

# Catch up: inflation cools in America; Japan's prime minister to step down



[Annual inflation](#) in **America** fell to 2.9% in July. The figure is lower than it was in June, when inflation was 3%, and came in beneath analysts' expectations: most economists had expected that the figure would hold steady. The news makes it all but certain that the [Federal Reserve](#) will begin to lower interest rates—which are currently at a 23-year high—in September.

**Kishida Fumio**, **Japan's** prime minister, will step down next month, after he announced he would not seek re-election as leader of the ruling Liberal Democratic Party in an upcoming leadership contest. [Scandals and unpopularity](#) have dogged his government. Approval of Mr Kishida's administration has dipped below 20% in some polls. [Kamikawa Yoko](#), Japan's foreign minister, could emerge as a compromise candidate to replace Mr Kishida.

**Mars** agreed to buy **Kellanova** for nearly \$36bn in a deal that will combine the two food giants. The buyout is one of the biggest in America's packaged-food industry. [Mars](#), which specialises in

selling chocolate bars, will hope that acquiring Kellanova's crisp and waffle brands will help to diversify its business.

**Ukraine** launched a huge drone and missile attack across **Russia** as it [continued its ground offensive in Kursk](#), a Russian border region. Russia's defence ministry said that it had shot down 117 drones, though reports suggested that others successfully struck Russian air bases in the neighbouring region of Voronezh. President Joe Biden said the operation was "creating a real dilemma" for Russia.

**UBS**, Switzerland's biggest bank, reported net profits of \$1.1bn in the second quarter—more than [double what analysts expected](#)—in its first earnings report since it finalised its merger with Credit Suisse, another Swiss bank, in May. Profits were driven largely by UBS's investment banking division, which thrived in the last quarter as [stockmarkets boomed](#).

A court in **Thailand** dismissed [Srettha Thavisin](#), the country's prime minister, after ruling that he violated the constitution by appointing a minister who previously served time in prison. Pichit Chuenban, a former lawyer, was convicted of contempt of court in 2008 after being accused of bribery. Thailand's parliament will appoint a successor to Mr Srettha, who spent less than a year in office.

**Germany** issued an arrest warrant for a Ukrainian man who is suspected of being involved in [sabotaging the Nord Stream gas pipelines](#), according to local media. The pipelines, which ran from Russia to Germany underneath the Baltic Sea, were blown up in September 2022, months after Russia invaded Ukraine. German authorities did not confirm the reports.

**Figure of the day:** 45%, the proportion of participating countries that won at least one medal in this year's Olympic games. [Read the full story.](#)

*As America prepares to vote in national elections in November, keep abreast of the political news by reading [The US in brief](#), our daily update. [Sign up](#) to receive it as a newsletter each weekday.*

# How markets might react to American inflation



America published the consumer-price inflation figure for July on Wednesday, which showed that inflation fell to 2.9% year on year. That is above the Federal Reserve's target, which uses a slightly different index, of 2%, but slightly below the forecast of 3%.

Markets have not reacted much to the outcome. The Federal Reserve did not cut interest rates last month because inflation was too high. Most investors now expect that the Fed will cut rates in September, by a quarter or half percentage point.

An unexpectedly weak American jobs report contributed to [stockmarket panic](#) last week. Wall Street's "fear gauge", the VIX index, which measures expected volatility using the prices traders pay to protect themselves from it, reached its highest level since America's regional banking crisis last year. The recovery of stock prices since, alongside inflation data that most investors expected, will temper fears of a [further stockmarket rout](#).

# Sudan's ceasefire talks



The latest attempt to bring the [warring parties](#) in Sudan together for ceasefire talks starts in Geneva on Wednesday. America has invited both the Rapid Support Forces, a paramilitary group led by Muhammad Hamdan Dagalo, a warlord known as Hemedti, and the official Sudanese Armed Forces, led by General Abdel Fattah al-Burhan. But only Hemedti has promised to turn up. The SAF insists that it alone should be recognised as Sudan's government, not just as the army. The SAF also objects to the presence at the talks of the United Arab Emirates, which it accuses of backing the RSF.

A top UN official warned on Monday that Sudan is now at a “cataclysmic breaking point”. The civil war that began in April 2023 has displaced internally more than 10m people; 2m have fled abroad. Famine has just been declared in one large refugee camp. If these talks fail, or never even start, Sudan's agony will only worsen.



# Tencent puts up a fight



“Dungeon & Fighter”, a popular slasher-style mobile game, has been a hit for Nexon, the South Korean company that develops it. This may bode well for another group, Tencent, the Chinese social-media and gaming giant that licences the game for the Chinese market. It reported second-quarter results on Wednesday. The company’s gaming division resumed growth, with domestic revenue up by 9% year on year. This is partly due to the success of new games, like “DnF”.

The multinational company once seemed unstoppable. But it suffered during an 18-month [crackdown](#) by China’s government on tech groups, which wiped hundreds of billions of dollars from companies’ valuations. (The launch of “DnF” was postponed when the government withheld approval of new licences.) Tencent still runs the country’s biggest mobile-messaging service, WeChat. But its share price is half of what it was in early 2021. The good news on gaming could punch up its valuation.

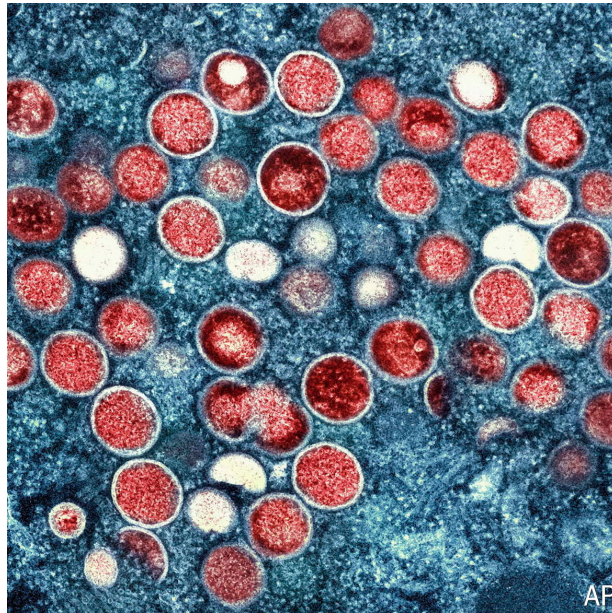
# Poland's outlier inflation



**Inflation** is falling in most Western countries, but in Poland it is climbing. On Wednesday the country's statistics agency, GUS, released final figures for July. Annual consumer-price inflation jumped to 4.2% from 2.6% in June. Energy is to blame. In July the Polish government began to unfreeze electricity and gas prices for households, which it had controlled since 2023 to protect them from the economic effects of the war in Ukraine. Energy prices are estimated to have jumped by almost 12% from June to July.

Without the volatile components of food and energy, Poland's annual inflation is thought to have been 3.7-3.8% in July, up from 3.6% in June. That may look better than the headline figure, but it ends months of decline. Poland's central bank expects **inflation to peak** at 6.3% in early 2025. It will probably keep interest rates high for some time.

# The worrying spread of mpox



Amid a summer surge of covid-19, another disease that became prevalent in the early 2020s is back, too. A [new strain of mpox](#), a potentially lethal virus that causes skin lesions and fever, has spread from Congo, where the disease has long been endemic, to other African nations reporting cases for the first time. On Wednesday officials at the World Health Organisation will convene for an emergency session to decide whether the outbreak constitutes a “public health emergency of international concern”, the body’s highest alert level.

Cases are up 160% compared with the same period last year and more than 500 people have died. Adult males made up the majority of those infected in past outbreaks, but 60% are now children under 15, for reasons that are still unclear. The Africa Centres for Disease Control and Prevention, a public-health body, says it has only 200,000 vaccines of the 10m it needs. Regardless of the WHO’s decision, the world should be very concerned.



## 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](mailto:QuizEspresso@economist.com). We'll pick randomly from those with the right answers and crown three winners on Saturday.

**Wednesday:** Which character played by Samuel Jackson, is the director of SHIELD in the Marvel movies?

**Tuesday:** Agnes, Babet and Jocelyn are all names for what type of phenomenon that hit Europe over the last 12 months?

**45%**

*The proportion of participating countries that won at least one medal in this year's Olympic games.*

*Read the full story.*

**Art is not a mirror held up to reality but a hammer with which to shape it.**

*Bertolt Brecht*