



KSJ

KING STREET JOURNAL

Issue 3, Jan. 2026

Impact of the UK's Inflation  
Europe's Automotive Crisis  
FinTech's Text Revolution

Elphinstone Research Group

Daniel Mladenov | *Founder & Editor-in-Chief*

---

*“A massive thank you to our writers at King Street Journal for their amazing work and efforts towards our publications.”*



Jadyn Pitt | *Editor-in-Chief*

---

*“This issue sets the tone for the year ahead at KSJ, with clear thinking, solid research, and work that holds up on its own.”*

## **Editorial Team**

### **Editors-in-Chief**

Daniel Mladenov – 3<sup>rd</sup> Year, Economics and Finance

Jadyn Pitt – 2<sup>nd</sup> Year, Scots Law with English Law

### **Writers**

Klaudia Wawrzyniak – 2<sup>nd</sup> Year, Economics and IR

Anna Malysheva – 2<sup>nd</sup> Year, Economics and Finance

Veronika Meleshko – 2<sup>nd</sup> Year, Accounting and Finance

Michelle Mangwiro – 2<sup>nd</sup> Year, International Business with Mandarin

Holly Bathgate – 3<sup>rd</sup> Year, Economics and Psychology

Freya Ferguson – 3<sup>rd</sup> Year, Accounting and Finance

Craig Stockwell – MLitt, Creative Writing

Khanak Thakur – MSc, International Relations

# Contents

## Britain

---

- 4 **How UK inflation is affecting household spending and saving behaviour**

## North America

---

- 5 **Markets, Minerals and Money: America's Investment into Africa**
- 7 **\$138 Billion Verdict: Delaware Court Hands Elon Musk the Biggest Pay Win in Corporate History.**

## Europe

---

- 8 **Climate Ambition Meets Industrial Reality: Structural Pressures Facing Europe's Automotive Sector.**
- 10 **The European Union's Security First Economy**

## Middle East & Africa

---

- 12 **How a Text Message Became Africa's Most Important Bank**

## Asia

---

- 13 **Indonesia faces a "whooshing" debt from its newest railway, 'Whoosh'**

## Consumer and Retail

---

- 14 **Leaking Casks**

## Britain

### How UK inflation is affecting household spending and saving behaviour

by **Veronika Meleshko**

Inflation has stopped being an abstract economic term and has become a daily concern for households across the UK. From the weekly food shop to energy bills and mortgage repayments, rising prices have forced families to rethink how they manage their money. While headline inflation has cooled from its peak, the damage to household budgets has already been done. Many people are still spending more just to stand still, while saving has slipped down the list of priorities. The roots of this pressure lie in a mix of post-pandemic supply disruptions, higher energy costs following Russia's invasion of Ukraine, and sharp interest rate rises aimed at bringing inflation under control. Together, these forces have reshaped behaviour on the high street and at the kitchen table, altering spending habits and testing financial resilience.

Inflation measures how quickly prices rise over time, reducing the purchasing power of money. When inflation is high, £10 simply buys less than it used to. In the UK, inflation surged to levels not seen for four decades in 2022, driven largely by soaring energy and food prices. According to data from the Office for National Statistics, essentials such as groceries and household utilities rose far faster than average wages, squeezing real incomes.

To curb this, the Bank of England raised interest rates aggressively. While this helped cool price growth, it also pushed up borrowing costs. A typical household with a variable-rate mortgage or a fixed deal coming to an end saw monthly repayments jump sharply. As a result, discretionary spending – meals out, holidays, and big-ticket purchases – was often the first casualty. Some families dipped into savings to cover everyday costs, while others simply cut back.

#### UK Inflation Rate At Lowest Point Since February 2022

CPI year-over-year inflation rates in the United Kingdom from Jul. 2013 to Jul. 2023\*



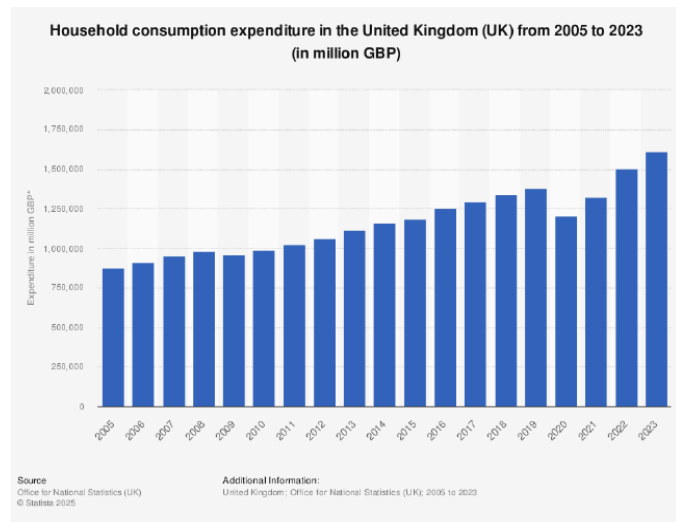
\* CPI=Consumer Price Index

Source: Office for National Statistics

The most visible impact of inflation has been a shift towards caution. Households are prioritising essentials and value, trading down to cheaper supermarket brands and delaying non-essential purchases. High streets have felt this change, with discount retailers and supermarkets holding up better than restaurants and mid-market fashion chains. This behavioural shift reflects what economists call a “real income shock”: wages have risen, but not fast enough to keep pace with prices for much of the past two years.

Saving habits have also changed a great deal. During the pandemic, lockdowns meant many people saved more than usual. Since then, rising prices have eaten into these savings. Many households have had to dip into their reserves just to cover everyday costs, especially lower- and middle-income families with limited financial flexibility. Although higher interest rates mean savings accounts now offer better returns, this mainly benefits wealthier households who are able to save in the first place, increasing the

gap between those who can build savings and those who cannot.



There is also a psychological dimension. Persistent inflation has dented consumer confidence, making people more cautious, even

as price pressures ease. Compared with the US, where stronger wage growth has supported spending, UK households face a combination of higher housing costs and weaker productivity growth. This leaves consumption – a key driver of the UK economy – subdued. For policymakers, the challenge is balancing inflation control with avoiding long-term damage to household finances and demand.

Inflation has reshaped UK household behaviour in ways that will not quickly unwind. Spending has become more selective, saving more fragile, and confidence slower to recover. Even as inflation falls, the habits formed during this period of pressure may persist, keeping a lid on consumer-driven growth. For households, rebuilding savings will take time; for the wider economy, the test will be whether rising real wages can restore confidence without reigniting inflation.

## North America

### Markets, Minerals and Money: America's Investment into Africa

by Michelle Mangwiro

The *World Economic Outlook* for October 2025 covers growth projections by region, measuring real GDP growth. Sub-Saharan Africa in 2024 and 2025 had growth projections of 4.1%. In 2025, it saw an increase to 4.4%. Nigeria's growth projection increased to 4.2% and South Africa to 1.2%. The economic forecast detailing real GDP growth for 45 countries in Africa presented 32 countries with an increased real GDP growth projection. Showing much opportunity economically, the continent has gained a lot of attention from the United States, China, Brazil, Japan, and India.

Rich in minerals and metals including manganese, platinum, tantalum, lithium, cobalt

and tungsten, Africa sits on a 'gold mine' that is critical for producing personal technology, machines, electric vehicles, weaponry and more. Such minerals are highly valued and pursued by countries developing products that require them.

The largest player in the global market for minerals and metals is China, and America purchases a significant amount of their raw materials. However, due to the new regulatory framework implemented, that impose restrictions on sales, America now seeks alternative countries to purchase minerals from.

An alternative America has pursued, as of the 29<sup>th</sup> December, is a South Korean mine,

Sangdong, which will provide tungsten for American use. The material is used in varying ways, ranging from day-to-day use to semiconductors. Another alternative that America is increasingly investing in is Africa. In 2023, Johns Hopkins University reported that America invested \$7.8 billion across Africa, investing more than its competitor China.

The International Development Finance Corporation (DFC) is the U.S. government's developmental financial institution that drives such investment. The organisation states that it 'advances US foreign policy and strengthens national security by mobilising private capital around the world,' additionally stating that they make America stronger by investing in projects that counter China's presence in strategic locations and bolster supply chains of critical minerals needed.' An example of an investment made by the DFC is a grant to Trinity Metals, a Rwandan mining company, that consisted of \$3.9 million to assist the three mines in the country. The mines produce tin, tantalum, and tungsten.

The DFC has also expressed interest in owning an equity stake in a new joint venture between Gecamines and Mecuria to market copper and cobalt. This partnership between the Congo miner and Swiss commodities group could expand minerals such as germanium and gallium, which is critical to develop semiconductors and solar panels. This deal would allow the US to gain the right of first refusal on copper and cobalt supply. Congo is home to roughly 72% of global cobalt reserves, accounting for over 74% of global supply.

American firms have recently been interested in initiating deals with the Democratic Republic of Congo (DRC). KoBold Metals seeks to conduct business in Congo, which holds one of the world's largest lithium deposits between layers of granite. However, an issue that interested firms face is that Congo has also been home to conflict, corruption, and disruption acting as a deterrent for investment. President Trump actioned a peace deal with Congo and Rwanda in the hopes that Congo will be actively participating in deals with American firms in order to obtain raw minerals,

strengthening supply chains and ending a long-drawn-out conflict. Unfortunately, a day after the deal was signed, M23 rebels re-triggered the conflict in Congo.

The US has influenced in Africa, specifically the Horn of Africa, dating back to the end of World War 2. Ethiopia had become a cornerstone of American strategic presence, establishing military, naval and intelligence facilities. During the economic war, they helped Ethiopia to preserve stability and limit Soviet expansion, and also helped curb threats from extremist groups. They have many programmes in order to help the continent further develop: Prosper Africa, Partnership for Global Infrastructure, and infrastructure projects aiming to boost the local economy.

Investments into Africa to obtain rare minerals and metals are seemingly helpful for the continent through job creation and the boosting of the local economies. However, economists argue that these investments aren't necessarily in the best interests of African countries. Feeling as though nations should protect their national interest when negotiating deals with American firms, they argue that countries should develop new frameworks that allow their economies to see greater change as opposed to a quick cash deal that can easily be used for personal gain at the hands of corrupt individuals. Joint venture models, local equity participation and the development of sovereign wealth funds are all alternative ways to invest in local areas.

Africa does not reap sufficient benefits from its abundance of rare earth minerals, with their actual value created in other regions worldwide, preventing the continent from being as successful as it could be. The African Union created a 'Green Commodities Strategy' that provides export tariffs of 10%. The aim is to give countries a share of the actual value of their mineral resources or to encourage investors to process them directly in Africa.

Ultimately, US investment in Africa is beneficial as it helps local economies, which in turn boosts real GDP. However, the question arises as to whether this increasing investment supports Africa entirely or solely helps America secure the raw minerals and metals supply for the foreseeable future.

## **\$138 Billion Verdict: Delaware Court Hands Elon Musk The Biggest Pay Win in Corporate History**

*A court's decision to reinstate Elon Musk's \$138bn Tesla pay package has reignited a global backlash over runaway CEO compensation, threatening to upend shareholder trust, corporate governance norms, and Delaware's status as the anchor of U.S. corporate law.*

**by Klaudia Wawrzyniak**

Elon Musk's controversial \$56bn pay package from Tesla was reinstated by the Delaware Supreme Court on Friday, two years after a lower court struck down the vast compensation deal as 'unfathomable'. The reinstated pay package could also be worth as much as \$139 billion today, compared to the initial approval of \$56 billion. The final decision was also made less than two months after Tesla shareholders approved a new plan. This movement could be worth \$1 trillion to Musk, who has already held the title of the world's wealthiest person for a decade.

The 2018 pay deal provided Musk with the option to acquire approximately 304 million Tesla shares at a significantly discounted price. However, the condition was clear – the company must hit various milestones, and, to no surprise, it did. The Delaware judge had also previously ruled that Tesla's directors were conflicted and that key details were not fully disclosed to shareholders when they voted on the package. Although Musk has demonstrated greater control over the company, this decision further underscores his influence. It also overturned a decision that had prompted backlash from Musk and raised concerns about shareholder protections and corporate governance. The package deal, which did not include a salary or cash bonus, was also tied entirely to Tesla's market value and operational targets, with the court stating that Musk had 'extensive ties' to Tesla board members and exercised 'outsized influence' over the process that led to approval of the compensation plan. For Tesla, the ruling could additionally make it harder for shareholders to challenge executive packages in the future.

If Musk exercises all the stock options from the 2018 package, his stake in Tesla would grow

from about 12.4% to 18.1% of an expanded share base. This significant potential increase in Musk's ownership underscores the impact of the pay package on Tesla's ownership structure and the equity of its investors. The package deal was also tied exclusively to stock price and milestone targets, which caused widespread debate over compensation norms and risk distribution between executives and shareholders. In 2024, after a five-day trial, Judge Kathaleen McCormick of Delaware concluded that Tesla's directors were conflicted and key details were hidden from shareholders, despite their vote to approve the plan. This finding led to the initial invalidation of the package and raised concerns among governance experts about board independence. The Supreme Court has also stated that a 2024 ruling that rescinded the pay package had additionally been improper and inequitable to Musk.

Market impact has already emerged, with Tesla shares increasing by less than 1% after-hours trading, following the ruling. Although the initial stock movement was modest, investors and analysts are closely watching how this decision could truly ripple through corporate governance standards and CEO compensation policies across the U.S. Reuters has also stated that Tesla shareholders additionally approved a new package worth nearly \$1 trillion if Tesla meets specific targets. This controversy extends beyond the original plan to broader debates about the size and structure of executive compensation in the modern market, especially when tied to aggressive performance milestones.

Corporate boards and investors are closely watching the decision as it may reshape how executive compensation packages are structur-

ed and challenged in the future. Additionally, the ruling has also intensified scrutiny of Delaware's role as the most important jurisdiction for U.S. corporate law.

The Musk ruling is a test, which significantly influences the American market, as it is not only a Tesla story, but a significant signal of how fast the executive pay inflation could change and the exact location of the U. S. corporate governance standards that may become practically significantly weaker. Already, CEO compensation in the U. S. greatly exceeds that of Europe and Asia. This move risks the normalisation of ultra-large, equity-heavy pay structures, thereby encouraging boards to benchmark against Musk-style packages, and the gap between executives and shareholders is widening. For the U. S., it is a confirmation of the country being the most permissive market for executive pay.

Delaware is also the main support of more than half of the publicly traded companies in the

U. S. and most of the Fortune 500 firms. The court, by reinstating Musk's pay package after the lower court found governance failures, thus sends a signal that boards may see less legal risk in giving the green light to extreme compensation. At the same time, shareholder challenges may become increasingly difficult to sustain, and disclosure failures may have fewer long-term consequences.

Ultimately, it has the potential to lower the standard for board accountability in various US markets, which, therefore, is the reason why the ruling is important not only locally but also globally, since other countries are observing how the US is responding. Furthermore, this event serves as a magnifier for the extent to which executives' pay can be manipulated, the influence founders can have, and how U.S. corporate law prioritises growth, risk-taking, and managerial control over restraint.

## Europe

### **Climate Ambition Meets Industrial Reality: Structural Pressures Facing Europe's Automotive Sector**

**by Holly Bathgate**

Europe's automotive sector is one of its most important economic pillars, seen as the backbone of the continent's prolonged manufacturing strength. In recent years, it has been subject to steady growing pressure from production decrease, job losses and fierce global competition. A variety of factors, including strict emission regulations, high energy and labour costs, a reduction in consumer demand, and intensifying electric car competition from Chinese manufacturers is rapidly reshaping the industry, at a rate Europe is struggling to keep up with. As the European Uni-

on begins to pull back from its previously firm plan to prohibit the sale of new petrol and diesel cars by 2035, the urgency of this situation is made clear. This reversal highlights the earlier overly optimistic assumptions of the pace of electric vehicle adoption, with numerous jobs already lost and major investment decisions in question. Europe faces a pivotal challenge: will its automotive industry adapt quickly enough to remain competitive, or will automotive innovation begin to flourish without it?

The automotive industry accounts for more than 13 million direct and indirect jobs in Europe

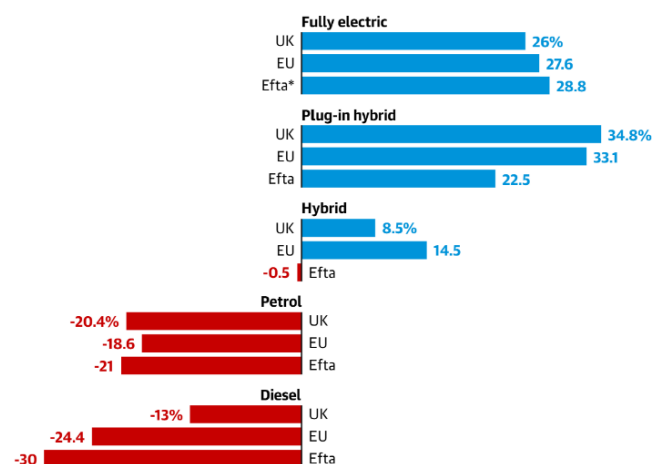
and contributes approximately 1 trillion euros to the EU gross domestic product – underlining its strategic industrial importance. Electrification has been the EU’s primary mechanism for meeting climate targets, reflecting both the significant effect of road transport to carbon dioxide emissions (producing around 15-20% of total emissions), and the relative ease of regulating vehicle emissions at the point of sale. Policymakers initially set out to meet the target of 100% reduction in tailpipe emissions by 2035, stopping all production of new combustion engine vehicles. However, progress has fallen short of expectations. Roughly 15% of new car registrations have been battery-electric vehicles, which is a statistic far too low to satisfy the impending regulatory benchmarks. This gap is explained by significant infrastructure limitations, with only 880,000 public charging points available out of the expected 8.8 million necessary by 2030. Meanwhile, European manufacturers are contending with elevated production costs, stemming from much higher energy costs, labour costs and stricter regulations than their global competitors. Chinese firms benefit from economies of scale, lower labour expenses, and dominance in battery supply chains, making their competitive pressure more alarming. These dynamics have significantly impacted the European automotive sector through declining production volumes, employment losses and plant closures.

Weakened demand for new cars across Europe and an unexpectedly slow adoption of electric vehicles, compared to climate policy targets, is having a substantial impact on industrial growth. Although EV registrations are rising in real terms, growth remains uneven across manufacturers and market segments. Recent sales data show Elon Musk’s Tesla sales have fallen by approximately 1/3 yearly. The brand’s market share has dropped from 2.1% to 1.4%, selling only 12,130 this month as opposed to 18,430 this time last year. Meanwhile, Chinese manufacturers, such as BYD and SAIC (MG), are rapidly expanding, in some cases even tripling their sales, and dominating the electric car market. Hybrid vehicles have become a prevalent choice for consumers, with a

significant 44% share of new registrations.

#### Electric and hybrid car sales are up, diesel and petrol down in 2025

Change in number of new car registrations, Jan-Nov 2025 compared with a year earlier



Source: The Guardian

For European manufacturers, hybrids provide a more attractive and competitive transitional solution, allowing firms to retain and further develop the intellectual property embedded in internal-combustion technologies. However, their presence further complicates the EU’s climate targets for full electric car adoption. The hybrid preference also further highlights consumers’ persistent EV concerns regarding purchase costs, charger availability and long-term resale values.

In response to these market developments, EU policymakers have reassessed the regulatory framework governing vehicle emissions. They have softened emission reduction targets and acknowledged that electrification proves to be more structurally challenging in certain segments than once thought – for example, commercial vehicles present operational reliability issues and high upfront costs. Industry stakeholders claim that the current 2030 and 2035 carbon dioxide targets no longer reflect market conditions, technological maturity, or infrastructure limitations. They suggest greater flexibility is required for drivetrain technologies to reduce industrial strain. These revisions come with their drawbacks, though, heightening policy uncertainty and complicating long-term investment decisions for manufacturers at an already difficult and uncertain time.

Chinese manufacturers have evidently reaped

the benefits of this automotive transition, capitalising on cost advantages, economies of scale and dominance in battery supply chains. In contrast, European suppliers have absorbed most of the adjustment cost, experiencing their first trade deficit in modern mobility components this year, with an astounding 80,000 workers unemployed in the past 18 months. The ongoing automotive decline will have serious implications for employment, investment, and economic resilience.

Europe's automotive sector is not completely collapsing, but it is contracting under sustained structural pressures. Intense Chinese competition, slow EV adoption, elevated production costs and regulatory uncertainty are collectively weakening its global standing. Policymakers have recognised the divergence between targets and market realities, evident

through recent easing of certain regulations, though this may have come too late, as the damage to employment and industrial capacity is already done. Future outcomes will depend on Europe's capability to coordinate climate objectives with industrial competitiveness, which will require more readily available charging points, stable policy frameworks, and pragmatic technology pathways. The growing uptake of hybrid vehicles may offer Europe a crucial lifeline, enabling manufacturers to leverage existing production infrastructure while still capturing many of the advantages of electrification. Observing whether innovation and investment are retained in Europe or continue to shift towards regions offering cheaper production and clearer policies will be a critical indicator.

## The European Union's Security First Economy

*How Brussels is balancing resilience, competitiveness, and investment under external pressure.*

**by Khanak Thakur**

The European Union is reshaping its economic model to focus on security. Once defined by openness, deep trade integration, and regulatory stability, the EU now treats economic vulnerability as a strategic risk. Supply chain shocks, geopolitical tensions, and growing dependence on external actors have exposed weaknesses in Europe's economic foundations. In response, Brussels has placed economic security at the centre of policymaking, linking trade, investment, and industrial policy more tightly than before. New tools aimed at protecting critical technologies, securing raw materials, and countering economic coercion mark a shift from passive openness to managed exposure. This transition raises a central question for Europe's economy. Can the EU protect itself from external pressure without undermining competitiveness, deterring investment, or slowing growth? The answer will shape the future of the single market and Europe's position in the global economy.

Economic security refers to a state's ability to protect its economy from external shocks that can disrupt growth, supply, or strategic industries. For the EU, this concern centres on over-reliance on foreign suppliers for critical inputs, exposure to coercive trade measures, and the leakage of sensitive technology. In recent years, the EU has adopted the language of de-risking to describe its response. This approach seeks to reduce excessive dependencies while avoiding full disengagement from global markets.

A clear example lies in critical raw materials. The EU currently relies on a small number of external suppliers for inputs essential to batteries, renewable energy, and defence industries. In some cases, over 90 percent of the supply comes from outside the bloc. To address this, the EU adopted the Critical Raw Materials Act, which sets targets for domestic extraction, processing, and diversification of imports. This policy signals a shift from market-led sourcing

toward strategic planning.

These measures highlight the problem at the heart of EU economic security. Strategic exposure is no longer seen as a commercial issue, but rather as a systemic risk with consequences for industrial resilience, investment certainty, and long-term competitiveness.

The EU's economic security strategy represents a shift from neutral regulation toward active risk management. Policies such as the Critical Raw Materials Act, foreign investment screening, and the Anti-Coercion Instrument signal that market outcomes alone are no longer trusted to deliver resilience. This has direct implications for investment behaviour and economic performance within the single market.

On the supply side, strategic intervention aims to stabilise production in sectors exposed to external shocks. By setting targets for domestic extraction and processing of raw materials, the EU is attempting to anchor key stages of value chains within its borders. This can reduce vulnerability, but it also raises costs. European production often faces higher labour, energy, and regulatory expenses, which can weaken price competitiveness and compress margins in downstream industries.

From an investment perspective, economic security Clear rules on strategic sectors can reduce uncertainty for firms aligned with EU priorities, particularly in green technology and advanced manufacturing. At the same time, tighter screening and outbound investment monitoring increase compliance burdens and may delay capital allocation. For foreign

investors, the growing use of security-based assessments introduces political risk into what were previously commercial decisions.

These trade-offs extend to the macro level. Public support for strategic industries can crowd in private investment, but it also strains fiscal space and risks misallocation if projects are selected for security reasons rather than productivity. Fragmentation across member states further complicates outcomes, as uneven implementation can distort competition within the single market.

The EU's strategy, therefore, operates on a narrow margin. Too little intervention leaves structural vulnerabilities unresolved. Too much intervention risks undermining openness, slowing capital flows, and weakening growth. The success of a security-first economy depends less on the number of tools deployed and more on how selectively and consistently they are used across the Union.

The EU's economic security strategy marks a structural shift in how Europe governs its economy. Security is no longer a constraint at the margins but a core organising principle of policy. This approach can strengthen resilience and protect strategic capacity, but only if applied with discipline. Overextension risks higher costs, weaker investment appetite, and slower growth. The challenge for Brussels is execution, not ambition. A security-first economy must remain predictable, proportionate, and market aware. If the EU can balance protection with openness, it can enhance both resilience and competitiveness. If it cannot, economic security may become a drag rather than a safeguard.

## Middle-East & Africa

### How a Text Message Became Africa's Most Important Bank

*Why mobile money succeeded where traditional banking failed, and what it means for the future of finance*

**by Freya Ferguson**

For decades, large parts of Africa operated outside the formal financial system. Millions of people earned incomes, paid for goods, and saved money entirely in cash, not by choice but by necessity. Traditional banking was often expensive, distant, and poorly suited to small, irregular transactions. At the same time, mobile phones were rapidly spreading across the continent, reaching people banks never had. This collision of trends gave rise to mobile money – a system that allows users to store and transfer money using a basic mobile phone. What began as a simple payment tool quickly evolved into a central pillar of everyday economic life. Mobile money didn't just improve access to finance; it reshaped how households manage risk, how businesses operate, and how financial systems function in developing economies. Understanding why it succeeded helps explain how finance adapts when traditional models fall short.

To understand the rise of mobile money, it's crucial to grasp why conventional banking struggled to reach a significant portion of the population. Banks are expensive institutions to operate, relying on physical branches, administrative staff, and strict regulatory compliance. For many low-income or rural customers, maintaining a bank account involved lengthy travel times, minimum balance requirements, and fees that outweighed any benefits. In economic terms, the transaction costs associated with banking were simply too high. As a result a substantial group of the population remained unbanked, relying solely on cash for daily transactions and informal networks for saving and borrowing. This lack of financial security made households vulnerable to shocks like illness or income loss. Mobile

money addressed this gap by providing a low-cost alternative. Kenya's M-Pesa stands as the most prominent example, but similar systems have gained traction across East, West, and Southern Africa. These platforms enabled users to deposit cash with local agents and transfer value digitally, eliminating the need for a traditional bank account altogether.

Mobile money's success lies in its simplicity and economic efficiency. At its core, it separates the payment system from the banking system. Users don't need a bank account, credit history, or formal employment – they just need a mobile phone and a nearby agent who converts cash into digital value. This design dramatically lowers the cost of participation, making small, frequent transactions economically viable. One immediate impact of mobile money has been the reduction in transaction costs. Sending money across long distances, which previously required physical travel or informal couriers, can now be done instantly at minimal cost. This has strengthened family support networks, particularly between urban workers and rural households, and improved income stability during periods of financial stress. Mobile money has also changed saving behaviour. Cash savings are vulnerable to theft, loss, and social pressure to spend, while digital balances provide a safer store of value, even when amounts are small. This has improved financial resilience and encouraged longer-term planning, especially among low-income households and women, who were often excluded from formal banking.

Crucially, mobile money has enabled new forms of credit. As transactions are recorded digitally, providers can assess basic financial behaviour and offer short-term loans directly to

users' phones. While these loans are typically small, they can help smooth consumption, support small businesses, and manage cash flow. For informal traders, access to even limited credit represents a significant shift from relying on family or informal lenders.

While mobile money offers significant improvements in financial access compared to traditional banking, it is not without drawbacks. In some countries, market dominance by single providers raises concerns about competition and pricing. Fraud and consumer protection remain ongoing challenges, and regulation has often lagged behind innovation.

Mobile money's rise across Africa challenges

conventional assumptions about financial innovation. It developed in response to the absence of advanced banking systems rather than emerging from them. By prioritising accessibility over complexity, mobile money succeeded where traditional finance failed. While it is not a substitute for strong institutions or sound economic policy, it demonstrates how financial systems can adapt to real-world constraints. As economies around the world explore digital finance, Africa's experience offers a valuable lesson: the most effective financial innovations are often the simplest and most inclusive.

## Asia

### Indonesia faces a “whooshing” debt from its newest railway, ‘Whoosh’

*How a project designed to boost revenues and cut travel times has backfired, leaving significant debts*

**by Anna Malysheva**

In 2016, an Indonesian joint venture, KCIC, began work on a high-speed rail project linking two of the country's largest cities, Jakarta and Bandung. The railway only began operating in mid-2023. Previously, the journey between the two cities took around three hours, but the new line reduced travel time to a direct 40-minute ride. Trains run at speeds of up to 350 kilometres per hour, placing the route among the fastest in the world. Although more than 12 million passengers have used the service over a two-year period, revenues have not been sufficient to offset cost overruns, high operating expenses, and debt servicing, creating serious financial strain.

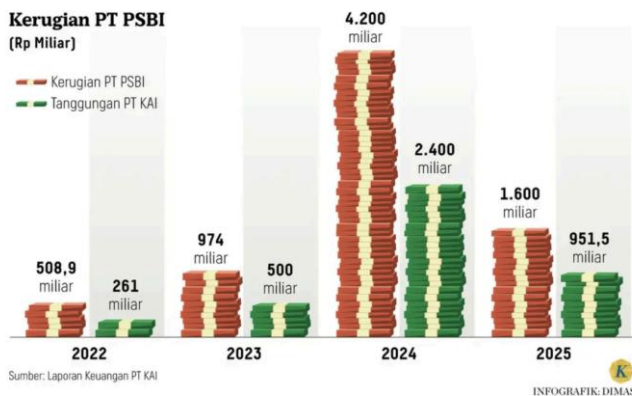
Large infrastructure projects are often justified on the basis that they can generate long-term economic returns and strengthen transport networks. KCIC (Kereta Cepat Indonesia China), the joint venture operating ‘Whoosh’, owns and operates the railway. The project was initially

expected to cost approximately US\$6 billion. However, the final cost was substantially higher, with total expenditure estimated at US\$7.2–7.3 billion, representing an overrun of roughly US\$1.2 billion. This was driven by construction delays, pandemic disruption, and rising input costs.

Around 75% of the funding was provided by the China Development Bank. The financing structure reportedly involved an interest of 2% on the principal, and 3.4% on the cost overruns. The figure below illustrates the project's financial losses and liabilities (including interest payments and debt) between 2022 and 2025, with figures presented in Indonesian Rupiah.

KCIC is now facing heavy debt burdens. Because the project is largely owned by state-owned corporations, it is indirectly backed by public institutions. In addition, financial support from Danantara, a sovereign wealth fund, means Indonesia ultimately carries much of the

repayment burden. This includes PT KAI, KCIC's largest shareholder and the parent operator responsible for Indonesia's national railway network. As a result, the consequences of KCIC's financial position extend beyond the project itself and raise wider economic and policy concerns.



Note: Kerugian = financial loss; Tanggungan = burden/liability

Public criticism has added to the pressure. Many observers question the railway's necessity, particularly given lower-than-expected ridership and ticket prices reportedly

around twice the cost of the traditional journey, reducing the incentive for many local travellers to switch. The debt burden is also substantial: KCIC's interest payments alone are estimated at at least US\$120.9 million, or approximately 1.9 trillion Indonesian Rupiah (US\$1 = Rp 16,707.3). If PT KAI were required to absorb losses without wider support, the impact on its finances could be significant.

Viewed in the broader context, the railway's debt creates real fiscal, political, and economic pressures. With KCIC around 60% owned by state-owned corporations, sustained losses become a growing burden on SOEs, sovereign wealth funds, and, ultimately, the government. While the railway was initially expected to be profitable, it has instead generated substantial losses that affect not only KCIC, but also its shareholders and Indonesia's wider public finances, particularly given the scale of debt financing tied to China.

## Consumer and Retail

### Leaking Casks

*Why Diageo, the world's largest drinks group, lost about £21 billion in equity value over 2025*

**by Craig Stockwell**

Over 2025, FTSE 100 member Diageo plc's stock price declined about 37.45% year to date as of the time of writing (26 December). These losses, of about £21 billion, originate from interest rates remaining high, thus inflating the cost of borrowing and reducing consumer spending; declining sales to the US and PRC; and the return of the oversupply 'whisky loch' problem of unsold whisky inventory post-COVID. This typically results in site closures, brands being sold, development of new sites stopping or slowing, and labour becoming a cost to cut. So, how and why did this £21 billion equities loss happen, and what will it mean for Scotland?

Diageo owns some of the world's most iconic and well-known alcohol brands, such as Johnnie Walker, Guinness, Smirnoff, Bailey's, and Captain Morgan. Yet, despite being a global behemoth of alcohol, it has a very local connection to Scotland because of the whisky industry. For instance, in Aberdeenshire, Diageo owns the Royal Lochnagar distillery, which produces malt whisky for blends such as Johnnie Walker Black, Blue, and King George V, as well as its own single malt bottlings. Indeed, Diageo today stems from the infamous merger between Distillers Company Limited and Guinness PLC in 1986 that resulted in equities

trading fraud. Today in Scotland, Diageo owns more than fifty 'sites', ranging from distilleries to warehouses to the Johnnie Walker Experience in Edinburgh, and employs about 3,000 people.

To understand how Diageo operates in Scotland, consider what Royal Lochnagar does here in Aberdeenshire: it's Diageo's smallest scotch whisky distillery, just under a mile away from Balmoral Castle. Royal Lochnagar is part of Diageo's premium portfolio, thus, the distillery justifies itself as a high-value addition to Diageo's most prestigious blends, as well as in its own single malt bottles. People visit the distillery and buy bottles as 'sales', with whisky in warehouses serving as assets on a balance sheet, enabling Diageo to access significant financial leverage.

Yet, in contrast to Royal Lochnagar, most of Diageo's products made in Scotland come from distilleries that the public cannot see or visit: the most prominent contemporary example is Roseisle Distillery near Elgin. Roseisle produces about 10,000,000 litres-per-annum of whisky, whereas Royal Lochnagar produces about 500,000. Roseisle Maltings, on the same site as Roseisle Distillery, provides malted barley to Diageo's distilleries like Royal Lochnagar, and has paused production until at least June 2026. Malting is when barley begins to germinate and produces fermentable sugar: no malted barley, no whisky.

Inversely, however, only a few years ago, in 2022, Diageo's maltings operation at Port Ellen stopped accepting orders from non-Diageo customers because demand outstripped production capacity. This mirrors the larger issue whisky is currently facing: overproduction during 2020-22, now being curtailed because of oversupply. Combined with interest rates remaining high, now at 3.75% in the UK, expansion, which was cheaper under low interest regimes until rates climbed in 2022-23, is now more expensive. Likewise, distributors, the real 'customers' for alcohol, are buying less whisky, as consumer purchasing power declines.

Combined with American tariffs and Chinese

anti-corruption (liquor is often gifted in China, both lawfully and illicitly) crackdowns, scotch whisky sales to the US are down about 6% as of the end of Q3 2025, and overall, 2.5-3% as of the end of Q2 2025. Likewise, in 2024, scotch whisky sales declined 8% in China. This culminated, on 16 July, in Diageo's CEO and Board of Directors member Debra Crew resigning immediately. Crew had been CEO for just over two years by the time of her resignation; however, over her tenure, Diageo's stock price declined by about 43-44%.

This is not a new problem, as shown by the 1986 stock trading fraud. The 1980s had a similar 'whisky loch' oversupply issue, being described as 'an unholy mess' in terms of lack of sales. DCL, Diageo's whisky predecessor, began closing distilleries in 1983, such as Port Ellen and Brora. Once that wasn't enough to 'save' DCL, and combined with the late 1980s mergers and acquisitions frenzy, Guinness placed a £4 billion bid to buy DCL, Britain's then-largest M&A offer. Guinness executives illegally coordinated the rise of Guinness's stock on the London Stock Exchange to be able to fund the purchase of DCL, resulting in Guinness's CEO, among others, being convicted of stock manipulation. Turning alcohol into financial leverage is part of Diageo's history: once 'trimming the fat' of operations no longer 'stops the bleeding', financialization of assets is next.

The consequences of Diageo's stock decline over this year, as well as over the past few years since interest rates started rising and sales declining, are only beginning to be visible. Once capital expenditure rises from increasing interest rates, while sales also decline, plants begin halting production, like Roseisle Maltings; owners sell non-core brands like Diageo selling Tusker to Ashai; and management cuts costs, including labour. Given macroeconomic conditions, such as the US tariff regime and Chinese sales declining, such a turnaround seems unlikely in the immediate future. Thus, Diageo is likely to follow a course of pruning, consolidation, and financialization into 2026, rather than growing.

Interested in getting involved?  
Email us at [elphinstoneresearchgroup@gmail.com](mailto:elphinstoneresearchgroup@gmail.com)

For advertising opportunities within the King Street Journal,  
please contact us at [elphinstoneresearchgroup@gmail.com](mailto:elphinstoneresearchgroup@gmail.com)

The King Street Journal (KSJ) is published by Elphinstone Research Group (ERG).

All content is prepared for general information and educational purposes only. While every effort is made to ensure accuracy, KSJ and ERG accept no responsibility for any loss or damage arising from reliance on material contained in this publication.

This publication is independent and not intended to provide financial, investment, legal, or tax advice. Readers should seek professional guidance where appropriate.