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Quilter

Between the lines | Week 29

Call terminated: UK bans Huawei from 5G

Chinese telecom giant Huawei will be completely removed from the UK's 5G network by the end of 2027, the UK government confirmed on Tuesday (14 Jul).

The decision is a reversal of its January announcement that excluded 'high-risk' vendors such as Huawei from the core and most sensitive parts of the UK's 5G network, but allowed it to be involved elsewhere in the UK's infrastructure.

The latest move follows US sanctions imposed against Huawei in May 2020, that restrict Huawei's ability to produce products using US technology or software.

In a statement to the House of Commons, Oliver Dowden, the UK's digital, culture, media and sport secretary, said the January decision on defining and restricting 'high-risk' vendors from the UK's 5G network had been kept under review by the National Cyber Security Centre and the situation had now changed.

Credit: Daniel Constante/Shutterstock

He pointed out that while the latest US sanctions are not the first attempt to restrict Huawei's ability to supply equipment to 5G networks, "they are, however, the first to have potentially severe impacts on Huawei's ability to supply new equipment in the UK."

Mr Dowden said the uncertainty the sanctions creates around Huawei's supply chain means the UK can "no longer be confident it will be able to guarantee the security of future Huawei 5G equipment affected by the change."

Therefore, from 31 December 2020 there will be a complete ban on the purchase of any new 5G equipment from Huawei, while the Telecoms Security Bill, to be introduced in Autumn 2020, will set out a timetable to remove all Huawei equipment from the 5G network by the end of 2027.

Mr Dowden acknowledged the latest decisions, on top of the initial restrictions announced in January, would lead to a "cumulative delay to 5G rollout of two to three years and costs of up to £2bn."

Continuing to deliver

Credit: Andriy Blokhin/Shutterstock

From their low on 12 March, shares in the UK supermarket business Ocado had more than doubled by the start of June due to increased demand for online groceries during lockdown.

The shares were still some 85% ahead of their March lows this week when the company issued half-year results showing that sales at Ocado Retail – its online joint venture with Marks and Spencer – rose 27% (to £1bn) in the six months to May, up 40% year-on-year, while profits rose 87% (to £45.7m).

In June, Ocado raised a £1bn 'war chest' to finance the rollout of its UK distribution centres – two of which opened in the first half. But despite its perceived technological advantage, Ocado's highly automated, centralised warehouses were unable to increase capacity as quickly as their main rivals.

However, while the likes of Tesco and Sainsbury's reported online sales growth of 48% and 87% respectively in their first quarters, unlike Ocado, they needed to hire thousands of new in-store pickers to do it.

Reporting season gets underway

Credit: Subman/iStock

JPMorgan Chase opened the second quarter reporting season on Tuesday morning (14 Jul) and was quickly followed by other US banking heavyweights Citigroup and Wells Fargo. The results were closely watched as they're seen as a bellwether for the wider US economy.

Shares in JPMorgan rallied when it beat expectations following record quarterly trading revenues. It delivered earnings of $1.38 a share, against a forecast $1.04, with revenue of $33bn.

Citigroup also beat expectations with quarterly revenue up 5% on a year ago thanks to a huge leap in its fixed-income trading during the second quarter's rally in markets.

Meanwhile, Wells Fargo swung to its first quarterly loss in 12 years and slashed its dividend some 80%.

All three banks added billions more to their bad loan provisions for the second quarter in a row as they braced themselves for a potential tidal wave of collapsed debt brought on by the lockdown.

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