FINANCIAL TIMES

FRIDAY 3 NOVEMBER 2023

EUROPE

Xi's promise of prosperity begins to fade
BIG READ, PAGE 17

The US wants to write the rules on AI
JOHN THORNHILL, PAGE 19

Border run
Afghans flee Pakistan edict

An Afghan boy climbs into a truck as he prepares to depart from a holding centre in Pakistan for Afghanistan.

Tens of thousands of refugees have started streaming across the border back to Taliban-run Afghanistan after the Pakistani government ordered all foreign nationals without valid visas or refugee registrations to leave before a deadline of November 1.

Security forces have been rounding up Afghans without documentation in holding centres following the deadline. At least 170,000 people had returned to Afghanistan by last night, officials said.

An estimated 1.7mn Afghans have been living in Pakistan without official papers, including at least 600,000 who fled after the Taliban returned to power in Kabul in 2021. The crackdown followed a rise in suicide bombings in Pakistan, blamed on Afghan militants.

Report page 4

Farooq Naeem/AFP via Getty Images

Bond markets rally as investors dial down expectations of more rate rises

● Central banks hint at end to cycle ● US 10-year Treasury yield falls ● Gilts advance as BoE holds

MARY MCDOUGALL AND GEORGE STEER
LONDON

Investors have piled into US and European government debt after the Federal Reserve and other central banks signalled a possible end to the rate-rise cycle that has hammered bond markets for more than a year.

In one of the biggest drops in borrowing costs since Silicon Valley Bank's failure in March, investors pushed down the yield for 10-year US Treasuries, a benchmark for global asset prices, more than 0.3 percentage points in two days.

Government bond markets also rallied across Europe, a shift that, if sustained, could have profound implications for governments' and companies' cost of capital after a long sell-off that has hit bondholders hard.

The bond rally supported stock markets, with the S&P 500 index rising 1.4 per cent, making yesterday one of the most upbeat days in the market since March.

The fall in the US 10-year Treasury yield, which moves inversely to price, came after what investors saw as dovish remarks by US Federal Reserve chair Jay Powell on Wednesday. Earlier in the day, the Fed kept its benchmark funds rate on hold at 5.25-5.5 per cent.

> 'The meeting underlines our view that the Fed is likely done tightening'
> Solita Marcelli, UBS

"The meeting underlines our view that the Fed is likely done tightening and that markets had become too aggressive in pricing higher rates for longer," said Solita Marcelli, chief investment officer for the Americas at UBS Wealth Management.

Powell emphasised that the Fed was "proceeding carefully" with future rate rises, comments that investors took as a sign that bond markets have already largely succeeded in slowing down the US economy.

However, he also warned that the Fed "was not confident yet" that monetary policy was sufficiently restrictive to bring inflation back to its 2 per cent goal.

The scale of the investor reaction to the Fed chief's comments underlined how anxious many are to see the end of the monetary tightening that ramped up borrowing costs for households and businesses across the world. Previous Fed rises and a big expansion in the US government's borrowing plans had contributed to the prolonged sell-off that last month pushed 10-year yields above 5 per cent for the first time in 16 years.

In Wednesday's rally, US 10-year yields fell 0.19 percentage points — the biggest one-day drop since SVB's collapse, according to Bloomberg data. They slid an additional 0.12 percentage points yesterday to reach 4.67 per cent.

Investors have been wrongfooted in the past by prematurely calling an end to the Fed's rate-rise cycle.

But Tiffany Wilding, managing director at bond investment house Pimco, argued that the Fed did not appear to be preparing the market for a possible rate rise in December "and as a result you are getting some loosening in financial conditions".

US government bond yields have also been pulled lower after the Treasury department announced on Wednesday that it would slow the pace at which it issues longer-dated debt.

UK gilts also advanced after the Bank of England announced yesterday that it would hold rates at 5.25 per cent.

Two-year gilt yields, which reflect interest rate expectations, fell 0.09 percentage points to 4.70 per cent, the lowest level since June. Benchmark 10-year gilt yields fell 0.15 percentage points to 4.35 per cent.

Japan's yield experiment page 10
Markets Insight page 11

Briefing

▸ Novo Nordisk boosted by soaring obesity drug sales
The Danish drugmaker expects demand for its weight-loss drugs to continue to outstrip supply despite expanding manufacturing capacity, as trial data bolsters its case that the drugs have broader health applications.— PAGE 6

▸ Israel moves on Gaza City
Israeli troops have entered Gaza City and are trying to "encircle" it, Israel's military chief has said, calling it the next phase of the push into the enclave.— REPORTS, PAGE 3; PETER RICKETTS, PAGE 19

▸ Ferrari hybrids take lead
The Italian marque's sales of its hybrid cars have for the first time topped those of its traditional models, a landmark for a brand linked with supercars equipped with powerful engines.— PAGE 6

▸ Kishida bets on stimulus
Japan's prime minister is staking his future on a $113bn stimulus plan centred on tax cuts and cash handouts, as he seeks to tackle the fallout from high inflation.— PAGE 4; MARKETS, PAGE 10

▸ Greensill insurer hits out
Insurance Australia Group has said that rival Tokio Marine and broker Marsh McLennan should share in any liability if Greensill investors succeed in a legal battle to recoup their losses.— PAGE 8

▸ HBO chief created 'guises'
Casey Bloys has admitted to creating fictitious online accounts during Covid to reject criticism of the network's shows, describing the move as a "very dumb idea to vent my frustration".— PAGE 6

▸ UN climate change plea
Developing countries need up to $387bn a year to adapt to climate change but international cash flows are stalling just as global warming's effects become more serious, the UN has said.— PAGE 4

▸ Rats have 'imaginations'
Rats can imagine places they are not and objects they cannot see, according to research that suggests the rodents in films such as *Ratatouille* might be less fanciful than they appear.— PAGE 2

Lack of new planes keeps maintenance sector aloft

On a high ▸ PAGE 9

Businesses with better gender balance out-earn peers, says BlackRock study

BROOKE MASTERS — NEW YORK

Companies with more gender-balanced workforces outperformed their least-balanced peers by as much as 2 percentage points annually between 2013 and 2022, a BlackRock study of the MSCI World index has found.

The higher return on assets held true within countries and within sectors, and was especially marked for companies where gender parity was greatest in revenue-producing, engineering and top-paying jobs, researchers at the $9.1tn group said in a report yesterday.

While others have also sought to document links between gender equity and performance, this global study of about 1,250 big companies that report some gender data is one of the largest yet.

Companies in the middle quintile for gender balance reported an average annual return on assets of 7.7 per cent, compared with 5.6 per cent for those with the highest share of men in their workforce and 6.1 per cent for those with the highest share of women, the study found. "Human capital is very important to investment performance," said Sandra Lawson, the BlackRock managing director who led the work. "It's a pretty powerful correlation."

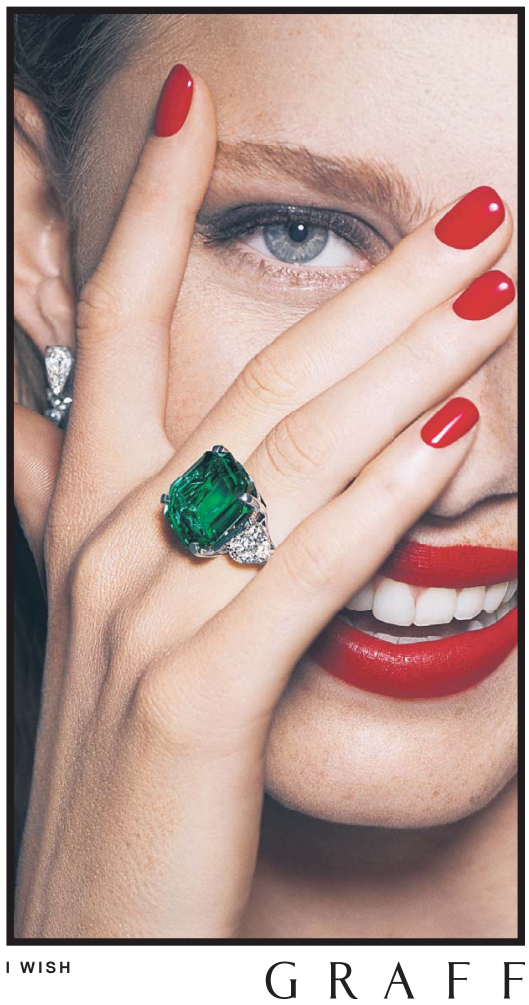
BlackRock's work comes at a time when the world's largest money manager and its peers have been attacked for using environmental, social and governance factors in investing. Conservative critics claim that "woke" asset managers have strayed too far from their duty to maximise returns and have called for boycotts and new laws to prevent the use of ESG in investing.

This study will strengthen the case of investment firms that contend it is part of their fiduciary duty to consider gender representation and other social factors in the investment process. BlackRock used return on assets rather than a measure linked to share prices because it is less affected by equity market movements, according to Ewelina Zurowska, one of the researchers.

The researchers also looked for links between personnel policies and financial performance and found that US companies where women took longer maternity leave outperformed peers.

Earlier studies by McKinsey, including one that looked at 1,039 companies in 15 countries, have linked gender diversity to above-average profitability. Bank of America found US public companies with more diverse boards had a higher return on equity and lower volatility in earnings per share than their less diverse peers.

© GRAFF.COM



I WISH

GRAFF

World Markets

STOCK MARKETS

	Nov 2	Prev	%chg
S&P 500	4298.84	4237.86	1.44
Nasdaq Composite	13237.24	13061.47	1.35
Dow Jones Ind	33645.52	33274.58	1.11
FTSEurofirst 300	1758.74	1732.46	1.52
Euro Stoxx 50	4169.49	4091.71	1.90
FTSE 100	7446.53	7342.43	1.42
FTSE All-Share	4033.98	3967.55	1.67
CAC 40	7060.69	6932.63	1.85
Xetra Dax	15143.60	14923.27	1.48
Nikkei	31949.89	31601.65	1.10
Hang Seng	17230.59	17101.78	0.75
MSCI World $	2797.49	2768.62	1.04
MSCI EM $	915.97	915.20	0.09
MSCI ACWI $	642.65	636.65	0.94
FT Wilshire 2500	5454.86	5402.30	0.97
FT Wilshire 5000	42463.80	42060.00	0.96

CURRENCIES

Pair	Nov 2	Prev	Pair	Nov 2	Prev
$/€	1.062	1.054	€/$	0.942	0.949
$/£	1.217	1.212	£/$	0.822	0.825
£/€	0.872	0.869	€/£	1.146	1.151
¥/$	150.475	150.980	¥/€	159.782	159.096
¥/£	183.180	183.048	£ index	80.409	80.352
SFr/€	0.962	0.959	SFr/£	1.103	1.104

CRYPTO

	Nov 2	Prev	%chg
Bitcoin ($)	34482.30	35440.73	-2.70
Ethereum	1792.33	1847.36	-2.98

COMMODITIES

	Nov 2	Prev	%chg
Oil WTI $	82.11	80.44	2.08
Oil Brent $	86.37	84.63	2.06
Gold $	1986.35	1996.90	-0.53

GOVERNMENT BONDS

Yield (%)	Nov 2	Prev	Chg
US 2 yr	4.99	5.03	-0.05
US 10 yr	4.69	4.82	-0.13
US 30 yr	4.86	4.99	-0.13
UK 2 yr	4.73	4.79	-0.06
UK 10 yr	4.56	4.67	-0.11
UK 30 yr	4.87	4.96	-0.09
JPN 2 yr	0.13	0.15	-0.02
JPN 10 yr	0.91	0.95	-0.04
JPN 30 yr	1.85	1.89	-0.04
GER 2 yr	2.98	2.98	0.01
GER 10 yr	2.72	2.76	-0.05
GER 30 yr	2.99	3.07	-0.08

Prices are latest for edition
Data provided by Morningstar

Austria	€4.50	Morocco	Dh50
Bahrain	Din1.8	Netherlands	€4.50
Belgium	€4.50	Norway	NKr45
Croatia	Kn33.91/€4.50	Oman	OR1.60
Cyprus	€4.20	Pakistan	Rupee350
Czech Rep	Kc125	Poland	Zl 25
Denmark	DKr46	Portugal	€4.20
Egypt	E£80	Russia	€5.00
France	€4.50	Serbia	NewD530
Germany	€4.50	Slovenia	€4.20
Greece	€4.20	Spain	€4.20
Hungary	Ft1450	Switzerland	SFr6.70
India	Rup220	Tunisia	Din7.50
Italy	€4.20	Turkey	TL110
Luxembourg	€4.50	UAE	Dh24
Malta	€4.20		

Subscribe In print and online

www.ft.com/subscribetoday
email: fte.subs@ft.com
Tel: +44 20 7775 6000
Fax: +44 20 7873 3428

© THE FINANCIAL TIMES LTD 2023

No: 41,471 ★

Printed in London, Liverpool, Glasgow, Dublin, Frankfurt, Milan, Madrid, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul, Dubai

44>
9 770174 736159

Invasion

US imposes tougher sanctions on Russia

Companies in China, UAE and Turkey accused of aiding Moscow war effort

JAMES POLITI — WASHINGTON
ADAM SAMSON — ANKARA
SIMEON KERR — DUBAI
MAX SEDDON — RIGA

The US has ramped up sanctions against Russia, targeting companies and individuals in Turkey, China and the United Arab Emirates for supplying Moscow with goods that could be used for military purposes.

The new package of sanctions included additional measures against the Russian energy and mining sectors, and listed more than 200 new names around the world facing financial and travel restrictions, the US Treasury and state department said yesterday.

"Russia is dependent on willing third-country individuals and entities to resupply its military and perpetuate its heinous war against Ukraine, and we will not hesitate in holding them accountable," said Janet Yellen, Treasury secretary.

The US action is primarily aimed at stopping Russia from sidestepping existing sanctions against its defence industry, often through circuitous routes via friendly countries.

In the 20 months since President Vladimir Putin ordered the invasion of Ukraine, Russia has sought to source critical imports by rerouting supply chains and financial flows through Turkey and the UAE, as well as former Soviet countries in the Caucasus and Central Asia.

In the UAE, ARX Financial Engineering and four of its employees were placed under sanctions for allegedly allowing Russians to transfer assets into the Gulf state and identifying ways for sanctions-hit Russian bank VTB to convert roubles into US dollars. ARX is a regulated entity in the Dubai International Financial Centre, which has attracted many global financial groups.

> 'Russia is dependent on willing third-country individuals and entities to resupply its military'

ARX and DIFC did not respond to a request for comment.

The UAE government has always maintained that it does not discriminate against Russians while also preventing financial inflows of individuals who have been placed under sanctions.

The sanctions against several Turkish groups were mainly focused on suppliers of technology and electronics to Russia, which have been flowing either directly or through intermediaries, according to diplomatic sources.

Turkey has not aligned itself with the western sanctions regime and has retained strong economic and trade ties with Russia, complicating the enforcement of restrictions. Turkish officials say the country takes measures to ensure that local companies do not engage in sanctions circumvention.

The US also targeted a Chinese group that Washington believes "shipped radar components to a Russian state-owned missile manufacturer for use in advanced anti-aircraft missile systems".

The state department also slapped sanctions on several Russian companies, including one group involved in Russia's liquefied natural gas production and a mining group trying to develop the largest titanium ore deposit in the world. Other Russian technology, electronics and aerospace companies were also added to the list of entities.

The US also targeted a number of individuals, including Yakub Zakriev, the Chechen agriculture minister Putin appointed to run Danone's Russian assets after seizing the company in July.

Conflict. Russian barrage

Ukraine braced for winter attacks on power grid

Measures to avoid blackouts range from sandbags to sophisticated air defences

ROMAN OLEARCHYK — KYIV

Devastation: smoke rises from damaged power equipment following a Russian drone attack near Kyiv in December last year
Felipe Dana/AP

Ukraine is rushing to bolster its energy infrastructure ahead of winter as a renewed Russian aerial campaign starts to home in on the country's power stations, seeking to leave its people in the dark and cold.

In the summer, Russia largely targeted Ukraine's seaports and grain-exporting infrastructure. But in recent weeks missile and drone strikes have again focused on energy infrastructure, as they did last year when they caused blackouts for days. This time Kyiv is confident it is better prepared.

At a critical electricity grid substation in northern Ukraine, a wall of concrete blocks has been erected to protect transformers. Gabions, or cylinder cages filled with rocks or sand, can be seen surrounding another nearby substation, the location of which cannot be revealed due to wartime security rules.

"We call it passive protection," Prime Minister Denys Shmyhal told the Financial Times. He said the country was "much more prepared" after testing and improving its fortifications during Russia's missile strikes last winter.

The defences were still "not 100 per cent effective", Shmyhal said. But they worked "in 80 to 90 per cent of cases", especially against drones that veered off course or whose debris fell on to critical infrastructure after being intercepted.

Last winter, Russia launched more than 1,200 missile and drone strikes on Ukraine's power stations, "destroying more than 40 per cent of our electricity infrastructure, including generation and power grid", Shmyhal said. "We repaired most of this damage."

Across the country, sandbags and cage roofs are being installed to protect hundreds of small targets that can be taken out in a single strike and trigger a massive blackout, according to photographs provided by industry insiders.

"When you have, for example, transformers, you try to protect them with big bags and sand," said Oleksandr Kubrakov, Ukraine's deputy prime minister in charge of infrastructure. "These big bags saved us many times and they protect us from debris of drones and missiles."

Infrastructure elements that do not need ventilation have been moved underground, according to one person familiar with the effort. Damaged electricity cables can be swiftly replaced, but repairing substations and transformers takes longer. Sourcing new ones and transporting the massive structures can take months. Spare parts were being stocked across the border in allied countries, with the option to order more quickly, said one industry source.

DTEK, the country's largest power producer, last week said that one of its generators was hit by a Russian air strike, marking the 35th attack on one of its power stations over the past year. "Repair works are under way," the company added in a statement.

Last week an air strike temporarily knocked out electricity in parts of Kharkiv, Ukraine's second-largest city. Such attacks have not yet caused widespread blackouts, but officials fear they will intensify as winter approaches.

When Russian strikes knocked out a handful of critical junctions in Ukraine's centralised Soviet-built electricity grid last winter, it destabilised the system and triggered nationwide blackouts.

Shmyhal said Ukraine had decentralised its grid, making damage in one location less likely to affect other regions.

Maxim Timchenko, chief executive of DTEK, said that after Russia last winter "completely destroyed" a 300-megawatt coal-burning generator unit, his company invested in building 50 scattered turbines each producing 6MW. "They can hit one turbine but 49 would still be operating," Timchenko said.

If massive blackouts are repeated, smaller generators burning diesel and other fuels provided by allies and purchased by households and businesses are the last resort, like last winter.

Before Russia's full-scale invasion last year, Ukraine sourced about half of its electricity from four nuclear power plants, the rest coming mostly from thermoelectric generators, hydroelectric power stations and renewables.

The country had to fill a big gap when its single largest source of electricity supply was taken offline in March 2022 after Russian forces occupied the Zaporizhzhia nuclear power plant, Europe's largest. Still, under Russian occupation and occasionally the target of missile strikes, the plant is in shutdown mode, not producing power for either side.

> 'Big bags [of sand] saved us many times and they protect us from debris of drones and missiles'

Another hit to Ukraine's electricity supply came in spring when an explosion destroyed the Kakhovka Dam, taking offline a hydroelectric plant with a capacity of 357MWh.

Kyiv is counting on western air defence systems to reduce the damage compared with last winter.

"Now we have [many] more air defence systems," Shmyhal said, while urging allies to provide more, as well as the required ammunition.

Germany last month announced it would supply Ukraine with $1.1bn in new air defence capabilities. Spain promised additional Hawk systems.

Even so, Oleksandr Kharchenko, managing director of the Kyiv-based Energy Industry Research Centre, said:

"If there will be massive air strikes, I cannot predict the scale of blackouts."

Rodent research

Rats credited with brains that possess human-like imagination

MICHAEL PEEL — LONDON

Rats can imagine places they are not in and objects they cannot see, according to research that suggests the rodents in Hollywood films such as *Ratatouille* may be less fanciful than they appear.

Virtual reality analysis of the mammals' brain activity showed they developed the ideas of going to previously visited locations and moving items they recognised from one area to another, said the paper in the journal, Science, yesterday.

The work at the Howard Hughes Medical Institute in the US reveals animals' mental sophistication and promises to boost development in the fast-growing medical field of neuroprosthesis, or using brain functions to control devices such as artificial limbs, robotic arms or hearing implants.

"To imagine is one of the remarkable things that humans can do," said Albert Lee, one of the paper's authors. "Now we have found that animals can do it too."

The work used experiments devised by lead author Chongxi Lai and others to focus on the hippocampus, the area of the brain linked to spatial memory, imagination and learning.

Researchers used a so-called brain-machine interface to measure hippocampus electrical activity as the rats went on a spherical treadmill towards a reward. The team then disconnected the treadmill to see if the rodents would repeat the previously observed brain patterns while remaining stationary.

One test, dubbed Jumper after a 2008 film that featured a teleporting main character, linked the rats to a virtual reality screen to show them thinking about how they would navigate towards their goals.

A second test, called Jedi after the mind-controlling knights of the *Star Wars* movies, investigated brain patterns that corresponded to the rodents imagining moving an object not in view.

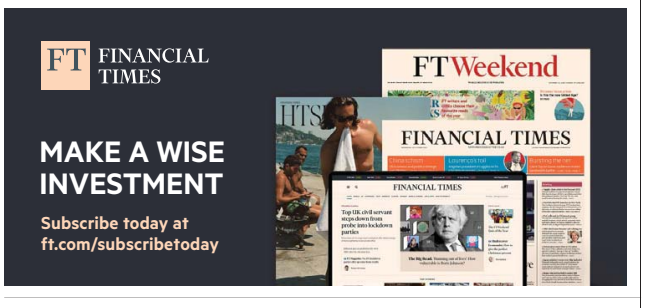
The rats were capable of imagining the actions needed to achieve their aims, the researchers found, and the rodents proved capable of fixing their thoughts on a given location for several seconds in much the same way humans do when they recall a previous experience or imagine a future event.

The findings about hippocampus activity offered clues to the "richness of our inner lives", wrote the researchers at the Maryland-based HHMI.

The research represented an "exciting expansion" in uses of brain-machine interfaces, said the University of California's Michael Coulter and Caleb Kemere of Rice University in Texas, who were not involved in the research. In a commentary published separately in Science, they said the experiments provided a new tool for probing "circuit-level mechanisms of mental navigation and spatial imagination".

While the imaginative powers of the rat subjects may not be as sophisticated as *Ratatouille's* rodent hero in his quest to become a top Paris chef, the findings will help develop practical applications related to the human mind.

"I haven't seen *Ratatouille*, but having worked with rats for a long time they do look like they are focusing and thinking," said Lee. "They are quite complex — and they have mostly the same brain areas that humans have."



FINANCIAL TIMES
Bracken House, 1 Friday Street, London EC4M 9BT.

Subscriptions & Customer service
Subscription offers: www.ft.com/subscription
Contact: +44 207 775 6000, fte.subs@ft.com
Manage your personal account: mma.ft.com
Advertising
Tel: +44 20 7873 4000, advertising@ft.com
Letters to the editor
letters.editor@ft.com
Executive appointments
Tel: +44 20 7873 4909
www.exec-appointments.com

Published by: The Financial Times Limited, Bracken House, 1 Friday Street, London EC4M 9BT. Tel: +44 20 7873 3000; Fax: +44 20 7407 5700. Editor: Roula Khalaf.

Germany: Demirören Media, Hurriyet AS-Branch Germany, An der Brucke 20-22, 64546 Morfelden-Walldorf, +49 6105 327100. Responsible Editor, Roula Khalaf. Responsible for advertising content, Jon Slade.
Italy: Monza Stampa S.r.l., Via Michelangelo Buonarroti, 153, Monza, 20900, Milan. Tel. +39 039 28288201 Owner, The Financial Times Limited; Rappresentante e Direttore Responsabile in Italia: I.M.D.Srl-Marco Provasi - Via G. Puecher, 2 20037 Paderno Dugnano (MI), Italy. Milano n. 296 del 08/05/08 - Poste Italiane SpA-Sped. in Abb.Post.DL. 353/2003 (conv. L. 27/02/2004-n.46) art. 1 .comma 1, DCB Milano.
Spain: Bermont Impresion, Avenida de Alemania 12, CTC, 28821, Coslada, Madrid. Legal Deposit Number (Deposito Legal) M-32596-1995; Publishing Director, Roula Khalaf; Publishing Company, The Financial Times Limited, registered office as above. Local Representative office; C/ Infanta Maria Teresa 4, bajo 2, 28016, Madrid. ISSN 1135-8262.
UAE: Masar Printing & Publishing, P.O. Box 485100, Dubai. Editor in Chief: Roula Khalaf.
France: Publishing Director, Jonathan Slade, 46 Rue La Boetie, 75008 Paris, Tel. +33 (0)1 5376 8256; Fax: +33 (01) 5376 8253; Commission Paritaire N° 0919 C 85347; ISSN 1148-2753.
Turkey: Dunya Super Veb Ofset A.S. 100. Yil Mahallesi 34204, Bagcilar- Istanbul, Tel. +90 212 440 24 24.
Sweden: Responsible Publisher - Christer Norlander

© Copyright The Financial Times 2023.
Reproduction of the contents of this newspaper in any manner is not permitted without the publisher's prior consent. 'Financial Times' and 'FT' are registered trade marks of The Financial Times Limited.

The Financial Times and its journalism are subject to a self-regulation regime under the FT Editorial Code of Practice: www.ft.com/editorialcode

Reprints are available of any FT article with your company logo or contact details inserted if required (minimum order 100 copies).
One-off copyright licences for reproduction of FT articles are also available.
For both services phone +44 20 7873 4816, or email syndication@ft.com

Labour market

German unemployment rise fuels fears for eurozone jobs

MARTIN ARNOLD — FRANKFURT

The number of unemployed in Germany rose by the biggest amount in more than a year as vacancies fell in October, adding to signs of cracks in Europe's labour market.

The region's workforce has remained resilient despite a sharp slowdown in growth. But economists and policymakers believe the labour market is weakening as the stalling economy and high borrowing costs drive more companies to cut jobs.

The German unemployment rate climbed from 5.7 per cent in September to 5.8 per cent last month, the highest level in the EU's largest economy since June 2021.

"The lay-off rate in Germany has started to increase a bit, but from the lowest level we have seen," said Enzo Weber, head of research at the Institute for Employment Research in Nuremberg. "We are starting to see the delayed effects of last year's energy price shock."

Several German companies have outlined plans to cut jobs in recent weeks, including Deutsche Bank and chemicals producers BASF and Lanxess.

Weber said his institute's European unemployment barometer had fallen to its lowest level since the middle of 2020 when lockdowns during the pandemic brought the economy to a standstill.

Luis de Guindos, vice-president of the European Central Bank, said there were signs the labour market was struggling to remain "a bright spot" for the eurozone. "Fewer jobs are being created, including in services, which suggests that the cooling of the economy is gradually feeding through to employment," he said in a speech in Madrid this week.

Germany's federal employment agency reported a seasonally adjusted increase of 30,000 unemployed from a month earlier, taking the jobless total to 2.61mn, up 165,000 from a year earlier.

Germany's unemployment rate has risen from 5 per cent in March 2022, shortly after Russia invaded neighbour Ukraine. The agency said the arrival of more than 1mn Ukrainian refugees to Germany had added 0.4 percentage points to its jobless rate.

Many German companies are still suffering from labour shortages, which were reported by 43 per cent of those surveyed by Munich's Ifo Institute in July. Economy minister Robert Habeck last month blamed "desperate" labour shortages for the expected 0.4 per cent contraction of the economy this year, as he called for an increase in skilled immigrants to bolster its ageing workforce.

But Ifo said vacancies posted by companies had fallen to 749,000 in October, down 12,000 on the previous month and 98,000 from a year earlier.

"You cannot defy gravity for ever and you have what looks like a recession now in Germany," said Ludovic Subran, chief economist at insurer Allianz.

While eurozone unemployment is expected to stay at a record low of 6.4 per cent when October data is released today, Subran forecast both the German and eurozone jobless rates would rise by half a percentage point next year as key sectors lay off workers. "The construction sector is in decline and that is a very labour-intensive industry," he said.

Magdeburg: many companies in Germany are still short of staff

Germany's economy shrank 0.1 per cent in the three months to September from the previous quarter, data found this week, confirming its status as one of the world's weakest major economies.

Higher interest rates have hit the construction sector, causing a sharp decline in housebuilding, where activity fell 2 per cent and 1.3 per cent in the eurozone in the three months to September compared with the previous quarter.

Andrea Nahles, head of Germany's employment agency, said the long period of stagnation stretching to last winter "cannot remain without visible consequences for the labour market". But she added: "In view of the data, it is holding up comparatively well."

Yet last month's S&P Global survey of purchasing managers at eurozone businesses found manufacturers shed jobs at the fastest rate for three years.

ISRAEL-PALESTINIAN CONFLICT

West Bank a 'pressure cooker' amid settler violence and army clampdown

Israeli military accused of complicity in displacements, beatings and murders that have left 125 dead

MEHUL SRIVASTAVA
TAYBEH AND QUSRA

The evening Israel declared war on Hamas in Gaza, armed Jewish settlers arrived at the Palestinian village of Wadi al-Seeq in the occupied West Bank.

The village's children trembled with fear as their parents recounted how the settlers dragged three men from their families, stripped them to their underwear, blindfolded them with their own T-shirts and took turns beating them. When Abu Hassan, 58, a Bedouin goatherd, begged for mercy, pointing to a scar from recent heart surgery, one of the Israelis slammed a rifle butt into his chest. Then, they urinated on him.

"Leave! Go to Jordan, go wherever," he recalled the shouts. "Or we will kill you."

The village's 30 families gathered what they could and fled, setting up camp on an open plain two hours away near the town of Taybeh. Driven from their home of 21 years, and fearful of every approaching car, the family patriarch, Mohammed Arrarah, 68, wondered aloud: "What is to be our fate?"

As the Israeli army wages war in Hamas-controlled Gaza, it has placed the West Bank, occupied since 1967, under a tight security blanket. In tactics seen in the second intifada, or Palestinian uprising, that began in 2000, it has closed off most travel between cities, blocked exits from some refugee camps and sent troops into the heart of Palestinian cities such as Jenin and Nablus, to root out fledgling militias.

Gunfights erupt every few hours and the Israeli military has had to rely on air support for the first time in years to buttress its ground incursions in refugee camps, where a black market for weapons has gone into overdrive, according to one arms smuggler.

Israel launched an aerial and ground offensive into Gaza after Hamas's October 7 attack, which officials say killed 1,400. More than 8,800 have been killed in the bombardment of Gaza, claim Palestinian officials.

At least 125 Palestinians have also been killed in the West Bank by the Israeli army and settlers in the weeks since, say local health authorities and the UN. Nearly 1,000 Palestinians have been forced from villages by armed settlers, mostly in land dubbed Area C where the army has direct authority.

The tightened restrictions have triggered protests drawing several thousand people. But the visible presence of Israeli soldiers has kept many at home out of fear.

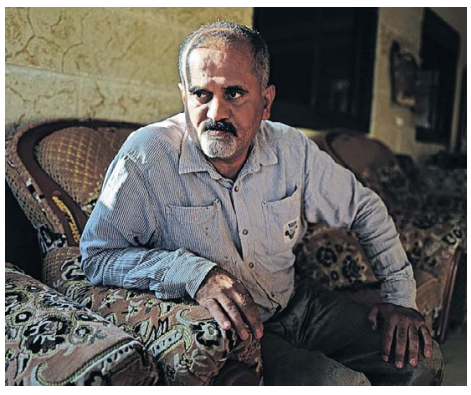
"They've put us in a pressure cooker and lit a fire under us," said Jamal, 28, who lost his job as a pharmacist in Jerusalem because he has been unable to leave the West Bank.

At the same time, armed settlers have stepped up assaults on Palestinians, especially in remote villages. The EU has referred to these assaults as "settler terrorism", asking Israel to rein them in.

UN data shows that assaults have doubled since the Hamas attack, and human rights groups such as Israel's Yesh Din have documented a rise in cases where Israeli soldiers, including settlers who have been called up for reserve duty, either stood by, or have intervened only to aid the settlers.

"The settlers already know they have impunity as civilians, now they have it as soldiers too," said Yahav Erez, the international advocacy co-ordinator at Yesh Din, noting how very few cases of settler or soldier violence were investigated, let alone prosecuted.

Victims of violence: Mohammed Arrarah was driven out of his home in Wadi al-Seeq. Below, Abdel Hakim Wadi, whose brother and nephew were shot dead in a settler ambush
Ayman Oghanna/FT



Yesh Din said it could identify just one Israeli questioned for attacks on Palestinians, arrested the day after US president Joe Biden said extremist settlers "have to be held to account".

Meanwhile, 1,512 Palestinians have been arrested since October 7, according to Hamoked, an Israeli non-governmental organisation. More than 700 are being held without charge.

The settlers share videos of assaults on Telegram channels. Abu Hassan's beating was photographed by his attackers. In a video from Hebron this week, men in Israeli military uniforms laugh as they beat and blindfolded Palestinian men, several of them stripped.

As one of them bent over to kick a Palestinian, he could be seen wearing the broad knitted kippa favoured by religious nationalist settlers. The Israeli military said that "the conduct of the force that emerges from the footage is deplorable and does not comply with the army's orders", and that it was investigating the incident.

Richard Hecht for the Israel Defense Forces did not respond to queries about several other incidents. He had earlier stressed that the "IDF is the sovereign in Judea and Samaria", using the Israeli terms for the occupied West Bank. As sovereign, the IDF is obliged by international and Israeli law to protect civilians, including Palestinians.

The IDF has also reported several violent incidents against settlers, including stabbings, car ramming and attacks on Israeli soldiers and border police in their incursions to Palestinian cities. In the occupied West Bank, one Israeli soldier has been killed since October 7.

The closures and restrictions have further depressed the West Bank's economy. On the road to Nablus, the vibrant market town of Huwara is deserted, its streets taken over by stray dogs and Israeli soldiers. On the walls, posters have been put up with a picture of a lion, quoting Talmudic script that Israelis have long used to justify pre-emptive killing: "Rise Up and Kill First".

Choking the economy and the forced displacement of Palestinians, as well as settlers stopping Palestinians harvest olives last month, creates an explosive situation in the West Bank, warn international observers and Palestinians.

"The West Bank is not going to remain calm at all; they are dividing us between the cities, the refugee camps and the villages," said Jamal Tirawi, a former militant convicted of organising a suicide bombing, and now a Palestinian politician of influence in the refugee camps.

> 'The settlers see a chance to end the whole Palestinian project, to clip both wings of Palestinians, one in Gaza and the other in the West Bank'
> Jamal Tirawi, Palestinian politician

"We're witnessing a new era here. The settlers see a chance to end the whole Palestinian project, to clip both wings of Palestinians, one in Gaza and the other in the West Bank."

The surge in violence has left Abdel Hakim Wadi, 52, mourning the loss of his brother and nephew. On October 11, after armed settlers shot four people in his village of Qusra, his brother Ibrahim and Ahmed, 26, helped with the funeral.

They went to a nearby hospital in a small convoy, including ambulances to carry the dead, hoping to avoid the settlers living nearby on land confiscated from Qusra village. On their way back, said Wadi, they were asked by an Israeli military liaison to change their route.

They drove straight into an ambush, Wadi said, with the settlers blocking the road and burning tyres. Rifle and pistol fire came from a grove of olive trees nearby. "They were screaming, burn the ambulance, burn the bodies," he said.

Dashcam footage showed Israeli soldiers firing near the Palestinians, as Wadi said his brother tried to clear a path for the ambulances. He turned around to see Ibrahim take a gunshot wound. His nephew ran for his car but was shot dead before he reached it.

"It was all over in seconds," Wadi said, his voice trailing off. "I don't even support Hamas, and this is what they've done to me."

See Opinion

Military operation

IDF moves to encircle Gaza City as Biden calls for pause

FT REPORTERS

Israeli troops have entered Gaza City and are attempting to "encircle" it from several directions, Israel's military commander has said, describing it as the next phase of the ground offensive in the besieged enclave.

Herzi Halevi, chief of the general staff, said Israel Defense Forces had "advanced to another significant step" in their ground operation against Hamas. "For the last few days, IDF soldiers have been operating in Gaza City and are encircling it from several directions. We are deepening our incursion."

Satellite images and reports on social media showed Israeli tanks massed near the coast in the north of Gaza, with reinforcements crossing from Israel into the strip from the north-east while additional armoured columns headed towards the sea south of Gaza City.

Israel has intensified its air and ground operations against targets in Gaza despite calls from allies, including US president Joe Biden, for a "pause" in hostilities to help free hostages held by Hamas. US secretary of state Antony Blinken is expected to relay the message to Israeli leaders today, on his latest diplomatic tour of the Middle East.

Israel has hit Gaza City alone with 10,000 munitions since Hamas's bloody rampage through southern Israel on October 7, defence minister Yoav Gallant said on Wednesday.

Palestinian health officials said almost 200 people were killed in air strikes on the Jabalia refugee camp in the north of Gaza on Tuesday and Wednesday.

Israel's bombardment has killed at least 9,025 people in Gaza, according to Palestinian officials. Hamas's attack on Israel killed 1,400 people, according to Israeli officials, with 242 hostages taken back to Gaza. Israeli officials said 18 of its soldiers had been killed in its ground offensive in Gaza.

Tensions remain high at Israel's border with Lebanon. Lebanese-based Hizbollah militants said they had launched two drones laden with explosives into a sliver of disputed territory called Shebaa Farms, at present occupied by Israel. It was the first time the Iran-backed group claimed to have used explosive drones against Israel.

Meanwhile Hamas fighters in Lebanon fired rockets into Israeli communities near the border, hitting a building in the city of Kiryat Shmona. Israel responded with cross-border air strikes.

Biden did not call for a full ceasefire but US officials have said they would support a temporary halt in hostilities to help humanitarian efforts. Biden has repeatedly asked the Israelis to facilitate more aid, saying on Wednesday that the relief efforts "had a long way to go".

Israel has said the humanitarian situation in Gaza is manageable, though the UN and others report widespread shortages of food, clean water and medicine.

"The levels of distress and the unsanitary living conditions were beyond comprehension," said Philippe Lazzarini, commissioner-general of UNRWA, the main Palestinian refugee relief agency, after visiting Gaza. "Everyone was just asking for water and food."

Mehul Srivastava in Tel Aviv, Guy Chazan in Jerusalem, Raya Jalabi in Beirut and James Politi in Washington

West Bank

Threat to halt PA funding splits Israeli cabinet

JAMES SHOTTER — JERUSALEM

Senior members of the Israeli cabinet have clashed over payments Israel makes to the Palestinian Authority, as the war with Hamas exacerbates faultlines in Benjamin Netanyahu's right-wing coalition.

Ultranationalist finance minister Bezalel Smotrich said this week that he had directed officials to halt the transfer of funds to the PA — which exercises limited autonomy in parts of the occupied West Bank — claiming it supported Hamas's devastating attack on Israel last month.

But defence minister Yoav Gallant has insisted that Israel should send the funds as soon as possible, arguing that the PA played a key role in maintaining stability in the West Bank, which Palestinians see as the heart of a future state but which has been under Israeli military occupation since 1967.

"It is appropriate to transfer the funds to the Palestinian Authority immediately so they will be used by its forces and by sectors . . . that are dealing with the prevention of terrorism," said Gallant, a member of Netanyahu's Likud party.

The PA has condemned the killing of civilians but its leadership has stopped short of denouncing Hamas for the October 7 attack.

Under the Oslo Accords — interim peace agreements signed between the Israelis and Palestinians in the 1990s — Israel collects taxes on behalf of the Palestinians and transfers the funds to the PA. According to the PA finance ministry, the transfers in the first nine months of this year have averaged around Shk730mn ($183mn) per month.

> 'The Palestinian Authority is doing everything it can to keep security and stability in the West Bank'

The cabinet spat underscores the divisions in Netanyahu's government, between those who want to bolster the PA and see it as a stabilising force in the West Bank, and religious nationalists such as Smotrich, who regard the PA as an impediment to their ambitions to fully annex the territory.

Gallant's intervention follows pushback against Smotrich's move by the US, Israel's main ally, with Antony Blinken, the secretary of state, saying during a hearing in Washington this week that the PA's lack of financial resources was undermining its position.

"The Palestinian Authority is doing everything it can to keep security and stability in the West Bank," Blinken said. "It is vastly under-resourced. This is another aspect of the problem."

Israel has previously withheld funds for the PA. Days after Netanyahu's government came to power in December, Smotrich signed a decree to withhold payments, saying he had "no interest" in whether the PA continued to exist.

Raja Khalidi, director-general of MAS, a West Bank-based think-tank, said that if threats to cut funding were carried out, they would have a severe impact on both the PA's ability to function and its wider economy.

"If this is not just a theatrical gesture . . . that's going to cause problems for the budget," he said.

Antisemitism

Germany bans radical groups linked to Hamas

SAM JONES — BERLIN

Germany has hardened its ban on Hamas and ordered the dissolution of pro-Palestinian organisations linked to the militant group amid a surge in antisemitic hate crimes in the country.

Berlin had already designated Hamas as a terrorist organisation but a significant network of sympathetic charities, including Samidoun, which claims to campaign for the release of Palestinian political prisoners, was still allowed to function in the country.

"I have today completely banned the activities of a terrorist organisation that aims to destroy the state of Israel," said interior minister Nancy Faeser. "Antisemitism has no place in Germany, no matter who it comes from. We will continue to fight it in all its forms with the full rigour of the rule of law."

Samidoun and an associated organisation known as Hirak will be immediately dissolved, said Faeser. Support for them will be a criminal offence.

She called the organisations "inhumane" and "disgusting" after they publicly praised Hamas and organised celebratory demonstrations in German cities following the October 7 attack.

"This ban is consistent and correct," said Josef Schuster, president of the central council of German Jews. "Samidoun has been behind many antisemitic protests Germany-wide. They have spread their Islamist ideological poison for too long." He said bans on other radical pro-Palestinian organisations were still necessary, however.

While most pro-Palestinian protests in Germany in recent weeks have been peaceful, several have descended into antisemitic violence, prompting a debate about anti-Israeli radicalism.

"The extent of Islamist demonstrations in Berlin and other cities in Germany is unacceptable and needs a tough political response," said Germany's Green vice-chancellor, Robert Habeck, on Wednesday. Muslim organisations in Germany must distance themselves from antisemitism, he said. "Not all [have] and some are too hesitant."

According to German police, more than 1,800 antisemitic incidents classified as criminal have occurred in the past four weeks.

"What we are experiencing now is a watershed," Thomas Haldenwang, Germany's domestic intelligence chief, said in an interview with Der Spiegel magazine last week.

His agency, the Federal Office for the Protection of the Constitution, estimates that 450 Hamas members live in Germany, with a larger, informal network of supporters behind them.

At some protests organised by Hamas-linked groups, sweets were handed out to celebrate the violence against Israelis, Haldenwang said.

"Some Jewish homes [in Germany] were literally marked with a Star of David . . . these are alarm signals that the situation could worsen further. Such hatred of Jews on German streets is unbearable. This is reminiscent of the worst times in German history."

The violence included an attack on one of Berlin's largest synagogues two weeks ago. Molotov cocktails were thrown at the building, said police.

Following the attack, President Frank-Walter Steinmeier said the violence was a "disgrace for Germany" and filled him with "shame and anger".

Japan

Kishida makes bold bet on $113bn stimulus

Premier's plans to revive ratings with tax cuts and handouts come under fire

KANA INAGAKI — TOKYO

Japan's Fumio Kishida is staking his premiership on a $113bn stimulus centred on tax cuts and cash handouts as he seeks to tackle high inflation and his record low approval ratings.

The stimulus gambit follows a reversal of fortunes for the prime minister, who had seized on Russia's invasion of Ukraine to increase defence spending and scored diplomatic wins including a rapprochement with South Korea.

Kishida yesterday announced a stimulus package of about ¥17tn ($113bn), of which ¥13tn will be funded by a supplementary budget for the remainder of the fiscal year until the end of March 2024.

At the heart of the package are measures to address the higher costs of living, including about ¥5tn in temporary cuts to both income and residential taxes and cash handouts to low-earning households.

The package also includes an extension of subsidies to offset rising petrol and electricity prices as well as support for businesses to raise wages and strengthen supply chains.

"By combining wage increases [by companies] and a cut in income tax, I want to create a situation where the growth in public income will exceed the rise in prices by next summer," Kishida said. "By doing so, an exit from deflation will be in sight."

But even before the stimulus was signed off by his cabinet, Kishida's plan came under fire. A poll by Nikkei this week found that 65 per cent of those surveyed disapproved of his plan to cut income tax, with approval for his administration falling to 33 per cent, the lowest since he was appointed prime minister in October 2021.

With the yen sinking to a multi-decade low, import costs rising and real wages falling, surveys have shown that households are more worried about future tax rises to fund a significant boost in defence spending and more generous childcare benefits.

According to the Nomura Research Institute, the temporary tax cuts and handouts are expected to boost Japan's real gross domestic product by just 0.2 per cent on an annual basis. Similar measures in the past have failed to spur meaningful consumption since households tend to save extra cash.

Despite pushing back plans to increase corporate and other taxes, Kishida has suffered from a persistent perception that he will pursue fiscal discipline aggressively.

Members of his own Liberal Democratic party and economists have also criticised the tax cuts, saying measures to fuel an already robust economy are risky at a time when inflation is proving to be stickier than expected.

The stimulus package comes days after the Bank of Japan took a significant step towards ending its seven-year policy of capping long-term interest rates, setting the stage for a gradual unwinding of ultra-loose monetary easing measures.

The tax cuts are expected to take effect in June, which could come after the BoJ has lifted negative interest rates, with some economists forecasting a policy change in April.

See Markets

Bangladesh
Protests close textile plants

Habibur Rahman/Zuma/dpa

Bangladeshi textile workers take to the streets of Dhaka for the sixth consecutive day yesterday to demand better wages. Police used tear gas and stun grenades to disperse more than 1,000 workers.

In the Gazipur industrial district, just outside the capital, thousands more protested amid frustration over high prices, rent and other bills. About 300 factories were forced to close, authorities said.

Bangladesh is the second largest garment producer in the world after China with nearly 3,500 factories and 4mn workers, most of them women. The workers get 8,300 takas, or $75, as a monthly minimum wage and they often need to work overtime to make ends meet, labour unions and workers say. ***AP, Dhaka***

US economy. Inflation outlook

Fed sharpens focus on how long to keep rates high

Powell makes little effort to suggest central bank is considering further tightening

COLBY SMITH — WASHINGTON

Since the Federal Reserve started raising interest rates in its battle against inflation 18 months ago, the US central bank has made one thing clear: all policy options must be kept on the table.

From jumbo interest rate rises — it has implemented several — to the repeated warnings that they could remain elevated for an extended period, chair Jay Powell has refused to rule out anything that will enable the Fed to get a grip on price pressures that have proved far more persistent than most economists and policymakers expected.

He stuck to that line on Wednesday, after its latest decision to hold its benchmark federal funds rate at a 22-year high of 5.25 per cent to 5.5 per cent, for the second gathering in succession. Powell later stressed that further rises would very much remain an option if the economic conditions warranted it.

"The question we're asking, is should we hike more?" he said.

Yet Powell made little effort to suggest the Fed was preparing further tightening. Economists concluded afterwards that at this stage it has probably finished the rate-rising phase of its historic monetary policy campaign. Its focus now is not how high rates should go, but how long they should stay at elevated levels.

"The overall message is that the Fed wants to say 'we are done' and the bar has really risen for further tightening," said Yelena Shulyatyeva, a senior US economist at BNP Paribas.

Underpinning this view was Powell's repeated emphasis that the Fed would continue proceeding "carefully" with future interest rate decisions, given not only how much it has raised rates since March 2022, but also amid signs that monetary tightening is starting to bite.

"We've come very far with this rate-hiking cycle," Powell said. "We're proceeding carefully because we can . . . at this time. Monetary policy is restrictive [and] we see its effects."

Powell drew that conclusion despite a recent spate of surprisingly strong data that showed the staying power of American consumers and businesses' unexpectedly robust demand for workers, proof of the economy's resilience that has prompted concern among economists that the recent fall in inflation could stall or even reverse.

But Powell largely dismissed those fears, emphasising that inflation was coming down even if further progress could "come in lumps and be bumpy". Even the recent acceleration in jobs growth had been driven primarily by increased labour supply, he noted — a welcome, not alarming, development.

> 'The overall message is that the Fed wants to say "we are done" and the bar has really risen for further tightening'

The improved backdrop had left the Fed in a less reactive mood, said analysts. "Last year, because inflation was so far from target, they didn't have the luxury of even letting one strong data print go by. They almost had to respond each time," said Priya Misra, a portfolio manager at JPMorgan Asset Management. "Now, they're able to buy time because inflation is lower."

The sharp tightening of financial conditions over the past two months, following a surge in long-term interest rates, has also bolstered the view that the Fed can take a less hawkish stance on rates. The Federal Open Market Committee's statement said as much, stressing that tighter financial and credit conditions "are likely to weigh on economic activity, hiring, and inflation".

Powell said monetary policy would depend largely on the duration of the market moves, which have seen government bond yields hit multiyear highs.

Torsten Slok, chief economist at Apollo Global Management, said: "Fed hikes and tighter financial conditions will continue to increase delinquency rates for consumers, increase default rates for companies and put downward pressure on loan growth."

His worry is a "sudden stop" in consumer spending and business activity that snowballs into a painful contraction. Misra and Shulyatyeva are also braced for a hard landing next year.

So far, the Fed is not forecasting a recession. But Powell did acknowledge that the risks of doing too little to tackle inflation versus doing too much had become more "two-sided".

Even if the Fed appears to be in a more comfortable place on inflation, economists warn that the coast is not clear. As Powell spoke, equity markets rallied and US government bond yields edged lower, delivering slightly looser financial conditions on the day.

That could prove problematic if the economic data remains strong, warned Richard Clarida, former Fed vice-chair and now at bond manager Pimco.

"They need financial conditions to tighten to help them reduce inflation," he said. "The trade-off is that the more relaxed they seem about relying on financial conditions, the easier they may become."

Getting inflation back to the Fed's 2 per cent target is poised to be far more difficult than the initial retreat from last year's peak in rates, Clarida warned.

Opinion see Letters page

UN report

Developing nations need $387bn a year to fight global warming

ATTRACTA MOONEY — LONDON

Developing countries need up to $387bn a year to adapt to climate change, but flows of international public cash are faltering at the same time as the effects of global warming become more disastrous, the UN has warned.

The amount needed has risen by some $47bn since the last annual assessment by the UN Environment Programme, with the updated report released ahead of the COP28 summit, where the question of funds for countries to cope with global warming is high on the agenda.

The UN found the "adaptation" finance needed to help developing countries prepare and deal with the consequences of climate change was anywhere between 10 and 18 times more than international public finance flows.

The UNEP said a finance "gap" of about $360bn was 50 per cent higher than thought. It estimated that between $215bn to $387bn a year this decade would be required, but public multilateral and bilateral finance flows to developing countries had dropped 15 per cent to $21bn in 2021.

Inger Andersen, executive director of UNEP, said during 2023 the effects of climate change were "yet again more disruptive and deadly", with temperature records, wildfires, floods and storms causing devastation. "These intensifying impacts tell us the world must urgently cut greenhouse gas emissions and increase adaptation efforts to protect vulnerable populations. Neither is happening," she said.

She urged policymakers at the summit this month to "take heed" of the research, "step up finance and make COP28 the moment the world committed fully to insulating low-income countries and disadvantaged groups from damaging climate impacts".

At COP28 the richer nations will be again under pressure to deliver on previous funding pledges to help developing countries, as well as to live up to a commitment made at COP26 in Glasgow, when countries said they would deliver about $40bn a year in adaptation finance support by 2025.

Countries are locked in tough talks on how to set up a so-called loss and damage fund to help countries deal with the worst impacts of warming. "Adaptation is not receiving a fair share of climate finance," Sultan al-Jaber, president-designate of COP28, told nations this week.

Earlier this week Ralph Regenvanu, minister for climate change adaptation in Vanuatu, said adaptation and resilience initiatives were "literally saving lives" in the low-lying pacific island. But poorer small islands were struggling to access the funding they needed to support their adaptation plans, he added.

The UN report said investments in adaptation, covering a variety of activities from helping countries maintain food production during droughts to shoring up coastal defences against rising seas, saved money in the long term.

The 55 most climate-vulnerable economies alone have seen losses and damages of more than $500bn in the past two decades, a figure the UN said would increase as climate change worsened. It highlighted ways to raise funds for adaptation, including reforming global financial architecture to overhaul multilateral development banks.

Migrant crackdown

Afghan refugees forced out by Pakistan

FARHAN BOKHARI — ISLAMABAD

Tens of thousands of Afghans have been driven out of Pakistan back to their Taliban-run country as Islamabad cracks down on up to 1.7mn undocumented migrants.

The government last month ordered all foreigners without visas or refugee registrations to leave before November 1, and threatened to pursue them after that in a drive it said was prompted by security concerns.

Security forces on Wednesday began rounding up Afghans who lacked documentation, detaining them in temporary "holding centres" before forcing them to leave. At least 170,000 had returned to Afghanistan by last night, a Pakistani official said.

Aid groups warned that the Afghans were returning to dire conditions. Neil Turner, country director for the Norwegian Refugee Council in Afghanistan, said: "The recent surge of Afghans returning from Pakistan has overwhelmed our resources and the fragile infrastructure in Afghanistan."

About 1.7mn Afghans live in Pakistan without visas or registrations, according to aid groups, including at least 600,000 who fled after the Taliban returned to power in 2021. Some were awaiting transfers to the US under a refugee programme for those fearing persecution after working for overseas governments or non-governmental groups.

The border between the two countries was previously a porous one, enabling people to pass between Afghanistan and Pakistan without documentation. Pakistan hosts 1.3mn registered Afghans, according to the UN refugee agency.

> 'The repatriation of refugees and the manner in which it is happening is very difficult to justify'

Pakistani officials said the crackdown on migrants was spurred by an increase in suicide bombings and other attacks as Afghanistan-based militants sought to destabilise the country.

Sarfaraz Bugti, Pakistan's caretaker interior minister, said that attacks in the country last month, before the deportation drive was announced, involved "Afghans from Afghanistan . . . We have to take steps for our security," he said.

Aid agencies said that the returnees faced "chaotic and desperate scenes".

"The conditions in which they arrive in Afghanistan are dire, with many having endured arduous journeys spanning several days, exposed to the elements, and often forced to part with their possessions in exchange for transportation," the Norwegian Refugee Council, Danish Refugee Council and International Rescue Committee said in a joint statement.

They urged international donors to increase funding "to address their needs and avoid a new crisis", and neighbouring countries to provide refuge to Afghans until conditions were safe in their home country.

Munizae Jahangir, a Pakistani television host and human rights campaigner, said the mass expulsion contravened international conventions ratified by Pakistan. "The repatriation of refugees and the manner in which it is happening is very difficult to justify," she added.

South America

Venezuela opposition leader vows to defy ban

JOE DANIELS — BOGOTÁ

Venezuela's opposition leader has vowed to stand in next year's presidential election despite a ban from holding office amid President Nicolás Maduro efforts to discredit her landslide primary victory.

"The people have given me a mandate and they know the obstacles that we overcame to win the primary, just as we will overcome the obstacles ahead," said María Corina Machado.

"I am going to be a presidential candidate, I am going to register, and we are going to defeat Maduro."

The ban poses a challenge for Joe Biden, who relaxed Trump-era sanctions on oil, mining and finance in response to an agreement between the Venezuelan government and the opposition on holding elections next year.

Machado won the primary last month with a 93 per cent share of 2.4mn votes, even though the process was organised and financed without state backing after the government reshuffled the national electoral council.

Venezuela's top court, which is stacked with government appointees, this week suspended the results, while several organisers have appeared before prosecutors as part of a criminal probe into how the vote was conducted.

Opposition leaders and analysts dismissed the ruling and investigation as political moves to discredit Machado. In June the authorities said that Machado was banned from holding office until 2030 because she supported US-led sanctions on the oil-producing country.

"They're making mistakes, and they're backfiring," Machado said, in reference to the ban and the suspension of the primary results. "They're lost and seeking to demoralise our base."

María Corina Machado: 'I am going to be a presidential candidate'

Recent polling by Poder y Estrategia, a consultancy, found Machado more popular than Maduro with all voting groups, including the country's poorest, traditionally the government's base.

"The Maduro government is very worried about Machado's candidacy because she's been able to mobilise rural and urban voters, and threatens their continued hold on power," said Ryan Berg, director of the Americas programme at the Center for Strategic and International Studies, a US think-tank. "There's no way that they would ever let her win or even run."

Machado, who once called for Maduro to stand trial in The Hague and accused him of crimes against humanity, said there must be "incentives" for him and his inner circle to step down.

"There is no scenario that Maduro wins in a free election," she said. "Either the regime meddles and disregards it, or understands that for its own good Venezuela should move towards an orderly transition [to democracy]."

RAISE FUNDS.
SAVE LIVES.

SIGN UP OR DONATE
MOVEMBER.COM

Financials

Greensill insurer fixes on rivals

IAG says Tokio Marine and Marsh must share in any potential liability

IAN SMITH AND OWEN WALKER
LONDON
NIC FILDES — SYDNEY

Insurance Australia Group, one of the main insurers to Greensill Capital, has said that rival Tokio Marine and broker Marsh McLennan should share in any liability if investors in the failed lender win a legal battle to recover their losses.

IAG and Tokio Marine are among those being pursued by Greensill creditors, including Credit Suisse, in Australia's federal court in a test case that will decide whether insurance policies that the collapsed supply chain finance company had should pay out.

Greensill, founded by Lex Greensill, an Australian financier, and advised by David Cameron, former UK prime minister, imploded in 2021 after it failed to extend the terms of its insurance.

Before its collapse, Greensill would lend money to clients and take invoices from their suppliers or customers as collateral. The loans, which were insured, were then bundled into securities and sold to investors.

IAG was one of the main insurers behind $10bn of cover arranged for Greensill through Bond & Credit Co, an underwriting agency in which the Australian insurer owned a 50 per cent stake before selling it to Tokio Marine in 2019. It has denied the validity of the claims, saying key policies were sold without its approval.

But in its latest court filing in Sydney this week, responding to one claim from the administrators for Greensill Bank, IAG named Tokio Marine and Marsh among "concurrent wrongdoers" that should share in any liability if it did arise from the case.

In the filing, IAG alleged that from the middle of 2019, Tokio Marine failed to ensure that BCC, its underwriting unit, and Greg Brereton, lead underwriter for Greensill, kept within the scope of what they were authorised to insure for Greensill.

> The case in Australia's federal court will decide whether policies the failed lender had should pay out

It also said that Tokio Marine had failed to ensure that BCC provided "complete and accurate information" to IAG on policies provided to Greensill.

In the filing, IAG also claimed that Marsh, the biggest insurance broker and the company that placed Greensill's cover with insurers, "ought reasonably to have known" that the wording of a key 2019 policy had not been agreed with IAG.

Marsh allegedly failed to get "proper confirmation of verification" of BCC or Brereton's authority to enter into policies on IAG's behalf "in circumstances where the combined limits of the identified policies were in excess of any other insurers underwriting trade credit insurance in the Australian market".

Tokio Marine, which has previously declared that the Greensill policies were "obtained fraudulently" and therefore void, declined to comment. Marsh declined to comment. IAG did not respond to requests for comment.

The demise of Greensill sparked a financial and political scandal in the UK.

The legal fallout is expected to take years to resolve, with discovery in the Australian proceedings set to stretch into at least next year. A legal battle involving Credit Suisse and SoftBank looks set to drag on until at least 2025.

Shell pledge
Major plans $3.5bn share buybacks

Shell posted quarterly adjusted earnings of $6.2bn, down about a third from the $9.5bn reported last year but beating the $4.1bn in the same period of 2021
Jasper Juinen/Bloomberg

Shell chief executive Wael Sawan has said he will keep returning cash to shareholders rather than pursue "mega acquisitions" to match US rivals as the British energy major boosted share buybacks following robust third-quarter results.

Multibillion-dollar acquisitions of large oil producers by ExxonMobil and Chevron in October have sparked projections by analysts and dealmakers of more transactions as rival producers seek to gain scale.

"We are not trying to imitate others," Sawan said, adding that big acquisitions were not a priority. "We continue to believe that we are undervalued as a company, so incremental dollars will more likely be channelled to share buybacks rather than to mega acquisitions."

Shell reported quarterly adjusted earnings of $6.2bn yesterday and announced another $3.5bn in share buybacks for the next three months, up from $3bn in the previous period.

The company, like most of its rivals, has used bumper profits from the past 18 months to embark on a huge share repurchasing scheme. The latest round of share buybacks lifts total announced shareholder distributions for 2023 to approximately $23bn.

Last year, it distributed $26bn to shareholders, including $18bn in share buybacks, representing almost 10 per cent of its market value.

The earnings, in line with market estimates, were down about a third from the $9.5bn reported last year at the height of the energy crisis but beat the $4.1bn in the same period of 2021.

Shell's shares closed up 4.2 per cent in London.

Since taking over as chief executive in January, Sawan has sought to improve financial performance by simplifying Shell's approach to the energy transition. That process has involved streamlining the senior management team, re-emphasising the oil and gas business and trimming less profitable parts of the company's low-carbon portfolio.

"We are going to be a multi-energy vector company, ensuring that we deliver more value with less emissions from our portfolio, while also enabling our customers to reduce their emissions," Sawan said.

Most of Shell's low-carbon activities in the third quarter were lossmaking. But it avoided the writedowns taken on offshore wind projects in the past week by rivals BP and Equinor and specialist Ørsted.

The offshore wind industry, which has been championed by governments as part of the answer to global warming, has been hit by supply chain disruptions, rising costs and higher interest rates.

The biggest contributor to group profits was, once again, Shell's integrated gas division, which reported earnings of $2.5bn despite a 9 per cent drop in production volumes from the previous quarter.

Higher oil production and higher oil prices helped lift profits in Shell's upstream division to $2.2bn, from $1.7bn in the second quarter.

Tom Wilson

Technology. Productivity advance

Microsoft pioneers use of generative AI in software

Release of Copilot assistant tests buyers' willingness to pay high monthly price tag

RICHARD WATERS — SAN FRANCISCO

For most of its 48 years Microsoft has been known as the tech industry's most effective fast-follower — a company that perfected inventions made elsewhere, rather than coming up with its own.

But this week has brought something different, according to Barry Briggs, a former chief technology officer at the US company: Microsoft has become the first in the industry to make the technology behind ChatGPT available as a standard feature in a widely used software product, potentially transforming the working lives of millions.

After nearly a year of soaring hopes for generative AI, the software industry will be watching the outcome for signs of whether the technology is ready to move from hype to business reality.

Microsoft's move will also be the first test of companies' willingness to pay a high price for a technology that draws heavily on expensive computing resources such as the advanced chips needed to train AI models, and that makes it costly to deliver.

This week, Microsoft declared "general availability" of a generative AI assistant, called Copilot, in enterprise versions of its widely used Microsoft 365 suite of productivity apps, which includes Word, PowerPoint and Excel.

The move potentially puts AI tools at the fingertips of an estimated 150mn workers, according to analysts, helping them generate documents and emails or create spreadsheets more easily. The software is designed to make it simple to draw on all the data a company holds in its Microsoft applications. Eventually, connections to other data stores are meant to make Copilot a "smart" front end for working with all of a company's most valuable data.

To judge from the price tag, Microsoft expects the technology to mark a profound advance in everyday software applications. The Copilot feature has been priced at $30 a month per user and is available as an upgrade to customers who pay for the E3 or E5 editions of its productivity apps. These cost $36 and $57 a month, respectively — meaning that the upgrade will add as much as 83 per cent to the monthly software bill.

"At that price point customers are going to be reluctant to adopt it enterprise-wide straight away," said Derrick Wood, an analyst at TD Cowen. Instead, he added, they were likely to test it carefully before rolling it out.

Despite this, the number of workers who use its software and its early lead in generative AI have put Microsoft in pole position as the fast-evolving technology makes it into everyday use.

At a recent Gartner event attended by 9,000 corporate chief information officers and others, Microsoft's AI dominated much of the conversation, said Jason Wong, an analyst at the IT research firm. One early sign of that came last week with an unexpected pick-up in growth at Microsoft's Azure cloud platform, which the company attributed to AI.

"Microsoft has done well to generate mind share," said Wong. "But it is not market share yet." Other software companies "will be watching very closely" to see if it can turn the promise into real revenue gains, he added.

Unlike a normal product launch, there is much about generative AI in mass-market software that looks experimental. It is not yet clear what types of work will benefit most from the technology or how easily workers will take to the new tools, analysts say.

There were also "risks of errors and misinterpretations and misuse", said JP Gownder, an analyst at Forrester Research. A lazy worker, for instance, might send an AI-generated email without checking it for accuracy, or rely on an automated recap of a meeting without checking with someone who was there to pick up nuances that AI failed to grasp. If AI made it easier to produce more emails, it might add to the communications overload felt by many workers.

Microsoft executives admit there are many things they do not know about how workers will use the technology or what unexpected side effects it might have.

"Certainly we're in the early innings and we're just learning," said Jared Spataro, the Microsoft corporate vice-president in charge of bringing new features to its business applications. "I'm sure there are things we're not thinking about right now."

But he predicted that positive surprises would outweigh the negative ones as the versatility of generative AI brought new and unexpected uses.

Spataro added that Microsoft had already collected enough data from its trials to show the new Copilot delivered big productivity gains. It plans to disclose the findings at its annual Ignite conference on November 14.

> 'Right now, there aren't a lot of facts. Companies are either investing on faith, or fear: fear they'll fall behind'

But until customers see the results and get a chance to validate them with their own tests, such claims have to be taken on trust. "Right now, there aren't a lot of facts," said Wong. "Companies are either investing on faith, or fear: fear they'll fall behind."

The $30 a month figure was set after researching what customers would be prepared to pay for the sort of assistance the AI can deliver, said Spataro. Microsoft also looked at the "cost-per-head math" — how much $30 a month represented in terms of the overall cost of hiring a knowledge worker, and what kind of productivity gains would be needed to justify the extra software cost.

Gownder calculated that the extra spending would be justified even with "pretty modest assumptions", for instance assuming the software saved a high-priced worker as little as two hours a month.

Despite making big claims for the AI, Microsoft executives have sought to lower expectations about its revenue impact in the short term, and Wall Street forecasts are tempered.

Even a successful rollout of the technology might add only 1 per cent to Microsoft's revenue growth in its 2025 fiscal year, which starts next July, calculated TD Cowen analyst Wood. That was the equivalent to about $2-2.5bn, he added.

Competition with other software companies could also limit the potential. The APIs offered by OpenAI and other makers of large language models, which make it easy for programs to tap into their services, have opened the way for generative AI to become a standard feature of many software applications.

Industrials

Technip Energies chief defends Russia exit

SARAH WHITE — PARIS
IAN JOHNSTON — LONDON

French engineering group Technip Energies has launched a staunch defence of the way it exited a big liquefied natural gas project in Russia last year, rejecting media claims it had potentially breached European sanctions.

Arnaud Pieton, Technip's chief executive, said yesterday the group was not under "any form of investigation" after Le Monde paper raised questions over some of its deliveries to the Russian Arctic LNG 2 project, causing the shares to fall 13 per cent on October 19, shaving €550mn off its market value.

"We are very confident we have at all times fully complied with sanctions," Pieton said after the group published better than expected third-quarter revenues. He said the company had "at all times worked with the relevant authorities" and had been obliged to carry out activities not covered by sanctions while it was trying to exit Russia, referring to some of the deliveries it honoured.

Technip shares rose 6.8 per cent to €21.94 by yesterday's close after the comments but were still trading slightly below the nearly €23 a share they were at before the probe was published.

The case has highlighted some of the pitfalls still faced by companies trying to exit Russia following the invasion of Ukraine last year, particularly in an oil and gas sector that has been hit by US and European sanctions but which is still allowed to export Russian liquefied natural gas to Europe.

Technip reported revenue of €4.4bn in the first nine months of 2023, down from €4.8bn a year earlier largely as it discontinued all of its Russian activities. Net profit was €207mn, down from €222.9mn for the same period last year.

"Despite a strong set of results . . . The damage is still done on the share price and market cap," said Victoria McCulloch, an analyst at RBC Capital Markets.

In May 2022, EU sanctions came into force banning the export to Russia of materials or technologies used in LNG projects. Backed by independent Russia gas group Novatek, the Arctic LNG 2 project in western Siberia was a major $7.6bn contract for Technip to provide engineering and construction services.

The French group said it rushed to demobilise its workers to comply with EU sanctions and completed an "orderly exit" in the second quarter of 2023. In its report, Le Monde questioned the delivery of two modules or parts for the project in July 2022.

Technip has previously stated that the modules were not covered by specific sanctions and had been assembled before the curbs kicked in.

Pharmaceuticals

Moderna hit by loss and ailing vaccine sales

HANNAH KUCHLER

Moderna slumped to a far bigger quarterly loss than expected and delivered a disappointing sales forecast, sending shares in the Covid-19 vaccine maker down as much as 18 per cent.

The Boston-based biotech group, which was one of the pharmaceutical industry's biggest winners from the coronavirus pandemic, reported a third-quarter loss of $3.6bn, or $9.53 a share, far worse than the $1.79 a share analysts expected.

Just over $3bn of the loss stemmed from charges related to deferred tax allowances and the scaling back of the company's vaccine manufacturing. But Moderna said that waning demand for Covid vaccines in the US meant its full-year sales would be at least $6bn, the lower end of its previous guidance and below analysts' forecast for $6.6bn.

Moderna shares, which have fallen more than 50 per cent this year, plunged as much as 18 per cent at the start of trading in New York before recovering, to trade down 9 per cent during afternoon trading.

In 2024, Moderna expects sales of $4bn, mostly in the second half of the year, when it hopes to launch a vaccine against respiratory syncytial virus, competing against GSK and Pfizer. Moderna predicted it would return to growth in 2025 and would break even in 2026.

Demand for vaccines to help protect against Covid-19 has fallen in the US

Analysts at William Blair had forecast revenues of $5.1bn for 2024. "While we see the higher-than-expected market share favourably, the significant bottom-line miss of minus $9.53 per share and the low 2024 revenue guidance gives us pause," they noted.

Moderna took market share from Pfizer in the US Covid market, from 36 per cent in the autumn vaccination season of 2022 to 45 per cent this year.

This helped Moderna beat sales expectations in the third quarter. It reported sales of $1.8bn, higher than the consensus forecast of $1.3bn, but a 44 per cent drop from the same quarter the year before.

Pfizer slashed its forecast for its Covid vaccine earlier this month by about $2bn and announced inventory charges and other write-offs of $900mn.

MANAGED FUNDS SERVICE

LGT Wealth Management (CI) Limited (JER)
Sir Walter Raleigh House, 48 - 50 Esplanade, St Helier, Jersey, JE2 3QB
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Volare Offshore Strategy Fund Limited				
Bridge Fund	£ 2.1101	-	0.0272	2.43
Global Equity Fund	£ 3.2844	-	0.0307	1.55
Global Fixed Interest Fund	£ 0.7112	-	0.0041	6.65
Income Fund	£ 0.6072	-	0.0086	3.44
Sterling Fixed Interest Fund	£ 0.6559	-	0.0064	4.92
UK Equity Fund	£ 1.8036	-	0.0349	3.50

Algebris Investments (IRL)

Fund	Bid	Offer	D+/-	Yield
Regulated				
Algebris Financial Credit I EUR	€ 177.25	-	0.48	0.00
Algebris Financial Credit R EUR	€ 151.53	-	0.41	0.00
Algebris Financial Credit Rd EUR	€ 87.05	-	0.24	6.40
Algebris Financial Income I EUR	€ 183.06	-	-0.52	0.00
Algebris Financial Income R EUR	€ 165.22	-	-0.47	0.00
Algebris Financial Income Rd EUR	€ 96.19	-	-0.27	5.24
Algebris Financial Equity B EUR	€ 172.08	-	-0.31	0.00
Algebris Financial Equity R EUR	€ 143.41	-	-0.26	0.00
Algebris IG Financial Credit I EUR	€ 97.94	-	0.21	0.00
Algebris IG Financial Credit R EUR	€ 95.99	-	0.20	0.00
Algebris Global Credit Opportunities I EUR	€ 130.53	-	0.64	0.00
Algebris Global Credit Opportunities R EUR	€ 126.97	-	0.66	0.00
Algebris Global Credit Opportunities Rd EUR	€ 107.20	-	0.58	4.11
Algebris Core Italy I EUR	€ 134.79	-	0.68	0.00
Algebris Core Italy R EUR	€ 127.08	-	0.64	0.00
Algebris Sust. World B	€ 101.09	-	0.88	0.00
Algebris Sust. World R	€ 99.74	-	0.87	0.00

The Antares European Fund Limited

Fund	Bid	Offer	D+/-	Yield
Other International				
AEF Ltd Usd	$ 536.93	-	1.42	0.00
AEF Ltd Eur	€ 488.31	-	1.02	0.00

Artemis Fund Managers Ltd (1200)F (UK)
57 St. James's Street, London SW1A 1LD 0800 092 2051
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Artemis Corporate Bond I Acc	98.66	-	1.00	4.73
Artemis Positive Future Fund	57.37	-	0.66	0.00
Artemis Target Return Bond I Acc	109.76	-	0.61	4.33

Ashmore Group
61 Aldwych, London WC2B 4AE. Dealing team: +352 27 62 22 233
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Emerging Markets Equity Fund	$ 113.40	-	-1.24	0.00
Emerging Markets Equity ESG Fund	$ 128.50	-	-1.72	0.00
Emerging Markets Frontier Equity Fund	$ 172.39	-	0.10	1.05
Emerging Markets Blended Debt Fund	$ 52.27	-	-0.31	5.05
Emerging Markets Blended Debt ESG Fund	$ 87.21	-	-0.99	0.00
Emerging Markets Active Equity Fund	$ 111.86	-	-1.19	0.00
Emerging Markets Corporate Debt Fund	$ 57.13	-	-0.12	6.57
Emerging Markets Debt Fund	$ 56.35	-	-0.16	5.66
Emerging Markets Local Currency Bond Fund	$ 60.55	-	0.01	5.07

Atlantas Sicav (LUX)

Fund	Bid	Offer	D+/-	Yield
Regulated				
American Dynamic	$ 621.47	-	-119.77	-
American One	$ 691.97	-	-133.94	-
Bond Global	€ 152.877	-	9.05	0.00
Eurocroissance	€ 121.089	-	-4.43	0.00
Far East	$ 914.41	-	4.12	0.00

Blue Whale Investment Funds ICAV (IRE)
www.bluewhale.co.uk, info@bluewhale.co.uk
FCA Recognised - Ireland UCITS

Fund	Bid	Offer	D+/-	Yield
Blue Whale Growth USD T	$ 9.82	-	0.26	-

Brooks Macdonald International Fund Managers Limited (JER)
Third Floor, No 1 Grenville Street, St Helier, Jersey, JE2 4UF
+44 (0) 1534 700 104 (Int.) +44 (0) 800 735 8000 (UK)

Fund	Bid	Offer	D+/-	Yield
Brooks Macdonald International Investment Funds Limited				
Euro High Income	€ 1.2070	-	0.0060	2.50
High Income	£ 0.6309	-	0.0048	3.77
Sterling Bond	£ 1.2206	-	0.0095	2.06
Brooks Macdonald International Multi Strategy Fund Limited				
Balanced Strategy A	£ 0.9005	-	0.0034	0.02
Balanced Strategy	£ 0.9000	-	0.0033	1.06
Cautious Balanced Strategy A	£ 0.8749	-	0.0042	-
Growth Strategy A	£ 0.9075	-	0.0036	-
High Growth Strategy A	£ 0.9067	-	0.0039	0.77
Cautious Balanced Strategy	£ 1.2241	-	0.0058	0.00
Growth Strategy	£ 1.8998	-	0.0075	0.00
High Growth Strategy	£ 2.6600	-	0.0115	0.00
US$ Growth Strategy	$ 1.6906	-	0.0115	0.00

Dealing Daily. Initial Charge Nil for A classes and up to 2% for other classes

Brown Advisory Funds plc (IRL)
http://www.brownadvisory.com Tel: 020 3301 8130
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Global Leaders Fund USD C	$ 21.21	-	0.09	0.00
Global Leaders Sustainable Fund USD C	$ 12.75	-	0.05	-
Global Sustainable Total Return Bond GBP B	£ 9.07	-	-0.21	0.91
Global Sustainable Total Return Bond USD B	$ 9.62	-	0.05	0.00
US Equity Growth Fund USD B	$ 48.68	-	0.08	0.00
US Flexible Equity Fund USD B	$ 25.52	-	0.27	0.00
US Mid-Cap Growth Fund USD C	$ 16.37	-	-0.08	0.00
US Small Cap Blend Fund USD B	$ 20.56	-	0.14	-
US Smaller Companies Fund USD B	$ 31.82	-	0.02	0.00
US Sustainable Growth Fund USD C	$ 25.32	-	0.22	0.00
US Sustainable Value Fund USD C Acc	$ 10.46	-	0.15	-

CG Asset Management Limited (IRL)
25 Moorgate, London, EC2R 6AY
Dealing: Tel. +353 1434 5098 Fax. +353 1542 2859
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
CG Portfolio Fund Plc				
Absolute Return Cls M Inc	£ 129.12	129.70	-2.40	-
Capital Gearing Portfolio GBP P	£ 35439.83	35635.23	-510.93	-
Capital Gearing Portfolio GBP V	£ 172.34	173.29	-2.51	-
Dollar Fund Cls D Inc	£ 157.07	157.55	-0.98	1.30
Dollar Hedged GBP Inc	£ 87.50	87.76	-0.64	1.29
Real Return Cls A Inc	£ 186.80	187.36	-2.70	1.80

Chartered Asset Management Pte Ltd

Fund	Bid	Offer	D+/-	Yield
Other International Funds				
CAM-GTF VCC	$ 298720.30	298720.30	-5076.36	-
CAM GTi VCC	$ 780.49	-	-32.39	-
RAIC VCC	$ 1.64	1.64	0.03	2.06

Dodge & Cox Worldwide Funds (IRL)
48-49 Pall Mall, London SW1Y 5JG.
www.dodgeandcox.worldwide.com 020 3713 7664
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Dodge & Cox Worldwide Funds plc - Global Bond Fund				
EUR Accumulating Class	€ 16.11	-	0.15	0.00
EUR Accumulating Class (H)	€ 10.36	-	0.08	0.00
EUR Distributing Class	€ 11.26	-	0.11	2.45
EUR Distributing Class (H)	€ 7.18	-	0.06	2.54
GBP Distributing Class	£ 12.05	-	0.11	2.18
GBP Distributing Class (H)	£ 7.79	-	0.07	2.51
USD Accumulating Class	$ 12.28	-	0.10	0.00
Dodge & Cox Worldwide Funds plc-Global Stock Fund				
USD Accumulating Share Class	$ 29.91	-	0.24	-
GBP Accumulating Share Class	£ 40.49	-	0.34	0.00
GBP Distributing Share class	£ 26.94	-	0.23	-
EUR Accumulating Share Class	€ 42.49	-	0.38	-
GBP Distributing Class (H)	£ 13.62	-	0.11	0.26
Dodge & Cox Worldwide Funds plc-U.S. Stock Fund				
USD Accumulating Share Class	$ 38.30	-	0.23	-
GBP Accumulating Share Class	£ 49.04	-	0.32	0.00
GBP Distributing Share Class	£ 29.18	-	0.19	0.86
EUR Accumulating Share Class	€ 46.98	-	0.33	0.00
GBP Distributing Class (H)	£ 14.99	-	0.09	0.17

Dragon Capital
www.dragoncapital.com
Fund information:info@dragoncapital.com

Fund	Bid	Offer	D+/-	Yield
Other International Funds				
Vietnam Equity (UCITS) Fund A USD	$ 26.24	-	0.92	0.00

EdenTree Investment Management Ltd (UK)
PO Box 3733, Swindon, SN4 4BG, 0800 358 3010
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
EdenTree Short Dated Bond Cls B	93.23	-	0.25	2.49

Euronova Asset Management UK LLP (CYM)

Fund	Bid	Offer	D+/-	Yield
Regulated				
Smaller Cos Cls One Shares	€ 49.28	-	-0.62	0.00
Smaller Cos Cls Two Shares	€ 31.32	-	-0.39	0.00
Smaller Cos Cls Three Shares	€ 15.63	-	-0.20	0.00
Smaller Cos Cls Four Shares	€ 20.60	-	-0.26	0.00

FIL Investment Services (UK) Limited (1200)F (UK)
Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, KT20 6RP
Callfree: Private Clients 0800 414161
Broker Dealings: 0800 414 181
OEIC Funds

Fund	Bid	Offer	D+/-	Yield
Index Sterling Corporate Bond Fund P-ACC-GBP	£ 0.83	-	0.01	2.99
Sustainable Multi Asset Balanced Fund W-ACC-GBP	£ 0.93	-	0.02	1.61
Emerging Mkts NAV	£ 7.21	-	-0.16	2.08
American Fund W-ACC-GBP	£ 58.32	-	0.75	0.00
Cash Fund W-ACC-GBP	£ 1.07	-	0.00	1.77
Sustainable Emerg Mkts Equity Fund A-ACC Shares	£ 1.52	-	0.01	-
Sustainable Global Equity Fund W-ACC-GBP	£ 32.17	-	0.54	0.44
Japan Fund W-ACC-GBP	£ 6.16	-	0.08	1.41
Japan Smaller Companies Fund W-ACC-GBP	£ 3.48	-	0.09	0.67
Select 50 Balanced Fund PI-ACC-GBP	£ 1.13	-	0.01	-
Special Situations Fund W-ACC-GBP	£ 41.88	-	0.79	3.45
Short Dated Corporate Bond Fund W-ACC-GBP	£ 10.88	-	0.04	3.69
Sustainable Water & Waste W-ACC-GBP	£ 1.09	-	0.02	0.57
Sustainable Water & Waste W-INC-GBP	£ 1.07	-	0.01	-
UK Select Fund W-ACC-GBP	£ 3.64	-	0.08	2.60
Global Enhanced Income W-ACC-GBP	£ 2.40	-	0.04	4.37
Index UK Gilt Fund P-ACC-GBP	£ 0.71	-	0.01	2.11
Sustainable Multi Asset Conservative Fund W-ACC-GBP	£ 0.88	-	0.01	1.73
Sustainable Multi Asset Growth Fund W-ACC-GBP	£ 0.95	-	0.01	1.46

Findlay Park Funds Plc (IRL)
30 Herbert Street, Dublin 2, Ireland Tel: 020 7968 4900
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
American EUR Unhedged Class	€ 164.51	-	1.56	0.00
American Fund USD Class	$ 173.40	-	1.12	0.00
American Fund GBP Hedged	£ 84.42	-	0.54	0.00
American Fund GBP Unhedged	£ 143.00	-	1.04	0.00

Foord Asset Management
Website: www.foord.com - Email: info@foord.com
FCA Recognised - Luxembourg UCITS

Fund	Bid	Offer	D+/-	Yield
Foord International Fund | R	$ 45.41	-	-0.46	0.00
Foord Global Equity Fund (Lux) | R	$ 15.34	-	-0.04	0.00
Regulated				
Foord Global Equity Fund (Sing) | B	$ 18.36	-	-0.04	0.00
Foord International Trust (Gsy)	$ 44.13	-	-0.14	0.00

GAM
funds@gam.com, www.funds.gam.com
Regulated

Fund	Bid	Offer	D+/-	Yield
LAPIS GBL F OWD 50 DIV.YLD-Na-D	£ 96.05	-	0.44	1.30
LAPIS GBL MED DEV 25.YLD-Na-D	£ 81.28	-	1.28	-
LAPIS GBL TOP 50 DIV.YLD-Na-D	£ 114.33	-	0.64	3.02

Guinness Global Investors

Fund	Bid	Offer	D+/-	Yield
Guinness Global Equity Income Y GBP Dist	£ 18.77	-	0.12	2.18
Guinness Global Innovators Y GBP Acc	£ 28.82	-	0.34	0.00
Guinness Sustainable Global Equity Y GBP Acc	£ 10.34	-	0.06	0.00

HPB Assurance Ltd
Anglo Intl House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490
International Insurances

Fund	Bid	Offer	D+/-	Yield
Holiday Property Bond Ser 1	£ 0.50	-	0.01	0.00
Holiday Property Bond Ser 2	£ 0.63	-	0.00	0.00

Janus Henderson Investors (UK)
PO Box 9023, Chelmsford, CM99 2WB Enquiries: 0800 832 832
www.janushenderson.com
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Janus Henderson Instl UK Index Opportunities A Acc	£ 1.13	-	0.03	3.18

M & G Securities (1200)F (UK)
PO Box 9038, Chelmsford, CM99 2XF
www.mandg.co.uk/charities Enq./Dealing: 0800 917 4472
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
M&G Charibond Charities Fixed Interest Fund (Charibond) Inc	£ 1.06	-	0.01	-
M&G Charibond Charities Fixed Interest Fund (Charibond) Acc	£ 39.10	-	0.31	2.84
M&G Charity Multi Asset Fund Inc	£ 0.84	-	0.00	4.28
M&G Charity Multi Asset Fund Acc	£ 104.24	-	1.54	4.08

MMIP Investment Management Limited (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
Multi-Manager Investment Programmes PCC Limited				
UK Equity Fd Cl A Series 01	£ 3080.40	3080.41	-231.75	-
Diversified Absolute Rtn Fd USD Cl AF2	$ 1688.02	-	45.93	-
Diversified Absolute Return Stlg Cell AF2	£ 1579.00	-	-1.96	-
Global Equity Fund A Lead Series	£ 1747.16	1747.16	-5.31	-

Marwyn Asset Management Limited (CYM)

Fund	Bid	Offer	D+/-	Yield
Regulated				
Marwyn Value Investors	£ 329.72	-	-6.14	0.00

Milltrust International Managed Investments ICAV (IRL)
mimi@milltrust.com, +44(0)20 8123 8316 www.milltrust.com
Regulated

Fund	Bid	Offer	D+/-	Yield
British Innovation Fund	£ 121.92	-	2.89	0.00
MAI - Buy & Lease (Australia)	A$ 103.45	-	0.50	0.00
MAI - Buy & Lease (New Zealand)NZ$	91.20	-	-6.06	0.00
Milltrust Global Emerging Markets Fund - Class A	$ 84.84	-	-0.45	0.00

Milltrust International Managed Investments SPC
em@milltrust.com, +44(0)20 8123 8316, www.milltrust.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Milltrust Alaska Brazil Fund SP A	$ 91.10	-	0.40	0.00
Milltrust Laurium Africa Fund SP A	$ 90.23	-	0.74	0.00
Milltrust Marcellus India Fund SP	$ 130.54	-	1.47	0.00
Milltrust Singular ASEAN Fund SP Founders	$ 118.36	-	-0.84	0.00
Milltrust SPARK Korea Equity Fund SP A	$ 104.37	-	-2.99	0.00
Milltrust Xingtai China Fund SP A	$ 86.54	-	-0.91	0.00
The Climate Impact Asia Fund SP A	$ 67.72	-	0.38	0.00
The Climate Impact Asia Fund (Class B)	$ 66.88	-	0.37	0.00

Mirabaud Asset Management (LUX)
www.mirabaud.com, marketing@mirabaud-am.com
Please find more details on our website: www.mirabaud-am.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Mir. - Glb Strat. Bd I USD	$ 113.57	-	0.06	0.00
Mir. - DiscEur D Cap GBP	£ 145.74	-	0.70	0.00
Mir. - UKEq HA Cap I GBP	£ 124.04	-	0.73	0.00

Oasis Crescent Global Investment Funds (UK) ICVC (UK)
Regulated

Fund	Bid	Offer	D+/-	Yield
Oasis Crescent Global Equity Fund USD A (Dist)	$ 33.55	-	0.19	-
Oasis Crescent Global Income Fund USD A (Dist)	$ 9.76	-	0.00	3.73
Oasis Crescent Global Low Equity Fund USD D (Dist)	$ 11.79	-	0.04	1.36
Oasis Crescent Global Medium Equity Fund USD A (Dist)	$ 13.16	-	0.05	0.82
Oasis Crescent Global Property Equity Fund USD A (Dist)	$ 7.15	-	0.06	2.07
Oasis Crescent Global Short Term Income Fund USD A (Dist)	$ 0.93	-	0.00	2.82
Oasis Crescent Variable Fund GBP A (Dist)	£ 9.35	-	0.06	0.71

Omnia Fund Ltd

Fund	Bid	Offer	D+/-	Yield
Other International Funds				
Estimated NAV	$ 929.86	-	0.72	0.00

Orbis Investments (U.K.) Limited (GBR)
28 Dorset Square, London, NW1 6QG
www.orbis.com 0800 358 2030
Regulated

Fund	Bid	Offer	D+/-	Yield
Orbis OEIC Global Cautious Standard	£ 11.99	-	0.06	0.00
Orbis OEIC Global Balanced Standard	£ 19.84	-	0.17	0.37
Orbis OEIC Global Equity Standard	£ 23.28	-	0.30	2.43

Platinum Capital Management Ltd

Fund	Bid	Offer	D+/-	Yield
Other International Funds				
Platinum All Star Fund - A	$ 150.35	-	-	-
Platinum Global Growth UCITS Fund	$ 7.95	-	0.10	0.00
Platinum Essential Resources UCITS Fund SICAV USD Class E	$ 10.12	-	0.00	0.00
Platinum Global Dividend UCITS Fund	$ 42.23	-	0.45	0.00

Polar Capital Funds Plc (IRL)

Fund	Bid	Offer	D+/-	Yield
Regulated				
Artificial Intelligence I USD ACC	$ 15.89	15.89	0.08	0.00
Asian Starts I USD Acc $	$ 12.99	-	0.00	0.00
Biotechnology I USD	$ 35.12	35.12	0.63	0.00
China Stars I USD Acc $	$ 9.18	9.18	-0.06	0.00
Emerging Market Stars I USD Acc	$ 10.47	-	0.05	0.00
European Ex UK Inc EUR Acc	€ 14.97	14.97	0.15	0.00
Financial Opps I USD	$ 13.12	-	0.07	2.48
Global Convertible I USD	$ 12.85	12.85	0.02	0.00
Global Insurance I GBP	£ 10.88	-	0.17	0.00
Global Technology I USD	$ 75.75	-	1.49	0.00
Healthcare Blue Chip Fund I USD Acc	$ 17.69	17.69	0.11	0.00
Healthcare Dis I Acc USD $	$ 10.42	-	0.08	0.00
Healthcare Opps I USD	$ 60.95	-	0.75	0.00
Income Opportunities B2 I GBP Acc	£ 2.99	2.99	0.01	0.00
Japan Value I JPY	¥ 178.48	178.48	0.50	0.00
North American I USD	$ 34.40	34.40	0.39	0.00
Smart Energy I USD Acc $	$ 8.24	8.24	0.08	0.00
Smart Mobility I USD Acc $	$ 7.59	7.59	-0.01	0.00
UK Val Opp I GBP Acc	£ 11.90	11.90	0.29	-

Private Fund Mgrs (Guernsey) Ltd (GSY)

Fund	Bid	Offer	D+/-	Yield
Regulated				
Monument Growth 31/10/2023	£ 527.55	532.57	2.14	0.00

Prusik Investment Management LLP (IRL)
Enquiries - 0207 493 1331
Regulated

Fund	Bid	Offer	D+/-	Yield
Prusik Asian Equity Income B Dist	$ 166.91	-	1.66	6.21
Prusik Asia Fund U Dist.	£ 189.55	-	1.40	0.00
Prusik Asia Sustainable Growth Fund A Acc	$ 81.06	-	-0.05	0.00

Purisima Investment Fds (CI) Ltd (JER)

Fund	Bid	Offer	D+/-	Yield
Regulated				
PCG B ✠	306.27	-	2.74	0.00
PCG C ✠	297.38	-	2.65	0.00

Ram Active Investments SA
www.ram-ai.com
Other International Funds

Fund	Bid	Offer	D+/-	Yield
RAM Systematic Emerg Markets Eq	$ 213.95	213.95	-1.36	-
RAM Systematic European Eq	€ 497.82	497.82	3.81	-
RAM Systematic Funds Global Sustainable Income Eq	$ 145.25	145.25	0.49	0.00
RAM Systematic Long/Short European Eq	€ 155.04	155.04	-0.16	-

Ruffer LLP (1000)F (UK)
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 601 9610
Authorised Inv Funds
Authorised Corporate Director - Waystone Management (UK) Limited

Fund	Bid	Offer	D+/-	Yield
LF Ruffer Diversified Rtrn C Acc	97.62	-	0.23	1.79
LF Ruffer Diversified Rtrn C Inc	95.17	-	0.23	1.82
LF Ruffer Equity & General C Acc	556.98	-	-0.21	1.38
LF Ruffer Equity & General C Inc	496.44	-	-0.19	1.40
LF Ruffer Gold C Acc	241.69	-	-1.70	0.43
LF Ruffer Gold C Inc	145.66	-	-1.03	0.43
LF Ruffer Total Return C Acc	522.36	-	-1.53	2.49
LF Ruffer Total Return C Inc	318.15	-	-0.93	2.54

Rubrics Global UCITS Funds Plc (IRL)
www.rubricsam.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Rubrics Emerging Markets Fixed Income UCITS Fund	$ 137.10	-	0.47	0.00
Rubrics Global Credit UCITS Fund	$ 16.79	-	0.06	0.00
Rubrics Global Fixed Income UCITS Fund	$ 166.79	-	0.70	0.00

Slater Investments Ltd (UK)
www.slaterinvestments.com; Tel: 0207 220 9460
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Slater Growth A Acc	558.37	558.37	10.36	0.00
Slater Income A Inc	129.14	129.14	2.32	5.22
Slater Recovery A Acc	289.05	289.05	5.68	0.00
Slater Artorius	245.17	245.17	0.31	0.61

Stonehage Fleming Investment Management Ltd (IRL)
www.stonehagefleming.com/gbi
enquiries@stonehagefleming.com
Regulated

Fund	Bid	Offer	D+/-	Yield
SF Global Best Ideas Eq B USD ACC	$ 235.82	-	0.97	0.00
SF Global Best Ideas Eq D GBP INC	£ 295.10	-	1.47	0.00

Superfund Asset Management GmbH
www.superfund.com, +43 (1) 247 00

Fund	Bid	Offer	D+/-	Yield
Other International Funds				
Other International Funds				
Superfund Green Gold	$ 876.23	-	3.86	0.00
Superfund Green Silver	$ 720.42	-	-6.49	0.00
Regulated				
Superfund Green US$	$ 653.24	-	6.64	0.00

Toscafund Asset Management LLP (UK)
www.toscafund.com
Authorised Funds

Fund	Bid	Offer	D+/-	Yield
Aptus Global Financials B Acc	£ 5.21	-	0.05	3.81
Aptus Global Financials B Inc	£ 3.24	-	0.03	3.94

Toscafund Asset Management LLP
www.toscafund.com

Fund	Bid	Offer	D+/-	Yield
Tosca A USD	$ 440.36	-	-2.51	0.00
Tosca Mid Cap GBP	£ 120.64	-	-6.43	0.00
Tosca Opportunity B USD	$ 252.81	-	-15.03	0.00
Pegasus Fund Ltd A-1 GBP	£ 28.54	-	0.00	0.00

Troy Asset Mgt (1200) (UK)
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 608 0950
Authorised Inv Funds
Authorised Corporate Director - Waystone Management (UK) Limited

Fund	Bid	Offer	D+/-	Yield
Trojan Investment Funds				
Trojan Ethical Global Inc O Acc	101.50	-	0.24	2.66
Trojan Ethical Global Inc O Inc	96.44	-	0.22	2.70
Trojan Ethical O Acc	128.34	-	0.28	0.07
Trojan Ethical O Inc	128.24	-	0.28	0.08

Data Provided by

MORNINGSTAR®

www.morningstar.co.uk

Data as shown is for information purposes only. No offer is made by Morningstar or this publication.

Guide to Data

The fund prices quoted on these pages are supplied by the operator of the relevant fund. Details of funds published on these pages, including prices, are for the purpose of information only and should only be used as a guide. The Financial Times Limited makes no representation as to their accuracy or completeness and they should not be relied upon when making an investment decision.

The sale of interests in the funds listed on these pages may, in certain jurisdictions, be restricted by law and the funds will not necessarily be available to persons in all jurisdictions in which the publication circulates. Persons in any doubt should take appropriate professional advice. Data collated by **Morningstar**. For other queries contact **reader.enquiries@ft.com +44 (0)207 873 4211**.

The fund prices published in this edition along with additional information are also available on the Financial Times website, **www.ft.com/funds**. The funds published on these pages are grouped together by fund management company.

Prices are in pence unless otherwise indicated. The change, if shown, is the change on the previously quoted figure (not all funds update prices daily). Those designated $ with no prefix refer to US dollars. Yield percentage figures (in Tuesday to Saturday papers) allow for buying expenses. Prices of certain older insurance linked plans might be subject to capital gains tax on sales.

Guide to pricing of Authorised Investment Funds: (compiled with the assistance of the IMA. The Investment Association, Camomile Court 23 Camomile Street, London EC3A 7LL. Tel: +44 (0)20 7831 0898.)

OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.

Different share classes are issued to reflect a different currency, charging structure or type of holder.

Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.

Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.

Treatment of manager's periodic capital charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.

Exit Charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

The symbols are as follows: ✠ 0001 to 1100 hours; ‡ 101 to 1400 hours; x 1401 to 1700 hours; # 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available. Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time. Forward pricing: The letter F denotes that that managers/operators deal at the price to be set at the next valuation.

Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent particulars and documents may be obtained free of charge from fund managers/operators. * Indicates funds which do not price on Fridays.

Charges for this advertising service are based on the number of lines published and the classification of the fund. Please contact **data@ft.com or call +44 (0)20 7873 3132** for further information.

GET AHEAD OF COMPETITION

Empowering people with data

As the leading data and business intelligence platform, Statista supports people worldwide to make fact-based decisions. We provide professionals with over 1 million statistics, data on 170 industries, and in-depth insights on markets, consumers, companies, and eCommerce.

Learn more about how Statista can help you gain expertise:

statista.com/site/business

statista
www.statista.com

ARTS

Romcom asks: is it actually love?

This week's film releases reviewed by Danny Leigh and Jonathan Romney

Love isn't dead — it just went to streaming. Amid the glitter mountain of romcoms on Netflix and Amazon, even finding one at the cinema feels like stepping back in time. When you do, it comes dipped in nostalgia itself. Earlier this year, bright-spark British romance *Rye Lane* featured a winking cameo from genre titan Colin Firth. Now, Apple's mannered comedy **Fingernails** treats its characters to a Hugh Grant retrospective. "No one understands love more," they are told.

Life was easier in *Notting Hill*. Here, star Jessie Buckley has a tougher route to happiness. She's just a girl, standing in front of a boy, asking him to help her remove a fingernail from a nervous client, to then be clinically analysed to determine whether the client and their partner are actually in love.

Such is the vaguely sci-fi heart of the film. The gruesome process is "the Test", taken by couples across a generic North America, the movie set in a version of the recent past, or maybe a parallel future. Either way, love hurts, but not as much as the lack of it. The Test is a double agony for couples whose feelings are found to be medically unreal.

Director Christos Nikou swerves between the melancholy and wilfully silly. The eyes of testers Anna (Buckley) and Amir (Riz Ahmed) meet over the pliers, despite her being in a proven pair with dullard Ryan (Jeremy Allen White). We see just enough testing to make us wince, but distraction comes with the knowing aesthetic: retro sad-sack offices, synth-pop on the soundtrack.

That isn't all that conjures the past. You can imagine a *Sleeper*-era Woody Allen making hay with the premise of a love detector. Much of the running time is duly devoted to the zany means by which couples strengthen bonds: watching those Hugh Grant films, submitting to electric shocks when their partner leaves the room. (It heightens feelings of loss.)

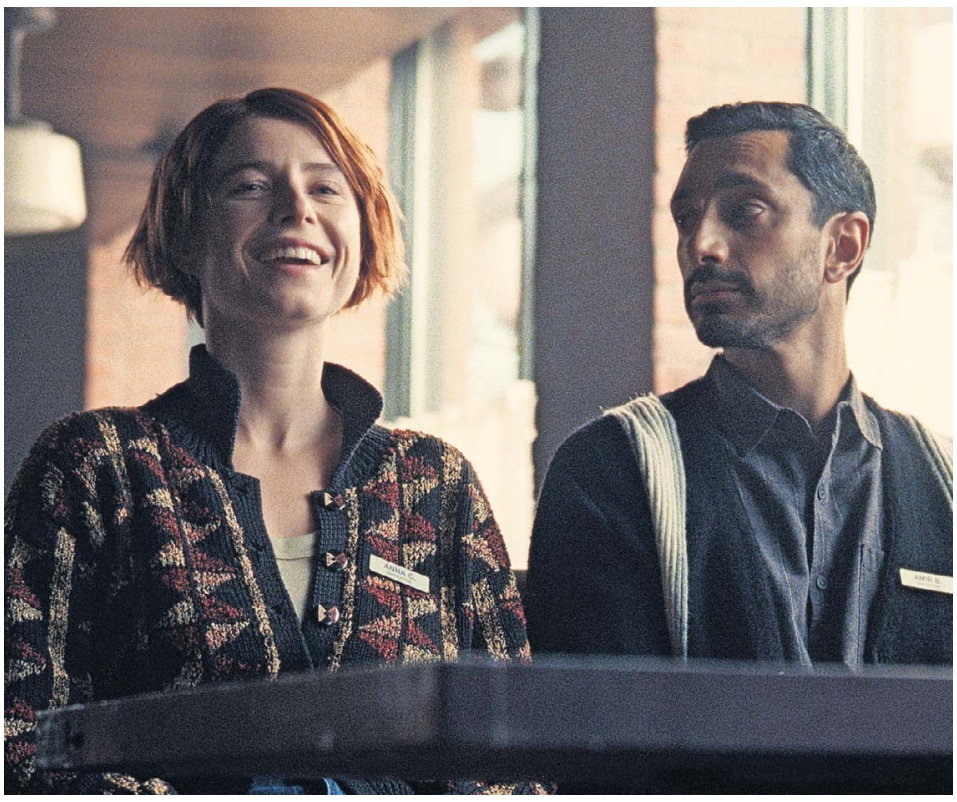
Bits of this are likeably droll, though the sense of the second-hand extends beyond the early, funny Allen. Before his quirky 2020 debut *Apples*, Nikou assisted fellow Greek auteur Yorgos Lanthimos on his 2009 film, *Dogtooth*. *Fingernails* plays like the softer offspring of that movie and another Lanthimos unnerver, *The Lobster*.

But where those films teased and confronted, this one hovers awkwardly. Buckley is vivid; her co-stars miscast. Ahmed is charismatic, but standard nice guy is not his strong suit. White is still more bent out of shape, an in-demand actor (thanks to much-praised streaming series *The Bear*) from whom *Fingernails* drains all personality. (He does get to end a not-quite sex scene with the most brilliantly unerotic words in the English language: "I have a team meeting.")

> You can imagine a 'Sleeper'-era Woody Allen making hay with the premise of 'Fingernails'

If the message is that we want to fall in love more than we ever really do, that sad little nugget is eventually replaced by a sweeter-toothed directive: follow your heart. (No coincidence that the film is set in a world without dating apps, for which the Test is a proxy.) But analogue passion needs a better advert than Anna and Amir. Their will-they-won't-they might leave you shrugging. And wondering when Hollywood forgot how to make love stories big enough for movies. **DL**

In cinemas and on Apple TV+ now



Top: Jessie Buckley and Riz Ahmed in 'Fingernails'. Above: Gabriel Byrne as Samuel Beckett in the biopic 'Dance First'

Fingernails
Christos Nikou
★★★☆☆

Dance First
James Marsh
★★★☆☆

Rustin
George C Wolfe
★★★☆☆

It would be strange for a film about Samuel Beckett to be a triumph; maybe even treachery. Failure and futility were his lifeblood. That much registers with the mixed-bag biography **Dance First**, the writer played by Gabriel Byrne, his wife Suzanne Dechevaux-Dumesnil by Sandrine Bonnaire. "You and I are not made for victory," Suzanne tells Sam at a glamorous first night. "Please, don't let us win."

The film makes sure of that more generally too. There are times when it has the satisfying click of ideas snapping into place. But only now and then, and never enough.

An impish prologue finds our man winning the 1969 Nobel Prize for Literature. "What a catastrophe!" he exclaims, as he did in reality. Then he exits the stage by monkeying up into the rafters, as he did not. We next find ourselves in a modernist wilderness, where scriptwriter Neil Forsyth sets up conversation between two Becketts — and thus two Byrnes — as to where to donate the Nobel cash. Such is our cumbersome way into an episodic life story: from Dublin childhood to Paris endgame, via James Joyce (Aidan Gillen), war and infidelity.

Director James Marsh (*The Theory of Everything*) is a graceful stylist. The film can be a treat to look at, shot mostly in glowing, milky black and white. And performances range from sturdy to superlative. Though Byrne bears no physical resemblance to his character, he captures what feels like a wearily authentic essence.

But Bonnaire brings real edge to the film, and Maxine Peake is perfect as lover and literary confidante Barbara Bray. There is dramatic elegance to the mirrored excellence of the actresses, playing wife and mistress either side of one man.

Still, the script is in charge here: under the fussy trappings, a basic biopic looking for literal-minded dots to join between the life led on-screen, and the plays and prose it produced. Little is otherwise said about the writing. Again, maybe that's best. Beckett himself might have smiled at a tale of genius stripped back to one about a man with a difficult mother, who finds success in middle age. But admirers will be frustrated, and newcomers will learn less about his art than that of screenwriter Forsyth. **DL**

In UK cinemas now and on Sky Cinema in December

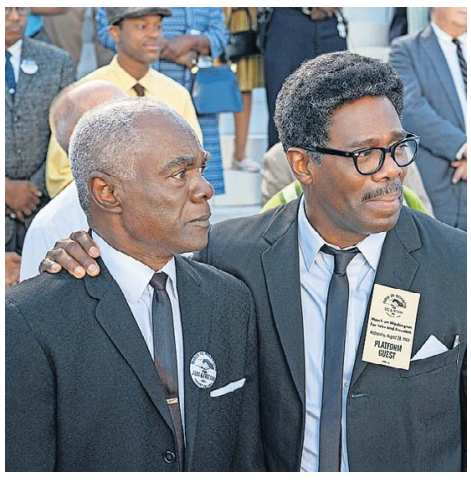
Bayard Rustin was a leading civil rights activist and prime mover in organising the historic 1963 March on Washington, where Dr Martin Luther King gave his "I have a dream" speech. That he is far less celebrated than he merits is the premise behind George C Wolfe's biopic **Rustin**, produced by Barack and Michelle Obama's company Higher Ground.

A committed pacifist, Rustin (Colman Domingo) is shown as somewhat forgotten and marginalised in the early 1960s. He finds new motivation as instigator of the march, but faces opposition by some comrades in the civil rights movement. One reason was that he was gay, which some disapproved of and others simply considered a political liability. The film's portrait of Rustin the man focuses sensitively on his sexual and emotional life, notably his relationships with his white lover and assistant (Gus Halper) and with a closeted married preacher (Johnny Ramey).

The film is most compelling in these intimate moments, highlighting Rustin's tenderness and resilience. It is more mechanical when it comes to the political career and the march, key issues thrashed out with explicative clarity in meeting rooms or sketched out on display boards. The theatricality is no surprise: director Wolfe, who previously filmed August Wilson's play *Ma Rainey's Black Bottom*, is an eminent stage practitioner. But he and the writers bring the history lesson some vigour in depicting the story of the march as essentially the political version of a backstage musical, a let's-put-on-a show-right-here drama of collective effort.

What makes *Rustin* breathe above all is the acting — centred around Domingo's terrific lead, highlighting Rustin's energy, wit and urbane charisma, along with the vulnerability of a survivor. Aml Ameen lends MLK a gentle, downplayed gravitas, while Jeffrey Wright is spiky as a caustic, combative Adam Clayton Powell, the politician who was among Rustin's fiercest opponents. A bristling jazz score by Branford Marsalis helps blow away some of the dramatic dust. **JR**

In UK and US cinemas now and on Netflix from November 17



Glynn Turman, left, and Colman Domingo in civil rights drama 'Rustin'

In partnership with

FT LIVE etno

FT-ETNO TECH & POLITICS FORUM

The power of innovation:
Europe's search for tech leadership

7 November | 09:00 - 16:15 CET
In-person and online | The Square, Brussels

Valdis Dombrovskis
Executive Vice-President, *European Commission*

Vera Jourová
Vice-President for Values and Transparency, *European Commission*

Timotheus Höttges
CEO, *Deutsche Telekom*

Christel Heydemann
CEO, *Orange Group*

Maria Ressa
Nobel Prize winner and CEO, *Rappler*

Shoshana Zuboff
Author, The Age of Surveillance Capitalism and Professor Emeritus, *Harvard Business School*

Find out more and register for free at
techandpoliticsforum.live.ft.com

Technology partner
Qualcomm

Associate sponsor
Prysmian Group

Salacious chronicle of sex and death

THEATRE

Sabbath's Theater
Pershing Square Signature Center, New York
★★★★☆

Nicolas Rapold

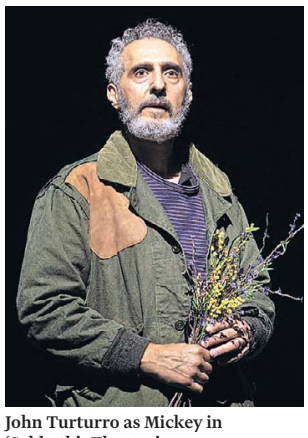
Philip Roth's *Sabbath's Theater* might seem to defy adaptation as much as it defies propriety. In this notorious 1995 novel, the life of Mickey Sabbath, a failed puppeteer in late middle age, spills out on the page with his colourful aggravations and sexual escapades. Like so much of Roth's fiction, the book roars with the author's force-of-nature style, both soul-baring and cacklingly funny.

The New Group production of *Sabbath's Theater* channels Mickey's irrepressible life force in a new adaptation by Ariel Levy and John Turturro. Deftly reimagined for the stage, it features Turturro as the furiously ruminative Mickey, accompanied by Elizabeth Marvel and Jason Kravits in multiple roles. It's a subtly attuned interpretation that has a way of playing out Mickey's inner monologues and listening to them at the same time.

Mickey might strictly be considered a has-been, head of a puppet company from another era. His greater satisfaction comes from a sex life centred on Drenka (Marvel), a Croatian-born housewife with whom he carried on an affair for years. Mickey brings a can-you-believe-this-stuff attitude towards his own life and to life itself, with an utter lack of mortification that could yield a kind of enlightenment, if he could ever escape who he is.

The play smoothly unfolds as a series of encounters with Drenka, friends, relatives from beyond the grave, and so on. Turturro and Levy grasp and render what might be called the Rothian present: the vivid sense of Mickey reliving his memories, staring at the wild past while looking at the inevitable future.

The action accordingly opens with a joyful tableau of Mickey and Drenka in flagrante (clothed), but in the next scene, Mickey is processing Drenka's death from cancer. As the play progresses, and his marriage and career fall apart, he's dogged by the sense that his life has been a waste. "It takes a lifetime to determine what matters, and by then it's not there any more," Mickey says — albeit immediately after a riff on morning erections.



John Turturro as Mickey in 'Sabbath's Theater'

Turturro (who spearheaded the adaptation) gathers in force, as Mickey emerges from the shock of Drenka's vanishing from life to chase his demons: propositioning a friend's wife, pleasuring himself at Drenka's grave (an infamous scene in the novel). The ever-engaging actor takes to the gloriously unwholesome material with wholesome glee, and expresses a nuanced compassion for what some have called Roth's hardest-to-love protagonist.

Marvel especially brings out a tenderness in Drenka's sometimes comical sexual adventures with Mickey. Kravits, mainly playing a straight man as Mickey's normal friend, Norman, also has an adorable, and elegiac, turn as an ancient cousin, Fish. The production, directed by Jo Bonney, has a way of limbering up Roth's sometime domineering prose style, also making succinct use of projected shadow backdrops. In the end, while Mickey's salacious behaviour grabs the attention, the play understands the biggest outrage about life: that it's all over so soon.

To December 17, thenewgroup.org

FT BIG READ. CHINESE POLITICS & POLICY

President Xi promised a new era of 'common prosperity' and a better life for citizens. Now, as economic growth slows, a once optimistic society is worrying about the future.

By Sun Yu and Joe Leahy

Breakdown of the social contract

Beneath Xi Jinping's triumphant rhetoric, many observers wonder whether policymaking is off course. Right: Mourners outside Li Keqiang's childhood home. The former premier was once seen as a presidential contender but the party chose Xi, who took it in a more austere direction

FT montage/Getty; Andrea Verdelli/Bloomberg

In Yuxinzhuang, a village on Beijing's outskirts known for its vibrant community of migrant workers, Zhou wolfs down noodles in a tiny Muslim restaurant. The 30-year-old father of one has a job setting up shell companies with fake cash flow for struggling small business owners, who then use them to raise new loans to pay off their previous creditors.

But even this dubious line of business, which should thrive in a downturn, is suffering. Last month, Zhou's income fell to a fraction of last year's levels. Zhou, who did not want to give his full name, now plans to return to his family farm in the poorer central province of Henan and sell organic eggs.

"I don't know who to blame for the economic downturn but all I know is that this year the economy is really bad," he says. "Lay-offs everywhere."

As China's economic growth slows, stories such as Zhou's abound. The country's 296mn migrant workers are facing slowing wage growth, its new university graduates are struggling to find jobs, the urban middle class has lost money in a policy-induced property meltdown and the rich are reeling from Beijing's crackdowns on the internet, finance and health sectors.

National security regulations are worrying foreign companies, many of which have stopped investing. Only those working in some areas of the government or sectors deemed strategic, such as semiconductors, are being spared.

Xi Jinping, China's most powerful leader since Mao Zedong who started an unprecedented third term in March, claims everything is going to plan. The country is marching towards "national rejuvenation" and "high-quality development" as the party's "common prosperity" policy reduces inequality.

But beneath the triumphant rhetoric, many observers wonder whether policymaking is adrift. The Communist party used to allow its people abundant economic opportunity in exchange for heavy restrictions on their political freedom. Now the so-called social contract is no longer clear. In the place of growth and opportunity are vague promises of security and "a better life". But with about 600mn people struggling to get by on less than $140 a month, will that be enough? A once optimistic society now worries about the future.

"The old contract was a pretty simple one which is: 'We'll stay out of politics, we won't express sensitive opinions, provided we can expect to be prosperous in the future'," says George Magnus, author of *Red Flags: Why Xi's China is in Jeopardy* and a research associate at the University of Oxford's China Centre.

That "has been undermined", he adds, "not just by the fact that China's old development model is not really working anymore but also by the government's own culpability for not addressing the issues."

A new deal

After securing his second term as party secretary at the 19th party congress in 2017, Xi signalled a "new deal" for China, according to a paper at the time by Evan Feigenbaum, of the Carnegie Endowment for Peace.

Chinese Marxists think in terms of contradictions — the dialectical opposition of different forces or influences, Feigenbaum wrote. During the reform and opening up period that followed the end of the Mao era, the party concentrated on economic growth, or resolving the "contradiction" between the people's "ever-growing material" needs and the country's "backward social production", according to an account of Xi's speech at the congress in state media.

But Xi declared China was facing a new challenge. After decades of rapid growth, the "principal contradiction" was "between unbalanced and inadequate development and the people's ever-growing needs for a better life". These "needs" included "democracy, rule of law, fairness and justice, security and a better environment", he said.

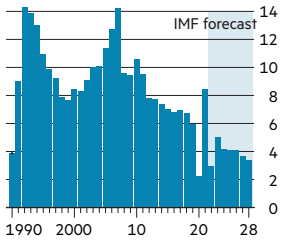
Security was the keyword, analysts say. When Xi became party leader in 2012, the organisation was concerned that the growing private sector was empowering entrepreneurs and eclipsing the apparatchiks. In 2013, the party circulated an internal memo, Document Number Nine, attacking western constitutional democracy and other ideas, such as universal human rights and ardently pro-market "neoliberalism".

In the ensuing years, Xi has rooted out dissent and enforced party discipline through endless anti-corruption campaigns while pursuing a more assertive foreign policy, alienating large trading partners such as the US.

"The so-called anti-corruption campaign is just . . . an instrument [the Communist party] wants to use to purge everyone who is not loyal," says Xu Chenggang, senior research scholar at Stanford University's Center on China's Economy and Institutions.

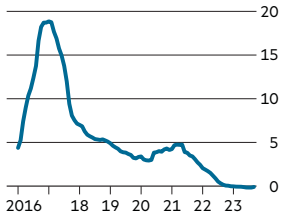
Chinese growth has slowed

Real GDP growth (%)



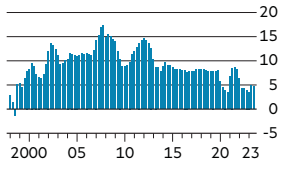
House prices have plateaued

China Index Academy 100 Cities house price index (annual growth, %)



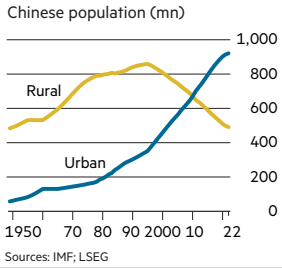
Incomes are not rising as fast as they did in the pre-pandemic period

Per capita disposable income of Chinese urban households (annual % change)



Two-thirds of the population are now urban residents

Chinese population (mn)



Sources: IMF; LSEG

This tightening of control ranges from limits on the publication of economic data and investigations of foreign consultancies under data and anti-espionage laws, to the detention of a million Uyghurs in Xinjiang and the sinicisation of religion and culture, analysts say. "Security is a requisite for development. That's been a pretty clear part of the social contract under Xi Jinping," says Drew Thompson, a China expert at the Lee Kuan Yew School of Public Policy at the National University of Singapore.

But it was in 2021, as the economy was recovering from the first shock of Covid-19, that Xi launched one of his most decisive campaigns yet to meet the people's aspirations for a "better life" — what he called "common prosperity".

Beijing cracked down on the internet empire of billionaire Jack Ma, leading him to largely disappear from public, and the country's other important internet groups, shutting down overnight the whole industry of online tutoring and restricting online gaming for children.

In a speech on common prosperity at the party's central committee for financial and economic affairs in August 2021, Xi expounded on the policy's deeper aims. Cadres must "resolutely oppose the unlimited sprawl of capital" and "uphold the dominant role of the public sector", he said, while also mobilising "the zeal of entrepreneurs".

Tellingly, this was not a call for a European-style social welfare state. The party was pursuing its long-term strategic objectives of building China "into a great modern socialist country", he said, but it must not "fall into the trap of 'welfarism' that encourages laziness".

The result of the top-down attempt to re-engineer society was disastrous for investment sentiment, especially when it coincided with increasing geopolitical tensions with the US, Beijing's zero-Covid policy and the "three red lines" — a scheme to force deleveraging in the over-indebted property sector.

China's tech stocks listed in the US have fallen 70 per cent between February 2021 and today. While some of that is due to external factors, domestic policy has not helped. In June, youth unemployment rates hit 21.3 per cent, a likely byproduct of the shrinking of the internet sector that was a big employer of graduates. Official data for average primary market housing prices shows them drifting lower in September.

"The tragedy of Xi Jinping's economic policy is he has identified some problems China needs to fix but has gone about it the wrong way," says Neil Thomas, a fellow at the Asia Society Policy Institute's Center for China Analysis.

A burden on rural communities

Back in Yuxinzhuang village, a woman surveys the destruction outside her small grocery shop. The flats across the road are being torn down because they were constructed on former village land without the correct zoning, she says.

Some migrant worker residents suspect the real purpose is to drive them out of Beijing. The capital is one of China's "first tier" cities, where most migrant workers do not have the money or qualifications to qualify for *hukou*, the household registration stamp that would give them full access to public services such as health and education.

"It's had a huge impact on us," says the woman, who is from eastern Shandong province. Sales have plunged as people leave the area, she adds.

For most economists, the structural challenges facing China's economy have been apparent for more than a decade — especially its reliance on debt-fuelled investment in infrastructure and property and the relatively low share of domestic consumption in gross domestic product.

With property no longer a driver, many are wondering what will replace it. An electric vehicle boom is one bright spot. But high-end manufacturing, though favoured by Beijing, will not generate enough jobs.

Even as total debt — household, corporate and government — hit 281.5 per cent of GDP in the second quarter, according to calculations by Bloomberg, productivity advances have slowed and the demographic outlook has worsened, with the population officially declining for the first time last year. The government has set a target for growth in GDP this year of 5 per cent, its lowest in decades. The IMF estimates this could fall below 4 per cent in the years to come.

Economists point to a list of reforms that could turn the situation around. Bert Hofman, a former Beijing-based country director for China at the World Bank, in a blog post titled "Diminishing Expectations", lists sweeping fiscal, financial, retirement age and pension, state-owned enterprise and *hukou* reforms. "None of these reforms are easy, and each one cuts into the interest of some groups in society . . . but the package as a whole should increase the pie for all," he says.

Others argue if the government is serious about implementing "common prosperity", it would have ended *hukou*, which they say has turned rural and migrant workers into "second-class" citizens. While there has been some reform of the system, abolishing it could increase urbanisation, revive property demand and increase people's average incomes, analysts say. Hofman writes that about 65 per cent of the population lives in urban areas but about 20 percentage points of this are migrant workers. About 25 per cent of the labour force still works in agriculture.

"It gives the lie to common prosperity," John Burns, an honorary professor of politics and public administration at the University of Hong Kong, says of *hukou*. "Rural people have paid the price for all this prosperity in the cities."

China's average annual pension per head for urban residents was Rmb50,763 ($6,936) in 2021, about 22 times the rural equivalent, while civil servants got Rmb77,804. The average annual healthcare payments for urban residents in 2021 was Rmb4,166, about 4.4 times the rural equivalent.

But today's economic malaise reaches beyond the rural and urban poor. Upper-middle-class people talk of losing millions of renminbi in property and failed wealth management plans, while the wealthy elites complain about a lack of investment opportunities and increasing government interference.

One mining company owner in southern Guangdong province says local authorities kept borrowing money from him with no intention of paying it back, giving him cheap land instead. This had little value given the property crisis so he is investing his money in a chicken farm out of reach of the officials.

"There has been a lot of talk about the government supporting the private sector," he says. "In reality, we are under pressure to bail out cash-strapped local governments."

'This sense of drift or lack of confidence is a corrosive phenomenon that we're not used to seeing in China'

Growing frustrations

In the rural eastern province of Anhui, a woman mourning China's former premier Li Keqiang, who died suddenly last week, captures the complexity of people's feelings about China's leaders.

The government's focus on security — Beijing has constructed one of the world's most extensive surveillance states — has meant far less crime in her local area, says the woman. "I can now hop on a public bus without worrying about being pickpocketed," she says, after placing flowers at Li's ancestral home in Jiuzi village.

But she, like many of the mourners, betrays a yearning for a leadership more sympathetic to her daily struggles. Many saw that in Li, who until March was Xi's number two official, saying he spoke out for the poor. "He was a great premier," she says, visibly emotional.

Unlike Xi and many other senior leaders, Li grew up in a modest neighbourhood, where traditional Anhui beef noodle shops still ply their trade. Seen as a pro-market reformer who was supported by former president Hu Jintao, Li was once believed to be a contender for the presidency but the party chose Xi, who took it in a more austere direction.

"Some senior leaders wanted to build a strong nation at the expense of ordinary people's wealth and opportunities," says a second mourner at Li's former childhood home in the nearby provincial capital of Hefei. "Premier Li wanted to make ordinary people rich first and then create a strong nation."

Some political scientists argue that the party's emphasis on common prosperity rather than growth has been a power play aimed at rolling back the private sector, which grew too powerful under previous presidents, providing 80 per cent of China's employment.

Stanford's Xu says the policy created a convenient platform to blame entrepreneurs for the troubles of the poor while undermining their influence. The problem was that it got mixed in with a slowdown brought on by the zero-Covid policy and property woes. "If we put all of this together, now the Chinese economy is in deep trouble," Xu adds.

Most analysts say the government has temporarily softened its crackdown on the private sector as it tries to stabilise the economy. The third plenum, an important party meeting that occurs one year after a new leadership takes office, which is expected to be held before the end of this year, will hold clues to the government's broader plans for the economy. "The fact that there is maybe this sense of drift or lack of confidence in the future, I think, is a corrosive phenomenon that we're not used to seeing in China and, politically, I should think that the government ought to be worried about it," says Oxford's Magnus.

Few think that growing frustration with the economy will imminently lead to social unrest, however. Thompson points out that it took the "grossest violations of civil liberties" during China's extended Covid lockdowns to spark the so-called "white paper protests" in November 2022, when people in many cities, including Beijing and Shanghai, held blank sheets of paper symbolising everything they could not say.

More likely is a loss of China's former optimism that will be challenging to reignite, says Xu. The second Li mourner, in Hefei, who works for a real estate company and soon expects to lose his job, speaks to the uncertainty being felt in communities across China: "We just don't know what tomorrow will bring."

Data visualisation by Keith Fray

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Britain's unreliable labour market data

ONS needs to raise its game to meet the demand for better and faster statistics

Sherlock Holmes, the fictional detective, proclaimed that "it is a capital mistake to theorise before one has data". What is true for making criminal deductions, is also true for making policy. But a problem arises when the data is not entirely trustworthy to begin with — something the Bank of England knows too well. The Monetary Policy Committee, which held interest rates at 5.25 per cent at its meeting yesterday, has been trying to make decisions during this rate-raising cycle with what it says is increasingly uncertain labour market data — a major determinant of inflation.

Britain's Office for National Statistics had to publish patchy and experimental jobs data last month as low response rates for its Labour Force Survey raised the risk of bias. It has fallen from 50 per cent a decade ago to 15 per cent now. The survey is also based on outdated population estimates. The troubles with employment numbers follow significant revisions by the ONS to the UK's gross domestic product data too. Those updates revealed that the economy was no longer likely to be a G7 outlier with the worst post-pandemic recovery.

Bad statistics lead to bad decisions. For central bankers, setting rates and making economic forecasts are hard in a period of uncertainty, let alone when the underlying data is flimsy. It matters also for the government. Chancellor Jeremy Hunt announced measures to tackle Britain's rise in worker inactivity in the spring Budget. Issues with the LFS now raise questions over the nature and extent of the problem. Businesses also stand to lose money by making judgments on flawed statistics.

Trust in official data is essential for public discourse. Different viewpoints can otherwise be formed depending on the source. And unreliable statistics also undermine confidence in expertise.

For all the bad publicity, the ONS is a respected international authority. The pandemic and declining survey response rates have been a challenge for statistical agencies everywhere. The ONS was in fact considered to be a world leader in tracking Covid-19. But it is precisely because of its integral role in analysis and policymaking — and the demand for more and faster data — that improvements are essential.

First, the ONS needs to review how it sets priorities and allocates resources. Yesterday, it highlighted ongoing efforts to improve its LFS data collection and methodology. It expects to transition to a Transformed Labour Force Survey early next year. Nonetheless, reasons for its sluggishness in reforming the survey, given the decade-long decline in response rates, need to be understood.

Second, it should accelerate existing efforts to improve its data. This includes exploring new ways to incentivise respondents and utilise technology — it is only just shifting towards online first surveys with the TLFS. More diverse and real-time data sources can support GDP and labour market modelling, particularly when surveys are insufficient or other data is delayed. This requires greater co-operation from government bodies to share more data, faster, to help avoid major revisions like those to GDP.

> For central bankers, setting monetary policy is hard in a period of uncertainty, let alone when the underlying figures are flimsy

Third, the agency must attract the best talent. Data scientists are often drawn to roles in the higher-paying private sector in London, far from ONS headquarters in south Wales. Finally, it must improve its communications; a clearer articulation of the confidence bands around its statistics would help.

The ONS is already acting on many of these. But it deserves more support from the government if it is to maintain its international standing. It has already proven itself to be efficient with a tight budget; so any squeeze on it should be reconsidered. After all, when major economic decisions are at stake, the benefits of better data can be priceless.

Opinion Economics

Why people cannot agree on interest rate forecasts

Ann Kiernan

Soumaya Keynes

Everyone is struggling to see where interest rates are headed. Investors are jittery, as shown by gyrating long-term Treasury yields. America's central bankers are trying to project calm, but they are in a fog too. On August 25, Federal Reserve chair Jay Powell summarised the mood when he said, "We are navigating by the stars under cloudy skies." Economists do have some tools to illuminate the path ahead. But they aren't very helpful.

The object everyone is searching for is the neutral rate of interest, or R-star for short. (Economists seem to struggle with nicknames.) It is the (real) rate that neither buoys nor depresses the economy once temporary shocks have faded away. Central bankers believe that they can neither influence it nor observe it. Their task is merely to divine it.

> Estimates of the 'R-star' diverge because of different trade-offs made by their designers

Although most agree that over recent decades R-star has fallen, its recent moves are more mysterious. An estimate published by the Richmond Fed suggests that it fell from around 2.2 per cent in April 2008 to 0.8 per cent two years later, but by April 2023 had recovered. By contrast, an estimate from the New York Fed finds that in April 2023 it was still around two percentage points lower than before the global financial crisis. In April, the IMF used a more complicated model to argue that it is probably still very low.

These estimates diverge because of different trade-offs made by their designers. One approach is to make lots of assumptions about how the economy works to strip out the noise associated with shocks. But it suffers the risk that the assumptions — and therefore the results — are rubbish. An alternative relies more on recent data. But that risks results that reflect temporary shocks, not the future once they fade.

Take the data-heavy method deployed by the Richmond Fed, which uses a very sophisticated moving average to forecast long-run rates. Given the recent resilience of America's economy, it should probably be no surprise that it suggests a rising R-star. Unfortunately, it suffers from statistical error bands the size of a bus. Although the median estimate is 2.3 per cent, the lower bound is 1.4 per cent and upper bound is 3.6 per cent. That is about as useful as being told that one's Friday night pizza will arrive anytime between 6pm and 11pm.

The New York Fed's method uses more theory. It assumes a relationship between inflation, the position of the economy relative to its potential and interest rates, then brings in data to infer the position of R-star. The cost of this approach became apparent over the pandemic, when the model was spitting out such implausible numbers that it was temporarily suspended. Now the tweaked model describing America's R-star is back.

The approach deployed by the IMF is the most theory-driven of them all. In the long run, factors like demographic change, productivity growth and fiscal policy should influence the balance of savings and investment. And the model delivers fantastically detailed breakdowns of exactly how much. Between 1975-79 and 2015-19, demographic change tugged down America's R-star by 0.5 percentage points, and weak productivity growth by 1.23 percentage points.

Again, the danger is that these results tell you more about modelling than reality. Particularly if you believe a 2017 study from the Bank for International Settlements which argued that the simultaneous events of falling real interest rates, stalling productivity growth and ageing populations "appear coincidental". Scouring data between 1860 and 2016, they reckon that changing monetary policy frameworks matter more.

The other way of measuring R-star is to look at the long-term interest rates implicit in investors' pricing. One interesting study calculates the long-term interest rate implicit in the value of British flats before and after their leases are extended. It concludes that the natural rate of return on capital has not risen much since the pandemic. But that rate includes a risk premium associated with owning British property, and may be affected by other distortions. And of course, says Atif Mian, one of the study's authors, the collective wisdom of the housing market "could be wrong".

An anxious central banker could drive themselves mad worrying about the uncertainty ahead. What if R-star is indeed slow-moving, but the pandemic has revealed that we overestimated its fall during the 2010s? What if the expectations of central bankers and investors feed off each other? It's probably not much comfort to say that these estimates of R-star are the best we have. But it should be more soothing to say that any mistakes will be just as hard to pin down.

soumaya.keynes@ft.com

Letters

Email: letters.editor@ft.com
Include daytime telephone number and full address
Corrections: corrections@ft.com
If you are not satisfied with the FT's response to your complaint, you can appeal to the FT Editorial Complaints Commissioner: complaints.commissioner@ft.com

Action is needed to let Ukraine use Russia's frozen assets

We call on the leaders of the G7 and the EU to approve the long-awaited decision to let Ukraine use Russian sovereign assets and funnel them to compensate for the damages caused and inflicted upon Ukraine and Ukrainians (FT View, October 3).

As direct victims of Russian aggression, they are entitled to be fully compensated by Russia for the damage it inflicted upon them. Until Russia brings itself into compliance with international law and compensates Ukraine and Ukrainians fully by way of legally binding reparations, Ukraine and Ukrainians should become the recipients of Russian sovereign assets.

As of today, the total volume of frozen sovereign Russian assets amounts to approximately €300bn, including some €200bn in the EU. So we call on world leaders to take several important steps. It is necessary to form an open register of frozen sovereign Russian assets, indicating their amounts, types of assets, their location, current state of use and revenues thereon. It is necessary to disclose terms and conditions of current utilisation of all frozen sovereign assets of the Russian Federation.

Until the final decision on transfer is made, the revenues stemming from the use of Russia's frozen assets must be directed to Ukraine and Ukrainians. We welcome the recent decision of the Belgium government to use the tax revenue from frozen Russian assets for the benefit of Ukraine.

However, further actions are needed in the EU and the US to find a proper solution. In June 2023, the "Rebuilding Economic Prosperity and Opportunity (REPO) for Ukrainians Act" was introduced in the US Congress. Its legal mechanisms empower the US president to utilise sovereign assets of the Russian Federation. Enactment of this bill will provide the US with additional tools to take action. Related actions, including necessary legislative decisions, should be taken by the EU and its member states. Russian sovereign assets should be contributed to a special Ukraine recovery fund managed by the representatives of G7 nations, in consultation with the government of Ukraine.

According to World Bank estimates, in February 2023 the cost of recovery in Ukraine had already reached $411bn. This number grows day by day. The Russian sovereign assets of €300bn fail to compensate the whole quantum of losses Ukraine has incurred yet will be a significant contribution to the cause of saving and rebuilding a democratic, resilient, European Ukraine.

Arseniy Yatseniuk
Chairman, Kyiv Security Forum; Prime Minister of Ukraine 2014 and 2014-2016
Lawrence H Summers
President Emeritus of Harvard University, US Treasury Secretary 1999-2001
Amb. Robert B Zoellick
President, The World Bank 2007-12; US Deputy Secretary of State 2005-06; US Trade Representative 2001-05
Philip Zelikow
Senior Fellow, Stanford University's Hoover Institution, Counselor of the US Department of State 2005-07
Full list of signatories on www.ft.com/letters

Israeli assault can only reinforce hatred in Gaza

The letter from Tzipi Hotovely, Israel's ambassador to the UK, is disappointing ("Hamas shows Gazans 'nothing but disdain'", October 24).

All people of goodwill wish for there to be a future of peaceful coexistence between Israel and the Palestinian people. That will require humanitarian behaviour on both sides.

Hotovely's letter seems to suggest that an all-out assault on Gaza, with the inevitability of Palestinian civilian deaths, is the only way to achieve this. She is surely wrong. This will only reinforce the resentment and hatred that have stewed for so long in Gaza, and erupted in horrific violence on October 7. Why embark upon a course that will guarantee similar events in the future?

Hotovely rightly questions the benefit of trying to negotiate with Hamas. But is it the only available counterparty? Hamas clearly obtains military support from within the region, and it is incumbent on all regional players, including Israel, to recognise the futility of armed conflict as a means of resolving this tragedy, and so renounce the use of force or the provision of support to that end, and engage in talks to secure peace, starting with an immediate ceasefire.

Raj Parkash
London W4, UK

FT must show balance, not play the one-eyed referee

I'm afraid your leading article "The catastrophe unfolding in Gaza" (FT View, October 31) smacked too much of the "one-eyed referee".

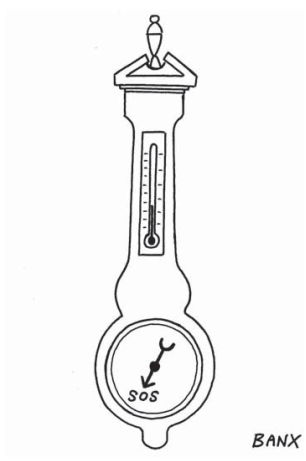
Acknowledging that Israel has a right to defend itself is fairly meaningless if you deny it the right to destroy terrorist infrastructure within a few kilometres of its border and hunt down terrorists committed to its destruction. Describing Israel's attack on Gaza as "collective punishment" not only raises a huge legal question but also conflicts with the Israel Defense Forces' stated objective — to deny Hamas the means to repeat the atrocity of October 7 — and ignores its repeated warnings to evacuate targeted areas.

Your inclusion, two paragraphs from the end (and perilously like an afterthought), of the statement that "Hamas must release all hostages" hardly balances matters when you omit to say what Israel's response should be if Hamas were to fail to do so, and to continue to fire its rockets into Israel.

Finally, you refer to Hamas's use of civilians as a human shield as an Israeli accusation, intimating that this might be a fabrication, when Hamas's construction of an extensive tunnel network beneath densely populated Gaza City is well known and the reason for its location there patently obvious.

A more balanced editorial might instead have suggested that Israel's cessation of hostilities be conditional on Hamas releasing all hostages, handing over the perpetrators of the October 7 atrocity, committing to stopping firing rockets across the border and formally striking from its constitution the objective of destroying Israel.

Charles Mercey
Tellisford, Somerset, UK



Exemplary China story: facts, history and humour

The front page story "Chinese censors' ban on book about inept Ming emperor speaks volumes" (Report, FT Weekend, October 21) is a perfect example of high journalism. It includes facts, history and a wry sense of humour by including Winnie the Pooh's resemblance to President Xi Jinping, a man whose face is invariably shown with a smile.

Clearly the smile is as fake as the Chinese leader's daily pronouncements of his desire for peace and happiness in the entire world if only he would be left alone to subjugate every country in Asia.

People who are not able to laugh at themselves or unwilling to learn the lessons of the past are doomed to their own misery.

Not a person in whom one could place any level of trust.

Jon Johannessen
Venice, CA, US

Biden on AI — optimistic but cognisant of the risks

I read with interest your article on Joe Biden joining the global regulation race for artificial intelligence (FT Swamp Notes, October 30). Overall, the executive order is a great piece of work, balancing optimism about the potential of AI with reasonable consideration of the risks. We are still in the early stages of the AI era, and innovation should be allowed to flourish.

AI is a rapidly evolving field, and so disclosure is not going to be a "once-and-done" kind of activity. Ideally, AI should be overseen by either an existing global standards body, or a non-profit akin to the US Financial Accounting Standards Board, which oversees accounting standards.

However, this places an even greater emphasis on the need for transparency, and the establishment of baseline reporting frameworks that will allow regulators, investors and the public to measure how successfully AI developers are managing the risks, and whether AI systems are getting better or worse over time.

Without these mandated disclosures for AI and algorithmic systems, governments will fail to regulate what they don't understand.

Tim O'Reilly
Founder and Chief Executive, O'Reilly Media, Farnham, Surrey, UK

America is a friend, it's not trying to 'upstage' the UK

I always think a key part of true friendship is being happy when your friend succeeds or does something to acclaim. It is often said that Britain and the US have a special relationship, a true friendship, and that is why I was surprised to see the FT suggest that by announcing its own AI safety institute, the US was trying to "upstage" Britain (Report, November 2). To look at what Gina Raimondo, US commerce secretary, said at the AI safety summit — "we have to commit to a formal partnership between our safety institute and the UK's . . . we have to get to work together".

AI safety is a global issue and the Bletchley declaration is the first global agreement on frontier AI risks and opportunities. Let's be proud of Britain's role convening this unique group, and proud that our US friends chose to make such important speeches and statements here in Britain.

Viscount Camrose
Minister for AI & Intellectual Property, UK Department for Science, Innovation and Technology, London SW1, UK

Oil majors have 'destroyed value' for shareholders

I believe that David Sheppard's opinion piece should not be entitled "Oil megadeals usher in an age of energy uncertainty" but rather "Oil megadeals continue an age of energy stupidity" (Markets Insight, October 26).

Over the past decade through to this summer, the S&P 500 10-year stock price return was 8.99 per cent per year and shareholders earned a total return (capital appreciation plus dividends) of 9.83 per cent per year. The stocks of the oil majors, in contrast, fell 2.05 per cent per year and the total shareholder return was 1.94 per cent.

To put it simply, every investment the majors made destroyed value for shareholders, who would have been better off if the companies paid all spare cash in dividends and forgot about drilling wells or buying assets. That's the track record. Why does anyone think these guys are so smart?

Leonard Hyman
Sleepy Hollow, NY, US

Book fine forgiveness can pay dividends for libraries

Soumaya Keynes reminds us of the value libraries recoup when they abolish outstanding fines ("Are library fines reaching their denouement?", Opinion, October 20). The policy can pay a dividend as great as the encouragement of readers and the elimination of tedious accounting. So in 2012 when Chicago's public library system announced that it was forgiving all fines and late fees, 100,000 books were returned.

Barbara Newman
London W6, UK

A case of not seeing the forest for the trees?

Grayson Badgley's letter "Why carbon offsets are no answer to the climate crisis" (October 31) misses a crucial point. While correct in pointing out that a tree stores carbon for a few decades, versus millennia needed to reverse greenhouse gas emissions-linked global warming, it fails to recognise that forests, such as the Amazon, have persisted for the millennial-scale timeframes aspired to.

Perhaps a case of not seeing the forest for the trees? With the right incentives, including funding from carbon offsets, forests can survive and grow — hopefully for many millennia to come.

Barry MacCarthy
Chief Operating Officer, Go Balance London SE3, UK

Opinion

Step aside world, the US wants to write the AI rules

TECHNOLOGY

John Thornhill

Kamala Harris scores high marks for honesty even if she may not graduate top in diplomacy. Standing alongside US president Joe Biden before he signed Monday's executive order regulating artificial intelligence, the vice-president spelled out her country's intent to remain the world's technological hegemon and write its own rules of the game.

"Let us be clear: when it comes to AI, America is a global leader. It is American companies that lead the world in AI innovation. It is America that can catalyse global action and build global consensus in a way that no other country can," Harris said, pointedly. Then, she flew off to the UK government's Bletchley Park summit on AI safety.

The executive order, which focuses on current harms such as privacy, security, discrimination and disinformation, involves more than 25 government agencies. It is the most comprehensive attempt to date to regulate the world's biggest AI companies. It will prove far more consequential than the worthy but toothless Bletchley Declaration, agreed this week by 28 countries and the EU.

America's domination of AI research and development is hard to overstate. According to the 2023 State of AI report, the US produced more than 70 per cent of the most cited AI research papers over the past three years, followed by China and the UK. Led by Google, Meta and Microsoft, US-based companies and universities account for nine of the top 10 research institutions. The one exception, London-based DeepMind, was bought by Google in 2014.

The wealth, power and ambition of the three US tech giants remain unmatched. In 2022 the corporate trio generated revenues of almost $600bn; they have a combined market value of $5tn, more than double the value of the top 100 UK-listed companies ($2.4tn). The most significant generative AI start-ups are also based on the west coast, notably OpenAI, which launched ChatGPT last year, and Anthropic.

For the moment, there are few constraints on how they develop AI, other than their own codes of ethics.

> Whereas no politician was talking much about the subject a few years ago, it is now hard to shut them up

But Rishi Sunak, UK prime minister, said that international safety institutes would now test frontier models. The US confirmed it would emulate the British example by setting up its own safety institute.

Speaking at the US embassy in London, Harris, who has taken the lead in formulating the administration's AI policy, explained how Washington would scrutinise the big companies far more intrusively.

"History has shown that in the absence of regulation and strong government oversight, some tech companies choose to prioritise profit over the wellbeing of their customers, the safety of their communities and the stability of our democracies," she said.

Yet the administration will find it tough to turn its executive order into legislation, given the partisan divide in Washington. Meanwhile, China and the EU are adopting full-blown legislation of their own.

Even so, many participants hailed the Bletchley summit, with its focus on AI's extreme risks, as a success. The UK government did a remarkable job of convening many of the world's top researchers alongside political leaders. US and Chinese officials shared a stage.

And the summit's main goal was to start a global conversation about frontier AI models: here, it certainly succeeded. Whereas no politician was talking much about AI a few years ago, it is now hard to shut them up on the subject. The UK is keen that the Bletchley summit leaves a lasting legacy. South Korea and France will conduct two further safety summits over the next year.

The biggest unanswered question from Bletchley, though, was whether profit-seeking companies are the best organisations to pursue artificial general intelligence, when computers may one day supersede human intelligence across every domain. To pursue that mission, some experts have called for a collaborative international research agency akin to Cern.

It was striking that Demis Hassabis, co-founder of DeepMind, expressed doubts about whether the Silicon Valley ethos, typified by the mantra "move fast and break things", was the best approach. "AI is too important a technology, I would say, too transformative a technology to do it in that way," he told the BBC. "We should be looking at the scientific method."

The agenda for the next AI safety summit should start right there.

The writer is founder of Sifted, an FT-backed site about European start-ups

Boardrooms face new woes on ransomware

FINANCE

Gillian Tett

Efi Chalikopoulou

This week, techie eyes have been fastened on Bletchley Park in Britain, where the UK government has been trying to launch cross-border collaboration against artificial intelligence threats — with mixed success.

However, over in Washington another global digital initiative has been unfolding too: the International Counter Ransomware Initiative (CRI) held its third meeting on Wednesday to fight the malware attacks that encrypt computer files to prevent access, unless a ransom is paid. This has not grabbed headlines. But it should probably matter more for investors than the flashy Bletchley summit — at least for now.

For one message from this week's CRI event is that the White House and its western allies want to stop institutions from paying cyber ransoms. This could create new corporate boardroom headaches — and controversy around the morally-tangled role of insurance companies.

To understand why, a little background will be needed. In recent years, ransomware attacks have exploded in scale, as criminals increasingly engage in "big game hunting" — attacking deep-pocketed groups, as the consultancy Chainanalysis noted in a recent report.

The numbers are startling. A survey by Splunk consultancy says that 90 per cent of companies were hit by ransomware attacks this year, while a poll by Cybereason consultancy suggests that 73 per cent of companies have experienced a ransomware attack in the previous 24 months — up from 55 per cent in 2021. Meanwhile, security consultants guess that ransomware attacks generated $20bn of losses in 2021 — and project a tripling in 2026.

The White House has strong self-interest in fighting this: Anne Neuberger, deputy national security adviser in the Biden administration, says that 46 per cent of recent ransomware attacks involved American companies.

But Neuberger has no hope of tackling the problem without both cross-border and public-private sector collaboration. Hence Washington's hosting of the CRI.

The good news is that on the first point, cross-border governmental collaboration, progress is accelerating. This week, the 50 members of the CRI adopted protocols around information sharing and, most importantly, jointly called for an end to ransom payments.

But the bad news is that this pledge only covers the institutions directly controlled by those governments — and the private sector seems unlikely to comply. On the contrary, Splunk's research suggests that 83 per cent of companies attacked in the past year did pay a ransom, exceeding $100,000 in more than half of all cases.

One reason is that hackers usually set their ransom demands well below the likely financial hit from data breaches. Another is that companies are increasingly buying cyber insurance to transfer the costs.

That makes it rational for companies to furtively pay up, at least from a short-term, individual perspective; and doubly so given the opacity of this world. But this also makes the problem worse for the system as a whole, since it encourages more attacks — particularly against insured groups.

So, as a survey by the Barracuda consultancy notes, while "companies with cyber insurance were more likely to pay the ransom to get their data back", some "77 per cent of organisations with cyber insurance were hit by a successful ransomware attack, compared to 65 per cent without cyber insurance".

> The White House and its western allies want to stop institutions paying 'big game hunting' criminals

Meanwhile, Cybereason found that 80 per cent of organisations that paid a ransom demand were hit by ransomware a second time. Apparently, in 68 per cent of cases the second attack came less than a month later — and with bigger ransom demands. Ouch.

The White House is pushing the insurance industry to change. "The insurance market fuelled that rise in ransomware because they made payment of ransoms far easier to happen," Brandon Wales, director of the Cybersecurity and Infrastructure Security Agency said this year, noting that "insurance companies didn't price the market correctly".

However, not everyone accepts the insurers are at fault: a study commissioned by Britain's National Cyber Security Centre this summer argued that "the conclusion that ransomware operators are deliberately targeting organisations with insurance has been overstated".

In any case, there is little sign that insurance companies are ready to roll over. "Companies want this [insurance], so we are offering it," one senior insurance executive tells me. "It's business." Or, as an economist might say, there is a collective action problem.

This might eventually prompt the White House to use more draconian measures, such as invoking money-laundering rules to punish those paying ransoms. In the meantime, expect to hear more rhetoric from America about the need for reform.

Don't hold your breath that this will work; with ransomware, as in AI, it is hard to persuade companies to champion collective long-term digital interests over their individual short-term incentives.

Either way, the worse the problem gets, the more pressure for governments to act — and for insurance companies to come out of the shadows and discuss their contradictory role in this dark side of the digital world.

gillian.tett@ft.com

India must avoid squandering its economic potential

Eswar Prasad

The Indian economy is doing exceptionally well, with many reforms undertaken in past years finally paying off and paving the way for solid growth. Still, there are several blemishes on this growth and the government could yet squander a favourable constellation of domestic factors and geopolitical realignments.

The good news is compelling. India is likely to register the highest growth rate among major economies this year, and some prognosticators give its economy short odds of one day rivalling America's in size. The nation boasts political stability, a young and growing labour force and a rising middle class, all of which have made it the darling of foreign equity investors.

It is a landing spot for manufacturers looking for alternatives to China as supply chain bases, and prime minister Narendra Modi's government has staked out the country's independence in pursuing its own economic interests.

India's economic success is thanks to a number of reforms the Modi administration has undertaken, building on some measures taken by the previous government. A national goods and services tax has led to the elimination of state-level taxes that acted as barriers to interstate commerce. Labour regulations have been streamlined, with many states taking advantage to ease restrictions on hiring and firing workers. Government spending has upgraded the physical infrastructure, from roads to ports.

Macroeconomic policies are also largely in order. The banking system is in decent shape thanks to the Reserve Bank of India's oversight. The operational independence given to the central bank to run monetary policy has helped stave off runaway inflation. The government seems committed to fiscal discipline and to reining in the high level of public debt.

Most of all, the digitisation of the economy has been transformational. Digital payments have become the norm and even low-income households have access to bank accounts for managing savings and credit. The government now makes cash transfers to indigent households rather than subsidising their food and energy purchases, which was an inefficient use of state money and fuelled corruption. The formalisation of the economy has reduced various frictions to doing business.

Extrapolating India's current growth into the future is, however, a fraught exercise. The country's infrastructure still has many gaps in supporting a vibrant manufacturing sector. The educational system is not equipping young people with the vocational and technical skills needed for a modern economy. Job growth has been weak, with little net employment creation in the manufacturing and services sectors. A young labour force with dim prospects of economic advancement raises risks of social instability, turning one of India's boons into a curse.

> In the run-up to elections, unfinished reforms could take a back seat to Modi's nationalistic social agenda

Endemic corruption continues to hold back overall business dynamism. A few politically well-connected conglomerates have accounted for a significant share of growth, leading to a concentration of economic power. Small businesses still face the tedium of dealing with corruption at many levels of government. Weak private investment, including in infrastructure, and the recent fall-off in foreign direct investment inflows, are indicators of the problems that still bedevil enterprise in the manufacturing and services sectors.

Agriculture remains important to the Indian economy and accounts for large fractions of employment and recent employment growth, which is discouraging as it is intrinsically a low-productivity sector. The Modi government looked willing to pay the political price for much-needed agrarian reforms, including to the government-managed procurement and pricing systems. But it backed off in 2021 when the political price proved too high.

This is a troubling portent. In the run-up to national elections next year, the unfinished reform agenda could take a back seat to the government's nationalistic and conservative social agenda. Another concern is the attrition of India's institutional framework. A well-functioning legal system, a free press, and other checks and balances are key to maintaining investor confidence. Each of these pillars has been eroded in recent years by a government prickly about criticism, hampering oversight of the corporate sector and limiting government accountability.

India's enormous promise will go wanting if the government switches into triumphalist mode rather than pushing forward with the unfinished economic reform agenda and bolstering its institutions. There is much work ahead to ensure that the nation's moment in the sun does not prove fleeting.

The writer is a professor at Cornell, a senior fellow at Brookings and author of 'The Future of Money'

Israel should recall the failures of the 1982 Lebanon war

Peter Ricketts

Each military operation is different, but none is wholly unprecedented. Drawing parallels with past wars can shed light on how present conflicts might play out, especially if policymakers repeat the same mistakes.

The Gaza crisis carries strong echoes for me of the 1982 Israeli invasion of Lebanon. I was then the Arab-Israel desk officer in the UK Foreign Office. Tensions had been building on Israel's northern border ever since the Palestine Liberation Organisation was driven out of Jordan in 1970 and became the dominant force in southern Lebanon. There were some Israeli civilian casualties, although nothing remotely comparable to the terrorist atrocity committed by Hamas on October 7.

The attempted assassination of the Israeli ambassador in London in June 1982 provided the pretext defence minister Ariel Sharon had been looking for to drive the PLO out of Lebanon. Israeli forces mounted a full-scale invasion — for seven weeks, they laid siege to the western part of Beirut, where the PLO had its HQ, cutting off food, water and power. The US, increasingly critical of Israeli attacks on civilian targets, brokered a deal under which the PLO leaders and some 14,000 fighters left Lebanon for Tunis in August and September.

For a brief moment, Sharon seemed to have achieved a remarkable victory. Then it all went wrong. The new president-elect of Lebanon and Israeli ally, Bashir Gemayel, was assassinated. In retaliation, supporters of Gemayel massacred Palestinian civilians in the Sabra and Shatila refugee camps.

> Driving an adversary from power without a plan on what comes next does not lead to greater security

Under pressure from the US and European governments and domestic opinion, the Israeli government pulled its forces back from Beirut, before a near-total withdrawal in 1985. This left a weak and unstable Lebanese government, unable to prevent Syria tightening its grip on the country, or Hizbollah with Iranian backing establishing itself in the south.

The Israeli experience in Lebanon matched the lesson the US and UK later learnt so painfully in Afghanistan, Iraq and Libya. Military interventions alone do not achieve political objectives. Driving an adversary from power without a viable plan on what comes next does not lead to greater security.

Israeli spokesmen have said little about what if any plans they have for Gaza when the fighting stops. The emphasis has been on destroying Hamas and then constructing a more impenetrable border with a buffer zone.

Hard though it is to think beyond the immediate pressures of war, the government of Benjamin Netanyahu badly needs a strategy for stability in Gaza if it is to achieve lasting security for the people of Israel. Once the fighting is over, there will be a massive need for humanitarian aid and reconstruction. An interim authority will have to be established capable of maintaining order and overseeing the emergence of a more moderate Palestinian leadership able to stand up for the interests of the people of Gaza.

That is a very tall order. Israel's relations with the UN are so bad that it is difficult to imagine a UN administration of the territory. The Gulf states and other moderate Arab regimes are the only conceivable source of funds and personnel to undertake such a daunting task. But this will only happen if Israel makes it possible by the way it conducts the war, and by working with those who might be willing to shoulder the postwar burden.

At the start of the 1982 Lebanon war, Israeli prime minister Menachem Begin promised that it would bring 40 years of peace. In this period, Hizbollah has developed into a far more potent threat to Israel's security than Hamas. The choices made in the coming weeks will determine whether the citizens of both Israel and Gaza can hope to live in security or will remain trapped in an unending cycle of violence.

The writer is a former British diplomat and author of 'Hard Choices'

Lex.

Twitter: @FTLex

Sainsbury's/Tesco: two's a crowd

"AI" is 2023's word of the year. In the noughties, "Tescopoly" and "Tescoisation" were contenders. They referred to the dominant position of the UK's largest supermarket chain. Such rants are uncommon these days. Tesco lost its mojo for a while. German discounters such as Aldi and Lidl took advantage of its lapse.

The noughties may now be repeating. J Sainsbury yesterday followed Tesco in reporting market share gains. Collectively, Tesco and Sainsbury's now dominate 42.2 per cent of the market, according to Kantar Worldpanel, a data group. That is up from 41.7 per cent a year ago.

No one is railing against a "Sainscopoly" just yet. Joint market share remains well below a peak of 47.5 per cent in 2011. Nevertheless, the pair are poised for progress.

Competitors such as Wm Morrison and Asda, which account for more than a fifth of the market, are struggling with highly leveraged balance sheets.

For Sainsbury's chief Simon Roberts, the improvement is the culmination of a three-year strategy. When he joined in 2020, Sainsbury's was a relatively expensive place to shop. He has since invested nearly £700mn in prices. A £1.3bn savings plan, of which £1.1bn is already in the bag, has helped.

First-half food sales rose 10.1 per cent, although a poor performance at general merchandiser Argos meant underlying pre-tax profit remained flat at £340mn.

Sainsbury's and Tesco shares have gained more than 20 per cent this year. Of the two, Tesco's shares look like the better bargain at 11 times forward earnings versus 12 times for Sainsbury's.

Can they maintain momentum? Sainsbury's must continue improving sales volumes to improve its skinny retail operating margin of 2.91 per cent. That could be a tall order in a slowing economy.

The pair have balance sheet strength on their side. Sainsbury's net debt to ebitda ratio improved to 2.6 times at the end of the first half, after generating retail free cash flow of £520mn. It is virtually ungeared when supermarket leases are excluded, says Clive Black of Shore Capital.

That would give them firepower in a price war. This would forestall any revival of populist anti-grocerism. Campaigns against Tesco in the noughties failed largely because its prices were too low.

Atos/Křetínský: Daniel, meet lions

Foreign rescues can cause tension. That applies to the intervention of Daniel Křetínský at French IT group Atos. Its interests in cyber defence mean a potential stake for the Czech billionaire is making politicians nervous.

A deal that would break up Atos is also irking some shareholders. That emotion was seconded by rival IT consultancy Onepoint that announced a 10 per cent exposure this week.

Hopes of better terms jumped with the arrival of troubleshooter chair Jean-Pierre Mustier in October. The ex-UniCredit boss has the unenviable job of salvaging a deal signed by predecessor Bertrand Meunier. Terms weighted heavily in Křetínský's favour must be fixed or face rejection when shareholders vote some time next year.

Atos's big problem is a shrinking legacy outsourcing business coupled with a faster-growing digital services arm. Onepoint offered to pay €4.2bn for the latter part last year, including debts. The entire company now has an enterprise value of just over €4bn.

The current deal would sell the legacy unit to Křetínský while shareholders kept the racier part. But when they saw Křetínský would pay just €100mn for it, the share price fell.

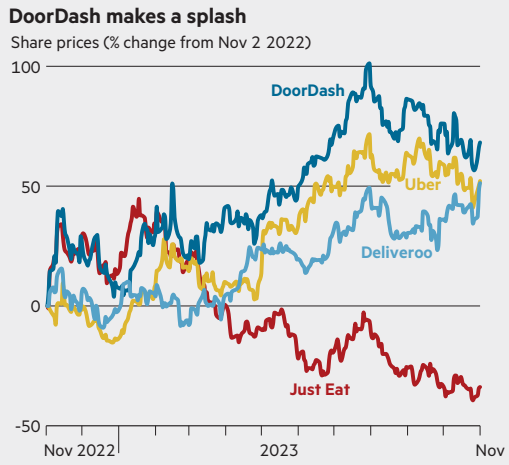
Moreover, while Křetínský would take on some balance sheet liabilities such as pensions and leases, no debt would be transferred. But he would receive €800mn of working capital. In effect, Křetínský would take over a business for next to nothing and one that might generate an operating profit of €200mn a year by 2025, according to consensus estimates.

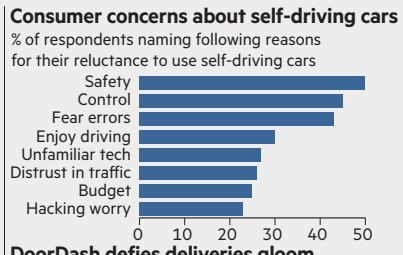
The only catch was that Křetínský promised to contribute to an equity capital raise for the digital business. This would remain listed under the new name Eviden. The tycoon would own about 7 per cent for a contribution of about €200mn.

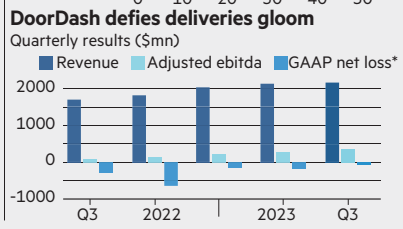
Shareholder pushback has already delayed a vote until spring. Onepoint's intervention confirms the deal is dead. It is time for Křetínský to channel his efforts into less controversial pursuits.

DoorDash: the gig is up

Shares in the US-based deliveries business have outperformed those of its peers, despite public concerns about the self-driving vehicles the group hopes will reduce its cost base. DoorDash's financial metrics are moving in the right direction as sales rise and losses narrow.







FT graphic Sources: S&P Capital IQ; BCG; World Economic Forum; DoorDash

* includes redeemable non-contolling interests

The annihilation of delivery start-ups aids the prospects of those left standing. Companies promising to have orders on customer doorsteps in a matter of minutes are disappearing equally speedily.

DoorDash chief executive Tony Xu has taken the opportunity to grow.

Acquisitions such as the $45mn purchase of Wolt, a Finnish delivery start-up, have lifted order volumes.

US-based DoorDash has expanded overseas and added convenience and grocery store items as well as advertising to the core US restaurant delivery business.

Expansion comes at the cost of ongoing losses. The gig economy business was founded in 2003. It listed in late 2020. It delivers more than half a billion orders per quarter. Yet it reported a net loss of $75mn in the three months to September 30.

Serious cost-cutting is unlikely in the near future. DoorDash partnered with Cruise Automation, which is developing autonomous vehicles, four years ago. In the future, robo cars could spare the company dealings with drivers and regulators trying to reform jobs markets.

But the suspension of Cruise vehicles in San Francisco last month following an accident suggests driverless deliveries are some way off.

Marketing spend must stay high to compete with rivals such as Amazon, Uber and Grubhub. Stock-based pay is dragging on net income.

There are good grounds for scepticism towards companies specialising in online deliveries. These include low barriers to entry and fierce competition.

But consider DoorDash's net revenue margin, or "take rate", and the trajectory looks more encouraging. Gross order value tots up all of the things ordered via DoorDash, including restaurant food, groceries and convenience items. It reached $16.75bn in the last quarter.

From this, DoorDash's revenue was $2.2bn. That is a 12.9 per cent take rate, up from 12.6 per cent the previous year. A rising number shows volume growth exceeds the increase in operating costs. If it keeps moving in the right direction, it will support DoorDash's expansion plans.

Deckers: sole mate

The sneaker market has run itself ragged. Blame bloated inventories, weakening demand in North America and China's uneven recovery. Some of America's biggest footwear stocks, including Nike and Under Armor, have lost ground this year.

Deckers Outdoor is bucking the trend. The stock is up 52 per cent this year and has more than doubled since July 2022. The secret to its success? Hoka, a fast-growing line of high-performance running shoes that are as comfortable as they are ugly.

The brand, which Deckers acquired for about $1.1mn in 2012, pulled in $1.4bn in revenue last year. In results for the second fiscal quarter, Hoka sales grew 27 per cent year on year to $424mn. At this pace, it could overtake Ugg as Deckers' biggest brand.

The bulbous sneakers have found fans among streetwear and fashion types as well as runners. In a call with analysts, Nike singled out the running shoe business as "a competitive battlefield".

Hoka's rise has diversified Deckers' revenue stream. It is no longer reliant on seasonal sales of Ugg sheepskin boots. Peddling in-demand brands to affluent customers aids pricing power.

The gross margin rose to 53 per cent in the last quarter, up from 48 per cent in the year-ago period. At Nike, gross margin fell 10 basis points to 44 per cent in the most recent quarter.

Deckers made operating income of $224.6mn in the quarter, compared with $128mn last time.

The shares are trading on just 24 times forward earnings, according to S&P CIQ. That is a shade above the three-year average and below Nike at 26 times. Switzerland's On Holding, another up-and-coming sneaker brand, trades on a multiple of 39 times.

The stock has room to run higher, given Deckers' strong cash position and clean balance sheet. It held $823mn in cash and cash equivalents as of September 30 and has no outstanding debt. The company is really hitting its stride.

Cedar Fair/Six Flags: scream to go faster

It is natural to clutch your companion anxiously during a sheer drop on a rollercoaster. That explains the tight embrace in which US amusement park operators Cedar Fair and Six Flags are locked. The economy is showing signs of dipping in response to persistently high interest rates.

The pair yesterday announced an all-stock merger. They will make roughly equal contributions to a combined business with an $8bn enterprise value. Like most such deals, this one has defensive characteristics.

Amusement parks have been huge boons for the likes of Disney and Comcast. The businesses generated massive cash flow from post-pandemic "revenge" travel that propped up broader entertainment conglomerates.

For Cedar Fair and Six Flags it would be enough to triumph in their core business. It makes sense for them to pool their 42 locations across America and shed subscale status.

Both groups have borrowings that exceed their equity values, with respective debt-to-ebitda ratios above four times. Free cash flow (ebitda less capex) is expected to jump by a third.

The partners hope to cut costs and persuade customers to visit parks in the extended network using a loyalty pass. A wider geographic footprint should also reduce bad weather losses.

Driving maximum traffic is crucial. Amusement parks have high fixed costs and require regular capital outlay. Profits have rallied sharply in the past two years. But operating margins have struggled to reach 2019 levels.

Cedar Fair shareholders will own 51 per cent of the company, with Six Flags owners getting the rest. That is right in line with respective contributions of unlevered free cash flow, adjusted for net debts. Cedar Fair pays a quarterly dividend while Six Flags does not. As such, shareholders in the latter will get at least a $1 cash payout.

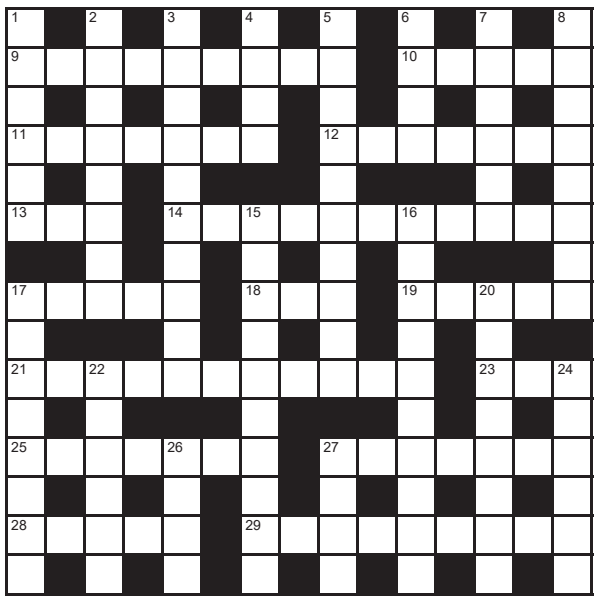
This leaves the partners hoping for the best, like the rest of US business. The difference is this well-matched duo is also prepared for the worst.

FT Lex on the web
For notes on today's stories go to www.ft.com/lex

NIKKEI Asia The voice of the Asian century

CROSSWORD

No 17,565 Set by PHSSTHPOK



ACROSS

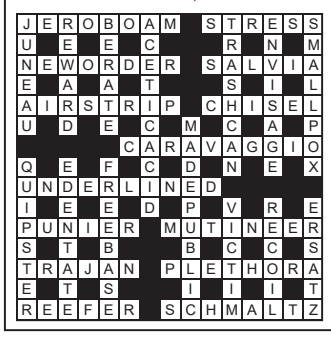
9 Briefly, Duke of Edinburgh and the Queen carry on (9)
10 Falls back after army destroyed once more (5)
11 Let it stand on child's hat (7)
12 Rides fighter plane to partisan (7)
13 Be quiet and finally choose pronoun (3)
14 Taking away cast-iron tub in pieces (11)
17 Fish soup's oddly hot on island (5)
18 Born in endless poverty (3)
19 The soldier cut up cube (5)
21 Pot might be this diversion (11)
23 Barnet Hospital eradicated strain (3)
25 Queen Alex's tempers (7)
27 What to do with grass profit (4,3)
28 Compound fracture set by A&E in America (5)
29 Some twins are rioting in citadel (9)

DOWN

1 Fits spelling to a text (6)
2 We barely received infrared radio (8)
3 Sitting next to too many cars playing music (3,7)
4 God of silence? (4)
5 Promoting what misogynist does with Tesla (10)
6 Green regulation covers nitrogen (4)
7 Used to be type attracted to both sexes — it's very hot (6)
8 Using hidden detail in fingerprint, ran Ethereum network (8)
15 Trap mad relatives (6,4)
16 Caught man, a rider, with woman who is mean (10)
17 Minced animal fodder eaten by soldiers outside of England (8)
20 What's shown on computer chip as limits to greater processing (8)
22 Local crew picked up native (6)
24 In revolution, execute alternative King and Queen (6)
26 A witty listing (4)
27 Timid maiden's shocked expression (4)*

JOTTER PAD

Solution 17,564



You can now solve our crosswords in the FT crossword app at ft.com/crosswordapp

Get the business insights you need to succeed in Asia
Visit asia.nikkei.com

Advertisement

RICHEMONT

RICHEMONT warrants to be exercised before 22 November 2023, noon

Shareholders who own Richemont 'A' warrants (W221123 code ISIN CH0559601544) as part of Richemont's Equity-based Loyalty Scheme are reminded to exercise their 'A' warrants from 9.00 a.m. CET on 20 November 2023 until 12.00 (noon) CET on 22 November 2023.

As a reminder, 67 warrants are required to acquire one Richemont 'A' share, at an exercise price of CHF 67 per share. Given Richemont's share price closed at CHF 106.80 on 1 November 2023, these warrants are of value and should be exercised before they lapse as long as our share price remains above CHF 67 by 20 November.

Please note that conversion is not automatic. If you do not take action, your warrants will lapse and be worthless.

If the number of warrants you own is not a multiple of 67, you can either sell or purchase additional warrants to reach a multiple of 67 until 15 November 2023 when the warrants ceased trading.

Warrant holders should contact their stockbroker for assistance.