

Catch up: America's warning to Israel; Morgan Stanley's bumper profits



The **Israel Defence Forces** struck Beirut hours after **America** said it opposes the “scope” of Israeli attacks on Lebanon’s capital. America also gave Israel 30 days to improve access to humanitarian aid in Gaza or face restrictions on shipments of weapons—even as parts of an American anti-missile system, together with troops to operate it, [began to arrive](#). Meanwhile, Reuters reported that Israeli troops cleared landmines and fences along a demilitarised area between the Israeli-occupied Golan Heights and Syria. That suggests Israel may extend the front of its war with Hizbullah further east.

Morgan Stanley became the latest [Wall Street](#) lender to report higher-than-expected earnings during the third quarter. Profits rose by 32% year on year, while revenue jumped 16%. The bank’s investment-banking fees increased by 56%, a bigger rise than its rivals. Revenues from equity trading also soared. The news pushed the firm’s share price to a record high.

Airbus said it would cut up to 2,500 jobs in its defence and space arm, representing 7% of the division's workforce, by 2026. The [aerospace giant's](#) space branch has been squeezed by rising costs and falling demand for its geostationary satellites. Meanwhile, its defence business has suffered from supply-chain disruption.

The share price of **ASML** fell by more than 16% after reporting disappointing results, which were accidentally released a day early. The Dutch chipmaker said that demand from companies that are not benefitting from the boom in [artificial intelligence](#), such as manufacturers of industrial equipment, was slowing. The release triggered a sell-off in the shares of other chipmakers in America and Asia.

Inflation in [Britain](#) fell by more than expected in September, to 1.7% year on year, below the Bank of England's target rate of 2%. The figure for August was 2.2%. Lower prices of petrol and plane tickets contributed to the drop, which makes it more likely that the bank will lower interest rates in November and December. It began easing in August with a quarter-point cut.

Sixteen migrants arrived in **Albania** on an Italian vessel, marking the start of a contentious scheme to use the country as an offshore processing centre for asylum claims. Italy has set up two centres in the north of the country, which will host up to 36,000 people a year. The deal is the first of its kind in the [European Union](#).

North Korean state media claimed 1.4m young people had applied to join or rejoin its army since Monday, amid rising tensions. On Tuesday the hermit kingdom blew up inter-Korean roads. Last week it accused the South of sending drones to scatter propaganda over Pyongyang, its capital. Since May, North Korea has been sending [trash balloons](#) across the border.

Figure of the day: 60%, the gap between the per-person economic output of America and Japan—double what it was in the 1990s.

[Read the full story.](#)

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Hong Kong's economic woes



[John Lee](#), Hong Kong's chief executive, gave his third annual policy address on Wednesday. He focused on the economy. The territory is battling weakening consumer demand, a property-market crisis and geopolitical tensions. Fewer tourists are visiting; more residents are going to the mainland to dine and shop. Wage inequality is growing. Home prices fell to their lowest level in eight years in June, while shop vacancies reached a three-year high in the third quarter.

Mr Lee announced new measures to boost the economy, including reducing residential-mortgage restrictions and easing the approval process for new listings in a bid to attract more IPOs. He also said government-backed loan schemes will be relaunched for small and medium-sized businesses; in July a survey by the Hong Kong Chamber of Commerce found that most of their owners—who employ 45% of the private-sector workforce—are worse off than before the pandemic. Mr Lee has promised to [steer Hong Kong from “stability to prosperity”](#). With two and a half years left of his term, that looks ambitious.

Blue Earth Summit catches a wave



Launched four years ago by three entrepreneurs with a passion for surfing, the Blue Earth Summit has become a fixture in Britain's environmental-business calendar. Moving this year from Bristol to London, the three-day event brings together 300 speakers, and an audience of more than 5,000. Among them are environmental campaigners, academics, celebrity supporters and business representatives from Nestlé, Diageo and British Airways. Sponsors include the Crown Estate, one of Britain's biggest landowners, whose holdings include the country's coastal seabed and new [offshore wind](#) projects with the potential to generate enough electricity to power roughly 6m homes by 2030.

The summit also hosts what it calls "Europe's leading pitch competition for planet-positive business". Thirty shortlisted startups get the opportunity to pitch for a share of a £100m funding pot. Previous success stories include a low-emission tyre maker that now works with Uber, a ride-hailing company, and a project that recycles fisheries' washed-up gear to make sunglasses.

Indonesia's economy and the new president



Last month Bank Indonesia, the central bank of South-East Asia's biggest economy, made a surprising decision. Hours before America's Federal Reserve cut rates, the Indonesian bank did so for the first time in more than three years. On Wednesday the bank held rates at 6%. But slowing inflation—in September consumer prices in Indonesia rose by 1.84% year on year, the lowest rate since November 2021—may allow the bank to continue easing rates soon.

Whether that happens will depend in part on [Prabowo Subianto](#), who is to be inaugurated as Indonesia's president on Sunday. Mr Prabowo wants to increase government borrowing to further boost the country's economy. His ambitious plans could weaken the international appeal of the rupiah, Indonesia's currency, and slow the pace at which Bank Indonesia eases. But earlier this week Mr Prabowo reportedly asked Sri Mulyani, a shrewd technocrat who has been Indonesia's finance minister since 2016, to remain in her job. Her reappointment could please central bankers and investors alike.

Britain's falling inflation



In most rich countries the main economic story of 2024 has been [falling inflation](#) and cooling labour markets. That has also happened in Britain, but more gradually. Although annual inflation hit the Bank of England's 2% target in May, core inflation has remained 3-4%, a little above the rate in many other rich economies. Britain's unemployment rate has fluctuated, but not risen sharply.

Britain's core inflation is now falling closer to the levels seen in its peer group. The annual rate for September, disclosed on Wednesday, slowed to 3.2% from 3.6% the month before. That will please the [Bank of England](#), which cut interest rates in August but decided not to in September. The next rate cut may come in early November. By then, Britain's government will also have delivered its first budget, widely expected to contain tax rises and an increase in borrowing.

A Saudi tennis tournament



For years elite male tennis players have grumbled about the competition calendar. There are just six weeks between the year-end ATP Finals and warm-up tournaments for the Australian Open. Still, six big names—including Jannik Sinner (the world number one), Carlos Alcaraz (the [Wimbledon](#) champion) and Novak Djokovic (who holds a record number of Grand Slam titles)—have found time to head to Saudi Arabia for a new tournament: the Six Kings Slam.

The event, which begins on Wednesday, does not have accreditation from the governing body, the ATP; players will receive no ranking points. But they will earn a [tonne of money](#). The winner will bag \$6m, much more than the \$3.6m Mr Sinner got for winning the US Open. Each player will reportedly earn at least \$1.5m just for turning up. Golf has shown that athletes will compete in tournaments with no cachet if they get paid enough. Tennis players, it turns out, are no different.

Daily quiz



The Economist

We will serve you a new question each day this week. On Friday your challenge is to give us all five answers and, as important, tell us the connecting theme. Email your responses (and include mention of your home city and country) by 1700 BST on Friday to QuizEspresso@economist.com. We'll pick randomly from those with the right answers and crown three winners on Saturday.

Wednesday: How many US open tennis championships have there been?

Tuesday: What is the minimum age to be a member of the US Congress?

60%

the gap between the per-person economic output of America and Japan—double what it was in the 1990s.

Read the full story.

The truth is rarely pure and never simple.

Oscar Wilde