

Catch up: Israel delays withdrawal from Lebanon; Japan raises rates



Israel said it would not fully withdraw its troops from **Lebanon** by the end of the weekend, the deadline it had agreed in a [ceasefire deal](#) with Hizbullah. The Israeli government argued the militant group had yet to enforce its side of the agreement, which was [brokered in November](#). Lebanon said Israel's move would end the ceasefire; America is negotiating with both sides to save the deal.

The Bank of Japan [raised its policy rate](#) from 0.25 to “around” 0.5%, the highest level in 17 years. The decision, which was expected, came after America's president, Donald Trump, held off imposing tariffs, at least for now, calming markets' fears. The bank also lifted its core-inflation outlook, a positive sign for a country hoping to escape decades of deflation.

America's Senate moved to hold a vote on whether to confirm **Pete Hegseth** as secretary of defence. The decision was close—two Republicans joined all of the Democrats in voting against moving the confirmation procedure to its final stage. [Questions have been raised](#) over Mr Hegseth's personal life and qualifications to lead the

Pentagon. The vote is expected today. If two more Republicans defect, he will lose.

Monte dei Paschi di Siena, a problem child of the Italian banking system, proposed a “friendly” takeover of Mediobanca, a larger rival, for \$13.9bn. Italy’s government, which [bailed out](#) the world’s oldest bank in 2017, has been seeking to consolidate the financial sector. A plan to merge MPS with Banco BPM was scuppered by a hostile takeover attempt by [UniCredit](#), Italy’s biggest bank.

Boeing said it expects to lose \$3.9bn in the October-December quarter, as the planemaker counted the cost of [a two-month strike](#) that paralysed aircraft production. It also lost money on some big military contracts in America. Reporting preliminary results, the firm estimated revenue for the most recent quarter to be \$15.2bn, around \$1.4bn lower than analysts expected.

America’s secretary of state, Marco Rubio, held his first phone call with Wang Yi, **China’s** foreign minister, according to Chinese authorities. Mr Rubio was known for his tough stance on China during his time as a senator; the country introduced sanctions against him in 2020. Mr Wang said he hoped Mr Rubio would “play a constructive role” in the countries’ relations.

Singapore’s central bank loosened its monetary policy for the first time in nearly five years. The bank said it would slightly reduce the slope of its exchange-rate policy band, allowing for a slower rate of appreciation, citing a faster-than-expected decline in inflation and [“trade frictions”](#). GDP growth is expected to drop from 4% in 2024 to between 1% and 3% over 2025.

Figure of the day: 27%, the extension of wildfire seasons around the world between 1979 and 2019. [Read the full story.](#)

Trump's rough start in California



Donald Trump's first trip of his second term will include a visit to Los Angeles on Friday. He will survey the damage from the [deadly wildfires](#) that have torn through California this month. Fires are still spreading near LA, and another disaster now looms. Rain is coming, which could help quell the fires, but might also lead to mudslides.

Local officials hope Mr Trump will rethink his suggestion, endorsed by some Republicans in the House of Representatives, to withhold federal recovery funds from California. It is an acrimonious start to his administration's relationship with America's most-populous state. In an executive order mockingly named "Putting People over Fish", Mr Trump has directed his agencies to change California's environmental-protection rules to send more water to the south of the state. Meanwhile California joined 21 other Democratic states in suing the new administration over its attempt to [end birthright citizenship](#). The quarrel between Mr Trump and the Golden State is just getting started.

The Bank of Japan makes a move



Since [lifting interest rates in July](#), the Bank of Japan has been cautious. In December it held rates steady despite market speculation about another increase. But on Friday, when it concluded a two-day meeting, the central bank raised its policy rate from 0.25 to “around” 0.5%. Two big uncertainties have been resolved. Markets have stayed calm since the inauguration of Donald Trump, as America’s president did not immediately impose tariffs.

Meanwhile Japan’s wage outlook has brightened. The *shunto*, or spring wage negotiations, could raise pay more than 5.1%, the biggest increase in 34 years. This matters tremendously for a country trying to escape decades of low inflation and deflation. Companies are at last raising prices and workers are getting higher wages. Inflation, excluding volatile food prices, has already topped the bank’s target of 2% for 32 straight months. As Himino Ryoza, the BoJ’s deputy governor, declared last week, inflation in a “sustainable and stable manner” is now within reach.

Is the luxury slump over?



Burberry reported third-quarter earnings on Friday. Investors were cheered by signs that the British luxury group's turnaround is succeeding. Most [luxury firms](#) have struggled in recent years, as demand from China has slowed and consumers reined in spending after the pandemic. But Burberry has also made mistakes, including an ill-fated push to sell more upmarket goods; steep price increases put customers off.

Still, Burberry's sales fell by just 4%, far better than the 13% drop that most analysts had expected. Joshua Schulman, who became the firm's boss in July, has refocused the brand on its core products, particularly outerwear. In November he announced a £40m (\$50m) cost-cutting programme to stem losses. Burberry's earnings will also be a guide to the broader sector's resilience. Recent strong results from Richemont, which owns Cartier, suggest that the rich remain willing to spend. Burberry's shares rallied after that report, raising hopes that its own sales may have stabilised. Investors are betting that profits could soon be back in fashion.

Europe's ailing economy



European leaders were relieved that Donald Trump did not target the continent with tariffs and other economic nastiness immediately after his inauguration. But the [euro zone is still stagnating](#), and growth is unlikely to pick up soon. Nor is Mr Trump likely to leave Europe alone for long. The euro zone's purchasing-managers index for January, released on Friday, suggested that Europe is still stuck in a rut.

In January the index rose slightly, from 49.6 in December to 50.2—just inching above the threshold of 50 that signals growth. The mild improvement was largely due to the strong performance of the service sector. Germany, which has long been a drag on European growth, expanded slightly, but France remained in contraction, dragging the index down. Such weakness in the heart of Europe is a liability when negotiating with a strongman like Mr Trump. Unfortunately, neither country has a stable government to implement the necessary reforms to boost growth. Stagnation may last a while longer.

A British rap star takes America



Already popular in its home country, British rap has at last [emerged from the shadow](#) of its American counterpart. Its figurehead is Central Cee, a rapper from London. At 26, he is a veteran. Ten years after his debut on a track featuring J Hus, another rapper, his first studio album, “Can’t Rush Greatness”, will be released on Friday. Central Cee is already the first British rapper with 1bn streams in one year on Spotify. The two most played British rap tracks of all, along with the highest-charting British rap song in America, are his.

“GBP”, the album’s newest single, emphasises the artist’s Britishness and his sense of independence. On the cover, he wears a beanie showing the union flag. Central Cee’s success is testimony to British rap’s do-it-yourself ethos. He began by releasing his music himself and booking his own shows. For all their genre’s success, British rappers still have to come up the hard way.

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 GMT on Friday to QuizEspresso@economist.com. We'll pick randomly from those with the right answers and crown three winners on Saturday.

Friday: The Egyptian deity Mut was sometimes depicted as which animal, a species that was frequently buried alongside humans in that culture?

Thursday: The Neon tetra, Harlequin Rasbora and Pea Puffer are all types of which animal?

The winners of this week's crossword



Thank you to everyone who took part in our weekly crossword, published in the weekend edition of Espresso. The winners, chosen at random, were:

Dena McCallum, Mustique, Saint Vincent and the Grenadines

Aliaksandr Fedarovich, Wroclaw, Poland

Huan-Lin Chang, San Jose, United States

They all gave the correct answers of [Panama Canal](#), [public](#), [Assad](#) and [London](#). Check back tomorrow for this week's crossword.

If you don't want to be replaced by a machine, don't try to act like one!

Arno Allan Penzias