

The world in brief

Catch up quickly on the global stories that matter



Photograph: Getty Images

America's economy grew at an annualised rate of 3% in the second quarter, after shrinking by 0.5% in the first. The earlier decline reflected how imports are treated in [GDP calculations](#): companies rushed to import goods ahead of Donald Trump's tariffs, pulling the figure down. In the second quarter imports fell, making growth appear stronger. Treasury yields and the dollar rose in response, suggesting investors believe the figure reduces the likelihood of rate cuts this year. The Federal Reserve will meet later on Wednesday.

Donald Trump announced tariffs of 25% on imports from **India** from August 1st. He also said that India would face an unspecified "penalty" for importing large amounts of [Russian oil](#) and weapons despite the war in Ukraine. The tariff rate, which follows weeks of negotiations between America and India, is only slightly lower than the 26% levy that Mr Trump threatened on "Liberation Day" in April.

Sir Keir Starmer said that Britain would recognise a **Palestinian state** in September unless Israel agreed to a ceasefire and a two-state solution. Last week around 130 MPs from the prime minister's Labour Party signed a letter urging such recognition. Binyamin

Netanyahu, Israel's prime minister, said Sir Keir's ultimatum "rewards Hamas's monstrous terrorism". Emmanuel Macron, France's president, recently promised to [recognise Palestine](#).

HSBC's second-quarter profits fell 29% year on year to \$6.3bn. The bank lost \$2.1bn after the value of its stake in China's Bank of Communications, a state-owned lender, declined following a government recapitalisation. Operating expenses rose 10%, partly due to severance payouts from job cuts. Its wealth management arm performed well, helped by a rebound in [dealmaking](#).

Hermès, a French luxury house, reported a 9% jump in sales year on year in the second quarter as wealthy shoppers drove demand for its Birkin handbags. The firm became the world's most valuable luxury company earlier this year, surpassing [LVMH](#), a rival. Despite strong results, shares in Hermès fell by 4%, reflecting concerns about the broader luxury downturn.

America's **Environmental Protection Agency** said that the Trump administration would revoke the "endangerment finding", the EPA's declaration in 2009 that greenhouse gases are a risk to health. If the declaration is rescinded, regulations curbing vehicle and power-plant emissions could be lifted. The EPA's head claimed that regulations introduced because of the rule had subjected Americans to "\$1trn or more in hidden taxes".

Australia said it would include **YouTube** in a list of websites that it will ban teenagers from visiting from December. The video-sharing site was originally to be exempted from the legislation, which covers social-media platforms such as Instagram and TikTok. The prime minister, Anthony Albanese, [blames](#) social media for a deterioration in youngsters' mental health.

Figure of the day: 0.006mph, the speed at which Archie crossed the course in the World Snail Racing Championships, held each

summer in England. The snail's record is unbeaten. [Read the full story.](#)



Photograph: Alamy

The Fed's high-wire act

Jerome Powell, the chair of the Federal Reserve, has to walk a delicate tightrope when the central bank meets to set interest rates on Wednesday. Despite Donald Trump's [demands](#) for rate cuts, Mr Powell's approach has been to wait and see how much the policies of Mr Trump's first six months, especially his vast increases to tariff rates, affect growth and inflation. Markets do not expect the Fed to cut rates (though they predict that it will do so later in the year).

So far, the economy has held strong. But as Mr Trump seals more trade deals, America's overall effective tariff rate has soared. The latest estimate from the Yale Budget Lab, which includes his recent agreement with the European Union, puts it at 18.2%, the highest level since 1934. Inflation data from [June](#) suggested that tariffs are beginning to push up prices. Mr Powell is right to be cautious—even if Mr Trump thinks otherwise.



Photograph: Reuters

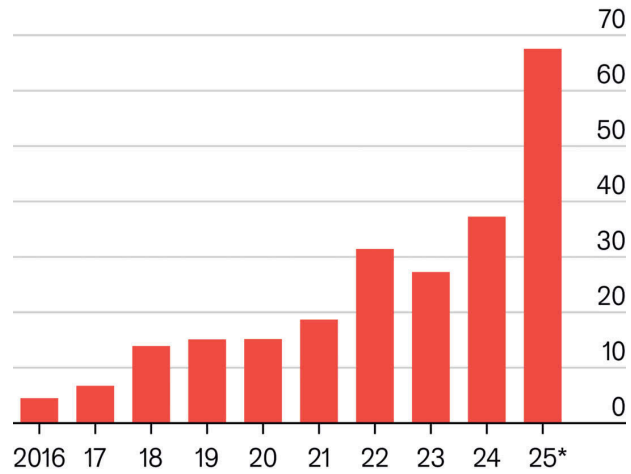
Meta splurges on AI

When Meta delivers its quarterly results on Wednesday, it looks set to report a big increase in advertising revenues. Mark Zuckerberg, the tech giant's boss, will probably announce a further splurge on artificial intelligence. In recent weeks Mr Zuckerberg has spent big on talent, investing almost \$15bn in Scale AI, a data firm, to recruit its co-founder, Alex Wang. He has also set out plans to build [giant multi-gigawatt data centres](#) to support Meta Superintelligence Labs, his new AI unit.

Mr Zuckerberg's spending spree may lead to higher spending projections than the \$64bn-\$72bn that Meta has previously announced for 2025. How investors react may depend on how much they think AI can help Meta's ad business grow even bigger. A cloud looms over the company because of potential fines it faces related to the European Union's Digital Markets Act, which is intended to keep tech giants from competing unfairly. But it is unlikely they would dent Mr Zuckerberg's AI ambitions.

Zuck's bucks

Meta, capital expenditure, \$bn



Source: Bloomberg

*Forecast



Photograph: Getty Images

Gaza slides towards famine

The “worst-case scenario of famine is rapidly unfolding in Gaza”. That is the stark conclusion of the IPC, a group of United Nations agencies and aid groups, on Tuesday. Half a million people, a quarter of Gaza’s population, face “an extreme lack of food”. More than 20,000 children have been hospitalised since April for acute malnutrition. At least 16 children under five have starved to death since July 17th. More will probably suffer the same fate. This is the IPC’s strongest warning since the start of Israel’s war in Gaza in October 2023.

The hunger in [Gaza](#) is man-made, the result of months of tight Israeli restrictions on aid. More food is now flowing to the enclave, but it is still [insufficient](#). Around 100 lorries entered Gaza on Sunday, a fraction of what the UN says is needed. Arab countries have resumed air-drops of food, but the quantities are puny. And negotiations over a ceasefire, the best way to flood the territory with aid, remain at an impasse.



Photograph: AP

Will America build a crypto reserve?

An official report outlining Donald Trump's policies on cryptocurrencies is expected to be released on Wednesday. Details of what the report will cover are light, but it is thought that it will include information about a potential government reserve of cryptocurrencies. Investors will be watching for details of what assets the stockpile might hold and whether it would contain cryptocurrencies seized by the government. The government reportedly holds as much as 200,000 bitcoin, worth \$23.8bn, confiscated by law enforcement.

Crypto-friendly legislation has already steamed through Congress. Mr Trump signed the [GENIUS Act](#), which clarifies a legislative framework for stablecoins, into law on July 18th. The White House report may suggest further legislative and regulatory change, too. In particular, investors will be on the lookout for any hint that digital assets might eventually be allowed into America's \$8.7trn stock of tax-deferred 401k pension investments, along with other alternative asset classes.



Photograph: EPA

The trade war roils Europe's economy

The European Union's [trade deal](#) with Donald Trump is one-sided. The bloc's exports will face far higher tariffs than they did before. But the impact may not be felt so much by the EU as by America, whose firms and consumers will in the long run probably pay the price. Preliminary GDP figures for the EU, released on Wednesday, showed that the trade war is showing first signs of slowing down growth in the EU.

Its GDP grew by 0.2% in the second quarter, compared with the previous quarter, after 0.5% growth in the first. That keeps the annual growth rate at around 1.5%. Economic sentiment in both manufacturing and services had improved recently, according to surveys, signalling a small expansion and increased hiring. But Europe's economy is under pressure. As well as the trade war, it faces Chinese competition, high energy costs and demographic change. It seems to be holding up, just about.



Illustration: The Economist

Daily quiz

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 [\[email protected\]](#). We'll pick randomly from those with the right answers and crown three winners on Saturday.

Wednesday: Which Canadian singer-songwriter performed hits such as “If You Could Read My Mind” and “Daylight Katy”?

Tuesday: Who is the hapless human protagonist in “The Hitchhiker’s Guide to the Galaxy” series?

*The paths of glory lead but to the
grave.*

Thomas Gray