# FINANCIAL TIMES

MONDAY 2 MAY 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

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**Race for the exit**
Companies face 'dance with the devil' to escape Russia — PAGE 7

**Cold comfort**
Xi's zero-Covid drive threatens China with economic chill — PAGE 3

**Quiet please**
How to make a big impression by saying little — PILITA CLARK, PAGE 18

## Paris flare-up
## French unions warn Macron

Thomas Coex/AFP via Getty Images

Protesters march in Paris yesterday as tens of thousands of people joined May Day rallies across France, with newly re-elected president Emmanuel Macron's plans for pensions reform a main target for dissent.

A week after Macron saw off far-right leader Marine Le Pen to win a second presidential term, unions seized on the traditional French labour day marches to flex their muscles amid push back over some of his proposals, including a plan to raise the retirement age.

The protests were marred by clashes between "black bloc" anarchists and police in the capital, where a real estate office, bank branches and a McDonald's restaurant were attacked.

**Heat on Macron** page 4

# China tells banks to look at ways of shielding assets from US sanctions

- Beijing fears penalties in event of regional strife
- Berlin presses for EU ban on Russia oil

SUN YU — BEIJING

Chinese regulators have held an emergency meeting with domestic and foreign banks to assess how they could protect the country's overseas assets from US-led sanctions similar to those imposed on Russia for its invasion of Ukraine, according to people familiar with the discussion.

Officials are worried the same measures might be taken against Beijing in the event of a regional military conflict or other crisis. President Xi Jinping's administration has maintained staunch support for Vladimir Putin throughout the crisis but Chinese banks and companies remain wary of transacting any business with Russian entities that could trigger US sanctions.

The US and western allies imposed unprecedented penalties on Russia for its invasion of Ukraine in February, including sanctions on its central bank and restrictions on its access to the dollar-dominated global financial system.

Brussels is drawing up a sixth package of sanctions on Russia. The measures are expected to target Russian oil, banks and more individuals and companies.

Germany called yesterday for a phased-in ban on Russian oil imports into the EU, stepping up pressure on Brussels to find a deal between divided member states ahead of a crunch week for the bloc's policy on Russian energy.

Officials from China's central bank and finance ministry, as well as executives from dozens of local and international lenders including HSBC, met on April 22 to discuss the threat of sanctions, the people said. The ministry of finance said at the meeting that all large foreign and domestic banks operating in China were represented.

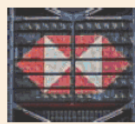
Andrew Collier, managing director of Orient Capital Research in Hong Kong, said the Chinese government was right to be concerned "because it has very few alternatives and the consequences [of US financial sanctions] are disastrous".

Senior regulators including Yi Huiman, chair of the China Securities Regulatory Commission, asked bankers in attendance what could be done to protect the nation's overseas assets, especially its $3.2tn in foreign reserves.

China's vast dollar-denominated holdings range from more than $1tn US Treasury bonds to New York office buildings. "No one on site could think of a good solution to the problem," said another person briefed on the meeting. "China's banking system isn't prepared for a freeze of its dollar assets or exclusion from the Swift messaging system."

HSBC did not respond to a request for comment. Some bankers present doubted whether Washington could afford to cut ties with China, given its economy's size, huge holdings of dollar assets and close US trade relationship.

*Additional reporting by Tabby Kinder in Hong Kong, Guy Chazan in Berlin and Henry Foy in Brussels*



HSBC was called to the April 22 meeting by regulators, along with all large foreign and domestic banks operating in China

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## Briefing

▸ **Multinationals' production lines creak**
Covid-19 lockdowns across China have snarled up supply chains, with companies including Apple, Coca-Cola, General Electric and Pernod Ricard warning of the impact on their results.— PAGE 6

▸ **Tata Steel to stop buying Russian coal**
The biggest Indian importer of Russian coal has secured alternative supplies, saying dealings "with Russian suppliers and bankers come with a lot of uncertainties" because of sanctions.— PAGE 6

▸ **US and UK co-operate on Taiwan threat**
Washington has held top-level talks with London over how they can co-operate more closely to reduce the chances of war with China over Taiwan and to explore conflict contingency plans.— PAGE 4

▸ **Gates urges health risk warning system**

Microsoft founder Bill Gates has called for the creation of a team of international experts to identify global health threats and better co-ordinate action between nations.— PAGE 3

▸ **Insurance premiums given fresh jolt**
Industry experts have warned that Russia's war in Ukraine will provide fresh impetus to a multiyear rally in commercial insurance prices. The sector is braced for billions of dollars of payouts.— PAGE 8

▸ **Daimler Buses predicts slow going**
The world's largest coach and bus manufacturer has said it does not expect demand in Europe to return to pre-pandemic levels for three more years, despite intercity travel's bouncing back strongly.— PAGE 8

▸ **Africa's biggest vaccine plant shut down**
Production at the site in South Africa has been halted for a month because of a collapse in demand, putting in jeopardy efforts to build a homegrown vaccines industry on the continent.— PAGE 4

## Datawatch

**In the red**
Low-income countries by debt-risk rating (%)

Source: UN Financing for Sustainable Development Report 2022

The UN says the world needs to address rising debt risks and the high cost of borrowing for developing countries. Sixty per cent of the poorest countries are in, or are at high risk of, debt distress — double the levels in 2015

### Netanyahu plots his return as ruling coalition wobbles

Benjamin Netanyahu has returned to public life to attack Naftali Bennett, his replacement as Israel's prime minister, for being 'weak' and for 'cheating' his way to power. With his corruption trial proceeding at a glacial pace, Netanyahu spotted his moment when the ruling coalition's parliamentary majority was erased by a defection. But most observers are sceptical that he can now succeed where he failed four times: to win an outright majority.

**Taking aim** ▸ PAGE 4

# Truck shortage replaces driver deficit as biggest brake on global supply lines

DELPHINE STRAUSS — LONDON

Haulage companies that spent last year battling to hire drivers now have a new problem: a shortage of trucks.

On both sides of the Atlantic, rising wages have helped lure workers back on the road after a lack of drivers strained the industry to breaking point, leaving shipping containers stranded at ports on the US west coast and petrol pumps running dry on British forecourts.

But a shortfall of equipment — due originally to coronavirus restrictions and chip shortages — is becoming more severe as Russia's invasion of Ukraine shuts down the supply of key components and Chinese lockdowns threaten further turmoil in global supply chains.

"The driver has been the biggest constraint of the last two years . . . The bigger supply constraint now is the truck, and to some extent the trailer," said Tim Denoyer, analyst at Indiana-based ACT Research.

Rico Luman, an economist at ING, said some European truckmakers were taking no more orders because their backlogs were so long, while others could not quote a price because they were unsure of the cost of raw materials for vehicles that might be delivered "far into" next year.

European figures for new truck registrations showed deliveries were still around 20 per cent below pre-pandemic levels, he added. "Trucks one to two years old are almost the same price as new ones at the moment: there is no option B to get spare capacity."

Kieran Smith, chief executive of the recruitment agency Driver Require, said vehicle availability at the operators he worked with had dropped noticeably because of a lack of spare parts. "We are struggling to keep the UK fleet on the road."

Higher pay and the easing of the Omicron coronavirus wave have alleviated worker shortages in the US and the UK.

"A year ago we were bleeding drivers all over as a result of Covid," said Rod McKenzie, head of policy at the Road Haulage Association in the UK. "Now things are really easing." McKenzie estimated that a shortfall of 100,000 drivers had dropped to about 65,000.

Luis Gomez, president of XPO Logistics Europe, said vacancies had fallen and wages had stabilised, with job seekers giving priority to shift patterns that offered a better work-life balance.

Ken Hoexter, an analyst at Bank of America, said shippers in the US were also reporting weaker demand as fuel prices soared.

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## World Markets

STOCK MARKETS

| | Apr 29 | Apr 22 | %Week |
|---|---|---|---|
| S&P 500 | 4216.63 | 4271.78 | -1.29 |
| Nasdaq Composite | 12646.41 | 12839.29 | -1.50 |
| Dow Jones Ind | 33557.16 | 33811.40 | -0.75 |
| FTSEurofirst 300 | 1763.38 | 1772.32 | -0.50 |
| Euro Stoxx 50 | 3798.88 | 3840.01 | -1.07 |
| FTSE 100 | 7544.55 | 7521.68 | 0.30 |
| FTSE All-Share | 4185.12 | 4180.65 | 0.11 |
| CAC 40 | 6533.77 | 6581.42 | -0.72 |
| Xetra Dax | 14097.88 | 14142.09 | -0.31 |
| Nikkei | 26847.90 | 27553.06 | -2.56 |
| Hang Seng | 21089.39 | 20682.22 | 1.97 |
| MSCI World $ | 2861.55 | - | |
| MSCI EM $ | 1053.82 | - | |
| MSCI ACWI $ | 665.80 | - | |

CURRENCIES

| | Apr 29 | Apr 22 |
|---|---|---|
| $ per € | 1.055 | 1.078 |
| $ per £ | 1.256 | 1.284 |
| £ per € | 0.840 | 0.839 |
| ¥ per $ | 129.560 | 128.465 |
| ¥ per £ | 162.662 | 164.982 |
| SFr per € | 1.024 | 1.032 |
| € per $ | 0.948 | 0.928 |

| | Apr 29 | Apr 22 |
|---|---|---|
| £ per $ | 0.797 | 0.779 |
| € per £ | 1.190 | 1.192 |
| ¥ per € | 136.680 | 138.428 |
| £ index | 79.947 | 81.818 |
| SFr per £ | 1.219 | 1.230 |

COMMODITIES

| | Apr 29 | Apr 22 | %Week |
|---|---|---|---|
| Oil WTI $ | 106.49 | 101.95 | 4.45 |
| Oil Brent $ | 108.67 | 106.31 | 2.22 |
| Gold $ | 1888.50 | 1943.70 | -2.84 |

INTEREST RATES

| | price | yield | chg |
|---|---|---|---|
| US Gov 10 yr | 91.92 | 2.90 | 0.04 |
| UK Gov 10 yr | 121.78 | 1.90 | 0.03 |
| Ger Gov 10 yr | 91.61 | 0.94 | 0.04 |
| Jpn Gov 10 yr | 99.86 | 0.21 | 0.00 |
| US Gov 30 yr | 87.22 | 2.96 | 0.01 |
| Ger Gov 2 yr | 99.67 | 0.25 | 0.08 |

| | price | prev | chg |
|---|---|---|---|
| Fed Funds Eff | 0.20 | 0.08 | 0.12 |
| US 3m Bills | 0.82 | 0.82 | 0.00 |
| Euro Libor 3m | -0.58 | -0.58 | 0.00 |
| UK 3m | 1.21 | 1.21 | 0.00 |

Prices are latest for edition — Data provided by Morningstar

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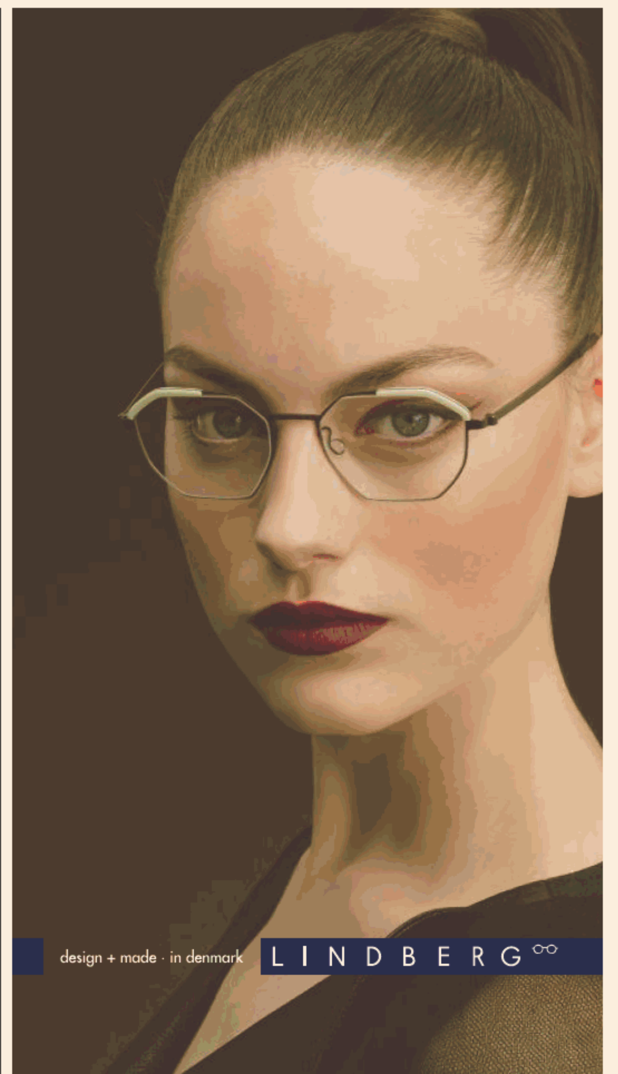

Brussels initiative

# EU plans to boost emergency funds for Kyiv

Attempt at fresh round of lending follows appeal for urgent assistance

SAM FLEMING, BEN HALL AND JONATHAN WHEATLEY

Brussels is drawing up plans for another round of emergency lending to Ukraine as it seeks to contribute to efforts by allies to plug a government financing gap running to billions of euros a month.

Valdis Dombrovskis, European Commission executive vice-president in charge of economic policy, said that EU officials were looking to accelerate a payment of €600mn under the bloc's existing emergency support plan and also to bring forward another round of lending.

This could be achieved either by topping up the funding or extending a fresh emergency loan, he said. "We are currently assessing both options. The aim is to really bridge this financing gap," Dombrovskis told the Financial Times.

Ukraine's finance minister last month appealed for immediate financial support of tens of billions of dollars to plug a fiscal deficit caused by Russia's invasion of the country. Sergii Marchenko said government spending would exceed revenues by between $5bn and $7bn a month as the war continued.

Kristalina Georgieva, the IMF's managing director, subsequently estimated that Ukraine would need $15bn over three months to prop up its finances.

Marchenko said the response from foreign governments and multilateral institutions to its appeals for assistance had been positive but the commitments made were far smaller than Ukraine's needs.

The IMF, World Bank, US, UK and other donors "agreed on our estimation of our needs," he said. "Now it is time to fill the glass."

Dombrovskis revealed the EU's latest plan on Wednesday, a day ahead of an announcement by US president Joe Biden of a request to Congress for a Ukraine-related package that included $8.5bn in economic aid for Kyiv. Other western partners have also come forward with support for the country, including Canada and EU member states via bilateral facilities.

The EU this year agreed on a €1.2bn emergency package of macro-financial assistance, on top of its regular support for Ukraine. So far Ukraine has had only about $4.6bn in budgetary support from foreign donors and lenders.

It has also raised about $3.7bn by selling war bonds on local markets, including $800mn last week, according to the finance ministry. At least $1.4bn of the bonds were bought by the central bank, a form of money printing Marchenko said Ukraine was reluctant to repeat.

From April to December, Ukraine faces local and external debt repayments of about $15bn, bringing its estimated gross financing needs to the end of the year to between $40bn and $50bn, according to Timothy Ash, senior emerging market debt strategist at BlueBay Asset Management.

Marchenko said keeping up debt repayments was a priority as the government wanted to retain access to local and international capital markets. But at some point, analysts think Kyiv's debt will be restructured. "When hostilities end I can't imagine [restructuring the debt] won't come under discussion, and private-sector involvement will surely be part of that," Ash said.

Sanctions

## Berlin urges phased ban on Russian oil imports into the EU

GUY CHAZAN — BERLIN
HENRY FOY — BRUSSELS
MARTON DUNAI — BUDAPEST

**Germany has called for a ban to be phased in on Russian oil imports to the EU, stepping up pressure on Brussels to find a deal between divided member states ahead of a crunch week for the bloc's policy on Russian energy.**

Jörg Kukies, one of Chancellor Olaf Scholz's closest advisers, said Berlin was in favour of an oil embargo, but needed a "few months" to prepare for an end to Russian crude shipments. Germany had previously said it would need until the end of the year.

With the EU this week discussing its toughest sanctions yet on Moscow, Berlin's willingness to speed up its timetable increases the likelihood of a full EU oil embargo.

Germany, the EU's biggest economy and most powerful member, was initially reluctant to impose sanctions on Russian oil at the outset of Vladimir Putin's invasion of Ukraine. But it has steadily shifted its position as the war has continued, in a sign of the EU's determination to stop paying Moscow for energy in spite of the potential economic impact on the bloc.

"We're asking for a considered wind-down period," Kukies said. "We want to stop buying Russian oil, but we need a bit of time to make sure we can get other sources of oil into our country." Most German refineries have already switched to other suppliers.

Tensions between Russia and the west over energy have escalated in recent days, with Moscow cutting off the supply of gas to Poland and Bulgaria. The European Commission is drawing up a sixth package of sanctions against Russia over its war against Ukraine, now in its third month. The measures are expected to target Russian oil, banks and more individuals and companies.

Commission officials met member state ambassadors at the weekend in an effort to find a rough consensus on the terms and details of any move to curb the influx of Russian oil, which makes up more than a quarter of the bloc's crude imports. They hope to draft a formal proposal by tomorrow.

Ambassadors will discuss that proposal on Wednesday, two officials involved in the discussions said, cautioning that a final agreement may not be reached at that meeting.

While Berlin wants an oil embargo, some countries, such as Italy, are pushing for other measures such as a price cap or tariff on Russian oil. Poland and the Baltic states are also calling for an outright ban. Hungary and Slovakia's Russia-tailored oil infrastructure and landlocked status mean they have few alternative supply options.

"This is not just a question of taking a political decision, but an engineering issue as well," said one senior EU official, who added that affected countries were eyeing some form of financing package to help pay for the necessary infrastructure spending in exchange for their support for an embargo.

Hungary premier Viktor Orban has warned his government would "not yield to any pressure to extend sanctions against Russia to gas or oil, as that would kill the Hungarian economy".

Invasion. Social costs

# Ukraine war tears Russian families apart

Conflict has sown divisions within homes and between different generations

COURTNEY WEAVER

In the early days of Russia's invasion of Ukraine, Olga Popova, a Moscow-based editor and analyst who opposes the war, tried to reason with her father, Yevgeny, who backs it.

But the bombing by Russian forces of a Ukrainian maternity hospital in March drove their relationship to breaking point, she said.

Popova, who has a young child and is pregnant herself, was horrified by the international coverage depicting bloodied women fleeing the devastation.

However, her father, a Russian-Ukrainian who lives on the Crimean peninsula, insisted that an injured woman pictured being carried from the scene, who was later reported to have died along with her newborn child, was an actress. The story had been faked by Ukrainian nationalists to denigrate Russia, he argued.

Amid such polarising views, Popova, who is also from Ukraine but has lived in Moscow for 23 years, largely gave up trying to sway him, sometimes blocking his phone number to avoid talking.

"I can't even explain why I can't convince him of the truth" about the conflict, she said. "It's very labour intensive. For every accusation, you need to have a denunciation with evidence."

Two months into the war, the conflict has divided family and friends on either side of the border. Relationships have frayed even among Russians themselves as some manage to access alternative news sources to the state-backed channels that adhere to the Kremlin line, despite Moscow's crackdown on dissent and independent media.

Andrei Kolesnikov, a senior fellow at the Carnegie Moscow Center, said deep divisions about President Vladimir Putin's military campaign crossed all generations in Russian families.

"I know a case where a grandfather is against the war, but his grandson is eager to volunteer to fight for Russia . . . this is not a specific story only between adults and children. It concerns all ages, genders and professional groups," he said.

However, polling suggests some generational differences, with support for the war lowest among the young who did not live through the Soviet era and are more adept at finding alternative news sources.

Russians watch military parade preparations in Moscow. Below, a Ukraine fighter is buried in Bucha, near Kyiv
Natalia Kolesnikova/AFP; Zohra Bensemra/Reuters

In a survey this month by the Levada Center, Russia's only independent pollster, 64 per cent of respondents over the age of 55 said they "definitely" supported Russia's military actions in Ukraine. This compared with 56 per cent of 40-54 year olds, 42 per cent of those aged 25-39 and 29 per cent of 18 to 24-year-olds.

Observers have urged caution about poll numbers in Russia given the Kremlin crackdown on dissent. But Alexandra Arkhipova, a Russian anthropologist, said she had first-hand experience of the family strife sparked by the war.

"There are families — including mine — where people don't believe each other," she said. "Some of them say it's all fake news that people were killed in Bucha [where hundreds of civilians were found dead after Russian troops withdrew], and so on. In many cases, the people who don't believe Russian soldiers are killing people are from the older generation."

The reasons were complex, Arkhipova said: "The [older] generation prefers to believe in something, to believe the Russian government, and they try not to allow this different information to enter into their minds. The moment you allow yourself to hear about the massacre of Bucha or something like that, you start to doubt your government. To avoid this . . . people prefer not to hear anything."

> 'They once saved Europe from the Nazis. And now they cannot accept the fact that they are the aggressors'

The Soviet role in defeating Nazi aggressors in the second world war also played a role, especially among older people, she said: "They grew up with the idea that they once saved Europe from the Nazis. And now they cannot accept the fact that they are the aggressors."

Alexei, a 33-year-old consultant at a western company in Moscow, who opposes the war and did not want to give his full name, said that in the first days of the conflict, his parents and grandmother, who live in Russia's far north, were hesitant about Russia's involvement. But within days, their scepticism had evaporated. "After a lot of countries introduced sanctions against Russia, after a lot of companies left Russia, they started to be much more supportive," he said. "Sanctions were the first factor and I think the second factor was the propaganda on TV."

Elena, a 40-year-old mother of three in Moscow and opponent of the war, who also did not want to give her full name, said she now struggled to communicate with her parents, largely because of the influence of Russian propaganda. "They're in a defensive position. They're hiding in this world where they remain good people who are fighting for truth," she added. "If they end up on my side . . . they'll understand something terrible is happening and that the future is very dark."

Popova said her father had moved further towards Russian nationalism following the annexation of Crimea in 2014 and the fighting between pro-Russia separatists and Kyiv's forces in the eastern Ukraine region of Donbas over the past eight years.

He had previously lived in Kyiv but moved to Crimea in 2014 and had become convinced the rest of Ukraine was overrun by nationalist extremists, Popova said. "It's easier for him to think that Russia is so pure and so correct and that everyone in Ukraine is mistaken [about what's going on] and that on Russian TV they are showing an accurate depiction," she said.

"At some moment he decided that he was fighting for Russia against all the *banderovtsy*," she added, using the pejorative term for Ukrainian nationalists. "Including me."

**See Companies & Markets**

US midterms

# Thiel tests role as Republican kingmaker with big bet on Ohio

COURTNEY WEAVER — WASHINGTON
JAMES POLITI — GROVE CITY, OHIO
CAITLIN GILBERT AND SAM LEARNER
NEW YORK

**Before Donald Trump endorsed Ohio Republican Senate candidate JD Vance last month, in the former president's most high-profile intervention in the US midterm elections so far, he discussed the race with a mutual ally, tech investor Peter Thiel.**

Thiel was one of the biggest donors to Trump's 2016 presidential campaign but sat it out in 2020. Now, the US-German financier is re-emerging as a force in this year's Republican primaries, writing cheques of more than $10mn for two hardline Trump-friendly Republican Senate candidates, Vance in Ohio and Blake Masters in Arizona.

On Tuesday, Thiel faces his first big test as Republican kingmaker when Vance, a venture capitalist and author of *Hillbilly Elegy*, who used to be critical of Trump but has since recanted, squares up against rivals for the nomination to fill the seat left vacant by Rob Portman, an official in the George W Bush administration. Should Vance prevail, it could embolden Thiel to take an even more active political role during the rest of the 2022 election cycle and even heading into 2024.

"JD is sort of the experiment," said a Republican fundraiser who knows Thiel. "Right now, it's just a lot of hype [about Thiel's influence]. We'll see what actually happens."

Big money has been a feature of this year's Ohio Republican Senate race, fuelling a dizzying sequence of attack ads that have flooded the airwaves in the state. Most feature candidates targeting each other for not being sufficiently conservative or close to Trump.

Thiel's support for Vance is up against heavy funding from the Club for Growth, a staunchly conservative anti-tax group, for Josh Mandel, the former state treasurer who had long coveted Trump's endorsement.

But on the stump Vance makes little mention of Thiel. "I don't think it would go over very well with Ohio voters," said Mike Gibbons, an investment banker from Cleveland who is also competing in the race. "How do you think Ohio voters think of someone coming from California associated with Big Tech?"

Thiel is best known for being a co-founder of PayPal and a longtime director at Facebook, the social media group now known as Meta. But he has been edging away from Silicon Valley. He has moved to Los Angeles and is expected to step down from the Meta board. A spokesperson for Thiel did not respond to a request for comment.

While he bet big, and won, on Trump in 2016, pouring more than $1mn into the then Republican candidate's campaign, Thiel has also swung and missed. The tech billionaire put hundreds of thousands of dollars into the failed 2020 Senate bid of Kris Kobach, a controversial anti-immigration Republican who lost in the party's primary.

Peter Thiel: his backing for JD Vance is said to be 'sort of the experiment'

One Republican consultant who knows Thiel stressed that his decision to give large sums of money to Vance and Masters was largely due to his existing personal relationships with both men, rather than motivated purely by ideology. "I don't think this is some sort of Koch brothers, [George] Soros kind of thing," the consultant said.

But Thiel is nevertheless heavily involved in his own political operation. A person close to Vance's campaign confirmed that Thiel had spoken multiple times to Trump over the course of the Ohio race, and that Vance, Thiel and Trump had all met together at Mar-a-Lago, Trump's Florida retreat, ahead of Vance's run.

Thiel recently gave an additional $3.5mn to Vance's bid following Trump's endorsement, while he hosted his own fundraising event for Vance in Ohio this year, with tickets for the "small group dinner" going for $10,800.

For all of Thiel's financial firepower in the Ohio race, however, Gibbons said it had not been having a huge impact until Trump's endorsement of Vance.

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# Xi zero-Covid push threatens China with an economic chill

## President's tone-deaf response to lockdown effects has officials worried

TOM MITCHELL — SINGAPORE
SUN YU — BEIJING
ELEANOR OLCOTT — TAIPEI

In recent weeks some Chinese officials and policy advisers worried about the economic impact of the country's endless Covid lockdowns have begun, in private, to cite the cautionary example of fourth century BC doctor Bian Que.

According to legend, Bian Que warned a local ruler he had contracted a disease requiring immediate treatment. But the ruler insisted his health was fine even as the disease seeped into his bone marrow, sealing his fate.

President Xi Jinping, the officials and policy advisers warn, may be similarly ignorant about the possible consequences of his "zero-Covid" policy, which has forced Shanghai's 26mn residents into a draconian, five-week and counting lockdown that many people now fear may be repeated in Beijing.

The stakes are high for Xi, who aims to take an unprecedented third term as head of the Chinese Communist party, state and military later this year. His carefully cultivated image as a strong and competent leader could be badly tarnished if the government loses control of Covid or blunders into an economic crisis while trying to contain it.

> 'We have a leadership who thinks they know what is the best for the economy and best for the . . . people'

Weijian Shan, a veteran China investor, said in a recent recorded video meeting that the country was embroiled in a "man-made" crisis.

"We have a leadership who thinks they know what is the best for the economy and what is best for the livelihood of the people," Shan said. "Many of [their] actions have done real damage to the market and to the economy."

One government policy adviser, who asked not to be identified, said making Xi understand his previously successful zero-Covid policy might not withstand the highly contagious Omicron variant without devastating economic costs was now a "key challenge for the system".

"People are telling Xi the lockdowns are a concern but I don't think they're saying how big a concern it really is," the adviser said. "He's just so proud of China's accomplishments fighting Covid that I don't think he worries about the economy. I don't think Omicron is going to be contained but this is what the big leader said, so people are making decisions based on this assumption."

At key moments during the Shanghai lockdown, Xi has appeared at best tone-deaf, at worst ignorant of conditions in China's most important financial and industrial hub. On April 8, as it became obvious Shanghai's lockdown would be extended long beyond its planned 10 days and residents struggled to secure food, Xi met the country's Winter Olympians. The president, state media reported, "prompted cheerful laughter" when he referred to comments by Eileen Gu, the US-born skiing star who now represents China, about how much she "loves to eat Chinese pies".

Three weeks later, in a televised address to China's premier international affairs forum in southern Hainan province, Xi did not mention the intensifying Covid outbreaks, focusing instead on how "the fundamentals of the Chinese economy — its strong resilience, enormous potential and long-term sustainability — remain unchanged".

One Chinese planning official told the Financial Times that some senior leaders, sceptical of data from the National Bureau of Statistics, were turning to their personal networks to quiz bosses about the true state of the economy. He added that vice-premier Han Zheng, whose portfolio includes the struggling real estate sector, now keeps a close eye on new homes registration data compiled by local housing bureaux.

However, Han disagrees with Xi's top financial advisers, led by vice-premier Liu He, over how to respond to China's economic challenges. Liu, who is worried about the potential impact on the financial system, has tried repeatedly to reassure investors that Xi's administration will act to boost the economy.

But the assurances have not led to detailed follow-up measures, and leaders' room to change monetary policy is limited by concerns about inflation and capital flight as US interest rates rise above China's. Xi, speaking at an economic conference on Tuesday, pledged accelerated investment across a range of infrastructure sectors, but did not provide a timeframe or amount.

Eswar Prasad, a China finance expert at Cornell University, said the zero-Covid policy had "severely constrained" the macroeconomic tools available to Beijing. "The Chinese government is trying to use limited and targeted monetary and fiscal measures to support growth while keeping inflation, financial risk and currency depreciation contained," Prasad said. "This would be a tough juggling act in the best of circumstances, but is even more so when the economy is already creaking."

As Xi's zero-Covid crusade rolls on, the suffering in Shanghai intensifies. One local resident, a middle-class professional who asked not to be identified, said she kept a packed suitcase in case she was summoned to a quarantine facility.

"This reminds me of Dmitri Shostakovich," she said, referring to one of the Soviet Union's most famous composers. "Every evening he waited for the KGB, listening carefully for footsteps and elevator [noises]."

Shanghai's predicament has given her new appreciation for democracy. "Democracy cannot guarantee the best governance, but it can prevent the worst from happening. That is enough."

*Additional reporting by Tabby Kinder in Hong Kong*

See Companies & Markets/Opinion

> 'This would be a tough juggling act . . . but is even more so when the economy is already creaking'

**Anti-virus measures: a health worker during the outbreak in Beijing** — Carlos Garcia Rawlins/Reuters

Pandemic

## Gates backs creation of team to spot global health risks

SARAH NEVILLE AND HANNAH KUCHLER
LONDON

**A team of international experts ranging from epidemiologists to computer modellers should be created to identify global health threats quickly and improve co-ordination between countries, Bill Gates has said.**

The Microsoft founder and philanthropist, who in 2015 first cautioned publicly that the world was not ready for the inevitable next pandemic, said his proposed Global Epidemic Response and Mobilization initiative should be managed by the World Health Organization.

As the war in Ukraine dominates the international agenda, Gates urged global leaders not to lose sight of the health crisis. He called for greater investment to prevent future pandemics. "It seems wild to me that we could fail to look at this tragedy and not, on behalf of the citizens of the world, make these investments," Gates told the Financial Times.

More than 6.2mn worldwide are estimated to have died from Covid-19 since January 2020, shortly before the WHO declared the outbreak a Public Health Emergency of International Concern.

Gates acknowledged that there were questions over whether an international consensus could be reached to increase funding for the WHO, which he believed was the only body that could build and manage the "top-notch" Germ team for which the running costs, he estimated, would be around $1bn a year.

"The amount of money involved is very small compared to the benefit and it will be a test: can global institutions take on new responsibilities in an excellent way, even in a time period where US-China [relations are] tough, US-Russia is extremely tough?" said Gates

The WHO had "less than 10 full-time people" working on outbreak preparedness, said Gates, adding "even those people are distracted with many other activities. "The current WHO funding is not at all serious about pandemics."

See FT Big Read


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Indo-Pacific

# US and UK discuss China threat to Taiwan

Officials meet to explore contingency plans in case of conflict with Beijing

DEMETRI SEVASTOPULO — WASHINGTON AND KATHRIN HILLE — TAIPEI

The US has held top-level talks with the UK on how they can co-operate more closely to reduce the chances of war with China over Taiwan and to explore conflict contingency plans for the first time.

Kurt Campbell, the White House Indo-Pacific co-ordinator, and Laura Rosenberger, the top National Security Council China official, held a meeting about Taiwan with UK representatives in early March, say people familiar with the situation. It came during a broader two-day meeting with their respective teams on Indo-Pacific strategy.

Three people familiar with the increased engagement said the US wanted to boost co-operation with European allies, such as the UK, to raise awareness about what the administration regarded as Beijing's increasingly assertive attitude towards Taiwan, which it considers part of China.

The US is not engaging the UK because of an imminent threat. The discussion is intended to complement more advanced talks that the US has been holding with Japan and Australia as Beijing has stepped up military activity around Taiwan. Over the past year, China has flown more and more warplanes near the island.

Admiral John Aquilino, head of US Indo-Pacific command, said last month on a trip to Australia to support the alliance that the Ukraine war had underscored the risk China posed to Taiwan.

One of the people said the Taiwan meeting spanned everything from how the UK could do more diplomatically with Taipei to discussions about boosting deterrence in Asia. It also included talks about what role the UK would play if the US ended up in a war with China over Taiwan. The person added that the Biden administration was providing some allies with intelligence on Taiwan that was previously classified as "NOFORN", a designation that bars information sharing with any foreign officials.

> 'Deterring Chinese aggression against Taiwan is in everyone's interest. It is a global issue'

One UK official said the restricted meeting was the "highest level" and "most significant" discussion between the countries on Taiwan to date.

"Naturally, crisis planning would be a hefty chunk of any such conversation about Taiwan," the official added.

The White House did not comment. A UK government spokesperson said: "We never comment on private meetings".

In a sign of enhanced co-operation, the British aircraft carrier HMS Queen Elizabeth spent more than six months of last year deployed in the Indo-Pacific. Heino Klinck, a former top Pentagon Asia official, welcomed the US-UK consultations on Taiwan.

He said they came on the heels of European naval deployments in the Indo-Pacific that increased last year after the Trump administration had held discussions with European allies about boosting operations in the South China Sea. "Deterring Chinese aggression against Taiwan is in everyone's interest. It is not just an Indo-Pacific issue, it is a global issue," said Klinck.

A senior Taiwanese official said Taipei was aware of the US efforts to involve more allies in its Taiwan planning. "They've been doing it with Japan and Australia, and now they're trying to do it with Britain," he said.

Israel. Likud

# Revived Netanyahu takes aim at ruling coalition

Former leader makes another push for power but analysts are sceptical he can succeed

NERI ZILBER — TEL AVIV

At the start of the year, the political career of Israel's former prime minister Benjamin Netanyahu appeared to be over. Relegated to the opposition and facing a corruption trial, he agonised over a plea deal that would have kept him out of prison but also forced him out of political life for seven years.

The deal was never finalised. With that trial proceeding at a glacial pace, Netanyahu is plotting his comeback amid a crisis that has shaken the governing coalition that toppled him last year. In early April, a lawmaker from Prime Minister Naftali Bennett's own party defected to the opposition, erasing the coalition's parliamentary majority. Netanyahu has promised that more such defectors are coming.

Netanyahu, meanwhile, has returned with full vigour to public life and to social media, attacking Bennett for being "weak" on security and for "cheating" his way to power. For the first time since he was replaced, the former premier even addressed thousands of supporters at a rightwing rally in Jerusalem to serenades of "Bibi, king of Israel".

"We must not wait for the next terrorist attack or the next shooting," Netanyahu said last week, alluding to recent Palestinian attacks. "We must immediately form a strong rightwing government under my leadership."

After 12 straight years as premier — and 15 in total dating to the 1990s — Netanyahu, 72, remains the single most popular politician in the country, and his Likud party leads in all the polls.

Yet most analysts remain sceptical that he can now succeed where he failed four times in successive elections between 2019 and 2021: winning an outright parliamentary majority.

After the fourth inconclusive ballot last year, Bennett formed an eight-party coalition of rightwing religious nationalists, pro-peace leftists, centrists and an independent Arab-Israeli Islamist party. Almost the only thing they agreed on was the need to replace Netanyahu — a transgression Netanyahu's supporters have not forgiven.

"Much of Netanyahu's base truly believe that he was pushed out unfairly by a cabal of elites . . . to trample the true will of the people," said Dahlia Scheindlin, a political strategist. "They also believe it's dangerous for the country if the rightwing doesn't lead."

Pointing to the recent Palestinian attacks, Netanyahu said "when terror smells weakness, it lifts its head". Bennett and other military leaders countered that there were far worse security crises under Netanyahu's rule.

Nearly two years after it officially began, the trial on charges of bribery, fraud and breach of trust is still only in the midst of witness testimony in the first of the three cases. Netanyahu has maintained his innocence, alleging a vast "leftwing deep-state" conspiracy.

Netanyahu has done his utmost to nurture this feeling of shared victimhood, according to Scheindlin, especially among historically marginalised segments of Israeli society, such as the religiously observant and *mizrahi* Jews of Middle Eastern origin.

"It's a cult of personality but not quite a cult," Scheindlin added. "Netanyahu holds a spell over people, and he plays fast and loose with the truth."

Bennett has charged Netanyahu with spreading "fake news and lies" and for sending his "whole machine" and "army" of online trolls and media mouthpieces to attack him.

The prime minister also alleged that Netanyahu's proxies applied "inhuman" pressure on the defecting party member, Idit Silman, and her family — including harassment at her children's school — which ultimately led her to "cave". This week a live bullet was mailed to the workplace of Bennett's wife, threatening her and their children, as well as directly to their teenage son. The police and the internal security agency have launched an investigation.

Despite the loss of the governing coalition's parliamentary majority, even Likud officials admit Netanyahu does not have an alternative government on hand. The best that can be hoped for, according to former Likud minister Tzachi Hanegbi, is for several more defectors to materialise and for parliament to dissolve itself, triggering snap elections. "The coalition position of 'just not Bibi' will probably not change," Hanegbi said.

The Likud has rejected the possibility of replacing Netanyahu, which could in theory pave its way back to power by persuading other parties to join it in a coalition. Yuli Edelstein, a former speaker of parliament, has said he will challenge Netanyahu in any future Likud leadership contest. But most polls have him losing to Netanyahu in a rout.

> 'It's not in the Likud's DNA to replace its leaders, all of whom retired by choice'

"It's not in the Likud's DNA to replace its leaders, all of whom retired by choice, and anyway we won't take directives regarding who leads us," Hanegbi added. "Netanyahu enjoys very broad popular support, he wants to stay, he has the energy, and he hasn't let [his opponents] break his spirit."

According to pollster Rafi Smith, who worked with Netanyahu on recent campaigns, the loyalty of voters to a Netanyahu-led Likud remains "extremely high". "There's a strong connection [that these voters] have to him, the feeling that Likud is their home and Netanyahu is their leader," Smith said.

Yet Smith, like other pollsters, failed to see anything fundamentally changing if Netanyahu does succeed in forcing another election. In the April 2021 ballot Netanyahu and his "bloc" of allied far-right and ultra-Orthodox parties were about 70,000 votes short of winning an outright parliamentary majority, out of more than 4mn cast.

Netanyahu "probably feels that he can get close to this again, that he can run a better campaign, and with a small push" win a majority, Smith said. "But right now he isn't there."

Fan base: former prime minister Benjamin Netanyahu at a rightwing rally in Jerusalem last month
Ronen Zvulun/Reuters

France

# Protests raise pressure on Macron over retirement age increase

SARAH WHITE AND AKILA QUINIO
PARIS

Tens of thousands of people joined politically charged May Day marches across France yesterday, with many protesters fired up at newly re-elected president Emmanuel Macron's plan for a pensions reform that will be one of the big tests of his second term in office.

The demonstrations also focused on demands for higher salaries, after an election season dominated by concerns over the cost of living and soaring fuel prices.

The protests were marred by clashes between anarchist groups and police in the capital, where a real estate office, bank branches and a McDonald's restaurant were attacked.

A week after Macron defeated far-right leader Marine Le Pen to win a second presidential term, unions and some activists and politicians seized on the traditional French labour day marches as a show of strength amid pushback over some of his proposals, including a plan to raise the retirement age from 62 to 64 or 65.

"It's important for us to mobilise and to show we will be ready to mobilise, starting now, and to go on rolling strikes for this pension reform to be withdrawn," said 46-year-old teacher Armelle Perthus at the march in Paris.

Some marchers carried banners calling for "climate justice" and "retirement at 60", in an echo of the manifesto of far-left leader Jean-Luc Mélenchon, who was only narrowly pushed into third place in the first round of the presidential election, behind Le Pen.

Macron voter Quentin Blin, 28, said he had joined the protests in Paris out of curiosity after the election: "Everything is unstable, it's so chaotic that I want to see what people are thinking."

Macron faces his first big challenge in June as he tries to win another parliamentary majority in legislative elections that would enable him to pass reforms. Parties on the left and right are seeking potential alliances to deprive him of that power.

But the president, who has said he will seek to govern in a more conciliatory way in his second term after criticism of his top-down style, could also face more protests. He has said he wants the pensions reform in place by next year.

Mélenchon, who has been trying to forge a left-leaning alliance bringing together the Communist party, Greens and Socialists, was among the political leaders at the Paris rally.

"We have ahead of us a [legislative] election that might allow us to defeat those that want to keep you working until 65," he told supporters.

France's centre-left Socialist party, which sank to its lowest ever score in a presidential election in April's first round of voting, marched under a banner of "no to retiring at 65".

Philippe Martinez, leader of the leftwing CGT union, yesterday called for more measures to boost salaries beyond a 2.65 per cent rise in the minimum wage that kicked in on May 1, after year-on-year inflation reached 4.8 per cent in April.

Without the pensions reform, some economists and business leaders argue, Macron will struggle to find the funds for other initiatives, including aid for those struggling with fuel bills and as France gears up for big investments in renewable energy. The country spends more of its economic output on pensions than most of its European neighbours.


Legal Notices

**NOTICE OF DEADLINE TO FILE CLAIMS**

**RELATED TO LOANS IN FAVOR OF: VICENTIN S.A.I.C AND ITS AFFILIATES VICENTIN S.A.I.C. SUCURSAL URUGUAY, ALGONDONERA AVELLANEDA S.A., NACADIE COMMERCIAL S.A., FRIGORÍFICO REGIONAL INDUSTRIAS ALIMENTICIAS RECONQUISTA S.A. AND FRIGORÍFICO REGIONAL INDUSTRIAS ALIMENTICIAS RECONQUISTA S.A. SUCURSAL URUGUAY THAT WERE ORIGINATED BY INVESTMENT FUNDS AFFILIATED WITH INTERNATIONAL INVESTMENT GROUP, LLC**

On April 25, 2022, the UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK entered an order requiring the proceeds of a settlement related to loans originated by investment funds affiliated by the International Investment Group, LLC for affiliates of Vicentin S.A.I.C., including Vicentin S.A.I.C. Sucursal Uruguay, Algondonera Avellaneda S.A., Nacadie Commercial S.A., Frigorífico Regional Industrias Alimenticias Reconquista S.A. and Frigorífico Regional Industrias Alimenticias Reconquista S.A. Sucursal Uruguay (collectively, the "**Vicentin Group**") to be deposited into the Court's disputed ownership fund.

PLEASE TAKE NOTICE that, if you purchased Vicentin Group loans or participation interests in Vicentin Group loans originated by affiliates of the International Investment Group, LLC, including TOF B.V., Trade Opportunities Fund N.V., Trade Finance Funding I, Ltd. and Trade Finance Trust and have not been repaid, you may have a claim to the Settlement Proceeds.

PLEASE TAKE FURTHER NOTICE that, any claim against the Settlement Proceeds (each, a "**Claim**") must be filed with the Bankruptcy Court no later than **5:00 p.m. on May 20, 2022**.

PLEASE TAKE FURTHER NOTICE that any party wishing to submit a Claim, such claim must be filed electronically with the Court by registered users of the Court's electronic case filing system in accordance with General Order M-242, (a copy of which may be viewed on the Court's website, http://www.nysb.uscourts.gov) and by all other parties-in-interest on a 3.5 inch disc, preferably in Portable Document Format (PDF), Word Perfect or any other Windows-based word processing format, which disc shall be sent to the Office of the Clerk of the Court, One Bowling Green, New York, New York 10004-1408.

An hard copy of any Claim shall be sent to the Chambers of the Honorable Wiles, United States Bankruptcy Judge, One Bowling Green, New York, New York 10004-1408 and an electronic copy of the Claim shall be served upon (a) Pillsbury Winthrop Shaw Pittman LLP, Attn: John A. Pintarelli and Patrick Fitzmaurice, at john.pintarelli@pillsburylaw.com and patrick.fitzmaurice@pillsburylaw.com; (b) Morrison & Foerster LLP, Attn: Joel Haims, at jhaims@mofo.com; (c) Tannenbaum Helpern Syracuse & Hirschtritt LLP, Attn: Michael J. Riela, at Riela@thsh.com; and (d) Thompson Hine LLP, Attn: Constance Boland, at constance.boland@thompsonhine.com.

PLEASE TAKE FURTHER NOTICE that if no Claim is filed the Court may enter an order disbursing the Settlement Funds without further notice. Failure to file a Claim may affect your rights.


Healthcare

# African Covid vaccine plant's future in doubt as demand falls

OLIVER BARNES AND HANNAH KUCHLER
LONDON

Production at Africa's largest Covid-19 vaccine manufacturing plant has been halted for the past month because of a collapse in demand, putting its future in doubt and threatening to undermine efforts to build a homegrown vaccine industry on the continent.

Executives at Aspen Pharmacare, a South Africa-based pharmaceutical company that has produced about 180mn doses of the Johnson & Johnson vaccine, fear they will have to shut their two production lines permanently, unless a new order comes in.

Stavros Nicolaou, a senior executive at Aspen, said the future of production at the plant was "in doubt". He added: "If there are no orders imminently . . . the capacity that has been established by Aspen . . . is no longer sustainable, and no one is going to keep production lines going. If Aspen can't produce Covid vaccines, what hope is there for others?"

He added that unless the issue was resolved, the drive to increase regional manufacturing would "remain just a political nicety which has no substance".

If production stops at the Aspen facility, regional health officials fear it could undermine an African Union goal to produce 60 per cent of all vaccines administered in Africa locally by 2040, compared with just 1 per cent now.

The lack of local vaccine production and a bidding war with richer, western nations meant countries in the world's poorest continent have been last in line for doses.

Building local vaccine manufacturing capacity is seen as crucial to avoid a repeat of the inequality in the event of a new variant or pandemic.

Last year, Aspen signed a licensing deal with J&J to bottle and sell the single-shot vaccine across Africa. The drugmaker also announced plans to scale up vaccine manufacturing capacity to 1.3bn doses a year by 2024, up from 300mn now. But an oversupply of Covid-19 jabs has stymied those plans. The last doses were bottled at the Aspen facility in late March.

Jab production: Aspen vaccines are stored at the Gqeberha plant

The halt in production follows the decision by India's Serum Institute to stop manufacturing Covishield, its version of the Oxford/AstraZeneca vaccine, in December. The Serum Institute, the world's largest vaccine maker, said it had 200mn doses in stockpile.

African leaders are holding emergency talks to see if they can throw the plant a lifeline, either by pushing J&J to produce the roughly 240mn doses it owes the AU at Aspen or by encouraging the Covax vaccine scheme to order doses of Aspenovax.

But J&J told the FT that it already has tens of millions of vaccines in stock that could be shipped to countries immediately. Covax already has agreements in place to access more than 2bn doses.

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Source: Standard & Poor's Ratings Services Global FinLit Survey http://www.FinLit.MHFI.com

**New gold rush** 'It has optimal geological conditions for natural hydrogen gas . . . it's almost like a purple unicorn' ➜ COMPANIES

Companies & Markets

# Multinationals warn of fallout from China's Covid curbs

- Supply chains disrupted and costs rise
- Lockdowns threaten financial results

ANDREW EDGECLIFFE-JOHNSON — NEW YORK
IAN JOHNSTON — LONDON
ELEANOR OLCOTT — TAIPEI
LEILA ABBOUD — PARIS

Covid-19 lockdowns across China are shaking western multinationals' production lines, snarling supply chains and threatening financial forecasts as Beijing steps up its effort to contain a surge in coronavirus cases.

Apple, Coca-Cola, General Electric and Pernod Ricard were among the companies to warn of the threat from lockdowns in the world's second-largest economy, with many more blaming the strict measures for higher costs and shortfalls in their results. An extension of the policies has gathered pace in recent weeks, leaving about 345mn people living under full or partial lockdown in 46 cities, according to estimates from Japanese bank Nomura.

> 'The supply chain is very much snarled and congested. It's going to get worse, not better'

The lockdown of Shanghai, China's business hub and home to the world's largest port, has deepened the disruption, ensnaring industries from carmakers to consumer goods and tech groups.

Although the Covid outbreak began in early March and has started to ease in those areas hit first, results in recent days from US and European multinationals are among the first evidence of the global fallout.

"There's a huge backlog [ships waiting to unload cargo], the supply chain is very much snarled and congested," said Shiv Shivaraman, Asia region co-leader at international consultancy AlixPartners. "It's going to get worse, not better."

Conglomerate GE was among those to flag the dangers, saying that both its output and demand for its aviation and healthcare products in China had been hit. "How [the consequences of the lockdowns] play out is not something that we have a handle on. I don't think anybody really does," Larry Culp, the chief executive, told analysts.

Companies from online retailer Amazon to agricultural trader Archer Daniels Midland noted that obtaining goods from China by ship or air freight now costs more and takes longer because of restrictions at ports and disruptions to internal train and trucking logistics.

Wait times for vessels to dock in Shanghai have risen from 12 hours to two days since the start of its lockdown, freight data provider Freightos said.

The damage inflicted by China's lockdowns comes as the world economy contends with the consequences of Russia's invasion of Ukraine, which has sent energy prices soaring and prompted the IMF to cut its global growth forecasts.

James Quincey, Coca-Cola's chief executive, said business in China had started the year strongly but lockdowns "took the steam out of things and we ended the quarter negative".

Spirits group Pernod Ricard, which makes 10 per cent of its sales in China, cautioned that it had been "very impacted" by the Covid restrictions.

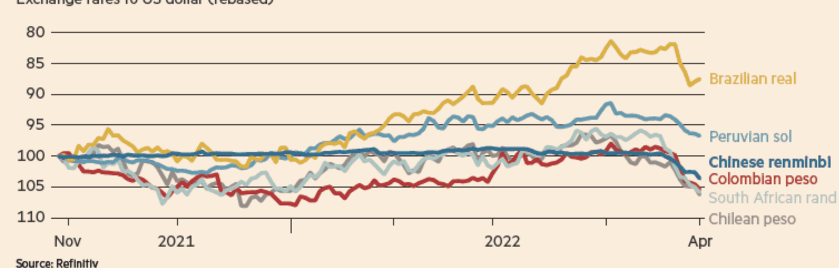
Some companies said they were finding ways to mitigate the disruption. Tim Cook, Apple's chief executive, said that by working with local officials it had managed to restart its final assembly factories in the Shanghai corridor.

*Additional reporting by Peter Wells and Steff Chávez*

**See Oren Cass, Opinion**

# Tracking lower Sliding renminbi drags down currencies of commodity-exporting nations

Universal Images Group/Getty




JONATHAN WHEATLEY

**China's currency has fallen steeply against the dollar over the past two weeks, hit by the economic impact of the country's Covid lockdowns, the war in Ukraine and the prospect of tighter US monetary policy.**

But the renminbi has not moved in isolation: analysts warn it is dragging down other emerging market currencies with it, including those outside the Asian manufacturing complex.

With food and energy prices soaring, the currencies of commodity-exporting emerging markets such as Brazil and South Africa are among the few to have gained any advantage from Russia's invasion of Ukraine. Many such currencies also benefited from Chinese demand for industrial commodities, such as copper and iron ore, earlier this year. In April, however, the combination of China's slowing economy and the global fallout of the war sent emerging-market currencies into reverse.

Yerlan Syzdykov, global head of emerging markets at Amundi, says the proliferation of strict lockdowns in China is causing weakness across the economy. The worst-case scenario projected by Amundi's analysts is that lockdowns will cause a 10 per cent reduction in manufacturing and an 18 per cent fall in steel production.

Amundi was bearish on Chinese growth before the recent lockdowns began. Its house view was for GDP growth this year to come in at almost a full percentage point below the IMF's forecast of 4.4 per cent. But even that figure is now under pressure, said Syzdykov. "This is having a negative effect on commodity prices — those countries especially in Latin America that have had a positive effect so far on their terms of trade, they are going into retreat," he said.

In late April, the Brazilian real was one of the best-performing currencies in the world, with a 20 per cent gain against the dollar. A sharp pullback since then has left it a more modest 13 per cent higher.

Meanwhile, the Peruvian sol and Colombian pesos have fallen heavily. and the Chilean peso and South African rand have wiped out almost all of this year's gains.

# India's Tata Steel to stop buying coal from Russia

CHLOE CORNISH — MUMBAI
HARRY DEMPSEY — LONDON

**Tata Steel, the largest Indian importer of Russian coal this year, will stop buying the commodity in a sign that Vladimir Putin's invasion of Ukraine has made it more perilous to do so.**

The Mumbai-based group pointed to "uncertainties" over the supply of Russian coal, of which India had stepped up purchases before the war as rival shipments of Australian coal were becoming too expensive, according to traders.

The move by Tata, which uses coal for steelmaking, is significant because it underscores the challenge of mitigating shortages that have already disrupted India's power supply.

The country relies on coal for 70 per cent of its electricity generation and coal stockpiles at power producers have fallen to almost half their average levels for this time of year.

Just over 20 coal-fired power plants have been forced into maintenance, data from India's Central Electricity Authority show, as a shortage is compounded by an unseasonal heatwave.

Tata Steel imported 617,000 tonnes of Russian coal in the first three months of the year, according to data provider CoalMint, taking delivery of 246,000 tonnes last month. These orders were made before the invasion of Ukraine.

"To ensure business continuity, we have sourced alternative supplies of raw materials as transactions with Russian suppliers and bankers at present come with a lot of uncertainties imposed on international sanctions imposed on Russia," said Tata Steel.

Despite the pressure to shore up supplies, Russian exports — which take about a month to arrive in India — slowed to 420,000 tonnes in March and are predicted to drop to 124,000 tonnes in April, down from a recent peak of 1.1mn tonnes in February, according to Kpler, a commodity data firm.

Although the need for Russian coal is likely to increase, analysts said potential payment issues stemming from international sanctions and the steep cost of shifting the commodity long distances were curbing purchases.

"It is not a question of self-sanctioning, but rather whether Indian buyers are financially able to make payments for the coal with Russian counterparties due to economic sanctions," said Matthew Boyle, lead dry bulk analyst at Kpler.


INTESA SANPAOLO

**SHAREHOLDERS' RESOLUTIONS**
**DISTRIBUTION OF DIVIDENDS AND RESERVES**

The Shareholders of the Bank, at their meeting held in Turin on 29 April 2022, approved the Parent Company's 2021 financial statements, as well as the proposal of allocation of net income for the year and distribution to shareholders of the remaining amount for 2021 equal to 0.0789 euro gross per ordinary share, composed of:

- 0.0669 euro gross per ordinary share as dividend on net income for the year
- 0.0120 euro gross per ordinary share from the Share Premium Reserve.

Share Premium Reserve distribution will be subject to the same tax regime applied to dividend distribution.

The aforementioned unit amounts will be payable as of 25 May 2022 to the shares outstanding on 24 May 2022, with presentation of coupon no. 46 on 23 May 2022.

Payments will be made by all the intermediaries taking part in the centralised administration system of financial instruments (Monte Titoli S.p.A.).

The minutes of the Shareholders' Meeting will be made available to the public within the terms provided, in accordance with the regulations in force, at the Company's Registered Office, on the authorised storage system (emarketstorage.com) and on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting").

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Asset management. Stakeholders

# Berkshire meeting highlights challenges for Abel

Buffett holds court in front of investors as he shares the stage with his successor

ERIC PLATT — OMAHA

Berkshire Hathaway's annual meeting in the Nebraskan city of Omaha was the first time shareholders heard in person from the group's billionaire founder Warren Buffett since the pandemic.

A group of institutional investors pushing for Berkshire to disclose more on climate change were given short shrift, while the 91-year-old made clear that he could dispense with board approval when striking big deals — something that is requisite for most other CEOs across America.

"If Warren thinks the deal is OK, the deal is OK," Buffett said of the board's thinking, as he held court at a meeting that reminded shareholders that Berkshire remains very much the Warren show. "I could make a deal with anybody and it doesn't get all messed up with process."

Although many shareholders relished the disregard for convention that has been a hallmark of how Buffett runs Berkshire, the first gathering in Omaha since the coronavirus crisis also offered a window into how life may change once the billionaire is no longer in charge.

His anointed successor Greg Abel, who is Berkshire's vice-chair and runs the company's vast collection of businesses outside insurance, was able to wander across the convention floor without being recognised as he chatted with the managers of Berkshire subsidiaries. When approached by media, Abel offered a quick handshake before moving on. The executive, who Buffett promoted to vice-chair in 2018 alongside insurance chief Ajit Jain, has not sought to cultivate an aura in the way that Buffett and Charlie Munger, who helped build Berkshire, have.

Some shareholders said they were disappointed by the answers Abel offered to the questions directed his way, including over why the performance of Burlington Northern Railroad, which he oversees, had lagged behind rivals.

"Anything tied to Abel was fumbled," said Cole Smead, the president of Smead Capital Management, a longstanding Berkshire shareholder that has been cutting back its stake.

Buffett added to Abel's answer on BNSF Railway, saying that the group was methodical when making changes to its 20,000 miles of track. But any misgivings over answers at Berkshire's AGM are overshadowed by the broader question of how the conglomerate will be run when its founder is gone.

Several investors and analysts said that the trust Buffett has built up over decades to run the $713bn group as he wants is unlikely to be immediately, or perhaps ever, afforded to Abel.

There are already signs of change. Berkshire has agreed that the positions of chief executive and chair, both held by Buffett, will be split when he leaves.

Smead worries that the move risks hobbling Berkshire. "Part of the Berkshire strength is speed", in decision making, he said. Buffett and Munger have "a track record that gives the board confidence". It's a point that worked in Berkshire's favour when it clinched its $11.6bn takeover of insurer Alleghany.

Buffett said that his "guess" was that his successor would face a different board internally, one that would "put some more restrictions or they'll have some more consultations on some matters than they do with me".

Cathy Seifert, an analyst at investment research group CFRA, hopes that such consultations extend to the question of climate change disclosure, an issue that Berkshire investors Calpers, Federated Hermes and Canadian pension plan CDPQ tabled a resolution on.

Claiming the asset managers proposing the resolution did not represent the views of the retirees whose money they manage, Buffett said "what they care about is whether we check their boxes".

Seifert described Buffett's response as a "little disconcerting", adding that "this is not how the head of a significant company [should act]. This should be taken very seriously". The resolution on climate disclosure was defeated.

As Berkshire's latest results revealed the group had ploughed $51.1bn into the US stock market in the past quarter and

Straight talking: Warren Buffett, left, seated beside Charlie Munger

reported operating earnings just ahead of the same period a year ago, Buffett offered a robust defence of how the company operates.

"Berkshire is just plain different," he told shareholders, adding that the board "understands that our culture is 99.99 per cent of running the business".

One issue raised at the AGM on Saturday was whether the fact that a significant portion of Abel's wealth is tied up in Berkshire Hathaway Energy, rather than the parent company, creates a conflict of interest. Abel joined Berkshire in 2000 when the conglomerate acquired MidAmerican Energy, a utility that he helped run.

It is an issue that Buffett acknowledged the board's governance committee may one day have to examine. Munger, often more acerbic than his long-term business partner, quipped that he wished "we had 20 conflicts of interest just like it".

Buffett recognised that change is inevitable once he has gone, but some investors say the board had already taken steps to retain a culture that helps unite a sprawling conglomerate that employs more than 370,000 people.

Last year Berkshire added Chris Davis, a money manager and third generation Berkshire shareholder, to its board. Buffett's daughter Susan was also elected as a director.

"The board changes are about both ensuring the continuity of the values and legacy," said Christopher Rossbach, the chief investment officer of J Stern & Co, a longtime Berkshire shareholder.

Analysts describe Abel as a very capable executive. The Omaha gathering underlined the complexity of the challenge he will eventually face.

COMPANIES & MARKETS

# Businesses 'dance with the devil' to exit Russia

## Fleeing groups face struggle to find buyers, heavy losses in a fire sale and a big challenge in extracting any proceeds

ANDREW JACK AND STEPHEN MORRIS
LONDON
SARAH WHITE — PARIS
ANDREW EDGECLIFFE-JOHNSON
NEW YORK

After weeks of silence over the future of its Russian operations, Société Générale delivered a bleak blueprint for other multinationals that have pledged to exit the country.

The French bank said in early April that it would sell its Rosbank network to Vladimir Potanin, one of Russia's richest men and a nickel baron who has avoided EU or US sanctions, taking a €3.1bn hit in the process. The transaction stunned some rivals and underlines the perils facing groups from oil majors to car companies: few potential buyers, costly exit options and uncertain prospects for any future return.

"We are all trying to find a clever way to exit the country. But what SocGen did isn't the best way to do it," said a senior executive at a bank with operations in the country. "There is an ethical discussion . . . there is a reputational risk to consider when selling, or basically donating, to an oligarch.

"Essentially they are giving a . . . gift to Potanin. OK he is not sanctioned [but] is it the right thing to do?"

Many western companies have found themselves caught between the prospect of expropriation by Russia, selling to locals caught in sanctions, or trying to scout out investment from Chinese or Middle Eastern buyers that might be freer to make deals but have so far shown little appetite.

SocGen is one of the few western groups to be successful in selling their Russian businesses. Rosbank, of which it first took a slice in 2006, had long been the source of internal tensions, with critical questions from investors.

Despite the fact that it finally became profitable in 2016, investment bankers praised the deal — which the bank negotiated on its own — as a clean and efficient way to get out.

"It's impossible to continue in Russia and there's hardly anyone you can sell to. Everyone else is under sanctions; you can't really sell to a Chinese buyer if they're being asked to remain neutral. [SocGen] did really well," said a person close to another industrial company trying to exit.

Corporate advisers are studying successful exits as hope fades for a rapid resolution to Russia's war on Ukraine. "A lot of people assumed they'd just have to say the right thing, keep the lights on and they'll be back in by Christmas," said one consultant, but "the horizons are moving".

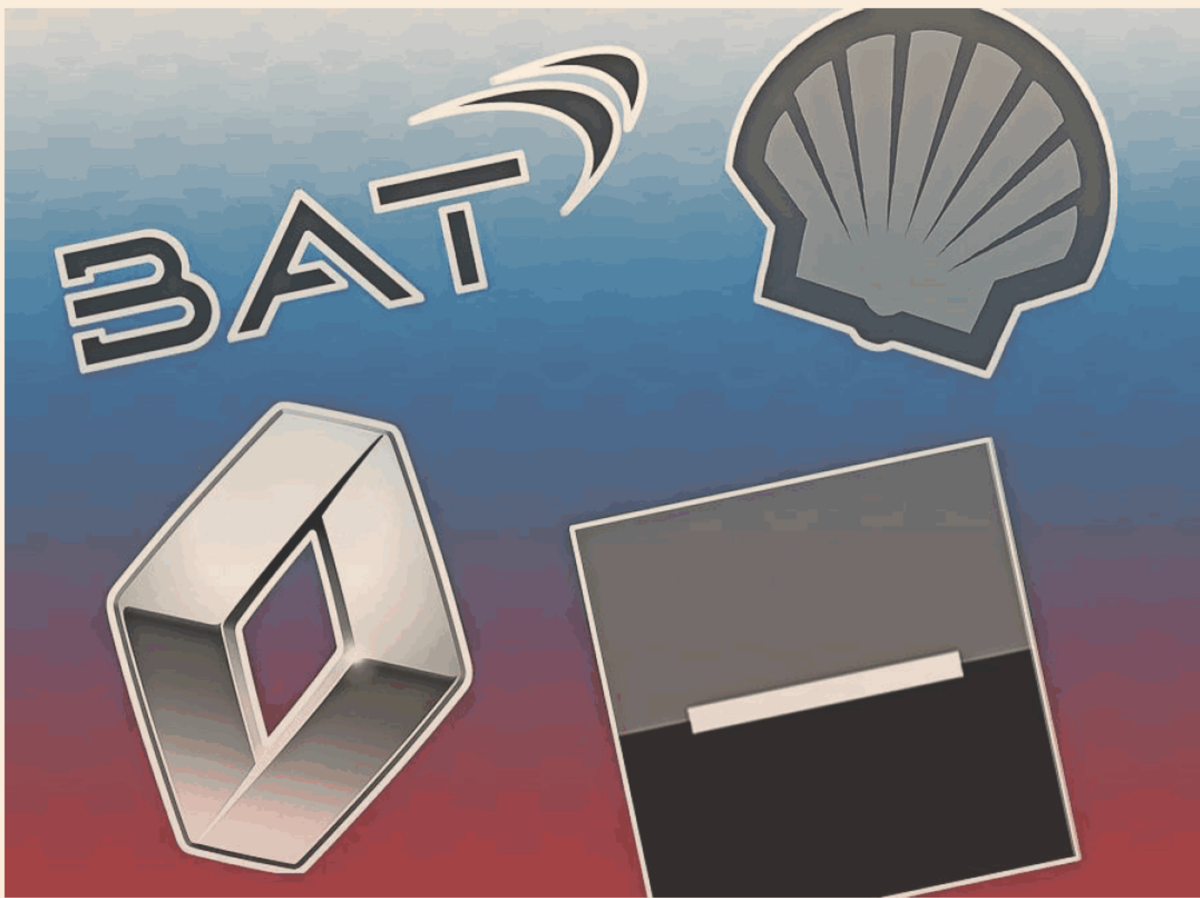
The costs of a fire sale could be considerable, as Renault showed this week after it emerged that it was in talks to sell its majority stake in Lada maker Avtovaz to the state for one rouble.

Under a deal outlined by Denis Manturov, Russia's trade minister — which the French carmaker would not confirm — Renault would have the option of buying the stake back in five or six years at a price that takes into account any subsequent investments.

The divestment means Renault is giving up more than 14 years of investments, during which time it bought a 68 per cent stake in Avtovaz, overseeing a workforce of 40,000 and generating 10 per cent of its turnover and half its automotive operating margin last year. It has warned of a write-off of up to €2.2bn.

A New York executive with employees in Russia rejected the Renault model. "We won't negotiate with the Russian government," he said.

But the limited options mean some are having to rethink. A restructuring expert advising several companies on sales said: "A number of people made very grandiose statements about 'we'll never do this and we'll never do that' and now they're thinking 'oh bugger'.




Looking for a way out: the cost and complexities of exiting Russia are high for companies such as Société Générale, Shell, British American Tobacco and Renault — FT montage

The reality is for most of these exits you're going to have to dance with the devil at some point."

For those exiting, the cost and complexities are high. Tobacco maker Imperial Brands said last week it was transferring its Russian business to investors based in the country, and estimated a non-cash write- off of around £225mn. British American Tobacco will soon complete the transfer of its operations to SNS in Moscow, said the Russian company. Neither group would say if any money changed hands.

Last month, Canada's Kinross Gold struck a deal to offload its Russian assets to Highland Gold, a company controlled by mining magnate Vladislav Sviblov, for $680mn in staggered cash payments. He took control of Highland in 2020 after buying a 40 per cent stake from sanctioned oligarch Roman Abramovich and other investors. Before the war, analysts had valued the Kinross Russian mines at as much as $1.6bn.

> 'There is a reputational risk to consider when selling, or basically donating, to an oligarch'

That deal highlighted the challenges of extracting sale funds given western restrictions on transactions with Russian banks — "the real imponderable," according to one adviser. Kinross said its proceeds would be paid out between the end of 2023 and the end of 2027, backed by "an extensive security package that includes share pledges, financial guarantees and an escrow account".

When Otis Worldwide, the lift maker, said this week its growing concerns about the sustainability of its operations in Russia had pushed it to consider finding a new owner, one analyst asked: "Are you going to be able to get your bat back? Or are [the Russian authorities] basically going to squeeze you, so it ends up being a loss?"

Some companies are seeking ways to circumvent deals with sanctioned companies. French shipping group CMA CGM recently bought logistics group Gefco from Russian Railways by structuring the deal in two stages. Gefco bought back its shares first, allowing CMA CGM not to have to hand the funds directly to the Russia group, two people close to the deal said. Neither group responded to requests for comment.

Others have succeeded in selling to local management teams, such as Schneider Electric, Publicis and Inchcape, which has divested its transport and sales operations for BMW, Toyota and Jaguar Land Rover in Russia for £63mn.

Duncan Tait, Inchcape's chief executive, said: "The general view [from shareholders] was you'll get nothing from the business, and there was a concern that it will actually cost money if you keep the business and run it down."

Many businesses are concerned about dealing with any official Russian counterparty, or other individuals or groups which may yet be sanctioned. "It's like the walls are closing in . . . What comes first? I get the deal away or my buyer gets sanctioned?" said one adviser.

The situation is further complicated by the fact that other western executives have recused themselves from any discussions around sales that could expose them personally to sanctions violations.

The alternative option for divestment is to find international bidders. But the restructuring expert said there had been fewer than expected. "Everyone would like this to be solved by the Chinese, the Indians and the Turks because it's clean and it's easy but the greater reality is, [the buyers] are Russians."

Shell is in "early stage negotiations" with Cnooc, CNPC and Sinopec over the sale of its 27.5 per cent stake in the Sakhalin-2 liquefied natural gas project, but one industry veteran called it "a nightmare negotiation" because any deal would probably come at a big discount and require bilateral political agreement between Russia and China.

One Turkish energy adviser suggested Italy's Saipem could transfer its shares in a company helping to build Arctic LNG 2, a natural gas project, to its Turkish partner Ronesans.

The Belgian brewer Anheuser-Busch InBev is in talks about selling its stake in its Russian and Ukrainian joint venture with Anadolu Efes to the Turkish beer maker.

But Turkish businesses are cautious for now, expressing concerns over complications with financing for acquisitions, which mostly comes from western banks.

The final option for multinational companies is to stay put. One adviser cautioned on the complexities of continuing to operate in Russia. "Procurement may be done outside Russia, financial transactions, and licensing of brands, intellectual property assets — how do you handle that?" he said.

Many foreign companies have so far held back from any public announcement of withdrawal if only while they seek the least painful option.

Prof Jeffrey Sonnenfeld at Yale School of Management identifies nearly 200 from a list of 750 that he describes as refusing an exit or reduction in activity in Russia.

> 'It's like the walls are closing in . . . What comes first? I get the deal away or my buyer gets sanctioned?'

TotalEnergies, which holds a 19.4 per cent interest in gas producer Novatek PJSC and stakes in large LNG projects, has said it is ceasing new investments as the start of a withdrawal though it has stopped short of trying to sell its stake in projects unless sanctions are stepped up.

It is the only oil major to have openly expressed doubts about quitting Russia, or at least selling to oligarchs. "We never stated we will stay in Russia," said chief executive Patrick Pouyanne. "We have just not stated that we will exit from Russia, which is a little different," after previously stressing that walking out would hand back valuable resources "for free to Mr Putin".

*Additional reporting by Nikou Asgari, Peter Campbell, Judith Evans, Ian Johnston, Neil Hume, Laura Pitel and Tom Wilson*

Transaction: Russian nickel baron Vladimir Potanin, who has not been sanctioned, has a deal to buy Rosbank from Société Générale Jason Alden/Bloomberg

COMPANIES & MARKETS

Insurance

# Ukraine war fuels jump in business cover

Payouts from conflict plus inflation forecast to extend years-long 'hard market'

IAN SMITH
INSURANCE CORRESPONDENT

The economic fallout from Russia's war in Ukraine will add impetus to a multi-year rally in the price of commercial insurance cover, industry experts have warned.

The global price of commercial insurance rose 11 per cent year on year in the first quarter of 2022 — the 18th consecutive quarterly rise — further squeezing corporate finances, according to the latest data from insurance broker Marsh.

The increases in premiums have been slowing since the end of 2020, raising hopes among companies that what is known in the industry as a "hard market", a sustained period of escalating insurance prices, might be coming to an end. But the Ukraine crisis could give it a new lease of life, experts say.

"It's not a pretty picture," said Stephen Catlin, a veteran of the London insurance market and chief executive of specialist insurer and reinsurer Convex.

The sector is braced for billions of dollars of payouts in areas such as aviation, political and credit cover as a result of the war, subsequent sanctions and their knock-on effects.

The conflict is also adding fuel to inflation, driving up the cost of claims insurers pay out in other areas such as commercial property.

Catlin said he thought global price rises could speed up again as a result of a combination of these factors and as insurers price policies to reflect the expectation of higher costs in future. "This is not about filling your boots [as an insurer]," he said, adding it was a question of how to stay in business.

David Flandro, head of analytics at insurance broker Howden, said that a mixture of inflation, claims relating to the conflict and a heightened perception of risk among companies would put upward pressure on prices for commercial cover. "All of those factors can coalesce to create a longer 'hard market' than would have been the case otherwise," he said.

> 'I expect [the Ukraine crisis] will do massive reputational damage to brokers and insurers'

Julia Graham, chief executive of Airmic, a body that represents corporate insurance buyers, said the economic damage from a lasting conflict would feed through to a "continuation of tough times for customers who had hoped for easing in the negative pressure on their insurance covers".

She said she thought that would make large businesses increasingly likely to self-insure more of their risks by setting up what are known as "captive" insurance companies, created within a group, to provide certain coverage if traditional insurance becomes too expensive.

Christopher Lang, Marsh's global placement leader for US and Canada, said the broker did not think "the impact of the conflict will change the current trend of rate moderation" in prices, but he added that inflation in payouts for areas such as commercial property could lead to an "elongation" of the trend.

However, Bruce Hepburn, chief executive at Mactavish, which advises companies on their insurance arrangements, said there could now be an era of rising prices "that runs for five or six years, which has not happened in the memory of any corporate executive".

By disrupting supply chains and whole sectors, the Covid-19 pandemic had "turbocharged" the rise in commercial insurance prices, Hepburn said. Areas such as professional liability and cyber have also seen sharp increases on the back of growing payouts.

Hepburn predicted that the effects of the Ukraine crisis would push up prices even further. "I expect it will do massive reputational damage to brokers and insurers and the relationships with policyholders," he said.

Industrials

# Daimler Buses chief forecasts slow recovery in European demand

JOE MILLER — FRANKFURT

**The world's largest coach and bus manufacturer does not expect demand for coaches in Europe to return to its pre-pandemic level for three more years, even though intercity travel and tourism have bounced back strongly.**

Till Oberwörder, the head of Daimler Buses, acknowledged "there is a sense that [coach travel] is coming back" but added that while customers reported that school trips and tourism bookings were rising, coach orders in Europe would not fully recover "to the levels we have seen" until the middle of the decade.

The group's sales of more than 9,200 buses and coaches in Europe in 2019 dropped to roughly 6,400 last year.

The decline was sharpest in sales of coaches, which are largely bought by private companies. Orders declined by more than 50 per cent in 2021 compared with pre-pandemic levels.

Daimler Buses, which is a division of Daimler Truck, also had to shut its coach factory in Ulm, Germany, in March 2020, and the site remained mostly closed for almost a year and a half.

But a relaxation of Covid restrictions across Europe had led to a revival in demand, Oberwörder said.

"After two years of Covid, there is a great urge to get back to travel again . . . we see it in Germany and we see it in France," he said.

> 'After two years of Covid, there is a great urge to get back to travel again'
> Till Oberwörder

"We are coping with Covid, we have the vaccinations, the regulations are getting a little bit easier in terms of crossing borders."

The revival, he added, "is very much tourism driven . . . but we also see it in school travels; schools didn't travel for two years . . . this is picking up again".

Data compiled by the travel booking site Omio found that European coach travel in the three months to the end of March was 30 per cent above last year's level in the same period and 2 per cent higher than during the three months leading up to January of this year.

One market where demand has not really returned is coach travel for business exhibitions and conferences. Oberwörder said it "remains to be seen" whether this type of travel would recover to 2019 levels.

Daimler Buses is preparing to announce today a new strategy for the rollout of electric and hydrogen-powered vehicles.

The company revealed its eCitaro electric city bus in 2018 and has delivered more than 600 units in Europe since. But the vehicle remains more expensive to run than diesel equivalents.

The business intends to offer a full line-up of electric urban buses in Europe by the end of the decade, and will start offering hydrogen versions from next year.

Its first emission-free coaches are scheduled to be on the roads by 2030.

Market questions. Week ahead

# Fed and BoE out of step on expected rate moves

**Will the Fed deliver an extra-large interest rate rise?**

The Federal Reserve is widely expected to announce on Wednesday at the conclusion of its policy meeting that it will raise its key interest rate by 0.5 percentage points, the first increase of that size since 2000.

The aggressive step is the first of three now expected by investors, who believe the US central bank will need to move rapidly to fight inflation that remains at 40-year highs. Fed chair Jay Powell in April said it was appropriate to "be moving a little more quickly" to tighten monetary policy. Investors are betting that interest rates — currently between 0.25 and 0.5 per cent — will be lifted to 2.7 per cent by the end of the year.

US government spending has slowed and financial conditions have begun to tighten but new sources of inflation — the war in Ukraine and fresh lockdowns in China — are likely to keep pressure on prices.

The US labour department will this week publish jobs figures for the month of April. Economists polled by Bloomberg expect the US to have added 390,000 positions, a dip from the previous month, but still indicative of a robust, stable jobs market.

After the US economy contracted unexpectedly in the first quarter, the pressing question is whether the Fed can raise rates without hurting growth and pushing the US into a recession. *Kate Duguid*

Balancing act: the Bank of England could offer the first clues about the pace and timing of gilt sales this week — Charlie Bibby/FT

**Will the Bank of England drop any dovish hints?**

The Bank of England is almost universally expected to raise interest rates for the fourth consecutive meeting this week. The question is by how much.

Unlike the extra-large increase expected from the US Federal Reserve, markets are pricing in another 0.25 percentage point rise in the UK, taking the BoE's benchmark rate to 1 per cent.

With the cost of living crisis likely to hold back growth, a minority of BoE officials may opt to keep rates on hold, according to analysts at Citi, who expect two members of the nine-strong rate-setting committee to vote for no change, up from one in March.

"Markedly higher inflation in the near term is likely to be juxtaposed with a sharp deterioration in economic momentum through 2022 and 2023, and intense disinflation thereafter," said Citi economist Benjamin Nabarro. "The risks here seem skewed to the dovish side." Nabarro expects the BoE to pause its tightening cycle in August, contrary to market expectations of further rises.

If the pace of BoE tightening falls further behind the Fed then the pound could come under renewed pressure. It fell to its lowest level against the US dollar in nearly two years last week.

The BoE has previously indicated that it will consider beginning to actively sell bonds it bought under its quantitative easing programme once rates reach 1 per cent. The central bank may offer the first clues about the pace and timing of gilt sales this week, which could weigh down longer-term bonds, Citi said. *Tommy Stubbington*

> Unlike the extra-large increase expected from the US Fed, markets are pricing in another 0.25 point rise in the UK

**Will higher Brazilian borrowing costs strengthen the real?**

Brazil's central bank has been among the world's most hawkish in the face of high inflation, lifting its benchmark Selic interest rate from a historic low of 2 per cent to 11.75 per cent since March last year. With price rises in Latin America's largest economy stuck in the double digits, the institution is widely expected to raise it by another full percentage point on Wednesday.

The belief was bolstered by a preview reading of April's inflation data in recent days. Although lower than expected, at an annual clip of 12 per cent it was the highest for that month in 27 years. As the war in Ukraine has stoked global inflationary pressures and with the US Federal Reserve in tightening mode, monetary policymakers in Brasília have a fine balance to strike.

Despite slightly improving predictions of late, economists surveyed by the central bank recently gave an average forecast of just 0.6 per cent economic growth for Brazil in 2022.

Any signals of further rate increases ahead could give support to the Brazilian real. After a torrid 2021, the currency has strengthened 13 per cent against the dollar so far this year as investors have sought higher-yielding assets, but it has lost ground against the greenback in the past month. *Michael Pooler*

Energy. Renewable resources

# Australian island draws gas prospectors seeking pot of 'gold' hydrogen

Geologist leads a hunting trip searching for cheap and clean 'purple unicorn'

JAMES FERNYHOUGH — MELBOURNE

On Kangaroo Island off the coast of Adelaide, a band of former gas explorers believe they are on the verge of discovering the holy grail of cheap, clean energy: naturally occurring "gold" hydrogen.

Luke Titus, a geologist and director of start-up H2EX, first got the idea while searching for gold in the Brazilian jungle. There, he stumbled across "fairy circles" — bare patches in the vegetation where hydrogen seeps out of the ground.

He later began researching the geology of natural hydrogen and discovered that parts of South Australia were promising exploration sites thanks to a mix of iron-rich rocks and salty water, which give rise to a chemical reaction that produces hydrogen.

That hydrogen, the literature suggested, is then trapped under a layer of salty carbonate rock, creating a large natural reservoir of the gas. "It has optimal geological conditions for natural formation of hydrogen gas," said Titus. "It's almost like a purple unicorn."

Titus trawled through government archives and found a report that showed oil prospectors in the 1930s had accidentally discovered wells of almost pure natural hydrogen in South Australia when drilling for oil.

Almost a century later, with the world attempting to wean itself off fossil fuels, the energy-rich gas is emerging as a promising fuel of the future, with natural wells particularly enticing.

Unlike "green" and "blue" hydrogen, which use energy and capital-intensive processes to extract hydrogen from water or natural gas, natural or "gold" hydrogen needs little processing and so is potentially far cheaper and more energy-efficient to produce.

"We're very confident that the hydrogen is there from existing discoveries," said Neil McDonald, Titus's business partner and director of Gold Hydrogen, the first prospector to secure a permit from the South Australian state government to explore the area. He estimates the 9,000 sq km exploration areas, which include the Yorke Peninsula as well as Kangaroo Island, hold 1.3bn kg of hydrogen, which he said was enough to "power a million homes for 40 years".

Others have jumped on the bandwagon, including a team of former executives from Woodside. Peter Coleman, chief executive until last year of Australia's biggest gas producer, joined as chair of H2EX in early April.

Mark Hanna, chief executive of H2EX and also a former Woodside executive, said he first heard about natural hydrogen two years ago in France, where companies such as 45-8 Energy are exploring for the gas. This led him to read about the world's only productive natural hydrogen field in Mali.

The west African country's hydrogen reserve was discovered accidentally in 2015 by groups looking for underground water. Canadian group Hydroma attached a Toyota fuel cell — which generates electricity from hydrogen — to the top of the well and installed a transmission line. The well now supplies electricity to the village of Bourakébougou.

Hanna said there was significant uncertainty about the viability of natural hydrogen and admitted his venture could come to nothing. But he is hopeful, citing the "hydritic" theory proposed by some scientists: that there is enough natural hydrogen in the earth's core and mantle to supply all of humanity's energy needs indefinitely. "If you believe the hydritic theory and the hydrogen is coming from deeper than the earth's crust, you may have to drill deeper," he said, calling this "the holy grail" of natural hydrogen exploration.

Remarkable rocks: South Australia contains promising exploration sites

H2EX has raised enough capital to conduct preliminary exploration. If that is successful, Hanna says the group will have to raise about A$20mn ($14mn) to start drilling "two or three wells" in the most promising locations. Assuming that is a success, serious production could then begin. But he says that is several years away.

Green hydrogen, made by passing demineralised water through a renewably powered electrolyser, costs roughly $5 per kg to produce. To be competitive with fossil fuels, the Australian government says that figure needs to fall below A$2 — something advisory firm PwC has said will not happen before 2040.

Hanna hopes to produce natural hydrogen for between 50 cents and $1.50. In a world where green hydrogen production costs set the price benchmark, natural hydrogen could have a big advantage.

Many are sceptical. Scott Hamilton, senior adviser at green hydrogen industry association Hydrogen Australia, said that while natural hydrogen may have potential, it would need to be scaled up within the next decade.

"The massive drop in solar and wind power means making hydrogen from electrolysis will be dominant in Australia and around the world," he said.

Still, serious performers are taking notice of natural hydrogen. US oilfield services group Schlumberger is working with Gold Hydrogen on its South Australia project, and McDonald said oil producers had expressed interest.

Meanwhile the CSIRO, the Australian government's scientific research body, is looking into the potential natural hydrogen reserves in South Australia.

Graeme Bethune, chief executive of gas industry research group EnergyQuest, said the involvement of former oil and gas people might instil distrust, but that was not a valid argument against it. While "it's really early days, and these wells were drilled almost 100 years ago", he said, if South Australian natural hydrogen reserves met expectations "it could be quite cheap".

How to Lead. Peter Kern, chief executive of Expedia

# 'Be straight with your people about how you feel'

The travel boss has set about streamlining a sprawling group, taking it in a new direction, writes *Alice Hancock*

On Halloween 2020, Expedia chief executive Peter Kern was wearing moose antlers and reading bedtime stories over Zoom to his employees' children.

"I'm famously good at putting babies to sleep because of my grumbly voice," the Seattle-based travel boss says as we embark on a Zoom call to discuss his leadership strategies some 18 months later. "I was very good at putting my own sons to sleep that way."

Kern has needed a measure of calm throughout the two years he has been Expedia's chief executive. He has sat on Expedia's board since 2005 when it was spun out of the media conglomerate IAC. But he was suddenly propelled into running the company after his predecessor Mark Okerstrom and Expedia's then-chief financial officer walked out in December 2019 following a boardroom dispute.

In a quarterly trading update that November, the travel group's net profit had fallen 22 per cent from a year before, missing Wall Street forecasts despite an increase in marketing spend. Its shares plummeted more than 27 per cent as a result. Expedia's rival Booking.com had higher profits and half the fixed cost base.

Expedia's then-management blamed the encroachment of Google into travel booking but its chair, the media mogul Barry Diller, said the business had become "all play and no work". Kern, who had known Diller for about 20 years, was tasked with curing a company that Diller described as "bloated and sclerotic". Kern's strategy: fewer people organised around clearer goals.

"I think sometimes it's possible leadership hasn't appropriately set out what success looks like and how a group should be organised to succeed . . . Most people don't just want to go to work, spin the gerbil wheel and go home and get paid. They want to . . . feel like they are making a difference," he explains.

Peter Kern has pushed decision making down the ranks, allowing people to make their own choices Charlie Bibby/FT

"Organising to succeed" has a cost. In February 2020, Kern oversaw 3,000 redundancies — about 12 per cent of Expedia's headcount — and streamlined the sprawling group, which had accumulated an array of brands including Trivago and Hotels.com. Most had their own marketing teams, for example, meaning the replication of work across the business. Now, there is one centralised marketing hub working on all the Expedia brands.

Kern says it was not about "[taking] costs out because costs are evil and we want to make more money" but arranging the group to be more efficient, adding "if we do that the business will take care of itself".

In February this year, Expedia said it had achieved record fourth quarter adjusted earnings despite uncertainty in the travel industry. The group is also taking a new direction. Kern is in Las Vegas this week to publicly launch a fresh strategy: to focus more on offering its technology and marketing heft to other travel companies than being an online travel booking site with multiple brands.

But February 2020 was not an auspicious time to start a significant overhaul of a global travel company. One month later, Covid hit the US and Europe and the industry came to a standstill. Short of finding someone else for the top job, Kern was persuaded to take over full time.

"It was certainly not my idea or [Diller's] that it would be me," he notes.

As Covid spread and travel restrictions increased, Kern had to motivate employees who, already reeling from redundancies, were threatened by what looked to some like an existential threat to the travel industry. Some questioned not only whether Expedia would survive but whether it was worth staying in the industry long term. Staff were dealing with a torrent of anguished customer phone calls as they tried to cancel and get refunds for trips.

In the 10 weeks after the shutdown of travel in Europe and the US in March 2020, Expedia handled 22mn calls and messages, more than double its usual rate. Kern says his staff needed "ongoing love". One of his methods was sending out semi-regular videos from his wood-clad Seattle home. In some he read bedtime stories to the children of frazzled staff. In another, he reflected on a mountain trek on the anniversary of the September 11 terror attacks. The bedtime stories were his wife's idea, he admits on our call.

He says he is "not big in the advice category" but he has found the best way to keep staff on side is "being straight with your people about how you feel" and not put on some image of how you think a CEO should look talk or write.

**'Leadership [has to] set out what success looks like and how a group should be organised to succeed'**

Part of his efforts to make Expedia more competitive has been to push decision making down the ranks and allow people to make their own choices. One of the company's new values is "Choose Fearlessly". Kern translates this into the words of Lionel Richie, his favourite judge from the television show *American Idol*: "There is no losing. There is only winning or learning".

Kern never saw himself in the travel industry despite enjoying it as a personal pastime and investing in several smaller travel technology groups in the past. He started out on the finance side of business, first meeting Diller when he headed the finance department at the TV station Home Shopping Network. He then moved into private equity for more than 20 years, which is where he says he learnt the importance of recruiting good people and giving them space.

"No matter how smart you are you can't scale IQ points. You have to create an environment where the team can deliver," he says.

Prior to Expedia he headed up Tribune Media, one of the US's largest broadcasters until its merger with Nexstar Media Group in 2018, and although his prior knowledge of consumer and technology brands has no doubt helped, Kern says his key asset is that he hires people "who are far better than me at everything".

Where previous experience did pay off was raising the emergency cash that Expedia needed to survive the pandemic. By May 2020, the travel company had raised more than $3.2bn in funding with $1.2bn coming from the private equity groups Apollo Global Management and Silver Lake who were temporarily given seats on the board.

"I knew how to deal with all the investors. I knew what we needed to deliver and had negotiated more than my share of those deals," Kern says.

Now the company is emerging from the pandemic into an equally uncertain world. Inflation is rising, the war in Ukraine has prompted vast spikes in fuel prices and consumers are showing signs of curbing spending. Big-ticket items such as holidays look a risky bet. On top of that, environmental concerns and remote working have caused companies to cut travel budgets.

But Kern is bullish on people's propensity to travel. He argues that in western countries, Covid prompted both a "savings boom" and wave of spending on material goods while restaurants, hotels and airlines were shut down. "There's been a big underspend on travel and we and many people believe that will reverse itself . . . Everyone has bought enough stuff," he says.

Evidence from airlines such as United, which said in April that it expected record quarterly revenues in the three months to the end of June, would suggest as much.

After all, Kern says, "people don't put pictures of their vacuum cleaner on their refrigerator but of their favourite trip to Italy or Singapore or Thailand."

FT **Leadership** More interviews illuminating the personalities of high-profile leaders by focusing on the issues they faced ft.com/howtolead

# *Superpowers' reputations become first casualties of war*

*Book review*

*by James Crabtree*

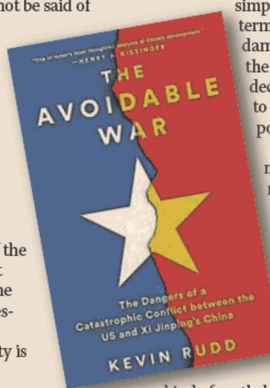
**The Avoidable War: The Dangers of a Catastrophic Conflict between the US and Xi Jinping's China**
by Kevin Rudd, *PublicAffairs*
*$32, 432 pages*

Few western statesmen have enjoyed much quality time with Xi Jinping, especially as China's president has of late retreated into pandemic-era seclusion. Kevin Rudd is one who did. "I spent a total of 10 hours in conversation with Xi in six separate meetings, including about three hours around a winter fire at the prime ministerial residence," he writes in *The Avoidable War*, describing a moment back in 2010, when Xi was Chinese vice-premier and Rudd was Australia's prime minister.

Rudd knows China too. He speaks Mandarin, having studied and worked there. Following his second stint as Australian leader in 2013, he now runs the Asia Society in New York. But he still found time recently to wrap up a doctorate at Oxford, on "Xi Jinping's Worldview", which now provides the underpinnings for his book.

His views on Sino-US ties are therefore notable for being both well-informed and gloomy. Beijing's reputation has clearly plunged in the west. China's leaders meanwhile view the US as "insufferably arrogant, condescending, and systemically incapable of treating China or its leaders with appropriate national respect". The outlook is thus bleak: "The world views now dominant in China and the United States are pushing the two countries toward war," he writes.

The author argues that Chinese political elites are at least well-informed about US politics, something that cannot be said of Americans who still struggle to understand "the domestic drivers of China's international policy behaviour". To remedy this Rudd lays out 10 "core priorities" that animate Xi, ranging from the survival of the Chinese Communist party to rewriting the existing global "rules-based" order.




Xi's second priority is arguably the most important, namely Chinese national unity and the political future of Taiwan, where Xi is "a man in a hurry". China's leader intends to settle this question "in his political lifetime", a period that may now stretch beyond a third term and into the middle of the next decade.

Rudd's book provides a rich and realistic portrayal of China's motivations, as well as a stark warning to a world standing on the edge of a conflict potentially far more devastating than Russia's recent invasion of Ukraine. His argument contains an intriguing balance of pessimism and optimism. On the one hand, competition between the superpowers is inevitable. Rudd sketches out 10 plausible scenarios over Taiwan, half of which end in military confrontation. Yet he also suggests creative diplomacy could avert disaster, hence his title, "The Avoidable War".

Rudd proposes a policy of "managed strategic competition", sketched out in just a handful of pages towards the book's conclusion. This boils down to developing mutually respected red lines, along with plenty of high-level back-channel diplomacy to enforce them. This is not a bad idea, although it is hardly radical: US President Joe Biden is trying something similar with his notion of Sino-US "competition with guardrails".

Why might China and the US follow such a path? Mostly to buy time. With Asia's economic and military balance tipping in its favour, China may be willing to limit its ambitions over Taiwan for now, simply to avoid the short-term risks that a damaging conflict with the US could bring. In a decade or so, it is likely to be in a still better position.

Meanwhile, the US may be willing to play nice for a period as it tries to renovate its domestic economy and shift military resources to Asia. The risk, however, is that by focusing on diplomacy the US might also choose to delay the kind of costly build up in military power that would actually deter China from acting over Taiwan.

Certainly there is a risk that the west will underestimate China's resolve, just as it failed to deter Russian aggression over Ukraine. Rudd admits that he risks being accused of naivety, with proposals that seek largely to delay an inevitable confrontation, perhaps for another decade or more. "I would argue that there is nothing wrong, let alone cowardly, with kicking this particular can (ie, war) a long way down the road," he writes. The risk, as recent events in Ukraine show, is that military confrontation between the superpowers may not be avoidable indefinitely.

*The writer is executive director of IISS-Asia and author of 'The Billionaire Raj'*

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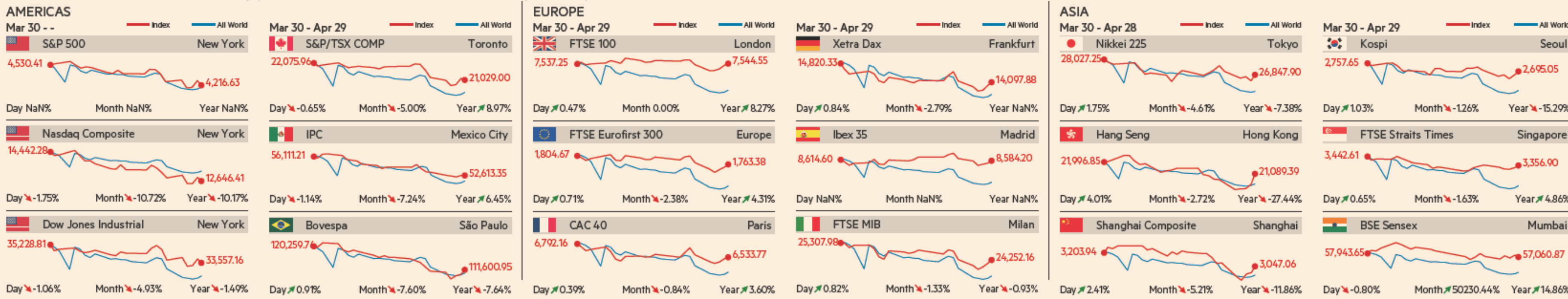
# MARKET DATA

## WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

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




| Country | Index | Latest | Previous |
|---|---|---|---|
| Argentina | Merval | 89628.82 | 90354.23 |
| Australia | All Ordinaries | 7724.80 | 7642.40 |
| | S&P/ASX 200 | 7435.00 | 7356.90 |
| | S&P/ASX 200 Res | 5849.30 | 5823.50 |
| Austria | ATX | 3286.05 | 3268.90 |
| Belgium | BEL 20 | 4106.37 | 4092.72 |
| | BEL Mid | 10380.97 | 10362.92 |
| Brazil | IBovespa | 110921.13 | 109918.97 |
| Canada | S&P/TSX 60 | 1269.21 | 1277.98 |
| | S&P/TSX Comp | 20983.01 | 21121.06 |
| | S&P/TSX Div Met & Min | 1501.40 | 1518.89 |
| Chile | S&P/CLX IGPA Gen | 24643.98 | 24476.60 |
| China | FTSE A200 | 10645.43 | 10402.19 |
| | FTSE B35 | 9000.71 | 8988.96 |
| | Shanghai A | 3193.33 | 3118.40 |
| | Shanghai B | 291.32 | 285.96 |
| | Shanghai Comp | 3047.06 | 2975.48 |
| | Shenzhen A | 1965.65 | 1891.96 |
| | Shenzhen B | 1044.47 | 1015.87 |
| Colombia | COLCAP | 1261.61 | 1260.21 |
| Croatia | CROBEX | 2013.05 | 2011.29 |
| Cyprus | CSE M&P Gen | 68.46 | 68.68 |
| Czech Republic | PX | 1333.63 | 1367.58 |
| Denmark | OMXC Copenahgen 20 | 1786.45 | 1732.31 |
| Egypt | EGX 30 | 11047.70 | 10718.22 |
| Estonia | OMX Tallinn | 1896.79 | 1897.03 |
| Finland | OMX Helsinki General | 11142.75 | 11140.48 |
| France | CAC 40 | 6533.77 | 6508.14 |
| | SBF 120 | 5070.88 | 5051.27 |
| Germany | M-DAX | 30093.06 | 30077.24 |
| | TecDAX | 3129.04 | 3135.84 |
| | XETRA Dax | 14097.88 | 13979.84 |
| Greece | Athens Gen | 922.00 | 925.07 |
| | FTSE/ASE 20 | 2236.54 | 2244.45 |
| Hong Kong | Hang Seng | 21089.39 | 20276.17 |
| | HS China Enterprise | 7298.69 | 6918.62 |
| | HSCC Red Chip | 3926.53 | 3867.21 |
| Hungary | Bux | 43469.84 | 43549.19 |
| India | BSE Sensex | 57060.87 | 57521.06 |
| | Nifty 500 | 14783.35 | 14913.90 |
| Indonesia | Jakarta Comp | 7228.91 | 7196.76 |
| Ireland | ISEQ Overall | 7327.27 | 7264.40 |
| Israel | Tel Aviv 125 | 2087.04 | 2101.46 |
| Italy | FTSE Italia All-Share | 26492.46 | 26298.40 |
| | FTSE Italia Mid Cap | 43097.59 | 42750.10 |
| | FTSE MIB | 24252.16 | 24055.56 |
| Japan | 2nd Section | 7228.27 | 7239.06 |
| | Nikkei 225 | 26847.90 | 26386.63 |
| | S&P Topix 150 | 1643.16 | 1609.73 |
| | Topix | 1899.62 | 1860.76 |
| Jordan | Amman SE | 2408.07 | 2366.17 |
| Kenya | NSE 20 | 1815.03 | 1827.90 |
| Kuwait | KSX Market Index | 6633.44 | 6603.51 |
| Latvia | OMX Riga | 958.09 | 1002.85 |
| Lithuania | OMX Vilnius | 917.96 | 915.47 |
| Luxembourg | LuxX | 1710.48 | 1701.19 |
| Malaysia | FTSE Bursa KLCI | 1600.43 | 1597.31 |
| Mexico | IPC | 52016.89 | 52614.17 |
| Morocco | MASI | 13083.67 | 13106.89 |
| Netherlands | AEX | 710.98 | 705.93 |
| | AEX All Share | 974.13 | 965.39 |
| New Zealand | NZX 50 | 11884.30 | 11875.96 |
| Nigeria | SE All Share | 48571.75 | 48568.57 |
| Norway | Oslo All Share | 1017.37 | 1006.88 |
| Pakistan | KSE 100 | 45249.41 | 45533.30 |
| Philippines | Manila Comp | 6731.25 | 6909.45 |
| Poland | Wig | 57765.37 | 58300.98 |
| Portugal | PSI 20 | 5930.01 | 5932.30 |
| | PSI General | 4378.11 | 4402.66 |
| Romania | BET Index | 12723.23 | 12769.93 |
| Russia | Micex Index | 2439.21 | 2383.66 |
| | RTX | 1085.16 | 1041.91 |
| Saudi-Arabia | TADAWUL All Share Index | 13733.87 | 13643.91 |
| Singapore | FTSE Straits Times | 3356.90 | 3335.09 |
| Slovakia | SAX | 382.40 | 378.09 |
| Slovenia | SBI TOP | - | - |
| South Africa | FTSE/JSE All Share | 72438.25 | 71534.57 |
| | FTSE/JSE Res 20 | 77198.27 | 75053.89 |
| | FTSE/JSE Top 40 | 65475.55 | 64551.99 |
| South Korea | Kospi | 2695.05 | 2667.49 |
| | Kospi 200 | 355.08 | 350.16 |
| Spain | IBEX 35 | 8584.20 | 8512.20 |
| Sri Lanka | CSE All Share | 7624.26 | 7611.43 |
| Sweden | OMX Stockholm 30 | 2058.90 | 2038.56 |
| | OMX Stockholm AS | 845.51 | 836.59 |
| Switzerland | SMI Index | 12128.76 | 12068.41 |
| Taiwan | Weighted Pr | 16592.18 | 16419.38 |
| Thailand | Bangkok SET | 1667.44 | 1667.74 |
| Turkey | BIST 100 | 2427.10 | 2428.42 |
| UAE | Abu Dhabi General Index | 8333.19 | 8358.50 |
| UK | FT 30 | 2535.90 | 2535.20 |
| | FTSE 100 | 7544.55 | 7509.19 |
| | FTSE 4Good UK | 6931.78 | 6908.95 |
| | FTSE All Share | 4185.12 | 4165.89 |
| | FTSE techMARK 100 | 6052.14 | 5995.73 |
| USA | DJ Composite | 11506.06 | 11628.60 |
| | DJ Industrial | 33557.16 | 33916.39 |
| | DJ Transport | 15212.23 | 15324.13 |
| | DJ Utilities | 1013.74 | 1030.72 |
| | Nasdaq 100 | 13178.94 | 13456.06 |
| | Nasdaq Cmp | 12646.41 | 12871.53 |
| | NYSE Comp | 15910.44 | 16032.68 |
| | S&P 500 | 4216.63 | 4287.50 |
| | Wilshire 5000 | 42245.37 | 42878.28 |
| Venezuela | IBC | 5641.01 | 5638.92 |
| Vietnam | VNI | 1366.80 | 1350.99 |
| Cross-Border | DJ Global Titans ($) | 468.75 | 477.33 |
| | Euro Stoxx 50 (Eur) | 3798.88 | 3777.02 |
| | Euronext 100 ID | 1245.92 | 1237.83 |
| | FTSE 4Good Global ($) | 10290.93 | 10400.46 |
| | FTSE All World ($) | 436.91 | 438.94 |
| | FTSE E300 | 1763.38 | 1750.94 |
| | FTSE Eurotop 100 | 3411.61 | 3385.69 |
| | FTSE Global 100 ($) | 2712.33 | 2749.98 |
| | FTSE Gold Min ($) | 2207.16 | 2181.48 |
| | FTSE Latibex Top (Eur) | 4440.00 | 4432.20 |
| | FTSE Multinationals ($) | 2883.06 | 2817.21 |
| | FTSE World ($) | 790.29 | 795.68 |
| | FTSEurofirst 100 (Eur) | 4588.81 | 4553.05 |
| | FTSEurofirst 80 (Eur) | 5280.06 | 5249.81 |
| | MSCI ACWI Fr ($) | 665.80 | 653.90 |
| | MSCI All World ($) | 2861.55 | 2807.51 |
| | MSCI Europe (Eur) | 1786.78 | 1773.39 |
| | MSCI Pacific ($) | 2718.88 | 2712.69 |
| | S&P Euro (Eur) | 1764.82 | 1756.00 |
| | S&P Europe 350 (Eur) | 1814.29 | 1801.27 |
| | S&P Global 1200 ($) | 3133.76 | 3153.82 |
| | Stoxx 50 (Eur) | 3723.81 | 3694.34 |

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

## STOCK MARKET: BIGGEST MOVERS

| America Ups | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Mohawk Industries | 146.23 | 15.45 | 11.81 |
| Tesla | 911.17 | 33.66 | 3.84 |
| Celanese | 148.28 | 5.35 | 3.74 |
| Wynn Resorts | 73.12 | 2.38 | 3.36 |
| Honeywell Int | 195.85 | 5.93 | 3.12 |
| **Downs** | | | |
| Verisign | 181.80 | -26.63 | -12.77 |
| Amazon.com | 2529.51 | -362.43 | -12.53 |
| Abbvie | 142.29 | -14.02 | -8.97 |
| Charter Communications | 426.33 | -35.16 | -7.62 |
| Duke Realty | 56.08 | -3.87 | -6.46 |

Based on the constituents of the S&P500 and the Nasdaq 100 index

| London Ups | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Johnson Matthey | 2225.00 | 353.50 | 18.89 |
| Aveva | 2175.00 | 121.00 | 5.89 |
| Biffa | 348.80 | 17.40 | 5.25 |
| Chemring | 351.50 | 16.50 | 4.93 |
| Fidelity China Special Situations | 250.50 | 11.50 | 4.81 |
| **Downs** | | | |
| Cranswick | 3178.00 | -264.00 | -7.67 |
| Hikma Pharmaceuticals | 1883.50 | -145.50 | -7.17 |
| Indivior | 313.20 | -17.40 | -5.26 |
| Vodafone | 121.54 | -5.50 | -4.33 |
| Currys | 93.30 | -3.35 | -3.47 |

Based on the constituents of the FTSE 350 index

| Euro Markets Ups | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Prosus | 46.54 | 3.80 | 8.88 |
| Bbva | 5.06 | 0.31 | 6.55 |
| Cs N | 6.56 | 0.35 | 5.56 |
| Novo Nordisk B A/s | 109.20 | 5.58 | 5.38 |
| Dsv A/s | 157.28 | 5.78 | 3.82 |
| **Downs** | | | |
| Neste | 41.20 | -4.60 | -10.04 |
| Muench.rueckvers.vna O.n. | 226.60 | -14.60 | -6.05 |
| Henkel Ag+co.kgaa Vzo | 60.32 | -2.86 | -4.53 |
| Henkel Ag+co.kgaa St O.n. | 60.25 | -2.35 | -3.75 |
| Vonovia Se Na O.n. | 38.63 | -1.11 | -2.79 |

Based on the constituents of the FTSEurofirst 300 Eurozone index

| Tokyo Ups | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Fujikura | 621.00 | 85.00 | 15.88 |
| Denso | 7957.00 | 705.00 | 9.72 |
| Tokuyama | 1733.00 | 120.00 | 7.44 |
| Daiichi Sankyo , | 3262.00 | 225.00 | 7.41 |
| Cyberagent,. | 1386.00 | 94.00 | 7.28 |
| **Downs** | | | |
| Konica Minolta Holdings, . | 454.00 | -30.00 | -6.20 |
| Hitachi Construction Machinery Co., | 2955.00 | -150.00 | -4.83 |
| Keisei Electric Railway Co., | 3195.00 | -160.00 | -4.77 |
| Kansai Electric Power Co | 1140.00 | -47.00 | -3.96 |
| Nippon Yusen Kabushiki Kaisha | 9460.00 | -360.00 | -3.67 |

Based on the constituents of the Nikkei 225 index

## UK MARKET WINNERS AND LOSERS

Losers

| FTSE 100 | Apr 29 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| Aveva | 2175.00 | -13.7 | -36.8 |
| Ocado | 924.00 | -11.3 | - |
| Ashtead | 4179.00 | -9.9 | - |
| Rolls-royce Holdings | 83.29 | -9.0 | - |
| Jd Sports Fashion | 133.40 | -7.9 | - |
| Hikma Pharmaceuticals | 1883.50 | -6.4 | - |
| Schroders | 2840.00 | -5.7 | - |
| Persimmon | 2100.00 | -5.2 | - |
| Intermediate Capital | 1547.50 | -5.2 | - |
| Hargreaves Lansdown | 917.20 | -5.1 | -31.9 |
| B&m Eur Value Retail S.a. | 490.20 | -5.1 | - |
| Bt | 177.35 | -4.9 | 5.1 |

| FTSE 250 | Apr 29 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| Trustpilot | 104.30 | -14.8 | - |
| Baltic Classifieds | 132.00 | -11.3 | - |
| Petershill Partners | 255.00 | -10.5 | -7.1 |
| Dr. Martens | 213.00 | -10.1 | - |
| Cranswick | 3178.00 | -9.8 | -15.4 |
| Iwg | 244.00 | -9.7 | - |
| Jupiter Fund Management | 178.20 | -9.6 | - |
| Marks And Spencer | 137.75 | -9.3 | - |
| Tyman | 276.00 | -8.9 | - |
| Aj Bell | 249.60 | -8.8 | -34.5 |
| Watches Of Switzerland | 1021.00 | -8.6 | - |
| Xp Power | 3220.00 | -8.0 | - |

| FTSE SmallCap | Apr 29 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| Costain | 40.00 | -11.4 | - |
| Tt Electronics | 182.40 | -10.4 | - |
| Norcros | 240.00 | -8.7 | - |
| Ao World | 76.00 | -8.3 | - |
| Kenmare Resources | 472.50 | -8.3 | 4.3 |
| Superdry | 153.00 | -8.2 | - |
| Newriver Reit | 88.20 | -8.1 | 0.3 |
| Robert Walters | 620.00 | -7.5 | - |
| Sif Realisation Fund | 7.91 | -7.3 | - |
| Enquest | 32.60 | -7.1 | 74.5 |
| Reach | 162.60 | -7.1 | - |
| Motorpoint | 242.00 | -6.9 | - |

| Industry Sectors | Apr 29 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| Industrial Transportation | 3305.29 | -8.4 | - |
| Personal Goods | 27555.23 | -5.1 | - |
| Mobile Telecommunications | 3050.44 | -4.3 | 6.0 |
| Household Goods | 12862.64 | -3.9 | - |
| Health Care Equip.& Services | 8686.52 | -2.8 | 5.3 |
| Software & Computer Services | 1796.39 | -2.7 | - |
| Industrial Engineering | 14742.48 | -2.6 | - |
| Life Insurance | 6676.44 | -2.3 | - |
| Food Producers | 6183.08 | -2.3 | -8.3 |
| Mining | 11160.38 | -2.0 | - |
| Banks | 3127.78 | -2.0 | 2.6 |
| Aerospace & Defense | 4559.91 | -1.8 | 8.9 |

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

## CURRENCIES

| Apr 29 | Currency | Dollar Closing Mid | Dollar Day's Change | Euro Closing Mid | Euro Day's Change | Pound Closing Mid | Pound Day's Change |
|---|---|---|---|---|---|---|---|
| Argentina | Argentine Peso | 115.3163 | 0.1398 | 121.6532 | 0.5283 | 144.7788 | 1.5048 |
| Australia | Australian Dollar | 1.4072 | -0.0062 | 1.4845 | -0.0018 | 1.7667 | 0.0086 |
| Bahrain | Bahrainin Dinar | 0.3770 | - | 0.3977 | 0.0012 | 0.4733 | 0.0044 |
| Bolivia | Bolivian Boliviano | 6.9100 | - | 7.2897 | 0.0228 | 8.6755 | 0.0798 |
| Brazil | Brazilian Real | 4.9522 | -0.0730 | 5.2243 | -0.0603 | 6.2175 | -0.0336 |
| Canada | Canadian Dollar | 1.2781 | -0.0057 | 1.3483 | -0.0018 | 1.6046 | 0.0077 |
| Chile | Chilean Peso | 853.0500 | -5.2000 | 899.9273 | -2.6483 | 1070.9982 | 3.3770 |
| China | Chinese Yuan | 6.5870 | -0.0252 | 6.9490 | -0.0047 | 8.2699 | 0.0447 |
| Colombia | Colombian Peso | 3977.9900 | -10.7100 | 4196.5919 | 1.8889 | 4994.3389 | 32.5890 |
| Costa Rica | Costa Rican Colon | 665.4350 | -0.5300 | 702.0023 | 1.6426 | 835.4489 | 7.0208 |
| Czech Republic | Czech Koruna | 23.3224 | -0.0114 | 24.6040 | 0.0651 | 29.2811 | 0.2550 |
| Denmark | Danish Krone | 7.0513 | -0.0255 | 7.4388 | -0.0035 | 8.8529 | 0.0497 |
| Egypt | Egyptian Pound | 18.4879 | 0.0291 | 19.5039 | 0.0918 | 23.2114 | 0.2496 |
| Hong Kong | Hong Kong Dollar | 7.8462 | -0.0002 | 8.2773 | 0.0257 | 9.8508 | 0.0902 |
| Hungary | Hungarian Forint | 358.5384 | -0.3120 | 378.2409 | 0.8572 | 450.1423 | 3.7499 |
| India | Indian Rupee | 76.4425 | -0.0469 | 80.6432 | 0.2034 | 95.9730 | 0.8239 |
| Indonesia | Indonesian Rupiah | 14497.0000 | - | 15293.6534 | 47.9150 | 18200.8795 | 167.2973 |
| Israel | Israeli Shekel | 3.3415 | 0.0135 | 3.5252 | 0.0252 | 4.1953 | 0.0554 |
| Japan | Japanese Yen | 129.5600 | -1.4550 | 136.6796 | -1.1018 | 162.6616 | -0.3146 |
| ..One Month | | 129.5599 | -1.4553 | 136.6797 | -1.1017 | 162.6615 | -0.3150 |
| ..Three Month | | 129.5595 | -1.4561 | 136.6798 | -1.1015 | 162.6611 | -0.3158 |
| ..One Year | | 129.5564 | -1.4621 | 136.6793 | -1.1025 | 162.6615 | -0.3183 |
| Kenya | Kenyan Shilling | 115.8000 | - | 122.1635 | 0.3829 | 145.3861 | 1.3365 |
| Kuwait | Kuwaiti Dinar | 0.3065 | -0.0004 | 0.3233 | 0.0006 | 0.3847 | 0.0030 |
| Malaysia | Malaysian Ringgit | 4.3535 | -0.0090 | 4.5927 | 0.0049 | 5.4658 | 0.0391 |
| Mexico | Mexican Peso | 20.4085 | -0.1800 | 21.5300 | -0.1218 | 25.6227 | 0.0116 |
| New Zealand | New Zealand Dollar | 1.5407 | -0.0048 | 1.6254 | 0.0001 | 1.9344 | 0.0118 |
| Nigeria | Nigerian Naira | 415.0000 | - | 437.8053 | 1.3721 | 521.0295 | 4.7897 |
| Norway | Norwegian Krone | 9.3165 | -0.0887 | 9.8285 | -0.0625 | 11.6969 | -0.0028 |
| Pakistan | Pakistani Rupee | 185.7500 | - | 195.9574 | 0.6141 | 233.2078 | 2.1438 |
| Peru | Peruvian Nuevo Sol | 3.8400 | -0.0200 | 4.0510 | -0.0083 | 4.8211 | 0.0194 |
| Philippines | Philippine Peso | 52.2050 | -0.0800 | 55.0738 | 0.0885 | 65.5430 | 0.5030 |
| Poland | Polish Zloty | 4.4376 | -0.0236 | 4.6815 | -0.0101 | 5.5714 | 0.0219 |
| Romania | Romanian Leu | 4.6900 | -0.0152 | 4.9478 | -0.0005 | 5.8883 | 0.0352 |
| Russia | Russian Ruble | 70.8250 | -1.4250 | 74.7170 | -1.2644 | 88.9203 | -0.9552 |
| Saudi Arabia | Saudi Riyal | 3.7508 | - | 3.9569 | 0.0124 | 4.7091 | 0.0433 |
| Singapore | Singapore Dollar | 1.3809 | -0.0069 | 1.4568 | -0.0026 | 1.7337 | 0.0074 |
| South Africa | South African Rand | 15.8163 | -0.2650 | 16.6854 | -0.2264 | 19.8572 | -0.1471 |
| South Korea | South Korean Won | 1256.0000 | -16.4000 | 1325.0203 | -13.0945 | 1576.8991 | -5.9046 |
| Sweden | Swedish Krona | 9.7933 | -0.0390 | 10.3315 | -0.0086 | 12.2955 | 0.0646 |
| Switzerland | Swiss Franc | 0.9707 | -0.0009 | 1.0240 | 0.0023 | 1.2186 | 0.0101 |
| Taiwan | New Taiwan Dollar | 29.4755 | -0.0420 | 31.0953 | 0.0533 | 37.0063 | 0.2879 |
| Thailand | Thai Baht | 34.2500 | -0.2025 | 36.1321 | -0.0997 | 43.0006 | 0.1434 |
| Tunisia | Tunisian Dinar | 3.0949 | -0.0092 | 3.2650 | 0.0006 | 3.8856 | 0.0243 |
| Turkey | Turkish Lira | 14.8560 | 0.0722 | 15.6724 | 0.1251 | 18.6516 | 0.2613 |
| United Arab Emirates | UAE Dirham | 3.6731 | - | 3.8749 | 0.0121 | 4.6115 | 0.0424 |
| United Kingdom | Pound Sterling | 0.7965 | -0.0074 | 0.8403 | -0.0051 | - | - |
| ..One Month | | 0.7965 | -0.0074 | 0.8401 | -0.0051 | - | - |
| ..Three Month | | 0.7966 | -0.0074 | 0.8399 | -0.0051 | - | - |
| ..One Year | | 0.7972 | -0.0073 | 0.8386 | -0.0051 | - | - |
| United States | United States Dollar | - | - | 1.0550 | 0.0033 | 1.2555 | 0.0115 |
| ..One Month | | - | - | 1.0548 | -0.1890 | 1.2555 | 0.0115 |
| ..Three Month | | - | - | 1.0544 | -0.1890 | 1.2555 | 0.0116 |
| ..One Year | | - | - | 1.0523 | -0.1890 | 1.2562 | 0.0116 |
| Vietnam | Vietnamese Dong | 22963.5000 | 6.0000 | 24225.4517 | 82.2342 | 28830.5742 | 272.5272 |
| European Union | Euro | 0.9479 | -0.0030 | - | - | 1.1901 | 0.0072 |
| ..One Month | | 0.9478 | -0.0030 | - | - | 1.1900 | 0.0072 |
| ..Three Month | | 0.9474 | -0.0030 | - | - | 1.1897 | 0.0072 |
| ..One Year | | 0.9452 | -0.0030 | - | - | 1.1885 | 0.0073 |

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

## FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

## FT 30 INDEX

| | Apr 29 | Apr 28 | Apr 27 | Apr 26 | Apr 25 | Yr Ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 2535.90 | 2535.20 | 2506.10 | 2516.20 | 2548.70 | 0.00 | 2880.10 | 2300.60 |

## FT WILSHIRE 5000 INDEX SERIES

## FTSE GLOBAL EQUITY INDEX SERIES

## FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

| | | | | | |
|---|---|---|---|---|---|
| Oil & Gas Producers | 28.76 | FTSE 100 Index | 2.17 | Life Insurance | -12.66 |

## FTSE 100 SUMMARY

## UK STOCK MARKET TRADING DATA

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

MORNINGSTAR®

## UK RIGHTS OFFERS

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

## UK COMPANY RESULTS

## UK RECENT EQUITY ISSUES

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

## FT 500: TOP 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| BOE Tech | 0.80 | 0.68 | 0.12 | 17.65 | 0.12 | 17.6 | 17.65 |
| Shrwin-Will | 282.18 | 281.31 | 0.87 | 0.31 | 37.26 | 15.2 | 8.76 |
| Ch Rail Gp | 5.51 | 5.45 | 0.06 | 1.10 | 0.72 | 15.0 | 22.44 |
| Pwr Cons Corp | 7.76 | 7.61 | 0.15 | 1.97 | 0.96 | 14.1 | 9.92 |
| Hunng Pwr | 3.99 | 4.09 | -0.10 | -2.44 | 0.47 | 13.4 | 19.46 |
| Suncor En | 47.38 | 47.22 | 0.16 | 0.34 | 5.49 | 13.1 | 16.25 |
| Meta | 206.07 | 205.73 | 0.34 | 0.17 | 21.96 | 11.9 | -10.33 |
| ValeroEngy | 114.34 | 115.53 | -1.19 | -1.03 | 11.29 | 11.0 | 18.23 |
| MollerMrsk | 20680.00 | 19990.00 | 690.00 | 3.45 | 1705.00 | 9.0 | -2.91 |
| ChStConEng | 6.28 | 6.18 | 0.10 | 1.62 | 0.50 | 8.7 | 17.60 |
| Tencent | 377.40 | 339.80 | 37.60 | 11.07 | 29.40 | 8.4 | 2.73 |
| Qualcomm | 144.00 | 148.19 | -4.19 | -2.83 | 11.19 | 8.4 | -10.55 |
| Repsol | 14.29 | 13.63 | 0.66 | 4.81 | 1.09 | 8.3 | 20.00 |
| Corning | 36.19 | 36.40 | -0.21 | -0.58 | 2.39 | 7.1 | -5.57 |
| StandCh | 551.80 | 547.60 | 4.20 | 0.77 | 36.40 | 7.1 | 7.52 |
| Naspers N | 1612.13 | 1489.42 | 122.71 | 8.24 | 104.85 | 7.0 | 0.76 |
| Waste Manage. | 168.12 | 169.65 | -1.53 | -0.90 | 10.61 | 6.7 | 6.55 |
| Ch Rail Cons | 5.24 | 5.19 | 0.05 | 0.96 | 0.32 | 6.5 | 9.39 |
| KoreaElePwr | 23100.00 | 22850.00 | 250.00 | 1.09 | 1400.00 | 6.5 | -0.43 |
| Salesforce | 182.07 | 185.74 | -3.67 | -1.98 | 10.64 | 6.2 | -17.72 |

Based on the FT Global 500 companies in local currency

## FT 500: BOTTOM 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| Charter Comms | 426.33 | 461.49 | -35.16 | -7.62 | -85.04 | -16.6 | -25.63 |
| Deut Bank | 9.55 | 9.62 | -0.07 | -0.77 | -1.81 | -16.0 | -15.92 |
| GenElectric | 76.76 | 77.73 | -0.97 | -1.25 | -12.31 | -13.8 | -18.90 |
| Boeing | 152.63 | 154.22 | -1.59 | -1.03 | -24.29 | -13.7 | -21.21 |
| Amazon | 2529.51 | 2891.93 | -362.43 | -12.53 | -357.50 | -12.4 | -25.32 |
| Bausch Hlth | 24.72 | 25.26 | -0.54 | -2.14 | -3.22 | -11.5 | -14.93 |
| Comcast | 40.17 | 41.70 | -1.53 | -3.67 | -5.21 | -11.5 | -15.99 |
| BcoSantdr | 2.82 | 2.75 | 0.06 | 2.34 | -0.35 | -11.0 | -8.56 |
| ChMrchSecs | 12.77 | 12.21 | 0.56 | 4.59 | -1.48 | -10.4 | -11.87 |
| HangSeng | 139.50 | 140.50 | -1.00 | -0.71 | -14.50 | -9.4 | -8.39 |
| Tesla Mtrs | 911.17 | 877.51 | 33.66 | 3.84 | -93.89 | -9.3 | -17.13 |
| Verizon | 47.09 | 48.40 | -1.31 | -2.71 | -4.82 | -9.3 | -8.09 |
| FastRetail | 60160.00 | 60980.00 | -820.00 | -1.34 | -6090.00 | -9.2 | -4.79 |
| RollsRoyce | 83.29 | 83.31 | -0.02 | -0.02 | -8.28 | -9.0 | -19.02 |
| New Ch Life Ins | 20.05 | 19.78 | 0.27 | 1.37 | -1.95 | -8.9 | -6.29 |
| DanskeBk | 109.10 | 116.35 | -7.25 | -6.23 | -9.80 | -8.2 | -5.05 |
| Abbvie | 142.29 | 156.31 | -14.02 | -8.97 | -12.70 | -8.2 | -12.28 |
| OilNatGas | 160.45 | 164.80 | -4.35 | -2.64 | -13.70 | -7.9 | -9.02 |
| IM Baotou Stl | 1.88 | 1.82 | 0.06 | 3.30 | -0.16 | -7.8 | -16.44 |
| AutoZone | 1993.44 | 2014.44 | -21.00 | -1.04 | -166.83 | -7.7 | -3.94 |

Based on the FT Global 500 companies in local currency

## INTEREST RATES: OFFICIAL

| Apr 29 | Rate | Current | Since | Last | Mnth Ago | Year Ago |
|---|---|---|---|---|---|---|
| US | Fed Funds | 1.50-1.75 | 27-09-2018 | 1.00 | 1.75-2.00 | 1.25-1.50 |
| US | Prime | 3.50 | 27-09-2018 | 3.50 | 5.00 | 4.25 |
| US | Discount | 2.25 | 27-09-2018 | 0.75 | 2.50 | 1.75 |
| Euro | Repo | 0.00 | 16-03-2016 | 0.00 | 0.00 | 0.00 |
| UK | Repo | 0.75 | 02-08-2018 | 0.75 | 0.50 | 0.25 |
| Japan | O'night Call | 0.00-0.10 | 01-02-2016 | 0.00 | 0.00--0.10 | 0.00--0.10 |
| Switzerland | Libor Target | -1.25-0.25 | 15-01-2015 | -0.75--0.25 | -1.25--0.25 | -1.25--0.25 |

## BOND INDICES

| | Index | Day's change | Month's change | Year change | Return 1 month | Return 1 year |
|---|---|---|---|---|---|---|
| **Markit IBoxx** | | | | | | |
| ABF Pan-Asia unhedged | 204.63 | -0.50 | -4.29 | -6.90 | -3.47 | -7.03 |
| Corporates( £) | 358.99 | -0.41 | -2.85 | -9.30 | -2.47 | -9.12 |
| Corporates(€) | 222.76 | -0.38 | -2.55 | -7.77 | -2.15 | -8.16 |
| Eurozone Sov(€) | 232.62 | -0.81 | -3.47 | -8.57 | -3.38 | -8.98 |
| Gilts( £) | 324.22 | -0.80 | -2.54 | -9.81 | -2.64 | -8.53 |
| Overall( £) | 327.78 | -0.69 | -2.51 | -9.45 | -2.51 | -8.48 |

## INTEREST RATES: MARKET

## COMMODITIES

## BONDS: HIGH YIELD & EMERGING MARKET

## VOLATILITY INDICES

## BONDS: BENCHMARK GOVERNMENT

## BONDS: INDEX-LINKED

## BONDS: TEN YEAR GOVT SPREADS

## BONDS: GLOBAL INVESTMENT GRADE

## GILTS: UK CASH MARKET

## GILTS: UK FTSE ACTUARIES INDICES

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

# Business cannot brush off ESG as a mere PR challenge

Stefan Stern
Ethical purpose

Marks and Spencer is hiring. It needs a new ESG communications manager.

The British retailer is looking for a "stellar candidate who combines substantial knowledge of issues such as plastics, human rights, climate change and diversity and inclusion". You would have to be pretty stellar to have substantial knowledge of all those subjects.

The job holder will be responsible for "crafting and co-ordinating our Environmental, Social and Governance communications strategy", which will "engage and equip our colleagues, deliver our regulatory reporting requirements as well as build belief in our ESG and wider transformation narrative". It is a big job, but somebody has to do it.

ESG is everywhere. You cannot discuss a business's operations or prospects without the initials ESG cropping up. Some commentators are troubled by this. "There is a steady supply of people who don't care about finance but who end up working in financial services in ESG roles," wrote Bloomberg's Matt Levine in March. But this was restrained in comparison to Elon Musk's recent comment that "corporate ESG is the devil incarnate".

Sceptical (and seasoned) observers of business know to be on alert when another Three Letter Acronym (TLA) achieves popularity. Management By Objectives (MBO), Total Quality Management (TQM), Business Process Re-Engineering (BPR), Corporate Social Responsibility (CSR): each has for a time dominated the agenda.

All started out with worthwhile analysis at their heart. But in the curious world of management thinking, what begins as an interesting thought often gets either distorted or diluted as its uptake increases. The more you see and hear a familiar TLA in circulation, the more likely the idea is becoming the latest failed fad.

It is possible we have reached peak ESG. As reported in the FT recently, a whistleblower formerly employed by Deutsche Bank's DWS asset management arm denounced ESG as "meaningless". "We've been massively successful in mobilising [trillions of dollars] into ESG strategies broadly," Desiree Fixler said. "What have we accomplished? I'd say very little."

Consider the practicalities, and paradoxes: housebuilders such as Taylor Wimpey and Persimmon are still installing gas boilers in new houses, even though in three years' time they will be banned in newbuilds in the UK. How robust are investors, including ESG funds, being with housebuilders on this issue, asks business commentator Mark Goyder.

Then there is the paradox of advisers that have no single house view on investments and voting decisions. The FT also reported that ISS, a proxy adviser, was on both sides of an investor vote at Bank of America last week. Shareholders were asked to consider requiring the bank to introduce tougher policies on financing fossil fuel investments.

ISS advised "socially responsible" investors that stricter lending rules would create "stronger alignment between the company's net zero goals and its policies and actions" and should therefore be supported. But its advice for general shareholders was to reject the motion, as they could be happy with "the company's current commitments to low-carbon economy and expected goal-setting".

So what was the responsible course of action for shareholders: save the planet, or save the annual bonus? It is not always easy being an investor, ESG or otherwise. (Only 11 per cent of shareholders supported the motion.)

Business leaders cannot brush off ESG concerns as a mere PR challenge. The carbon emissions of JBS, the Brazilian meatpacking company, have risen more than 50 per cent in the past five years, according to research. This could lead to disinvestment by a range of funds, as well as being dropped as a supplier to supermarket groups. This is where ESG concerns can really bite.

> Managers must engage employees and align social responsibility with what their company actually does

The challenge for managers is engaging employees in these questions. Lofty ESG goals can be "pretty meaningless for staff", says Richard Collins, co-founder of CSR Accreditation, a training organisation. ESG measures are imposed top-down, whereas genuine CSR activity is bottom-up, and involves people. Collins recommends aligning social responsibility with what your business actually does. It follows that making grand claims about your ethical purpose while conducting business as usual can be doubly disheartening.

If ESG is everywhere or part of everything, what in the end is it? As ever, Occam's razor can help: if your business is doing something you would be embarrassed to tell to your friends and family, you probably should not be doing it. The threat of public embarrassment should be enough to encourage business leaders to make better choices.

*The writer is author of 'How to Be a Better Leader' and is a visiting professor at Bayes Business School, City, University of London*

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## Working life

# CEOs develop a taste for the frontline experience

Executives want staff to join them in 'dogfooding' exercises to test the quality of what they offer, writes *Yasemin Craggs Mersinoglu*

Andy Fang, co-founder of DoorDash, still makes deliveries, as do other staff, to provide feedback on how to improve the service. Below, John Zimmer, Lyft's co-founder and president, driving for his ride-hailing app — Jason Henry/FT

In March, the co-founder and head of consumer engineering at DoorDash, Andy Fang, could be found dropping off an order from a sushi restaurant to a customer's apartment in San Francisco.

The food delivery app had restarted its WeDash programme that requires all of its salaried employees in the US, Canada and Australia to get out on the road and make deliveries. "It's pretty core to our DNA as a company . . . it ties to one of our values of being customer-obsessed," says Fang.

The act of testing your own product or service has been dubbed "dogfooding" in the technology world. It traditionally took place in software development but the term has expanded to refer to other employee initiatives such as spending time in frontline roles. When DoorDash was created in 2013, the founders carried out deliveries themselves out of necessity. Its WeDash initiative, which began in earnest in 2015 before being paused during the pandemic, has turned a necessity into company policy.

According to Fang: "One thing that makes this programme so effective here is the fact that the founders and the company leadership team engage in it very passionately." He recently used it to test the feasibility of using e-bikes for deliveries, partly as a response to rising petrol prices and concerns over environmental sustainability. He describes WeDash as a way for staff to understand the company culture, stay in touch with frequent product changes and provide feedback on how to improve the service.

But at least one DoorDash employee was not happy about the reinstatement of WeDash. In a post on the workplace app Blind in December, the staff member claimed to have not received notice of the policy before joining the company and appeared to object to the deliveries being tracked in performance reviews.

Fang says: "This has been something that the vast majority of the employee base has been positively receptive to. We are giving people different opportunities to engage with the product."

The company asks staff to complete at least four deliveries and they can also shadow customer experience colleagues, to make up 10 "dashes" per year. Shadowing restaurant partners on the DoorDash platform will also become an option. Employees are encouraged to do one of these tasks on a monthly basis. Other "dogfooding" participants include Airbnb co-founder and chief executive Brian Chesky, who announced in January he would be staying in Airbnb's rental properties every few weeks — he did a similar stint in 2010. John Zimmer, the co-founder and president of Lyft, has had a New Year's Eve tradition of driving for the ride-hailing app for the past 10 years.

Jennifer McFadden, associate director and a lecturer in the practice of entrepreneurship at Yale School of Management, says employers have to ask if such practices are the best use of high-salaried employees' time due to company costs. "I personally would argue yes," she says. "Anything you can do to get closer to your customer in any way, shape or form is great."

She did, however, raise concerns about safety and employees' ability to understand problems experienced by workers in the gig economy. "I do think that does help you build empathy with your end user, but you really can't understand that role unless you jump in, your salary is dependent on it, you are feeding your family based on that salary, you're working 14-hour days."

The phrase "eating our own dogfood" was popularised at Microsoft in 1988 by former manager Paul Maritz. He sent an email about the need to trial new networking software internally, using the phrase in the subject line and, as a joke, the testing manager then named the test server "dogfood".

"Somehow from there it took on a life of its own and started to spread to other parts of Microsoft and then from there, other parts of the industry," Maritz recalls. He had been inspired to use the term by his first boss, who would say it to question his team on how what they wanted to build would fare in the real world. The business and cultural legacy of the phrase was underlined nearly 25 years later when his daughter-in-law started working at Google and returned with a T-shirt branded with the slogan. "It's a very good discipline to say to yourself, if we can't use it ourselves then there must be something fundamentally wrong."

Ilma Nur Chowdhury, senior lecturer in marketing at the Alliance Manchester Business School, says companies should consider whether they have recruited an inclusive "dogfooding" team that reflects the different needs and backgrounds of employees and customer groups. "You could see a firm trying to become much more socially responsible, trying to take into account diversity when they are engaging in this process."

She says ill-thought-through dogfooding programmes can lead to issues such as staff fatigue and resentment [when workplace culture is an issue], but these can be avoided if employees are not forced to do more hours and frontline personnel do not experience ad hoc disruption to teams.

> 'Anything you can do to get closer to your customer in any way, shape or form is great'

At workflow automation group Zapier, all staff are asked to help with customer support each week.

Co-founder and chief executive Wade Foster says: "It helps them to feel much more connected to the work that's going on." He says the policy has led to better understanding of customer demands and faster fixes to problems raised in calls, as well as building a team bond, which includes trust and greater respect towards customer service employees. Foster believes the policy helps everyone to "see through a similar lens" and appreciate why other departments advocate for certain changes. Early in the pandemic, staff inside and outside Zapier's customer support team identified the impact Covid-19 was going to have on small businesses, and in less than a week the company launched an assistance programme. "It allows us to better size up opportunities and jump on the ones that we think are interesting, maybe just a little bit sooner than how most companies would do it."

Such practices are not confined to the technology sector. Ahead of becoming Burger King chief executive in 2013, Daniel Schwartz worked in its restaurants, flipping burgers and learning about other roles in the business worked.

John Lewis, the UK retail partnership, has run its Helping Hands initiative since 2006; it is centred mostly around head office staff. Ben Farrell, director of operations planning and delivery, says the business "very much [has] a spirit of we are all in it together".

For the first decade of the scheme, employees were asked to assist on the shop floor of John Lewis department stores and Waitrose supermarkets in the run-up to Christmas. The scheme was adapted as the retail sector shifted to online. Staff can now sign up to help in its warehouses, contact centres and on home deliveries for a few days during busy periods. "This is the business coming alive in front of them."

Volunteers take part in addition to their usual responsibilities. "People are really remarkably committed. I know several people who get up at 4am to get there for the 6am-2pm [warehouse] shift and then go do their day job," Farrell says. The partnership matches employees to nearby locations where possible to avoid extra costs. While leading the pandemic response, Farrell's experiences helping out with deliveries influenced his approach to the safety of employees and customers. "All of this detail that you get from doing all these jobs really helps you make better decisions," he says.

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## Dear Jonathan

YOUR QUESTION FOR OUR EXPERT — AND READERS' ADVICE

### Why can't I find a job despite years of experience?

#### This week's problem

I have built two decades of expertise at a senior level across banking and consulting. I did an MBA, was seconded, and then left my firm not long after returning. I spent a few years in government and then went into private equity. But over the past two years I have struggled to get a full-time role despite expertise in ESG, a good network and positive feedback from headhunters. I am losing my confidence. What should I do? **Male, 40s**

#### Jonathan's answer

You are perhaps surprised that with your experience in professional services, banking, consulting, private equity and government, you are struggling to secure the next full-time role. Also, you have added skills through your MBA and expertise in a subject rapidly rising up the business agenda — environmental, social and governance. But after two years, it is not surprising you feel a drop in confidence.

"It's understandable to feel disheartened and bewildered," says Olivia James, a confidence coach at The Harley Street Coach. She adds that an initial reaction can be, "What am I missing?", as human nature can lead to you blaming yourself. As a first step, "Get someone in your corner, who can give you help with your strategy," she suggests.

Receiving positive feedback from headhunters is better than the opposite, but to be of real value it needs to be channelled towards opportunities they are helping clients to fill. The best ones can share their opinions on market trends to help you direct your efforts towards specific industries and roles.

With your career in a range of industries, you have built a broad network and are probably using that for a series of information interviews, a second route to finding a job. You could combine your MBA research skills with your network to spot target organisations where you would like to work. You might, of course, consider securing several roles to create a portfolio.

"With your variety of experiences, you'll have an understanding that ESG is not a single, static point: how it applies to PE is not the same as in government, nor in banking," says Marianne Harper Gow, director of governance and sustainability at Baillie Gifford, an asset manager. "ESG is a hot topic," she adds. "It's no longer the icing on the cake, it has to be in the cake itself."

Finding a new full-time role is a full-time job in itself. James advises you to focus on the process and to try to build in personal time for family, cultural activities, exercise and other interests to develop that "inner glow" that can maintain your own wellbeing and be attractive to recruiters.

Finding a full-time role can be a serendipitous process, but the more people you connect with (including through this column) the greater your chances of finding the right role for you.

#### Readers' advice

You have described only your experience but not your aspirations. What inspires and excites you? What do you want to do with the next few years of your career and life? Re-examining those questions will guide your next steps. **LondonReader**

Take an active volunteering role in your professional body. If you're creative about it you will run into all sorts of interesting people and amazing opportunities. This has worked big time for me over the years and continues to do so. **My FT Comments**

Follow every lead, however spurious, you never know where your break will come from. My "lucky break" came from a head hunter I had last spoken to 15 years earlier. **Maverick**

#### Next problem

One of my ambitions is to work in China. I am a market research analyst based in south-east Asia and I would like to continue working in my current field in financial services or commodity lines in China. However, I do not speak Mandarin. As a non-Chinese person, how can I find a job before I move there? **Anonymous, 30s**

**Jonathan Black is director of the Careers Service at the University of Oxford. Every fortnight he answers your questions on personal and career development and working life. Do you have a question for him? Email: dear.jonathan@ft.com**

WORK & CAREERS

# Learning how to say 'no' to office housework

Four academics have identified non-promotable tasks that have obstructed their, and peers', career paths, writes *Emma Jacobs*

Laurie Weingart, Lise Vesterlund, Linda Babcock and Brenda Peyser started meeting regularly in 2010 to compare the volume of tasks that overwhelmed them — Sally Maxson

Throughout her career as an economist, Lise Vesterlund has been struck by the number of male colleagues who were exceptionally good at teaching and writing research papers, yet "somehow when it comes to doing any kind of service work, they [have some defect] that somehow makes them never serve on a committee".

So the work gets picked up by their female peers, who have no special aptitude for doing thankless jobs, clogging up time that would be better spent on work that advances their careers. It is these non-promotable tasks — or NPTs — that are explored in a new book, *The No Club*, written by academics Brenda Peyser, Laurie Weingart, Linda Babcock and Vesterlund, a professor of economics at the University of Pittsburgh.

The title of the book comes from the regular meetups the authors started in 2010 in a restaurant in Pittsburgh, when they got together to complain about the volume of tasks that overwhelmed them. The women, including attorney MJ Tocci who died of ovarian cancer in 2014 and to whom the book is dedicated, took turns to list the "crappy tasks" they had taken on. These were critical to making their workplace function — such as organising a colleague's leaving present, organising committees and interviewing interns — but made no difference to their career progression. In fact, they hindered advancement as they gobbled up time better spent on meaningful work that could boost their profiles.

They decided to call these jobs "non-promotable" and pledged to meet regularly, forming a No Club, to help each other prioritise and discard jobs, and how to say no. The problem, they realised, was pervasive and together they set about researching the topic. In doing so, they discovered that women — in a chicken and egg situation — are both asked more frequently than men to do such tasks and then say yes more often. In the book they write, "the key explanation for these drivers lies in the collective expectation that women, more than men, will do the unrewarded and non-promotable work". In one professional services firm, by analysing employees' time, they discovered "whether senior or junior, the median woman spent about two hundred more hours per year than the median man on non-promotable work. That's approximately a month of extra dead-end work."

The book advises women on how to weigh up whether to decline tasks by gathering all the information, asking for time to decide, and not to fall prey to flattery, "like Sally Field at the Oscars, we all have the surprised reaction of 'You like me!'". It also recommends forming a mutually-supportive group or enlisting a buddy to help sift through requests and craft the perfect "no".

However, they are keen to stress that it is not only down to individuals to resist taking on NPTs but it is "an organisational problem" that managers need to address. Most of this work, after all, requires little skill and can be done by anyone so can be equitably distributed.

When I talk to the four women over video conference about the book, they all say the biggest surprise in their research was the discovery that in the workplace women were expected to take on these tasks. In a series of experiments, they conclude in the book that "when men move from a mixed-gender group to a single-gender group, they volunteer more. When women move from a mixed gender group to a single-gender group, they volunteer less." It is not just social pressure but also in some cases polite strongarming, which they describe as "volun-told", that gets women to take on committee work, fundraising or "office housework", the term coined by Harvard Business School professor, Rosabeth Moss Kanter, to describe the kind of chores that are not dissimilar to those done at home, such as organising sandwich lunches or parties.

Office housework is a subset of NPTs, but a useful way to demonstrate the kind of invisible labour that goes on at home and the workplace. Your home might function if it was caked in grease and dust but it would not be very pleasant. Some NPTs may turn out to be dispensable but many will make the organisation more harmonious.

> 'There is a collective expectation that women, more than men, will do the unrewarded work'

Until her recent retirement, Peyser was a professor of communications at Carnegie Mellon, where she also served as associate dean of the School of Public Policy and Management. "The problem has been undiagnosed so far," Peyser says, reflecting that her male peers have "been very good at sloughing off the things that they think don't matter and doing the things that they have decided really do matter. And so they're very good at focusing on the promotable work." She used to work with a man who would turn up to meetings without a pad and pen and would ask her to take notes and email them. "I had become his de facto personal assistant during these meetings. It wasn't a one-off." Later, she presented him with some stationery so that he could do it himself.

Hybrid work patterns create risks and opportunities. Remote working, says Weingart, management professor at Carnegie Mellon University, means that "much more work is becoming invisible". At the same time, the disruption to work practices has made organisations sharper on prioritising so that "some of the [NPTs have] fallen off the table".

The Great Resignation also makes the issue of NPTs timely. Babcock, professor of economics at Carnegie Mellon University, says people have had pandemic epiphanies. "People are reflecting on what it is that they want in a job, in a career, in life. The job market is tight and people have opportunities to move jobs . . . It may be a good time to have discussions within the organisation about what work will [be fulfilling]. If companies are trying to retain workers, they're going to want to be thinking about how [to] make my workforce happy, productive and fulfilled and how to keep them focused on promotable work."

Employees, as well as employers, are not conscious of how they spend their working time. Weingart says until she met regularly with her co-authors, she "just worked and worked and worked all the time. The club helped me to step back and reflect on what I was doing, why I was doing it and [assess whether I was] doing the things I should be doing or wanted to do." It was always easier to do the most straightforward, usually mindless, tasks that would do nothing for her profile. "I have to block out my time for my promotable work so that the non-promotable doesn't fill that block because it's right in front of me."


FT FINANCIAL TIMES

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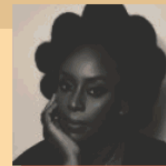

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# Dazzling return of Rylance's Rooster

THEATRE

**Jerusalem**
Apollo Theatre, London
★★★★★

*Sarah Hemming*

"They want to see you shatter some bones," says Mark Rylance's Rooster Byron in *Jerusalem*, recalling his days as a daredevil stunt driver. And in essence he's talking about the lure of Jez Butterworth's dark, dazzling play, which has acquired its own legendary status since it came barrelling on to the stage a dozen years ago and is now gloriously revived for our troubled age.

It's about Englishness, for sure, but it's also about something wild, elusive and elemental and the way storytelling lets us encounter that. Meet Rylance's drunken, delusional, drug-dealing outlaw on a dark street and you'd run a mile. Meet him onstage in a wooded glade and he becomes something other: a pixie, a dragon, a charismatic storyteller who offers escape from grinding mundanity, who reaches into something deeper and more intangible. It's along that knife-edge that Butterworth's play walks and where Rylance's stunning performance pirouettes.

Rylance plays Johnny "Rooster" Byron, a self-appointed Lord of Misrule, who camps chaotically on the edge of a Wiltshire village, hosts rowdy parties, plies his teenage followers with drugs and alcohol and treats official attempts to oust him with wilful contempt. Into the 24 hours that will see him meet his Waterloo, Butterworth piles riotous partying, folklore, myth, tales of giants, ley lines, references to Shakespeare and a tug of war between reason and impulse. It's not for nothing it's set in the woods, site of mind-altering rites of passage in Shakespeare's plays.

Ian Rickson's exquisitely modulated staging has the same brilliant, expansive energy as it did a decade ago, but its dark undercurrents are more disturbing than ever. It plays out into a different context: into a country ragged with argument and disputation, that has seen Brexit, rising racism, culture wars and the growth of performative patriotism. Into, too, a world that has seen #MeToo and Black Lives Matter, where the stories we tell — and who gets to tell them — feel more significant than ever.

The male characters' bad-taste jokes, casual racist remarks and sexist braggadocio look uglier now, as do references to underage sex, and the female characters remain underwritten. But the portrayal of a group of malcontents and lost individuals seems more telling, as does the brutal attack on Rooster as a "gyppo" outsider. It's a play charged with the mystery and importance of legend, but it also interrogates the lure and danger of mythmaking: a drama that feels sharply pertinent in a world where myths of national greatness are wreaking such damage.

And it's simply a wonderful, wonderful piece of theatre. Combining the tightness of the classical Greek dramatic unities with an impression of bagginess that makes time feel elastic, the script is often blisteringly funny, relishes storytelling and skilfully shifts register to something much more profound and tragic. Ultz's tree-canopied set, eloquently lit by Mimi Jordan Sherin, beguiles you as it does the characters. Mackenzie Crook, returning as Ginger, unemployed plasterer and wannabe DJ, feels more poignant 10 years on. There's a deep sadness too to Jack Riddiford's Lee, hovering uncertainly on the eve of emigration; Gerard Horan's weary pub-owner Wesley; and Alan David's bereaved, poetic professor.

At the heart of the affair is Rylance, inhabiting Rooster with mercurial brilliance and the sprung alertness of a wild animal. He begins the play doing a handstand into a water-trough, showering the audience with beer, swigging a cocktail of milk, egg, vodka and speed, and blasting a foghorn down a loudspeaker. The detail of his performance is astonishing: he blinks, winks and peers as if unable to focus, limps and growls and, at one point, blows smoke out of his nostrils like a dragon. But left alone, he looks smaller, lonelier, lost. A brief interlude with his ex-partner and son reveals what his recklessness has cost both them and him.

And yet. As he crouches, bloodied, beaten, defiant, and summons giants, he makes your pulse pound and your scalp prickle. It's exhilarating, mysterious, terrifying. Magical theatre.

*To August 7, jerusalemtheplay.co.uk*

Top: Mark Rylance as Johnny 'Rooster' Byron in 'Jerusalem'. Above: Mackenzie Crook as Ginger
Simon Annand

THEATRE

**An Octoroon**
Abbey Theatre, Dublin
★★★☆☆

*Max McGuinness*

The Irish premiere of *An Octoroon* constitutes a peculiar homecoming. Branden Jacobs-Jenkins's 2014 play is based on a slavery-themed melodrama by the Irish writer Dion Boucicault, who wowed New York audiences in the mid-19th century.

A grimy, washed-up Boucicault, played with conscious Irishry by Rory Nolan, shows up here early on to lament his vanished fame and boast of having invented the theatrical matinee. Those pleas for recognition yield a tongue-in-cheek response as Jacobs-Jenkins subjects Boucicault's work to caustic parody. But *An Octoroon* also seems to express some admiration for Boucicault's willingness, however tainted by prejudice, to address slavery and interracial romance on stage. The provocative idea at the heart of this play is that theatrical portrayals of race are so defined by stereotypes that these can only be satirised and refashioned rather than truly discarded.

That perspective is given arresting visual form through extensive use of whiteface, blackface and redface as the 10-strong cast send up Boucicault's convoluted story about the love between a plantation owner and a mixed-race freed slave in antebellum Louisiana.

*An Octoroon*'s central taboo-defying conceit cocks a snook at the concept of "colour-blind casting", which is the theme of a bracing opening monologue by the playwright's alter ego BJJ (Patrick Martins). It also suggests that race itself is a kind of performance that we are eternally condemned to repeat.

The text blends modified chunks of Boucicault's dialogue with present-day vernacular. The latter's virtues come to fore in *An Octoroon*'s most cohesive scenes, which feature two incongruously chipper enslaved women — Dido (Mara Allen) and Minnie (Leah Walker) — whose rapid-fire badinage has the verbal intensity of Shakespearean comedy. The vibrant contemporary rhythms of their speech also emphasise slavery's enduring legacy, for Dido and Minnie's insouciant acceptance of their own exploitation alludes to the persistence of such internalised racism today.

The sections of the play adapted from Boucicault are, by contrast, often rather plodding. The performers' archly stilted playing style is perhaps consistent with Jacobs-Jenkins's parodic intent. But in Anthony Simpson-Pike's staging, the effect becomes wearing and monotonous over the course of two hours and 40 minutes (with an interval). There is too much declamation to the audience, not enough interaction between the characters, and a lack of emotional texture. It also seems odd that Simpson-Pike doesn't make more of the play's Irish hinterland.

*An Octoroon* helped launch a wave of theatre devoted to exploring the racial politics of the medium. Jeremy O Harris's erotic psychodrama *Slave Play* and Jackie Sibblies Drury's surreal dark comedy *Fairview* both clearly owe a debt to Jacobs-Jenkins's play. They also strengthen or refine central aspects of its theatrical vision. The former, though not without its flaws, surpasses *An Octoroon* in terms of provocative sexual energy. And Drury's metatheatrical high jinks are crisper and more precisely calibrated.

*An Octoroon* has already attained putative canonical status. But on the evidence of this staging, Jacobs-Jenkins's signature work ought to be seen as a bold, path-breaking experiment that doesn't quite merit a permanent slot in the theatrical repertoire.

*To May 14, abbeytheatre.ie*

Patrick Martins as BJJ, the playwright's alter ego

Mara Allen and Leah Walker in 'An Octoroon' — Ros Kavanagh

"

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# Reporters who bear witness to war

PODCASTS
Fiona Sturges

In early March, the Sky News reporter Stuart Ramsay and his film crew came under fire from a suspected Russian assassination squad in Ukraine while they were in a car on their way to Kyiv. As the bullets flew around them and the car began to disintegrate, Ramsay, who was crouched down on the back seat, recalls saying to himself: "I am going to die now, and I wonder if it's going to hurt." But despite being hit in the lower back by a bullet, he was able to escape along with the rest of his team. Now, two months later, he is already making plans to return to Ukraine.

In the new podcast *The Line of Fire*, Ramsay talks about his brush with death and a career spent putting himself in harm's way. It is presented by the British-Iranian war reporter Ramita Navai, whose own experience in the field means she is able to ask blunt questions without seeming ghoulish.

The series isn't only about near-death experiences, though there are plenty of those. It's about how war reporters cope with working in such dangerous conditions, what they have learned about humanity in the face of astonishing cruelty and why they do what they do. For Ramsay, who is Sky's longest-serving foreign correspondent, the answer to the latter is clear: "All of us do it for a reason and the reason is to bear witness," he says.

Another of Navai's guests is CNN's chief international correspondent, Clarissa Ward, who has been reporting on the war in Syria for almost a decade, and before that on the conflicts in Afghanistan and Iraq. Early in her career, Ward knew that "I wanted to go to the tip of the spear, wherever that was, and try to understand the people on the other side of it." She goes on to talk of the guilt that comes with leaving conflict zones and returning to a comfortable life back home, where she often finds it difficult to speak to friends and family about what she has seen. She also reveals how being a female reporter can have its advantages, in particular that, "In places that are more tense, I'm viewed as a curiosity rather than as a direct threat." With the help of Navai's gentle coaxing, her recollections are illuminating and remarkably candid.

Another new series, *Silenced*, from the human rights organisation Article 19, hears the stories of journalists and activists around the world who have had to fight against efforts by governments to silence them. Among the host Nicola Kelly's interviewees are the journalist Olga Tokariuk, who speaks from a bomb shelter in western Ukraine about the invasion of her country, and Maria Baronova, former editor-in-chief of RT (formerly known as Russia Today), who discusses her hopes for an independent Russian media.

Sky News reporter Stuart Ramsay, who was shot in Ukraine last month while covering the war
Sky UK

FT BIG READ. SOCIETY

Even before the pandemic, demand from young people for mental health services was outstripping supply in many parts of the UK. Some doctors warn the shortage of support has become 'dangerous'. *By Bethan Staton*

# Children ignored in mental health crisis

Nicola was in a local shop with her friends when she got a phone call from a health worker asking her to describe the most difficult experiences of her life.

After years of crippling anxiety and depression, the 17-year-old was on a months-long waiting list for help from NHS Child and Adolescent Mental Health Services (CAMHS). Struggling to cope, she had requested a crisis call.

In tears, she described plunging her hand into iced water to deal with the urge to harm herself. She says she had struggled with thoughts of suicide, but had not taken any steps to follow through.

"From that, I guess they decided that I was coping," says Nicola, who asked not to use her real name. "CAMHS came back to me saying they couldn't do anything. I was shocked . . . I shouldn't have to be on a ledge to get help."

While spending on mental health in the UK through the NHS has increased over the past five years, there has been a reduction in other public services that support teenagers and their mental health — many of which were focused on prevention.

The underfunding of these services during a period of austerity is now colliding with pent-up demand from the Covid pandemic and increasingly widespread psychological problems. The result is that young people in crisis are sometimes waiting months for help, or failing to make the threshold for accessing support at all. "The bar to access CAMHS support has become extremely high. There was a government commitment to increase capacity, but prevalence has way outstripped it," says Olly Parker, head of external affairs at Young Minds, a charity. "'Suicide attempt' is a trigger word people feel they have to use to get help. In some parts of the country even that's not enough."

> 'I was at crisis point and the idea that people will only help if I get [into that situation] again — that's really scary'

As a result of pent-up demand caused by the pandemic, some young people are waiting months for help. 'The bar to access support has become extremely high,' says Olly Parker (below) at Young Minds
Young Minds

At the heart of the crisis is a rise in demand for mental health help that dramatically outstrips supply.

Government figures show one in six young people aged 6 to 16 had a probable mental health condition in late 2021, up from one in nine in 2017. At the same time, spending is unevenly distributed: last year, only half of NHS authorities met the government target of spending 1 per cent of their budget on children and young people's mental health.

The problems created by the pandemic are particularly acute among young people. While rates of mental ill health in adults and children are roughly comparable, figures from the Local Government Association suggest local NHS groups can spend up to 14 times more on adult's than children's mental health services.

"There is growing need. We're hearing right around the country from parents and children that this is a very difficult situation and demand is far outstripping supply," says Dame Rachel De Souza, the Children's Commissioner.

**Life after lockdowns**

The rapid rise in need in the UK predates the pandemic but has been worsened — and complicated — by lockdowns. It is a trend that has been seen across much of the developing world.

Between 2017 and 2020 the number of young people referred to mental health services increased almost 60 per cent, to 539,000. But the following year referrals fell to just short of 500,000.

The fall is not a result of reduced need: according to the Centre for Mental Health, an additional 1.5mn under-18s will need new or additional help as a result of the pandemic. Instead, a lack of contact with GPs, teachers and other essential services meant problems simply went unchecked.

Now, authorities are facing what Parker describes as an "explosion" in numbers as children who were unable to access help in lockdown are now beginning to reach out. Parker believes the rise is a "lagging indicator — we've not quite seen the crest of that wave".

Whether they were seeking help before lockdown or after, the consequences of the overstretched services are twofold for young people.

Waiting lists for NHS help remain stubbornly long: in March, the Children's Commissioner reported that over a third of children accepted on to waiting lists for mental health treatment were still waiting for their treatment to begin. The average national waiting time between a referral and second contact with CAMHS last year was 32 days, but in the worst performing areas average wait times were more than 80 days, and maximum wait times stretched to many months.

And many children do not make it on to waiting lists at all. Many of those working on the frontline argue that the threshold for being successfully referred to CAMHS is moving higher, so young people — like Nicola — are frequently told they do not qualify for support even when they are in crisis. "In all of our work last year we've talked to practitioners, the instances they're seeing are becoming more frequent and more extreme," says Anne Longfield, a former Children's Commissioner who now chairs an independent commission on vulnerable young people.

In practice, this means children's mental health worsening after they are told to wait for help.

In a survey of 1,000 GPs by charity Stem4 last month, 95 per cent said they believed mental health services for children and young people were critically failing and had worsened in the past six years, and many described the services as "dangerous" or "unsafe".

Two-thirds said they were afraid their young patients would come to harm as a result of a lack of treatment. Five per cent of GPs said they stopped referring young patients altogether.

One GP who responded to the survey said a 12-year-old patient was found to have a rope in his room, but was told the referral threshold was not met because he had no marks on his neck. Another said a child who had been stopped from jumping off a building was rejected for assessment on the same day, forcing the doctor to direct him to A&E.

"The thresholds are set so that if someone would benefit from the support of a CAMHS service they should be referred on to it," says Sebastian Rees, the author of a report for think-tank Reform calling for schools to teach mental wellbeing and resilience to combat the problem. "They clearly aren't."

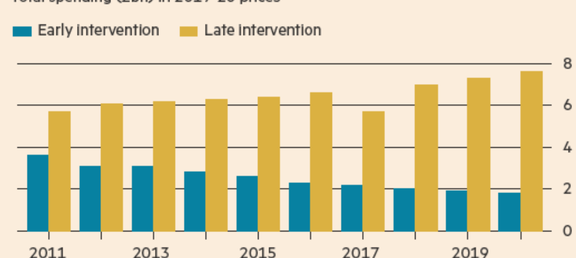
Eric Haines, director for London and the South at mental health charity Place2Be, says local CAMHS services are "very good at crisis response" where children are in "imminent danger". But he says there are variations between local authorities and, outside of the starkest emergencies, waiting times were often up to 15 weeks.

De Souza, who used to run a multi-academy trust, says she saw children with profound challenges struggle to get support. "Practically as a headteacher you've got children who've made one or two suicide attempts at school and are still not getting the support they need," she says. "There isn't any slack to take [cases that are seen as] maybe — there are serious financial pressures."

Parker says it was not unusual for parents to spend the night outside children's doors "worrying about how they're going to make it through the night", after being placed on waiting lists despite young people being at risk of suicide. "Imagine living with that for two years and then getting up in the morning and having to go to your job, sometimes caring for people yourself," Parker adds. "Then the parent's mental health begins to suffer too."

**Most local authority funding is going into late-stage mental health interventions**

Total spending (£bn) in 2019-20 prices




Sources: Department for Education, Barnado's

**School support**

Large numbers of children stuck on waiting lists or failing to hit the threshold for help has an impact on other services. First on the frontline are schools.

Nicola says it is not uncommon for queues of several young people to be waiting at the office of the head of year, a senior staff member with informal responsibility for the wellbeing of pupils. As well as appointments with a school-based counsellor, Nicola continues to depend on ad hoc support from these meetings, which she refers to as "top-ups".

"They're what keeps my head above the water, I'm so close to going under," she says. "The amount of people I've seen waiting outside of his office is scary. He's basically triaging without a mental health training background."

Chloe Lowry, a former teacher and now a researcher at University College London's Institute of Education, says teachers have always been the most common source of support for children suffering mental distress.

But more teachers are finding themselves giving emotional and social support to children with more serious problems, thanks to young people's needs increasing and "not being met elsewhere". Some teachers were struggling with their own mental health as a result. "There's a mental health crisis among teachers — what I suspect is they've got a bit of a vicious cycle," says Lowry. "We know there's a link between the mental health of students and their teachers."

Counsellors employed directly by schools and independently by charities say they are dealing with more severe mental health issues as those children who in a properly functioning system would be quickly referred are pushed down to less urgent parts of the system.

"The actual needs the young people are coming with are at a higher level than the intervention we have," Rachel Ward, a mental health practitioner working for Action for Children in north-west England, says. "That's because the services are not there . . . There is nobody to pick them up and it comes back to us."

The worsening problems of the children workers such as Ward meet are part of a larger vicious circle of underspending on preventive measures and a failure to stop problems escalating, experts say, resulting in children seeking help when things become much worse.

Cutbacks in early intervention services such as youth centres have for more than a decade left young people struggling to get help with minor problems, resulting in their mental health worsening until they are forced to get help in what is often a crisis intervention.

Longfield says the system has for years failed to provide early support that could have prevented the current increase in demand. "A lot of children end up with a level of mental health need that requires clinical intervention, but if they could've got help before it may not have got to that point," she says.

With rates of mental ill health requiring crisis care increasing, it seems unlikely that acute care can expand to meet need, she adds. "What we're seeing is a system that was creaking anyway but is now really under pressure . . . with little hope of catching up."

According to a report by Pro Bono Economics, a think-tank, annual spending on children's services was £325mn in real terms lower in 2019-20 than it was in 2010. With the number of young people increasing, this pushed spending per young person down by nearly 7 per cent in the decade before the pandemic.

Cuts in spending, however, fell exclusively on early interventions such as children's centres, youth clubs and informal counselling. Spending on these preventive services fell 48 per cent in the decade. On late interventions such as youth justice services, looked-after children and safeguarding, it increased by 34 per cent.

Now mental health crises post-pandemic are resulting in more imbalance towards emergency services, Parker says. "When you put cash into a system it tends to flow to where there are burning buildings and right now the burning building is in the post-pandemic backlog of people being referred to CAMHS."

> 'You've got children who've made one or two suicide attempts and they are still not getting the support'

But while charities recognise more funding for emergency services will alleviate the pressure on their own services, they also know additional support is needed to stop situations reaching that crisis point. "Real conscious intervention and early support needs to be put into our young people now," says Ward, at Action for Children. "It's not an instant answer, but if we take action to give people the skills early on now, you're not going to have the same people on that list in five years' time."

To begin to alleviate the pressure on CAMHS, more investment is needed in early help such as mental health teams in schools, says Longfield. "It can't just be a very shiny service that is there to provide clinical treatment — it has to work much more robustly and with other partners."

An NHS spokesperson said: "Children and young people's mental health is a top priority for the NHS, with over 649,000 children and young people supported by NHS-funded services in the year up to January, up from 534,238 pre-pandemic. The mental health workforce had increased by 40 per cent over the past three years."

After more than half a year of waiting, Nicola is now on course to attend a counselling session with CAMHS. But as she approaches her 18th birthday she is worried about the transition to adult services. She is also traumatised by being told she was not unwell enough to receive help even when she had reached crisis point.

"The scariest time in my life was two days when I was at crisis point and the idea that people will only help if I get there again — that's really scary," she says.

"The fact that you can get help but it's forever just beyond your grasp makes it harder. You do everything you can and it's not good enough . . . it makes me think there's no point in trying — that there's no one helping and no one cares."

Frontline workers interviewed by the FT believe the situation for young people is likely to get worse before it gets better. A lack of community, socialising and support during the pandemic has given way to even greater pressure at school, as teenagers prepare for exams under a government push to catch up.

Government efforts to address the deficit in early intervention include dedicated mental health support teams who give help for mild-to-moderate mental health issues across schools. But Rees is sceptical as to whether the efforts go far enough. "It's a ticking time bomb in terms of the long-term effects," Rees says. "It's an economic failure to not get on top of this, but it's always harder to focus on prevention."

# The FT view

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

## Sieving the alphabet soup of banks' capital requirements

*Ideas to simplify lenders' buffers have merit but important caveats*

Less is more, as every good designer knows. When it comes to bank capital's blueprint, the UK's top supervisor of lenders has suggested going back to the drawing board. It is a beguiling concept: complexity can bring cost, inhibit scrutiny and facilitate gaming of the system. Sam Woods, a Bank of England deputy governor, instead wants simplified but more swingeing capital requirements for big banks around the world. His ideas are kite-flying rather than formal proposals. Or as he put it, akin to a concept car designed to prompt a conversation rather than be roadworthy. Still, they are worth examining.

A plethora of safety measures were introduced by governments worldwide in the wake of the financial crisis 14 years ago. On top of the minimum capital requirements banks must comply with, a series of buffers were added by the Basel Committee to enable banks to absorb losses and keep lending in times of stress. The idea was to protect the economy from the banks, and the banks from the economy, reducing the likelihood of future taxpayer bailouts. Each buffer was designed to target a particular risk. But there is now concern among some supervisors that the various buffers do not mesh well, even sometimes coming into conflict.

Woods proposes replacing the alphabet soup of buffers — with abbreviations like CCyB, CCoB and Sifi — with a single, blunter one. Crucially, he would force banks to build this with purer equity of common stock and cash rather than hybrid instruments currently allowed. He also wants to retain today's mix of weighting assets by their riskiness, as well as the leverage ratio that measures equity against total assets.

There should not be any move to reduce banks' overall amount of capital; some indeed argue it is not high enough. But consolidation of the buffers, which could amplify their positive effects when released, is an idea with merit.

The caveat is that his vision, if it is to work safely, would require intense regulatory scrutiny and intervention; arguably much more than today. The BoE traditionally favours simplicity paired with discretion — the famous raise of the governor's eyebrow — but the system is only as good as its supervisors. Woods acknowledges that under his vision, the intensity of balance sheet stress-testing would probably increase. This is already a time-consuming exercise that in the UK is done once a year (and which all lenders have passed of late).

Woods' blueprint has some shortcomings. The first is that the proposed buffer release, to help maintain lending in times of stress, would leave only a "low level" of minimum capital. But what if a second stress played out immediately after a first: a war, for example, right after a pandemic? Another flaw is that it is market forces rather than regulatory pressure that banks feel most acutely. That will not be readily fixed by favouring a brutalist rather than baroque capital stack. Banks fear the stigma of depleting buffers because of what that might signal to the wider market. No bank wants to raise a red flag.

> One possible remedy is to better bolster resolution regimes

There are no easy solutions. One possible remedy is to better bolster resolution regimes. Since the crisis, effort has gone into establishing how to resolve or let big banks fail safely. They must have "gone concern" capital alongside going-concern buffers. This is meant to put creditors on the hook through "bailing in" debt rather than calling on a government bailout. But the appetite for bail-in, which could bring its own economic maelstrom, is untested.

Ideas for simplification are welcome. But with economic headwinds blowing hard, now is not the time for this kind of reform. Which means banks and their supervisors will be stirring their alphabet soup for a while longer.

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Opinion Asia

# An ageing population grapples with falling yen

Maria Hergueta

Leo Lewis

A long-term houseguest of ours, who watches too much daytime television aimed too accurately at her age bracket, has developed concerns about the weak yen. When she moved in with us in late 2019, the Japanese currency was sitting comfortably in a narrow exchange rate band against the US dollar that it had occupied for almost three years. Last Friday, after a record-breaking plunge and weeks on the slide, the yen was at a 20-year low.

Analysts see a plausible continuation of the decline into an even deeper historic trough, a rising possibility of intervention by the Japanese authorities to stem that and, because of the fundamental reasons behind the drop (unwavering Bank of Japan policy versus rising US rates), a strong risk such efforts would fail. Intriguingly, our houseguest may — indirectly and through potential machinations of Japan's $1.6tn state pension fund — provide the braking mechanism.

To a 72-year-old on sofa stake-out, this forex spectacle — when set to semi-scary music and conflated by TV producers with supply chain shocks, rising food and energy prices — is wonderfully watchable. Her rotation through the channels ranges from roundtable debates over Japan's forex passivity in the face of global turmoil and small businesses declaring impending ruin to celebrities gasping at price hikes on favourite snacks and cooking ingredients.

> Analysts see a plausible continuation of the decline into an even deeper historic trough

Highly resonant among the generation, like her, that was of prime working age when Japan was in its pomp, is the new concern that there isn't enough concern outside Japan. Such a huge, sudden drop in the currency of a G7 economy would, in the past, have shaken the financial and geopolitical scene. Today, the impact feels much more dulled.

Set against this, both in the repeated statements of the BoJ governor Haruhiko Kuroda and in the notes of equity analysts attempting to rekindle global investor interest in Japanese stocks, are reminders that on balance a weak yen and the significant cost-competitiveness that comes with that are good for corporate Japan. In most cases for the last 30 years, the fretting and intervention by the authorities have happened when the yen has become too strong.

The traditionally cited benefits of a weak yen remain true, even as they are challenged by Japan's heavy reliance on imported energy and commodities. The yen's real effective exchange rate is back at levels it last experienced in the 1970s, Japan's benchmark Topix index is heavy with global manufacturers and, when the country finally reopens to tourists, it will be even more attractive to foreign shoppers and diners than it was when they were last here in early 2020.

But there are two very substantial benefits that receive far less attention.

The first relates to Japan's increasingly important "not China" status in a less certain and deglobalising world. Where previously the focus of Tokyo bankers and lawyers had been on the outbound dealmaking of corporate Japan, they now report a striking switch. As global industry begins to re-engineer itself away from efficiency and towards security, Japan's position as a reliable partner, manufacturing hub or supply chain link for US and European businesses has been significantly enhanced. The weak yen, say the bankers, is already tipping investment decisions in favour of Japan, with that trend likely to accelerate.

But the second effect of the yen's sharp fall this year has been to vindicate the continued commitment of Japan's Government Pension Investment Fund to its big overseas investment weighting. The millions of pensioners it exists to support may be convinced that the weak yen is making their lives harder. But the GPIF's roughly 50 per cent portfolio weighting in overseas bonds and stocks now generates what one analyst calculates is a 2-3 per cent performance windfall for a 10 per cent move in the dollar-yen rate. When the GPIF portfolio was rebalanced in 2020, its higher non-Japan allocation was controversial and pointedly not mimicked by the country's private pension funds. For now at least, circumstances have handed the government technocrats an important victory.

But its importance may yet go further. The difficulty faced by the administration of prime minister Fumio Kishida is that in July he must fight an election on an appeal to voters like our houseguest. Arguments for the benefits of the weak yen may prove futile if the yen is, at that stage, much lower than its current ¥130/$ level. Intervention by the finance ministry might, as analysts argue, fail to stop the yen falling. But were the GPIF to even hint that it was considering a rebalancing towards what have now become deeply undervalued Japanese assets, the yen would very quickly find its floor.

*leo.lewis@ft.com*

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# Letters

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## UK is sleepwalking into a bigger savings crisis

Alongside her strong praise for the transformative impact automatic enrolment has had on pension saving, Sarah O'Connor questions whether cash-strapped workers on the lowest incomes should consider opting out of their company pension scheme temporarily in the face of rising living costs ("When a policy is a resounding success, we should say so", Opinion, April 26).

The cost of living increase is undoubtedly having a detrimental impact on people's finances. Prompting employees to opt out of workplace pension schemes, however, is simply careless. Inadequate pension saving is already a systemic problem in the UK.

People need to remember that, as long as they make contributions, so too does their employer — so opting out would essentially result in a cut to their take-home pay package, as they would surrender their employer's workplace pension contribution.

Rather than encourage workers to opt out, we should explore how automatic enrolment can be built upon. As O'Connor correctly points out, pension contribution rates over the past few decades have been chronically low compared to our European partners. For the average saver, a joint employee-employer contribution rate of 8 per cent will not be enough to sustain a decent living in retirement age and, as more people fail to make ends meet in retirement, the government will be forced to foot an ever-growing state pension and benefits bill.

Without action to address this we will sleepwalk into a bigger, long-term savings crisis — one that can only be solved through boosting financial literacy, widening access to financial advice and a solid long-term strategy from the government.

**Pete Glancy**
*Head of Policy, Pensions & Investments*
*Scottish Widows, Edinburgh, UK*

## Don't expect France to give up its redistributive habits

From the title of the letter by Eric Protzer and Paul Summerville ("Macron must harness social mobility to end populism's appeal", April 27) I took it the authors were calling for an end to, or at least a curbing of, France's redistributive policies. I don't think we need to discuss the virtues of this proposal, as politically it is unfeasible.

France has very big public expenditure which now amounts to 60 per cent of gross domestic product. A good part of it is devoted to redistributive policies. These policies have been very successful, so much so that the Gini coefficient — which measures income or wealth inequality within a nation or social group — is 29 in France compared with 48 in the US.

Time and again, the French electorate has expressed the view that they want to keep public expenditure high. Marine Le Pen advocated increasing it in her electoral platform. When Emmanuel Macron became president in 2017, the proportion of public expenditure to GDP was 55 per cent. He tried to cut it back, but was unsuccessful, in part because of the pandemic.

So for better or worse, the French seem to be in a completely different kind of universe than the one the proponents of an Anglo-Saxon kind of capitalism would advocate.

**Carlos Mora**
*Longueuil, QC, Canada*

## Energy independence is a German moral imperative

To suggest as Constanze Stelzenmueller does, that Germany has a "special responsibility to stop Putin's evil" (Opinion, April 25) would be a distraction for several reasons.

First, each country in Europe and the rest of the world has the responsibility to stand up against the unjustified invasion of a sovereign country; the violation of human rights in Ukraine by Russia needs to be condemned and requires decisive punitive action by all countries.

To single out a country, for whatever reason, as having special responsibility to defend freedom and democratic standards risks dividing a united front of all countries in support of Ukraine.

Second, is a country that for many years failed to reach the defence spending levels required by Nato really ready to assume this special responsibility? It will take years before the additional budgetary resources, recently approved by parliament, will translate into larger and more modern weapons systems.

Third, Germany's federal structure often results in slow decision-making. The fact the current coalition consists of three parties with different policies further complicates consensus building. But to discuss such matters now strikes me as holding debates about developing better methods to prevent fires in the future when the house is already engulfed in flames.

The task now is for the government and politicians of all parties to assist Ukraine with material and financial support in any way possible, and take the lead in bringing Ukraine into the EU.

And importantly, politicians should explain to German business leaders and private consumers in no uncertain terms that a drastic reduction of oil and gas imports and achieving energy independence from Russia as soon as possible is a moral imperative that outweighs the negative consequences of a possible economic downturn or temporary recession.

**Ulrich Hewer**
*Washington, DC, US*

Rare metal scarcity risks slowing 'a meaningful clean energy transition'

## Schröder, not Merkel has caused Berlin's gas crunch

Not enough has been heard outside Germany about the former politician and friend of Vladimir Putin — Gerhard Schröder ("Germans bewildered by ex-chancellor Schröder keeping faith with Putin", Report, April 29).

The disgraceful behaviour of the former German chancellor, who facilitated Germany's over-reliance on Russian oil and gas, recently saw him nominated to the board of Gazprom, Russia's state energy company. Schröder has become a wealthy man. He, not Angela Merkel, is principally responsible for the dangerous situation Germany finds itself in today.

He must be punished financially by having all his Russian earnings confiscated.

**Anthony M Ronalds**
*Goring, South Oxfordshire, UK*

## The only justification is if cultural bans help Ukraine

Simon Shamash (Letters, April 27) is right in his implication that the spate of bans on Russian artists and sportsmen and women performing in the UK is illiberalism, bordering on racism.

There is just one justification for our taking action in response to the Ukraine war — that those actions help Ukraine. This is evidently so in the case of weapons supplies. The same may be true in the case of economic sanctions (which have had no effect on Russian policy since they were introduced in 2014, but may do more since being sharply intensified).

But the ban on Russian performers is impossible to explain other than as a surge of Russophobia. It will not change Russian policy, and enables Putin to tell ordinary Russians that the west plainly hate them and so they must fight.

The British cultural establishment, rightly proud of its liberal traditions, should stand up to government pressures — as Wimbledon sadly did not ("Blame Putin for Wimbledon ban on Russian tennis players", Opinion, FT Weekend, April 23) — and keep the doors open.

Our conflict is with the Russian regime; not with a people and culture that remain central to European civilisation.

**Sir Anthony Brenton**
*Cambridge, Cambridgeshire, UK*

## West must exploit its own rare earths deposits

Mark Cutifani, retiring chief executive of Anglo-American, recently named *The Rare Metals War* (2018) by Guillaume Pitron as his favourite book.

As a member of Eurometaux, the European non-ferrous metals association, Anglo co-commissioned a recent report from Belgium's Katholieke Universiteit Leuven encouraging the EU to address Pitron's warning that rare metal scarcity (and limitations on recyclability) will stall a meaningful clean energy transition ("Europe urged to bridge supply gap in metals for clean energy", Report, April 27).

Pitron argues that western countries must "commit to the battle of the mines" by rare metal mining within their own borders. Pitron calls France a "slumbering mining giant" and the writer also comments on the US's historic rare earth mining dominance.

But this is, as he says, as much a moral crisis as an economic and security one. The west should share its resources to improve supply and face the environmental mining challenges that it currently expects others to bear.

**Rupert Boswall**
*Staplehurst, Kent, UK*

## A few pieces are missing in the auto enrolment story

It is hard to know where to begin in responding to Merryn Somerset Webb's column about pensions and the younger generation ("Better pensions will await Generation Rent", FT Money, April 23).

For a start, she fails to mention the increasing prevalence of self-employment (genuine, or artificially created by employers) among the younger generation, which excludes many from the auto enrolment she clearly sees as the best thing since sliced bread.

She also seems to see pensions purely as individual savings. This ignores the capacity of governments to design systems which combine a return on individual contributions with the reduction of inequalities.

The state earnings-related pension scheme (SERPS), for example, included features that enabled some redistribution towards both the low paid and those (mainly women) taking time out of the labour market to care for others.

But perhaps most importantly, she fails to note that private funded pensions are also affected by government policies. To compare these to "public unfunded" pensions is therefore to pose a false dichotomy.

**Fran Bennett**
*Oxford, Oxfordshire, UK*

## Business needs audit reform to be accelerated

The recent news that audit and corporate governance reform will be dropped from next week's Queen's Speech is deeply disappointing ("Accounting groups hit at dropping of audit bill", Report, April 29).

We hope this is not the case as audit quality and trust in it are essential for capital markets and economies to thrive and grow. Given the uncertain state of the economy now, with rising inflation, that trust in the system is more important than ever.

It'll be one year on July 8 since the government consultation white paper "Restoring trust in audit and corporate governance: proposals on reforms" closed. This proposed significant areas of business reform that need to be handled with immense care, and while audit reform can't be rushed, it certainly needs to be accelerated in 2022.

And it was way back in December 2018 that the first of the many reviews that have led to this point, the Kingman review of the Financial Reporting Council, was published.

What we're witnessing now is policy drift, which is unacceptable for something so important.

The omission of audit and corporate governance reform from next week's announcement will send all the wrong signals to business and auditors.

**Mike Suffield**
*Director, Professional Insights*
*Association of Chartered Certified Accountants, London WC2, UK*

## Remember US soldiers died in Solomon Islands

Totally independent of China's alleged efforts to establish a military base in the Solomon Islands, it is reprehensible that the US "has not had a permanent diplomatic presence there since 1993", as you report (April 23).

This is a disgrace to the memory of the thousands of US soldiers, sailors and marines who gave their lives in the Solomon Islands during the second world war.

**Joshua Telser**
*Chicago, IL, US*

# Opinion

## Western leaders must prepare public for a war economy

ECONOMICS
Martin Sandbu

The expression is ugly and its content even uglier, but "Ukraine fatigue" is a real risk in western democracies. Their citizens are repulsed by Vladimir Putin's war of unprovoked aggression and are full of sympathy for the Ukrainian people. Their leaders have surprised even themselves with the strength of their support for Kyiv. But as things drag on, challenges closer to home could increasingly steal their attention.

It is easy to see how the cost of living crisis, which is compounded by war and snarled-up supply chains, and which is probably already putting a chill on demand, could erode western leaders' focus on Ukraine.

To let this happen would be an error and a failure. An error, because inflation in the west is to a significant extent made in Moscow. A failure, because it would mean that political leaders had neglected their chief task of preparing the public for the unavoidable hard choices to come.

Western politicians must explain to their voters that the cost of living crisis is likely to worsen, and why. This is the sort of speech they could give:

"My fellow citizens,

"The past few years have been hard. The pandemic brought illness and death, heartache and loneliness, and threats to the livelihoods and businesses of millions. Even as we were opening up our economies and thought the worst was behind us, we were hit by rising inflation and more expensive energy.

"Since February 24, we have witnessed the horrors of war revisited upon Europe, decades after we swore 'never again'. We stand with Ukraine against the unjustified assault by Vladimir Putin's Russia. Our soldiers will not join the battle; we will not enter a third world war unless Russia attacks us. But we will do everything to help Ukraine's brave people defend themselves, and to weaken Putin's capacity for unleashing violence in the world.

"If we ourselves are not at war, the consequences of war have long since reached us. The price of freedom in Europe is paid by Ukrainians first and foremost, but also by so many of you, who worry how you are going to keep on your lights and heating, buy healthy meals for your children, or keep your businesses running.

> It is easy to see how the cost of living crisis could erode the focus on Ukraine

"Let us be clear: the cost of energy has soared because Russia's dictator has turned oil and gas into weapons. The price of food is going up because he is laying waste to Europe's most productive farmland. And our sanctions on Russia inevitably involve economic sacrifice from ourselves.

"I wish I could tell you that things will soon get better. But the truth is that they are likely to get worse. Prices of energy, food and commodities could go up further. Our economic growth and our incomes may slow. It is essential that we look this reality in the eye and work together to face these challenges.

"We cannot deny that higher import prices make our economy poorer. Our central banks cannot save a lost Ukrainian harvest or fix global supply chains by raising the cost of credit. And should Putin cut off more of Russia's gas supply overnight, we cannot pretend that we would not be harmed.

"Something like a wartime economy is being imposed on us — not of our choosing, but we must not shrink from it. That requires all of us to put the common good first.

"Those with broader shoulders must be prepared to contribute more in taxes. Those most exposed to inflation should expect more help but also accept that help cannot do away with the need to adapt. We may have to ration some essential goods. Everyone must be patient with more indebted public finances. And we have to help those countries worse placed than us, or their problems will soon be ours.

"It is tempting to close one's eyes to what is right and go with what seems comfortable. But the path of least resistance is both wrong and unwise. Backing down against Putin for some short-term respite in commodity prices would only leave us more at his mercy.

"And let us be honest that this crisis forces us to take steps we should have taken long ago for the sake of our grandchildren. The future health of their planet requires an end to fossil energy. Today, our immediate geopolitical security demands the same — starting with Russian fuels.

"It is our duty to invest in an energy system that is both clean and safe from democracies' enemies. Jobs may be lost and consumption curtailed in the process. But like war, this is a task our generation must carry out for the sake of the next."

*martin.sandbu@ft.com*

*Sign up for Martin Sandbu's Free Lunch newsletter, ft.com/newsletters*

## The failures of stakeholder capitalism

BUSINESS
Rana Foroohar

People who care about creating a fairer and more sustainable market system tend to think about things like "ESG" investing (environmental, social and governance issues) and "stakeholder capitalism". But what they need to start thinking about is power.

Consider Elon Musk's purchase of Twitter. Tesla ranks above average on many metrics tallied by JUST Capital, an influential non-profit focused on stakeholder capitalism. But its chief executive is preparing to sell a big chunk of his stock in the electric carmaker, a company that could actually do some good in the world, to buy a social media platform which has arguably made it worse. Musk, who plans to take it private, may, for example, re-enable the former Tweeter-in-chief, Donald Trump.

Portraying Musk as the saviour of free speech and democracy may strike some as ludicrous. This is a man, after all, who views tax as some kind of personal assault and yet has enjoyed billions in government subsidies. But it's not the only recent example of a billionaire posing as a defender of the public good.

Consider a letter from Carl Icahn, the shareholder activist and veteran of some of Wall Street's most hostile proxy battles, to the grocery chain Kroger last week, in which he slammed the company's record on corporate pay.

"What is totally reprehensible is that you managed to personally profit from the extremely high margins caused by the pandemic while at the same time reneging on your 'Hero Bonus' promise to frontline workers," he wrote.

Icahn went on: "This mockery of meritocracy is the quintessential example of why capitalism and business get a bad rap and people are disillusioned with the American dream."

Ever-adept at exploiting the politics of the moment, Icahn sees himself like Musk (however improbably) as a defender of the little guy. But he is on to something.

Regulators in Washington are beginning to sniff around any number of companies perceived as having benefited from the current inflationary pressures in the economy by raising profit margins unfairly.

Some leading companies haven't covered themselves in glory, with chief executives boasting about their pricing power on earnings calls.

Yet stakeholder capitalists, "while assertive about the obligations of firms in many areas, have been utterly silent" on instances of concentrated corporate power, says Denise Hearn, a senior fellow at the American Economic Liberties Project, and competition lawyer Michelle Meagher, co-founder of the Balanced Economy Project. They make a good point.

The pair released a paper last week arguing that those who care about more equitable markets should focus on monopoly power. "The inherent dissonance between the perpetual drive for scale and dominance, and the recurring market abuses of the largest corporations, is a conflict that stakeholder capitalism ignores," they write.

Hearn and Meagher point out that America's most "just" company, according to JUST Capital, is Google — a behemoth accused of antitrust violations on two continents.

Corporate concentration, like profits, has reached record levels in recent years: since 1990, more than 75 per cent of US industries have become more concentrated. The pandemic has only magnified this trend.

> Portraying Musk as the saviour of free speech and democracy may strike some as ludicrous

Even as ESG investing increased, concentration — along with global M&A, private equity deals, and financial engineering like share-buybacks — did, too. Of course, so did worker pay. But it remains to be seen whether labour's pricing power will survive in the next downturn.

Corporate power certainly will, and that has political consequences, as Stanford business professor Anat Admati makes clear in a recent paper about what has gone wrong with capitalism. As concentration has increased, she writes, corporations have made it "challenging for governments and the legal system to protect citizens from undue harm" inflicted by companies themselves.

While many market participants view government as the problem, Admati notes, they fail to "reflect on why democratic governments are failing" and how corporations and their leaders "contribute to this failure" by undermining the public sector's "ability, effectiveness, and willingness to act in the public interest".

Big company market power, political power and the cognitive capture of policymakers is huge, particularly in the US. But it only takes one or two strong leaders to change things.

I was struck, at the annual University of Chicago Stigler Center's monopoly conference a couple of weeks ago, by barn-burning comments from the head of the Federal Trade Commission, Lina Khan, and Department of Justice antitrust division chief Jonathan Kanter. Both insisted on the need to look beyond consumer welfare, for more than four decades the touchstone of US antitrust law, to "market realities" when thinking about regulatory action.

Both made it very clear that they were ready to "take on the big fights," as Khan put it, and hold not just companies, but individuals, accountable. Referring to Jesse Eisinger's eponymously titled book on the decline in the DoJ's willingness to go after corporate wrongdoing, Kanter said: "We aren't part of the chickenshit club." Investors, take note.

*rana.foroohar@ft.com*

## Cutting China tariffs will offer no respite from rising prices

POLITICS
Oren Cass

A campaign is under way, led by officials in the Biden administration, to convince Americans that slashing tariffs on Chinese imports might offer relief from rapidly rising prices. That is not remotely the case — indeed, the argument is hard to deliver without a wry grin and a chuckle. But watch which economists embrace it, happy to use any pretext for advancing their underlying free-trade agenda. And watch which politicians, until now eager to win votes by talking tough on China, leap casually off that train and on to an inflation express running in the opposite direction.

The economic problem with pitching a tariff rollback as inflation response is two-fold. First, a tariff of any given size might affect the price level but it does nothing to the rate of change. A tariff imposed in 2018 could perhaps have caused a price increase in 2018, but it cannot bear responsibility for prices rising in 2022.

Likewise, a tariff eliminated in the second quarter of 2022 might cause a onetime downward shift in prices — say, an 8.8 per cent inflation print in the third quarter instead of 9 per cent — but it will not affect whatever combination of forces is driving inflation. If inflation the following quarter would have been headed towards 9 per cent with tariffs in place, it will still be heading towards 9 per cent with the tariffs gone.

Thus, a tariff reduction is not so much an inflation-fighting tool as an arbitrary subsidy offered on a particular category of goods. Policymakers could just as easily take the tariff revenue and pay it to the sellers of pitted fruits and haircuts, reducing the price of those goods.

In fact, that would be a better policy than the proposed tariff cut, which has the rather unattractive quality of targeting its support specifically at the Chinese imports that policymakers have rightly sought to penalise. The "random subsidy" model (which, to be clear, is a ridiculous policy idea that no economist would defend) could be improved even further over the tariff cut by targeting it at those goods and services which have actually had the largest price increases, a category that tends not to include Chinese imports anyway.

And that leads to the second problem with the tariff-cutting idea, which is that tariff changes do not necessarily translate much into price changes. As analysts like RealityChek's Alan Tonelson and the Coalition for a Prosperous America's Michael Stumo have been observing for years, one is hard-pressed to find evidence in the consumer price data from 2018-19 to vindicate the warnings that American consumers would bear the burden of the Trump administration's tariffs.

> If we reverse course at the first political opportunity, who would ever take us seriously again?

This should not surprise economists, who in other contexts are quick to observe that where a tax is imposed and where it is paid are two different questions. Suppose the US imposes a 25 per cent tariff on a widget that a Chinese company is selling for $100. If that company is the world's sole widget supplier, the price might rise to nearly $125 and consumers would bear the tariff's brunt. But if an American company (or, for that matter, a Vietnamese one) can meet demand for the widget at $102, then the price will settle near there. Consumers will see little difference, and it is the Chinese company that will have to swallow the tariff's cost or exit the market.

Simply multiplying a volume of trade by a tariff level and declaring it the cost borne by consumers — as analysts at the Peterson Institute for International Economics do in a paper entitled "For Inflation Relief, the United States Should Look to Trade Liberalization" — is not economics at all, but mere globalisation propaganda.

For their part, policymakers face the challenge of assessing whether a tariff rollback's minuscule, one-time effect on inflation is worth the cost of defanging the China strategy initiated by Donald Trump and thus far carried forward by Joe Biden. This is not a hard challenge.

Anyone who takes seriously the need to confront China and rebalance global economic flows should not countenance abandoning the cause for the sake of a hollow inflation talking point.

America's only hope of success is to convince the investors and corporations who place decades-long bets on where to build industrial capacity, and the Chinese with whom we are engaged in a repeat game of negotiations, that we have the steadfast resolve to see this project through and bear real costs along the way. If we reverse course at the first political opportunity, who would ever take us seriously again?

Politicians should be grateful this first test is such an easy one. But let's see who passes it.

*The writer is executive director of American Compass*

## *Shortage of anaesthetists endangers NHS recovery*

Sam Goodhand

I still have the freebie hand cream donated during 2021's second Covid wave, amid the slightly weird public concern for the dry hands of NHS staff. Wringing out the dregs, it feels like the tube has outlasted the goodwill towards the tired anaesthetic workforce.

Anaesthetists spearheaded the pandemic response, and they will be central to ambitious plans for surgery hubs to clear the enormous post-Covid backlog. But against a backdrop of huge and growing demand, investment in training posts has stagnated and the country faces a shortage of more than 10,000 anaesthetists by 2040. The job has long been oversimplified in the public mind — we may be understood only once we're too few to fulfil our huge remit.

The horrors of Italy's first contact with Covid-19 brought the work of the "gas man/woman" into focus — as critical care physicians and as doctors adept at rapidly stabilising the sickest patients, as well as the more familiar role in inducing sleep and keeping people safe during surgery. This was the speciality's moment; as the first wave rose in the UK, an Italian colleague stared out from the cover of Time magazine, heralded like a combatant.

While the early warning from Lombardy meant that we weren't faced with the horrifying choices of Italy's anaesthetists — too many patients, too few ventilators — the onslaught was fierce. The second wave in early 2021 felt particularly bleak and exhausting. It wasn't only knuckles that cracked. Raised levels of post-traumatic stress, sick leave and burnout are a grim legacy. High-pressure intubations and harrowing emergencies have taken a toll.

> Our availability and speed of response to the critically ill may slow, or become second-rate

With the worst of the pandemic behind us, our "regular" work is now increasingly under threat. A gradual reduction in numbers relative to demand will place many hospital services — not to mention patients — in existential danger.

Our work in anaesthesia and intensive care is varied. "Routine" practice in the operating theatre may be just that. But complex cases may require more than one senior anaesthetist for advanced organ monitoring and support or for highly specialised nerve blocking procedures. We are a permanent presence within maternity departments, with their steady stream of time-critical Caesareans and epidurals. And we maintain a 24/7 state of readiness to provide airway and critical care skills during all major emergencies, whether adult, paediatric or as a result of major trauma. And then there are the most critically ill patients — in the UK, the majority of intensive care physicians have a background in anaesthesia.

It's a large and growing remit, under-reflected in numbers and funding. Junior doctors wanting to join the speciality are faced with a bizarre upending of supply and demand. Government funding for training posts has scarcely changed for the past five years, despite substantial increases in need. Last year, about 700 of the 1,056 junior anaesthetists were unable to obtain posts to continue their training to consultant level. Meanwhile, my registrar colleagues and I are inundated with emails offering attractive locum rates for shifts ordinarily filled by these salaried trainees.

To add to the pain, more than a third of senior anaesthetists are nearing retirement age. The Royal College of Anaesthetists predicts that by 2040, the shortfall will force the cancellation of 8mn operations annually.

It is a far cry from the gratitude of Thursday night NHS handclaps. We deserve better. So, indeed, do the public. The shortage of such skilled doctors will not only limit the number of operations that go ahead. Our availability and speed of response to the critically ill and to maternity patients may slow, or become second-rate.

Few outside the profession truly understand what we do; they may only realise when we can't be there, on a cold night in a busy A&E.

*The writer is a specialist registrar in anaesthesia and intensive care medicine*

**Down in the dirt**
Chiefs who get out on the front line to test their products
WORK & CAREERS

# There's nothing wrong with being quiet in meetings

Pilita Clark
Business Life

Kenneth Andersson

When the New York Times announced that a man named Joe Kahn would be its next executive editor, I did what every second journalist I know did the other week and scurried to read up on him.

My favourite article, in New York magazine, revealed inter alia that Kahn is a very wealthy wine connoisseur who speaks Mandarin and lives in a Manhattan apartment building once said to have housed Marlon Brando.

But there was something else. According to the magazine, "In news meetings, which are often a world-class exercise in ass-kissing, Kahn comments sparingly."

Bingo! I thought, mentally adding Kahn to a list of people who say precisely what should be said by a lot more meeting participants: very little.

One of the many fine things about working on a daily newspaper is the remorseless deadlines. They make it difficult for would-be wafflers to indulge their instincts in meetings because, generally speaking, there simply isn't enough time.

Alas, this is not the case elsewhere. Moreover, research shows that in a typical six-person meeting, more than 60 per cent of the talking is done by just two people.

For those forced to sit and watch, the experience can be painfully tedious. No wonder the sight of a successful but quiet person in a meeting is often deemed worthy of comment. Thankfully, Joe Kahn is far from alone.

Not long after Joe Biden became US president, the New York Times published a lengthy account of how he worked and whom he relied on most in the White House.

One of his top political advisers was Mike Donilon, a long-time aide who has been described as Biden's "conscience, alter ego and shared brain".

In meetings, the Times reported, Donilon "tends to stay mostly silent until the very end of a discussion, at which point Mr Biden often embraces whatever point he has made".

Donilon is by no means the first quiet but influential Washingtonian. Dick Cheney was often called the most powerful vice-president in US history when he served under George W Bush from 2001 to 2009.

> **"The link between speaking time and authority is dubbed the 'babble hypothesis' of leadership"**

As one news report put it in 2004, Cheney was renowned for his ability to keep his thoughts and feelings to himself. "White House insiders say he rarely speaks in meetings and shows little reaction to comments by others."

Then there is Sir Simon Stevens, the former chief executive of NHS England. Among the many accolades showered on him when he stepped down last year was one from a former boss, Jeremy Hunt, a former health secretary.

Hunt said Stevens was a "formidable operator" who had the gift of "being able to stay silent in meetings unless he has something important to say, a rare quality in Whitehall".

There is of course a very good reason to talk a lot in meetings, especially for those of us who lack the lofty title of vice-president or chief executive. It can make you look more leaderly.

The link between speaking time and authority is so well established that some researchers call it the "babble hypothesis" of leadership.

The effect appears to occur regardless of intelligence or personality, according to a study I was alerted to last week by Madeleine de Hauke, a consultant who helps organisations hold more productive meetings.

She points out there are costs to letting gasbags dominate a meeting. Fostering innovation, for example, requires diversity of thought. But if meetings are dominated by a noisy minority, "you can have a fantastically diverse workforce but you are not getting diversity of thought".

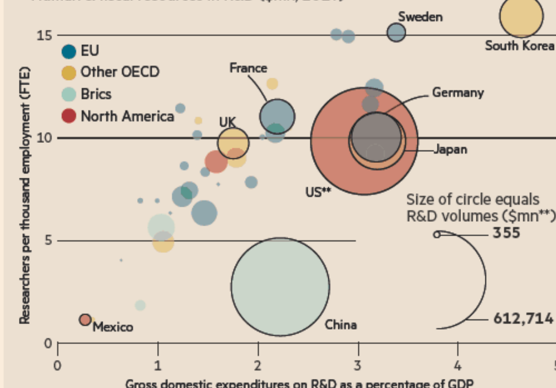
That is a useful insight and it lends weight to an idea I find appealing: silent meetings.

Instead of brainstorming verbally, participants write down ideas that are put up on a board in a way that does not identify whose idea is whose, and then discussed. The process is said to galvanise introverts and neutralise blowhards. It would not work for all types of meeting, I know, but in the meantime, there is an old saying that a lot of windy meeting attendees might like to bear in mind. Better to remain silent and risk being thought a fool than to speak and remove all doubt.

*pilita.clark@ft.com*

# Lex.

## Visas: talent spotting




*2015 constant prices **Latest available data Source: OECD

Talent is like any other input: you can build more at home or you can import it. Britain's latest wheeze — the high potential individual visa, available from next month — aims to scale up the latter route.

The UK is far from alone in seeking foreign brains and skills. The US has the H-1B visa for speciality jobs. More than 407,000 were approved last fiscal year, largely in computing.

China has a plethora of schemes, including the contentious Thousand Talents Programme. Designed primarily to redress the brain drain by luring ethnic Chinese furnished with Ivy League qualifications, the scheme aroused suspicions of spying and technology theft.

Britain is likewise aiming for the stars of the educational firmaments. Applicants must have attended a top university. Unsurprisingly, US universities dominate the rankings on which the Home Office will compile its list but there are showings from Europe. University of Tokyo, National University of Singapore and China's Tsinghua University and Peking University all feature in the Times' top 40.

Unlike golden visas, wealth is not a factor; although applicants will need to have £1,270. There is no need to have a job, opening the door to entrepreneurs and negating the need for would-be employers to pay a sponsor fee.

The HPI, which is "highly selective" but not capped, is part of a broader set of global mobility schemes designed to usher in talent. Do such schemes work? The UK has ratcheted up failures before. The Highly Skilled Migrant Programme shut up shop after six years; some visa holders did not end up doing highly skilled jobs. The Tier 1 (general) visa, similarly points based, was likewise abused and had an even shorter life.

The latest scheme, while not dependent on wealth per se, is in effect limited to the rich world — or such parts of it with sufficiently well-off middle classes to support globally competitive universities. The advantage, of course, is simplicity: tight criteria mean less time spent processing applications.

Talent schemes' biggest weakness — at least in the US and UK — is something with which every chief executive will be familiar: how to spot the real stars and reel them in. This is made worse by the absence of follow-up to see where applicants end up. Talent, like anything else, needs to be productive too.

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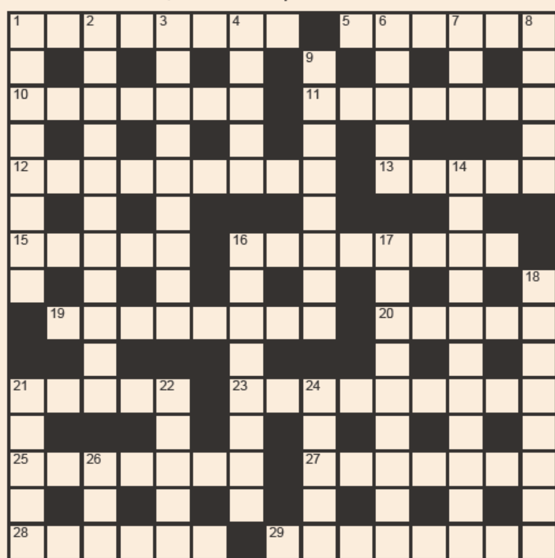
## CROSSWORD

No 17,083 Set by SLORMGORM



JOTTER PAD

**ACROSS**
1 Uni dons playing Sinatra or Foreigner? (8)
5 Queen fairly filled with bit of beastly gas (6)
10 Charlie Flowers receives small kisses (7)
11 Permit that woman gets to secure ace material (7)
12 Having gone for a wander, see poplar tree (4,5)
13 Good man wrong about a tyrannical leader (5)
15 King caught with spies around and about (5)
16 Pretend Slormgorm's posh dressed in blueish-grey (8)
19 President of Seat meeting with worker (8)
20 One smoking at work is a successful medic (5)
21 Minute baby dog might make you do this! (3,2)
23 Wicked criminal fires on a nursing union (9)
25 Daily about to get less bulky than before? (7)
27 Withdraw pamphlet on soldiers (7)
28 Nasty niff coming from small fish (6)
29 Leg bound up because of this? (8)

**DOWN**
1 Precision automobile parts plant sent over (8)
2 New prison shops to get financial backing (11)
3 Friar sat about hugging a religious type (9)
4 A model heads north to see fabulous writer (5)
6 A barrier close to precious old American leader (5)
7 I'm disgusted by vacuous British, adult admitted (3)
8 Lost in the end, having a rubbish card (5)
9 Musician and son kidnapped by unhappy bloke (8)
14 Question: green tit or a cuckoo? (11)
16 Religious school tutorial? Beginning to yawn! (8)
17 Delicate fabric judged cut in a jagged way (9)
18 A large amount of weight is foul to knight (5,3)
21 Clubs wielded by heartless men? (5)
22 Old man in charge putting in new flap (5)
24 Wild head of state punches Cornish banker (5)
26 Bird of paradise! (3)

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