SECTION C

The San Diego Union-Tribune

FRIDAY • FEBRUARY 18, 2022

Business

MARKETS

▼ 622.24 **Dow** 34,312.03
▼ 407.38 **Nasdaq** 13,716.72
▼ 94.75 **S&P 500** 4,380.26
▼ 0.07 **10-yr. T-note** 1.97%
▼ $1.90 **Oil** $91.76
▲ $30.50 **Gold** $1,900.70
▲ $0.27 **Silver** $23.87
Euro 0.8799 • **Peso** 20.3157

STOCKS FALL; BOND, GOLD PRICES UP: Stocks slumped, while traders sought safety in bonds and other haven assets as heightened concern over geopolitical risks added to worries about the outlook for central bank policy. The S&P 500 index fell 2.1 percent. The price of gold rose 1.6 percent.

BRIEFLY

30-YEAR MORTGAGE RATES AT 3.92%: Average long-term U.S. mortgage rates jumped again this week, approaching levels not seen since 2019. The average rate on a 30-year loan reached 3.92 percent, up from 3.69 percent the previous week, mortgage buyer Freddie Mac reported Thursday. A year ago, the long-term rate was 2.81 percent. The last time the 30-year rate was higher was in May of 2019 when it reached 3.99 percent.

CHINA REJECTS U.S. TRADE COMPLAINT: China has rejected a U.S. accusation that Beijing is failing to live up to its market-opening commitments in a new round of complaints as companies wait for the two governments to restart talks on ending a tariff war. The Ministry of Commerce criticized the Biden administration for saying it is developing new ways to deal with Chinese trade tactics. The chief U.S. trade envoy said Beijing has "expanded its state-led, non-market approach" instead of carrying out market-opening promises made when it joined the World Trade Organization in 2001. The Ministry of Commerce rejected that as "completely at odds with the facts."

RECORD PROFIT FOR AIRBUS: Airbus booked a record profit of $4.8 billion last year as the aircraft maker delivered more planes with the global economy rebounding from the coronavirus pandemic. It is the first annual profit for the Toulouse, France, manufacturer since 2018, before the spread of COVID-19 reduced air travel to levels not seen since before the jet era. Airbus delivered 611 commercial aircraft in 2021, up from 566 the year before. It's an important source of cash for aircraft manufacturers, driving revenue of $59.2 billion for Airbus last year.

SOLARWINDS REPORTS Q4 LOSS: SolarWinds on Thursday reported a loss of $23.6 million in its fourth quarter. The Austin, Texas-based company said it had a loss of 15 cents per share. Earnings, adjusted for non-recurring costs and stock option expense, were 30 cents per share. The provider of information-technology management software posted revenue of $186.7 million in the period. For the year, the company reported a loss of $51.4 million, or 33 cents per share. Revenue was reported as $718.6 million.

DIGITS

4.1%

Decrease in new U.S. home construction in January amid high materials costs and difficulty attracting skilled labor. It was the first decline in four months.

U-T NEWS SERVICES

MIDWAY CONTENDER HOMETOWNSD WINS SUPPORT OF LABOR GROUP

Endorsed by council representing 30,000 construction workers

BY JENNIFER VAN GROVE

COURTESY AO ARCHITECTS

HomeTownSD's proposal calls for a smaller arena and the largest number of rent-restricted housing units out of all the proposals.

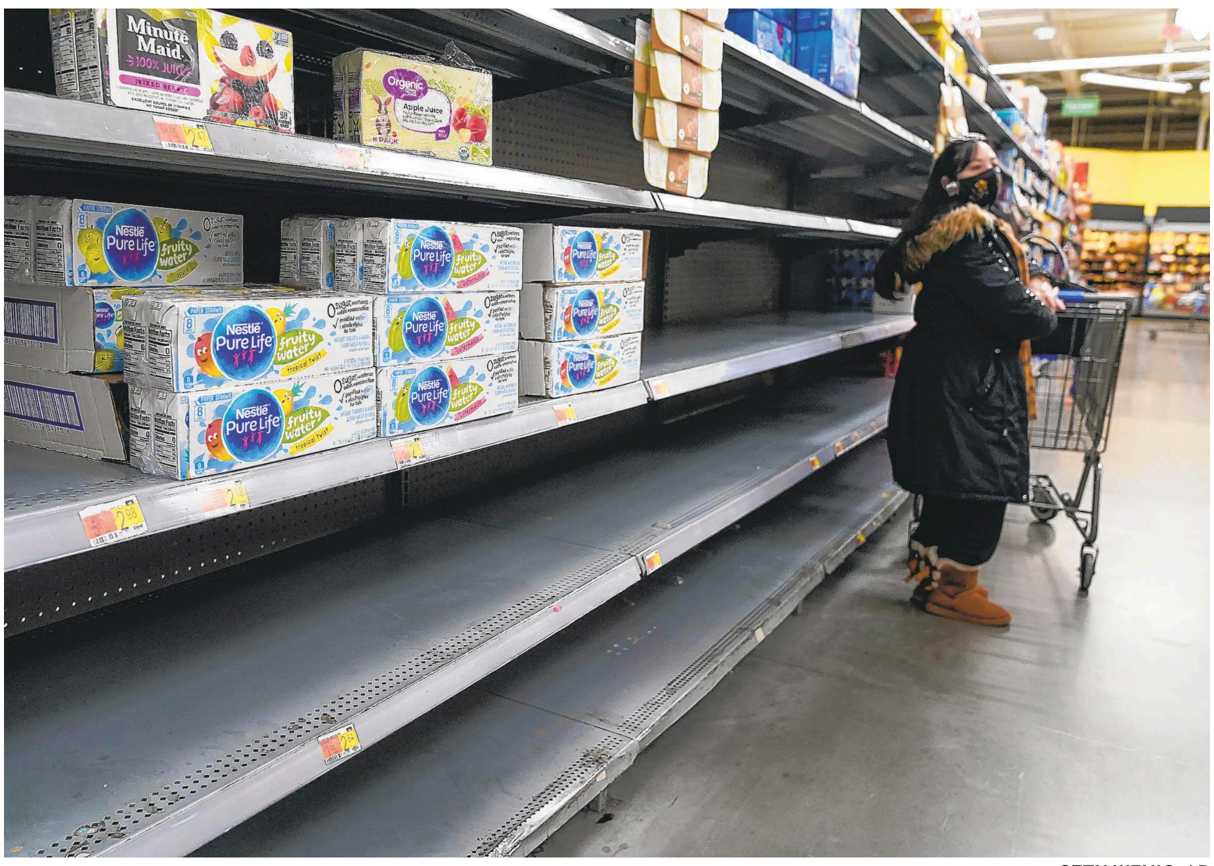
The development team competing to redo San Diego's sports arena real estate with the most affordable homes and the smallest sports and entertainment venue can add labor support to its list of qualifications.

Thursday, the San Diego County Building and Construction Trades Council announced its support of HomeTownSD, the development team proposing to erect the most rent-restricted units on the 48 acres of city-owned land in the Midway District. The HomeTownSD plan calls for a total of 3,250 apartment homes, with 1,625 units deed-restricted for low-income families and another 406 units set aside for middle-income families.

"The HomeTownSD team has done what most developers said was impossible — build more than 2,000 affordable and middle-income apartment homes ... while enabling construction tradespeople to build their careers and provide for their families," Carol Kim, who is the business manager for the influential labor organization, said in a statement. "We are proud to endorse this project and look forward to bringing this transformative community to life for working San Diegans."

The endorsement is a product of a contractual arrangement between the groups that, should HomeTownSD succeed in its bid to redevelop the city's sports arena site, will result in a project labor agreement

SEE **LABOR • C4**



SETH WENIG AP

The Justice Department is launching a new initiative aimed at identifying companies that exploit supply chain disruptions, which have been hurting American retailers and consumers paying for goods.

TAKING ON EXPLOITATION OF SUPPLY CHAIN DISRUPTIONS

BY MICHAEL BALSAMO

The Justice Department is launching a new initiative aimed at identifying companies that exploit supply chain disruptions in the U.S. to make increased profits in violation of federal antitrust laws.

The program, unveiled Thursday by the Justice Department's antitrust division and the FBI, comes amid ongoing supply chain struggles and labor shortages in the U.S. that have plagued retailers since the coronavirus pandemic began.

Justice Department lawyers worry that companies may "seek to exploit supply chain disruptions for their own illicit gain," the department said.

And, if that's the case, the Justice Department and the FBI will prosecute antitrust violations they uncover, the department says.

Those violations could include agreements between individuals and businesses to fix prices or wages or to rig bids, prosecutors say.

The U.S. government also has formed a working group focused on supply chain collusion — meant to share intelligence and detect global schemes — with officials in several other countries, including the United Kingdom, Australia, New Zealand and Canada.

"Temporary supply chain disruptions should not be allowed to conceal illegal conduct," said Assistant Attorney General Jonathan Kanter, who runs the Justice Department's antitrust division. "The Antitrust Division will not allow companies to collude in order to overcharge consumers under the guise of supply chain disruptions."

Balsamo writes for Associated Press.

BANNER 2021 FOR STOCKS BOOSTS GAINS FOR 401(K) SAVERS

ASSOCIATED PRESS

Wall Street's blockbuster gains in 2021 helped pad savers' retirement accounts, lifting the average balance on some popular investment plans to new highs.

The average 401(k) plan balance stood at $130,700 at the end of last year, up 7.6 percent from 2020, according to Fidelity Investments. The median balance, a better measure of the typical plan size, rose 2.1 percent to $28,600. The figures are based on a review of 20.4 million Fidelity accounts. Only about 60 million Americans actively participated in 401(k) plans at the end of the third quarter, according to the Investment Company Institute.

The average balance for individual retirement accounts on Fidelity's platform also climbed to a record-high $135,600 as of the fourth quarter of 2021, up 5.9 percent from a year earlier.

Retirement plan gains came as cheap money thanks to historically low interest rates combined with strong consumer demand and corporate earnings growth to keep investors in a buying mood.

The S&P 500 scored its third-best performance in the last decade in 2021, rising 26.9 percent, for a total return of 28.7 percent, including dividends. Why the big gap in gains between the S&P 500 and the average 401(k) or IRA? Because those plans typically hold a variety of asset classes, including foreign stocks, bonds and cash, for example, while the S&P 500 is comprised only of U.S.-based stocks.

JOHN MINCHILLO AP

The average 401(k) plan balance increased 7.6 percent, helped by gains on Wall Street.

Investors who had been pumping money into their Fidelity 401(k) plans for at least 10 years averaged a balance of $413,600 at the end of the the fourth quarter, the company said. In contrast, plans held by Gen-Z savers had an average balance of $5,300.

Savers helped drive their returns last year by setting aside more of their pay for their retirement plans. Employee contributions to 401(k) plans averaged 9.4 percent by the end of 2021, up from an average of 9.1 percent a year earlier and an average of 8.9 percent at the end of 2019, Fidelity said.

Boosting your contribution rate, even by 1 percent, can make a big difference over 10 or 20 years, assuming the saver remains employed and making contributions the entire time.

The IRS has raised the annual contribution limit to $20,500, with workers age 50 or older eligible to contribute an additional $6,500 as a "catch-up" contribution.

The amount of money employers put into their employees' retirement accounts also rose. By the end of 2021, the average 401(k) contribution made by employers was $4,080, up 1.2 percent from a year earlier, but down 0.5 percent from 2019.

SAUDI ARABIA KEEPS LID ON OIL OUTPUT

Won't push for OPEC+ pact changes as gas prices rise

BY AYA BATRAWY & ABDULLAH AL-SHIHRI

Saudi Arabia is signaling it isn't willing to pump more oil and won't push for changes to an agreement with Russia and other producers that has kept a lid on oil production levels.

This has Washington concerned as gasoline prices rise and tensions with Russia over Ukraine fuel market uncertainty.

The Biden administration dispatched Brett McGurk, the National Security Council's Middle East coordinator, and the State Department's energy envoy, Amos Hochstein, to Riyadh on Wednesday to talk about a range of issues — chief among them the ongoing war in Yemen and global energy supplies.

Asked by reporters in Washington whether the U.S. officials were also urging Saudi Arabia to pump more crude to alleviate high oil prices, White House press secretary Jen Psaki said she did not have more details on

SEE **OIL • C4**

WALMART STEERS THROUGH INFLATION

BY ANNE D'INNOCENZIO

Walmart muscled through rising inflation, a snarled global supply chain and surging costs related to COVID-19 sick leave among its workers to deliver strong fourth quarter results Thursday.

The nation's largest retailer, based in Bentonville, Ark., also delivered on Thursday an upbeat outlook for this year and boosted its dividend.

Walmart is the first major retailer to report fourth-quarter fiscal results, which include the critical holiday shopping period, and is considered a major barometer of spending given its size so analysts carefully parse through the data. Walmart executives said that its shoppers are still in good financial shape, and they

SEE **WALMART • C4**

TALK TO US: SORRENTO VALLEY/MESA BUSINESSES

Sorrento Mesa and Sorrento Valley continue to prove popular with big tech, biotech builders and investors who have been snatching up older office buildings in anticipation of growing demand from life science startups and publicly traded companies.

We want to talk with small-business owners in Sorrento Valley and Sorrento Mesa about the development happening there. Is it affecting your rental leases and business? Are you moving your small business because you can't afford new lease rates in the area? Or are you staying and are looking forward to the revitalization of this area?

Please contact business reporter Natallie Rocha, who is writing a story about small businesses caught up in the biotech building boom.

She can be reached at 424-367-9150 or natallie.rocha@sduniontribune.com

GOOGLE CREATES $100M FUND FOR SKILLS TRAINING

Program aims to help those without college degrees

BY STEVE LOHR

Google said Thursday that it was creating a $100 million fund to sponsor an ambitious project to expand effective skills training and job placement programs for low-income Americans.

The Google-backed initiative is targeting a big problem: how to find, train and create paths to good jobs in the modern economy for the nearly two-thirds of American workers who do not have a four-year college degree.

"I genuinely think this is one of the important areas for society to figure out," said Sundar Pichai, CEO of Google's parent company, Alphabet. If the project is successful, Pichai said, he hopes it will be a "template for other companies to do more" and show policymakers that there are better-performing alternatives to traditional government training efforts.

The tech giant is working with three nonprofit groups on the effort: Year Up, which focuses on upward mobility programs for the disadvantaged; Merit America, an organization that offers tech training programs for adults without a bachelor's degree; and Social Finance, which designs student-friendly financing and repayment plans.

The training organizations are paid a portion of their costs upfront and receive additional payments only if their graduates land and keep higher-paying jobs. The program will combine Google philanthropy with loan repayments from students. The loans will carry no interest, and students will begin repaying only if they get a job that pays at least $40,000 a year. The payments will be about $100 a month and continue for a maximum of five years.

The Google fund will pay to start and support the program, since not all students will graduate and secure higher-paying jobs. But loan repayments from successful students will help support training for others in the future. The Google fund hopes to fuel total wage gains of $1 billion for 20,000 training program graduates.

The three organizations working with Google are indicative of newer trends in job training and hiring. They focus on results — graduates getting higher-paying jobs — rather than numbers of people passing through their programs. They are advocates for hiring based on demonstrated skills instead of screening by college degrees. And they are all experimenting with ways to make programs more self-sufficient financially and less dependent on charitable support.

LM OTERO AP

Sundar Pichai, CEO of Google's parent, Alphabet, sees the project as a template for other companies.

"This is a really serious effort to put philanthropic money into programs that have the elements that have proved effective," said Lawrence Katz, a labor economist at Harvard University.

The job programs, Year Up and Merit America, will receive grants to train students in technical skills with content from Google career certificate courses in information technology support, data analytics, project management and user experience design. Both nonprofits already use the Google coursework, which provides general technical training but does not teach students to master Google software tools.

But a major part of successful training programs, experts agree, is what they do beyond teaching technical skills. The programs also emphasize so-called soft skills like teamwork, communication and willingness to learn new things. They often provide help with arranging child care and transportation. They have career coaches, social workers and counselors, and foster peer groups and alumni networks.

"Skills and competencies are important, but so is building up a person's social capital," said Gerald Chertavian, founder and CEO of Year Up.

Begun more than two decades ago, Year Up is now a national organization that caters to low-income workers from 18 to 26 years old. It includes three to six months of technical training followed by a six-month internship at a company. Eighty percent of its graduates are placed in jobs within four months, at an average starting salary of $44,000, more than double their previous income, the organization says.

Social Finance, which is managing the investment program, is looking to add a few more job training groups this year. An independent research firm, MDRC, will evaluate the performance of the training and job placement programs over time.

"We'll allocate more funds to whoever is delivering better results," said Tracy Palandjian, CEO of Social Finance, which is not related to the online lender SoFi. "It's all about impact."

Merit America has grown rapidly since it began offering courses in 2018. From the outset, it was a hybrid program, with self-paced online training, in-person meetings once a week with fellow students and one-on-one sessions with coaches.

So when the pandemic shutdowns hit, Merit America was well placed to make the shift to remote training. It is growing rapidly — on track to reach 2,500 students this year, more than double the number in 2021.

The Google-fund backing "puts jet fuel in our engine, allowing us to scale up as never before," said Connor Diemand-Yauman, one of the founders of Merit America, where he is co-CEO.

Lohr writes for The New York Times.

OIL

FROM C1

the meeting.

A White House official said the two U.S. officials had not asked the Saudis to increase oil production at their meetings in Riyadh. The person insisted on anonymity.

On Thursday, Emily Horne, the spokesperson for the White House National Security Council, said the officials discussed a "collaborative approach" with the Saudis to manage potential market pressures stemming from a possible Russian invasion of Ukraine.

Two Saudi officials told The Associated Press the Saudi energy minister informed the Organization of the Petroleum Exporting Countries, or OPEC, of the kingdom's commitment to the group's current roadmap of cautious monthly increases. They spoke anonymously because they were not authorized to brief journalists.

King Salman also said as much in a call last week with President Joe Biden. According to a Saudi readout of the call, the king highlighted the "the importance of maintaining the agreement" that is in place between OPEC, the oil cartel led by Saudi Arabia, and Russia.

The Saudi and Russian-led alliance, known as OPEC+, calls for gradual increases to oil production as the world continues to emerge from the pandemic, but geopolitical events have been rapidly evolving and driving market volatility.

Higher prices at the pump pose a threat to Democrats at the polls in upcoming midterm elections. Biden has warned that gas prices could rise even higher if Russian President Vladimir Putin invades Ukraine.

Benchmark crude is trading at around $95 a barrel, its highest level in eight years. AAA says the current U.S. national average for a gallon of regular gasoline costs around $3.50 — a 40 percent increase from its average of $2.50 at this time last year.

DAVID ZALUBOWSKI AP

The current U.S. national average for a gallon of regular gas is up 40 percent from this time last year.

During a CNN forum in October, Biden said prices were rising because "of the supply being withheld by OPEC." He said that while there's a lot of negotiation going on about the cost of gas, "there's a lot of Middle Eastern folks who want to talk to me."

"I'm not sure I'm going to talk to them. But the point is, it's about gas production," he added.

His remarks were widely interpreted as a swipe at Saudi Crown Prince Mohammed bin Salman, who oversees the kingdom's major policy decisions and day-to-day affairs.

Saudi Arabia has the ability to produce some 12 million barrels a day, but its output is around 10 million barrels a day in line with the OPEC+ curbs made during the coronavirus pandemic.

The Biden administration has emphasized U.S. strategic interests with Saudi Arabia, a departure from the Trump administration's personal relationship with the crown prince that was cultivated by adviser Jared Kushner.

Early on in his presidency, Biden reversed a terrorism designation of Yemen's Houthi rebels that a Saudi-led coalition is battling — a decision he's now being lobbied to reconsider. He also declassified an intelligence report that concluded Prince Mohammed likely approved the operation that killed Saudi writer Jamal Khashoggi at the Saudi Consulate in Istanbul in 2018.

Throughout his presidency, Biden has circumvented speaking directly with the crown prince, choosing instead to hold calls with King Salman, the prince's 86-year-old father.

The OPEC+ group has consistently rebuffed pressure from Biden to pump significantly more oil, deciding instead to stick with cautious monthly increases. The higher oil prices are a boon to the economies of both Saudi Arabia and Russia as Moscow faces possible Western sanctions over Ukraine.

The Wall Street Journal reported that at an energy forum in Riyadh on Wednesday, Saudi Energy Minister Prince Abdulaziz bin Salman rejected calls to pump more oil and said renegotiating quotas among OPEC members risked stoking more volatility in oil markets. The Intercept first reported that Saudi Arabia had rejected a Biden plea to increase oil production.

At the energy forum in Riyadh, Hochstein, the State Department's energy envoy, stressed "energy security cannot be taken for granted."

"We have seen a rapid rise in price and today having a significant amount of risk, of geopolitical risk, priced into our markets," he said at a livestreamed International Energy Forum symposium. High oil prices and high inflation are cyclical and affect each other, he added.

Oil producers, he said, need to "make sure that the supply is there to meet the demand" so that prices do not continue to strain the U.S. economy and wider economic recovery.

Speaking at the same energy forum, the head of the International Energy Agency called on OPEC+ producers to close what he said is a 1 million barrel-per-day gap between their stated targets and actual output. The IEA says Saudi Arabia and the United Arab Emirates could help stabilize prices if they pumped more oil.

IEA Executive Director Fatih Birol called on OPEC+ producers to "provide more volume to the markets" to reduce price volatility that is burdening households.

Batrawy and Al-Shihri write for The Associated Press.

LABOR

FROM C1

that secures prevailing wages and other job protections for construction workers. The Building and Trades Council, which represents 22 local unions and 30,000 construction workers, has a similar agreement in place with competing development team Midway Village+.

The backing comes as San Diego officials evaluate five proposals in the running to lease and remake the city's land at 3500, 3250, 3220 and 3240 Sports Arena Blvd. Teams are proposing dense, master-planned communities with an arena, housing, retail, office, park space and, in some instances, additional sports facilities or hotels. Each must also set aside at least 25 percent of housing units for lower-income families, as required by a state law governing how municipalities offload surplus land.

Bidders are now participating in a 90-day negotiation period that ends on March 4. The end date is just the beginning of a public evaluation process that starts with the City Council's Land Use and Housing Committee, where labor support will likely prove consequential in determining which teams continue in the process.

The HomeTownSD team consists of developers Monarch Group and Essex Property Trust, affordable housing builder Eden Housing and sports real estate firm JMI Sports. In addition to housing, the group is pitching a downsized sports arena with capacity for 10,000 people, a 300-room hotel, 155,000 square feet of commercial office and retail space, a childcare center, and 18 acres of green space spread across parks and rooftops.

HomeTownSD's labor commitment could be viewed as a costlier burden than what would be asked from other groups vying for the sports arena site. That's because increased labor costs will further eat into potential profit margins already reduced by the number of income-restricted units the team has planned for the site.

"It's the right thing to do — both on the labor and the housing. This is a significant thing for San Diego," said Sarah Kruer Jager, who is a partner with San Diego-based Monarch Group and is the project lead. "Are we giving up some upside? Yes. But there's still a path and a way to get this done that delivers on what we need most in San Diego."

Prevailing wages, set by the state, establish specific, minimum hourly rates, overtime rates and employer benefit contribution rates based on job type, and are a requirement of most city construction contracts. The current prevailing wage in San Diego for a building inspector is $53.21 per hour for a standard, eight-hour shift with employers also required to pay another $30 per hour in benefit-related wages.

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WALMART

FROM C1

don't see any major changes in consumer behavior patterns like trading down to cheaper labels but they're paying close attention to higher prices. It also expects supply chain issues to ease in coming months.

The report from Walmart came one day after the Commerce Department said that retail sales in the U.S. jumped a surprisingly strong 3.8 percent from December to January. And although inflation — which has reached the highest level in four decades in the U.S. — helped boost that figure, most of January's gain reflected more purchases, not higher prices.

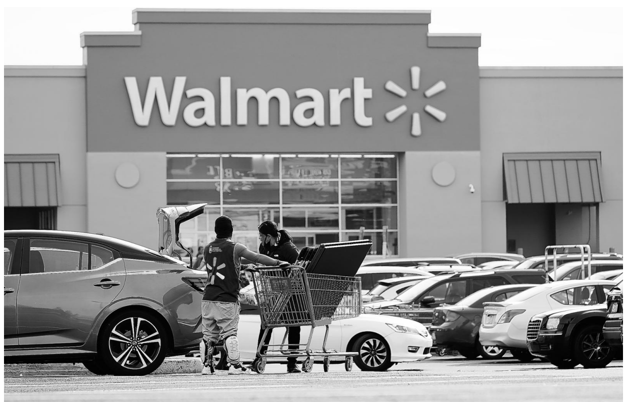
Like other retailers, Walmart faces rising costs for everything from labor to shipping as supply chain backups hit companies worldwide during the holidays. As the nation's largest food seller, it's also more vulnerable to rising food prices.

This past holiday quarter also offered an extra challenge: a contagious new variant, Omicron, that forced many workers to take sick leave, resulting in surging costs for companies having to hire more workers beyond what was planned to fill that gap. In fact, Walmart said the latest quarter's peak in COVID leave was higher than anything it experienced in all of 2021 or 2020.

But Walmart used its clout to muscle through the big challenges by chartering vessels for its goods as it moved into the holiday shipping crunch. As for managing inflation, it said it's using years of expertise from monitoring surging prices in other parts of the world like Mexico and parts of South America where it does business.

Walmart's CEO Doug McMillon said the retailer is closely working with suppliers to manage inflation and is keeping price gaps with its rival where it wants them. It's particularly focused on keeping prices low for basic items that its low income segment depends on.

But Walmart, which caters to a broad array of shoppers at all income levels, has also seen opportunities in this inflationary environment.



MATT ROURKE AP

Walmart had higher profit and sales during the critical holiday shopping period.

"Walmart U.S. customer looks like the U.S. population, and it does to a really large degree," McMillon told analysts during a call following the earnings release. "And so we'll serve everybody. And during periods of inflation like this, middle income families, lower middle income families, even wealthier families become more price sensitive. And that's to our advantage."

In fact, Walmart said that its "rollbacks" — a temporary price reduction on an item — are significantly up from the end of the third quarter and about where it was at the end of the first quarter last year.

Net income reached $3.56 billion, or $1.28 per share, in the quarter ended Jan. 31. Per share earnings adjusted for one-time costs and benefits were $1.53, or 3 cents better than Wall Street expected, according to a survey by FactSet. Total revenue rose 0.5 percent to $152.87 billion. Analysts expected $151.72 billion, according to FactSet.

Last year during the same period, the company lost $2.9 billion due partly to costs related to the pandemic.

The company said that although COVID costs were lower than last year, it had significantly higher worker leave costs in the U.S. than anticipated. In the first three quarters combined, COVID leave costs were about $600 million but increased more than $450 million just in the fourth quarter, the company said.

Same-store sales rose 5.6 percent at U.S. Walmart stores, down from a 9.2 percent jump in the third quarter. Online growth has slowed from the pandemic-infused sprees of early 2021 and rose just 1 percent, down from 8 percent growth in the third quarter, and a nearly 70 percent surge in the same period a year earlier.

Walmart said that sales growth in the current fiscal year will be above 3 percent with earnings growth in the mid-single digit percentage range.

Walmart raised its quarterly dividend by one penny to 56 cents per share.

D'Innocenzio writes for The Associated Press.