suggest that UK company shareholders and remuneration committees tell their chief executives to invest in the skills and pay of their employees before they consider paying themselves even more. Performance is driven by the whole workforce, not just the chief executive.

Duncan Brown

Visiting Professor, University of Greenwich
London TW1, UK

Eliciting questions in class from unexpected quarters

As a teacher, I am always happy to try out new ways of engaging with my students. So I read with interest in Sarah O'Connor's article ("We should all be asking more questions", Opinion, February 7) about an unnamed academic who would throw a soft ball to his students and whoever caught it had to ask a question. I have been using a similar technique since 2013, paying students to ask questions in class, 25 cents per question.

I bought quarters by the roll – one semester I paid out over \$150. The money wasn't important. It was a gesture, indicating that questions were valued.

There were some problems, of course. One student told of getting a Canadian quarter that I had thrown by mistake stuck in a laundromat washing machine. Another student who missed the first class, where I explained about paying for questions, got hit squarely in the forehead by an unexpected quarter in the second class.

And for those courses where I felt it necessary to ask questions of the students directly, I'd randomly play cards on which their names were written.

I freely offer these ideas for others to try!

Bradley Lucier

Professor Emeritus of Mathematics and Computer Science, Purdue University West Lafayette, IN, US

Britain's privatisation debate comes full circle

The letter from Macquarie's Leigh Harrison that states asset managers are "the long-term stewards" of our transport hubs and energy networks (April 24) naturally reflects the arguments of one of the world's biggest infrastructure investors. However, I recall discussions in the early 1980s, while working as an outside adviser in some of the biggest government departments, when the concept of privatisation was first fashionable. The Treasury, short of money then too, was facing the prospect of having to replace the vast infrastructure of Victorian water pipelines and sewers. Privatisation seemed the obvious solution. Let the private sector find the money to update these 150-year-old systems.

Forty years on, all we hear is criticisms of the owners of these networks paying out dividends instead of replacing leaking pipes and looking to public support to update London's sewers. Where does that leave Harrison's arguments? Unfortunately, for anyone looking for a simple answer, on the same letters page is a plea from Graham Mather, a former board member of the UK's Office of Rail & Road, for the government to invest in an up-to-date railway system instead of patching the old Victorian one.

Nigel Kendall

Worplesdon, Surrey, UK

In touchscreen age, physios and eye experts are king

Another consequence of what Pilita Clark calls the "touchscreen takeover" ("Push-buttons are coming back, hurrah!", Opinion, May 8) is the extent to which it has robbed us of hand skills, motor skills and muscle strength. Our eyes work more than our hands so in future we're going to need more eye specialists and physiotherapists.

Aisha Amjad

Dubai, UAE

Here's my tip sheet to be a successful schmoozer

Pilita Clark (Business Life, May 1) suggests the best schmoozers prepare in advance for that business drinks party. I wonder if that is so?

Yes, being a good listener is key but the success or otherwise of schmoozing is to show a good old-fashioned interest in who's turned up. You may know a few, but what about the others? Who are they? What makes them tick? To be a successful schmoozer, I don't think you've got to do any hard-headed advance planning,

Opinion

How the west's handling of the pandemic beat its own expectations

WORLD AFFAIRS

Janan
Ganesh



Beware the opposite error, though. Don't underrate, or take for granted, the west's handling of a crisis that had no precedent in the previous century or so. The WHO's announcement is as good a cue as any to make the point.

A Covid vaccine was expected to take around 18 months to contrive. Some experts viewed even that projection as optimistic, as did much of the public. In fact, it came in half the time. If that was a scientific coup, the take-up rate was a civic miracle. As late as September 2020, 49 per cent of Americans said they would definitely or probably not bare their arms for the jab. This reluctance was consistent with what we "knew" about modern voters: their mistrust of authorities, their weakness for online quackery. In the end, 82 per cent of Americans have received at least one dose. France was apparently even more cynical about the vaccine, yet also ended up with very high coverage.

No less a figure than Bill Gates expected the Covid-19 pandemic to resemble a world war. Armistice came last week, on the fifth day of the fifth month, when the World Health Organization declared the official end of the emergency.

"Armistice", I say, not victory, because a global death toll in the tens of millions constitutes no kind of win. The 1.1mn in the US alone approximates that nation's combined losses in all wars. The lucky among us (I have never knowingly had the virus) mustn't cheer.

The lockdown commanded similarly unlikely levels of assent. Here was perhaps the deepest ever peacetime incursion into the private realm. Had even one citizen in four defied it, the policy would have fallen, unless you believe the state can enforce penalties against a quarter of its population. The lockdown relied on a degree of voluntary obedience, of

Lockdowns relied on a submission to authority that was thought to be quaint in the populist age

submission to authority, that was thought to be quaint in the populist age. Remember, the restrictions were actively popular. Before the pandemic, it was natural to worry that western electorates were mutinous. There are now more

grounds to wonder if they are too docile. All this discipline was bribed, cynics will say. It is no hardship or patriotic sacrifice to stay indoors when one's income is being underwritten by the state. Perhaps. But this economic support was itself another benign revelation of the pandemic. Who expected Washington, the most rancorous capital in the democratic world, to unanimously pass over \$2tn of fiscal relief at such speed? Or Brexit-era Britain to set up a furlough scheme with so much technical thought and political consensus behind it?

The surprises go beyond the pandemic itself to the Great Thaw in normal life. Global air fares are much higher than in 2019, such is the demand.

Till transactions at Pret A Manger, that proxy measure of the urban economy, are almost at pre-pandemic levels in London's financial district, already there in the west end and well above in train stations. It is true that office occu-

pancy is lastingly down. But live sports events, migrant flows, tourism, the handshake: these things came back with a vengeance that merits more reflection, if not wonder. Even I, on the bullish end of the debate, thought it would be 2025 before nightlife in a big western city felt 2019-ish. That mark was crossed last spring.

Note the range of human sentiments here: enough trust to take the vaccine, enough deference to stay at home, enough confidence to go out again. (Not to mention enough animal spirits to set up new businesses.) The pandemic was a comprehensive audit of, well, us.

Whether the west's handling of the pandemic was "good" is something years of official inquiries will try, and doubtless fail, to establish. These will try to put a number on the lives that would have been saved with a quicker sealing of borders. And work out how vaccines might have reached less developed coun-

tries quicker. And ask whether curbing funeral attendance is conceivable. The reckoning will have to include the public, too: perhaps lockdown rule-breaking was rife, but hidden, just as opportunistic crime flourished under the "Blitz spirit" of 1940-41.

For now, I just ask that we remember how low expectations of public life were in the pre-pandemic years. The theme of the age was a misgoverning elite and an ungovernable people, each problem provoking the other in a Möbius loop of civic dysfunction. There is a case, albeit prima facie, that the west has just lived through a rebuke to all that: a show of technocratic acumen and public conscientiousness. If future inquiries bear that out, it will be hard not to paraphrase the old Jeane Kirkpatrick line. We have to face the truth about ourselves, no matter how pleasant it is.

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The threat and the promise of AI

Martin Wolf Economics

It might be the most transformative technology of all for human beings' sense of themselves

In 1900, the UK had 3.3mn horses. These animals provided pulling power, transport and cavalry. Today, only recreation is left.

Horses are an outmoded technology. Their numbers in the UK have fallen by around 75 per cent. Could humans, too, become an outmoded technology, displaced by machines that are not just stronger and more dexterous but more intelligent, even more creative? The threat, we are told, is remote. Yet this is a matter of belief. Maybe machines could do much of what we need to have done better than we could, with the exception of being human and caring as humans do.

Yet even if no such revolution threatens, recent advances in artificial intelligence are highly significant. According to Bill Gates, they are the most important development since personal computers. So, what might be the implications? Can we control them?

The natural starting point is with jobs and productivity. A paper by David Autor of MIT and co-authors provides a useful analytical framework and sobering conclusions on what has happened in the past. It distinguishes labour-augmenting from labour-automating innovation. It concludes that "the majority of current employment is in new job specialities introduced after 1940". But the locus of this new work has shifted from middle-paid production and clerical occupations prior to 1980 to highly paid professional and, secondarily, low-paid services there-

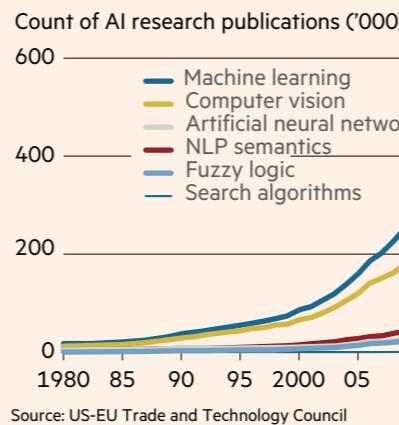
after. Thus, innovation has increasingly been hollowing out middle-income jobs.

Furthermore, innovations generate new kinds of work only when they complement jobs, not when they replace them. Finally, the demand-eroding effects of automation have intensified in the past four decades, while the demand-increasing effects of augmentation have not. None of this is very cheering, especially since overall productivity growth has been quite modest since 1980.

So what about the future? On this, an analysis by Goldman Sachs is both optimistic and sobering. It argues that the "combination of significant labour cost savings, new job creation, and a productivity boost for non-displaced workers raises the possibility of a labour productivity boom". This would be similar to what ultimately followed the emergence of the electric motor and personal computer. The study estimates that generative AI, in particular, might raise annual growth of labour productivity in the US by 1.5 percentage points. The surge would be bigger in high-income countries than developing ones, though timing is uncertain.

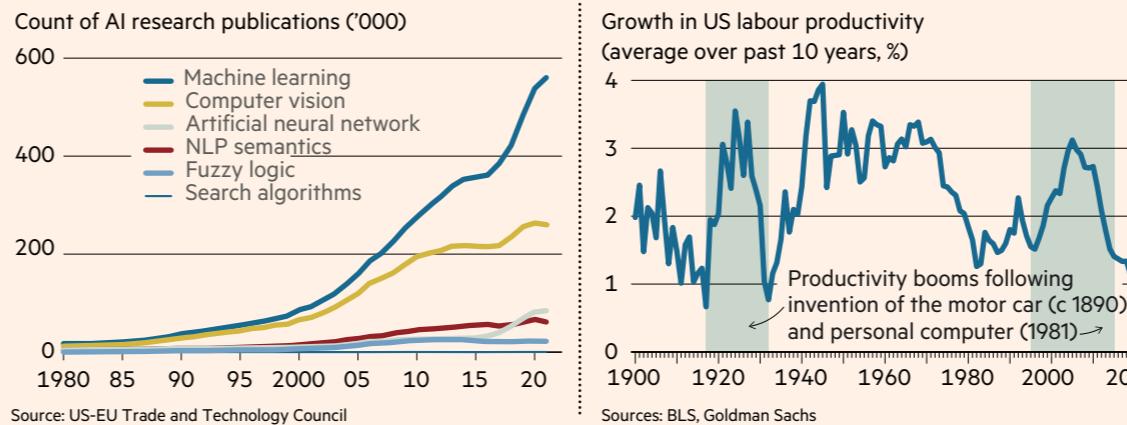
Globally, it suggests, 18 per cent of work could be automated by AI, again with larger effects in high-income countries. In the case of the US, the estimated share of work exposed to AI ranges from between 15 and 35 per cent. The most vulnerable jobs will be office and administrative, legal and architecture and engineering. The least exposed will be in construction, installation and

The research interest in artificial intelligence has soared



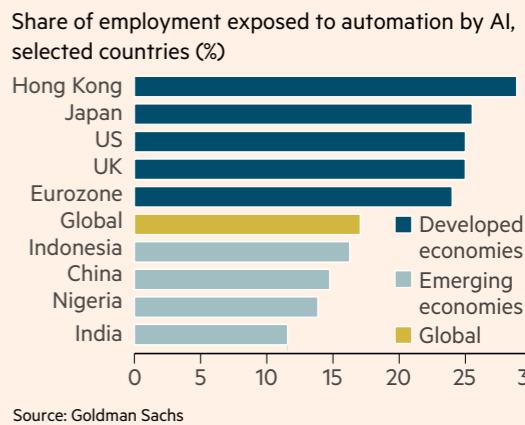
Source: US-EU Trade and Technology Council

Boosts to productivity come well after important innovations



Sources: BLS, Goldman Sachs

The proportion of jobs vulnerable to AI is higher in high-income countries



Source: Goldman Sachs

maintenance. Socially, the impact will fall most heavily on relatively well-educated white-collar workers. The danger then is of downward mobility of the middle and upper-middle classes. The social and political impact of such shifts appear all too evident, even if the overall effect is indeed to raise productivity. Unlike horses, people will not disappear. They have votes, too. (See charts.)

Yet these economic effects are very far from the whole story. AI is a much bigger change than that. It raises deep questions of who and what we are. It might be the most transformative technology of all for our sense of ourselves.

Consider some of these wider effects. Yes, we might have unbreakable and rational judges and better science. But we might also have a world of perfectly faked information, pictures and identities. We might have more powerful monopolies and plutocrats. We might have almost complete surveillance by governments and companies. We might have far more effective manipulation of the democratic political process. Yuval Harari argues that "democracy is a conversation, and conversations rely on language. When AI hacks language, it could destroy our ability to have meaningful conversations, thereby destroying democracy."

Daron Acemoglu of MIT argues that we need to understand

such harms before we let AI loose. Geoffrey Hinton, a "godfather" of AI, even decided to resign from Google.

The problem with regulating AI, however, is that unlike, say, drugs, which have a known target (the human body) and known goals (a cure of some kind) AI is a general purpose technology. It is polyvalent. It can change economies, national competitiveness, relative power, social relations, politics, education and science. It can change how we think and create, perhaps even how we understand our place within the world.

We cannot hope to work out all these effects. They are too complex. It would be like trying to understand the effect of the printing press in the 15th century. We cannot hope to agree on what is to be favoured and what is to be prevented. And even if some countries did, we would

never stop the rest. In 1433, the Chinese empire halted attempts to project naval power. That did not stop others from doing so, ultimately defeating China.

Humanity is Doctor Faustus. It, too, seeks knowledge and power and is prepared to make almost any bargain to achieve it, regardless of consequences. Even worse, it is a species of competing Doctor Faustuses, who seek knowledge and power, as he did. We have been experiencing the impact of the social media revolution on our society and politics. Some warn of its consequences for our children. But we cannot halt the bargains we have made. We will not halt this revolution either. We are Faustus. We are Mephistopheles. The AI revolution will roll on.

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Congress must act to protect smaller banks from investor nerves

Sheila Bair

At times of financial turmoil, big banks get bigger. Their massive balance sheets let them gobble up troubled competitors. Uninsured depositors flock to the safety of their perceived too-big-to-fail status.

This happened during the 2008 financial crisis when I chaired the Federal Deposit Insurance Corporation. It is happening again today as America's largest bank, JPMorgan Chase, grows through both deposit inflows and the acquisition of a failed bank.

The FDIC is legally required to sell a failed bank to the highest bidder, but during the 2008 crisis we had emergency powers to stem deposit flows to the mega

banks. We provided targeted, temporary increases in deposit insurance caps that helped healthy regional and community banks retain their most valuable business accounts. Regrettably, under the Dodd-Frank Act, Congress must now authorise the FDIC to take such action. Given persistent, if unwarranted, hysteria around the health of regional banks, it should act quickly to do so.

To be sure, today's turmoil is overblown. Accounts that depict three recent bank failures as larger than those in 2008 are misleading. In 2008, it was huge banks like Citigroup that were in trouble. The government did not let them fail. These three recent failures total \$532bn in assets in a \$23tn system comprised of over 4,000 banks. There is no crisis, unless media hype and short selling pressure undermine confidence so that depositors flee otherwise healthy banks. Polls show they are nervous.

Insured depositors have traditionally

kept confidence in the FDIC's perfect, 90-year record of protecting them. The problem is with the \$7tn deposits above the \$250,000 deposit cap. But universal coverage for all accounts is not the answer. We need wealthier, more sophisticated depositors to monitor

Wealthier depositors should monitor institutions and exert market discipline on the badly managed

banks and exert market discipline on those that are badly managed. With universal coverage, reckless banks could offer high yields to attract large depositors who would ignore the risks, knowing the FDIC would protect them. It could also distort capital flows away from money market funds and short-

term Treasuries into bank deposits which can offer quicker access to funds.

It does make sense to provide unlimited coverage for transaction accounts used by businesses and other organisations to receive and make payments. These typically pay low or zero interest because they are used by depositors to support operations, not generate returns. Protecting these accounts ensures that employers with uninsured deposits at a failed bank can continue accessing funds for payroll and other expenses. However, transaction accounts cannot always be moved quickly. During uncertain times, business depositors assess whether they should pre-emptively transfer their business to a too-big-to-fail bank even if their own bank is not in distress.

To address this problem, we launched the Transaction Account Guarantee (TAG) programme during the crisis. It successfully reassured depositors that

their transaction accounts were safe. We did not cap coverage because with little, if any, yield on the accounts, depositors had incentives to maintain only the balances required for operations. Moreover,

a key goal of TAG was to stem increasing deposit concentration in the mega banks. With caps, larger employers would continue to move their accounts away from the smaller banks.

While the Dodd-Frank Act now requires Congressional authorisation for TAG, there is a fast track. During the Covid emergency, the Trump administration secured temporary reinstatement of the FDIC's TAG authority, which fortunately the FDIC never had to use. But today, given political polarisation, the Biden administration has not asked for a Congressional go-ahead. Instead, it is working with regulators to implicitly guarantee uninsured accounts using special emergency powers unsuited to that purpose. Each time

a bank fails, two-thirds majorities of both the FDIC and Federal Reserve Boards must approve use of those powers. It is highly questionable whether Republican appointees will keep providing votes to bail out the uninsured. Regional banks have a target on their backs – and perhaps deserve some comeuppance for their 2018 lobbying to weaken oversight. Nonetheless, the vast majority are sound, well managed and play an important role in providing credit. They and community banks were heroes during the 2008 crisis, continuing to lend even as many mega banks pulled back. To promote banking competition and mitigate concentrations of power, we need to help them protect their core business accounts. Congress needs to reinstate TAG.

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Saudi Aramco: well priced

A meagre dividend yield blunted investor enthusiasm for Saudi Aramco stock when it listed in Riyadh in 2019. The world's biggest oil group is loosening its purse strings. Yesterday, it announced plans to add performance-linked dividends to its payouts. The company's shares edged up almost 4 per cent on the news.

The performance-linked distribution is expected to mop up 50 to 70 per cent of annual free cash flow, after taking account of the base dividend and external investments. RBC analysts expect that to generate up to \$12bn-\$18bn of extra payouts next year. That would raise the dividend yield by as much as a fifth from 3.5 per cent.

Even so, the yield will be lower than for international oil majors. That is not a sign of stinginess. Majors paid out 30 to 40 per cent of their operating cash flow last year, according to Citi. Aramco paid out nearly half.

Rather, it reflects Aramco's inflated valuation. The shares trade on 16 times forward earnings. That is a fifth lower than the average since it floated in 2019. The decline reflects the sharp fall in oil prices that pulled down first-quarter net income by a fifth. Nonetheless, the multiple is still more than twice the sector mean.

The elevated valuation reflects the slim sliver of equity – about 2 per cent – listed by Aramco. The rest belongs to the state. Minority shareholders are mostly long-term and Gulf-based.

Aramco has some fundamental strengths. It has massive reserves. Its oil is cheap to extract. Its balance sheet is solid. In 2020, gearing rose to 23 per cent. High oil prices swiftly replenished its coffers. By the end of March, its gearing was minus 10.3 per cent.

Investment may also help Aramco's shares. It is ramping up spending on oil and gas. This year's \$45bn-\$55bn budget is a third more than last year's. Its fossil fuel investments promise higher short-term returns than investments in renewables pursued by oil majors.

Aramco's narrow focus is also a risk. The energy transition will leave stranded assets. Saudi control is an issue for many external investors, some of whom see Aramco as an arm of government.

The clarity and generosity of the new distribution policy are welcome. But without a bigger free float – and with the prospect of robust price discovery – the shares should remain the preserve of Gulf specialists.

Tempur/Mattress Firm: now sleep on it

Tempur Sealy is restless in its mission to dominate dreamland. The US mattress maker is buying Mattress Firm in a cash and stock deal valued at about \$4bn, including debt.

The purchase of the specialist retailer brings vertical integration to the world of horizontal recuperation. The timing, amid a slowdown in demand, is one concern. Another is the debt Tempur will take on.

Privately held Mattress Firm reported net income of €389mn on revenues of €4bn last year. Tempur's offer – of \$2.7bn in cash and \$1.3bn of stock – values the target at about 9.2 times enterprise value to adjusted ebitda. That compares with the 11.5 times that Tempur itself trades on.

The price is less in inflation-adjusted terms than the EV of \$3.8bn that Steinhoff, a scandal-hit South African retailer, paid for the business in 2016.

Tempur is hardly getting a bargain. Steinhoff overpaid back then. It ended up taking €2.5bn of impairments on the business a year after buying it. Mattress Firm filed for bankruptcy in 2018. A restructuring allowed it to close stores and shed some leases.

Meanwhile, the mattress industry is going through a lumpy patch. Sales sagged as consumers put off big-ticket purchases. Mattress makers also face higher costs and supply disruptions.

Serta Simmons Bedding, one of the US's largest mattress makers, filed for bankruptcy protection earlier this year. At Tempur, sales were flat last year but net income fell 27 per cent.

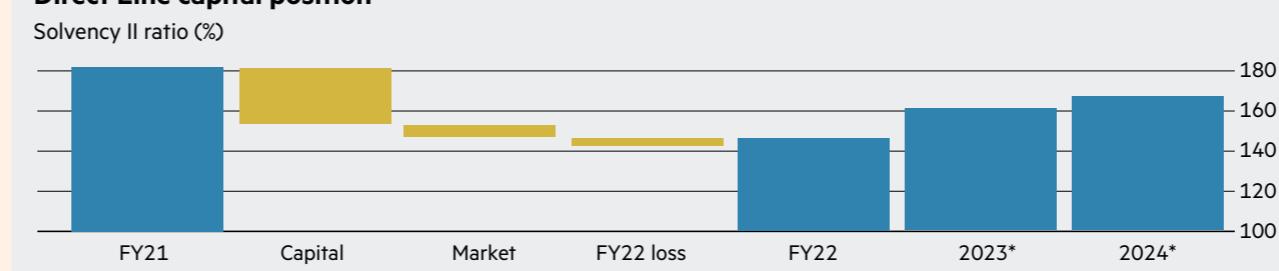
By bulking up now, Tempur is betting it can emerge positioned comfortably for an upturn. It expects the deal to generate at least \$100mn in annual cost savings by the end of year four. Taxed and capitalised, these would be worth about \$800mn.

But five years is a long time to wait. Moreover, Tempur already has \$2.9bn in net debt, equivalent to 3.2 times adjusted ebitda. Investors will rest

Direct Line: cash repair needed

Motor insurance prices in the UK are rising at the fastest pace in decades. Growth in Direct Line premiums lags behind peers and contributed to underwriting losses last year. The improved outlook for motor insurers should help rebuild the group's capital this year.

Direct Line capital position



*Forecast

Cost of motoring



Sources: Barclays Research; company; Visible Alpha; ONS; Refinitiv; ABI

Anyone who has bought UK car insurance lately will have been shocked by soaring prices. They have not helped Direct Line so far. It warned of pressure on profits yesterday. The goal of an incoming chief executive should be to tease a turnaround from higher policy prices.

The market for motor insurance is tough. The company says claims inflation will hit earnings this year. It was already struggling. Direct Line scrapped dividends and waved goodbye to chief executive Penny James in January.

Steeper costs for repairs and injuries have curbed profits across motor insurance. Direct Line trailed more than most and suffered a £167mn underwriting loss last year.

The market is now finding its equilibrium. That should help Direct Line restore profitability, forecast at £220mn for this year, according to an updated Visible Alpha consensus.

The company's average motor renewal premiums rose 19 per cent in the first quarter compared with 2022 but policy volumes fell 2.5 per cent. That compares with falls of 5 per cent and 3 per cent respectively last year.

The shares fell 7.6 per cent yesterday, taking the decrease to one-third over the past year.

Those with an eye on the top job at Direct Line should keep the other one on Admiral. Shares in the rival insurer persistently trade at 17 times forward earnings, double Direct Line's valuation.

A more conservative approach to reserves is one reason. These have supported Admiral's earnings over the past five years. At Direct Line, their contribution to earnings has shrunk dramatically.

Capital is also higher. Admiral's Solvency II ratio has averaged 190 per cent over the past five years, compared with 170 per cent for Direct Line.

A good run might get Direct Line back to 160 per cent this year.

A small capital raise would guarantee this, says Ivan Bokhmat, an analyst at Barclays.

It would give Direct Line a steadier route to capitalise on rising policy prices and deal with increased volatility in claims costs.

Apollo/annuities: stun run

Is there such a thing as an "annuity run"? The question has quietly dogged private capital firm Apollo Global Management amid depositor runs on US regional banks in recent months.

This matters because Apollo's \$438bn credit business is poised to take advantage of shifts in corporate lending triggered by banking turmoil.

Apollo's core liability base, its \$250bn Athene annuity business, is not well understood by all Wall Street investors. Shares in Apollo are merely flat this year. One rival with its own formidable credit business, Ares, has seen its stock jump a fifth in 2023.

The mismatch left Apollo attempting to reassure analysts on yesterday's first-quarter earnings call. Its message was that it was hard for annuity policyholders to take back their funds and they were unlikely to do so en masse. Apollo showed trend data suggesting withdrawals and surrenders in the first three months were largely in line with historical norms. Inflows of retail funds remained healthy.

Consumers were attracted by the chance to reap greater returns now market interest rates are higher. Apollo's life insurance business gives it a first-mover advantage over rivals trying to catch up via pricey acquisitions of insurance blocks.

Investing those annuity premiums was easier for Apollo thanks to wider credit spreads in its lending businesses. The recently acquired securitised products group of Credit Suisse was providing cash to the likes of PacWest, the besieged California-based bank.

Apollo's private equity business said it found bargains, taking private chemicals group Univar for \$8bn and Arconic, the metal products company, for \$5bn. Asset managers will be the winners if a chunk of credit origination shifts from deposit-taking institutions permanently. Apollo has maintained that its constraint was never assets to manage but allocation opportunities.

That dynamic has shifted. Bears are therefore now scrutinising Apollo for signs of over-reach.

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